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ECONOMIC & REAL ESTATE OVERVIEW

1ST QUARTER 2009

Contents

Introduction

As of April 2009, the U.S. economy is currently in its 16th month of a recession that the National Bureau of Economic Research announced began in December 2007. During this period, it is estimated that more than 5.0 million jobs have been lost. Labor markets continue to struggle with large numbers of layoffs and predictions suggest that the unemployment rate may exceed 10% by the end of the year as employers look for signs of sustained economic recovery before hiring. The U.S. economy is now experiencing declining real Gross Domestic Product (GDP), which is forecasted to contract through the first half the year; however, recent economic data, from housing sales to consumer spending, have provided some tentative signs that the economy might be close to bottoming out. Economists believe a recovery during late 2009 will need to be driven by stabilization in the housing market. It is hoped that the credit easing by the Federal Reserve and the massive stimulus program will bolster the economy in the near term, but it is possible that labor market weakness will persist through much of 2009 and potentially throughout 2010. Thus, economic growth is forecasted to be slow.

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

- **GDP Growth has Turned Negative.** U.S. gross domestic product (GDP) contracted at a 6.2% annual pace in the fourth quarter of 2008, the most since 1982.
- **Unemployment Rates Rise.** After shedding more then 3.0 million jobs in 2008, the unemployment rate jumped to 8.5% in March, the highest since late1983. As a result, the average work week dropped to a record low 33.2 hours.
- **Construction Spending Declines.** Total construction spending fell 0.9% in February, the fifth straight month of decline. Residential spending decreased 4.1% while non-residential construction increased 0.5%. Much of the weakness in February reflected a 4.3% drop in housing construction as home builders cut back sharply.
- **Durable Goods Orders Rise Unexpectedly.** New orders to U.S. factories for big-ticket manufactured goods surprisingly jumped in February, increasing 3.4%. It was the strongest one-month gain in 14 months.
- **Consumer Spending Rises.** Consumer spending increased 0.2% in February following a 1.0% rise in January. The jump occurred despite a slight fall in income levels.
- **Existing-Home Sales Post Suprising Gain.** Existing home sales increased 5.1% in February by the largest amount in six years as first-time buyers took advantage of large discounts.
- **Leading Indicators Down.** The Index of Leading Indicators (LEI) fell 0.4% in February as an increase in claims for unemployment insurance and declining stock market weighed on the LEI.
- **Retail Sales Better than Expected.** A decline of 0.1% was recorded in February, exceeding economist's expectations. Gasoline sales increased 3.4%, while motor vehicle sales declined 4.3%.

- **Consumer Prices Continue to Rise.** The CPI increased 0.4% in February, following a gain of 0.3% in January. Most of the increase in prices during January and February was due to a bounce back in energy prices.
- **Credit Card Defaults Rise.** U.S. credit card defaults rose in February to their highest level in 20 years. Analysts estimate credit card charge-offs could climb 9% to 10% this year with losses totaling upwards of $75 billion.
- **Mortgage Troubles Persist.** The delinquency rate for mortgage loans on one-to-four-unit residential properties rose to a seasonally adjusted rate of 7.88% of all loans outstanding as of the end of the fourth quarter of 2008, up 89 basis points from the third quarter of 2008, and up 206 basis points from one year ago.

Economic Stimulus Program

On February 17, 2009, U.S. President Barack Obama signed a $787-billion-dollar economic stimulus bill into law, calling it the first step to pave the way to long-term growth. The sweeping economic rescue package, cited as the American Recovery and Reinvestment Act of 2009, is designed to break the cycle of job loss and economic decline by providing government spending and tax cuts for both individuals and businesses. The plan is aimed at saving or creating 3.5 million jobs over the next two years and ending the current economic crisis; it will pump money into highway, bridge and other infrastructure projects, health care, renewable energy development and conservation, includes tax breaks for most individuals and families, will provide aid to states, will provide financial incentives for people to start buying again, and will increase unemployment benefits and food stamps, subsidies for health insurance to help poor people, and laid-off workers. Despite the massive spending plans, President Obama and economists are warning that the bill will not produce a rapid return to economic health.

Employment

After shedding more than 3.0 million jobs in 2008, the job losses continued through the first quarter of 2009 as more than 2.0 million jobs were lost. In March, nonfarm payroll employment fell sharply with the loss of 663,000 jobs. Broad declines were recorded in the manufacturing (decline of 161,000), professional and business sectors (decline of 133,000) and construction (decline of 126,000) sectors. Since 2007, employment in the construction industry has declined by 1.2 million jobs. Payrolls have declined for fifteen consecutive months and that decline is expected to continue through 2009. On the positive, the health care and education and government sectors continued to add jobs in March.

UNITED STATES NON-FARM EMPLOYMENT BY INDUSTRY

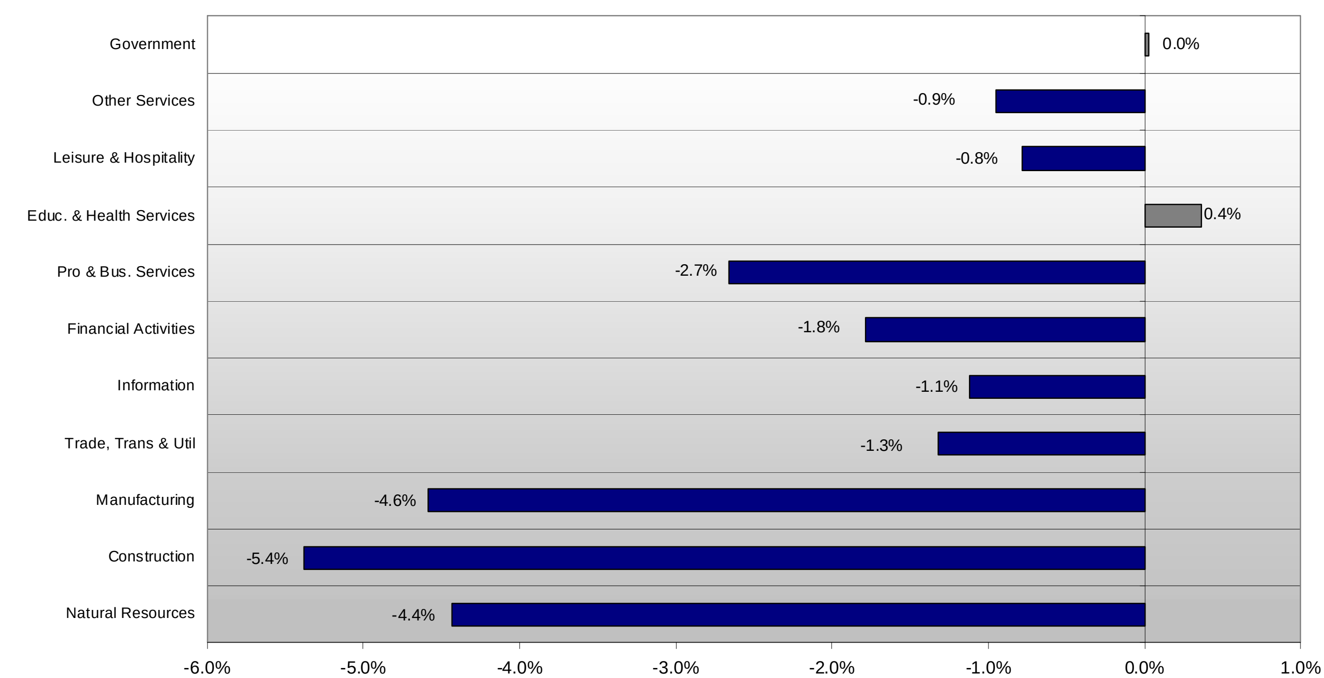
Historic & Current Figures

INDUSTRY	Mar-09 Employment	Total Percent	2008 Employment	Total Percent	2007 Employment	Total Percent	% Change Mar-09 to 2008
Natural Resources	754	0.6%	789	0.6%	739	0.5%	-4.4%
Construction	6,473	4.9%	6,841	5.1%	7,465	5.4%	-5.4%
Manufacturing	12,310	9.3%	12,902	9.6%	13,777	10.0%	-4.6%
Trade, Trans & Utilities	25,502	19.2%	25,843	19.1%	26,658	19.3%	-1.3%
Information	2,907	2.2%	2,940	2.2%	3,018	2.2%	-1.1%
Financial Activities	7,867	5.9%	8,010	5.9%	8,252	6.0%	-1.8%
Pro & Bus. Services	16,894	12.7%	17,356	12.8%	18,131	13.1%	-2.7%
Educ. & Health Services	19,149	14.4%	19,080	14.1%	18,568	13.4%	0.4%
Leisure & Hospitality	13,200	9.9%	13,304	9.8%	13,635	9.9%	-0.8%
Other Services	5,425	4.1%	5,477	4.1%	5,507	4.0%	-0.9%
Government	22,538	16.9%	22,532	16.7%	22,333	16.2%	0.0%
Total Nonfarm	**133,019**	**100.0%**	**135,074**	**100.0%**	**138,083**	**100.0%**	**-1.5%**

