2008

National Economic and Office/Industrial Market

Overview and Outlook – Special Client Webcast

December 16, 2008

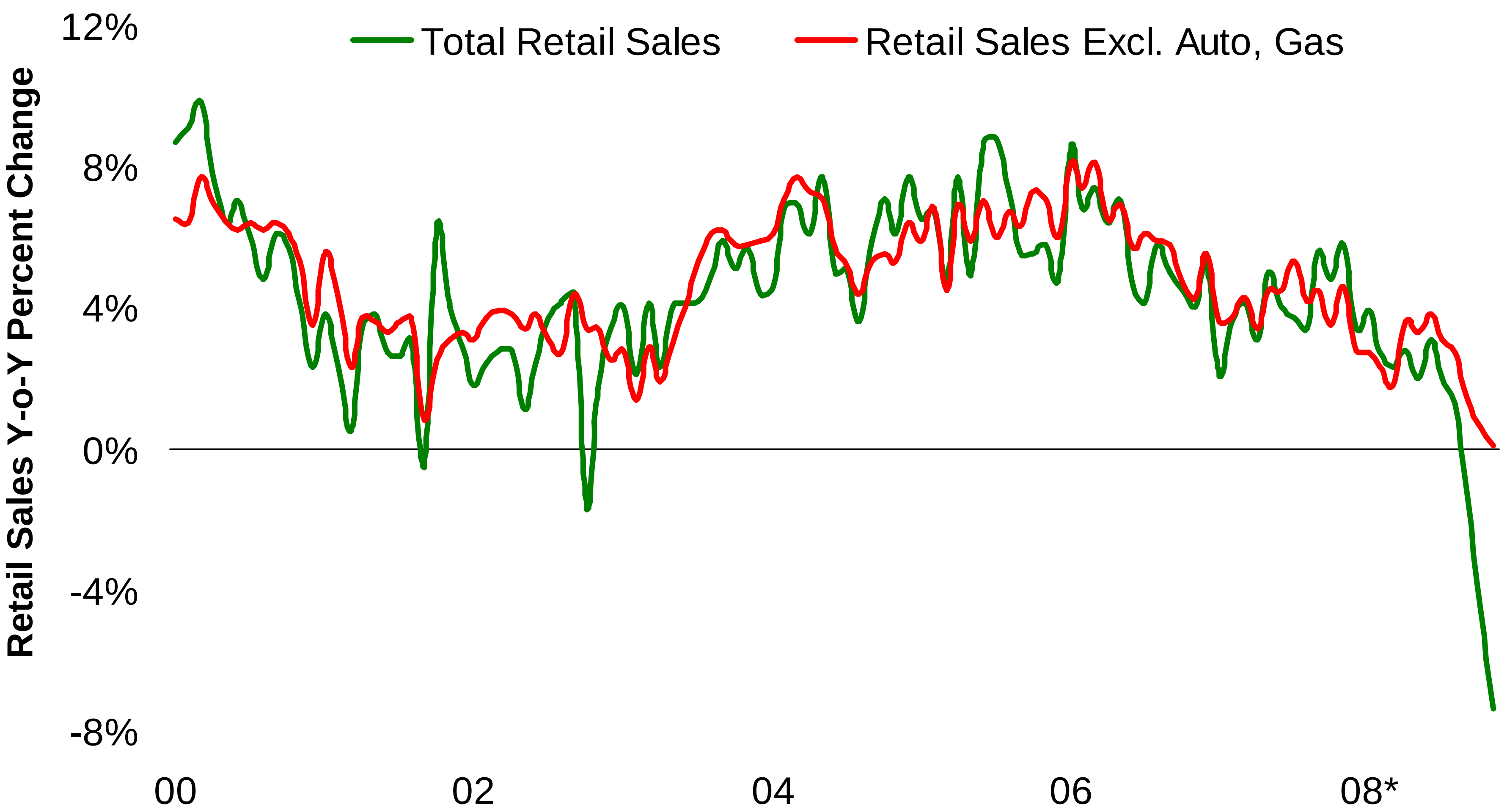
Marcus & Millichap

NATIONAL OFFICE AND INDUSTRIAL PROPERTIES GROUP

ECONOMIC and MARKET FUNDAMENTALS

OVERVIEW and OUTLOOK

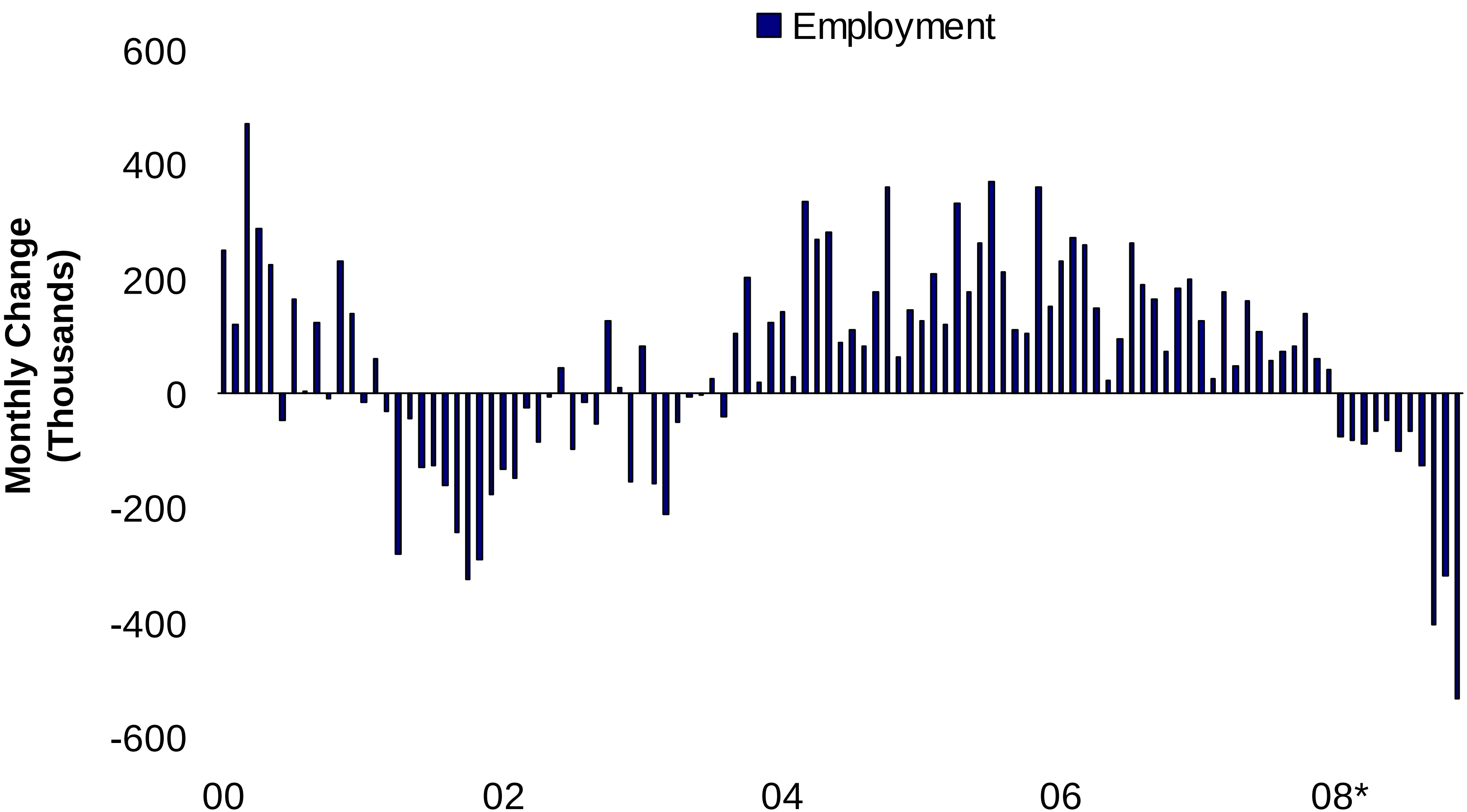
Consumption Continues to Deteriorate – Significant Variation Ex. Auto, Gasoline Sales



