

QUARTER IN REVIEW | OVERVIEW

# Core Strength Spurs YOY Sales Gains

PUBLISHED ONLINE: APRIL 22, 2010

The first quarter results highlight the progress made in the investment markets and the overall change in attitude from just a year ago. Sales volume reached \$15.4 billion, representing a 50% increase from Q1'09 with every property type registering higher volume. Core rather than distressed sales were primarily behind the volume gains despite the huge overhang of distressed situations. Sharp declines in cap rates were recorded for certain assets due to competition among buyers and the rapidly improving debt markets that are allowing buyers access to low interest rates.

As the markets start to climb out of the cellar, greater differentiation in trends among the property types is returning. The office sector clearly led the rebound in Q1 with a 100 BPS drop in cap rates that further analysis reveals was broad-based across markets and property characteristics. The apartments sector saw the greatest spike in transaction volume and although the drop in apartment cap rates was more modest than experienced in the office sector, it was the second quarter in a row in which yields declined. Average caps for industrial and retail assets were relatively

*Continues on the next page*

**MARCH 2010 REPORT CONTENTS**

*Quarter in Review: Core Strength Spurs YOY Sales Gains* . . . . . 1-4

*Top 20 Markets of Q1'10* . . . . . 5

*Market Data Table: Volume & Pricing* . . . . . 6

*Top Buyers & Top Sellers of Q1'10* . . . . . 7

*Selected Transactions* . . . . . 8-10

*As Workouts Expand Sharply, Some Variations in Recovery Rates Emerge* . . . . . 11-12

*Recovery Rates by Methodology* . . . . . 12

*Recovery Rates by Property Type* . . . . . 13

*Recovery Rates by Location* . . . . . 14

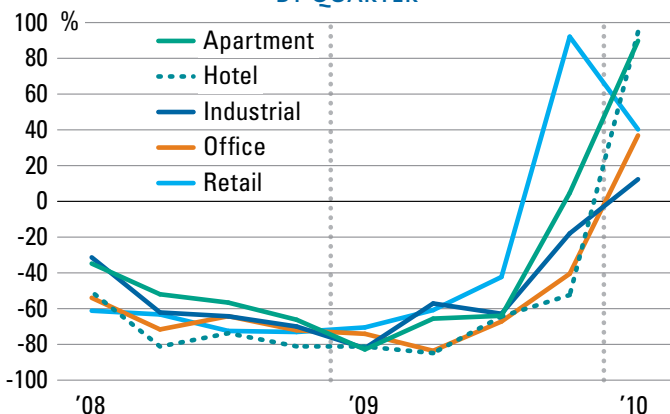
*Recovery Rates by Vintage* . . . . . 15

*No Slowing for Distress* . . . . . 16-17

*Market Data Table: Distress Property by Type* . . . . . 18

*These USCT PDF reports are now available for download on the Real Capital Analytics homepage during the last week of each month. For more current content, see RCA's online USCT articles, which feature links to Property Details, Company Profiles and interactive charts.*

**YOY CHANGE IN SALES BY QUARTER**



QUARTER IN REVIEW | OVERVIEW

# Core Strength Spurs YOY Sales Gains

*Continues from previous page*

unchanged in Q1 overall, but even in these sectors compression in cap rates is evident for certain subsets of properties and markets.

Further accentuating the mixed velocity of recovery among the property types, the percentage of sales out of distress slowed markedly for office, industrial and retail in Q1 as lenders prefer to extend these or to delay sales until the market further improves. Distress sales are meaningful only in the apartment and hotel sectors at present.

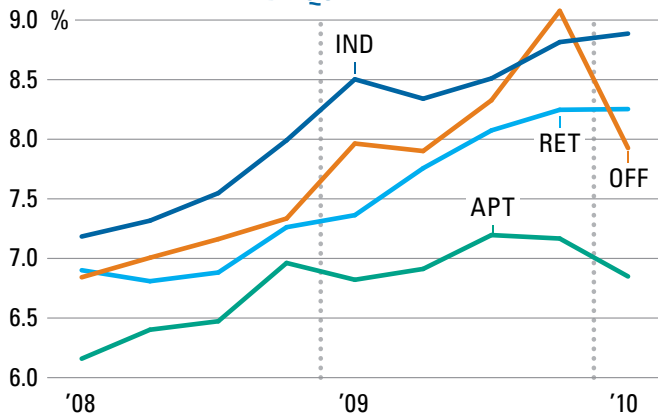
While the sales volume gains were impressive on a YOY basis, it's important to note the context: Q1'09 marked the

bottom of the downturn, and this year's first-quarter volume was the fourth lowest of the past decade. It is also important to note that increases are only for dollar volume and the number of properties that traded was flat or even down for some property types. However, the resulting increase in deal size also represents another significant change in the market from a year ago and can be interpreted as a healthy sign.

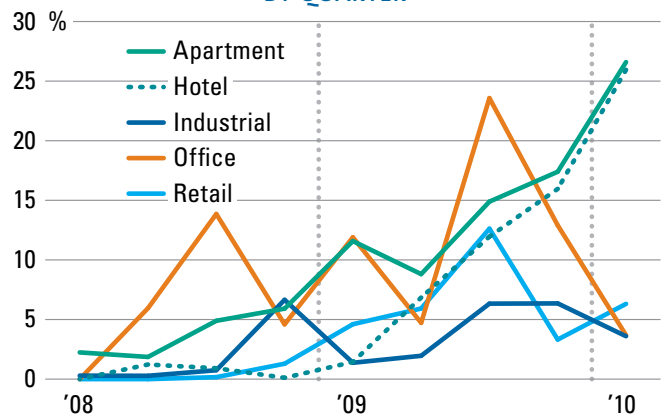
Mixed signals continue, so while the improving conditions reflected in the Q1 data are very positive, there are still headwinds, transaction activity is still low and the Q1 results do not necessarily signal a widespread, sustained rebound.

*See this month's Apartment trends on the next page*

**AVERAGE CAP RATE BY SECTOR BY QUARTER**



**PERCENT OF SALES ASSOCIATED WITH DISTRESS BY QUARTER**



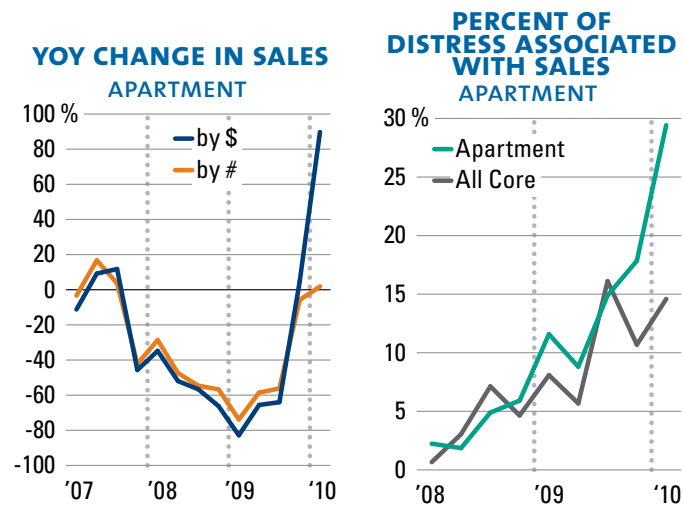
QUARTER IN REVIEW

# US Apartment Trends

PUBLISHED ONLINE: APRIL 22, 2010

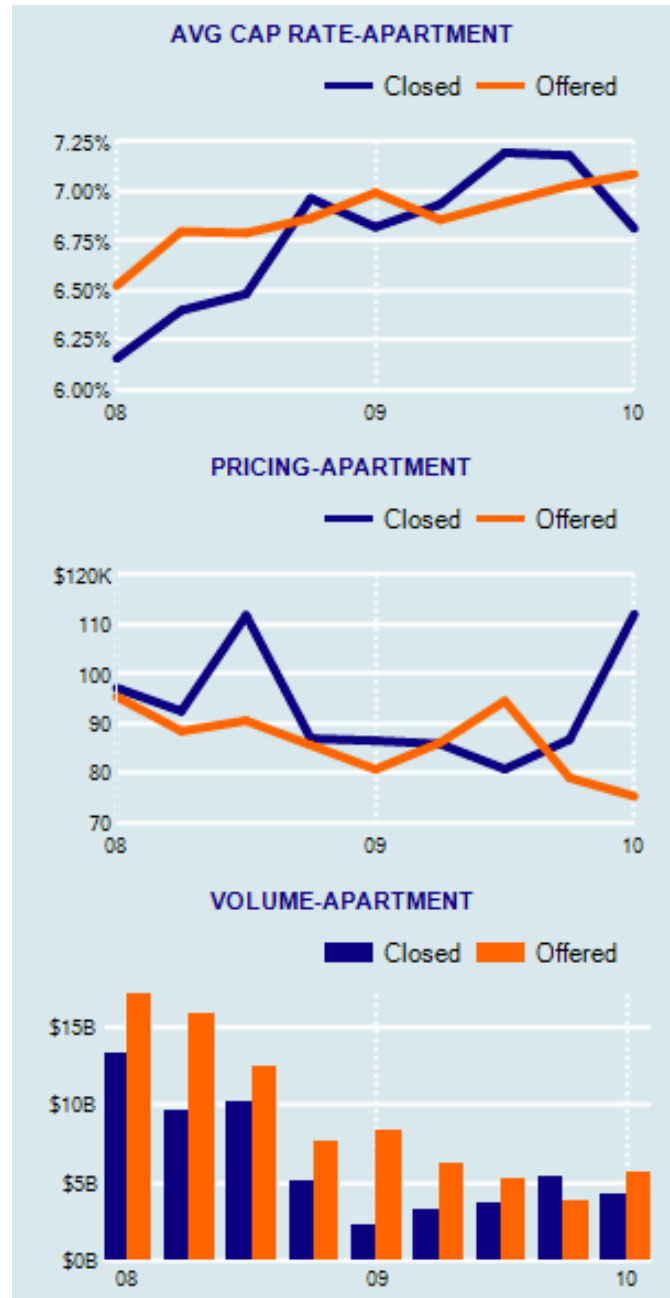
Nationally, transaction volume and pricing for apartments improved materially in Q1, but further analysis illustrates the rebound may not be as broad-based as experienced in the office sector.

