

NAIOP

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION

Development '09

The Annual Meeting for
Commercial Real Estate

THE TRANSACTION MARKET: WHAT ARE BUYERS AND SELLERS DOING?



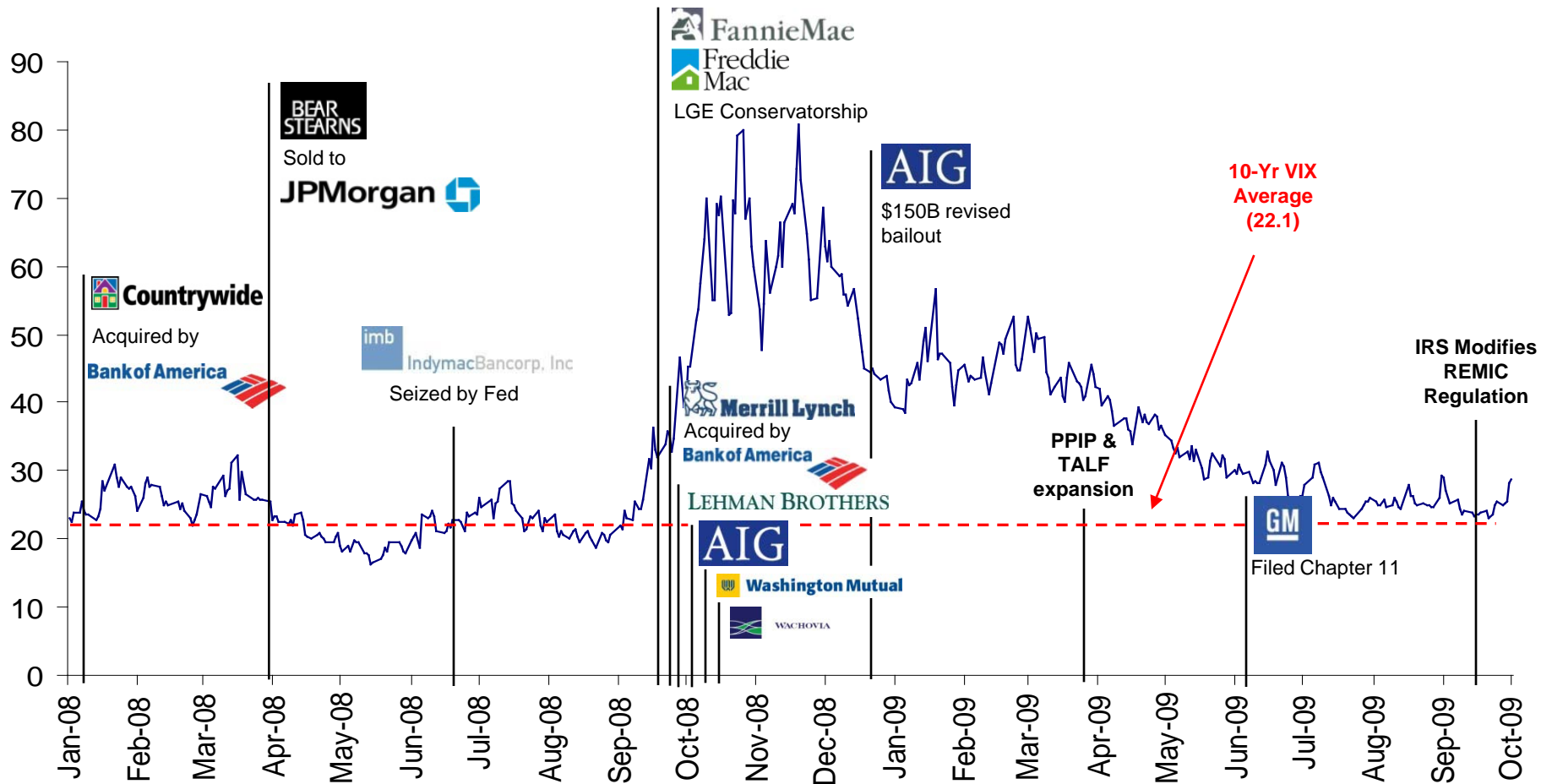
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DEVELOPMENT '09: THE ANNUAL MEETING FOR COMMERCIAL REAL ESTATE

The Transaction Market: What are Buyers and Sellers Doing?

