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ECONOMIC & REAL ESTATE OVERVIEW

1ST QUARTER 2010

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Introduction

During the first quarter of 2010, the U.S. economy slowly began to recover from its recession. Although recent reports have shown some growth in the job market, the economy continues to be burdened by high unemployment rates. The rebounding stock market and increasing stability in home prices have provided a solid improvement to consumer spending during the first few months of the year, leading to an increase in retail sales for March. Businesses have also been able to tap the credit markets to strengthen their balance sheets. Citing economic improvement, the Federal Reserve ended its \$1.25 trillion mortgage-backed securities buyback program at the end of March. The program has been credited with holding mortgage interest rates near record lows and slowing the decline in housing prices.

Despite this improvement, the commercial real estate market still faces an uphill challenge dealing with high vacancy rates, negative absorption, limited or stalled construction, declining rents and increasing delinquency rates for commercial mortgage backed securities (CMBS). Lending standards remain tight, and a large number of properties have loans maturing within the next few years. As commercial banks rid their balance sheets of troubled assets, the number of distressed properties continues to rise. Experts believe commercial real estate conditions will remain weak for the remainder of the year although increased investor activity and moderating cap rates provide hope for the future.

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

- **Positive GDP Growth.** U.S. gross domestic product (GDP) grew at a 5.6% annual pace in the fourth quarter of 2009, following a 2.2% increase in the previous quarter.
- **Unemployment Rate Unchanged.** The unemployment rate remained at 9.7% in March for the third consecutive quarter despite the addition of 162,000 new jobs. Both the average workweek and aggregate hours rose.
- **Construction Spending Decreases.** Total construction spending declined 1.3% in February and is down 12.8% from 12 months ago. This illustrates the deep hole builders are struggling to emerge from.
- **Durable Goods Orders Rise.** New orders for big-ticket manufactured goods increased 0.5% in February after a positively revised gain of 3.9% in January. A core measure of business spending, new orders for non-defense capital goods, increased 1.1% during February. Manufacturers have slowly started adding to inventories again.
- **Consumer Confidence Increases.** Consumer confidence increased for the second consecutive month. Expectations for employment conditions six months from now improved slightly.

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Introduction (continued)

- **Wholesale Inventories Fall.** In January, wholesale inventories declined 0.2%. This is slower than the 1.0% decline a month earlier.
- **New Home Sales Decline.** New home sales decreased 2.2% in February. New home sales fell to a new all-time low for the series of just 308,000 units at an annual rate. It was reported that weather likely played a significant role, especially along the east coast.
- **Leading Indicators Up.** The Leading Economic Index (LEI) increased 0.1% in February, the eleventh straight monthly gain. The interest rate spread and real money supply made the largest positive contributions to the index this month, more than offsetting the large negative contributions from average weekly hours in manufacturing and stock prices.
- **Retail Sales Jump Higher.** Retail sales increased 0.3% in February. Sales gains were broad based as only two categories (motor vehicles and health & personal care) showed declines. Motor vehicle sales struggled for the second-straight month, declining 2.0%.
- **Consumer Confidence Increases.** Consumers' short term outlook improved in March. Declines in energy prices and a flat reading from the housing component offset gains in food and medical care costs.
- **Consumer Prices Stable.** The CPI inched up less than 0.1% in February, led by a 4.1% increase in energy prices and a 2.3% rise in transportation costs. Food prices continue to moderate and inched up 0.1%.
- **Business Inventories Stable.** Business inventories across the supply chain displayed no net change in inventory in January. On a year-over-year basis, inventory levels remain down nearly 10.0%

Employment

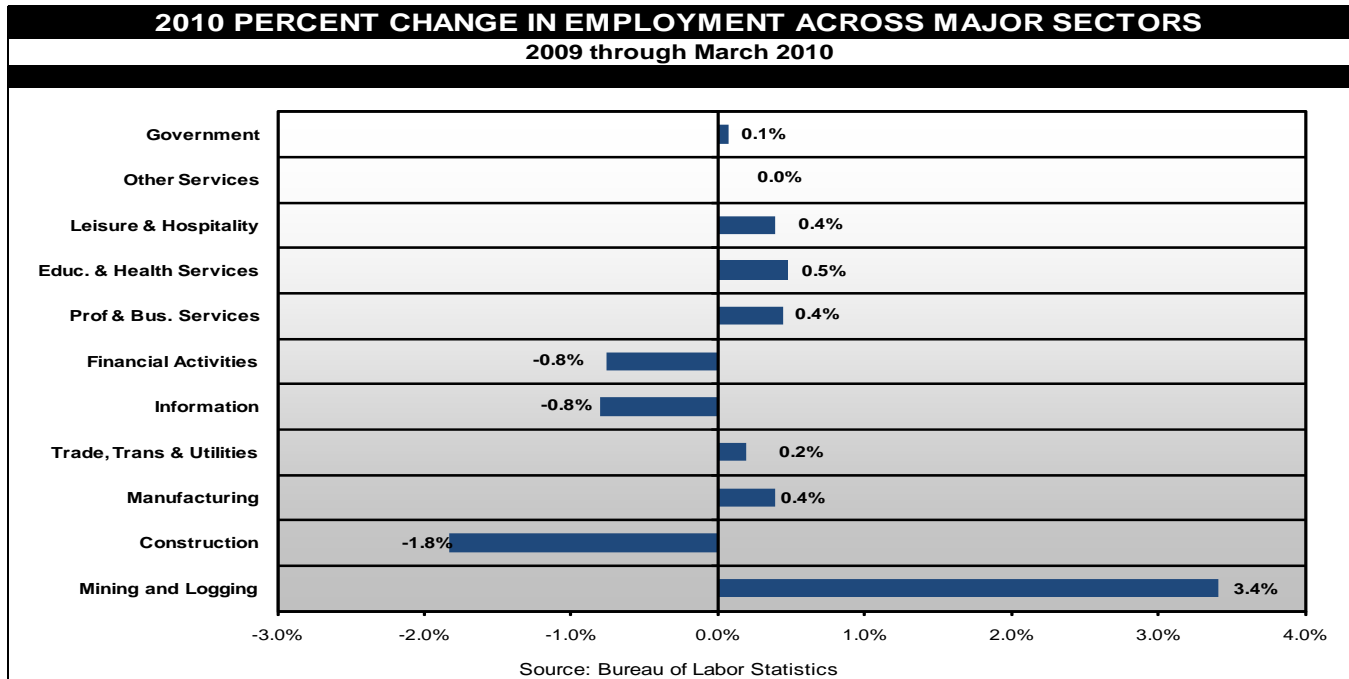
The job market continues to improve as employers added 162,000 jobs in March, the largest monthly gain in three years. One-third of the growth during the period came from the government's hiring of 48,000 temporary workers for the 2010 Census. The latest report represents the third month since November 2009 in which payrolls increased, which indicates that the labor market is slowly recovering from a downturn that has witnessed the loss of more than eight million jobs since late 2007.

Gains were widespread across various sectors of the economy. During March, hard hit industries such as the manufacturing and construction sectors added 17,000 and 15,000 jobs, respectively. Retailers added nearly 15,000 jobs and leisure and hospitality accounted for 22,000 more jobs.

UNITED STATES NON-FARM EMPLOYMENT BY INDUSTRY							
Historic & Current Figures (in thousands)							
INDUSTRY	Mar-10 Employment	Total Percent	2009 Employment	Total Percent	2008 Employment	Total Percent	% Change Mar-10 - 2009
Mining and Logging	699	0.5%	676	0.5%	768	0.6%	3.4%
Construction	5,592	4.3%	5,696	4.4%	6,704	5.0%	-1.8%
Manufacturing	11,579	8.9%	11,534	8.9%	12,822	9.5%	0.4%
Trade, Trans & Utilities	24,700	19.0%	24,653	19.0%	25,619	19.1%	0.2%
Information	2,726	2.1%	2,748	2.1%	2,908	2.2%	-0.8%
Financial Activities	7,599	5.9%	7,657	5.9%	8,000	6.0%	-0.8%
Prof & Bus. Services	16,562	12.8%	16,488	12.7%	17,220	12.8%	0.4%
Educ. & Health Services	19,442	15.0%	19,350	14.9%	19,033	14.2%	0.5%
Leisure & Hospitality	13,041	10.1%	12,991	10.0%	13,248	9.9%	0.4%
Other Services	5,314	4.1%	5,314	4.1%	5,445	4.1%	0.0%
Government	22,496	17.3%	22,481	17.3%	22,561	16.8%	0.1%
Total Nonfarm	129,750	100.0%	129,588	100.0%	134,328	100.0%	0.1%

Source: Bureau of Labor Statistics

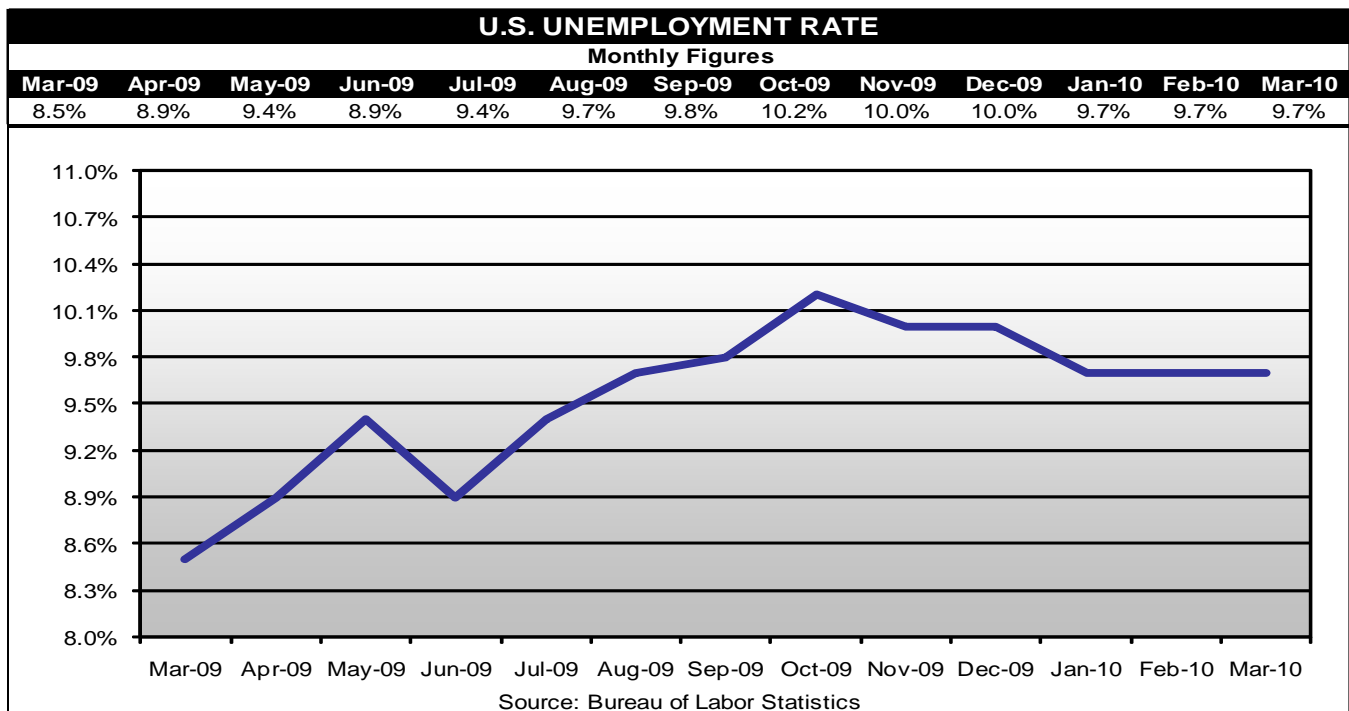
Employment (continued)



The change in employment through March 2010 showed only three sectors, Financial Activities, Information and Construction, recording losses in employment since 2009. Private-sector payrolls increased by 123,000 in March, but much of that boost was a bounce back from employment depressed in February by snowstorms.

