

***U.S. Economic and Commercial Real Estate
Market Update
2nd Quarter 2011***

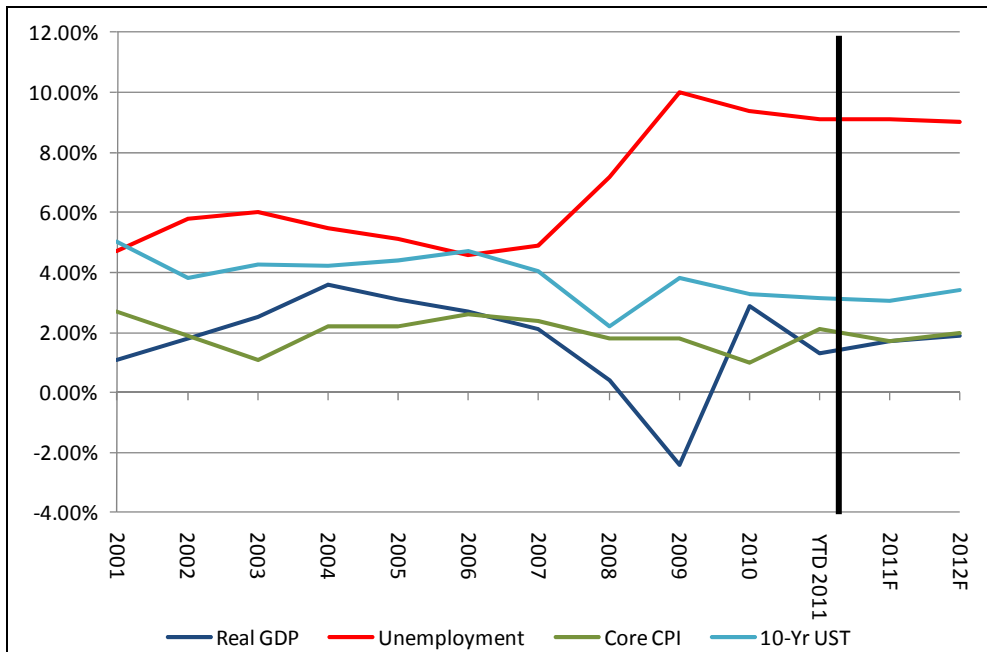


QUADRANT
REAL ESTATE ADVISORS

Executive Summary

- Overall, economic and fundamental commercial real estate conditions improved during the second quarter of 2011, albeit at a slow pace.
- U.S. GDP grew 1.3%. Quadrant expects this trend of very gradual recovery to continue throughout 2011.
- The private sector added approximately 420,000 jobs during the second quarter. However, government job losses continue to temper the impact of private sector gains.
- Long-term interest rates remain low and are expected to remain so for the next two years.

Key Economic Indicators



Source: Bureau of Labor Statistics, Lehman Brothers, Barclays Capital, Blue Chip, Bureau of Economic Analysis, Wells Fargo

- Investor concerns rose on reports of a slowdown in the pace of U.S. economic recovery, sovereign debt issues in the EU and the U.S. debt ceiling debate.
- CMBS 60-day delinquency increased to 9.73%. However, the number of newly delinquent loans continues to decline.
- U.S. REIT companies benefited from improved commercial real estate fundamentals and increased demand as investors looked to this sector to provide strong risk adjusted returns.
- The lending environment remained competitive as life companies, conduits and other lenders were aggressively seeking high quality, well-located properties, and strong borrowers. However, recent market volatility will likely slow origination activity somewhat, particularly for conduit lenders.
- Commercial real estate equity transaction volume for the first half of 2011, at \$116 billion, surpassed the full year 2010 volume.

State of the U.S. Economy

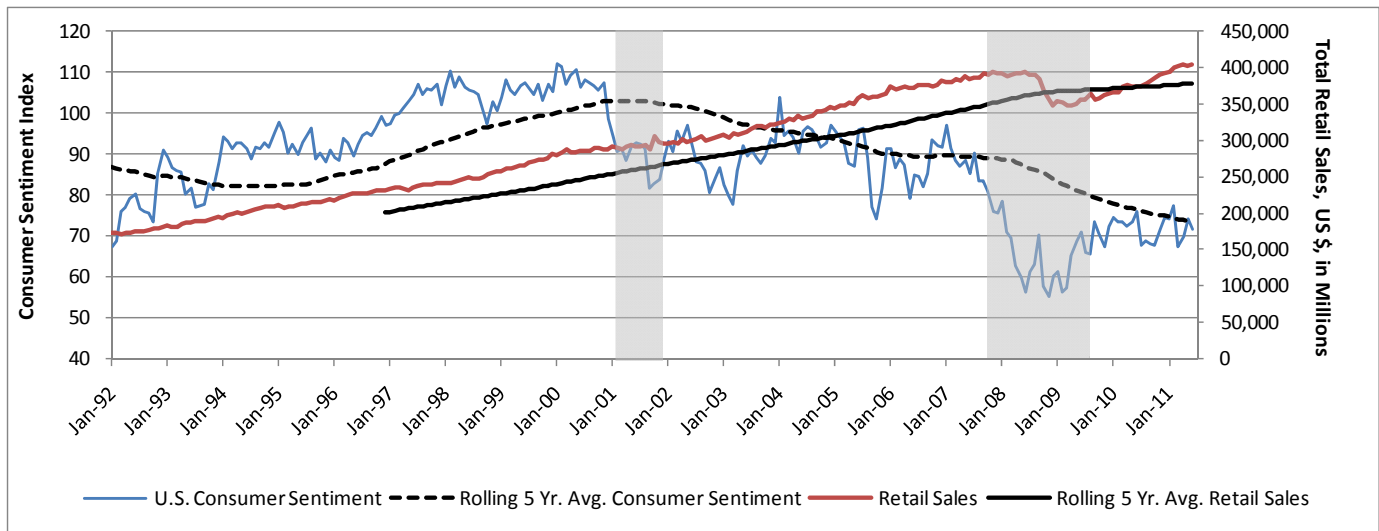
Gross Domestic Product (GDP)

- The advance estimate reports an annualized increase in real GDP during the second quarter of 1.3%. This is an increase compared to revised first quarter growth of 0.4%.
 - Export activity, business and federal government spending were primary contributors to economic growth.
 - Consumer spending moderated as rising energy and food prices weighed on consumers.
 - In addition, reduced state and local government spending continue to be a drag on economic growth, with no changes anticipated in the near term.
- The growth estimate for 2011 has been revised downward, to 1.7%.

Consumer Outlook

- The pace of consumer spending, a key driver of U.S. GDP, slowed during the second quarter of 2011.
 - Renewed concern surrounding broad economic factors resulted in a pessimistic consumer outlook.
 - Modest spending gains are expected in the second half of 2011.

U.S. Consumer Sentiment and Retail Sales



Source: University of Michigan Survey Research Center, Bureau of Economic Analysis

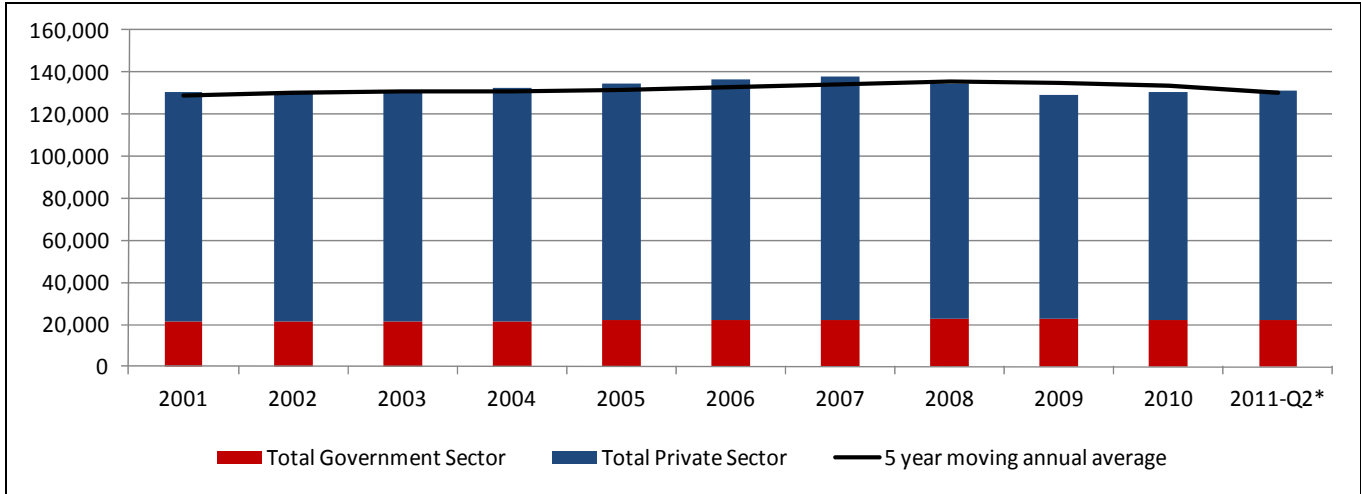
Note: Retail sales represent Total Retail Sales (including food and automobile). Shaded areas represent U.S. recessionary periods.

Employment

- Nonfarm payroll increased by 316,000 jobs during the second quarter of 2011.
 - Declines in government jobs continue to temper increases in the private sector.
 - Quadrant anticipates additional government job losses as local governments strive to reduce budget shortfalls.
- Private sector employment grew by approximately 420,000 jobs during the second quarter.
 - Quadrant anticipates continued improvement in private sector employment throughout 2011, the pace of which may moderate due to recent market turmoil.
- As of quarter end, the number of total employed persons is at the five-year average.
- The unemployment rate rose 30 basis points during the quarter to 9.1%.

