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First Quarter 2012

25th Anniversary Year

Encouraging Trends Revive Investor Interest in Industrial Assets

PwC Real Estate Investor Survey™

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Dear Reader:

Where has the time gone? This issue marks the Survey's 25th year of quarterly production. My involvement with the Survey started in 1995 with the writing of the lodging markets. At that time, the Survey was a 40-page publication. I am proud that my commitment and ongoing dedication to improving and expanding the Survey have developed it into the 100-plus-page publication you read today!

Enhancements to the Survey continue this quarter with the debut of the Pacific Region Warehouse Market, which can be found on page 44. This new market comes at a time when as our lead story highlights, "Encouraging Trends Revive Investor Interest in Industrial Assets." As the U.S. economy continues to recover, a positive outlook exists for the industrial sector, encouraging buyers to acquire assets now.

Also in this issue, I am excited to introduce a National Secondary Office Market, which starts on page 16. This new market has been in the works for many, many months, and I hope that you find the additional content informative. As additional investors are surveyed, we will provide secondary office market data on a regional basis. Such enhancements take time, but we are confident it will happen!

In addition, each market's key indicator table has been expanded to provide more historical Survey data. These tables now include ranges and averages from two years ago and four years ago, which will help provide more insight about market trends. Plus, a key stats table has been added to each market page to highlight various quarterly shifts.

Lastly, I wish to thank our readers, as well as our wonderful investor participants, who provide us the data that is the backbone of the Survey. Many of you have been with the Survey since its inception, and I truly appreciate your loyalty.

Sincerely,

Susan Smith

Susan M. Smith
Editor-in-Chief

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PwC Real Estate Investor Survey

National Highlights

Encouraging Trends Revive Investor Interest in Industrial Assets

While many investors remain focused on how to capitalize on the burgeoning apartment sector, a growing number of buyers are revisiting the rebounding industrial sector as it continues to demonstrate positive signs of recovery. "Warehouse demand is rapidly picking up, especially in coastal markets with international port access," notes a participant. "Absorption levels have been impressive even though U.S. economic growth has been weak," remarks another.

In 2011, leasing demand for industrial real estate grew significantly, allowing this sector to reabsorb all of the space vacated during the recent recession. In fact, nearly all U.S. industrial markets reported positive absorption trends in 2011 with big-box warehouse activity outperforming the sector as a whole. Many surveyed investors feel that leasing demand for distribution space will remain strong in the coming months despite short-term concerns about the pending recession in Europe and the languid U.S. economic recovery.

Investors' upbeat outlook for warehouse space is tied to the healing U.S. labor market, which will lead to greater consumer spending and the consumption of more goods. "For us, the underlying positive trends, while sluggish, outweigh the negative ones for this sector going forward," states a participant. When combined with the limited amount of new supply added to this sector over the past few years, a main reason for acquiring industrial assets now is the potential for rent growth. "Limited construction and steady demand should help propel rent growth in most markets in 2012," comments an investor. Overall, rent growth assumptions for the Survey's national warehouse market have increased nearly 235 basis points over the past two years. In addition, the number of surveyed investors using rent spikes has jumped from 25.0% in the first quarter of 2010 to 60.0% this quarter.

Of particular interest to buyers are industrial properties located in hot-bed energy and high-tech markets, like Austin and San Jose-Silicon Valley, where job gains, leasing demand, and rent growth are expected to lead the country. According to our PwC Real Estate Barometer, these two industrial markets are in the recovery stage of the real estate cycle and are expected to progress into the expansion phase by year-end 2014 (see page 14). As a whole, the U.S. industrial stock will stand 50.0% in recession, 37.0% in recovery, and 13.0% in expansion by year-end 2012. By year-end 2015, expansion and recovery dominate this sector.

While the desire to acquire warehouse assets at this point in the cycle is not unusual for many investors, the current investing environment is far from "normal." So, while investors are intently monitoring an array of factors, including the U.S. economy and its impact on this sector's fundamentals, they are also closely watching developers. Even though additions to supply have been constrained, a shortage of quality bulk warehouse space is spurring speculative construction and build-to-suit activity in various markets. As owners of industrial assets know, too much new supply could easily undermine the recovery of the entire sector, as well as many of its top-performing markets, squashing investment expectations and ownership interest over the near term. ✦

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Overall Cap Rate Analysis

In the first quarter of 2012, the average overall capitalization (cap) rate decreased in 18 Survey markets, increased in seven of them, and held steady in six. Over the past year, the number of markets posting quarterly declines has fallen while the number reporting either increasing rates or no change has increased. These trends suggest that investors see much of the commercial real estate (CRE) industry stabilizing.

As shown in Exhibit 1, most of the cap rate declines this quarter occurred in city-specific office markets. While the apartment sector has led the CRE recovery, many investors have turned their focus to the office sector as job growth accelerates and limited additions to supply are expected to bolster rental rates in many office markets.

Strong buyer interest and low interest rates are keeping overall cap

Exhibit 1

OVERALL CAPITALIZATION RATES

First Quarter 2012

National Markets	Average	Quarterly Change*
Apartment	5.83%	+ 3
CBD Office	7.03%	+ 19
Strip Shopping Center	7.18%	+ 2
Regional Mall	7.23%	0
Power Center	7.32%	– 3
Warehouse	7.41%	– 7
Net Lease	7.46%	– 13
Suburban Office	7.52%	+ 9
MOB**	7.92%	0
Flex/R&D	8.71%	0
Apartment Markets		
Pacific Region	5.21%	0
Mid-Atlantic Region	5.75%	– 4
Southeast Region	5.86%	+ 3
Office Markets		
Manhattan	5.38%	– 27
Washington, DC	5.96%	+ 1
Los Angeles	6.85%	– 11
San Francisco	6.87%	– 5
Suburban Maryland	7.29%	– 24
Pacific Northwest	7.32%	– 25
Northern Virginia	7.39%	– 24
Boston	7.83%	– 1
Denver	7.87%	– 7
San Diego	7.89%	0
Houston	7.94%	– 24
Dallas	8.05%	– 8
Chicago	8.17%	+ 2
Charlotte	8.07%	– 36
Atlanta	8.40%	– 6
Philadelphia	8.55%	– 3
Phoenix	9.40%	0
Southeast Florida	9.25%	– 25

* Basis points
** Medical office buildings
Source: PwC Real Estate Investor Survey

Exhibit 2

OVERALL CAPITALIZATION RATE FORECASTS

First Quarter 2012

	OVERALL CAP RATE	EXPECTATIONS(1)		CHANGE(2)
MARKET	AVERAGE	SHIFT	%	AVERAGE RANGE
National Regional Mall	7.23%	(c)	83.3%	
National Power Center	7.32%	(c)	85.7%	
National Strip Shopping Center	7.18%	(c)	72.7%	
National CBD Office	7.03%	(c)	75.0%	
National Suburban Office	7.52%	(c)	91.7%	
Atlanta Office	8.40%	(c)	100.0%	
Boston Office	7.83%	(c)	71.4%	
Charlotte Office	8.07%	(c)	83.3%	
Chicago Office	8.17%	(c)	62.5%	
Dallas Office	8.05%	(c)	100.0%	
Denver Office	7.87%	(c)	60.0%	
Houston Office	7.94%	(c)	83.3%	
Los Angeles Office	6.85%	(c)	100.0%	
Manhattan Office	5.38%	(c)	83.3%	
Northern Virginia Office	7.39%	(c)	85.7%	
Pacific Northwest Office	7.32%	(c)	83.3%	
Philadelphia Office	8.55%	(c)	83.3%	
Phoenix Office	9.40%	(c)	80.0%	
San Diego Office	7.89%	(c)	100.0%	
San Francisco Office	6.87%	(c)	67.7%	
Southeast Florida Office	9.25%	(c)	60.0	
Suburban Maryland Office	7.29%	(c)	51.0%	
Washington, DC Office	5.96%	(c)	71.4%	
National Flex/R&D	8.71%	(c)	66.7%	
Warehouse				
National	7.41%	(c)	71.4%	
Pacific Region	6.50%	(c)	80.0%	
Apartment				
National	5.83%	(c)	68.8%	
Mid-Atlantic Region	5.75%	(c)	83.3%	
Pacific Region	5.21%	(c)	100.0%	
Southeast Region	5.86%	(c)	57.1%	
National Net Lease	7.46%	(c)	71.4%	
National Medical Office Buildings	7.92%	(c)	55.6%	

(1) Over the next six months, the majority of investor participants expect overall cap rates to:
(a) increase (b) decrease (c) hold steady
(2) All basis point changes are positive unless enclosed in parentheses
Source: PwC Real Estate Investor Survey

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rates down for many top-performing office markets. In fact, 14 of the 18 city-specific office markets in the Survey posted quarterly declines in their average overall cap rate this quarter. In addition, more than half of them posted double-digit declines.

Looking Forward

So far, the recovery of the industry has been very sluggish as it reacts to a slow-moving economic recovery. Although economic growth is expected for the year ahead, the pace is not expected to quicken much. As a result, most Survey participants expect overall cap rates in all markets to hold steady over the next six months (see Exhibit 2).

Key Indicator Breakout

Overall cap rates, discount rates, and residual cap rates for the CBD and suburban submarkets for each individual office market in our Survey are in Exhibit 3. As shown, average overall cap rates remain lower for most CBD submarkets than for their suburban counterparts since higher barriers to entry and a lack of land for new development tend to keep supply and demand a bit more balanced in a market's CBD. As a result, CBD assets typically see steadier tenant demand and achieve higher rental rates.

In addition, downtown cores tend to provide better forms of mass transportation and embody a 24-hour, live-work lifestyle that appeals to many individuals and firms. As a result, CBD assets are generally perceived as providing less investment risk to the owner – less risk, lower overall cap rate. ✦

Exhibit 3

BREAKOUT OF KEY INDICATORS

First Quarter 2012

	DISCOUNT RATE		OVERALL CAPITALIZATION RATE		RESIDUAL CAPITALIZATION RATE	
CBD OF:	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
Atlanta	7.75% – 10.50%	8.85%	7.00% – 10.00%	8.21%	7.00% – 10.00%	8.33%
Boston	6.75% – 12.00%	8.73%	5.25% – 10.50%	7.20%	6.00% – 10.50%	7.46%
Charlotte	8.00% – 11.00%	9.06%	6.00% – 9.00%	7.67%	6.00% – 10.00%	7.98%
Chicago	6.50% – 10.50%	8.53%	5.75% – 10.00%	7.30%	6.50% – 9.00%	7.52%
Dallas	7.50% – 11.00%	8.68%	5.75% – 9.00%	7.58%	7.00% – 10.00%	8.00%
Denver	7.50% – 12.00%	9.00%	6.00% – 8.00%	7.04%	6.50% – 9.00%	7.69%
Houston	7.00% – 12.00%	9.10%	5.50% – 10.00%	7.44%	5.00% – 9.50%	7.58%
Los Angeles	6.50% – 11.00%	8.25%	4.50% – 8.50%	6.63%	6.00% – 9.00%	7.44%
Manhattan	6.50% – 10.00%	7.58%	4.00% – 8.00%	5.38%	5.00% – 7.50%	6.08%
Pacific Northwest	6.50% – 12.00%	8.60%	5.00% – 10.00%	7.09%	5.00% – 9.00%	7.15%
Philadelphia	8.00% – 10.00%	8.95%	7.50% – 9.50%	8.23%	7.00% – 9.50%	8.23%
Phoenix	8.00% – 15.00%	10.25%	8.00% – 11.00%	9.42%	7.50% – 10.00%	8.58%
San Diego	7.50% – 12.00%	9.25%	6.50% – 9.00%	7.83%	7.00% – 9.00%	7.90%
San Francisco	6.00% – 10.00%	7.79%	4.50% – 9.00%	6.31%	5.50% – 9.00%	6.94%
Southeast Florida	7.00% – 14.00%	10.00%	6.00% – 13.00%	8.73%	7.00% – 12.00%	9.00%
Washington, DC	6.00% – 9.00%	7.48%	4.50% – 8.00%	5.96%	5.25% – 8.25%	6.46%
	DISCOUNT RATE		**OVERALL CAPITALIZATION RATE**		**RESIDUAL CAPITALIZATION RATE**	
SUBURBS OF:	**RANGE**	**AVERAGE**	**RANGE**	**AVERAGE**	**RANGE**	**AVERAGE**
Atlanta	8.00% – 11.00%	9.33%	7.00% – 10.00%	8.58%	7.00% – 10.00%	8.67%
Boston	7.50% – 15.00%	9.84%	6.00% – 12.00%	8.46%	7.00% – 12.00%	8.46%
Charlotte	8.00% – 12.25%	9.81%	7.00% – 9.50%	8.48%	7.00% – 10.00%	8.44%
Chicago	8.00% – 12.50%	9.82%	7.00% – 11.00%	9.04%	7.50% – 11.00%	8.96%
Dallas	8.00% – 12.00%	9.54%	6.50% – 11.00%	8.52%	7.50% – 10.00%	8.54%
Denver	8.00% – 15.00%	10.75%	7.00% – 11.00%	8.70%	8.00% – 11.00%	8.85%
Houston	7.50% – 14.00%	9.60%	6.50% – 12.00%	8.44%	7.00% – 11.00%	8.42%
Los Angeles	6.75% – 11.00%	8.42%	6.00% – 8.50%	7.08%	6.00% – 9.00%	7.58%
Northern Virginia	7.00% – 9.50%	8.42%	6.00% – 9.00%	7.39%	5.00% – 9.00%	7.52%
Pacific Northwest	7.00% – 12.00%	9.15%	6.00% – 10.00%	7.55%	5.00% – 10.00%	7.70%
Philadelphia	8.50% – 11.00%	9.46%	7.75% – 10.00%	8.88%	8.00% – 11.00%	9.19%
Phoenix	9.00% – 16.00%	11.85%	8.00% – 11.00%	9.38%	7.75% – 10.00%	9.03%
San Diego	7.00% – 12.50%	9.35%	6.00% – 10.00%	7.95%	6.50% – 9.00%	7.85%
San Francisco	7.00% – 11.00%	8.79%	5.00% – 9.50%	7.42%	6.00% – 10.00%	7.78%
Southeast Florida	7.00% – 16.00%	10.75%	7.00% – 15.00%	9.77%	7.25% – 12.00%	9.27%
Suburban Maryland	7.25% – 9.50%	8.41%	5.00% – 9.00%	7.29%	5.00% – 9.75%	7.73%

Source: PwC Real Estate Investor Survey

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Valuation Issues

Replacement Reserves

Incorporating an appropriate reserve for the replacement of building components during a holding period plays an important role in accurately forecasting the real cash return potential of an acquisition. The ranges and averages of current and year-ago assumptions for replacement reserves are shown in Exhibit 4. These figures do not include estimates for larger capital costs for items that are replaced only a few times during the life of a property and that are usually accounted for separately as capital improvements.

The Investor Survey Responses in the back of this issue show a sampling of specific replacement reserve assumptions for each market.

Market Rent Change Rates

As most office markets move past the bottom of the cycle and show steady signs of improvement, many investors are using higher initial-year market rent change rates in their analyses. Table VI-1 traces the first-quarter aggregate average for this key assumption from 2001 to 2012 for the city-specific office markets surveyed during those times. As shown, the average has increased over the past two years, but remains well below historical peak levels.

During the past 24 months, the Manhattan office market posted the largest gain in this key assumption, soaring 896 basis points. The second highest increase belongs to the San Francisco office market, where this key indicator climbed 669 basis points. As the U.S. economy contin-

Table VI-1

INITIAL-YEAR MARKET RENT CHANGE RATES

City Specific Office Markets Only

Quarter	Average	Change (Basis Points)
1Q12	1.71%	+ 130
1Q11	0.41%	+ 163
1Q10	(1.22%)	– 314
1Q09	1.92%	– 200
1Q08	3.92%	+ 45
1Q07	3.47%	+ 104
1Q06	2.43%	+ 88
1Q05	1.55%	+ 65
1Q04	0.90%	+ 9
1Q03	0.81%	– 11
1Q02	0.92%	– 192
1Q01	2.84%	—

Source: PwC Real Estate Investor Survey

Exhibit 4

REPLACEMENT RESERVES PER SQUARE FOOT

First Quarter 2012

	CURRENT QUARTER		YEAR AGO	
MARKET	RANGE	AVERAGE	RANGE	AVERAGE
National				
Regional Mall	$0.20 – $0.50	$0.32	$0.20 – $0.50	$0.30
Power Center	$0.10 – $0.50	$0.24	$0.10 – $0.75	$0.28
Strip Shopping Center	$0.10 – $2.00	$0.34	$0.10 – $2.00	$0.34
Net Lease	$0.15 – $0.35	$0.23	$0.15 – $0.35	$0.24
Medical Office Buildings	$0.10 – $0.60	$0.28	$0.10 – $1.50	$0.34
Industrial				
National Flex/R&D	$0.15 – $1.00	$0.32	$0.15 – $1.00	$0.32
National Warehouse	$0.05 – $0.35	$0.16	$0.00 – $0.35	$0.15
Pacific Region Warehouse	$0.10 – $0.35	$0.18		
Apartment (per unit)				
National	$50.00 – $750.00	$277.34	$150.00 – $750.00	$294.00
Mid-Atlantic Region	$75.00 – $350.00	$241.67	$75.00 – $350.00	$238.00
Pacific Region	$75.00 – $350.00	$233.33	$150.00 – $350.00	$242.00
Southeast Region	$150.00 – $600.00	$292.86	$100.00 – $400.00	$242.00
Office				
National CBD	$0.10 – $0.50	$0.27	$0.10 – $0.60	$0.28
National Suburban	$0.10 – $0.50	$0.26	$0.10 – $3.00	$0.52
Atlanta	$0.10 – $0.75	$0.26	$0.10 – $0.75	$0.25
Boston	$0.15 – $0.50	$0.25	$0.15 – $0.50	$0.25
Charlotte	$0.10 – $0.40	$0.20	$0.10 – $0.60	$0.22
Chicago	$0.15 – $0.50	$0.26	$0.15 – $0.50	$0.26
Dallas	$0.15 – $0.50	$0.25	$0.15 – $0.50	$0.25
Denver	$0.10 – $0.25	$0.20	$0.10 – $0.25	$0.21
Houston	$0.10 – $0.75	$0.24	$0.10 – $0.75	$0.27
Los Angeles	$0.10 – $0.30	$0.20	$0.10 – $0.30	$0.21
Manhattan	$0.15 – $0.50	$0.27	$0.15 – $1.00	$0.35
Northern Virginia	$0.10 – $0.50	$0.23	$0.10 – $0.50	$0.22
Pacific Northwest	$0.05 – $2.00	$0.43	$0.10 – $0.50	$0.23
Philadelphia	$0.15 – $0.30	$0.23	$0.15 – $0.35	$0.23
Phoenix	$0.10 – $0.60	$0.24	$0.10 – $0.60	$0.24
San Diego	$0.00 – $0.25	$0.18	$0.10 – $0.25	$0.19
San Francisco	$0.00 – $0.50	$0.24	$0.10 – $0.50	$0.24
Southeast Florida	$0.10 – $1.00	$0.31	$0.10 – $1.00	$0.31
Suburban Maryland	$0.10 – $0.50	$0.25	$0.10 – $0.50	$0.24
Washington, DC	$0.10 – $0.50	$0.23	$0.10 – $0.50	$0.24

Source: PwC Real Estate Investor Survey

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Exhibit 5

MANAGEMENT FEES AND LEASING COMMISSIONS

First Quarter 2012

	MANAGEMENT FEES (AS A % OF EFFECTIVE GROSS REVENUE)			LEASING COMMISSIONS NEW LEASE			RENEWEL LEASES		
MARKET	LOW	HIGH	AVERAGE	LOW	HIGH	AVERAGE	LOW	HIGH	AVERAGE
National									
Regional Mall	2.00%	4.50%	3.20%	(a)	(a)	(a)	(a)	(a)	(a)
Power Center	2.00%	5.00%	3.11%	3.00%	7.00%	5.17%	1.50%	5.00%	2.92%
Strip Shopping Center	2.00%	5.00%	3.34%	2.00%	7.00%	5.05%	0.50%	4.00%	2.55%
CBD Office	1.00%	5.00%	2.84%	3.00%	7.00%	5.00%	2.00%	5.00%	3.17%
Suburban Office	2.00%	5.00%	3.39%	3.00%	8.00%	5.50%	1.50%	7.00%	3.21%
Net Lease	1.00%	4.00%	2.44%	3.00%	6.75%	4.71%	2.00%	6.75%	3.79%
Medical Office Buildings	2.00%	6.00%	3.89%	3.00%	8.00%	4.72%	0.00%	6.00%	2.81%
Industrial									
National Flex/R&D	2.00%	4.00%	2.75%	3.00%	7.50%	5.71%	2.00%	6.00%	3.58%
National Warehouse	1.50%	4.00%	2.64%	3.00%	8.00%	5.59%	1.50%	7.50%	3.27%
Pacific Region Warehouse	1.50%	4.00%	2.55%						
Apartment									
National	2.00%	7.00%	3.26%	(a)	(a)	(a)	(a)	(a)	(a)
Mid-Atlantic Region	2.00%	4.00%	2.96%	(a)	(a)	(a)	(a)	(a)	(a)
Pacific Region	2.00%	4.00%	2.79%	(a)	(a)	(a)	(a)	(a)	(a)
Southeast Region	2.00%	5.00%	3.52%	(a)	(a)	(a)	(a)	(a)	(a)
Office									
Atlanta	2.00%	4.00%	2.75%	3.00%	7.50%	5.71%	2.00%	6.00%	3.58%
Boston	1.50%	4.00%	3.04%	3.00%	7.00%	5.17%	2.00%	6.00%	3.70%
Charlotte	2.00%	5.00%	3.21%	4.00%	7.00%	5.58%	2.00%	4.00%	3.00%
Chicago	1.50%	4.00%	2.44%	1.75%	6.00%	4.47%	1.25%	5.00%	3.27%
Dallas	1.00%	5.00%	2.96%	3.00%	7.75%	5.94%	2.00%	7.75%	4.35%
Denver	1.50%	4.00%	3.19%	6.00%	10.00%	7.13%	3.00%	8.00%	5.38%
Houston	1.50%	6.00%	3.21%	3.00%	6.00%	5.33%	2.00%	6.00%	4.00%
Los Angeles	2.00%	3.50%	2.71%	4.00%	7.00%	5.80%	2.00%	5.00%	3.10%
Manhattan	0.50%	4.00%	1.83%	4.00%	6.50%	4.98%	2.00%	4.50%	3.02%
Northern Virginia	2.00%	4.00%	2.92%	3.00%	6.00%	5.17%	2.50%	5.00%	3.79%
Pacific Northwest	1.00%	3.50%	2.65%	5.00%	7.50%	6.81%	0.00%	7.50%	4.13%
Philadelphia	3.00%	5.00%	3.90%	3.00%	6.00%	5.13%	2.00%	3.00%	2.50%
Phoenix	2.00%	4.00%	3.25%	6.00%	8.00%	7.00%	3.00%	8.00%	4.90%
San Diego	2.00%	4.00%	3.13%	3.00%	8.00%	5.81%	2.00%	8.00%	4.19%
San Francisco	1.00%	4.00%	2.44%	3.00%	8.00%	5.86%	2.00%	6.25%	4.04%
Southeast Florida	1.50%	5.00%	3.15%	3.00%	7.00%	5.50%	2.00%	5.00%	3.40%
Suburban Maryland	2.00%	3.00%	2.75%	3.50%	6.00%	4.88%	1.00%	5.00%	3.56%
Washington, DC	1.50%	3.00%	2.57%	3.00%	6.00%	4.82%	2.00%	5.00%	3.50%

(a) Most investors include leasing commissions in their management fee assumption.

Source: PwC Real Estate Investor Survey

ues to strengthen and benefit leasing activity in the office sector, rent growth expectations will likely continue to rise over the next 12 months.

Management Fees

Management fees used in cash flow projections typically constitute either an in-house related duty expensed to an affiliated company or a third-party cost paid to an outside management firm. Regardless of how they are contracted, management fees are generally included as an "above-the-line" operating expense and are deducted from revenue in order to derive net operating income (NOI). Management fee assumptions, expressed as a percentage of effective gross revenue (EGR), are detailed in Exhibit 5.

Leasing Commissions

Although leasing commissions may be placed either above or below the NOI line, most investors consider them a "below-the-line" item. Like management fees, leasing commissions are usually expressed as a percentage of EGR. Current leasing commission assumptions for both new leases and renewals are detailed in Exhibit 5.

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Concessions

While tenant concessions remain common, they vary greatly between individual markets and properties and typically include months of free rent and/or an excessive tenant improvement (TI) allowance – an additional amount above the standard TI in a given market. Other inducements, such as the reimbursement of either moving costs or lease buyouts, are offered on a select basis.

Roughly 91.0% of our Survey participants indicate the use of free rent (see Exhibit 6). A year ago, this figure was slightly higher at 94.3%.

While the use of free rent remains unanimous across each of the 18 individual office markets, the overall average amount of free rent for the office markets has declined from 6.8 months a year ago to 5.4 months this quarter.

Outside of the office sector, the percentage of Survey participants using concessions has declined in three of the four apartment markets. In addition, the average amount of free rent provided has dipped slightly in the four Survey apartment markets due to this sector's burgeoning recovery. ✦

Exhibit 6
CONCESSIONS
First Quarter 2012

	% OF PARTICIPANTS USING FREE RENT		MONTHS OF FREE RENT			EXCESSIVE TENANT IMPROVEMENT ALLOWANCES	
MARKET	CURRENT	YEAR AGO	LOW	HIGH	AVERAGE	HIGH END OF THE RANGE	AVERAGE
National							
Regional Mall	50.0%	50.0%	0	9	4.0		
Power Center	57.1%	80.0%	0	12	5.4		
Strip Shopping Center	81.8%	91.0%	0	12	3.9	$25.00	$8.21
CBD Office	87.5%	90.0%	0	20	7.6	$20.00	$7.00
Suburban Office	100.0%	100.0%	0	12	5.0	$25.00	$7.92
Net Lease	42.9%	63.0%	1	10	3.8	$10.00	$5.00
Medical Office Buildings	88.9%	80.0%	0	12	3.8	$25.00	$2.50
Industrial							
National Flex/R&D	100.0%	100.0%	1	12	5.0	$15.00	$4.50
National Warehouse	85.7%	92.0%	0	9	3.2	$4.00	$1.06
Pacific Region Warehouse	80.0%		1	5	2.9		
Apartment							
National	77.8%	93.0%	0	3	1.0		
Mid-Atlantic Region	66.7%	83.0%	0	9	2.1		
Pacific Region	83.3%	100.0%	0	3	0.8		
Southeast Region	100.0%	100.0%	0	6	1.7		
Office							
Atlanta	100.0%	100.0%	4	20	10.0	$35.00	$15.63
Boston	100.0%	100.0%	0	12	6.8	$30.00	$12.25
Charlotte	100.0%	100.0%	1	30	10.0	$20.00	$8.00
Chicago	100.0%	100.0%	5	15	10.8	$30.00	$15.58
Dallas	100.0%	100.0%	0	12	6.5	$20.00	$10.00
Denver	100.0%	100.0%	1	12	6.2	$20.00	$9.38
Houston	100.0%	100.0%	3	12	6.4	$15.00	$5.63
Los Angeles	100.0%	100.0%	0	10	5.5	$50.00	$14.17
Manhattan	100.0%	100.0%	0	12	7.3	$20.00	$11.00
Northern Virginia	100.0%	100.0%	1	12	5.6	$25.00	$12.50
Pacific Northwest	100.0%	100.0%	0	12	5.5	$50.00	$18.13
Philadelphia	100.0%	100.0%	3	9	6.3	$10.00	$6.13
Phoenix	100.0%	100.0%	5	15	9.2	$15.00	$7.88
San Diego	100.0%	100.0%	0	10	4.4	$10.00	$6.25
San Francisco	100.0%	100.0%	0	10	3.9	$30.00	$10.50
Southeast Florida	100.0%	100.0%	1	12	6.2	$25.00	$8.40
Suburban Maryland	100.0%	100.0%	0	12	6.2	$25.00	$15.00
Washington, DC	100.0%	100.0%	0	12	5.1	$30.00	$11.67

Source: PwC Real Estate Investor Survey

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Economic News

Optimism Making a Comeback

By Chuck DiRocco, Director and Head of Research
Real Estate Business Advisory Services - PwC LLP

Optimism is a word uttered very little by investors since 2007 as the U.S. economy, the broader financial markets, and the commercial real estate (CRE) industry have done little to deserve such a favorable word. Recently, however, this word has slipped back into the vocabulary of many investors, as positive changes are happening in the economy, the financial markets, and the CRE industry.

The U.S. economic recovery continues to move ahead slowly, and growth seems to be back on the tips of many economists' tongues even though the European recession cloud lingers, the U.S. election is pending, and domestic job growth is still widely gapped from what was lost. According to a recent poll by *The Wall Street Journal*, only 23.0% percent of economists surveyed believe that the United States will slip into a recession. In September 2011, a third of economists held that belief.

Jobs, Jobs, Jobs

While a rosier outlook is a result of many things, including job growth, concerns still exist for CRE, especially the office sector. Nonfarm job growth has been positive since October 2010, and private sector hiring has led the charge even though local and state government jobs continue to suffer cuts. However, the U.S. economy has only regained about 29.0% of the total jobs lost since the end of the recession.

When focusing strictly on office-using employment, the loss appears less severe, according to CBRE Econometrics. Since the peak of office employment in the third quarter of 2007, office jobs are now down only about 5.8%. Still with slower declines than expected, forecasts for office-based employment look gloomy with CBRE Econometrics projecting growth of just over 2.0% in 2012 (see Chart Eco-1).

Space, Space, Space

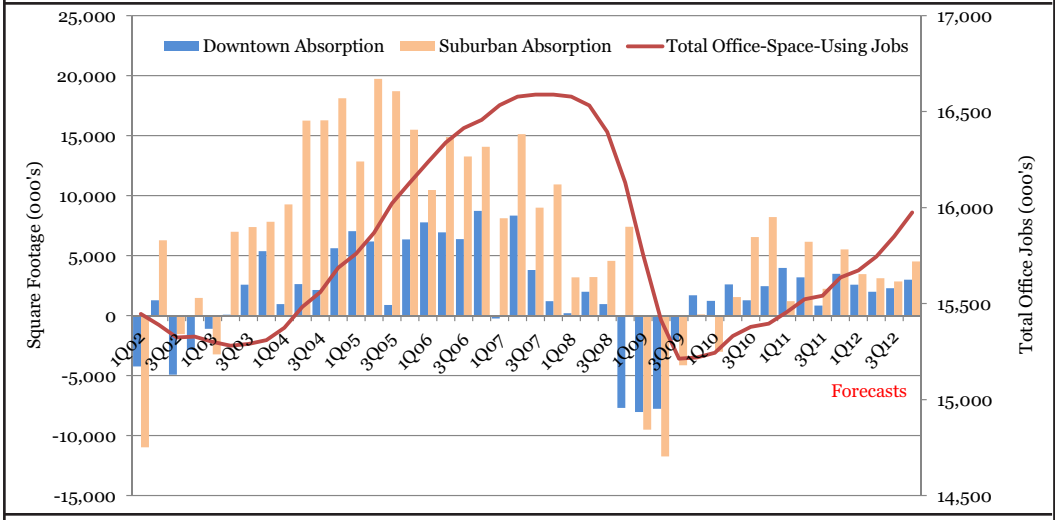
Diminished job growth raises concerns about the office sector's future absorption. The ten-year average of total office-space absorption is just over eight million square feet per quarter. Forecasts for 2012 are two to three million square feet less than this average. Although pipeline deals look to spike the rate of absorption in 2013, the total levels off in following years.

The PwC Real Estate Barometer concurs with CBRE's projections. As shown on page 10, the majority of office stock remains in recovery through 2013 with the amount in expansion increasing in 2014. While office expansion and development will continue, growth will be slower over the next few years, and this sector might never again experience a "boom." Corporations seem to agree as productivity levels are pressed to the max and historical earnings gains are reserved without any signs of expansion. As technology and telecommuting reduce office-space needs, the future of mega office leasing deals is in question. So while office space will always be needed, it may not produce as much of an optimistic outlook for investors as it once did. ✦

Chart ECO-1

OFFICE SECTOR ABSORPTION & JOB TRENDS

1Q2002 to 3Q2012



Source: CBRE Econometrics

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PwC Real Estate Barometer

Real estate cycles vary across markets and geographic areas, as well as within markets and geographic locations based on property type – office, retail, industrial, and multifamily. This observation means that national cycles differ for the same property type across individual markets. It also means that within a specific location, the cycle for each property type can be in a different phase at any given time.

While U.S. GDP growth accelerated steadily in 2011, reduced government spending and the European recession have provided some slowing to the U.S. economic recovery thus far in 2012. In turn, leasing activity is likely to slow in the four major property sectors as consumers, retailers, and businesses remain concerned about the frailty of the U.S. economy, which ultimately impacts the performance of both the aggregate industry and individual metro areas.

Real estate markets are dynamic over time and influenced by a host of factors. An in-depth analysis of historical and forecast stock data provided by CBRE Economic Advisors and Reis allows us to gauge each sector's likely shifts over the near term. The results of our PwC Real Estate Barometer research are shown in Charts REB-1 through Chart REB-4. The percentages in these charts represent the portion of the aggregate real estate stock available in the covered markets. Individual barometer readings for U.S. regions, as well as various metro areas, are shown for each sector in Forecast-1 through Forecast-4.

Office

Compared to last quarter's analysis, the anticipated pace of recovery for the office sector has been reduced for 2012 due to a slowdown in the U.S. economy's expected growth for the year. On a positive note for the office sector, job gains continue to occur, which should eventually lead to more demand for office space. As shown in Chart REB-1, the percentage of the office sector in expansion jumps by year-end 2013 and continues to grow through 2015.

Retail

The retail sector remains challenged by a lack of consumer spending and a large amount of empty space to fill at a time when few retailers are expanding. As shown in Chart REB-2, the bulk of the U.S. retail sector sits in recession through year-end 2013. Even though the amount of U.S. retail stock in recovery will surge by year-end 2014, roughly a third of it will remain in recession at that time. Moreover, the portion of retail stock in expansion fails to rise above 25.0% over the next four years.

Industrial

The expected recovery for the industrial sector has decelerated somewhat compared to last quarter as the European recession has reduced exports and U.S. economic growth slows. As a result, a larger portion of this sector is projected to stay in recession in 2012 before recovery dominates by year-end 2014 (see Chart REB-3). By year-end 2015, our barometer shows that more than half of this sector's stock will be in expansion while the remainder will be in recovery.

Multifamily

Underlying fundamentals remain extremely positive for the U.S. multifamily sector through 2015. Although some "red" and "yellow" appears on the horizon by year-end 2014 and 2015, the expansion and recovery phases of the cycle will dominate this sector for the next four years. ✦

Definitions

Contraction: The phase following the market peak, characterized by softening market conditions and a shift in the supply/demand balance leading to increasing vacancy rates, slowing rental growth, and rising overall cap rates.

Expansion: The phase following recovery, characterized by strong demand and increasingly tight market conditions leading to low vacancy rates, robust rental growth, and decreasing overall cap rates.

Recession: The phase following contraction, characterized by very low demand and high levels of supply that were added during the previous two phases. Typically involves high vacancies, negative rental growth, and high overall cap rates.

Recovery: The phase following the market bottom, characterized by tightening market conditions and a shift in supply/demand balance leading to reduced vacancy rates, more balanced rental growth, and a stabilization of overall cap rates.

Stock: The total inventory of space, in square feet or units, in a given market.

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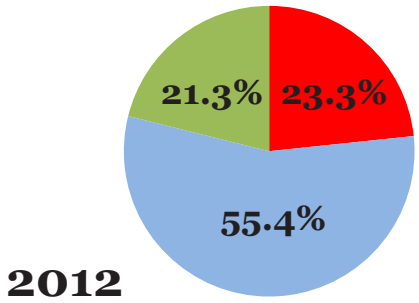
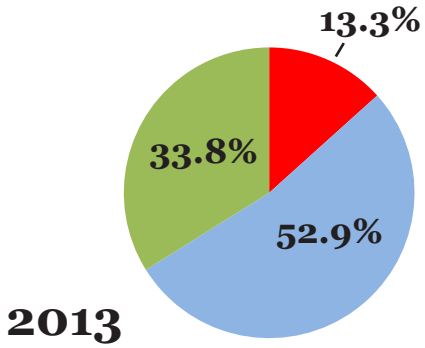
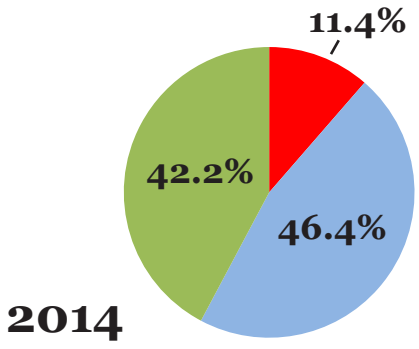
Chart REB-1
PwC Real Estate Barometer
U.S. Office Market – 2012 to 2015

Recession Contraction
Recovery Expansion

While the anticipated pace of recovery for the office sector has been reduced for 2012, greater improvement is expected through 2015.







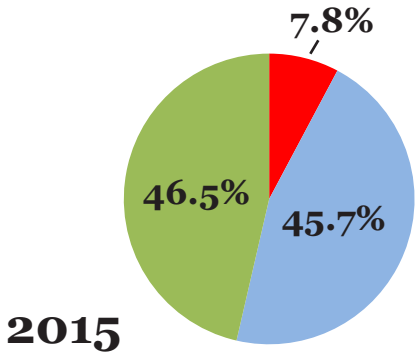
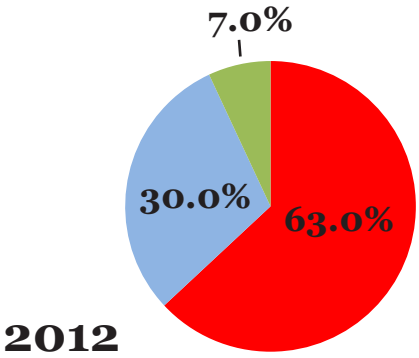
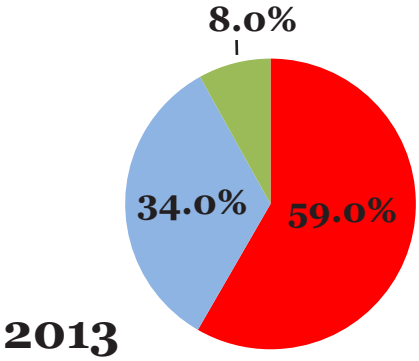


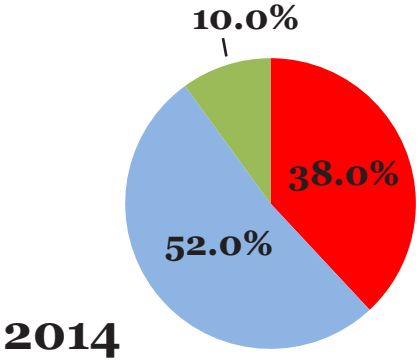
Chart REB-2
PwC Real Estate Barometer
U.S. Retail Market – 2012 to 2015

Recession Contraction
Recovery Expansion

Even though a larger number of markets will be in recovery over the next four years, several markets will remain in recession through 2015.







