FTI INSIGHTS

ECONOMIC & REAL ESTATE REPORT

4th Quarter 2011

F T I CONSULTING

Critical thinking at the critical time™

Contents

Introduction

Towards the end of 2011, a string of positive reports showed the U.S. economy is gradually gaining momentum, easing fears of a "double dip" recession. In December, nonfarm payroll employment increased by 200,000, marking the sixth consecutive month of gains in excess of 100,000 and sending the unemployment rate to its lowest level since early 2009. Other encouraging news included consumer confidence surging to an eight month high in December, retail sales increasing during the holiday season, and manufacturers reporting business growing at the fastest pace in six months. The latest Federal Reserve Beige Book reported that the economy expanded at a modest to moderate pace from late November to year's end. GDP is forecasted to register upwards of 3.0% during 4Q11, which would be the largest gain since 1Q10. Despite the optimism, there are numerous headwinds challenging the U.S. economy for sustainable economic growth. Global concerns include the European Debt Crisis, a slowdown in China's economy and growing tensions with Iran (resulting in higher oil prices). Domestic issues include continued state and local government spending cuts, political uncertainty and a depressed housing market.

Commercial real estate markets continue to slowly recover, albeit at a slower pace than during the first half of the year. Driven by the shift to renting, low supply and favorable demographics, the multi-family sector has remained the most desirable commercial property sector. During the latest quarter, improving market fundamentals were characterized by declining vacancy rates, stabilizing rental rates, and positive absorption resulting from low supply. Fueled by low interest rates and greater credit liquidity, investment sales activity is on pace to exceed 2010 totals by roughly 41%, as more investors pursue deals. Commercial and multi-family loan originations continue to increase and cap rate compression has now occurred for eight consecutive quarters. However, several trends give rise to concern. The velocity of investment activity has slowed during the past several months, as investors feel less urgency to make deals in the near term and although CMBS delinquency rates are trending downward, CMBS issuances have slowed considerably since the summer months due to economic worries regarding the Eurozone Crisis.

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 1.8% annual pace during 3Q11, revised down from the previous growth rate of 2.0%.
- **Unemployment Rate Continues to Fall.** The unemployment rate fell to 8.5% in December, marking the fourth consecutive monthly decline. Since June 2011, the number of unemployed has declined by an estimated 927,000. Job gains in December were largely broad-based.
- **Construction Spending Exceeds Expectations.** Total construction spending jumped 1.2% in November as private residential spending increased. However, nonresidential outlays were primarily flat.
- **New Home Sales Rise.** In November, new home sales increased 1.6% to an annualized 315,000-unit pace. Despite the rise, sales are still historically weak. Regionally, sales improved in the Midwest and South regions of the U.S.

Introduction (continued)

- **Consumer Confidence Surges.** U.S. consumer confidence continued to increase in December. The December reading is the fourth strongest month in more than three years and is not far off from the cycle high set in February 2011.
- **Leading Economic Indicators Index Rise Modestly.** The Leading Economic Index (LEI) increased 0.5% in November, following a 0.9% rise in October. Lifting the index were increases in building permits and the interest rate spread.
- **Retail Sales Rise Slightly.** In December, retail sales nudged higher by 0.1%; however, the National Retail Federation reported that retail industry sales jumped 4.1% for the 2011 holiday season compared to the prior year.
- **Durable Goods Orders Increase.** New orders for big-ticket manufactured goods increased 3.8% in November. For the 23rd consecutive month, inventories of durable goods continued to increase.
- **Factory Orders Climb.** Orders for manufactured goods increased 1.8% in November after two consecutive months of declines; however, excluding transportation equipment, orders increased only 0.3%.
- **Consumer Credit Sharply Rises.** U.S. borrowing increased 10.0% in November, the largest monthly increase since October 2001, as consumers capitalized on low interest rates to finance purchases during the month.
- **Personal Income Increases Slightly.** Personal income increased 0.1% in November with wage and salary growth down 0.1%. Due to this nominal income growth, savings rates continue to decline, as income goes to finance expenditures.

Employment

Optimism about the economic recovery was boosted by the strengthening job reports that came out in December. During the final month of year, employers added 200,000 jobs to payrolls, the sixth consecutive month of more than 100,000 job gains. During 2011, the economy added 1.6 million jobs, roughly 41% higher than 2010 output and the most workers since 2006. Since employment in the United States hit its recent low, in February 2010, the economy has added 2.6 million jobs. There have been 15 consecutive months of positive job growth. This job growth has resulted in the unemployment rate falling to 8.5%, the lowest rate since February 2009. Despite the increase, the total nonfarm payroll number is still roughly 6.1 million less than January 2008, before the recession eliminated 8.8 million jobs. Currently, non-farm employment totals about 131.9 million, which is up 1.3% from 2010. In a separate release, the ADP National Employment Report showed a 325,000 increase in private sector jobs for December.

In December, employment gains were spread through a variety of sectors. Employment within the transportation and warehousing sectors jumped by 50,000 and the retail sector witnessed a gain of 28,000. Additionally, the manufacturing, health care and education industries each added more than 20,000 positions. However, some of the gain in private payrolls was offset by a continued decline in government jobs, which fell by 12,000. Despite the much needed recent job growth, more than 13 million people still remain unemployed in the U.S. and 42.5% of them have been so for six months or more.

UNITED STATES NON-FARM EMPLOYMENT BY INDUSTRY

Historic & Current Figures (millions)

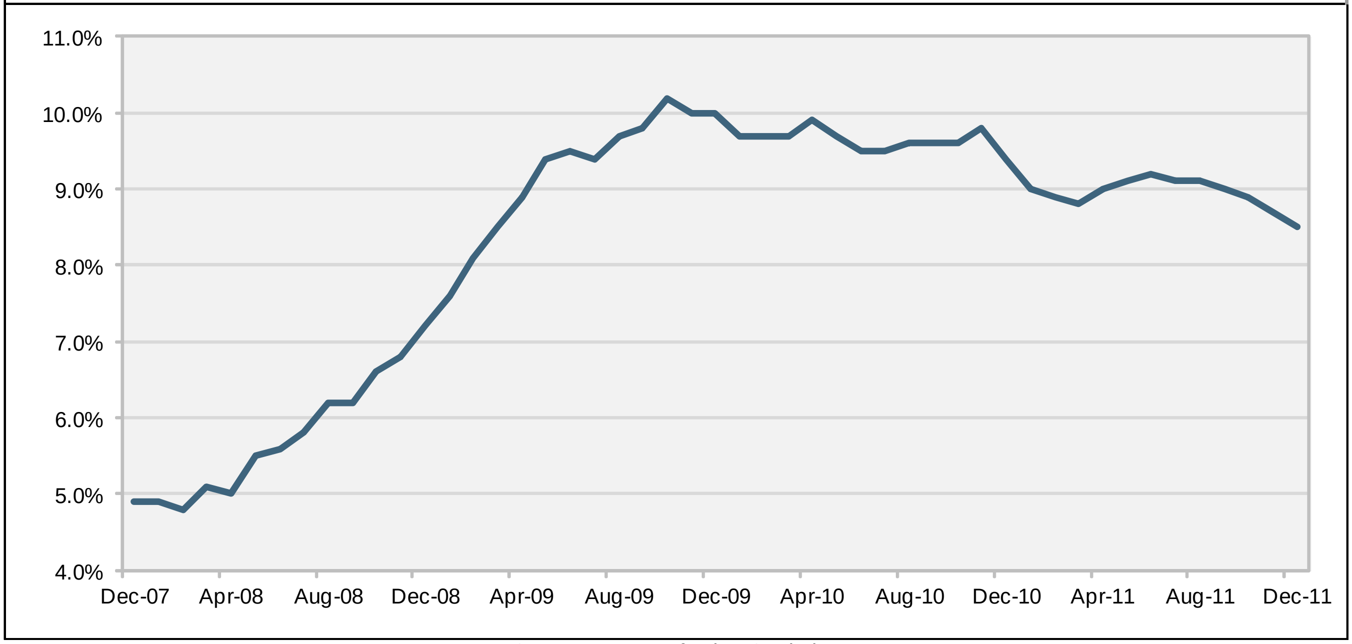
INDUSTRY	2011 Employment	Total Percent	2010 Employment	Total Percent	2009 Employment	Total Percent	% Change 2010 - 2011
Mining and Logging	825	0.6%	734	0.6%	662	0.5%	12.4%
Construction	5,544	4.2%	5,498	4.2%	5,647	4.4%	0.8%
Manufacturing	11,790	8.9%	11,565	8.9%	11,456	8.9%	1.9%
Trade, Trans & Utilities	25,142	19.1%	24,746	19.0%	24,561	19.0%	1.6%
Information	2,658	2.0%	2,694	2.1%	2,742	2.1%	-1.3%
Financial Activities	7,624	5.8%	7,617	5.8%	7,682	5.9%	0.1%
Prof & Bus. Services	17,354	13.2%	16,902	13.0%	16,482	12.7%	2.7%
Educ. & Health Services	20,187	15.3%	19,760	15.2%	19,352	15.0%	2.2%
Leisure & Hospitality	13,342	10.1%	13,074	10.0%	12,932	10.0%	2.0%
Other Services	5,462	4.1%	5,418	4.2%	5,319	4.1%	0.8%
Government	21,972	16.7%	22,252	17.1%	22,485	17.4%	-1.3%
Total Nonfarm	**131,900**	**100.0%**	**130,260**	**100.0%**	**129,320**	**100.0%**	**1.3%**

Source: Bureau of Labor Statistics

Employment (continued)

U.S. UNEMPLOYMENT RATE

Monthly Figures (Dec. 2007-Dec. 2011)



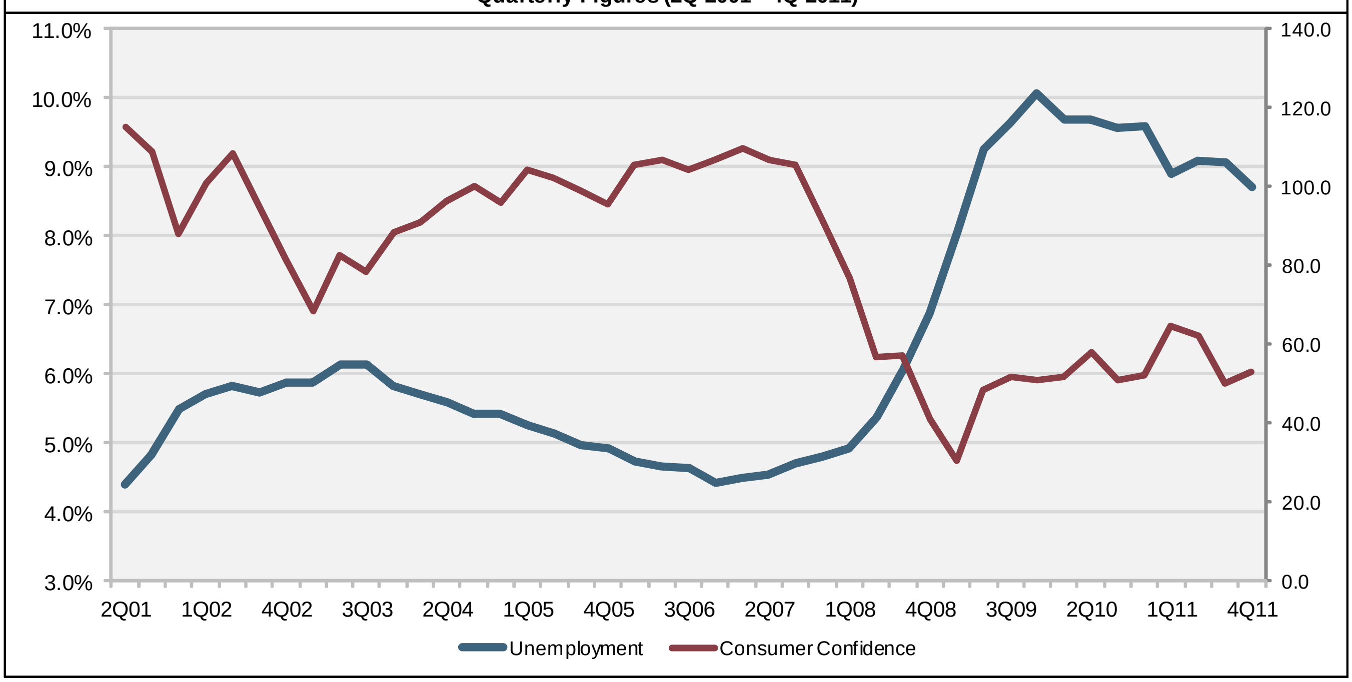
Source: Bureau of Labor Statistics

Since peaking in October 2009, the U.S. unemployment rate has declined 170 basis points. Between December 2007 and December 2008, the unemployment rate averaged only 5.2%.

Below is a graph depicting unemployment rates and consumer confidence since 2Q 2001.