Source: Bureau of Labor Statistics

2009 PERCENT CHANGE IN EMPLOYMENT ACROSS MAJOR SECTORS

2008 through March 2009



Source: Bureau of Labor Statistics

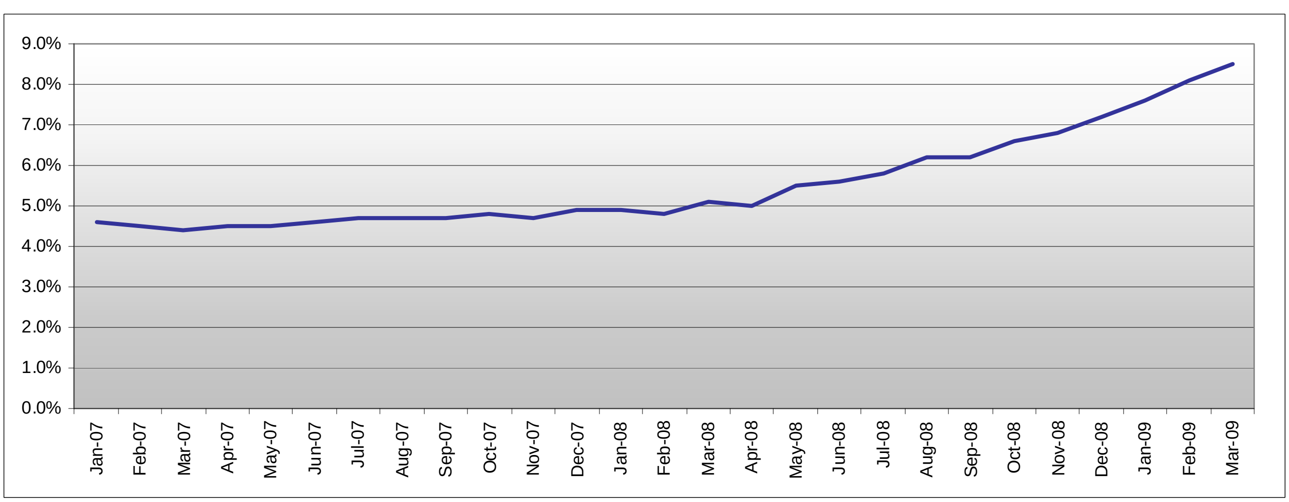
The change in employment during the first quarter of 2009 shows only one sector, Educational and Health Services, recording gains in employment. Payroll employment has declined by more than 2.0 million since 2008.

With the large job losses, the unemployment rate jumped from 7.2% at the close of 2008 to 8.5% in March. This marked the seventh straight month of increases and the highest unemployment rate in more than 25 years. Since March 2007, the unemployment rate has nearly doubled. Below is a graph depicting unemployment since January 2007.

U.S. UNEMPLOYMENT RATE

Monthly Figures

Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09
4.7%	4.8%	4.7%	4.9%	4.9%	4.8%	5.1%	5.0%	5.5%	5.6%	5.8%	6.2%	6.2%	6.6%	6.8%	7.2%	7.6%	8.1%	8.5%



Source: Bureau of Labor Statistics

Gross Domestic Product (GDP)

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

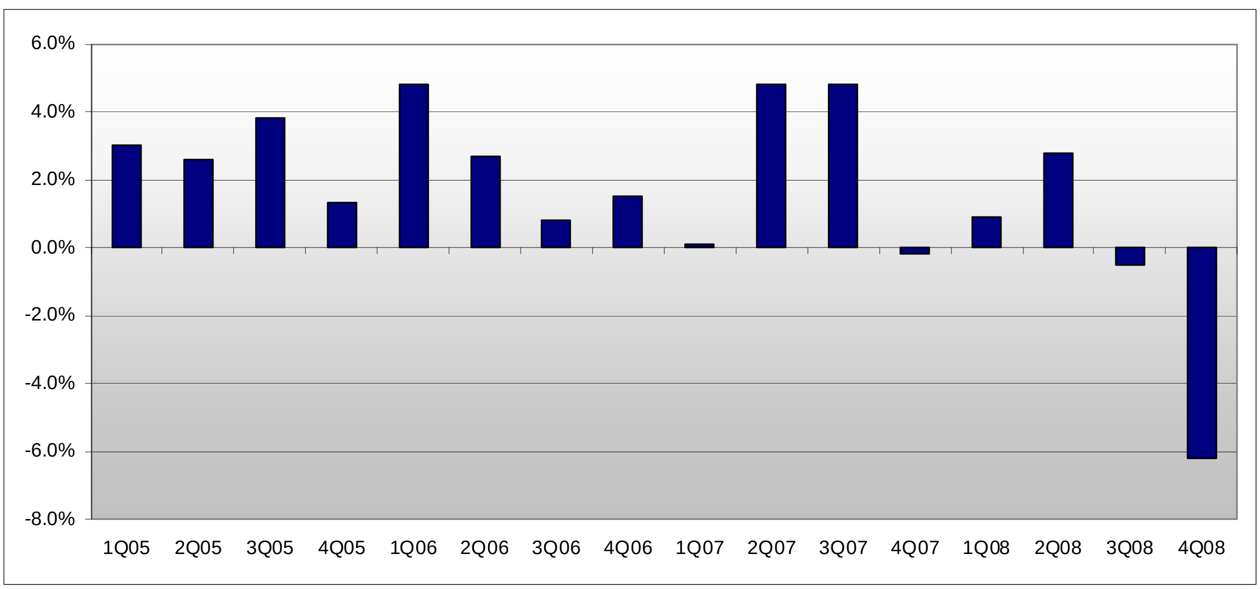
The Commerce Department reported that U.S. GDP contracted at a 6.2% annual pace in the fourth quarter of 2008, the most since 1982. The largest contributors were a downturn in exports and a much larger decrease in equipment and software. Exports of goods and services decreased 23.6% in the fourth quarter, compared with a 3.0% increase the third. Business investment declined 21%, imports of goods and services decreased 16%, and spending on equipment and software dropped 29%.

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

GROSS DOMESTIC PRODUCT

Quarter-to-Quarter Growth in Real GDP

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
GDP Growth	3.0%	2.6%	3.8%	1.3%	4.8%	2.7%	0.8%	1.5%	0.1%	4.8%	4.8%	-0.2%	0.9%	2.8%	-0.5%	-6.2%



Source: Bureau of Labor Statistics

In early April, Christina Romer, the head of the White House Council of Economic Advisers, indicated that the Obama Administration expects the economy to begin turning the corner by the end of the year with job growth coming some months after that. The expectation is that there will some lag between the implementation of the new economic policies and the time at which they will impact the economy.

Consumer Price Index (CPI)

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

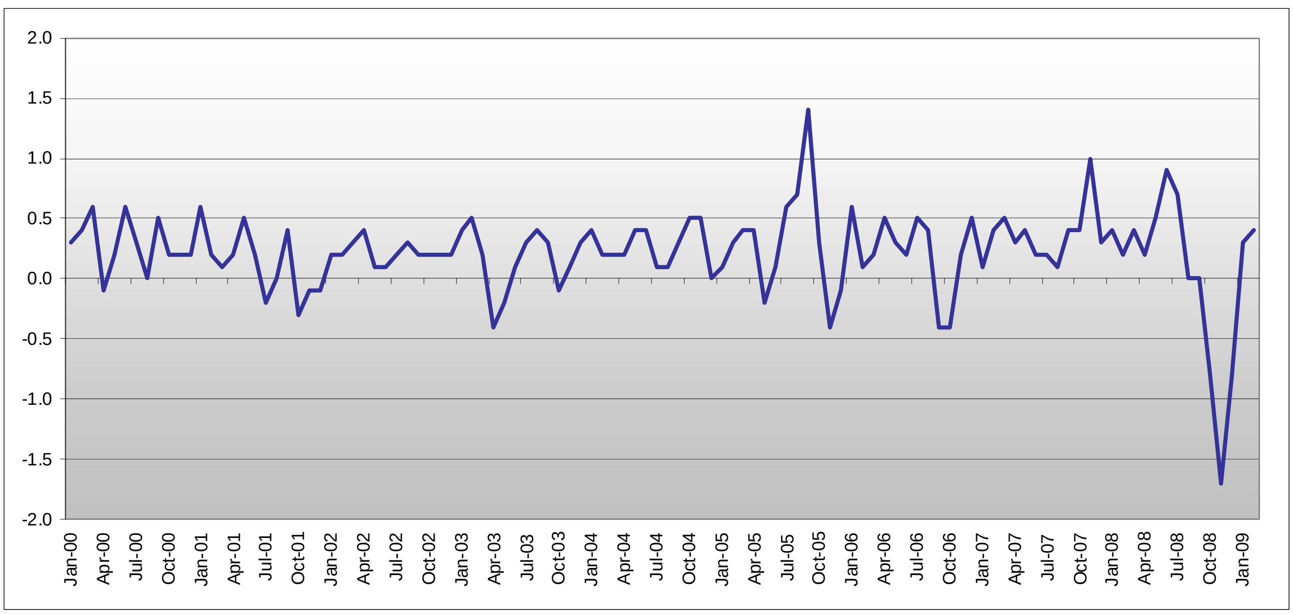
The Labor Department reported consumer prices rose in February by the largest amount in seven months. Consumer inflation increased 0.4%, the biggest one-month jump since a 0.7% rise in July. This follows a 0.3% rise in January. Most of the price increases to begin 2009 were due to an increase in energy prices, which fell dramatically during the fourth quarter of 2008. Food prices also started to decline, but still remain 4.7% higher than a year ago. Core inflation, which excludes food and energy, rose 0.2% in February, also slightly higher than the 0.1% rise economists expected. Gas prices surged 8.3% in February after a 6.0% rise in January; both gains came after several months of huge declines in prices at the pump.

