



The State of the Commercial Real Estate Industry: **Year-End 2010 Industrial Review & Outlook**

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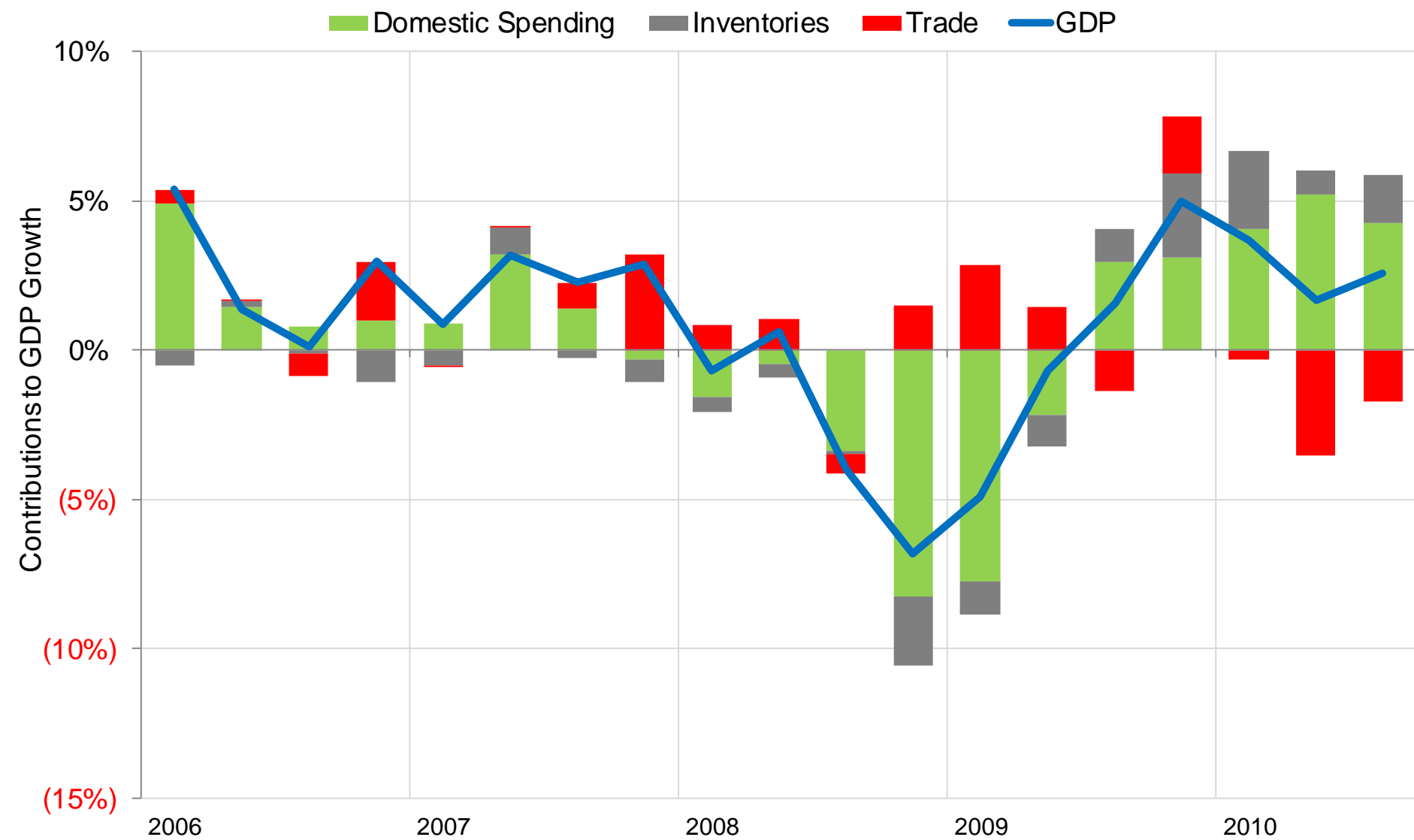
Today

- The Economy
- Leasing Market Review & Outlook
- New Research Spotlight
- The Danger Zone
- The Capital Markets and Sales Trends
- Summary and Q&A

