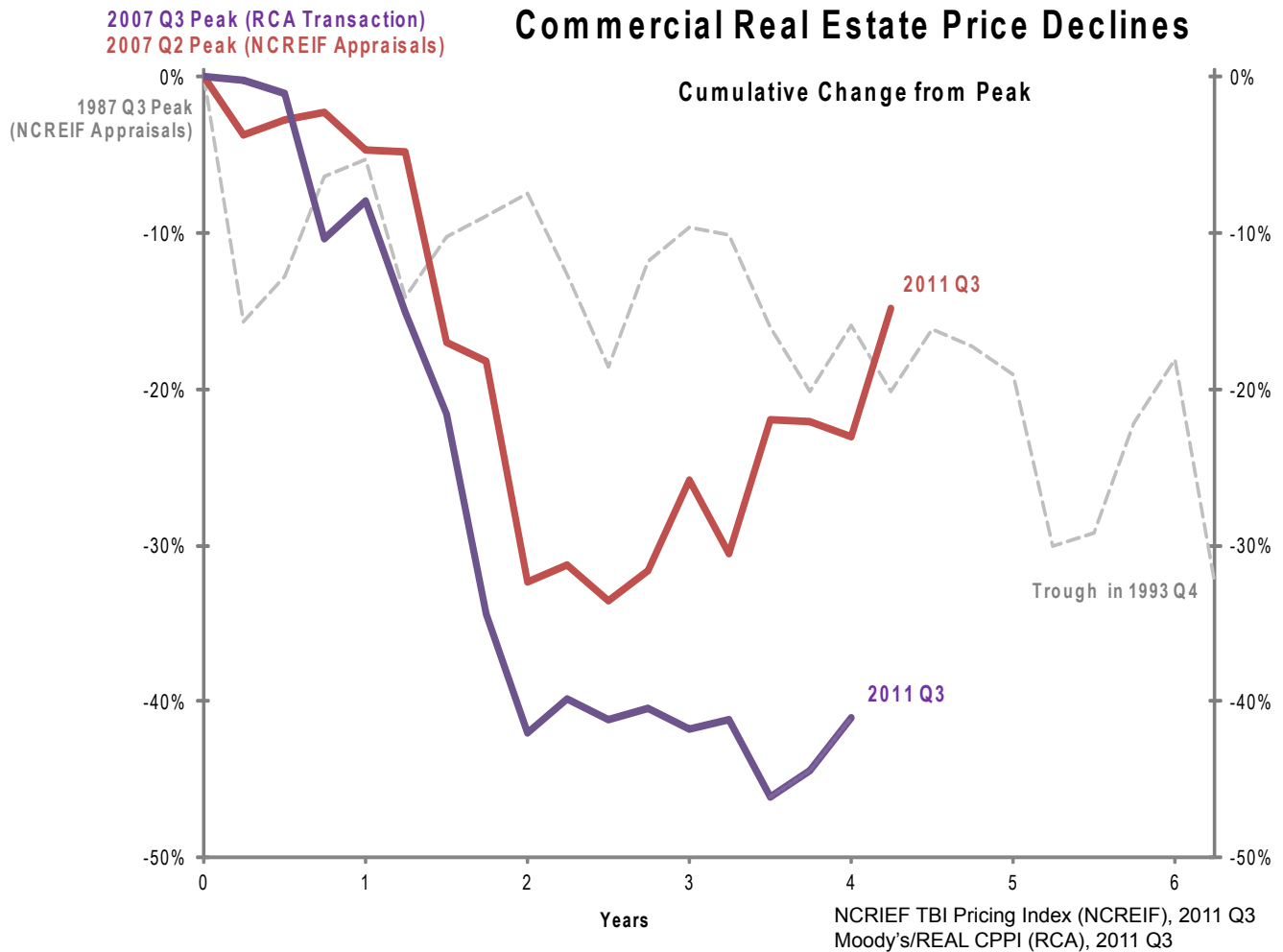


Commercial Real Estate Profile

Winter 2011, Published December 13



The recent disparity between the NCREIF and RCA indices suggests that core properties owned by institutional investors have improved more than non-investment grade properties.

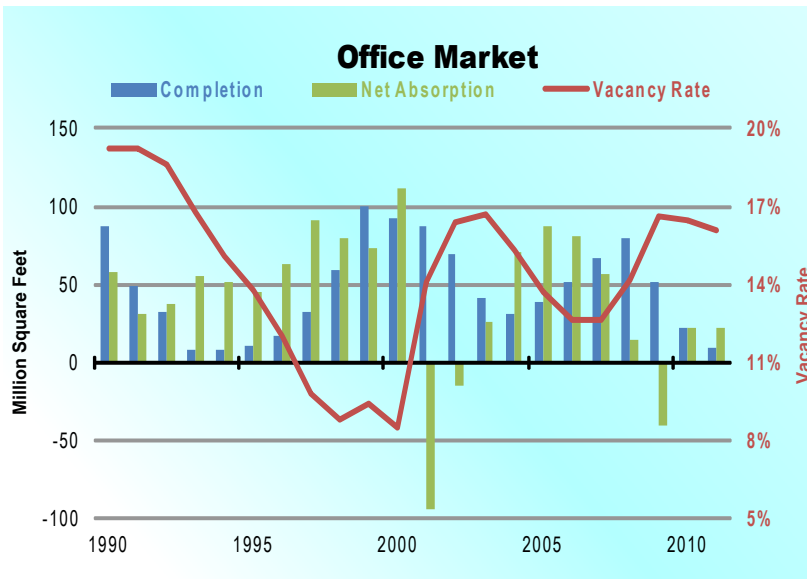
The Moody's/REAL Commercial Property Price Index (CPPI) measures the change in transaction prices based on repeat sales as reported by RCA. The index is 41% below the 2007 Q3 peak.