Below is table summarizing the month-over-month change in the CPI for the last 18 months and a graph depicting the month-over-month change in the CPI since January 2000.

US CONSUMER PRICE INDEX

Month-over-Month Percent Change

	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
CPI - % change	0.4%	0.4%	1.0%	0.3%	0.4%	0.2%	0.4%	0.2%	0.5%	0.9%	0.7%	0.0%	0.0%	-0.8%	-1.7%	-0.8%	0.3%	0.4%



Source: Bureau of Labor Statistics

Some economists predict that the unexpected gain in the U.S. CPI is likely to be temporary and is not indicative that the U.S. has avoided deflation. According to Paul Sales at Capital Economics, "The base effects linked to the sharp rise and then fall in energy prices will ensure that inflation turns negative in the next few months and slips to around -2.5% by the summer."

ISM Manufacturing Index

The ISM, a national survey of purchasing managers, is one of the first comprehensive economic releases of the month. The total index is calculated based on a weighted average of the following five sub-indexes: new orders (30%), production (25%), employment (20%), deliveries (15%), and inventories (10%). The Composite ISM manufacturing index changed little from depressed levels in March. For the fourth consecutive month, the headline ISM manufacturing index remained in the 30s signaling continued recession along with structural change in manufacturing. New orders stayed increased 8.1 percentage points in March, while the ISM index suggests continued weak production. Employment was weak again as manufacturers continued to cut jobs as a reflection of the current recession and lower growth expectations for future consumer demand for durable goods. Among highlights from the report, manufacturers' inventories contracted in March by 4.8 percentage points while exports and imports posted slight increases. None of the 18 manufacturing industries reported growth in March.

MANUFACTURING AT A GLANCE - MARCH 2009

Index	Series Index Mar.	Series Index Feb.	Percent Point Change	Direction	Rate of Change	Trend* (months)
PMI	36.3	35.8	0.5	Contracting	Slower	14
New Orders	41.2	33.1	8.1	Contracting	Slower	16
Production	36.4	36.3	0.1	Contracting	Slower	7
Employment	28.1	26.1	2.0	Contracting	Slower	8
Supplier Deliveries	43.6	46.7	-3.1	Faster	Faster	6
Inventories	32.2	37.0	-4.8	Contracting	Faster	35
Customer Inventories	54.0	51.0	3.0	Too High	Faster	8
Prices	31.0	29.0	2.0	Decreasing	Slower	6
Backlog of Orders	35.5	31.0	4.5	Contracting	Slower	11
Exports	39.0	37.5	1.5	Contracting	Slower	6
Imports	33.0	32.0	1.0	Contracting	Slower	14

Source: Institute for Supply Management

*Number of months moving in current direction

- **PMI**. A reading above 50% indicates that the manufacturing economy is generally expanding; below 50% indicates that it is generally contracting. A PMI in excess of 41.2%, over a period of time, generally indicates an expansion of the overall economy. Therefore, the PMI indicates contraction in both the overall economy and the manufacturing sector.
- **New Orders Index**. A New Orders Index above 48.8%, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders (in constant 2000 dollars). Six industries reported growth in new orders in March.
- **Production Index**. An index above 50.4%, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures. Two industries reported growth in production during the month of March.
- **Employment Index**. An Employment Index above 49.7%, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment. None of the 18 manufacturing industries reported growth in employment in March.
- **Supplier Deliveries Index**. A reading above 50% indicates slower deliveries.
- **Inventories Index**. An Inventories Index greater than 42.6%, over time, is generally consistent with expansion in the Bureau of Economic Analysis' (BEA) figures on overall manufacturing inventories (in chained 2000 dollars). Apparel, Leather & Allied Products is the only industry reporting higher inventories in March.

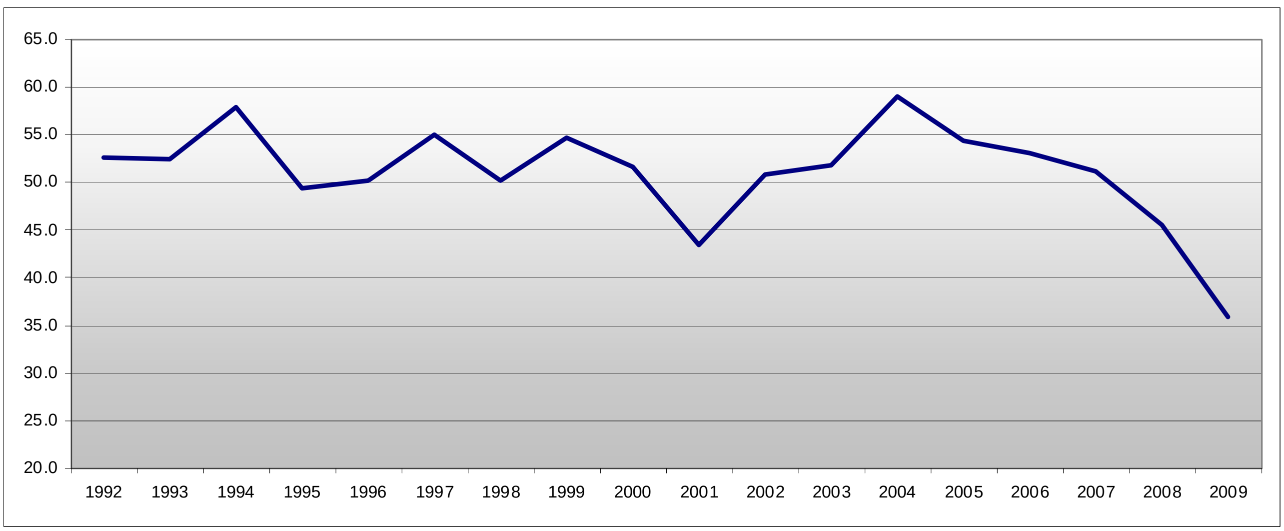
- **Customers' Inventories Index**. The index indicates that respondents believe their customers' inventories are too high for the eighth consecutive month. Six industries reported higher customers' inventories during March.
- **Prices Index**. Since the index is below the mid-point of 50, this indicates that manufacturers continue to pay lower prices on average when compared to the previous month. A Prices Index above 47.6%, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) Index of Manufacturers Prices.
- **Backlog of Orders Index**. Of the 83% of respondents who reported their backlog of orders, 11% reported greater backlogs, 40% reported smaller backlogs, and 49% reported no change from February.

Historic PMI figures are presented in the following table. If the 2009 PMI, which is currently based on a 3-month average, remains at or near its current levels, it will potentially be the lowest recorded PMI since the report began in 1948.

PURCHASING MANAGER'S INDEX (PMI)

Historic Average Annual Figures

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
PMI Index	52.6	52.5	57.8	49.5	50.1	55.0	50.2	54.6	51.7	43.4	50.8	51.7	59.1	54.4	53.1	51.1	45.5	35.9



Source: Institute for Supply Management

Construction Spending

The U.S. Census Bureau of the Department of Commerce reported that construction spending during February 2009 was estimated at a seasonally adjusted annual rate of $967.5 billion, 0.9% below the revised January estimate of $976.2 billion. The February figure is 10.0% below the February 2008 estimate of $1,075.3 billion. During the first two months of this year, construction spending amounted to $135.5 billion, 10.9% below the $152.0 billion for the same period in 2008.

