

2009

National Economic and Office/Industrial Market

*Overview and Outlook – Special Client Webcast
March 3, 2009*

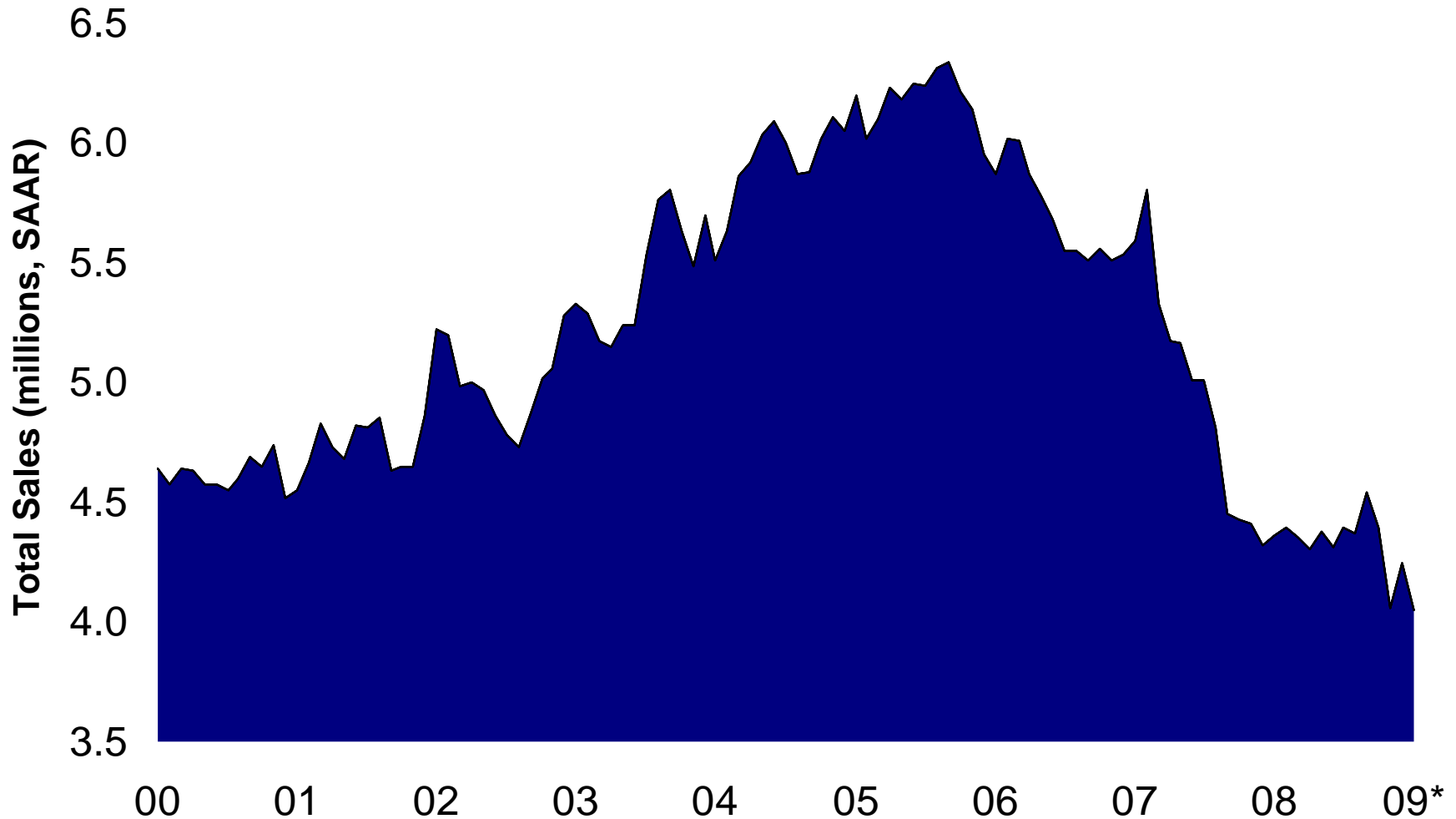
Marcus & Millichap

**NATIONAL OFFICE AND INDUSTRIAL
PROPERTIES GROUP**

***ECONOMIC and OFFICE/INDUSTRIAL
MARKET FUNDAMENTALS***

OVERVIEW and OUTLOOK

Home Sales Near Bottom – Foreclosures, Financing Still Major Headwinds



* Through January

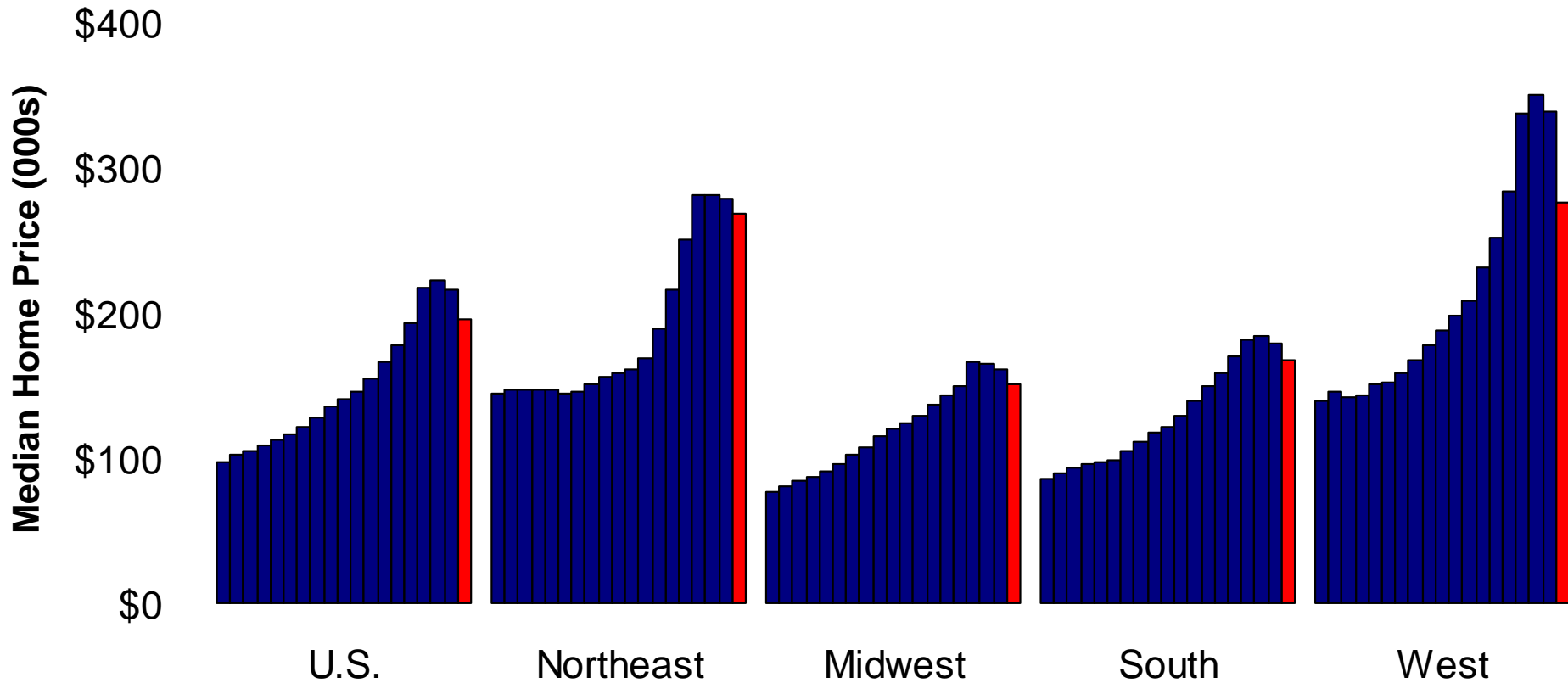
Sources: Marcus & Millichap Research Services, National Association of REALTORS®

U.S. Existing Single-Family Home Price Trends

■ 1990-2007

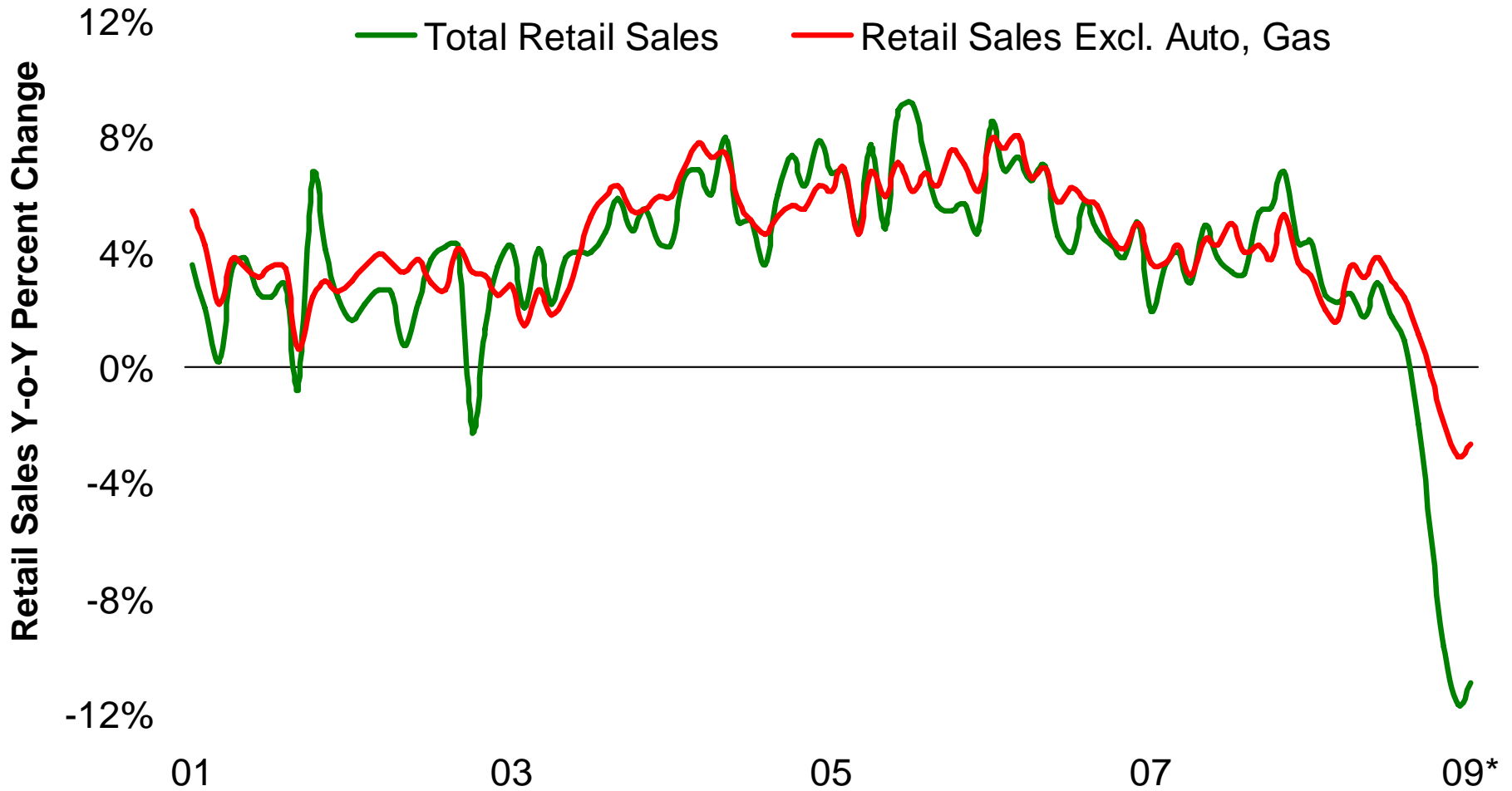
■ 2008

Change from '02 to 'Peak:	34%	49%	21%	23%	51%
Change from 'Peak to Present	-20%	-12%	-13%	-13%	-32%



