

2009

National Economic and Office/Industrial Market

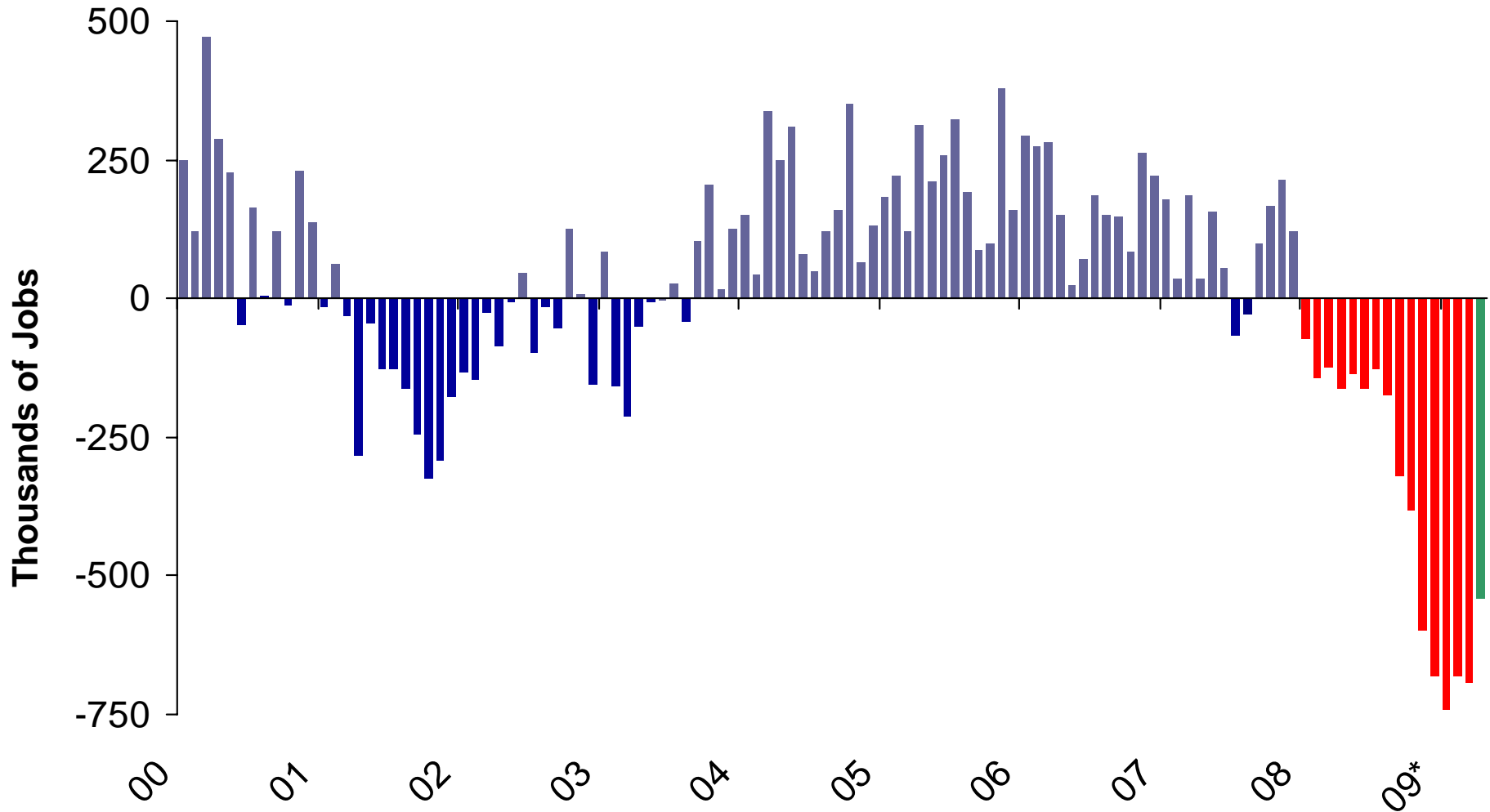
*Overview and Outlook – Special Client Webcast
May 14, 2009*

Marcus & Millichap

**NATIONAL OFFICE AND INDUSTRIAL
PROPERTIES GROUP**

***ECONOMIC
OVERVIEW and OUTLOOK***

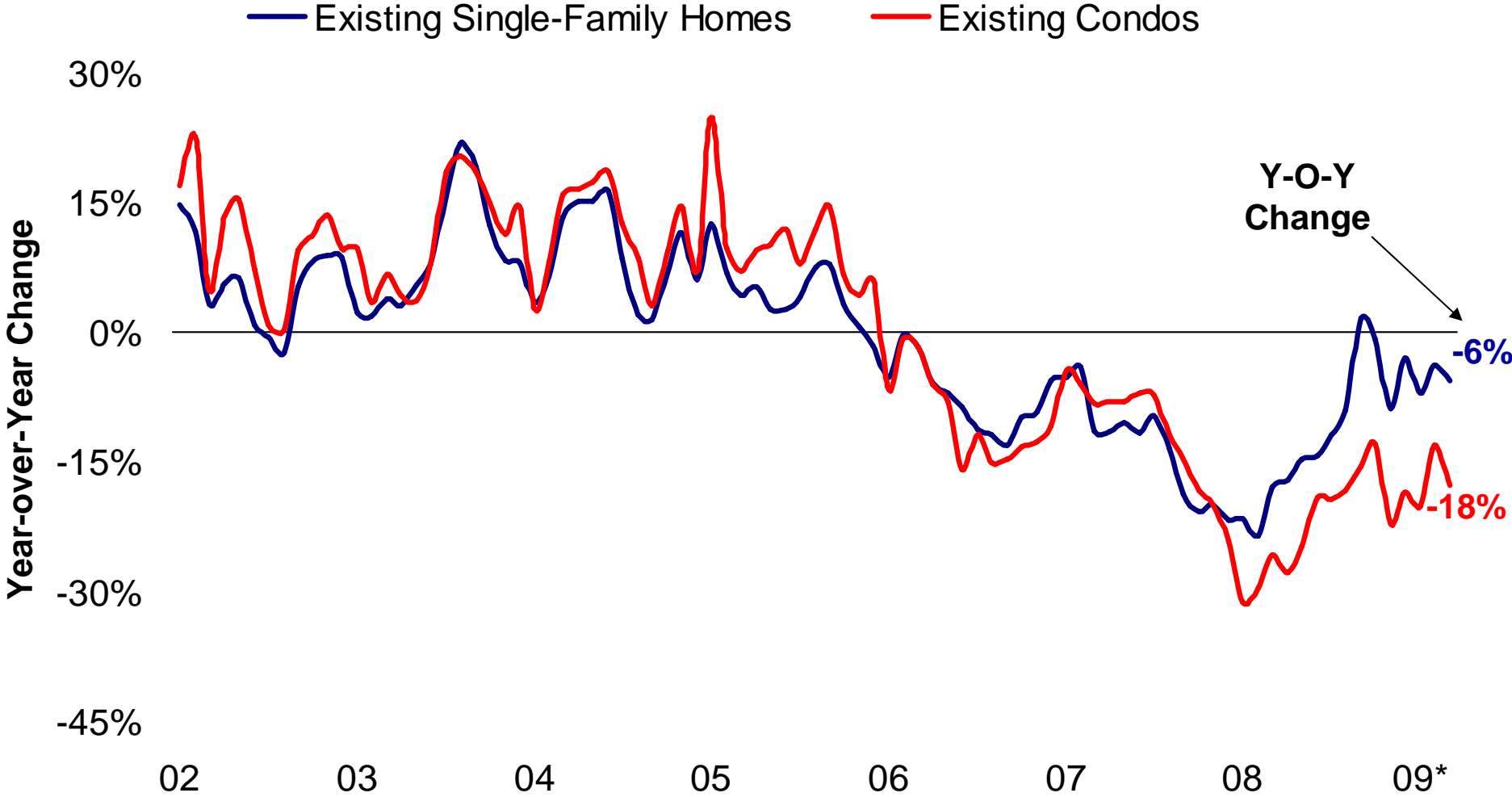
U.S. Employment Losses Have Reached Extreme Levels in Recent Months



* Through April 2009

Sources: Marcus & Millichap Research Services, Bureau of Labor Statistics

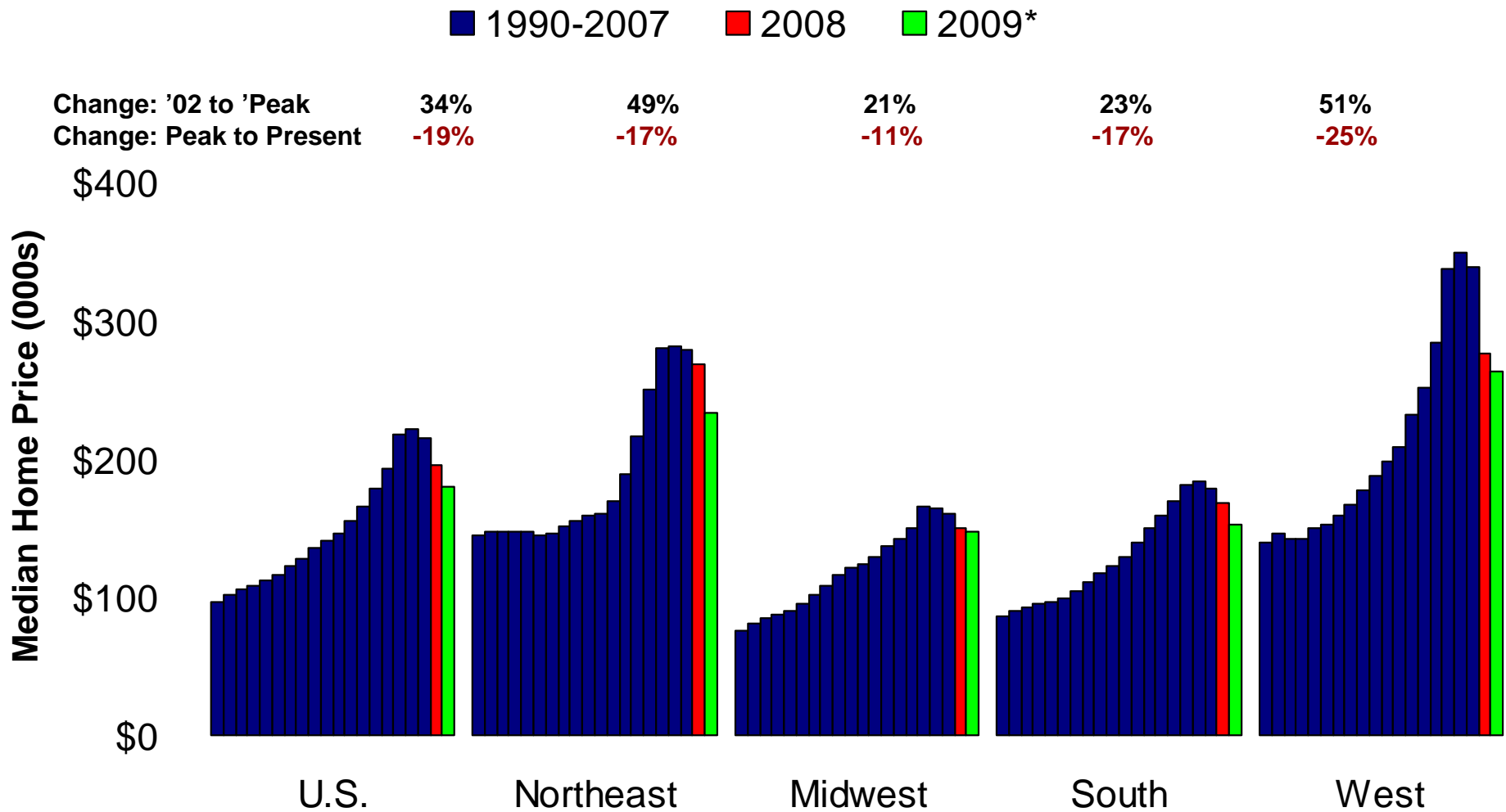
Home and Condo Sales Trends Reflect Increase in Foreclosure Sales in Many Markets



* Through March

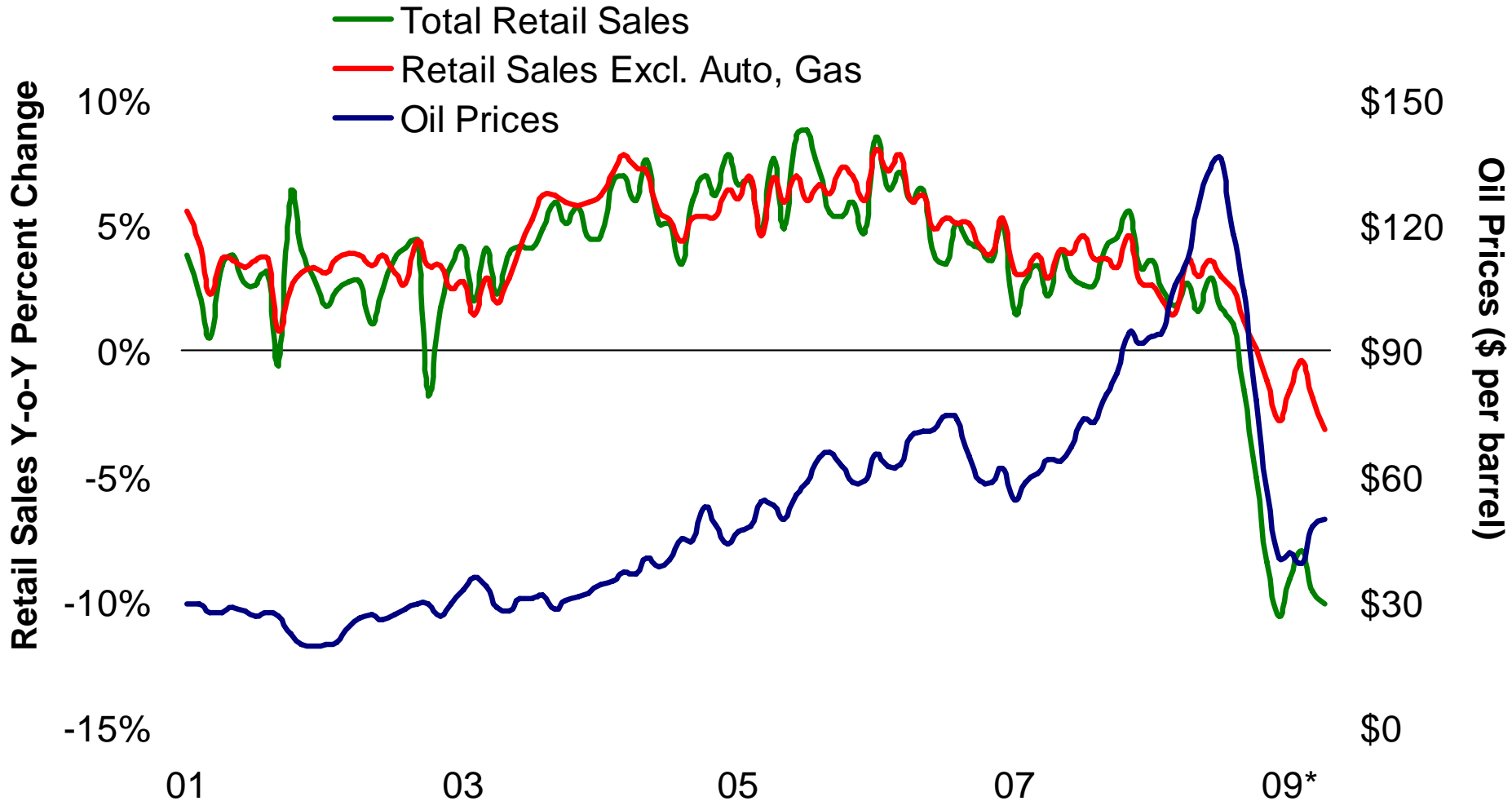
Sources: Marcus & Millichap Research Services, Economy.com, National Association of REALTORS®