Despite an easing of job losses, the unemployment rate has held steady at 9.7% during the past three months as new workers entered the job market and people who had previously quit the labor force returned.

Below is a graph depicting unemployment since March 2009:

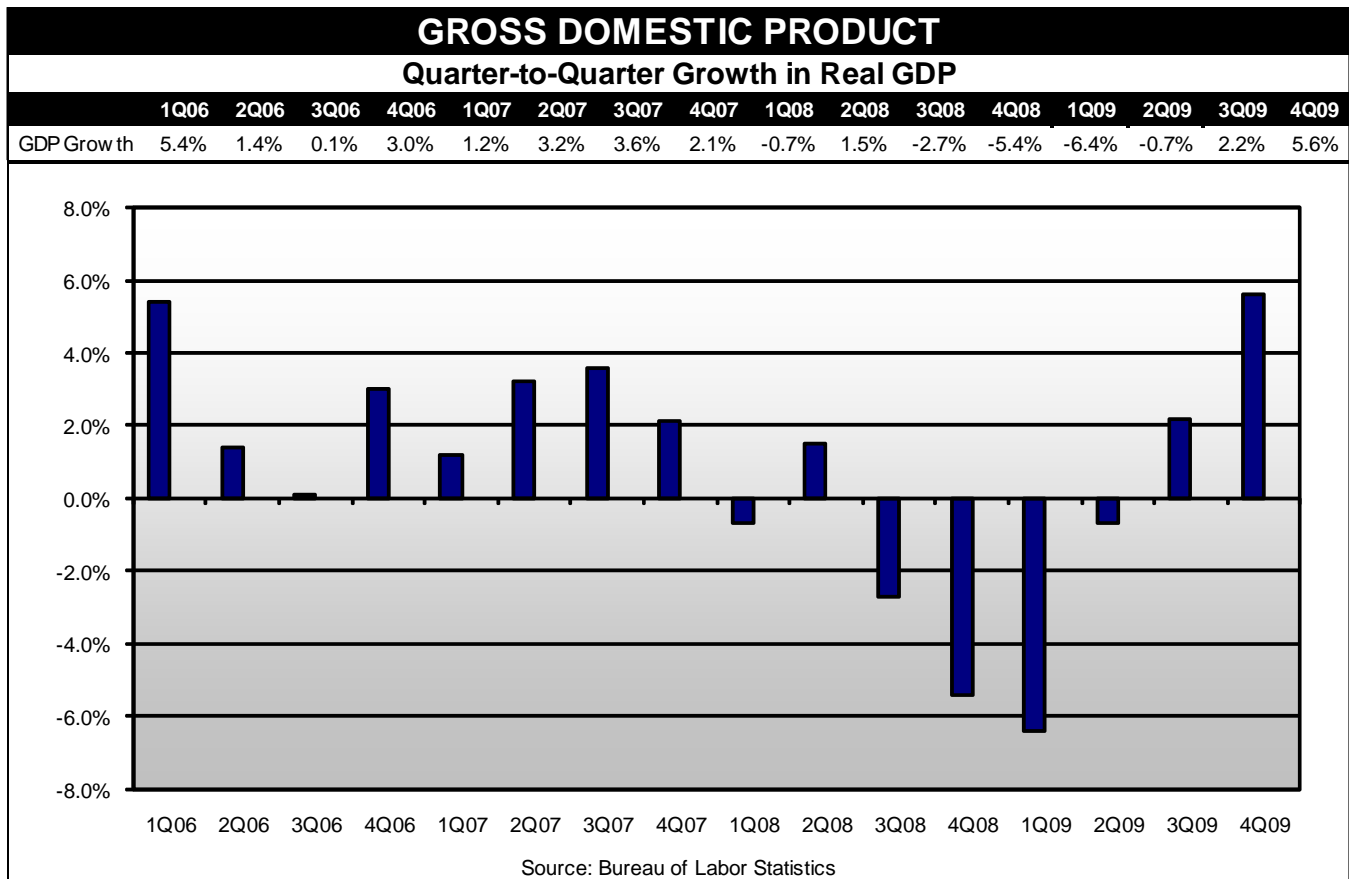


Gross Domestic Product (GDP)

The GDP growth rate is considered 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 increased at a 5.6% annual pace in the fourth quarter of 2009. The original GDP estimate, released two months ago, was 5.7% and revised upward to 5.9% a month later. The growth was the highest in six years and may signal the end of the prolonged recession. The increase in real GDP in the fourth quarter primarily reflected positive contributions from private inventory investment, exports, personal consumption expenditures (PCE), and nonresidential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased. The acceleration in real GDP growth reflected a slowdown in the rate at which businesses drew down inventories. While inventories were drawn down for the seventh straight quarter, the drawdown was much less than in the third quarter. The pickup in real GDP also reflected rebounds in business investment in equipment and software and in net exports.

The following chart summarizes GDP growth on a quarterly basis since 1Q 2006:



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%). Economic activity in the manufacturing sector expanded in March for the eight consecutive months, boosted by stronger orders and production. The rate of growth as indicated by the PMI is the fastest since July 2004. Both new orders and production rose above 60%, closing the first quarter with significant momentum going forward. Although the Employment Index decreased 1.0 percentage point to 55.1% from February, signs for employment in the sector continue to improve as the index registered a 10.0% month-over-month improvement, indicating that manufacturers are continuing to fill vacancies. Seventeen of the 18 manufacturing industries reported growth in March; only the plastics industry was contracting. The inventories index rose above 50% in March after 46 months of contraction, a further sign that the mammoth inventory selloff is all but over.

MANUFACTURING AT A GLANCE - MARCH 2010						
Index	Series Index March	Series Index January	Percent Point Change	Direction	Rate of Change	Trend* (months)
PMI	59.6	56.5	3.1	Growing	Faster	8
New Orders	61.5	59.5	2.0	Growing	Faster	9
Production	61.1	58.4	2.7	Growing	Faster	10
Employment	55.1	56.1	-1.0	Growing	Slower	4
Supplier Deliveries	64.9	61.1	3.8	Slowing	Faster	10
Inventories	55.3	47.3	8.0	Growing	From Contracting	1
Customer Inventories	39.0	37.0	2.0	Too Low	Slower	12
Prices	75.0	67.0	8.0	Increasing	Faster	9
Backlog of Orders	58.0	61.0	-3.0	Growing	Slower	3
Exports	61.5	56.5	5.0	Growing	Faster	9
Imports	57.0	56.0	1.0	Growing	Faster	7

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. The PMI increased in March to 59.6%, indicating growth for the 11th consecutive month in the overall economy, as well as expansion in the manufacturing sector for the eighth consecutive month.
- **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. The New orders Index increased for the ninth consecutive month in March. Thirteen industries reported growth in new orders in November.
- **Production Index.** An index above 50.4%, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures. Twelve industries reported growth in production in November.
- **Employment Index.** An Employment Index above 49.7%, over time, is generally consistent with an increase in manufacturing employment. Thirteen of the 18 manufacturing industries reported growth in March.
- **Supplier Deliveries Index.** A reading above 50% indicates slower deliveries with fourteen industries reporting slower supplier deliveries in March.
- **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. Manufacturers' inventories expanded in March following 46 months of contraction.

Construction Spending

Builders cut back on new projects at a faster-than-expected pace in February and drove down construction spending to the lowest level in eight years. The Commerce Department reported that construction spending during February 2010 decreased 1.3% to a seasonally adjusted annual rate of \$846.2 billion. The 1.3% drop followed a deeper 1.4% decline in January. It was the fourth month in a row that construction spending fell. For the first two months of 2010, total construction spending is down 14.4% compared to the same period last year.

The weakness was widespread as spending fell for home building, commercial ventures, including hotels and motels, and big government public works projects, such as highways and streets. Weakness persisted in the private nonresidential sector as construction spending declined 0.4% in February and is now down 24.3% over the past year. Residential construction was at a seasonally adjusted annual rate of \$250.8 billion in February, 2.1% below the revised January estimate of \$256.2 billion.

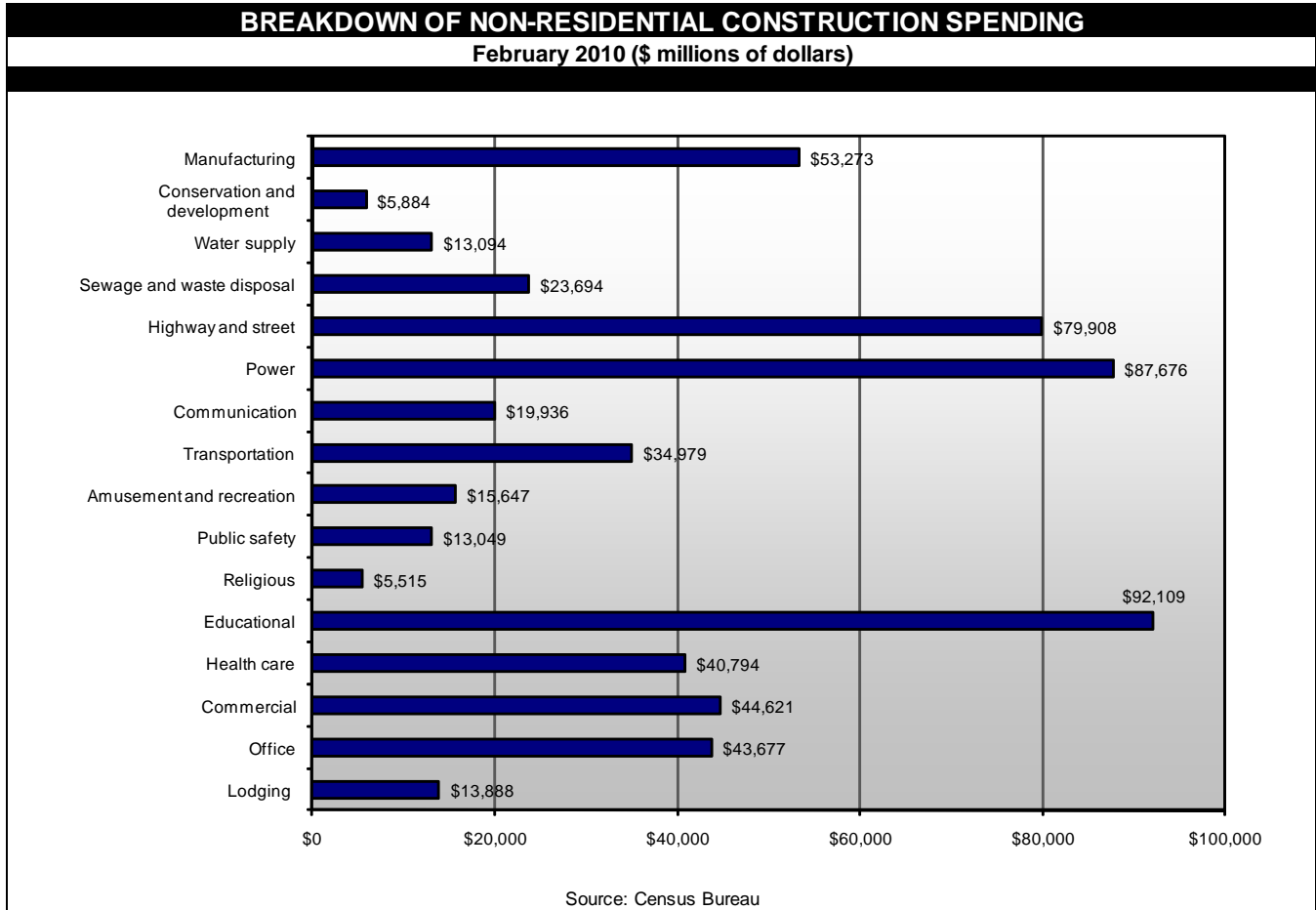
Of total construction spending, private construction accounted for 65% of total expenditures, while 35% were public. Non-residential spending comprised 69% of total expenditures compared to 31% for non-residential projects. During the past 12 months, residential construction declined 3.8% while construction for non-residential properties fell by 16.2%. Within the non-residential sector, the largest declines in spending were within the lodging (-52.5%), commercial (-36.2%) and manufacturing (-34.9%) sectors during the past 12 months. On the positive, gains in total construction spending occurred within the transportation, conservation and development, power facilities and communication sectors during the same time frame.