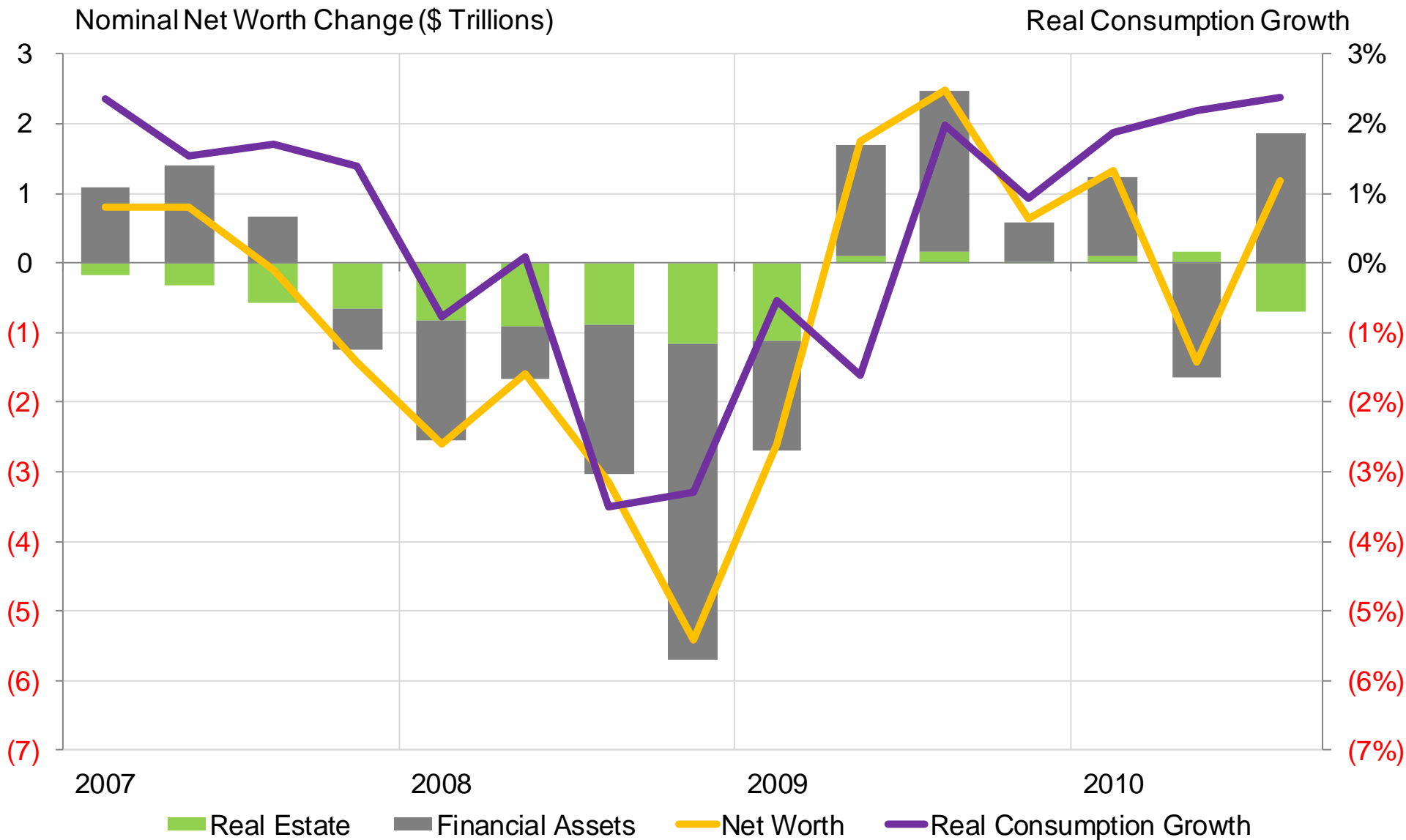


Economy

Recent Weakness Is Entirely Trade-Related

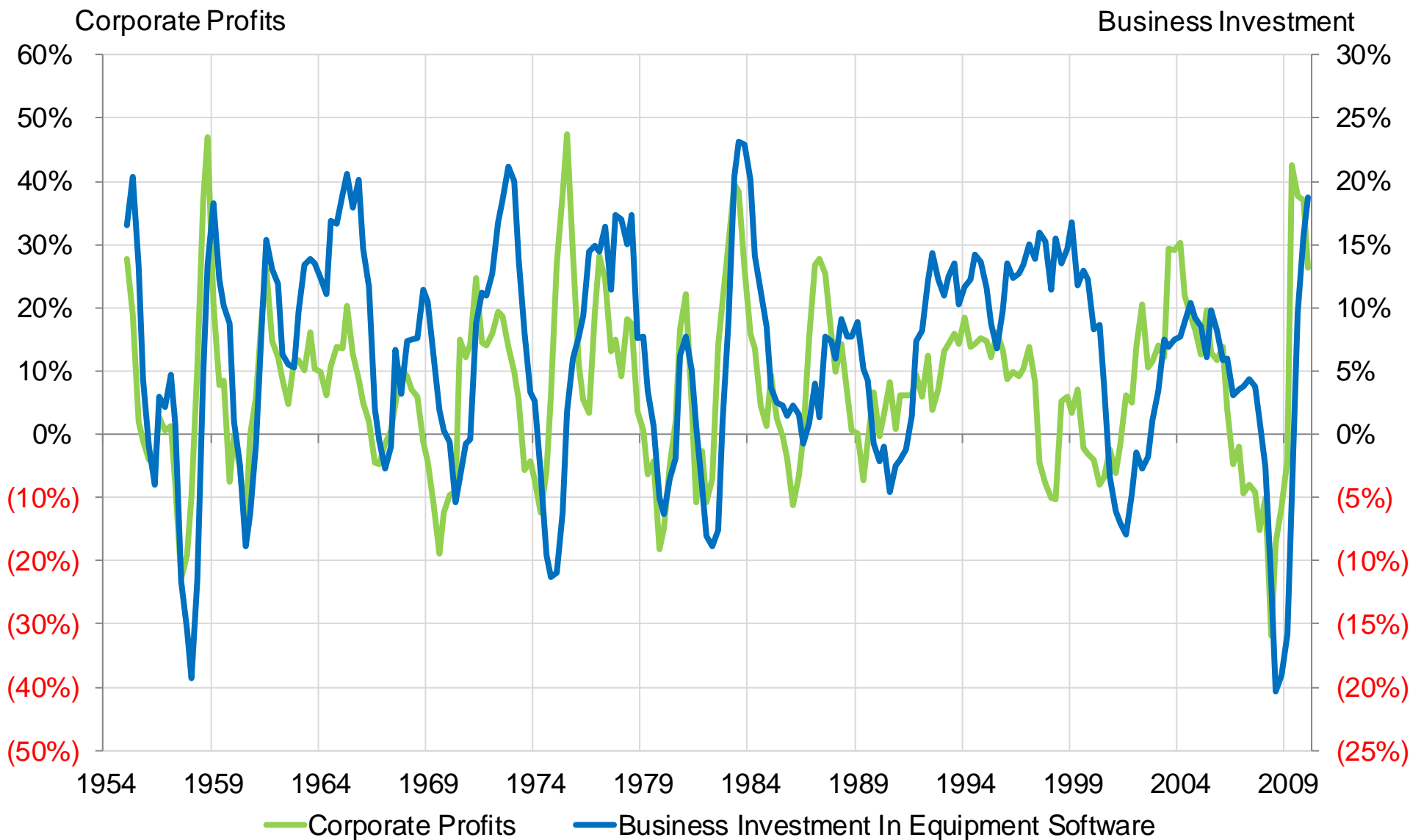


Asset Prices Drive Consumption



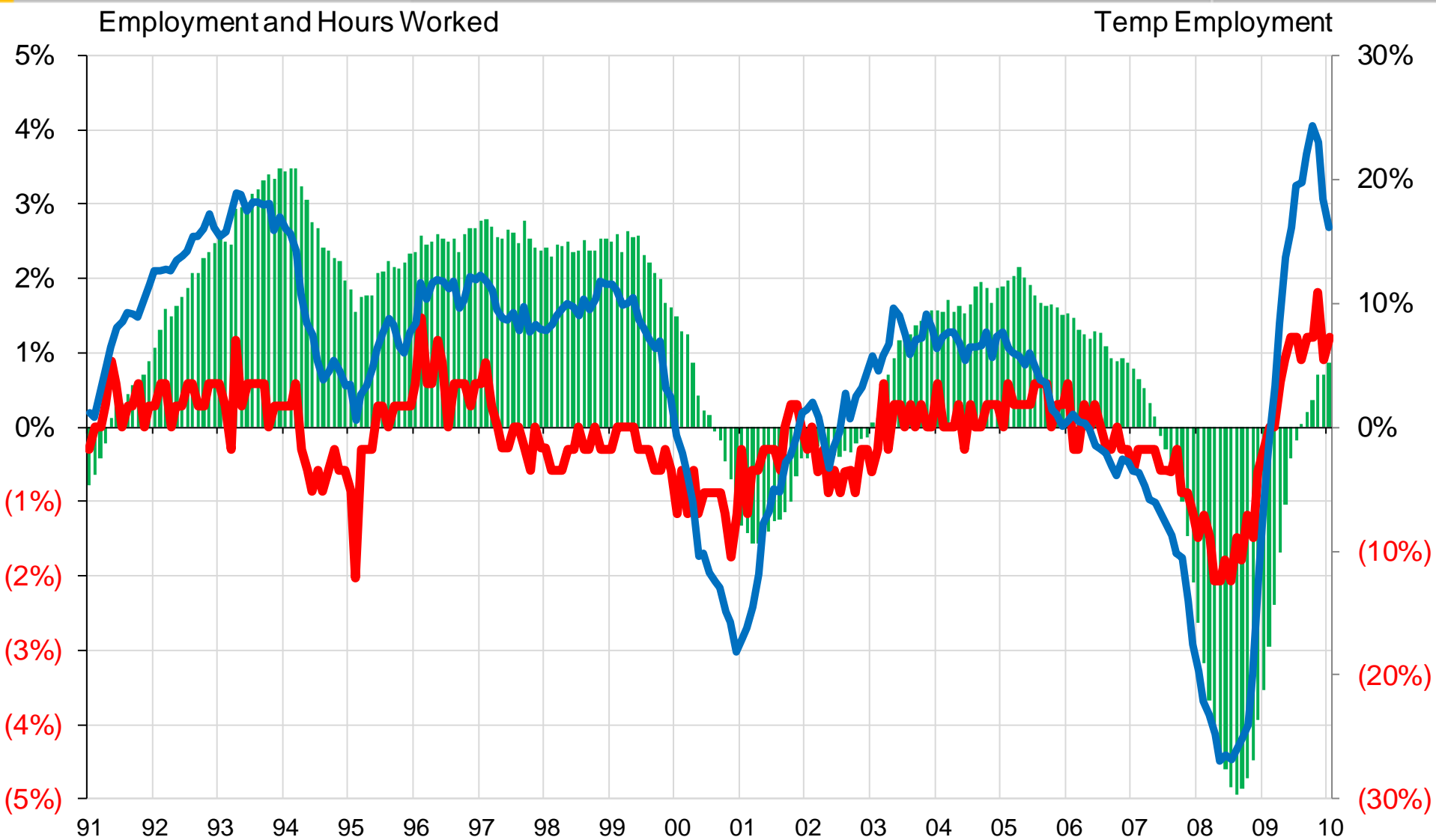


Asset Prices Drive Consumption



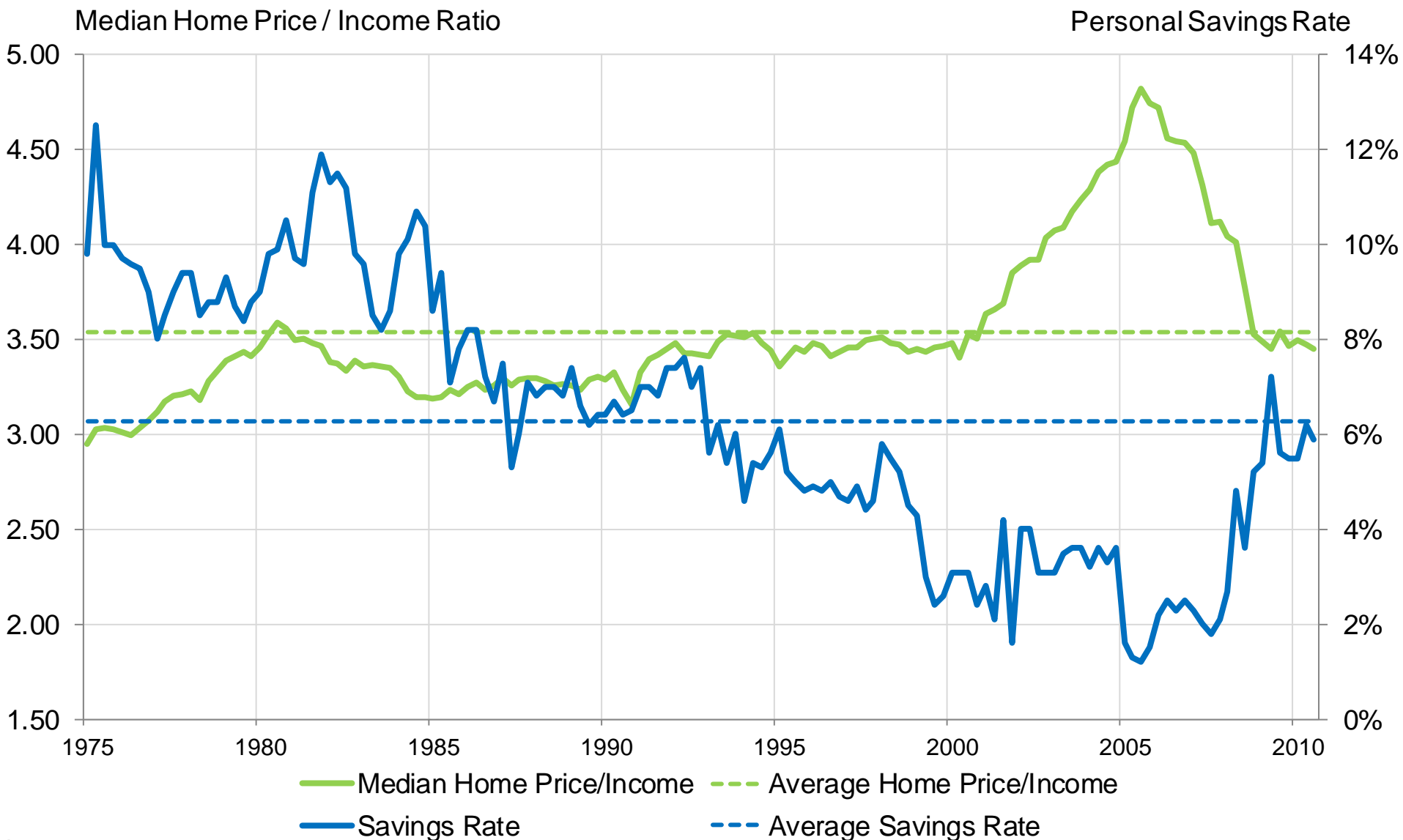


Leading Indicators Still Good



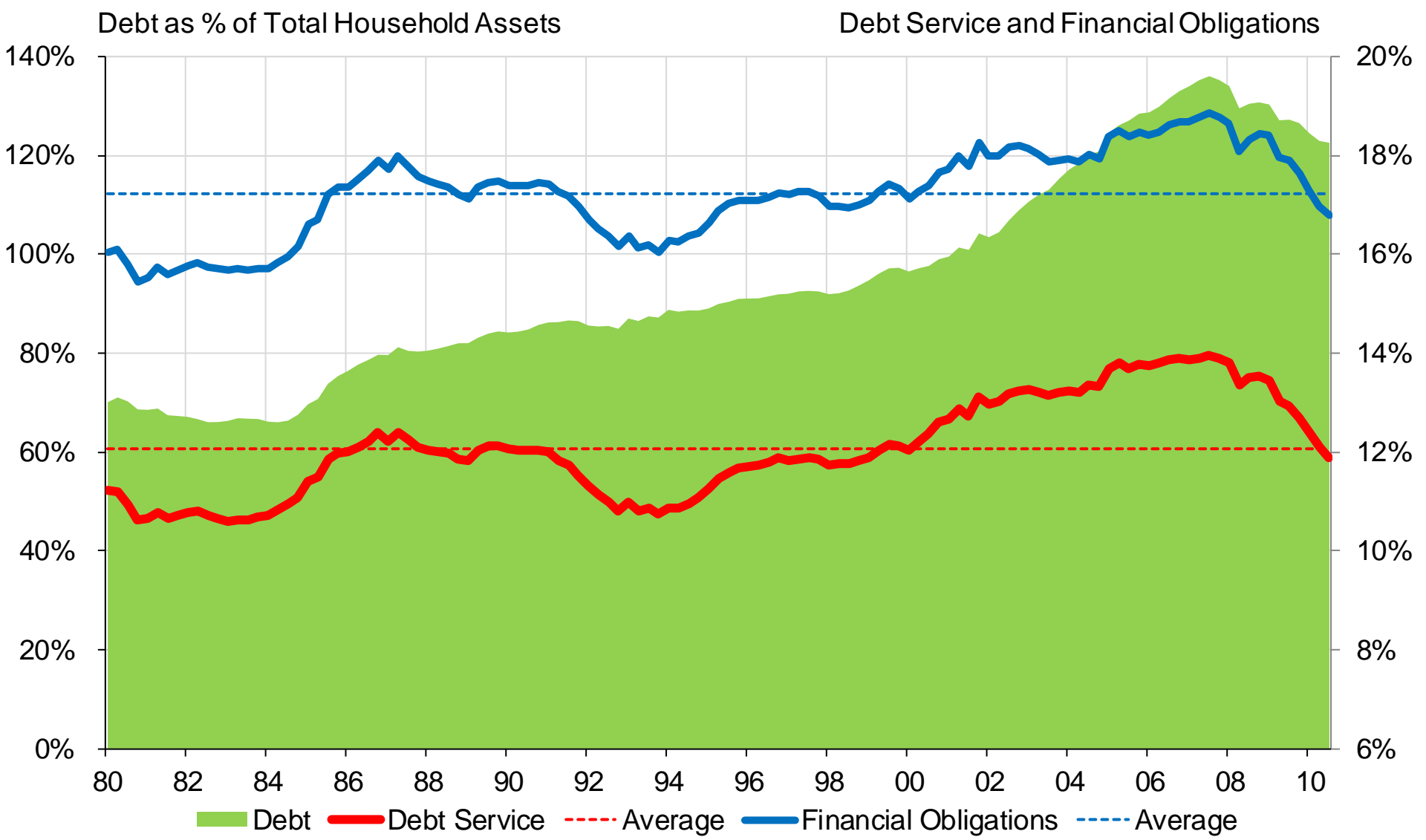


Imbalances Have Been Purged



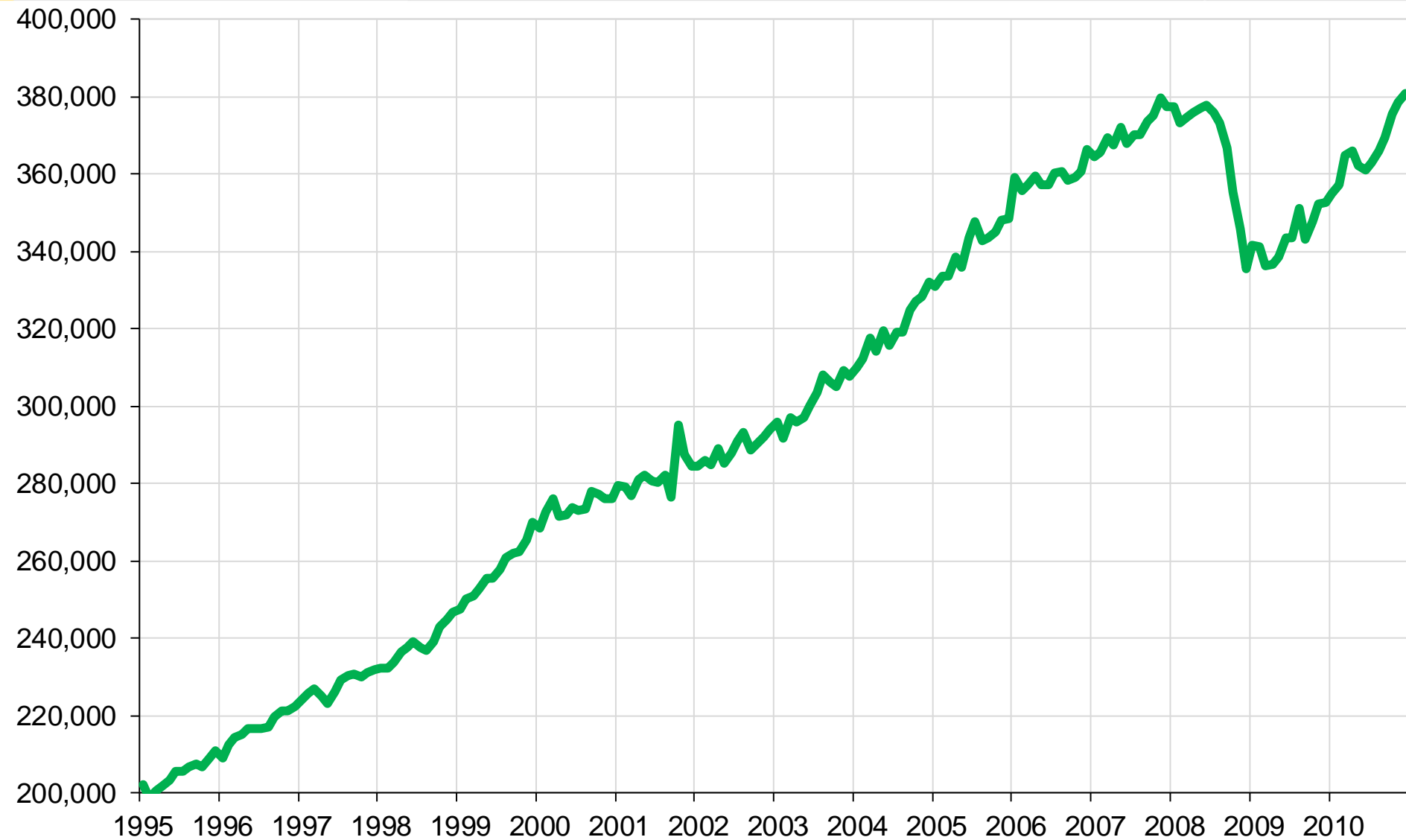


Consumers Are Not Stretched ... Until Interest Rates Rise



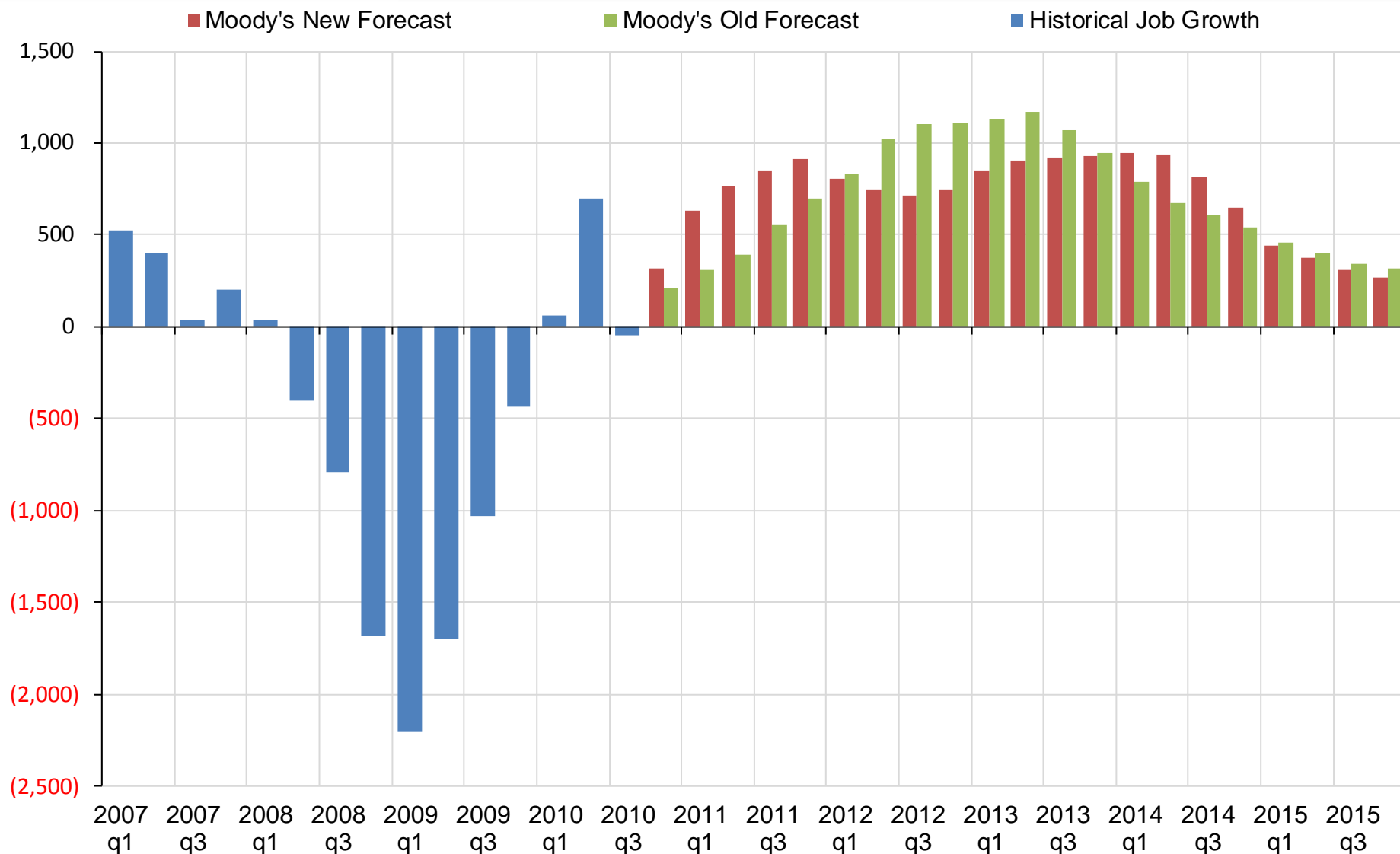


Retail Sales



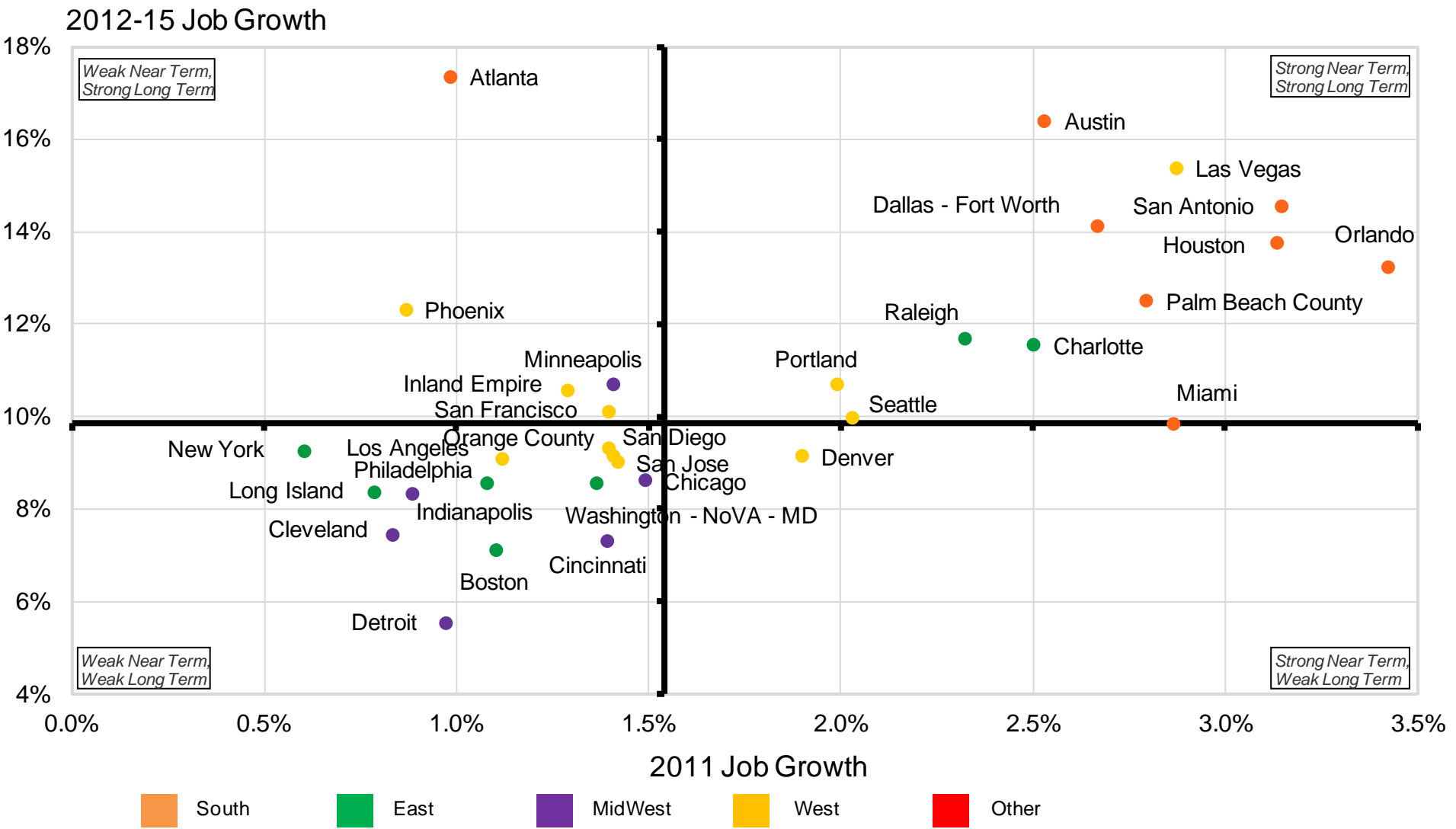


