

Economic & Real Estate Report

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Introduction

Reminiscent of patterns during the past several years, U.S. economic activity cooled to begin the year. It is thought that the soft economic data was caused by several factors, including adverse weather in several parts of the country, the lingering effects of West Coast port closures, reduced capital investment spending (particularly by oil companies) and a stronger U.S. dollar. In fact, the 1Q15 9.0% rise in the U.S. dollar against foreign currencies during marked its largest quarterly increase since 3Q08 and boosted the dollar to its highest level in more than a decade. While a stronger dollar makes imports less expensive, domestically produced goods are more expensive overseas, which has contributed to widening the trade gap. Still, most economists believe this 1Q15 weakness is only temporary, as the cold weather and port shutdowns are over and cautious consumers are expected to increase spending activity in the upcoming months.

Although it was thought at the beginning of 2015 that interest rates might be increased by midyear, the Federal Reserve wants more evidence that the economy is stronger in light of the weak advance GDP output and recent labor market struggles before it raises its short-term interest rates.

The U.S. unemployment rate remained steady at 5.5% in March, but the labor force contracted during the month, as only 126,000 jobs were created, which was well below consensus estimates. Still, the Federal Reserve believes that growth will escalate throughout the remainder of the year, noting in April that household incomes and consumer confidence were rising. Recent housing data is supportive of the Federal Reserve's positive outlook, as household formation increased by 1.5 million during 1Q15 compared to the prior year, which has boosted demand for housing, as evidenced by mortgage applications, which reached a two-year high.

Despite weak economic growth during 1Q15, sustained demand for U.S. commercial real estate assets has helped the market continue its recovery. Data and analyses from leading real estate firms and data providers indicate improving market fundamentals, such as higher occupancy levels, increasing rental rates, more investment activity and healthy levels of absorption. The simple average overall capitalization rate (comprising the office, retail, apartment and industrial

sectors), declined for the 12th consecutive quarter according to the 1Q15 PwC Real Estate Investor Survey. Commercial real estate indices produced by NCREIF, Green Street and Moody's/RCA continue to indicate healthy price appreciation for commercial real estate assets. Driven by high yields, availability of capital and willingness for risk, investor sales volume bettered totals recorded at this time last year by 47.0%.

The real estate debt markets improved during 1Q15. CMBS issuance increased 33.0% from this same period last year, the U.S. CMBS delinquency rate decreased for the eighth consecutive month and the U.S. delinquent unpaid balance for CMBS fell to its lowest level in more than five years. Driven by large increases in multi-family originations for Government Sponsored Enterprises (Fannie Mae and Freddie Mac) and for industrial assets, commercial and multi-family mortgage loan originations increased 49% from the same period last year. Additionally, REITS nearly doubled capital raising in comparison to this time last year.

The following summarizes key indicators related to the current economic conditions:

- **GDP Slows.** The advance estimate showed 1Q15 U.S. GDP increased at a 0.2% seasonally adjusted annualized rate, dragged down primarily by lower energy prices, the stronger dollar, harsh weather and falling exports.
- **Unemployment Rate Falls.** The unemployment rate held steady at 5.5% in March despite subpar job growth. From March 2014 to March 2015, the unemployment rate dropped 1.1 percentage points and the number of unemployed people declined by 1.8 million.
- **Employment Cost Index (ECI) Accelerates:** The ECI indicated that employment costs, including wages and salaries, increased 0.7% during 1Q15 and is up 2.6% Year-over-Year (YoY). This latest reading is likely to convince the Fed that inflation will move higher.
- **Small Business Optimism Falls.** In March, small business confidence declined according to the National Federation of Independent Business (NFIB) Small Business Optimism Index. Since hitting a cycle peak in December 2014, small business owners have reported weaker economic conditions to start 2015.
- **Consumer Confidence Increases.** According to the Consumer Board Consumer Confidence Index, U.S. consumer confidence increased in March mainly due to an improved short-term outlook for labor and earnings prospects.
- **The Leading Economic Index (LEI) Increases.** The LEI increased 0.2% in March following a downwardly revised 0.1% rise in February. The labor market and interest rate spread added the largest gains to the LEI, offsetting declines within building permits, ISM new orders and manufacturing sectors.
- **Retail Sales Increase.** Following three consecutive monthly declines, retail sales increased 0.9% during March. This represented the largest monthly increase since March 2014. The rebound suggests early spending weakness was temporary and likely attributed to poor weather conditions. Contributing to the increase was a 2.7% increase in motor vehicle and parts sales and a 2.1% increase in sales of building materials. Both fell roughly 2.0% in February.
- **CPI Rises.** Similar to February, the headline CPI increased 0.2% in March. Outside food and energy, core prices also rose 0.2% during the month. The costs of clothes, cars, housing and medical care increased, while the costs of food and airfare declined. Core prices have risen 1.8% in the past year.
- **Industrial Production Declines.** Driven by a decline in utilities production (natural gas and electricity), industrial production dropped 0.6% in March from the prior month. Despite the fall, factory output was up for the first time since November 2014.
- **Factory Orders Rise:** A rebound in automobile orders and rise in defense spending primarily accounted for a 2.1% increase in factory orders in March.
- **Durable Goods Orders Increase.** Driven by demand for automobiles, commercial jets and military hardware, U.S. durable goods orders exceeded consensus estimates and increased 4.0% in March. Despite the increase, economists have concerns regarding the data, since the increase was mostly due to a rise in transportation orders and reflected weakness in business equipment investment.
- **International Trade Disrupted:** The U.S. trade deficit increased to \$51.4 billion in March from \$35.9 billion in the prior month. Due to earlier 2015 work stoppages at U.S. West Coast ports, imports fell \$18 billion in January and February, but increased by \$16 billion in March. Exports, falling nearly \$9 billion in January and February, only rebounded slightly in March, increasing by \$1.5 billion.

Employment

The labor market softened in March. Hiring slowed considerably as 126,000 jobs were created, which was the weakest growth since December 2013. Consensus estimates, per Bloomberg, called for the addition of 245,000 jobs. In addition, job gains were revised downwards by 69,000 during the prior two months. The March gain ended a streak of 12

consecutive months where at least 200,000 jobs were added to U.S. payrolls. During 1Q15, a monthly average of 197,000 non-farm jobs were created, which was considerably less than the 2014 monthly output of 260,000 jobs. Despite the lag, job creation slightly exceeded the totals recorded during 1Q14. Non-farm employment totaled about 141.1 million in March, which is up 0.4% from 2014. Some analysts attributed the moderation in job creation to difficult winter weather conditions in many parts of the country.

Employment gains were broad-based during 1Q15, as the education & health services (137,000), trade, transportation & utilities (128,000), leisure & hospitality (107,000) and professional and business services (102,000) sectors added the largest numbers of jobs.

Despite the hiring moderation, the unemployment rate held steady at 5.5% in March, remaining at its lowest level since May 2008. Still, the March labor force shrank by 96,000, which is a sign of underlying weakness. Also of concern, the labor force participation rate edged down to 62.7%, the lowest figure since the late 1970's. March wage growth remained modest during and is up 2.1% from a year ago. In addition, the average hourly workweek declined slightly during.

US Non-Farm Employment by Industry

Historic and Current Figures (thousands)

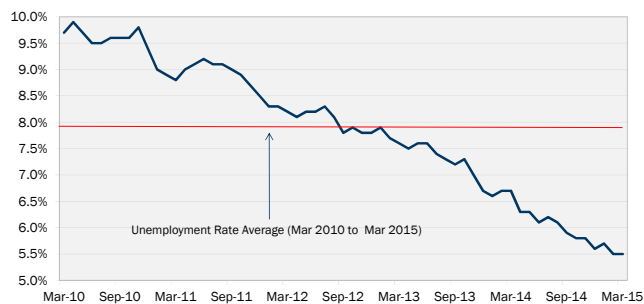
United States Non-Farm Employment by Industry							
Historic & Current Figures (thousands)							
Industry	2015 Employment	Total Percent	2014 Employment	Total Percent	2013 Employment	Total Percent	% Change 2014-2015
Mining and Logging	884	0.6%	913	0.6%	871	0.6%	-3.2%
Construction	6,344	4.5%	6,275	4.5%	5,937	4.3%	1.1%
Manufacturing	12,319	8.7%	12,301	8.7%	12,086	8.8%	0.1%
Trade, Trans & Utilities	26,797	19.0%	26,669	19.0%	26,159	19.0%	0.5%
Information	2,782	2.0%	2,767	2.0%	2,724	2.0%	0.5%
Financial Activities	8,083	5.7%	8,049	5.7%	7,914	5.8%	0.4%
Prof & Bus. Services	19,541	13.8%	19,439	13.8%	18,735	13.6%	0.5%
Educ. & Health Services	21,855	15.5%	21,718	15.4%	21,230	15.4%	0.6%
Leisure & Hospitality	15,055	10.7%	14,948	10.6%	14,466	10.5%	0.7%
Other Services	5,625	4.0%	5,611	4.0%	5,526	4.0%	0.2%
Government	21,898	15.5%	21,902	15.6%	21,828	15.9%	0.0%
Total Nonfarm	141,183	100.0%	140,592	100.0%	137,476	100.0%	0.4%

Source: Bureau of Labor Statistics

March marked the seventh consecutive month that the unemployment rate registered below 6.0% as seen in the graph below.

US Non-Farm Employment by Industry

Historic and Current Figures (thousands)



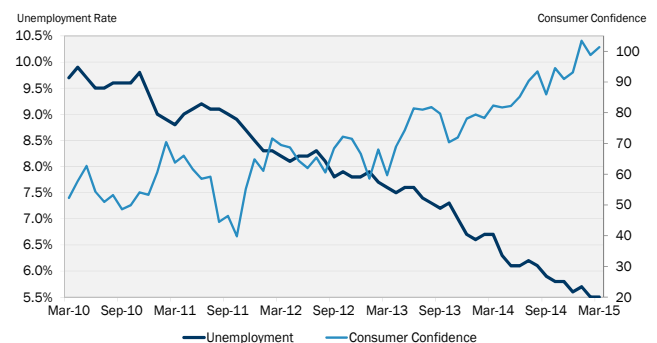
Source: Bureau of Labor Statistics

The Conference Board Consumer Confidence Index is closely correlated with the U.S. unemployment rate and is considered a key indicator of economic conditions. In January, consumer confidence increased almost 11 points to its highest monthly level since the recession. After falling in February, consumer confidence increased 2.5 points in March, primarily due to an improved short-term outlook for income and employment prospects; however, consumer's view of current conditions declined for the second straight month, an indication that growth possibly softened during 1Q15. The Thomson Reuters/University of Michigan Index reported that consumer confidence fell slightly in March, but still remains favorable.

Below is a graph depicting unemployment rates and consumer confidence since March 2010.