VALUE OF CONSTRUCTION PUT IN PLACE - SEASONALLY ADJUSTED ANNUAL RATE							
(millions of dollars)							
	Feb-10	Jan-10	Dec-09	Nov-09	Feb-09	Percent change	
						Feb 2010 from -	
						Jan-09	Feb-09
Total Construction	\$846,233	\$857,803	\$869,855	\$900,755	\$970,413	-1.3%	-12.8%
Residential	\$258,491	\$264,000	\$262,200	\$273,222	\$268,715	-2.1%	-3.8%
Nonresidential	\$587,742	\$593,802	\$607,656	\$627,532	\$701,698	-1.0%	-16.2%
Lodging	\$13,888	\$14,801	\$17,300	\$18,781	\$29,231	-6.2%	-52.5%
Office	\$43,677	\$44,843	\$45,909	\$47,412	\$63,467	-2.6%	-31.2%
Commercial	\$44,621	\$46,117	\$48,065	\$47,873	\$69,986	-3.2%	-36.2%
Health care	\$40,794	\$41,438	\$42,241	\$42,564	\$47,917	-1.6%	-14.9%
Educational	\$92,109	\$92,690	\$92,358	\$94,729	\$105,325	-0.6%	-12.5%
Religious	\$5,515	\$5,547	\$5,593	\$5,769	\$7,166	-0.6%	-23.0%
Public safety	\$13,049	\$12,970	\$13,436	\$13,867	\$13,961	0.6%	-6.5%
Amusement and recreation	\$15,647	\$15,995	\$15,690	\$16,584	\$20,178	-2.2%	-22.5%
Transportation	\$34,979	\$35,048	\$34,989	\$35,960	\$31,383	-0.2%	11.5%
Communication	\$19,936	\$19,799	\$20,102	\$19,639	\$19,916	0.7%	0.1%
Power	\$87,676	\$86,742	\$86,513	\$87,633	\$83,378	1.1%	5.2%
Highway and street	\$79,908	\$81,549	\$81,787	\$84,636	\$81,528	-2.0%	-2.0%
Sewage and waste disposal	\$23,694	\$24,953	\$24,945	\$25,402	\$24,417	-5.0%	-3.0%
Water supply	\$13,094	\$13,724	\$15,392	\$16,140	\$16,149	-4.6%	-18.9%
Conservation and development	\$5,884	\$6,057	\$6,076	\$6,215	\$5,856	-2.9%	0.5%
Manufacturing	\$53,273	\$51,531	\$57,262	\$64,331	\$81,840	3.4%	-34.9%

Source: Census Bureau

Construction Spending (continued)

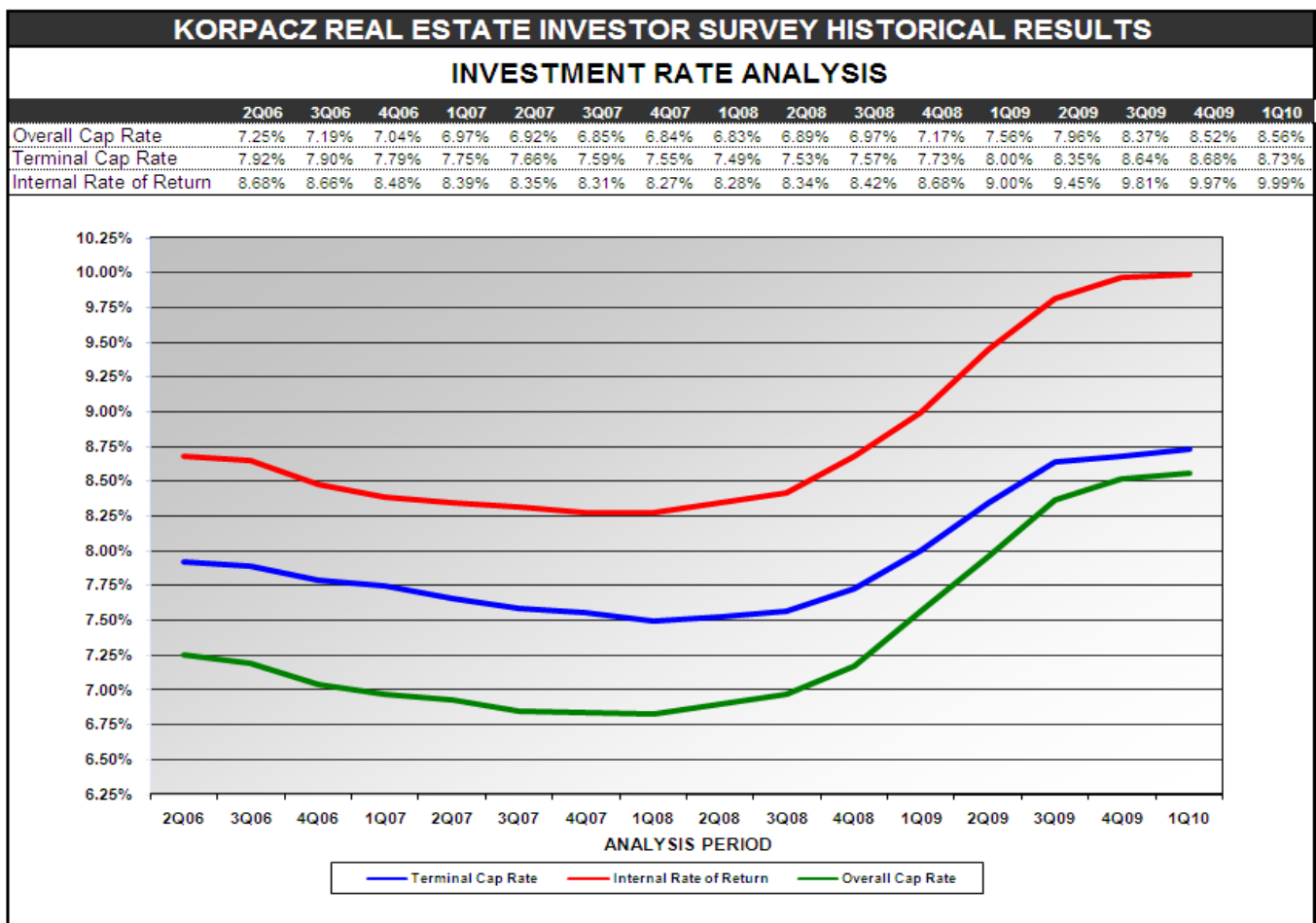
Below is a further breakdown of non-residential construction spending, which totaled \$5.9 billion. Spending on educational facilities and power facilities accounted for the largest percentage of construction spending.



Korpacz Real Estate Investor Survey

- More than 100 institutional and private investors surveyed for the Korpacz reported that overall cap rates (OARs) have started to stabilize and even slightly decline in certain markets for quality assets during the first quarter of 2010. The average increase was 4 basis points across nearly all major property types since 4Q09. The majority of participants expect OARs to hold steady over the next six months across almost all property categories and metro markets. Helping to stabilize OAR's is abundant capital targeting a small pool of quality offerings.
- Terminal cap rates have increased slightly since 4Q09. The average increase was 5 basis points (BPS) across nearly all major property types. This compares to a 95 BPS rise for terminal cap rates between 4Q08 and 4Q09.
- Discount rate (IRR) increases have moderated across nearly all surveyed markets and product types during 1Q10. The average increase was 2 BPS across nearly all major property types since 4Q09. This compares to a 129 BPS rise for discount rates between 4Q08 and 4Q09.

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, central business district (CBD) office, suburban office, apartment, strip center, regional malls and power centers.

