

Real Estate

Investors Face Ups And Downs

Korpacz Real Estate Investor Survey®
Second Quarter 2008



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Dear Reader:

During my conversations with investors this quarter, the slow recovery in the capital sector and the pricing gap between buyers and sellers took center stage. Opinions on the movement of overall cap rates, the fragile state of the U.S. economy, and the comforting notion that industry fundamentals are still quite healthy also made their way into each discussion.

In our lead story, "Investors Face Ups and Downs," read about the shifts occurring in the industry as it continues to work through the economic slowdown, the credit disruption, and the price correction. More insight into the movement of overall cap rates can be found in our *Overall Cap Rate Analysis* section, which returns after debuting last quarter.

Also returning in this issue is the *National Medical Office Buildings Market*, which debuted as a special report in the fourth quarter of 2007. Going forward, we will report on this market on a quarterly basis. Read it to find out why an increasing number of investors are targeting this asset class.

Other informative articles include our semiannual *Domestic Self-Storage Market*, Bob White's *Real Estate Capital Markets* column, and our quarterly *Technology News & Trends* and *Economic News* columns. In addition, we have included charts illustrating the current *U.S. Real Estate Cycle Positions* for the four major property types. Take a look and see where the top U.S. markets are positioned.

I hope that you enjoy reading this issue. As always, I invite your comments, feedback, and suggestions for future topics and markets to cover.

Sincerely,

A handwritten signature in cursive script that reads "Susan M. Smith".

Susan M. Smith
Editor-in-Chief

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Korpacz Real Estate Investor Survey®

National Highlights

INVESTORS FACE UPS AND DOWNS

AFTER MONTHS OF OPERATING IN AN ENVIRONMENT WHERE DEBT WAS PRACTICALLY FREE FLOWING AND FEW INVESTORS PAID CLOSE ATTENTION TO UNDERLYING FUNDAMENTALS, THE FIRST HALF OF 2008 HAS BEEN A CHALLENGING TRANSITIONAL PERIOD FOR MANY BUYERS AND SELLERS IN THE U.S. COMMERCIAL REAL ESTATE INDUSTRY. "The dynamics of the market have dramatically changed since the onset of the credit crisis," notes an investor. Debt availability is down. Economic uncertainty is up. And, tenant demand has slipped for most types of space. "We are definitely in a downturn, and it has buyers and sellers at odds over pricing," remarks a participant.

Due to the bid-ask pricing gap, sales activity has dropped considerably on a year-over-year basis in the four major property sectors – office, industrial, apartments, and retail. In April 2008, year-over-year sales of significant properties were down 80.0% in the office sector, 67.0% in the industrial sector, 81.0% in the apartment sector, and 79.0% in the retail sector, according to Real Capital Analytics, Inc. "Buyers and sellers are having a hard time reconciling today's economic uncertainty and capital constraints with yesterday's prosperous expansion and high use of leverage," comments a participant.

Another reason for the decline in sales activity is that tighter lending restrictions have reduced the number of potential buyers. "Leveraged buyers, who dominated the investment arena for many months, have vanished," remarks a participant, who noted that the number of bidders on a recent offering was well below the level witnessed in 2006 and the start of 2007. With fewer bidders vying for available assets, investors are finding it tricky to pinpoint exactly where price levels and overall cap rates now stand. "We need more data points in order to figure out the new pricing levels," shares a participant.

To date, the consensus among investors is that price declines and overall cap rate expansions have not been uniform across all property types and locations. For the most part, strong investment interest is keeping price levels elevated for high-quality, stable assets in top-performing markets despite a drop in transaction activity. "A flight to quality is very apparent," affirms a participant. On the other hand, secondary and tertiary markets have seen the greatest increases in overall cap rates due to a sharp decline in investor interest. "Assets in secondary markets are finally being priced correctly," insists another.

Even though continued investor interest is lessening price declines in larger, more dominant office markets, it is only a matter of time before downward shifts in investors' key cash flow assumptions negatively impact the pricing in such areas. "Fundamentals have held up relatively well, but we are starting to see rental growth decline and vacancy rates inch up, which ultimately reduces value," states a participant. This quarter, the initial-year market rent change rate declined in 14 of the 18 individual office markets in our Survey. This downward trend materialized in the fourth quarter of 2007, at which time just seven office markets reported decreases, and picked up steam in the first quarter of 2008.

As the industry continues to work through the economic slowdown, the credit disruption, and the ensuing price correction, investors will continue to raise funds and look for opportunities. After all, many of them find solace in knowing that what goes up must come down and that another upturn lies ahead. ✦

Overall Cap Rate Analysis

ON A YEAR-OVER-YEAR COMPARATIVE BASIS, THE AVERAGE OVERALL CAPITALIZATION RATE (OAR) FOR AN INCREASING NUMBER OF SURVEYED MARKETS SHOWED AN UPTICK BETWEEN THE SECOND QUARTER OF 2007 AND THE SECOND QUARTER OF 2008 (SEE EXHIBIT 1). Specifically, nine of our surveyed markets reported an

increase in their average OAR during that time. The Phoenix office market reported the highest year-over-year increase, moving up 35 basis points. This market's economy continues to struggle due to its exposure to the national housing crisis and the credit crunch.

LOOKING AHEAD

Even though an overwhelming majority of Survey participants expect overall cap rates to increase over the next six months, the amount of the expected increase declined in 11 markets, increased in eight markets, and remained

Exhibit 1

OVERALL CAPITALIZATION RATES

Second Quarter 2008

National Markets	Average	Annual Change*
Apartment	5.75%	- 5
Warehouse	6.56%	- 2
CBD Office	6.68%	- 15
Regional Mall	6.71%	- 17
Power Center	7.17%	+ 11
Suburban Office	7.28%	- 1
Strip Shopping Center	7.32%	- 3
Net Lease	7.63%	0
Flex/R&D	7.68%	+ 8
Office Markets		
Manhattan	5.67%	+ 3
San Diego	6.06%	- 19
San Francisco	6.14%	- 25
Los Angeles	6.20%	- 12
Washington, DC	6.23%	+ 2
Denver	6.52%	- 21
Phoenix	6.90%	+ 35
Northern Virginia	6.94%	+ 13
Chicago	6.96%	- 3
Suburban Maryland	7.02%	+ 24
Atlanta	7.25%	+ 8
Houston	7.27%	- 61
Pacific Northwest	7.31%	- 121
Boston	7.43%	+ 4
Charlotte	7.56%	—
Dallas	7.75%	- 38
Southeast Florida	8.00%	- 1
Philadelphia	8.25%	+ 10
KDI**	6.95%	- 9

* Basis points

** Korpacz Dividend Indicator (see Definitions)

Source: Korpacz Real Estate Investor Survey[®]

Exhibit 2

OVERALL CAPITALIZATION RATE FORECAST

Second Quarter 2008

MARKET	CURRENT OAR	CHANGE OVER NEXT 6 MONTHS*	
	AVERAGE	RANGE	AVERAGE
National Regional Mall	6.71%	50 - 100	72.0
National Power Center	7.17%	0 - 75	40.0
National Strip Shopping Center	7.32%	25 - 75	38.0
National CBD Office	6.68%	0 - 75	33.3
National Suburban Office	7.28%	0 - 100	42.8
Atlanta Office	7.25%	0 - 50	28.1
Boston Office	7.43%	(25) - 25	9.4
Charlotte Office	7.56%	0 - 30	10.0
Chicago Office	6.96%	0 - 50	33.3
Dallas Office	7.75%	25 - 50	43.8
Denver Office	6.52%	0 - 50	25.0
Houston Office	7.27%	0 - 200	79.2
Los Angeles Office	6.20%	0 - 50	20.8
Manhattan Office	5.67%	0 - 100	33.3
Northern Virginia Office	6.94%	50 - 50	50.0
Pacific Northwest Office	7.31%	0 - 50	18.8
Philadelphia Office	8.25%	_a	_a
Phoenix Office	6.90%	0 - 25	12.5
San Diego Office	6.06%	_a	_a
San Francisco Office	6.14%	0 - 100	25.0
Southeast Florida Office	8.00%	25 - 50	37.5
Suburban Maryland Office	7.02%	25 - 50	41.7
Washington, DC Office	6.23%	0 - 50	25.0
National Flex/R&D Market	7.68%	0 - 75	40.7
National Warehouse Market	6.56%	0 - 75	23.7
National Apartment Market	5.75%	(50) - 100	31.4
Simple Average	6.95%	7 - 72	34.6

*All changes are positive unless enclosed in parentheses

(a) An insufficient number of responses were reported for this market.

Source: Korpacz Real Estate Investor Survey[®]

unchanged in five of them (see Exhibit 2). With the exception of the Boston office market, the declines in the expected increases were minimal. In the Boston office market, the expected increase dropped from 25 basis points to just under ten basis points. Given the lull in this market's leasing activity and the decline in its initial-year market rent change rate, the expected increase in its average OAR may soon rise.

The two markets that reported the largest increases in expected OAR growth for the next six months were Washington, DC and Manhattan, where

the forecasted increases each ticked up nearly eight basis points.

CBD vs. SUBURBAN OARS

A breakout of overall cap rates, discount rates, and residual cap rates for the CBD and suburban submarkets of each individual office market in our Survey is shown in Exhibit 3. In reviewing the OAR breakout, it appears that overall cap rates remain lower for most CBD submarkets than for their suburban counterparts. In the second quarter of 2008, the average OAR for the CBD submarkets sat 48 basis points below the

average for the suburbs. A main reason for this difference is that higher barriers to entry and a lack of available land for new development tend to keep the supply-demand equation a bit more balanced in a market's CBD. As a result, they typically achieve higher rental rates. In addition, downtown cores tend to provide better forms of mass transportation and embody a 24-hour, live-work lifestyle that appeals to many individuals. As a result, CBD assets are generally perceived as providing less investment risk to the owner – less risk, lower cap rate. ✦

Exhibit 3						
BREAKOUT OF KEY INDICATORS						
Second Quarter 2008						
CBD OF:	DISCOUNT RATE		OVERALL CAPITALIZATION RATE		RESIDUAL CAP RATE	
	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
Atlanta	6.00% – 10.00%	8.38%	5.25% – 9.00%	7.19%	6.50% – 9.00%	7.63%
Boston	7.00% – 11.00%	8.67%	5.00% – 9.75%	6.82%	6.50% – 9.50%	7.73%
Charlotte	7.00% – 10.00%	8.40%	6.00% – 9.00%	7.33%	6.50% – 8.50%	7.30%
Chicago	7.00% – 10.00%	7.98%	4.50% – 9.00%	6.57%	6.50% – 9.00%	7.27%
Dallas	7.50% – 9.00%	8.41%	6.00% – 9.00%	7.15%	6.50% – 9.25%	7.59%
Denver	7.00% – 9.00%	8.18%	5.50% – 7.00%	6.23%	6.50% – 7.90%	7.08%
Houston	7.50% – 10.00%	8.46%	5.00% – 10.00%	7.11%	7.00% – 10.00%	8.04%
Los Angeles	6.75% – 11.00%	8.24%	3.00% – 9.00%	5.86%	6.00% – 9.00%	7.32%
Manhattan	6.00% – 9.50%	7.72%	3.50% – 8.00%	5.67%	5.75% – 9.25%	6.91%
Pacific Northwest	5.00% – 11.00%	8.60%	5.00% – 11.00%	7.15%	6.25% – 9.00%	7.44%
Philadelphia	8.00% – 10.50%	9.00%	5.00% – 9.00%	7.38%	7.00% – 9.50%	8.38%
Phoenix	5.00% – 9.50%	7.88%	5.00% – 8.50%	6.81%	6.50% – 9.00%	7.52%
San Diego	5.60% – 10.00%	8.17%	4.75% – 7.50%	5.95%	6.00% – 7.00%	6.64%
San Francisco	6.50% – 12.00%	7.60%	4.50% – 9.00%	5.83%	5.00% – 9.00%	6.73%
Southeast Florida	7.00% – 11.00%	8.75%	6.00% – 8.50%	7.34%	7.50% – 8.75%	7.88%
Washington, DC	6.00% – 9.50%	7.51%	5.00% – 8.00%	6.23%	5.00% – 9.00%	6.85%
SUBURBS OF:	DISCOUNT RATE		OVERALL CAPITALIZATION RATE		RESIDUAL CAP RATE	
	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
Atlanta	8.00% – 10.00%	8.64%	5.80% – 9.00%	7.11%	7.00% – 8.75%	7.64%
Boston	6.00% – 13.00%	9.16%	6.50% – 10.25%	8.00%	7.00% – 10.50%	8.34%
Charlotte	7.00% – 10.00%	8.50%	6.50% – 9.00%	7.65%	7.00% – 9.00%	7.90%
Chicago	7.00% – 11.00%	8.68%	5.70% – 9.50%	7.51%	7.00% – 10.50%	8.02%
Dallas	8.00% – 9.00%	8.44%	6.25% – 8.25%	7.43%	6.75% – 9.25%	7.72%
Denver	7.75% – 10.00%	8.69%	5.50% – 7.50%	6.69%	6.50% – 8.90%	7.53%
Houston	7.50% – 9.50%	8.40%	5.50% – 10.00%	7.45%	7.25% – 10.00%	8.23%
Los Angeles	6.75% – 12.00%	8.68%	3.00% – 9.00%	6.15%	6.00% – 9.00%	7.34%
Northern Virginia	6.00% – 11.00%	8.13%	5.00% – 9.00%	6.94%	6.50% – 9.50%	7.61%
Pacific Northwest	5.00% – 11.50%	8.63%	5.00% – 11.00%	7.06%	6.25% – 9.00%	7.52%
Philadelphia	8.50% – 11.00%	9.46%	6.00% – 11.00%	8.50%	8.00% – 10.00%	8.90%
Phoenix	6.00% – 11.00%	8.75%	5.50% – 8.50%	7.02%	7.00% – 8.00%	7.63%
San Diego	6.00% – 10.00%	8.19%	4.50% – 8.00%	6.25%	6.00% – 7.50%	6.98%
San Francisco	7.00% – 9.50%	8.08%	4.50% – 8.25%	6.57%	5.50% – 8.50%	7.01%
Southeast Florida	7.00% – 11.00%	9.06%	5.20% – 10.50%	8.04%	6.25% – 10.50%	8.06%
Suburban Maryland	6.00% – 11.00%	8.23%	5.00% – 9.00%	7.02%	6.00% – 9.50%	7.70%

Source: Korpacz Real Estate Investor Survey®

Technology News & Trends

INTEGRATING GIS AND REAL ESTATE

By Scott Metro, Partner

Real Estate Systems and Process Assurance – PricewaterhouseCoopers LLP

GEOGRAPHIC INFORMATION SYSTEMS (GIS) AND REAL ESTATE HAVE ALWAYS HAD A SPECIAL BOND. The most obvious reason is that, unlike many other investment categories, such as stocks or bonds, real estate investments have a tangible location on this earth. This makes plotting their locations relative to one another feasible and interesting. However, there is more to the marriage of GIS and real estate than just plotting property locations. Understanding what is going on around a property – earthquake fault lines, crime rates, and household income data – is also important when analyzing real estate. While several sophisticated mapping programs are available for a fee, there are also free services that, with a little work, allow property data to be "mashed up" with other data in order to create helpful analyses.

GEOCODING

The first step, and likely one of the most important requirements in mapping properties and performing further GIS analyses, is geocoding the locations of the properties. Geocoding consists of converting typical addresses to geographic coordinates, such as latitude and longitude. All of the "heavy-duty," fee-based GIS systems, such as MapInfo and ESRI, market geocoding engines within their products and allow companies to integrate existing databases in order to perform fast conversions of addresses to latitude and longitude.

Other online services, such as map.live.com and batchgeocode.com, allow users to upload addresses and

receive geocoding for free. While these stand-alone websites are not integrated with property management databases, they allow users to ready data for plotting and other analyses. Plus, services like batchgeocode.com return a file formatted using KML, a format understood by several mapping services.

MAPPING

Armed with a geocoded property file, real estate professionals can use any of the free mapping services available on the Internet. The most popular of these is Google Maps. Using Google Maps and its "MyMaps" feature, the KML file produced by the free geocoding service can be directly uploaded and plotted on a map. Within seconds of uploading the file, the properties are plotted on a map along with the other information contained in the file. Users are also able to import boundaries and attach photos. They can also create free "mashup"

maps, which combine and display data from different sources, such as census data, earthquake fault lines, and city crime statistics.

TRADE-OFFS

Using free geocoding and mapping services instead of industrial-strength, fee-based systems comes with a few trade-offs. First,

fee-based systems allow in-house databases to be integrated into the GIS process and, therefore, eliminate the need to manually process files. Second, fee-based systems allow a much wider set of data to be overlaid onto proprietary data. While the three major free mapping providers offer a way for programmers to integrate maps into applications, in-house systems provide more power and flexibility in programming the maps into legacy applications. Various mapping tools and solutions, both free and fee based, are shown in Exhibit TNT-1.

Still, for real estate professionals who simply want to view their properties and related information on a map and share the map with others, the many free services available on the Internet will meet their needs quite well. *

Exhibit TNT-1 MAPPING TOOLS AND SOLUTIONS	
FREE	
Batch Geocoding Tool	batchgeocode.com
Google Maps	maps.google.com
Microsoft Virtual Earth	map.live.com
Yahoo Maps	maps.yahoo.com
FEE BASED	
MapInfo	mapinfo.com
ESRI	esri.com
Maptitude	caliper.com
Pushpin	pushpin.com

Economic News

LEARNING FROM POLITICS

By Steven P. Laposa, Ph.D., Director
Global Strategic Real Estate Research Group – PricewaterhouseCoopers LLP

ELECTION-YEAR POLITICS PROVIDE AN OPPORTUNITY TO COMPARE AND CONTRAST GOVERNMENT POLICIES AND CANDIDATE PROMISES TO ECONOMIC ACTIVITIES AND THE REALITIES OF LIVING AND WORKING EACH DAY. Over time, changes in elected and appointed government officials, whether on a local, state, or national basis, eventually result in positive and negative consequences to the real estate industry. So, the primary question is simple: *What do real estate economics, real estate investing, and politics have in common?*

WINNERS AND LOSERS

First, both politics and real estate have winners and losers. After all the Presidential campaigning and debating on how to "fix" the economy this year, someone will win the Presidency, and someone will lose. According to a Gallup National Poll released on May 15, 2008, 83.0% of respondents indicated that U.S. economic conditions are getting worse, an increase from the mid-60.0% range at the beginning of the year.

Resilience, recession, or recovery – *will the U.S. economy be a winner or a loser in 2009?* The Bureau of Economic Analysis reported consecutive 0.6% annualized growth rates for real gross domestic product (GDP) in the fourth quarter of 2007 and the advanced estimate for the first quarter of 2008. As of May 2008, Moody's Economy.com still showed a modest 1.5% GDP forecast for 2008, down from its December 2007 forecast of 2.2% for 2008.

Rising energy and food prices are center stage with businesses and households. Oil prices have doubled in the

last year, increasing from \$62.00 per barrel in May 2007 to the mid-\$130.00-per-barrel range in May 2008. At the same time, gasoline prices have increased over \$1.00 per gallon. In addition, food and beverage prices have increased at a 6.1% annual rate as of April 2008, with corn prices rising 30.0% in 2008 alone, according to the Bureau of Labor Statistics (BLS).

LOCAL VS. LOCATION

The second similarity between real estate and politics can be summed up by the infamous phrase of former Speaker of the House Tip O'Neill, who said, "...all politics is local." So, too, is real estate. The mantra *location, location, location* is well known in the industry. National statistics and trends are important, but they may not apply to all markets and all property types. Specific performances of regions, cities, submarkets, and trade areas are what matter.

Although the decline of national payroll jobs is lessening, from about 80,000 jobs lost in February and March of 2008 to 20,000 jobs lost in April of 2008, some cities are experiencing year-over-year employment gains. On a non-seasonally adjusted basis from March 2007 to March 2008, the BLS reported that employment increased by about 80,000 jobs in

Houston; 65,000 jobs in New York-Northern New Jersey; 58,000 jobs in Dallas-Forth Worth; 36,000 jobs in Seattle; and 26,000 jobs in Atlanta. On the other hand, Detroit lost 45,000 jobs; Los Angeles lost 35,000 jobs; Miami lost 21,000 jobs; and Tampa lost 17,000 during that time period. *Do job losses result in lower real estate returns?*

LESSONS LEARNED

There's plenty of sobering economic news in the media these days from housing woes, inflation fears, and the weak value of the dollar to poor employment growth and rising energy costs. Exhibit EN-1 highlights the forecasts for select macroeconomic variables that impact real estate. Based on forecasts by Moody's Economy.com, most economic trends are expected to rebound in 2009 and 2010. With so many factors constantly changing and shifting, it is important to test and improve investment strategies, models, and management tools on a regular basis in order to maximize returns – whether it's an election year or not. ♦

ECONOMIC INDICATOR	2008	2009	2010
GDP %	1.5	3.0	3.6
Inflation %	3.6	2.1	1.6
Employment %	0.1	0.7	1.7
10-year treasury %	4.08	5.37	5.63
Retail sales ex. autos %	3.0	2.4	2.7
U.S. \$ to Euro €	1.45	1.39	1.31

Source: Moody's Economy.com as of May 2008

Real Estate Capital Markets

PLENTY OF EQUITY WAITS ON THE SIDELINES

By Robert M. White, Jr., CRE, FRICS

Founder & President, Real Capital Analytics, Inc.

PROPERTY SALES HAVE SLOWED TO JUST A FRACTION OF A YEAR AGO WHEN REIT PRIVATIZATIONS AND MULTIBILLION-DOLLAR DEALS PROLIFERATED THROUGHOUT THE INDUSTRY. The difference in total sales between the first quarter of 2007 and the first quarter of 2008 is astounding. In the United States, property sales of significant office, industrial, retail, apartment, and hotel assets totaled just \$46.5 billion in the first quarter of 2008, down from over \$135.0 billion a year ago. More startling is the fact that over 150 different buyers spent more than \$100.0 million in just the first quarter of last year; this year less than 50 did so. What happened to the other 100 investors?

The answer is that relatively few of them have disappeared. Instead, most commercial property investors remain on the sidelines with plenty of capital and are silently plotting their return. Despite the media attention that certain high-profile investors, such as Macklowe Properties and Centro Properties Group, are receiving due to financial troubles, few other investors of income-producing properties are having problems nearly as severe. And, even though delinquencies in the CMBS market are rising, they are still very low – less than 0.4% for the major property types. It is also important to note that income-producing properties are faring quite well and that foreclosures of developments and land deals are more common. Notwithstanding a number of developers and lenders that have vanished, the universe of potential property buyers remains large with many of them continuing to raise equity capital.

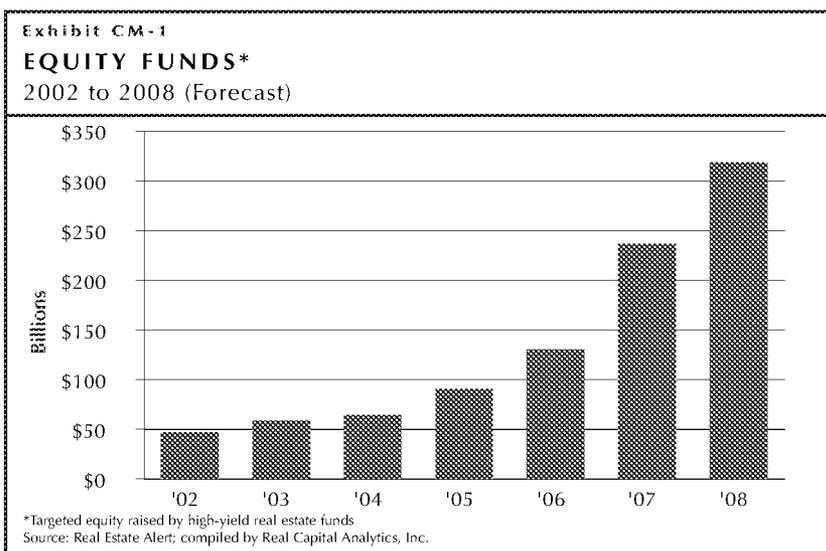
It is hard to see all of this capital because it is not moving. While some of it is paralyzed by a lack of financing, another large portion is paralyzed by an abundance of uncertainty. Either way, all of it is waiting for signs that the worst is over. One thing is for certain: very little capital is leaving the commercial property sector. So far, no better opportunities in stocks or other asset classes have emerged to lure the capital away. In fact, equity capital flows into commercial property investments remain strong. Private equity funds are raising capital at a near-record pace, pension fund allocations are up, and interest from foreign buyers is high. And, the good news for REITs is that U.S. mutual fund flows have turned positive this year after suffering a \$5.6-billion outflow in 2007, according to AMG Data. This is also good news for the private sector, as real estate mutual fund flows are a good gauge of the sentiment among individual, high-net-worth property buyers.

PRIVATE EQUITY FUNDS

Private equity funds continue to attract capital and are targeted to raise a total of \$318.0 billion this year, 35.0% more capital than in 2007 (see Exhibit CM-1). Experienced managers are raising record sized funds. The Blackstone Group just closed on \$10.9 billion of capital commitments for its Fund VI; Morgan Stanley just completed raising \$5.9 billion for its Special Situations Fund III; and CB Richard Ellis Investors recently completed raising \$2.1 billion for its Strategic Partners U.S. 5. New funds are also successful in achieving their targets, especially those aimed at “pursuing opportunities that result from the capital-market dislocation,” a common strategy of many new funds.

PENSION FUNDS

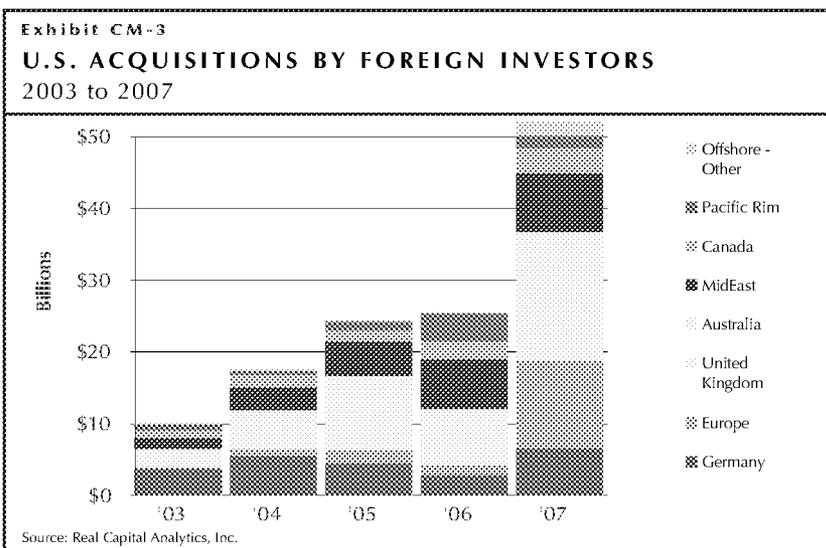
Pension funds are making new allocations to real estate and increasing existing allocations. In total, a survey of the leading pension plans in Fall 2007 revealed a sharp rise in their



expected capital flows to commercial property (see Exhibit CM-2). By all reports, capital continues to flow in, but estimates of pension fund capital should be revised downward. A phenomenon called the “denominator effect” is curtailing some of the capital pension funds have planned for commercial real estate (CRE). The denominator is the value of all the assets owned by pension funds, while the numerator is the allocation to CRE. If the value of the denominator declines, the allocation to CRE must also decline. The denominator effect was last an issue after the dot-com bust.

Another reason that pension fund capital may fall short of original expectations is that an increasing share of CRE allocations is going overseas. Though still small, the amount of U.S. pension fund capital allocated to international property is material and growing quickly.

In fact, capital allocated to international property has been exploding globally among all types of investors. Last year, Real Capital Analytics, Inc. recorded \$340.0 billion of cross-border acquisitions in 70 countries, which accounted for 32.0% of all property sales globally. The United States captured about \$50.0 billion of this cross-border capital in 2007, double the



amount from 2006 (see Exhibit CM-3). Moreover, foreign interest in U.S. properties continues to grow, partially facilitated by the weak dollar.

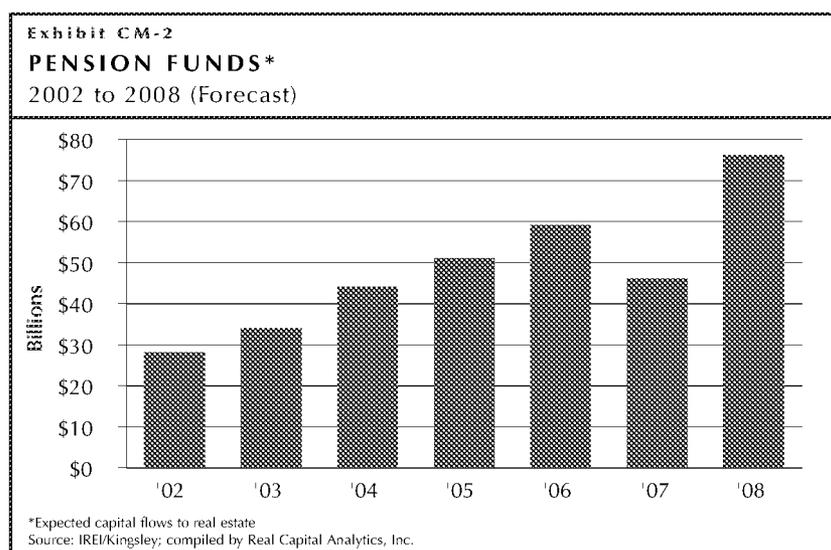
Foreign buyers of U.S. property are far more diverse than even a few years ago. Middle Eastern and Australian investment now outstrips that of Germany. And, a steady flow of new buyers from all over Europe continues. A new Irish investor just claimed a building in Washington, DC, while a Spanish retail magnate recently purchased major properties in Chicago and Boston. Plus, a growing number of Asian firms are seeking U.S. real estate. Sumitomo

acquired an office building in Washington, DC, while a major Korean investor recently announced its intention to buy a significant amount of U.S. real estate. These examples reflect the trend, but the floodgates have yet to open for foreign capital since many of these investors are also cautiously waiting on the sidelines.

CONCLUSION

While the availability of debt is scarce, equity capital for commercial property has not disappeared and may actually be growing. While capital raising trends are largely positive from most equity sources, many buyers will remain on the sidelines waiting for the economy and financial markets to improve before making further acquisitions. ✦

Real Capital Analytics, Inc. is an international research and consulting firm. It publishes monthly reports concerning capital flows, prices and yields, and the supply and demand of offerings. For information on these, as well as other services and publications, visit their website at www.rcanalytics.com or contact them at 866-732-5328.



Domestic Self-Storage Market

PRICING AND PERFORMANCE TRENDS – 1ST HALF 2008

By Charles Ray Wilson, CRE, MAI
Self Storage Data Services, Inc.

ALTHOUGH THE MAJORITY OF SELF-STORAGE FACILITIES CONTINUE TO PERFORM WELL, THERE ARE A FEW SELF-STORAGE MARKETS THAT ARE DEMONSTRATING SIGNS OF WEAKNESS. Their weakness, however, has more to do with the errors made by a few overly enthusiastic and misinformed developers and investors than with market fundamentals.

The major question on the minds of most self-storage participants is: What happens to the self-storage industry if the U.S. economy slips into

a recession? A more telling question is: How much slower can the economy grow before self-storage owners start to see a significant, adverse impact on operating performances?

In April 2008, *Forbes* magazine identified five markets as "America's riskiest real estate markets" based on high rates of home foreclosures, job growth, and large inventories of homes for sale. Self Storage Data Services, Inc., (SSDS) studied these markets from an operating standpoint. As shown in Ex-

hibit DSS-1, self-storage facilities in these five markets are doing quite well with only one market, Sacramento, posting a 5.0% decline in collected rent over the past year.

Within the past 12 months, the amount of rent collected per occupied square foot in these "risky" markets increased an average of 4.0% after the cost of concessions were taken into consideration. Our analysis suggests that self-storage operations are stable, and may even be thriving, in markets like these despite the housing crisis and the U.S. economic slowdown.

Nevertheless, the current level of performance could be partially a function of the lag effect of the housing crisis, which suggests that a further slowdown in the economy will, at some point, negatively impact the performance of these, as well as many other self-storage markets. But for now, the underlying fundamentals remain strong in the majority of self-storage markets across America.

INVESTMENT MARKET CONDITIONS

Transaction volume is down significantly. In addition, the distinction between Class-A facilities and "all others" is becoming more apparent. Investors are recognizing the importance of properly assessing risk based upon quality of construction, local market conditions, and location attributes. As a result, investment demand is strong for stabilized Class-A facilities, but only a limited number of facilities are available for purchase. However, brokers report a record number of listings of Class-B facilities, most of which they feel are

Table DSS-1 DOMESTIC SELF-STORAGE MARKET First Half 2008		
	FIRST HALF 2008	SECOND HALF 2007
DISCOUNT RATE (IRR)^a		
Range	9.25% – 11.25%	9.10% – 11.00%
Average	10.25%	10.00%
Change (Basis Points)		+ 25
OVERALL CAP RATE (OAR)^a		
Range	6.50% – 9.75%	6.50% – 9.50%
Average	8.00%	7.75%
Change (Basis Points)		+ 25
RESIDUAL CAP RATE		
Range	7.75% – 10.25%	7.50% – 10.25%
Average	9.00%	9.00%
Change (Basis Points)		0
MARKET RENT CHANGE RATE^b		
Range	3.00% – 3.75%	2.50% – 4.50%
Average	3.25%	3.25%
Change (Basis Points)		0
EXPENSE CHANGE RATE^b		
Range	3.00% – 5.00%	2.75% – 5.00%
Average	3.25%	3.75%
Change (Basis Points)		- 50
AVERAGE MARKETING TIME^c		
Range	1.50 – 3.00	1.50 – 2.50
Average	2.00	1.50
Change (%)		+ 33.33
a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months		
Source: Self Storage Data Services, Inc.		

Exhibit DSS-1			
AMERICA'S RISKIEST REAL ESTATE MARKETS*			
Trends in Rent Collected per Occupied Square Foot			
MSA	1Q07	1Q08	% Change
Detroit	\$0.58	\$0.66	+ 14.0%
Denver	\$0.74	\$0.82	+ 11.0%
Cleveland	\$0.58	\$0.63	+ 9.0%
San Diego	\$1.09	\$1.08	- 1.0%
Sacramento	\$0.85	\$0.81	- 5.0%
Average	\$0.77	\$0.80	+ 4.0%
*As ranked by <i>Forbes</i> , April 2008			
Source: Self Storage Data Services, Inc.			

not priced correctly in order to sell.

Fortunately, the narrow spread between anticipated development yields and current overall cap rates, together with limited capital for construction, will help to hold the lid on new supply.

Class-A Facilities

There is strong demand for Class-A facilities by the larger, sophisticated investors, such as REITs and large private operators. However, such properties have not been freely available in the marketplace. Still, several investors with an abundance of capital are well aware of the strength of this sector's fundamentals and are ready, able, and set to move when opportunities arise. The fact that overall cap rates have not been increasing as they have for most other property types demonstrates continued confidence in this sector on behalf of investors. Overall cap rates for Class-A facilities are shown in Table DSS-2.

Class-B Facilities

There is demand for Class-B facilities from investors who have cash. But, while more Class-B properties are available, fewer transactions are closing. Many, and perhaps most, of the investors looking to acquire Class-B facilities are waiting for sellers to discount their asking prices. Overall cap

rates for Class-B facilities are shown in Table DSS-2.

There are two types of sellers of Class-B facilities. First are the owners who are hoping to achieve an idealistic price based upon unrealistic overall cap rates and revenue projections. They are not highly motivated. Second are the owners who are highly motivated to sell because they are facing maturing loans and are not meeting investors' expectations.

The first group is the larger group. These sellers will probably not discount their asking prices because their facilities continue to perform well despite the slowing economy. These sellers do not have to sell.

The second, smaller group of sellers includes owners who were overzealous in their investment process and used overly optimistic projections in

forecasting their facility's future performance. While many of these owners blame oversupply issues for the poor performance of their investments, oversupply is not the problem in most cases. Rather, the problems stem from poor investment decisions. The question now is when will these sellers be motivated enough to reduce their asking prices to actual market value?

OPERATING PERFORMANCE

The self-storage industry has displayed tremendous resilience over the past several quarters, posting positive revenue growth in most individual markets through a period of weakening economic conditions and a prolonged housing market downturn. Although performances vary by market, supply and demand remain generally balanced throughout the industry.