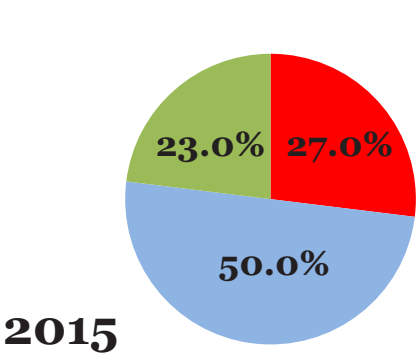


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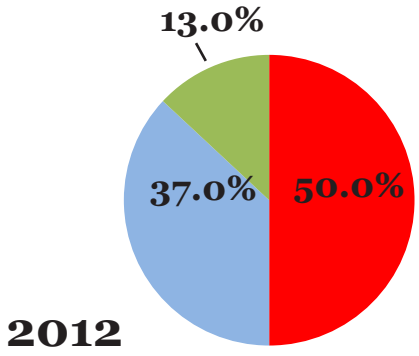
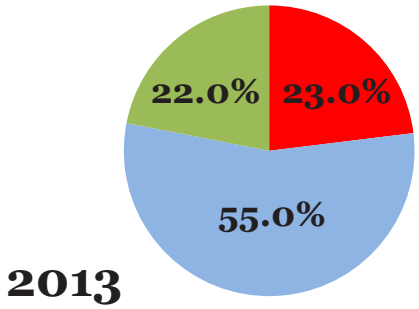
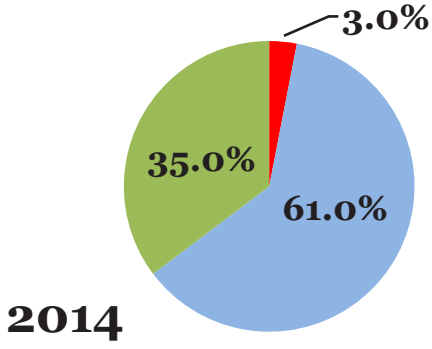
Chart REB-3
PwC Real Estate Barometer
U.S. Industrial Market – 2012 to 2015

Recession Contraction
Recovery Expansion

As slower economic growth reduces the number of metro areas in recovery over the next two years, a noticeable rebound is expected in 2014 and 2015.







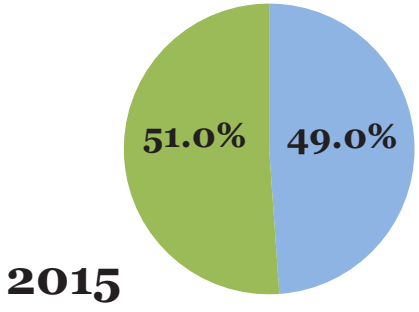
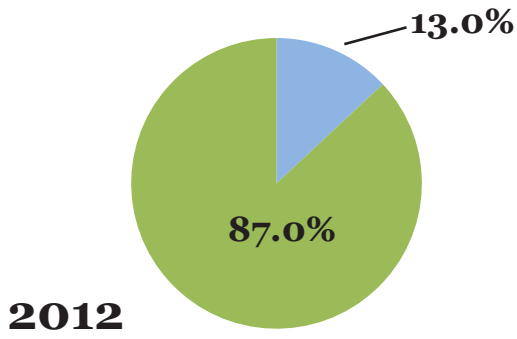
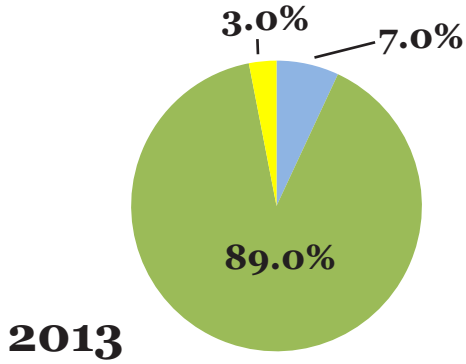


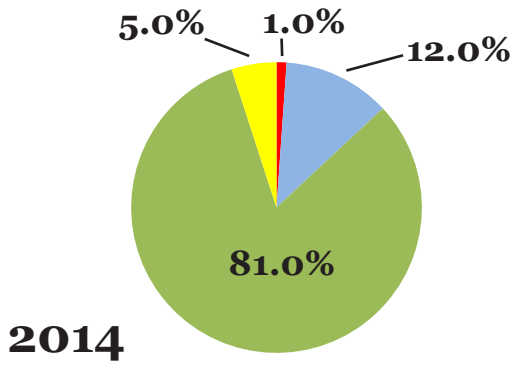
Chart REB-4
PwC Real Estate Barometer
U.S. Multifamily Market – 2012 to 2015

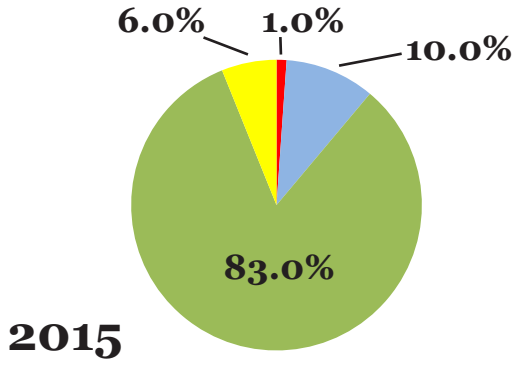
Recession Contraction
Recovery Expansion

Expansion dominates this sector for the next four years, leading many investors to anticipate a building boom for this sector.









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PwC Real Estate Barometer

U.S. Office Market Forecasts (2012 to 2015)

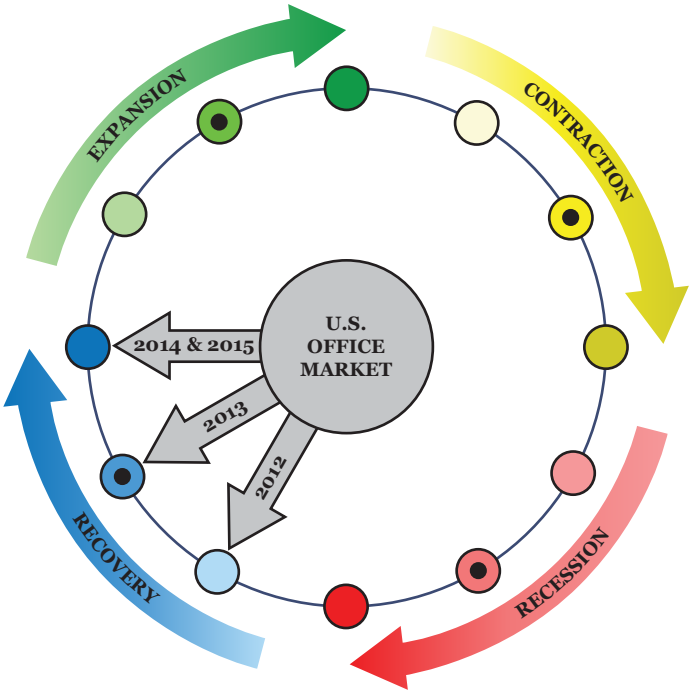
	2012	2013	2014	2015
United States				

NORTHEAST REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Boston				
Edison				
Hartford				
Long Island				
New York				
Newark				
Philadelphia				
Pittsburgh				
Stamford				
Trenton				

MIDWEST REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Chicago				
Cincinnati				
Cleveland				
Columbus				
Detroit				
Indianapolis				
Kansas City				
Minneapolis				
St. Louis				
Toledo				

WEST REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Albuquerque				
Denver				
Honolulu				
Las Vegas				
Los Angeles				
Oakland				
Orange County				
Phoenix				
Portland				
Riverside				
Sacramento				
Salt Lake City				
San Diego				
San Francisco				
San Jose				
Seattle				
Tucson				
Ventura				

SOUTH REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Atlanta				
Austin				
Baltimore				
Charlotte				
Dallas				
Fort Lauderdale				
Fort Worth				
Houston				
Jacksonville				
Memphis				
Miami				
Nashville				
Orlando				
Raleigh				
San Antonio				
Tampa				
Washington, DC				
West Palm Beach				
Wilmington				



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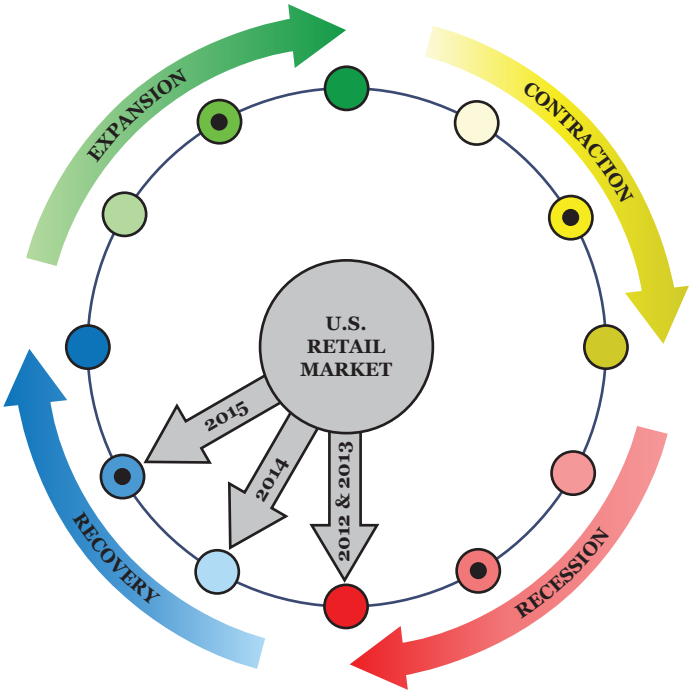
PwC Real Estate Barometer

U.S. Retail Market Forecasts (2012 to 2015)

	2012	2013	2014	2015
United States				

NORTHEAST REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Boston				
Buffalo				
Central New Jersey				
Fairfield County				
Hartford				
Long Island				
New Haven				
Northern New Jersey				
Philadelphia				
Pittsburgh				
Rochester				
Syracuse				

MIDWEST REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Chicago				
Cincinnati				
Cleveland				
Columbia				
Columbus				
Dayton				
Detroit				
Indianapolis				
Kansas City				
Milwaukee				
Minneapolis				
Omaha				
St. Louis				
Wichita				



WEST REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Albuquerque				
Colorado Springs				
Denver				
Las Vegas				
Los Angeles				
Oakland-East Bay				
Orange County				
Phoenix				
Portland				
Sacramento				
Salt Lake City				
San Bernardino/Riverside				
San Diego				
San Francisco				
San Jose				
Seattle				
Tacoma				
Tucson				
Ventura				

SOUTH REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Atlanta				
Austin				
Baltimore				
Birmingham				
Charleston				
Charlotte				
Chattanooga				
Dallas				
Fort Lauderdale				
Fort Worth				
Greensboro/Winston-Salem				
Greenville				
Houston				
Jacksonville				
Knoxville				
Lexington				
Little Rock				
Louisville				
Memphis				
Miami				
Nashville				
New Orleans				
Norfolk				
Oklahoma City				
Orlando				
Palm Beach County				
Raleigh				
Richmond				
San Antonio				
Suburban Maryland				
Suburban Virginia				
Tampa				
Tulsa				

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PwC Real Estate Barometer

U.S. Industrial Market Forecasts (2012 to 2015)

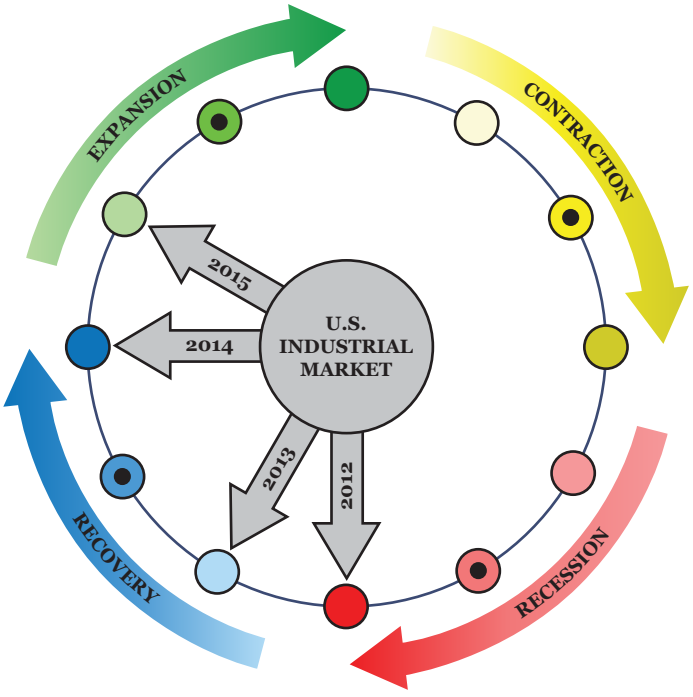
	2012	2013	2014	2015
United States				

NORTHEAST REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Boston				
Edison				
Hartford				
Long Island				
New York				
Newark				
Philadelphia				
Pittsburgh				
Stamford				
Trenton				

MIDWEST REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Akron				
Ann Arbor				
Chicago				
Cincinnati				
Cleveland				
Columbus				
Detroit				
Gary				
Indianapolis				
Kansas City				
Minneapolis				
St. Louis				

WEST REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Albuquerque				
Denver				
Las Vegas				
Los Angeles				
Oakland				
Orange County				
Phoenix				
Portland				
Riverside				
Sacramento				
Salt Lake City				
San Diego				
San Francisco				
San Jose				
Seattle				
Tucson				
Ventura				

SOUTH REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Atlanta				
Austin				
Baltimore				
Charlotte				
Dallas				
Fort Lauderdale				
Fort Worth				
Houston				
Jacksonville				
Memphis				
Miami				
Nashville				
Orlando				
Raleigh				
Tampa				
Vallejo				
Washington, DC				
West Palm Beach				
Wilmington				



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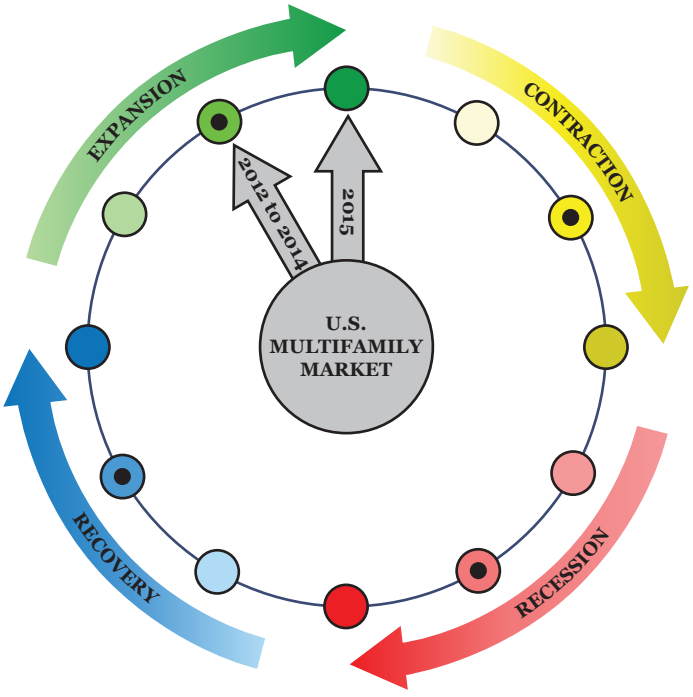
PwC Real Estate Barometer

U.S. Multifamily Market Forecasts (2012 to 2015)

	2012	2013	2014	2015
United States				

NORTHEAST REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Boston				
Buffalo				
Central New Jersey				
District of Columbia				
Fairfield County				
Hartford				
Long Island				
New Haven				
New York				
Northern New Jersey				
Philadelphia				
Pittsburgh				
Rochester				
Syracuse				
Westchester, NJ				

MIDWEST REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Chicago				
Cincinnati				
Cleveland				
Columbia				
Columbus				
Dayton				
Detroit				
Indianapolis				
Kansas City				
Milwaukee				
Minneapolis				
Omaha				
St. Louis				
Wichita				



WEST REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Albuquerque				
Colorado Springs				
Denver				
Las Vegas				
Los Angeles				
Oakland				
Orange County				
Phoenix				
Portland				
Sacramento				
Salt Lake City				
San Bernardino/Riverside				
San Diego				
San Francisco				
San Jose				
Seattle				
Tacoma				
Tucson				
Ventura				

SOUTH REGION				
MSA Name	**2012**	**2013**	**2014**	**2015**
Atlanta				
Austin				
Baltimore				
Birmingham				
Charleston				
Charlotte				
Chattanooga				
Dallas				
Fort Lauderdale				
Fort Worth				
Greensboro/Winston-Salem				
Greenville				
Houston				
Jacksonville				
Knoxville				
Lexington				
Little Rock				
Louisville				
Memphis				
Miami				
Nashville				
New Orleans				
Norfolk				
Oklahoma City				
Orlando				
Palm Beach County				
Raleigh				
Richmond				
San Antonio				
Suburban Maryland				
Suburban Virginia				
Tampa				
Tulsa				

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National Secondary Office Market

This quarter, we are delighted to debut the National Secondary Office Market. This new section has been in the works for quite some time, and we are pleased to present it at a time when many investors are showing a growing interest in secondary office markets as the U.S. economy continues to heal and prices rise in many primary office markets.

One difficult task in creating this market was determining which markets are "secondary," as there seems to be no universal definition.

To our surveyed investors, secondary status has less to do with size and more to do with performance drivers and liquidity. Based on conversations with investors and ranking office markets on three key factors – GDP, office jobs, and total office stock, our national secondary office market will focus on collecting and analyzing data for the 20 city-specific markets listed in the Survey's Definitions section (see page 101). While information from each individual city many not be included every quarter, the data will represent a good sampling of secondary office market opinion, touching on the eight regions of the country.

Select individual investor responses for the national secondary office market are included in Tables SOM-1 and SOM-2, which follow on the next two pages. The key cash flow indicators for this market are shown in Table SEC-1. This quarter, the overall capitalization (cap) rate ranges from 5.00% to 11.00% and averages 8.06%. The two markets at the low end of the range are Austin and San Jose.

Like the other office markets in the Survey, the overall cap rates are generally lower for the CBDs than for the suburbs. This quarter, the overall cap rates for the CBD segment of the national secondary office market range from 5.50% to 9.00% and average 7.73%. For the suburbs, they range from 5.00% to 11.00% and average 8.39%.

The offering of free rent is common in the national secondary office market with just over 90.0% of surveyed investors using free rent in their cash flow forecasts. Free rent ranges from one to 12 months on a ten-year lease and averages 7.9 months.

We hope you find the addition of this market helpful, and we look forward to its continued coverage and expansion. ✦

KEY 1Q12 SURVEY STATS

Tenant Retention Rate:

Average	70.2%
Range	50.0% to 80.0%

Months of Free Rent(1):

Average	7.9
Range	1 to 12
% of participants using	91.7%

Average Overall Cap Rates:

Market (as a whole)	8.06%
CBD	7.73%
Suburbs	8.39%

(1) on a ten-year lease

Table SEC-1
NATIONAL SECONDARY OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)[a]			
Range	6.75% – 14.00%		
Average	9.53%		
Change (Basis Points)			
OVERALL CAP RATE (OAR)[a]			
Range	5.00% – 11.00%		
Average	8.06%		
Change (Basis Points)			
RESIDUAL CAP RATE			
Range	6.00% – 11.00%		
Average	8.32%		
Change (Basis Points)			
MARKET RENT CHANGE[b]			
Range	0.00% – 10.00%		
Average	3.15%		
Change (Basis Points)			
EXPENSE CHANGE[b]			
Range	2.00% – 3.00%		
Average	2.50%		
Change (Basis Points)			
MARKETING TIME[c]			
Range	3 – 12		
Average	6.7		
Change (▼, ▲, =)			

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Table SOM-1

NATIONAL SECONDARY OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	GEOGRAPHY	INITIAL-YEAR CHANGE RATES		RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	REGION/ CITY	MARKET RENT	EXPENSES	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
FULL-SERVICE ADVISORY FIRM ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; expects overall cap rates to increase over the next six months.	West/ Sacramento	2.5%	2.0% to 2.5%	8.00% to 8.50% (CBD); 8.50% to 9.00% (suburbs)	2.5% to 5.0%	10.00% to 12.00% (CBD); 12.00% to 14.00% (suburbs)	7.50% to 8.00% (CBD); 8.50% to 9.00% (suburbs)	6	75.0%	5.0%	$0.15	9 to 12
REAL ESTATE FIRM ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; expects overall cap rates to hold steady over the next six months; uses a rent spike of 4.0% im years 2 and 3.	West North Central/ Minneapolis	3.0%	3.0%	7.50% to 9.00% in both CBD & suburbs	1.0% to 2.0%	8.00% to 9.00% (CBD); 8.50% to 9.50% (suburbs)	6.50% to 8.50% (CBD); 7.50% to 10.00% (suburbs)	12 to 18	70.0% to 75.0%	5.0% to 15.0%	$0.00 to $0.15	4 to 6
REAL ESTATE ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; expects overall cap rates to hold steady over the next six months.	Southeast/ Tampa	1.0% to 3.0%	2.0% to 3.0%	7.25% to 8.00% (CBD); 8.00% to 9.00% (suburbs)	1.0% to 3.0%	8.00% to 9.00% (CBD); 9.00% to 10.00% (suburbs)	7.00% to 7.75% (CBD); 7.50% to 9.00% (suburbs)	8 to 10	65.0% to 75.0%	5.0% to 10.0%	$0.15 to $0.25	4 to 6
REAL ESTATE ADVISOR ✦ Forecast Period: 7 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; believes market conditions currently favor buyers; expects overall cap rates to hold steady over the next six months.	Mid-Atlantic/ Baltimore	2.5% to 3.0%	2.0% to 2.5%	7.75% to 8.25% (CBD); 7.50% to 8.00% (suburbs)	1.5% to 2.0%	8.50% to 10.00% in both CBD & suburbs	8.00% to 8.25% (CBD); 7.75% to 8.00% (suburbs)	9 to 18	60.0% to 65.0%	0.0% to 5.0%	$0.15 to $0.25	3 to 4
REAL ESTATE FIRM ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; believes market conditions currently favor sellers; uses face rents and reflects concessions when they are scheduled to occur.	Southwest/ San Antonio	3.0% to 5.0%	2.0% to 3.0%	6.50% to 8.50% (CBD); 7.00% to 9.00% (suburbs)	0.5% to 5.0%	7.50% to 8.50% (CBD); 8.00% to 10.00% (suburbs)	6.00% to 8.00% (CBD); 7.00% to 9.00% (suburbs)	6 to 10	70.0% to 75.0%	5.0% to 7.0%	$0.10 to $0.20	5 to 8

Source: Personal survey conducted by PwC during January 2012.

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Table SOM-2

NATIONAL SECONDARY OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	GEOGRAPHY	INITIAL-YEAR CHANGE RATES		RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	REGION/ CITY	MARKET RENT	EXPENSES	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
REAL ESTATE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; believes market conditions currently favor sellers; may use a rent spike of 10.0% in years 1 and 2.	West/ San Jose	5.0% to 10.0%	2.0% to 3.0%	7.00% to 8.00% (CBD); 6.50% to 8.00% (suburbs)	1.0% to 1.5%	7.50% to 9.00% (CBD); 6.75% to 9.00% (suburbs)	7.00% to 9.00% (CBD); 5.00% to 8.00% (suburbs)	6 to 12	50.0% to 70.0%	4.0% to 7.0%	Does not use	3 to 6
REAL ESTATE INVESTOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; believes market conditions currently favor buyers; uses face rents and reflects concessions when they are scheduled to occur.	East North Central/ Indianapolis	0.0% to 2.0%	2.0% to 3.0%	8.00% to 9.50% (CBD); 8.50% to 10.00% (suburbs)	1.0% to 3.0%	9.00% to 11.00% (CBD); 10.00% to 12.00% (suburbs)	7.50% to 9.00% (CBD); 8.00% to 11.00% (suburbs)	6 to 12	70.0% to 75.0%	8.0% to 12.0%	$0.15 to $0.25	5 to 9
REAL ESTATE INVESTMENT FIRM ✦ Forecast Period: 1 year Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; believes market conditions currently favor buyers.	Southeast/ Jacksonville	0.0% to 2.0%	2.5% to 3.0%	8.50% to 10.00% (CBD); 9.00% to 11.00% (suburbs)	3.0% to 5.0%	9.00% to 10.00% (CBD); 11.00% to 13.00% (suburbs)	7.50% to 9.00% (CBD); 8.00% to 11.00% (suburbs)	9 to 12	68.0% to 72.0%	5.0% to 7.0%	$0.20 to $0.25	6 to 10
REAL ESTATE SERVICE COMPANY ✦ Forecast Period: 4 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; believes market conditions currently favor sellers; expects overall cap rates to decrease over the next six months; may use a rent spike of 15.0% in year 3.	Northeast/ Pittsburgh	5.0% to 6.0%	2.0% to 2.5%	7.50% to 8.00% (CBD); 7.75% to 8.25% (suburbs)	2.0% to 3.0%	8.50% to 9.00% (CBD); 9.00% to 9.50% (suburbs)	7.50% to 7.75% (CBD); 8.00% to 8.25% (suburbs)	6 to 9	75.0% to 80.0%	5.0% to 7.0%	$0.15 to $0.20	6 to 9
REAL ESTATE ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; believes market conditions currently favor sellers; expects cap rates to hold steady over the next six months.	Southwest/ Austin	6.0% to 8.0%	2.0% to 3.0%	6.00% to 8.00% (CBD); 6.50% to 8.50% (suburbs)	5.0% to 6.0%	7.00% to 9.00% (CBD); 7.50% to 9.50% (suburbs)	5.50% to 8.00% (CBD); 6.00% to 8.50% (suburbs)	5 to 9	70.0% to 75.0%	5.0% to 7.0%	$0.10 to $0.20	5 to 8

Source: Personal survey conducted by PwC during January 2012.

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National Regional Mall Market

The national regional mall market is starting off the year on a pleasant note, reporting a 20-basis-point decline in its vacancy rate in the fourth quarter of 2011, as per Reis. The decline to 9.2% marks the first downward shift in the past four quarters and comes after the retail sector's "decent" holiday sales report, as well as positive year-over-year same-store sales growth for many retailers.

Movements in this market's key indicators this quarter suggest that investors are optimistic that market conditions will continue to improve during the year. First, the low end of the range for this market's initial-year market rent change rate improved 100 basis points (see Table 1). Second, the percentage of investors offering free rent has declined in this market. At the same time, the amount of free rent offered has fallen slightly over the past 12 months.

As the retail sector continues to strengthen, many regional mall investors are looking to acquire strong-performing assets. Unfortunately, one participant notes that "very few quality malls will be coming to market in the foreseeable future" as most owners are looking to dispose of less-productive malls. Such offerings are not likely to be met with much enthusiasm from buyers given the retail sector's slow-moving recovery. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	70.8%	=
Range	50.0% to 80.0%	

Months of Free Rent(1):

Average	4.0	▼
Range	0 to 9	
% of participants using	50.0%	▼

Average Overall Cap Rates:

Class A+	6.03%	=
Class A	6.88%	=
Class B+	7.75%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 1
NATIONAL REGIONAL MALL MARKET(d)
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	5.25% – 14.00%	5.25% – 14.00%	5.75% – 14.00%	7.00% – 17.00%	7.00% – 11.00%
Average	9.29%	9.31%	9.69%	10.70%	8.72%
Change (Basis Points)		– 2	– 40	– 141	+ 57
OVERALL CAP RATE (OAR)[a]					
Range	4.75% – 10.50%	4.75% – 10.50%	5.00% – 10.50%	5.00% – 12.00%	5.00% – 9.50%
Average	7.23%	7.23%	7.50%	8.34%	6.68%
Change (Basis Points)		0	– 27	– 111	+ 55
RESIDUAL CAP RATE					
Range	5.00% – 12.00%	5.00% – 12.00%	5.75% – 12.00%	6.25% – 12.00%	6.00% – 10.00%
Average	7.52%	7.48%	8.00%	8.91%	7.38%
Change (Basis Points)		+ 4	– 48	– 139	+ 14
MARKET RENT CHANGE[b]					
Range	(2.00%) – 3.00%	(3.00%) – 3.00%	(3.00%) – 3.00%	(4.00%) – 1.00%	0.00% – 3.90%
Average	1.58%	1.50%	1.33%	(0.17%)	2.63%
Change (Basis Points)		+ 8	+ 25	+ 175	– 105
EXPENSE CHANGE[b]					
Range	0.00% – 4.00%	0.00% – 4.00%	0.00% – 3.00%	0.00% – 5.00%	3.00% – 3.00%
Average	2.25%	2.25%	2.17%	2.23%	3.00%
Change (Basis Points)		0	+ 8	+ 2	– 75
MARKETING TIME[c]					
Range	3 – 18	3 – 12	3 – 18	3 – 18	3 – 12
Average	8.4	7.9	7.4	7.8	7.1
Change (▼, ▲, =)		▲	▲	▲	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months d. relates to Class A+, A, B+, and B malls

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National Power Center Market

The average initial-year market rent change rate assumption continued its upward trend in the national power center market this quarter, suggesting that property owners remain optimistic about this market's near-term performance. At 1.00%, the average for this key cash flow assumption stands 270 basis points above the average from 24 months ago and is the highest average reported for the past eight quarters. As shown in Table 2, however, it remains well below the average from four years ago.

When looking at potential power center acquisitions, many investors note that tenant credit is still very important despite recent improvements in merchants' sales. "Even though the retail sector had a good holiday season, it remains a bit suspect to us because many of the sales were Internet driven," remarks a surveyed investor. Also important to buyers are a power center's location, quality, and age.

The average overall capitalization (cap) rate for this market held relatively stable this quarter, inching up three basis points. At 7.32%, the current average is well below this market's ten-year quarterly average of 8.64%. Over the next six months, 85.7% of Survey participants foresee overall cap rates holding steady in this market. The remaining portion expect them to decrease. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	68.9% ▲
Range	60.0% to 85.0%

Months of Free Rent(1):

Average	5.4 ▼
Range	0 to 12
% of participants using	57.1% ▼

Average Overall Cap Rates:

75.0% big-box space	7.60% ▼
85.0% big-box space	7.60% ▲
100.0% big-box space	7.40% ▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 2
NATIONAL POWER CENTER MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.00% – 11.00%	6.00% – 11.00%	7.00% – 12.00%	7.50% – 15.00%	6.75% – 11.50%
Average	8.33%	8.31%	8.85%	10.05%	8.23%
Change (Basis Points)		+ 2	– 52	– 172	+ 10
OVERALL CAP RATE (OAR)[a]					
Range	6.25% – 9.00%	6.25% – 9.00%	6.00% – 9.50%	7.50% – 10.00%	5.75% – 9.00%
Average	7.32%	7.35%	7.80%	8.55%	7.13%
Change (Basis Points)		– 3	– 48	– 123	+ 19
RESIDUAL CAP RATE					
Range	6.00% – 9.00%	6.00% – 9.00%	6.50% – 10.00%	7.50% – 10.00%	6.50% – 9.50%
Average	7.52%	7.43%	7.95%	8.68%	7.55%
Change (Basis Points)		+ 9	– 43	– 116	– 3
MARKET RENT CHANGE[b]					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	(10.00%) – 3.00%	0.00% – 4.00%
Average	1.00%	0.80%	0.60%	(1.70%)	2.88%
Change (Basis Points)		+ 20	+ 40	+ 270	– 188
EXPENSE CHANGE[b]					
Range	0.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	3.00% – 3.00%
Average	2.54%	2.80%	2.80%	2.90%	3.00%
Change (Basis Points)		– 26	– 26	– 36	– 46
MARKETING TIME[c]					
Range	3 – 18	3 – 12	3 – 12	3 – 18	3 – 9
Average	7.5	6.9	7.8	10.2	5.7
Change (▼, ▲, =)		▲	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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National Strip Shopping Center Market

Despite ending 2011 with a stagnant U.S. vacancy rate, the national strip shopping center market could be poised for a rebound this year due to a lack of new supply and steady improvement in the U.S. economy. Leading this property sector's rebound will likely be the grocery-anchored asset class, where the occupancy rate on a national basis is reportedly outpacing other retail property categories. As a result, investment demand is likely to heat up for centers anchored by dominant supermarket names, such as Publix and Whole Foods.

In a recent transaction, TIAA-CREF acquired Kings Crossing Shopping Center in Fairfield, Connecticut for a reported price of $687.00 per square foot. This center is anchored by Whole Foods, was built in 2011, and was 95.5% leased. Its location in a trade area with strong demographics makes it a prime target for investors' dollars. In a similar deal, Regency Shopping Centers purchased the 141,400-square-foot Lake Grove Commons for about $513.00 per square foot. This center is also anchored by Whole Foods and is located adjacent to a dominant mall on Long Island, New York.

Due to strong investment demand, it is no surprise that most Survey participant sense that market dynamics favor sellers over buyers in most strip shopping center deals. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	67.6%	=
Range	50.0% to 80.0%	

Months of Free Rent(1):

Average	3.9	▼
Range	0 to 12	
% of participants using	81.8%	▼

Market Conditions Favor:

Buyers	18.1%	=
Sellers	54.6%	▲
Neither	27.3%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 3
NATIONAL STRIP SHOPPING CENTER MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.50% – 12.50%	6.50% – 12.50%	6.75% – 12.50%	7.50% – 12.50%	6.00% – 10.00%
Average	8.41%	8.44%	8.97%	9.58%	8.34%
Change (Basis Points)		– 3	– 56	– 117	+ 7
OVERALL CAP RATE (OAR)[a]					
Range	5.50% – 9.50%	5.00% – 9.50%	5.50% – 9.50%	7.25% – 11.40%	5.80% – 9.00%
Average	7.18%	7.16%	7.40%	8.49%	7.28%
Change (Basis Points)		+ 2	– 22	– 131	– 10
RESIDUAL CAP RATE					
Range	6.00% – 12.00%	6.00% – 12.00%	6.50% – 12.00%	7.50% – 12.00%	6.00% – 10.00%
Average	7.80%	7.93%	8.10%	8.86%	7.78%
Change (Basis Points)		– 13	– 30	– 106	+ 2
MARKET RENT CHANGE[b]					
Range	0.00% – 5.00%	0.00% – 4.00%	0.00% – 4.00%	0.00% – 3.00%	1.20% – 3.90%
Average	1.64%	1.45%	1.23%	0.69%	2.86%
Change (Basis Points)		+ 19	+ 41	+ 95	– 122
EXPENSE CHANGE[b]					
Range	2.50% – 5.00%	2.50% – 5.00%	2.00% – 4.00%	1.00% – 4.00%	3.00% – 4.00%
Average	3.11%	3.11%	2.98%	2.88%	3.10%
Change (Basis Points)		0	+ 13	+ 23	+ 1
MARKETING TIME[c]					
Range	2 – 18	2 – 18	2 – 18	2 – 18	2 – 12
Average	7.1	7.1	8.2	9.6	6.1
Change (▼, ▲, =)		=	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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National CBD Office Market

While the recent positive U.S. employment trends may take some time to benefit the underlying fundamentals of the national CBD office market, they have instantly brightened the viewpoints of many investors in the office sector. "We see good things happening as the economy adds jobs and office-space-using companies expand," says a participant.

Evidence of an improved outlook for the national CBD office sector is reflected in this market's initial-year market rent change rate assumption, which reports a 300-basis-point increase in its low end of the range this quarter. In addition, the average of this key cash flow assumption increased for the sixth consecutive quarter.

Even though 87.5% of surveyed investors report the use of free rent during lease negotiations, the need to offer concessions will likely wane in the coming months if tenant demand accelerates at the same time additions to supply are held back. In 2011, developers broke ground on 56.0 million square feet of office building space, the lowest level tracked since at least 1960, according to McGraw-Hill Construction.

This lull in construction bodes well for many office building owners if the U.S. economic recovery quickens, sparking demand for office space. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	67.5% ▼
Range	50.0% to 75.0%

Months of Free Rent(1):

Average	7.6 ▲
Range	0 to 20
% of participants using	87.5% ▲

Market Conditions Favor:

Buyers	25.0% ▲
Sellers	12.5% ▼
Neither	62.5% ▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 4
NATIONAL CBD OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	5.50% – 11.00%	5.00% – 11.00%	6.00% – 11.00%	6.75% – 13.50%	6.00% – 10.00%
Average	8.61%	8.38%	8.64%	9.58%	7.91%
Change (Basis Points)		+ 23	– 3	– 97	+ 70
OVERALL CAP RATE (OAR)[a]					
Range	4.50% – 10.00%	4.50% – 10.00%	5.25% – 10.50%	6.00% – 10.50%	4.50% – 9.00%
Average	7.03%	6.84%	7.42%	8.35%	6.63%
Change (Basis Points)		+ 19	– 39	– 132	+ 40
RESIDUAL CAP RATE					
Range	5.50% – 11.00%	5.00% – 10.50%	5.50% – 10.50%	6.50% – 10.50%	5.75% – 9.50%
Average	7.41%	7.21%	7.56%	8.51%	7.29%
Change (Basis Points)		+ 20	– 15	– 110	+ 12
MARKET RENT CHANGE[b]					
Range	(1.00%) – 9.00%	(4.00%) – 10.00%	(5.00%) – 5.00%	(10.00%) – 3.00%	0.00% – 10.00%
Average	2.19%	2.07%	1.25%	(1.00%)	4.05%
Change (Basis Points)		+ 12	+ 94	+ 319	– 186
EXPENSE CHANGE[b]					
Range	2.00% – 4.00%	2.00% – 4.00%	2.00% – 4.00%	2.00% – 4.00%	1.50% – 4.00%
Average	2.75%	2.79%	2.80%	2.85%	2.96%
Change (Basis Points)		– 4	– 5	– 10	– 21
MARKETING TIME[c]					
Range	2 – 18	2 – 12	2 – 12	3 – 12	2 – 12
Average	8.1	7.2	7.8	7.9	6.9
Change (▼, ▲, =)		▲	▲	▲	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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National Suburban Office Market

While the U.S. suburban office sector ended 2011 with a lower vacancy rate than it posted at the start of the year, several individual areas continue to contend with oversupply issues. "This office market segment is still weak compared to the CBD market, but it is stabilizing," comments a participant. In fact, individual vacancy rates declined in 25 of the 37 suburban office areas tracked by Cushman & Wakefield during 2011. In 2010, only 18 individual suburban office markets reported annual declines in vacancy.

As this market shows signs of improvement, certain surveyed investors are becoming more aggressive with the market rent growth rate assumptions used in cash flow analyses. As shown in Table 5, the average initial-year market rent change rate increased 27 basis points this quarter to reach 1.54%, marking the fifth consecutive quarterly increase. This average is 400 basis points higher than just two years ago.

