

2009 | REAL ESTATE FORECAST



CUSTOM REPORT

2009 | REAL ESTATE FORECAST



GLOBAL

Office

Industrial

Retail

Investment

Meeting the needs of each client

Grubb & Ellis Company pioneered sophisticated real estate market research, and today we continue to lead the industry in providing vital market information and insight on timely topics that may affect your real estate needs. Global economic trends, domestic legislative changes, corporate performance – these and other factors affect the demand for and value of commercial real estate.

Our dedicated research staff, which spans major markets throughout North America, has developed a strong foundation upon which our professionals create innovative solutions for their clients. You can access this information by visiting our 2009 Forecast Web site: www.grubb-ellis.com/research/forecast2009. Download our national overview or zero in on specific property types in your markets of interest. Print a report for a single market, or customize a book to suit your needs. We recognize that each of our clients is unique, and are committed to delivering the information you need to achieve your business objectives.

Grubb & Ellis
Property Solutions Worldwide

2009 | REAL ESTATE FORECAST

Local Forecast Reports Global Forecast Report Office Locations Get Acrobat Reader Exit to Corporate Site

Grubb & Ellis provides real estate market information for more than 100 local markets throughout North America. Use the map to zero in on the office, industrial, retail, multi housing, land, and investment overviews for your areas of interest. Print a single report to suit your needs.

For a broader perspective, download the U.S. and global forecast reports summarizing our expectations for the coming year.

Please contact your local Grubb & Ellis office for further information about this regional forecast or see the list of contributors.

Reproduction in whole or part is permitted only with the written consent of Grubb & Ellis Company. Some of the data in this report has been gathered from third party sources and has not been independently verified by Grubb & Ellis. Grubb & Ellis makes no warranties or representations as to the completeness or accuracy thereof. Note: Year-end 2008 numbers include estimates for the fourth quarter that were derived in November. Final published numbers may vary slightly. Totals may not add precisely due to rounding.

To Grubb & Ellis Clients and Colleagues:

As we end 2008, it is becoming extremely clear that we are in the midst of what could be a lengthy and prolonged recession. Actually, our outlook for the commercial real estate industry changed dramatically during the third quarter of 2008 as the credit market unrest that first gripped the national economy in August 2007 escalated into a full-blown global financial crisis.

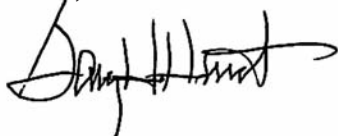
Although it is difficult to predict just how long and severe the current downturn will be, we believe that we have not seen the end of weakening consumer and business confidence, slowing manufacturing activity, and rising unemployment that is currently plaguing our economy. These are all factors that impact every aspect of the commercial real estate industry.

Within the commercial real estate market, the investment sector was the first to feel the effects of the credit crisis, and as a result property sales were down by two-thirds during the first three quarters of 2008 as compared with the same period in 2007. As I write this, access to capital remains extremely limited, and the leasing market is starting to more severely feel the effects of the economic uncertainty. Needless to say, this is probably the most challenging market we have experienced since the early 1990s. I can say that it is certainly the most challenging time I've seen in my 30 years in the real estate industry.

At this point we believe it most likely will be late 2010 before we begin to see a meaningful recovery throughout the commercial real estate industry. However, there are some bright spots. Low oil prices and interest rates will allow some commercial real estate sectors to recover quicker than others. And if you are a tenant with a requirement or an investor with cash, 2009 will offer considerable opportunity.

At Grubb & Ellis Company, we believe that within a challenging market there are opportunities. Our goal, as always, is to help our clients take advantage of them. We look forward to discussing the specifics of our 2009 Forecast with you, and to helping you meet your real estate goals now and into the future.

Sincerely,



Gary H. Hunt
 Interim Chief Executive Officer
 Grubb & Ellis Company

Grubb & Ellis goes above and beyond in-depth local market research and analysis. As our clients' needs have evolved from bricks and mortar requirements to encompass complex global real estate issues, our industry subject matter experts contribute focused, specialized expertise to the process. This added layer of analysis gives clients a more complete picture of the environment in which they operate and helps us leverage our market data to help owners, users and investors construct smart, innovative solutions to today's real estate needs.

Table of Contents

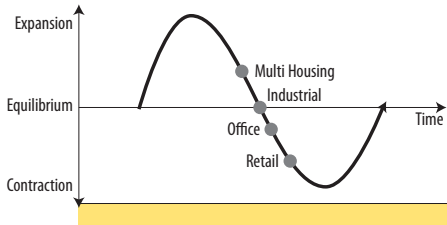
Overview	2
Office	6
Industrial	12
Retail	16
Investment	20
Company Profile	24
Grubb & Ellis Research	26
Office Directory	27
Contributors and Sources	28

OVERVIEW

*“May you live in interesting times.”**

Leasing Market Cycle, U.S.

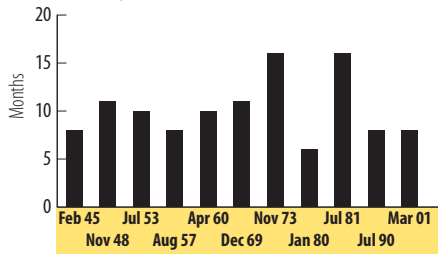
Year-End 2008



Source: Grubb & Ellis

Length of Post-War Recessions

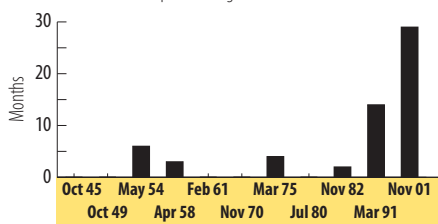
Month Recession Began



Source: National Bureau of Economic Research, Grubb & Ellis

Length of Jobless Recoveries* Following Post-War Recessions

Month Recession Ended/Expansion Began



* Period before employment exceeds level at end of recession
Source: Bureau of Labor Statistics, Grubb & Ellis

2008 U.S. Overview:

Worst case scenario comes true

The U.S. economy worsened considerably in September as households and businesses reacted to the litany of bad news in the financial sector: the government takeovers of Fannie Mae, Freddie Mac and AIG, the bankruptcy of Lehman Brothers and the deeply discounted acquisitions of Merrill Lynch by Bank of America, Wachovia by Wells Fargo and Washington Mutual by J.P. Morgan Chase. By October, auto sales had fallen to their lowest pace since the early 1980s, pushing General Motors, Ford and Chrysler to beg for a bailout. Personal consumption expenditures, accounting for 70 percent of gross domestic product, plunged to a 28-year low in the third quarter. In early December, the National Bureau of Economic Research made it official: A recession had begun in December 2007 and was in its 12th month, already longer than the prior two recessions. As the economy weakened, inflation – a big worry at the beginning of the year – threatened to morph into deflation, a damaging downward spiral of prices and corporate profits. By year-end, a scorecard was necessary to keep track of government programs being implemented to get credit flowing again, the cost of which, by some accounts, had surpassed \$1.4 trillion with more on the way in 2009. As a new year dawned, cumulative payroll job losses sailed past 2 million.

The divergence of the commercial real estate investment and leasing markets, which began in August 2007 when the credit markets first seized up, continued in 2008. Property sales fell to 2004 levels as CMBS markets were frozen, banks were preoccupied with maintaining their capital reserves and insurance companies hit their annual allocations for commercial real estate lending. Capitalization rates drifted higher by year-end but were only about 50 basis points above their lows. This, unfortunately, was not a sign of resilience but a sign that only select high-quality, non-distressed properties were selling. The leasing markets, which held up reasonably well until the fall, began to show greater signs of stress in the fourth quarter.

U.S. Forecast:

“May you live in interesting times.”*

Even with relief programs that will total in the trillions of dollars and the record low federal funds rate of 0 to 0.25 percent, Grubb & Ellis is not optimistic about a quick recovery. In our view, the instability in the credit markets could last through most of 2009 for two reasons:

- Home prices show no signs of hitting bottom, and until that happens, banks will not know the full extent of their losses; and
- Delinquencies and defaults are just beginning to rise in other loan categories such as corporate, consumer and commercial real estate loans.

*Reputed to be the English translation of an ancient Chinese curse

As a result, credit will be tight and expensive in 2009, and the broader economy will struggle. Expect cumulative payroll job losses in the range of 3 to 4 million by year-end, including the 2+ million jobs lost during 2008. Consumer spending will be challenged, and export-related businesses – which benefited in 2007 and 2008 from the sliding dollar and strong global demand – will see those two props removed as global growth slows. GDP is projected to shrink by 1 percent in 2009, compared with growth of 1.3 percent and 2 percent in 2008 and 2007, respectively. Businesses will be conservative with their capital spending and expansion plans, meaning more decisions put on hold until the economy turns up. The healthcare sector will be a notable standout.

Office Market: The construction pipeline contains 90 million square feet under way at year-end 2008, the lion's share of which will be delivered in 2009. Add in 45 million square feet of negative net absorption, and the vacancy rate is expected to rise by 2 percentage points to end 2009 at 16.5 percent. Negotiating leverage will shift in favor of tenants with concession packages looking more generous as the year progresses.

Industrial Market: Businesses look at industrial space as a productivity enhancer, an integral part of their supply chain strategies. Nevertheless, vacancy is expected to rise by about 60 basis points to end the year at 9.4 percent as absorption dips into the red and the construction pipeline delivers the space still under way.

Retail Market: Grocery-anchored centers in mature trade areas will hold up well, while unanchored strip centers on the urban fringe, where housing construction has stalled, will suffer. Retailers will be even more conservative with their expansion plans in 2009, booking more store closures and fewer openings. Expect higher vacancies and softer rental rates by year-end.

Multi Housing Market: New graduates who can't find jobs will double up with a roommate or move in with a relative to conserve cash, and the "shadow supply" of apartments will increase as unsold condos and foreclosed houses return to the market as rentals. On the other hand, apartments are attracting some new renters whose homes were foreclosed, while landlords are maintaining renters who are too nervous about the economy to consider homeownership. These opposing forces will produce slowly rising vacancy rates in 2009.

Investment Market: Look for a 15 percent increase in sales in 2009 as distressed assets – particularly those acquired in the past two or three years with floating rate debt – return to the market. Loan delinquencies and foreclosures will increase as will cap rates. Debt capital will remain expensive and tight in 2009, but there will be a slow increase in equity capital flowing into the market. The coming year should be more active as the gap between buyers and sellers gradually narrows, with sellers making up most of that distance.

Global Outlook

The seismic shock, with the U.S. subprime sector at its epicenter, delivered to the global economy in the latter part of 2007 created a tsunami of economic and fiscal chaos that swept the globe in 2008. As we approach 2009, further aftershocks are emerging on a near daily basis and show little sign of abating. This is not an ordinary downturn, but rather a structural correction in global capital markets which will impact upon every sector of the economy and real estate market.

This is reflected in a plethora of depressing forecasts around the globe. World Bank data records real, global GDP growth of 3.7 percent in 2007. Estimates for 2008 suggest a decline to 2.5 percent before a nosedive forecast to 0.9 percent in 2009. The turn-of-the-century economic boom has passed, and deflation now looms large on a once-in-a-generation scale, impacting even the most buoyant international economies.

The previous contention that emerging markets would largely escape the financial crises in North America and Europe looks to be overly optimistic. Double-digit GDP growth in China throughout much of this decade is forecast to be only 7.5 percent in 2009. This is still very high in international terms, but unemployment is now rising in China, corporate failures are increasing and corporate investment is tapering rapidly. In India, 2007 GDP of 9.0 percent is forecast to fall to 5.8 percent in 2009 with the residential and retail sectors bearing the brunt of

OVERVIEW

continued

GDP Forecasts (%)

	2007	2008	2009
North America	2.0	1.4	-0.5
Euro Zone	2.6	1.2	-0.6
Japan	2.1	0.5	-0.1
Asia Pacific	10.5	8.5	6.7
Indian Sub-Continent	8.4	6.3	5.4
Eastern Europe	7.1	5.3	2.7
Latin & South America	5.7	4.4	2.1
Middle East & North Africa	5.8	5.8	3.9
Sub-Saharan Africa	6.3	5.4	4.6
Global	3.7	2.5	0.9

Source: World Bank

the impact. Highly dependent upon manufactured goods and international consumer markets, growth in emerging economies is stalling, and this will have a lagging effect on what has been a buoyant real estate sector. The economic impact of terrorist action, terribly manifest recently in Mumbai, is now lost in a far more profound wave of market correction.