* Through January

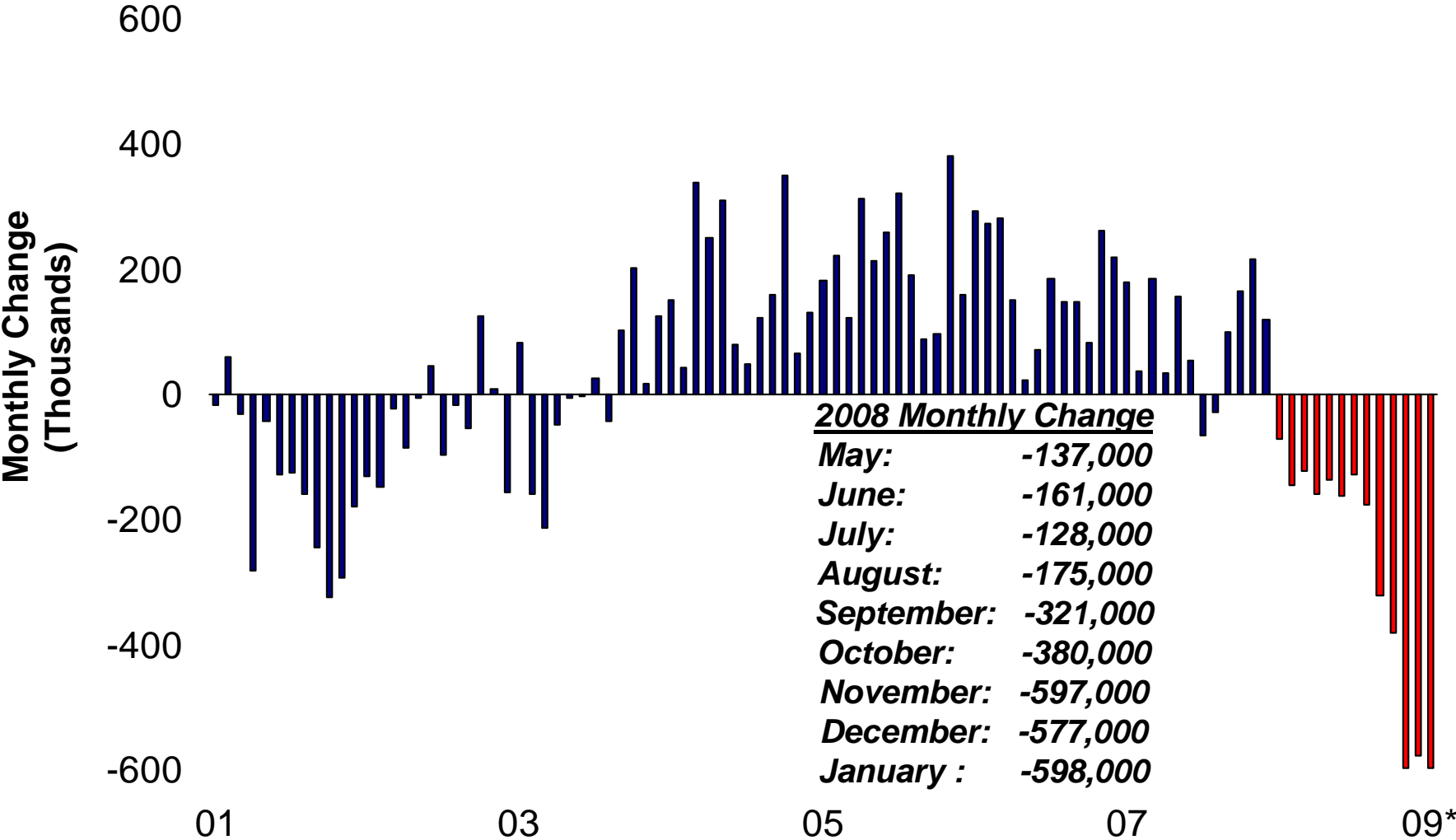
U.S. Consumption in Major Contraction



* Through January

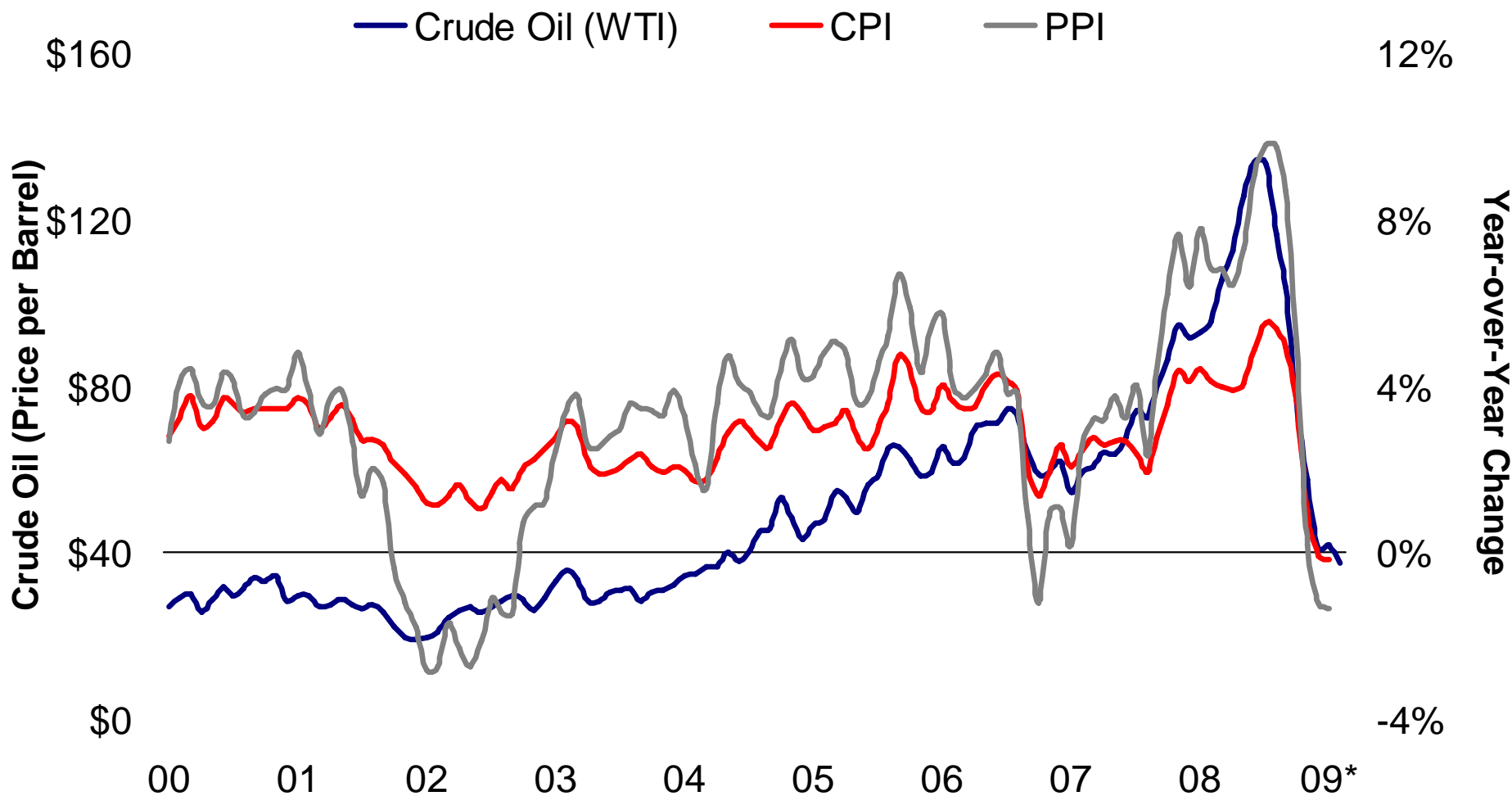
Sources: Marcus & Millichap Research Services, Bureau of the Census

Job Losses Have Reached “Extreme” Levels In Response to Financial Crisis



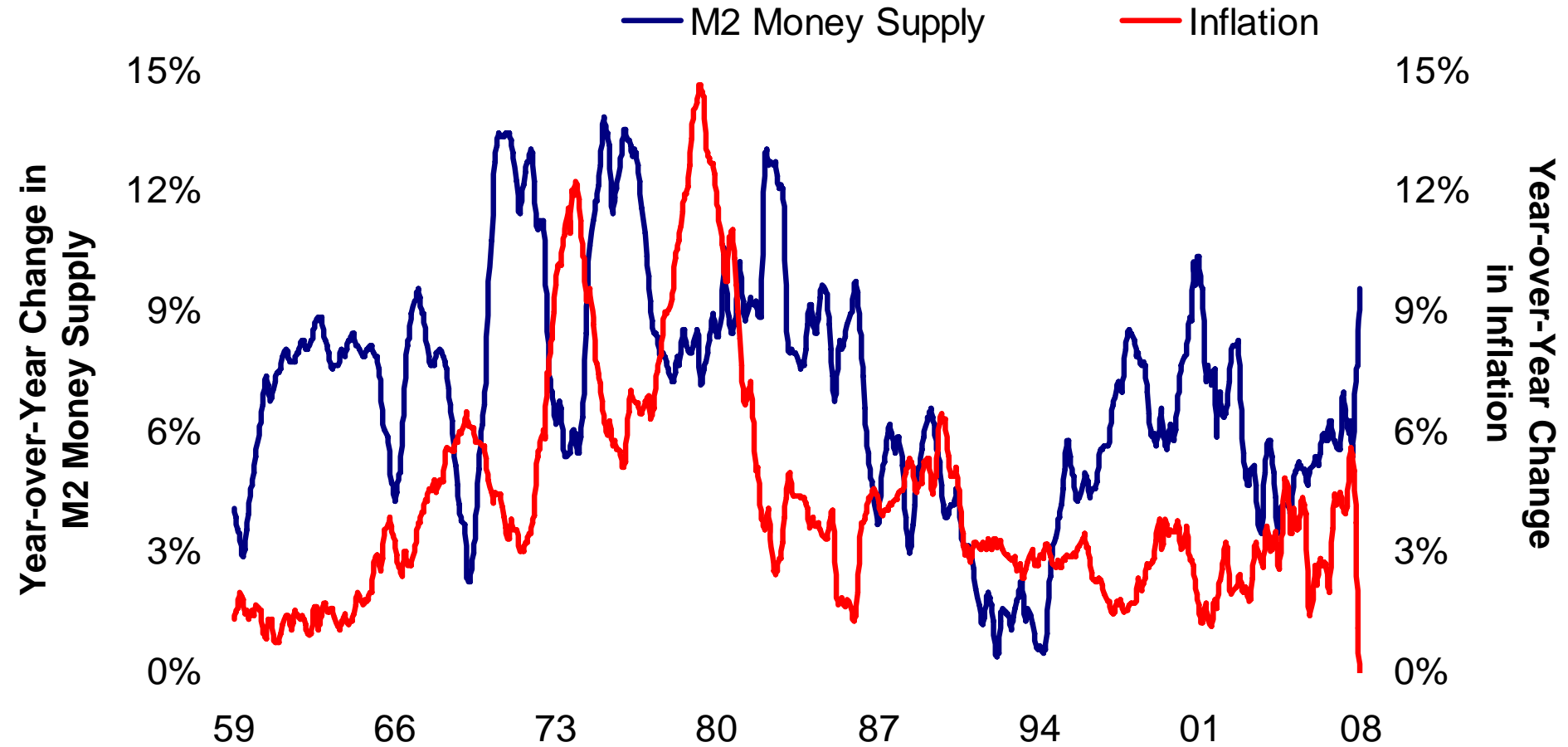
* Through January
Sources: Marcus & Millichap Research Services, BLS, Economy.com

Lower Energy Prices a Major Positive Factor – Fed on Deflation Watch (for now)



* Crude Oil as of Feb 10th, PPI and CPI through Jan
Sources: Marcus & Millichap Research Services, BLS, FRED

