Viewpoint 2013

Integra Realty Resources
Real Estate Value Trends

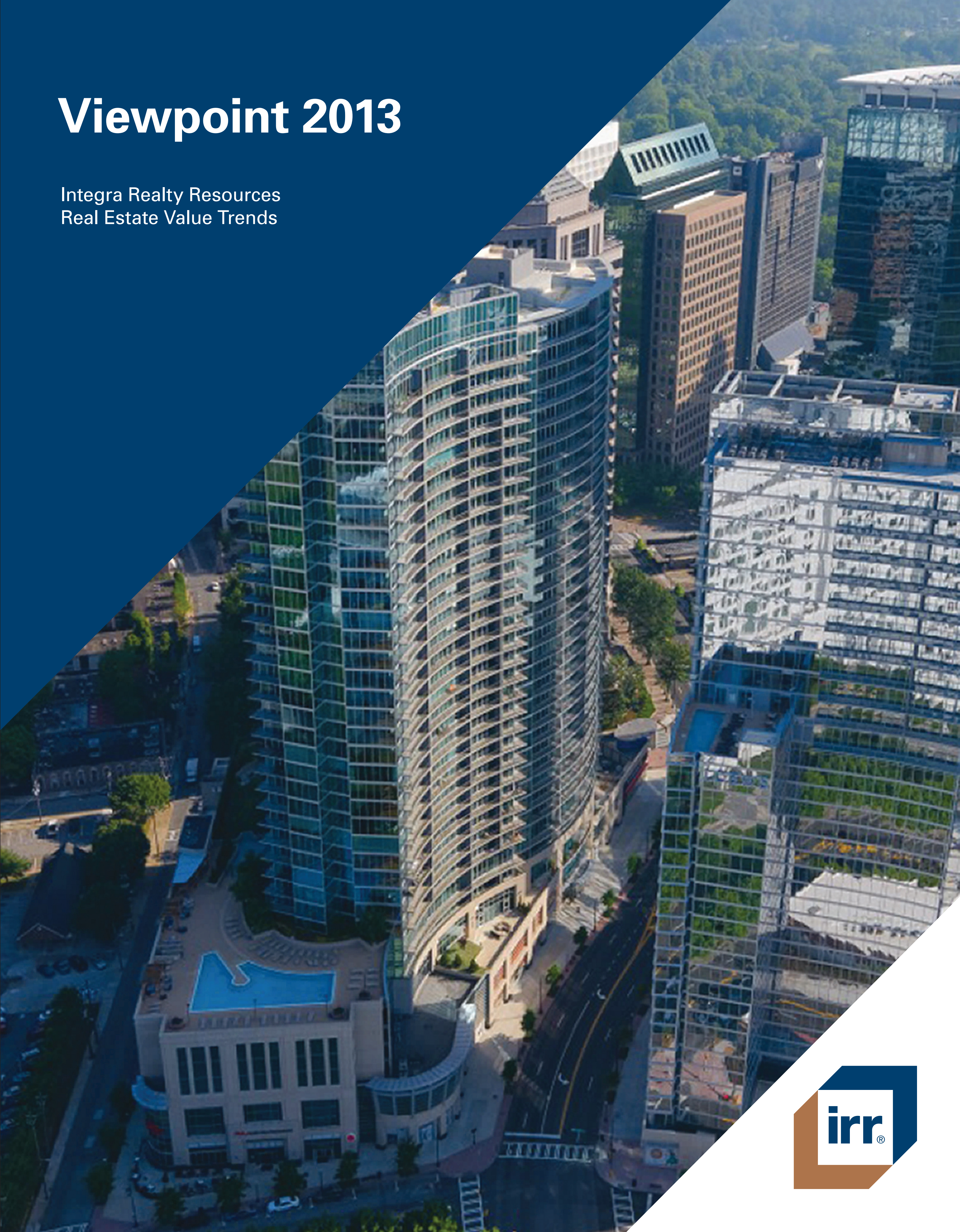

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Photo (above) is the Fashion Centre Mall in Arlington, VA. The Simon Properties' retail center was recently valued by IRR-Washington DC in conjunction with IRR-Denver. Photography credit to Craig Weiman.

Local Expertise. National Coverage.

Integra Realty Resources, Inc. (IRR) is the market leader for commercial real estate valuation, counseling, and advisory services with over 900 professionals located in 63 offices throughout the United States, Mexico, and the Caribbean. Each of our offices is led by an MAI designated valuation professional with an average of over 25 years of commercial real estate experience in their respective local markets.

With over 170 MAI, 60 FRICS, and 40 MRICS designated professionals, IRR benefits from the deepest and broadest coverage of any national valuation and counseling firm. As a result of this superior coverage and expertise, IRR is a trusted advisor for many of the world's top financial institutions, property developers, corporations, law firms, and government agencies throughout their real estate decision making processes.

IRR is uniquely positioned to utilize on the ground resources with knowledge of both national and local real estate markets and trends to analyze clients' real estate valuation problems. From the most complex individual properties to large portfolio assignments across all property types and locations, IRR has a valuation solution to solve clients' needs.

Cover photo depicts 1010 Midtown, a recently completed condominium tower in Atlanta's Midtown submarket that was valued by IRR-Atlanta. Photo credit to Zach Rolen, Rolen Image.

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Chairman's Letter

Dear Friends and Colleagues:

I am proud to report in our 23rd annual publication of *IRR-Viewpoint* that Integra Realty Resources (IRR) has continued to grow as the nation's largest real estate valuation and counseling firm. In the last year, we have added domestic offices in Birmingham, AL, and Charleston, SC, while also adding to our international presence with the opening of IRR-Caribbean, located on Grand Cayman Island. These office openings demonstrate Integra's continued commitment to providing local market intelligence for our clients while also providing national and increasingly international service coverage.

The commercial real estate markets continued to recover in 2012, with real estate being one of the preferred asset classes as investors have searched for investment yields backed by relatively safe fundamentals in the current historically low interest rate environment. The coming year, however, presents interesting macroeconomic challenges for the commercial real estate sector, as the Federal government's fiscal crisis and new healthcare legislation will almost assuredly result in higher tax rates for most institutional real estate investors. In such times of potential volatility, IRR stands ready to meet our clients' real estate valuation and consulting needs with 63 offices throughout North America continuing to provide unparalleled ***Local Expertise...Nationally.***

Sincerely,

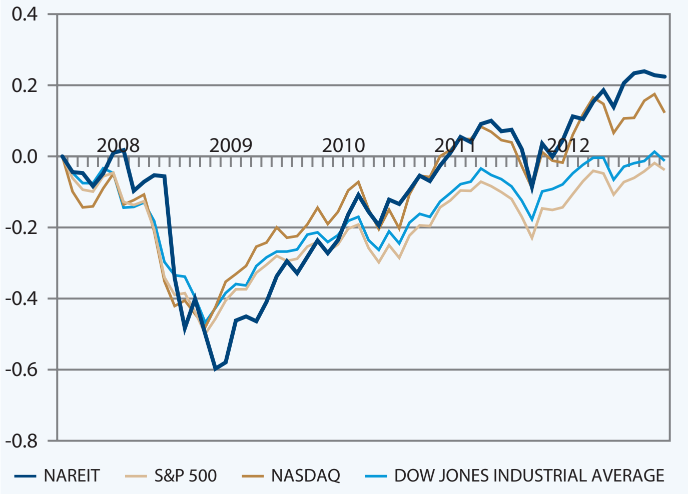
Raymond T. Cirz

Raymond Cirz, MAI, CRE, FRICS
Chairman of the Board
Integra Realty Resources, Inc.

National Real Estate

Commercial real estate continued a steady recovery in 2012 with property fundamentals improving across all major property classes. Capitalization rates for Class A assets also compressed across all major property classes, while transaction volumes lagged behind 5-year historical averages. Despite capitalization rate compression, historically low interest rates have driven risk premiums – as measured by the difference between capitalization rates and 10-year U.S. Treasury yields – to all-time highs in many asset classes.

Real Estate Index Performance Versus Equity Indexes (Fig. 1)



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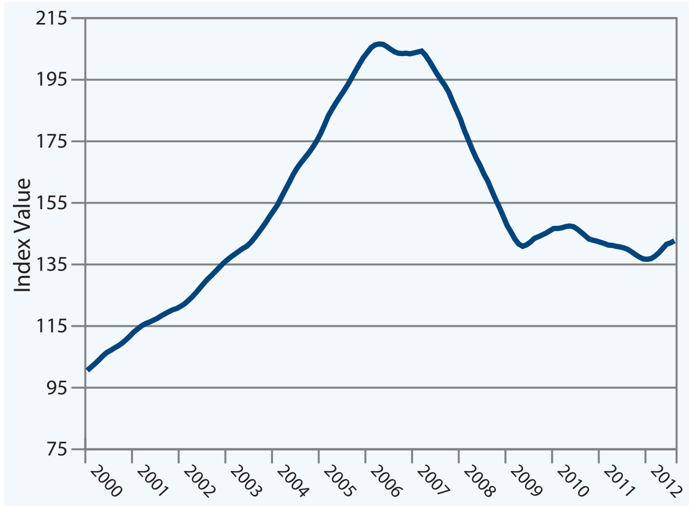
Improved property fundamentals and compressing capitalization rates have driven a strong rally in commercial real estate valuations. Stronger valuations have translated to a very strong performance among publicly traded Real Estate Investment Trusts (REITs), which have outperformed the general equity markets over a 5-year holding period.

Both the commercial real estate markets as well as the U.S. economy have been heavily impacted in recent years by the negative performance of the single-family residential market. Depressed housing values have destroyed significant wealth, which has negatively impacted consumer sentiment and spending growth, dampening construction spending and job creation. Positively, the market correction in the single family residential market appears to have stabilized and may be showing signs that a period of modest price appreciation is just ahead.

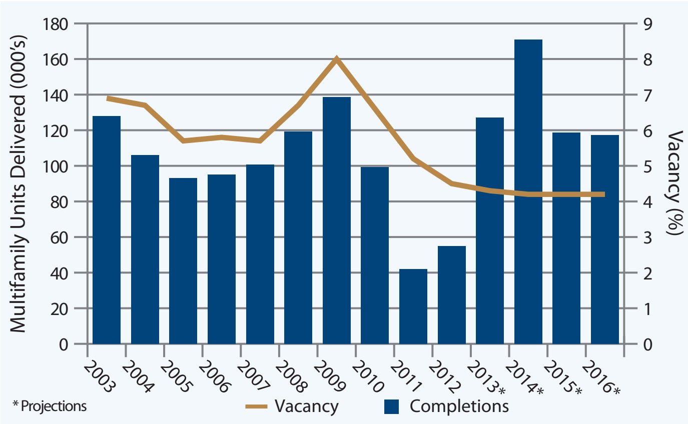
S&P/Case-Shiller 20-City Composite Index (Fig. 2)



© 2012 Integra Realty Resources, Inc. Source: S&P/Case-Shiller; compiled by IRR

The single family residential market's pain has resulted in strong gains for the nation's multifamily sector. The combination of a lack of confidence from potential home buyers, an inability to obtain financing, and a lack of new supply of single family homes due to a lack of sustained demand have driven more people into rental housing. The increased demand for multifamily product combined with a lack of new supply as a result of a lack of construction financing in recent years have driven strong occupancy rate increases nationally in the multifamily sector. The sector's strong performance through the downturn combined with the availability of extremely cheap long-term debt for stabilized multifamily assets backed by Fannie and Freddie have resulted in the multifamily sector becoming the preferred asset class of many institutional investors and driven capitalization rates for the asset class to all-time lows.

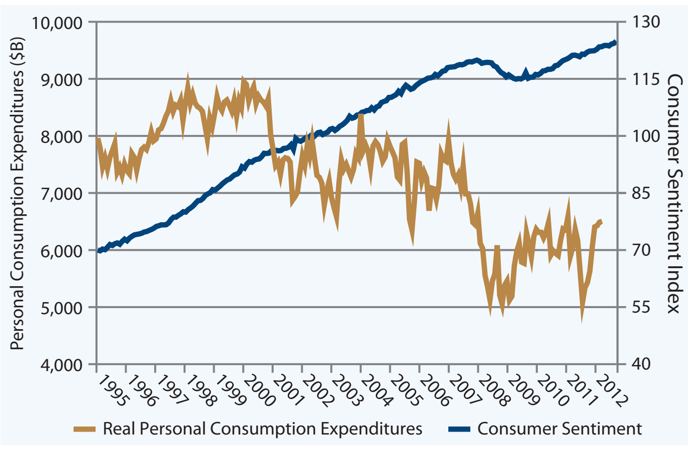
Multifamily Completions & Vacancy (Fig. 3)



© 2012 Integra Realty Resources, Inc. *Source: REIS*

While consumer spending has recovered from the recession and is growing again, the growth rate is well below 20-year historical averages as consumer sentiment remains weak. This trend has contributed to investor preferences in the retail sector shifting somewhat away from power centers and other assets more reliant on discretionary spending and more towards assets anchored by retailers less dependent on discretionary spending, such as grocery-anchored retail centers as well as pharmacies.

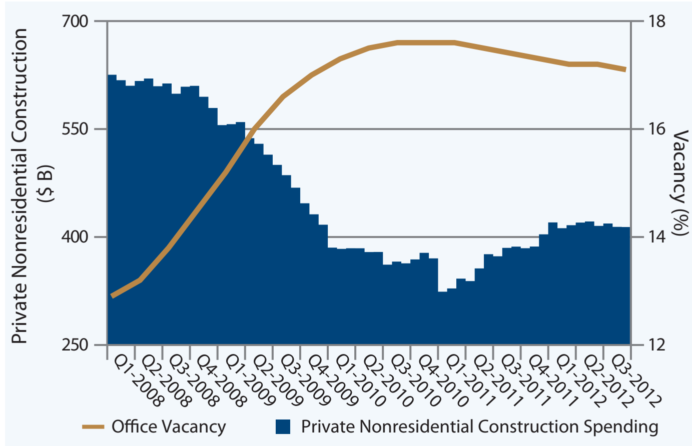
Consumer Spending & Sentiment (Fig. 4)



© 2012 Integra Realty Resources, Inc. *Source: Federal Reserve Bank*

The office and industrial markets have seen very little speculative building in recent years, while improving economic fundamentals have driven minimal increases in tenant demand, resulting in declining vacancy rates for both sectors in 2012. These trends are expected to continue in 2013, with the caveat that continued growth and improvement in the sectors would be stymied if the effects of the fiscal crisis and the specter of new taxes push the U.S. economy into recession.

Private Nonresidential Construction Spending & Office Vacancy Rates (Fig. 5)



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Sources: U.S. Census Bureau, Bureau of Labor Statistics, REIS

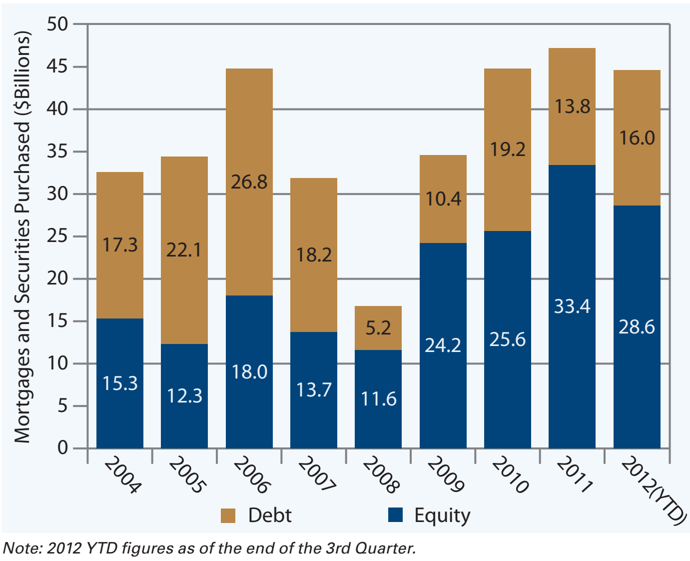
Like the four major property classes, more specialized real estate markets – such as self storage, seniors housing, and gaming – all experienced improved fundamentals in 2012. The U.S. lodging market's gains were more muted than most other asset classes, but modest improvements are expected to continue in 2013 and beyond so long as the economy continues growing.

Capital Markets

As 2012 turns to 2013, the commercial real estate (CRE) sector is benefitting from increased liquidity and extremely attractive financing rates. The combination of strong financing volume and low rates is especially apparent in the multifamily sector, but all major property types have benefitted from capital market liquidity in 2012. Most market participants anticipate that economic growth concerns in 2013 are likely to result in continued short-term monetary easing, which should act to provide some measure of capital market liquidity while keeping interest rates low in the immediate future.

Strong underlying real estate property fundamentals have helped create a perception of the real estate sector as a relatively safe asset class, which has contributed to liquid capital markets. However, much of the capital markets' liquidity related to the CRE sector must be credited to the Federal Reserve's continued quantitative easing. Despite concerns surrounding the European debt crises as well as the American fiscal policy quagmire, CRE capital markets have remained extremely liquid and have seen their credit spreads tighten throughout much of the year.

REIT Public Securities Issuances (Fig. 6)



Note: 2012 YTD figures as of the end of the 3rd Quarter.

 Source: Freddie Mac, compiled by IRR

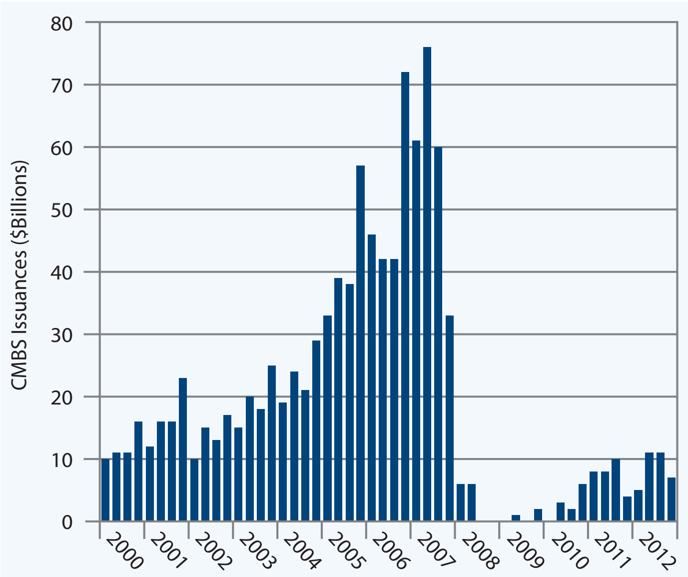
Strong liquidity in the capital markets over the previous year is most clearly exhibited within the public issuance markets for REIT securities. Through the 3rd quarter of 2012, debt and equity issuances by REITs had nearly equaled record full-year 2011 issuance levels, with a strong 4th quarter of issuances underway as *IRR-Viewpoint* went to press. Strong issuance volumes indicate that institutional real estate owners are finding attractive capital sources - both debt and equity - to finance a variety of real estate related activities.

Investors have been attracted to REIT equity issuance by the attractive dividend yields and impressive 5-year investment returns, which have outpaced all of the major diversified equity indexes. Likewise, bond investors have been willing to purchase REIT's debt issuances because commercial real estate property fundamentals performed relatively well through the downturn and have rallied strongly throughout the recovery. Thus, commercial real estate debt is viewed as a relatively safe asset to provide bond investors with some strong risk-adjusted yields.

While the capital markets were generally kind to REITs in 2012, there was certainly a glaring exception to this trend in the form of Inland Western. When the firm went public and rebranded as Retail Properties of America in 2012, the IPO of the formerly private REIT priced at around $3 per share on a split adjusted basis. This represented a steep decline in value from the original $10 per share investment price, though dividends over the investment period did help ease some of the pain.

While REITs have certainly been active in the capital markets in 2012, perhaps no single firm has been more active than Blackstone. The firm announced at the end of the 3rd Quarter that they had just closed their largest real estate fund ever - Blackstone Real Estate Partners VII - with $13.3 billion dollars in commitments. This fund's commitments bring Blackstone's available real estate investment capital across multiple funds to over $50 billion, which has allowed the firm to pursue portfolio acquisitions of virtually any size.

CMBS Issuances (Fig. 7)



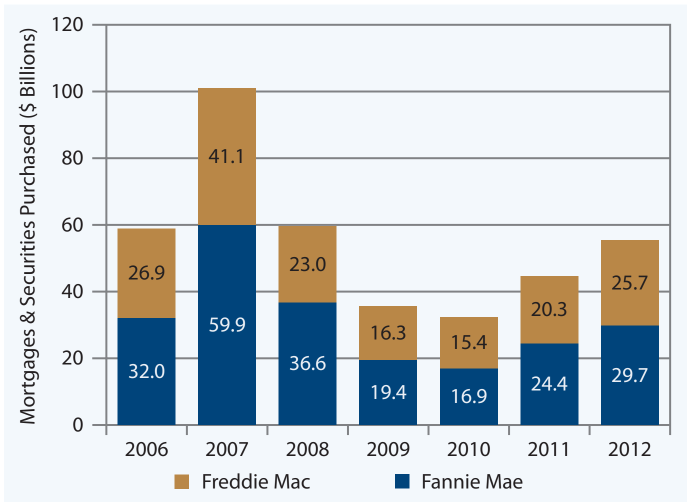
© 2012 Integra Realty Resources, Inc. *Source: Commercial Mortgage Alert*

The capital markets were heavily impacted by government intervention in 2012. CRE capital markets strongly benefited from the Federal Reserve's third round of quantitative easing, which helped drive demand for commercial mortgage backed securities (CMBS) and thus resulted in significant bond spread tightening within the sector. Such spread tightening resulted in CMBS platforms becoming competitive once again with insurance companies for the highest quality loans, driving competition within the capital markets to the benefit of borrowers. This has been especially beneficial to the owners of hotel and retail assets, which are generally more reliant on the CMBS market for financing than the other major property sectors.

While the CMBS market's issuance levels in 2012 pale in comparison to levels at the market peak, issuances for the past year will be far stronger than in the 2009 to 2011 timeframe and are expected to grow modestly again in 2013. The return of a viable CMBS market is critical to overall capital markets liquidity within the CRE space, as CMBS is estimated to have accounted for over half of all market financing at its peak in 2007, and had slipped to less than 5% of the financing market during the downturn.

The multifamily sector remained the hottest property sector in 2012 and also benefitted from government intervention in the capital markets through Fannie Mae and Freddie Mac. The government sponsored entities (GSEs) strongly served a capital markets liquidity function from the latter half of 2008 to the beginning half of 2010 when the private capital markets had more or less seized up. However, with the return of liquidity in 2012, the GSEs found themselves playing a different yet still important role within the capital markets. Due to historically low treasury yields and the GSEs cost of funds advantage over private lenders, Fannie and Freddie have remained active in the capital markets as lenders of choice rather than necessity. As a result, the GSEs debt issuances and purchases in 2012 already far surpassed their full year activity in any of the previous three years. It is estimated that Fannie and Freddie now account for more than 66% of all mortgage financing within the multifamily sector.

Multifamily Mortgages & Securities Purchased (Fig. 8)



Note: 2012 estimated figures represent data of the end of the 3rd Quarter 2012 annualized.
© 2012 Integra Realty Resources, Inc. *Source: Freddie Mac, compiled by IRR*

The capital markets in 2013 will be heavily impacted by the outcome of ongoing fiscal policy discussions and any Federal Reserve stimulus aimed at avoiding an economic slide back into a recession if policy discussions break down before a workable resolution is agreed upon. In the meantime, Fannie and Freddie are expected to continue to dominate the multifamily lending market while CMBS and life insurance lenders are expected to continue to compete for the highest quality loans in the best locations, with the remainder of CRE product being financed either through local banks or also increasingly through CMBS securitizations once again.

Investment Criteria

In performing over 35,000 valuation assignments annually, IRR has inside access to a broad base of real estate information. From this information base, our Managing Directors use IRR's property software tools to provide precise snapshots of existing real estate market conditions as well as forecast future trends with accuracy. The aggregation of our Managing Directors' insights and forecasts result in our annual *IRR-Viewpoint* publication for use by IRR's clients and the real estate community at large.

IRR-Viewpoint 2013 focuses in detail on the four major product types: office, retail, industrial, and multifamily. IRR also looks to its national experts in the domestic Gaming, Lodging, Self Storage, and Seniors Housing and Healthcare product areas, while our partners in Mexico and the Caribbean opine about real estate trends in those international markets.

With the continued internationalization of the real estate markets, IRR continues to evolve and work with more partners to provide worldwide valuation and counseling services. Some of our most trusted partners in Canada and Japan have provided insights for this year's *Viewpoint* publication, and IRR looks forward to continuing to further our international partnerships and potential expansion in the near future.

Market Cycle Phases

IRR-Viewpoint refers to four market cycle phases: Recovery, Expansion, Hypersupply, and Recession. The defining characteristics of each of these phases are listed in the cycle charts in each major product type section. The fundamentals considered in determining phases within the cycle include vacancy rate trends, new product supply deliveries and expectations, employment growth, and inventory absorption trends and projections. Using IRR's vast database, our offices track these underlying fundamentals and use them to assign life cycle phases to each property type within the local market. Such cycle charts are a strong leading indicator of value directional changes in markets, as absent outside influences, real estate values tend to correlate strongly with these fundamentals.

