



ECONOMIC & REAL ESTATE OVERVIEW

2ND QUARTER 2009

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Introduction

As of June 2009, the U.S. economy is currently in its 18th 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 6.0 million jobs have been lost. However, recent labor market data may indicate that layoffs are finally beginning to lessen somewhat despite reaching the highest unemployment rate in 25 years. A June Federal Reserve survey of regional economic conditions showed that while the economy continued to weaken in April and May, the recession may be easing in parts of the country. However, the recent bankruptcy filings and reorganization of General Motors and Chrysler LLC is expected to have ripple affects across communities with layoffs, manufacturing plant closures and the closing of thousands of auto dealerships. As the credit crunch and tepid growth continues, a struggling commercial real estate sector is dealing with reduced leasing activity, falling rental rates, rising vacancy rates and limited new construction. A major concern is the increasing default rate of U.S. commercial real estate bank loans, which reached its highest level in 15 years and is not expected to peak until 2011.

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

- **GDP Growth Remains Negative.** U.S. gross domestic product (GDP) contracted at a 5.5% annual pace in the first quarter of 2009, following a 6.3% decline in the previous quarter.
- **Unemployment Rates Rise.** The unemployment rate increased to 9.4% in May, the highest in more than 25 years. As a result, the average work week dropped to a record low 33.1 hours.
- **Construction Spending Increases.** Total construction spending rose 0.8% in April from March, the largest increase since last August. Residential spending jumped 0.6%, while non-residential construction increased 0.8%. The unexpected gain marked the second straight month that builders boosted spending on construction projects around the country.
- **Durable Goods Orders Rise.** New orders to U.S. factories for big-ticket manufactured goods increased 1.9% in April. However, the March decline in orders was revised downward resulting in a negative change for the two month period.
- **Consumer Spending Slows.** Consumer spending increased 0.2% in April following a 0.4% rise in March. The rise matched the analyst expectations for April.
- **Wholesale Inventories Decline.** May marked the ninth straight month of inventory declines for wholesalers. Inventories fell 0.8% in May, slightly less than the 1.1% average sustained over the past nine months.
- **Existing-Home Sales Move Higher.** Existing home sales increased 2.9% in April. On a year-over-year basis, sales were 3.5% below levels posted in April 2008.

- **Leading Indicators Down.** The Index of Leading Indicators (LEI) increased 1.2% in May as the interest rate spread, real money supply, stock prices, consumer expectations, and building permits contributed positively to the index.
- **Retail Sales Better than Expected.** An increase of 0.5% was recorded in February, the largest amount in four months. A rebound in demand at auto dealerships and gas stations helped to offset continued weakness at department stores.
- **Consumer Credit Declines.** Consumer credit sank at a 7.4% pace in April equating to \$15.7 billion, a much larger loss than expected. The drop indicates a reluctance of consumers to spend in this economy.
- **Consumer Prices Continue to Rise.** The CPI increased 0.1% in February, below analysts' expectations of a 0.3% rise. Gasoline prices rose 9.6% and food prices in the U.S. fell for the fourth straight month in May.
- **Business Inventories.** During April, business inventories fell 1.1% following a 1.3% decline in March. Merchant wholesalers recorded a 1.4% drop while inventories for retailers and manufacturers fell 1.0%, respectively.

Employment

After shedding more than 3.0 million jobs in 2008, the job losses continued through May of 2009 with nearly 3.0 million more jobs lost. However, the pace of layoffs lessened as 345,000 jobs were cut in May, the smallest amount since September 2008. This marked the fourth straight month that the pace of layoffs eased and may be an indication that the recession is slowing. However, payrolls have now declined for seventeen consecutive months.

Job losses in May were widespread as manufacturers shed 156,000 positions, construction companies trimmed 59,000 jobs, financial activities slashed 30,000 jobs and retailers cut 17,500 employees. During the past two months, job losses have moderated within the construction and services sectors. On the positive, the education, health care and leisure and hospitality sectors added jobs in May.

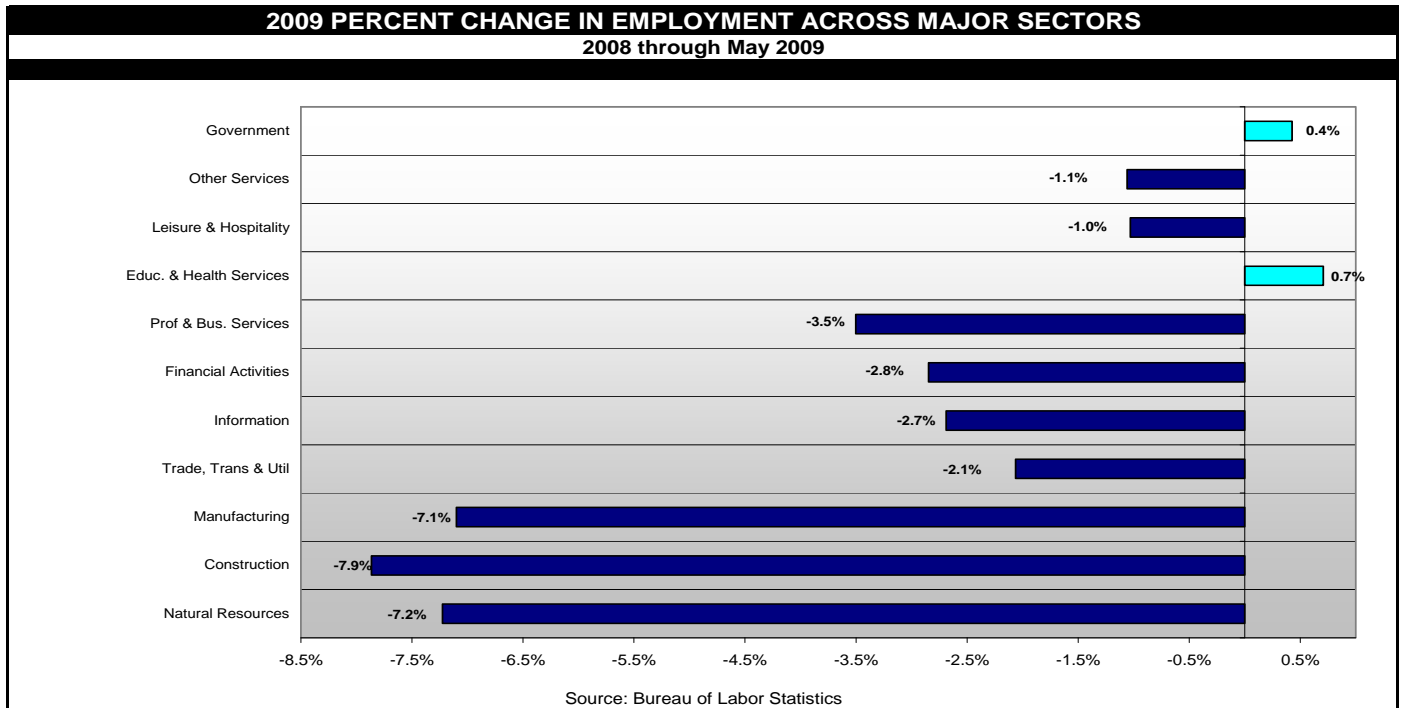
UNITED STATES NON-FARM EMPLOYMENT BY INDUSTRY

Historic & Current Figures

INDUSTRY	May-09 Employment	Total Percent	2008 Employment	Total Percent	2007 Employment	Total Percent	% Change May-09 - 2008
Natural Resources	732	0.6%	789	0.6%	739	0.5%	-7.2%
Construction	6,303	4.8%	6,841	5.1%	7,465	5.4%	-7.9%
Manufacturing	11,986	9.1%	12,902	9.6%	13,777	10.0%	-7.1%
Trade, Trans & Utilities	25,310	19.2%	25,843	19.1%	26,658	19.3%	-2.1%
Information	2,861	2.2%	2,940	2.2%	3,018	2.2%	-2.7%
Financial Activities	7,782	5.9%	8,010	5.9%	8,252	6.0%	-2.8%
Prof & Bus. Services	16,748	12.7%	17,356	12.8%	18,131	13.1%	-3.5%
Educ. & Health Services	19,215	14.5%	19,080	14.1%	18,568	13.4%	0.7%
Leisure & Hospitality	13,167	10.0%	13,304	9.8%	13,635	9.9%	-1.0%
Other Services	5,419	4.1%	5,477	4.1%	5,507	4.0%	-1.1%
Government	22,628	17.1%	22,532	16.7%	22,333	16.2%	0.4%
Total Nonfarm	132,151	100.0%	135,074	100.0%	138,083	100.0%	-2.2%

Source: Bureau of Labor Statistics

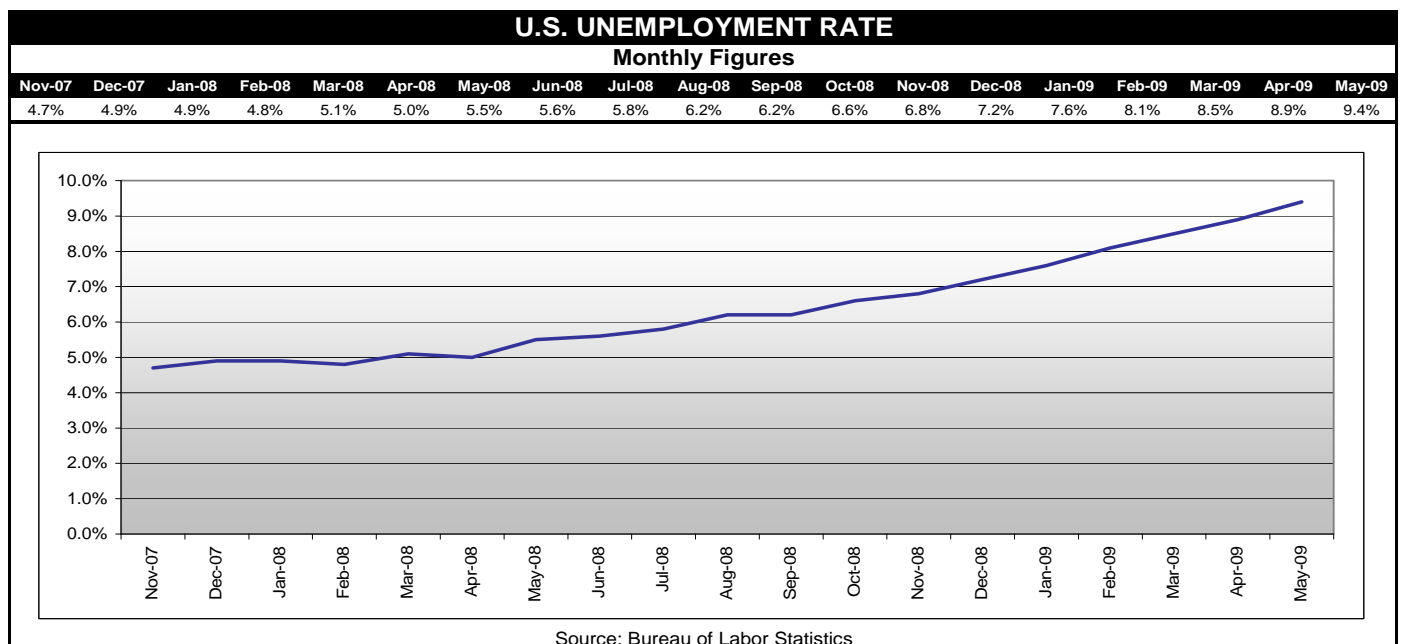
Employment (continued)



The change in employment through May 2009 shows two sectors, Educational and Health Services and Government, recording gains in employment since 2008. Payroll employment has declined by nearly 3.0 million since 2008.

Despite an easing of job losses, the unemployment rate has increased to 9.4% in May from 7.2% at the close of 2008. This marked the ninth straight month of increases and the highest unemployment rate in more than 25 years. Since November 2007, the unemployment rate has doubled.

Below is a graph depicting unemployment since November 2007.