In Europe, Euro-Zone real GDP growth came in at 2.6 percent in 2007. This is projected to fall to 1.1 percent in 2008 and to an outright decline of negative 0.6 percent in 2009. The UK has been particularly hard-hit by a series of high-profile banking and corporate failures, plummeting home prices and escalating unemployment. Large sections of the UK economy are now in transition to state ownership as the government intervenes to support system-critical institutions and major employers. The unprecedented level of public debt inherent in these policies echoes perfectly the issues facing the U.S. The short-term outlook for the British pound, already sharply corrected against the Euro and the dollar, is extremely challenging.

Elsewhere in Europe, Iceland faced fiscal Armageddon in the third quarter, and the decade-long economic bull-run in Ireland waned sharply. Germany, France and the Benelux nations are in the process of deploying public debt to prop up ailing organizations, notably including those with high exposure to real estate. In Eastern Europe, Russia has been hit by a liquidity crisis and sharp downward corrections in

commodity pricing. Rapidly rising output and prosperity in Poland, the Czech Republic, Hungary and Romania is now diminishing.

In the Middle East, capital reserves remain extremely high, leaving sovereign wealth capital a powerful driver on an international scale. However, the recent yo-yo correction in oil prices has reduced income and liquidity, and the extraordinary development boom which has characterized the region now looks unsustainable, especially in Dubai where wholesale fiscal intervention in real estate debt seems imminent.

In Latin America, real GDP is set to shift from 5.7 percent in 2007 to 2.1 percent in 2009. A dual reliance on agricultural commodities and exports to the U.S. leaves the region notably vulnerable.

In sub-Saharan Africa, low producer prices and commodity dependency have cushioned the region somewhat. Here, GDP is set to fall modestly to 4.6 percent in 2009 from 5.4 percent in 2008. Political turbulence in South Africa, unrest in the Congo and the pariah status of Zimbabwe provide an unsettled business environment overall.

In Canada, the reliance on energy and commodities, particularly in the western provinces, resulted in an economic boom in 2008, but the tank was running low by year-end. Nevertheless, the nation's financial institutions sidestepped the worst of the abuses witnessed by their U.S. and European counterparts, which should help cushion the slowdown.

One benefit of the global market correction has been the rapid evaporation of inflationary pressures in most key economies. The decline in inflation has left governments less reticent in using interest rates as a weapon in the battle to stave off sharp economic and commercial decline.

Almost unprecedented interest rate reductions on an international scale in the third and fourth quarters, especially in North America and Europe, reflect strong, cross-border political consensus regarding the severity of the current recession. Other fiscal measures, including VAT reductions and the suspension of real estate transfer taxes, have also been deployed on a multi-market basis. A key issue for 2009 will be the extent to which these lock-step revisions to interest rates to 50-year lows will have the desired impact of de-icing the capital markets and reassuring the frightened consumer sector. Despite very strong political pressure, the inability or unwillingness of the banking sector to pass on interest rate reductions to debt-laden businesses and consumers is blunting government efforts to keep economies afloat.

Another key issue for next year will be the success or otherwise of the global injection of public capital into the banking system, now running into several trillion dollars. This is designed to nullify toxic debt, bolster balance sheets and unblock the capital markets. Thus far, these efforts look to have been largely unsuccessful. It is reasonable to

expect that, despite protestations to the contrary, the growing number of state controlled seats at the global banking boardroom table will be used more aggressively in 2009 to badger the banking system to resume lending.

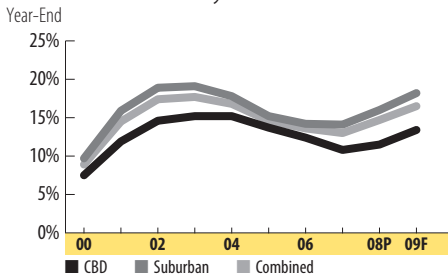
Key forecasts for 2009 include:

- Unemployment looks set to rise on a global scale as the seismic events in the 2008 capital markets are played out in 2009.
- Further consolidation in the banking industry and wider financial sector pain is inevitable.
- State intervention in the private sector will continue to rise whether through direct, post bail-out control measures or indirectly through increased regulation. The tenets of the free market will be severely tested and mounting political controversy is assured.
- Interest rates will fall further and remain low as governments scramble to maintain a vestige of business and consumer confidence.
- The residential market will correct downwards on an international scale as over-gearing becomes yet more apparent in developed economies and as over-speculation and over-development become visible in emerging markets.

- A perfect storm of rising unemployment, high debt to income ratios, reduced investment product performance and falling home prices, amidst a general context of reduced confidence, will continue to impact savings ratios and consumer spending. A sharp reduction in spending seems inevitable.
- Headline-grabbing corporate failures look likely to continue, especially in the financial services, automobile, manufacturing and retail sectors.
- Taxes, both personal and corporate, will diminish as governments attempt to kick-start commercial activity, although the reduced revenue inherent in these policies, particularly within the context of burgeoning public debt, will provide cause for medium-term concern and higher taxation in the future.
- It will be a good time to buy just about anything subject to having access to appropriate finance.

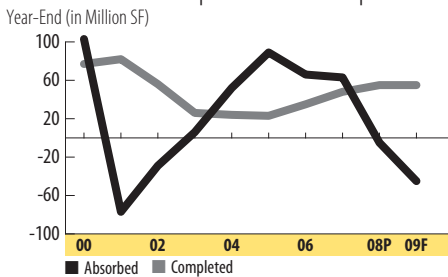
With the recession expected to wind down sometime in the second half of 2009, attention will turn to the strength of the recovery.

U.S. Office Vacancy Rates



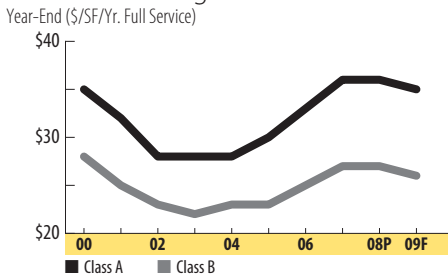
Source: Grubb & Ellis

U.S. Office Absorption vs. Completions



Source: Grubb & Ellis

U.S. Office Asking Rental Rates



Source: Grubb & Ellis

2008 U.S. Overview

The National Bureau of Economic Research announced on Dec. 11, 2008 what Main Street had known for some time: A recession had begun in December 2007, about four months after the credit markets first seized up. The office market is viewed as a lagging indicator, usually responding a quarter or two after changes in employment, which itself often lags the onset of a recession. This, in effect, makes the office market a double lagging indicator of conditions in the broader economy.

Leading up to the current recession, however, one particular office market indicator foretold the pending change in the economy. The inventory of sublease space offered on the market reached a cyclical low of 73 million square feet midway through 2007, six weeks before the credit markets seized up and six months before the onset of the recession. Available sublease space increased in the third and fourth quarters of 2007 and every quarter in 2008 as tenants, turning more cautious, sought to trim their occupancy costs. By year-end 2008, available sublease space had risen to 95 million square feet, a 30 percent gain over the prior six quarters. One hopeful sign is that the rate of increase so far has been gradual, compared with the dramatic run-up in sublease space after the dot-com bubble burst in 2000. During the dot-com era, fledgling companies in overheated technology markets were known to lease space in

advance of need for fear of being shut out of the office market – a sign of how tight the market had become at the height of the frenzy in 1999 and early 2000. The U.S. office vacancy rate dropped to 8.5 percent in the third quarter of 2000 – well below the cyclical low of 13.0 percent prevailing at year-end 2007 – while a handful of technology-driven markets recorded abnormally low rates of 1.5 to 3 percent. When the dot-com bubble burst, these over-committed tenants quickly dumped their unneeded space, quadrupling the available sublease inventory in the span of six quarters to 146 million square feet.

The source and location of sublease space is different now than in the earlier softening cycle. Mortgage brokers, title companies, homebuilders and other housing-related office tenants represented the largest source of sublease offerings in 2007 and 2008, whereas technology companies accounted for more than 40 percent of all sublease space placed on the market from mid-2000 to mid-2002. California's Orange County has been singled out for its exposure to collapsed subprime lenders including New Century Financial and Ameriquest, but every major office market has a particular submarket or a few key buildings with empty space related to the collapsing housing market. By comparison, the post-dot-com flood of sublease space was concentrated in technology hubs such as San Francisco; San Jose, Calif.; Seattle; Austin, Texas; and Boston.

Sublease space was not the only office market indicator pointing to a recession in 2008. Net absorption ended the year in the red, though not by much at negative 5 million square feet. This was a surprisingly resilient performance considering that the economy was in a recession the entire year – even though the official pronouncement did not come until December and some analysts were able to argue as late as August that the economy wasn't actually in a recession at all but just a stagnant interlude. During and after the 2001 recession, office tenants disgorged a record 111 million square feet of occupied space. The magnitude of that loss, like the steep rise in sublease space following the dot-com era, was driven by tenants giving back space that was not fully occupied to begin with.

Asking rental rates hit a plateau in 2008 and began to reverse direction by year-end as Class A rates fell 0.2 percent and Class B rates gave up 0.7 percent over the course of the year. Asking rates are the last market variable to retreat at the onset of a recession. As the market softens, landlords prefer to maintain asking rates and compete for tenants by offering more attractive concessions packages, including longer periods of free rent and more money for tenant improvements. Only when tenants fail to respond to these enhanced concession packages will landlords reduce their asking rents. Concessions on offer generally grew in value as 2008 progressed.

One of the big office market stories of 2008 often cited by optimists was that construction activity remained in check. The amount of space under construction hit a peak of 100 million square feet in the second quarter of 2008 before receding by year-end. The peak of the prior construction cycle occurred in the second quarter of 2000 when 125 million square feet was in the pipeline. As a percentage of the total market inventory, construction activity was even more muted this time around with a peak of 2.5 percent in the fourth quarter of 2007 compared with 4.6 percent in the third quarter of 2000 and an amazing 13.0 percent in the second quarter of 1986. Nevertheless, the 90 million square feet still in the construction pipeline at year-end 2008 will add about 2 percentage points to the vacancy rate as it is delivered over the next two years, which is on top of the rise in vacant space added to the market as tenants give back space during this period.

An unusual mix of markets held up well in 2008 as measured by the ratio of net absorption to occupied space. Topping the list were Wichita, Kan.; Raleigh-Durham, N.C.; Omaha, Neb.; Greenville-Spartanburg, S.C. and Pittsburgh. Lingering strength in the commodity-rich Plains states and the Mid-Atlantic region boosted the fortunes of the first four markets, while Pittsburgh made the list by virtue of three large CBD leases totaling some 700,000 square feet signed over the course of the year.

U.S. Forecast

The status of the office market as a double-lagging indicator of economic conditions, which helped preserve market conditions in 2008, will not keep it afloat in 2009 as the air comes out of leasing demand. The delivery of 55 million square feet of new space into a market where tenants are cutting occupancy to the tune of 45 million square feet will push vacancy to 16.5 percent by year-end and possibly closer to 17 percent. This is still below the prior peak of 17.9 percent that occurred following the 2001 recession, and the earlier peak of 18.0 percent following the 1990-91 recession. Vacancy could still match or exceed those prior two cyclical peaks sometime in 2010 depending on how quickly job growth resumes, which is the primary driver of tenant demand for office space.

