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Schedule for Today

- 2012 Macro Observations Affecting the Office Segment
- 2012 Things to Watch for in Office
- Best of the Best Pricing
- Recent Transactions

2012 Macro Observations Affecting the Office Segment

- Uncertain strength and staying power of economic recovery—job growth → direct impact on leasing velocity

- Office Sector appears to be on a gradual but uneven path to recovery with increased capital availability, transactions and improving fundamentals. In 2011:
  - vacancy declined in 63% of submarkets tracked by CoStar
  - Net absorption nearly doubled compared to 2010

- Looming Debt Maturities continue to create angst as a potential impediment to a full rebound:
  - Approximately $300B maturing each year 2012-2014

- U.S. will continue to attract substantial capital based on the size of the market, transparency and a favorably viewed risk/return dynamic.

2012 Macro Observations Affecting the Office Segment

- Foreign investment in U.S. should continue to increase. According to RCA foreign investment in the US as a percentage of total investment in the US rose to 17.2% as of year end 2011 (as compared to 13% during 2010)
  - 2010 cross-border investment of $5.9 billion—$45.6 billion total investment
  - 2011 cross-border investment of $10.8 billion—$62.9 billion total investment

- Investors from Canada, Switzerland, Japan and South Korea will continue to be the most active bidders on US CRE

- According to AFIRE, 60% of respondents ranked the U.S. #1 for expected capital appreciation

- Core and core-plus capital will continue to focus on the Top 5 Gateway markets but will consider “secondary” markets in search of higher yields. Top secondary markets will include Austin , Chicago, Dallas, Denver, Houston, Miami/South Florida and Seattle.

2012 Macro Observations Affecting the Office Segment

- Value-Add Capital will focus on the same Top 10 or 15 markets but outside of distressed sales, a bid-ask gap will remains as investors seek higher returns due to uncertain , near-term fundamentals

- Tertiary markets will have difficult time attracting institutional capital leaving private investors with high return requirements as the only option

- Primary investor focus remains on downtown and “urban suburban” markets

2012 Things to Watch for in Office

- Core real estate will continue to price aggressively → plenty of capital chasing secure yield
  - Debt and equity allocations up 20%-30% from 2011—active 1st and 2nd quarters to keep pace with these increased deployment goals
- Core plus and value-add investment capital remains plentiful, but pricing gap between sellers and buyers (as seen in Q4) will limit trades
  - "Price discovery" will continue in these asset types
- Recaps will increase → infusion of additional equity for leasing, refinancing, maturing mortgages. Operating control and management will be critical to negotiations
- Anemic job growth and absorption continue → same overall investor yields but more conservative underwriting

2012 Things to Watch for in Office

- The impact of technology and efficiency gains → lowering overall space requirements for tenants on a per employee basis

- Office Construction is at historic lows on a % basis to the overall base
  - 2012-2014 projected average 0.2% of total basis per year—historical average around 2.5%

- Fed recently indicated that it expects to keep interest rates low through late 2014 → great time to consume debt or "spread invest"

- Once again a split personality year a possibility as optimism may build for post election economic progress → more core plus/value add trades in 2nd half of the year

Best of the Best Office Pricing Metrics (as of February 2012)

CBD	Property Type	Going-In Cap Rates	Unlevered IRRs	Est. Residual Cap Rates	Observations	Changes from April 2011
New York	Trophy Office	3.5% - 4.5%	6.0% - 7.0%	5.0% - 5.5%	In excess of 25% rent growth forecasted for the next 3-5 years	25% rent growth adjusted down from 30% Going-in caps for trophy and class A risen 50 bps
	Class "A" Office	4.5% - 5.0%	6.5% - 7.5%	5.5% - 6.0%		
Boston	Trophy Office	4.5% - 5.0%	6.0% - 7.0%	6.0% - 6.5%	In excess of 20% rent growth forecasted for the next 3-5 years	
	Class "A" Office	5.0% - 5.5%	6.5% - 7.5%	6.5% - 7.0%		
Washington DC	Trophy Office	4.75% - 5.25%	6.0% - 7.0%	6.0% - 6.5%	2-3% rent growth forecasted for the next 3 years Near and/or above peak pricing for select assets	Going-in caps for trophy risen 25 bps UNIRRs for trophy risen 50 bps and Class A widened 50 bps Rent growth has slowed
	Class "A" Office	5.25% - 5.75%	6.5% - 7.5%	6.5% - 7.0%		
Chicago	Trophy Office	5.75% - 6.25%	6.5% - 7.5%	6.25% - 7.0%	Above peak pricing due to the stability of rents in Chicago market Little high-rise availability in best buildings	Cap rate range has narrowed due to the volume of assets trading. Chicago is a value alternative to coastal markets
	Class "A" Office	6.25% - 6.5%	7.5% - 8.5%	7.0% - 7.5%		
Dallas	Trophy Office	6.5% - 7.0%	7.5% - 8.0%	7.0% - 7.5%	No true "trophies" have been brought to market Only 2-3 submarkets considered true "core" (Uptown, Preston Center and perhaps Legacy)	50 bps to going-in caps and UNIRRs, no change to exit caps
	Class "A" Office	7.0% - 7.75%	8.0% - 9.0%	7.5% - 8.0%		
Houston	Trophy Office	6.0% - 7.0%	7.5% - 8.0%	7.0% - 7.5%	Underwriting lease-up and rent growth to new construction rents Developers are taking land positions for next cycle	Cap rates stabilized after falling early in 2011 Houston is a value alternative to coastal markets
	Class "A" Office	6.5% - 7.5%	8.0% - 9.0%	7.5% - 8.0%		
Northern California	Trophy Office	3.5% - 4.5%	6.0% - 7.0%	5.0% -5.5%	In excess of 30% rent growth forecasted for the next 3-5 years	No change
	Class "A" Office	4.5% - 5.5%	6.5% - 7.5%	5.5% – 6.0%		
Southern California	Trophy Office	5.0% -5.5%	6.5 – 7.0%	6.25%	Underwriting getting back to peak rents in 5-6 years; works out to 25% to 30% rent growth	UNIRRs decreased 25 bps for trophy and Class A Rent growth period extended out to 5-6 years
	Class "A" Office	5.5% -6.0%	6.75 – 7.25%	6.75%		

