



The State of the Commercial Real Estate Industry: **First Quarter 2011 Industrial Review & Outlook**

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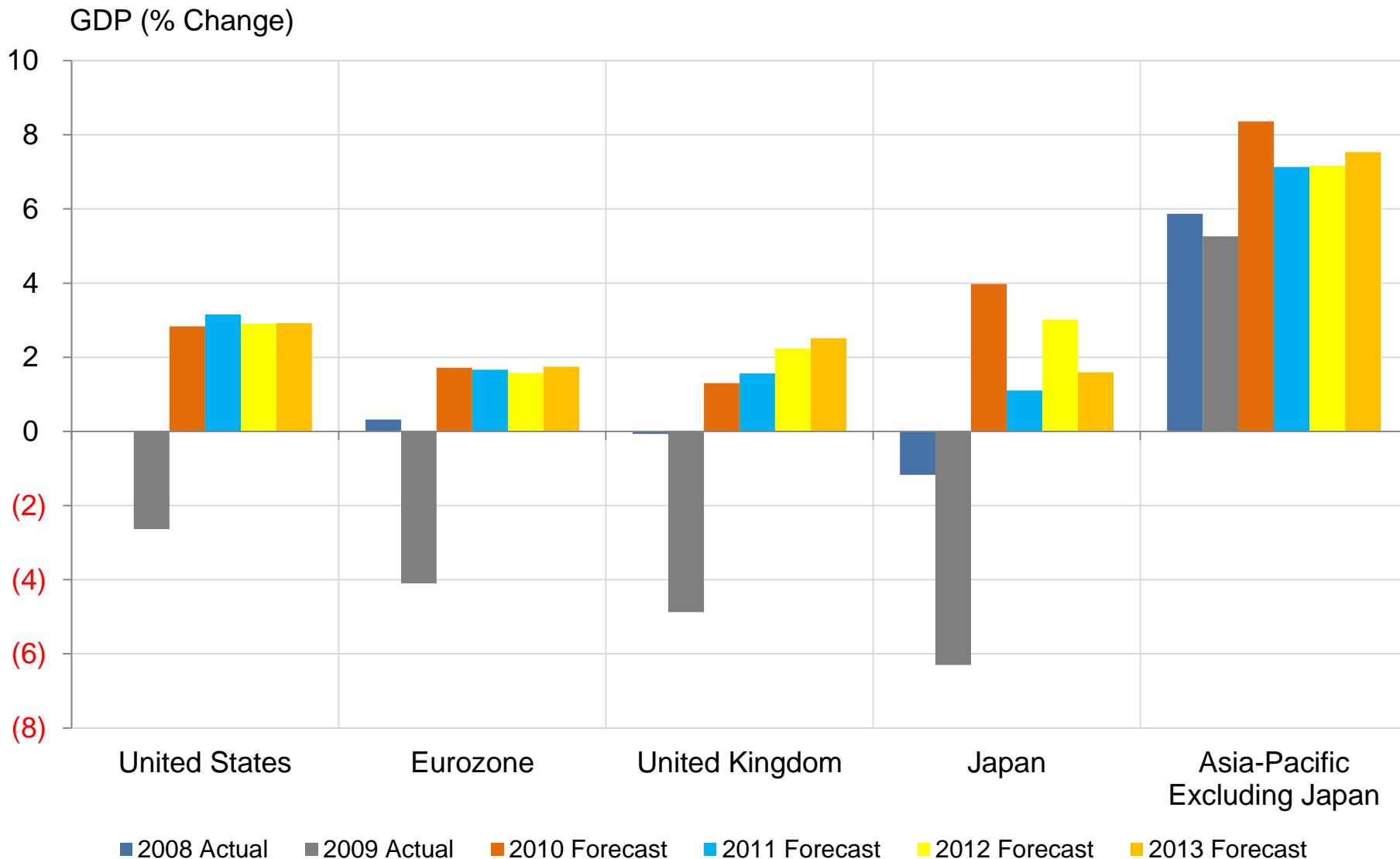
Today

- Economy
- Danger Zone
- Leasing Fundamentals
- New Research Spotlight
- Capital Markets
- Sales Trends
- Summary and Q&A



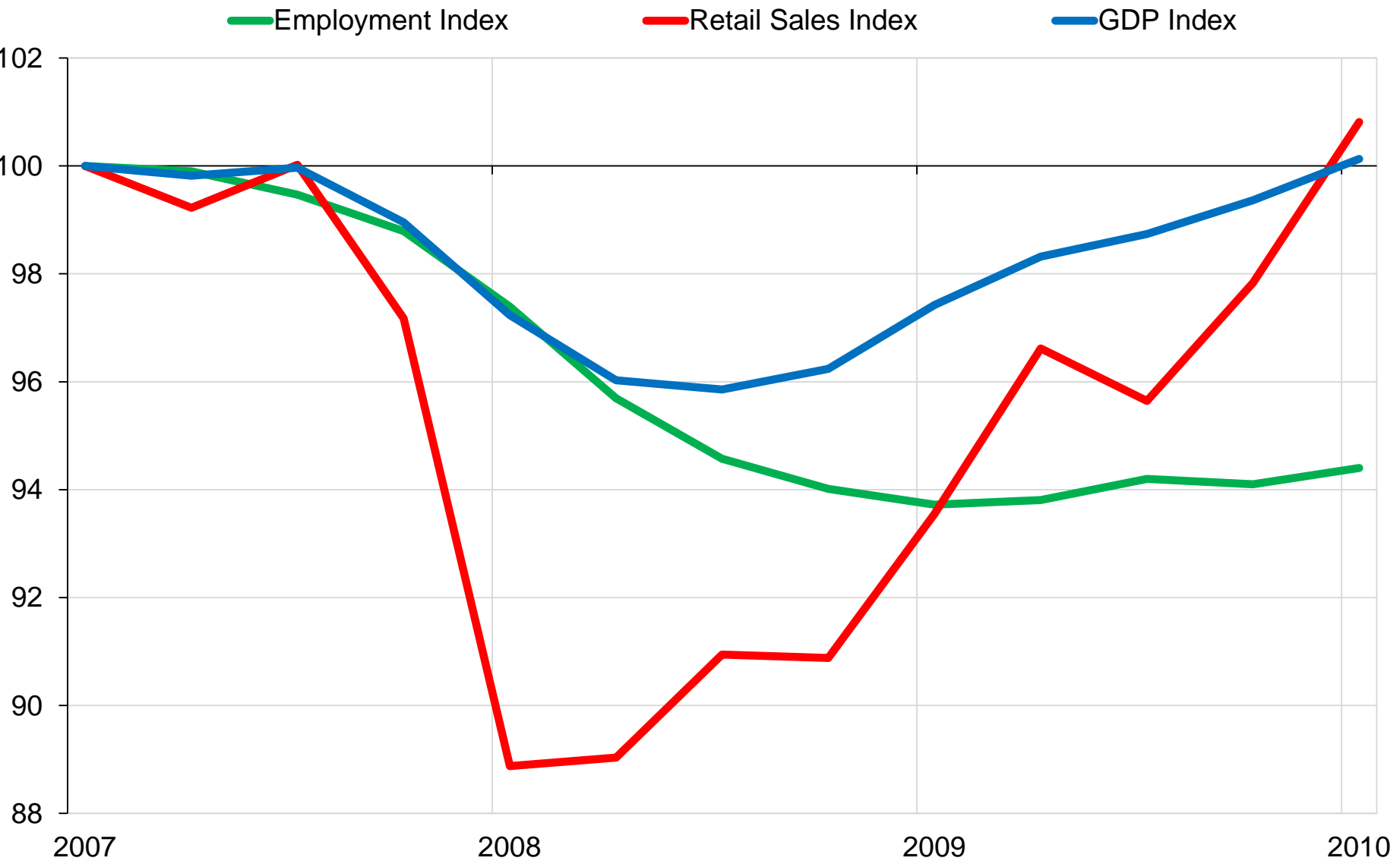
Economy

The U.S Recovery Leads The West *But Asia Leads The World*



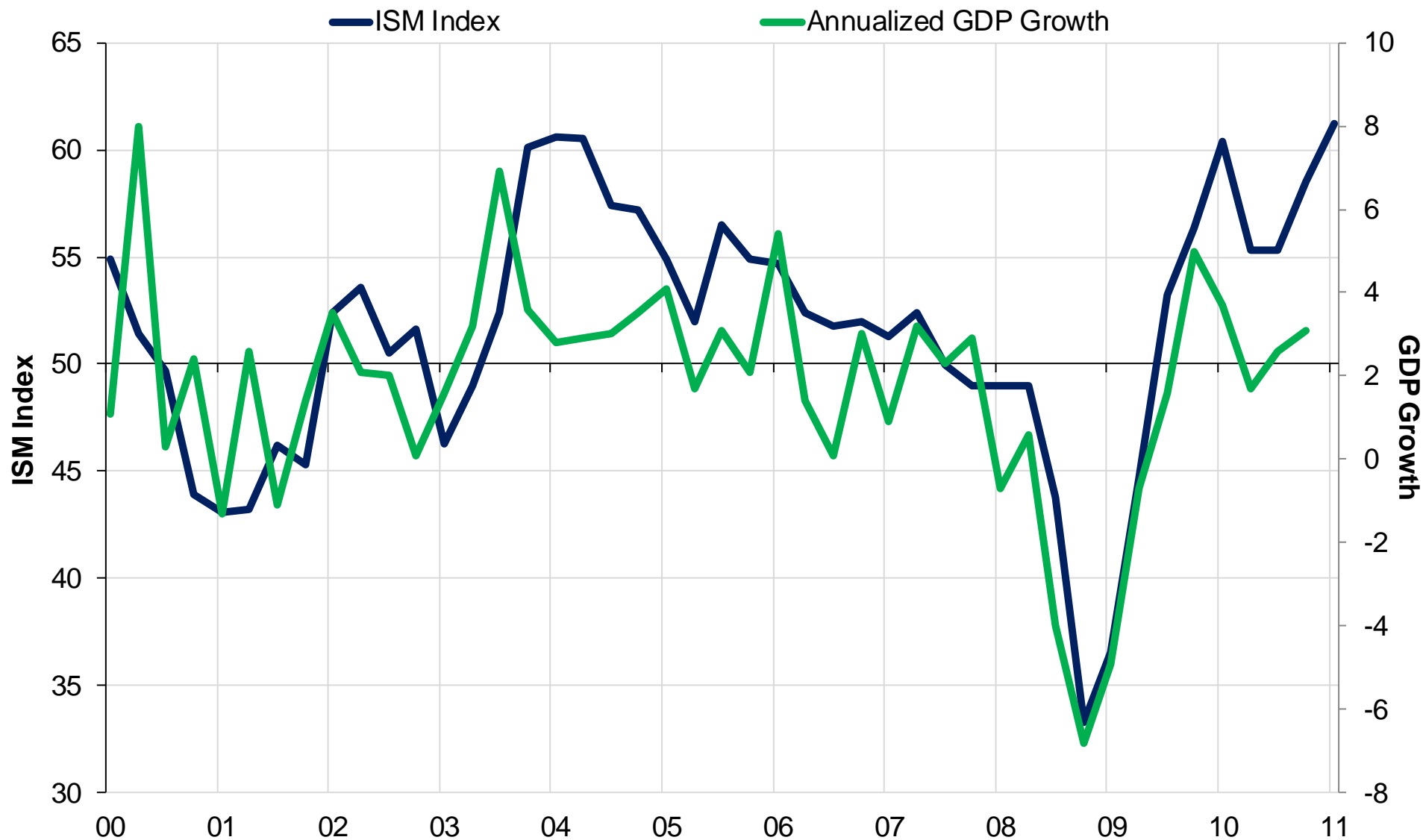
Source: Global Insight, March 15, 2011 Forecast (post-Tohoku Earthquake and Tsunami)

Key Economic Indicators Indexed to Pre-Recession Levels



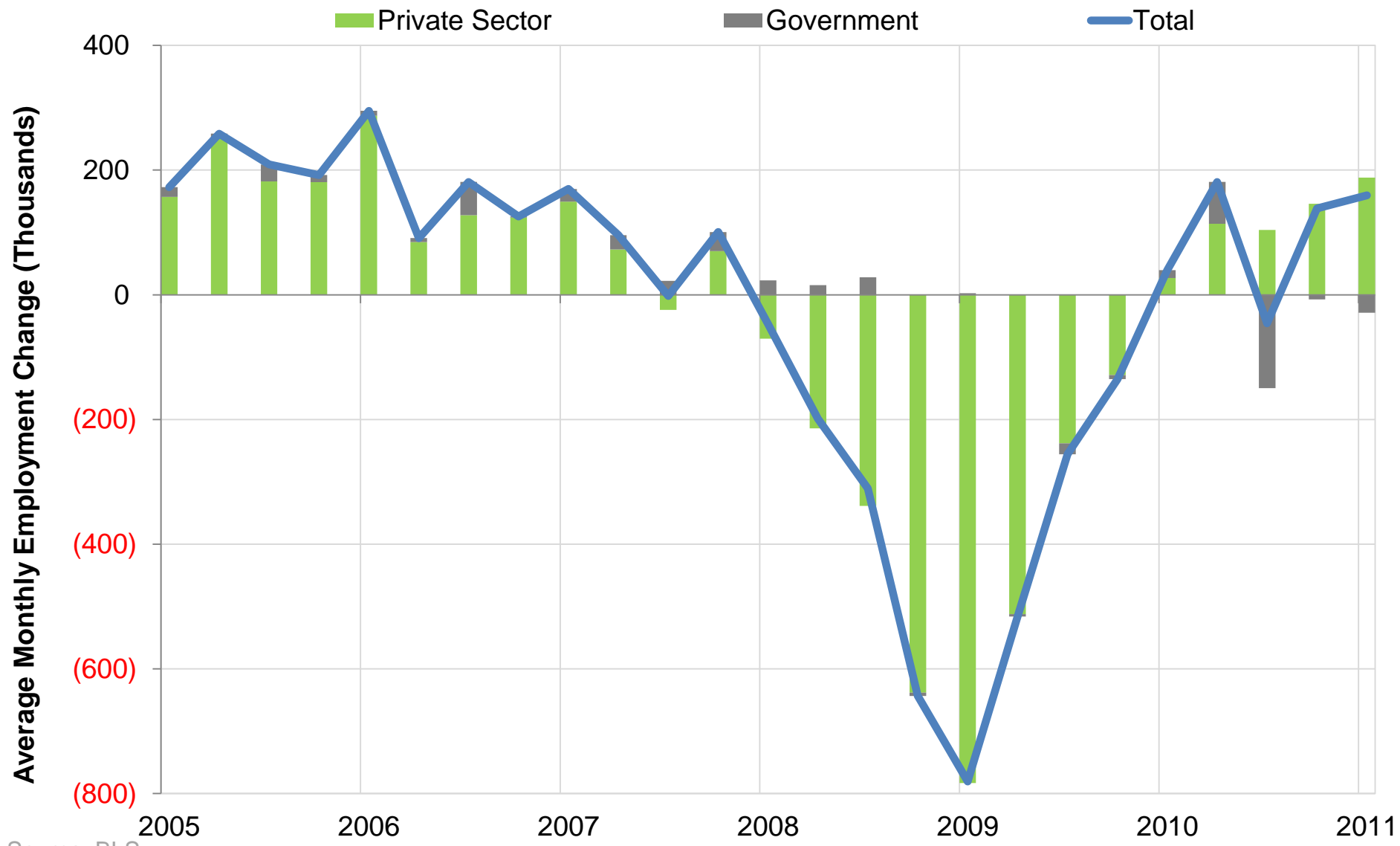
Source: Moody's Analytics

ISM Index and Annualized GDP Growth





Job Creation Has Kicked Into Gear

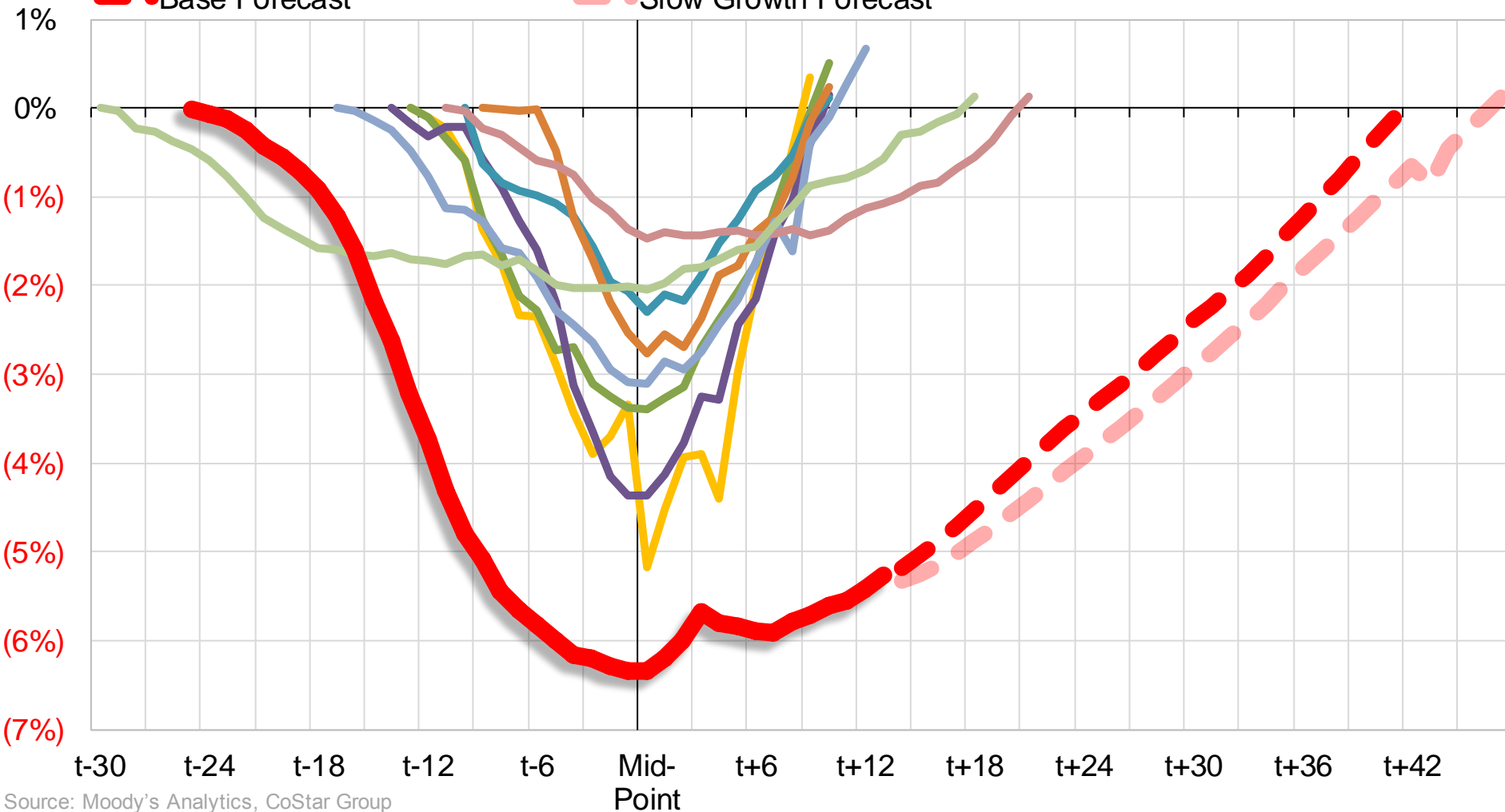


Source: BLS



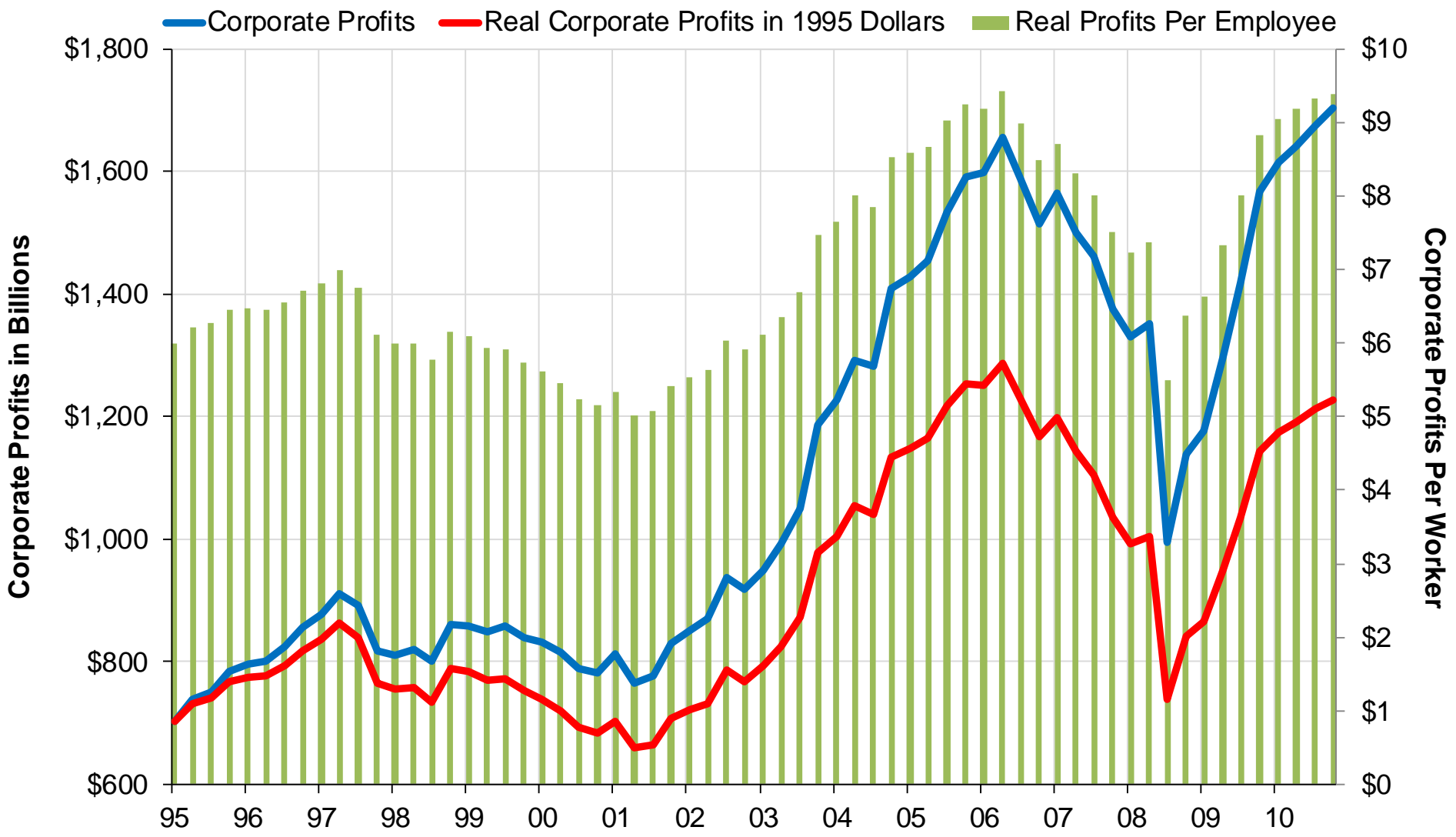
Worst Post-War Job Loss Periods by % of Pre-Recession Workforce

- October 1948 - July 1950
- August 1953 - June 1955
- May 1957 - April 1959
- August 1974 - February 1976
- May 1981 - November 1983
- July 1990 - February 1993
- March 2001 - February 2005
- January 2008 - ???
- Base Forecast
- Slow Growth Forecast