* Through November

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

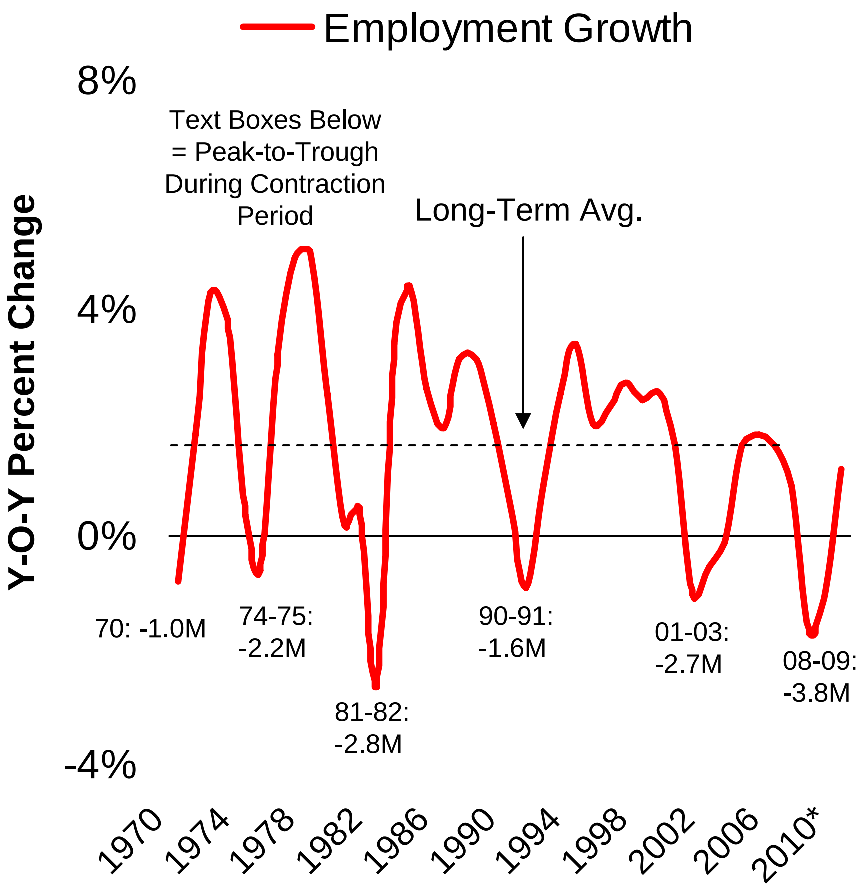
Job Losses Have Accelerated in the Last Three Months; Likely to Remain High through Q1-2009

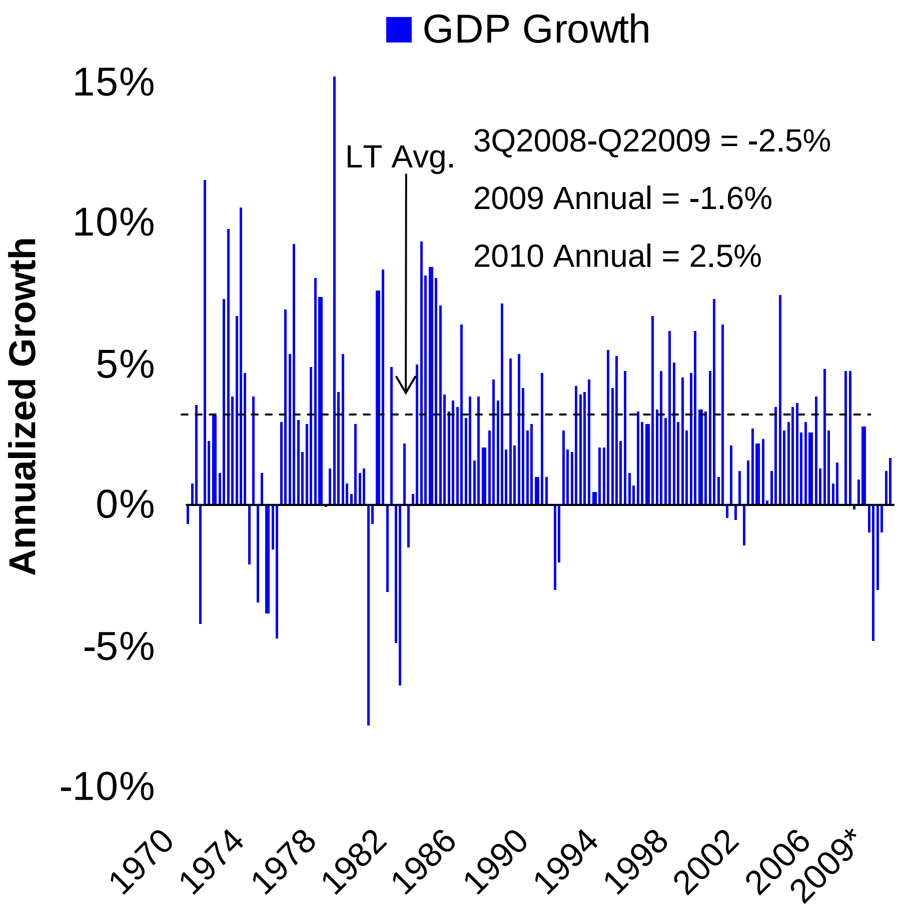


* Through November

Sources: Marcus & Millichap Research Services, BLS

Economic Weakness Expected Through Mid-2009
Risk Levels Remain Elevated





*Forecast Assumes No Additional Major Shocks

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

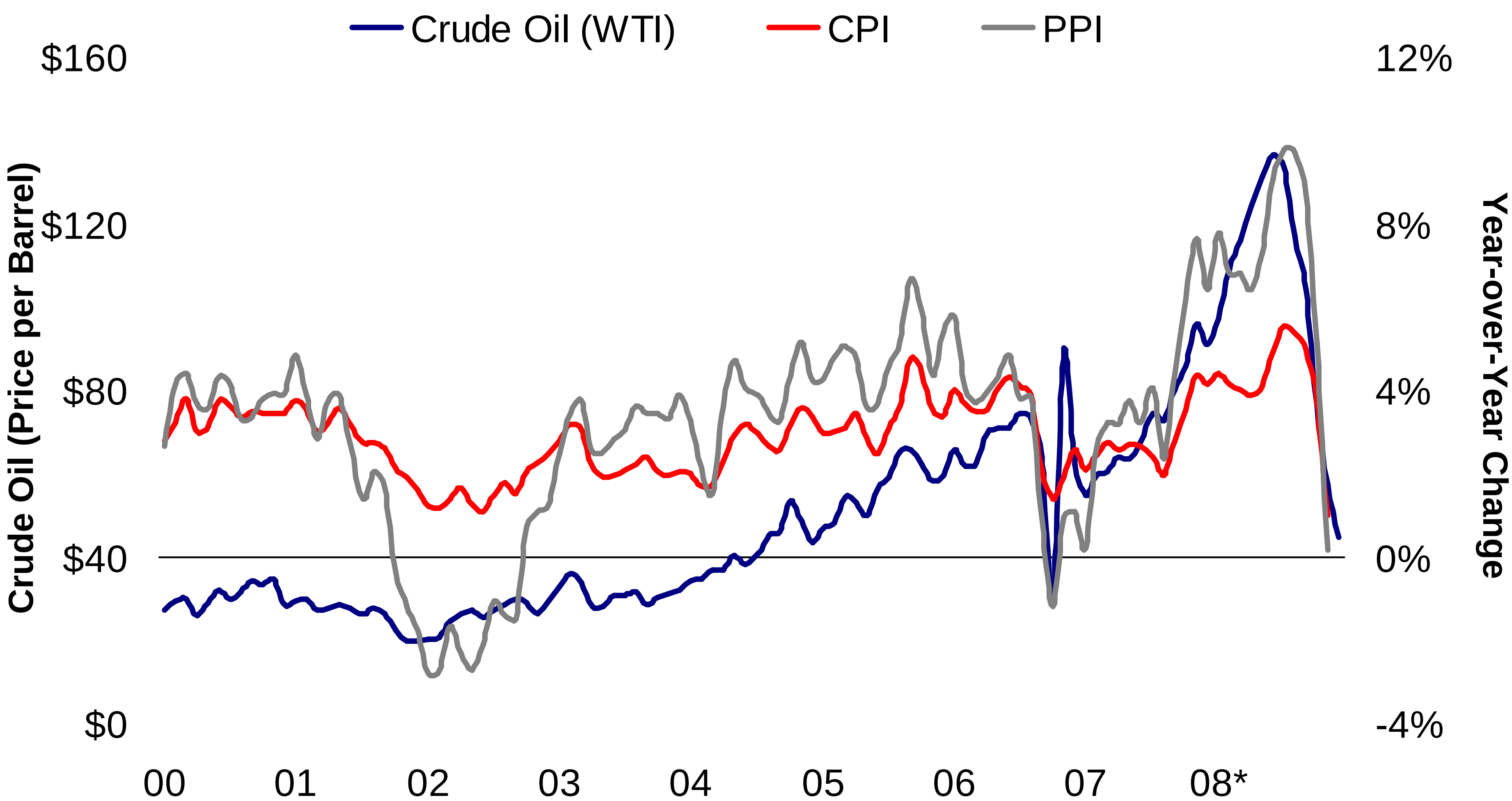
Employment Trends by Market
YTD October 2008