Class A Cap Rate Rankings (Fig. 9)

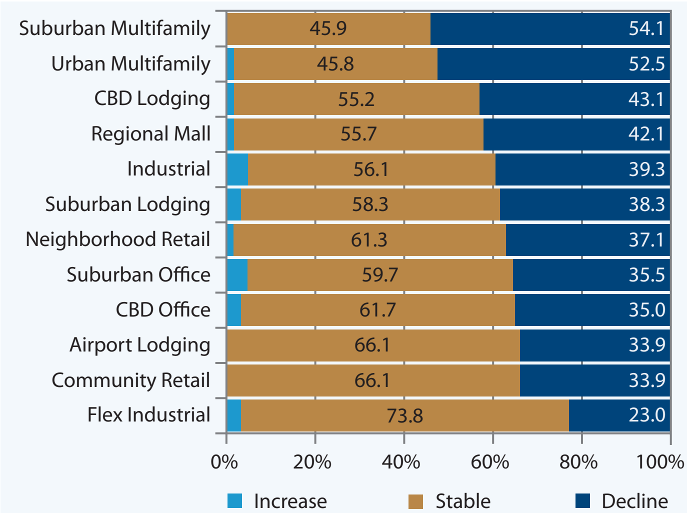
2012 Rank	Property Type	2012 Range	2012 Median	2012 Average
1	Urban Multifamily	4% - 8.75%	6.00%	5.91%
2	Suburban Multifamily	4.25% - 8%	6.00%	6.08%
3	Regional Mall	6% - 8.5%	7.25%	7.28%
4	Community Mall	6% - 8.75%	7.75%	7.60%
5	CBD Office	5% - 10.5%	7.75%	7.65%
6	Neighborhood Strip	6% - 9%	7.50%	7.66%
7	Industrial	6% - 9.75%	7.88%	7.75%
8	Suburban Office	6% - 9%	8.00%	7.91%
9	Flex Industrial	6.75% - 9.5%	8.50%	8.30%
10	CBD Lodging	6.5% - 10.25%	8.75%	8.58%
11	Airport Lodging	7% - 10.5%	9.00%	8.95%
12	Suburban Lodging	7% - 10.5%	9.00%	9.03%

Capitalization Rates

A comparison of capitalization rates between product types and markets provides valuable insights into the real estate investment community's perception of relative values and required risk adjusted returns. While the capitalization rate ranges presented in *IRR-Viewpoint 2013* are intended to be indicative of general overall differences in rates between markets and product types, they are presented for informational purposes only and do not constitute an appraisal on any specific property or market area. Specific property valuations and capitalization rates are affected by many factors, including but not limited to the quality of the income stream associated with the property, as well as the supply and demand fundamentals in the property's submarket. For a property specific analysis of capitalization rates and other key valuation metrics, please contact your local IRR professional.

Average capitalization rates across all product types in IRR's surveyed markets compressed in 2012, and the general rank of property types by capitalization rate remained relatively unchanged from 2011. One exception to this overall trend is that the average capitalization rates for general industrial properties are observed to have compressed inside of rates for suburban office, marking a notable change in investors' relative value and risk preferences between these two asset classes.

Projected Class A Cap Rate Change (Fig. 10)



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Further capitalization rate compression in 2013 is forecasted across all markets and asset classes in 39% of cases, representing an even more optimistic view of capitalization rate compression than last year's 35% prediction. Capitalization rates are only expected to widen in a handful of markets in 2013, with only suburban office and industrial product types expected to widen in three or more markets. Many market observers have commented that the overall investment community's search for yield in a historically low interest rate environment has increased capital allocations to the commercial real estate sector, providing a powerful market dynamic that has contributed to compressing capitalization rates.

Class A Discount Rate Rankings (Fig. 11)

2012 Rank	Property Type	2012 Range	2012 Median	2012 Average
1	Urban Multifamily	6% - 9.75%	7.50%	7.73%
2	Suburban Multifamily	6.75% - 9%	7.75%	7.82%
3	Regional Mall	7% - 10.25%	9.00%	8.76%
4	Community Mall	7% - 10.5%	9.00%	8.82%
5	CBD Office	6.5% - 12%	9.00%	8.85%
6	Neighborhood Strip	7% - 10.5%	9.00%	8.88%
7	Industrial	7.5% - 11.25%	9.00%	8.95%
8	Suburban Office	7% - 10.75%	9.25%	9.05%
9	Flex Industrial	8% - 11%	9.50%	9.49%
10	CBD Lodging	7.5% - 12%	10.00%	10.15%
11	Airport Lodging	8.75% - 12%	10.50%	10.51%
12	Suburban Lodging	8.75% - 12%	10.75%	10.63%

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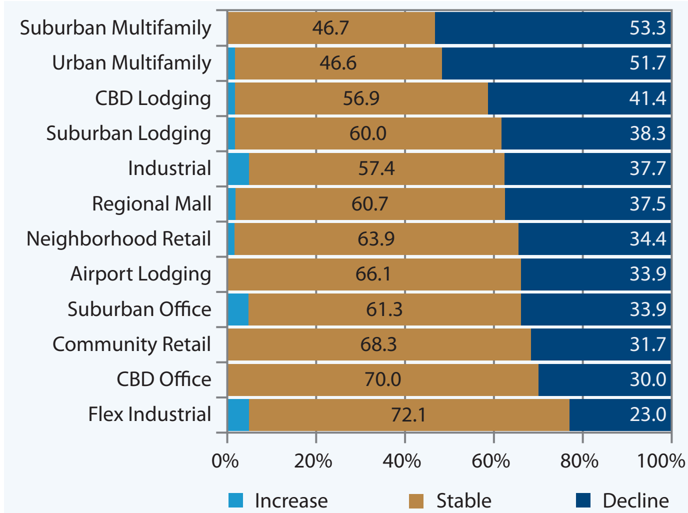
Discount Rates

Discount rates among the surveyed markets and product types also compressed in 2012, though not quite to the same extent as going-in capitalization rates. The discount rate range remains the widest in the CBD office sector, where primary office markets discount rates are far tighter than those utilized in analyzing and investing in more secondary market CBD office assets.

Projected Class A Discount Rate Change (Fig. 12)



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The spread between going-in capitalization rates and discount rates widened slightly in 2012 as a result of faster compression in going-in rates. Such a widening spread could indicate that the valuations of commercial real estate assets in some markets are approaching a crest. This widening spread observation was especially notable in the multifamily sector of the Western region of the United States, where the discount rate spread above historically low going-in capitalization rates is especially wide. Similarly, the discount rate spreads on industrial product are also widening in many markets, providing a leading indicator that some industrial markets may peak in the near future.

Data Interpretation

All data reported on Pages 8 & 9 are for class A properties, while the market conditions information presented in the respective product type sections are for all available property classes. Inventory figures for some IRR markets have drastically increased by virtue of an expansion in the survey area, while inventory for the **Miami-Palm Beach, FL,** markets may appear to have decreased materially from last year's survey as result of breaking out the statistics for this area into two distinct market areas in the 2013 survey.

2012 Capitalization Rates, Discount Rates, Reversion Rates, Market Rent Change Rates, Expense Growth Rates and Tenant Finish Allowances (Table 13)

GOING-IN CAP RATE (%)

Property Type	Atlanta, GA	Austin, TX	Baltimore, MD	Birmingham, AL	Boise, ID	Boston, MA	Broward-Palm Bch., FL	Charleston, SC	Charlotte, NC	Chicago, IL	Cincinnati, OH	Cleveland, OH	Columbia, SC	Columbus, OH	Dallas, TX	Dayton, OH	Denver, CO	Detroit, MI	Fort Worth, TX	Greensboro, NC	Greenville, SC	National Averages (62 Markets)
CBD Office	7.75	7.00	7.00	8.50	7.25	5.75	6.75	7.50	7.50	7.00	8.50	9.00	8.00	8.50	6.75	10.50	6.50	10.00	7.25	8.00	7.75	7.65
Suburban Office	8.25	7.50	7.00	8.50	8.25	7.25	7.75	8.25	8.25	8.00	8.75	8.50	8.00	8.50	7.00	9.00	7.00	9.00	7.25	9.00	8.00	7.91
Regional Mall	7.50	7.50	6.50	8.00	7.75	6.50	6.50	6.75	7.50	7.25	7.50	7.75	7.50	8.25	7.00	8.25	6.75	8.25	7.00	8.00	7.50	7.28
Community Retail	8.00	7.50	6.75	8.25	8.00	7.00	7.25	7.75	7.75	7.75	8.50	8.50	7.25	8.50	7.00	8.75	7.50	8.50	7.00	8.00	7.50	7.60
Neighborhood Retail	7.50	7.50	6.75	8.00	8.25	7.00	7.50	7.25	7.50	7.50	9.00	8.50	7.25	8.00	7.00	9.00	7.50	9.00	7.00	7.75	7.25	7.66
Industrial	7.00	8.00	6.25	8.50	8.00	7.50	7.75	7.00	7.75	6.75	9.75	9.00	8.00	8.25	7.00	9.00	7.50	9.75	7.00	8.75	8.00	7.75
Flex Industrial	7.75	8.50	7.50	9.00	8.00	7.75	8.50	8.50	8.25	8.00	8.50	9.00	8.50	8.75	8.25	9.25	8.00	9.25	8.25	8.50	8.50	8.30
Urban Multifamily	5.50	5.75	5.50	6.50	6.50	5.25	6.25	6.00	5.25	5.50	7.00	7.25	6.25	7.00	5.25	7.75	4.50	8.75	5.50	6.00	6.25	5.91
Suburban Multifam.	6.00	6.25	5.50	6.25	6.75	5.75	5.75	6.75	5.25	6.00	7.00	7.50	6.75	7.00	5.75	7.00	5.00	7.50	5.75	6.00	6.00	6.08
CBD Lodging	8.00	8.25	8.00	9.50	9.25	7.50	8.00	7.50	9.25	7.00	9.50	9.25	9.00	9.25	8.75	9.50	8.00	10.25	8.75	10.00	9.25	8.58
Suburban Lodging	8.50	8.50	8.00	10.00	9.50	7.75	8.25	8.25	10.00	10.00	9.75	9.25	9.50	9.50	9.00	9.75	10.00	10.00	9.00	10.50	9.50	9.03
Airport Lodging	8.50	8.50	8.00	10.50	9.50	8.00	9.00	8.00	10.00	8.00	9.50	9.00	9.50	9.50	9.00	9.50	9.00	9.75	9.00	10.50	9.50	8.95

DISCOUNT RATE (%)

Property Type	Atlanta, GA	Austin, TX	Baltimore, MD	Birmingham, AL	Boise, ID	Boston, MA	Broward-Palm Bch., FL	Charleston, SC	Charlotte, NC	Chicago, IL	Cincinnati, OH	Cleveland, OH	Columbia, SC	Columbus, OH	Dallas, TX	Dayton, OH	Denver, CO	Detroit, MI	Fort Worth, TX	Greensboro, NC	Greenville, SC	National Averages (62 Markets)
CBD Office	9.00	8.50	8.25	9.50	9.00	7.00	8.25	8.75	8.50	8.00	10.00	9.25	9.25	9.50	7.75	12.00	8.00	11.00	8.25	9.50	9.00	8.85
Suburban Office	9.25	9.00	8.25	9.50	10.00	8.25	9.00	9.50	9.25	8.50	10.25	9.25	9.25	9.50	8.00	10.75	8.25	10.00	8.25	10.00	9.00	9.05
Regional Mall	9.00	9.00	8.00	9.50	9.50	7.25	8.00	8.25	9.50	8.00	10.00	8.75	9.25	9.50	9.00	10.00	8.00	9.25	9.00	10.00	9.00	8.76
Community Retail	9.25	9.00	7.50	9.25	9.75	8.00	8.50	9.00	9.00	8.75	10.00	8.75	8.50	9.50	8.25	10.50	8.75	9.50	8.25	9.30	9.00	8.82
Neighborhood Retail	9.00	9.00	7.50	9.25	10.00	8.00	8.75	8.50	8.75	8.50	10.25	9.25	8.25	9.00	8.25	10.25	8.75	10.00	8.25	9.00	8.00	8.88
Industrial	8.00	8.75	7.50	9.50	9.75	8.75	9.25	8.25	8.75	7.75	11.25	10.50	8.75	9.00	8.25	10.25	8.25	10.75	8.25	9.50	8.75	8.95
Flex Industrial	8.75	9.00	8.75	10.00	9.75	9.00	10.00	9.75	9.75	9.00	10.00	9.75	9.50	9.50	9.25	10.50	9.00	10.25	9.25	10.00	9.50	9.49
Urban Multifamily	6.50	8.25	7.00	7.75	8.25	6.50	7.75	7.25	6.75	7.00	8.50	9.00	8.50	8.00	7.25	9.25	6.75	9.75	7.50	7.50	8.25	7.73
Suburban Multifam.	7.00	8.00	7.00	7.50	8.50	7.00	8.00	8.00	6.75	7.00	8.50	9.00	8.50	8.00	7.75	8.25	7.25	8.75	7.75	7.50	8.00	7.82
CBD Lodging	9.50	10.25	9.50	11.50	11.00	9.50	9.50	8.25	11.00	8.50	11.00	10.50	11.00	10.50	10.75	11.00	10.00	11.25	10.75	11.50	11.25	10.15
Suburban Lodging	10.00	10.50	9.50	12.00	11.25	9.75	10.00	9.00	11.50	12.00	11.25	10.50	10.75	11.00	11.00	11.25	12.00	11.00	11.00	12.00	11.00	10.63
Airport Lodging	10.00	10.50	9.50	12.00	11.25	10.00	9.75	9.00	11.50	9.50	11.00	10.75	10.75	11.00	11.00	11.00	11.00	10.75	11.00	12.00	11.00	10.51

REVERSION CAP RATE (%)

Property Type	Atlanta, GA	Austin, TX	Baltimore, MD	Birmingham, AL	Boise, ID	Boston, MA	Broward-Palm Bch., FL	Charleston, SC	Charlotte, NC	Chicago, IL	Cincinnati, OH	Cleveland, OH	Columbia, SC	Columbus, OH	Dallas, TX	Dayton, OH	Denver, CO	Detroit, MI	Fort Worth, TX	Greensboro, NC	Greenville, SC	National Averages (62 Markets)
CBD Office	8.00	7.50	7.50	9.00	8.50	6.25	7.00	8.00	7.75	7.50	9.00	9.75	8.50	8.75	7.00	11.00	7.00	10.50	7.50	9.00	8.25	8.16
Suburban Office	8.50	8.00	7.50	9.00	9.00	7.50	8.00	8.75	8.50	8.50	9.25	9.00	8.50	8.75	7.25	9.50	7.50	9.50	7.50	9.50	8.50	8.38
Regional Mall	7.75	8.00	7.00	8.50	8.50	7.00	7.00	7.50	7.75	7.75	8.25	8.25	7.75	8.75	7.25	8.75	7.00	8.75	7.25	8.25	7.75	7.77
Community Retail	8.25	8.00	6.75	8.75	9.00	7.50	7.50	8.25	8.00	8.25	9.00	9.00	7.75	9.00	7.50	9.25	7.75	9.00	7.50	8.25	7.75	8.09
Neighborhood Retail	7.75	8.00	6.75	8.50	9.00	7.50	7.75	7.75	7.75	7.75	9.50	9.00	7.75	8.50	7.50	9.25	7.75	9.50	7.50	8.00	7.50	8.12
Industrial	7.25	8.50	6.75	8.75	9.00	8.00	8.00	7.50	8.00	7.75	10.25	9.50	8.25	8.50	7.50	9.50	8.25	10.25	7.50	9.00	8.25	8.24
Flex Industrial	8.00	9.00	8.00	9.25	9.00	8.25	8.75	9.00	8.75	8.50	9.00	9.50	9.00	9.00	8.50	9.75	8.75	9.50	8.50	9.00	9.00	8.75
Urban Multifamily	5.75	6.50	6.00	7.00	7.50	6.00	6.50	6.75	5.50	6.50	7.50	7.75	6.75	7.50	5.75	8.50	5.00	9.25	6.00	6.50	6.50	6.50
Suburban Multifam.	6.25	7.00	6.00	6.75	8.00	6.50	6.00	7.75	5.50	6.50	7.50	8.00	6.75	7.50	6.25	7.50	5.50	8.25	6.25	6.50	6.50	6.68
CBD Lodging	8.50	8.75	8.75	10.00	10.00	8.00	8.25	8.00	9.75	7.50	10.00	9.75	9.50	9.75	9.25	10.00	9.00	10.75	9.25	10.50	9.25	9.07
Suburban Lodging	9.00	9.25	8.75	10.50	10.00	8.25	8.50	8.50	10.25	10.50	10.25	9.75	10.00	10.00	9.50	10.25	11.00	10.50	9.50	11.00	10.00	9.52
Airport Lodging	9.00	9.25	8.75	11.00	10.00	8.50	9.25	8.25	10.25	8.50	10.00	9.50	10.00	10.00	9.50	10.00	10.00	10.25	9.50	11.00	10.00	9.49

MARKET RENT INFLATOR (%)

Property Type	Atlanta, GA	Austin, TX	Baltimore, MD	Birmingham, AL	Boise, ID	Boston, MA	Broward-Palm Bch., FL	Charleston, SC	Charlotte, NC	Chicago, IL	Cincinnati, OH	Cleveland, OH	Columbia, SC	Columbus, OH	Dallas, TX	Dayton, OH	Denver, CO	Detroit, MI	Fort Worth, TX	Greensboro, NC	Greenville, SC	National Averages (62 Markets)
CBD Office	2.00	3.00	0.00	2.50	3.00	4.00	2.00	2.00	2.00	2.00	1.00	0.00	0.00	2.00	2.00	0.00	4.00	0.00	2.00		1.00	1.97
Suburban Office	2.00	3.00	0.00	1.50	3.00	3.00	1.50	2.00	2.00	0.00	1.00	0.00	0.00	2.00	2.00	0.00	3.00	0.00	2.00		1.00	1.63
Regional Mall	2.00	2.00	1.00	1.50	3.00	3.00	3.00	2.00	2.00	2.00	0.00	1.00	1.00	2.00	2.00	0.00	3.00	2.00	2.00		2.00	1.91
Community Retail	2.00	3.50	1.00	1.50	3.00	4.00	2.50	2.00	2.00	1.00	0.00	0.00	1.00	2.00	1.25	0.00	3.00	2.00	1.25		0.00	2.06
Neighborhood Retail	2.00	3.50	1.00	1.50	3.00	3.00	3.00	2.00	2.00	1.00	0.00	0.00	1.00	2.00	1.75	0.00	3.00	0.00	1.75		1.00	2.01
Industrial	3.00	2.50	0.00	1.50	3.00	2.00	2.00	2.00	2.00	1.50	0.00	1.00	2.00	2.00	1.75	0.00	3.00	2.00	1.75		2.00	1.88
Flex Industrial	2.00	2.50	0.00	2.00	3.00	2.00	2.00	2.00	2.00	1.00	0.00	1.00	0.00	2.00	1.25	0.00	3.00	2.00	1.25		0.00	1.59
Urban Multifamily	3.00	3.00	1.00	3.00	3.00	5.00	4.00	2.00	3.00	3.00	3.00	2.00	2.00		2.75	3.00	3.00	1.50	2.75	2.50	3.00	3.24
Suburban Multifam.	3.00	4.00	2.00	3.00	3.00	5.00	5.00	2.00	3.00	2.00	3.00	2.00	2.00		2.75	3.00	3.00	2.00	2.75	2.50	3.00	3.30
CBD Lodging	2.00	4.00	1.50	1.50	3.00	3.00	3.00	2.00	3.00	3.00	3.00	1.00	1.00	4.00	4.50	2.00	4.00	0.00	4.00		1.00	2.92
Suburban Lodging	2.00	4.00	1.50	1.50	3.00	3.00	2.50	2.00	3.00	2.50	3.00	1.00	0.00	2.00	3.50	2.00	3.00	0.00	3.00		0.00	2.65
Airport Lodging	2.00	4.00	1.50	1.50	3.00	3.00	2.00	2.00	3.00	2.50	3.00	1.00	0.00	2.00	3.50	2.00	3.00	0.00	3.00		0.00	2.64

EXPENSE GROWTH RATE (%)

Property Type	Atlanta, GA	Austin, TX	Baltimore, MD	Birmingham, AL	Boise, ID	Boston, MA	Broward-Palm Bch., FL	Charleston, SC	Charlotte, NC	Chicago, IL	Cincinnati, OH	Cleveland, OH	Columbia, SC	Columbus, OH	Dallas, TX	Dayton, OH	Denver, CO	Detroit, MI	Fort Worth, TX	Greensboro, NC	Greenville, SC	National Averages (62 Markets)
CBD Office	2.50	2.75	2.50	3.00	2.50	3.00	2.50	3.00	3.00	2.50	2.00	2.25	2.50	2.50	3.00	2.00	3.00	2.50	3.00	2.80	2.50	2.68
Suburban Office	2.50	2.75	2.50	3.00	2.50	3.00	2.50	3.00	3.00	2.50	2.00	2.25	2.50	2.50	3.00	2.00	3.00	2.50	3.00	2.80	2.50	2.68
Regional Mall	2.50	2.75	2.50	3.00	2.50	3.00	2.00	3.00	3.00	2.50	2.00	2.25	2.50	2.50	2.25	2.00	3.00	2.50	2.25	2.80	2.50	2.67
Community Retail	2.50	2.75	2.50	3.00	2.50	3.00	2.25	3.00	3.00	2.50	2.00	2.25	2.50	2.50	2.50	2.00	3.00	2.50	2.50	2.80	2.50	2.67
Neighborhood Retail	2.50	2.75	2.50	3.00	2.50	3.00	2.25	3.00	3.00	2.50	2.00	2.25	2.50	2.50	3.00	2.00	3.00	2.50	3.00	2.80	2.50	2.70
Industrial	2.50	2.75	2.50	3.00	2.50	3.00	3.00	3.00	3.00	2.50	2.00	2.25	2.50	2.50	3.00	2.00	3.00	2.50	3.00	2.80	2.50	2.65
Flex Industrial	2.50	2.75	2.50	3.00	2.50	3.00	3.00	3.00	3.00	2.50	2.00	2.25	2.50	2.50	3.00	2.00	3.00	2.50	3.00	2.80	2.50	2.64
Urban Multifamily	2.50	2.75	2.50	3.00	2.50	3.00	3.00	3.00	3.00	3.00	2.00	2.25	2.50		2.75	2.00	3.00	2.50	2.75	2.80	2.50	2.77
Suburban Multifam.	2.50	2.75	2.50	3.00	2.50	3.00	3.00	3.00	3.00	2.50	2.00	2.25	2.50		2.75	2.00	3.00	2.50	2.75	2.80	2.50	2.75
CBD Lodging	2.75	2.75	2.50	3.00	2.50	3.00	3.00	3.00	3.00	3.00	2.00	2.25	2.50	3.00	3.00	2.00	3.00	2.50	3.00	2.80	2.50	2.75
Suburban Lodging	2.75	2.75	2.50	3.00	2.50	3.00	3.00	3.00	3.00	3.00	2.00	2.25	2.50	3.00	2.75	2.00	3.00	2.50	2.75	2.80	2.50	2.73
Airport Lodging	2.75	2.75	2.50	3.00	2.50	3.00	3.00	3.00	3.00	3.00	2.00	2.25	2.50	3.00	2.75	2.00	3.00	2.50	2.75	2.80	2.50	2.73

TENANT FINISH ($)

Property Type	Atlanta, GA	Austin, TX	Baltimore, MD	Birmingham, AL	Boise, ID	Boston, MA	Broward-Palm Bch., FL	Charleston, SC	Charlotte, NC	Chicago, IL	Cincinnati, OH	Cleveland, OH	Columbia, SC	Columbus, OH	Dallas, TX	Dayton, OH	Denver, CO	Detroit, MI	Fort Worth, TX	Greensboro, NC	Greenville, SC	National Averages (62 Markets)
CBD Office	25.00	30.00	40.00	20.00	40.00	50.00	15.00	50.00	20.00	40.00	30.00	30.00	30.00	25.00	25.00	10.00	40.00	18.00	25.00	10.00	30.00	29.51
Suburban Office	20.00	30.00	30.00	20.00	40.00	30.00	15.00	40.00	20.00	25.00	25.00	25.00	20.00	15.00	25.00	15.00	30.00	15.00	25.00	10.00	20.00	23.32
Regional Mall	25.00	20.00	15.00	20.00	25.00	20.00	25.00	20.00	0.00	20.00	20.00	40.00	20.00	30.00	20.00	20.00	40.00	9.00	20.00		20.00	21.45
Community Retail	10.00	10.00	5.00	12.50	25.00	5.00	10.00	20.00	8.00	12.50	20.00	10.00	10.00	5.00	15.00	15.00	15.00	9.00	15.00	8.00	10.00	10.79
Neighborhood Retail	8.00	9.00	3.00	12.50	25.00	2.00	10.00	10.00	5.00	10.00	15.00	5.00	10.00	5.00	10.00	15.00	15.00	7.00	10.00	5.00	10.00	8.40
Industrial	1.00	3.00	1.00	1.00	5.00	0.00	0.00	5.00	2.00	0.00	0.00	0.00		0.00	3.00	0.00	10.00	0.00	3.00	1.00		1.59
Flex Industrial	4.00	5.00	12.00	5.00	5.00	10.00	0.00	10.00	2.00	5.00	0.00	0.00		0.00	3.00	0.00	15.00	5.00	3.00			5.42

2012 Capitalization Rates, Discount Rates, Reversion Rates, Market Rent Change Rates, Expense Growth Rates and Tenant Finish Allowances (Table 13 continued)