3.2 Million New Jobs in 2011!



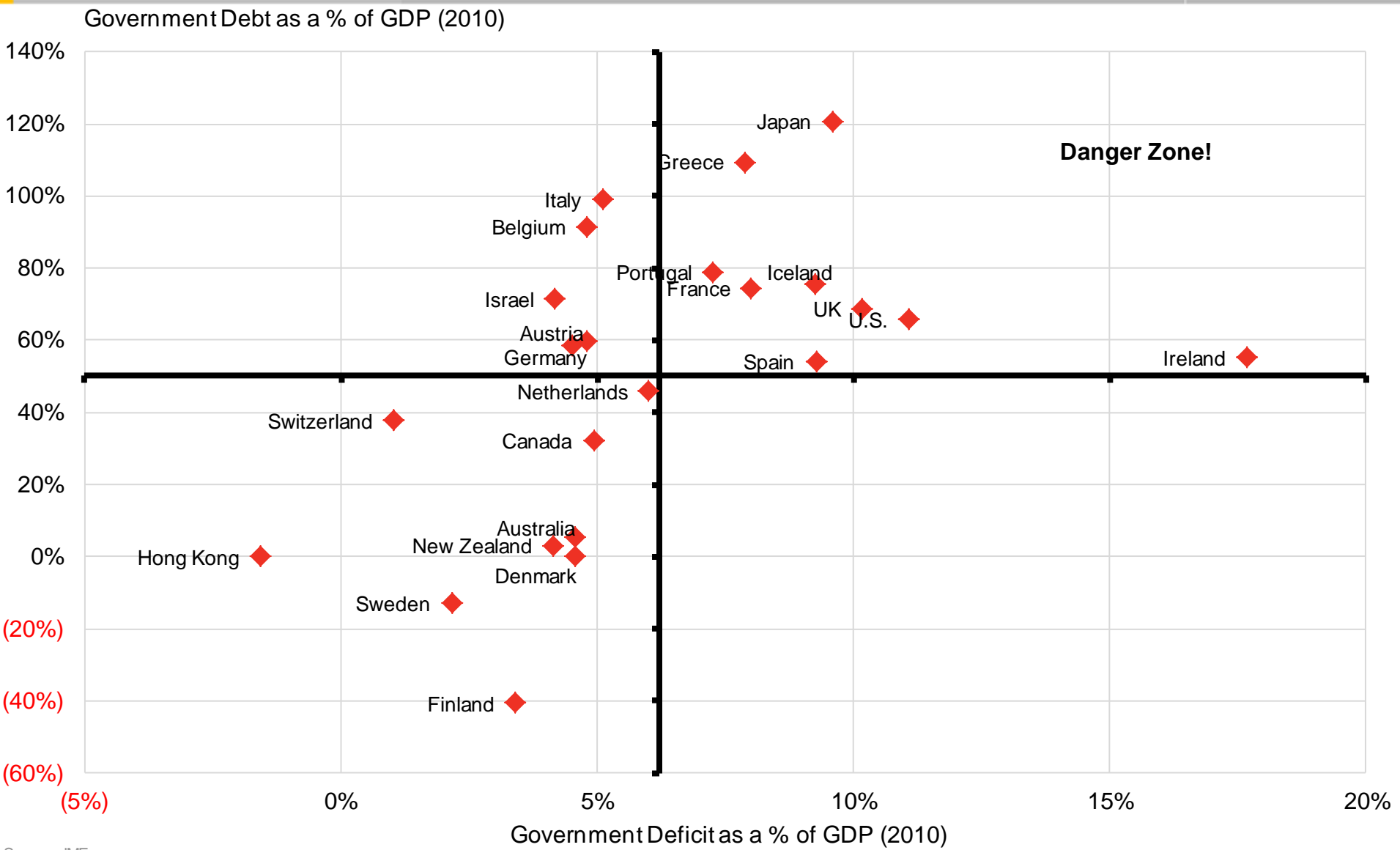


Tech, Energy, And Demographics Will Drive Performance

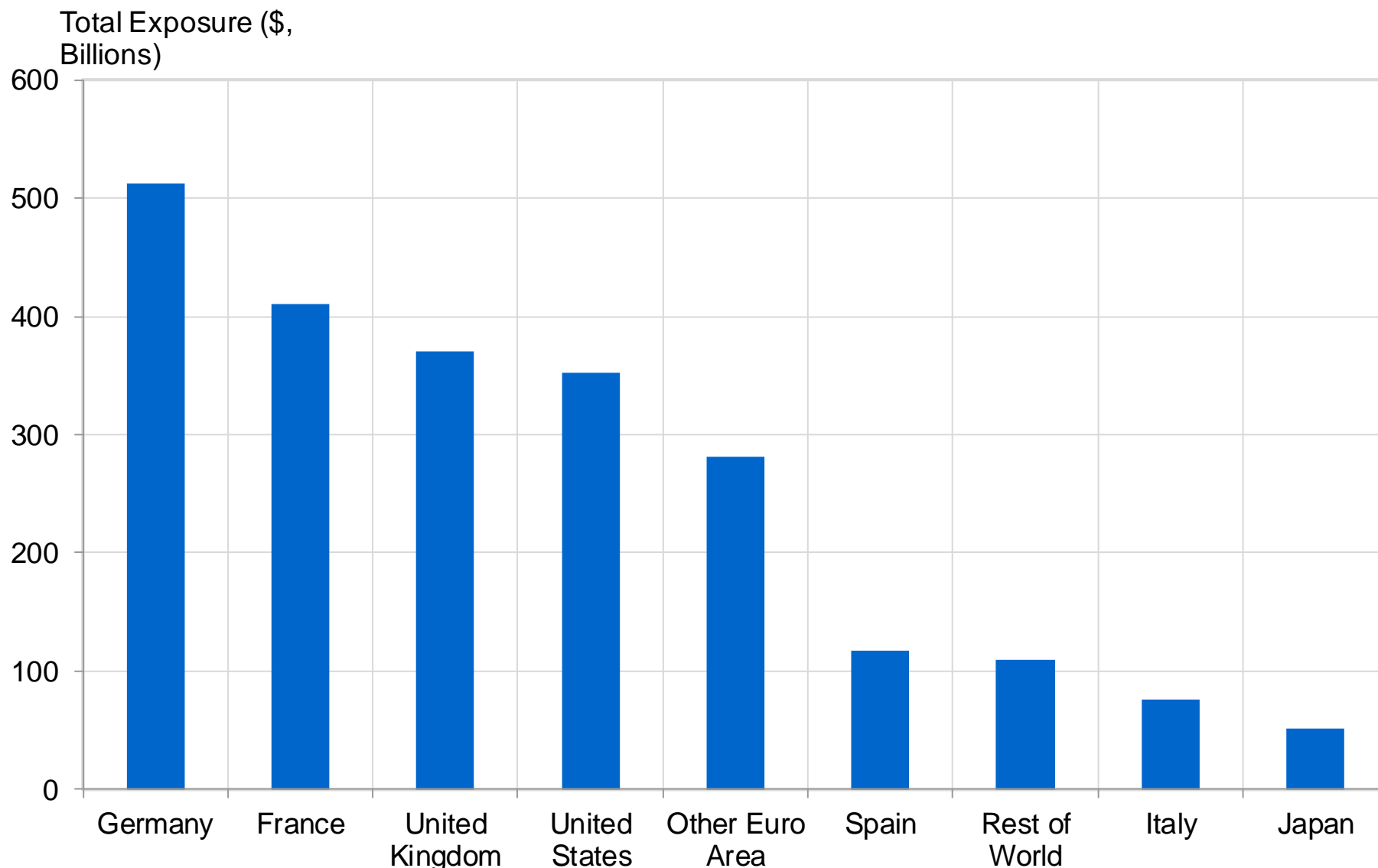




The U.S. Fiscal Situation Is A Mess



Foreign Exposures To Greece, Ireland, Portugal, And Spain, By Bank Nationality

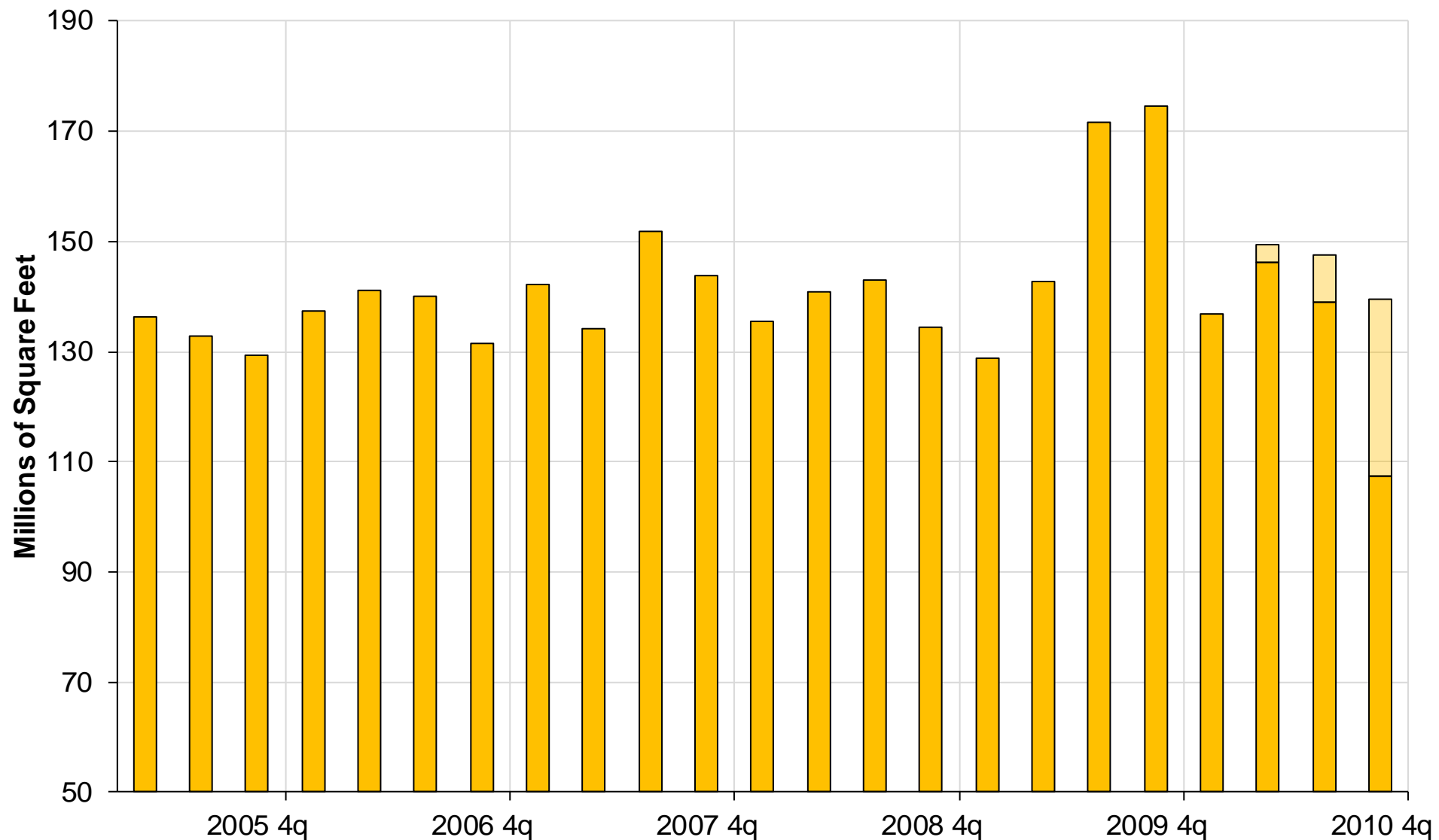




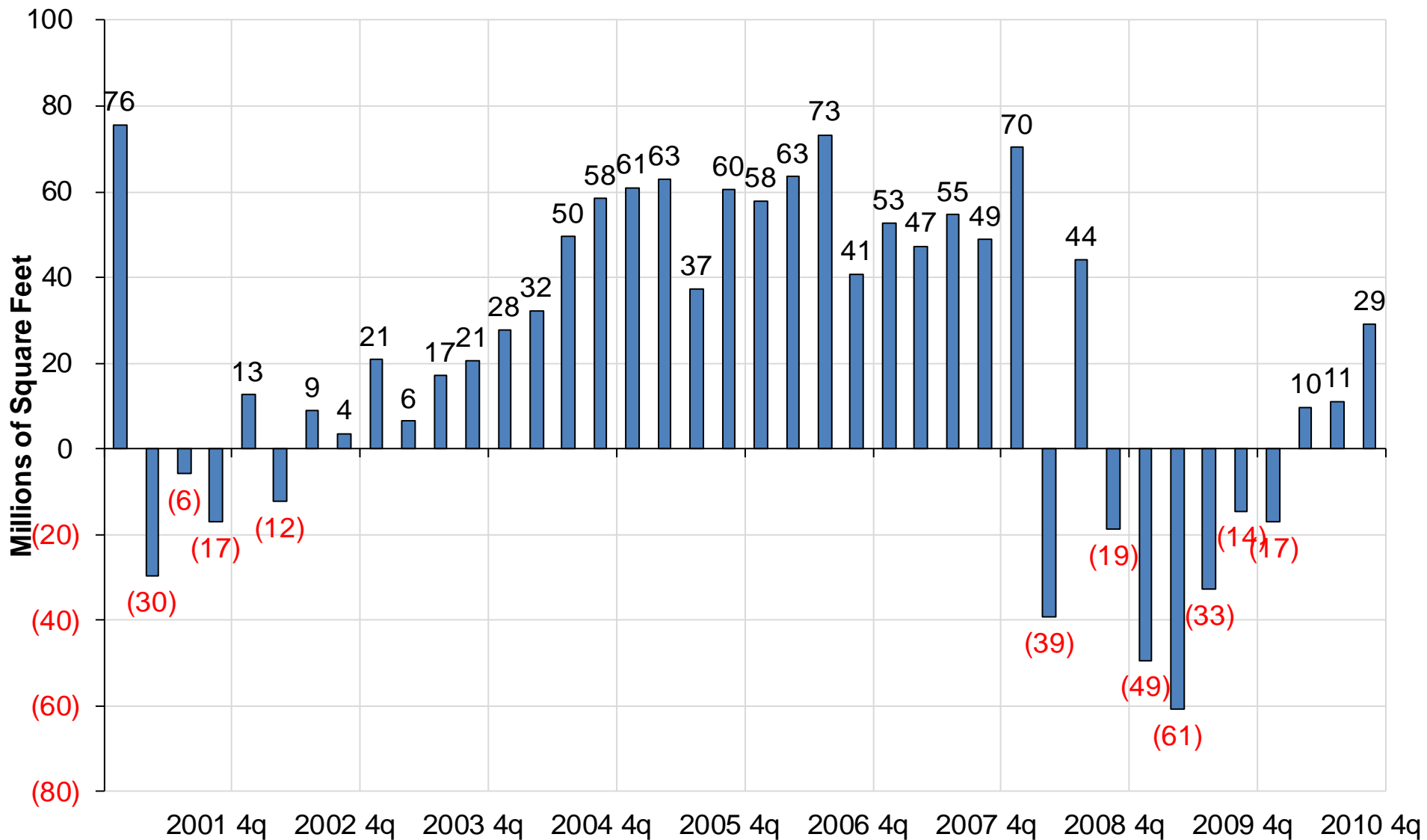
Leasing Fundamentals



U.S. Leasing Activity by Quarter

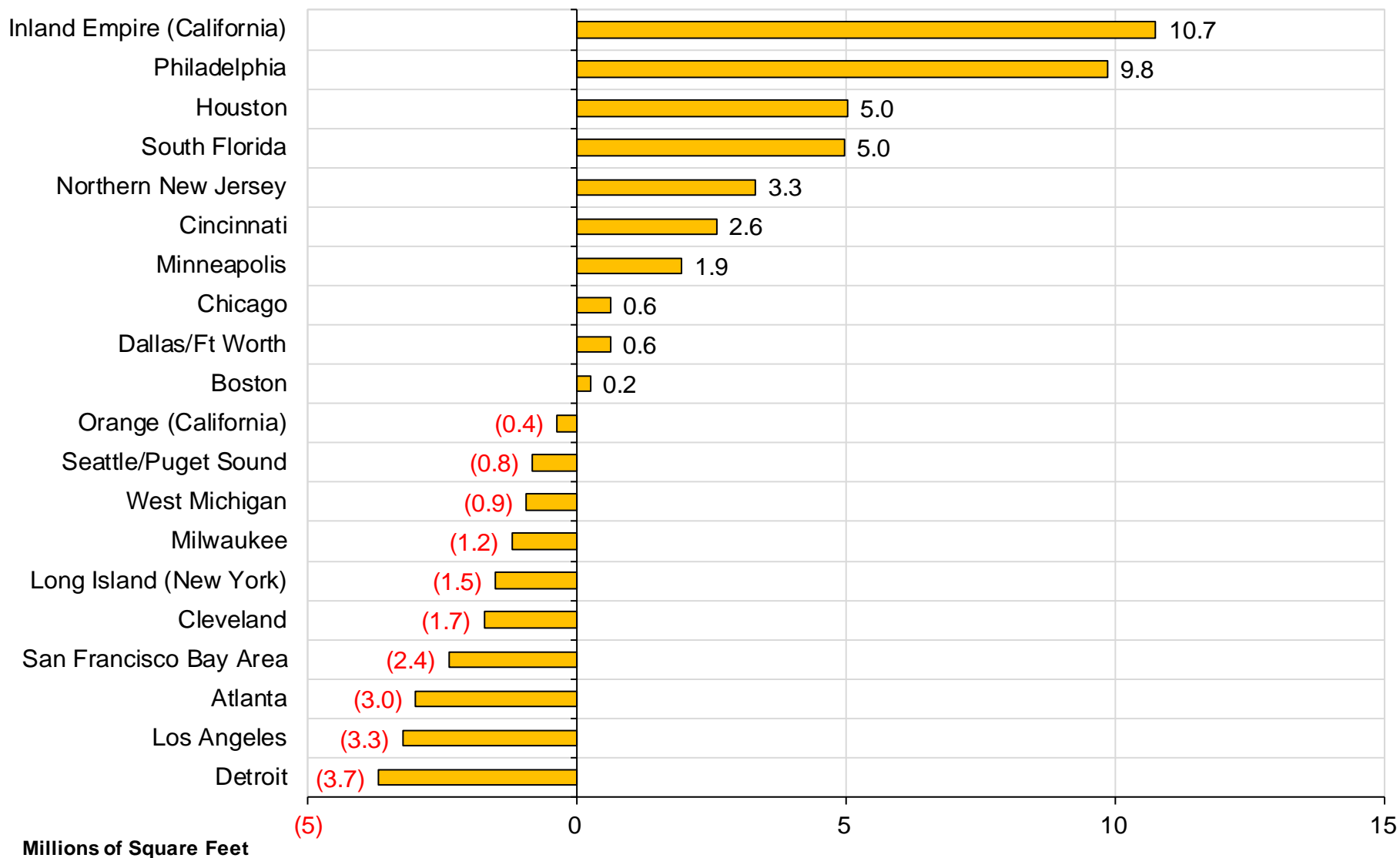


Net Absorption



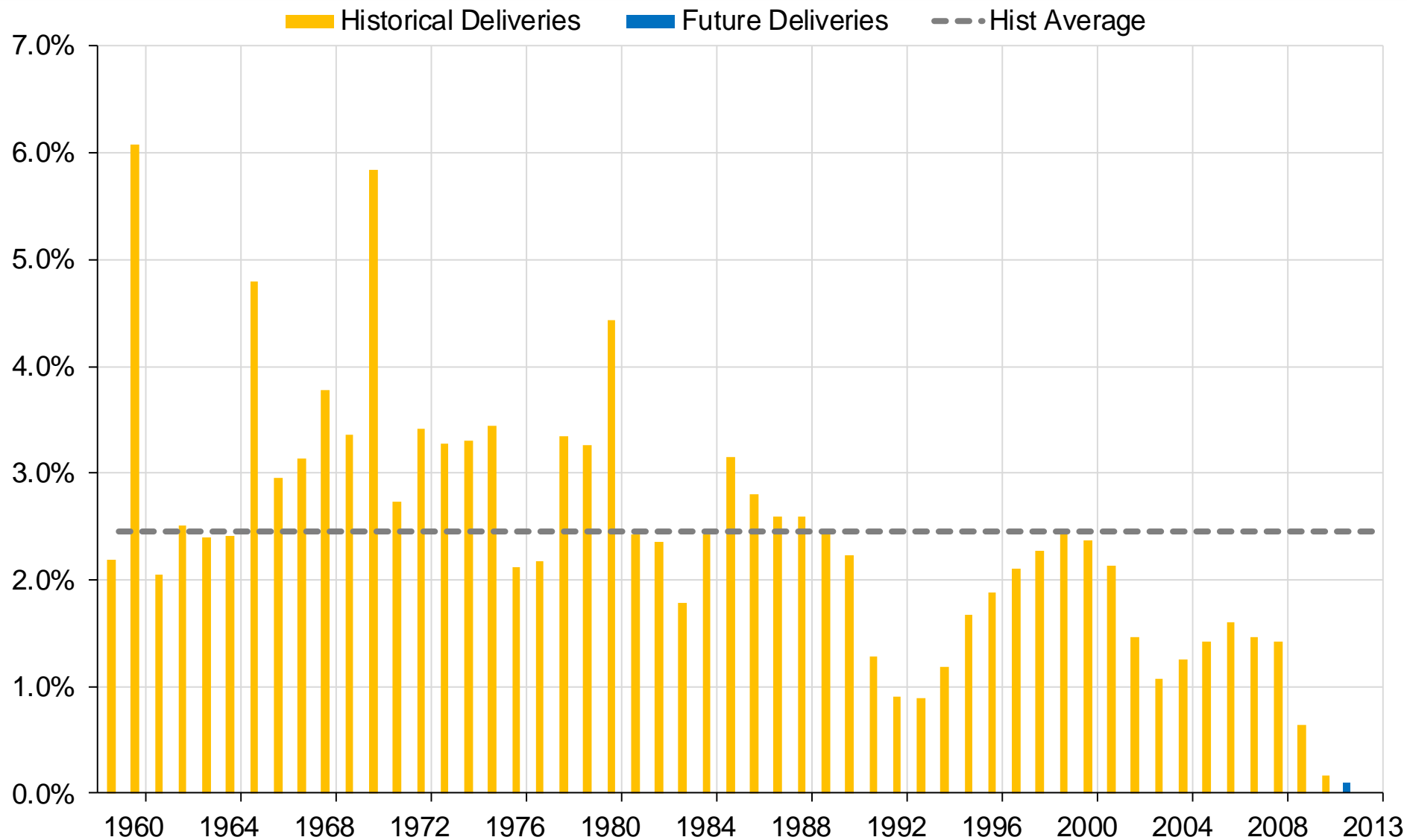


2010 Net Absorption in 20 Largest Markets