In addition, more than 50.0% of respondents report using rent spikes in this market. The first spike occurs once between years two and four and ranges from 3.0% to 7.0%, averaging 4.8%. The second rent spike occurs once between years three and five and ranges from 5.0% to 6.0%, averaging 5.3%. Most surveyed investors do not use a third rent spike in their cash flow projections for this market. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	64.1% ▲
Range	50.0% to 80.0%

Months of Free Rent(1):

Average	5.0 ▲
Range	0 to 12
% of participants using	100.0% =

Market Conditions Favor:

Buyers	33.3% ▲
Sellers	25.0% ▲
Neither	41.7% ▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 5
NATIONAL SUBURBAN OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.00% – 12.50%	5.50% – 12.50%	6.50% – 12.50%	7.25% – 14.00%	7.00% – 12.50%
Average	8.68%	8.51%	9.11%	10.07%	8.74%
Change (Basis Points)		+ 17	– 43	– 139	– 6
OVERALL CAP RATE (OAR)[a]					
Range	5.00% – 11.00%	5.00% – 11.00%	5.80% – 11.50%	6.75% – 12.00%	5.00% – 10.50%
Average	7.52%	7.43%	8.04%	8.79%	7.13%
Change (Basis Points)		+ 9	– 52	– 127	+ 39
RESIDUAL CAP RATE					
Range	6.00% – 11.00%	5.50% – 11.50%	6.50% – 11.50%	7.00% – 11.50%	6.00% – 11.00%
Average	7.95%	7.83%	8.32%	8.85%	7.90%
Change (Basis Points)		+ 12	– 37	– 90	+ 5
MARKET RENT CHANGE[b]					
Range	(5.00%) – 4.00%	(5.00%) – 5.00%	(5.00%) – 4.00%	(20.00%) – 3.00%	0.00% – 8.00%
Average	1.54%	1.27%	0.42%	(2.46%)	3.14%
Change (Basis Points)		+ 27	+ 112	+ 400	– 160
EXPENSE CHANGE[b]					
Range	2.00% – 4.00%	2.00% – 4.00%	2.00% – 4.00%	1.00% – 4.00%	3.00% – 4.00%
Average	2.79%	2.82%	2.38%	2.71%	3.09%
Change (Basis Points)		– 3	+ 41	+ 8	– 30
MARKETING TIME[c]					
Range	2 – 18	2 – 24	2 – 24	3 – 18	2 – 9
Average	8.5	8.2	8.8	9.0	6.1
Change (▼, ▲, =)		▲	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Atlanta Office Market

While the Atlanta office market revealed some positive leasing and investment trends in late 2011, this market remains behind the U.S. office market in terms of recovery. As shown on page 12, the PwC Real Estate Barometer has the Atlanta metropolitan statistical area (MSA) in the final stage of recession through 2014, prior to the start of a recovery in 2015.

"Employment growth is the single biggest impediment to Atlanta's office market recovery, and this metro continues to lag the nation relative to job creation," explains an investor. The preliminary unemployment rate reported by the Bureau of Labor Statistics for the Atlanta MSA as of December 2011 is 9.4%, down from 10.1% one year prior. Even so, this figure exceeds the U.S. rate by 90 basis points.

The investment side of the office market demonstrated a rush of sales in the fourth quarter of 2011. "Investor appetite increased as many believe now is the time to lock in a few bets on the leasing market's recovery," comments a participant. For buyers looking to purchase assets in Atlanta, pricing levels average 82.5% of replacement cost, according to surveyed investors. This figure is just below the average of 83.1% for the 18 individual office markets in our Survey. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	62.5% ▲
Range	50.0% to 75.0%

Months of Free Rent(1):

Average	10.0 ▼
Range	4 to 20
% of participants using	100.0% =

Average Overall Cap Rates:

Market (as a whole)	8.40% ▼
CBD	8.21% ▼
Suburbs	8.58% =

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 6
ATLANTA OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	7.75% – 11.00%	7.75% – 12.00%	7.00% – 15.00%	7.75% – 15.00%	7.50% – 10.00%
Average	9.09%	9.29%	9.98%	10.57%	8.52%
Change (Basis Points)		– 20	– 89	– 148	+ 57
OVERALL CAP RATE (OAR)[a]					
Range	7.00% – 10.00%	7.00% – 10.00%	7.00% – 11.00%	6.75% – 11.00%	5.25% – 9.00%
Average	8.40%	8.46%	8.71%	8.94%	7.08%
Change (Basis Points)		– 6	– 31	– 54	+ 132
RESIDUAL CAP RATE					
Range	7.00% – 10.00%	7.00% – 10.00%	7.00% – 11.00%	8.00% – 11.00%	6.50% – 8.75%
Average	8.50%	8.69%	8.88%	9.25%	7.63%
Change (Basis Points)		– 19	– 38	– 75	+ 87
MARKET RENT CHANGE[b]					
Range	(3.00%) – 2.00%	(3.00%) – 2.00%	(3.00%) – 1.00%	(5.00%) – 0.00%	0.00% – 8.00%
Average	0.04%	0.04%	(0.14%)	(0.72%)	3.25%
Change (Basis Points)		0	+ 18	+ 76	– 321
EXPENSE CHANGE[b]					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	2.00% – 3.00%
Average	2.21%	2.21%	2.32%	2.31%	2.81%
Change (Basis Points)		0	– 11	– 10	– 60
MARKETING TIME[c]					
Range	2 – 15	2 – 15	2 – 15	3 – 12	1 – 9
Average	7.9	7.9	8.3	7.8	5.5
Change (▼, ▲, =)		=	▼	▲	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Boston Office Market

Shifts in this market's key indicators were minimal this quarter, suggesting that most investors remain content, but not overly enthused, with regard to the recovery of the Boston office market. In the Federal Reserve's recent Beige Book report, Boston businesses reported being "generally upbeat about recent results, with the exception of the real estate industry." It further noted that the area's "commercial real estate markets remain weak, but not disastrous."

Boston's slow-but-steady recovery has Survey participants using limited rent growth assumptions in their cash flow forecasts. As shown in Table 7, this quarter's initial-year market rent change rate average is 1.64%, unchanged from last quarter and just 71 basis points above the average a year ago.

As in many of the other Survey office markets, the average overall capitalization (cap) rate is significantly lower for Boston's CBD than for its suburbs. In the CBD, the first quarter average is 7.20%, while it is 8.46% for the suburbs. Over the next 12 months, most investors expect overall cap rates to hold steady in this market.

Concessions will also likely hold steady in this market over the coming year as tenants have multiple space options, especially in the suburbs. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	66.1%	▲
Range	40.0% to 75.0%	

Months of Free Rent(1):

Average	6.8	▼
Range	0 to 12	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	7.83%	▼
CBD	7.20%	▼
Suburbs	8.46%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 7
BOSTON OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.75% – 15.00%	7.00% – 15.00%	7.75% – 14.00%	7.75% – 12.00%	6.00% – 13.00%
Average	9.29%	9.33%	9.42%	9.82%	8.86%
Change (Basis Points)		– 4	– 13	– 53	+ 43
OVERALL CAP RATE (OAR)[a]					
Range	5.25% – 12.00%	5.50% – 12.00%	5.75% – 12.00%	5.75% – 11.00%	5.00% – 10.25%
Average	7.83%	7.84%	8.11%	8.58%	7.34%
Change (Basis Points)		– 1	– 28	– 75	+ 49
RESIDUAL CAP RATE					
Range	6.00% – 12.00%	6.00% – 12.00%	6.00% – 12.00%	6.00% – 12.00%	6.50% – 10.50%
Average	7.96%	7.97%	8.42%	8.69%	8.01%
Change (Basis Points)		– 1	– 46	– 73	– 5
MARKET RENT CHANGE[b]					
Range	0.00% – 5.00%	0.00% – 5.00%	0.00% – 3.00%	(10.00%) – 1.00%	0.00% – 5.00%
Average	1.64%	1.64%	0.93%	(2.00%)	3.56%
Change (Basis Points)		0	+ 71	+ 364	– 192
EXPENSE CHANGE[b]					
Range	0.00% – 4.50%	0.00% – 4.50%	0.00% – 4.50%	3.00% – 4.50%	3.00% – 3.00%
Average	2.89%	2.89%	2.81%	3.11%	3.00%
Change (Basis Points)		0	+ 8	– 22	– 11
MARKETING TIME[c]					
Range	2 – 12	2 – 12	2 – 12	2 – 12	2 – 24
Average	6.7	6.7	7.1	7.8	6.7
Change (▼, ▲, =)		=	▼	▼	=

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Charlotte Office Market

Following a slow year for office trades, investors anticipate increased activity in the upcoming months led by the offering of two major assets in the Charlotte office market. The six-building Coliseum Centre and the one-million-square-foot One Wells Fargo Center entered the for-sale market late last year. Despite few recent transactions, this market's average overall capitalization rate fell 36 basis points this quarter to 8.07%, the lowest level seen since the fourth quarter of 2008 when the average was 7.84%.

Total office leasing declined on a year-over-year basis, as per Cushman & Wakefield. However, CBD leasing, including a 140,000-square-foot deal inked by reinsurance firm SCOR Global Life America, led to a decline in CBD vacancy in the fourth quarter of 2011. Plus, Charlotte's pro-business environment helped entice Chiquita Brands International to relocate from Cincinnati, bringing roughly 400 employees to Charlotte by year-end 2012.

Investors' expectations for future rent growth in Charlotte remain conservative, yet positive. This quarter's average initial-year market rent change rate surged 41 basis points, but at 0.83% remains below 11 of the 18 individual office markets surveyed. "The wild card for Charlotte is new company in-migration," predicts a participant. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	68.8%	▲
Range	60.0% to 85.0%	

Months of Free Rent(1):

Average	10.0	▲
Range	1 to 30	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	8.07%	▼
CBD	7.67%	▼
Suburbs	8.48%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 8
CHARLOTTE OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	8.00% – 12.25%	8.00% – 12.50%	8.00% – 12.00%	8.00% – 13.00%	7.00% – 10.00%
Average	9.44%	9.54%	9.53%	9.81%	8.50%
Change (Basis Points)		– 10	– 9	– 37	+ 94
OVERALL CAP RATE (OAR)[a]					
Range	6.00% – 9.50%	7.00% – 10.00%	6.50% – 10.00%	6.50% – 13.00%	5.50% – 9.00%
Average	8.07%	8.43%	8.53%	9.28%	7.27%
Change (Basis Points)		– 36	– 46	– 121	+ 80
RESIDUAL CAP RATE					
Range	6.00% – 10.00%	7.00% – 10.00%	7.50% – 10.00%	7.50% – 11.00%	6.50% – 9.00%
Average	8.21%	8.66%	8.73%	8.93%	7.58%
Change (Basis Points)		– 45	– 52	– 72	+ 63
MARKET RENT CHANGE[b]					
Range	0.00% – 5.00%	0.00% – 3.00%	0.00% – 2.00%	(4.00%) – 0.00%	3.00% – 6.00%
Average	0.83%	0.42%	0.42%	(1.00%)	3.70%
Change (Basis Points)		+ 41	+ 41	+183	– 287
EXPENSE CHANGE[b]					
Range	2.00% – 4.00%	2.00% – 3.00%	2.00% – 3.00%	0.00% – 3.00%	3.00% – 3.00%
Average	2.79%	2.75%	2.79%	2.54%	3.00%
Change (Basis Points)		+ 4	0	+ 25	– 21
MARKETING TIME[c]					
Range	2 – 12	2 – 12	2 – 12	3 – 18	2 – 6
Average	5.6	5.9	7.1	6.8	4.7
Change (▼, ▲, =)		▼	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Chicago Office Market

Improving fundamentals and a dearth of new supply, especially in the downtown core, kept the CBD's sales arena abuzz with activity in 2011. During that year, 10.2 million square feet of office assets traded – a four-year high for the CBD, as per Cushman & Wakefield. The highest-priced sale in the CBD in 2011 was Prudential Real Estate Investors' purchase of 22 West Washington Street for just over $415.00 per square foot.

Growing investor interest, favorable interest rates, and improving fundamentals have kept the Chicago office market's average overall capitalization (cap) rate on a downward trend for nearly two years. This quarter, however, the average inched up two basis points to 8.17% – about 50 basis points below this market's Survey history average. When it debuted in the third quarter of 1995, this market's average overall cap rate was 9.53%.

As shown in the *Key 1Q12 Survey Stats* table on this page, a 174-basis-point spread exists between the average overall cap rates for Chicago's CBD and suburbs. Even though the average cap rate for both submarkets has declined over the past ten quarters, the gap between these two averages has grown steadily during this time, reflecting investors' preference for CBD assets. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	69.4%	=
Range	60.0% to 85.0%	

Months of Free Rent(1):

Average	10.8	=
Range	5 to 15	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	8.17%	▲
CBD	7.30%	=
Suburbs	9.04%	▲

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 9
CHICAGO OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.50% – 12.50%	6.50% – 12.50%	7.00% – 13.00%	8.00% – 13.00%	7.00% – 11.00%
Average	9.18%	9.18%	9.55%	9.93%	8.29%
Change (Basis Points)		0	– 37	– 75	+ 89
OVERALL CAP RATE (OAR)[a]					
Range	5.75% – 11.00%	5.75% – 11.00%	6.00% – 11.00%	6.00% – 11.00%	4.50% – 9.50%
Average	8.17%	8.15%	8.33%	8.61%	7.00%
Change (Basis Points)		+ 2	– 16	– 44	+ 117
RESIDUAL CAP RATE					
Range	6.50% – 11.00%	6.50% – 11.00%	7.00% – 11.00%	7.00% – 11.00%	6.75% – 10.50%
Average	8.24%	8.21%	8.44%	8.92%	7.65%
Change (Basis Points)		+ 3	– 20	– 68	+ 59
MARKET RENT CHANGE[b]					
Range	(10.00%) – 3.00%	(10.00%) – 3.00%	(10.00%) – 3.00%	(10.00%) – 0.00%	0.00% – 10.00%
Average	0.13%	0.13%	(0.11%)	(3.50%)	2.95%
Change (Basis Points)		0	+ 24	+ 363	– 282
EXPENSE CHANGE RATE[b]					
Range	2.00% – 3.00%	2.00% – 3.00%	1.00% – 3.00%	(5.00%) – 3.00%	2.00% – 3.00%
Average	2.94%	2.94%	2.72%	1.69%	2.90%
Change (Basis Points)		0	+ 22	+ 125	+ 4
MARKETING TIME[c]					
Range	2 – 12	2 – 12	2 – 15	3 – 15	5 – 18
Average	6.6	6.7	7.3	8.6	8.2
Change (▼, ▲, =)		▼	▼	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Dallas Office Market

The Dallas office market closed last year with positive net absorption, a marked improvement over high negative absorption reported one year prior. "Dallas is a dynamic market that falls deeper during a recession, yet comes back faster than many other office markets," explains an investor. Steady leasing activity in both the CBD and suburbs led to modest year-over-year declines in overall vacancy, as per Cushman & Wakefield.

Despite signs of improving fundamentals, supply continues to outweigh demand in this market and tenants maintain the advantage in lease negotiations. Survey participants unanimously agree that free rent exists in this market, but the average amount fell from 7.5 months to 6.5 months (on a ten-year lease) over the past two years. On the positive side for landlords, the tenant retention rate rose from 65.0% to 69.2% over the same time period.

Sales activity gained traction in 2011, and some investors anticipate even more sales in the near term. "Over the next couple of years, we expect to see a growing number of office assets, which cannot be refinanced, on the for-sale market," predicts an investor. As buyers continue to target this market for office properties, Survey participants expect asset values to increase an average of 5.8% over the next 12 months. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	69.2%	▲
Range	50.0% to 90.0%	

Months of Free Rent(1):

Average	6.5	=
Range	0 to 12	
% of participants using	100.0%	▲

Average Overall Cap Rates:

Market (as a whole)	8.05%	▼
CBD	7.58%	▼
Suburbs	8.52%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 10
DALLAS OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	7.50% – 12.00%	7.50% – 12.00%	8.00% – 11.50%	8.00% – 12.00%	7.50% – 11.50%
Average	9.11%	9.19%	9.35%	9.47%	8.98%
Change (Basis Points)		– 8	– 24	– 36	+ 13
OVERALL CAP RATE (OAR)[a]					
Range	5.75% – 11.00%	6.25% – 11.00%	6.75% – 11.50%	7.00% – 11.50%	6.00% – 10.00%
Average	8.05%	8.13%	8.75%	8.74%	7.95%
Change (Basis Points)		– 8	– 70	– 69	+ 10
RESIDUAL CAP RATE					
Range	7.00% – 10.00%	7.00% – 10.00%	7.25% – 11.00%	7.25% – 11.00%	7.00% – 11.00%
Average	8.27%	8.28%	8.93%	8.84%	8.66%
Change (Basis Points)		– 1	– 66	– 57	– 39
MARKET RENT CHANGE[b]					
Range	0.00% – 5.00%	0.00% – 5.00%	0.00% – 3.00%	0.00% – 0.00%	0.00% – 7.00%
Average	1.83%	1.83%	0.50%	0.00%	3.50%
Change (Basis Points)		0	+ 133	+ 183	– 167
EXPENSE CHANGE[b]					
Range	1.00% – 3.00%	1.00% – 3.00%	2.00% – 3.00%	3.00% – 3.00%	2.00% – 3.00%
Average	2.71%	2.71%	2.92%	3.00%	2.67%
Change (Basis Points)		0	– 21	– 29	+ 4
MARKETING TIME[c]					
Range	3 – 24	3 – 12	3 – 12	3 – 12	3 – 12
Average	7.6	6.4	7.4	7.5	6.3
Change (▼, ▲, =)		▲	▲	▲	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Denver Office Market

Ongoing economic recovery in a variety of employment sectors continues to strengthen the fundamentals of the Denver office market. For December 2011, the Bureau of Labor Statistics reported a preliminary unemployment rate of 8.1% for the Denver-Aurora-Broomfield metropolitan statistical area. This figure is 90 basis points lower than a year ago and 40 basis points below the U.S. rate of 8.5%. The sectors creating positive demand for office space include professional-and-business services, education, and health.

Total leasing activity in Denver was down roughly 7.0% in 2011 compared to the prior year as per Cushman & Wakefield. As such, most tenants maintain control of lease negotiations. Similar to last quarter, Survey participants agree that free rent is customary in the Denver office market, ranging from one to 12 months on a ten-year lease. The average amount of free rent is 6.2 months, down from 6.6 months a year ago.

Despite encouraging economic trends and a surge in office transactions last quarter, investors remain conservative in their cash flow modeling for this market. While the initial-year market rent change rate revealed a quarterly increase of 40 basis points, this key indicator has been negative for 12 consecutive quarters. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	69.5%	=
Range	60.0% to 75.0%	

Months of Free Rent(1):

Average	6.2	=
Range	1 to 12	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	7.87%	▼
CBD	7.04%	▼
Suburbs	8.70%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 11
DENVER OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	7.50% – 15.00%	7.50% – 15.00%	7.75% – 15.00%	7.75% – 15.00%	5.00% – 10.00%
Average	9.88%	9.54%	9.85%	10.20%	8.30%
Change (Basis Points)		+ 34	+ 3	– 32	+ 158
OVERALL CAP RATE (OAR)[a]					
Range	6.00% – 11.00%	6.50% – 11.00%	6.50% – 11.00%	7.00% – 11.00%	5.50% – 8.50%
Average	7.87%	7.94%	8.16%	8.39%	6.63%
Change (Basis Points)		– 7	– 29	– 52	+ 124
RESIDUAL CAP RATE					
Range	6.50% – 11.00%	6.50% – 11.00%	7.00% – 11.00%	7.75% – 11.00%	6.50% – 8.90%
Average	8.27%	8.27%	8.45%	9.00%	7.40%
Change (Basis Points)		0	– 18	– 73	+ 87
MARKET RENT CHANGE[b]					
Range	(20.00%) – 5.00%	(20.00%) – 5.00%	(20.00%) – 5.00%	(20.00%) – 3.00%	3.00% – 10.00%
Average	(0.40%)	(0.80%)	(1.20%)	(2.40%)	5.63%
Change (Basis Points)		+ 40	+ 80	+ 200	– 603
EXPENSE CHANGE[b]					
Range	3.00% – 3.00%	3.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	3.00% – 5.00%
Average	3.00%	3.00%	2.70%	2.70%	3.40%
Change (Basis Points)		0	+ 30	+ 30	– 40
MARKETING TIME[c]					
Range	2 – 12	2 – 12	2 – 9	1 – 12	1 – 8
Average	5.6	5.8	5.7	6.1	3.3
Change (▼, ▲, =)		▼	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Houston Office Market

Key indicators reported for the Houston office market reflect investors' optimism regarding its future success. First, the initial-year market rent change rate surged 117 basis points this quarter to 2.67%, the highest level seen in 11 quarters. Second, more than 30.0% of Survey respondents report using rent spikes in this market. This is an increase from 15.0% just one year ago.

Market confidence is also reflected in this quarter's average overall capitalization (cap) rate, which dipped below 8.00% for the first time in three years. "Houston is doing so well that special servicers are not giving us the discounts that we are used to, and deals are harder to find," says an investor. Despite a competitive market, office building sales volume swelled 69.0% in 2011, as per Real Capital Analytics.

While acquisitions are occurring in both the CBD and suburbs, this market's average overall cap rates reflect investor preference for CBD office assets. This quarter, the average overall cap rate for the CBD sits 100 basis points below the average for the suburbs. Since the first quarter of 2010, the average overall cap rate has declined 114 basis points in the CBD and 46 basis points in the suburbs. Over the next six months, 80.0% of investors foresee cap rates holding steady in this market. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	69.5% ▲
Range	50.0% to 90.0%

Months of Free Rent(1):

Average	6.4 ▲
Range	3 to 12
% of participants using	100.0% ▲

Average Overall Cap Rates:

Market (as a whole)	7.94% ▼
CBD	7.44% ▼
Suburbs	8.44% ▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 12
HOUSTON OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	7.00% – 14.00%	7.00% – 15.00%	7.75% – 15.00%	8.00% – 14.00%	7.50% – 10.00%
Average	9.35%	9.59%	9.63%	9.69%	8.41%
Change (Basis Points)		– 24	– 28	– 34	+ 94
OVERALL CAP RATE (OAR)[a]					
Range	5.50% – 12.00%	5.50% – 12.00%	6.75% – 11.00%	7.25% – 11.00%	4.50% – 10.00%
Average	7.94%	8.18%	8.26%	8.85%	7.25%
Change (Basis Points)		– 24	– 32	– 91	+ 69
RESIDUAL CAP RATE					
Range	5.00% – 11.00%	5.00% – 11.00%	7.00% – 11.00%	8.00% – 11.00%	5.00% – 10.00%
Average	8.00%	8.08%	8.35%	8.82%	7.76%
Change (Basis Points)		– 8	– 35	– 82	+ 24
MARKET RENT CHANGE[b]					
Range	0.00% – 8.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 0.00%	0.00% – 5.00%
Average	2.67%	1.50%	0.50%	0.00%	3.26%
Change (Basis Points)		+ 117	+ 217	+ 267	– 59
EXPENSE CHANGE[b]					
Range	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	2.00% – 5.00%
Average	2.67%	2.67%	2.83%	2.90%	3.19%
Change (Basis Points)		0	– 16	– 23	– 52
MARKETING TIME[c]					
Range	3 – 12	3 – 12	3 – 12	3 – 12	2 – 9
Average	7.3	7.8	7.2	7.3	6.1
Change (▼, ▲, =)		▼	▲	=	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Los Angeles Office Market

Although employment gains and increases in leasing activity helped the Los Angeles office market to end 2011 on a positive note, this market has yet to take consistent, great strides toward recovery. "Los Angeles is flatlining a bit, just muddling along," notes a participant. One problem is that much of the recent leasing activity involves relocations and not "real growth" or corporate expansion.

In the fourth quarter of 2011, the overall vacancy for Los Angeles' CBD was 19.1%, as per Cushman & Wakefield. For the non-CBD segment, it was 18.8%. A year ago, these figures were 17.6% and 18.7%, respectively.

Since underlying fundamentals remain in favor of tenants, our surveyed investors expect very little improvement in rental rates over the near term. As shown in Table 13, the average initial-year market rent change rate held steady this quarter at 2.38%. While this rate is up significantly from two years ago, it is well below the rate reported during the peak of the cycle.

A tenants' market is also keeping concessions commonplace in this market. This quarter, 100.0% of Survey investors in this market are incorporating free rent into their cash flow projections. For them, free rent ranges up to ten months on a ten-year lease and averages 5.5 months – up from the prior quarter. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	69.2%	▲
Range	60.0% to 80.0%	

Months of Free Rent(1):

Average	5.5	▲
Range	0 to 10	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	6.85%	▼
CBD	6.63%	▼
Suburbs	7.08%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 13
LOS ANGELES OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.50% – 11.00%	6.75% – 11.00%	7.00% – 12.00%	7.00% – 14.00%	5.00% – 12.00%
Average	8.33%	8.36%	8.96%	9.42%	8.24%
Change (Basis Points)		– 3	– 63	– 109	+ 9
OVERALL CAP RATE (OAR)[a]					
Range	4.50% – 8.50%	4.50% – 9.00%	5.00% – 9.00%	5.00% – 10.00%	3.00% – 9.00%
Average	6.85%	6.96%	7.44%	7.93%	6.16%
Change (Basis Points)		– 11	– 59	– 108	+ 69
RESIDUAL CAP RATE					
Range	6.00% – 9.00%	6.00% – 9.00%	7.00% – 9.50%	6.50% – 10.25%	6.00% – 9.00%
Average	7.51%	7.56%	8.05%	8.24%	7.18%
Change (Basis Points)		– 5	– 54	– 73	+ 33
MARKET RENT CHANGE[b]					
Range	0.00% – 6.00%	0.00% – 6.00%	(1.00%) – 3.00%	(5.00%) – 3.00%	2.00% – 8.00%
Average	2.38%	2.38%	0.42%	(0.36%)	4.56%
Change (Basis Points)		0	+ 196	+ 274	– 218
EXPENSE CHANGE[b]					
Range	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	2.00% – 3.00%	2.50% – 5.00%
Average	2.75%	2.75%	2.75%	2.79%	3.17%
Change (Basis Points)		0	0	– 4	– 42
MARKETING TIME[c]					
Range	1 – 12	1 – 12	1 – 12	1 – 12	1 – 12
Average	5.7	5.8	5.8	7.1	5.6
Change (▼, ▲, =)		▼	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Manhattan Office Market

Key cash flow assumptions reported by investors held relatively steady for the Manhattan office market this quarter, suggesting that investors are cautiously optimistic about this market's performance. As shown in Table 14, only the average overall capitalization rate and average discount rate declined. On the other hand, the average initial-year market rent change rate assumption held steady at 5.21% while assumptions relating to free rent and tenant retention held steady.

Vibrant leasing activity and the belief that rental rates have bottomed are luring investors to this market in search of acquisition opportunities. "Rents are moving up," confirms a participant.

While Midtown is reporting rental rate growth, Midtown South is also seeing rental rates rise as emerging companies look to trendy submarkets below 30th Street to fill space needs. According to CBRE, the average asking rental rate in Midtown South is $45.34 per square foot.

Along with rising rental rates, a diversified tenant base also appeals to investors. While financial-service firms account for the bulk of occupants in Manhattan, media and technology companies are enlarging their presence in this market. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	69.2%	=
Range	60.0% to 75.0%	

Months of Free Rent(1):

Average	7.3	=
Range	0 to 12	
% of participants using	100.0%	=

Market Conditions Favor:

Buyers	0.0%	=
Sellers	66.7%	=
Neither	33.3%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 14
MANHATTAN OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.50% – 10.00%	6.50% – 10.00%	6.00% – 10.00%	6.00% – 12.00%	6.00% – 9.00%
Average	7.58%	7.67%	7.81%	8.23%	7.66%
Change (Basis Points)		– 9	– 23	– 65	– 8
OVERALL CAP RATE (OAR)[a]					
Range	4.00% – 8.00%	4.00% – 8.00%	5.00% – 8.00%	5.00% – 9.00%	3.00% – 8.00%
Average	5.38%	5.65%	6.00%	6.65%	5.55%
Change (Basis Points)		– 27	– 62	– 127	– 17
RESIDUAL CAP RATE					
Range	5.00% – 7.50%	5.00% – 7.50%	5.50% – 8.50%	6.00% – 9.00%	5.75% – 9.25%
Average	6.08%	6.08%	6.67%	7.17%	6.81%
Change (Basis Points)		0	– 59	– 109	– 73
MARKET RENT CHANGE[b]					
Range	3.00% – 10.00%	3.00% – 10.00%	0.00% – 5.00%	(15.00%) – 0.00%	3.00% – 10.00%
Average	5.21%	5.21%	2.17%	(3.75%)	6.03%
Change (Basis Points)		0	+ 304	+ 896	– 82
EXPENSE CHANGE[b]					
Range	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	1.00% – 3.00%	3.00% – 4.00%
Average	2.92%	2.92%	2.75%	2.67%	3.21%
Change (Basis Points)		0	+ 17	+ 25	– 29
MARKETING TIME[c]					
Range	3 – 6	3 – 6	3 – 8	3 – 9	2 – 8
Average	4.1	4.1	4.4	5.9	3.9
Change (▼, ▲, =)		=	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Northern Virginia Office Market

Like neighboring Washington, DC, 2011 was not a banner year for the Northern Virginia office market despite job gains. In fact, this market reported negative absorption of just under one million square feet for 2011, as per Cushman & Wakefield, ending the year with an overall vacancy rate of 16.5% – higher than at any point during the past recession.

A main impediment to this market's recovery is the downsizing of tenants, such as Accenture, the Defense Information Systems Agency, and various U.S. military agencies. Even though new leasing activity increased in the second half of 2011, it was not enough to compensate for space givebacks.

As market conditions favor tenants, surveyed investors expect very little rent growth over the coming year. As shown in Table 15, the average initial-year market rent change rate dipped slightly to 1.64% this quarter and is only 74 basis points higher than a year ago.

At the same time, the need to provide leasing concessions still exists. This quarter, Survey participants unanimously report that free rent is used in this market, ranging up to 12 months on a ten-year lease. The average amount of free rent is 5.6 months – down slightly from last quarter. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	65.4%	▼
Range	50.0% to 75.0%	

Months of Free Rent(1):

Average	5.6	▼
Range	1 to 12	
% of participants using	100.0%	=

Market Conditions Favor:

Buyers	42.9%	▲
Sellers	14.3%	▼
Neither	42.8%	▲

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 15
NORTHERN VIRGINIA OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	7.00% – 9.50%	7.50% – 10.00%	7.50% – 10.50%	6.00% – 12.00%	6.00% – 11.00%
Average	8.42%	8.58%	9.00%	8.50%	8.11%
Change (Basis Points)		– 16	– 58	– 8	+ 31
OVERALL CAP RATE (OAR)[a]					
Range	6.00% – 9.00%	6.25% – 9.00%	5.75% – 9.00%	5.00% – 11.00%	5.00% – 9.00%
Average	7.39%	7.63%	7.78%	7.77%	6.83%
Change (Basis Points)		– 24	– 39	– 38	+ 56
RESIDUAL CAP RATE					
Range	5.00% – 9.00%	7.00% – 9.00%	7.50% – 9.00%	6.50% – 9.50%	6.50% – 9.50%
Average	7.52%	7.85%	8.19%	7.94%	7.61%
Change (Basis Points)		– 33	– 67	– 42	– 9
MARKET RENT CHANGE[b]					
Range	0.00% – 3.50%	0.00% – 3.50%	(2.00%) – 3.00%	(2.00%) – 3.00%	0.00% – 4.00%
Average	1.64%	1.67%	0.90%	0.67%	2.94%
Change (Basis Points)		– 3	+ 74	+ 97	– 130
EXPENSE CHANGE[b]					
Range	1.50% – 3.00%	1.50% – 3.00%	1.50% – 3.00%	1.50% – 3.00%	3.00% – 3.50%
Average	2.79%	2.83%	2.75%	2.82%	3.06%
Change (Basis Points)		– 4	+ 4	– 3	– 27
MARKETING TIME[c]					
Range	1 – 9	1 – 9	1 – 12	1 – 12	1 – 9
Average	5.5	5.3	6.1	7.6	5.1
Change (▼, ▲, =)		▲	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Pacific Northwest Office Market

In 2011, investors showed a strong interest in acquiring assets in the Pacific Northwest office market as underlying fundamentals tightened and economic conditions improved. In downtown Seattle, office building sales totaled $1.2 billion in 2011 – the strongest year since 2007, as per Cushman & Wakefield (C&W). "Even though Seattle is considered a secondary market due to its size, its robust economy piques the interest of many institutional investors," remarks a participant.

Overall, 7.6% of Seattle's office square footage traded in 2011 – its highest ratio of the past four years and just below its ten-year average of 9.8%, as per an analysis by PwC. According to the PwC Real Estate Barometer, Seattle's metro area is expected to be in the early stages of recovery by year-end 2012, transitioning to the expansion phase of the real estate cycle by year-end 2014 (see page 12).

In Portland, a recovering office market will keep the metro area in the recovery phase of the real estate cycle during the next four years. Portland's downtown core posted a strong decline in overall vacancy in 2011, dropping below 10.0%, as per C&W. Such a performance will likely keep investors searching for buying opportunities there. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	66.7%	=
Range	50.0% to 85.0%	

Months of Free Rent(1):

Average	5.5	▼
Range	0 to 12	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	7.32%	▼
CBD	7.09%	▼
Suburbs	7.55%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 16
PACIFIC NORTHWEST OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.50% – 12.00%	6.50% – 12.00%	7.00% – 14.00%	9.00% – 15.00%	5.00% – 13.00%
Average	8.88%	8.86%	9.71%	11.13%	9.52%
Change (Basis Points)		+ 2	– 83	– 225	– 64
OVERALL CAP RATE (OAR)[a]					
Range	5.00% – 10.00%	5.50% – 12.00%	5.50% – 12.00%	7.25% – 12.00%	5.00% – 11.00%
Average	7.32%	7.57%	7.95%	9.21%	7.81%
Change (Basis Points)		– 25	– 63	– 189	– 49
RESIDUAL CAP RATE					
Range	5.00% – 10.00%	6.00% – 10.00%	6.00% – 10.00%	7.00% – 10.00%	6.25% – 10.00%
Average	7.42%	7.90%	8.17%	8.95%	7.94%
Change (Basis Points)		– 48	– 75	– 153	– 52
MARKET RENT CHANGE[b]					
Range	0.00% – 10.00%	0.00% – 10.00%	0.00% – 3.00%	(3.00%) – 2.00%	0.00% –7.00%
Average	4.54%	4.17%	0.42%	(0.10%)	3.60%
Change (Basis Points)		+ 37	+ 412	+ 464	+ 94
EXPENSE CHANGE[b]					
Range	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	0.00% – 3.00%	2.00% – 5.00%
Average	2.75%	2.75%	2.75%	2.60%	3.33%
Change (Basis Points)		0	0	+ 15	– 58
MARKETING TIME[c]					
Range	1 – 12	1 – 12	1 – 12	1 – 12	1 – 12
Average	5.0	5.6	5.6	7.7	5.1
Change (▼, ▲, =)		▼	▼	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Philadelphia Office Market

Despite robust leasing activity in both the CBD and suburbs, tenants continue to make the most of the supply/demand imbalance in the Philadelphia office market. "It's still quite ugly if you are a landlord as the tenant representatives are more aggressive than in any prior cycle," remarks a participant. Results from this quarter's Survey suggest that concessions may have peaked and could begin to taper off in the near term.

First, Survey participants unanimously agree that free rent exists in this market, but the amount of free rent offered is the same as a year ago. This quarter, free rent ranges from three to nine months on a ten-year lease and averages just over six months. Second, excessive tenant improvement allowances (over and above what is typical in a balanced market) showed a minor year-over-year decline from $6.40 per square foot to $6.13 per square foot this quarter.

The recent surge in leasing led to declines in overall vacancy in Philadelphia's CBD office market (11.3%) and suburbs (16.5%). These rates are below those of both the U.S. CBD office market (13.5%) and the U.S. suburban office segment (18.5%), as tracked by Cushman & Wakefield. Overall, surveyed investors believe that a full office market recovery in Philly may take up to four years. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	65.4%	=
Range	50.0% to 75.0%	

Months of Free Rent(1):

Average	6.3	▲
Range	3 to 9	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	8.55%	▼
CBD	8.23%	▼
Suburbs	8.88%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 17
PHILADELPHIA OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	8.00% – 11.00%	8.00% – 11.00%	8.00% – 11.00%	9.00% – 11.00%	8.00% – 11.00%
Average	9.20%	9.27%	9.37%	9.84%	9.30%
Change (Basis Points)		– 7	– 17	– 64	– 10
OVERALL CAP RATE (OAR)[a]					
Range	7.50% – 10.00%	7.50% – 10.00%	7.25% – 10.00%	7.50% – 11.00%	5.00% – 11.00%
Average	8.55%	8.58%	8.61%	9.10%	8.15%
Change (Basis Points)		– 3	– 6	– 55	+ 40
RESIDUAL CAP RATE					
Range	7.00% – 11.00%	7.00% – 11.00%	7.00% – 11.00%	7.50% – 11.00%	6.00% – 10.00%
Average	8.71%	8.76%	8.78%	9.18%	8.40%
Change (Basis Points)		– 5	– 7	– 47	+ 31
MARKET RENT CHANGE[b]					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	(10.00%) – 3.00%	0.00% – 5.00%
Average	1.42%	1.42%	0.75%	(0.75%)	2.58%
Change (Basis Points)		0	+ 67	+ 217	– 116
EXPENSE CHANGE[b]					
Range	2.75% – 3.00%	2.75% – 3.00%	2.50% – 3.00%	2.50% – 3.00%	2.00% – 3.00%
Average	2.96%	2.96%	2.93%	2.94%	2.83%
Change (Basis Points)		0	+ 3	+ 2	+ 13
MARKETING TIME[c]					
Range	4 – 18	4 – 18	2 – 18	6 – 18	3 – 9
Average	7.6	7.6	7.3	8.0	5.3
Change (▼, ▲, =)		=	▲	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Phoenix Office Market

Vigorous leasing activity, positive net absorption, and flourishing investment sales suggest that the Phoenix office market is recovering from its recent economic and real estate woes. "Over the past quarter, there have been no major changes in the marketplace other than the recognition that the worst is over," concludes an investor.

Despite a 31.1% year-over-year increase in leasing activity and positive absorption posted in 2011, this market's overall vacancy remains virtually unchanged from a year ago, as per Cushman & Wakefield. However, these recent positive trends are expected to push the Phoenix office market into the recovery phase of the real estate cycle beginning in 2013, according to the PwC Real Estate Barometer (see page 12).

One year ago, surveyed investors unanimously agreed that market conditions in Phoenix favored buyers. This quarter, just 60.0% share that view as investor sentiment shifted along with glimpses of improving office space fundamentals.

