



The State of the Commercial Real Estate Industry: **Third Quarter 2010 Retail Review & Outlook**

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Today

- Economy
- Capital Market
- Property Leasing Market
- Property Sales Market
- Question and Answer

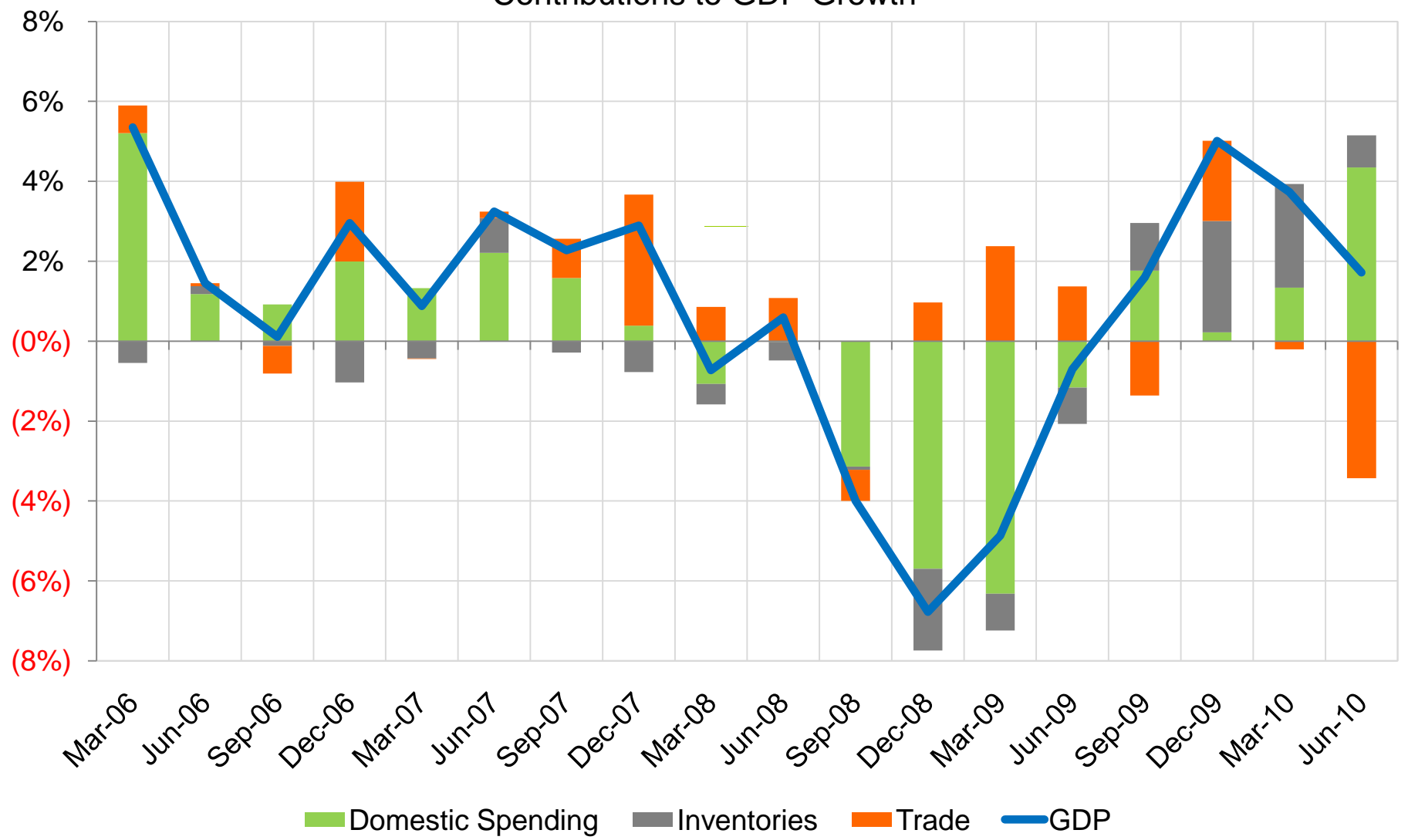


The Economy



Recent Weakness is Entirely Trade-Related

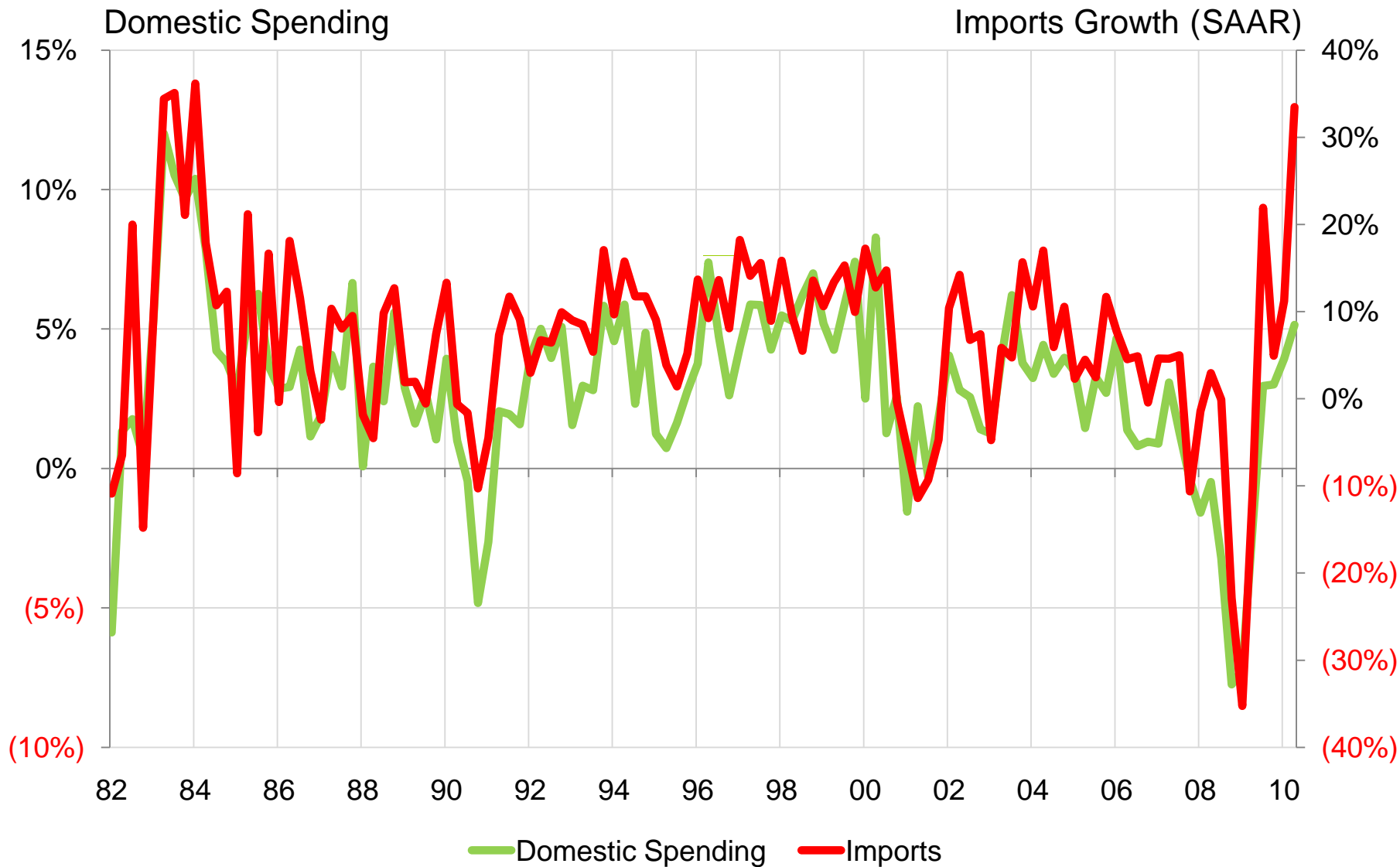
Contributions to GDP Growth



Source: BEA

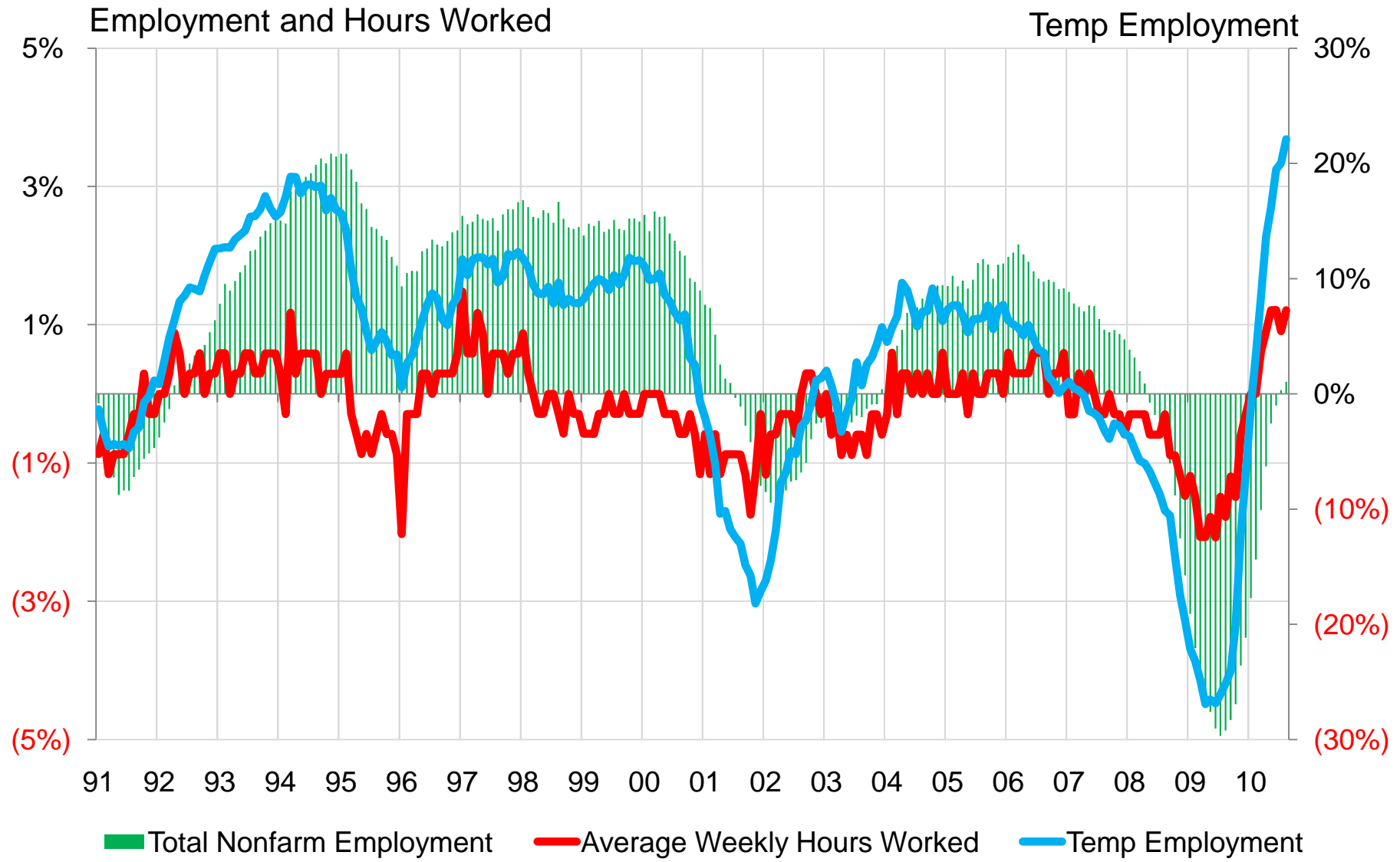


Imports Have Been Unusually Strong





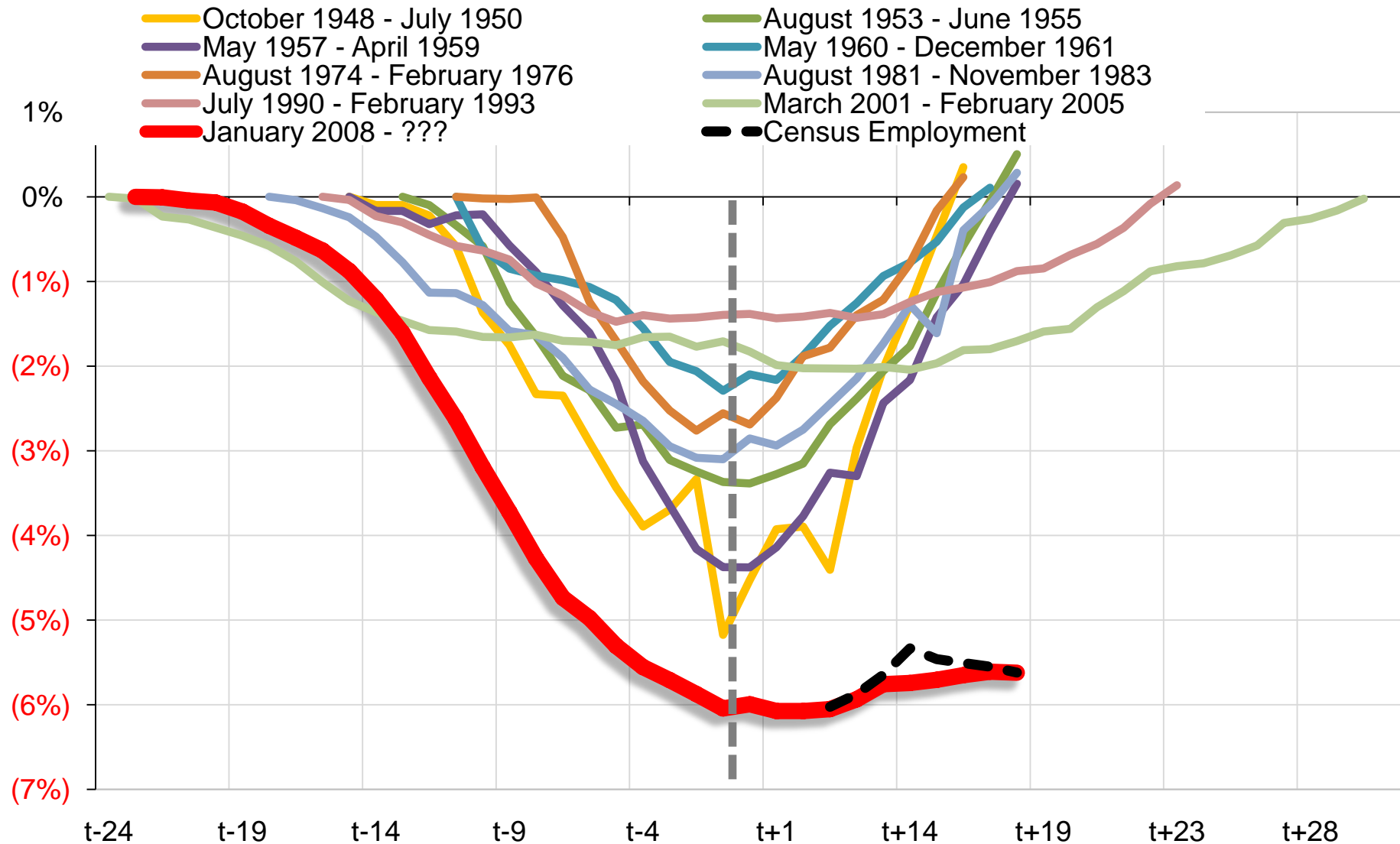
Leading Indicators Signal More Job Creation



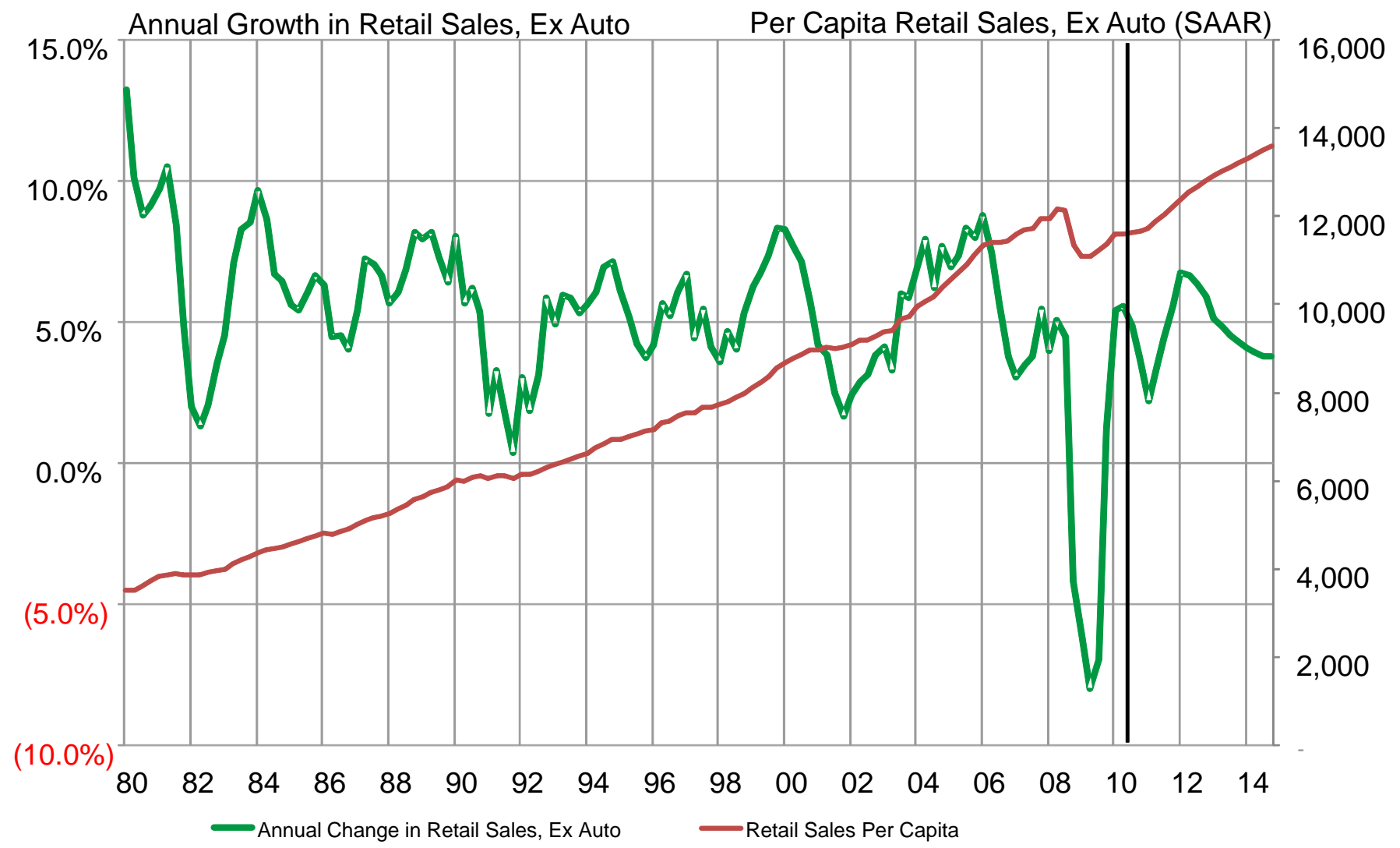
Source: BLS



Worst Post-War Job Loss Periods – By % of Workforce (Excluding Census)