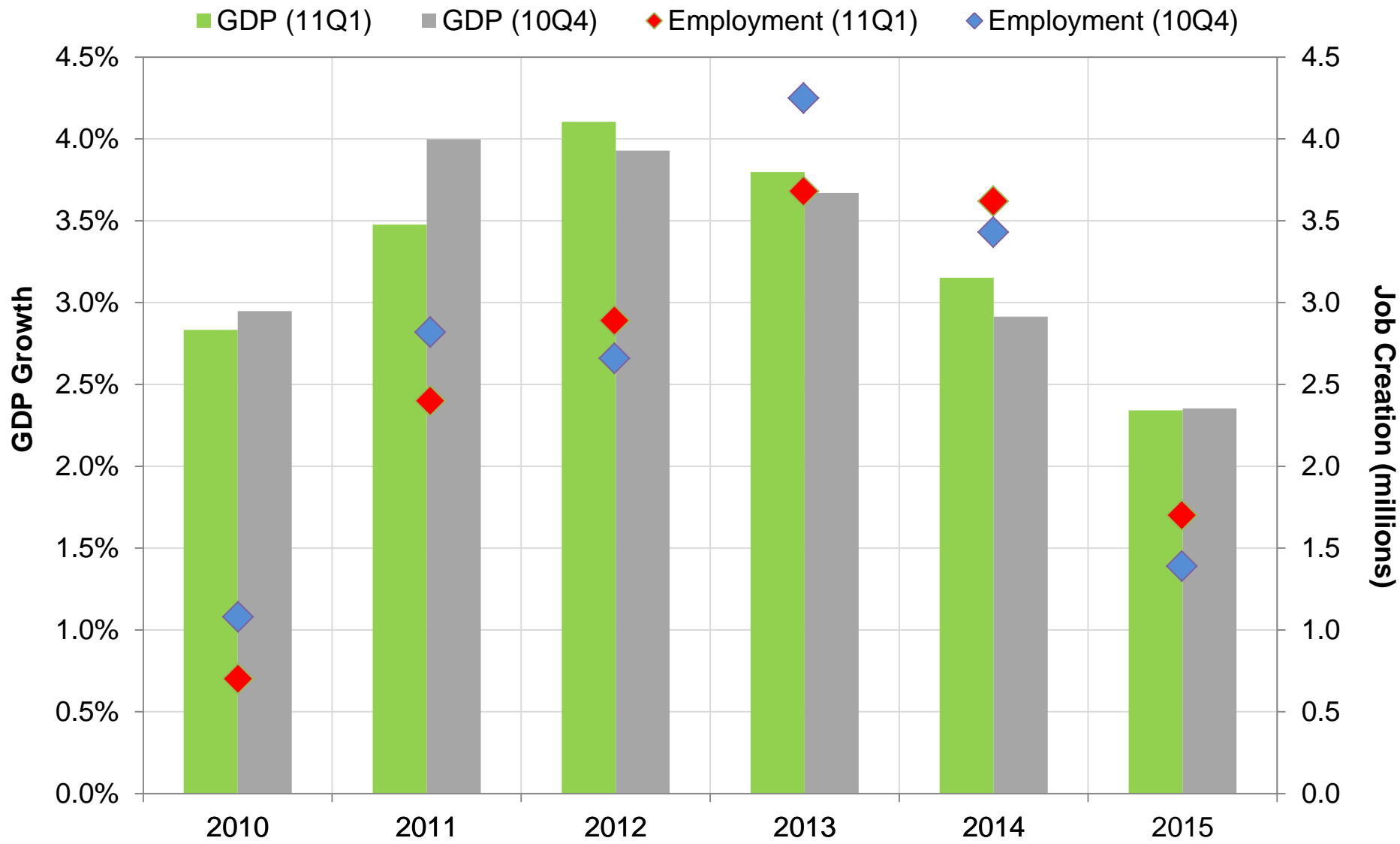
Corporate Profits



Source: Moody's Analytics



The Near-Term Outlook Has Dimmed Slightly



Sources: Moody's Analytics



DANGER ZONE

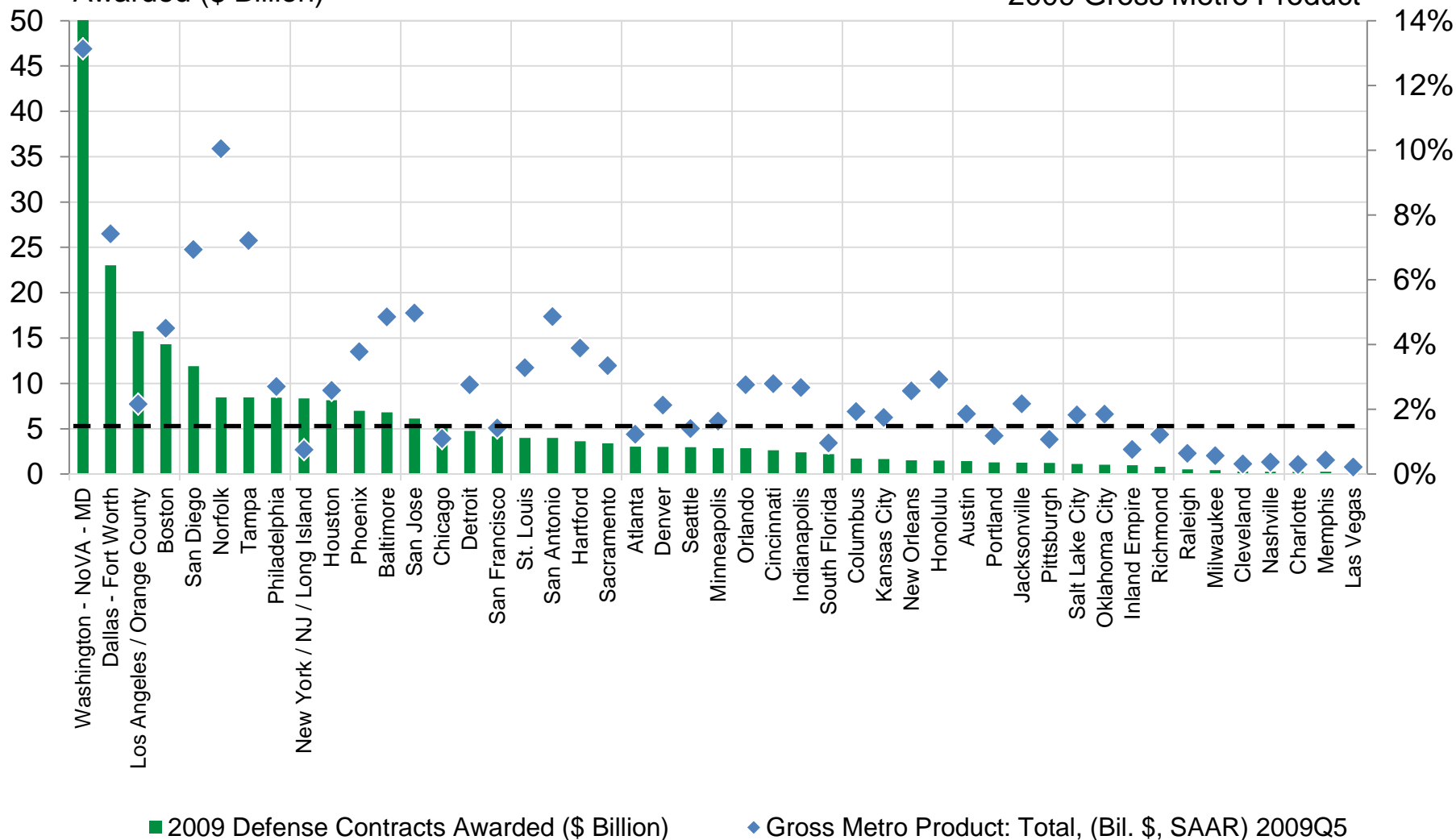
A large, stylized graphic of the words 'DANGER ZONE' in a bold, sans-serif font. The letters are flanked by horizontal lines that create a sense of motion or wings. Below the text is a thick horizontal line, and centered under that line is a solid black five-pointed star.



Where Prospective Defense Cuts Should Have You Worried

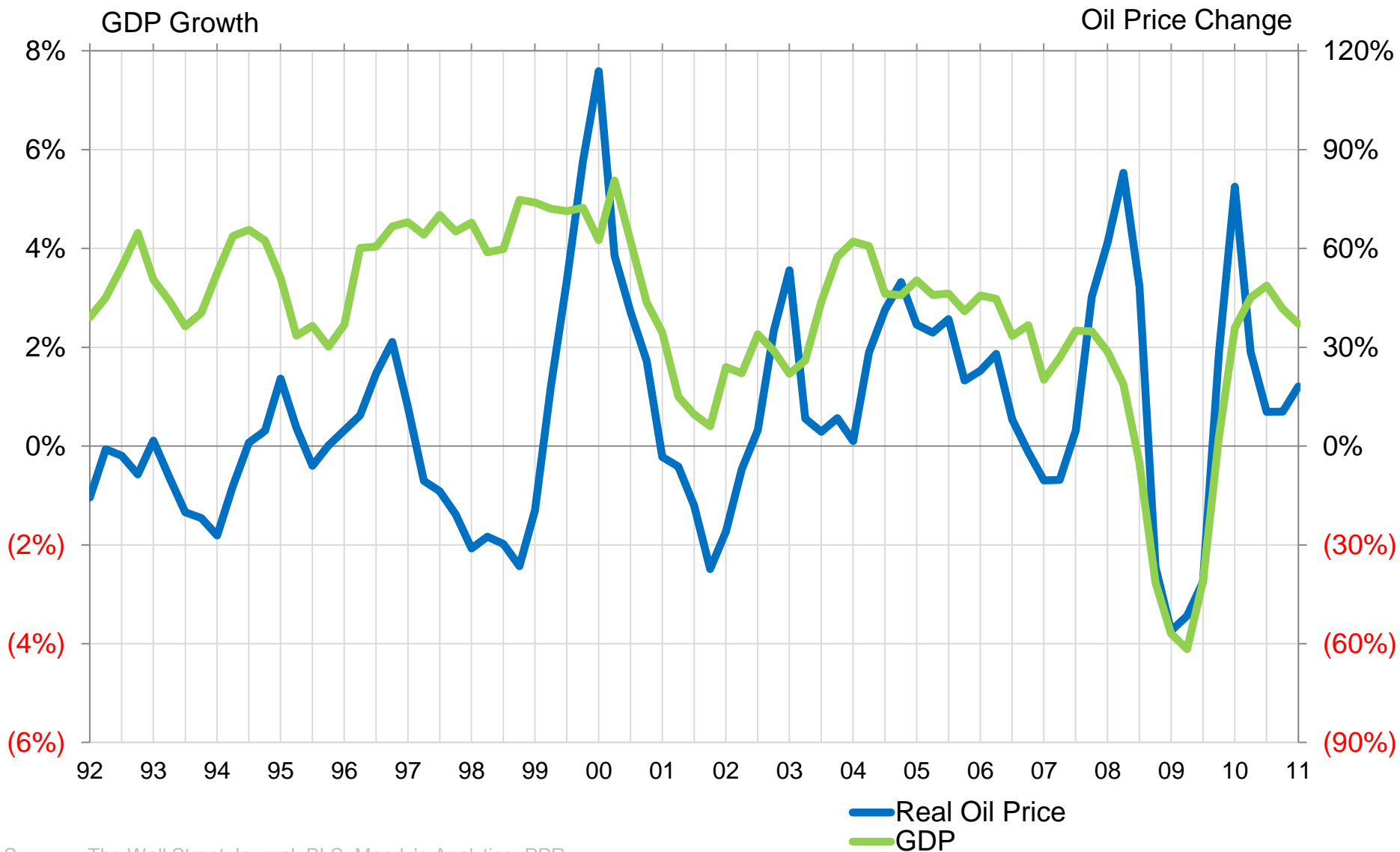
2009 Defense Contracts Awarded (\$ Billion)

Defense Contracts as % of 2009 Gross Metro Product



Sources: Moody's Analytics; BEA; Consolidated Report on Federal Funds; PPR

An Oil Shock is a Downside Risk



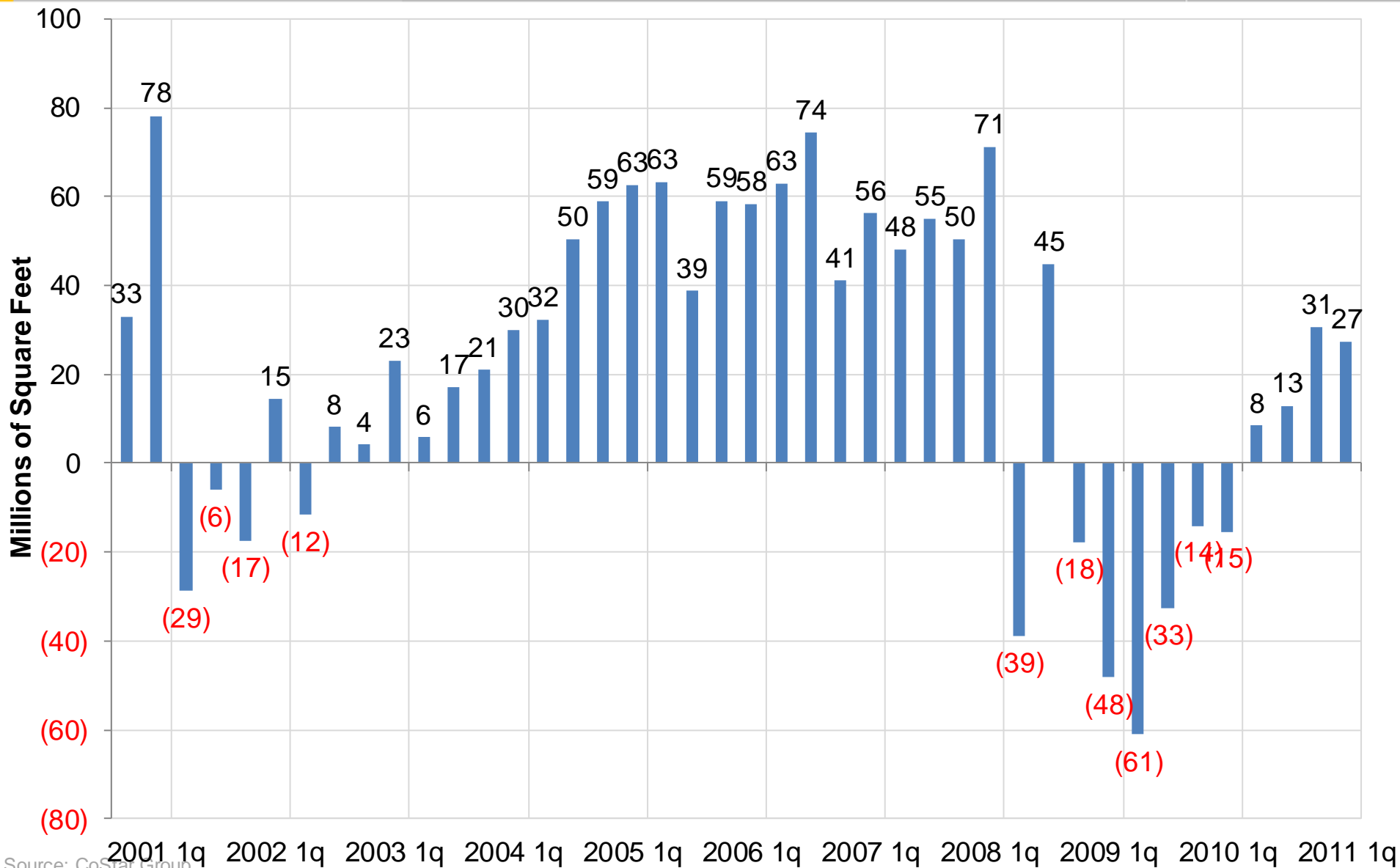
Sources: The Wall Street Journal; BLS; Moody's Analytics; PPR