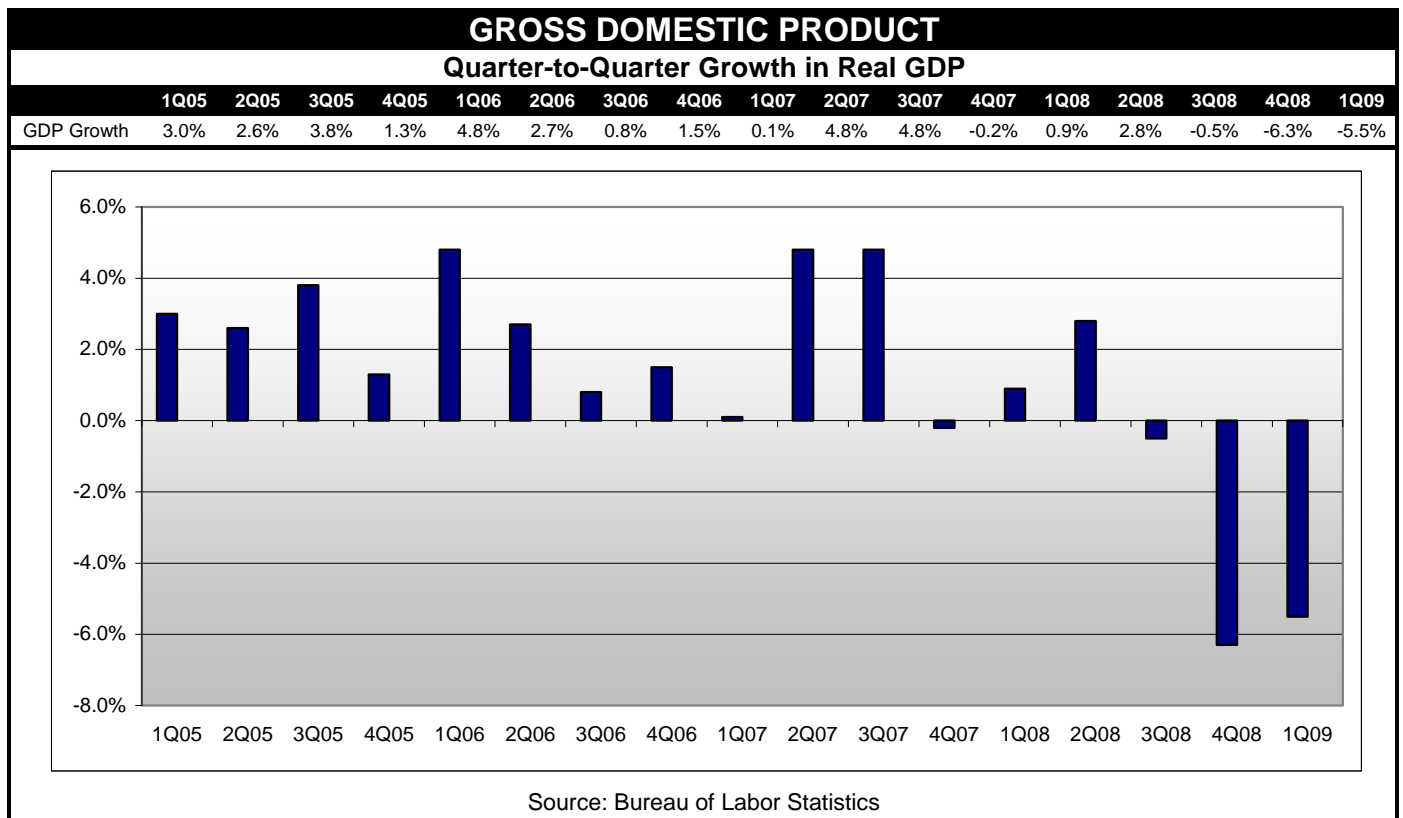


Gross Domestic Product (GDP)

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 5.5% annual pace in the first quarter of 2009. This marked the second straight quarter where the economy took a huge fall. Weakness in the first quarter mostly reflected large cuts in spending by businesses on home building, equipment and software. Business investment plunged 34.7%, after-tax corporate profits dropped 15%, and residential investment fell 38.7%. Exports of goods and services dropped at an annualized rate of 28.7% in the first quarter as foreign demand weakened amid the global recession. On the positive, consumers increased spending at a 1.5% pace during the time frame and the U.S. savings rate rose to 4.4%. Forecasters at the National Association for Business Economics predict the economy will contract at a 1.8% pace by the end of this year.

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

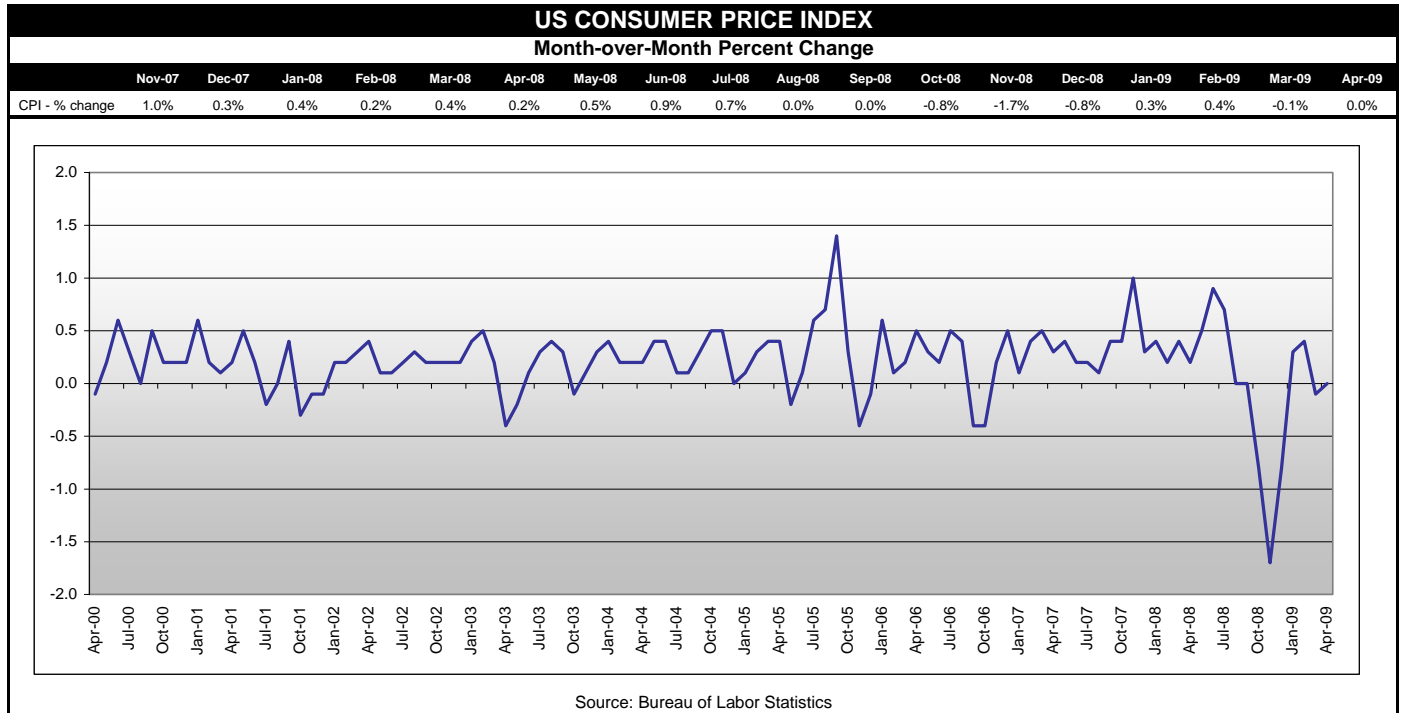


Consumer Price Index (CPI)

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

The Labor Department reported consumer prices were unchanged in April after declining 0.1% in March. The index is now down 0.7% on a year-to-year basis primarily due to a 25.2% decrease in energy prices. The indexes for food, motor fuel, fuel oil, natural gas, and electricity all declined in April. Energy prices fell 2.4% in April, following a 3.0% drop in March. Gasoline prices fell 2.8% in April, following a 4.0% drop in March and are currently down 39.5%, year over year. Excluding food and energy, the core CPI rose 0.3% in April, with most of the increase coming from higher cigarette taxes. After soaring in 2008, food prices have moderated recently while Tobacco prices increased 9.3 percent in April. Economists believe inflation is not likely to become a problem in 2009 and core inflation will likely moderate for another year or two.

Below is 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 April 2000.



Institute for Supply Management (ISM) Manufacturing Index

The ISM, a national survey of purchasing managers, is calculated based on a weighted average of the following five sub-indexes: new orders (30%), production (25%), employment (20%), deliveries (15%), and inventories (10%). According to the latest manufacturing ISM report, economic activity in the manufacturing sector failed to grow in May for the 16th consecutive month, while the overall economy grew for the first time following seven months of decline. Headline ISM manufacturing increased to 42.8 in May with improvements in key orders, production and backlog components, potentially signaling recovery ahead. May is the first month of growth in the New Orders Index since November 2007, with 9 of 18 industries reporting growth. 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. Customer inventories remained below 50% for the second consecutive month, offering hope that supply chains are lowering excess inventory.

MANUFACTURING AT A GLANCE - MAY 2009						
Index	Series	Series	Percent	Direction	Rate of Change	Trend* (months)
	Index	Index	Point Change			
	May	Apr.				
PMI	42.8	40.1	2.7	Contracting	Slower	16
New Orders	51.1	47.2	3.9	Growing	From Contracting	1
Production	46.0	40.4	5.6	Contracting	Slower	9
Employment	34.3	34.4	-0.1	Contracting	Slower	10
Supplier Deliveries	49.8	44.9	4.9	Faster	Faster	8
Inventories	32.9	33.6	-0.7	Contracting	Faster	37
Customer Inventories	46.0	49.5	-3.5	Too Low	Faster	2
Prices	43.5	32.0	11.5	Decreasing	Slower	8
Backlog of Orders	48.0	40.5	7.5	Contracting	Slower	13
Exports	48.0	44.0	4.0	Contracting	Slower	8
Imports	42.5	42.0	0.5	Contracting	Slower	16

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. Despite the PMI indication of contraction, the May reading is the highest since September 2008.
- **New Orders Index.** A New Orders Index above 48.8%, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders. Nine industries reported growth in new orders in May.
- **Production Index.** An index above 50.4%, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures. Eight industries reported growth in production during the month of May.
- **Employment Index.** An Employment Index above 49.7%, over time, is generally consistent with an increase in manufacturing employment. Two 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). None of the 18 manufacturing industries reported higher inventories in May.
- **Customers' Inventories Index.** The index indicates that respondents believe their customers' inventories are too low for the second consecutive month. Five industries reported higher customers' inventories during March.

Construction Spending

The U.S. Census Bureau reported that construction spending during April 2009 unexpectedly increased by 0.8% to a seasonally adjusted annual rate of \$968.7 billion from a slightly upward revised \$961.3 billion in March. This represented the largest increase in eight months. Nonresidential construction spending expanded by 0.8% during the month and the residential component jumped 0.6%, the first gain since August 2008. Signs of stabilization in the housing market may indicate further gains in residential construction spending in the upcoming quarters. However, construction spending in April was down 10.7% on a year-over-year basis.

Private residential construction spending increased 0.7% following an upward revised decrease of 3.6% in the prior month while public construction was down 2.5% since March. Private nonresidential spending grew 1.8% in April due to gains within the manufacturing, power, lodging, and communication sectors. However, economists forecast nonresidential construction will likely reverse gains and post declines into 2010.

Of total construction spending, public construction accounted for 70% of total expenditures while 30% were private. Non-residential spending comprised 74% of total expenditures compared to 26% for non-residential projects. During the past 12 months, as residential construction declined 34.4%, a slight 2.5% increase was recorded for non-residential properties. Within the non-residential sector, the largest declines in spending were within the communication (-26.1%), amusement/recreation (-10.0%) and commercial (-24.4%) sectors. On the positive, total construction on manufacturing projects has increased 70.3% since April 2008. Other gains in spending occurred on health care, educational, power facilities and public safety.

