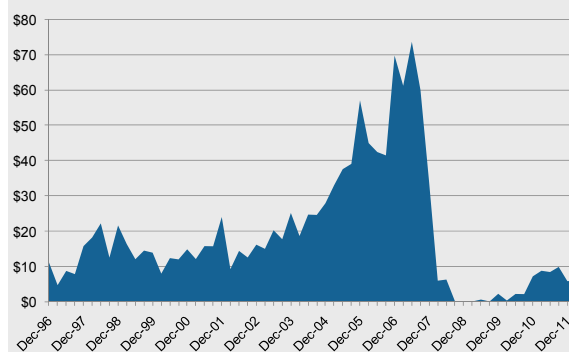


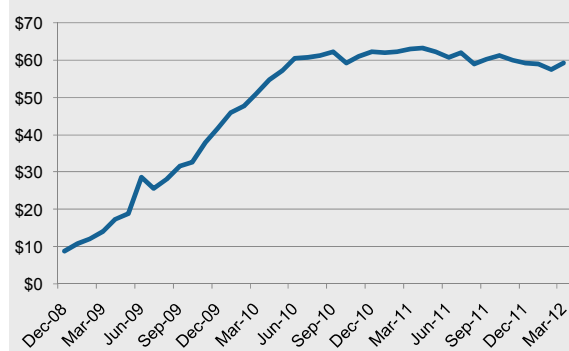
1Q12 Highlights

- Nearly two years after the Dodd-Frank Wall Street Reform and Consumer Protection Act was passed, uncertainty prevails regarding how regulatory changes such as risk retention, the Volcker Rule and Basel III capital requirements will be implemented.
- Fallout from the European debt crisis and concerns over the U.S. economy resulted in depressed CMBS issuance levels in the first quarter 2012 and fourth quarter 2011. CMBS issuance was approximately \$6 billion in both the first quarter 2012 and the fourth quarter 2011, after averaging \$8.5 billion a quarter for the four prior periods.
- Underwriting standards have loosened steadily over the past two years. Rating agencies have indicated that additional credit enhancement for the senior bonds will be required if standards continue to decline in 2012.
- In response to S&P rating actions in July 2011, CMBS issuers such as Goldman Sachs, Citigroup, JPMorgan Chase & Co., Deutsche Bank and Morgan Stanley have bypassed S&P's credit ratings since then and have turned instead to newcomers, Kroll Bond Ratings, Inc. and Morningstar.
- CMBS delinquencies increased during the first quarter as 5-year loans originated in 2007 matured. Office loans are expected to make up a greater component of defaults in the near term as 2007 leases roll into lower-rent environments.

U.S. CMBS Quarterly Issuances
(\$ in billions)



Monthly CMBS Delinquencies: Unpaid Balance
(\$ in billions)



June 2012

To The Friends and Clients of Navigant Capital Advisors ("NCA"):

We are pleased to once again share with you Navigant Capital Advisors' (NCA) Real Estate *Quarterly Dialogue* continuing our coverage of key trends, news, and metrics most relevant to fund managers, investors and creditors.

In this edition, we provide our perspective in "The Changing Landscape of CMBS: Moving to CMBS 2.0." The commercial mortgage-backed securities ("CMBS") industry has undergone a transformation in recent years that prompted industry participants to coin the phrase "CMBS 2.0" in an attempt to distinguish between CMBS loans originated prior to the sudden, dramatic cessation of CMBS lending activities at the end of 2007 ("CMBS 1.0") and those loans originated after lending resumed at markedly different volumes and terms in 2010 ("CMBS 2.0"). The historic shift in the dominant industry players and the preferred rating agencies is also discussed.

Additionally, Navigant's proprietary "Value Change Index" is presented, a measurement of the quarterly relative change in value of various asset classes – office, industrial, retail, and multi-family - for various geographic markets. Excerpts from the media follow, with a focus on the indicators of distress including bankruptcies, defaults, and auditor going concern doubts that have occurred during the second quarter. Finally, we present metrics from a universe of REITs to gauge the health of the public markets in four sectors: office, industrial, retail, and residential.

Navigant Capital Advisors is the dedicated corporate finance business unit of Navigant Consulting, Inc. (NYSE: NCI). Navigant is a specialized independent consulting firm providing financial, operational, dispute and regulatory advisory services to large companies, financial institutions, legal counsel and government agencies facing the challenges of uncertainty, risk, distress and significant change. We offer independent and objective advice supported by advanced technical skills, proven competence and in-depth industry knowledge.

We welcome your comments and hope that you find our *Quarterly Dialogue* informative.



Darin L. Buchalter
Managing Director
Head of Real Estate Practice



Edward R. Casas
Senior Managing Director
Head of Navigant Capital Advisors

Investment banking, private placement, merger, acquisition and divestiture services offered through Navigant Capital Advisors, LLC. Member FINRA/SIPC.

NCA Real Estate Solutions

Key Contacts:

For additional information, feel free to contact the NCA Real Estate Solutions team:

Edward R. Casas
Senior Managing Director
Head of Navigant Capital Advisors
Chicago, IL
847.583.1619
ecasas@ncacf.com

Darin L. Buchalter
Managing Director
Head of Real Estate Practice
San Francisco, CA
415.356.7126
dbuchalter@ncacf.com

Mitchell C. Hochberg
Senior Advisor, Development & Operations
New York, NY
212.940.6218
mhochberg@ncacf.com

Neil F. Luria
Managing Director, Restructuring
Cleveland, OH
216.321.5606
nluria@ncacf.com

Gregory F. Hagood
Managing Director, Investment Banking
Atlanta, GA
404.504.2017
ghagood@ncacf.com

Alan J. Mustacchi
Managing Director, Investment Banking
New York, NY
646.227.4348
amustacchi@ncacf.com

Jack D. Huber
Director, Restructuring
Chicago, IL
847.583.1622
jhuber@ncacf.com

Comprehensive Scope and Proven Results ...

Continued market turbulence has left fund managers, investors and creditors looking for solutions.

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- » Asset / Portfolio positioning and pricing
- » Alternative / Best Use Analysis

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- » Relevant market research
- » Asset / Portfolio appraisals
- » Mark-to-market studies

Restructuring

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- » Plan development & execution – in-court or out-of-court
- » Inter-constituent negotiations and communications

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- » Development & construction completion
- » Sales and marketing execution

Transaction Solutions

- » Recapitalizations
- » Sell side / Buy side structuring and execution
- » Fairness opinions
- » Liquidity solutions

**REAL ESTATE
QUARTERLY DIALOGUE**

First Quarter 2012

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The Changing Landscape of CMBS: Moving to CMBS 2.0

The commercial mortgage-backed securities (“CMBS”) industry has undergone a transformation in recent years that prompted industry participants to coin the phrase “CMBS 2.0” in an attempt to distinguish between CMBS loans originated prior to the sudden, dramatic cessation of CMBS lending activities at the end of 2007 (“CMBS 1.0”) and those loans originated after lending resumed at markedly different volumes and terms in 2010 (“CMBS 2.0”). In addition to the underwriting, regulatory and structural changes that are commonly captured in a discussion of CMBS 2.0, there has also been a historic shift in the dominant industry players and the preferred rating agencies.

CMBS 2.0

As a consequence of the financial market crisis in 2008, investors and regulators demanded that certain infirmities of the CMBS loan underwriting and documentation process be rectified. The differences between CMBS 1.0 and CMBS 2.0 primarily relate to more conservatism and enhanced transparency in underwriting, greater risk retention by originators, and structural improvements to management and decision making within the CMBS pools.

This chart illustrates the clear difference between two 2011 CMBS transactions and the average for 2007 vintage CMBS, as compiled by Fitch Ratings. Note the meaningful difference in sizing, debt service coverage, loan structure and pricing.

Comparison of 2011 CMBS Transactions and Average 2007 Vintage CMBS

	WFRBS 2011-C4	DBUBS 2011-LC3	Average 2007
Pool Principal Balance	\$1.48 b	\$1.39 b	\$3.25 b
Number of Loans	76	43	218
Underwritten DSCR	1.79	1.71	1.34
Fitch Stressed DSCR	1.33	1.34	1.05
Underwritten LTV	61.5%	58.0%	71.7%
Fitch Stressed LTV	89.3%	91.9%	111.0%
% of pool with full IOs	16.7%	8.3%	55.5%
% of pool with partial IOs	3.1%	35.4%	61.6%
Subordination to AAA	16.9%	20.9%	11.8%

Source: Credit Suisse and Fitch Ratings

Underwriting Standards Remain In Check

Considering the same metrics for two transactions from March 2012, underwriting standards have become less conservative, with stressed loan-to-value ratios increasing and stressed debt service coverage ratios decreasing. That said, sizing and loan structure remain conservative.

In an early 2012 report, Fitch indicated that it would increase credit enhancement levels if standards continue to decline during 2012. Similarly, Moody's raised a red flag concerning underwriting standards stating that the deals in the pipeline for the second quarter 2012 were reaching average loan-to-value ratios that exceeded 100%.