Leasing Fundamentals

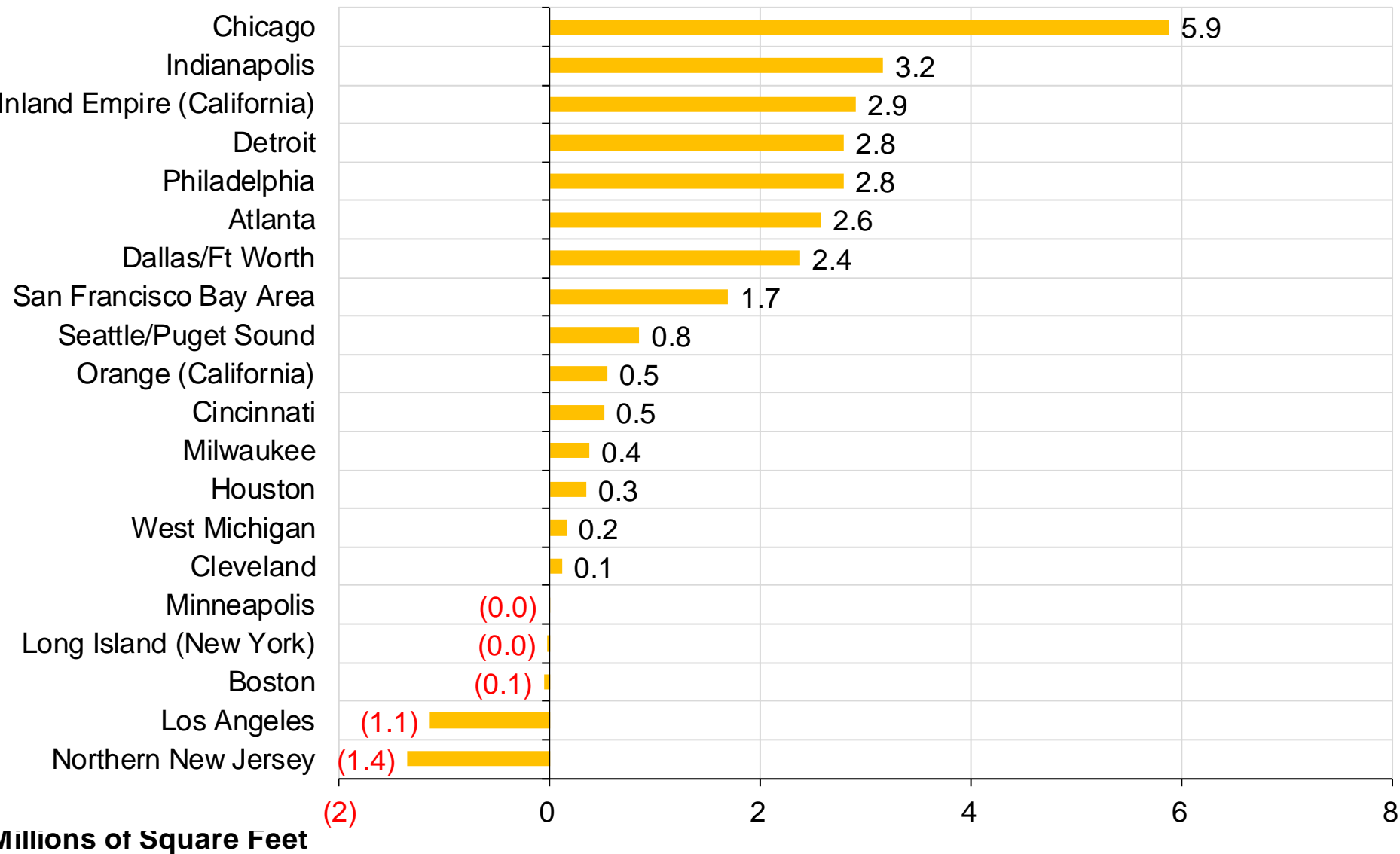


Net Absorption



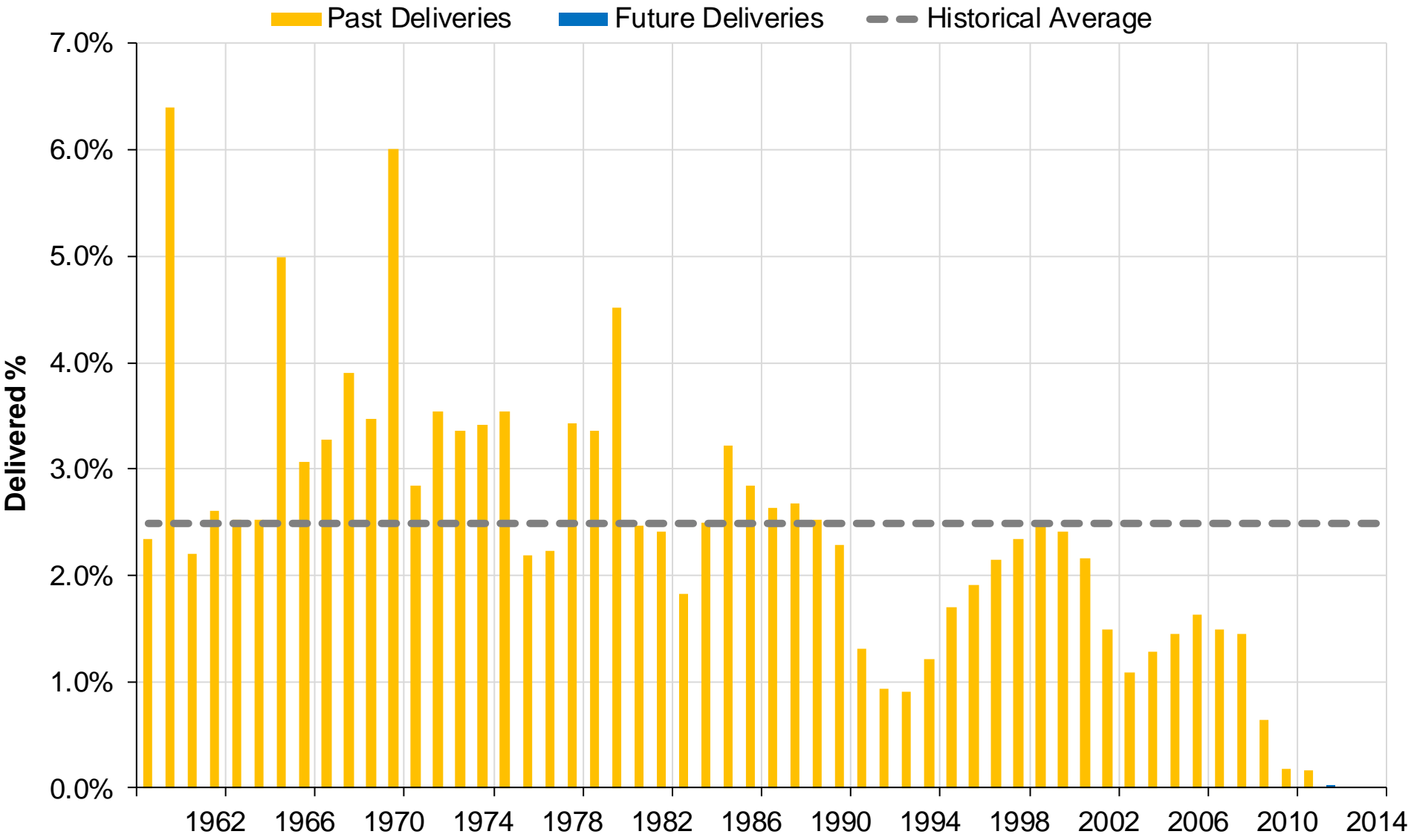


2011 Industrial Net Absorption in 20 Largest Markets

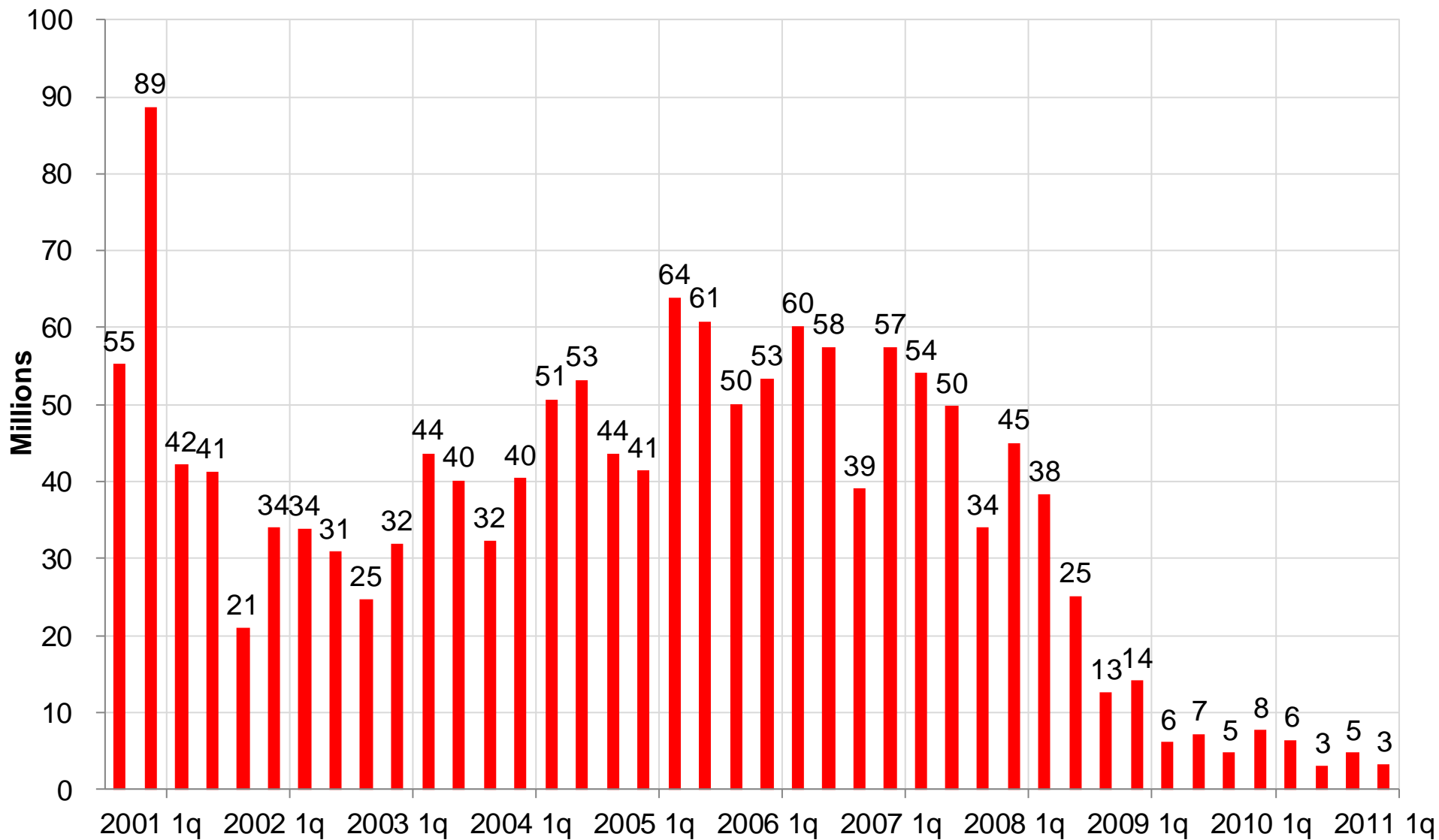




Deliveries as % of Inventory

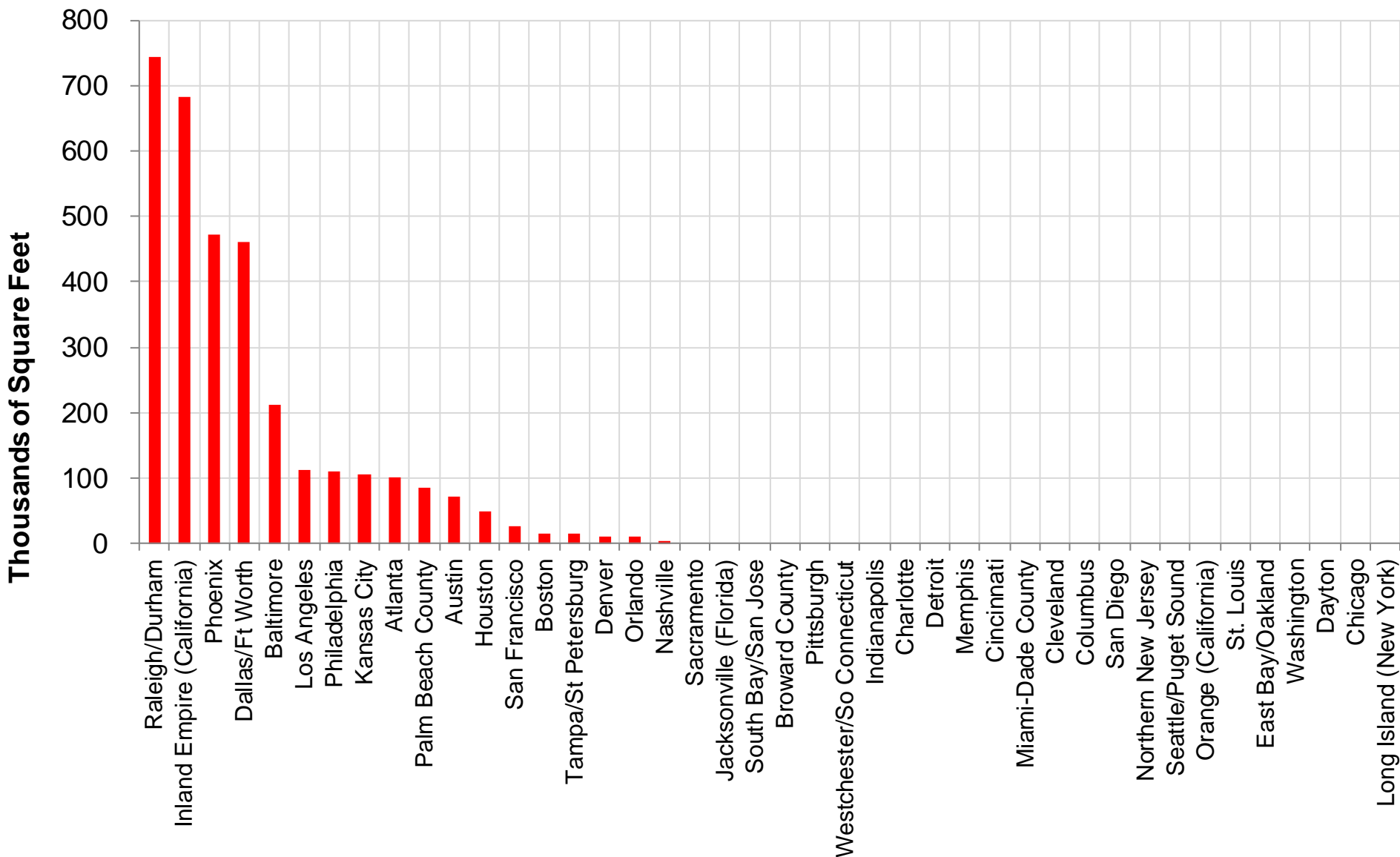


Construction Starts



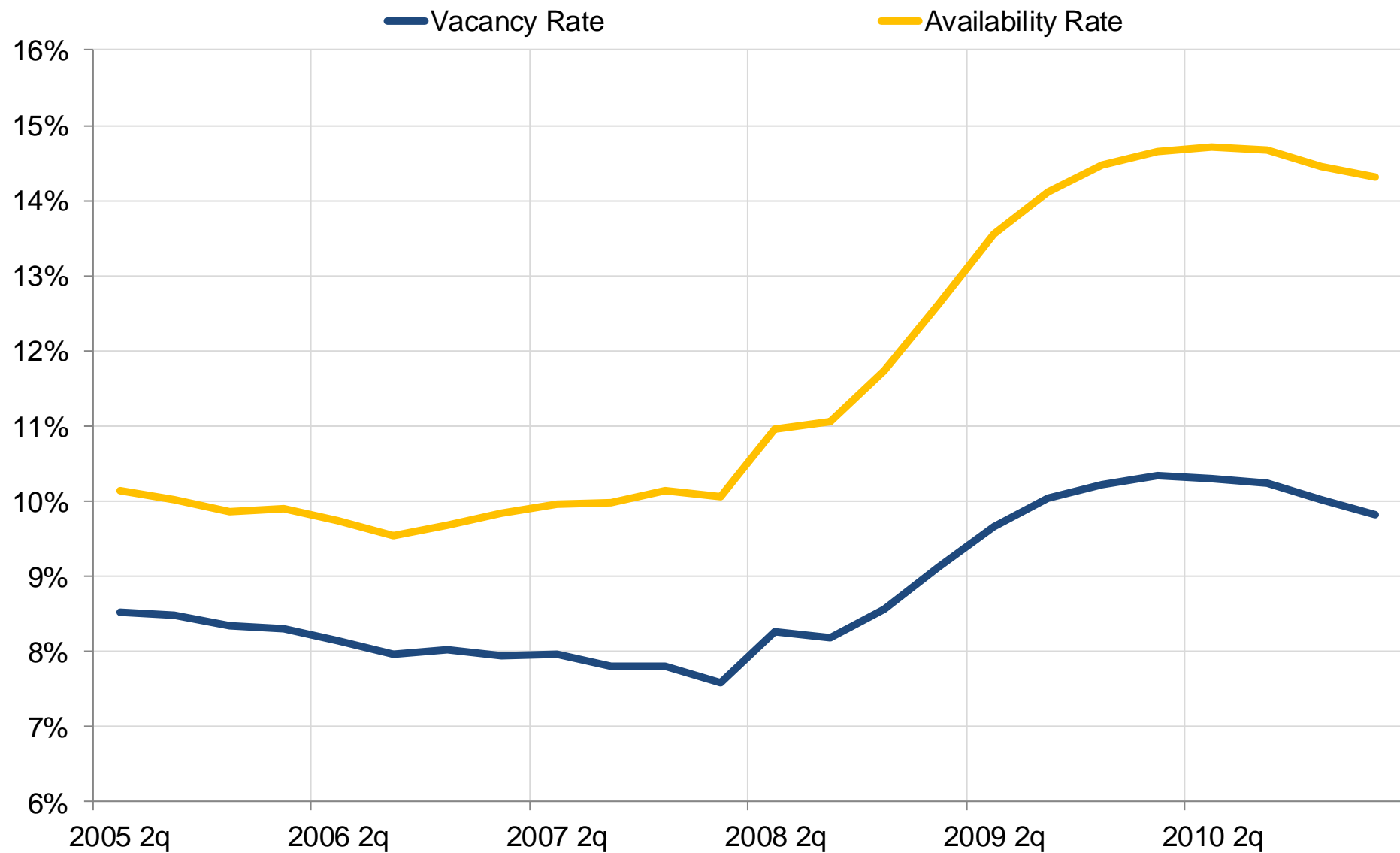


Construction Starts by Market

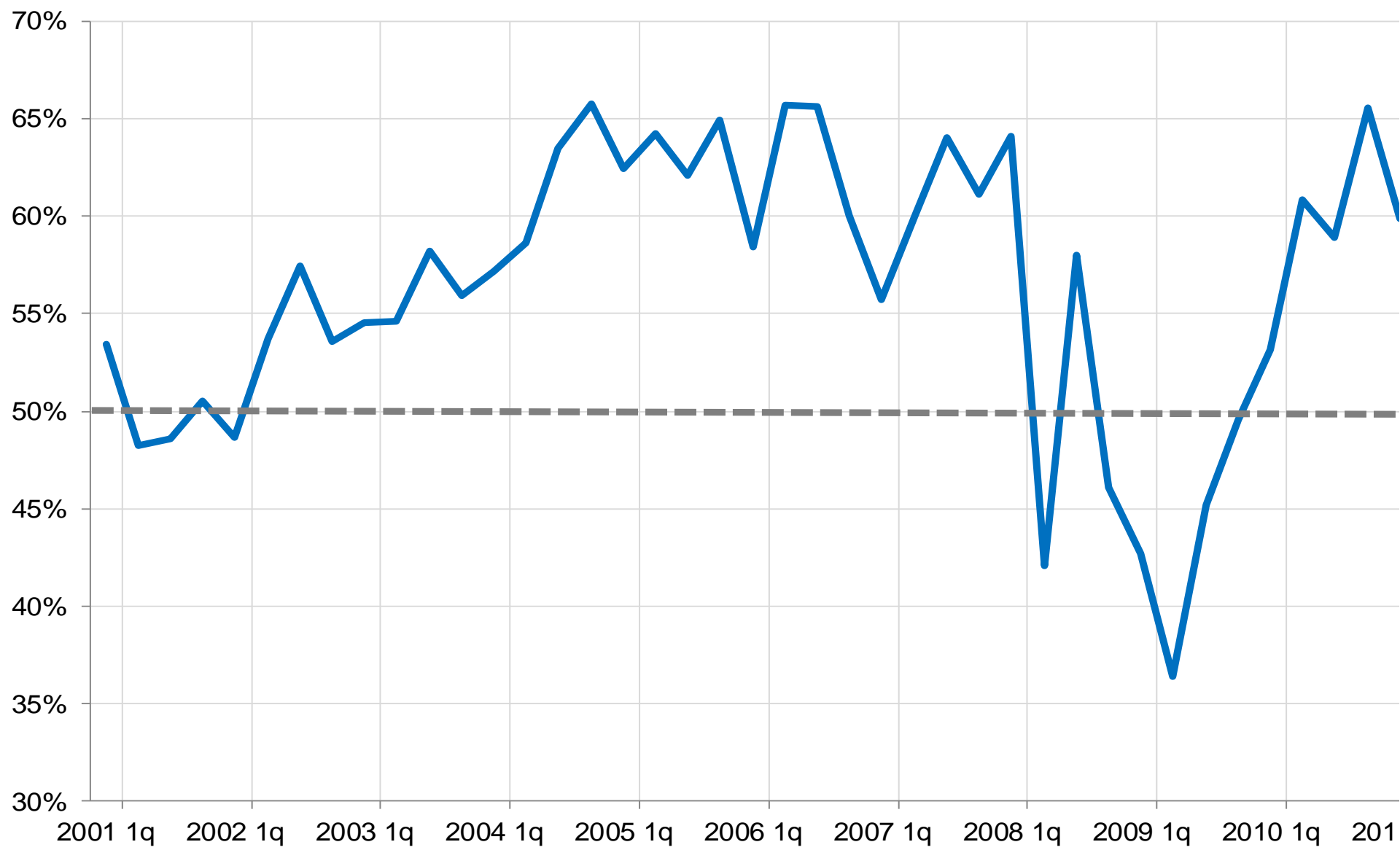




Vacancy and Availability Rates

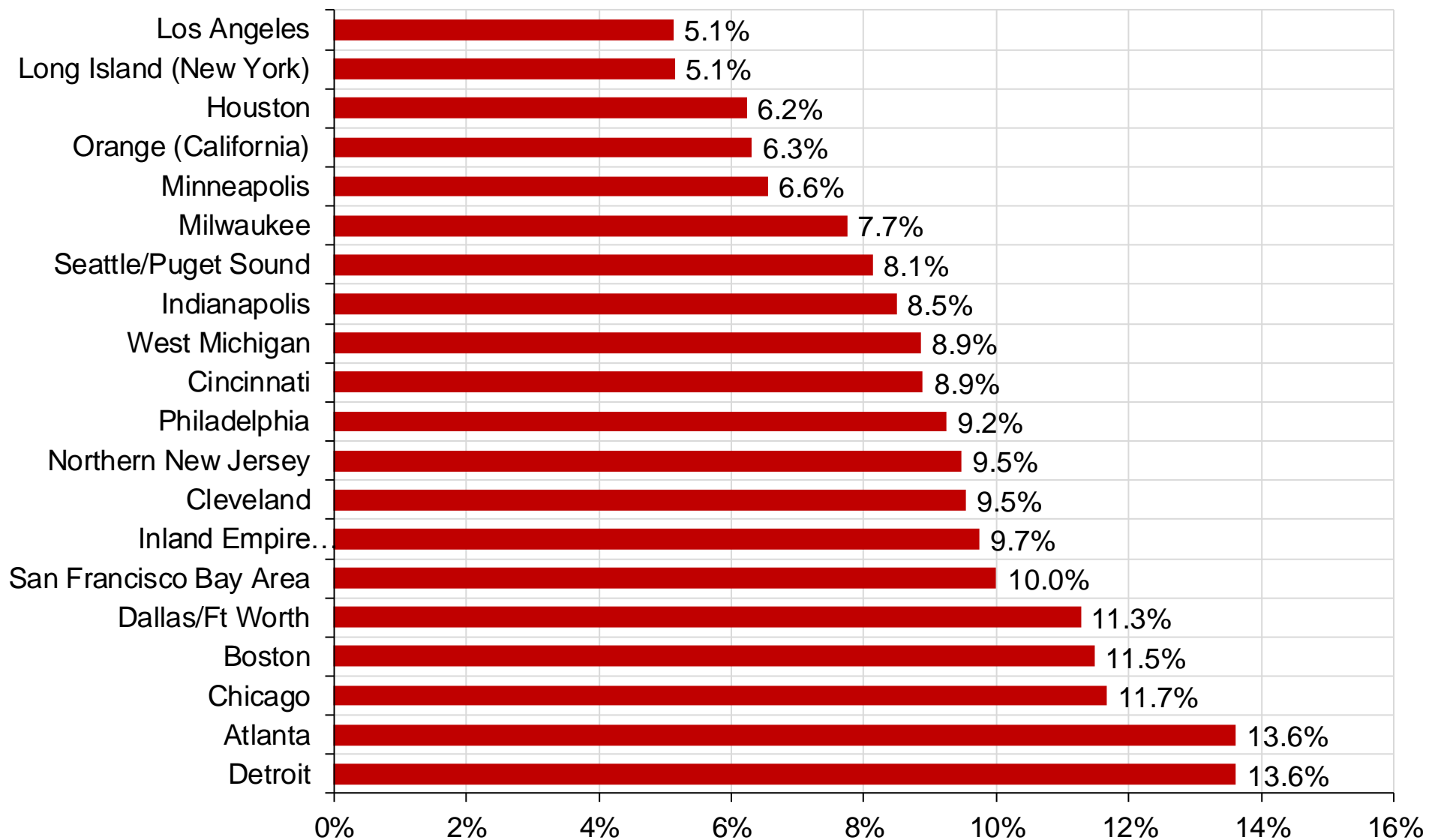


Percentage of Submarkets With Declining Vacancy Rates



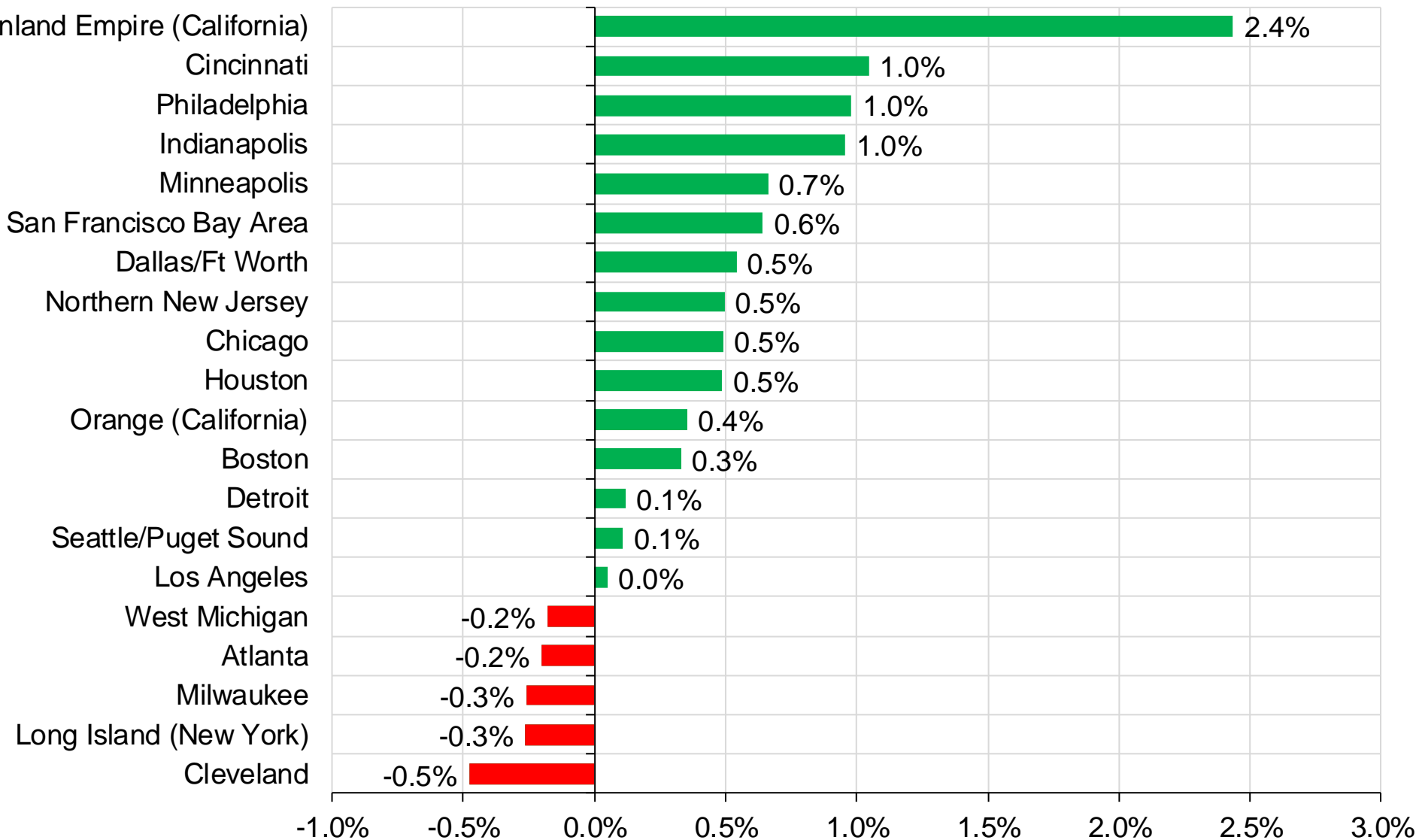


Current Vacancy Rates in 20 Largest Markets