Despite an active sales market, the average overall capitalization (cap) rate held steady this quarter and remains well above the level seen four years ago near the cycle peak. Over the next six months, most Survey participants foresee cap rates holding steady in this market. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	69.5%	=
Range	60.0% to 75.0%	

Months of Free Rent(1):

Average	9.2	▲
Range	5 to 15	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	9.40%	=
CBD	9.42%	=
Suburbs	9.38%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 18
PHOENIX OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	8.00% – 16.00%	8.00% – 16.00%	8.00% – 16.00%	8.50% – 16.00%	5.00% – 11.00%
Average	11.05%	11.05%	10.47%	10.51%	7.92%
Change (Basis Points)		0	+ 58	+ 54	+ 313
OVERALL CAP RATE (OAR)[a]					
Range	8.00% – 11.00%	8.00% – 11.00%	8.00% – 11.00%	7.00% – 11.00%	4.00% – 8.50%
Average	9.40%	9.40%	9.41%	9.12%	6.55%
Change (Basis Points)		0	– 1	+ 28	+ 285
RESIDUAL CAP RATE					
Range	7.50% – 10.00%	7.50% – 10.00%	7.75% – 10.00%	8.00% – 10.00%	6.70% – 9.00%
Average	8.80%	8.83%	9.00%	8.95%	7.38%
Change (Basis Points)		– 3	– 20	– 15	+ 142
MARKET RENT CHANGE[b]					
Range	(1.00%) – 3.00%	(1.00%) – 3.00%	(15.00%) – 4.00%	(15.00%) – 0.00%	1.00% – 6.00%
Average	0.30%	0.20%	(1.20%)	(4.20%)	4.25%
Change (Basis Points)		+ 10	+ 150	+ 450	– 395
EXPENSE CHANGE[b]					
Range	2.50% – 3.00%	2.50% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	3.00% – 5.00%
Average	2.85%	2.85%	2.65%	2.70%	3.50%
Change (Basis Points)		0	+ 20	+ 15	– 65
MARKETING TIME[c]					
Range	3 – 12	3 – 12	3 – 12	3 – 12	2 – 9
Average	5.5	5.8	6.7	6.0	4.1
Change (▼, ▲, =)		▼	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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San Diego Office Market

Key investment indicators for the San Diego office market are at a standstill pending further improvement in supply-and-demand trends. This quarter, 60.0% of surveyed investors believe market dynamics equally favor buyers and sellers – a sentiment that has held steady over the past three months. Similarly, this market's average overall capitalization rate and initial-year market rent change rate assumptions are unchanged this quarter.

While total sales volume did increase nearly 21.0% in 2011, as per Real Capital Analytics, certain investors expect volume to accelerate in the near term. "We expect REO and foreclosure sales activity to pick up this year," predicts a participant. In spite of this outlook, surveyed investors expect static asset values over the next 12 months, increasing an average of only 1.1%.

Annual leasing activity was up in 2011 over the prior year, as per Cushman & Wakefield. Yet, average direct asking rents were down, creating an advantageous leasing market for tenants. In addition to lower asking rents, surveyed investors agree that tenants can expect free rent in this market. On a ten-year lease, free rent averages just over four months this quarter – the lowest among the 18 individual office markets in our Survey. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	68.5%	=
Range	60.0% to 85.0%	

Months of Free Rent(1):

Average	4.4	=
Range	0 to 10	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	7.89%	=
CBD	7.83%	=
Suburbs	7.95%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 19
SAN DIEGO OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	7.00% – 12.50%	7.00% – 12.50%	7.50% – 13.00%	8.00% – 14.00%	5.60% – 10.00%
Average	9.30%	9.30%	9.79%	10.01%	7.92%
Change (Basis Points)		0	– 49	– 71	+ 138
OVERALL CAP RATE (OAR)[a]					
Range	6.00% – 10.00%	6.00% – 10.00%	6.50% – 11.00%	7.00% – 11.00%	4.50% – 8.00%
Average	7.89%	7.89%	8.16%	8.28%	6.08%
Change (Basis Points)		0	– 27	– 39	+ 181
RESIDUAL CAP RATE					
Range	6.50% – 9.00%	6.50% – 9.25%	7.00% – 10.00%	7.00% – 10.00%	5.50% – 7.75%
Average	7.88%	7.93%	8.34%	8.25%	6.86%
Change (Basis Points)		– 5	– 46	– 37	+ 102
MARKET RENT CHANGE[b]					
Range	(10.00%) – 3.00%	(10.00%) – 3.00%	(10.00%) – 1.00%	(10.00%) – 0.00%	1.00% – 8.00%
Average	0.10%	0.10%	(1.00%)	(2.30%)	4.22%
Change (Basis Points)		0	+ 110	+ 240	– 412
EXPENSE CHANGE[b]					
Range	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	0.00% – 3.00%	2.50% – 5.00%
Average	2.90%	2.90%	2.90%	2.40%	3.19%
Change (Basis Points)		0	0	+ 50	– 29
MARKETING TIME[c]					
Range	1 – 9	1 – 9	1 – 12	1 – 12	1 – 8
Average	4.8	4.9	5.8	6.9	3.9
Change (▼, ▲, =)		▼	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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San Francisco Office Market

Investors are pleased with the recovery occurring in the San Francisco office market, where the overall vacancy rate fell below 10.0% at year-end 2011, according to Cushman & Wakefield. "This market is tightening greatly," exclaims a participant. The reduction in vacancy is due in part to the area's diverse economic base, which continues to create office-space-using jobs.

As optimism rises regarding this market's performance, investors continue to see the potential to boost rental rates over the near term. This quarter, the average initial-year market rent change rate for this market is 5.86%, the highest average of the Survey's 18 city-specific office markets.

A large portion of surveyed investors (77.8%) are also using rent spikes in their cash flow forecasts. The first rent spike occurs between years one and five and ranges from 8.0% to 12.0% and averages 10.0%. The second rent spike, if used, occurs between years two and five and ranges from 8.0% to 15.0% and averages 10.6%.

The timing of these rent spikes coincides with when surveyed investors anticipate the San Francisco office market to achieve structural vacancy – estimated by Survey participants as ranging from 3.0% to 12.0% and averaging 7.2%. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	70.0%	▼
Range	60.0% to 100.0%	

Months of Free Rent(1):

Average	3.9	▼
Range	0 to 10	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	6.87%	▼
CBD	6.31%	▼
Suburbs	7.42%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 20
SAN FRANCISCO OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.00% – 11.00%	6.50% – 11.50%	7.00% – 12.00%	8.00% – 14.00%	5.00% – 12.00%
Average	8.29%	8.54%	8.94%	9.74%	7.65%
Change (Basis Points)		– 25	– 65	– 145	+ 64
OVERALL CAP RATE (OAR)[a]					
Range	4.50% – 9.50%	4.60% – 9.50%	5.00% – 11.00%	6.00% – 11.00%	4.50% – 9.00%
Average	6.87%	6.92%	7.39%	7.83%	6.11%
Change (Basis Points)		– 5	– 52	– 96	+ 76
RESIDUAL CAP RATE					
Range	5.50% – 10.00%	5.50% – 10.00%	6.00% – 12.00%	6.25% – 12.00%	5.00% – 9.00%
Average	7.36%	7.40%	7.79%	8.13%	6.86%
Change (Basis Points)		– 4	– 43	– 77	+ 50
MARKET RENT CHANGE[b]					
Range	0.00% – 15.00%	0.00% – 20.00%	0.00% – 5.00%	(20.00%) – 3.00%	2.50% – 15.00%
Average	5.86%	5.75%	2.17%	(0.83%)	7.23%
Change (Basis Points)		+ 11	+ 369	+ 669	– 137
EXPENSE CHANGE[b]					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	2.00% – 5.00%
Average	2.67%	2.67%	2.56%	2.56%	3.32%
Change (Basis Points)		0	+ 11	+ 11	– 65
MARKETING TIME[c]					
Range	1 – 12	1 – 12	1 – 12	3 – 12	1 – 12
Average	5.4	5.4	5.9	8.0	5.4
Change (▼, ▲, =)		▼	▼	▼	=

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Southeast Florida Office Market

Along with Denver, Southeast Florida is one of the only two metro-specific office markets in the Survey to report a negative average initial-year market rent change rate this quarter. At -0.92%, this market's average represents the eleventh consecutive negative quarterly average for this key indicator. As shown in Table 21, this average is unchanged from a year.

For much of this market, oversupply continues to be a hindrance to its recovery. In Broward County, the overall vacancy rate stood at 17.1% at year-end 2011, barely below the average from a year ago (17.4%), as per Cushman & Wakefield. In Miami-Dade County, the overall vacancy rate increased to 19.2% at the end of 2011. And, in Palm Beach County it was 21.3% for that time period, down slightly from a year ago.

Most investors anticipate market conditions remaining in favor of tenants over the near term. As a result, none of this market's surveyed investors are using rent spikes in their cash flow projections. At the same time, 100.0% of them report that free rent is commonplace in this market, ranging up to 12 months on a ten-year lease and averaging 6.2 months. Until market conditions improve, this average is not likely to decline. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	62.9%	=
Range	40.0% to 70.0%	

Months of Free Rent(1):

Average	6.2	=
Range	1 to 12	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	9.25%	▼
CBD	8.73%	▼
Suburbs	9.77%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 21
SOUTHEAST FLORIDA OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	7.00% – 16.00%	7.00% – 16.00%	7.00% – 16.00%	7.00% – 16.00%	6.00% – 11.00%
Average	10.38%	10.38%	10.28%	10.33%	8.55%
Change (Basis Points)		0	+ 10	+ 5	+ 183
OVERALL CAP RATE (OAR)[a]					
Range	6.00% – 15.00%	7.00% – 15.00%	7.00% – 13.00%	7.25% – 14.00%	5.20% – 10.00%
Average	9.25%	9.50%	9.34%	9.13%	7.80%
Change (Basis Points)		– 25	– 9	+ 12	+ 145
RESIDUAL CAP RATE					
Range	7.00% – 12.00%	7.00% – 12.00%	7.00% – 12.00%	7.75% – 12.00%	6.50% – 10.50%
Average	9.14%	9.14%	9.23%	9.13%	8.09%
Change (Basis Points)		0	– 9	+ 1	+ 105
MARKET RENT CHANGE[b]					
Range	(10.00%) – 3.00%	(10.00%) – 3.00%	(10.00%) – 3.00%	(10.00%) – 3.00%	0.00% – 5.00%
Average	(0.92%)	(0.92%)	(0.92%)	(1.07%)	2.75%
Change (Basis Points)		0	0	+ 15	– 367
EXPENSE CHANGE[b]					
Range	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	3.00% – 5.00%
Average	2.75%	2.75%	2.75%	2.86%	3.36%
Change (Basis Points)		0	0	– 11	– 61
MARKETING TIME[c]					
Range	2 – 18	2 – 18	2 – 18	2 – 18	3 – 12
Average	6.7	6.8	7.3	7.3	6.4
Change (▼, ▲, =)		▼	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Suburban Maryland Office Market

Despite steady leasing activity in 2011 comparable to the prior year, the Suburban Maryland office market continues to report a lofty vacancy rate. As a result, some investors are sidestepping this market for now. "There is declining investor interest in this market," notes a participant. Others, however, are targeting the better submarkets, such as Bethesda, Rockville, and Silver Spring, where fundamentals are stronger than the market as a whole.

Although only one office building sold in Suburban Maryland in the fourth quarter of 2011, it was the market's largest of the year. This distinction went to One Bethesda Center in Bethesda, which sold to Spitzer Enterprises for about $525.00 per square foot. In total, sales of significant office assets totaled $640.0 million in 2011 – more than double the total from the prior year, according to Cushman & Wakefield.

For investors looking to acquire office buildings in this market, our survey reveals that sale prices range from 70.0% to 105.0% of replacement cost and average 89.0% of replacement cost. This average is slightly higher than a year ago (87.5%). Over the next 12 months, some surveyed investors expect property values to increase as much as 10.0% while others foresee declines of up to 10.0%. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	67.0%	=
Range	60.0% to 75.0%	

Months of Free Rent(1):

Average	6.2	▼
Range	0 to 12	
% of participants using	100.0%	=

Market Conditions Favor:

Buyers	33.3%	▼
Sellers	16.7%	▼
Neither	50.0%	▲

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 22
SUBURBAN MARYLAND OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	7.25% – 9.50%	7.25% – 9.50%	7.25% – 10.00%	7.00% – 11.00%	6.00% – 11.00%
Average	8.41%	8.41%	8.47%	8.85%	8.20%
Change (Basis Points)		0	– 6	– 44	+ 21
OVERALL CAP RATE (OAR)[a]					
Range	5.00% – 9.00%	6.25% – 9.00%	6.50% – 9.00%	5.00% – 9.50%	5.00% – 9.00%
Average	7.29%	7.53%	7.55%	7.93%	6.92%
Change (Basis Points)		– 24	– 26	– 64	+ 37
RESIDUAL CAP RATE					
Range	5.00% – 9.75%	7.50% – 9.75%	7.50% – 10.00%	7.50% – 9.50%	6.00% – 9.50%
Average	7.73%	8.16%	8.31%	8.38%	7.67%
Change (Basis Points)		– 43	– 58	– 65	+ 6
MARKET RENT CHANGE[b]					
Range	(2.00%) – 3.00%	(2.00%) – 3.00%	(2.00%) – 3.00%	(4.00%) – 3.00%	0.00% – 4.00%
Average	1.08%	1.00%	0.70%	0.22%	2.81%
Change (Basis Points)		+ 8	+ 38	+ 86	– 173
EXPENSE CHANGE[b]					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	3.00% – 3.00%
Average	2.58%	2.60%	2.60%	2.75%	3.00%
Change (Basis Points)		– 2	– 2	– 17	– 42
MARKETING TIME[c]					
Range	1 – 9	1 – 9	1 – 9	1 – 15	1 – 12
Average	4.9	4.6	5.0	8.3	5.8
Change (▼, ▲, =)		▲	▼	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Washington, DC Office Market

In comparison to 2010, the Washington, DC office market reported weaker leasing activity and higher unemployment rates in 2011 as economic woes, federal government consolidations, and related office closings reduced office-space requirements. According to Cushman & Wakefield, positive absorption totaled 1.9 million square feet in the District in 2011. In 2010, it was 4.3 million square feet.

In terms of unemployment, the District posted a rate of 10.6% in December 2011, as per the Bureau of Labor Statistics. A year earlier, this rate was 9.6%. Even though the current rate of 10.6% is below the 11.2% peak noted in the District in September 2011, it sits well above the U.S. unemployment rate of 8.5% in December 2011 and creates some anxiety for investors.

Most of the worries, however, are for this market's short-term performance and not its long-term outlook. "There are some hiccups now, but this market will persevere," claims a participant. Investors' optimistic outlook is noted in this quarter's average overall capitalization rate (OAR), which at 5.96% is the second lowest of the 18 individual office markets in the Survey. At 5.38%, Manhattan posted the lowest OAR average of the Survey's city-specific office markets this quarter. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	68.9%	=
Range	60.0% to 75.0%	

Months of Free Rent(1):

Average	5.1	=
Range	0 to 12	
% of participants using	100.0%	=

Market Conditions Favor:

Buyers	14.3%	=
Sellers	57.1%	=
Neither	28.6%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 23
WASHINGTON, DC OFFICE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.00% – 9.00%	6.00% – 9.00%	7.00% – 10.00%	7.50% – 10.00%	6.00% – 9.50%
Average	7.48%	7.50%	7.92%	8.21%	7.48%
Change (Basis Points)		– 2	– 44	– 73	0
OVERALL CAP RATE (OAR)[a]					
Range	4.50% – 8.00%	4.50% – 8.00%	5.50% – 8.50%	5.50% – 8.50%	5.00% – 8.00%
Average	5.96%	5.95%	6.48%	7.11%	6.16%
Change (Basis Points)		+ 1	– 52	– 115	– 20
RESIDUAL CAP RATE					
Range	5.25% – 8.25%	5.25% – 8.25%	6.00% – 8.50%	6.00% – 8.50%	5.00% – 9.00%
Average	6.46%	6.46%	7.02%	7.40%	6.89%
Change (Basis Points)		0	– 56	– 94	– 43
MARKET RENT CHANGE[b]					
Range	0.00% – 4.00%	0.00% – 4.00%	0.00% – 4.00%	(4.00%) – 3.00%	3.00% – 7.00%
Average	2.36%	2.36%	2.14%	0.14%	3.77%
Change (Basis Points)		0	+ 22	+ 222	– 141
EXPENSE CHANGE[b]					
Range	1.50% – 3.00%	1.50% – 3.00%	1.50% – 3.00%	1.50% – 3.00%	3.00% – 3.50%
Average	2.82%	2.82%	2.82%	2.82%	3.06%
Change (Basis Points)		0	0	0	– 24
MARKETING TIME[c]					
Range	2 – 12	2 – 12	2 – 12	2 – 18	1 – 9
Average	5.3	5.2	6.2	7.9	3.9
Change (▼, ▲, =)		▲	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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National Flex/R&D Market

Very few cash flow assumptions changed for the national flex/R&D market this quarter as this sector's recovery remains mixed with tech-driven cities, such as San Jose, Silicon Valley, and Seattle, seeing the bulk of leasing demand and declining vacancy rates. At 1.42%, the average initial-year market rent change rate moved up only nine basis points this quarter and is close to this market's historical Survey average of 1.45%.

Like its warehouse counterpart, the average for this key indicator peaked during the height of the recent cycle in midyear 2007 at 2.75% and bottomed in the third quarter of 2009 at -0.36% – the only time this market's initial-year market rent change rate reported a negative average since debuting in the second quarter of 2002.

For investors looking to acquire flex/R&D assets, most Survey participants believe that market conditions favor buyers while the remainder believes that conditions equally favor buyers and sellers.

In terms of pricing, investors report that prices in this market range from 60.0% to 100.0% of replacement cost and average 83.5% of cost. This pricing range is similar to that reported for the national warehouse market, where the average is 85.6% of replacement cost. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	62.1%	▼
Range	50.0% to 70.0%	

Months of Free Rent(1):

Average	5.0	▼
Range	1 to 12	
% of participants using	100.0%	

Market Conditions Favor:

Buyers	66.7%	=
Sellers	0.0%	=
Neither	33.3%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 24
NATIONAL FLEX/R&D MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	8.00% – 13.00%	8.00% – 13.00%	8.25% – 13.00%	8.00% – 13.00%	6.75% – 10.00%
Average	9.58%	9.58%	9.94%	10.14%	8.46%
Change (Basis Points)		0	– 36	– 56	+ 112
OVERALL CAP RATE (OAR)[a]					
Range	6.50% – 12.00%	6.50% – 12.00%	7.25% – 12.00%	7.50% – 12.00%	5.50% – 9.00%
Average	8.71%	8.71%	8.90%	9.36%	7.47%
Change (Basis Points)		0	– 19	– 65	+ 124
RESIDUAL CAP RATE					
Range	7.00% – 10.50%	7.00% – 10.50%	7.25% – 10.50%	7.50% – 12.50%	6.75% – 10.50%
Average	8.56%	8.56%	8.85%	9.20%	8.10%
Change (Basis Points)		0	– 29	– 64	+ 46
MARKET RENT CHANGE[b]					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	(5.00%) – 3.00%	0.00% – 5.00%
Average	1.42%	1.33%	0.67%	0.19%	2.75%
Change (Basis Points)		+ 9	+ 75	+ 123	– 133
EXPENSE CHANGE[b]					
Range	2.00% – 3.00%	2.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	2.00% – 3.00%
Average	2.92%	2.92%	2.83%	2.88%	2.94%
Change (Basis Points)		0	+ 9	+ 4	– 2
MARKETING TIME[c]					
Range	2 – 18	2 – 18	2 – 18	3 – 18	3 – 18
Average	7.8	7.8	8.6	8.4	6.1
Change (▼, ▲, =)		=	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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National Warehouse Market

Changes in the cash flow assumptions reported by Survey participants this quarter suggest continued optimism for the national warehouse market. "Tenant demand is rapidly picking up, especially in coastal markets with international ports," remarks a participant. When combined with limited additions to supply, steady demand should help push vacancy rates down and raise rental rates in many markets.

As shown in Table 25, the average initial-year market rent change rate for the national warehouse market rose 26 basis points over the past three months and at 1.46% is just slightly below this market's historical Survey average of 1.51%. This key assumption peaked at 3.23% at year-end 2007 and bottomed two years later at -0.90% in the fourth quarter of 2009.

With tenant demand on the rise, some investor participants report less need to provide free rent, as well as a decline in the amount of free rent awarded. A year ago, certain landlords were providing as much as 12 months of free rent on a ten-year warehouse lease. This quarter, the high end of the range stands at nine months. By comparison, the high end of the range was six months for this market at the peak of the cycle in mid-2007 while the average free rent level was three months. ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	64.8%	▲
Range	50.0% to 80.0%	

Months of Free Rent(1):

Average	3.2	▼
Range	0 to 9	
% of participants using	85.7%	▼

Market Conditions Favor:

Buyers	28.6%	▲
Sellers	14.3%	▼
Neither	57.1%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 25
NATIONAL WAREHOUSE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.50% – 12.00%	6.50% – 12.50%	6.80% – 12.50%	7.50% – 12.50%	5.50% – 10.00%
Average	8.41%	8.56%	8.76%	9.64%	7.67%
Change (Basis Points)		– 15	– 35	– 123	+ 74
OVERALL CAP RATE (OAR)[a]					
Range	6.00% – 12.00%	6.00% – 12.00%	6.00% – 12.00%	7.00% – 12.00%	5.00% – 8.00%
Average	7.41%	7.48%	7.76%	8.73%	6.47%
Change (Basis Points)		– 7	– 35	– 132	+ 94
RESIDUAL CAP RATE					
Range	6.00% – 12.00%	6.00% – 12.00%	6.50% – 12.00%	7.50% – 12.00%	5.50% – 8.50%
Average	7.72%	7.92%	8.10%	8.79%	7.13%
Change (Basis Points)		– 20	– 38	– 107	+ 59
MARKET RENT CHANGE[b]					
Range	(3.00%) – 4.00%	(5.00%) – 5.00%	(10.00%) – 5.00%	(10.00%) – 3.00%	0.00% – 10.00%
Average	1.46%	1.20%	0.44%	(0.88%)	3.23%
Change (Basis Points)		+ 26	+ 102	+ 234	– 177
EXPENSE CHANGE[b]					
Range	2.00% – 3.00%	2.00% – 3.00%	(2.00%) – 3.00%	1.00% – 3.00%	2.00% – 3.50%
Average	2.88%	2.83%	2.62%	2.69%	3.00%
Change (Basis Points)		+ 5	+ 26	+ 19	– 12
MARKETING TIME[c]					
Range	2 – 18	1 – 18	2 – 18	3 – 18	1 – 12
Average	7.1	6.7	7.9	9.8	5.6
Change (▼, ▲, =)		▲	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Pacific Region Warehouse Market

This quarter, we are please to debut the Pacific Region Warehouse Market. As in our regional apartment market, the Pacific region encompasses the states of California, Oregon, and Washington. Like the performance of the national warehouse market, many cities in the Pacific region warehouse market are seeing rising occupancy levels and rental rates. "This region has many strong markets with solid absorption levels," says a participant. In addition, various cities in the Pacific region are seeing speculative warehouse construction.

The leading industrial market in the nation continues to be the Inland Empire, which posted a total availability rate of 13.4% for its warehouse/distribution space in the fourth quarter of 2011, as per Jones Lang LaSalle. By comparison, the U.S. figure was 18.9%. Strong leasing demand and a limited number of large big-box warehouse spaces have spurred speculative construction throughout the Inland Empire.

The San Jose-Silicon Valley warehouse area is also performing very well due to the presence of high-tech companies that continue to fuel the economy. As a result, concessions are waning as rental rates are on the rise. The same can be said for Orange County, where the total availability rate was 12.6% for its warehouse/distribution space in the fourth quarter of 2011.

Elsewhere in the Pacific region, a local economic recovery has helped the Seattle warehouse market post gains in leasing activity. Like the Inland Empire, a lack of large blocks of warehouse space in Seattle are presenting opportunities for new supply to enter this market.

According to the PwC Real Estate Barometer, many industrial markets in the Pacific region are either in or close to entering the recovery phase of the real estate cycle. As a result, the desire to acquire warehouse assets in this region remains strong. "It's a very competitive marketplace," shares an investor. Strong investment demand and favorable market conditions are reflected in this market's average overall capitalization rate, which stands about 100 basis points below the average for the Survey's national warehouse market this quarter. ✦

KEY 1Q12 SURVEY STATS

Tenant Retention Rate:

Average	64.5%
Range	50.0% to 75.0%

Months of Free Rent(1):

Average	2.9
Range	1 to 5
% of participants using	80.0%

Market Conditions Favor:

Buyers	0.0%
Sellers	60.0%
Neither	40.0%

(1) on a ten-year lease

Table 26
PACIFIC REGION WAREHOUSE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	YEAR AGO
DISCOUNT RATE (IRR)[a]			
Range	6.50% – 8.50%		
Average	7.65%		
Change (Basis Points)			
OVERALL CAP RATE (OAR)[a]			
Range	5.00% – 7.75%		
Average	6.50%		
Change (Basis Points)			
RESIDUAL CAP RATE			
Range	6.00% – 8.75%		
Average	7.05%		
Change (Basis Points)			
MARKET RENT CHANGE[b]			
Range	0.00% – 3.00%		
Average	2.10%		
Change (Basis Points)			
EXPENSE CHANGE[b]			
Range	2.00% – 3.00%		
Average	2.85%		
Change (Basis Points)			
MARKETING TIME[c]			
Range	1 – 18		
Average	5.1		
Change (▼, ▲, =)			

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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National Apartment Market

Fueled by strengthening demand and controlled new supply, investors are flocking to the national apartment market in search of both core and value-added assets. Total sales volume surged from roughly $32.0 billion in 2010 to nearly $51.0 billion in 2011, as per Real Capital Analytics. "Both seasoned and new investors are joining the apartment investment party," exclaims a participant.

As this sector continues to heat up, investor sentiment has shifted dramatically over the past two years. Then, 87.5% of surveyed investors believed market conditions favored buyers. Now, 77.8% believe apartment market fundamentals favor sellers, who are eager to capitalize on a sector where rents are rising. This quarter, the average initial-year market rent change rate rose to 2.73%, increasing 364 basis points over the past eight quarters.

Robust leasing activity in the U.S. apartment market led to a 140-basis-point decline in vacancy to 5.2% in 2011, the lowest vacancy rate reported by Reis since 2001. While the expected level of new apartment inventory for 2012 falls below the annual average delivered between 2005 and 2008, new supply forecasts exceed 130,000 units annually for 2013 and 2014 as developers aspire to capitalize on the current imbalance between supply and demand. ✦

KEY 1Q12 SURVEY STATS*

Total Vacancy Assumption:

Average	5.8%	▼
Range	1.0% to 15.0%	

Months of Free Rent(1):

Average	1.0	=
Range	0 to 3	
% of participants using	77.8%	▼

Market Conditions Favor:

Buyers	0.0%	=
Sellers	77.8%	▲
Neither	22.2%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 27
NATIONAL APARTMENT MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	5.25% – 14.00%	4.75% – 14.00%	5.25% – 14.00%	6.50% – 14.00%	6.00% – 10.50%
Average	8.28%	8.27%	8.78%	10.18%	8.15%
Change (Basis Points)		+ 1	– 50	– 190	+ 13
OVERALL CAP RATE (OAR)[a]					
Range	3.75% – 10.00%	3.75% – 10.00%	4.00% – 10.00%	5.00% – 11.00%	3.50% – 8.00%
Average	5.83%	5.80%	6.29%	7.85%	5.79%
Change (Basis Points)		+ 3	– 46	– 202	+ 4
RESIDUAL CAP RATE					
Range	4.50% – 9.75%	4.50% – 9.75%	4.75% – 9.75%	5.00% – 11.00%	4.50% – 8.50%
Average	6.25%	6.24%	6.76%	8.01%	6.56%
Change (Basis Points)		+ 1	– 51	– 176	– 31
MARKET RENT CHANGE[b]					
Range	(2.00%) – 8.00%	(2.00%) – 8.00%	(2.00%) – 5.00%	(10.00%) – 3.00%	0.00% – 8.00%
Average	2.73%	2.43%	1.34%	(0.91%)	3.51%
Change (Basis Points)		+ 30	+ 139	+ 364	– 78
EXPENSE CHANGE[b]					
Range	1.00% – 4.00%	1.00% – 4.00%	0.00% – 4.00%	0.00% – 4.00%	2.00% – 3.75%
Average	2.62%	2.63%	2.46%	2.55%	2.91%
Change (Basis Points)		– 1	+ 16	+ 7	– 29
MARKETING TIME[c]					
Range	0 – 18	0 – 18	0 – 18	1 – 18	1 – 12
Average	5.3	5.2	6.0	8.1	5.8
Change (▼, ▲, =)		▲	▼	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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Regional Apartment Markets

The Mid-Atlantic, Pacific, and Southeast apartment regions each reveal signs associated with the recovery phase of the market cycle including positive market rent growth. This quarter's initial-year market rent change rate is the highest for the Pacific region, followed by the Mid-Atlantic and Southeast regions (see Tables 28 and 29). Despite a quarterly increase in this key indicator, one participant remarks, "Upcoming cuts in the federal budget could result in diminished job growth locally and a reduction in demand for apartments in the Mid-Atlantic region."

Even with vigorous transaction activity in all three Survey regions, average overall capitalization (cap) rates moved very little this quarter. It dipped just four basis points in the Mid-Atlantic region, held steady in the Pacific region, and inched up three basis points in the Southeast region.

Looking ahead six months, most surveyed investors expect overall cap rates to hold steady in all three regions.

Roughly 83.0% of surveyed investors view current market conditions in the Pacific region as favoring sellers whereas the other two Survey regions exhibit a more equal division between favoring buyers, sellers, or neither party in the current investment environment. For investors looking to acquire apartment assets, our Survey indicates that prices range from 60.0% to 125.0% of replacement cost among the three regions. The average sale price is the lowest for the Southeast region at 94.2% of replacement cost, followed by the Mid-Atlantic and Pacific regions with an average price of approximately 102.0% of replacement cost.

Over the next 12 months, investors foresee property values increasing an average of 5.3% in the Pacific region and 2.1% in the Mid-Atlantic region. At the same time, investors expect asset values to hold steady in the Southeast region. ✦

Table 28
SOUTHEAST REGION APARTMENT MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	SECOND QUARTER 2010
DISCOUNT RATE (IRR)[a]				
Range	6.50% – 11.00%	6.50% – 11.00%	6.50% – 11.00%	7.50% – 14.00%
Average	8.40%	8.40%	8.20%	10.05%
Change (Basis Points)		0	+ 20	– 165
OVERALL CAP RATE (OAR)[a]				
Range	5.00% – 7.00%	5.00% – 7.00%	5.00% – 7.50%	5.75% – 10.00%
Average	5.86%	5.83%	6.29%	7.93%
Change (Basis Points)		+ 3	– 43	– 207
RESIDUAL CAP RATE				
Range	5.50% – 9.75%	5.50% – 9.75%	5.50% – 9.75%	5.50% – 9.75%
Average	6.64%	6.71%	7.04%	7.75%
Change (Basis Points)		– 7	– 40	– 111
MARKET RENT CHANGE[b]				
Range	(10.00%) – 10.00%	(10.00%) – 10.00%	(10.00%) – 3.00%	(10.00%) – 3.00%
Average	2.25%	2.00%	0.29%	– 1.79%
Change (Basis Points)		+ 25	+ 196	+ 404
EXPENSE CHANGE[b]				
Range	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%
Average	2.36%	2.33%	2.42%	2.43%
Change (Basis Points)		+ 3	– 6	– 7
MARKETING TIME[c]				
Range	1 – 18	1 – 18	1 – 18	1 – 18
Average	6.0	6.7	7.2	7.6
Change (▼, ▲, =)		▼	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Table 29

REGIONAL APARTMENT MARKETS

First Quarter 2012

	MID-ATLANTIC REGION				PACIFIC REGION			
	CURRENT QUARTER	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	CURRENT QUARTER	LAST QUARTER	1 YEAR AGO	2 YEARS AGO
DISCOUNT RATE (IRR)[a]								
Range	5.50% – 14.00%	5.60% – 14.00%	5.80% – 14.00%	7.50% – 14.00%	5.00% – 12.50%	5.25% – 12.50%	6.00% – 12.50%	8.00% – 12.50%
Average	9.27%	9.32%	9.65%	10.50%	8.58%	8.65%	9.08%	10.00%
Change (Basis Points)		0	– 38	– 123		– 7	– 50	– 142
OVERALL CAP RATE (OAR)[a]								
Range	4.00% – 7.50%	4.00% – 7.50%	4.50% – 8.00%	5.00% – 10.00%	4.00% – 7.00%	4.00% – 7.00%	4.00% – 7.50%	5.00% – 9.50%
Average	5.75%	5.79%	6.23%	7.63%	5.21%	5.21%	5.85%	7.52%
Change (Basis Points)		– 4	– 48	– 188		0	– 64	– 231
RESIDUAL CAP RATE								
Range	4.50% – 9.75%	4.50% – 9.75%	5.00% – 9.75%	5.00% – 9.75%	4.00% – 7.50%	4.00% – 7.50%	4.50% – 8.50%	5.00% – 9.00%
Average	6.44%	6.60%	6.85%	7.83%	5.71%	5.96%	6.33%	7.50%
Change (Basis Points)		– 16	– 41	– 139		– 25	– 62	– 179
MARKET RENT CHANGE[b]								
Range	(5.00%) – 7.00%	(5.00%) – 7.00%	(5.00%) – 4.00%	(5.00%) – 2.00%	0.00% – 6.00%	0.00% – 6.00%	0.00% – 5.00%	(5.00%) – 2.50%
Average	2.92%	2.67%	1.58%	– 0.83%	3.17%	3.17%	1.92%	– 0.79%
Change (Basis Points)		+ 25	+ 134	+ 375		0	+ 125	+ 396
EXPENSE CHANGE[b]								
Range	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%
Average	2.58%	2.58%	2.58%	2.67%	2.79%	2.79%	2.71%	2.68%
Change (Basis Points)		0	0	– 9		0	+ 8	+ 11
MARKETING TIME[c]								
Range	1 – 18	1 – 18	1 – 18	3 – 18	1 – 12	1 – 12	1 – 12	3 – 18
Average	5.8	5.8	6.6	7.5	5.4	5.4	5.9	7.7
Change (▼, ▲, =)		=	▼	▼		=	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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National Net Lease Market

Due to low interest rates, surveyed investors in the national net lease market are reallocating the three primary components of their investment portfolios – ownership of triple-net-lease assets, sale-leaseback deals, and 1031 exchanges. In fact, the volume of transactions involving sale-leaseback deals declined over the past 24 months concurrent with the falling cost of capital. "In the short term, there is no urgency on the part of companies to monetize their real estate because it is cheaper to own it," explains an investor.

This quarter, Survey participants report that sale-leaseback transactions comprise 20.0% of their total portfolio on average, down from 30.0% two years ago. At the same time, the allocation averages have increased with regard to both ownership of triple-net-lease assets and completing 1031 exchanges – up to 67.1% and 12.9%, respectively.

For investors in this market, one Survey participant remarks that, "It's a seller's market for assets in major markets and with investment-grade tenants, but a buyer's market for everything else." As a whole, 71.4% of surveyed investors believe current conditions favor sellers. Just two years ago, investors unanimously believed that market conditions favored buyers. ✦

KEY 1Q12 SURVEY STATS*

Market Conditions Favor:

Buyers	0.0%	▼
Sellers	71.4%	=

Months of Free Rent(1):

Average	3.8	▲
Range	1 to 10	
% of participants using	42.9%	▼

Portfolio Allocation:

Sale leasebacks	20.0%	=
Net lease sales	65.0%	▼
1031 exchanges	15.0%	▲

* ▼, ▲, = change from prior quarter
(1) on a 20-year lease

Table 30
NATIONAL NET LEASE MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	7.00% – 9.00%	7.00% – 9.00%	7.00% – 9.00%	8.00% – 10.00%	8.00% – 12.00%
Average	8.16%	8.16%	8.13%	9.00%	9.55%
Change (Basis Points)		0	+ 3	– 84	– 139
OVERALL CAP RATE (OAR)[a]					
Range	6.00% – 8.75%	5.00% – 10.25%	6.25% – 12.00%	7.00% – 10.00%	6.00% – 10.00%
Average	7.46%	7.59%	8.50%	8.86%	7.63%
Change (Basis Points)		– 13	– 104	– 140	– 17
RESIDUAL CAP RATE					
Range	6.50% – 9.00%	6.50% – 10.00%	7.00% – 12.00%	8.00% – 10.00%	6.50% – 10.00%
Average	8.25%	8.50%	9.00%	9.19%	8.13%
Change (Basis Points)		– 25	– 75	– 94	+ 12
MARKET RENT CHANGE[b]					
Range	(3.00%) – 3.00%	(3.00%) – 4.00%	(3.00%) – 4.00%	(1.00%) – 3.00%	0.00% – 3.00%
Average	0.79%	1.00%	1.07%	0.60%	2.33%
Change (Basis Points)		– 21	– 28	+ 19	– 154
EXPENSE CHANGE[b]					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	1.00% – 4.00%	2.00% – 3.00%
Average	1.88%	1.88%	1.82%	2.00%	2.75%
Change (Basis Points)		0	+ 6	– 12	– 87
MARKETING TIME[c]					
Range	1 – 12	1 – 12	1 – 18	2 – 12	1 – 6
Average	4.9	4.9	6.1	6.5	3.5
Change (▼, ▲, =)		=	▼	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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National Medical Office Buildings Market

Despite a slowdown in sales velocity in the national medical office buildings (MOB) market, its average overall capitalization (cap) rate has reached pre-recession levels of 2008. This quarter, the average overall cap rate stands at 7.92%, compared with 7.90% in the second quarter of 2008. Moreover, the low end of the range fell 25 basis points to 5.75% this quarter, suggesting increased competition for assets. "Class-A core MOBs in on-campus locations will likely set pricing records this year by trading in the low 6.0% cap rate range," predicts a participant.

Certain investors view the MOB market as "a prime sector to watch" as good demographic trends and an affinity for build-to-suit development contribute to market activity. "In the upcoming months, third-party developers will be the likely sellers," forecasts an investor. Through the first six weeks of this quarter MOB sales activity has accelerated, totaling $352.7 million with nearly $1.3 billion in pending deals, as per Real Capital Analytics.