U.S. Unemployment Rates vs. Consumer Confidence

Quarterly Figures (2Q 2001 - 4Q 2011)



Source: Bureau of Labor Statistics and the Conference Board

The Conference Board Consumer Confidence Index is closely correlated with the U.S. unemployment rate and is considered a key indicator of economic conditions. Since reaching a decade low in 2009, the index has slowly trended upward despite periodic fluctuations.

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.

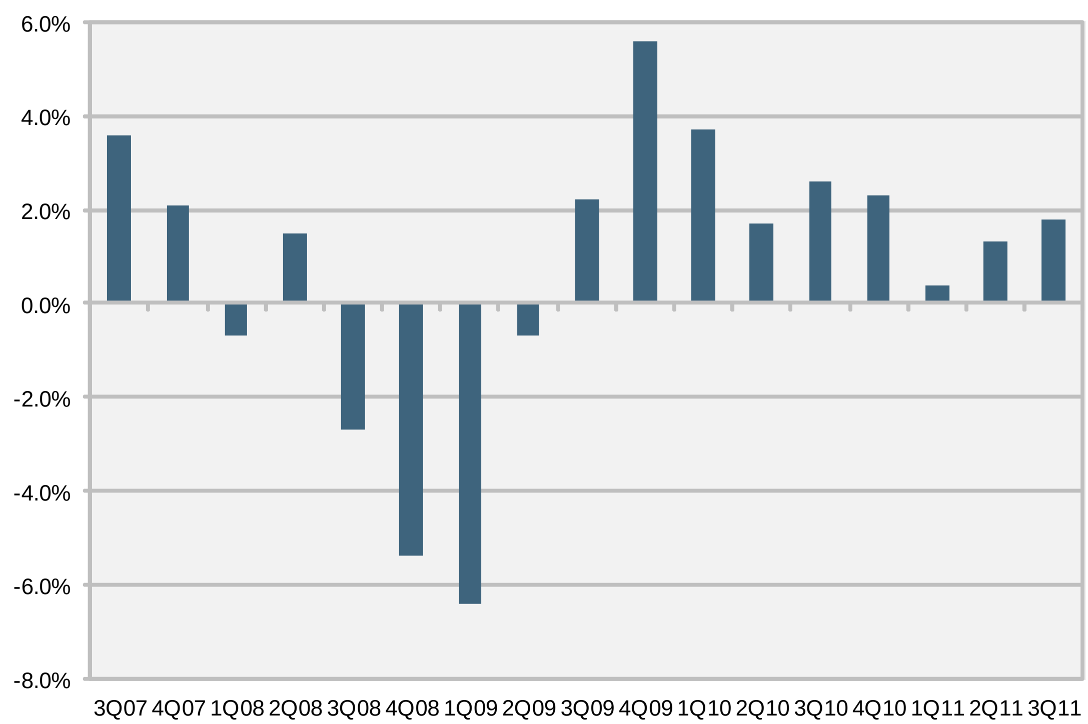
The U.S. economy grew slightly less than previously reported during the third quarter of 2011. Gross domestic product grew at an annual rate of 1.8%, revised down from the previous growth rate of 2.0%. This marks the ninth consecutive quarter of U.S. economic expansion and an increase from the 1.3% growth recorded during the second quarter of 2011. The economy's lower growth revision resulted primarily from a downward adjustment of the personal consumption expenditure from 2.3% to 1.7%. Lower consumer spending was only partly offset by an upward revision to business inventory investment. During the latest quarter, the U.S. GDP report also showed some inflationary pressures in the economy as the price index for personal spending increased at an unrevised 2.3% rate in the third quarter.

Looking ahead, U.S. GDP is forecasted to increase upwards of 3.0% during the fourth quarter of 2011. In early January 2012, a survey released by the economic advisory roundtable of the Securities Industry and Financial Markets Association lowered the outlook for U.S. economic growth from 3.1% to 2.2% in 2012 due to concerns over the European debt crisis, rising oil prices, regulatory uncertainties and political posturing in Washington D.C.

The following chart summarizes U.S.GDP growth on a quarterly basis since 3Q 2007.

GROSS DOMESTIC PRODUCT

Quarter-to-Quarter Growth in Real GDP



Source: Bureau of Labor Statistics

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 in December, as the pace of growth in the U.S. manufacturing sector increased to its fastest pace in six months and the Purchasing Managers' Index increased 1.2 percentage points, consistent with the slow improvement in the overall economy. Economic activity in the manufacturing sector expanded for the 29th consecutive month and the overall economy grew for the 31st consecutive month. The index was boosted by gains in holiday sales, increasing demand for autos, rising production and orders and contracting inventories and it is believed that growth in Asia and emerging markets is helping to maintain orders for U.S. goods as Europe contends with economic troubles; however, the sovereign debt crisis occurring in Europe may derail growth elsewhere across the globe.

MANUFACTURING AT A GLANCE - December 2011

Index	Series Index December	Series Index November	Percent Point Change	Direction	Rate of Change	Trend* (months)
Purchasing Managers' Index	53.9%	52.7%	1.2%	Growing	Faster	29
New Orders	57.6%	56.7%	0.9%	Growing	Faster	3
Production	59.9%	56.6%	3.3%	Growing	Faster	4
Employment	55.1%	51.8%	3.3%	Growing	Faster	27
Supplier Deliveries	49.9%	49.9%	0.0%	Faster	Same	2
Inventories	47.1%	48.3%	-1.2%	Contracting	Faster	3
Customer Inventories	42.5%	50.0%	-7.5%	Too Low	From Unchanged	1
Prices	47.5%	45.0%	2.5%	Decreasing	Slower	3
Backlog of Orders	48.0%	45.0%	3.0%	Contracting	Slower	7
Exports	53.0%	52.0%	1.0%	Growing	Faster	2
Imports	54.0%	49.0%	5.0%	Growing	From Contracting	1

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 December, increasing 1.2 percentage points from the November reading of 52.7%.

- **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 grew for the 3rd consecutive month in December. Nine industries reported growth in new orders in December.

- **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 3.3 percentage points in December from November. Ten 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. Ten of the eighteen manufacturing industries reported growth in December. This represents the 27th consecutive month of growth in manufacturing employment.

- **Supplier Deliveries Index**. A reading above 50% indicates slower deliveries. Two industries reported slower supplier deliveries and nine industries reported faster deliveries in December. This was the second consecutive month that supplier deliveries have been below 50%.

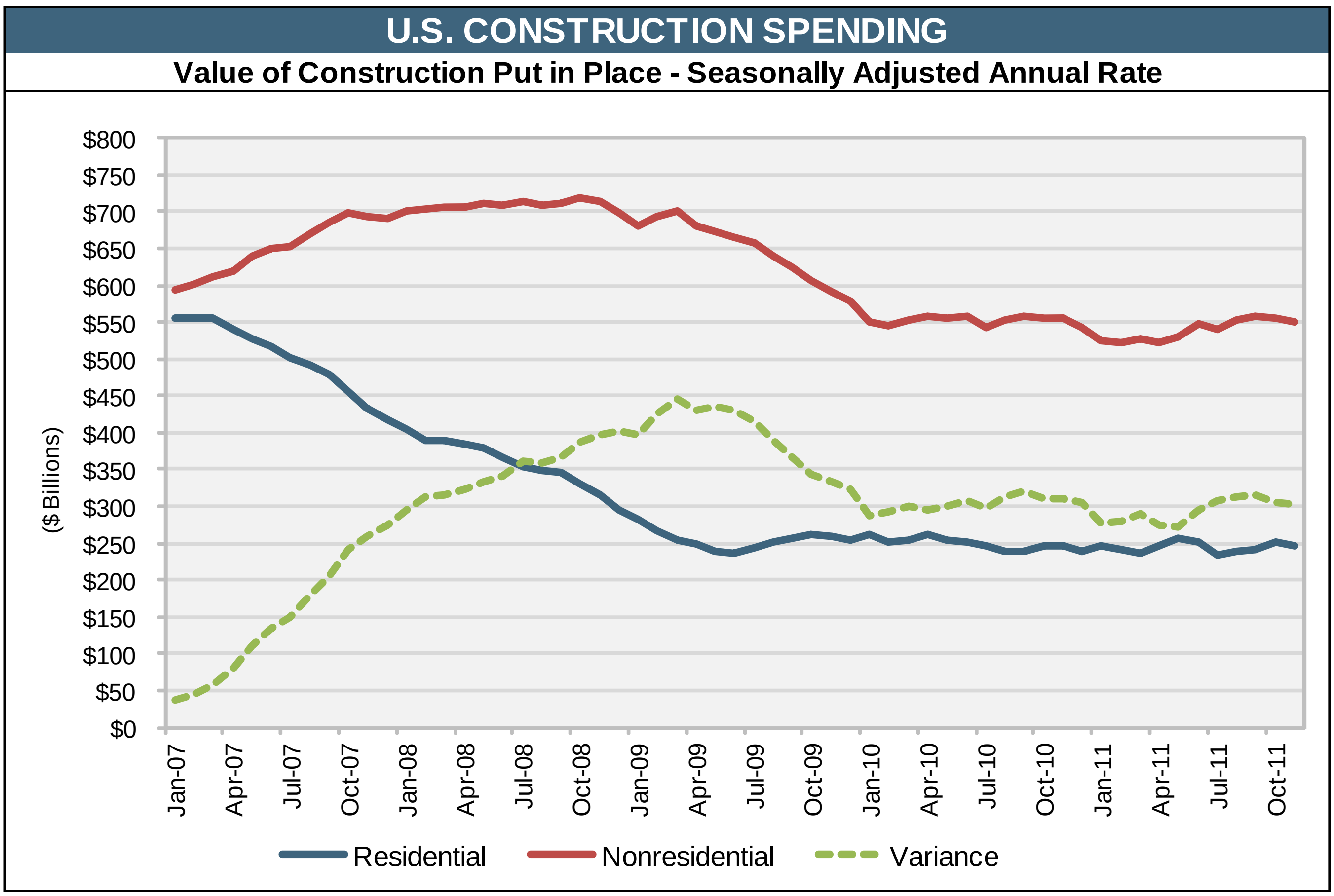
- **Inventories Index.** An Inventories Index greater than 42.7%, over time, is generally consistent with expansion in the Bureau of Economic Analysis' (BEA) figures on overall manufacturing inventories. Manufacturers' inventories decreased by 1.2 percentage points in December, although five industries reported higher inventories during the month.

Construction Spending

The Commerce Department reported U.S. construction spending exceeded expectations in November, rising 1.2% to a seasonally adjusted annual rate of $807.1 billion. Economists were expecting a 0.5% increase. Annualized construction spending increased to its highest level since June 2010 and the November figure is 0.5% above the November 2010 estimate of $803.0 billion. During the first 11 months of this year, construction spending amounted to $724.8 billion, 2.5% below the $743.6 billion for the same period in 2010. Private construction jumped 1.0%, rising for the fourth consecutive month. It is predicted that construction will add to fourth quarter 2011 GDP.

Of total construction spending, private construction comprised 65.0% of total expenditures, while public construction accounted for 35.0% of total spending. Non-residential spending accounted for 68.9% of total expenditures compared to 31.1% for non-residential projects. Within the non-residential sector, only four sectors have recorded gains in construction spending since November 2010, including the commercial, power, educational and manufacturing sectors. Notable areas where declines in spending occurred include the lodging (-19.0%), health care (-4.2%) and office (-3.2%) sectors during the past 12-month period.

Below is a graph highlighting residential and non-residential construction (seasonally adjusted) annualized outlays since 2007. Construction expenditures for non-residential projects have a much lower variance during the time period, reaching a low of $521 billion in April 2011 and a high of $719 in October 2008. The economic downturn has affected residential construction much more significantly, as construction spending dropped from $556 billion in January 2007 to $233 billion in July 2011. It appears that both nonresidential and residential construction expenditures are bouncing along the bottom.



Source: U.S. Census Bureau

Construction Spending (continued)

Below is a breakdown of construction spending.