Property Type	Hartford, CT	Houston, TX	Indianapolis, IN	Jacksonville, FL	Kansas City, MO/KS	Las Vegas, NV	Long Island, NY	Los Angeles, CA	Louisville, KY	Memphis, TN	Miami, FL	Minneapolis, MN	Naples, FL	Nashville, TN	New Jersey, Coastal	New Jersey, Northern	New York, NY	Oakland, CA	Orange County, CA	Orlando, FL	Philadelphia, PA	National Averages (62 Markets)
GOING-IN CAP RATE (%)																						
CBD Office	8.50	8.00	8.50	8.00	8.00		7.75	7.00	7.00	8.50	6.75	7.00	8.50	8.25	8.50	8.00	5.25	6.50		7.75	7.25	7.65
Suburban Office	8.50	8.75	8.25	8.50	8.00	8.25	7.75	7.00	7.50	8.00	7.75	8.00	8.50	8.50	8.25	7.25	7.25	6.50	8.00	8.00	7.25	7.91
Regional Mall	7.50	8.00	7.50	8.00	8.00	7.00	6.00	7.25	7.50	8.50	6.50	7.00	8.00	8.50	7.25	6.00	6.00	6.50	6.75		7.00	7.28
Community Retail	8.25	8.25	8.25	8.50	8.00	7.00	7.25	7.25	7.50	8.00	7.25	7.25	8.00	8.75	7.50	7.25	7.00	6.00	8.00	7.75	7.25	7.60
Neighborhood Retail	8.25	9.00	8.50	8.25	8.00	7.50	6.75	7.25	7.50	8.50	7.50	8.00	8.50	8.50	7.00	7.50	6.75	6.50	8.00	7.25	7.00	7.66
Industrial	8.25	8.25	7.50	8.25	8.25	8.00	7.00	6.75	7.50	8.00	7.75	8.25	9.25	9.00	8.00	6.50	7.25	6.00	7.75	8.50	6.25	7.75
Flex Industrial	8.50	8.00	9.00	9.00	9.50	8.00	8.00	7.25	8.50	8.50	8.50	8.00	9.25	9.00	8.00	7.50	7.75	6.75	8.00	8.50	8.25	8.30
Urban Multifamily	6.00	5.75	6.25	6.25	6.50	5.00	5.25	5.25	6.50	6.00	6.25	5.75	7.25	7.00		5.00	4.25	4.50	6.00		5.25	5.91
Suburban Multifam.	6.50	6.75	6.50	6.50	6.00	6.00	5.25	5.25	6.00	6.25	5.75	8.00	7.25	7.00	6.50	5.25	5.00	4.75	6.00	6.00	5.75	6.08
CBD Lodging	9.25	8.25	8.75	9.00	9.25	8.75	8.25	8.00	8.50	10.00	8.00	9.75	9.00	9.00	9.75	8.25	7.50	7.50			7.50	8.58
Suburban Lodging	9.25	9.25	9.00	9.50	8.75	9.25	8.25	8.00	9.75	10.00	8.25	10.25	9.00	9.00	8.75	8.25	7.75	8.00	10.00	9.00	8.00	9.03
Airport Lodging	9.50	9.25	10.00	9.50	9.00	9.00	8.25	8.00	9.00	10.50	9.00	10.00	9.00	9.00		8.25	7.75	8.50	9.00	9.00	8.00	8.95
DISCOUNT RATE (%)																						
CBD Office	9.00	9.00	9.50	9.00	9.00		8.25	8.75	8.50	9.50	8.25	8.25	9.50	9.00	9.50	8.50	7.00	8.25		9.25	8.25	8.85
Suburban Office	9.00	9.75	9.25	9.50	9.00	9.00	8.25	8.75	8.50	9.00	9.00	8.75	9.50	9.25	9.75	7.75	7.50	8.25	10.00	9.50	8.25	9.05
Regional Mall	8.75	9.00	9.00	9.00	9.00	9.00	7.25	9.00	9.00	10.25	8.00	8.00	9.00	9.50	8.75	7.25	7.00	8.25	8.75		9.00	8.76
Community Retail	9.25	9.25	9.50	9.50	9.00	9.00	7.75	9.00	8.75	9.00	8.50	8.25	9.00	9.25	8.75	7.75	7.50	7.75	9.00	9.00	8.50	8.82
Neighborhood Retail	9.25	10.00	10.00	9.25	9.00	9.00	7.25	9.00	8.50	9.50	8.75	9.25	9.50	9.00	9.00	8.00	7.25	8.00	9.00	8.75	8.50	8.88
Industrial	10.00	9.25	8.50	9.25	9.00	9.00	7.50	8.50	8.25	9.00	9.25	9.00	10.50	11.00	9.25	7.50	7.75	7.50	9.50	10.00	7.75	8.95
Flex Industrial	10.00	9.00	10.00	10.00	10.50	9.00	8.75	9.00	9.50	9.50	10.00	9.00	10.25	11.00	9.75	8.00	8.25	8.50	9.00	10.00	9.50	9.49
Urban Multifamily	7.50	6.75	7.25	7.50	7.50	8.00	7.25	7.25	8.00	7.00	7.75	7.50	9.50	9.00		7.25	6.75	7.50	8.50		7.25	7.73
Suburban Multifam.	8.00	7.75	7.50	7.50	7.00	8.50	7.25	7.25	7.75	7.25	7.75	8.50	9.00	9.00	8.50	7.25	7.00	8.00	8.50	7.50	7.75	7.82
CBD Lodging	10.50	9.25	10.50	10.00	11.25	10.25	9.00	10.00	10.50	12.00	9.50	10.75	10.00	10.00	11.50	9.00	8.50	9.50			9.50	10.15
Suburban Lodging	11.25	10.25	11.00	10.50	10.75	10.75	9.00	10.00	11.00	12.00	10.00	11.75	10.00	10.00	10.25	9.00	8.75	10.00	11.50	11.00	10.00	10.63
Airport Lodging	11.25	10.25	11.50	10.50	11.00	10.50	9.00	10.00	10.50	12.00	9.75	11.00	10.00	10.00		9.00	8.75	10.50	11.00	11.00	10.00	10.51
REVERSION CAP RATE (%)																						
CBD Office	9.00	8.50	9.00	8.50	8.75		8.00	7.50	7.50	9.00	7.00	7.50	9.00	8.75	8.75	8.25	6.00	7.25		8.25	7.75	8.16
Suburban Office	8.75	9.25	8.75	9.00	8.50	8.50	8.00	7.50	8.25	8.50	8.00	8.50	9.00	9.00	8.50	7.50	7.50	7.25	8.75	8.50	7.75	8.38
Regional Mall	8.00	8.50	8.25	8.50	8.50	7.50	6.50	7.75	8.00	9.00	7.00	7.25	8.50	9.25	7.50	6.50	6.25	7.25	7.50		7.50	7.77
Community Retail	8.75	8.75	9.00	9.00	8.50	8.00	7.75	7.75	8.00	8.50	7.50	7.75	8.50	9.00	7.75	7.50	7.25	6.75	8.25	8.25	7.50	8.09
Neighborhood Retail	8.75	9.50	9.25	8.75	8.50	8.00	7.25	7.75	8.00	9.00	7.75	8.50	9.00	8.75	7.25	7.75	7.25	7.00	8.25	7.75	7.25	8.12
Industrial	8.75	8.75	8.00	8.75	8.75	8.50	7.50	7.25	8.00	8.50	8.00	8.75	10.00	9.75	8.50	7.00	7.50	6.50	8.25	9.00	6.75	8.24
Flex Industrial	8.75	8.50	9.50	9.50	9.75	8.50	8.25	7.75	9.00	9.00	8.75	8.50	9.75	9.50	8.25	7.75	8.25	7.25	8.50	9.00	8.75	8.75
Urban Multifamily	6.25	6.25	7.00	6.75	7.00	7.00	5.75	5.75	7.00	6.25	6.50	6.00	8.25	7.75		5.75	5.00	5.50	7.00		5.75	6.50
Suburban Multifam.	7.25	7.25	7.00	7.00	6.50	7.50	5.50	5.75	6.75	6.50	6.00	8.75	8.25	7.75	7.00	6.00	5.75	5.75	7.00	6.50	6.00	6.68
CBD Lodging	9.50	8.75	9.00	9.50	10.00	9.25	8.50	8.50	8.75	10.00	8.25	10.50	9.50	9.50	10.25	8.50	8.25	8.00			8.00	9.07
Suburban Lodging	9.50	9.75	9.50	10.00	9.50	9.75	8.50	8.50	10.00	10.00	8.50	11.00	9.50	9.50	9.25	8.50	8.50	8.50	10.50	9.50	8.50	9.52
Airport Lodging	9.75	9.75	10.50	10.00	9.75	9.50	8.50	8.50	9.50	11.00	9.25	10.50	9.50	9.50		8.50	8.50	9.00	10.00	9.50	9.00	9.49
MARKET RENT INFLATOR (%)																						
CBD Office	0.00	3.00	0.00	1.00	0.00	0.00	1.50	2.00	2.50	0.00	2.00	2.00	3.00	1.00		1.00	5.00	5.00		1.50	3.00	1.97
Suburban Office	0.00	3.00	1.00	1.00	2.00	0.00	1.50	2.00	1.50	1.00	1.50	1.00	3.00	1.00	1.00	1.50	1.50	3.00	-5.00	1.50	2.50	1.63
Regional Mall	3.00	1.00	2.00	0.00	2.00	0.00	3.00	2.00	2.00	0.00	3.00	2.00	3.00	1.00	1.50	3.00	3.00	3.00	0.00		2.50	1.91
Community Retail	3.00	5.00	1.00	1.00	2.00	0.00	3.00	2.00	1.00	0.50	2.50	2.00	3.00	1.00	2.00	3.00	3.00	5.00	0.00	1.50	2.50	2.06
Neighborhood Retail	3.00	0.00	1.00	1.00	2.00	0.00	3.00	2.00	1.50	0.50	3.00	2.00	3.00	2.00	2.50	3.00	3.00	5.00	0.00	1.50	2.50	2.01
Industrial	3.00	0.00	2.00	1.00	2.00	0.00	3.00	3.00	1.50	2.00	2.00	1.00	0.00	1.00	2.50	3.00	3.00	5.00	5.00	1.50	2.50	1.88
Flex Industrial	3.00	3.00	2.00	0.00	0.00	0.00	2.50	3.00	1.50	2.00	2.00	1.00	0.00	1.00	1.50	2.50	2.50	3.00	5.00	1.50	2.00	1.59
Urban Multifamily	3.00	5.00	2.00	4.00	3.00	0.00	3.00	3.00	2.00	2.00	4.00	3.00	9.00	2.00		3.00	4.00	4.00	5.00		3.00	3.24
Suburban Multifam.	3.00	5.00	1.00	4.00	3.00	0.00	3.00	3.00	3.00	2.00	5.00	3.00	9.00	2.00	2.85	3.00	3.00	4.00	5.00	4.00	3.00	3.30
CBD Lodging	5.00	0.00	3.00	3.00		0.00	3.00	3.00	4.50	2.00	3.00	3.00	3.00	1.00	2.50	3.00	4.00	3.00			3.00	2.92
Suburban Lodging	5.00	0.00	3.00	3.00		0.00	3.00	3.00	3.00	2.00	2.50	2.00	3.00	1.00	2.50	3.00	4.00	3.00	0.00	2.00	3.00	2.65
Airport Lodging	5.00	0.00	3.00	3.00		0.00	3.00	3.00	4.00	0.00	2.00	3.00	3.00	1.00		3.00	4.00	3.00	0.00	2.00	3.00	2.64
EXPENSE GROWTH RATE (%)																						
CBD Office	3.00	3.00	2.00	2.50	3.00		3.00	3.00	2.50	2.00	2.50	3.00	3.00	2.00	2.70	3.00	3.00	3.00		2.00	2.50	2.68
Suburban Office	3.00	3.00	2.00	2.50	3.00	2.00	3.00	3.00	2.50	2.00	2.50	3.00	3.00	2.00	2.75	3.00	3.00	3.00	3.00	2.00	2.50	2.68
Regional Mall	3.00	3.00	2.50	2.50	3.00	2.00	3.00	3.00	2.50	2.50	2.00	3.00	3.00	2.00	2.50	3.00	3.00	3.00	3.00		2.50	2.67
Community Retail	3.00	3.00	2.50	2.50	3.00	2.00	3.00	3.00	2.50	2.50	2.25	3.00	3.00	2.00	2.50	3.00	3.00	3.00	3.00	2.00	2.50	2.67
Neighborhood Retail	3.00	3.00	2.50	2.50	3.00	2.00	3.00	3.00	3.00	2.50	2.25	3.00	3.00	2.00	2.50	3.00	3.00	3.00	3.00	2.00	2.50	2.70
Industrial	3.00	3.00	2.50	2.00	3.00	2.00	3.00	3.00	3.00	2.00	3.00	3.00	3.00	1.00	2.75	3.00	3.00	3.00	3.00	2.00	2.50	2.65
Flex Industrial	3.00	3.00	2.50	2.50	3.00	2.00	2.75	3.00	3.00	2.00	3.00	3.00	3.00	1.00	2.75	2.50	2.50	3.00	3.00	2.00	2.50	2.64
Urban Multifamily	3.00	3.00	2.50	2.50	3.00	2.00	3.00	3.00	3.00	2.50	3.00	3.00	3.00	2.00		3.00	3.00	3.00	3.00		2.80	2.77
Suburban Multifam.	3.00	3.00	2.50	2.50	3.00	2.00	3.00	3.00	3.00	2.50	3.00	3.00	3.00	2.00	2.75	3.00	3.00	3.00	3.00	2.00	2.80	2.75
CBD Lodging	3.00	3.00	2.50	2.50		2.00	3.00	3.00	3.00	2.50	3.00	3.00	3.00	2.00	3.00	3.00	3.00	3.00	3.00		2.50	2.75
Suburban Lodging	3.00	3.00	2.50	2.50		2.00	3.00	3.00	3.00	2.50	3.00	3.00	3.00	2.00	3.00	3.00	3.00	3.00	3.00	2.00	2.50	2.73
Airport Lodging	3.00	3.00	2.50	2.50		2.00	3.00	3.00	3.00	2.50	3.00	3.00	3.00	2.00		3.00	3.00	3.00	3.00	2.00	2.50	2.73
TENANT FINISH ($)																						
CBD Office	40.00	25.00	20.00	30.00	40.00	35.00	33.00	40.00	35.00	15.00	15.00	35.00	15.00	20.00	25.00	30.00	55.00	20.00		25.00	35.00	29.51
Suburban Office	35.00	18.00	20.00	20.00	25.00	35.00	30.00	25.00	35.00	20.00	15.00	25.00	15.00	15.00	20.00	25.00	32.00	15.00	25.00	20.00	25.00	23.32
Regional Mall	10.00	25.00	30.00	20.00	0.00	0.00	40.00	10.00	45.00	20.00	25.00	30.00	15.00	10.00	0.00	30.00	30.00	20.00	10.00		50.00	21.45
Community Retail	10.00	20.00	25.00	5.00	5.00	0.00	10.00	5.00	25.00	10.00	10.00	15.00	15.00	8.00	0.00	6.00	8.00	8.00	10.00	5.00	15.00	10.79
Neighborhood Retail	10.00	10.00	15.00	3.00	5.00	0.00	6.00	5.00	18.00	10.00	10.00	15.00	10.00	8.00	0.00	4.00	4.00	4.00	10.00	5.00	15.00	8.40
Industrial	0.00	4.00	1.50	1.00	0.00	0.00		1.00	0.00	1.00	0.00	0.50	0.00	1.00	0.00			0.50	10.00	1.00	2.00	1.59
Flex Industrial	0.00	4.00	5.00	5.00	10.00	0.00		5.00	15.00	1.00	0.00	4.00	0.00	1.50	3.00			5.00	15.00	10.00	12.50	5.42

2012 Capitalization Rates, Discount Rates, Reversion Rates, Market Rent Change Rates, Expense Growth Rates and Tenant Finish Allowances (Table 13 continued)

	Property Type	Phoenix, AZ	Pittsburgh, PA	Portland, OR	Providence, RI	Raleigh, NC	Richmond, VA	Sacramento, CA	Salt Lake City, UT	San Antonio, TX	San Diego, CA	San Francisco, CA	San Jose, CA	Sarasota, FL	Seattle, WA	St. Louis, MO	Syracuse, NY	Tampa, FL	Tulsa, OK	Washington, DC	Wilmington, DE	National Averages (62 Markets)
GOING-IN CAP RATE (%)	CBD Office	7.00	7.50	7.00	9.25	7.75	7.50	7.25	7.75	9.00	8.00	5.00	7.00	8.50	5.50	8.25	8.75	8.00	9.00	5.25	8.25	7.65
	Suburban Office	7.50	7.50	8.25	8.75	8.00	8.00	8.00	8.00	9.00	8.00	6.00	6.00	8.50	6.00	7.50	8.25	8.50	9.00	7.00	7.75	7.91
	Regional Mall	7.00	7.00		7.75	7.50		7.00	7.25	8.50		6.50	6.50	8.00	6.00	7.00	8.00			6.00	7.25	7.28
	Community Retail	8.00	7.25	7.25	8.50	8.00	7.75	7.00	7.75	8.00	6.50	6.00	6.00	8.00	6.00	7.50	8.50	8.50	8.00	6.00	7.75	7.60
	Neighborhood Retail	8.25	7.00	7.50	8.50	7.50	7.75	7.00	8.00	8.00	7.00	6.25	6.25	8.00	6.00	8.00	8.50	9.00	8.50	6.50	7.50	7.66
	Industrial	7.00	8.25	8.00	8.75	7.00	7.75	7.25	7.50	8.50	8.00	6.00	6.00	9.25	6.00	7.50	8.25	8.50	8.00	7.00	7.50	7.75
	Flex Industrial	8.50	8.25	8.25	8.75	8.50	8.25	8.50	7.75	9.00	8.50	6.75	6.75	9.25	7.50	8.50	8.50	8.50	8.50	7.50	8.50	8.30
	Urban Multifamily	5.50	6.00	5.00	7.50	5.25	6.25	5.00	5.75	6.25	5.00	4.00	4.50	7.50	4.00	7.00	7.50	4.50	7.00	4.50	7.25	5.91
	Suburban Multifam.	5.50	6.25	6.00	7.00	5.75	6.25	5.25	6.00	6.50	5.50	4.50	4.25	7.50	5.00	6.00	7.00	5.25	6.75	5.25	5.75	6.08
	CBD Lodging	8.00	8.25	7.75	9.00	9.25	8.50	8.00	8.75	10.00	7.00	6.50	6.50	8.50	8.50	9.00		8.50	10.00	6.50	9.75	8.58
	Suburban Lodging	9.00	8.25	8.50	9.50	10.00	9.50	9.00	8.75	10.50	9.00	7.00	7.00	8.50	8.50	9.75		9.50	10.00	7.50	9.50	9.03
	Airport Lodging	9.00	8.25	8.25	8.50	10.00	10.00	9.00	8.75	10.00	9.00	7.00	7.00	8.50	8.50	9.25		8.25	10.00	7.00	9.50	8.95
DISCOUNT RATE (%)	CBD Office	9.00	8.25	8.50	10.00	9.00	8.75	8.50	9.00	9.75	9.00	7.00	8.75	9.50	7.25	9.25	9.75	9.25	10.00	6.50	9.75	8.85
	Suburban Office	9.50	8.25	9.75	9.50	9.25	9.25	9.00	10.00	9.75	9.50	7.75	7.75	9.50	7.00	8.50	9.25	9.50	10.00	8.25	9.25	9.05
	Regional Mall	9.00	8.75		9.50	9.00		8.50	8.50	9.75		8.25	8.25	9.00	7.75	8.00	9.50			8.00	8.25	8.76
	Community Retail	10.00	8.75	8.50	9.75	9.50	9.00	8.50	8.75	9.25	8.00	7.75	7.75	9.00	7.75	8.50	9.50	9.50	9.75	7.00	8.75	8.82
	Neighborhood Retail	10.50	8.50	9.00	9.75	9.00	9.00	8.50	9.00	9.25	8.00	8.00	8.00	9.00	8.00	9.00	9.50	10.25	10.50	7.00	8.50	8.88
	Industrial	9.00	9.50	9.25	10.00	8.50	9.00	8.25	8.25	9.50	9.00	7.50	7.50	10.50	7.75	8.50	9.50	9.50	10.00	8.50	8.50	8.95
	Flex Industrial	10.50	9.00	9.50	10.00	10.00	9.50	9.50	8.50	10.00	9.50	8.50	8.50	10.50	8.50	9.50	9.50	9.50	10.50	9.00	9.50	9.49
	Urban Multifamily	7.50	8.00	8.00	9.00	6.75	7.50	7.00	7.50	8.50	8.00	7.00	7.00	9.00	7.00	8.00	8.50	7.00	9.50	6.00	8.50	7.73
	Suburban Multifam.	7.50	8.00	8.50	8.50	7.25	7.50	7.25	7.50	8.50	8.00	7.50	7.50	9.00	7.50	7.00	8.25	7.25	9.00	7.00	7.75	7.82
	CBD Lodging	10.00	10.25	9.50	10.50	11.00	10.50	10.00	10.00	11.00	9.00	8.50	8.50	9.50	10.00	10.00		10.00	12.00	7.50	11.50	10.15
	Suburban Lodging	11.00	10.25	10.00	10.50	11.50	11.50	11.00	10.00	11.50	11.00	9.00	9.00	9.50	10.50	10.75		11.50	12.00	10.00	11.00	10.63
	Airport Lodging	11.00	10.25	9.75	10.25	11.50	12.00	11.00	10.00	11.50	11.00	9.00	9.00	9.50	10.50	10.25		10.00	12.00	9.50	11.00	10.51
REVERSION CAP RATE (%)	CBD Office	7.50	7.75	8.50	9.75	8.25	8.00	7.50	8.00	9.75	8.50	5.75	7.75	9.00	6.50	8.75		8.50	9.50	6.00	8.75	8.16
	Suburban Office	8.00	7.75	9.00	9.00	8.50	8.50	8.25	8.50	9.75	8.50	6.75	6.75	9.00	7.00	8.25		9.00	9.50	7.50	8.25	8.38
	Regional Mall	7.50	7.50		8.50	8.00		7.25	7.75	8.50		7.25	7.25	8.50	6.50	7.50	8.75			6.75	7.75	7.77
	Community Retail	8.50	7.75	8.50	8.75	8.50	8.25	7.25	8.25	8.75	7.00	6.75	6.75	8.50	7.00	8.00	9.00	9.25	8.50	6.25	8.00	8.09
	Neighborhood Retail	8.75	7.25	8.50	8.75	8.00	8.25	7.25	8.50	8.75	7.50	7.00	7.00	8.50	7.00	8.50	9.00	9.75	9.00	6.75	7.75	8.12
	Industrial	7.50	8.50	9.00	9.00	7.50	8.25	7.50	8.25	9.00	8.50	6.50	6.50	10.00	7.00	8.00		9.00	8.50	7.25	7.75	8.24
	Flex Industrial	9.00	8.50	8.50	9.00	9.00	8.75	8.75	8.50	9.25	9.00	7.25	7.25	10.00	8.50	9.00		9.00	9.00	7.75	8.75	8.75
	Urban Multifamily	6.00	6.25	6.50	8.00	5.75	6.75	5.50	7.00	6.75	5.50	4.75	5.25	7.75	6.00	7.50		5.00	7.25	5.00	7.50	6.50
	Suburban Multifam.	6.00	6.50	7.50	7.75	6.25	6.75	5.75	7.00	7.00	6.00	5.25	5.00	7.75	7.00	6.50		5.75	7.00	6.00	6.25	6.68
	CBD Lodging	8.50	8.50	9.00	9.50	9.75	9.00	8.25	9.50	10.75	7.50	7.00	7.00	8.50	9.00	9.50		9.50	10.50	6.75	10.00	9.07
	Suburban Lodging	9.50	8.50	9.50	9.50	10.25	10.00	9.25	9.50	11.00	9.50	7.50	7.50	9.00	9.00	10.25		10.50	10.50	8.25	9.75	9.52
	Airport Lodging	9.50	8.75	9.50	9.50	10.25	10.50	9.25	9.50	11.00	9.50	7.50	7.50	9.00	9.00	9.75		9.00	10.50	7.75	9.75	9.49
MARKET RENT INFLATOR (%)	CBD Office	2.00	3.00	2.50	0.00	2.00	2.00	0.00	3.00	3.00	0.00	8.00	3.00	2.00	10.00	1.00	2.50	0.00	2.00	2.50	0.00	1.97
	Suburban Office	2.00	3.00	2.50	0.00	2.00	2.00	0.00	3.00	3.00	0.00	5.00	5.00	2.00	5.00	2.00	2.50	1.00	2.00	2.00	1.00	1.63
	Regional Mall	3.00	1.00		0.00	2.00		0.00	3.00	3.00	2.00	3.00	3.00	2.00	5.00	2.00	2.00			1.50	1.00	1.91
	Community Retail	2.00	1.00	3.00	0.00	2.00	2.00	3.00	3.00	3.00	2.00	5.00	5.00	2.00	5.00	2.00	2.00	1.00	2.00	2.50	1.00	2.06
	Neighborhood Retail	2.00	1.00	3.00	0.00	2.00	2.00	3.00	3.00	3.00	2.00	5.00	5.00	2.00	5.00	2.00	2.00	1.00	2.00	2.50	1.00	2.01
	Industrial	3.00	1.00	2.50	0.00	2.00	2.00	0.00	3.00	3.00	0.00	5.00	5.00	0.00	0.00	2.00	2.00	0.00	2.00	2.00	1.00	1.88
	Flex Industrial	2.00	1.00	2.50	0.00	2.00	2.00	0.00	3.00	2.50	0.00	5.00	5.00	0.00	-5.00	2.00	2.00	0.00	2.00	2.00	1.00	1.59
	Urban Multifamily	5.00	3.00	3.00	5.00	3.00	3.00	5.00	3.00	3.00	3.00	6.00	5.00	1.70	5.00	3.00	3.00	3.50	5.00	3.50	0.00	3.24
	Suburban Multifam.	5.00	3.00	2.50	5.00	3.00	3.00	5.00	3.00	3.00	3.00	5.00	5.00	1.70	5.00	3.00	3.00	3.50	5.00	3.00	3.00	3.30
	CBD Lodging	2.00	3.00	3.50	5.00	3.00	3.00	3.00	3.00	0.00	3.00	10.00	10.00	3.00	5.00	2.00			2.50	3.00	0.00	2.92
	Suburban Lodging	2.00	3.00	2.50	5.00	3.00	3.00	3.00	3.00	0.00	3.00	10.00	10.00	3.00	5.00	2.00			2.50	3.00	0.00	2.65
	Airport Lodging	2.00	3.00	3.00	5.00	3.00	3.00	3.00	3.00	0.00	3.00	10.00	10.00	3.00	5.00	2.00			2.50	3.00	0.00	2.64
EXPENSE GROWTH RATE (%)	CBD Office	3.00	2.50	3.00	2.00	3.00	2.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.50	3.00	2.50	2.50	2.00	2.50	3.00	2.68
	Suburban Office	3.00	2.50	3.00	2.00	3.00	2.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.50	3.00	2.50	2.50	2.00	2.50	3.00	2.68
	Regional Mall	3.00	2.50		2.00	3.00		3.00	3.00	3.00		3.00	3.00	3.00	2.50	3.00	2.50			2.50	3.00	2.67
	Community Retail	3.00	2.50	3.00	2.00	3.00	2.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.50	3.00	2.50	2.50	2.50	2.50	3.00	2.67
	Neighborhood Retail	3.00	2.50	3.00	2.00	3.00	2.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.50	3.00	2.50	2.50	2.50	2.50	3.00	2.70
	Industrial	3.00	2.50	3.00	2.00	3.00	2.50	3.00	3.00	3.00	2.00	3.00	3.00	3.00	2.50	3.00	2.00	2.00	2.00	2.50	3.00	2.65
	Flex Industrial	3.00	2.50	3.00	2.00	3.00	2.50	3.00	3.00	3.00	2.00	3.00	3.00	3.00	2.50	3.00	2.00	2.00	2.00	2.50	3.00	2.64
	Urban Multifamily	3.00	2.50	3.00	2.00	3.00	2.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.50	3.00	3.00	3.00	3.00	2.50	3.00	2.77
	Suburban Multifam.	3.00	2.50	3.00	2.00	3.00	2.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.50	3.00	3.00	3.00	3.00	2.50	3.00	2.75
	CBD Lodging	3.00	2.50	3.00	2.00	3.00	2.50	3.00	2.00	3.00	3.00	3.00	3.00	3.00	2.50	3.00			2.50	2.50	3.00	2.75
	Suburban Lodging	3.00	2.50	3.00	2.00	3.00	2.50	3.00	2.00	3.00	3.00	3.00	3.00	3.00	2.50	3.00			2.50	2.50	3.00	2.73
	Airport Lodging	3.00	2.50	3.00	2.00	3.00	2.50	3.00	2.00	3.00	3.00	3.00	3.00	3.00	2.50	3.00			2.50	2.50	3.00	2.73
TENANT FINISH ($)	CBD Office	25.00	30.00	30.00	29.00	20.00	15.00	60.00	40.00	20.00	45.00	30.00	20.00	15.00	30.00	30.00	25.00	20.00	10.00	65.00	50.00	29.51
	Suburban Office	20.00	30.00	20.00	21.00	15.00	15.00	40.00	35.00	15.00	30.00	20.00	15.00	15.00	25.00	25.00	25.00	20.00	5.00	40.00	25.00	23.32
	Regional Mall	20.00	45.00		20.00	10.00		30.00	50.00	20.00		20.00	20.00	15.00	6.00	25.00	10.00			15.00	25.00	21.45
	Community Retail	5.00	10.00	10.00	6.00	5.00	10.00	12.00	35.00	10.00	5.00	8.00	8.00	15.00	6.00	10.00	10.00	10.00	20.00	5.00	4.00	10.79
	Neighborhood Retail	2.50	10.00	10.00	5.00	5.00	10.00	12.00	20.00	10.00	5.00	4.00	4.00	5.00	6.00	10.00	5.00	10.00	10.00	5.00	4.00	8.40
	Industrial	1.50	0.00	1.00	0.00	2.00	0.00	3.00	3.00	2.00		0.50	0.50	0.00		5.00		3.00	0.00	5.00	1.00	1.59
	Flex Industrial	5.00	0.00		0.00	10.00	2.50	10.00	5.00	10.00		15.00	5.00	0.00	1.50	20.00		3.00	0.00	10.00	10.00	5.42

