



*U.S Economic, Capital Markets and
Retail Market*

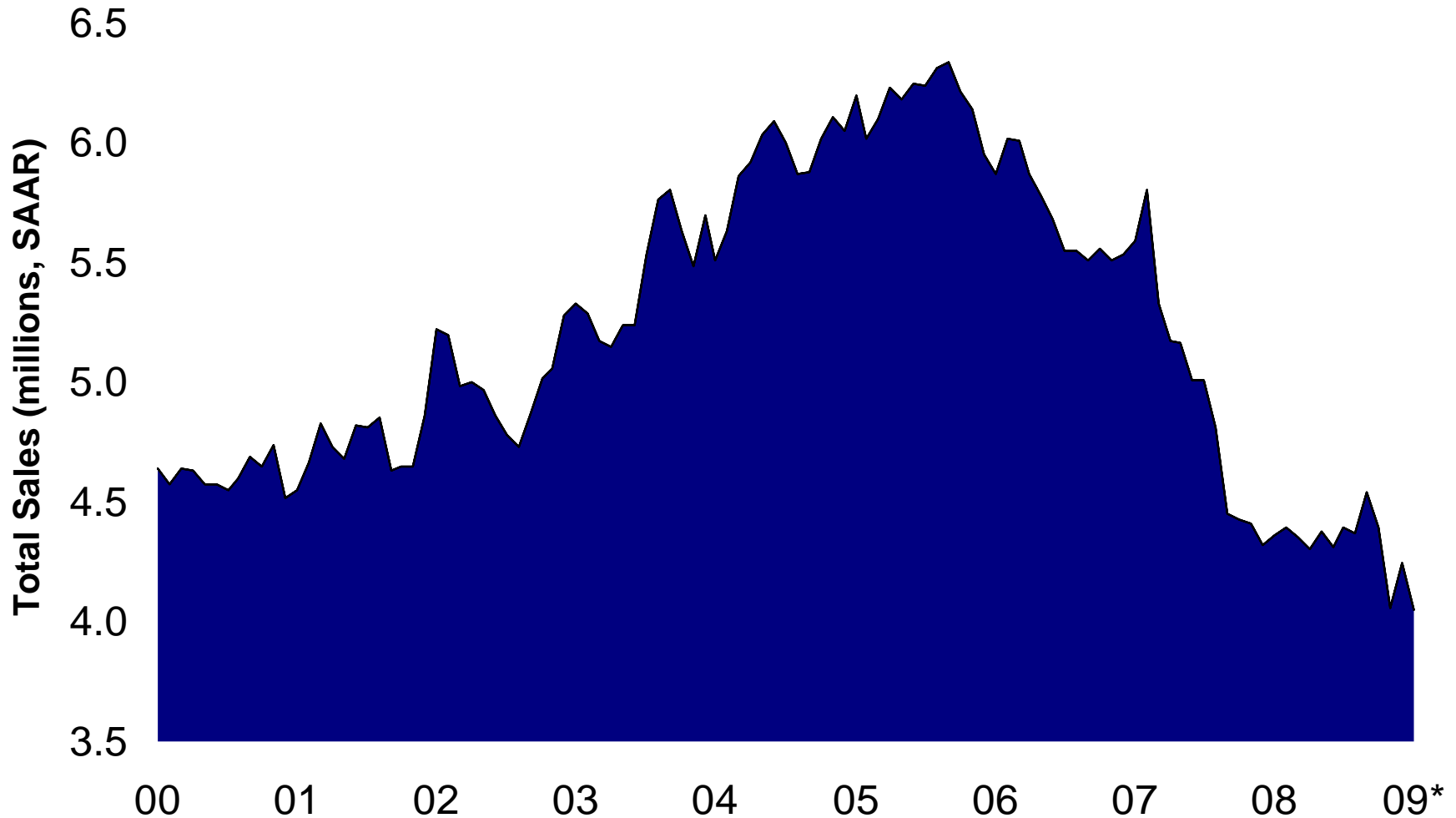
*Overview and Outlook – Special Client Webcast
February 25, 2009*