Owners pushed up asking rental rates an average of 5.0% over the past 12 months and the median physical occupancy remains at 90.0%. After considering the cost of concessions, the amount of rent collected per occupied square foot – while down approximately 1.0% in the first quarter of 2008 compared to the same period last year - was generally flat over the past four quarters.

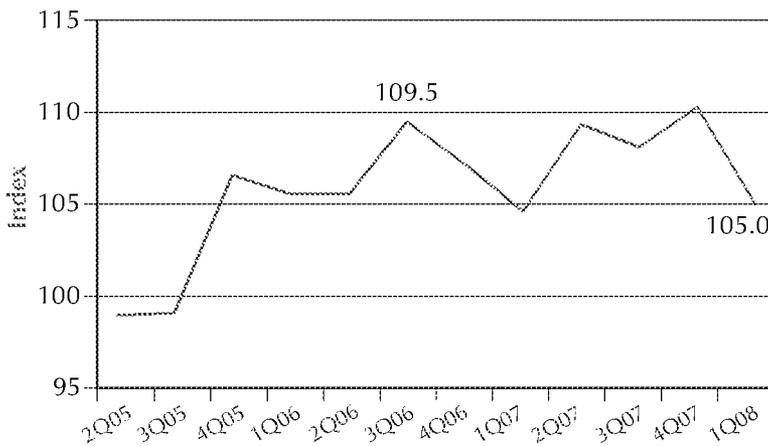
SELF-STORAGE PERFORMANCE INDEX®

The Self-Storage Performance Index (SSPI)® for the quarter ending March

Table DSS-2		
OVERALL CAPITALIZATION RATES BY CLASSIFICATION		
First Half 2008		
CLASS-A SELF-STORAGE FACILITIES		
MINIMUM	MAXIMUM	AVERAGE
6.50%	7.50%	7.20%
CLASS-B AND CLASS-C SELF-STORAGE FACILITIES		
MINIMUM	MAXIMUM	AVERAGE
7.75%	>10.00%	8.75% to 9.00%
Source: Self Storage Data Services, Inc.		

Chart DSS-1

SELF-STORAGE PERFORMANCE INDEX (SSPI)[®]
2Q05 to 1Q08



Base: 4th Quarter 2003 = 100
Source: Self Storage Data Services, Inc.

31, 2008 now stands at 105.0, down 5.0% from the prior quarter's restated index, but up nearly one-half of one percent (0.38%) from the same quarter a year earlier (see Chart DSS-1).

KEY INDICATORS

As shown in Table DSS-1, both the average discount rate and the average overall cap rate increased 25 basis points in the self-storage industry during the first half of 2008.

So long as the economy does not continue to deteriorate, a major upward movement in overall cap rates is not anticipated.

PERFORMANCE AT A GLANCE

Asking Rental Rates

As a result of having pushed asking rental rates 8.0% in the fourth quarter of 2007, owners were unable to increase rates again in the first quarter of 2008. As a result, asking rental rates remained flat in the first quarter of 2008 on a quarterly and annual basis.

Physical Unit Occupancy

Since owners held asking rental rates

flat, physical occupancy only dropped 0.3% in the first half of 2008; at which time median physical occupancy nationwide was 89.7%.

Rent Per Occupied Square Foot

Rent per occupied square foot is down 1.2% in the first quarter of 2008 compared to the same quarter last year.

Concessions

Today, approximately 60.0% of all facilities in the nation's largest 50 markets offer some type of concession, an increase of approximately 1.0% compared to the same period a year ago. The number of facilities offering concessions has been trending upward since the third quarter of 2006.

CONCLUSION

The self-storage industry's fundamentals remain strong from an operating standpoint in most areas of the country. Generally, additions to new supply are in check, and the effects of the slowing economy and the soft housing market have not adversely affected the industry – at least for now.

The current investment market is increasingly bifurcated between Class-A facilities and "all others." The limited number of Class-A facilities that come to market get good exposure and tend to sell quickly. For non-Class-A facilities, marketing times may be prolonged, and price discounting may not be as widespread as anticipated since the majority of Class-B facilities continue to be profitable.

At the same time, the gap is widening between the well-capitalized, sophisticated investors and the less-informed, under-capitalized investors. This gap begins with access to information and talent and is ultimately reflected in the difference in the long-term investment yields achieved by each group.

Note: The Self Storage Performance Index[®] (SSPI) and other products referenced herein are either copyrighted by or trademarks of Self Storage Data Services, Inc. (SSDS) and are reprinted herein with SSDS's permission. ✦

Charles R. Wilson & Associates, Inc., founded by Charles Ray Wilson, MAI, CRE, is now part of Integra Realty Resources, the largest national commercial real estate valuation and consulting firm in the United States. Integra Realty Resources' metro Los Angeles office continues to specialize in self-storage valuation nationwide.

In 1992, Charles Ray Wilson founded Self Storage Data Services, Inc., an independent research firm that maintains the nation's largest database of self-storage operating statistics. Mr. Wilson is a recognized leader in providing independent research on the self-storage industry. For more information about SSDS please visit their website at www.ssdata.net.

National Medical Office Buildings Market

THE WINNING COMBINATION OF HIGH RENTS, LONG-TERM LEASES, AND SOLID TENANT RETENTION PERCENTAGES MAKE OWNING MEDICAL OFFICE SPACE VERY ATTRACTIVE TO INVESTORS. The allure of ownership is particularly strong during times of economic distress when alternative investments may not be as appealing. "We expect pricing for medical office buildings (MOBs) to hold up better than most other commercial real estate sectors," notes a participant. The need for health care is constant. As the population ages, both longevity and the amount of preventative procedures increase. These trends have led to an increase in investment demand for MOBs and an acceptance of this asset

class as a core investment by both individual and institutional investors.

On the supply side, several factors are contributing to the rise in investment demand in the MOB sector. First, hospital expansions are exorbitant, costing an average of \$600.00 per square foot compared to the construction cost of about \$250.00 per square foot for MOBs. Second, many medical procedures are being pushed from hospitals to physicians' offices, outpatient clinics, and surgery centers in an effort to control expenses. Third, the growth in medical technology is forcing physicians to remain competitive by upgrading and enhancing spaces when existing facilities become obsolete. Since

relocating can sometimes cause a loss in patients, many physicians will move to an updated facility in close proximity to current sites.

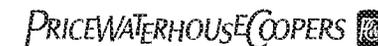
Although the dollar volume of MOB sales rose steadily from midyear 2005 to midyear 2007, the pace has backed off slightly since midyear 2007. Nevertheless, the market is still considered active. In the first quarter of 2008, sales involving MOBs totaled \$970.0 million, down from the most recent peak of \$1.6 billion in the first quarter of 2007, according to Real Capital Analytics, Inc. The Southwest and West regions of the country posted the highest MOB sales volumes over the past 12 months, capturing almost 54.0% of the total. During that time, Dallas (\$370.0 million), San Diego (\$350.0 million), and Seattle (\$272.0 million) reported the highest MOB sales volumes.

While sales of MOBs have mainly involved "one-off" deals, the recent influx of institutional investors into the MOB transaction market has brought about an increase in portfolio sales. In what may be the largest MOB transaction to date, Nationwide Health Properties (NHP) is purchasing 15 properties from Pacific Medical Buildings between 2008 and 2010. By the end of the dealings, NHP will spend \$915.0 million and will also own exclusive rights to acquire up to an additional \$1.0 billion of Pacific's MOBs over the next seven years under specific terms. In another portfolio sale, HRPT Properties Trust plans to sell 48 MOBs to Senior Housing Properties Trust, a former HRPT subsidiary that spun off in 1999, for \$565.0 million. Finally, Jones Lang LaSalle will be marketing Tenet Healthcare Corporation's 34-asset, 2.4-million-square-foot MOB portfolio for sale. ♦

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	8.00% – 11.00%		
Average	9.43%		
Change (Basis Points)			
OVERALL CAP RATE (OAR)^a			
Range	6.00% – 11.00%		
Average	7.90%		
Change (Basis Points)			
RESIDUAL CAP RATE			
Range	6.50% – 8.75%		
Average	7.71%		
Change (Basis Points)			
MARKET RENT CHANGE RATE^b			
Range	0.00% – 4.00%		
Average	2.46%		
Change (Basis Points)			
EXPENSE CHANGE RATE^b			
Range	2.00% – 4.00%		
Average	2.96%		
Change (Basis Points)			
AVERAGE MARKETING TIME^c			
Range	1.50 – 6.00		
Average	4.75		
Change (%)			
a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months			

NATIONAL MEDICAL OFFICE BUILDINGS MARKET-INVESTOR SURVEY RESPONSES												
Second Quarter 2008												
	INITIAL-YEAR CHANGE RATES			RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI				CAP RATE	SELLING EXPENSE	FREE & CLEAR			FREE & CLEAR
REAL ESTATE ADVISOR + Forecast Period: 10 years Uses mainly DCF analysis; in direct cap, capitalizes NOI before tenant improvements, leasing commissions, and capital replacement reserve; does not use rent spikes.	3.0%	2.0% to 4.0%	3.0%	7.00% to 8.00%	1.0% to 2.0%	8.00% to 9.00%	6.50% to 8.00%	6 to 12	80.0% to 90.0%	3.0% to 5.0%	\$0.10 to \$0.20	6 to 9
PRIVATE INVESTOR + Forecast Period: 5 to 7 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	3.0%	4.0%	2.5%	7.25% to 8.00%	1.5%	8.00% to 10.50%	6.75% to 7.90%	3	80.0%	5.0%	\$0.20 to \$0.25	
DEVELOPER/INVESTOR + Forecast Period: 5 years Mainly uses DCF analysis; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; expects cap rates to hold steady over the next six months.	3.0%	3.0%		8.00%	3.0%	Up to 15.00%	10.00% to 11.00%	6	75.0%	5.0% to 7.0%	\$0.20	6
REIT + Forecast Period: 5 to 10 years Uses both DCF analysis and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects cap rates to move up 25 to 50 basis points over the next six months.	2.5% to 3.0%	3.0%	3.0%	7.25% to 8.00%	1.5% to 2.0%	9.25% to 10.50%	6.50% to 8.00%	6	80.0% to 85.0%	3.0% to 5.0%	\$0.25 to \$0.50	6
REIT + Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects cap rates to move up 50 basis points over the next six months.	2.5%	2.5% to 3.0%	2.5%	8.25% to 8.75%	2.5%	9.50%	6.75% to 8.00%	6 to 9	75.0% to 80.0%	2.0% to 5.0%	\$0.25	
PENSION FUND ADVISOR + Forecast Period: 7 to 10 years Uses all approaches to value; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects cap rates to hold steady over the next six months.	2.0% to 4.0%	3.0%	3.0%	6.50% to 7.50%	2.0%	9.00% to 11.00%	6.00% to 7.25%	4 to 6	85.0%	3.0% to 4.0%	\$0.25 to \$0.35	6
PRIVATE REAL ESTATE FIRM + Forecast Period: 1 to 2 years Uses all approaches to value; does not have a preference with respect to the income capitalized in direct capitalization; expects cap rates to increase over the next six months; believes that market conditions favor buyers.	0.0%	2.0%		Does not use		Does not use	8.00% to 10.00%	5	80.0%			1.5

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



National Regional Mall Market

A DIFFICULT U.S. ECONOMIC AND CONSUMER ENVIRONMENT IS EXPECTED TO CONTINUE TO NEGATIVELY IMPACT THE PERFORMANCE OF THE NATIONAL REGIONAL MALL MARKET IN THE COMING MONTHS. "As consumers spend less money on retail goods, landlords will have a harder time pushing up rental rates and collecting percentage rent from tenants," comments a participant. According to the Bank of Tokyo-Mitsubishi UFJ, comparable same-store retail sales posted a 0.5% year-over-year increase in January 2008. By comparison, year-over-year growth was 3.9% a year earlier. Although comparable same-store retail sales grew 2.4% on an annual basis in 2007, this figure represents the

lowest increase in over 20 years.

Retailers that posted some of the largest year-over-year declines in retail sales in January 2008 were Dillard's (-12.0%), Kohl's (-8.3%), Limited Brands (-8.0%), American Eagle Outfitters (-7.0%), and Macy's (-7.1%). Unfortunately, a decline in consumer spending has prompted many typical regional mall stores, such as Sharper Image, Foot Locker, Pacific Sunwear of California, and Zales, to either file for bankruptcy protection or close some stores.

Even though most stressed retailers will avoid bankruptcy during the current economic slowdown, many of them will likely shelve expansion plans for the near term. With fewer retailers

now looking to lease additional space, owners of recently completed regional malls could struggle to achieve stabilized occupancy rates. According to Co-Star Realty Information, shopping centers delivered in 2005 had an average vacancy rate of 9.0% in the first quarter of 2008. Vacancy, however, escalates as the delivery date progresses, increasing to 13.0% for those centers delivered in 2006, 22.0% for those delivered in 2007, and 28.0% for those shopping centers delivered thus far in 2008.

Weaker property performances, the expectation that income growth for malls will decelerate, and the difficulties in the capital markets have combined to push many regional mall buyers to the sidelines. "We still like the fundamentals for Class-A malls, but there are very few on the market," notes a participant. Even though lower quality regional malls are for sale, so much uncertainty has created a flight to quality. "Marginal properties will be the hardest to sell," remarks a participant.

Since Class-A+ regional malls are expected to outperform lesser quality malls going forward, the average overall cap rate (OAR) for Class-A+ malls remains much lower than for other mall classifications. According to our participants, OARs range from 4.75% to 7.00% and average 5.79% for Class-A+ regional malls this quarter, while they range from 5.00% to 8.30% and average 6.31% for Class-A properties. For Class-B+ regional malls, OARs range from 5.75% to 9.00% and average 7.22%, while they range from 6.50% to 9.50% and average 8.07% for Class-B assets. By comparison, OARs range from 7.00% to 15.00% and average 10.10% for Class-C+ assets (431 basis points higher than Class-A+ assets). *

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	7.00% - 11.00%	7.00% - 11.00%	7.00% - 11.00%
Average	8.73%	8.72%	8.54%
Change (Basis Points)		+ 1	+ 19
OVERALL CAP RATE (OAR)^a			
Range	5.00% - 9.50%	5.00% - 9.50%	5.00% - 9.50%
Average	6.71%	6.68%	6.88%
Change (Basis Points)		+ 3	- 17
RESIDUAL CAP RATE			
Range	6.00% - 10.00%	6.00% - 10.00%	5.25% - 11.00%
Average	7.38%	7.38%	8.19%
Change (Basis Points)		0	- 81
MARKET RENT CHANGE RATE^b			
Range	0.00% - 3.90%	0.00% - 3.90%	1.20% - 5.00%
Average	2.63%	2.63%	2.95%
Change (Basis Points)		0	- 32
EXPENSE CHANGE RATE^b			
Range	3.00% - 3.00%	3.00% - 3.00%	3.00% - 3.00%
Average	3.00%	3.00%	3.00%
Change (Basis Points)		0	0
AVERAGE MARKETING TIME^c			
Range	3.00 - 12.00	3.00 - 12.00	3.00 - 12.00
Average	6.75	7.14	7.19
Change (%)		- 5.46	- 6.12

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

National Power Center Market

WITH RETAIL SALES GROWTH ON THE DECLINE FOR SEVERAL BIG-BOX AND DISCOUNT RETAILERS, MANY POWER CENTER OWNERS ARE FACING DIPS IN RENTAL RATES, UPTICKS IN VACANCIES, AND DECLINES IN PROPERTY VALUES. "The end result is never good when you combine higher vacancies and lower rental rates," states a participant. While many big-box retailers continue to outperform traditional merchants, several big-box chains are starting to feel the impact of a slowdown in consumer spending. Retail sales growth trends for select big-box retailers are shown in Table NPC-1.

Weakened consumer spending and the inability to borrow money to finance the purchasing of merchandise are hitting some stores much harder than others. The most recent big-box retailer to feel the pain of an economic slowdown is Linens 'n Things, which filed for Chapter 11 bankruptcy protection and is set to close 120 of its 589 stores. The majority of these store closings (27 stores) is located in California, followed by Texas with ten stores and Michigan with nine stores.

Another big-box retailer that recently announced plans to close underperforming stores and to curtail its new store openings is The Home Depot. The store closings, totaling 15 stores

scattered in ten states, represent less than 1.0% of the company's existing store portfolio. In addition, The Home Depot will cut its U.S. development pipeline by approximately 50 stores.

Due to lackluster retail sales growth and weakened consumer spending habits, investors looking to acquire power centers are doing so with much more scrutiny and more conservative underwriting. This quarter, the average initial-year market rent change rate declined 44 basis points to 2.44%. This current rate represents a 69-basis-point decline from a year earlier. When combined with other shifts in key assumptions and the anticipation of higher cap rates, our participants expect

property values to decline an average of nearly 4.0% in the national power center market over the next 12 months.

Survey participants indicate that OARs vary based on a power center's percentage of big-box space. Specifically, the average OAR is 7.13% for properties with 100.0% big-box space. By comparison, it is 7.35% for properties where 85.0% of the gross leasable area (GLA) is occupied by big-box tenants and 7.38% for properties where 75.0% of the GLA is occupied by such tenants. Discount rates (IRRs) also vary, averaging 8.25% for 100.0% big-box space, 8.46% for properties with 85.0% big-box space, and 8.90% for properties with 75.0% big-box space. ✦

Table NPC-1
YEAR-OVER-YEAR, SAME-STORE
SALES GROWTH

Select National Retailers

Retailer	Jan. 2008	Dec. 2007	Jan. 2007
Costco	+ 5.0%	+ 5.0%	+ 3.0%
BJ's	+ 7.8%	+ 3.0%	+ 3.5%
Target	- 1.1%	- 5.0%	+ 5.1%
Wal-Mart	+ 0.5%	- 2.3%	+ 5.4%

Source: Bank of Tokyo-Mitsubishi UFI, Ltd.

Table 2
NATIONAL POWER CENTER MARKET
Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	7.00% - 11.50%	6.75% - 11.50%	6.50% - 11.50%
Average	8.39%	8.23%	8.19%
Change (Basis Points)		+ 16	+ 20
OVERALL CAP RATE (OAR)^a			
Range	5.75% - 9.00%	5.75% - 9.00%	5.00% - 9.00%
Average	7.17%	7.13%	7.06%
Change (Basis Points)		+ 4	+ 11
RESIDUAL CAP RATE			
Range	6.50% - 9.50%	6.50% - 9.50%	6.00% - 9.50%
Average	7.67%	7.55%	7.45%
Change (Basis Points)		+ 12	+ 22
MARKET RENT CHANGE RATE^b			
Range	0.00% - 4.00%	0.00% - 4.00%	0.00% - 5.00%
Average	2.44%	2.88%	3.13%
Change (Basis Points)		- 44	- 69
EXPENSE CHANGE RATE^b			
Range	3.00% - 4.00%	3.00% - 3.00%	3.00% - 3.00%
Average	3.13%	3.00%	3.00%
Change (Basis Points)		+ 13	+ 13
AVERAGE MARKETING TIME^c			
Range	3.00 - 9.00	3.00 - 9.00	3.00 - 9.00
Average	5.56	5.56	5.56
Change (%)		0	0

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

National Strip Shopping Center Market

EVEN THOUGH CONSUMERS ARE CUTTING BACK ON THEIR DISCRETIONARY SPENDING, THE DESIRE TO OWN GROCERY-ANCHORED STRIP SHOPPING CENTERS REMAINS STRONG AMONG INVESTORS. "People still need to eat," remarks a participant. Plus, there is still demand for service-oriented stores, such as dry cleaners and banks, which typically occupy neighborhood strip shopping centers. Nevertheless, a bid-ask pricing gap and turmoil in the capital markets kept the number of transactions in this market well below historical levels during the first quarter of 2008.

Sales of significant strip shopping centers totaled \$3.3 billion in the first quarter of 2008, according to Real

Capital Analytics, Inc. (RCA), a staggering 77.0% decline from a year earlier.

Many investors looking for strip shopping center investments continue to be drawn to strong population growth areas in the southeast and along the West Coast, like Atlanta and Los Angeles. In the first quarter of 2008, 104 strip shopping centers were sold in Atlanta, approximately 2.3% of the U.S. total, according to RCA. In Los Angeles, this number was much lower at 56 properties. "The West Coast would be our top pick for retail investments, but it is a very pricey area," notes a participant. In one recent West Coast sale, a 97,000-square-foot strip center known as Gateway Village sold

for approximately \$487.00 per square foot. Located in Chino Hills, this property was 100.0% occupied by national and regional tenants, including Baja Fresh, Henry's Farmers Market, Chick-fil-A, and Bank of America.

In another West Coast sale, a 10,207-square-foot strip center located in Granada Hills and anchored by several tenants with long-term leases reportedly sold for \$372.00 per square foot and an approximate overall cap rate (OAR) of 6.44%. This OAR is within the range indicated by our participants this quarter. Specifically, OARs range from 5.80% to 9.00% this quarter and average 7.32%. "Good properties still sell at cap rates between 5.5% and 6.5%," affirms a participant.

Overall cap rate trends for this market are shown in Table SSC-1. After several quarterly declines, the average OAR has trended upward for the past three quarters. ♦

Table 3

NATIONAL STRIP SHOPPING CENTER MARKET Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	6.00% – 10.00%	6.00% – 10.00%	6.00% – 10.00%
Average	8.39%	8.34%	8.34%
Change (Basis Points)		+ 5	+ 5
OVERALL CAP RATE (OAR)^a			
Range	5.80% – 9.00%	5.80% – 9.00%	5.80% – 9.00%
Average	7.32%	7.28%	7.35%
Change (Basis Points)		+ 4	- 3
RESIDUAL CAP RATE			
Range	6.00% – 10.00%	6.00% – 10.00%	6.00% – 10.00%
Average	7.85%	7.78%	7.80%
Change (Basis Points)		+ 7	+ 5
MARKET RENT CHANGE RATE^b			
Range	1.20% – 3.90%	1.20% – 3.90%	1.20% – 4.00%
Average	2.81%	2.86%	2.91%
Change (Basis Points)		- 5	- 10
EXPENSE CHANGE RATE^b			
Range	3.00% – 4.00%	3.00% – 4.00%	3.00% – 4.00%
Average	3.10%	3.10%	3.10%
Change (Basis Points)		0	0
AVERAGE MARKETING TIME^c			
Range	2.00 – 12.00	2.00 – 12.00	2.00 – 12.00
Average	6.10	6.10	6.10
Change (%)		0	0

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Table SSC-1

OVERALL CAP RATE TRENDS National Strip Shopping Center Market

Quarter	Average	Change (Basis Points)
2Q08	7.32%	+ 4
1Q08	7.28%	+ 4
4Q07	7.24%	+ 4
3Q07	7.20%	- 15
2Q07	7.35%	- 3
1Q07	7.38%	+ 11
4Q06	7.27%	- 9
3Q06	7.36%	0
2Q06	7.36%	0
1Q06	7.36%	- 6
4Q05	7.42%	- 3
3Q05	7.45%	- 27
2Q05	7.72%	- 78
2Q04	8.50%	—

Source: Korpacz Real Estate Investor Survey[®]

National CBD Office Market

ON THE SURFACE, THE KEY FUNDAMENTALS OF THE NATIONAL CBD OFFICE MARKET – VACANCY RATES, LEASING ACTIVITY, ASKING RENTAL RATES, ETC. – CONTINUE TO REFLECT STRENGTH AND STABILITY. The overall vacancy rate stood at 9.9% in the first quarter of 2008, comparable to where it was a year earlier, according to Cushman & Wakefield. At the same time, leasing activity totaled almost 17.5 million square feet, also comparable to the level reported a year ago. And, the average asking rental rate stood at over \$37.00 per square foot in the first quarter of 2008, nearly \$10.00 per square foot above its position in the first quarter of 2007.

Amid all this good news, however, many investors, particularly those who own properties in secondary and tertiary downtown markets, seem a bit concerned about the near-term performance of the national CBD office market. For many of them, the problems lie in the uncertainty that surrounds the future direction of the economy and the lag effect its apparent weakness will have on the office sector. "The office sector tends to lag the performance of the economy. So while we don't see immediate losses in occupancy, I do think

they're coming," remarks a participant.

Since the start of 2008, the U.S. economy has lost a total of 260,000 jobs, according to the Bureau of Labor Statistics. Although many of these losses are in housing-related industries that do not demand large amounts of office space, many office-using companies are downsizing, pulling back on expansion plans, and/or planning to return space to the market upon lease renewal. "Many office markets won't feel the pain of the current downturn until 2009 or 2010," comments a participant. Of course, the extent to which individual CBD office markets react to the downturn will depend greatly on their current supply/demand imbalance. "Major office markets,

like Manhattan and Washington, DC, tend to be more resilient before, during, and after a recession," notes another.

In the most dominant CBD office markets, property values are expected to stay flat in 2008. Overall, our participants expect property values in the national CBD office market to increase as much as 5.00% and decline as much as 5.00% over the next 12 months. The average expected value change is 0.80%. Helping to restrain value appreciation is a downward shift in this market's initial-year market rent change rate, which slid 41 basis points this quarter (see Table CBD-1). "We buyers are starting to control this market again," delights an investor. ♦

Table CBD-1
MARKET RENT CHANGE RATES
National CBD Office Market

Quarter	Average	Change (Basis Points)
2Q08	3.64%	- 41
1Q08	4.05%	+ 2
4Q07	4.03%	- 7
3Q07	4.10%	+ 18
2Q07	3.92%	+ 104
2Q06	2.88%	+ 170
2Q05	1.18%	—

Source: Korpacz Real Estate Investor Survey®

Table 4
NATIONAL CBD OFFICE MARKET
Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	6.00% – 11.00%	6.00% – 10.00%	6.00% – 10.00%
Average	8.04%	7.91%	8.05%
Change (Basis Points)		+ 13	- 1
OVERALL CAP RATE (OAR)^a			
Range	4.50% – 10.00%	4.50% – 9.00%	4.50% – 9.00%
Average	6.68%	6.63%	6.83%
Change (Basis Points)		+ 5	- 15
RESIDUAL CAP RATE			
Range	6.00% – 10.00%	5.75% – 9.50%	5.75% – 10.00%
Average	7.53%	7.29%	7.69%
Change (Basis Points)		+ 24	- 16
MARKET RENT CHANGE RATE^b			
Range	0.00% – 10.00%	0.00% – 10.00%	0.00% – 8.00%
Average	3.64%	4.05%	3.92%
Change (Basis Points)		- 41	- 28
EXPENSE CHANGE RATE^b			
Range	1.50% – 3.00%	1.50% – 4.00%	1.50% – 4.00%
Average	2.89%	2.96%	2.83%
Change (Basis Points)		- 7	+ 6
AVERAGE MARKETING TIME^c			
Range	2.00 – 12.00	2.00 – 12.00	2.00 – 12.00
Average	6.13	6.85	7.05
Change (%)		- 10.51	- 13.05

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

National Suburban Office Market

WHILE MUCH OF THE NATIONAL SUBURBAN OFFICE MARKET CONTINUES TO PERFORM WELL AND POST VACANCY RATES BELOW THE NATIONAL LEVEL, A DECLINE IN DEMAND AND AN INCREASE IN ADDITIONS OVER THE PAST FEW YEARS ARE EXPECTED TO WEAKEN FUNDAMENTALS IN THE NEAR TERM. "It's just poor timing on the part of some developers," notes a participant. At the end of 2007, construction activity totaled 51.7 million square feet in the national suburban office market, according to Cushman & Wakefield (C&W). Approximately 43.9 million square feet (85.0%) were considered speculative with only about 53.0% of the space preleased.

In the first quarter of 2008, approx-

imately 7.63 million square feet of speculative office space were delivered in the national suburban office market. Suburban markets that posted the largest number of speculative completions during that time were Phoenix (1.11 million square feet), Houston (1.06 million square feet), and Northern Virginia (939,000 square feet). Of these three individual cities, only Houston realized a decline in vacancy over the past year. By comparison, both Northern Virginia and Phoenix posted increases in overall vacancy.

At 350 basis points, suburban Phoenix's increase in overall vacancy between the first quarter of 2007 and

the first quarter of 2008 ranks as one of the highest reported by the 42 suburban office markets tracked by C&W. Other markets that posted high increases in vacancy during that time are shown in Table NSO-1. By comparison, suburban office markets that reported notable declines in vacancy over the past year include San Francisco, Fairfield County, Hartford, and Denver.

Many investors are hopeful that tighter lending restrictions will impede the risk of overbuilding in many suburban office markets, allowing this sector to better combat the U.S. economic slowdown. As in the national CBD office market, stricter underwriting requirements and the inability to easily acquire debt have drastically reduced the number of sales. "The bid-ask spread is still too wide to generate transactions and allow investors to figure out where pricing now stands," comments a participant. While pricing may still be tricky to figure out, it appears that this market is shifting in favor of buyers. This quarter, 26.67% of our participants believe that market conditions favor buyers. Last year, this figure was a mere 7.14%. ❖

Table 5

NATIONAL SUBURBAN OFFICE MARKET Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	7.00% - 12.50%	7.00% - 12.50%	7.00% - 12.50%
Average	8.93%	8.74%	8.88%
Change (Basis Points)		+ 19	+ 5
OVERALL CAP RATE (OAR)^a			
Range	5.00% - 10.50%	5.00% - 10.50%	5.00% - 10.50%
Average	7.28%	7.13%	7.29%
Change (Basis Points)		+ 15	- 1
RESIDUAL CAP RATE			
Range	6.00% - 11.00%	6.00% - 11.00%	6.25% - 11.00%
Average	7.94%	7.90%	8.08%
Change (Basis Points)		+ 4	- 14
MARKET RENT CHANGE RATE^b			
Range	0.00% - 8.00%	0.00% - 8.00%	0.00% - 8.00%
Average	2.58%	3.14%	3.14%
Change (Basis Points)		- 56	- 56
EXPENSE CHANGE RATE^b			
Range	3.00% - 3.30%	3.00% - 4.00%	2.50% - 4.00%
Average	3.02%	3.09%	3.07%
Change (Basis Points)		- 7	- 5
AVERAGE MARKETING TIME^c			
Range	2.00 - 9.00	2.00 - 9.00	2.00 - 9.00
Average	6.13	6.08	6.29
Change (%)		+ 0.82	- 2.54

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Table NSO-1

OVERALL VACANCY RATE INCREASES

Top Six Suburban Office Markets

Market	1Q08 Vacancy Rate	Change* (Basis Points)
Los Angeles-North, CA	12.9%	+ 650
Orange County, CA	14.1%	+ 600
Orlando, FL	13.6%	+ 440
Tampa, FL	13.6%	+ 390
Palm Beach, FL	15.8%	+ 370
Los Angeles-Tri Cities, CA	10.3%	+ 360

*From First Quarter 2007
Source: Cushman & Wakefield

Atlanta Office Market

DUE PRIMARILY TO A MORE DIVERSIFIED EMPLOYMENT BASE, THE ATLANTA OFFICE MARKET IS BETTER EQUIPPED TO WITHSTAND THE CURRENT NATIONAL ECONOMIC SLOWDOWN THAN IT WAS SEVEN YEARS AGO DURING THE HIGH-TECH FALLOUT. Even though the housing and financial sectors remain stressed, growth in professional-and-business services, education and health services, and leisure and hospitality are buffering the downturn. On the plus side, Atlanta remains a top city for job growth and relocations and maintains a healthy business climate. However, risk factors do exist for the local economy and include the Delta-Northwest airline merger, the closing of General Motors' plant in the northeast suburbs, and the increasing cost of energy.

Tentative economic trends have resulted in some softness in the Atlanta office market, and some local players remain guarded in terms of its underlying fundamentals. "The market is cautious now due to a slowing economy," notes a participant. For example, the CBD posted limited positive overall Class-A absorption (about 12,600 square feet) during the first quarter of 2008, down 90.0% from its total in the fourth quarter of 2007, according to Cushman & Wakefield. Even though suburban Class-A absorption improved in the first quarter of 2008, it still reported a loss of approximately 69,000 square feet. Proof of Atlanta's resiliency is noted in its Class-A overall vacancy rates. In the first quarter of 2008, the Class-A overall vacancy rate remained at 14.6% in the suburbs, while it increased just 40 basis points to 25.2% in the CBD.

In the face of a challenging economic setting, Class-A leasing activity totaled 2.5 million square feet in the

first quarter of 2008, representing an increase of 5.8% from the fourth quarter of 2007. This boost in leasing activity may be a result of the aggressive concession packages being offered by many landlords. It may also be due to an increased urgency among tenants to secure deals while they hold the upper hand during lease negotiations.

The snail's pace of the investment market in early 2008 is expected to quicken during the second half of this year. "Institutional equity is available and needs to be placed before year-end. However, most investors are pausing to see what happens with the economy and the debt markets," remarks a participant. Sales activity is also down be-

cause pricing has become a point of contention in closing deals. "There is a disagreement between buyers and sellers as to where prices and capitalization rates are," comments a participant.

Despite a bid-ask pricing gap, some owners are placing properties up for sale. Tishman Speyer Properties, for example, has placed Colony Square, a Midtown office tower, on the market. This asset includes 700,000 square feet of office space in two buildings and an attached 140,000-square-foot, open-air retail component on Peachtree Street. The highest priced office transaction in Atlanta in the first quarter 2008 was the sale of Lakeside Commons for \$201.00 per square foot. ✦

Table 6
ATLANTA OFFICE MARKET
Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	6.00% – 10.00%	7.50% – 10.00%	7.50% – 11.00%
Average	8.42%	8.52%	8.63%
Change (Basis Points)		- 10	- 21
OVERALL CAP RATE (OAR)^a			
Range	5.25% – 9.00%	5.25% – 9.00%	5.00% – 9.00%
Average	7.25%	7.08%	7.17%
Change (Basis Points)		+ 17	+ 8
RESIDUAL CAP RATE			
Range	6.50% – 9.00%	6.50% – 8.75%	6.50% – 9.00%
Average	7.70%	7.63%	7.86%
Change (Basis Points)		+ 7	- 16
MARKET RENT CHANGE RATE^b			
Range	0.00% – 8.00%	0.00% – 8.00%	0.00% – 8.00%
Average	3.38%	3.25%	2.88%
Change (Basis Points)		+ 13	+ 50
EXPENSE CHANGE RATE^b			
Range	2.50% – 3.00%	2.00% – 3.00%	2.00% – 3.00%
Average	2.94%	2.81%	2.81%
Change (Basis Points)		+ 13	+ 13
AVERAGE MARKETING TIME^c			
Range	1.00 – 9.00	1.00 – 9.00	1.00 – 9.00
Average	5.00	5.50	5.58
Change (%)		- 9.09	- 10.39

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Boston Office Market

AFTER SEVERAL QUARTERS OF BUSTLING LEASING ACTIVITY, A MUCH QUIETER ATMOSPHERE IS ENCOMPASSING MUCH OF THE BOSTON OFFICE MARKET. "We're not seeing the same interest from tenants as we saw in 2007," notes an investor. While the extent to which supply is outpacing demand varies among the industry's leading space reports, the underlying message is the same: fundamentals, while still healthy, could be in for some unfavorable shifts in the very near term. "Tenants definitely sense that they have more control over terms now than they did last year," adds the investor.

After experiencing strong quarterly growth in its average initial-year mar-

ket rent change rate assumption in 2006 and into 2007, this trend started to reverse itself three quarters ago (see Table BOS-1). At the end of 2007, the average initial-year market rent change rate for the Boston office market dipped 16 basis points, followed by a 22-basis-point decline in the first quarter of 2008. This quarter, the assumption declined again, tumbling 62 basis points to reach 2.94%. A year earlier, this assumption's average was 3.81%.

Even though rental rate growth is declining and market conditions are expected to be choppy for the remainder of 2008, sale transactions are occurring – albeit at a much slower pace. In the first quarter of 2008, Boston re-

ported \$140.0 million in office building sales, according to Real Capital Analytics, Inc. A year earlier, this figure was \$5.72 billion, an astounding 97.6% year-over-year drop in volume. The top buyers in this market over the past 12 months include Broadway Real Estate Partners, Beacon Capital Partners, and The Davis Companies.