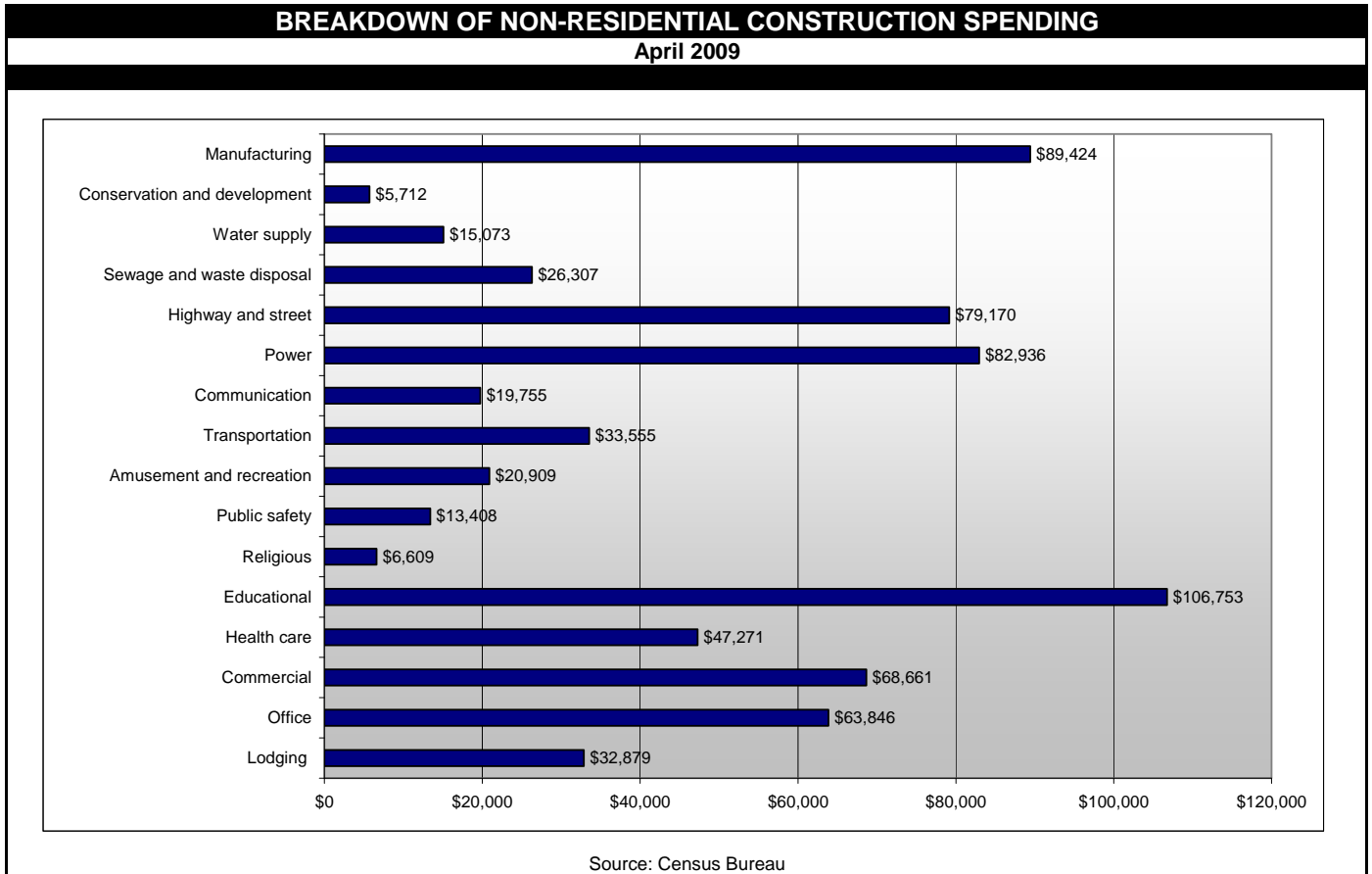
VALUE OF CONSTRUCTION PUT IN PLACE - SEASONALLY ADJUSTED ANNUAL RATE

(millions of dollars)

	Apr-09	Mar-09	Feb-09	Jan-09	Apr-08	Percent change	
						Apr. 2009. from Mar-09	Apr. 2009. from Apr-08
Total Construction	968,673	961,331	957,127	977,249	1,085,175	0.8%	-10.7%
Residential	256,406	254,841	264,420	293,726	390,584	0.6%	-34.4%
Nonresidential	712,268	706,490	692,707	683,523	694,591	0.8%	2.5%
Lodging	32,879	32,116	30,811	30,612	36,304	2.4%	-9.4%
Office	63,846	64,545	64,724	65,137	71,302	-1.1%	-10.5%
Commercial	68,661	70,484	69,922	71,296	90,816	-2.6%	-24.4%
Health care	47,271	47,408	46,899	45,695	45,532	-0.3%	3.8%
Educational	106,753	108,895	106,372	104,498	103,218	-2.0%	3.4%
Religious	6,609	6,587	6,993	6,915	7,054	0.3%	-6.3%
Public safety	13,408	13,283	13,257	13,243	11,866	0.9%	13.0%
Amusement and recreation	20,909	21,001	20,996	20,071	23,234	-0.4%	-10.0%
Transportation	33,555	32,948	33,146	32,837	35,007	1.8%	-4.1%
Communication	19,755	18,645	18,374	20,063	26,719	6.0%	-26.1%
Power	82,936	77,369	72,200	71,688	65,850	7.2%	25.9%
Highway and street	79,170	78,417	80,532	79,060	79,032	1.0%	0.2%
Sewage and waste disposal	26,307	26,905	24,938	24,663	25,211	-2.2%	4.3%
Water supply	15,073	16,021	15,944	16,253	16,058	-5.9%	-6.1%
Conservation and development	5,712	5,756	5,659	4,828	4,893	-0.8%	16.7%
Manufacturing	89,424	86,113	81,940	76,666	52,497	3.8%	70.3%

Construction Spending (continued)

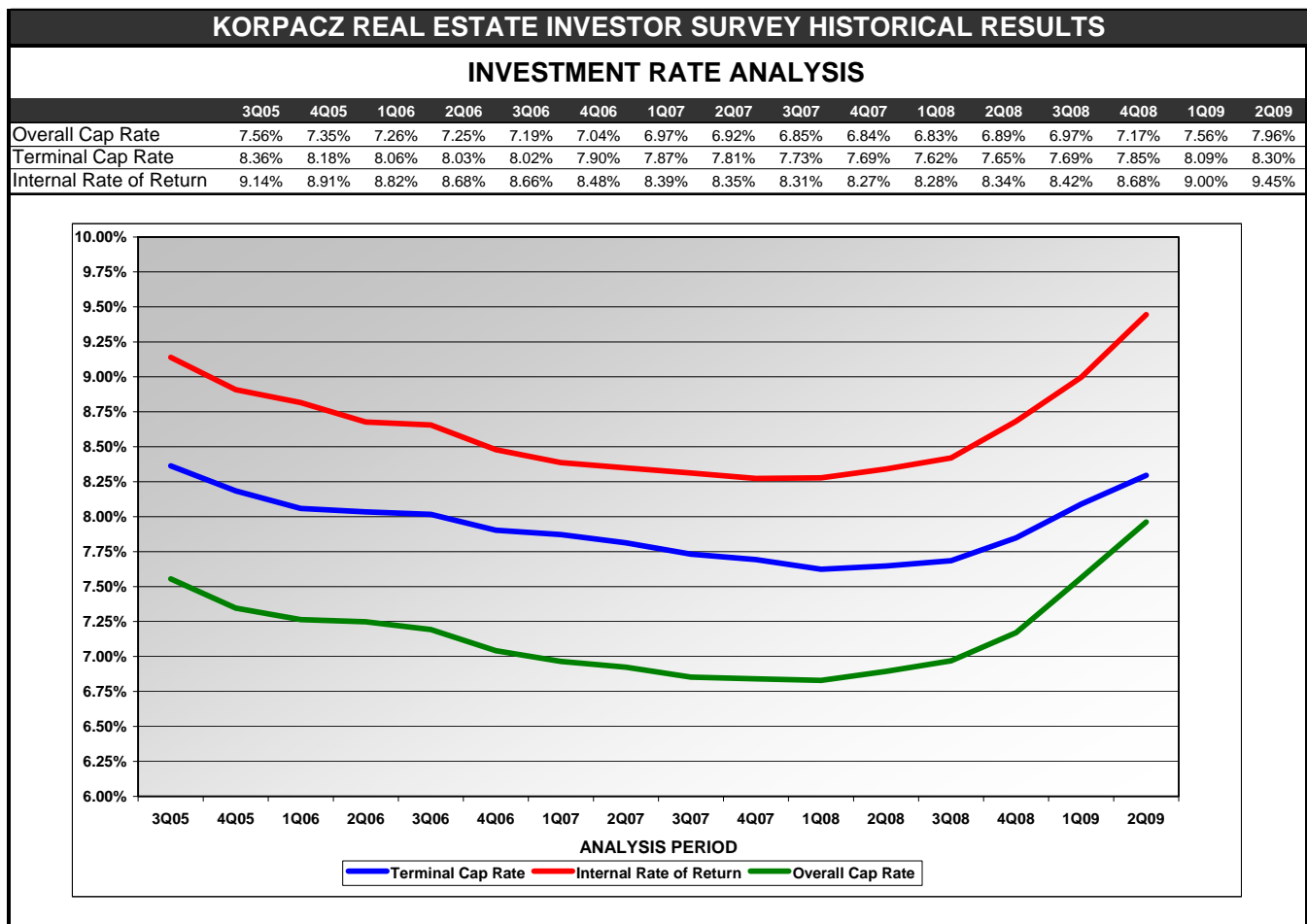
Below is a further breakdown of non-residential construction spending, which totaled \$712.3 billion. Spending on educational facilities accounted for the largest percentage followed by manufacturing facilities and then highway/street projects.



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 2Q09. The average increase was 40 basis points across nearly all major property types since 1Q09. Respondents predicted that OARs will rise by an average of nearly 60 basis points (BPS) over the next six months across almost all property categories and metro markets. The largest projected gainers are regional malls (92.6 BPS), flex/R&D (68.8 BPS), and suburban office (67.0 BPS). The smallest forecasted gains were predicted across strip shopping centers (30.4 BPS) and warehouse (39.6 BPS) sectors.
- Terminal cap rates have increased for nearly all surveyed markets and product types during 2Q09. The average increase was 21 BPS across nearly all major property types since 1Q09. This compares to a 40 BPS rise for overall cap rates during the same period.
- Discount rates (IRR) have increased for nearly all surveyed markets and product types during 2Q09. The average increase was 45 basis points across nearly all major property types since 1Q09. This compares to a 40 BPS rise for overall cap rates and 21 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.