The NCREIF Transactions-Based Index (NTBI) measures investment performance of properties in the NCREIF database. Most NCREIF properties have been acquired on behalf of tax-exempt institutional investors, with the majority being pension funds. The NCREIF index is 15% below the 2007 Q2 peak and up 19% since 2009 Q4. (NTBI Q3, NCREIF, November 2011)

October 2011 YTD sales volume was \$130 billion, 67% below the same time period in 2007, but 81% above the same period a year ago. During 2011, office and retail prices rose 10.2% and 10.1% respectively while apartment and Industrial rose 6.9% and 4.9% respectively. (NTBI Q3, NCREIF, November 2011)

Commercial Real Estate Profile

Office



Following four consecutive quarters of improvements, the office vacancy rate remained unchanged at 16.2% from Q2 to Q3 2011. Aggregated vacancy rates for downtown and suburban submarkets held steady in Q3 2011 at 13% and 18%, respectively. (Robert McGrath, CBRE, October 7, 2011)

“Vacancy rates will continue to edge down in 2012, but not enough to restore much landlord pricing power, except for prime space in the most sought-after gateway city locations. In addition to the lackluster economy, secular changes in corporate workforce deployments, staffing needs, and use of office space will mitigate chances for a robust sector recovery.” (PwC Real Estate Investor Survey, 2011 Q3)

CBRE Econometric Advisors, 2011 Q3, November 1, 2011

Top and Bottom Trending Office Markets (Year over Year)

	Vacancy			Effective Rent (\$/SF)		
	10Q3	11Q3	Change	10Q3	11Q3	Change
Leaders*						
San Francisco	15.2%	12.1%	-3.1% ▼	\$29.53	\$32.25	9.2% ▲
San Jose	14.2%	13.7%	-0.5% ▼	\$25.22	\$27.05	7.3% ▲
New York	9.0%	8.6%	-0.4% ▼	\$35.10	\$36.22	3.2% ▲
San Antonio	11.1%	10.7%	-0.4% ▼	\$18.29	\$18.93	3.5% ▲
Laggards**						
Stamford	12.8%	13.8%	1.0% ▲	\$30.48	\$29.64	-2.8% ▼
Northern New Jersey	14.6%	15.2%	0.6% ▲	\$23.41	\$23.03	-1.6% ▼
Norfolk	12.8%	13.3%	0.5% ▲	\$17.47	\$16.76	-4.1% ▼
Sacramento	16.6%	17.1%	0.5% ▲	\$21.69	\$20.58	-5.1% ▼
Long Island	10.1%	10.4%	0.3% ▲	\$25.79	\$25.30	-1.9% ▼
Favorable Vacancy Trend:	37			Rent Growth Above 0%:	13	
Unfavorable Vacancy Trend:	14			Rent Growth Below 0%:	41	
Neutral Vacancy Trend:	3			Neutral Rent:	0	
Total MSAs:	54			Total MSAs:	54	

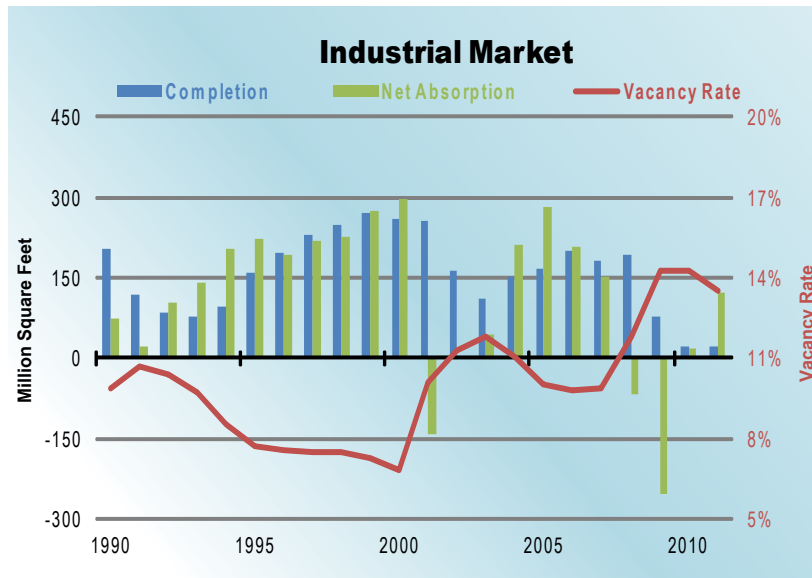
Property & Portfolio Research, 2011 Q3

* Leaders have the greatest vacancy decreases with rent growth above 3%; 4 MSAs met the criteria this quarter.

** Laggards have the greatest vacancy increases with rent growth less than or equal to 0%; 9 MSAs met the criteria this quarter.

Commercial Real Estate Profile

Industrial



National vacancies in the industrial sector have decreased at an extremely slow rate, from what were record highs. (PwC Real Estate Investor Survey, 2011 Q3)

“Industrial investors have and continue to develop strategies that target port markets, taking advantage of the trend toward increasing globalization, which in turn, through steady growth in trade volumes, drives demand for space. At the same time, because port markets are generally mature and border a major body of water, they are often more space-constrained, which makes new construction more difficult and costly.” (Jared Sullivan, CBRE Econometric Advisors, October 31, 2011)

CBRE Econometric Advisors, 2011Q3, November 1, 2011

Top and Bottom Trending Industrial Markets (Year over Year)