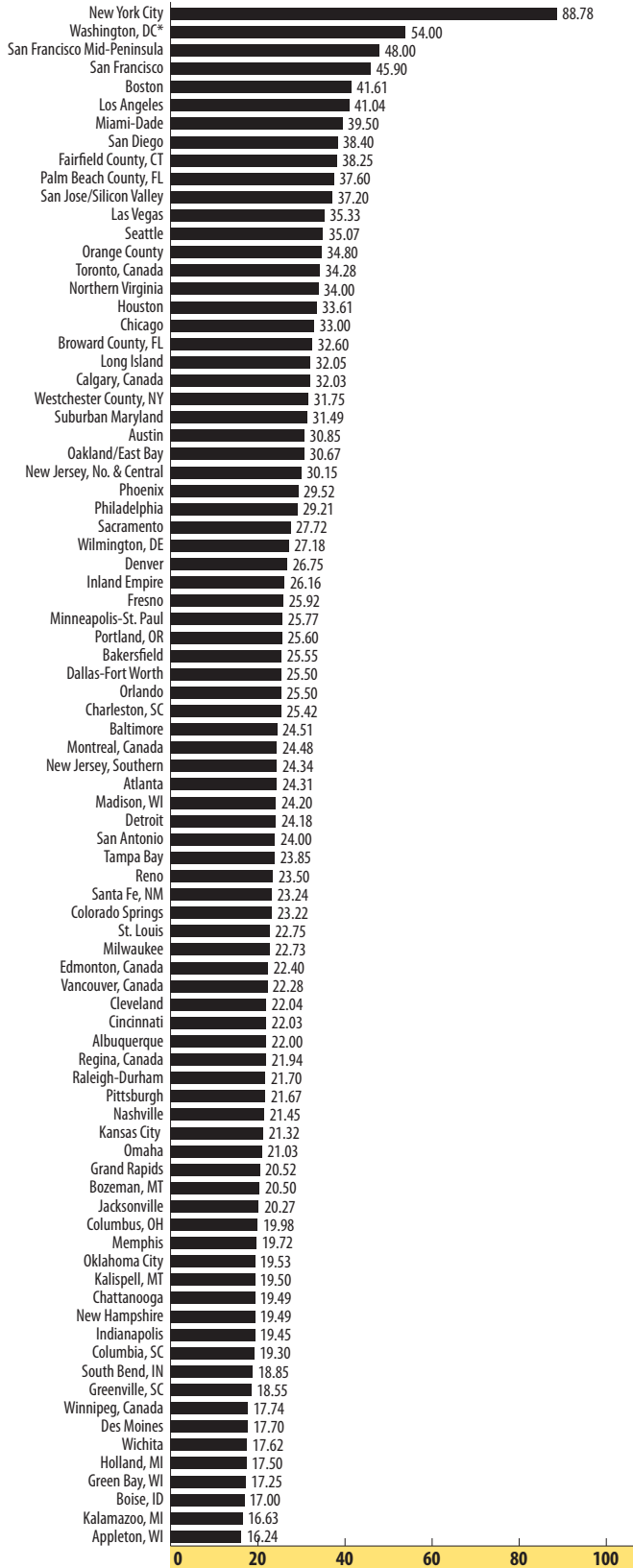
Expect a big jump in available sublease space during 2009. This will come in response to the acceleration of layoffs late in 2008. Job losses were surprisingly low through the first eight months of 2008, suggesting that employers anticipated at most a shallow recession and were trying to hang on to their employees. But those hopes faded in September when the bankruptcy of Lehman Brothers, the federal takeover of Fannie Mae, Freddie Mac and AIG, and a host of financial institution mega-mergers sank business and consumer confidence almost overnight. With job losses mounting in 2009 and corporate profits under stress, employers will have no incentive to carry unused office space on

OFFICE

continued

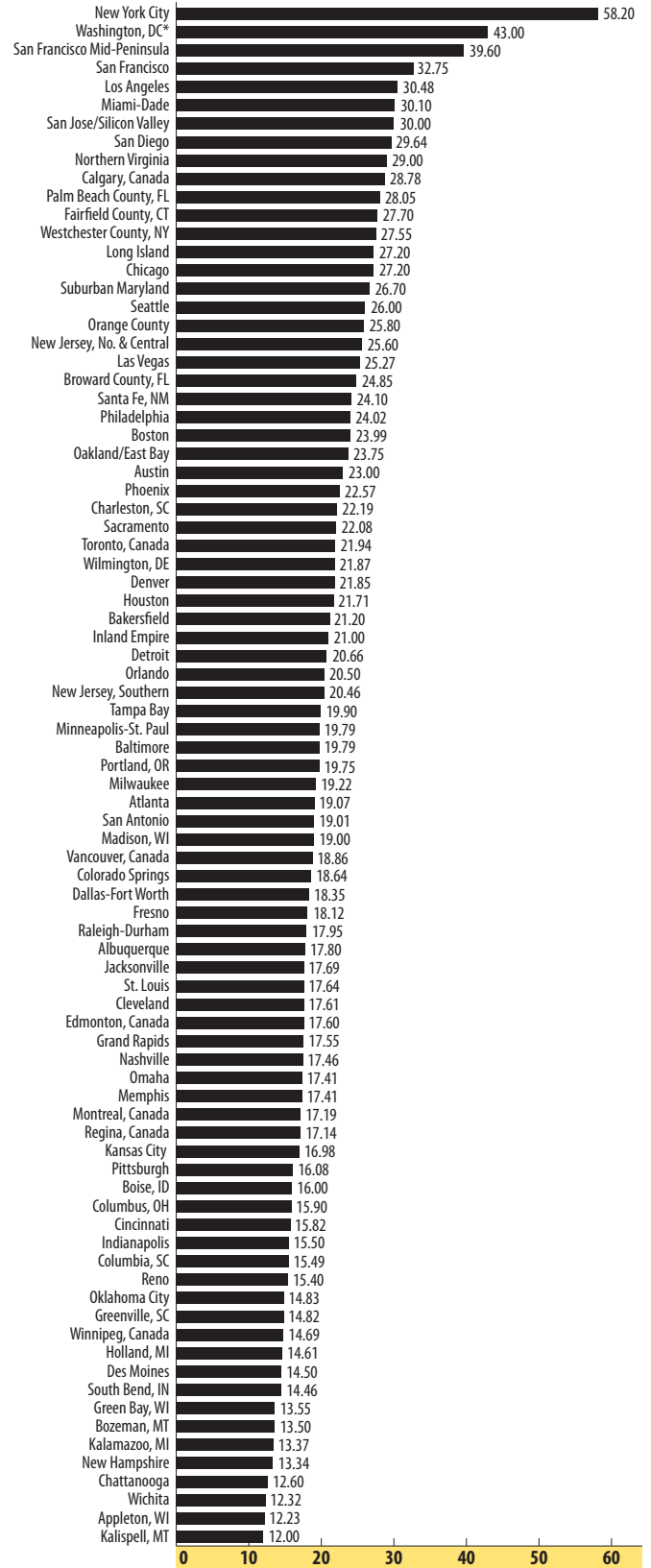
Metro Office Rental Rates

Class A – \$/SF/Yr. FSG



Metro Office Rental Rates

Class B – \$/SF/Yr. FSG



* District of Columbia

Rental rate data refer to average asking rental rates for space that is available on the market at the end of 2008. Rates are per square foot, quoted on an annual, full service gross basis. Canadian data are courtesy of Avison Young. Canadian rental rates are in US dollars using the exchange rate of \$1 Canadian = \$0.80 US.

their books. The growing inventory of sublease space will put downward pressure on asking rental rates for direct lease space, which are expected to decline in the range of 4 to 5 percent for both Class A and B space by year-end.

With the recession expected to wind down sometime in the second half of 2009, attention will turn to the strength of the recovery. A jobless recovery is the period following a recession when the nation's gross domestic product is expanding but the labor market is stagnant or shrinking. The term was first used to describe the period following the 1990-91 recession. In earlier cycles, the labor market began to grow again simultaneously with or shortly after the end of the recession. But in recent cycles, employers have figured out how to grow output without re-staffing right away by improving the productivity of their workers or hiring in cheaper off-shore locations. The restructuring of the economy away from union-based manufacturing jobs and toward services has contributed to the trend as well. A logical way to measure a jobless recovery is to use nonfarm payroll employment at the end of the recession as a benchmark. The period between the end of the recession and the month when employment finally rises above that level could be designated a jobless recovery. Using that definition, the jobless recovery lasted 14 months after the 1990-91 recession and 29 months after the 2001 recession. Most likely the current recession will be followed by a jobless recovery, suggesting that the office

market will have to cope with sluggish conditions through the second half of 2009 and into 2010.

At year-end 2008, nine markets had construction pipelines totaling less than one-half of 1 percent of their total inventories, led by Milwaukee, New York's Outer Boroughs and Westchester County, all with little or no space under way. These markets have stopped digging and should be able to start climbing out of their holes before other markets. At the other extreme, seven markets had construction activity equivalent to 5 percent or more of their inventories, led by Miami-Dade County, Seattle, California's Inland Empire and Phoenix. Supply is only half of the equation that determines how quickly markets can recover. Demand for office space, the other half of the equation, is likely to be flat or negative through most of 2009 even in formerly resilient energy and commodity-driven markets in Texas, the Mountain region and the Great Plains. Anchored by demand from government agencies, law firms and consultants, the Washington, D.C. region is expected to hold up well. Demand is likely to rebound most quickly in metropolitan areas with strong population growth, including Atlanta, Texas and smaller markets spread throughout the Southwest, Southeast and Mid-Atlantic regions. Energy-dependent markets in Texas, Oklahoma, Colorado and the Great Plains may have to struggle through the downturn along with the rest of the nation, but their prospects coming out of the recession are

bright as global demand for energy rebounds. Other markets that should bounce back quickly include Seattle and Portland, Ore., coastal California and Boston. Auto-dependent regions of the Midwest will see further restructuring and slow recoveries.

Global Outlook

In the face of mounting crises in the financial markets, the world's major office centers held up relatively well through the subprime meltdown of late 2007 and early 2008. This reflects the fact that market fundamentals in the office sector were comparatively healthy at the onset of the current down cycle relative to previous recessionary periods. Whereas the real estate recession of the early 1990s had much to do with over-speculation in office development, the current crisis stems from excessive investment speculation and the over-deployment of debt in asset transactions. In consequence, kick-off vacancy rates and rental dynamics at the start of this correction were much healthier than in previous recessions. This lent the market surprising and welcome resilience for much of 2008. However, near the end of 2008, vacancy rates began to track upward moderately in nearly all major world centers, and downward pressure on rental levels began to intensify. There are however, significant regional variations.

OFFICE

continued

Grade A Office Costs (US\$/sq ft/per annum)

Amsterdam	53.10
Athens	62.55
Bangalore	40.60
Bangkok	23.35
Barcelona	53.15
Beijing	51.65
Berlin	38.40
Birmingham	83.65
Brussels	58.10
Buenos Aires	51.70
Dubai	154.30
Dublin	105.80
Edinburgh	80.60
Frankfurt	73.40
Geneva	77.35
Ho Chi Minh City	90.40
Hong Kong	228.90
Johannesburg	19.20
Lisbon	39.55
London - City	144.20
London - West End	242.70
Madrid	86.80
Mexico City	40.15
Milan	85.45
Moscow	232.70
Mumbai	165.20
Munich	58.95
New Dehli	118.90
Paris	131.10
Prague	52.60
Rio de Janeiro	66.85
Rome	67.25
Seoul	58.95
Shanghai	70.75
Singapore	133.65
Stockholm	74.10
Sydney	59.25
Taipei	44.40
Tokyo	179.55
Vienna	45.55
Warsaw	70.10

Source: Grubb & Ellis, Local Agents

Although market conditions in Asian centers are softening, prime rental levels have reached stasis rather than decline, and although supply is rising, this is typically a result of constrained access to credit, giving some tenants a welcome uptick in choice. Shanghai, Seoul, Hong Kong, Singapore, Mumbai, New Delhi and Bangalore are approaching the top of their local cycles but are not yet in distress. These markets still occupy the upper echelons of the global rental market, and vacancy rates are generally still in single digits. Hong Kong and Seoul remain particularly constrained by supply with vacancy around 2 percent and edging up only very slowly. This is likely to support firm rental levels through the global downturn. In contrast, Singapore, Shanghai and Beijing are forecasting significant supply increases as pre-crisis construction initiatives come on line. This will moderate rental levels in 2009 and 2010.

In Europe, rental growth was still evident throughout much of the first half of 2008 despite the deteriorating fiscal climate. In all European markets however, a decline in new requirements is now leading to increases in tenant incentives, which is viewed as a precursor to softening rents in 2009. The financial centers of London, Paris and Frankfurt are naturally especially exposed in the current downturn and double-digit vacancy rates and a 20 percent decline in

financial service area rents is predicted. The West End of London remains supply constrained and the world's most expensive market by far, but the disappearance of money-no-object hedge fund tenants will smooth rental spikes and stabilize the core district at around £100 per square foot per annum. Throughout Europe, and indeed the rest of the world, the vast majority of trophy skyscraper projects, threatening to deliver millions of square feet of new space to local markets, have been put into hibernation by the credit crunch. These schemes, for the most part, suddenly appear indulgent and fanciful and, more prosaically, totally unworkable in today's market. Generally within Europe, with notable exceptions such as the City of London, the volatility in the supply/demand balance in the office sector is forecast to be relatively muted in comparison with previous cycles. This, however, reflects improved calibration in the delivery of new stock as opposed to strong underlying demand.

As an emerging market, Latin America has enjoyed a buoyant office market profile in recent years. Strong demand and limited supply have created low vacancy and firm pricing. Demand has been especially strong in Sao Paulo and Rio de Janeiro. Whilst market sentiment is undoubtedly weakening, the major markets of Mexico City, Santiago, Buenos Aires, Sao Paulo and Rio all

have year-end vacancy rates of around 5 percent or less. Although multinational demand for space will certainly diminish in 2009 and supply will rise as new developments come on line, the overall prognosis for Latin American offices is relatively benign and considerably more positive than in more developed parts of the global economy.