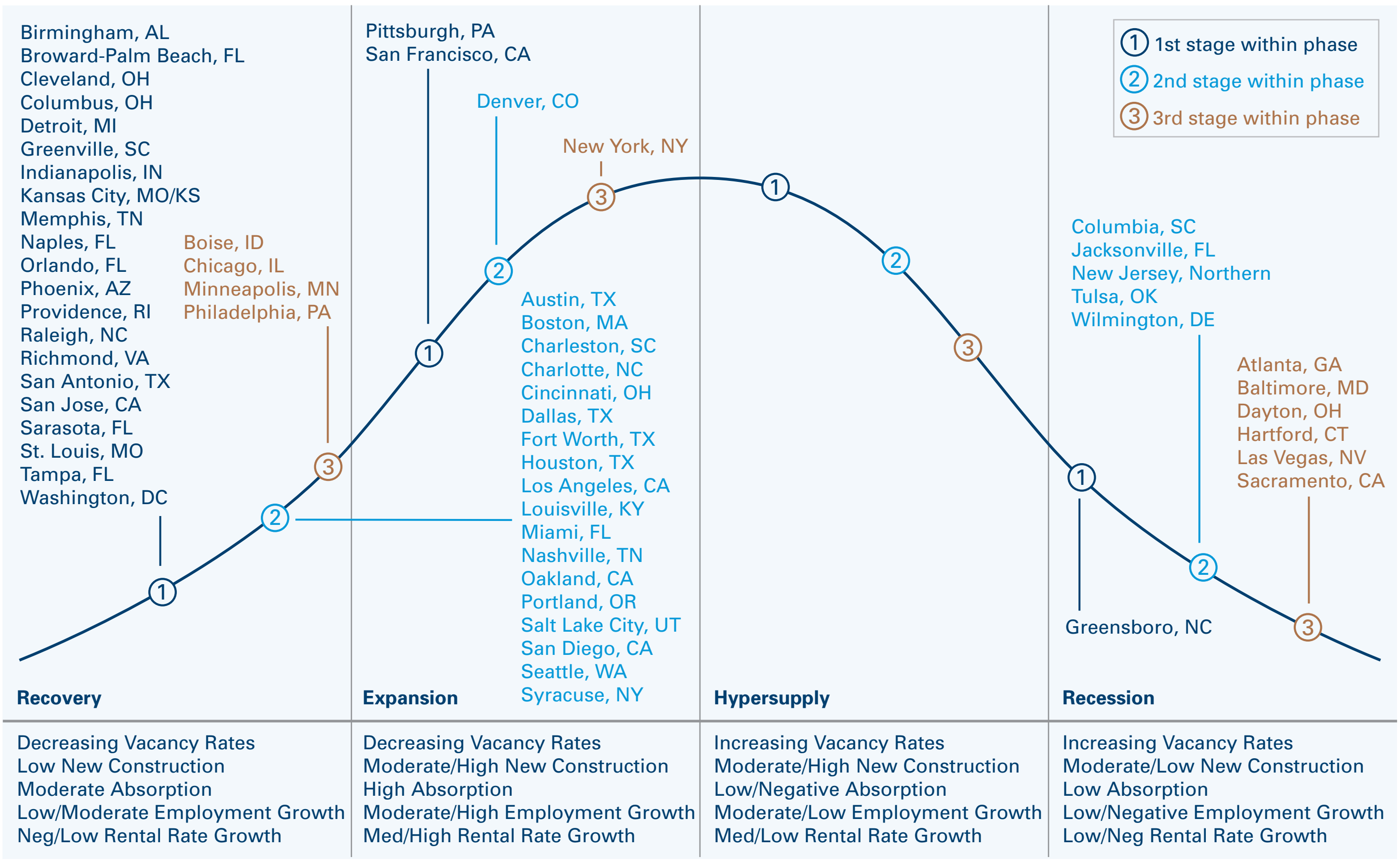
Office

The office property sector continued recovering in most markets across the country in 2012. Central Business District (CBD) office fundamentals tightened materially over IRR's 2011 survey, with weighted average vacancy rates dropping from 14.01% to 13.16%, while the suburban office sector fundamentals tightened even more, with vacancy rates dropping from 16.21% to 15.17%.

IRR's survey responses indicated that the majority of the nation's CBD office markets were in the early stages of recovery. A handful of markets, including **Denver, New York, Pittsburgh,** and **San Francisco** are materially expanding again, while a dozen markets' CBD office sectors are still exhibiting strong recessionary pressures. IRR does not expect significant change in these dynamics in the immediate term.

Capitalization rates for office assets compressed for the third consecutive year in 2012, with rates essentially returning to 2005 levels. CBD office capitalization rates have noticeably compressed tighter than suburban office capitalization rates. IRR expects that capitalization rates will compress further in just more than one-third of the nation's top metropolitan areas, while suburban office capitalization

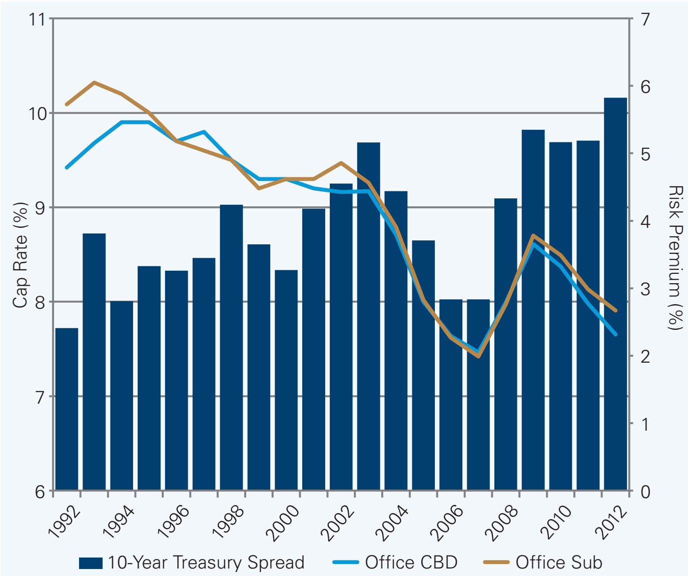
CBD Office Market Cycle (Fig. 14)



2013 Office Market Conditions and Forecasts: Central Business Districts (Table 15)

MARKET AREA	INVENTORY (SF)	VACANCY RATE (%)	VACANCY (SF)	AVG ANNUAL NET ABSORP. 2009-2012	TOTAL SF UNDER CONST. 2013-2016	FORECAST AVG ANNUAL NET ABSORP. 2013-2015	TOTAL % VALUE CHANGE 2009-2012	FORECAST % TOTAL VALUE CHANGE 2012-2014	EST. YEARS TO BALANCE
Atlanta, GA	16,200,000	23.20%	3,758,400	-249,429	262,000	411,000	-20.00%	8.00%	10
Austin, TX	8,760,000	12.00%	1,051,200	38,000	400,000	200,000	0.00%	6.00%	2
Baltimore, MD	24,591,158	13.20%	3,246,033	-49,700	500,000	120,000	20.00%	0.00%	10
Birmingham, AL	5,315,000	7.70%	409,255	29,250	44,000	10,667	-15.00%	3.00%	2
Boise, ID	5,532,797	6.78%	375,056	-23,017	253,000	18,753	2.00%	6.00%	0
Boston, MA	61,000,000	14.00%	8,540,000	-50,000	5,600,000	1,466,667	6.00%	6.00%	4
Broward-Palm Beach, FL	12,500,000	15.30%	1,912,500	95,000	130,000	500,000	8.00%	4.00%	4
Charleston, SC	1,686,183	8.20%	138,267	0	0	-16,533	-16.00%	0.00%	1
Charlotte, NC	15,400,000	11.40%	1,755,600	174,857	396,000	192,333	-10.00%	0.00%	2
Chicago, IL	139,000,000	17.00%	23,630,000	-754,500	5,050,000	833,333	-5.00%	15.00%	4
Cincinnati, OH	11,400,000	18.00%	2,052,000	130,000	500,000	175,000	-17.00%	2.00%	4
Cleveland, OH	28,900,000	22.30%	6,444,700	-175,000	475,000	83,333	-10.00%	1.00%	4
Columbia, SC	10,900,000	12.40%	1,351,600	0	150,000	41,667	-3.00%	5.00%	2
Columbus, OH	10,100,000	14.00%	1,414,000	-30,000	180,000	73,333	2.00%	6.00%	8
Dallas, TX	36,126,283	26.10%	9,428,960	-113,967	794,000	247,000	-12.00%	7.00%	7
Dayton, OH	9,550,000	27.00%	2,578,500	-40,000	0	75,000	-20.00%	-5.00%	10
Denver, CO	35,000,000	13.00%	4,550,000	350,000	775,000	341,667	5.00%	10.00%	1
Detroit, MI	12,300,500	17.00%	2,091,085	31,500	50,000	31,000	0.00%	5.00%	4
Fort Worth, TX	11,490,755	11.90%	1,367,400	-20,698	523,000	149,333	-12.00%	7.00%	3
Greensboro, NC	4,120,000	8.70%	358,440	-14,000	0	0	-6.00%	0.00%	3
Greenville, SC	6,950,000	8.80%	611,600	50,000	175,000	50,000	-3.00%	4.00%	5
Hartford, CT	7,908,010	26.80%	2,119,347	-927,000	0	100,000	-10.00%	0.00%	8
Houston, TX	49,844,283	12.10%	6,031,158	271,000	1,000,000	133,333	1.00%	7.00%	4
Indianapolis, IN	10,643,000	18.30%	1,947,669	-68,000	274,000	73,667	-1.00%	0.00%	4
Jacksonville, FL	16,000,000	13.65%	2,184,000	110,000	0	150,000	-15.00%	3.00%	5
Kansas City, MO/KS	14,000,000	18.00%	2,520,000	200,000	0	66,667	-10.00%	10.00%	4
Las Vegas, NV	4,007,915	9.50%	380,752	0	750,000	266,667	-15.00%	-10.00%	3
Los Angeles, CA	68,806,411	15.50%	10,664,994	-810,398	0	211,333	0.00%	10.00%	3
Louisville, KY	10,629,991	10.00%	1,062,999	-2,200	275,000	100,000	0.00%	2.00%	0
Memphis, TN	11,626,628	10.80%	1,255,676	42,410	26,000	25,000	0.00%	0.00%	10
Miami, FL	18,600,000	18.50%	3,441,000	485,000	130,000	500,000	8.00%	4.00%	4
Minneapolis, MN	27,177,000	14.30%	3,886,311	337,000	1,329,000	352,333	-1.00%	6.00%	1
Nashville, TN	7,700,000	20.00%	1,540,000	-10,000	240,000	131,667	9.00%	5.00%	2
New Jersey, Northern	16,000,000	17.00%	2,720,000	30,000	600,000	200,000	-4.00%	4.00%	10
New York, NY	358,000,000	9.20%	32,936,000	1,100,000	8,700,000	2,733,333	20.00%	9.00%	5
Oakland, CA	17,561,511	11.97%	2,102,815	-107,009	63,000	79,000	20.00%	10.00%	2
Orlando, FL	7,010,000	18.50%	1,296,850	95,000	132,000	145,000	-11.00%	5.00%	5
Philadelphia, PA	63,559,602	9.00%	5,720,364	-43,183	300,000	-51,520	24.00%	4.00%	2
Phoenix, AZ	9,500,000	14.00%	1,330,000	675,000	600,000	200,000	-15.00%	20.00%	2
Pittsburgh, PA	29,632,056	9.70%	2,874,309	378,152	1,740,000	166,667	1.00%	5.00%	0
Portland, OR	26,099,923	9.50%	2,479,493	158,208	419,500	157,625	-15.00%	6.00%	4
Providence, RI	3,215,000	11.95%	384,193	51,000	55,000	30,667	-20.00%	2.00%	7
Raleigh, NC	5,235,000	10.85%	567,998	-13,714	0	7,667	-20.00%	0.00%	3
Richmond, VA	10,800,000	15.00%	1,620,000	-35,000	450,000	150,000	-1.00%	4.00%	6
Sacramento, CA	11,052,000	14.30%	1,580,436	-50,000	435,000	50,333	-10.00%	3.00%	5
Salt Lake City, UT	7,300,000	14.50%	1,058,500	60,000	310,000	15,000	-8.00%	6.00%	2
San Antonio, TX	4,985,000	27.10%	1,350,935	-83,500	85,000	108,667	3.00%	6.00%	10
San Diego, CA	13,530,768	17.10%	2,313,761	14,385	0	20,000	-5.00%	0.00%	5
San Francisco, CA	55,974,435	10.60%	5,932,171	1,235	1,112,000	285,667	40.00%	8.00%	0
San Jose, CA	14,730,481	16.06%	2,365,354	-43,147	466,000	149,667	20.00%	10.00%	3
Seattle, WA	58,345,535	11.10%	6,476,354	192,458	3,450,000	450,000	-5.00%	20.00%	2
St. Louis, MO	11,620,000	22.50%	2,614,500	-48,000	0	51,000	0.00%	3.00%	10
Syracuse, NY	6,861,891	28.40%	1,948,777	-43,333	136,000	29,333	0.00%	0.00%	5
Tampa, FL	7,118,000	16.90%	1,202,942	57,000	200,000	116,667	-3.00%	0.00%	5
Tulsa, OK	8,537,919	18.00%	1,536,825	-113,000	0	0	0.00%	10.00%	10
Washington, DC	150,760,988	10.00%	15,076,099	272,555	4,652,187	658,315	10.00%	10.00%	3
Wilmington, DE	12,500,000	17.00%	2,125,000	9,500	0	63,333	-9.00%	0.00%	10
Totals / Simple Averages:	1,623,696,023	15.01%	3,749,336	26,679	775,205	226,853	-2.25%	4.77%	4.5
Weighted Averages:		13.16%					6.08%	7.94%	4.0

Class A Office Cap Rates (Fig. 16)



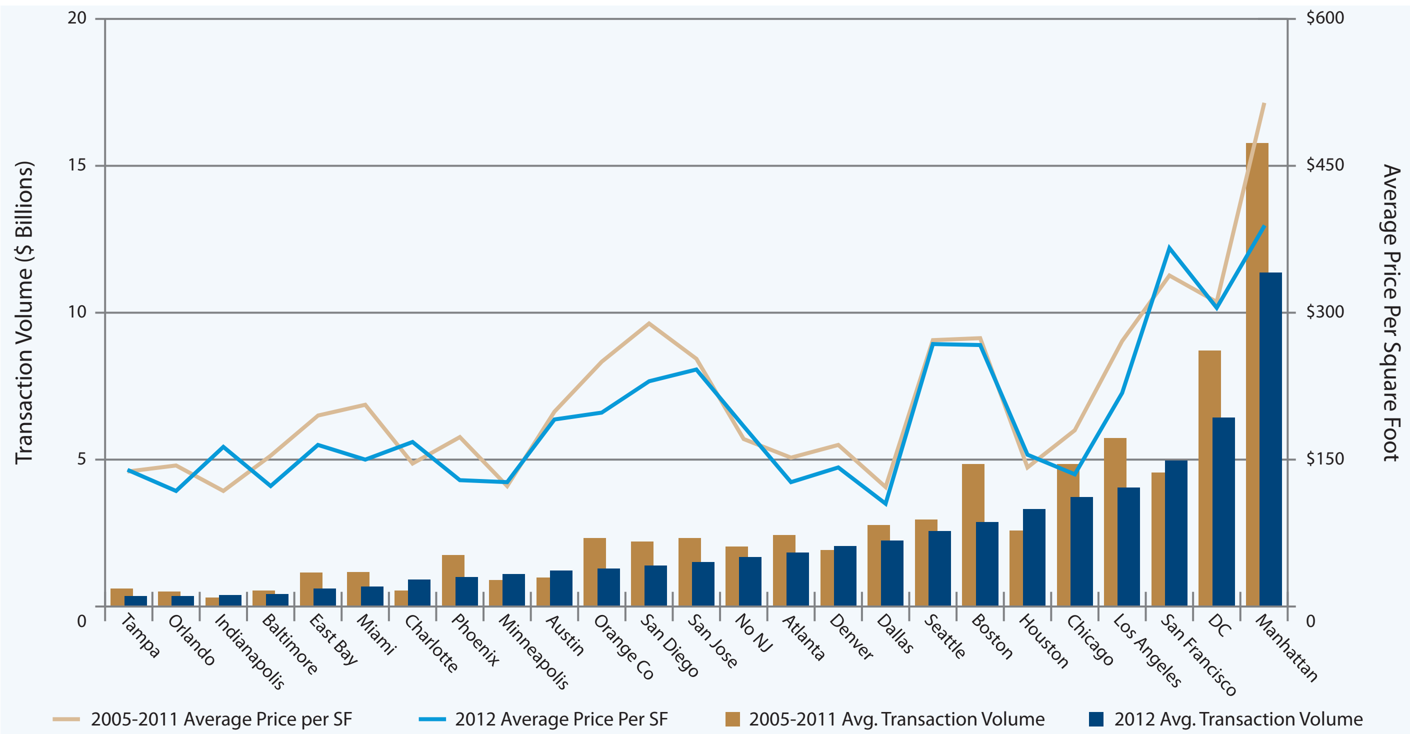
rates are forecast to have the greatest chance of any property sector of widening in 2013.

The risk premium for the office sector, as measured by the difference between the IRR national average going-in capitalization rate and the average 10-year Treasury Yield over the measurement year, also reached an all-time high in 2012. The high risk premium for the sector has attracted investment capital despite concerns that a double dip recession may result from fiscal policy pressures in 2013.

Despite some investment capital being drawn to the sector by the potentially attractive yields, 2012 transaction volumes for the office sector lagged historical averages in most major markets, including **Boston, Chicago, Los Angeles, Manhattan,** and **Washington, DC.** Notable exceptions to this trend include **Charlotte, Houston** and **San Francisco.** Average office sector prices – as measured by average transaction price per square foot for the MSA – lagged or remained unchanged from historical averages in most major markets as well, with only **San Francisco** experiencing a material price spike in 2012.

When comparing office capitalization, discount, and reversion rates across geographic regions, interesting trends can be observed (see Fig. 18). The West region exhibited the tightest average CBD office capitalization rates by a 65 basis point margin under the Northeast region, however, the West's tighter margin for suburban capitalization rates was far less at 33 basis points. While the capitalization rate averages are somewhat indicative

Top 25 Markets by Office Transaction Rate (Fig. 17)



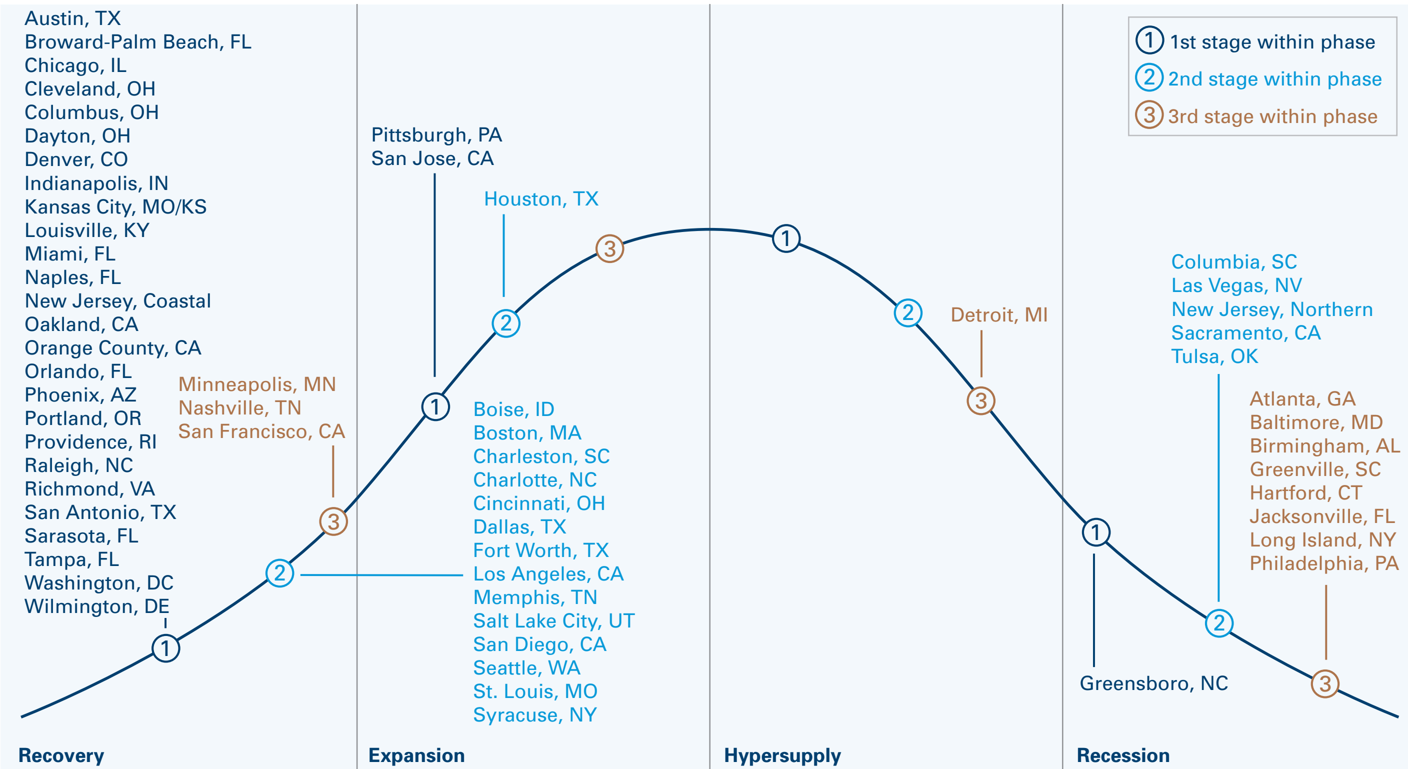
Source: Real Capital Analytics, compiled by IRR

of regional variations, the Northeast region's averages are heavily impacted by far wider capitalization rates in some of the region's smaller secondary markets such as **Hartford** and **Providence,** which heavily offset many of the nation's tightest capitalization rates found in the region's primary markets. By contrast, the range of surveyed capitalization rates in the West region were far tighter, however, only **San Francisco** and **San Jose** exhibited rates similar to those of the tightest primary markets in the Northeast. Discount and reversion rates for the two regions were more on par than going-in capitalization rates, though the West region's discount rate spreads over going-in capitalization rates are far wider than any other region, indicating that office markets in the West may be peaking in the near future.