VALUE OF CONSTRUCTION PUT IN PLACE - SEASONALLY ADJUSTED ANNUAL RATE ($ millions)						Percent change Nov 2011 from -	
	Nov-11	Oct-11	Sep-11	Aug-11	Nov-10	Oct-11	Nov-10
Total Construction	**$807,114**	**$797,422**	**$798,972**	**$790,277**	**$802,980**	**1.2%**	**0.5%**
Residential	**$251,433**	**$246,873**	**$241,690**	**$238,307**	**$246,530**	**1.8%**	**2.0%**
Non-Residential	**$555,682**	**$550,550**	**$557,282**	**$551,971**	**$556,450**	**0.9%**	**-0.1%**
Lodging	$8,178	$8,150	$8,659	$8,534	$10,100	0.3%	-19.0%
Office	$34,339	$34,274	$34,967	$34,229	$35,459	0.2%	-3.2%
Commercial	$43,797	$44,136	$44,939	$46,001	$39,332	-0.8%	11.4%
Health care	$39,159	$38,436	$41,051	$40,594	$40,888	1.9%	-4.2%
Educational	$86,258	$85,699	$87,016	$85,934	$83,006	0.7%	3.9%
Religious	$3,883	$4,056	$4,143	$4,235	$5,050	-4.3%	-23.1%
Public safety	$9,901	$9,705	$9,828	$10,238	$10,229	2.0%	-3.2%
Amusement and recreation	$15,430	$15,990	$16,142	$15,574	$16,973	-3.5%	-9.1%
Transportation	$34,542	$34,400	$35,173	$35,787	$36,685	0.4%	-5.8%
Communication	$16,550	$17,410	$18,158	$17,756	$18,271	-4.9%	-9.4%
Power	$99,823	$94,992	$92,114	$89,949	$93,763	5.1%	6.5%
Highway and street	$82,865	$81,343	$81,001	$78,628	$84,789	1.9%	-2.3%
Sewage and waste disposal	$23,475	$22,792	$22,790	$22,700	$25,425	3.0%	-7.7%
Water supply	$13,759	$14,377	$14,177	$14,529	$15,398	-4.3%	-10.6%
Conservation and development	$5,950	$6,732	$6,559	$7,043	$7,753	-11.6%	-23.3%
Manufacturing	$37,772	$38,058	$40,565	$40,239	$33,329	-0.8%	13.3%

Source: Census Bureau

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.

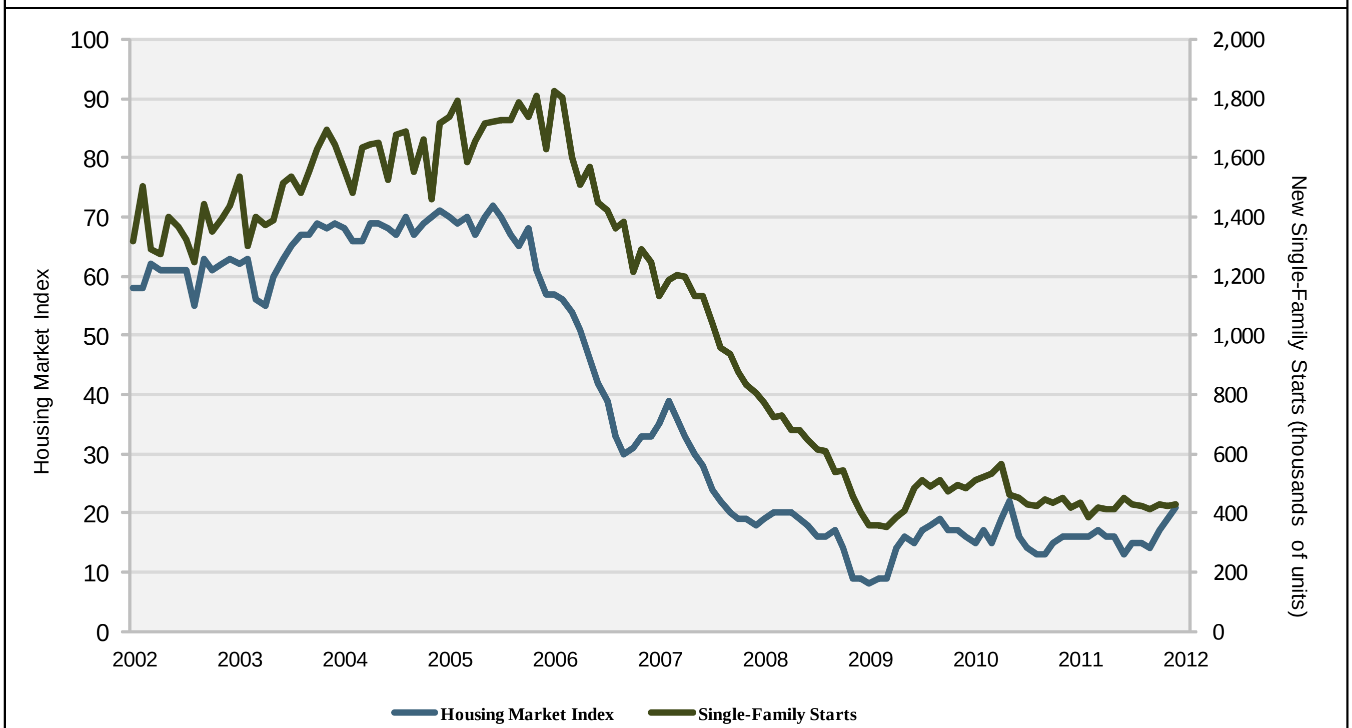
- The ABI is a leading economic indicator of nonresidential construction activity, reflecting an approximate nine to twelve month lag time between architecture billings and construction spending. Any measure below 50 indicates contraction in demand for architects' services.
- The ABI climbed into positive territory for the first time in four months. After increasing in October, the ABI continued its positive momentum in November, rising to 52.0. This score indicates an increase in demand for design services.
- Regionally, the South scored the highest, followed by the Midwest, Northeast and West.
- The multifamily residential sector recorded the highest reading for future construction, followed by the commercial and industrial sectors.
- The mixed-use sector showed the most promise for future construction, followed by institutional, commercial/industrial and multi-family residential sectors.
- Limited credit for construction projects is a primary concern affecting future activity along with state budget constraints.
- The new projects inquiry index jumped to 65.0 in November, up from 57.3 the previous month, indicating an increase of new projects in the construction pipeline.

State of the Housing Market

- The housing market is slowly beginning to show improvement as existing home sales rise, inventories fall, low interest rates persist and people capitalize on a buyer's market.
- Homebuilder confidence increased for the third consecutive month within the NAHB/Wells Fargo Market Index, reaching its highest point since May 2010.
- An uptick in household formation, the driver of growth for housing demand, is expected to rise in 2012, allowing for absorption of excess inventory.
- More restrictive mortgage loan underwriting standards and conservative appraisals are delaying the recovery process.
- Year-over-year, 3Q11 home price indices from Case-Shiller (-3.4%), the Federal Finance Authority (-3.7%) and National Association of Realtors (-4.7%) all posted declines.
- Due to the excess amount of single-family homes and condos on the market, residential developers continue to limit new construction across much of the country.
- Competition from foreclosures has limited the pricing power of developers, reducing the incentive to build, which has led to historically low inventories of new homes.
- After peaking in 2004 at 69.0%, homeownership rates have declined for eight consecutive years and currently stand at 66.3%.The housing market continues to struggle, characterized by sluggish sales activity, oversupply and foreclosures.

Below is a historical chart comparing the NAHB/Wells Fargo Housing Market Index and single-family starts.

NAHB/Wells Fargo Housing Market Index (HMI) and New Single-Family Starts



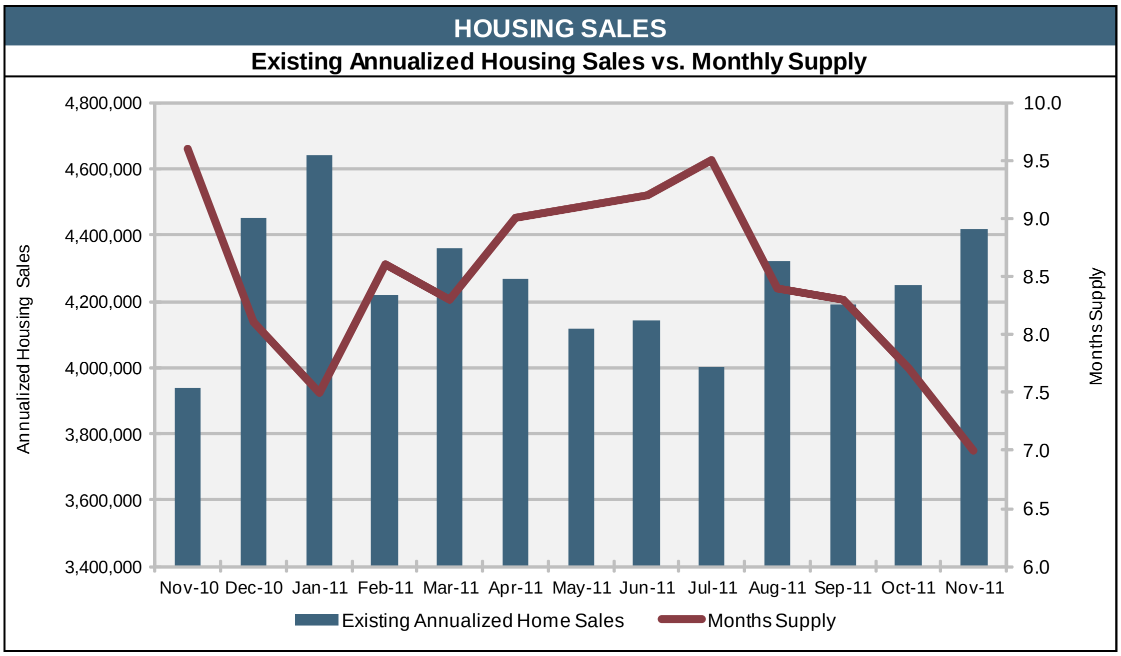
Source: NAHB/Wells Fargo Housing Market Index and U.S. Census Bureau

After remaining in a tight range for roughly one year, the NAHB/Wells Fargo Housing Market Index has seen recent improvement, which may signal that the housing market is starting to find a bottom. Despite the recent gain, home builder sentiment is still historically low. NAHB Chairman Bob Nielsen stated, "While builder confidence remains low, the consistent gains registered over the past several months are an indication that pockets of recovery are slowly starting to emerge in scattered housing markets."

Housing Sales

Annualized home sales increased 4.0% in November to a seasonally adjusted annual rate of 4.42 million. Since setting a record of 4.04 million in July 2007, inventories have trended down and supplies are moving close to price stabilization levels. After peaking in July 2010 at 12.5 months supply, the housing supply dropped to its lowest level in January 2011; however, supply has since increased, as buying slowed during the winter and early spring months

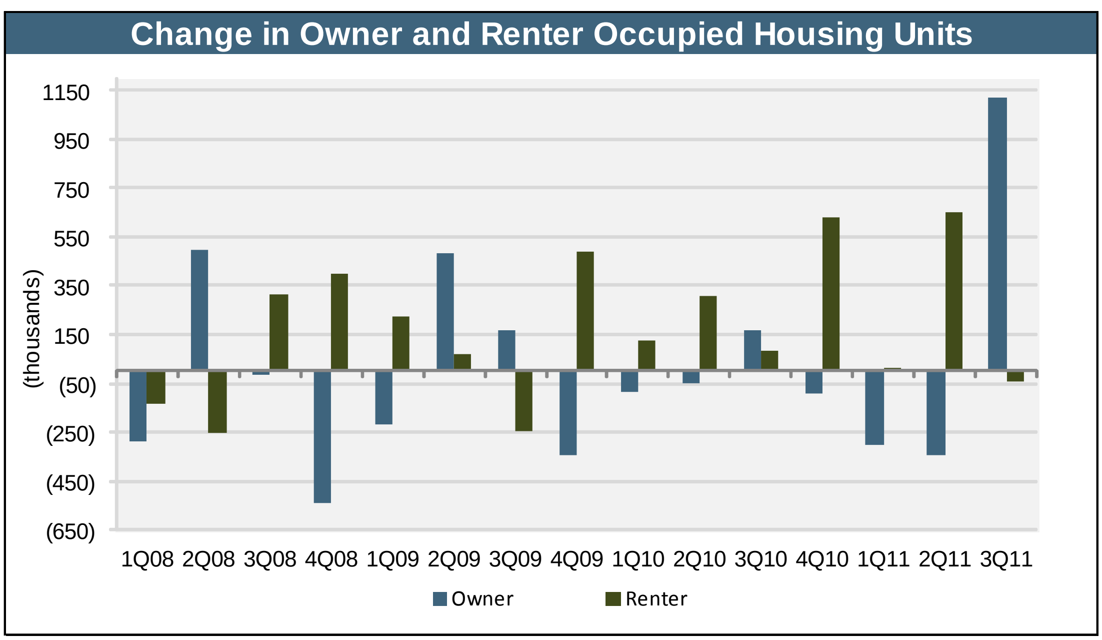
Below is a breakdown of existing annualized housing sales vs. supply.



Source: National Association of Realtors

Owner vs. Renter Occupied Units

Despite accounting for roughly two-thirds of occupied housing units, the number of owner occupied households continues to decline due to shifting demographics and weak economic conditions. Since 2009, renter occupied units have increased by nearly 2 million, while the number of owner occupied units has declined by more than 1 million.