Sales of significant apartment properties totaled \$4.3 billion in Q1'10, nearly double the transaction volume in Q1'09. It was by far the strongest year-over-year gain for any core property type by volume, although the actual number of properties sold remained flat. Volume in Q1 was driven by a significant number of large asset sales, primarily in the NYC and DC Metros; combined, these metros accounted for 40% of Q1 volume.



New offerings were only modestly higher than closings in Q1 and well away from this cycle's high of 3.6:1 recorded a year ago. The more limited supply of offerings relative to demand is returning some pricing power back to sellers, particularly for core assets. Properties sold out of distress represented 29% of volume last quarter, almost twice the rate for distress sales of all other property types. However, this higher proportion of distressed sales does not appear to have dragged down apartment prices.

The decline in cap rates that began in Q4 accelerated this past quarter, dropping almost 40 bps. As with the increase in total volume, the factors contributing to the decline in cap rates cannot be applied across the entire apartment marketplace. The fall in cap rates was primarily driven by mid/high-rise properties, yields for which declined a striking 75 bps from their Q4'09 average, while cap rates for garden properties declined a more modest 10 bps over the same period. Cap rates in primary markets fell by 40 bps to 6.2%, thereby creating further separation from smaller markets, where



View this article online for interactive historical data and trends by subtype

Continues on the next page

QUARTER IN REVIEW

# US Apartment Trends

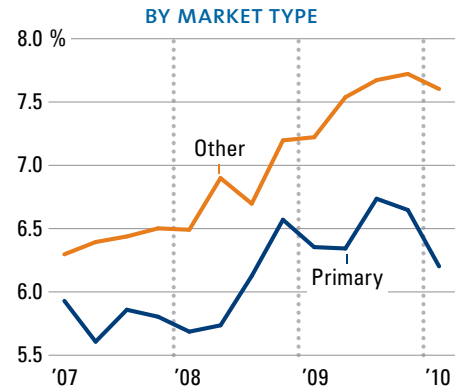
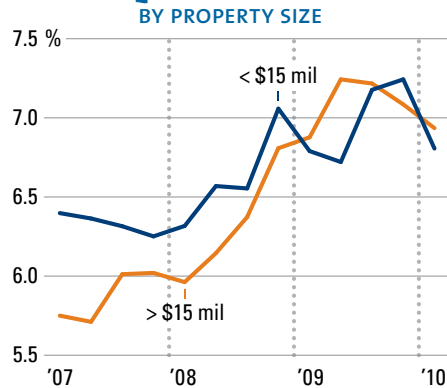
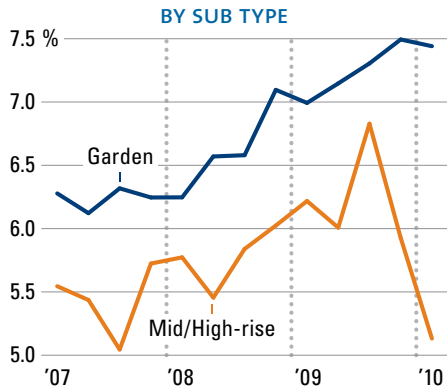
Continues from previous page

cap rates have hovered at about 7.5% without reaching an inflection point. (See charts below.)

With sales of troubled assets rising, some of the most distressed-ridden markets, including Phoenix, Atlanta and Tampa, were among the top 10 most active markets; others, such as Las Vegas, did not host a single major sale last quarter. Equity Residential held the distinction of being the only investor to be on both the top 10 buyers and sellers lists. Its net acquisitions in the quarter, at just under \$500 million, represent an aggressive start to the year and a positive

signal from this benchmark REIT investor. Other top buyers included a blast from the past in Crescent Heights, a major -condo converter with an eye toward value stretching back to the 1990s, and low-profile private equity firm Standard Austin Fund, which made a large bet on a geographically diverse portfolio of distressed properties. Top sellers in Q1 included some troubled investors as well as other pressured sellers such as Macklowe and Monument seeking liquidity through asset sales.

### APARTMENT QUARTERLY CAP RATE ANALYSIS



# Top 20 Markets of Q1'10

PUBLISHED ONLINE: APRIL 22, 2010

## TOP 20 APARTMENT MARKETS BY VOLUME

Rank	Market	Total Volume in \$ Millions	Number of Properties Sold
1	Manhattan	\$760.8	22
2	DC MD burbs	\$377.7	7
3	DC VA burbs	\$339.0	4
4	Houston	\$277.2	18
5	Orange Co	\$180.1	4
6	Phoenix	\$170.4	14
7	San Diego	\$150.0	4
8	Tampa	\$140.7	7
9	DC	\$128.8	3
10	Atlanta	\$123.4	6
11	NYC Boroughs	\$117.0	15
12	Los Angeles	\$104.4	12
13	Baltimore	\$101.4	3
14	Sacramento	\$91.0	5
15	Raleigh/Durham	\$85.2	4
16	Dallas	\$76.0	7
17	Denver	\$59.3	2
18	Chicago	\$57.0	3
19	Seattle	\$56.5	3
20	Orlando	\$51.2	4

## TOP 20 ALL CORE + HOTEL MARKETS BY VOLUME

Rank	Market	Total Volume in \$ Millions	Number of Properties Sold
1	Manhattan	\$1,363.4	35
2	Boston	\$1,342.9	16
3	Houston	\$902.5	34
4	Los Angeles	\$745.8	41
5	DC VA burbs	\$563.1	10
6	DC MD burbs	\$557.4	13
7	San Diego	\$534.7	20
8	Orange Co	\$468.9	14
9	Atlanta	\$434.2	20
10	San Jose	\$431.2	14
11	Tampa	\$421.1	17
12	NYC Boroughs	\$344.8	24
13	Nashville	\$312.7	1
14	Portland	\$309.9	8
15	DC	\$297.9	9
16	No NJ	\$272.8	8
17	Chicago	\$265.0	19
18	San Francisco	\$259.7	15
19	Dallas	\$251.9	16
20	Miami	\$226.0	17

Apartment Transaction Activity by Market		Volume				Pricing				
		# Props	Total Vol \$Mil	% Change Q1'09	% Change Q4'09	Avg Cap Rate	Low PPU	Avg PPU	High PPU	
Mid-Atlantic	Baltimore	3	\$101		155%		\$72,878	\$91,778	\$103,294	
	DC	3	129		42%	5.0%	130,556	182,881	284,367	
	DC MD burbs	7	378	6895%	52%	6.6%	34,884	214,292	726,486	
	DC VA burbs	4	339		0%	4.5%	176,643	383,118	519,084	
	Philadelphia				-100%					
	Pittsburgh				-100%					
	Richmond/Norfolk				-100%					
	Tertiary Mid-Atlantic	2	11	-15%	-79%		49,074	51,939	54,804	
	<b>Mid-Atlantic Total</b>	<b>19</b>	<b>\$958</b>	<b>1327%</b>	<b>9%</b>	<b>5.4%</b>	<b>\$34,884</b>	<b>\$208,441</b>	<b>\$726,486</b>	
	Midwest	Chicago	3	57	-12%	-72%	6.0%	35,306	120,902	173,333
Cincinnati		1	6	-66%	-53%	10.0%	41,239	41,239	41,239	
Cleveland					-100%					
Columbus		1	7	35%	12%		43,188	43,188	43,188	
Detroit		1	5	-47%	-85%	13.4%	30,256	30,256	30,256	
Indianapolis		1	6	-95%	-92%		37,952	37,952	37,952	
Kansas City					-100%					
Minneapolis					-100%					
St Louis		1	22		46%		77,465	77,465	77,465	
Tertiary Midwest		3	25	-49%	-61%		29,762	39,869	54,167	
<b>Midwest Total</b>	<b>11</b>	<b>\$129</b>	<b>-68%</b>	<b>-72%</b>	<b>9.8%</b>	<b>\$29,762</b>	<b>\$64,765</b>	<b>\$173,333</b>		
Northeast	Boston				-100%					
	Hartford				-100%					
	Long Island									
	Manhattan	22	761	409%	202%	5.7%	70,430	328,919	1,491,562	
	No NJ	2	40	-52%	64%		50,399	71,033	91,667	
	NYC Boroughs	15	117	14%	-33%	5.0%	44,001	130,570	290,899	
	Stamford				-100%					
	Westchester				-100%					
	Tertiary Northeast	1	19	-59%	-58%		85,780	85,780	85,780	
	<b>Northeast Total</b>	<b>40</b>	<b>\$937</b>	<b>98%</b>	<b>8%</b>	<b>5.4%</b>	<b>\$44,001</b>	<b>\$235,565</b>	<b>\$1,491,562</b>	
Southeast	Atlanta	6	123	266%	-39%	7.1%	43,182	66,296	122,159	
	Broward	1	31	30%	-73%		103,092	103,092	103,092	
	Charlotte				-100%					
	Jacksonville	2	24	140%	-51%		31,000	41,362	51,724	
	Memphis	1	6	-3%	-68%		14,815	14,815	14,815	
	Miami	4	47	-49%	-65%		62,403	145,686	273,684	
	Nashville				-100%					
	Orlando	4	51		-70%	7.5%	16,944	64,561	131,579	
	Palm Beach				-100%					
	Raleigh/Durham	4	85	1117%	-30%	7.0%	48,423	61,909	94,444	
Tampa	7	141	288%	24%	9.1%	38,352	77,769	180,556		
Tertiary Southeast	12	178	20%	-2%	6.7%	26,282	71,345	202,750		
<b>Southeast Total</b>	<b>41</b>	<b>\$686</b>	<b>68%</b>	<b>-42%</b>	<b>7.4%</b>	<b>\$14,815</b>	<b>\$75,306</b>	<b>\$273,684</b>		
Southwest	Austin	5	49	79%	-38%		33,824	42,620	46,426	
	Dallas	7	76	-23%	-57%		18,841	51,965	80,556	
	Denver	2	59	184%	-58%	5.0%	33,505	108,419	183,333	
	Houston	18	277	240%	46%		30,986	50,936	76,923	
	Phoenix	14	170	182%	-28%	7.7%	21,790	132,723	589,214	
	San Antonio	1	10	-60%	-90%		25,063	25,063	25,063	
	Tertiary Southwest	5	63	-25%	-43%		26,636	53,813	78,167	
	<b>Southwest Total</b>	<b>52</b>	<b>\$705</b>	<b>77%</b>	<b>-32%</b>	<b>6.3%</b>	<b>\$18,841</b>	<b>\$74,284</b>	<b>\$589,214</b>	
	West	East Bay				-100%				
		Inland Empire	1	13	-36%	-37%	11.1%	125,234	125,234	125,234
Las Vegas					-100%					
Los Angeles		12	104	-52%	-58%	5.9%	105,833	186,624	293,881	
Orange Co		4	180		83%	4.9%	125,488	198,016	366,762	
Portland		1	6	-59%	-95%	6.9%	73,684	73,684	73,684	
Sacramento		5	91	1720%	147%	6.8%	69,048	89,894	102,027	
Salt Lake City		2	30	-38%	422%	8.7%	48,544	77,591	106,639	
San Diego		4	150	101%	26%	6.5%	80,000	175,838	248,611	
San Francisco		8	35	568%	-65%	5.0%	25,093	174,021	302,879	
San Jose				-100%						
Seattle	3	56	25%	-21%		73,718	167,600	219,572		
Tertiary West	8	86	145%	-26%		49,843	161,496	291,860		
<b>West Total</b>	<b>48</b>	<b>\$753</b>	<b>52%</b>	<b>-28%</b>	<b>6.5%</b>	<b>\$25,093</b>	<b>\$160,946</b>	<b>\$366,762</b>		