Marcus & Millichap
NATIONAL RETAIL GROUP

***ECONOMIC and RETAIL
MARKET FUNDAMENTALS***

OVERVIEW and OUTLOOK

Home Sales Near Bottom – Foreclosures, Financing Still Major Headwinds

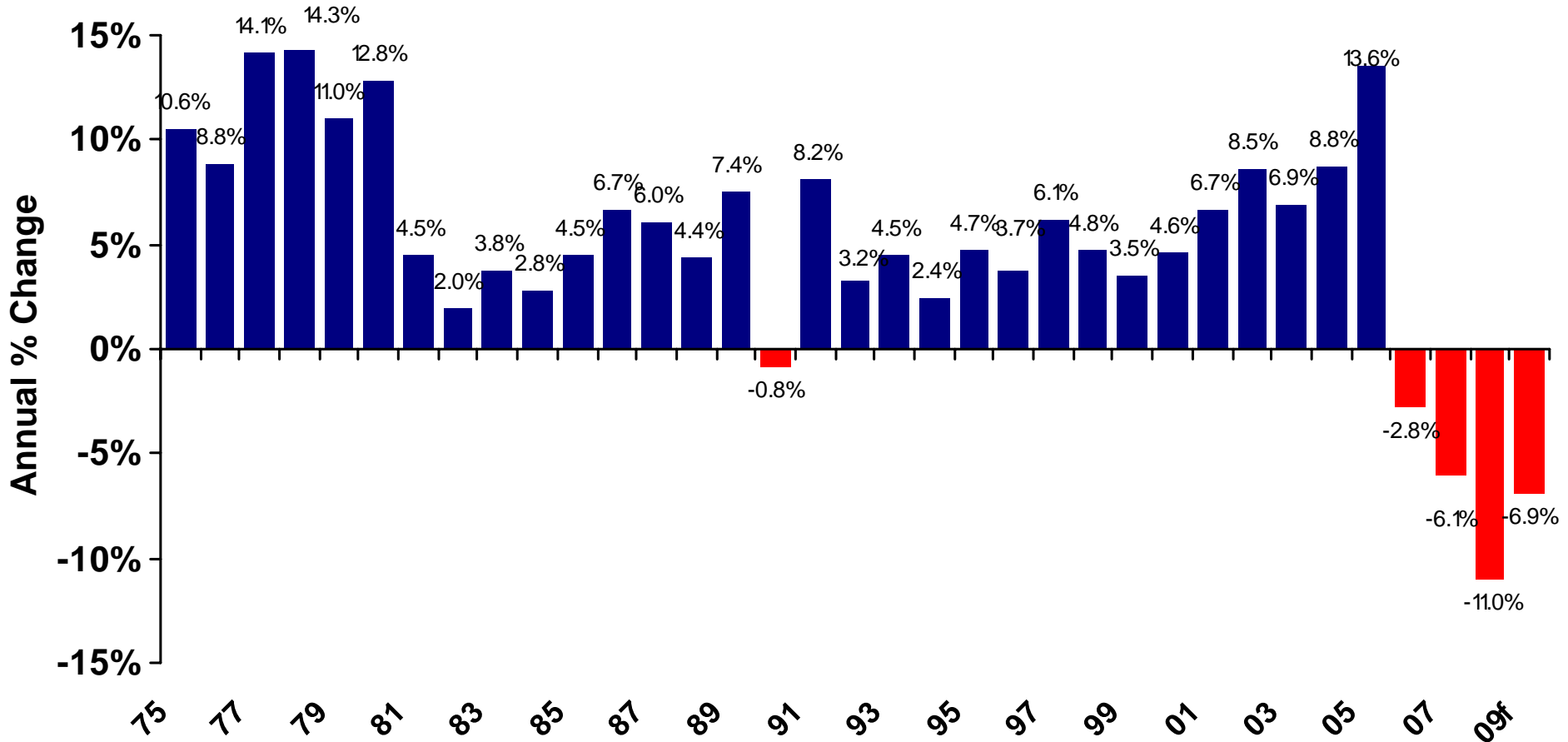


* Through January

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

Home Prices Yet to Reach Bottom

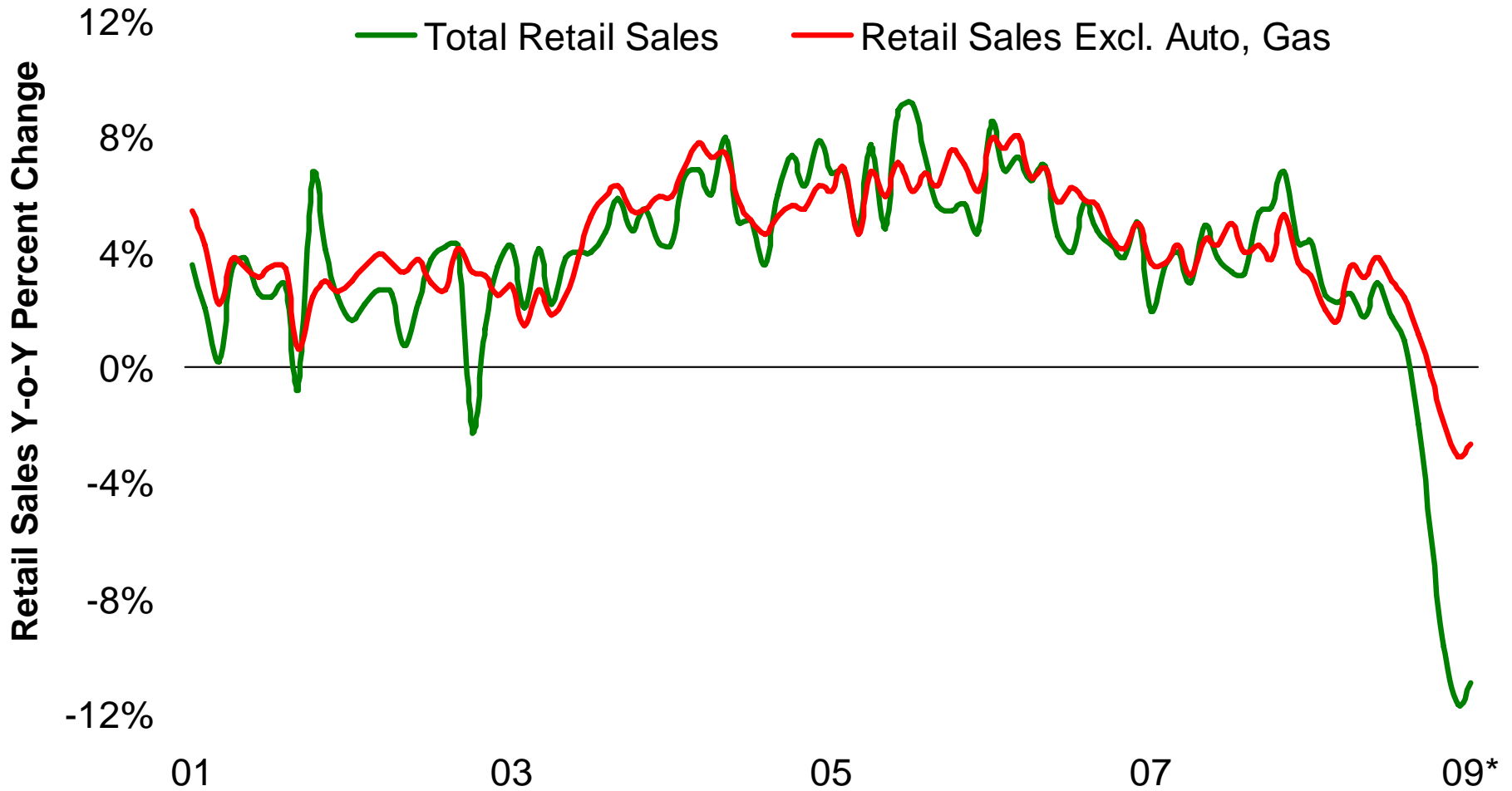
U.S. Existing Median Home Price Trends



Note: 4Q vs. 4Q

Sources: National Association of Realtors, RCG

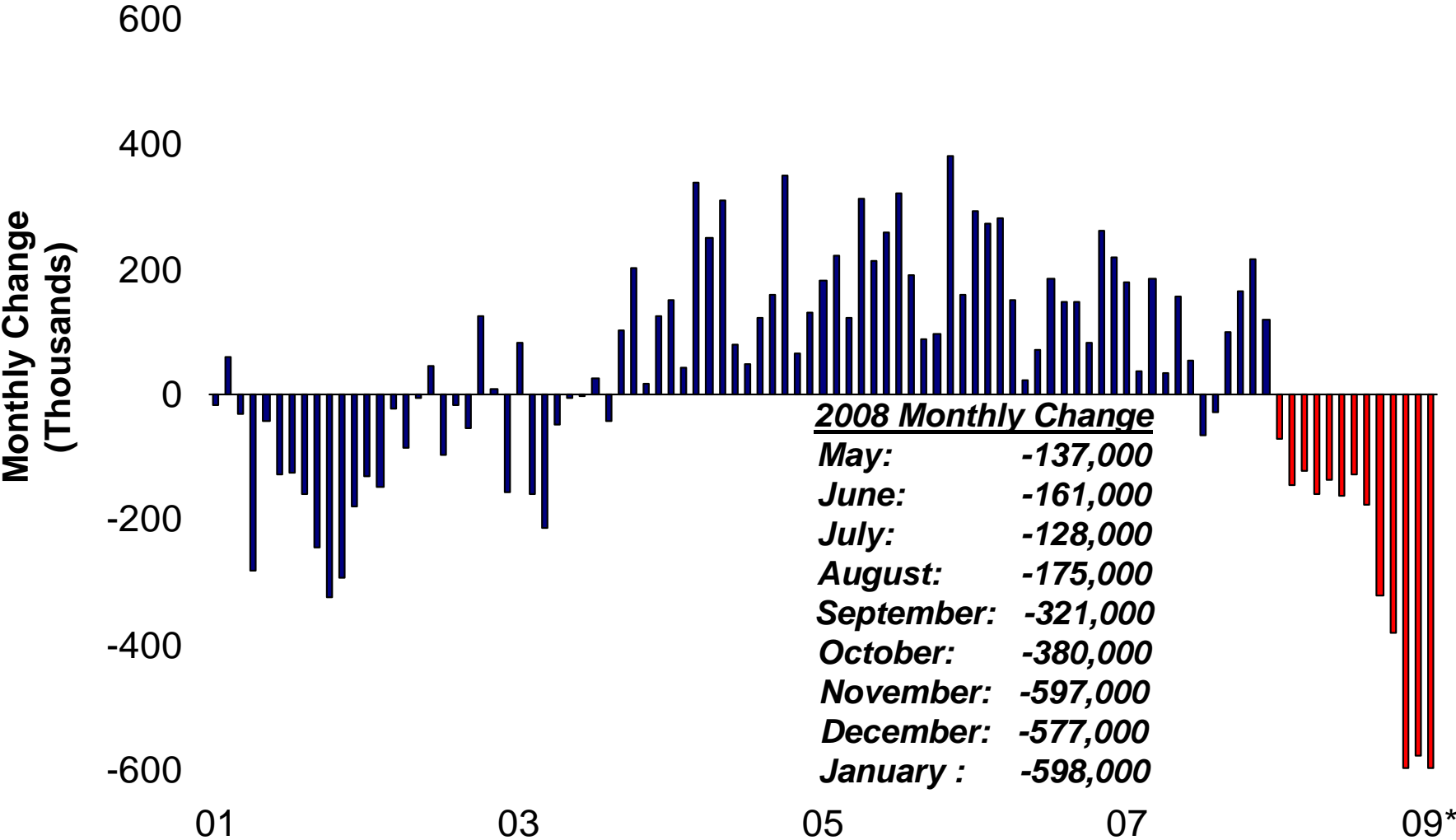
U.S. Consumption Remains Weak



* Through January

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

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



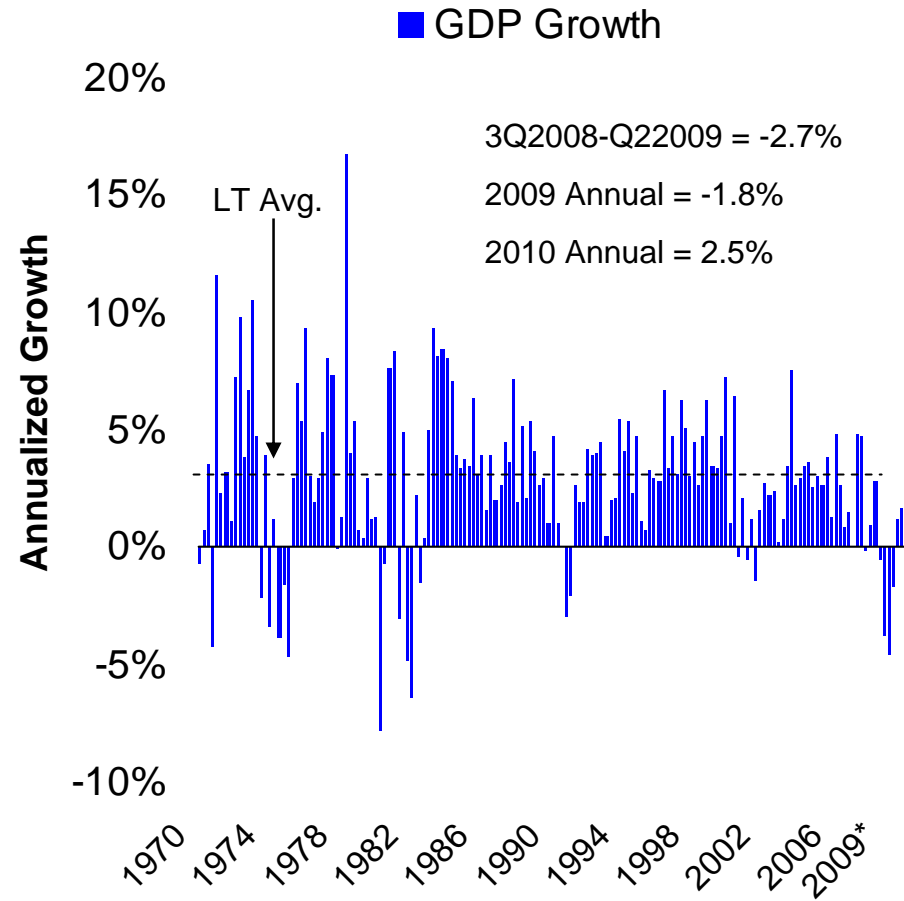
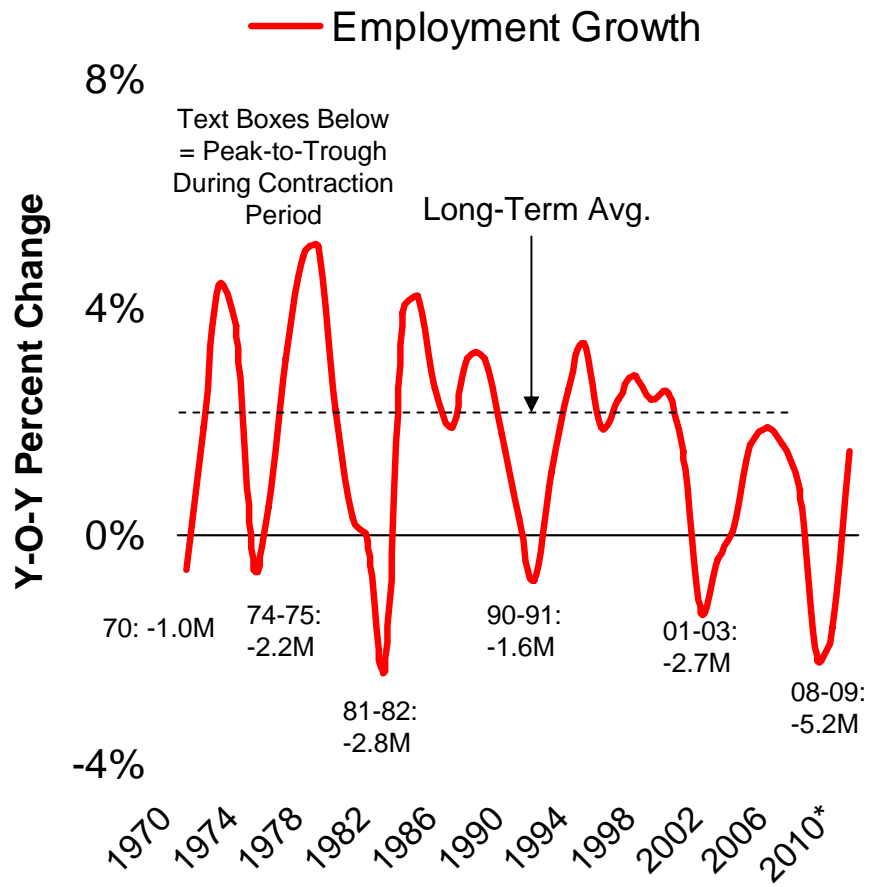
2008 Monthly Change

<i>May:</i>	-137,000
<i>June:</i>	-161,000
<i>July:</i>	-128,000
<i>August:</i>	-175,000
<i>September:</i>	-321,000
<i>October:</i>	-380,000
<i>November:</i>	-597,000
<i>December:</i>	-577,000
<i>January :</i>	-598,000