	Vacancy			Effective Rent (\$/SF)		
	10Q3	11Q3	Change	10Q3	11Q3	Change
Leaders*						
Nashville	12.4%	10.8%	-1.6% ▼	\$3.56	\$3.77	5.9% ▲
Oklahoma City	7.6%	6.2%	-1.4% ▼	\$3.74	\$3.86	3.2% ▲
San Francisco	6.7%	5.6%	-1.1% ▼	\$9.25	\$9.87	6.7% ▲
Salt Lake City	5.5%	4.8%	-0.7% ▼	\$3.98	\$4.24	6.5% ▲
Houston	6.1%	5.8%	-0.3% ▼	\$5.95	\$6.54	4.1% ▲
Laggards**						
Springfield	11.5%	12.8%	1.3% ▲	\$4.53	\$4.48	-0.6% ▼
New Orleans	9.4%	10.3%	0.9% ▲	\$4.75	\$4.72	-0.6% ▼
Raleigh	10.7%	11.3%	0.6% ▲	\$4.59	\$4.23	-7.8% ▼
Columbus	11.4%	11.8%	0.4% ▲	\$3.08	\$3.03	-1.6% ▼
Denver	7.0%	7.3%	0.3% ▲	\$4.75	\$4.63	-2.5% ▼
Favorable Vacancy Trend:	37			Rent Growth Above 0%:	14	
Unfavorable Vacancy Trend:	10			Rent Growth Below 0%:	40	
Neutral Vacancy Trend:	7			Neutral Rent:	0	
Total MSAs:	54			Total MSAs:	54	

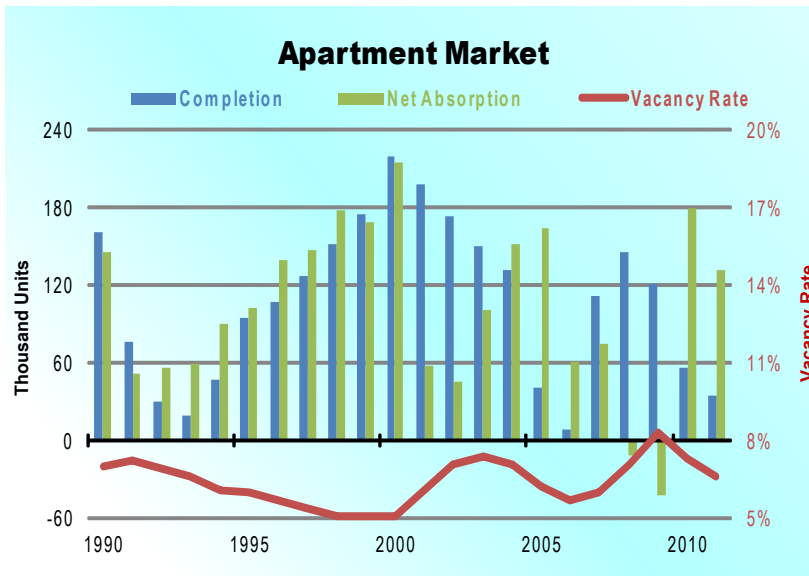
Property & Portfolio Research, 2011 Q3

* Leaders have the greatest vacancy decreases with rent growth above 3%; 5 MSA met the criteria this quarter.

** Laggards have the greatest vacancy increases with rent growth less than or equal to 0%; 9 MSAs met the criteria this quarter.

Commercial Real Estate Profile

Apartment



“The housing bust and economic pessimism usher more would-be homebuyers and foreclosed owners into renting. Smaller, efficient apartment units closer to work look like better values than big houses in remote subdivisions.” (PwC Real Estate Investor Survey, 2011 Q3)

“As the national recovery sputtered over the past two quarters, the apartment market was buoyed by an unprecedented shut-down in supply, a lack of confidence in the single-family market, and strong job growth for 20-34-year-olds.” (PPR, Apartment Market Fundamentals, November 5, 2011)

Property & Portfolio Research, 2011 Q3, November 10, 2011

Top and Bottom Trending Apartment Markets (Year over Year)

	Vacancy			Effective Rent (\$/unit)		
	10Q3	11Q3	Change	10Q3	11Q3	Change
Leaders*						
Austin	8.1%	5.0%	-3.1% ▼	\$795	\$835	5.0% ▲
Raleigh	11.6%	9.7%	-1.9% ▼	\$700	\$725	3.6% ▲
Chicago	7.1%	5.5%	-1.6% ▼	\$1,058	\$1,105	4.4% ▲
Dallas	8.6%	7.0%	-1.6% ▼	\$784	\$810	3.2% ▲
Houston	13.2%	12.0%	-1.2% ▼	\$798	\$824	3.3% ▲
Laggards**						
Inland Empire	7.3%	6.4%	0.9% ▲	\$1,071	\$1,070	-0.0% ▼
Las Vegas	8.5%	7.0%	-1.5% ▲	\$820	\$804	-2.0% ▼

Favorable Vacancy Trend:	43
Unfavorable Vacancy Trend:	8
Neutral Vacancy Trend:	3
Total MSAs:	54

Rent Growth Above 0%:	47
Rent Growth Below 0%:	7
Neutral Rent:	0
Total MSAs:	54

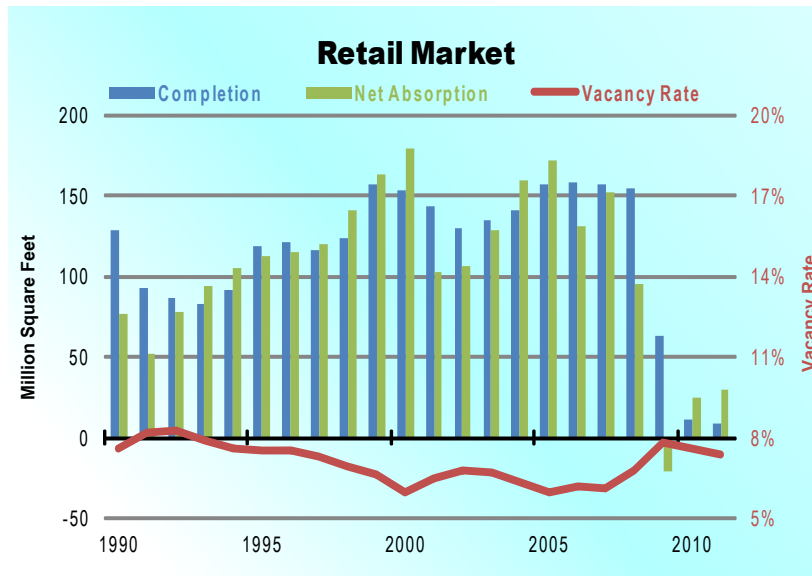
Property & Portfolio Research, 2011 Q3

* Leaders have the greatest vacancy decreases with rent growth above 3%; 21 MSAs met the criteria this quarter.