U.S. Unemployment Rate vs. Consumer Confidence

Historic and Current Figures (thousands)



Source: Bureau of Labor Statistics; Conference Board

Gross Domestic Product (GDP)

The GDP growth rate is considered the most important indicator of economic health. When the GDP is growing, the expectation is that businesses, jobs and personal income will also grow. On the contrary, if GDP is contracting, expectations are that businesses will hold off investing in new purchases and hiring new employees as they wait to see if the economy will improve.

The advance 1Q15 GDP estimate showed that U.S. economic growth slowed sharply from the prior quarter and expanded at a seasonally adjusted annual rate of 0.2%. Consensus estimates pegged growth at 1.0%. Economists attributed the weak reading to several factors, including: a) adverse weather conditions, b) the lingering effects resulting from West Coast port disruptions (although a tentative agreement was reached in February), c) the mixed impact of cheaper oil, d) the strong dollar's negative effect on exports, and e) slow growth overseas (specifically in China).

The 1Q15 weak GDP number is consistent with trends seen during the past several years. Between 2010 and 2014, average annualized first quarter GDP growth has registered 0.6%, which considerably lagged the average 2.9% growth rate for the second, third and fourth quarters combined.

1Q15 GDP Key Statistics

Weakening Metrics

- Growth in consumer spending, accounting for an estimated two-thirds of U.S. economic activity, slowed to a 1.9% pace during 1Q15, down from 4.4% during the prior quarter.
- Non-residential fixed investment (business spending), consisting of spending on equipment, software, research and structures, decelerated to a 3.4% growth rate during 1Q15 from a 4.7% increase during 4Q14.
- Resulting from a stronger U.S. dollar during 1Q15, trade was constrained and the deficit increased, which resulted in cheaper foreign products in the U.S. and more expensive domestic products overseas. As a result, exports declined at a rate of 7.2% and imports increased rate of 1.8% during 1Q15. Exports have now fallen in four consecutive months as the dollar has gained more than 20% since the end of June and overseas growth remains uneven.
- Spending on non-residential structures fell 23.1%, the fastest pace of decline in four years and first decrease since 1Q13.
- Corporate fixed investment declined at a 2.5% annualized pace, the weakest output since the end of 2009. Growth of 4.5% was achieved during 4Q14.

Strengthening Metrics

- Following a 7.3% decline during 4Q14, federal government spending rebounded and expanded at a 0.3% rate.
- Inventories unexpectedly increased from \$80.0 to \$110.3 billion since the prior quarter, contributing slightly to positive growth.

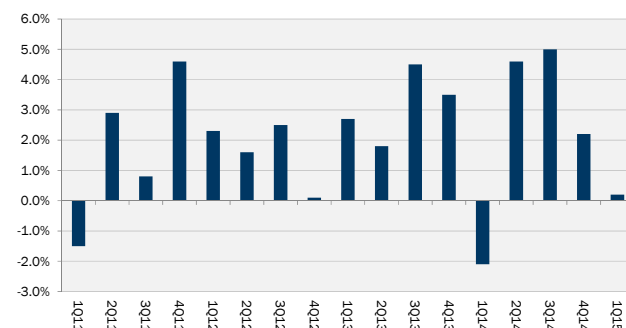
A Brief Look Ahead

Similar to past years, consensus estimates from leading economists predict a rebound in GDP during 2Q15, as issues such as adverse weather and slowdowns in shipping, resulting from the West Coast port dispute, dissipate in conjunction with increased consumer spending and an accelerating labor market.

The following chart summarizes U.S. GDP growth since 1Q11.

Gross Domestic Product

Quarter-to-Quarter Growth in Real GDP



Source: Bureau of Economic Analysis

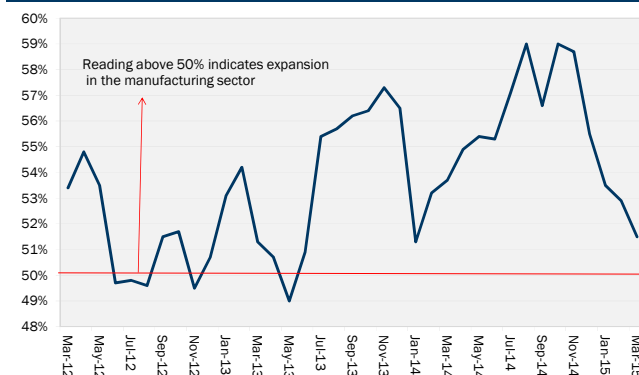
Institute for Supply Management (ISM) Manufacturing Index

The ISM index, a national survey of purchasing managers, is calculated based on a weighted average of the following five sub-indices: new orders (30%), production (25%), employment (20%), deliveries (15%) and inventories (10%).

According to the March 2015 report, the manufacturing sector expanded at its slowest pace in almost two years. Purchasing managers indicated that numerous challenges impacted their respective businesses, including a) the higher costs of healthcare premiums, b) residual effects from difficult winter conditions, c) lingering delays in shipments from West Coast ports, d) the effect of the stronger U.S. dollar on international business and e) weaker foreign demand.

The graph below shows fluctuations within the PMI since March 2012.

Purchasing Manager's Index (PMI)



Source: Institute for Supply Management

The following summarizes key components of the ISM Index.

- **Purchasing Managers' Index (PMI).** A reading above 50.0% indicates that the manufacturing economy is generally expanding; below 50.0% indicates that it is generally contracting. Manufacturing slowed in March, but has averaged 55.0% during the past 12 months, ranging from 51.5% to 58.1%.
- **New Orders Index.** A New Orders Index above 52.1%, over time, is generally consistent with an increase in the Census Bureau's series on manufacturing orders. The New Orders Index declined 0.7% in March to 51.8%.
- **Production Index.** An index above 51.0%, over time, is generally consistent with an increase in the Federal Reserve Board's industrial production figures. The index increased 0.1% in March to 53.8%, indicating growth for the 31st consecutive month.
- **Employment Index.** An Employment Index above 50.6%, over time, is generally consistent with an increase in manufacturing employment. A 1.4% decrease was recorded in March, sending the index down to 50.0%, following 21 consecutive months of growth in employment.
- **Supplier Deliveries Index.** A reading above 50% indicates slower deliveries. The delivery performance of suppliers to manufacturing organizations slowed to 50.5% in March from 54.3% in February.
- **Inventories Index.** An Inventories Index greater than 42.7%, over time, is generally consistent with expansion in the Bureau of Economic Analysis' (BEA) figures on overall manufacturing inventories. A 1.0% decline to 51.5% was recorded in March, indicating that raw material inventories are growing for the third consecutive month.

Construction Spending

The U.S. Census Bureau of the Department of Commerce reported that U.S. construction spending fell to a six-month low in March, primarily due to declines in home building and government projects. Total construction activity, estimated at a seasonally adjusted rate of \$966.6 billion, was 0.6% below the revised February estimate of \$972.9 billion. During 1Q15, construction spending totaled nearly \$207 billion, representing a 3.65% increase from the same period last year.

Private Construction

- Comprising 73.0% of total construction expenditures, private construction spending decreased 0.3% during March from the prior month, as residential construction fell 1.6% and non-residential spending increased 1.0%.

- New single- and multi-family construction fell 1.8% and 2.1%, respectively, during March, accounting for much of the weakness.
- On the positive, total private construction expenditures increased 2.9% YoY, led by a 9.0% increase in non-residential building.
- During the past 12 months, notable spending activity increases occurred within the following non-residential sectors: manufacturing (50.7%), office (+26.3%), lodging (+22.4%) and commercial (12.1%). Additionally, new single- and multi-family expenditures increased 7.8% and 23.4%, respectively.

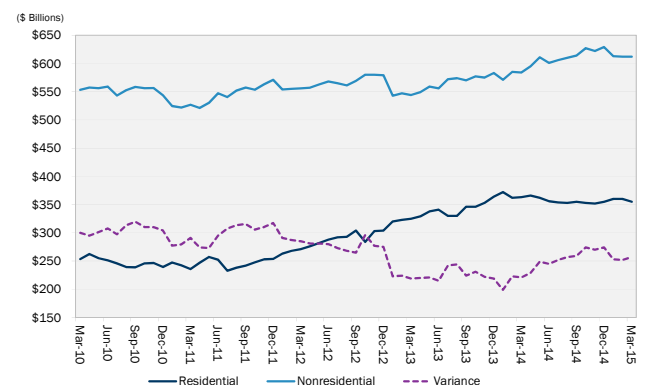
Public Construction

- Comprising 27.0% of total construction expenditures, public construction outlays decreased 1.5% during March from the prior month. Spending on government projects declined for the third straight month.
- During the past 12 months, public construction expenditures fell by a more modest 0.6%. Leading public sectors, such as highway and street (-5.6%), education (-3.1%) and transportation (+5.4%), showed mixed spending results YoY.

The following chart highlights annualized residential and non-residential construction (seasonally adjusted) since March 2010. The graph indicates that the pace of construction activity has generally moved little during the past several quarters. Although the economic downturn initially affected residential construction industry more significantly, spending rebounded within the sector at a faster pace than for non-residential properties. As a result, the variance in spending between the sectors fell to \$199 billion in early 2014; however, the pace of non-residential construction has since increased at a faster pace, increasing the variance to \$257 billion as of March 2015.

U.S. Construction Spending

Value of Construction Put in Place - Seasonally Adjusted Annual Rate



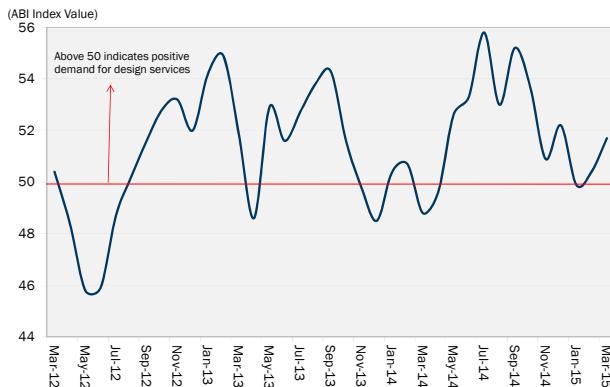
Source: U.S. Census Bureau

The Architecture Billings Index (ABI)

The Architecture Billings Index (ABI) is a diffusion index derived from the monthly Work-on-the-Boards survey, conducted by the American Institute of Architects (AIA) Economics & Market Research Group. The ABI is a leading economic indicator of non-residential construction activity, reflecting an approximate nine to twelve month lag time between architecture billings and construction spending. Any measure below 50 indicates contraction in demand for architects' services.

- The ABI rebounded in March, increasing to 51.7 from 50.4 during the prior month. The index score for new design contracts increased to 52.3 after no change occurred in February and inquiries for new projects showed a healthy gain.
- According to survey participants, key takeaways from the construction industry include: a) construction costs remain at all-time high levels, b) business conditions are gaining momentum for larger firms and c) building sustainability concerns are a high priority for the majority of architecture firm's clients.
- Architectural firm billings were soft in the Northeast (45.8), but remained strong in the West (50.4), Midwest (51.0) and South (54.5). Positive growth was reported in the institutional (53.2), commercial/industrial (53.0) and residential (49.7) sectors.