In Canada, market conditions are expected to shift from very tight in many centers to a more balanced condition over the course of the coming year. The booming Canadian economy pushed demand above supply in several of the major centers, particularly in western Canada, during 2006 and 2007. Stagnant economic conditions in 2009 will reduce demand at the same time that new supply is coming online in several markets. Although overbuilding is not anticipated, the combination of new supply with thinning demand should bring market conditions more into balance by year-end, providing tenants with a better set of opportunities than they have enjoyed for several years.

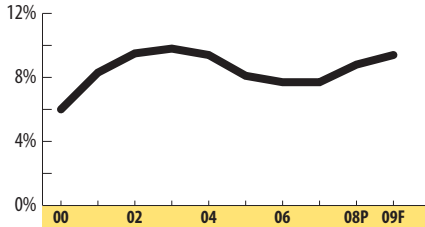
In line with reduced corporate activity, offshoring office-based activity in emerging markets is likely to slow markedly in 2009. Customer sentiment, security concerns, domestic job protectionism and a pronounced reduction in cost advantage, especially in India, suggest a leveling off in this part of the market.

It will be an unfortunate consequence of the recession that the drive toward environmentally sensitive office buildings with strong carbon credentials is likely to slow somewhat as developers and tenants take a more pragmatic approach to operations and costs. Looking to the longer term however, developments which address these key themes are still likely to enjoy market advantage.

At some point energy prices will bounce back, causing companies to move ahead with their plans for more, but smaller distribution centers.

U.S. Vacancy Rates

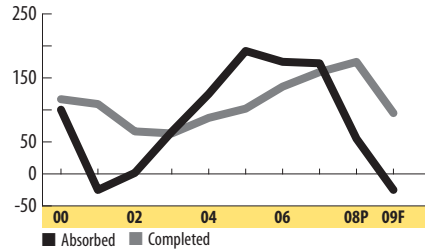
All Product Types, Year-End



Source: Grubb & Ellis

U.S. Absorption vs. Completions

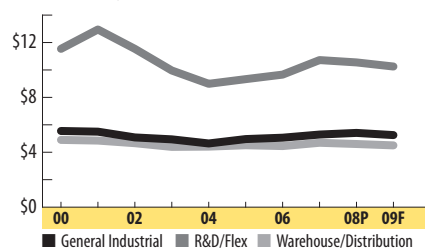
Year-End (in Million SF)



*Neighborhood and community centers
Source: Grubb & Ellis

U.S. Industrial Asking Rental Rates

Year-End (\$/SF/Yr. Triple Net)



Source: Grubb & Ellis

2008 U.S. Overview

The drivers of demand for industrial space were almost uniformly negative by the end of 2008. Consider these factors:

- November retail sales, excluding autos and gasoline, were a razor-thin 0.1 percent ahead of their year-ago level, the lowest 12-month increase since the recession of the early 1990s. Personal consumption expenditures, another measure of the velocity of consumer goods flowing through corporate supply chains, plunged at a seasonally adjusted annualized rate of 3.7 percent in the third quarter of 2008, its worst performance since the second quarter of 1980.
- Business capital spending fell at an increasing pace late in the year with monthly, seasonally adjusted declines of 2.3 percent in August, 3.3 percent in September and 4.0 percent in October. Nonresidential gross private domestic investment declined at a seasonally adjusted annualized rate of 1.5 percent in the third quarter with a 5.7 percent drop in equipment and software spending offsetting a 6.6 percent increase in structures.
- After peaking in July, exports and imports slipped in August, September and October as consumer and business demand for goods softened across the globe. The strengthening dollar added insult to injury by making U.S. exports more expensive overseas, cooling the export boom that propelled the U.S. economy in the first half of the year.

- As a result, transportation companies including long-haul truckers, railroads and shipping lines quickly slashed their expansion plans or mothballed excess capacity in a bid to ride out the downturn.

These headwinds sliced absorption of industrial space to 55 million square feet in 2008, a decline of two-thirds from the 2007 performance. Deliveries of new space surged to a cyclical peak of 175 million square feet, far outpacing absorption and pushing the vacancy rate from 7.7 percent at the beginning of the year to 8.8 percent as the year drew to a close. Nearly all of the new deliveries were warehouse/distribution projects designed for state-of-the-art logistics operations. As a result, the vacancy rate for warehouse/distribution space ended the year just below 10 percent, up nearly 150 basis points from the beginning of the year. Vacancy in general industrial properties, many of which are occupied by manufacturers, remained stable, ending the year below 7 percent. R&D/flex vacancies ended the year at 11.5 percent after remaining steady throughout the year.

Markets performing well during 2008, as measured by the velocity of demand – the ratio of net absorption divided by occupied space – were led by Des Moines and Oklahoma City, the capitals of states driven by energy and agricultural production. Demand velocity was weakest in Las Vegas, Miami-Dade and Phoenix, lending credence to the relationship between the severely depressed housing markets in those areas

and the downsizing of construction companies and other housing-related tenants that occupied industrial space. The amount of space under construction as a percentage of the existing inventory was highest at year-end in the Inland Empire market east of Los Angeles; Jacksonville, Fla.; Columbus, Ohio; Houston; and Austin, Texas. Year-end asking rental rates for warehouse/distribution space were highest in Orange County, Calif., at \$8.64 per square foot per year, triple net. That was a slim 10 cents ahead of Long Island, N.Y. Tenants in search of a bargain are advised to search for space in Memphis or Columbus, Ohio, both offering warehouse/distribution rates below \$3 per square foot.

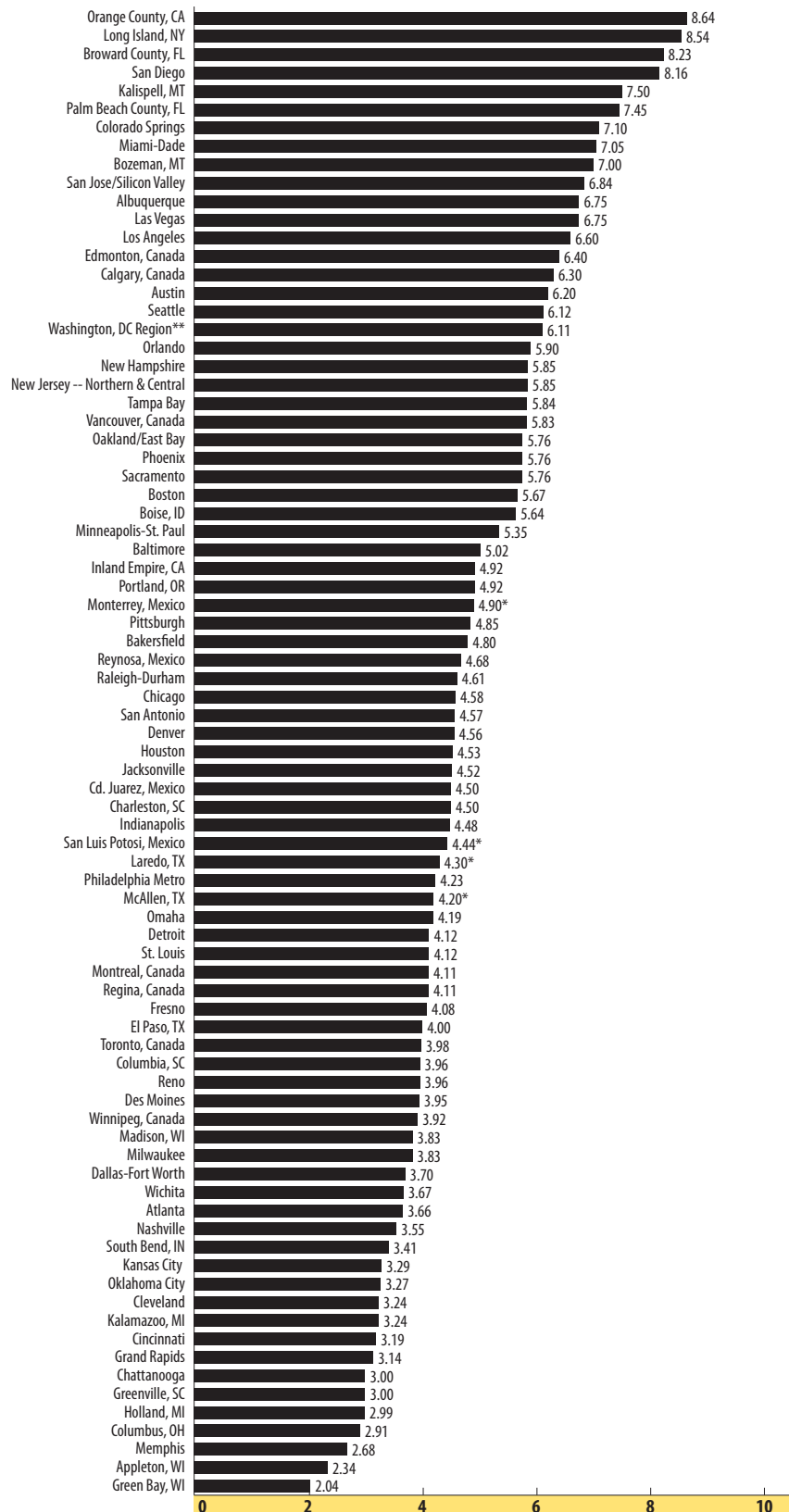
U.S. Forecast

The bad news for landlords is that the key drivers of demand for industrial space are flashing red, including falling retail sales, store closures, a shrinking manufacturing sector and a slowdown in global demand for U.S.-made goods and equipment. The good news is that the construction pipeline is thinning quickly with 90 million square feet under way at year-end 2008, already down by 36 percent from the peak of 142 million square feet in the third quarter of 2007.

Leasing market fundamentals are set to deteriorate in 2009 as the broader economy struggles to gain traction, especially in the first half of the year. Expect net absorption to dip into the red for the first time since 2001, ending the year at a negative 25 million square feet. The construction pipeline will deliver 95 million square feet of space, including some projects that will be started this year. The 120 million-square-foot gap between new supply and net absorption will push the vacancy rate to 9.4

Metro Warehouse/Distribution Rental Rates

Market – \$/SF/Yr. Triple Net



*General industrial rental rate **District of Columbia, Northern Virginia, Suburban Maryland
 Rental rate data refer to average asking rental rates for warehouse/distribution space that is available on the market at the end of 2008. Rates are per square foot, quoted on an annual, triple net basis. Canadian data are courtesy of Avison Young. Canadian rental rates are in US dollars using the exchange rate of \$1 Canadian = \$0.80

INDUSTRIAL

continued

percent by year-end. As a result, asking rental rates are expected to soften moderately in the range of 2 to 3 percent for all types of space.

Helping to put a floor under demand for industrial space is the fact that industrial properties are tied closely to the operation and productivity of the business itself, more so than office properties. A new, state-of-the-art distribution center should help the occupant operate more efficiently, thereby saving on costs.

Lower oil prices are another cause for optimism, although they are paradoxical. Lower oil prices help distributors and manufacturers cut costs at the same time that the catalyst behind the lower prices – a global recession – is anything but helpful. During the first half of 2008 as oil prices reached appalling heights, companies were strategizing about the need to cut transportation costs by utilizing more but smaller distribution centers. The breathtaking plunge in oil prices in the second half of 2008 and the profit squeeze anticipated in 2009 may postpone the implementation of this strategy, but not indefinitely. Look for companies to pull back on their expansion plans in 2008 as they wait for the economy to bounce back. At some point energy prices will bounce back, too, pushing companies to move ahead with their plans for more efficient, fuel-economizing supply chains.

The Obama administration's plans for infrastructure spending should benefit the industrial market in 2009 and beyond. Better roads, bridges and port facilities should reduce congestion and improve safety, helping to reduce transportation costs.

In the coming decade, the industrial market should perform well with a host of demand drivers waiting in the wings to fuel economic growth when credit begins flowing again. But market conditions are likely to be challenging in the next few quarters.

Global Outlook

As with the international office market, the effects of the current downturn in global economic growth on the industrial sector are differentiated by geography.

In the key emerging markets of Asia, production and trade volumes have generally fallen relative to 2007 but remain comparatively healthy. The Asian markets have attracted significant interest from Western developers and investors, most notably in both India and China. With property company fortunes now wavering, there are increasing signs of international developers mothballing Asian projects. This will intensify supply shortfalls in select locations.