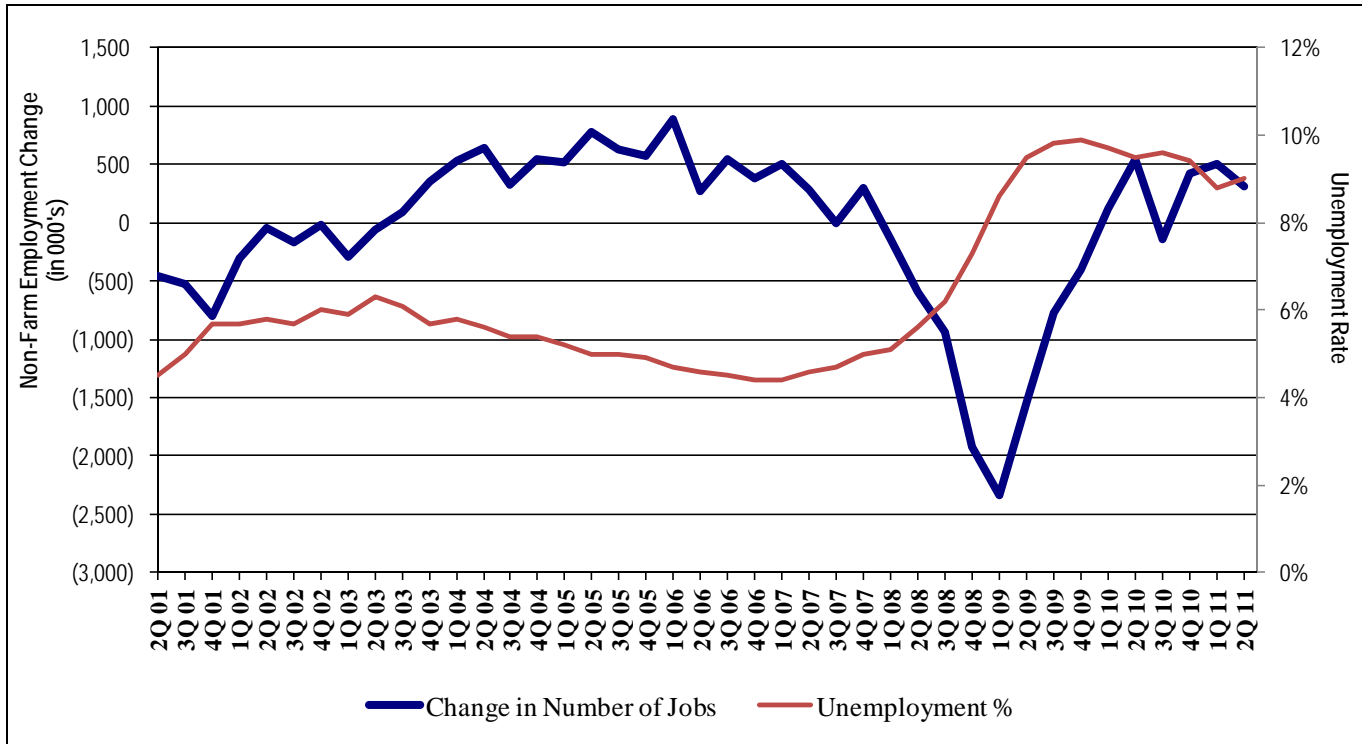
- Analysts forecast continued job growth within the private sector. However, government job cuts are also expected during the second half of the year, resulting in little change to the unemployment rate.

U.S. Non-Farm Payroll Number of Employed Persons (in thousands)
2001 through June 30, 2011



Source: Bureau of Labor Statistics
* 2011-Q2 data is preliminary

U.S. Labor Statistics for the Ten Years Ending June 30, 2011



Source: Bureau of Labor Statistics

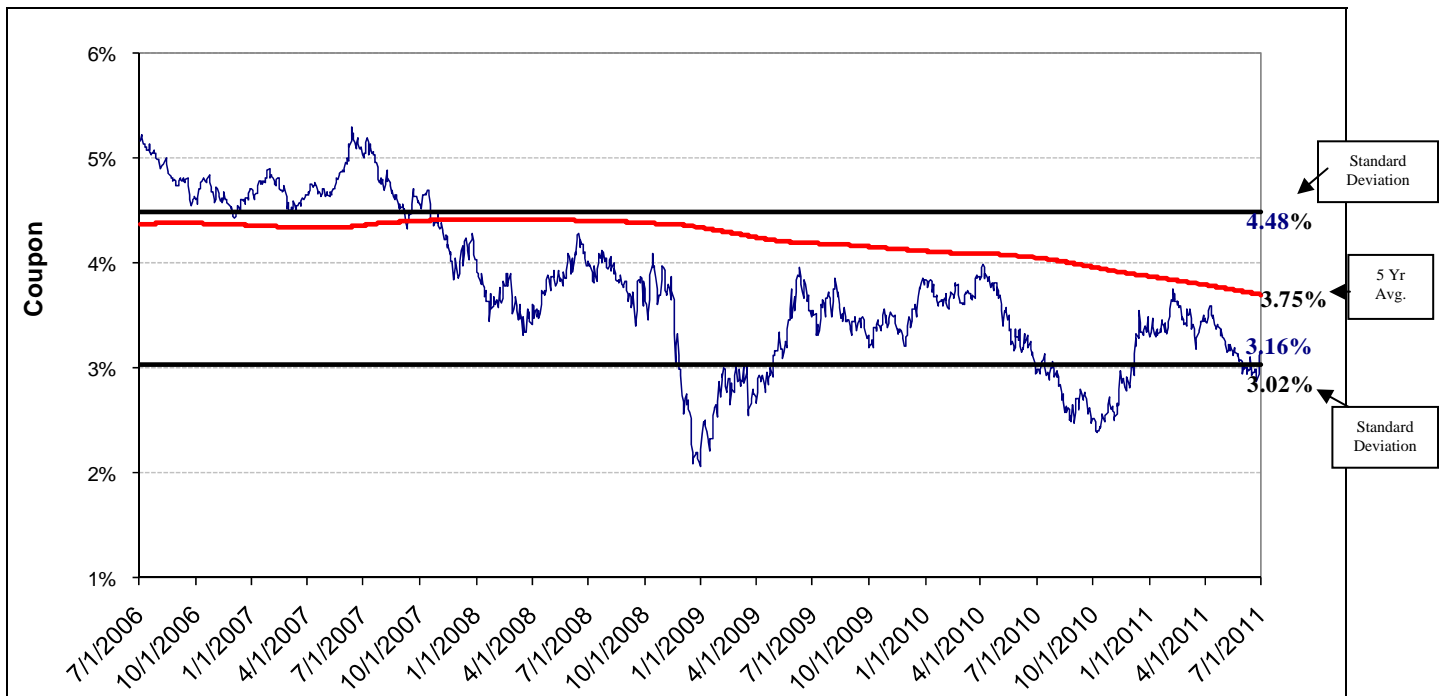
Inflation

- CPI increased at an annualized rate of 3.2% during the quarter and was driven by higher food and energy prices. Removing food and energy, core inflation, increased 2.1%.
- Analysts revised their inflation forecast for 2011 downward to 2.9% from the mid-to-high 3% range previously anticipated.

Interest Rates

- The Fed Funds Target Rate at 0.00%-to- 0.25% remained unchanged during the quarter and is not expected to change through 2013.
- At 3.16%, the ten-year U.S. Treasury rate decreased 31 basis points during the second quarter and remains lower than the historical average.

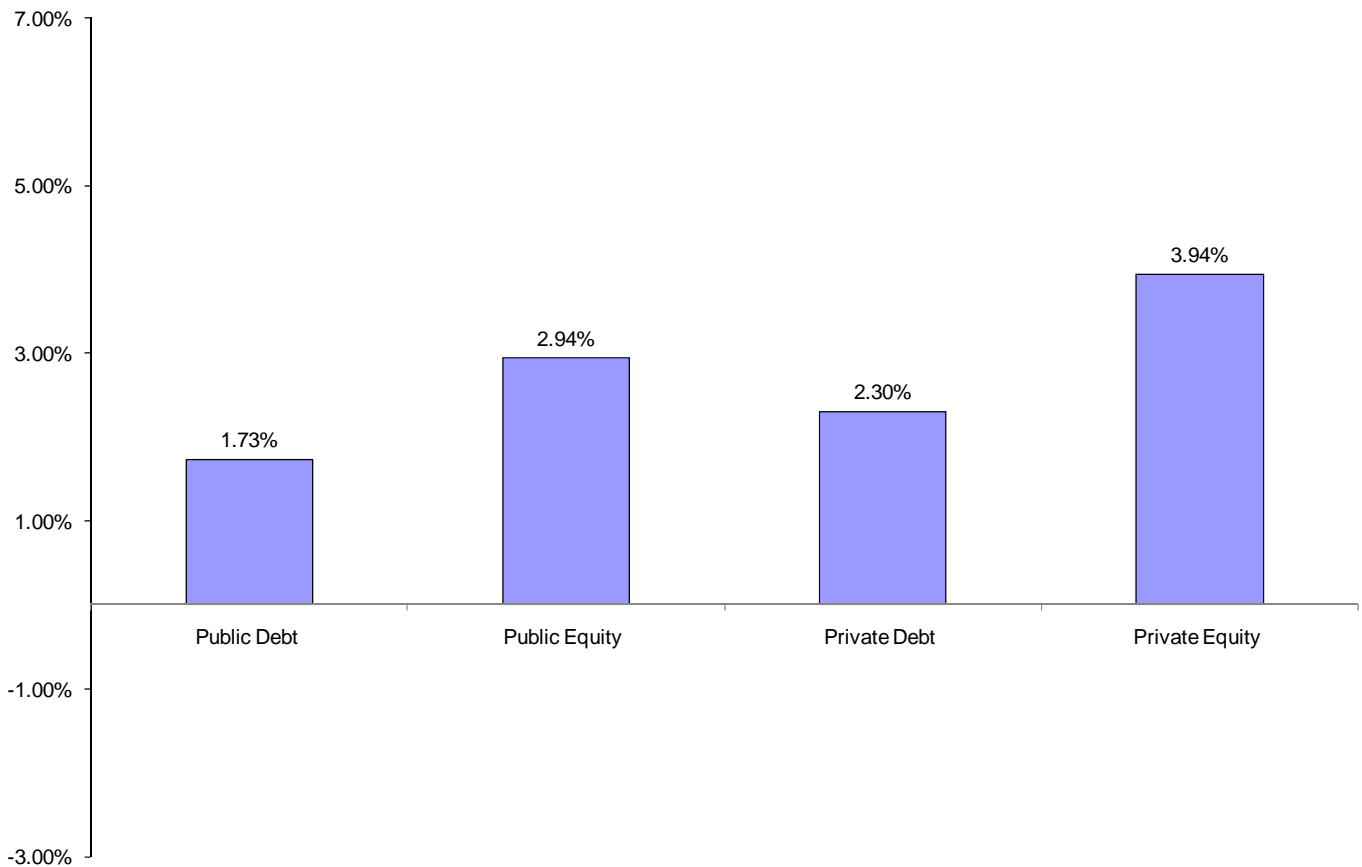
Historical 10-Year U.S. Treasury Rates



Source: Bloomberg

Note: Over the last twenty years, the average ten-year U.S. Treasury rate is 5.38%

Commercial Real Estate Market Quadrants Second Quarter 2011 Total Returns



Source: Barclays Capital Investment Grade CMBS (Public Debt), NAREIT & Wells Fargo Hybrid & Preferred Securities Equity REIT Index (Public Equity), Barclays Capital U.S. Aggregate Index- A (Private Debt), NCREIF (Private Equity)

- **Public Debt (Investment Grade CMBS):** Investment grade CMBS performance reflects the widening of spreads during the quarter for Vintage CMBS.
- **Public Equity (REIT Common and Preferred Stock):** Strong corporate balance sheets and improved commercial real estate market fundamentals were key performance drivers for this sector.
- **Private Debt (Barclays Capital Aggregate Bond Index-A Class and Below Investment Grade CMBS):** This sector benefited from commercial real estate market improvements and declines in Treasury rates.
- **Private Equity (Direct Property):** Performance reflects improvement in commercial real estate fundamentals and an increase in equity transaction volume.

Commercial Real Estate Market Quadrants

Quadrant's Relative Value View

As of August 2011

Private Debt:

- **Underserved First Mortgages:** 5.5%- to-7% yields are available on a range of investment opportunities, which include one, or more of the following attributes: (1) 75% LTV first mortgages, (2) Tailored structuring; and (3) Small loans (under \$15 M).
- **Programmatic Subordinate Debt:** Debt yields can be enhanced by carving off an A-Note (approximately 0%-to-37.5% loan to value, on a matched term and matched funded basis); and retaining a material B-Note position to achieve IRR's of 7%+.
- **Mezzanine Debt:** Mezzanine debt can fill the gap that remains between equity and new financing proceeds to achieve yields of 8%+.
- **Transitional Loans:** Selective opportunities exist for outsized returns on pay and accrue, structured whole loans, mezzanine and preferred equity investments secured by properties in transition (e.g., 4%-to-6% current yield; 8%-to-12% total return).