Architectural Billings Index (ABI)



Source: The American Institute of Architects

State of the Housing Market

After a difficult few months, marked by harsh weather conditions, several housing market indicators were encouraging in March. The National Association of Realtors reported existing home sales increased 6.1% in March (from the prior month) to a seasonally adjusted 5.19 million unit annualized rate, as low interest rates and increased buyer confidence helped spur more activity. Existing home sales, at their highest level in 18 months, jumped YoY for 6 consecutive months and are about 10% above the levels recorded during

this time last year. Yet, there are a limited number of homes on the market, reducing options for potential buyers. Nationwide, the number of homes for sale is equivalent to 4.6 months of sales, which is below the six months that is usually available in a healthy housing market. In addition, it was reported that the median existing home price increased nearly 8.0% from the March 2014 level, representing the 37th consecutive month of YoY price gains and the biggest gain since February 2014.

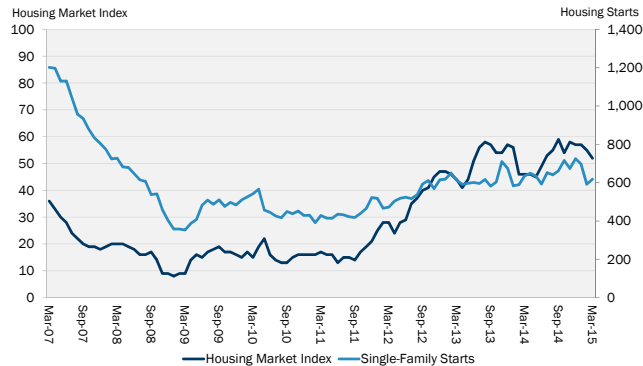
Below are additional key points pertaining to the housing market.

- Unlike the increase in existing home sales, new home sales fell 11.4% during March. Although volatile during the past several months, new home sales were still higher in 1Q15 than in 1Q14.
- According to Freddie Mac, the average commitment rate for a 30-year, conventional, fixed-rate mortgage stood at 3.77%, keeping it below 4.0% for the fourth straight month.
- Housing starts increased 2.0% to an adjusted annual pace of 926,000 units, which is well below consensus estimates of a 1.04 million-unit pace. Driving the disappointing output was a 2.5% fall in the multi-family segment. Groundbreakings for single-family homes increased 4.4% in March. In February, housing starts fell around 15.0% due to adverse weather conditions.
- In March, building permits (an indicator of future construction activity) for single-family homes increased 2.1%, which was in sharp contrast to a 15.9% fall for multi-family permits.
- According to RealtyTrac, 1Q15 foreclosure filings (default notices, scheduled auctions and bank repossessions) declined 7.0% from the prior quarter to the lowest quarterly total since 1Q07. Still, the firm reported that bank repossessions in March were at a 17-month high.
- The S&P/Case-Shiller U.S. National Home Price Index reported a 4.2% annual gain in February. Metro areas reporting the largest annual gains included Denver and San Francisco. The widely quoted 20-city home price index increased 5.0% YoY, accelerating at the fastest annual pace in six years.
- Distressed transactions (foreclosures and short sales sold at deep discounts) declined from 14% to 10% during the past 12 months.
- Lawrence Yun, NAR Chief Economist, stated, "The modest rise in housing supply at the end of the month despite the strong growth in sales is a welcoming sign. For sales to build upon their current pace, homeowners will increasingly need to be

confident in their ability to sell their home while having enough time and choices to upgrade or downsize. More listings and new home construction are still needed to tame price growth and provide more opportunity for first-time buyers to enter the market.”

Below is a historical chart comparing the NAHB/Wells Fargo Housing Market Index and single-family starts.

NAHB/Wells Fargo Housing Market Index



Source: NAHB/Wells Fargo; U.S. Census Bureau

In March, builder confidence in the market for newly-built, single-family homes fell slightly as two index components (buyer traffic and current sales conditions) declined slightly and the index component charting sales expectations in the next six months held steady. Looking at the three-month moving averages for regional HMI scores, the Northeast and South declined slightly, the West fell moderately and the Midwest increased slightly. NAHB Chief Economist, David Crowe, commented, “The drop in builder confidence is largely attributable to supply chain issues, such as lot and labor shortages as well as tight underwriting standards. These obstacles notwithstanding, we are expecting solid gains in the housing market this year, buoyed by sustained job growth, low mortgage interest rates and pent-up demand.”

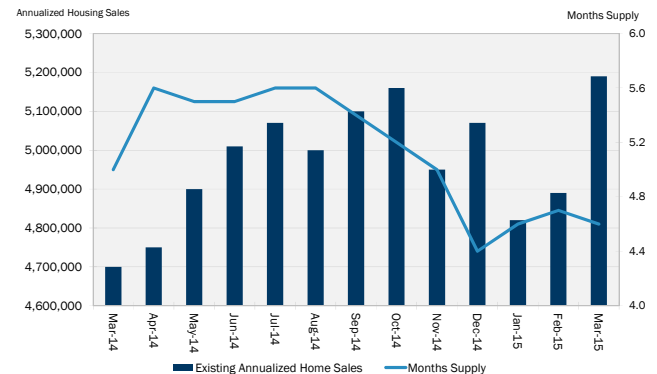
Housing Sales and Inventory

Sales of existing homes increased 6.1% in March to a seasonally adjusted annual rate of 5.19 million and are 10.4% above the pace set last year. YoY sales activity increased 12.1% in the Midwest, 11.7% in the South, 11.3% in the West and 1.6% in the Northeast regions. The median time on the market for an existing home was 52 days in March, down from 55 days recorded at this time last year. It was estimated that 40.0% of all homes sold in March were on the market for less than one month and short sales were on the market for a median of 165 days. First-time buyers accounted for 29.0% of the March purchases, similar to the figure posted last year. All cash sales comprised 24.0% of the March transactions, down from 33.0% a year earlier. The total inventory of existing homes available for sale increased slightly to 2.0 million at the end of March.

Below is a breakdown of existing annualized housing sales vs. supply during the past year.

Housing Sales

Existing Annualized Housing Sales vs. Monthly Supply



Source: National Association of Realtors

PwC Real Estate Investor Survey

- Institutional and private investors surveyed for the 1Q15 PwC Real Estate Investor Survey reported that overall cap rates (OARs) declined in twenty-four, held steady in five and increased in five of the survey's 34 tracked markets. OAR's decreased 1 BP across nearly all major property types since 4Q14. Overall cap rates declined 22 basis points (BPS) from 1Q14 to 1Q15.
- Terminal cap rates decreased to 6.90% during 1Q15, marking the 12th consecutive monthly decline. The average decline was 1 BP across nearly all major property types since 4Q14. Terminal cap rates declined 20 BPS from 1Q14 to 1Q15.
- Discount rates (IRR) decreased 5 BPS across nearly all major property types during 1Q15 to 7.82%. The average decline was 5 BPS across nearly all major property types since 4Q14. Discount rates declined 35 BPS from 1Q14 to 1Q15.

1Q15 Survey Highlights

- OARs remained steady in one, increased in one and declined in six major commercial property types during 1Q15; the flex/R&D (8 BPS), warehouse (5 BPS), CBD office (5 BPS) and strip shopping center (5 BPS) sectors recorded the largest declines; the regional mall sector recorded a 17 BPS increase. Also of note, medical office buildings recorded a 29 BPS decline during the quarter, as investors described the market as very competitive for high-end assets due to their limited availability.

- As of 1Q15, flex/R&D properties had the highest average OARs at 7.45%, followed by the strip center (7.00%) and suburban office (6.64%) sectors. The lowest average OARs were recorded within the apartment (5.36%), warehouse (5.77%) and CBD-office (6.11%) sectors. The simple average OAR across all sectors was 6.41%.
- Terminal cap rates decreased in five, held steady in one and increased in two major commercial property sectors during 1Q15. The largest decreases were recorded within the warehouse (11 BPS) and apartment (7 BPS) sectors. The regional mall and suburban office sectors recorded increases.
- As of 1Q15, flex/R&D properties had the highest terminal capitalization rate at 7.75%, followed by the suburban-office (7.33%) sector. The lowest terminal capitalization rates were recorded within the apartment (5.96%), warehouse (6.38%) and CBD-office (6.59%) sectors. The simple average terminal capitalization rate across all sectors was 6.90%.
- IRRs decreased in five, held steady in one and increased in two major commercial property sectors during 1Q15. The largest decreases were recorded within the flex/R&D (20 BPS), suburban office (14 BPS) and power center (10 BPS) sectors. No change was recorded within the warehouse sector.
- As of 1Q15, flex/R&D properties had the highest IRR at 8.63%, followed by the regional mall (8.19%) sector. The lowest IRR was recorded within the warehouse (7.17%) sector and the simple average across all sectors was 7.82%.

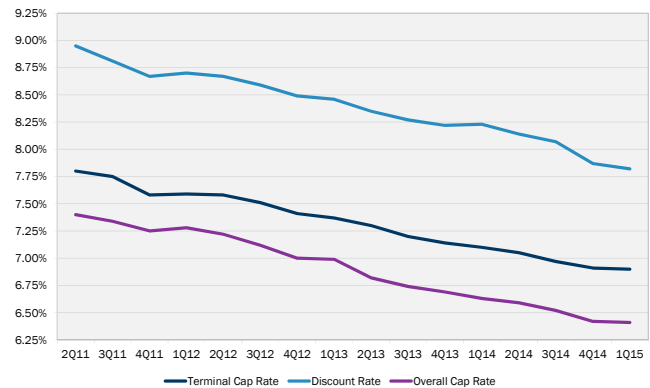
Additional 1Q15 Report Insights

- The 1Q15 PwC Real Estate Investor Survey indicated that heightened competition among buyers exists for commercial assets, as funds seek opportunities to park large amounts of capital.
- The office sector is reported to have the strongest competition for prime assets, driven by foreign capital and pension fund money focused on acquiring office assets.
- An aggressive buying environment is seen within the apartment, retail and industrial sectors, especially for well-located assets with stable rent rolls.

Simple averages of overall capitalization, terminal capitalization and discount rates are presented in the following table. The averages reflect the following property types: industrial (flex/R&D, warehouse), office (central business district (CBD) office, suburban office), apartment and retail (strip center, regional malls and power centers).