## Top 10 Players of Q1'10

PUBLISHED ONLINE: APRIL 22, 2010

### TOP Q1 APARTMENT BUYERS

Buyer	City	State	Investor Group	\$ Mil	# Prop
1 Equity Residential	Chicago	IL	Public	\$613	7
2 CB Richard Ellis Investors	Los Angeles	CA	Institutional	253	3
3 Bernstein Management Corporation	Washington	DC	Private	250	3
4 Behringer Harvard	Dallas	TX	Private	181	4
5 Crescent Heights			Private	161	2
6 New York University	New York	NY	User/Other	134	1
7 Essex Property Trust	Palo Alto	CA	Equity Fund	128	1
8 Inland Real Estate Group	Oak Brook	IL	Private	80	2
9 PGGM	Zeist	Utrecht	Institutional	75	2
10 TGM Associates	New York	NY	Institutional	55	2

### TOP Q1 APARTMENT SELLERS

Seller	City	State	Investor Group	\$ Mil	# Prop
1 Macklowe Properties	New York	NY	Private	\$450	3
2 Bethany Group	Irvine	CA	Private	308	17
3 Forest City	Cleveland	OH	Public	250	3
4 Lehman Brothers	New York	NY	Institutional	239	3
5 Prudential RE Investors	Newark	NJ	Equity Fund	163	3
6 Fremont Investment & Loan	Brea	CA	Institutional	139	2
7 Hudson Companies of Brooklyn	New York	NY	Private	134	1
8 Equity Residential	Chicago	IL	Public	130	6
9 Bank of America	Charlotte	NC	Institutional	121	2
10 Tishman Speyer	New York	NY	Equity Fund	121	2

### TOP Q1 ALL CORE + HOTEL BUYERS

Buyer	City	State	Investor Group	\$ Mil	# Prop
1 Brookfield Asset Management	Toronto	ON	Institutional	\$700	15
2 Health Care REIT	Toledo	IL	Public	668	1
3 Forest City	Cleveland	OH	Public	668	1
4 Equity Residential	Chicago	IL	Public	613	7
5 Simon Property Group	Indianapolis	IN	Public	601	2
6 Inland Real Estate Group	Oak Brook	IL	Private	516	19
7 Digital Realty Trust	San Francisco	CA	Public	375	3
8 Blackstone	New York	NY	Equity Fund	320	2
9 CB Richard Ellis Investors	Los Angeles	CA	Institutional	288	4
10 Nationwide Health Properties (NHP)	Newport Beach	CA	Public	273	5

### TOP Q1 ALL CORE + HOTEL SELLERS

Seller	City	State	Investor Group	\$ Mil	# Prop
1 Forest City	Cleveland	OH	Public	\$923	5
2 JP Morgan	New York	NY	User/Other	807	16
3 KanAm Group	Munich	Bavaria	Institutional	601	2
4 Macklowe Properties	New York	NY	Private	450	3
5 Sentinel Real Estate	New York	NY	Institutional	440	5
6 Developers Diversified	Beachwood	OH	Public	432	17
7 TIAA-CREF	New York	NY	Institutional	424	16
8 McSam Hotel Group	Great Neck	NY	Private	362	8
9 Glimcher Realty Trust	Columbus	OH	Public	320	2
10 Prudential RE Investors	Newark	NJ	Institutional	315	7

# Selected Sales Investment Transactions Reported in the Past 45 Days

PUBLISHED ONLINE: APRIL 22, 2010

Property Name Address Location	No. of Units Year Built Notes	Price Price /Unit Qualifier	B buyer S seller ↔ broker
<b>Mid-Atlantic</b>			
<b>425 Mass</b> 425 Massachusetts Ave NW Washington, DC	<b>559</b> 2009 Mid/Highrise	<b>\$167,000,000</b> \$298,748 confirmed	B Equity Residential by ↔ Ideal Realty Group from S Broadway Management Co
<b>Park Crest</b> 8210 Crestwood Heights West Mclean, VA	<b>131</b> 2007 Mid/Highrise	<b>\$68,000,000</b> \$519,084 approximate	B Behringer Harvard from S Penrose Group
<b>Middlebrooke Apartments</b> 410 Baldwin Park Dr Westminster, MD	<b>208</b> 1975 Garden	<b>\$17,350,000</b> \$83,413 confirmed	B Home Properties from S City Wide Management by ↔ CBRE
<b>Midwest</b>			
<b>Schoettler Village</b> 15480 Elk Ridge Ln Chesterfield, MO	<b>300</b> 1969 Garden	<b>\$24,500,000</b> \$81,667 approximate	B Maxus Realty Trust from S TA Realty by ↔ HFF
<b>Charter Oak</b> 11907 Charter House Ln Saint Louis, MO	<b>284</b> 1970 Garden	<b>\$22,000,000</b> \$77,465 approximate	B Gannon Development JV Fireside Financial from S BH Equities OBO Principal Real Estate Investors by ↔ Holliday Fenoglio Fowler
<b>CityView on Meridian</b> 3801 N Meridian Indianapolis, IN	<b>166</b> 1966 Mid/Highrise	<b>\$6,300,000</b> \$37,952 confirmed	B LT Group from S Cityview Apartment Holdings by ↔ CB Richard Ellis
<b>Northeast</b>			
<b>Deer Creek</b> 305 Derr Creek Dr Plainsboro, NJ	<b>288</b> 1975 Garden	<b>\$26,400,000</b> \$91,667 approximate	B Orbach Group from S AIMCO by ↔ Gebroe Hammer Associates
<b>26 W 76th St</b> 26 W 76th St New York, NY	<b>13</b> 1900 Mid/Highrise	<b>\$19,390,312</b> \$1,491,562 approximate	B Apollo Investment Corporation from S Adam Gordon I & Elizabeth Gordon
<b>430-440 W 41st St</b> 430-440 W 41st St New York, NY	<b>118</b> 1988 Mid/Highrise	<b>\$17,500,000</b> \$148,305 approximate	B Aura Investments JV Livorno Properties JV U-Trend from S McSam Hotel Group AKA Sam Chang by ↔ Massey Knakal Realty Services
<b>413 E 6th St</b> 413 E 6th St New York, NY	<b>48</b> 1920 Mid/Highrise	<b>\$10,070,000</b> \$209,792 approximate	B BCB Property Management Inc from S Sierra Assets Group
<b>161-163 Commonwealth Ave</b> 161-163 Commonwealth Ave Boston, MA	<b>10</b> 1900 Mid/Highrise	<b>\$8,200,000</b> \$820,000 approximate	B Seth Klarman Elaine F Mann Trustee from S Raymond Property Co
<b>Tiffany Mews (Bulk Condo)</b> 63 Tiffany Pl Brooklyn, NY	<b>70</b> 1910 Mid/Highrise	<b>\$5,300,000</b> \$75,714 confirmed	B Rainbow Estates Group from S Related Companies by ↔ Marcus & Millichap

✦ View this list online for interactive links to property details and company profiles