Public Debt:

- **REIT Bonds:** Yields continue to be attractive compared to corporate bonds, albeit, low relative to other real estate investments (i.e. REIT preferred and private debt).
- **CMBS New Issuance:** Very limited opportunities exist to achieve attractive risk adjusted yields. Quadrant favors origination of private debt to new issue CMBS for the following reasons: (1) Similar to better yields, (2) Higher quality assets/locations, (3) Better underwriting standards (i.e. reserves); and (4) Stronger control rights.

Private Equity:

- **Direct Equity (Core):** Quadrant believes that better risk-adjusted returns can be achieved in the debt market.
- **Direct Equity (Enhanced):** Selective opportunities exist for outsized total returns in properties with low current income.

Public Equity:

- **REIT Common Stock:** Recent market turmoil has created additional opportunities for longer-term appreciation potential in companies that have deleveraged their balance sheets, maintained operations, and have significant cash to take advantage of future acquisition opportunities.
- **REIT Preferreds:** Attractively valued sector (trading at above-average historical spreads) offers yields of 7%+.

● Best Relative Value

● Limited Opportunities

● Poor Risk Adjusted Returns

Review of Real Estate Fundamentals

Low levels of construction led to improvement for multifamily and industrial properties. Although office properties exhibited rent growth and positive absorption, it was not significant enough to translate into improvement in vacancy rates. Retail properties, which had exhibited signs of stabilization in recent quarters, now showed signs of weakness as vacancy rates rose during the second quarter.

Sector	Vacancy Rates			
	4Q2008	4Q2009	4Q2010	2Q2011
Office	14.5%	17.0%	17.6%	17.5%
Industrial	8.8%	10.7%	10.4%	9.8%
Retail*	8.9%	10.6%	10.9%	11.0%
Multifamily	6.6%	8.0%	6.6%	5.9%

Source: REIS and Grubb & Ellis

*Vacancy rates presented for the retail sector are representative of the neighborhood/community shopping center subsector.

Current Occupancy Rate		
Property Type	Top 5 Markets	Bottom 5 Markets
Office	District of Columbia, New York City, Birmingham, New Orleans, Long Island	Detroit, Phoenix, Dayton, San Bernardino, Las Vegas
Multifamily	New Haven, New York City, Minneapolis, San Jose, Westchester	Memphis, Jacksonville, Houston, Columbia, Atlanta
Retail	San Francisco, Fairfield County, Northern New Jersey, Long Island, San Jose	Dayton, Columbus, Birmingham, Tulsa, Indianapolis
Industrial	Los Angeles, Orange County, Green Bay, Long Island, Houston	Mobile, Las Vegas, Reno, Detroit, San Jose-Silicon Valley

One Year Rent Growth ⁽¹⁾		
Property Type	Top 5 Markets	Bottom 5 Markets
Office	San Francisco, New York, Pittsburgh, Columbia, San Antonio	Minneapolis, San Bernardino, Cleveland, Providence, Lexington
Multifamily	San Jose, New York, San Francisco, Suburban Virginia, Fairfield County	Las Vegas, Jacksonville, Richmond, Providence, Los Angeles
Retail	Charleston, Hartford, Greenville, Long Island, Louisville	Las Vegas, Tacoma, Westchester, Richmond, Tampa-St. Petersburg
Industrial	Long Island, San Diego, Washington, DC, Broward County, Dallas-Fort Worth	Kansas City, Lincoln, Richmond, Greensboro-Winston Salem, Cleveland

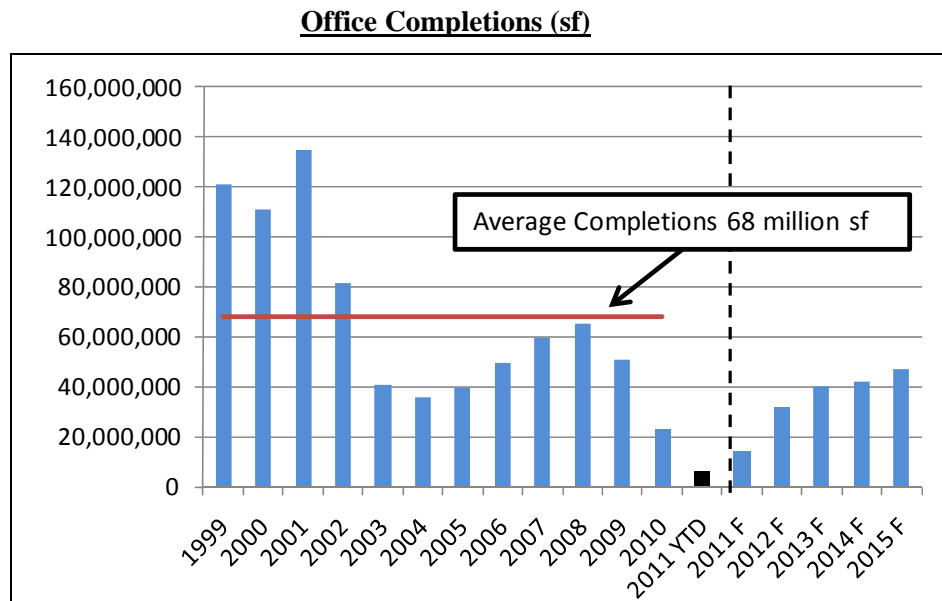
Source: REIS and Grubb & Ellis

¹ For the Industrial sector, markets shown represent those with the highest current asking rent (Top 5) and lowest current asking rent (Bottom 5) as rent growth by market is not available.

- Year to date U.S. equity transaction volume, of \$116 billion, exceeded the volume level for the full year 2010. Volume is expected to increase throughout 2011.
- The average capitalization rate, as reported by NCREIF, remained unchanged as of second quarter end.

Office

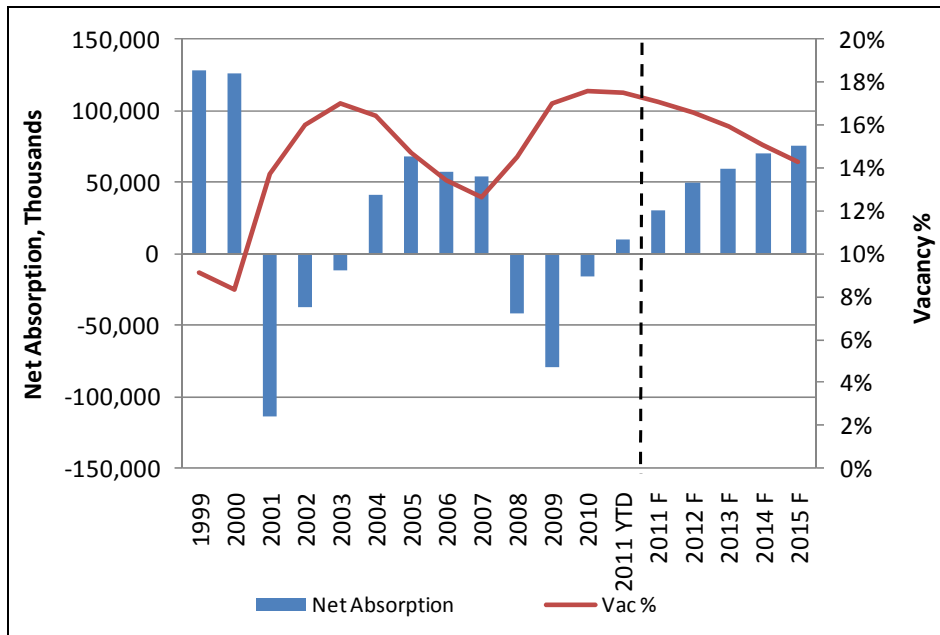
- Market demand:
 - Demand for office space increased during the quarter reflective of the continued modest improvement in private sector labor markets and strong corporate profits.
- Market supply:
 - New deliveries during the quarter of 1.9 million square feet, represents the lowest level of completions since REIS began tracking this data in 1999.
 - Construction will likely remain subdued until such time that office market fundamentals demonstrate substantial improvement.



Source: REIS

- Vacancy and absorption:
 - The office vacancy rate as of the end of the second quarter, at 17.5%, remained unchanged from first quarter end.
 - Office absorption of 3.9 million square feet, although positive, represents a significant slowdown.

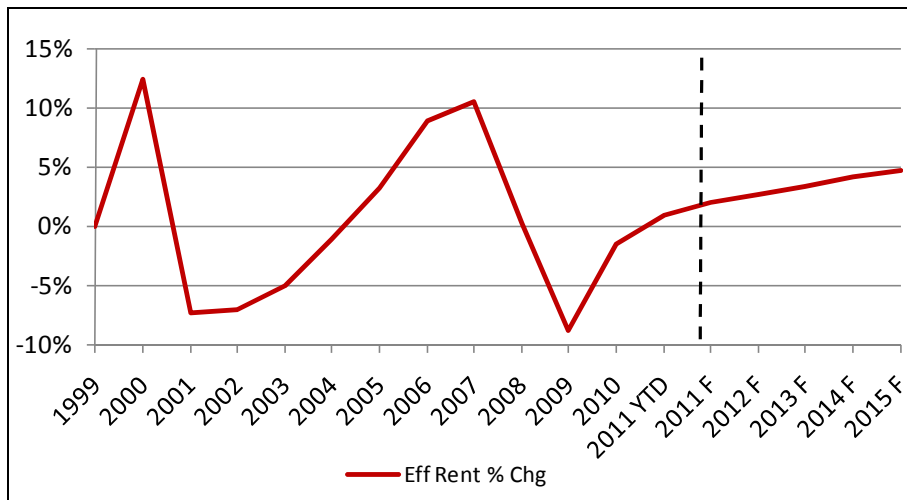
Office Absorption and Vacancy



Source: REIS

- Rental rates:

Office Rent % Change



Source: REIS

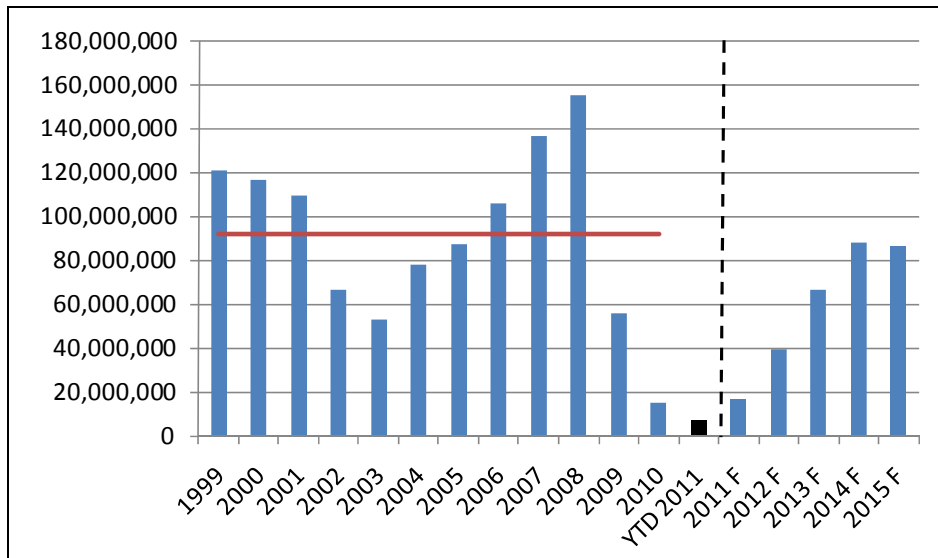
- Effective rents are keeping pace with asking rents, indicating little change in concessions.