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

Economic Weakness Expected Through Q3-2009

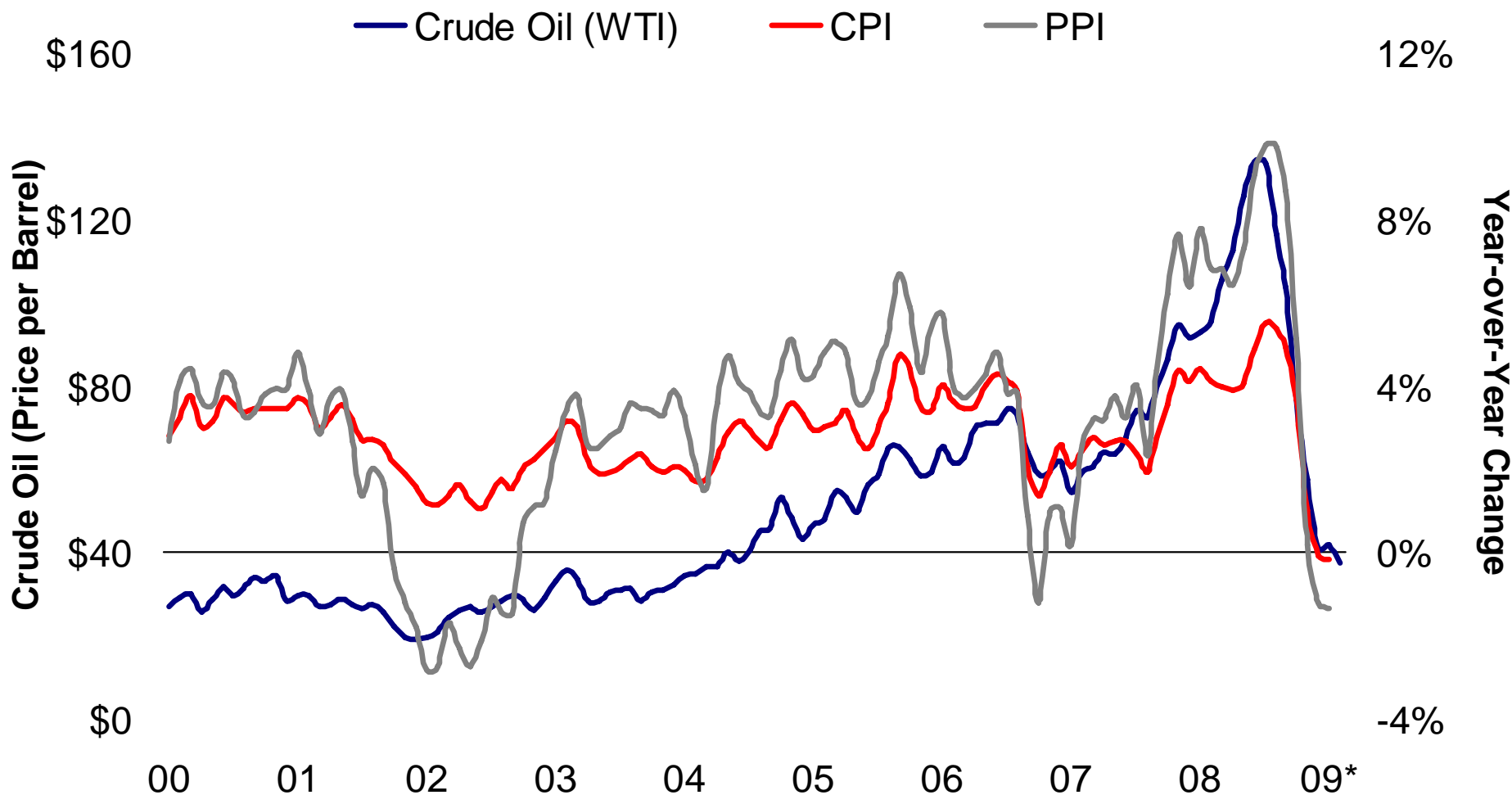
Risk Levels Remain Elevated



*Forecast Assumes No Additional Major Shocks

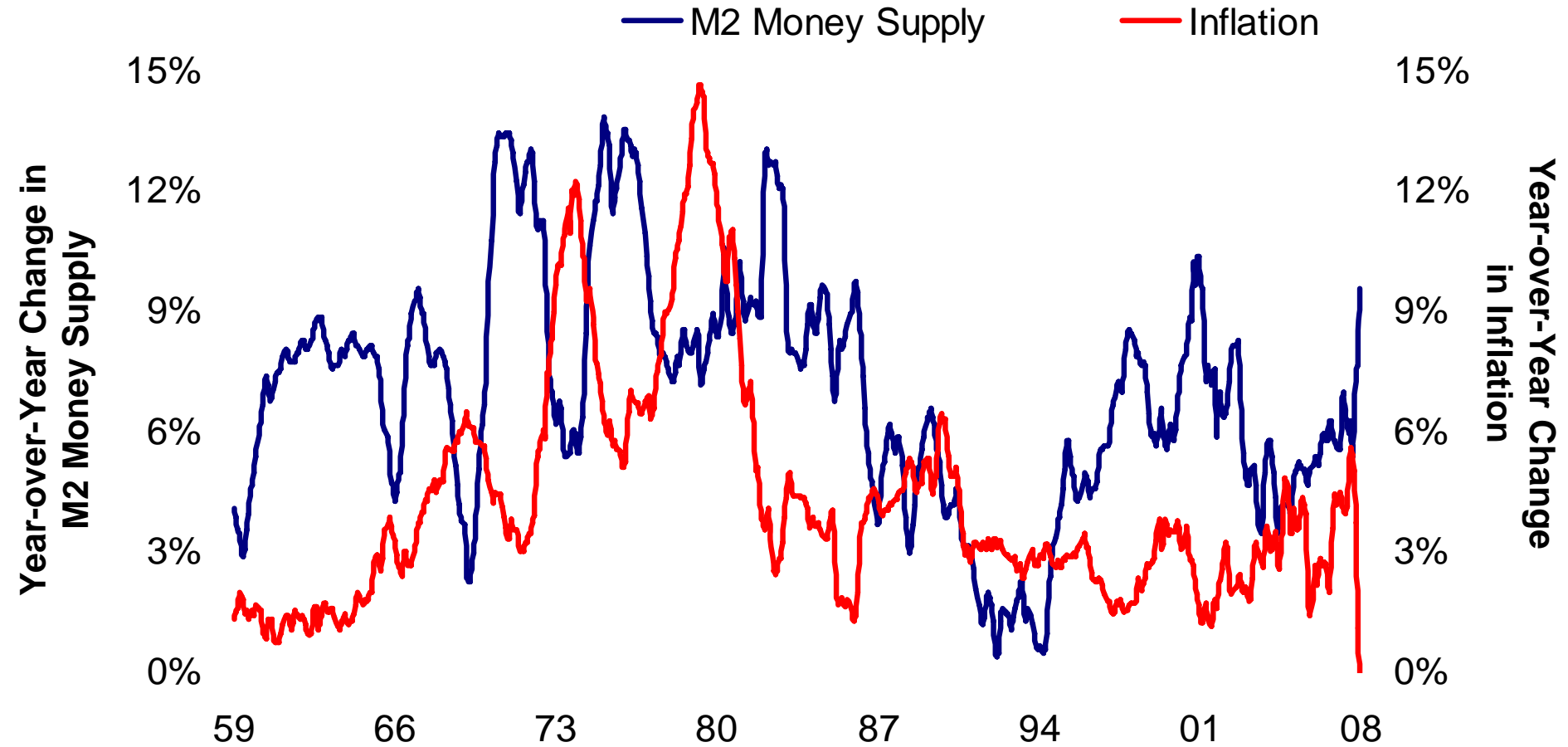
Sources: Marcus & Millichap Research Services, Blue Chip, Economy.com, Global Insight

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

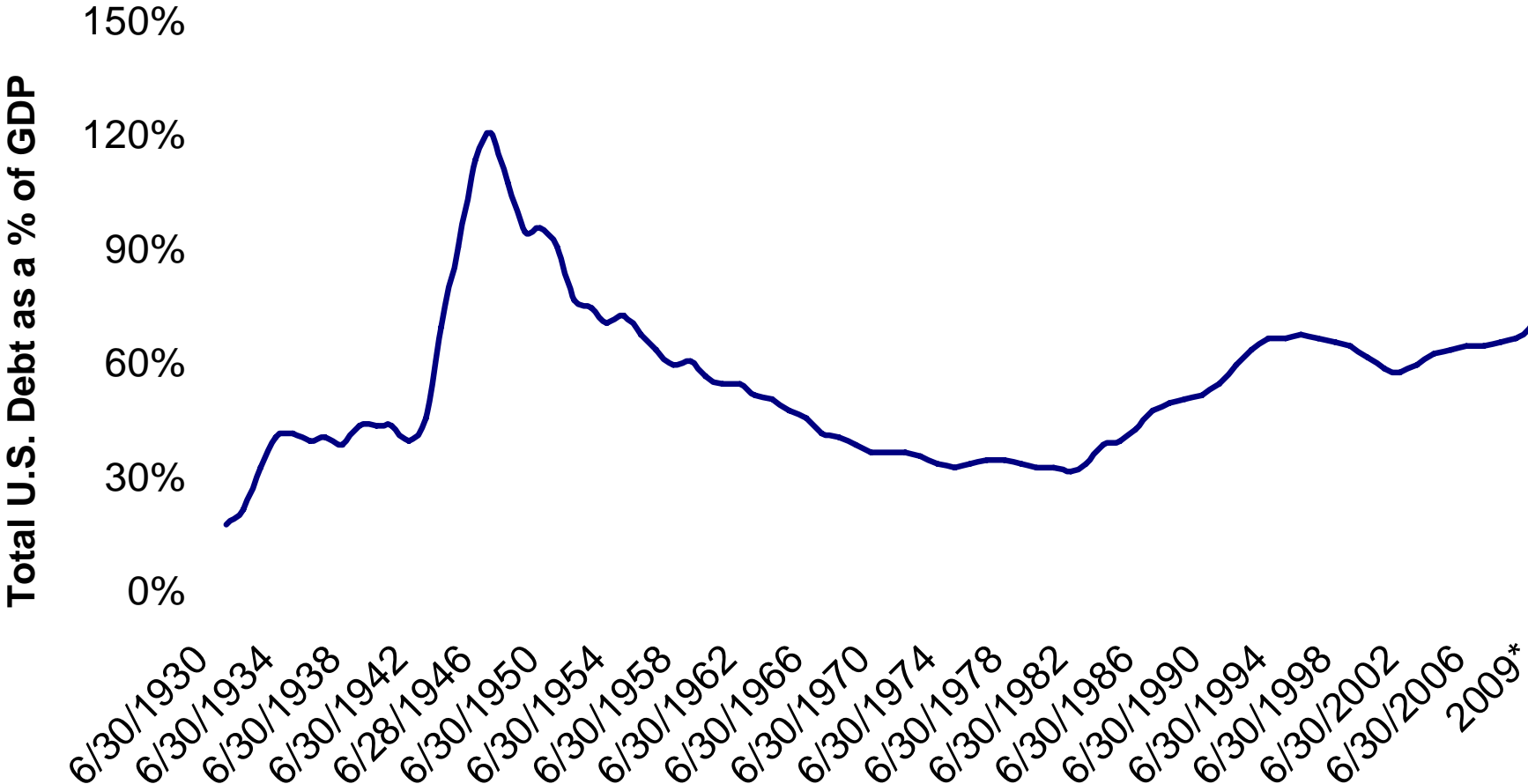


Adjusts for changes in reserve requirements

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

***CAPITAL MARKETS
OVERVIEW and OUTLOOK***

Capital Markets Developments Since December 2008

The Good News:

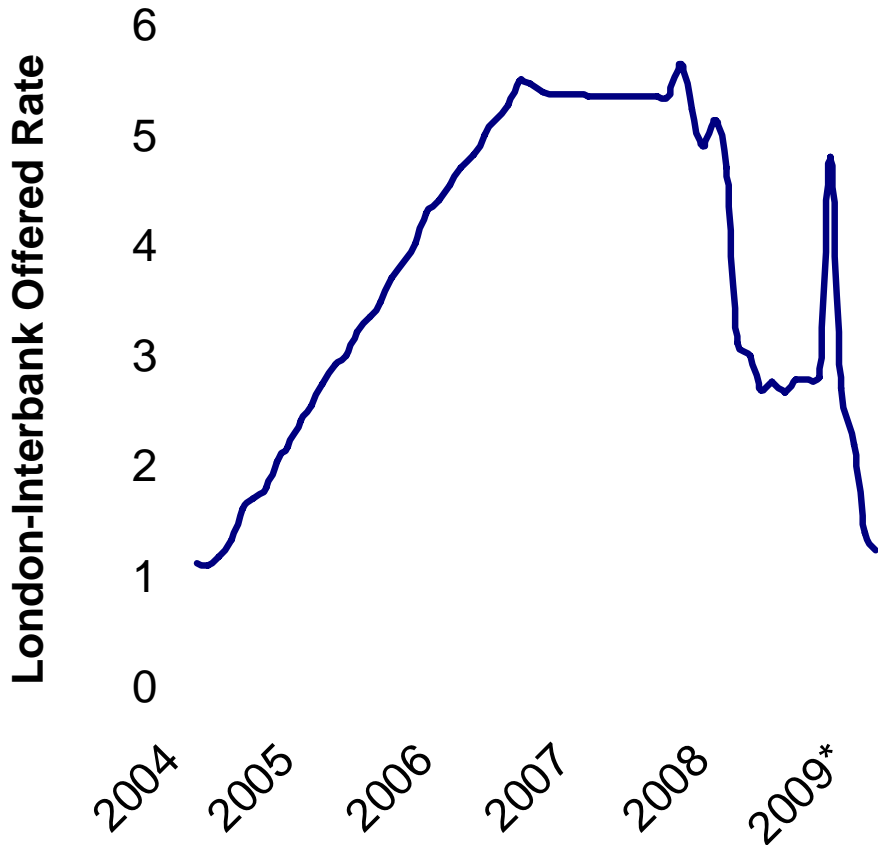
- 1. Interbank lending continues to improve**
- 2. LIBOR and TED spreads have stabilized**
- 3. 10-Year Treasury Yield at 2.76% remains at a very low level**
- 4. Delinquencies continue to be near historic lows but are rising**
- 5. Deals are getting done – local and regional banks, life insurance companies**