Although export growth was slightly down from 2007, the key Chinese market remained fairly strong in 2008. However, the sharp decline in consumer expenditures and confidence in North America and Europe is bound

to reduce demand for Chinese exports in 2009 and slower growth is therefore anticipated. From a real estate perspective, China remains constrained by a shortage of high quality floor space. While the lead markets of Shanghai, Beijing and Guangzhou have experienced a marked upturn in industrial and logistics development, supply remains constrained in many second and third tier cities. Park and campus-style facilities are in strong demand, and rents and prices are holding up accordingly.

In Hong Kong, Japan and Singapore, the manufacturing sector is slowing and the employment base is experiencing some contraction and consolidation. Rents are likely to plateau or experience modest decline in 2009.

In Latin America, Mexico's export market has recently slowed sharply in response to the correction in U.S. consumption. There is also a considerable volume of space held within the development pipeline in major Mexican cities, and this suggests rising vacancy rates in 2009. Rents and prices will moderate accordingly.

Brazil has enjoyed strong economic growth in recent years with the industrial and logistics sector being a major contributor to commercial market expansion. Industrial development and investment have increased significantly on the back of rising demand and prices. Brazil is, however, at an interesting crossroads with respect to its

automobile sector. Auto production and its associated supply chain investment have increased sharply in recent years, servicing rising domestic demand emanating from increased prosperity, together with the more affluent export markets of North America. Future investment plans from the major automakers of Japan and the U.S. do, however, now look less robust, and it seems certain that a portion of this investment will not be realized. Auto sector expansion will likely remain positive, but the pace of growth looks set to ease.

In Europe, most countries are recording annual growth in both imports and exports in the range of 5 to 8 percent. It is likely that activity will fall back in 2009 and 2010 as the recessionary climate impacts demand and consumption. The auto industry, which supports an extensive industrial and logistics market at multiple European hubs, experienced a sharp decline in demand in the third and fourth quarters of 2008, mirroring the U.S. trend. Auto dependent markets like the West Midlands in the United Kingdom may experience difficulties in 2009.

The structural transformation of the European manufacturing and logistics sectors continues with the expansion of the European Union, specifically the shift eastward to cheaper production bases, and market expansion into the new and prospering economies of central Europe. The consolidation and centralization of supply

chains and distribution networks, emphasizing ever larger, purpose-built facilities at strategic infrastructure intersections continued in 2008. A more challenging retail sector in 2009 will drive out further efficiencies in supply chain management and distribution to market. There are, however, now signs that many key European locations are fully supplied with accommodation and that the pace of new development is likely to slow, especially in the case of speculative development schemes.

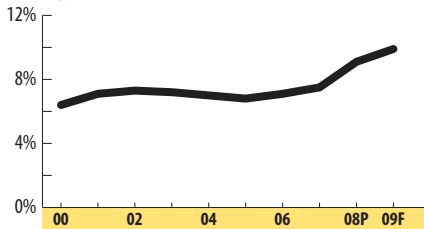
The global upturn in soft commodity prices witnessed over the past two to three years within the farming and food sector has recently started to moderate, and agricultural prices appear to have peaked. Escalating global demand and multiple supply constraints have however, conspired to create a structural uplift in soft commodity pricing with new benchmarks being established in several key asset groups. In Europe, Latin America, India and Africa, this is stimulating agrarian investment and opening up new territories. In Eastern Europe, inefficient and aging infrastructure is impairing soft commodity production and distribution. In India and Africa, infrastructure needs to be created. A pronounced upturn in soft commodity related real estate development and investment is forecast in the form of new processing plants and modern storage and logistics facilities in multiple world markets.

In Canada, the precipitous decline in global oil and commodity prices has subdued the boomtown atmosphere in Calgary and Alberta. While oil prices are expected to rebound moderately in 2009, companies in all economic sectors are reducing capital spending plans, and growth will be modest at best. Space availabilities remain tight throughout Canada, but vacancy rates are expected to move higher due to an increase in sublease space offered on the market. Landlords may need to adjust their rent expectations accordingly. New construction starts will slow due to the economic deceleration and difficulties in obtaining financing.

No U.S. markets will escape the downturn in consumer spending and weak leasing activity in 2009.

U.S. Retail Vacancy Rate*

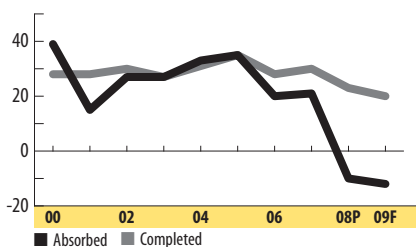
All Product Types, Year-End



*Neighborhood and community centers
Source: Reis, Grubb & Ellis

U.S. Retail Absorption vs. Completions³

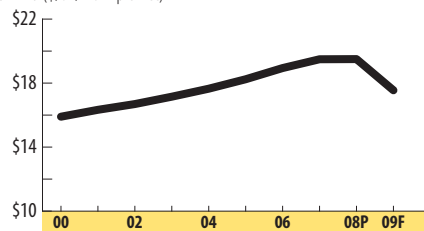
Year-End (in Million SF)



*Neighborhood and community centers
Source: Reis, Grubb & Ellis

U.S. Asking Rental Rates*

Year-End (\$/SF/Yr. Triple Net)



*Neighborhood and community centers
Source: Reis, Grubb & Ellis

2008 U.S. Overview

The recession is being driven by sharp cutbacks in consumer spending, and shopping centers are in the crosshairs. According to a 2007 study by former Federal Reserve chairman Alan Greenspan and economist James Kennedy, U.S. homeowners extracted \$840 billion a year out of residential real estate from 2004 through 2006 via sales, home equity lines of credit and refinanced mortgages, using the cash to support an estimated \$310 billion a year in personal consumption. While that is only about 3 percent of annual personal consumption expenditures, the disappearance of mortgage equity withdrawals is a big factor behind the decline in consumer spending during 2008. In the third quarter, personal consumption expenditures fell at a seasonally adjusted annualized rate of 3.7 percent, the worst performance since the second quarter of 1980. Year-over-year retail sales excluding autos and gasoline, which peaked at 8.1 percent in January 2006, fell to a reading of just 0.1 percent in November, a level not seen since the recession of the early 1990s. Not only are banks reluctant to lend on home equity, but there is less of it available. Housing prices are down by around 20 percent from their peak with about 5 to 10 percent more to go. At the end of the third quarter, 14 percent of single-family homeowners owed more on their mortgages than their properties were worth, according to Zillow.com.

The International Council of Shopping Centers forecasts that 6,100 chain stores will close in 2008, the highest number since 2004, with another 3,100 closings expected in the first half of 2009. The list of casualties in 2008 included Bombay (384 stores), Sharper Image (184 stores), Wilson's Leather (160 stores), KB Toys (356 stores), Linens 'n Things (371 stores), Mervyn's (149 stores) and Steve & Barry's (173 stores). Other retailers are shutting significant numbers of their outlets, including Circuit City, Starbucks, Ann Taylor, Sprint/Nextel, Dell, Pier 1, Eddie Bauer, Gap, Zales and Office Depot.

During 2008, the vacancy rate in neighborhood and community centers soared from 7.5 percent at the beginning of the year to 9.1 percent at year-end. Net absorption was negative 10 million square feet at the same time that 22 million square feet of new space was delivered, which drove the vacancy rate higher and caused the average asking rent to flatten out at \$19.50 per square foot.

U.S. Forecast

With prospects for the economy looking bleak, particularly in the first half of 2009, leasing activity will be challenged as retailers trim their expansion plans and look more critically at underperforming stores. Net absorption is expected to drop further into the red, ending the year at negative 12 million square feet. Completions also are expected to

come down to 20 million square feet, which will not be enough to keep the vacancy rate from rising further to end 2009 at 9.9 percent. Asking rental rates are expected to post a decline of up to 10 percent.

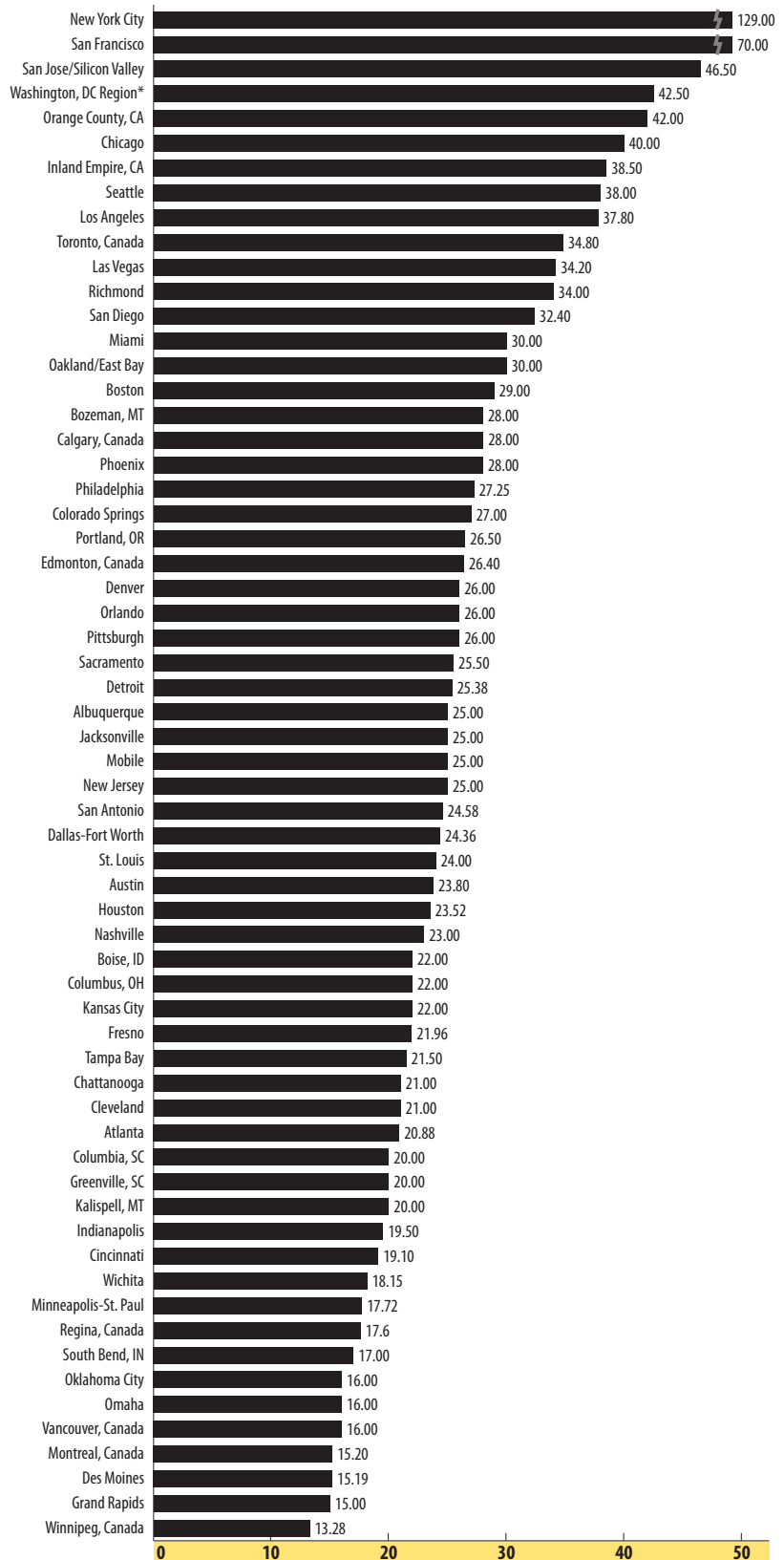
No markets will escape the downturn in consumer spending and weak leasing activity in 2009. The Southwest, Mountain and Plains states, which held up well in the first half of 2008 thanks to high oil and commodity prices, will feel the effects as the global recession trims demand for their output. However, Texas, the Mid-Atlantic states, the Pacific Northwest, the Bay Area and the Mountain states should provide some buffering thanks to population growth and the presence of one or more economic sectors that are positioned to ride out the recession such as government (Washington, D.C.) or biotech (San Francisco).

Here is a brief outlook for the main types of shopping centers and retailers:

- **Malls:** Malls have reinvented themselves with food courts, movies and open-air lifestyle wings, but they are experiencing slower sales. Occupancy costs for malls are higher, and cost-conscious retailers will take a hard look at opening stores in centers with high occupancy costs, particularly if they can find competitive open-air centers.
- **Lifestyle centers:** These continue to be an attractive product type for developers and consumers especially in temperate climates. They are not setting any records in the current market but are faring better than some other retail formats. Lifestyle centers can offer lower rental rates to attract mall tenants. However, some lifestyle centers have gotten ahead of the residential growth curve, which has now stalled, leaving them with partially formed trade areas.