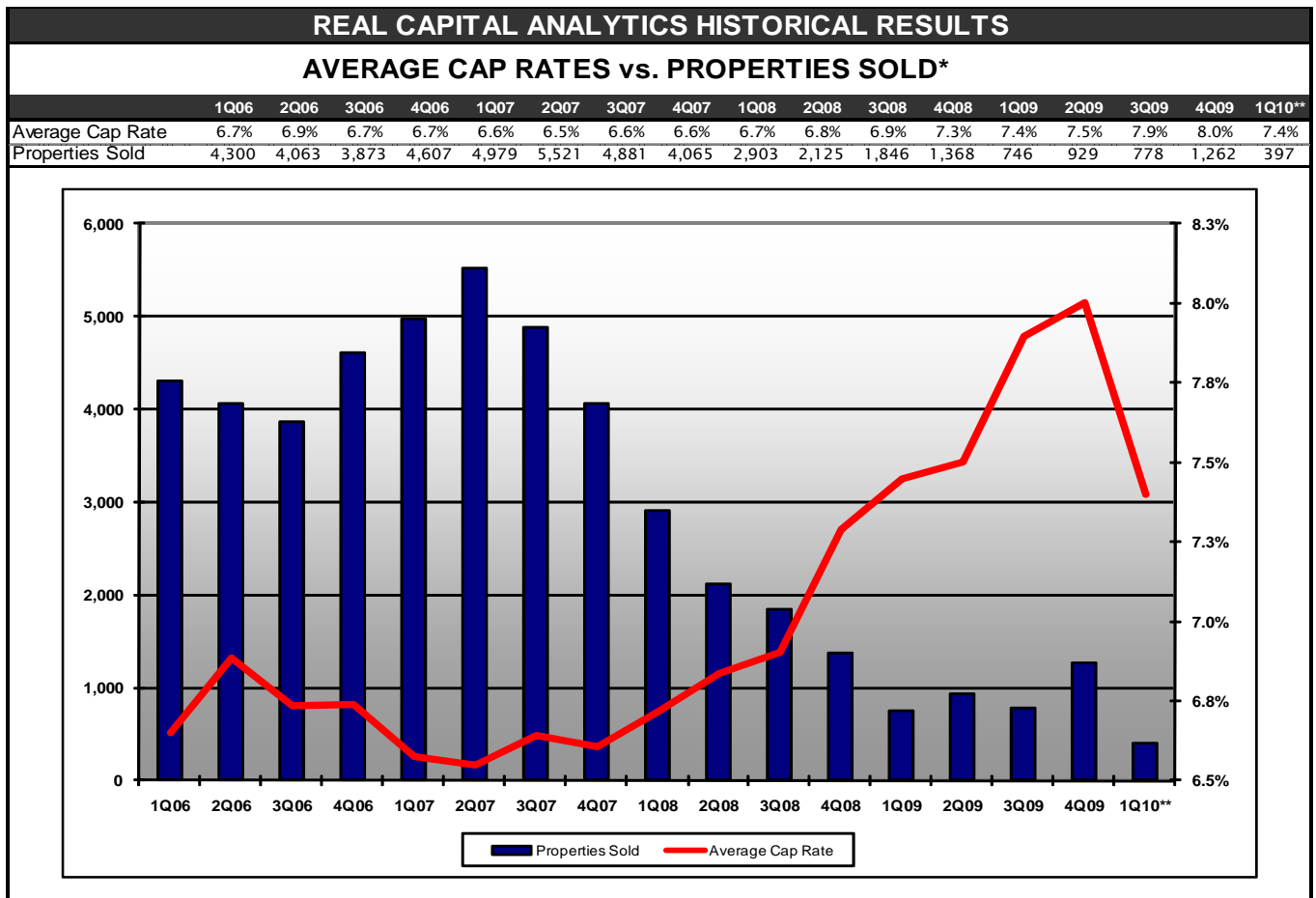


*Korpacz Real Estate Investor Survey (continued)***1Q10 Survey Highlights**

- Commercial real estate investors reveal a sense of optimism and improved sentiment with regard to the industry as the U.S. economy shows some encouraging signs of improvement. The report notes that investors find it easier to envision a commercial real estate market recovery today than at any point during the past 24 months. At the same time, however, investors acknowledge that challenges and concerns still exist.
- Surveyed investors indicated that owners and lenders are finally coming to terms with the current worth of their assets. As a result, the report finds there could be marked improvement in 2010 sales activity from 2009, as banks appear more willing to lend despite very conservative underwriting.
- OARs moderated within nearly all major property types during 1Q10; the largest increases were recorded within the Regional Mall (28 BPS), Flex/R&D (22 BPS) and CBD–Office (11 BPS) sectors. Sectors where OAR's declined included: Apartment (18 BPS), Warehouse (7 BPS), Power Center (4 BPS) and Strip Center (4 BPS). Since 1Q09, OARs across all property sectors increased an average of 100 BPS.
- As of 1Q10, Flex/R&D properties had the highest average OARs at 9.36%, followed by Suburban–Office (8.79%) Warehouse (8.73%). The lowest average OARs were recorded within Apartment (7.85%), Regional Mall (8.34%) and CBD–Office (8.35%) sectors. The simple average OAR across all sectors was 8.56%.
- Terminal cap rates moderated across the majority of property types during 1Q10; the largest gain was recorded within the Strip Center (23 BPS) sector. The Apartment (–20 BPS) sector recorded the only decline during the past quarter. Since 1Q09, overall cap rates across all property sectors increased an average of 73 BPS.
- As of 1Q10, Flex/R&D properties had the highest terminal capitalization rate at 9.20%, followed by Regional Malls (8.91%) and Strip Center (8.86%). The lowest terminal capitalization rates were recorded within the Apartment (8.01%) and CBD–Office (8.51%) sectors. The simple average terminal capitalization rate across all sectors was 8.73%.
- IRRs moderated across the majority of major property types during 1Q10; the largest increases were recorded within the CBD–Office (19 BPS) and Strip Center (14 BPS) sectors. The largest declines occurred within the Flex/R&D (13 BPS) and Warehouse (10 BPS) sectors. Since 1Q09, IRRs across all property sectors increased an average of 99 BPS.
- As of 1Q10, Regional Mall properties had the highest IRR at 10.70%, followed by Apartment (10.18%) and Flex/R&D (10.14%). The lowest IRRs were recorded within the CBD–Office (9.58%), Strip Center (9.58%) and Warehouse (9.64%) sectors. The simple average IRR across all sectors was 9.99%.

Cap Rates vs. Sales

A weak economy and credit crunch continues to constrain sales activity in 2010, characterized by few transactions and a sharp decline in buying by foreign and institutional investors. After a two year ascent where overall cap rates reached 8.0% during 4Q09, OARs decreased 60 basis points through the first two months of 2010. Real Capital Analytics reported that nearly 400 properties sold during the first two months of 2010, lagging the 2009 quarterly average by approximately 33.0%. Real Capital Analytics (RCA) reported 1Q10 OAR's within the various sectors: 9.4% for warehouse, 8.4% for suburban office, 8.4% for flex, 8.0% for strip centers; 7.4% for regional malls; 7.3% for garden apartments; 6.0% for CBD office; and 5.1% for mid/high-rise apartments.



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

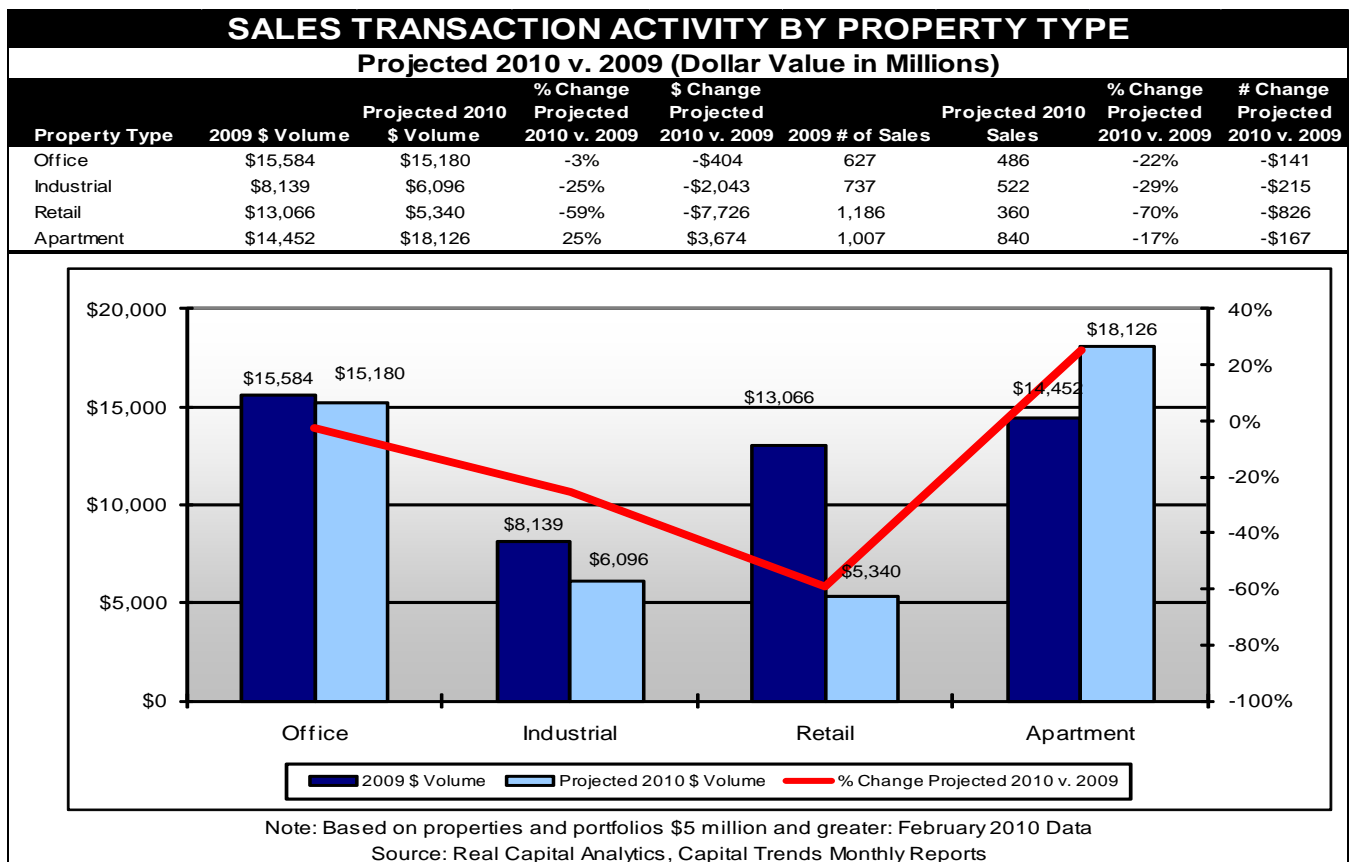
** Data is through February, 2010

Commercial Property Sales Analysis

Based on sales data recorded during the first two months of 2010 from Real Capital Analytics, commercial property sales activity is projected to total \$44.7 billion in 2010, off 13.0% from 2009 totals and still considerably lower than historical averages. Limited credit is constraining commercial real estate sales in the U.S. as potential buyers seek affordable financing in a market where lenders are finding difficulty securitizing and re-selling mortgages. The widening disparity between investor demand and the supply of assets continues to force downward pressure on prices.

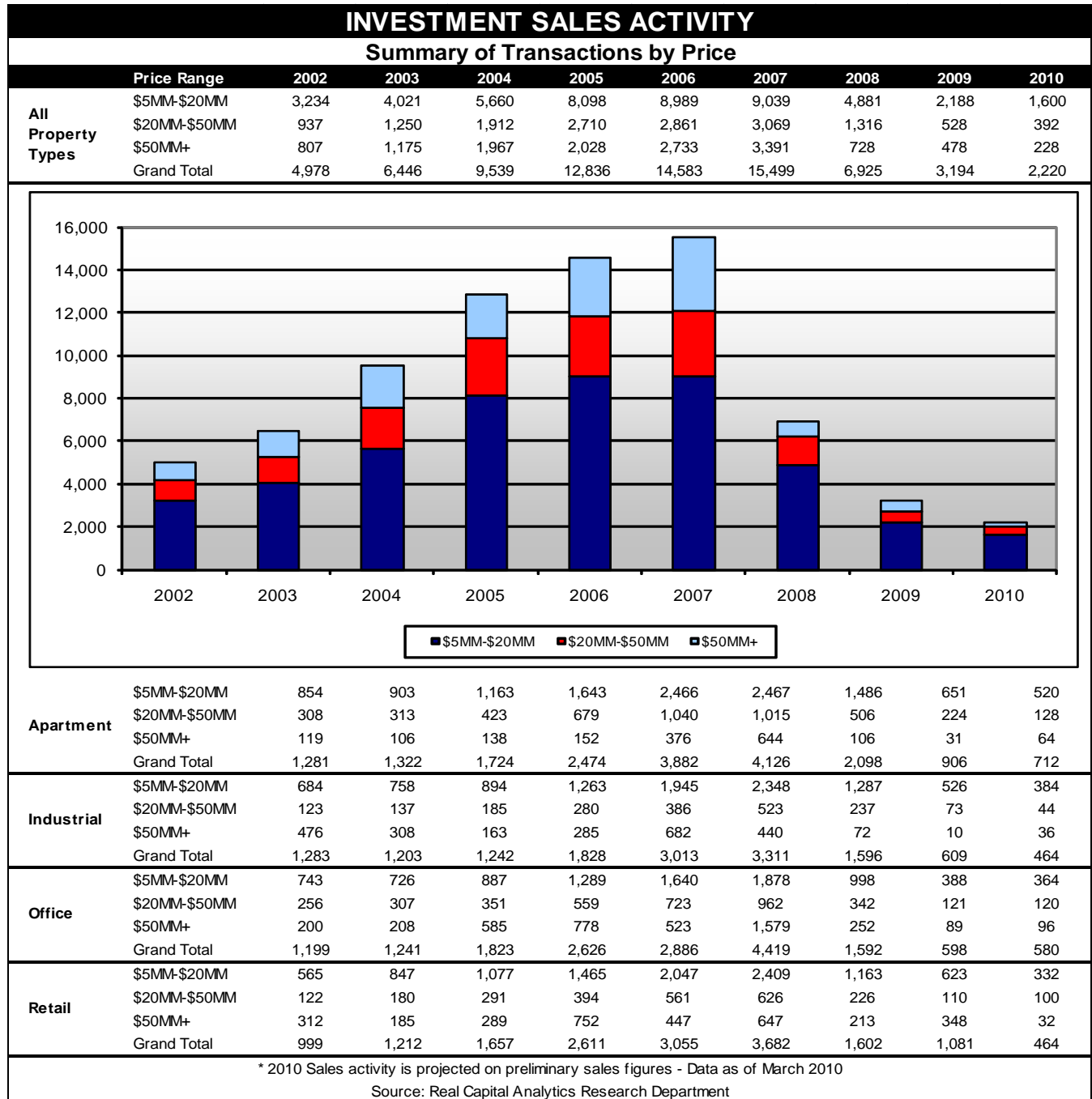
- **Office:** Based on sales through February 2010, the office market is projected to record nearly \$15.2 billion in sales transactions during the year. This would represent only a 3.0% decline from 2009 levels, but is still off by more than 70.0% from 2008 totals. CBD properties have traded less than suburban properties.
- **Industrial:** The industrial market is projected to record \$6.1 billion in sales activity during 2010. This represents a projected drop of 25.0% from 2009 levels. Warehouse properties comprised 61.0% of total activity during the first two months of 2010.
- **Retail:** Based on projected figures, the retail market is projected to decline the greatest of the four property types during 2010. Projected sales, totaling \$5.3 billion, are forecasted to lag 2009 totals by 59%.
- **Apartment:** Projected sales of apartment properties are expected to increase 25.0% to \$18.1 billion during 2010. Sales of garden apartments are projected to decline more than mid- and high-rise apartments.