The Bad News:

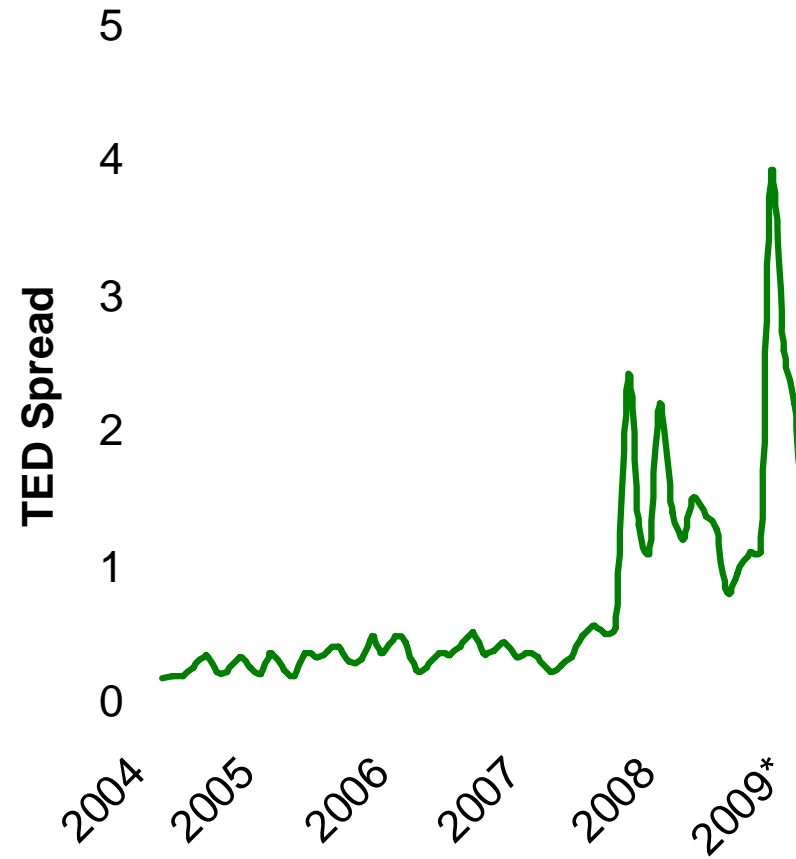
- 1. Lending standards tight with global focus on sponsorship**
- 2. Life insurance allocations have been reduced for 2009**
- 3. Mortgage spreads remain elevated**
- 4. Fundamentals continue to weaken**
- 5. Heightened concern over values**

Interbank Liquidity Indicators

LIBOR



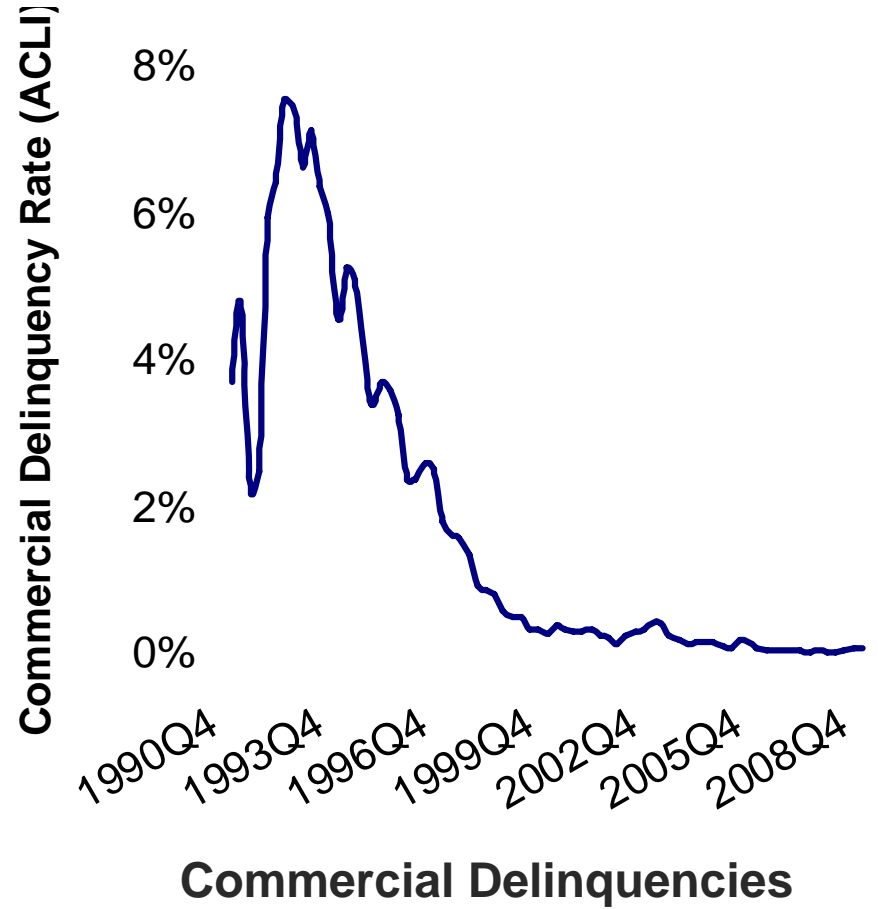
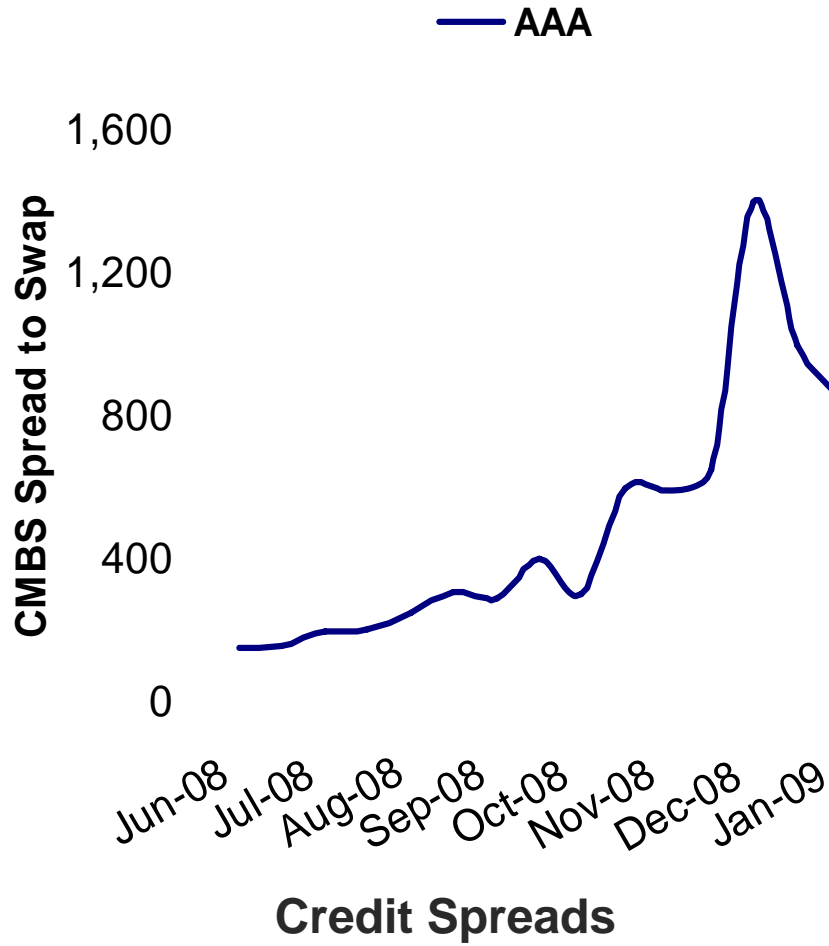
TED Spread