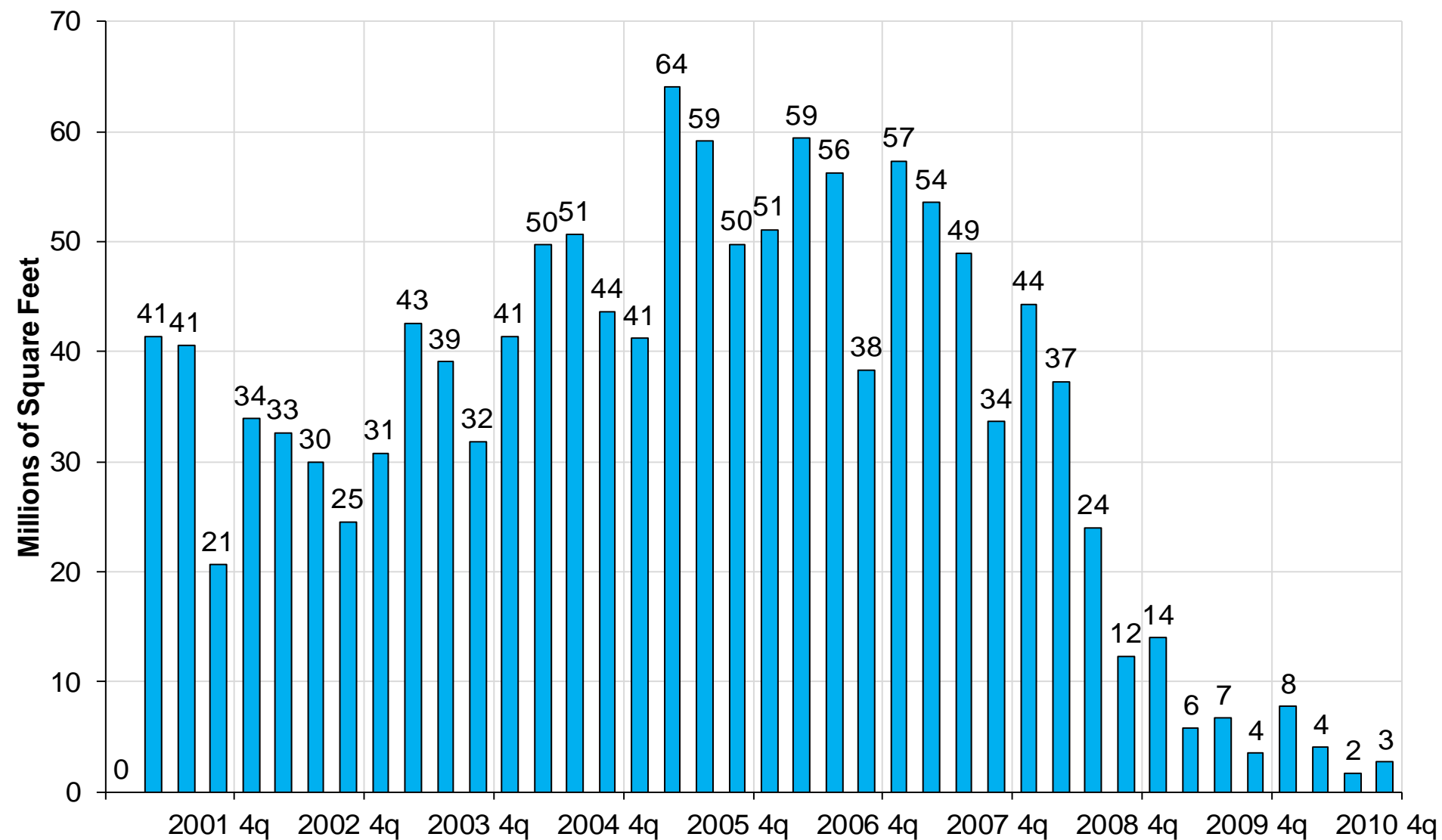




Deliveries as % of Inventory

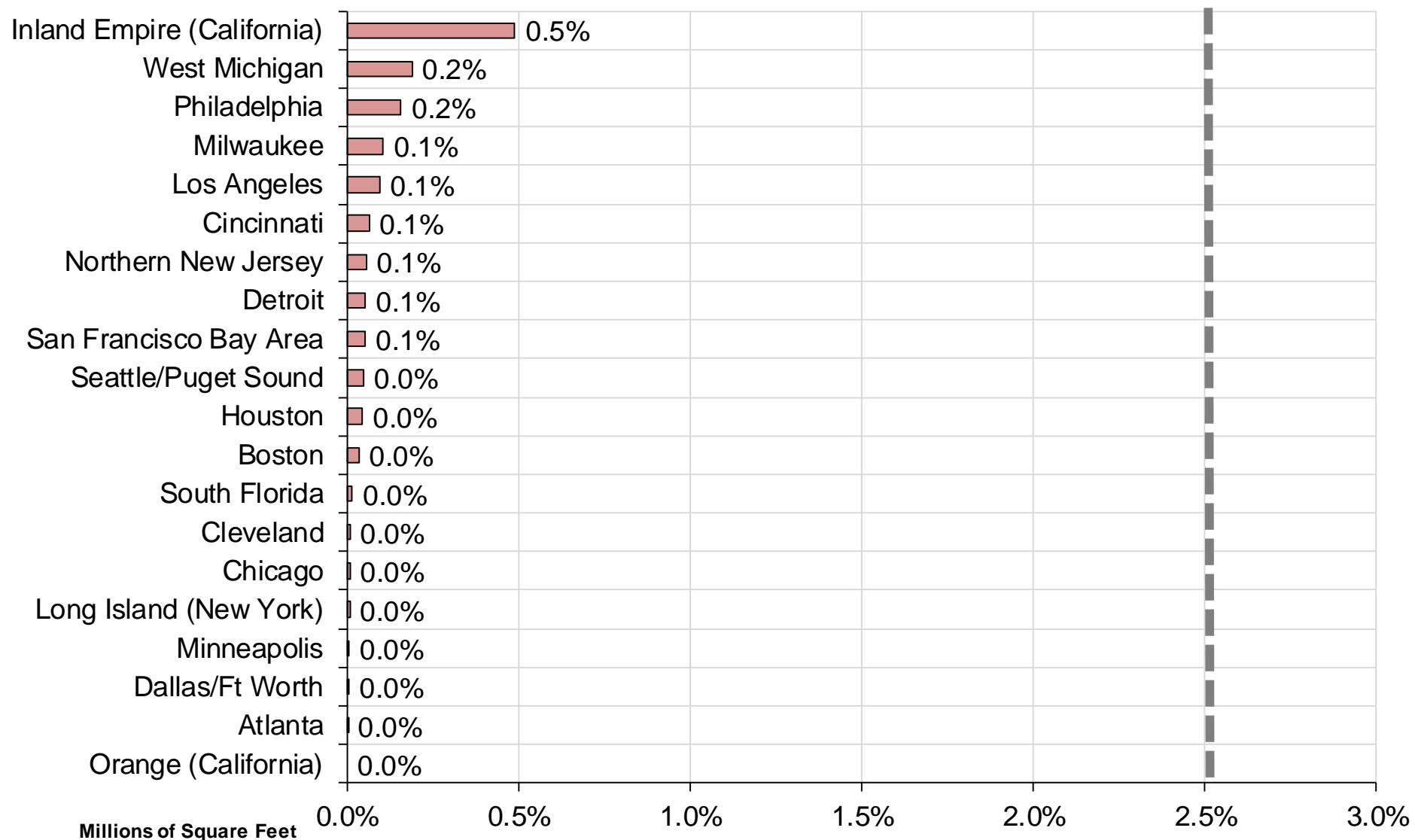


Construction Starts



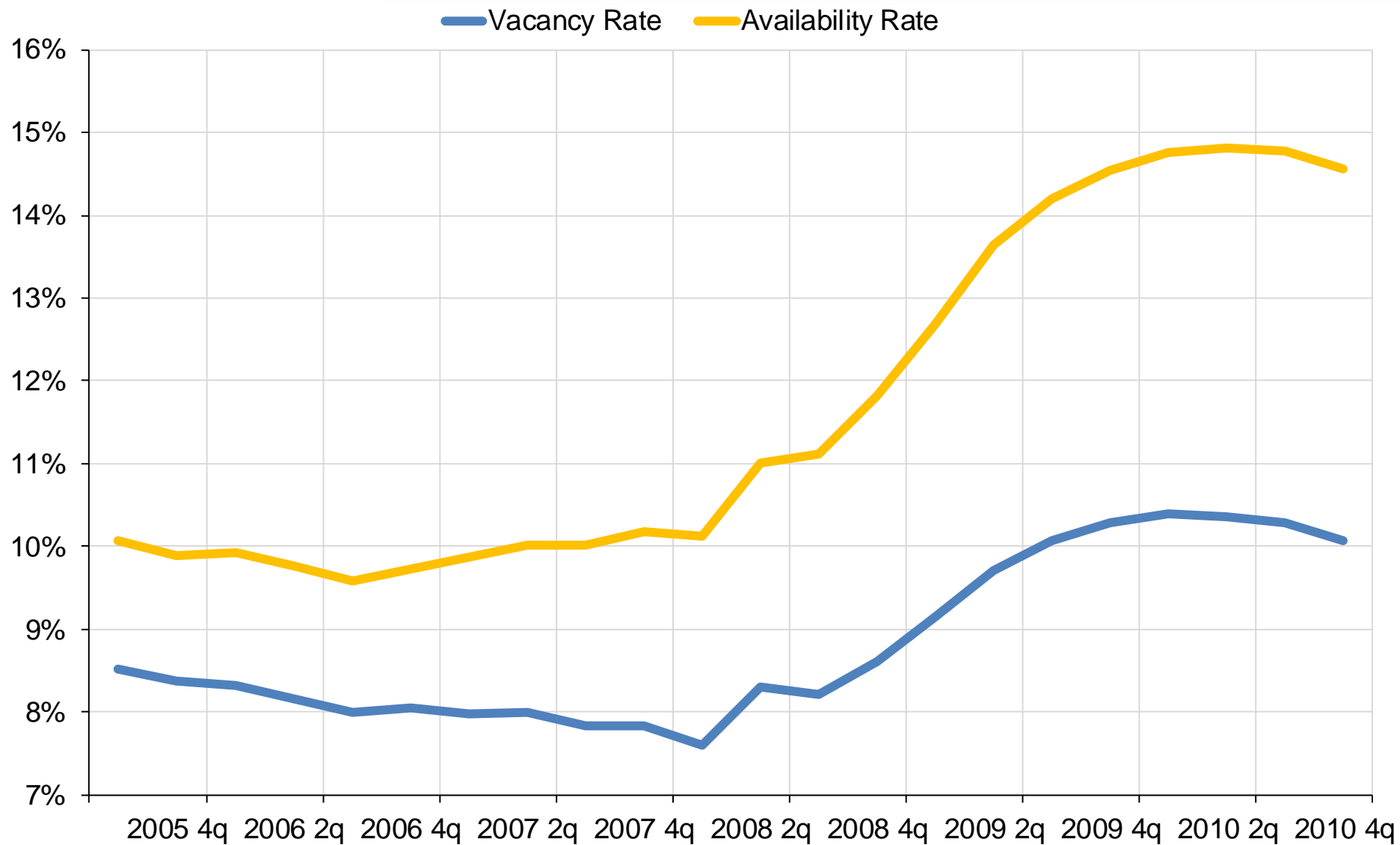


Under Construction as % of Inventory in 20 Largest Markets



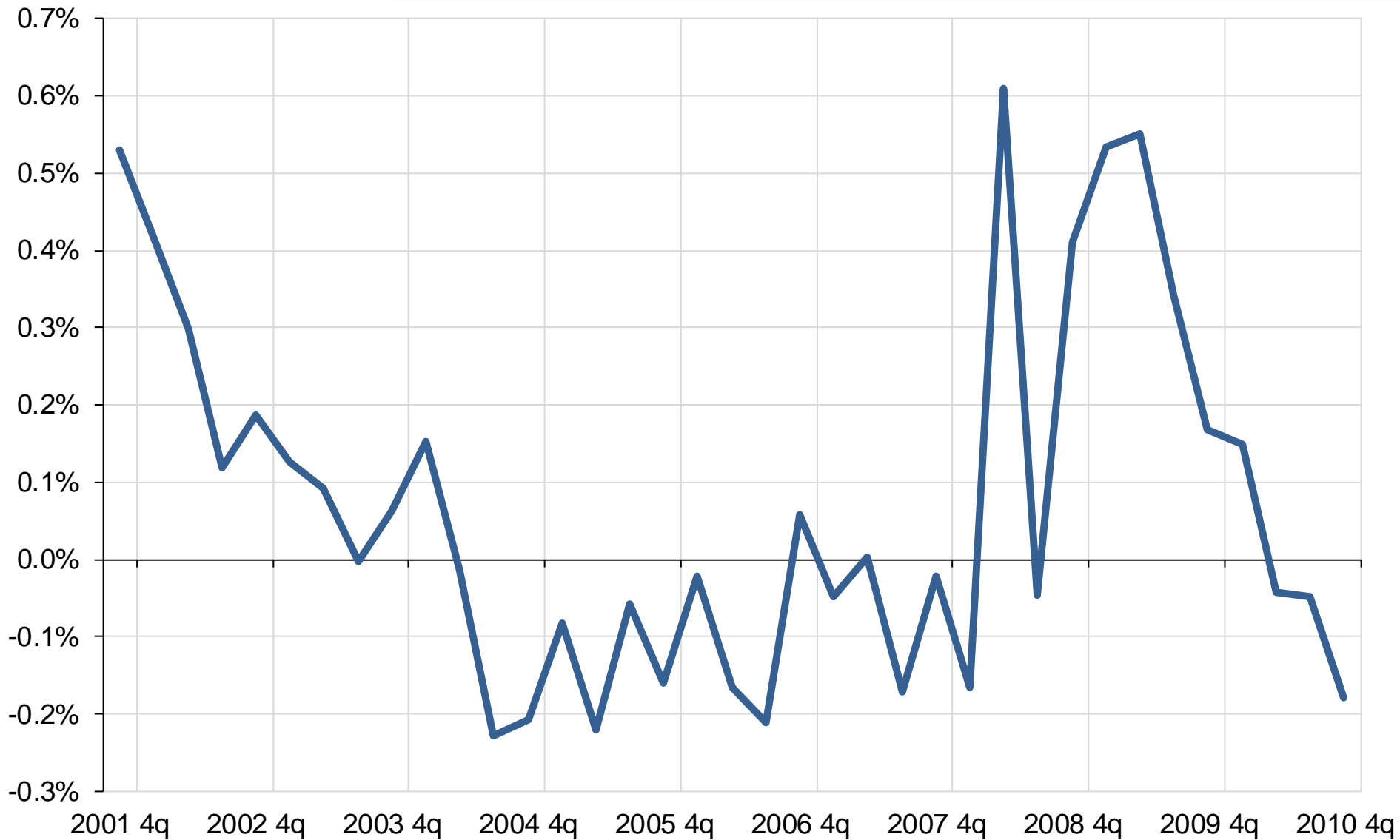


Vacancy and Availability Rates

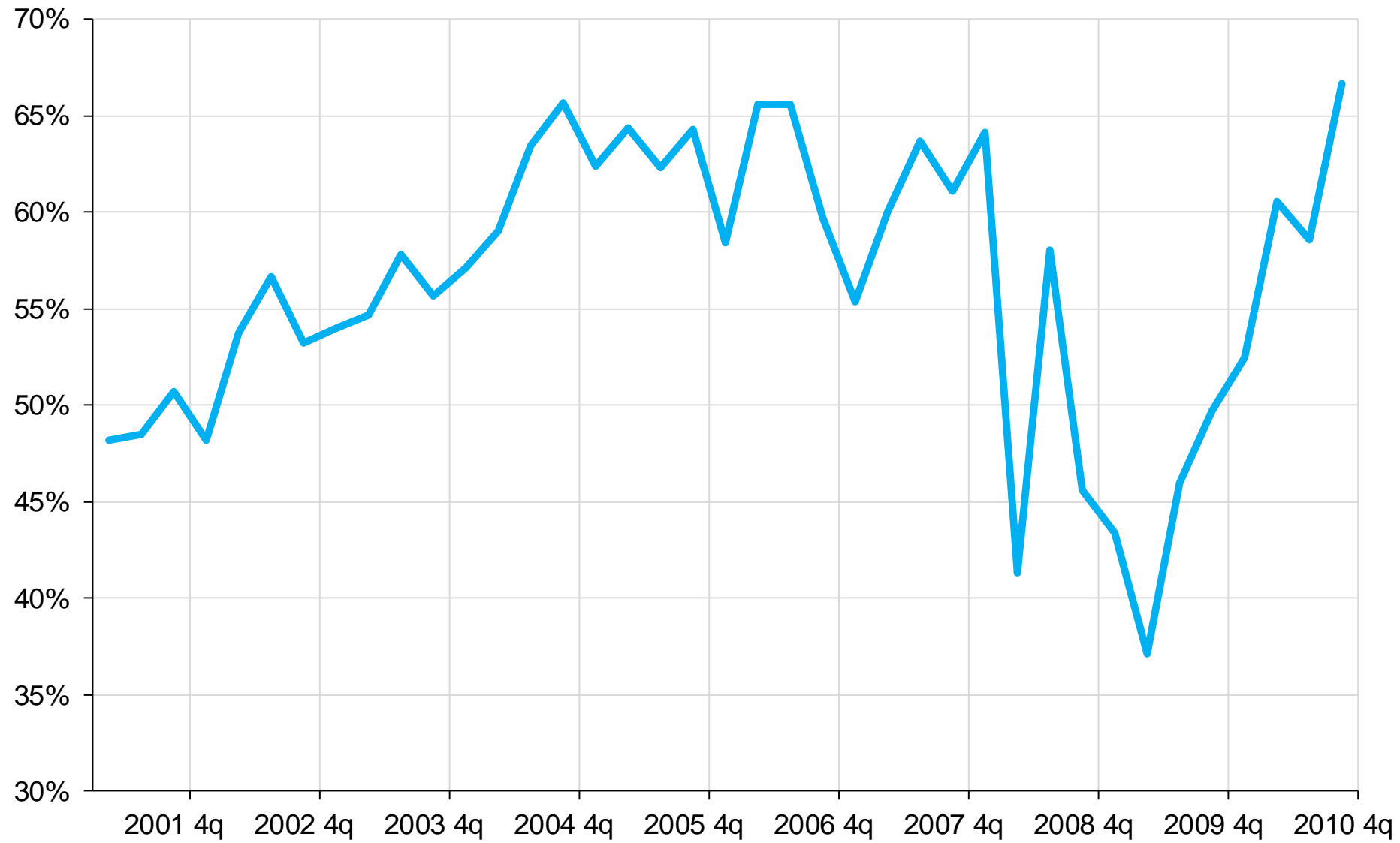




Quarterly Change in Vacancy Rate

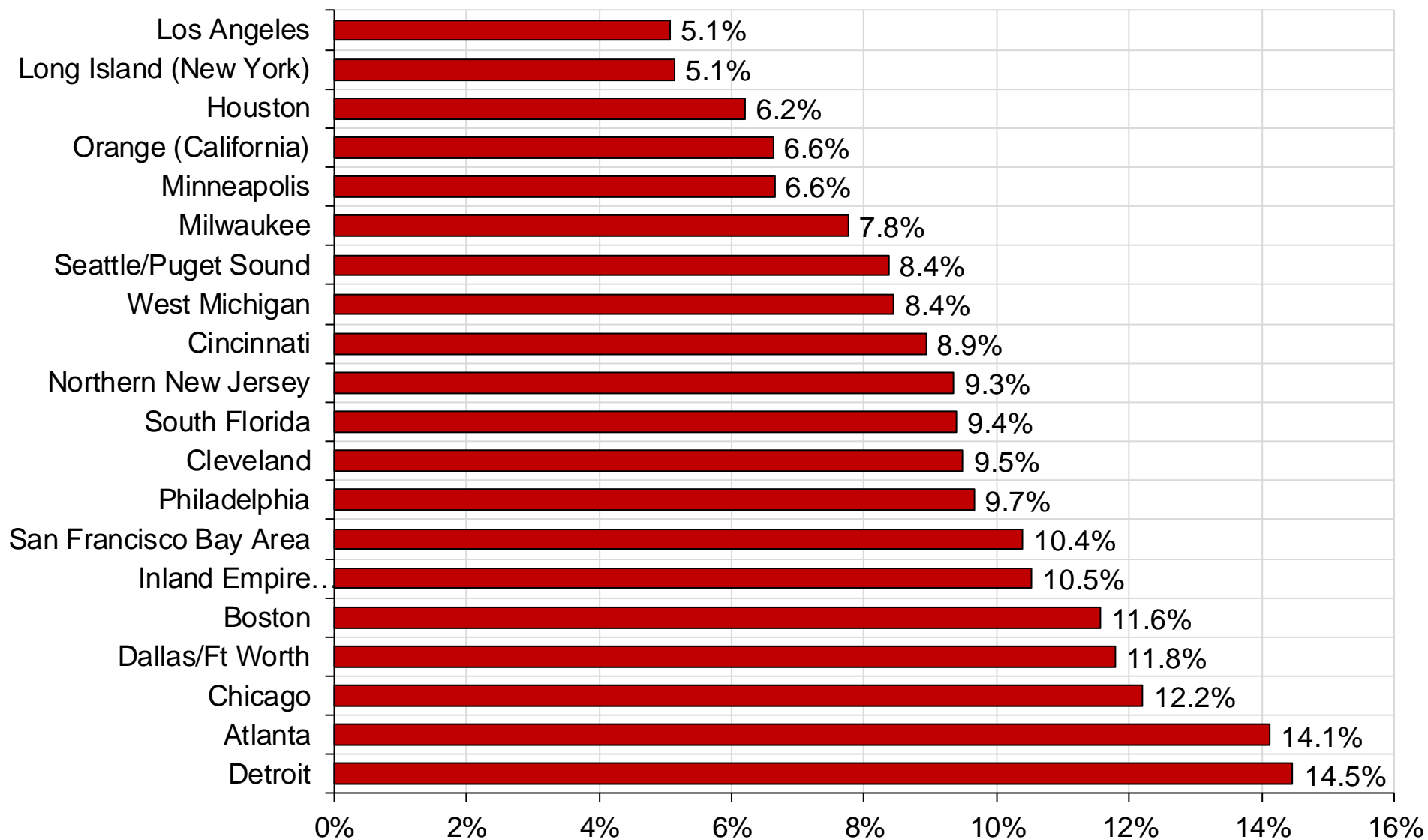


Percentage of Submarkets With Declining Vacancy Rates



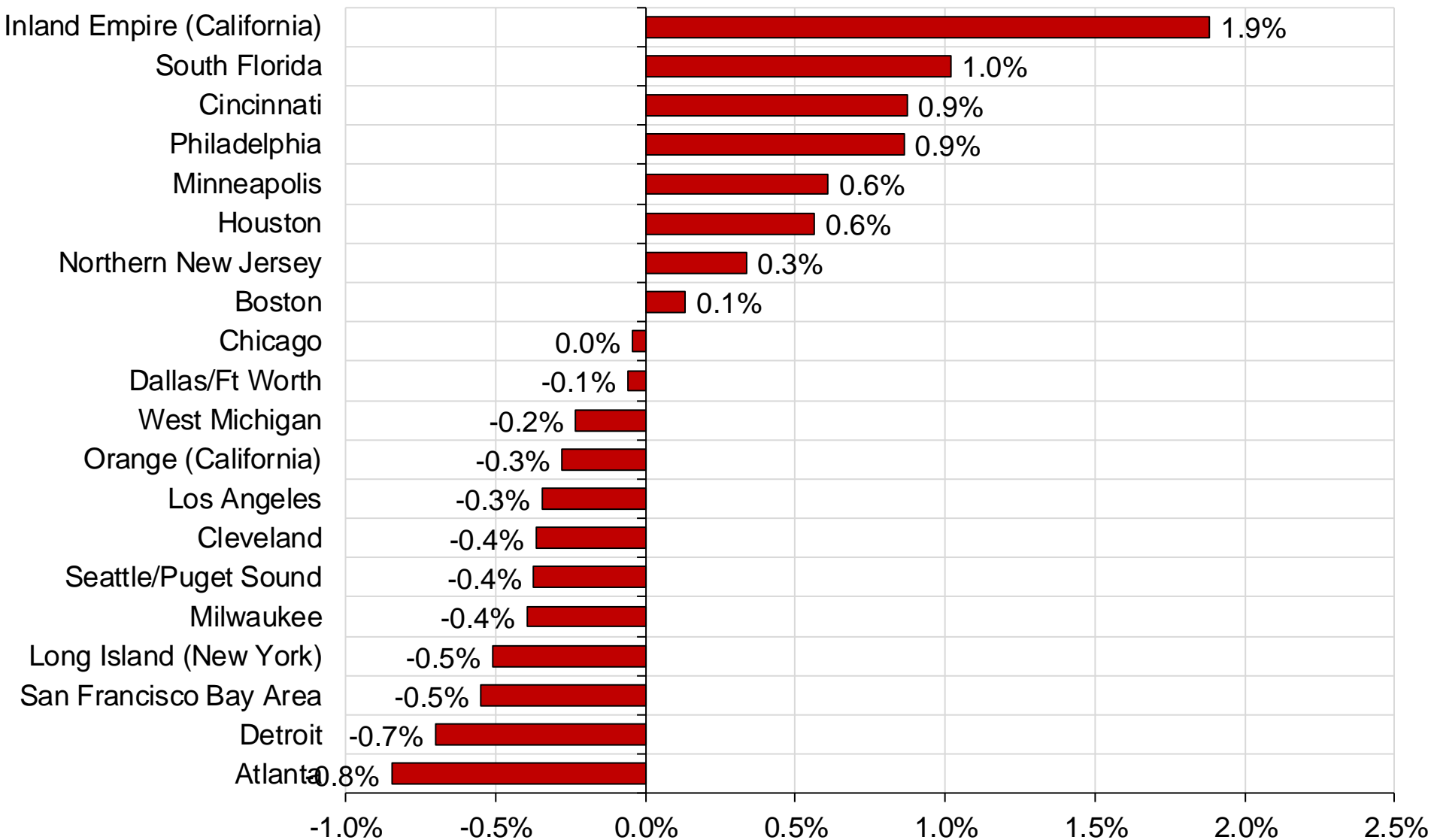


Current Vacancy Rates in 20 Largest Markets