Regional Rates Comparison - Office (Fig. 18)

	Avg. Cap Rate	Avg. Discount Rate	Avg. Reversion Rate	Avg. Cap to Discount Spread
Southeast Region				
CBD	7.84%	9.01%	8.32%	+ 117 bps
Suburban	8.20%	9.29%	8.66%	+ 109 bps
Northeast Region				
CBD	7.46%	8.46%	7.81%	+ 100 bps
Suburban	7.67%	8.58%	7.96%	+ 90 bps
Midwest Region				
CBD	8.39%	9.48%	8.91%	+ 109 bps
Suburban	8.27%	9.30%	8.80%	+ 102 bps
West Region				
CBD	6.81%	8.42%	7.52%	+ 160 bps
Suburban	7.34%	8.89%	7.95%	+ 155 bps
National Averages / Spreads				
CBD	**7.65%**	**8.85%**	**8.16%**	**+ 120 bps**
Suburban	**7.91%**	**9.05%**	**8.38%**	**+ 115 bps**

Suburban Office Market Cycle (Fig. 19)



Recovery	Expansion	Hypersupply	Recession
Decreasing Vacancy Rates Low New Construction Moderate Absorption Low/Moderate Employment Growth Neg/Low Rental Rate Growth	Decreasing Vacancy Rates Moderate/High New Construction High Absorption Moderate/High Employment Growth Med/High Rental Rate Growth	Increasing Vacancy Rates Moderate/High New Construction Low/Negative Absorption Moderate/Low Employment Growth Med/Low Rental Rate Growth	Increasing Vacancy Rates Moderate/Low New Construction Low Absorption Low/Negative Employment Growth Low/Neg Rental Rate Growth

2013 Office Market Conditions and Forecasts: Suburban (Table 20)

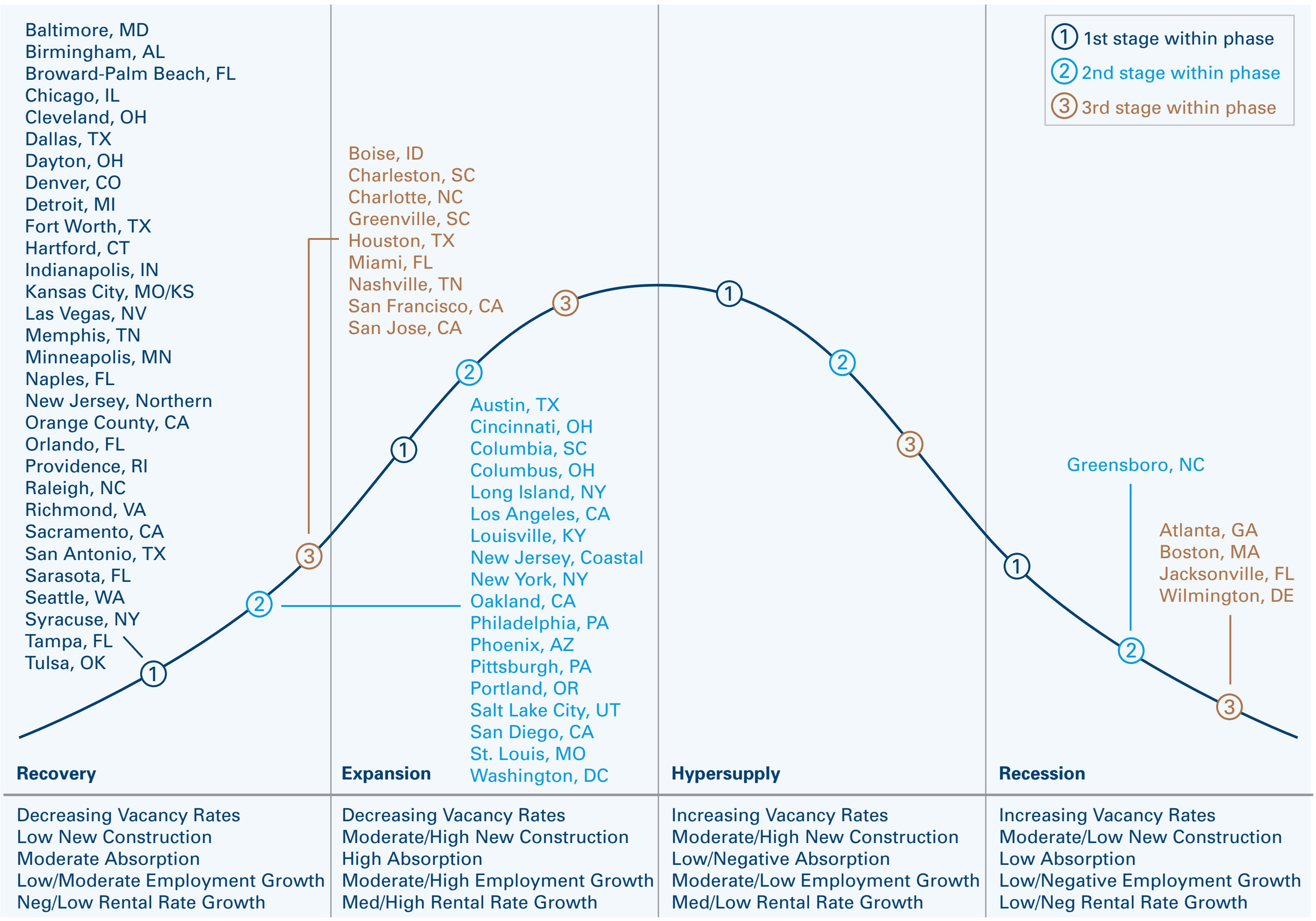
MARKET AREA	INVENTORY (SF)	VACANCY RATE (%)	VACANCY (SF)	AVG ANNUAL NET ABSORP. 2009-2012	TOTAL SF UNDER CONST. 2013-2016	FORECAST AVG ANNUAL NET ABSORP. 2013-2015	TOTAL % VALUE CHANGE 2009-2012	FORECAST % TOTAL VALUE CHANGE 2012-2014	EST. YEARS TO BALANCE
Atlanta, GA	126,095,000	20.52%	25,880,301	-1,020,286	6,793,000	2,970,333	-25.00%	8.00%	8
Austin, TX	34,500,000	17.50%	6,037,500	380,000	770,000	500,000	20.00%	12.00%	3
Baltimore, MD	100,005,115	14.12%	14,125,266	-198,750	2,140,480	622,251	20.00%	0.00%	10
Birmingham, AL	12,997,000	13.40%	1,741,598	-154,000	299,000	128,667	-30.00%	5.00%	7
Boise, ID	17,023,518	14.40%	2,450,842	959,119	140,000	125,000	3.00%	6.00%	3
Boston, MA	106,200,000	21.00%	22,302,000	100,000	3,600,000	1,016,667	6.00%	6.00%	6
Broward-Palm Beach, FL	113,600,000	14.92%	16,950,650	353,312	360,000	1,233,333	5.50%	6.00%	7
Charleston, SC	7,374,390	17.00%	1,253,646	298,571	237,000	143,333	-16.00%	0.00%	5
Charlotte, NC	27,568,000	18.60%	5,127,648	120,571	1,875,000	613,333	-5.00%	0.00%	6
Chicago, IL	127,750,000	25.00%	31,937,500	-360,250	4,350,000	416,667	-10.00%	3.00%	7
Cincinnati, OH	22,500,000	20.89%	4,700,750	55,000	1,300,000	566,667	-17.00%	2.00%	4
Cleveland, OH	70,000,000	12.40%	8,680,000	-50,000	75,000	200,000	0.00%	4.00%	2
Columbia, SC	22,600,000	10.00%	2,260,000	0	220,000	41,667	-3.00%	5.00%	2
Columbus, OH	23,100,000	19.00%	4,389,000	-5,000	1,500,000	400,000	2.00%	6.00%	6
Dallas, TX	227,654,868	14.30%	32,554,646	522,038	7,460,000	2,554,000	-12.00%	7.00%	5
Dayton, OH	30,500,000	11.55%	3,522,000	72,500	660,000	150,000	-5.00%	5.00%	5
Denver, CO	134,000,000	12.00%	16,080,000	725,000	1,900,000	841,667	-2.00%	8.00%	2
Detroit, MI	121,500,000	22.00%	26,730,000	-498,000	200,000	-43,333	-7.00%	2.00%	5
Fort Worth, TX	63,778,675	8.90%	5,676,302	164,224	662,000	96,000	-12.00%	7.00%	2
Greensboro, NC	13,707,000	25.79%	3,536,406	-21,000	940,000	356,667	-6.00%	0.00%	5
Greenville, SC	29,050,000	9.20%	2,672,600	150,000	650,000	100,000	-3.00%	4.00%	5
Hartford, CT	17,621,351	16.40%	2,889,902	-50,000	54,600	286,333	-10.00%	10.00%	5
Houston, TX	210,363,767	12.01%	25,264,728	1,564,923	4,710,000	1,373,333	1.00%	7.00%	3
Indianapolis, IN	20,463,000	20.10%	4,113,063	40,000	0	372,333	0.00%	2.00%	4
Jacksonville, FL	45,000,000	13.35%	6,007,500	520,000	800,000	750,000	-15.00%	3.00%	4
Kansas City, MO/KS	34,000,000	17.00%	5,780,000	300,000	700,000	266,667	-5.00%	8.00%	3
Las Vegas, NV	48,189,170	25.60%	12,336,428	-155,000	779,000	230,333	-25.00%	-10.00%	5
Long Island, NY	47,000,000	14.40%	6,768,000	-300,000	1,400,000	633,333	-6.00%	6.00%	6
Los Angeles, CA	389,854,644	11.60%	45,223,139	-2,832,167	5,644,000	2,093,000	0.00%	10.00%	3
Louisville, KY	13,972,602	15.00%	2,095,890	44,076	730,000	100,000	-10.00%	1.00%	7
Memphis, TN	39,255,414	13.10%	5,142,459	5,153	161,399	50,000	-10.00%	10.00%	5
Miami, FL	79,950,000	13.64%	10,906,350	815,000	410,000	1,233,333	5.50%	6.00%	7
Minneapolis, MN	51,303,000	20.17%	10,349,000	9,500	2,936,000	1,087,667	-1.00%	4.00%	2
Naples, FL	27,700,186	15.20%	4,210,428	215,751	44,783	186,052	-23.00%	4.00%	5
Nashville, TN	20,300,000	10.00%	2,030,000	-65,000	775,000	158,333	10.00%	5.00%	0
New Jersey, Coastal	25,214,000	16.05%	4,046,977	-117,500	300,000	125,000	-5.00%	9.00%	5
New Jersey, Northern	146,000,000	21.00%	30,660,000	-90,000	1,850,000	466,667	-5.00%	15.00%	5
Oakland, CA	95,683,554	11.81%	11,299,271	-232,569	1,377,000	676,333	10.00%	13.00%	3
Orange County, CA	151,453,777	13.30%	20,143,352	1,391,807	1,790,000	708,333	-20.00%	0.00%	7
Orlando, FL	28,904,000	17.00%	4,913,680	-28,000	1,115,000	330,000	-14.00%	5.00%	5
Philadelphia, PA	197,693,187	12.86%	25,432,324	581,559	3,000,000	-60,286	-10.00%	6.00%	4
Phoenix, AZ	149,008,000	20.00%	29,801,600	-279,315	1,500,000	1,133,333	-20.00%	10.00%	4
Pittsburgh, PA	52,911,714	7.60%	4,021,290	1,439,759	1,300,000	233,333	1.00%	5.00%	1
Portland, OR	36,851,980	11.50%	4,237,978	190,210	519,500	210,167	-25.00%	6.00%	8
Providence, RI	6,610,000	17.00%	1,123,700	60,000	202,000	42,667	-25.00%	5.00%	4
Raleigh, NC	32,066,000	16.38%	5,252,411	-80,571	2,211,000	507,000	-20.00%	0.00%	5
Richmond, VA	47,900,000	11.40%	5,460,600	65,000	750,000	400,000	-1.00%	4.00%	4
Sacramento, CA	33,729,000	21.50%	7,251,735	-95,000	1,822,000	607,333	-25.00%	0.00%	10
Salt Lake City, UT	24,050,000	13.54%	3,256,000	550,000	650,000	200,000	-8.00%	6.00%	1
San Antonio, TX	24,263,000	18.50%	4,488,655	369,500	1,234,000	557,667	6.00%	6.00%	5
San Diego, CA	98,930,083	12.57%	12,430,565	1,196,358	1,685,000	98,333	-3.00%	0.00%	3
San Francisco, CA	105,677,274	11.83%	12,498,134	-295,781	1,345,000	455,000	25.00%	8.00%	2
San Jose, CA	91,453,947	11.09%	10,139,334	709,919	3,581,000	1,320,333	22.50%	10.00%	1
Sarasota, FL	24,660,122	13.20%	3,255,136	-134,667	0	116,667	-15.00%	3.50%	5
Seattle, WA	77,078,178	14.67%	11,304,514	120,275	1,340,000	166,667	-10.00%	5.00%	3
St. Louis, MO	34,315,000	16.00%	5,490,400	-20,000	1,765,000	551,667	4.00%	5.00%	5
Syracuse, NY	10,147,772	16.30%	1,654,087	-48,750	400,000	-12,833	0.00%	0.00%	3
Tampa, FL	33,291,000	20.90%	6,957,819	-46,666	2,865,000	833,333	-4.00%	0.00%	3
Tulsa, OK	13,022,901	19.20%	2,500,397	-20,000	90,000	200,000	0.00%	10.00%	10
Washington, DC	318,260,492	15.33%	48,786,430	-35,765	11,216,230	1,493,053	-5.00%	10.00%	5
Wilmington, DE	18,800,000	14.00%	2,632,000	100,000	550,000	141,667	-5.00%	0.00%	7
Totals / Simple Averages:	4,354,451,681	15.65%	660,763,931	114,018	1,634,983	546,804	-5.52%	4.98%	4.6
Weighted Averages:		15.17%					-4.27%	6.38%	4.5

Retail

After being one of the most hard hit sectors during the downturn, the retail property sector continued a strong recovery in 2012. Grocery anchored retail properties - especially in infill urban locations - were one of the hottest investment assets across any real estate sector. Most retail assets performed well in 2012 as nearly all of the surveyed markets were identified to be in recovery.

The sector's recovery is most evident when observing the above average transaction volumes in most major markets (see Fig. 21), with only **Atlanta** and **Houston** serving as major exceptions to this positive trend in 2012. Retail transaction prices were extremely strong in **San Francisco** and **Boston** in 2012 compared to historical averages.

Retail Market Cycle (Fig. 21)



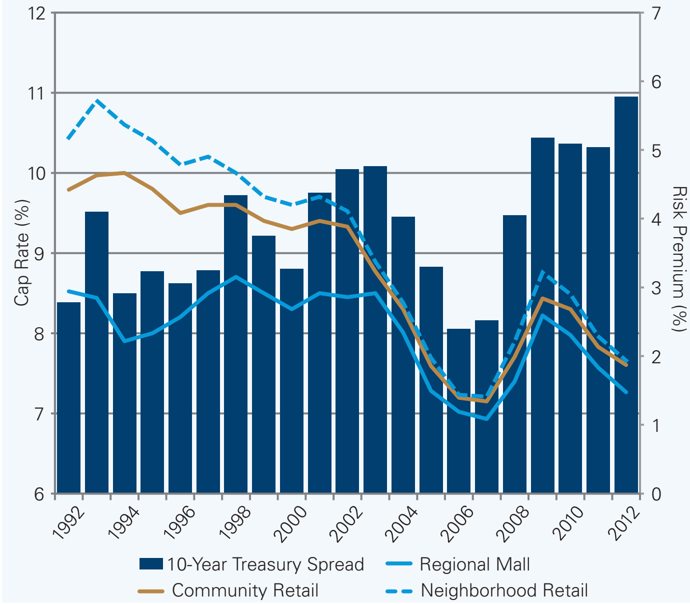
2013 Retail Market Conditions and Forecasts (Table 22)

MARKET AREA	INVENTORY (SF)	VACANCY RATE (%)	VACANCY (SF)	MALL VACANCY RATE (%)	AVG ANNUAL NET ABSORP. 2009-2012	TOTAL SF UNDER CONST. 2013-2016	FORECAST AVG ANNUAL NET ABSORP. 2013-2015	TOTAL % VALUE CHANGE 2009-2012	FORECAST % TOTAL VALUE CHANGE 2012-2014	EST. YEARS TO BALANCE
Atlanta, GA	81,232,700	14.08%	11,439,910	8.4%	-611,429	3,156,000	1,003,667	-15.00%	8.00%	7
Austin, TX	40,900,000	7.25%	2,965,250	10.0%	160,000	1,350,000	333,333	3.00%	4.00%	1
Baltimore, MD	134,127,247	5.40%	7,242,871	4.3%	70,250	673,737	322,079	23.00%	3.00%	0
Birmingham, AL	92,496,143	8.91%	8,242,412	14.8%	372,485	732,000	208,000	-20.00%	4.00%	4
Boise, ID	19,580,676	8.72%	1,706,980	1.5%	478,366	295,000	85,000	2.00%	6.00%	2
Boston, MA	175,200,000	8.70%	15,242,400	7.0%	100,000	2,900,000	933,333	8.00%	10.00%	4
Broward-Palm Beach, FL	187,500,000	7.46%	13,991,325	5.2%	1,187,000	1,750,000	533,333	-4.00%	5.00%	3
Charleston, SC	20,579,396	9.05%	1,862,435	10.0%	71,429	397,000	117,333	-12.00%	0.00%	4
Charlotte, NC	34,387,000	10.80%	3,713,796	5.7%	221,412	1,562,000	507,333	-15.00%	5.00%	5
Chicago, IL	121,000,000	11.00%	13,310,000	7.0%	200,000	4,000,000	500,000	-12.50%	5.00%	3
Cincinnati, OH	110,150,000	9.24%	10,175,875	9.0%	185,000	2,500,000	666,667	-25.00%	5.00%	6
Cleveland, OH	25,000,000	14.70%	3,675,000	10.0%	113,000	660,000	191,667	-4.00%	2.00%	5
Columbia, SC	52,850,000	6.50%	3,435,250	12.2%	350,000	700,000	166,667	1.00%	6.00%	0
Columbus, OH	61,000,000	12.00%	7,320,000	20.0%	500,000	1,700,000	400,000	5.00%	2.50%	2
Dallas, TX	235,362,155	7.70%	18,122,886	6.7%	441,094	2,163,000	636,667	-10.00%	6.00%	3
Dayton, OH	16,675,000	16.93%	2,823,500	14.0%	-51,000	525,000	175,000	-15.00%	3.00%	9
Denver, CO	152,300,000	6.00%	9,138,000	8.1%	420,000	1,893,000	675,000	7.00%	11.00%	0
Detroit, MI	53,150,000	13.20%	7,015,800	6.0%	-66,500	345,000	41,667	-9.00%	4.00%	7
Fort Worth, TX	144,225,826	7.60%	10,961,163	3.0%	186,268	1,083,000	296,333	-10.00%	6.00%	3
Greensboro, NC	37,814,861	11.50%	4,348,709	9.0%	-12,000	1,120,000	283,333	-18.00%	2.00%	5
Greenville, SC	81,750,000	6.70%	5,477,250	1.0%	200,000	700,000	200,000	10.00%	8.00%	0
Hartford, CT	14,998,000	9.20%	1,379,816	11.0%	115,000	284,234	112,333	5.00%	10.00%	4
Houston, TX	174,334,858	15.61%	27,217,116	12.0%	900,664	4,020,000	1,106,667	0.70%	5.30%	7
Indianapolis, IN	118,130,000	7.52%	8,888,950	7.4%	183,800	791,000	189,000	-10.00%	5.00%	7
Jacksonville, FL	49,400,000	11.63%	5,745,220	5.3%	90,000	360,000	270,000	-18.00%	3.00%	7
Kansas City, MO/KS	44,440,000	10.00%	4,444,000	15.0%	330,000	318,000	200,000	-10.00%	10.00%	5
Las Vegas, NV	51,574,761	10.50%	5,415,350	12.8%	115,000	1,450,400	376,333	-25.00%	5.00%	2
Long Island, NY	31,000,000	6.60%	2,046,000	6.0%	-150,000	1,200,000	500,000	-2.00%	8.00%	3
Los Angeles, CA	403,214,312	6.30%	25,402,502	3.0%	-501,332	3,247,000	1,043,667	-16.00%	12.00%	2
Louisville, KY	17,676,196	13.00%	2,297,905	12.0%	35,371	50,000	33,333	-10.00%	5.00%	10
Memphis, TN	84,996,904	9.40%	7,989,709	13.1%	780,763	387,000	100,000	3.00%	4.00%	3
Miami, FL	137,900,000	4.05%	5,589,450	6.5%	340,000	4,050,000	700,000	2.00%	9.00%	1
Minneapolis, MN	64,685,364	7.50%	4,851,402	3.2%	90,000	1,601,000	449,667	1.00%	4.00%	3
Naples, FL	67,466,550	8.10%	5,464,791	2.7%	330,220	76,319	247,665	-12.23%	5.00%	3
Nashville, TN	27,150,000	6.60%	1,791,900	10.6%	45,000	210,000	163,333	10.00%	5.00%	1
New Jersey, Coastal	45,000,000	8.63%	3,882,500	5.0%	275,000	850,000	400,000	0.00%	15.00%	2
New Jersey, Northern	58,000,000	7.40%	4,292,000	7.0%	-200,000	5,500,000	1,533,333	1.00%	7.00%	3
New York, NY	21,000,000	5.00%	1,050,000	5.0%	70,000	2,450,000	500,000	18.00%	10.00%	0
Oakland, CA	133,123,342	4.86%	6,473,788	6.6%	-443,679	911,000	311,000	22.00%	8.00%	1
Orange County, CA	139,576,598	5.90%	8,235,019	7.1%	433,759	1,727,000	470,000	-15.00%	0.00%	0
Orlando, FL	36,735,000	13.50%	4,959,225	4.0%	-80,000	1,115,000	483,333	-2.00%	5.00%	4
Philadelphia, PA	277,020,509	6.60%	18,283,354	6.4%	647,998	915,000	197,674	0.00%	6.00%	3
Phoenix, AZ	216,000,000	11.90%	25,704,000	7.0%	-695,000	3,050,000	1,833,333	-50.00%	10.00%	5
Pittsburgh, PA	85,530,000	6.10%	5,217,330	7.5%	477,414	100,000	450,000	0.50%	6.00%	0
Portland, OR	45,327,119	6.91%	3,132,104	11.0%	-255,937	1,733,332	166,667	4.00%	6.00%	0
Providence, RI	19,975,000	18.00%	3,595,500	19.0%	76,000	185,000	41,667	-30.00%	-5.00%	6
Raleigh, NC	28,028,000	10.00%	2,802,800	2.3%	53,714	2,322,245	716,667	-12.00%	6.00%	2
Richmond, VA	79,900,000	7.50%	5,992,500	7.5%	-45,000	900,000	250,000	2.00%	4.00%	0
Sacramento, CA	27,102,000	11.60%	3,143,832	15.0%	-148,000	1,372,000	347,667	-5.00%	10.00%	7
Salt Lake City, UT	38,780,000	9.25%	3,587,800	5.0%	40,000	1,600,000	366,667	-20.00%	5.00%	4
San Antonio, TX	46,398,854	12.70%	5,892,654	7.4%	204,000	1,306,000	384,000	6.00%	6.00%	6
San Diego, CA	134,391,982	5.00%	6,719,599	2.3%	616,988	1,231,082	278,260	0.00%	4.00%	1
San Francisco, CA	88,971,183	3.54%	3,149,580	6.6%	19,436	850,000	218,000	20.00%	12.00%	0
San Jose, CA	80,769,410	4.97%	4,015,047	6.6%	-366,414	809,000	169,000	10.00%	10.00%	0
Sarasota, FL	46,844,581	7.40%	3,466,499	11.6%	918	3,500	69,700	-20.41%	5.00%	1
Seattle, WA	60,000,000	5.50%	3,300,000	4.2%	95,000	2,190,000	1,000,000	20.00%	15.00%	1
St. Louis, MO	155,000,000	8.00%	12,400,000	8.0%	200,000	2,975,000	733,333	1.00%	5.00%	6
Syracuse, NY	9,968,588	12.33%	1,229,439	6.8%	9,185	300,000	28,333	0.00%	4.00%	3
Tampa, FL	40,025,000	12.00%	4,803,000	2.0%	-143,000	4,370,000	1,233,333	-5.00%	0.00%	5
Tulsa, OK	18,888,670	13.80%	2,606,636	1.0%	50,200	500,000	150,000	13.00%	10.00%	10
Washington, DC	235,921,837	4.76%	11,220,810	4.0%	209,296	2,953,155	493,639	25.00%	10.00%	0
Wilmington, DE	29,500,000	8.00%	2,360,000	3.0%	125,000	700,000	216,667	-5.00%	2.00%	5
Totals / Simple Averages:	5,362,025,622	9.04%	432,249,940	7.62%	136,238	1,470,452	432,430	-3.45%	6.00%	3.3
Weighted Averages:		8.06%						-3.64%	6.80%	2.9