- Outlook: REIS' forecast for recovery within this sector remains unchanged. However, the pace of recovery is not as fast as initially reported. Office deliveries are anticipated to remain subdued, with 14 million square feet of completions projected for 2011. This subdued level of construction, along with slow economic recovery, is anticipated to drive the gradual improvement for this sector throughout 2011.

Industrial

- Market demand:
 - Demand for industrial space weakened during the second quarter reflecting a slowdown in the key drivers of demand as follows:
 - Slow economic growth
 - Reduced retail sales
 - Flat industrial production
- Market supply:
 - During the quarter 3.4 million square feet of new industrial space was completed.

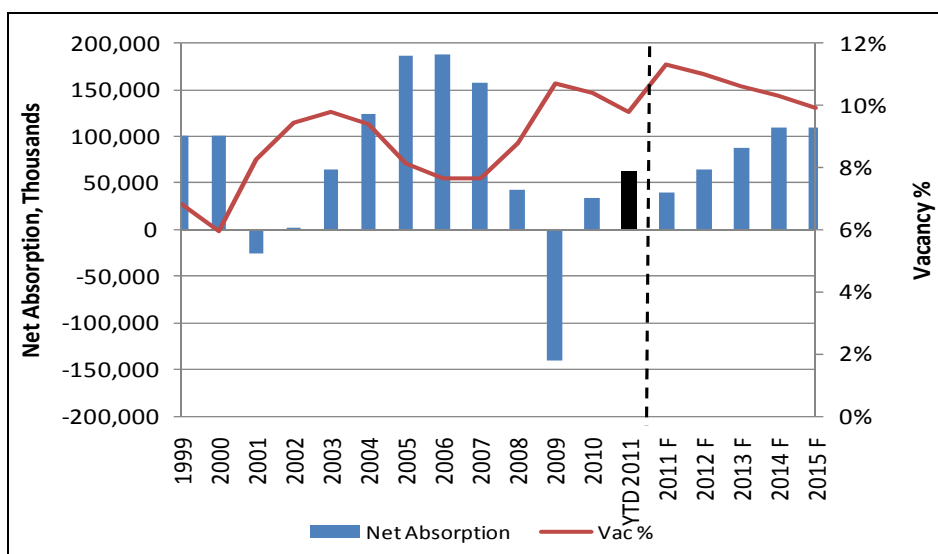
Industrial Completions (sf)



Source: Grubb & Ellis, REIS

- Vacancy and absorption:
 - The vacancy rate declined to 9.8%, falling below 10% for the first time since the beginning of 2009.

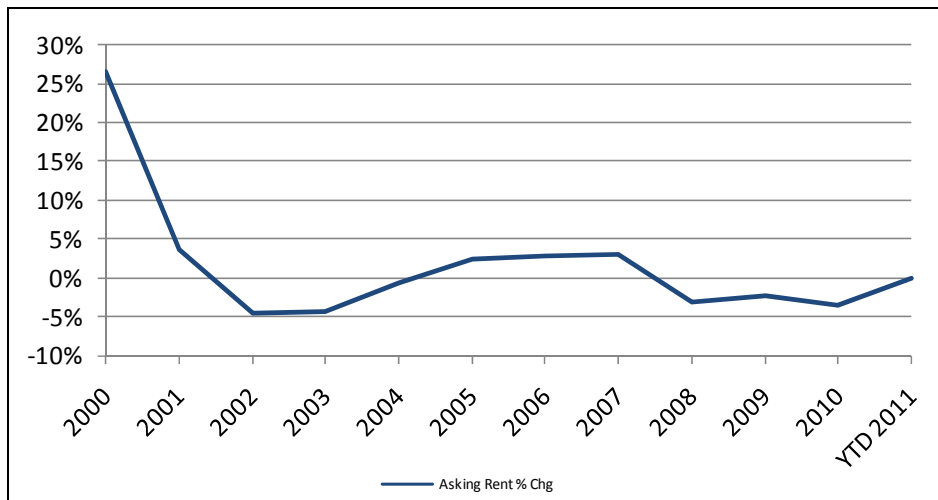
Industrial Absorption and Vacancy



Source: Grubb & Ellis, REIS

- Rental rates:
 - The average asking rental rates remained flat during the quarter with an increase in rates within the warehouse/distribution segment offset by declines in rates for general industrial properties.

Industrial Rent % Change



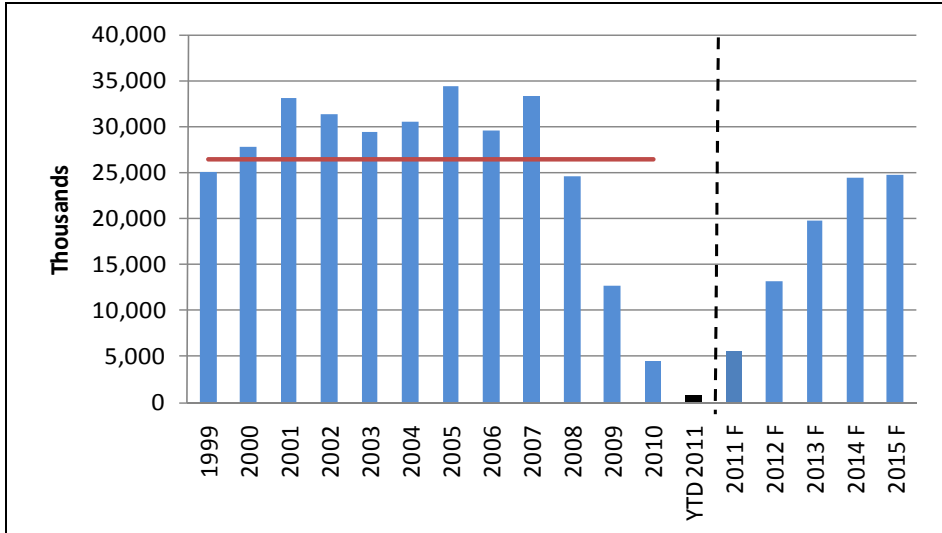
Source: Grubb & Ellis

- Outlook: Gradual recovery for the industrial sector is expected to continue throughout 2011. It is expected that minimal new construction will drive the vacancy rate down to 9.5% by year-end.

Retail

- Market demand:
 - Despite modest retail sales growth demand for retail space continues to suffer.
 - Many retailers remain wary to expand and in some cases have been scaling back on their space requirements.
- Market supply:

Retail Completions (sf)

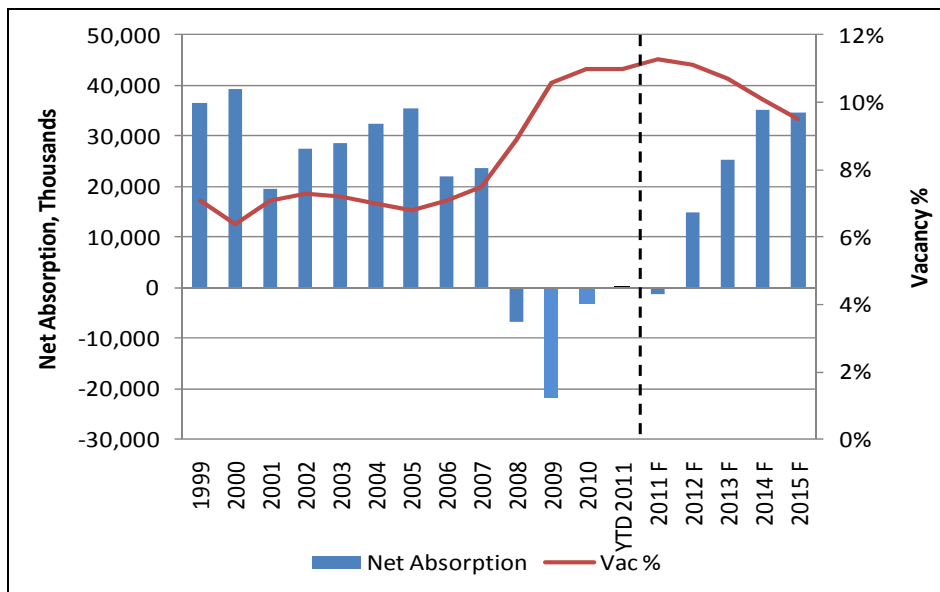


Source: Neighborhood and Community Shopping Center completions reported by REIS

- Neighborhood and community shopping center completions during the quarter, at 638,000 square feet, represent a historically low level.
- Due to the significant excess supply in this sector, REIS has revised its forecast downward, anticipating 5.6 million square feet of shopping center completions in 2011.

- Vacancy and absorption:

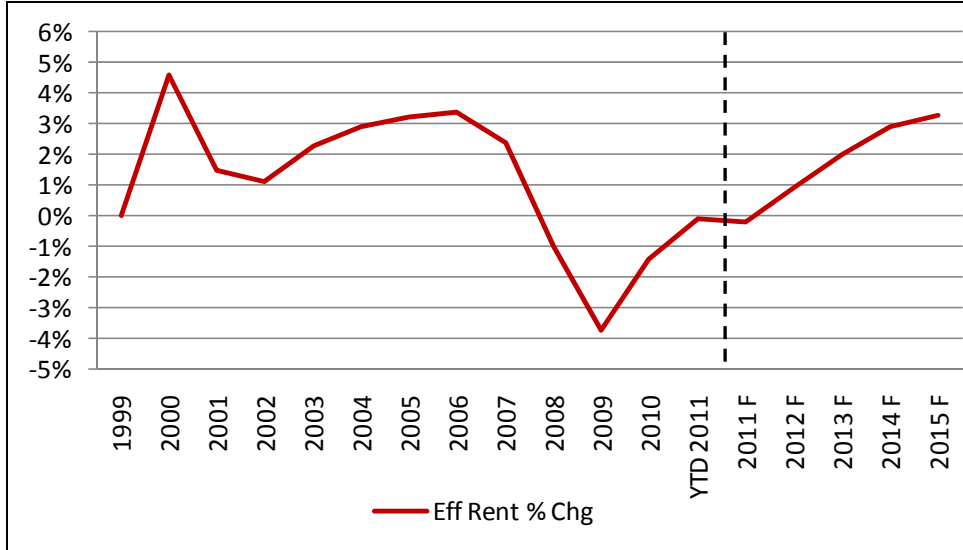
Retail Absorption and Vacancy



Source: Neighborhood and Community Shopping Center absorption and vacancy reported by REIS

- The vacancy rate for neighborhood and community centers increased 10 basis points to 11.0%.
- Vacancy within regional/super regional malls deteriorated further, rising 20 basis points to 9.3%.
- Rental rates:

Retail Rent % Change



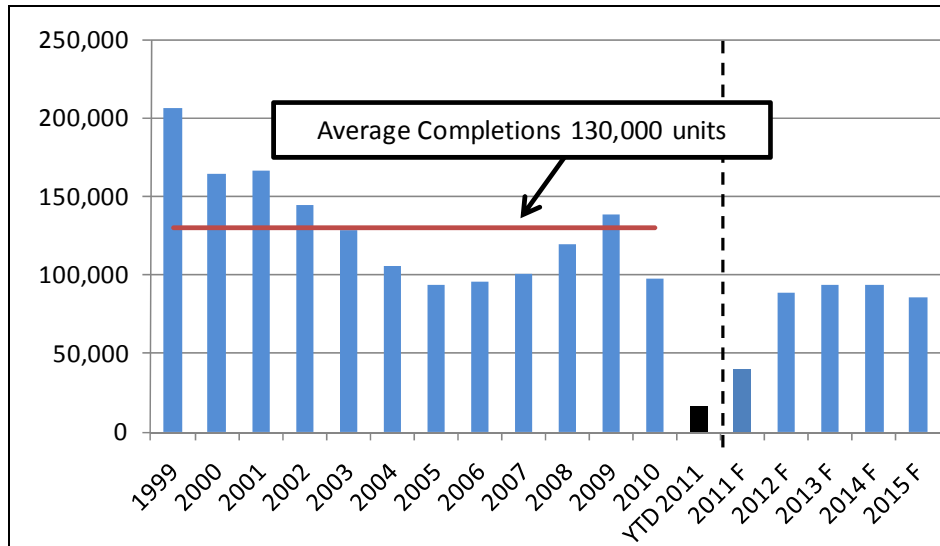
Source: REIS

- Outlook: REIS projects excess supply and weak demand to drive the continued volatility for the retail sector. New completions are anticipated to increase, which is expected to drive the vacancy rate for neighborhood and community centers to 11.1% during the second half of 2011.

Multifamily

- Market demand:
 - Demand for apartment space slowed during the second quarter of 2011 despite typical seasonal trends of increased demand.
- Market supply:

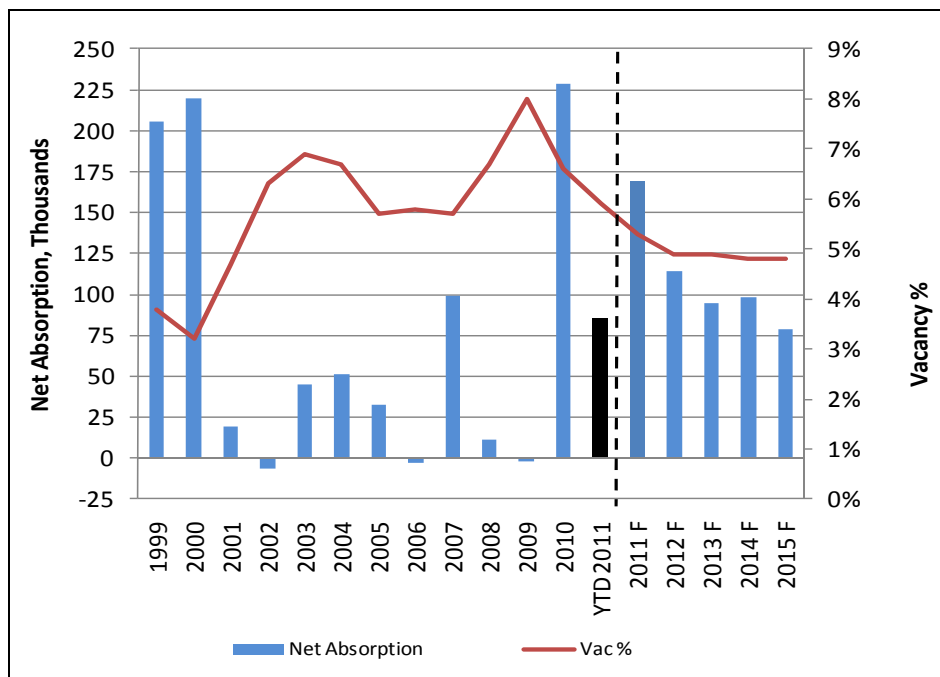
Multifamily Completions (Units)



Source: REIS

- Quarterly completions remained low, at 8,700 units.
- Due to the time needed to construct new buildings, completions are anticipated to remain low throughout 2011.
- Vacancy and absorption:

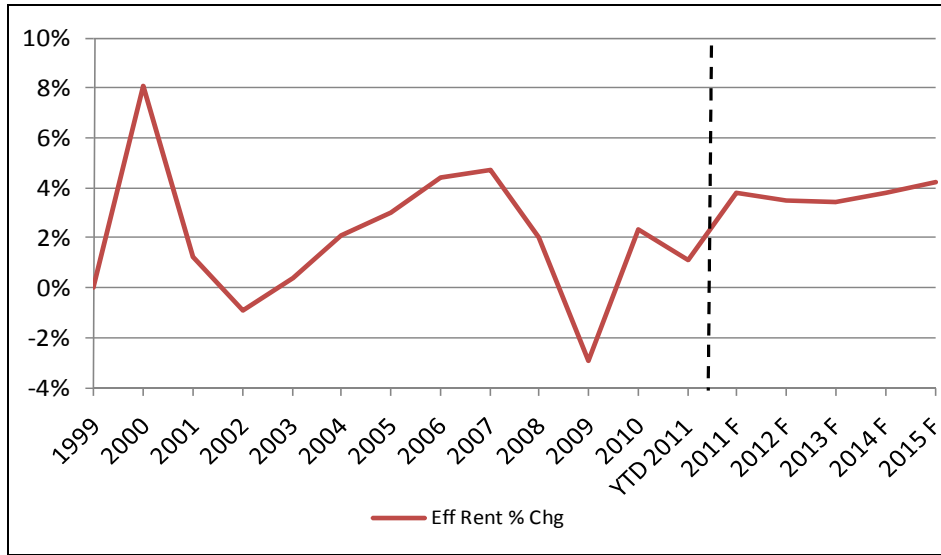
Multifamily Absorption and Vacancy



Source: REIS

- Rental rates:
 - Asking and effective rental rates increased 0.6% and 0.5%, respectively, during second quarter.

Multifamily Rent % Change



Source: REIS

- Outlook: Recovery within the multifamily sector remains strong. As new supply is expected to remain insignificant throughout the remainder of 2011, REIS projects that vacancy in this sector will near 5.5% by year-end.

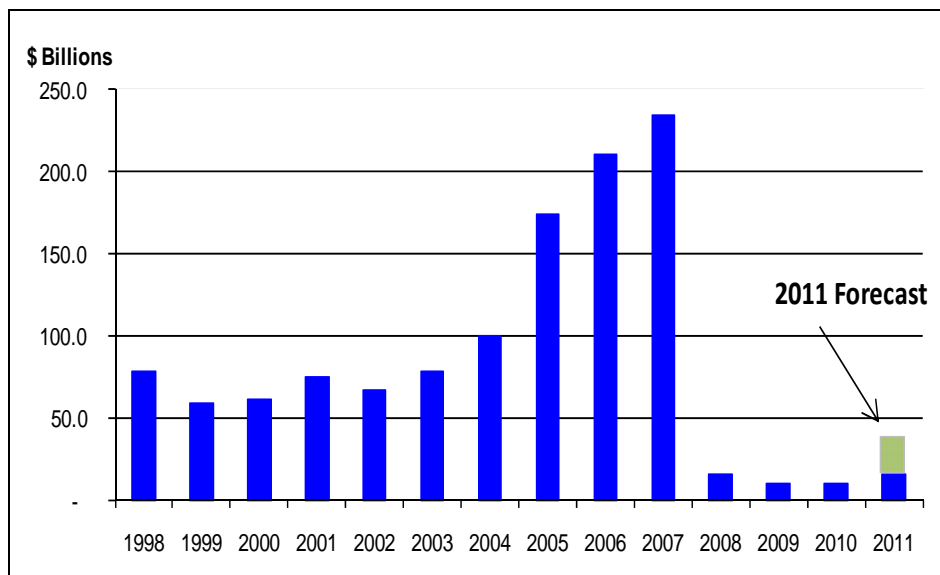
Hotels

- Market demand:
 - Demand continued to improve during the second quarter for both transient and business travelers.
 - Business travel spending rose 6.3% in the second quarter of 2011, compared to a year ago and is expected to remain strong throughout the remainder of the year, particularly within the luxury segment.
 - Market supply:
 - The hotel development pipeline at the end of the second quarter with 2,967 projects (317,940 rooms), represents an 11.4% decrease from second quarter 2010.
 - This includes not only projects under construction, but also projects in the planning and final planning stage.
 - As of quarter end, the number of projects under construction declined to 387 (49,028 rooms), or 13% of the total pipeline.
 - Strict financing conditions and barriers to entry in major markets remain a challenge for hotel developers.
 - Lodging Econometrics has revised its projection of 2011 new deliveries to 390 projects (42,187 rooms).
 - New York City, with 28 hotels (4,037 rooms), is expected account for approximately 7% of the hotel projects (9.5% of the rooms) to come online in 2011.
 - Occupancy:
 - Occupancy increased to 63.4% as of June 30, 2011, a 4.5% increase from second quarter 2010.
 - Rental rates:
 - RevPar continued to trend up, increasing 8.1% (compared to second quarter 2010), to \$64.28. This represents the highest RevPar since August 2008.
 - Compared to second quarter 2010, ADR increased to \$101.44 or 3.5%.
- Outlook: According to PKF, demand growth, forecasted at 4.9%, is expected to drive the anticipated 6.9% increase in RevPar.

Public Debt Market Review

- Demand:
 - Demand for new issue CMBS started the quarter strong however turned weaker as investor concerns rose over the loosening of underwriting standards, reports of a slowdown in the pace of U.S. economic recovery, sovereign debt issues in the EU and the U.S. debt ceiling debate.
 - Subsequent to quarter end, S&P's actions of pulling ratings on a new issue conduit deal just before issuance and later the downgrade of U.S. debt left investors on the defensive.
- Supply:
 - During second quarter, CMBS new issuance totaled \$7.7 billion across seven transactions.
 - Events subsequent to quarter end may lead analysts' to revise the 2011 volume estimate downward from \$40 billion single or multi-borrower new issuance for the year.