# Selected Sales Investment Transactions Reported in the Past 45 Days

PUBLISHED ONLINE: APRIL 22, 2010

Property Name Address Location	No. of Units Year Built Notes	Price Price /Unit Qualifier	<b>B</b> buyer <b>S</b> seller ↔ broker
<b>Southeast</b>			
<b>Lexington Park at Westchase</b> 12201 Lexington Park Dr Tampa, FL	<b>400</b> 2002 Garden	<b>\$42,500,000</b> \$106,250 approximate	<b>B</b> Crescent Heights Apartments from <b>S</b> Epoch Properties JV Prudential RE Investors by ↔ Engler Financial Group (EFG)
<b>Bermuda Island</b> 3320 Bermuda Isle Circle Naples, FL	<b>360</b> 1998 Garden	<b>\$29,500,000</b> \$81,944 confirmed	<b>B</b> TGM Associates from <b>S</b> Tarragon Corporation by ↔ JBM of Marcus & Millichap
<b>21 Apartments</b> 2100 Ace Ave Starkville, MS	<b>240</b> 2006 Garden	<b>\$24,700,000</b> \$102,917 confirmed	<b>B</b> McKinney Properties Inc from <b>S</b> Wood Partners by ↔ CB Richard Ellis
<b>Hidden Oaks</b> 101 Hidden Oaks Dr Cary, NC	<b>444</b> 1987 Garden	<b>\$21,500,000</b> \$48,423 approximate	<b>B</b> Somerset Properties JV Starwood Capital Group from <b>S</b> Equity Residential by ↔ CB Richard Ellis
<b>Cambridge at Southern</b> 130 Lanier Dr Statesboro, GA	<b>228</b> 2006 Garden	<b>\$19,500,000</b> \$85,526 confirmed	<b>B</b> Scion Group from <b>S</b> American Campus Communities by ↔ CB Richard Ellis
<b>Woodbridge</b> 100 Appledown Dr Cary, NC	<b>344</b> 1986 Garden	<b>\$19,000,000</b> \$55,233 approximate	<b>B</b> Somerset Properties JV Starwood Capital Group from <b>S</b> Equity Residential by ↔ CB Richard Ellis
<b>Sienna Bay</b> 10501 3rd St N Saint Petersburg, FL	<b>276</b> 1986 Garden	<b>\$16,850,000</b> \$61,051 confirmed	<b>B</b> DT Group Development Inc from <b>S</b> AIMCO by ↔ JBM of Marcus & Millichap
<b>Forest Hills at Vinings</b> 3900 Paces Walk Atlanta, GA	<b>302</b> 1980 Garden	<b>\$15,100,000</b> \$50,000 confirmed	<b>B</b> Redwood Capital Partners from <b>S</b> Wrightwood Capital by ↔ CB Richard Ellis
<b>Blanding Place</b> 2121 Burwick Ave Orange Park, FL	<b>232</b> 1986 Garden	<b>\$12,000,000</b> \$51,724 approximate	<b>B</b> Venterra Properties by ↔ Walchle-Lear from <b>S</b> Bethany Group by ↔ Walchle-Lear
<b>Southwest</b>			
<b>Trillium Villas</b> 10847 W Olive Ave Peoria, AZ	<b>340</b> 2008 Garden	<b>\$27,500,000</b> \$80,882 approximate	<b>B</b> Weidner Investment Services from <b>S</b> Trillium Residential by ↔ Hendricks & Partners
<b>Bella Ruscello Luxury Apt Homes</b> 250 E Us Hwy 67 Duncanville, TX	<b>216</b> 2008 Garden	<b>\$17,400,000</b> \$80,556 approximate	<b>B</b> Grubb & Ellis Apartment REIT from <b>S</b> Duncanville Villages Multifamily Ltd by ↔ Paramount Investments
<b>The Desert Sands</b> 720 W O'neil Dr Casa Grande, AZ	<b>323</b> 2007 Garden	<b>\$16,766,667</b> \$51,909 approximate	<b>B</b> HSL Properties Inc by ↔ Hendricks & Partners from <b>S</b> Inland Empire Builders Inc by ↔ Hendricks & Partners
<b>Elliots Crossing</b> 7250 S Kyrene Rd Tempe, AZ	<b>247</b> 1987 Garden	<b>\$12,283,750</b> \$49,732 approximate	<b>B</b> Slosburg Companies from <b>S</b> Sentinel Real Estate by ↔ Apartment Realty Advisors

✦ View this list online for interactive links to property details and company profiles

# Selected Sales Investment Transactions Reported in the Past 45 Days

PUBLISHED ONLINE: APRIL 22, 2010

Property Name Address Location	No. of Units Year Built Notes	Price Price /Unit Qualifier	B buyer S seller ↔ broker
<b>West</b>			
<b>Essex Skyline at MacArthur Place</b> 31 E MacArthur Crescent Santa Ana, CA	<b>349</b> 2009 Mid/Highrise	<b>\$128,000,000</b> \$366,762 approximate	B Essex Property Trust from S Fremont Investment & Loan
<b>Monarch At Scripps Ranch (Bulk Condo)</b> 194 10776 Scripps Ranch Blvd San Diego, CA	<b>194</b> 2001 Garden	<b>\$46,200,000</b> \$238,144 approximate	B BRE Properties by ↔ Cushman & Wakefield from S Angelo Gordon JV Interwest Capital Corp by ↔ Cushman & Wakefield
<b>Montebello</b> 12000 131st Ln NE Kirkland, WA	<b>248</b> 1997 Garden	<b>\$38,900,000</b> \$156,855 confirmed	B Pacific Property Company JV TRECAP Partners from S BRE Properties
<b>Tierra Palms</b> 12301 Studebaker Rd Norwalk, CA	<b>144</b> 1970 Garden	<b>\$15,240,000</b> \$105,833 confirmed	B Advanced Real Estate from S AIMCO by ↔ Marcus & Millichap
<b>Terraces at the Grove</b> 110 S Sweetzer Ave Los Angeles, CA	<b>56</b> 1985 Mid/Highrise	<b>\$12,800,000</b> \$228,571 approximate	B Terraces At The Grove Inc from S Stratus Real Estate Inc by ↔ Hendricks & Partners
<b>Regency Towers</b> 151 N Locust St Inglewood, CA	<b>104</b> 1977 Mid/Highrise	<b>\$12,000,000</b> \$115,385 confirmed	B Thomas Safran & Associates from S Jones Y I Family Trust by ↔ CBRE
<b>Arbor Square</b> 606 Lilly Rd Ne Olympia, WA	<b>136</b> 1989 Garden	<b>\$10,007,888</b> \$73,587 approximate	B BIANCO PROPERTIES from S Arbor Square Partnership
<b>Buena Vista Park</b> 75 Buena Vista Ave E San Francisco, CA	<b>37</b> 1931 Mid/Highrise	<b>\$6,800,000</b> \$183,784 confirmed	B Joseph F Mannion Trust by ↔ Marcus & Millichap from S Buena Vista Apartments LP by ↔ Marcus & Millichap
<b>Fallbrook Village</b> 747 W Fallbrook St Fallbrook, CA	<b>75</b> 1987 Garden	<b>\$6,000,000</b> \$80,000 approximate	B DJS Properties Group LP from S Padre Properties by ↔ Hendricks & Partners
<b>808 Leavenworth St</b> 808 Leavenworth St San Francisco, CA	<b>35</b> 1923 Mid/Highrise	<b>\$5,475,000</b> \$156,429 approximate	B Hawthorne/Stone Real Estate, Inc from S Trimont Real Estate Advisors OBO UBS Bank Corp

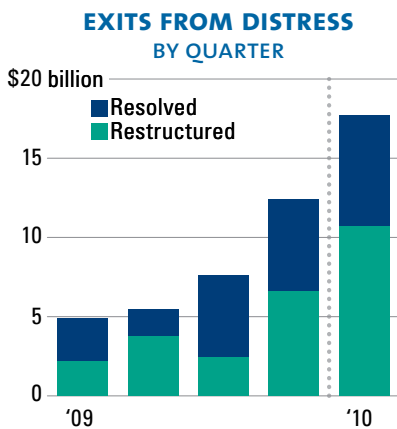
✦ View this list online for interactive links to property details and company profiles

# As Workouts Expand Sharply, Some Variations in Recovery Rates Emerge

## Location Offers Some Surprises as Resolutions Grew in Q1

**PUBLISHED ONLINE: APRIL 8, 2010**

Beginning in Q4'09 and accelerating sharply thus far in 2010, lenders have greatly increased workouts of troubled mortgages. While modification and restructuring of existing loans remains the preferred strategy, dispositions have also increased. The growth in sales activity has been well received by investors, many of which are starved for distressed situations. Consequently, lenders have not had to discount pricing further as they ramp up dispositions.



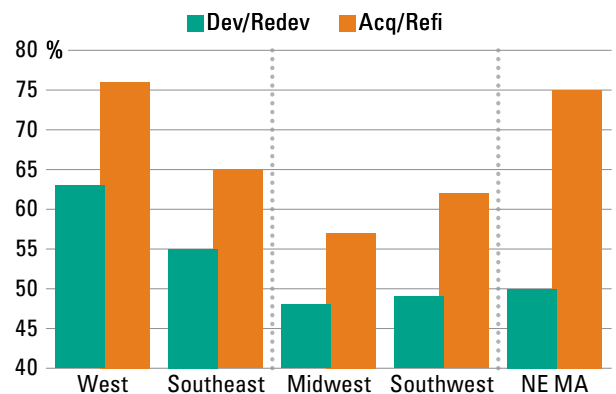
Illustrating the rapid rise in resolutions, the more than \$18 billion of distressed situations resolved or restructured in just the first quarter of this year was equal to the total amount resolved in the first three quarters of 2009. More importantly, it was much closer in parity with the inflow of newly distressed situations reported in Q1 '10. (see "No Slowing for Distress") Approximately 40% of the roughly \$18 billion of Q1 workouts involved the sale of a property, with lenders recovering an average of 65% of the outstanding balance, although the weighted average recovery rate (RR) was a much lower 54%. This was a small dip over the weighted mean RR for 2009, although the average RR increased slightly in Q1'10. Geographically, significant differences are emerging in RR with coastal markets outperforming all other markets (see "By Location" on page 3).

While such discounts help explain why more lenders are willing to engage in loan modifications and restructuring, this analysis looks at the wrinkles within the broadly stable trend in the RR that lenders achieve on defaulted CRE loans. The available data set for RR analysis is now at nearly 400 defaulted commercial mortgages, with an outstanding aggregate balance of more than \$7.6 billion that have been liquidated since the start of 2009. The analysis covers relatively larger loans with an average outstanding balance of \$19.4 million. The gross proceeds recovered by the lenders totaled \$4.8 billion, equating to an overall weighted average RR of 58% and an overall mean RR of 63%, before costs and fees. Expenses related to defaults and liquidations can typically range between 5% and 10% of the loan's outstanding balance, substantially reducing the net recovery realized by the lender.