Source: Census Bureau

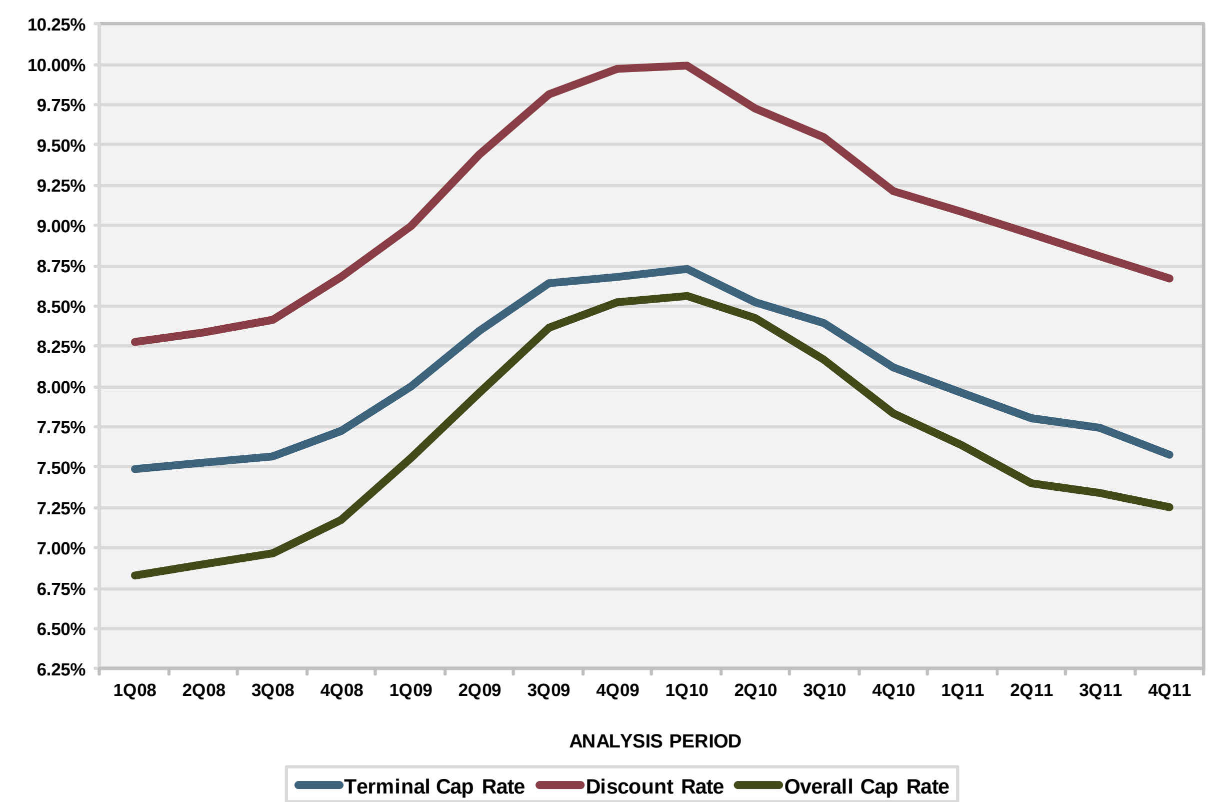
PwC Real Estate Investor Survey

- More than 100 institutional and private investors surveyed for the PwC Real Estate Survey reported that overall cap rates (OARs) have declined in 22 of the survey's 31 tracked markets during 4Q11. Since 3Q11, the average decrease was 9 basis points across nearly all major property types. All the major investment rates (overall cap rates, terminal cap rates and discount rates) declined for the eighth consecutive quarter across all property types. During the fourth quarter, OARs recorded the largest drop in the net lease market, indicating strong investor demand for trophy, net leased assets with high-credit tenants. The report notes that surveyed investors' cautious optimism regarding the future of the commercial real estate market as buying opportunities beyond the core markets remain risky due to a delayed recovery outlook for many secondary and tertiary markets. Despite the challenges facing the economy, the consensus view of many investors is that the commercial real estate continues to offer attractive yields compared to alternative investment vehicles.
- Terminal cap rates declined to 7.58% during 4Q11, 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 54 BPS decrease for terminal cap rates between 4Q10 and 4Q11.
- Discount rates (IRR) decreased to 8.67% during 4Q11. The average decline was 14 BPS across nearly all major property types since 3Q11. This compares to a 54 BPS decline for discount rates between 4Q10 and 4Q11.

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

PwC REAL ESTATE INVESTOR SURVEY HISTORICAL RESULTS

INVESTMENT RATE ANALYSIS



4Q11 Survey Highlights

- The PwC Real Estate Barometer tracks the anticipated performances of the four main property sectors (office, retail, industrial and multifamily). According to the barometer, all multi-family assets will be in recovery and/or expansion mode during 2012, the highest percentage among the core property types. The barometer predicts that 74.0% of office assets and 73.0% of industrial assets will be in recovery and/or expansion mode during 2012. The forecast is not as optimistic for the retail sector, as only 20.0% of assets are expected to be in recovery and/or expansion mode during 2012.
- Investors emphasize acquiring assets based on current market fundamentals rather than aggressive lease-up and rental growth assumptions.
- Mitch Roschelle, partner, U.S. real estate advisory practice leader, PwC, stated, "Despite a sluggish U.S. economic outlook, the majority of surveyed investors view commercial real estate as favorably priced and a good play. The bullishness on the part of investors in the office sector comes as more office tenants are staying put and prospects for rent growth are improving. Looking ahead to 2012, our report suggests that investing in U.S. commercial real estate is an attractive play and will gain increasing global attention due to its hard asset nature and current income-producing characteristic, along with its total return potential."
- OARs declined for the majority of major property types during 4Q11; the largest decreases were recorded within the regional mall (27 BPS), apartment (18 BPS) and power center (15 BPS) sectors. Slight increases of 3 and 4 BPS, respectively, were recorded within the warehouse and flex/R&D sectors.
- As of 4Q11, flex/R&D properties had the highest average OARs at 8.71%, followed by the warehouse (7.48%) and suburban office (7.43%) sectors. The lowest average OARs were recorded within apartment (5.80%), CBD-office (6.84%) and strip center (7.16%) sectors. The simple average OAR across all sectors was 7.25%.
- Terminal cap rates declined for the majority property types during 4Q11; the largest decreases were recorded within the regional mall (56 BPS) and power center (45 BPS) sectors. Unlike the other two retail sectors, the strip center sector recorded no change in terminal cap rates.
- As of 4Q11, flex/R&D properties had the highest terminal capitalization rate at 8.56%, followed by the strip center (7.93%) and warehouse (7.92%) sectors. The lowest terminal capitalization rates were recorded within the apartment (6.24%) and CBD-office (7.21%) sectors. The simple average terminal capitalization rate across all sectors was 7.58%.
- IRRs declined for the majority of major property types during 4Q11; the largest decreases were recorded within the power center (42 BPS), regional mall (25 BPS) and CBD-office (21 BPS) sectors. The warehouse sector was the only sector to record an increase.
- As of 4Q11, flex/R&D properties had the highest IRR at 9.58%, followed by the regional mall (9.31%) sector. The lowest IRRs were recorded within the apartment (8.27%), power center (8.31%) and CBD-office (8.38%) sectors. The simple average IRR across all sectors was 8.67%.
- Although core markets are of primary focus, more investors are exploring opportunities in secondary markets, where barriers to entry are lower and risks are greater.
- Looking ahead, concerns about the U.S. economic recovery and gradual recovery in the commercial real estate markets have led investors to forecast that overall cap rates will hold steady over the next six months in most markets across the U.S.

Commercial Property Sales Analysis

Based on data recorded through November 2011 from Real Capital Analytics (RCA), commercial property sales activity is on pace to total $177.6 billion in 2011, a 41.0% increase from 2010 totals. Despite the healthy increase, the pace of activity has cooled during the second half of 2011.

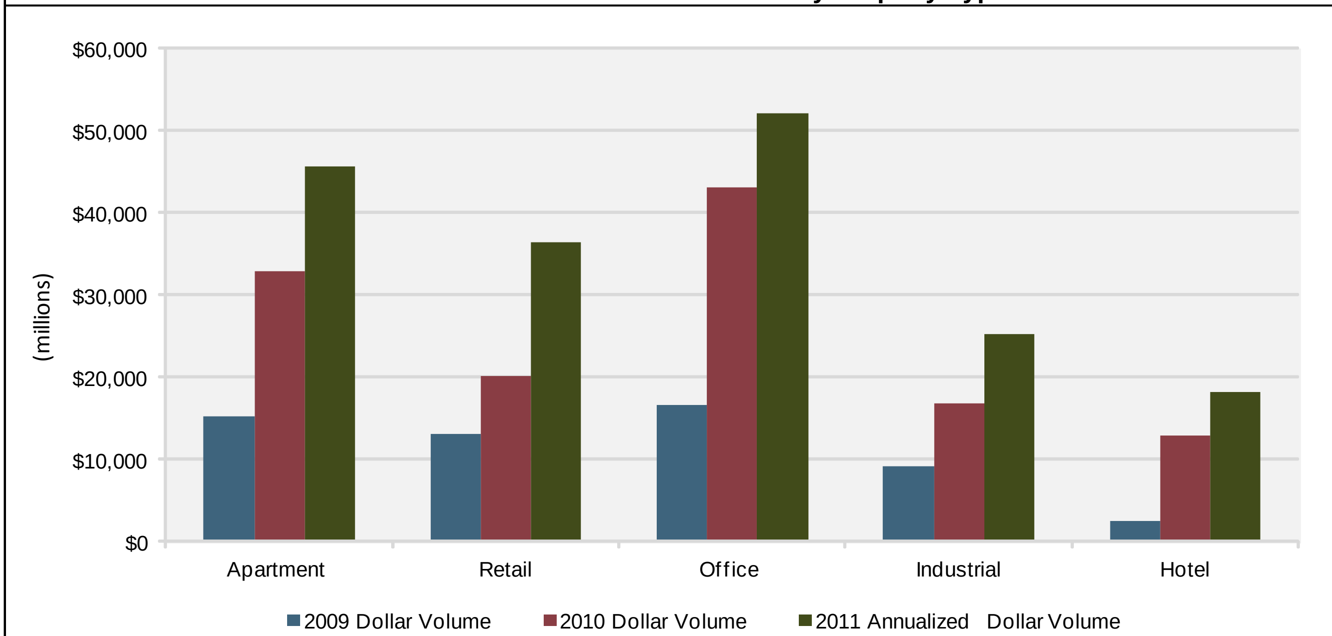
Below we look at 2011 sales activity by product type.

- **Office**: Sales activity is set to rise 21.0% to $52.1 billion. CBD sales are outpacing suburban sales in 2011, but suburban velocity is escalating.
- **Industrial:** Sales activity is on pace to jump 49.0% to $25.2 billion; however, volume has cooled. Warehouse sales are outpacing flex sales by the highest ratio since 2003.
- **Retail:** Sales activity is set to increase 80.0% to $36.4 billion. The spike in activity is broad-based across the sector.
- **Hotel:** Sales activity is positioned to rise 43.0% to $18.3 billion. Full-service sales in primary cities have driven activity.
- **Apartment**: Sales activity is on pace to increase 38.0% to $45.5 billion. Garden apartments have accounted for 63.0% of activity within this sector.

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

INVESTMENT SALES ACTIVITY

Dollar Volume of Sales Transactions by Property Type



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

As 2011 ended, RCA is reporting that investors are feeling less pressure to make deals in the near term as better deals are there to be had in the future. Lenders, once very aggressive earlier in 2011, have eased somewhat, leading to fewer transactions. On the positive, more distressed properties are being removed from the market and inflows of distressed properties are lessening due to more liquidations, workouts and restructurings. Currently, growth is being driven by CBD office, garden apartments and retail in prime locations. In total, office sales account for the majority (29%) of projected sales activity, followed by the apartment (26%) and retail (20%) sectors, which is a pattern that has held consistent the past several years. Despite the overall increase in investor activity and confidence, the "Flight to Quality" is still evident among investors.