PwC Real Estate Investor Survey Historical Results

Investment Rate Analysis

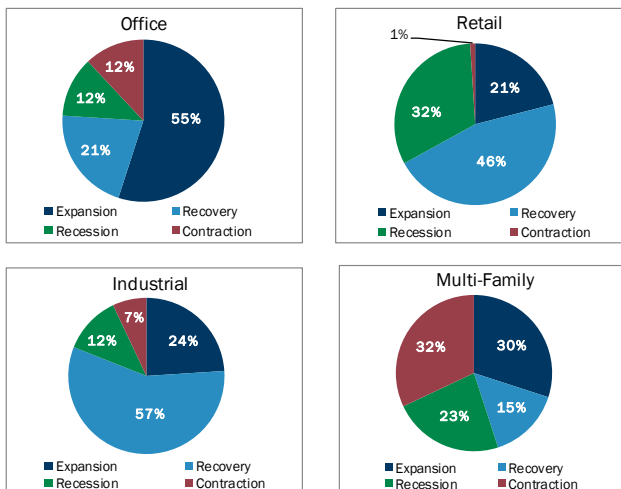


PwC Real Estate Barometer

- The PwC Real Estate Barometer was introduced as a system for analyzing historical/forecasted commercial real estate data within the four major property types.
- The barometer indicates where a major property type is positioned within the real estate cycle in a major U.S. metropolitan area. The real estate cycle consists of the following four phases:
 - Contraction:** softening market conditions following the market peak
 - Recession:** following contraction, a period of very low demand, high vacancies and negative rental growth
 - Recovery:** tightening market conditions following the market bottom
 - Expansion:** following recovery, a period of strong demand, low vacancies and robust rental growth
- For 2015, approximately 55.0% of the tracked U.S. office markets are expected to be in the expansion phase and 21.0% in the recovery phase. Improving market fundamentals, driven by job growth, are expected to drive the majority of office markets into the expansion phase during the next several quarters. Suburban areas in prime locations are attracting more buyers and are strengthening.
- Almost 67.0% of the tracked U.S. retail markets are in expansion and recovery phases as of early 2015. Grocery-anchored centers continue as desirable assets, while big-box retailers and regional malls continue to face increased competition from e-retailers.

- Currently, roughly 80.0% of tracked U.S. industrial markets are in the recovery or expansion phases of the real estate cycle. Demand is expected to remain steady during the next several quarters, keeping most of the tracked industrial assets in a state of growth.
- Recovery and expansion occurred first within the multi-family sector following the recession. As a result, this asset class shows the highest level of bifurcation for 2015. Approximately one-third of all areas are still expanding, but another third of the areas are beginning to contract. Still, market fundamentals within the multi-family sector are strong, characterized by low vacancy rates, steady demand and rental rate appreciation.

Below is a snapshot of each major property type as of 1Q15.



Moody's/RCA Commercial Property Price Index (CPPI)

The Moody's/RCA Commercial Property Price Index (CPPI) is a periodic same-property investment price change index of the U.S. commercial investment market based on Real Capital Analytics (RCA) data. RCA collects price information for every commercial property transaction in the U.S. that is over \$2,500,000. The CPPI is widely followed by economists and researchers and is used to understand the movement of U.S. commercial real estate prices. The index tracks same-property realized round-trip price changes based purely on the documented prices in completed, contemporary property transactions. The methodology is an extension of market-accepted regression-based, repeat-sales indices and uses no appraisal valuations.

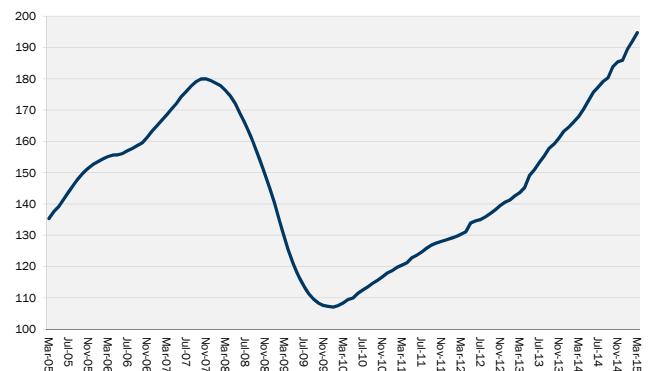
- Following a 1.4% increase in February, the National All-Property Composite Index ("The Index") jumped another 1.4% in March. The Index is now 8.0% above the pre-crisis peak set in late 2007. During the past three months, core commercial prices outgained apartment prices (4.8% vs. 4.5%).

- During 1Q15, industrial (+5.8%), CBD-office (+5.6%) and retail (+5.5%) witnessed the strongest price gains. Prices increased 2.4% within the suburban office sector, lagging The index average price change of 4.7%.
- During the past 12 months, industrial properties were the best performing asset type, returning 18.7%. Returns within the office (+16.8%) and apartment (+16.4%) sectors slightly exceeded The Index returns. Retail assets (+11.5%) underperformed during the past 12-month period.
- During the past three months, pricing increased faster within major markets (+5.9%) than in non-major markets (+3.7%), a trend similar to the prior 12-month period.
- Major market prices exceeded the 2007 pre-crisis peak level by roughly 24.0% in comparison to non-major market prices, which are still 4.5% below pre-crisis peak levels.
- The National All-Property Composite Index has recovered 120.0% of its post-crisis loss. Apartment (+171.5%) and CBD-office (+154.0%) assets lead all commercial sectors in price recovery since bottoming in late 2009/early 2010. Price recovery within the industrial (+102.0%), retail (+77.0%) and suburban office (+71.0%) sectors continues, albeit at a slower pace than the national average.

Below is a graph detailing changes within the CPPI since March 2005

Moody's/RCA Commercial Property Price Index

National Index – All Properties



Below is a chart illustrating annual price returns for the primary sectors within the CPPI since 2013.

Moody's/RCA CPPI			
Annual Returns 2013 to 1Q15 by Sector/Type			
	2013	2014	1Q15
Industrial	9.7%	15.4%	5.8%
Office	17.9%	13.9%	4.1%
CBD	19.7%	13.2%	5.6%
Suburban	15.9%	14.7%	2.4%
Retail	22.2%	6.5%	5.5%
Apartment	13.5%	14.8%	4.5%
Major Markets	16.6%	13.8%	5.9%
Non-Major Markets	16.0%	12.2%	3.7%
National All-Property	9.0%	16.3%	4.7%

Green Street Commercial Property Price Index

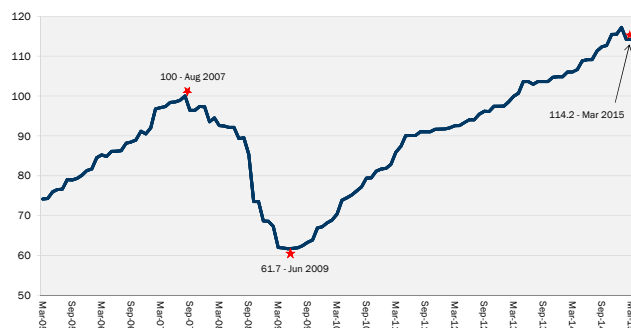
Green Street's Commercial Property Price Index is a time series of unleveraged U.S. commercial property values that captures the prices at which commercial real estate transactions are currently being negotiated and contracted. Features that differentiate this index are its timeliness, emphasis on institutional quality properties, and ability to capture changes in the aggregate value of the commercial property sector.

The Green Street Commercial Property Price Index was unchanged in March. Still, property values have trended upward during the past year and prices of institutional-quality commercial real estate are estimated to be approximately 15% above the prior peak levels reached in 2007. The report noted that downward pressure on cap rates, low interest rates and available debt capital have created an environment conducive to property appreciation.

Below is a graph detailing changes since March 2005.

Green Street Commercial Property Price Index

National Index – All Properties



Commercial Property Sales Analysis

After a flurry of activity to end 2014, marked by the highest quarterly sales output since 4Q07, investors again had a strong desire to acquire assets for their growing portfolios to start 2015. Propelled by the lure of higher yields in relation to other investment vehicles, the abundance of capital for deal making and a high risk tolerance, Real Capital Analytics reported that investors drove 1Q15 sales volume to \$124.3 billion (excluding commercial land). This represented a 47.0% YoY increase. Annualized, investment sales volume is projected to reach nearly \$500 billion in 2015, which would represent 23.0% and 45.0% increases, respectively, from the prior two years. Helping to drive activity, portfolio and entity-level transactions accounted for about 37% of total sales volume.

Below we take a look at sales activity by product type.

- **Apartment:** Sales activity reached \$33.0 billion during 1Q15, an increase of nearly 70.0% YoY. Although garden apartment transactions accounted for 60.0% of total activity, sales of mid- and high-rise apartments accelerated at a faster rate YoY. Annualized, sales volume is projected to reach \$132 billion in 2015, a 17.0% increase from 2014.
- **Retail:** Sales of retail assets totaled nearly \$24 billion during the first three months of 2015, a 5.0% YoY increase. Driving activity, sales of individual assets jumped 16.0% and investment dollars spent on regional mall assets increased nearly 200.0% YoY. The mall/other retail sector accounted for nearly 66.0% of total sales volume during 1Q15. Annualized, sales are projected to increase 14.0% to \$84 billion.
- **Office:** Roughly \$33.5 billion of office sales activity closed during 1Q15, which is 43.0% ahead of the last year's pace and is the highest output among the commercial sectors. Investors were more active in the suburbs, where investments increased 66.0% YoY, as opposed to the 22.0% YoY increase within CBD markets. Annualized, sales are projected to reach nearly \$134 billion in 2015, representing the highest output since 2007.
- **Industrial:** The pace of industrial sales volume increased 97.0% YoY, which is the highest among the commercial property types. Driving the \$21.0 billion of 1Q15 activity was the increase in portfolio and entity-level transactions, which accounted for 58.0% of total activity. It was reported that Blackstone sold their wholly-owned U.S. industrial platform, IndCor Properties, to affiliates of GIC, Singapore's sovereign wealth fund, for \$8.1 billion.

Annualized, industrial sales volume is projected to reach \$84 billion in 2015, a 57.0% increase.

- **Hotel:** Investors were bullish on hotel assets during 1Q15, as investment volume recorded a 68.0% YoY increase to reach nearly \$13.0 billion. Driving the spike in activity was a push by investors to acquire limited service hotels, which increased 115.0% YoY. Still, full-service hotels accounted for 65.0% of hotel sale volume. Annualized, hotel sales volume is projected to reach almost \$52 billion, a 50.0% increase from 2014 activity and the highest annual volume since 2007.

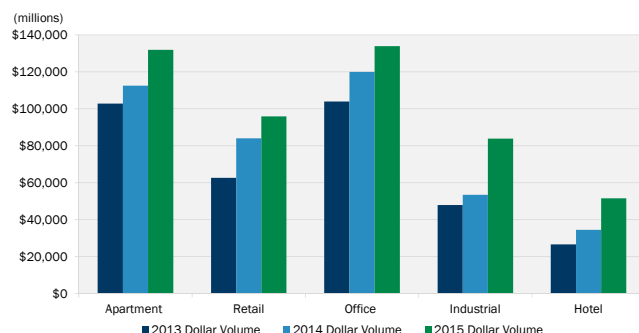
A Brief Look Ahead

- The pace of portfolio and entity-level deals is likely to remain strong, as it was announced after the first quarter ended that Blackstone and Wells Fargo had signed agreements to purchase most of the assets of GE Capital Real Estate in a transaction valued at \$23 billion. Additionally, Prologis, the world's largest owner of industrial real estate, and joint venture partner Norges Bank Investment Management, agreed to acquire KTR Capital Partners for \$5.9 billion. KTR reportedly owns approximately 70 million square feet concentrated in California, New Jersey, Chicago, South Florida and Texas.