A variety of factors influence a lender's RR in any particular distressed situation. Some of these factors are to be expected; for example, loans made for development or redevelopment activities (Dev/Redev) continue

Loan Type	2009		Q1'10		Overall	
	Mean	Wtd Avg	Mean	Wtd Avg	Mean	Wtd Avg
Dev/Redev	55%	49%	56%	47%	55%	48%
Acq/Refi	66%	66%	70%	64%	67%	66%
Overall	62%	59%	65%	54%	63%	58%

### REGIONAL RECOVERY RATES



Type	Balance Outstanding in \$ Millions	Number of Mtgs	Mean Recovery Rate
Condo Convr	\$987.9	38	56%
Construction	1921.6	58	59%
Land Acq.	685.4	31	48%
<b>Dev/Redev</b>	<b>\$3,594.8</b>	<b>127</b>	<b>55%</b>
Acquisition	3190.3	182	69%
REFI	858.4	85	64%
<b>Acq/Refi</b>	<b>\$4,048.7</b>	<b>267</b>	<b>67%</b>
<b>Grand Total</b>	<b>\$7,643.5</b>	<b>394</b>	<b>63%</b>

*Continued on the next page*

# As Workouts Expand Sharply, Some Variations in Recovery Rates Emerge

## Location Offers Some Surprises as Resolutions Grew in Q1

**PUBLISHED ONLINE: APRIL 8, 2010**

*Continued from the previous page*

to generate a much lower RR. Some findings, including some of those below, are more surprising and are analyzed further in the addendums that look at RR by Property Type, Location and Vintage.

- Land acquisition loans have the lowest RR, 48%, followed by condo conversion loans, with a RR of 56%.
- Office, apartment and full-service hotel properties have the lowest RR among the major income-producing property types.
- The highest RR have been in Seattle and San Diego while the lowest were in Detroit, Tampa, Houston and Dallas.
- Not all overheated markets are created equal. Case in point: Miami, with a substantially higher RR of 77% for Acquisition/Refinancing (Acq/Refi) loans than either its Floridian or national peers.
- There continues to be little variation in RR by vintage year of the loan, although the enormous piles of outstanding distress from the 2005-2007 vintages may change that in the future.

## Recovery Rates Methodology

**PUBLISHED ONLINE: APRIL 8, 2010**

The analysis in this report is based on only non-performing mortgages backed by significant commercial real estate which have been liquidated in 2009 and 2010. The average size of the first mortgage loans in the sample is \$19.4 million.

Recovery Rates are calculated by dividing the Resolved Price (the gross proceeds from the disposition) by the Distressed Amount (the outstanding balance of the first mortgage loan at the time of the default). Recovery Rates do not take into consideration fees and costs incurred by the lender during the course of resolving a non performing loan, which can be significant. It is estimated that expenses related to a foreclosure and liquidation are typically around 5% to 10% of the outstanding balance and sometimes more.

A loan is considered liquidated, or resolved, when the property or the note is sold to a third party. Seller financing may be involved in such a transaction but is not incorporate in the Recovery Rate. Mezzanine positions, if any, have been excluded from the analysis and Recovery Rates are based solely on the outstanding balance of the first mortgage loan, or the A and B loans if originated and held by the same lender.

In the event a resolution occurred at a price greater than the distressed amount, the recovery rate was capped at 100%.

### TROUBLED ASSETS AS OF APRIL 8, 2010

Assets	#Props	Vol (mil)
Troubled	7,068	\$135,633.4
Lender REO	1,642	25,334.7
Current Distress	8,710	160,968.1
Restruct'd/Ext'd	1,126	35,817.6
Resolved	1,588	30,482.3
<b>Total</b>	<b>11,424</b>	<b>\$227,268.0</b>

Visit [www.rcanalytics.com/tas](http://www.rcanalytics.com/tas) for updated stats

## Recovery Rates by Property Type

PUBLISHED ONLINE: APRIL 8, 2010

Despite wide differences in the forecasts for the recovery of each property type, RR have not varied as much as would be expected, especially for the income-producing assets. Liquidations of office and apartment properties have resulted in RR averaging 63-64%, while retail and industrial properties have both achieved an average RR of 71%. Hotel properties continue to defy expectations with a relatively high RR of 68%. By comparison, loans secured by land continue to generate the lowest RR—48%—underscoring the difference that cash flow makes in the work out process.

There is also little difference in RR between the subtypes for most property sectors. CBD office properties and Mid/high-rise apartments have RR only slightly higher than for suburban offices and garden properties. Strip centers have a similar RR to malls and single-tenant properties. The exception is in the hotel sector, where full-service properties have significantly lower RR than do limited service properties.

The uniformity of RR across most property types is not consistent with market forecasts and other market trends. For example, although the apartment sector is a top target for many investors, in part because of the availability of government-backed financing from Freddie Mac and Fannie Mae, RR in this sector are no better than the overall average. In other sectors, such as retail, a slower pace of resolution compared to the amount of distress has contributed to relatively high RR. Thus there is some evidence that RR at this point in the cycle reflect some selection bias of lenders as much as they also reflect market pricing levels. Lenders are choosing to liquidate only the loans for which they are likely to capture a relatively high RR. Further evidence of this phenomenon can be found in the RR experience based on the vintage of the loan (see “Vintage” on page 5).

**2009 - 2010 YTD RECOVERY RATES ON DEFAULTED MORTGAGES BY PROPERTY TYPE**

Type	Balance Outstanding in \$ Million	Number of Mtgs	Mean Recovery Rate
Office - CBD	1,202.3	15	65%
Office - Sub	905.9	44	64%
<b>Office</b>	<b>\$2,108.2</b>	<b>59</b>	<b>64%</b>
Flex	88.2	14	69%
Warehouse	119.9	24	72%
<b>Industrial</b>	<b>\$208.0</b>	<b>38</b>	<b>71%</b>
Mall & Other	441.5	15	72%
Strip	270.7	23	71%
<b>Retail</b>	<b>\$712.2</b>	<b>38</b>	<b>71%</b>
Full-Service	707.7	19	61%
Ltd Service	137.1	16	76%
<b>Hotel</b>	<b>\$844.7</b>	<b>35</b>	<b>68%</b>
Garden	2,134.2	156	62%
Mid/Highrise	558.0	29	64%
<b>Apartment</b>	<b>\$2,692.2</b>	<b>185</b>	<b>63%</b>
Land/Constr	\$1,180.4	46	48%
<b>Grand Total</b>	<b>\$7,745.8</b>	<b>401</b>	<b>63%</b>

## Recovery Rates by Location

PUBLISHED ONLINE: APRIL 8, 2010

More so than even the property type underlying a loan or the year it was originated, the location of the collateral has proven one of the most significant variables impacting lenders' recovery rate on defaulted first mortgages. The discrepancies between locales are clearly apparent among acquisition and refinancing loans (acq/refi). Many of the same trends are also reflected in the recovery rate for development-related loans, but outsized haircuts on these deals are largely unavoidable regardless of the market or region.

Drilling down further into markets than in the prior two RR reports, the spread in RR widens between the strongest and weakest markets. A few top markets, such as Manhattan, Seattle, San Diego and Washington, DC all averaged RR on acq/refi loans of over 80%, nearly twice that of Detroit, the market with the lowest RR experience. The next lowest, Tampa and southwest Florida, Houston and Dallas all average RR of between 54% and 55%. Yet hard-hit markets such as Miami as well as Broward and Palm counties in South Florida demonstrated unexpected strength with a RR on acq/refi loans of 77% and 72%, respectively; however, RR on dev/redev loans in those markets were closer to 55%.

The West has achieved the highest RR for either acq/refi or dev/redev loans of any region. The Southern California markets have a particularly high RR on acq/refi loans. However, Las Vegas, a market with one of the highest proportions of distressed assets, has seen too few resolutions so far to even estimate an average RR or to influence the averages of the West region.

The West is the only region where the RR on properties in secondary and tertiary markets is significantly lower than in its larger markets. The opposite holds for the Southwest: markets other than Dallas, Houston and Phoenix have achieved a higher RR. In all other regions, RR between the largest and smallest markets is remarkably similar.

### 2009 - 2010 YTD RECOVERY RATES ON DEFAULTED MORTGAGES BY REGION

Type	Acq/Ref	Dev/Redev	Mean Recovery Rate
Manhattan	87%	53%	64%
DC Metro	81%	41%	64%
other	73%	53%	68%
<b>NE MA Total</b>	<b>75%</b>	<b>50%</b>	<b>66%</b>
Atlanta	64%	69%	65%
Miami	77%	57%	70%
Broward/Palm	72%	53%	61%
Orlando	59%	69%	64%
Tampa/SWF	53%	51%	52%
other	68%	42%	61%
<b>Southeast Total</b>	<b>65%</b>	<b>55%</b>	<b>61%</b>
Chicago	68%	42%	64%
Detroit	43%	0%	43%
other	58%	50%	57%
<b>Midwest Total</b>	<b>57%</b>	<b>48%</b>	<b>56%</b>
Dallas	55%	0%	55%
Houston	53%	46%	52%
Phoenix	62%	47%	57%
other	75%	56%	68%
<b>Southwest Total</b>	<b>62%</b>	<b>49%</b>	<b>58%</b>
Inland Empire	77%	69%	75%
Los Angeles	74%	71%	73%
Orange Co	71%	56%	66%
San Diego	88%	64%	79%
Seattle	93%	85%	89%
SF Metro	74%	55%	69%
other	69%	53%	60%
<b>West Total</b>	<b>76%</b>	<b>63%</b>	<b>72%</b>
<b>Grand Total</b>	<b>67%</b>	<b>55%</b>	<b>63%</b>