** Laggards have the greatest vacancy increases with rent growth less than or equal to 0%; 2 MSAs met the criteria this quarter.

Commercial Real Estate Profile

Retail



Retail property sales reached \$8.2 billion in Q3, down from Q2. The decrease was mainly due to a large portfolio deal, as individual property sales of \$7.0 billion in Q3 were 75% more than last year, and hit the highest level since Q1 2008. (RCA, US Capital Trends Retail, October 2011)

“Retailers stepped up the pace of absorption in Q3, bringing vacancies down to their lowest levels in two and half years. With very little delivering and a construction pipeline running on empty, vacancies should only grow tighter over the near term.” (PPR, Retail Market Fundamentals, November 5, 2011)

Property & Portfolio Research, 2011 Q3, November 10, 2011

PPR Changed some of its data collection methodology for 2011 Q3, refer to page 12 for more details.

Top and Bottom Trending Retail Markets (Year over Year)

Leaders*	Vacancy			Effective Rent (\$/SF)		
	10Q3	11Q3	Change	10Q3	11Q3	Change
Pittsburgh	6.6%	5.9%	-0.7% ▼	\$11.21	\$11.70	4.4% ▲
Honolulu	3.0%	2.6%	-0.4% ▼	\$28.79	\$31.13	8.1% ▲
New Orleans	7.2%	7.0%	-0.2% ▼	\$13.26	\$13.80	4.1% ▲
Laggards**						
Las Vegas	10.7%	11.3%	0.6% ▲	\$19.14	\$17.64	-17.6% ▼
Northern New Jersey	6.3%	6.9%	0.6% ▲	\$21.38	\$21.12	-1.2% ▼
Hartford	6.1%	6.4%	0.3% ▲	\$13.51	\$12.65	-6.4% ▼
Phoenix	12.6%	12.8%	0.2% ▲	\$16.35	\$15.10	-7.6% ▼
Memphis	9.6%	9.7%	0.1% ▲	\$10.14	\$9.96	-1.8% ▼
Unfavorable Vacancy Trend:	8			Rent Growth Below 0%:	45	
Favorable Vacancy Trend:	44			Rent Growth Above 0%:	9	
Neutral Vacancy Trend:	2			Neutral Rent:	0	
Total MSAs:	54			Total MSAs:	54	

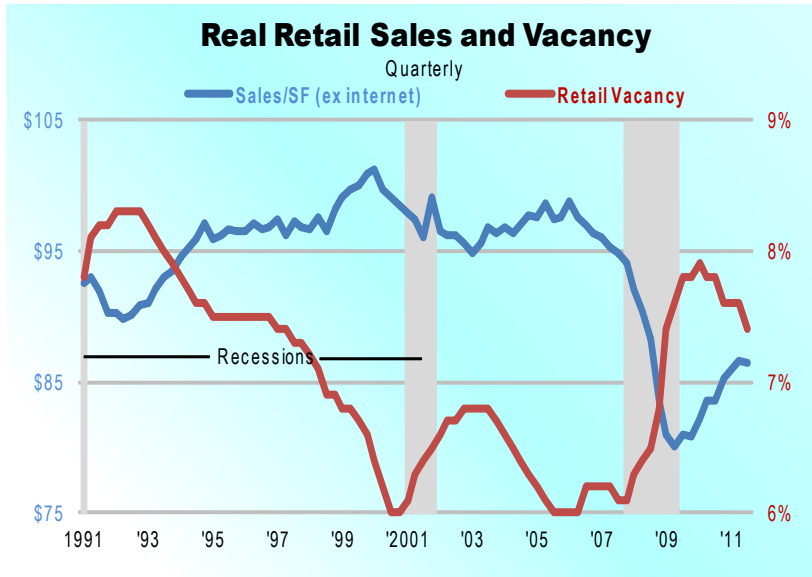
Property & Portfolio Research, 2011 Q3

* Leaders have the greatest vacancy decreases with rent growth above 3%; 3 MSAs met the criteria this quarter.

** Laggards have the greatest vacancy increases with rent growth less than or equal to 0%; 6 MSA met the criteria this quarter.

Commercial Real Estate Profile

Retail Sales



U.S. Census Bureau, November 15, 2011
 Property & Portfolio Research, 2011 Q3
 Excludes sales from E-commerce (Internet Sales)

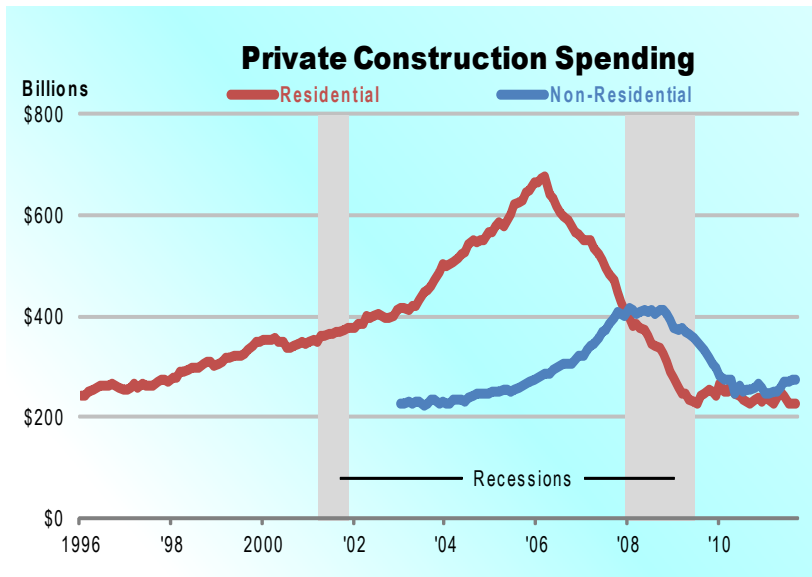
Retail sales per square foot increased 8.0% in 2011 Q3 from a year ago. Retail vacancy decreased to 7.4% from 7.8% a year ago.