March 2012 CMBS Transactions

	MSC 2012-C4	WFRBS 2012-C6
Pool Principal Balance	\$1.10 b	\$0.93 b
Number of Loans	38	89
Underwritten DSCR	1.66	1.58
Moody's Stressed DSCR	1.18	1.16
Underwritten LTV	58.4%	61.1%
Moody's Stressed LTV	90.5%	94.7%
% of pool with full IOs	0.6%	1.0%
% of pool with partial IOs	19.5%	19.8%
Subordination to AAA	19.9%	19.1%

Source: Credit Suisse

Investor Protections Maintained

Loan origination requirements under CMBS 2.0 also include investor protections that extend beyond closer scrutiny to valuation and cash flow assumptions. Under current deals, nearly every transaction has some form of cash management or lockbox structure, while the form varies depending upon the property type. The requirement for cash management was driven, in part, by the bankruptcy of General Growth Properties ("GGP"). The bankruptcy court permitted certain special purpose entity ("SPE") property-level debtors to upstream excess cash flow to the GGP parent company to obtain debtor-in-possession financing. If hard cash management requirements were in place at the property level SPEs at the time of the bankruptcy filing, this would not likely have occurred.

Additionally, the GGP bankruptcy reinforced the need for strict compliance with the criteria to meet the definition of a bankruptcy-remote, special purpose entity. These requirements existed under CMBS 1.0; however, many borrowers were able to negotiate less stringent terms – a situation that is unlikely to occur under CMBS 2.0. A further impact of the GGP bankruptcy is evident in the significant changes to the definition of an "independent director" under CMBS 2.0. Borrowers are now required to use a nationally-recognized company to provide professional independent directors and they may not replace the independent director without 30 days prior written notice to the lender.

Non-recourse carve-outs provide another illustration of lessons learned from the financial crisis. Given the non-recourse nature of CMBS, most CMBS 1.0 loans contained provisions which provided liability to the borrower or its affiliates in the case of certain "bad boy" actions, including, among other things, the loan becoming fully

recourse for any voluntary bankruptcy filing. Recent court action has held these guarantees as enforceable and under CMBS 2.0, the guarantees will be even more prevalent than under CMBS 1.0.

The CMBS 2.0 modifications related to risk retention were driven by the anticipated requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Reform Act"); however, since the Reform Act was signed into law in July 2010, the process of regulatory change has been slow and cumbersome. (For a discussion of the initial requirements of the Reform Act, see the Distressed Real Estate *Quarterly Dialogue*, Second Quarter 2010.) Nearly two years after the Act was passed, uncertainty prevails regarding how regulatory changes such as risk retention, the Volcker rule and Basel III capital requirements will be implemented.

Risk Retention Mandate

The Reform Act included a risk retention mandate whereby lenders would be required to retain at least 5% of a loan on their books as "skin in the game" if the loan was sold and/or repackaged with other loans and securitized. The proposed rules provided for an exemption to the risk retention requirements; however, this provision and other significant changes to the rules were so contentious and the comments from industry groups were so extensive that the original comment period had to be extended.

One of the most heated issues revolves around the qualified residential mortgage ("QRM") exemption to the risk retention rule. A QRM must meet strict underwriting requirements including a 20% down payment requirement, maximum borrower debt-to-income ratios, and a maximum loan-to-value ratio of 80%. The proposed rules exempt RMBS issued or guaranteed by the federal government, including those issued by Fannie Mae and Freddie Mac, while only exempting other RMBS if all assets in the pool are QRMs. The disparity of the treatment is glaring because, according to testimony by Tom Deutsche before the Committee on Financial Services of the House of Representatives, less than 20% of the loans purchased or securitized by Fannie Mae and Freddie Mac from 1997 to 2009 would have qualified as QRMs.

The proposed rules also included onerous requirements not in the original language of the Reform Act. In particular, the proposed rules require CMBS sponsors to establish a "Premium Capture Cash Reserve Account" in order to seize any retained premium or excess spread that is monetized (such as from the sale of interest-only bonds) at the closing of a securitization. The amount in the Premium Capture Cash Reserve Account would be in a first-loss position, ahead of the newly imposed 5% retention and the issuer could not collect the balance until the end of the life of the securitization transaction. This would prevent issuers from taking their profit upfront as they do now by selling the excess interest in the form of an interest-only strip sold at issuance.

Under the proposed rules the CMBS issuers could satisfy the 5% retention requirement through a third-party purchaser of the B-piece. Unfortunately, the rules were unclear regarding whether the 5% was referring to the face amount or the purchase price of the B-piece. If the 5% was based on the purchase price, the B-piece buyer would have to purchase substantial portions of additional bonds. Additionally, if the B-piece buyer was also the special servicer and retained the 5% risk, they must include an "operating advisor" within the structure. This requirement will likely discourage the acquisition of B-pieces since the operating advisor must be consulted on all loan workouts and could remove a special servicer for cause. Historically, B-piece buyers insisted on control of the appointment of the special servicers in order to protect their investment.

Operating advisors, also known as trust advisors, have already been introduced to CMBS deals in about half of the private label transactions since 2009; however, as currently structured, the advisors have far less power than under the proposed rules.

As the rules currently stand, industry participants are concerned that the risk retention rules materially change the business model for CMBS, increasing costs and reducing the incentive for banks to securitize loans which may further constrain a crucial source of capital for the commercial real estate industry. Due to the complexity of the issues, final rules have not been issued and regulators may issue an updated proposal for comment in the second half of 2012.

Two additional components of the Reform Act that impact CMBS issuers are the Volcker Rule and the capital adequacy requirements.

Volcker Rule

The Volcker Rule prohibits banks from engaging in proprietary trades, owning interest in or sponsoring a private equity or hedge fund, and making risky investments on their own behalf with federally insured deposits. The objective is to limit the exposure of financial institutions to credit-default swaps and other risky investments that contributed to the 2008 financial services collapse. Although financial services groups maintain that the limitations will damage market liquidity as well as their ability to compete in a global economy, the legislation has received increased support in light of the \$2 billion trading loss reported by JP Morgan Chase in May 2012 on the bank's "synthetic credit portfolio."

Regulators are still working through comment letters to finalize the language, but the Volcker Rule is expected to be formally adopted by federal regulators in July 2012. Following adoption, there is a two-year "conformance period" in which banks are required to show a "good faith" effort to comply with the rules. There is much confusion regarding what will constitute "good faith" efforts, further illustrating the difficulty that regulators have faced in writing and implementing all of the regulations required by the Reform Act.

Capital Adequacy Requirements

The new standards on risk-based capital adequacy, known as Basel III, introduce new regulatory requirements over bank liquidity and leverage. Basel III capital rules require banks to hold minimum capital levels to buffer against future losses. In particular, banks will be required to hold greater amounts of capital against certain types of mortgages and all below-investment grade and unrated tranches of securitizations. This requirement will raise the cost to market makers of holding CMBS, especially for those securities with the most risk. The likely result is that dealers would reduce their holdings of CMBS, damaging the liquidity of the sector, especially for bonds that are not at the top of the capital stack. The middle stack portion of CMBS currently has little demand and this will likely get thinner with the change in capital requirements.

The proposed Basel III requirements will also have an adverse impact on banks with a material amount of mortgage servicing rights ("MSR"). Under current capital requirements, banks can use 100% of the value of the MSRs as Tier 1 capital; however, the proposed Basel III rules will limit MSRs to 10% of Tier 1 capital. This will

result in banks having to put up more capital or reduce the value of servicing rights. In this likely future environment, many banks are electing to sell their mortgage servicing portfolios.

Industry Players Exit Category

The volatility in CMBS has forced banks to curtail their origination of mortgages intended for securitization. In November 2011, Credit Suisse Group decided to close its U.S. CMBS origination platform after only recently hiring a new team. Credit Suisse had attempted to re-enter the market in 2010 but was not able to securitize the loans it had originated before the CMBS recovery stalled in the third quarter of 2011.

Prior to the recession, Credit Suisse was a major player in the securitized market. According to league tables published by Commercial Mortgage Alert, in 2006 Credit Suisse was the second largest contributor of collateral supplied to U.S. securitizations backed by newly originated mortgages, with \$16.0 billion contributed, second only to Wachovia's \$20.6 billion. In 2007, Credit Suisse contributed \$14.7 billion in loans to U.S. CMBS deals, coming in fourth behind Wachovia (\$24.2 billion), Bank of America (\$15.6 billion) and Lehman Brothers (\$14.8 billion).

Top Loan Contributors to U.S. CMBS Deals

Collateral supplied to U.S. securitizations backed by recently originated mortgages

		First Quarter 2012 (\$ in mil) % of total		First Quarter 2011 (\$ in mil) % of total	
1	Deutsche Bank	\$1,043.3	22.0%	\$ 996.3	12.1%
2	Morgan Stanley	817.7	17.2%	1,179.6	14.3%
3	Goldman Sachs	528.3	11.1%	1,141.7	13.9%
4	Citigroup	520.4	11.0%	529.4	6.4%
5	Wells Fargo	506.1	10.7%	586.2	7.1%
6	Ladder Capital Finance	393.4	8.3%	359.4	4.4%
7	Bank of America	281.0	5.9%	368.8	4.5%
8	RBS	210.0	4.4%	528.7	6.4%
9	Guggenheim Partners	129.5	2.7%	-	0.0%
10	Archetype Mortgage Capital	105.6	2.2%	-	0.0%
	Others	208.9	4.4%	2,552.3	31.0%
	Total	\$4,744.2	100.0%	\$8,242.4	100.0%

The CMBS league tables have changed dramatically since the peak of the market. Of the top 20 contributors to U.S. CMBS deals in 2007, five companies were casualties of the credit crisis: Wachovia, Lehman Brothers, Bear Stearns, Merrill Lynch and Countrywide. These five companies contributed an aggregate of \$63.9 billion of loans representing nearly 29% of all loans contributed to U.S. CMBS deals in 2007. Additionally, the total number of players in the market has substantially decreased. In 2007, 43 companies contributed to U.S. CMBS deals, whereas in 2011 only 18 companies contributed loans to U.S. CMBS deals. The top 10 contributors in 2011 comprised 93% of the volume compared to less than 60% for the top 10 contributors in 2007.