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



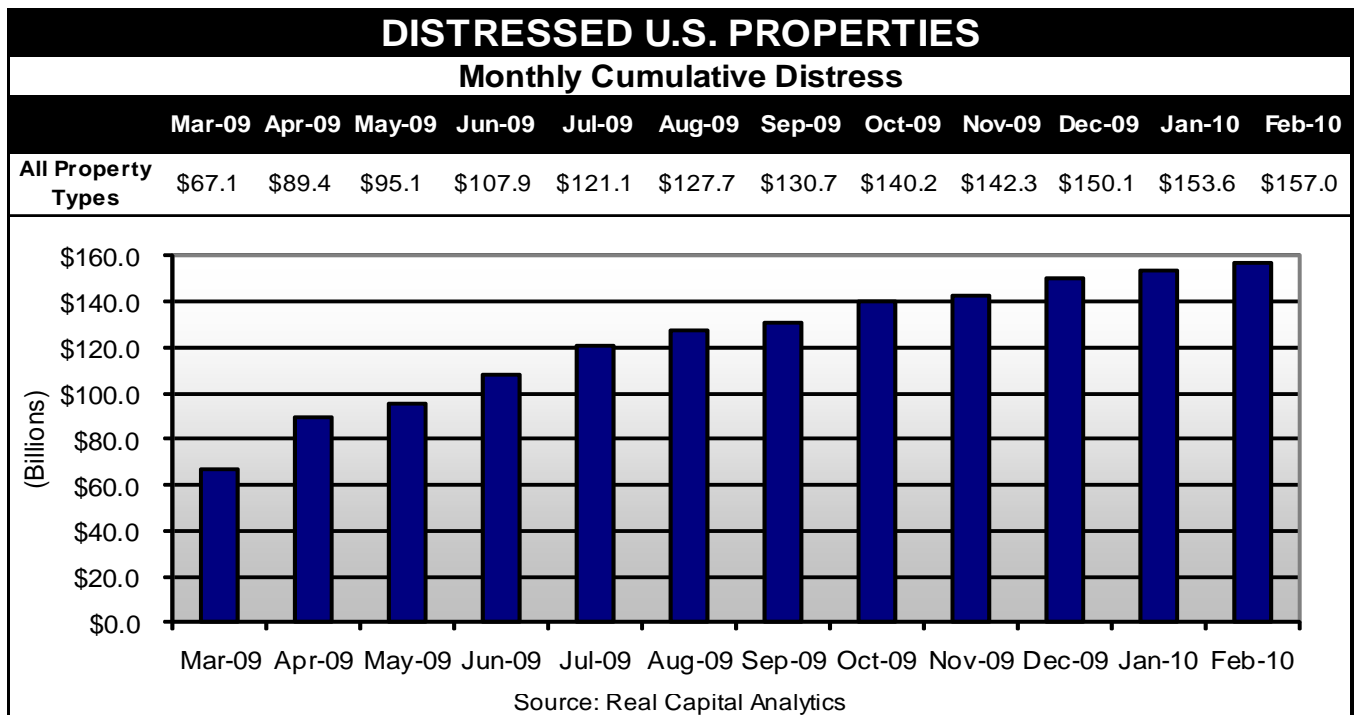
Commercial Property Sales Analysis (continued)

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 is predicted to remain sluggish through 2010 as the number of transactions is projected to decline 30.0% from 2009 levels to 2,200. This considerably lags the previous three-year moving average of approximately 8,500 deals per year. Retail and industrial property sales are forecasted to record the largest declines in 2010. Roughly 72.0% of total transactions are expected to fall within the \$5-\$20 million range in 2010, as large deals valued in excess of \$50 million are expected to comprise 10.0% of total activity. Looking ahead, it is forecasted that activity will slowly rebound as more investors enter the market and the flow of credit begins to open.



Distressed Commercial Properties

As the economy worsened, Real Capital Analytics 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 has increased more than 130%. As of February 2010, roughly \$157 billion of distressed real estate is on the market. After more than \$26 billion of distressed properties were added from May to July, the pace of distressed property additions has slowed. The largest monthly increase (\$21 billion) occurred in April 2009 following the bankruptcy of General Growth Properties.



As the supply of distressed assets has risen during the past few years, a larger percentage of distressed assets have comprised total sales activity across the major asset classes. In 2007, only 0.20% of sales activity involved distressed assets. This total significantly increased to 3.42% in 2008, primarily resulting from more than \$4.5 billion of distressed assets changing ownership within the office and apartment sectors. One year later, nearly 11.0% of sales transactions involved troubled properties, led by a surge within the struggling hotel sector. This trend has continued into 2010, with significant distressed assets trading within the apartment and hotel sectors.

U.S. Distressed Sales as a Percentage of Total Sales

Main Type	2007 Distress Sale %	2008 Distress Sale %	2009 Distress Sale %	1Q 2010 Distress Sale %
Apartment	0.42%	3.18%	13.79%	36.06%
Hotel	0.22%	0.86%	20.19%	63.74%
Industrial	0.21%	1.27%	4.20%	4.50%
Office	0.12%	6.26%	13.28%	6.07%
Retail	0.11%	0.23%	6.14%	22.04%
Grand Totals	0.20%	3.42%	10.74%	28.61%

Source: Real Capital Analytics

FTSE National Association of REITS U.S. Real Estate Index

Comprised of 106 REITS, The Financial Times of London and the London Stock Exchange (FTSE) NAREIT U.S. Real Estate index continued its positive growth through the first quarter of 2010. A 10.5% growth rate was achieved during the past three months. The largest advances among REITS during the quarter were recorded within the lodging/resorts (23.2%) and shopping center (63.0%) sectors. During the past one-year period, the Equity REIT Index posted a 106.7% increase as investors seeking high yields were active buyers of real-estate stocks, despite the industry's weak economic fundamentals. Historically, health care, self storage and free-standing retail REITS have experienced the largest compound annual returns.

Investment Performance by Property Sector and Subsector							
Property Sector/Subsector	Number of REITS	Total Return (%)		Compound Annual Total Returns (%)			
		Dividend Yield	Q-T-D	1-Year	3-Year	5-Year	10-Year
Equity REIT Index	106	3.84	10.5%	106.7%	-10.6%	3.8%	11.4%
Industrial/Office	26	3.86	7.5%	110.4%	-16.9%	-0.4%	7.8%
Industrial	7	4.44	4.1%	99.6%	-28.7%	-8.9%	4.7%
Office	14	3.29	9.2%	120.3%	-11.3%	3.7%	9.3%
Mixed	5	5.40	6.1%	93.0%	-15.3%	-0.8%	8.0%
Retail	25	3.56	12.4%	123.9%	-17.5%	-.68%	12.9%
Shopping Centers	15	3.70	14.6%	92.0%	-19.1%	-1.8%	11.2%
Regional Malls	6	2.98	10.5%	182.9%	-19.6%	-1.6%	13.7%
Free Standing	4	6.25	13.8%	64.5%	6.1%	10.6%	17.1%
Residential	16	3.95	10.0%	103.3%	-6.2%	7.0%	11.2%
Apartments	14	3.95	9.8%	106.1%	-6.5%	7.1%	11.4%
Manufactured Homes	2	3.91	13.5%	61.7%	0.9%	3.8%	8.0%
Diversified	8	3.84	10.5%	121.1%	-10.2%	3.5%	11.7%
Lodging/Resorts	9	1.53	23.2%	230.2%	-16.0%	-0.7%	6.8%
Health Care	12	5.57	6.7%	84.4%	6.1%	14.7%	21.3%
Self Storage	4	2.93	12.2%	78.5%	-0.9%	11.1%	17.7%
Specialty	6	4.29	9.7%	60.6%	5.2%	11.4%	6.1%

Source: FTSE® Group and National Association of Real Estate Investments Trusts®. Data as of March 31, 2010

Below is a listing of the largest REITS by market cap within FTSE NAREIT U.S. Real Estate Index.