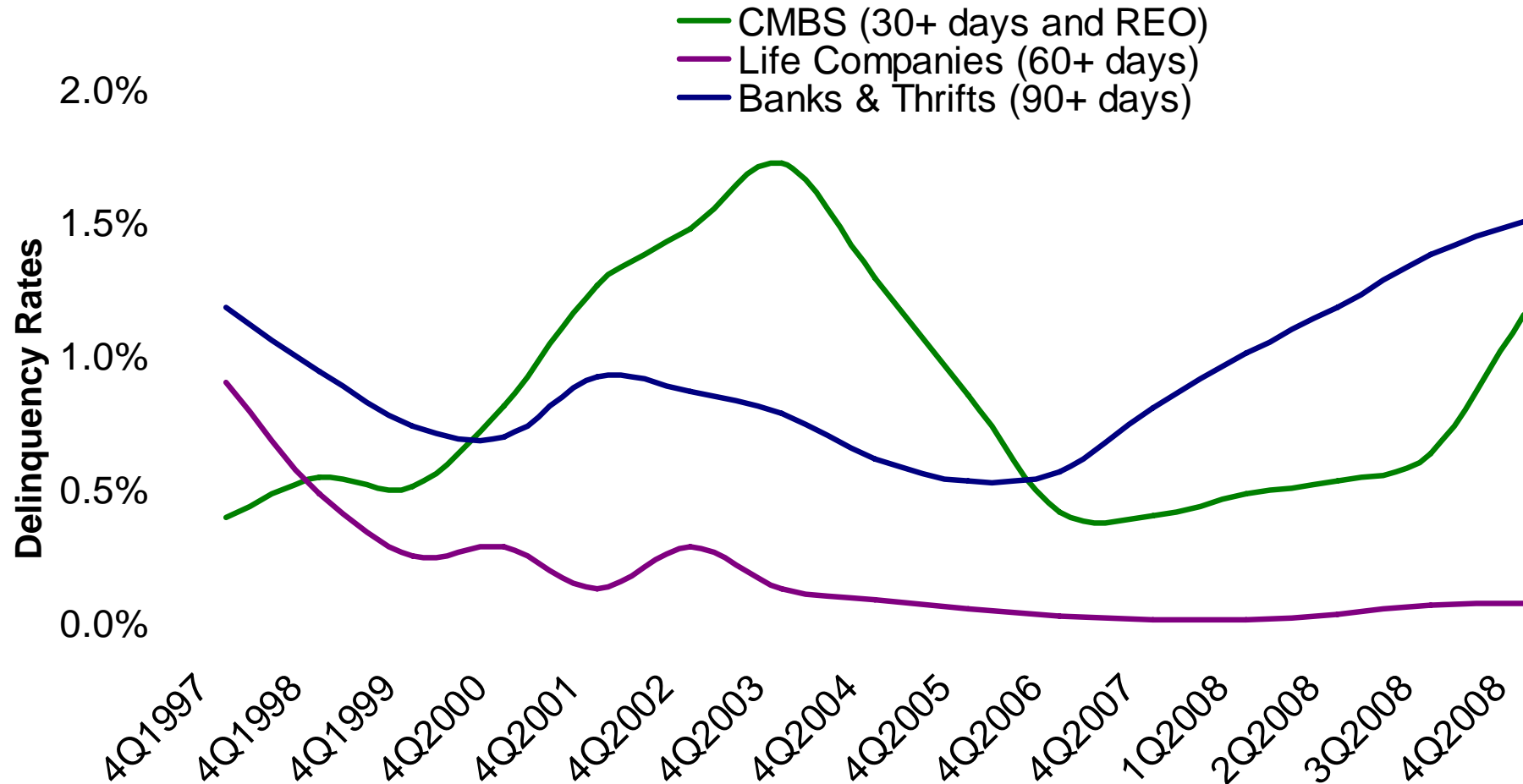
* Through February 23rd

Sources: Marcus & Millichap Research Services, Bloomberg

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



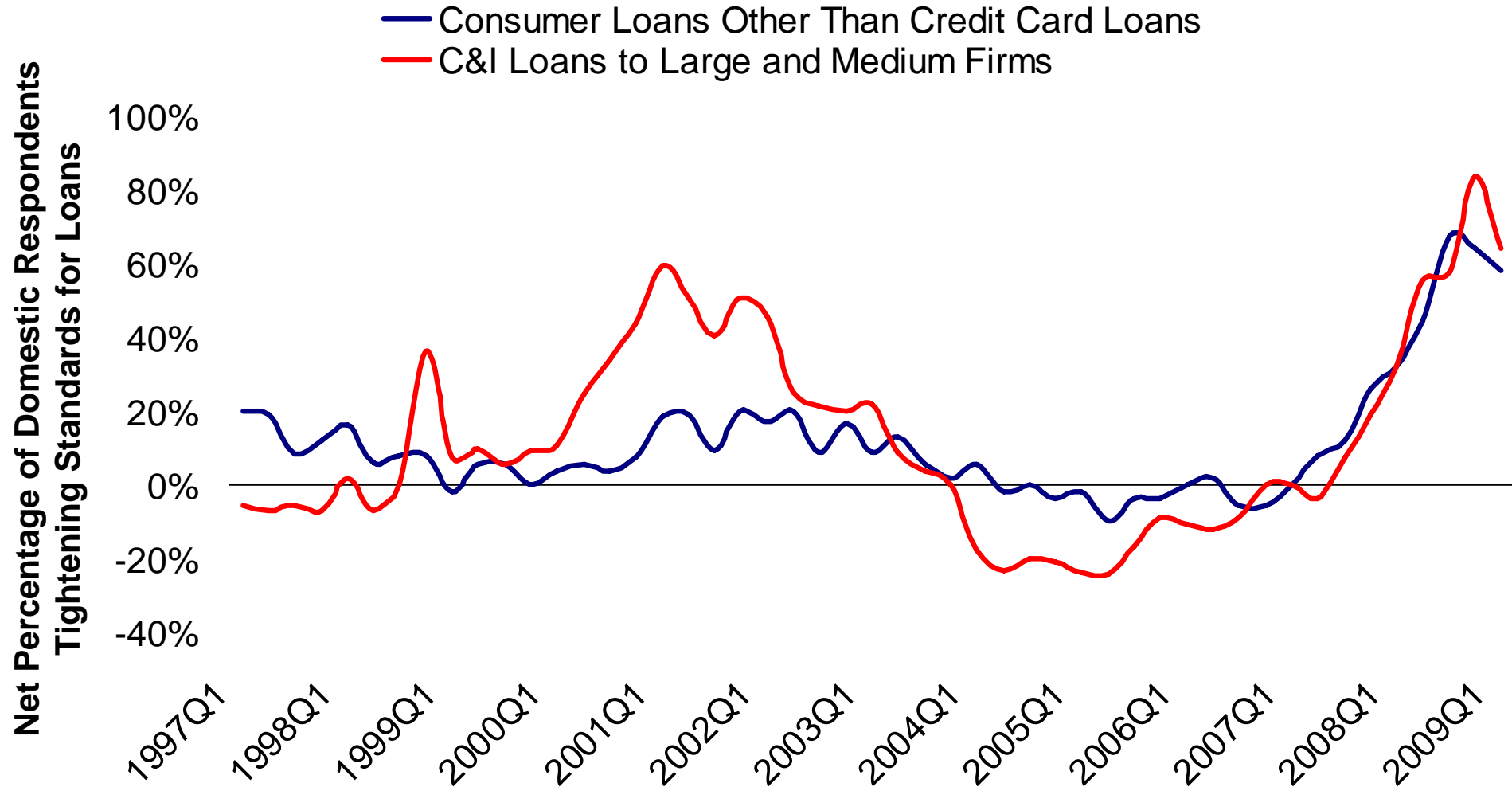
Commercial Mortgage Delinquency Rates by Group



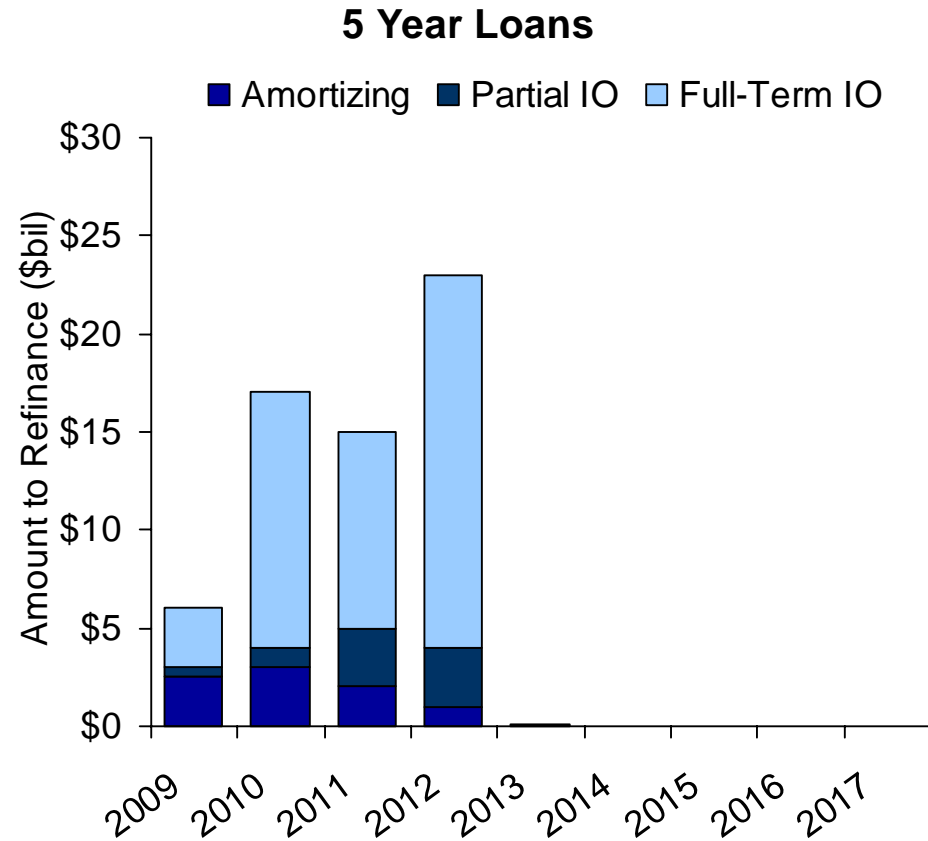
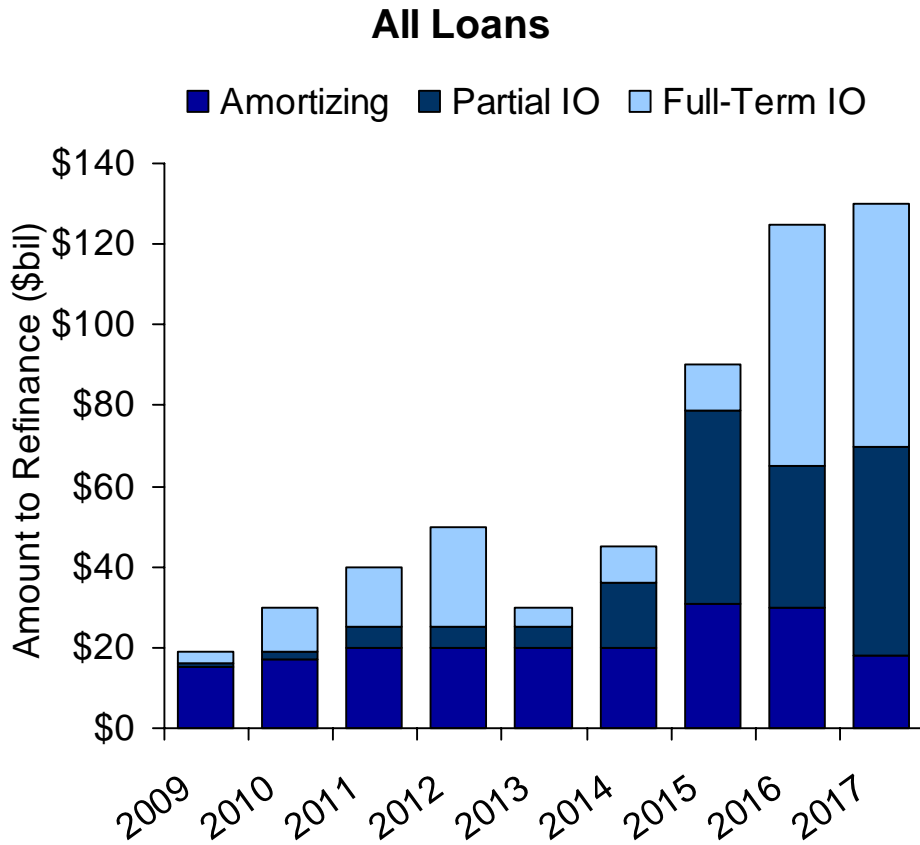
Delinquency rates at the end of each period