Rating Agency Changes

In addition to the shift in CMBS loan originators, the market has seen an unprecedented change in the agencies selected to rate securitizations. Standard & Poor's, the world's largest credit-rating agency, had historically been one of the two top-ranked agencies based on the volume of CMBS transactions rated; however, market sentiment was altered dramatically in mid-2011. S&P was displaced from its lead position due to its own actions in July 2011 when it withdrew the bond ratings on a \$1.5 billion offering by Goldman Sachs and Citigroup five days after it had been placed with investors. The deal had to be shelved, putting Goldman Sachs in the position of reimbursing buyers for losses they incurred when the deal was withdrawn in order to protect its reputation. With this action, S&P lost credibility with Wall Street banks and since then, Goldman Sachs, Citigroup, JPMorgan Chase & Co., Deutsche Bank and Morgan Stanley have bypassed S&P's credit ratings and have turned instead to newcomers, Kroll Bond Ratings, Inc. and Morningstar.

Rating Agencies for CMBS Issued U.S. CMBS

		2011 Issuances			2010 Issuances		
		(\$ in mil)	# of Deals	Market Share	(\$ in mil)	# of Deals	Market Share
1	Moody's	\$25,321.3	28	77.4%	\$ 7,345.6	11	63.1%
2	Fitch	23,122.1	26	70.7%	6,355.7	9	54.6%
3	Morningstar	8,557.6	13	26.2%	2,195.1	5	18.9%
4	S&P	7,939.9	11	24.3%	6,599.3	9	56.7%
5	DBRS	6,613.6	8	20.2%	2,936.3	3	25.2%
6	Kroll	2,844.2	6	8.7%	-	-	0.0%
Total		\$32,706.3	43		\$11,632.7	21	

First Quarter Deals

Fallout from the European debt crisis and concerns over the U.S. economy resulted in depressed CMBS issuance levels in the first quarter 2012 and fourth quarter 2011 after a strong start in early 2011. CMBS issuance was approximately \$6 billion in both the first quarter 2012 and the fourth quarter 2011 after averaging \$8.5 billion a quarter for the four prior periods.

Although deal volume remained low during the first quarter, demand from investors looking for higher-yielding investment grade assets in a prolonged low-interest-rate environment helped push yields on new issue AAA CMBS securities lower than expected.

Another positive sign in the capital markets was the closing during the first quarter 2012 of a CMBS deal supported primarily by delinquent loans. The nonperforming loans were aggregated by Rialto Capital Management, a distressed investment firm owned by home builder Lennar Corp and underwritten by JP Morgan Chase. The CMBS are the first of this type since the 1990's when regulators used similar methods to dispose of troubled assets after the savings-and-loan crisis.

The bond proceeds financed about 59% of Rialto's \$224 million purchase price, which represented 43% of the loans unpaid principal balance. Rialto supplied 282 loans to the deal, of which 224 were nonperforming. The

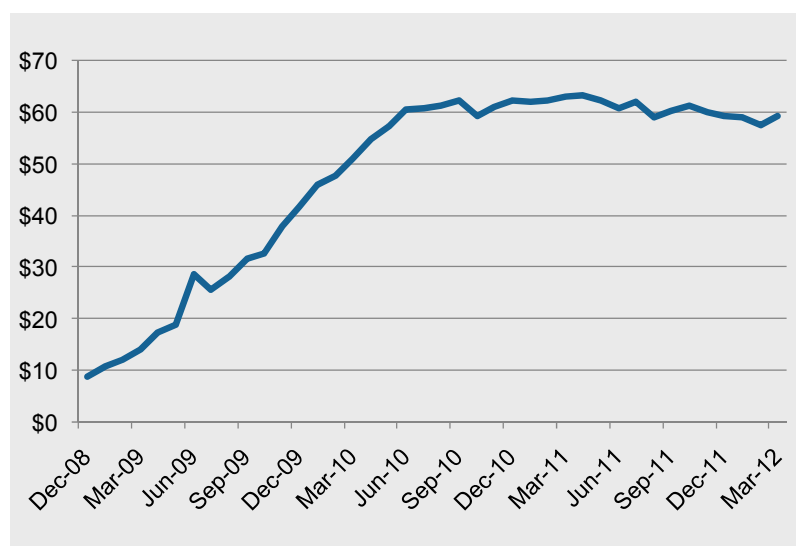
market responded positively to the offering which will likely accelerate similar deals in the market. Moody's indicated in a press release that at least five funds have expressed interest in such deals. Additional deals of this type could be instrumental in helping to clean-up the estimated \$75 billion to \$100 billion of distressed commercial debt.

Delinquencies

The positive trend in delinquencies reversed in March 2012. After decreasing for four consecutive months, the delinquent unpaid balance of CMBS increased by \$1.7 billion in March 2012. As reported by Morningstar, the balance of delinquent CMBS loans in March 2012 (\$59.2 billion) represented 8.26% of the outstanding balance of CMBS, an increase of 8.15% over December 2011 levels. The changes in both the delinquent unpaid balance and the delinquency rate continues to be impacted by the size and amount of loan liquidations, modifications, extensions and resolutions, along with new balloon maturity defaults. Not included in delinquencies is the ever-increasing category of balloon loans that are past maturity but current on their interest payments. As of May, Trepp reported that these loans account for 1.18% of all loans in the Trepp CMBS database. If these loans were considered delinquent, the overall delinquency rate would have been 11.22% as of the end of May, an increase of 1.18% compared to the reported rate.

For fixed-rate conduit loans, Fitch reported a cumulative default rate of 12.96% as of March 2012, compared to 12.71% at December 2011. Newly defaulted loans in the first quarter totaled \$1.7 billion, with office loans comprising 49% of the balance. Fitch expects that office loans will continue to make up a greater component of defaults in the near term as leases signed at the height of the market are rolling into lower rent environments. Retail loans were the second largest contributor to new defaults, making up 29% of the balance. A prolonged economic downturn continues to impact consumer spending resulting in store closings with second tier malls and single tenant big box centers experiencing the greatest impact.

**Monthly CMBS Delinquencies: Unpaid Balance
(\$ in billions)**



Source: Morningstar/Realpoint

Overall, modifications and liquidations have helped hold the delinquency rate relatively stable over the past year. By balance, larger loans (over \$50 million) dominate loan modifications. Credit Suisse reported that larger loans made up nearly three quarters of the total amount of material modifications. Not surprisingly, the 2007 vintage loans had the greatest amount of modifications by balance, with the 2005 vintage being the next largest contributor to modifications.

Although modifications prevent the delinquency levels from escalating, it is important to consider the material changes in the trust cash flow that may result. As an example, the Beacon Seattle and DC Portfolio, financed by a \$2.7 billion loan which was the second largest commercial loan ever securitized, received material modifications in December 2010 which impacted the six conduit deals and one CDO that held portions of its loan. The modifications included a 5-year extension to 2017 and an interest rate reduction from 5.8% to 3% as long as certain sale rate hurdles were met. These changes created interest shortfalls due to the difference between the pay rate and the accrual rate that reached into the investment grade bonds originally rated AA and BBB. Additionally, if the Beacon loans had gone into default, the delinquency rate for the entire CMBS universe would have increased by 44 bps based on a Credit Suisse analysis.

Originations

Commercial and multifamily mortgage loan originations for the first quarter 2012 were 36% higher than the first quarter 2011 and 12% lower than the fourth quarter of 2011, based on the Commercial / Multifamily Mortgage Bankers Originations Index. The decrease from the fourth quarter reflects the industry pattern of heavy year-end volume followed by subsequent drop-offs in first quarter volume.

Although commercial bank portfolios increased by 104% compared to last year's first quarter, there was a 10% decrease in loans for conduits for CMBS in the same period. Additionally, between the fourth quarter of 2011 and the first quarter of 2012, originations of conduit loans decreased 25%.

The demand for financing will accelerate as maturing loans require refinancing and as property transaction volume accelerates. "The low interest rates and stabilization in commercial real estate fundamentals that raised origination levels by 55 percent in 2011 are continuing to buoy activity in 2012," per Jamie Woodwell, Mortgage Bankers Association's Vice President of Commercial Real Estate Research.

Outlook

The myriad of economic and regulatory issues that impact the CMBS market will continue to shape the availability, terms and participants in this crucial source of capital. The efficiency of this market is a key indicator of the pace of recovery in the commercial real estate market. Accordingly, we remain conservative in our outlook and offer that recovery will remain specific to asset class and geography for the remainder of the year.

Navigant's "Value Change Index"

The following pages present Navigant's proprietary "Value Change Index" (VCI) for the office, industrial, retail, and multi family markets. The VCI for residential (single family) uses the Case-Shiller Home Price Indices from S&P and reindexes the data to First Quarter, 2007.