Inline Shop Space Rental Rates

Market – \$/SF/Yr. Triple Net



*District of Columbia, Northern Virginia, Suburban Maryland
 Typical asking rental rates for inline shop space in a grocery-anchored center, 3,000-square-foot national credit tenant, newly developing suburban trade area, first generation space, white-box build out, available on the market at the end of 2008. Rates are per square foot, quoted on an annual, triple net basis. Canadian data are courtesy of Avison Young. Canadian rental rates are in US dollars using the exchange rate of \$1 Canadian = \$0.80 US.

RETAIL

continued

- Grocery-anchored neighborhood centers: They are not immune to market cycles but tend to fare better because grocery stores bring foot traffic on a consistent basis. Many centers have done a good job of integrating service-oriented retailers. Those in mature trade areas will outperform those on the urban fringe where residential development has halted.
- Unanchored strip centers: Strip centers on the exurban fringe are the most vulnerable in the difficult economic climate. This is the territory where subdivisions have been halted in mid-development, and new homeowners have had little time to build up a cushion of equity and are thus more prone to bankruptcy. Mom-and-pop retailers who would consider opening a third or fourth outlet in better times are holding back this year.
- In-town retailing: Many urban mixed-use projects are having trouble filling their ground floor retail space. Poor design sometimes plays a role particularly in relation to parking, but the main issue is that condo development and sales have declined sharply, which has at least temporarily delayed the addition of new households to these trade areas.
- Department stores: Business will be slow, even for the likes of Kohl's, Target and J.C. Penney, which had been the standouts.

Sears and Macy's are having a tough time. Even upscale department stores such as Nordstrom are seeing sales fall in the current market.

- Discounters: The recession may have done more to push business toward Wal-Mart than the company's own initiatives over the past several years. Similarly, the dollar stores and wholesale clubs including Costco, Wal-Mart's Sam's Club and BJ's Wholesale Club should continue to perform well in 2009.
- Ethnically oriented retailers: Ethnic populations continue to grow, particularly Hispanic, and retailers targeting this segment will do well in the long term.

Global Outlook

In Europe, of the three main commercial real estate sectors, the retail market looks set to be the most adversely affected by the global economic downturn, especially in the high street sector. In parallel with the U.S., 2009 in Europe will be characterized by several key factors:

- Ongoing and sharp falls in consumer expenditure, especially on discretionary purchases and luxury goods, reflecting a reversal in consumer confidence.
- Mounting retail failures as corporate debt conspires with falling sales to bring about the demise of even very large retailers.

- Further expansion in the budget and discount sector, especially groceries, as cost sensitive consumers seek regular savings.
- A dramatic escalation in online shopping, bolstering demand for logistics, but weakening demand for physical outlets.

These factors will have a number of impacts on retail real estate in 2009:

- Major new developments will be put on hold until trading conditions improve.
- Vacancy rates will rise, especially in the high street as retailers close underperforming outlets or go out of business altogether.
- Consolidation and mergers in the banking sector, especially in the UK, have created extensive duplication in branch networks and rationalization is assured. This will increase vacancy still further.
- Retail rents will plateau or fall in all but the most supply-constrained and prestigious locations.
- Retail investment capitalization rates will move outward, having been over-compressed in the investment boom years of 2004-07. Retail investment fund performance prospects look particularly bleak in Europe in 2009.

- In Eastern Europe, development and investment volumes, which have mushroomed in recent years, will ease. Mall openings will slow, and some pockets of oversupply will emerge.
- Landlords and tenants will selectively work together to revise rental payments and lease terms to assist cash-strapped retailers.

The prospects for Europe contrast with those of Asia. Despite some signs of caution, retail sales growth is running at double-digit rates in all of Asia's main markets, stimulated by outright growth and rising inflation. China enjoyed especially strong growth in 2008 with the Olympics adding further impetus to an already buoyant sector. The retail markets of India and China remain profoundly underdeveloped. While economic contraction in the developed world will slow their growth to a degree, the structural transformation of these markets – driven by investors, developers and retailers from overseas – will continue. Although these markets lack transparency and have multiple barriers to entry, they represent significant growth prospects for a rising number of international retailers that are becoming increasingly beleaguered in their domestic trading markets.

Similarly, the markets of Latin America have experienced rapid growth in recent years. Enhanced disposable income levels have nurtured dramatic growth in retail development, especially in Mexico and Brazil where mall development continues apace in nearly all first and second tier cities. As with Asia, the markets of Latin America continue to represent expansion targets for international brands, especially in the grocery and consumer durables sector. With rapid development increasing supply against a backdrop of rising demand, rent and price movements are likely to be incremental in 2009. With many Latin American retailers reliant on U.S. originated debt finance, there is mild concern over corporate liquidity next year, and this may retard some growth and present selected retailers with more challenging balance sheets.

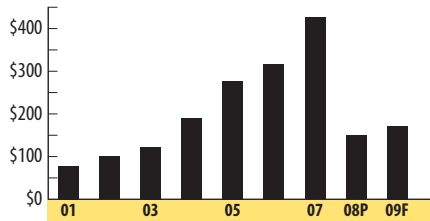
In the Middle East, Dubai has emerged as a global market for high-end retailing on the back of an unprecedented development wave that has delivered multiple, large-scale projects to the market. With its dependency on visitor expenditure, there is now concern that Dubai may be over-supplied with retail space, and it seems likely that retail spending will moderate in 2009. The forthcoming opening of Dubai Mall, the world's

largest retail center, will provide a strong indicator of market strength in a more challenging economic climate.

Canada presents a tale of two regions, east and west. The retail markets in the energy and commodity-driven western provinces – notably Calgary, Edmonton and Vancouver – enjoyed a banner year in 2008 with just a moderate pullback expected in 2009. The eastern region – anchored by the financial center of Toronto – is performing more similarly to the U.S., with retailers expecting a somewhat challenging 2009. Through much of 2008, the weak U.S. dollar drained a number of Canadian shoppers south of the border in search of bargains. Though the dollar strengthened in the fall and winter months, it once again appears on the ropes at the beginning of 2009.

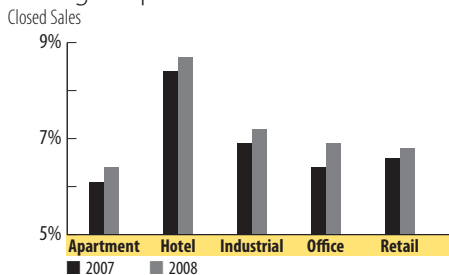
The uncertainty evident at the beginning of 2008 cleared up in some respects by the end of the year, which should set the stage for a more active – if not exactly vigorous – market in 2009.

U.S. Commercial Property Sales Volume
(in Billions)



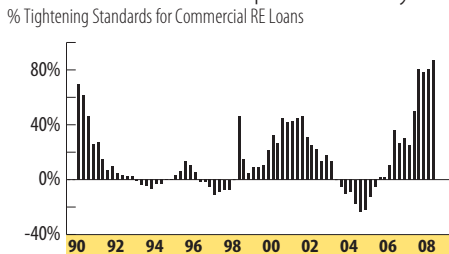
Source: Real Capital Analytics, Grubb & Ellis

Average Capitalization Rate



Source: Real Capital Analytics, Grubb & Ellis

Senior Loan Officer Opinion Survey



Source: Federal Reserve, Grubb & Ellis

2008 U.S. Overview

The investment market story for 2008 had its roots in August 2007 when the credit markets first seized up. Commercial real estate investors felt the effect of the first blockage in the credit markets right away because the valuation of properties depends on the availability and terms of credit. The effects lasted through 2008 with property sales down by two-thirds, CMBS issuance all but dormant and bank lending for commercial real estate at its tightest level since at least the early 1990s.

There was a lack of clarity around several issues vital to a stable investment market. In the first eight months of the year, there was debate about whether the economy was even in a recession, particularly after the release of preliminary second-quarter GDP showing that the economy expanded at an annualized rate of 3.3 percent (revised down to 2.8 percent in the final release). Then the credit squeeze, which waxed and waned through the spring and summer, took a turn for the worse in the middle of September, right around “Lehman Brothers weekend” when the government chose to let the struggling investment bank slide into bankruptcy. The economy deteriorated sharply at the same time, and in early December, the National Bureau of Economic Research made it official: A recession had begun in December 2007 and was already in its 12th month – longer than the previous two recessions, both of which lasted eight months. Credit, which was expensive and tight over the first eight months of the year, nearly

evaporated after mid-September. General Growth Properties, ProLogis and Centro were merely the most visible on a long list of real estate companies seeking to refinance or pay down debt loads.

U.S. Forecast

The uncertainty evident at the beginning of 2008 cleared up in some respects by the end of the year, which should set the stage for a more active – if not exactly vigorous – market in 2009. Even the bulls have conceded that the economy is in a deep and prolonged recession that will impact leasing market fundamentals, suggesting that many would-be sellers hoping to wait out the downturn will throw in the towel and put their properties on the market. With less room for disagreement over the state of the economy, the gap between buyers and sellers will gradually narrow with sellers making up 99 percent of the distance. Look for a 15 percent increase in sales in 2009 as distressed properties, particularly those purchased in the past couple of years with floating rate debt, come to market. Loan delinquencies and foreclosures will increase, and more properties will return to lenders. Debt capital will slowly thaw, and there will be a measured increase in equity capital flowing into the market from private, institutional and offshore investors waiting on the sidelines.

Debt will be the hot investment in a year when credit will remain tight and expensive. Debt could be placed in CMBS, directly in distressed properties or in funds investing in these assets. More equity investments will

be made in 2009 as investors holding an estimated \$300 to \$400 billion in institutional, private and off-shore capital begin to deploy funds in response to rising capitalization rates. However, there is some concern that the size of that equity pool may have shrunk in recent months. Some portion of sovereign wealth funds has been redirected toward rescuing the funds' domestic banks. The denominator effect, which tips institutions into over-invested positions in real estate when their stock portfolios drop, may not trigger a wave of property selling, but it may discourage new investment activity in 2009. As for private equity capital, some of the larger pools such as hedge funds may be preoccupied with redemptions. Another question mark is whether some of the capital earmarked for real estate may be shifted to stocks or other types of assets, all of which look cheap as 2009 gets underway. Nevertheless, there is, most likely, a healthy pool of capital ready for investment into commercial real estate equity and debt when the prices are right.

Every year, Grubb & Ellis ranks major U.S. apartment, industrial, office and retail markets against a set of criteria important to the performance of real estate investments. The criteria are specific to the type of real estate being evaluated and include demographic indicators such as population growth, education and income; economic indicators such as job growth, house prices and the cost of living; and real estate indicators such as vacancy rates, absorption, construction, rent growth, capitalization rates and barriers to entry. This type of analysis does not consider the objectives, strategies and return targets of specific investors. Nor does it consider differences in performance by submarket, which can vary greatly within a particular metropolitan area. The analysis is meant to highlight markets that offer the potential for good investment returns, whether debt or equity, over a five-year time horizon and may warrant further attention by investors.

Despite the seismic shifts in the economic and financial landscape surrounding commercial real estate, the market rankings changed surprisingly little from last year, although a couple of new markets were added in each category while the remaining markets jockeyed for position. The main reason for the relative stability is that the time horizon for this exercise is five years, by which time, fingers crossed, the financial crisis and recession will be an unpleasant memory and commercial real estate will be firmly entrenched in its next expansion cycle.

Office: Washington, D.C. took top honors, moving from third place last year. The expansion of government authority over the financial industry alone will be enough to propel leasing activity through the recession. West Coast markets occupy the second through fourth positions – Portland, Ore., Los Angeles and San Francisco – plus Number 10 Oakland/East Bay. These markets benefit from diverse economies, educated workforces and high barriers to entry. In its economic structure, Number 5 Austin, Texas, has more in common with Number 8 Raleigh-Durham, N.C. and ninth ranked Boston than it does with its larger Texas neighbors, Number 6 Dallas-Fort Worth and Number 7 Houston. The former metros are state capitals graced with leading universities and technology industries, while the two large Texas metros will benefit from their rapidly expanding workforces and energy-driven economies – particularly Houston – when global demand begins to grow again.