U.S. Existing Single-Family Home Price Trends



* Through March

U.S. Consumption in Major Contraction



* Through April

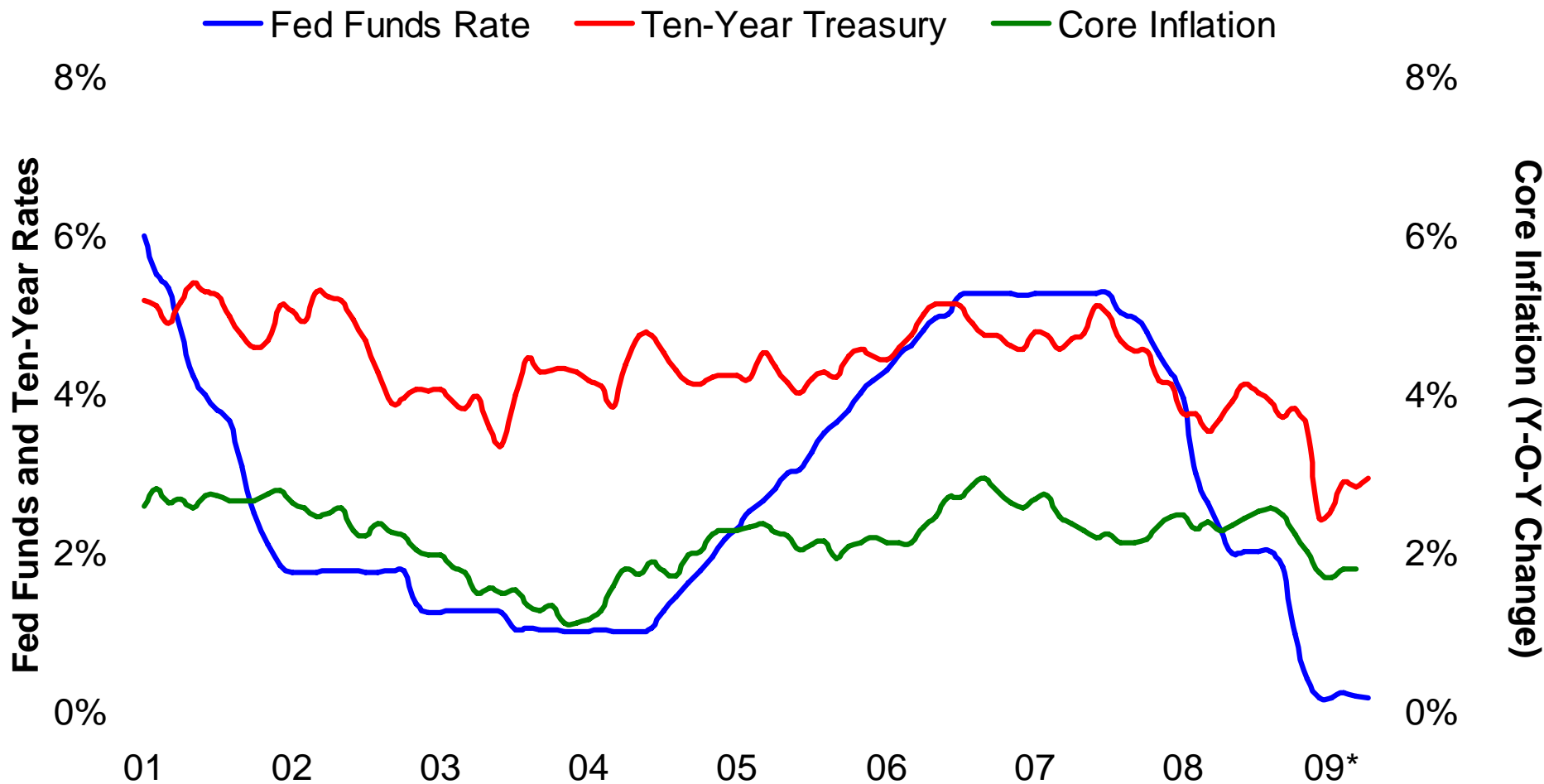
Sources: Marcus & Millichap Research Services, Bureau of the Census

Employment Ranking by Metro Y-O-Y Change – March 2009

Top 15 Markets	Abs Change	% Change
Austin	3,148	0.4%
San Antonio	(1,488)	-0.2%
Oklahoma City	(1,900)	-0.3%
Houston	(14,309)	-0.6%
Washington D.C.	(19,153)	-0.6%
Kansas City	(13,100)	-1.3%
Dallas-Fort Worth	(39,562)	-1.3%
Columbus	(15,500)	-1.6%
Boston	(42,793)	-1.7%
New Haven-Fairfield Co.	(15,486)	-1.9%
New York	(115,400)	-2.2%
Baltimore	(31,100)	-2.4%
St. Louis	(32,900)	-2.4%
Salt Lake City	(16,100)	-2.5%
Cincinnati	(27,800)	-2.7%
U.S.	(4,795,000)	-3.5%

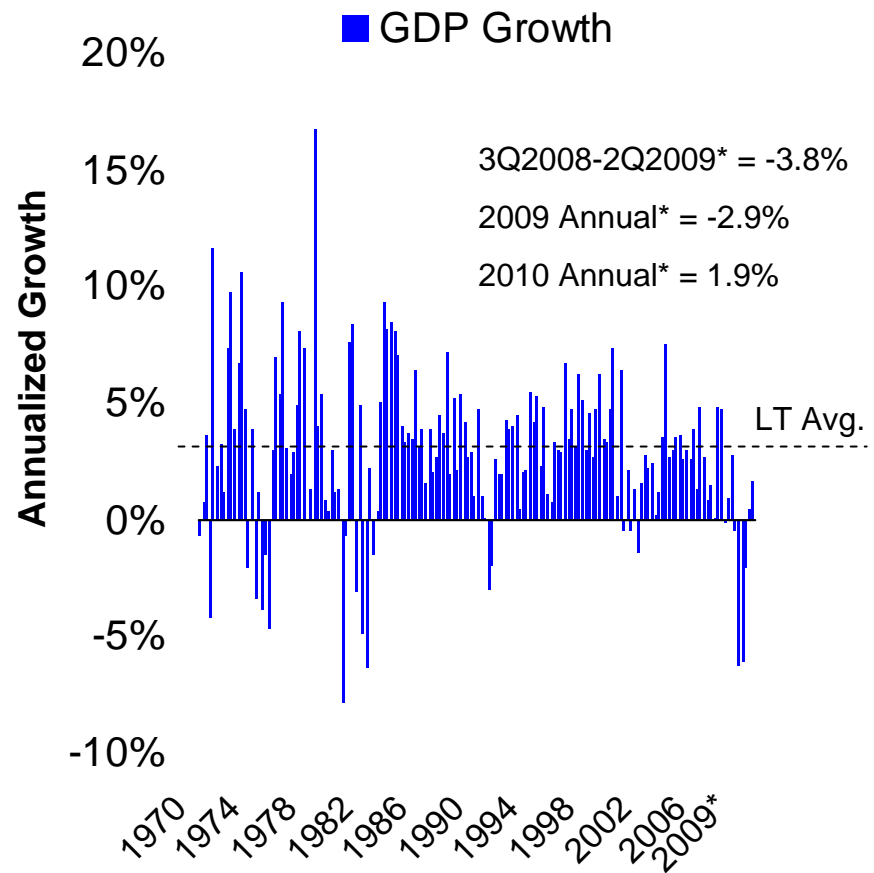
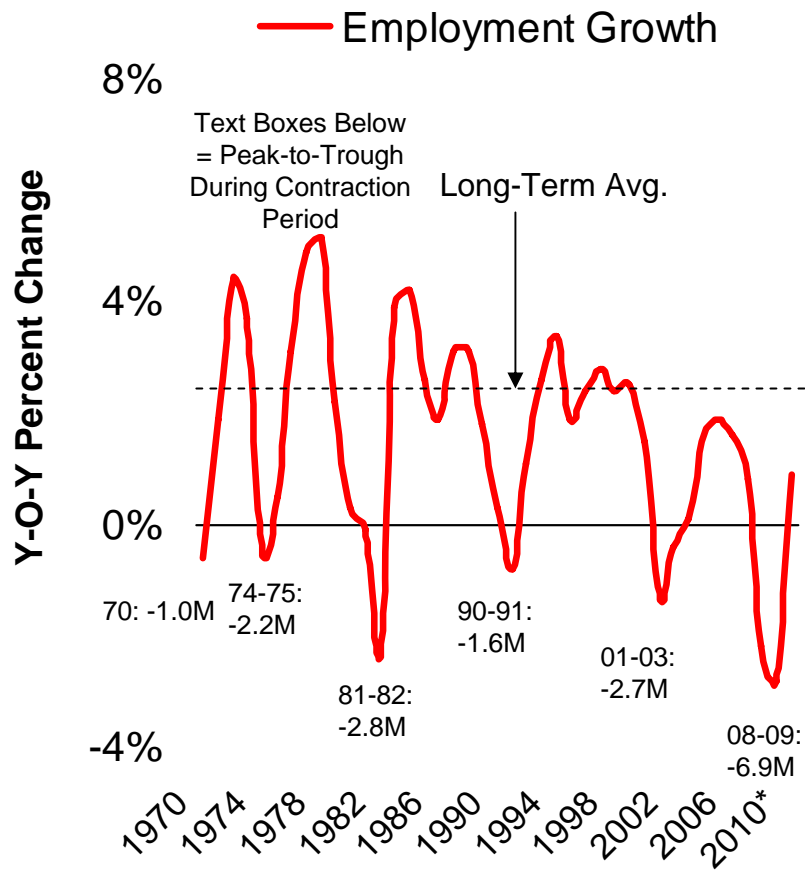
Bottom 15 Markets	Abs Change	% Change
Portland	(43,700)	-4.2%
Oakland	(44,000)	-4.2%
Fort Lauderdale	(33,200)	-4.2%
Miami	(46,400)	-4.4%
Tampa	(57,000)	-4.6%
Atlanta	(115,800)	-4.7%
Orange County	(72,000)	-4.8%
Tucson	(18,900)	-4.9%
Las Vegas	(48,102)	-5.2%
Sacramento	(48,500)	-5.4%
Orlando	(60,700)	-5.5%
Charlotte	(50,600)	-5.8%
Inland Empire	(79,600)	-6.4%
Detroit	(134,600)	-7.0%
Phoenix	(137,300)	-7.2%
U.S.	(4,795,000)	-3.5%

The Fed Has Pulled All Stops – Inflation Focus Unlikely to Emerge Until Sustainable Growth is Achieved



* Core Inflation through March, Fed Funds Rate and Ten-Year Treasury through April
Sources: Marcus & Millichap Research Services, Economy.com, Federal Reserve, BLS

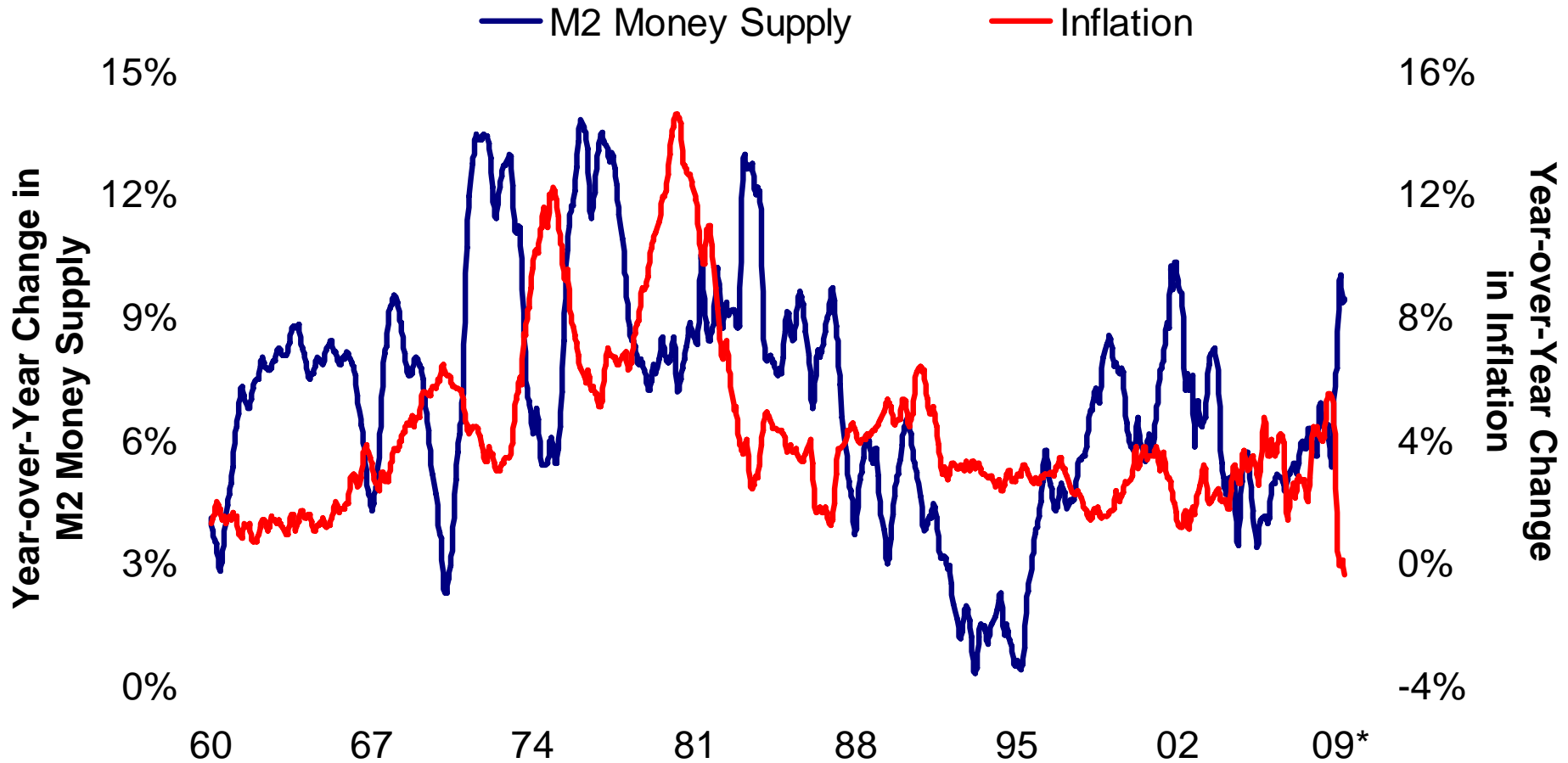
Economic Weakness Expected At Least Through Q3-2009 - Risk Levels Remain Elevated