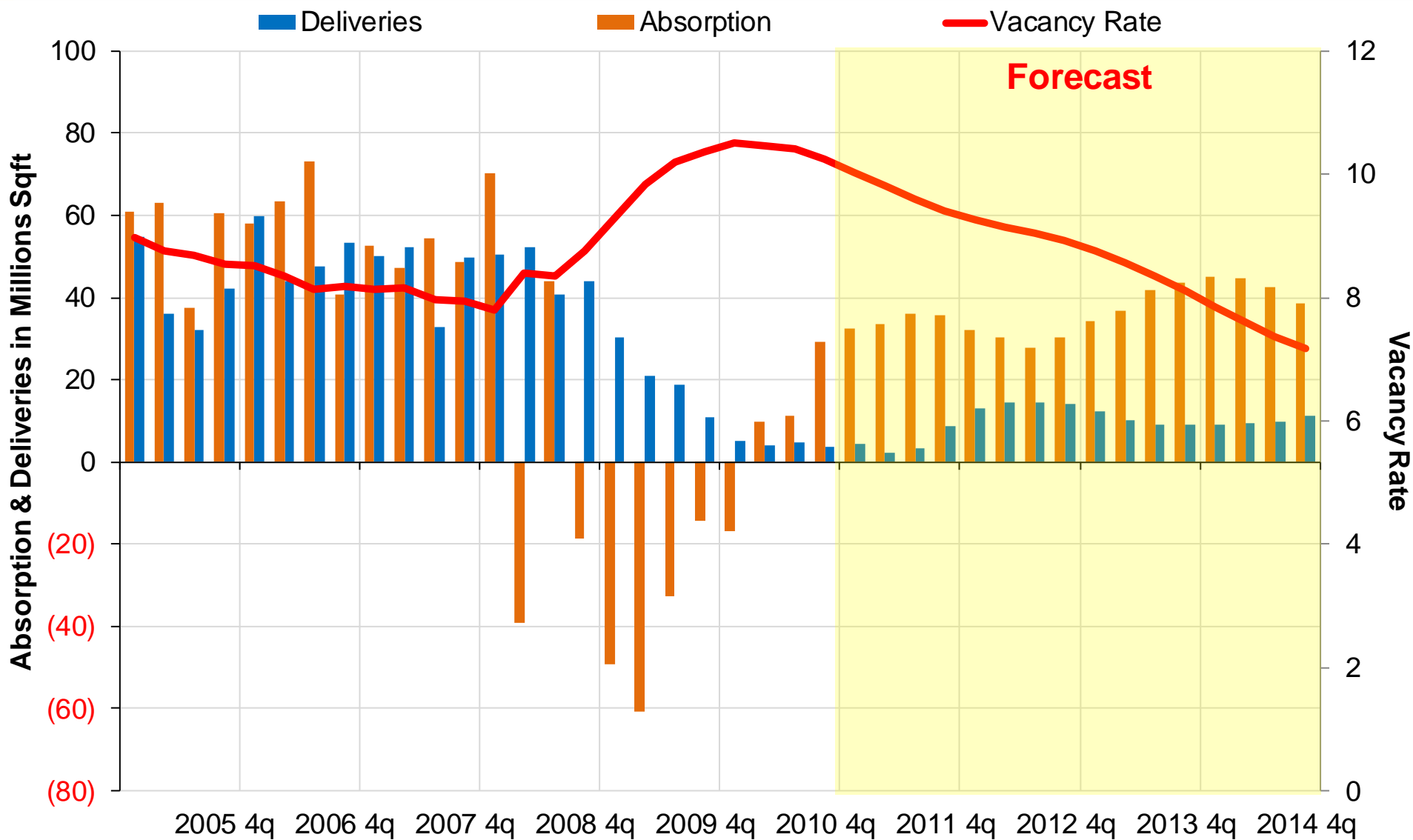


Quarter-Over-Quarter Change in Occupancy Rates in 20 Largest Markets



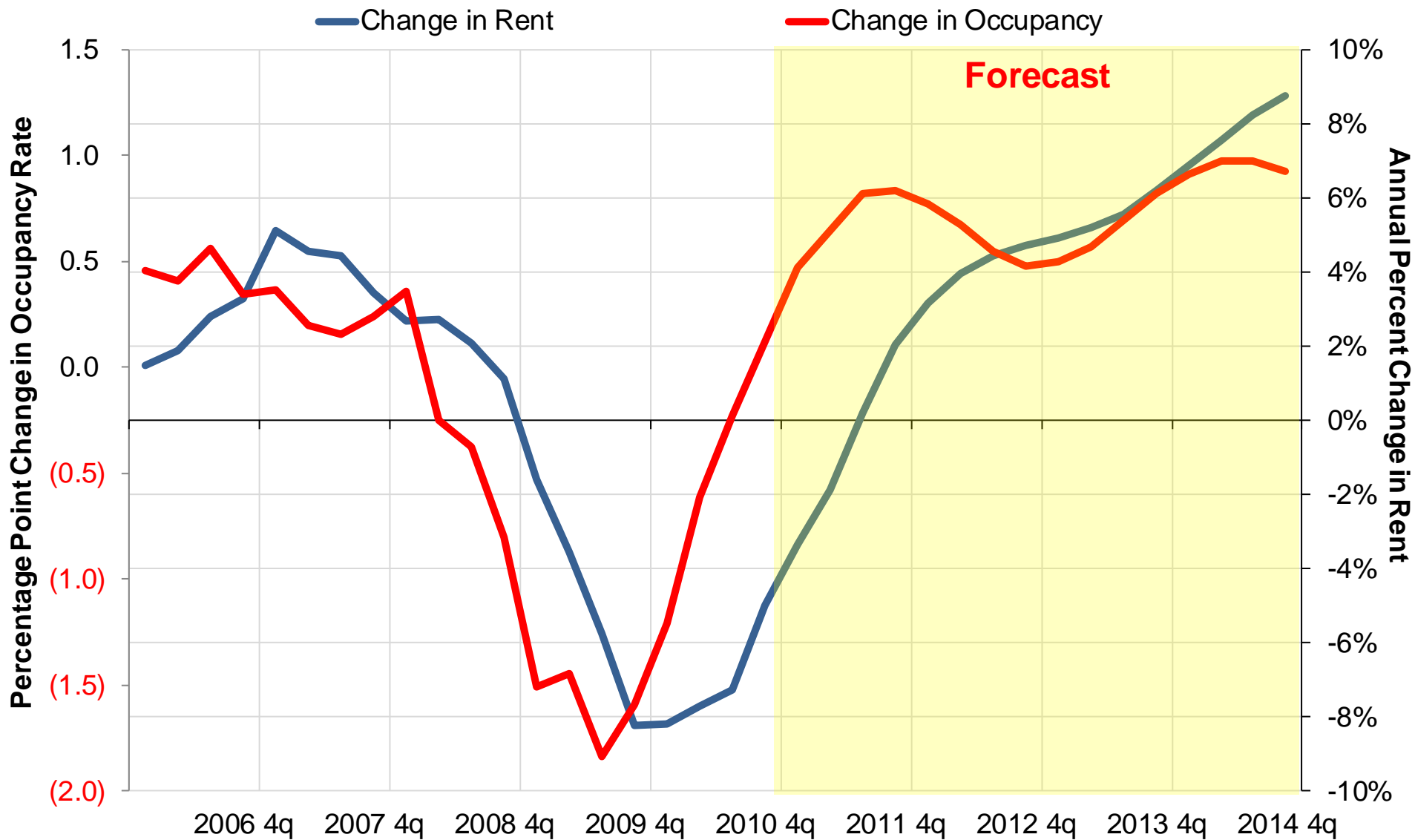


Vacancy Forecast





Rent Forecast

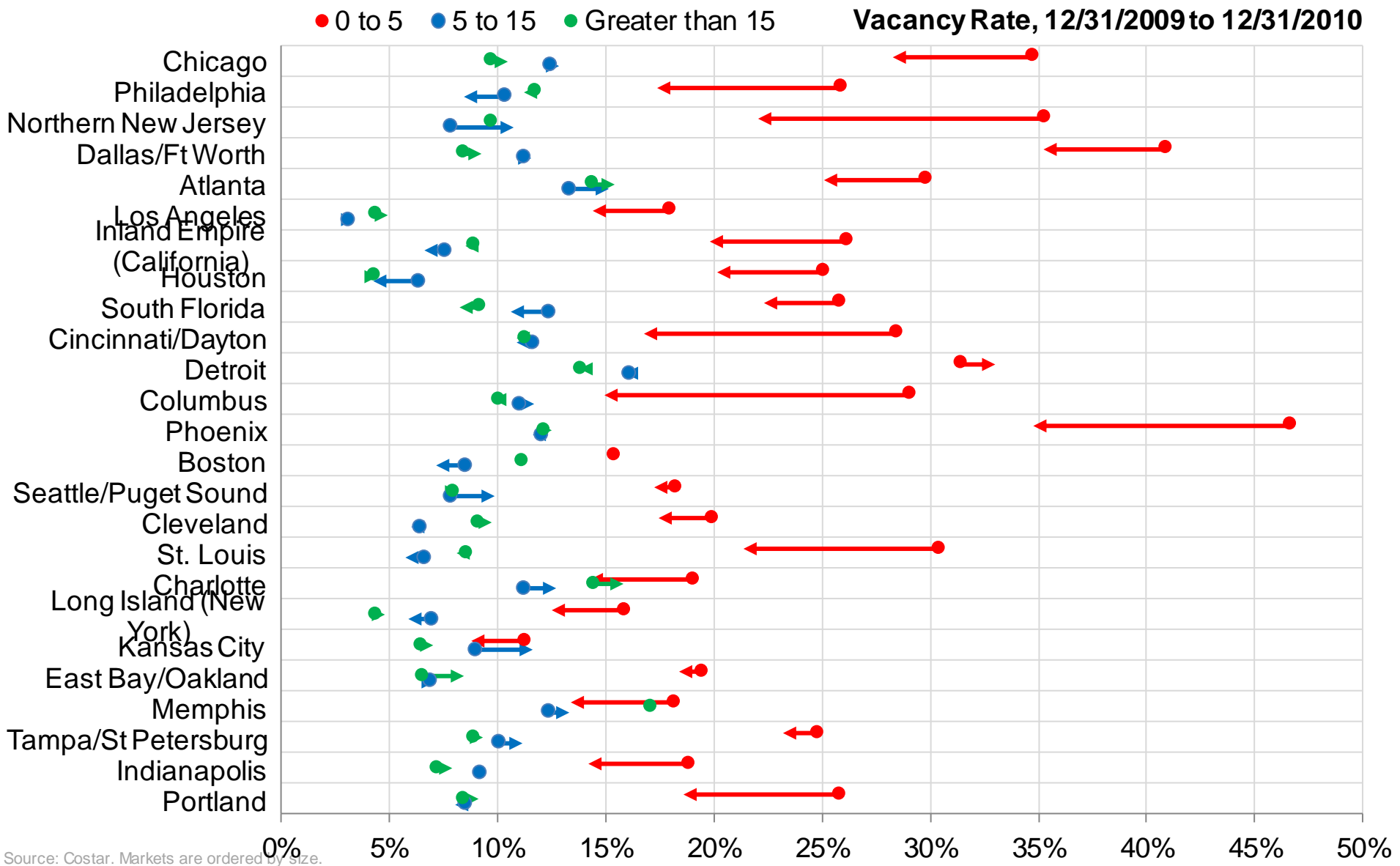




Research Spotlight



Vacancies Are Falling Fast in New Sheds

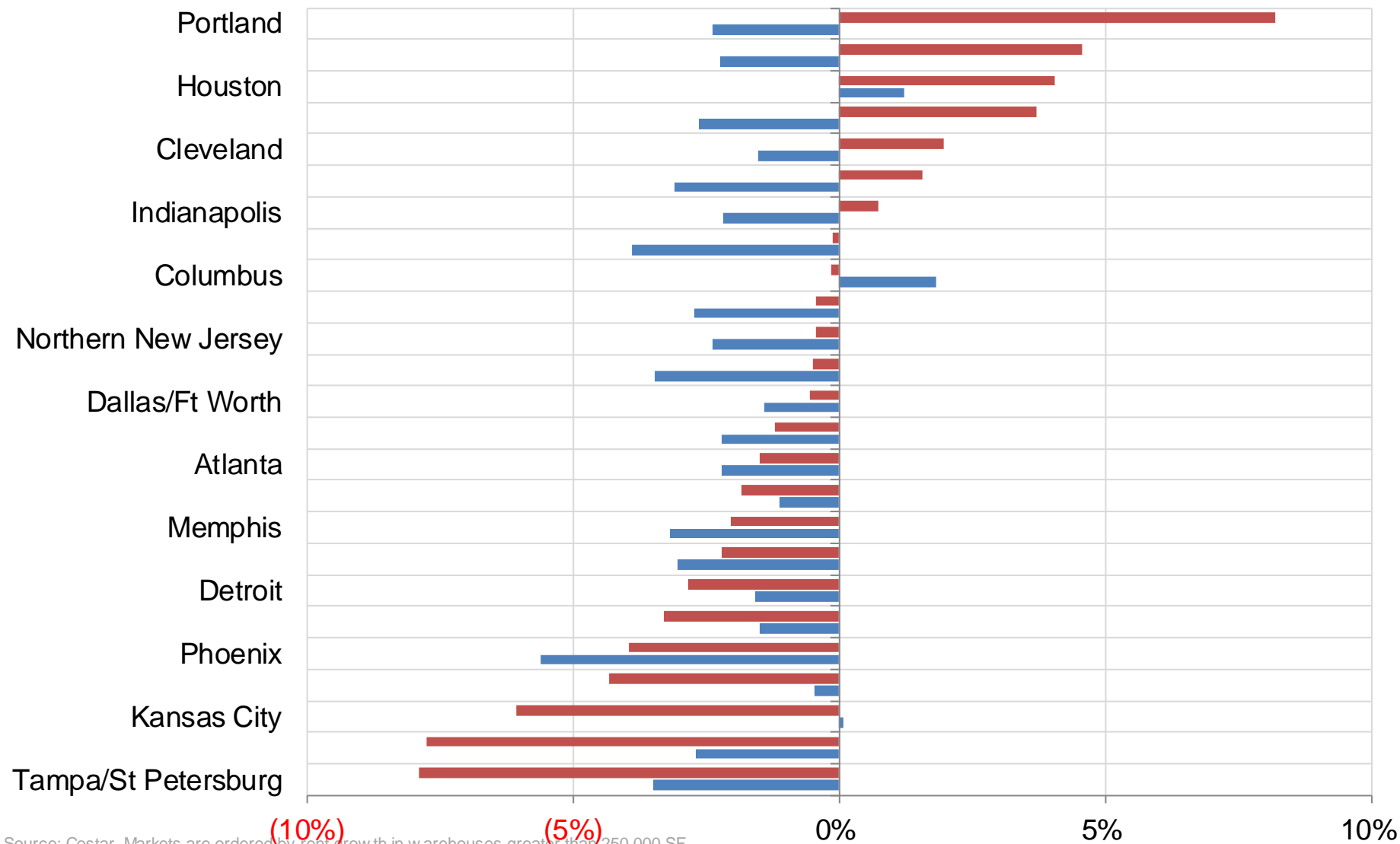


Source: Costar. Markets are ordered by size.



First Glimmers of Rent Growth in Big Boxes

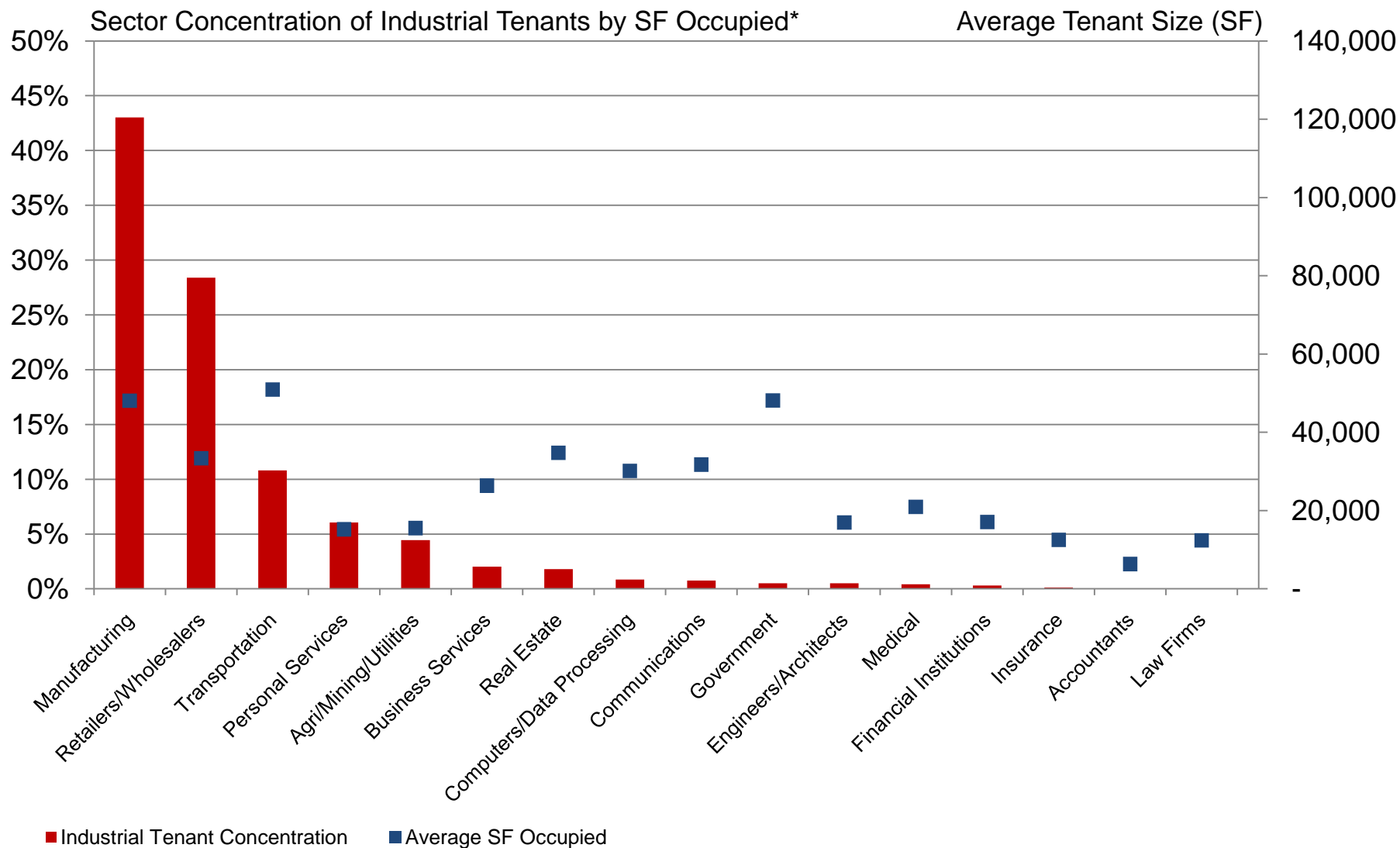
■ greater than 250,000 ■ less than 250,000



Source: Costar. Markets are ordered by rent growth in warehouses greater than 250,000 SF.