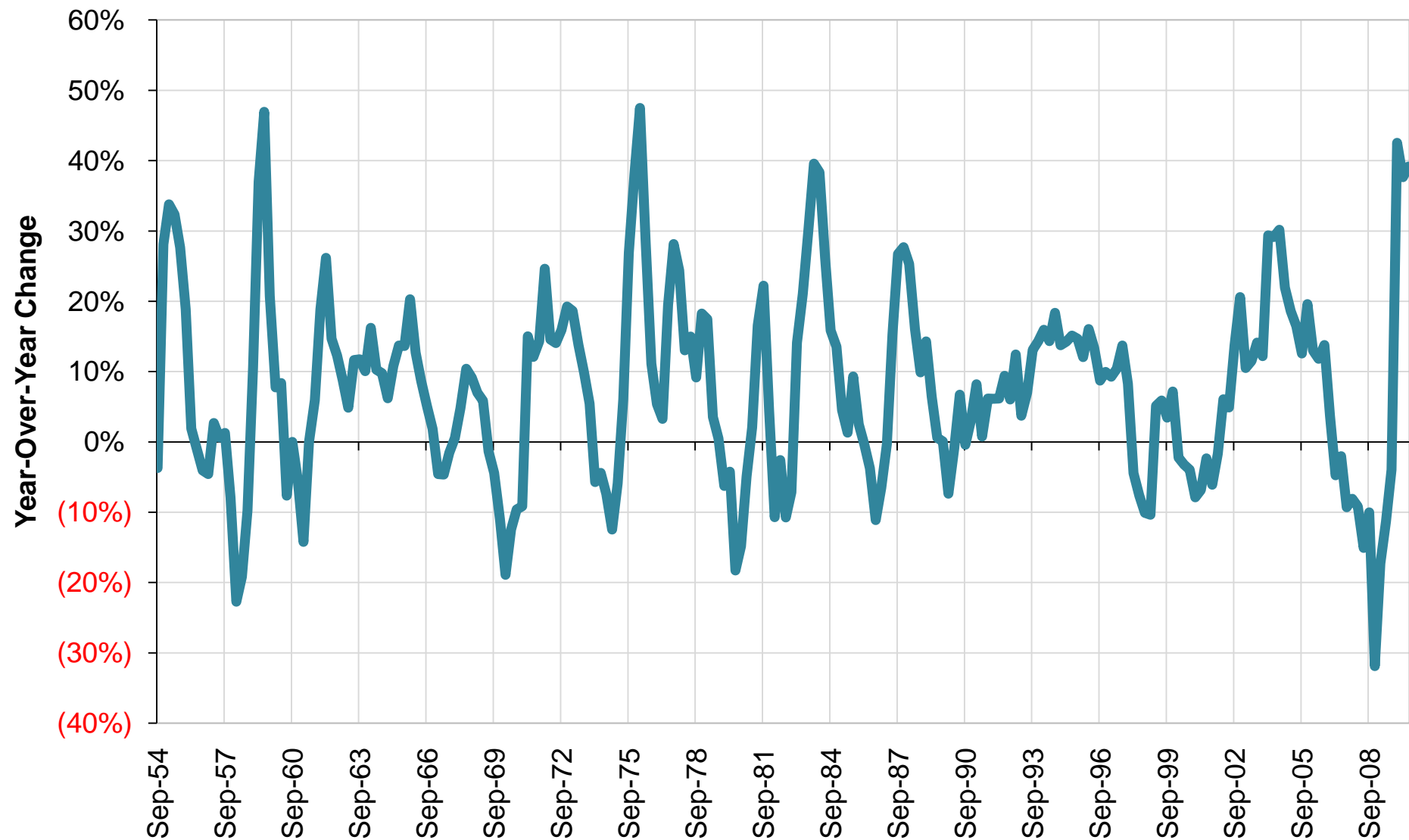


Consumer Has Done Fair Share in Driving Rebound

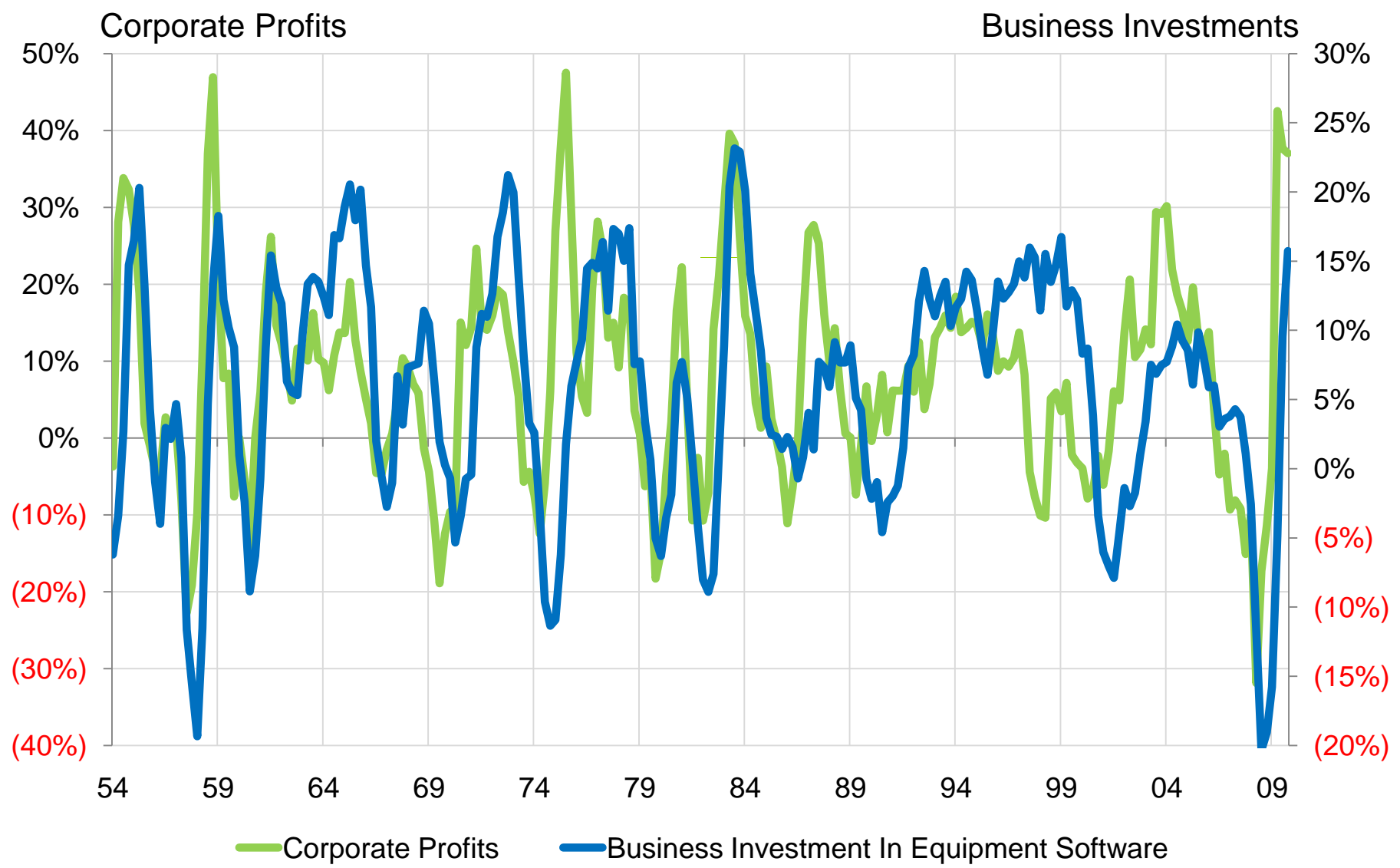


Sources: BEA; Census Bureau; Moody's Economy.com

Corporate Profits



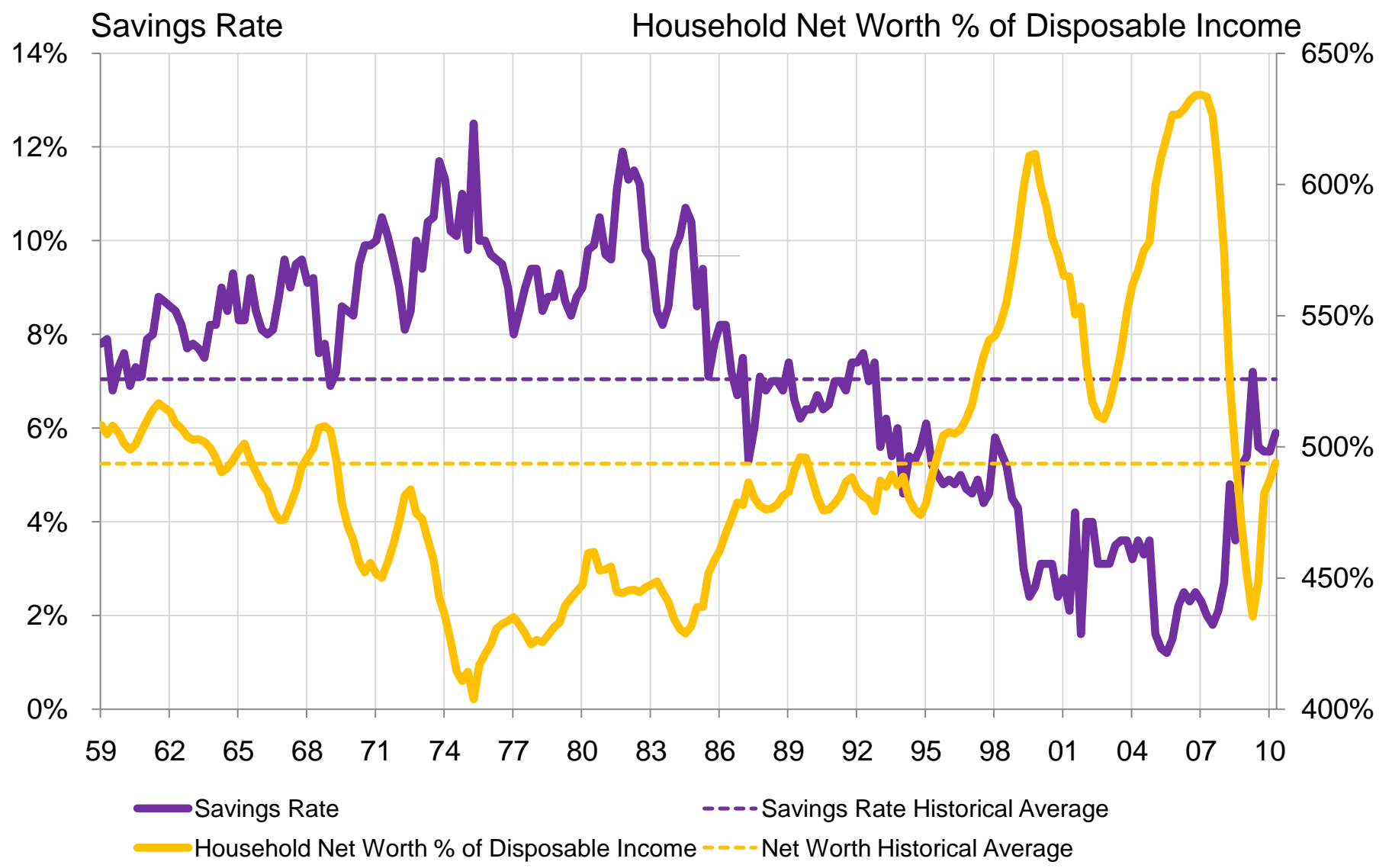
Strong Earnings Will Support Business Investment



Source: Federal Reserve; BEA



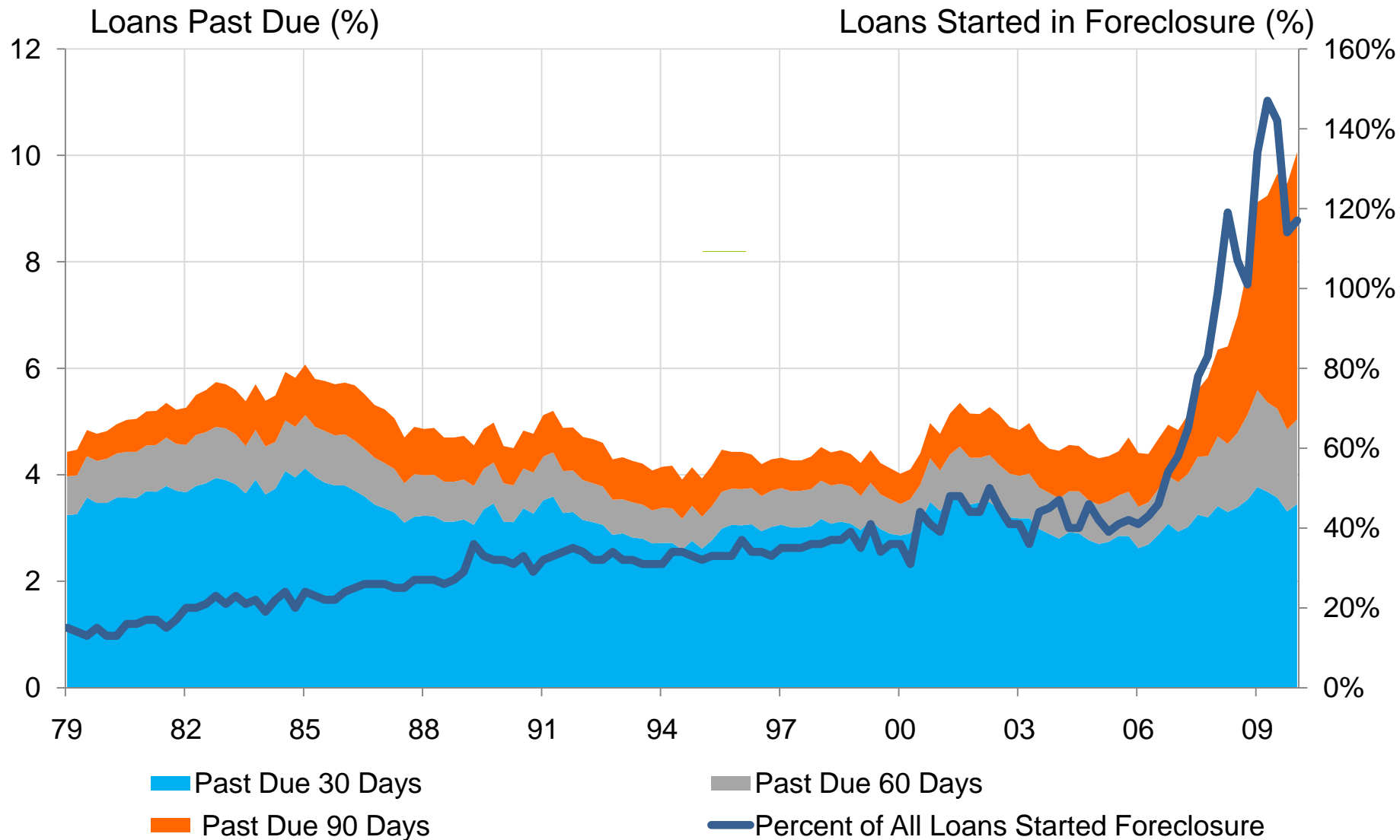
A Return to Thrift?



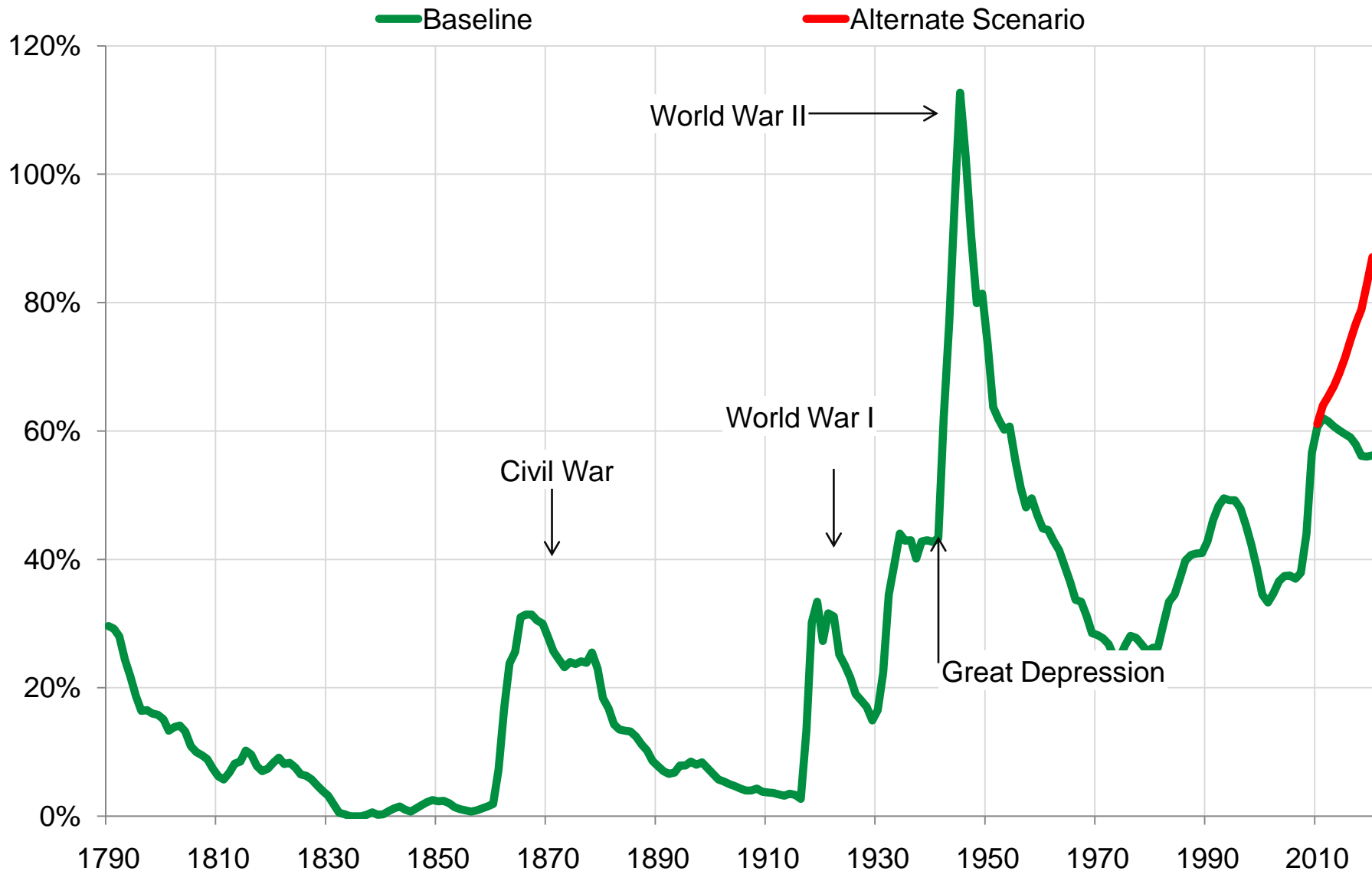
Source: Moody's Economy.com



Foreclosure Activity Isn't Over



Federal Debt Held By Public (% of GDP)

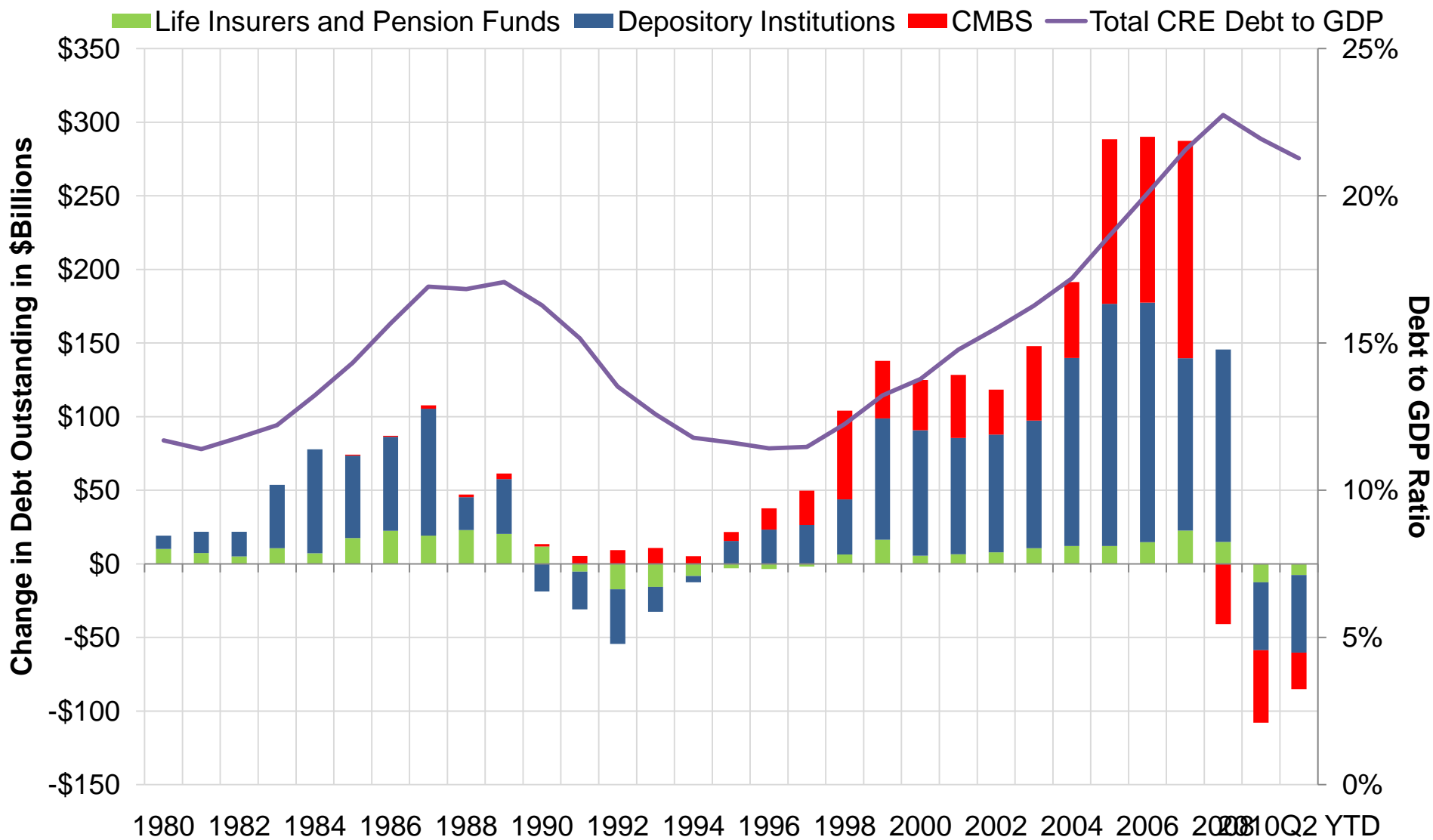




Capital Markets



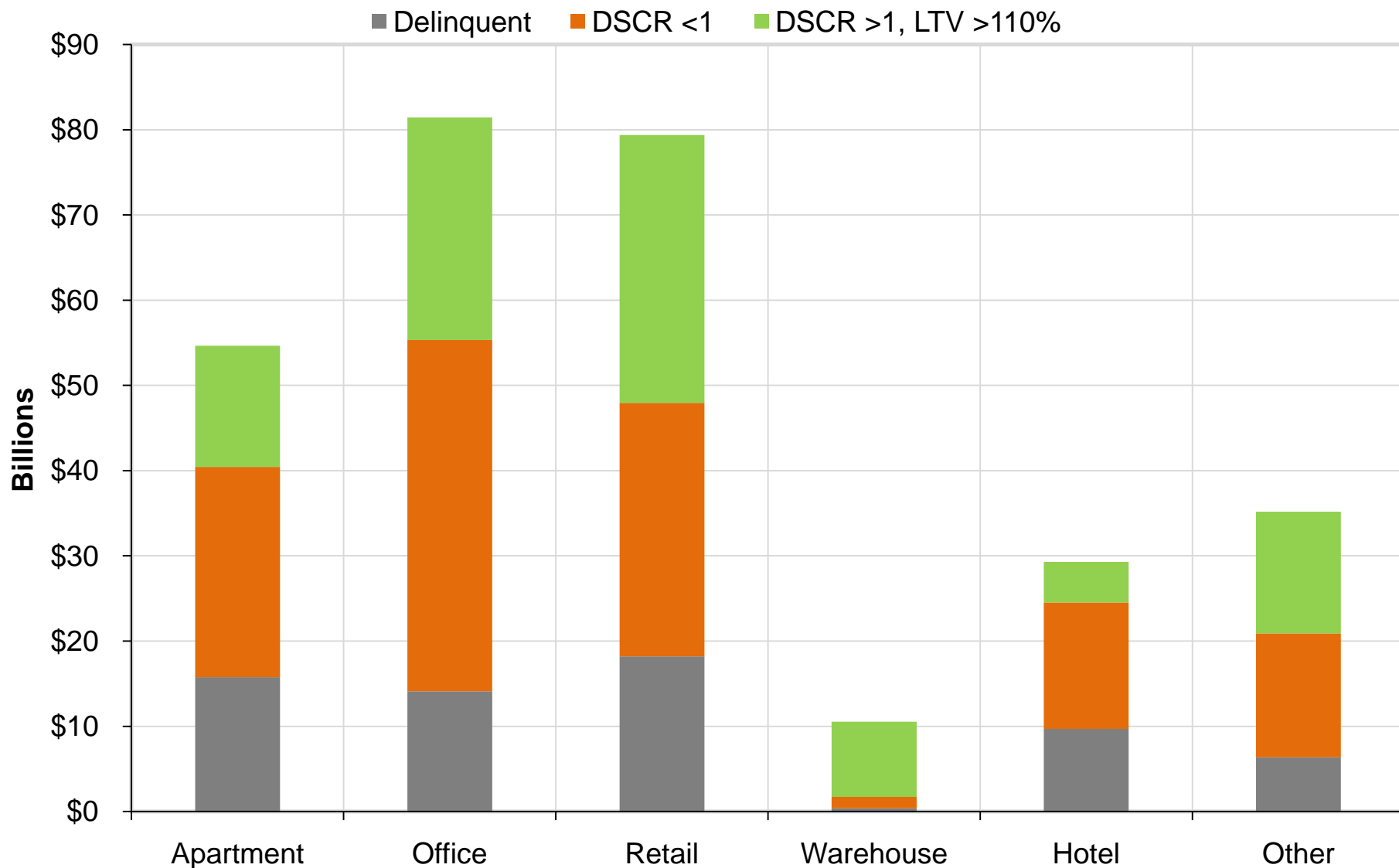
Leverage Continues to Come Out of the System