Regional Rates Comparison - Retail (Fig. 23)

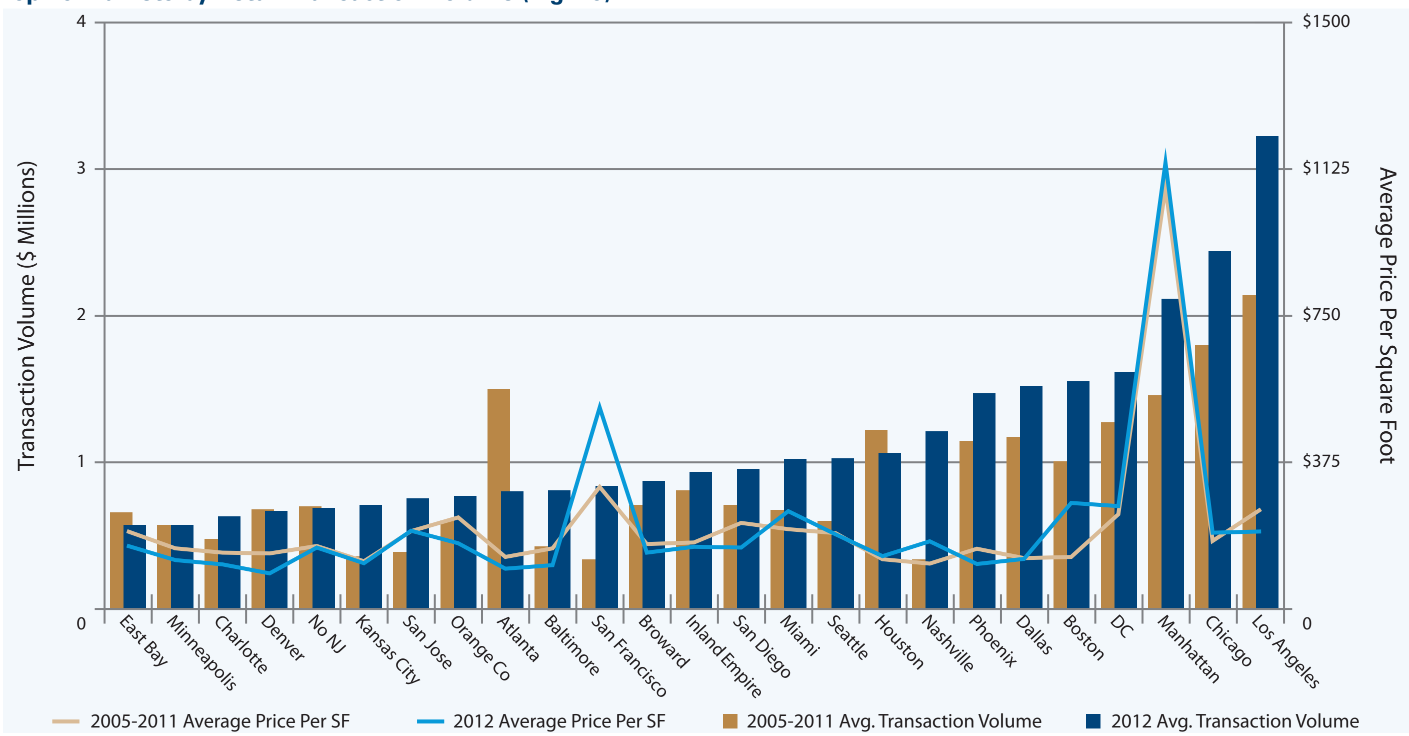
	Avg. Cap Rate	Avg. Discount Rate	Avg. Reversion Rate	Avg. Cap to Discount Spread
Southeast Region				
Regional Mall	7.61%	9.10%	8.03%	+ 149 bps
Community	7.83%	9.03%	8.28%	+ 120 bps
Neighborhood	7.82%	9.03%	8.27%	+ 121 bps
Northeast Region				
Regional Mall	6.83%	8.25%	7.35%	+ 142 bps
Community	7.40%	8.37%	7.73%	+ 96 bps
Neighborhood	7.31%	8.31%	7.63%	+ 100 bps
Midwest Region				
Regional Mall	7.66%	8.95%	8.18%	+ 130 bps
Community	8.09%	9.18%	8.61%	+ 109 bps
Neighborhood	8.27%	9.36%	8.75%	+ 109 bps
West Region				
Regional Mall	6.85%	8.56%	7.42%	+ 171 bps
Community	7.02%	8.59%	7.68%	+ 157 bps
Neighborhood	7.23%	8.77%	7.80%	+ 154 bps
National Averages / Spreads				
Regional Mall	**7.28%**	**8.76%**	**7.77%**	**+ 148 bps**
Community	**7.60%**	**8.82%**	**8.09%**	**+ 121 bps**
Neighborhood	**7.66%**	**8.88%**	**8.12%**	**+ 122 bps**

Class A Retail Cap Rates (Fig. 24)



The Western region had the lowest going-in capitalization rates, but also had the widest spreads between capitalization rates and discount rates. Regional Mall capitalization rates remain the tightest, however, discount rate spreads for Regional Malls are widening, indicating that a market trough may soon be reached. Overall retail capitalization rates are approaching all-time lows, while risk premiums are exhibiting all-time highs for the retail sector, driven by historically low U.S. Treasury yields.

Top 25 Markets by Retail Transaction Volume (Fig. 25)



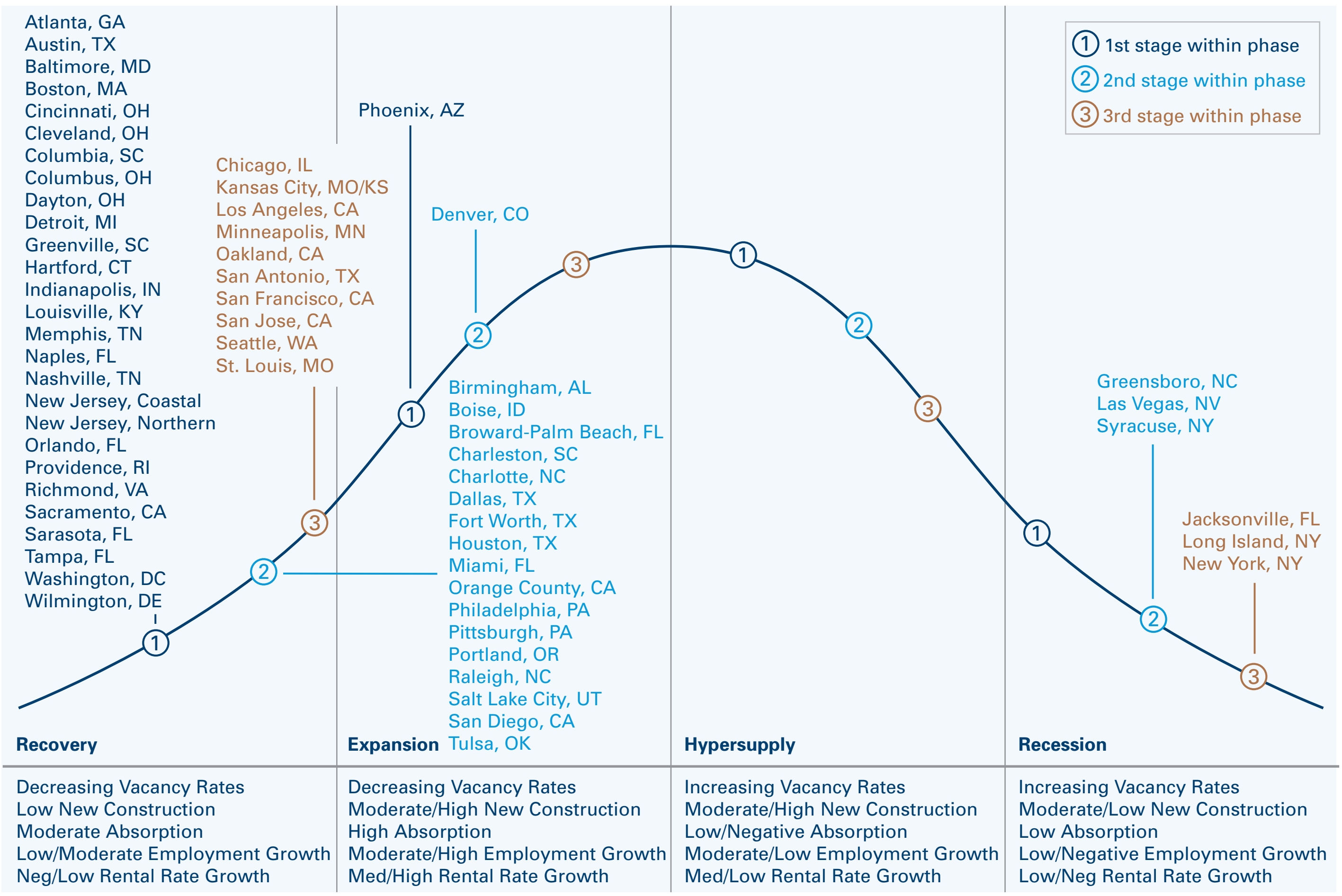
Source: Real Capital Analytics, compiled by IRR

Industrial

The industrial property sector continued its strong recovery in 2012, with all but eight surveyed markets indicating that the industrial sector was in recovery mode. The industrial sector continued to exhibit capitalization rate compression, with general industrial rates compressing more than flex industrial rates over the past year. Despite capitalization rates approaching historical lows for industrial product, risk premiums for this asset class are observed to be at all-time highs over our survey period.

While capitalization rate compression continued to show signs of recovery in the industrial market, transaction volumes remained tepid compared to 5-year historical averages. Major distribution markets such as **Atlanta, Chicago,** the **Inland Empire,** and **Washington, DC** all experienced a material lag in 2012 transaction volumes from historical norms (see Fig. 26). Contrary to the overall industrial sector's general negative trend in transaction volumes, **Baltimore, Boston, Miami,** and **San Jose** outpaced normal transaction volumes in 2012.

Industrial Market Cycle (Fig. 26)



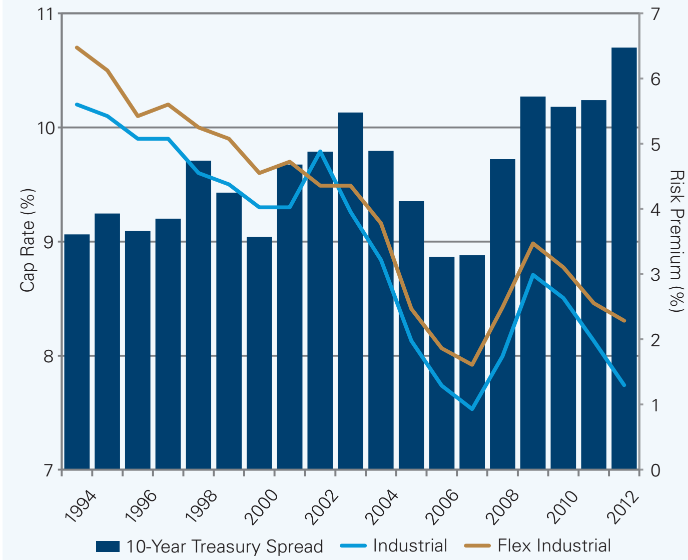
2013 Industrial Market Conditions and Forecasts (Table 27)

MARKET AREA	INVENTORY (SF)	VACANCY RATE (%)	VACANCY (SF)	AVG ANNUAL NET ABSORP. 2009-2012	TOTAL SF UNDER CONST. 2013-2016	FORECAST AVG ANNUAL NET ABSORP. 2013-2015	TOTAL % VALUE CHANGE 2009-2012	FORECAST % TOTAL VALUE CHANGE 2012-2014	EST. YEARS TO BALANCE
Atlanta, GA	646,131,874	12.41%	80,167,564	831,152	16,846,000	3,327,667	-15.00%	8.00%	7
Austin, TX	38,500,000	14.70%	5,659,500	64,000	1,530,000	700,000	12.00%	11.00%	3
Baltimore, MD	196,119,220	12.00%	23,534,306	103,055	4,378,780	915,491	20.00%	0.00%	10
Birmingham, AL	128,094,268	8.72%	11,167,786	10,019	2,030,000	515,000	-15.00%	3.00%	4
Boise, ID	32,142,699	9.11%	2,928,371	819,042	475,000	150,000	2.00%	5.00%	2
Boston, MA	101,000,000	18.00%	18,180,000	500,000	3,000,000	1,000,000	-7.00%	10.00%	8
Broward-Palm Beach, FL	172,575,000	8.98%	15,492,188	1,550,000	1,610,000	1,383,333	4.00%	8.00%	3
Charleston, SC	43,427,040	9.65%	4,190,709	570,000	620,000	381,667	-5.00%	0.00%	4
Charlotte, NC	43,331,612	16.40%	7,106,384	200,529	300,000	300,000	0.00%	0.00%	8
Chicago, IL	1,150,000,000	10.00%	115,000	1,500,000	9,375,000	5,000,000	5.00%	7.00%	3
Cincinnati, OH	295,775,000	9.20%	26,796,750	270,000	6,500,000	2,000,000	-16.00%	6.00%	5
Cleveland, OH	27,191,000	12.60%	3,426,066	-250,000	890,000	833,333	2.00%	4.00%	3
Columbia, SC	53,600,000	11.50%	6,164,000	125,000	700,000	250,000	-3.00%	5.00%	4
Columbus, OH	208,500,000	12.45%	25,960,000	545,000	4,400,000	1,233,333	2.00%	5.00%	6
Dallas, TX	521,892,200	9.70%	50,623,543	657,338	11,641,200	3,008,667	8.00%	10.00%	3
Dayton, OH	103,775,000	10.43%	10,825,375	275,000	1,800,000	500,000	-8.00%	5.00%	5
Denver, CO	205,500,000	6.87%	14,115,000	1,300,000	8,600,000	3,633,333	5.00%	10.00%	3
Detroit, MI	319,000,000	14.25%	45,457,500	-825,000	0	372,500	-18.00%	4.00%	7
Fort Worth, TX	252,581,606	7.90%	19,953,947	450,968	11,073,560	3,027,333	3.00%	7.00%	2
Greensboro, NC	66,742,897	21.30%	14,216,237	-121,582	0	0	-30.00%	-3.00%	4
Greenville, SC	182,800,000	9.90%	18,097,200	600,000	1,225,000	666,667	8.00%	8.00%	5
Hartford, CT	89,077,008	12.10%	10,778,318	200,000	820,000	200,000	3.00%	10.00%	5
Houston, TX	511,934,318	5.13%	26,238,483	6,310,500	13,555,000	3,945,000	2.50%	7.90%	1
Indianapolis, IN	237,100,000	6.60%	15,648,600	1,225,000	11,000,000	3,000,000	-2.00%	2.00%	2
Jacksonville, FL	121,500,000	10.40%	12,636,000	600,000	1,100,000	1,133,333	-12.00%	3.00%	5
Kansas City, MO/KS	290,600,000	7.00%	20,342,000	600,000	2,800,000	633,333	5.00%	8.00%	2
Las Vegas, NV	104,844,330	18.50%	19,396,201	-500,000	1,125,000	183,333	-20.00%	-10.00%	4
Long Island, NY	48,000,000	8.75%	4,200,000	-600,000	1,200,000	733,333	-4.00%	8.00%	2
Los Angeles, CA	990,593,646	5.10%	50,511,434	-5,702,246	12,330,000	4,100,333	0.00%	15.00%	3
Louisville, KY	63,890,727	19.00%	12,139,238	179,419	3,130,000	1,500,000	0.00%	1.00%	4
Memphis, TN	228,024,547	13.20%	30,099,240	-363,219	7,219,892	1,333,333	-2.00%	6.00%	4
Miami, FL	225,000,000	7.89%	17,762,500	1,075,000	3,520,000	1,450,000	7.00%	7.00%	2
Minneapolis, MN	21,515,800	9.20%	1,979,454	-5,500	6,622,680	1,775,333	6.00%	6.00%	2
Naples, FL	50,944,938	9.10%	4,635,989	580,632	13,523	580,632	-13.80%	2.00%	3
Nashville, TN	81,226,429	8.90%	7,229,152	302,959	4,734,000	170,477	2.00%	2.00%	2
New Jersey, Coastal	41,370,000	11.93%	4,935,100	-375,000	0	288,333	-3.00%	12.00%	5
New Jersey, Northern	716,000,000	8.20%	58,712,000	1,200,000	6,400,000	5,000,000	-1.00%	9.00%	3
New York, NY	39,000,000	8.80%	3,432,000	120,000	0	250,000	0.00%	6.00%	3
Oakland, CA	298,431,047	9.87%	29,446,191	-2,626,062	3,629,280	1,068,667	25.00%	10.00%	1
Orange County, CA	303,937,728	5.50%	16,716,575	222,250	3,709,000	416,667	-10.00%	10.00%	1
Orlando, FL	110,035,000	14.50%	15,955,075	40,000	1,900,000	1,113,333	-12.00%	3.00%	5
Philadelphia, PA	340,063,193	10.50%	35,706,635	930,042		-349,065	0.00%	6.00%	4
Phoenix, AZ	2,850,000	12.00%	342,000	3,087,500	14,000,000	5,000,000	-10.00%	20.00%	2
Pittsburgh, PA	133,400,000	8.40%	11,205,600	1,350,000	2,000,000	1,500,000	1.00%	4.00%	1
Portland, OR	160,487,712	7.47%	11,994,470	1,427,764	7,635,119	2,060,600	-5.00%	7.00%	1
Providence, RI	24,250,000	10.25%	2,485,625	41,000	195,000	44,333	-10.00%	2.00%	5
Raleigh, NC	28,809,000	18.40%	5,300,856	-35,000	2,439,000	540,000	10.00%	6.00%	5
Richmond, VA	97,000,000	11.30%	10,961,000	90,000	3,600,000	1,200,000	-3.00%	4.00%	4
Sacramento, CA	125,000,000	13.60%	17,000,000	-202,000	3,317,800	1,126,667	-10.00%	3.00%	10
Salt Lake City, UT	117,074,418	8.05%	9,424,491	4,130,038	4,750,000	4,600,000	4.00%	6.00%	1
San Antonio, TX	58,504,000	9.10%	5,323,864	395,000	1,583,600	426,333	7.00%	8.00%	7
San Diego, CA	189,627,935	10.10%	19,152,421	1,404,926	1,611,011	327,082	-5.00%	0.00%	4
San Francisco, CA	103,022,659	6.40%	6,591,390	-1,366,202	1,099,800	654,333	25.00%	8.00%	1
San Jose, CA	219,646,179	9.10%	19,980,554	-2,308,534	1,574,280	1,209,333	25.00%	10.00%	1
Sarasota, FL	49,600,289	9.90%	4,910,429	139,587	0	203,333	-12.80%	1.50%	4
Seattle, WA	238,588,718	6.40%	15,269,678	516,119	1,109,893	245,000	5.00%	10.00%	1
St. Louis, MO	263,850,000	8.50%	22,427,250	25,000	7,050,000	1,900,000	1.00%	5.00%	6
Syracuse, NY	63,900,000	10.50%	6,709,500	500,000	0	266,667	0.00%	2.00%	3
Tampa, FL	110,666,000	8.70%	9,627,942	-371,000	1,383,635	466,667	-3.00%	1.00%	7
Tulsa, OK	75,932,653	8.59%	6,522,615	-200,000	1,000,000	400,000	-5.00%	10.00%	5
Washington, DC	189,676,635	12.70%	24,088,933	84,343	2,915,497	659,993	-1.00%	4.00%	8
Wilmington, DE	36,500,000	11.00%	4,015,000	-20,000	500,000	225,000	-5.00%	3.00%	8
Totals / Simple Averages:	11,990,154,325	10.59%	1,016,011,230	343,175	3,763,402	1,302,904	-1.08%	5.67%	4.0
Weighted Averages:		9.44%					0.01%	7.14%	3.7

Regional Rates Comparison - Industrial (Fig. 28)

	Avg. Cap Rate	Avg. Discount Rate	Avg. Reversion Rate	Avg. Cap to Discount Spread
Southeast Region				
Industrial	8.03%	9.22%	8.48%	+ 119 bps
Flex Industrial	8.55%	9.77%	8.99%	+ 122 bps
Northeast Region				
Industrial	7.44%	8.62%	7.77%	+ 117 bps
Flex Industrial	8.06%	9.15%	8.35%	+ 110 bps
Midwest Region				
Industrial	8.32%	9.34%	8.84%	+ 102 bps
Flex Industrial	8.75%	9.77%	9.18%	+ 102 bps
West Region				
Industrial	7.13%	8.50%	7.75%	+ 138 bps
Flex Industrial	7.75%	9.09%	8.32%	+ 134 bps
National Averages / Spreads				
Industrial	**7.75%**	**8.95%**	**8.24%**	**+ 120 bps**
Flex Industrial	**8.30%**	**9.49%**	**8.75%**	**+ 119 bps**

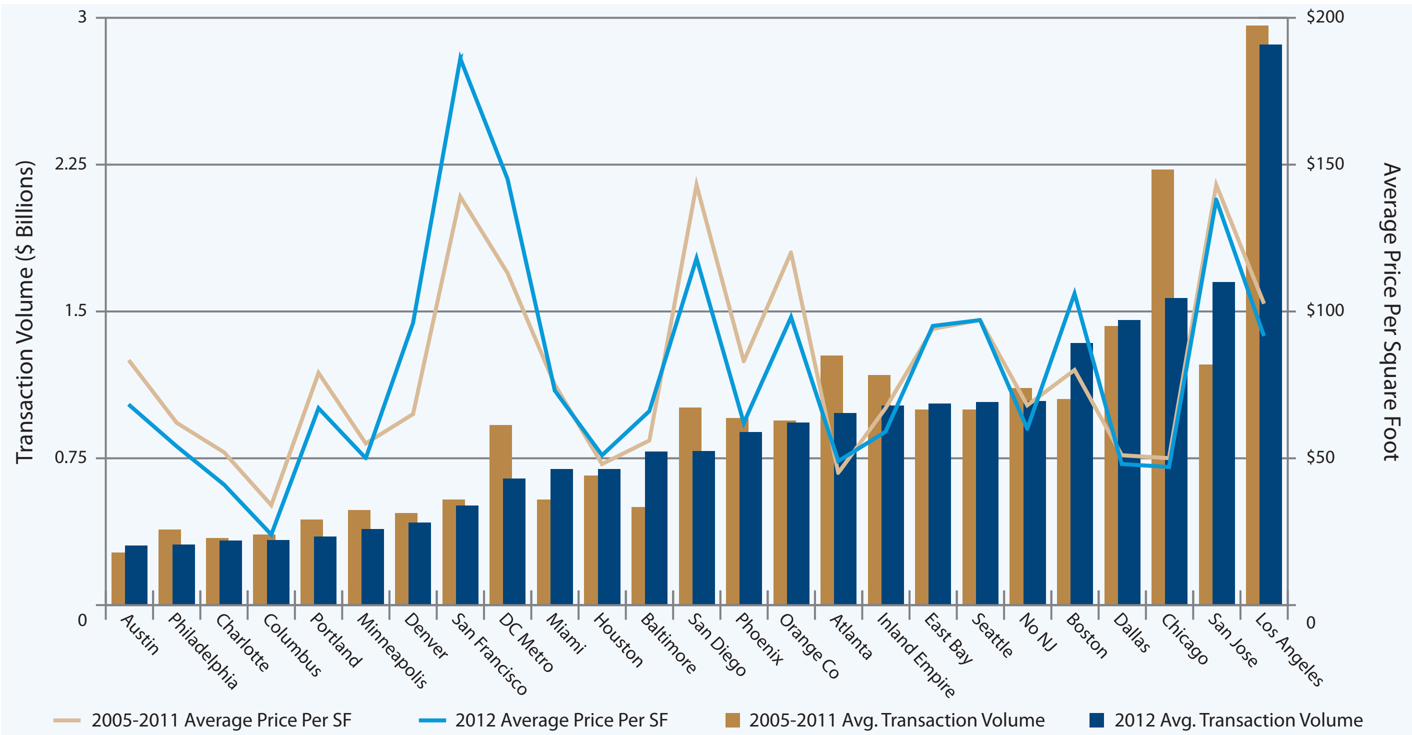
Class A Industrial Cap Rates (Fig. 29)



Institutional industrial asset prices showed signs of material growth in **Boston, Denver, San Francisco** and **Washington, DC,** while prices materially lagged historical averages in such mid-major markets as **Orange County, Phoenix,** and **San Diego.**

The West and Northeast regions exhibit far tighter average capitalization rates than in the Southeast and Midwest regions. Discount rates for the industrial sector follow a similar pattern, but exhibit slightly less variability between regions.

