

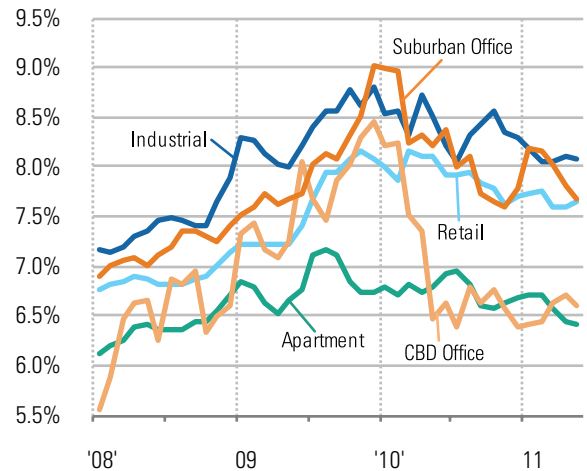
## Sales and Offerings Surge to 2011 Highs

May marked an important benchmark as sales achieved their highest monthly total so far in 2011, rising to \$15.6B and notching a remarkable 124% gain over the year-earlier month. The growth trend was broad, as every property type registered its most active month this year and both pending deals and new offerings point to a strong June.

Still, wide variances in momentum persist both among and within property sectors. CBD office, garden apartments, and full-service hotels continue to drive growth at present, although regional malls are quickly gaining currency, as evident not only in recent transactions but also in a spate of new offerings, including Westfield's 17-property US portfolio. Suburban office sales remain lackluster, but surprising strength is emerging in secondary and tertiary markets for retail and apartment properties as yield-seeking investors scour markets for more favorable cap rates and less competitive circumstances. While trading in these smaller markets has also been picked up in the office and hotel sectors, the major markets have continued to dominate volume, with Manhattan, Washington, DC, and San Francisco still representing between 45% and 50% of total volume this year.

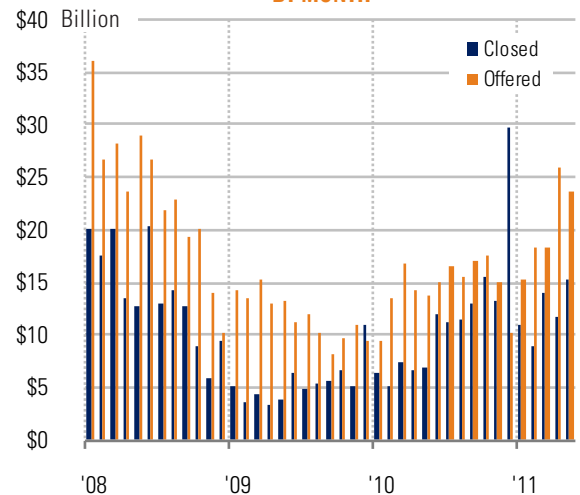
Rising seller confidence was evident in a surge of offerings in both April and May that has brought nearly \$50.0B of properties to the market, including near-record

AVERAGE CAP RATES BY SECTOR



US PROPERTY SALES

Office, Apartment, Retail, Industrial, Hotel, and Dev Sites  
BY MONTH



### JUNE 2011 REPORT CONTENTS

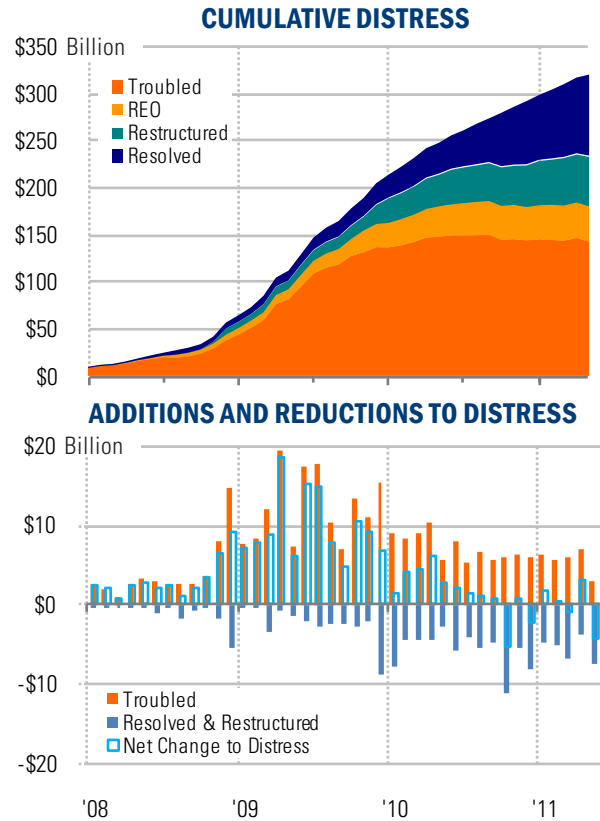
#### THIS ISSUE'S FEATURE: VOLUME & PRICING

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levels of CBD office over that period. Sellers believe that, even as capital moves out the risk spectrum, stabilized CBD assets will remain a key target for investment. The apartment sector was the exception, with no spike in offerings materializing.