Like many other office markets across the country, the main reason for the decline in activity is that buyers and sellers cannot come to terms on pricing. Nevertheless, certain assets, particularly single-tenant buildings, have sold in Boston recently. 285 Summer Street, for example, sold for \$263.00 per square foot to Aegean Capital. This 54,000-square-foot office building was fully occupied by Payette Associates, an architectural firm, which purchased the asset under foreclosure in 1991 (during one of the worst real estate times for the city) for \$2.5 million, or roughly \$47.00 per square foot. *

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	6.00% – 13.00%	6.00% – 13.00%	7.00% – 13.00%
Average	9.01%	8.86%	8.92%
Change (Basis Points)		+ 15	+ 9
OVERALL CAP RATE (OAR)^a			
Range	5.00% – 10.25%	5.00% – 10.25%	5.50% – 10.25%
Average	7.43%	7.34%	7.39%
Change (Basis Points)		+ 9	+ 4
RESIDUAL CAP RATE			
Range	6.50% – 10.50%	6.50% – 10.50%	6.50% – 10.50%
Average	8.06%	8.01%	7.98%
Change (Basis Points)		+ 5	+ 8
MARKET RENT CHANGE RATE^b			
Range	0.00% – 5.00%	0.00% – 5.00%	0.00% – 6.00%
Average	2.94%	3.56%	3.81%
Change (Basis Points)		- 62	- 87
EXPENSE CHANGE RATE^b			
Range	3.00% – 3.00%	3.00% – 3.00%	3.00% – 3.00%
Average	3.00%	3.00%	3.00%
Change (Basis Points)		0	0
AVERAGE MARKETING TIME^c			
Range	2.00 – 24.00	2.00 – 24.00	2.00 – 24.00
Average	6.83	6.71	6.43
Change (%)		+ 1.79	+ 6.22

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Quarter	Average	Change (Basis Points)
2Q08	2.94%	- 62
1Q08	3.56%	- 22
4Q07	3.78%	- 16
3Q07	3.94%	+ 13
2Q07	3.81%	+ 31
1Q07	3.50%	+ 12
4Q06	3.38%	+ 50
3Q06	2.88%	+ 52
2Q06	2.36%	+ 173
2Q05	0.63%	+ 50
2Q04	0.13%	+ 108
2Q03	- 0.95%	—

Source: Korpacz Real Estate Investor Survey[®]

Charlotte Office Market

LADIES AND GENTLEMEN, START YOUR ENGINES! The NASCAR Plaza is first in the race between four new high-rise office towers coming out of the ground in downtown Charlotte. Lauth Property Group is building the 19-story, 400,000-square-foot property, which will be 25.0% occupied by NASCAR's corporate offices. Lease rates for remaining space at this asset range from \$31.00 to \$33.00 per square foot. NASCAR Plaza will be located adjacent to the existing NASCAR Hall of Fame and is scheduled for delivery in March 2009.

The three other towers underway in downtown Charlotte include Novare Group and Trinity Capital Advisors' 15-story tower at South Church Street, planned for a midyear 2009 delivery; Wachovia Corporation's 48-story building slated for a late 2009 opening; and Bank of America's 32-floor project scheduled to open in 2010. When completed, these four developments will increase the office space inventory in the Charlotte CBD by close to 2.5 million square feet, or approximately 24.0%. According to CB Richard Ellis (CBRE), about 76.0% of this new space (roughly 1.9 million square feet) is preleased.

The CBD office market, particularly the Class-A sector, is ready and eagerly waiting for this additional space. "The market remains strong and has avoided weakness due to solid fundamentals and continued job growth," notes a participant. The CBD is still displaying unusually low vacancy rates, dropping to 1.2% in the first quarter of 2008, down from 2.7% at the end of 2007, as indicated by CBRE. By comparison, the first quarter vacancy rate for the entire Charlotte office market was 10.9%, down from 11.1% in the prior quarter. As vacancy remains low, rental rates are inching

toward the mid to upper \$30.00-per-square-foot range for new CBD properties. These rising rental rates are likely to bring about increases in asking rents for existing properties as well.

Despite evidence of a steady office market, the national credit crisis caused a 50.0% drop in sales in this market in the first quarter of 2008, according to Real Capital Analytics, Inc. One reason for this plunge is the gap between buyers' and sellers' expectations relative to pricing. Moreover, the average sale price per square foot has plummeted. During the first quarter of 2008, sales in this market totaled \$180.0 million with an average price of \$110.00 per square foot. This figure was well below

both Charlotte's average in the fourth quarter of 2007 and the national average in the first quarter of 2008, which both exceeded \$200.00 per square foot.

Further hindering investment activity is the uncertain direction of property values over the next several months. "Institutional real estate will hold pricing in 2008, but noninstitutional real estate will see a decrease in pricing," believes a participant. "Values will hold steady over the next 12 months," predicts another. The slowdown in transaction activity and the ambiguity in pricing resulted in a 29-basis-point increase in this market's average overall cap rate this quarter, one of the highest shifts reported by an individual office market. ✦

Table 8
CHARLOTTE OFFICE MARKET
Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	7.00% – 10.00%	7.00% – 10.00%	
Average	8.50%	8.50%	
Change (Basis Points)		0	
OVERALL CAP RATE (OAR)^a			
Range	6.00% – 9.00%	5.50% – 9.00%	
Average	7.56%	7.27%	
Change (Basis Points)		+ 29	
RESIDUAL CAP RATE			
Range	6.50% – 9.00%	6.50% – 9.00%	
Average	7.67%	7.58%	
Change (Basis Points)		+ 9	
MARKET RENT CHANGE RATE^b			
Range	0.00% – 5.00%	3.00% – 5.00%	
Average	3.10%	3.70%	
Change (Basis Points)		- 60	
EXPENSE CHANGE RATE^b			
Range	3.00% – 4.00%	3.00% – 3.00%	
Average	3.10%	3.00%	
Change (Basis Points)		+ 10	
AVERAGE MARKETING TIME^c			
Range	2.00 – 6.00	2.00 – 6.00	
Average	5.00	4.67	
Change (%)		+ 7.07	
a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months			

Chicago Office Market

DESPITE THE STRONG PERFORMANCE OF THE CHICAGO OFFICE MARKET OVER THE PAST SEVERAL QUARTERS, CAUTION FLAGS ARE BEING WAVED THROUGHOUT THE WINDY CITY DUE TO A SLOWDOWN IN THE ECONOMY, HESITANCY AMONG TENANTS TO LEASE SPACE, AND UNTIMELY ADDITIONS TO SUPPLY. "Landlords will have it tough for the next several months," comments a participant. But, it remains to be seen exactly how deep their pain will run. In the first quarter of 2008, the overall vacancy rate for Chicago's CBD sat at 12.0%, down 250 basis points from a year earlier, but up slightly from year-end 2007, according to Cushman & Wakefield. For the suburbs, the overall vacancy rate was 19.0%,

unchanged from a year earlier and ten basis points lower than the prior quarter.

Despite posting just over two million square feet of leasing activity in its CBD in the first quarter of 2008, the CBD recorded negative absorption of nearly 475,000 square feet. Much of the negative absorption, however, has occurred in buildings outside of the Class-A sector. In the first quarter of 2008, negative absorption totaled only 60,376 square feet in the Class-A sector. Tenants in Class-B buildings that recently returned space include American National Bank, which returned 296,638 square feet, and Bankers Life & Casualty, which returned 114,308 square feet.

In the Class-A sector, three of the five largest leases signed during the quarter were for buildings either under construction or scheduled to begin construction. William Blair & Co., for example, signed a lease for 340,000 square feet to become the anchor tenant at 444 W. Lake Street, a 1.1-million-square-foot tower under development by Hines Interest and slated for completion in mid-2011. With nearly 3.9 million square feet of new Class-A space under construction and 3.5 million square feet of it scheduled for delivery in 2009, there are concerns that the fundamentals of Chicago's Class-A sector will weaken.

The amount of space entering the downtown market represents the largest total since 1990, one of the hardest real estate times for the Chicago office market. At that time, the untimely additions to supply drove down rents and created an oversupply problem that took a long time to remedy. Hopefully, history will not repeat itself.

Despite concerns about the near-term performance of this market, particularly the CBD, two significant office properties recently traded in downtown Chicago. In the first deal, Kushner Companies purchased 225 West Randolph Street for about \$275.00 per square foot. In the second deal, a subsidiary of Hines U.S. Core Office Fund acquired the 1.4-million-square-foot One North Wacker Drive from a German investment fund operating under the guidance of RREEF for approximately \$386.00 per square foot. This 51-story, Class-A trophy asset was built in 2001 by John Buck Co. and sits in the CBD's West Loop district. "One North Wacker was a great buy for Hines," affirms a participant. ♦

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	7.00% – 11.00%	7.00% – 11.00%	6.50% – 10.00%
Average	8.34%	8.29%	7.99%
Change (Basis Points)		+ 5	+ 35
OVERALL CAP RATE (OAR)^a			
Range	4.50% – 9.50%	4.50% – 9.50%	5.50% – 9.50%
Average	6.96%	7.00%	6.99%
Change (Basis Points)		- 4	- 3
RESIDUAL CAP RATE			
Range	6.50% – 10.50%	6.75% – 10.50%	6.75% – 9.00%
Average	7.66%	7.65%	7.70%
Change (Basis Points)		+ 1	- 4
MARKET RENT CHANGE RATE^b			
Range	0.00% – 10.00%	0.00% – 10.00%	0.00% – 10.00%
Average	3.08%	2.95%	3.05%
Change (Basis Points)		+ 13	+ 3
EXPENSE CHANGE RATE^b			
Range	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%
Average	2.92%	2.90%	2.83%
Change (Basis Points)		+ 2	+ 9
AVERAGE MARKETING TIME^c			
Range	2.00 – 36.00	5.00 – 18.00	3.00 – 18.00
Average	9.00	8.20	7.45
Change (%)		+ 9.76	+ 20.80

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Dallas Office Market

VIGOROUS LEASING ACTIVITY, POSITIVE NET ABSORPTION, AND VIRTUALLY STATIC VACANCY EQUATED TO A SOLID FIRST-QUARTER PERFORMANCE FOR THE DALLAS OFFICE MARKET. Economically, Dallas is not only a distribution center for the Southwest, but it is also the financial and corporate hub for the region. Financial-activities employment for the Dallas-Fort Worth-Arlington metropolitan area showed an increase of 1,300 jobs from year-end 2007 through the first quarter of 2008, according to the Bureau of Labor Statistics. On the contrary, professional-and-business services posted a loss of 2,400 jobs. However, preliminary figures for April indicate job growth in both of these sectors, which drive demand for office space. Moreover, the unemployment rate for the Dallas area was 4.2% as of March 2008, well below the national rate of 5.1%.

In the CBD and suburbs combined, leasing activity exceeded 3.5 million square feet in the first quarter of 2008, comparable to the level achieved one year prior. Cushman & Wakefield reported that 90.0% of the leasing activity occurred in the suburbs, led by Far North Dallas (521,158

square feet), Las Colinas/DFW Freeway (429,473 square feet), and LBJ Freeway (418,591 square feet). When factoring in new additions to supply and returned space, however, overall absorption totaled only 365,230 square feet in this market for the quarter.

Given the plethora of office space options available to tenants, rental concessions are widespread. In fact, 100.0% of our participants report prevalent rental concessions, a trend that has held true for the past twelve months. Increases in rental rates over the past quarter are generally due to increasing operating expenses, such as utilities, taxes, and the cost of tenant

finishes. As a result, our participants are not estimating significant rent growth in the near term. Only 20.0% of them are using rent spikes in their analyses, and the average market rent change rate dropped 25 basis points this quarter.

Amazingly, given the amount of new office space added to the market, vacancy rates have not suffered dramatically to date, especially in the Class-A sector (see Table DAL-1). However, as more than 3.5 million square feet of space are added this year, followed by 1.9 million square feet in 2009 and more than 620,000 square feet in 2010, vacancy rates are anticipated to rise. ✦

Table DAL-1
CLASS-A SUBURBAN VACANCY RATES AND CONSTRUCTION TRENDS
Dallas Office Market

Time	Class-A Vacancy	Office Deliveries (Square Feet)
2Q08	17.2%	497,110
2007	16.0%	2,666,286
2006	16.1%	3,246,112
2005	16.9%	545,279
2004	20.4%	705,282
2003	24.1%	1,733,130

Source: Cushman & Wakefield

Table 10
DALLAS OFFICE MARKET
Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	7.50% - 11.50%	7.50% - 11.50%	7.50% - 11.50%
Average	9.03%	8.98%	8.98%
Change (Basis Points)		+ 5	+ 5
OVERALL CAP RATE (OAR)^a			
Range	6.00% - 10.00%	6.00% - 10.00%	6.00% - 10.00%
Average	7.75%	7.95%	8.13%
Change (Basis Points)		- 20	- 38
RESIDUAL CAP RATE			
Range	6.50% - 11.00%	7.00% - 11.00%	7.00% - 11.00%
Average	8.42%	8.66%	8.64%
Change (Basis Points)		- 24	- 22
MARKET RENT CHANGE RATE^b			
Range	0.00% - 7.00%	0.00% - 7.00%	1.00% - 7.00%
Average	3.25%	3.50%	3.60%
Change (Basis Points)		- 25	- 35
EXPENSE CHANGE RATE^b			
Range	2.00% - 3.00%	2.00% - 3.00%	2.00% - 3.00%
Average	2.83%	2.67%	2.67%
Change (Basis Points)		+ 16	+ 16
AVERAGE MARKETING TIME^c			
Range	3.00 - 12.00	3.00 - 12.00	3.00 - 12.00
Average	6.30	6.30	6.30
Change (%)		0	0

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Denver Office Market

SINCE LENDING PARAMETERS ARE MORE STRINGENT AND BUYERS AND SELLERS STRUGGLE TO AGREE ON PRICING, THE DENVER OFFICE MARKET HAS NOT ELUD-ED THE NATIONAL SLOWDOWN IN SALE TRANSACTIONS CURRENTLY OCCURRING.

The total volume of office building transactions was \$420.0 million in the Denver office market in the first quarter of 2008, a sharp contrast to the nearly \$2.0 billion in sales one year earlier, according to Real Capital Analytics, Inc. Despite this drop in sales activity, the fundamentals of the Denver office market continue to appeal to many investors.

Lasting investor interest, albeit at a more cautious pace, is attributable to this market's steady positive net absorp-

tion, favorable vacancy rates, and increasing rental rates. Although the Denver office market held its own during the first quarter of 2008, the rate of economic expansion in Denver is decelerating. In fact, Cushman & Wakefield reported a hefty increase in Class-A office vacancy for the CBD in the first quarter of 2008, shifting from 5.9% at year-end 2007 to 8.9% in the first quarter of this year. Nevertheless, the current rate still remains below the national Class-A vacancy rate of 9.1%.

Persistent upward pressure on vacancy rates is anticipated over the next 18 months as more than 1.1 million square feet of new office inventory enter the CBD. Fortunately, the prepa-

ration for the Democratic National Convention in August has boosted activity in the CBD and is anticipated to have a sizeable economic impact on the downtown area. In the suburbs, Class-A overall vacancy inched up to 10.9% in the first quarter of 2008. Similar to the CBD, additions to supply will likely result in elevated vacancy in the suburbs over the short term.

Increases in vacancy rates have done little to deter certain buyers interested in acquiring assets in this market. In one recent suburban transaction, the 355,269-square-foot Tamarac Plaza sold to Parmenter Realty Partners for \$115.00 per square foot. This three-building property was reportedly 70.0% occupied at the time of sale and previously sold for \$104.00 per square foot four years ago. The reported overall cap rate (OAR) for this transaction was 5.50%. In a recent CBD sale, Massachusetts Mutual sold its 436,000-square-foot office complex for \$193.00 per square foot to U.S. Premier Office Equities of San Antonio. In another downtown trade, the 101,149-square-foot Sherman Center sold for \$117.00 per square foot and a reported OAR of 6.00%. This downtown property was 82.0% occupied at the time of the sale and sold for \$98.00 per square foot in 2006.

The overall cap rates indicated by these transactions are within the range indicated by our participants for the Denver office market. This quarter, the average OAR dipped 11 basis points to reach 6.52%. For Denver's CBD office submarket, OARs range from 5.50% to 7.00% and average 6.23% this quarter. In its suburban component, OARs range from 5.50% to 7.50% and average 6.69%. ♦

Table 11
DENVER OFFICE MARKET
Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	7.00% – 10.00%	5.00% – 10.00%	5.00% – 11.00%
Average	8.54%	8.30%	8.11%
Change (Basis Points)		+ 24	+ 43
OVERALL CAP RATE (OAR)^a			
Range	5.50% – 7.50%	5.50% – 8.50%	5.00% – 8.50%
Average	6.52%	6.63%	6.73%
Change (Basis Points)		- 11	- 21
RESIDUAL CAP RATE			
Range	6.50% – 8.90%	6.50% – 8.90%	6.50% – 8.90%
Average	7.34%	7.40%	7.47%
Change (Basis Points)		- 6	- 13
MARKET RENT CHANGE RATE^b			
Range	3.00% – 6.00%	3.00% – 10.00%	3.00% – 10.00%
Average	4.63%	5.63%	7.13%
Change (Basis Points)		- 100	- 250
EXPENSE CHANGE RATE^b			
Range	3.00% – 3.00%	3.00% – 5.00%	3.00% – 5.00%
Average	3.00%	3.40%	3.40%
Change (Basis Points)		- 40	- 40
AVERAGE MARKETING TIME^c			
Range	1.00 – 8.00	1.00 – 8.00	1.00 – 9.00
Average	3.17	3.29	3.50
Change (%)		- 3.65	- 9.43

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Houston Office Market

AT A TIME WHEN MOST INDIVIDUAL OFFICE MARKETS IN THE SURVEY EXPERIENCED QUARTERLY DECLINES IN THEIR INITIAL-YEAR MARKET RENT CHANGE RATE ASSUMPTIONS, THE HOUSTON OFFICE MARKET BUCKED THE TREND BY POSTING A QUARTERLY INCREASE OF 47 BASIS POINTS IN THE SECOND QUARTER OF 2008. While this increase may seem minimal, it represents the highest quarterly gain reported by an individual office market in the Survey and indicates investor confidence in this market. Still, this key assumption stands below its average from a year ago (see Table HOU-1) and suggests that even though investors are optimistic about this market's future performance, caution also exists.

Investors' optimism in this office market stems from the persistent expansion of the local economy. While rising oil prices are a hindrance to consumers, they are generating jobs in the industry, which is a primary driver of office space demand in Houston. For instance, Parker Drilling Company is moving its international headquarters 14 miles east to the urban location of Five Greenway Plaza, where Parker will lease 75,000 square feet beginning in the summer of 2009. In another deal, GE

Oil & Gas is consolidating 500 of its 2,000 local employees into a ten-story building under construction in West Houston. GE Oil & Gas's logo will appear atop this 250,000-square-foot building when it opens in March 2009. Its 125,000-square-foot new lease will establish an American headquarters for GE Oil & Gas, based in Florence, Italy.

Another boost to the local economy could come if Continental and United Airlines merge. This union would increase the prospect of Houston maintaining, and possibly adding to, Continental's 18,000 local jobs. In addition, Houston's housing market, while weakened, is expected to hit bottom sooner

than many other markets across the nation and, therefore, may begin to rebound earlier. These economic factors, in combination with Houston's population growth and trade/export activity, should allow its office market to endure the national economic downturn better than most major U.S. cities. Over the next 12 months, Survey participants expect property values in the Houston office market to increase an average of 2.67%, one of the highest forecasts in the Survey. "Many new investors are looking at Houston due to its employment and population growth, which is allowing pricing to remain relatively unchanged amid choppy credit market conditions," remarks a participant. ✦

Table HOU-1
INITIAL-YEAR MARKET RENT CHANGE RATE

Houston Office Market

Quarter	Market Rent Change	Annual Change (Basis Points)
2Q08	3.73%	+ 47
1Q08	3.26%	- 169
2Q07	4.95%	+ 245
2Q06	2.50%	+ 183
2Q05	0.67%	+ 25
2Q04	0.42%	—

Source: Korpacz Real Estate Investor Survey*

Table 12
HOUSTON OFFICE MARKET
Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	7.50% - 10.00%	7.50% - 10.00%	7.50% - 10.00%
Average	8.42%	8.41%	8.55%
Change (Basis Points)		+ 1	- 13
OVERALL CAP RATE (OAR)^a			
Range	5.00% - 10.00%	4.50% - 10.00%	6.00% - 10.00%
Average	7.27%	7.25%	7.88%
Change (Basis Points)		+ 2	- 61
RESIDUAL CAP RATE			
Range	7.00% - 10.00%	5.00% - 10.00%	7.25% - 11.00%
Average	8.14%	7.76%	8.38%
Change (Basis Points)		+ 38	- 24
MARKET RENT CHANGE RATE^b			
Range	2.00% - 5.00%	0.00% - 5.00%	0.00% - 15.00%
Average	3.73%	3.26%	4.95%
Change (Basis Points)		+ 47	- 122
EXPENSE CHANGE RATE^b			
Range	2.00% - 4.00%	2.00% - 5.00%	2.00% - 4.00%
Average	2.93%	3.19%	2.93%
Change (Basis Points)		- 26	0
AVERAGE MARKETING TIME^c			
Range	3.00 - 9.00	2.00 - 9.00	2.00 - 9.00
Average	6.33	6.13	6.14
Change (%)		+ 3.26	+ 3.09

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Los Angeles Office Market

EVEN THOUGH EMPLOYMENT IS FALLING, AND THE HOUSING CRISIS IS HAMPERING LOS ANGELES' ECONOMIC GROWTH, INVESTORS CONTINUE TO SHOW THEIR CONVICTION IN THE AREA'S OFFICE MARKET VIA ACQUISITIONS. Despite a slight slowdown in transactions during the first quarter of 2008 to \$1.32 billion from \$1.44 billion in the prior quarter, Los Angeles maintained its third-place ranking behind Manhattan and San Francisco in total sales volume, according to Real Capital Analytics, Inc. "We don't expect to see a lot of trades this year, but Los Angeles is still a desired market," remarks a participant.

Over the past twelve months,

18.0% of the buyers in the Los Angeles office market have been foreign investors. Given the falling value of the dollar globally, the number of foreign investors is expected to rise. "Look for Japanese money to come back into this market," predicts a participant.

With regard to the transaction environment, Survey participants are divided on their perceptions. About 62.50% of them believe that buyers control this market, while 12.50% believe that sellers do. The remaining 25.00% declare it to be neutral – equally favoring buyers and sellers. In a large portfolio sale this quarter, Douglas Emmett Realty increased its share of the Los Angeles office market by acquiring 1.4 million

square feet of space. The seller was Arden Realty, which has been actively buying and selling assets since it was purchased by GE Real Estate in 2006. The purchase price equated to \$425.00 per square foot and included assets in the West and North Los Angeles submarkets. Kennedy Wilson also capitalized on Arden's portfolio culling by purchasing a three-property portfolio for \$94.1 million. The assets, which ranged from 60.5% to 98.9% occupied at the time of the sale, are located on a single block in downtown Burbank.

Investor loyalty to the Los Angeles office market is largely due to its long-standing history as a diverse market with a proven ability to weather downturns and rebound with vigor. Even in the face of an economic slowdown and a challenging lending environment, suburban Los Angeles ranked first in overall occupancy ahead of the 42 suburban office markets tracked by Cushman & Wakefield. Specifically, overall vacancy for suburban Los Angeles was 8.5% in the first quarter of 2008, compared to the national average of 14.7%. Furthermore, West Los Angeles and the Tri-Cities were the second and third tightest suburban office markets during that time with overall vacancy rates of 8.6% and 10.3%, respectively.

New construction is still underway with deliveries of 1.5 million square feet expected in 2008 and 1.1 million square feet in 2009. While these additions are making some landlords offer more attractive concession packages to prospective tenants, this market remains resilient in the minds of our participants. Over the next 12 months, they estimate that office property values in this market will increase 2.57%, a bit above the average from the prior quarter. ♦

Table 13

LOS ANGELES OFFICE MARKET Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	6.75% – 12.00%	5.00% – 12.00%	5.00% – 13.00%
Average	8.46%	8.24%	8.32%
Change (Basis Points)		+ 22	+ 14
OVERALL CAP RATE (OAR)^a			
Range	3.00% – 9.00%	3.00% – 9.00%	3.00% – 9.00%
Average	6.20%	6.16%	6.32%
Change (Basis Points)		+ 4	- 12
RESIDUAL CAP RATE			
Range	6.00% – 9.00%	6.00% – 9.00%	6.00% – 9.00%
Average	7.17%	7.18%	7.34%
Change (Basis Points)		- 1	- 17
MARKET RENT CHANGE RATE^b			
Range	1.00% – 8.00%	2.00% – 8.00%	2.00% – 8.00%
Average	4.33%	4.56%	4.36%
Change (Basis Points)		- 23	- 3
EXPENSE CHANGE RATE^b			
Range	2.50% – 3.00%	2.50% – 5.00%	2.50% – 5.00%
Average	2.94%	3.17%	3.21%
Change (Basis Points)		- 23	- 27
AVERAGE MARKETING TIME^c			
Range	1.00 – 12.00	1.00 – 12.00	3.00 – 12.00
Average	5.86	5.63	6.50
Change (%)		+ 4.09	- 9.85

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Manhattan Office Market

AMID CORPORATE LAYOFFS AND JOB CUTS, BOTH RECENT AND PENDING WITH THE MERGER OF BEAR STEARNS AND JPMORGAN CHASE & CO., THE MANHATTAN OFFICE MARKET CONTINUES TO PERFORM REASONABLY WELL. "The overheated leasing market has definitely cooled down, but there is still demand for space out there," reveals a participant. In the first quarter of 2008, Midtown posted the highest level of leasing activity (3.8 million square feet) of the 32 CBD markets tracked by Cushman & Wakefield. Downtown had the seventh highest total (775,681 square feet) while Midtown South recorded the twelfth highest total (490,190 square feet).

The leasing totals for both Midtown and Midtown South are comparable to the levels each submarket realized a year earlier. For Downtown, however, this quarter's total was well below its performance a year ago – nearly 477,000 square feet lower. When combined with the amount of space returned to this submarket during the first quarter of 2008, the end result was negative absorption of 802,000 square feet and an increase

in the overall vacancy rate to 7.2%.

One of the main problems impacting the underlying fundamentals of Downtown Manhattan is the increase in sublease space. Companies that recently placed large blocks of space on the sublet market include Goldman Sachs, which listed 140,000 square feet at 77 Water Street; the Royal Bank of Scotland, which is marketing 140,000 square feet at 7 World Trade Center; and Nomura Holdings, which returned 110,000 square feet from 2 World Trade Center. In total, sublease space Downtown amounted to 1.53 million square feet in the first quarter of 2008, up quite a bit from a year earlier.

While the sublease total also in-

creased on a year-over-year basis in Midtown in the first quarter of 2008, it dipped in Midtown South during the same time period. Given this market's exposure to the financial industry, additional returns to each submarket are anticipated until the turmoil in the financial sector subsides and the economy regains its footing. Also anticipated in the near term is a decline in market rent growth. "Landlords can't keep aggressively pushing up rental rates when space options greatly increase," notes a participant. After several quarters of strong rent growth, this market's initial-year market rent change rate declined for the past three quarters (see Table MAN-1). ❖

Table MAN-1
INITIAL-YEAR MARKET RENT CHANGE RATES
Manhattan Office Market

Quarter	Average	Change (Basis Points)
2Q08	5.78%	- 25
1Q08	6.03%	- 88
4Q07	6.91%	- 31
3Q07	7.22%	+ 88
2Q07	6.34%	+ 284
2Q06	3.50%	+ 121
2Q05	2.29%	+ 150
2Q04	0.79%	—

Source: Korpacz Real Estate Investor Survey®

Table 14
MANHATTAN OFFICE MARKET
Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	6.00% – 9.50%	6.00% – 9.00%	6.00% – 9.00%
Average	7.72%	7.66%	7.59%
Change (Basis Points)		+ 6	+ 13
OVERALL CAP RATE (OAR)^a			
Range	3.50% – 8.00%	3.00% – 8.00%	3.00% – 8.00%
Average	5.67%	5.55%	5.64%
Change (Basis Points)		+ 12	+ 3
RESIDUAL CAP RATE			
Range	5.75% – 9.25%	5.75% – 9.25%	5.50% – 9.00%
Average	6.91%	6.81%	6.81%
Change (Basis Points)		+ 10	+ 10
MARKET RENT CHANGE RATE^b			
Range	3.00% – 10.00%	3.00% – 10.00%	3.00% – 10.00%
Average	5.78%	6.03%	6.34%
Change (Basis Points)		- 25	- 56
EXPENSE CHANGE RATE^b			
Range	3.00% – 4.00%	3.00% – 4.00%	3.00% – 4.00%
Average	3.21%	3.21%	3.21%
Change (Basis Points)		0	0
AVERAGE MARKETING TIME^c			
Range	2.00 – 8.00	2.00 – 8.00	2.00 – 8.00
Average	4.06	3.94	3.94
Change (%)		+ 3.05	+ 3.05

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Northern Virginia Office Market

DESPITE HEALTHY LEASING ACTIVITY IN NEWLY DELIVERED BUILDINGS, AN ECONOMIC SLOWDOWN AND THE DELIVERY OF ADDITIONAL NEW SPACE HAVE JOINED TO NEGATIVELY IMPACT THE PERFORMANCE OF THE NORTHERN VIRGINIA OFFICE MARKET. "Many companies have pulled back their expansion plans and are making do with the space they currently occupy," notes a participant. In addition, several firms have consolidated their regional locations, leaving available space behind. Verizon, for example, recently vacated 33,000 square feet in Herndon, 81,000 square feet in Merrifield, and 106,000 square feet in Tysons Corner, according to CB Richard Ellis (CBRE).

As supply outpaced demand, the overall vacancy rate for this market increased 57 basis points in the first quarter of 2008 to reach 11.4%. Moreover, the sublet vacancy rate rose to 1.29%, the highest since September 2005. The construction glut, however, is impacting certain sections of this market more than others. "Problems are not universal," remarks a participant. As has historically been the case, the closer-in submarkets, such as Arlington, Alexandria, and the I-395 Corridor, continue to post vacancy rates much lower than both the entire market and outlying submarkets.

Based on CBRE's first quarter report for Northern Virginia, the City of Alex-

andria posted a total vacancy rate of 6.22% in the first quarter of 2008. By comparison, the total vacancy rate was 9.59% for Arlington County, 16.35% for Prince William County, 16.50% for Loudoun County, and 11.58% for Fairfax County during that time period. Due to the tremendous amount of office space under construction in Fairfax County (nearly 3.0 million square feet) and the limited amount of space preleased, its vacancy rate is likely to increase over the near term.

Rising vacancy rates and additions to supply are providing tenants with a greater number of leasing options. As a result, landlords have become a bit less optimistic that a tenant will remain in its existing space upon lease expiration. This quarter, the tenant retention rate for Northern Virginia ranges from 60.00% to 70.00% and averages 65.31%, the second lowest of all the individual office markets in our Survey. A year ago, these numbers were a tad higher, ranging from 60.00% to 75.00% and averaging 67.22%.

Average tenant retention percentages for select individual Survey office markets are shown in Table NVO-1. ♦

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	6.00% – 11.00%	6.00% – 11.00%	6.00% – 11.00%
Average	8.13%	8.11%	8.11%
Change (Basis Points)		+ 2	+ 2
OVERALL CAP RATE (OAR)^a			
Range	5.00% – 9.00%	5.00% – 9.00%	5.00% – 9.00%
Average	6.94%	6.83%	6.81%
Change (Basis Points)		+ 11	+ 13
RESIDUAL CAP RATE			
Range	6.50% – 9.50%	6.50% – 9.50%	6.50% – 9.50%
Average	7.61%	7.61%	7.61%
Change (Basis Points)		0	0
MARKET RENT CHANGE RATE^b			
Range	0.00% – 4.00%	0.00% – 4.00%	0.00% – 4.00%
Average	2.86%	2.94%	2.94%
Change (Basis Points)		- 8	- 8
EXPENSE CHANGE RATE^b			
Range	3.00% – 3.50%	3.00% – 3.50%	3.00% – 3.50%
Average	3.06%	3.06%	3.06%
Change (Basis Points)		0	0
AVERAGE MARKETING TIME^c			
Range	1.00 – 9.00	1.00 – 9.00	1.00 – 9.00
Average	5.75	5.07	5.07
Change (%)		+ 13.41	+ 13.41

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Market	Average
Pacific Northwest	71.67%
Houston	70.36%
Manhattan	70.00%
San Francisco	69.17%
Atlanta	67.81%
Dallas	67.50%
Philadelphia	65.83%
Suburban Maryland	63.75%

Source: Korpacz Real Estate Investor Survey®

Pacific Northwest Office Market

EVEN THOUGH THE PACIFIC NORTHWEST OFFICE MARKET IS FEELING THE EFFECTS OF A NATIONAL ECONOMIC SLOWDOWN TO SOME DEGREE, A SOLID REGIONAL ECONOMY AND A HEALTHY BALANCE BETWEEN SUPPLY AND DEMAND ARE HELPING TO CUSHION ITS DOWNTURN. After strong employment growth in both 2006 and 2007, several employment sectors reported declining growth in the first quarter of 2008. In the Seattle-Bellevue-Everett metropolitan division, for example, the financial-activities sector has lost approximately 800 jobs since the end of 2007, moving from 89,500 workers in December 2007 to 88,600 workers in April 2008, based on data from the Bureau of Labor Statistics. On top of these losses, the professional-and-business-services sector incurred a decline of 1,700 jobs during that time period.

Despite these current bumps, this office market has shown resiliency at a time when many other major office markets are dealing with growing levels of sublease space and rising vacancy rates. In the first quarter of 2008, both Seattle and Portland posted quarterly declines in their overall vacancy rates on both a quarterly and year-over-year basis in both their CBD and suburban submarkets. Moreover, at 8.4% and 8.9%, respectively, Seattle and Portland have two of the lowest CBD vacancy rates in the country.

While these vacancy rates are expected to increase over the next several months due to the delivery of several speculative developments, this market's durability continues to appeal to investors. While many office markets in our Survey reported declines in their average initial-year market rent change rates, this market posted a gain of 32 basis

points, pushing up its average to 3.92% – the fifth highest average of the 18 individual office markets included in our Survey. Additional proof of this market's appeal to investors is noted in its average overall cap rate, which declined 50 basis points this quarter to reach 7.31%. In the first quarter of 2008, only four of the 18 individual office markets included in our Survey reported declines in their average OAR. At 50 basis points, the Pacific Northwest office market incurred the largest drop during the quarter.

Even though investors remain impressed by the performance of this market and continue to look for investment opportunities, sales activity is way down compared to the same time last year. In

the first quarter of 2008, transactions totaled \$15.0 million in Seattle (down 79.0% from the prior quarter) and \$16.0 million in Portland (down 60.0% from the prior quarter), as per Real Capital Analytics, Inc. "Don't expect to see a lot of institutional trades due to a divide between buyers and sellers over pricing," notes a participant. Due to the inability of buyers and sellers to agree on pricing, many buyers are content to sit on the sideline until a new pricing level is established. "Just because an asset receives 20-plus bids, doesn't mean it will sell," comments a participant, who recently was one of numerous underbidders on an asset that was subsequently pulled from the market. ♦

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	5.00% – 13.00%	5.00% – 13.00%	5.00% – 13.00%
Average	9.17%	9.52%	9.98%
Change (Basis Points)		- 35	- 81
OVERALL CAP RATE (OAR)^a			
Range	5.00% – 11.00%	5.00% – 11.00%	6.50% – 11.00%
Average	7.31%	7.81%	8.52%
Change (Basis Points)		- 50	- 121
RESIDUAL CAP RATE			
Range	6.25% – 9.00%	6.25% – 10.00%	7.00% – 10.00%
Average	7.52%	7.94%	8.42%
Change (Basis Points)		- 42	- 90
MARKET RENT CHANGE RATE^b			
Range	0.00% – 7.50%	0.00% – 7.00%	0.00% – 7.00%
Average	3.92%	3.60%	2.50%
Change (Basis Points)		+ 32	+ 142
EXPENSE CHANGE RATE^b			
Range	3.00% – 5.00%	2.00% – 5.00%	2.00% – 5.00%
Average	3.33%	3.33%	3.33%
Change (Basis Points)		0	0
AVERAGE MARKETING TIME^c			
Range	1.00 – 12.00	1.00 – 12.00	3.00 – 12.00
Average	4.75	5.08	5.92
Change (%)		- 6.50	- 19.76

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Philadelphia Office Market

THE PHILADELPHIA OFFICE MARKET RARELY FALLS SUBJECT TO STEEP PEAKS AND VALLEYS. Instead, it typically maintains an unhurried, yet steady tempo, occasionally bucking national trends. The same rings true for its underlying economy. So while the national housing picture is exceedingly bleak at the moment, the Philadelphia region reported a 30.0% year-over-year decline in home foreclosures during the first quarter of 2008. This favorable trend is due in part to the area's limited exposure to the subprime crisis and the strength of its core employment sectors (education and health-care) that drive the local economy.