Navigant's VCI measures the quarterly relative change in value of selected asset classes – office, industrial, retail, multi family - for various geographic markets, benchmarked to First Quarter, 2007. Specifically, the VCI uses the direct capitalization methodology to measure the relative change in value (dollar psf) of an asset class for selected markets on a quarterly basis. The following variables are used in calculating the VCI: (i) rent (FS or NNN); (ii) vacancy rate; (iii) operating expense (for non-NNN assets); and (iv) capitalization rates. Formulas are as follows:

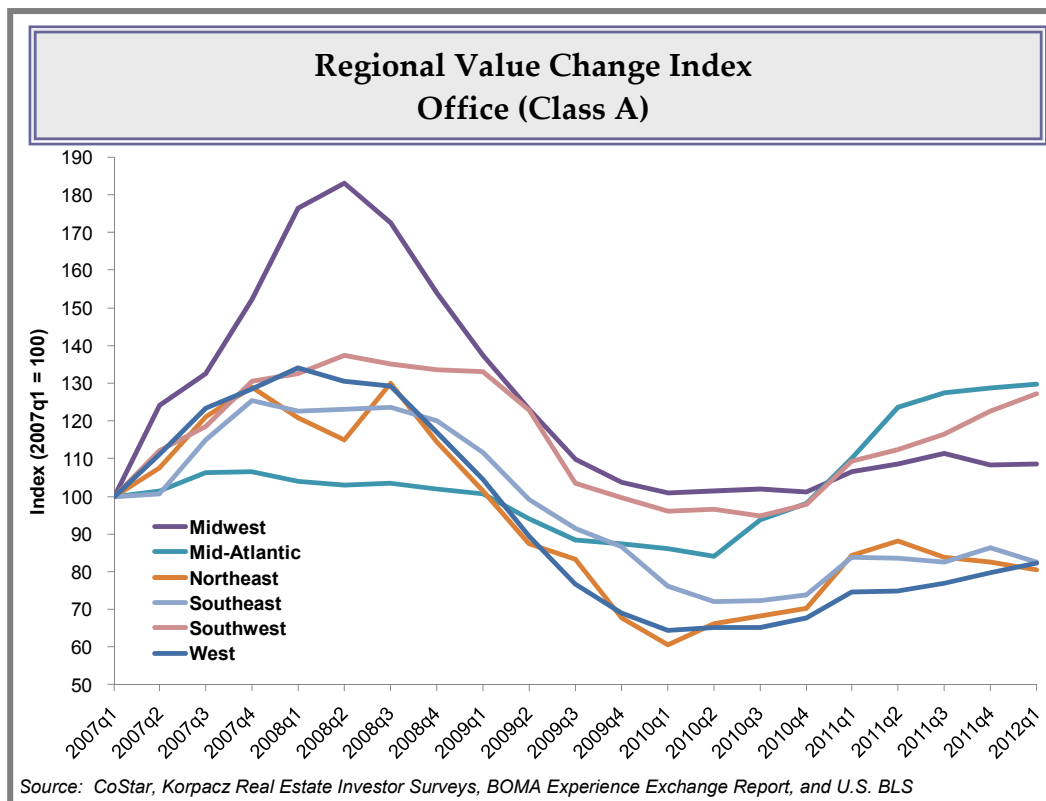
- Office: $[(\text{Full Service Rent} * (1 - \text{Total Vacancy})) - \text{Operating Expense}] / \text{Cap Rate}$
- Industrial and Retail: $[\text{NNN Rent} * (1 - \text{Total Vacancy})] / \text{Cap Rate}$
- Multifamily: $[(\text{Effective Rent} * (1 - \text{Vacancy})) * (1 - \text{Operating Expense Ratio})] / \text{Cap Rate}$

Korpacz reports the following range of cap rates for all asset types: (i) minimum, (ii) average and (iii) maximum for each market. Navigant then calculates the "Low Cap Rate" by determining the midpoint between the minimum and average cap rate and "High Cap Rate" by determining the midpoint between the average and maximum cap rate. Finally, the "Low Cap Rate" for all cities (except for the National market) is applied, as properties are located predominately in the CBD of major cities. For the National market, Navigant uses the average to reflect the fact that not all cities are core markets.

Below is a key describing the cities/regions presented on the following pages:

Code	Market	Region
NAT	National	National
ATL	Atlanta	Southeast
BOS	Boston	Northeast
CHI	Chicago	Midwest
DAL	Dallas	Southwest
HOU	Houston	Southwest
LAS	Las Vegas	West
LAX	Los Angeles	West

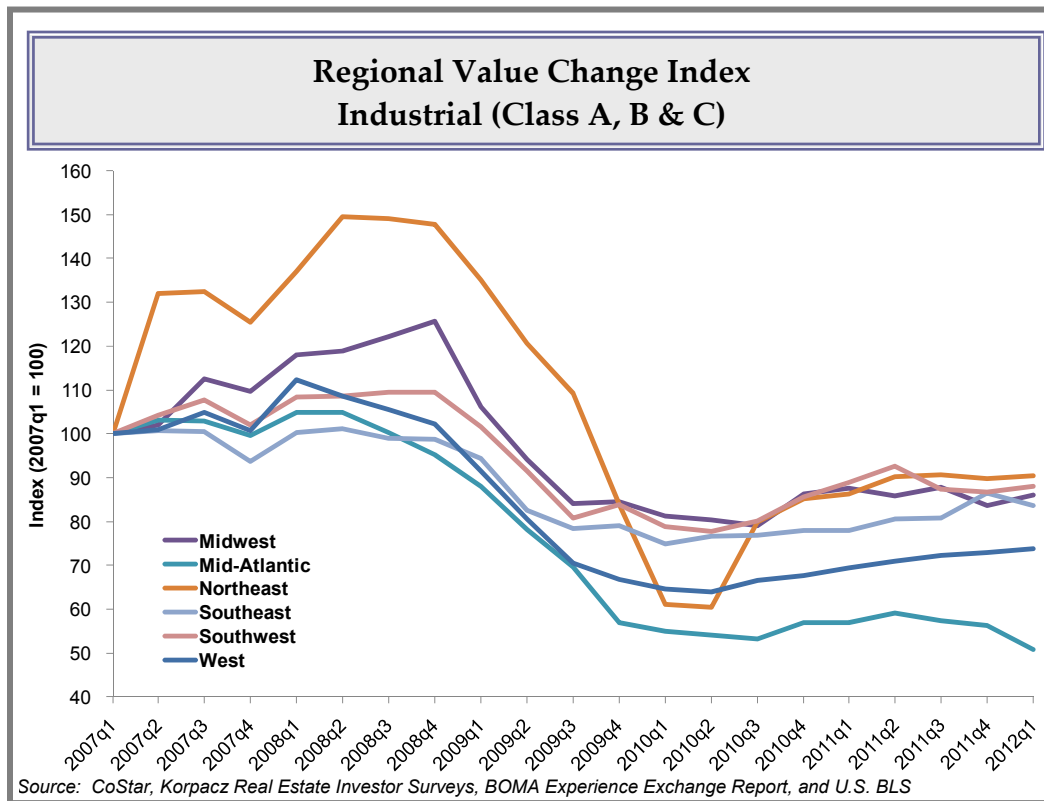
Code	Market	Region
MIA	Miami	Southeast
NYC	New York City	Northeast
PHX	Phoenix	West
SFO	San Francisco	West
SJO	San Jose	West
SEA	Seattle	West
WDC	Washington, D.C.	Mid-Atlantic



QTR	NAT	ATL	BOS	CHI	DAL	HOU	LAS	LAX	MIA	NYC	PHX	SFO	SJO	SEA	WDC
2008q1	121	112	115	176	111	154	120	165	134	126	102	121	150	146	104
2008q2	120	108	112	183	115	159	118	159	139	119	93	118	148	147	103
2008q3	113	106	142	173	115	155	117	163	142	118	89	109	148	149	103
2008q4	107	103	125	154	110	156	109	132	138	103	81	101	137	142	102
2009q1	98	97	115	137	105	161	105	124	126	88	76	84	129	108	101
2009q2	88	79	103	123	103	143	99	110	120	71	68	65	105	89	94
2009q3	82	74	101	110	94	113	93	98	108	66	56	53	87	72	88
2009q4	75	72	87	104	90	109	81	91	102	48	55	49	74	64	87
2010q1	71	66	78	101	81	111	75	83	86	43	47	45	71	65	86
2010q2	72	64	87	101	79	114	79	83	80	46	40	48	68	73	84
2010q3	73	63	90	102	77	112	83	71	82	47	39	51	73	76	94
2010q4	79	62	88	101	80	116	89	81	85	53	37	49	73	79	98
2011q1	92	75	114	107	83	136	83	88	92	55	39	61	90	87	110
2011q2	99	75	113	109	87	138	79	89	92	63	40	68	85	88	124
2011q3	100	74	102	111	87	145	79	90	91	66	39	74	92	88	127
2011q4	103	77	97	108	87	159	81	97	96	68	38	81	90	92	129
2012q1	98	75	93	109	88	166	76	93	90	68	37	104	88	95	130