Of total construction spending, public construction accounted for 69% of total expenditures while 31% were private. Non-residential spending comprised 71% of total expenditures compared to 29% for non-residential projects. Residential spending decreased 4.1% while non-residential construction increased 0.5%. During the past 12 months, as residential construction declined 29.2%, a slight 1.3% increase was recorded for non-residential properties. Within the non-residential sector, the largest declines in spending were within the communication (-31.3%), commercial (-22.3%), and amusement/recreation sectors. On the positive, total construction on manufacturing projects has increased 63.3% since February 2008. Other gains in spending occurred on health care, educational and power facilities.

Spending on private construction was at a seasonally adjusted annual rate of $665.9 billion, 1.6% below the revised January estimate of $676.9 billion. Residential construction was at a seasonally adjusted annual rate of $275.1 billion in February, 4.3% below the revised January estimate of $287.4 billion. Non-residential construction was at a seasonally adjusted annual rate of $390.7 billion in February, 0.3% above the revised January estimate of $389.5 billion.

In February, the estimated seasonally adjusted annual rate of public construction spending was $301.7 billion, 0.8% above the revised January estimate of $299.2 billion. Educational construction was at a seasonally adjusted annual rate of $86.9 billion, 1.7% above the revised January estimate of $85.5 billion. Highway construction was at a seasonally adjusted annual rate of $77.7 billion, 0.5% below the revised January estimate of $78.0 billion.

VALUE OF CONSTRUCTION PUT IN PLACE - SEASONALLY ADJUSTED ANNUAL RATE

(millions of dollars)

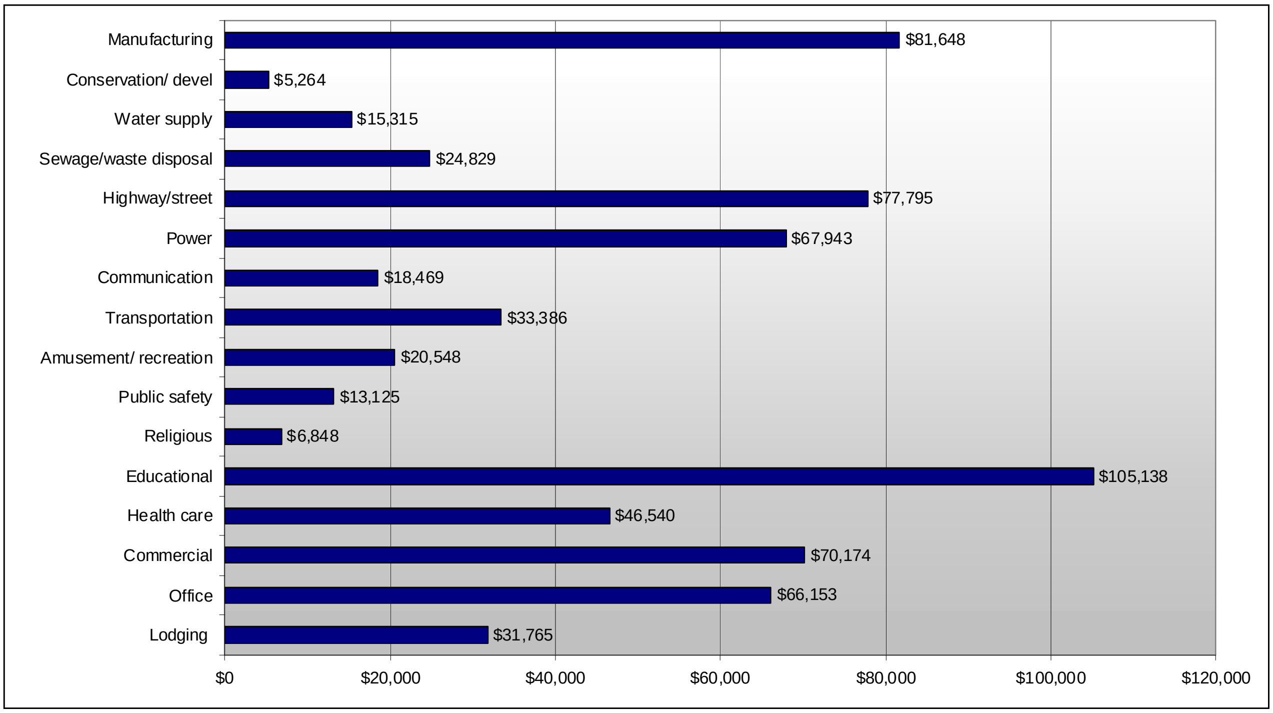
	Feb-09	Jan-09	Dec-08	Oct-08	Feb-08	Percent change Feb. 2009. from Jan-09	Percent change Feb. 2009. from Feb-08
Total Construction	967,523	976,161	1,012,017	1,082,279	1,075,303	-0.9%	-10.0%
Residential	282,584	294,695	305,451	351,422	398,940	-4.1%	-29.2%
Nonresidential	684,939	681,466	706,566	730,857	676,363	0.5%	1.3%
Lodging	31,765	30,368	33,751	37,963	33,374	4.6%	-4.8%
Office	66,153	65,803	68,059	73,982	70,543	0.5%	-6.2%
Commercial	70,174	71,397	74,813	81,261	90,371	-1.7%	-22.3%
Health care	46,540	45,526	48,283	48,559	44,221	2.2%	5.2%
Educational	105,138	103,644	102,990	105,689	98,560	1.4%	6.7%
Religious	6,848	6,903	7,246	7,637	6,996	-0.8%	-2.1%
Public safety	13,125	13,451	13,970	12,836	11,785	-2.4%	11.4%
Amusement and recreation	20,548	19,905	21,245	22,534	23,204	3.2%	-11.4%
Transportation	33,386	32,974	33,885	36,046	34,490	1.2%	-3.2%
Communication	18,469	19,947	22,347	22,299	26,865	-7.4%	-31.3%
Power	67,943	69,724	77,855	74,092	64,327	-2.6%	5.6%
Highway and street	77,795	78,168	79,429	83,811	75,780	-0.5%	2.7%
Sewage and waste disposal	24,829	24,437	26,183	26,893	25,044	1.6%	-0.9%
Water supply	15,315	15,849	17,546	17,525	15,451	-3.4%	-0.9%
Conservation and development	5,264	4,941	5,954	5,232	5,342	6.5%	-1.5%
Manufacturing	81,648	78,430	73,012	74,501	50,009	4.1%	63.3%

Source: Census Bureau

Below is a further breakdown of non-residential construction spending, which totaled $684.9 billion. Spending on educational facilities accounted for the largest percentage followed by manufacturing facilities and then highway/street projects.

BREAKDOWN OF NON-RESIDENTIAL CONSTRUCTION SPENDING

February 2009



Source: Census Bureau

Korpacz Real Estate Investor Survey

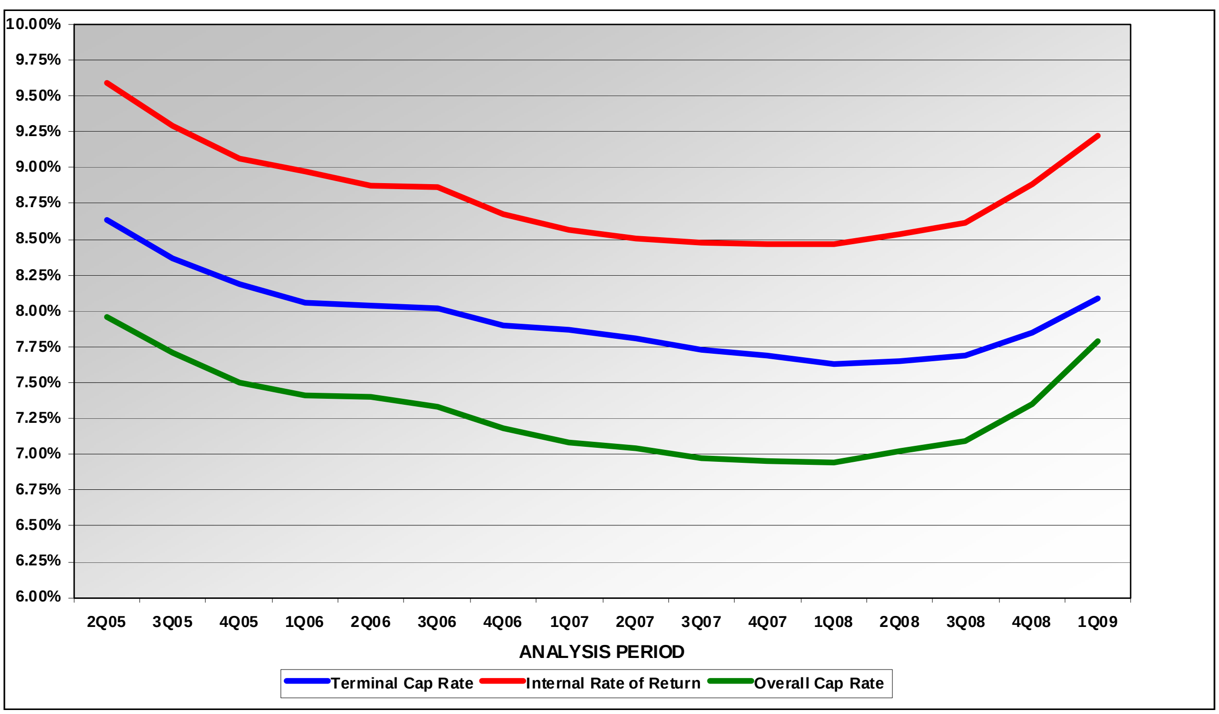
- More than 100 institutional and private investors surveyed for the Korpacz reported that overall cap rates (OARs) have increased for nearly all surveyed markets and product types during 1Q09. The average increase was 39 basis points across nearly all major property types since 4Q08. Respondents predicted that OARs will rise by an average of nearly 50 basis points (BPS) over the next six months across almost all property categories and metro markets. The largest projected gainers are power centers (74.4 BPS), suburban office (65.6 BPS) and regional malls (65 BPS), with their generally lower barriers to market entry. The smallest forecasted gains were predicted across the flex/R&D (31 BPS) and warehouse (40 BPS) sectors.
- Terminal cap rates have increased for nearly all surveyed markets and product types during 1Q09. The average increase was 24 BPS across nearly all major property types since 4Q08. This compares to a 39 BPS rise for overall cap rates during the same period.
- Discount rates (IRR) have increased for nearly all surveyed markets and product types during 1Q09. The average increase was 31 basis points across nearly all major property types since 4Q08. This compares to a 39 BPS rise for overall cap rates and 24 BPS increase for terminal cap rates during the same period.