Majority of Tenants Concentrated in a Few Industries

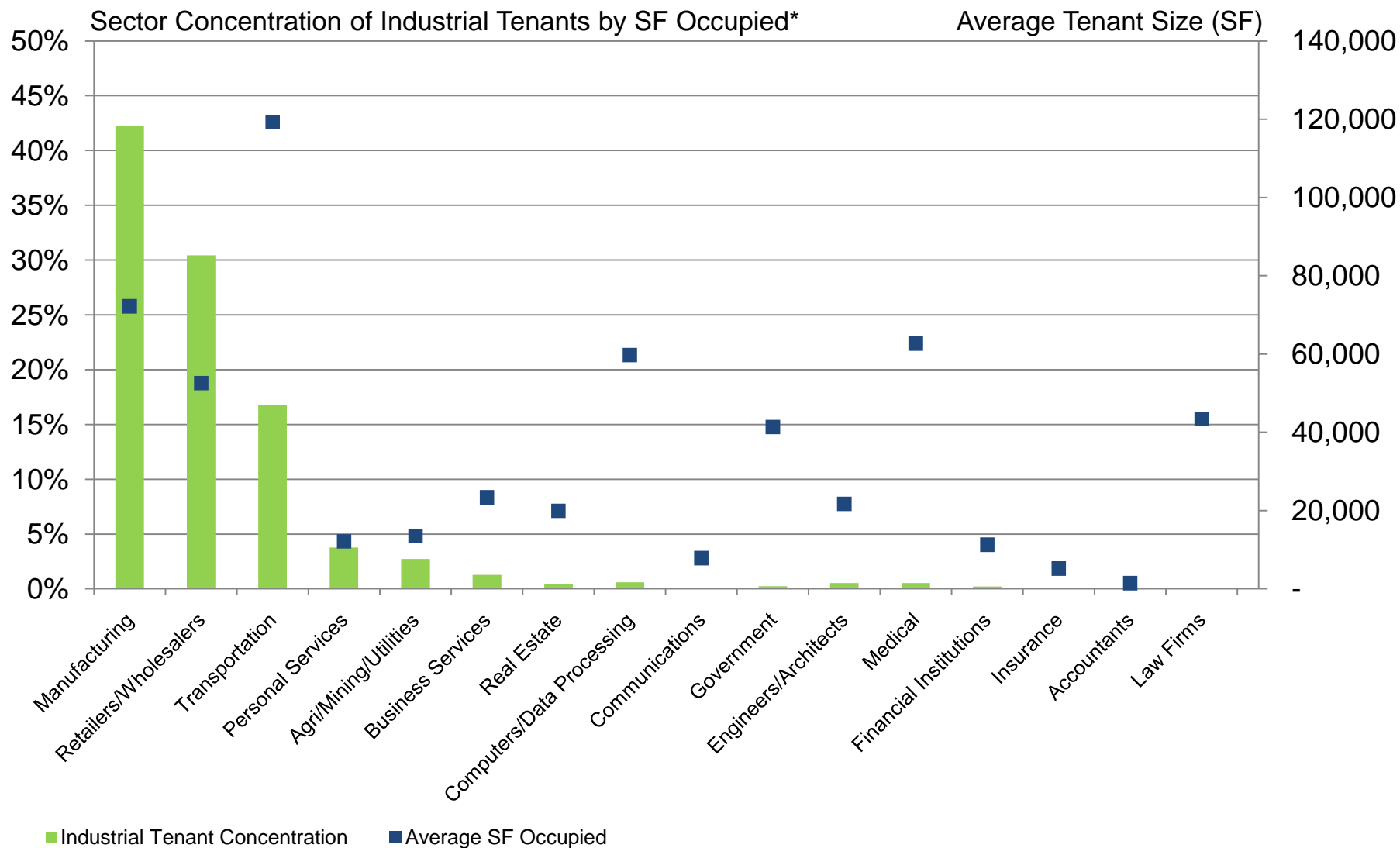


Includes manufacturing, warehouse/distribution, and flex/R&D

As of 10Q3



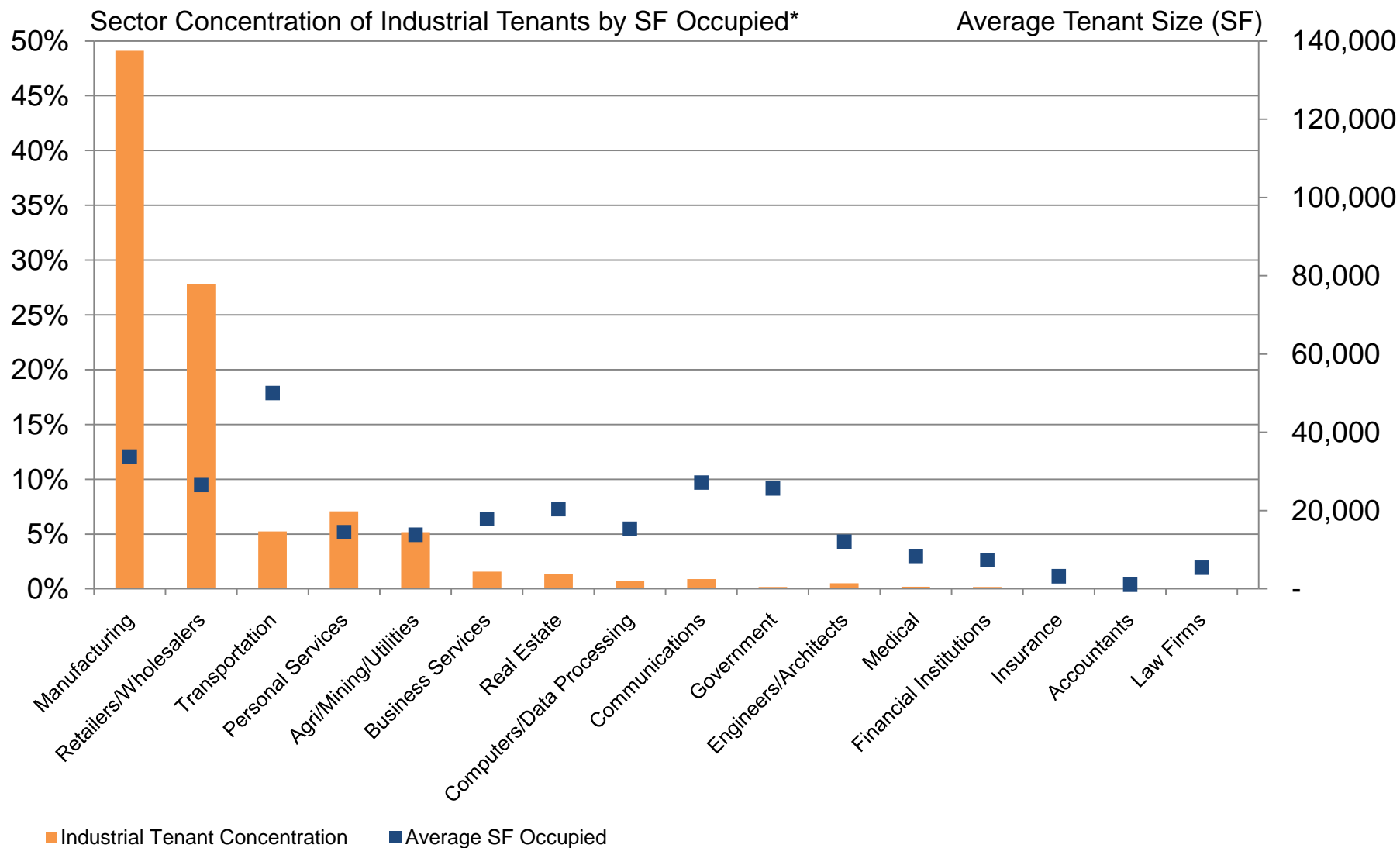
Inland Empire – Where They Grow 'em Big



Includes manufacturing, warehouse/distribution, and flex/R&D
As of 10Q3

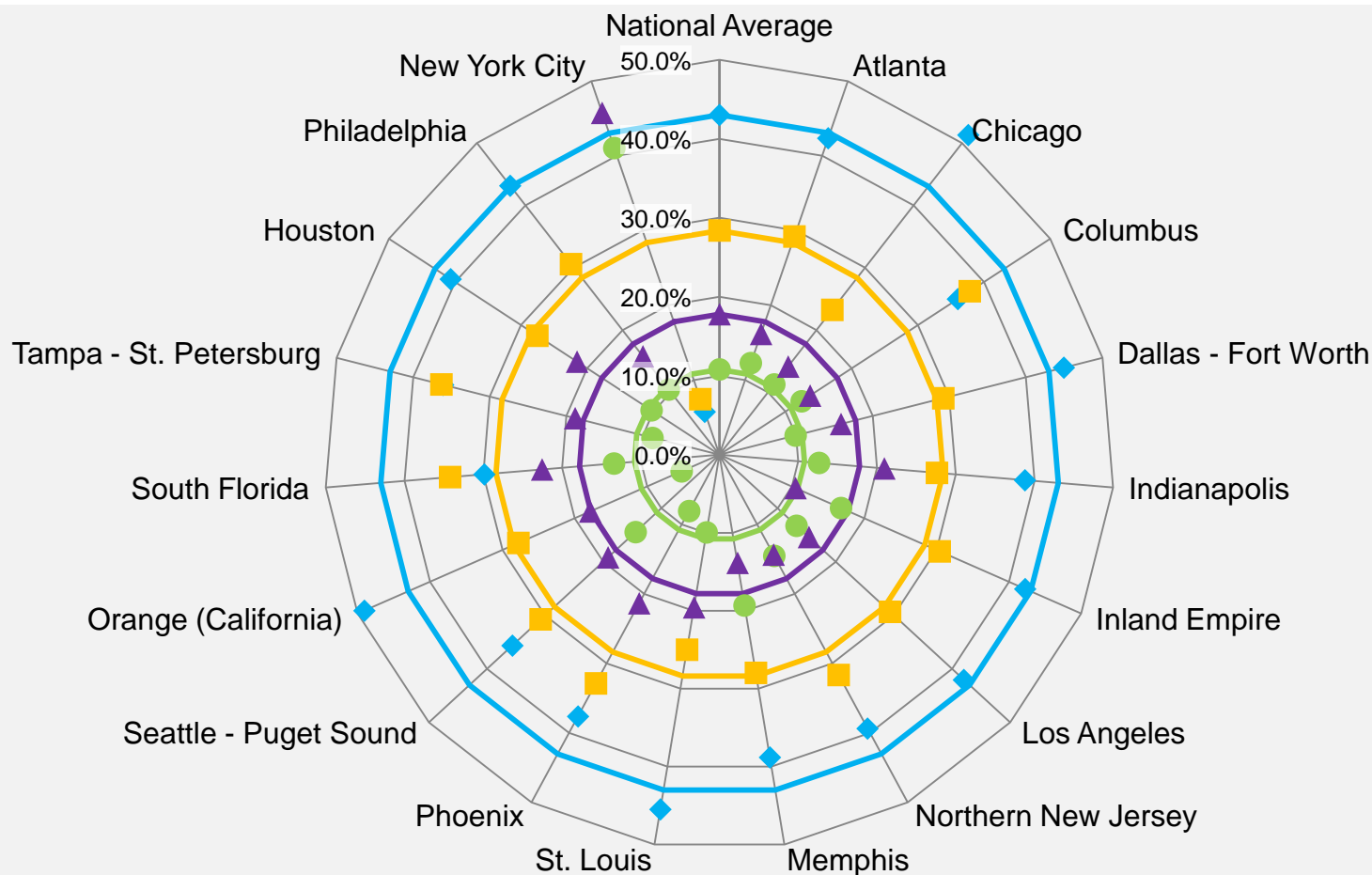


Made in the OC



Includes manufacturing, warehouse/distribution, and flex/R&D
As of 10Q3

Sector Concentration by Industrial Market



- ◆ Manufacturing
- Retailers/Wholesalers
- Transportation
- ▲ All Others
- National Average - Manufacturing
- National Average - Retailers/Wholesalers
- National Average - Transportation
- National Average - All Others

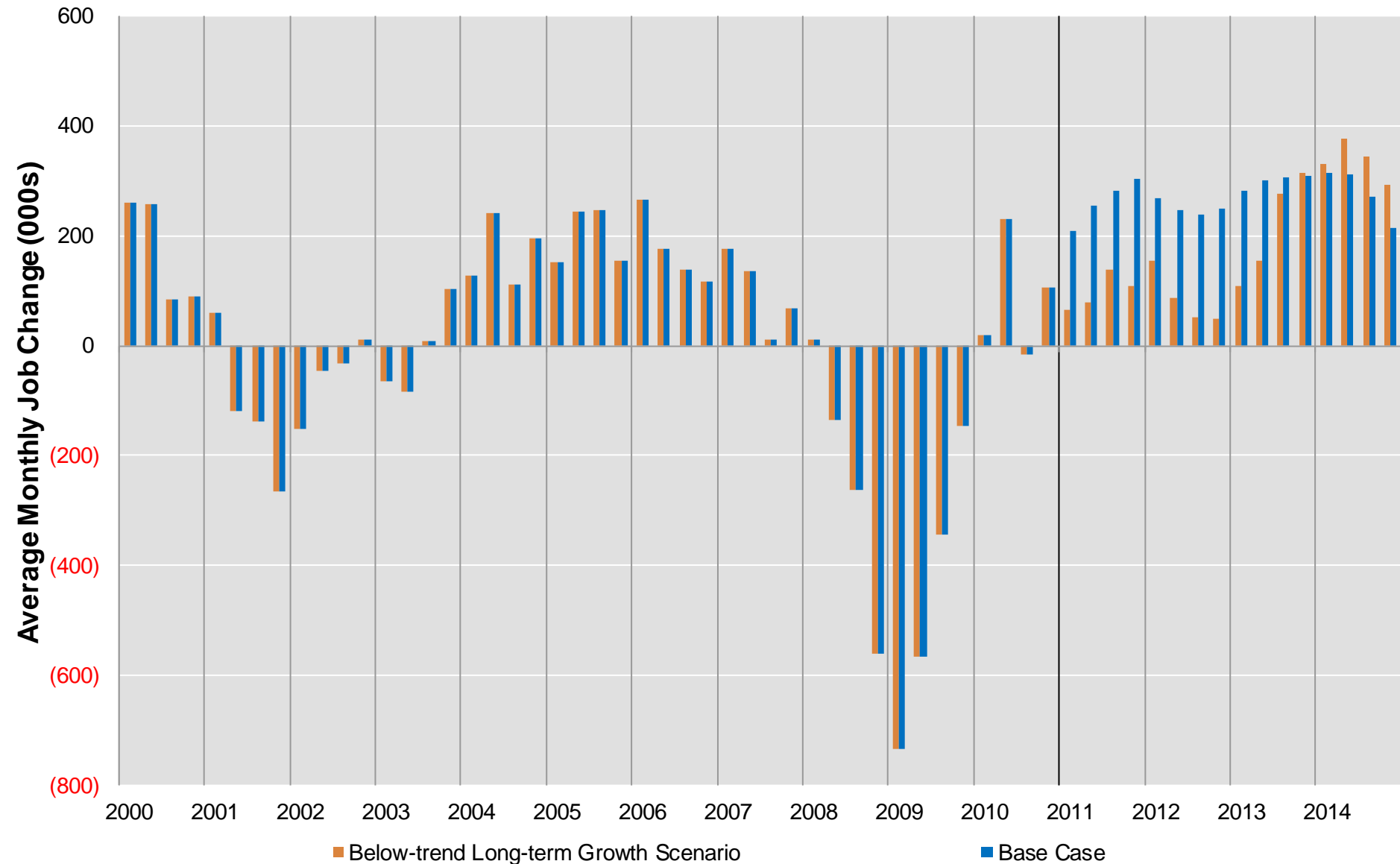
Includes manufacturing, warehouse/distribution, and flex/R&D



DANGER ZONE

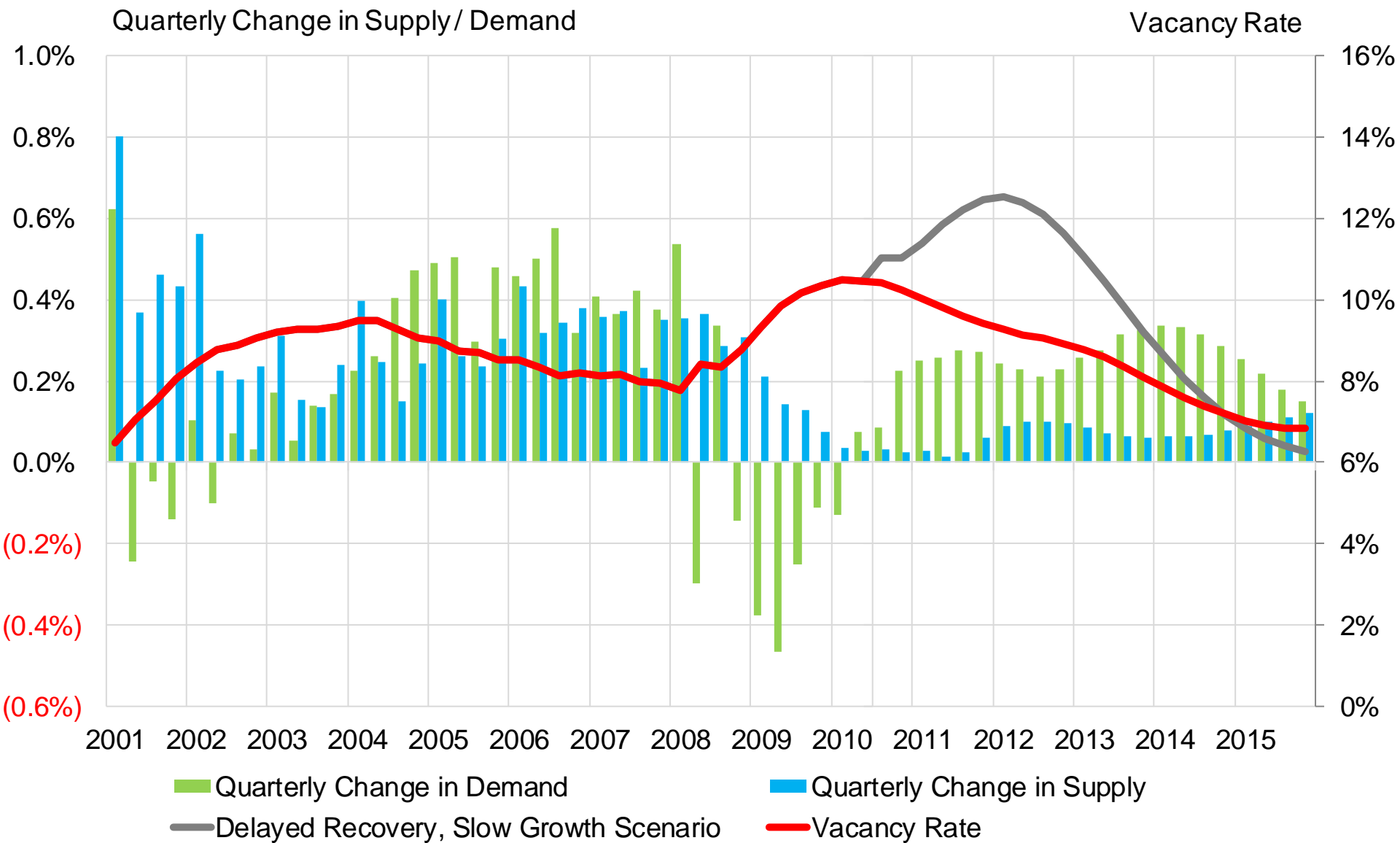


What If It's A Longer Slog Back?





Vacancies Could Go Higher...