Market Strength Forecast 2008-2013*

Top 10 Markets

Rank	Office	Industrial	Retail	Apartment
1	Washington, DC	Los Angeles	Los Angeles	Los Angeles
2	Portland	Houston	Washington, DC	San Francisco
3	Los Angeles	Atlanta	Houston	Orange County
4	San Francisco	Oakland-East Bay	Dallas-Fort Worth	Oakland-East Bay
5	Austin	Seattle	Atlanta	Washington, DC
6	Dallas-Fort Worth	Dallas-Fort Worth	Orange County	San Diego
7	Houston	Chicago	San Francisco	New York
8	Raleigh-Durham	Miami-Dade	Austin	San Jose
9	Boston	Portland	San Diego	Long Island, NY
10	Oakland-East Bay	New Jersey, No. & Central	Portland	Portland

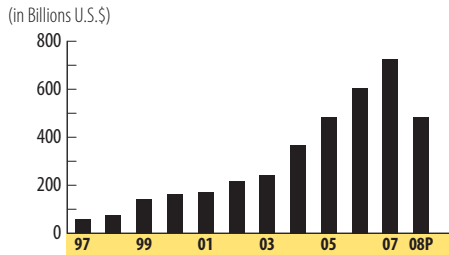
* Markets were ranked from 0 to 100 against 13-17 property, economic and demographic variables.

Source: Grubb & Ellis

INVESTMENT

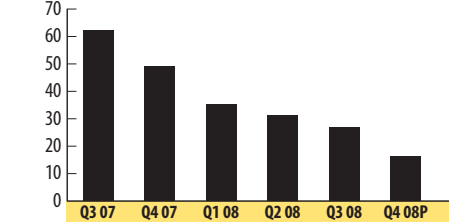
continued

Global Real Estate Investment



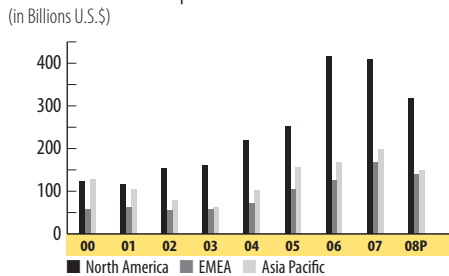
Source: Grubb & Ellis, Morgan Stanley, JP Morgan, DTZ

European Commercial Transaction Volumes



Source: INREV, EuroProperty

REIT Market Capitalization



Source: Datastream, Ernst & Young

Industrial: Led by land-constrained Los Angeles, seven of the 10 top industrial picks are driven by proximity to seaports – Houston; Oakland, Calif.; Seattle; Miami; Portland, Ore. and New Jersey. The other three in the top 10 list are major inland distribution hubs: Atlanta, Dallas-Fort Worth and Chicago. One caveat: These mega-markets also attract mega-development, meaning that it can be more difficult for landlords to increase rental rates.

Retail: Los Angeles also took the top slot in the list of retail markets with good long-term potential for investors. Three other California markets occupy the list: Number 6 Orange County, Number 7 San Francisco and Number 9 San Diego. These markets benefit from three highs: high-growth industries, high incomes and high barriers to entry. The same three Texas markets placing in the office rankings score again in the retail rankings. Houston ranked third, followed by Dallas-Fort Worth at Number 4 and Austin taking Number 8 – thanks to strong population growth projections. Rounding out the list are: Washington, D.C., (high incomes), Number 2; Atlanta (strong population growth), Number 5 and Portland, with its urban growth boundary, Number 10.

Apartments: Recessions are not kind to apartments because people facing unemployment will move in with a roommate or relative. Further, many of the houses lost in bankruptcies are coming back as rentals. On the other hand, most former owners who have lost their homes will end up as renters,

and a portion of them will rent apartments as opposed to condos or single-family homes. Against this backdrop, supply-constrained markets occupy all 10 slots, led by first-place Los Angeles. The five other coastal California markets also made the list as well as three East Coast markets and Portland, Ore.

Global Outlook

On an international scale, the evolution of real estate into a mainstream investment asset class, open to both the public and institutional sectors, has been adversely impacted by the events of 2008. The implications will be deep and long-lasting.

For most of this decade, real estate has been in the ascendancy as an investment medium, attracting vast sums of capital and debt, proliferated via an ever more diverse landscape of listed and unlisted structures underpinned by increasingly sophisticated financial vehicles, a secondary CMBS market and even a nascent derivatives platform. REIT-style legislation in multiple jurisdictions has broadened the investor market substantially while cross-border capital flows reached record volumes in both core and specialist sectors. This rapid, global evolution – less apparent in the already mature U.S. and Canadian markets – shuddered to a halt in the second half of 2008 with early warning signs stretching back to the first half of 2007. Overshoot on both the upward and downward segments of the real estate cycle is a well established characteristic, and so it has proven to be this time around. Excessive

capital and debt allocation produced unsustainable cap rates and prices in most world markets. The severe correction in debt pricing around the globe and the near cessation of lending in many key markets have left many investors extremely vulnerable. Several leading investors, especially in Europe, have not survived, and there will be more casualties in 2009.

In emerging markets, stronger economic and demand fundamentals have lessened the impact of the credit crisis. Downward capital value revision is, however, now underway in most sectors across Asia, the Middle East, Eastern Europe and Latin America. The development boom enjoyed in these markets is now petering out as developers and their financiers review their core holdings and formulate downturn survival strategies. On the upside, this will reduce the propensity toward over-supply which was becoming apparent in several markets, especially India and the Middle East.

Key trends for 2009 include:

- A further softening in cap rates by up to 2 percentage points in core sectors with cap rates on secondary locations and specialist sectors looking especially prone to outward revision.
- An ongoing misalignment between seller expectation and buyer reality, creating a comparatively stagnant market at the asset transaction level.
- An increase in distressed property sales expected to begin in the second quarter of 2009 from all parts of the market, but

most especially cash-strapped listed and unlisted funds, together with highly geared, opportunistic vehicles. This will be especially prevalent in Europe where escalating debt costs, rapidly weakening demand fundamentals and cash calls from nervous investors force owners to release product.

- Significant consolidation in the listed sector is anticipated in both North America and Europe as property and construction companies struggle with negative NAV ratios, capital adequacy and debt refinance challenges.
- As in the downward cycle in the early 1990s, banks will assume control of substantial portfolios of distressed and default assets. This will be most common in Western Europe and the Middle East.
- There will be considerable vacillation in the pension fund sector, especially in the developed economies, as funds try to placate crippling liabilities with asset allocation strategies within which plummeting equities have driven real estate thresholds higher than actuarial models would typically sanction.

Inevitably, of course, distress brings with it opportunity for those investors who are well capitalized. Although it is wrong to view the much-vaunted sovereign wealth sector as the purchaser of default and as the savior of the market, Middle Eastern and Asian funds are likely to target trophy investments in core world markets as early as the first half of 2009 as value write-downs come through and sales are forced. Similarly, private equity

vehicles with adequate resources will view the current correction as a prime, contra-cyclical buying opportunity, especially in the core metro markets of North America and Western Europe. Opportunities will also abound in the debt sector and the current trend toward debt restructuring fund creation will continue into 2009 as one of the few growth points in the market.

Investment activity in 2009 is likely to gather momentum from a standing start as the year progresses. As asset values approach replacement cost, investors will be increasingly tempted back to the market. Although an awkward concept in real estate, markets which are manifestly returning to long-term fair value will also attract interest. There will also be strong emphasis on core investments in major markets with minimal letting risk, good specification and manageable leverage.

COMPANY PROFILE

Grubb & Ellis is a real estate services and investment firm committed to identifying and creating business and investment opportunities through real estate, uniquely tailored to our clients' individual needs.

Grubb & Ellis is one of the largest and most respected commercial real estate services and investment companies. With more than 130 owned and affiliate offices worldwide, Grubb & Ellis offers property owners, corporate occupants and investors comprehensive integrated real estate solutions, including transaction, management, consulting and investment services supported by proprietary market research and extensive local market expertise. Grubb & Ellis and its subsidiaries are leading sponsors of real estate investment programs that provide individuals and institutions the opportunity to invest in a broad range of real estate investment vehicles, including tax-deferred 1031 tenant-in-common exchanges, public non-traded real estate investment trusts and real estate investment funds.

Research plays an integral role in our business, and our professionals have earned a reputation for providing informed solutions that combine local market knowledge with detailed analysis. Strong knowledge about general economic issues and global trends – combined with specialized expertise for property types such as office, industrial, retail, land, medical office, multifamily and hospitality – provides our clients the information they need to achieve their corporate and investment goals.

Grubb & Ellis has the people, platform and best-in-class processes to deliver superior service whether a client needs help with a single investment property or multiple global facilities. Our consistent performance grounded in keen market insight plays a role in our success and is recognized by our clients. For example, in 2008, Grubb & Ellis was honored with Microsoft Corporation's Environmental Award for our successful efforts to reduce the company's impact on the environment. This commitment to continuous improvement and the development of programs and initiatives designed to meet a client's individual needs are the driving forces behind our more than 50 years of service excellence.

Seamless Integration of Real Estate Products and Services

Grubb & Ellis is a unique company that brings together traditional transaction and management real estate services with innovative investment programs offered through Grubb & Ellis Realty Investors. Our brokerage network offers insight into the pool of assets nationwide, maximizing investment opportunities for program investors. In turn, the property and asset management services of the company seek to drive value to each property, capitalizing on opportunities from acquisition to disposition – whether it be for our own portfolio or on behalf of our clients.

Structured Around the Needs of Our Clients

Our unique, comprehensive platform includes transaction services, management services, corporate services and a wide range of investment programs.

Transaction Services

Grubb & Ellis has one of the largest and most experienced real estate brokerage sales forces in the country. Our teams of specialists cover all aspects of commercial real estate and work closely with owners, occupants and investors to assess the ways in which real estate issues relate to – and contribute to – an organization's strategic business objectives. Last year, Grubb & Ellis and its affiliates completed 16,250 transactions valued at more than \$22 billion.

Transaction services include:

- Agency leasing
- Tenant representation
- Consulting services
- Valuation consulting
- Retail services
- Institutional investment services
- Private capital investment services
- Site selection

Grubb & Ellis was the recipient of Microsoft's Environmental Award in 2008

Global Client Services

As one of the nation's largest full-service commercial real estate firms, Grubb & Ellis delivers integrated property, facility and asset management services focused on cost-efficient operations, tenant retention and increasing property values to a host of corporate and institutional clients. The company and its affiliates manage a diverse portfolio totaling more than 275 million square feet of space. This portfolio includes headquarters, facilities and Class A office space for major corporations, as well as industrial, manufacturing and warehouse facilities, data centers, retail properties, medical buildings and multifamily assets for real estate occupants and investors. Additionally, Grubb & Ellis provides consulting services that help clients better understand their real estate portfolio, the current operating environment, and future opportunities that exist through smart, strategic planning.

Management services include:

- Property management
- Facility management
- Asset management
- Business and fulfillment services
- Consulting services
- Project/construction management
- Engineering services

Corporate services include:

- Consulting services
- Real property and lease administration
- Retail services
- Strategic planning
- Tenant representation
- Valuation services
- Site selection
- Project management
- Portfolio rationalization
- Disposition services

Investment Programs

Grubb & Ellis is one of the nation's leading sponsors of innovative commercial real estate investment programs. Grubb & Ellis Realty Investors, the company's real estate investment and asset management subsidiary, structures, acquires, manages and disposes of real estate for its clients. Through Private Client Accounts, the firm offers high net worth investors a comprehensive program to build or expand their commercial real estate portfolio to meet their investment objectives. In total, Grubb & Ellis Realty Investors oversees a portfolio of assets valued in excess of \$6.5 billion located throughout more than 30 states, and has completed acquisition and disposition volume totaling more than \$11 billion on behalf of program investors since its founding in 1998.

Investment programs include:

- 1031 tenant-in-common exchanges
- Public non-traded real estate investment trusts (REITs)
- Limited liability companies
- Wealth management
- Institutional investments
- Mutual funds
- Securities separate accounts and funds

This is neither an offer to sell nor a solicitation of an offer to buy any security. Such an offer may be made only by means of an offering document. Investors should read the offering materials and review the risks associated with any offering prior to making an investment and should be able to afford the loss of their entire investment. Securities offered through Grubb & Ellis Securities, Inc. member FINRA/SIPC.

Our Commitment

A strong, integrated delivery platform combined with the expertise of our professionals offers our clients a partnership unlike any other in the industry. We bring strategic thinking and exceptional service to each and every engagement. We deliver perspective, insight and innovation to help our clients achieve their desired outcomes. And we execute effectively and efficiently, enabling us to form long-lasting collaborative relationships with property owners, investors and corporate users of real estate.

To locate a Grubb & Ellis office near you, please visit www.grubb-ellis.com/offices.

Grubb & Ellis is one of the most widely quoted sources when it comes to real estate market trends and their implications.