M2 Money Supply vs. Inflation

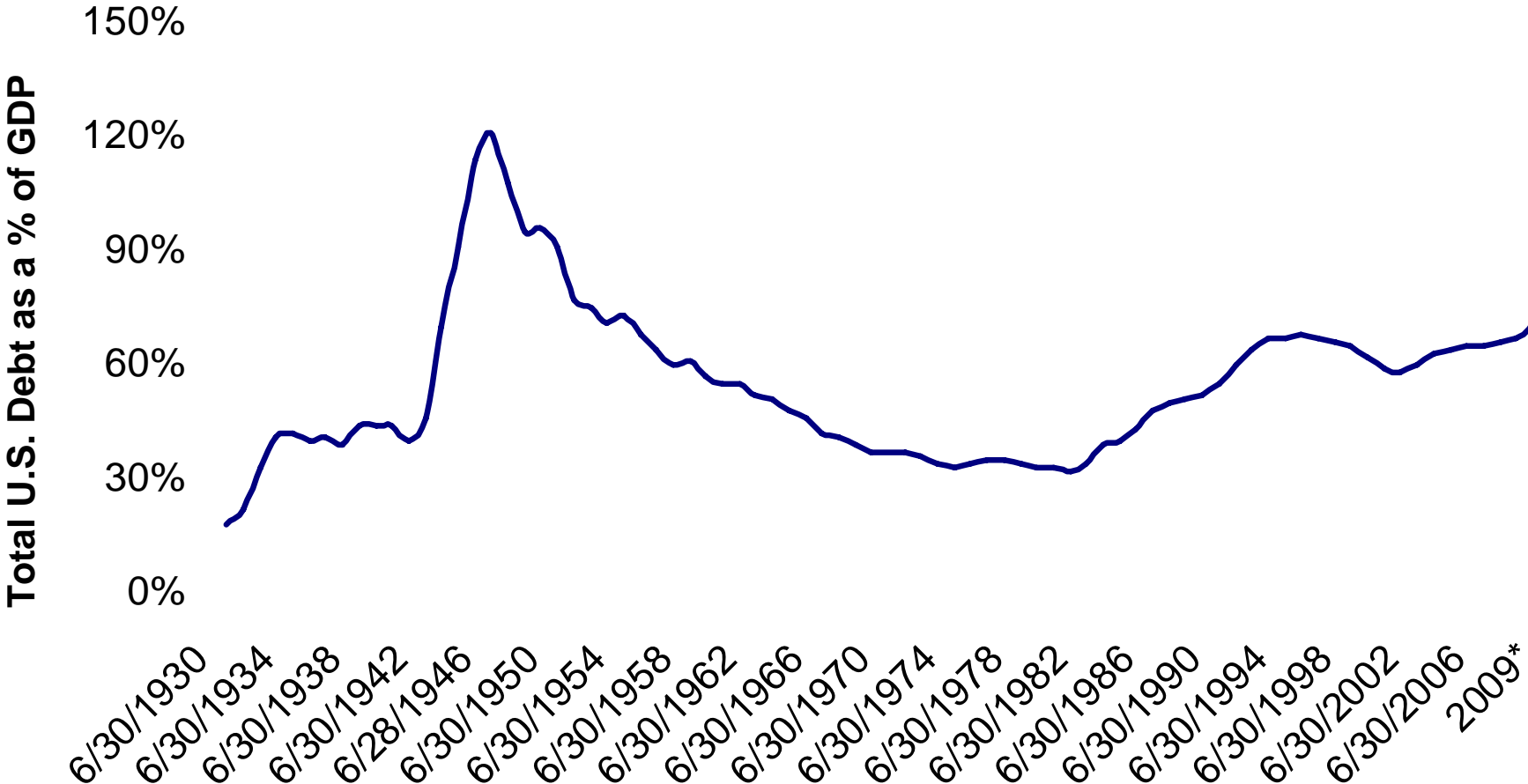


Adjusts for changes in reserve requirements

Sources: Marcus & Millichap Research Services, FRB

U.S. Public Debt as a Percent of GDP

— Total U.S. Debt as a % of GDP



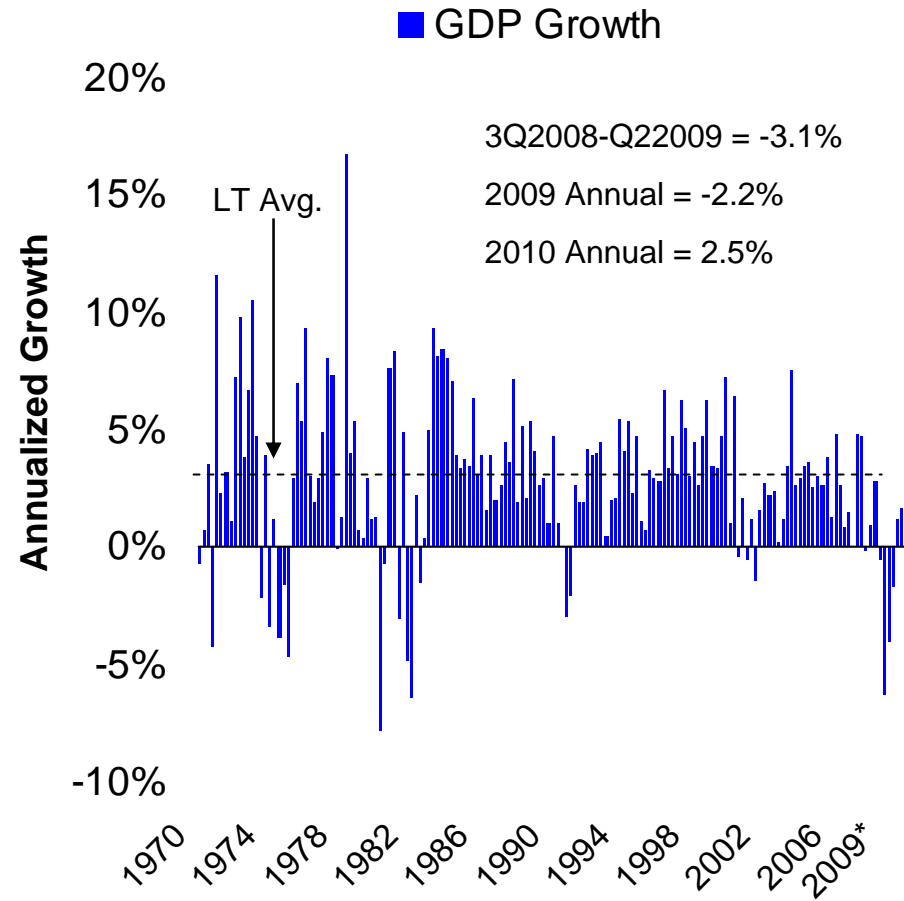
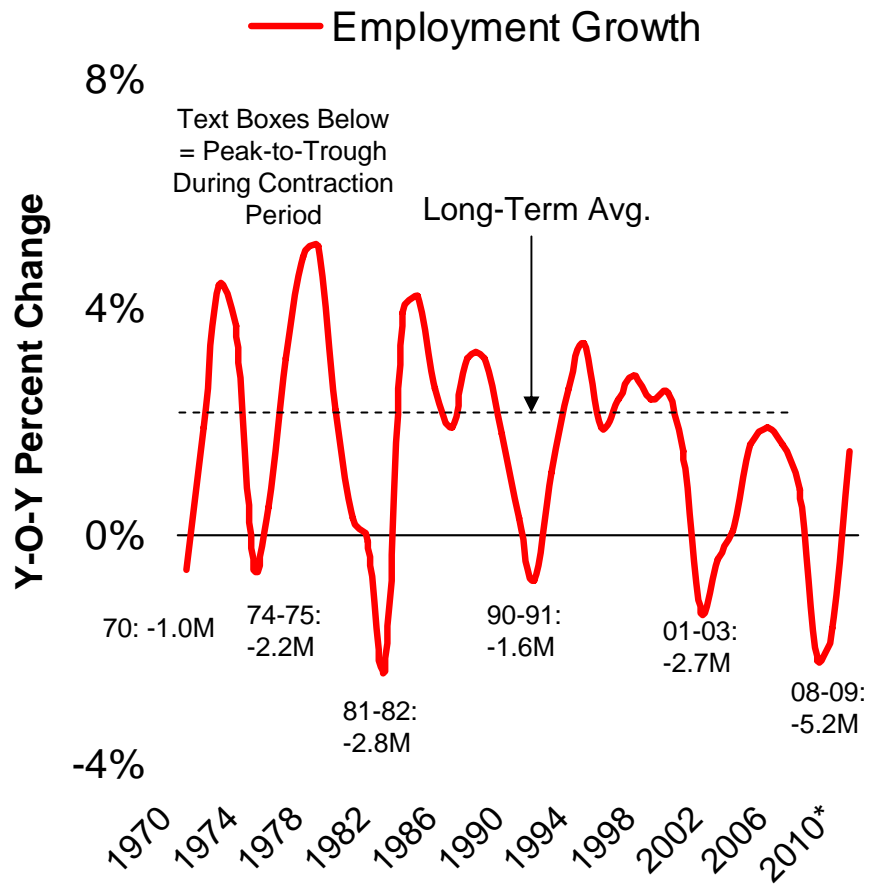
* Forecast

Data Represents 2Q for each time period

Sources: Marcus & Millichap Research Services, Federal Reserve

Economic Weakness Expected Through Q3-2009

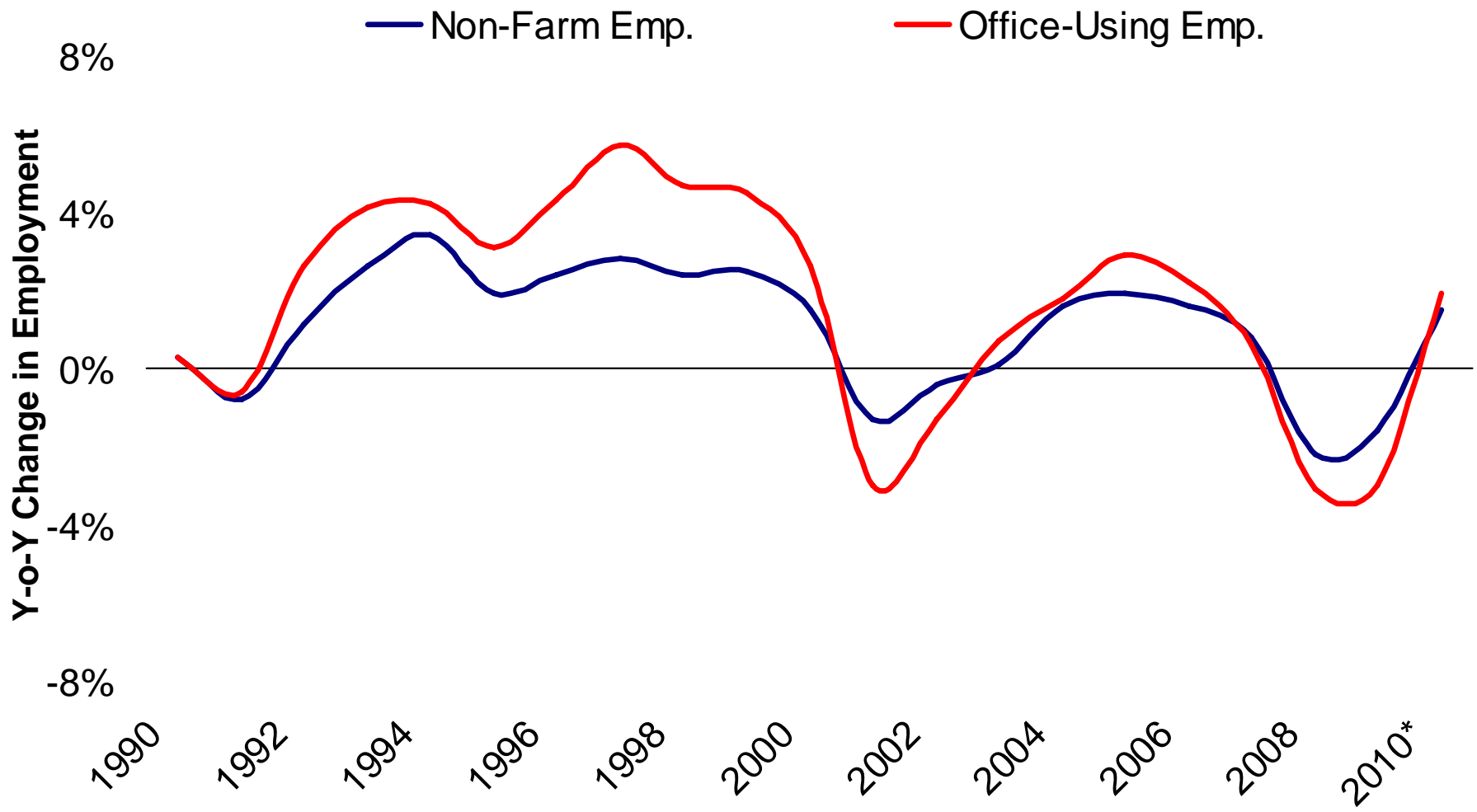
Risk Levels Remain Elevated



*Forecast Assumes No Additional Major Shocks

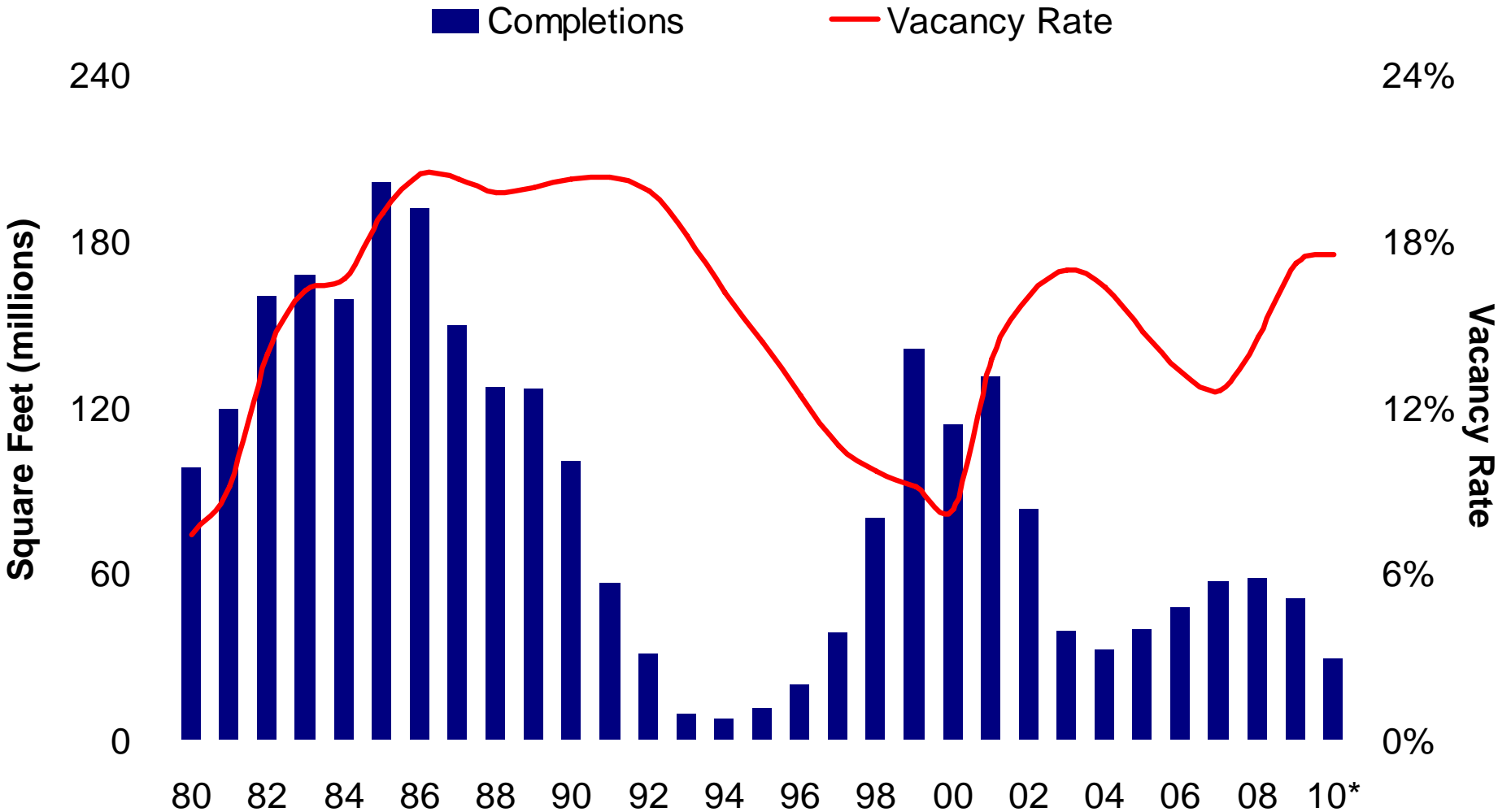
Sources: Marcus & Millichap Research Services, Blue Chip, Economy.com, Global Insight

Non-Farm Employment vs. Office-Using Employment United States



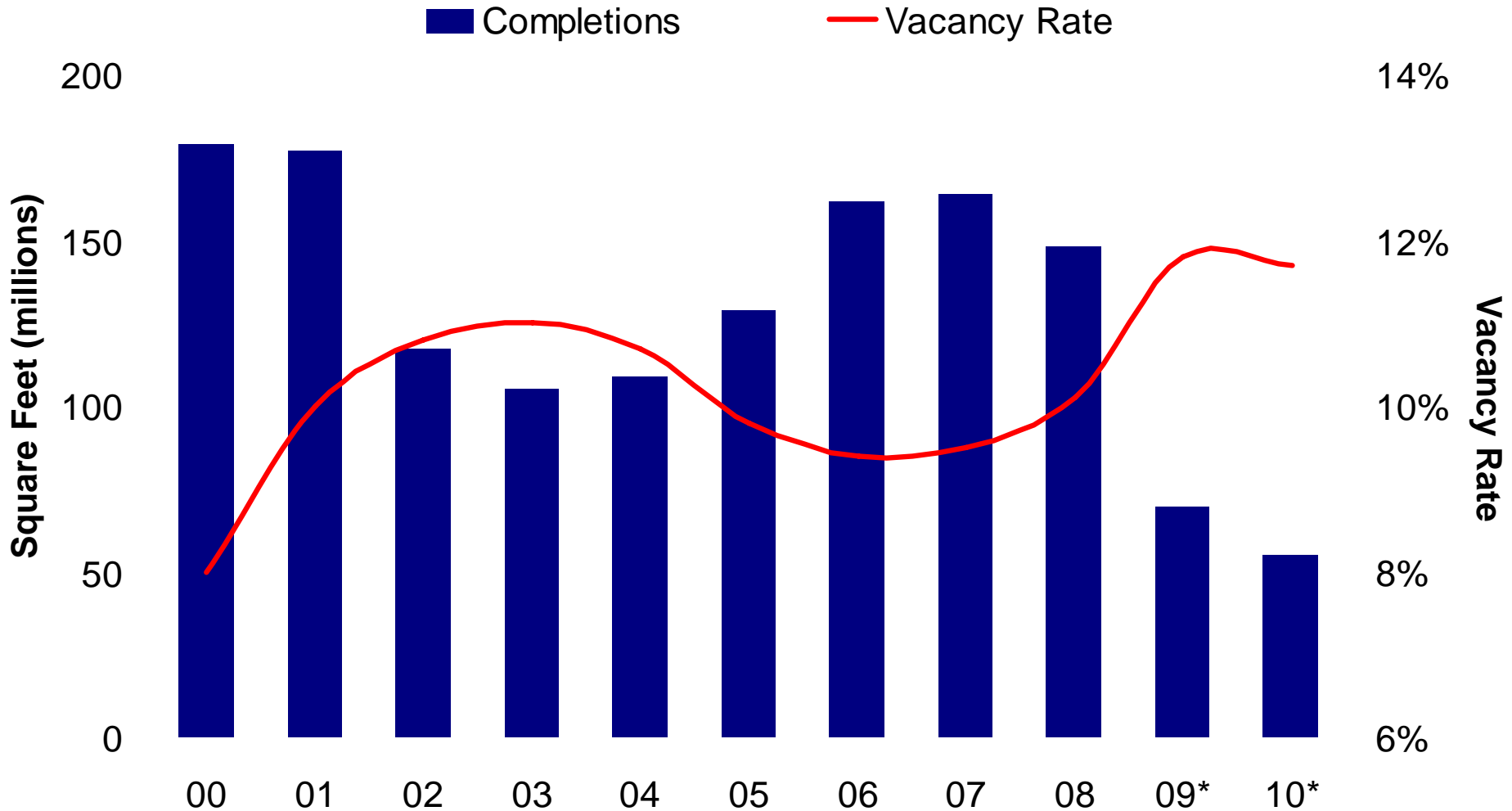
* Forecast
Sources: Marcus & Millichap Research Services, BLS