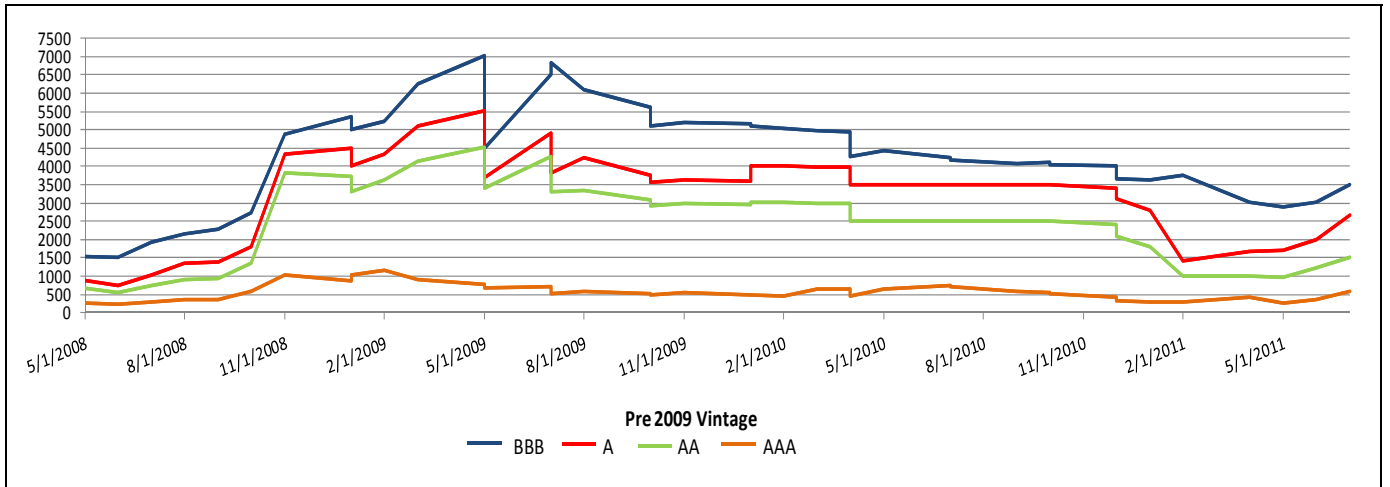
Domestic CMBS New Issuance Volume As of June 30, 2011



Source: Barclays Capital, Citi Investment Research and Analysis

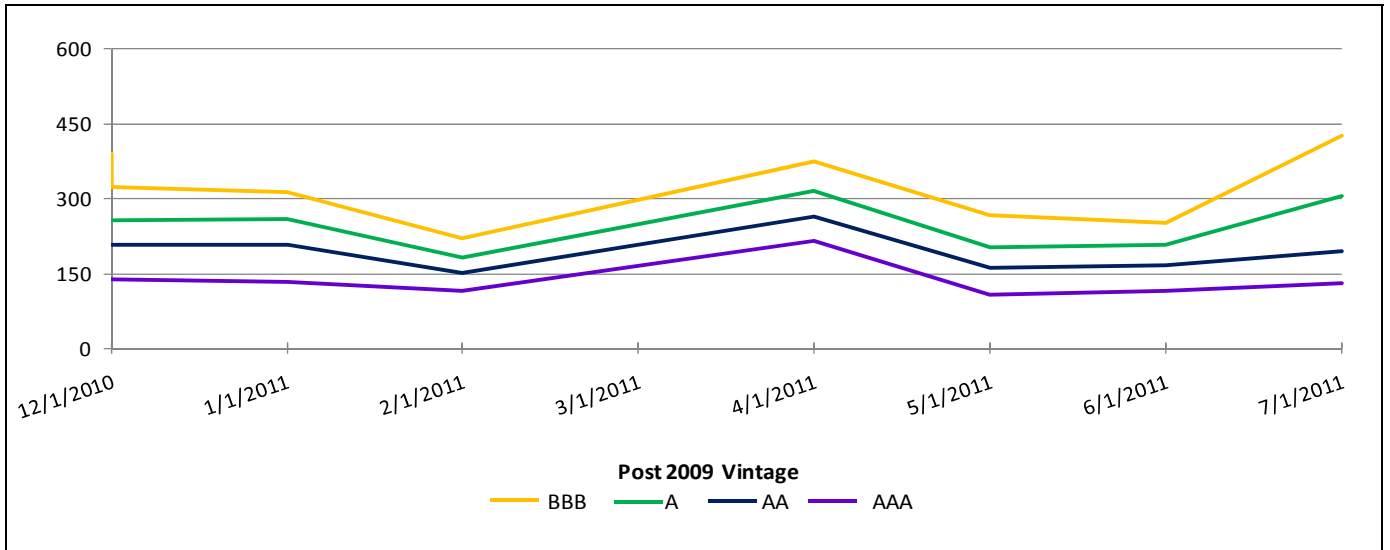
- Increased lending competition has led to a loosening of CMBS underwriting standards.
 - Loan to value, although low compared to 2005-2007 vintages, has increased from the high 50% range of early 2010 CMBS issues to low to mid 60%.
 - The average debt service coverage (DSC) for 2011 CMBS new issuance is 1.6x, the same as 2005 vintage. However, early in 2010, DSC averaged 2.1x for new issue transactions.
 - Subsequent to quarter end S&P announcement that it would review its rating methodology. We expect that this will likely translate into tighter requirements for new issue CMBS.
- Pricing:
 - During the quarter, spreads widened across Vintage CMBS credit classes, while New Issue CMBS tightened for all credit classes, except for BBB.
 - Since June, in light of global debt issues, the CMBS market has dramatically re-priced.

“Vintage” CMBS Spreads to U.S. Treasury
As of June 30, 2011



Source: **Pre-2009** Vintage CMBS Spreads: Merrill Lynch, Morgan Stanley, Trepp.

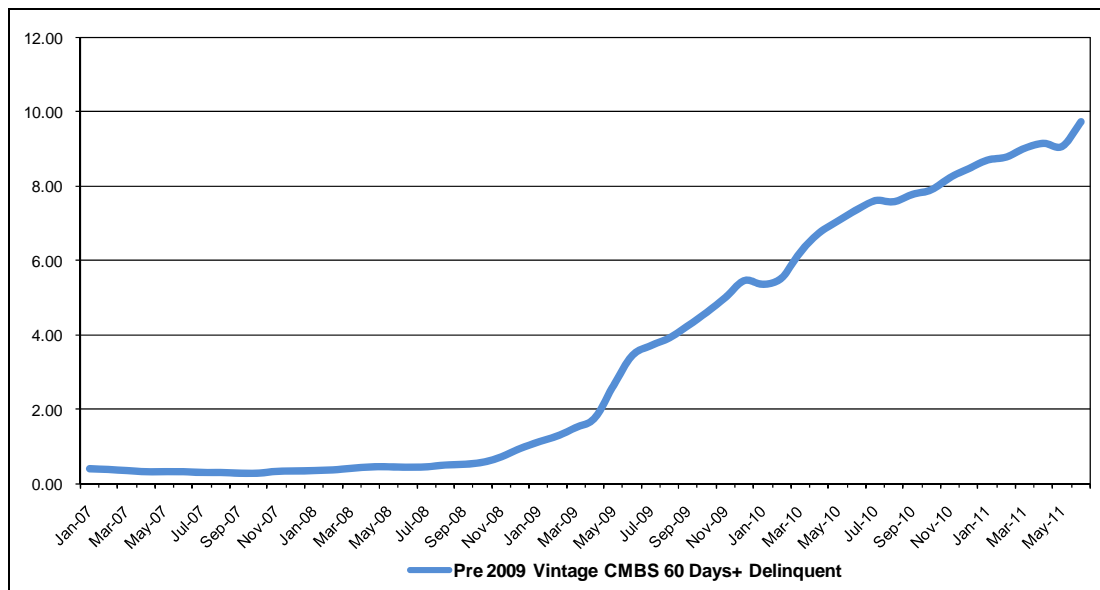
New Issue CMBS Spreads to U.S. Treasury
As of June 30, 2011



Source: **Post-2009** J.P Morgan.

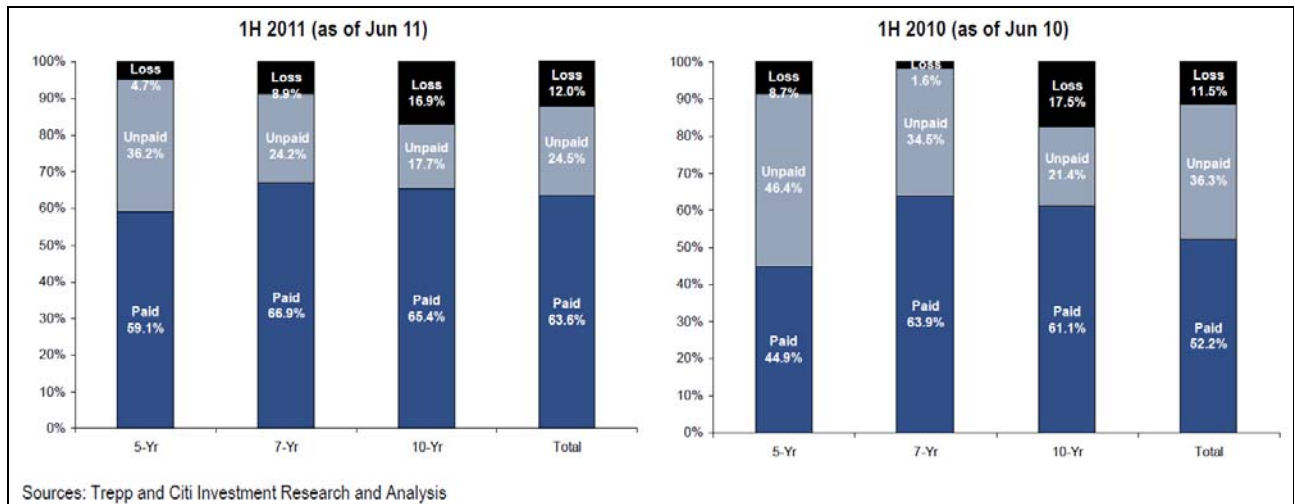
- Delinquency / Credit:
 - CMBS credit performance, which is measured by changes in delinquency rates, continued to deteriorate during the second quarter with the over 60-day delinquency rate increasing to 9.73% from 9.02% at the end of the first quarter 2011.
 - A few factors impacting the decrease in delinquency are:
 - The number of newly delinquent loans has been slowly declining.
 - Liquidations, particularly for smaller loans, continue to increase.
 - Modifications are ongoing.
 - New issue volume rose during 2011.
 - Delinquency rates for 2001 and 2006 vintage loans continue to rise as 10-year and 5-year term loans, respectively, near maturity and face issues refinancing.

Historical CMBS Delinquency
As of June 30, 2011



Source: Barclays Capital

- Maturing CMBS loans benefited from the competitive lending environment as conduits, life insurance companies and other portfolio lenders compete for lending opportunities.
 - As shown in the chart on the next page 64% of the loans scheduled to mature during the first half of 2011 were able to pay off.

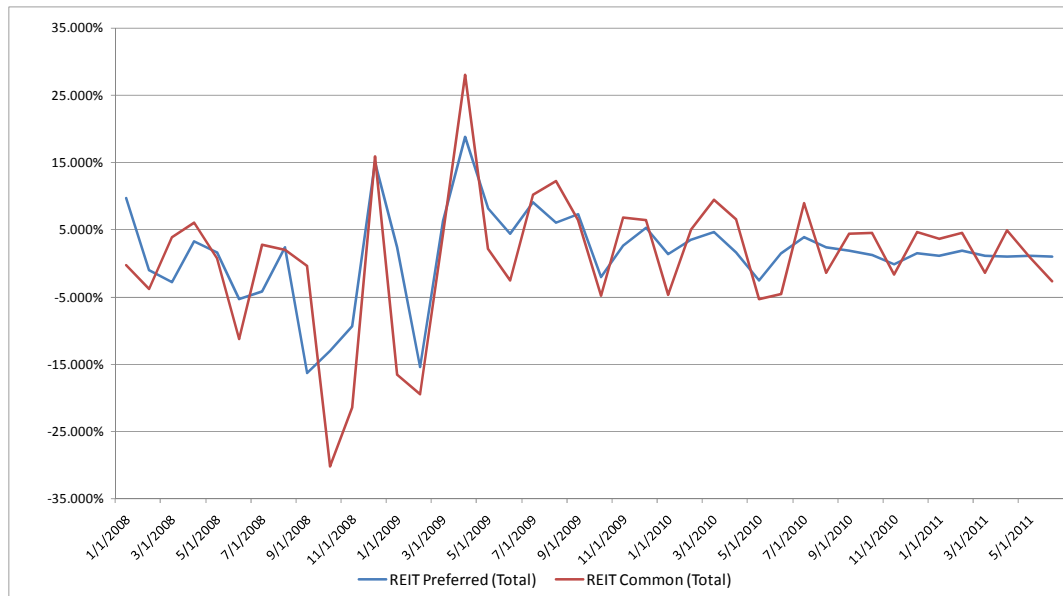


- Of maturing loans, earlier vintage loans are generally expected to be more re-financeable than later vintage. Overall, they have stronger credit metrics; have had ample time to benefit from property appreciation and loan amortization.
 - Other:
 - Yields for REIT bond investments continue to be attractive compared to corporate bonds, albeit, low relative to other real estate investments (i.e. REIT preferred and private debt).
- Outlook: Near-term volatility is expected as global debt concern and slow economic growth negatively affect investor confidence. Delinquency rates are anticipated to rise throughout 2011, but at a moderate pace.