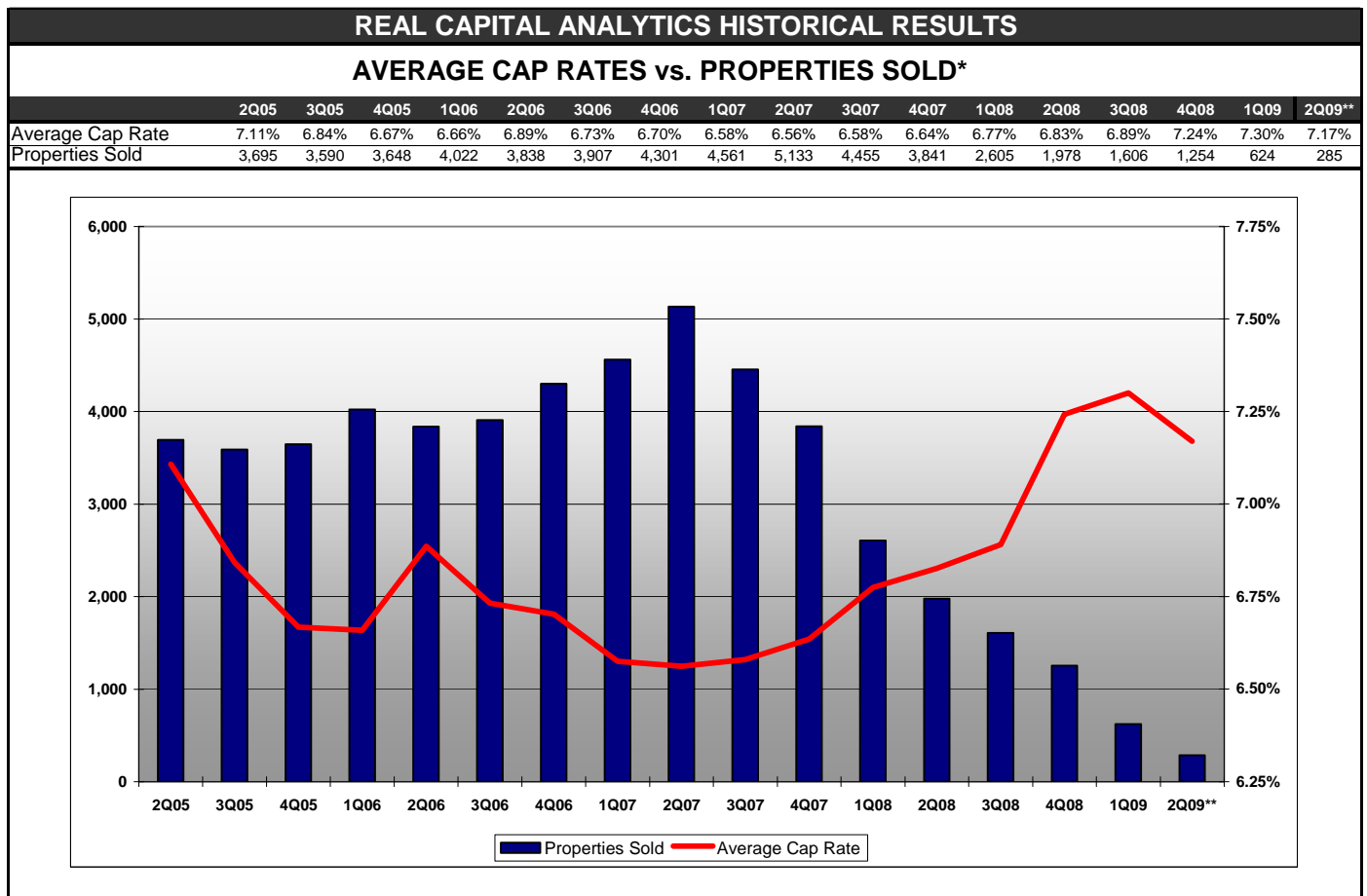


*Korpacz Real Estate Investor Survey (continued)***2Q09 Survey Highlights**

- OARs increased within all major property types during 2Q09 with the largest gains recorded within the Warehouse (80 BPS), Regional Mall (80 BPS) and Apartment (61 BPS) sectors. The smallest rise occurred within the Power Center sector (3 BPS). Since 2Q08, OARs across all property sectors increased an average of 107 BPS.
- As of 2Q09, Flex/R&D properties had the highest OARs at 8.36%, followed by Suburban–Office (8.24%) and Power Centers (8.04%). The lowest OARs were recorded within Apartment (7.49%) and Regional Mall (7.79%) properties. The simple average OAR across all sectors was 7.96%.
- Terminal cap rates increased within almost all major property types during 2Q09 with the largest gains recorded within the Warehouse (74 BPS) and CBD Office (23 BPS) sectors. The smallest gains occurred across Suburban Office (9 BPS) and Strip Center (17 BPS) properties. Power Center properties recorded the only decline (4 BPS). Since 2Q08, overall cap rates across all property sectors increased an average of 65 BPS.
- As of 2Q09, Flex/R&D properties had the highest terminal capitalization rate at 8.56%, followed by Suburban–Office (8.55%) and Power Centers (8.41%). The lowest terminal capitalization rates were recorded within the Regional Mall (7.79%) and Strip Center (8.07%) sectors. The simple average terminal capitalization rate across all sectors was 8.30%.
- IRRs increased within almost all major property types during 2Q09 with the largest gains recorded within the Regional Mall (96 BPS), Warehouse (69 BPS) and Apartment (68 BPS) sectors. The smallest gains occurred across Suburban Office (23 BPS) and Flex/R&D (38 BPS) properties. Power Center properties recorded the only decline (14 BPS). Since 2Q08, IRRs across all property sectors increased an average of 111 BPS.
- As of 2Q09, Regional Mall properties had the highest IRR at 10.09%, followed by Suburban Office (9.93%) and Apartment (9.73%). The lowest IRRs were recorded within the Warehouse (9.02%), CBD–Office (9.03%) and Power Center (9.38%) sectors. The simple average IRR across all sectors was 9.45%.

Real Capital Analytics

A weak economy and credit crunch has reduced sales activity, characterized by a lack of significant transactions and a sharp fall in buying by foreign and institutional investors. After rising to 7.3% during 1Q09, average overall cap rates (OARs) began to retreat through the two months of the second quarter. RCA explained that the decline was due to lack of data. Real Capital Analytics reported that 624 properties sold during 1Q09, lagging considerably behind 2008's average of 1,860 properties sold per quarter and a three-year moving average of roughly 3,475 properties per quarter. During the two months of 2Q09, only 285 properties were sold. RCA reported 2Q09 OAR's within the various sectors: 8.1% for warehouse; 7.7% for strip centers; 6.4% for garden and mid/high-rise apartments; 6.9% for regional malls and 7.6% for suburban office.



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

** Data is through May, 2009

Commercial Property Sales Analysis

Commercial property sales activity is projected to total \$32.6 billion in 2009, off 75% 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.

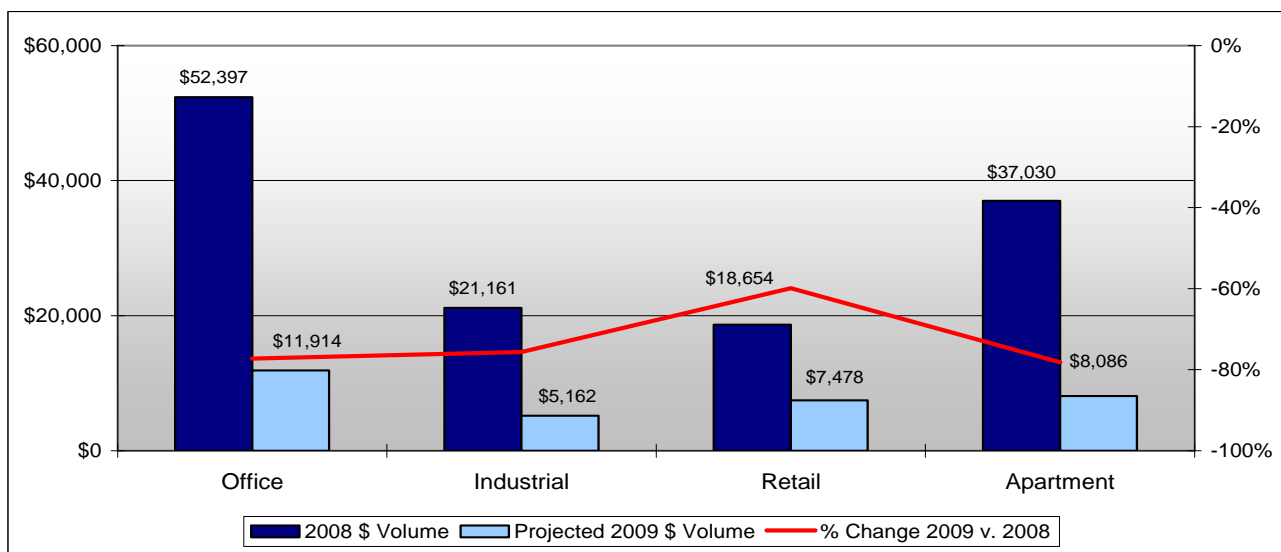
- **Office:** Through the first five months of 2009, the office market was the largest generator of property investment at \$6.3 billion. However, the sector is projected to decline by 77% from 2008 levels. The decline is expected to hit CBD properties harder than suburban properties.
- **Industrial:** The industrial market is projected to record the fewest dollar volume of sales in 2009 at nearly \$5.2 billion. This represents a drop of 76% from 2008 levels. Sales of flex properties fell greater than that of warehouse properties.
- **Retail:** For 2009, the retail market is projected to decline the least of the four property types. Sales, totaling \$3.1 billion through May, are projected to lag 2008 totals by 60%. As consumers cut spending and retailers shutter stores and increase layoffs, many of the largest retail REITS are struggling with increased vacancies and declining revenues.
- **Apartment:** Through almost the first half of 2009, sales of apartment properties totaled \$3.4 billion, a projected 78% drop from 2008 totals. Sales of garden apartments were off 79% while mid-high apartments decreased another 78%.

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

SALES TRANSACTION ACTIVITY BY PROPERTY TYPE

Projected 2009 v. 2008 (Dollar Value in Millions)

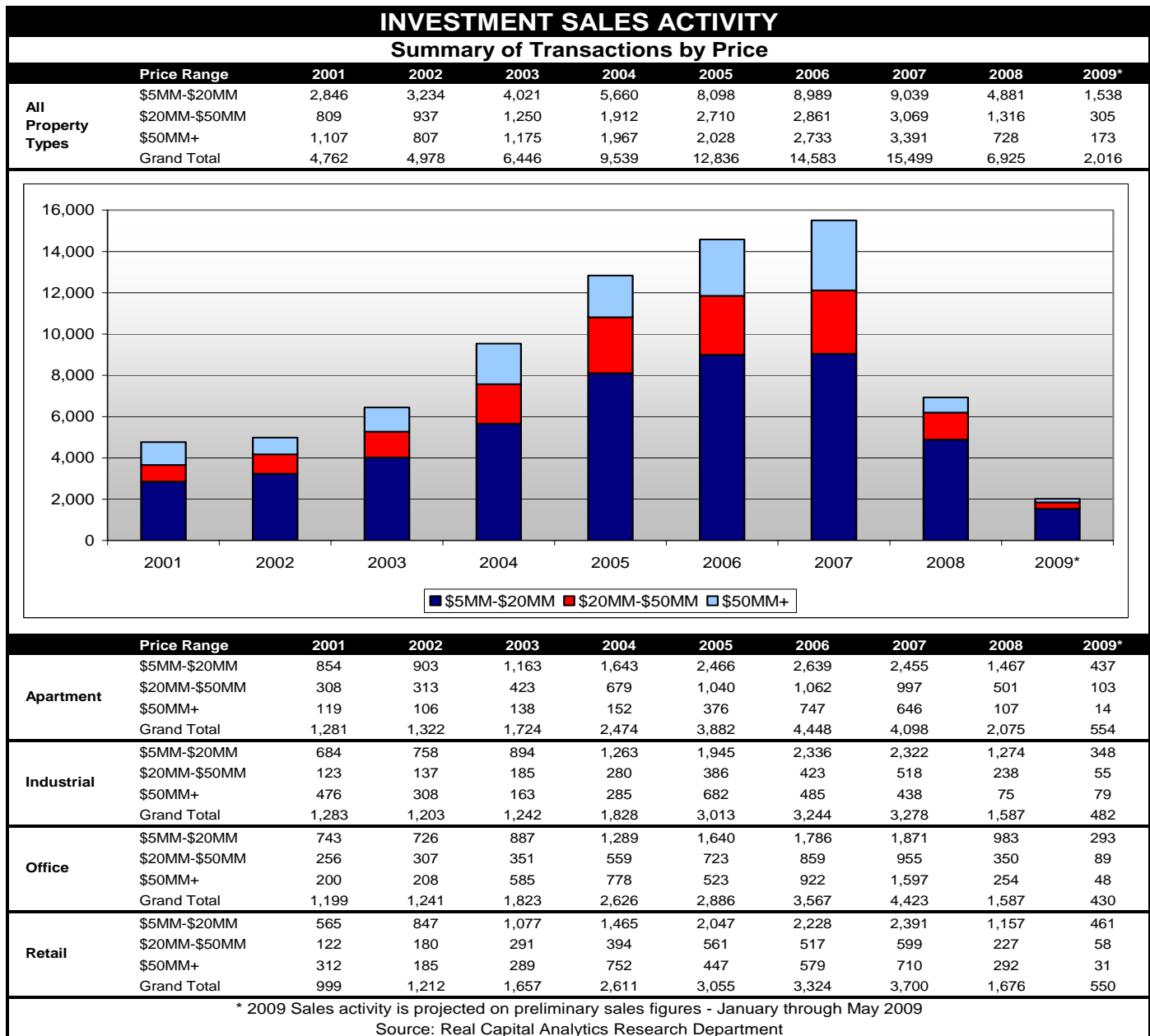
Property Type	2008 \$ Volume	Projected 2009 \$ Volume	% Change 2009 v. 2008	\$ Change Projected 2009 v. 2008	2008 # of Sales	Projected 2009 # of Sales	% Change Projected 2009 v. 2008	# Change Projected 2009 v. 2008
Office	\$52,397	\$11,914	-77%	-\$40,483	3,860	434	-89%	-3,426
Industrial	\$21,161	\$5,162	-76%	-\$15,999	2,694	348	-87%	-2,346
Retail	\$18,654	\$7,478	-60%	-\$11,176	3,460	554	-84%	-2,906
Apartment	\$37,030	\$8,086	-78%	-\$28,944	3,820	559	-85%	-3,261



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

Commercial Property Sales Analysis (continued)

In addition to the preceding data, we have also looked at historical sales activity by price point on an overall basis and by asset class; this data is summarized below. Transaction activity remains sluggish through the mid-year point of 2009. Projected over a full year, the number of transactions is projected to decline 71% from 2008 levels to only 2,016. This would represent the lowest number of sales in recent history. Apartment and office property sales are projected to decline the most in 2009. Roughly 75% of total transactions are expected to fall within the \$5- \$20 million range in 2009, as large deals valued in excess of \$50 million are expected to comprise only 9% of total activity. Looking ahead, it is forecasted activity for trophy assets will escalate until 2010 as many public investors are hesitant enter the market. Private investors, motivated by potential gains, are showing a greater willingness to take risks with the higher priced assets.