*Forecast Assumes No Additional Major Shocks

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

M2 Money Supply vs. Inflation

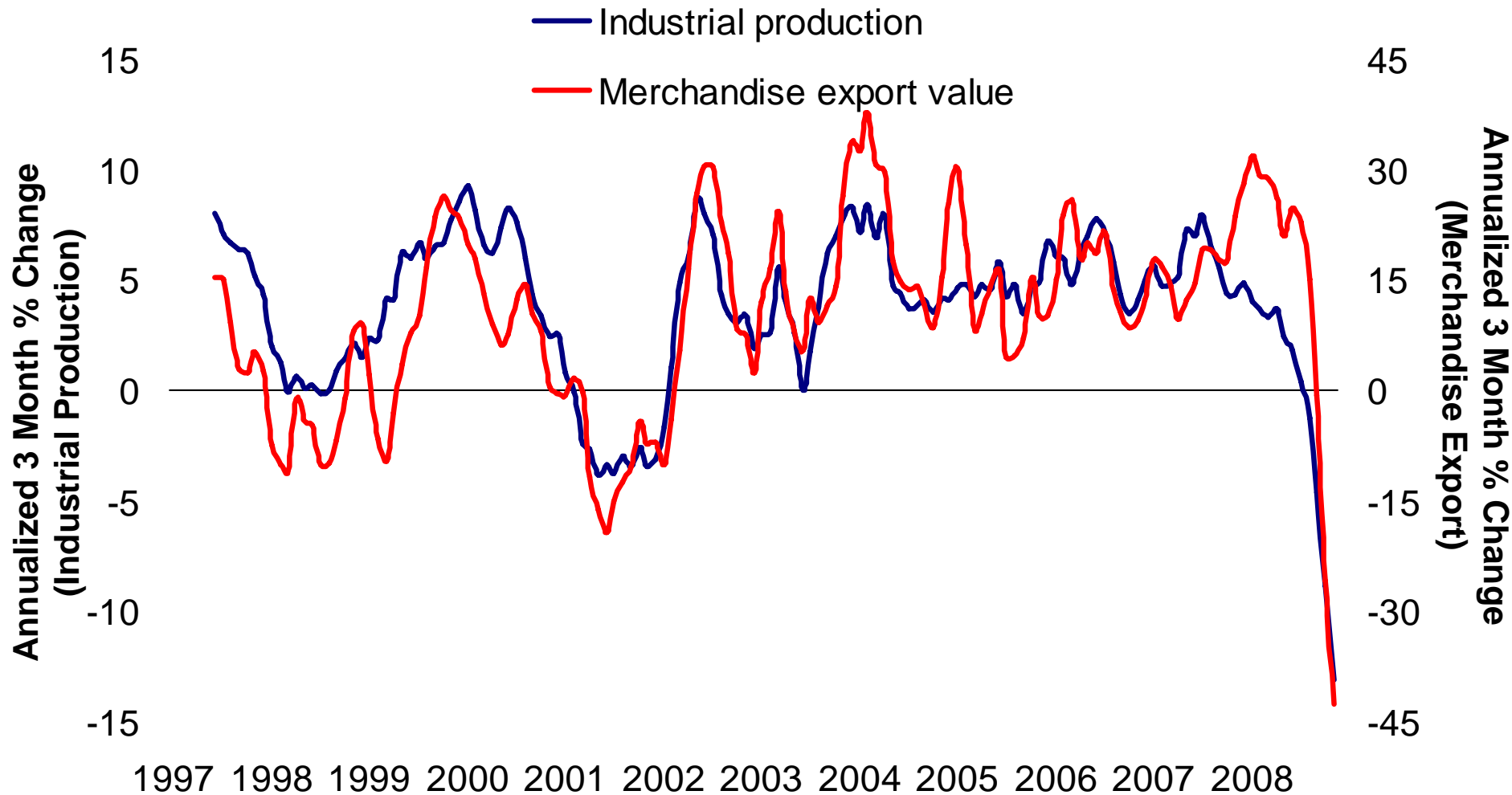


* Through March

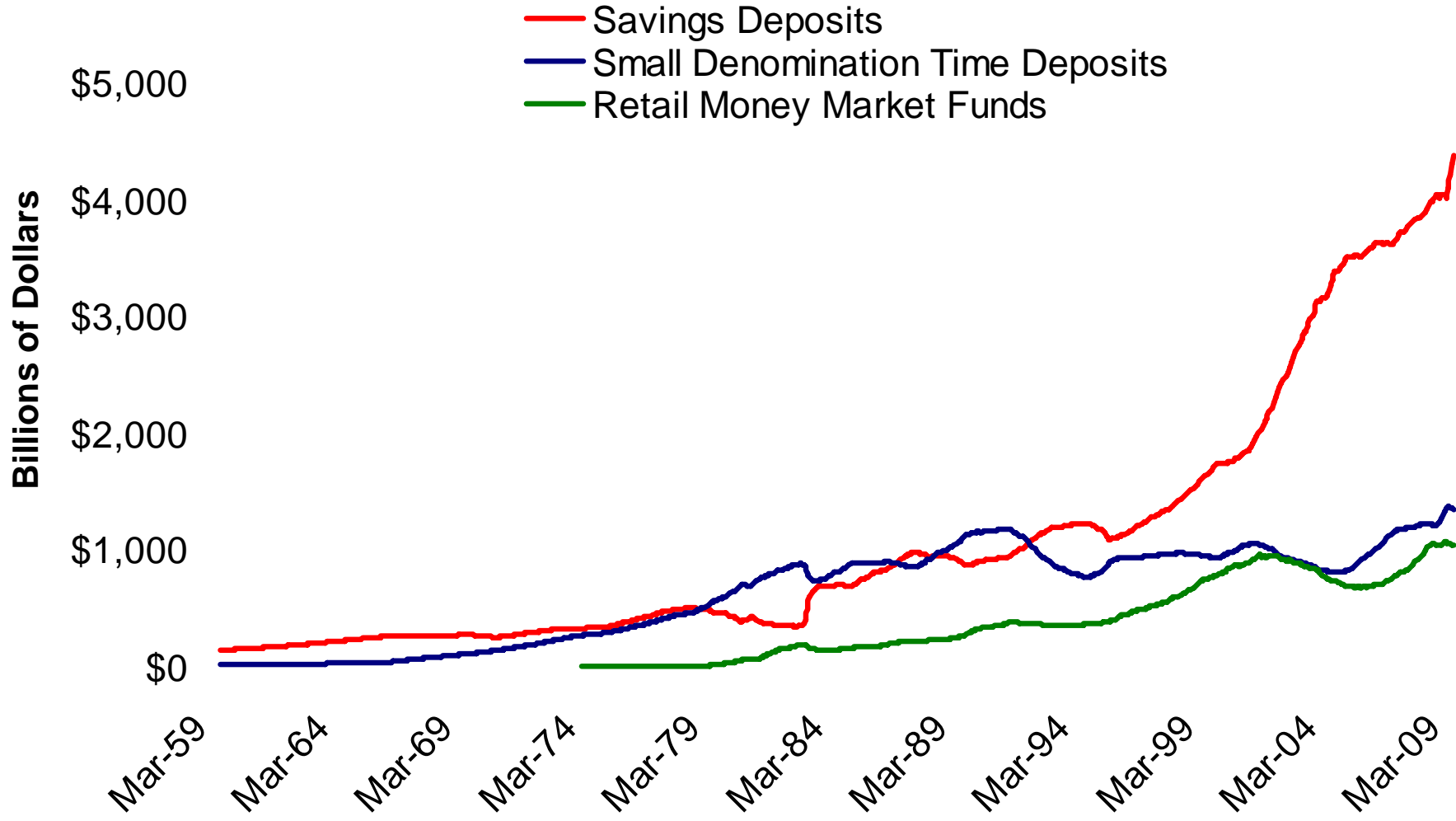
Adjusts for changes in reserve requirements

Sources: Marcus & Millichap Research Services, FRB

Global Ripple: Change in Industrial Production and Merchandise Trade

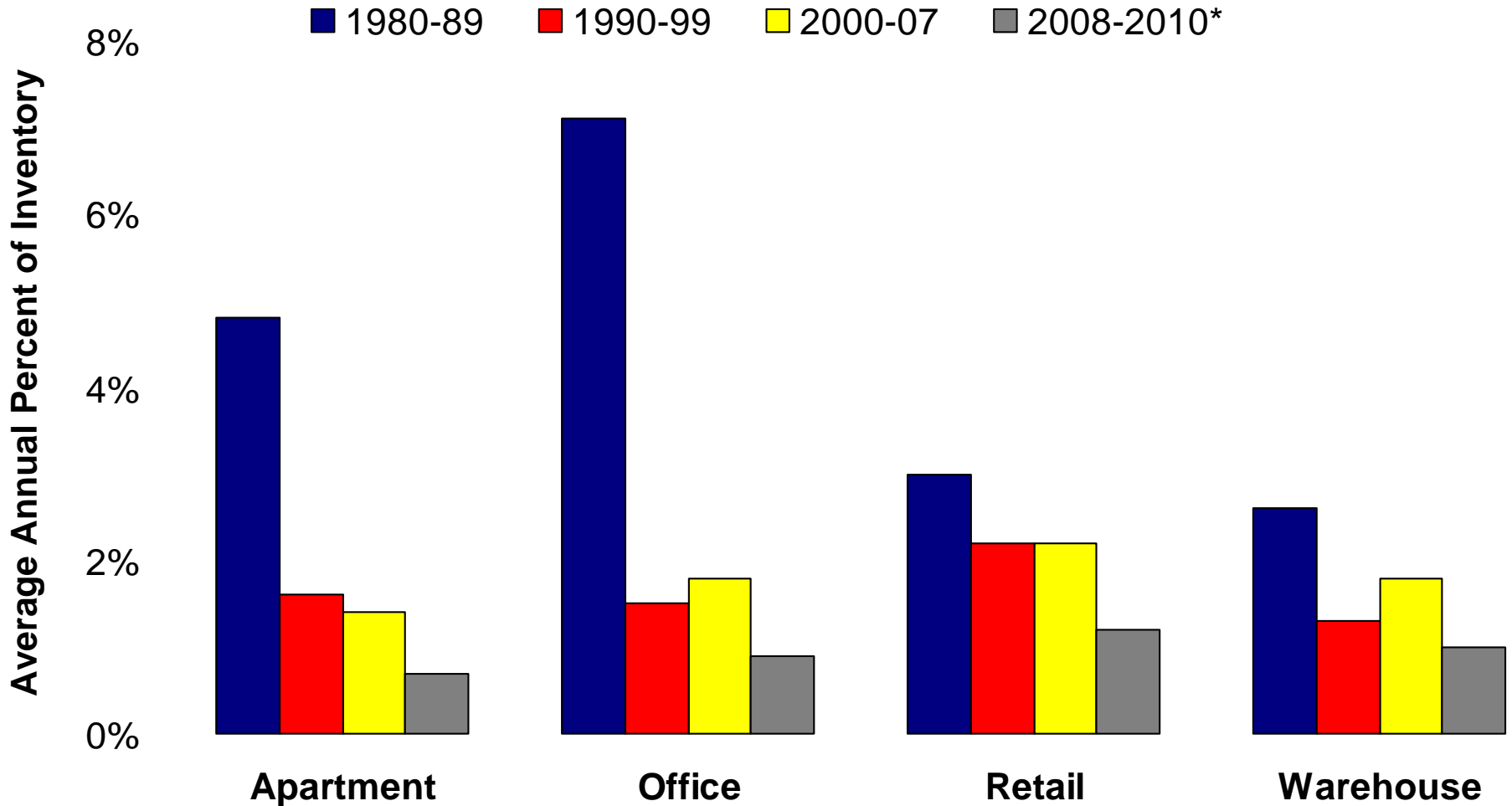


Total Saving Deposits Has Increased Significantly in Recent Months



Commercial Sector Not Over-Built Prior to Recession – Retail Being the Exception, Will Lag in Recovery

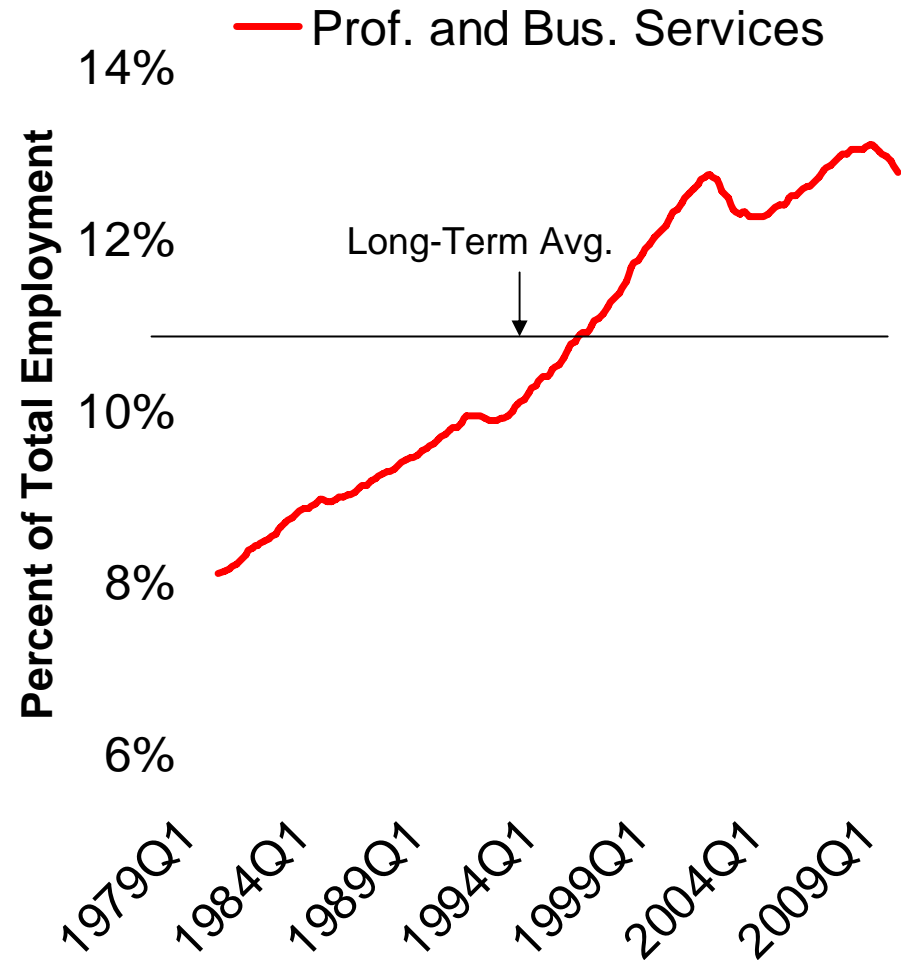
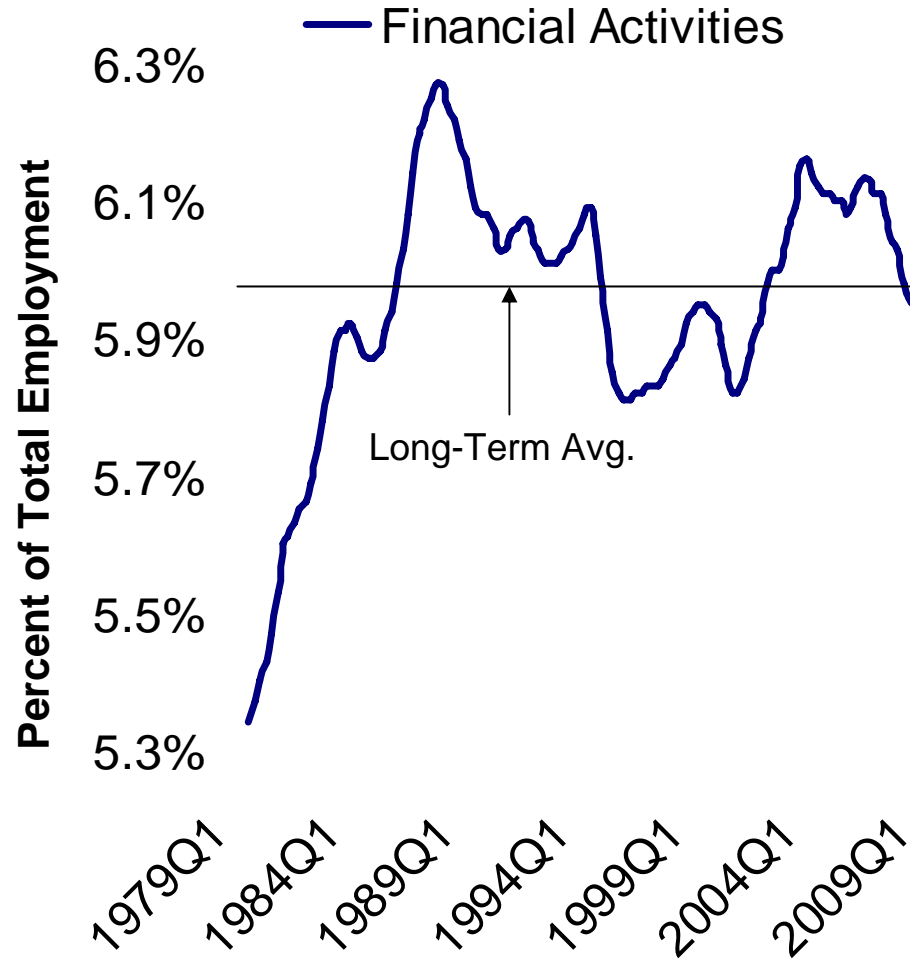
Construction as a Percentage of Existing Inventory



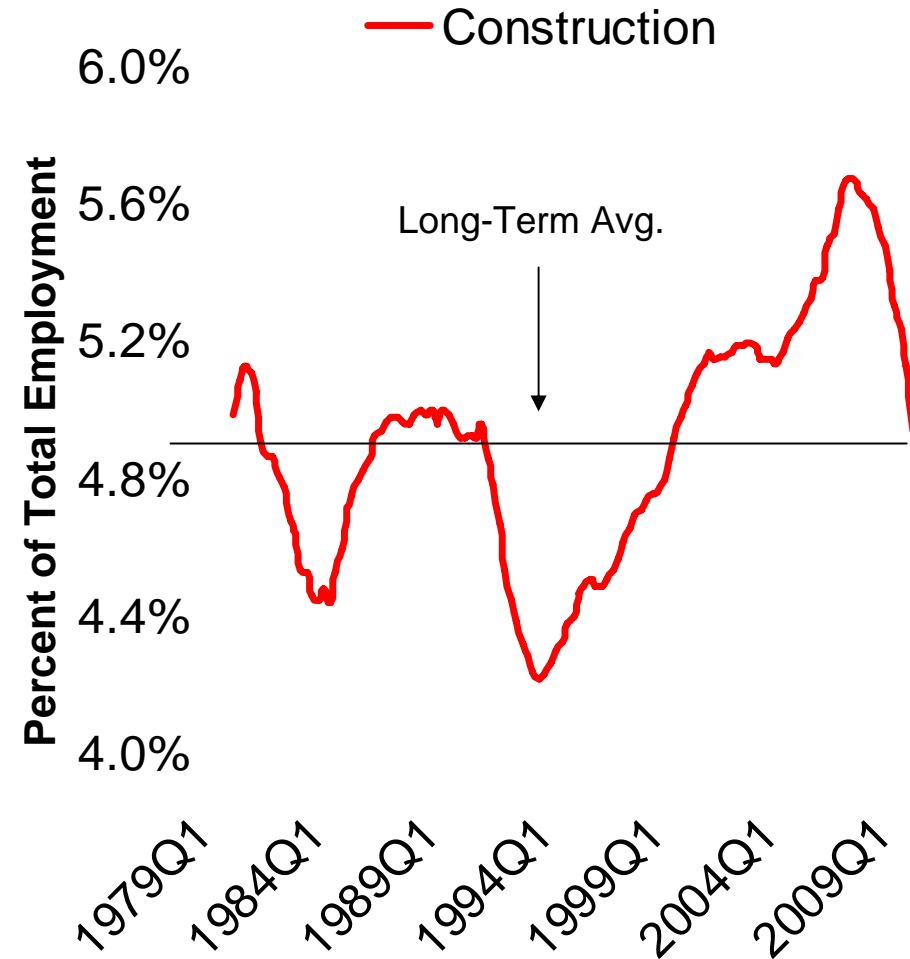
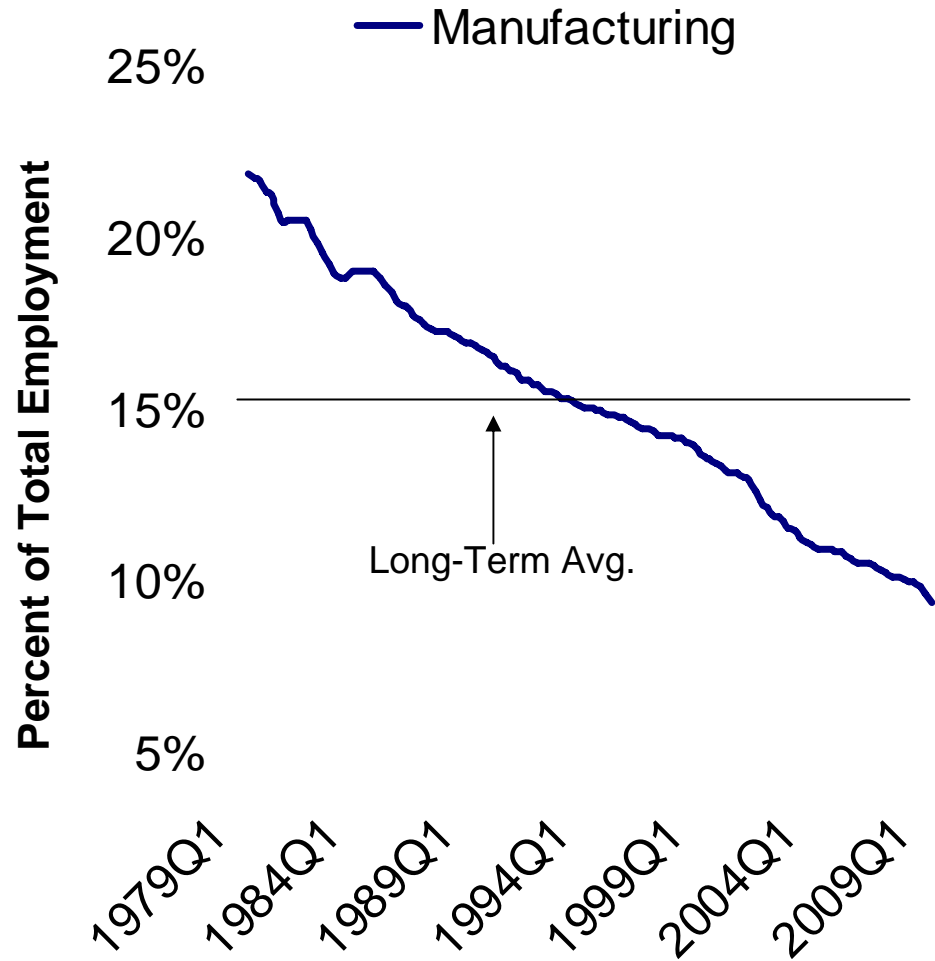
* Forecast