Top 15 Markets	YTD Abs. Change	YTD % Change
San Antonio	14,626	1.7%
Houston	44,140	1.7%
Dallas-Fort Worth	45,467	1.5%
Austin	11,713	1.5%
Oklahoma City	6,433	1.1%
Washington D.C.	30,834	1.0%
Charlotte	5,467	0.6%
Boston	13,709	0.6%
San Jose	2,907	0.3%
Columbus	2,812	0.3%
New Haven-Fairfield County	2,085	0.3%
Baltimore	3,200	0.2%
Denver	2,390	0.2%
Indianapolis	1,660	0.2%
New York	8,256	0.2%
United States	-1,378,000	-1.0%

Bottom 15 Markets	YTD Abs. Change	YTD % Change
Louisville	-7,371	-1.2%
West Palm Beach	-6,900	-1.2%
Sacramento	-10,979	-1.2%
Portland	-14,234	-1.4%
Inland Empire	-21,500	-1.7%
Tampa	-23,400	-1.8%
Atlanta	-47,072	-1.9%
Miami	-20,900	-2.0%
Orange County	-29,700	-2.0%
Memphis	-13,114	-2.0%
Oakland	-21,800	-2.1%
Fort Lauderdale	-17,300	-2.2%
Phoenix	-43,900	-2.3%
Detroit	-46,988	-2.4%
Tucson	-11,700	-3.1%
United States	-1,378,000	-1.0%

Sources: Marcus & Millichap Research Services, BLS

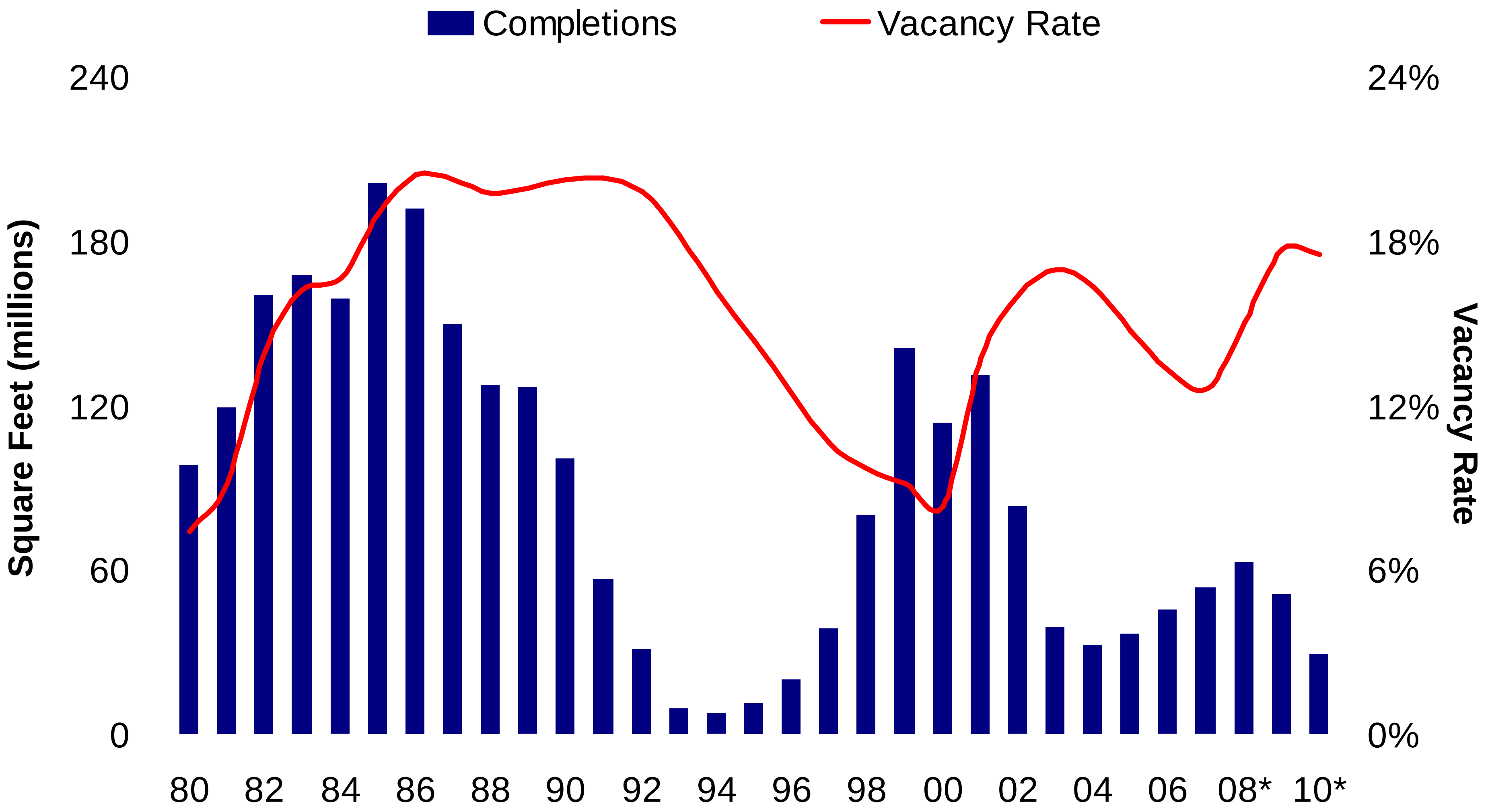
Lower Energy Prices a Major Positive Factor - Fed on Deflation Watch (For Now))