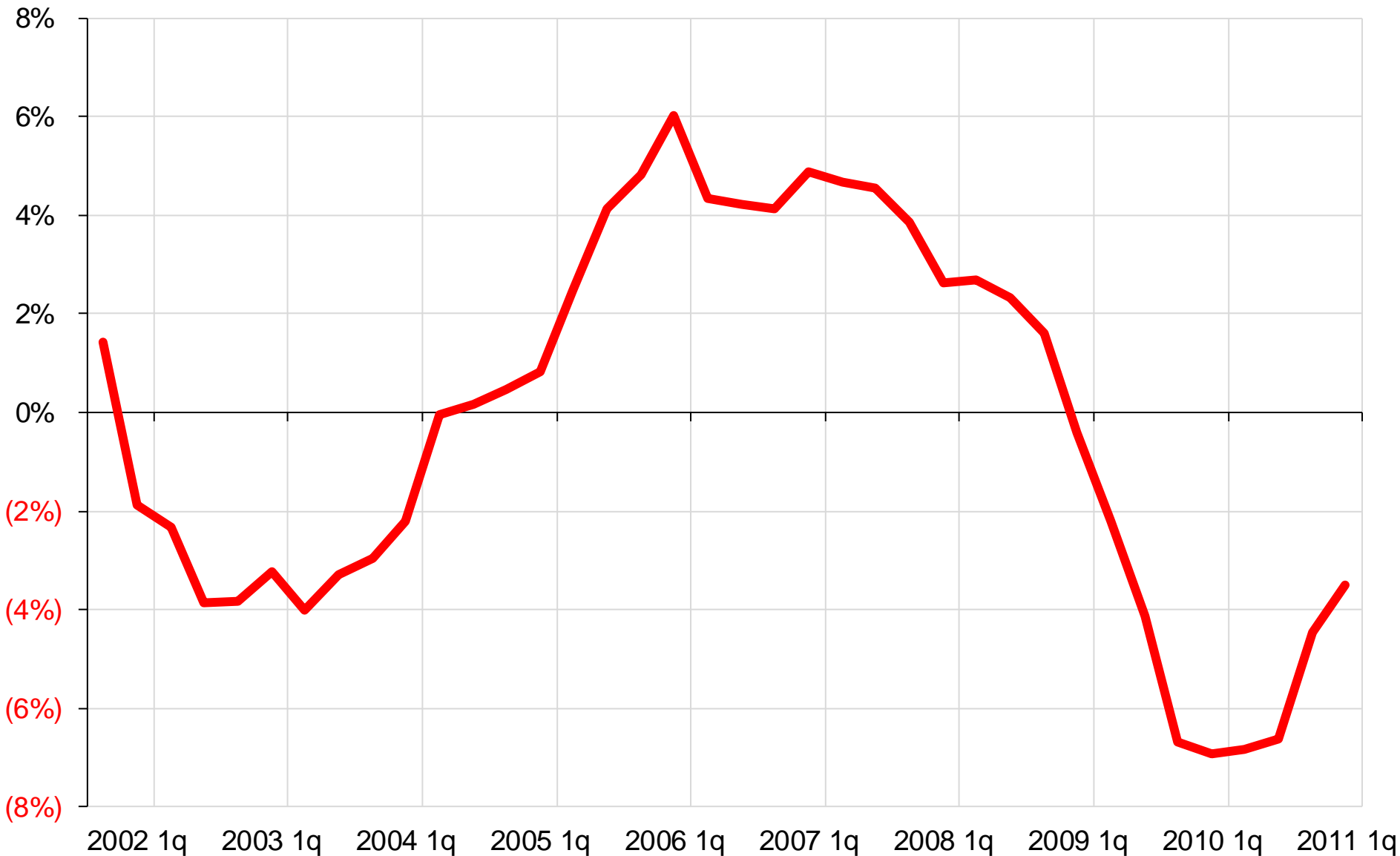


Year-Over-Year Change in Occupancy Rates in 20 Largest Markets



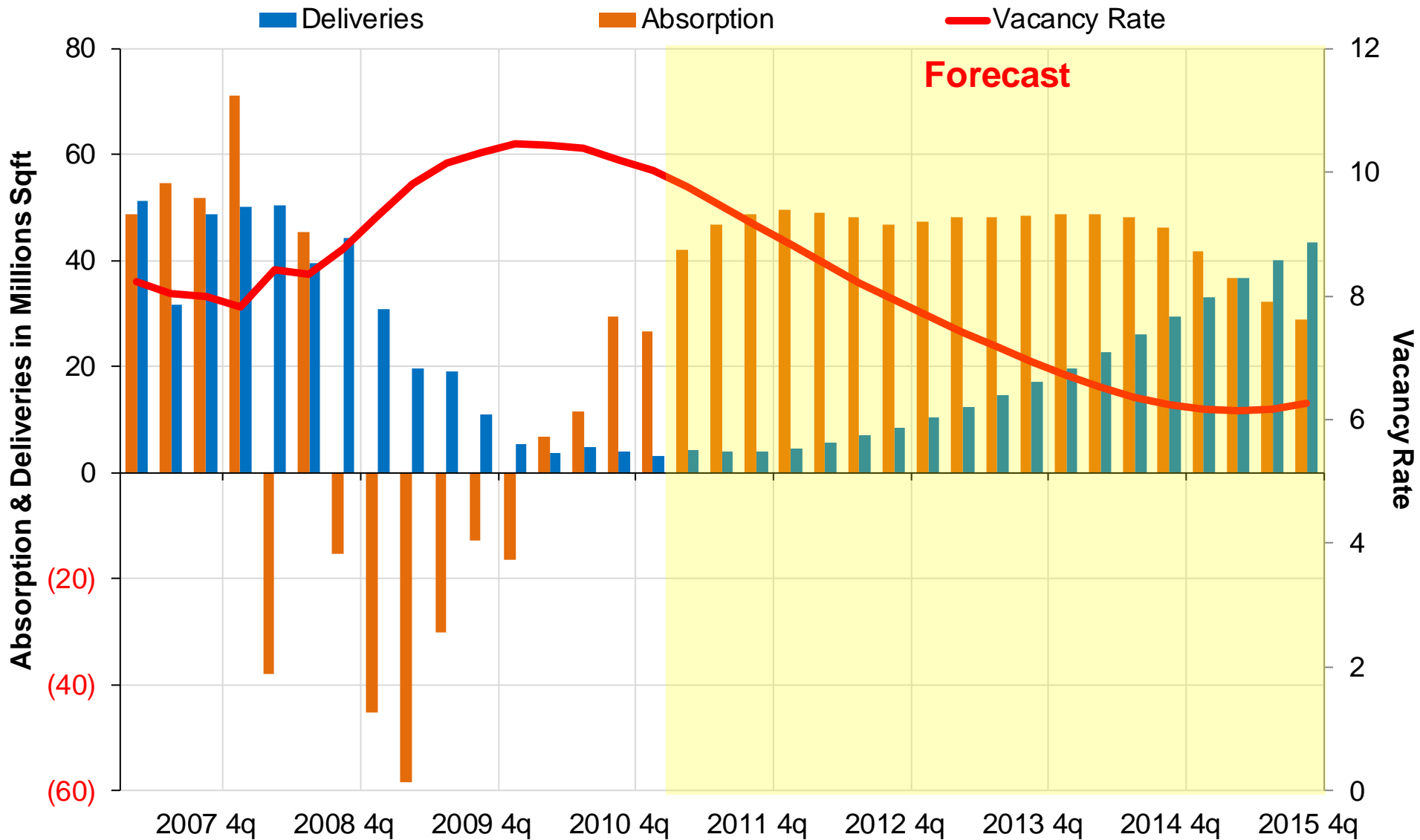


Year-Over-Year Change in Quoted Warehouse Rents





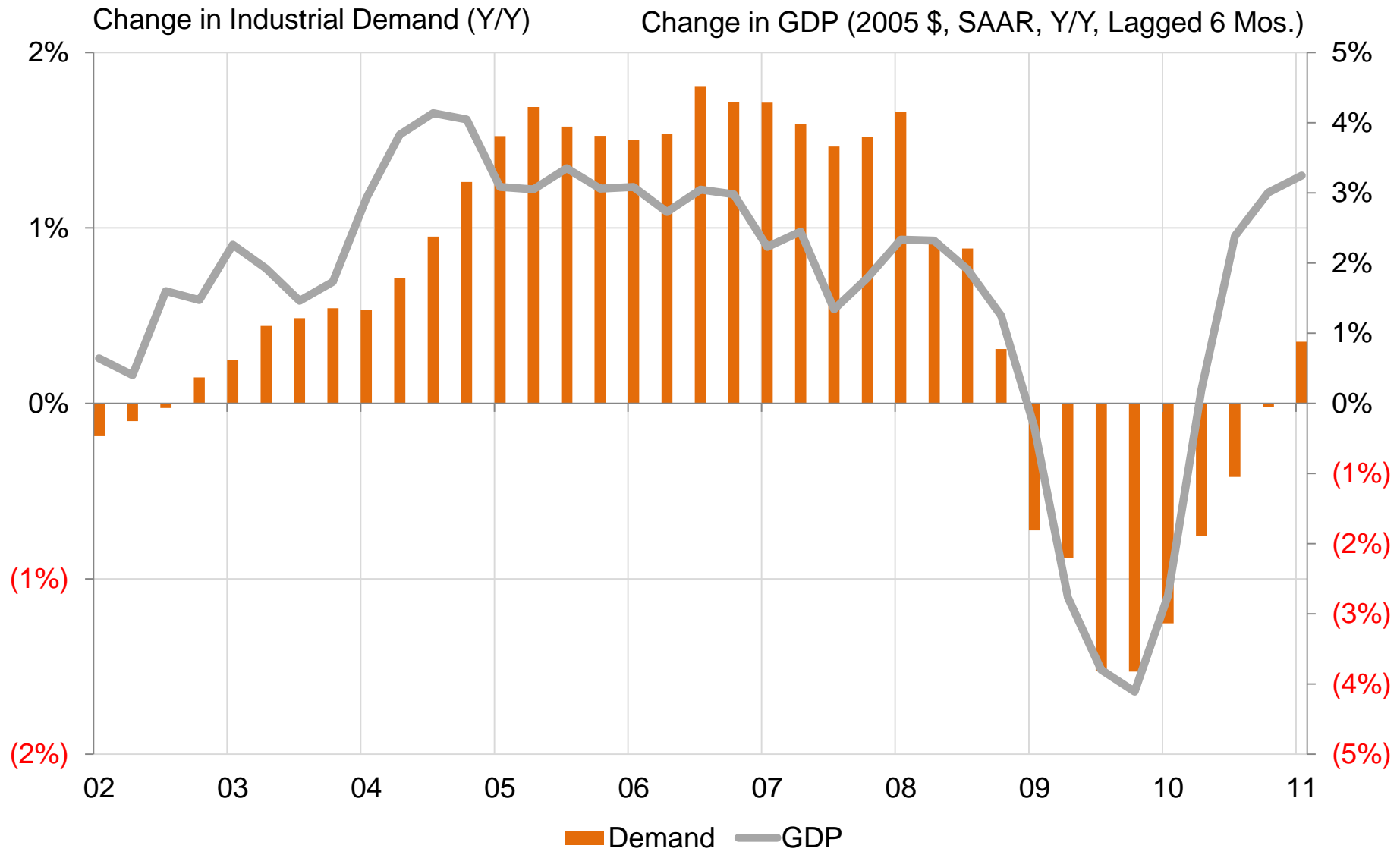
Vacancy Forecast





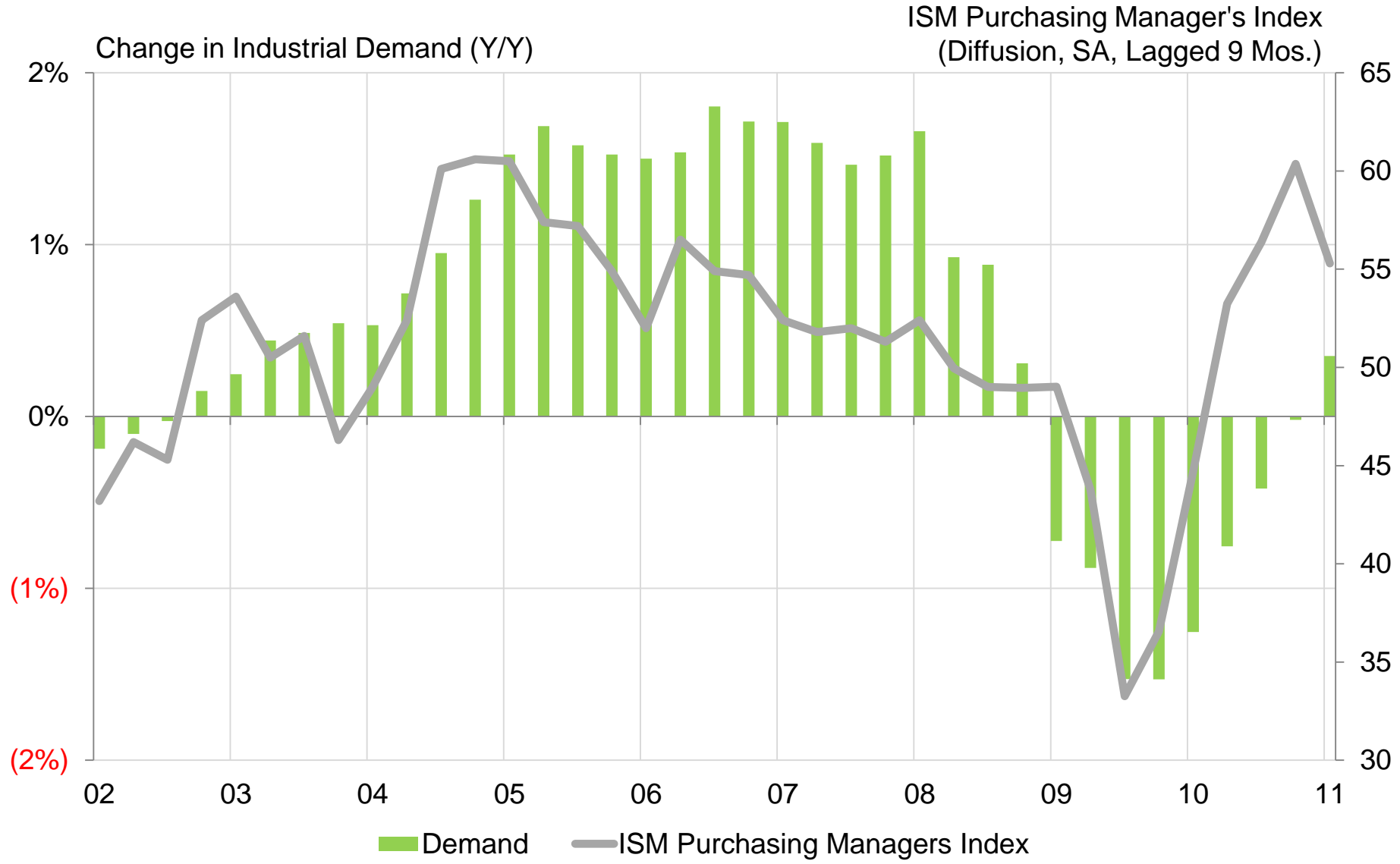
New Research Spotlight

Not Complicated – Industrial Demand a Straight Bet on GDP



Sources: Moody's Analytics; CoStar; PPR

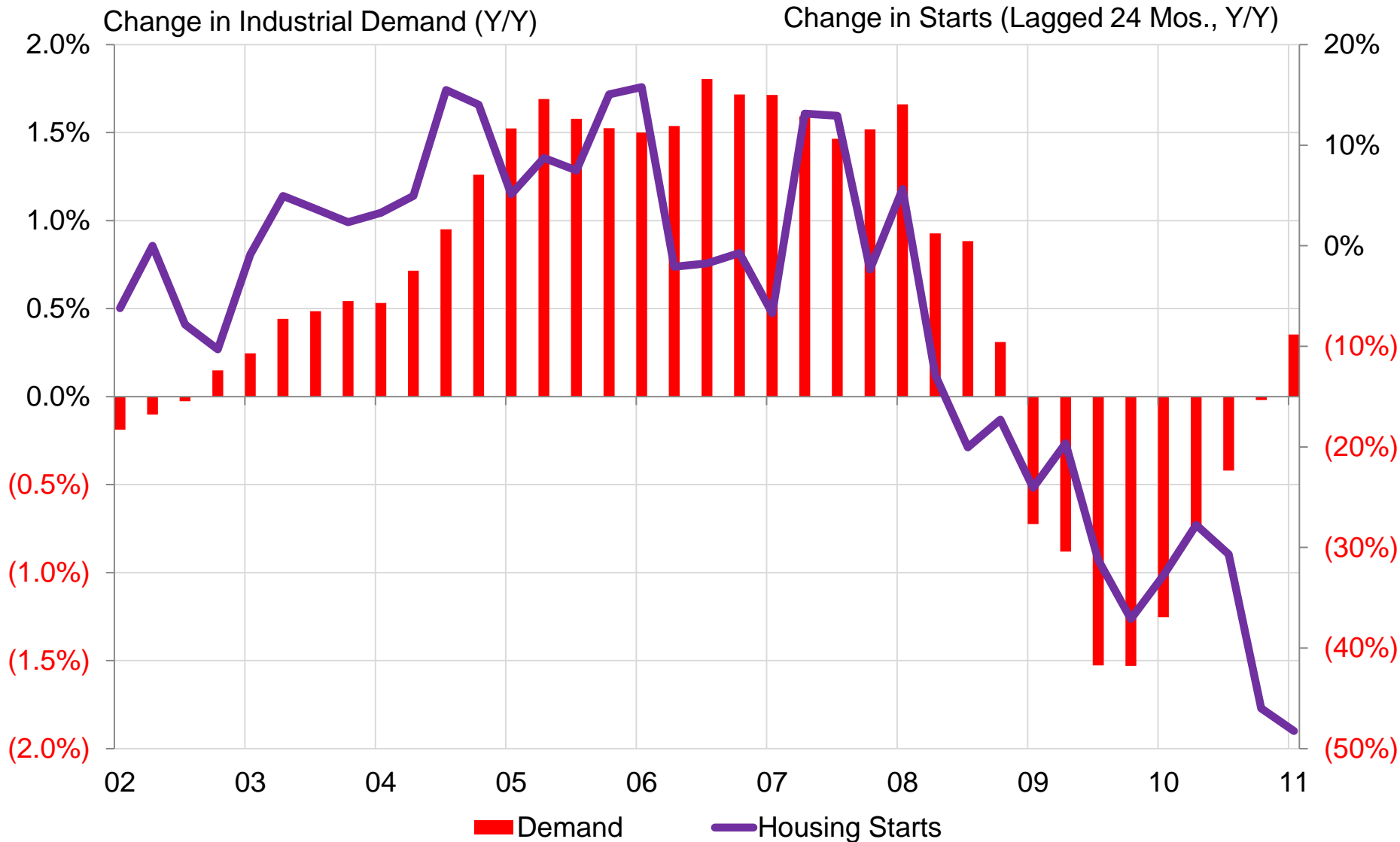
Robust Growth in Manufacturing Economy



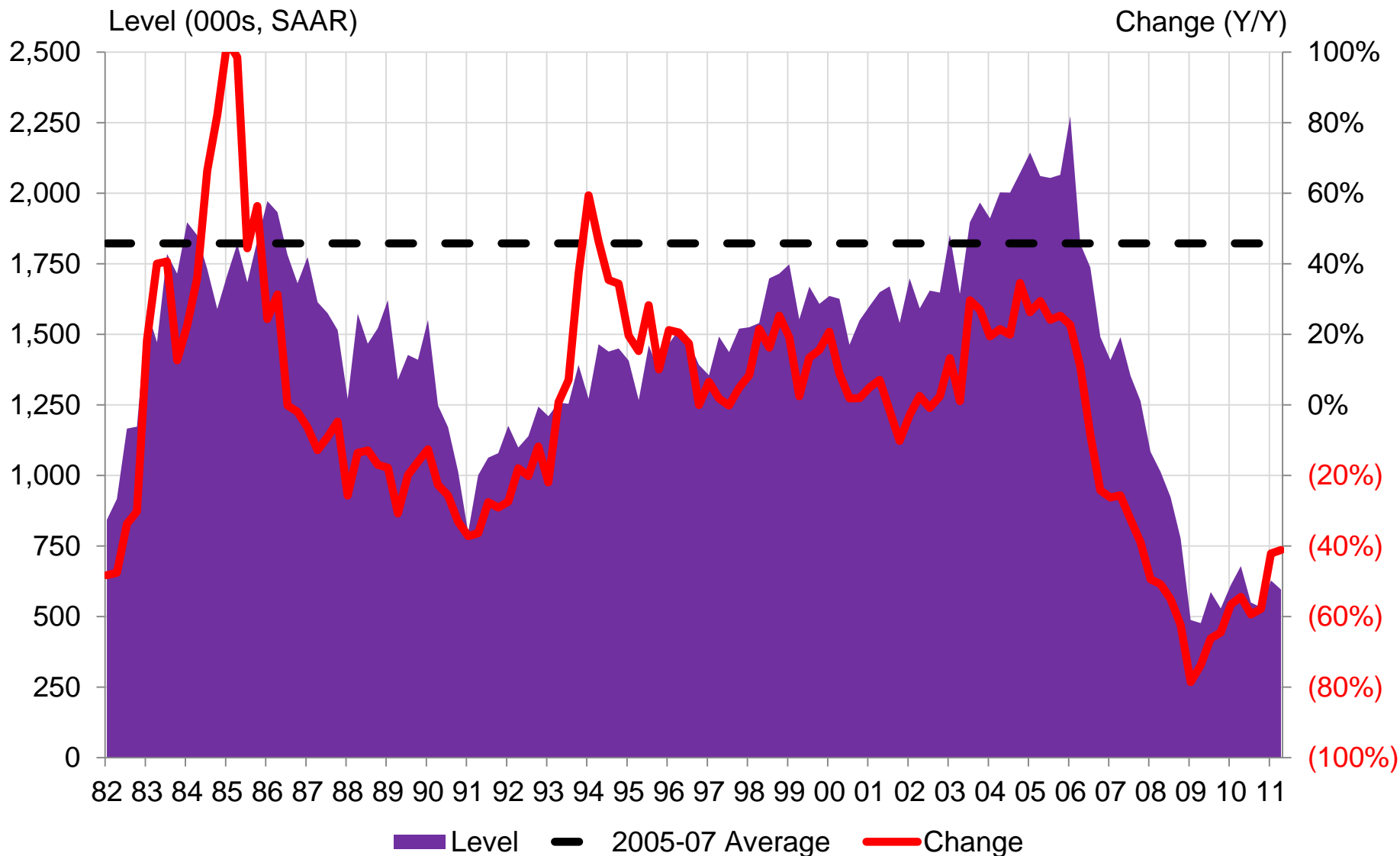
Sources: Moody's Analytics; CoStar; PPR



Got Housing?