Like most office markets across the country, a slowdown in office-using

employment growth has decelerated the demand for office space in this market. The sluggish job growth is evidenced by negative Class-A absorption in both the central business district (CBD) and suburbs during the first quarter of 2008. However, the CBD Class-A overall vacancy rate remains in the single digits at 6.9%, down from 7.1% in the prior quarter. In addition, the vacancy rate in the suburbs dropped 30 basis points to 14.2% in the first quarter of 2008. Moreover, both of these rates are below the national averages: 9.1% (U.S. CBD) and 14.4% (U.S. suburbs), according to Cushman & Wakefield.

Limited new office space deliveries are in this market's pipeline for the next

two years. This trend is beneficial for the area's vacancy rates and rental rates, which continue to tick upward. In the first quarter of 2008, the weighted average rental rate for Class-A CBD office space inched up to \$26.66 per square foot while it reached \$26.31 per square foot for Class-A suburban office space. Property owners are expected to continue pressing for rental rate increases as long as vacancy rates remain favorable to landlords.

While a lack of competitive space and steady demand have helped propel the CBD's rental rate growth, this trend would likely reverse itself if a significant amount of space entered the CBD. The proposed American Commerce Center could be that catalyst. This 63-story, 1.3-million-square-foot office tower would become the city's tallest skyscraper and is part of a mixed-use development that also includes a 300-room luxury hotel and 315,000 square feet of retail space. The developer's strategy is to attract headquarter-type users to the property by virtue of its position as the only new, trophy asset in the CBD. This new project is estimated to break ground in 2009, subject to approvals.

On the investment side, a limited number of sales occurred in this market in the first quarter of 2008. "The investors that own assets don't want to get hurt, so they aren't going to sell right now," notes a participant. While most of the recent sale transactions occurred in the suburbs during the first quarter of 2008, an interesting transaction did occur in the CBD. SSH Real Estate, in a joint venture with Young Capital, purchased a 626,594-square-foot portion of the office-condo Wachovia Building at 123 S. Broad Street for \$91.00 per square foot. ♦

Table 17

PHILADELPHIA OFFICE MARKET Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	8.00% – 11.00%	8.00% – 11.00%	8.00% – 11.00%
Average	9.29%	9.30%	9.30%
Change (Basis Points)		- 1	- 1
OVERALL CAP RATE (OAR)^a			
Range	5.00% – 11.00%	5.00% – 11.00%	5.00% – 11.00%
Average	8.25%	8.15%	8.15%
Change (Basis Points)		+ 10	+ 10
RESIDUAL CAP RATE			
Range	6.00% – 10.00%	6.00% – 10.00%	6.00% – 10.00%
Average	8.42%	8.40%	8.40%
Change (Basis Points)		+ 2	+ 2
MARKET RENT CHANGE RATE^b			
Range	0.00% – 3.00%	0.00% – 5.00%	0.00% – 5.00%
Average	2.08%	2.58%	2.58%
Change (Basis Points)		- 50	- 50
EXPENSE CHANGE RATE^b			
Range	3.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%
Average	3.00%	2.83%	2.83%
Change (Basis Points)		+ 17	+ 17
AVERAGE MARKETING TIME^c			
Range	4.00 – 9.00	3.00 – 9.00	3.00 – 9.00
Average	5.92	5.30	5.30
Change (%)		+ 11.70	+ 11.70

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Phoenix Office Market

AS PHOENIX STRUGGLES WITH TREMENDOUS EXPOSURE TO THE NATIONAL HOUSING CRISIS AND THE CREDIT CRUNCH, THE STRAIN ON THE LOCAL ECONOMY IS SPILLING OVER INTO ITS OFFICE MARKET. From 2004 to 2006, financial activities and professional-and-business services, the primary drivers of office space demand, expanded by 18,900 jobs and 60,600 jobs, respectively (see Table PHO-1). While new jobs were added in both sectors in 2007, the gains paled in comparison to prior years, signaling a halt in economic growth. During the first quarter of 2008, these employment sectors lost jobs, resulting in negative absorption during the quarter. On a positive note, Phoenix is experiencing strong population growth and immigration trends, which in turn could generate home sales and help counteract the housing slump.

Lackluster tenant demand has passed the leasing advantage back to tenants, reintroducing free rent, liberal tenant improvement allowances, and

Table PHO-1

ANNUAL EMPLOYMENT GROWTH

Phoenix-Mesa-Scottsdale
Metropolitan Division

Year	Financial Activities	Professional-and-Business Services
2008*	- 2,800	- 700
2007	+ 200	+ 5,000
2006	+ 6,400	+ 22,400
2005	+ 8,300	+ 23,000
2004	+ 4,200	+ 15,200
2003	+ 3,300	+ 5,100
2002	+ 1,600	- 5,900
2001	+ 3,300	- 4,700
2000	+ 2,000	+ 16,000

* Month of March
Source: Bureau of Labor Statistics

even parking abatements. Although the Class-A weighted average suburban rental rate did increase modestly from \$27.53 to \$28.34 per square foot during the first quarter of 2008, the increase is mainly attributable to the delivery of more than one million square feet of new Class-A space. According to Cushman & Wakefield, these deliveries increased the Class-A suburban vacancy rate to just over 20.0%. The office inventory is expected to increase by another 2.0 million square feet by the end of 2008, creating a greater imbalance between supply and demand in suburban Phoenix.

Since no speculative additions to supply will be delivered to the CBD

this year, it is better positioned to withstand economic adversity over the short term. Overall, first quarter leasing activity in the CBD closely matched the third and fourth quarters of 2007. One new lease recently signed downtown was law firm Squire, Sanders & Dempsey's deal for 80,000 square feet across the top four floors of One East Washington, the Class-A office tower of the new mixed-use CityScape development underway in the CBD. Set for delivery in 2010, the goal of CityScape is to create a thriving urban environment in the heart of downtown Phoenix that blends residential space with urban living, work, shopping, and entertainment opportunities. ❖

Table 18
PHOENIX OFFICE MARKET
Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	5.00% - 11.00%	5.00% - 11.00%	5.00% - 11.00%
Average	8.31%	7.92%	7.92%
Change (Basis Points)		+ 39	+ 39
OVERALL CAP RATE (OAR)^a			
Range	5.00% - 8.50%	4.00% - 8.50%	4.00% - 8.50%
Average	6.90%	6.55%	6.55%
Change (Basis Points)		+ 35	+ 35
RESIDUAL CAP RATE			
Range	6.50% - 9.00%	6.70% - 9.00%	6.70% - 9.00%
Average	7.56%	7.38%	7.50%
Change (Basis Points)		+ 18	+ 6
MARKET RENT CHANGE RATE^b			
Range	1.00% - 5.00%	1.00% - 6.00%	1.00% - 6.00%
Average	3.00%	4.25%	4.40%
Change (Basis Points)		- 125	- 140
EXPENSE CHANGE RATE^b			
Range	3.00% - 5.00%	3.00% - 5.00%	3.00% - 5.00%
Average	3.40%	3.50%	3.50%
Change (Basis Points)		- 10	- 10
AVERAGE MARKETING TIME^c			
Range	2.00 - 9.00	2.00 - 9.00	2.00 - 6.00
Average	4.33	4.07	3.50
Change (%)		+ 6.39	+ 23.71

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

San Diego Office Market

DESPITE A GROWING NUMBER OF RESIDENTIAL FORECLOSURES, DETERIORATING HOME PRICES, AND AN UNEMPLOYMENT RATE NORTH OF 5.0%, TOTAL NONFARM EMPLOYMENT FIGURES FOR THE SAN DIEGO-CARLSBAD-SAN MARCOS METROPOLITAN STATISTICAL AREA SHOWED A MONTHLY INCREASE IN MARCH 2008. According to the Bureau of Labor Statistics, preliminary figures indicated a gain of 6,000 jobs. The primary sectors that drive demand for office space were split in their results – professional-and-business services gained 1,000 jobs, while financial activities lost 200 jobs. San Diego's economy is also seeing moderate growth in the technology-producing and defense industries. On the other

hand, tourism, typically a growth employment sector for San Diego, is beginning to buckle under the pressure of rising gas prices, higher airline travel costs, and reduced consumer spending.

The aforementioned economic stress, coupled with sizeable additions to supply, resulted in more than 404,000 square feet of negative absorption in the first quarter of 2008. Consequently, the overall vacancy rate increased to 12.5% from 11.8% in the prior quarter, as reported by Cushman & Wakefield. The bulk of new construction is occurring in the I-15 Corridor submarket, which encompasses such areas as Rancho Bernardo, Sabre Springs, and Scripps Ranch (see Table SDO-1). Near-

ly 83.0% of the space underway is expected to deliver within the year. While new construction suggests that investors are confident in the long-term performance of this market, increased vacancy and halted rental rate growth are short-term risks that many of them will face in an already strained office market.

Investment sales volume in the first quarter of 2008 dropped to just \$170.0 million, a level not seen since midyear 2005, according to Real Capital Analytics, Inc. At the same time, the average sale price plunged from nearly \$400.00 per square foot in midyear 2007 to about \$225.00 per square foot this quarter.

Several of the recent sales involved medical office buildings, indicating a rising interest in this asset class among investors. In one such sale, Pacific Realty Advisors purchased the 35,000-square-foot Pacific Doctors Park for \$251.00 per square foot. This property was 100.0% occupied at the time of sale. In another medical office sale, Montecito Medical Investment, in a joint venture with Harrison Street Real Estate, acquired Escondido Medical Arts Center for approximately \$319.00 per square foot. This two-building, 52,756-square-foot property was 95.0% occupied at the time of sale. ✦

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	5.60% – 10.00%	5.60% – 10.00%	5.60% – 10.00%
Average	8.08%	7.92%	8.08%
Change (Basis Points)		+ 16	0
OVERALL CAP RATE (OAR)^a			
Range	4.50% – 8.00%	4.50% – 8.00%	4.50% – 8.00%
Average	6.06%	6.08%	6.25%
Change (Basis Points)		- 2	- 19
RESIDUAL CAP RATE			
Range	6.00% – 7.50%	5.50% – 7.75%	5.50% – 7.75%
Average	6.84%	6.86%	6.93%
Change (Basis Points)		- 2	- 9
MARKET RENT CHANGE RATE^b			
Range	1.00% – 6.00%	1.00% – 8.00%	1.00% – 6.00%
Average	3.46%	4.22%	4.13%
Change (Basis Points)		- 76	- 67
EXPENSE CHANGE RATE^b			
Range	2.50% – 3.00%	2.50% – 5.00%	2.50% – 5.00%
Average	2.96%	3.19%	3.25%
Change (Basis Points)		- 23	- 29
AVERAGE MARKETING TIME^c			
Range	1.00 – 8.00	1.00 – 8.00	2.00 – 6.00
Average	4.21	3.94	4.07
Change (%)		+ 6.85	+ 3.44

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Submarket	Under Construction (Square Feet)
Central Suburban	816,254
Mid-City	300,664
North County	310,191
I-15 Corridor	<u>1,162,456</u>
San Diego County	2,589,565

Source: Cushman & Wakefield

San Francisco Office Market

WITH LEASING VELOCITY WAY OFF FROM PRIOR YEARS, MANY LANDLORDS IN THE SAN FRANCISCO OFFICE MARKET ARE BRACING THEMSELVES FOR A SHAKY PERFORMANCE IN 2008. "There is not a lot of leasing activity going on right now," bemoans a participant. After several quarters of reporting strong net absorption totals, this market posted 400,000 square feet of negative absorption in the first quarter of 2008, according to CB Richard Ellis. Downtown properties that witnessed increases in vacant space during that time period included 153 Kearny Street, Three Embarcadero Center, One Embarcadero Center, and One Front Street. In addition, 560 Mission Street experienced the loss of tenant Pay By Touch, which vacated 87,000 square feet.

With supply outpacing demand, the total vacancy rate in this market increased 30 basis points in the first quarter of 2008 to reach 8.7%. When factoring in sublease space availabilities, which have increased in nearly every submarket, the availability rate

increased to 13.5% in the first quarter of 2008. While sublease totals remain well below those witnessed during the dot.com bust, a lingering downturn could easily increase the current totals. According to a new report by Studley, the nation's 200 largest law firms are heading into a likely recession saddled with excess space. The report estimates that law firms with offices in San Francisco have at least 10.0% (or 265,000 square feet) more space than they need.

As this market swings in favor of tenants, especially those looking for large blocks of space, property owners are becoming more conservative in their underwriting. This quarter, the average initial-year market rent change

rate tumbled 228 basis points to reach below 5.00% for the first time in almost eight quarters. This drop represents the largest decline for this assumption of all the individual office markets in the Survey. At 125 basis points, the Phoenix office market had the second highest decline, while the Denver office market posted the third highest decline with 100 basis points.

Given the economic uncertainty underlying both the national and local economies, further declines in market rent growth rates would not be surprising. As one participant notes, "Even with a large drop in our market rent growth rate assumption, we might still be a bit too aggressive." ❖

Table SFO-1
INITIAL-YEAR MARKET RENT
CHANGE RATES
San Francisco Office Market

Quarter	Average	Change (Basis Points)
2Q08	4.95%	- 228
1Q08	7.23%	- 82
4Q07	8.05%	- 68
3Q07	8.73%	+ 217
2Q07	6.56%	+ 50
1Q07	6.06%	- 72
4Q06	6.78%	+ 211
3Q06	4.67%	+ 31
2Q06	4.39%	+ 289
2Q05	1.50%	—

Source: Korpacz Real Estate Investor Survey[®]

Table 20
SAN FRANCISCO OFFICE MARKET
Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	6.50% - 12.00%	5.00% - 12.00%	5.00% - 12.00%
Average	7.81%	7.65%	8.03%
Change (Basis Points)		+ 16	- 22
OVERALL CAP RATE (OAR)^a			
Range	4.50% - 9.00%	4.50% - 9.00%	4.00% - 9.00%
Average	6.14%	6.11%	6.39%
Change (Basis Points)		+ 3	- 25
RESIDUAL CAP RATE			
Range	5.00% - 9.00%	5.00% - 9.00%	5.00% - 9.00%
Average	6.92%	6.86%	7.16%
Change (Basis Points)		+ 6	- 24
MARKET RENT CHANGE RATE^b			
Range	0.00% - 10.00%	2.50% - 15.00%	2.50% - 12.50%
Average	4.95%	7.23%	6.56%
Change (Basis Points)		- 228	- 161
EXPENSE CHANGE RATE^b			
Range	2.00% - 5.00%	2.00% - 5.00%	2.00% - 5.00%
Average	3.10%	3.32%	3.39%
Change (Basis Points)		- 22	- 29
AVERAGE MARKETING TIME^c			
Range	1.00 - 12.00	1.00 - 12.00	3.00 - 12.00
Average	5.50	5.36	5.89
Change (%)		+ 2.61	- 6.62

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Southeast Florida Office Market

THE THREE COUNTIES THAT COMPRISE THE SOUTHEAST FLORIDA OFFICE MARKET — BROWARD, PALM BEACH, AND MIAMI-DADE — CONTINUE TO CONTEND WITH RISING VACANCY RATES, TEPID LEASING ACTIVITY, AND AN OVERALL SLOWDOWN IN ECONOMIC GROWTH.

"The problems that started in the housing sector have spilled over into the commercial real estate sector," remarks a participant. As a result, business consolidations, local unemployment rate increases, and job losses have occurred.

In the Miami-Miami Beach-Kendall metropolitan division, for example, the financial-activities sector has lost approximately 2,000 jobs since the

end of 2007, moving from a total of 76,500 workers in December 2007 to 74,500 workers in April 2008, according to the Bureau of Labor Statistics. On top of these losses, the professional-and-business-services sector incurred a decline of 3,900 jobs during that time period. As companies have shed workers, many of them have either directly or indirectly returned office space to the market. As a result, tenants looking for office space are finding more options and more concessions.

Since the first quarter of 2007, vacant sublease space has more than doubled in the Miami office market, growing to nearly 252,000 square feet

in the first quarter of 2008, according to CB Richard Ellis. In Palm Beach County, sublease space reportedly increased from about 240,000 square feet at year-end 2007 to close to 500,000 square feet in the first quarter of 2008. While mounting sublease space is less of a concern in Broward County, this submarket continues to contend with speculative additions to supply and rising vacancy rates.

Due to weaker fundamentals, tighter lending requirements, and the concern that market conditions could deteriorate further, sales activity has dropped considerably. In the first quarter of 2008, office sales totaled \$130.0 million in Miami, \$5.0 million in Palm Beach County, and \$4.0 million in Broward County, according to Real Capital Analytics, Inc. On average, these totals represent a 78.0% decline from the amounts reported in the first quarter of 2007.

As uncertainties have risen and performances have weakened, the average overall cap rate (OAR) for this market has increased. This quarter, the average OAR for the Southeast Florida office market ticked up 20 basis points to reach 8.00%, one of the highest averages reported for an individual office market in our Survey this quarter (see Table SEF-1). ♦

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	7.00% – 11.00%	6.00% – 11.00%	6.00% – 11.00%
Average	9.02%	8.55%	8.63%
Change (Basis Points)		+ 47	- 39
OVERALL CAP RATE (OAR)^a			
Range	5.20% – 10.50%	5.20% – 10.00%	5.20% – 10.00%
Average	8.00%	7.80%	8.01%
Change (Basis Points)		+ 20	- 1
RESIDUAL CAP RATE			
Range	6.25% – 10.50%	6.50% – 10.50%	6.50% – 10.50%
Average	8.09%	8.09%	8.16%
Change (Basis Points)		0	- 7
MARKET RENT CHANGE RATE^b			
Range	0.00% – 5.00%	0.00% – 5.00%	0.00% – 8.00%
Average	2.43%	2.75%	3.83%
Change (Basis Points)		- 32	- 140
EXPENSE CHANGE RATE^b			
Range	3.00% – 4.00%	3.00% – 5.00%	3.00% – 5.00%
Average	3.07%	3.36%	3.36%
Change (Basis Points)		- 29	- 29
AVERAGE MARKETING TIME^c			
Range	3.00 – 12.00	3.00 – 12.00	3.00 – 12.00
Average	6.75	6.42	6.42
Change (%)		+ 5.14	+ 5.14

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Office Market	Average
Philadelphia	8.25%
Southeast Florida	8.00%
Dallas	7.75%
Charlotte	7.56%
Boston	7.43%

Source: Korpacz Real Estate Investor Survey[®]

Suburban Maryland Office Market

LINGERING UNCERTAINTY ABOUT THE FUTURE DIRECTION OF THE U.S. AND LOCAL ECONOMIES WILL LIKELY DAMPEN TENANT DEMAND IN THE SUBURBAN MARYLAND OFFICE MARKET FOR THE REMAINDER OF 2008. "Tenants will want more inducements in order to sign leases going forward," states a participant. Currently, 75.0% of our participants believe that concessions are prevalent in this market. While concessions vary, our participants indicate that free rent can be as much as three months on a seven-year lease in this market. Tenant improvement allowances (TIs) can also be awarded and typically vary based on the condition of the space. For shell space in this market, TIs range from \$35.00 to \$50.00 per square foot and average \$41.25 per square foot this quarter. For second-generation space, they are a bit lower, ranging from \$18.00 to \$35.00 per square foot and averaging \$26.00 per square foot.

Table SMO-1

OVERALL CAP RATE TRENDS

Suburban Maryland Office Market

Quarter	Average	Change (Basis Points)
2Q08	7.02%	+ 10
1Q08	6.92%	0
4Q07	6.92%	+ 9
3Q07	6.83%	+ 5
2Q07	6.78%	- 11
1Q07	6.89%	- 8
4Q06	6.97%	- 4
3Q06	7.01%	- 7
2Q06	7.08%	- 5
1Q06	7.13%	- 37
4Q05	7.50%	- 3
3Q05	7.53%	- 14
2Q05	7.67%	—

Source: Korpacz Real Estate Investor Survey®

The percentage of landlords offering concessions typically moves in sync with shifts in a market's vacancy rate. Due to a strong number of speculative completions (with minimal levels of preleasing), the overall vacancy rate in Suburban Maryland surged on both an annual and quarterly basis. In the first quarter of 2008, the overall vacancy rate for this market stood at 13.0%, 110 basis points above the average in the prior quarter and 160 basis points above the average a year ago, based on data from Cushman & Wakefield.

The top-performing submarkets are mainly located in Montgomery County and include Gaithersburg, North

Bethesda, Chevy Chase, and Silver Spring. At 7.22%, Silver Spring posted the fourth lowest vacancy rate of the nine office areas that comprise Montgomery County, according to CB Richard Ellis.

Due to their tendency to outperform the market as a whole, Silver Spring and Bethesda tend to attract strong investor interest. In one recent sale, TechHill I & II located in Silver Spring sold for \$265.00 per square foot. Although an overall cap rate (OAR) was not disclosed for this sale, investors expect OARs to increase an average of 42 basis points over the next six months. OAR trends for this market are shown in Table SMO-1. ♦

Table 22

SUBURBAN MARYLAND OFFICE MARKET

Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	6.00% – 11.00%	6.00% – 11.00%	6.00% – 11.00%
Average	8.23%	8.20%	8.08%
Change (Basis Points)		+ 3	+ 15
OVERALL CAP RATE (OAR)^a			
Range	5.00% – 9.00%	5.00% – 9.00%	5.00% – 9.00%
Average	7.02%	6.92%	6.78%
Change (Basis Points)		+ 10	+ 24
RESIDUAL CAP RATE			
Range	6.00% – 9.50%	6.00% – 9.50%	6.00% – 9.50%
Average	7.70%	7.67%	7.58%
Change (Basis Points)		+ 3	+ 12
MARKET RENT CHANGE RATE^b			
Range	0.00% – 4.00%	0.00% – 4.00%	0.00% – 5.00%
Average	2.66%	2.81%	2.86%
Change (Basis Points)		- 15	- 20
EXPENSE CHANGE RATE^b			
Range	3.00% – 3.00%	3.00% – 3.00%	3.00% – 3.00%
Average	3.00%	3.00%	3.00%
Change (Basis Points)		0	0
AVERAGE MARKETING TIME^c			
Range	1.00 – 12.00	1.00 – 12.00	1.00 – 12.00
Average	6.58	5.79	5.79
Change (%)		+ 13.64	+ 13.64

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Washington, DC Office Market

A DROP-OFF IN NEW DEMAND AND AN UPSWING IN NEW CONSTRUCTION HAVE COMBINED TO INCREASE THE OVERALL VACANCY RATE FOR THE ENTIRE WASHINGTON, DC OFFICE MARKET, AS WELL AS ITS CLASS-A OFFICE SECTOR. In the first quarter of 2008, the overall vacancy rate was 7.3% for this entire market and 9.6% for the Class-A sector, according to Cushman & Wakefield. A year earlier, these figures were 7.1% and 8.3%, respectively. "A lot of Class-B space has been completely renovated and upgraded to Class-A space so there are a number of options for tenants looking for Class-A space right now," confirms a participant.

During the first quarter of 2008, two

buildings were delivered in the East End submarket – 455 Massachusetts Avenue, NW and 251 H Street, NW. Located in the Mount Vernon Triangle district of the East End, 455 Massachusetts Avenue, NW is a 250,000-square-foot building that is 100.0% vacant except for a letter of intent to one tenant for 15,000 square feet, according to CB Richard Ellis. The other new building (the 90,000-square-foot 251 H Street, NW) is fully leased to the American Israeli Public Affairs Commission.

With an additional 2.3 million square feet set to deliver throughout this market in 2008, supply is expected to stay ahead of demand for the next several months. Although a long-

term oversupply problem will likely be avoided, the fact that only 22.0% of this space is preleased will make it difficult for landlords to retain control of this market. "Market conditions are starting to favor tenants and buyers," attests a participant. Nevertheless, the Washington, DC office market remains one of the top-performing office markets in the country and continues to attract strong investor interest.

The Washington, DC office market is of particular interest to foreign buyers, who like the District's long-standing stability, employment and job growth history, and diverse pool of tenants. In 2007, foreign investors bought nearly ten times as much commercial office space in the District as they did in 2006. The most recent Washington, DC asset acquired by a foreign buyer was the Class-A trophy building located at 2099 Pennsylvania Avenue, which sold for a record \$867.00 per square foot. Reportedly, Jones Lang LaSalle, which brokered the deal, presented the property to buyers in Europe, Australia, Asia Pacific, and Latin America. The buyer was a wealthy Irish investor, Vico Capital, who was up against very few domestic buyers.

Other office properties that sold in Washington, DC recently include 901 E Street, NW, which was vacant at the time of sale and will be occupied partly by the new owner who acquired it for \$620.00 per square foot; 1602 L Street, NW, which traded for \$587.00 per square foot; and 1111 19th Street, which was 98.0% occupied at the time of sale and sold for \$456.00 per square foot. Overall, sales activity is down considerably in Washington, DC due to economic uncertainty, tighter lending guidelines, and a bid-ask pricing gap. ❖

Table 23

WASHINGTON, DC OFFICE MARKET Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	6.00% – 9.50%	6.00% – 9.50%	6.00% – 9.50%
Average	7.51%	7.48%	7.56%
Change (Basis Points)		+ 3	- 5
OVERALL CAP RATE (OAR)^a			
Range	5.00% – 8.00%	5.00% – 8.00%	5.00% – 8.00%
Average	6.23%	6.16%	6.21%
Change (Basis Points)		+ 7	+ 2
RESIDUAL CAP RATE			
Range	5.00% – 9.00%	5.00% – 9.00%	5.00% – 9.00%
Average	6.85%	6.89%	6.96%
Change (Basis Points)		- 4	- 11
MARKET RENT CHANGE RATE^b			
Range	3.00% – 7.00%	3.00% – 7.00%	3.00% – 7.00%
Average	3.65%	3.77%	3.68%
Change (Basis Points)		- 12	- 3
EXPENSE CHANGE RATE^b			
Range	3.00% – 3.50%	3.00% – 3.50%	3.00% – 3.50%
Average	3.06%	3.06%	3.06%
Change (Basis Points)		0	0
AVERAGE MARKETING TIME^c			
Range	1.00 – 9.00	1.00 – 9.00	1.00 – 9.00
Average	4.31	3.94	3.94
Change (%)		+ 9.39	+ 9.39

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

National Flex/R&D Market

EVEN THOUGH COST-SENSITIVE SUBURBAN OFFICE TENANTS ARE CURBING THEIR DEMAND FOR FLEX/R&D SPACE, CONTINUED GROWTH IN THE HIGH-TECH SECTOR IS KEEPING DEMAND FOR FLEX/R&D SPACE STRONG IN ESTABLISHED HIGH-TECH HUBS. In Austin, for example, the flex/R&D sector absorbed close to 185,000 square feet in the first quarter of 2008, according to Grubb & Ellis. As a result, Austin's flex/R&D vacancy rate held steady at 16.6% during that time despite additions to supply. Such steady demand allowed the average asking rental rate for Austin's flex/R&D space to increase to \$9.68 per square foot in the first quarter of 2008.

Portland's flex/R&D market also continues to perform well despite deliveries and economic uneasiness. In the first quarter of 2008, its flex/R&D market posted a vacancy rate of 6.8%, down 40 basis points from the end of 2007. With only 203,000 square feet under construction, this market will likely perform well over the near term. In nearby Seattle, the vacancy rate for flex/R&D space ended the first quarter much higher at 10.3%. Despite a higher vacancy rate, the average asking rental rate for flex/R&D space in Seattle is much higher than in Austin. In the first quarter of 2008, Seattle's average asking rental rate stood at \$11.86 per square foot, \$2.18 per square foot above Austin's rate.

Mirroring the investment trends throughout the industry, sales are down considerably in both number and dollar volume for this sector. According to Real Capital Analytics, Inc., transactions involving significant flex/R&D properties totaled \$1.7 billion in the first quarter of 2008, 43.0% below the total realized a year earlier. With buyers and sellers unable to easily agree on

pricing and too much economic uncertainty keeping investors on the sidelines, many participants do not expect sales activity to pick up noticeably in the latter part of 2008. "I think 2008, and even into 2009, will be slow in terms of deal flow," shares a participant.

Although some flex/R&D trades have occurred recently, many of them have involved smaller, single-tenant properties. In one such deal, two private investors from California acquired a 67,204-square-foot, flex property located in Avondale, Arizona for about \$200.00 per square foot. This three-year-old, build-to-suit asset was fully leased on a long-term basis to Cummins Rocky Mountain, a manufacturer and distrib-

utor of engine parts, and was part of a 1031 exchange.

In a similar trade, GE Commercial Finance purchased the Quadrant Willows Corporate Center, a 65,080-square-foot flex/R&D building, for \$284.00 per square foot. This single-tenant asset was fully leased to Universal Avionics and sold in July 2007 for \$230.00 per square foot. The reported overall cap rate (OAR) for this sale was 6.30%. This OAR is within the range indicated by our participants this quarter for both the national flex/R&D market (see Table 24) and the national net lease market, which reports an OAR range of 6.00% to 10.00% and an average OAR of 7.63% (see Table 27). ✦

Table 24
NATIONAL FLEX/R&D MARKET
Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	6.75% – 10.00%	6.75% – 10.00%	6.75% – 10.50%
Average	8.61%	8.46%	8.56%
Change (Basis Points)		+ 15	+ 5
OVERALL CAP RATE (OAR)^a			
Range	5.50% – 9.25%	5.50% – 9.00%	5.50% – 10.00%
Average	7.68%	7.47%	7.60%
Change (Basis Points)		+ 21	+ 8
RESIDUAL CAP RATE			
Range	7.00% – 10.50%	6.75% – 10.50%	6.75% – 10.50%
Average	8.20%	8.10%	8.11%
Change (Basis Points)		+ 10	+ 9
MARKET RENT CHANGE RATE^b			
Range	0.00% – 5.00%	0.00% – 5.00%	0.00% – 5.00%
Average	2.70%	2.75%	2.61%
Change (Basis Points)		- 5	+ 9
EXPENSE CHANGE RATE^b			
Range	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%
Average	2.95%	2.94%	2.95%
Change (Basis Points)		+ 1	0
AVERAGE MARKETING TIME^c			
Range	3.00 – 18.00	3.00 – 18.00	3.00 – 18.00
Average	6.33	6.06	6.33
Change (%)		+ 4.46	0

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

National Warehouse Market

EVEN THOUGH AN ECONOMIC SLOW-DOWN IS EXPECTED TO REDUCE DEMAND FOR INDUSTRIAL SPACE, RESTRAINT ON THE PART OF DEVELOPERS SHOULD ALLOW THE NATIONAL WAREHOUSE MARKET TO PERSEVERE AND MAINTAIN A RELATIVELY HEALTHY BALANCE BETWEEN SUPPLY AND DEMAND. In the first quarter of 2008, the U.S. industrial market's availability rate increased 30 basis points from 10.20% at year-end 2007 to 10.50%, based on data from CB Richard Ellis. The Midwest and West regions of the country incurred the largest shifts in availability during this time, reporting increases of 50 basis points and 40 basis points, respectively.

In the western region of the coun-

try, underlying fundamentals have started to weaken in several markets that attracted significant capital from investors during the recent expansion. In Los Angeles, where warehouse sales totaled \$1.3 billion in 2007, the availability rate increased 100 basis points to reach 8.50% in the first quarter of 2008. Similarly, in San Diego, where warehouse sales totaled \$292.3 million in 2007, the availability rate increased 130 basis points to reach 12.4% in the first quarter of 2008. Other western markets that posted upticks in vacancy in the first three months of 2008 were Orange County (+80 basis points), Portland (+100 basis points), Salt Lake City (+120 basis points), San Francisco

(+50 basis points), and Phoenix (+10 basis points).

Increases in vacant space and tighter lending restrictions have reduced the number of warehouse property trades throughout the country. Sales of significant warehouse assets totaled \$5.4 billion in the first quarter of 2008, down about 34.0% from the same period in 2007, according to Real Capital Analytics, Inc. However, big-box warehouse assets located in leading hubs, like Northern New Jersey, the Inland Empire, and Charlotte, continue to receive strong interest from buyers and post gains in sales volumes.

Within the warehouse sector, most investors remain drawn to newer assets that offer both "credit and term." As a result, investors have noticed very little movement in overall cap rates for Class A, dominant product so far this year. "Pricing is still strong for better, institutional-quality product, but buyers are being more selective in their choices and more conservative in their underwriting," comments a participant.

This quarter, the average initial-year market rent change rate dipped 29 basis points to reach 2.94%. After nine quarters of steady increases, this marks the first decline for this key assumption since the fourth quarter of 2005. At that time, the average initial-year market rent change rate stood at 1.96%, nearly 100 basis points below the current average. With investors lowering their rental growth expectations and overall cap rates ticking upward, some participants expect warehouse property values to decline as much as 10.0% over the next 12 months. The average expected appreciation is 0.50%. A year ago, this figure was a much healthier 2.71%; what a difference a year makes. ✱

Table 25

NATIONAL WAREHOUSE MARKET Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	5.50% – 10.00%	5.50% – 10.00%	5.50% – 11.50%
Average	7.68%	7.67%	7.87%
Change (Basis Points)		+ 1	- 19
OVERALL CAP RATE (OAR)^a			
Range	5.00% – 8.50%	5.00% – 8.00%	5.00% – 8.50%
Average	6.56%	6.47%	6.58%
Change (Basis Points)		+ 9	- 2
RESIDUAL CAP RATE			
Range	5.50% – 8.50%	5.50% – 8.50%	6.00% – 10.00%
Average	7.18%	7.13%	7.37%
Change (Basis Points)		+ 5	- 19
MARKET RENT CHANGE RATE^b			
Range	0.00% – 10.00%	0.00% – 10.00%	0.00% – 5.00%
Average	2.94%	3.23%	2.84%
Change (Basis Points)		- 29	+ 10
EXPENSE CHANGE RATE^b			
Range	2.00% – 3.50%	2.00% – 3.50%	2.00% – 3.50%
Average	3.00%	3.00%	3.00%
Change (Basis Points)		0	0
AVERAGE MARKETING TIME^c			
Range	1.00 – 12.00	1.00 – 12.00	1.00 – 12.00
Average	5.75	5.59	5.77
Change (%)		+ 2.86	- 0.35

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

National Apartment Market

BUYERS ARE FINDING IT MUCH EASIER TO ATTAIN FINANCING IN THE APARTMENT SECTOR THAN IN OTHER COMMERCIAL PROPERTY SECTORS. "Fannie and Freddie continue to offer financing options for multifamily properties that aren't available to the other asset classes, helping prices remain elevated. However, the agencies' spreads have widened and their underwriting has become much stricter," explains a participant. In markets hard hit by both the condo and housing crises, like Phoenix and Orlando, the concern in the investment market is an oversupply of apartment assets for sale coupled with an above-average rental inventory comprised of empty homes and condos. Bargain hunters are tracking foreclosures, attempting to capitalize on the sales of distressed assets. Such actions have the potential to cause asset pricing to decline in the multifamily market.

The investment market for apartments has not escaped the national slowdown in sales activity. The dollar volume of apartment sales slid 40.0% in the first quarter of 2008 compared to the fourth quarter 2007, and the number of active buyers dwindled from 49 to 16, as reported by Real Capital Analytics, Inc. The dynamics of the current investment market offer some unique opportunities to able investors. Hirschfield Properties and Dubai Investment Group acquired the Landmark Apartments in Cherry Hill, New Jersey in a \$100.0-million deal. This 544-unit community is not only a failed condominium conversion, but it remained 40.0% vacant for more than one year. The buyers plan to spend approximately \$26.0 million repositioning the property, which boasts a solid location in a market with high barriers to entry.

Along with the deceleration in the investment market, the underlying fundamentals may be challenged in the near term. National job losses have the potential to impact overall demand for rental units. Vacancy for the national apartment market was 5.9% as of the first quarter of 2008, up just 20 basis points from year-end 2007, according to Reis.