Retail sales in the U.S. climbed 0.5% in October. 9 of the 13 major categories showed a gain in sales in October, led by non store retailers, electronics stores, and auto dealers. (U.S. Census Bureau, November 15, 2011)

	E-commerce* (billions)	% of All Retail Sales
1996Q3	\$15	2.4%
2001Q3	\$28	3.4%
2006Q3	\$50	4.7%
2011Q3	\$75	6.4%

U.S. Census Bureau, November 15, 2011
 * E-commerce includes NAICS category 4541

Construction Spending



U.S. Census Bureau, November 1, 2011

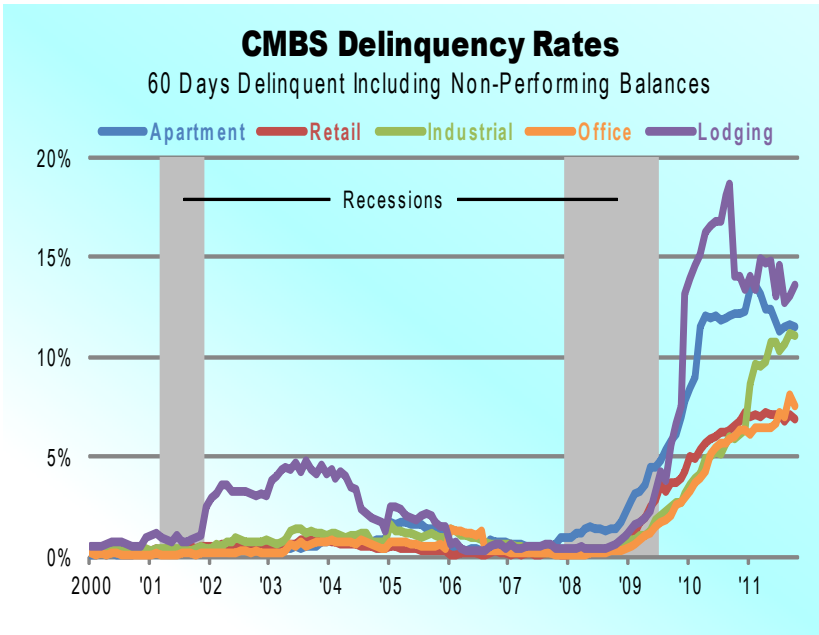
Residential construction spending in September 2011 is down 66% from the peak in March 2006, and increased 6.0% from a year ago.

Non-residential spending in 2011 Q3 is down 34% from the peak in January 2008, and increased 7.4% from a year ago.

“Overall U.S. housing demand remains stable but at historically low levels. Conditions have not changed very much with incredible values in home prices and historically low interest rates on one side, balanced against a weak economy, low consumer confidence and tight credit availability on the other.” (Richard Dugas, Chairman/Chief Executive Officer of PulteGroup, October 27, 2011)

Commercial Real Estate Profile

CMBS Delinquency



In November, the delinquency rate for U.S. commercial real estate loans in CMBS dropped 19 basis points to 8.26% for the overall 60 day delinquency rate. Delinquency is up 29 basis points from a year ago.

Delinquency Rates

	November '09	November '10	November '11
Office	2.7%	7.9%	7.9%
Industrial	2.8%	11.2%	11.2%
Apartment	7.1%	10.7%	10.7%
Retail	3.9%	6.8%	6.8%
Lodging	7.6%	14.0%	11.6%
Total	4.3%	8.0%	8.3%

Trepp, December 1, 2011

Highest and Lowest Delinquency Rates by MSA

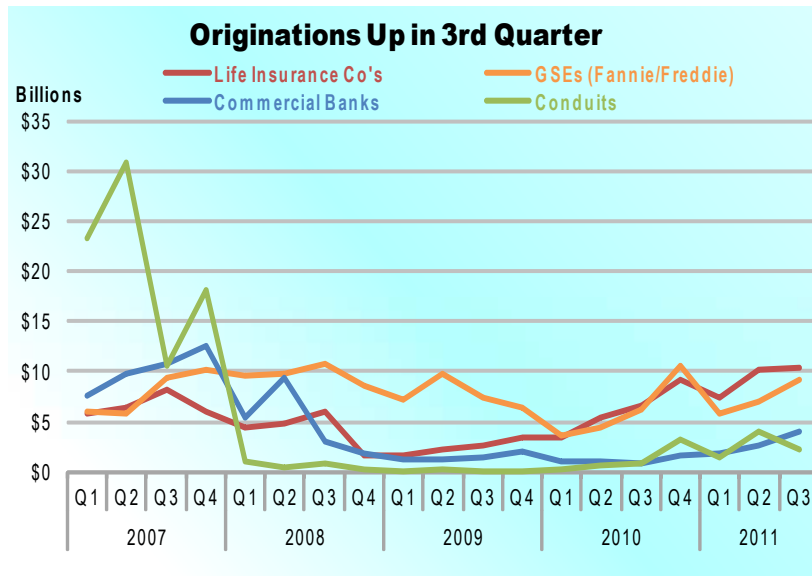
(\$ balance in millions; includes apartment, retail, industrial, and office, top 50 MSAs)

Highest	Delinquent Balance	60+ Days	Lowest	Delinquent Balance	60+ Days
Las Vegas, NV	\$1,488	20%	San Antonio, TX	\$53	2%
Orlando, FL	\$695	20%	San Jose, CA	\$74	2%
Riverside, CA	\$1,166	20%	Portland, OR	\$63	2%
Indianapolis, IN	\$520	17%	Salt Lake City, UT	\$49	3%
Phoenix, AZ	\$1,794	17%	Seattle, WA	\$192	3%
Atlanta, GA	\$2,011	16%	Boston, MA	\$302	3%
Memphis, TN	\$256	15%	San Francisco, CA	\$353	4%
Cincinnati, OH	\$428	14%	Rochester, NY	\$32	4%
Tampa, FL	\$471	13%	Pittsburgh, PA	\$111	4%
Sacramento, CA	\$442	13%	Washington D.C.	\$1,009	4%