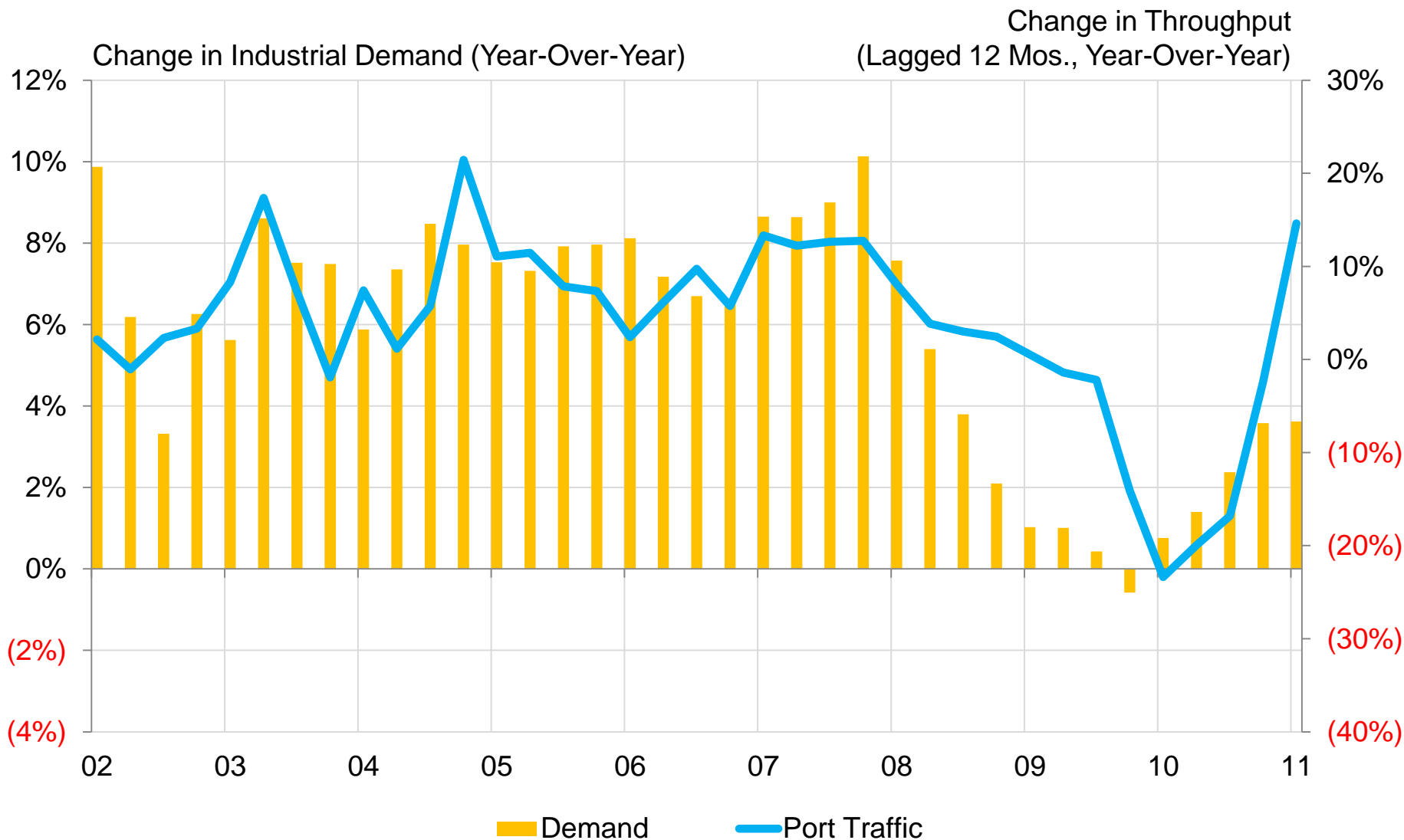


Housing Starts Remain Oppressively Low



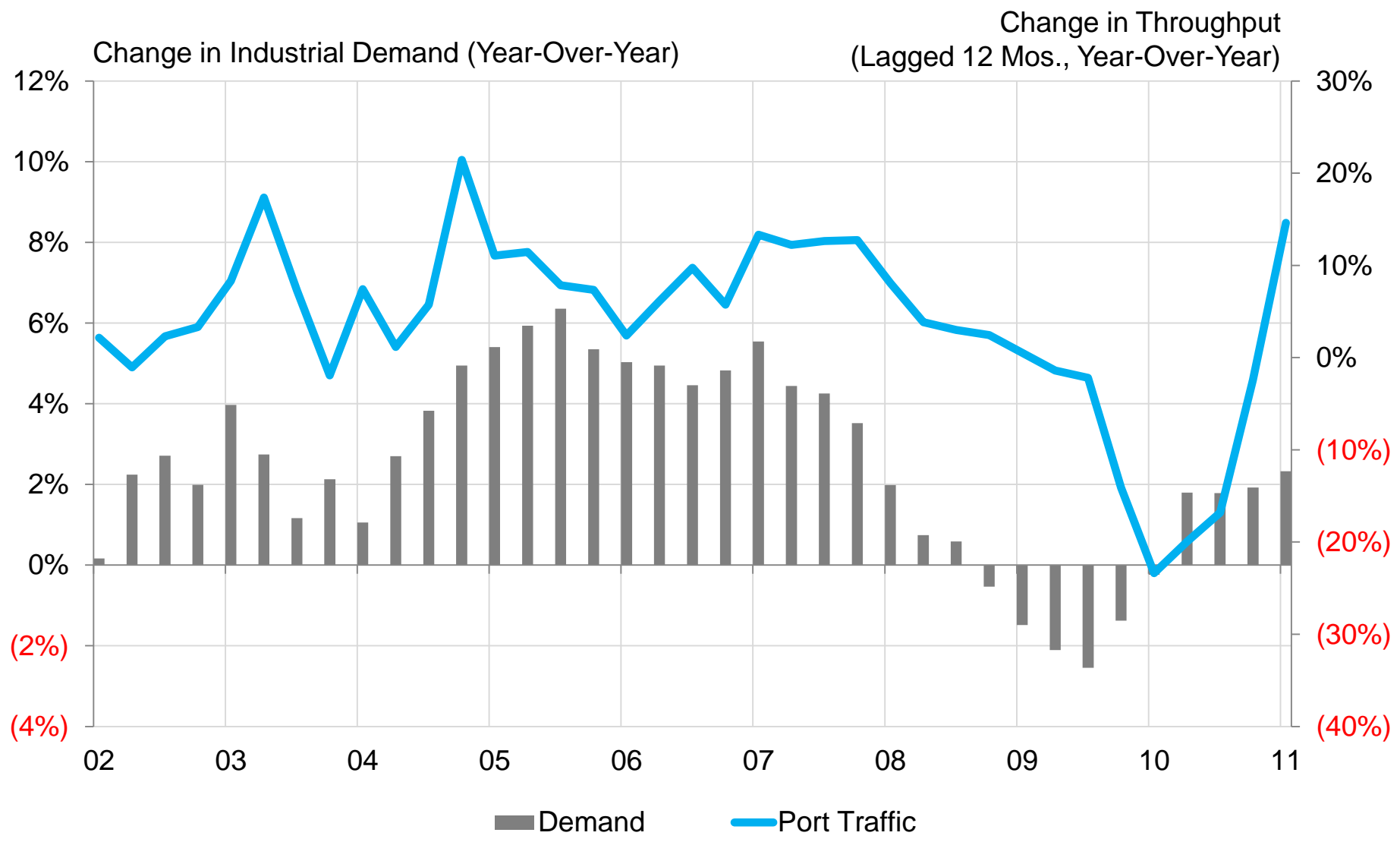


Inland Empire Large Bay* Industrial vs. LA/Long Beach Port Traffic





Inland Empire Small Bay* Industrial vs. LA/Long Beach Port Traffic

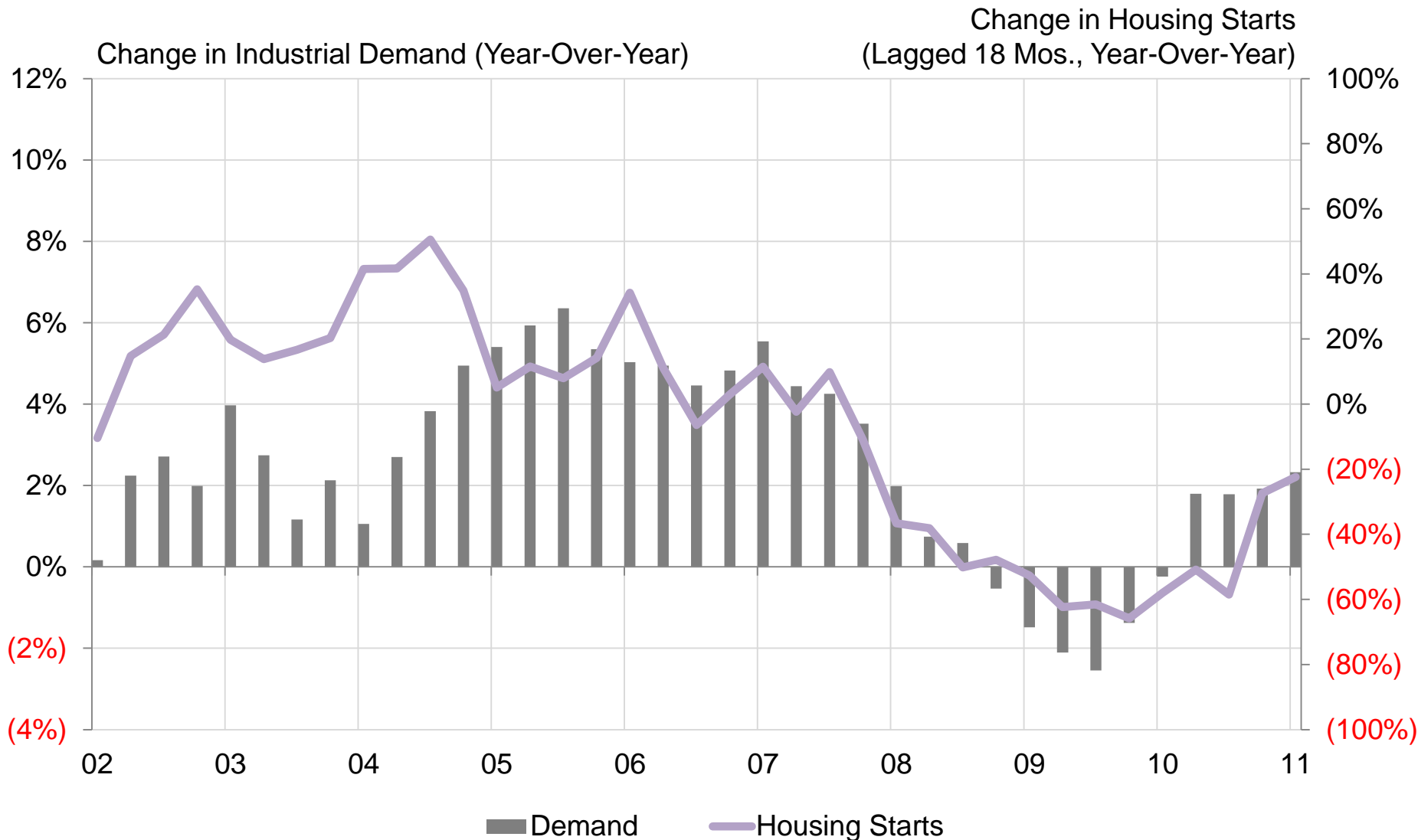


Sources: Moody's Analytics; CoStar; PPR

*"Large Bay" = 100K+ RSF Single-Tenant Industrial; "Small Bay" = <100K RSF Multi-Tenant Industrial

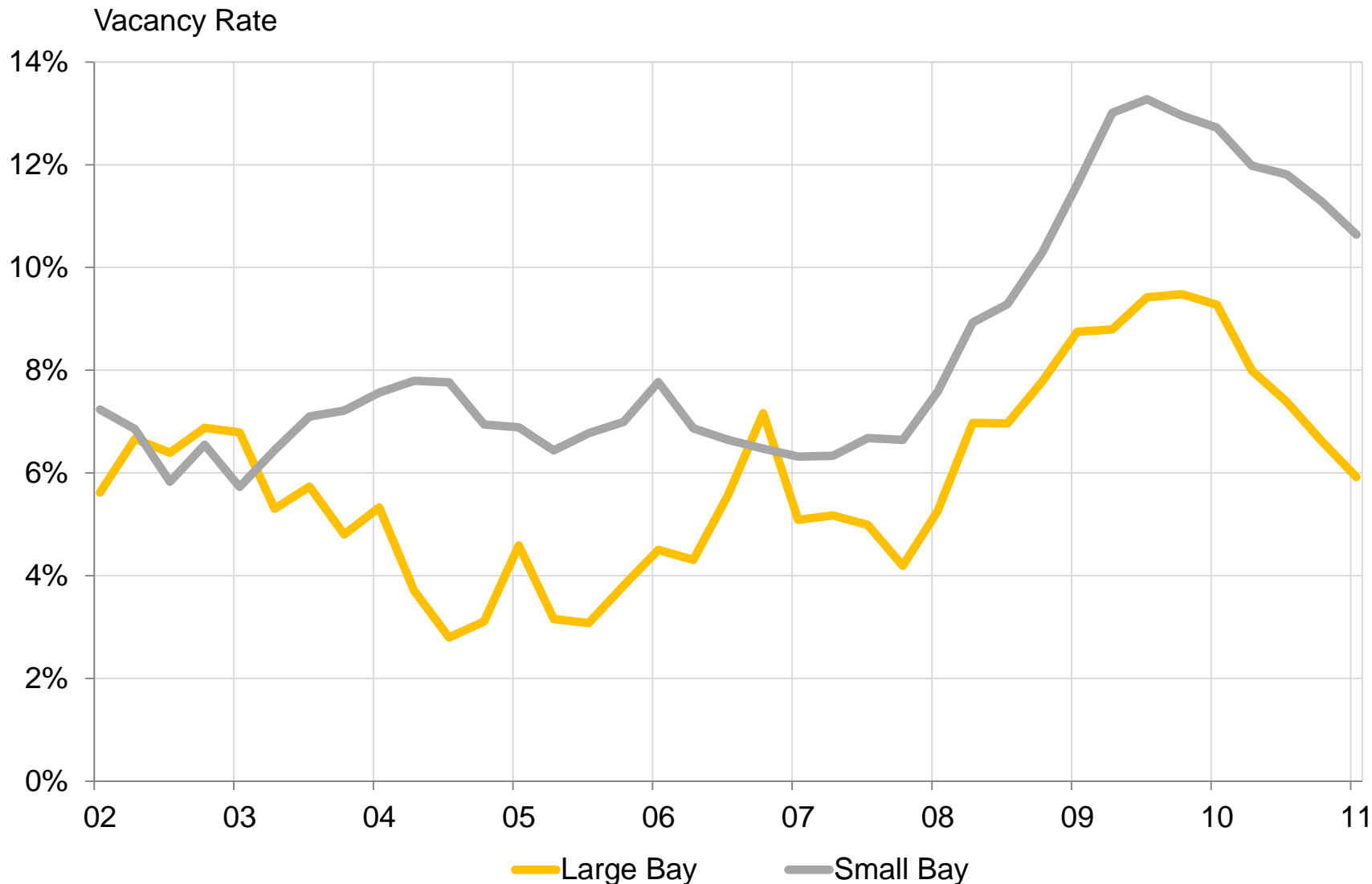


Inland Empire **Small Bay*** Industrial vs. Housing Starts





Where To Take On Leasing Risk

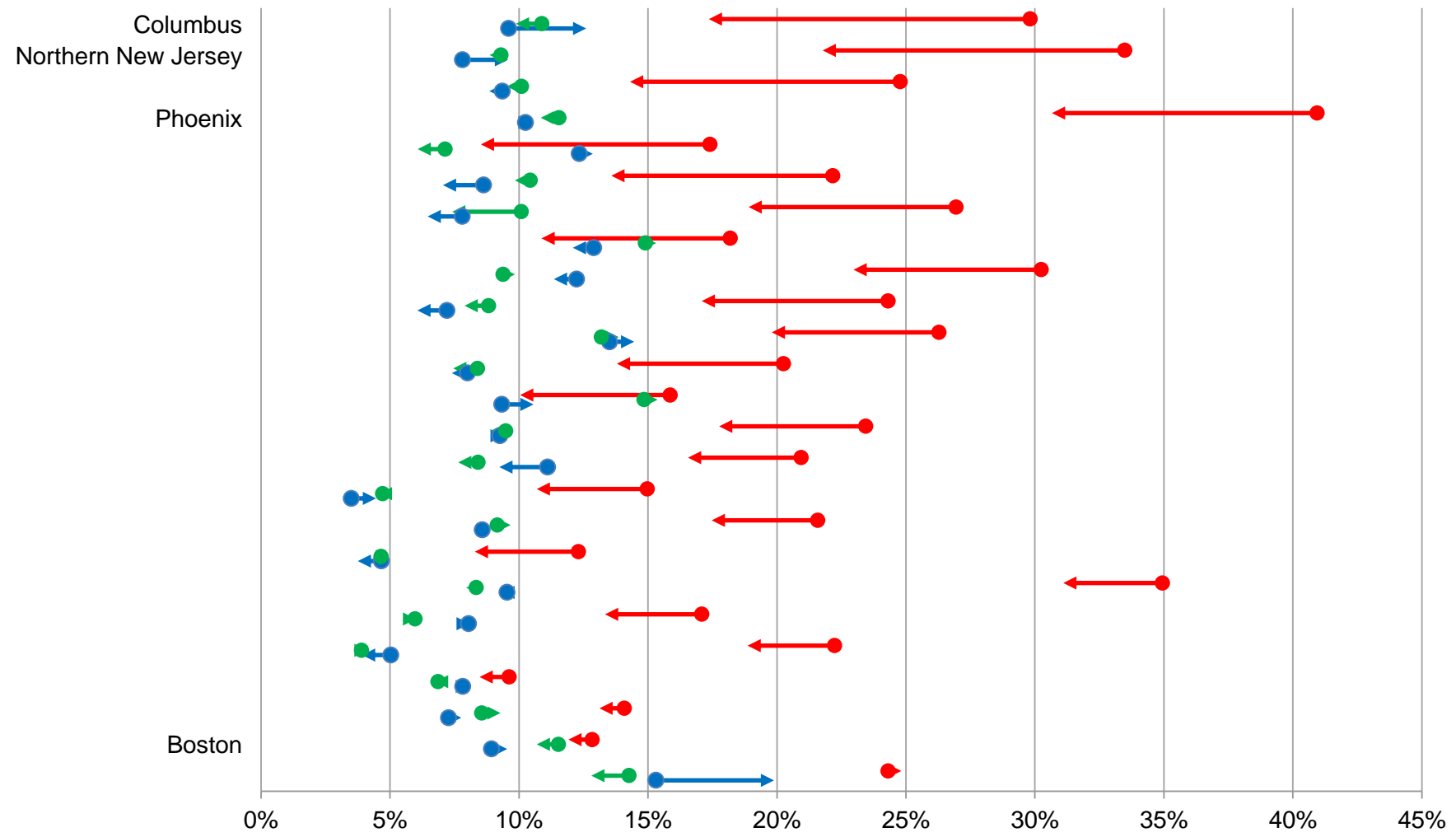


— Large Bay — Small Bay



Vacancies Falling Fast in New Sheds

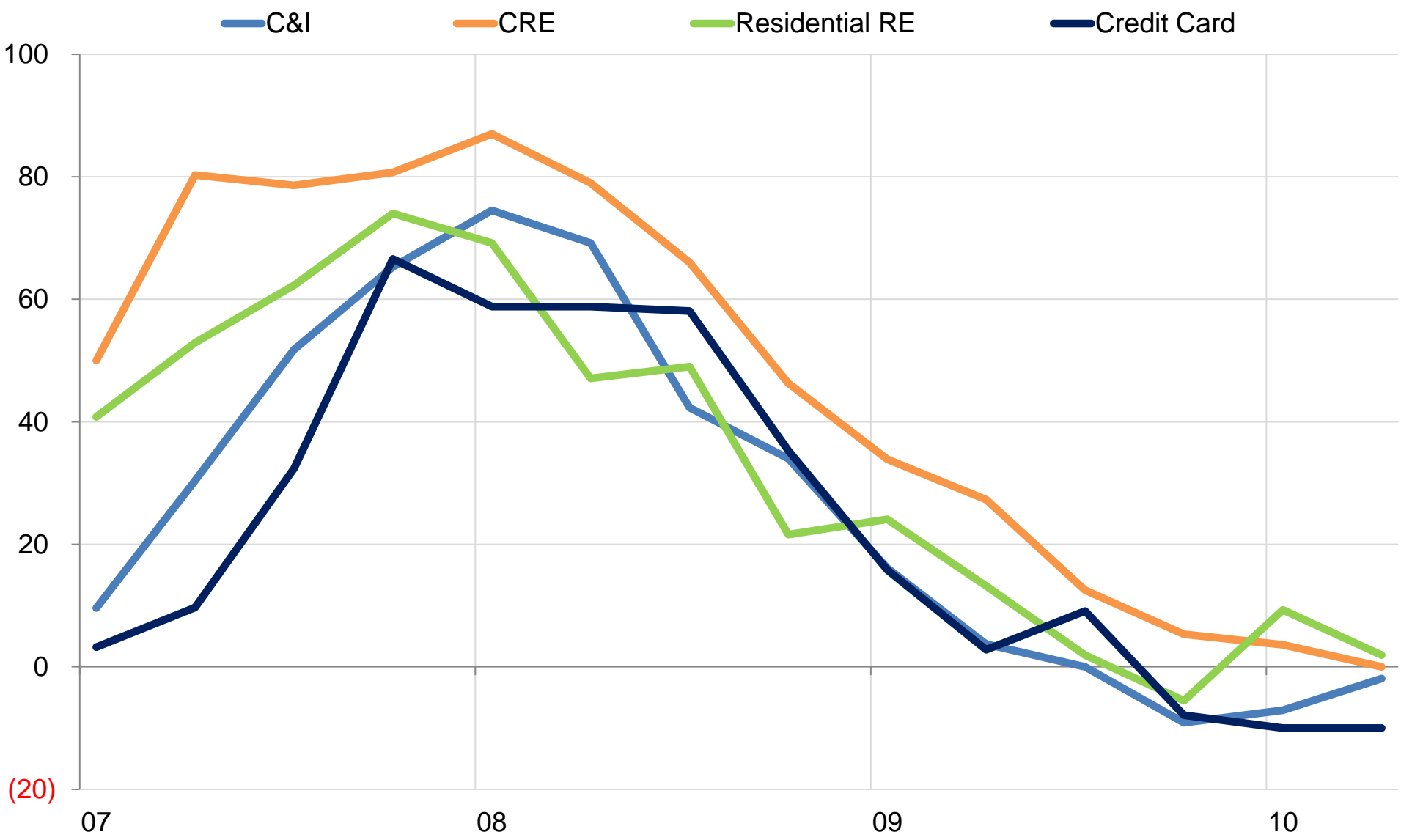
Change in Vacancy Rate by Building Age, 2010Q1 - 2011Q1





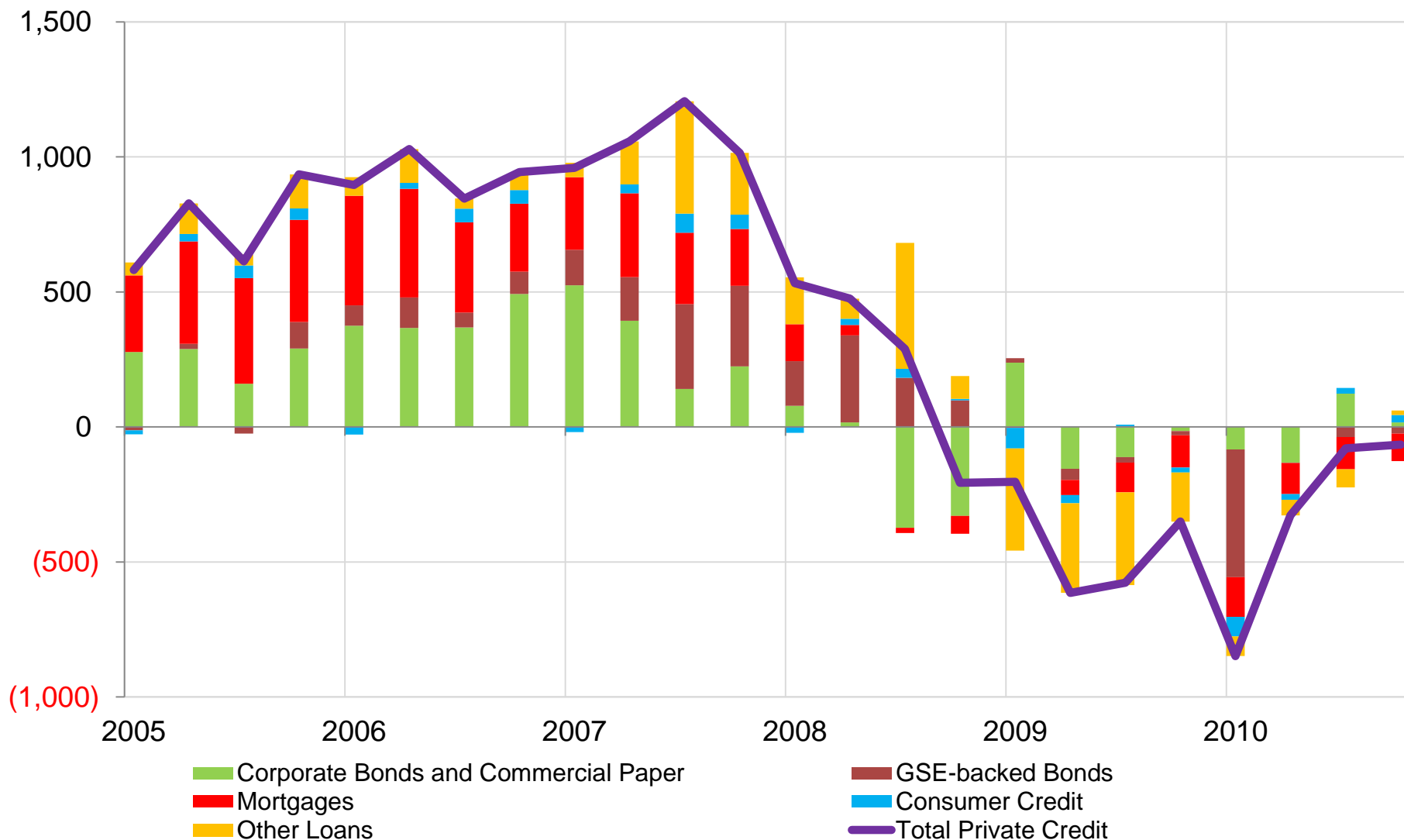
Capital Markets

Federal Reserve Loan Officer Survey Net % Of Respondents Tightening Standards



(20)