May also saw an encouraging—though still fluid—change in distress patterns. New inflows to distress of \$3.1B from properties being placed into special servicing default, foreclosure, or bankruptcy dropped to just half the \$6.2B monthly averaged over the previous 12 months. Lenders also made good progress in resolving past issues as outstanding distress fell by almost \$4.2B in May.

That trend should extend near-term: June has typically been an active month for workouts as lenders clean up books for mid-year reports. Meanwhile, the level of sales associated with distress ranged from 15% of office to 34% of retail volume in May.



## New Buyers Seizing Opportunities

New buyers emerging over the past 18 months reflect the changing access to deal flow in this evolving recovery. New private, often local, buyers with strong market backgrounds are helped by their access to opportunistic local deal information and to other capital sources. This is especially potent in the distress arena.

These new buyers, listed on the next page, are joining the large percentage of buyers active at the peak that have returned to the market, including many well-established institutions and fund managers (Download “81 of Top 100 Buyers at Peak Still Active,” June 16, from our website).

The new players have made acquisitions in every property sector, although the largest proportion—40%—has been active in multifamily; 13 have made acquisitions in multiple property sectors.

Many are former investment managers, often from larger institutions, now leading their own investment vehicles. Several are longstanding property managers who have tapped into capital and are leveraging their access to deal flow, now at a premium among allocators. These often well-known players now have access to both deals and capital sources that they may not have previously been able to utilize.

In contrast, besides the handful of new—chiefly hotel-focused—REITs active in the market, relatively few of the new comers are the large opportunistic funds that amassed so much capital in the previous cycle. New foreign buyers have also made their mark: seven of the 50 new investors since 2010 are based outside of the US, including three in Israel.