Trepp, November 1, 2011

Commercial Real Estate Profile

Originations



Originations by Property Type

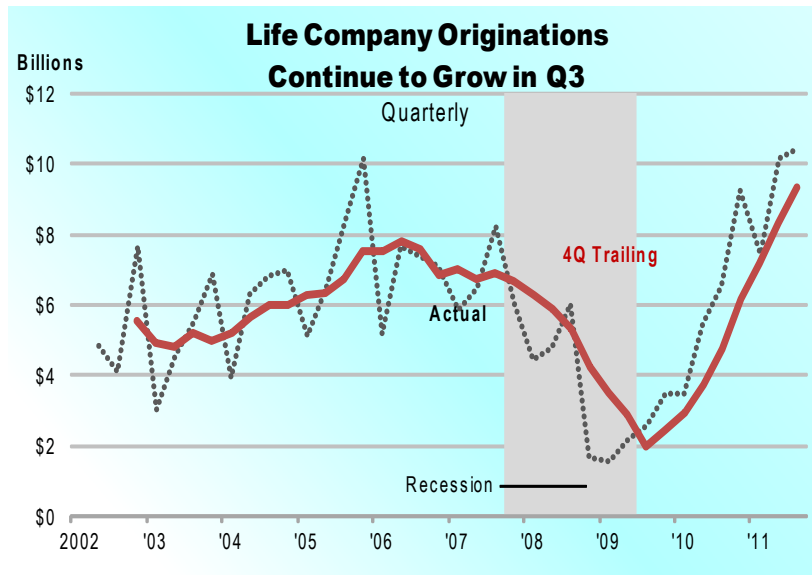
	2009 Q3	2010 Q3	2011 Q3
Office	10%	11%	12%
Industrial	6%	10%	6%
Apartment	52%	57%	46%
Retail	12%	11%	17%
Other*	21%	11%	19%

*Other includes hotel and health care.

Originations by Investor Class

	2009 Q3	2010 Q3	2011 Q3
Life Co's	22%	45%	40%
GSEs	64%	44%	36%
Comm Bank	13%	5%	16%
Conduits	1%	6%	8%

Mortgage Bankers Association Quarterly Data Book, 2011 Q3



2011 Q3 life company originations are 60% higher than a year ago. Loan originations for hotels increased 406% compared to a year ago. (Mortgage Bankers Association, Quarterly Survey of Originations, November 3, 2011)

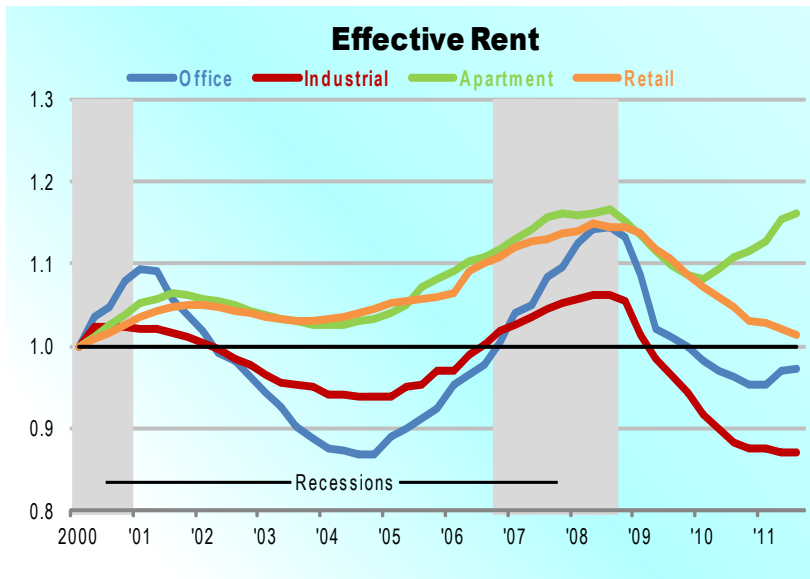
Life Co's Originations (billions)

2003 Q3	\$5.5
2004 Q3	\$6.8
2005 Q3	\$8.3
2006 Q3	\$7.4
2007 Q3	\$8.2
2008 Q3	\$6.0
2009 Q3	\$2.6
2010 Q3	\$6.5
2011 Q3	\$10.4

Mortgage Bankers Association Quarterly Data Book, 2011 Q3

Commercial Real Estate Profile

Effective Rents

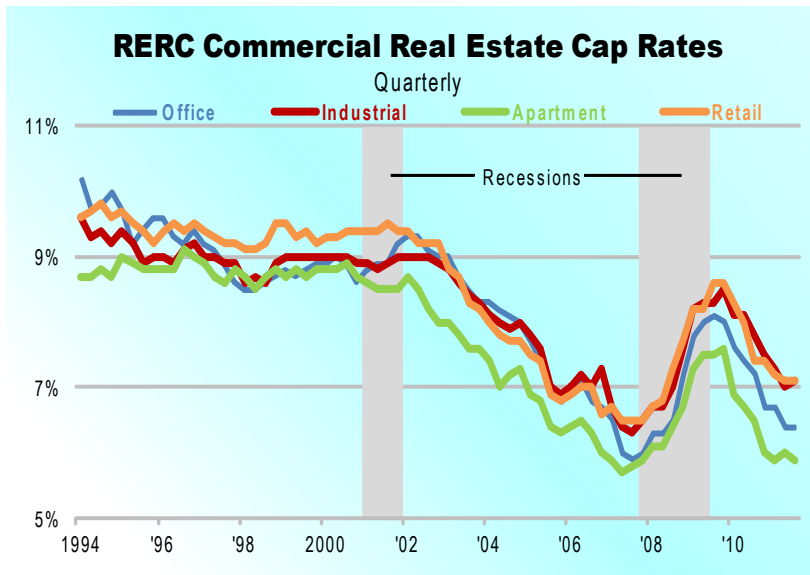


PPR forecasts short term growth for the retail market, but states that the long term outlook for retail growth is uncertain, with the possibility of non-internet sales growth being flat for many years to come. (PPR, Market Performance, November 10, 2011)

“Thanks to concessions burning off quickly, asking apartment rents have started to recover in just about every market, and asking rent growth will be strong over the five-year forecast, ending 2016 well above prerecession levels.” (PPR, Market Performance Apartment, November 10, 2011)

CBRE Econometric Advisors for office and industrial markets and Property & Portfolio Research for retail and apartment markets, 2011 Q3
 Note: Calculation as of third quarter each year.