Private Credit is No Longer Contracting Across The Board



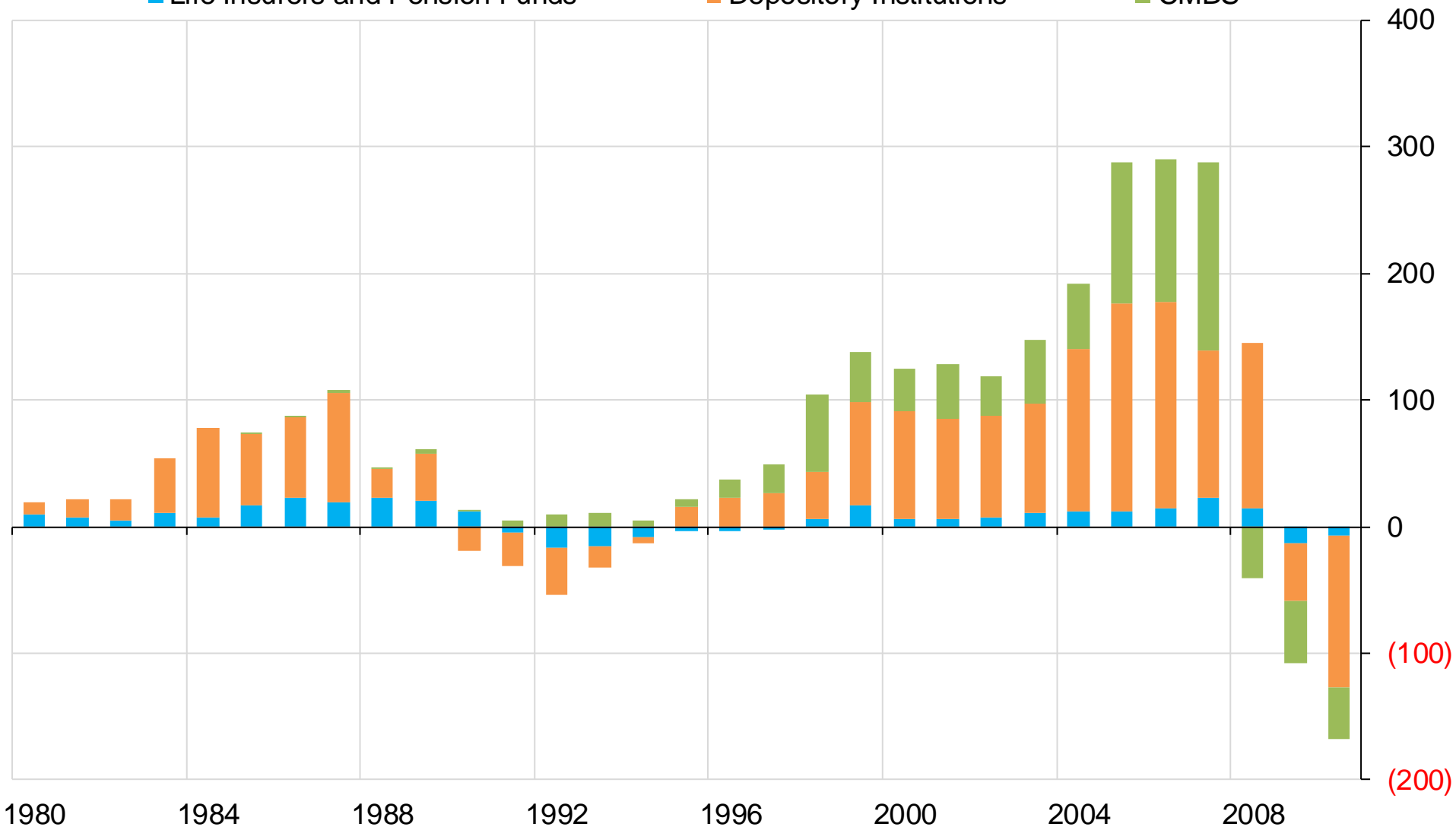


Change in CRE Debt Outstanding

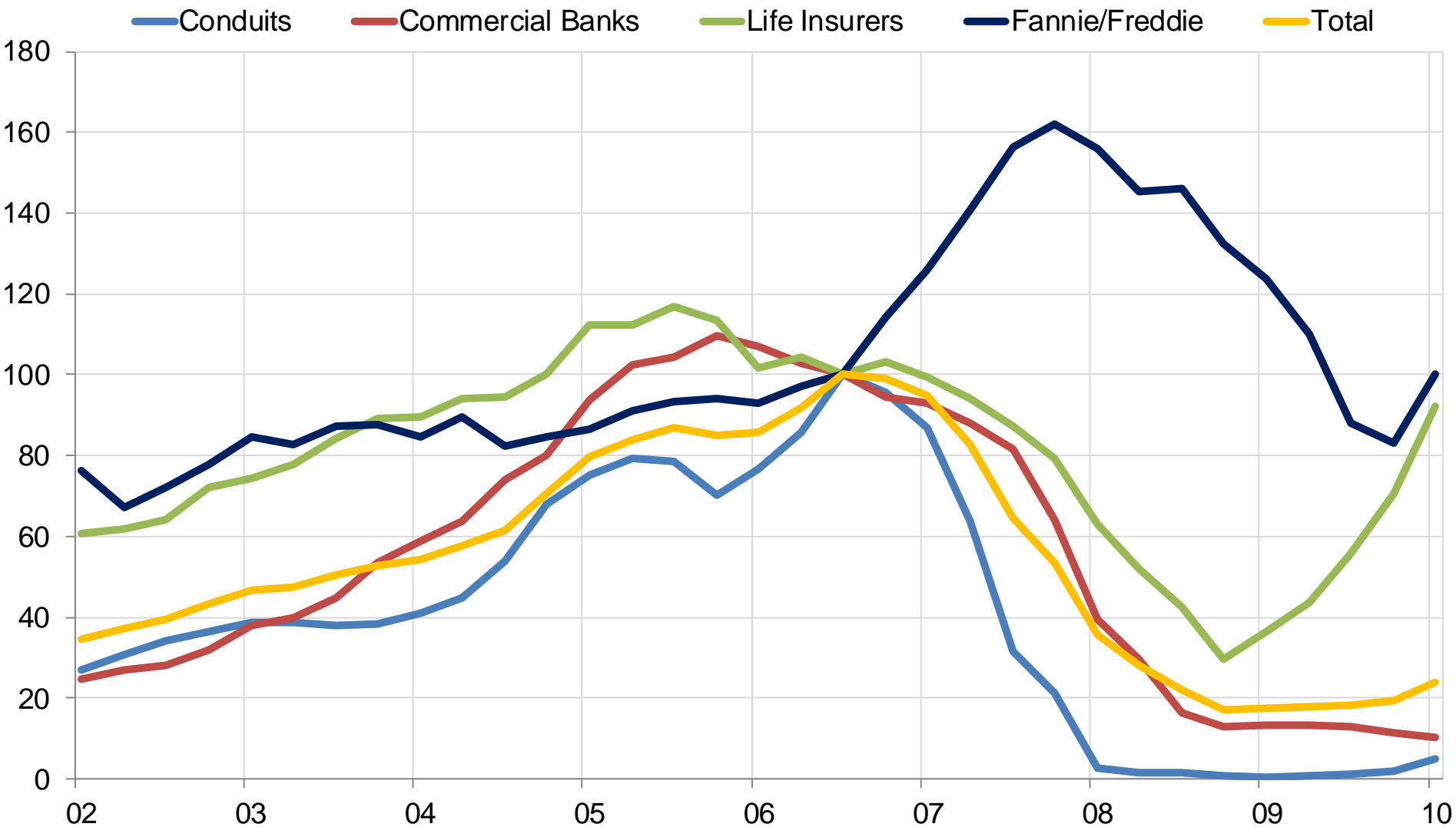
■ Life Insurers and Pension Funds

■ Depository Institutions

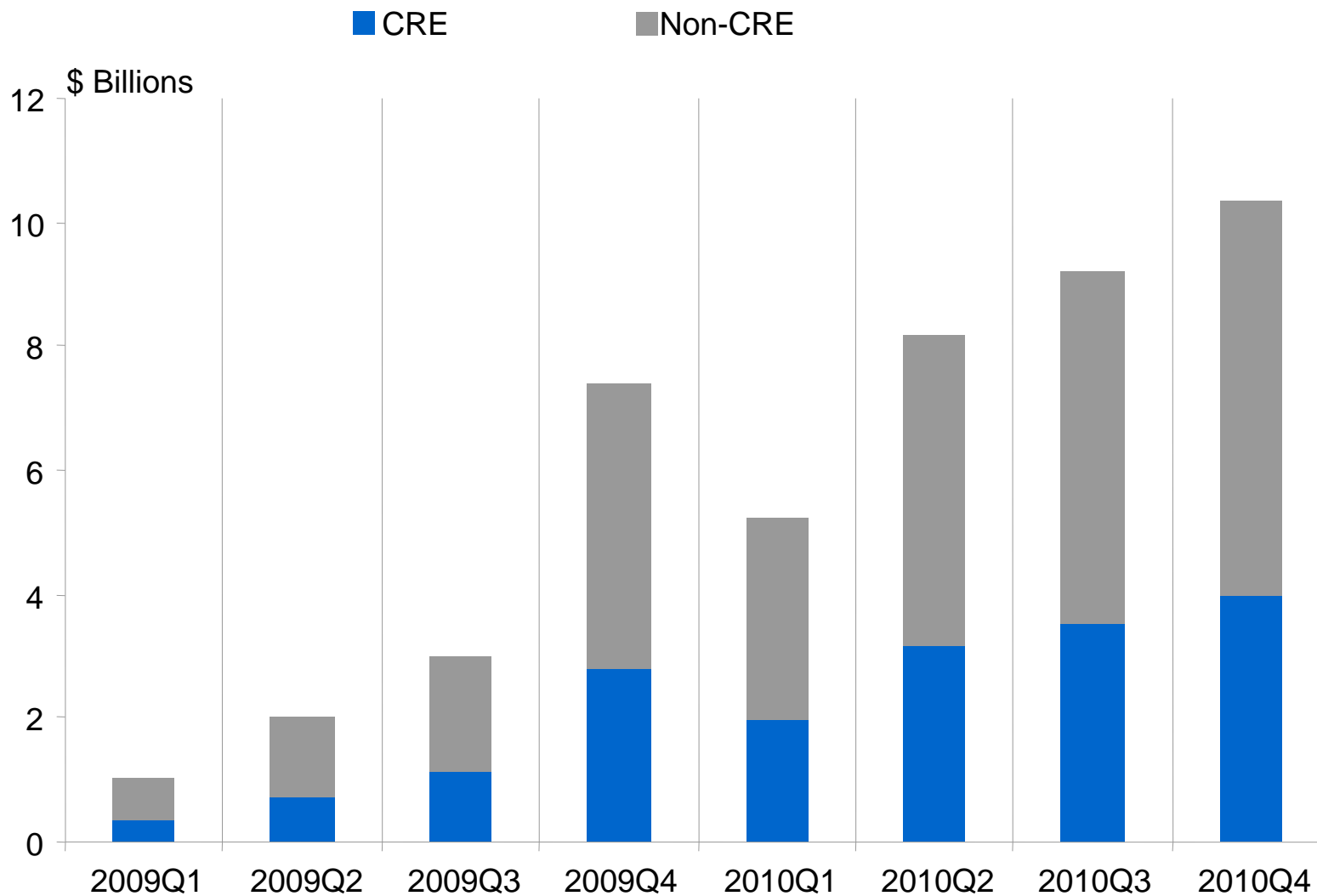
■ CMBS



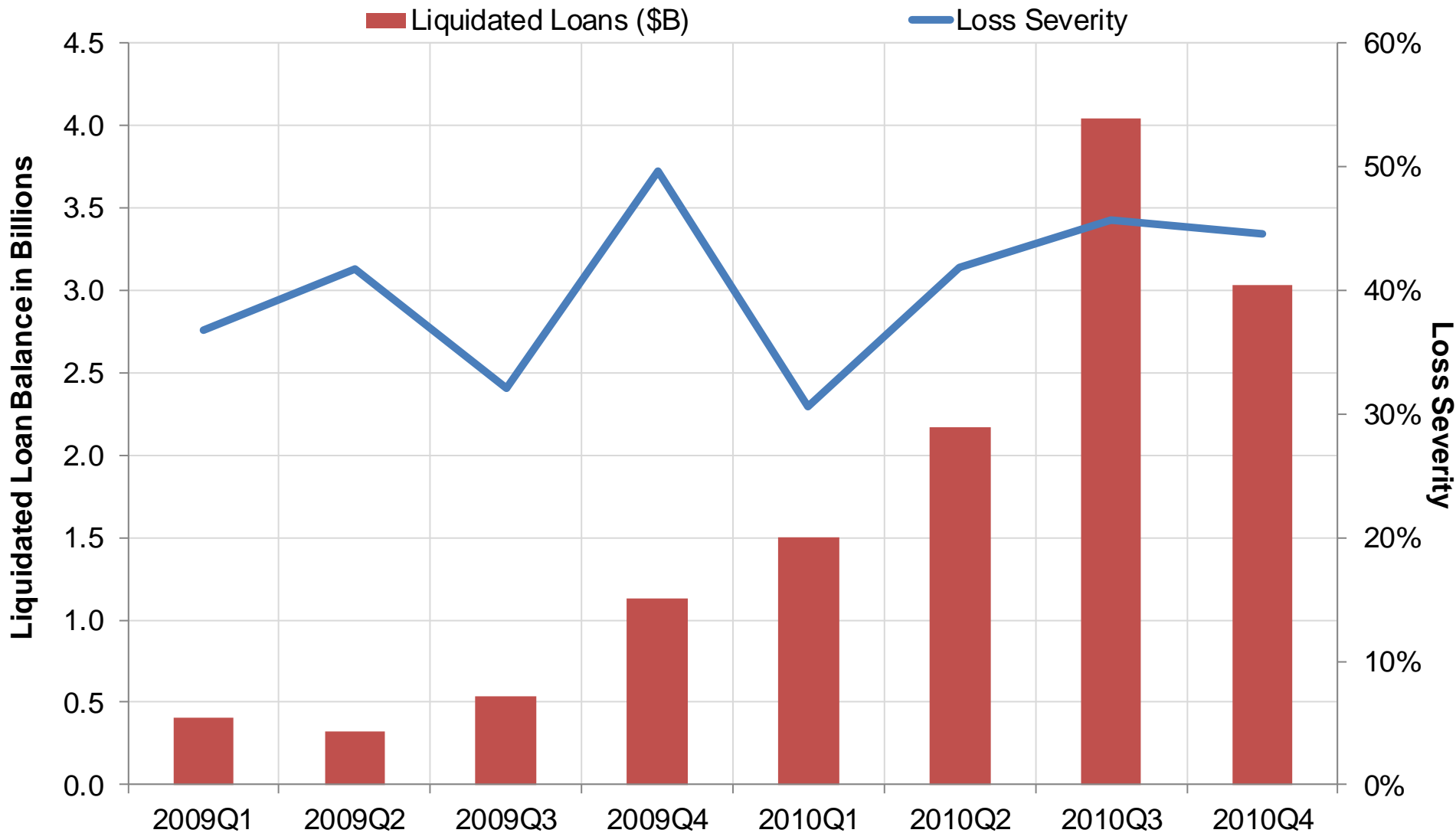
CRE Lending Index by Source of Capital (2007Q2 = 100)



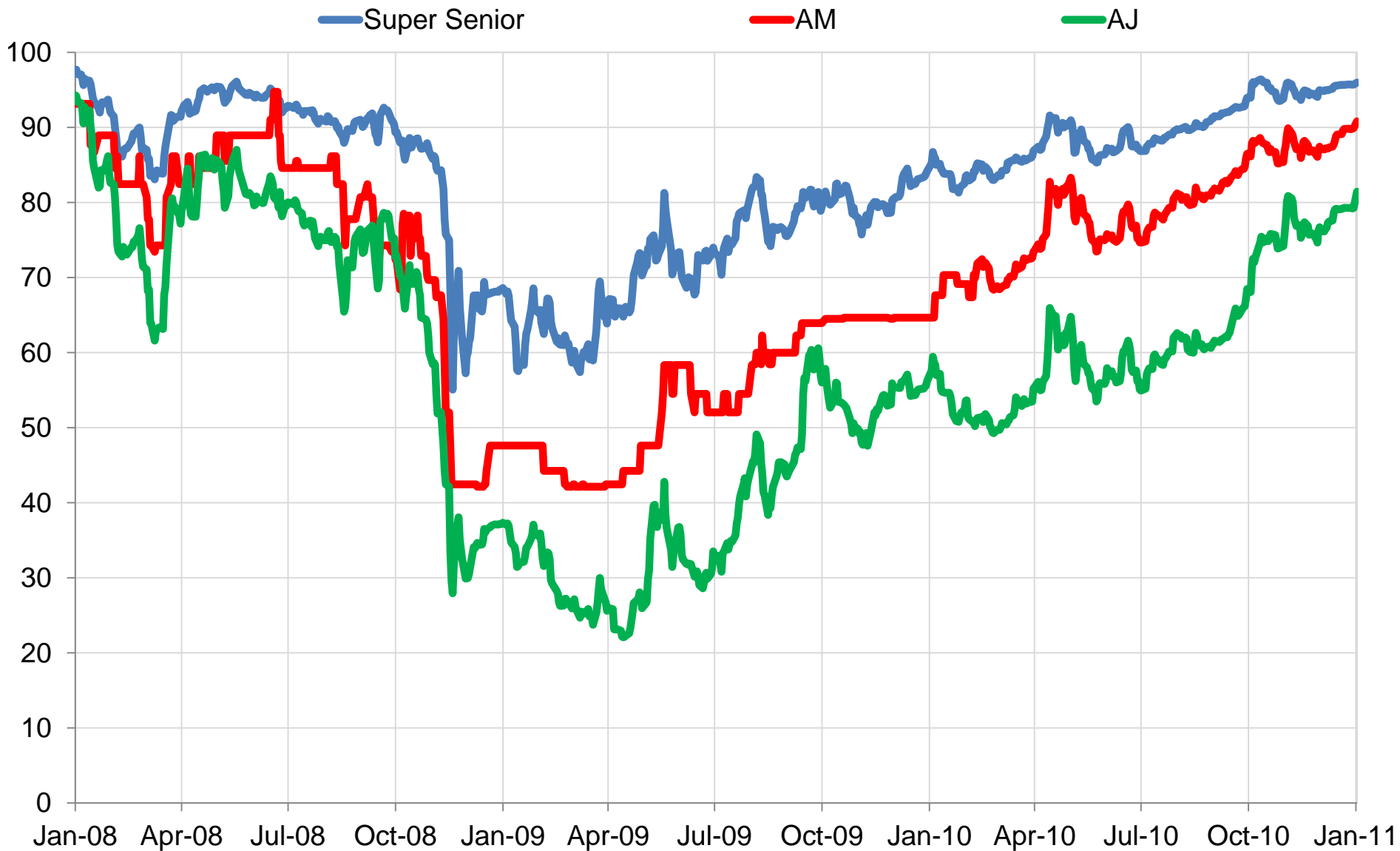
Banks Beginning to Move Legacy Loans Off The Books