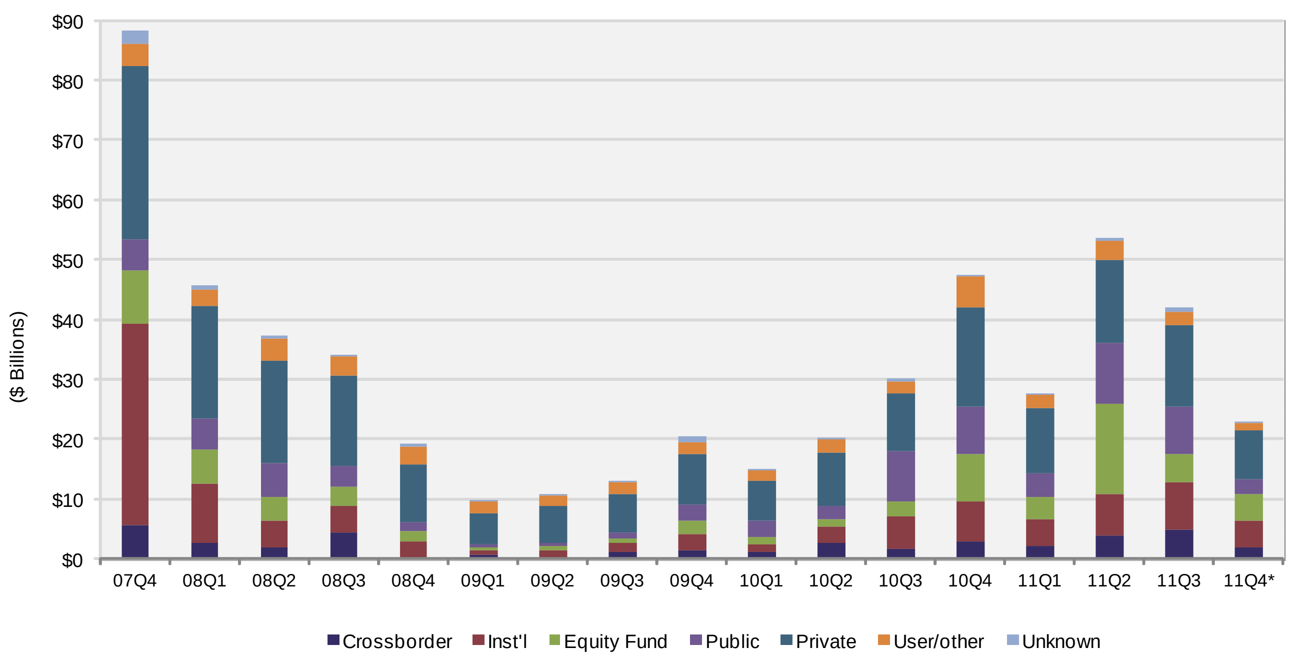
During the first eleven months of 2011, the number and volume of sales have exceeded output recorded during the same time frame during 2010. RCA reported that roughly 7,760 properties have traded through November 2011, which translates into roughly 8,460 transactions forecasted for 2011 within the office, 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.

- **Private buyers** have been the most active buyer type in 2011, but are losing market share to other players. The latest data shows private buyers executing 32.0% of total investment sales activity, which is down from 37.0% in 2010 and 50.0% in 2009.
- **Institutional buyers** continue an upward buying trend, accounting for 16.0% of sales activity in 2011. In 2009 and 2010, transactions from institutions represented 11.6% and 14.2% of market activity, respectively.
- The **equity sector** has gained the largest market share in 2011, with sales currently comprising 19.3% of total buyer activity, up from 11.4% of sales transactions recorded last year.
- Foreign capital has returned to U.S. real estate, highlighted by strong inflows of investment capital into the multi-family housing sector due to a weaker dollar, international market volatility and continued high rates of foreclosures. **Crossborder** acquisitions currently account for 13.0% of activity, up from roughly 8.7% in 2010.

INVESTMENT SALES ACTIVITY

Summary of Transactions by Buyer



Source: Real Capital Analytics * Data through November 2011

FTI CONSULTING

Significant 4Q 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
53 State Street	Boston	MA	1,194,000	$610.0	$510.9	UBS Realty Investors LLC
1501 McKinney Street	Houston	TX	844,763	$442.5	$523.8	H&R Real Estate Investment Trust
140 E 45th Street	New York	NY	650,031	$401.0	$616.9	Rockwood Capital, LLC
525 Washington Boulevard	Jersey City	NJ	1,197,289	$377.5	$315.3	NewTower Trust Company
10 Exchange Place	Jersey City	NJ	648,005	$285.0	$439.8	Manulife Real Estate
195 Broadway*	New York	NY	973,231	$280.0	$302.8	Beacon Capital Partners, LLC
22 W Washington Street	Chicago	IL	439,434	$182.0	$414.1	Prudential Investment Management

Source: CoStar *95.0% partial interest transfer

Industrial/Flex Sale Transactions

Address	City	State	Size (SF)	Sale Price ($ mil)	Price/$SF	Buyer
258 Prospect Plains Road	Cranbury	NJ	886,875	$80.5	$90.8	Exeter Property Group
100 Industrial Park Dr N	Tobyhanna	PA	1,400,000	$70.0	$50.0	USAA Real Estate Company
Crosspoint Center Portfolio	Charlotte	NC	1,084,485	$60.8	$56.0	Liberty Property Trust
1005 & 1006 Railhead Drive	Haslet	TX	747,528	$58.3	$78.0	INVESCO
14423-13473 Santa Ana Avenue	Fontana	CA	819,004	$55.5	$67.8	John Hancock Life Insurance Company
5500 Sheila Street	Commerce	CA	445,767	$54.0	$121.1	TIAA-CREF
4000 Ruffin Road	San Diego	CA	424,766	$50.0	$117.7	IDS Real Estate Group

Source: CoStar

Retail Sale Transactions

Name	City	State	Size (SF)	Sale Price ($ mil)	Price/$SF	Buyer
Faneuil Hall Marketplace	Boston	MA	201,656	$140.0	$694.3	Ashkenazy Acquisition Corporation
Town Center Plaza	Leawood	KS	529,548	$139.0	$262.5	Glimcher Realty Trust
Colonial Pinnacle Turkey Creek	Knoxville	TN	688,937	$131.7	$191.1	Heitman Capital Management Corporation
SouthPark Meadows II	Austin	TX	649,486	$110.8	$170.6	RioCan Real Estate Investment Trust
Stratford Square Mall	Bloomingdale	IL	662,464	$106.5	$160.8	Five Mile Capital Partners
Alamo Ranch	San Antonio	TX	465,465	$93.0	$199.8	RioCan Real Estate Investment Trust
Cerritos Towne Center	Cerritos	CA	488,856	$87.6	$179.1	Gerrity Atlantic Retail Partners

Source: CoStar

Multi-Family Sale Transactions

Name	City	State	Size (SF)	Units	Sale Price ($ mil)	Price/$ Unit	Buyer
The Park Kiely	San Jose	CA	950,000	948	$234.7	$247.6	Ivanhoe Cambridge
Newport Village	Alexandria	VA	1,078,800	937	$205.0	$218.8	Home Properties, Inc.
EOS Twenty-One	Alexandria	VA	1,219,200	1,180	$192.0	$162.7	AREA Property Partners
Regents Park	Chicago	IL	688,284	1,031	$159.0	$154.2	Antheus Capital
Jefferson at Thomas Circle	Washington	DC	306,660	292	$153.8	$526.7	UDR, Inc.
Avalon at Cameron Court	Alexandria	VA	478,068	460	$146.2	$317.9	AEW Capital Management, L.P.
Jefferson Hills	Framingham	MA	1,236,524	1,020	$128.0	$125.5	Greystar Real Estate Partners

Source: CoStar

Hospitality Sale Transactions

Name	City	State	Size (SF)	Rooms	Sale Price ($ mil)	Price/$Room (000's)	Buyer
Park Central New York	New York	NY	882,258	934	$396.2	$424.2	LaSalle Hotel Properties
Paramount Hotel	New York	NY	237,720	598	$275.0	$459.9	RFR Realty LLC
Denver Marriot City Center	Denver	CO	623,692	613	$119.0	$194.1	Chesapeake Lodging Trust
The Elysian	Chicago	IL	1,128,060	188	$95.0	$505.3	Equity Group Investments LLC
Courtyard Miami Beach	Miami Beach	FL	156,393	263	$95.0	$361.2	Hersha Hospitality Trust
Hilton Crystal City	Arlington	VA	238,942	379	$79.0	$208.4	The JBG Companies
Villa Florence Hotel	San Francisco	CA	106,400	182	$67.2	$369.2	LaSalle Hotel Properties

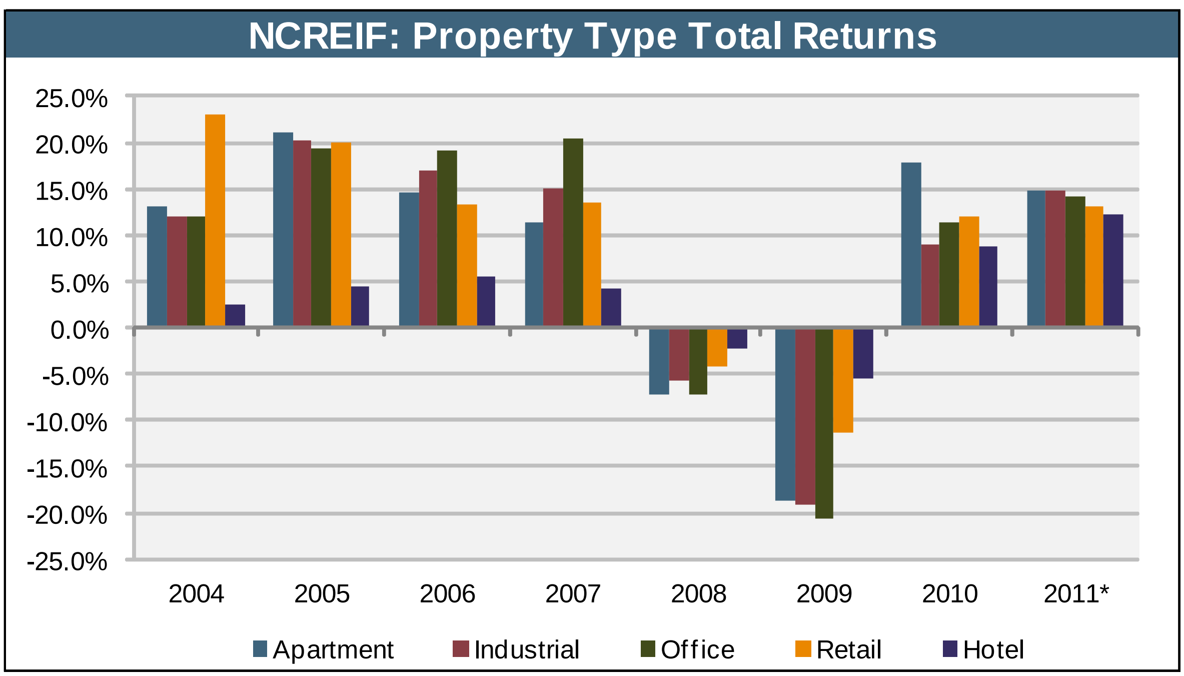
Source: CoStar

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 seventh consecutive quarter of positive growth during 3Q11. Total returns registered 3.3%, comprised of a 1.5% income return and a 1.8% capital appreciation return. Annualized, 2011 returns are forecasted to register 14.1%, 1.5 percentage points higher than 2010.
- After outperforming all other sectors in 2010, the apartment sector returned 11.2% through 3Q11. This equates to a 14.9% annualized gain, less than the 17.9% gain returned in 2010.
- The industrial sector continues to rebound during 2011, recording an 11.2% return through 3Q11. The forecasted 14.9% 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 14.1% annualized return in 2011.
- The retail sector recorded a 9.7% return in property values through 3Q11. Annualized, this results in a 13.0% 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 be 12.3%, the highest return in recent memory.
- In 2011, spreads between the property sectors have narrowed considerably.

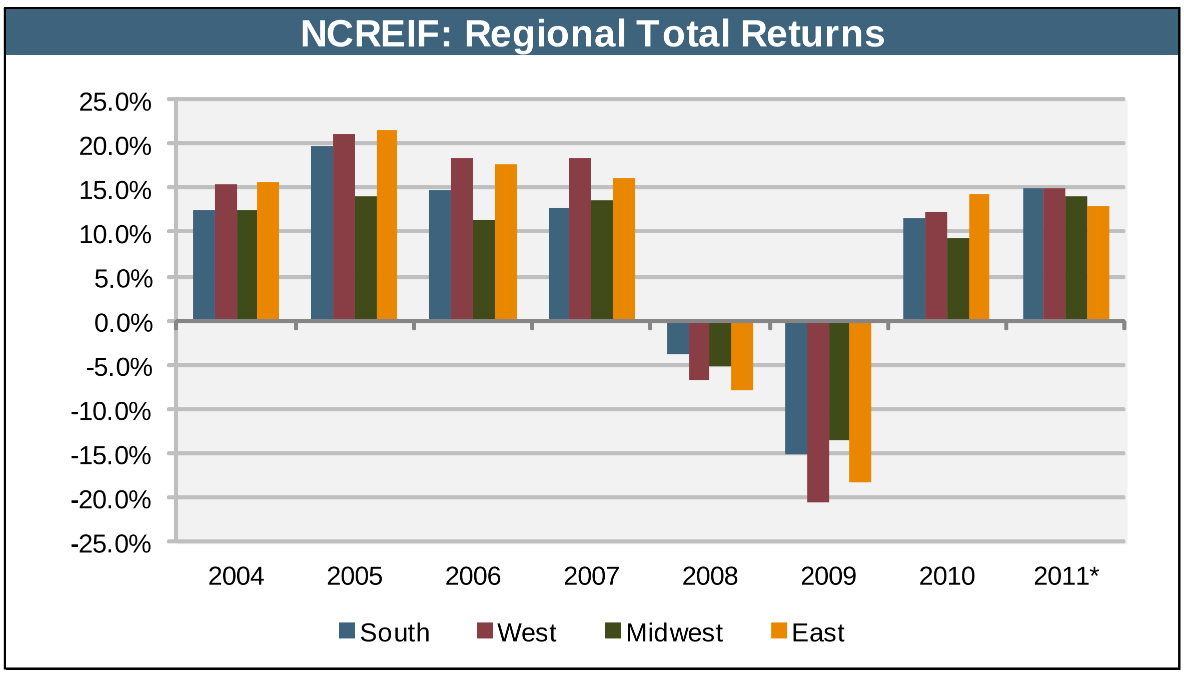


*2011 represents annualized forecast

NCREIF Property Index (continued)

NPI Annualized Returns by United States Region

- Spreads in regional returns continued to tighten in 2011. During 2010, the gap between the worst and best performing regions was about 500 basis points. For 2011, the gap is projected to have narrowed to 450 basis points.
- After generating the highest returns in 2010, gains are projected to decline slightly in the East to 14.0%. Average annualized returns of 17.8% were recorded between 2004 and 2007.
- Property returns, at 16.2% in the West, are set to outpace all other regions during 2011. Between 2005 and 2007, annualized returns exceeding 18.0% were recorded.
- Property returns in the Midwest have consistently lagged other regions of the U.S. and the same is projected for 2011; however, the annualized 11.8% return would represent a 240 basis point increase from 2010.
- The South region is set to record a 12.3% property return during 2011, slightly higher than the 11.6% gain recorded last year. Average annualized returns of 15.0% were recorded between 2004 and 2007.