## New Investors in the US

	Company	Location	Investor Type	# Props	# of Deals	Vol (\$M)	OFF	APT	RET	IND	HTL
1	Chatham Lodging Trust	Palm Beach, FL	Public	89	9	\$1,529					●
2	Artis REIT	Winnipeg, CAN	Public	28	9	299	●		●	●	
3	Standard Portfolios LLC	Irvine, CA	Private	24	3	487		●			
4	Excel Trust Inc	San Diego, CA	Public	21	18	566			●		
5	Terreno Realty Corp	San Francisco, CA	Public	15	15	177				●	
6	Pebblebrook Hotel Trust	Bethesda, MD	Public	14	14	1,134					●
7	US Federal Props Trust Inc	Kansas City, MO	Public	13	5	105	●			●	
8	Garrison Inv't Grp	New York, NY	Equity Fund	11	6	189		●	●		●
9	Chesapeake Lodging Trust	Annapolis, MD	Public	9	8	708					●
10	TRECAP Ptnrs	Horsham, PA	Private	8	8	276		●			
11	Wheelock Street Cap LLC	Greenwich, CT	Institutional	8	4	209		●			●
12	Harel Ins Inv'ts Ltd	Tel Aviv, ISR	Institutional	6	6	153	●	●	●		
13	Karlin RE	Los Angeles, CA	Private	6	5	68	●	●		●	
14	BIG Shopping Ctrs	Tel Aviv, ISR	Public	5	4	143			●		
15	BlackRidge RE Grp	Denver, CO	Private	5	5	51					
16	Gaia RE Hldgs LLC	New York, NY	Private	5	5	88		●	●		
17	Edge Principal Adv's LLC	New York, NY	Private	4	4	132		●			
18	Fundamental Adv's LP	New York, NY	Equity Fund	4	3	65		●			
19	JCR Cos	Arlington, VA	Private	4	3	13	●	●			
20	LoanCore Cap Ptnrs	Greenwich, CT	Equity Fund	4	2	256	●				
21	Walnut Hill Grp	San Francisco, CA	Private	4	4	122	●		●		●
22	Conax Props	Spokane, WA	Private	3	3	10				●	
23	Panther Prop Inv'ts LLC	Burlington, MA	Private	3	3	92		●			
24	Preferred Apartment Comms	Atlanta, GA	Public	3	3	87		●			
25	Tate Cap	Miami, FL	Private	3	2	160			●		●
26	World Class Cap Grp	Austin, TX	Private	3	3	20			●		
27	Aviv Arlon Global	Tel Aviv, ISR	Private	3	3	109			●		
28	Loja Grp LLC	Walnut Creek, CA	Private	3	3	164			●		
29	Arrow Retail	Dallas, TX	Private	2	2	70			●		
30	Blue Heron Cap LLC	Charlotte, NC	Private	2	2	13		●			
31	Bon Inv'ts	Englewood, NJ	Private	2	2	71			●		
32	Cardinal Point Mgmt	Tampa, FL	Private	2	2	10			●	●	
33	ClearRock Props	New York, NY	Equity Fund	2	2	29	●				
34	CJK Inv's	Newport Beach, CA	Private	2	2	29	●				
35	Fortune Cap Mgmt Services	Miami, FL	Private	2	2	148		●			
36	Grupo Carso	Mexico City, MEX	Public	2	2	149	●				●
37	Howe Inv't	Seattle, WA	Private	2	2	9		●			
38	Ironshore Cap LLC	Fort Lauderdale, FL	Private	2	2	40		●			
39	Jefferson Apartment Grp	McLean, VA	Private	2	2	76		●	●		
40	Meadow Ptnrs	New York, NY	Equity Fund	2	2	32		●			
41	Midnight Sun Cap Mgmt LLC	Colorado Other, CO	Private	2	2	18				●	
42	Morris Cap Ptnrs LLC	Fort Worth, TX	Private	2	2	11			●		
43	Pensam Cap	Miami, FL	Private	2	2	52		●			
44	Peregrine Realty Ptnrs	Los Angeles, CA	Private	2	2	12				●	
45	Polidev Int'l	San Francisco, CA	Private	2	2	47	●				
46	Praxis Cap	Santa Rosa, CA	Private	2	2	10		●			
47	Shenzhen New World Grp	Guangdong, CHN	Private	2	2	153					●
48	Swift Realty Ptnrs LLC	San Francisco, CA	Private	2	2	59	●				
49	Viking Ptnrs	Cincinnati, OH	Private	2	2	12	●		●		
50	W3 Ptnrs LLC	San Rafael, CA	Private	2	2	21	●				

### Company Profile

Go to [www.rcanalytics.com](http://www.rcanalytics.com) to access company profiles and transaction details.

### Methodology

Comprised of selected buyers, based on US acquisitions, reported as closed or in contract. Only includes direct property acquisitions and does not account for any debt investments. Excludes casino properties, development sites, and buyers classified as User/Other. In the case of a joint-venture, dollar volume associated with the transaction is credited in full to all buyers involved. Entities listed must have been identified as a "buyer" for two or more deals since the market trough in 2009, but must not be listed as "buyer" for any transactions prior to 2010.

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**Real Capital Analytics, Inc (RCA)** is an independent research firm focused exclusively on the capital investment markets for commercial real estate. RCA offers the most in-depth, comprehensive and current information of activity in the industry. Formed in 2000, RCA has offices in New York City, San Jose, London, and The Hague. In addition to collecting transactional information for property sales and financing, RCA interprets the data including capitalization rates, market trends, pricing and sales volume. The firm publishes a series of Capital Trends reports and offers an online service that provides real-time, global transactional market information. For more information, visit: [www.rcanalytics.com](http://www.rcanalytics.com).

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**NOTES & METHODOLOGY**

The information maintained by RCA and presented in this report encompasses markets nationally and includes only properties or portfolios \$2.5m or greater. Readers should note that there is substantial investment activity, largely local in nature, that falls below this threshold and is not captured in this report.

Records are maintained for transactions that represent the transfer of a controlling interest in a property or portfolio of properties that are \$2.5m or greater. Transactions are assumed to be fee simple; leasehold and commercial condominium interests are noted, if known. Transactions include only asset sales and not entity level transactions. Thus, merger and acquisition activity among entire REITs or other real estate entities is not included in this report. The sale of controlling partial interests are grossed up to reflect a full valuation of the property.