CMBS Liquidations and Loss Severity At Liquidation Over Time



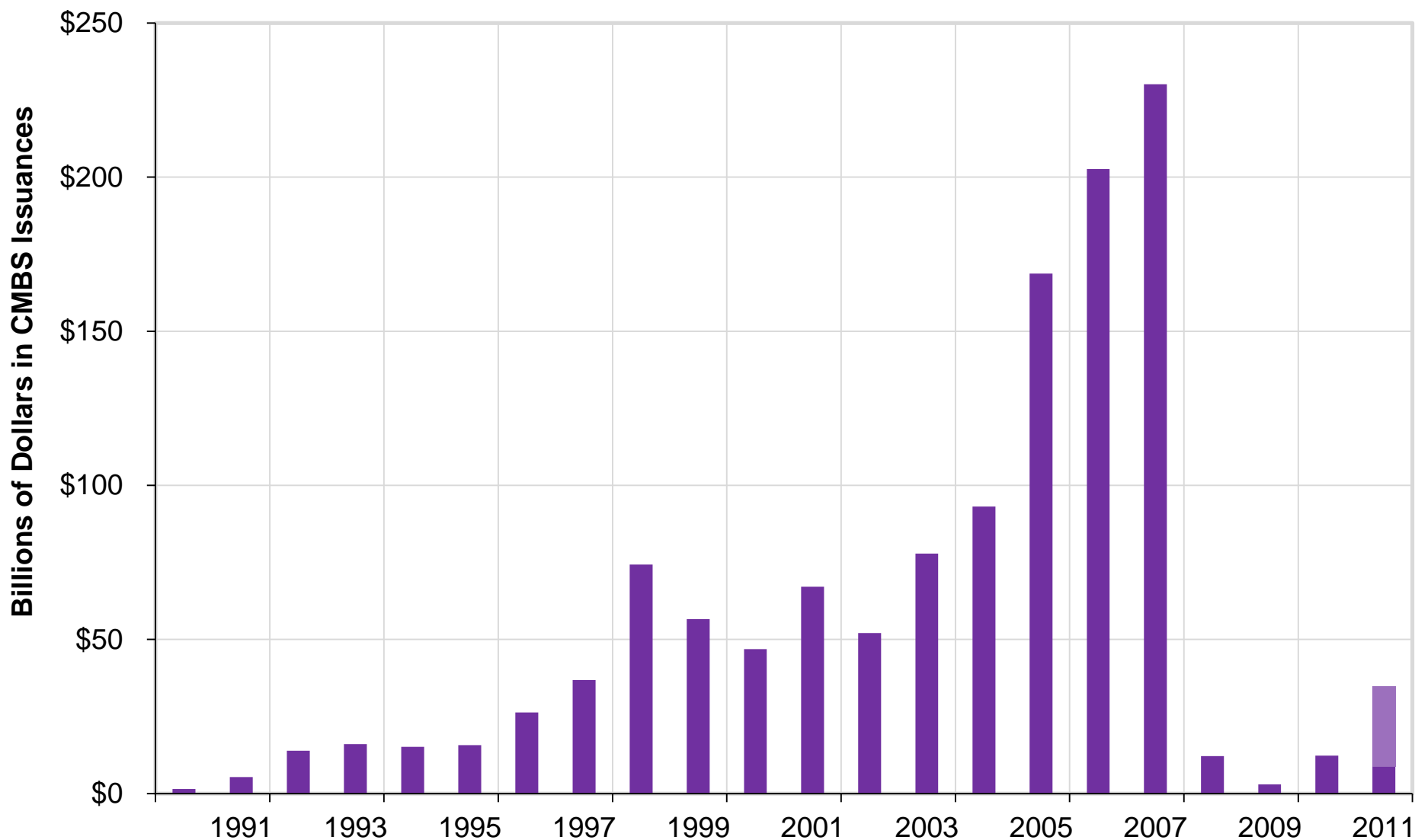
CMBS AAA Pricing As Percent of Par





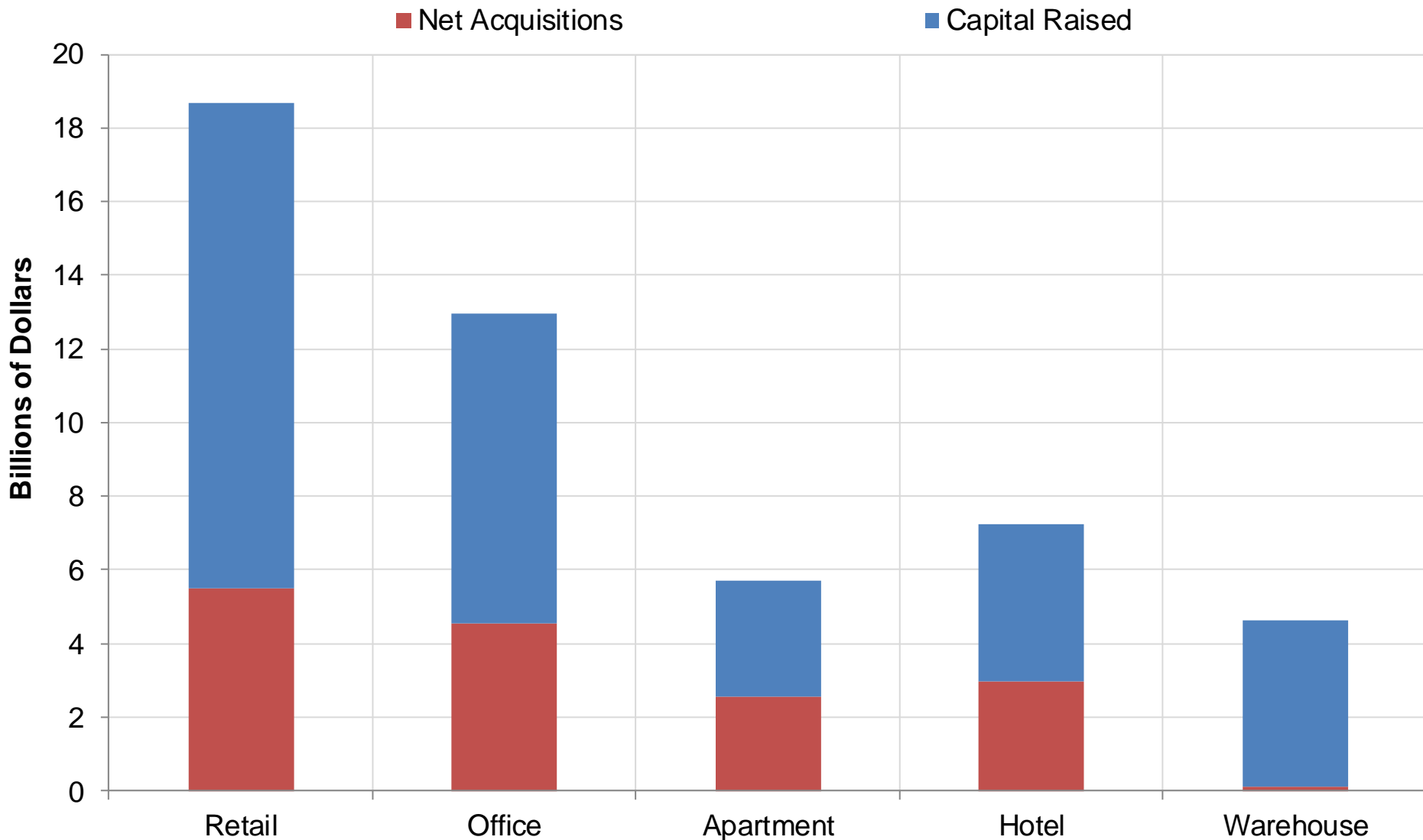
Quarterly CMBS Issuances

■ CMBS Issuances ■ Annualized Total



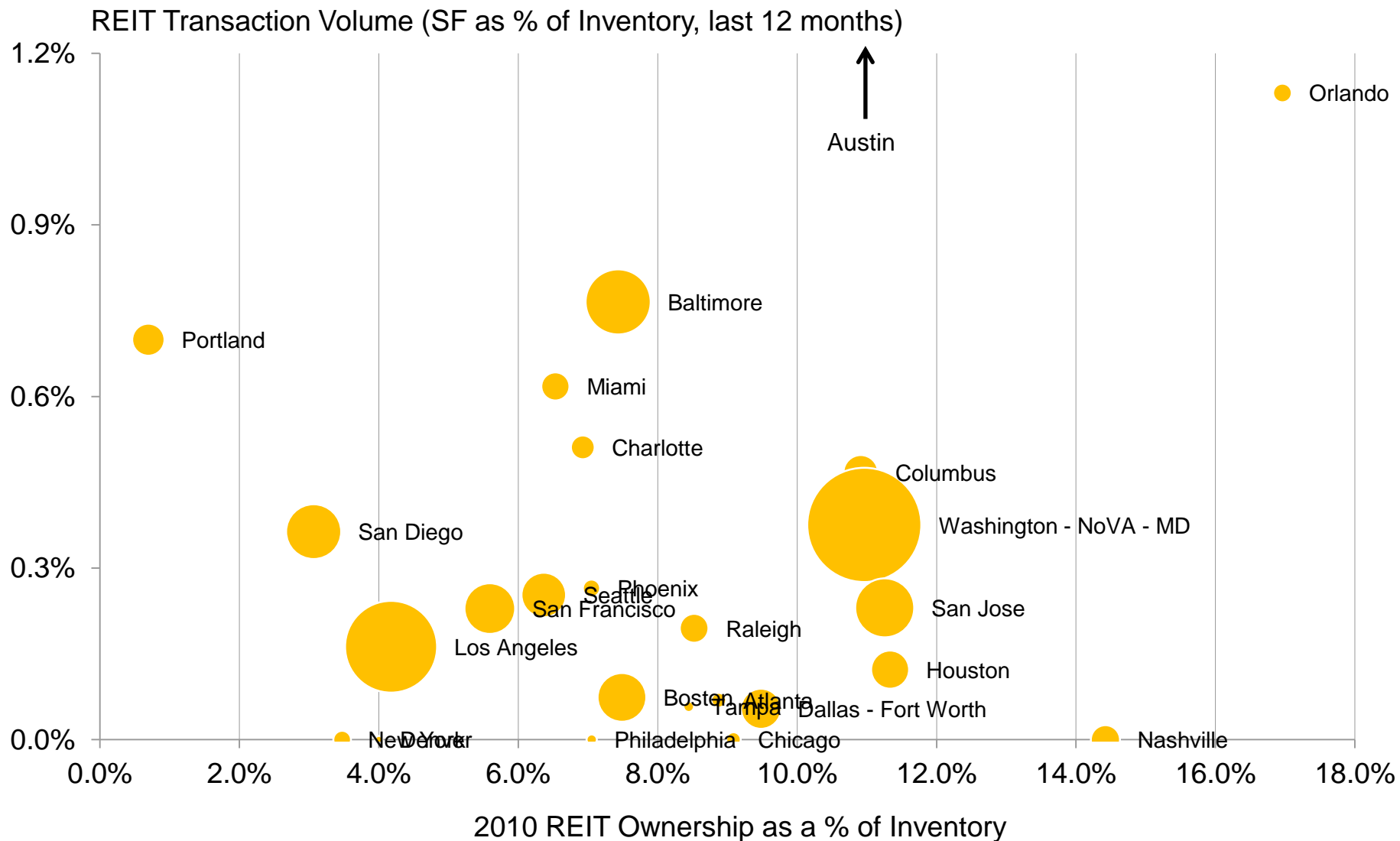


Public REIT 2010 Capital Raised and Net Acquisition Activity, By Property Type





Where The Industrial REITs Are



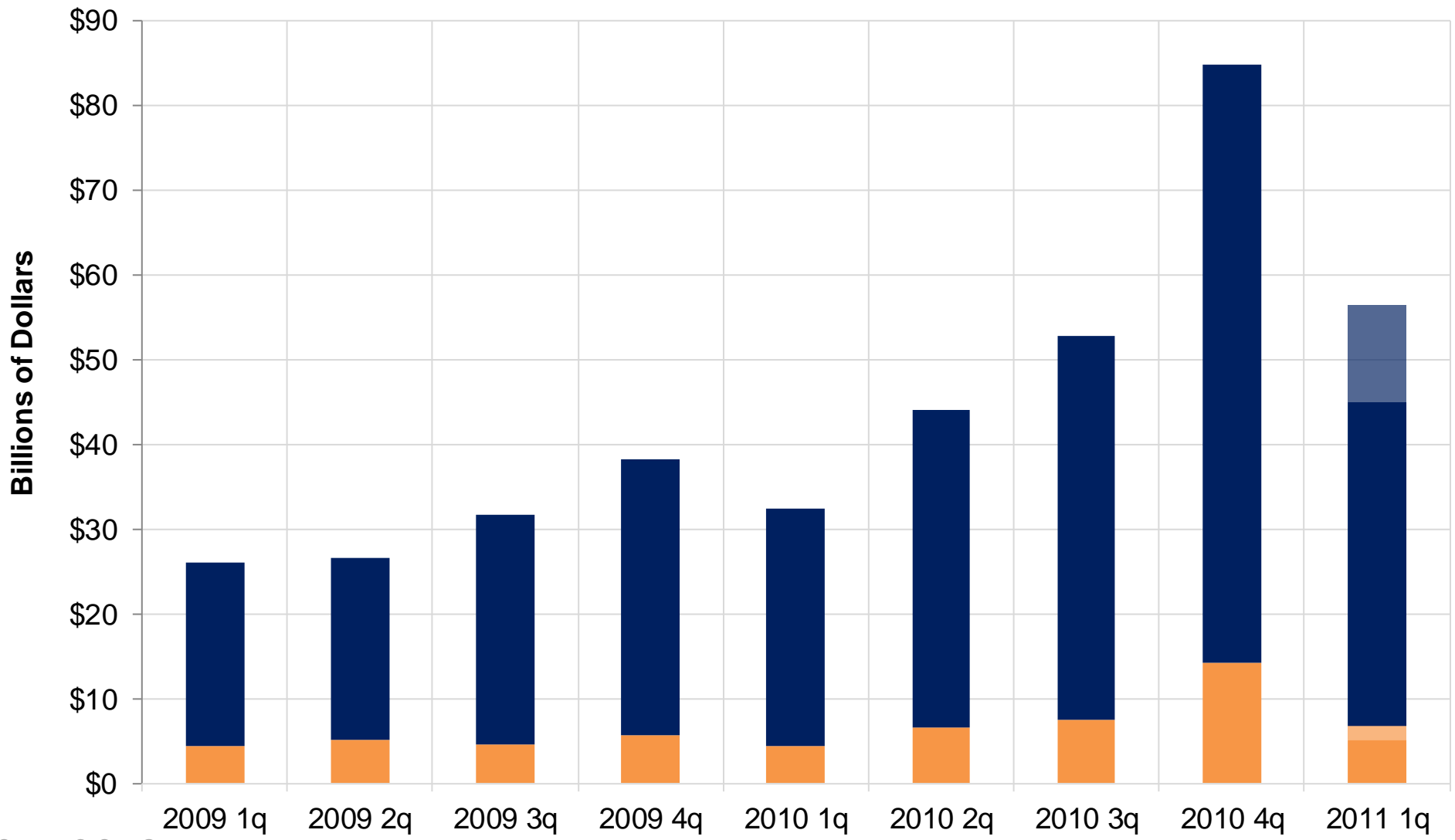


Industrial Property Sales

Sales Volume of Industrial and Other Commercial Properties

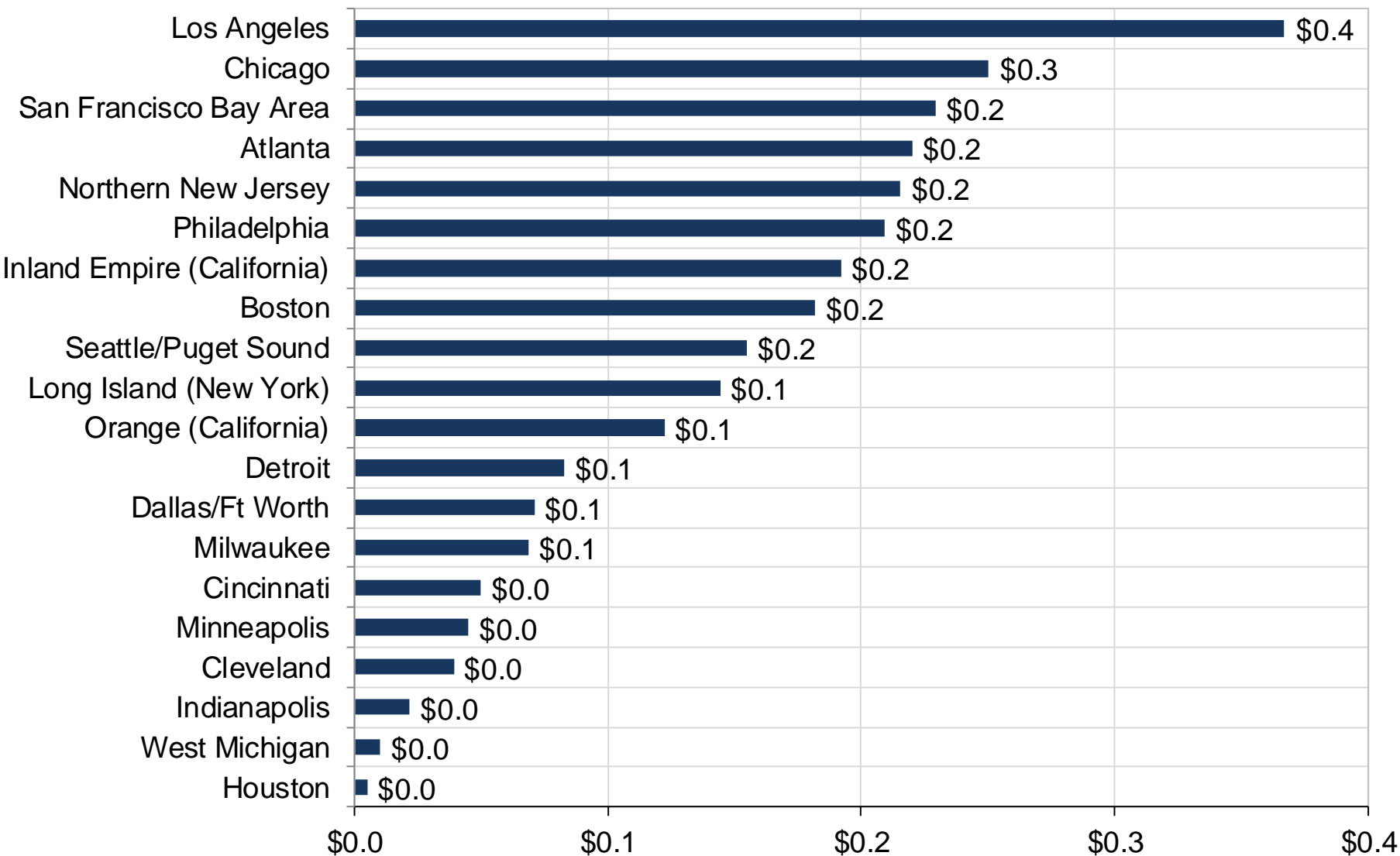


Industrial Estimated Future Industrial All Other Property Types Estimated Future All Other Types

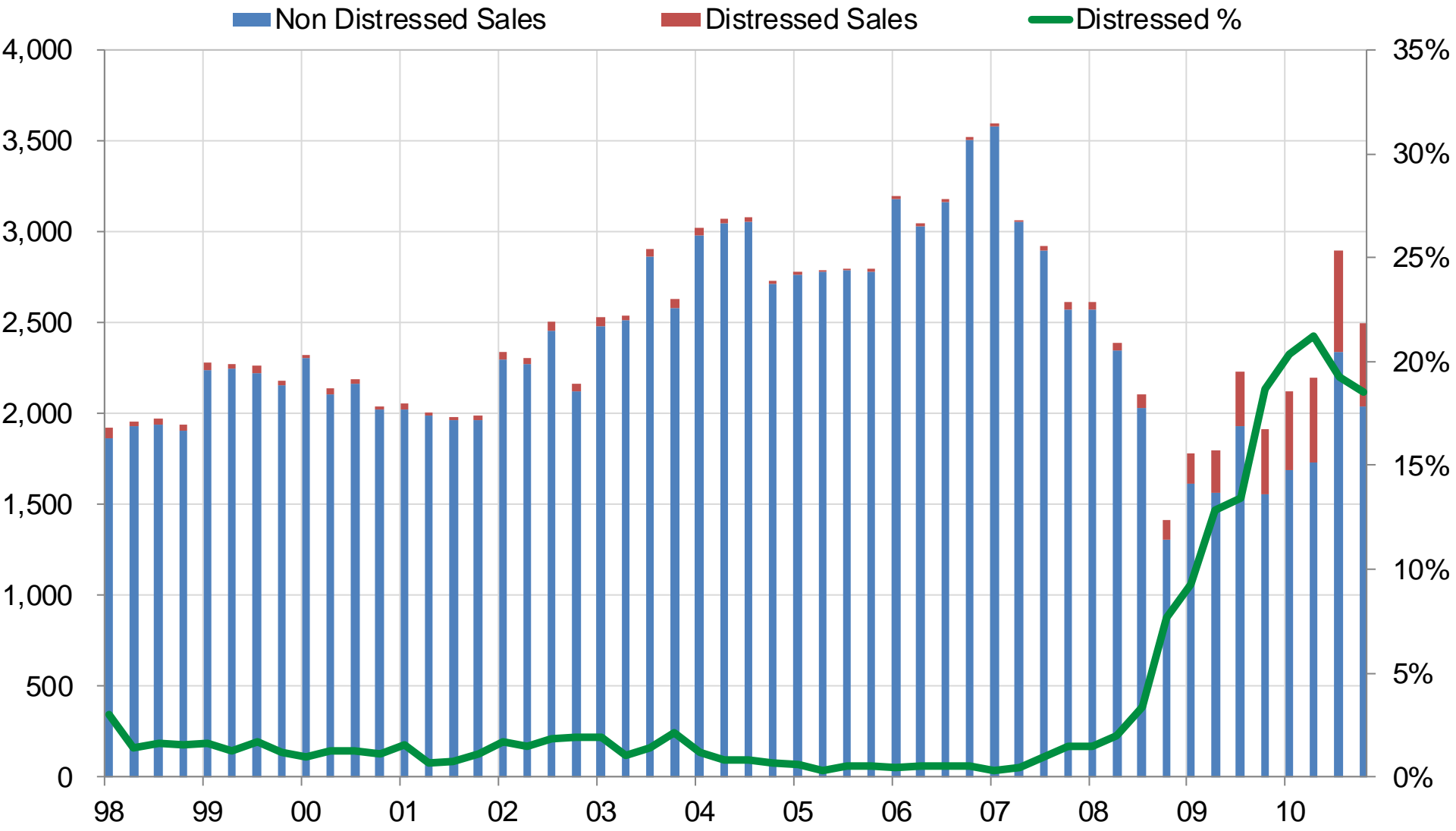




Year-to-Date Sales Volume in 20 Largest Markets

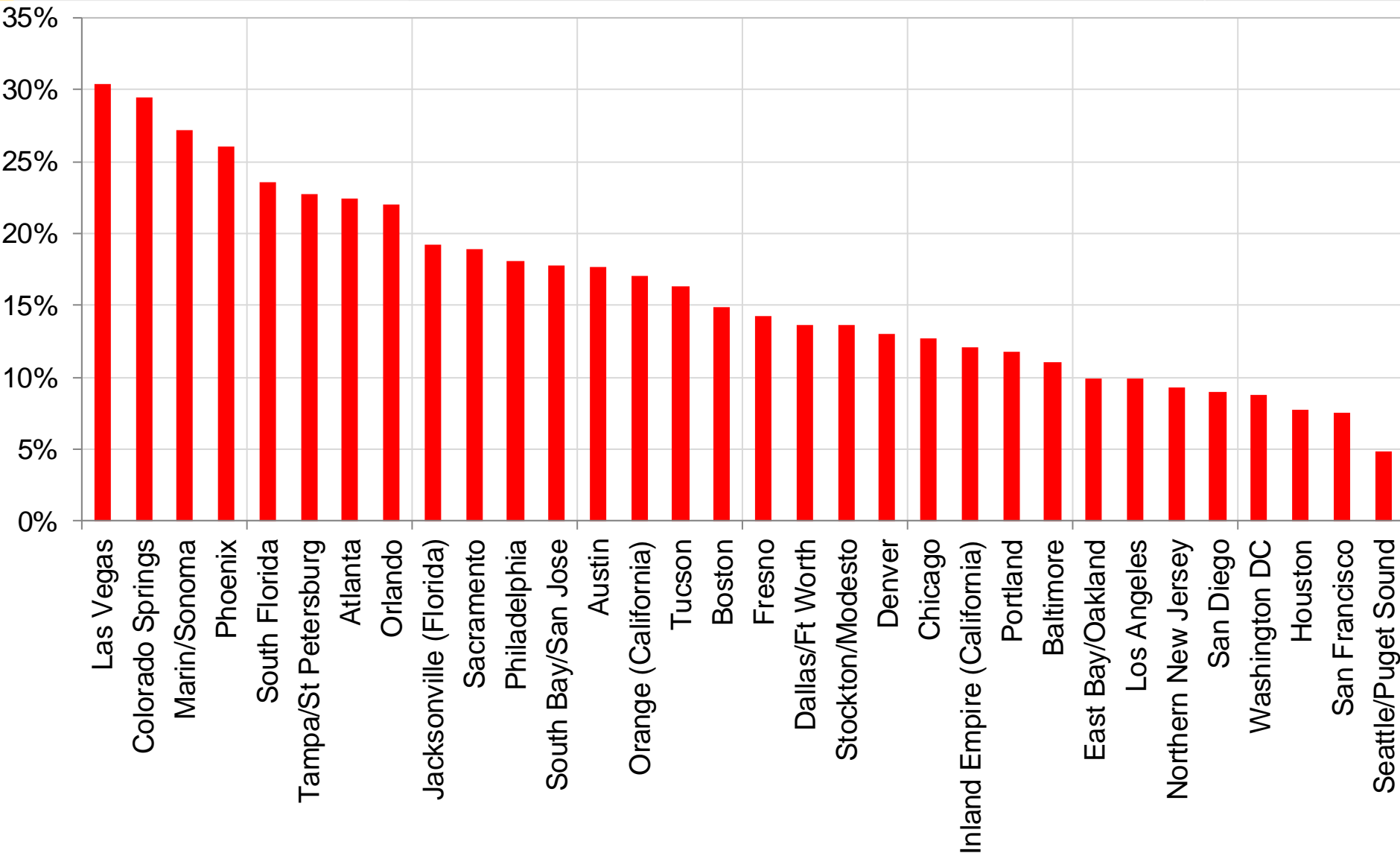


Distressed vs. Non-Distressed Sales Volume





Distress Sales Since 2009 by Square Footage by Market



Selected Top Industrial Deals – 1Q2011



Interstate 81 Portfolio
Philadelphia Metro Area
4 buildings, 1.6 million SF
Buyer: KBS REIT
Seller: Mericle Commercial
Price: \$90 million



AMB Portfolio
Minneapolis Metro Area
14 buildings, 1.5 million SF
Buyer: Artis REIT
Seller: AMB
Price: \$73.2 million



Duke – Premier Portfolio
Broward County, Florida
11 buildings, 770,742 square feet,
part 3 of a 5 Stage Acquisition
Buyer: Duke Realty
Seller: Premier Commercial Realty
Price: \$76.4 million



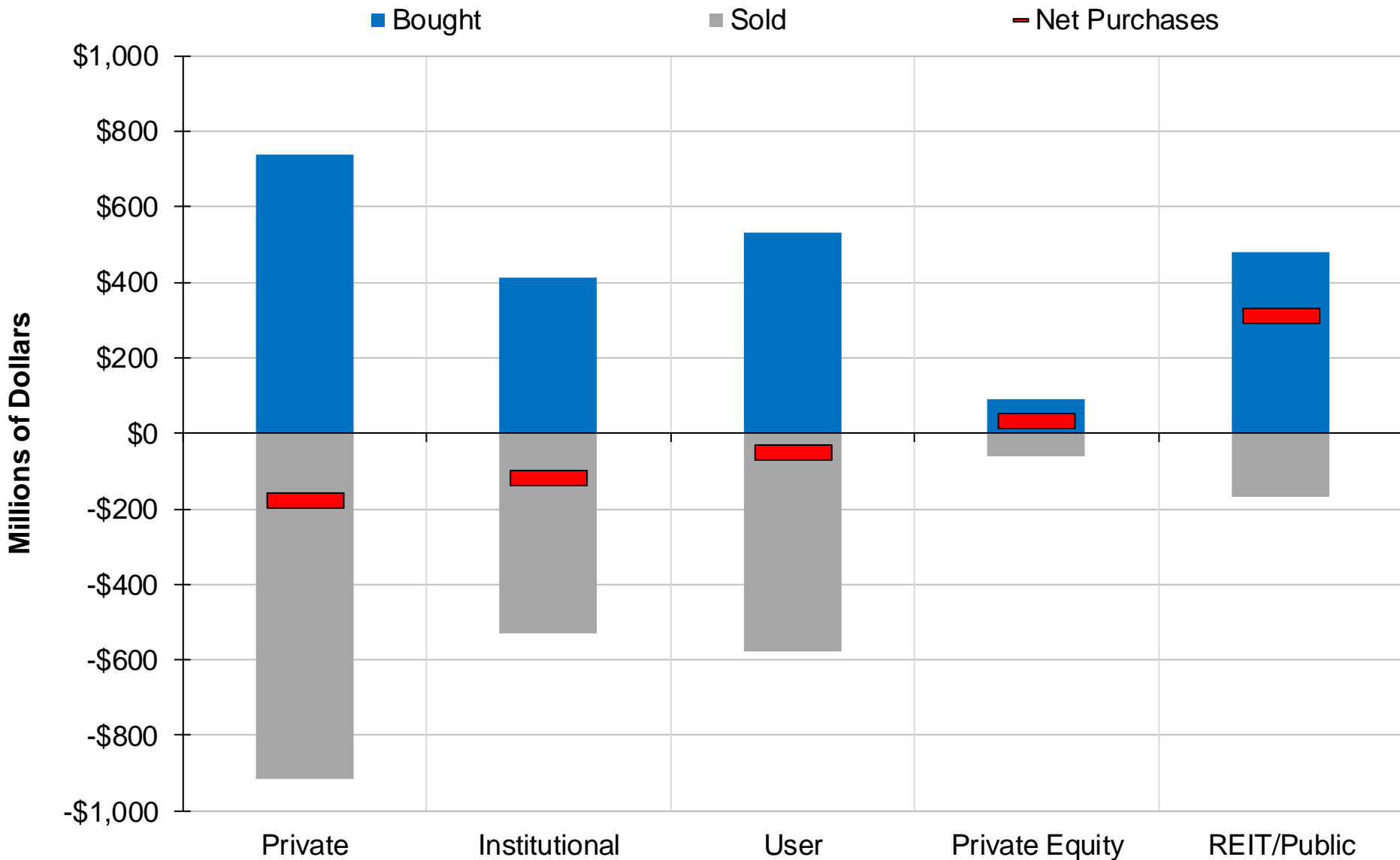
Center Point @ 8a
Middlesex County, NJ
6 buildings, 1 million square feet
Buyer: Morgan Stanley
Seller: BlackRock
Price: \$53.9 million



TBC Building
Charleston, SC
Single building, 1.1 million SF
Buyer: USAA
Sellers: Rockfeller Group and
MeadWestvaco
Price: \$49 million