Simple averages of the capitalization, terminal capitalization and discount rates are presented in the following table for the following property types: Flex/R&D, Warehouse, CBD Office, Suburban Office, Apartment, Strip Center, Regional Malls and Power Centers.

KORPACZ REAL ESTATE INVESTOR SURVEY HISTORICAL RESULTS

INVESTMENT RATE ANALYSIS

	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09
Overall Cap Rate	7.95%	7.71%	7.50%	7.41%	7.40%	7.34%	7.18%	7.09%	7.04%	6.97%	6.96%	6.94%	7.02%	7.09%	7.35%	7.79%
Terminal Cap Rate	8.64%	8.36%	8.18%	8.06%	8.03%	8.02%	7.90%	7.87%	7.81%	7.73%	7.69%	7.62%	7.65%	7.69%	7.85%	8.09%
Internal Rate of Return	9.60%	9.30%	9.06%	8.97%	8.87%	8.87%	8.67%	8.57%	8.50%	8.47%	8.47%	8.46%	8.53%	8.61%	8.89%	9.23%



- OARs increased within all major property types during 1Q09 with the largest gains recorded within the Apartment (75 BPS), Suburban Office (58 BPS) and Flex/R&D (44 BPS) sectors. The smallest rise occurred within the Regional Mall sector (3 BPS). Since 1Q08, OARs across all property sectors increased an average of 73 BPS.

- As of 1Q09, Flex/R&D properties had the highest OARs at 8.20%, followed by Suburban-Office (8.17% and power centers (7.98%). The lowest OARs were recorded within Apartment (6.88%) and Regional Mall (6.99%) properties. The simple average OAR across all sectors was 7.79%.

- Terminal cap rates increased within all major property types during 1Q09 with the largest gains recorded within the Power Center (38 BPS) and Suburban Office (37 BPS) sectors. The smallest gains occurred across Regional Mall (11 BPS) and Flex/R&D (17 BPS) properties. Since 1Q08, overall cap rates across all property sectors increased an average of 47 BPS.

- As of 1Q09, Power Center properties had the highest terminal capitalization rate at 8.58%, followed by Suburban-Office (8.46% and Flex/R&D (8.41%). The lowest terminal capitalization rates were recorded within Warehouse (7.51%) and Regional Mall (7.64%) sectors. The simple average terminal capitalization rate across all sectors was 8.09%.

- IRRs increased within all major property types during 1Q09 with the largest gains recorded within the Apartment (73 BPS), Suburban-Office (57 BPS) and Power Center (57 BPS) sectors. The smallest gains occurred across Regional Mall (11 BPS) and Flex/R&D (17 BPS) properties. Since 1Q08, IRRs across all property sectors increased an average of 72 BPS.

- As of 1Q09, Power Center properties had the highest IRR at 9.52%, followed by Regional Malls (9.13%) and Apartment (9.03%). The lowest IRRs were recorded within the Warehouse (8.33%), Strip Center (8.59%) and CBD-Office (8.63%) sectors. The simple average IRR across all sectors was 9.23%.

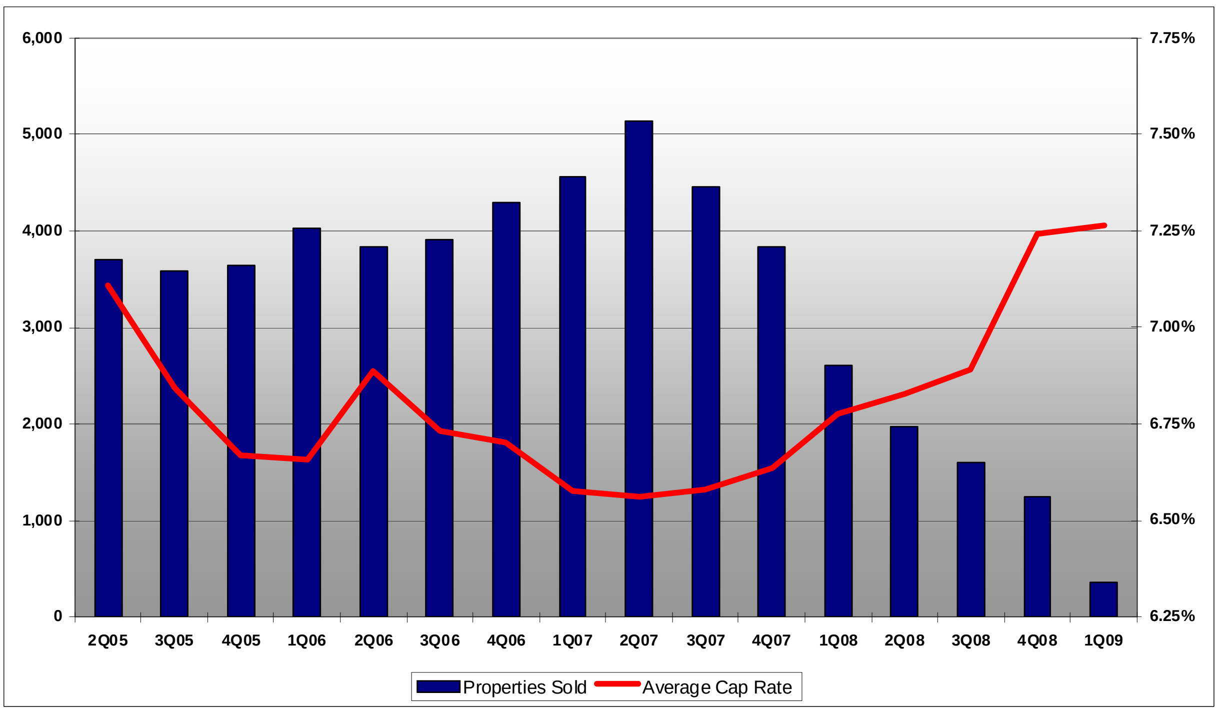
Real Capital Analytics

A slumping economy and credit crunch has limited sales activity as a lack of large deals and a sharp fall in buying by foreign and institutional investors has curtailed activity. Average overall cap rates (OARs) continued to rise during the first quarter of 2009. This marked the fifth straight quarter of increase and at 7.3% for all property types. OARs are at the highest level since 2004. Real Analytics reported that 359 properties sold during 1Q09, lagging considerably behind 2008's average of 1,850 properties sold per quarter and a three-year moving average of roughly 3,450 properties per quarter. RCA reported 1Q09 OAR's within the various sectors: 7.9% for warehouse; 7.6% for strip centers; 7.3% for CBD office; 7.0% for garden and mid/high-rise apartments; 7.0% for regional malls and 6.8% for suburban office.

REAL CAPITAL ANALYTICS HISTORICAL RESULTS

AVERAGE CAP RATES vs. PROPERTIES SOLD*

	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09
Average Cap Rate	7.11%	6.84%	6.67%	6.66%	6.89%	6.73%	6.70%	6.58%	6.56%	6.58%	6.64%	6.77%	6.83%	6.89%	7.24%	7.26%
Properties Sold	3,695	3,590	3,648	4,022	3,838	3,907	4,301	4,561	5,133	4,455	3,841	2,605	1,978	1,602	1,241	359



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

Commercial Property Sales Analysis

Commercial property sales activity totaled $129.2 billion in 2008, off 68% from 2007 totals and well off historical averages. Lack of credit is shutting down commercial real estate sales in the U.S. as potential buyers search for affordable financing in a market where lenders cannot securitize and re-sell mortgages. The growing imbalance between investor demand and the supply of assets on the market is applying downward pressure on prices.