For investors looking to deploy capital into the MOB sector, our Survey participants report that pricing averages 97.8% of replacement cost – the second highest among the traditional office markets (behind Washington, DC with an average of 100.1%). ✦

KEY 1Q12 SURVEY STATS*

Tenant Retention Rate:

Average	73.9%	=
Range	50.0% to 90.0%	

Months of Free Rent(1):

Average	3.8	=
Range	0 to 12	
% of participants using	88.9%	▲

Average Overall Cap Rates:

Market (as a whole)	7.92%	=
On campus	7.50%	▼
Off campus	8.35%	▲

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 31
NATIONAL MEDICAL OFFICE BUILDINGS MARKET
First Quarter 2012

	CURRENT	LAST QUARTER	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO [d]
DISCOUNT RATE (IRR)[a]					
Range	6.50% – 13.00%	6.50% – 13.00%	7.50% – 13.00%	8.00% – 13.00%	8.00% – 11.00%
Average	8.94%	8.94%	9.44%	10.13%	9.43%
Change (Basis Points)		0	– 50	– 119	– 49
OVERALL CAP RATE (OAR)[a]					
Range	5.75% – 11.00%	6.00% – 11.00%	6.50% – 11.50%	7.50% – 11.50%	6.00% – 11.00%
Average	7.92%	7.92%	8.34%	8.78%	7.90%
Change (Basis Points)		0	– 42	– 86	+ 2
RESIDUAL CAP RATE					
Range	6.25% – 12.00%	6.50% – 12.00%	7.00% – 12.00%	7.50% – 11.50%	6.50% – 8.75%
Average	8.19%	8.20%	8.51%	8.86%	7.71%
Change (Basis Points)		– 1	– 32	– 67	+ 48
MARKET RENT CHANGE[b]					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 4.00%
Average	1.08%	1.08%	1.10%	1.11%	2.46%
Change (Basis Points)		0	– 2	– 3	– 138
EXPENSE CHANGE[b]					
Range	0.00% – 4.00%	0.00% – 4.00%	0.00% – 3.00%	0.00% – 4.00%	2.00% – 4.00%
Average	2.17%	2.17%	2.33%	2.50%	2.96%
Change (Basis Points)		0	– 16	– 33	– 79
MARKETING TIME[c]					
Range	1 – 12	1 – 12	1 – 12	3 – 20	2 – 6
Average	5.4	5.3	5.9	7.7	6.5
Change (▼, ▲, =)		▲	▼	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months d. Second quarter 2008

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National Lodging Highlights

The following is extracted from "Hospitality Directions US" dated January 2012, published by PwC.

The U.S. lodging sector's performance continues to benefit from a return of business and leisure guests. Hotels across the spectrum of chain-scale segments experienced occupancy and ADR gains in 2011, reflecting the breadth of the recovery. Overall, hotel occupancy recovered to 60.1% in 2011, just slightly ahead of its ten-year average of 60.0%. In addition, RevPAR rose 8.2%.

Last January, PwC's outlook for 7.8% RevPAR growth was above consensus, anticipating a stronger industry recovery than others at the time. As the year progressed, it became clear that the economy was growing more slowly than anticipated, leading to greater uncertainty in the outlook, even as lodging demand growth exceeded expectations. In the January 2012 *Hospitality Directions*, PwC considers this seeming decoupling of lodging demand growth from the broader economy, and sees the recent performance of the industry as a normalization of travel patterns. In other words, a rebound to an activity level more consistent with long-term trends.

Following the financial crisis in September 2008, U.S. lodging demand declined faster than U.S. GDP. In summer 2009, lodging reached a trough at a similar point in time as the broader U.S. economy. As economic activity improved in June 2009, lodging demand started to rebound, growing quickly in 2010 and reverting to a more normal level in 2011. As the outsized gains experienced during this resumption of travel activity have largely run their course, the broader economy remains sluggish.

Nevertheless, there are some signs of momentum for the lodging sector. First, hotel operators report that group booking levels for 2012 are ahead of prior year levels. Second, the pace of transient travel has continued, despite frequent headlines highlighting tumultuous politic and economic conditions both internationally and domestically. Lastly, U.S. job growth has improved.

Demand

The ongoing recovery in business travel is evident in weekday hotel performance at upper-tier hotels. After declining in 2008 and 2009, weekday travel activity resumed by 2011. In addition, transient occupancy in 2011 was 0.5% ahead of 2007 levels. Although group activity also improved in 2011, weekday group occupancy ran 15.4% below 2007 levels.

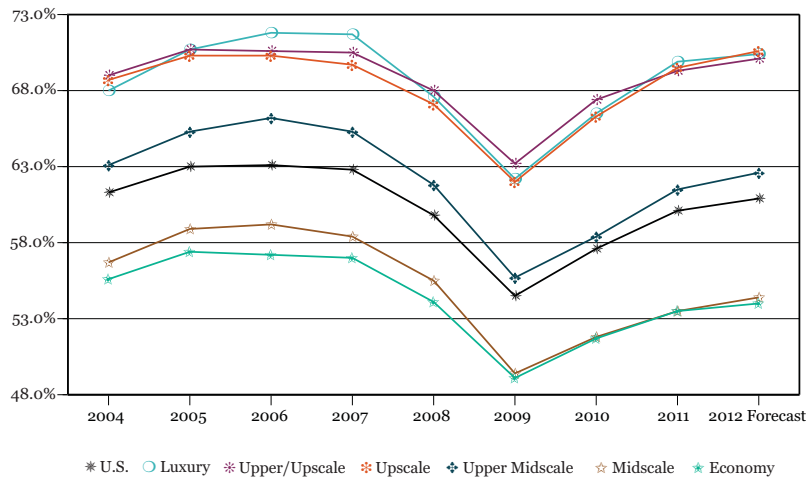
Looking ahead, there are indications that there is room for further demand recovery in 2012. First, hotel operators are reporting that levels of group business already committed for 2012 are ahead of bookings that were in place in advance in 2011. In addition, transient demand continued to expand in 2011. PwC expects demand growth for the U.S. lodging industry to grow 1.8% in 2012. If momentum in travel activity persists, this expectation could be exceeded.

Supply

Lodging supply growth remains at low levels, though there has been some pick up of construction activity. On a seasonally adjusted basis, hotel construction starts reached a low point in the first quarter of 2010. Since then, starts have slowly resumed, and the number of room starts in 2011 was about one third greater than in 2010.

For 2012, an opening of 45,000 rooms is anticipated, representing an increase of just 0.9% relative to the room inventory at the start of the year. When factoring in the removal of closed hotels, supply is expected to increase a mere 0.6% by year-end 2012.

Exhibit L-1
OCCUPANCY



Source: Smith Travel Research (2004 - 2011); PwC (2012 Forecast)

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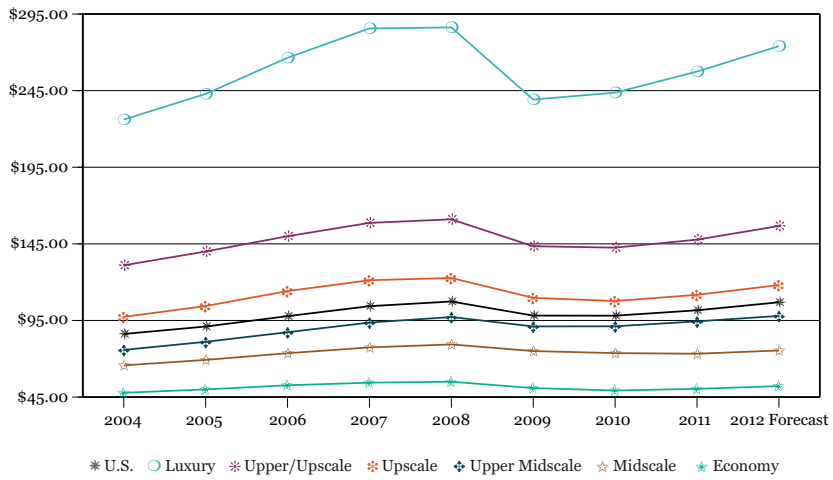
Exhibit L-2
AVERAGE DAILY RATE (ADR)



Source: Smith Travel Research (2004 - 2011); PwC (2012 Forecast)

Occupancy

Occupancy for the U.S. lodging industry was 60.1% for 2011, a 4.4% increase from 2010, according to Smith Travel Research (STR). Occupancy improved in each of STR's chain-scale segments during the year with the luxury and upper-midscale chain-scale segments posting the largest gains of 5.2%. On the other hand, the upper-upscale segment reported the smallest occupancy gain at 2.8%.

Geographically, all nine regions of the country experienced improvement in occupancy during 2011. The West South Central region, which includes the states of Arkansas, Louisiana, Oklahoma, and Texas, posted the largest gain in occupancy during this time, increasing 5.5%.

For 2012, occupancy for the U.S. lodging industry is forecast to increase 1.3% to 60.9%. As shown in Exhibit L-1, occupancy increases are forecasted for each chain-scale segment in 2012 with the upper-midscale chain-scale segment leading with an increase of 1.9%.

Average Daily Rate (ADR)

ADR for the U.S. lodging industry was $101.64 for 2011, a 3.7% increase from 2010, as per STR. ADR grew in each chain-scale segment during the year with the exception of the midscale segment. The luxury segment reported the annual increase in ADR at 5.7%.

In the United States, the Pacific region, which includes the states of California, Oregon, Washington, Hawaii, and Alaska, reported the strongest growth in ADR in 2011, rising 5.5%. The Middle Atlantic region, which includes the states of New York, New Jersey, and Pennsylvania, reported the second highest annual ADR growth of 4.4%.

For 2012, ADR for the U.S. lodging industry is forecast to increase 5.1%. As shown in Exhibit L-2, ADR growth is forecast for each chain-scale segment in 2012 with the luxury segment leading the others with a projected increase of 6.5%.

Investment Activity

Sales of significant hotel assets totaled $19.3 billion in 2011, a 45.0% increase over 2010, according to Real Capital Analytics. Deals involving full-service hotel assets accounting for the majority of sales in 2011 ($14.7 billion) and was almost double the 2010 volume. On the other hand, sales involving limited-service hotel assets dropped by 19.0% in 2011 and totaled $4.6 billion.

The largest hotel transaction in 2011 was the $1.0-billion sale involving Innkeepers portfolio to Cerberus and Chatham Lodging. Overall, portfolio sales were much higher in 2011 than in 2010. However, the volume of hotels sold individually soared by 78.0% in 2011. The largest single-asset hotel sale in 2011 involved the Manchester Grand Hyatt in San Diego, which sold for $570.0 million.

For the third consecutive year, Manhattan reported the highest hotel sales volume with a staggering total of $3.68 billion. San Diego was second with an annual total of $1.76 billion in 2011. Overall, the Northeast region of the country reported the highest sale price per room, while the highest sales volume was reported for the West region

Although sales activity started to wane toward the end of 2011, some surveyed investors believe that activity will increase as brokers slowly begin to remarket deals that were shelved as 2011 came to a close. ✦

Various trends and forecasts have been extracted from *Hospitality Directions* US, published by PwC Hospitality & Leisure. Released in January 2012, this report provides historical data and forecasts for the U.S. lodging industry and six chain-scale segments with respect to ADR, occupancy, RevPAR, demand, supply, and revenue. For more information, call Abhishek Jain at 646-471-2016 or email contact.hospitality@us.pwc.com.

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National Full-Service Lodging Segment

The upscale segment has shown a strong ability to rebuild occupancy after the twin impacts of the recession and an active construction pipeline. Unfortunately, this occupancy growth has been achieved at the expense of ADR. While the 2011 occupancy level at upscale hotels was 3.0% ahead of the segment's ten-year average, its ADR was 6.6% below.

For 2012, ADR for the upscale segment is expected to increase 5.7%, similar to the growth last seen in 2007 (see Table FSM-1). Helping boost its performance is a significant slowdown in new construction.

In the upper-midscale segment, new construction and the reclassification of many Best Western properties make it difficult to do year-over-year comparisons. For 2012, occupancy and ADR are both expected to grow.

While buyers of full-service lodging assets are mostly looking to acquire quality properties that require little capital expenditures, others are searching for conversion opportunities within dynamic markets where constructing new full-service hotels requires significant time and money. ✦

Table FSM-1

LODGING FORECASTS

Segment	2012	Annual Change
Upscale		
Occupancy	70.6%	+ 1.5%
ADR	$118.10	+ 5.7%
Nominal RevPAR	$83.40	+ 7.3%
Upper Midscale		
Occupancy	62.6%	+ 1.9%
ADR	$98.00	+ 3.8%
Nominal RevPAR	$61.38	+ 5.8%

Source: *Hospitality Directions US, January 2012;* published by PwC

Table 32

NATIONAL FULL-SERVICE LODGING SEGMENT

First Quarter 2012

	CURRENT	THIRD QUARTER 2011	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	8.50% – 12.00%	9.00% – 12.00%	9.50% – 12.00%	10.00% – 16.00%	9.25% – 14.00%
Average	10.88%	10.75%	10.95%	12.43%	10.84%
Change (Basis Points)		+ 13	– 7	– 155	+ 4
OVERALL CAP RATE (OAR)[a]					
Range	6.00% – 10.00%	6.00% – 10.00%	7.50% – 10.00%	6.00% – 14.00%	6.00% – 10.50%
Average	8.04%	7.96%	8.79%	10.08%	8.33%
Change (Basis Points)		+ 8	– 75	– 204	– 29
RESIDUAL CAP RATE					
Range	6.00% – 12.00%	6.00% – 12.00%	8.00% – 12.00%	7.50% – 12.00%	6.00% – 11.00%
Average	8.68%	9.13%	9.79%	10.26%	9.08%
Change (Basis Points)		– 45	– 111	– 158	– 40
AVERAGE DAILY RATE[b]					
Range	(1.00%) – 10.00%	(1.00%) – 8.00%	(1.00%) – 8.00%	(5.00%) – 3.00%	3.00% – 8.00%
Average	3.79%	3.33%	2.58%	(0.17%)	4.39%
Change (Basis Points)		+ 46	+ 121	+ 396	– 60
OPERATING EXPENSE[b]					
Range	1.00% – 5.00%	1.00% – 4.50%	1.00% – 4.00%	0.00% – 4.00%	2.00% – 5.00%
Average	2.82%	2.88%	2.71%	2.42%	3.48%
Change (Basis Points)		– 6	+ 11	+ 40	– 66
MARKETING TIME[c]					
Range	3 – 24	2 – 24	2 – 24	3 – 24	2 – 12
Average	10.7	8.8	9.2	9.3	5.9
Change (▼, ▲, =)		▲	▲	▲	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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National Limited-Service Midscale & Economy Lodging Segment

Although many surveyed investors remain optimistic about the fundamental demand prospects for the limited-service midscale and economy lodging segment, RevPAR performance in the economy segment has generally traced a weaker-than-average path. Good news, however, was delivered in the second half of 2011 as results were better than expected, particularly ADR growth.

In 2011, ADR for the economy segment grew 2.2%. While low compared to most of the other lodging segments, this growth is the highest reported for this segment in four years. For 2012, ADR growth for the economy segment is expected to be even higher at 3.6% – similar to the growth reported in 2007 (see Table ELM-1). As a result, RevPAR for the economy segment is forecast to increase by 4.6% in 2012.

For the midscale segment, 2012 is expected to bring little improvement in occupancy. However, growth in ADR of 2.9% is forecast to result in a 4.5% RevPAR increase, the highest annual growth reported since 2007. Also helping this segment's outlook is a decrease in room supply. ✦

Table ELM-1
LODGING FORECASTS

Segment	2012	Annual Change
Midscale		
Occupancy	54.4%	+ 1.6%
ADR	$75.41	+ 2.9%
Nominal RevPAR	$41.02	+ 4.5%
Economy		
Occupancy	54.0%	+ 1.0%
ADR	$52.16	+ 3.6%
Nominal RevPAR	$28.19	+ 4.6%

Source: *Hospitality Directions US, January 2012;* published by PwC

Table 33
NATIONAL LIMITED-SERVICE MIDSCALE & ECONOMY LODGING SEGMENT
First Quarter 2012

	CURRENT	THIRD QUARTER 2011	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	9.50% – 13.00%	10.00% – 14.00%	10.00% – 14.00%	10.00% – 15.00%	10.00% – 18.00%
Average	11.13%	11.38%	11.94%	12.75%	12.35%
Change (Basis Points)		– 25	– 81	– 162	– 122
OVERALL CAP RATE (OAR)[a]					
Range	8.00% – 12.00%	8.00% – 12.00%	8.00% – 12.00%	9.00% – 12.00%	6.50% – 14.00%
Average	9.75%	9.80%	9.80%	10.83%	9.58%
Change (Basis Points)		– 5	– 5	– 108	+ 17
RESIDUAL CAP RATE					
Range	8.50% – 12.00%	8.50% – 12.00%	8.50% – 12.00%	9.00% – 12.50%	7.00% – 14.00%
Average	9.95%	10.00%	10.00%	11.25%	10.04%
Change (Basis Points)		– 5	– 5	– 130	– 9
AVERAGE DAILY RATE[b]					
Range	0.00% – 7.00%	(3.00%) – 8.00%	(3.00%) – 7.00%	(4.00%) – 3.00%	1.00% – 9.00%
Average	3.70%	3.20%	2.60%	(1.10%)	4.08%
Change (Basis Points)		+ 50	+ 110	+ 480	– 38
OPERATING EXPENSE[b]					
Range	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	1.00% – 5.00%	2.00% – 4.00%
Average	2.75%	2.70%	2.70%	2.85%	3.10%
Change (Basis Points)		+ 5	+ 5	– 10	– 35
MARKETING TIME[c]					
Range	2 – 12	2 – 12	2 – 12	4 – 12	3 – 10
Average	8.3	7.9	7.9	7.4	6.4
Change (▼, ▲, =)		▲	▲	▲	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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National Luxury/Upper-Upscale Lodging Segment

Luxury hotels posted the strongest occupancy and ADR gains in the lodging industry last year, fueled by gains in both the transient and group travel segments. Overall, luxury hotels ended 2011 with a 69.9% occupancy rate (3.4 percentage points higher than 2010) and an ADR of $257.43. 2011's ADR was 5.7% above 2010's level – the highest annual growth since 2007.

Based on its recent performance, the luxury segment is on track to reach an average occupancy level of 70.4% in 2012 (see Table LUM-1). This figure is 2.7 percentage points above this segment's ten-year average. For the upper-upscale segment, occupancy growth is also anticipated for 2012, but at a lower level. While the upper-upscale segment is experiencing a solid recovery, ADR gains have been weaker than expected.

Overall, surveyed investors see this lodging segment continuing to improve during 2012, especially due to low levels of new hotel construction. "Few additions to supply are a good thing, but I am still waiting to exhale because the economy remains fragile," shares a participant. ✦

Table LUM-1
LODGING FORECASTS

Segment	2012	Annual Change
Luxury		
Occupancy	70.4%	+ 0.7%
ADR	$274.06	+ 6.5%
Nominal RevPAR	$192.94	+ 7.2%
Upper Upscale		
Occupancy	70.1%	+ 1.1%
ADR	$156.66	+ 6.0%
Nominal RevPAR	$109.79	+ 7.2%

Source: *Hospitality Directions US, January 2012;* published by PwC

Table 34
NATIONAL LUXURY/UPPER-UPSCALE LODGING SEGMENT
First Quarter 2012

	CURRENT	THIRD QUARTER 2011	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	8.50% – 13.00%	9.00% – 14.00%	8.00% – 14.00%	9.00% – 18.00%	8.00% – 13.00%
Average	10.60%	10.56%	10.58%	12.30%	10.56%
Change (Basis Points)		+ 4	+ 2	– 170	+ 4
OVERALL CAP RATE (OAR)[a]					
Range	6.00% – 10.00%	5.00% – 10.00%	5.00% – 11.00%	7.00% – 13.00%	4.00% – 10.50%
Average	8.05%	8.05%	8.28%	9.28%	7.50%
Change (Basis Points)		0	– 23	– 123	+ 55
RESIDUAL CAP RATE					
Range	6.00% – 12.00%	6.00% – 12.00%	6.00% – 12.00%	7.00% – 12.00%	5.00% – 11.00%
Average	8.66%	8.88%	9.05%	9.75%	8.72%
Change (Basis Points)		– 22	– 39	– 109	– 6
AVERAGE DAILY RATE[b]					
Range	(2.00%) – 15.00%	(2.00%) – 20.00%	(2.00%) – 20.00%	(5.00%) – 20.00%	3.00% – 8.00%
Average	4.46%	4.95%	4.55%	2.06%	4.94%
Change (Basis Points)		– 49	– 9	+ 240	– 48
OPERATING EXPENSE[b]					
Range	0.00% – 6.00%	0.00% – 6.00%	0.00% – 6.00%	0.00% – 6.00%	2.00% – 4.00%
Average	3.02%	2.80%	2.85%	2.81%	3.22%
Change (Basis Points)		+ 22	+ 17	+ 21	– 20
MARKETING TIME[c]					
Range	2 – 20	2 – 20	2 – 20	4 – 20	4 – 8
Average	8.0	7.4	7.7	10.4	5.5
Change (▼, ▲, =)		▲	▲	▼	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

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National Select-Service Lodging Segment

Even though the average overall capitalization (cap) rate for the national select-service lodging segment increased slightly over the past six months, many investors hold a favorable view of this hotel segment. "Competition will stay strong for select-service hotels in 2012, especially in markets with high barriers to entry," says a participant, who expects prices to rise as a result.

One attraction for investors is this segment's ability to perform well even amid the recent recession and the current slow-moving economic recovery. As shown in Table SSL-1, surveyed investors expect the select-service segment to post the second-highest property value growth over the next 12 months – just slightly behind the luxury segment.

While the appeal of these assets could lead to overbuilding, supply growth has been limited for now and will likely allow operators to become more aggressive with ADRs. Higher ADRs are also allowing some investors to buy "worn" select-service assets in strong markets that need to be renovated to a their competitive edge. ✦

Table SSL-1
EXPECTED VALUE CHANGE*
Survey Lodging Markets

Segment	Range	Average
Full Service	(10.0%) to 20.0%	+ 2.5%
Limited-Service Midscale & Economy	0.0% to 30.0%	+ 6.3%
Luxury/Upper Upscale	(15.0%) to 20.0%	+ 5.1%
Select Service	0.0% to 15.0%	+ 5.5%

* Over the next 12 months
Source: PwC Real Estate Investor Survey

Table 35
NATIONAL SELECT-SERVICE LODGING SEGMENT
First Quarter 2012

	CURRENT	THIRD QUARTER 2011	1 YEAR AGO	2 YEARS AGO	4 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	10.00% – 15.00%	10.00% – 15.00%	10.00% – 15.00%		
Average	11.65%	11.55%	11.55%		
Change (Basis Points)		+ 10	+ 10		
OVERALL CAP RATE (OAR)[a]					
Range	5.00% – 12.00%	5.00% – 12.00%	5.00% – 12.00%		
Average	8.50%	8.40%	8.40%		
Change (Basis Points)		+ 10	+ 10		
RESIDUAL CAP RATE					
Range	5.00% – 12.00%	6.00% – 12.00%	6.00% – 12.00%		
Average	8.60%	9.00%	10.05%		
Change (Basis Points)		– 40	– 145		
AVERAGE DAILY RATE[b]					
Range	0.00% – 8.00%	0.00% – 10.00%	0.00% – 10.00%		
Average	4.80%	5.40%	5.00%		
Change (Basis Points)		– 60	– 20		
OPERATING EXPENSE[b]					
Range	1.00% – 4.00%	1.00% – 3.00%	1.00% – 3.00%		
Average	2.65%	2.50%	2.50%		
Change (Basis Points)		+ 15	+ 15		
MARKETING TIME[c]					
Range	2 – 12	2 – 12	2 – 12		
Average	7.1	6.7	6.7		
Change (▼, ▲, =)		▲	▲		

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

NATIONAL REGIONAL MALL MARKET–SELECT SURVEY RESPONSES [1]

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PUBLIC REAL ESTATE COMPANY ✦ Forecast Period: 10 years Mainly uses DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects overall cap rates to hold steady over the next six months.	1.0% to 2.0%	1.0%	3.0%	6.00% to 8.00%	1.0%	7.75% to 10.00%	6.00% to 8.00%	6	75.0%	4.0% to 10.0%	Does not use	12
INVESTMENT BANKER ✦ Forecast Period: 10 years Relies on DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; retail sales based on historical and market analysis; typical sales growth per market per year is at the inflation rate (CPI); expects overall cap rates to hold steady over the next six months.	3.0%	3.0%	3.0%	5.75% to 10.00%	1.5%	6.75% to 12.00%	5.50% to 10.50%	6 to 12	65.0% to 75.0%	7.5% to 10.0%	$0.25 to $0.50	3 to 9
REIT ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; no longer uses rent spikes.	2.0%	3.0%	3.0%	5.00% to 9.00%	0.5%	8.00% to 10.00%	5.00% to 9.00%	6 to 8	75.0% to 80.0%	3.0% to 4.0%	$0.20 to $0.25	6 to 18
PUBLIC C CORP ✦ Forecast Period: 7 to 10 years Mainly uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; free rent is no longer awarded; does not use rent spikes.	1.0% to 2.0%	2.0% to 3.0%	2.0% to 3.0%	6.00% to 9.25%	1.0% to 3.0%	9.25% to 12.00%	6.25% to 8.50%	3 to 9	70.0% to 75.0%	5.0% to 7.0%	$0.25 to $0.50	3 to 6
INVESTMENT BANKER ✦ Forecast Period: 7 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 2.0%	0.0% to 2.0%	2.0% to 3.5%	6.25% to 12.00%	1.0%	8.75% to 14.00%	5.75% to 10.00%	6 to 10	60.0% to 75.0%	3.0% to 9.0%	$0.25	4 to 10
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses mainly DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	(2.0%) to 3.0%	2.0% to 4.0%	1.0% to 4.0%	5.25% to 7.75%	0.5% to 2.5%	5.25% to 7.75%	4.75% to 7.50%	3 to 20	50.0% to 75.0%	5.0% to 10.0%	$0.20 to $0.50	6 to 12

Source: Personal survey conducted by PwC during January 2012; (1) relates to Class A+, A, B+, and B malls

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NATIONAL POWER CENTER MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
REALTY ADVISOR ✦ Forecast Period: 3 to 6 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	0.0% Year 1; 1.0% to 2.0% Year 2; 2.0% Year 3	3.0%	2.0% to 3.0%	6.00% to 8.00%	1.5% to 2.5%	6.00% to 10.00%	7.00% to 8.75%	9 to 12	60.0% to 75.0%	5.0% to 10.0%	$0.20 to $0.25	9 to 12
PENSION FUND ADVISOR ✦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% Year 1; 1.0% to 2.0% Year 2; 3.0% Year 3	3.0%	3.0%	6.50% to 8.25%	1.0% to 2.0%	7.00% to 8.55%	6.25% to 8.00%	6 to 12	65.0% to 75.0%	5.0% to 10.0%	Does not use	4 to 8
INSTITUTIONAL INVESTOR ✦ Forecast Period: 10 years Primarily interested in high-credit deals; uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions.	0.0% to 2.0%	2.5% to 3.0%	2.5% to 3.0%	7.00% to 7.50%	1.5% to 2.0%	7.50% to 8.50%	6.50% to 7.00%	6 to 12	60.0% to 65.0%	5.0% to 8.0%	$0.20 to $0.30	3 to 9
INVESTMENT BANKER ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; prefers urban areas with easy access and good anchor tenancy; credit is key; uses a rent spike of 5.0% in year 5.	0.0% to 3.0% Years 1 & 2	2.0% to 3.0%	1.0% to 3.0%	7.75% to 9.00%	2.0%	8.00% to 11.00%	6.50% to 8.00%	6 to 10	60.0% to 75.0%	5.0% to 10.0%	$0.10 to $0.20	6 to 9
INVESTMENT ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use rent spikes; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 3.0% Year 1; 1.5% to 3.0% Year 2	3.0%	3.0%	6.25% to 8.00%	1.0% to 2.0%	7.50% to 9.00%	6.50% to 9.00%	6 to 10	65.0% to 75.0%	5.0% to 10.0%	$0.20 to $0.40	3 to 6

Source: Personal survey conducted by PwC during January 2012.

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NATIONAL STRIP SHOPPING CENTER MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PRIVATE INVESTOR ✦ Forecast Period: 10 years Relies on direct capitalization; shifting away from DCF; uses effective rents; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve.	0.0% to 2.0%	3.0% to 4.0%	2.0% to 3.0%	8.00% to 9.00%	3.0%	9.00% to 10.00%	8.00% to 9.00%	6 to 12	70.0%	5.0% to 20.0%	$1.00 to $2.00	2 to 6
INVESTMENT BANKER ✦ Forecast Period: 10 years Does extensive sensitivity analysis on residual cap rates, growth rates, and initial market rents; retail sales based on both historical and market analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	3.0%	3.0%	3.0%	6.50% to 10.00%	2.0% to 3.0%	7.00% to 10.00%	6.00% to 9.00%	6 to 12	60.0% to 70.0%	7.5% to 12.5%	$0.15 to $0.30	4 to 10
INSTITUTIONAL INVESTOR ✦ Forecast Period: 10 years Invests primarily in 200,000- to 400,000-square-foot, well-anchored community centers and good credit quality anchored power centers; relies on DCF; uses face rents and reflects concessions when they are scheduled to occur.	2.0% to 3.0%	2.5% to 3.0%	2.5% to 3.0%	6.00% to 7.00%	2.0% to 2.5%	7.00% to 8.00%	5.50% to 6.00%	6 to 9	60.0% to 70.0%	5.0% to 10.0%	$0.15 to $0.25	3 to 6
PRIVATE INVESTOR ✦ Forecast Period: 4 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 1.0%	3.0% to 5.0%	3.0% to 5.0%	7.50% to 10.00%	1.0% to 2.0%		7.00% to 9.00%	6 to 12	60.0% to 80.0%	8.0% to 12.0%	$0.25 to $0.35	6 to 9
REIT ✦ Forecast Period: 10 years Primarily uses direct capitalization in valuing assets; also uses yield capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	1.0% to 3.0%	3.0%	3.0% to 4.0%	7.50% to 8.50%	2.0% to 3.0%	8.00% to 9.00%	5.50% to 9.00%	12 to 24	67.0% to 75.0%	3.0% to 7.0%	$0.15 to $0.20	3 to 6
DOMESTIC PENSION FUND ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	2.0% to 5.0%	3.0%	3.0%	6.50% to 8.00%	1.0% to 3.0%	7.00% to 9.00%	5.50% to 7.50%	6 to 12	60.0% to 75.0%	1.0% to 5.0%	$0.10 to $0.25	6 to 12
PENSION FUND ADVISOR ✦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0%	3.0%	3.0%	6.25% to 7.25%	1.0% to 3.0%	7.00% to 8.00%	6.25% to 7.25%	6	65.0% to 75.0%	6.0% to 8.0%	$0.10 to $0.20	3 to 4

Source: Personal survey conducted by PwC during January 2012.

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NATIONAL CBD OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses mainly DCF analysis; in direct cap, capitalizes NOI before tenant improvements, leasing commissions, and capital replacement reserve; may use rent spikes.	(1.0%) to 9.0%	2.0% to 4.0%	1.0% to 4.0%	5.50% to 11.00%	0.5% to 2.5%	5.50% to 11.00%	4.50% to 10.00%	3 to 20	50.0% to 75.0%	5.0% to 10.0%	$0.20 to $0.50	6 to 12
INVESTMENT BANKER ✦ Forecast Period: 10 years Real cash-on-cash rate (after capital expenditures) is more important than IRR; uses face rents and reflects concessions when they are scheduled to occur.	3.0% Years 1 to 3	3.0%	3.0%	6.50% to 9.00%	1.5% to 2.5%	7.00% to 9.50%	5.50% to 9.00%	6 to 12	60.0% to 75.0%	7.5% to 12.5%	$0.20 to $0.50	4 to 10
PUBLIC REAL ESTATE COMPANY ✦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 10.0% in years 2 and 3.	0.0% to 5.0% Year 1; 2.0% to 10.0% Year 2	2.0% to 3.0%	2.0% to 3.0%	6.50% to 8.00%	1.0% to 1.5%	6.50% to 8.50%	5.00% to 8.00%	6 to 12	60.0% to 70.0%	5.0% to 8.0%	Does not use	2 to 6
PENSION FUND ADVISOR ✦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 5.0% in year 3 and 6.0% in year 4.	0.0%	3.0%	3.0%	6.00% to 7.00%	1.0% to 2.0%	7.00% to 7.75%	5.50% to 6.50%	6 to 9	65.0% to 75.0%	7.0%	$0.20 to $0.30	4 to 8
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 5 to 10 years Uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that overall cap rates will increase up to 50 basis points over the next six months.	0.0% to 2.0% Year 1; 1.0% to 2.0% Year 2	2.0% to 3.0%	2.0% to 3.0%	7.25% to 8.25%	2.0% to 2.5%	9.00% to 10.00%	8.00% to 9.00%	6 to 12	60.0% to 75.0%	5.0% to 9.0%	$0.20 to $0.25	8 to 12
PUBLIC C CORP ✦ Forecast Period: 5 to 10 years Mainly uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; no longer uses a rent spike.	1.0% to 3.0%	2.0% to 3.0%	2.0% to 3.0%	5.50% to 7.50%	1.0% to 3.0%	9.00% to 11.00%	5.50% to 7.00%	3 to 6	70.0% to 75.0%	5.0% to 7.0%	$0.25 to $0.50	3 to 6

Source: Personal survey conducted by PwC during January 2012.

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NATIONAL SUBURBAN OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
REAL ESTATE ADVISOR ✦ Forecast Period: 5 to 10 years Uses DCF and face rents; prefers 24-hour cities across the country; uses a rent spike of 5.0% in year 3, 6.0% in year 4and 7.0% in years 5 and 6, uses effective rents in DCF analysis.	1.0% to 3.0%	3.0%	2.5% to 3.0%	6.50% to 7.50%	1.0%	6.50% to 8.00%	5.50% to 7.00%	6 to 14	60.0%	2.0%	$0.15 to $0.25	6 to 12
INVESTMENT BANKER ✦ Forecast Period: 10 years Real cash-on-cash rate (after capital expenditures) is more important than IRR; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	3.0%	3.0%	3.0%	7.00% to 9.00%	2.0%	8.00% to 10.00%	7.00% to 9.00%	6 to 12	60.0% to 70.0%	7.5% to 12.5%	$0.15 to $0.25	6 to 12
REAL ESTATE ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 5.0% to 7.0% in year 4.	0.0% to 3.0%	3.0%	3.0%	6.50% to 8.25%	1.0% to 4.0%	7.75% to 9.25%	6.00% to 8.00%	6 to 12	50.0% to 70.0%	3.0% to 8.0%	$0.25 to $0.50	6 to 18
PUBLIC REAL ESTATE COMPANY ✦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; prefers coastal markets.	0.0% to 3.0%	2.0% to 3.0%	2.0% to 3.0%	7.00% to 8.50%	1.0%	7.00% to 9.00%	6.00% to 9.00%	9 to 12	55.0% to 70.0%	5.0% to 9.0%	Does not use	3 to 6
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 5 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 4.0% in year 3 and 5.0% in year 4.	2.0% to 3.0%	3.0%	3.0%	7.50% to 8.50%	2.0% to 3.0%	8.00% to 9.50%	8.00% to 9.00%	9	65.0% to 75.0%	6.0%	$0.20 to $0.30	3 to 6
DOMESTIC PENSION FUND ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 3.0%	3.0%	3.0%	7.00% to 8.00%	1.0% to 3.0%	7.50% to 9.00%	5.50% to 8.00%	6 to 15	65.0% to 75.0%	0.0% to 3.0%	$0.10 to $0.25	6 to 12
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses mainly DCF analysis; in direct cap, capitalizes NOI before tenant improvements, leasing commissions, and capital replacement reserve; does not use rent spikes.	(1.0%) to 4.0%	2.0% to 4.0%	1.0% to 4.0%	6.00% to 11.00%	0.5% to 2.5%	6.00% to 11.00%	5.00% to 10.00%	3 to 20	50.0% to 75.0%	5.0% to 10.0%	$0.20 to $0.50	6 to 12

Source: Personal survey conducted by PwC during January 2012.

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ATLANTA OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
INSTITUTIONAL INVESTOR ✦ Forecast Period: 5 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses effective rent after all concessions are extracted.	1.0% to 2.0% Years 1 & 2	2.0% to 3.0%		7.00% to 8.00% (CBD); 7.50% to 8.50% (suburbs)	1.0% to 1.5%	8.00% to 9.50% (CBD); 8.50% to 10.00% (suburbs)	7.50% to 8.00% (CBD); 8.00% to 9.00% (suburbs)	6 to 9	65.0% to 70.0%	8.0% to 10.0%	$0.15 to $0.25	3 to 4
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions.	0.0% Years 1 & 2	3.0%	2.5% to 3.0%	8.00% to 9.00% (CBD); 9.00% to 9.50% (suburbs)	3.0% to 4.0%	8.00% to 9.50% (CBD); 8.50% to 10.50% (suburbs)	7.00% to 8.50% (CBD); 8.75% to 9.00% (suburbs)	8 to 10	60.0% to 65.0%	8.0% to 10.0%	$0.20 to $0.25	10 to 12
INVESTMENT BANKER ✦ Forecast Period: 5 to 10 years Prefers DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 4.5% in year 3, 5.0% in year 4, and 4.0% in year 5.	0.0% to 1.5%	1.0% to 1.5%	1.0% to 2.0%	7.00% to 8.50% in both CBD & suburbs	1.0% to 3.0%	8.00% to 10.50% (CBD); 8.00% to 11.00% (suburbs)	7.00% to 8.50% (CBD); 7.00% to 9.00% (suburbs)	6 to 9	65.0% to 75.0%	5.0% to 7.0%	$0.10 to $0.25	2 to 5
LIFE INSURANCE COMPANY ✦ Forecast Period: 4 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur.	0.0% Years 1 & 2; 0.0% to 7.0% Year 3	0.0% to 3.0%	1.0% to 3.0%	7.00% to 10.00% (CBD); 8.00% to 10.00% (suburbs)	1.0% to 2.0%	8.00% to 10.00% (CBD); 8.50% to 11.00% (suburbs)	7.00% to 9.00% in both CBD & suburbs	5 to 10	50.0% to 70.0%	5.0% to 10.0%	$0.25 to $0.75	4 to 7
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses DCF, direct capitalization, and sales comparison approach; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	(1.0%) to 0.0% Year 1; 0.0% to 1.0% Year 2	3.0%	3.0%	8.00% to 9.00% in both CBD & suburbs	1.0% to 2.0%	7.75% to 9.25% (CBD); 8.00% to 9.25% (suburbs)	8.00% to 9.00% (CBD); 8.00% to 9.25% (suburbs)	9 to 12	65.0%	7.0% to 10.0%	$0.15 to $0.25	9 to 12

Source: Personal survey conducted by PwC during January 2012.