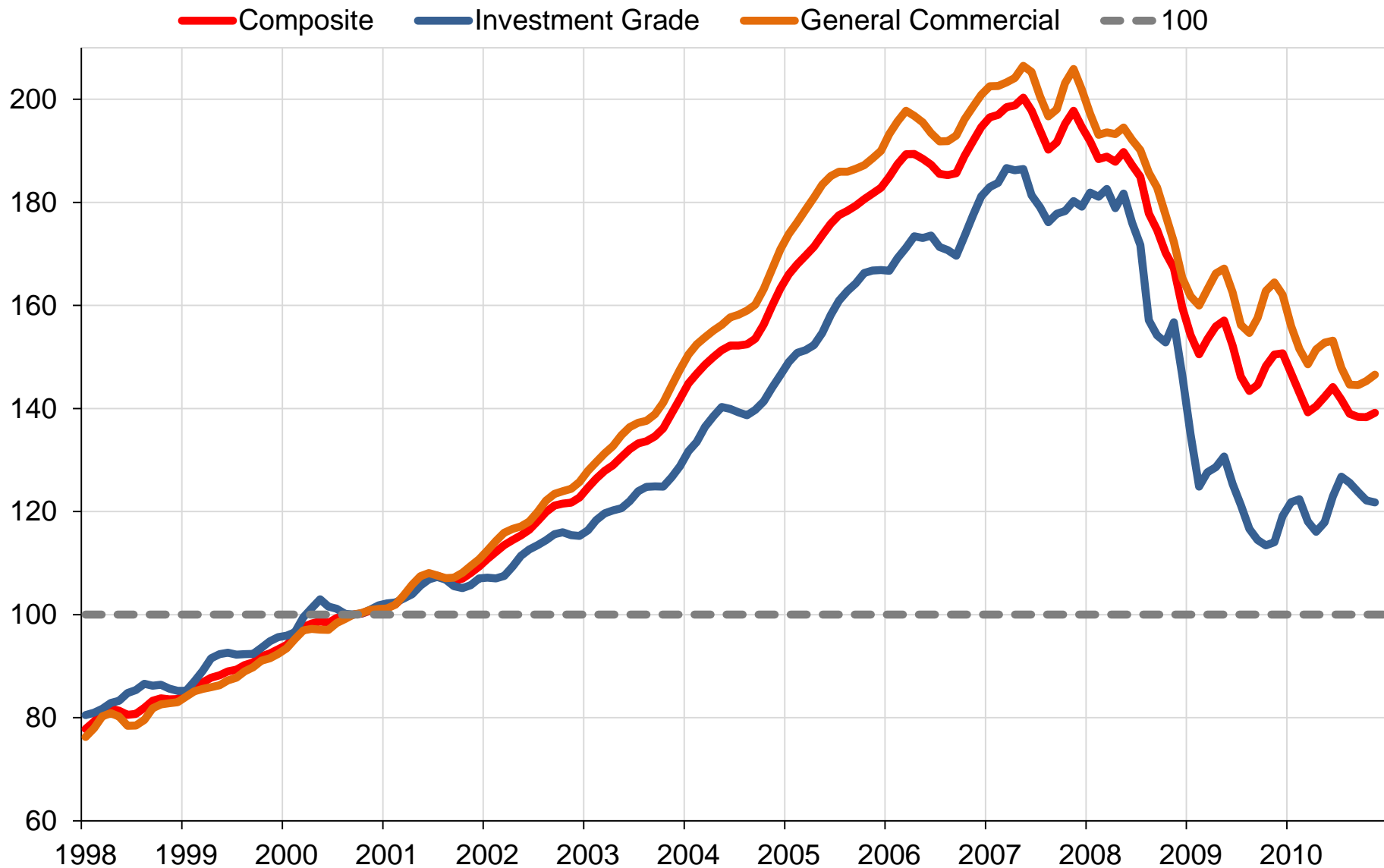


Year-to-Date Net Buying by Investor Type

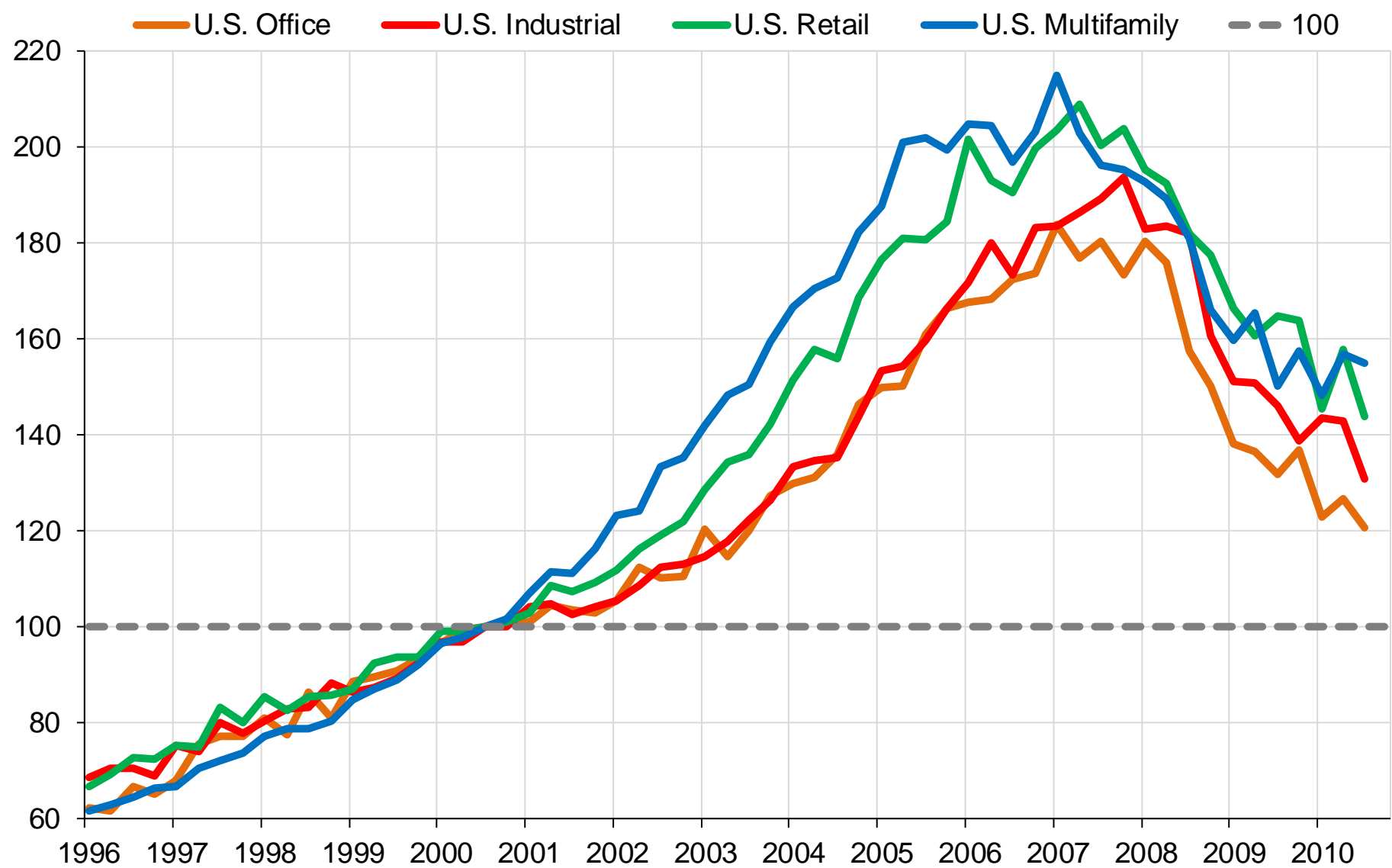




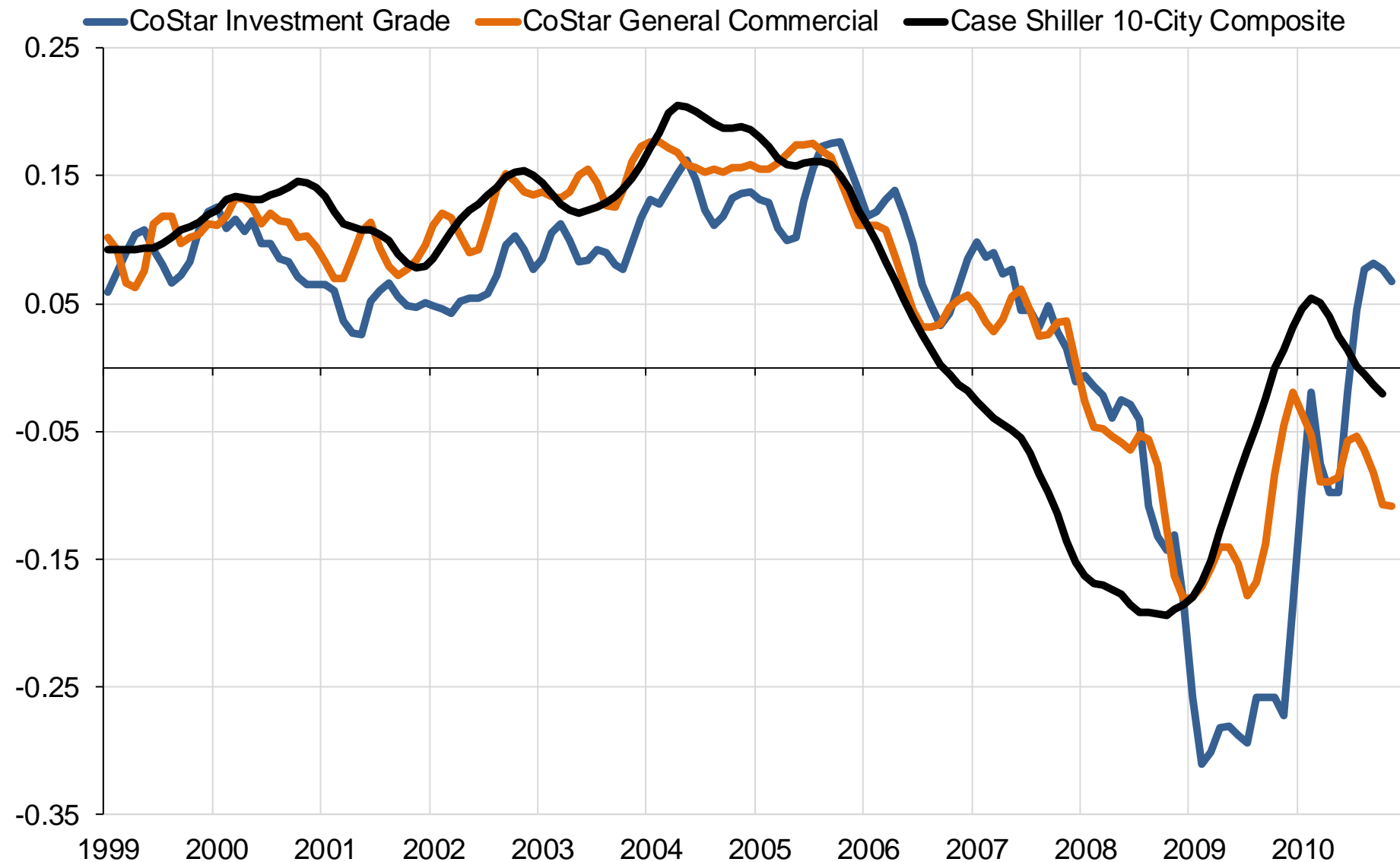
CoStar's Monthly Repeat Sale Index



CoStar's Quarterly Repeat Sale Indices by Property Type

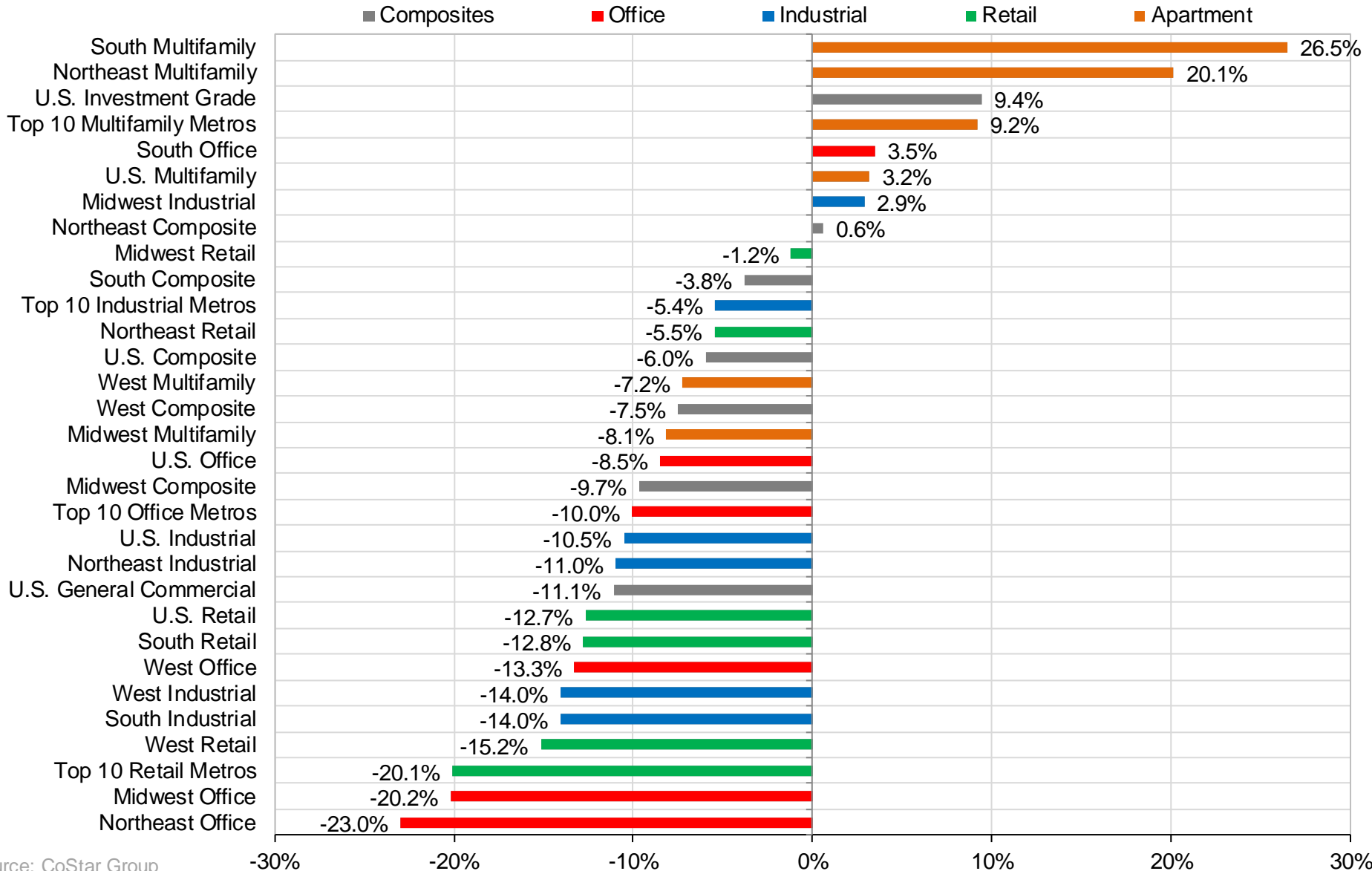


Year-Over-Year Change in CoStar's Monthly Repeat Sale Index

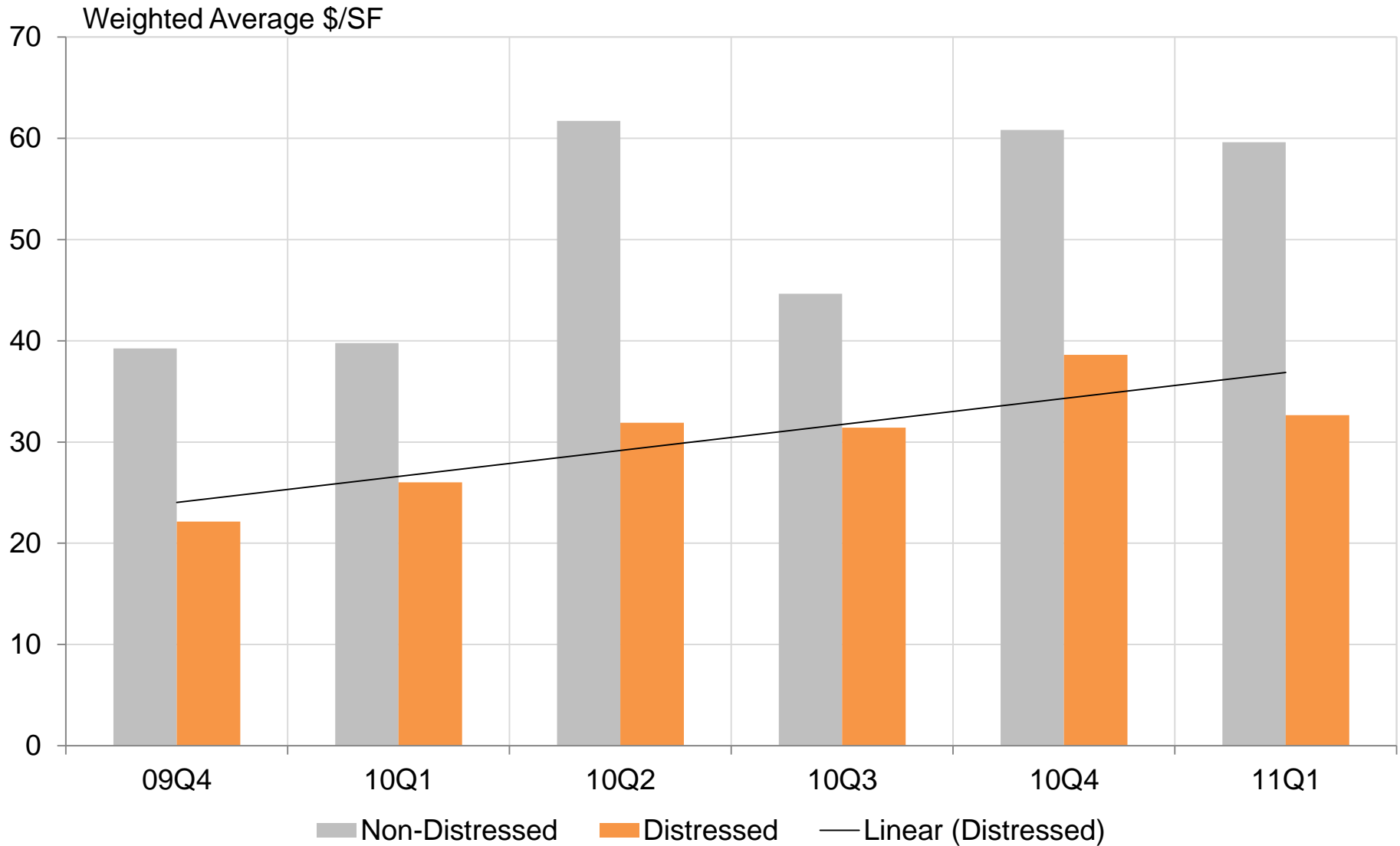




Annual Change in CoStar's Repeat Sale Indices

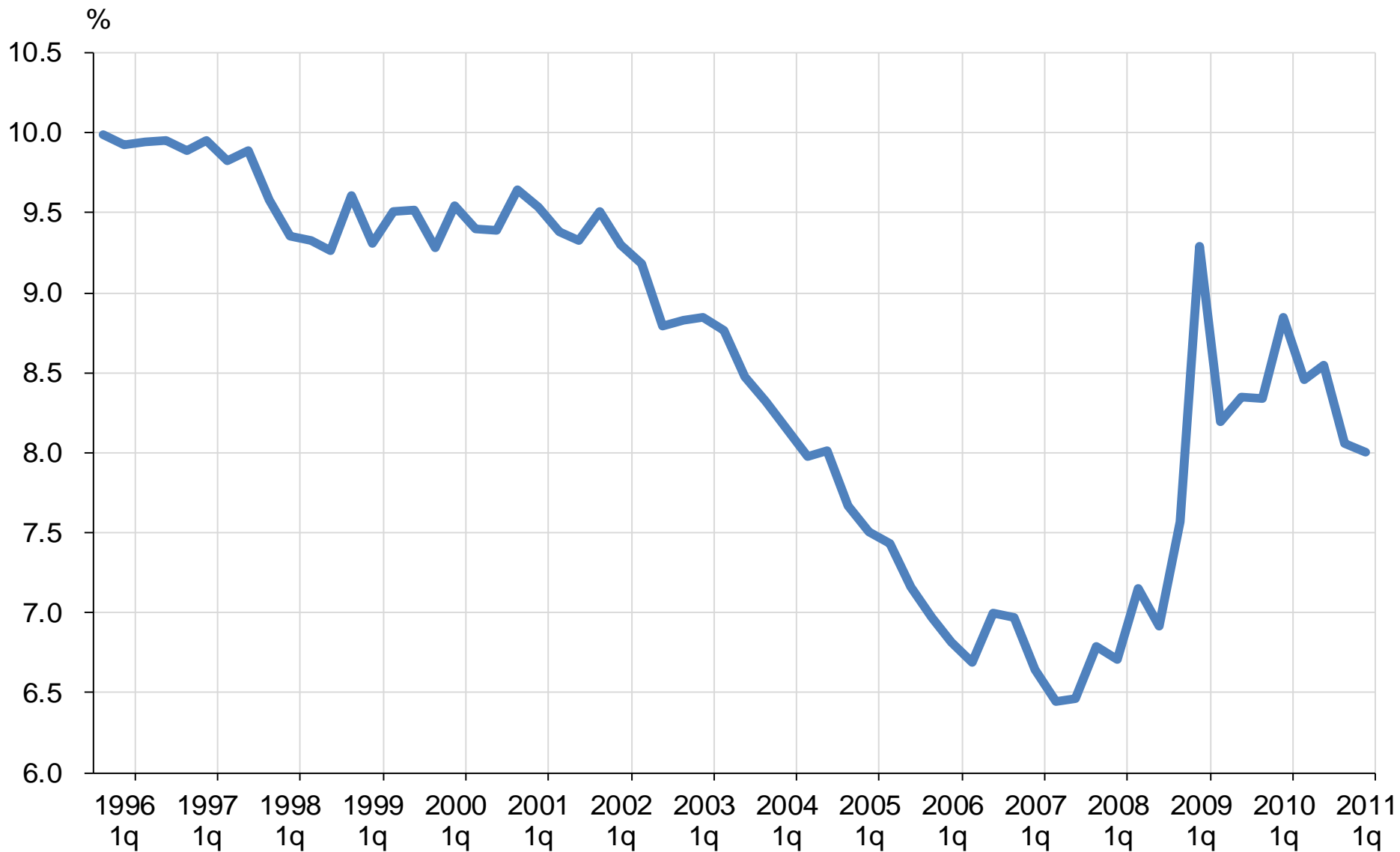


The Discount For Distress Is Gradually Narrowing





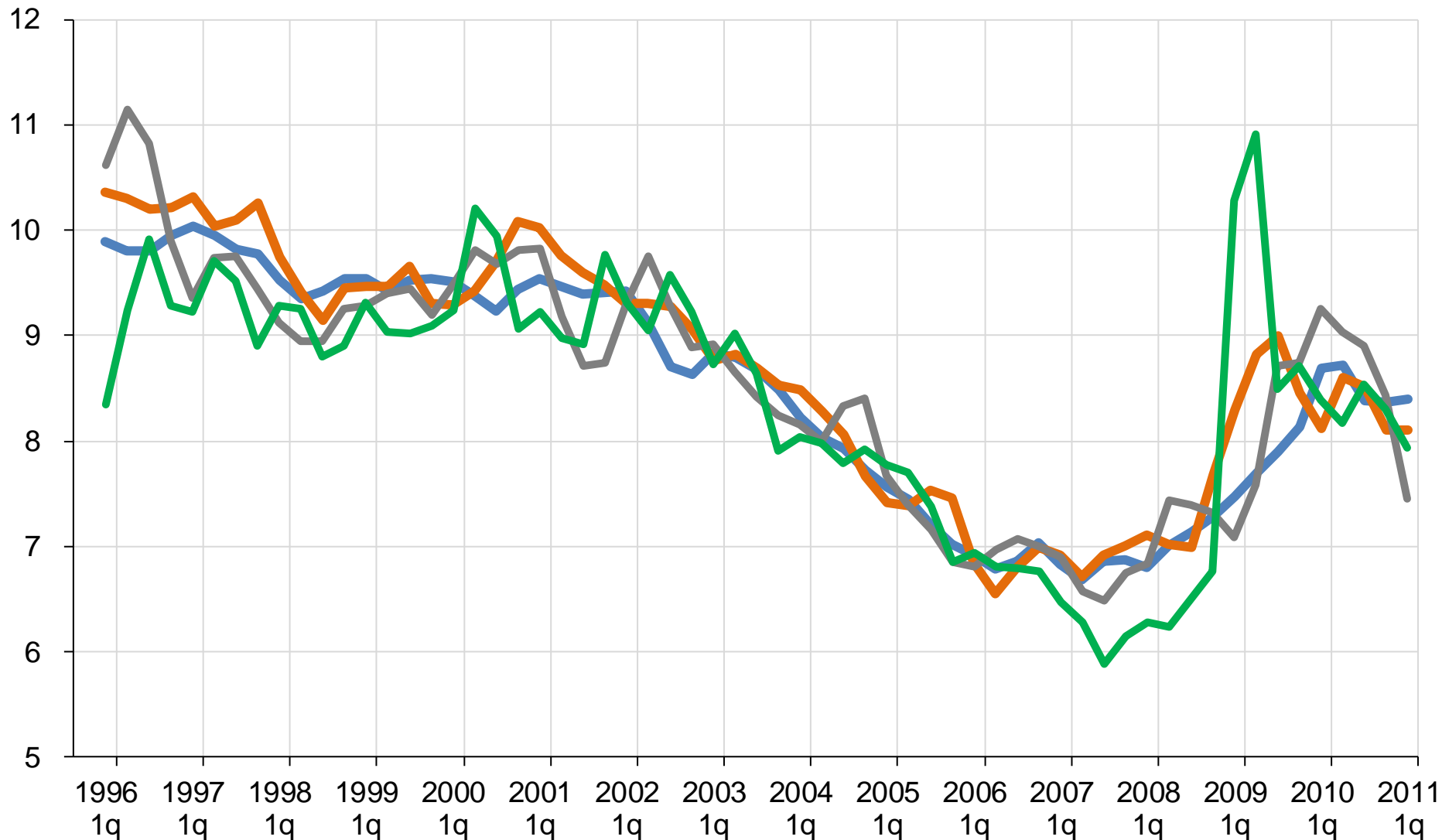
Average Cap Rate



Weighted Average Cap Rates By Deal Size (Two Quarter Moving Average)



— 00-05 Million — 05-10 Million — 10-20 Million — 20+ Million





Summary