Civic Opera Building—Chicago, IL
Office – Investment Sale

Seller: Tishman-Speyer

Buyer: **601 West Associates**

Deal Description:
- Multi-tenant building comprised of many smaller non-credit tenants.
- Older asset located at Wacker & Madison (main and main) in Chicago's West Loop.
- Nearby trophy building (One North Wacker) recently sold for $455 per RSF.
- Location merits repositioning to Class A asset

Property Overview	
Location:	Chicago, IL
Asset Type:	C
Mixed-Use:	No
Size:	915,052
Occupancy :	78%
Year Built:	1929
Date Closed:	January 2012

Financial Overview	
Purchase Price: **Price PSF:**	$126 million $138 PSF
Est. Cap Rate on Existing NOI:	7.3%
Est. IRR (Unlev/Lev): **Hold Period:**	9.5%/14.5% 5 Years
Cash on Cash Return:	8.4%
Est. Exit Cap Rate/$ PSF	8.5% ($160 psf)

250-260 Summer Street—Boston, MA
Office – Investment Sale

Seller: Colonnade Properties

Buyer: Synergy Investment & Development

Deal Description:

-Asset is located in Boston's most exciting submarket-Seaport.

-Asset was in need of approximately $1.2 million in base building capital, which the Buyer ended up paying.

-Asset featured a lower level restaurant space, which will be renovated shortly.

-Investors valued vacancy at surprisingly optimistic levels

Property Overview	
Location:	Boston, MA (Seaport submarket)
Asset Type:	Class B Office
Mixed-Use:	No
Size:	104,594 SF
Occupancy:	80.0%
Year Built:	1903
Date Closed:	January 18, 2012

Financial Overview	
Purchase Price: **Price PSF:**	$25,000,000 $239 PSF
Est. Cap Rate on Existing NOI:	5.70%
Est. IRR (Unlev/Lev): **Hold Period:**	9.38%/14.77% 10 Years
Cash on Cash Return:	4.26% – 7.26%
Est. Exit Cap Rate/Price PSF:	7.0% ($365 psf)

Brookhollow Central—Houston, TX
Office – Investment Sale

Seller: Thomas Properties Group LLC

Buyer: **Parmenter Realty Partners**

Deal Description:
-3-building complex comprised of (2) Class A stabilized buildings and (1) vacant shell building
-Secondary location North of Galleria
-Anchored by Comerica Bank (220,000 SF through 2028)
-Comerica only occupies half of their space, will sublease remainder
-Freeway construction will impair access for 2-3 years

Property Overview	
Location:	Houston, TX Suburban
Asset Type:	Class A
Mixed-Use:	No
Size:	806,004 SF
Occupancy :	65%
Year Built:	1972
Date Closed:	January 2012

Financial Overview	
Purchase Price: **Price PSF:**	$71,000,000 $88 PSF
Est. Cap Rate on Existing NOI:	8.1%
Est. IRR (Unlev/Lev): **Hold Period:**	9.9% / 15.8% 3 Years
Cash on Cash Return:	9% - 12% (stabilized)
Est. Exit Cap Rate/$ PSF	9.5% ($121 psf)

801 9th Street, NW—Washington, DC
Office – Investment Sale

Seller: Wereldhave

Buyer: **Private Japanese Family**

Deal Description:
-8-story, 236,054 SF office building built in 1999
-100% leased to the US Mint on a NNN basis through September 2019 with four 5-year renewal options
-Excellent location in the East End of downtown DC, directly across the street from the new CityCenterDC development
-Underground parking at a ratio of 0.8 / 1,000 SF
-Free and clear of existing debt

Washington,

Property Overview	
Location:	Washington, DC
Asset Type:	8-Story Office Building
Mixed-Use:	N
Size:	236,054 SF
Occupancy :	100%
Year Built:	1999
Date Closed:	Closing 2/29/12

Financial Overview	
Purchase Price: **Price PSF:**	TBD
Est. Cap Rate on Existing NOI:	4.6%
Est. IRR (Unlev/Lev): **Hold Period:**	7.5% / 9.5% 8 years
Cash on Cash Return:	4.8%
Est. Exit Cap Rate/$ PSF	6.0% / $844