Sources: Marcus & Millichap Research Services, Mortgage Bankers Association

Credit Standards Have Moderated but Remain Tight



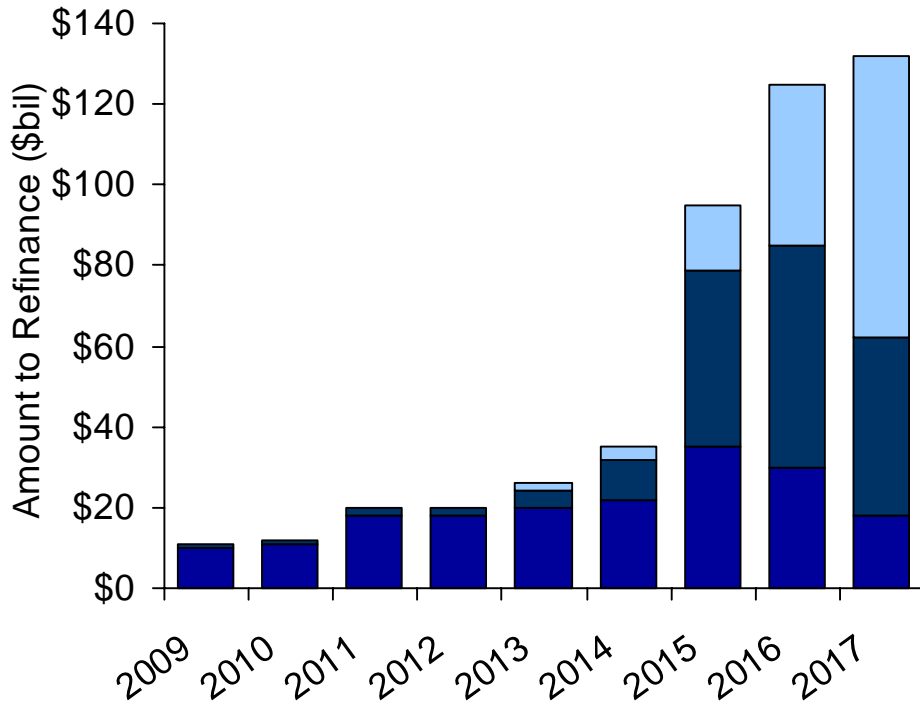
CMBS Maturing Loan Projections



CMBS Maturing Loan Projections

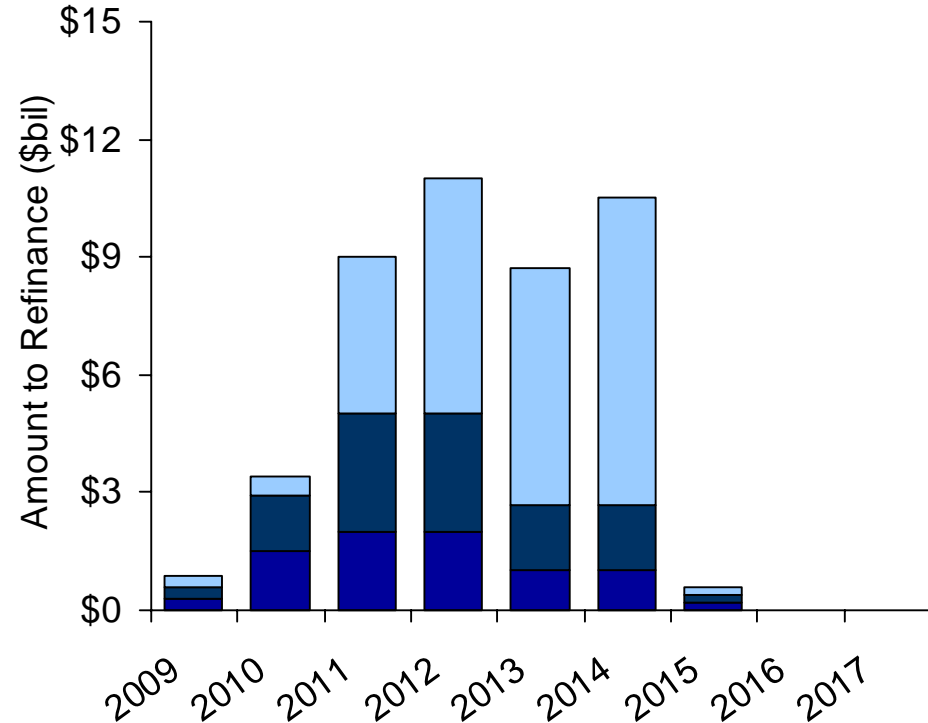
10 Year Loans

Amortizing Partial IO Full-Term IO

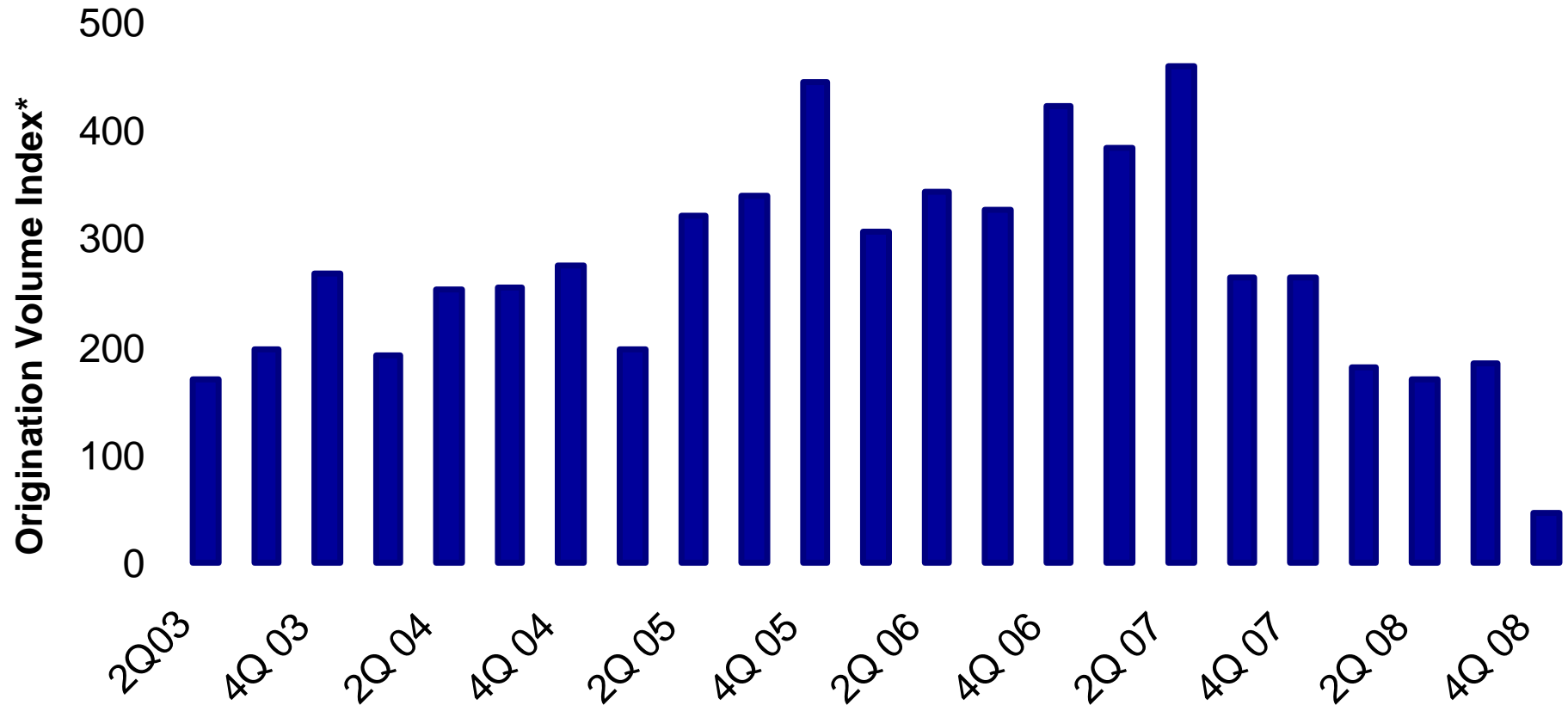


7 Year Loans

Amortizing Partial IO Full-Term IO



Mortgage Bankers Originations Index Retail

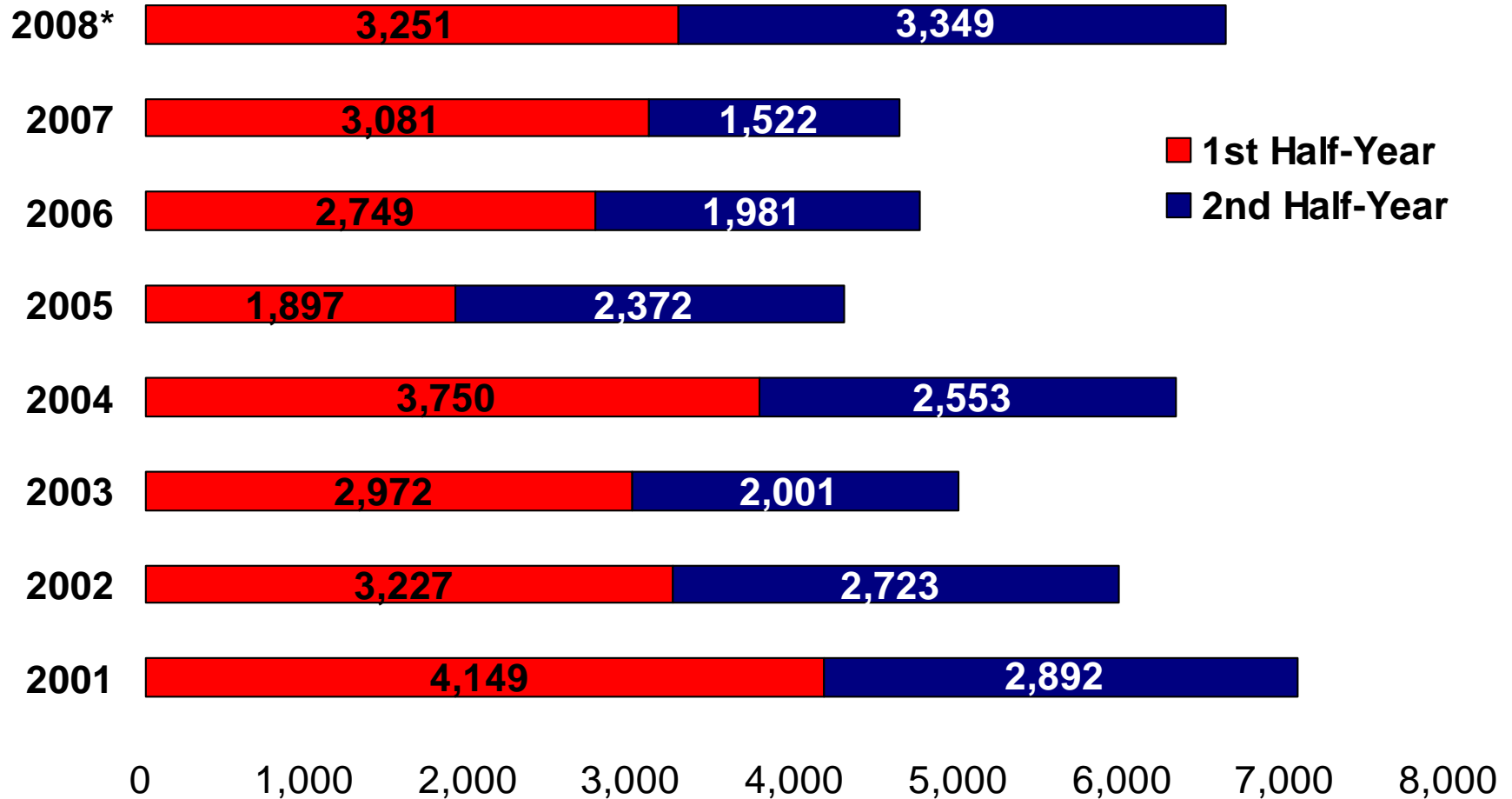


* 2001 Avg. Qtr = 100

Sources: Marcus & Millichap Research Services, MBA

***RETAIL
MARKET OVERVIEW***

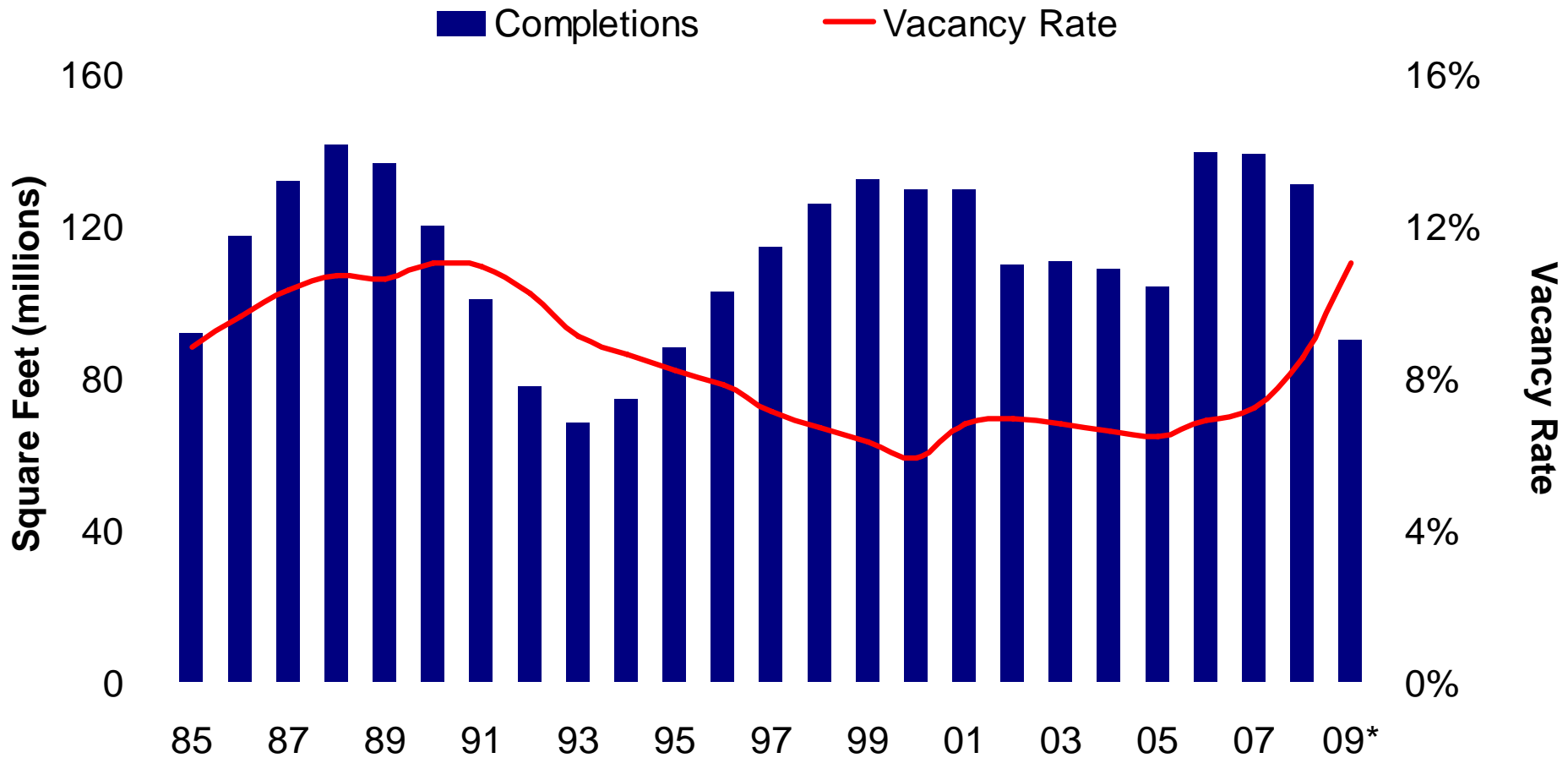
U.S. Store Announced Closings



*2nd Half is an estimate

Sources: Marcus & Millichap Research Services, ICSC Research

Retail Vacancies Rising: High Construction Levels of the Past Few Years, Tenant Weakness