REIT	Symbol	Property Subsector	Market Cap
Simon Property Group, Inc.	SPG	Regional Malls	22.78
Public Storage	PSA	Self Storage	13.99
Vornado Realty Trust	VNO	Diversified	11.81
Equity Residential	EQR	Residential	9.96
Boston Properties Inc.	BXP	Office	9.41
HCP Inc.	HCP	Health Care	8.44
Host Hotels & Resorts Inc.	HST	Lodging/Resorts	7.21
Ventas Inc.	VTR	Health Care	6.92
AvalonBay Communities Inc.	AVB	Residential	6.63
Prologis	PLD	Industrial	6.10

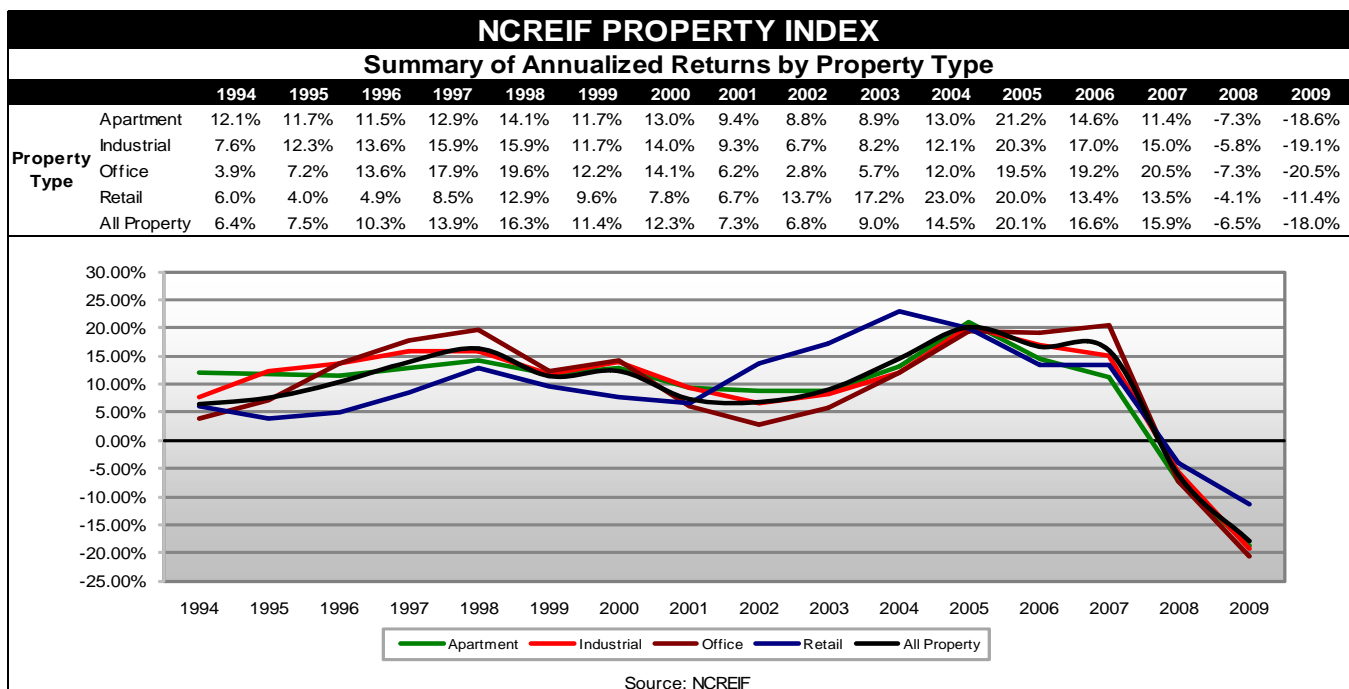
*Values as of February 28, 2010 in billions of dollars

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

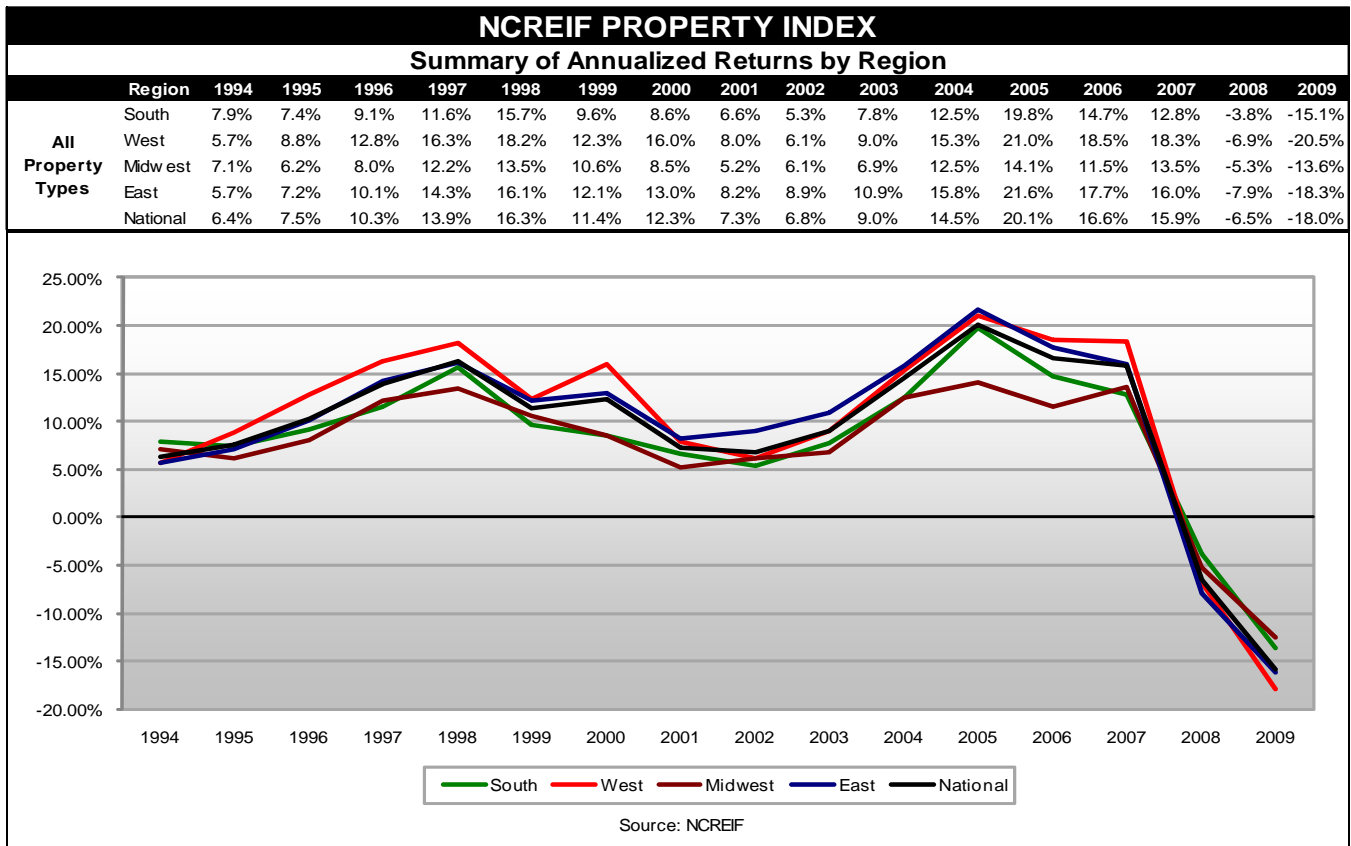
For the second consecutive year, all property types recorded negative annualized returns due to tight credit and a challenging investment climate. At -18.0%, the NPI index registered its lowest return in recorded memory. For 2009, the office sector fared the worst (-20.5% return) and the retail sector (-11.4%) beat the national average. As the nation’s real estate market enjoyed prosperity from 1996 to 2000, fueled by the technology boom and healthy stock market, the NPI enjoyed five consecutive years of double digit growth. A cool-down during the next three recessionary years brought the NPI moving average down from 12.8% to 7.7%. Beginning 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. Prior to the last two years of decline, the four property types averaged annualized returns of 13.1% between 1997 and 2007.



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 throughout 2009. During the past year, annualized returns across all property sectors declined by the largest amount in the West (-20.5%), followed by the East (-18.3%), South (-15.1%) and Midwest (-13.6%). From 1998-2008, average annualized returns registered 11.2% across all regions with the greatest rate of return occurring in the West (12.3%) and East (12.0%). Returns in the South (10.0%) and Midwest (8.8%) lagged behind the national average. The greatest periods of growth occurred between 1996-2000 and 2004-2007 when economic expansion resulted in robust years for the real estate industry.



Moody's Property Index

The Moody's/REAL Commercial Property Price Indices (CPPI) measure the change in actual transaction prices for commercial real estate assets based on the repeat sales of the same assets at different points in time. The index has been developed with the objective of supporting the trading of commercial property price derivatives and is designed to track same-property realized round-trip price changes based purely on the documented prices in completed, contemporary property transactions. Multiple pairs of commercial property sales are analyzed using the repeat-sale regression methodology to derive the change in prices actually executed in the marketplace. Because this approach is based on repeat sales of the same property, it minimizes the effects of the ever shifting composition of transactions in the property markets. The index uses no appraisal valuations. The commercial property index is based on the Real Capital Analytics database which attempts to collect price information for every commercial property transaction in the U.S. over \$2,500,000 in value, and a model developed by the MIT Center for Real Estate.

Noteworthy Trends

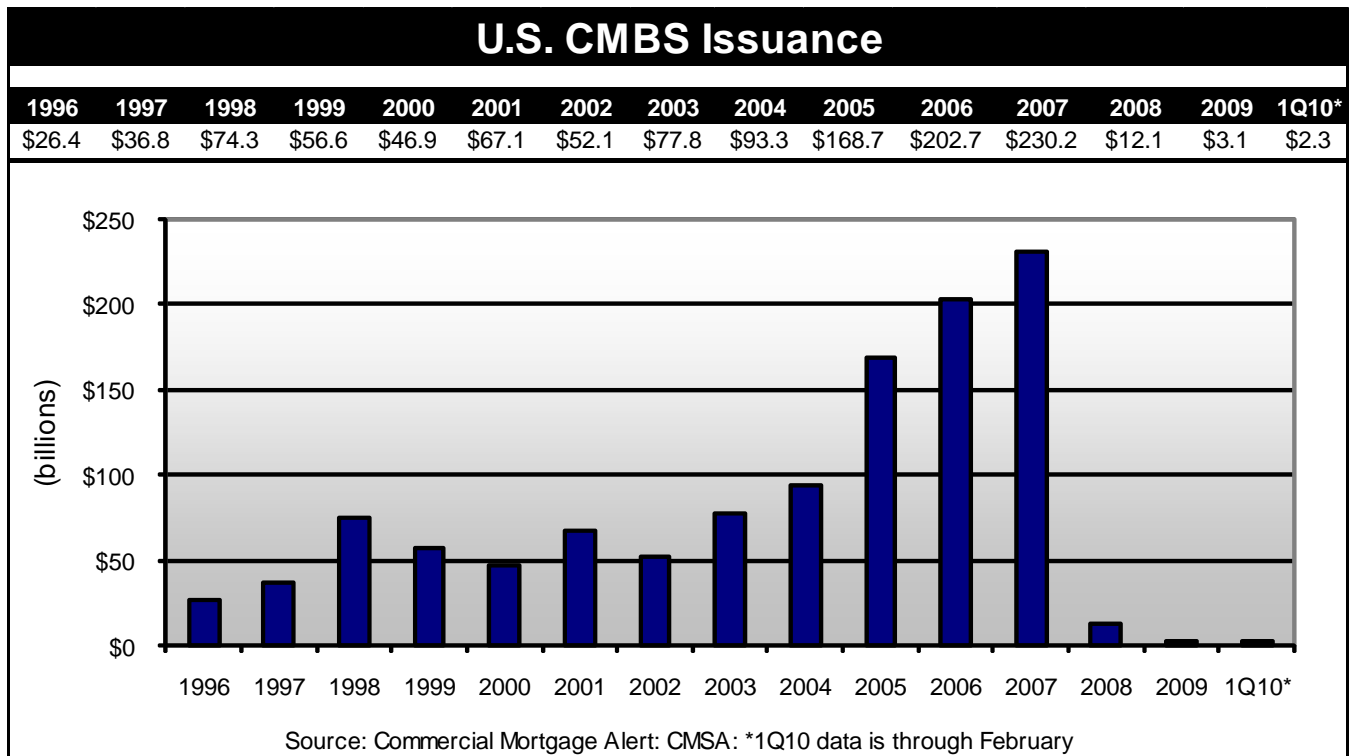
- The All Property Type Aggregate Index recorded a 1.0% price increase in January 2010. Commercial property prices have increased in each of the past three months, with January measuring a 1.0% return. Commercial property markets are still largely stationary and the wholesale extension of loan maturities by banks and other lenders has delayed the establishment of market-clearing prices on underlying properties.
- In January, transaction volume fell to levels more consistent with the rest of 2009. There were 376 sales in January, 8.0% less than the same time last year. By dollar volume, sales totaled \$4.9 billion, a 9.0% increase over the year before. Of the 376 sales in January, 90 were repeat-sales transactions totaling \$1.1 billion. As the market recovers, transaction volume is forecasted to escalate from the low levels of January.
- Three of the four property types recorded gains in the fourth quarter, with only retail showing a slight value decline. The positive performance over the past three months for the office, apartment and industrial sectors, however, is tempered by declines ranging from 19.8%–23.2% for all four property types over the past year. Even though retail was the only property type to measure a decline this quarter, it was the best performing property type in 2009, with an annual price drop of 19.0%.
- Commercial real estate prices are showing their worst performance in the South, where all four property types in the CPPI recorded annual declines greater than 25.0%. Apartments in the South saw price reductions of nearly 50.0% over the past year.
- Three major office markets typically experience enough transactions to support at least an annual series for each of those cities: New York, San Francisco and Washington DC. In the past year, all three major office markets experienced significant declines in value and all three markets performed worse than the national office market in 2009.
- The apartment index in Florida had its fourth consecutive year of declining prices and is now over 45% below the peak reached in 2005.