While demand trends may slow, most apartment investors view supply-side issues as the greatest short-term risk to this sector. First, the competition for renters from both unsold single-family homes and condos, poses a threat to apartment owners. For instance, in Southern California, some homeowners

are escaping foreclosure by forming agreements to sell their homes for less than their debt on the property. Then, the banks can return the homes to the market for sale at a much lower price, making it an achievable price for someone on the cusp between renting and buying. Second, new apartments continue to be added at a steady pace, with Reis estimating an average of 100,600 units annually over the next five years. While these additions to supply are not as large as the average of 166,000 units added annually from 1999 to 2003, when combined with the "shadow market" inventory, they will likely push up vacancy rates and limit rental rate growth. ❖

Table 26
NATIONAL APARTMENT MARKET
Second Quarter 2008

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	6.00% – 10.50%	6.00% – 10.50%	6.00% – 12.00%
Average	8.16%	8.15%	8.36%
Change (Basis Points)		+ 1	- 20
OVERALL CAP RATE (OAR)^a			
Range	3.50% – 8.00%	3.50% – 8.00%	3.50% – 8.00%
Average	5.75%	5.79%	5.80%
Change (Basis Points)		- 4	- 5
RESIDUAL CAP RATE			
Range	4.50% – 8.50%	4.50% – 8.50%	4.50% – 8.50%
Average	6.69%	6.56%	6.61%
Change (Basis Points)		+ 13	+ 8
MARKET RENT CHANGE RATE^b			
Range	0.00% – 8.00%	0.00% – 8.00%	0.00% – 9.00%
Average	3.17%	3.51%	3.54%
Change (Basis Points)		- 34	- 37
EXPENSE CHANGE RATE^b			
Range	2.00% – 3.75%	2.00% – 3.75%	2.00% – 3.75%
Average	2.92%	2.91%	2.86%
Change (Basis Points)		+ 1	+ 6
AVERAGE MARKETING TIME^c			
Range	1.00 – 12.00	1.00 – 12.00	1.00 – 12.00
Average	6.00	5.79	5.71
Change (%)		+ 3.63	+ 5.08

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

National Net Lease Market

THE STEEP DOWNWARD TREND IN SALES ACTIVITY THAT BEGAN IN THE NATIONAL NET LEASE MARKET IN MIDYEAR 2007 HAS SUBSIDED, AS THE NUMBER OF ASSETS SOLD AND THOSE AVAILABLE FOR SALE BOTH INCREASED DURING THE FIRST QUARTER OF 2008. On the sale side, net lease asset trades surged from 3,290 in the fourth quarter of 2007 to 9,929 in the first quarter of 2008, according to Boulder Net Lease Funds. Net lease office properties led this surge, accounting for 3,088 of the net lease assets sold in the first quarter of 2008, a dramatic 272.0% increase from the prior quarter.

On the offering side, a total of 20,964 net lease assets were available for sale as of the first quarter of 2008, a 15.4%

increase from the prior quarter. "Some of the new offerings are from owners testing the waters, rather than truly motivated sellers as we saw in 2007," remarks a participant. The retail sector dominated the offerings arena (10,916 assets), followed by office (6,462 assets), and industrial (3,586 assets).

Despite the increase in net lease offerings, sellers sense a strong "flight to quality" among buyers, especially relative to the underlying real estate. While deals with credit tenants have a definite advantage, buyers are paying closer attention to fundamentals, building quality, and location. In addition, deals are taking a longer time to come to the table than in prior quarters given the

arduous process of obtaining debt. "The bid-ask price gap is higher than it's been in five years," exclaims a participant. The top buyers of single-tenant net lease assets over the past twelve months were SL Green Realty Corporation and Paramount Group (office); Inland Real Estate and Lexington Corporate Properties (industrial); and Cole Capital Partners and National Retail Properties (retail), according to Real Capital Analytics, Inc.

Despite current credit issues and the pricing disparity between buyers and sellers, sale-leaseback transactions are occurring at a steady pace as companies strive to increase liquidity, minimize debt, and fund acquisitions. In one of the largest sale-leaseback portfolio sales in recent history, SunTrust Bank sold 433 retail banking facilities to Inland Real Estate Group for more than \$736.0 million. SunTrust will lease back all of the assets for an initial ten-year term.

In another sale-leaseback deal, retailer and service chain Pep Boys sold 23 properties for \$74.3 million in an effort to reduce debt. Pep Boys will lease back the stores for an initial 15-year term. Another retailer, Pier 1 Imports, also anticipates capitalizing on its real estate values by selling its 460,000-square-foot headquarters campus in Fort Worth. Concurrent with this sale, Pier 1 Imports plans to lease back 250,000 square feet under a seven-year agreement with the buyer, Chesapeake Energy Corporation. Lastly, Bank of America, experienced in using its real estate to raise capital, has reportedly put its office building located at 135 LaSalle Street in downtown Chicago on the market, and expects to secure a sale-leaseback deal. ♦

	CURRENT QUARTER	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)^a			
Range	8.00% – 12.00%	8.00% – 12.00%	8.00% – 12.00%
Average	9.35%	9.55%	10.35%
Change (Basis Points)		- 20	- 100
OVERALL CAP RATE (OAR)^a			
Range	6.00% – 10.00%	6.00% – 10.00%	6.00% – 10.00%
Average	7.63%	7.63%	7.58%
Change (Basis Points)		0	+ 5
RESIDUAL CAP RATE			
Range	7.00% – 10.00%	6.50% – 10.00%	6.50% – 9.50%
Average	8.28%	8.13%	8.00%
Change (Basis Points)		+ 15	+ 28
MARKET RENT CHANGE RATE^b			
Range	0.00% – 3.00%	0.00% – 3.00%	2.50% – 3.00%
Average	2.33%	2.33%	2.75%
Change (Basis Points)		0	- 42
EXPENSE CHANGE RATE^b			
Range	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%
Average	2.75%	2.75%	2.42%
Change (Basis Points)		0	+ 33
AVERAGE MARKETING TIME^c			
Range	2.00 – 6.00	1.00 – 6.00	1.00 – 6.00
Average	4.42	3.50	3.60
Change (%)		+ 26.29	+ 22.78
a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months			

National Development Land Market

AS SUPPLY MOVES AHEAD OF DEMAND IN MOST PROPERTY SECTORS AND THE U.S. ECONOMY STRUGGLES TO REGAIN ITS FOOTING, DEVELOPMENT LAND OPPORTUNITIES WILL BE DIFFICULT TO FIND IN THE COMING MONTHS. "It is very hard to judge the market's movement right now," comments a participant. Plus, developers of commercial real estate are also facing higher costs for construction materials, labor, and the fuel used to run equipment. In addition, tighter debt markets and more stringent underwriting standards are not easy hurdles for many development land investors to overcome at the present time.

While all of these obstacles will limit the number of projects that developers start in the months ahead, they will also benefit the supply-demand balances throughout the industry by limiting additions to supply. "We've pushed back the start date on a few apartment projects given the amount of uncertainty we have with respect to how both the economy and the industry will fare over the next several months," shares an investor. So, while some developers have delayed projects, few have cancelled them. "Fundamentals are still quite sound, and many major markets can still absorb new space," notes another. The key, however, is to proceed with caution.

Some of the best development opportunities will likely be in the industrial sector, where deliveries have been

on a decline for the past couple of years. Given short lead times and quick completions, supply rarely gets too far ahead of demand in this sector. On the other hand, fewer development opportunities will exist in the retail sector, where many retailers have reduced store openings and scaled back on expansion plans due to weak consumer spending.

In the apartment sector, additions to supply are expected to rise over the next two years. Even though falling home values and stricter lending practices have increased the demand for rental units, most apartment investors view supply-side issues as the greatest short-term risk to this sector. Development land opportunities are also difficult in the office sector, where job losses and a skittish economy are keeping companies from expanding and leasing new or additional space.

DISCOUNT RATES

Free-and-clear discount rates including developer's profit range from 10.00% to 25.00% and average 17.50% this quarter (see Exhibit DL-1). This average assumes that entitlements are in place. Discount rates for projects that lack entitlements are typically increased between 300 and 600 basis points; the average increase is 450 basis points. An insufficient number of responses prevent us from reporting discount rates subject to financing.

ABSORPTION PERIOD

The absorption period required to sell an entire project varies significantly depending on such factors as location, size, and property type. This quarter, preferred absorption periods for participants range from 12 to 240 months. The mean absorption period is 60 months, or five years.

FORECAST ASSUMPTIONS

Growth rates for lot pricing vary due to local market conditions. Participants report an overall range from 0.0% to 12.5% with a mean of 4.0%. Over the near term, 50.0% of participants forecast lot prices to increase at the rate of inflation, while 33.0% of them project increases greater than inflation. The remainder (17.0%) expects increases less than inflation. Inflation growth rate assumptions range from 0.0% to 4.0% and average approximately 2.2%. ♦

Exhibit DL-1 DISCOUNT RATES (IRRS) * Second Quarter 2008		
	CURRENT QUARTER	FOURTH QUARTER 2007
FREE & CLEAR		
Range	10.00% - 25.00%	10.00% - 25.00%
Average	17.50%	17.21%
Change		+ 29
a. Rate on unleveraged, all-cash transactions; including developer's profit.		

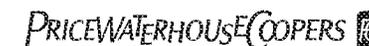
Exhibit DL-2 GROWTH RATES FOR DEVELOPMENT EXPENSES	
EXPENSE	SECOND QUARTER 2008
INFRASTRUCTURE	
Range	3.00% - 3.00%
Average	3.00%
AMENITIES	
Range	3.00% - 3.00%
Average	3.00%
ADVERTISING	
Range	3.00% - 3.00%
Average	3.00%
REAL ESTATE TAXES	
Range	1.00% - 3.00%
Average	2.50%
ADMINISTRATIVE	
Range	3.00% - 3.00%
Average	3.00%
CONTINGENCY	
Range	3.00% - 5.00%
Average	3.67%
OTHER	
Range	3.00% - 3.00%
Average	3.00%

NATIONAL REGIONAL MALL MARKET-INVESTOR SURVEY RESPONSES

Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME		
	MARKET RENT	EXPENSES	CPI				MONTHS VACANT	TENANT RETENTION			UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT
<p>PUBLIC REAL ESTATE COMPANY + Forecast Period: 10 years Mainly uses DCF and direct capitalization; in direct cap, OARs range from 5.00% to 5.25% for Class-A+ properties and from 7.00% to 8.00% for Class-C+ properties.</p>	3.0%	3.0%	3.0%	6.25% to 8.25%	1.0%	7.25% to 10.50%	5.00% to 7.00%	6	75.0%	4.0% (Class A); 6.0% (Class B)	Does not use	
<p>INVESTMENT BANKER + Forecast Period: 10 years Relies on DCF and direct capitalization; does extensive sensitivity analysis on residual cap rates, growth rates, and initial market rents; retail sales based on historical and market analysis; typical sales growth per market per year is at the inflation rate (CPI); analysis of TIs is an important cash flow forecast item.</p>	3.0%	3.0%	3.0%	6.50% to 10.00%	1.5%	7.00% to 11.00%	5.00% to 9.50%	6 to 9	65.0% to 75.0%	2.0% to 3.0%	\$0.15 to \$0.25	3 to 6
<p>REIT + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; new tenants receive \$20.00-per-square-foot TI.</p>	3.0%	3.0%	3.0%	7.50%	1.0%	9.00%	7.00%	6	80.0%	4.0%	\$0.20	6 to 12
<p>PENSION FUND ADVISOR + Forecast Period: 10 years Looks at DCF, direct capitalization, and price per square foot; uses face rents and reflects concessions when they are scheduled to occur; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; looking at malls to redevelop.</p>	2.0%	3.0%	3.0%	7.00% to 8.00%	2.0%	9.00% to 9.50%	6.50% to 7.00%	9	65.0%	4.0% to 6.0%	\$0.30	9
<p>INVESTMENT BANKER + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.</p>	3.0%	3.0%	3.0%	7.50% to 8.25%	1.0%	8.50% to 9.50%	5.50% to 8.50%	6	70.0% to 80.0%	1.0% to 2.0%	\$0.25	4 to 6
<p>PENSION FUND ADVISOR + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use concessions.</p>	3.0%	3.0%	3.0%	6.00% to 6.75%	0.8%	7.00% to 8.50%	5.10% to 6.80%	6	75.0%	0.5% to 3.0%	\$0.25	9

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

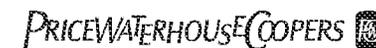


NATIONAL POWER CENTER MARKET-INVESTOR SURVEY RESPONSES

Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME		
	MARKET RENT	EXPENSES	CPI				FREE & CLEAR	TENANT RETENTION			UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT
<p>REALTY ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.</p>	0.0% to 4.0%	3.0%	3.0%	6.50% to 7.50%	—	7.25% to 8.25%	5.75% to 6.75%	6	65.0%	3.0%	\$0.10 to \$0.20	3 to 6
<p>PENSION FUND ADVISOR ♦ Forecast Period: 10 years Prefers DCF analysis, also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.</p>	3.0% to 4.0%	3.0%	3.0%	7.00% to 7.75%	1.0% to 2.0%	7.00% to 7.75%	6.25% to 7.75%	3 to 6	60.0%	7.0%	\$0.10 to \$0.40	6
<p>INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Primarily interested in high-credit deals; uses both DCF and direct capitalization but focuses on IRR; develops IRR using tenants' bond rate plus 200 to 400 basis points for real estate related risks; lower IRRs are for high-credit deals with "bond" leases, uses present value analysis of effective rents.</p>	3.0%	3.0%	3.0%	7.00% to 8.00%	1.0% to 2.0%	7.00% to 8.00%	6.50% to 7.00%	3 to 6	65.0% to 75.0%	0.6% (anchors) 5.0% to 6.0% (nonanchors)	\$0.10 to \$0.20	3 to 6
<p>REAL ESTATE ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; prefers the Southwest.</p>	3.0%	3.0%	3.0%	7.00% to 8.00%	2.0%	8.00% to 9.00%	7.25% to 8.25%	2	75.0% (nonanchors)	3.0%	\$0.10 to \$0.15	4 to 6
<p>LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses mainly DCF analysis; in direct cap, capitalizes NOI before tenant improvements, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.</p>	1.2% to 3.9%	3.0%	3.0%	7.00% to 9.50%	1.0% to 3.0%	7.00% to 9.00%	6.00% to 8.00%	3 to 18	65.0% to 75.0%	4.0% to 8.0%	\$0.20 to \$0.30	3 to 6
<p>INVESTMENT ADVISOR ♦ Forecast Period: 3 to 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; uses face rents and reflects concessions when they are scheduled to occur.</p>	2.0%	4.0%	3.0%	7.25%	1.5% to 2.0%	8.50% to 9.00%	6.50% to 7.50%	6 to 12	70.0%	5.0% (nonanchors)	\$0.20	9

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

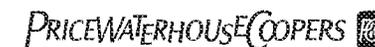


NATIONAL STRIP SHOPPING CENTER MARKET-INVESTOR SURVEY RESPONSES

Second Quarter 2008

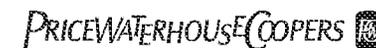
	INITIAL-YEAR CHANGE RATES			RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI				FREE & CLEAR	FREE & CLEAR	MONTHS VACANT			TENANT RETENTION
LIFE INSURANCE COMPANY + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	1.2% to 3.9%	3.0%	3.0%	7.00% to 9.50%	1.0% to 3.0%	7.00% to 9.00%	6.00% to 8.00%	3 to 9 (inline stores); 6 to 18 (anchors)	65.0% to 75.0%	4.0% to 10.0%	\$0.20 to \$0.30	3 to 6
INVESTMENT BANKER + Forecast Period: 10 years Does extensive sensitivity analysis on residual cap rates, growth rates, and initial market rents; retail sales based on both historical and market analysis; initial cash return is more important than IRR; TIs are an important cash flow forecast item.		3.0%	3.0%	8.00% to 10.00%	2.0%	8.50% to 10.00%	7.00% to 9.00%	4 to 8	65.0%	5.0% to 7.5%	\$0.15	3 to 9
INSTITUTIONAL INVESTOR + Forecast Period: 10 years Invests primarily in 200,000- to 400,000-square-foot, well-anchored community centers and good credit quality anchored power centers; relies on DCF; uses effective rents.		3.0%	3.0%	6.50% to 7.50%	1.5% to 2.5%	7.50% to 8.50%	6.50% to 7.00%	3 to 6	65.0% to 75.0%	0.6% (anchor); 5.0% to 6.0% (nonanchor)	\$0.15 to \$0.20	6 to 9
INVESTMENT BANKER + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.		3.0%	3.0%	7.50% to 8.50%	1.5%	7.00% to 9.00%	5.80% to 8.00%	6	70.0%	2.0%	\$0.25	4 to 6
REAL ESTATE ADVISOR + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.		3.5%	3.0%	7.50% to 8.50%	1.5% to 2.0%	9.00% to 10.00%	8.00% to 9.00%	6	75.0%	5.0%	\$0.10 to \$0.15	4 to 6
DOMESTIC PENSION FUND + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.		3.0%	3.0%	6.00% to 7.50%	1.0% to 3.0%	6.00% to 8.00%	6.00% to 7.50%	6 to 12	60.0% to 75.0%	1.0% to 3.0%	\$0.10 to \$0.25	6 to 9
PENSION FUND ADVISOR + Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.		2.0%	3.0%	7.00% to 7.50%	1.0% to 3.0%	7.25% to 7.75%	7.00% to 7.50%	6	60.0%	6.0%	\$0.10 to \$0.30	12

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



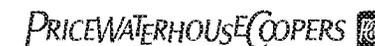
NATIONAL CBD OFFICE MARKET-INVESTOR SURVEY RESPONSES												
Second Quarter 2008												
	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PENSION FUND ADVISOR + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses a rent spike of 5.0% to 10.0% during first five years in Southern California, Chicago, Denver, Houston, and Southeast Florida.	0.0% to 8.0%	3.0%	3.0%	6.25% to 8.00%	1.0% to 2.0%	6.25% to 8.50%	4.50% to 6.50%	6 to 8	70.0%	0.5% to 2.0%	\$0.15 to \$0.20	
INVESTMENT BANKER + Forecast Period: 10 years Real cash-on-cash rate (after capital expenditures) is more important than IRR; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 3.0%	3.0%	3.0%	7.50% to 10.00%	2.0%	7.50% to 10.00%	7.50% to 10.00%	6 to 8	60.0% to 70.0%	5.0%	Varies	6 to 9
PUBLIC REAL ESTATE COMPANY + Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	2.0%	3.0%	3.0%	6.50% to 7.50%	1.0% to 2.0%	6.50% to 7.50%	4.50% to 7.00%	6	70.0%	5.0%	Does not use	
PENSION FUND ADVISOR + Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	3.0%	3.0%	3.0%	6.50% to 7.50%	1.0% to 2.0%	7.00% to 7.50%	6.75% to 7.25%	3 to 6	60.0%	7.0%	\$0.10 to \$0.20	12
REAL ESTATE ADVISOR + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	3.5%	1.5%	2.0%	8.00% to 9.00%	2.0% to 3.0%	9.00% to 10.00%	7.25% to 8.00%	6	80.0%	5.0%	\$0.10 to \$0.15	6 to 8
LIFE INSURANCE COMPANY + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 4.0% to 8.0% in year 2008 and 2009 in certain cities.	0.3% to 6.0%	3.0%	2.5%	6.50% to 9.00%	0.4% to 1.5%	7.00% to 9.00%	5.50% to 8.50%	6 to 12	65.0% to 80.0%	5.0% to 8.0%	\$0.10 to \$0.35	2 to 6
PENSION FUND ADVISOR + Forecast Period: 10 years Relies on DCF, direct capitalization, and price per square foot; uses face rents; OAR will differ if rents well-below market; uses a rent spike of 5.0% to 7.0% in years 1 to 3 in certain CBDs.	5.0% to 7.0%	3.0%	3.0%	7.00% to 8.00%	1.0% to 2.0%	7.50% to 8.50%	5.50% to 6.50%	6	65.0% to 70.0%	5.0% to 7.0%	\$0.20 to \$0.75	6
DOMESTIC PENSION FUND + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 10.0%	3.0%	3.0%	6.00% to 7.50%	1.0% to 2.0%	6.00% to 8.50%	4.50% to 7.00%	6 to 12	65.0% to 75.0%	0.0% to 7.0%	\$0.10 to \$0.25	6

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



NATIONAL SUBURBAN OFFICE MARKET-INVESTOR SURVEY RESPONSES													
Second Quarter 2008													
	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS	
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses a rent spike of 4.0% to 10.0% during first four years in severely oversupplied markets.	0.0% to 8.0%	3.3%	3.0%	6.75% to 8.00%	2.0% to 3.0%	7.00% to 8.25%	6.00% to 7.50%	6 to 9	65.0% to 75.0%	1.0% to 5.0%	\$0.10 to \$0.20		
INVESTMENT BANKER ♦ Forecast Period: 10 years Real cash-on-cash rate (after capital expenditures) is more important than IRR; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	0.0% to 3.0%	3.0%	3.0%	8.50% to 10.00%	2.0%	9.50% to 11.00%	7.50% to 9.50%	6 to 9	65.0%	5.0% to 7.5%	\$0.15 to \$0.25	6 to 9	
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 5.0% to 8.0% in 2008 and 2009 in strong markets.	0.6% to 6.0%	3.0%	3.0%	7.00% to 9.00%	1.0% to 4.0%	7.50% to 9.50%	6.00% to 9.00%	6 to 12	60.0% to 70.0%	5.0% to 12.0%	\$0.15 to \$0.50	2 to 6	
PUBLIC REAL ESTATE COMPANY ♦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; prefers coastal market.	1.0%	3.0%	3.0%	7.50%	1.0%	7.00% to 9.00%	6.50% to 8.00%	6	70.0%	5.0%	Does not use		
REAL ESTATE ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike in certain markets.	3.5%	3.0%	3.0%	7.50% to 8.50%	2.0% to 3.0%	8.00% to 9.00%	7.00% to 9.00%	2	75.0%	5.0%	\$0.10 to \$0.15	6 to 8	
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 7.5% in 2008 and 2009 in Houston.	3.0%	3.0%	3.0%	6.50% to 8.50%	2.0% to 3.0%	8.00% to 9.00%	6.25% to 8.00%	2	75.0%	5.0%	\$0.10 to \$0.15	6 to 8	
INVESTOR ♦ Forecast Period: 10 years Relies on DCF and direct capitalization; selling expenses capped at \$150,000; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve.	3.0%	Averages 3.0% over the forecast period	3.0%	7.00% to 8.00%	1.5% capped at \$150,000	10.00% to 12.00%	6.00% to 7.00%	8	70.0%	0.50%	\$1.00	6	

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

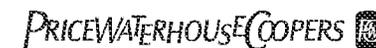


ATLANTA OFFICE MARKET-INVESOR SURVEY RESPONSES

Second Quarter 2008

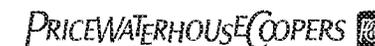
	INITIAL-YEAR CHANGE RATES			RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME		
	MARKET RENT	EXPENSES	CPI				MONTHS VACANT	TENANT RETENTION			UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT
<p>PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes; uses face rents and reflects concessions when they are scheduled to occur.</p>	0.0% to 3.0%	3.0%	3.0%	6.50% (CBD); 7.00% to 7.75% (suburbs)	2.0%	7.50% (CBD); 8.00% to 8.50% (suburbs)	5.25% (CBD); 5.80% to 7.00% (suburbs)	10	70.0%	2.0%	\$0.15	
<p>LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.</p>	0.0% to 3.0%	3.0%	3.0%	8.25% (CBD); 8.75% (suburbs)	3.0%	8.25% in both CBD & suburbs	7.75% in both CBD & suburbs	6 to 8	65.0%	8.0% to 10.0%	\$0.20 to \$0.25	9
<p>INVESTMENT BANKER ♦ Forecast Period: 10 years Prefers DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 4.0% to 6.0% in 2008 and 2009 in all submarkets except Downtown and Buckhead.</p>	4.0% to 6.0% Years 1 to 3; 3.0% thereafter	2.5%	2.0%	7.50% (CBD); 7.00% to 7.25% (suburbs)	1.0% to 3.0%	9.00% to 10.00% (CBD); 8.50% to 9.50% (suburbs)	7.50% to 8.50% (CBD); 6.75% to 7.50% (suburbs)	6 to 9	70.0% to 80.0%	5.0% to 7.0%	\$0.10 to \$0.20	1 to 2
<p>LIFE INSURANCE COMPANY ♦ Forecast Period: 5 to 8 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur.</p>	3.0%	3.0%	3.0%	8.00% in both CBD & suburbs	2.0%	8.00% to 10.00% in both CBD & suburbs	7.00% to 9.00% in both CBD & suburbs	6	60.0%	7.0%	\$0.25	3 to 6
<p>INVESTMENT ADVISOR ♦ Forecast Period: 10 years Relies on DCF; typical management fees are 2.5%; typical leasing fees are 5.0% on new leases, 2.0% on renewals; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.</p>	5.0% Years 1 to 3; 3.0% thereafter	3.0%	3.0%	7.75% (CBD); 7.25% (suburbs)	1.5%	8.00% in both CBD & suburbs	6.50% in both CBD & suburbs	6	60.0%	7.0%	\$0.30	6
<p>LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses DCF, direct capitalization, and sales comparison approach; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.</p>	0.0% to 2.0%	3.0%	3.0%	7.50% in both CBD & suburbs	1.0% to 2.0%	8.25% (CBD); 8.50% (suburbs)	7.25% in both CBD & suburbs	9	70.0%	5.0% to 8.0%	\$0.15	9

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



BOSTON OFFICE MARKET--INVESTOR SURVEY RESPONSES												
Second Quarter 2008												
	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	2.0% to 3.0%	3.0%	3.0%	7.25% (CBD); 7.50% (suburbs)	2.0% to 3.0%	8.00% in both CBD & suburbs	7.00% (CBD); 7.25% (suburbs)	6	65.0%	5.0% to 7.0%	\$0.20 to \$0.25	6
REIT ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	5.0% Year 1; 3.0% Year 2; 7.0% Year 3; 10.0% Year 4; 3.0% thereafter	3.0%	3.0%	Based on estimate of residual value	2.0%	7.50% (CBD); 8.00% to 9.00% (suburbs)	6.00% (CBD); 7.00% (suburbs)	6 to 12	60.0% to 65.0%	5.0% to 8.0%	\$0.20 to \$0.30	
INVESTOR ♦ Forecast Period: 1 year Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; crosschecks against comparable sales.	0.0% Years 1 & 2	3.0%	3.0%	9.50% (CBD); 10.50% (suburbs)	1.5%	11.00% (CBD); 11.00% (suburbs)	7.00% (CBD); 10.00% (suburbs)	9	60.0%	5.0%	\$0.30	12 to 24
INVESTMENT ADVISOR ♦ Forecast Period: 5 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a minor rent spike in all submarkets.	4.0% Year 1; 3.0% thereafter	3.0%	3.0%	8.00% (CBD); 8.25% (suburbs)	1.5%	8.00% to 9.00% (CBD); 9.00% to 10.00% (suburbs)	7.00% (CBD); 7.50% to 8.00% (suburbs)	8	75.0%	5.0% to 10.0%	\$0.20	3
INVESTOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	Averages 3.4% over forecast period	3.0%	3.0%	7.50% (CBD); 7.75% (suburbs)	2.0%	7.75% (CBD); 8.00% (suburbs)	7.00% (CBD); 7.25% (suburbs)	6	70.0%	5.0%	\$0.15	6
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 10 years Uses mainly direct capitalization; major focus is on the initial cash-on-cash return; typically extends forecast period to capture impact of all lease expirations; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	3.0%	Averages 3.0% over the forecast period		6.50% (CBD); 9.00% (suburbs)	1.3%	8.00% (CBD); 9.50% (suburbs)	5.50% (CBD); 9.00% (suburbs)	8	70.0%	4.0%	Does not use	5
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 6.0% in certain submarkets in years 1 to 3.	3.0% to 4.0%	3.0%	3.0%	7.50% to 9.50% (CBD); 8.00% to 9.25% (suburbs)	0.5% to 3.0%	7.75% to 10.25% (CBD); 8.25% to 11.25% (suburbs)	6.50% to 9.75% (CBD); 7.25% to 10.25% (suburbs)	4 to 6	70.0%	5.0%	\$0.20 to \$0.35	2 to 4

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

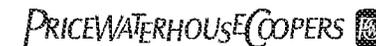


CHARLOTTE OFFICE MARKET-INVESTOR SURVEY RESPONSES

Second Quarter 2008

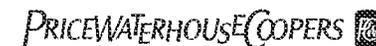
	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (RR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
<p>LIFE INSURANCE COMPANY + Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes.</p>	3.0%	3.0%		7.00% in both CBD & suburbs	1.5%	7.00% to 8.00% in both CBD & suburbs	6.00% to 6.50% (CBD); 6.50% to 7.00% (suburbs)	6	75.0%		\$0.10 to \$0.20	6
<p>REIT + Forecast Period: 10 years Uses all three approaches to value; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may increase market rent up to 6.0% in year one.</p>	3.0% to 6.0%	3.0%	3.0%	7.00% to 7.50%	1.0% to 2.0%	8.00% to 9.00% in both CBD & suburbs	6.00% to 7.50% (CBD); 6.50% to 7.50% (suburbs)	6	75.0%	5.0%	\$0.25 to \$0.50	6
<p>PENSION FUND ADVISOR + Forecast Period: 5 years Mainly uses DCF analysis, sales comparison approach, and cost approach; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.</p>	0.0%	3.0% to 4.0%	3.0%	8.50% (CBD); 9.00% (suburbs)	1.0%	8.00% to 10.00% in both CBD & suburbs	8.00% to 9.00% in both CBD & suburbs	8	70.0%	7.0%	\$0.15 to \$0.25	4
<p>INSTITUTIONAL INVESTOR + Forecast Period: 10 years Mainly uses DCF analysis and sales comparison approach; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; prefers the CBD; does not use rent spikes.</p>	5.0% Years 1 & 2; 4.0% Year 3	3.0%		7.00% to 7.50%	1.0%	9.00% (CBD)	7.50% to 8.25% (CBD)	6	75.0%	5.0%	\$0.15	2
<p>PRIVATE INVESTOR + Forecast Period: 3 to 5 years Uses sales comparison approach, cost approach, and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; prefers the suburbs.</p>	3.0%	3.0%		8.00% to 9.00%	3.0%		7.50% to 9.00% in both CBD & suburbs	9	75.0%		\$0.20 to \$0.25	6
<p>VALUE-ADDED INVESTOR + Forecast Period: 5 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; market rent is \$28.00 per square foot for the CBD and \$20.00 per square foot for the suburbs.</p>	Averages 3.0% over the forecast period	Averages 3.0% over the forecast period		6.50% (CBD); 7.50% to 8.00% (suburbs)	2.0%	7.00% to 9.00% (CBD); 8.00% to 10.00% (suburbs)	6.50% to 8.00% (CBD); 7.00% to 8.50% (suburbs)	6 to 9	70.0%	5.0%	\$0.15	6

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



CHICAGO OFFICE MARKET-INVESTOR SURVEY RESPONSES												
Second Quarter 2008												
	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Relies mainly on DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 5.0% in years 2 and 3 for certain suburban properties.	0.0% Year 1	3.0%	3.0%	7.25% (CBD); 7.75% (suburbs)	2.0%	7.50% to 8.00% (CBD); 8.00% to 8.50% (suburbs)	6.00% to 9.00% (CBD); 6.50% to 9.50% (suburbs)	9	67.0%	7.0%	\$0.25 to \$0.50	12 to 18
REAL ESTATE ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	0.0% to 2.0%	2.0% to 3.0%	2.5%	7.50% to 8.00% (CBD); 8.50% (suburbs)	1.8% to 2.3%	7.50% to 8.50% (CBD); 8.00% to 8.50% (suburbs)	6.75% to 8.50% (CBD); 7.25% to 8.50% (suburbs)	9 to 12	60.0% to 70.0%	10.0%	\$0.25 to \$0.50	6
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 10 years Uses mainly direct capitalization; major focus is on the initial cash-on-cash return; typically extends forecast period to capture impact of all lease expirations; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	Averages 2.0% over the holding period	Average 3.0% over the holding period		7.25% (CBD); 10.50% (suburbs)	1.5%	7.50% (CBD); 9.50% (suburbs)	6.25% (CBD); 9.50% (suburbs)	9	65.0%	8.0%	Does not use	5
INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Relies on DCF; uses effective rents after all concessions are extracted; does not use rent spikes; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions.	0.0% to 2.0% Years 1 & 2; 3.0% thereafter	2.0% to 3.0%	2.0% to 3.0%	7.00% to 7.50% (CBD); 7.50% to 8.50% (suburbs)	2.0% to 2.5%	7.50% (CBD); 8.00% (suburbs)	7.00% (CBD); 7.50% (suburbs)	4 to 6	60.0% to 70.0%	2.0% to 3.0%	\$0.15 to \$0.20	6 to 12
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	3.0%	3.0%	3.0%	7.25% (CBD); 7.75% (suburbs)	0.3% to 0.8%	7.50% to 8.00% (CBD); 7.00% to 8.50% (suburbs)	6.00% to 7.50% (CBD); 7.00% to 8.50% (suburbs)	6 to 12	65.0% to 70.0%	5.0% to 10.0%	\$0.15 to \$0.25	6 to 12
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 3.0%	3.0%	3.0%	7.75% (CBD); 8.50% (suburbs)	2.0% to 3.0%	8.25% in both CBD & suburbs	7.50% (CBD); 7.75% (suburbs)	6	65.0%	7.5% to 10.0%	\$0.20 to \$0.25	6
INVESTMENT ADVISOR ♦ Forecast Period: 10 years Relies on DCF; uses face rents and reflects concessions as they are scheduled to occur; prefers the West Loop; does not use rent spikes.	5.0% Years 1 & 2; 3.0% thereafter	3.0%	3.0%	6.75% (CBD); 7.25% (suburbs)	1.0% to 2.0%	7.25% (CBD); 7.75% (suburbs)	5.50% (CBD); 6.00% (suburbs)	6	60.0%	7.0%	\$0.30 to \$0.40	6

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

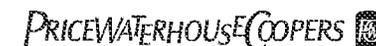


DALLAS OFFICE MARKET-INVESTOR SURVEY RESPONSES

Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME		
	MARKET RENT	EXPENSES	CPI				FREE & CLEAR	TENANT RETENTION			UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT
<p>LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Relies on DCF; also uses direct capitalization and sales comparison approach; uses effective rents, in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.</p>	4.5% Year 1, 4.0% Year 2, 3.5% Years 3 & 4; 3.0% thereafter	3.0%	3.0%	7.25% in both CBD & suburbs	0.5%	8.00% in both CBD & suburbs	7.00% in both CBD & suburbs	2	65.0% to 70.0%	6.0%	\$0.25	3
<p>REAL ESTATE ADVISOR ♦ Forecast Period: 5 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that this market currently favors buyers.</p>	2.5%	3.0%	3.0%	6.50% to 7.00% (CBD); 6.75% to 7.25% (suburbs)	3.0%		6.00% to 6.50% (CBD); 6.25% to 7.00% (suburbs)	6 to 9	75.0%	2.0%	\$0.20	6
<p>LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; uses face rents and reflects concessions when they are scheduled to occur.</p>	0.0% to 2.0%	3.0%	3.0%	8.50% to 9.25% in both CBD & suburbs	2.0% to 4.0%	8.50% in both CBD & suburbs	8.00% (CBD); 8.25% (suburbs)	6 to 9	65.0%	10.0% to 15.0%	\$0.20 to \$0.25	6 to 12
<p>PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; applies a rent spike of 5.0% to 7.0% in 2008 and 2010 in Plano and the CBD; uses face rents and reflects concessions when they are scheduled to occur.</p>	3.0% to 7.0%	3.0%	3.0%	7.00% to 8.00% (CBD); to 7.75% (suburbs)	1.0% to 2.0%	7.50% to 8.75% (CBD); to 8.25% (suburbs)	6.00% to 7.00% (CBD); 7.50% to 8.00% (suburbs)	6 to 9	65.0% to 70.0%	1.0% to 3.0%	\$0.15 to \$0.20	
<p>REIT ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.</p>	3.0%	3.0%	3.0%	10.00%	2.0%	11.50%	9.75% to 10.00%	6	60.0%	2.0% to 3.0%	\$0.10	6 to 9
<p>LIFE INSURANCE COMPANY ♦ Forecast Period: 5 to 8 years Uses both DCF and direct capitalization; also looks at discount to replacement cost; relies on DCF; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions.</p>	3.0% to 4.0%	2.0%	3.0%	9.00% to 11.00%	2.0%	9.00% in both CBD & suburbs	7.00% to 9.00% (CBD); 7.00% to 8.00% (suburbs)	6	70.0%	4.0%	\$0.25	6

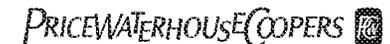
Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