Sources: Marcus & Millichap Research Services, Reis

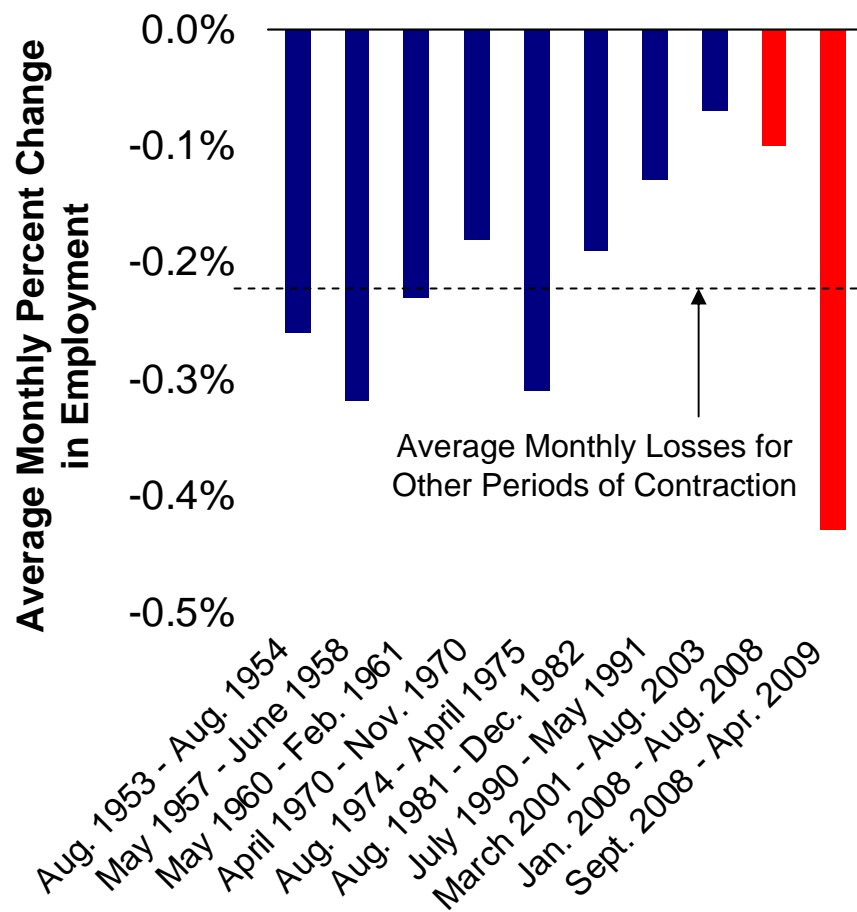
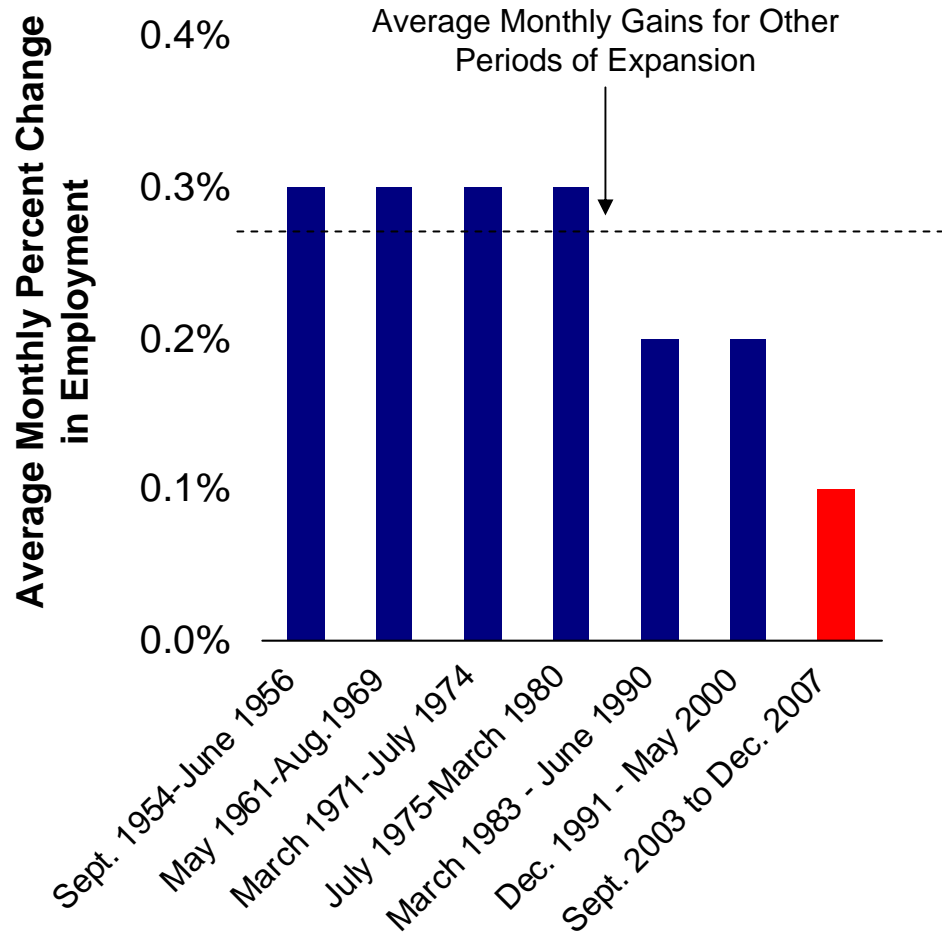
Financial Activities and Professional and Business Services as a Percent of Total Employment



Manufacturing and Construction as a Percent of Total Employment



Job Losses Had Been Below Trend Through August 2008 - Are Extreme Losses Since An Over-Reaction?



***CAPITAL MARKETS
OVERVIEW and OUTLOOK***

Capital Markets Developments Since February 2009

Negative Factors:

- 1. While delinquencies remain low by historical measures, assets moved to special servicing have been doubling every six months over the past 18 months**
- 2. CMBS special servicing now totals 2.3 percent of total outstanding**
- 3. CMBS loan forbearance and extensions are at risk due to bond holder classification – Senior vs. Subordinate**
- 4. Large life insurance companies generally remain on the sidelines**
- 5. Fundamentals continue to weaken**
- 6. Concern over values**
- 7. According to a recent Deutsche Bank Report approximately 67 percent of fixed rate CMBS loans maturing between 2009 and 2018 will not qualify under current conditions for refinancing**

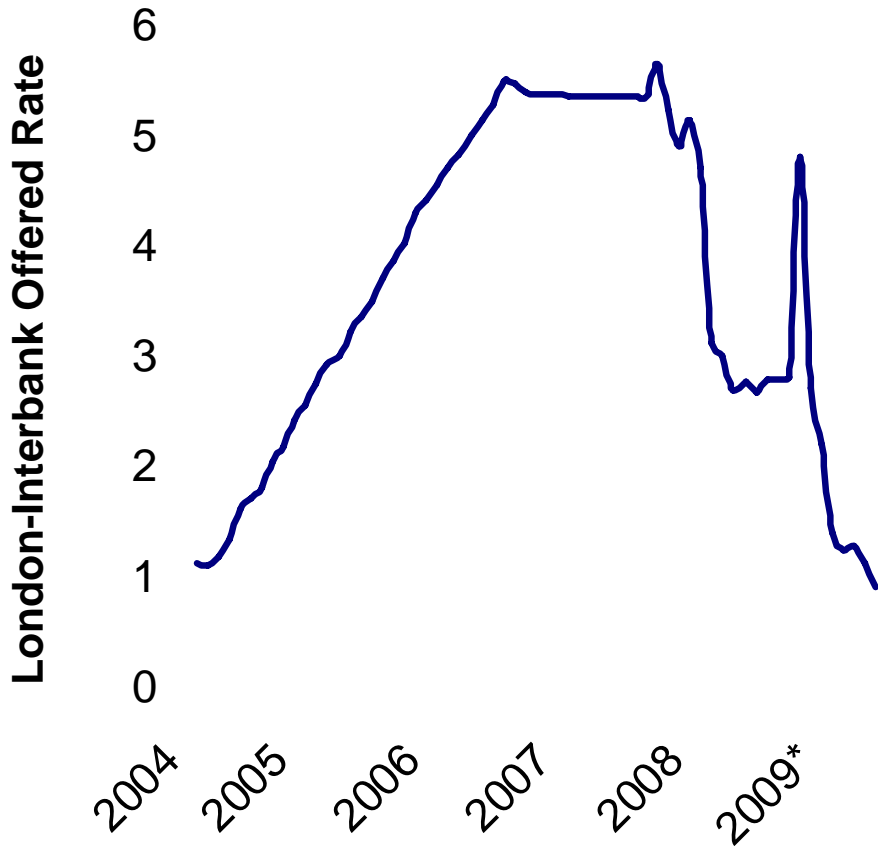
Capital Markets Developments Since February 2009

Positive Factors:

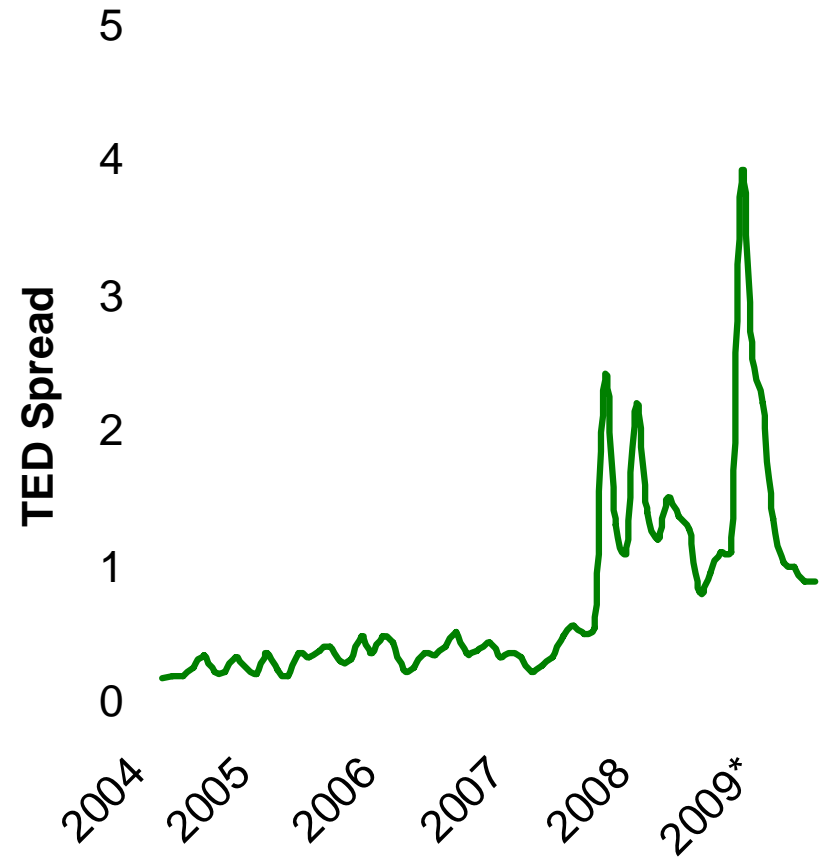
- 1. Interbank lending continues to improve. Commercial paper rates, LIBOR rates and TED spreads have continued to support liquidity**
- 2. The Central Bank purchase of Treasuries and agreement to increase purchases of agency mortgage backed securities**
- 3. Government initiatives to increase liquidity – TARP, PPIP, TALF**
- 4. While rising, delinquencies continue to be historically low**
- 5. Mark-to-market accounting rules have eased, giving banks greater flexibility in valuing their distressed assets**
- 6. Lenders are utilizing forbearance and loan extension**
- 7. Deals are getting done with primarily local and regional banks with some limited life company participation**

Banking System Liquidity Indicators

90-Day LIBOR



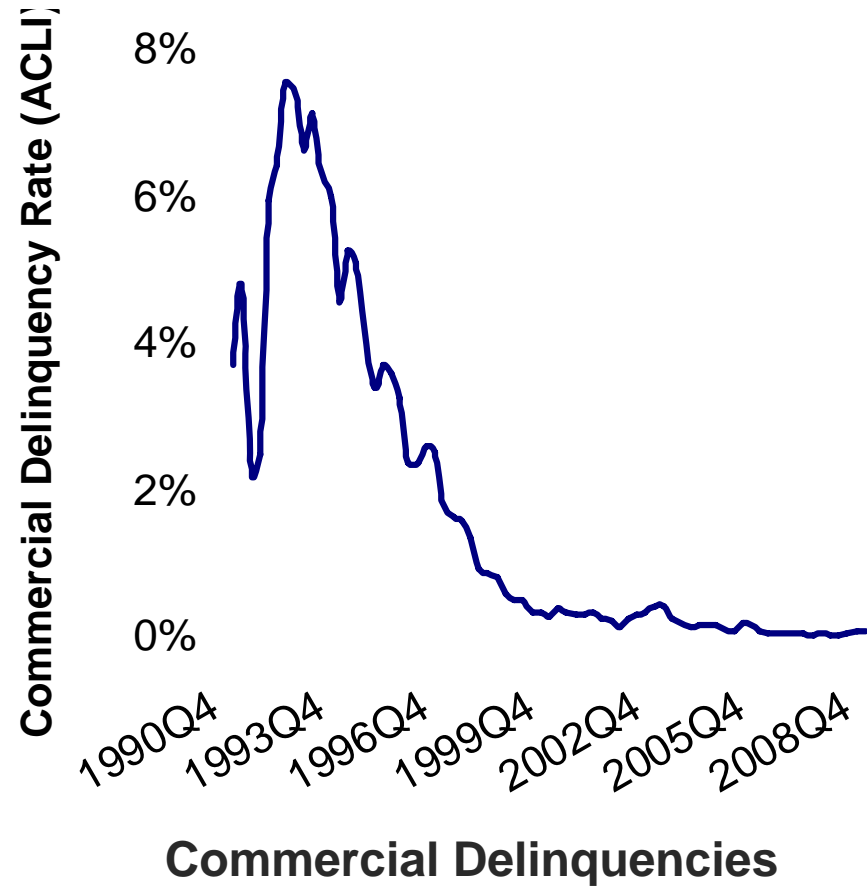
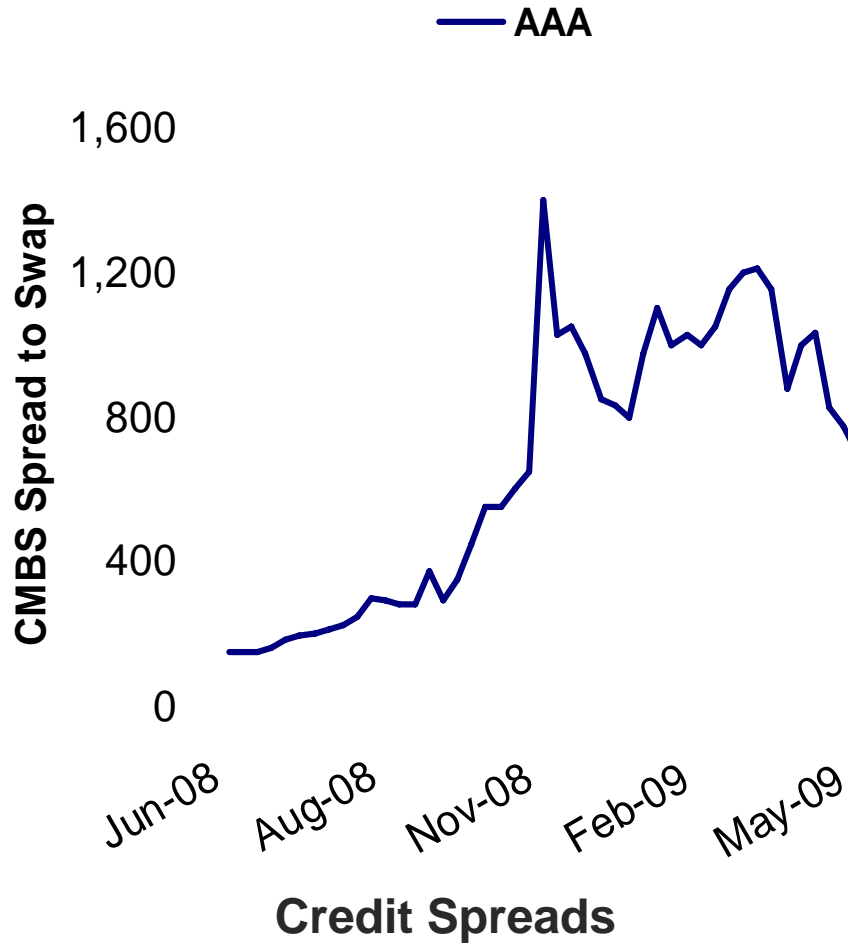
TED Spread