For this report, market classifications are defined as followed:

**Primary:** Atlanta, Boston, Chicago, Dallas/Ft Worth, Washington, DC, Houston, Los Angeles, New York City/Tri-State, Philadelphia, San Francisco, and South Florida

**Secondary:** Austin, Baltimore/Wilmington, Charlotte, Cincinnati, Cleveland, Denver, Detroit, Las Vegas, Memphis, Minneapolis, Nashville, Orlando, Phoenix/Mesa, Portland, Sacramento, San Diego, Seattle, St Louis, and Tampa

**Tertiary:** All other US markets

**Ranking Methodology:** Based on transactions \$2.5m and greater. Full dollar value is assigned to each buyer, seller, or broker in joint venture transactions. Trend analysis may exclude certain transactions that exceed 5% of the data sample or that may otherwise skew results. A complete glossary and methodology can be found at [www.rcanalytics.com](http://www.rcanalytics.com).

**Abbreviations:**

- PPSF = Price Per-Square-Foot
- BPS = Basis Points
- YOY = Year-Over-Year
- YTD = Year-to-Date
- Q1 = First Quarter of Year
- H1 = First Half of Year

**TROUBLED ASSETS METHODOLOGY**

RCA has taken the step of expanding their research program to track corporate level and property level economic distress that could affect global property markets.

We have integrated the tracking of Troubled Assets (TA) into our system in order to observe distressed situations across the lifecycle of a property and the different owners of distressed assets. This would contain all classes of property owners and developers who find themselves overextended or otherwise unable to meet their obligations, as opposed to banks, mortgage REITs and other lender groups or debt owners who find themselves in possession of real estate they have taken control of via foreclosure or similar methods.

**DISTRESSED STATUS**

**Troubled:** Includes foreclosure, bankruptcy, restructured/modified statuses.

**Foreclosure, Bankruptcy, etc:** For properties where there is a direct knowledge of property level distress. Known through announcements of bankruptcy, default and court administration as well as significant publicly reported issues—like significant tenant distress or liquidation—that would exemplify property level distress.

**Lender REO:** To signify properties lenders have taken back through foreclosure. The transaction side of the RCA data set sees this as a Foreclosure sale with the defaulted mortgagee as Seller and the recovering lender as Buyer to show the property changing hands. The property is now Real Estate Owned by a Lender.

**Restructured/Extention:** To classify deals where ownership or debt terms have changed but a long-term solution to the cause of distress may not have been reached. Types of ownership restructuring include a mezzanine lender stepping into the equity position or a debt-for-equity swap. On the debt side, the most common types of restructuring include modifications to the interest rate, loan balance, interest-only period and/or other terms. In almost all cases, at least two of the three stakeholder groups (borrower, first mortgage lender, mezzanine lender) most often involved in real estate transactions will retain either an equity or debt stake in the property or portfolio at the completion of the restructuring.

**Resolved:** Represents properties that have moved out of distress via refinancing or through a sale to a financially stable third party.

**Troubled Subtypes:** To further clarify the trouble we are tracking properties that fall within the Troubled Status levels will be marked with a Troubled Subtype at the loan, property and/or ownership level as appropriate:

**LOAN**

**Delinquent/Default:** Troubled deals known to be delinquent, in default or in special servicing but not yet foreclosed upon or otherwise resolved.

**In Foreclosure/Administration:** Troubled deals with loan known to be in the foreclosure process, while the lender has not taken the property back they have gone to court and have pressed their claim to the property. These properties are in the process of moving to the Lender REO stage.

**Funding Stop:** Troubled deal in which lender has cut off financing for reasons including but not limited to the lender's own liquidity problems or lack of confidence in the project.

**Maturity Default/Past Due:** Troubled deals with loan known to be past maturity but new financing arrangement is unknown.

**PROPERTY**

**Challenged Development:** Development has been delayed, halted, scaled back or cancelled due to reasons including but not limited to the failure to sell or lease initial units or a funding cut-off from a lender.

**Tenant Bankrupt:** Troubled deal in which the bankruptcy of a tenant represents a large enough percent of occupancy to imperil the borrower's ability to service debt. Bankrupt tenants need to be in liquidation of single-tenant properties to be classified as Troubled.

**Underperforming Conversion or Redevelopment:** Troubled deal in which the buyer had planned to convert the property into condos and sell off individually or otherwise redevelop but for whatever reason it did not happen.

**OWNER**

**Fraud Alleged:** Troubled deal in which the owner is alleged to have engaged in fraud and those allegations have led to the property becoming distressed.

**Owner Financially Challenged:** Troubled deal in which the owner of the property is under financial pressure generally and not necessarily relating to this specific property.

**Owner/GP Bankrupt:** Troubled deal in which the owner or General Partner of the property has declared bankruptcy.