FTSE National Association of Real Estate Investment Trusts U.S. Real Estate Index

Comprised of 98 REITs, The Financial Times of London and the London Stock Exchange (FTSE) NAREIT U.S. Real Estate index rebounded during the second quarter of 2009. After decreasing 32% during the first quarter of 2009, the Index roared back to post nearly a 25% gain during the second quarter. The largest advances among REITs were recorded within the lodging/resort (60.4%) and regional mall (56.1%) sectors. Despite the quarterly increase, the total REIT index is still down 15.1% YTD. 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 June 24, 2009)								
Property Sector/Subsector	Number of REITs	Total Return (%)			Compound Annual Total Returns			
		M-T-D	Q-T-D	Y-T-D	1-Year	3-Year	5-Year	10-Year
Equity REIT Index	98	-6.88	24.6	-15.1	-47.5	-15.5	-1.4	5.8
Industrial/Office	25	-5.05	25.0	-17.9	-59.2	-22.1	-6.6	2.7
Industrial	7	-5.59	23.1	-28.5	-75.6	-32.5	-13.6	0.4
Office	13	-4.80	25.3	-16.1	-51.5	-17.9	-3.1	3.6
Mixed	5	-5.19	28.6	-4.8	-40.9	-18.3	-7.0	3.5
Retail	23	-5.92	34.8	-14.5	-56.2	-20.9	-5.2	6.5
Shopping Centers	14	-9.08	24.3	-27.5	-54.0	-20.3	-4.6	6.1
Regional Malls	5	-4.60	56.1	-1.5	-63.1	-25.1	-7.6	6.0
Free Standing	4	1.46	13.8	-0.5	-10.8	3.2	6.8	11.5
Residential	16	-7.96	20.0	-15.2	-40.2	-14.5	1.0	6.3
Apartments	14	-7.93	21.5	-15.7	-41.0	-14.8	1.3	6.6
Manufactured Homes	2	-8.63	-2.3	-4.6	-20.5	-7.9	-3.7	2.5
Diversified	6	-6.49	28.7	-25.0	-48.8	-16.9	-2.5	4.1
Lodging/Resorts	8	-18.67	60.4	-0.9	-50.7	-23.4	-6.7	-0.4
Health Care	11	-5.36	18.2	-14.7	-25.7	4.1	7.6	13.0
Self Storage	4	-1.75	20.0	-18.7	-28.2	-3.9	7.4	11.4
Specialty	5	-10.62	7.4	-4.4	-25.1	2.7	9.3	3.8

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

Largest REITs by Market Cap within FTSE NAREIT U.S. Real Estate Index

REIT	Market Cap
Simon Property Group, Inc.	15,001.9
Public Storage	11,335.3
Vornado Realty Trust	8,311.2
Equity Residential	6,639.8
HCP Inc.	5,869.1
Boston Properties Inc.	5,837.3
Plum Creek Timber Co. Inc.	5,779.3
Host Hotels & Resorts Inc.	5,560.7
AvalonBay Communities Inc.	4,732.2
Veritas Inc.	4,337.8
Kimco Realty Corp.	4,238.6
Health Care REIT Inc	3,792.7

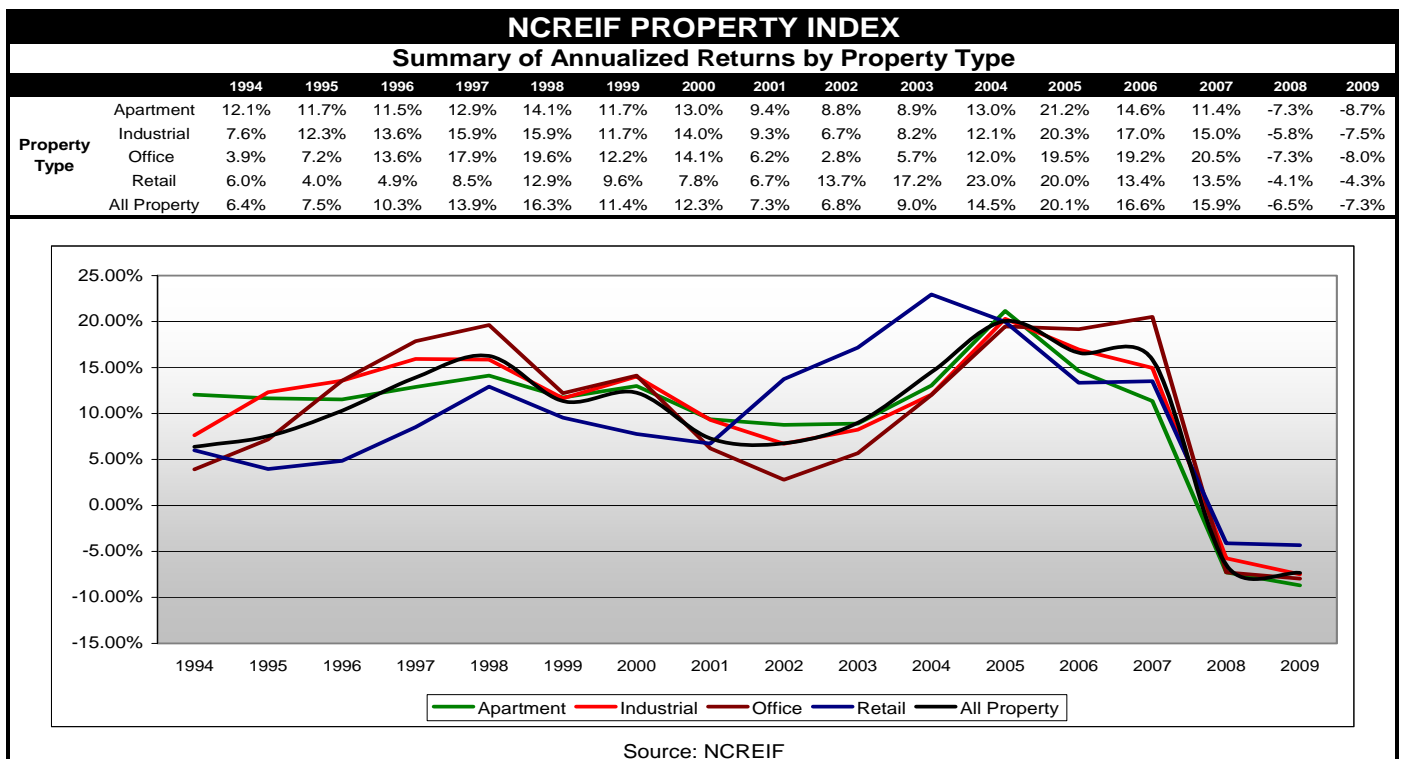
*Values as of May 31, 2009 in millions of dollars

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

The NCREIF Property Index (NPI) is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only. Properties in the NPI are accounted for using market value accounting standards, not historical cost. NCREIF requires that properties included in the NPI be valued at least quarterly, either internally or externally, using standard commercial real estate appraisal methodology. Each property must be independently appraised a minimum of once every three years. Because the NPI is a measure of private market real estate performance, the capital value component of return is predominately the product of property appraisals. As such, the NPI is often referred to as an “appraisal based” index. When entering the NPI, properties must be 60% occupied, investment returns are reported on a non-leveraged basis and properties must be owned/controlled by a qualified tax-exempt institutional investor or its designated agent. Properties exit the NPI when assets are sold or otherwise leave the database. All historical data remains in the database and in the Index. The Index represents investment returns from a single class of investor.

NCREIF Property Index Annualized Returns by Property Type

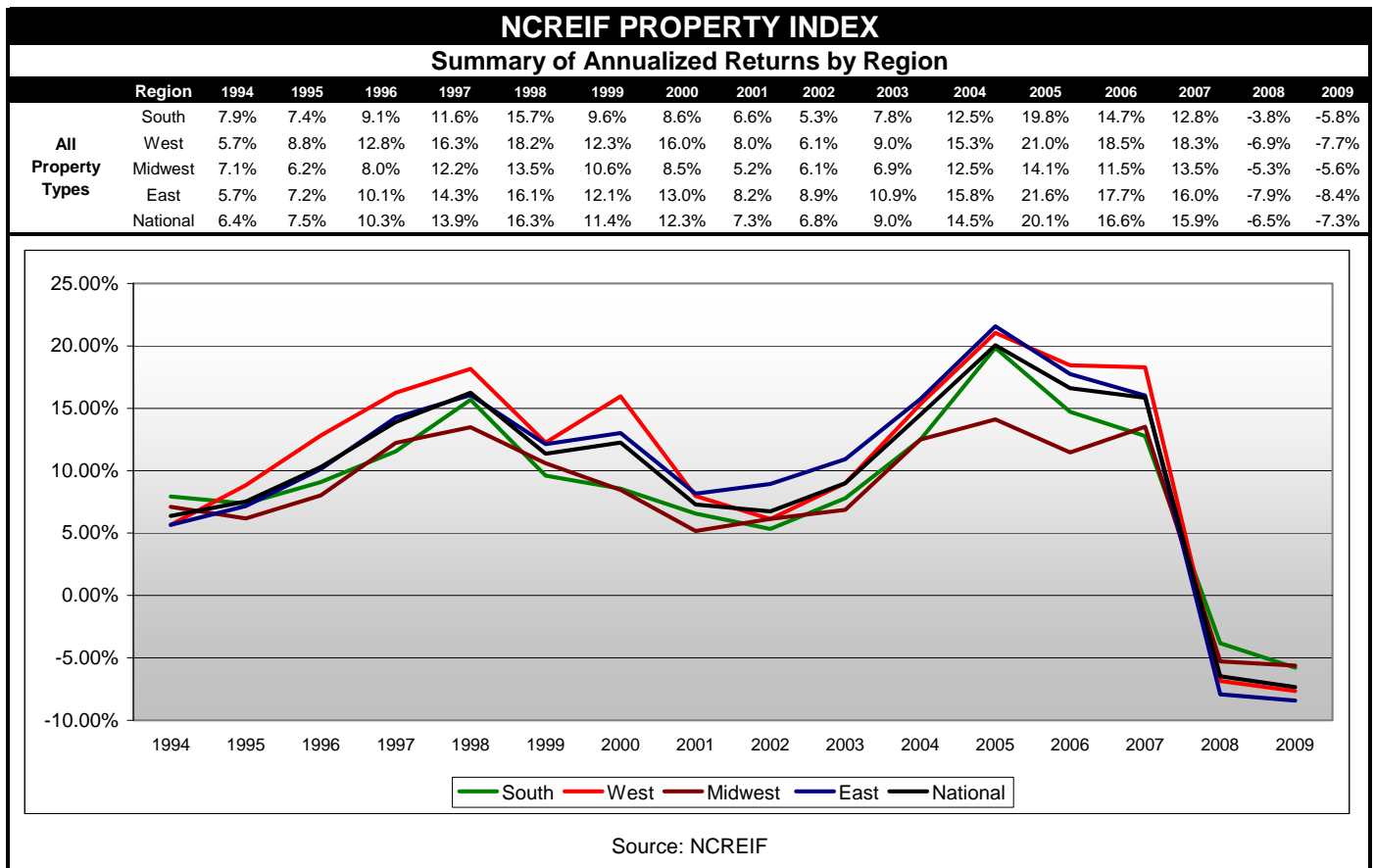
For the second consecutive year, all property types recorded negative annualized returns due to the credit crunch and difficult economic climate. At -7.33%, the NPI index registered its lowest return in recorded memory. During the first quarter of 2009, the apartment sector fared the worst (-8.7% return) and the retail sector (-4.3%) beat the national average. From 1996 to 2000, the nation’s real estate market flourished, fueled by the technology boom, and the NPI enjoyed five consecutive years of double digit growth during this time period, peaking in 1998. A cool down during the next three recessionary years brought the NPI moving average down from 12.8% to 7.68%. Starting in 2004, a record run in real estate growth allowed the index to achieve a four-year moving average of 16.8% annualized gains through 2007 and breaking the 20.0% threshold in 2005. From 1996 and 2007, the four major types averaged annualized returns between 12.5% and 13.6% before plunging in 2008.