* Crude Oil as of December 15, PPI and CPI through November

Sources: Marcus & Millichap Research Services, BLS, FRED

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 Market Vacancy Ranking

Y-O-Y Change: 3Q 2008

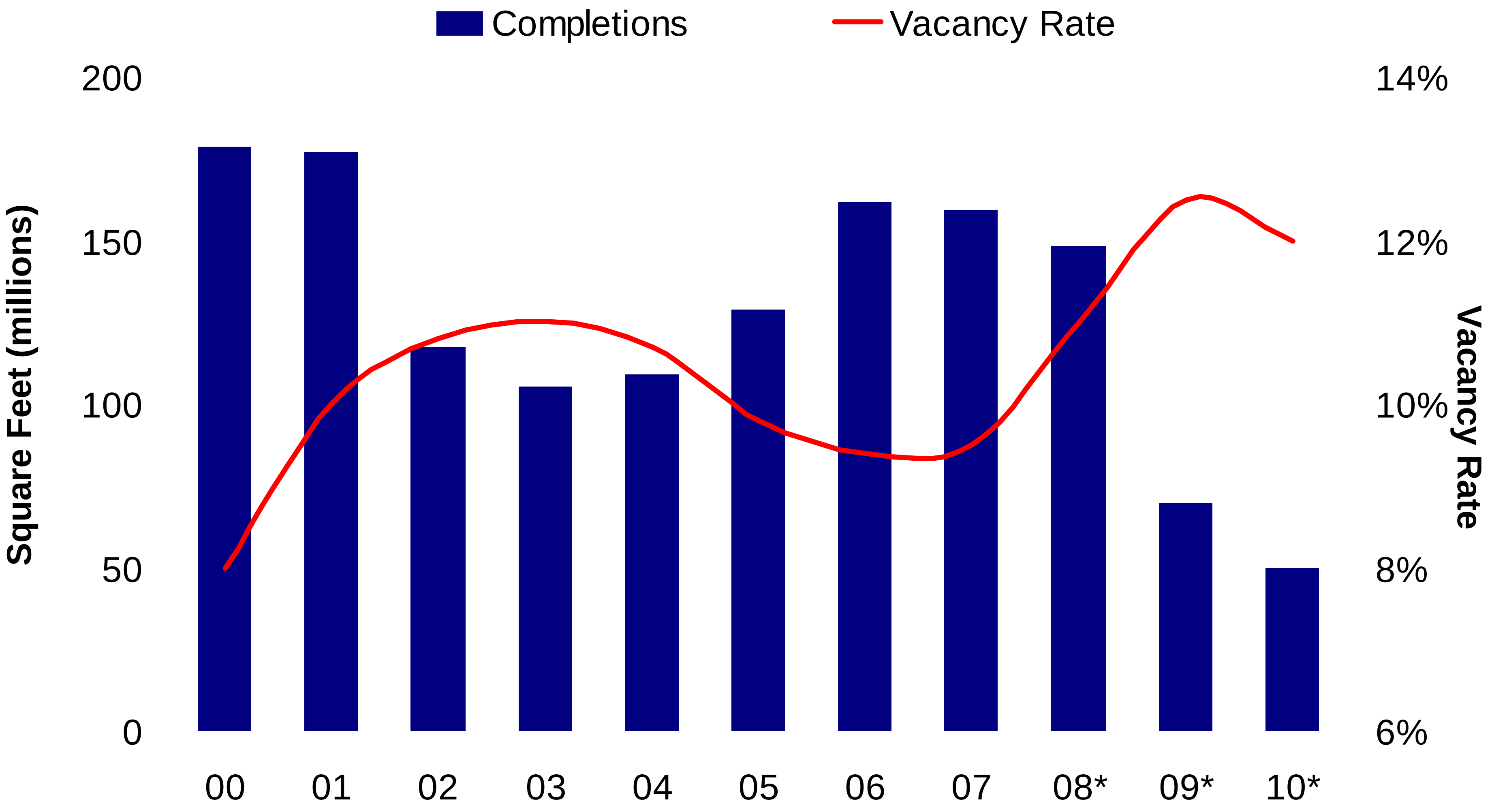
Top 10 Markets	3Q 2008 Vacancy Rate	Y-O-Y Bps Change
St. Louis	13.9%	-70
Chicago	15.8%	-20
Portland	11.3%	-20
New York	6.2%	0
Denver	15.6%	10
San Antonio	14.6%	30
Charlotte	11.9%	30
Boston	11.8%	40
San Francisco	10.0%	40
Houston	12.5%	60
U.S. Average	13.7%	120

Bottom 10 Markets	3Q 2008 Vacancy Rate	Y-O-Y Bps Change
Detroit	23.9%	300
Sacramento	16.3%	300
Tucson	13.0%	300
Tampa-St. Petersburg	15.0%	330
Austin	17.0%	390
Fort Lauderdale	13.3%	400
Phoenix	17.3%	440
Orange County	13.5%	450
Las Vegas	18.1%	630
Inland Empire	18.4%	680
U.S. Average	13.7%	120

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

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 November 2008

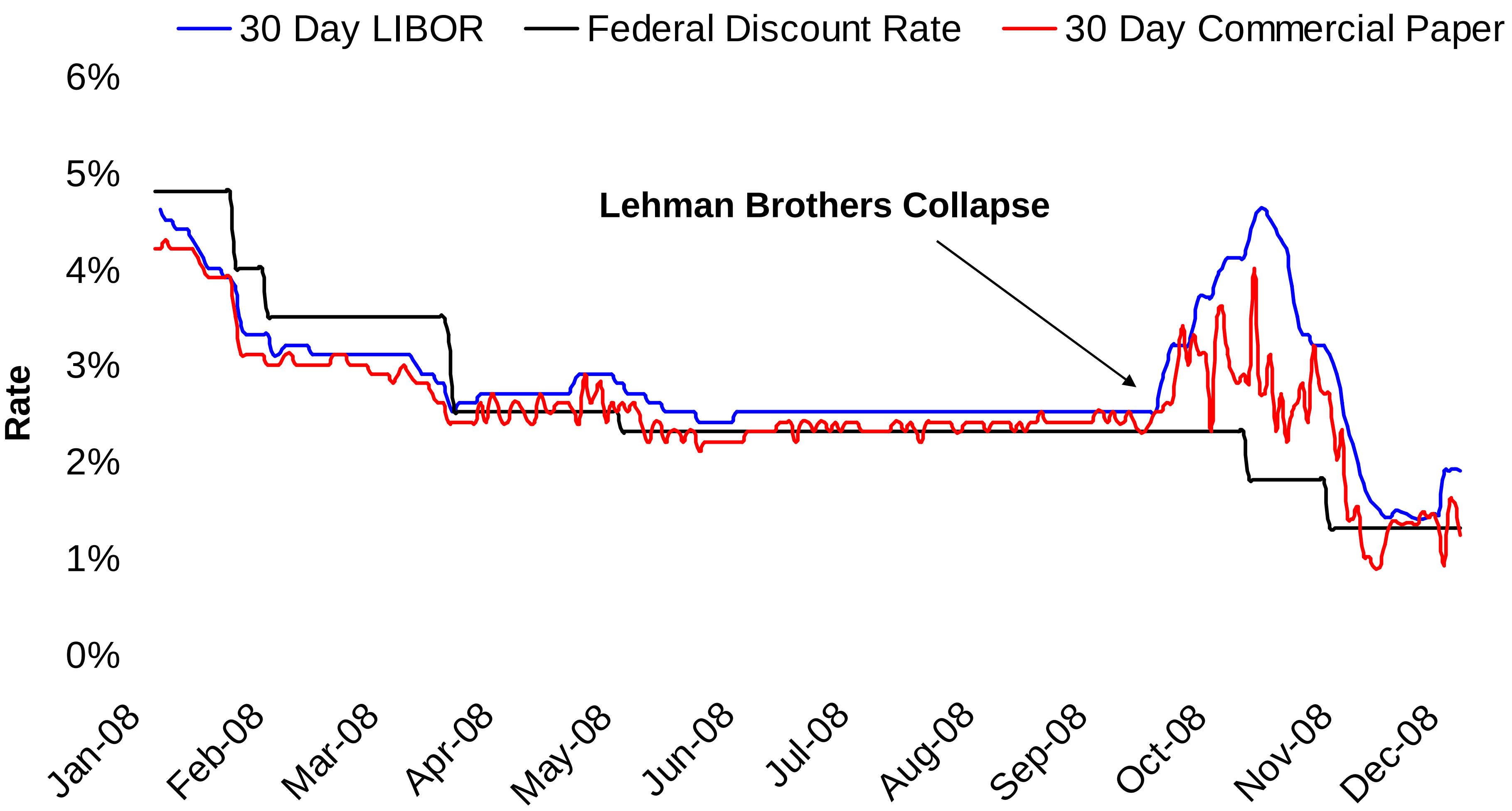
The Good News:

1. Inter-bank lending has improved
2. LIBOR and TED credit spreads have come in
3. 10-Year Treasury Yield at 2.5%
4. Delinquencies still near historical lows but rising
5. Deals are getting done – local regional banks

The Bad News:

1. Lending standards continue to tighten
2. Fewer lenders in the market
3. Mortgage spreads adjusting upward
4. Fundamentals eroding faster – recession more severe