Commercial Mortgage Backed Securities (CMBS) Market

The commercial mortgage-backed securities (CMBS) market appears to be improving with issuances steadily increasing. Market observers predict issuances could reach \$30 billion this year, given positive investor outlook and rumors of more multi-borrower CMBS deals in the works. According to *Commercial Mortgage Alert*, the U.S. market saw \$2.3 billion in CMBS issuance compared to no issuances in the first three months of 2009. It was reported that financial institutions ranging from Wells Fargo to Bank of America to Deutsche Bank are working on more CMBS loans. The few deals that have taken place in the CMBS market since last fall have tended to feature a single borrower, as banks tried to ensure investors were not spooked by loan structures that were too complex.

Looking ahead, a reported conduit loan put together by the Royal Bank of Scotland (RBS) is expected to close toward the end of April. RBS Commercial Funding's upcoming \$309.7 million commercial mortgage-backed securities deal would become the first conduit sale in about two years and may set a new benchmark for the securities. The securitization, backed by 81 commercial real estate properties in Texas, New York, Missouri, Wisconsin and New Jersey, is mostly comprised of retail and office properties. Most importantly, the deal is viewed as a key gauge of investor interest for risks in securities tied to the troubled commercial real estate market and investor confidence in better underwriting of loans. One of the largest unknowns in the market right now remains the long-term fallout from the end of the legacy CMBS program, which the Federal Reserve Bank of New York announced on March 31, 2010.

Below is a chart detailing U.S. CMBS issuances. After a six-year period commencing in 2002 where CMBS issuances increased from \$52.1 billion to a peak of \$230.2 billion in 2007, issuances have fallen dramatically. In 2009, only \$3.1 billion of U.S. CMBS issuances were recorded. On the positive, activity began to escalate to begin 2010. During the first two months of the year, \$2.3 billion of CMBS issuances were recorded.

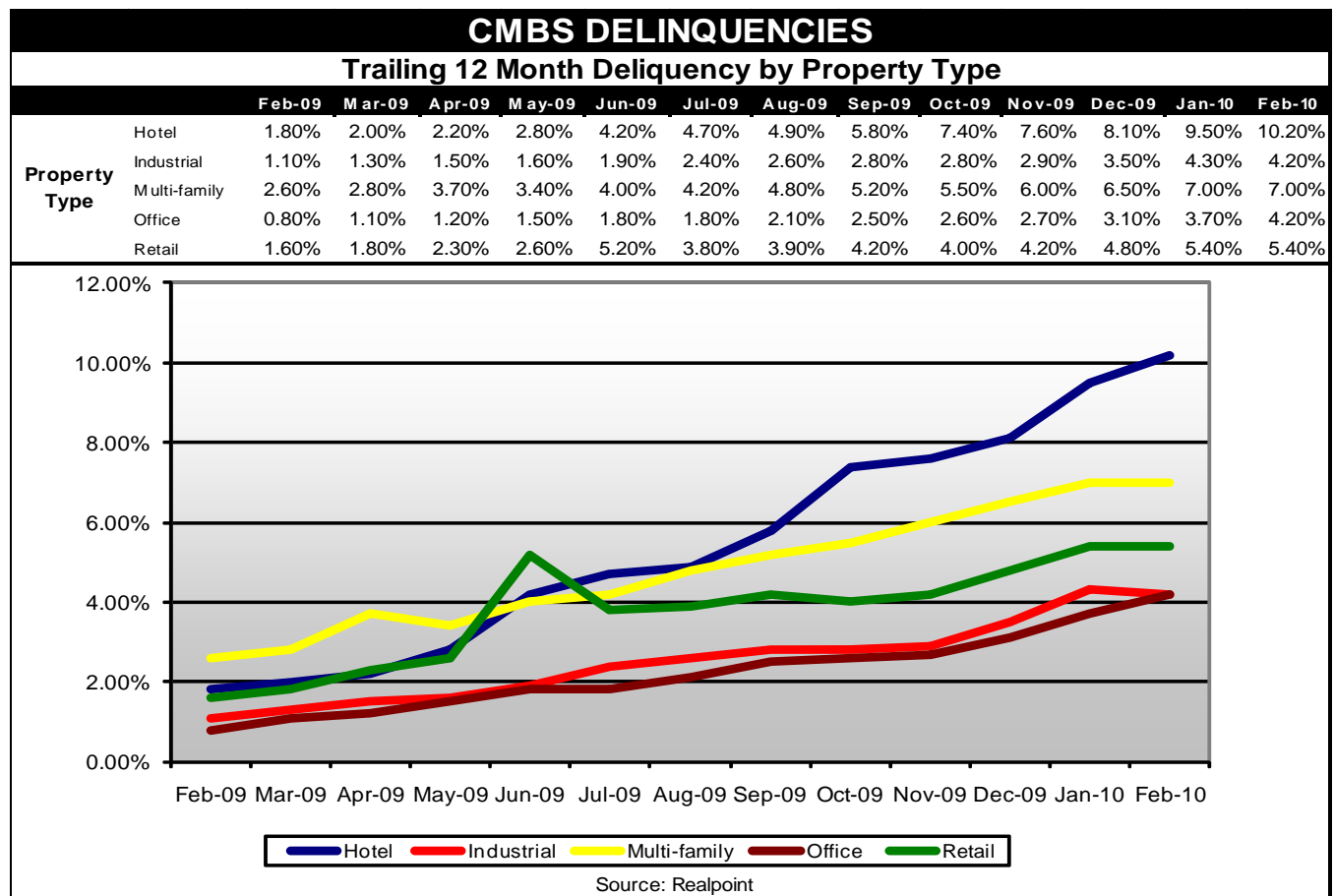


CMBS Market (continued)

CMBS Delinquencies Continue to Grow

Difficult economic conditions and limited financing continued to weaken commercial loan performance through the first two months of 2010. Due to aggressive pro-forma underwriting, larger loan vintages between 2005 and 2008 continue to default. According to Realpoint, a national credit-rating agency that has been tracking monthly commercial mortgage-backed securitization delinquency trends across various categories since January 2001, the percentage of commercial loans 30 or more days delinquent increased 6.00% in March. As of February 2010, retail loans topped multifamily loans as the greatest contributor to overall CMBS delinquency; retail loans comprised 1.5% of the CMBS universe and 25% of total delinquency. The retail default rate remained steady at 5.4% in January and February, but has increased considerably from 12 months ago. The total delinquency rate for CMBS hotel loans grew to 10.2% in February 2010, up from 9.5% within the prior month. The hotel sector is forecasted to experience a continued increase in delinquency rates as both business and leisure travel slows further, resulting in greater decreases in occupancy, revenue per available room (REVPAR) and average daily rate (ADR). In February, delinquency rates remained at 7.00% within the multifamily sector, increased 50 basis points to 4.20% within the office sector, and edged down 10 basis points to 4.20% within the industrial sector.

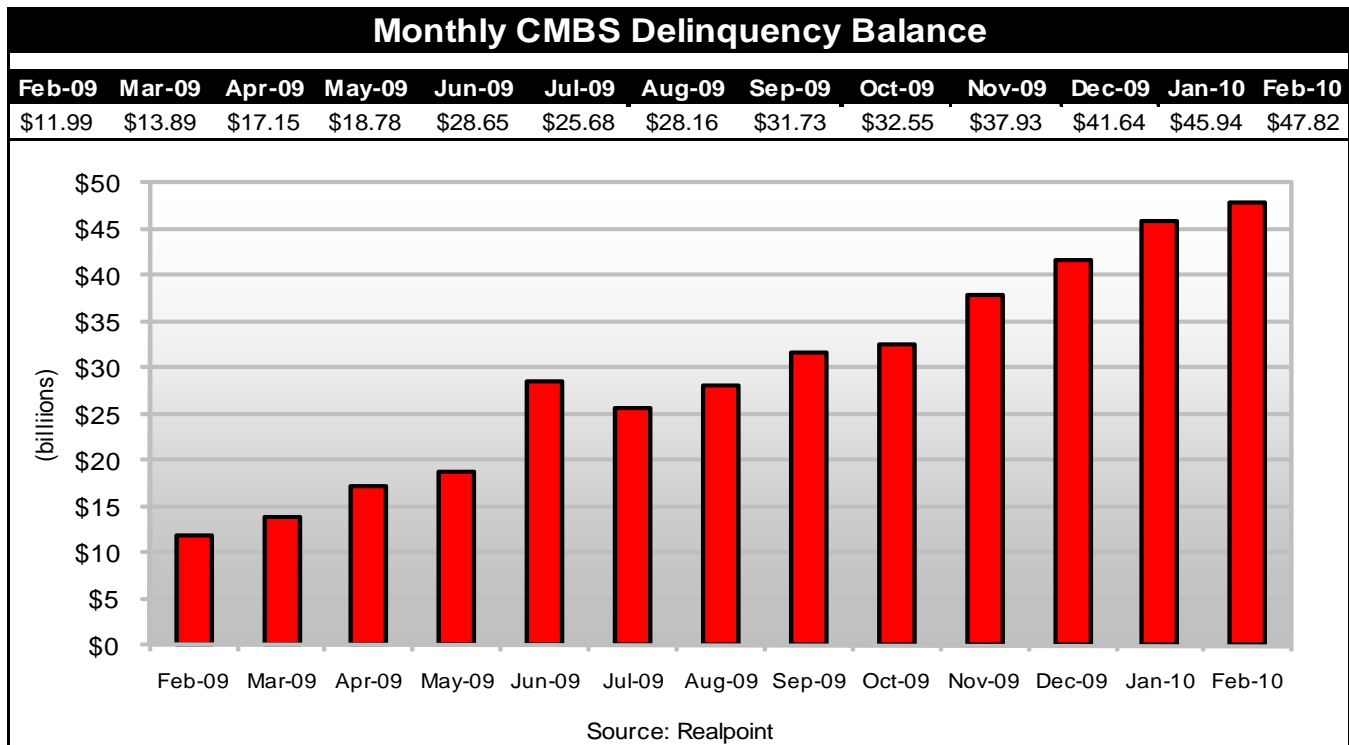
Below is a chart tracking CMBS delinquencies. During the past 12 months, delinquencies have trended upward for all property types. Hotel delinquencies are the highest at 10.20%, followed by a 7.0% delinquency rate for the multi-family sector. Delinquencies are the lowest within the office and industrial sectors.