NCREIF Property Index (continued)

NPI Annualized Returns by United States Region

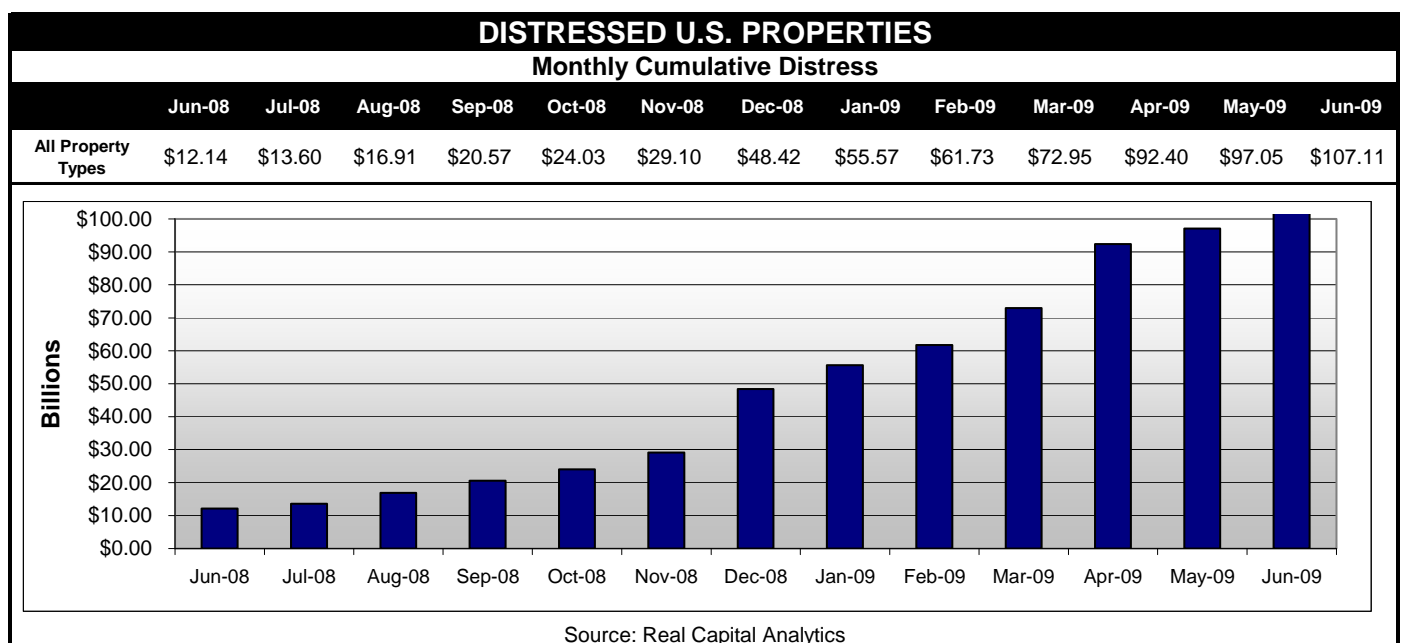
After posting positive returns for 15 consecutive years beginning in 1993, the NPI Index turned negative in 2008 due to the economic downturn, which has continued into 2009. Since 2007, annualized returns across all property sectors declined by the largest amount in the East (-8.18%), followed by the West (-7.25%), Midwest (-5.46%) and South (-4.81%). However, annualized returns have been positive since 1990, averaging 8.03% in the West, 7.59% in the East, 7.15% in the South and 6.21% in the Midwest. The greatest periods of growth occurred between 1996-2000 and 2004-2007 when economic expansion resulted in robust years for the real estate industry.



Distressed Commercial Properties

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

During the past 12 months, the total volume of distressed assets grew nearly tenfold and currently stands at \$107.11 billion as of May. The largest monthly increase (\$19 billion) occurred in April following the bankruptcy of General Growth Properties, who is the largest borrower in the CMBS Universe with \$27 billion of liabilities. The pace of new additions slowed in May.

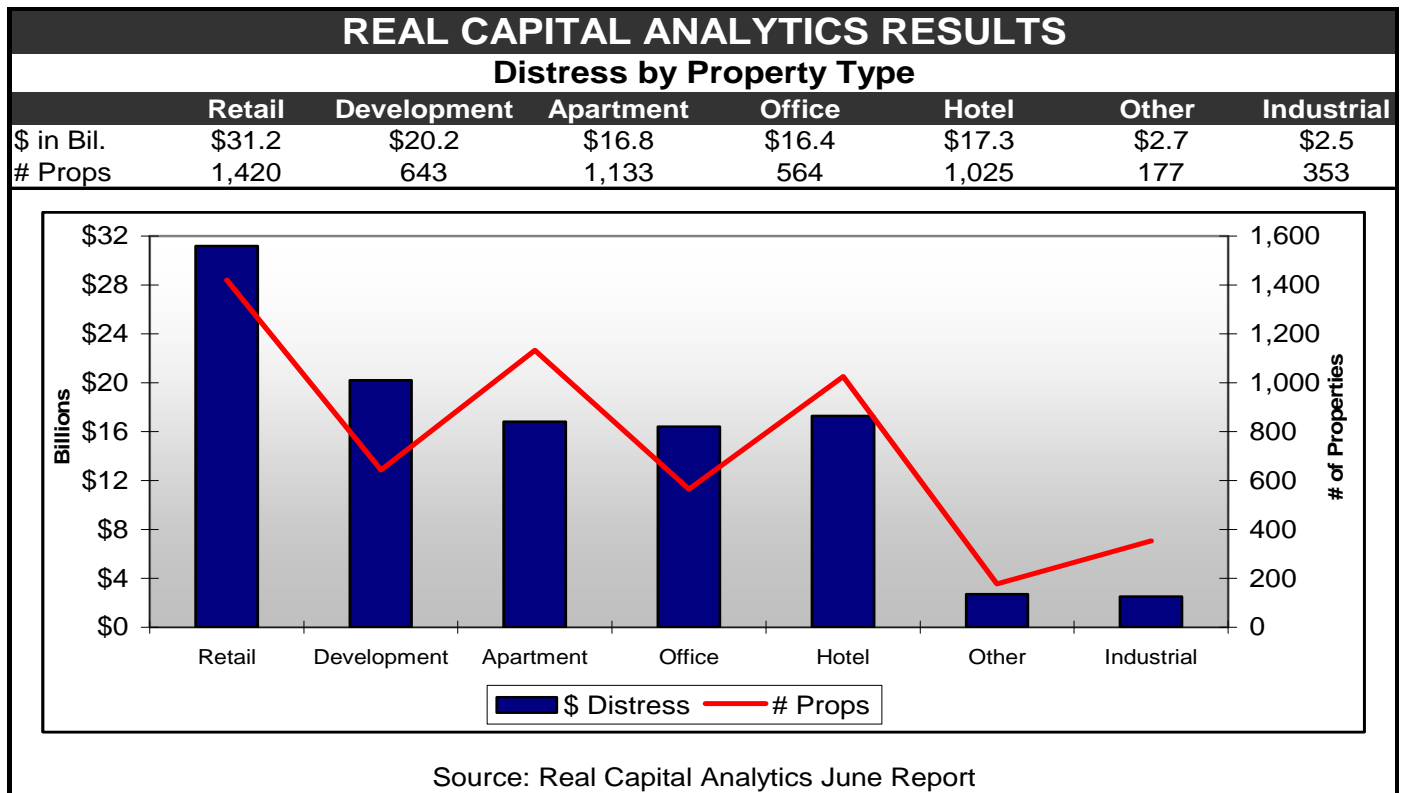


- Currently, 5,315 properties with a total value of approximately \$107.1 billion are reported to be in default, foreclosure or bankruptcy. Roughly 27% of distressed properties are within the retail sector with a total value of \$31.2 billion.
- Within the retail sector, regional malls have the greatest share of distress. On the positive, unanchored strip centers and urban retail properties have low levels of distress.
- Commercial development sites have the second highest volume of distress at \$20.4 billion. This does not include single-family land, which would greatly increase the volume of distress.
- The apartment sector has the second highest volume of distress among the five major property types. Within the sector, mid/high-rise and low income properties have the highest rates of default.

Distressed Commercial Properties (continued)

- More than \$15 billion of office properties are in distress. However, the sector has proportionately far lower levels of distress than the retail, hotel and apartment sectors. Medical office properties have fared well and this niche has little trouble.
- After retail, the hotel sector has the greatest proportion of distress. Due to the recent bankruptcy of Extended Stay, distress in the hotel sector is up 216% YTD. Hotel-casino properties, where it is estimated that nearly half of these properties traded during the past five years, are troubled.
- The industrial sector is facing the lowest amount of trouble so far, with warehouse properties having slightly lower incidents of default than flex properties.

Below is a graph that highlights distress by property sector.

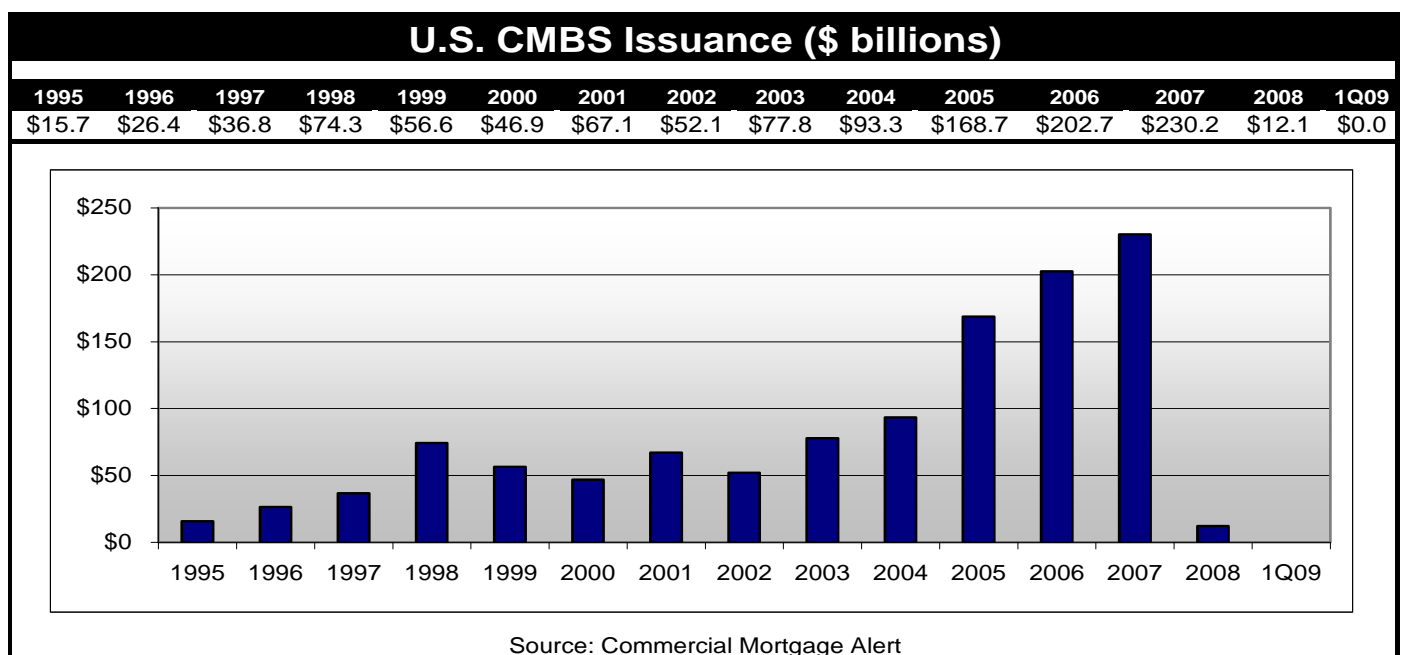


Commercial Mortgage Backed Securities (CMBS) Trouble

The financing drought in commercial real estate has caused major damage to the economy. New issuances of commercial mortgage-backed securities (CMBS), which fueled the large run-up in commercial real estate prices between 2005 and 2007, has greatly come to a halt. The commercial mortgage-backed security market has been hurt by the fallout of the mortgage crisis as investors seek to reduce risk for all assets. Price volatility in financial markets and expectations that delinquencies on properties in the office, retail, apartment, industrial and hotel sectors will continue to rise has kept investors at arm's length. Weakness in the overall economy is affecting commercial real estate with declines in property values and rising vacancies. This fallout has caused a dramatic decline in commercial property sales since 2008. The market in 2008 and 2009 has virtually disappeared for CMBS, pushing yield premiums to record levels. Credit Suisse estimates loans coming due in CMBS will grow to \$42 billion in 2010 and \$69 billion in 2011, from \$15 billion this year.