Office Vacancies Expected to Rise More Rapidly in Response to Accelerated Job Cuts—Limited New Construction a Positive



* Forecast – assumes modest job growth in 2010
 Sources: Marcus & Millichap Research Services, Reis

Industrial Vacancy Rising – Construction Expected to Drop-Off More Significantly



* Forecast – assumes modest economic expansion in 2010

Sources: Marcus & Millichap Research Services, Reis

***CAPITAL MARKETS
OVERVIEW and OUTLOOK***

Capital Markets Developments Since December 2008

The Good News:

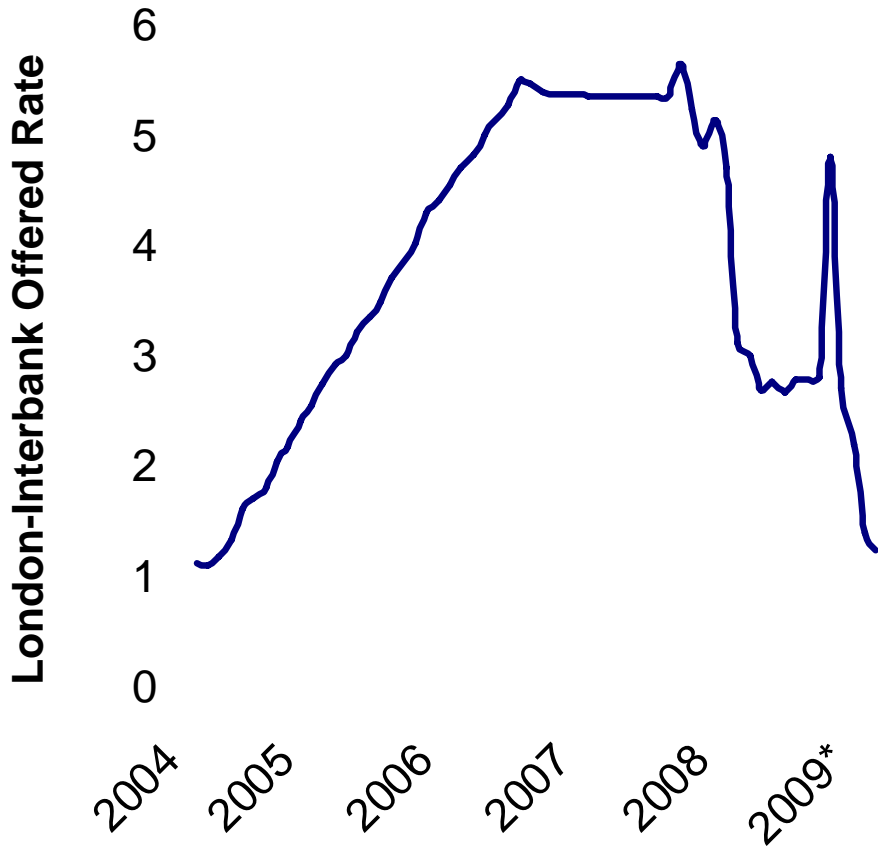
- 1. Inter-bank lending continues to improve**
- 2. LIBOR and TED spreads have stabilized**
- 3. 10-Year Treasury Yield at 2.76% remains at a very low level**
- 4. Delinquencies continue to be near historic lows but are rising**
- 5. Deals are getting done – local and regional banks, life insurance companies**

The Bad News:

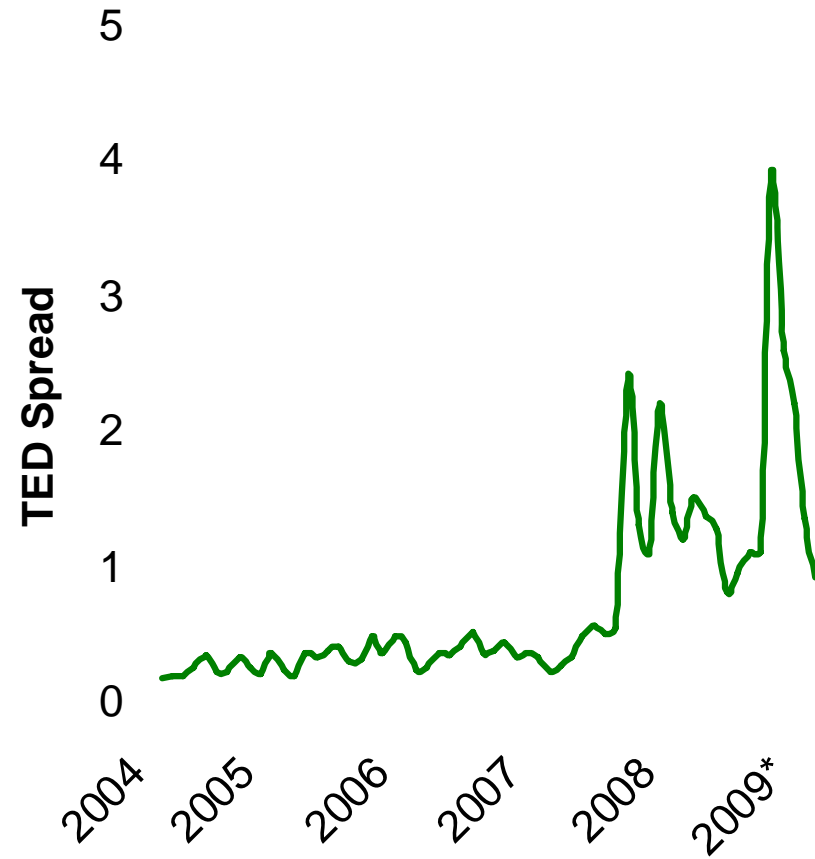
- 1. Lending standards tight with global focus on sponsorship**
- 2. Life insurance allocations have been reduced for 2009**
- 3. Mortgage spreads remain elevated**
- 4. Fundamentals continue to weaken**
- 5. Heightened concern over values**

Banking System Liquidity Indicators

LIBOR



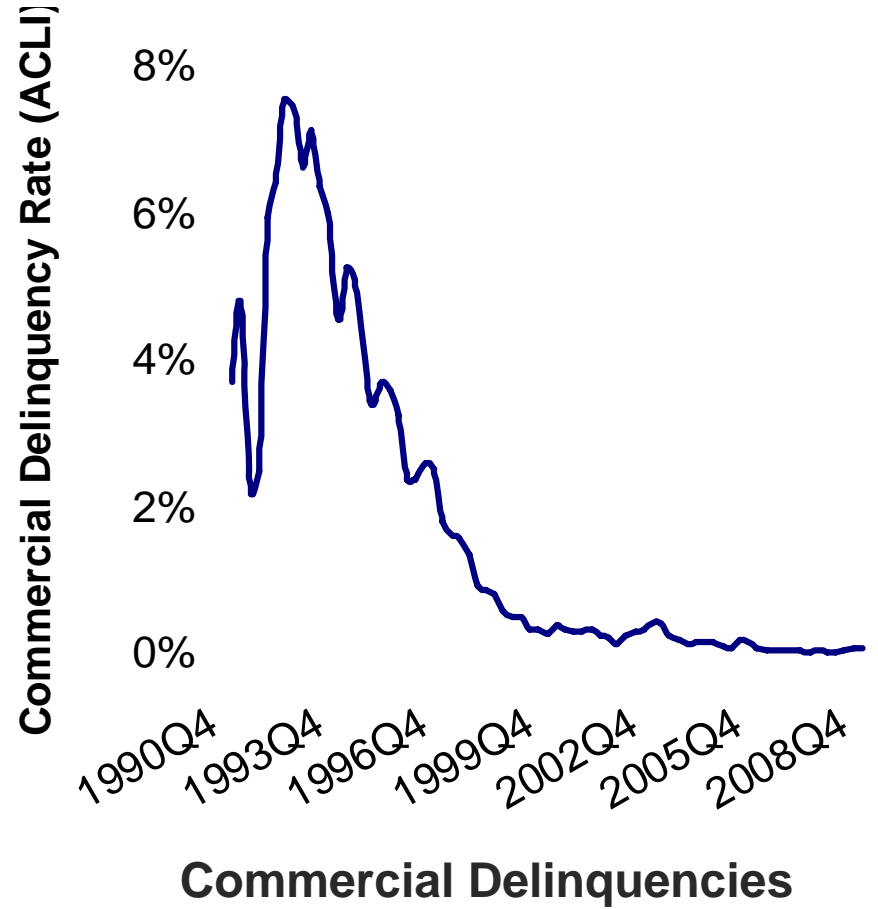
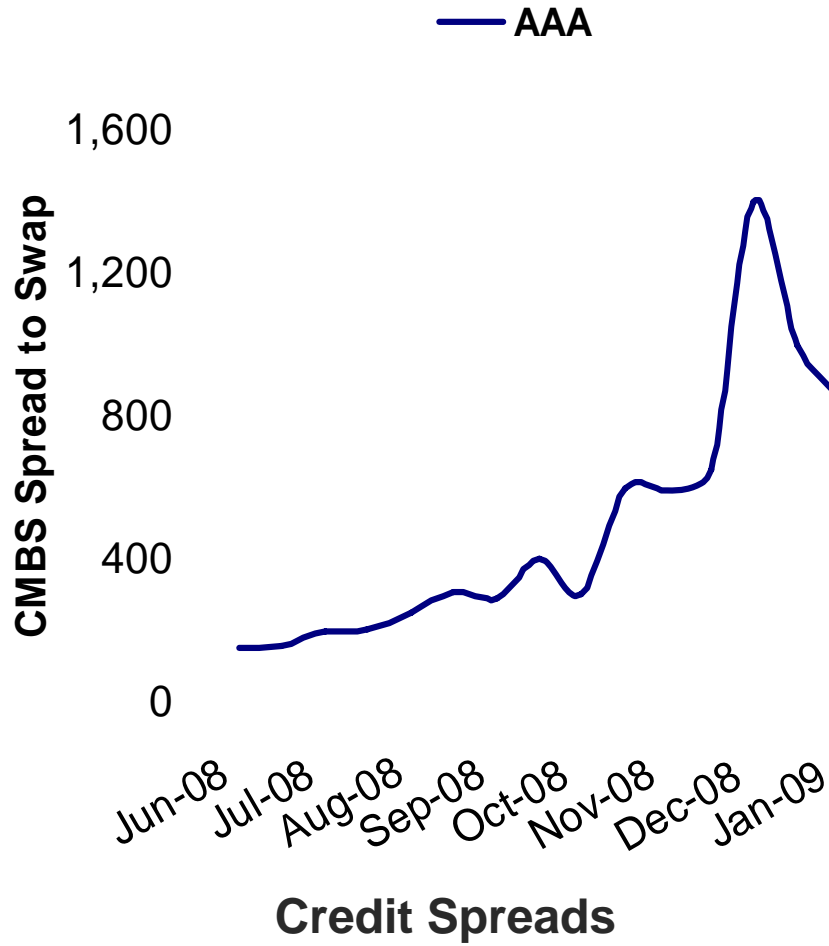
TED Spread