Variance															
07q1 - 12q1	-2%	-25%	-7%	9%	-12%	66%	-24%	-7%	-10%	-32%	-63%	4%	-12%	-5%	30%
Max - 12q1	-19%	-37%	-34%	-41%	-23%	0%	-37%	-44%	-36%	-46%	-67%	-14%	-41%	-37%	0%
11q4 - 12q1	-4%	-2%	-4%	0%	2%	5%	-6%	-4%	-6%	0%	-1%	29%	-3%	3%	1%
11q1 - 12q1	7%	0%	-18%	2%	7%	22%	-7%	6%	-2%	24%	-5%	72%	-2%	9%	18%

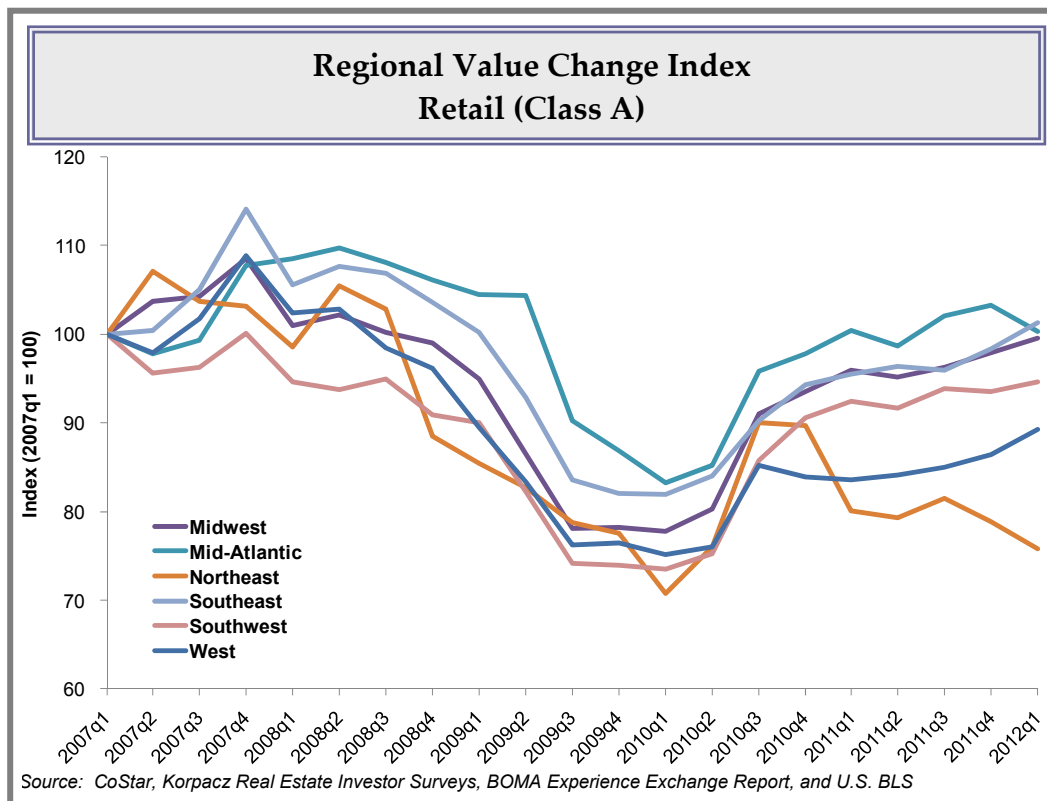
Nationally, the Office VCI decreased 4% during the quarter. San Francisco continues to experience the highest growth rate, increasing 29% for the quarter and 72% year-over-year.



QTR	NAT	ATL	BOS	CHI	DAL	HOU	LAS	LAX	MIA	NYC	PHX	SFO	SJO	SEA	WDC
2008q1	108	96	123	118	99	117	100	125	105	151	101	104	123	120	105
2008q2	106	99	123	119	102	116	99	111	103	176	96	104	123	118	105
2008q3	106	96	122	122	100	119	100	109	102	176	93	92	122	118	100
2008q4	103	96	121	126	97	122	94	107	102	174	91	86	119	116	95
2009q1	95	90	102	106	93	111	88	101	98	169	84	57	115	106	88
2009q2	83	78	89	94	83	100	74	86	87	152	72	52	102	97	78
2009q3	77	75	82	84	75	87	64	74	82	137	63	46	91	85	70
2009q4	71	71	75	85	86	82	57	68	87	92	58	47	91	80	57
2010q1	70	67	73	81	83	75	52	67	82	49	55	48	90	77	55
2010q2	71	67	71	80	81	75	51	66	86	50	56	45	90	77	54
2010q3	71	71	76	79	83	78	52	70	83	84	57	49	92	79	53
2010q4	75	75	91	86	86	85	56	66	81	79	59	43	99	82	57
2011q1	76	76	92	88	90	88	56	65	80	80	60	52	102	82	57
2011q2	79	77	96	86	94	91	57	69	84	84	60	50	105	85	59
2011q3	80	77	94	88	81	94	57	71	84	87	61	55	104	86	57
2011q4	80	77	92	84	79	94	56	72	96	87	61	57	105	87	56
2012q1	81	75	96	86	82	94	56	68	92	85	63	63	107	86	51

Variance															
07q1 - 12q1	-19%	-25%	-4%	-14%	-18%	-6%	-44%	-32%	-8%	-15%	-37%	-37%	7%	-14%	-49%
Max - 12q1	-25%	-25%	-23%	-32%	-23%	-23%	-46%	-45%	-13%	-51%	-38%	-39%	-13%	-29%	-52%
11q4 - 12q1	1%	-3%	3%	3%	3%	0%	0%	-4%	-4%	-2%	3%	11%	1%	-1%	-10%
11q1 - 12q1	6%	-1%	3%	-2%	-9%	7%	0%	6%	14%	6%	5%	21%	5%	4%	-11%

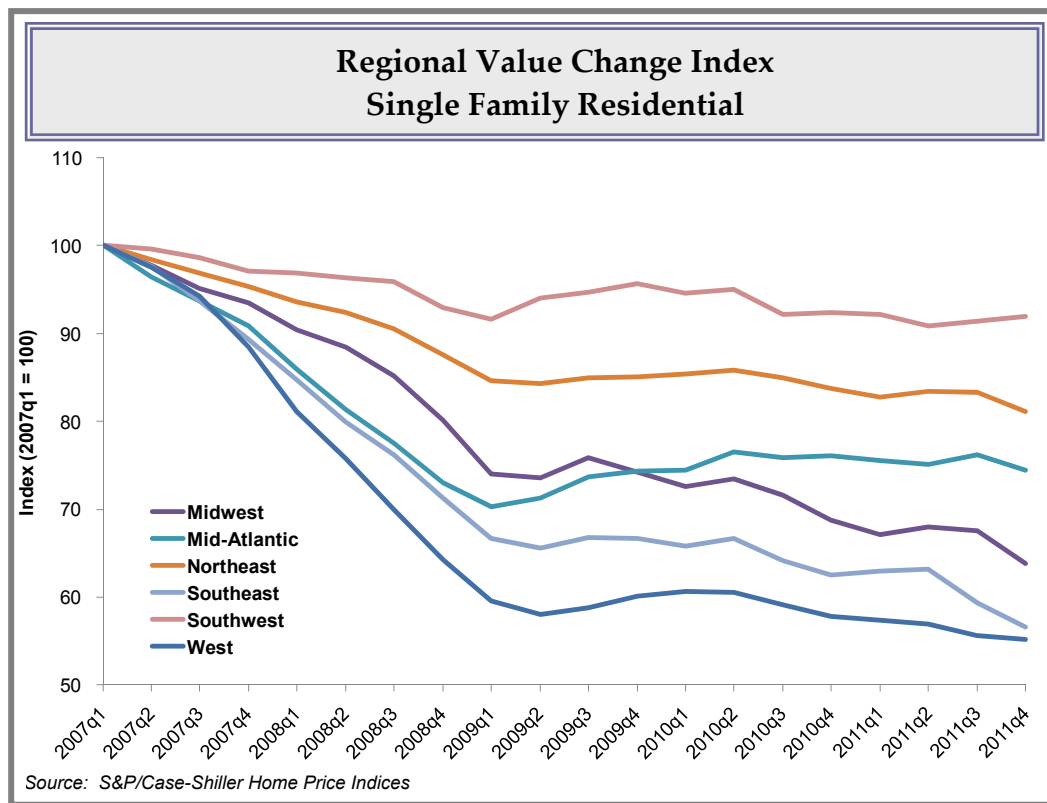
The Washington, DC Industrial market continued to decline, with a decrease of 10% for the quarter, while San Francisco gained 11% for the quarter and 21% year-over-year.