Top 25 Markets by Industrial Transaction Volume (Fig. 30)



Source: Real Capital Analytics, compiled by IRR

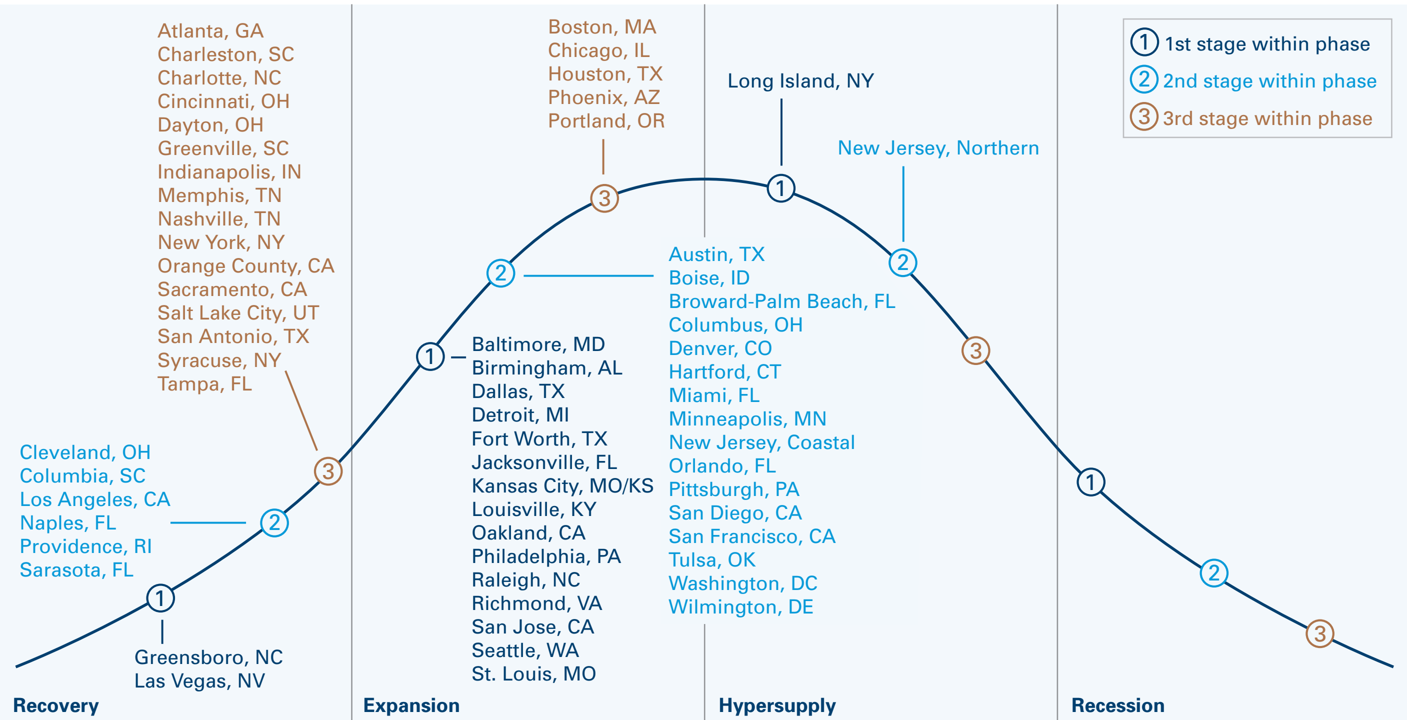
Apartments

The apartment sector remained the hottest property sector in 2012, with almost all markets not only demonstrating strong property fundamentals but also experiencing all-time low capitalization rates. These factors have combined to drive new development in many markets, making multifamily the sole major property sector experiencing significant expansion across the country.

Transaction volumes were extremely strong in 2012 in the three most historically active markets: **Los Angeles, Manhattan,** and **Washington, DC**. Trade volume was also high in less historically active markets such as **Austin, Boston, Denver,** and **San Jose.** Transaction prices spiked in **Austin, Chicago, Denver,** and **Raleigh-Durham,** and lagged or remained relatively unchanged from 5-year historical averages in the remainder of the Top 25 markets by 2012 transaction volume.

Capitalization rates for apartment assets have compressed to all-time lows while risk premiums are approaching all-time highs. The combination of strong property sector fundamentals and the availability of debt at historically low

Apartment Cycle Chart (Fig. 31)



Recovery	Expansion	Hypersupply	Recession
Decreasing Vacancy Rates Low New Construction Moderate Absorption Low/Moderate Employment Growth Neg/Low Rental Rate Growth	Decreasing Vacancy Rates Moderate/High New Construction High Absorption Moderate/High Employment Growth Med/High Rental Rate Growth	Increasing Vacancy Rates Moderate/High New Construction Low/Negative Absorption Moderate/Low Employment Growth Med/Low Rental Rate Growth	Increasing Vacancy Rates Moderate/Low New Construction Low Absorption Low/Negative Employment Growth Low/Neg Rental Rate Growth

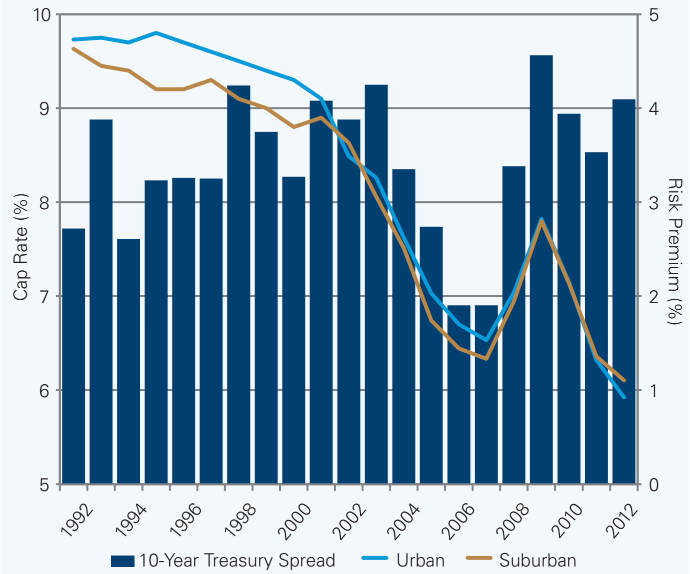
2013 Apartment Market Conditions and Forecasts (Table 32)

MARKET AREA	INVENTORY (UNITS)	VACANCY RATE (%)	VACANCY (UNITS)	AVG ANNUAL NET ABSORP. 2009-2012	TOTAL UNITS UNDER CONST. 2013-2016	FORECAST AVG ANNUAL NET ABSORP. 2013-2015	TOTAL % VALUE CHANGE 2009-2012	FORECAST % TOTAL VALUE CHANGE 2012-2014	EST. YEARS TO BALANCE
Atlanta, GA	363,874	7.19%	26,153	6,278	21,608	5,914	-5.00%	10.00%	2
Austin, TX	165,000	4.00%	6,600	4,820	26,000	6,667	15.30%	9.50%	0
Baltimore, MD	145,370	3.70%	5,379	1,375	7,225	1,978	12.00%	3.00%	0
Birmingham, AL	43,342	5.88%	2,546	1,390	1,622	540	0.00%	10.00%	0
Boise, ID	13,776	3.71%	511	0	1,802	75	6.00%	5.00%	0
Boston, MA	198,500	3.50%	6,948	1,850	16,300	4,000	30.00%	8.00%	0
Broward-Palm Beach, FL	410,000	4.88%	20,020	6,280	5,882	1,000	12.00%	9.00%	0
Charleston, SC	28,057	5.03%	1,412	406	2,872	750	25.00%	6.00%	0
Charlotte, NC	91,007	5.48%	4,990	2,915	10,703	2,937	15.00%	20.00%	0
Chicago, IL	450,000	4.16%	18,700	5,250	16,250	3,500	30.00%	-5.00%	2
Cincinnati, OH	106,300	4.60%	4,887	1,140	2,400	633	10.00%	8.00%	0
Cleveland, OH	105,240	4.10%	4,319	115	1,225	500	5.00%	5.00%	0
Columbia, SC	33,350	8.35%	2,785	750	4,300	1,033	3.00%	6.00%	3
Columbus, OH	126,000	5.50%	6,930	2,700	4,992	725	4.00%	4.00%	2
Dallas, TX	418,510	6.21%	26,002	9,655	24,750	6,576	26.00%	10.00%	1
Dayton, OH	33,695	4.96%	1,673	335	775	233	-2.00%	6.00%	0
Denver, CO	300,300	4.80%	14,425	13,050	17,500	3,800	15.00%	7.00%	0
Detroit, MI	213,471	5.05%	10,776	2,850	1,190	1,025	6.00%	6.00%	1
Fort Worth, TX	161,154	5.81%	9,366	3,494	9,261	2,502	26.00%	10.00%	0
Greensboro, NC	64,193	7.26%	4,660	1,844	3,461	1,170	18.00%	8.00%	2
Greenville, SC	32,908	7.50%	2,468	625	5,500	1,333	12.00%	8.00%	2
Hartford, CT	46,813	3.03%	1,419	1,660	839	509	30.00%	8.00%	0
Houston, TX	580,562	10.25%	59,492	2,701	37,500	7,900	10.60%	8.90%	3
Indianapolis, IN	123,800	5.82%	7,202	2,100	9,700	1,850	-7.00%	2.00%	2
Jacksonville, FL	65,945	10.04%	6,623	1,010	4,600	2,000	8.00%	10.00%	3
Kansas City, MO/KS	124,500	5.96%	7,415	499	1,080	317	25.00%	10.00%	0
Las Vegas, NV	135,775	6.30%	8,554	1,974	3,227	781	-25.00%	7.50%	0
Long Island, NY	98,000	4.20%	4,116	400	1,450	700	1.00%	8.00%	0
Los Angeles, CA	764,786	3.57%	27,285	7,535	19,148	4,699	22.00%	10.00%	2
Louisville, KY	42,240	4.38%	1,849	0	5,000	833	5.00%	6.00%	0
Memphis, TN	60,010	7.64%	4,584	750	1,900	833	12.50%	5.00%	3
Miami, FL	110,000	4.50%	4,950	1,600	6,350	1,100	12.00%	9.00%	0
Minneapolis, MN	151,300	2.19%	3,316	808	7,287	1,628	15.00%	5.00%	0
Naples, FL	18,094	6.23%	1,127	440	500	125	-5.00%	4.50%	2
Nashville, TN	92,986	4.90%	4,560	1,906	6,141	1,670	10.00%	5.00%	0
New Jersey, Coastal	45,000	3.40%	1,529	305	900	200	13.00%	10.00%	0
New Jersey, Northern	983,000	4.00%	39,320	3,000	16,200	2,333	13.00%	8.00%	0
New York, NY	169,000	3.00%	5,070	3,500	19,500	5,000	23.00%	11.00%	0
Oakland, CA	146,879	3.27%	4,799	1,221	9,215	2,232	35.00%	12.00%	0
Orange County, CA	207,737	3.36%	6,982	2,829	6,685	1,932	-5.00%	10.00%	0
Orlando, FL	130,715	6.00%	7,843	1,130	8,700	2,233	9.00%	5.00%	0
Philadelphia, PA	201,998	3.70%	7,470	397	3,900	1,641	5.00%	3.00%	0
Phoenix, AZ	261,893	6.97%	18,248	17,500	26,000	8,333	7.00%	7.00%	0
Pittsburgh, PA	85,349	2.97%	2,537	348	2,628	233	13.00%	6.00%	0
Portland, OR	104,680	2.24%	2,345	2,021	11,836	2,167	7.00%	9.00%	0
Providence, RI	48,450	6.48%	3,141	190,500	725	97	-5.00%	10.00%	3
Raleigh, NC	104,846	5.05%	5,295	2,666	10,082	2,412	25.00%	6.00%	0
Richmond, VA	64,100	5.54%	3,554	425	6,500	1,167	5.00%	7.00%	0
Sacramento, CA	101,434	3.54%	3,586	680	6,479	1,515	25.00%	10.00%	0
Salt Lake City, UT	89,200	4.93%	4,400	2,250	5,000	1,267	-5.00%	6.00%	3
San Antonio, TX	149,858	5.94%	8,905	4,900	8,843	2,267	5.50%	6.00%	0
San Diego, CA	122,626	4.40%	5,401	9,000	13,000	2,833	8.00%	6.00%	1
San Francisco, CA	363,874	7.19%	26,153	6,278	7,104	2,033	35.00%	12.00%	0
San Jose, CA	110,106	2.50%	2,754	880	8,204	1,724	25.00%	10.00%	0
Sarasota, FL	15,659	9.50%	1,488	339	280	200	4.68%	4.50%	3
Seattle, WA	222,813	4.68%	10,433	5,629	29,241	5,667	10.00%	15.00%	0
St. Louis, MO	119,000	5.84%	6,950	1,625	2,825	1,050	13.00%	6.00%	0
Syracuse, NY	17,320	3.17%	550	55	450	83	6.00%	6.00%	0
Tampa, FL	153,269	5.94%	9,107	3,444	8,447	2,394	0.00%	10.00%	0
Tulsa, OK	70,000	7.46%	5,225	1,100	4,450	1,000	22.00%	12.00%	0
Washington, DC	406,614	3.66%	14,894	7,310	16,869	4,310	12.00%	3.00%	0
Wilmington, DE	-	4.50%	-	-	-	-	12.00%	8.00%	0
Totals / Simple Averages:	10,414,278	5.16%	532,017	5,804	8,458	2,067	11.22%	7.60%	0.6
Weighted Averages:		5.11%					13.68%	7.68%	0.7

Regional Rates Comparison - Apartment (Fig. 33)

	Avg. Cap Rate	Avg. Discount Rate	Avg. Reversion Rate	Avg. Cap to Discount Spread
Southeast Region				
Urban	6.08%	7.78%	6.54%	+ 171 bps
Suburban	6.25%	7.88%	6.72%	+ 163 bps
Northeast Region				
Urban	5.77%	7.48%	6.15%	+ 171 bps
Suburban	5.90%	7.63%	6.38%	+ 173 bps
Midwest Region				
Urban	6.84%	8.16%	7.39%	+ 132 bps
Suburban	6.77%	7.93%	7.34%	+ 116 bps
West Region				
Urban	5.04%	7.52%	6.02%	+ 248 bps
Suburban	5.41%	7.80%	6.36%	+ 239 bps
National Averages / Spreads				
Urban	**5.91%**	**7.73%**	**6.50%**	**+ 182 bps**
Suburban	**6.08%**	**7.82%**	**6.68%**	**+ 174 bps**

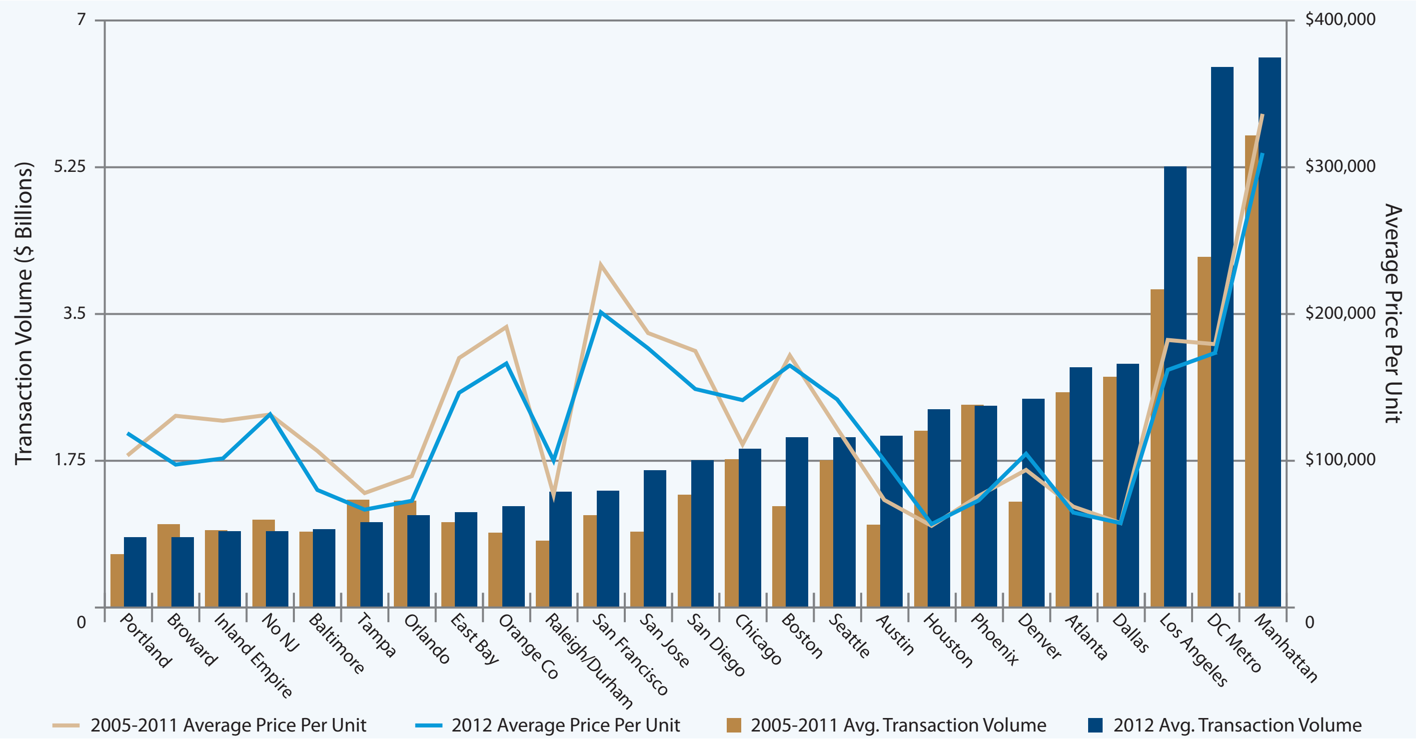
Class A Apartment Cap Rates (Fig. 34)



interest rates have shaped perceptions of the asset class as a safe harbor in which investors can enhance immediate yields over U.S. Treasury securities. Urban capitalization rates have compressed more over the last two years than suburban rates, reversing an earlier trend when Class A suburban assets traded tighter than urban peers.

The West region exhibited by far the tightest capitalization rates, especially for Class A urban multifamily assets. Reversion rates for the Western and Northeastern regions barely differed, however, and discount rate spreads in the West were also the widest, indicating that region's capitalization rates are at risk of reaching a trough in the near future.

Top 25 Markets by Apartment Transaction Volume (Fig. 35)



Source: Real Capital Analytics, compiled by IRR

Lodging

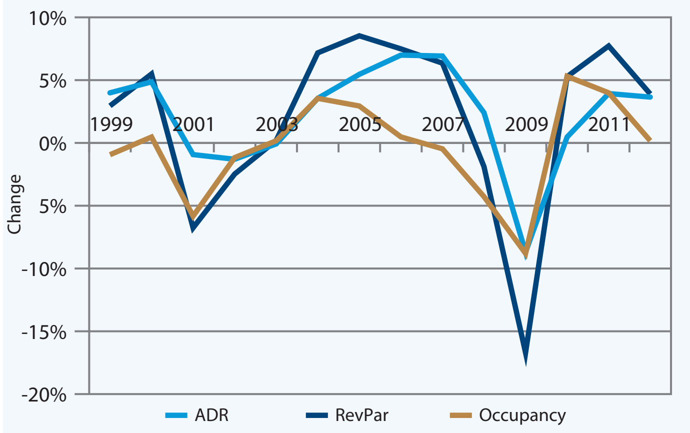
Bruce Daubner, MAI, FRICS; IRR-Columbus
Jeff Greenwald, MAI, FRICS; IRR-San Diego
Ken Jaggers, MAI, FRICS; IRR-Kansas City

Following a strong recovery in 2010-11, lodging fundamentals largely leveled off in 2012. Occupancy levels rose by 0.9% while ADRs grew by 3.7% through the 2nd Quarter. These factors combined to result in RevPar growth of 3.9%.

Hospitality transaction volumes materially lagged historical averages in most major markets as well as nationally, with a major notable exception in **San Francisco** and smaller exceptions in **Las Vegas** and **Richmond.** Transaction prices notably spiked in **San Jose** and **Washington, DC** and materially lagged in **Los Angeles, Northern New Jersey** and **San Diego.**

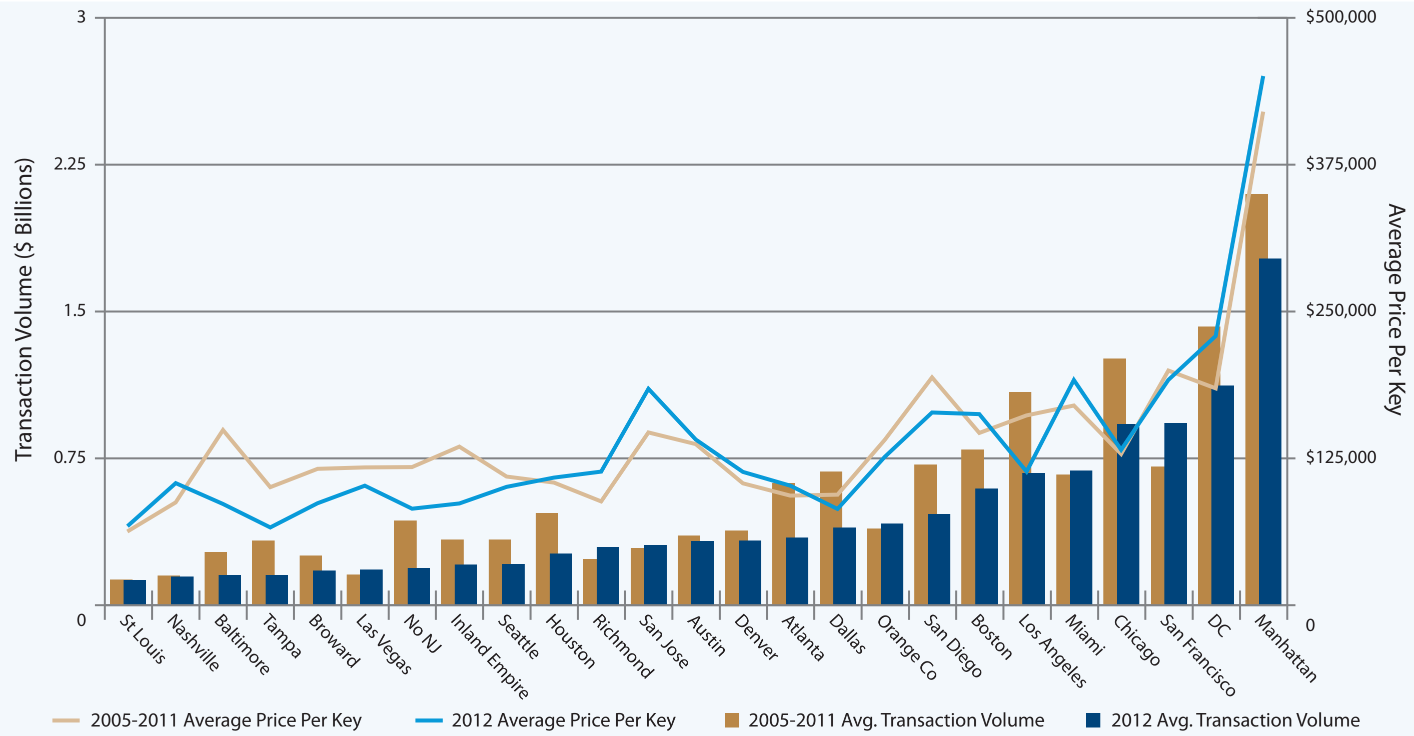
As of the end of October 2012, the Dow Jones U.S. Hotel & Lodging REITs Index was positive for the year, but the index had been severely depressed in the last month, reportedly on fears that the U.S. could be headed towards a double dip recession.

Change in Occupancy, ADRs, RevPARs (Fig. 36)



 Source: Smith Travel Research (STR), compiled by IRR

Top 25 Markets by Lodging Transaction Volume (Fig. 37)



 Source: Real Capital Analytics, compiled by IRR

Self Storage

By: Matt Swanson, MAI
Managing Director
IRR – Metro Los Angeles

The self storage industry appears to have accelerated its recovery in 2012. As occupancy rates continued to climb over the course of the year, operators also began to reduce promotional discounts, driving strong revenue and net operating income growth for most stabilized assets within the sector. These strong market fundamentals have been attracting new investors to the sector, including several new private REITs.