CMBS Market (continued)

According to Realpoint, the delinquent unpaid balance for CMBS continues to steadily increase after a slight dip in July 2009. After reaching \$47.82 billion in February 2010, the delinquent unpaid balance is up nearly 400% from 12 months ago. The distressed 90+/-day, Foreclosure and Real Estate Owned categories grew in aggregate for the 26th straight month. Overall, the total unpaid balance for CMBS pools reviewed by Realpoint for the February 2010 remittance was \$797.06 billion. Due to the continued stream of new delinquencies, the \$4.1 billion delinquency of the Extended Stay Hotel loan and the expected delinquency of the \$3 billion Peter Cooper Village / Stuyvesant Town loan, Realpoint forecasts the delinquent unpaid CMBS balance to continue along its current trend and to grow to between \$60 and \$70 billion by mid 2010.

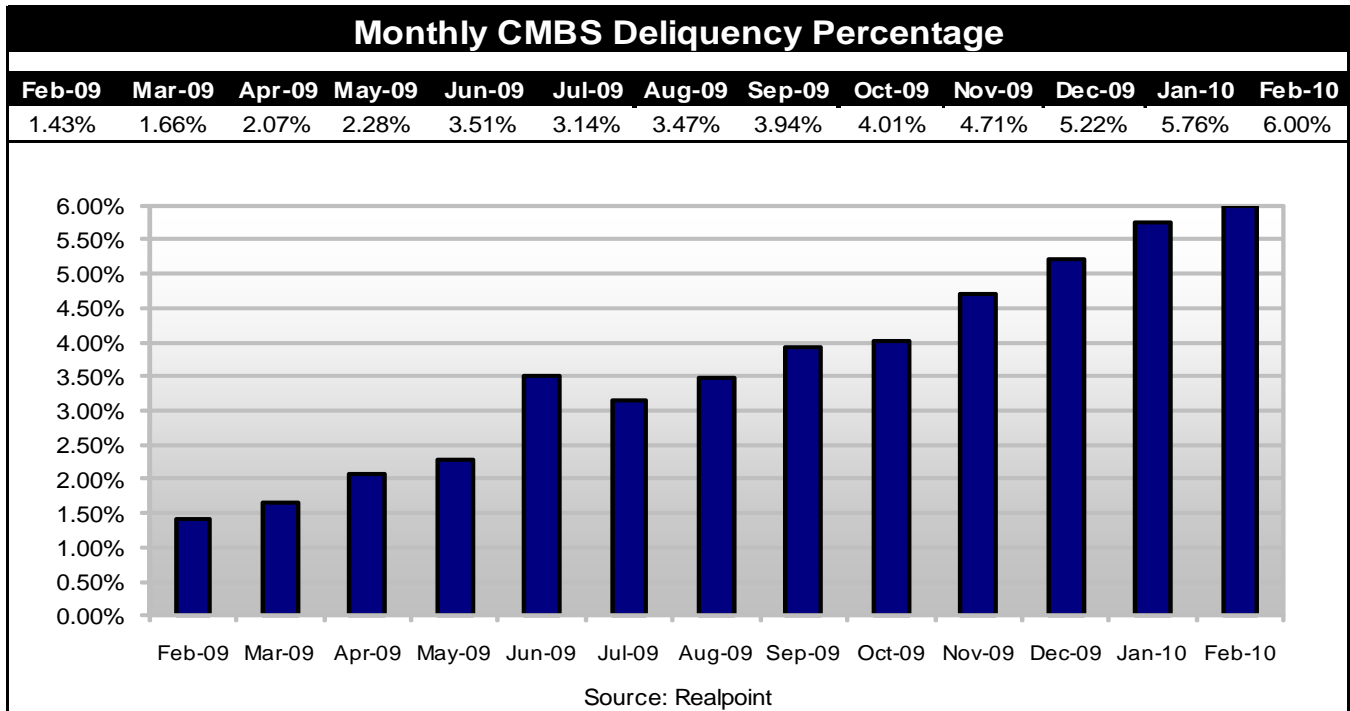
Below is a chart depicting the monthly CMBS delinquency balance during the past 12 months:



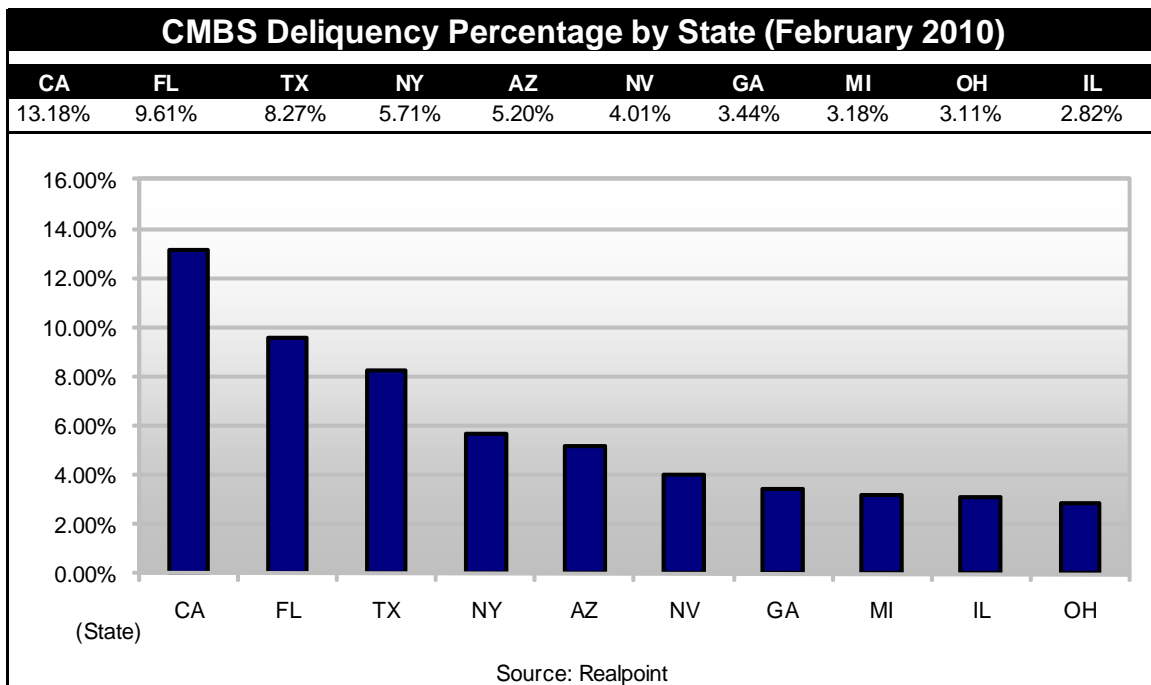
The monthly CMBS delinquency ratio for February 2010 of 6.00% was 24 basis points higher than the January 2009 total. During the past 12 months, the delinquency percentage has jumped more than 400%. Based upon an updated trend analysis, Realpoint projects the delinquency percentage to increase between 8.0% and 9.0% through the middle of 2010. The negative outlook results from several large loans from recent vintage transactions continuing to show signs of stress along with continued balloon maturity defaults from older transactions. Realpoint also indicates that decreasing commercial real estate values and diminished equity in collateral properties may force more struggling borrowers with marginal collateral performance to walk away from properties during the year. California, Texas and Florida collectively comprise 31.0% of delinquencies as of February 2010. The 10 largest states by delinquent unpaid balance account for roughly 58.0% of CMBS delinquencies.

CMBS Market (continued)

Below is a chart illustrating the monthly CMBS delinquency percentage during the past 12 months:



Below is a chart depicting states with the highest CMBS delinquency percentages within the United States:



Retail: Expansion on the Horizon?

In 2009, a consumer-spending slump and difficult economic conditions forced a growing number of retail businesses to scale back operations, close stores and declare bankruptcy. Many retailers had to rethink and alter business models and product offerings. Reis, Inc. reported that vacancy rates at U.S. strip malls hit an 18-year high in the fourth quarter of 2009 and the vacancy rate for large regional malls reached the highest level in at least 10 years.

In 2010, a more positive outlook for the U.S. economy has resulted in increased expansion announcements from retailers. Economists and others expect a recovery for retail sales beginning this year. The International Council of Shopping Centers trade group forecasts a 5.1% increase in retail sales in the first quarter over the same period a year earlier. According to a March report from RBC Capital Markets and Retail Lease Trac, U.S. retailers plan to open 65,257 stores in the next two years. The March figure represents a 1.2% increase from the number of stores planned in December 2009. The sectors with the largest number of planned openings include variety (2,839 stores), salons and spas (2,509 stores); and pet care (493 stores). According to NAREIT, retail REITs outperformed the overall REIT market's gain of 11.7% for the quarter, with shopping centers posting 14.0%, regional malls posting 9.5% and freestanding properties 14.2%, year on year.

In March, retail sales (excluding Wal-Mart) increased by 1.6% as favorable weather and the earlier Easter holiday enticed shoppers; also in March, same-store sales jumped by 8.3%. Target Corp., Macy's Inc., Gap Inc. and Limited Brands Inc. all posted double-digit increases that beat Wall Street analysts' expectations. According to Mike Niemira, chief economist of the ICSC, March was the fourth straight month of gains and the strongest one-month showing since March 1999. Overall, sales in stores open at least a year rose 9.0% in March, based on an index of 31 retailers compiled by the ICSC.

General Growth Properties: Last April 2009, General Growth Properties, owner of 200 malls, sought Chapter 11 bankruptcy protection after failing to refinance portions of its \$27 billion debt load as they came due. In February 2010, Simon Property Group, Inc. made a written offer to acquire General Growth Properties, Inc. in a fully financed transaction valued at more than \$10 billion, including approximately \$9 billion in cash. The Brookfield group then topped that amount, leading Simon to consider a sweetened bid. Simon is working to come up with a better offer in partnership with private-equity giant Blackstone Group LP and two sovereign-wealth funds. If Simon ends up acquiring General Growth, it would combine the two largest regional mall operators in the U.S., which would significantly boost Simon's worth.

At the end of March 2010, General Growth Properties Inc. filed a plan to exit bankruptcy on its own and laid out bidding procedures. The firm hopes to have a final deal in place and to present it to bankruptcy court around July 2nd and exit by September 30, 2010. The standalone plan calls for Brookfield Asset Management, Fairholme Capital Management and William Ackman's Pershing Square Capital to invest \$6.55 billion to bankroll General Growth's exit. In return, these investors would get majority interest in a reorganized entity and warrants to buy another 120 million shares.

2010 Announced Store Openings	
Company	Stores Opened
Dollar General	600
Zara	450
GameStop	400
Walgreens	350
Ashley Furniture	300
Advance Auto Parts	150
Target	128
Best Buy Mobile	100
Crazy 8 (Gymboree)	100
Edible Arrangements	100
rue21	100
Save-a-lot	100
Five Below	98
Big Lots	80
Sephora	75
Genesco	72
Bed Bath & Beyond	68
Foot Locker	60
Kohl's	50

Source: About.com; retailtraffic.com

About FTI Schonbraun McCann Group

FTI Schonbraun McCann Group (SMG), is a global consulting firm dedicated 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. FTI Schonbraun McCann Group is the real estate advisory business of FTI Consulting, Inc.

About FTI Consulting

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 3,400 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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