* Forecast

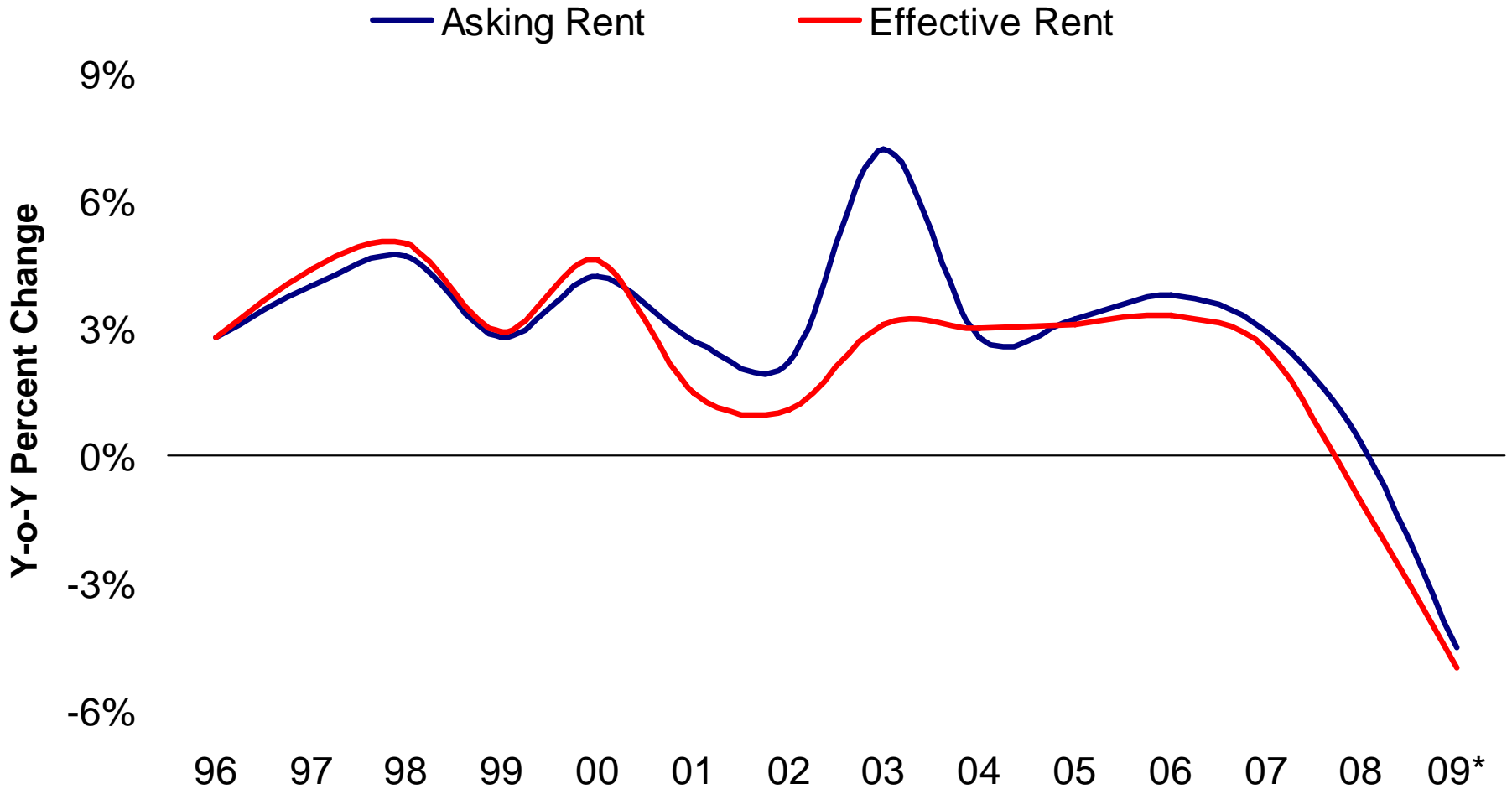
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., PPR, Reis

2008 Retail Market Ranking by Vacancy Change

Top 15 Markets	Vacancy	Bps Change
New York	4.8%	-30
San Francisco	3.9%	-30
Indianapolis	11.5%	10
Columbus	10.9%	20
Dallas-Fort Worth	11.4%	20
St. Louis	9.5%	30
Boston	6.2%	40
San Antonio	9.0%	40
San Diego	3.8%	50
Austin	9.1%	60
Philadelphia	7.7%	60
San Jose	3.9%	70
Seattle-Tacoma	4.7%	70
Cincinnati	12.9%	80
New Jersey	6.9%	80
U.S. Average	8.4%	120

Bottom 15 Markets	Vacancy	Bps Change
Miami	6.7%	160
Orange County	4.3%	160
Palm Beach	7.8%	160
Atlanta	9.8%	170
Los Angeles	4.5%	170
Sacramento	7.9%	170
Washington, D.C.	5.3%	170
Orlando	8.4%	190
Inland Empire	8.8%	210
Phoenix	9.3%	250
Tucson	8.1%	250
Jacksonville	8.4%	260
Cleveland	11.1%	290
Las Vegas	8.5%	300
Fort Lauderdale	8.6%	340
U.S. Average	8.4%	120