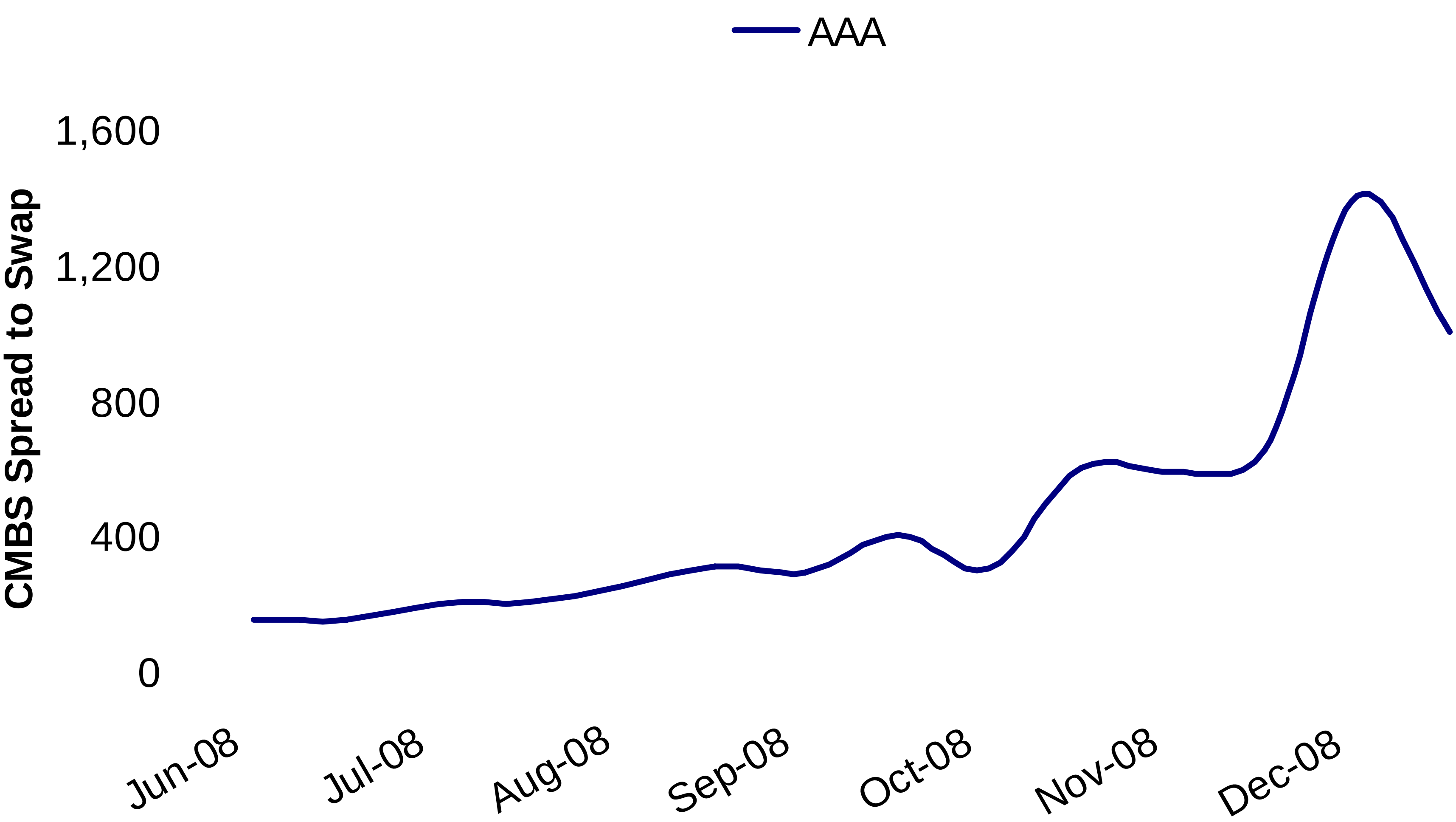
Key Market Rates



Through Dec 2, 2008

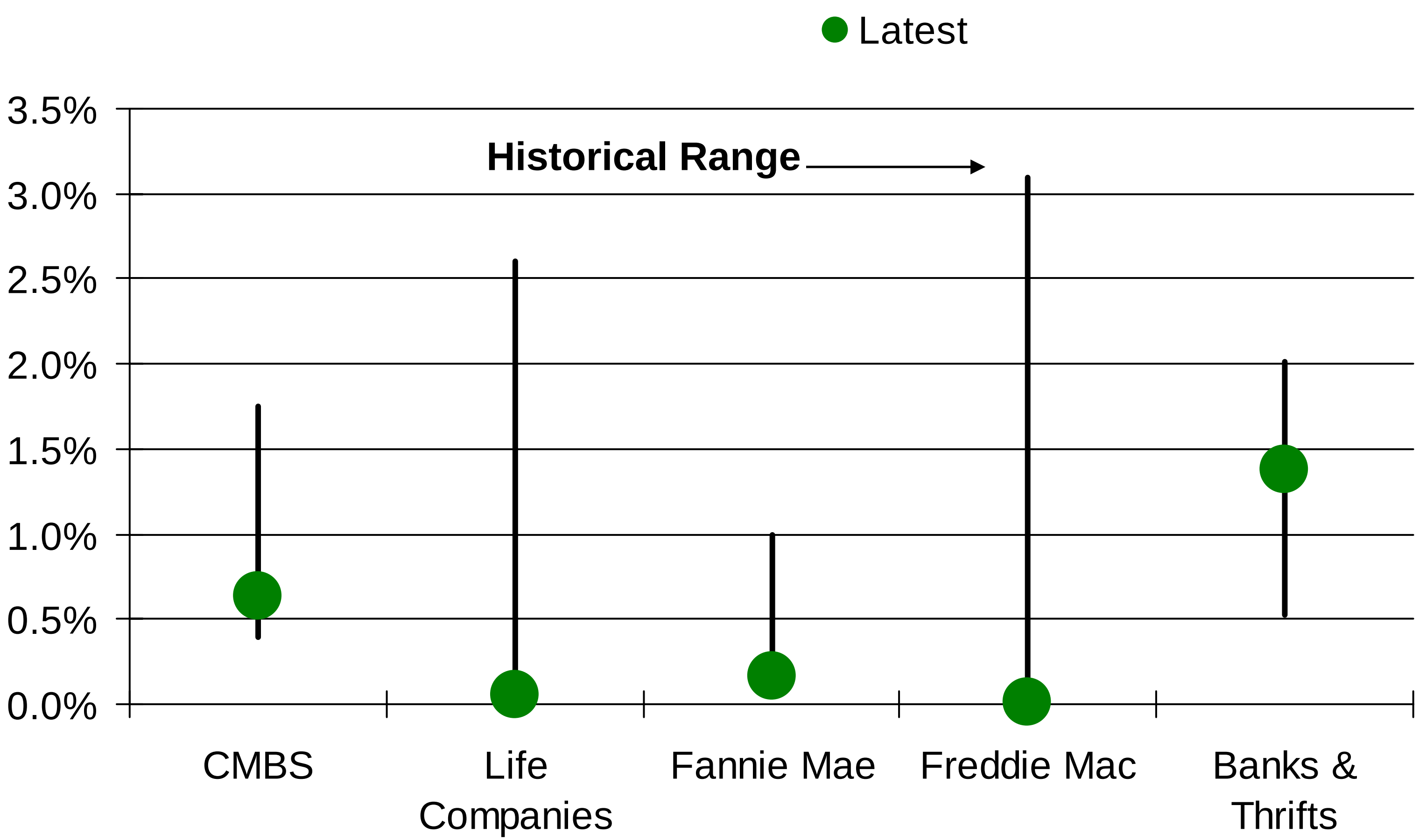
Sources: Marcus & Millichap Research Services, Economy.com, Federal Reserve

CMBS Credit Spreads Remain at Elevated Levels



Sources: Marcus & Millichap Research Services, MMA Realty Capital

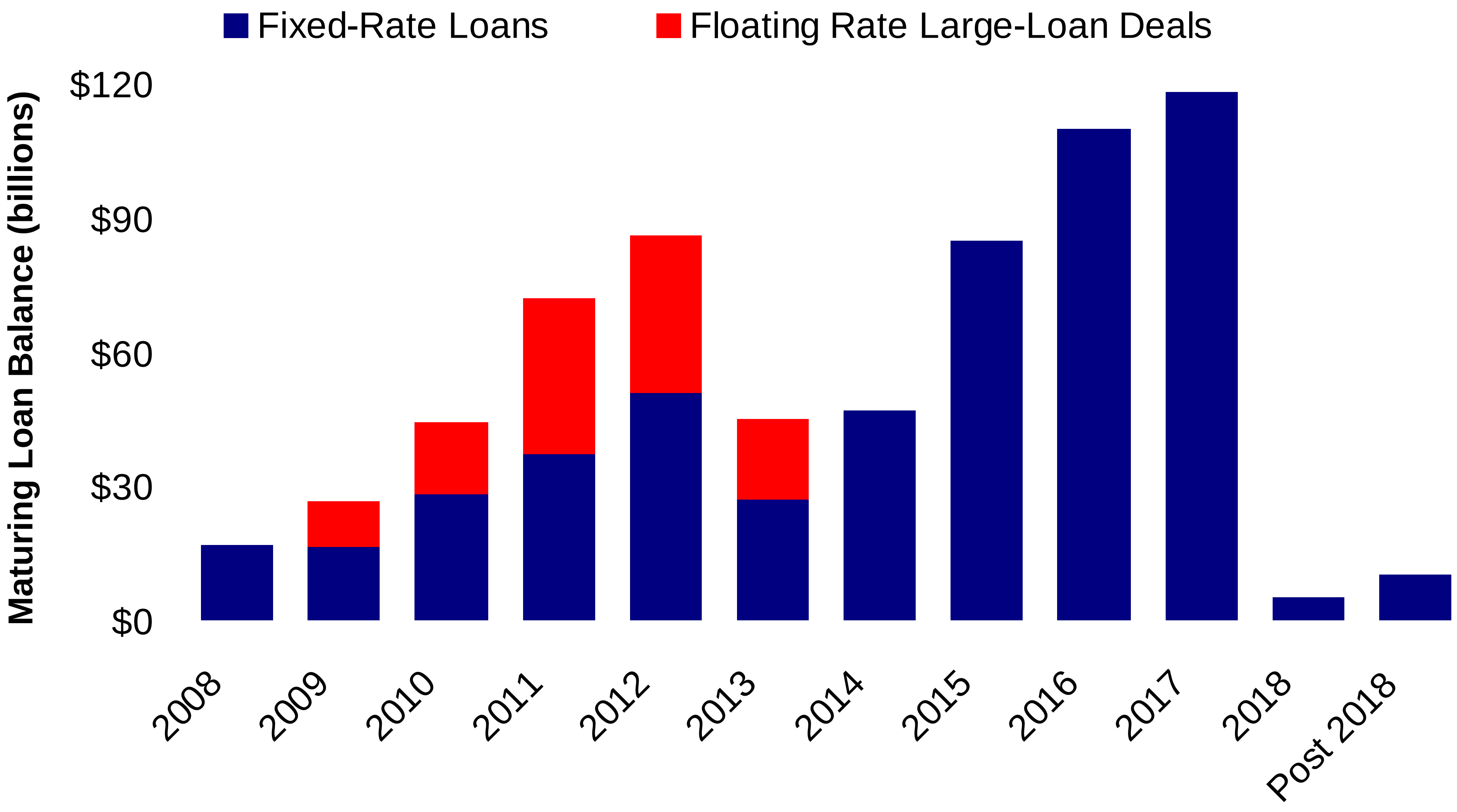
Delinquency Rates Near Historical Lows (For Now)