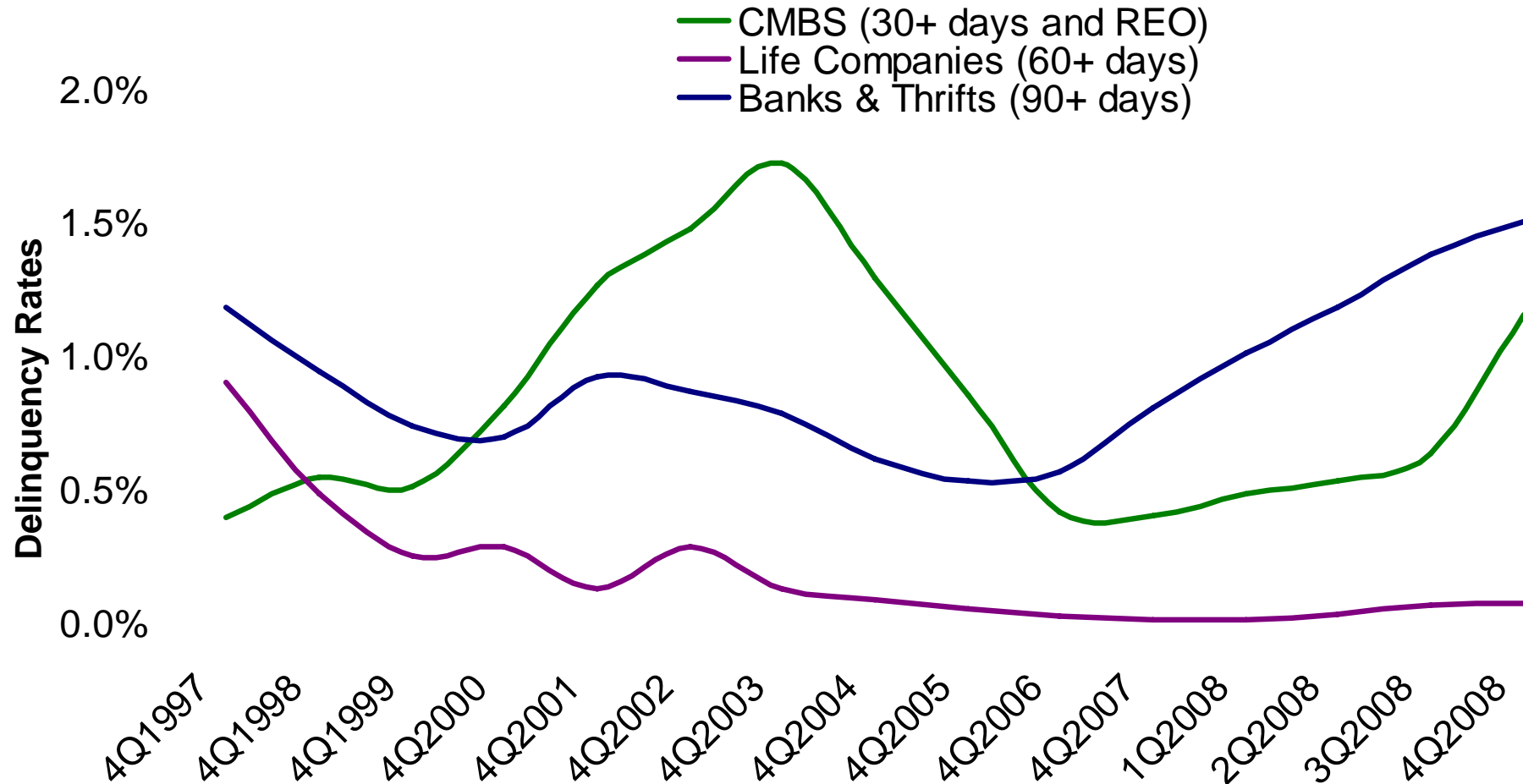
* Through February 23rd

Sources: Marcus & Millichap Research Services, Bloomberg

Spread Remain Volatile – Delinquencies Near Historic Lows; Expected to Rise



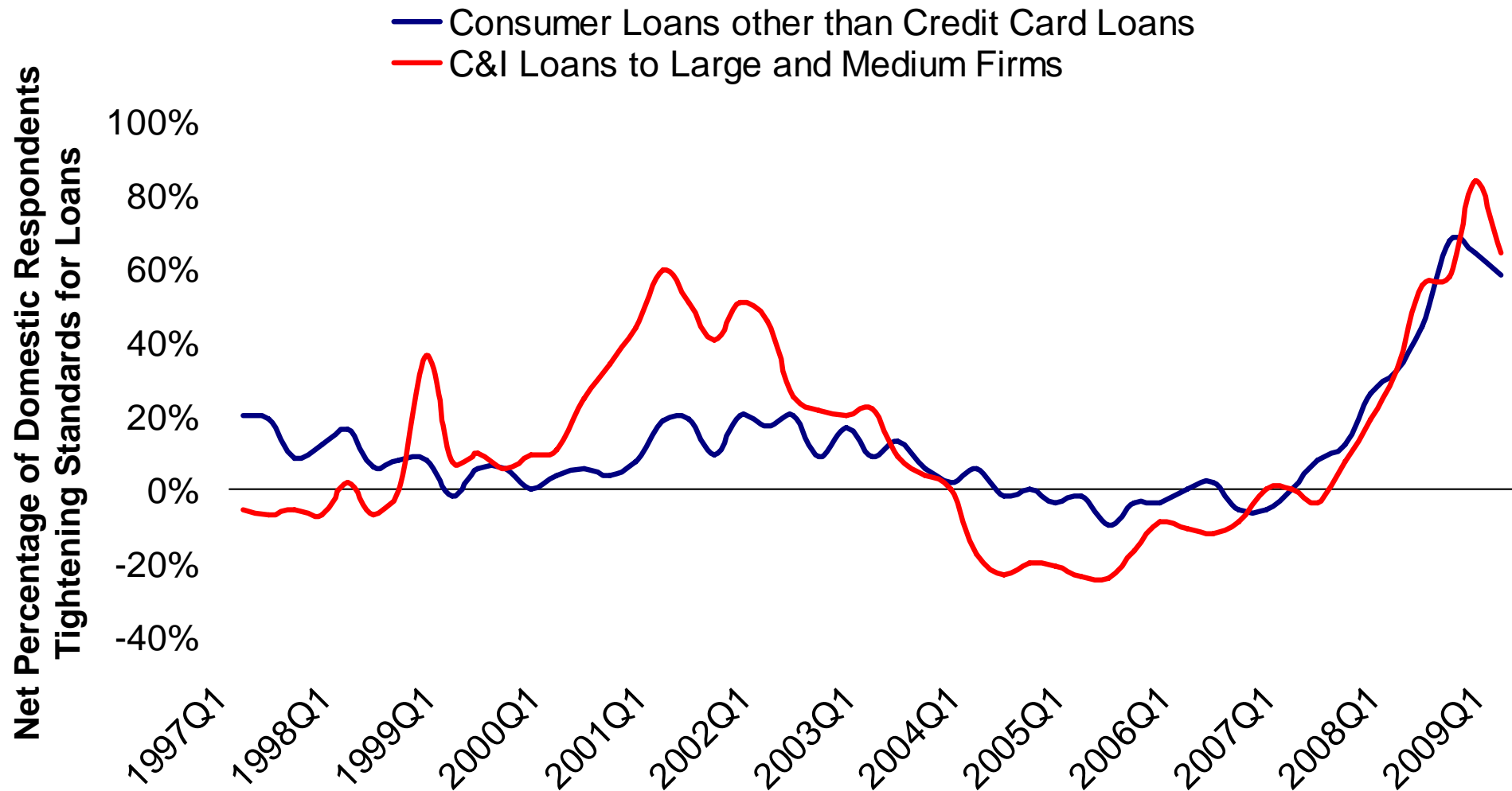
Commercial Mortgage Delinquency Rates by Group



Delinquency rates at the end of each period

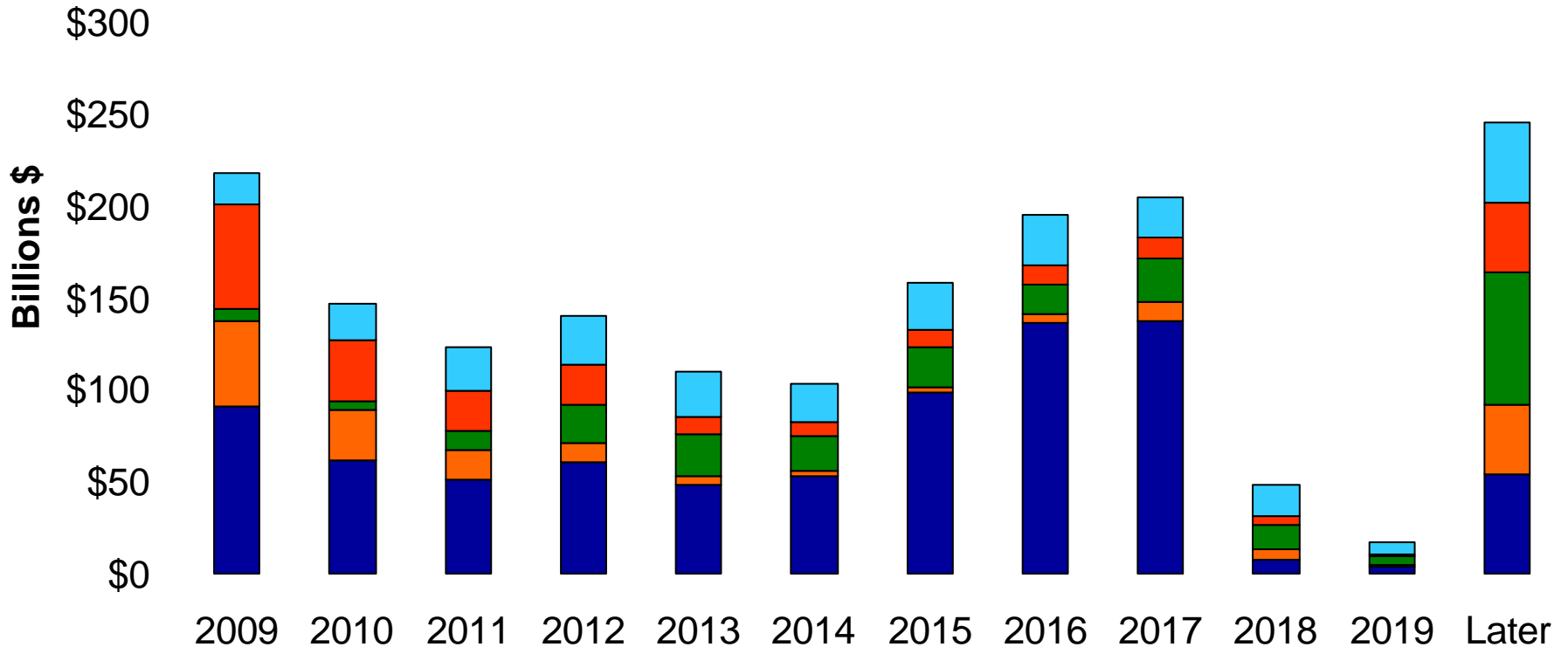
Sources: Marcus & Millichap Research Services, Mortgage Bankers Association

Credit Standards Have Moderated but Remain Tight

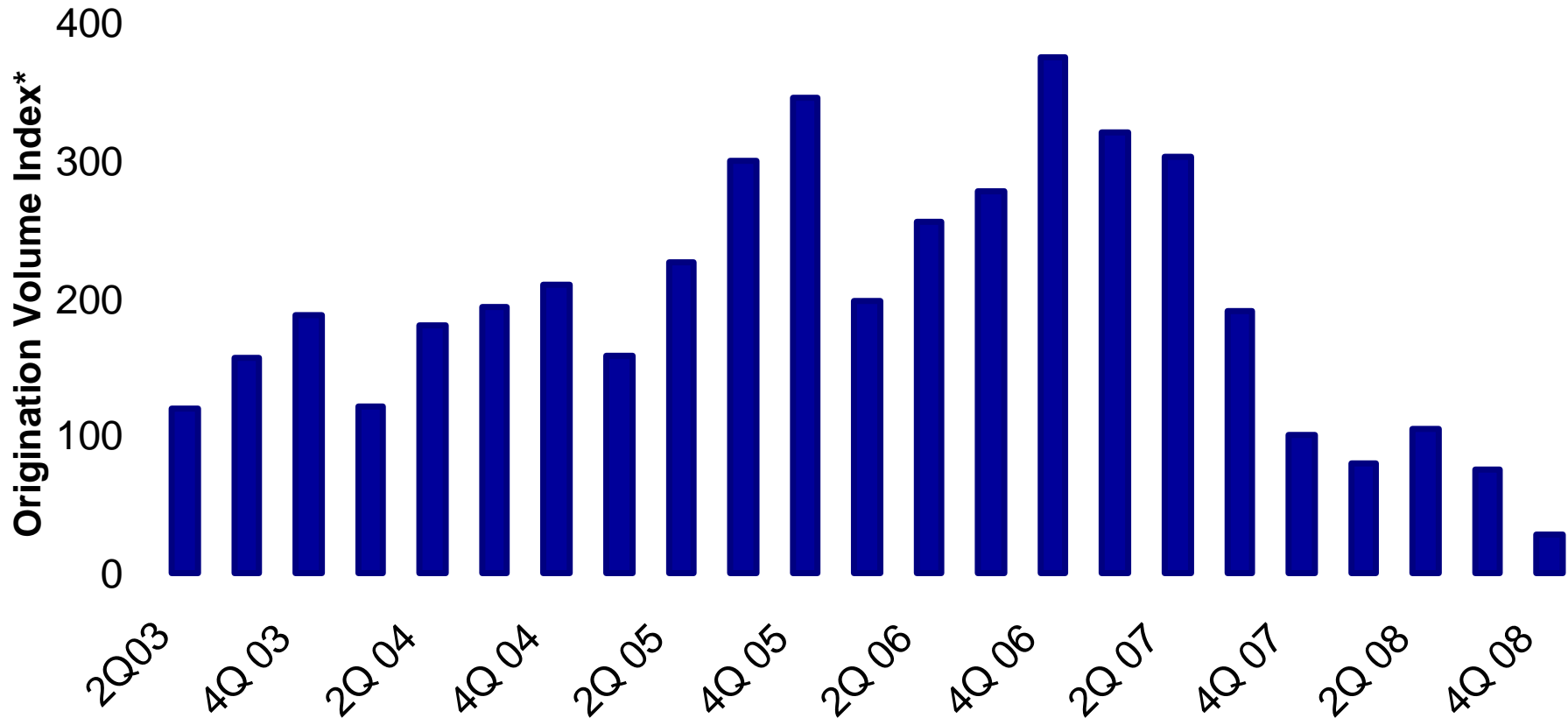


Total Maturities by Lender Type

- CMBS, CDO or other ABS
- Fannie, Freddie, FHA and Ginnie Mae
- Life Insurance Companies
- Commercial Bank/Thriffs
- Credit Companies, Warehouse, and Other