QTR	NAT	ATL	BOS	CHI	DAL	HOU	LAS	LAX	MIA	NYC	PHX	SFO	SJO	SEA	WDC
2008q1	104	112	96	101	100	89	98	123	99	101	103	97	83	110	109
2008q2	104	115	107	102	100	88	94	121	101	104	101	101	84	116	110
2008q3	105	112	103	100	101	89	92	103	101	103	100	99	81	117	108
2008q4	102	110	77	99	96	85	86	101	97	100	98	99	78	115	106
2009q1	99	105	76	95	95	85	84	97	96	95	91	82	75	108	105
2009q2	93	98	72	87	87	78	74	93	88	94	82	77	69	106	104
2009q3	86	89	67	78	79	69	65	88	78	91	73	82	61	88	90
2009q4	83	87	64	78	78	70	63	89	77	91	74	82	62	89	87
2010q1	82	88	66	78	78	69	58	87	76	76	71	86	62	86	83
2010q2	82	91	67	80	81	70	57	89	77	85	71	89	63	88	85
2010q3	84	93	74	91	92	79	65	99	88	106	79	101	69	99	96
2010q4	88	99	73	94	98	83	66	97	90	106	81	86	72	102	98
2011q1	90	101	77	96	100	84	64	100	89	83	80	86	69	102	100
2011q2	91	103	73	95	100	84	63	100	90	86	79	93	66	104	99
2011q3	92	102	81	96	102	86	63	102	90	82	80	94	66	105	102
2011q4	92	106	78	98	101	86	64	103	90	80	80	98	67	107	103
2012q1	91	107	80	100	102	88	65	106	95	72	81	99	70	115	100

Variance															
07q1 - 12q1	-9%	7%	-20%	0%	2%	-12%	-35%	6%	-5%	-28%	-19%	-1%	-30%	15%	0%
Max - 12q1	-13%	-13%	-26%	-8%	-3%	-12%	-39%	-13%	-9%	-34%	-26%	-14%	-30%	-1%	-9%
11q4 - 12q1	-1%	1%	2%	2%	0%	2%	2%	4%	6%	-10%	2%	1%	4%	7%	-3%
11q1 - 12q1	1%	6%	4%	4%	1%	4%	2%	7%	7%	-14%	1%	14%	1%	13%	0%

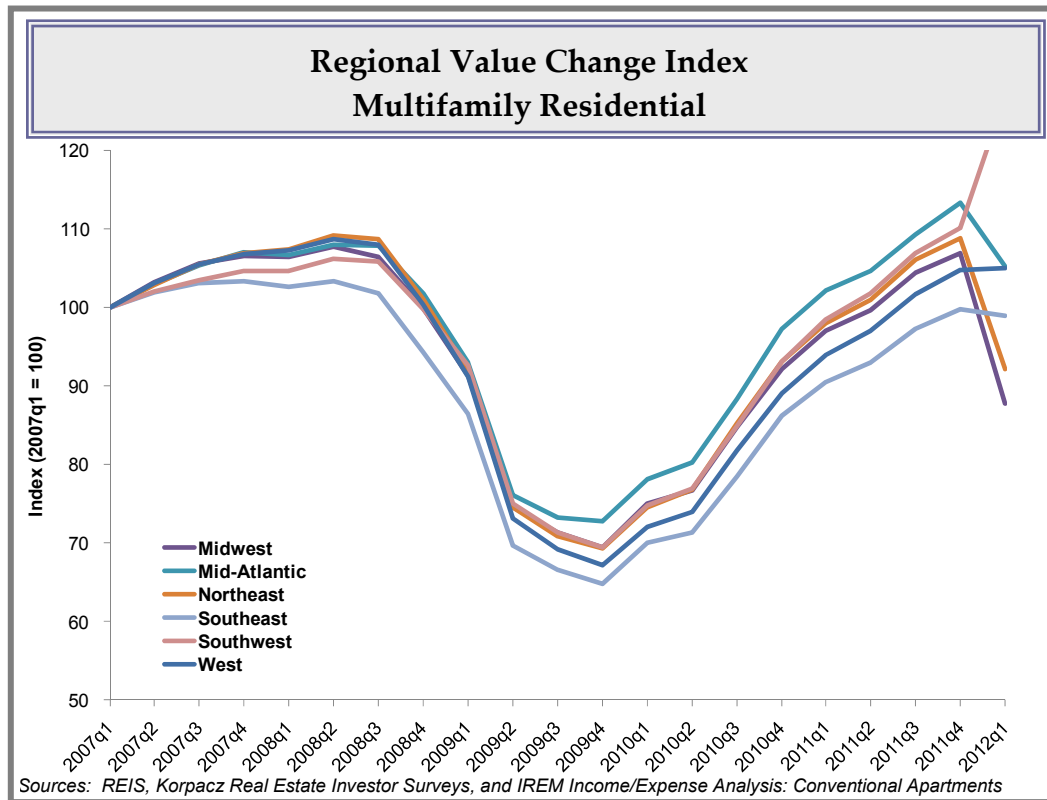
Nationally, the Retail VCI has been relatively flat for five consecutive quarters. Seattle led the retail market with 7% quarterly growth.



QTR	NAT	ATL	BOS	CHI	DAL	HOU	LAS	LAX	MIA	NYC	PHX	SFO	SJO	SEA	WDC
2008q1	86	94	94	90	97	n/a	74	78	76	93	77	80	n/a	96	86
2008q2	82	91	94	88	96	n/a	69	73	69	91	70	74	n/a	93	81
2008q3	78	88	92	85	96	n/a	63	68	64	89	63	66	n/a	90	78
2008q4	74	84	90	80	93	n/a	57	64	59	86	56	61	n/a	85	73
2009q1	70	79	87	74	92	n/a	51	61	54	82	49	56	n/a	80	70
2009q2	69	79	88	74	94	n/a	47	60	53	81	48	58	n/a	78	71
2009q3	71	80	89	76	95	n/a	45	62	53	81	49	61	n/a	78	74
2009q4	71	80	90	74	96	n/a	45	64	53	80	51	63	n/a	78	74
2010q1	72	78	91	73	95	n/a	45	65	53	80	51	66	n/a	78	74
2010q2	72	80	91	73	95	n/a	44	65	53	81	50	66	n/a	77	76
2010q3	71	77	89	72	92	n/a	43	64	52	81	48	64	n/a	76	76
2010q4	70	74	89	69	92	n/a	43	63	51	78	46	63	n/a	73	76
2011q1	69	76	88	67	92	n/a	42	64	50	77	46	62	n/a	72	76
2011q2	69	76	89	68	91	n/a	42	63	50	78	46	62	n/a	72	75
2011q3	68	69	88	68	91	n/a	40	62	50	79	45	61	n/a	71	76
2011q4	67	63	87	64	92	n/a	39	60	50	75	48	60	n/a	70	74

Variance															
07q1 - 11q4	-33%	-37%	-13%	-36%	-8%	n/a	-61%	-40%	-50%	-25%	-52%	-40%	n/a	-30%	-26%
Max - 11q4	-33%	-37%	-13%	-36%	-8%	n/a	-61%	-40%	-50%	-25%	-52%	-40%	n/a	-31%	-26%
11q3 - 11q4	-2%	-9%	-2%	-6%	1%	n/a	-3%	-2%	1%	-4%	7%	-2%	n/a	-1%	-2%
10q4 - 11q4	-4%	-15%	-3%	-7%	0%	n/a	-9%	-5%	-1%	-4%	3%	-6%	n/a	-5%	-2%

The Single Family market continued to decline during the quarter with every market, except Phoenix and Dallas, declining.



QTR	NAT	ATL	BOS	CHI	DAL	HOU	LAS	LAX	MIA	NYC	PHX	SFO	SJO	SEA	WDC
2008q1	106	104	104	106	107	103	102	106	101	110	101	113	111	110	107
2008q2	108	106	106	108	108	104	103	107	101	112	101	116	113	112	108
2008q3	107	104	106	106	108	104	102	106	100	111	99	115	113	112	108
2008q4	101	96	100	100	101	98	94	99	92	103	92	108	104	104	102
2009q1	88	89	92	91	94	91	87	90	84	92	84	98	94	95	93
2009q2	80	71	75	75	76	74	69	73	68	75	68	78	75	76	76
2009q3	76	69	71	71	73	70	65	69	65	71	64	74	70	72	73
2009q4	74	66	69	69	70	69	62	67	63	69	62	73	69	69	73
2010q1	76	72	74	75	76	74	66	72	68	75	67	78	75	75	78
2010q2	78	73	77	77	78	76	68	73	70	77	68	79	77	78	80
2010q3	85	81	85	85	86	84	75	81	76	85	76	88	86	86	88
2010q4	94	88	93	92	94	92	80	87	84	93	83	97	94	94	97
2011q1	99	93	98	97	100	97	84	92	88	99	87	102	99	99	102
2011q2	103	96	100	100	103	100	87	94	90	101	90	105	104	102	105
2011q3	106	100	106	104	108	105	90	98	94	107	95	111	109	107	109
2011q4	110	103	108	107	112	109	93	101	97	110	98	115	112	110	113
2012q1	104	106	94	88	142	112	89	97	92	90	88	130	115	112	105

Variance															
07q1 - 12q1	10%	3%	8%	7%	12%	9%	-7%	1%	-3%	10%	-2%	15%	12%	10%	13%
Max - 12q1	0%	-3%	0%	-1%	-21%	-3%	-10%	-6%	-5%	-2%	-5%	-11%	-3%	-2%	0%
11q4 - 12q1	4%	2%	2%	2%	3%	3%	3%	3%	3%	3%	3%	4%	3%	3%	4%
11q1 - 12q1	17%	17%	16%	16%	18%	18%	15%	15%	15%	17%	18%	19%	19%	17%	16%

*Consistent growth continued across all markets
in the Multifamily VCI,
averaging 3% for the quarter and 17% year-over-year.*

Distressed Real Estate Market Indicators

This section provides an analysis of recent indicators of real estate distress including:

Number	12 months ending 3/31/12	1Q12
I. Defaults (institutional loans)	0	0
II. Bankruptcies Filed	82	18
III. M&A Transaction Cancellations	77	17
IV. Auditor Going Concern Doubts	11	5

Source: Capital IQ and Standard & Poor's LCD "1Q12 Institutional Loan Default Quarterly Review"

I. Defaults

none

II. Bankruptcies Filed

March 16, 2012 - CC, LLC, dba Baymont Inn and Suites, filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Middle District of Florida. The debtor listed assets between \$1 million to \$10 million and debts between \$10 million to \$50 million. The main unsecured creditors were Altech Alarm & Data, Inc., Lowery, Weldon & Company, CPAs, P.A., and McClane Partners Law Firm, P.A. Bernard J. Morse of Morse & Gomez PA represented the debtor as its legal advisor.