*2011 represents annualized forecast

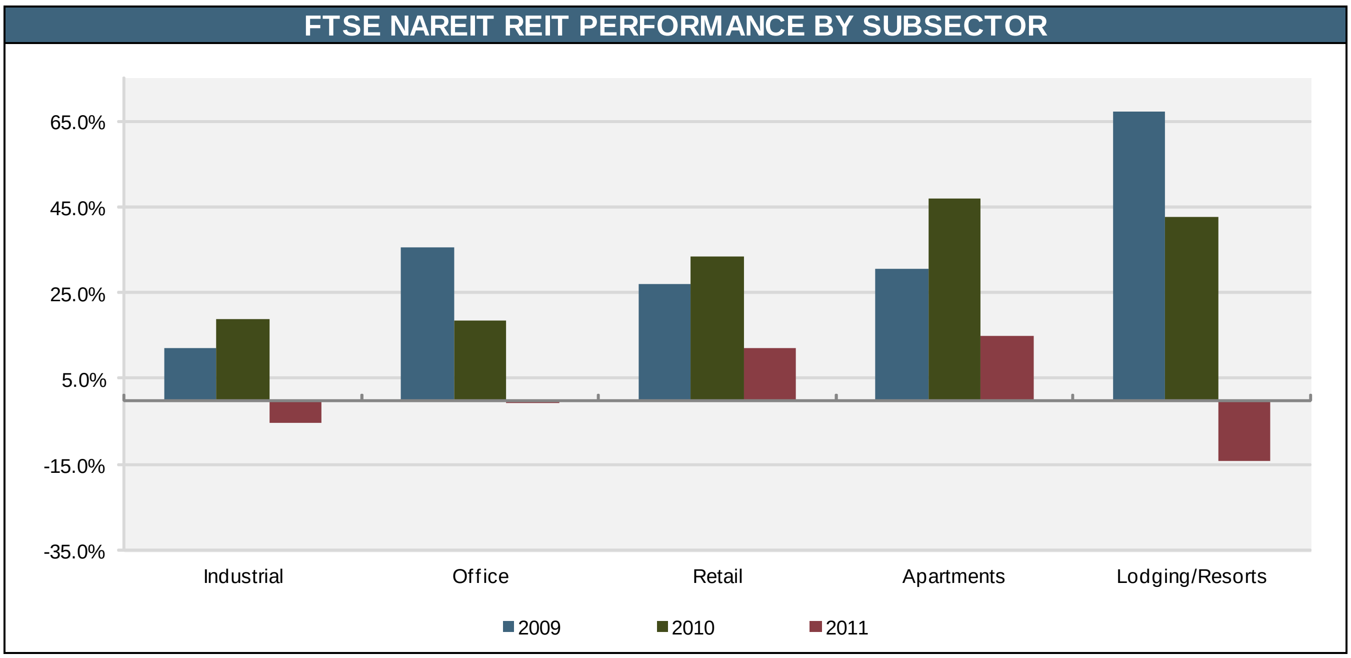
NCREIF Property Index NOI Growth by Property Type

- For the first time since 2008, NOI growth has turned positive. Overall NOI growth grew 1.8% in 3Q11.
- The apartment sector continues to outperform all other property sectors and is almost solely responsible for NOI growth's cross into positive territory. At 3Q11, NOI growth registered 11.5%, comfortably exceeding the prior four-year moving average of 3.4%.
- The retail sector is stabilizing, as reflected by a positive NOI growth. In 3Q11, NOI growth registered 1.6%, well ahead of the 0.3% gain in 3Q10.
- NOI growth was weakest within the office sector during 3Q11. The latest drop follows a 4.2% drop recorded for 3Q10. Between 3Q07 and 3Q09, NOI growth averaged 4.7%.
- The industrial sector continues to be negatively affected by market conditions, as evidenced by the 0.8% decline in NOI growth in 3Q11. NOI growth has been hardest hit in this sector since 3Q09.

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

Comprised of 124 REITS, The Financial Times of London and the London Stock Exchange (FTSE) NAREIT U.S. Real Estate index rebounded during the fourth quarter, posting a 15.3% increase after declining 15.1% just one quarter earlier. For 2011, the NAREIT U.S. Real Estate index returned 8.3%, approximately four times the return of the broader stock market. Steven A. Wechsler, NAREIT President and CEO, stated, "The strong, continuing income stream from REITs is an important component of the appeal of REIT shares for investors. REIT dividends boost an investment portfolio's performance in good times and help insulate it from downside shocks in turbulent market conditions."

Driven by uncertainty in the single-family housing market, apartment sector REITs returned 15.1% during 2011, the strongest gain among the major real estate asset classes. Boosted by a 22.0% gain in the regional malls segment, the retail sector produced returns of 12.2% during the year. Although lodging/resorts REITS fell 14.3% during the year, the sector roared back during the fourth quarter, posting a 29.2% gain. Likewise, industrial REITS delivered an 18.8% gain during the closing quarter of 2011 despite falling 5.2% for the year. Looking ahead, analysts believe the majority of REITs are well positioned to withstand the current market volatility and to take advantage of opportunities in the acquisition market due to strong balance sheets and improved access to capital. Core growth, transaction activity and development pipelines should drive REIT earnings revisions in 2012.



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.

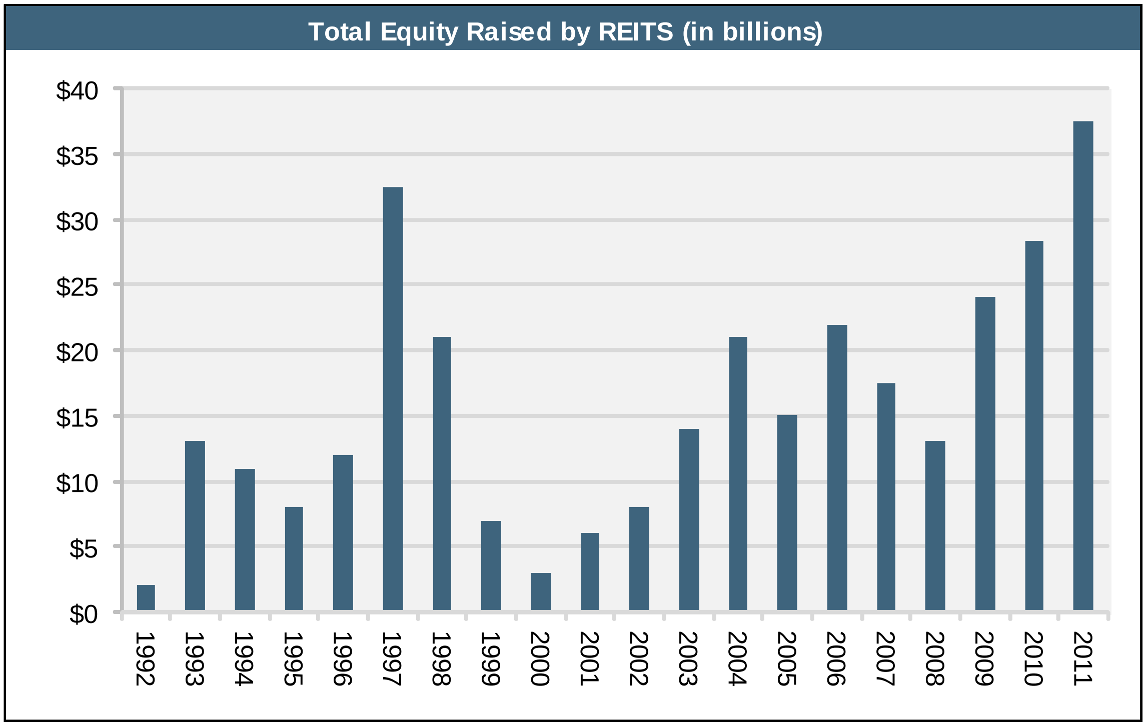
REIT	Symbol	Property Subsector	Market Cap*	Change from 2Q 2011**
Simon Property Group, Inc.	SPG	Retail	37.1	2.4
Public Storage	PSA	Self Storage	22.7	2.9
Equity Residential	EQR	Residential	16.1	(2.0)
HCP Inc.	HCP	Health Care	17.4	2.3
Vornado Realty Trust	VNO	Diversified	14.4	(3.1)
Boston Properties Inc.	BXP	Office	14.4	(1.3)
General Growth Properties, Inc.	GGP	Retail	13.6	(3.1)
AvalonBay Communities Inc.	AVB	Residential	11.8	0.2

*Values as of January 13, 2012 in billions of dollars; ** Change in billions

REIT Strong Performance

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. In the face of a volatile stock market and economy, REITs raised a record amount of capital in the public markets in 2011. According to NAREIT, REITS raised $51.3 billion in public equity and debt during 2011, eclipsing the record of $49 billion set in 2006. REITS raised $37.5 billion in equity issuances, higher than the prior record of $32.7 billion in 1997, and have positioned themselves to enter 2012 with financial flexibility resulting from strong balance sheets. NAREIT President and CEO Steven A. Wechsler stated, "Continuing access to the capital markets and disciplined management have helped create a REIT industry with its financial house in order. REITS are well prepared for both the challenges and opportunities that may arise in 2012. They are positioned to be strategic acquirers of properties from less well-capitalized private real estate owners, as they have been over the past two years."

Below is a graph showing the total equity raised by REITS (in billions) annually since 1992.



Source: NAREIT

Equity REIT Returns Outperforming Leading Indices

REITS continue to outperform other stock indices, posting the highest returns the past two years. Since 2009, Equity REITS have returned 21.4%, the highest among the indices analyzed, outpacing the DJIA (11.8%) and S&P 500 (12.1%) by comfortable margins.

Below is a chart highlighting annual returns of Equity REIT's against several of the leading stock indices.

Index	2005	2006	2007	2008	2009	2010	2011
Equity REIT	12.2%	35.1%	-15.7%	-37.7%	28.0%	28.0%	8.3%
Russell 2000	4.6%	17.0%	-2.8%	-34.8%	25.2%	25.3%	-5.5%
NASDAQ	1.4%	9.5%	9.8%	-40.5%	43.9%	16.9%	-1.8%
S&P 500	4.9%	15.8%	5.5%	-37.0%	23.5%	12.8%	0.2%
DJIA	-0.6%	16.3%	6.4%	-33.8%	18.8%	11.0%	5.5%
Wilshire 5000	4.6%	13.9%	3.9%	-38.7%	27.2%	15.6%	-1.3%

Source: NAREIT, Yahoo Finance

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 98% higher than during the same period last year, and 10% higher than the 2Q11. The latest increase in commercial/multi-family lending activity from 3Q10 totals was driven by increases in originations for all property types except the industrial and health care sectors. When compared to 3Q10, the hotel and retail sectors recorded the largest increases in lending activity. Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research, remarked, "Lending on commercial and multifamily properties continues. Mortgage originations by life company portfolios hit another new record in the third quarter and lending by bank portfolios and Fannie Mae and Freddie Mac also picked up. Mortgage originations for the CMBS market, which were caught up in the global economic uncertainty of recent months, declined from last quarter, but were higher than last year's third quarter level."