DENVER OFFICE MARKET-INVESTOR SURVEY RESPONSES
 Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (RR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PRIVATE REAL ESTATE INVESTOR ♦ Forecast Period: 2 to 5 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 5.0% to 8.0% in early years; prefers the Southeast submarket.	5.0%	3.0%	3.0%	7.00% to 8.00% (suburbs)	1.0% to 2.0%	8.00% to 10.00% (suburbs)	6.00% to 7.50% (suburbs)	6 to 9	75.0%	7.0%	\$0.20	3 to 6
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 5 to 7 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	3.0%	3.0%	3.0%	7.00% (CBD); 7.50% (suburbs)	1.0%	9.50% (CBD); 10.00% (suburbs)	5.50% (CBD); 6.50% to 7.00% (suburbs)	6	70.0%	6.0%	\$0.15	1
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 4.0% to 8.0% in years 3 through 5.	3.0% to 6.0%	3.0%	3.0%	7.90% (CBD); 8.90% (suburbs)	0.5% to 2.5%	7.50% to 8.00% (CBD); 8.00% to 8.25% (suburbs)	6.75% to 7.00% (CBD); 7.00% to 7.25% (suburbs)	6	75.0%	3.0%	\$0.10 to \$0.25	3 to 6
PENSION/CORE INVESTOR ♦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, believes that market conditions equally favor buyers and sellers.	Averages 3.0% over the forecast period	Averages 3.0% over the forecast period	3.0%	6.75% (CBD); 7.25% (suburbs)	1.5% to 2.0%	7.00% to 7.50% (CBD); 7.75% to 8.25% (suburbs)	6.50% to 7.00% (CBD); 7.00% to 7.50% (suburbs)	6 to 9	70.0%	6.0% to 8.0%	Does not use	4 to 8
PRIVATE REAL ESTATE INVESTOR ♦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 6.0% in years 1 through 4; prefers the CBD submarket.	6.0% Years 1 to 4; 4.0% Years 5 to 6; 3.0% thereafter	3.0%	3.0%	6.50% to 7.00% in both CBD & suburbs	0.5%	8.00% to 9.00% in both CBD & suburbs	5.50% to 6.00% in both CBD & suburbs	6	75.0%	5.0%	\$0.10 to \$0.25	1
PRIVATE VALUE-ADDED INVESTOR ♦ Forecast Period: 3 to 5 years Mainly uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; market rent growth rates vary based on submarket and building class.	Varies	Varies	3.0%	7.00% (CBD); 7.25% (suburbs)	1.5%	8.50% in both CBD & suburbs	6.25% (CBD); 6.50% (suburbs)	7.5	75.0%	5.0%		2

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



HOUSTON OFFICE MARKET-INVESTOR SURVEY RESPONSES

Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL CAP RATE	SELLING EXPENSE	DISCOUNT RATE (IRR) FREE & CLEAR	OVERALL CAP RATE (OAR) FREE & CLEAR	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE PER SQUARE FOOT	MARKETING TIME MONTHS
	MARKET RENT	EXPENSES	CPI					MONTHS VACANT	TENANT RETENTION		
LIFE INSURANCE COMPANY † Forecast Period: 10 years Relies on DCF; also uses direct capitalization and sales comparison approach; uses effective rents; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	4.1% Year 1; 3.7% Year 2; 3.5% thereafter	3.0%	3.0%	7.25% in both CBD & suburbs	0.5%	8.00% in both CBD & suburbs	7.00% in both CBD & suburbs	6 to 8	65.0% to 70.0%	6.5% to \$0.35	3
LIFE INSURANCE COMPANY † Forecast Period: 5 to 8 years Uses both DCF and direct capitalization; also looks at discount to replacement cost; relies on DCF; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur.	2.0% to 5.0%	3.0% to 4.0%	3.0%	9.00% to 10.00% in both CBD & suburbs	2.0%	9.00% in both CBD & suburbs	7.00% to 8.00% (CBD); 8.00% to 9.00% (suburbs)	6	60.0%	5.0% to 7.0%	6 to 9
REAL ESTATE ADVISOR † Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 5.0% in 2007.	3.5%	3.0%	3.0%	8.00% to 9.00% (CBD); 9.00% to 10.00% (suburbs)	2.0% to 3.0%	9.00% to 10.00% (CBD); 8.00% to 9.00% (suburbs)	9.00% to 10.00% (CBD); 8.00% to 10.00% (suburbs)	6	75.0%	5.0% to \$0.15	6 to 8
PENSION FUND ADVISOR † Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses a rent spike of 5.0% in years 1 to 3 in certain submarkets.	3.0% to 5.0%	3.0%	3.0%	7.50% in both CBD & suburbs	0.5% to 2.0%	7.50% to 8.00% (CBD); 7.50% to 7.75% (suburbs)	5.00% to 6.00% (CBD); 5.50% to 6.50% (suburbs)	6	70.0%	2.0% to \$0.15	6
PRIVATE REIT † Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 5.0% to 7.0% in years 1 to 3 in the CBD, Energy Corridor, and Westchase.	5.0%	2.0%	3.0%	7.75% to 8.00%	1.0% to 2.0%		6.50% to 8.00%	9	70.0%	5.0% to 10.0%	\$0.10 to \$0.20
LIFE INSURANCE COMPANY † Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	3.0%	3.0%	3.0%	7.75% to 8.50% in both CBD & suburbs	2.0% to 4.0%	8.25% in both CBD & suburbs	7.25% in both CBD & suburbs	6 to 8	65.0%	6.0% to 8.0%	6 to 9

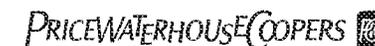
Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

LOS ANGELES OFFICE MARKET-INVESTOR SURVEY RESPONSES

Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
<p>PENSION FUND ADVISOR ♦ Forecast Period: 5 to 10 years Relies on DCF; looks at value indicated by direct capitalization; uses face rents and reflects concessions when they are scheduled to occur; does not tie income or expenses directly to CPI; focuses on suburban markets.</p>	2.0% to 4.0%	3.0%; taxes 2.0%	3.0%	7.00% (CBD); 7.50% (suburbs)	1.0% to 2.0%	9.00% (CBD); 12.00% (suburbs)	6.50% (CBD); 7.50% (suburbs)	5 to 10	60.0% to 70.0%	5.0% to 10.0%	\$0.10 to \$0.50	5 to 8
<p>REAL ESTATE ADVISOR ♦ Forecast Period: 5, 7, and 10 years Buys turnaround situations as well as rotational plays in suburban markets; uses both DCF and direct capitalization; relies on DCF; uses face rents in DCF model, net effective rents in direct capitalization.</p>	3.0%	2.5%	3.0%	6.50% in both CBD & suburbs	1.5% to 2.0%	7.00% (CBD); 8.00% (suburbs)	5.00% to 6.00% (CBD); 5.00% to 7.00% (suburbs)	2 to 12	60.0%	8.0% to 10.0%	\$0.30 to \$1.00	6
<p>INVESTMENT BANKER ♦ Forecast Period: 10 years Prefers DCF analysis; also uses direct cap; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.</p>	3.0%	3.0%	3.0%	8.00% to 9.00% in both CBD & suburbs	2.0%	9.00% to 11.00% in both CBD & suburbs	6.50% to 8.00%	4 to 6	65.0% to 75.0%	5.0% to 10.0%	\$0.10 to \$0.20	6
<p>PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses a rent spike of 4.0% to 5.0% in years 1 through 4 in various submarkets.</p>	3.0% to 5.0%	3.0%	3.0%	6.25% to 7.00% in both CBD & suburbs	1.0% to 2.0%	6.75% to 7.25% in both CBD & suburbs	4.20% to 6.40% in both CBD & suburbs	6 to 9	65.0% to 70.0%	1.0% to 2.0%	\$0.10 to \$0.30	
<p>LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Relies primarily on DCF; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.</p>	3.0% to 4.0%	3.0%	3.0%	7.25% to 9.00% in both CBD & suburbs	1.0% to 3.0%	7.75% to 10.25% in both CBD & suburbs	5.75% to 9.00% in both CBD & suburbs	6 to 12	60.0% to 65.0%	2.0% to 3.0%	\$0.15 to \$0.25	3 to 7
<p>LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use a rent spike.</p>	3.0%	3.0%	3.0%	7.25% to 8.00% (CBD); 7.50% to 8.00% (suburbs)	2.0%	8.00% in both CBD & suburbs	6.75% in both CBD & suburbs	6	65.0%	5.0% to 7.0%	\$0.20 to \$0.25	6 to 9

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

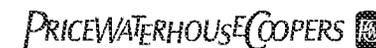


MANHATTAN OFFICE MARKET—INVESTOR SURVEY RESPONSES

Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL CAP RATE	SELLING EXPENSE	DISCOUNT RATE (IRR) FREE & CLEAR	OVERALL CAP RATE (OAR) FREE & CLEAR	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI					MONTHS VACANT	TENANT RETENTION			UNDERLYING VACANCY & CREDIT LOSS
<p>INVESTMENT BANKER ♦ Forecast Period: 10 years Strongest interest is in Midtown; selling expenses exclude transfer tax which is ignored in analysis; uses both DCF and direct capitalization; leasing commissions equate to 32.0% of first-year rent plus 16.0% for inside broker on ten-year deals; uses a rent spike of 5.0% in years 1 to 3 in Midtown and Downtown.</p>	5.0% to Years 1 to 3	3.0%	3.0%	6.50% to 8.50%	3.0%	7.50% to 9.50%	4.50% to 7.00%	3 to 6	75.0%	5.0%	\$0.20 to \$0.50	2 to 4
<p>INVESTOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents; selling expenses include transfer tax; uses a rent spike of 10.0% in 2007 and 2008 and a rent spike of 7.5% in 2009.</p>	7.5% to 10.0%	4.0%		6.50% to 7.50%	4.0%	7.50% to 8.50%	5.50% to 7.00%	6	75.0%	5.0%	\$0.20	2 to 3
<p>PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses DCF, direct capitalization, and price per square foot; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; selling expenses include transfer tax.</p>	7.0% to 8.0%	3.5%	3.5%	7.00% to 7.50%	2.0% to 3.0%	8.00% to 9.00%	5.25% to 6.00%	5 to 6	65.0% to 70.0%	4.0% to 6.0%	\$0.30 to \$1.00	5 to 8
<p>INVESTMENT ADVISOR ♦ Forecast Period: 5 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commission, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; selling expenses include transfer tax.</p>	5.0% Years 1 & 2; 3.0% thereafter	3.0%	3.0%	6.00% to 7.00%	4.5%	7.00% to 9.00%	6.00% to 7.00%	6	70.0% to 75.0%	5.0%	\$0.10 to \$0.20	3 to 4
<p>LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; selling expenses exclude transfer tax, which is ignored in analysis; does not use rent spikes.</p>	3.0% to 5.0%	3.0%	3.0%	6.75% to 9.25%	0.3% to 3.0%	7.00% to 9.00%	5.00% to 8.00%	4 to 6	70.0%	5.0%	\$0.20 to \$0.50	2 to 6
<p>REAL ESTATE ADVISOR ♦ Forecast Period: 5, 7, and 10 years Uses both DCF and direct capitalization; relies on DCF; uses face rents in DCF model, net effective rents in direct capitalization; prefers Midtown and Times Square; selling expenses exclude transfer tax.</p>	3.0%	3.0%	3.0%	6.50% to 7.00%	1.5% to 2.0%	6.00% to 7.00%	5.00% to 6.00%	6 to 18	60.0%	8.0%	\$0.30 to \$1.00	4

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

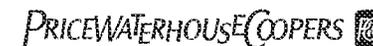


NORTHERN VIRGINIA OFFICE MARKET- INVESTOR SURVEY RESPONSES

Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
<p>INVESTMENT BANKER + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.</p>	0.0% to 3.0%	3.0%	3.0%	8.50% to 9.50%	2.0%	9.50% to 11.00%	7.50% to 9.00%	6 to 8	65.0%	5.0%	\$0.15 to \$0.25	6
<p>LIFE INSURANCE COMPANY + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.</p>	3.0% to 4.0%	3.0%	3.0%	7.50% to 8.50%	1.0% to 3.0%	7.50% to 9.00%	7.00% to 8.00%	6	65.0% to 70.0%	1.0% to 3.0%	\$0.15 to \$0.25	1 to 6
<p>INSTITUTIONAL INVESTOR + Forecast Period: 10 years Relies on DCF, also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions, does not use rent spikes.</p>	2.0% Year 1; 3.0% thereafter	3.0%	3.0%	7.00% to 7.50%	2.0% to 2.5%	7.50% to 8.50%	6.50% to 7.00%	6 to 9	65.0% to 70.0%	1.0% to 2.0%	\$0.10 to \$0.20	6 to 9
<p>PENSION FUND ADVISOR + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.</p>	3.0%	3.0%	3.0%	7.00% to 7.50%	2.0%	7.50% to 8.00%	6.75%	6	70.0%	1.5% to 2.0%	\$0.10	
<p>PENSION FUND ADVISOR + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 4.0% in years 1 and 2; also relies on price per square foot; assumes a flat rent and higher credit loss for tech tenants.</p>	4.0% Years 1 & 2	3.5%	3.5%	7.25% to 8.00%	2.0% to 3.0%	8.00% to 8.75%	6.00% to 6.50%	6 to 10	65.0% to 70.0%	5.0% to 6.0%	\$0.20 to \$0.75	6 to 8
<p>REAL ESTATE ADVISOR + Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes; uses face rents and reflects concessions when they are scheduled to occur.</p>	3.0%	3.0%	3.0%	6.50% to 7.00%	1.5% to 2.0%	6.00% to 8.00%	5.00% to 6.00%	6 to 18	60.0%	8.0% to 14.0%	\$0.30 to \$1.00	3 to 6

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

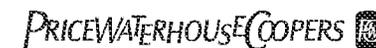


PACIFIC NORTHWEST OFFICE MARKET—INVESTOR SURVEY RESPONSES

Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME		
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
<p>INVESTMENT ADVISOR + Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that market conditions favor sellers; uses a rent spike of 7.5% in year 1.</p>	7.5% Year 1; 5.0% Year 2; 4.0% Year 3	3.0%	3.0%	6.25% to 7.00% in both CBD & suburbs	0.5%	8.00% to 9.00% in both CBD & suburbs	5.00% to 6.00% in both CBD & suburbs	6	75.0%	5.0%	\$0.10 to \$0.25	1
<p>PRIVATE INVESTOR + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.</p>	1.0%	3.0%	3.0%	8.00% to 8.50%	3.0%	10.00% to 11.00% (CBD); 10.50% to 11.50% (suburbs)	8.00% to 11.00% in both CBD & suburbs	3 to 12	75.0% to 80.0%	5.0% to 10.0%	Does not use	3 to 12
<p>INVESTMENT BANKER + Forecast Period: 10 years Uses DCF, direct capitalization, and price per square foot; does extensive sensitivity analysis; reliance is on projections and IRRs; uses face rents and reflects concessions when they are scheduled to occur.</p>	3.0%	3.0%	3.0%	8.50% to 9.00%	2.0%	10.00% to 13.00%	7.00% to 9.00%	4 to 6	65.0% to 70.0%	5.0% to 10.0%	\$0.15 to \$0.20	6
<p>LIFE INSURANCE COMPANY + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; may use a rent spike of 5.0% to 8.0% in various years.</p>	0.0% to 2.0%	3.0%	3.0%	7.00% in both CBD & suburbs	2.0%	9.00% to 10.00% (CBD)	7.00% to 8.50% (CBD)	9	65.0%	5.0% to 10.0%	\$0.15 to \$0.25	6 to 9
<p>REAL ESTATE ADVISOR + Forecast Period: 5 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects cap rates to hold steady over the next six months.</p>	5.0% Years 1 & 2	3.0%	3.0%	6.50% to 7.50% in both CBD & suburbs	2.0% to 3.5%	7.50% to 9.50% (CBD); 8.00% to 10.00% (suburbs)	6.00% to 7.00% in both CBD & suburbs	6 to 9	70.0%	5.0%	\$0.25	2 to 3
<p>PRIVATE REIT + Forecast Period: 12 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 6.0% to 8.0% in years 1 to 3 in Seattle and Bellevue.</p>		5.0%	3.0%	7.50% in both CBD & suburbs	1.0%	5.00% to 7.00% in both CBD & suburbs	6.50% (CBD); 6.75% (suburbs)	6	75.0%	5.0%	\$0.10 to \$0.15	4

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

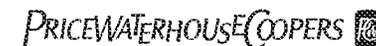


PHILADELPHIA OFFICE MARKET-INVESTOR SURVEY RESPONSES

Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME		
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
<p>INVESTMENT BANKER + Forecast Period: 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.</p>	3.0%	3.0%		8.50% (CBD); 9.00% (suburbs)	2.5%	9.00% to 10.00% (CBD); 9.50% to 10.00% (suburbs)	8.00% (CBD); 10.00% (suburbs)	10	75.0%	8.0%	\$0.20	4
<p>REAL ESTATE ADVISOR + Forecast Period: 11 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; no longer applies a rent spike.</p>	0.0%	3.0%	3.0%	6.00% to 7.00%	1.0% to 2.0%	8.00% (CBD); 9.00% (suburbs)	5.00% (CBD); 6.00% (suburbs)	6 to 12	60.0%	12.0%	\$0.30 to \$1.00	6
<p>REIT + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; focuses on suburban markets.</p>	3.0%	3.0%	3.0%	10.00% (suburbs)	2.0%	9.00% to 11.00% (suburbs)	9.00% to 11.00% (suburbs)	6	65.0%	5.0%	\$0.20	6
<p>PRIVATE EQUITY INVESTOR + Forecast Period: 5 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, expects cap rates to increase 25 basis points over the next six months.</p>	2.0%	3.0%	3.0%	7.00% to 8.00% (CBD); 8.00% to 9.00% (suburbs)	3.0%	8.50% to 9.50% (CBD); 9.00% to 10.00% (suburbs)	7.00% to 8.00% (CBD); 8.00% to 9.00% (suburbs)	9	65.0%	1.0%	\$0.15	6
<p>OPPORTUNITY FUND INVESTOR + Forecast Period: 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; prefers suburbs.</p>	3.0%	3.0%	3.0%	8.50% (CBD); 8.00% (suburbs)	3.0%	8.50% in both CBD & suburbs	9.00% (CBD); 8.00% (suburbs)	6	65.0%	5.0%	\$0.25	6
<p>INVESTMENT BANKER + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve (averaged to smooth out); does not use rent spikes.</p>	0.0% to 3.0%	3.0%	3.0%	8.50% to 9.50% in both CBD & suburbs	2.0%	9.50% to 10.50% in both CBD & suburbs	7.50% to 9.50%	6 to 9	65.0%	5.0%	\$0.15 to \$0.25	6 to 9

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

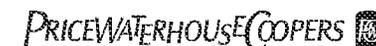


PHOENIX OFFICE MARKET-INVESTOR SURVEY RESPONSES

Second Quarter 2008

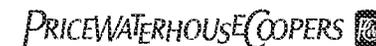
	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
<p>PRIVATE REAL ESTATE INVESTOR + Forecast Period: 5 to 7 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 5.0% in the first few years.</p>	3.0% Years 1 & 2; 5.0% Years 3 & 4; 3.0% thereafter	3.0%	3.0%	8.00%		8.00% to 11.00% in both CBD & suburbs	5.50% to 8.50% in both CBD & suburbs	6 to 9	70.0%	5.0%		3 to 6
<p>PRIVATE REIT + Forecast Period: 12 years Mainly uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 10.0% in year 1 and 7.0% in year 2 in all submarkets except Downtown.</p>	Averages 4.0% over the holding period	5.0%	3.0%	9.00% (CBD); 8.00% (suburbs)	1.0%	5.00% to 8.00% (CBD); 6.00% to 9.00% (suburbs)	6.50% to 8.50% (CBD); 6.00% to 7.50% (suburbs)	6	75.0%	5.0%	\$0.10 to \$0.15	4
<p>PENSION FUND INVESTOR + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of up to 8.0% in years 3 through 5.</p>	1.0% to 3.0%	3.0%	3.0%	7.00% to 7.75% (CBD); 7.50% to 8.00% (suburbs)	0.5%	7.75% to 8.25% (CBD); 8.00% to 8.50% (suburbs)	6.00% to 7.25% (CBD); 7.25% to 7.50% (suburbs)	5 to 8	65.0%	3.0%	\$0.10 to \$0.25	3 to 6
<p>PUBLIC REIT + Forecast Period: 10 years Uses all approaches to value; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that this market currently favors buyers; expects cap rates to move up 25 basis points over the next six months.</p>	3.0% to 5.0%	3.0%	3.0%	7.00% to 7.50% in both CBD & suburbs	1.0% to 2.0%	8.00% to 9.00% in both CBD & suburbs	6.00% to 8.00% in both CBD & suburbs	6	75.0%	5.0%	\$0.25 to \$0.60	3
<p>PENSION/CORE INVESTOR + Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.</p>	Averages 2.5% to 3.0% over the forecast period	Averages 3.0% over the forecast period	3.0%	7.50% (CBD); 7.75% to 8.00% (suburbs)	1.5% to 2.0%	7.50% to 8.00% (CBD); 8.00% to 8.50% (suburbs)	7.00% to 7.50% (CBD); 7.25% to 7.75% (suburbs)	6 to 9	70.0%	5.0% to 7.0%	Does not use	6 to 9
<p>REAL ESTATE ADVISOR + Forecast Period: 4 to 8 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects cap rates to hold steady over the next six months.</p>	3.0%	3.0%	3.0%	6.50% to 7.50% (CBD); 7.00% to 8.00% (suburbs)	1.5%	7.50% to 9.50% (CBD); 8.00% to 10.00% (suburbs)	5.00% to 6.00% (CBD); 6.00% to 7.00% (suburbs)	8	70.0%	6.0% to 7.0%	\$0.25	2 to 3

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



SAN DIEGO OFFICE MARKET-INVESTOR SURVEY RESPONSES												
Second Quarter 2008												
	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PRIVATE INVESTOR ♦ Forecast Period: 2 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 4.0% to 6.0% in initial years in certain submarkets.	3.0%	3.0%	3.0%	7.00% (CBD); 7.00% to 7.50% (suburbs)		7.00% to 9.00% in both CBD & suburbs	5.00% to 7.00% in both CBD & suburbs	6 to 9	75.0%	5.0%	\$0.15 to \$0.25	3 to 4
INVESTMENT ADVISOR ♦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 5.0% in years 1 to 2.	5.0% Years 1 & 2; 4.0% Year 3; 3.5% Year 4; 3.0% thereafter	3.0% (except taxes at 2.0%)	3.0%	6.25% to 6.75% in both CBD & suburbs	0.5%	8.00% to 9.00% in both CBD & suburbs	4.75% to 5.50% in both CBD & suburbs	6	75.0%	5.0%	\$0.10 to \$0.25	1
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 3 to 5 years Uses DCF analysis, direct capitalization, and sales comparison approach; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; submarket preferences include Downtown, Del Mar, 56 Corridor, La Jolla, Torrey Pines, UTC, Carlsbad, and Poway.	2.5% to 4.0%	2.5% to 3.0%	2.5% to 3.0%	6.00% (CBD); 7.00% (suburbs)	1.5%	9.00% to 10.00% in both CBD & suburbs	5.00% to 7.00% (CBD); 6.00% to 8.00% (suburbs)	3	65.0% to 70.0%	1.5%		3 to 6
PUBLIC REAL ESTATE COMPANY ♦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	2.0%	3.0%	3.0%	7.00% (suburbs)	1.0%	6.00% to 8.00% (suburbs)	4.50% to 6.50% (suburbs)	9	70.0%	5.0%	Does not use	
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 4.0% to 8.0% in years 3 to 5.	3.0% to 5.0%	3.0%	3.0%	7.00% (CBD); 7.50% (suburbs)	2.0%	5.60% to 6.25% (CBD); 6.50% to 7.00% (suburbs)	5.00% to 6.00% (CBD); 6.00% to 6.75% (suburbs)	6 to 8	70.0%	1.0%	\$0.10 to \$0.25	3 to 6
FOREIGN INVESTOR ♦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; prefers the suburban submarkets.	1.0%	3.0%	3.0%	6.00% to 6.50%	2.0%	8.50% to 9.50% (CBD); 8.00% to 9.00% (suburbs)	6.50% to 7.50% (CBD); 6.00% to 7.00% (suburbs)	10	65.0%	2.0%		4
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; submarket preferences include Del Mar and Route 8 Corridor.	6.0% Years 1 & 2	3.0%	3.0%	6.50% to 7.25%	2.0% to 3.0%	9.00% (CBD); 9.50% (suburbs)	5.00% to 5.50% (CBD); 6.00% to 6.50% (suburbs)	6	65.0%	6.0%		6

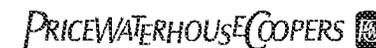
Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



SAN FRANCISCO OFFICE MARKET-INVESTOR SURVEY RESPONSES
 Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
INVESTMENT ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	10.0% Years 1 & 2; 5.0% Year 3; 3.0% thereafter	5.0%	3.0%	6.25% (CBD); 6.50% (suburbs)	1.0% to 1.5%	7.00% (CBD); 7.50% (suburbs)	5.50% (CBD); 6.00% (suburbs)	6	70.0%	7.0%	\$0.25	9
PENSION FUND ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization but relies on DCF; uses face rents and reflects concessions when they are scheduled to occur; prefers the CBD.	3.0% to 6.0%	3.0%; taxes 2.0%	3.0%	6.00% to 7.00% (CBD)	1.0% to 2.0%	7.00% (CBD)	6.00% (CBD)	6 to 12	60.0% to 75.0%	5.0% to 10.0%	\$0.10 to \$0.50	6 to 12
PENSION FUND ADVISOR ♦ Forecast Period: 5 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 5.0% in years 1 and 2.	5.0% Years 1 & 2; 3.0% thereafter	3.0%	2.0%	7.00% to 7.50% (CBD); 7.50% to 8.00% (suburbs)	1.0% to 2.0%	7.00% to 8.00% (CBD); in both CBD & suburbs	7.00% (CBD); 7.00% to 8.00% (suburbs)	6 to 9	70.0% to 75.0%	5.0%	\$0.15 to \$0.25	3
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years Buys turnaround situations as well as rotational plays in suburban markets; uses both DCF and direct capitalization; relies on DCF; uses face rents in DCF model, net effective rents in direct capitalization.	3.0%	3.0%	3.0%	5.00% to 6.00% (CBD); 5.50% to 7.00% (suburbs)	1.5% to 2.0%	7.00% (CBD); 8.00% (suburbs)	5.00% (CBD); 6.00% (suburbs)	6 to 18	60.0%	10.0%	\$0.30 to \$1.00	6 to 12
DOMESTIC PENSION FUND ♦ Forecast Period: 10 years Prefers CBD; uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	3.0% to 10.0%	3.0%	3.0%	6.50% to 7.50% (CBD); 7.00% to 8.50% (suburbs)	1.0%	7.00% to 8.00% (CBD); 8.00% to 9.00% (suburbs)	5.00% to 7.00% (CBD); in both CBD & suburbs	8 to 12	65.0% to 75.0%	1.0% to 3.0%	\$0.10 to \$0.25	6
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 10.0% to 15.0% in 2008 through 2010.	10.0% Year 1; 15.0% Years 2 to 3; 3.0% thereafter	3.0%	3.0%	7.00% to 8.00% (CBD); 7.50% to 8.50% (suburbs)	0.5% to 2.0%	7.00% to 8.00% (CBD); 7.50% to 8.50% (suburbs)	4.50% to 6.50% (CBD); 5.50% to 7.00% (suburbs)	6	75.0%	5.0%	\$0.10 to \$0.25	3 to 6
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes.	2.5%	3.0%	3.0%	7.00% to 9.00% (CBD)	1.0% to 2.0%	7.00% (CBD); 12.00% (CBD)	5.00% (CBD); 9.00% (CBD)	2 to 7	65.0%	5.0% to 8.0%	\$0.10 to \$0.30	4 to 7

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

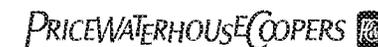


SOUTHEAST FLORIDA OFFICE MARKET--INVESTOR SURVEY RESPONSES

Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
<p>REIT + Forecast Period: 5 to 10 years Core-plus buyer looking for mid-teen returns with moderate leverage; uses price per square foot, stabilized cap, and 10-year DCF as checks; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 4.0% to 10.0% in years 2 and 3.</p>	4.0% to 5.0%	3.0%	3.0%	8.00% to 9.00%	1.0% to 2.0%	8.00% to 9.50%	8.00% to 9.50%	6 to 12	65.0%	5.0%	\$0.10 to \$0.30	9 to 12
<p>INSTITUTIONAL INVESTOR + Forecast Period: 5 to 7 years Uses DCF analysis only; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.</p>	0.0% to 3.0%	3.0%		7.50% to 8.00% (CBD); 8.00% to 8.50% (suburbs)	1.0% to 3.0%	10.00% to 11.00% in both CBD & suburbs	8.00% to 8.50% (CBD); 8.50% to 9.00% (suburbs)	12	75.0%	5.0% to 7.0%	\$0.25 to \$0.50	6
<p>LIFE INSURANCE COMPANY + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.</p>	1.0% to 3.0%	3.0%	3.0%	7.75% to 8.75% in both CBD & suburbs	1.0% to 2.0%	8.50% to 9.50% in both CBD & suburbs	7.25% to 8.00% (CBD); 8.75% to 10.50% (suburbs)	6 to 12	65.0% to 70.0%	7.0% to 11.0%	\$0.10 to \$0.30	6 to 9
<p>PENSION FUND ADVISOR + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 4.0% to 5.0% in years 1 to 4 in Palm Beach.</p>	3.0% to 5.0%	3.0%	3.0%	7.50% (CBD); 6.50% to 7.75% (suburbs)	1.0% to 2.0%	7.00% (CBD); 7.00% to 7.75% (suburbs)	6.00% (CBD); 5.20% to 6.50% (suburbs)	6	70.0%	2.0% to 4.0%	\$0.15 to \$0.20	
<p>LIFE INSURANCE COMPANY + Forecast Period: 5 to 8 years Uses both DCF and direct capitalization; also looks at discount to replacement cost; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.</p>	3.0% to 4.0%	3.0% to 4.0%	3.0%	8.00% in both CBD & suburbs	2.0%	7.00% to 10.00% in both CBD & suburbs	7.00% to 8.00% in both CBD & suburbs	3	70.0%	4.0%	\$0.25	3 to 6
<p>REIT + Forecast Period: 10 years Valuation preference is DCF analysis; also uses direct cap; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserves; does not use rent spikes; prefers suburbs.</p>	3.0%	3.0%	3.0%	8.50% to 10.50% (suburbs)	2.0%	8.50% to 10.50% (suburbs)	8.50% to 10.00% (suburbs)	6	65.0%	5.0%	\$0.20	6

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

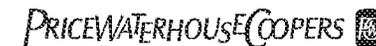


SUBURBAN MARYLAND OFFICE MARKET—INVESTOR SURVEY RESPONSES

Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL CAP RATE	SELLING EXPENSE	DISCOUNT RATE (IRR) FREE & CLEAR	OVERALL CAP RATE (OAR) FREE & CLEAR	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI					MONTHS VACANT	TENANT RETENTION			UNDERLYING VACANCY & CREDIT LOSS
INVESTMENT BANKER ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; uses effective rent after all concessions are extracted.	0.0% to 3.0%	3.0%	3.0%	8.50% to 9.50%	2.0%	9.50% to 11.00%	7.50% to 9.00%	6 to 9	70.0%	5.0%	\$0.15 to \$0.25	6
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	2.5% to 3.0%	3.0%	3.0%	6.00% to 8.00%	2.5% to 4.0%	6.00% to 8.00%	5.50% to 8.00%	6	65.0%	1.0% to 3.0%	\$0.25 to \$0.45	1 to 6
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses effective rent after all concessions are extracted.	3.0%	3.0%	3.0%	6.75% to 7.25%	2.0%	7.50% to 8.50%	6.50% to 7.00%	9	65.0%	5.0%	\$0.15 to \$0.30	
INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Relies on DCF; also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes.	0.0% to 2.0% Years 1 & 2; 3.0% thereafter	3.0%	3.0%	7.00% to 7.50%	2.0% to 2.5%	8.00% to 8.50%	7.00% to 7.50%	6 to 9	65.0% to 70.0%	1.0% to 2.0%	\$0.10 to \$0.20	6 to 9
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions.	4.0%	3.0%	3.0%	7.50% to 8.25%	2.0%	8.25% to 9.00%	6.25% to 6.75%	6 to 10	65.0% to 70.0%	5.0% to 6.0%	\$0.30 to \$0.80	6 to 9
PENSION FUND ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes; uses face rents and reflects concessions when they are scheduled to occur.	3.0%	3.0%	3.0%	7.50% to 9.00%	1.5% to 2.0%	7.00% to 9.00%	5.00% to 7.00%	6 to 18	50.0%	10.0%	\$0.30 to \$1.00	6 to 12

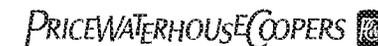
Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



WASHINGTON, DC OFFICE MARKET-INVESTOR SURVEY RESPONSES
 Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME		
	MARKET RENT	EXPENSES	CPI				MONTHS VACANT	TENANT RETENTION			UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT
INVESTMENT BANKER + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	3.0%	3.0%	3.0%	7.50% to 9.00%	2.0%	7.50% to 9.50%	6.50% to 8.00%	6 to 6	70.0%	2.0% to 5.0%	\$0.10 to \$0.20	2 to 3
LIFE INSURANCE COMPANY + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	4.0% to 5.0%	3.0%	3.0%	6.00% to 8.00%	2.5% to 4.0%	6.00% to 8.00% (CBD)	5.50% to 8.00%	6 to 12	65.0% to 75.0%	0.0% to 5.0%	\$0.25 to \$0.45	1 to 6
INSTITUTIONAL INVESTOR + Forecast Period: 10 years Relies on DCF; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses present value analysis of effective rents; does not use rent spikes.	3.0%	3.0%	3.0%	6.50% to 7.00%	2.0% to 2.5%	7.00% to 7.50%	5.50% to 6.00%	3 to 6	65.0% to 75.0%	1.0% to 2.0%	\$0.15 to \$0.20	3 to 6
REAL ESTATE ADVISOR + Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; relies on DCF; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses a rent spike of 5.0% to 7.0% in year 2 or 3.	3.0%	3.0%	3.0%	5.00% to 7.00%	1.5% to 2.0%	7.00% to 9.00%	5.00% to 6.00%	6 to 12	60.0%	8.0%	\$0.30 to \$1.00	3 to 6
PENSION FUND ADVISOR + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes.	3.0%	3.0%	3.0%	6.00% to 6.50%	2.0%	6.00% to 6.75%	5.00% to 6.00%	6 to 12	70.0%	1.0% to 2.0%	\$0.15 to \$0.25	
PENSION FUND ADVISOR + Forecast Period: 7 to 10 years Relies on DCF, direct capitalization, and price per square foot; uses a rent spike of 5.0% to 7.0% in years 1 to 3; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions.	5.0% to 7.0% Years 1 to 3	3.5%	3.5%	7.00% to 7.75%	2.0% to 3.0%	8.00% to 9.00%	5.50% to 6.00%	6 to 12	65.0% to 70.0%	5.0% to 7.0%	\$0.20 to \$0.75	6 to 9
PENSION FUND ADVISOR + Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	3.0%	3.0%	3.0%	7.00% to 7.50%	2.0%	7.00% to 7.50%	6.75% to 7.75%	3	60.0%	6.0%	\$0.20 to \$0.40	6

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



NATIONAL FLEX/R&D MARKET-INVESTOR SURVEY RESPONSES												
Second Quarter 2008												
	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; focuses on price per square foot for newer product.	4.0% to 5.0%	3.0%	3.0%	7.25% to 7.75%	1.0% to 2.0%	7.50% to 8.50%	5.50% to 6.00%	6 to 9	65.0% to 70.0%	3.0% to 5.0%	\$0.10 to \$0.25	3 to 4
PENSION FUND ADVISOR ♦ Forecast Period: 10 to 12 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses effective rent after all concessions are extracted; uses a rent spike of 5.0% in years 2 to 5 in Los Angeles, Dallas, and Phoenix.	2.0% to 3.0%	3.0%	3.0%	7.50% to 8.50%	1.5%	8.00% to 9.50%	7.50% to 8.50%	9 to 12	70.0%	5.0%	\$0.15 to \$0.25	4
REAL ESTATE ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	3.0%	3.0%	3.0%	7.00% to 9.00%	2.0% to 3.0%	8.00% to 9.00%	7.00% to 9.00%	6	75.0%	3.0% to 5.0%	\$0.10 to \$0.15	4 to 6
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 5.0%	3.0%	2.5%	7.00% to 10.50%	1.0% to 3.0%	8.00% to 10.00%	6.00% to 8.00%	6 to 12	55.0% to 75.0%	5.0% to 10.0%	\$0.10 to \$0.20	6 to 18
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	0.0% to 3.0%	3.0%	3.0%	7.50% to 9.50%	2.0% to 3.0%	6.75% to 9.00%	7.50% to 9.00%	6 to 9	65.0% to 70.0%	1.0% to 2.0%	\$0.10 to \$0.15	
INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Relies on DCF; also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions.	2.0% to 3.0%	2.0% to 3.0%	2.0% to 3.0%	7.50% to 8.00%	2.0% to 3.0%	8.00% to 9.00%	7.00% to 7.50%	6 to 9	60.0% to 65.0%	1.0% to 2.0%	\$0.10 to \$0.15	3 to 6
REAL ESTATE ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 5.0%	3.0%	3.0%	7.00% to 8.00%	1.0% to 4.0%	7.75% to 8.75%	6.50% to 7.75%	6 to 12	65.0%	3.0% to 5.0%	\$0.05 to \$0.35	6 to 8
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	3.0%	3.0%	3.0%	7.50% to 9.50%	2.0% to 3.0%	8.00% to 10.00%	7.00% to 9.00%	6	75.0%	3.0% to 5.0%	\$0.10 to \$0.15	4 to 6