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

Maturing Commercial Loan Volume Likely to Cause Some Distress Starting in 2010

S&P CMBS Maturities



Sources: Marcus & Millichap Research Services, Standard & Poors

1020 Calle Recodo
San Clemente, CA

Property Type: Office/Retail
Price: $6,200,000
Square Feet: 23,602
Interest Rate: 6.00%
LTV: 70%
Term/Amort: 6 Year/30 year
Financing: $4,760,000
Lender Type: Bank
Recourse

5601 Bridge Street
Ft. Worth, TX

Property Type: Office
Price: $9,950,000
Square Feet: 92,240
Interest Rate: 5.50% Fixed
LTV: 70%
Term/Amort: 5 Year/20 Year
Financing: $7,000,000
Lender Type: Bank
Recourse

DaVita Dialysis
Wilmington, NC

Property Type: Medical Office
Value: $6,250,000
Square Feet: 19,000
Interest Rate: 6.50% Fixed
LTV: 70%
Term/Amort: 10 Year/30 Year
Financing: $4,375,000
Lender Type: Bank
Recourse

Sussex Corporate Center
Sussex, WI

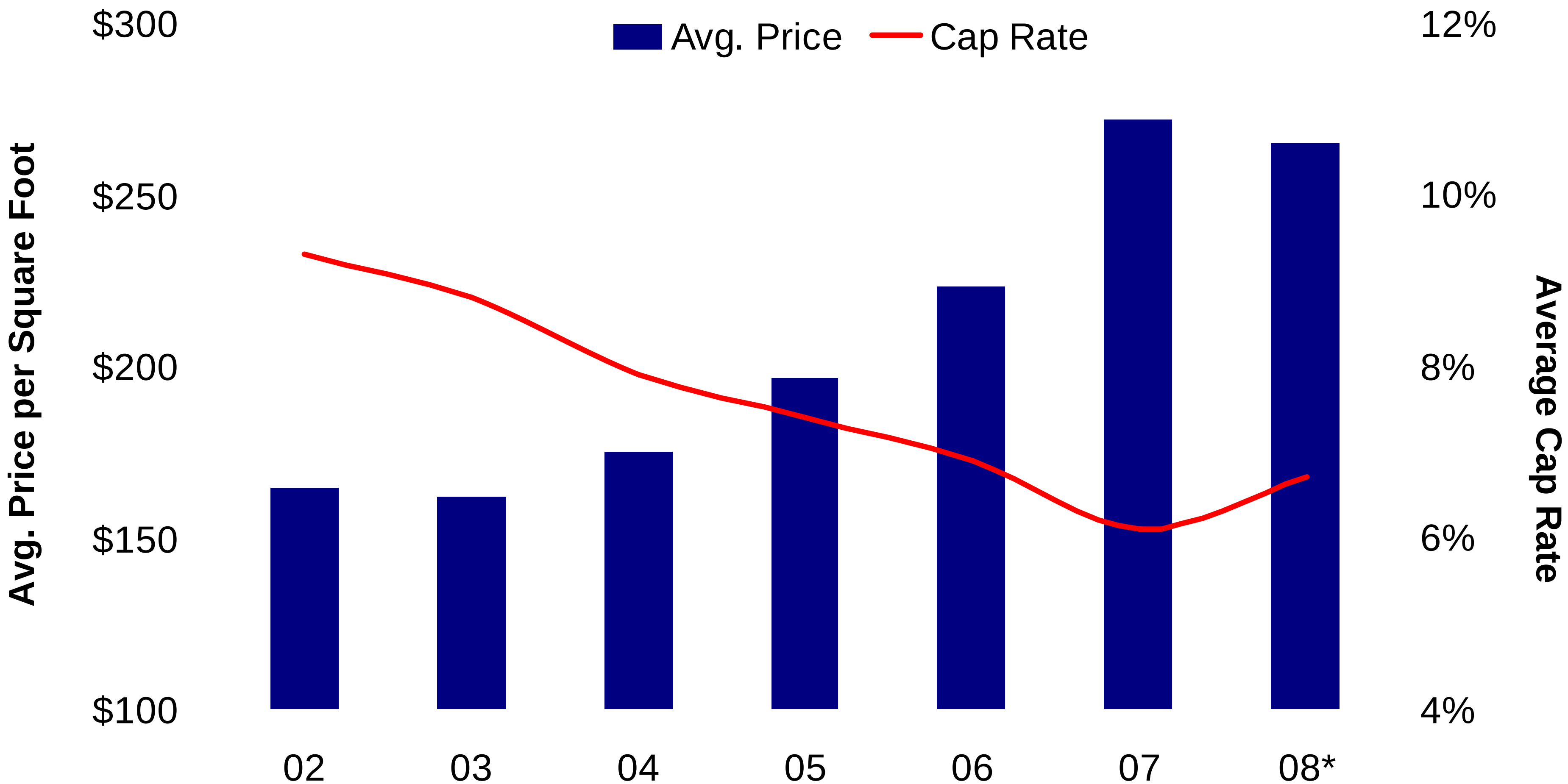
Property Type: Industrial
Value: $3,285,700
Square Feet: 12,000
Interest Rate: 5.74% Fixed
Term/Amort: 5 Year/ 25 Year
LTV: 70%
Financing: $2,300,000
Lender Type: Bank
Non-Recourse

1457-1459 N. Arizona Ave.
Chandler, AZ

Property Type: Industrial
Price: $1,362,000
Square Feet: 9,000
Interest Rate: 5.57% Variable at a 3.35% Lifetime Cap.
LTV: 100%
Term/Amort: 23 Year/23 year
Financing: $1,362,000
Lender Type: Bank
Recourse

OFFICE and INDUSTRIAL INVESTMENT TRENDS

Office Property
Price and Cap Rate Trends



* 3Q Estimate
Includes Sales $5 million and above
Sources: Marcus & Millichap Research Services, CoStar, RCA