Cap Rates



Nationally, cap rates for apartments and suburban office declined approximately 25 basis points. Cap rates in other sectors were either flat or, in the case of CBD office, slightly increased. (RCA, US Capital Trends, October 2011)

“Despite the slowdown in job growth, multi-family demand should remain solid, thanks to limited new rental supply coming online during the near-term. As a result, the outlook for the remainder of 2011 remains positive for the multifamily sector.” (Fannie Mae, Economics and Mortgage Market Analysis, October 17, 2011)

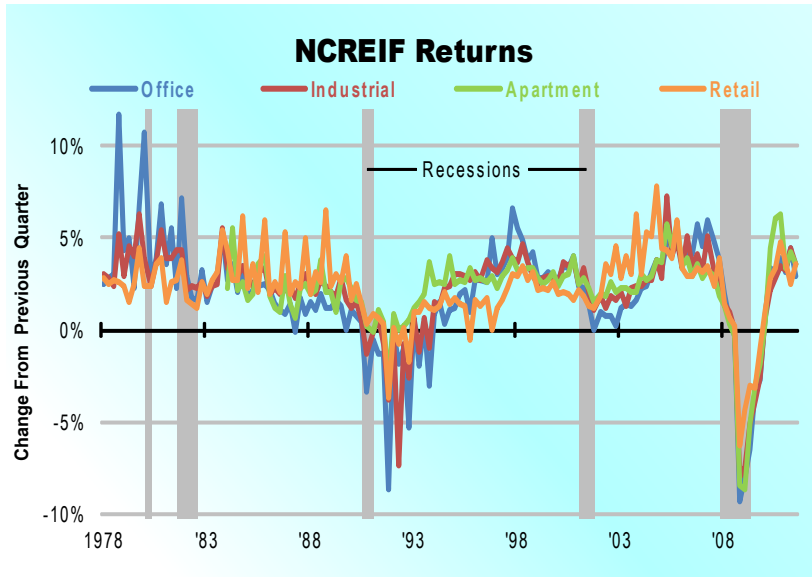
RERC Investor Survey, 2011 Q3

RERC Cap Rates

	2008 Q3	2009 Q3	2010 Q3	2011 Q3
Off	6.5%	8.1%	7.2%	6.4%
Ind	7.0%	8.3%	7.8%	7.1%
Apt	6.4%	7.5%	6.5%	5.9%
Ret	7.3%	8.1%	7.2%	6.6%

Commercial Real Estate Profile

NCREIF



NCREIF, 2011 Q3

Quarterly Returns

	2011 Q1	2011 Q2	2011 Q3
Office	3.2%	4.5%	3.0%
Industrial	3.3%	4.5%	3.6%
Apartment	3.3%	4.2%	3.6%
Retail	3.6%	2.5%	3.6%
Total	3.4%	3.9%	3.3%

The NCREIF Property Index (NPI) rose 3.3% in 2011 Q3, the seventh straight positive quarter. The NCREIF property index is a measure of unleveraged private equity returns.

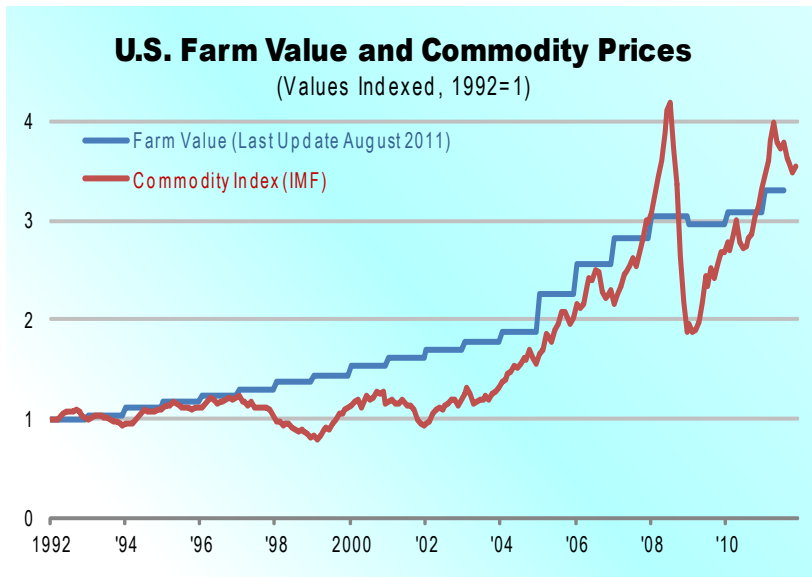
Farmland

The United States farm real estate value, a measurement of the value of all land and buildings on farms, averaged \$2,350 per acre for 2011, up 7% from 2010. Cropland value increased 9% to \$3,030 per acre and pasture value increased 2% to \$1,100 per acre in 2011.