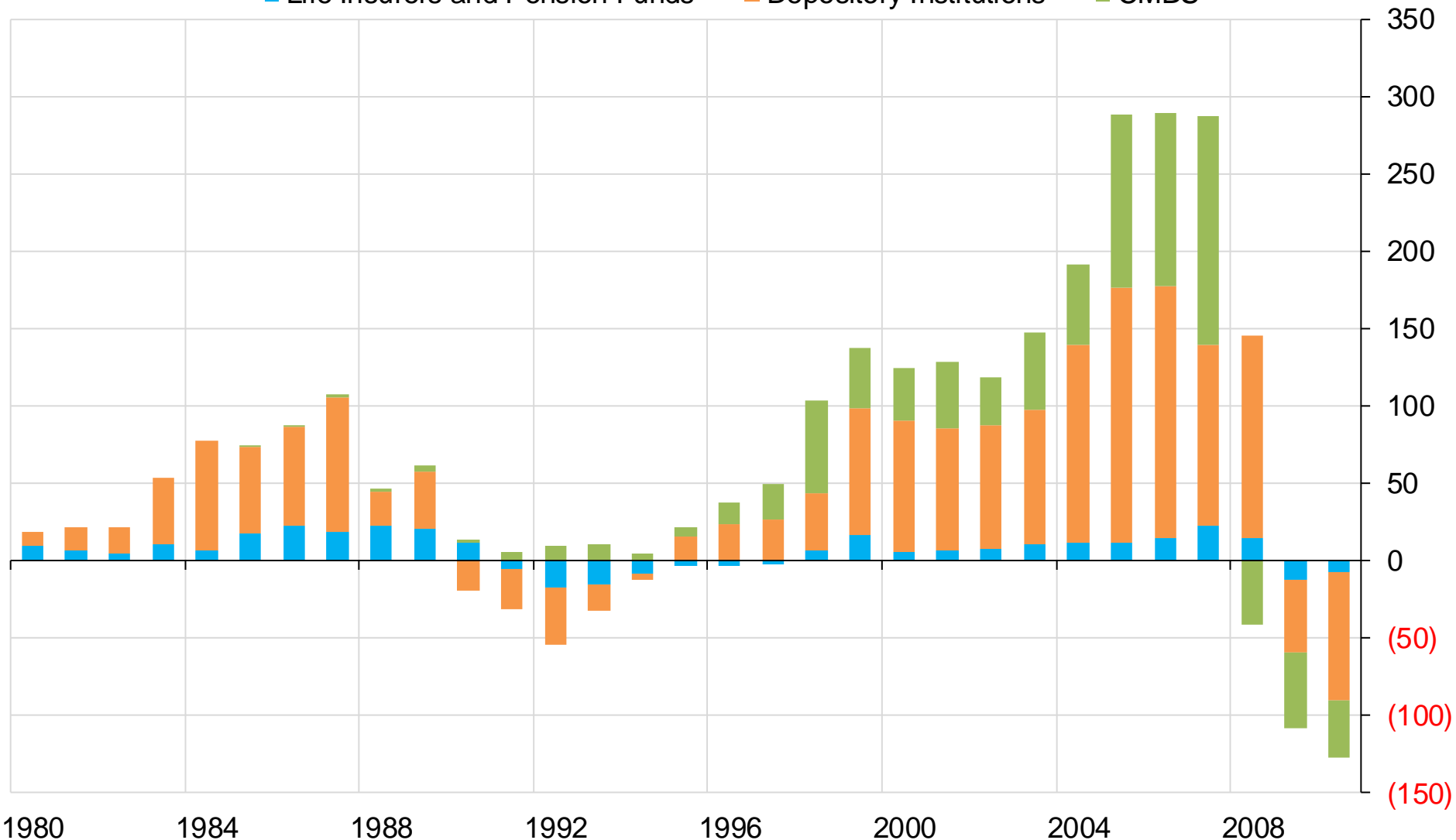




Capital Markets and Sales

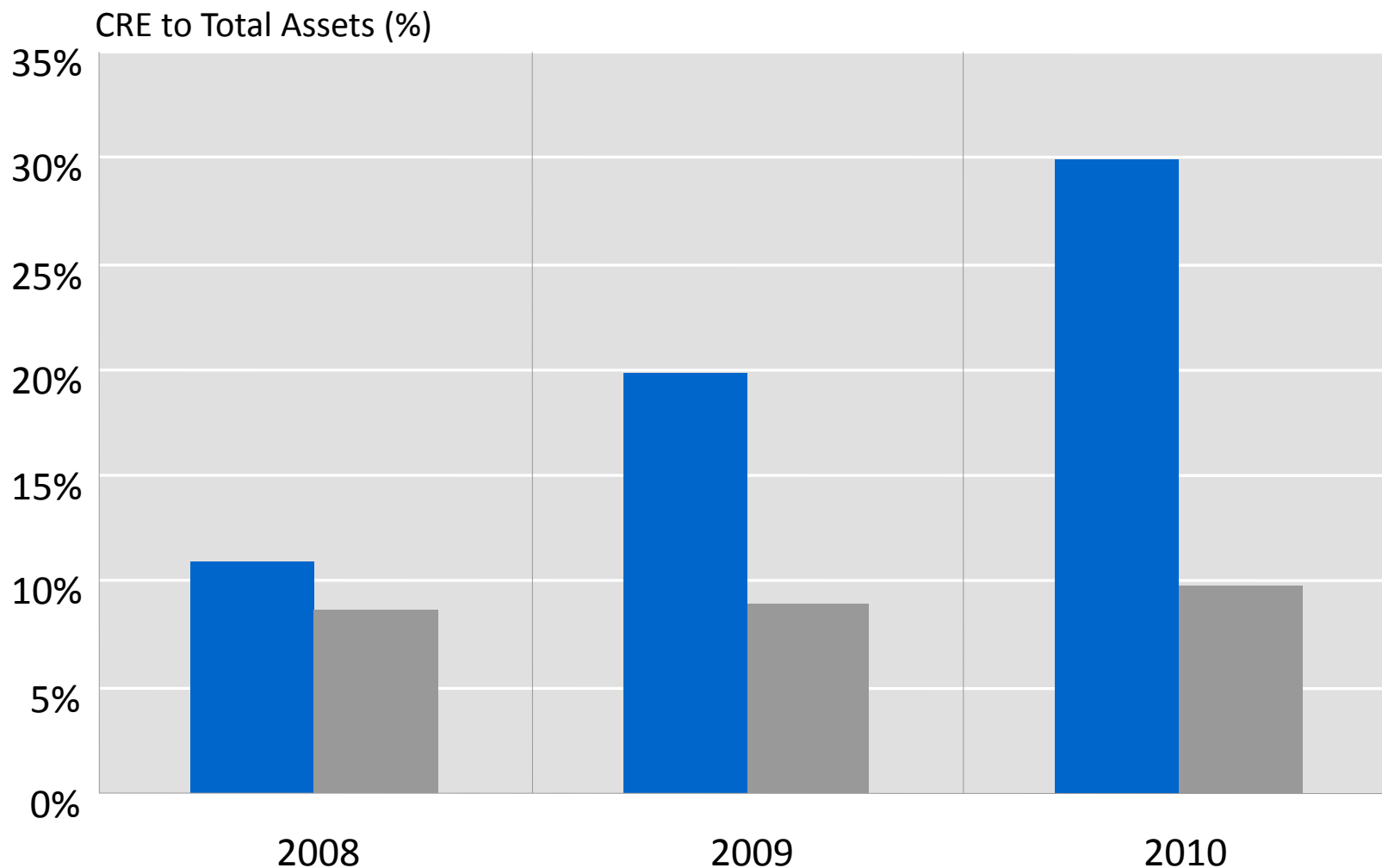
Change in CRE Debt Outstanding

■ Life Insurers and Pension Funds ■ Depository Institutions ■ CMBS





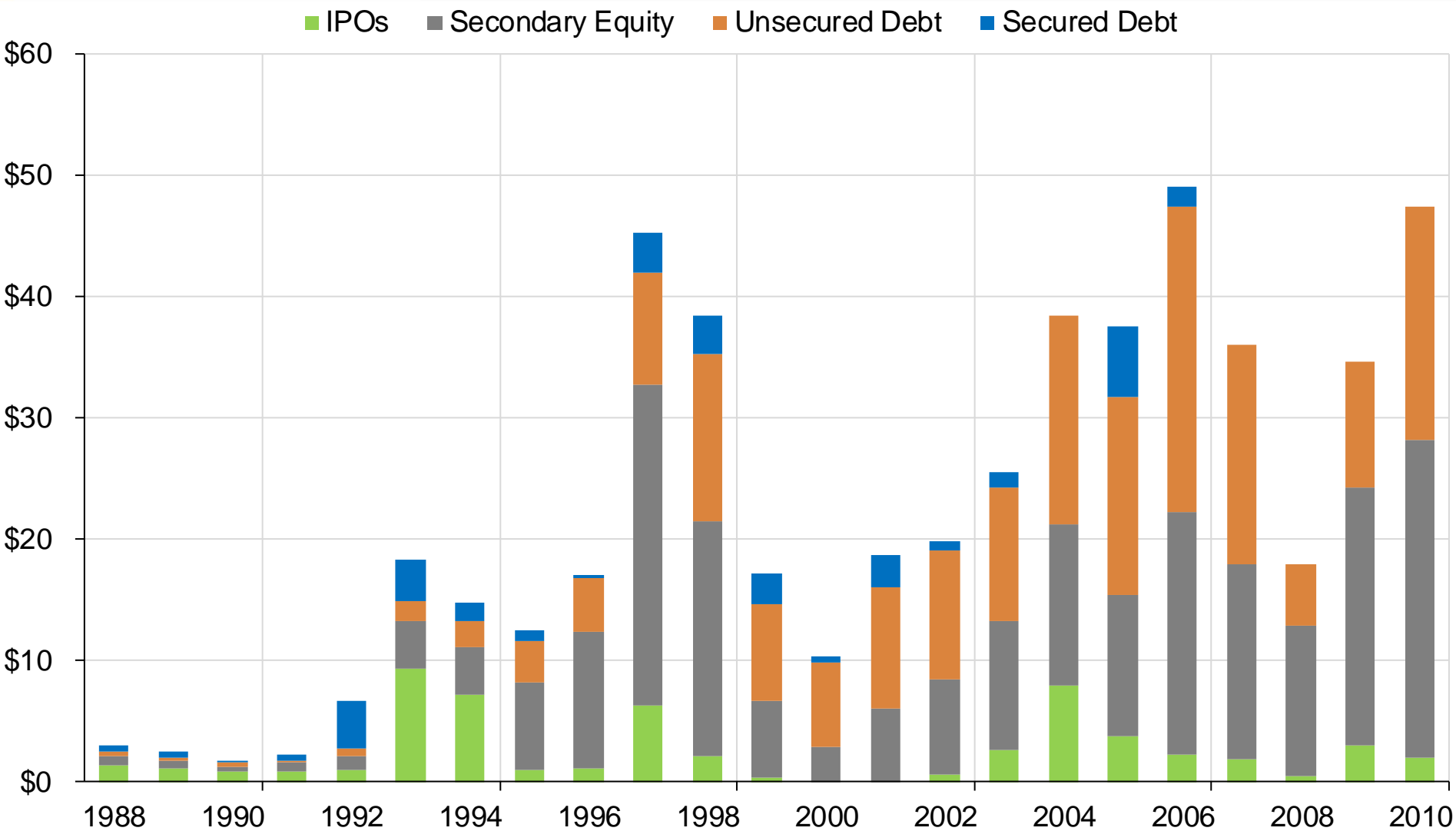
Bank Failures Driven by CRE



Source: FDIC

Note: 2010 Data is through the first half of 2010.