The most reliable indicator of trends within the self storage sector remains comparing the same store performance of the industry's large publicly traded REITs – Public Storage, Extra Space, CubeSmart and Sovran. The four REITs, which control approximately 7% of total U.S. storage inventory, all reported stellar gains in property and REIT performance operating results in 2012.

Major Self Storage REIT Performance (Fig. 38)

	Public Storage	Extra Space	Cube-Smart	Sovran
# of Properties	2,090	910	519	443
Occupancy [1]	92.7%	89.8%	84.9%	88.2%
Occupancy Change 2011-12	+50 bps	+180 bps	+370 bps	+670 bps
Revenue Growth [1]	+4.8%	+6.8%	+4.1%	+8.0%
NOI Growth [1]	+7.9%	+11.4%	+4.5%	+13.1%
Avg. Rent PSF: [2]	$13.79	$13.83	$11.33	$10.61

[1] Same Store results as reported for the period ending September 30, 2012.
[2] Per occupied square foot
 Source: SEC Filings

Occupancy Rates

All four major REITs exhibited materially positive absorption over the course of the year. Sovran's unprecedented same store occupancy increase of +670 basis points over the period highlighted the overall stellar occupancy performance of the sector. With occupancy rates continuing to increase, it should be expected that promotional discounts and concessions will continue to decline, further enhancing revenue potential within the sector.

Revenue

While same store occupancy growth from 2011 to 2012 was impressive, the revenue growth story remains even more impressive. Revenue growth far outpaced occupancy growth, indicating the operators had success not only in increasing occupancy but also in increasing rental rates for existing customers and reducing discounts to attract new customers. As these positive revenue growth trends persist, more capital is likely to continue to flow into the asset class, compressing capitalization rates for stabilized assets.

Net Operating Income

Net operating incomes for the sector's four largest REITs grew at a faster rate than revenue, indicating that operators were successful in driving top line revenue growth while cutting expenses. Many industry analysts attributed much of the cost savings in the industry over the 2011-12 tracking period to abnormally light snowfalls, which drastically reduced snow removal costs for many northerly assets. Climate abnormalities do not explain the entirety of the cost savings, however, indicating that at least the largest players in the industry continue to drive efficiencies by aggregating portfolio concentrations within key storage markets throughout the country.

2013 Outlook

IRR sees no indications that the recent positive trends in the industry will reverse momentum in 2013. Institutional investors appear to be successfully leveraging economies of scale in markets to drive strong operating results. IRR anticipates that industry consolidation will continue, especially among the larger and higher quality assets within the sector. As competition for high quality assets increases, expect capitalization rates to continue to compress, forcing some institutional players to look for development and value added investment opportunities rather than continuing to focus on stabilized assets.

Seniors Housing

By: Charles Bissell, MAI, CRE
National Practice Leader
IRR – Seniors Housing & Healthcare Specialty Practice

IRR is proud to have the nation's preeminent Seniors Housing & Healthcare Specialty Practice Group within our many market leading professionals. For more information regarding IRR's valuation and consulting work related to Seniors Housing & Healthcare, please contact the Practice Leader Charles Bissell (cbissell@irr.com).

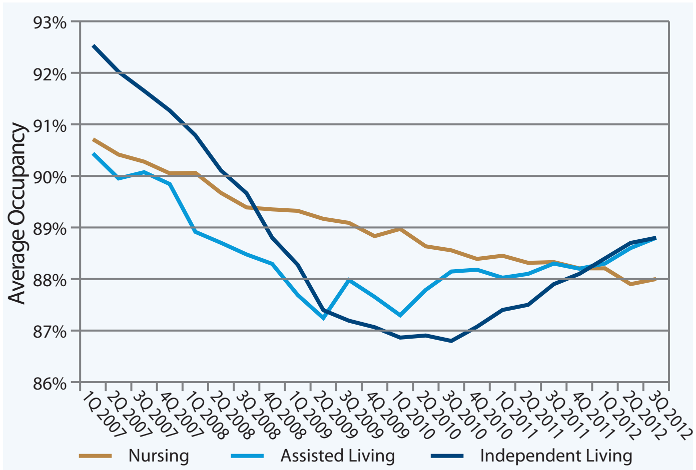
With Baby Boomers now turning 65 at a rate of more than 10,000 per day, the population aged 65+ is forecast to grow at an annual rate of 2.93% over the next five years, compared with overall population growth in the U.S. of 0.77%. This so called "graying of America" will lead to significant growth in demand for seniors housing over the next two decades.

While the percentage of seniors age 65 to 74 who reside in seniors housing is relatively low, there is stronger than average growth occurring in the 75+ and 85+ age groups. It is certain that demand for seniors housing will be on the increase over the next few years. In most communities, the average age of residents is in the low to mid-80s, and many operators report that their average age has been creeping up over the past several years.

Industry Performance

NIC MAP, the leading provider of seniors housing industry statistics, reports average occupancy levels hit a four year high in the third quarter of 2012. Both the independent living and assisted living sectors reported average occupancy levels of 88.8% in the third quarter of 2012. The current average occupancy rate for independent living is now 2% above its cyclical low in the 3rd quarter of 2010, while occupancy in assisted living is 1.7% above its respective cyclical low in the first quarter of 2010. The nursing care occupancy rate was 88.0% in the third quarter of 2012, which is an increase of 0.1% from the previous quarter. Nursing care occupancy has been marginally declining for several years, falling to the current level from a high of 90.1% at the beginning of 2008.

Occupancy Rates – NIC MAP 31 (Fig. 39)



 Source: NIC MAP, compiled by IRR

Independent and Assisted Living

The inability of seniors to sell houses in order to afford moving into independent living centers was a primary factor that drove independent living occupancies down during the recession, but this market has begun to recover with the housing markets. By contrast, assisted living, including Alzheimer's/dementia care, is a needs based product, and fared better during the recession.

Improvements in the job market will result in more seniors presently being cared for in the homes of relatives being relocated to seniors housing facilities. As a result, occupancy levels and rent levels should continue to improve. New construction, currently equal to approximately 2.0% of inventory, is outpacing the 1.27% growth rate in the 75+ population, creating supply concerns in some markets. New construction in some markets will lead to a fight for market share, which is likely to have an especially negative impact on older projects in need of refurbishment. Much of the new development is free-standing memory care facilities. These types of facilities have generally fared well to date, however, due to the newness of this product type, it is uncertain when a saturation point may be reached.

Nursing Home Sector

In contrast to the predominantly private pay independent and assisted living segments, the nursing home sector is dependent on funding via Medicaid and Medicare. This dependency has led to occupancy levels being more stable. A slow downward decline in occupancy levels is attributable to average lengths of stay becoming shorter, as well as increased competition from assisted living and home health care.

Medicaid payment plans vary from state to state, but according to a report by the Kaiser Family Foundation, 28 states restricted nursing home rates in fiscal year 2012, with 16 instituting rate freezes and 12 cutting rates. Medicare rates for nursing homes have also been changing, as an 11.1% rate cut went into effect on October 1, 2011. Even after considering this material rate cut, average rental rates for most facilities have increased over the past four years.

Looking forward, Medicare rates are set to fall as a result of federal sequestration, which could lead to an initial 2% cut in Medicare rates, with more cuts likely to follow. Over the next few years, nursing home funding is likely to be a frequent target as states and the federal government attempt to trim budget deficits. These risks contribute to attractive yields of around 13% for nursing acquisitions.

Financing

Financing continues to be readily available to experienced developers and operators. HUD, Freddie Mac, and Fannie Mae have all been active and expect to remain active in 2013. In fact, loan volume for the newly streamlined HUD 232 program was $5.5 billion for the 2011-12 fiscal year, up from $3.3 billion the prior fiscal year. Fannie Mae and Freddie Mac combined completed about $2.1 billion in seniors housing loans in 2011 (2012 figures not yet available). A significant amount of the HUD 232 volume was in the skilled nursing sector, where HUD remains one of the few active lenders, while Fannie and Freddie have become more open to financing smaller operators in the independent and assisted sectors.

Banks continue to be more active as well, providing construction loans, “bridge to agency” loans, and revolvers for larger operators. Other sources of funding are starting to enter the market as well, including EB5 lenders and life insurance companies.

Occupancy Rates – NIC MAP 31 (Fig. 40)

Property Type	Seniors Housing - MAP31 Aggregate	Seniors Housing - MAP31 Majority Indep. Living	Seniors Housing - MAP31 Majority Assisted Living	Majority Nursing Care
All Occupancy	88.80%	88.80%	88.80%	88.00%
YoY Rent Growth	2.2%	2.50%	1.60%	3.00%
Quarterly Absorption	2,423	857	1561	-187
Quarterly Inventory Growth	1,735	532	1203	-623
Units/Beds Under Construction	10,227	4,849	5,378	3,452
Construction vs Inventory	2.00%	1.50%	2.80%	0.60%
Inventory	514,771	324,823	189,948	568,325

Source: NIC MAP

Acquisition Market

REITs dominate the top 20 buyers as listed by Real Capital Analytics’ Seniors Housing & Care Quarterly Report for Q3 2012. Based upon individual and small portfolio “going concern” sales analyzed by IRR, we believe capitalization rates for class A and B assets are generally within the following ranges: Independent Living: 6.75% - 8.75%; Assisted Living : 7.0% - 9.0%; Nursing Care: 12% - 14%.

REITs continue to be the dominant player in the acquisition market. Health Care REIT’s (HCN) announced the acquisition of Sunrise Senior Living which is expected to close in the first quarter of 2013, with HCN retaining the real estate and spinning off the management arm. HCP is also active, purchasing a portfolio of 133 communities with Emeritus as the operating partner from Blackstone Group for $1.73 billion (just shy of $167,000 per unit). As part of the transaction, which is expected to close before year-end, Emeritus will sign a new lease with HCP and will remain the operator going forward.

In the nursing sector, many smaller deals have been done, along with a few sizable portfolios; but, IRR expects that many investors will likely decide to sit on the sidelines in 2013 until the ramifications of recent and proposed rate cuts are sorted out.

Outlook

Aging trends will positively impact the industry over the foreseeable future, as will increasing inflows of debt and equity. IRR is hopeful that these factors will not lead to wide-scale overbuilding. The acquisition market is expected to remain active in the seniors housing sector, but less so in the nursing care sector. IRR expects 2013 to be another dynamic year in the industry and will be closely tracking the key trends.

Gaming

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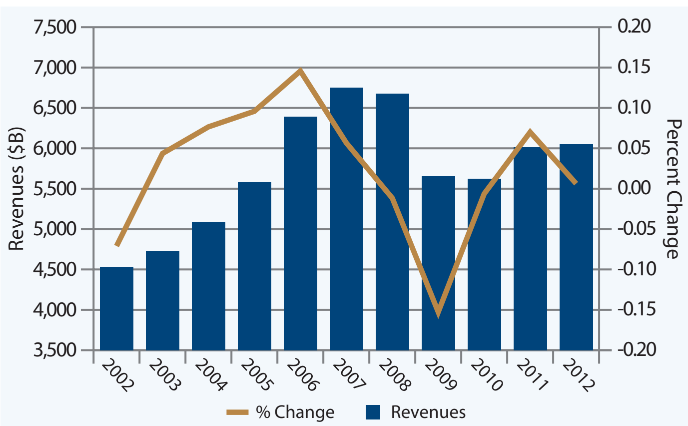
Global gaming markets experienced a bit of a reversal of fortunes in 2012. Domestic gaming markets, which had slumped badly during the recent recession and recovered slowly in 2010-11 as the country recovered, returned to a more normalized growth rate of around 3% in the 2011-12 timeframe. Meanwhile, the Asian gaming markets, which had experienced explosive investment and revenue growth in recent years, have seen investment demand dampen while revenue growth in key markets such as Macau has slowed to the single digits this year.

As is typical, domestic gaming demand has recovered along with disposable incomes coming out of the recession; however, an interesting trend continues to emerge within the industry. While the industry's largest players were consolidating at the peak of the market and investing billions into developing new gaming markets in Southeast Asia, some of the smaller domestic gaming firms were focusing on developing and opening more modest casinos near major population centers in new domestic markets like Ohio, Illinois, Maryland, and Pennsylvania. By bringing gaming closer to more major domestic population centers, the industry is continuing to experience a shift from "gaming as a destination" to "gaming as entertainment." Thus, while the nation's two largest markets historically – Atlantic City and Las Vegas – continue to struggle to maintain and grow, respectively, newly developed gaming markets are mostly flourishing.

Las Vegas Strip Gaming Revenues (Fig. 41)



Reporting for fiscal year ended as of June 30th

Source: Nevada Gaming Commission

The news isn't all bad for Las Vegas, as the return of business travel in 2012 and improved general lodging fundamentals have resulted in continued improvements in visitors and occupancies within Vegas' major casino hotels, and when "people stay, they play."

Thus, while Las Vegas' Strip gaming revenue growth for the annual reporting period ended June 30th, 2012 appears mostly flat, IRR predicts that Las Vegas will experience materially positive revenue growth in 2013 assuming that fiscal issues don't force the economy into recession.

Taxation and regulation have always played an integral part in affecting the prospects of the gaming industry. Growth in the Asian gaming markets has stalled partially because Chinese authorities have restricted direct foreign investments while also enacting more stringent tourist visa and financial reporting requirements in an effort to combat corruption. The Asian markets also serve as a shining example of newly developed gaming markets quickly reaching a market demand saturation point, and their American counterparts would be wise to recognize such fundamentals when evaluating further expanding the domestic markets served with gaming. However, as state budgets continue to suffer and legislatures continue to search for new revenue streams, high gaming revenue tax rates often appear too attractive not to be pursued, so IRR expects that domestic gaming expansion and market diversification will continue if financing for such projects can be secured, which is easier said than done, just like walking away from the gaming tables with chips in your pocket.

Japan

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Japan Real Estate Institute (JREI)

IRR has a strategic partnership with the Japan Real Estate Institute (JREI) to provide international research and real estate services coverage throughout Japan. JREI is the oldest and largest real estate research and appraisal firm in Japan. It conducts a real estate survey twice per year by interviewing major investment participants in the global real estate markets. For more details about JREI's global real estate investment survey and research, visit JREI's website as follows: www.reinet.or.jp/en/index.html

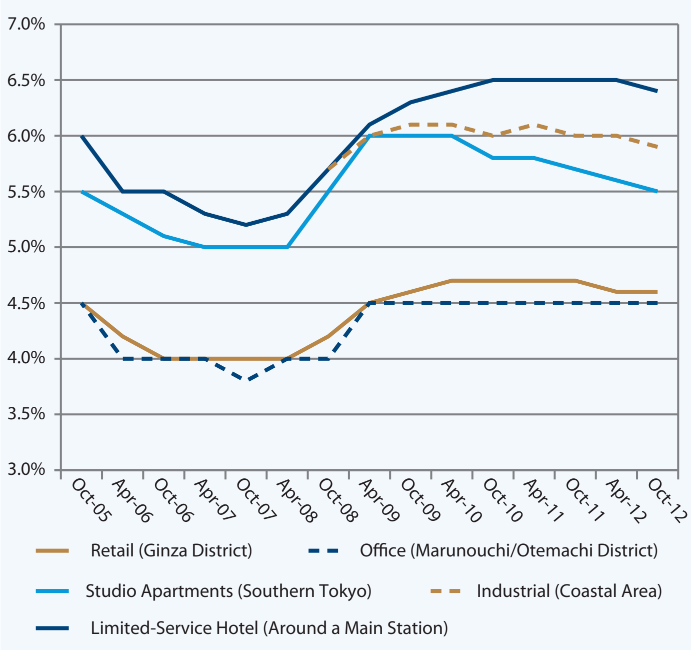
According to JREI's real estate investment survey, cap rates across all major asset classes in Japan were trending downward until 2007 before reaching a trough and beginning to widen out in 2008. Cap rates have since peaked in the latest cycle and have begun compressing, though cap rates in all major asset classes remain above their 2007 low levels.

The latest going-in cap rates for prime real estate from JREI's October 2012 survey period were as follows: Office (Marunouchi/Otemachi District) - 4.5%, Retail (Ginza District) - 4.6%, Apartments (Studio Only) - 5.5%, Industrial (Coastal Areas) - 5.9%, and Limited Service Hotel (Around Main Stations) - 6.4%. Each of these rates represented slight decreases from previous surveys, with the exception of cap rates in the Marunouchi/Otemachi Office District sector. Class A office buildings in the Marunouchi/Otemachi area in Tokyo's CBD continue to exhibit the lowest overall cap rates, though rates for the submarket have stabilized at 4.5% for the last eight semi-annual surveys. By contrast, office cap rates in Osaka and Nagoya were reported at 6.0% and 6.4%, respectively.

After the impact of the global financial crisis ebbed, the Japanese real estate investment market was gradually recovering until the early 2011. During the period, the market witnessed significant M&A activity in the REIT sector, as well as real estate investment fund formations, and improved capital and financial markets thanks to the Bank of Japan's easy monetary policies, including J-REIT share purchases.

However, the Great East Japan Earthquake in March 2011 as well as the subsequent nuclear power plant accident

Japanese Cap Rate Survey (Fig. 42)



 Source: JREI

changed the situation, resulting in economic fundamental deterioration. Furthermore, although the market started to see the aftermath of the earthquake subsiding in the second half of 2011, the European sovereign debt crisis started to cast an ominous shadow over Japan as well. The strong Japanese yen and volatile stock market slowed down the recovery of the country's economy and real estate markets.

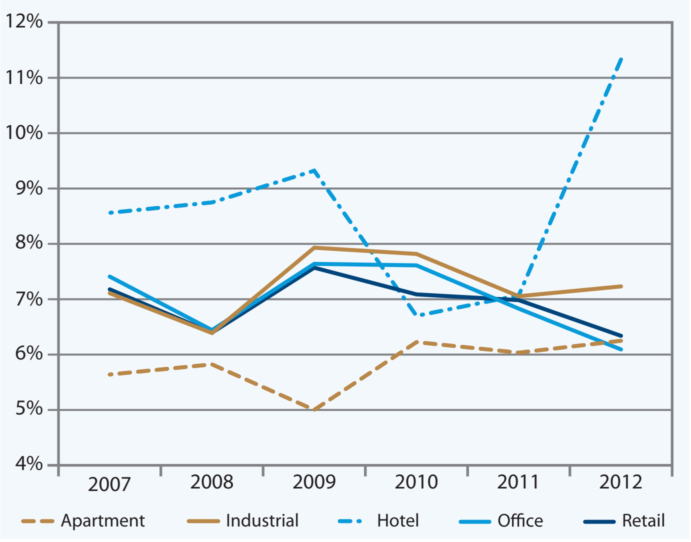
In 2012, the market regained its stability as the European crisis temporarily receded and the Bank of Japan implemented additional easy monetary policy measures. Two J-REITs completed their IPOs, the first in four years. Most asset classes, including office, entered a recovery phase around the second half of the year. Although uncertain conditions still exist in the market, JREI expects that recent positive momentum in the Japanese real estate markets will be maintained.

Canada

IRR partners with various Canadian firms to provide real estate valuation and consulting services throughout Canada. For information regarding Canadian service needs, please contact Brad Knipe (bknipe@irr.com).

Canadian real estate markets have been far less volatile than the markets in the United States, however, they have not been immune to the macroeconomic factors affecting the U.S. and Europe. Canadian real estate transaction volumes have recovered from cyclical lows in 2009. However transaction volumes in 2012 will likely closely mimic volumes in 2011, representing a plateau well below 2007 peak volumes. Apartment transaction volumes in 2012 have also fallen off from 2011 levels, though pricing in the apartment sector has experienced significant growth this year. The average price per unit in 2012 of $141,348 represents an increase of 42.8% over the previous five years. Such price increases are a drastic contrast from the for sale housing sector, where stricter mortgage regulations are driving more households into the rental pool, driving strong apartment sector fundamentals which have driven prices upward and cap rates downward.

Canadian Cap Rate Trends (Fig. 43)



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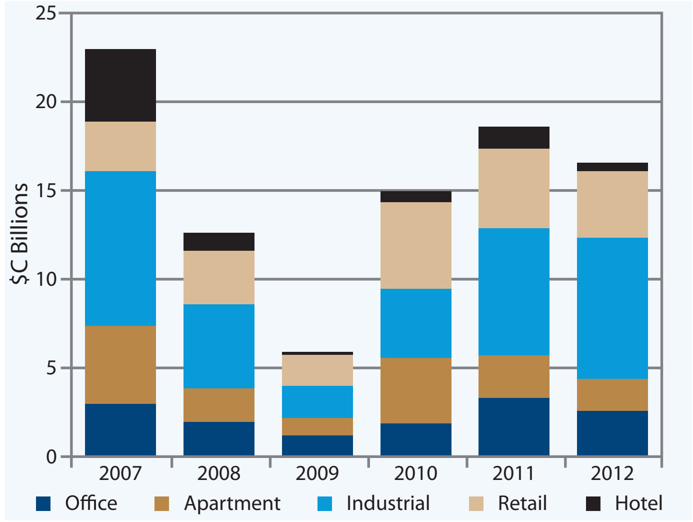
Canadian Transaction Volumes (Fig. 44)



Note: 2012 data is current through October 30th, 2012
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Office transaction volumes in 2012 will exceed transaction volumes in 2011 and approach peak levels from 2007. Office prices have also spiked in 2012, with 194 transactions averaging a price of $252 per square foot.

Industrial transaction volumes have been the most volatile of any sector throughout the most recent cycle, while retail transaction volumes have remained relatively robust. Retail transaction volumes in 2012 will likely fail to reach 2010-11 levels, and the average price per square foot in 2012 is almost certain to drop materially from a 2011 high.

IRR expects that the Canadian real estate markets will continue to be less volatile than markets in the United States due to the more conservative Canadian development mentality that rarely encourages speculative building. This “slow and steady” approach results in lower volatility but also likely spells lower transaction volumes and development activity in the near term. Over the longer term, strong real estate demand growth in Canada is unlikely until a global economic recovery drives export demand, especially in the commodity and energy sectors.

Caribbean

By: James V. Andrews, MAI, FRICS
Managing Director
IRR - Caribbean

IRR was proud to welcome a new Caribbean office in 2012. IRR Caribbean - based on Grand Cayman Island but serving valuation and real estate counseling needs throughout the Caribbean - extends IRR's local expertise to the many unique island locales of the region.

Comparing real estate fundamentals across the many distinctive markets in the Caribbean can be challenging, however, all of the island markets do share a correlation between real estate values and tourism. Tourism has rebounded in the area since 2010, with The Caribbean Tourism Organization reporting a 4.7% average increase in tourist visits in 2012 for the 11 most visited island chains.

Improved tourism performance has helped to drive growth in hotel economic fundamentals. According to Smith Travel Research, quarterly RevPAR for key hotels in the Caribbean has grown by over 10% for each of the first 3 quarters of 2012 over the corresponding quarters in 2011. While the hotel sector's fundamentals have been strong, they have not been strong enough to prevent some overleveraged luxury properties such as the Ritz Carlton Grand Cayman and the Westin Casuarina Grand Cayman Resort from being forced into receivership or taken over by lenders. The distressed divestiture of the Almond Hotels in Barbados and St. Lucia are also representative of pain felt in the hotel markets despite improved economic fundamentals.

Transaction Volumes – Key Indicative Markets (Fig. 47)

	Jamaica			Cayman Islands		
Year	#	Volume ($US)	Change	#	Volume ($US)	Change
2010	7,624	$494,416,832	12.9%	1,619	$368,684,586	-22.6%
2011	8,084	$557,768,295	12.8%	1,708	$758,505,710	105.7%
2012 [1]	8,173	$617,019,124	10.6%	1,733	$457,409,087	-39.7%

[1] *2012 transaction volumes represent January through September figures annualized*

 Source: Local Land Registry Departments

While each island's office market is distinct, regional trends can often be ascertained by analyzing some of the larger markets that are indicative of the overall character of many of the markets in the area. Volume trends for Jamaica - which is somewhat representative of the larger domestic markets with lower per capita GDP – indicate that these types of markets are continuing to rebound and grow. Conversely, real estate transaction volumes in the Cayman Islands - which is more representative of the smaller, more wealthy British colonies that rely on offshore financial services – have been more volatile.

Rental Rate – Key Regional Office Markets (Fig. 48)

Market Location	Net Rental Rates ($US)	CAM	Approx. Vacancy
Grand Cayman			
Class A	$40 - $50	$10 - $15	15%
Class B/C	$30 - $35	$6 - $10	20%
Tortola, BVI			
Class A	$30 - $35	None	20%
Class B/C	$22 - $27	$5 - $7	25%
Nassau, Bahamas			
Class A	$30 - $35	$25 - $30	20%
Class B/C	$20 - $35	$10 - $15	30%
Barbados			
Class A	$21 - $30	$9 - $15	10%
Class B/C	$15 - $20	$0 - $10	20%

The Caribbean is a difficult region to analyze, with nuances that cloud notable trends in the real estate markets. Indications are that certain projects with well-established developers, including some large scale residential resort projects, are marginally succeeding; however, many projects are stalled with insufficient sales to cover debt, and property transfers are fairly flat with high inventory. Tourism and hotel performance appears positive which should help promote recovery over the next few years.

Comprehensive Commercial Real Estate Valuation and Counseling Services

Integra Realty Resources, Inc. is North America's largest real estate counseling and valuation firm with over 900 real estate professionals in 63 offices. IRR's professionals hold designations from the most prestigious real estate professional organizations in the world – including over 170 designated MAI's from the Appraisal Institute as well as 60 FRICS and 40 MRICS designated professionals from the Royal Institute of Chartered Surveyors – providing a breadth and depth of knowledge unmatched in the industry.

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