Source: Federal reserve

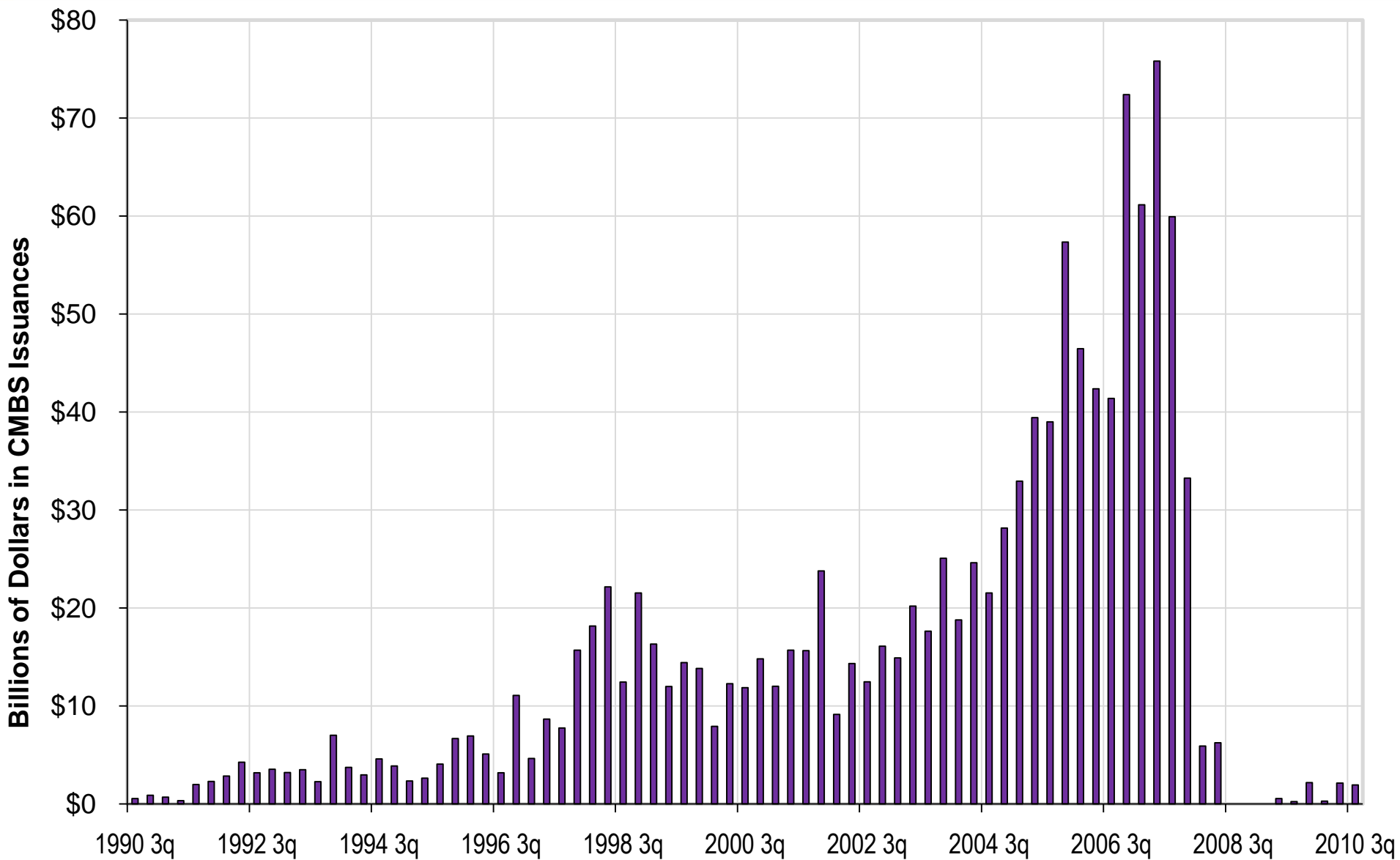


Distressed Loans in the CMBS Market

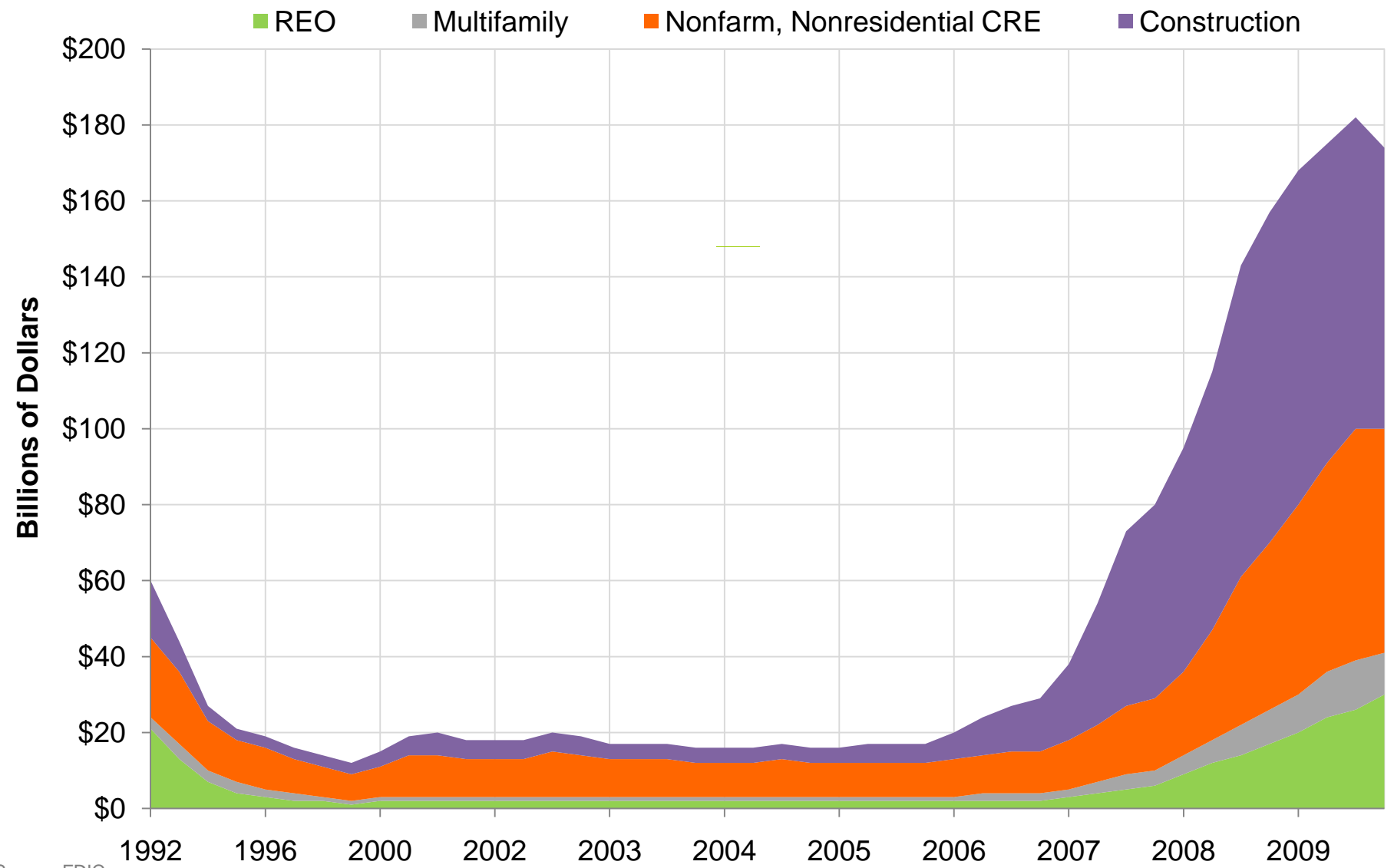




Quarterly CMBS Issuances



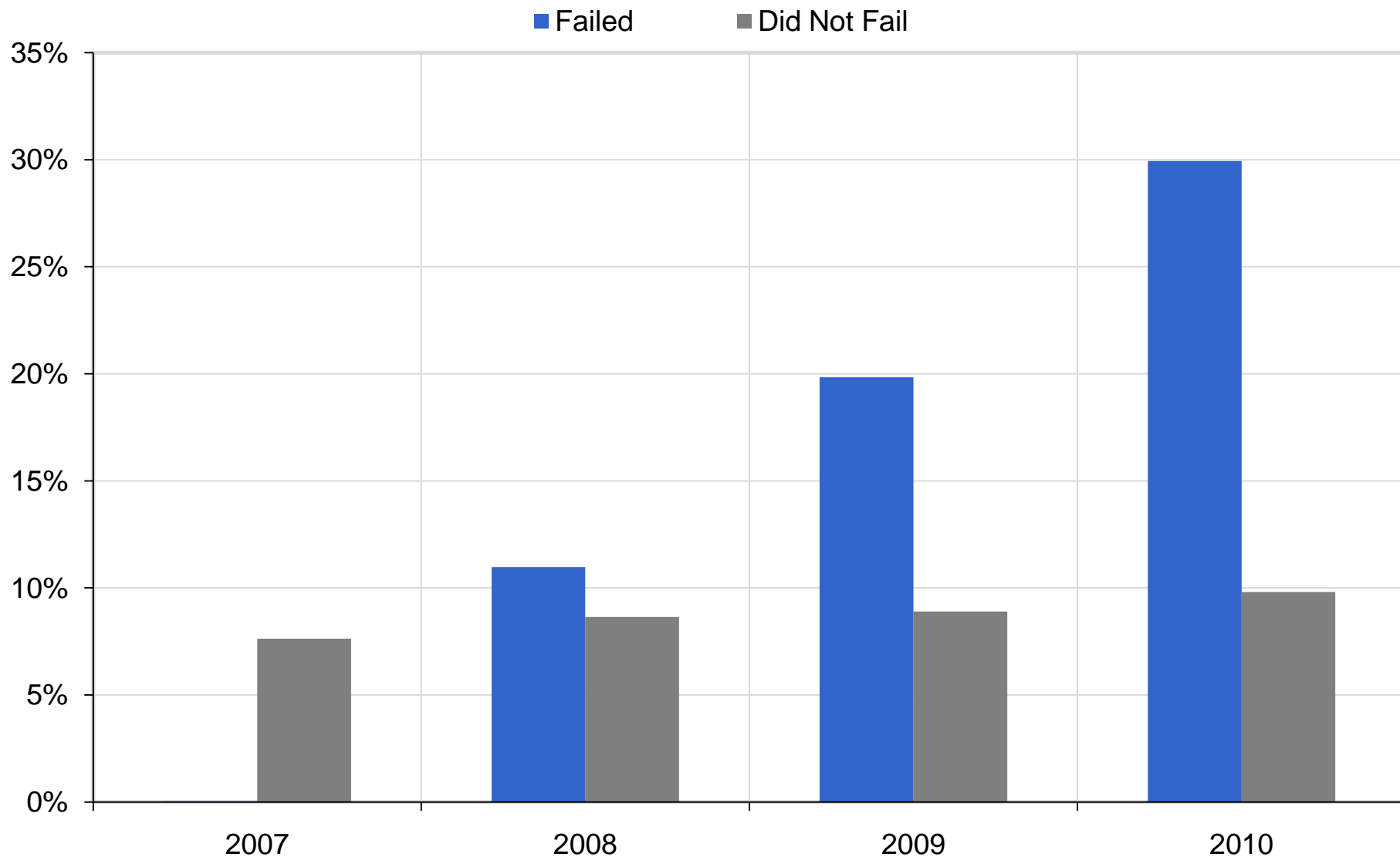
Bank Commercial Real Estate Portfolio Delinquent Loans



Source: FDIC

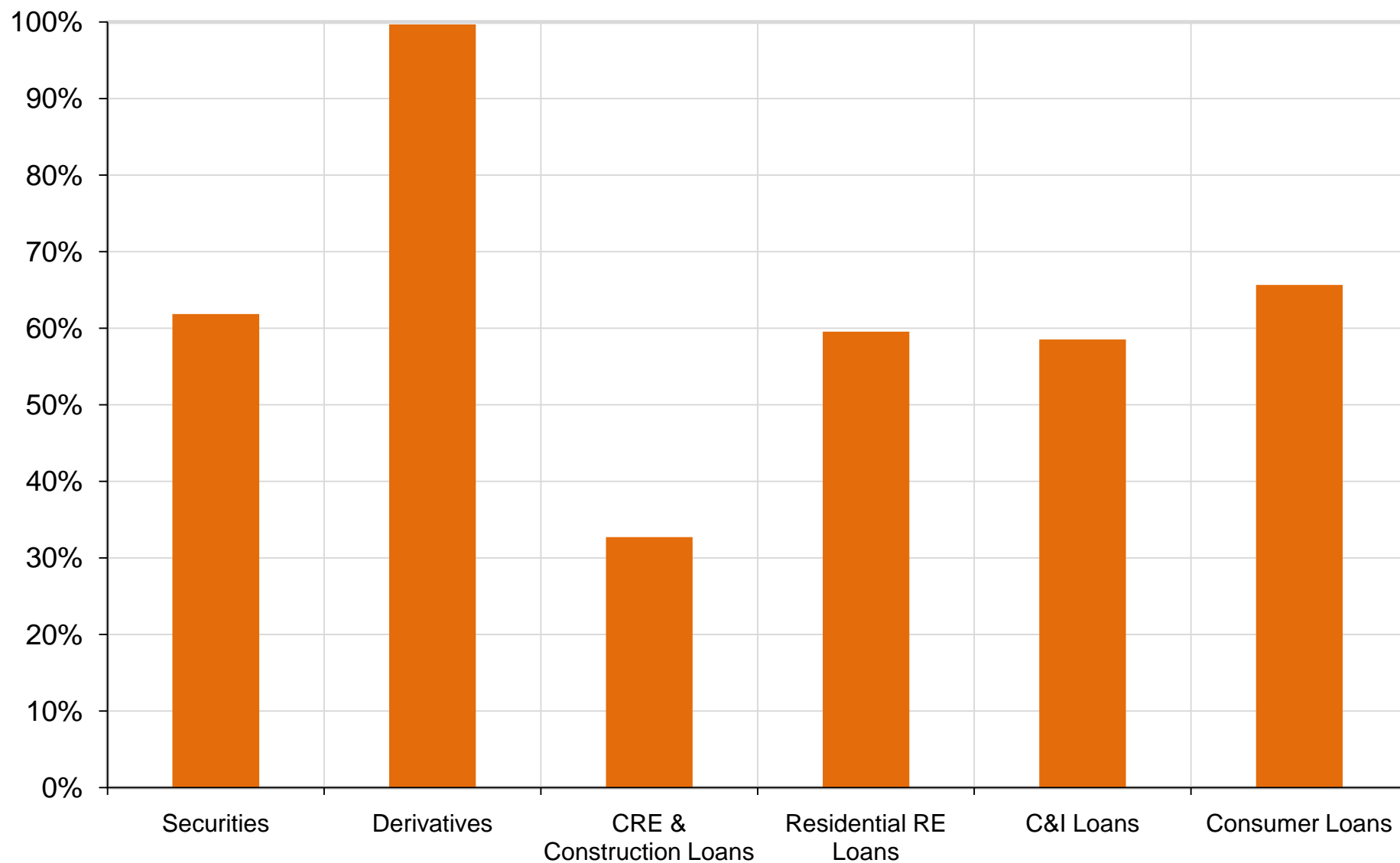


Commercial Real Estate as % of Total Assets For Failed Banks

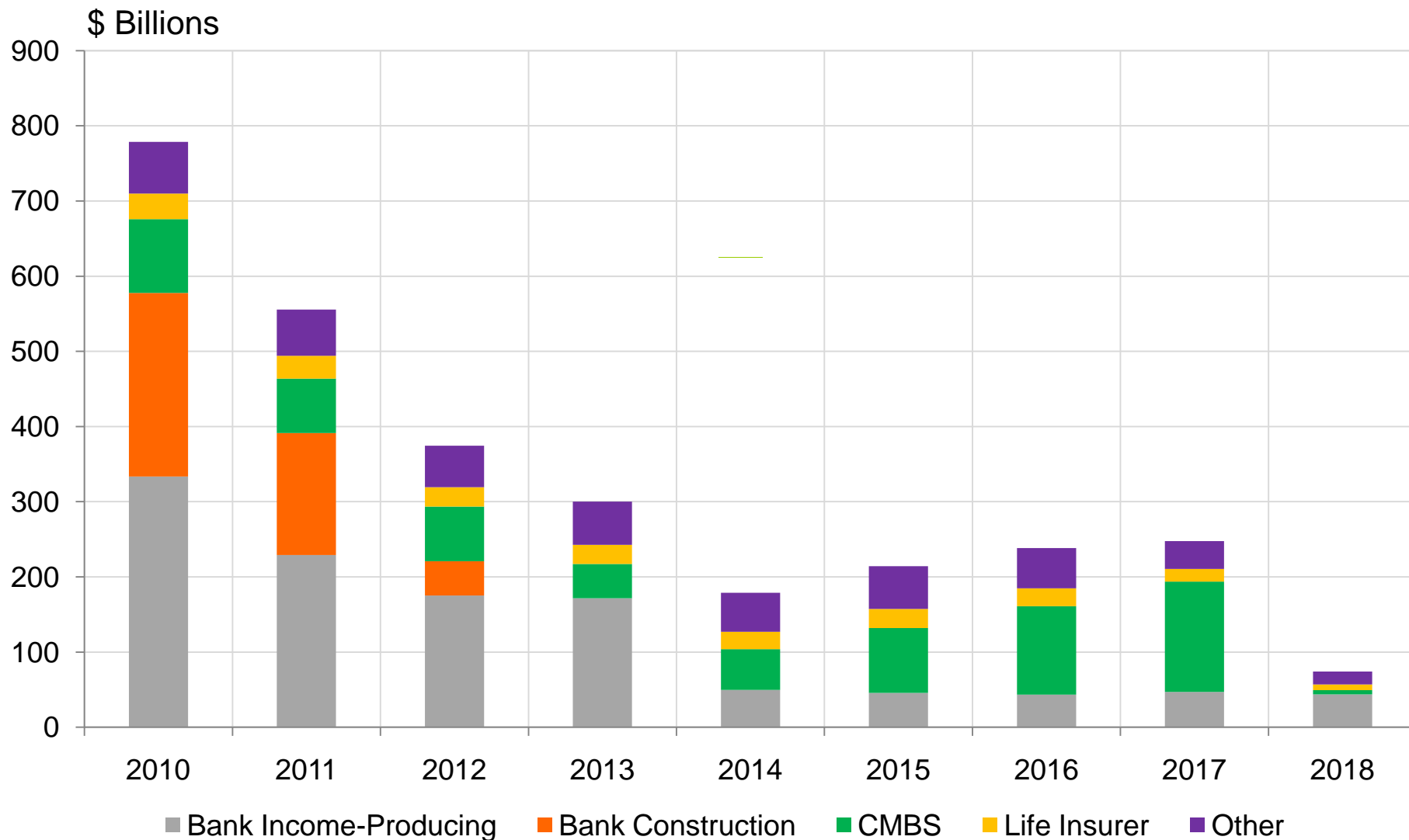




% of Assets Held By 20 Largest Banks

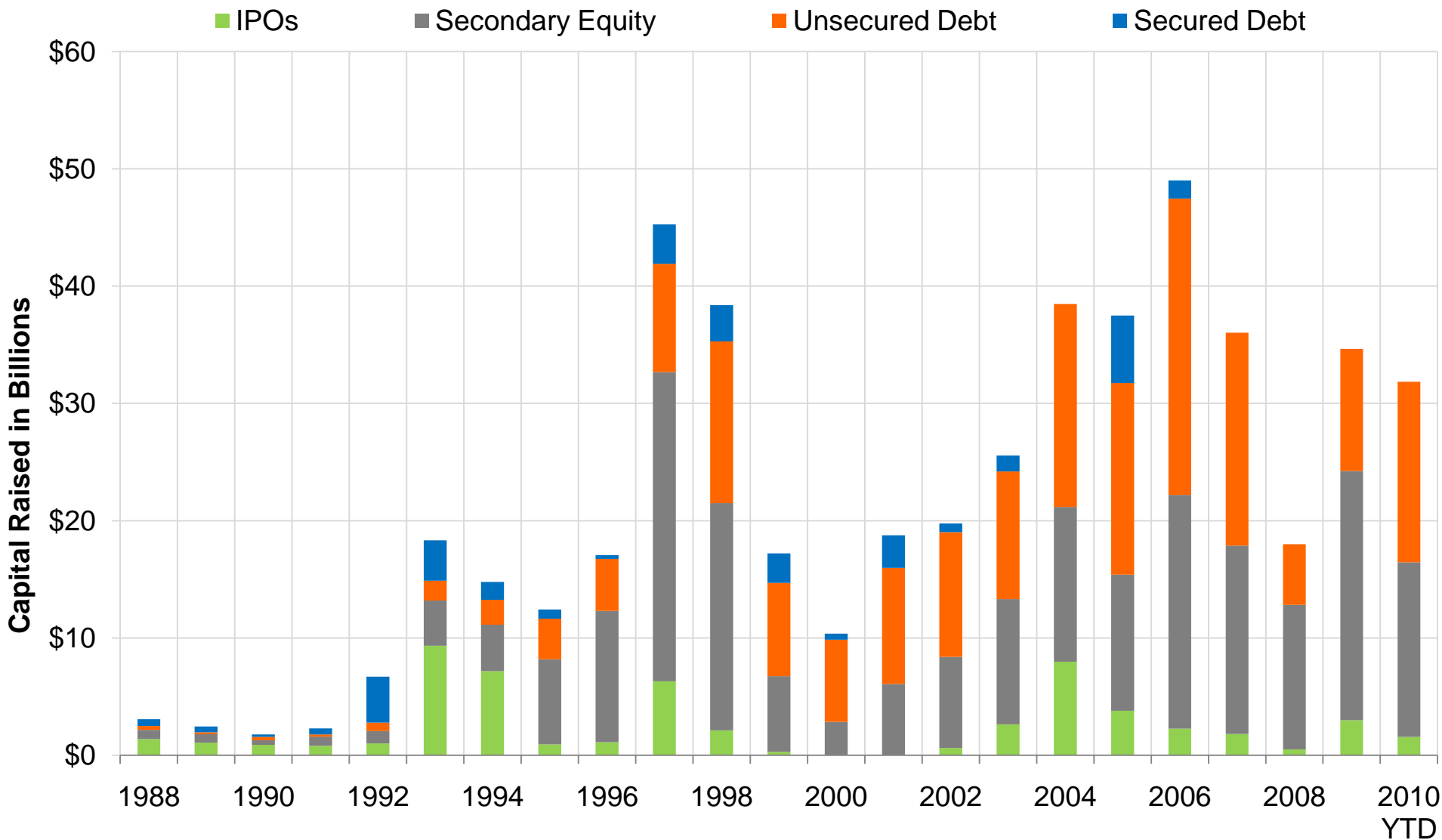


Commercial Real Estate Loan Maturities





REIT Capital Offerings (thru 9/30/2010)