Lending Activity 3Q 2011

Property Type	% Change since 3Q 2010	% Change since 2Q 2011
Overall	**98.0%**	**10.0%**
Industrial	-3.0%	-14.0%
Multi-Family	39.0%	-2.0%
Office	103.0%	8.0%
Retail	164.0%	37.0%
Hotel	406.0%	4.0%
Health Care	-8.0%	-30.0%

Source: MBA

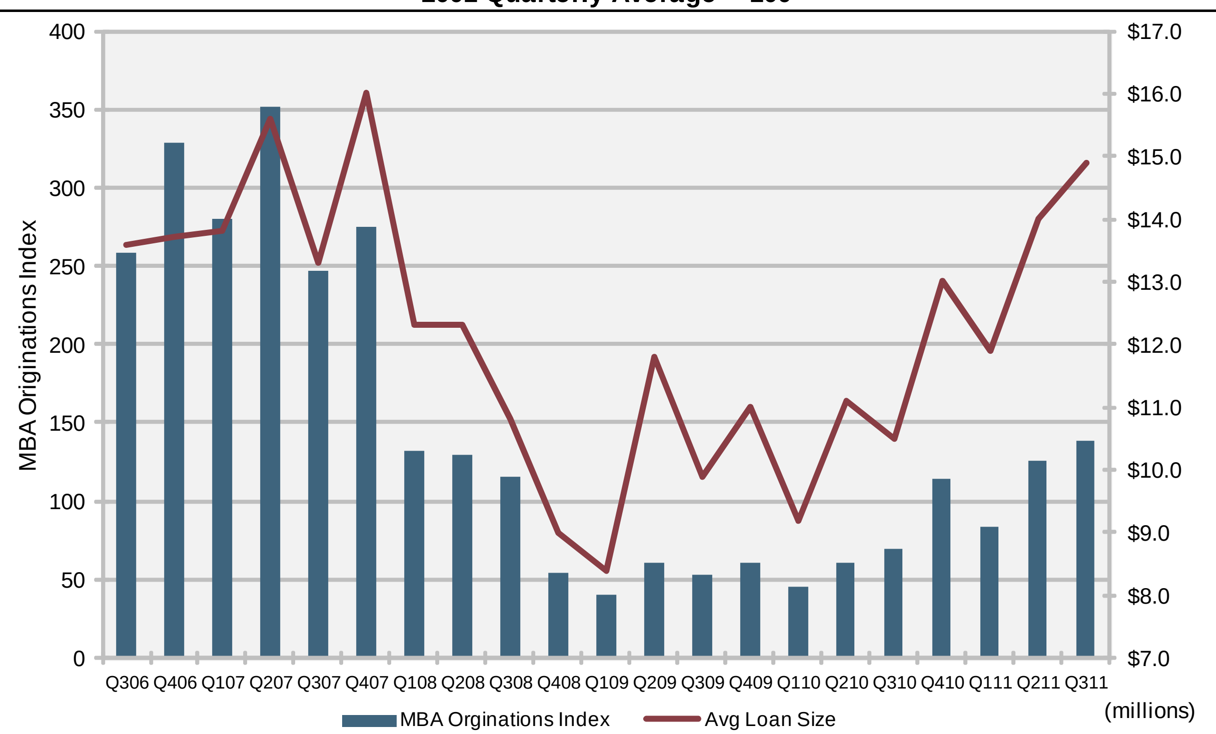
Among investor types, loans for commercial bank portfolios witnessed a 433% increase during the 3Q11 compared to the 3Q10. There was also a 169% rise in loans for conduits for CMBS, a 61% increase in loans for life insurance companies, and a 47% jump in loans for Government Sponsored Enterprises.

The pace of lending has also increased since the prior quarter. Retail assets recorded the largest increase since 2Q11, followed by office and hotel assets. However, the health care, industrial and multi-family sectors witnessed a decline in lending activity during this time period. Among investor types, 3Q11 originations for commercial bank portfolios increased by the largest percentage compared to the 2Q11.

Below is a graph depicting the frequency of commercial/multi-family loan originations since 3Q06.

Commercial/Multifamily Mortgage Bankers Originations Index

2001 Quarterly Average = 100



Source: Mortgage Bankers Association

FTI CONSULTING

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.

Top 2011 U.S. CMBS Underwriters (in billions)	
Deutsche Bank	$6.31
J.P. Morgan	$6.20
Wells Fargo	$4.33
Bank of America	$2.93
UBS	$2.83
Morgan Stanley	$2.30
Goldman Sachs	$2.14
RBS	$2.09
Citigroup	$1.76
Barclays	$1.13

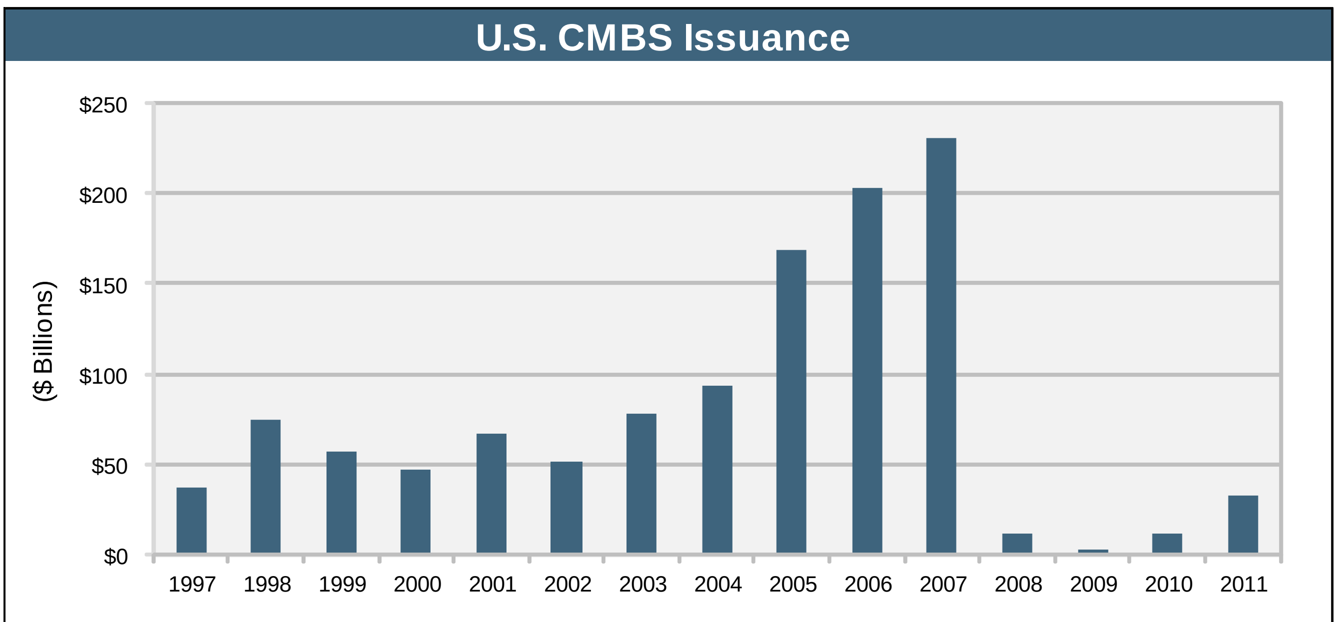
Source: Commercial Mortgage Alert

CMBS Issuances

During 2011, roughly $32.1 billion of CMBS issuances were priced according to data from Commercial Mortgage Alert, representing the highest output since 2007. Although 2011 issuances nearly tripled 2010 output, conditions started to deteriorate in the second half of 2011. Analysts projected $35 billion of CMBS issuance for 2011. During the latter part of the year, banks pulled back from making new commercial mortgages for sale as escalating borrowing costs in various European countries shook credit markets during the summer months. Analysts from Citibank stated, "The volatility experienced by the market since the third quarter has pushed underwriting criteria tighter and even driven some lenders out of the market after a promising first half of 2011." 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.

Looking ahead, analysts differ on the amount of new issuances projected for 2012. A range of $25 to $45 billion appears to be the general consensus. Issuances will be primarily dependent on the European debt crisis and the pace of U.S. growth. Analysts believe that if Europe makes convincing progress on solving its sovereign debt issues, the outlook for U.S. economic growth accelerates and global political unrest lessens, the CMBS market will rebound strongly in the upcoming year.

Analysts are forecasting CBMS issuances to reach upwards of $45 billion in 2011.



Source: Commercial Mortgage Alert

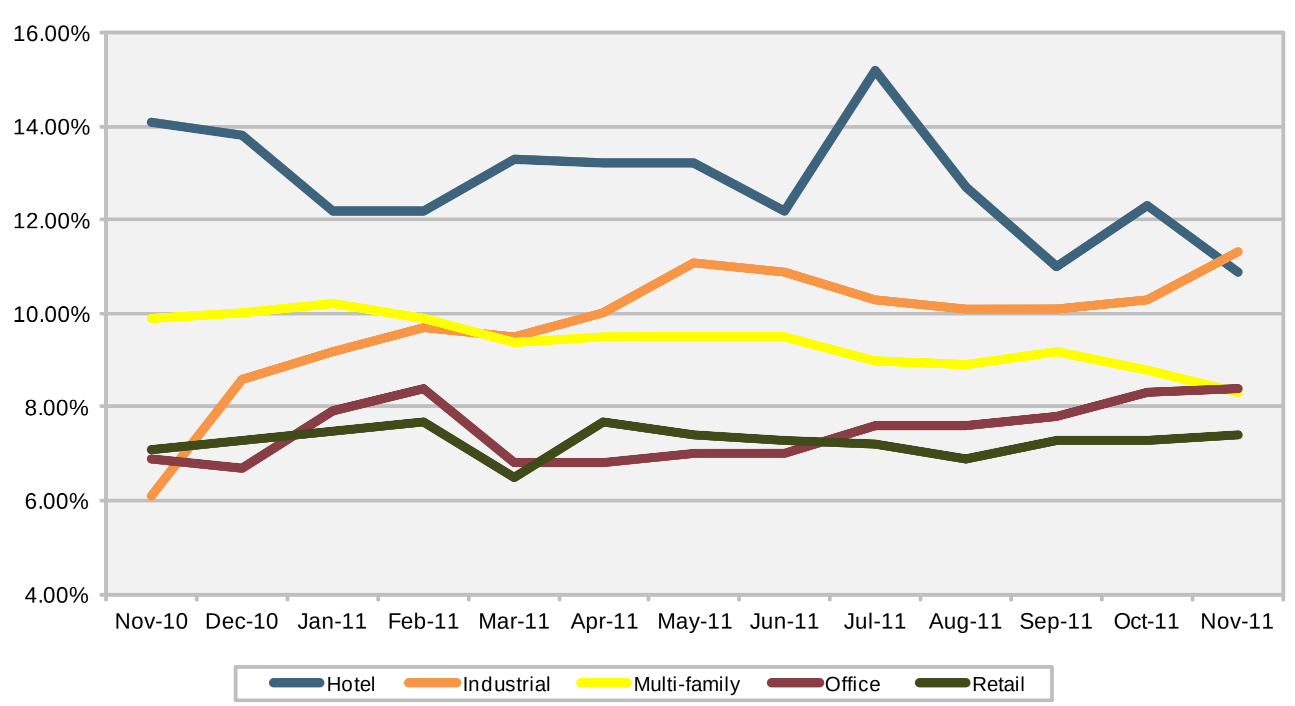
CMBS Delinquency

- Recent CMBS figures indicate market improvement with delinquent balances declining. In November, Morningstar reported that the U.S. CMBS delinquency rate fell from 8.35% to 8.19%. During the prior 12-month period, delinquency rates averaged 8.25%.
- The delinquent unpaid balance for CMBS slightly decreased by $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.
- By property type, industrial properties have overtaken hotels as the asset class with the highest delinquency rates at 11.3%, followed by hotel (10.9%), office (8.4%), multi-family (8.3%) and retail (7.4%).
- Multi-family secured loans had remained the greatest contributor to overall CMBS delinquencies since overtaking retail loans in June of 2010. In November, office collateral now contributes to the highest level of total delinquencies at 27.0%.
- Although retail and multifamily collateral loan delinquencies as a percentage of the CMBS universe have leveled somewhat, these delinquencies are still of concern for 2012. A prolonged economic recovery could cut into consumer spending and job growth and hurt the retail sector and new delinquencies from older vintage multi-family properties may affect the multi-family sector.
- 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 2012.
- The 10 largest states by delinquent unpaid balance reflect 58.8% of CMBS delinquencies. New York, California and Florida 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 85.0% of the delinquent unpaid balance through November 2011 came from such loans.