2013 to 2015 sales transaction activity by property type is summarized in the below table.

Investment Sales Activity

Dollar Value of Sales Transactions by Property Type



Source: Real Capital Analytics: 2015 volume annualized based on 1Q15 data

In addition to the preceding data, we have also analyzed RCA historical sales activity by buyer type.

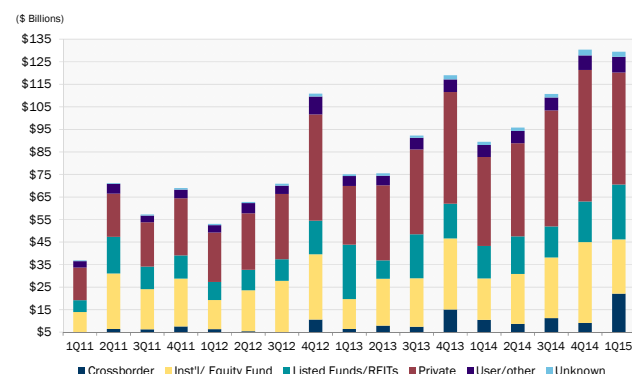
- Cross border investors increased volume considerably during 1Q15 and accounting for a 17% market share. This group posted average quarterly transaction of \$8 billion from 2011 to 2014; however, 1Q15 activity, which is up significantly, reached \$22 billion.
- Although private buyers continued as the most active buyers of real estate, their share of total real estate

investment activity declined to 38.0% in 1Q15 from 45% in 2014.

- Since 2014, the market share for institutional/equity buyers has declined from 24.0% to 19.0%.
- During the first three months of 2015, listed Funds/REITs accelerated acquisitions, recording \$24 billion of volume during 1Q15. During 2014, a quarterly average of \$16 billion was recorded. As a result, market share has increased from 15.0% to 19.0%.

Investment Sales Activity

Summary of Transactions by Buyer



Source: Real Capital Analytics

Distressed Sales

- The percentage of commercial sales associated with distress, approximately 1.9%, fell for the sixth consecutive quarter in 1Q15. This represents the lowest level since 1Q08.
- Historically, RCA reported that the percentage of sales associated with distress peaked at nearly 21.0% towards the end of 2010.
- During 1Q15, about 4.0% of hotel sales involved distressed properties, the highest among the major property types; however, this is considerably lower than the prior four-quarter moving average of 8.2%.
- Distress associated with office sales fell 200 BPS to 1.8% since last quarter. At this time last year, 10.0% of all office sales were associated with distress.
- Only 1.4% of the 1Q15 industrial sale transactions were associated with distress, tied with the apartment sector for the lowest quarterly percentage among the property types. During 1Q14, 8.2% of industrial sales transactions were associated with distress.
- Distress associated with apartment sales fell for the third consecutive quarter to 1.4%. The prior four-quarter moving average was 3.3%.

- Distress associated with retail sales fell 80 BPS since 4Q14 to 2.1%, representing the lowest level of distress since 4Q08.

Below is a chart detailing the percentage of sales associated with distress during the past three years.

% of Sales Associated with Distress (Sales in Billions)				
	Non-Distress	Distress	% of Total	% Change
1Q12	\$47.60	\$6.35	11.8%	-1.6%
2Q12	\$55.79	\$8.24	12.9%	1.1%
3Q12	\$65.25	\$8.24	11.2%	-1.7%
4Q12	\$109.80	\$6.99	6.0%	-5.2%
1Q13	\$71.67	\$6.35	8.1%	2.1%
2Q13	\$71.05	\$6.10	7.9%	-0.2%
3Q13	\$87.38	\$8.20	8.6%	0.7%
4Q13	\$113.09	\$9.84	8.0%	-0.6%
1Q14	\$85.57	\$6.05	6.6%	-1.4%
2Q14	\$94.19	\$4.59	4.6%	-2.0%
3Q14	\$113.88	\$4.35	3.7%	-1.0%
4Q14	\$130.54	\$3.87	2.9%	-0.8%
1Q15	\$130.34	\$2.46	1.9%	-1.0%

Source: RCA (Excludes Casinos)

Significant 1Q15 Sales Transactions

The following tables summarize noteworthy sales executed during 1Q15 in the major commercial real estate sectors.

Office Sale Transactions				
Address/Name	City, State	Size (SF)	Sale Price (\$ mil)	Buyer(s)
1095 Avenue of the Americas	New York, NY	1,200,000	\$2,200.0	Ivanhoe Cambridge, Inc. & Callahan Capital Properties
180 Maiden Lane	New York, NY	1,192,893	\$470.0	MHP Real Estate Services LLC & Clarion Partners
1801 K Street NW	Washington DC	563,795	\$445.0	Mirae Asset Global Investments
55 East Monroe Street	Chicago, IL	1,242,360	\$367.3	Prudential Real Estate Investors
13031 W Jefferson Boulevard	Los Angeles, CA	399,373	\$316.0	Invesco Real Estate
25 Massachusetts Avenue NW	Washington DC	385,598	\$307.0	TIAA-CREF & Norges Bank Investment Management
300 South Riverside Plaza	Chicago, IL	1,048,357	\$220.0	World-Wide Holdings Corporation

Source: CoStar

Industrial/Flex Sale Transactions				
Address/Name	City, State	Size (SF)	Sale Price (\$ mil)	Buyer
V Street Industrial Park (10)	Washington DC	820,207	\$115.5	Terreno Realty Corporation
307-315 Westlake Ave N - SBRI Building	Seattle, WA	116,200	\$89.7	Biomed Realty Trust
Memphis Distribution Portfolio (6)	Memphis, TN	2,327,018	\$86.3	WPT Industrial REIT
North Haven Distribution Center (2)	North Haven, CT	823,394	\$57.7	STAG Industrial Management, LLC
12970 Normandy Boulevard	Jacksonville, FL	510,433	\$57.6	Realty Income Corporation
2829-2859 Rohr Road	Groveport, OH	1,199,488	\$50.7	Ares Commercial Real Estate Management
2650 E Queen Creek Road	Chandler, AZ	316,034	\$50.2	Rood Investments

Source: CoStar

Retail Sale Transactions				
Address/Name	City, State	Size (SF)	Sale Price (\$ mil)	Buyer
Springfield Town Center (5)	Springfield, VA	981,399	\$465.0	Pennsylvania Real Estate Investment Trust
Bayside Marketplace (8)	Miami, FL	213,438	\$196.0	Ashkenazy Acquisition Corporation
Midtown Crossing (4)	Los Angeles, CA	315,338	\$186.6	NewTower Trust Company
Tampa Plaza (5)	Northridge, CA	268,362	\$115.0	The Kronen Group
Village Oaks (10)	San Jose, CA	175,000	\$111.0	Donahue Schriber Commercial Real Estate
Shoppes at Knollwood (2)	Saint Louis Park, MN	456,916	\$106.7	Heitman LLC
Norridge Commons (7)	Harwood Heights, IL	332,928	\$75.0	AmCap, Inc.

Source: CoStar

Multi-Family Sale Transactions				
Name	City, State	Units	Sale Price (\$ mil)	Buyer(s)
OneEleven (111 Wacker Drive)	Chicago, IL	504	\$328.2	Heitman LLC
8th & Hope (801 South Hope Street)	Los Angeles, CA	290	\$200.0	Essex Property Trust, Inc.
Monterey at Park (30 Park Avenue)	New York, NY	237	\$179.0	Cammey's & Thor Equities
The Rollin Street Flats	Seattle, WA	208	\$137.8	Stockbridge Real Estate Funds
Union Wharf Apartments	Baltimore, MD	281	\$121.5	J.P. Morgan Investment Management Inc.
Eaves Plainsboro (60 Fox Run Drive)	Plainsboro, NJ	776	\$117.0	Fieldstone Properties, LLC
The Sofi Irvine	Irvine, CA	403	\$111.8	Pacific Urban Residential

Source: CoStar

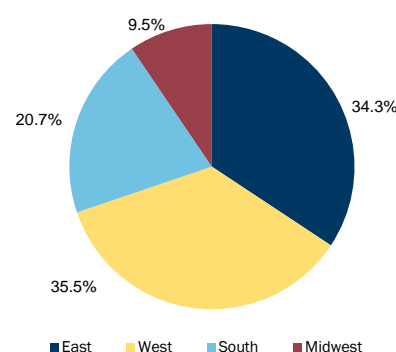
Hospitality Sale Transactions				
Name	City, State	Rooms	Sale Price (\$ mil)	Buyer
Manhattan at Times Square	New York, NY	689	\$535.0	Al Faisal Holding
Montage Laguna Beach	Laguna, CA	250	\$360.0	Strategic Hotels & Resorts, Inc.
Park Central Hotel	San Francisco, CA	681	\$350.0	LaSalle Hotel Properties
James Royal Palm	Miami Beach, FL	393	\$278.0	Chesapeake Lodging Trust
Edition Miami Beach	Miami Beach, FL	294	\$230.0	Abu Dhabi Investment Authority
Hotel Carter	New York, NY	600	\$192.4	The Chetrit Group
The Westin Pasadena	Pasadena, CA	350	\$142.5	Carey Watermark Investors, Inc.

Source: CoStar

NCREIF Property Index

The NCREIF (National Council of Real Estate Investment Fiduciaries) Property Index (NPI) is a quarterly time series composite total rate of return measure of investment performance of individual commercial real estate properties acquired in the private market for investment purposes only. Properties in the NPI are accounted for using market value accounting standards. NCREIF requires that properties included in the NPI be valued at least quarterly using standard commercial real estate appraisal methodology. Each property must be independently appraised a minimum of once every three years. The capital value component of return is predominately the product of property appraisals. When entering the NPI, properties must be 60% occupied; investment returns are reported on a non-leveraged basis and properties must be owned/controlled by a qualified tax-exempt institutional investor or its designated agent.

NCREIF: Regional Composition



NPI General Recap

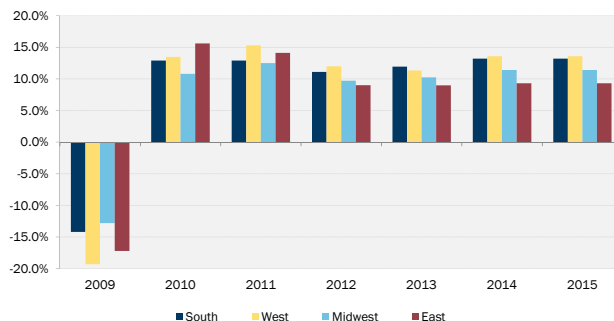
- NCREIF reported a 21st consecutive quarter of positive growth during 1Q15. The NPI total return was 3.57%, comprised of a 1.24% income return and a 2.33% capital appreciation return. This reflects the highest quarterly return since 2Q11.
- Total one-year returns registered 12.7%, exceeding the 11.8% return recorded during 2014.
- William Hughes, the Board Chair of NCREIF commented, "Many investors assumed that commercial real estate pricing had fully recovered from the downturn by the end of 2014. The market has shown that there are still pricing gains available, as cap rates continued to fall during the first quarter. Combined with rising occupancy, these pricing gains led to another quarter of significant appreciation and high total return."