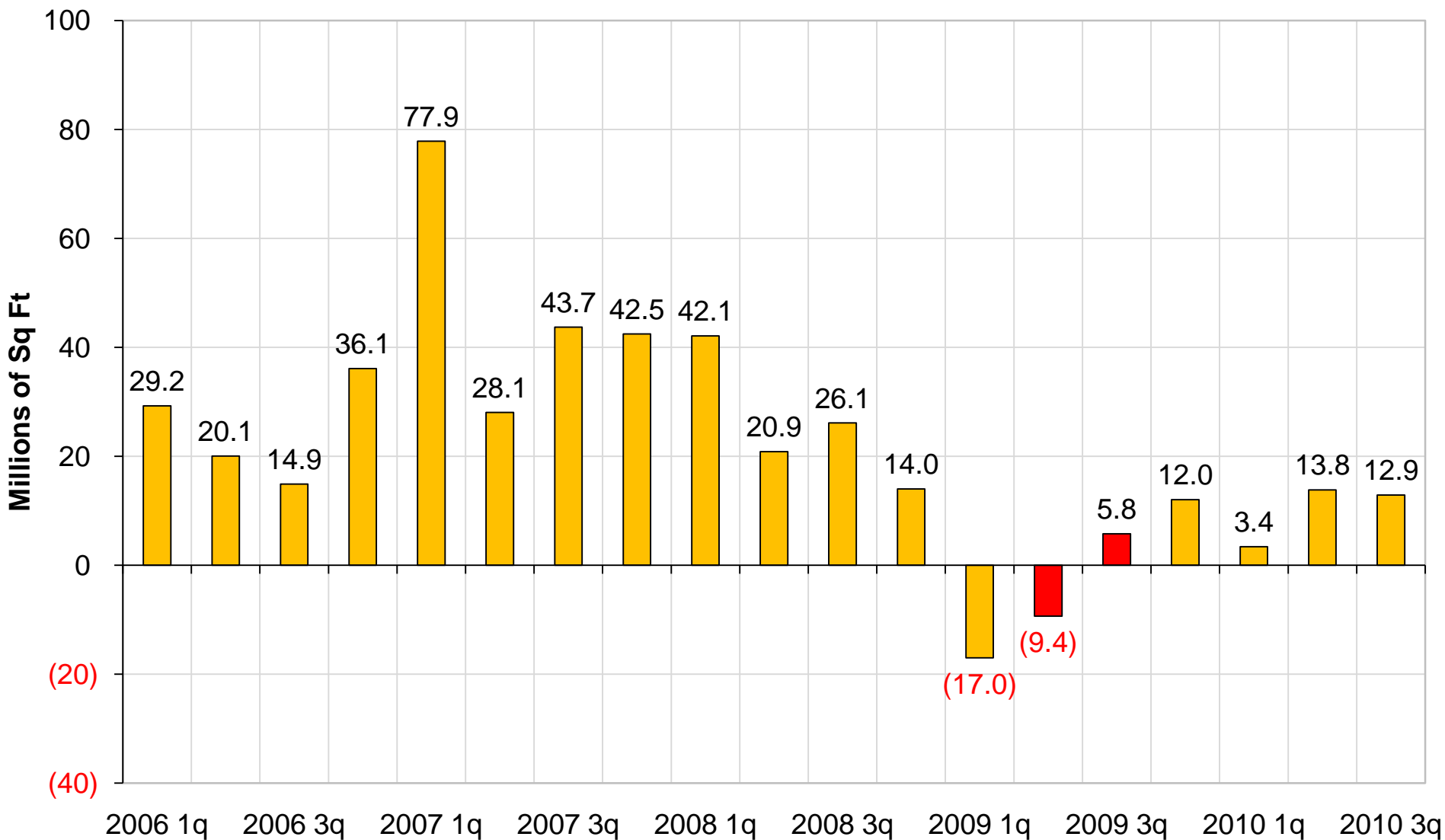




Leasing Fundamentals

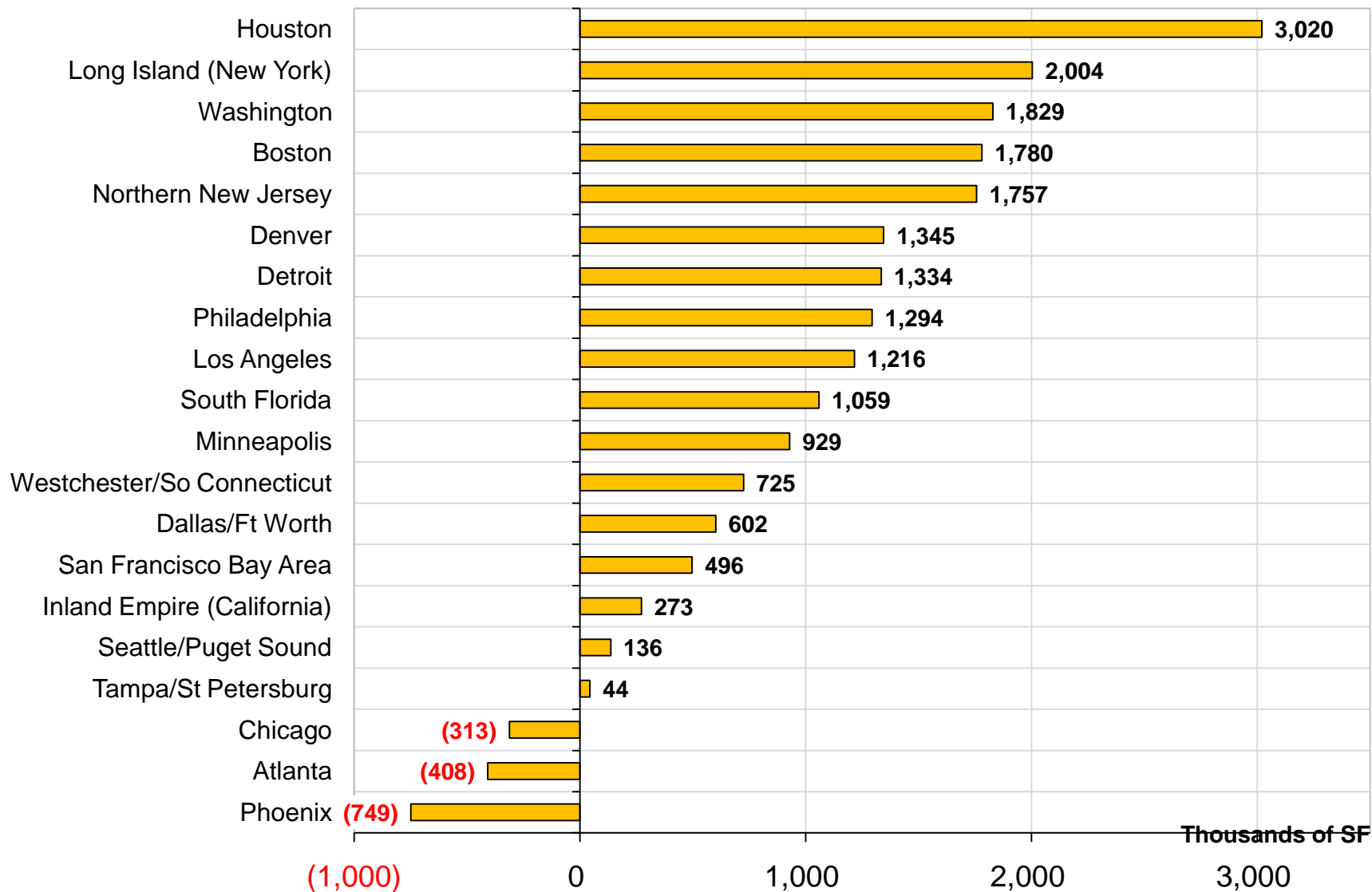


Historical Retail Net Absorption



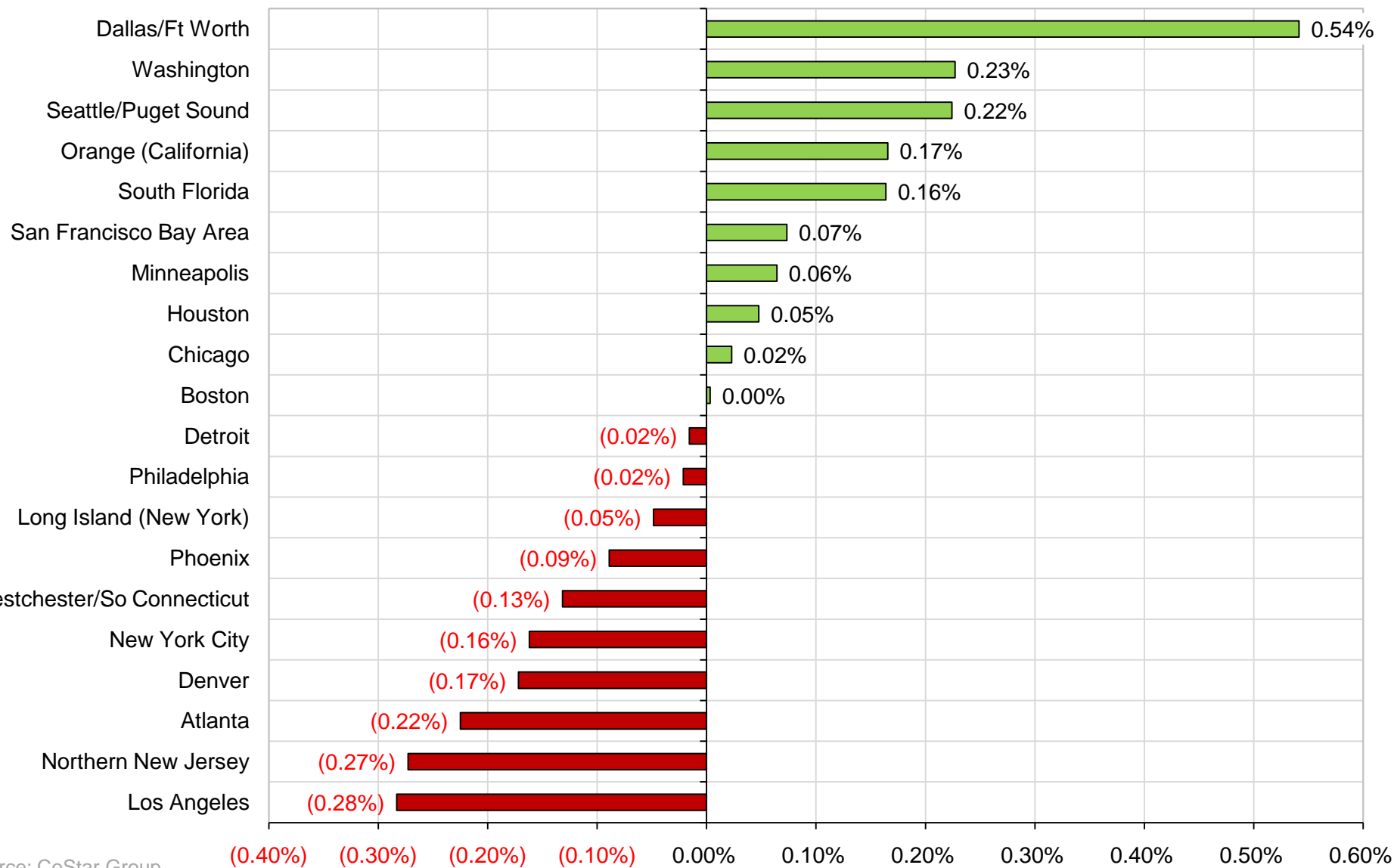


2010 Net Absorption - 20 Largest Markets



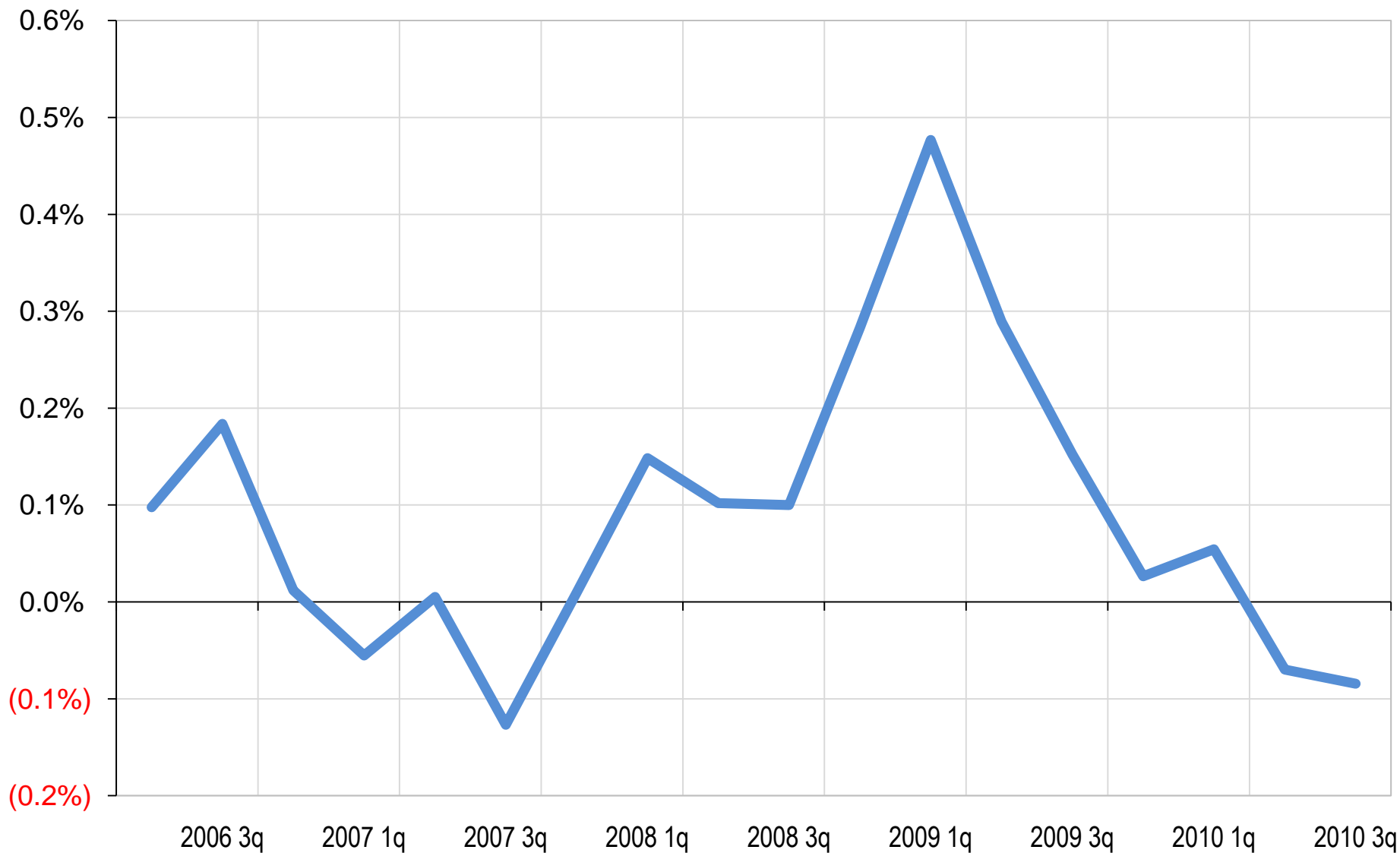


Quarter-Over-Quarter Change in Occupancy Rates – 20 Largest Markets



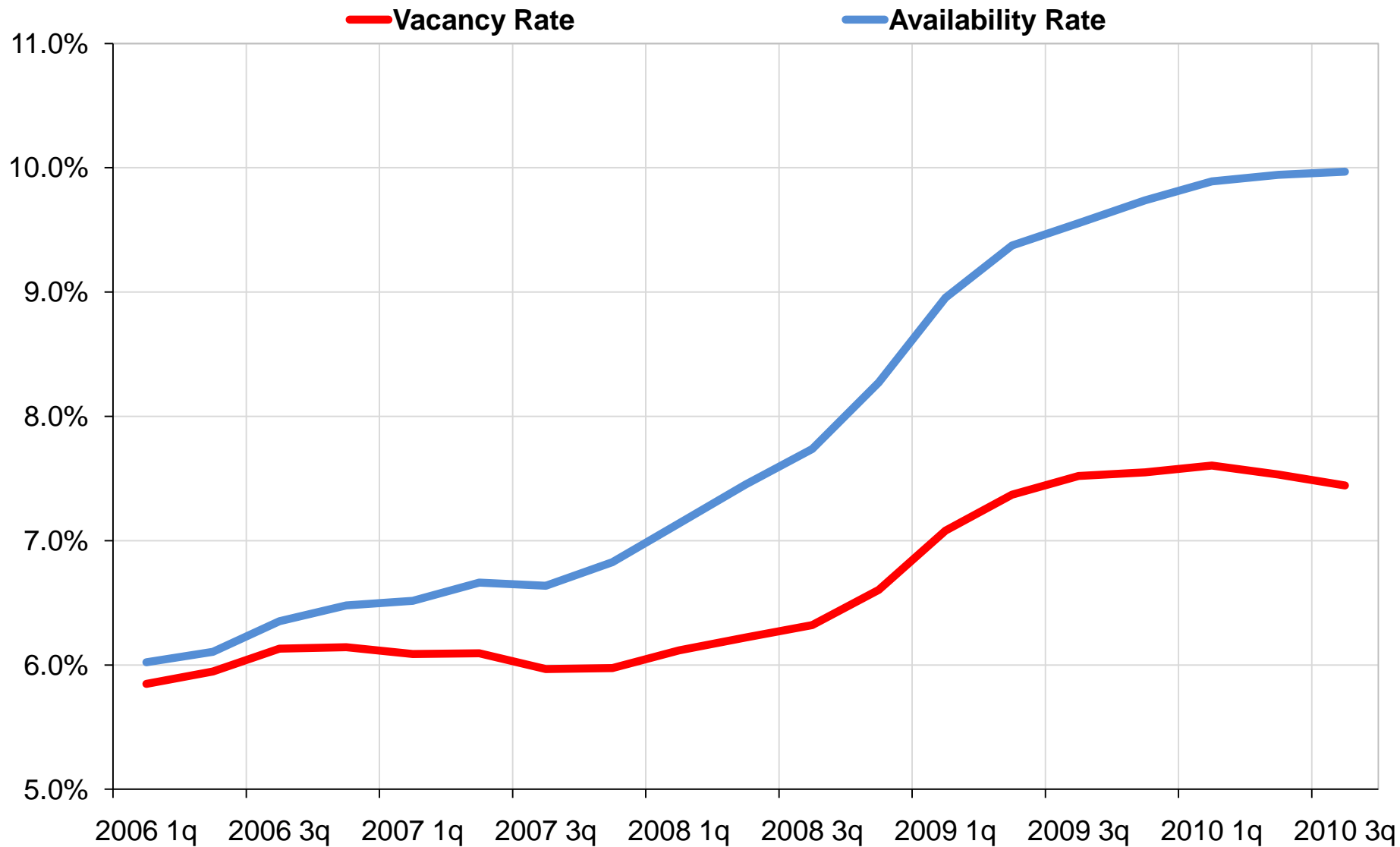


Quarterly Change in Vacancy Rate

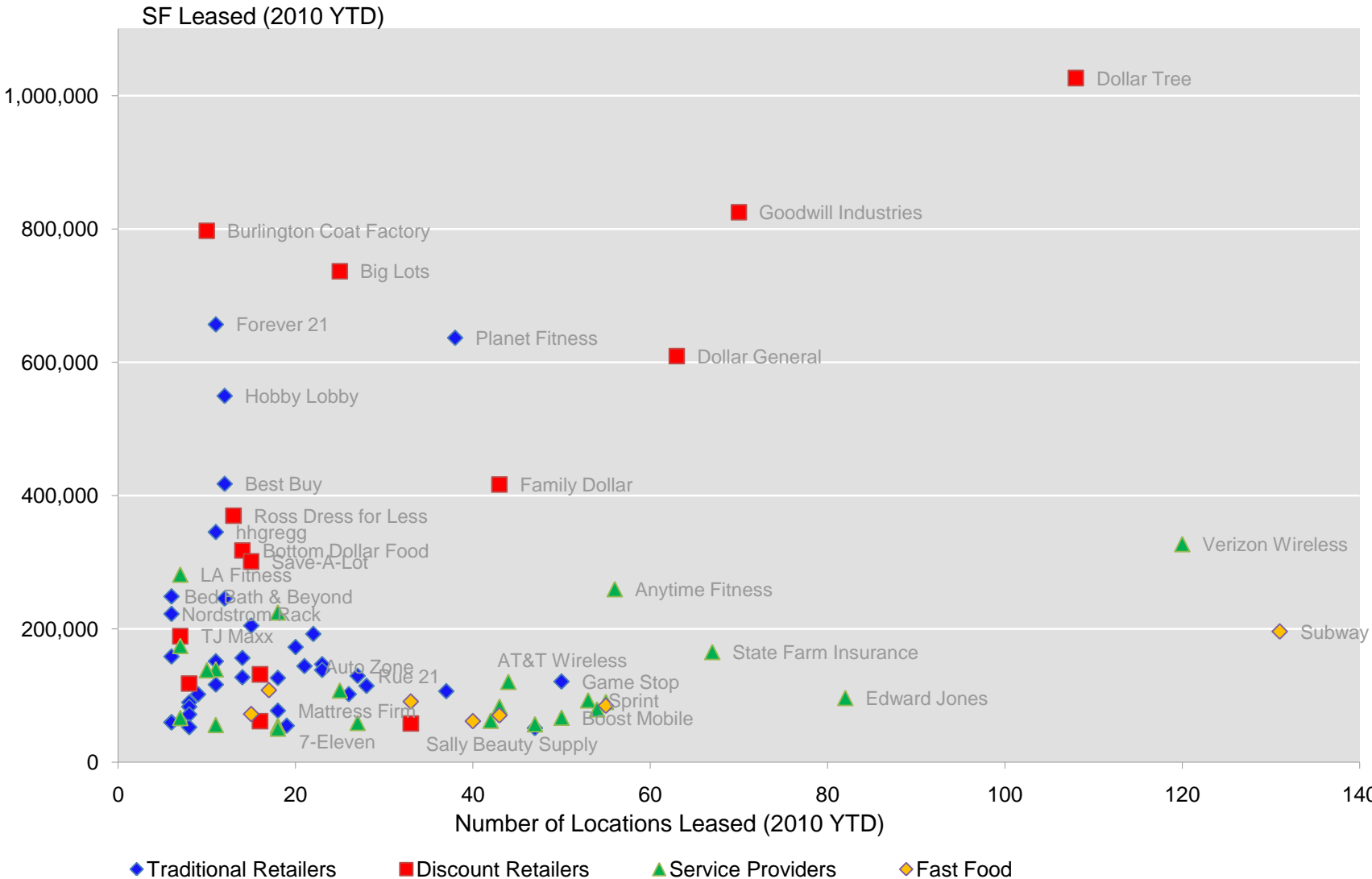