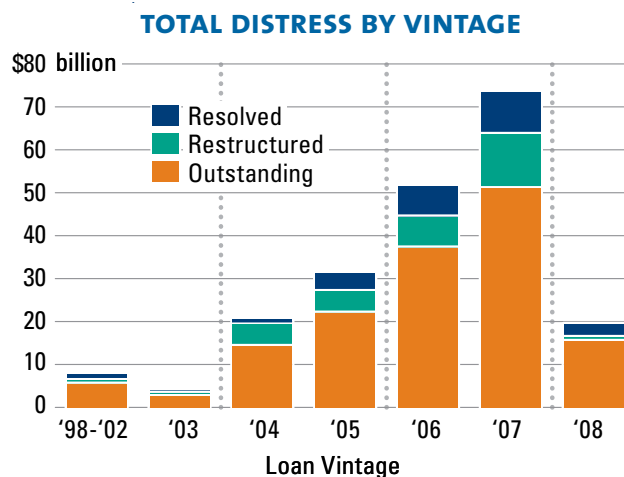
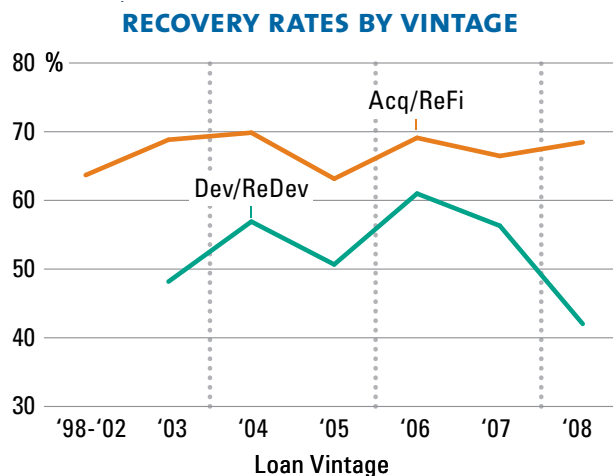
## Recovery Rates by Vintage

PUBLISHED ONLINE: APRIL 8, 2010

Analyzing RR by the year of loan origination yields remarkable continuity across the board. It would seem reasonable to assume that loans originated at the peak of the market would suffer the greatest losses upon liquidation. For example, prices are down over 40% since October 2007, but are down less than 20% from 2004 levels, however, the RR on loans made in 2007 is only slightly lower than for loans with a 2004 vintage.

A breakdown by loan type revealed similar patterns, as fluctuations between acq/refi and dev/redev loan vintages both had upper and lower brackets separated by roughly 10%, with seemingly little correlation to vintage year. The only outlier was the 42% RR for dev/redev loans originated in 2008, which can be attributed to an over-representation of partially completed projects as collateral compared to earlier vintages.

The uniformity in RR across loan vintages suggests that a loss aversion bias may exist in these initial liquidations, as lenders delay purging assets that would require more significant write-downs. A similar consistency in RR across the major property types also supports this theory. At this early stage in the workout cycle, lenders can be more selective about the properties they sell, with well over \$160 billion of troubled property yet to be resolved. It is possible that over time, assets with greater losses and lower RR will have to be liquidated.



# No Slowing for Distress But Bank Troubles Ebb as Bad CMBS Gains Momentum

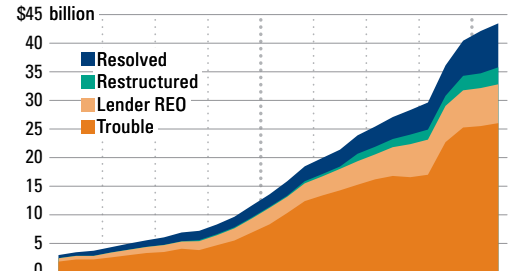
PUBLISHED ONLINE: APRIL 01, 2010

## APARTMENT

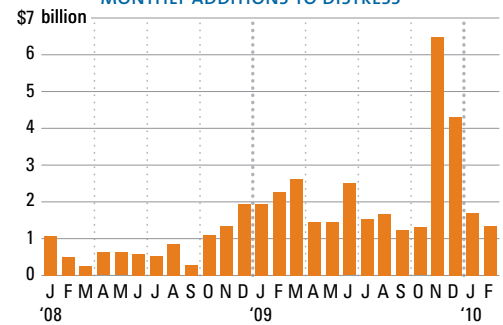
The overhang of distressed apartment property inventory, which includes troubled and REO properties, increased by \$660 million in February to total nearly \$32.8 billion. This reflected the addition of \$1.3 billion in new trouble, offset by \$286 million of resolutions and \$391 million in restructured property. Although declining 21% from the prior month, new additions to distress remained well above \$1.0 billion, a threshold that has held since Q4 '08.

Of the restructurings and resolutions during the month, KBS Realty's mezzanine takeover of the unsold condominium units in the Tribeca Summit in Manhattan and HSBC's refinancing of its own matured construction that was syndicated to build the Ritz-Carlton Residences in Baltimore were the two headline events.

**CUMULATIVE DISTRESS VOLUME  
APARTMENT**



**MONTHLY ADDITIONS TO DISTRESS**



## OVERVIEW (ALL PROPERTY TYPES)

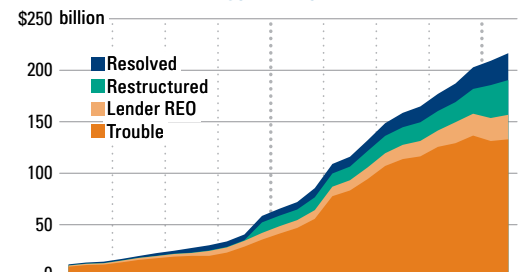
New reports of properties falling into default, foreclosure or bankruptcy totaled \$7.4 billion in February, up 17% from the prior month and from a year ago. The persisting heavy volume of properties becoming troubled tempers the nascent optimism resulting from recent improvements in investment trends (see our recent Month in Review: Volume & Pricing Up for Third Month in a Row).

There have yet to be any signs that the inflow of assets into trouble is abating; however, several significant trends have recently emerged in the composition of assets becoming distressed and more importantly, in the resolution of distressed situations.

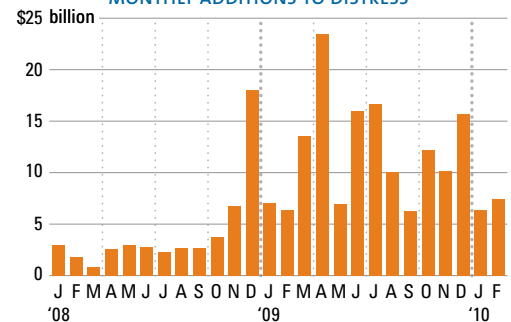
Lenders have greatly stepped up the pace of workouts over the past 90 days, which is a positive development. In the first two months of this year, resolution of troubled situations totaled \$14.7 billion, compared to inflows of \$13.7 billion. This \$1.0 billion reduction in outstanding distress so far this year is a significant milestone, but it is just a small dent in the total \$157.0 billion of outstanding and unresolved distress at the end of February.

One of the more significant trends emerging from the assets falling into distress recently is the growing proportion of troubled CMBS loans relative to those held by banks and other lenders. To date in 2010, loans serving as collateral for CMBS issues have accounted for 72% of the newly distressed situations, sharply up from 40% in 2009 and 23% in 2008. Although it is too early to conclude that the worst may be over for banks, it does appear that CMBS loans are likely to be more problematic than non-

**CUMULATIVE DISTRESS VOLUME  
ALL CORE + HOTEL**



**MONTHLY ADDITIONS TO DISTRESS**



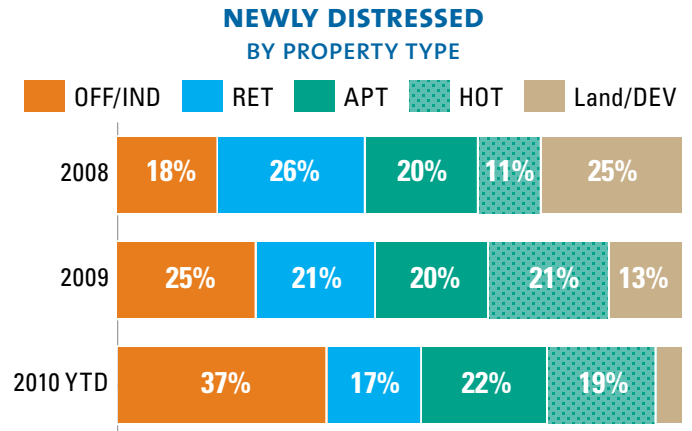
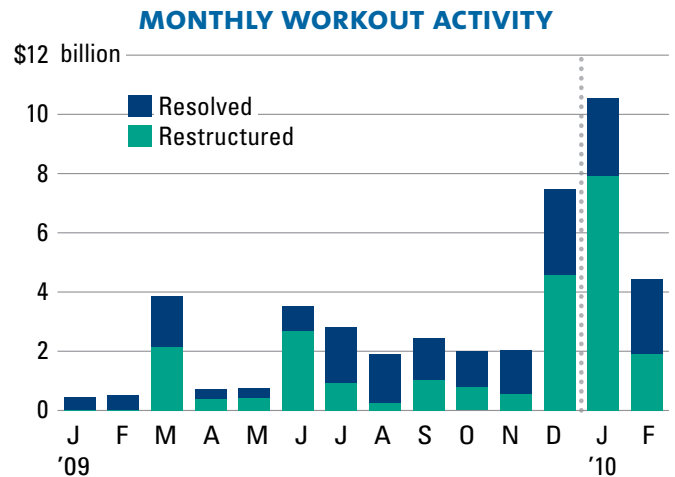
Overview continued on next page

## No Slowing for Distress But Bank Troubles Ebb as Bad CMBS Gains Momentum

Overview continued from previous page

CMBS loans going forward.

Newly distressed assets also reflect a shift in composition by property type, with office and industrial properties dominating. Combined, office and industrial properties account for 37% of new distress this year, up from 25% in 2009 and 18% in 2008. A much lower proportion of recent trouble involves land and construction loans which have accounted for just 4% of new distress this year, down from 25% in 2008. Since banks hold most of these loans to developers, this is one factor contributing to the declining proportion of new distress from banks relative to CMBS. Retail properties are also a much smaller percentage of recent distress than in 2009 or 2008, but those years were inflated by large-scale troubles at GGP and several Australian listed firms. The proportion of hotel and apartment loans falling into trouble is unchanged.