- Moderator: **Stephen Livaditis**, senior managing director, Eastdil Secured
- **Michael Caprile**, vice chairman, CB Richard Ellis
- **Dean Dornbos**, managing director, Cushman & Wakefield Sonnenblick Goldman
- **Michael McDonald**, managing director, Eastdil Secured
- **Al Pontius**, national director/ Office & Industrial Properties, Marcus & Millichap

CBOE Volatility Index – The “Fear Index” Versus Notable Events



Source: CBOE

Then and Now

	<u>January 2009</u>	<u>April 2009</u>	<u>Today</u> As of 10/14/09
DJIA:	8,776	7,761	10,016
10-Year Trsy.:	2.52%	2.93%	3.39%
Unemployment:	7.6%	8.9%	9.8%
<u>Avg. Cap Rate⁽¹⁾</u>			
Office CBD:	7.7%	8.9%	8.0%
Office Suburban:	7.6%	9.5%	8.4%
Industrial:	8.2%	9.2%	8.7%
<u>10-Yr Spread⁽¹⁾</u>			
Office CBD:	5.2%	6.0%	4.4%
Office Suburban:	5.1%	7.6%	4.8%
Industrial:	5.7%	7.3%	5.1%

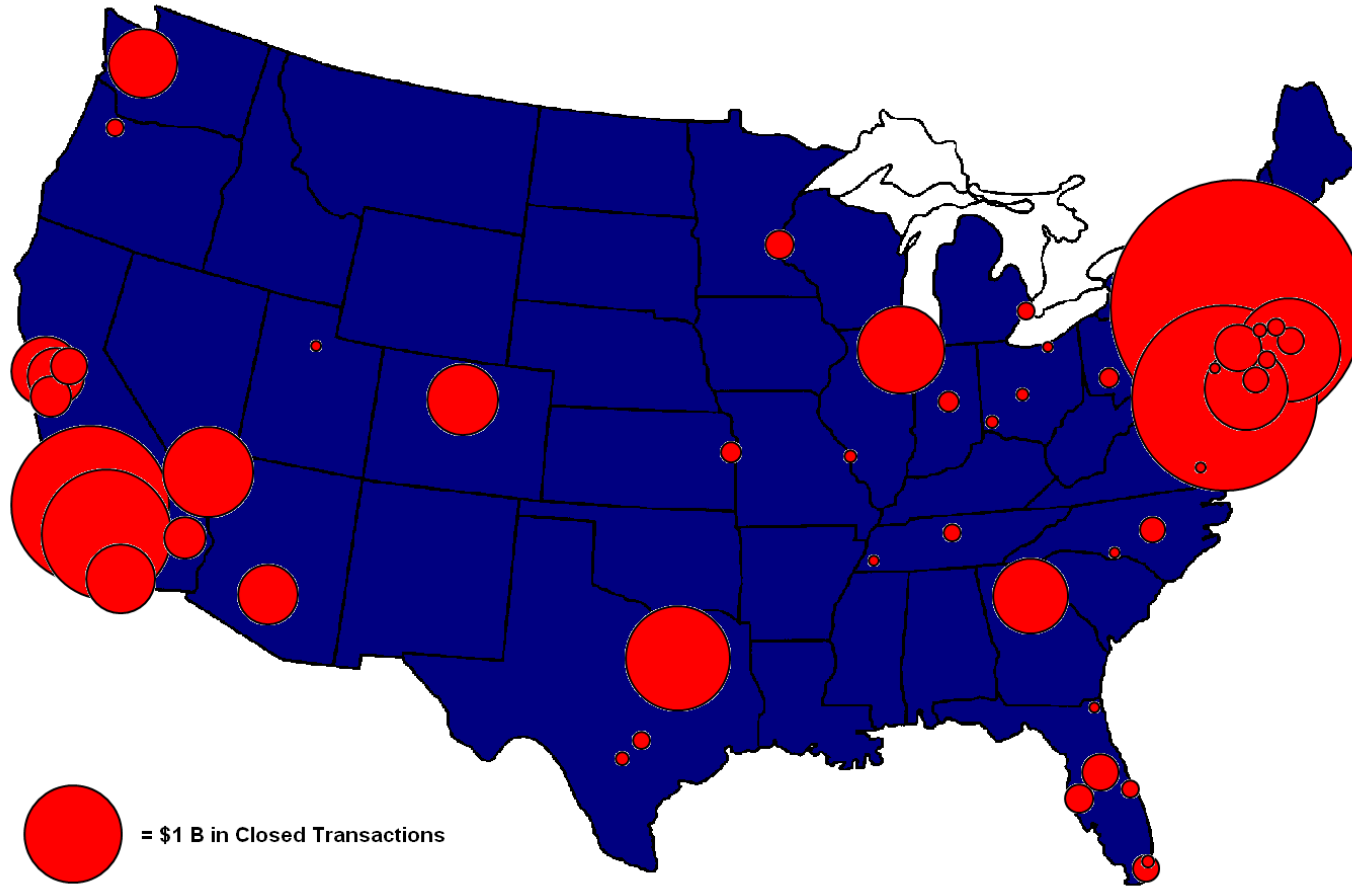
(1) Data as of August 31st, 2009

Source: Bureau of Labor Statistics, Real Capital Analytics, The Wall Street Journal

Preferred Investment Markets & Assets

Preferred Investment Markets

Total Closed CRE Transactions YTD 2009



Source: Real Capital Analytics

Preferred Investment Assets

Closed Transactions YTD through August 2009

	Office	Apartment	Retail	Industrial	Hotel	Total
Mid-Atlantic	\$1,611	\$531	\$304	\$297	\$160	\$2,903
Midwest	\$981	\$678	\$318	\$740	\$108	\$2,825
Northeast	\$2,859	\$1,035	\$876	\$605	\$783	\$6,158
Southeast	\$554	\$1,614	\$1,170	\$587	\$264	\$4,188
Southwest	\$749	\$1,489	\$1,002	\$526	\$105	\$3,871
West	\$2,679	\$2,013	\$1,192	\$1,733	\$1,164	\$8,781
Total	\$9,433	\$7,359	\$4,862	\$4,489	\$2,583	\$28,726