Retail Total Available % vs. Vacant %

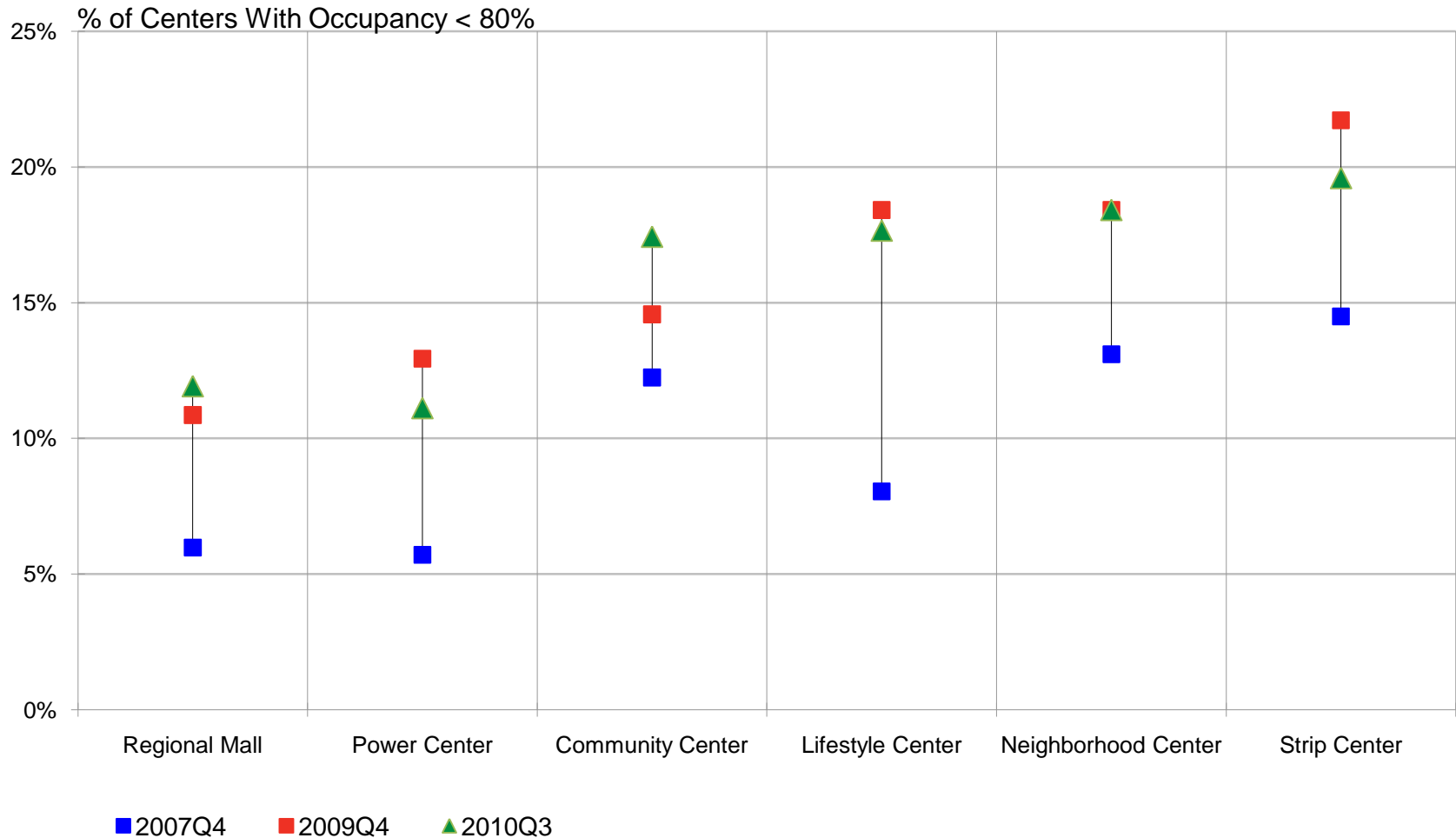


Leasing Still Dominated by Discounters



Source: CoStar; PPR

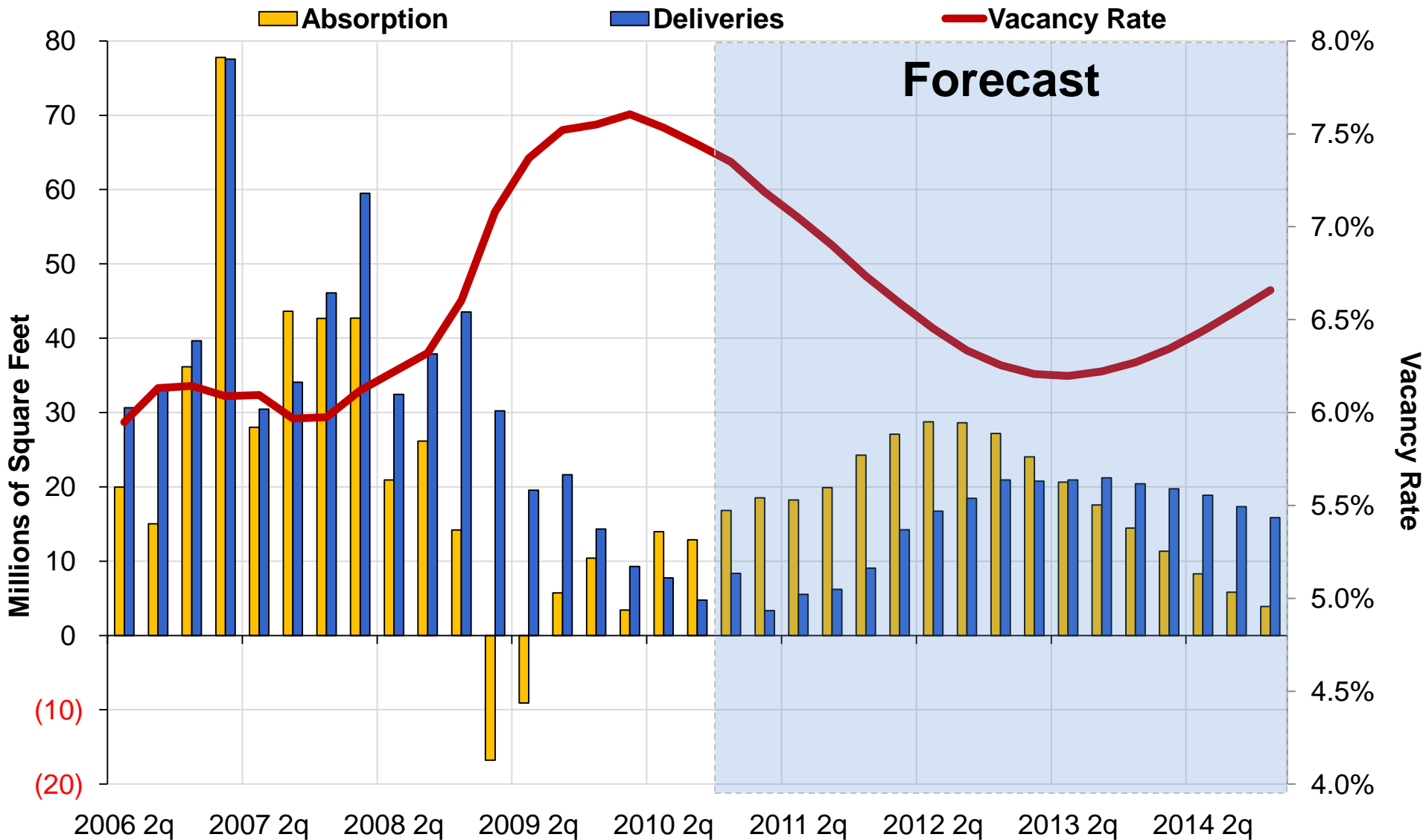
Many Centers Remain on the Edge



Source: CoStar; PPR

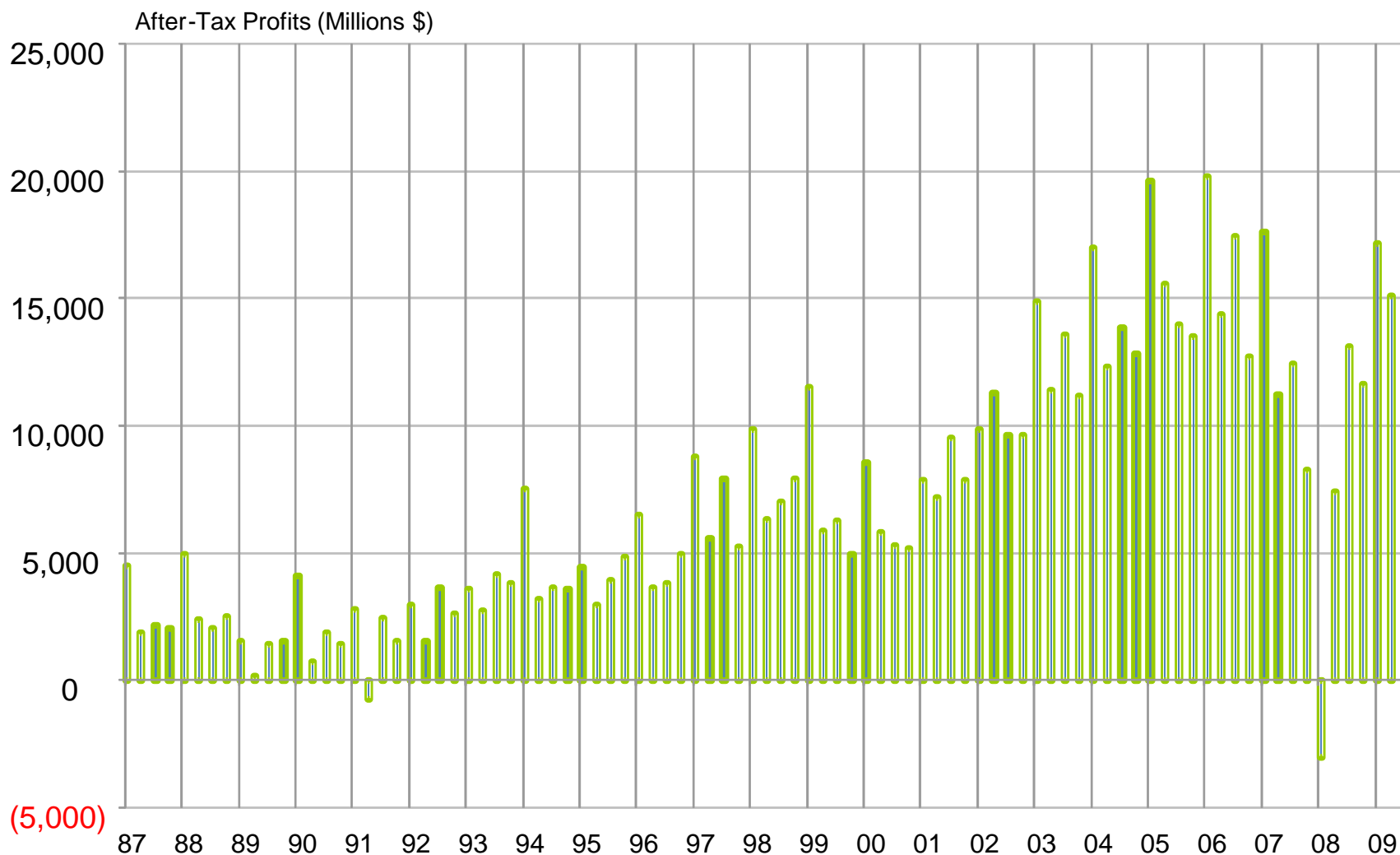


U.S. Retail Vacancy Forecast



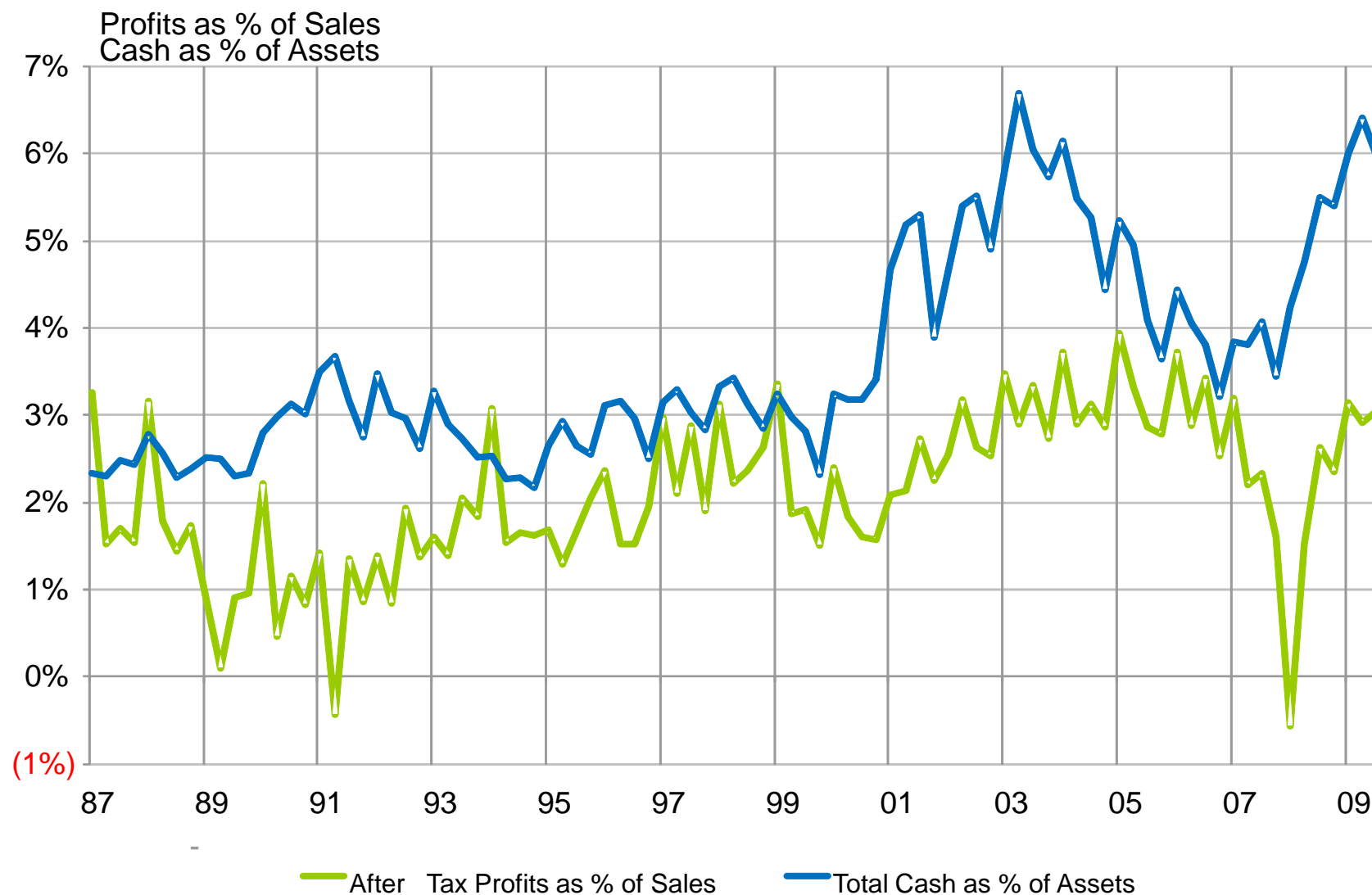


Retailer Profits Are Up



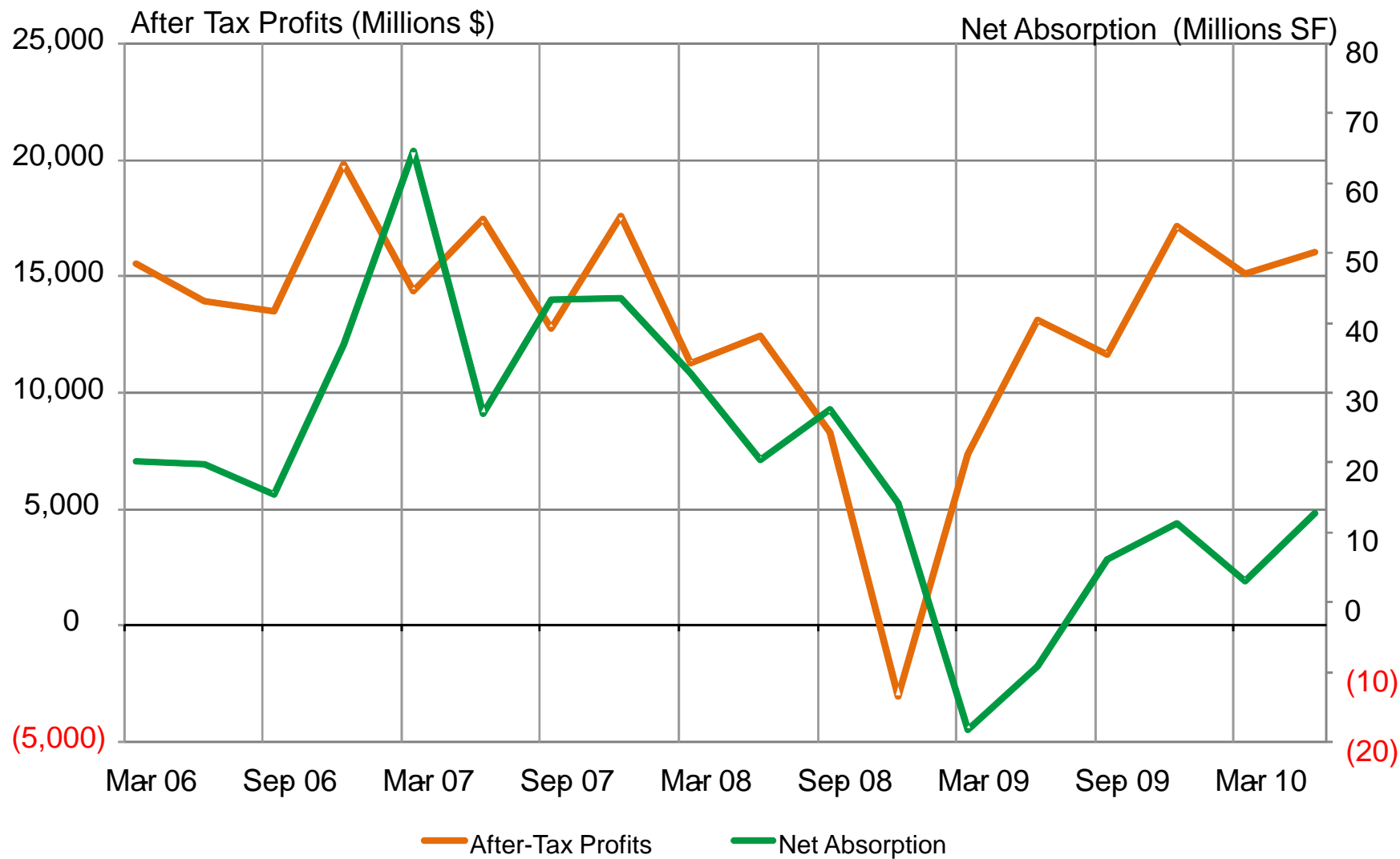


...Padding Retail Coffers...