- **Office**: In 2008, although the office market was the largest generator of property investment at $52.3 billion, the sector also declined by the largest amount of the four property types. The 74% decline was evenly spread across suburban and CBD properties. Despite the large drop-off in sales early in the year, there were indications the market was stabilizing during the summer. However, the financial meltdown in September took its toll on the office sector and sales dramatically fell. RCA reports that the number of office buildings on the market continues to grow. To begin 2009, RCA reports few significant office buildings have traded and few are in contract.

- **Industrial**: Industrial property sales fell 52% on a $21.2 billion of volume in 2008 and sales of flex properties fell greater than that of warehouse properties. Flex properties were particularly hard-hit in the last recession, leaving investors very wary of this sector as the economy sours again. Industrial property returns are still favorable compared to other core commercial real estate sectors, and reduced construction throughout the rest of this year will limit the rise in vacancy. To begin 2009, RCA reports few significant industrial properties have traded.

- **Retail**: During 2008, the retail market suffered the weakest total dollar volume of the four property types, $18.7 billion, as sales declined 71% from the previous year. As consumers cut spending and retailers announce plans to shutter stores and increase layoffs, many of the largest retail REITS are struggling with increased vacancies and declining revenues. At the end of 2008, RCA estimated 80 malls valued at almost $4 billion were available for sale and that number continues to increase. Despite the huge inventory of properties for sale, retail sellers have been among the slowest to adjust their pricing expectations. Few retail buildings have traded to begin 2009.

- **Apartment**: During 2008, sales of apartment properties totaled $37.0 billion, a 61% drop from 2007 totals. Sales of garden apartments were off 60% while mid-high apartments decreased another 65%. Asking and effective rents for apartment properties both turned negative in the fourth quarter for the first time since 2002. The amount of distressed apartment properties continues to rise and the growing imbalance between the supply of assets and investor demand is exerting downward pressure on prices. Few apartment properties have traded to begin 2009.

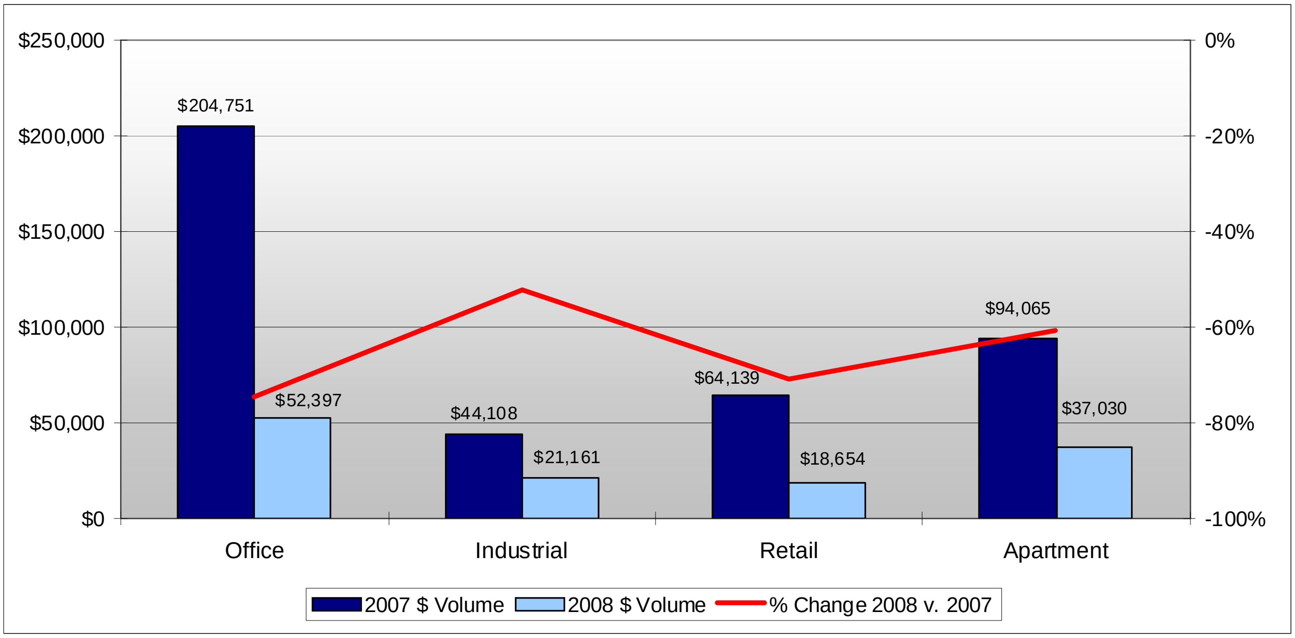
Sales transaction activity by property type is summarized in the table presented on the following page.

SALES TRANSACTION ACTIVITY BY PROPERTY TYPE

2008 v. 2007

Dollar Value in Millions

Property Type	2007 $ Volume	2008 $ Volume	% Change 2008 v. 2007	$ Change 2008 v. 2007	2007 # of Sales	2008 # of Sales	% Change 2008 v. 2007	# Change 2008 v. 2007
Office	$204,751	$52,397	-74%	-$152,354	3,860	1,500	-61%	-2,360
Industrial	$44,108	$21,161	-52%	-$22,947	2,694	1,531	-43%	-1,163
Retail	$64,139	$18,654	-71%	-$45,485	3,460	1,374	-60%	-2,086
Apartment	$94,065	$37,030	-61%	-$57,035	3,820	2,033	-47%	-1,787



Note: Based on properties and portfolios $5 million and greater

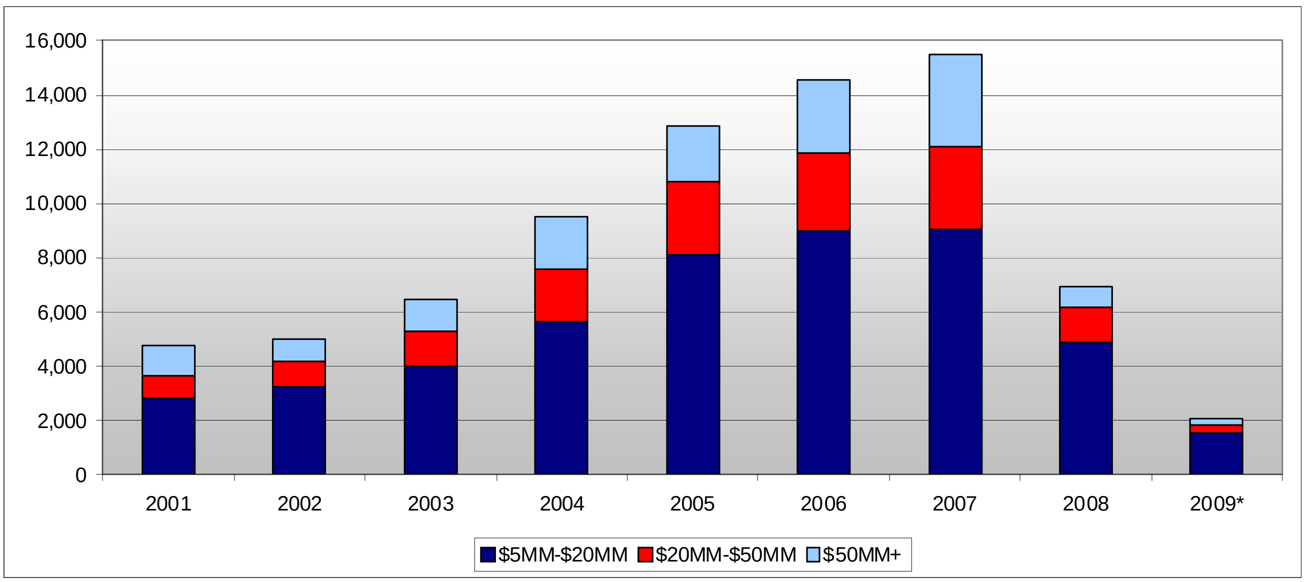
Source: Real Capital Analytics, January 2008 and 2009 Capital Trends Monthly Reports

In addition to the preceding data, we have also looked at historical sales activity by price point on an overall basis and by asset class; this data is summarized below. In all but the retail sector, transaction activity from 2007 to 2008 has fallen off the most substantially for properties priced in excess of $50 million. Apartment, industrial and office property sales have declined by more than 80 percent; for properties priced below $50 million deal volume has fallen of 40% to 65%. For retail properties, 2008 sales activity showed a decline of 50% to 62%. Going forward, it is expected that activity for premier assets will not pick back up until 2010 because many public investors are hesitant enter the market in these uncertain times; private investors, motivated by potential gains, are showing a greater willingness to take on the risks associated with the higher priced properties.