March 6, 2012 - Hardage Hotels I, LLC filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Western District of Texas. The debtor listed its assets of \$39.35 million and liabilities of \$31.09 million. The largest unsecured creditors include American Hotel Register Company, American Tex-Chem Corporation, ECU Staffing Inc., El Paso Electric Co., HD Supply, Inc., Insight Enterprises Inc., Labor Pros, Levitz-Zacks & Ciceric Inc., Sabre Inc. and TravelCLICK, Inc. The debtor is represented by Trey A. Monsour, Abigail Ottmers, Jarom Yates and Kim Morzak of Haynes and Boone, LLP as its legal counsels.

March 5, 2012 - Hotel Indigo at the Alamo filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Western District of Texas. The debtor listed its assets at \$8.77 million and liabilities at \$15 million. The largest unsecured creditors include First National Bank, Cairncross & Hempelmann PS, Ray, Valdez, Mcchristian & Jeans, PC and Brookhollow A-1 LLC. The debtor is represented by J. Todd Malaise of Malaise Law Firm as its legal counsel.

March 1, 2012 - American West Development, Inc. filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the District of Nevada. The debtor listed assets of \$55.39 million and liabilities of \$207.69 million. The largest unsecured creditors include Bank of America Corporation, California Bank & Trust, Comerica Bank, Insko Insurance Services, Inc., Insurance Company of the West, Inc., JPMorgan Chase Bank, N.A., Keybank National Association, U.S. Bank National Association and Wells Fargo Bank, National Association. The debtor is represented by Brett A. Axelrod, Charles D. Axelrod and Micaela Rustia Moore of Fox Rothschild LLP as its legal counsels. The debtor also hired The Garden City Group, Inc. as its claims and noticing agent.

February 29, 2012 - Laguna Brisas LLC filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Central District Of California. The debtor listed assets and liabilities between \$10 million to \$50 million. The main unsecured creditor was US Metro Bank. M. Jonathan Hayes of The Law Offices of M. Jonathan Hayes represented the debtor as its legal advisor.

February 24, 2012 - Hearthstone Homes, Inc. filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the District of Nebraska. The debtor listed its assets of \$0.41 million and liabilities of \$23.78 million. A & P Construction, A & P Construction, Christensen Lumber, Inc., Christensen Lumber, Inc., Imperial Tile Dist, Inc, Maverick Construction System, Nelson Builders, Peterson Building Group Inc, Poured Foundation Inc. and SKAR Advertising. The debtor is represented by Anna M. Bednar and Robert F. Craig of Craig Law PC as its legal counsels.

February 22, 2012 - Gregory & Parker, Inc. filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Eastern District of North Carolina. The debtor listed its assets at \$2.79 million and liabilities at \$18.74 million. The largest unsecured creditor is Regions Bank. The debtor is represented by Richard D Sparkman of Richard D. Sparkman & Associates, P.A. as its legal counsel. James K. Tiller, CPA acted as accountant to the debtor.

February 21, 2012 - Norman Northgard filed an involuntary petition against **Alrose Allegria LLC** for liquidation under Chapter 7 in the US Bankruptcy Court for the Eastern District of New York, Central Islip. The total claim amount against Alrose Allegria is \$0.1 million.

February 17, 2012 - Billings Ventures L.P. filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the District of Montana. The debtor listed its assets of less than \$0.05 million and liabilities in the range of \$10 million to \$50 million. The debtor is represented by James A. Patten of Patten Peterman Bekkedahl & Green as its legal counsels.

February 17, 2012 - Warsaw Hotel Partners, LLC filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Southern District of Indiana. The debtor listed its assets in the range of \$1 million to \$10 million and liabilities in the range of \$10 million to \$50 million. The largest unsecured creditors include German American Capital Corporation. The debtor is represented by Edward R Cardoza, Elliott D. Levin and James E Rossow, Jr. of Rubin & Levin, P.C. as its legal counsels.

February 6, 2012 - St. Simons Lodging, LLC filed a voluntary petition for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the Southern District of Georgia. The debtor listed its assets in the range of \$1 million to \$10 million and liabilities in the range of \$10 million to \$50 million. The largest unsecured creditor includes Trout Properties, LLC. The debtor is represented by J. Carole Thompson Hord and John A. Christy of Schreeder Wheeler & Flint LLP and James B Durham and John P. Wright of Durham & Rizzi, PC as its legal counsels. The debtor paid a retainer of \$25000 for the services to be rendered in connection with Chapter 11 case. The retainer is for both Durham & Rizzi, PC and co-counsel Schreeder Wheeler & Flint LLP.

February 2, 2012 - Captain's Table Hotel, LLC filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Eastern District of California. The debtor listed assets of \$13.22 million and liabilities of \$31.33 million. The largest unsecured creditors include Auran Integrated Design and Construction, Blazona Concrete Construction, Inc., Diepenbrock Harrison, Hearn Construction, Inc., Hankin Specialty Equipment, Inc., Maloof Sports & Entertainment, Inc., OneWest Bank, FSB, Sysco Guest Supply, LLC, The Gualco Group, Inc. and USA Real Estate Investment Trust. The debtor is represented by Daniel S. Weiss as its legal counsel.

February 2, 2012 - Costa Bonita Beach Resort, Inc. filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the District of Puerto Rico. The debtor listed assets of \$15.07 million and debts of \$14.23 million. The main unsecured creditors were Specco, ETCON Inc., Flagship Resort Property SE, González-Nieto Barea & Balzac, P.S.C., Inversiones Del Caribe Inc, and Prime Contractors. Charles Alfred Cuprill represented the debtor as its legal advisor.

February 2, 2012 - Meecham Hospitality, LLC filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Northern District of Texas, Ft. Worth. The debtor listed assets worth \$9.26 million and liabilities worth \$14.83 million. The unsecured creditors include City Bank (Lubbock, TX), Hudson Energy Services, LLC, Otis Elevator Company and Premium Hotel Management, Inc. Clayton D. Ketter of Phillips Murrah P.C. and Jeffery D. Carruth of Weycer, Kaplan, Pulaski & Zuber, P.C. have been retained as legal counsels for the debtor.

January 27, 2012 - Vintage Communities, Inc. filed a voluntary petition for liquidation under Chapter 7 in the US Bankruptcy Court for the Northern District of Georgia. The debtor listed its assets in the range of \$10 million to \$50 million and liabilities in the range of \$100 million to \$500 million. The debtor is represented by J. Nevin Smith of Smith Conerly LLP as its legal counsel. Robert Trauner has been appointed as the case trustee.

January 11, 2012 - Stoner and Company filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the District of Colorado. The debtor listed its assets at \$16.10 million and liabilities at \$11.92 million. The largest unsecured creditors include Anderson Consulting Engineers, Inc., The Light Center, Inc., Lind's Plumbing & Heating, Inc., Porzak Browning & Bushong LLP, Northern Engineering Services, Inc., Eheart Design Center, Inc., Soukup, Bush & Associates, CPAs, PC, Earth Engineering Consultants, Inc. and Pinnacle Consulting Group, Inc. The debtor is represented by Daniel W. Alexander as its legal counsel.

January 10, 2012 - 17315 Collins Avenue, LLC filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Southern District of Florida. The debtor listed its assets at \$41.35 million and liabilities at \$40.17 million. The largest unsecured creditors include Kenco Hospitality, Inc., Hotwire Communications, L.L.C., Canon Financial Services, Inc., Florida Power & Light Company, RiesbergLaw, Park One of Florida, LLC, Indigo Services Corporation, Spotmasters Linens "R" US, Peoples Gas System, Inc. and ThyssenKrupp Elevator Corporation. The debtor is represented by Joshua W Dobin of Meland Russin Hellinger & Budwick, P.A. as its legal counsel.

January 4, 2012 - Milestone Development LLC filed a voluntary petition for liquidation under Chapter 7 in the US Bankruptcy Court for the Northern District of Illinois. The debtor listed its liabilities in the range of \$10 million to \$50 million. The debtor is represented by Brian Ira Tanenbaum as its legal counsel. Cohen & Krol has been appointed as the case trustee.

III. M&A Transaction Cancellations

March 31, 2012 - STAG Industrial, Inc. (NYSE: STIR) signed a contract to acquire **three properties** comprising approximately 639,000 square feet for \$29 million in first quarter 2011. STAG Industrial, Inc. is at various stages of due diligence for these properties. The transaction is subject to significant conditions. STAG Industrial, Inc. cancelled the acquisition of three properties comprising approximately 639,000 square feet in first quarter 2012.

March 29, 2012 - CMG Partners LLC made an unsolicited mini-tender offer to acquire 0.21% stake in **Retail Properties of America, Inc.** for \$3 million in cash on March 16, 2012. CMG Partners will acquire up to 1 million shares and will pay \$3 per share. The Inland Western Board of Directors has unanimously determined that the offer is not in the best interests of the stockholders and suggests that stockholders reject the offer. CMG Partners LLC cancelled the acquisition of 0.21% stake in Retail Properties of America, Inc. on March 29, 2012.