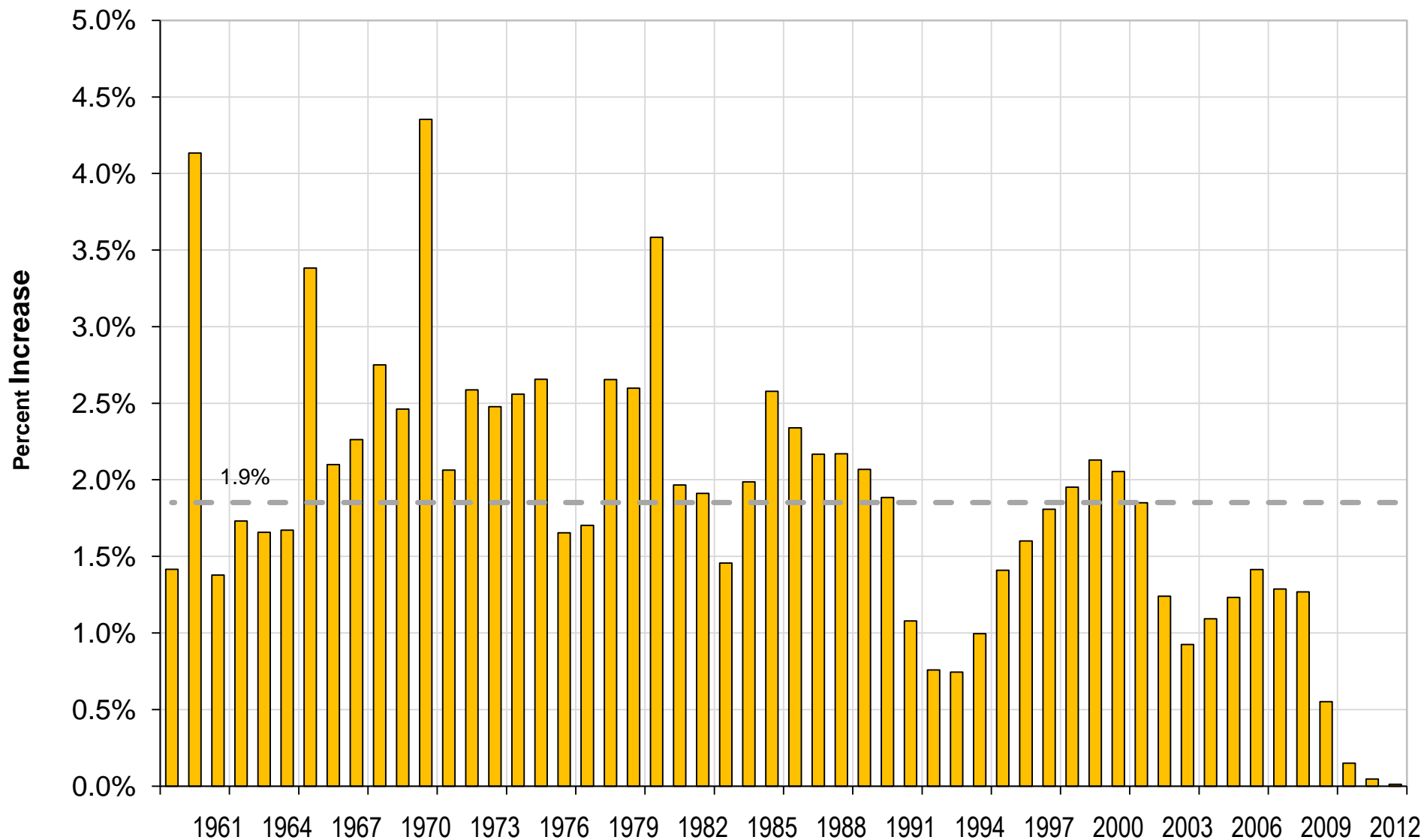


And Expansion Should Follow

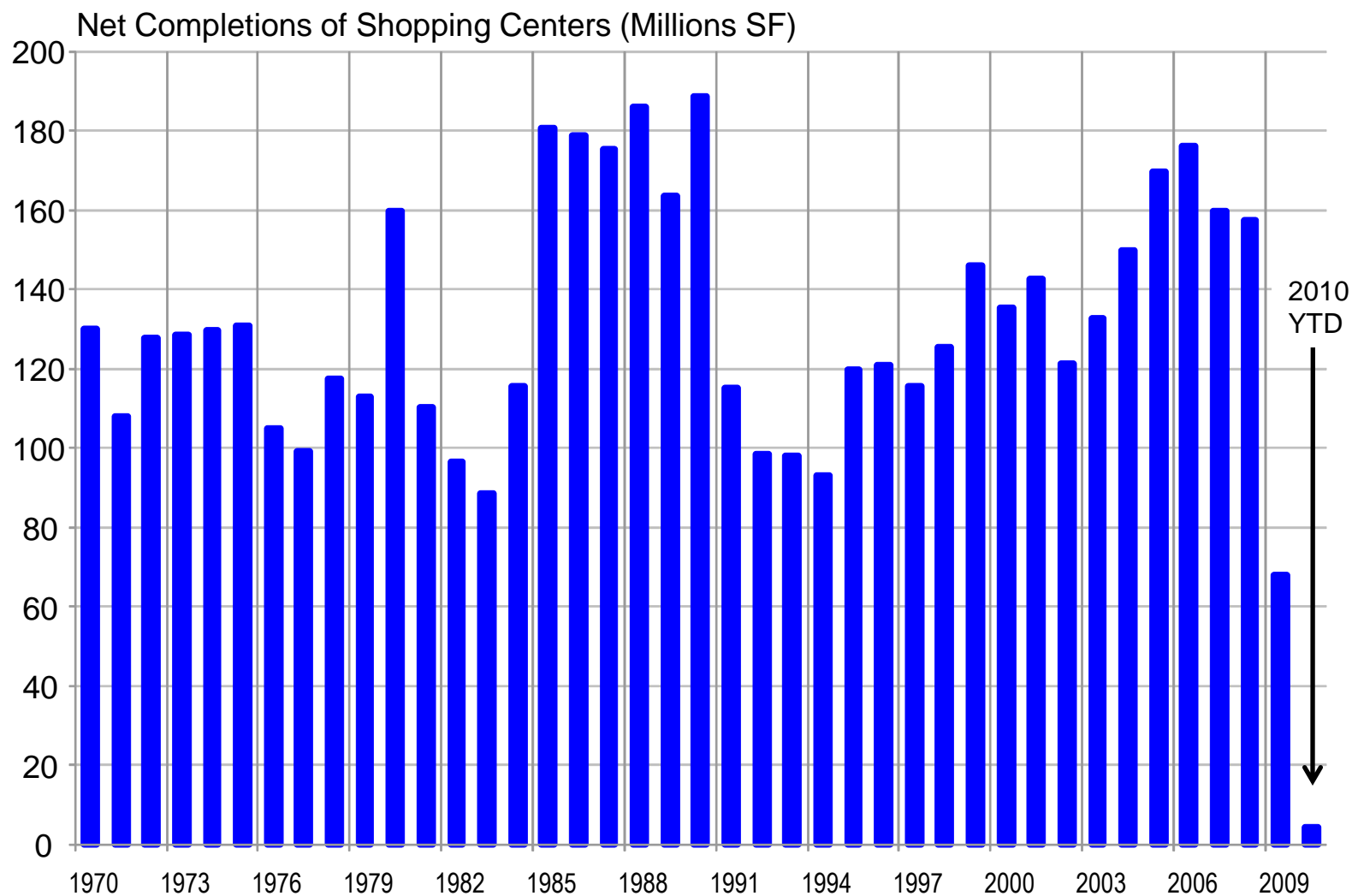




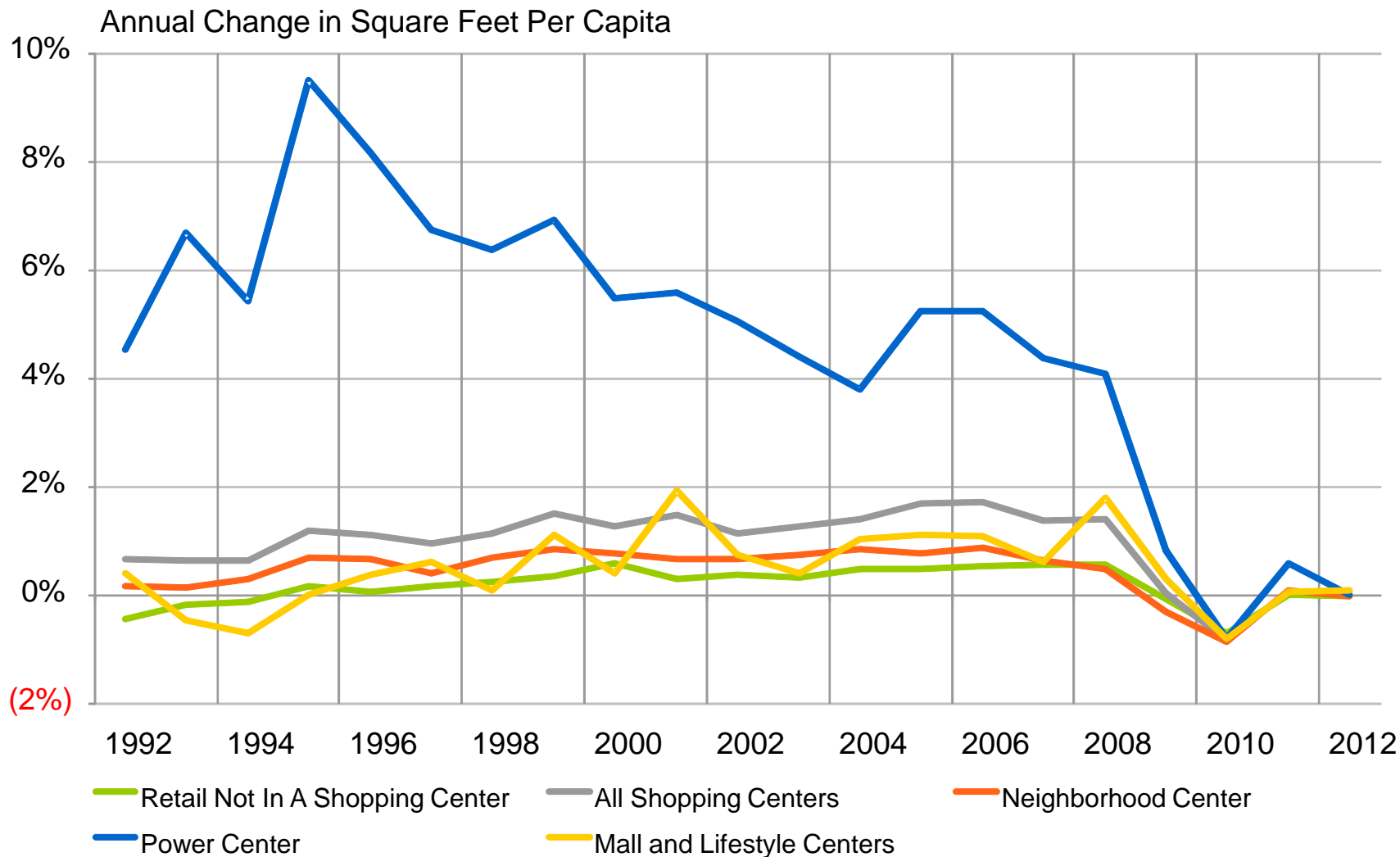
Retail Deliveries by Year



Moral Equivalent of Zero

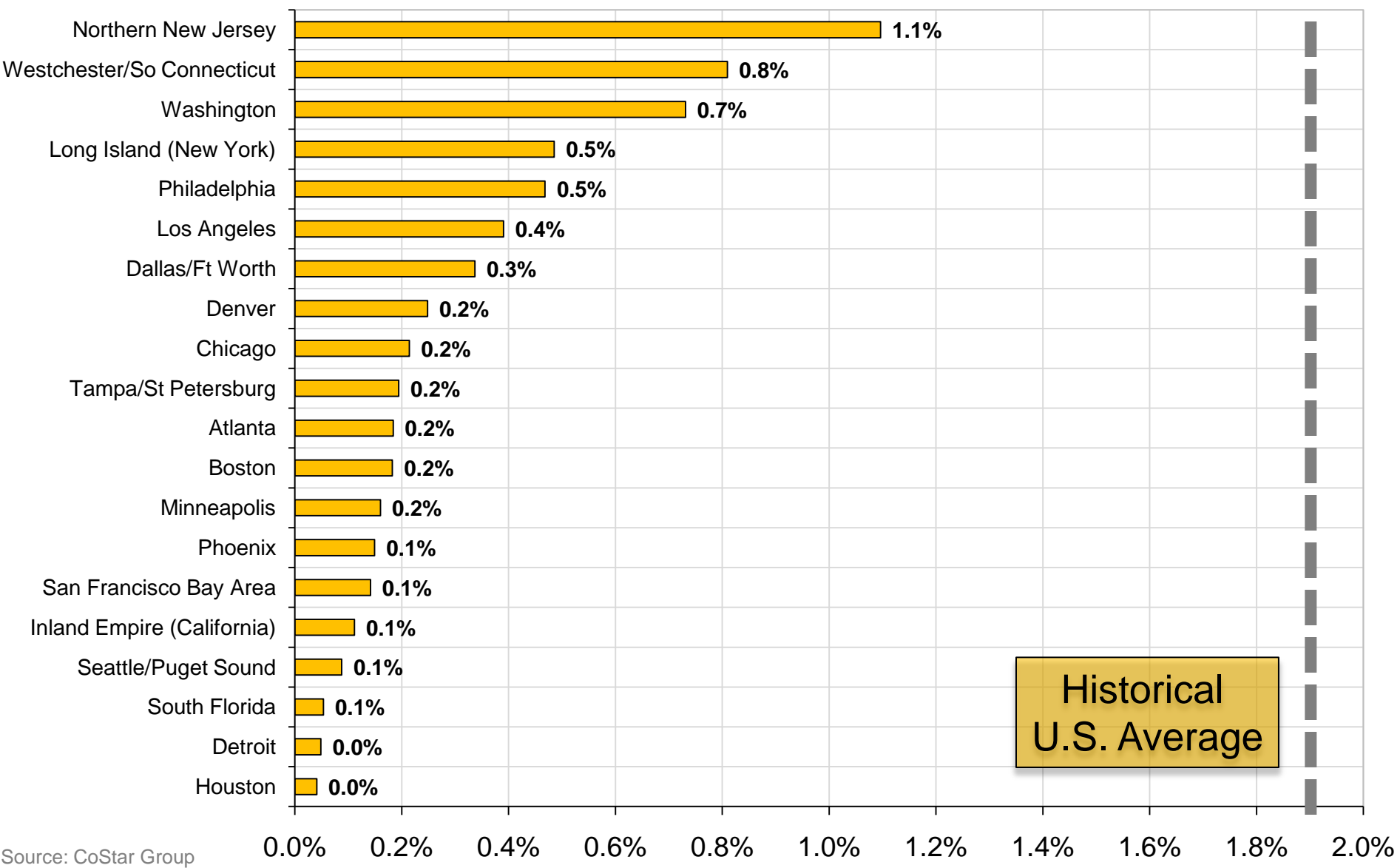


Population Expanding Faster than Construction



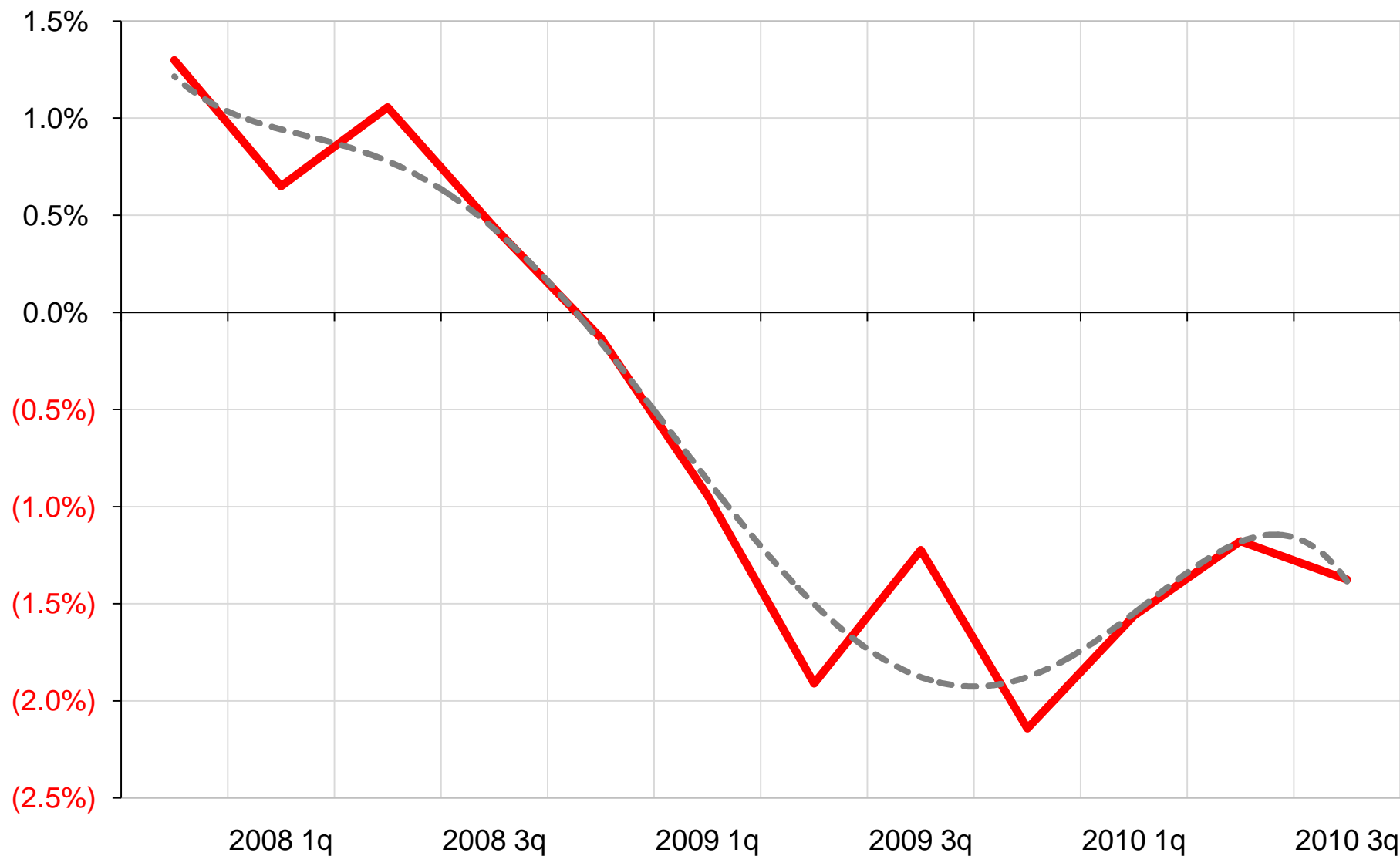


Under Construction As % Of Inventory – 20 Largest Markets





Quarterly Change in Quoted Retail Rents

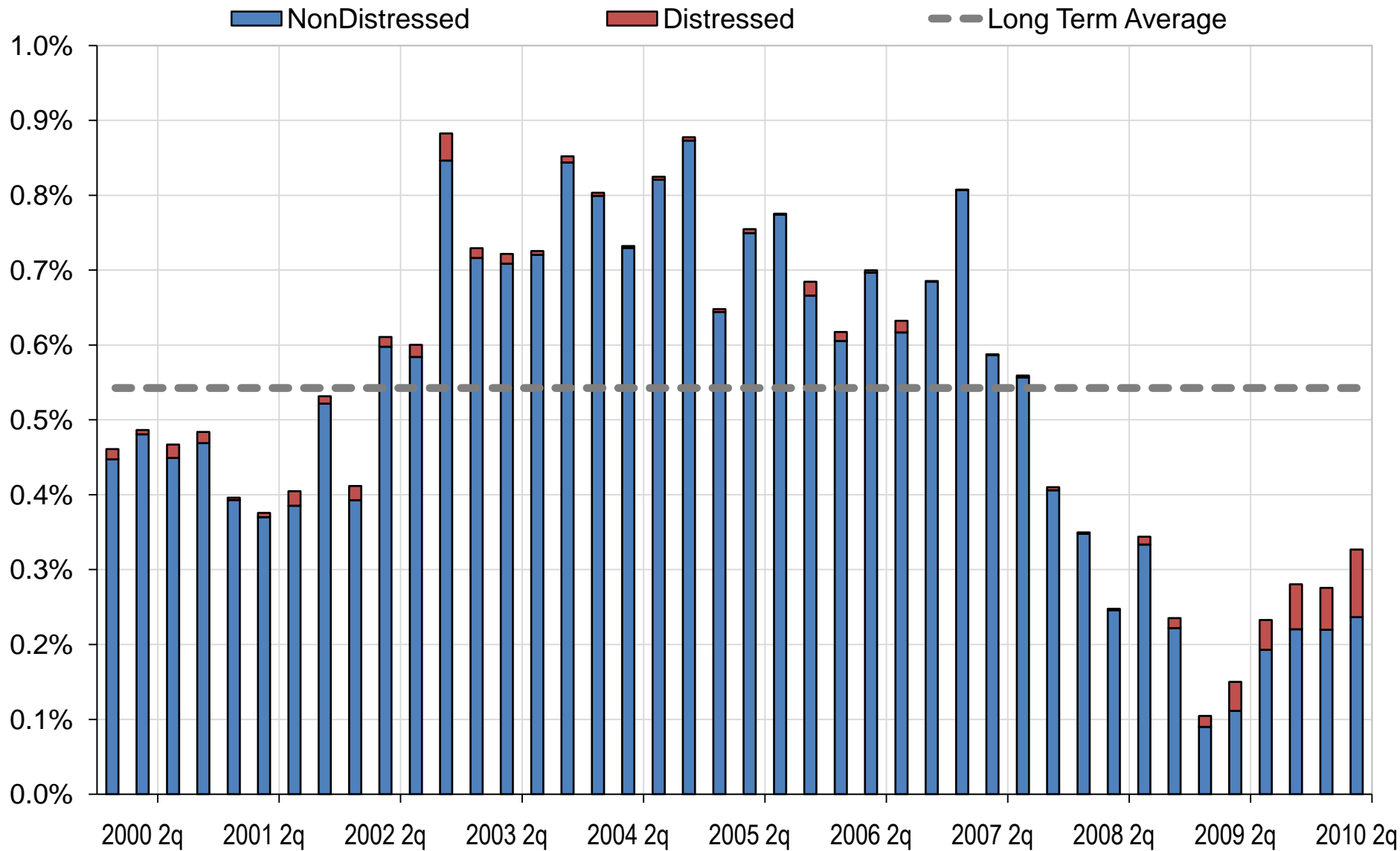




Property Sales Market

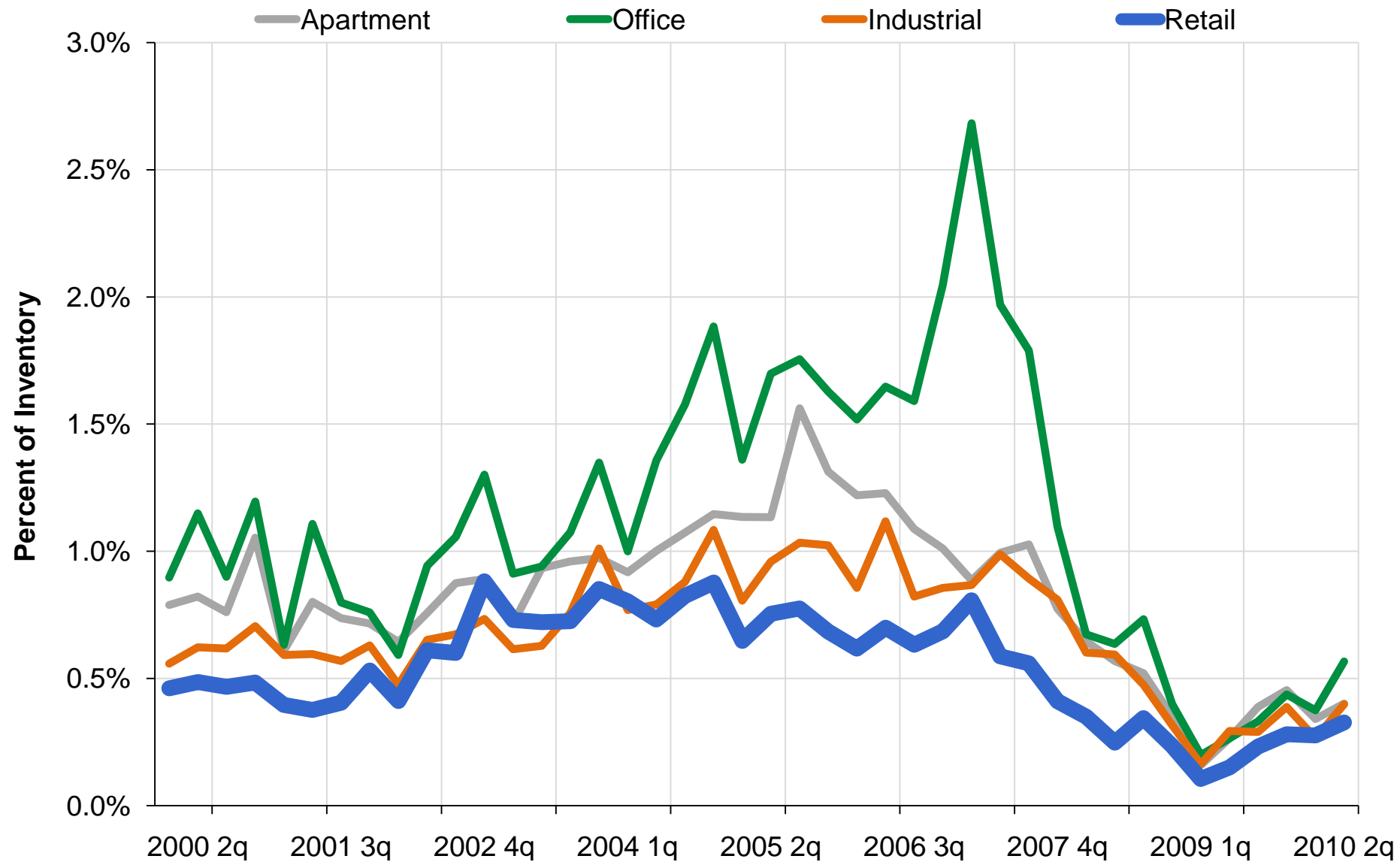


Sales Transaction Square Footage as a Percent of Total Market Size



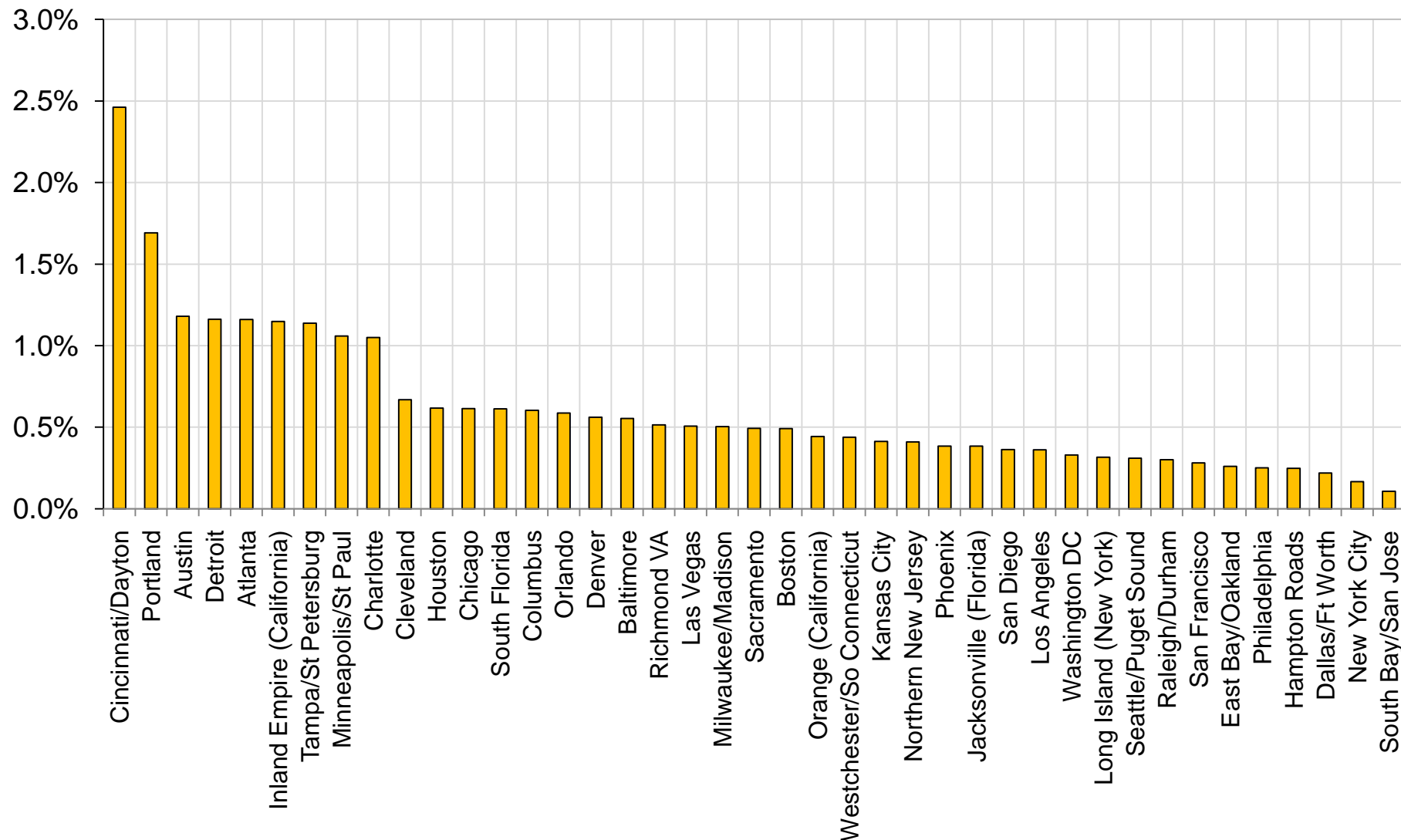


Sales Transaction Square Footage as a Percent of Total Market Size



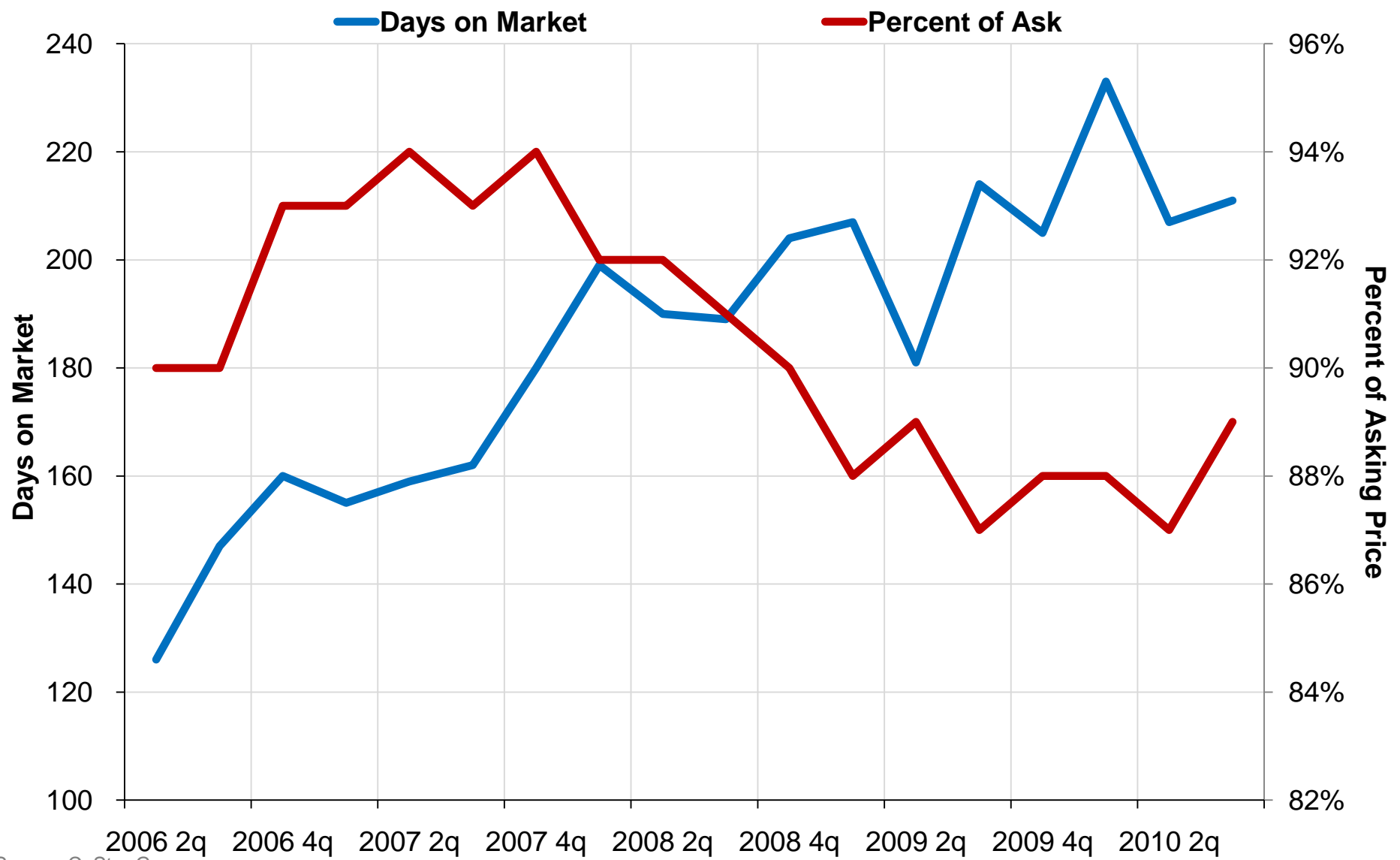


2010 Sales Square Footage as a Percent of Total Market Size





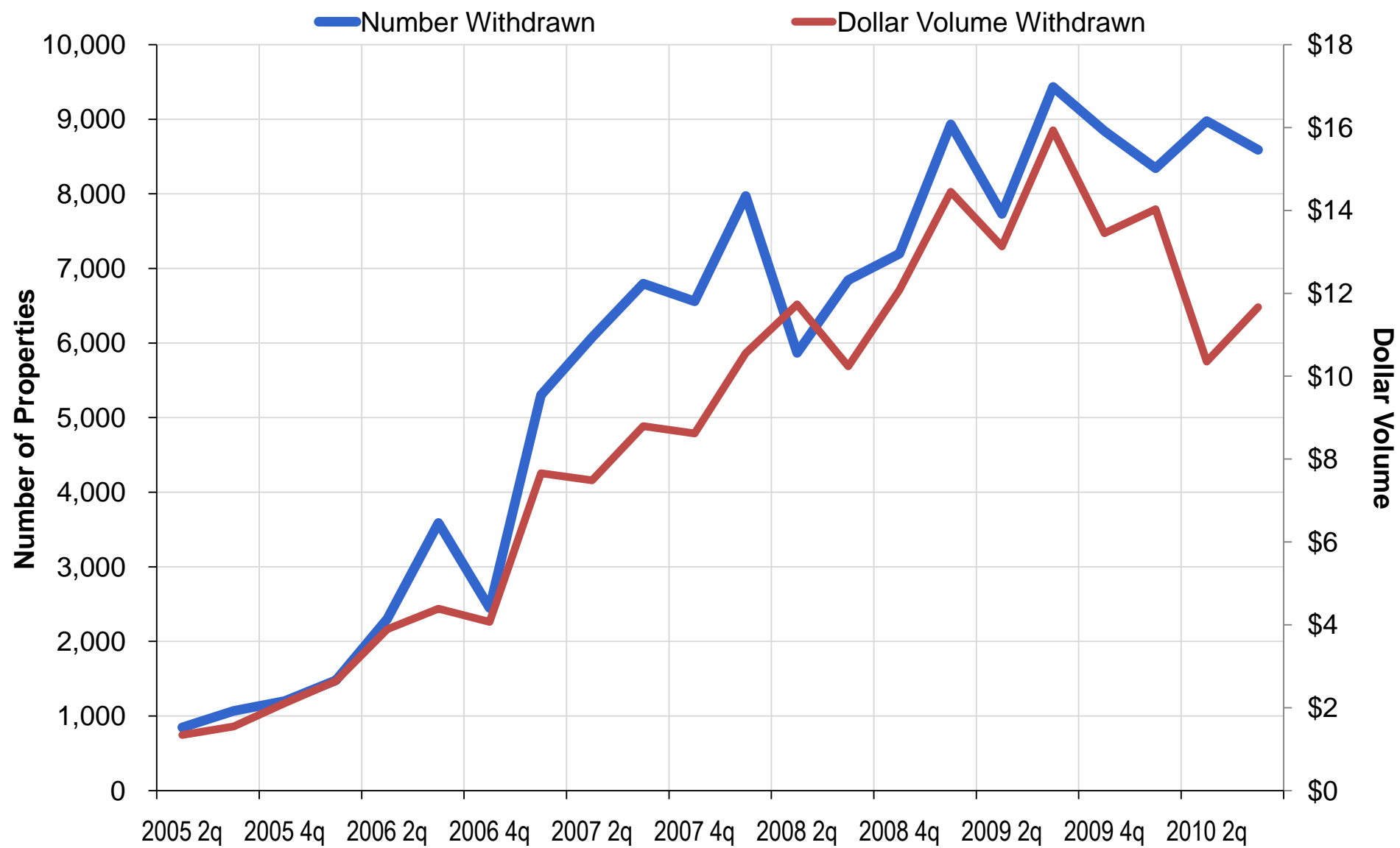