INVESTMENT SALES ACTIVITY

Summary of Transactions by Price

	Price Range	2001	2002	2003	2004	2005	2006	2007	2008	2009*
All Property Types	$5MM-$20MM	2,846	3,234	4,021	5,660	8,098	8,989	9,039	4,881	1,548
	$20MM-$50MM	809	937	1,250	1,912	2,710	2,861	3,069	1,316	280
	$50MM+	1,107	807	1,175	1,967	2,028	2,733	3,391	728	228
	Grand Total	4,762	4,978	6,446	9,539	12,836	14,583	15,499	6,925	2,056



	Price Range	2001	2002	2003	2004	2005	2006	2007	2008	2009*
Apartment	$5MM-$20MM	854	903	1,163	1,643	2,466	2,639	2,455	1,467	468
	$20MM-$50MM	308	313	423	679	1,040	1,062	997	501	92
	$50MM+	119	106	138	152	376	747	646	107	0
	Grand Total	1,281	1,322	1,724	2,474	3,882	4,448	4,098	2,075	560
Industrial	$5MM-$20MM	684	758	894	1,263	1,945	2,336	2,322	1,274	328
	$20MM-$50MM	123	137	185	280	386	423	518	238	40
	$50MM+	476	308	163	285	682	485	438	75	128
	Grand Total	1,283	1,203	1,242	1,828	3,013	3,244	3,278	1,587	496
Office	$5MM-$20MM	743	726	887	1,289	1,640	1,786	1,871	983	268
	$20MM-$50MM	256	307	351	559	723	859	955	350	96
	$50MM+	200	208	585	778	523	922	1,597	254	64
	Grand Total	1,199	1,241	1,823	2,626	2,886	3,567	4,423	1,587	428
Retail	$5MM-$20MM	565	847	1,077	1,465	2,047	2,228	2,391	1,157	484
	$20MM-$50MM	122	180	291	394	561	517	599	227	52
	$50MM+	312	185	289	752	447	579	710	292	36
	Grand Total	999	1,212	1,657	2,611	3,055	3,324	3,700	1,676	572

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

Source: Real Capital Analytics Research Department

FTSE NAREIT U.S. Real Estate Index

Comprised of 98 REITS, the FTSE NAREIT U.S. Real Estate index continued to decline during the first quarter of 2009. The index has decreased nearly 32% during the first three months of the year after falling almost 58% over the past 12-month period. During the first quarter, the largest declines among REITS were recorded within the industrial (-41.3%), shopping center (-41.6%), lodging/resort (-38.2%) and regional mall (-36.9%) sectors. Despite the quarterly decrease, most property types on the index reported significantly improved returns during the month of March which may be an indication of improving investor sentiment. Historically, health care, self storage and free-standing retail REITS have experienced the largest compound annual returns during the past 10-year period.

Investment Performance by Property Sector and Subsector
(All data as of March 31, 2009)

Property Sector/Subsector	Number of REITS	Total Return (%) M-T-D	Total Return (%) Q-T-D	Compound Annual Total Returns 1-Year	3-Year	5-Year	10-Year
Equity REIT Index	**98**	**4.06**	**-31.9**	**-57.3**	**-24.8**	**-8.4**	**3.4**
Industrial/Office	25	1.96	-34.3	-65.1	-29.5	-12.6	0.8
Industrial	7	14.61	-41.9	-81.2	-42.0	-20.8	-2.7
Office	13	-1.07	-33.1	-57.7	-24.4	-8.9	2.2
Mixed	5	-1.18	-26.0	-48.0	-26.5	-12.7	1.6
Retail	23	0.75	-36.6	-65.3	-31.1	-12.9	3.7
Shopping Centers	14	-1.61	-41.6	-61.6	-28.2	-11.0	3.8
Regional Malls	5	0.25	-36.9	-73.5	-38.0	-17.3	2.1
Free Standing	4	10.18	-12.6	-24.0	-5.9	1.3	10.3
Residential	16	10.03	-29.4	-53.9	-24.0	-5.7	3.9
Apartments	14	9.54	-30.6	-54.8	-24.4	-5.4	4.1
Manufactured Homes	2	18.17	-2.4	-34.2	-17.0	-10.3	1.2
Diversified	6	0.91	-41.7	-57.5	-25.7	-9.3	2.0
Lodging/Resorts	8	10.30	-38.2	-76.3	-40.7	-20.3	-6.9
Health Care	11	3.20	-27.8	-33.6	-5.1	0.1	10.9
Self Storage	4	-0.65	-32.2	-34.6	-12.4	3.0	10.8
Specialty	5	11.60	-11.0	-34.9	-7.1	2.4	-0.9

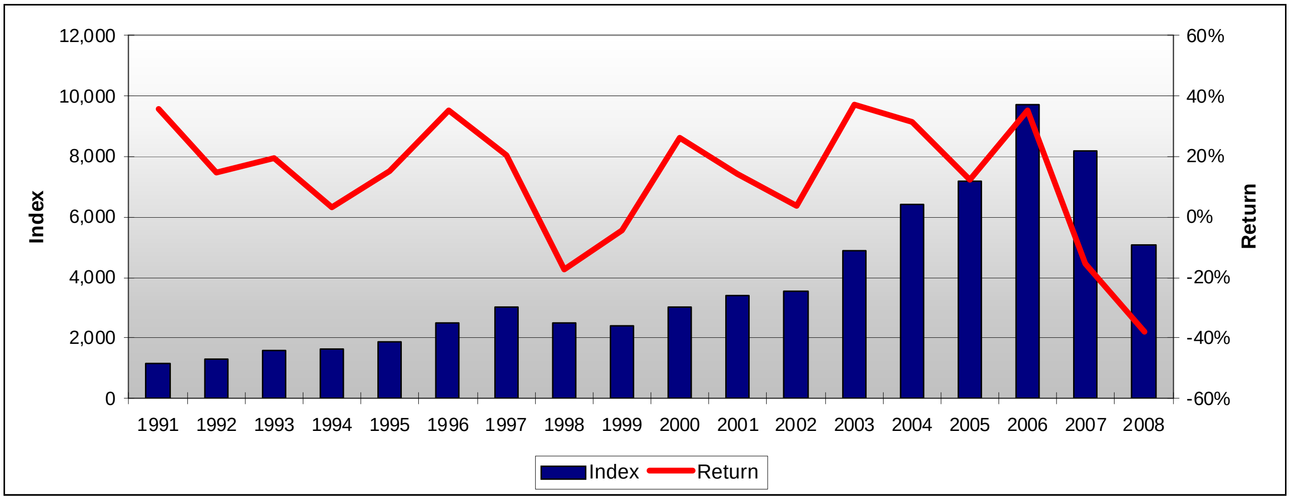
Source: FTSE® Group and National Association of Real Estate Investments Trusts®.

Among the major asset classes of stocks, bonds, real estate and cash, Real Estate Investment Trusts (REITs) were one of the best-performing asset classes for several years through 2006 but have since fallen on hard times. Annual and monthly returns for equity REITS are summarized in the tables presented on the following page.

ANNUAL RETURNS FOR THE FTSE NAREIT US EQUITY REITS

Annual Percent Change - 1991-2008

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Index	1,138.6	1,304.7	1,561.2	1,610.7	1,856.6	2,511.3	3,020.1	2,491.5	2,376.4	3,003.0	3,421.4	3,552.1	4,871.1	6,409.3	7,188.9	9,709.3	8,185.8	5,097.5
Return	35.7%	14.6%	19.7%	3.2%	15.3%	35.3%	20.3%	-17.5%	-4.6%	26.4%	13.9%	3.8%	37.1%	31.6%	12.2%	35.1%	-15.7%	-37.7%