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BOSTON OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	3.0% to 4.0%	3.0%	3.0%	6.50% to 8.00% (CBD); 7.00% to 8.50% (suburbs)	2.0% to 3.0%	6.75% to 8.00% (CBD); 7.50% to 8.50% (suburbs)	5.25% to 7.50% (CBD); 6.00% to 8.00% (suburbs)	6 to 8	65.0% to 70.0%	4.0% to 6.0%	$0.20 to $0.25	10 to 12
PENSION FUND ADVISOR ✦ Forecast Period: 3 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	0.0% to 1.0%	3.0% to 4.5%	3.0% to 5.0%	7.00% to 9.50% (CBD); 8.00% to 12.00% (suburbs)	1.0% to 2.0%	9.00% to 12.00% (CBD); 10.00% to 14.00% (suburbs)	7.00% to 9.50% (CBD); 8.00% to 12.00% (suburbs)	6 to 24	40.0% to 70.0%	4.0% to 5.0%	$0.15 to $0.50	2 to 12
VALUE-ADD INVESTOR ✦ Forecast Period: 3 to 5 years Uses DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	0.0% Year 1; 0.0% to 3.0% Year 2	0.0% to 3.0%	3.0%	6.50% to 10.50% (CBD); 7.00% to 10.50% (suburbs)	2.5%	9.00% to 12.00% (CBD); 10.00% to 15.00% (suburbs)	7.50% to 10.50% (CBD); 8.00% to 11.00% (suburbs)	9 to 12	65.0%	6.0%	$0.15 to $0.25	6 to 12
INVESTMENT ADVISOR ✦ Forecast Period: 5 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a minor rent spike in certain instances.	0.0% Year 1; 0.0% to 4.0% Year 2	3.0%	3.0%	7.00% to 8.50% (CBD); 7.50% to 9.00% (suburbs)	1.5%	8.00% to 10.00% in both CBD & suburbs	7.00% to 8.00% (CBD); 8.00% to 10.00% (suburbs)	9 to 12	65.0% to 75.0%	5.0% to 10.0%	$0.20 to $0.40	3 to 6
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 4.0% in year 3 and 5.0% in years 4 and 5.	2.0%	3.0%	3.0%	7.00% to 7.50% (CBD); 7.50% to 7.75% (suburbs)	2.0%	8.00% to 8.25% (CBD); 8.50% to 8.75% (suburbs)	7.00% (CBD); 7.25% to 7.50% (suburbs)	6 to 9	65.0%	5.0%	$0.15	6
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 10 years Uses mainly direct capitalization; major focus is on the initial cash-on-cash return; typically extends forecast period to capture impact of all lease expirations; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 3.0%	3.0%	3.0%	6.00% to 6.50% (CBD); 8.50% to 10.00% (suburbs)	1.3%	8.00% to 8.25% (CBD); 10.00% to 11.00% (suburbs)	5.75% to 6.00% (CBD); 8.50% to 9.25% (suburbs)	7 to 8	70.0%	4.0%	Does not use	4 to 6

Source: Personal survey conducted by PwC during January 2012.

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CHARLOTTE OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
LIFE INSURANCE COMPANY ✦ Forecast Period: 8 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; expects overall cap rates to hold steady over the next six months.	0.0%	3.0%	1.0% to 3.0%	7.50% to 9.00% in both CBD & suburbs	1.0% to 1.5%	8.00% to 9.00% in both CBD & suburbs	7.50% to 8.75% (CBD); 7.50% to 9.00% (suburbs)	6 to 12	65.0% to 70.0%	7.0% to 15.0%	$0.10 to $0.25	6 to 12
INVESTMENT MANAGER ✦ Forecast Period: 3 to 4 years Uses all three approaches to value; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects overall cap rates to hold steady over the next six months.	0.0%	3.0%	3.0%	7.00% to 8.00% (CBD); 7.75% to 8.25% (suburbs)	2.0% to 2.5%	8.00% to 10.00% (CBD); 9.00% to 11.00% (suburbs)	6.50% to 8.00% (CBD); 7.50% to 9.00% (suburbs)	9	70.0% to 85.0%	8.0%	$0.10	3 to 9
PENSION FUND ADVISOR ✦ Forecast Period: 5 years Mainly uses DCF analysis, sales comparison approach, and cost approach; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	0.0%	2.0%	2.0%	9.00% to 10.00% in both CBD & suburbs	1.0% to 1.5%	8.00% to 10.00% in both CBD & suburbs	8.00% to 9.00% (CBD); 8.50% to 9.50% (suburbs)	8	60.0%	10.0%	$0.15 to $0.25	6
INSTITUTIONAL INVESTOR ✦ Forecast Period: 5 to 10 years Mainly uses DCF analysis and sales comparison approach; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; prefers the CBD; does not use rent spikes.	2.0% to 3.0%	2.5% to 3.0%		7.00% to 7.50% (CBD); 7.75% to 8.50% (suburbs)	1.0% to 1.5%	8.00% to 8.75% (CBD); 9.00% to 10.00% (suburbs)	7.00% to 7.50% (CBD); 8.00% to 9.00% (suburbs)	7 to 9	65.0% to 75.0%	5.0% to 8.0%	$0.15 to $0.25	2 to 4
VALUE-ADDED INVESTOR ✦ Forecast Period: 3 to 5 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use rent spikes; expects overall cap rates to hold steady over the next six months.	0.0%	3.0%		7.50% to 8.25% (CBD); 8.25% to 9.25% (suburbs)	1.0% to 2.0%	10.00% to 11.00% (CBD); 11.50% to 12.25% (suburbs)	7.75% to 8.00% (CBD); 8.50% to 9.25% (suburbs)	9	65.0% to 70.0%	10.0%	$0.20 to $0.25	3 to 4
PRIVATE INVESTOR ✦ Forecast Period: 1 to 10 years Mainly uses DCF analysis; in direct capitalization, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; believes that market conditions are neutral.	0.0% to 5.0%	2.0% to 4.0%	2.0% to 4.0%	6.00% to 9.00% (CBD); 7.00% to 9.00% (suburbs)	1.0% to 2.0%	8.00% to 10.00% (CBD); 8.00% to 12.00% (suburbs)	6.00% to 8.00% (CBD); 7.00% to 9.00% (suburbs)	12	60.0% to 80.0%	10.0% to 15.0%	$0.15 to $0.40	3 to 9

Source: Personal survey conducted by PwC during January 2012.

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CHICAGO OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
LIFE INSURANCE COMPANY ✦ Forecast Period: 5 to 10 years Relies mainly on DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 5.0% in years 3 and 4.	0.0% Years 1 & 2	3.0%	2.5% to 3.0%	7.00% to 9.00% (CBD); 7.50% to 9.50% (suburbs)	2.0% to 3.0%	7.50% to 8.50% (CBD); 8.00% to 9.50% (suburbs)	6.50% to 10.00% (CBD); 7.50% to 10.50% (suburbs)	9 to 12	60.0% to 75.0%	10.0% to 15.0%	$0.25 to $0.50	4 to 9
REAL ESTATE ADVISOR ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	0.0%	2.0% to 3.0%	2.0%	6.50% to 9.00% (CBD); 7.50% to 9.50% (suburbs)	1.5% to 2.3%	8.00% to 10.50% (CBD); 9.00% to 12.50% (suburbs)	6.50% to 9.00% (CBD); 8.00% to 11.00% (suburbs)	9 to 12	60.0% to 70.0%	10.0% to 12.0%	$0.25 to $0.50	4 to 6
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 10 years Uses mainly direct capitalization; major focus is on the initial cash-on-cash return; typically extends forecast period to capture impact of all lease expirations; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	(10.0%) to 0.0%	3.0%	3.0%	7.00% to 7.50% (CBD); 10.00% to 11.00% (suburbs)	1.5%	8.50% to 9.00% (CBD); 11.00% to 12.00% (suburbs)	7.00% (CBD); 10.00% to 11.00% (suburbs)	10	75.0% to 85.0%	8.0%	Does not use	4 to 8
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 3 to 7 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents; does not use rent spikes.	0.0% Years 1 to 3	3.0%	3.0%	7.00% to 8.00% (CBD); 8.00% to 9.00% (suburbs)	1.0% to 3.0%	8.00% to 9.00% (CBD); 8.50% to 10.00% (suburbs)	8.00% to 9.00% (CBD); 8.50% to 10.00% (suburbs)	9	65.0% to 70.0%	10.0%	$0.15 to $0.20	12
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	0.0%	3.0%	3.0%	6.50% to 7.50% (CBD); 8.00% to 9.50% (suburbs)	0.3% to 1.0%	6.50% to 8.00% (CBD); 8.50% to 10.00% (suburbs)	5.75% to 6.50% (CBD); 8.00% to 10.00% (suburbs)	6 to 12	65.0% to 70.0%	5.0% to 8.0%	$0.15 to $0.25	6 to 12
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 7 to 10 years Mainly uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	1.0% to 2.0%	3.0%	3.0%	7.50% to 8.50% (CBD)	2.0%	9.00% to 10.00% (CBD)	7.00% to 8.00% (CBD)	8 to 12	60.0% to 75.0%	7.0% to 10.0%	$0.20 to $0.25	6 to 9

Source: Personal survey conducted by PwC during January 2012.

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DALLAS OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
REIT ✦ Forecast Period: 5 to 10 years Relies on DCF; also uses direct capitalization and sales comparison approach; uses face rents; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	0.0% to 3.0%	2.5% to 3.0%	3.0%	8.50% to 9.50% (suburbs)	3.0%	11.00% (suburbs)	10.00% (suburbs)	4 to 10	75.0% to 90.0%	0.0% to 10.0%	$0.25	3 to 24
REAL ESTATE ADVISOR ✦ Forecast Period: 5 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that this market is neutral, equally favoring sellers and buyers.	0.0% to 3.0%	3.0%	3.0%	8.00% to 8.50% (CBD); 8.50% to 9.00% (suburbs)	2.0% to 3.0%	8.00% (CBD); 9.00% to 9.50% (suburbs)	7.50% to 8.00% (CBD); 8.00% to 8.75% (suburbs)	9 to 12	70.0%	5.0%	$0.25 to $0.35	3 to 5
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes; uses face rents and reflects concessions when they are scheduled to occur.	3.0%	3.0%	3.0%	7.00% to 8.50% (CBD); 7.50% to 9.00% (suburbs)	2.0% to 3.0%	7.50% to 8.50% (CBD); 8.00% to 9.00% (suburbs)	5.75% to 8.00% (CBD); 6.50% to 8.00% (suburbs)	6 to 8	65.0% to 70.0%	6.0% to 10.0%	$0.20 to $0.25	10 to 12
PENSION FUND ADVISOR ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur.	3.0% to 5.0%	3.0%	3.0%	7.00% to 8.00% (CBD); 7.75% (suburbs)	1.5% to 2.0%	8.00% to 9.75% (CBD); 8.25% to 8.75% (suburbs)	7.00% to 8.50% (CBD); 7.00% to 11.00% (suburbs)	8 to 12	70.0%	4.0% to 8.5%	$0.15	
PRIVATE INVESTOR ✦ Forecast Period: 3 to 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 2.0%	1.0% to 2.0%	2.0% to 3.0%	7.00% to 8.00% (CBD); 8.00% to 9.00% (suburbs)	1.5% to 2.0%	8.00% to 10.00% (CBD); 10.00% to 12.00% (suburbs)	7.00% to 8.00% (CBD); 8.00% to 9.00% (suburbs)	3 to 6	60.0% to 75.0%	3.0% to 7.0%	$0.15 to $0.25	3 to 6
LIFE INSURANCE COMPANY ✦ Forecast Period: 4 to 8 years Uses both DCF and direct capitalization; also looks at discount to replacement cost; relies on DCF; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions.	0.0%	3.0%	3.0%	8.00% to 10.00% in both CBD & suburbs	1.0% to 2.0%	8.00% to 11.00%(CBD); 8.00% to 10.00% (suburbs)	7.00% to 9.00% (CBD); 7.00% to 9.00% (suburbs)	4 to 9	50.0% to 65.0%	6.0% to 10.0%	$0.25 to $0.50	4 to 6

Source: Personal survey conducted by PwC during January 2012.

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DENVER OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PRIVATE INVESTOR ✦ Forecast Period: 5 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; no longer uses a rent spike; uses face rents and reflects concessions when they are scheduled to occur.	0.0% Year 1; 3.0% Year 2	3.0%	3.0%	8.50% to 11.00% (suburbs)	1.0% to 2.0%	11.50% to 14.00% (suburbs)	9.00% to 11.00% (suburbs)	10 to 15	60.0% to 70.0%	10.0% to 15.0%	$0.25	3 to 9
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 3 to 7 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 5.0% in years 2, 3, and 4.	5.0%	3.0%	2.0% to 2.5%	6.50% to 8.00% (CBD); 8.00% to 9.00% (suburbs)	1.0% to 3.0%	7.50% to 9.00% (CBD); 8.50% to 10.00% (suburbs)	6.00% to 7.50% (CBD); 7.00% to 9.00% (suburbs)	6 to 7	75.0%	7.0% to 9.0%	$0.15 to $0.25	2 to 4
REIT ✦ Forecast Period: 1 to 11 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; believes market conditions equally favor sellers and buyers.	1.0% to 3.0% Year 1; 2.0% to 4.0% Year 2	3.0%	0.0%	7.00% to 8.00% (CBD); 8.00% to 9.00% (suburbs)	2.0%	9.00% (CBD); 10.00% (suburbs)	7.00% to 8.00% (CBD); 8.00% to 9.00% (suburbs)	7 to 12	75.0%	0.0% to 3.0%	$0.10 to $0.20	4 to 6
PENSION FUND INVESTOR ✦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that market conditions currently favor buyers.	(20.0%) to 2.0% Year 1; (5.0%) to 3.0% Year 2	3.0%	3.0%	7.50% (CBD); 8.00% (suburbs)	1.5% to 2.0%	7.75% (CBD); 8.00% to 8.50% (suburbs)	6.75% to 7.00% (CBD); 7.50% (suburbs)	6 to 9	65.0% to 70.0%	7.0%	Does not use	6
PRIVATE INVESTMENT FIRM ✦ Forecast Period: 3 to 8 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0%	3.0%	3.0%	8.00% to 9.00% (CBD); 9.00% to 10.00% (suburbs)	1.5% to 3.0%	10.00% to 12.00% (CBD); 12.00% to 15.00% (suburbs)	8.50% to 10.50% (suburbs)	6 to 12	60.0% to 70.0%	5.0% to 10.0%	$0.15 to $0.25	4 to 12

Source: Personal survey conducted by PwC during January 2012.

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HOUSTON OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
REIT ✦ Forecast Period: 5 to 10 years Relies on DCF; also uses direct capitalization and sales comparison approach; uses effective rents; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	3.0% Years 1 to 3	2.0%	3.0%	5.00% to 8.00% (CBD); 8.00% to 10.00% (suburbs)	2.0% to 6.0%	8.00% to 12.00% (CBD)	6.00% to 10.00% (CBD); 8.00% to 12.00% (suburbs)	5 to 10	75.0% to 90.0%	5.0% to 10.0%	$0.15 to $0.20	6 to 12
LIFE INSURANCE COMPANY ✦ Forecast Period: 3 to 7 years Uses both DCF and direct capitalization; also looks at discount to replacement cost; relies on DCF; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 4.0% Year 1; 2.0% to 4.0% Year 2	2.0% to 3.0%	3.0%	8.00% to 9.00% in both CBD & suburbs	1.0% to 2.0%	8.00% to 10.00% (CBD); 8.00% to 11.00% (suburbs)	7.00% to 9.00% (CBD); 7.00% to 9.00% (suburbs)	5 to 10	50.0% to 70.0%	5.0% to 10.0%	$0.25 to $0.75	3 to 5
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur.	3.0%	3.0%	3.0%	6.50% to 7.50% (CBD); 7.00% to 8.50% (suburbs)	2.0% to 3.0%	7.00% to 8.50% (CBD); 7.50% to 8.50% (suburbs)	5.50% to 7.50% (CBD); 6.50% to 8.00% (suburbs)	7 to 10	65.0%	7.0% to 9.0%	$0.20 to $0.25	10 to 12
PENSION FUND ADVISOR ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur.	0.0% Year 1; 3.0% Years 2 & 3	3.0%	3.0%	8.00% to 8.50%(CBD); 8.25% (suburbs)	1.0% to 1.5%	9.00% to 9.75% (CBD); 9.25% to 9.75% (suburbs)	7.00% to 8.00% (CBD); 8.50% to 8.75% (suburbs)	6 to 12	65.0% to 70.0%	4.0% to 5.0%	$0.15	4 to 6
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 3 to 7 years Uses both DCF analysis and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that market conditions currently favor buyers; uses a rent spike of 5.0% in years 2 and 3.	0.0% to 3.0%	2.0% to 3.0%	2.0% to 3.0%	7.00% to 9.50% (CBD); 7.50% to 11.00% (suburbs)	1.0% to 3.0%	8.00% to 12.00% (CBD); 9.00% to 14.00% (suburbs)	6.50% to 10.00% (CBD); 7.00% to 11.00% (suburbs)	6 to 12	65.0% to 75.0%	7.0% to 15.0%	$0.15 to $0.30	6 to 12

Source: Personal survey conducted by PwC during January 2012.

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LOS ANGELES OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
INVESTMENT ADVISOR ✦ Forecast Period: 1 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that market conditions equally favor buyers and sellers.	4.8%	3.0%	3.0%	6.00% to 8.00% in both CBD & suburbs	0.5% to 2.0%	7.00% to 9.00% in both CBD & suburbs	6.00% to 8.00% in both CBD & suburbs	6 to 12	75.0% to 80.0%	5.0%	$0.10 to $0.25	1 to 2
REAL ESTATE COMPANY ✦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 10.0% in year 4.	1.0% to 6.0%	2.0% to 3.0%	2.0% to 3.0%	7.00% to 8.50% (CBD); 6.50% to 8.50% (suburbs)	1.0% to 1.5%	7.50% to 9.00% (CBD); 6.75% to 9.00% (suburbs)	7.00% to 8.50% (CBD); 6.00% to 8.50% (suburbs)	9 to 12	60.0% to 70.0%	5.0% to 8.0%	Does not use	3 to 6
INVESTMENT BANKER ✦ Forecast Period: 5 to 10 years Prefers DCF analysis; also uses direct cap; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 5.0% in year 5.	0.0% to 3.0%	1.0% to 3.0%	1.0% to 3.0%	8.00% to 9.00% in both CBD & suburbs	2.0%	9.00% to 11.00% in both CBD & suburbs	6.00% to 8.00% (CBD); 6.50% to 8.00% (suburbs)	4 to 9	65.0% to 75.0%	5.0% to 10.0%	$0.10 to $0.25	4 to 9
PENSION FUND ADVISOR ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses a rent spike of 5.0% in year 3, 7.0% in years 4 and 5, and 5.0% in year 6.	0.0% to 3.0%	3.0%	3.0%	6.00% to 6.75% (CBD); 6.50% to 7.50% (suburbs)	1.0% to 2.0%	6.50% to 7.75% (CBD); 7.00% to 8.50% (suburbs)	4.50% to 6.00% (CBD); 6.75% to 7.50% (suburbs)	8	70.0%	1.0%	$0.15 to $0.30	3 to 8
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Relies primarily on DCF; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	0.0%	3.0%	3.0%	7.00% to 9.00% (CBD); 7.25% to 9.00% (suburbs)	1.0% to 5.0%	7.50% to 9.50% (CBD); 8.00% to 9.50% (suburbs)	5.75% to 7.25% (CBD); 6.25% to 8.00% (suburbs)	6 to 12	60.0% to 65.0%	5.0% to 10.0%	$0.15 to $0.25	4 to 6
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes.	3.0%	3.0%	2.0% to 3.0%	6.00% to 8.00% (CBD); 6.50% to 8.25% (suburbs)	2.0% to 3.0%	7.00% to 8.25% (CBD); 7.50% to 8.75% (suburbs)	5.50% to 7.00% (CBD); 6.00% to 7.50% (suburbs)	6 to 8	65.0% to 75.0%	4.0% to 6.0%	$0.20 to $0.25	10 to 12

Source: Personal survey conducted by PwC during January 2012.

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MANHATTAN OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
INVESTMENT BANKER ✦ Forecast Period: 10 years Strongest interest is in Midtown; uses both DCF and direct capitalization; may use a rent spike of 7.5% in years 1 to 3; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	3.0% to 7.5%	3.0%	3.0%	6.00% to 7.00%	4.0%	7.00% to 8.50%	4.50% to 5.75%	6 to 8	65.0% to 75.0%	5.0% to 10.0%	$0.15 to $0.25	3 to 6
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 10 years Uses mainly direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; may use a rent spike of 10.0% in years 2 and 3.	3.0% to 10.0%	3.0%	3.0%	5.00% to 5.50%	4.0%	8.00%	4.00% to 5.00%	7 to 8	70.0% to 75.0%	2.5%	Did not disclose	3
PENSION FUND ADVISOR ✦ Forecast Period: 5 to 10 years Mainly uses DCF analysis when valuing assets; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use a rent spike of 10.0% in years 1 and 2 and 7.0% in year 3.	4.0% to 10.0%	3.0%	3.0%	5.25% to 6.00%	4.0%	6.50% to 8.00%	5.25% to 6.00%	6	70.0%	5.0%	$0.20 to $0.25	3
INVESTMENT ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commission, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	3.0% to 5.0%	2.0% to 3.0%	2.0% to 3.0%	5.00% to 7.50%	1.5% to 4.5%	7.00% to 10.00%	5.00% to 8.00%	6 to 12	60.0% to 75.0%	5.0% to 10.0%	$0.15 to $0.50	3 to 6
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 to 12 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses effective rents in DCF analysis; does not use rent spikes.	3.0% to 5.0%	3.0%	3.0% to 4.0%	6.00% to 6.75%	1.0% to 3.0%	6.75% to 7.25%	5.00% to 6.00%	6 to 8	65.0% to 75.0%	5.0% to 8.0%	$0.20 to $0.50	3 to 6
REAL ESTATE ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; relies on DCF; uses face rents in DCF model, net effective rents in direct capitalization; prefers Midtown and Times Square; uses a rent spike of 4.0% in year 3.	4.0% to 5.0%	3.0%	3.0%	6.00% to 7.00%	1.5% to 2.0%	6.50% to 7.50%	4.00% to 6.00%	5 to 8	65.0%	3.0% to 6.0%	$0.20 to $0.25	4 to 6

Source: Personal survey conducted by PwC during January 2012.

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NORTHERN VIRGINIA OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
INVESTMENT BANKER ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; expects overall cap rates to hold steady over the next six months.	3.0% Years 1 to 3	3.0%	3.0%	7.75% to 9.00%	2.0%	8.25% to 9.50%	6.75% to 8.75%	6 to 12	55.0% to 65.0%	8.0% to 12.0%	$0.15 to $0.25	4 to 9
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	0.0% to 2.0%	1.5% to 3.0%	1.0% to 2.5%	7.50% to 8.50%	1.0% to 3.0%	7.50% to 9.00%	7.00% to 8.00%	9 to 12	60.0% to 75.0%	1.0% to 3.0%	$0.15 to $0.50	1 to 6
INSTITUTIONAL INVESTOR ✦ Forecast Period: 10 years Relies on DCF; also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes; expects overall cap rates to hold steady over the next six months.	1.0% to 2.0%	2.5% to 3.0%	3.0%	7.00% to 7.50%	2.0% to 3.0%	7.50% to 8.00%	6.50% to 7.00%	6 to 9	60.0% to 65.0%	3.0% to 5.0%	$0.15 to $0.25	6 to 9
PENSION FUND ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes.	0.0% Year 1; 1.5% to 3.0% Year 2	3.0%	3.0%	7.00% to 8.50%	1.0% to 4.0%	7.75% to 9.50%	7.25% to 9.00%	9	70.0%	5.0%	$0.15 to $0.25	3 to 6
REIT ✦ Forecast Period: 10 years Looks at cash-on-cash return and the growth in the return over a ten-year period; does not price properties through DCF; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	0.0% to 3.0%	3.0%	3.0%	Does not use	Does not use	Does not use	6.25% to 8.50%	8	65.0%	1.0% to 3.0%	$0.25	3 to 6

Source: Personal survey conducted by PwC during January 2012.

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PACIFIC NORTHWEST OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
INVESTMENT ADVISOR ✦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that market conditions favor sellers.	10.0% Years 1 & 2	3.0%	3.0%	6.00% to 8.00% (CBD); 7.00% to 9.00% (suburbs)	1.0%	7.00% to 9.00% in both CBD & suburbs	6.00% to 9.00% in both CBD & suburbs	6 to 8	70.0% to 85.0%	5.0%	$0.15 to $0.25	1 to 2
PRIVATE INVESTOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 2.5% Years 1 & 2	2.5% to 3.0%	1.5% to 3.0%	5.00% to 8.00% (CBD); 5.00% to 10.00% (suburbs)	2.0% to 4.0%	10.00% to 12.00% in both CBD & suburbs	7.50% to 10.00% in both CBD & suburbs	6 to 12	50.0% to 75.0%	1.0% to 2.0%	$1.00 to $2.00	6 to 12
INVESTMENT BANKER ✦ Forecast Period: 5 to 10 years Uses DCF, direct capitalization, and price per square foot; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 5.0% in year 5.	0.0% to 3.0% Year 1; 0.0% to 5.0% Year 2	1.0% to 3.0%	2.0% to 3.0%	8.00% to 9.00% in both CBD & suburbs	2.0%	9.50% to 11.00% in both CBD & suburbs	7.00% to 9.00% in both CBD & suburbs	4 to 6	65.0% to 75.0%	5.0% to 12.0%	$0.10 to $0.25	2 to 6
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; may use a rent spike of 5.0% in year 1 and 6.0% in years 2 and 3.	5.0% Year 1; 6.0% Year 2	2.5% to 3.0%	3.0%	6.50% to 8.00% (CBD)	3.0% to 3.5%	7.00% to 8.50% (CBD)	5.50% to 7.25% (CBD)	6 to 9	60.0% to 70.0%	0.0% to 2.0%	$0.20 to $0.25	1 to 6
REAL ESTATE ADVISOR ✦ Forecast Period: 5 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects cap rates to hold steady over the next six months; uses a rent spike of 5.0% in years 4 and 5.	3.0% to 5.0% Years 1 & 2	3.0%	3.0%	6.75% to 7.75% (CBD); 7.50% to 8.50% (suburbs)	3.0% to 4.0%	7.00% to 9.00% (CBD); 8.00% to 11.00% (suburbs)	6.00% to 7.00% (CBD); 7.00% to 8.00% (suburbs)	6 to 12	60.0% to 70.0%	3.0% to 5.0%	$0.15 to $0.25	3 to 6

Source: Personal survey conducted by PwC during January 2012.

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PHILADELPHIA OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PRIVATE INVESTOR ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses effective rents; expects overall cap rates to hold steady over the next six months.	0.0% to 2.0% Year 1; 1.0% to 2.0% Year 2	2.8%	3.0%	8.50% to 9.25% (CBD); 8.75% to 9.50% (suburbs)	3.0% to 4.0%	8.25% to 9.25% (CBD); 8.75% to 9.75% (suburbs)	8.00% to 8.75% (CBD); 8.50% to 9.25% (suburbs)	7 to 9	65.0% to 70.0%	8.0% to 10.0%	$0.25	6 to 9
REIT ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; focuses on suburban markets; uses effective rents; expects overall cap rates to hold steady over the next six months.	1.0% Year 1; 2.0% Year 2	3.0%	3.0%	10.00% (suburbs)	2.0%	8.50% to 10.00% (suburbs)	8.50% to 10.00% (suburbs)	6 to 8	65.0%	5.0%	$0.20	6
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 5 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects cap rates to hold steady over the next six months; uses a rent spike of 5.0% in years 3 and 4.	2.0% to 3.0%	3.0%	3.0%	7.00% to 8.00% (CBD); 8.00% to 9.00% (suburbs)	2.0% to 3.0%	8.00% to 9.00% (CBD); 9.00% to 10.00% (suburbs)	7.50% to 8.50% (CBD); 8.00% to 9.00% (suburbs)	9	65.0% to 75.0%	3.0% to 6.0%	$0.20 to $0.30	6 to 9
OPPORTUNITY FUND INVESTOR ✦ Forecast Period: 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur; prefers suburbs.	1.0% Year 1; 3.0% Year 2	3.0%	3.0%	7.50% to 8.50% (CBD); 8.50% to 9.00% (suburbs)	3.0%	8.50% to 9.50% in both CBD & suburbs	7.50% to 9.00% (CBD); 7.75% to 9.00% (suburbs)	6	65.0%	5.0%	$0.25	4 to 6
INVESTMENT BANKER ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; expects overall cap rates to hold steady over the next six months.	3.0%	3.0%	3.0%	7.50% to 9.00% (CBD); 8.00% to 9.50% (suburbs)	2.0% to 3.0%	8.50% to 9.50% (CBD); 8.50% to 10.00% (suburbs)	7.50% to 9.00% (CBD); 8.00% to 9.50% (suburbs)	6 to 9	60.0% to 65.0%	7.5% to 10.0%	$0.20 to $0.25	6 to 9

Source: Personal survey conducted by PwC during January 2012.

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PHOENIX OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PRIVATE INVESTOR ✦ Forecast Period: 5 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	0.0% Years 1 & 2	3.0%	3.0%	8.50% to 10.00% (suburbs)	1.0% to 2.0%	11.00% to 16.00% (suburbs)	8.75% to 10.50% (suburbs)	9 to 12	60.0% to 70.0%	10.0% to 15.0%	$0.20 to $0.25	3 to 6
PRIVATE INVESTMENT FIRM ✦ Forecast Period: 4 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur.	0.0% Year 1; 0.0% to 3.0% Year 2	3.0%	3.0%	8.50% to 10.00% (CBD); 9.00% to 10.00% (suburbs)	1.5% to 3.0%	10.00% to 15.00% in both CBD & suburbs	9.00% to 11.00% in both CBD & suburbs	7 to 20	60.0% to 75.0%	7.5% to 10.0%	$0.20 to $0.25	6 to 12
PUBLIC REIT ✦ Forecast Period: 7 to 10 years Uses all approaches to value; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that this market currently favors buyers; expects overall cap rates to decrease 25 to 50 basis points over the next six months.	(1.0%) to 3.0%	2.5% to 3.0%	2.5% to 3.0%	7.50% to 9.00% (CBD); 7.75% to 9.00% (suburbs)	1.0%	9.00% to 10.50% in both CBD & suburbs	8.00% to 10.50% in both CBD & suburbs	6 to 12	70.0% to 75.0%	5.0% to 10.0%	$0.15 to $0.60	3 to 6
PENSION/CORE INVESTOR ✦ Forecast Period: 5 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; believes that market conditions currently favor buyers.	0.0% Years 1 & 2	2.5%		9.00% (suburbs)	5.0%	13.00% to 15.00% (suburbs)	8.00% to 9.00% (suburbs)	8 to 12	65.0% to 70.0%	10.0% to 15.0%	Does not use	5 to 7
PRIVATE EQUITY FIRM ✦ Forecast Period: 10 to 11 years Mainly uses DCF analysis; in direct capitalization, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that market conditions favor buyers.	0.0% to 1.0% Years 1 & 2	3.0%	0.0%	8.00% to 8.50% (CBD); 8.50% to 9.50% (suburbs)	2.0%	8.00% to 9.00% (CBD); 9.00% to 10.00% (suburbs)	8.00% to 10.00% (CBD); 8.00% to 11.00% (suburbs)	8 to 10	75.0%	10.0% to 15.0%	$0.10 to $0.20	3 to 4

Source: Personal survey conducted by PwC during January 2012.

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SAN DIEGO OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PRIVATE INVESTOR ✦ Forecast Period: 3 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses a rent spike of 10.0% in year 3 in certain submarkets.	0.0% to 3.0% Year 1; 3.0% to 8.0% Year 2	3.0%	3.0%	7.50% to 9.00% (CBD); 7.00% to 8.50% (suburbs)	1.0% to 2.0%	10.00% to 12.00% (CBD); 9.50% to 11.50% (suburbs)	8.00% to 9.00% (CBD); 7.00% to 10.00% (suburbs)	9 to 12	60.0% to 70.0%	7.5% to 10.0%	$0.20 to $0.25	3 to 6
INVESTMENT ADVISOR ✦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use rent spikes in certain submarkets.	3.0% Year 1; 4.3% Year 2	3.0%	3.0%	7.00% to 9.00% in both CBD & suburbs	0.5% to 1.0%	8.00% to 10.00% in both CBD & suburbs	7.00% to 9.00% in both CBD & suburbs	9 to 10	70.0% to 85.0%	0.0% to 5.0%	$0.00 to $0.25	1 to 2
PUBLIC REAL ESTATE COMPANY ✦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 8.0% in years 4 and 5.	0.0% to 2.0% Year 1; 0.0% to 3.0% Year 2	2.0% to 3.0%	2.0% to 3.0%	7.00% to 8.50% (CBD); 6.50% to 8.00% (suburbs)	1.0% to 1.5%	7.50% to 8.50% (CBD); 7.00% to 8.00% (suburbs)	7.00% to 8.00% (CBD); 6.00% to 8.00% (suburbs)	6 to 12	60.0% to 70.0%	4.0% to 8.0%	Does not use	3 to 6
PENSION/CORE INVESTOR ✦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use rent spikes in years 4 through 7; expects overall cap rates to hold steady over the next six months.	(10.0%) to 0.0% Year 1; (5.0%) to 3.0% Year 2	3.0%	3.0%	7.00% to 7.75% (CBD); 7.50% to 8.00% (suburbs)	1.5% to 2.0%	7.50% to 8.00% (CBD); 8.00% to 8.50% (suburbs)	6.50% to 7.00% (CBD); 7.50% to 7.75% (suburbs)	9	65.0% to 70.0%	7.0%	Does not use	6 to 9
PRIVATE INVESTMENT FIRM ✦ Forecast Period: 3 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% Year 1; 3.0% Year 2	3.0%	2.5% to 3.5%	7.50% to 8.75% (CBD); 8.00% to 9.00% (suburbs)	1.5% to 3.0%	9.00% to 12.00% (CBD); 10.50% to 12.50% (suburbs)	7.75% to 9.00% (CBD); 8.00% to 9.25% (suburbs)	6 to 12	60.0% to 75.0%	5.0% to 10.0%	$0.15 to $0.25	3 to 9

Source: Personal survey conducted by PwC during January 2012.

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SAN FRANCISCO OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
INVESTMENT ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 5.0% to 10.0% in year 5.	10.0% to 15.0% Year 1	3.0%	3.0%	6.25% to 7.00% (CBD); 7.00% to 8.00% (suburbs)	1.0% to 1.5%	6.50% to 7.25% (CBD); 7.75% to 9.00% (suburbs)	5.50% to 6.50% (CBD); 6.75% to 7.75% (suburbs)	6	70.0%	5.0%	$0.25	3 to 5
PENSION FUND ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization but relies on DCF; uses face rents and reflects concessions when they are scheduled to occur; prefers the CBD; does not use rent spikes.	1.0% to 3.0%	2.0% to 3.0%	1.5% to 3.0%	6.50% to 7.50% (CBD); 7.50% to 9.00% (suburbs)	1.0% to 2.5%	7.50% to 9.00% (CBD); 8.00% to 10.00% (suburbs)	6.50% to 7.50% (CBD); 7.50% to 9.00% (suburbs)	5 to 10	60.0% to 75.0%	5.0% to 10.0%	$0.15 to $0.40	4 to 8
PENSION FUND ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use a rent spike of 10.0% in year 5.	3.0% to 5.0%	2.0% to 3.0%	2.0% to 3.0%	7.50% to 9.00% (CBD); 8.00% to 9.00% (suburbs)	2.0% to 3.5%	8.00% to 10.00% (CBD); 9.00% to 11.00% (suburbs)	6.50% to 9.00% (CBD); 7.50% to 9.50% (suburbs)	9 to 12	60.0% to 75.0%	5.0% to 10.0%	$0.25 to $0.50	6 to 9
INVESTMENT ADVISOR ✦ Forecast Period: 7 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that market conditions equally favor buyers and sellers.	15.0% Year 1	3.0%	3.0%	5.50% to 7.50% (CBD); 6.00% to 8.00% (suburbs)	0.5% to 1.0%	6.00% to 8.00% (CBD); 7.00% to 9.00% (suburbs)	5.50% to 7.50% (CBD); 6.00% to 8.00% (suburbs)	6	75.0% to 100.0%	0.0% to 5.0%	$0.00 to $0.20	1 to 2
DOMESTIC PENSION FUND ✦ Forecast Period: 10 years Prefers CBD; uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 8.0% in years 1 through 3.	5.0% to 8.0%	3.0%	3.0%	6.00% to 7.00% (CBD); 6.50% to 7.50% (suburbs)	0.5% to 2.0%	7.00% to 8.00% (CBD); 7.50% to 8.50% (suburbs)	4.90% to 5.50% (CBD); 5.50% to 7.00% (suburbs)	8 to 12	65.0% to 75.0%	1.0% to 3.0%	$0.10 to $0.25	6 to 12
REAL ESTATE COMPANY ✦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 10.0% in year 2 and 12.0% in year 3.	5.0% to 10.0%	2.0% to 3.0%	2.0% to 3.0%	6.50% to 7.50% (CBD); 7.00% to 8.00% (suburbs)	1.0% to 1.5%	6.50% to 8.00% (CBD); 7.00% to 8.50% (suburbs)	4.50% to 7.00% (CBD); 5.00% to 8.00% (suburbs)	7 to 10	60.0% to 70.0%	5.0% to 7.0%	Does not use	3 to 6

Source: Personal survey conducted by PwC during January 2012.

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SOUTHEAST FLORIDA OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 3 to 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	0.0%	3.0%	3.0%	7.25% to 10.00% (suburbs)	2.5%	8.50% to 14.00% (CBD); 10.00% to 15.00% (suburbs)	8.00% to 13.00% (CBD); 8.00% to 15.00% (suburbs)	9 to 12	65.0%	6.0% to 9.0%	$0.15 to $0.25	2 to 6
INSTITUTIONAL INVESTOR ✦ Forecast Period: 1 to 7 years Uses DCF analysis only; uses face rents and reflects concessions when they are scheduled to occur; expects overall cap rates to move up 50 to 100 basis points over the next six months.	(5.0%) to 0.0% Year 1; 0.0% to 3.0% Year 2	3.0%	3.0%	9.00% to 12.00% in both CBD & suburbs	1.0% to 3.0%	11.00% to 13.00% (CBD); 12.00% to 16.00% (suburbs)	8.50% to 12.00% (CBD); 8.50% to 13.00% (suburbs)	9 to 12	60.0% to 70.0%	7.0% to 10.0%	$0.20 to $0.50	4 to 9
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	1.0% to 3.0%	3.0%	3.0%	7.75% to 8.75% in both CBD & suburbs	1.0% to 3.0%	8.50% to 9.50% in both CBD & suburbs	7.25% to 8.00% (CBD); 8.75% to 10.50% (suburbs)	6 to 12	65.0% to 70.0%	7.0% to 11.0%	$0.10 to $0.30	6 to 9
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 4 to 8 years Uses mainly DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; uses face rents and reflects concessions when they are scheduled to occur.	(10.0%) to 0.0%	1.0% to 3.0%	1.0% to 3.0%	8.50% to 10.00% (CBD); 9.00% to 10.50% (suburbs)	1.0% to 3.0%	8.50% to 10.00% (CBD); 10.00% to 12.00% (suburbs)	7.50% to 8.50% (CBD); 8.50% to 10.00% (suburbs)	6 to 12	40.0% to 70.0%	7.0% to 13.0%	$0.20 to $0.35	6 to 18
LIFE INSURANCE COMPANY ✦ Forecast Period: 3 to 8 years Uses both DCF and direct capitalization; also looks at discount to replacement cost; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	0.0% Years 1 & 2	2.0% to 3.0%	3.0% to 5.0%	7.00% to 9.00% (CBD); 8.00% to 10.00% (suburbs)	1.0% to 2.0%	7.00% to 10.00% in both CBD & suburbs	6.00% to 8.50% (CBD); 7.00% to 9.00% (suburbs)	6 to 12	50.0% to 70.0%	5.0% to 10.0%	$0.25 to $1.00	3 to 5
REIT ✦ Forecast Period: 10 years Valuation preference is DCF analysis; also uses direct cap; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes; prefers suburbs.	0.0%	3.0%	2.0% to 3.0%	9.00% to 10.00% (suburbs)	2.0%	8.50% to 10.50% (suburbs)	9.00% to 10.00% (suburbs)	6 to 9	65.0%	5.0%	$0.20	6

Source: Personal survey conducted by PwC during January 2012.