Public Equity Market Review

- Pricing:
During the quarter, U.S. REIT shares traded at a premium to net asset value of approximately 10%. However, market participants believe by quarter end REIT shares were trading closer to net asset value.
- Sector activity:
 - The merger of AMB Property Corporation (AMB) and Prologis (PLD) was completed during the second quarter. The combined company is operating under the ProLogis name (ticker PLD).
 - Combined the companies are expected to have total market capitalization in excess of \$24 billion and gross assets owned and managed of \$46 billion (600 million square feet of distribution facilities across 22 countries).
 - REITs continue to raise capital. During the second quarter, REITs have raised \$1.3 billion in preferred offerings (9 transactions) and \$5.2 billion in senior debt offerings (13 transactions).
- Performance:
 - REIT companies benefited during the second quarter from rising demand as investors looked to REITs as a safe haven from global credit turmoil.
 - For the quarter, REIT common and preferred stock performance of 2.9% and 3.1%, respectively, outperformed the broader stock market (as measured by the S&P 500), which increased 0.1%.

Historical REIT Monthly Performance Returns



Source: Wells Fargo WHSPR Index (REIT Preferred), NAREIT (REIT Common)

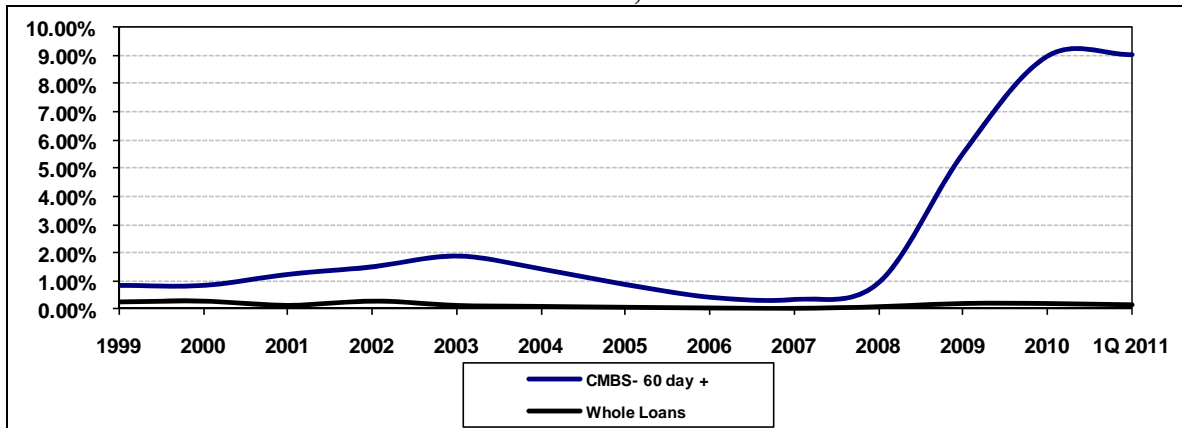
- According to NAREIT, REIT common dividend yields increased to 4.3% (10 bps), on average as of quarter end; while REIT preferred current yields, as reported by Wells Fargo, averaged 7.4%, a 10 bps decline from first quarter.
- As commercial real estate fundamentals continue to stabilize and REIT companies experience growth in net operating income, dividend payout levels will need to increase in order for REIT companies to comply with tax laws.

- Outlook: As the broader markets react to the ongoing global debt issues and the downgrade of U.S. debt, REIT pricing has been affected. We believe the outlook remains good. Although volatility may remain in the near term, as commercial real estate fundamentals improve dividend levels are anticipated to increase. REIT companies remain well positioned from a liquidity perspective to take advantage of property acquisitions, on a selective basis.

Private Debt Market Review

- Fundamentals:**
 The average life insurance company whole loan delinquency rate as reported by ACLI for the first quarter of 2011 (the most current data available) was 0.14%.

**Historical Delinquency Rates
As of March 31, 2011**



Source: ACLI, Barclays Capital

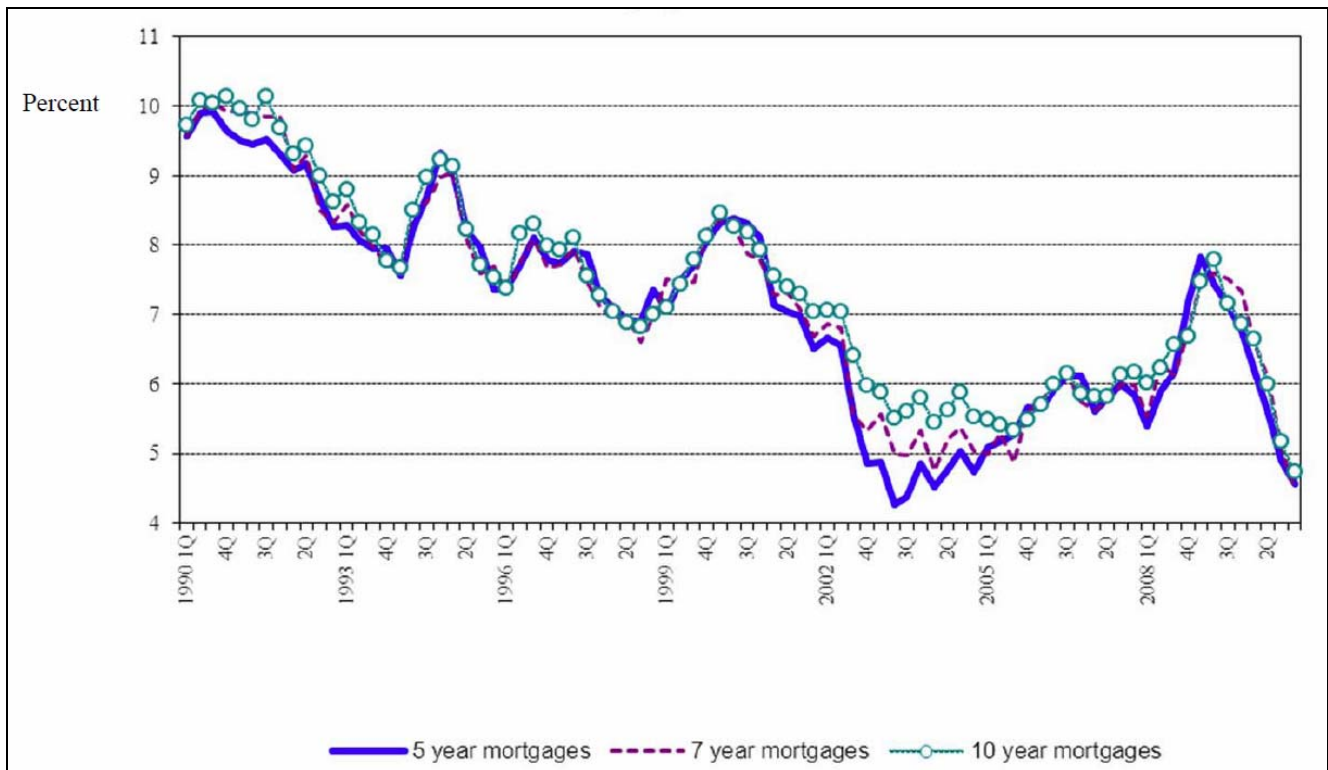
**Commercial Mortgage Loan Delinquency Rate by Geographic Region
As of March 31, 2011**



Source: ACLI

- Sector activity and pricing:
 - According to the ACLI First Quarter 2011 Loan Commitment Activity Report, life insurance company commercial mortgage lending volume for the first quarter of 2011 was \$7.8 billion, representing a 60% increase from activity in first quarter 2010.
 - Preliminary reports for April and May 2011 indicate aggregate volume of \$9.7 billion.
 - Competition remains strong as life companies, conduits and other lenders seek high quality, conservatively positioned first mortgage loans with strong sponsorship, and top tier locations.
 - Loan to value thresholds are steadily increasing to 70%+ for loans collateralized by high quality properties.
 - Selectively, lenders are increasing leverage to 75% with coupon rates ranging from 5.5%-to 7.0%.
 - Conduits are most competitive on lower quality loans greater than \$10 million.
 - Recent market turmoil will likely slow origination activity slightly, particularly for conduit lenders.
 - The chart below shows the historical migration of contract rates on life insurance company fixed rate commercial mortgages from 1990 through first quarter 2011. Rate compression continues as lenders compete for opportunities.

**Fixed Term Commercial Mortgage Commitments
Historical Contract Rates
As of March 31, 2011**



Source: ACLI

- Performance:
 - As illustrated by Quadrant's Private Debt Performance Index below, the private debt investment sector has demonstrated stable long-term performance.

Quadrant Real Estate Advisors Private Debt Performance Index As of June 30, 2011		
	Income Return	Total Return
Quarter Ended 6/30/11	1.7%	0.7%
1 Year	7.5%	5.6%
3 Years	7.8%	6.6%
5 Years	8.2%	7.4%
10 Years	8.4%	7.9%

Source: Quadrant Real Estate Advisors

Notes:

Returns are presented in U.S. dollars, gross of investment management fees, utilizing accrual based and trade date accounting methodologies. Policies for valuing portfolios, calculating and presenting performance are available upon request. Quadrant's policy sets a maximum limit on the investment value for its private debt assets under management at 104% of par. Returns reported for periods less than one year are presented unannualized.

Past performance is not a guarantee of future results. The performance shown is for the stated time period only; due to market volatility, each account's current performance may be different. Returns are calculated based on market value using a time weighted return methodology. Differences in account size, timing of transactions and market conditions prevailing at the time of investment may lead to different results among accounts. Differences in the methodology used to calculate performance might also lead to performance results that differ from those shown.