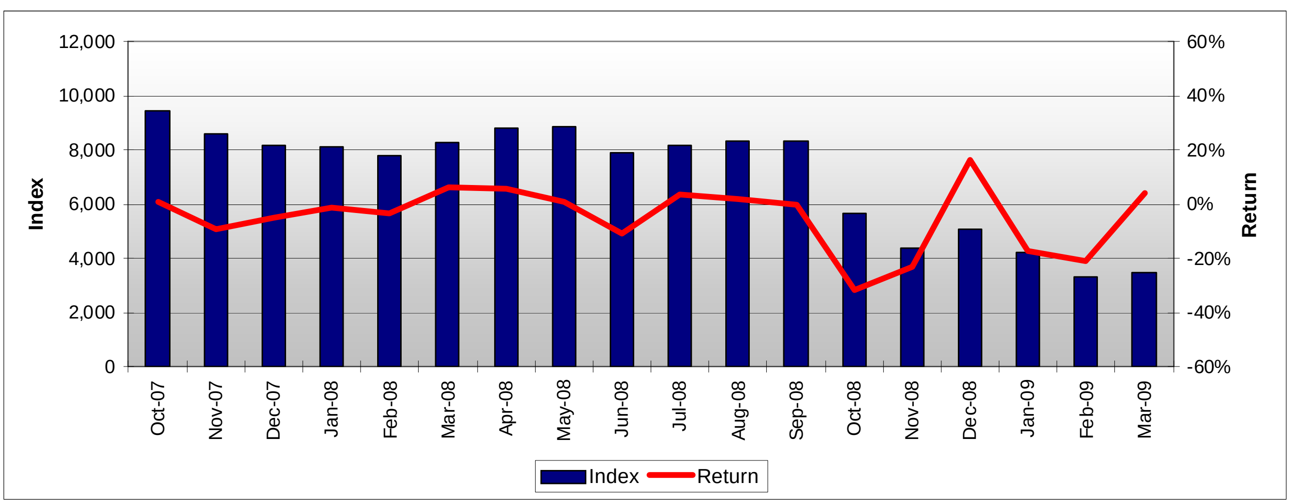


Source: Reit.com by *NAREIT*

MONTHLY RETURNS FOR THE FTSE NAREIT US EQUITY REITS

Monthly Percent Change - Past 18 Months

	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09
Index	9,478.8	8,619.2	8,185.8	8,101.8	7,813.5	8,300.4	8,786.7	8,854.5	7,891.5	8,165.4	8,345.8	8,329.7	5,691.8	4,379.6	5,097.5	4,215.2	3,337.4	3,473.0
Return	1.1%	-9.1%	-5.0%	-1.0%	-3.6%	6.2%	5.9%	0.8%	-10.9%	3.5%	2.2%	-0.2%	-31.7%	-23.1%	16.4%	-17.3%	-20.8%	4.1%



Source: Reit.com by *NAREIT*

Retail Market Struggles

The retail industry continues to be weakened by the worst consumer spending slump in decades brought on by the financial meltdown, increasing debt, mounting job losses and dwindling retirement funds. The abrupt drop in consumer spending has prompted retail businesses to scale back their operations, close stores and even go bankrupt, altering the landscape at malls and on main streets across the country. Several of the industry's biggest lenders are tightening lending terms and reducing exposure to retailers. Their tougher terms are making it harder for retailers to find capital to reorganize under bankruptcy-court protection, meaning there are likely to be more liquidations. As a result of weak sales, many stores are pushing to negotiate lower rents adding to pressure on landlords. We further recognize that improvements in consumer confidence may not provide additional stimulus to retailers because there are high expectations of deflation due to the collapse of oil prices and prolific discounting across the retail sector.

According to the International Council of Shopping Centers (ICSC), the nearly unprecedented erosion of consumer demand led to a 50.1% increase in store closings in 2008. Bankruptcies and store closings have hit big box and department store anchors particularly hard over the last year, resulting in substantial increases to the inventory of available space. According to the Korpacz Real Estate Investor Survey, forecasts for 2009 predict over 8,000 store closings.

So far in 2009, more than two dozen leading names in retail announced they were closing stores or filing for Chapter 11 bankruptcy protection. Some shuttered their operations for good. Circuit City Stores, Inc., the nation’s second-biggest consumer electronics retailer, closed 567 U.S. stores and cut 30,000 jobs. The demise of Circuit City, whose stores range in size from 20,000 to 25,000 square feet, will hurt the U.S. malls and the fortunes of mall operators. The unprecedented pullback in consumer spending has recently driven other notable retailers such as KB Toys, Mervyns LLC, Linens 'N Things, Sharper Image and Steve & Barry’s into bankruptcy.

According to NAR/TWR, demand for retail space is expected to drop by 12.4 million square feet (msf) during 1Q09 and by 50.0 msf for the year. Completions of new retail space have adjusted for the change in demand, but the retail vacancy rate is predicted to reach 11.8% at 1Q09 and then climb to 13.4% at 3Q09. The International Council of Shopping Centers (ICSC) is forecasting a 6.1% decline in total retail sales during the first half of 2009, compared to the first half of 2008. Overall, the ICSC expects total retail sales for 2009 to decline by 1.8% and then recover with a 3.3% jump in 2010.

It is predicted that the U.S. retail industry will cut jobs and layoff employees in unprecedented numbers in 2009 in a downsizing to match the slowdown in spending. In 2008, retailers eliminated more than 500,000 jobs.

Below are notable retailers that have announced announcing layoffs and store closings:

Retailer	Announced Layoffs
Circuit City	30,000
KB Toys	10,915
Goody’s	9,000
Macy’s	7,960
Home Depot Expo	7,000
Starbuck’s	7,000
Wal-Mart	1,450

Retailer	Announced Store Closings
Circuit City	567
KB Toys	461
Starbucks	300
Goody’s	287
Van Heusen	175
Ann Taylor	163
Pier One	125

Source: about.com

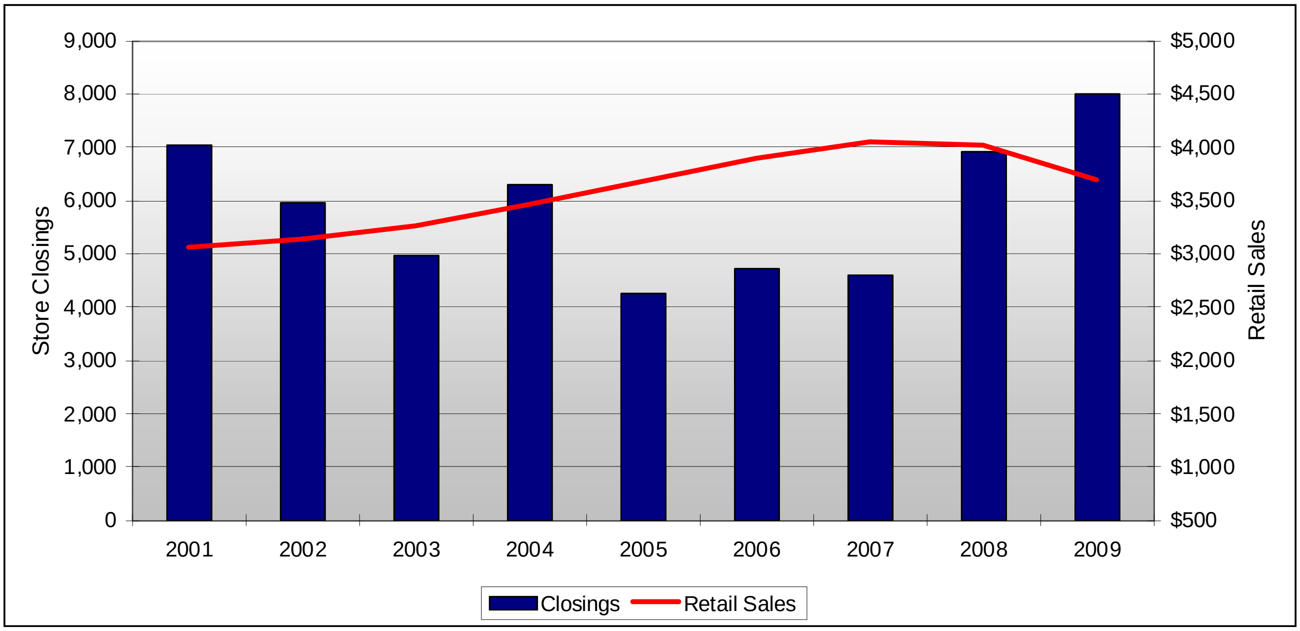
Moody's Investors Service released its "Bottom Rung" 1Q09 report, which details the companies that Moody's says are most likely to default on their debts. The following are some noteworthy retailers comprising the list: Blockbuster Inc., Bon-Ton Stores, Brookstone Company, Claries Stores Inc., Destination Maternity, Duane Reade, Eddie Bauer, Inc., Loehmann's, Michael's Stores, Quiksilver, Inc., Rite Aid. Corp., TSA Stores, Inc.

Historical store closings and retail sales are summarized in the following chart:

ANNOUNCED U.S. STORE CLOSINGS vs. RETAIL SALES

Annual Data - Seasonally Adjusted Figures

	2001	2002	2003	2004	2005	2006	2007	2008	2009*
Announced Store Closings	7,041	5,950	4,973	6,303	4,269	4,730	4,603	6,913	8,000
Retail Sales ($000s)	$3,068	$3,135	$3,264	$3,462	$3,685	$3,893	$4,054	$4,018	$3,700



* 2009 figures reprsent forecasted store closings and projected retail sales.
Source: ICSC and EconomicIndicators.gov

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