To get credit flowing to the commercial real estate market, the Federal Reserve is accepting older commercial real-estate bonds created before 2009 and existing commercial mortgage-backed securities, called legacy bonds, to become eligible as collateral under the Term Asset-Backed Securities Loan Facility or TALF. The TALF program has two parts to help commercial real estate: one to create a market for existing CMBS; the other to unfreeze the market for new CMBS issuances. However, under the Fed's rules, only the highest rated CMBS are eligible. A potential problem may exist as Standard & Poor's warned that billions of dollars of top-rated bonds backed by commercial mortgages could face downgrades, potentially making the securities ineligible for a \$1 trillion U.S. program to jumpstart lending. This action has raised doubts about how effective the Fed program will be in the revival of the \$700 billion CMBS market. Upwards of 90% of super senior commercial-mortgage backed bonds sold in 2007 may be affected as the ratings firm changes how it assesses the debt. In a bid to prevent borrowers from defaulting and giving up office, retail and apartment buildings at distressed levels, U.S. commercial real estate mortgage servicers are seeking to extend maturing loans for up to five years.

Below is a chart detailing U.S. CMBS issuance. After a six-year period commencing in 2002 where CMBS issuance increased from \$52.1 billion to a peak of \$230.2 billion in 2007, issuances have fallen dramatically. Currently, no U.S. CMBS issuances have been recorded during the first quarter of 2009.



CMBS Trouble (continued)

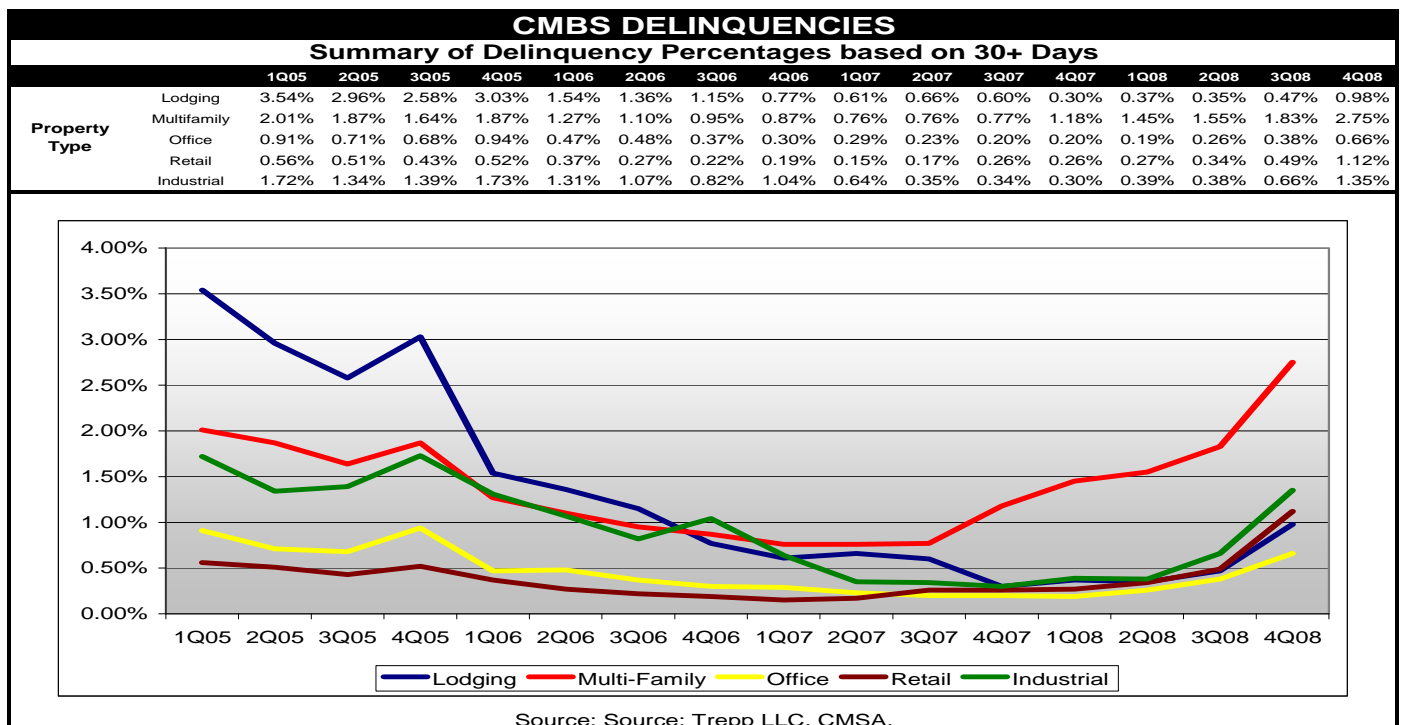
CMBS Delinquencies on the Rise

As the slow economy and lack of financing stress commercial loan performance, loan defaults for U.S. CMBS are expected to exceed 5% by the end of 2009. Larger loans in the 2006 and 2007 vintages have begun to default, causing first quarter 2009 defaults to already reach \$2.6 billion, compared to \$3.2 billion for all of 2008. According to Fitch Ratings, the cumulative default rate increased to 3.29% in 2008 from 2.71% in 2007. In 2008, multifamily properties represented the highest of all property defaults with \$1.06 billion and a default rate of 5.21%. Retail defaults increased significantly to \$1.03 billion with a default rate of 2.52%. Fitch expects both multifamily and retail to lead defaults by the end of 2009.

During the first quarter of 2009, Real Estate Econometrics reported that the national default rate for commercial real estate mortgages increased to 2.25% from 1.62% during the previous quarter. The 0.63 percentage-point jump is the largest quarterly increase since at least 1992, and pushed the default rate to its highest level since 1994. The firm linked the default uprising to higher vacancy rates, declining rents and increasing operating expenses, all of which made it tougher for borrowers to meet principal and interest obligations. As of May, it was reported that the delinquency rate reached 2.7%.

Research firm Reis Inc. believes that U.S. delinquency and default rates for loans sold as commercial mortgage-backed securities will continue to increase in 2009 amid rising office, retail and apartment vacancies. Delinquency and default rates for securitized loans on office, retail, industrial, apartment and hotel properties are likely to rise above 6% by the end of the year from a weighted average of 1.76% in the first quarter. CMBS loans represent about 21% of the \$3.5 trillion commercial real estate debt market. Unless liquidity returns to financial markets and banks pick-up the pace of lending, the rate of delinquencies will likely continue to rise.

Below is a chart tracking CMBS delinquencies. During the fourth quarter of 2008, delinquencies increased substantially for all major property types. Multifamily properties led in loan failures with a rate of 2.75%, while office properties had the fewest at 0.66%. Retail had the highest percentage of increase at 128%.

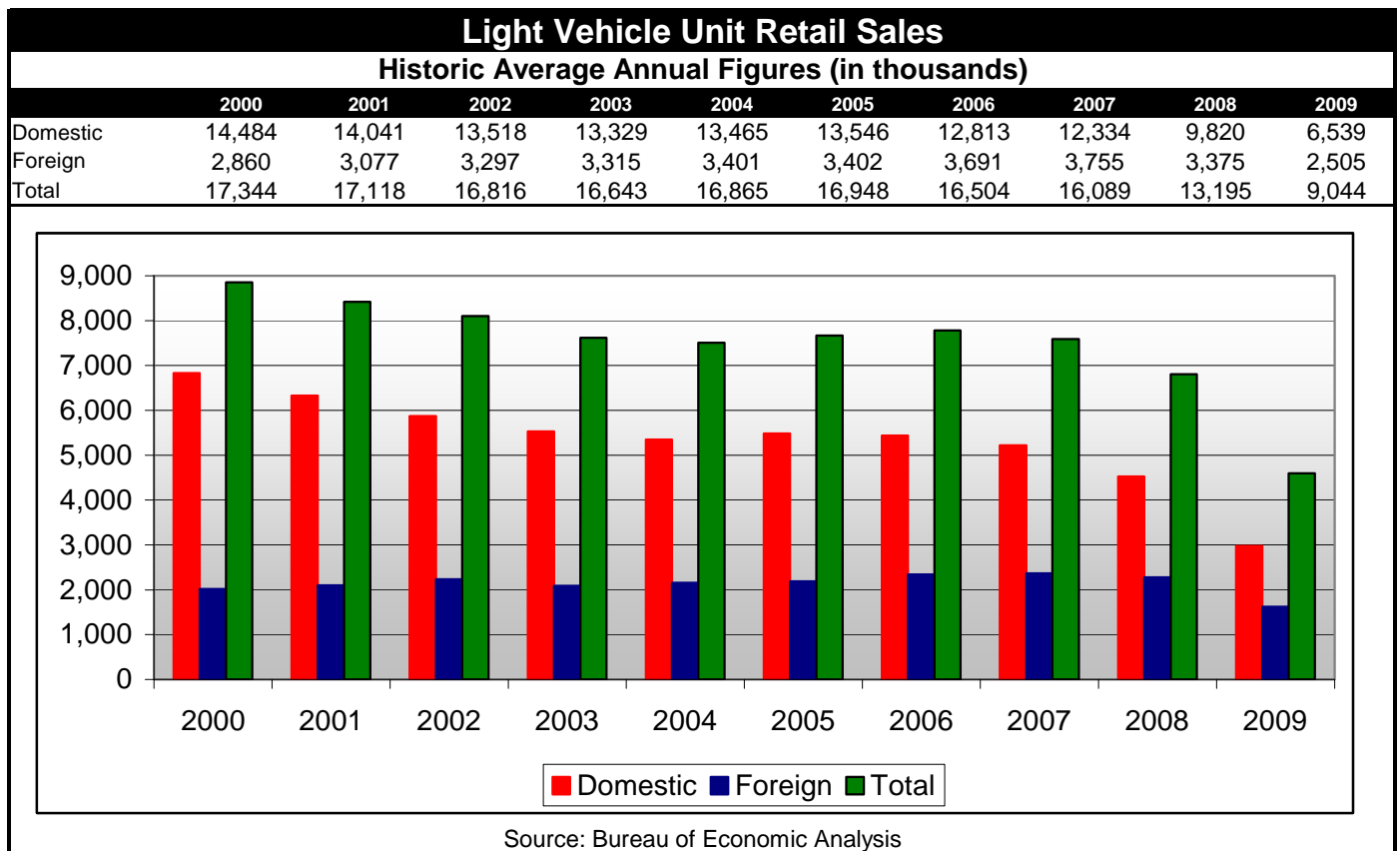


Automobile Industry Struggling

The ongoing recession has devastated sales of cars and trucks and the domestic auto industry is under mounting pressure to stay viable. Chrysler and GM are scrambling to reorganize as both have struggled with having too many dealerships and too few customers to keep profitable. As GM and Chrysler lost market share to Japanese and other overseas brands, the automakers ended up with dealerships that were too close to each other, which drove down prices. As a result, Chrysler has cut 32,000 jobs since 2007 and GM trimmed 31,000 in 2008 alone. In a move seen forthcoming, General Motors and Chrysler announced the closings of 1,900 dealerships in an effort to bring the companies back from the brink of bankruptcy. The cuts will allow the surviving dealers to expand the size of their markets and will provide them a better chance of staying healthy and attracting private investment. Combined, the affected Chrysler and GM dealerships employ an estimated 89,000 workers; not all will lose their jobs, as some dealerships will survive selling used cars while others will represent other car brands. However, the cuts by GM and Chrysler could affect upwards of 60,000 dealership jobs.