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SUBURBAN MARYLAND OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
INVESTMENT BANKER ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	3.0% Years 1 to 3	3.0%	3.0%	7.50% to 8.50%	2.0% to 3.0%	7.50% to 9.50%	6.75% to 9.00%	6 to 12	60.0% to 70.0%	5.0% to 10.0%	$0.20 to $0.25	4 to 9
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; no longer uses rent spikes.	(2.0%) to 0.0%	2.0% to 3.0%	2.0% to 3.0%	7.50% to 9.75%	2.0% to 3.0%	7.25% to 9.00%	7.00% to 9.00%	6 to 10	60.0% to 70.0%	1.0% to 3.0%	$0.25 to $0.50	1 to 6
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	0.0% to 3.0% Year 1; 3.0% to 4.0% Year 2	3.0%	3.0%	7.50% to 8.00%	2.0% to 2.5%	8.00% to 9.00%	7.00% to 7.50%	8	70.0%	7.0%	$0.15 to $0.30	3 to 5
REIT ✦ Forecast Period: 10 years Looks at cash-on-cash return and the growth in the return over a 10-year period; does not price properties through DCF; does not use rent spikes; expects overall cap rates to increase 25 to 50 basis points over the next six months.	0.0% to 3.0% Years 1 & 2	3.0%	3.0%		2.0% to 2.5%		6.25% to 7.50%	8	65.0%	1.0% to 3.0%	$0.10 to $0.25	3 to 6
PRIVATE EQUITY FIRM ✦ Forecast Period: 3 to 7 years Mainly uses DCF analysis; in direct capitalization, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that market conditions equally favor buyers and sellers.	0.0% Years 1 to 3	0.0% to 3.0%	3.0%	8.25%	2.5%	8.50%	7.50%	9 to 12	65.0% to 75.0%	10.0%		

Source: Personal survey conducted by PwC during January 2012.

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WASHINGTON, DC OFFICE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
INVESTMENT BANKER ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	3.0% Years 1 to 3	3.0%	3.0%	6.00% to 7.00%	2.0%	7.25% to 9.00%	5.00% to 7.25%	3 to 9	65.0% to 75.0%	7.5% to 10.0%	$0.15 to $0.25	3 to 6
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	2.0% to 3.0% Year 1; 3.0% to 3.5% Year 2	1.5% to 3.0%	1.5% to 2.3%	7.00% to 8.25%	1.5% to 3.0%	7.25% to 8.75%	6.00% to 8.00%	7 to 10	60.0% to 70.0%	1.5% to 5.0%	$0.25 to $0.50	2 to 5
INSTITUTIONAL INVESTOR ✦ Forecast Period: 10 years Relies on DCF; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses present value analysis of effective rents; uses a rent spike of 5.0% in year 3.	3.0% to 4.0%	2.0% to 3.0%	2.5% to 3.0%	5.50% to 6.00%	2.0% to 2.5%	6.00% to 7.00%	5.00% to 5.50%	4 to 6	65.0% to 75.0%	1.0% to 3.0%	$0.15 to $0.25	2 to 5
PENSION FUND ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes.	3.0% to 4.0%	3.0%	3.0%	5.25% to 6.50%	1.0% to 2.0%	6.50% to 8.00%	4.50% to 6.50%	9	70.0%	5.0%	$0.25	3 to 6
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 10 years Uses mainly direct capitalization; major focus is on the initial cash-on-cash return; typically extends forecast period to capture impact of all lease expirations; does not use rent spikes.	2.0% to 3.0%	3.0%	3.0%	6.00% to 6.50%	2.5%	8.00%	6.00%	7	70.0% to 75.0%	3.0% to 5.0%	Does not use	3 to 6
PENSION FUND ADVISOR ✦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% Year 1; 2.0% to 3.0% Year 2	3.0%	3.0%	6.50% to 7.00%	2.0%	6.75% to 7.25%	5.00% to 6.25%	3 to 6	65.0% to 75.0%	7.0%	$0.15 to $0.25	12

Source: Personal survey conducted by PwC during January 2012.

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NATIONAL FLEX/R&D MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes market conditions favor buyers; uses a rent spike of 6.0% in year 4.	3.0% Year 1; 3.0% to 4.0% Year 2	3.0%	3.0%	7.00% to 8.00%	1.5% to 3.0%	8.00% to 8.75%	7.00% to 8.00%	6 to 12	65.0% to 70.0%	2.0% to 5.0%	$0.15 to $0.40	2 to 6
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 4 to 8 years Uses mainly DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; uses face rents and reflects concessions when they are scheduled to occur.	0.0% Years 1 to 3	3.0%	3.0%	9.00% to 10.00%	2.0% to 3.0%	9.00% to 13.00%	9.00% to 12.00%	9 to 12	50.0% to 65.0%	5.0% to 10.0%	$0.15 to $0.35	12
REAL ESATE SERVICES FIRM ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% Year 1; 0.0% to 3.0% Year 2	3.0%	3.0%	9.50% to 10.50%	2.0% to 3.0%	9.00% to 11.00%	9.00% to 10.50%	9 to 18	60.0% to 70.0%	5.0% to 10.0%	$0.15 to $0.35	8 to 12
LIFE INSURANCE COMPANY ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 5.0% in year 3 and 8.0% in year 4.	0.0% to 3.0% Year 1; 2.0% to 5.0% Year 2	2.0% to 3.0%	2.0% to 3.0%	7.50% to 8.50%	2.5% to 6.0%	8.50% to 10.50%	7.75% to 8.75%	6 to 12	50.0% to 70.0%	5.0% to 10.0%	$0.25 to $1.00	3 to 6
REAL ESTATE ADVISOR ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 3.0%	3.0%	3.0%	7.50% to 8.25%	1.0% to 4.0%	8.25% to 9.00%	6.50% to 9.00%	9 to 18	50.0% to 65.0%	3.0% to 8.0%	$0.15 to $0.50	6 to 18
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 5 to 7 years Uses all three approaches to value, in direct capitization, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects overall cap rates to hold steady over the next six months.	2.0% to 3.0% Years 1 & 2	3.0%	3.0%	8.00% to 9.00%	2.0% to 3.0%	9.50% to 10.50%	8.00% to 9.00%	9	65.0%	6.0%	$0.15 to $0.25	3 to 6

Source: Personal survey conducted by PwC during January 2012.

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NATIONAL WAREHOUSE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses a rent spike of 6.0% in year 4; data refers to U.S. East North Central region.	3.0%	3.0%	3.0%	6.00% to 7.50%	1.0% to 2.0%	7.75% to 9.00%	6.50% to 8.50%	6 to 12	65.0% to 70.0%	2.0% to 3.0%	$0.10 to $0.15	2 to 6
DOMESTIC PENSION FUND ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; may use a rent spike of 5.0% in year 1 and 7.0% to 8.0% in year 3; data refers to the national warehouse sector.	1.0% to 3.0%	3.0%	3.0%	6.50% to 8.50%	1.0% to 3.0%	7.00% to 9.00%	6.00% to 7.50%	6 to 12	65.0% to 75.0%	0.5% to 2.0%	$0.10 to $0.25	6 to 12
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 10 years Relies mainly on direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; data refers to the U.S. Southwest region.	0.0% to 3.0%	3.0%	3.0%	7.00% to 8.75%	1.0% to 4.0%	7.25% to 18.50%	6.50% to 7.75%	6 to 18	50.0% to 65.0%	3.0%	$0.10 to $0.35	6 to 18
PENSION FUND ADVISOR ✦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; data refers to the national warehouse sector.	0.0% Year 1; 3.0% to 5.0% Year 2	3.0%	3.0%	7.00% to 8.25%	1.0% to 2.0%	7.25% to 8.75%	6.50% to 8.00%	6 to 12	60.0% to 75.0%	5.0% to 7.0%	$0.05 to $0.15	4 to 8
PENSION FUND ADVISOR ✦ Forecast Period: 10 years Mainly uses DCF; in direct capitalization, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes; data refers to the national warehouse sector.	0.0% to 3.0% Year 1; 1.0% to 2.0% Year 2	2.0%	3.0%	7.00% to 9.00%	2.0% to 3.0%	7.50% to 9.00%	6.75% to 8.75%	3 to 10	50.0% to 80.0%	5.0% to 10.0%	$0.10 to $0.20	2 to 4
INSTITUTIONAL INVESTOR ✦ Forecast Period: 10 years Relies on DCF; also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; data refers to the U.S. Southeast region.	1.0% to 2.0%	2.5% to 3.0%	2.5% to 3.0%	7.25% to 8.00%	2.0% to 3.0%	8.00% to 9.50%	6.50% to 7.50%	6 to 9	60.0% to 65.0%	2.0% to 4.0%	$0.10 to $0.20	3 to 6

Source: Personal survey conducted by PwC during January 2012.

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PACIFIC REGION WAREHOUSE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes market conditions favor buyers; uses a rent spike of 6.0% in year 5.	3.0%	3.0%	3.0%	6.00% to 7.50%	1.0% to 1.5%	7.00% to 8.50%	6.50% to 7.50%	6 to 9	70.0%	2.0% to 3.0%	$0.10 to $0.25	2 to 6
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 5 to 10 years Mainly uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 3.0% Years 1 & 2	3.0%	3.0%	6.75% to 7.50%	4.0%	6.50% to 8.00%	6.00% to 6.50%	6 to 9	60.0% to 70.0%	5.0% to 7.0%	$0.10 to $0.25	1 to 3
INSTITUTIONAL INVESTOR ✦ Forecast Period: 10 years Relies on DCF; also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses a rent spike of 5.0% in year 3 and 7.0% in year 5.	3.0% Years 1 & 2	2.5% to 3.0%	2.5% to 3.0%	6.00% to 7.00%	2.0% to 3.0%	7.00% to 7.50%	5.00% to 6.00%	6 to 9	65.0% to 75.0%	2.0% to 4.0%	$0.10 to $0.20	2 to 4
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 10 years Relies mainly on direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	0.0% to 3.0%	3.0%	3.0%	7.00% to 8.75%	1.0% to 4.0%	7.25% to 8.50%	6.50% to 7.75%	6 to 18	50.0% to 65.0%	3.0%	$0.10 to $0.35	6 to 18
REAL ESTATE FIRM ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 3.0%	2.0% to 3.0%	2.0% to 4.0%	6.50% to 7.50%	2.0% to 6.0%	7.50% to 8.25%	6.25% to 7.00%	6 to 9	50.0% to 70.0%	2.5% to 7.5%	$0.10 to $0.25	3 to 6

Source: Personal survey conducted by PwC during January 2012.

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NATIONAL APARTMENT MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES		VACANCY	RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	STRUCTURAL REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	TOTAL VACANCY	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	PER UNIT	MONTHS
INSURANCE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before capital replacement reserve; does not use a separate FF&E replacement reserve.	0.0% to 8.0%	2.0% to 4.0%	1.0% to 5.0%	5.25% to 9.50%	0.5% to 2.5%	5.25% to 9.50%	4.25% to 9.50%	$200 to $400	3 to 6
PENSION FUND ADVISOR ✦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; deducts FF&E reserve from NOI before capitalization; does not use a separate FF&E replacement reserve.	0.0%	3.0%	6.0% to 10.0%	5.50% to 7.00%	2.0% to 3.0%	6.00% to 7.25%	4.25% to 6.25%	$150 to $375	4 to 6
DOMESTIC PENSION FUND ✦ Forecast Period: 1 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; reflects concessions as they occur, may burn off on new property during lease-up period in strong market; does not use a separate FF&E replacement reserve.	1.0% to 7.0%	3.0%	3.0% to 15.0%	4.75% to 7.00%	1.0% to 3.0%	6.00% to 7.75%	4.50% to 6.00%	$250 to $750	6 to 9
INSTITUTIONAL INVESTOR ✦ Forecast Period: 10 years Relies on DCF; in direct cap, capitalizes NOI after capital replacement reserve; uses a seperate FF&E reserve; believes market conditions currently favor sellers.	2.0% to 5.0%	2.0% to 3.0%	4.0% to 6.0%	4.50% to 6.00%	2.0% to 3.0%	6.00% to 7.00%	4.25% to 5.00%	$200 to $250	2 to 3
PRIVATE INVESTMENT FIRM ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; sees overall cap rates holding steady; does not use a separate FF&E reserve.	0.0% to 5.0%	2.8% to 3.5%	4.0% to 7.0%	5.00% to 6.00%	1.0% to 4.0%	6.25% to 7.50%	4.25% to 5.50%	$200 to $300	1 to 3
PENSION FUND ADVISOR ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; buys 150- to 400-unit apartment complexes in first- and second-tier markets nationwide; uses a separate FF&E reserve of $250 to $350 per unit.	0.0% to 3.0%	2.0% to 3.0%	2.0% to 8.0%	4.75% to 7.00%	1.5% to 2.0%	6.00% to 8.00%	3.75% to 6.00%	$200 to $350	1 to 2

Source: Personal survey conducted by PwC during January 2012.

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MID-ATLANTIC REGION APARTMENT MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES		VACANCY	RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	STRUCTURAL REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	TOTAL VACANCY	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	PER UNIT	MONTHS
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 4 to 8 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before capital replacement reserve; does not use a separate FF&E replacement reserve; believes market conditions favor buyers.	(5.0%) to 0.0%	1.0% to 3.0%	6.0% to 10.0%	5.75% to 9.75%	1.0% to 2.0%	7.50% to 14.00%	5.75%	$150 to $300	3 to 18
REAL ESTATE ADVISOR ✦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; does not deduct reserves from NOI before capitalization; uses a separate FF&E replacement reserve of $150 to $250 per unit.	5.0% to 7.0% Years 1 & 2	3.0%	5.0% to 7.0%	5.75% to 6.50%	1.0% to 2.0%	5.50% to 6.25%	4.25% to 5.25%	$150 to $250	4 to 9
INVESTMENT ADVISOR ✦ Forecast Period: 5 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; uses a separate FF&E replacement reserve of $250 to $300 per unit; believes market conditions favor buyers.	2.0% to 5.0%	3.0%	4.0% to 8.0%	6.00% to 7.50%	1.0% to 2.0%	7.00% to 8.50%	6.00% to 7.50%	$250 to $300	6 to 9
PRIVATE INVESTOR ✦ Forecast Period: 5 to 10 years Mainly uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; also uses a separate FF&E replacement reserve of $75 to $175 per unit.	2.0% to 3.0% Years 1 & 2	2.0% to 3.0%	3.0% to 7.0%	4.50% to 7.50%	1.5% to 3.0%	9.00% to 11.00%	4.00% to 7.00%	$75 to $175	1 to 3
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 5 to 8 years Mainly uses direct capitalization analysis; in direct cap, capitalizes NOI after capital replacement reserve; believes that market conditions currently favor sellers.	3.0% to 6.0%	3.0%	5.0% to 7.0%	4.75% to 6.25%	1.5% to 2.0%	10.00% to 12.50%	5.00% to 6.50%	$250 to $350	2 to 4
PENSION FUND INVESTOR ✦ Forecast Period: 4 to 7 years Uses all three approaches to value; in direct capitization, capitalizes NOI after capital replacement reserve; uses a separate FF&E replacement reserve of $250 to $350 per unit.	3.0% to 4.0%	2.0%	5.0% to 8.0%	6.00% to 7.00%	2.0% to 3.0%	9.00% to 11.00%	5.50% to 6.50%	$300 to $350	4 to 6

Source: Personal survey conducted by PwC during January 2012.

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PACIFIC REGION APARTMENT MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES		VACANCY	RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	STRUCTURAL REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	TOTAL VACANCY	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	PER UNIT	MONTHS
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 3 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; uses a separate FF&E replacement reserve of $150 to $300 per unit; FF&E is deducted from NOI before capitalization.	0.0% to 5.0%	2.5% to 3.0%	3.0% to 10.0%	4.00% to 6.50%	1.0% to 2.0%	8.00% to 12.00%	4.00% to 7.00%	$250 to $350	6 to 12
REAL ESTATE ADVISOR ✦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; does not deduct FF&E reserve from NOI before capitalization; uses a separate FF&E replacement reserve of $150 to $250 per unit.	4.0% to 6.0%	3.0%	4.0% to 7.0%	5.25% to 5.75%	1.0% to 2.0%	5.00% to 5.75%	4.00% to 5.00%	$150 to $250	4 to 9
PENSION FUND ADVISOR ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; uses a separate FF&E replacement reserve of $250 to $300 per unit.	1.0% to 3.0%	2.0% to 3.0%	4.0% to 6.0%	5.00% to 7.00%	1.5% to 2.0%	6.50% to 7.75%	4.00% to 6.00%	$200 to $350	1 to 2
REAL ESTATE ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before capital replacement reserve; does not use a separate FF&E replacement reserve; FF&E is not deducted from NOI before capitalization.	3.0% to 5.0% Years 1 & 2	3.0%	5.0% to 6.0%	5.50% to 6.25%	1.0% to 4.0%	7.25% to 8.25%	4.25% to 5.50%	$150 to $250	6 to 12
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 5 to 8 years Mainly uses direct capitalization analysis; in direct cap, capitalizes NOI after capital replacement reserve; believes market conditions equally favor buyers and sellers; does not use a separate FF&E reserve.	3.0% to 6.0%	3.0%	4.0% to 6.0%	5.00% to 6.25%	1.5%	10.00% to 12.50%	5.25% to 6.50%	$250 to $350	1 to 3
PUBLIC C CORP ✦ Forecast Period: 5 to 10 years Mainly uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; also uses an FF&E replacement reserve of $75 to $175 per unit.	0.0% to 2.0%	2.0% to 3.0%	5.0% to 7.0%	4.50% to 7.50%	1.5% to 3.0%	9.00% to 11.00%	4.00% to 7.00%	$75 to $175	3 to 6

Source: Personal survey conducted by PwC during January 2012.

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SOUTHEAST REGION APARTMENT MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES		VACANCY	RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	STRUCTURAL REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	TOTAL VACANCY	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	PER UNIT	MONTHS
PENSION FUND INVESTOR ✦ Forecast Period: 4 to 7 years Uses all three approaches to value; in direct capitization, capitalizes NOI after capital replacement reserve; uses a separate FF&E replacement reserve of $1,000 to $2,000 per unit.	3.0% to 4.0%	2.0% to 3.0%	5.0% to 8.0%	6.00% to 7.00%	2.0% to 3.0%	9.00% to 11.00%	5.50% to 7.00%	$300 to $350	4 to 6
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 4 to 8 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before capital replacement reserve; does not use a separate FF&E replacement reserve.	(10.0%) to 0.0%	1.0% to 3.0%	6.0% to 10.0%	5.75% to 9.75%	1.0% to 2.0%	7.50%	5.75%	$150 to $300	9 to 18
REAL ESTATE ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before capital replacement reserve; does not use a separate FF&E replacement reserve; expects overall cap rates to hold steady over the next six months.	1.0% to 3.0%	3.0%	5.0% to 8.0%	6.00% to 7.00%	1.0% to 4.0%	7.25% to 8.50%	5.00% to 6.00%	$150 to $250	6 to 12
PENSION FUND ADVISOR ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; buys 150- to 400-unit apartment complexes; uses a separate FF&E reserve of $250 to $350 per unit.	0.0% to 2.0%	2.0% to 3.0%	5.0% to 8.0%	6.00% to 8.00%	1.5% to 2.0%	7.00% to 8.50%	5.00% to 6.50%	$200 to $350	1 to 3
REAL ESTATE ADVISOR ✦ Forecast Period: 5 to 7 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; does not deduct reserves from NOI before capitalization; uses a separate FF&E replacement reserve of $250 to $300 per unit.	2.0% to 4.0% Years 1 & 2	3.0%	5.0% to 10.0%	5.50% to 7.00%	1.0% to 1.5%	6.50% to 8.00%	5.50% to 7.00%	$250 to $400	6 to 9
PRIVATE INVESTOR ✦ Forecast Period: 4 years Mainly uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; also uses a separate FF&E replacement reserve of $300 to $600 per unit.	7.0% to 10.0%	1.0% to 2.0%	3.0% to 7.0%	6.00% to 6.50%	1.0% to 2.0%	10.00%	5.00% to 6.00%	$300 to $600	2 to 4

Source: Personal survey conducted by PwC during January 2012.

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NATIONAL NET LEASE MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	PREFERRED PROPERTY TYPE	CHANGE RATES		PREFERRED CREDIT RATING	RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	UNDERLYING VACANCY & CREDIT LOSS	REPLACEMENT RESERVE	MARKETING TIME
		MARKET RENT	EXPENSES		CAP RATE	SELLING EXPENSES	FREE & CLEAR	FREE & CLEAR		PER SQUARE FOOT	MONTH
MANAGEMENT COMPANY ✦ Forecast Period: 10 to 20 years Mainly focuses on sale-leaseback deals and net lease sales; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; expects overall cap rates to hold steady over the next six months.	All varieties	0.0% to 3.0% Years 1 to 3	0.0% to 3.0%	B to AAA				6.50% to 8.50%		Does not use	2 to 12
PRIVATE INVESTMENT FIRM ✦ Forecast Period: 9 to 15 years Primary valuation method is direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; also uses DCF analysis; mainly focuses on net lease transactions.	Office, industrial	(1.0%) to 0.0% Year 1; 0.0% to 1.0% Year 2	1.0% to 1.5%	BBB to AAA	8.00% to 9.00%	2.0% to 3.0%	8.00% to 9.00%	6.50% to 8.00%	0.0% to 5.0%	Does not use	3 to 12
PRIVATE INVESTMENT FIRM ✦ Forecast Period: 5 to 8 years Primary valuation method is sales comparison approach; also uses DCF analysis; mainly completes net lease sales; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve.	Drug stores, banks, restaurants	1.0% to 2.0% Years 1 & 2	1.0% to 2.0%	BB to AA	8.50% to 9.00%	2.0% to 3.0%	8.00% to 8.50%	6.00% to 7.00%	0.0% to 5.0%	$0.20 to $0.25	2 to 3
INVESTMENT ADVISOR ✦ Forecast Period: 3 to 5 years Primary valuation method is direct capitalization; also uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacements reserve; mainly focuses on net lease sales.	General-purpose office, warehouse	1.0% to 2.5%	1.0% to 3.0%	BBB– to A	6.50% to 7.50%	4.0% to 5.0%	7.00% to 8.00%	6.75% to 7.25%	3.0% to 5.0%	$0.15 to $0.25	2 to 3
PRIVATE INVESTOR ✦ Forecast Period: 5 to 10 years Primary valuation method is direct capitalization; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve.	Credit retail, restaurant, medical	(3.0%) to 0.0%	1.0% to 3.0%	BB– to AAA+	8.50% to 9.00%	8.0% to 12.0%	8.00% to 8.75%	8.00% to 8.75%		Does not use	6 to 9
INVESTOR/BROKERS ✦ Preferred Lease Term: 3 to 10 years Primary valuation method is direct capitalization; also uses sales comparison approach; underlying credit rating of tenant is more important than real estate value.	Drug stores, banks, fast-food restaurants, auto-parts supplier	1.0% to 3.0%	3.0%	BB+ to AAA		5.0%		7.00% to 8.75%	0.0%	$0.15 to $0.35	1 to 4

Source: Personal survey conducted by PwC during January 2012.

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NATIONAL MEDICAL OFFICE BUILDINGS MARKET–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES			RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS			REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
INVESTOR/DEVELOPER ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes.	0.0% to 2.0%	1.0% to 2.0%	2.0% to 3.0%	7.50% to 8.00% (on campus); 8.00% to 9.00% (off campus)	3.0% to 4.0%	8.25% to 9.25% (on campus); 8.50% to 9.50% (off campus)	7.00% to 7.50% (on campus); 7.75% to 8.50% (off campus)	6 to 10	75.0% to 85.0%	5.0% to 8.0%	$0.10 to $0.30	1 to 6
REIT ✦ Forecast Period: 10 years Uses both DCF analysis and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects overall cap rates increase over the next six months.	1.0% to 3.0% Years 1 & 2	2.0% to 3.0%	3.0%	7.50% to 8.00% (on campus); 8.00% to 8.50% (off campus)	1.0% to 2.0%	8.25% to 9.25% (on campus); 9.00% to 10.00% (off campus)	6.75% to 7.75% (on campus); 7.50% to 8.50% (off campus)	6 to 12	70.0% to 80.0%	2.0% to 5.0%	$0.30 to $0.60	6
REIT ✦ Forecast Period: 1 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects overall cap rates to hold steady over the next six months.	0.0% to 1.5%	1.5% to 2.5%	0.0% to 3.0%	7.00% to 8.00% (on campus); 7.50% to 8.25% (off campus)	1.5% to 2.5%	8.00% to 9.00% (on campus); 9.00% to 11.00% (off campus)	7.25% to 7.75% (on campus); 7.50% to 8.25% (off campus)	6 to 15	60.0% to 85.0%	3.0% to 8.0%	$0.25 to $0.50	2 to 6
REAL ESTATE SERVICE FIRM ✦ Forecast Period: 5 to 10 years Uses all approaches to value; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; expects overall cap rates to decrease 25 to 50 basis points over the next six months.	2.0% to 3.0% Years 1 & 2	2.0% to 3.0%	2.0% to 3.0%	6.25% to 7.50% (on campus); 6.50% to 7.50% (off campus)	1.0% to 2.0%	7.00% to 8.50% (on campus); 7.25% to 8.50% (off campus)	5.75% to 7.00% (on campus); 6.00% to 8.00% (off campus)	4 to 6	70.0% to 80.0%	4.0% to 5.0%	$0.20 to $0.25	2 to 3
PRIVATE REAL ESTATE FIRM ✦ Forecast Period: 3 to 7 years Uses all approaches to value; indirect cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects overall cap rates to hold steady over the next six months.	0.0% to 3.0% Years 1 to 3	2.0% to 3.0%	2.0% to 3.0%	7.50% to 8.50% (on campus); 8.50% to 10.00% (off campus)	1.0% to 3.0%	8.00% to 10.00% (on campus); 9.00% to 11.00% (off campus)	7.25% to 8.50% (on campus); 8.00% to 11.00% (off campus)	6 to 18	70.0% to 80.0%	5.0% to 10.0%	$0.10 to $0.30	6 to 9

Source: Personal survey conducted by PwC during January 2012.

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NATIONAL FULL-SERVICE LODGING SEGMENT–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES		RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	IS FF&E DEDUCTED FROM NOI PRIOR TO CAPITALIZATION?	MANAGEMENT FEES	RESERVE FOR REPLACEMENT OF FIXED ASSETS	MARKETING TIME
	AVERAGE DAILY RATE	OPERATING EXPENSES	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	YES/NO	BASE FEE	PERCENT OF TOTAL REVENUES	MONTHS
OWNER/OPERATOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes next 12 months of income; believes market conditions equally favor buyers and sellers; expects overall cap rates to decline up to 100 basis points over the next six months.	5.0% Year 1	3.5% to 4.0%	8.00% to 11.00%	1.0% to 2.0%	10.00% to 12.00%	7.00% to 10.00%	Yes	3.0%	5.0%	6 to 12
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 4 years Uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months income; believes market conditions favor buyers; expects overall cap rates to hold steady over the next six months.	(1.0%) to 1.0%	1.0% to 2.0%	9.00% to 9.50%	0.5% to 1.3%	10.00% to 12.00%	7.50% to 9.00%	Yes	2.5% to 3.0%	4.0%	3 to 5
OWNER/OPERATOR ✦ Forecast Period: 1 to 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months of income; expects overall cap rates to increase over the next six months.	3.0% to 10.0%	3.0%	7.00% to 9.00%	2.0% to 3.0%	10.00% to 12.00%	7.00% to 9.00%	Yes	4.0% to 5.0%	1.0% to 3.0%	12 to 18
PRIVATE COMPANY ✦ Forecast Period: 3 years Uses both DCF and direct capitalization; in direct cap, capitalizes both prior 12 months of income and next 12 months of income; believes that market conditions currently favor sellers.	4.0% to 5.0%	2.0% to 3.0%	6.00% to 7.00%	2.0% to 3.0%		6.00% to 7.00%	Yes	2.5% to 3.5%	Does not use	
REAL ESTATE ADVISER ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes next 12 months income; expects overall cap rates to hold steady over the next six months; believes market conditions favor sellers.	3.0% to 4.0%	3.0%	8.00% to 10.00%	3.0% to 4.0%	8.50% to 10.50%	6.00% to 9.00%	Yes	2.5% to 3.5%	4.0% to 5.0%	8 to 10
PRIVATE INVESTOR ✦ Forecast Period: 5 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes both prior 12 months and next 12 months income; believes that overall cap rates will hold steady over the next six months and that market conditions currently favor buyers.	0.0% Years 1& 2	1.0% to 3.0%	10.00% to 12.00%	1.0% to 3.0%	11.00%	9.00% to 10.00%	Yes	3.0%	3.0% to 5.0%	12 to 24

Source: Personal survey conducted by PwC during January 2012.

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NATIONAL LIMITED-SERVICE MIDSCALE & ECONOMY LODGING SEGMENT–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES		RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	IS FF&E DEDUCTED FROM NOI PRIOR TO CAPITALIZATION?	MANAGEMENT FEES	RESERVE FOR REPLACEMENT OF FIXED ASSETS	MARKETING TIME
	AVERAGE DAILY RATE	OPERATING EXPENSES	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	YES/NO	BASE FEE	PERCENT OF TOTAL REVENUES	MONTHS
REAL ESTATE ADVISER ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes next 12 months of income; expects overall cap rates to decrease over the next six months.	3.0% to 4.0%	3.0%	8.50% to 10.00%	3.0% to 4.0%	9.50% to 11.50%	8.50% to 10.00%	Yes	4.0% to 5.0%	4.0% to 5.0%	8 to 12
OWNER/MANAGER ✦ Forecast Period: 3 years Focuses on direct capitalization; in direct cap, capitalizes prior 12 months of income; expects ADRs and occupancy to hold steady over the next six months; current breakeven occupancy rate is estimated at 55.0%; sees occupancy holding steady over the next six months.	0.0% to 3.0%	1.0% to 3.0%	9.00% to 12.00%	5.0%	Does not use	8.00% to 12.00%	Yes	3.0% to 4.0%	3.0% to 5.0%	9 to 12
PRIVATE HOTEL COMPANY ✦ Forecast Period: 10 years Prefers Northeast, Southeast, and Southwest; uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months of income; expects occupancy to hold steady and ADRs to increase over the next six months; believes market conditions currently favor buyers.	3.0%	3.0%	10.00% to 11.00%	2.0%	10.00% to 12.00%	11.00% to 12.00%	Yes	3.0%	2.0%	4 to 12
REAL ESTATE ADVISER ✦ Forecast Period: 2 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes both next 12 months of income and prior 12 months of income; believes that market conditions currently favor buyers; expects occupancy to decrease 100 to 400 basis points over the next six months.	2.0% to 7.0%	2.5% to 3.0%	8.50% to 10.50%	2.0% to 3.0%	10.00% to 13.00%	8.00% to 10.00%	Yes	2.0%	4.0% to 5.0%	6 to 12
OWNER/OPERATOR ✦ Forecast Period: 3 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months of income; believes overall cap rates will increase 50 to 100 basis points over the next six months; believes market conditions equally favor buyers and sellers.	5.0% to 7.0%	3.0%	9.00% to 11.00%	2.0% to 5.0%	10.00% to 13.00%	8.00% to 10.00%	Yes	3.5% to 5.0%	1.0% to 3.0%	2 to 6

Source: Personal survey conducted by PwC during January 2012.

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NATIONAL LUXURY/UPPER-UPSCALE LODGING SEGMENT–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES		RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	IS FF&E DEDUCTED FROM NOI PRIOR TO CAPITALIZATION?	MANAGEMENT FEES	RESERVE FOR REPLACEMENT OF FIXED ASSETS	MARKETING TIME
	AVERAGE DAILY RATE	OPERATING EXPENSES	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	YES/NO	BASE FEE	PERCENT OF TOTAL REVENUES	MONTHS
PRIVATE EQUITY INVESTOR ✦ Forecast Period: 5 years Mainly uses DCF analysis; in direct cap, capitalizes next 12 months of income; does not use gross revenue multiplier; expects overall cap rates to hold steady over the next six months.	3.0% to 5.0%	3.0% to 4.0%	7.50% to 9.00%	0.5% to 1.0%	10.00% to 12.00%	7.00% to 8.00%	Yes	2.5% to 3.0%	4.0%	2 to 4
INSURANCE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes next 12 months of income; expects overall cap rates to hold steady over the next six months.	(2.0%) to 5.0%	2.0% to 5.0%	5.50% to 9.50%	0.5% to 2.5%	9.50%	6.00% to 9.00%	Yes	3.0% to 5.0%		6 to 12
LIFE INSURANCE COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes next 12 months of income; believes that market conditions currently favor sellers; expects overall cap rates to hold steady over the next six months.	3.0% to 4.0%	3.0%	8.00% to 9.00%	3.0% to 4.0%	8.50% to 10.00%	6.50% to 8.50%	Yes	3.0% to 5.0%	4.0% to 5.0%	8 to 10
REAL ESTATE ADVISOR ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months of income; expects occupancy to increase 100 to 300 basis points over the next six months.	5.0% to 8.0%	2.0% to 4.0%	6.00% to 8.00%	1.0% to 2.0%	9.00% to 11.00%	6.00% to 8.00%	Yes	2.0% to 4.0%	1.0% to 2.0%	3 to 6
PRIVATE HOTEL COMPANY ✦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months of income; expects overall cap rates to hold steady over the next six months.	3.0%	3.0%	10.00%	2.0%	10.00% to 11.00%	9.50% to 10.00%	Yes	3.0%	2.0%	4 to 12
PRIVATE INVESTOR ✦ Forecast Period: 5 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes both next 12 months of income and prior 12 months of income.	10.0% to 15.0%	4.0% to 6.0%	7.00% to 10.00%	1.0% to 3.0%	10.00% to 13.00%	7.00% to 10.00%	Yes	3.0%	4.0% to 5.0%	5 to 7

Source: Personal survey conducted by PwC during January 2012.

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NATIONAL SELECT-SERVICE LODGING SEGMENT–SELECT SURVEY RESPONSES

First Quarter 2012

	INITIAL-YEAR CHANGE RATES		RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	IS FF&E DEDUCTED FROM NOI PRIOR TO CAPITALIZATION?	MANAGEMENT FEES	RESERVE FOR REPLACEMENT OF FIXED ASSETS	MARKETING TIME
	AVERAGE DAILY RATE	OPERATING EXPENSES	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	YES/NO	BASE FEE	PERCENT OF TOTAL REVENUES	MONTHS
OWNER/MANAGER ✦ Forecast Period: 1 to 4 years Uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months of income; deducts both FF&E and structural reserve from NOI before capitalization; expects overall cap rates to hold steady over the next six months.	0.0% to 2.0%	1.0% to 2.0%	9.00% to 12.00%	5.0%	11.50%	8.00% to 12.00%	Yes	3.0% to 4.0%	3.0% to 5.0%	9 to 12
REAL ESTATE ADVISER ✦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months of income; expects overall cap rates to decrease between 50 and 150 basis points over the next six months; believes market conditions currently favor sellers.	5.0% to 8.0%	2.0% to 3.0%	7.00% to 9.00%	1.0% to 2.0%	10.00% to 12.00%	7.00% to 10.00%	Yes	2.5% to 6.0%	1.0%	4 to 6
REIT ✦ Forecast Period: 1 to 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes both the prior 12 months of income and the next 12 months of income; expects overall cap rates to hold steady over the next six months; believes that market conditions currently favor sellers.	6.0% to 8.0%	3.0%	5.00% to 9.00%	1.5% to 3.0%	10.00% to 15.00%	5.00% to 9.00%	Yes	3.0% to 4.0%	3.0% to 5.0%	2 to 12
OWNER/MANAGER ✦ Forecast Period: 4 to 6 years Uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months of income; expects overall cap rates to increase between 50 and 100 basis points over the next six months; believes that market conditions favor buyers.	3.0% to 8.0%	3.0% to 4.0%	7.00% to 9.00%	1.0% to 2.0%	11.00% to 12.00%	6.00% to 10.00%	Yes	2.5% to 5.0%	2.0% to 4.0%	4 to 8
INVESTMENT FIRM ✦ Forecast Period: 3 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes the next 12 months of income; expects overall cap rates to hold steady over the next six months; believes that market conditions equally favor buyers and sellers.	2.0% to 6.0%	2.5% to 3.0%	8.50% to 10.50%	2.0% to 3.0%	10.50% to 13.00%	8.00% to 10.00%	Yes	2.5% to 3.5%	4.0% to 5.0%	5 to 9

Source: Personal survey conducted by PwC during January 2012.