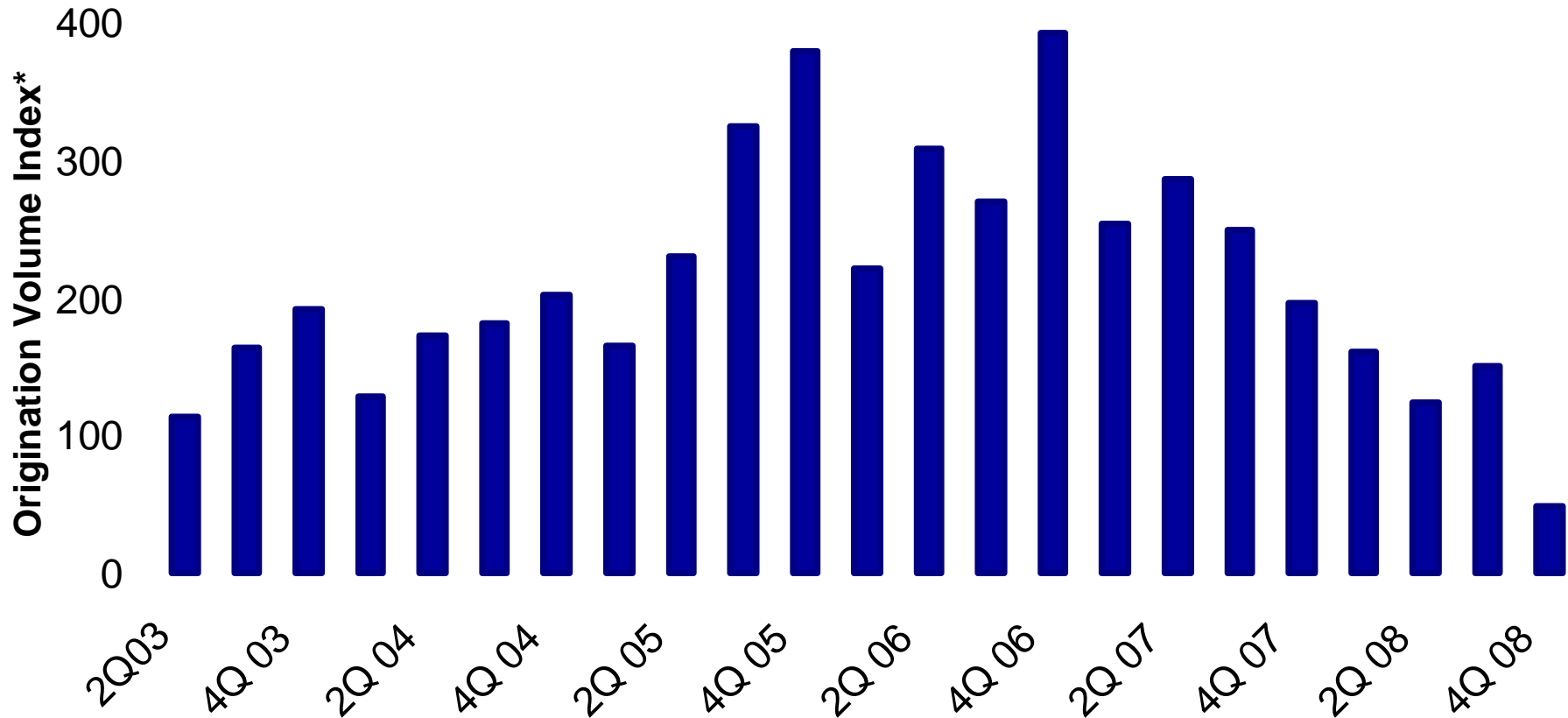
Mortgage Bankers Originations Index Office



* 2001 Avg. Qtr = 100

Sources: Marcus & Millichap Research Services, MBA

Mortgage Bankers Originations Index Industrial



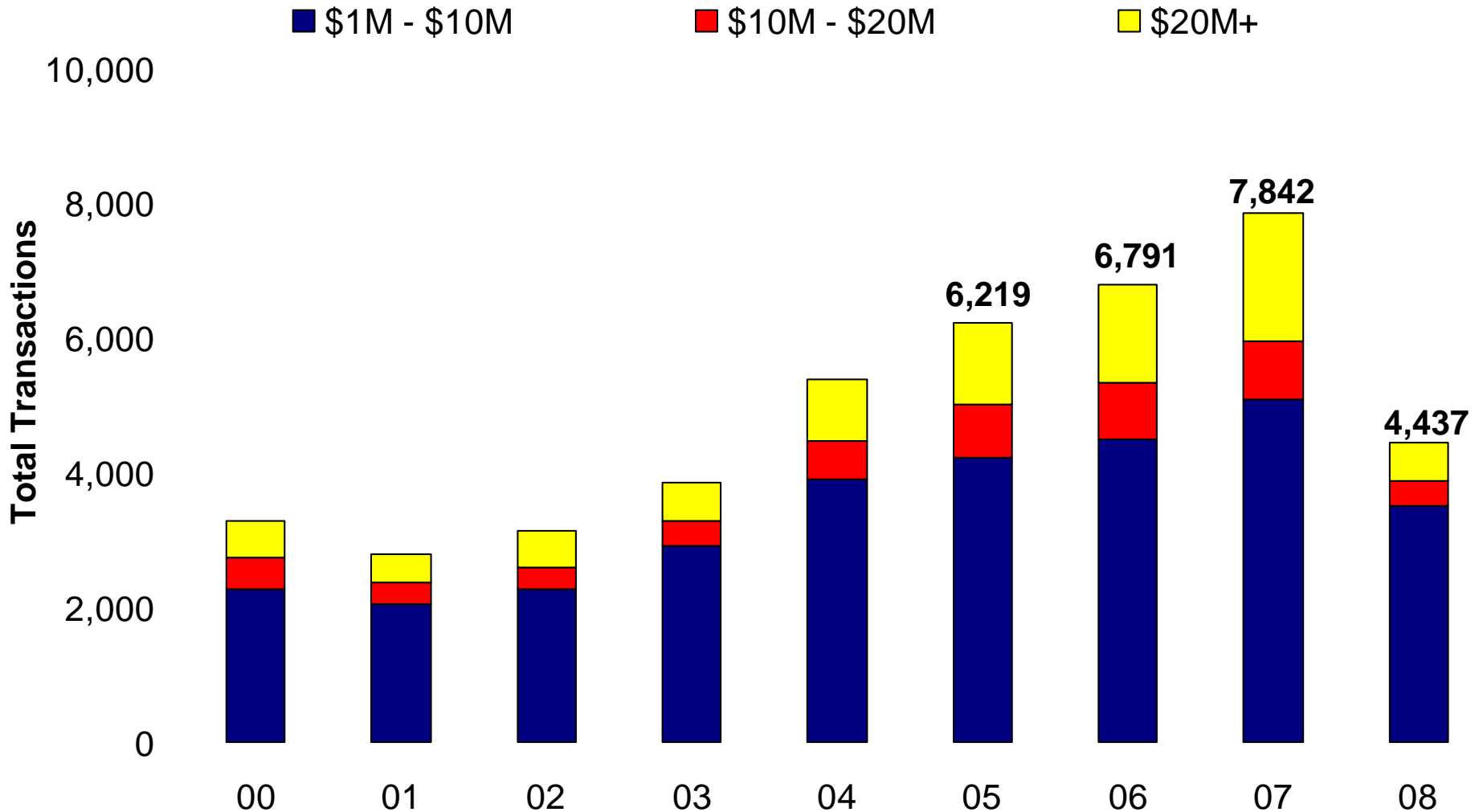
* 2001 Avg. Qtr = 100

Sources: Marcus & Millichap Research Services, MBA

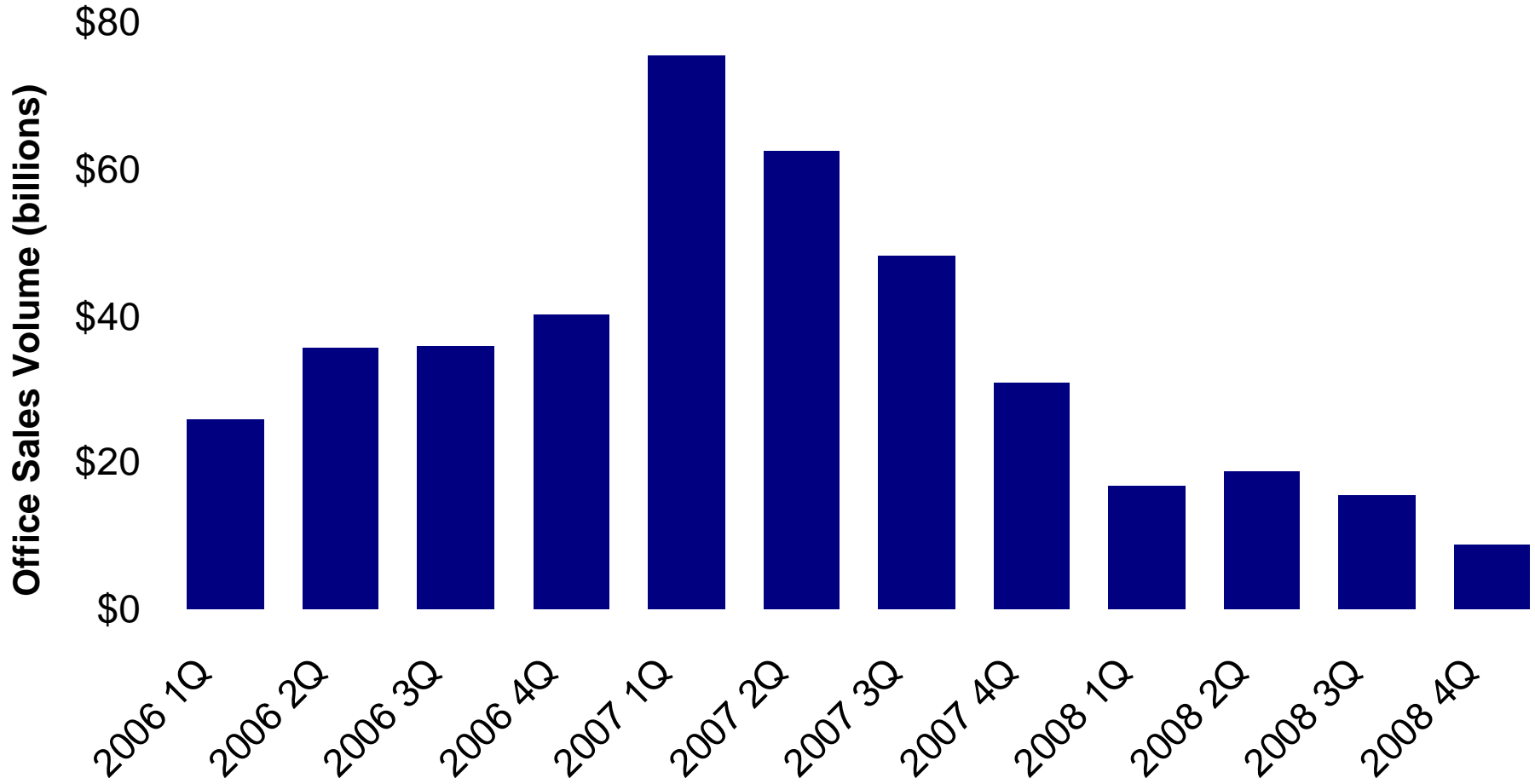
***OFFICE and INDUSTRIAL
INVESTMENT TRENDS***