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

CMBS DELINQUENCIES

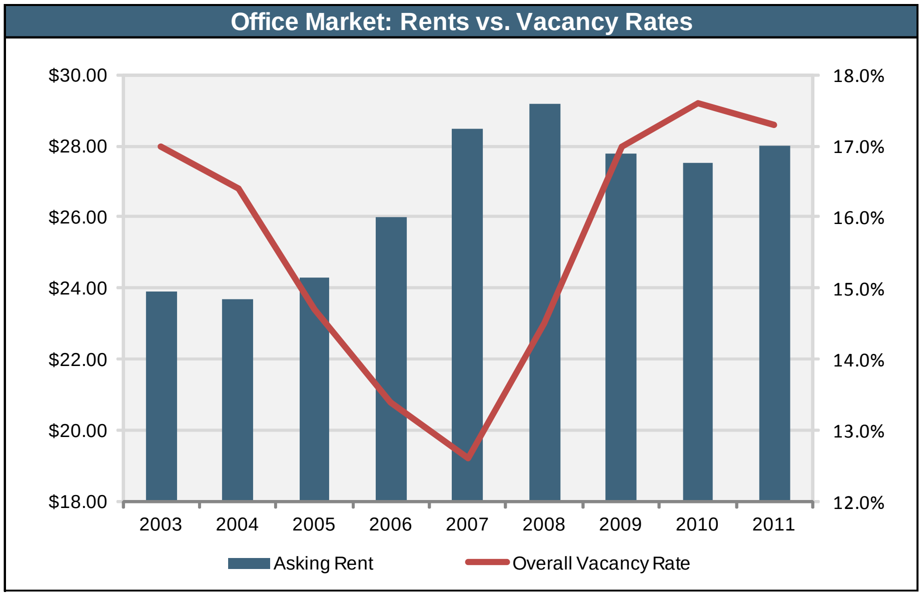
Trailing 12 Month Deliquency by Property Type



Source: Morningstar

Property Sector Overviews

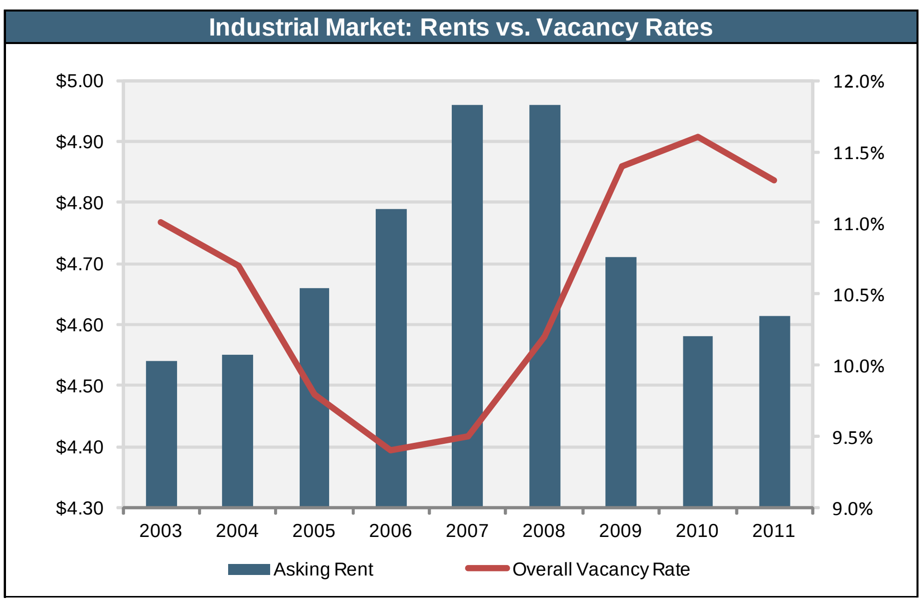
Office:



Source: REIS, Inc.

- Recovery has gained traction during 2011, but has cooled throughout the year as sluggish office employment growth remains the largest roadblock to sustained improvement.
- Overall vacancy rates continue to slowly decline and register approximately 17.3%. Average asking rental rates remain at low levels, with many markets bouncing around the bottom and some rental rate appreciation occurring within prime assets and markets.
- Key office producing sectors, including professional and business services, financial activities and information, have added approximately 425,000 jobs since 2010, for a growth rate of 1.7%.
- Central Business Districts (CBD) are outperforming suburban locales, but fundamentals are bifurcated between top-tier and secondary markets.

Industrial:



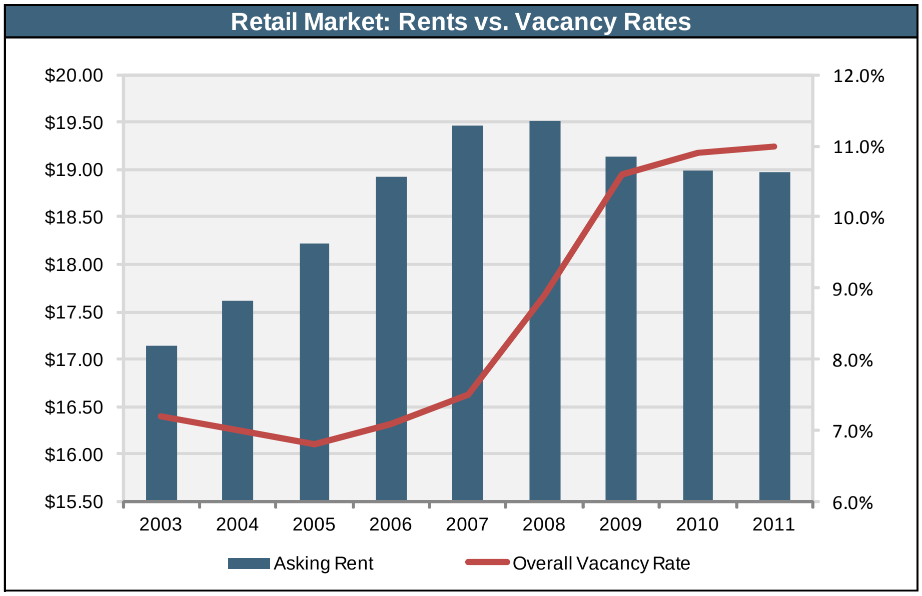
Source: REIS, Inc.

- Demand drivers are generally encouraging for continued growth, including an expanding manufacturing sector, a recent positive economic report for durable goods orders and increased consumer spending.
- 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.
- The lack of new supply has benefitted the industrial sector by allowing for the absorption of older product.
- "Big Box" distribution and bulk warehousing facilities continue to drive demand across the sector. Improving global trade flows has helped boost demand for industrial product in gateway cities and port hubs within U.S. industrial markets. The limited availability of quality product is increasing competition for core assets.

Property Sector Overviews (continued)

Retail:

- Slow recovery is starting to occur within the retail sector as consumer spending slowly increases and consumer confidence rises; however, the national retail vacancy rate continues to trend within the 11.0% range.
- Despite a glut of empty storefronts, low supply levels have prevented a spike in vacancy rates. Many underperforming retail centers in secondary markets are being converted to other uses.

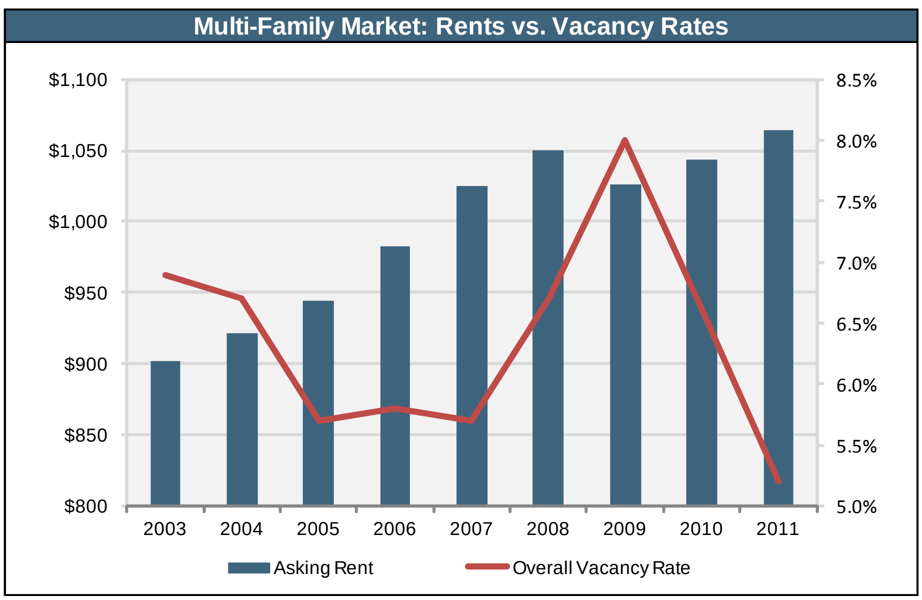


Source: REIS, Inc.

- As e-commerce and online retailing continue to challenge the traditional “bricks and mortar” retail centers, developers are remodeling and repositioning existing centers to maximize efficiency and to attract more consumers.
- Discount and luxury sector retail remain strong while mid-priced department stores have been slower to rebound.

Multi-Family:

- The multi-family sector continues to lead all commercial property sectors in recovery as low apartment supply and rising renter demand continue to shrink vacancies, place upward pressure on rental rates, limit concessions and generate increasing interest from investors.
- Since 2010, vacancy rates decreased 140 basis points to 5.2%, while rental rates continue to increase. The multi-family sector continues to benefit from declining homeownership rates, the increased appeal of renting and favorable demographics.



Source: REIS, Inc.

- Desirable fundamentals have begun attracting debt capital from banks and life insurance companies, increasing competition among lenders and buyers.
- To satisfy pent-up demand, a wave of new development is expected to occur as evidenced by the increase in multi-family permit issuances.

Property Forecast

- Cautious optimism prevails for commercial real estate in 2012, as recovery is likely to be slow.
- Low levels of new construction will allow for the continued absorption of product and stabilization of vacancy rates across most sectors. The multi-family sector is again poised to outperform the other property types as stringent lending requirements and housing worries continue to make renting more attractive than owning.
- After falling the past two years, cap rates are expected to hold steady during the first half of 2012 and then slowly decline for the remainder of the year.
- Total investment activity is forecasted to trend higher as commercial real estate remains attractive relative to other asset classes. After raising a record amount of equity, REITs are set to ramp up acquisitions.
- Foreign investors, who roughly doubled acquisitions in 2011, are expected to be active again in 2012.
- Larger metropolitan areas will continue to outperform smaller cities, tertiary markets, manufacturing hubs, and markets largely affected by the housing downturn.
- More buyers are expected to explore opportunities in non-core secondary and tertiary markets to capture anticipated rental spikes as recovery occurs, although trophy assets in 24-hour primary markets will continue to witness the highest demand and price appreciation.
- CMBS markets will be challenged due to market volatility and the European debt crisis. Issuance forecasts range from $25 to $45 billion.

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

Forecast					Vacancy Rate Outlook	
OFFICE	**1Q 2012**	**2Q 2012**	**3Q 2012**	**4Q 2012**		**2012**
Vacancy Rate	16.50%	16.40%	16.20%	16.10%	Office	16.3%
Net Absorption ('000	6,340	7,925	10,144	7,291	Industrial	11.9%
Completions ('000 sf)	4,465	5,642	10,750	4,617	Retail	12.2%
Rent Growth	0.20%	0.40%	0.40%	0.70%	Multifamily	4.6%

Forecast					Rent Growth Outlook	
INDUSTRIAL	**1Q 2012**	**2Q 2012**	**3Q 2012**	**4Q 2012**		**2012**
Vacancy Rate	12.10%	12.00%	11.80%	11.70%	Office	1.7%
Net Absorption ('000	8,250	9,900	15,262	7,837	Industrial	1.8%
Completions ('000 sf)	5,675	7,980	10,340	2,952	Retail	0.7%
Rent Growth	0.20%	0.20%	0.50%	0.90%	Multifamily	3.5%

Forecast					Net Absorption Outlook	
RETAIL	**1Q 2012**	**2Q 2012**	**3Q 2012**	**4Q 2012**		**2012**
Vacancy Rate	12.70%	12.40%	11.90%	11.80%	Office (sf)	31,700,000
Net Absorption ('000	2,303	3,522	4,200	3,522	Industrial (sf)	41,249,000
Completions ('000 sf)	876	2,130	5,260	4,411	Retail (sf)	13,547,000
Rent Growth	0.10%	0.20%	0.20%	0.20%	Multifamily (units)	126,621

Forecast					Completions Outlook	
MULTI-FAMILY	**1Q 2012**	**2Q 2012**	**3Q 2012**	**4Q 2012**		**2012**
Vacancy Rate	4.90%	4.80%	4.40%	4.30%	Office (sf)	25,474,000
Net Absorption (Units	31,655	29,123	35,454	30,389	Industrial (sf)	26,947,000
Completions (Units)	12,570	18,350	31,954	25,965	Retail (sf)	12,677,000
Rent Growth	0.70%	0.80%	0.90%	1.10%	Multifamily (units)	88,839

Source: National Association of Realtors / REIS

CONTACT:

Marc R. Shapiro, MAI, MRICS
973.287.5431
marc.shapiro@fticonsulting.com

Michael P. Hedden, MAI, CRE, FRICS
646.731.1503
michael.hedden@fticonsulting.com

FTI CONSULTING™

Critical thinking at the critical time™

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. With more than 3,800 employees located in 24 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management, strategic communications and restructuring. The company generated $1.4 billion in revenues during fiscal year 2010. More information can be found at www.fticonsulting.com.