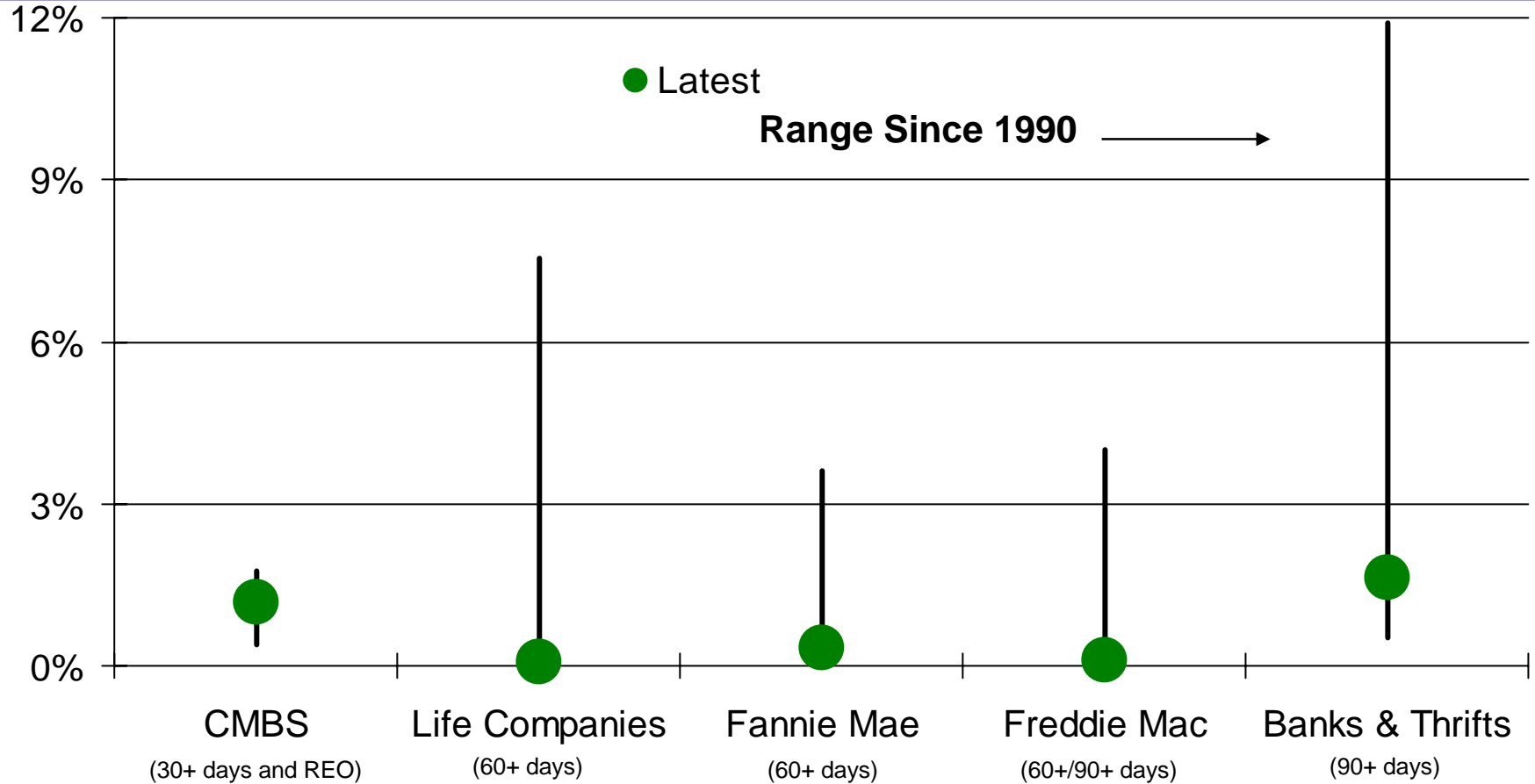
* Through May 12th

Sources: Marcus & Millichap Research Services, Bloomberg

Spreads Remain Volatile – Delinquencies Near Historic Low; Expected to Rise



Delinquency Rates



Fannie and Freddie latest as of 1Q09, all others as of 4Q08

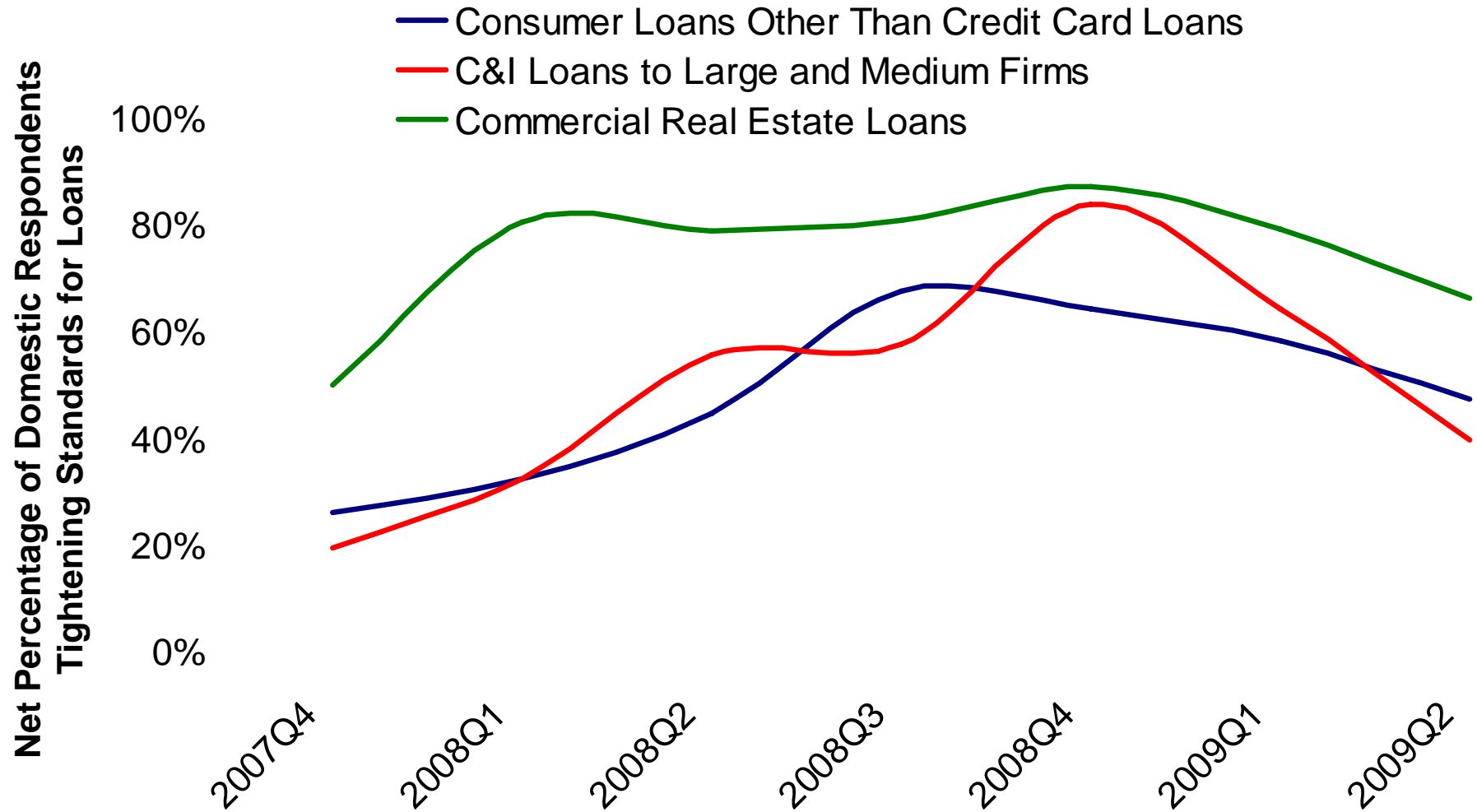
CMBS Through 1997

Freddie Mac – 60+ days from 1990-2Q08, 90+ days from 2Q08-4Q08

Prior to 1996 commercial bank and thrift figures are for commercial banks only and also include construction and land development loans

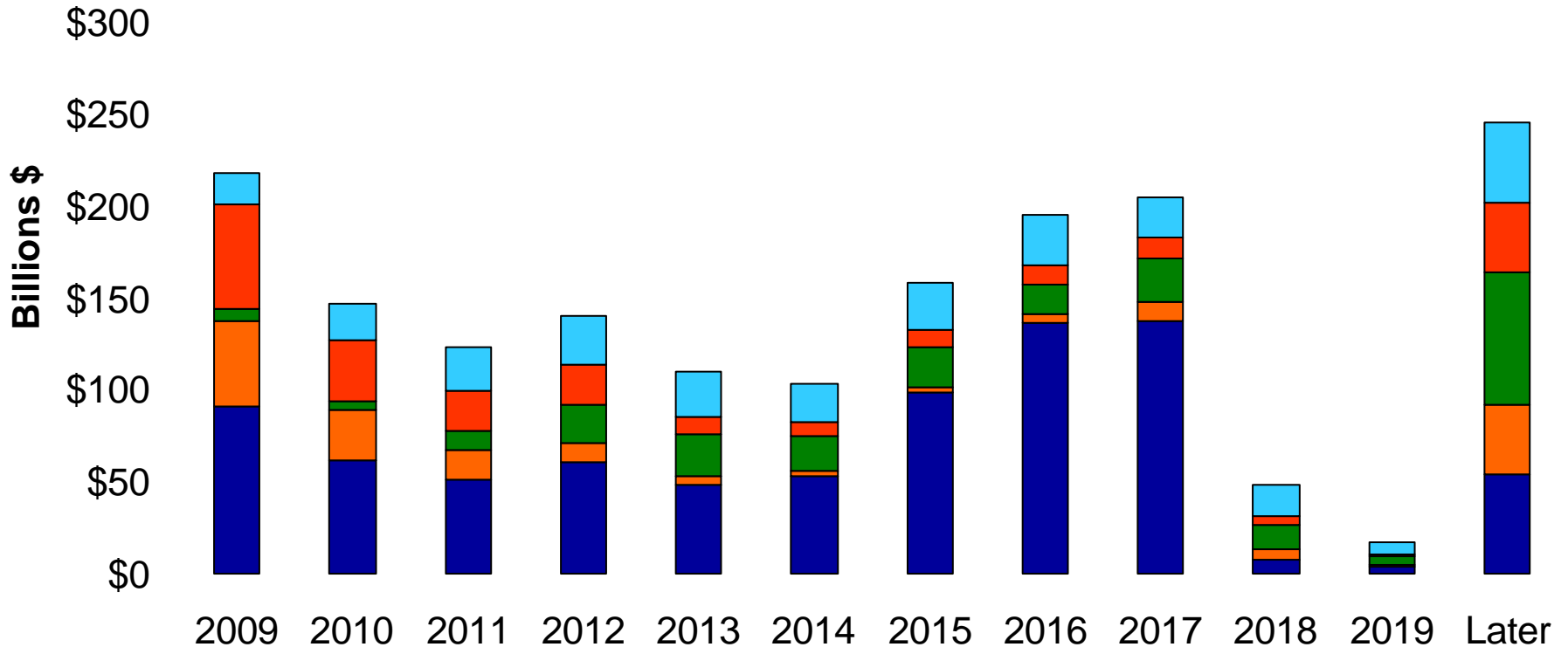
Sources: Marcus & Millichap Research Services, Wachovia Capital Markets, LLC and Intex Solutions, Inc., ACLI, Fannie Mae, Freddie Mac, OFHEO and FDIC