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



NATIONAL WAREHOUSE MARKET-INVESTOR SURVEY RESPONSES

Second Quarter 2008

	INITIAL-YEAR CHANGE RATES			RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME		
	MARKET RENT	EXPENSES	CPI				MONTHS VACANT	TENANT RETENTION			UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs and leasing commissions; after capital replacement reserve but focuses on price per square foot for newer product.	4.0% to 5.0%	3.5%	3.5%	7.50% to 8.00%	2.0% to 3.0%	8.50% to 9.00%	5.50% to 6.00%	6 to 9	70.0% to 75.0%	3.0% to 5.0%	\$0.10 to \$0.15	3 to 4
DOMESTIC PENSION FUND ♦ Forecast Period: 10 years Focuses on portfolio purchases; uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	0.0% to 10.0%	3.0%	3.0%	6.00% to 7.50%	1.0% to 3.0%	6.50% to 9.00%	5.00% to 7.00%	6 to 12	65.0% to 75.0%	0.3% to 1.0%	\$0.10 to \$0.25	6
REAL ESTATE ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	3.5%	3.0%	3.0%	6.00% to 8.00%	2.0% to 3.0%	7.00% to 9.00%	6.00% to 8.00%	6 to 12	75.0% to 8.0%	5.0% to 8.0%	\$0.10 to \$0.15	4 to 6
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	2.0%	3.0%	3.0%	7.00% to 8.00%	1.0% to 2.0%	7.00% to 7.75%	6.50% to 7.50%	3 to 6	60.0% to 8.0%	8.0%	\$0.05 to \$0.20	12
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	3.0%	3.0%	3.0%	6.25% to 7.50%	2.0% to 3.0%	6.50% to 8.00%	5.00% to 7.50%	6 to 8	65.0% to 70.0%	0.5% to 4.0%	\$0.05 to \$0.15	6
INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Relies on DCF; also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions.	2.0% to 3.0%	2.0% to 3.0%	2.0% to 3.0%	6.00% to 6.50%	2.0% to 3.0%	6.00% to 6.50%	5.50% to 6.00%	6 to 8	65.0% to 75.0%	1.0% to 2.0%	\$0.10 to \$0.15	4 to 8
REAL ESTATE ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use a rent spikes.	0.0% to 3.0%	3.0%	3.0%	6.75% to 7.75%	1.0% to 4.0%	7.50% to 8.50%	6.00% to 7.50%	6 to 9	65.0% to 75.0%	3.0%	\$0.05 to \$0.35	6 to 8
REAL ESTATE ADVISOR ♦ Forecast Period: 10 years Uses DCF and face rents; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve.	0.0% to 4.0%	3.0%	3.0%	6.50% to 7.50%	1.0% to 2.0%	6.90% to 7.80%	5.50% to 7.00%	6 to 12	65.0% to 2.0%	2.0%	\$0.05 to \$0.15	6

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

NATIONAL APARTMENT MARKET-INVESTOR SURVEY RESPONSES

Second Quarter 2008

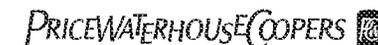
	INITIAL-YEAR CHANGE RATES		VACANCY	RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	TOTAL VACANCY	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	PER UNIT	MONTHS
PRIVATE REAL ESTATE FIRM + Forecast Period: 2 to 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; does not use a separate structural replacement reserve.	2.5% to 5.0%	2.5% to 3.0%	2.0% to 7.0%	4.50% to 6.50%	1.5% to 2.0%	9.00% to 10.00%	4.50% to 6.50%	\$250	6
REAL ESTATE ADVISOR + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; uses a separate structural replacement reserve based on deferred maintenance.	2.0% to 4.0%	Average 3.0% over the forecast period	5.5%	5.75% to 6.25%	1.5% for deals greater than \$20 million; 2.0% otherwise	7.00% to 7.50%	4.50% to 5.75%	\$300 to \$350	1 to 3
DOMESTIC PENSION FUND + Forecast Period: 1 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; reflects concessions as they occur, may burn off on new property during lease-up period in strong market; uses a separate structural replacement reserve.	3.0% to 8.0%	3.0% to 3.5%	3.0% to 12.0%	5.00% to 7.00%	2.0% to 3.0%	6.50% to 8.50%	4.50% to 7.00%	\$250 to \$350	6
PENSION FUND ADVISOR + Forecast Period: 10 years Strong interest in this product nationwide; applies management fee of 3.0% to 3.5%; uses DCF and direct capitalization; emphasis is on initial returns and per unit pricing; in direct cap, capitalizes NOI after capital replacement reserve.	5.0% to 6.0% Years 1 to 3	3.0%	3.0% to 6.0%	5.50% to 7.75%	2.0%	7.50% to 8.50%	4.75% to 5.75%	\$300 to \$400	6
REIT + Forecast Period: 10 years Specializes in this market; relies on DCF and direct capitalization; capitalizes NOI after capital replacement reserve; uses a separate structural replacement reserve of \$100 to \$400 per unit depending on age.	0.0% to 7.0%	3.0% to 3.8%	Varies	5.50% to 7.00%	1.0%	7.50% to 9.50%	4.00% to 6.00%	\$150 to \$350	3
REAL ESTATE ADVISOR + Forecast Period: 5 and 10 years Relies on DCF; also uses direct capitalization; in direct, capitalizes NOI after capital replacement reserve; uses an additional reserve for capital items.	0.0% to 6.0%	2.5%	—	5.50% to 7.00%	1.5% to 1.75%	7.00% to 8.50%	4.50% to 5.00%	\$200 to \$300	6 to 9
PENSION FUND ADVISOR + Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; buys 150- to 400-unit apartment complexes in first- and second-tier markets nationwide.	2.0% to 4.0%	3.0%	5.0% to 10.0%	6.50% to 7.50%	2.0%	7.50% to 9.50%	6.50% to 8.00%	\$200 to \$300	2
PENSION FUND ADVISOR + Forecast Period: 7 to 10 years Specializes in this market; increases annual rent in lieu of lease-by-lease analysis; uses management fee of 3.0% to 3.25% plus leasing costs and reserve (actually funded); relies on IRR primarily; also uses sales comparison and cost approaches; uses a separate structural replacement reserve of \$250 per unit.	0.0% to 2.0%	3.0%	8.0% to 11.0%	7.50% to 8.50%	2.0%	8.00% to 8.50%	5.75% to 6.50%	\$275 to \$400	4

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

NATIONAL NET LEASE MARKET-INVESTOR SURVEY RESPONSES											
Second Quarter 2008											
	PREFERRED PROPERTY TYPE	CHANGE RATES		PREFERRED CREDIT RATING	RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	UNDERLYING VACANCY & CREDIT LOSS	REPLACEMENT RESERVE	MARKETING TIME	
		MARKET RENT	EXPENSES								CAP RATE
PRIVATE INVESTMENT FIRM Primary valuation method is DCF analysis; also uses direct capitalization; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve.	Office, retail R&D, industrial, banks, restaurants	Varies	0.0%	All ratings	(1)	(1)	Depends on lease term	6.25% to 8.00%	0.0%	None	2 maximum
PRIVATE INVESTMENT FIRM + Forecast Period: Term of lease Primary valuation method is direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; also uses DCF analysis; growth rate for market rent averages between 2.0% and 2.5% over the forecast period.	Office, industrial	0.0% to 2.5%	2.0% to 2.5%	Below & above investment grade	8.00% to 8.50%	3.0% to 4.0%	8.00% to 9.00%	6.75% to 8.00%	0.0%	\$0.10 to \$0.20	4 to 5
PRIVATE INVESTMENT FIRM + Forecast Period: 5 years Primary valuation method is sales comparison approach; also uses DCF analysis.	Office, industrial	2.8%	3.0%	B- (minimum)	8.25%	1.5%	10.25%	8.25%	0.0%	\$0.20	4
REIT + Forecast Period: 10 to 15 years Primary valuation method is DCF analysis; also uses direct capitalization and sales comparison; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	Office, industrial, big-box retail	2.0% to 3.0%	3.0%	B- to AAA	8.00% to 10.00%	2.0%	8.00% to 8.00%	7.25% to 10.00%	0.0%	\$0.15 (office); \$0.10 (industrial)	4
INVESTMENT ADVISOR + Forecast Period: 3 to 10 years Primary valuation method is direct capitalization; also uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacements reserve.	Office, warehouse, retail	Depends on market	Depends on market	BBB to A	7.00% to 8.25%	2.8%	8.00% to 10.00%	6.75% to 8.00%	0.0%	\$0.05 to \$0.15	6
INVESTORS AND BROKERS + Forecast Period: 5 years Primary valuation method is direct capitalization; also uses sales comparison approach.	Drug stores, credit retail, banks	(2)	(2)	BBB to A+	(2)	(2)	(2)	6.00% to 8.00%	0.0%	\$0.10 to \$0.15	(2)
PRIVATE INVESTOR + Forecast Period: 3 to 10 years Primary valuation method is direct capitalization; also uses DCF analysis; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve.	Retail, restaurant	(2)	(2)	BB to A	(2)	4.0% to 5.0%	10.00% to 12.00%	(2)	7.0% to 8.0%	None	6 or more

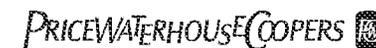
(1) Does not consider any residual value
 (2) Did not disclose

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



NATIONAL DEVELOPMENT LAND MARKET-INVESTOR SURVEY RESPONSES										
Second Quarter 2008										
	PROPERTY TYPES	ABSORPTION CRITERIA	CHANGE RATES			DISCOUNT RATE (IRR)		FORECAST VALUE CHANGE NEXT 12 MONTHS		MARKETING PERIOD
			Years	Lot Prices	Development Costs	CPI	Free & Clear	Subject to Financing	Range	Average
DEVELOPER/BROKER Primary method of pricing is comparable sales; analysis is prepared subject to financing; project size ranges from 1 to 8 acres; value of land currently under development totals \$6.5 million; development is concentrated in Northwest suburban Chicago.	Industrial, retail	1 to 3	10.0% to 15.0%	Based on a % of specific line item	4.0%	10.00%	12.00%	4.0% to 6.0%	5.0%	24 to 36
DEVELOPER Primary method of pricing is comparable sales; analysis is prepared subject to financing; project size ranges from 8 to 30 acres; value of land currently under development totals \$45.0 million; development is concentrated in the Western United States.	Resort	1 to 5	6.0%	3.0%		15.00%		4.0% to 6.0%	5.0%	12 to 24
DEVELOPER Primary method of pricing is comparable sales; analysis is prepared free and clear of financing; project size ranges from 50 to 250 acres; value of land currently under development totals \$20.0 million; development is concentrated in the Midwest and Southeast regions of the United States.	Industrial, office, medical, retail	1 to 20	2.5%	2.5%	3.0%	15.00%	20.00%	5.0%		360
DEVELOPER Primary method of pricing is DCF; analysis is prepared free and clear of financing; project size ranges from 50 to 1,500 acres; development is concentrated in Arizona, California and Washington.	Single-family/Wetlands mitigation	1 to 5	Equal to CPI	1.0% to 5.0%	3.0%	20.00%				Depends on project size and type
DEVELOPER Primary method of pricing is comparable sales; analysis is prepared subject to financing; value of land currently under development is between \$50.0 and \$100.0 million; development is concentrated in Arizona and California.	Residential, retail	1 to 5	Varies	3.0%	3.0%	20.00%	20.00% minimum	5.0%		24 to 72
DEVELOPER Primary method of pricing is DCF; analysis is prepared free and clear of financing; project sizes are between 500 and 1,200 acres; value of land currently under development is \$90.0 million; development is concentrated in California, Nevada, Colorado, and Arizona.	Residential, commercial	1 to 5	0.0%	Did not disclose	0.0%	20.00% to 25.00%		Stable		Varies due to both location and size of project
PRIVATE INVESTMENT COMPANY Primary method of pricing is DCF; analysis is prepared free and clear of financing; project size ranges from 400 to 2,000 acres; value of land currently under development is \$100 million; prefers Chicago and Florida markets, Midwest and Phoenix.	Master-planned single-family	6 to 10	0.0%	0.0%	0.0%	20.00%		0.0%	0.0%	60 to 144

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



INVESTMENT AND PROPERTY CHARACTERISTICS: OFFICE MARKETS

Second Quarter 2008

MARKET	FORECAST VALUE CHANGE NEXT 12 MONTHS		PRICE AS % OF REPLACEMENT COST		STRUCTURAL VACANCY		YEARS TO STRUCTURAL VACANCY		1Is - NEW (PSF)		1Is - RENEWAL (PSF)	
	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
National CBD	(5.00%) - 5.00%	0.80%	60.00% - 100.00%	84.72%	4.00% - 15.00%	7.85%	1 - 5	2.1	\$10.00 - \$60.00	\$28.50	\$5.00 - \$45.00	\$12.35
National Suburban	(15.00%) - 5.00%	(0.27%)	70.00% - 120.00%	92.50%	5.00% - 20.00%	9.31%	0 - 5	1.6	\$0.00 - \$50.00	\$23.02	\$0.00 - \$20.00	\$8.04
Atlanta	(5.00%) - 5.00%	0.83%	75.00% - 110.00%	91.07%	7.50% - 12.00%	10.35%	0 - 4	1.8	\$15.00 - \$35.00	\$23.50	\$6.00 - \$15.00	\$9.08
Boston	(10.00%) - 5.00%	0.29%	35.00% - 110.00%	85.56%	5.00% - 10.00%	8.08%	0 - 3	1.7	\$20.00 - \$60.00	\$37.00	\$5.00 - \$25.00	\$12.19
Charlotte	(15.00%) - 0.00%	(5.00%)	80.00% - 100.00%	90.00%	3.00% - 7.00%	5.67%	0 - 2	0.5	\$10.00 - \$35.00	\$20.00	\$5.00 - \$15.00	\$10.63
Chicago	(5.00%) - 3.00%	(1.31%)	50.00% - 120.00%	88.18%	6.00% - 11.00%	9.06%	0 - 7	2.9	\$10.00 - \$75.00	\$41.25	\$5.00 - \$35.00	\$19.84
Dallas	0.00% - 5.00%	2.13%	50.00% - 100.00%	82.50%	3.00% - 15.00%	8.00%	0 - 3	1.5	\$10.00 - \$30.00	\$17.50	\$3.00 - \$15.00	\$8.13
Denver	1.00% - 5.00%	4.00%	60.00% - 95.00%	74.17%	7.00% - 15.00%	9.83%	2 - 3	2.3	\$16.00 - \$35.00	\$23.88	\$8.00 - \$15.00	\$11.25
Houston	0.00% - 10.00%	2.67%	50.00% - 110.00%	88.57%	5.00% - 12.00%	7.50%	0 - 2	0.8	\$8.00 - \$30.00	\$18.63	\$3.00 - \$10.00	\$6.54
Los Angeles	(5.00%) - 10.00%	2.57%	80.00% - 110.00%	92.08%	5.00% - 10.00%	7.10%	0 - 3	1.3	\$10.00 - \$45.00	\$26.67	\$5.00 - \$25.00	\$11.36
Manhattan	0.00% - 10.00%	5.64%	85.00% - 110.00%	95.36%	5.00% - 10.00%	6.21%	0 - 3	0.9	\$35.00 - \$60.00	\$42.86	\$0.00 - \$40.00	\$18.93
Northern Virginia	(15.00%) - 10.00%	(0.14%)	80.00% - 120.00%	96.88%	3.00% - 10.00%	7.00%	0 - 3	1.0	\$3.00 - \$45.00	\$26.30	\$3.00 - \$25.00	\$16.08
Pacific Northwest	0.00% - 5.00%	2.00%	60.00% - 105.00%	95.00%	5.00% - 15.00%	8.25%	0 - 1	0.9	\$20.00 - \$35.00	\$26.00	\$5.00 - \$15.00	\$9.50
Philadelphia	(2.50%) - 3.00%	0.10%	50.00% - 100.00%	82.50%	5.00% - 12.00%	7.70%	1 - 3	2.0	\$10.00 - \$40.00	\$22.50	\$5.00 - \$10.00	\$8.33
Phoenix	1.00% - 3.00%	2.50%	90.00% - 90.00%	90.00%	10.00% - 15.00%	11.25%	2 - 3	2.5	\$17.00 - \$45.00	\$28.00	\$7.00 - \$15.00	\$11.00
San Diego ⁽¹⁾	(5.00%) - 5.00%	0.67%	85.00% - 95.00%	88.75%			1 - 3	2.3	\$18.00 - \$50.00	\$27.88	\$8.00 - \$15.00	\$10.75
San Francisco	(5.00%) - 10.00%	4.69%	60.00% - 110.00%	90.00%	3.00% - 10.00%	7.19%	2 - 5	3.6	\$20.00 - \$70.00	\$32.75	\$0.00 - \$20.00	\$10.50
Southeast Florida	(2.00%) - 15.00%	3.20%	90.00% - 110.00%	95.83%	5.00% - 12.00%	7.10%	0.5 - 3	1.4	\$12.00 - \$50.00	\$23.80	\$5.00 - \$20.00	\$9.80
Suburban Maryland	(10.00%) - 15.00%	1.86%	80.00% - 120.00%	96.25%	5.00% - 15.00%	8.43%	0 - 2	0.5	\$3.00 - \$45.00	\$26.10	\$3.00 - \$25.00	\$14.83
Washington, DC	0.00% - 6.00%	3.31%	75.00% - 120.00%	97.90%	5.00% - 10.00%	6.28%	0 - 2	0.5	\$10.00 - \$50.00	\$29.58	\$5.00 - \$35.00	\$20.31

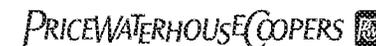
(1) An insufficient number of responses were received for certain categories.

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

PRICEWATERHOUSECOOPERS 

INVESTMENT AND PROPERTY CHARACTERISTICS: NATIONAL MARKETS														
Second Quarter 2008														
MARKET	FORECAST VALUE CHANGE NEXT 12 MONTHS		PRICE AS % OF REPLACEMENT COST		CLASS-A+ and A MALLS IRRs				CLASS-B+ and B MALLS IRRs				STABILIZED OCCUPANCY	
	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
Regional Mall	(15.00%) - 5.00%	(0.67%)	90.00% - 125.00%	112.00%	6.50% - 12.00%	8.45%	4.75% - 8.30%	6.05%	7.00% - 14.00%	9.92%	5.75% - 9.50%	7.64%	90.00% - 99.00%	95.50% (Class-B to A+)
Power Center	(2.00%) - 0.00%	(3.92%)	80.00% - 130.00%	100.00%									90.00% - 95.00%	94.13%
Strip Shopping Center	(5.00%) - 5.00%	0.06%	80.00% - 140.00%	103.89%									85.00% - 97.00%	93.83%
MARKET	FORECAST VALUE CHANGE NEXT 12 MONTHS		PRICE AS % OF REPLACEMENT COST		FINISHED SPACE %		TIs - NEW (PSF/UNIT)		TIs - RENEWAL (PSF/UNIT)					
	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE				
Flex/R&D	(10.00%) - 5.00%	(1.42%)	80.00% - 120.00%	99.50%	5.00% - 100.00%	41.79%	\$0.00 - \$15.00	\$5.36	\$0.00 - \$5.00	\$2.27				
Warehouse	(10.00%) - 6.00%	0.50%	80.00% - 120.00%	98.77%	0.00% - 15.00%	7.50%	\$0.00 - \$10.00	\$2.20	\$0.00 - \$2.50	\$0.46				
Apartment	(5.00%) - 10.00%	1.78%	75.00% - 125.00%	97.79%										

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.



YIELD COMPARISONS

April 1, 2008

	2003 AVERAGE	2004 AVERAGE	2005 AVERAGE	2006 AVERAGE	2007 AVERAGE	2007 OCTOBER	2008 JANUARY	2008 APRIL
Korpacz Yield Indicator (KYI) ^a	11.00%	10.28%	9.43%	8.81%	8.41%	8.32%	8.33%	8.42%
Long-Term Mortgages ^b	5.87%	6.08%	5.57%	6.45%	6.84%	7.10%	6.13%	6.45%
10-Year Treasuries ^c	3.86%	4.21%	4.29%	4.76%	4.72%	4.56%	3.91%	3.57%
Consumer Price Index Change ^d	2.03%	3.16%	4.30%	1.32%	3.50%	1.22%	4.10%	7.09%
SPREAD TO KYI (Basis Points)								
Long-Term Mortgages	513	420	386	236	157	122	220	197
10-Year Treasuries	714	607	514	405	369	376	442	485
Consumer Price Index Change	897	712	513	749	491	710	423	133

a. A composite IRR average of the markets surveyed.

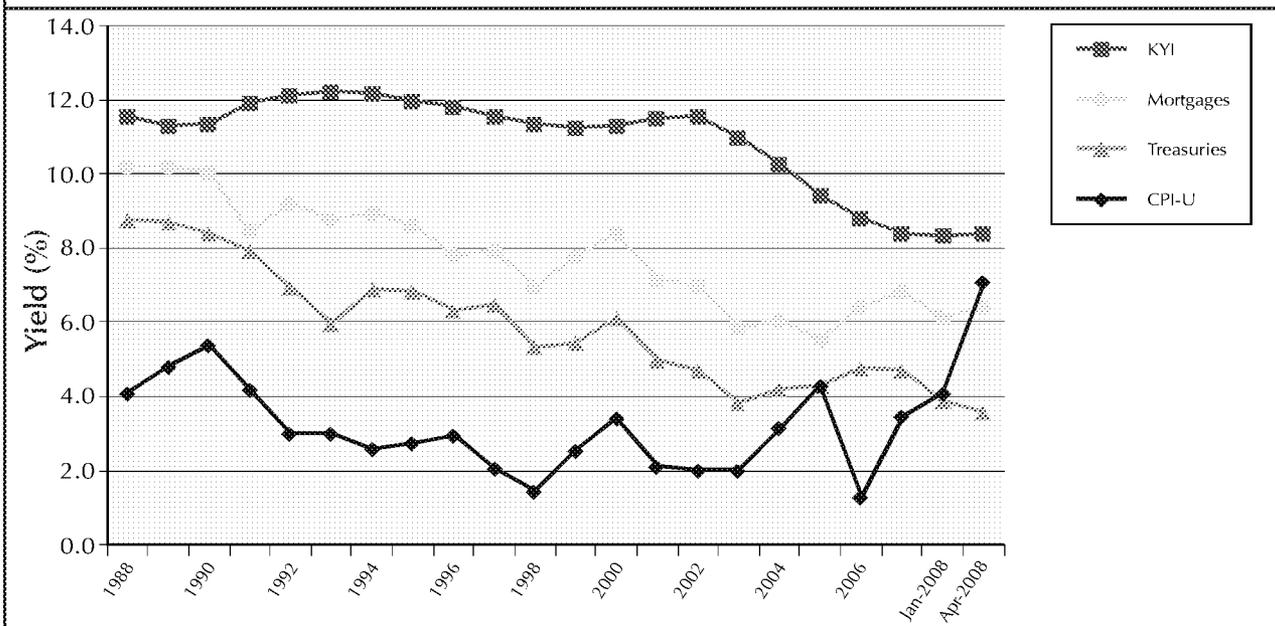
b. Fixed-rate mortgages; immediate funding. Source: Crittenden Publishing, Inc.; For January 2005, data is based on a survey conducted by PricewaterhouseCoopers LLP and reflects fixed-rate debt of 5 to 10 years, 25- to 30-year amortization, immediate funding; For January 2008, source is Cushman & Wakefield Sonnenblick-Goldman, 5- to 10-year fixed-rate debt, minimum 65.0% LTV; Following April 2005, source is CB Richard Ellis/L.J. Melody Capital Markets.

c. Source: Federal Reserve; the annual average change is the mean of the four corresponding quarters.

d. Source: U.S. Department of Labor; quarterly changes are annualized based on the index change from the prior quarter; the annual average change is the mean of the four corresponding quarters.

COMPARATIVE YIELDS

April 1, 2008



DIVIDEND COMPARISONS

April 1, 2008

	2003 AVERAGE	2004 AVERAGE	2005 AVERAGE	2006 AVERAGE	2007 AVERAGE	2007 OCTOBER	2008 JANUARY	2008 APRIL
Korpacz Dividend Indicator (KDI) ^a	9.23%	8.62%	7.94%	7.42%	7.01%	6.87%	6.89%	6.95%
Equity REITs ^b	6.67%	5.27%	4.75%	4.19%	3.93%	4.12%	4.91%	4.99%
S&P 500 ^c	1.76%	1.63%	1.71%	1.80%	1.76%	1.77%	1.89%	2.14%
SPREAD TO KDI (Basis Points)								
Equity REITs	256	335	319	323	308	275	198	196
S&P 500	747	699	623	562	525	510	500	751

a. A composite OAR (initial rate of return in an all-cash transaction) average of the markets surveyed.

b. Source: National Association of Real Estate Investment Trusts; average annualized dividend yield calculated by PricewaterhouseCoopers LLP; dividend yields are as of the last day of the prior quarter.

c. Source: Standard & Poors; average annual dividend yield calculated by PricewaterhouseCoopers LLP; dividend yields are quarterly yields as of the last day of the prior quarter.

INSTITUTIONAL-GRADE VS. NONINSTITUTIONAL-GRADE PROPERTY RATES

Second Quarter 2008

MARKET	INSTITUTIONAL IRRs		OARs		NONINSTITUTIONAL IRRs		OARs		SPREAD TO INSTITUTIONAL AVERAGE IRR	
	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	BASIS POINTS	BASIS POINTS
National Regional Mall	7.00% – 11.00%	8.73%	5.00% – 9.50%	6.71%	8.50% – 14.50%	11.00%	5.00% – 12.00%	8.33%	227	162
National Power Center	7.00% – 11.50%	8.39%	5.75% – 9.00%	7.17%	NA	NA	NA	NA	NA	NA
National Strip Shopping Center	6.00% – 10.00%	8.39%	5.80% – 9.00%	7.32%	7.00% – 13.00%	10.13%	7.00% – 11.00%	8.77%	174	145
National CBD Office	6.00% – 11.00%	8.04%	4.50% – 10.00%	6.68%	8.00% – 13.00%	9.96%	5.50% – 11.00%	8.52%	192	184
National Suburban Office	7.00% – 12.50%	8.93%	5.00% – 10.50%	7.28%	7.50% – 14.00%	10.08%	5.50% – 11.75%	8.39%	115	111
Atlanta Office	6.00% – 10.00%	8.42%	5.25% – 9.00%	7.25%	8.75% – 11.00%	9.75%	6.75% – 9.25%	8.16%	133	91
Boston Office	6.00% – 13.00%	9.01%	5.00% – 10.25%	7.43%	8.50% – 15.50%	10.69%	6.75% – 11.50%	8.67%	168	124
Charlotte Office	7.00% – 10.00%	8.50%	6.00% – 9.00%	7.56%	— ^a	— ^a	— ^a	— ^a	— ^a	— ^a
Chicago Office	7.00% – 11.00%	8.34%	4.50% – 9.50%	6.96%	8.25% – 12.00%	9.83%	6.50% – 11.50%	8.63%	133	107
Dallas Office	7.50% – 11.50%	9.03%	6.00% – 10.00%	7.75%	9.00% – 13.50%	11.25%	8.25% – 12.00%	10.58%	222	283
Denver Office	7.00% – 10.00%	8.54%	5.50% – 7.50%	6.52%	— ^a	— ^a	— ^a	— ^a	— ^a	— ^a
Houston Office	7.50% – 10.00%	8.42%	5.00% – 10.00%	7.27%	8.50% – 11.25%	9.69%	6.00% – 11.25%	8.97%	127	170
Los Angeles Office	6.75% – 12.00%	8.46%	3.00% – 9.00%	6.20%	8.50% – 16.00%	11.36%	7.25% – 11.00%	8.53%	310	233
Manhattan Office	6.00% – 9.50%	7.72%	3.50% – 8.00%	5.67%	8.00% – 11.00%	9.30%	4.75% – 9.25%	6.95%	158	128
Northern Virginia Office	6.00% – 11.00%	8.13%	5.00% – 9.00%	6.94%	— ^a	— ^a	— ^a	— ^a	— ^a	— ^a
Pacific Northwest Office	5.00% – 13.00%	9.17%	5.00% – 11.00%	7.31%	6.25% – 17.00%	11.94%	7.75% – 12.00%	9.78%	277	247
Philadelphia Office	8.00% – 11.00%	9.29%	5.00% – 11.00%	8.25%	9.00% – 11.50%	10.00%	8.25% – 10.50%	9.25%	71	100
Phoenix Office	5.00% – 11.00%	8.31%	5.00% – 8.50%	6.90%	— ^a	— ^a	— ^a	— ^a	— ^a	— ^a
San Diego Office	5.60% – 10.00%	8.08%	4.50% – 8.00%	6.06%	— ^a	— ^a	— ^a	— ^a	— ^a	— ^a
San Francisco Office	6.50% – 12.00%	7.81%	4.50% – 9.00%	6.14%	7.50% – 14.00%	10.15%	5.00% – 10.25%	7.80%	234	166
Southeast Florida Office	7.00% – 11.00%	9.02%	5.20% – 10.50%	8.00%	— ^a	— ^a	— ^a	— ^a	— ^a	— ^a
Suburban Maryland Office	6.00% – 11.00%	8.23%	5.00% – 9.00%	7.02%	— ^a	— ^a	— ^a	— ^a	— ^a	— ^a
Washington, DC Office	6.00% – 9.50%	7.51%	5.00% – 8.00%	6.23%	— ^a	— ^a	— ^a	— ^a	— ^a	— ^a
National Flex/R&D	6.75% – 10.00%	8.61%	5.50% – 9.25%	7.68%	9.00% – 11.50%	10.15%	8.00% – 10.50%	9.23%	264	300
National Warehouse	5.50% – 10.00%	7.68%	5.00% – 8.50%	6.56%	7.50% – 13.50%	9.68%	6.00% – 10.00%	8.05%	107	37
National Apartment	6.00% – 10.50%	8.16%	3.50% – 8.00%	5.75%	7.50% – 12.50%	9.67%	4.50% – 11.00%	6.78%	199	22
All Markets Surveyed (Simple Average)		8.42%		6.95%		10.28%		8.55%	186	160

a. Our participants are not currently pursuing noninstitutional investments in this market.

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

PRICEWATERHOUSECOOPERS 

INCOME CAPITALIZED IN DIRECT CAPITALIZATION^a

Second Quarter 2008

MARKET	METHOD 1		METHOD 2		METHOD 3	
	CURRENT	YEAR AGO	CURRENT	YEAR AGO	CURRENT	YEAR AGO
National Retail						
Regional Mall	28.6%	14.3%	71.4%	71.4%	0.0%	14.3%
Power Center	12.5%	12.5%	87.5%	87.5%	0.0%	0.0%
Strip Shopping Center	20.0%	11.1%	60.0%	66.7%	20.0%	22.2%
Office						
National CBD	15.4%	8.3%	76.9%	75.0%	7.7%	16.7%
National Suburban	25.0%	20.0%	50.0%	60.0%	25.0%	20.0%
Atlanta	37.5%	37.5%	62.5%	62.5%	0.0%	0.0%
Boston	0.0%	0.0%	90.0%	100.0%	10.0%	0.0%
Charlotte	25.0%		75.0%		0.0%	
Chicago	23.1%	27.3%	76.9%	72.7%	0.0%	0.0%
Dallas	33.3%	42.9%	66.7%	57.1%	0.0%	0.0%
Denver	0.0%		100.0%		0.0%	
Houston	28.6%	33.3%	71.4%	66.7%	0.0%	0.0%
Los Angeles	37.5%	50.0%	50.0%	50.0%	12.5%	0.0%
Manhattan	25.0%	14.3%	62.5%	85.7%	12.5%	0.0%
Northern Virginia	37.5%	37.5%	50.0%	62.5%	12.5%	0.0%
Pacific Northwest	0.0%	33.3%	100.0%	66.7%	0.0%	0.0%
Philadelphia	16.7%	16.7%	66.7%	66.7%	16.7%	16.7%
Phoenix	0.0%		100.0%		0.0%	
San Diego	0.0%	0.0%	66.7%	100.0%	33.3%	0.0%
San Francisco	18.2%	27.3%	72.7%	72.7%	9.1%	0.0%
Southeast Florida	14.3%	14.3%	85.7%	85.7%	0.0%	0.0%
Suburban Maryland	37.5%	37.5%	50.0%	62.5%	12.5%	0.0%
Washington, DC	50.0%	50.0%	40.0%	50.0%	10.0%	0.0%
National Flex/R&D	10.0%	20.0%	90.0%	80.0%	0.0%	0.0%
National Warehouse	20.0%	18.8%	66.7%	75.0%	13.3%	6.3%
National Apartment^b	72.7%	68.2%	18.2%	22.7%	9.1%	9.1%
All Markets Surveyed	27.1%	28.8%	63.8%	65.6%	9.2%	5.6%

Note: Lines may not add up to 100% due to rounding.

a. Method 1: NOI after capital replacement reserve but before TIs (tenant improvements) and leasing commissions.
Method 2: NOI before capital replacement reserve, TIs, and leasing commissions.
Method 3: Cash flow after capital replacement reserve, TIs, and leasing commissions.

b. Method 1: NOI after capital replacement reserve.
Method 2: NOI before capital replacement reserve.
Method 3: Cash flow after capital replacement reserve.

LODGING INCOME CAPITALIZED IN DIRECT CAPITALIZATION

First Quarter 2008

SEGMENT	PRIOR 12 MONTHS ^a		FORECAST 12 MONTHS ^b		BOTH ^c	
	CURRENT	YEAR AGO	CURRENT	YEAR AGO	CURRENT	YEAR AGO
Full-Service	30.0%	22.2%	60.0%	66.7%	10.0%	11.1%
Economy/Limited-Service	66.7%	50.0%	33.3%	50.0%	0.0%	0.0%
Luxury/Upper-Upscale	55.6%	37.5%	44.4%	62.5%	0.0%	0.0%
Extended-Stay	50.0%	0.0%	50.0%	100.0%	0.0%	0.0%
All Segments Surveyed	45.8%	29.2%	50.0%	66.7%	4.2%	4.2%

Note: Lines may not add up to 100% due to rounding.

a. Percentage of our lodging participants who capitalize the prior 12 months of income in direct capitalization.
b. Percentage of our lodging participants who capitalize the next 12 months of income in direct capitalization.
c. Percentage of our lodging participants who analyze both the prior 12 months of income and the next 12 months of income in direct capitalization.