U.S. Retail Days on Market vs. Selling Price as a Percent of Asking Price



Source: CoStar Group



Retail Sales Withdrawn From The Market



Top Retail Sales in Third Quarter 2010



Portfolio of 20 Shopping Centers in 15 States

Date: 8/30/2010
Price: \$2.3 Billion
Price/SF: \$293
Cap Rate: 8.00%
Buyer: Simon Properties
Seller: Prime Retail



Portfolio of 5 Shopping Centers in Pennsylvania & New Jersey

Date: 9/29/2010
Price: \$135 Million
Price/SF: \$110
Cap Rate: 7.60%
Buyer: Cedar Shopping Ctrs
Seller: Pennsylvania REIT



San Jose Market Center in San Jose California

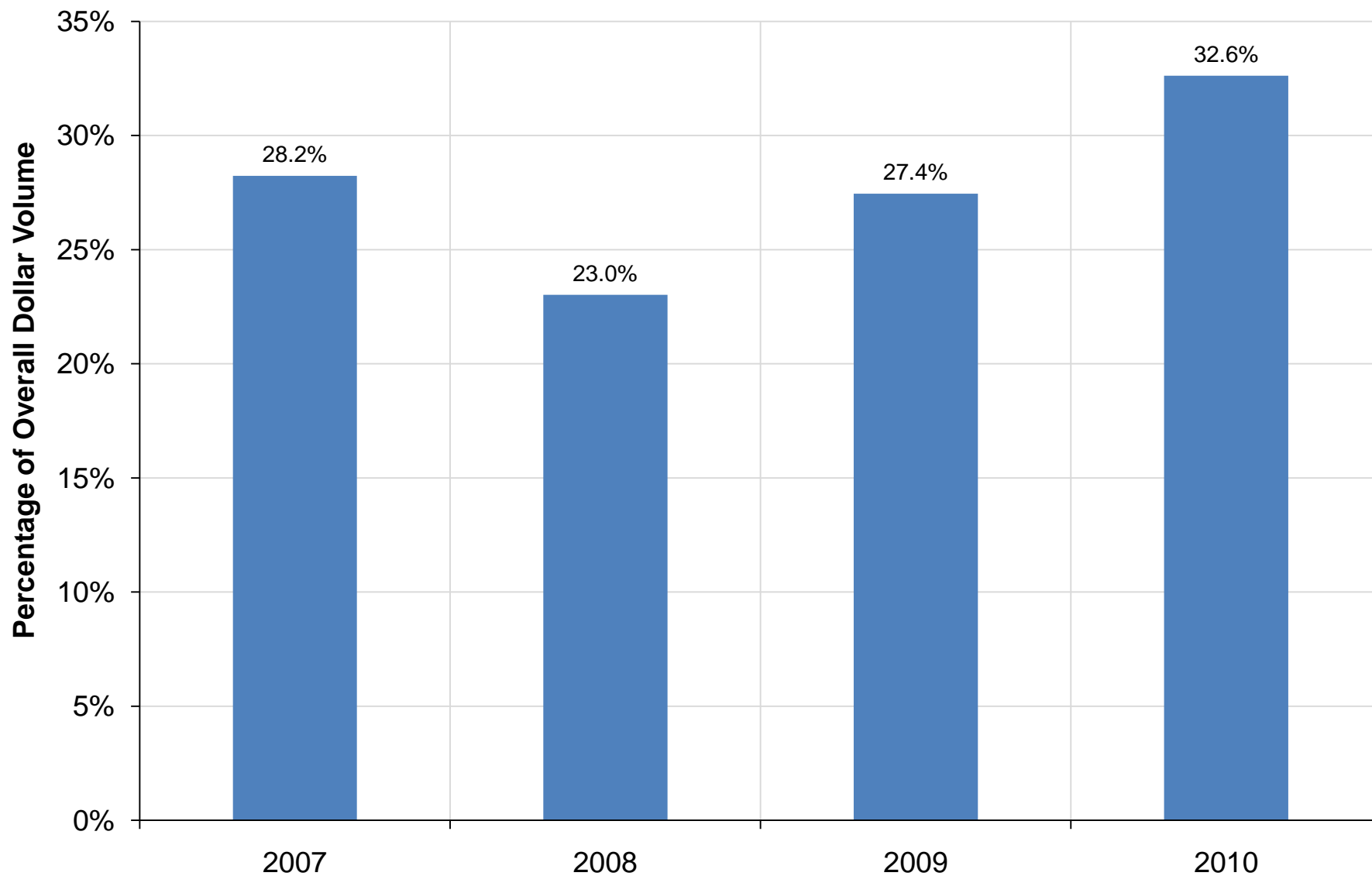
Date: 7/8/2010
Price: \$85 Million
Price/SF: \$236
Cap Rate: 8.22%
Buyer: LaSalle Investment Mgt
Seller: Cousins Properties



Whittwood Town Center in Los Angeles

Date: 8/27/2010
Price: \$83.5 Million
Price/SF: \$123
Cap Rate: 6.53%
Buyer: Cole Credit Property Trust
Seller: Morgan Stanley