Distress by Property Type		Current Known Distress - as of March 30th 2010															
		Office		Industrial		Retail		Apartment		Hotel		Development		Other		Total	
		\$ Mil.	# Prop	\$ Mil.	# Prop	\$ Mil.	# Prop	\$ Mil.	# Prop	\$ Mil.	# Prop	\$ Mil.	# Prop	\$ Mil.	# Prop	\$ Mil.	# Prop
Mid-Atlantic	Baltimore	\$221.4	13	\$39.2	5	\$1,064.4	12	\$105.6	4	\$151.5	15	\$172.5	7			\$1,754.6	56
	DC	1,111.6	18	21.6	1	17.3	2	512.8	10	225.0	2	43.0	2			1,931.3	35
	DC MD burbs	250.5	9	217.3	11	256.9	8	747.9	18	222.6	13	73.0	3			1,768.3	62
	DC VA burbs	567.6	17	4.9	1	215.7	5	130.4	8	255.6	21	15.3	2	37.2	1	1,226.6	55
	Philadelphia	462.4	21	92.0	5	206.1	10	404.9	11	140.6	14	67.7	2	1.3	1	1,375.0	64
	Pittsburgh	230.6	9	6.4	1	106.5	7	74.2	7	74.5	8	54.0	3			546.2	35
	So NJ	14.7	2	36.1	1	214.5	6	71.0	5	1,385.5	9	24.0	1			1,745.8	24
	All Others	320.9	18	9.0	3	571.5	26	273.6	28	758.4	33	213.1	18	12.6	3	2,159.1	129
	<b>Mid-Atlantic</b>	<b>\$3,179.8</b>	<b>107</b>	<b>\$426.5</b>	<b>28</b>	<b>\$2,652.9</b>	<b>76</b>	<b>\$2,320.5</b>	<b>91</b>	<b>\$3,213.7</b>	<b>115</b>	<b>\$662.5</b>	<b>38</b>	<b>\$51.1</b>	<b>5</b>	<b>\$12,506.9</b>	<b>460</b>
	Midwest	Chicago	1,976.1	58	372.8	65	1,138.9	65	873.4	93	1,091.9	55	1,112.6	64	164.6	13	6,730.2
Cincinnati		60.8	5	13.4	2	638.7	15	109.7	8	137.5	13	143.4	6			1,103.4	49
Cleveland		70.5	11	10.7	2	346.6	13	94.2	5	101.9	16	11.1	1	0.9	1	635.9	49
Columbus		117.6	14	134.4	9	55.9	8	76.5	15	123.1	16	16.8	2	3.6	1	527.9	65
Detroit		822.5	25	185.6	26	297.7	22	238.1	22	1,005.1	32			43.0	2	2,592.0	129
Indianapolis		153.6	9	6.8	1	38.1	6	157.4	18	57.7	9	124.9	8			538.5	51
Kansas City		61.1	8			90.8	5	2.8	1	259.1	20	70.6	7			484.5	41
Milwaukee		75.6	6	13.1	1	22.8	4	125.2	6	29.8	3	22.7	7			289.1	27
Minneapolis		264.6	15	36.6	12	615.5	17	42.4	6	174.0	14	136.5	12	16.9	3	1,286.5	79
St Louis		83.1	5	53.3	5	176.5	13	30.4	6	226.4	16	400.0	1	2.2	1	971.8	47
All Others		366.2	45	106.2	13	836.3	91	298.5	35	584.7	75	300.2	25	112.9	14	2,605.1	298
<b>Midwest</b>	<b>\$4,051.6</b>	<b>201</b>	<b>\$932.8</b>	<b>136</b>	<b>\$4,257.8</b>	<b>259</b>	<b>\$2,048.6</b>	<b>215</b>	<b>\$3,791.2</b>	<b>269</b>	<b>\$2,338.7</b>	<b>133</b>	<b>\$344.1</b>	<b>35</b>	<b>\$17,764.9</b>	<b>1,248</b>	
Northeast	Boston	755.1	30	203.2	23	388.4	13	337.1	12	262.4	29	44.5	9	29.0	3	2,019.8	119
	Hartford	72.3	3	4.7	2	203.4	4	160.0	28	22.6	4					463.0	41
	Long Island	324.3	19	163.4	31	252.5	7	29.2	4	45.2	3			7.5	1	822.2	65
	Manhattan	5,036.9	43	425.8	4	169.5	11	6,867.9	96	571.1	8	750.0	23	57.6	2	13,878.9	187
	No NJ	475.6	19	107.3	10	724.6	13	614.6	29	390.4	22	225.6	3	3.5	1	2,541.7	97
	NYC Boroughs	164.4	5	239.1	22	536.9	12	348.0	47	86.4	4	217.6	25	10.2	1	1,602.7	116
	Stamford	180.8	12	30.9	3	134.4	2	140.0	8	23.7	4	18.3	2	6.1	2	534.3	33
	Westchester	26.6	4			659.1	10	43.2	2	59.9	5	38.1	2	4.8	1	831.7	24
	All Others	232.9	22	49.9	11	490.2	26	182.0	26	435.0	38	480.9	12	10.1	6	1,881.0	141
	<b>Northeast</b>	<b>\$7,268.9</b>	<b>157</b>	<b>\$1,224.4</b>	<b>106</b>	<b>\$3,559.1</b>	<b>98</b>	<b>\$8,722.1</b>	<b>252</b>	<b>\$1,896.8</b>	<b>117</b>	<b>\$1,775.0</b>	<b>76</b>	<b>\$128.8</b>	<b>17</b>	<b>\$24,575.1</b>	<b>823</b>
Southeast	Atlanta	927.7	44	260.5	31	729.3	73	1,782.0	128	391.7	44	414.9	35	27.9	6	4,534.0	361
	Broward	398.8	16	53.0	10	394.6	23	653.3	50	299.0	19	478.7	40	111.7	13	2,389.1	171
	Charlotte	76.9	4	9.0	2	66.8	5	279.0	13	53.0	7	118.5	8			603.2	39
	Jacksonville	23.3	4	31.7	3	12.6	5	554.8	46	332.9	15	39.5	6	33.8	2	1,028.6	81
	Miami	397.8	31	102.4	13	637.0	22	1,736.5	68	1,796.7	25	2,554.6	92	58.3	9	7,283.2	260
	Nashville	80.2	6	33.4	6	30.8	5	282.6	17	83.7	12	115.4	9			626.2	55
	Orlando	190.6	24	81.4	9	335.4	22	971.2	32	464.1	33	264.8	10	5.4	3	2,312.9	133
	Palm Beach	473.5	22	55.5	10	367.2	20	591.5	20	154.3	10	455.0	31	22.3	7	2,119.2	120
	SW Florida	47.0	5	52.4	13	168.6	15	264.2	14	70.8	10	264.2	26	117.0	6	984.2	89
	Tampa	194.5	29	35.0	6	153.5	12	676.0	39	201.2	17	644.8	19	56.6	4	1,961.5	126
	All Others	412.7	68	336.3	43	2,360.1	136	1,744.6	170	1,685.1	177	1,940.3	101	108.9	18	8,588.0	713
<b>Southeast</b>	<b>\$3,222.9</b>	<b>253</b>	<b>\$1,050.6</b>	<b>146</b>	<b>\$5,256.0</b>	<b>338</b>	<b>\$9,535.6</b>	<b>597</b>	<b>\$5,532.6</b>	<b>369</b>	<b>\$7,290.6</b>	<b>377</b>	<b>\$541.8</b>	<b>68</b>	<b>\$32,430.2</b>	<b>2,148</b>	
Southwest	Austin	248.4	6	67.2	6	55.1	7	344.8	20	153.5	18	166.6	13			1,035.7	70
	Dallas	2,225.2	54	181.6	18	817.9	49	722.0	62	655.8	41	219.7	40	77.0	9	4,899.1	273
	Denver	966.3	29	36.0	10	453.5	20	584.4	24	165.1	18	81.3	8	10.9	4	2,297.4	113
	Houston	2,286.9	22	42.1	5	299.8	21	1,739.1	107	182.0	22	53.8	12	8.4	3	4,612.1	192
	Phoenix	978.6	66	198.2	40	888.4	89	2,182.0	163	888.7	40	1,613.4	100	740.1	25	7,489.4	523
	San Antonio	64.1	5	34.1	2	461.2	6	157.8	12	52.2	5	347.3	9	13.5	1	1,130.2	40
	All Others	100.4	14	180.8	22	854.6	51	523.7	74	576.9	56	510.2	27	432.9	56	3,179.5	300
	<b>Southwest</b>	<b>\$6,869.8</b>	<b>196</b>	<b>\$740.0</b>	<b>103</b>	<b>\$3,830.5</b>	<b>243</b>	<b>\$6,253.8</b>	<b>462</b>	<b>\$2,674.3</b>	<b>200</b>	<b>\$2,992.3</b>	<b>209</b>	<b>\$1,282.7</b>	<b>98</b>	<b>\$24,643.4</b>	<b>1,511</b>
	West	Central CA	124.2	12	56.9	19	273.6	26	159.2	26	265.4	26	170.0	18	284.1	10	1,333.5
East Bay		328.0	22	56.2	13	368.2	28	310.8	24	374.7	26	415.1	23	287.2	15	2,140.2	151
Hawaii		149.3	2	88.5	3	195.0	7	29.5	1	2,322.6	13	194.4	7	10.4	1	2,989.6	34
Inland Empire		314.3	31	145.3	28	983.9	55	313.2	23	321.6	25	384.3	33	76.6	10	2,539.0	205
Las Vegas		533.1	31	741.4	37	1,208.2	65	1,141.6	60	7,855.6	39	4,089.6	60	115.5	15	15,685.2	307
Los Angeles		1,373.7	79	632.1	99	1,042.3	75	843.3	88	965.8	42	986.4	46	122.0	23	5,965.5	452
Orange Co		1,281.4	28	150.0	16	516.4	21	232.6	5	135.8	14	621.6	10	51.2	10	2,989.0	104
Portland		162.5	19	49.4	6	256.9	10	66.3	3	130.5	9	46.6	6	6.7	2	719.0	55
Reno		27.6	5	2.8	1	7.1	2	74.4	6	69.3	4	198.0	3			379.1	21
Sacramento		210.8	19	52.8	12	555.5	29	236.6	29	486.4	28	228.9	17	61.6	5	1,832.5	139
San Diego		326.2	14	43.2	11	239.4	21	270.6	22	404.2	27	253.6	21	281.4	4	1,818.7	120
San Francisco		385.9	19	107.0	9	325.2	22	710.5	129	580.6	17	63.9	7			2,173.1	203
San Jose		135.1	12	126.9	21	65.0	10	57.2	6	197.1	16	236.9	5	3.4	1	821.7	71
Seattle		890.6	23	81.3	9	51.5	10	330.2	23	287.4	30	89.0	19	18.4	3	1,748.4	117
All Others	206.3	17	119.6	20	723.3	47	224.7	25	661.2	49	2,115.8	47	278.4	15	4,329.3	220	
<b>West</b>	<b>\$6,449.2</b>	<b>333</b>	<b>\$2,453.4</b>	<b>304</b>	<b>\$6,811.7</b>	<b>428</b>	<b>\$5,000.6</b>	<b>470</b>	<b>\$15,058.1</b>	<b>365</b>	<b>\$10,094.1</b>	<b>322</b>	<b>\$1,596.8</b>	<b>114</b>	<b>\$47,463.9</b>	<b>2,336</b>	

\* Some portfolio deals may not be allocatable to a single market.