U.S. Investment Trends

Office Transactions by Price Category



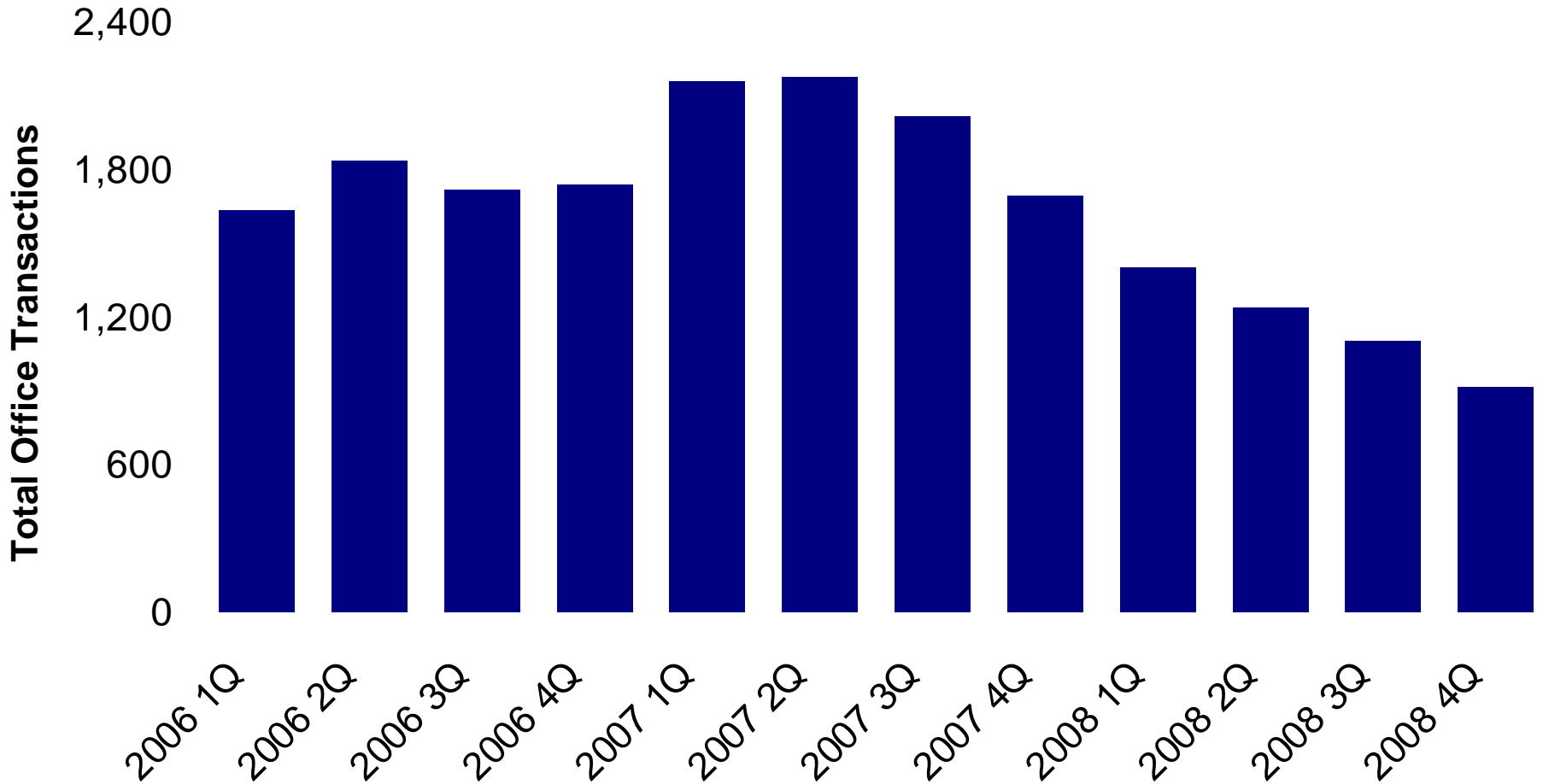
U.S. Office Sales Volume by Quarter



Includes Sales of \$1 Million and Greater

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

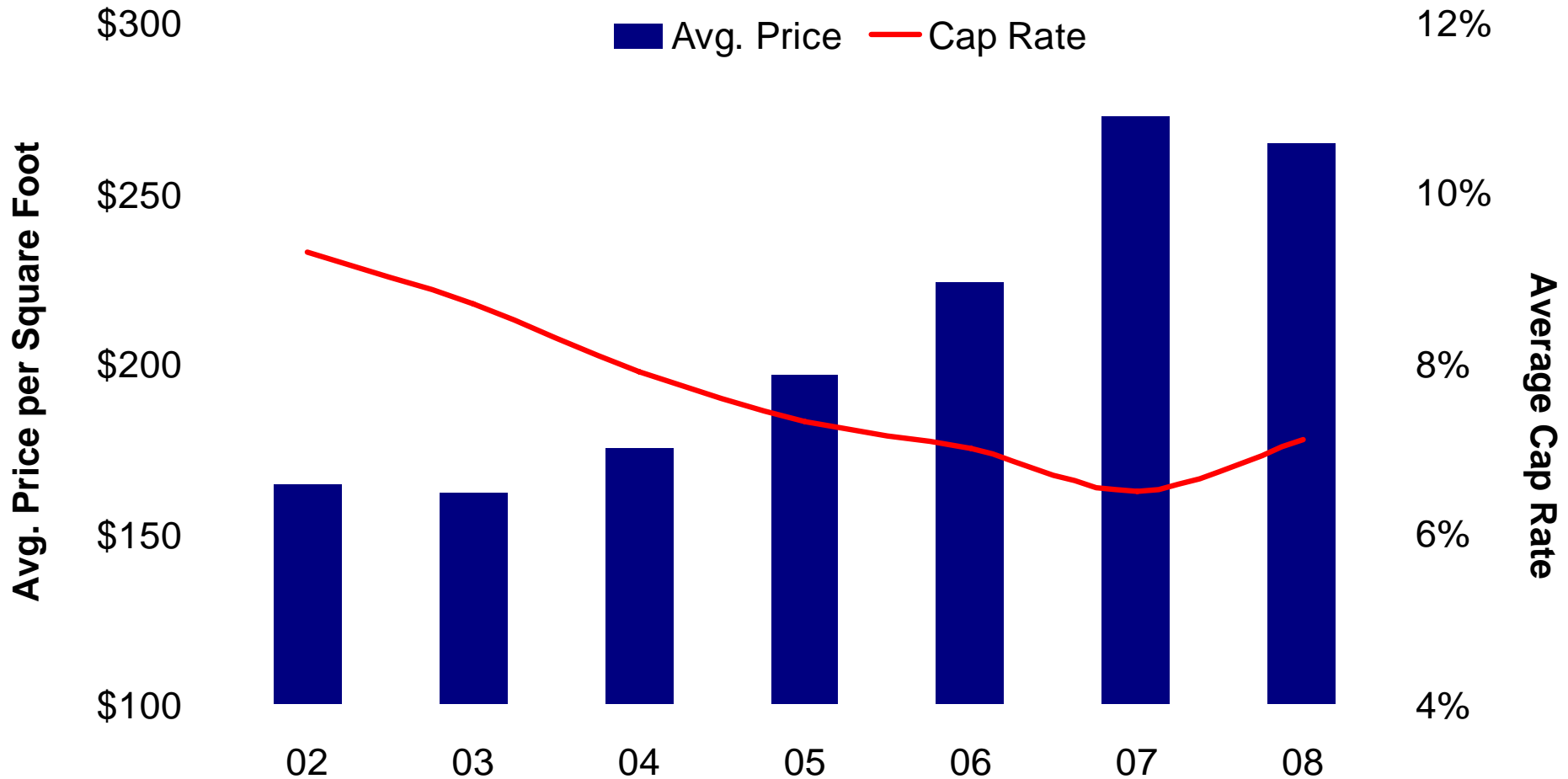
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Office Property Price and Cap Rate Trends



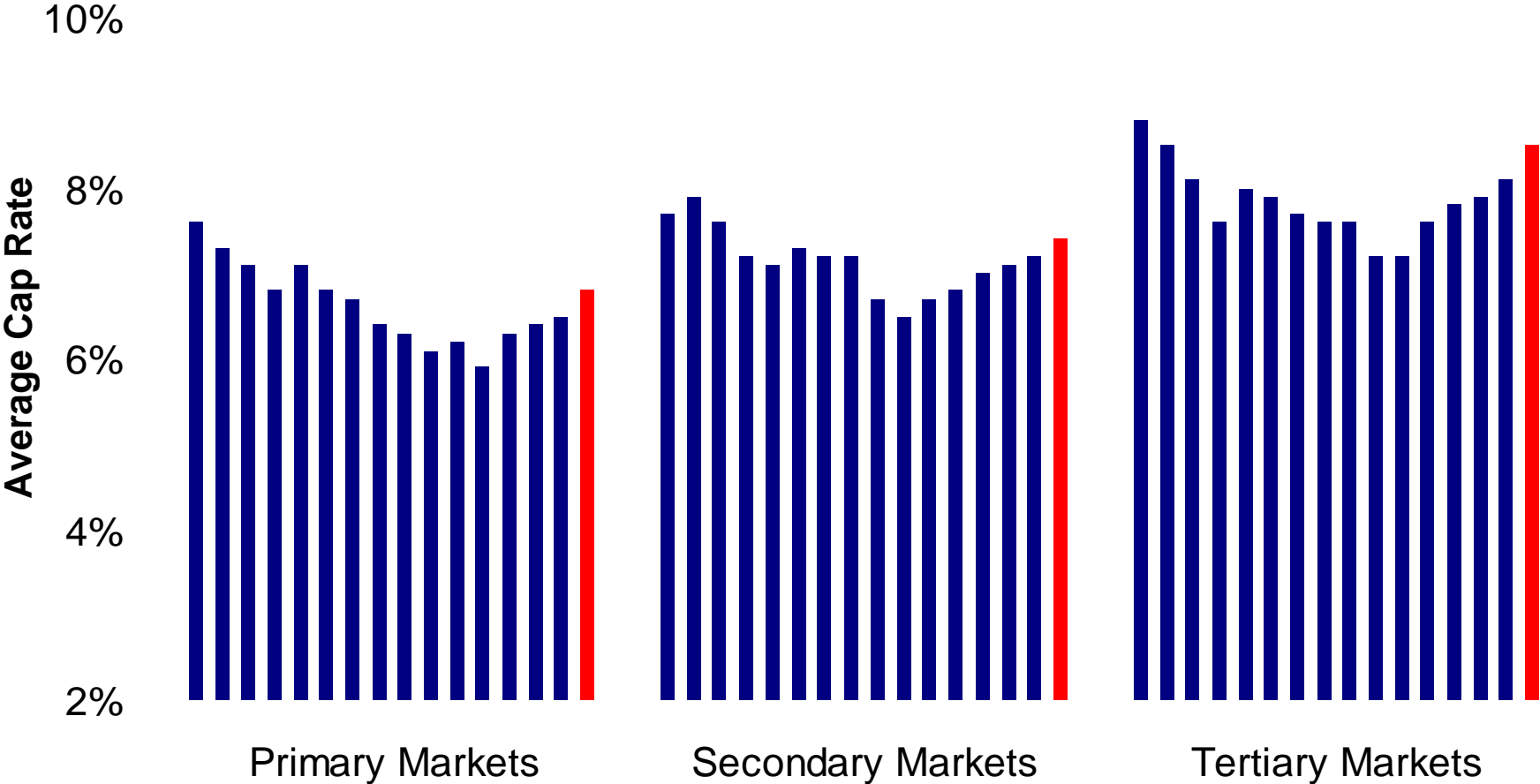
Includes Sales \$5 million and above

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

Office Cap Rates By Market Classification

■ 1Q 05 - 3Q 08

■ 4Q 08



Sales \$5 million and greater
Sources: Marcus & Millichap Research Services, Real Capital Analytics

Office Market Vacancy Ranking

Y-O-Y Change: 4Q 2008

Markets	4Q 2008 Vacancy Rate	Y-O-Y Bps Change
Portland	11.7%	50
Chicago-CBD	12.6%	50
Philadelphia-Suburban	14.5%	50
Charlotte	12.6%	60
New Jersey	16.3%	70
St. Louis	15.5%	80
Chicago-Suburban	19.8%	80
Denver	16.2%	90
Columbus	18.8%	90
Cleveland	18.8%	120
Salt Lake City	13.3%	120
Houston	12.7%	130
Cincinnati	19.7%	130
Indianapolis	16.0%	140
Philadelphia-CBD	7.8%	150
U.S. Average	14.5%	190

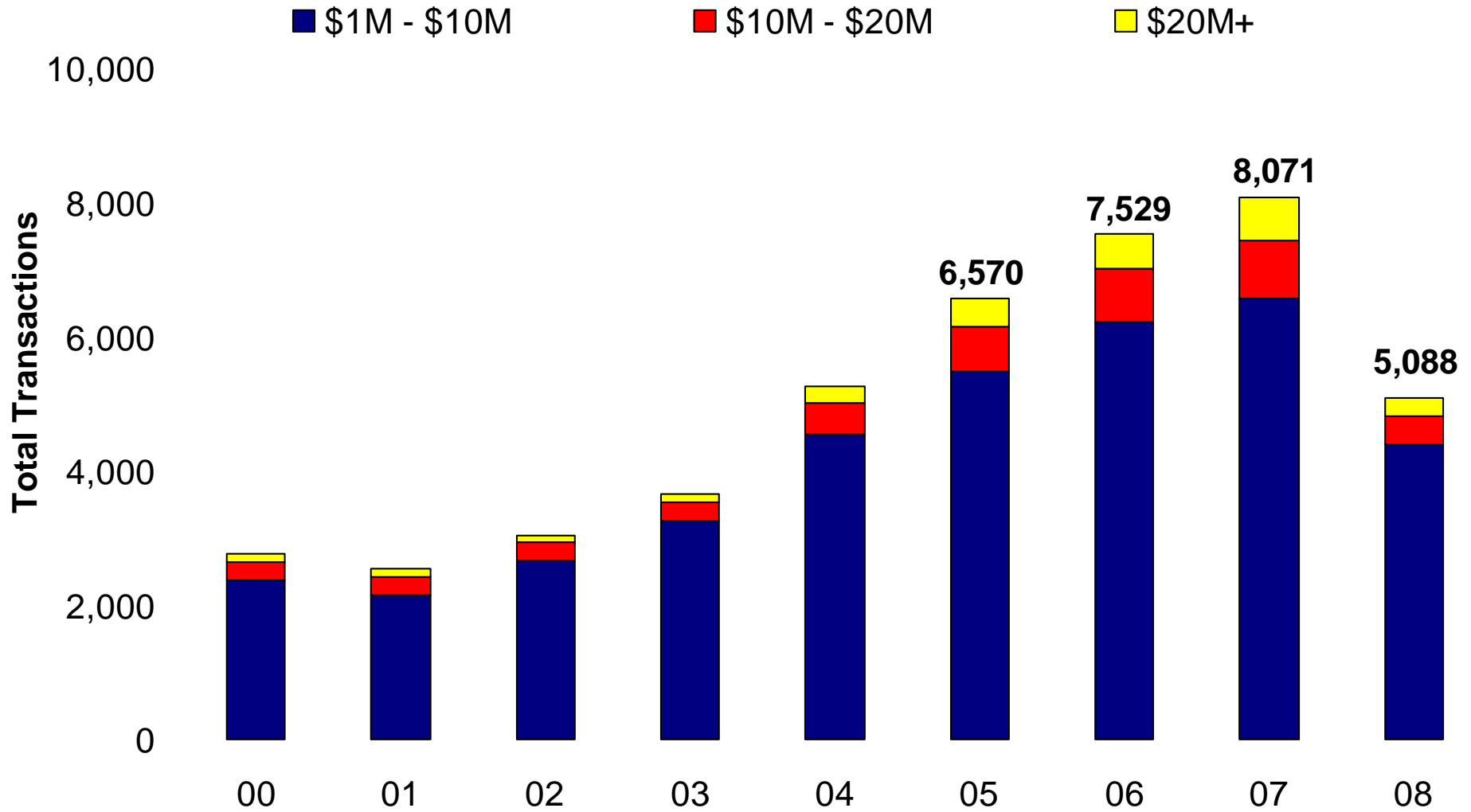
Markets	4Q 2008 Vacancy Rate	Y-O-Y Bps Change
San Jose	16.1%	250
Fort Lauderdale	13.6%	260
Jacksonville	17.4%	270
New York-Midtown	7.9%	270
Miami	11.5%	280
Sacramento	17.1%	320
Detroit	24.6%	360
Palm Beach	15.2%	380
Tampa-St. Petersburg	15.9%	390
Orange County	14.7%	400
Austin	18.7%	430
Oakland-East Bay	16.6%	440
Phoenix	19.1%	530
Las Vegas	19.1%	570
Inland Empire	20.7%	720
U.S. Average	14.5%	190