REIT Capital Offerings



Select Top Sales Fourth Quarter 2010



ProLogis Portfolio

182 buildings in 19 states

Buyer: Blackstone

Price: \$1,010,000,000



CB Richard Ellis Investors Portfolio

6 buildings in CA

Buyer: Alere Property Group

Price: \$208,765,310



Exeter Portfolio

17 properties in FL, TN, PA, KY, OH

Buyer: Blackstone

Price: \$200,000,000



Mira Loma Distribution Center

3 buildings in CA

Seller: Pacific Newport Properties

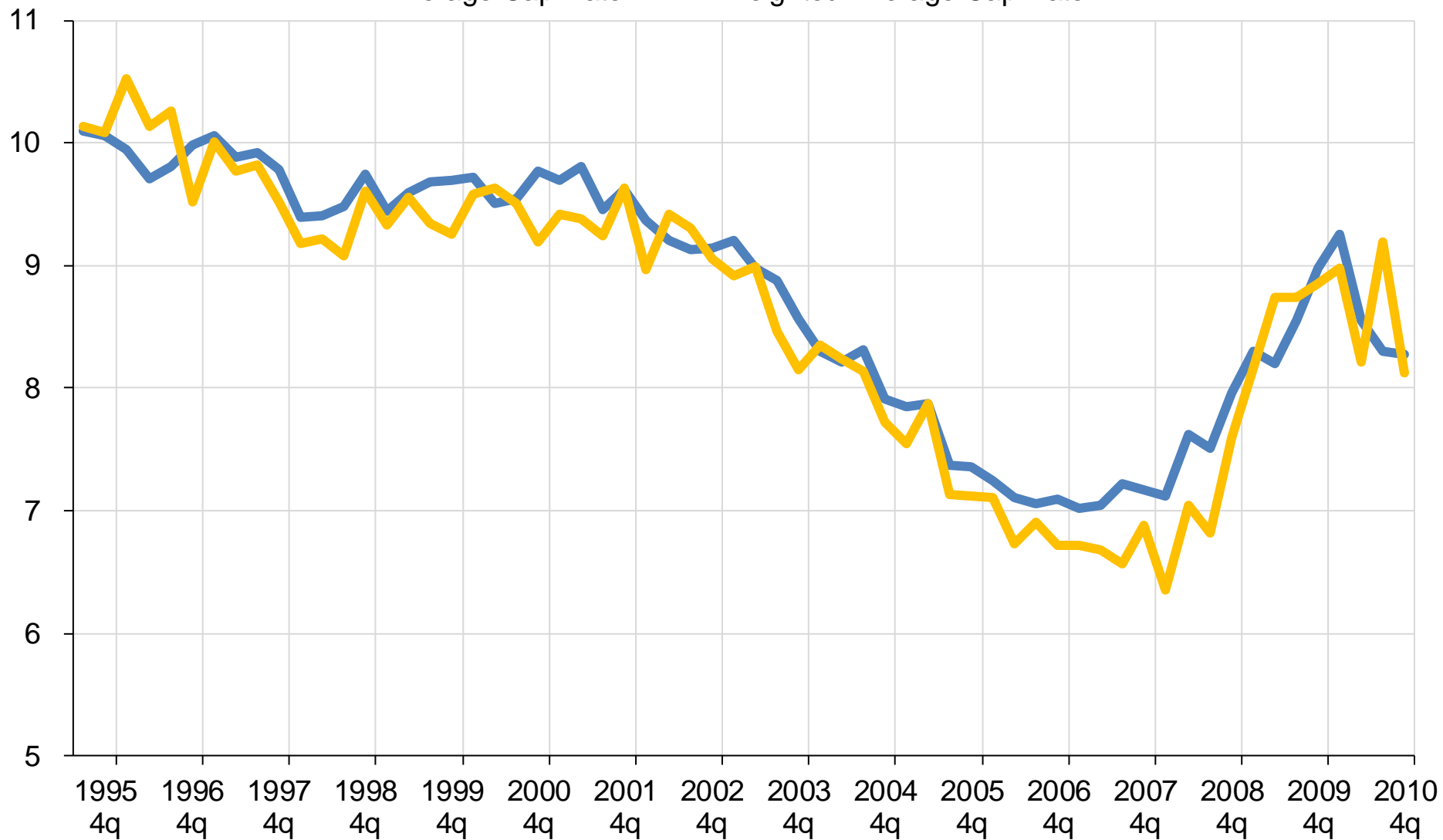
Buyer: LBA Realty

Price: \$85,250,000



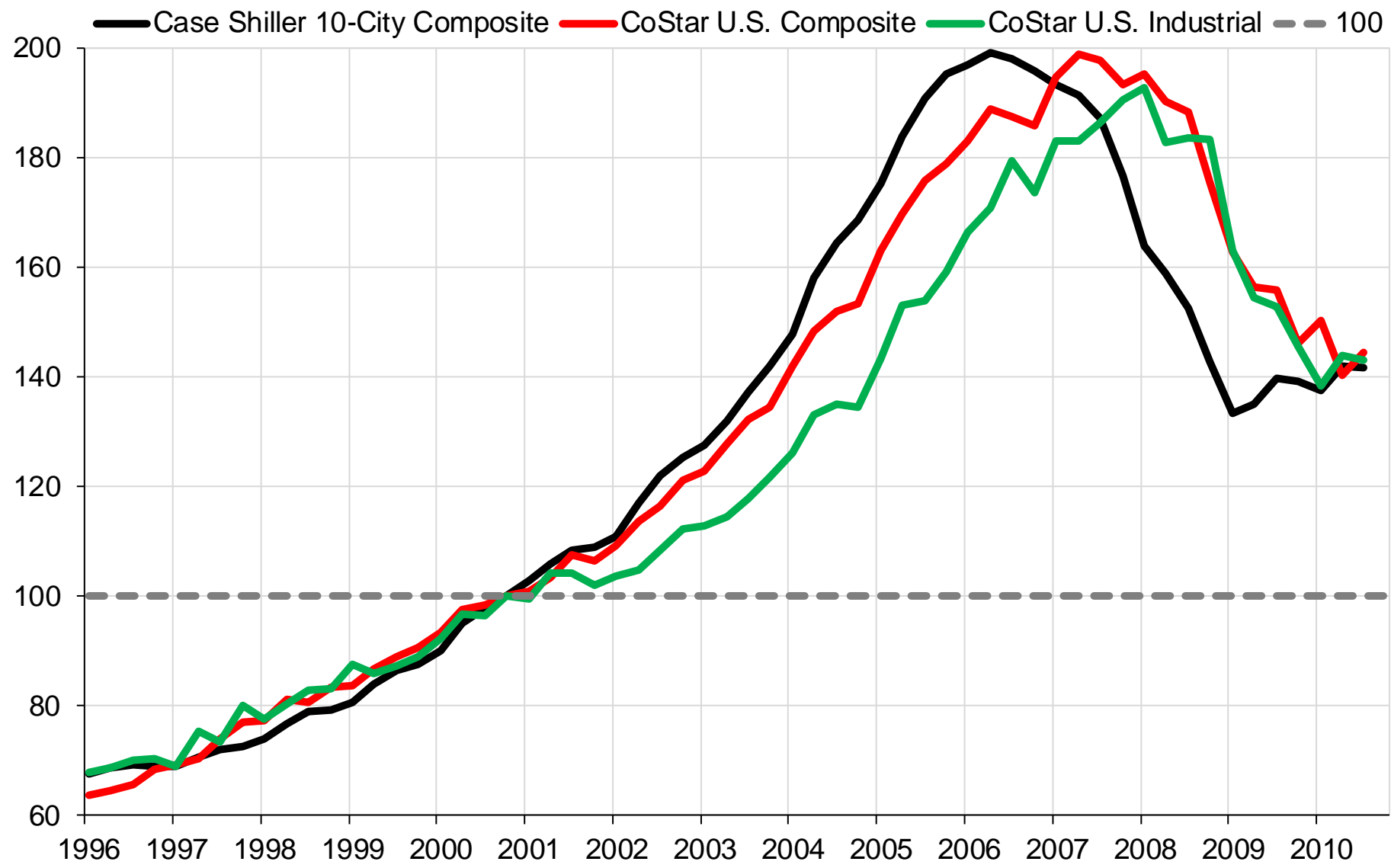
Cap Rates

— Average Cap Rate — Weighted Average Cap Rate



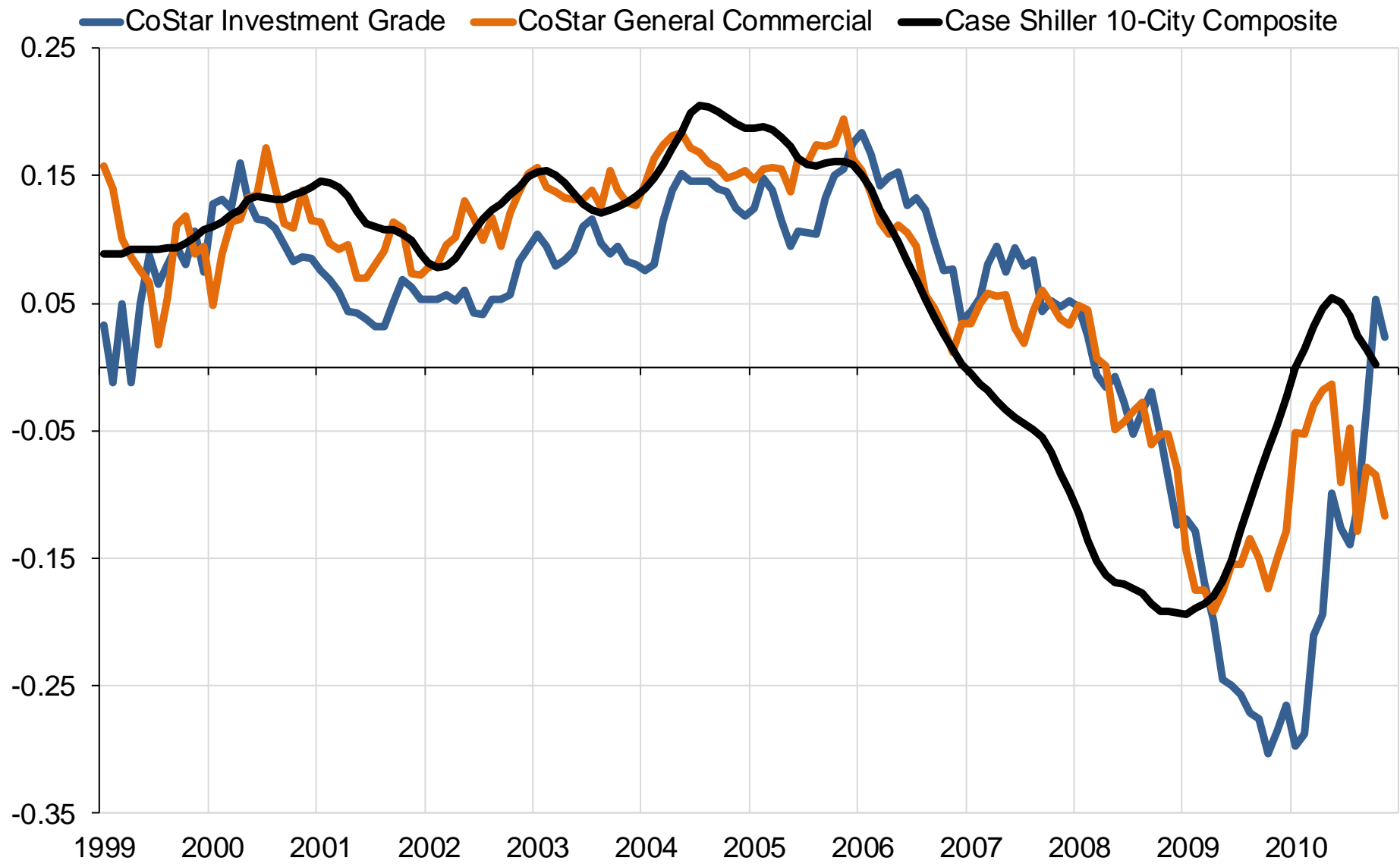


CoStar's Quarterly Repeat Sale Index



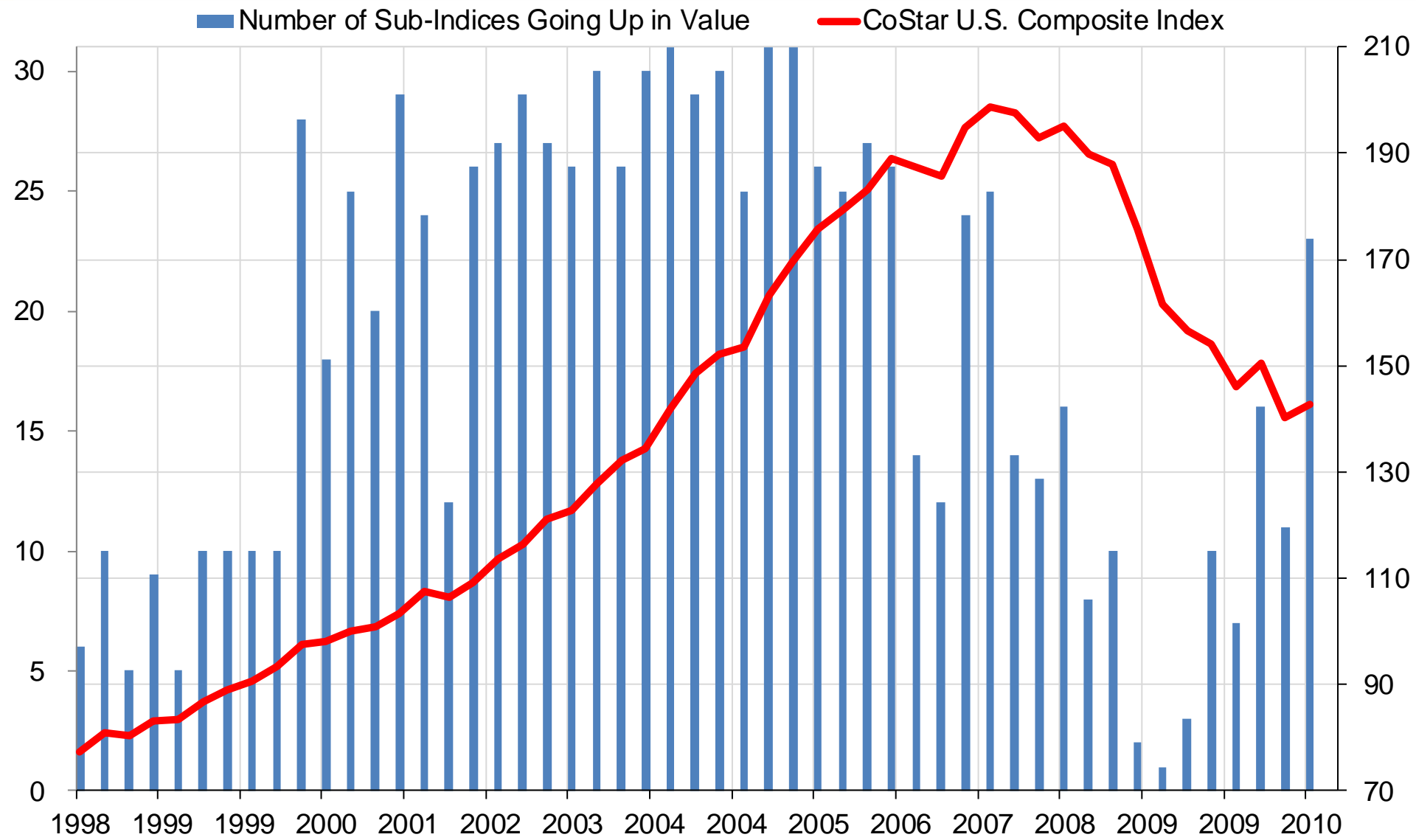


Year-Over-Year Change in CoStar's Monthly Repeat Sale Index



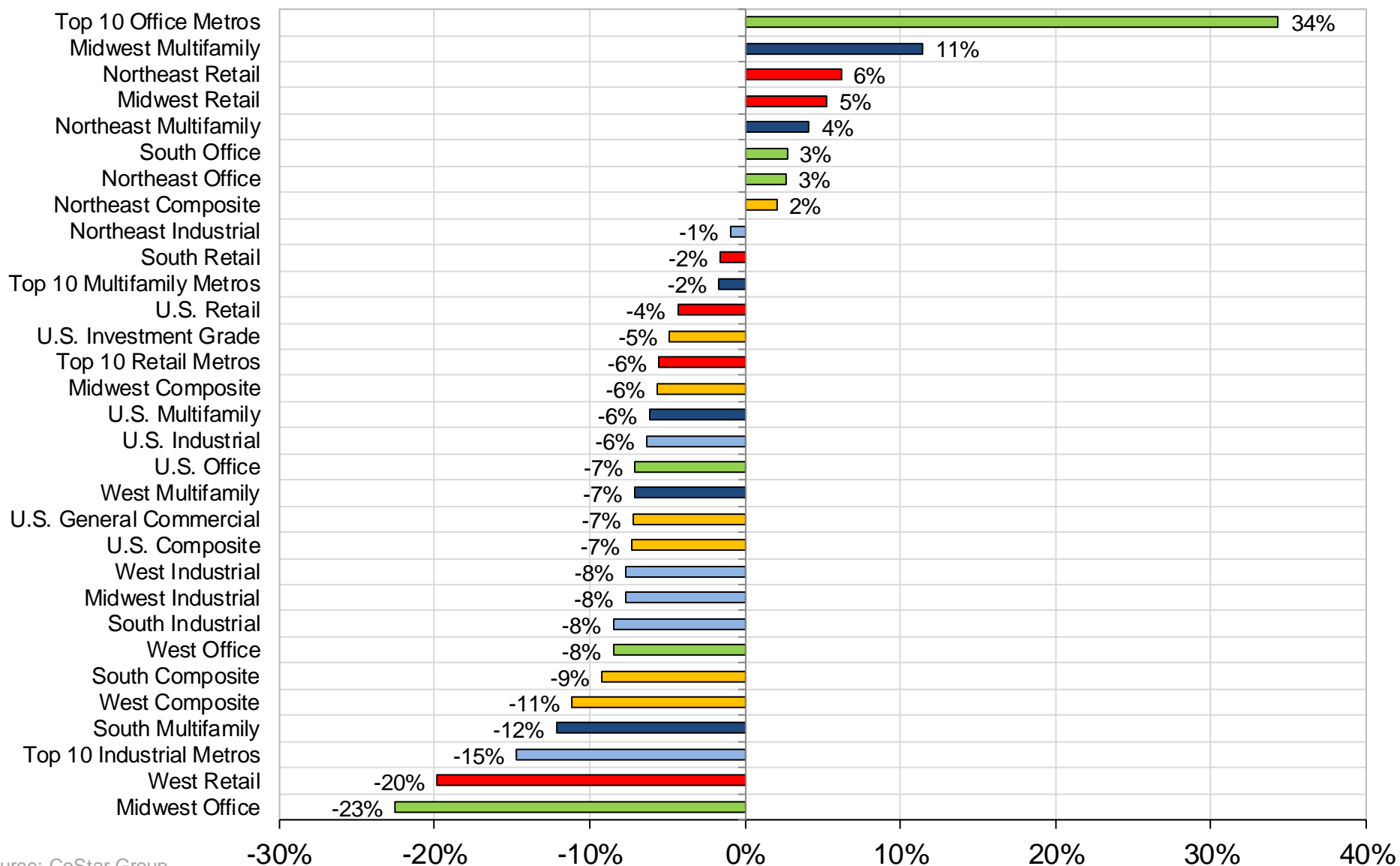


Number of CoStar Repeat Sale Sub-Indices Going Up in Value

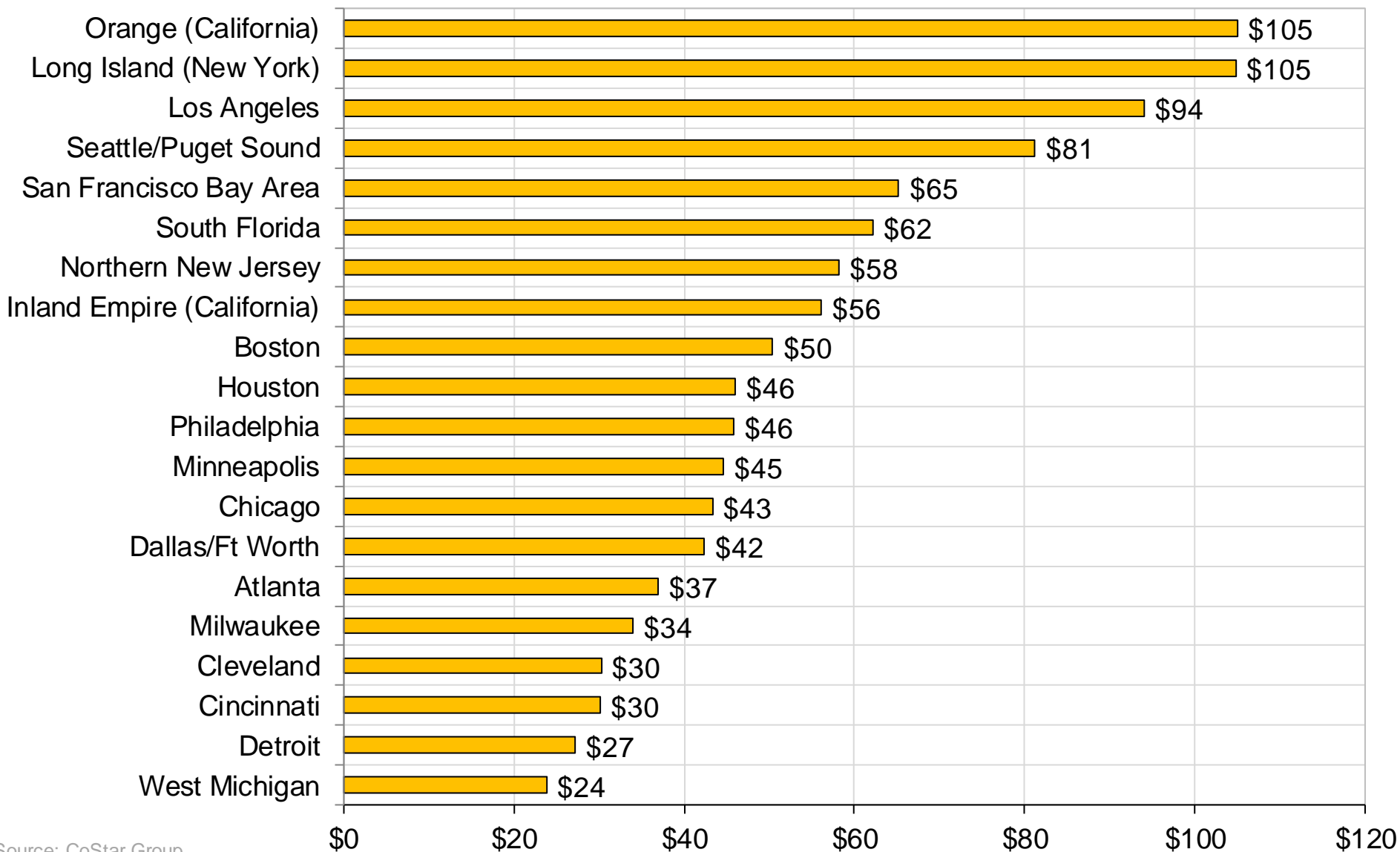




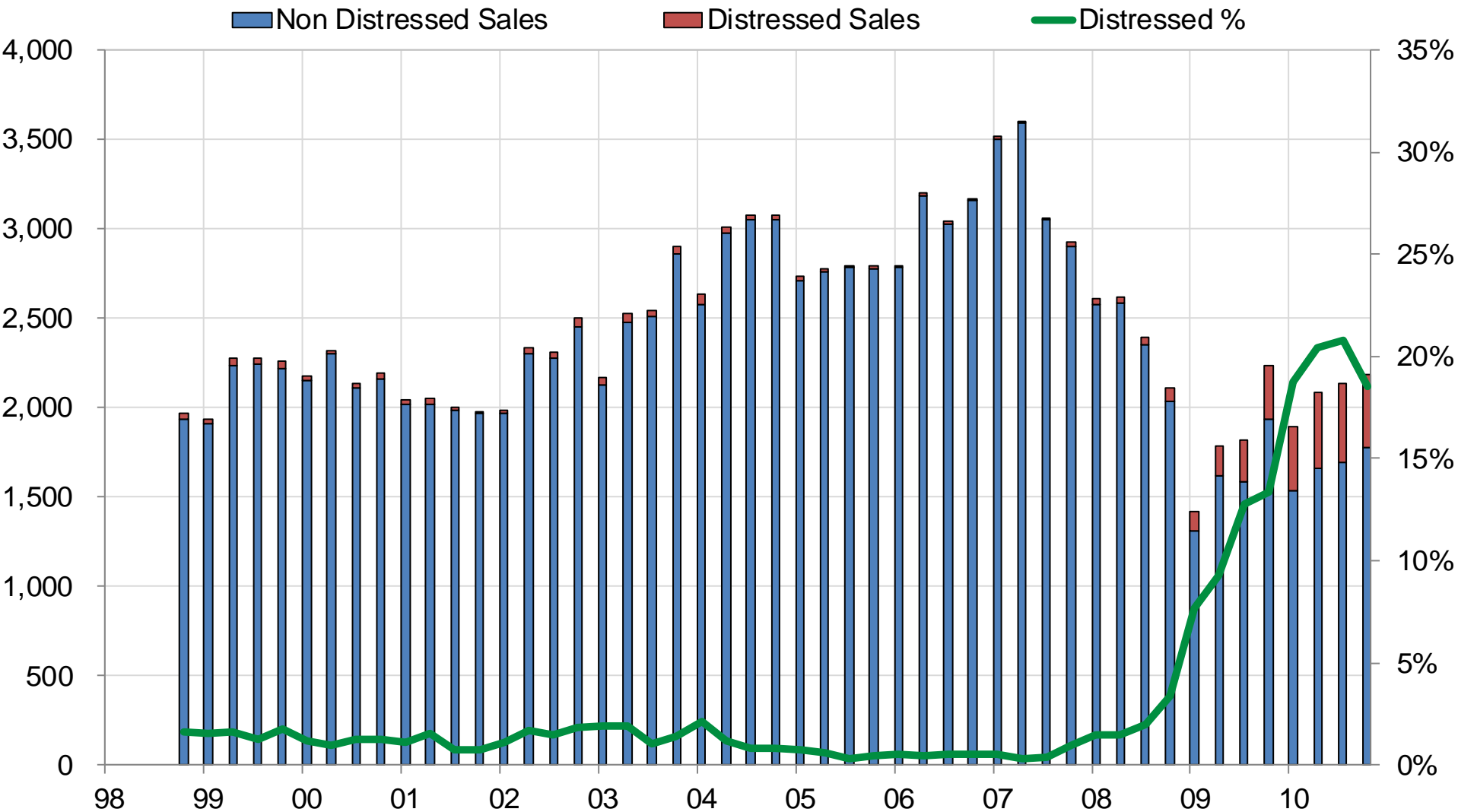
Year-Over-Year Change in CoStar's Repeat Sale Indices



Average Year-to-Date Price/SF in 20 Largest Markets



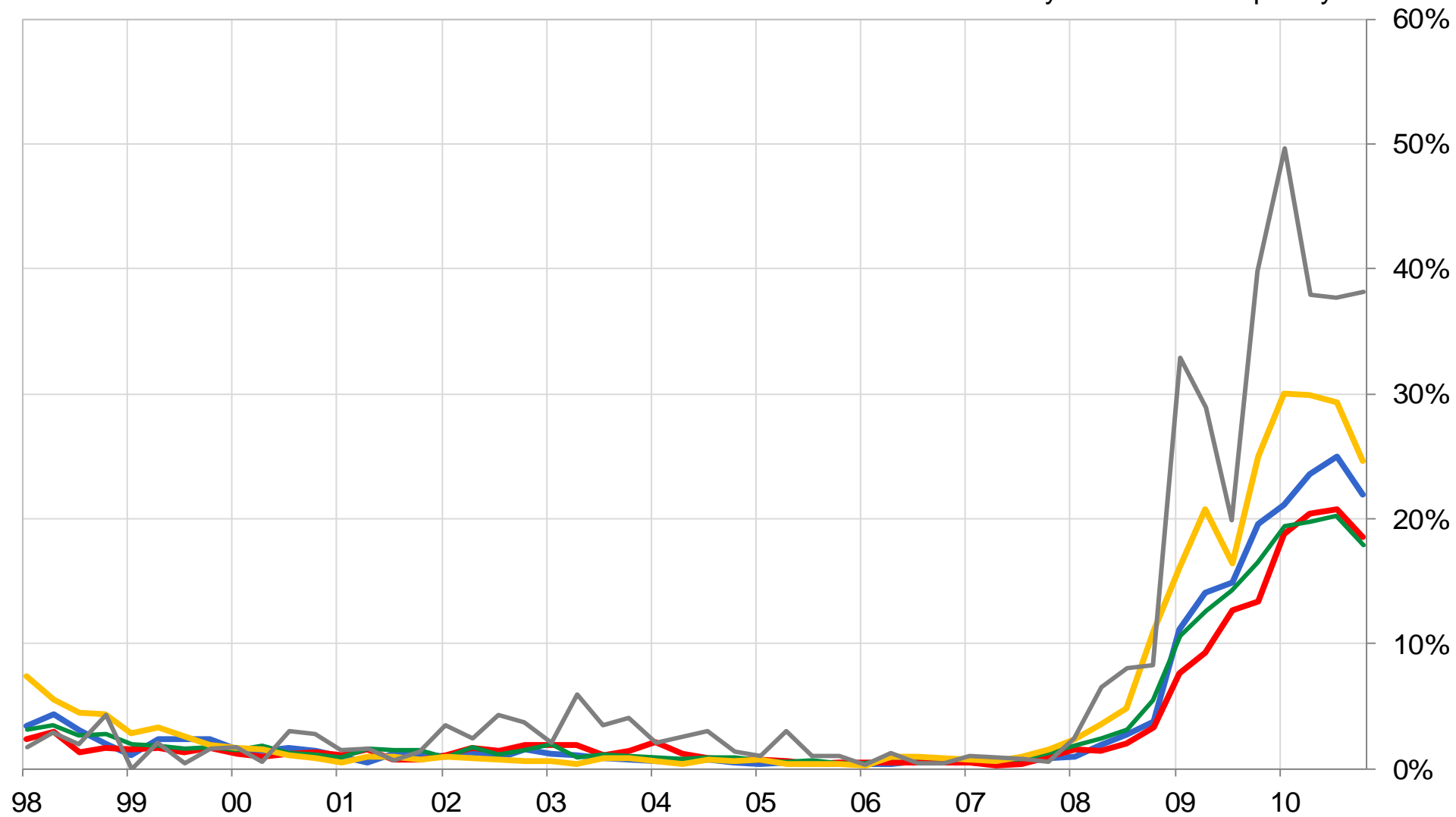
Distressed vs. Non-Distressed Sales Volume





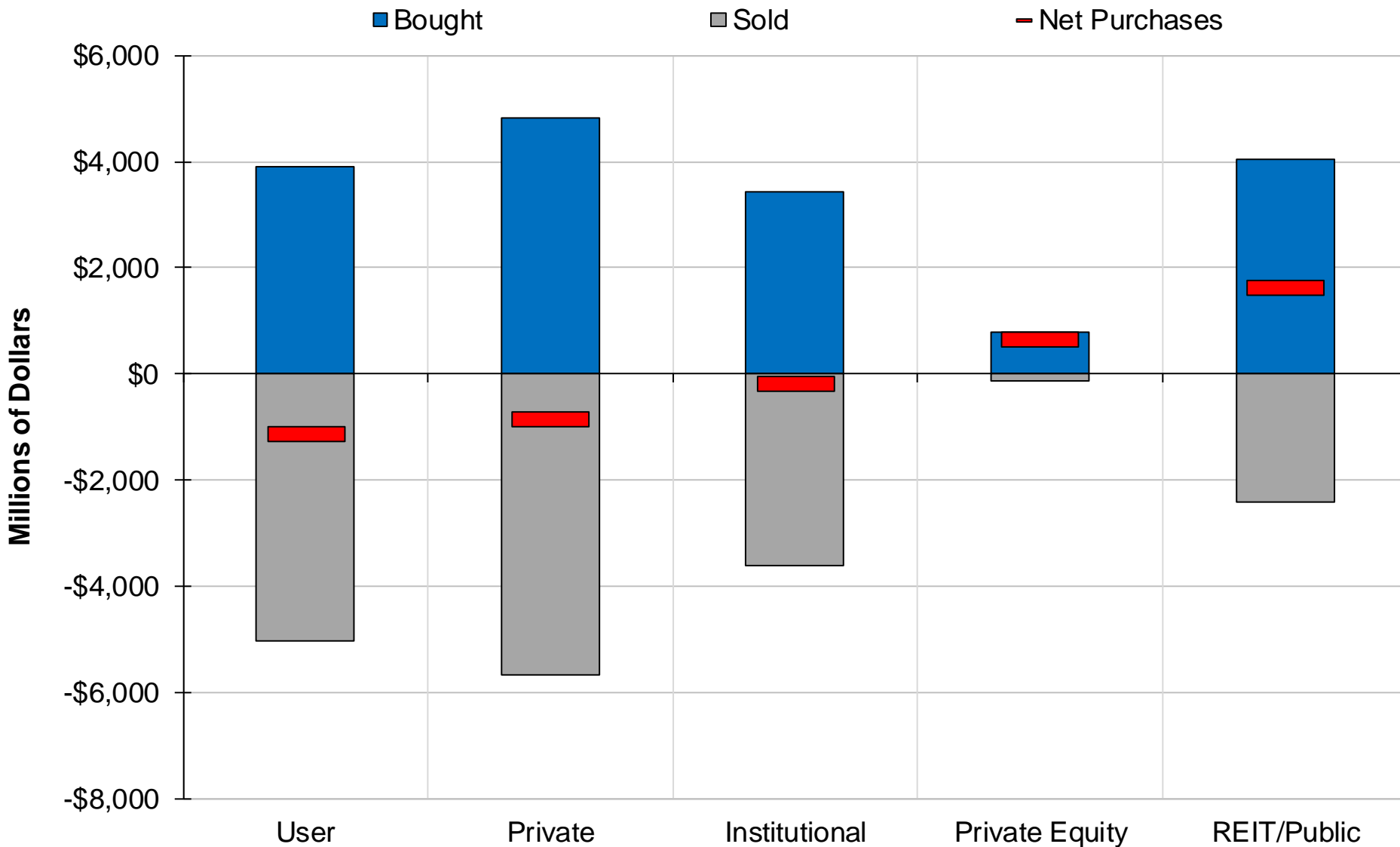
Distressed Sales Volume by Property Type

Office Industrial Retail Multifamily Hospitality





Year-to-Date Net Buying by Investor Type





Summary Section