Light Vehicle Unit Retail Sales Decline

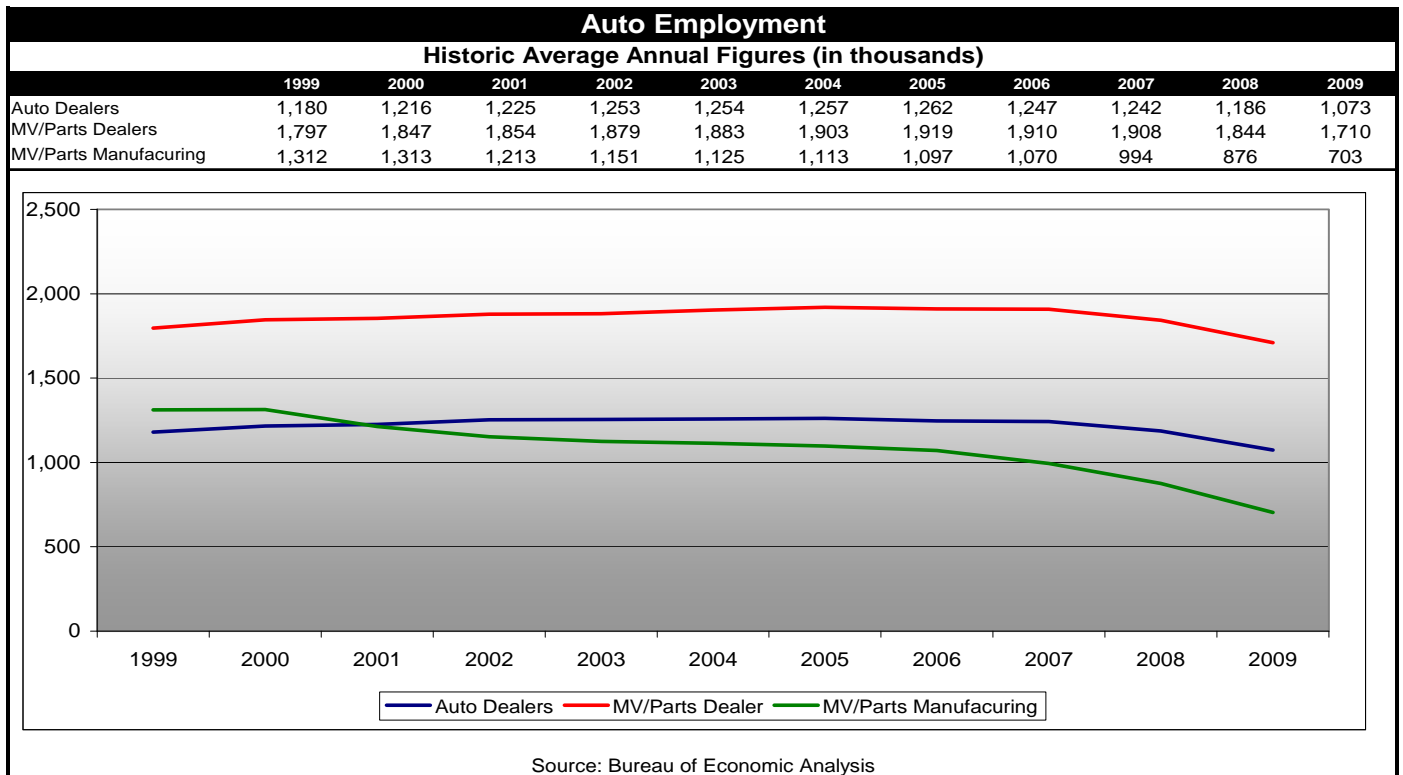
Below is a chart detailing the impact of the recession on sales of domestic and import light vehicles including SUV's, automobiles and small trucks. Since 2007, a considerable drop has occurred in light vehicle sales. The 2009 forecasted sales total of 9.04 million represents a 44% decline from levels achieved in 2007.



Automobile Industry Struggling (continued)

Employment

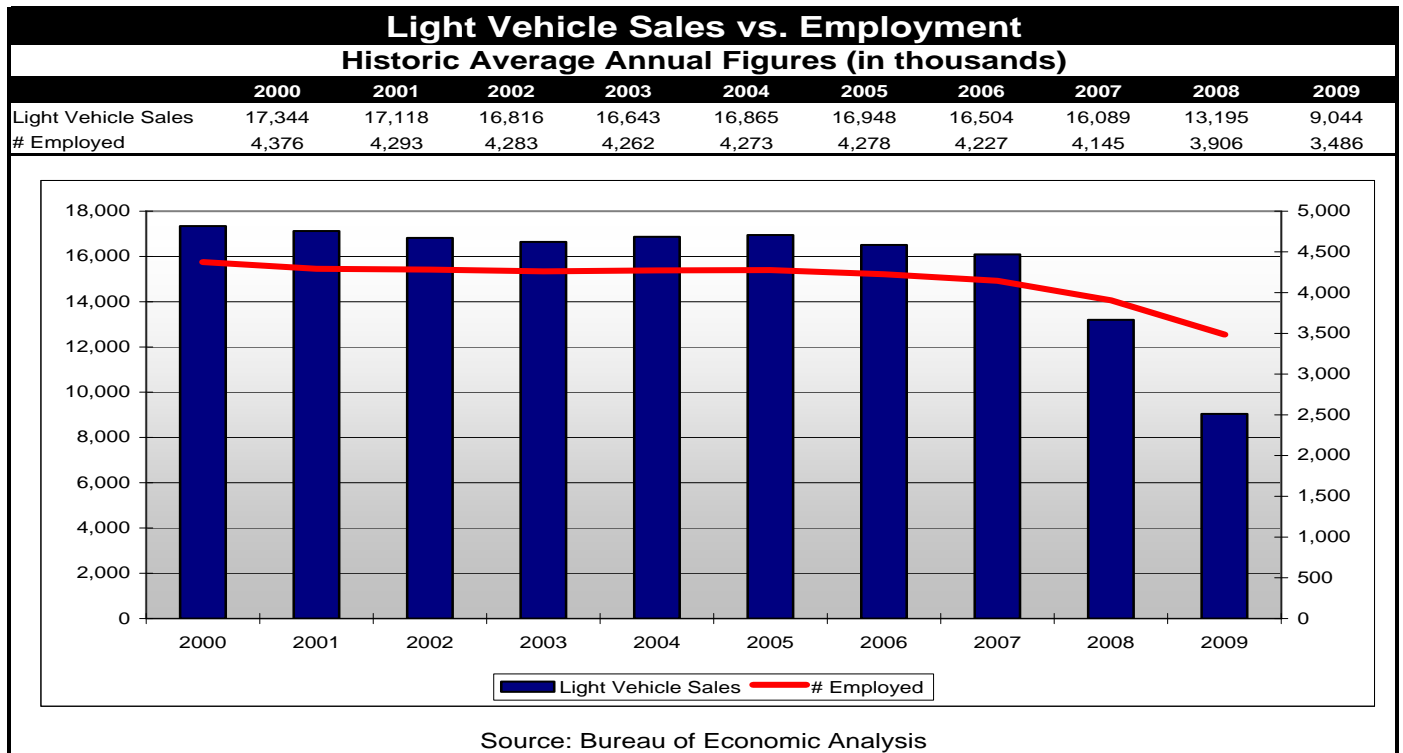
Auto employment across retail dealerships and parts manufacturing has trended downward since 2007 and is expected to decline further in 2009. As of April 2009, employment within auto dealerships has fallen 13.6% since 2007 to 1.07 million and 10.6% to 1.71 million for motor vehicle (MV) parts dealers. Employment within MV parts manufacturing industry has witnessed the largest decline, falling 29.3% during the same time period.



Automobile Industry Struggling (continued)

Light Vehicle Sales vs. Employment

A direct correlation exists between sales of cars and light trucks and employment within the automotive industry. Between 2005 and 2008, as light vehicle sales declined 22.1%, employment within the industry trended downward by 8.7%. For 2009, employment is projected to decrease 10.7% as sales are expected to lag 2008 totals by 31%.



Chrysler LLC

In a major restructuring, Chrysler LLC filed for bankruptcy protection and plans to eliminate 789 of its 3,181 dealerships (roughly 25%) across the country. The automaker said that many of the dealer's sales are too low, with just over 50% of dealers accounting for about 90% of the company's U.S. sales. About half the dealerships being closed sell fewer than 100 vehicles per year. In assessing Chrysler's viability, the Treasury Department found the automaker could not survive as a stand-alone company. The company is also trying to reduce the number of single-brand dealerships to bring all three Chrysler brands (Jeep, Chrysler and Dodge) under a single roof. According to its filing, Chrysler sold an average of 303 vehicles per dealer in 2008 compared with 1,300 and 1,200 vehicles per dealer for Toyota and Honda, respectively.

On June 1, the U.S. Bankruptcy Court approved the request of Chrysler LLC to sell substantially all of its operations to Chrysler Group LLC, a new company formed in alliance with Fiat SpA. The Chrysler Group will be controlled primarily by a United Auto Workers union trust (55%), Fiat (20% initially and then potentially rising to 35%), United States government (8%) and Canadian government (2%). The alliance with Fiat provides Chrysler Group with access to exciting products that complement the Company's current portfolio, technology cooperation and stronger global distribution.

*Automobile Industry Struggling (continued)***General Motors**

On June 1, General Motors filed for Chapter 11 bankruptcy protection, representing the largest filing for an industrial company and fourth-largest in U.S. history. Founded in 1908, the bankruptcy filing represents a dramatic downfall for GM, who has seen U.S. market share fall from 45% in 1980 to 22% at the end of 2008. As a result, 21,000 employees or 34% of its workforce are expected to be cut. At the time of the filing, GM reported \$172.81 billion in debt and \$82.29 billion in assets. The new GM ownership is expected to be comprised of the federal government (60% ownership), the Canadian government (12.5%), the United Auto Workers (17.5%) and unsecured bondholders (10%). During reorganization, GM will receive \$30 billion of additional financial assistance from the Treasury Department and \$9.5 billion from Canada. GM is predicted to emerge as a trimmer company with a smaller work force, less plants and a leaner dealership network. GM will move forward with four core brands including Chevrolet, Cadillac, Buick and GMC. GM also announced the permanent closing of nine more plants and idling of three others to trim production and labor costs within Michigan, Ohio, Delaware, Indiana, Massachusetts, Florida, New York, Virginia and Tennessee.

In May, General Motors Corp. announced the closing of 1,100 under performing dealerships by late next year or nearly 20% of its U.S. network. The cuts are part of a larger GM plan to eliminate 2,600 of its 6,200 dealerships by 2010 as the automaker tries to restructure outside of bankruptcy court and to become profitable again. The rest of the cuts will come as GM phases out or sells its Saturn, Pontiac, Hummer and Saab brands and as dealers voluntarily close or are consolidated. When the surviving dealer's contracts are up in late 2010, GM will cut still more by not offering renewals to about 10 % of the dealers who are left.

Economic Impact**Overall**

The announcement of the dealership closings and the Chapter 11 filings of both GM and Chrysler bring the problems of the auto industry to the attention of the entire country. As the recession shows signs of abating, plants, brands, jobs and dealerships will be shed across the U.S. in the upcoming months. The cuts are likely to hurt the national economy in the near term as thousands of jobs are lost, taxes go unpaid and newly vacant space from closed car dealerships and manufacturing facilities hurt the commercial and industrial real estate markets, respectively. According to the nonprofit Center for Automotive Research, the GM bankruptcy could have a ripple affect of upwards of 1.3 million job losses under its worst case scenario resulting from cuts and disruptions to its supply chain firms and jobs losses due to reduced spending of laid off workers.

Local

For many small towns and suburbs, auto dealerships and plants are often the key employer and economic engine for the area. Dealers could stay open selling used cars or other brands, but GM and Chrysler cuts will still leave cities across the U.S. with empty buildings, vacant lots and perhaps hundreds of thousands of dollars in lost tax revenues. The shuttered plants will increase layoffs in local communities and negatively affect subcontractors, suppliers and shop owners. Joel Naroff at Naroff Economic Advisors indicated the shuttered GM dealerships alone could translate into the loss of as many as 150,000 jobs representing a 0.2 percentage point rise in the unemployment rate. The National Automobile Dealers Association, an industry group, says the GM and Chrysler cuts combined could wipe out 100,000 jobs and the Center for Automotive Research estimates job losses at 63,200 in 2009 and another 179,400 next year.

*Automobile Industry Struggling (continued)***Industrial**

As GM reorganizes, the industrial property industry is expected to be negatively affected. GM plans to close assembly plants in Wilmington, DE and Pontiac, MI and its service/parts operations and warehousing parts distribution centers in Boston, Jacksonville and Columbus this year. In 2010, powertrain plants will shutter in Flint, MI, Willow Run, MI, Livonia, MI, Parma, OH and Fredericksburg, VA. Three stamping plants will also shut down from 2009–2011. The empty distribution and warehouse facilities will add more vacant product to an already oversaturated marketplace and may prove to be difficult to sell or lease due to unique customization. As manufacturing continues its decline in the U.S., tepid demand means these facilities will likely need to be retrofitted or redeveloped.

Commercial Woes

The glut of excess space from empty car dealerships may have a prolonged negative impact on the commercial real estate market as the majority of sites are expected to sit vacant. Real estate brokers believe dealerships in the best locations in urban markets will be acquired relatively quickly, but most will garner little attention and are unlikely to be redeveloped in the near future. Auto dealerships pose a costly and timely challenge for developers who likely will need to apply for a zoning change and may need to demolish existing structures on site.

In February, the National Automobile Dealers Association (NADA) forecasted that net closings of car dealerships would reach 900 in 2009 and so far it was reported that 522 dealerships have closed. Marcus & Millichap Real Estate Services reports that roughly 25% to 30% of the dealership sites about to hit the market will likely be taken over by other car brands. The firm estimates that cap rates on dealership properties have increased at least 250 basis points since 2007 to a current estimate of 9.5% and may reach 11.0% as more sites flood the market.

About The Schonbraun McCann Group

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

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FTI Consulting, Inc. (NYSE: FCN) is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. With more than 3,300 professionals located in most major business centers in the world, we work closely with clients every day to anticipate, illuminate, and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring.

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