Fewer Banks Tightening Lending Standards

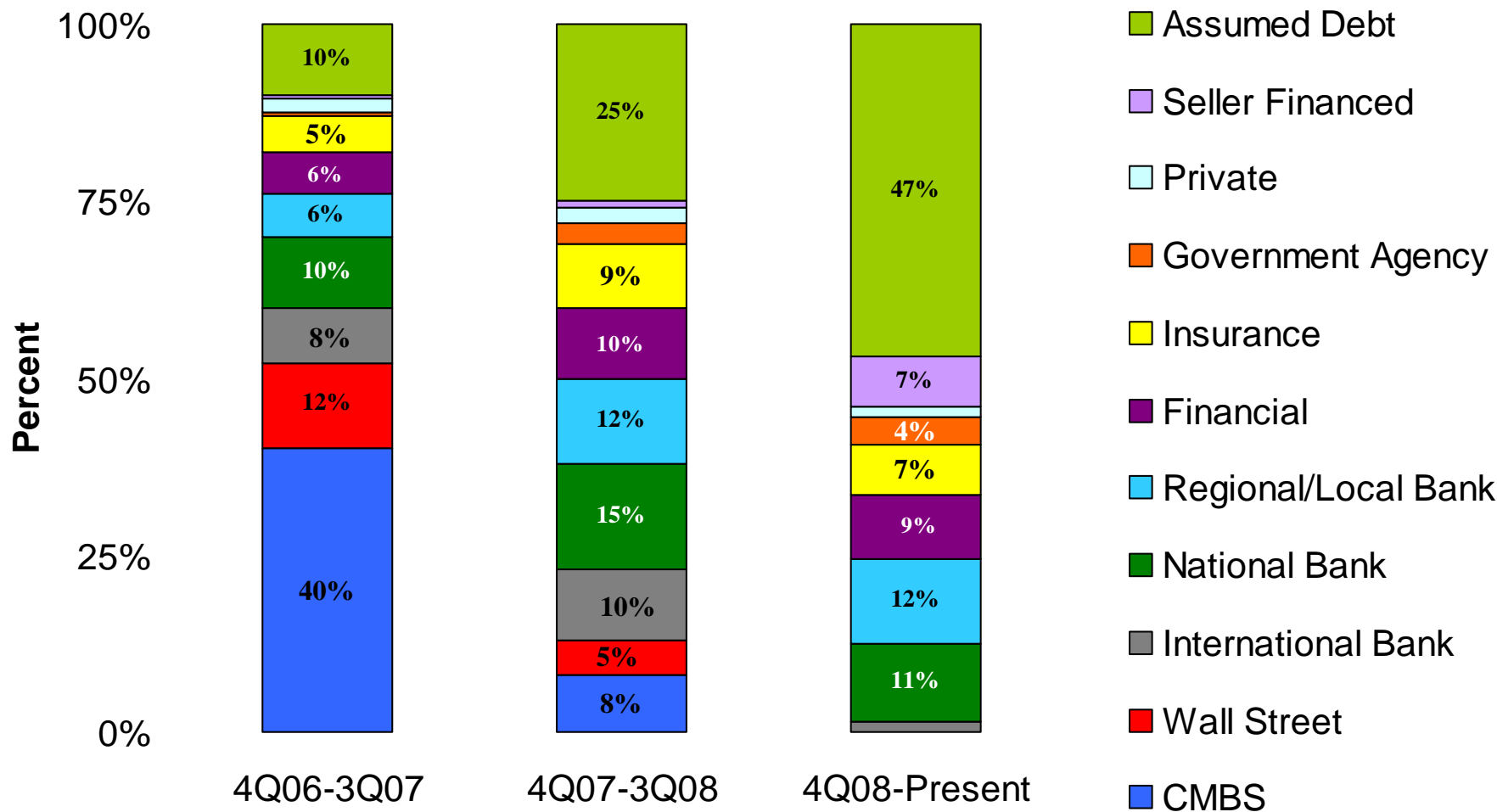


Total Maturities by Lender Type

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

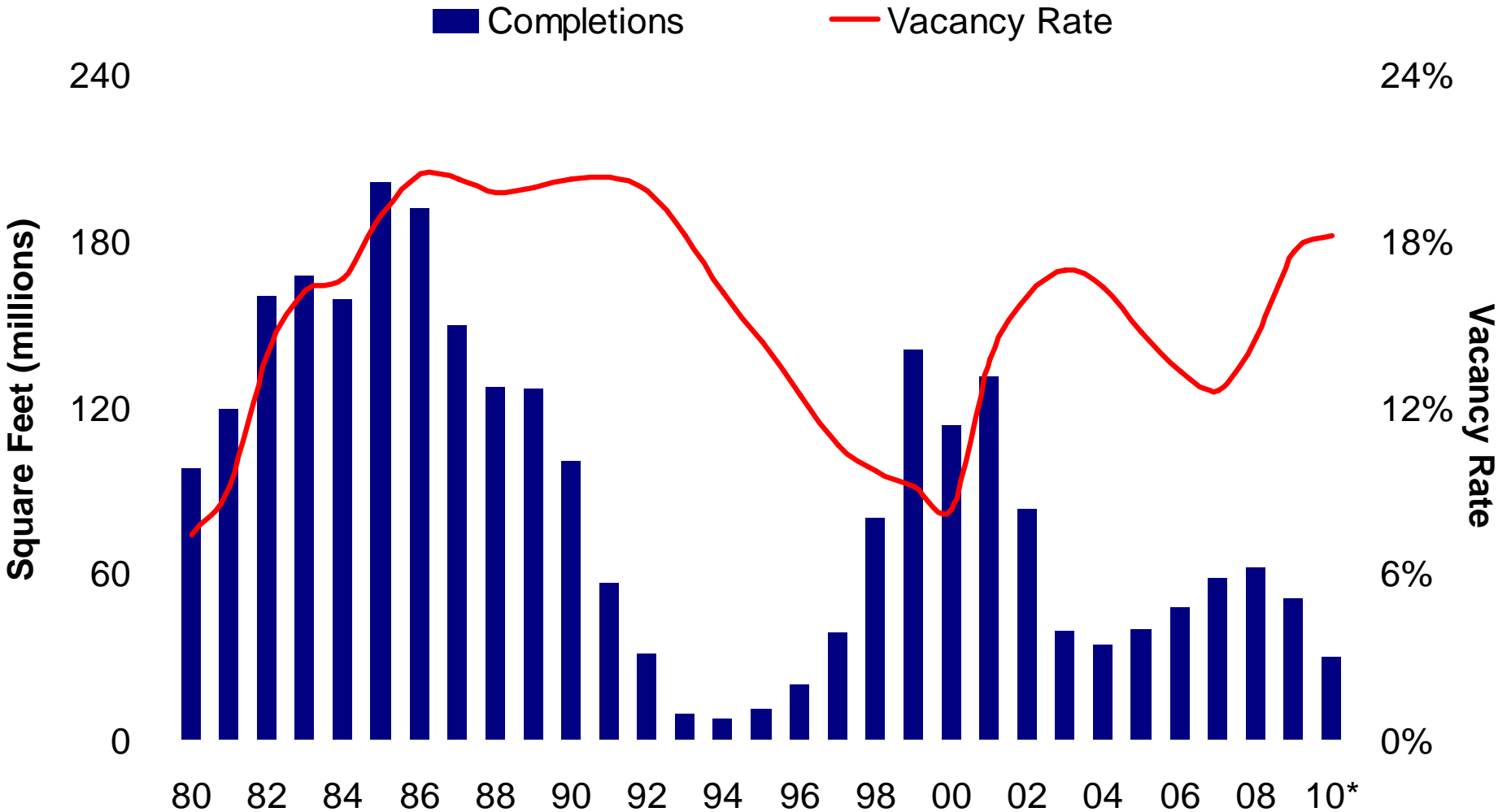


Sources of Acquisition Financing by Dollar Volume



National Office Overview

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

Office Construction as a Percent of Beginning Inventory

Top and Bottom U.S. Markets: YE 2009*

Top 15 Markets	Completions Square Feet	Inventory % Growth
Detroit	27,000	0.0%
San Francisco	115,000	0.1%
Orange County	160,000	0.2%
Palm Beach	50,000	0.2%
Columbus	107,000	0.3%
St. Louis	190,000	0.4%
Jacksonville	108,000	0.4%
Los Angeles	968,000	0.5%
Oakland-East Bay	269,000	0.5%
Philadelphia	600,000	0.5%
New Jersey	1,063,000	0.6%
Boston	700,000	0.6%
Cleveland	200,000	0.6%
Tucson	37,000	0.7%
Milwaukee	190,000	0.7%
United States	50,858,000	1.3%

Bottom 15 Markets	Completions Square Feet	Inventory % Growth
Chicago	4,700,000	2.0%
Charlotte	880,000	2.2%
Houston	3,500,000	2.2%
Miami	900,000	2.2%
Orlando	750,000	2.3%
Salt Lake City	700,000	2.4%
Tampa-St. Petersburg	1,000,000	2.5%
Sacramento	1,150,000	2.6%
San Jose	1,316,000	2.7%
San Antonio	800,000	2.9%
Phoenix	2,070,000	3.0%
Inland Empire	605,000	3.1%
Austin	1,500,000	3.8%
Las Vegas	890,000	3.8%
Seattle-Tacoma	3,587,000	4.6%
United States	50,858,000	1.3%

* Forecast

Sources: Marcus & Millichap Research Services, Reis

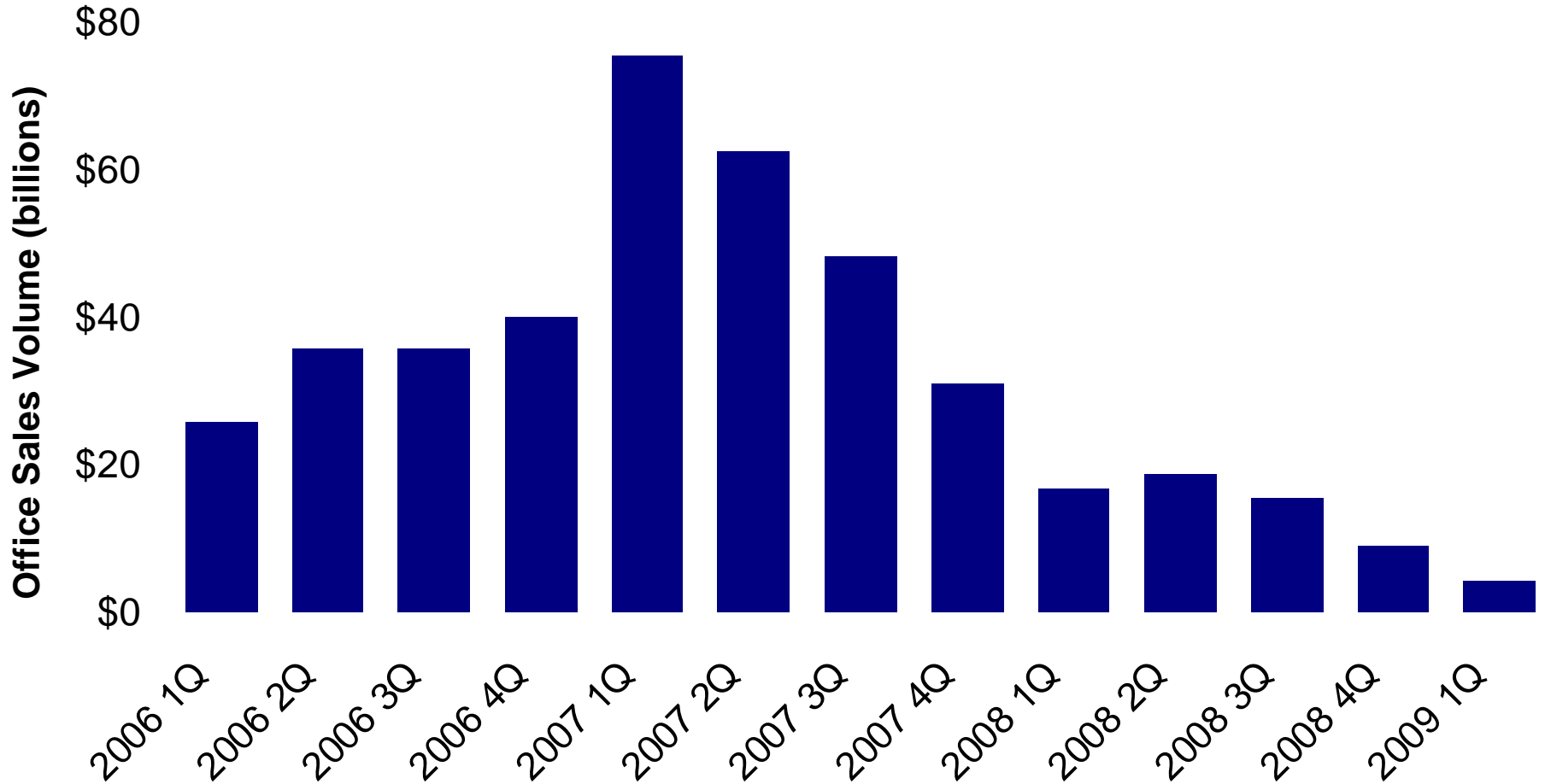
Office Vacancy Ranking

1Q 2009

Top 15 Markets	1Q 09 Vacancy	YOY BPS Change
Philadelphia	12.3%	10
Cleveland	18.8%	70
Columbus	18.6%	80
Louisville	14.1%	110
Cincinnati	19.3%	110
New Haven-F.C.	15.2%	110
Chicago	16.5%	120
Houston	13.0%	130
Portland	12.7%	140
Sacramento	17.2%	140
Northern New Jersey	16.0%	140
Salt Lake City	13.9%	140
Charlotte	13.0%	150
Indianapolis	16.6%	160
St. Louis	16.1%	180
U.S. Average	15.2%	240

Bottom 15 Markets	1Q 09 Vacancy	YOY BPS Change
San Francisco	12.8%	330
Palm Beach	16.2%	340
Detroit	25.5%	370
Fort Lauderdale	16.0%	390
Orlando	14.1%	390
Oakland-East Bay	17.1%	390
Miami	13.7%	430
New York	10.2%	450
Austin	20.0%	450
Orange County	15.8%	450
Tampa-St. Petersburg	17.5%	460
Phoenix	20.6%	500
San Jose	19.2%	530
Las Vegas	19.8%	570
Inland Empire	21.6%	740
U.S. Average	15.2%	240