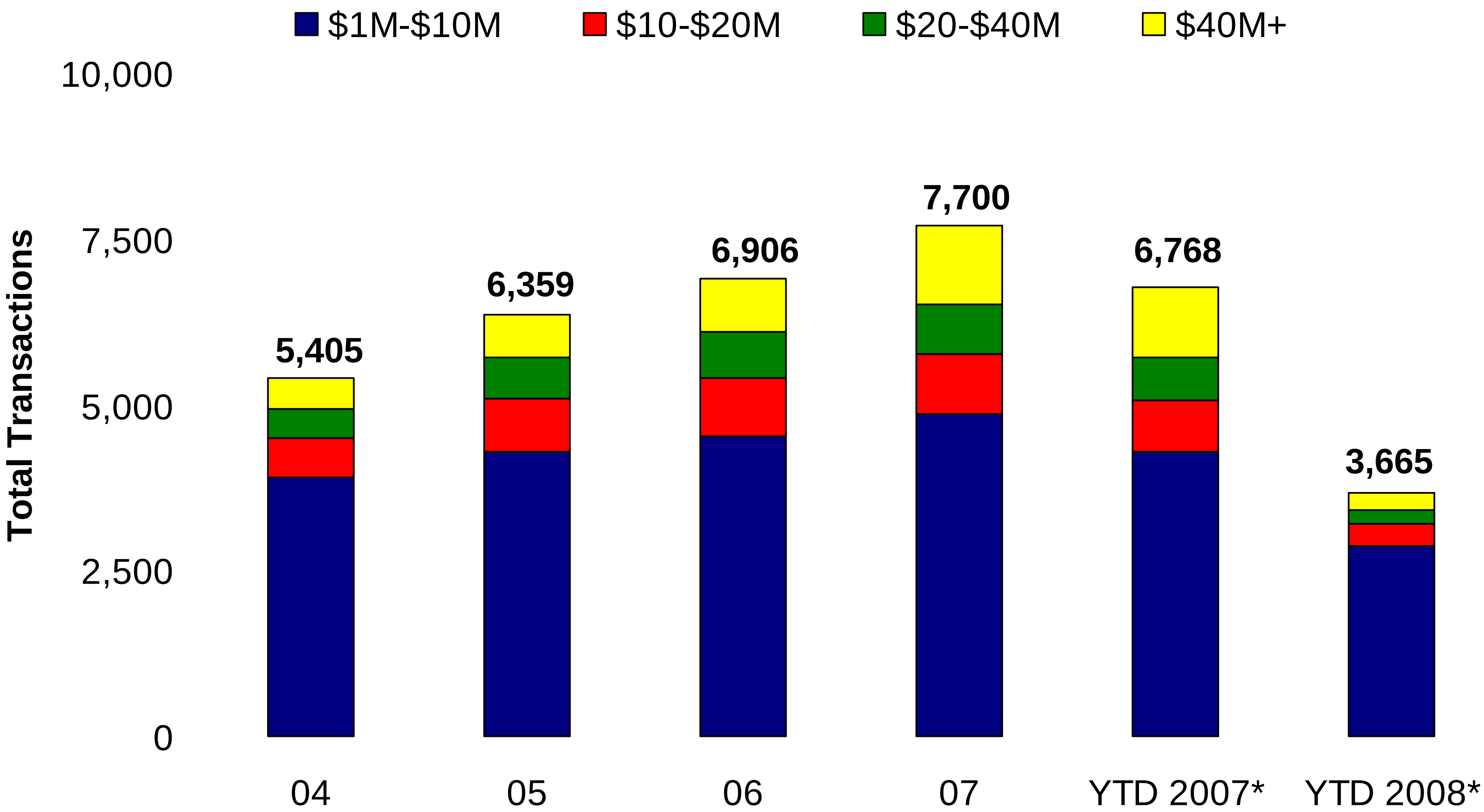
Office Cap Rates
By Market Classification

Sales $5 million and greater

Sources: Marcus & Millichap Research Services, Real Capital Analytics

National Office Investment Trends

Institutional Transactions Lead Sales Growth in 2007; Volume Hampered Since Capital Markets Shift