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INVESTMENT AND PROPERTY CHARACTERISTICS: OFFICE MARKETS

First Quarter 2012

	FORECAST VALUE CHANGE NEXT 12 MONTHS		PRICE AS % OF REPLACEMENT COST		STRUCTURAL VACANCY		YEARS TO REACH STRUCTURAL VACANCY		TENANT IMPROVEMENT ALLOWANCE (PSF) NEW DEALS (1)		RENEWAL LEASES	
MARKET	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
National CBD	(5.00%) – 10.00%	2.9%	50.00% – 100.00%	80.5%	4.00% – 12.50%	7.9%	1 – 5	2.5	$10.00 – $75.00	$34.46	$10.00 – $30.00	$15.36
National Suburban	(10.00%) – 10.00%	2.2%	40.00% – 100.00%	82.8%	5.00% – 15.00%	9.7%	0 – 7	3.0	$0.00 – $80.00	$29.70	$0.00 – $25.00	$12.32
Atlanta	(10.00%) – 10.00%	1.3%	65.00% – 100.00%	82.5%	5.00% – 12.00%	9.8%	0 – 7	2.8	$10.00 – $85.00	$33.75	$5.00 – $55.00	$17.08
Boston	(25.00%) – 10.00%	(1.2%)	50.00% – 110.00%	84.3%	3.00% – 12.00%	8.4%	0 – 5	2.1	$10.00 – $70.00	$40.00	$5.00 – $25.00	$16.43
Charlotte	0.00% – 10.00%	3.9%	55.00% – 100.00%	80.5%	3.00% – 20.00%	8.0%	0 – 10	3.2	$5.00 – $50.00	$25.21	$2.00 – $30.00	$11.00
Chicago	(10.00%) – 10.00%	2.1%	60.00% – 100.00%	77.8%	7.00% – 15.00%	10.1%	1 – 5	3.2	$5.00 – $125.00	$47.70	$5.00 – $40.00	$20.89
Dallas	0.00% – 20.00%	5.8%	60.00% – 100.00%	79.0%	7.00% – 15.00%	10.2%	0 – 3	1.7	$3.00 – $60.00	$26.38	$0.00 – $25.00	$11.92
Denver	(10.00%) – 15.00%	2.3%	50.00% – 100.00%	78.0%	8.00% – 20.00%	12.8%	2 – 5	3.3	$7.00 – $50.00	$27.31	$2.00 – $25.00	$9.38
Houston	0.00% – 15.00%	4.3%	50.00% – 100.00%	84.2%	5.00% – 15.00%	8.5%	1 – 5	2.8	$5.00 – $60.00	$26.27	$2.00 – $20.00	$9.58
Los Angeles	0.00% – 10.00%	4.1%	50.00% – 100.00%	85.0%	3.00% – 15.00%	8.4%	0 – 6	2.8	$10.00 – $70.00	$32.50	$5.00 – $30.00	$13.75
Manhattan	0.00% – 10.00%	5.4%	50.00% – 100.00%	84.6%	3.00% – 12.00%	7.5%	0 – 5	1.7	$20.00 – $120.00	$55.21	$15.00 – $50.00	$26.25
Northern Virginia	(10.00%) – 5.00%	(0.7%)	75.00% – 110.00%	91.8%	3.00% – 15.00%	7.9%	0 – 3	1.9	$15.00 – $100.00	$44.94	$5.00 – $40.00	$20.54
Pacific Northwest	(3.00%) – 10.00%	4.0%	50.00% – 110.00%	89.3%	5.00% – 15.00%	9.3%	1 – 5	2.3	$10.00 – $85.00	$41.25	$0.00 – $50.00	$14.17
Philadelphia	(20.00%) – 5.00%	(1.3%)	55.00% – 100.00%	78.3%	5.00% – 12.50%	8.0%	1 – 4	2.3	$5.00 – $45.00	$24.50	$5.00 – $20.00	$9.50
Phoenix	(5.00%) – 5.00%	(0.8%)	40.00% – 100.00%	70.6%	5.00% – 25.00%	15.7%	2 – 5	3.8	$8.00 – $55.00	$29.40	$3.00 – $15.00	$9.20
San Diego	(3.00%) – 5.00%	1.1%	70.00% – 100.00%	84.6%	1.00% – 15.00%	7.0%	1 – 6	3.0	$10.00 – $60.00	$31.88	$5.00 – $20.00	$10.69
San Francisco	0.00% – 20.00%	7.5%	60.00% – 100.00%	81.9%	3.00% – 12.00%	7.2%	0 – 5	2.2	$5.00 – $80.00	$33.54	$0.00 – $30.00	$11.94
Southeast Florida	(25.00%) – 10.00%	(1.7%)	40.00% – 100.00%	75.0%	5.00% – 30.00%	10.0%	1 – 5	2.7	$0.00 – $50.00	$25.30	$5.00 – $35.00	$13.70
Suburban Maryland	(10.00%) – 10.00%	0.6%	70.00% – 105.00%	89.0%	5.00% – 12.00%	8.6%	0 – 5	2.0	$10.00 – $85.00	$39.50	$5.00 – $40.00	$18.50
Washington, DC	(10.00%) – 10.00%	3.1%	75.00% – 120.00%	100.1%	5.00% – 10.00%	6.5%	0 – 3	0.5	$25.00 – $100.00	$52.68	$10.00 – $45.00	$24.64

(1) Includes both second-generation and new space; a breakout of TI allowances is included in each fourth quarter issue of the Survey.

Source: Personal survey conducted by PwC during January 2012.

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INVESTMENT AND PROPERTY CHARACTERISTICS: NATIONAL AND REGIONAL MARKETS

First Quarter 2012

	FORECAST VALUE CHANGE NEXT 12 MONTHS		PRICE AS % OF REPLACEMENT COST		CLASS-A+ and A MALLS IRRs		OARs		CLASS-B+ and B MALLS IRRs		OARs		STABILIZED OCCUPANCY	
MARKET	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
National Regional Mall	(5.00%) – 10.00%	2.3%	80.00% – 125.00%	97.2%	5.25% – 11.50%	8.60%	4.75% – 8.50%	6.45%	6.50% – 14.00%	10.10%	6.00% – 10.50%	8.13%	87.50% – 97.00%	92.6%
National Power Center	(20.00%) – 10.00%	(1.8%)	70.00% – 120.00%	96.7%									80.00% – 96.00%	90.9%
National Strip Shopping Center	(15.00%) – 10.00%	1.0%	20.00% – 120.00%	91.9%									80.00% – 97.00%	91.2%

	FORECAST VALUE CHANGE NEXT 12 MONTHS		PRICE AS % OF REPLACEMENT COST		FINISHED SPACE %		TENANT IMPROVEMENT ALLOWANCES (PSF) NEW DEALS (1)		RENEWAL LEASES	
MARKET	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
National Flex/R&D	(10.00%) – 10.00%	3.0%	60.00% – 100.00%	83.5%	10.00% – 80.00%	39.6%	$0.00 – $70.00	$19.92	$0.00 – $12.00	$5.17
Warehouse (National)	(30.00%) – 15.00%	2.5%	60.00% – 100.00%	83.9%	0.00% – 20.00%	7.6%	$0.00 – $25.00	$3.09	$0.00 – $2.50	$0.70
Warehouse (Pacific Region)	0.00% – 10.00%	4.5%	85.00% – 100.00%	93.8%	0.00% – 10.00%	6.3%	$0.00 – $5.00	$1.40	$0.00 – $2.50	$0.68
Apartment (National)	(5.00%) – 15.00%	4.7%	85.00% – 115.00%	97.8%						
Apartment (Mid-Atlantic Region)	(20.00%) – 10.00%	2.1%	60.00% – 125.00%	101.5%						
Apartment (Pacific Region)	(10.00%) – 25.00%	5.3%	80.00% – 125.00%	102.0%						
Apartment (Southeast Region)	(15.00%) – 10.00%	(0.1%)	60.00% – 115.00%	94.3%						
National Net Lease	(20.00%) – 10.00%	(0.1%)	75.00% – 120.00%	98.2%			$15.00 – $45.00	$27.29	$5.00 – $20.00	$10.42
National Medical Office Buildings	(20.00%) – 10.00%	(0.8%)	50.00% – 120.00%	97.8%			$5.00 – $80.00	$35.83	$2.50 – $40.00	$12.25

(1) Includes both second-generation and new space; a breakout of TI allowances is included in each fourth quarter issue of the Survey.

Source: Personal survey conducted by PwC during January 2012.

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YIELD COMPARISONS

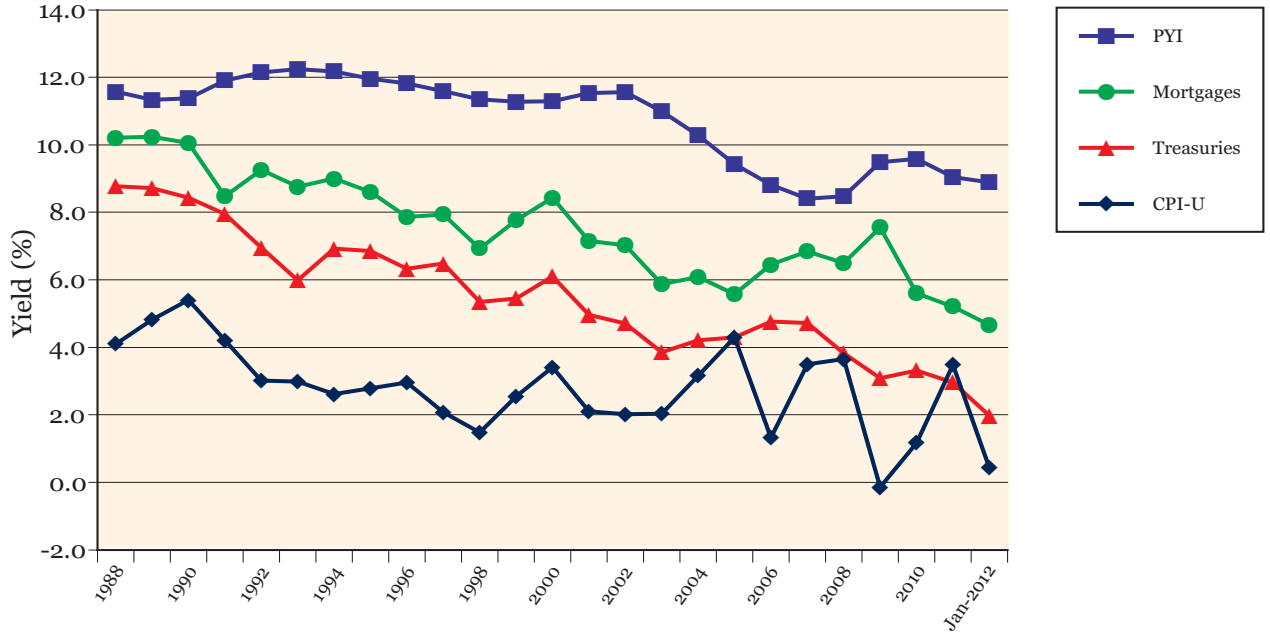
January 1, 2012

	2007 AVERAGE	2008 AVERAGE	2009 AVERAGE	2010 AVERAGE	2011 AVERAGE	2011 OCTOBER	2012 JANUARY
PwC Yield Indicator (PYI)[a]	8.41%	8.47%	9.49%	9.58%	9.05%	8.92%	8.89%
Long-Term Mortgages[b]	6.84%	6.50%	7.55%	5.60%	5.21%	5.05%	4.67%
10-Year Treasuries[c]	4.72%	3.82%	3.09%	3.31%	2.96%	1.80%	1.97%
Consumer Price Index Change[d]	3.50%	3.65%	(0.14%)	1.17%	3.49%	0.88%	0.43%
SPREAD TO PYI (Basis Points)							
Long-Term Mortgages	157	197	194	398	384	387	422
10-Year Treasuries	369	465	640	627	609	712	692
Consumer Price Index Change	491	482	963	841	556	804	846

a. A composite IRR average of the markets surveyed (excluding hotels).
b. Fixed-rate mortgages; immediate funding. Source: CB Richard Ellis/L.J. Melody Capital Markets; reflects conventional funding, 70% average LTV commercial loans; fixed rates, 15-year average term.
c. Source: Federal Reserve; the annual average change is the mean of the four corresponding quarters.
d. Source: U.S. Department of Labor; quarterly changes are annualized based on the index change from the prior quarter; the annual average change is the mean of the four corresponding quarters.

COMPARATIVE YIELDS

January 1, 2012



DIVIDEND COMPARISONS

January 1, 2012

	2007 AVERAGE	2008 AVERAGE	2009 AVERAGE	2010 AVERAGE	2011 AVERAGE	2011 OCTOBER	2012 JANUARY
PwC Dividend Indicator (PDI)[a]	7.01%	6.99%	8.09%	8.21%	7.60%	7.45%	7.38%
Equity REITs[b]	3.93%	5.07%	6.62%	3.88%	3.65%	4.08%	3.83%
S&P 500[c]	1.76%	2.19%	2.90%	2.00%	1.91%	2.23%	2.10%
SPREAD TO PDI (Basis Points)							
Equity REITs	308	192	147	433	395	337	355
S&P 500	525	480	519	621	569	522	528

a. A composite OAR (initial rate of return in an all-cash transaction) average of the markets surveyed (excluding hotels).
b. Source: National Association of Real Estate Investment Trusts; dividend yields are as of the last day of the prior quarter.
c. Source: Standard & Poors; dividend yields are quarterly yields as of the last day of the prior quarter.

INSTITUTIONAL-GRADE VS. NONINSTITUTIONAL-GRADE PROPERTY RATES: OFFICE MARKETS

First Quarter 2012

	INSTITUTIONAL				NONINSTITUTIONAL (BASIS-POINT SPREAD TO INSTITUTIONAL RATES)			
	IRRs		OARs		IRRs		OARs	
MARKET	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
National CBD Office	5.00% – 11.00%	8.61%	4.50% – 10.00%	7.03%	(a)	(a)	(a)	(a)
National Suburban Office	6.00% – 12.50%	8.68%	5.00% – 11.00%	7.52%	50 – 250	129	25 – 300	147
Atlanta Office	7.75% – 11.00%	9.09%	7.00% – 10.00%	8.40%	(a)	(a)	(a)	(a)
Boston Office	6.75% – 15.00%	9.29%	5.25% – 12.00%	7.83%	100 – 1,000	317	100 – 500	221
Charlotte Office	8.00% – 12.25%	9.44%	6.00% – 9.50%	8.07%	100 – 400	250	100 – 200	142
Chicago Office	6.50% – 12.50%	9.18%	5.75% – 11.00%	8.17%	100 – 600	292	100 – 300	192
Dallas Office	7.50% – 12.00%	9.11%	5.75% – 11.00%	8.05%	(a)	(a)	(a)	(a)
Denver Office	7.50% – 15.00%	9.88%	6.00% – 11.00%	7.87%	200 – 800	450	100 – 500	242
Houston Office	7.00% – 14.00%	9.35%	5.50% – 12.00%	7.94%	(a)	(a)	(a)	(a)
Los Angeles Office	6.50% – 11.00%	8.33%	4.50% – 8.50%	6.85%	0 – 300	125	0 – 200	100
Manhattan Office	6.50% – 10.00%	7.58%	4.00% – 8.00%	5.38%	50 – 200	129	50 – 200	146
Northern Virginia Office	7.00% – 9.50%	8.42%	6.00% – 9.00%	7.39%	(a)	(a)	(a)	(a)
Pacific Northwest Office	6.50% – 12.00%	8.88%	5.00% – 10.00%	7.32%	(a)	(a)	(a)	(a)
Philadelphia Office	8.00% – 11.00%	9.20%	7.50% – 10.00%	8.55%	50 – 200	120	50 – 150	93
Phoenix Office	8.00% – 16.00%	11.05%	8.00% – 11.00%	9.40%	(a)	(a)	(a)	(a)
San Diego Office	7.00% – 12.50%	9.30%	6.00% – 10.00%	7.89%	(a)	(a)	(a)	(a)
San Francisco Office	6.00% – 11.00%	8.29%	4.50% – 9.50%	6.87%	25 – 500	197	25 – 400	197
Southeast Florida Office	7.00% – 16.00%	10.38%	6.00% – 15.00%	9.25%	(a)	(a)	(a)	(a)
Suburban Maryland Office	7.25% – 9.50%	8.41%	5.00% – 9.00%	7.29%	(a)	(a)	(a)	(a)
Washington, DC Office	6.00% – 9.00%	7.48%	4.50% – 8.00%	5.96%	(a)	(a)	(a)	(a)

(a) Participants are not currently pursuing noninstitutional investments in this market.

Source: Personal survey conducted by PwC during January 2012.

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INSTITUTIONAL-GRADE VS. NONINSTITUTIONAL-GRADE PROPERTY RATES: NATIONAL AND REGIONAL MARKETS

First Quarter 2012

	INSTITUTIONAL				NONINSTITUTIONAL (BASIS-POINT SPREAD TO INSTITUTIONAL RATES)			
	IRRs		OARs		IRRs		OARs	
MARKET	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
National Regional Mall	5.25% – 14.00%	9.29%	4.75% – 10.50%	7.23%	50 – 350	192	25 – 500	279
National Power Center	6.00% – 11.00%	8.33%	6.25% – 9.00%	7.32%	NA	NA	NA	NA
National Strip Shopping Center	6.50% – 12.50%	8.41%	5.50% – 9.50%	7.18%	50 – 800	238	25 – 1,000	256
National Flex/R&D	8.00% – 13.00%	9.58%	6.50% – 12.00%	8.71%	100 – 500	267	100 – 400	233
Warehouse (National)	6.50% – 12.00%	8.41%	6.00% – 12.00%	7.41%	100 – 500	263	100 – 300	163
Warehouse (Pacific Region)	6.50% – 8.50%	7.65%	5.00% – 7.75%	6.50%	(a)	(a)	(a)	(a)
National Apartment	5.25% – 14.00%	8.28%	3.75% – 10.00%	5.83%	25 – 1,000	250	25 – 400	156
Apartment (Mid-Atlantic Region)	5.50% – 14.00%	9.27%	4.00% – 7.50%	5.75%	25 – 400	254	25 – 400	188
Apartment (Pacific Region)	5.00% – 12.50%	8.58%	4.00% – 7.00%	5.21%	(a)	(a)	(a)	(a)
Apartment (Southeast Region)	6.50% – 11.00%	8.40%	5.00% – 7.00%	5.86%	25 – 400	254	25 – 400	204
National Medical Office Buildings	6.50% – 13.00%	8.94%	5.75% – 11.00%	7.92%	150 – 400	263	50 – 350	155

(a) Participants are not currently pursuing noninstitutional investments in this market.

Source: Personal survey conducted by PwC during January 2012.

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INCOME CAPITALIZED IN DIRECT CAPITALIZATION
First Quarter 2012

	PERCENTAGE OF SURVEY RESPONDENTS USING:					
	METHOD 1 (a)		METHOD 2 (a)		METHOD 3 (a)	
MARKET	CURRENT	YEAR AGO	CURRENT	YEAR AGO	CURRENT	YEAR AGO
National Retail						
Regional Mall	17.0%	16.7%	83.0%	83.3%	0.0%	0.0%
Power Center	29.0%	20.0%	71.0%	80.0%	0.0%	0.0%
Strip Shopping Center	9.0%	22.2%	82.0%	66.7%	9.0%	11.1%
Office						
National CBD	25.0%	11.1%	75.0%	77.8%	0.0%	11.1%
National Suburban	25.0%	25.0%	67.0%	60.0%	8.0%	15.0%
Atlanta	33.0%	29.0%	67.0%	71.0%	0.0%	0.0%
Boston	14.0%	14.3%	86.0%	85.7%	0.0%	0.0%
Charlotte	33.0%	20.0%	67.0%	80.0%	0.0%	0.0%
Chicago	25.0%	0.0%	75.0%	88.0%	0.0%	12.0%
Dallas	60.0%	40.0%	40.0%	60.0%	0.0%	0.0%
Denver	20.0%	20.0%	80.0%	80.0%	0.0%	0.0%
Houston	50.0%	50.0%	50.0%	50.0%	0.0%	0.0%
Los Angeles	33.0%	33.3%	67.0%	67.0%	0.0%	0.0%
Manhattan	17.0%	17.0%	83.0%	83.0%	0.0%	0.0%
Northern Virginia	29.0%	40.0%	57.0%	40.0%	14.0%	20.0%
Pacific Northwest	0.0%	0.0%	100.0%	83.0%	0.0%	17.0%
Philadelphia	33.0%	40.0%	67.0%	60.0%	0.0%	0.0%
Phoenix	40.0%	40.0%	60.0%	60.0%	0.0%	0.0%
San Diego	20.0%	0.0%	80.0%	100.0%	0.0%	0.0%
San Francisco	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%
Southeast Florida	25.0%	25.0%	75.0%	75.0%	0.0%	0.0%
Suburban Maryland	20.0%	0.0%	60.0%	75.0%	20.0%	25.0%
Washington, DC	14.0%	14.0%	71.0%	71.0%	14.0%	15.0%
Industrial Markets						
National Flex/R&D	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%
National Warehouse	29.0%	25.0%	71.0%	67.0%	0.0%	9.1%
Pacific Region Warehouse	20.0%		80.0%		0.0%	
Apartment[b]						
National	80.0%	63.0%	20.0%	40.0%		
Mid-Atlantic Region	83.0%	83.3%	17.0%	16.7%		
Pacific Region	83.0%	83.0%	17.0%	17.0%		
Southeast Region	71.0%	67.0%	29.0%	33.0%		
National Net Lease	43.0%	24.0%	14.0%	38.0%	43.0%	24.0%
National Medical Office Buildings	33.0%	33.0%	67.0%	67.0%	0.0%	0.0%

Note: Lines may not add to up to 100% due to rounding.

a. **Method 1:** NOI after deducting capital replacement reserve but before deducting TIs (tenant improvements) and leasing commissions.
Method 2: NOI before deducting capital replacement reserve,TIs, and leasing commissions.
Method 3: Cash flow after deducting capital replacement reserve, TIs, and leasing commissions.

b. **Method 1:** NOI after deducting capital replacement reserve.
Method 2: NOI before deducting capital replacement reserve.

LODGING INCOME CAPITALIZED IN DIRECT CAPITALIZATION
First Quarter 2012

	PRIOR 12 MONTHS[a]		FORECAST 12 MONTHS[b]		BOTH[c]	
SEGMENT	CURRENT	YEAR AGO	CURRENT	YEAR AGO	CURRENT	YEAR AGO
Full Service	43.0%	50.0%	29.0%	33.0%	29.0%	17.0%
Limited-Service Midscale & Economy	60.0%	60.0%	20.0%	40.0%	20.0%	0.0%
Luxury/Upper Upscale	33.0%	20.0%	33.0%	70.0%	33.0%	10.0%
Select Service	60.0%	60.0%	0.0%	20.0%	40.0%	20.0%

Note: Lines may not add to up to 100% due to rounding.

a. Percentage of our lodging participants who capitalize the prior 12 months of income in direct capitalization.
b. Percentage of our lodging participants who capitalize the next 12 months of income in direct capitalization.
c. Percentage of our lodging participants who analyze both the prior 12 months of income and the next 12 months of income in direct capitalization.

FORECAST PERIODS AND CHANGE RATES: OFFICE MARKETS

First Quarter 2012

	FORECAST PERIOD		MARKET RENT CHANGE RATES INITIAL YEAR		FORECAST PERIOD AVERAGE		EXPENSE CHANGE RATES INITIAL YEAR		FORECAST PERIOD AVERAGE	
MARKET	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
National CBD Office	5 – 15	10	(1.00%) – 9.00%	2.19%	1.00% – 7.00%	3.28%	2.00% – 4.00%	2.75%	2.00% – 4.00%	2.75%
National Suburban Office	5 – 15	9	(5.00%) – 4.00%	1.54%	0.00% – 5.00%	2.76%	2.00% – 4.00%	2.79%	2.00% – 4.00%	2.91%
Atlanta Office	3 – 10	7	(3.00%) – 2.00%	0.04%	0.00% – 5.00%	2.33%	0.00% – 3.00%	2.21%	1.50% – 3.00%	2.71%
Boston Office	1 – 12	8	0.00% – 5.00%	1.64%	(5.00%) – 4.50%	2.75%	0.00% – 4.50%	2.89%	0.00% – 4.50%	2.89%
Charlotte Office	1 – 10	6	0.00% – 5.00%	0.83%	0.00% – 4.00%	1.75%	2.00% – 4.00%	2.79%	2.00% – 4.00%	2.83%
Chicago Office	3 – 10	8	(10.00%) – 3.00%	0.13%	2.00% – 4.00%	3.03%	2.00% – 3.00%	2.94%	2.00% – 3.00%	2.93%
Dallas Office	3 – 10	7	0.00% – 5.00%	1.83%	0.00% – 8.00%	3.45%	1.00% – 3.00%	2.71%	2.00% – 3.00%	2.88%
Denver Office	1 – 11	7	(20.00%) – 5.00%	(0.40%)	1.50% – 5.00%	3.08%	3.00% – 3.00%	3.00%	3.00% – 3.00%	3.00%
Houston Office	3 – 10	7	0.00% – 8.00%	2.67%	0.00% – 13.00%	4.03%	2.00% – 3.00%	2.67%	2.00% – 9.00%	3.75%
Los Angeles Office	1 – 10	9	0.00% – 6.00%	2.38%	0.00% – 5.00%	3.29%	1.00% – 3.00%	2.75%	1.00% – 5.00%	2.92%
Manhattan Office	5 – 12	9	3.00% – 10.00%	5.21%	3.00% – 10.00%	4.93%	2.00% – 3.00%	2.92%	2.00% – 3.00%	2.92%
Northern Virginia Office	1 – 10	9	0.00% – 3.50%	1.64%	2.00% – 5.00%	3.10%	1.50% – 3.00%	2.79%	2.00% – 3.00%	2.89%
Pacific Northwest Office	5 – 10	9	0.00% – 10.00%	4.54%	0.00% – 10.00%	4.32%	1.00% – 3.00%	2.75%	1.00% – 3.00%	2.79%
Philadelphia Office	5 – 10	8	0.00% – 3.00%	1.42%	1.75% – 3.00%	2.81%	2.75% – 3.00%	2.96%	3.00% – 3.00%	3.00%
Phoenix Office	4 – 11	8	(1.00%) – 3.00%	0.30%	0.00% – 5.00%	2.50%	2.50% – 3.00%	2.85%	2.50% – 3.00%	2.85%
San Diego Office	3 – 10	8	(10.00%) – 3.00%	0.10%	1.00% – 5.00%	3.23%	2.00% – 3.00%	2.90%	2.00% – 3.00%	2.90%
San Francisco Office	5 – 10	9	0.00% – 15.00%	5.86%	2.00% – 9.00%	4.84%	0.00% – 3.00%	2.67%	2.00% – 3.00%	2.83%
Southeast Florida Office	1 – 10	7	(10.00%) – 3.00%	(0.92%)	(5.00%) – 5.00%	1.70%	1.00% – 3.00%	2.75%	1.00% – 3.00%	2.70%
Suburban Maryland Office	1 – 10	8	(2.00%) – 3.00%	1.08%	(1.00%) – 5.00%	2.77%	0.00% – 3.00%	2.58%	0.00% – 3.00%	2.67%
Washington, DC Office	5 – 10	10	0.00% – 4.00%	2.36%	3.00% – 5.00%	3.33%	1.50% – 3.00%	2.82%	2.50% – 3.00%	2.96%

Source: Personal survey conducted by PwC during January 2012.

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FORECAST PERIODS AND CHANGE RATES: NATIONAL AND REGIONAL MARKETS

First Quarter 2012

	FORECAST PERIOD		MARKET RENT CHANGE RATES INITIAL YEAR		FORECAST PERIOD AVERAGE		EXPENSE CHANGE RATES INITIAL YEAR		FORECAST PERIOD AVERAGE	
MARKET	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
National Regional Mall	7 – 10	10	(2.00%) – 3.00%	1.58%	0.00% – 5.00%	2.67%	0.00% – 4.00%	2.25%	2.00% – 4.00%	2.92%
National Power Center	3 – 15	8	0.00% – 3.00%	1.00%	1.00% – 5.00%	2.58%	0.00% – 3.00%	2.54%	2.00% – 3.00%	2.75%
National Strip Shopping Center	1 – 10	8	0.00% – 5.00%	1.64%	0.00% – 5.00%	2.62%	2.50% – 5.00%	3.11%	3.00% – 5.00%	3.15%
National Flex/R&D	4 – 10	8	0.00% – 3.00%	1.42%	0.00% – 5.00%	2.54%	2.00% – 3.00%	2.92%	2.00% – 3.00%	2.92%
Warehouse (National)	5 – 10	9	(3.00%) – 4.00%	1.46%	0.00% – 5.00%	2.45%	2.00% – 3.00%	2.88%	0.00% – 3.00%	2.32%
Warehouse (Pacific Region)	5 – 10	9	0.00% – 3.00%	2.10%	0.00% – 6.00%	3.21%	2.00% – 3.00%	2.85%	0.00% – 3.00%	2.30%
Apartment (National)	1 – 10	8	(2.00%) – 8.00%	2.73%	0.00% – 6.00%	3.21%	1.00% – 4.00%	2.62%	1.00% – 4.00%	2.74%
Apartment (Mid-Atlantic Region)	4 – 10	7	(5.00%) – 7.00%	2.92%	1.00% – 6.00%	3.38%	1.00% – 3.00%	2.58%	1.00% – 3.00%	2.67%
Apartment (Pacific Region)	3 – 10	8	0.00% – 6.00%	3.17%	1.00% – 20.00%	4.96%	2.00% – 3.00%	2.79%	2.00% – 3.00%	2.88%
Apartment (Southeast Region)	4 – 10	6	(10.00%) – 10.00%	2.25%	0.00% – 7.00%	3.21%	1.00% – 3.00%	2.36%	0.00% – 4.00%	2.57%
National Net Lease	3 – 20	9	(3.00%) – 3.00%	0.79%	0.00% – 20.00%	3.55%	0.00% – 3.00%	1.88%	1.00% – 3.00%	2.05%
National Medical Office Buildings	1 – 10	6	0.00% – 3.00%	1.08%	0.00% – 20.00%	3.64%	0.00% – 4.00%	2.17%	0.00% – 20.00%	3.92%

Source: Personal survey conducted by PwC during January 2012.

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Definitions

General

BASIS POINT
1/100th of a percentage point (0.01%).

CHANGE RATE
Annual compound rate of change.

DISCOUNT RATE (IRR)
Internal rate of return in an all-cash transaction, based on annual year-end compounding.

EXCESSIVE TENANT IMPROVEMENT ALLOWANCE[3]
The amount by which an awarded tenant improvement allowance exceeds that which is typical for the market.

INSTITUTIONAL-GRADE REAL ESTATE
Real property investments that are sought out by institutional buyers and have the capacity to meet generally prevalent institutional investment criteria.

MARKETING TIME
The period of time between the initial offering of a property for sale and the closing date of the sale.

MEDICAL OFFICE BUILDING (MOB)
A multitenant office building containing physicians' offices and exam rooms, and in some cases pharmacies and ancillary hospital-service space to conduct outpatient services, such as diagnostic testing, rehabilitation, and day-surgery operating procedures. MOBs are different from general office buildings since they typically require more plumbing and electrical and mechanical systems to accommodate equipment unique to medical practices.

NET OPERATING INCOME (NOI)
Income remaining after deduction of all property expenses (including real estate taxes). In direct capitalization, investors capitalize one of the following:

1. NOI after capital replacement reserve deduction but before TIs and leasing commissions
2. NOI before capital replacement reserve deduction, TIs, and leasing commissions
3. Cash flow after capital replacement reserve deduction, TIs, and leasin commissions

OVERALL CAPITALIZATION RATE
Initial rate of return in an all-cash transaction; the overall cap rates reported in this Survey reflect investors' expectations of property performance and are applied to one of the three net operating income levels noted above.

PROJECTION PERIOD[1]
A presumed period of ownership; a period of time over which expected net operating income is projected for purposes of analysis and valuation; also referred to as "forecast" period by Survey participants

PwC DIVIDEND INDICATOR (PDI)
A composite OAR average of the surveyed markets excluding lodging.

PwC YIELD INDICATOR (PYI)
A composite IRR average of the surveyed markets excluding lodging and development land

RENT SPIKE
An increase in market rent that is markedly higher than the general rate of inflation.

REPLACEMENT COST[1]
The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.

REPLACEMENT RESERVE
Amount allocated for periodic replacement of building components during a property's economic life

RESIDUAL
Estimated total price at conclusion of forecast period:

Cap Rate
Overall capitalization rate used in calculation of residual price; typically applied to the NOI in the year following the forecast.

Selling Expense
Transaction expenses (legal, brokerage, marketing, etc.) paid by the seller.

SHADOW SPACE[3]
Space within an occupied office suite that is not currently utilized by a tenant and is also not being marketed for subleasing

STRUCTURAL VACANCY[3]
Normal vacancy rate in a balanced market.

VACANCY ASSUMPTIONS
Months Vacant
The number of months a space remains unleased at the expiration of a vacating tenant lease.

Tenant Retention
Percentage of leased rentable area that is expected to be released by the existing tenants at lease expiration.

Underlying Vacancy/Credit Loss
Percentage of total revenue uncollected due to unexpected vacancy or credit loss (in addition to any rent loss from vacancies at lease expirations).

Apartment

NET OPERATING INCOME (APARTMENT NOI)
Income remaining after deduction of all property expenses (which includes leasing commissions); in direct capitalization, investors capitalize one of the following:

1. NOI after capital replacement reserve
2. NOI before capital replacement reserve
3. Cash flow after capital replacement reserve

GARDEN APARTMENT[1]
Development consisting of two- or three-story, walk-up structures built in a garden-like setting; customarily a suburban or rural-urban fringe development.

HIGH-RISE APARTMENT[5]
Multifamily housing development consisting of at least four stories.

MID-ATLANTIC REGION
As per NCREIF, includes Delaware, Maryland, Virginia, North Carolina, and South Carolina, as well as Washington, DC.

PACIFIC REGION
As per NCREIF, includes Washington, Oregon, and California.

SOUTHEAST REGION
As per NCREIF, includes Alabama, Arkansas, Florida, Georgia, Mississippi, and Tennessee.

Development Land

DEVELOPMENT LAND
Land that has been purchased, readied for subdivision development (i.e. entitlements and infrastructure), and subsequently sold to builders

Various sources for these definitions include [1]*The Dictionary of Real Estate Appraisal, Fifth Edition,* published by the Appraisal Institute, [2]International Council of Shopping Centers, [3]investor interviews and PwC, [4]Smith Travel Research, and [5]National Multi Housing Council.

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DEVELOPER'S PROFIT[1,3]
A market-derived figure that reflects the amount a developer expects to receive for his or her contribution to a project and risk

INDUSTRIAL

FLEX/R&D[3]
An industrial property with 14- to 20-foot clear ceiling heights, up to 100.0% finished office space including lab and clean-room space (up to 60.0% finished office space excluding lab and clean-room space), and dock-high and/or grade-level loading used for minimal distribution, research and development, and specialized office space.

WAREHOUSE[3]
An industrial property with 16- to 30-foot clear ceiling heights, up to 15.0% finished office space, and dock-high loading facilities used for the storage and distribution of goods.

LODGING

AVERAGE DAILY RATE (ADR)[4]
Room revenue divided by rooms sold.

LIMITED-SERVICE MIDSCALE & ECONOMY[3,4]
Midscale lodging with "rooms only" and no food or beverage except possible continental breakfast; includes all economy lodging; lower-tier pricing; corresponds to STR's limited-service hotels in the midscale chain scale and all hotels in the economy chain scale; includes brands such as Howard Johnson, Sleep Inn, and Motel 6.

FULL SERVICE[3,4]
Lodging with restaurant and lounge facilities, meeting space, and a minimum service and amenities level; moderate to lower upper-tier pricing; corresponds to STR's full-service hotels in the upscale, upper midscale, and midscale chain scales; includes brands such as Doubletree, Radisson, and Ramada.

LUXURY/UPPER UPSCALE[3,4]
High-quality lodging offering personalized guest services, typically with extensive amenities, and upper-tier pricing; corresponds to STR's luxury and upper-upscale chain scales; includes brands such as Ritz Carlton, Four Seasons, and Hyatt.

MANAGEMENT FEE
An expense item representing the sum paid for or the value of management service, including incentives, expressed as a percentage of total revenues.

NET OPERATING INCOME (LODGING NOI)
Income remaining after deduction of all property expenses: in direct capitalization, investors capitalize one of the following:

1. Prior 12 months
2. Forecast next 12 months
3. Both of the above

OCCUPANCY[4]
Rooms sold divided by rooms available.

OPERATING EXPENSES
The ongoing expenditures incurred during the ordinary course of business necessary to maintain and continue the production of gross revenues, not including reserves, debt service, and capital costs.

PROPERTY EXPENSES
Includes all necessary operating expenses and a reserve for replacement of building components and FF&E.

RESERVE FOR REPLACEMENT
An allowance that provides for the periodic replacement of building components, and furniture, fixtures, and equipment, which deteriorate and must be replaced during the building's economic life.

REVPAR
Revenue per available room.

SELECT SERVICE[3,4]
Upscale and upper-midscale lodging with "rooms only" and no food or beverage except possible breakfast; moderate pricing; excludes economy properties; corresponds to STR's select-service hotels in the upscale chain scale and limited-service hotels in the upper-midscale chain scale; includes brands such as Hampton Inn, Residence Inn, and Comfort Inn.

NET LEASE

PROVISION 1031
A tax code that allows the seller of an investment property to defer capital gains taxes by exchanging the sale proceeds for an investment in a similar property or properties within 180 days of the original closing.

SALE LEASEBACK
A transaction in which an owner sells a property that it fully occupies to a third party and then leases the space back from the new owner.

SECONDARY OFFICE[3]

INCLUDED MARKETS
Austin, Baltimore, Cincinnati, Cleveland, Detroit, Indianapolis, Jacksonville, Kansas City, Las Vegas, Minneapolis, Nashville, Orlando, Pittsburgh, Raleigh, Riverside, Sacramento, San Antonio, San Jose, St. Louis, and Tampa

RETAIL

FORTRESS MALL
The dominant performing Class-A+ malls in the country whose inline stores generate at least $450 per square foot in retail sales; they contain inline and anchor stores that are both well established and unmatched in the trade area.

LIFESTYLE CENTER[2]
Most often located near affluent residential neighborhoods, this center type caters to the retail needs and "lifestyle" pursuits of consumers in its trading area. It has an open-air configuration and typically includes at least 50,000 square feet of space occupied by upscale national chain specialty stores. Other elements, such as restaurants and entertainment, design ambience and amenities like fountains and street furniture, make the lifestyle center serve as a multi-purpose leisure-time destination. One or more conventional or fashion specialty department stores often act as anchors.

OUTLET CENTER[2]
Consist mostly of manufacturers' outlet stores selling their own brands at a discount. Usually located in rural or occasionally in tourist locations. A strip configuration is most common, although some are enclosed or arranged in a "village" format.

POWER CENTER[2,3]
An open center dominated by at least 75.0% large big-box anchors, including discount stores, warehouse clubs, and value-oriented category stores, and a minimal amount of inline store space

REGIONAL MALL[2,3]
An enclosed shopping center that contains at least two department stores and has climate-controlled walkways that are lined with smaller retail shops

REGIONAL MALL CLASSIFICATIONS[3]

Class	Inline Retail Sales (Per Sq. Ft.)
A+	$600 and up
A	$450 to $599
B+	$350 to $449
B	$250 to $349
C	Less than $250

STRIP SHOPPING CENTER[2,3]
An open row of stores either with or without anchor stores that offer convenience (neighborhood centers) and general merchandise (community centers).

Various sources for these definitions include [1]*The Dictionary of Real Estate Appraisal, Fifth Edition,* published by the Appraisal Institute, [2]International Council of Shopping Centers, [3]investor interviews and PwC, [4]Smith Travel Research, and [5]National Multi Housing Council.

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Survey Process: Survey participants represent a cross section of major institutional equity real estate investors who invest primarily in institutional-grade property. As such, the information presented is not generally applicable to noninstitutional-grade investments. In addition, the information represents investors' investment expectations and does not reflect actual property performances.

The information in this survey is gathered through on-line questionnaires and telephone interviews. As such, the findings and opinions expressed reflect those of our investor participants and do not necessarily reflect those of PwC. Although we do not represent that the survey is statistically accurate, its results provide important insight into the thinking of a significant portion of the equity real estate marketplace.

Investor Survey Responses: The individual investor responses contained in the large tables in the back of each issue are a representative sample. Due to space constraints, not all responses are included.

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*16-page supplement following 9/11

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