For more than 50 years, Grubb & Ellis has made real estate market research a cornerstone of its business. The company has built a reputation for consistently delivering some of the highest quality research reports in the industry and regularly provides expert commentary on the forces shaping the commercial real estate landscape. As the issues facing real estate owners, corporate users and investors grow increasingly complex, sound research and analysis become even more vital, and our research is a tool our professionals rely on to help their clients solve real estate issues, uncover opportunities and achieve larger organizational objectives.

Grubb & Ellis research reports span from coast to coast and around the globe. We cover big-picture economic trends as well as specific drivers of local market demand for space. We provide standard real estate statistics and also respond to significant developments, such as the credit crisis of 2008. Our research is used by our clients, the media and the industry at large to help explain current conditions and predict what the future has in store.

Grubb & Ellis leverages four integrated components to create our unique and comprehensive insights:

- Our professional research managers and their staff, whose critical function it is to build the base of market intelligence in each office and provide published reports and custom analyses to our clients. Grubb & Ellis pioneered the concept of hiring

professional research managers to direct the company's research function, which is widely viewed as having the most accurate grass-roots level data in the industry. Incoming research analysts and brokers are trained to understand the nuances of the real estate cycle, inflection points in the cycle, leading indicators, and the actions and advice that are appropriate for each phase of the cycle.

- Our systems used to compile, maintain, analyze and disseminate our research. Grubb & Ellis was a pioneer in the field of computerized market research and analysis and continues to make investments to improve and enhance the information available. Most of the company's offices have been tracking data for more than two decades. In addition to subscribing to the top property databases in the industry, Grubb & Ellis has built a proprietary, centralized Web-resident data warehouse to track its property-specific data, including property details, images, available space, leasing and sales comparables, and tenant information, all in an easy-to-use format. This sophisticated system is based on a rigorous set of research standards designed to ensure that data are consistent across markets.
- Our reports and publications through which we translate our extensive databases into analysis, insights and actionable recommendations for our clients. In addition to our annual national and local forecast reports, Grubb & Ellis produces quarterly Market Trends reports

that analyze local and national market conditions throughout North America by product type, a Weekly Market Insight electronic communication on a timely economic or real estate-related topic, quarterly capital markets reports and white papers on issues that are important to our clients.

- Our real estate professionals, whose familiarity with the people and the property in their submarkets yields a daily, in-the-trenches grasp of changing market conditions. The creation of market intelligence is a team effort, with knowledge flowing constantly between our research teams, sales professionals and investment specialists. This knowledge is integrated with our professionals' insight and experience, forming a solid foundation from which to advise clients, and giving Grubb & Ellis and its clients a competitive edge.

Among our clients, we have seen an increased demand for more accurate data and sharper analysis fueled by increased market transparency and a strong need for accountability. Real estate investors as well as corporations in all sectors of the economy are closely examining their real estate strategies and searching for timely and smart market research that will help guide and support their decisions. Providing this information is one of the things Grubb & Ellis does best.

To keep abreast of research disseminated by Grubb & Ellis, please visit www.grubb-ellis.com/research.

Corporate Headquarters

Santa Ana California
714.667.8252

Alabama Mobile
Peebles & Cameron, LLC
251.438.4312

Arizona Phoenix
BRE Commercial, LLC
602.954.9000

Tucson
520.321.3330

Arkansas Bentonville
Solomon Partners
479.271.6118

North Little Rock
Solomon Partners
501.975.0547

California Anaheim
714.939.6000

Bakersfield
ASU & Associates
661.862.5454

Carlsbad
BRE Commercial
760.431.4200

El Cajon
BRE Commercial
619.462.3100

Fresno
Pearson Commercial
559.432.6200

LA Downtown
213.596.2222

LA East (San Gabriel)
562.364.2000

LA North (Sherman Oaks)
818.332.2000

LA South Bay (Torrance)
310.491.2000

LA West
310.477.3800

Newport Beach
949.608.2000

Ontario
909.605.1100

Pleasanton
925.218.3388

Redwood City
650.596.2460

Riverside
951.530.1700

Roseville
916.770.8900

Sacramento
916.418.6000

San Diego Downtown
BRE Commercial
619.515.0017

San Diego (Otay Mesa)
BRE Commercial
619.661.0657

San Diego UTC
BRE Commercial
858.546.5400

San Francisco
415.433.1050

San Jose
408.452.5900

San Luis Obispo
Central Coast Commercial
805.541.5000

Santa Barbara
805.564.3366

Temecula
WestMar
951.491.6300

Visalia
Pearson Commercial
559.732.7300

Walnut Creek
925.939.3500

Colorado Colorado Springs
Quantum Commercial Group
719.590.1717

Denver
303.572.7700

Connecticut Stamford
203.406.9899

Delaware Wilmington
302.888.4500

District of Columbia Washington, D.C.
202.312.5400

Florida Boca Raton
561.995.5150

Fort Myers
1st Commercial
239.210.7600

Jacksonville
Phoenix Realty Group
904.399.5222

Melbourne
Commercial Florida
321.984.1957

Miami
305.982.4100

Orlando
Commercial Florida
407.423.1200

Tampa
Commercial Florida
813.639.1111

Georgia Atlanta
770.552.2400

Hawaii Honolulu
CBI, Inc.
808.942.7100

Idaho Boise
Idaho Commercial Group
208.287.9500

Illinois Chicago
312.698.6700

Columbia
Gundaker Commercial
618.281.8800

Rosemont (O'Hare)
847.390.8040

Indiana

Indianapolis
Harding Dahm & Company
317.844.2700

Mishawaka/South Bend
Cressy & Everett
574.271.4060

Iowa

Des Moines
Mid-America Commercial
515.222.0605

Kansas

Lawrence
The Winbury Group
785.865.5100

Wichita

Martens Commercial Group, LLC
316.262.0000

Maryland

Baltimore
410.625.4200

Bethesda

301.530.8200

Massachusetts

Boston
617.772.7200

Michigan

Detroit
248.350.9500

Grand Haven

Paramount Commerce
616.296.0604

Grand Rapids

Paramount Commerce
616.774.3500

Holland

Focus Properties
616.394.4500

Kalamazoo

Paramount Commerce
269.978.0245

Minnesota

Minneapolis

Northco Real Estate Services
952.820.1600

Mississippi

Gulfport

Sawyer Commercial
228.863.0232

Missouri

Chesterfield

Gundaker Commercial
636.728.5100

Kansas City

The Winbury Group
816.531.5303

St. Louis (Clayton)

Gundaker Commercial
314.719.2000

Montana

Bozeman

Montana Commercial, LLP
406.587.8700

Kalispell

Montana Commercial, LLP
406.755.8485

Nebraska

Lincoln

Pacific Realty
402.467.1234

Omaha

Pacific Realty
402.345.5866

Nevada

Las Vegas

Las Vegas Commercial Brokerage, LLC
702.733.7500

Reno

NCG
775.332.2800

New Hampshire

Bedford

Coldstream Real Estate Advisors, Inc.
603.623.0100

Portsmouth

Coldstream Real Estate Advisors, Inc.
603.433.7100

New Jersey

Edison

732.225.0433

Fairfield

973.486.2500

Marlton

856.334.2100

New Mexico

Albuquerque

New Mexico
505.883.7676

Las Cruces

New Mexico
505.523.6000

Santa Fe

New Mexico
505.989.3900

New York

New York (Midtown)

212.759.9700

Wappinger Falls

Facility Resource Group
845.296.3200

North Carolina

Chapel Hill

Thomas Linderman
Graham
919.968.4017

Raleigh

Thomas Linderman
Graham
919.785.3434

North Dakota

Fargo

Marc C. Johnson & Campbell, LLC
701.281.5200

Ohio

Cincinnati

West Shell Commercial
513.721.4200

Cleveland

216.861.3040

Columbus

Adena Realty Advisors
614.436.9800

Oklahoma

Oklahoma City

Levy Beffort
405.840.1500

Oregon

Portland

503.241.1155

Pennsylvania

King of Prussia

610.337.1010

Philadelphia

215.561.8300

Pittsburgh

412.281.0100

South Carolina

Charleston

Barkley Fraser
843.725.7200

Columbia

Wilson Kibler
803.779.8600

Greenville

The Furman Co.
864.242.5151

Myrtle Beach

Wilson Kibler
843.946.7100

Tennessee

Chattanooga

Hudson
423.698.8660

Memphis

Memphis, LLC
901.761.1717

Nashville

Centennial, Inc.
615.320.7500

Texas

Austin

512.349.1000

Corpus Christi

Coastal Bend
361.994.0649

Dallas

972.450.3300

El Paso

Best/White LLC
915.772.9082

Houston

713.626.8888

Mission/McAllen

Select Regional Solutions
956.630.4300

San Antonio
210.828.5050

Virginia

Charlottesville

Real Estate III Commercial
434.817.1240

Richmond

Harrison & Bates
804.788.1000

Tyson's Corner

703.448.2000

Washington

Seattle

Levy Beffort
206.388.3000

Wisconsin

Appleton

Pfefferle
920.968.4700

Green Bay

Pfefferle
920.884.5000

Madison

Oakbrook Corporation
608.238.2600

Milwaukee

Apex Commercial
262.784.7500

Waupaca

Pfefferle
715.258.8000

Wausau

Pfefferle
715.355.6060

Wyoming

Cheyenne

Wyoming Commercial
307.432.4070

Canada

Avison Young

Calgary
403.262.3082

Edmonton

780.428.7850

Halifax, Nova Scotia

902.442.4050

Mississauga

905.712.2100

Montreal

514.940.5330

Ottawa

613.567.2680

Quebec City

418.694.3330

Regina

306.359.9799

Toronto

416.955.0000

Vancouver

604.687.7331

Winnipeg

204.947.2242

Mexico

Ciudad Juarez

Best/White de Mexico
011.52.656.629.1111

Monterrey

Select Regional Solutions
877.445.4070

Reynosa

Select Regional Solutions
899.929.3830

Grubb & Ellis research teams across the U.S. work together to ensure our clients have the most up-to-date market knowledge.

Contributors

Robert Bach, *Senior Vice President, Chief Economist, Grubb & Ellis Company*

Stephen Mallen, *Senior Managing Director, International Department, Grubb & Ellis Company*

Sherman DeSouza, *Associate Vice President, Research & Client Services, Avison Young*

Sources

Datastream, DTZ, Ernst & Young, EuroProperty, Experian Business Strategies, Federal Reserve, Fitch Ratings, INREV, International Monetary Fund (IMF), Investment Property Databank (IPD), JP Morgan Chase, King Sturge, Morgan Stanley, National Bureau of Economic Research, Real Capital Analytics, Reis, U.S. Bureau of Labor Statistics, U.S. Census Bureau, World Bank

Grubb & Ellis offers its clients an integrated platform of real estate services and investment programs. We strive to meet the evolving needs and investment objectives of corporate owners and occupants as well as institutional and private investors.

Transaction Services

- Agency leasing
- Tenant representation
- Consulting services
- Valuation consulting
- Retail services
- Institutional investment services
- Private capital investment services
- Site selection

Management Services

- Property management
- Facility management
- Asset management
- Business and fulfillment services
- Consulting services
- Project/construction management
- Engineering services

Corporate Services

- Consulting services
- Real property and lease administration
- Retail services
- Strategic planning
- Tenant representation
- Valuation services
- Site selection
- Project management
- Portfolio rationalization
- Disposition services

Investment Programs

- 1031 tenant-in-common exchanges
- Public non-traded real estate investment trusts (REITs)
- Limited liability companies
- Wealth management
- Institutional investments
- Mutual funds
- Securities separate accounts and funds



The direct or indirect purchase of real property involves significant risks. Investors should consult their own tax advisors and legal counsel. Always remember that each property is unique and past performance is no guarantee of future results.

Grubb & Ellis offers its clients an integrated platform of real estate services and investment programs. We strive to meet the evolving needs and investment objectives of corporate owners and occupants as well as institutional and private investors.

Transaction Services

- Agency leasing
- Tenant representation
- Consulting services
- Valuation consulting
- Retail services
- Institutional investment services
- Private capital investment services
- Site selection

Management Services

- Property management
- Facility management
- Asset management
- Business and fulfillment services
- Consulting services
- Project/construction management
- Engineering services

Corporate Services

- Consulting services
- Real property and lease administration
- Retail services
- Strategic planning
- Tenant representation
- Valuation services
- Site selection
- Project management
- Portfolio rationalization
- Disposition services

Investment Programs

- 1031 tenant-in-common exchanges
- Public non-traded real estate investment trusts (REITs)
- Limited liability companies
- Wealth management
- Institutional investments
- Mutual funds
- Securities separate accounts and funds



The direct or indirect purchase of real property involves significant risks. Investors should consult their own tax advisors and legal counsel. Always remember that each property is unique and past performance is no guarantee of future results.