Source: Real Capital Analytics

Available Financing

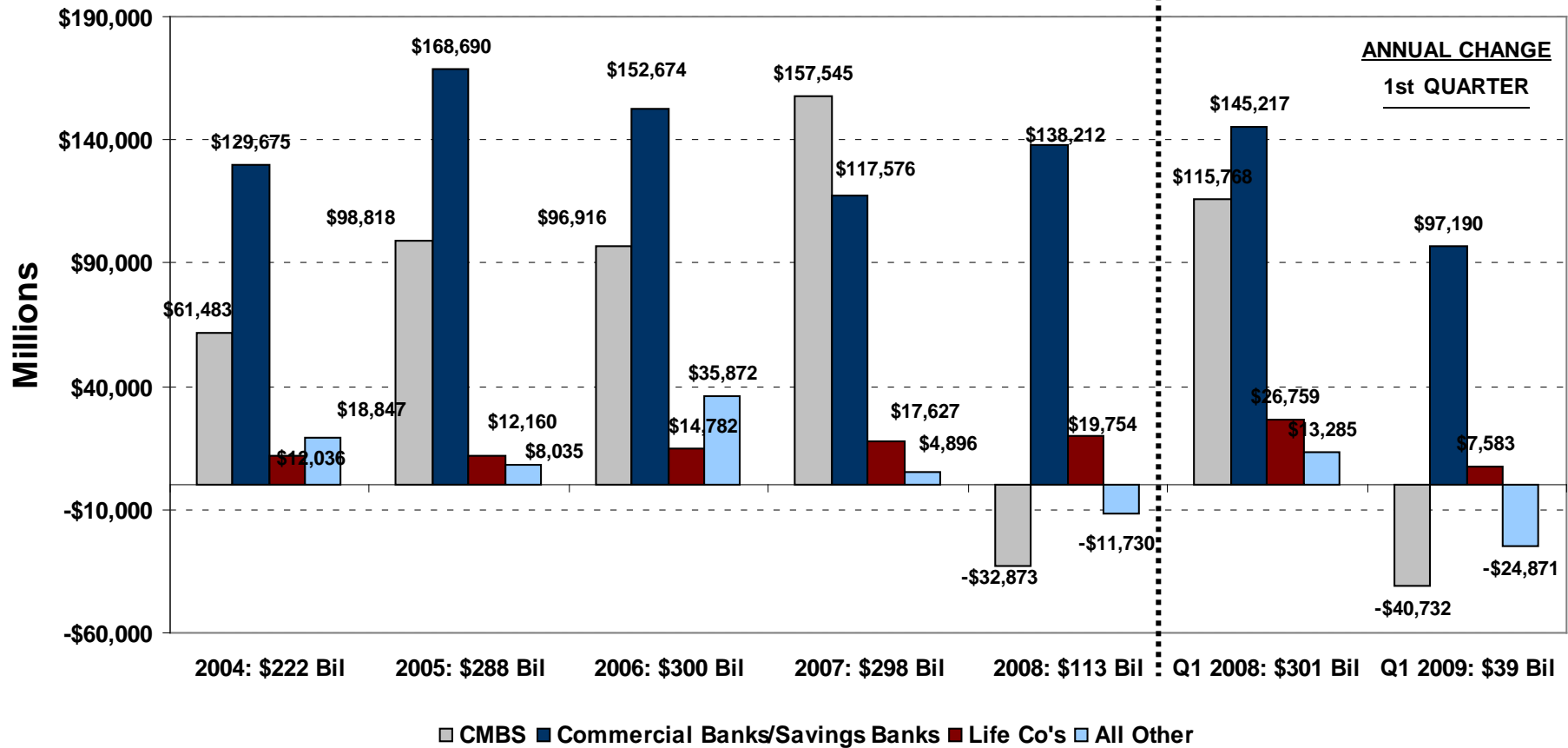
What Can Get Done in Today's Debt Market

- 1) Top Ten Markets
- 2) Moderate Leverage (55-60% LTV)
- 3) Class "A" Assets
- 4) Strong Sponsors
- 5) In-Place Cash Flow (1.30x DSCR on 9.0% Constant, or 12% Debt Yield)
- 6) Under \$200 Million

<u>Nominal Rates</u>	<u>1Q 2009</u>	<u>4Q 2009</u>
5-Year Fixed:	7.50%	6.63%
7-Year Fixed:	7.75%	6.75%
10-Year Fixed:	8.00%	6.88%
5-Year Floating:	L+3.5-5.5%	L+3.75%
LIBOR Floor:	2.0%	1.5%
Amortization:	Required	Required

Who's Lending?

Year-Over-Year Net Increases in Commercial Mortgages (Excludes Gov't Agencies)