NPI Annualized Returns by United States Region

- Spreads between the best and worst performing regions widened during 1Q15, registering 241 BPS (4.93% vs. 2.52%). The spread was 162 BPS (4.31% vs. 2.69%) last quarter.
- 1Q15 returns increased within all four regions of the U.S.
- Price appreciation in the East again trailed the other regions, returning 2.99% during 1Q15. The current return was comprised of 1.12% income and 1.87% appreciation. On the positive, returns increased 54 BPS from last quarter.
- Property returns were strong in the West, increasing from 3.54% to 3.82%. One year returns registered 14.4%, the highest among the regions. The current quarterly return was comprised of 1.24% income and 2.58% appreciation.
- The South witnessed the strongest price appreciation during the quarter, as gains increased 101 BPS to 4.22%. This represented the highest quarterly gain since 4Q10. The current return was comprised of 1.39% income and 2.83% appreciation.
- Property returns in the Midwest increased 37 BPS points from last quarter to 3.35%, representing the largest gain since 4Q10. The current return was comprised of 1.32% income and 2.03% appreciation.

Below is a graph illustrating total returns by region since 2009. (2015 returns are annualized based on 1Q15 data)

NCREIF: Regional Total Returns

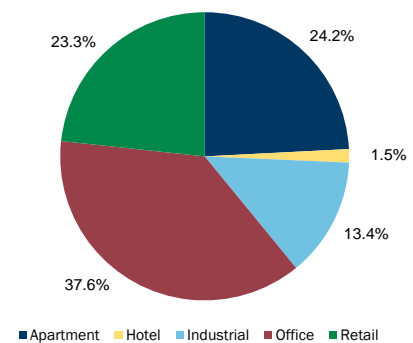


NPI Annualized Returns by Property Type

- After returning 4.31% during 4Q14, the highest of any property type, price appreciation within the hotel sector slowed to 2.52% during 1Q15, the lowest gain among the property types. Total one-year returns of 13.0% still exceeded the total index average by 30 BPS.

- Apartment returns increased 8 BPS from the prior quarter to 2.85%. Despite the rise, one-year returns registered 11.0%, the lowest among the property types. On the positive, NCREIF reported that the apartment sector may be experiencing a resurgence in appreciation, tied to job growth, as the current quarterly return was the strongest since 4Q11.
- The office sector posted a 3.30% return during 1Q15; this latest reading represented a 21 BPS increase from the prior quarter. One-year returns matched the total index return of 12.7%.
- The industrial sector returned 3.47% during 1Q15, representing a 40 BPS decrease from the prior quarter. Still, one year returns of 14.2% represented the highest among property types.

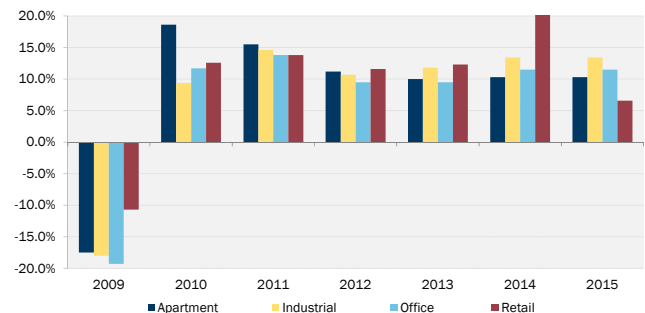
NCREIF: Property Type Composition



- Retail was the best performing sector during 1Q15, returning 4.93%, an impressive 224 BPS increase from last quarter. This represented the highest quarterly return since 4Q05. One-year returns of 13.8% were second among the five major property sectors.

Below is a graph illustrating total returns by property type since 2009. (2015 returns are annualized based on 1Q15 data)

NCREIF: Property Type Total Returns



Equity REIT Analysis

FTSE National Association of REITS U.S. Real Estate Index

Comprised of 161 REITS, The Financial Times of London and the London Stock Exchange (FTSE) NAREIT All Equity REITS Index returned nearly 4.0% during 1Q15. This lagged the 8.5% return posted during this same period last year. In 2014, real estate was one of the best performing industry sectors, as the NAREIT All Equity REITS Index returned 28.0% and all the major property sectors recorded gains in excess of 20%.

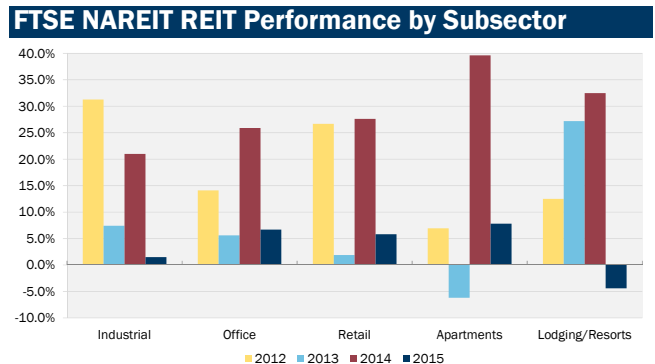
It is believed that short-term performance in the U.S. REIT market will be largely influenced by interest rates. Despite potential concerns that a future Federal Reserve interest rate hike will negatively impact the sector, analysts point to the fact that rising rates that reflect a healthy, growing economy can be a positive development and that U.S. REITs have historically performed well in periods of rising rates.

Below is a brief overview of selected commercial real estate sector performance during 1Q15.

- Similar to last year, apartments REITs were the best performing sector. After returning 40% in 2014, a 7.8% return was realized in 1Q15; however, this was lower than the 14.0% return recorded during 1Q14. Analysts are bullish on the apartment sector's outlook, driven by strong demand to rent, promising demographics and declining home ownership rates.
- The office sector outperformed the broader index, returning 6.7% during 1Q15. Last year at this time, a return of 11.2% was recorded, setting the pace for a 2014 return of 26.0%. Despite the sector's somewhat slow recovery from the recession, the economic recovery has boosted fundamentals and analyst expectations within the sector.
- Industrial REITs provided the smallest gain for investors to begin 2015, as returns registered 1.5%. This lagged the 11.3% gain recorded during the first three months of 2014. Despite the slow start, analysts are still bullish on the outlook for big box distribution warehouse space in primary markets, which is driven by a growing e-commerce market and a need for state-of-the-art fulfillment centers.
- After retail REIT returns increased nearly 28.0% during 2014, returns of nearly 6.0% were realized during 1Q15. Growth was a little higher within the free standing retail sector (7.4%) than within the shopping center (5.1%) and regional mall (5.8%) sectors. Boosted by growing consumer confidence and more disposable income, there is cautious optimism.

- After providing healthy returns to investors during 2014, when lodging/resorts REITs returned 33%, the momentum has disappeared. During 1Q15, a negative 4.4% return was generated despite improving economic conditions that led to increased occupancy levels and RevPAR for hotels/motels. A 5.8% return was realized this time last year.

Below is a graph illustrating total returns by property sector since 2012.



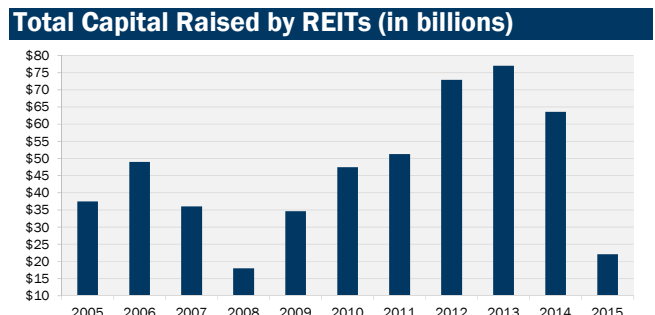
Looking ahead, in consideration of the strengthening economy and positive credit environment, analysts and market observers are generally positive about REIT performance in 2015.

Capital Raising Increases

REITs continue to take advantage of investor demand for high returns and attractive dividends at a time of low interest rates. REITs raised approximately \$22.1 billion during 1Q15, nearly doubling output recorded during this time period last year. In 2014, REITs raised approximately \$64 billion.

The majority of analysts and REIT investors continue to see strength in the operating environment for REITs given the attractive fundamentals within the commercial real estate industry.

Below is a graph showing the total capital raised by REITs since 2005.



Source: NAREIT/ SNL Financial

Initial Public Offerings

According to SNL Financial and NAREIT, there are several new equity REITs in different stages of formation in early 2015. These sectors are within energy, office, gaming and retail. In January, InfraREIT Inc., owner of electric transmission and distribution (T&D) assets in Texas, went public and raised a total of \$529 million. In 2014, five new equity REIT's launched IPO's, led by Paramount Group Inc. This office building landlord, with a portfolio in New York City, Washington DC and San Francisco, raised an initial \$2.29 billion in its IPO in November, becoming the largest IPO by a U.S. REIT.

Below is a chart highlighting REIT IPO's executed since 2013. The total raised is inclusive of the Greenshoe option, which is a special provision in an IPO prospectus allowing underwriters to sell investors more shares than originally planned by the issuer.

Equity REIT Initial Public Offerings (IPO's) (shares and total in \$/millions)					
Name	Stock Symbol	Primary Industry	Comp. Date	Shares Priced	Total Raised
2015					
InfraREIT, Inc.	HIFR	Infrastructure	Jan-15	23.0	\$529
2014					
Paramount Group, Inc.	PGRE	Office	Nov-14	150.7	\$2,636
STORE Capital Corporation	STOR	Retail	Nov-14	31.6	\$585
Farmland Partners Inc.	FPI	Farmland	Apr-14	4.4	\$61
Bluerock Residential Growth REIT, Inc.	BRG	Apartments	Mar-14	4.0	\$57
Outfront Media Inc. ¹	OUT	Billboards	Mar-14	23.0	\$644
2013					
CatchMark Timber Trust, Inc.	CTT	Timber	Dec-13	12.1	\$163
Brixmor Property Group Inc.	BRX	Shopping Center	Oct-13	47.4	\$949
QTS Realty Trust, Inc.	QTS	Data Center	Oct-13	14.1	\$296
Empire State Realty Trust, Inc.	ESRT	Office	Oct-13	82.2	\$1,069
Independence Realty Trust, Inc.	IRT	Apartments	Aug-13	4.6	\$39
American Homes 4 Rent	AMH	Single-Family Res.	Jul-13	50.7	\$812
Physicians Realty Trust	DOC	Office	Jul-13	18.4	\$138
Rexford Industrial Realty, Inc.	REXR	Industrial	Jul-13	12.0	\$258
American Residential Properties, Inc.	ARPI	Single-Family Res.	May-13	15.8	\$331
Armada Hoffer Properties, Inc.	AHH	Diversified	May-13	19.0	\$219
Aviv REIT, Inc.	AVIV	Health Care	Mar-13	15.2	\$304
Gladstone Land Corporation	LAND	Farmland	Jan-13	3.8	\$58
CyrusOne Inc.	CONE	Data Center	Jan-13	19.0	\$361

¹ formerly CBS Outdoor Americas Inc.