U.S. Office Sales Volume by Quarter

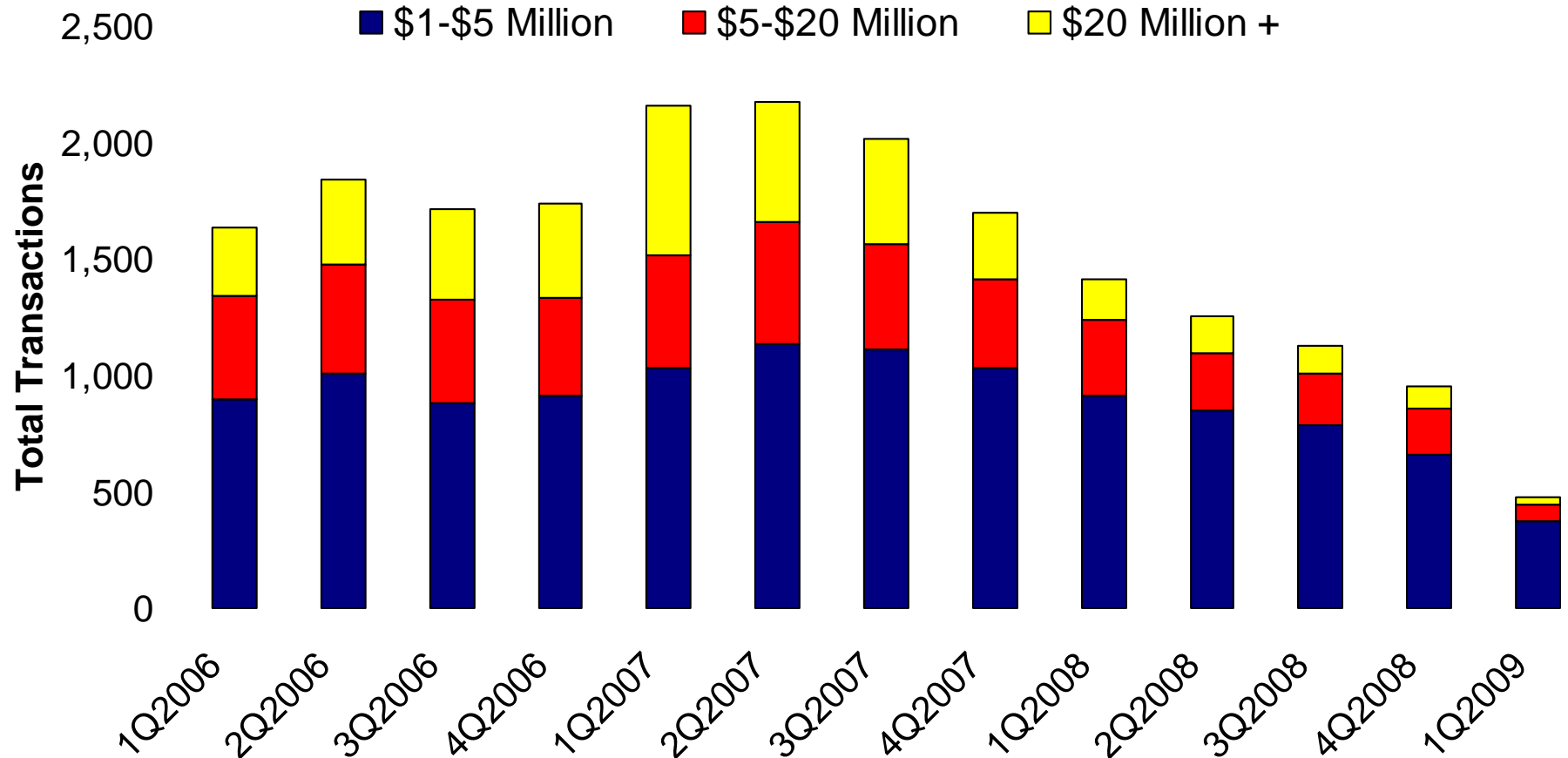


Includes Sales of \$1 Million and Greater

Sources: Marcus & Millichap Research Services, Real Capital Analytics

National Office Transactions

Quarterly Velocity

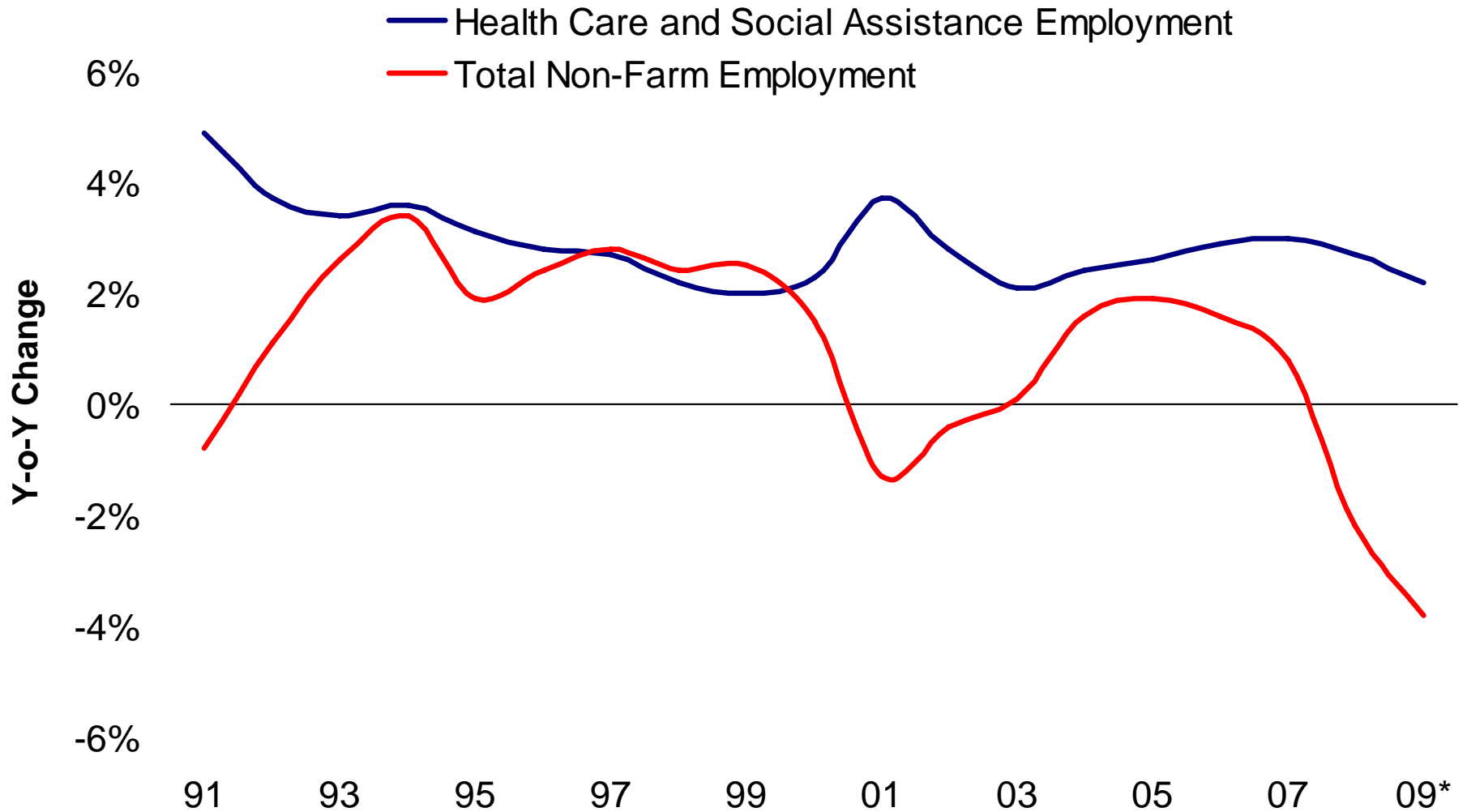


*Excludes Owner/User and Condos

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

National Medical Office Overview

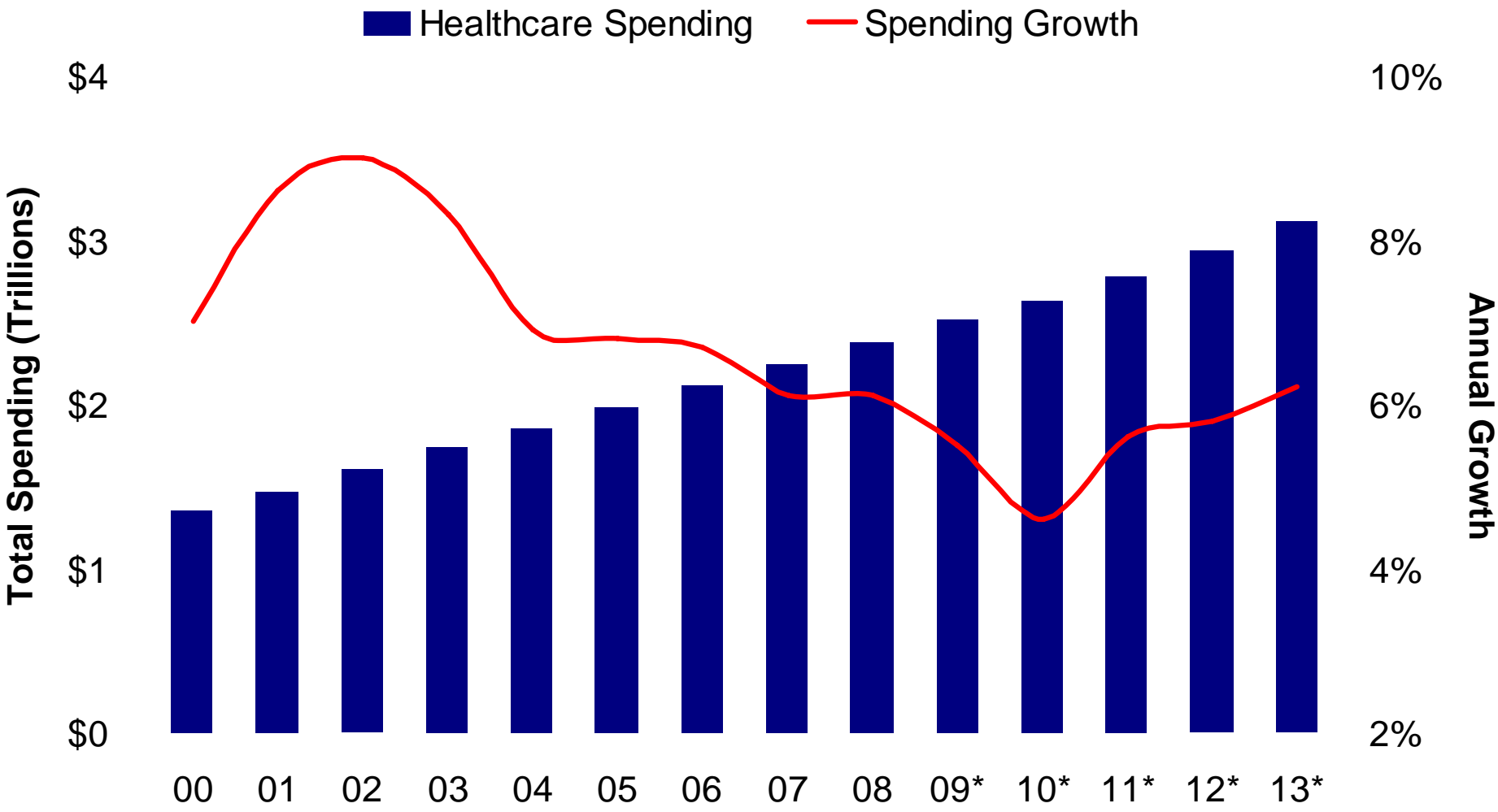
Health Care and Social Assistance Employment vs. Total Non-Farm Employment



* Through April

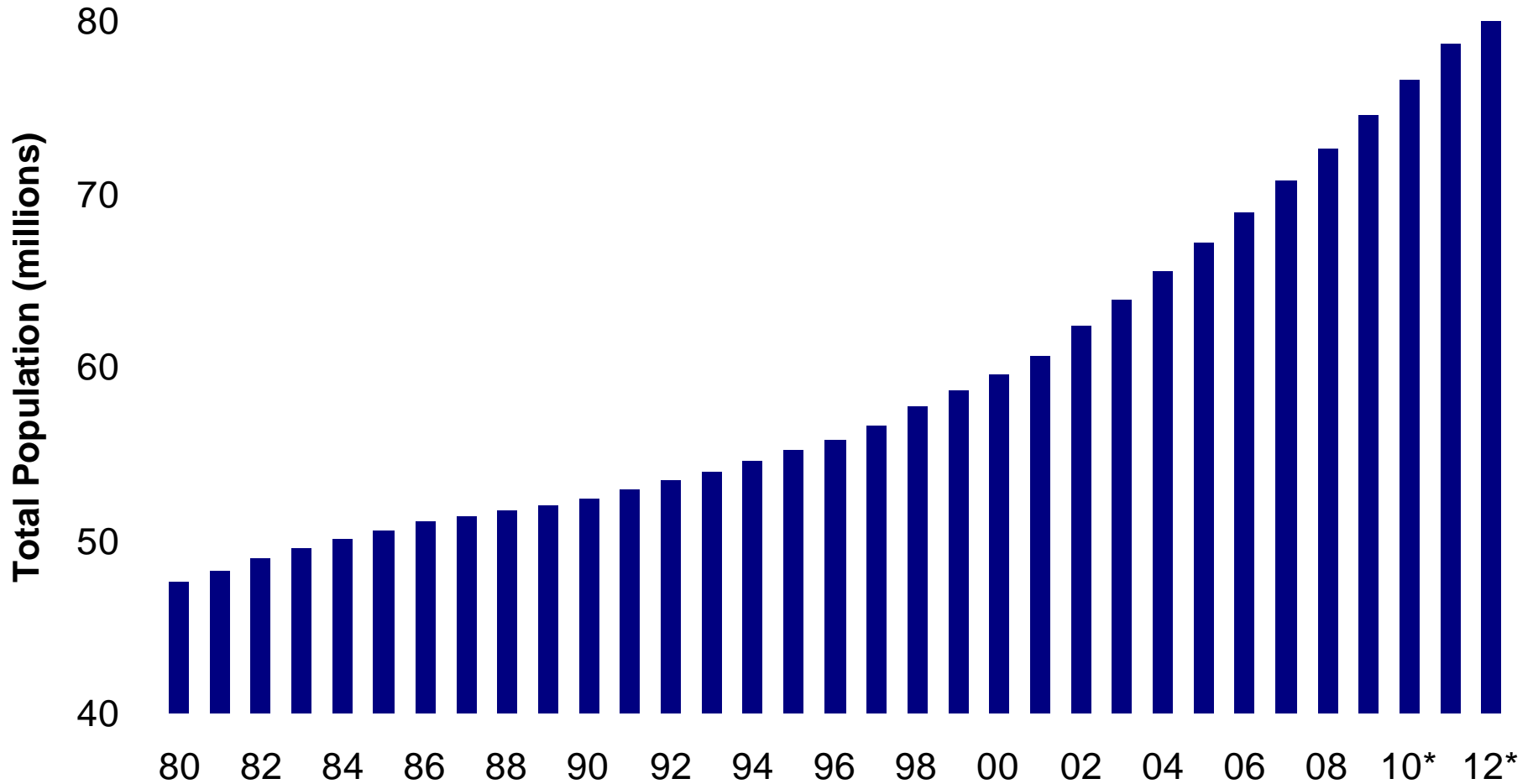
Sources: Marcus & Millichap Research Services, Economy.com, BLS

Health Care Spending Trends



* Forecast
Sources: Marcus & Millichap Research Services, Economy.com

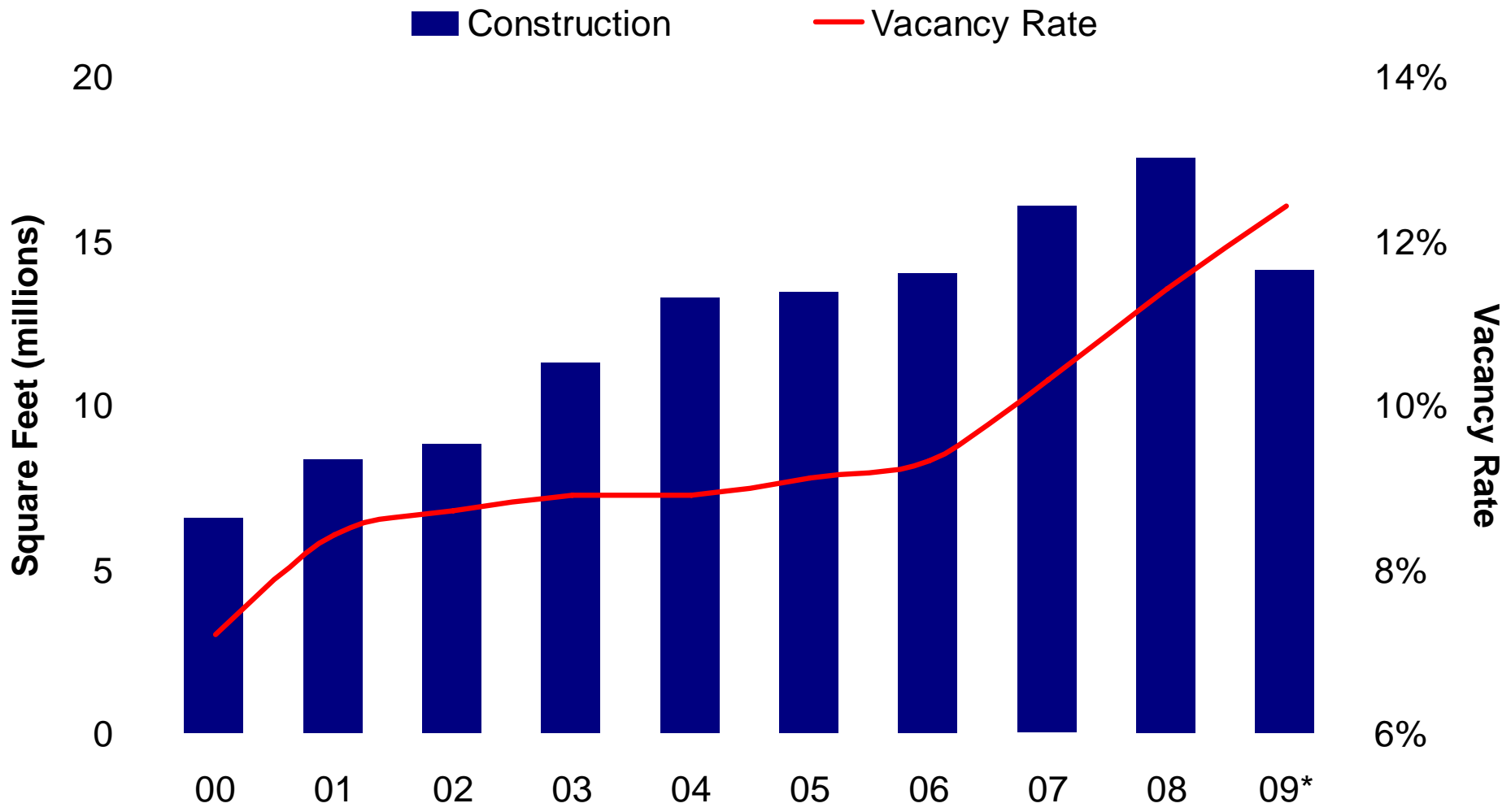
Total Population 55+



* Forecast

Sources: Marcus & Millichap Research Services, Economy.com, Bureau of Census

Medical Office Supply and Demand United States



* Forecast
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., TWR

National Industrial Overview

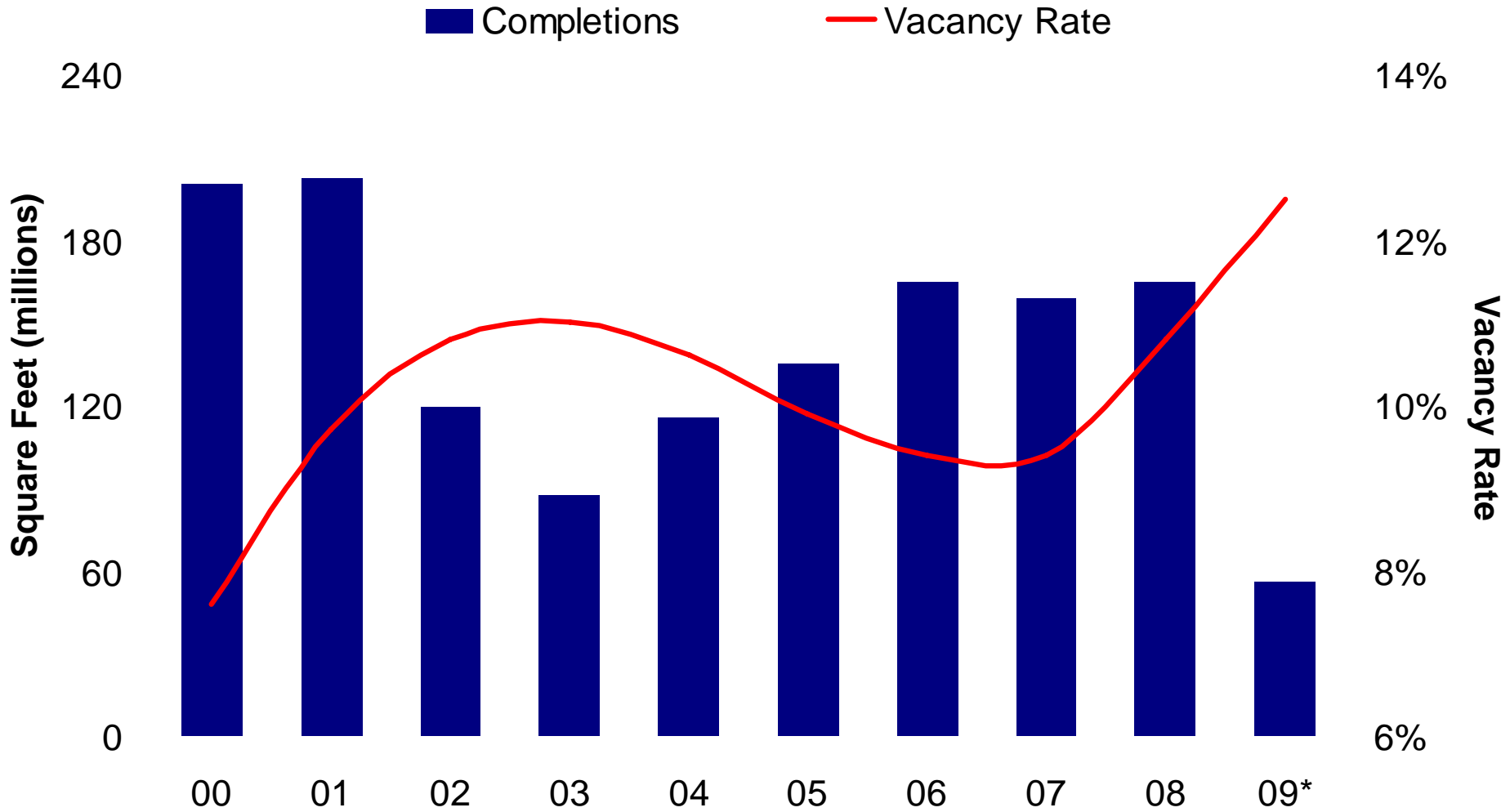
Change in Activity United States Ports

Port	YTD* TEUs	YOY Change
Seattle	329,274	-30.9%
Long Beach	1,091,468	-29.5%
Savannah	528,065	-19.5%
Los Angeles	1,527,402	-17.4%
New York-New Jersey	823,066	-17.4%
Oakland	459,865	-15.7%
Houston	388,441	-12.0%