Portfolio Sales Volume as % of Total Volume



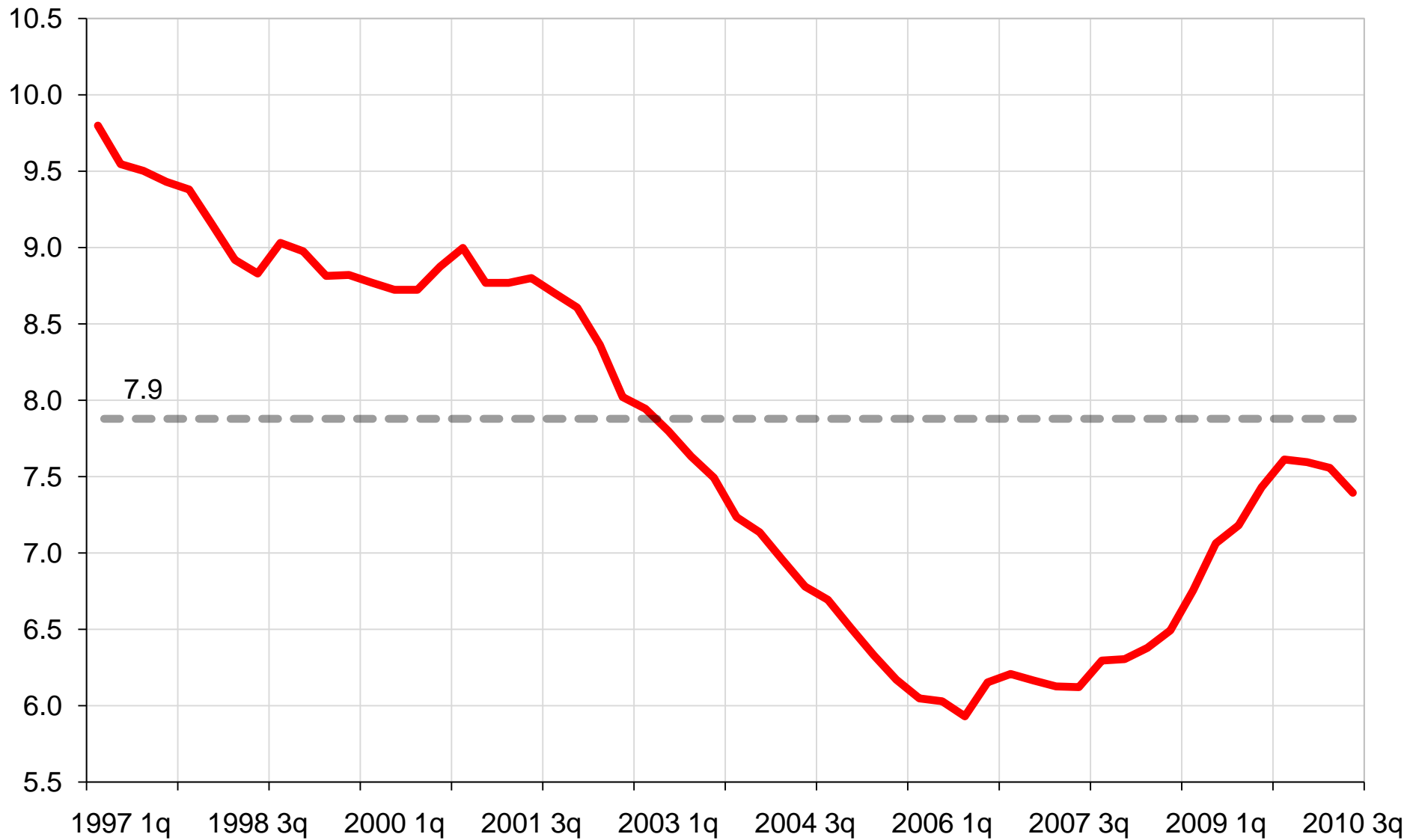


NNN Investment Sales Volume as % of Total Volume



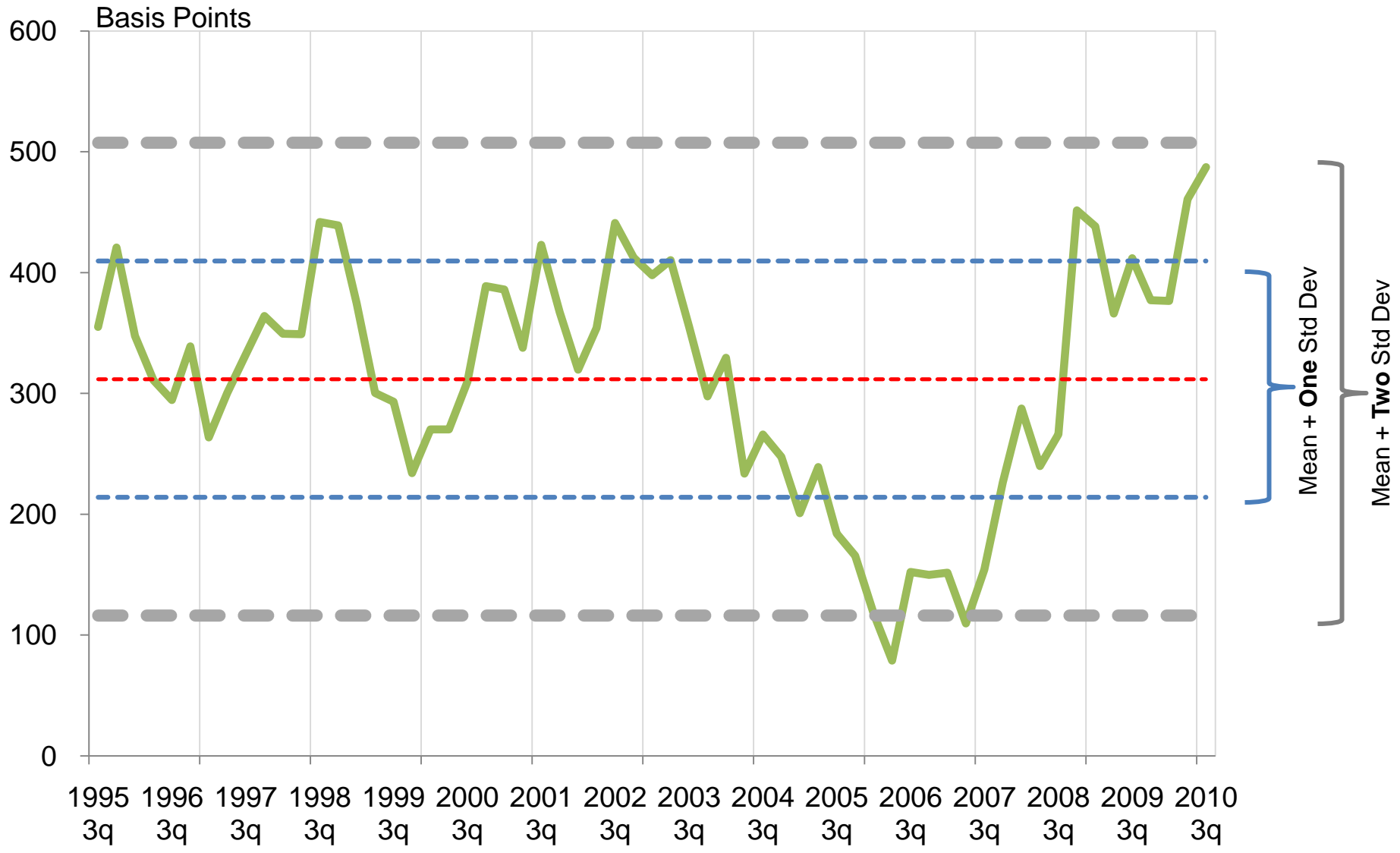


Retail Cap Rates



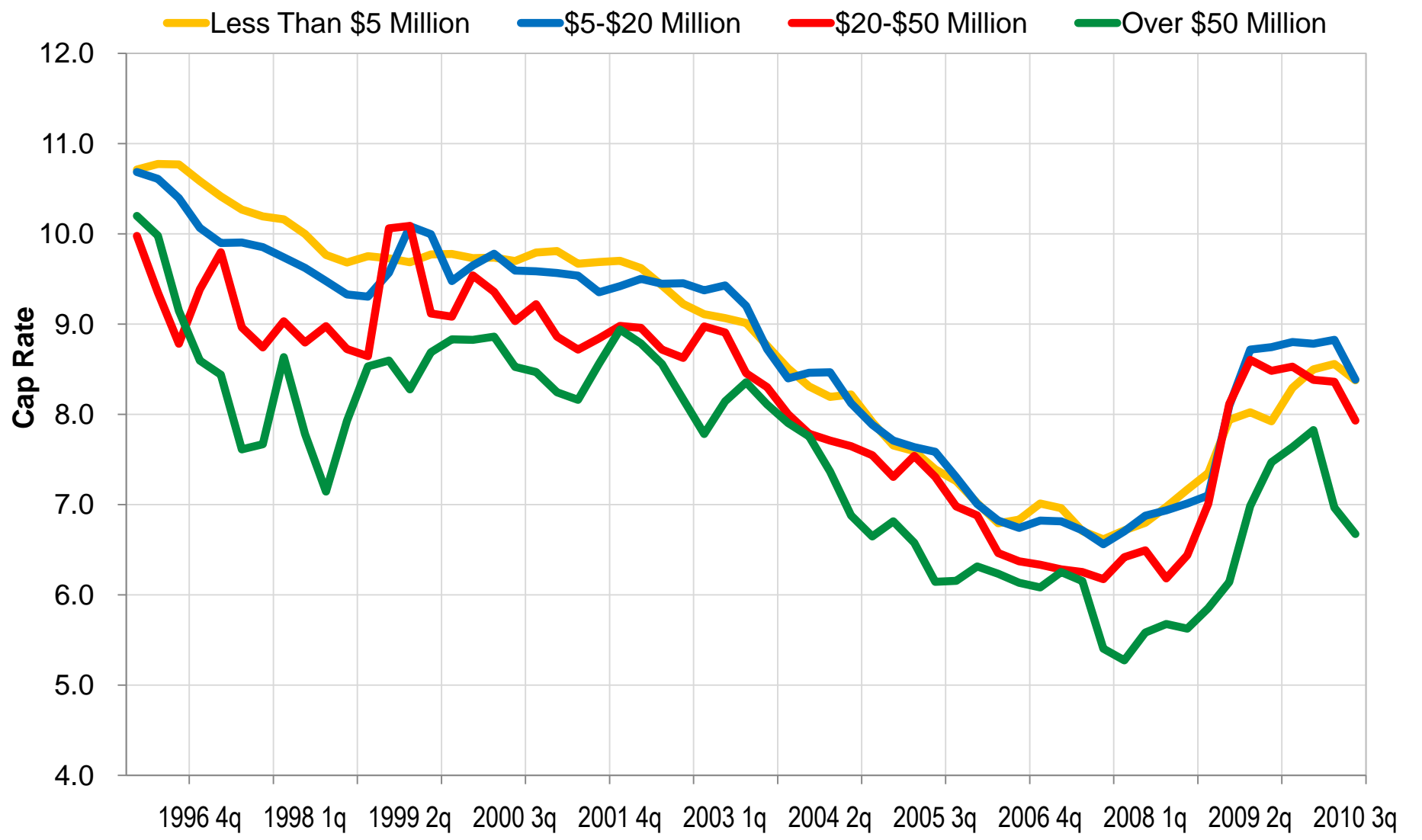


Cap Rate Spreads Over 10 Year Treasuries



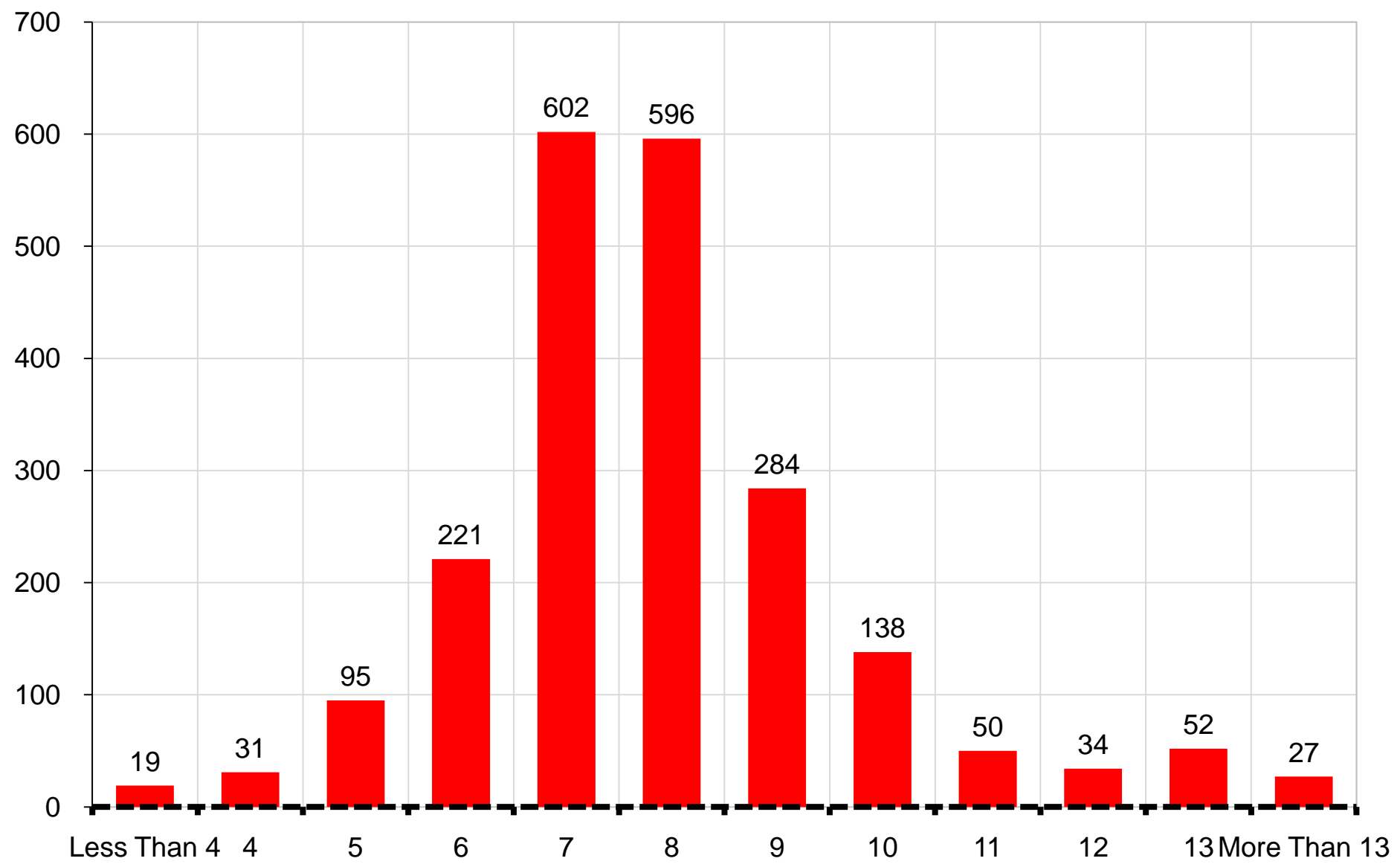
Source: NCREIF

Weighted Average Cap Rates By Deal Size (Two Quarter Moving Average)



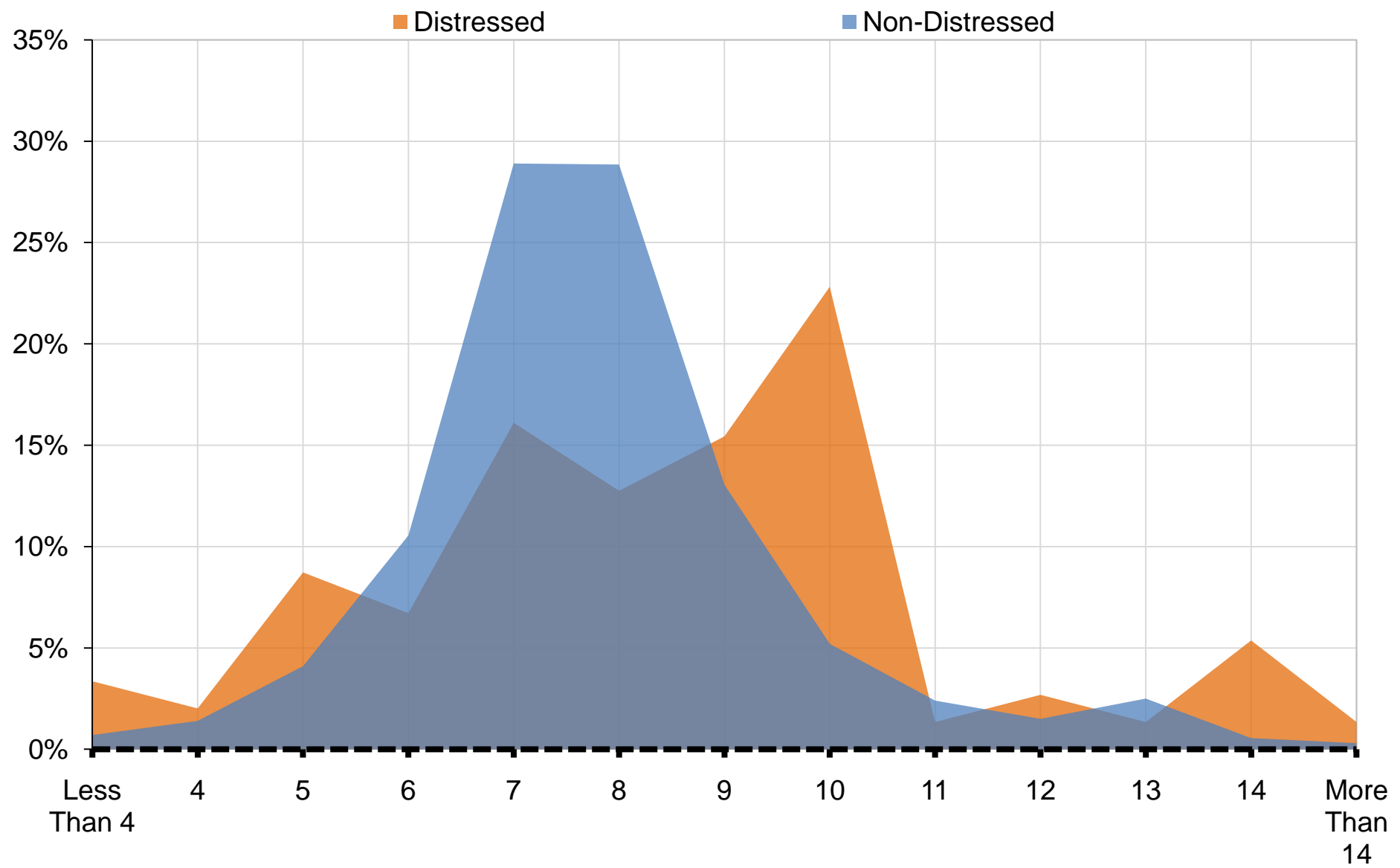


Distribution of Cap Rates on Sales in 2010



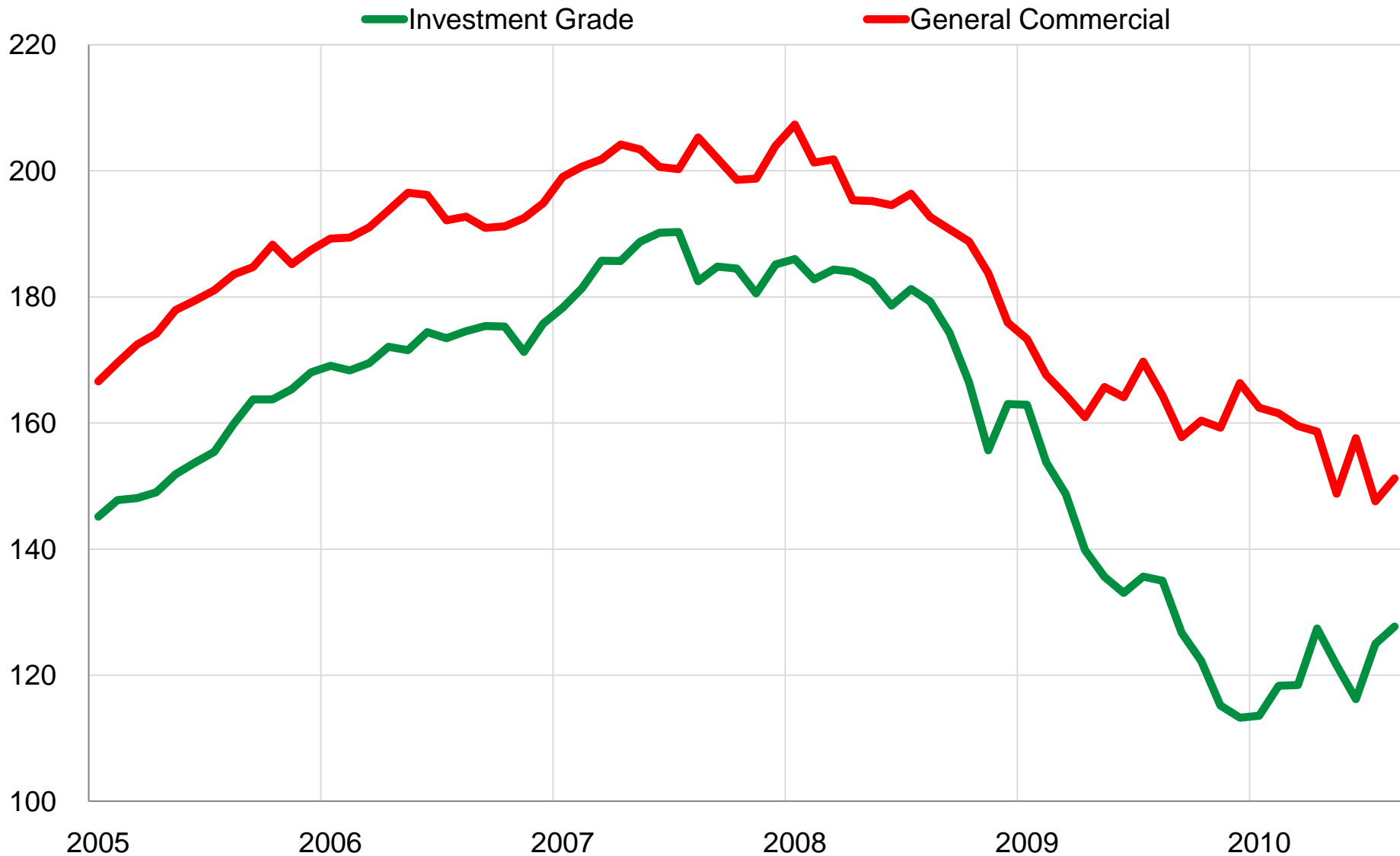


Distribution of Distressed vs. Non-Distressed Cap Rates on Sales in 2010



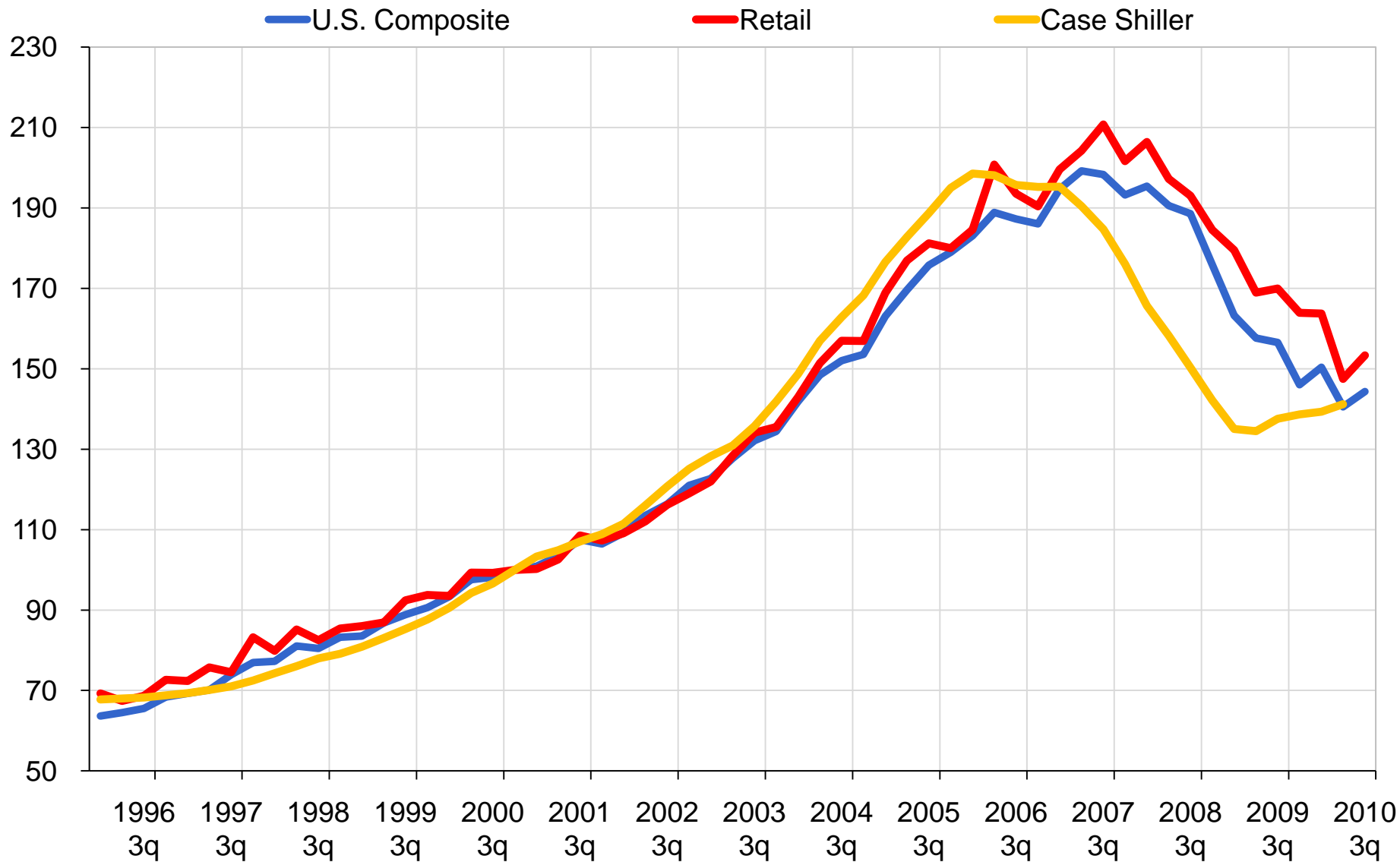


CoStar Repeat Sales Index



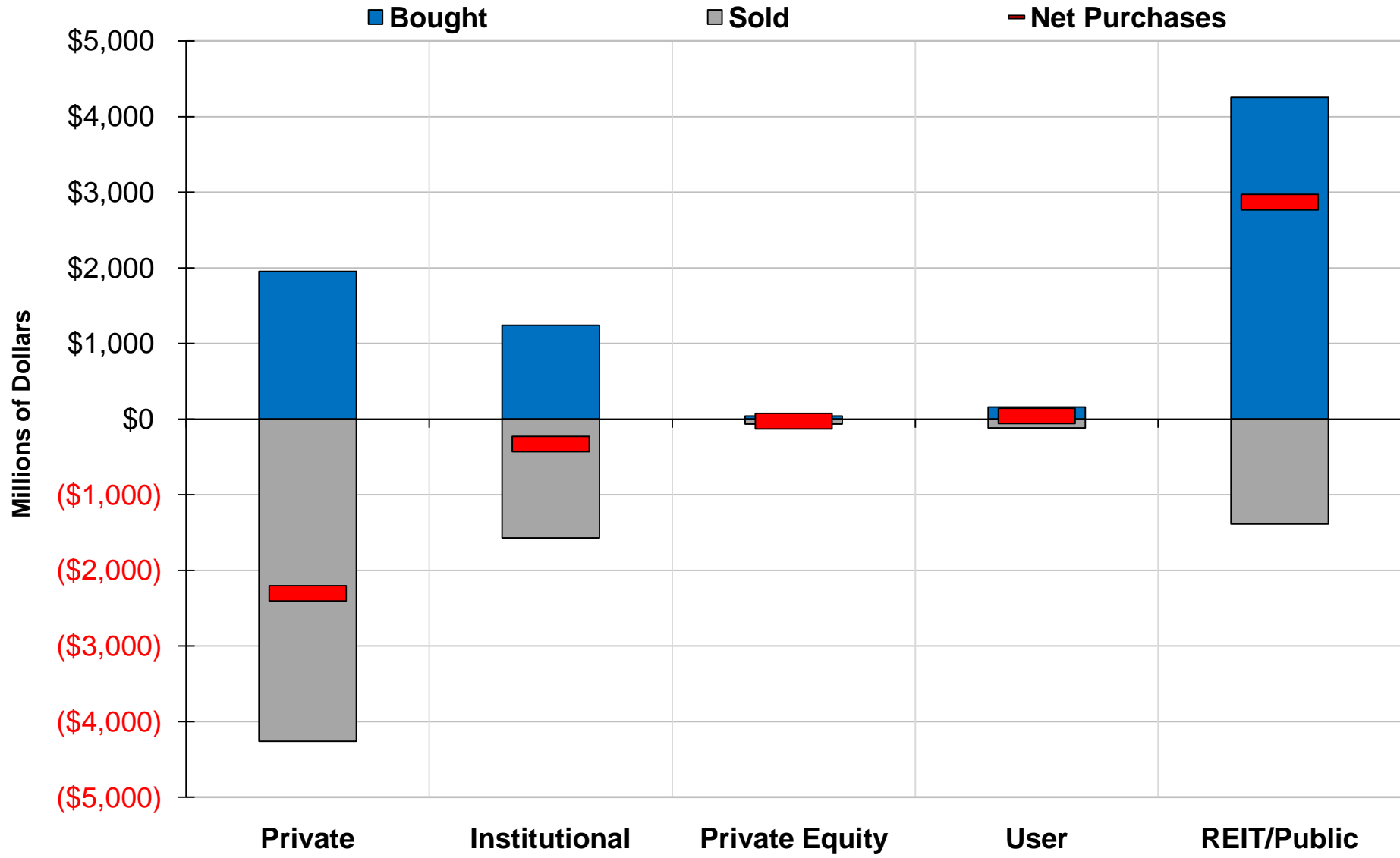


CoStar Repeat Sales Index





Net Buying of Retail Properties in 2010 By Investor Type





Thank You