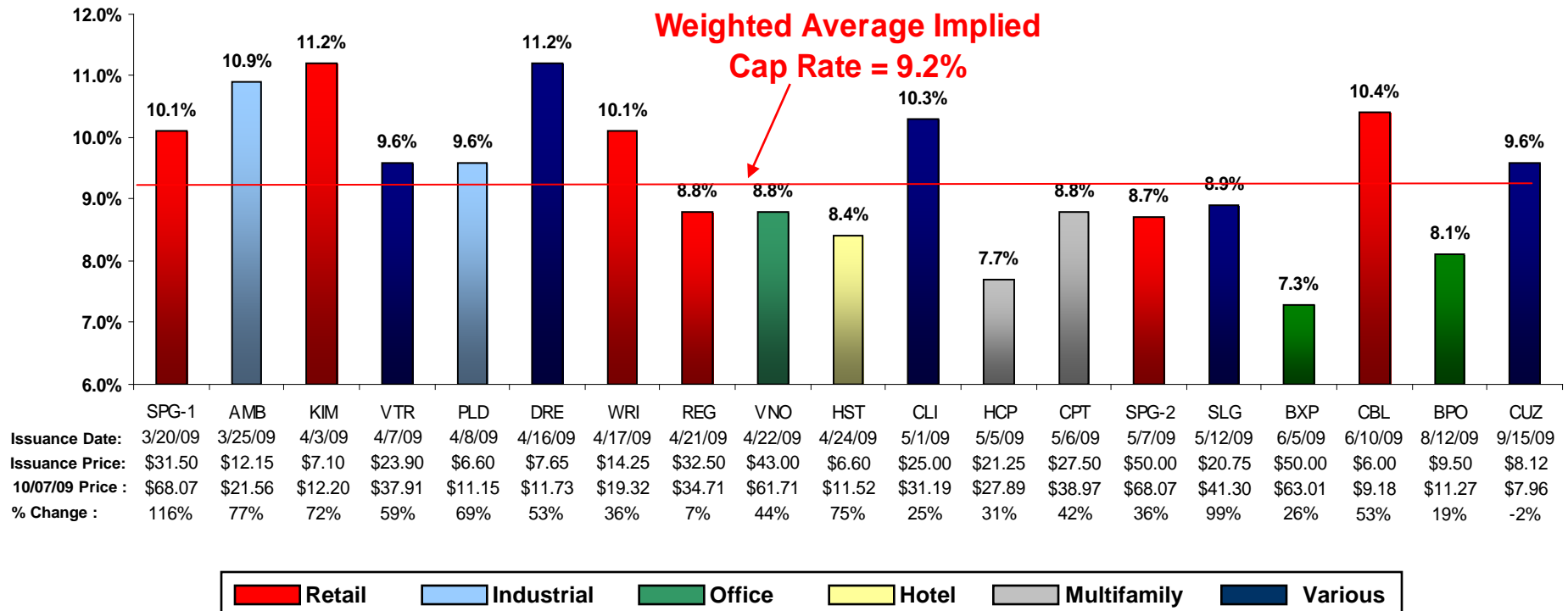


Source: Mortgage Bankers Association

Public Markets

Public Markets

Implied Cap Rates of the 20 Largest 2009 Equity Offerings

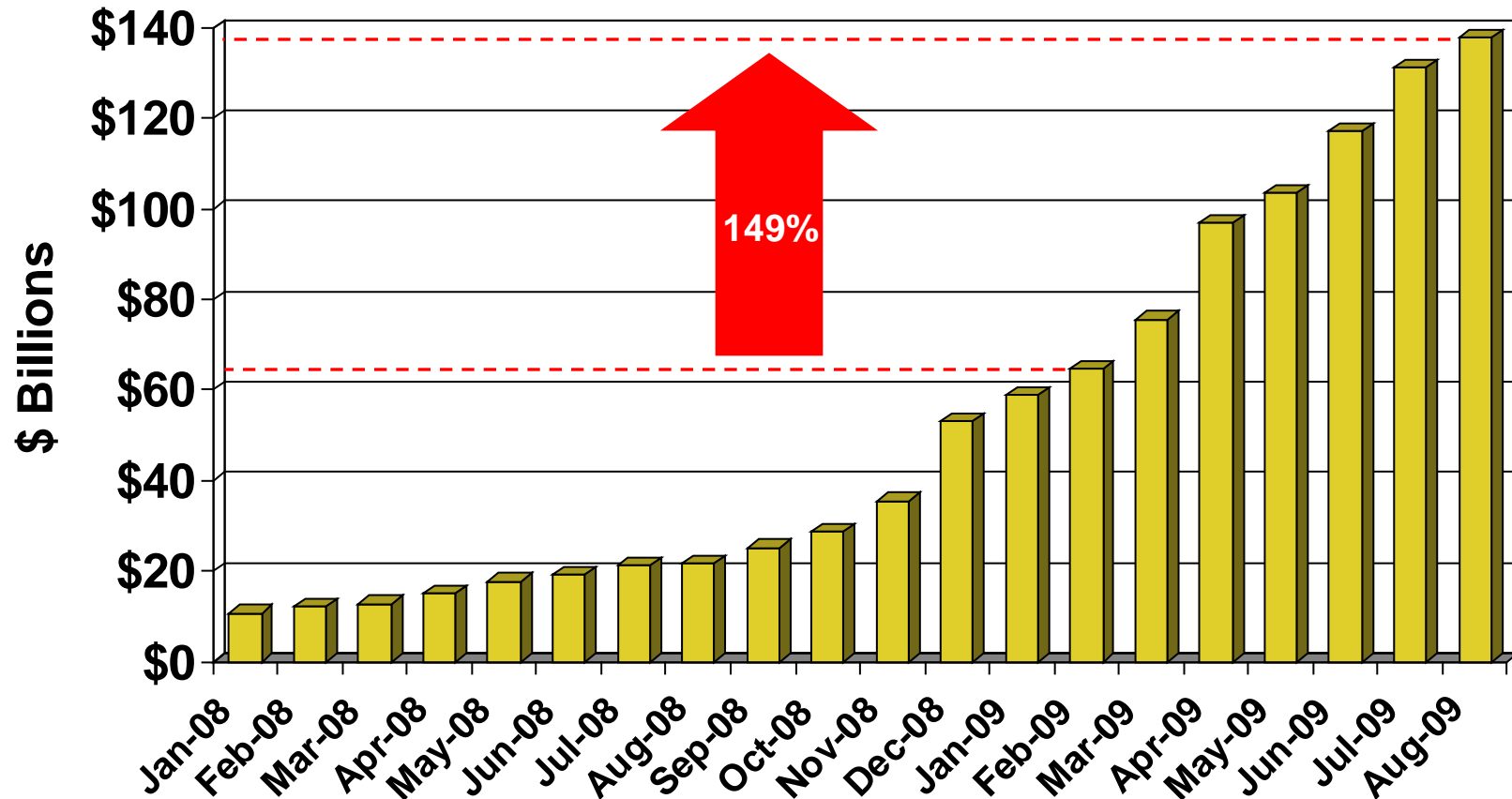


Source: Green Street Advisors

Distressed Assets

Distressed Assets

Monthly Cumulative Distressed Assets (All Property Types)



Source: Real Capital Analytics

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Distressed Assets

CMBS Delinquencies by MSA

MSA	Current Balance (Millions)	Loan Count	% of Delinquent CMBS	% of Total MSA
Phoenix, AZ	\$1,396	111	4.96%	9.44%
Las Vegas, NV	\$1,134	73	4.03%	9.07%
Atlanta, GA	\$1,050	127	3.73%	6.55%
Houston, TX	\$941	104	3.34%	6.00%
New York, NY	\$909	59	3.23%	1.08%
Detroit, MI	\$908	118	3.22%	10.89%
Chicago, IL	\$898	87	3.19%	4.36%
Dallas-Fort Worth, TX	\$774	122	2.75%	4.07%
Los Angeles, CA	\$768	48	2.73%	2.20%
Riverside-San Bernardino, CA	\$666	56	2.37%	8.52%
Total	\$9,445	905	33.54%	

Source: Realpoint

Recent Government Regulation Change

Recent Government Regulation Change

IRS Allowing CMBS Loan Modification

- Revenue Procedure 2009-45
- Commercial Real Estate Borrowers Allowed to Proactively Discuss Possible Modifications to Securitized Loans That are at Risk of Default Without Triggering Tax Penalties

QUESTIONS?