* Through March

Sources: Marcus & Millichap Research Services

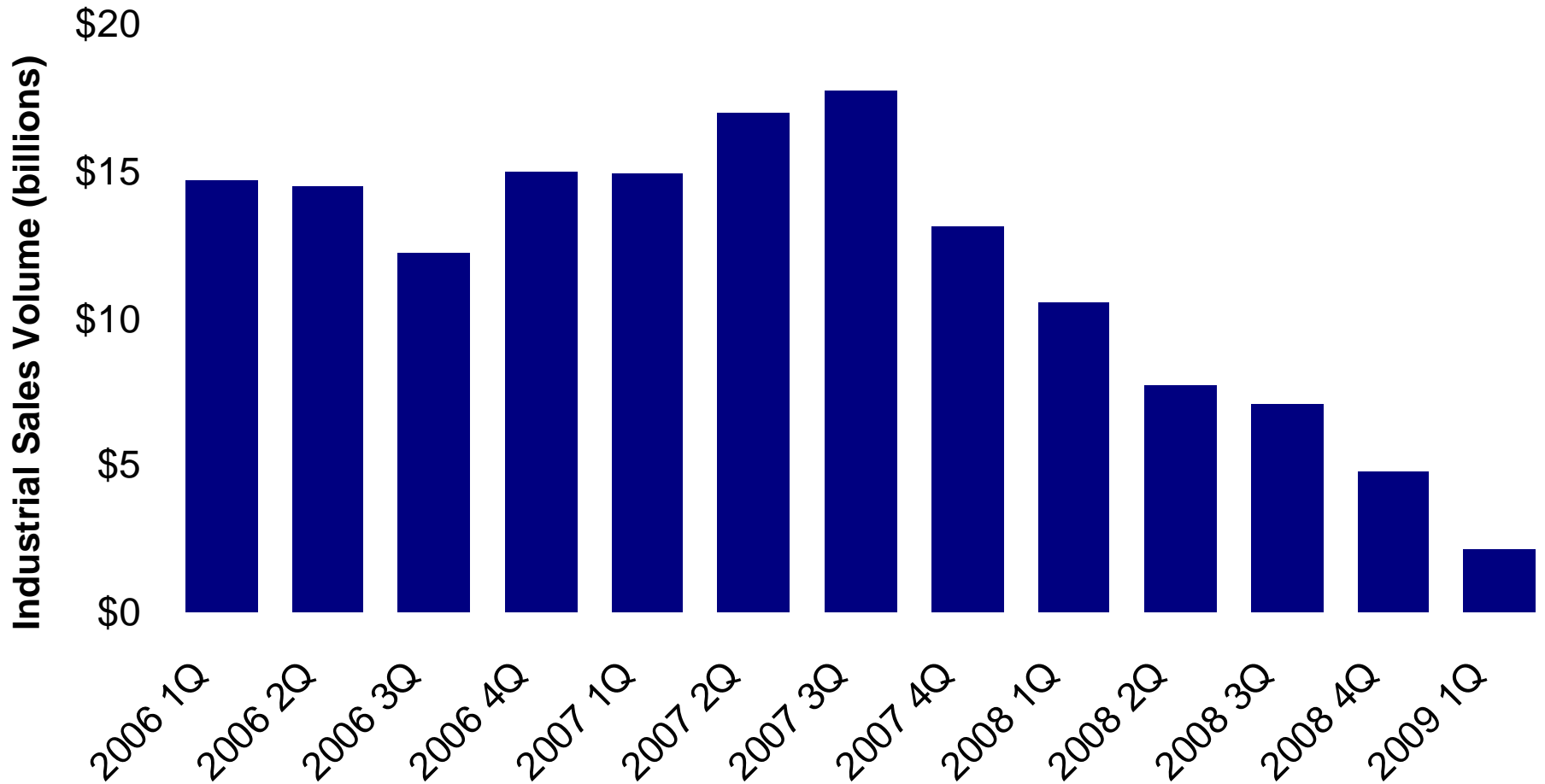
Industrial Vacancy Rising – Construction Expected to Drop-Off More Significantly



* Forecast

Sources: Marcus & Millichap Research Services, Reis

U.S. Industrial Sales Volume by Quarter

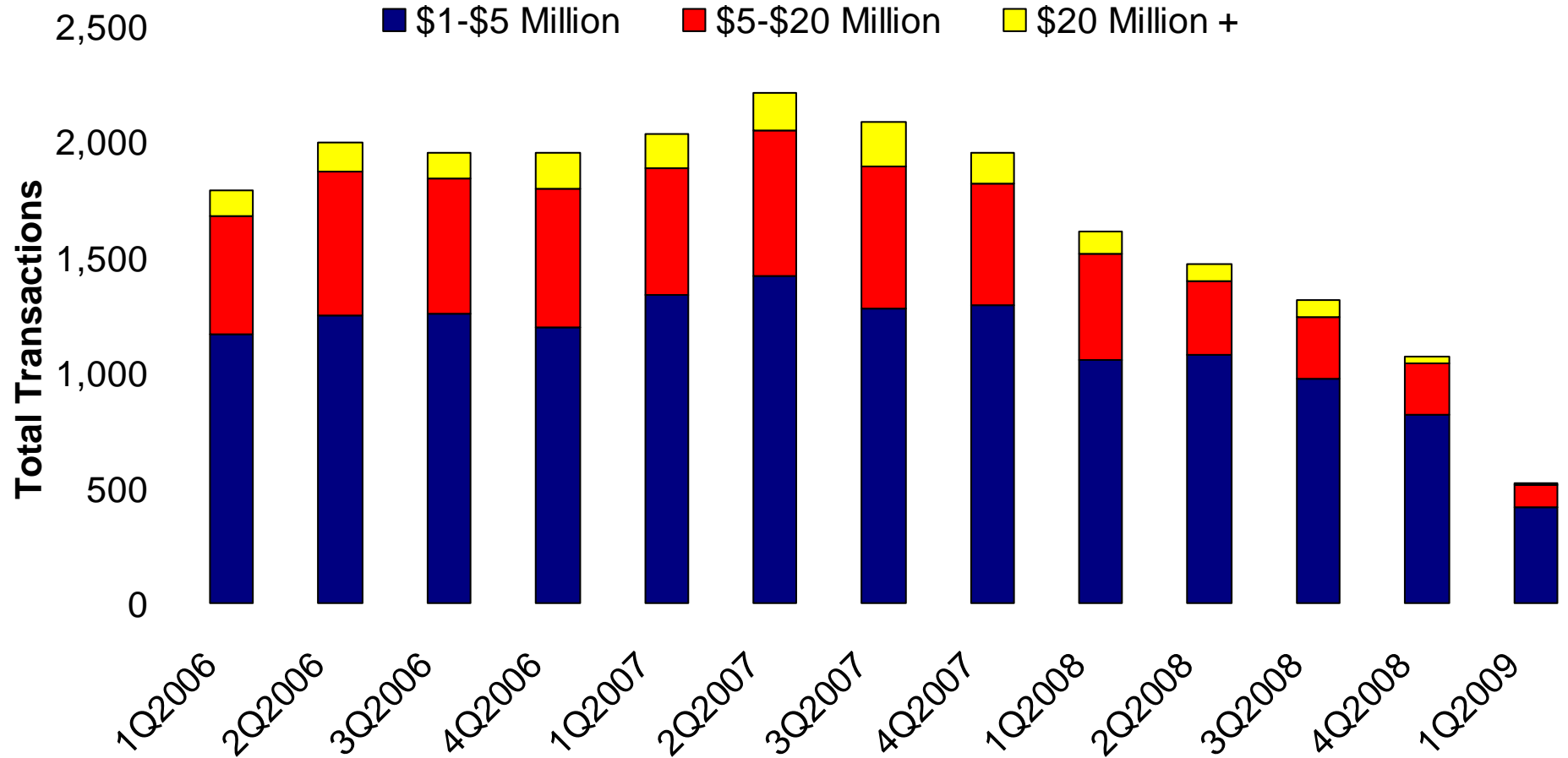


Includes Sales of \$1 Million and Greater

Sources: Marcus & Millichap Research Services, Real Capital Analytics

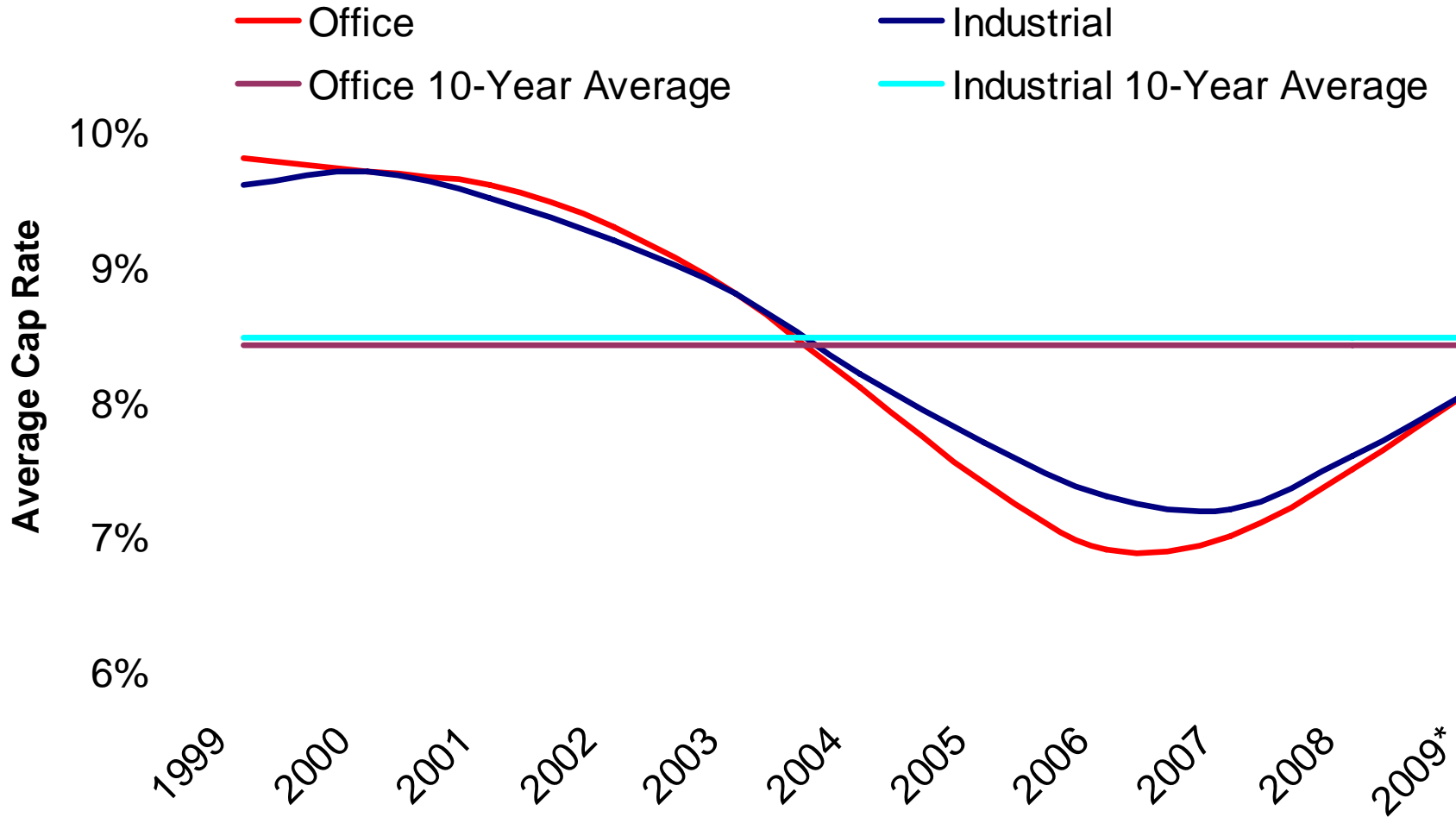
National Industrial Transactions

Quarterly Velocity



Cap Rate Trends

Office vs. Industrial



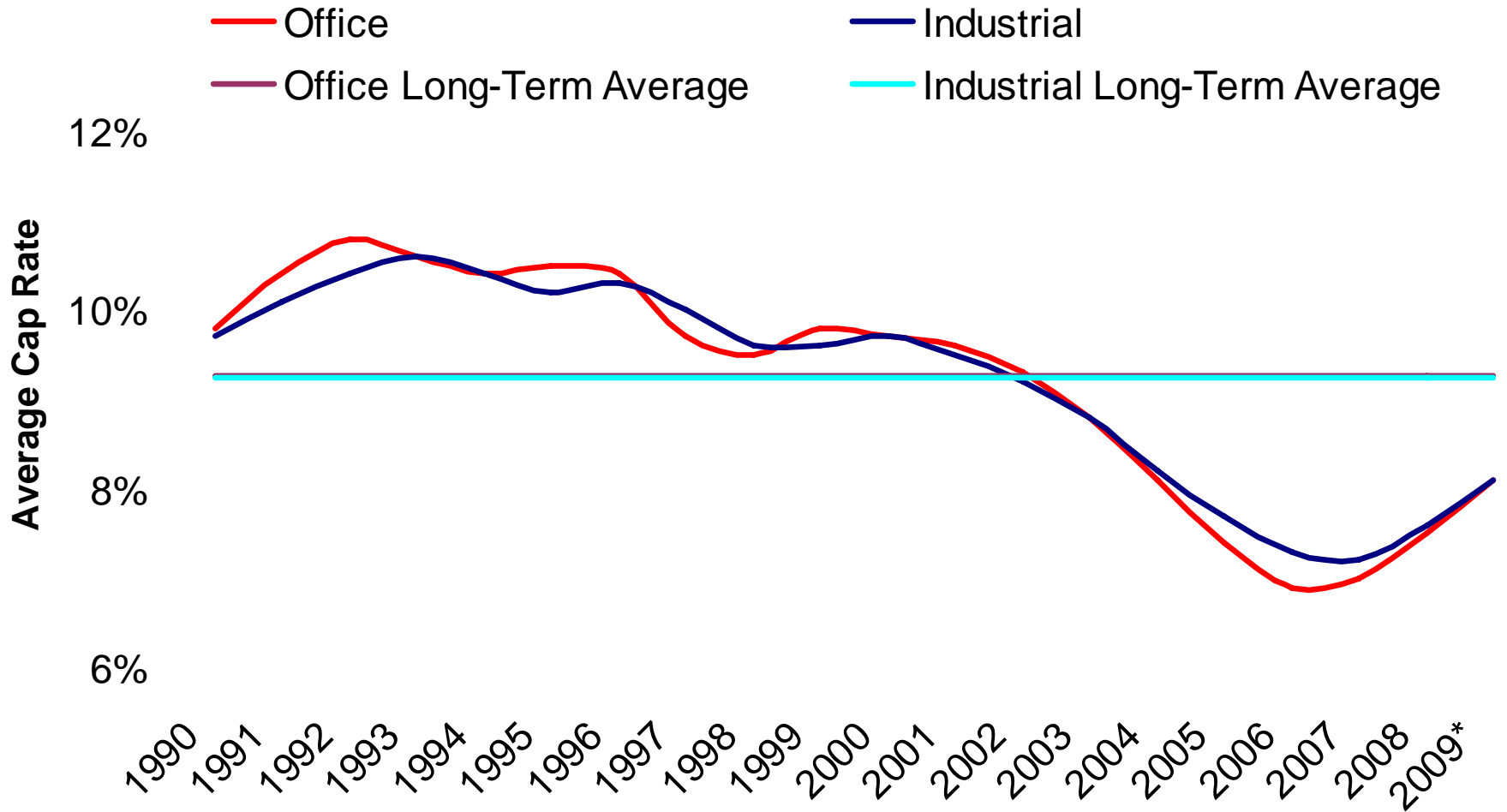
* Through 1Q

Sales \$1,000,000 and above

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

Cap Rate Trends

Office vs. Industrial



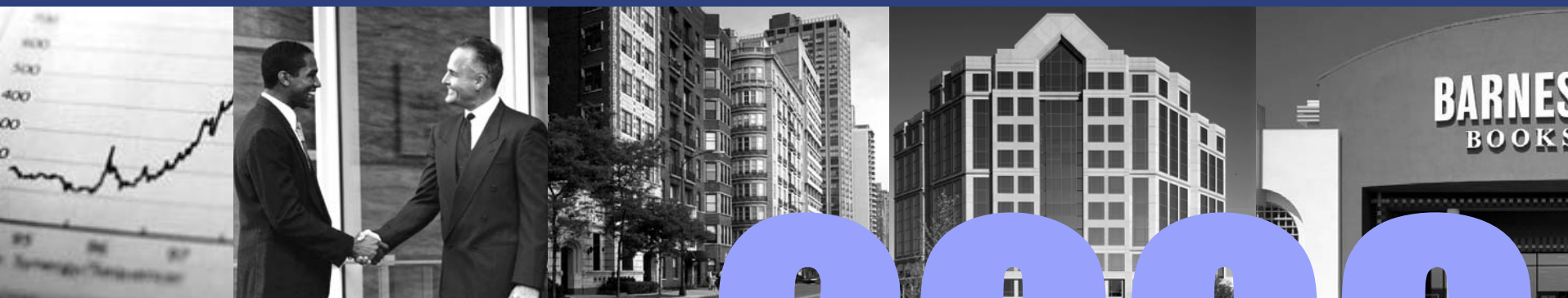
* Through 1Q

Sales \$1,000,000 and above

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

A Few Final Observations

- **Pricing**
- **Deal Size**
- **Add-Value vs. Stabilized**
- **Distress**
- **Transactional Velocity**



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