U.S. Retail Rent Trends

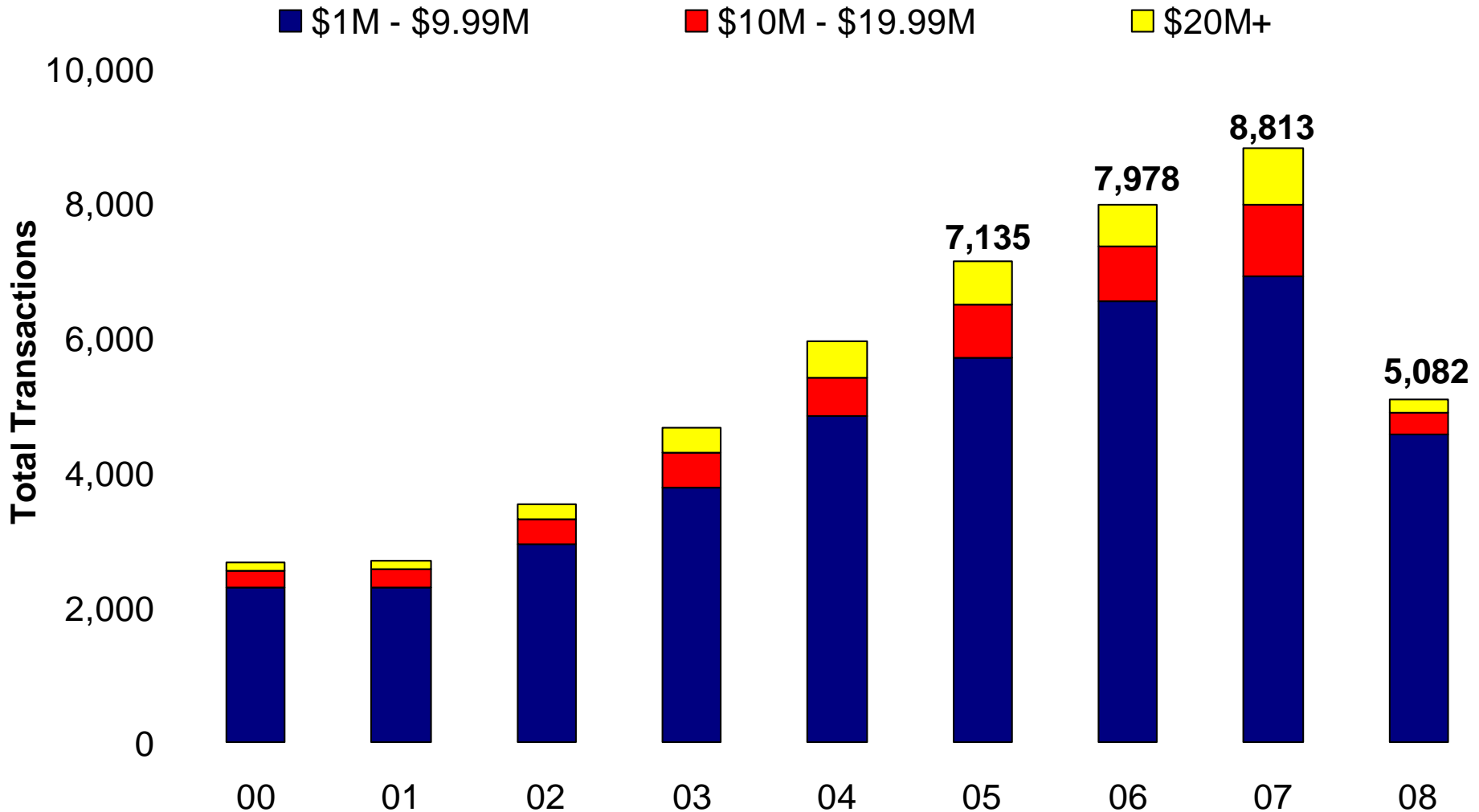


* Forecast

Sources: Marcus & Millichap Research Services, Reis

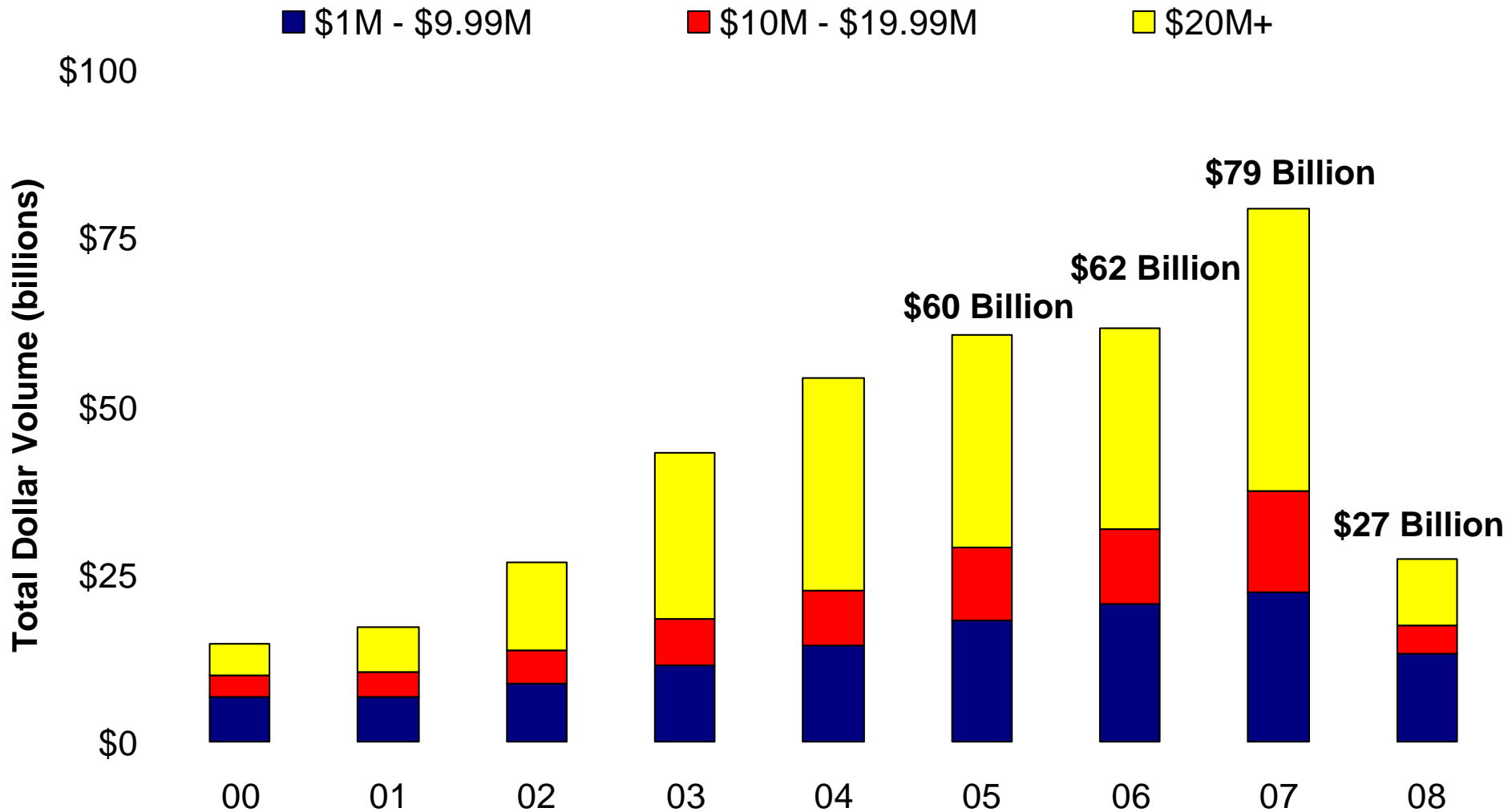
U.S. Investment Trends

Retail Transactions by Price Category



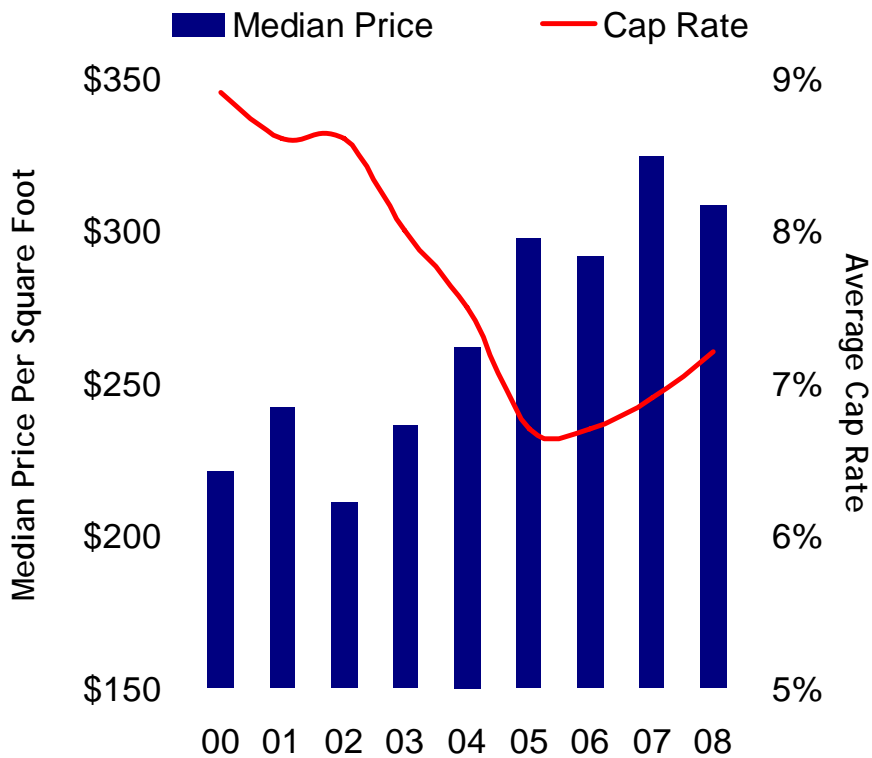
U.S. Investment Trends

Retail Dollar Volume by Price Category

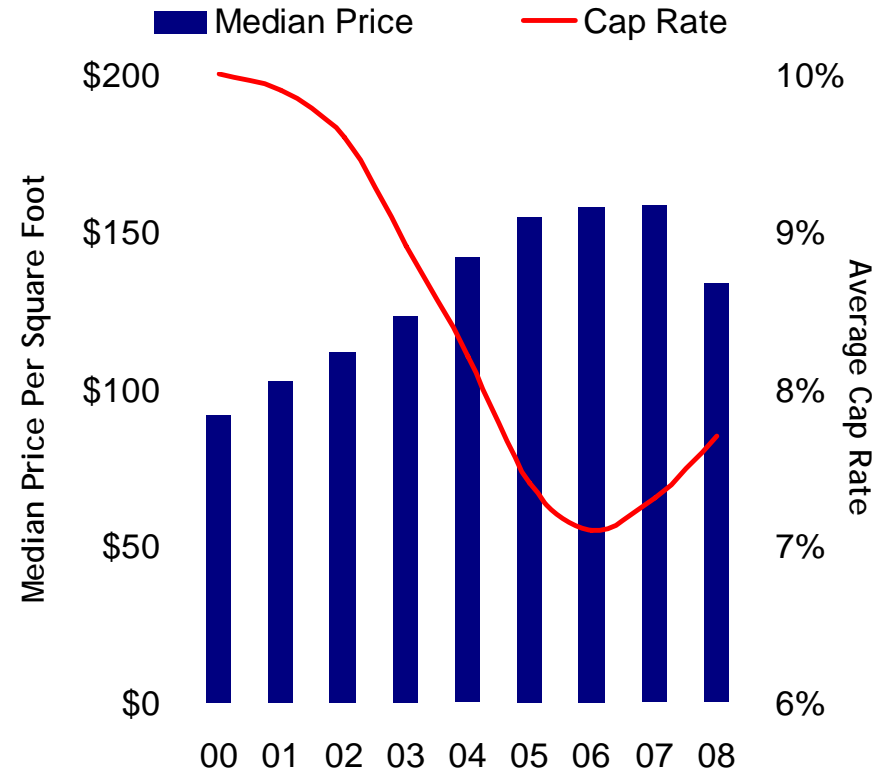


Single- and Multi-Tenant Retail Pricing and Cap Rates

Single-Tenant



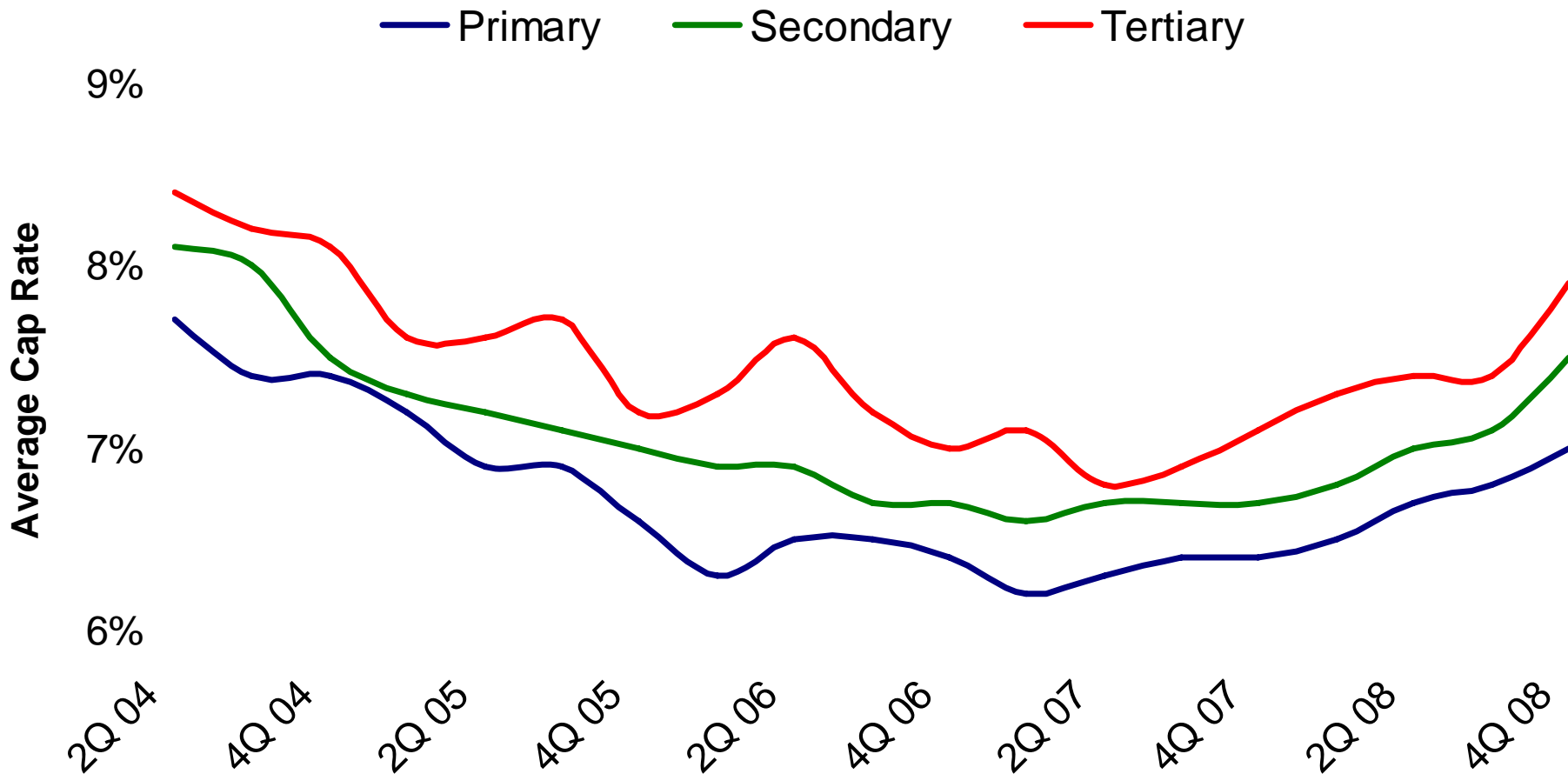
Multi-Tenant



Sales \$1 million and greater

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

Re-Pricing of Risk by Quality Reflected in Retail Cap Rate Trends by Market Type



Marcus & Millichap Retail Sales Activity

	<u>2008</u>	<u>4Q08</u>
<u>Transactions</u>	1,416	336
<u>Dollar Volume</u>	\$3.8B	\$890M



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