The value of Iowa cropland increased 24% in 2011, the most of any state. (USDA, Land Values 2011 Summary, August 2011)

Monthly USDA forecasts of corn stockpiles have been unreliable in recent years. On September 30, 2011 the USDA estimated corn stockpiles 23% higher than it had forecasted earlier that month. Corn prices fell 6.3% in the futures market that day. In 2010 the USDA overestimated the corn harvest by 6% or 750 million bushels, which contributed to higher price volatility. (Wall Street Journal, December 5)

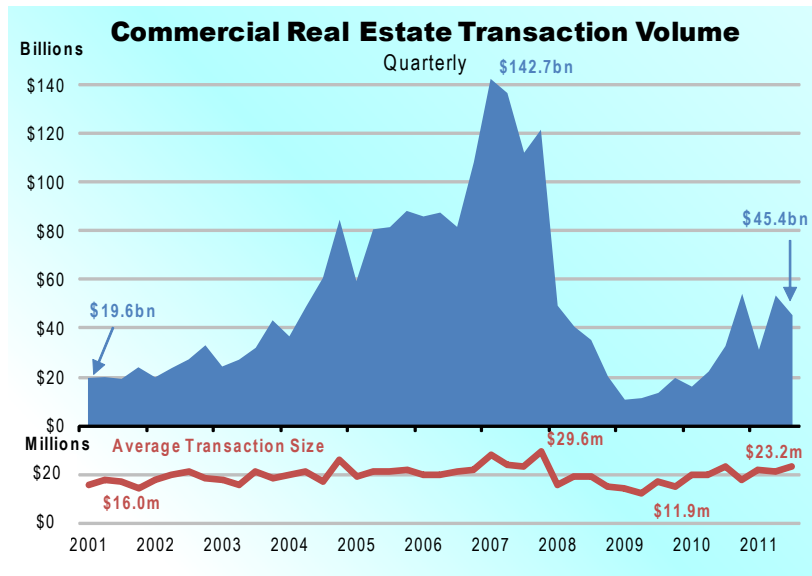
Electronic corn futures rose 44% in 2010 but declined 2% year to date 2011. (Chicago Mercantile Exchange, ZCH2 March 2012 corn futures, December 9, 2011)



USDA, Ag Land Values and Cash Rents Annual Summary, August 4, 2011
International Monetary Fund, Primary Commodity Price Index, November, 2011

Commercial Real Estate Profile

Transaction Volume



Real Capital Analytics, 2011 Q3

Transaction volume increased 39% to \$45.4 billion in 2011 Q3, from \$32.7 billion in 2010 Q3.

“The quarter was marked by greater economic uncertainty, volatile financial markets and a pullback in CMBS lending. Nevertheless, sales have totaled \$143.5b year-to-date, already surpassing the full-year 2010 total.” (Real Capital Analytics, Capital Trends, October 2011)

Total Number of Properties Sold

	2007 Q3	2009 Q3	2011 Q3	'07-'11 % Change
Off	1,082	146	325	-70%
Ind	1,048	148	404	-61%
Apt	1,149	235	585	-49%
Ret	1,145	219	357	-69%
Ttl	4,424	748	1,671	-62%

Commercial Real Estate Profile

Additional Observations

PROPERTY MARKETS

RCA, US Capital Trends, October 2011 - The quarter end rush of deals in September was stronger than expected and boosted significant property sales for Q3 to \$49.8 billion, and 38% increase from a year earlier.

OFFICE

RCA, US Capital Trends Office, October 2011 - Office property sales in September were stronger than anticipated and brought Q3's total volume to \$14.8b, a 40% increase from a year earlier. While the quarter was likely affected by growing economic uncertainty and tougher credit markets, year-over-year gains are also starting to decline as volume levels stabilize.

INDUSTRIAL

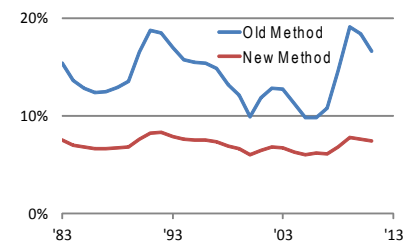
RCA US Capital Trends Industrial, October 2011 - Industrial sales of \$6.6b in Q3 were fairly strong, up 37% year-over-year. Volume in Q3 was propelled by \$2.0b of portfolio deals—seven portfolios of \$100m or more traded. Industrial has also been slower than any other sector in clearing its distress, which is just 36% worked out and stands at \$11.5 billion.

APARTMENT

RCA US Capital Trends Apartment, October 2011 - The level of outstanding apartment distress fell by \$1.4b in the fifth consecutive quarterly decline, bringing it to \$35.2 billion, including \$11.1 billion in assets taken back by lenders as REO.

RETAIL

PPR Methodology Change - In 2011 PPR was acquired by CoStar and the method of measuring retail vacancy was changed from economic modeling, to physical modeling. (See chart on right)



Real Estate Alert, October 21, 2011 - Sellers that have put big retail portfolios out onto the market are discovering that while demand is strong for core properties in prime locations, packages with some combination of less desirable properties were struggling in the market. Buyers continue to be wary of risks that may exist inside large bundles of retail property.

COMMERCIAL MORTGAGE ORIGINATIONS

Commercial Mortgage Alert, October 21, 2011 - CMBS lenders are under the gun because of highly volatile conditions in the bond market, stemming from the European debt crisis. Many conduit-market players expect shops to cut staff or even leave the sector altogether.

OTHER NEWS

Commercial Mortgage Alert, October 7, 2011 - "The performance of securitized commercial mortgages improved slightly last month, according to two key gauges of credit quality. The 60-day delinquency rate for commercial MBS loans finished September at 8.6%, according to Fitch. That's down 5 bp from a month earlier and 41 bp from its peak of 9.01% on July 31. The late-payment rate has averaged 8.7% over the first nine months of the year. Trepp's index reflected a \$1.5 billion decrease, to \$81.7 billion, in the aggregate balance of securitized mortgages that were in special servicing at the end of the month. As for delinquencies, \$1.5 billion of loans became past-due by 60 days or more, the smallest monthly volume to cross that threshold in almost three years."

Report prepared by: Don Guarino, Bryan Goddard, Will Pattison, Michael Rumery, Lukas Kollmorgen