Blue indicates demand weakness, Green indicates overbuilding, Red indicates both

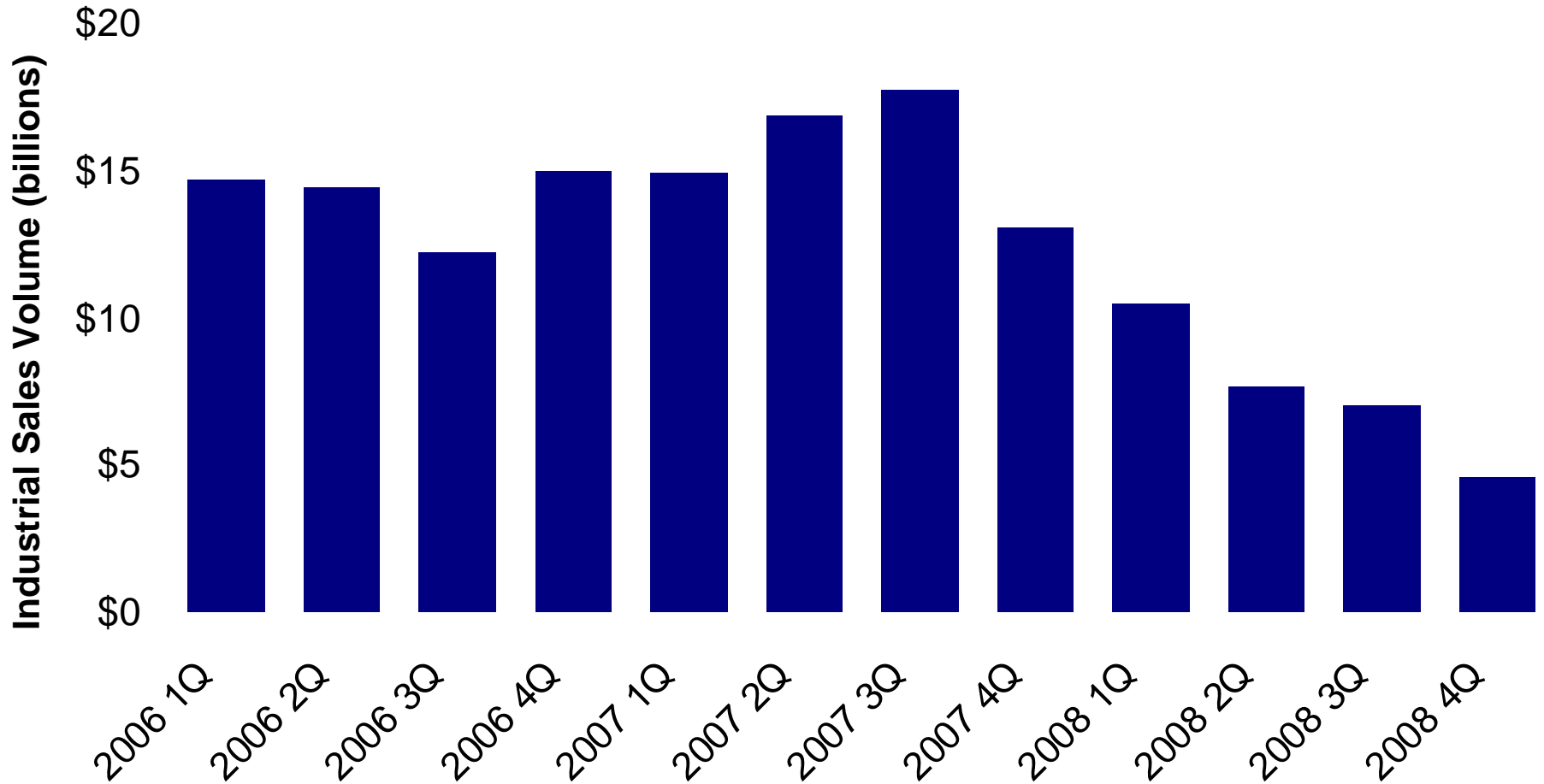
Sources: Marcus & Millichap Research Services, Reis

U.S. Investment Trends

Industrial Transactions by Price Category



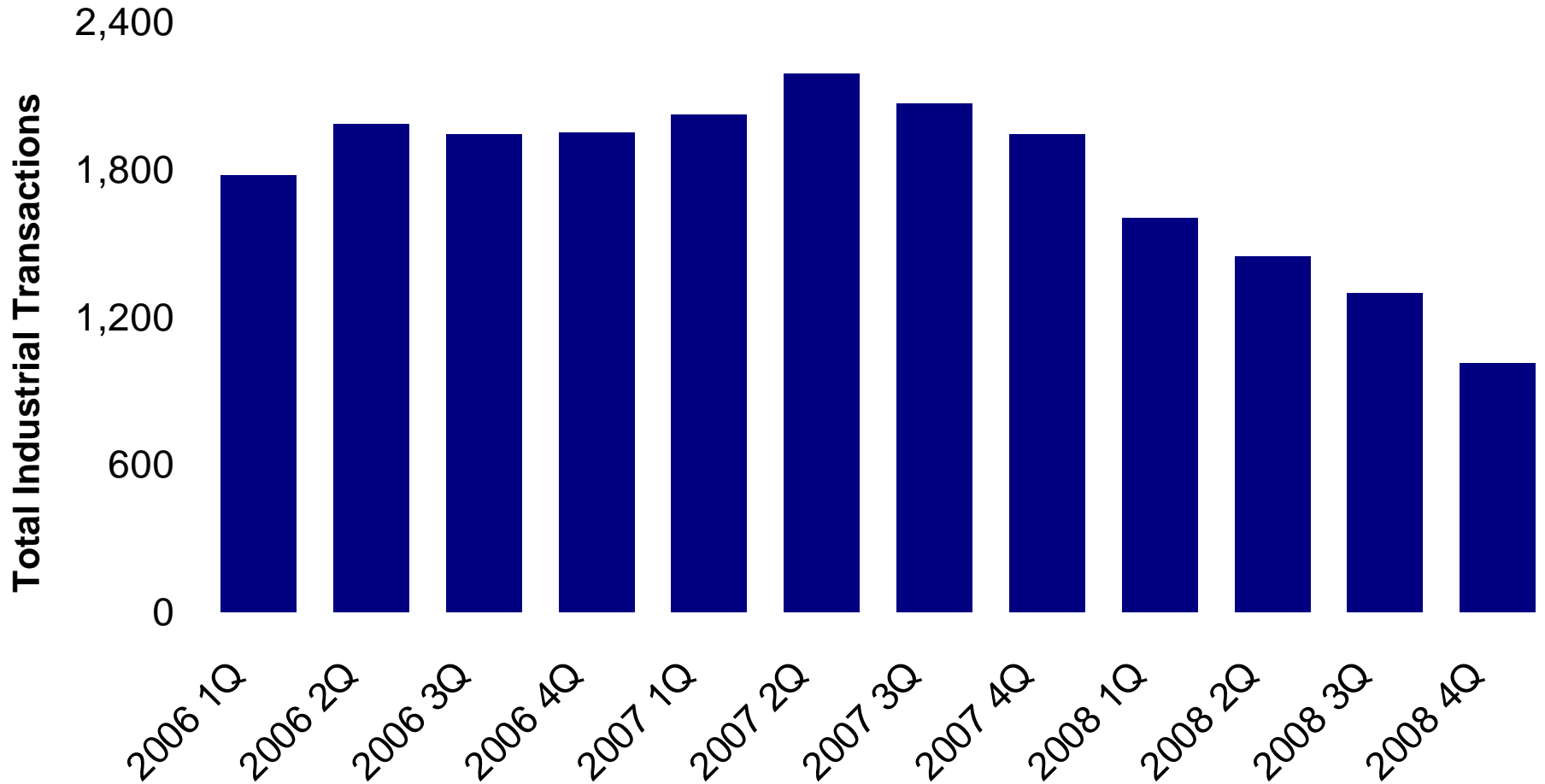
U.S. Industrial Sales Volume by Quarter



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Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

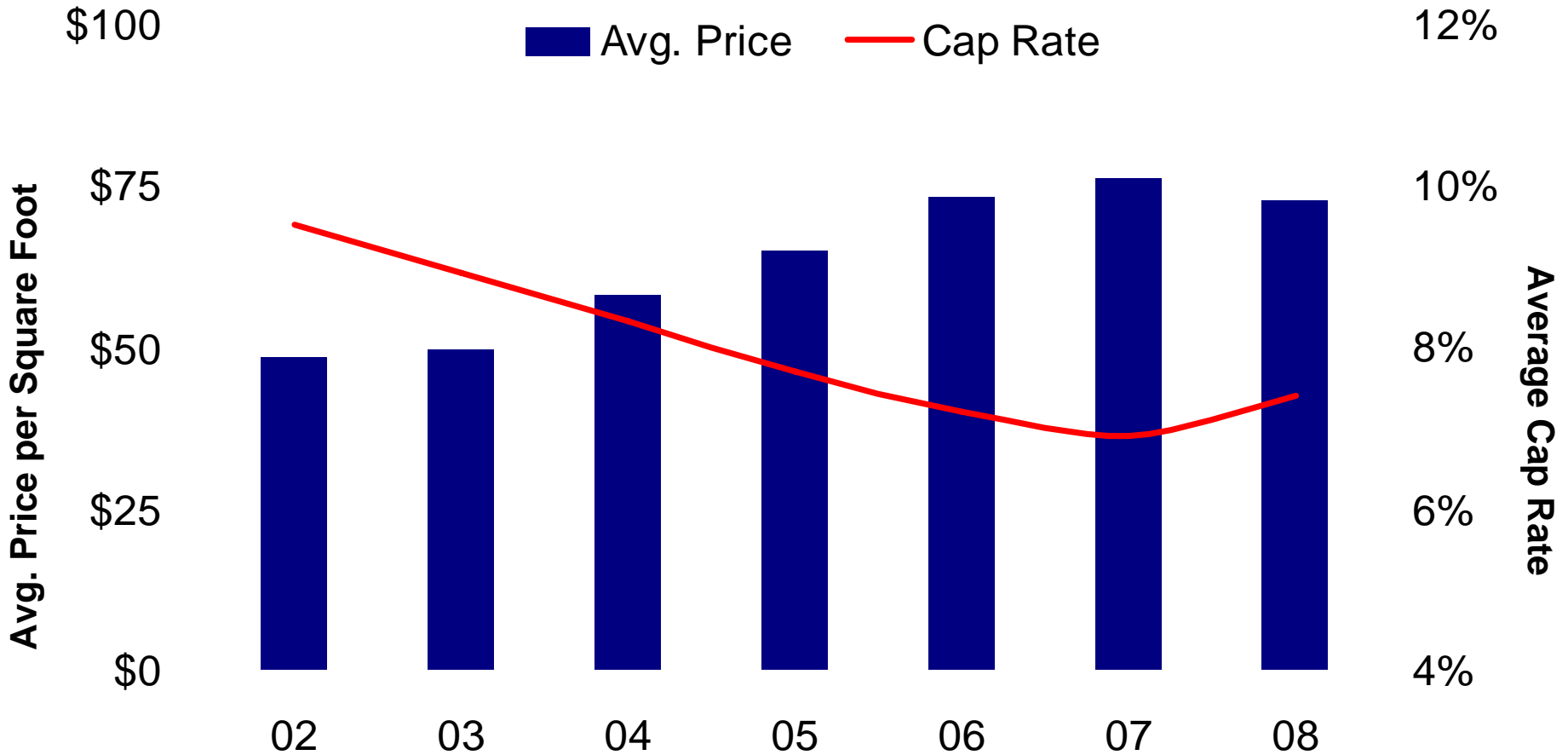
U.S. Industrial Transactions by Quarter



Includes Sales of \$1 Million and Greater

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

Industrial Property Price and Cap Rate Trends



Includes Sales \$5 million and above

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

Change in Activity United States Ports

Port	2008 TEUs	YOY Change
Seattle	1,704,492	-13.6%
Long Beach	6,487,816	-11.3%
Oakland	2,236,244	-6.4%
Los Angeles	7,849,985	-6.0%
Savannah	2,616,162	0.4%
Houston	1,671,193	3.2%
New York-New Jersey	3,876,943	3.3%

Industrial Vacancy Major Distribution Centers

Market	1992 Vacancy	2002 Vacancy	2008 Vacancy
Atlanta	11.6%	14.0%	15.7%
North-Central New Jersey	12.5%	10.2%	14.0%
Dallas-Fort Worth	8.2%	11.4%	12.4%
Chicago	8.6%	10.4%	11.8%
Los Angeles	11.9%	6.4%	6.0%
US Average	10.2%	10.3%	10.6%

Based on core Warehouse/Distribution properties

Sources: Marcus & Millichap Research Services, PPR

Real Deals

Oklahoma FBI Headquarters Oklahoma City, OK



Price: \$24,563,000

Square Feet: 114,566

Cap Rate: 8.71%

Financing: \$16,400,000 - New

Marietta Park Marietta, GA



Price: \$15,300,000

Square Feet: 81,102

Cap Rate: 7.66%

Financing: \$7,200,000 - Assumption

University Medical Center Las Vegas, NV



Price: \$7,000,000

Square Feet: 17,874

Cap Rate: 6.88%

Financing: All Cash

Alcan Corporation Novi, MI

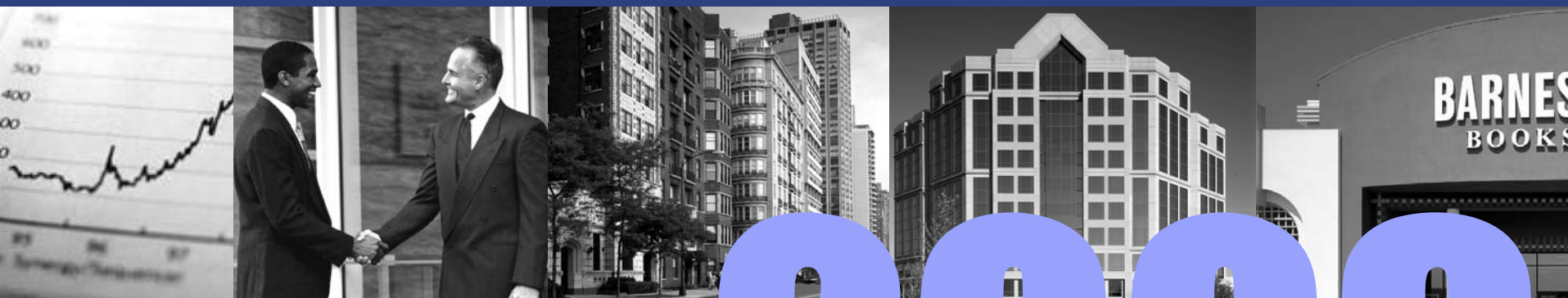


Price: \$4,950,000

Square Feet: 48,010

Cap Rate: 8.44%

Financing: New - \$2,200,000



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