Source: NAREIT/ SNL Financial

Equity REIT Returns Versus Leading Indices

During the first three months of 2015, REIT returns have outpaced those of the leading stock indices. Last year, REIT performance considerably bettered that of the three leading stock indices and broader U.S. stock market after underperforming in 2013. Although there are concerns regarding future interest rate increases, many analysts are still bullish on future REIT performance and are predicting an increase in deal activity during 2015, as supported by steady capital flows into U.S. real estate, strong corporate balance sheets, reasonable valuations based on underlying net asset value, and attractive dividend yields.

Below is a chart highlighting the annual returns of Equity REITs in comparison to several of the leading stock indices.

Index	2010	2011	2012	2013	2014	1Q15*	2010-2014 avg
Equity REIT	28.0%	8.3%	19.7%	2.9%	28.0%	4.0%	17.4%
NASDAQ	26.9%	-4.2%	14.6%	12.1%	13.4%	3.5%	12.6%
S&P 500	16.9%	-1.8%	15.9%	38.3%	11.4%	0.4%	16.1%
DJIA	15.1%	2.1%	13.4%	29.6%	7.5%	-0.3%	13.5%

Source: NAREIT; Yahoo finance; marketwatch *Data as of March 31, 2015

Source: NAREIT/ Yahoo Finance, Marketwatch

Commercial Lending

The Mortgage Bankers Association's (MBA) Quarterly Survey of Commercial/Multi-Family Mortgage Bankers Originations reported that 1Q15 commercial and multi-family mortgage loan originations declined 27% from the prior quarter, but increased 49% compared to 1Q14. All major property types, except industrial, recorded decreases during 1Q15 from the prior quarter. Loans for industrial properties were especially strong, rising 127% from the prior quarter and 269% from this time last year.

Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research, commented, "The year-end momentum from 2014 carried into the first quarter of 2015, with year-over year growth in lending for every major property type. Multi-family lending was a key driver of first quarter originations and the GSEs drove multi-family. The GSEs' multi-family originations increased by 306 percent compared to Q1 2014, marking their second highest quarter on record, while multi-family originations for other capital sources appear to have remained flat or declined."

Below, lending activity by property and investor type is summarized.

Lending Activity 1Q 2015		
Type	% Change since 1Q 2014	% Change since 4Q 2014
Property Type		
Industrial	269.0%	127.0%
Multi-Family	71.0%	-31.0%
Office	53.0%	-25.0%
Retail	5.0%	-57.0%
Hotel	51.0%	-33.0%
Health Care	0.0%	-62.0%
Investor Type		
CMBS/Conduits	113.0%	-14.0%
Commercial Banks	-1.0%	-23.0%
Life Insurance Co.	51.0%	-18.0%
GSE's (FNMA/FHLMC)	306.0%	-13.0%
Overall	49.0%	-26.0%

Source: Mortgage Bankers Association

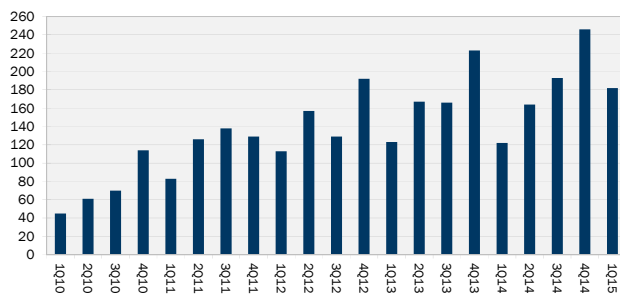
Among investor types, loans originated for Government Sponsored Enterprises (GSE's) increased 306% YoY, outpacing increases for CMBS/Conduits (+113%) and life insurance companies (+51%) during this period. Since the prior quarter, the four major investor types declined between 13.0% and 23.0%.

The April 2015 Senior Loan Officer Opinion Survey on Banking Lending Practices showed that demand for commercial real estate loans continued to rise. Lending standards eased on non-farm non-residential and construction/land development loans and some large banks indicated that they had eased standards on loans secured by multi-family properties. Additionally, a modest net fraction of domestic banks expected an increase in the pace of originations for loans secured by non-residential properties and one- to four-family residential construction loans to increase in 2015 as compared to 2014.

Below is a graph depicting the frequency of commercial/multi-family loan originations since 1Q10.

Commercial/Multi-Family Mortgage Bankers Origination Index

2001 Quarterly Average = 100



Source: Commercial Mortgage Bankers Association

Commercial Mortgage Backed Securities (CMBS) Market

The revitalization of the CMBS market continues as a vital action for the recovery of the commercial real-estate market, with owners and developers receiving the majority of their financing during the past decade through the securities market.

CMBS Issuances

According to data from Commercial Mortgage Alert (CMA), CMBS issuances registered \$27 billion during 1Q15, a 33.0% increase from the \$20.5 billion priced during this same period last year. In 2014, \$94 billion of CMBS issuances were priced, which was the highest annual total since 2007. It was reported that 36 U.S. transactions occurred during 1Q15.

According to CMBS, despite the strong output during 1Q15, several lenders indicated they were disappointed with the early 2015 output because the "long anticipated" wave of

loans due to mature from 2015 to 2017 have produced fewer refinancing opportunities than expected.

Similar to the past several years, Deutsche Bank served as the top book runner, underwriting approximately \$6.6 billion of transactions since 2014. Other firms underwriting more than \$3 billion

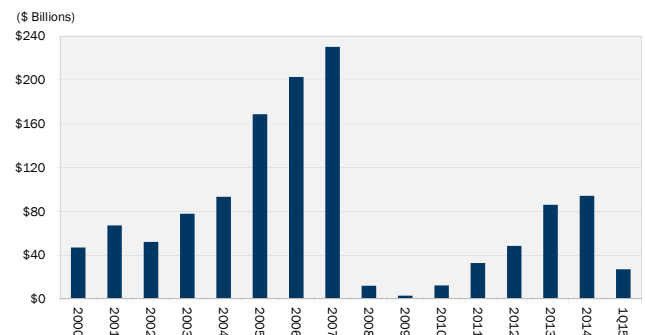
during this period included J.P. Morgan and Wells Fargo.

Looking ahead, CMA revealed that nearly \$20 billion of transactions are in the queue for April and May, which would bring issuance totals to \$47 billion through the first five months of 2015, exceeding output recorded at this time last year by nearly 55.0%.

Top U.S. CMBS Underwriters		
Firm	Issuance (\$Mil)	Market Share
Deutsche Bank	\$6,648	24.6%
J.P. Morgan	\$3,500	13.0%
Wells Fargo	\$3,033	11.2%
Bank of America	\$2,684	9.9%
Morgan Stanley	\$2,663	9.9%
Goldman Sachs	\$2,337	8.6%
Credit Suisse	\$2,313	8.6%
Barclays	\$1,933	7.2%
Citigroup	\$1,708	6.3%
Scotiabank	\$125	0.5%
Jefferies	\$68	0.3%

Source: Commercial Mortgage Alert

U.S. CMBS Issuance



Source: Commercial Mortgage Alert

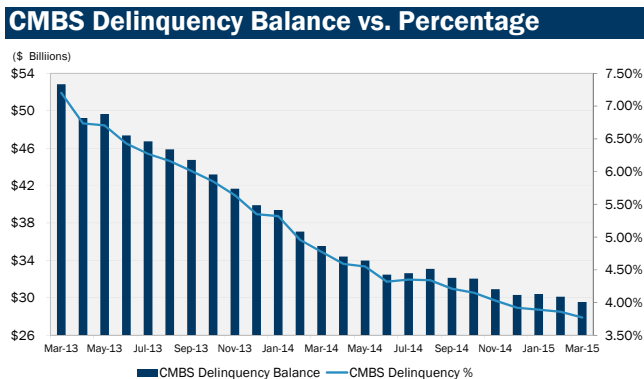
CMBS Delinquency

According to Morningstar, CMBS delinquency rates and unpaid balances continue to fall, both of which are positive signs for the commercial real estate debt markets. In March, the U.S. CMBS delinquency rate decreased for the eighth consecutive month, falling to 3.77%. During the prior 12-month period, delinquency rates averaged 4.25%.

- The delinquent unpaid balance for CMBS fell to \$29.6 billion in March, its lowest level in more than five years. Just 12 months earlier, the unpaid balance for CMBS stood at \$35.6 billion.
- By type, industrial properties have the highest delinquency rates (6.5%), followed by office (5.7%), retail (4.9%), hotel (3.7%) and multi-family (2.1%).

- Office loans have been the greatest contributor to CMBS delinquencies during the past 12 months at 31.1%; however, by dollar amount, office loan delinquencies are down \$1.3 billion from a year ago.
- Retail loan delinquencies comprise 28.9% of total CMBS delinquencies, but have fallen by \$1.0 billion since March 2014.
- Multi-family loans represent 20.1% of CMBS delinquencies, but have declined by about \$1.4 billion from a year ago.
- Both industrial and hotel loan delinquencies, accounting for 9.8% and 5.3% of total CMBS delinquencies, respectively, continue to decline.
- Larger loan vintages between 2005 and 2007 continue to default and cause delinquencies resulting from aggressive pro-forma underwriting and market conditions. Nearly 87.0% of the delinquent unpaid balance through March 2015 resulted from such loans.

Below is a chart depicting monthly CMBS delinquencies since March 2013.



Property Sector Overviews

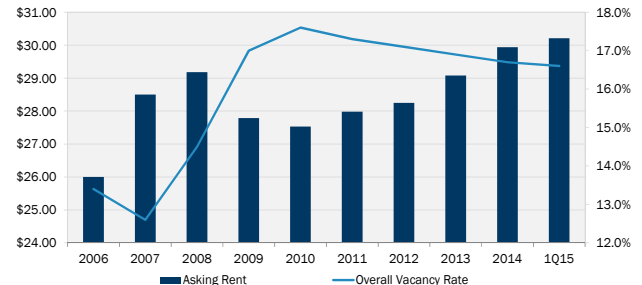
Office

- According to Reis Inc., the national office vacancy rate declined 10 BPS during 1Q15 to 16.6%. This marked the third consecutive quarterly decline and the lowest vacancy rate since 3Q09. Still, vacancy rates have moved relatively little since peaking at 17.6% after the recession in 2010.
- It is estimated that CBD vacancy rates (13.4%) are 530 BPS below suburban vacancy rates (18.7%).
- Despite little change in vacancy rates, Reis reported that overall net absorption totaled 6.4 million sf during 1Q15 and continued to gradually trend upwards despite efforts by tenants to improve space efficiency. Suburban markets continue to improve

and have registered positive net absorption for 16 consecutive quarters.