FORECAST PERIODS AND GROWTH RATES

Second Quarter 2008

MARKET	FORECAST PERIOD		MARKET RENT GROWTH RATES INITIAL YEAR		FORECAST PERIOD AVERAGE		EXPENSE GROWTH RATES INITIAL YEAR		FORECAST PERIOD AVERAGE	
	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
National Regional Mall	10 - 10	10	0.00% - 3.90%	2.63%	1.40% - 3.40%	2.93%	3.00% - 3.00%	3.00%	3.00% - 3.00%	3.00%
National Power Center	3 - 10	9	0.00% - 4.00%	2.44%	1.40% - 4.00%	2.81%	3.00% - 4.00%	3.13%	3.00% - 3.00%	3.00%
National Strip Shopping Center	10 - 10	10	1.20% - 3.90%	2.81%	1.40% - 3.40%	2.92%	3.00% - 4.00%	3.10%	3.00% - 4.00%	3.10%
National CBD Office	10 - 10	10	0.00% - 10.00%	3.64%	0.60% - 6.00%	3.29%	1.50% - 3.00%	2.89%	3.00% - 3.00%	3.00%
National Suburban Office	5 - 10	10	0.00% - 8.00%	2.58%	0.00% - 6.00%	3.04%	3.00% - 3.30%	3.02%	3.00% - 3.50%	3.07%
Atlanta Office	3 - 10	9	0.00% - 8.00%	3.38%	2.00% - 5.00%	3.30%	2.50% - 3.00%	2.94%	2.00% - 3.00%	2.88%
Boston Office	5 - 10	10	0.00% - 5.00%	2.94%	3.00% - 5.00%	3.21%	3.00% - 3.00%	3.00%	3.00% - 3.00%	3.00%
Charlotte Office	3 - 10	7	0.00% - 6.00%	3.10%	2.00% - 3.50%	2.92%	3.00% - 4.00%	3.10%	2.50% - 3.00%	2.92%
Chicago Office	3 - 10	9	0.00% - 10.00%	3.08%	0.00% - 5.00%	2.99%	2.00% - 3.00%	2.92%	2.00% - 3.00%	2.92%
Dallas Office	5 - 10	9	0.00% - 7.00%	3.25%	0.00% - 3.70%	2.54%	2.00% - 3.00%	2.83%	3.00% - 3.00%	3.00%
Denver Office	2 - 10	7	3.00% - 6.00%	4.63%	3.00% - 8.00%	4.00%	3.00% - 3.00%	3.00%	3.00% - 3.00%	3.00%
Houston Office	5 - 10	10	2.00% - 5.00%	3.73%	2.00% - 4.00%	3.13%	2.00% - 4.00%	2.93%	3.00% - 4.00%	3.07%
Los Angeles Office	3 - 10	9	2.00% - 8.00%	4.56%	3.00% - 5.00%	3.46%	2.50% - 5.00%	3.17%	3.00% - 3.00%	3.00%
Manhattan Office	5 - 10	9	3.00% - 10.00%	5.78%	3.00% - 5.00%	3.94%	3.00% - 4.00%	3.21%	3.00% - 4.00%	3.19%
Northern Virginia Office	5 - 10	10	0.00% - 4.00%	2.86%	3.00% - 4.00%	3.07%	3.00% - 3.50%	3.06%	3.00% - 3.50%	3.06%
Pacific Northwest Office	5 - 12	10	0.00% - 7.50%	3.92%	1.00% - 5.00%	3.23%	3.00% - 5.00%	3.33%	3.00% - 3.25%	3.04%
Philadelphia Office	5 - 11	8	0.00% - 3.00%	2.08%	3.00% - 3.00%	3.00%	3.00% - 3.00%	3.00%	3.00% - 3.00%	3.00%
Phoenix Office	4 - 12	9	1.00% - 5.00%	3.00%	2.50% - 4.00%	3.21%	3.00% - 5.00%	3.40%	3.00% - 3.00%	3.00%
San Diego Office	2 - 10	9	1.00% - 6.00%	3.46%	2.00% - 4.00%	3.17%	2.50% - 3.00%	3.17%	2.50% - 3.00%	2.96%
San Francisco Office	5 - 10	9	0.00% - 10.00%	4.95%	3.00% - 9.00%	4.57%	2.00% - 5.00%	3.10%	3.00% - 3.00%	3.00%
Southeast Florida Office	5 - 10	8	0.00% - 5.00%	2.43%	0.00% - 4.00%	3.19%	3.00% - 4.00%	3.07%	2.00% - 3.00%	2.93%
Suburban Maryland Office	5 - 10	10	0.00% - 4.00%	2.66%	3.00% - 3.25%	3.04%	3.00% - 3.00%	3.00%	3.00% - 3.00%	3.00%
Washington, DC Office	5 - 10	10	3.00% - 7.00%	3.65%	3.00% - 4.50%	3.39%	3.00% - 3.50%	3.06%	3.00% - 3.50%	3.05%
National Flex/R&D	5 - 12	10	0.00% - 5.00%	2.70%	0.00% - 5.00%	3.00%	2.00% - 3.00%	2.95%	2.00% - 3.50%	3.00%
National Warehouse	5 - 12	10	0.00% - 10.00%	2.94%	0.00% - 4.00%	2.84%	2.00% - 3.50%	3.00%	2.00% - 3.50%	2.97%
National Apartment	1 - 10	8	0.00% - 8.00%	3.17%	1.00% - 6.00%	3.46%	2.00% - 3.75%	2.92%	2.50% - 3.50%	3.00%
National Net Lease	3 - 15	7	0.00% - 3.00%	2.33%	0.00% - 15.00%	3.88%	2.00% - 3.00%	2.75%	2.00% - 3.00%	2.75%

Source: Personal survey conducted by PricewaterhouseCoopers LLP during April 2008.

Definitions

GENERAL

CHANGE RATE

Annual compound rate of change

Market Rent

Achievable current rent if vacant

Expenses

Total property expenses

DISCOUNT RATE (IRR)

Internal rate of return in an all-cash transaction, based on annual year-end compounding

EXCESSIVE TENANT IMPROVEMENT ALLOWANCE³

The amount by which an awarded tenant improvement allowance exceeds that which is typical for the market

FORECAST PERIOD¹

A presumed period of ownership; a period of time over which expected net operating income is projected for purposes of analysis and valuation

INSTITUTIONAL-GRADE REAL ESTATE

Real property investments that are sought out by institutional buyers and have the capacity to meet generally prevalent institutional investment criteria

KORPACZ DIVIDEND INDICATOR (KDI)

A composite OAR average of the surveyed markets excluding net lease and lodging

KORPACZ YIELD INDICATOR (KYI)

A composite IRR average of the surveyed markets excluding net lease, lodging, and development land

MARKETING TIME

The period of time between the initial offering of a property for sale and the closing date of the sale

NET OPERATING INCOME (NOI)

Income remaining after deduction of all property expenses. In direct capitalization, investors capitalize one of the following:

1. NOI after capital replacement reserve deduction but before TIs and leasing commissions

2. NOI before capital replacement reserve deduction, TIs, and leasing commissions

3. Cash flow after capital replacement reserve deduction, TIs, and leasing commissions

OVERALL CAPITALIZATION RATE (OAR)

Initial rate of return in an all-cash transaction

RENT SPIKE

An increase in market rent that is markedly higher than the general rate of inflation

REPLACEMENT COST¹

The cost of construction, at current prices, of a building having utility equivalent to the building being appraised but built with modern materials and according to current standards, design, and layout

RESERVE

Amount allocated for periodic replacement of building components during a property's economic life

RESIDUAL

Estimated total price at conclusion of forecast period

Cap Rate

Overall capitalization rate used in calculation of residual price; typically applied to the NOI in the year following the forecast

Selling Expense

Transaction expenses (legal, brokerage, marketing, etc.) paid by the seller

RESPONDENT TYPE

Classification of survey participants into descriptive categories (e.g., domestic pension fund, REIT, investment advisor)

SHADOW SPACE

Space within an occupied office suite that is not currently utilized by a tenant and is also not being marketed for subleasing

STRUCTURAL VACANCY

Normal vacancy rate in a balanced market

VACANCY ASSUMPTIONS

Months Vacant

The number of months a space remains unleased at the expiration of a vacating tenant lease

Tenant Retention

Percentage of leased rentable area that is expected to be released by the existing tenants at lease expiration

Underlying Vacancy/Credit Loss

Percentage of total revenue uncollected due to unexpected vacancy or credit loss (in addition to any rent loss from vacancies at lease expirations)

APARTMENT

NET OPERATING INCOME (APARTMENT NOI)

Income remaining after deduction of all property expenses (which includes leasing commissions); in direct capitalization, investors capitalize one of the following:

1. NOI after capital replacement reserve
2. NOI before capital replacement reserve
3. Cash flow after capital replacement reserve

GARDEN APARTMENT¹

Development consisting of two- to three-story structures built in a garden-like setting with an abundance of lawn, plants, flowers, etc.; customarily located in the suburbs or rural-urban fringe.

HIGH-RISE APARTMENT⁵

Multifamily housing development consisting of at least four stories.

DEVELOPMENT LAND

DEVELOPMENT LAND

Land that has been purchased, readied for subdivision development (i.e. entitlements and infrastructure), and subsequently sold to builders

DEVELOPER'S PROFIT¹

A market-derived figure that reflects the amount a developer expects to receive for his or her contribution to a project

INDUSTRIAL

FLEX/R&D³

An industrial property with 14- to 20-foot clear ceiling heights, up to 100.0% fin-

Various sources for these definitions include ¹*The Dictionary of Real Estate Appraisal, Third Edition*, published by The Appraisal Institute, ²International Council of Shopping Centers, ³investor interviews, ⁴Smith Travel Research, and ⁵National Multi Housing Council.

ished office space including lab and clean-room space (up to 60.0% finished office space excluding lab and clean-room space), and dock-high and/or grade-level loading used for minimal distribution, research and development, and specialized office space

WAREHOUSE³

An industrial property with 16- to 30-foot clear ceiling heights, up to 15.0% finished office space, and dock-high loading facilities used for the storage and distribution of goods

LODGING

AVERAGE DAILY RATE (ADR)⁴

Room revenue divided by rooms sold

CHAIN SCALE LODGING SEGMENTS⁴

Based on the actual, system-wide average room rates of the major chains, the five chain scale segments include luxury, upper-upscale, upscale, midscale with food and beverage, midscale without food and beverage, and economy. Independent hotels are included as a separate category.

ECONOMY/LIMITED-SERVICE LODGING

Lodging with “rooms only” operation and no food and beverage except possibly continental breakfast; lower-tier pricing

EXTENDED-STAY LODGING

Lodging with rooms that generally include work stations with two-line phones, access to fax machines; mid- and upper-price lodgings include kitchenettes, separate lounging area; weekly rates

FULL-SERVICE LODGING

Lodging with restaurant and lounge facilities, meeting space, and a minimum service and amenities level; moderate to lower upper-tier pricing; includes all-suite lodgings; includes upscale and midscale-with-food-and-beverage chain segments

GROSS ROOMS REVENUE MULTIPLIER (GRRM)

The relationship, or ratio, between sale price and gross rooms revenue

LUXURY LODGING

High-quality lodging offering personalized guest services, typically with extensive amenities; upper-tier pricing; includes four- and five-star resorts; includes luxury and upper-upscale chain segments

MANAGEMENT FEE

An expense item representing the sum paid for or the value of management service,

including incentives, expressed as a percentage of total revenues

NET OPERATING INCOME (LODGING NOI)

Income remaining after deduction of all property expenses: in direct capitalization, investors capitalize one of the following:

1. Prior 12 months
2. Forecast next 12 months
3. Both of the above

OCCUPANCY⁴

Rooms sold divided by rooms available

OPERATING EXPENSES

The on-going expenditures incurred during the ordinary course of business necessary to maintain and continue the production of gross revenues, not including reserves, debt service, and capital costs

PROFFAR

Profit per available room

PROPERTY EXPENSES

Includes all necessary operating expenses and a reserve for replacement of building components and FF&E

RESERVE FOR REPLACEMENT

An allowance that provides for the periodic replacement of building components, and furniture, fixtures, and equipment, which deteriorate and must be replaced during the building’s economic life

REVPAR

Revenue per available room

NET LEASE

PROVISION 1031

A tax code that allows the seller of an investment property to defer capital gains taxes by exchanging the sale proceeds for an investment in a similar property or properties within 180 days of the original closing

SALE-LEASEBACK

A transaction in which an owner sells a property that it fully occupies to a third party and then leases the space back from the new owner

RETAIL

FORTRESS MALL

The dominant performing Class-A+ malls in the country whose inline stores generate at least \$450 per square foot in retail sales;

they contain inline and anchor stores that are both well established and unmatched in the trade area

LIFESTYLE CENTER²

Most often located near affluent residential neighborhoods, this center type caters to the retail needs and “lifestyle” pursuits of consumers in its trading area. It has an open-air configuration and typically includes at least 50,000 square feet of space occupied by upscale national chain specialty stores. Other elements, such as restaurants and entertainment, design ambience and amenities like fountains and street furniture, make the lifestyle center serve as a multi-purpose leisure-time destination. One or more conventional or fashion specialty department stores often act as anchors.

OUTLET CENTER²

Consist mostly of manufacturers’ outlet stores selling their own brands at a discount. Usually located in rural or occasionally in tourist locations. A strip configuration is most common, although some are enclosed or arranged in a “village” format.

POWER CENTER^{2,3}

An open center dominated by at least 75.0% large big-box anchors, including discount stores, warehouse clubs, and value-oriented category stores; a minimal amount of inline store space

REGIONAL MALL^{2,3}

An enclosed shopping center that contains at least two department stores and has climate-controlled walkways that are lined with smaller retail shops

REGIONAL MALL CLASSIFICATIONS

Class	Inline Retail Sales PSF
A+	\$450 and up
A	\$350 to \$449
B+	\$300 to \$349
B	\$250 to \$299
C+	\$200 to \$249
C	\$125 to \$199
D	Less than \$125

STRIP SHOPPING CENTER^{2,3}

An open row of stores either with or without anchor stores that offer convenience (neighborhood centers) and general merchandise (community centers)

Various sources for these definitions include ¹The Dictionary of Real Estate Appraisal, Third Edition, published by The Appraisal Institute, ²International Council of Shopping Centers, ³investor interviews, ⁴Smith Travel Research, and ⁵National Multi Housing Council.

Industry News

❖ **Boston Properties** has deposited a \$165.0-million letter of credit to guarantee its purchase of the trophy **GM Building, 540 Madison Avenue, 125 West 55th Street, and Two Grand Central Tower** from **Macklowe Properties**. The **\$3.96-billion deal** is expected to close in stages, starting with the GM Building in June of this year.

❖ The \$1.9-billion, 50-story **Palazzo Las Vegas** hotel was named the world's largest LEED-certified building by the U.S. Green Building Council. The project's developer, **Las Vegas Sands Corporation**, is now planning to replace the existing convention center with a \$680-million facility.

❖ **Linens 'n Things** filed Chapter 11 after reporting a loss of \$242.1 million in fiscal-year 2007. The restructuring will **close 120 stores**, 20.0% of which are located in California. There are currently 589 stores across the United States.

❖ The former **Ford Motor Plant** in Hapeville, Georgia is on its way to becoming a 6.5-million-square-foot, **mixed-use** development. **Jacoby Development** has the plant under contract and received approval for a new zoning designation from the city of Hapeville. Jacoby is responsible for the successful redevelopment of the abandoned steel mill in Midtown Atlanta, which is now known as **Atlantic Station**.

❖ **Wells REIT II** purchased the AT&T office campus in the **Buckhead** submarket of Atlanta and will **lease back** the property to AT&T Services and its subsidiaries for ten to 15 years. This deal included five buildings totaling one million square feet and built between 1992 and 2002.

❖ **New York's Metropolitan Transit Authority** has granted **redevelopment rights** for the \$1.0-billion **Hudson Yards** project to the joint venture of **Related Companies** and **Goldman Sachs**. The plans call for a **mixed-use development** encompassing 1.67 million square feet of apartments, 3.57 million square feet of office space, 565,000 square feet of shops, and a 265,000-square-foot hotel. About 55.0% of the development will be designated **public open space**.

❖ A group of German investors has decided to place **Chicago's 515 North State Street**, known as the AMA Building, on the market. The **622,500-square-foot asset** is 94.0% occupied with tenants including the American Medical Association and the Accredited Council for Graduate Medical Education. The property is being offered with **assumable first-mortgage financing**, making it more attractive to potential buyers.

❖ In a **\$100.0-million, sale-leaseback** deal, the Irish investor group of **Markland Holdings** purchased 47 Citibank branches in the New York metropolitan area. The assets total **156,300 square feet** and are located in Manhattan, the Bronx, Brooklyn, Queens, Staten Island, and Westchester, Suffolk, and Nassau Counties.

❖ The purchase of the **4400 Post Oak Parkway** office property located in Houston by **Shorenstein Realty Investors Nine** was the first to break the \$200.00-per-square-foot mark in the submarket with a sale price of approximately **\$215.00 per square foot**. The building was constructed in 1982 and was 94.0% leased at the time of the sale. **Amegy Bank** is the lead tenant, leasing nearly 31.0% of the property through 2016.

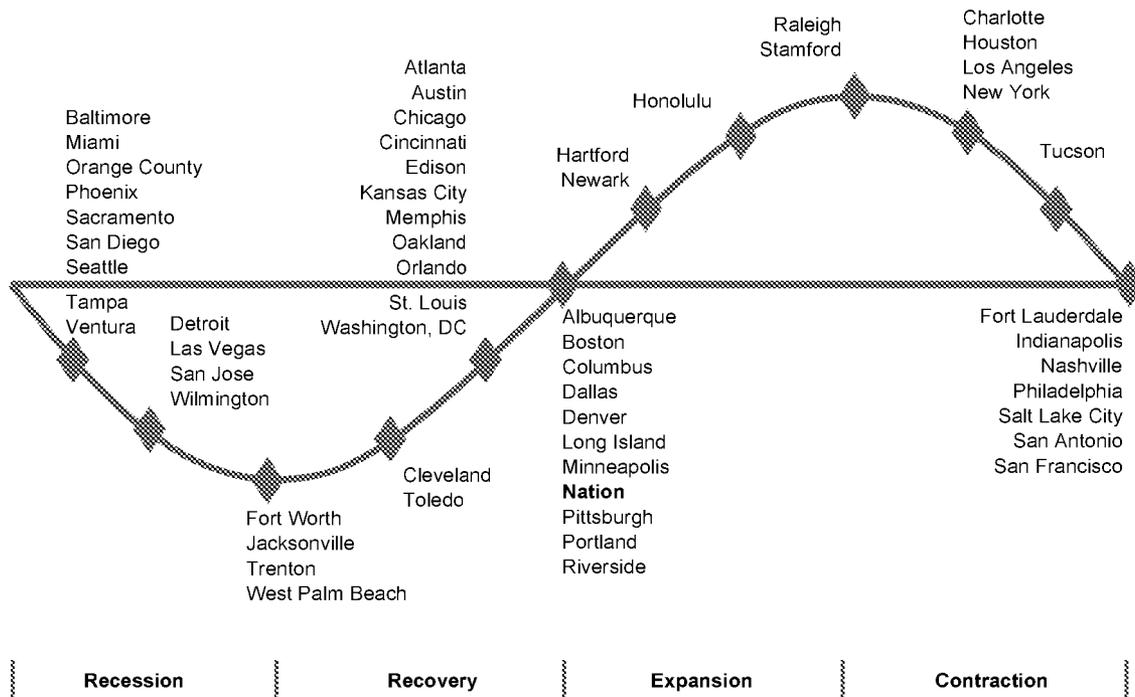
❖ **IHOP Corporation** is selling **187 Applebee's** restaurant sites in a sale-leaseback deal for approximating \$347.0 million. A newly formed partnership including **Drawbridge Real Assets Fund, Drawbridge Opportunities Fund**, and other affiliates are the buyers. IHOP plans to use the proceeds from the sale to pay down its funded debt.

❖ **Mirae Asset MAPS Investment Management**, a South Korean firm, purchased **One Sansome Street**, the landmark Class-A office tower in the North Financial District of **San Francisco**. The purchase price for the 43-story building was **\$370.0 million**.

❖ An undisclosed buyer is spending **\$152.8 million** to purchase the three-building **Tyson's Dulles Plaza** from **Vornado Realty Trust**. The transaction price equates to \$317.00 per square foot for the 486,000-square-foot, Class-A asset located in **Tyson's Corner, Virginia**. ❖

U.S. OFFICE MARKET CYCLE POSITIONS

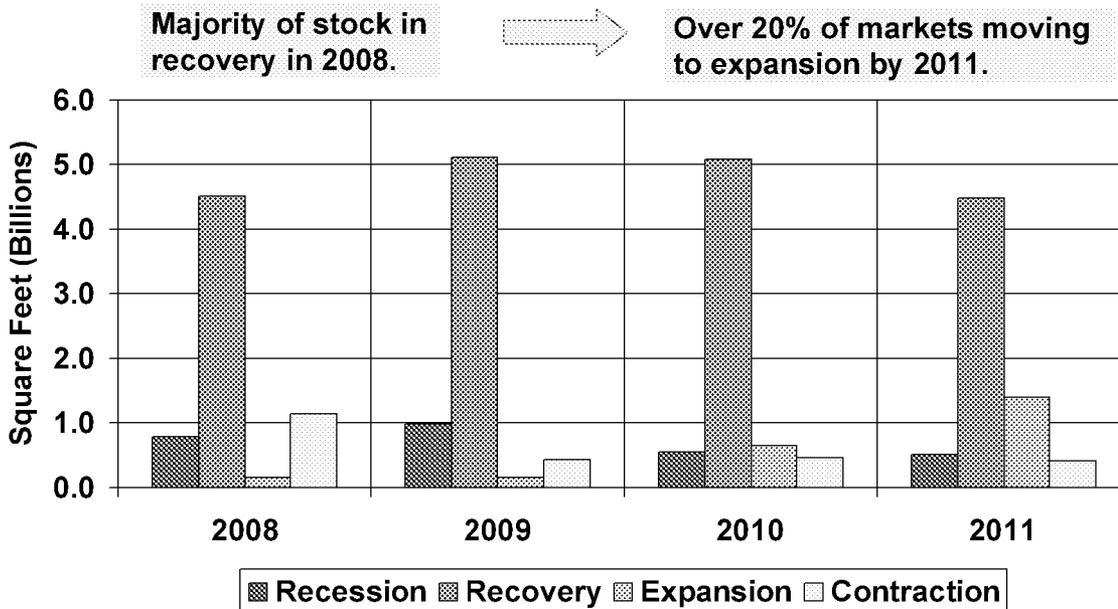
Second Quarter 2008



Source: PricewaterhouseCoopers LLP

U.S. OFFICE MARKET HISTORY & FORECAST

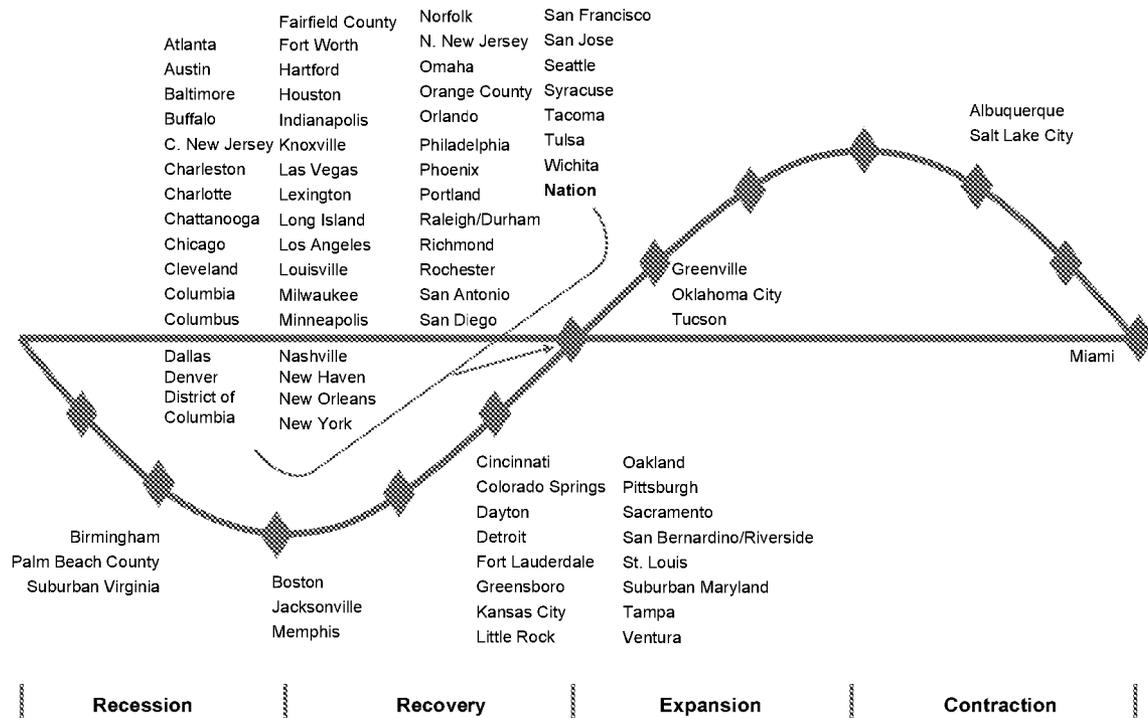
Second Quarter 2008



Source: PricewaterhouseCoopers LLP

U.S. MULTIFAMILY MARKET CYCLE POSITIONS

Second Quarter 2008

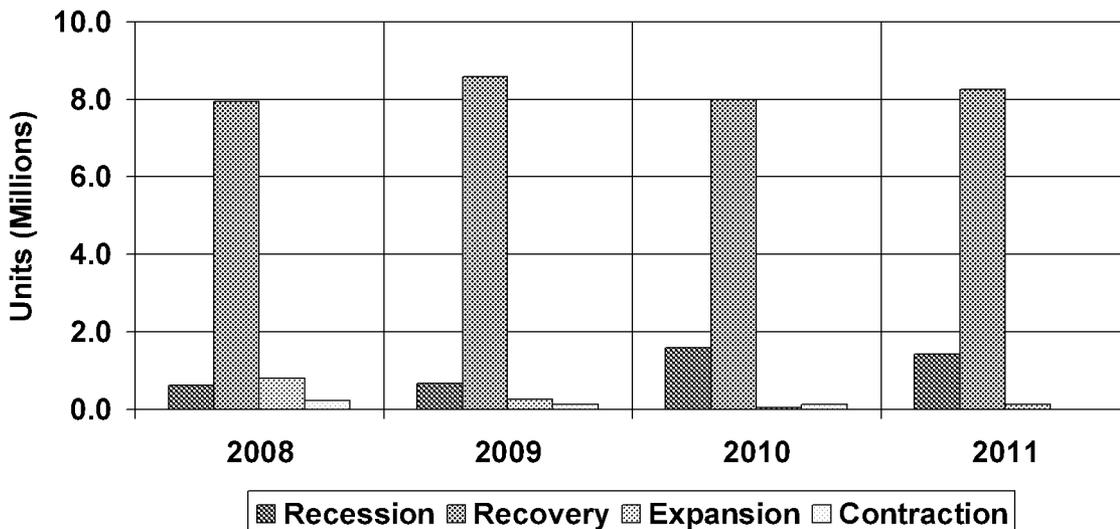


Source: PricewaterhouseCoopers LLP

U.S. MULTIFAMILY MARKET HISTORY & FORECAST

Second Quarter 2008

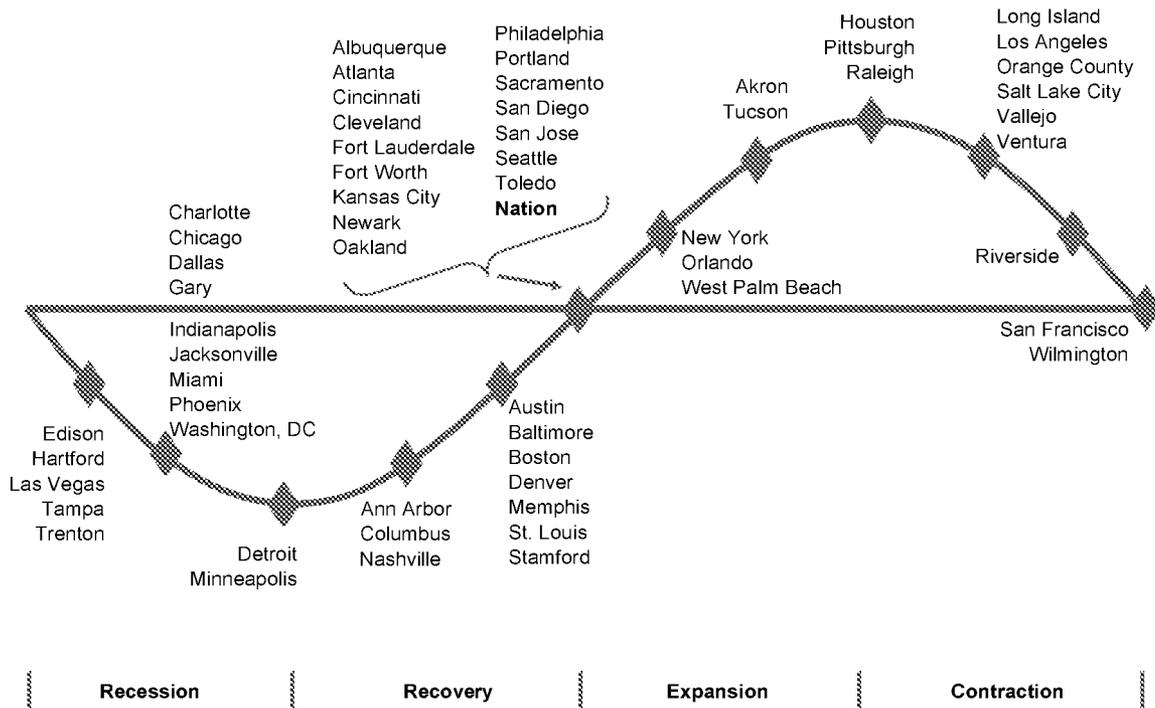
Staying in recovery, near equilibrium, through 2011.



Source: PricewaterhouseCoopers LLP

U.S. WAREHOUSE MARKET CYCLE POSITIONS

Second Quarter 2008

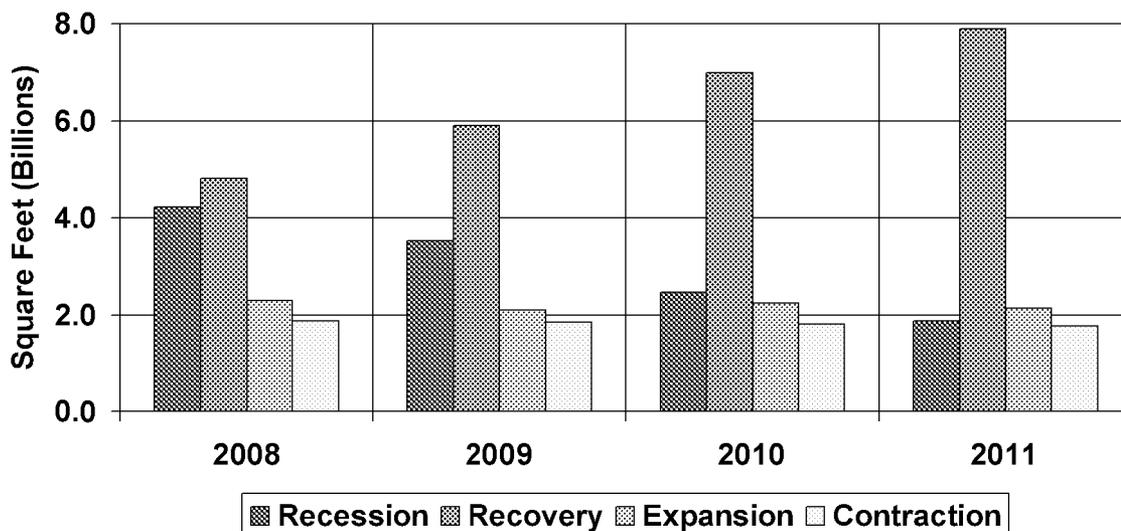


Source: PricewaterhouseCoopers LLP

U.S. WAREHOUSE MARKET HISTORY & FORECAST

Second Quarter 2008

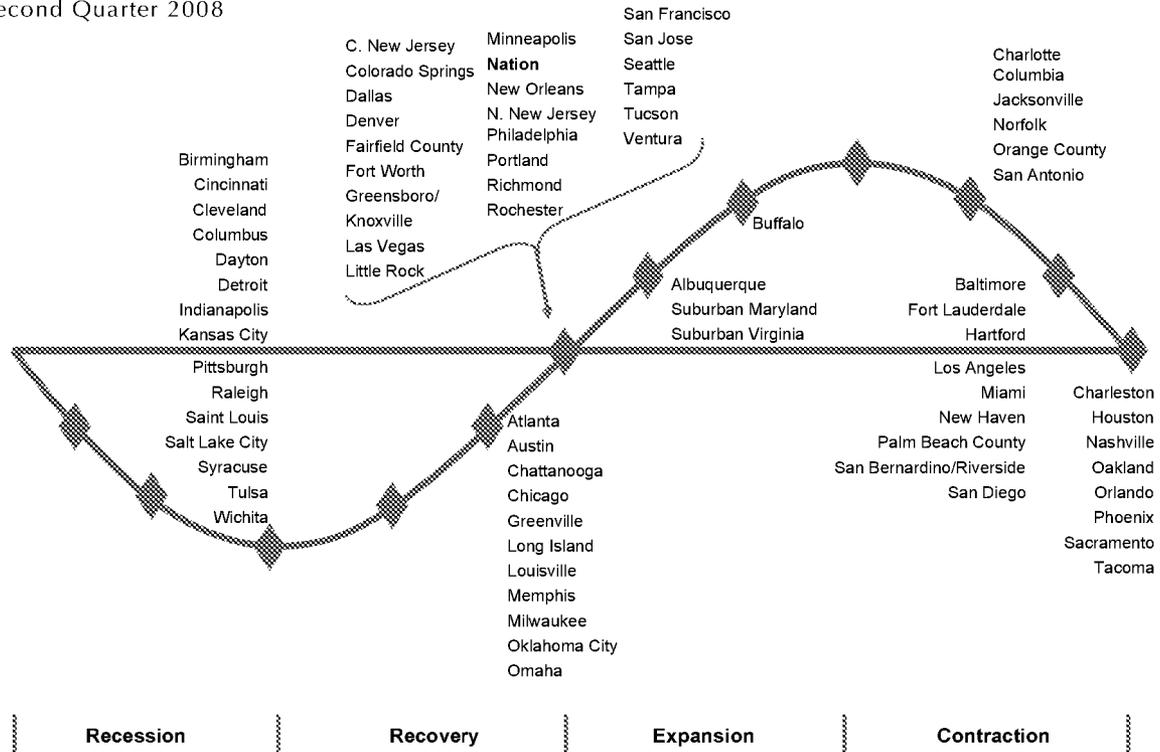
Recovery phase dominates; some distribution in other phases.



Source: PricewaterhouseCoopers LLP

U.S. RETAIL MARKET CYCLE POSITIONS

Second Quarter 2008

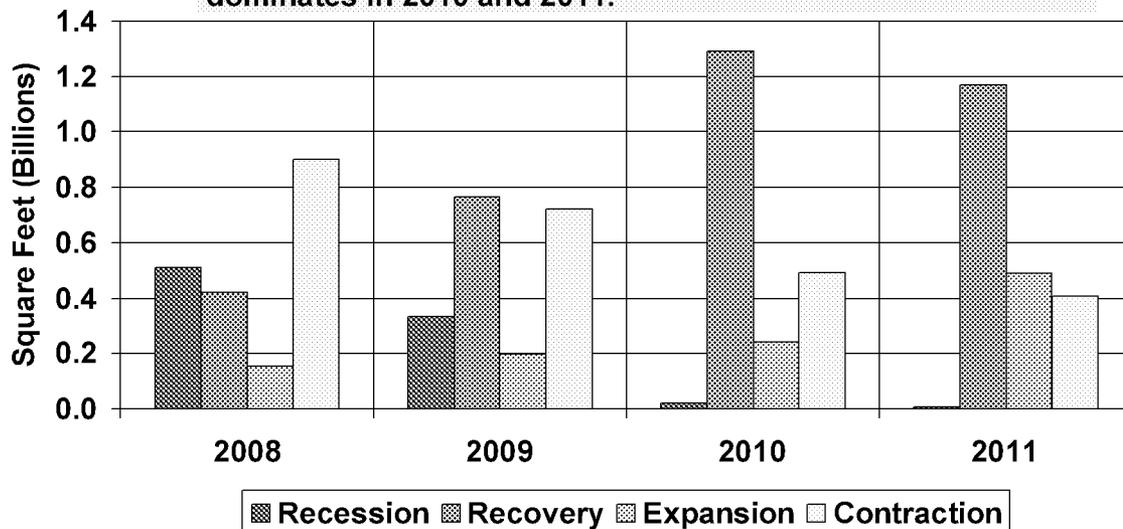


Source: PricewaterhouseCoopers LLP

U.S. RETAIL MARKET HISTORY & FORECAST

Second Quarter 2008

Contraction phase decreases through 2010; recovery phase dominates in 2010 and 2011.



Source: PricewaterhouseCoopers LLP

REAL ESTATE INVESTOR SURVEY

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Survey Process: Survey participants represent a cross section of major institutional equity real estate investors who invest primarily in institutional-grade property. As such, the information presented is not generally applicable to noninstitutional-grade investments. In addition, the information represents investors' investment expectations and does not reflect actual property performances.

Initially, participants are interviewed regarding their assumptions used in analyzing their U.S. investments. Subsequently, surveys are completed by mail with telephone follow-ups. Although we do not represent that the survey is statistically accurate, its results provide important insight into the thinking of a significant portion of the equity real estate marketplace.

Investor Survey Responses: The individual investor responses contained in the large tables in the back of each issue are a representative sample. Due to space constraints, not all responses are included.

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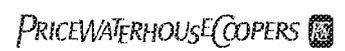
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