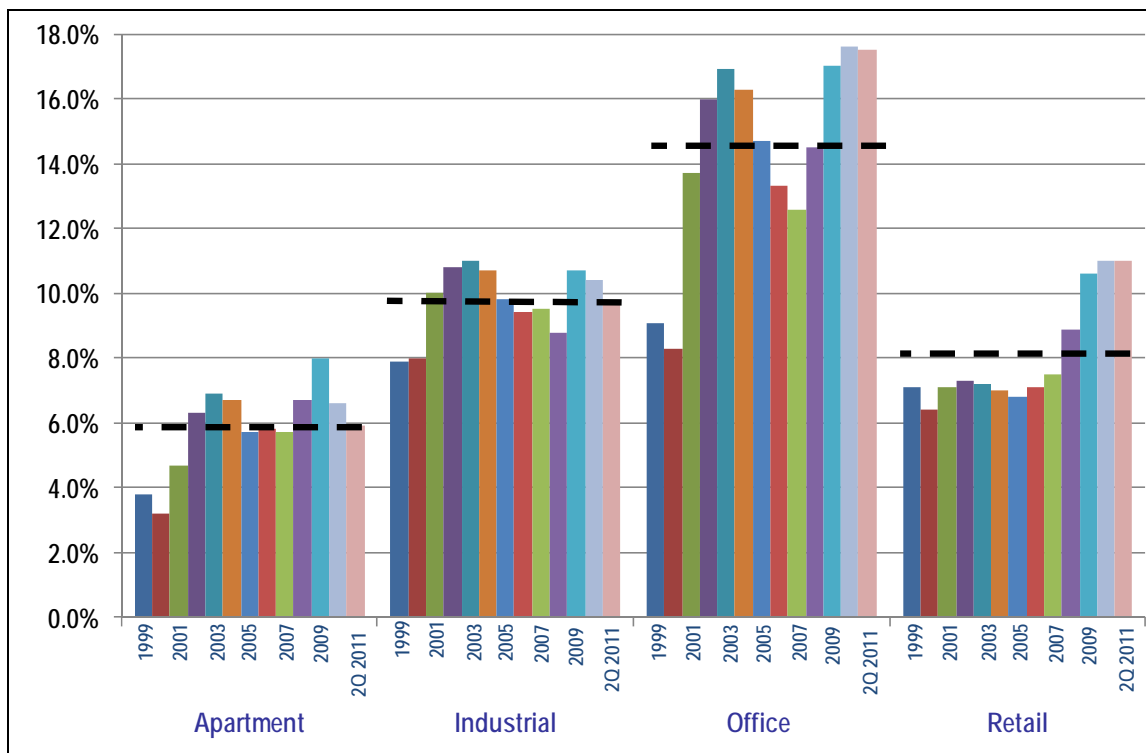
- | |
|--|
| <ul style="list-style-type: none"> • Outlook: Quadrant anticipates lending competition to remain strong as many life companies with significant allocations, conduits and other lenders compete for quality investments. Recent market volatility may slow the pace of origination activity slightly, particularly for conduit lenders. |
|--|

Private Equity Market Review

- **Fundamentals:**

Low levels of construction led to improvement for multifamily and industrial properties. Although office properties exhibited rent growth and positive absorption, it was not significant enough to translate into improvement in vacancy rates. Retail properties, which had exhibited signs of stabilization in recent quarters, now showed signs of weakness as vacancy rates rose during the second quarter.

Historical Vacancy Rates by Property Type



Source: REIS, Grubb & Ellis

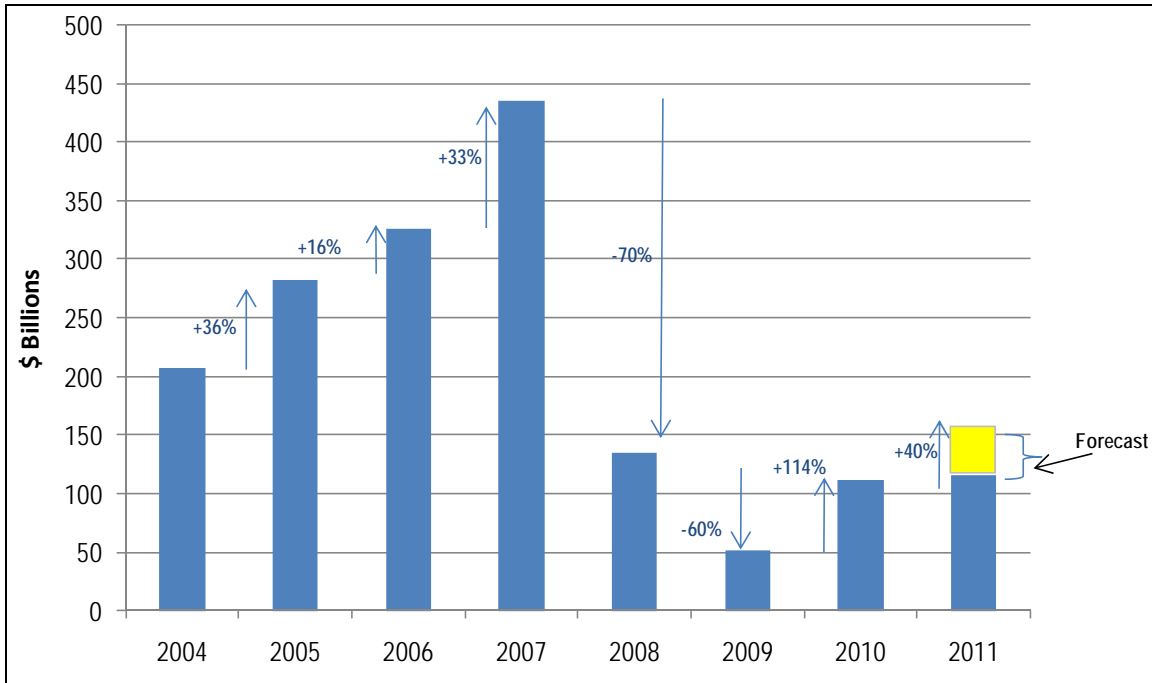
— — — Average

Note: Retail vacancy represents vacancy rates for neighborhood and community shopping centers.

- **Sector activity:**

- Year to date U.S. equity transaction volume, of \$116 billion, has surpassed the volume for the full year 2010. The lack of new supply, strong corporate earnings, plentiful financing options, and improving fundamentals are anticipated to drive transaction volume for the remainder of the year.
- Gateway cities and top tier markets such as New York and Washington D.C. continue to capture the most demand.
- Distressed, high quality, properties offer the best equity real estate relative value.

Private Equity Transaction Volume

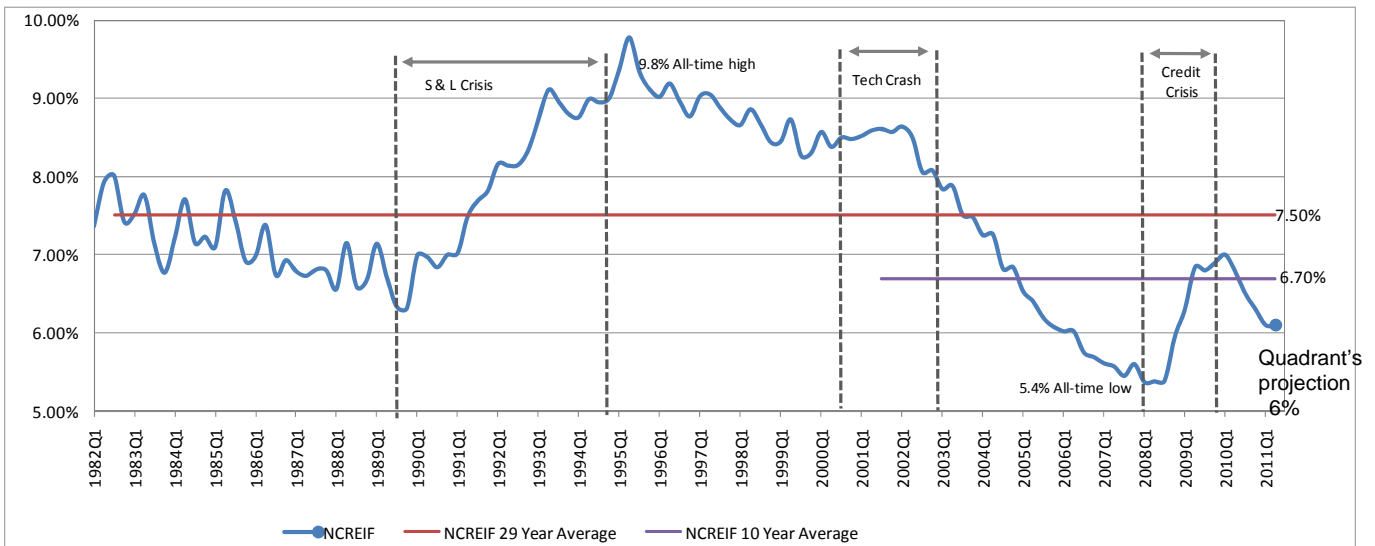


Source: Real Capital Analytics, Jones Lang LaSalle

• Pricing:

- The average capitalization rate remained unchanged in the second quarter based on preliminary data reported by the National Council of Real Estate Investment Fiduciaries (NCREIF).

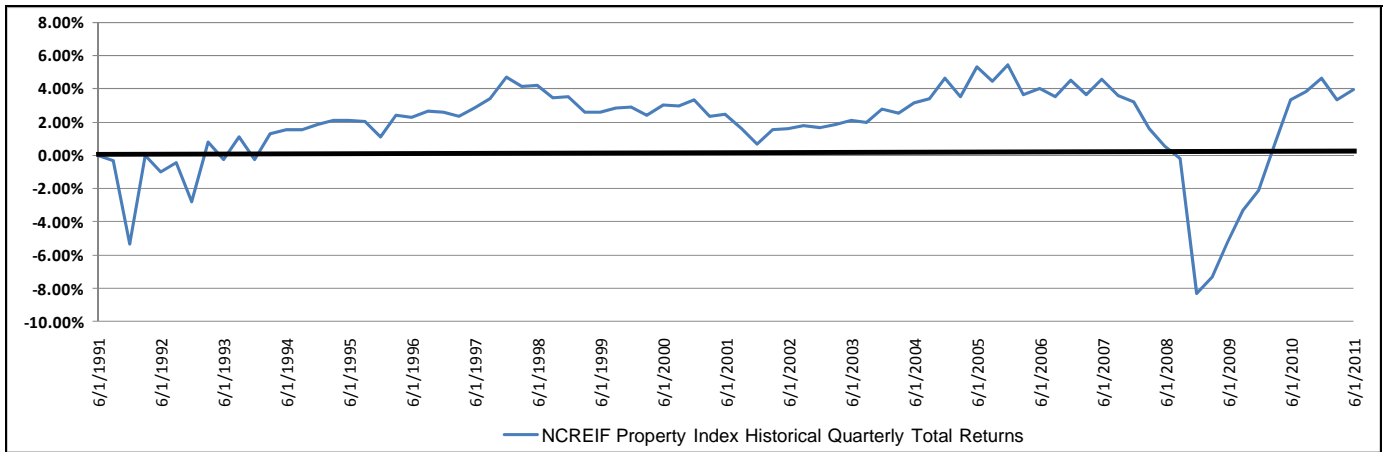
U.S Equity Capitalization Rate Trends



Source National Council of Real Estate Investment Fiduciaries, Quadrant Real Estate Advisors

- Performance:

Private Equity Historical Performance



Source: NCREIF

- Outlook: Transaction activity is anticipated to grow significantly as the low interest rate environment, availability of financing options, and improved commercial real estate fundamentals may result in further cap rate compression, particularly for higher quality assets.