- Asking and effective rental rates increased 0.9% and 1.0%, respectively, during 1Q15. YoY, rental rates have increased approximately 3.0%.

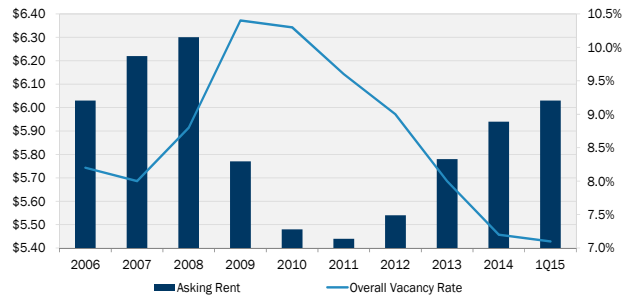
Office Market: Rents vs. Vacancy Rates



- Sustained office employment growth is a critical factor to sector recovery. During 1Q15, about 151,000 jobs were created within the information services, financial activities and professional and business services sectors, down nearly 7.0% from this same period last year.
- During 1Q15, new construction completions registered 4.5 million sf. During 2014, an average of nearly 7.0 million sf of office completions occurred. Reis notes difficulty in obtaining construction financing for office projects as a possible cause for the slowdown in activity.
- According to Reis, Washington DC and New York City remain the tightest major office markets.

Industrial

- Demand drivers in the industrial market were mixed during 1Q15. Manufacturing growth slowed, as per the ISM Index, and industrial production declined, in contrast to increases in durable goods orders and factory orders during March. Still, recent factory and durable goods orders suggest weakness, as the increases were primarily driven by one sector rather than a broad-based recovery.
- Market fundamentals continued to improve, characterized by falling vacancies and rising rental rates.
- According to CoStar, national vacancy rates declined to 7.1% and are at historically low levels. In response to increased demand, developers delivered 27.7 million sf of new product to the market in 1Q15, helping the market to absorb nearly 37 million sf during the quarter.

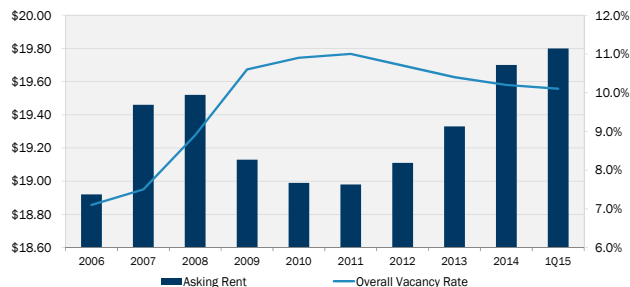
Industrial Market: Rents vs. Vacancy Rates

Source: Costar (reflects select markets)

- Sustained demand for build-to-suit projects continues, primarily driven by the rapidly growing e-commerce industry and need for modern fulfillment centers and state-of-the-art warehouses.
- Although a tentative new labor agreement has been signed, a backlog of cargo exists resulting from the West Coast Port slowdown. Congestion in port locations such as Los Angeles, Long Beach and Seattle has slowed the movement of goods from overseas to retail/factories in the U.S.

Retail

- Slow improvement in the retail sector continued during 1Q15. Although consumer confidence increased in March, consumer spending was weak to begin 2015, largely due to inclement weather.
- Vacancy rates for neighborhood and community centers declined 10 BPS in 2014, inching closer to 10.0%, and asking rental rates grew modestly. Regional malls, where overall vacancy rates continue to linger around 8.0%, have recovered more quickly.
- Shopping center construction witnessed a surge in activity before the market downturn and has had difficulty absorbing excess product. In contrast, mall development has fallen during the past decade.
- Despite low levels of new construction, Reis reported that nearly 3.5 million sf of absorption occurred in 1Q15, which was the highest first quarter output since 2007.

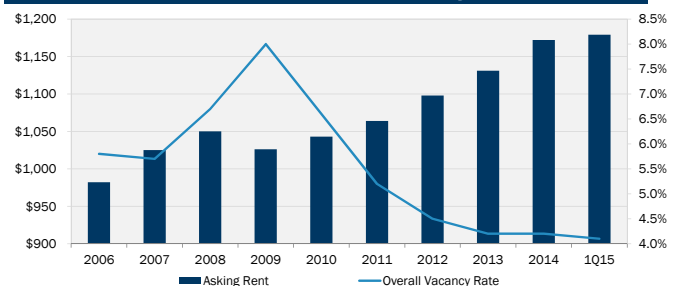
Retail Market: Rents vs. Vacancy Rates

Source: REIS, Inc. Reflects neighborhood and community centers

- E-commerce continues to negatively affect demand, as retailers continue to reduce their physical presence and close brick-and-mortar stores and outlets. Major national retailers planning to close a considerable number of stores in 2015 include Abercrombie & Fitch, Aeropostale, Barnes and Noble, Family Noble (due to acquisition by Dollar Tree) and JC Penney. Additionally, RadioShack declared bankruptcy in February 2015, but will reportedly keep open 1,700 of its 4,000 stores.

Apartment

- Market fundamentals within the multi-family sector remained strong during 1Q15, as persistent demand sent vacancy rates down 10 BPS to 4.1%. Vacancies are at cyclical low levels.
- Asking and effective rental rate growth slowed to 0.6% during 1Q15, but has increased roughly 3.5% during the past four quarters. Despite rental deceleration, landlords have increased rental rates for 21 consecutive quarters during a period when income growth has been stagnant.

Apartment Market: Rents vs. Vacancy Rates

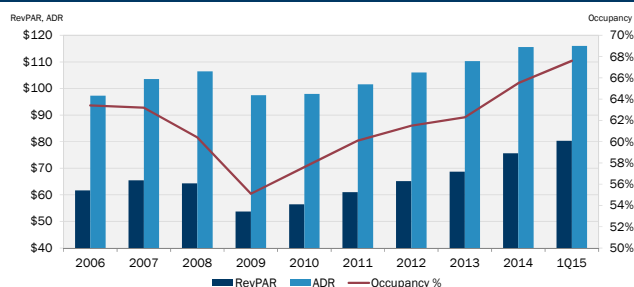
Source: REIS, Inc.

- Steady investor interest and demand continues to allow landlords to maintain their focus away from increasing occupancy levels and instead on raising rental rates. Within many major markets, apartment rental rates now exceed pre-recession peaks.
- Partly due to difficult winter conditions, apartment deliveries slumped to begin the year. Nearly 29,000 units were added in 1Q15, which was the lowest quarterly output since 1Q13. Still, Reis estimates that nearly 167,000 units have been delivered during the past year, which was the highest total since 1999.
- There was also a pullback in net absorption during 1Q15. Approximately 37,340 units were absorbed, which was the lowest quarterly total since 2Q13. This total is expected to increase in upcoming quarters, as projects that were formerly stalled, due to permitting or construction issues, break ground, become available and are filled by renters.

Hotel

- Increased lodging demand, driven by more leisure and corporate travel, has benefitted the hotel sector. Occupancy rates, RevPAR (revenue per available room) and ADR (average daily rate) continue to trend upward despite seasonal and monthly fluctuations.
- According to Smith Travel Research (STR), preliminary March 2015 data, total U.S. lodging occupancy was up 1.0% to 3.0% and RevPAR increased 6.0% to 8.0% compared to data recorded at this time last year. The upper-midscale and upscale lodging segments recorded the largest gains.

Lodging Market: RevPAR, ADR & Occupancy



Source: Smith Travel Research (1Q15 Data for week of Mar 29-Apr 4, 2015)

- Improving performance metrics have resulted in better access to capital (investment dollars or loans) for the industry, allowing for the increase of upscale hotels to replace older, dated properties.

Property Forecast

- Economic growth is expected to escalate during the year, as several drags affecting the economy are over, the labor market improves and consumers increase spending. This will benefit commercial real estate market fundamentals across all sectors.
- The pursuit of higher yields will continue to increase activity in secondary markets and also drive interest for second-tier properties in primary markets. Both debt and equity capital will remain in good supply.
- Strong investment demand will continue to drive volume, intensify competition for trophy assets and keep pricing elevated, as investors continue to seek real estate's strong income return relative to other asset classes.
- Foreign investment for core U.S. assets is expected to increase as investors seek stability amidst economic uncertainty abroad and consider the U.S. a desirable investment region for capital appreciation.
- CMBS issuances are forecasted to escalate to upwards of \$125 billion in 2015, partially driven by

an increase in maturing loans that is expected to peak in 2016 and 2017.

- Despite the anticipated rise in interest rates later in the year, REITs are expected to increase deal activity resulting from greater capital flows into the commercial real estate sector.
- Cap rates are expected to move little, but greater investor demand and appetite for risk are projected to compress rates within varied secondary markets.
- Based on a survey conducted during February/March 2015 by the Urban Land Institute, more than 40 leading economists and analysts foresee at least three more years of sustainable growth within the commercial real estate industry.

Key findings/predictions include:

- Commercial real estate prices, as measured by the Moody's/Real Capital Index, are expected to rise an average 7.6% per annum during the next three years, including 10.0% in 2015.
- Total returns for core, unleveraged properties, as measured by NCREIF, are estimated to average near 10.0%, during the three-year period.
- Commercial sales volume is expected to trend upwards of \$500 billion per annum by 2016.

Below is a property forecast for the major property types from 2Q15 to 2Q16.

Forecast					
OFFICE	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
Vacancy Rate	15.70%	15.70%	15.60%	15.70%	15.60%
Net Absorption ('000 sf)	10,357	12,117	12,904	15,027	12,678
Completions ('000 sf)	9,149	7,815	8,305	12,134	12,561
Rent Growth	0.80%	0.80%	0.90%	0.80%	0.90%
Forecast					
INDUSTRIAL	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
Vacancy Rate	8.50%	8.50%	8.40%	8.30%	8.10%
Net Absorption ('000 sf)	25,548	30,658	27,592	18,858	26,192
Completions ('000 sf)	25,428	23,787	15,585	15,288	22,568
Rent Growth	0.70%	0.80%	0.90%	0.70%	0.80%
Forecast					
RETAIL	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
Vacancy Rate	9.60%	9.60%	9.60%	9.50%	9.30%
Net Absorption ('000 sf)	3,615	2,830	5,003	5,579	4,746
Completions ('000 sf)	2,014	2,339	2,433	2,935	2,848
Rent Growth	0.60%	0.70%	0.70%	0.60%	0.70%
Forecast					
MULTI-FAMILY	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
Vacancy Rate	4.20%	4.30%	4.30%	4.30%	4.40%
Net Absorption (Units)	40,020	37,171	50,581	40,080	36,284
Completions (Units)	60,794	61,956	62,571	38,615	52,064
Rent Growth	0.90%	0.90%	0.90%	0.90%	0.90%

Source: National Association of Realtors/REIS, Inc.

Real Estate and Infrastructure Solutions

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CRITICAL THINKING
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