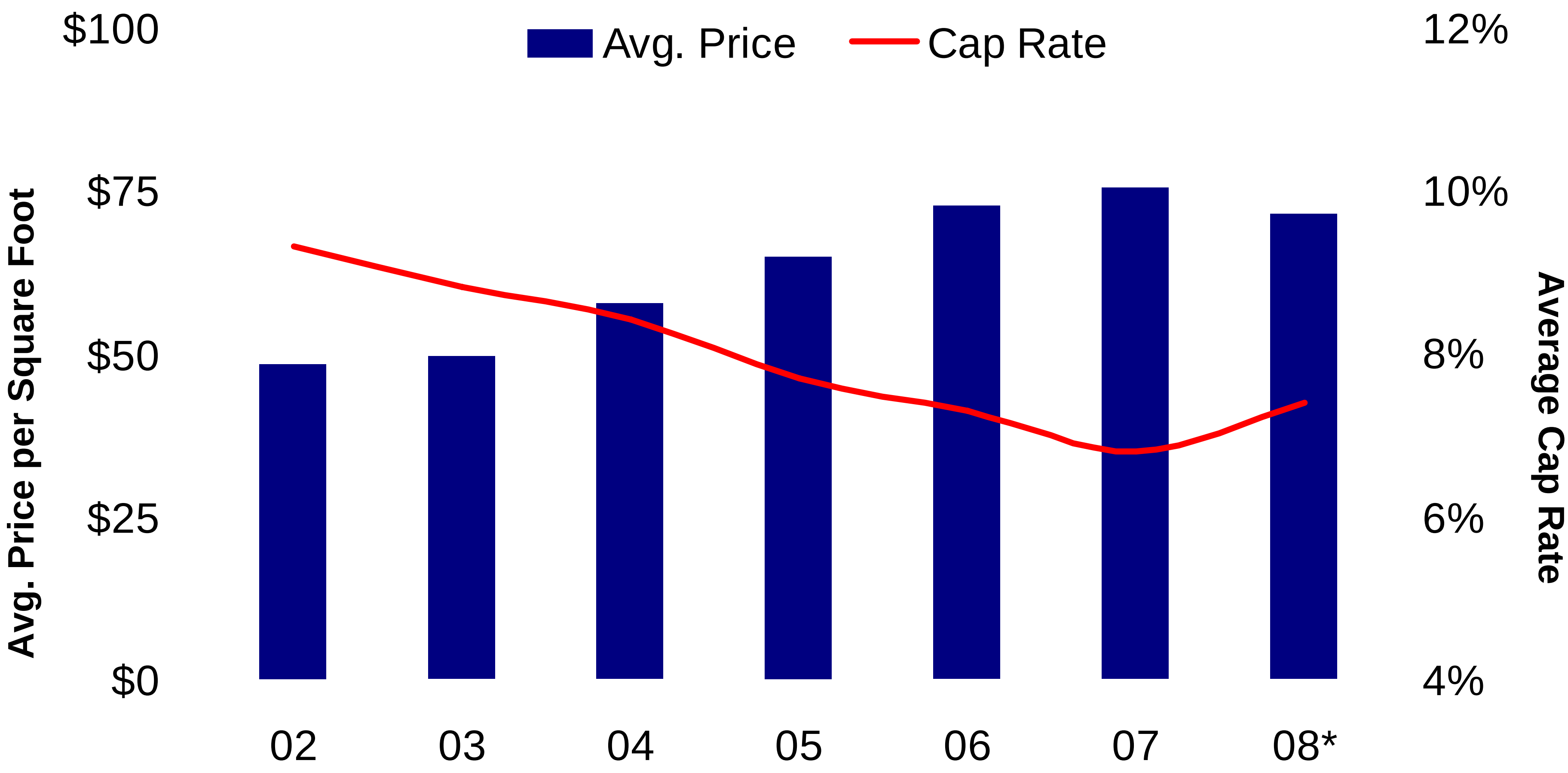


* Through October

Data includes Equity Office Portfolio sale

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

Industrial Property
Price and Cap Rate Trends



* 3Q Estimate
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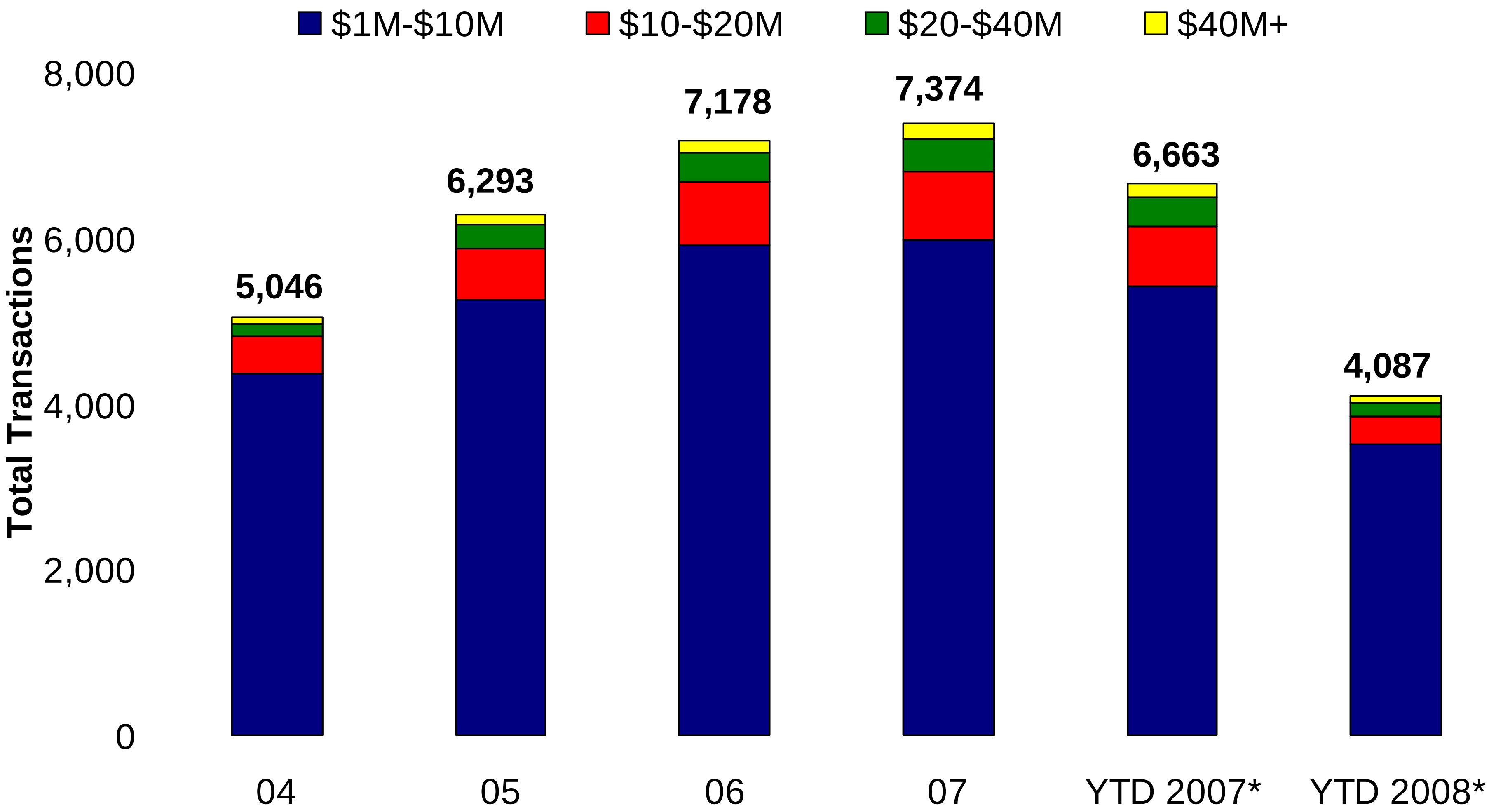
Sources: Marcus & Millichap Research Services, CoStar, RCA

National Industrial Investment Trends

Volume Hampered Since Capital Markets Shift



* Through October

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

Change in Activity
United States Ports

Port	YTD 2008 TEUs	YOY Change
Seattle	1,458,881	-11.5%
Long Beach	6,057,870	-10.1%
Los Angeles	7,288,952	-5.3%
Oakland	1,900,423	-4.7%
Savannah	2,431,964	1.3%
Houston	1,671,193	3.2%
New York-New Jersey	3,554,567	4.3%

Sources: Marcus & Millichap Research Services

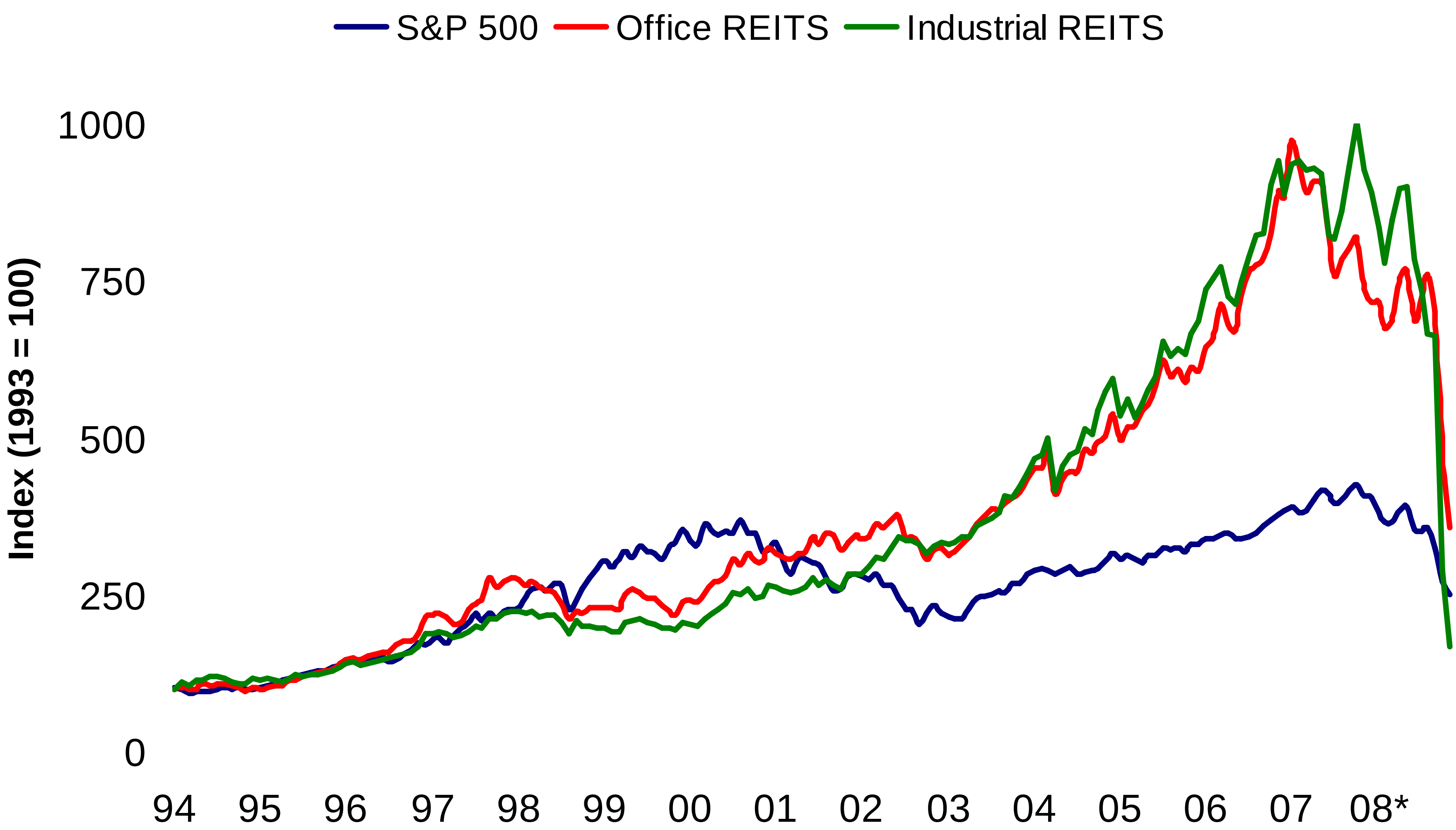
Industrial Vacancy
Major Distribution Centers

Market	1992 Vacancy	2002 Vacancy	3Q 2008 Vacancy
Atlanta	11.6%	14.0%	15.5%
Chicago	8.6%	10.4%	10.7%
Dallas-Fort Worth	8.2%	11.4%	11.4%
Los Angeles	11.9%	6.4%	5.1%
North-Central New Jersey	12.5%	10.2%	12.2%
US Average	10.2%	10.3%	9.9%

Based on core Warehouse/Distribution properties

Sources: Marcus & Millichap Research Services, PPR

U.S. Office and Industrial REIT Index vs. S&P 500



* Through November
Index: December 1993 = 100
Sources: Marcus & Millichap Research Services, NAREIT, Standard and Poor's

REAL DEALS
What is Getting Done?

Re/Max Building

Price: $7,200,000

Square Feet: 9,766

Cap Rate: 7.11%

Financing: $3,600,000 - New

Mira Costa Plaza

Price: $5,538,000

Square Feet: 22,770

Cap Rate: 6.49%

Financing: $2,769,000 - New

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