**REAL CAPITAL ANALYTICS**

<http://www.rcanalytics.com>

EMAIL [info@rcanalytics.com](mailto:info@rcanalytics.com)

139 Fifth Avenue  
New York, NY 10010

TOLL-FREE **866-REAL-DATA**

PHONE **212-387-7103**

FAX **212-387-7104**

Pruneyard Towers  
1999 South Bascom Ave  
Campbell, CA 95008  
PHONE **408-371-8880**  
FAX **408-371-8881**

Koninginnegracht 8, 2514 AA,  
The Hague, The Netherlands  
PHONE **+31 70 3 58 6854**

20 Garrick Street  
London, England WC2E 9BT  
PHONE **+44 203 178 8157**

**Robert M. White, Jr.** Founder & President  
**Joe Mannina** Chief Operating Officer  
**Sam Chandan, PhD** Global Chief Economist  
**Jeanne Jambor** Chief Financial Officer  
**Matt Stone** Sr. VP, Products & Marketing  
**Bryan Grad** Sr. VP, Sales  
**Peter Slatin** Editorial Director  
**Dan Fasulo** Managing Director  
**Pete Culliney** Director, Research  
**John Strand** Sr. Research Manager  
**Jessica Ruderman** Director, Research Svcs.  
**Doug Murphy** Sr. Research Manager  
**Grace (Tzu-Yu) Chin** Sr. Market Analyst  
**Ben Carlos Thypin** Sr. Market Analyst  
**Kevin Imboden** Sr. Market Analyst  
**Bishan Colon** Market Analyst  
**Lena Krivopal'tsev** Market Analyst  
**Morris Cox** Quantitative Analyst  
**Chris Brophy** Graphic Designer  
**Nina Turner** Web Content Coordinator

**Researchers/Analysts**

Adam Schwartz	Lyndsay Fisher
Alex Landis	Marcia Ribeiro
Andrew Florio	Maria Nguyen
Andrew Pisanelli	Carvalho
Cigdem Giray-Guvener	Mark Alferman
Erwin Abidog	Marta Verheijden
Eve Neill	Phil Goldfarb
Kim Nguyen	Ryan Bernard
Kristina Andersson	Victor Guy
Lawrence Amasa	Yonathan Bekele
Lori Reisinger	

**ABOUT REAL CAPITAL ANALYTICS**

**Real Capital Analytics, Inc. (RCA)** is an independent research firm focused exclusively on the capital investment markets for commercial real estate. RCA offers the most in-depth, comprehensive and current information of activity in the industry. Formed in 2000, RCA has offices in New York City, San Jose, London and The Hague. In addition to collecting transactional information for property sales and financings, RCA interprets the data including capitalization rates, market trends, pricing and sales volume. The firm publishes a series of Capital Trends reports and offers an online service that provides real-time, global transactional market information. For more information, visit: <http://www.rcanalytics.com>.

**ABOUT US CAPITAL TRENDS**

**US Capital Trends** is published by Real Capital Analytics, Inc. Copyright ©2010 Real Capital Analytics, Inc. All rights reserved.

It is a violation of Federal law to photocopy or reproduce any part of this publication, or forward it electronically, without first obtaining permission from Real Capital Analytics, Inc. To subscribe as an individual or to purchase a corporate license for your office, please call 1-866-REAL-DATA.

Information presented by RCA has been compiled from sources believed to be reliable. While we have no reason to doubt its accuracy, RCA makes no representation or warranty regarding the information. The information is provided as is without warranties of any kind, express or implied, and may be subject to material revisions.

**NOTES**

The information maintained by RCA and presented in this report encompasses markets nationally and includes only properties or portfolios \$5m or greater. Readers should note that there is substantial investment activity, largely local in nature, that falls below this threshold and is not captured in this report.

Records are maintained for transactions that represent the transfer of a controlling interest in a property or portfolio of properties that are \$5m or greater. Transactions are assumed to be fee simple; leasehold and commercial condominium interests are noted, if known. Transactions include only asset sales and not entity level transactions. Thus, merger and acquisition activity among entire REITs or other real estate entities is not included in this report. The sale of controlling partial interests are grossed up to reflect a full valuation of the property.

For this report, market classifications are defined as follows:

**PRIMARY:** Atlanta, Boston, Chicago, Dallas/Ft. Worth, DC, Houston, Los Angeles, NYC Tri-State, Philadelphia, San Francisco, South Florida

**SECONDARY:** Austin, Baltimore/Wilmington, Charlotte, Cincinnati, Cleveland, Denver, Detroit, Las Vegas, Memphis, Minneapolis, Nashville, Orlando, Phoenix/Mesa, Portland, Sacramento, San Diego, Seattle, St Louis, Tampa

**TERTIARY:** all other U.S. markets.

Trend analysis may exclude certain transactions that exceed 5% of the data sample or that may otherwise skew results. A complete glossary and methodology can be found at <http://www.rcanalytics.com>

**Abbreviations:**

/SF = Per Square Foot  
BPS = Basis Points  
YOY = Year-Over-Year  
YTD = Year To Date  
Q1 = First Quarter of year  
H1 = First Half of year

**TROUBLED ASSETS METHODOLOGY**

RCA has taken the step of expanding their research program to track corporate level and property level economic distress that could affect global property markets.

We have integrated the tracking of Troubled Assets (TA) into our system in order to observe distressed situations across the lifecycle of a property and the different owners of distressed assets. This would contain all classes of property owners and developers who find themselves overextended or otherwise unable to meet their obligations, as opposed to banks, mortgage REITs and other lender groups or debt owners who find themselves in possession of real estate they have taken control of via foreclosure or similar methods.

**Distressed Status**

**Troubled:** Includes foreclosure, bankruptcy, restructured/modified statuses. **Foreclosure, Bankruptcy, Etc.:** For properties where there is a direct knowledge of property level distress. Known through announcements of bankruptcy, default and court administration as well as significant publicly reported issues—like significant tenant distress or liquidation—that would exemplify property level distress.

**Lender REO:** To signify properties lenders have taken back through foreclosure. The transaction side of the RCA data set sees this as a Foreclosure sale with the defaulted mortgagee as Seller and the recovering lender as Buyer to show the property changing hands. The property is now Real Estate Owned by a Lender.

**Restructured/Extention:** To classify deals where ownership or debt terms have changed but a long term solution to the cause of distress may not have been reached. Types of ownership restructurings include a mezzanine lender stepping into the equity position or a debt for equity swap. On the debt side, the most common types of restructuring include modifications to the interest rate, loan balance, interest-only period and/or other terms. In almost all cases, at least two of the three stakeholder groups (borrower, 1st mortgage lender, mezzanine lender) most often involved in real estate transactions will retain either an equity or debt stake in the property or portfolio at the completion of the restructuring.

**Resolved:** Represents properties that have moved out of distress via refinancing or through a sale to a financially stable third party.

**Troubled Subtypes**

To further clarify the trouble we are tracking properties that fall within the Troubled Status levels will be marked with a Troubled Subtype at the loan, property and/or ownership level as appropriate:

**Loan**

**Delinquent/Default:** Troubled deals known to be delinquent, in default or in special servicing but not yet foreclosed upon or otherwise resolved.

**In Foreclosure/Administration:** Troubled deals with loan known to be in the foreclosure process, while the lender has not taken the property back they have gone to court and have pressed their claim to the property. These properties are in the process of moving to the Lender REO stage.

**Funding Stop:** Troubled deal in which lender has cut off financing for reasons including but not limited to the lender's own liquidity problems or lack of confidence in the project.

**Maturity Default/Past Due:** Troubled deals with loan known to be past maturity but new financing arrangement is unknown.

**Property**

**Challenged Development:** Development has been delayed, halted, scaled back, or cancelled due to reasons including but not limited to: failure to sell or lease initial units, funding cut off from a lender.

**Tenant Bankrupt:** Troubled deal in which the bankruptcy of a tenant represents a large enough percent of occupancy to imperil the borrower's ability to service debt. Bankrupt tenants need to be in liquidation of single tenant properties to be classified as Troubled.

**Underperforming Conversion or Redevelopment:** Troubled deal in which the buyer had planned to convert the property into condos and sell off individually or otherwise redevelop but for whatever reason it did not happen.

**Owner**

**Fraud Alleged:** Troubled deal in which the owner is alleged to have engaged in fraud and those allegations have led to the property becoming distressed.

**Owner Financially Challenged:** Troubled deal in which the owner of the property is under financial pressure generally and not necessarily relating to this specific property.

**Owner/GP Bankrupt:** Troubled deal in which the owner or General Partner of the property has declared bankruptcy.