March 27, 2012 - GDI Property Group Pty Ltd agreed to acquire 215 Adelaide Street from Government of Singapore Investment Corporation Pte Ltd. for AUD 120 million on February 14, 2012. GDI Property Group Pty Ltd cancelled the acquisition of 215 Adelaide Street from Government of Singapore Investment Corporation Pte Ltd. on March 27, 2012. Transaction has been cancelled as the property is being sold to Pramerica Real Estate Investors.

March 26, 2012 - Verdie Agence agreed to acquire **Touromed** from **Crédit Agricole Private Equity**. Touromed had revenues of €5 million in 2010. The deal is expected to close on April 1, 2011. Verdie Agence cancelled the acquisition of Touromed from Crédit Agricole Private Equity on March 26, 2012.

March 19, 2012 - J.D. Nichols and Brian Lavin made an offer to acquire 75.92% stake in **NTS Mortgage Income Fund** for \$2.4 million in cash on March 6, 2012. J.D. Nichols and Brian Lavin will pay \$1 for each share of NTS common stock. J.D. Nichols and Brian Lavin already own 23.96% stake in NTS and will acquire 2.4 million shares. Gregory A. Wells will retain its 0.13% stake in NTS Mortgage. The purchase price will exclude any applicable withholding taxes. The expiration date of the offer is April 2, 2012, unless extended. The offer is not conditioned on any minimum number of shares being tendered. The Board of Directors of NTS does not express any opinion and will remain neutral with respect to the offer. J.D. Nichols and Brian Lavin cancelled the acquisition of 75.92% stake in NTS Mortgage Income Fund on March 19, 2012.

March 8, 2012 - WRC Global Investors signed a sales and purchase agreement to acquire **Building 6000 in South Charleston** from the Dow Chemical Company (NYSE: DOW) on March 8, 2011. The sale is expected to close within 90 days. WRC Global Investors cancelled the acquisition of Building 6000 in South Charleston from the Dow Chemical Company (NYSE: DOW) on March 8, 2012.

February 29, 2012 - GP Investments (BOVESPA:GPIV11) and Equity International made a preliminary and non-binding proposal to acquire certain assets of **Gafisa S.A. (BOVESPA:GFSA3)** on February 2, 2012. The transaction is subject to certain requirements. The Gafisa Board of Directors has created a special committee of the Board to evaluate the offer. The Gafisa Board concluded that the offer significantly undervalues the Gafisa's assets and businesses involved and implies substantial transaction costs and high execution risks. GP Investments and Equity International cancelled the acquisition of certain assets of Gafisa S.A. on February 29, 2012.

February 24, 2012 - APC 2010 Investment, LLC agreed to acquire **Wood Creek CPGF 22, LP** from **Century Properties Growth Fund XXII** for \$28 million on January 25, 2012. The total purchase price is subject to certain pro-rations and adjustments at the closing. Under the terms of agreement, APC 2010 Investment is required to deliver a deposit of \$0.5 million to First American Title Insurance Company, the escrow agent, within 2 business days following the effective date. The feasibility period ends on February 24, 2012. If the APC 2010 Investment

fails to notify the partnership in writing of its intent to terminate the contract on or prior to the end of the feasibility period, the deposit will become non-refundable. APC 2010 Investment has agreed to assume the mortgage loans on Wood Creek at closing, subject to lender approval. Federal Home Loan Mortgage Corporation provided loan for the transaction. APC 2010 Investment has until March 12, 2012 to obtain approval from the existing lender to assume Wood Creek's mortgage loans. The closing of the deal is also subject to customary closing conditions and deliveries. The transaction is expected to close earlier of, either 20 days after APC 2010 Investment receives approval of the loan assumption, or April 11, 2012. Apartment Realty Advisors, Inc. acted as broker for Wood Creek CPGF 22. APC 2010 Investment, LLC cancelled the acquisition of Wood Creek CPGF 22, LP from Century Properties Growth Fund XXII on February 24, 2012.

February 24, 2012 - EPN Investment Management LLC agreed to acquire seven US assets from **Charter Hall Retail REIT (ASX: CQR)** for \$75 million on December 29, 2010. Under the terms of agreement, \$22.7 million shall be paid by way of assumption of property-level debt. The Properties reported Net Operating Income (NOI) of \$7 million. The transaction is conditional to lender consent for three property level loans and satisfying consent and right of first offer conditions at the Hillsboro and Ocala properties. The consents are expected to be received by March 31, 2011. The transaction is expected to complete by October 2011. As per the revised terms, EPN Investment Management LLC agreed to acquire five US assets from Charter Hall Retail REIT for \$46.3 million. EPN Investment Management LLC cancelled the acquisition of five US assets from Charter Hall Retail REIT on February 24, 2012.

February 23, 2012 - CIM Group, Inc. made a bid to acquire **Madison 92nd Street Associates LLC** for \$84.1 million on January 13, 2012. CIM Group is acting as the stalking horse bidder in the transaction. CIM Group would receive a \$2.5 million break-up fee if it loses the auction. Under a purchase agreement with CIM Group, the sale of Madison 92nd Street must close before April 16, 2012. CIM Group, Inc. cancelled the acquisition of Madison 92nd Street Associates LLC on February 23, 2012.

February 7, 2012 - AIMCO Properties LP agreed to acquire 36.77% stake in **Consolidated Capital Institutional Properties/2, LP** for \$2.8 million on July 28, 2011. Under the terms of the transaction, each unit will be converted into the right to receive, at the election of the limited partner, either \$8.45 in cash or a number of partnership common units of AIMCO calculated by dividing \$8.45 by the average closing price of Apartment Investment and Management Company common stock, as reported on the New York Stock Exchange, over the ten consecutive trading days ending on the second trading day immediately prior to the effective time of the merger. Completion of the merger is subject to certain conditions, including approval by a majority in interest of the limited partners holding units and third-party consents. The Board of Directors of AIMCO-GP, Inc., the general partner of AIMCO Properties LP approved the deal. The majority in interest of the limited partners of Consolidated Capital Institutional Properties/2, LP have approved the agreement. As on November 15, 2011, the terms of the deal were revised. Under the new terms of the transaction, each unit will be converted into the right to receive, at the election of the limited partner, either \$8.27 in cash or a number of partnership common units of AIMCO calculated by dividing \$8.27 by the average closing price of Apartment Investment and Management Company common stock. Computershare Limited serves as transfer agent of Aimco common stock. AIMCO Properties LP cancelled the acquisition of 36.77% stake in Consolidated Capital Institutional Properties/2, LP on February 7, 2012.

February 5, 2012 - Monkey Rock Group, Inc. (OTCBB: MKRO) entered into a real estate purchase agreement to acquire certain parcels of land from **Destination Daytona, LLC** for \$11.5 million in cash on February 5, 2011. The agreement allows for a sixty day due diligence period, at the conclusion of which, the parties will have thirty days to close the transaction. During the due diligence period, Monkey Rock Group has the sole right to terminate the agreement by written notice delivered to Destination Daytona, LLC. Monkey Rock Group, Inc. cancelled the acquisition of certain parcels of land from Destination Daytona, LLC on February 5, 2012.

February 1, 2012 - Tabani Acquisitions LLC signed an earnest money contract to acquire 9.089 acre parcel of real estate adjacent to the **Northgate Mall in Cincinnati, Ohio** from **Feldman Mall Properties, Inc.** (OTCPK: FMLP) for \$1.5 million in cash on September 9, 2011. The deal is subject to adjustment for customary prorations of expenses, closing is subject to a number of usual conditions. The deal is expected to close in the late fall of 2011. Tabani Acquisitions LLC cancelled the acquisition of 9.089 acre parcel of real estate adjacent to the Northgate Mall in Cincinnati, Ohio from Feldman Mall Properties, Inc. on February 1, 2012.

February 1, 2012 - Timeshare Holdings, Inc. (OTCPK: TMSH) signed a purchase agreement to acquire **Grand Hotel Dimyat** for \$21.7 million on February 1, 2011. Under the terms of the agreement, Timeshare Holdings will provide a down payment 10 million shares, which will be restricted for a period of one year per the agreement of its common stock. The common stock value will be applied to the total purchase price of \$28 million. The hotel will operate as a wholly-owned subsidiary of Timeshare under its previous management with an initial five-year contract. Timeshare Holdings, Inc. cancelled the acquisition of Grand Hotel Dimyat on February 1, 2012.

January 20, 2012 - ERP Operating Limited Partnership entered into an agreement to buy 26.5% interest in **Archstone-Smith Trust** from **Barclays Bank PLC** and **Banc of America Strategic Ventures, Inc.** for \$1.3 billion in cash on December 2, 2011. ERP Operating will fund the consideration through a combination of cash on hand, available borrowings under its \$1.25 billion revolving credit facility, proceeds from the disposition of non-core apartment assets, bank term debt and secured and unsecured debt and equity offerings and also through \$1 billion bridge loan facility commitment from Morgan Stanley Senior Funding, Inc. The termination fee amounts to 3.5% of the purchase price paid to the Barclays Bank PLC and or Banc of America Strategic Ventures, Inc. in case where either of Barclays Bank PLC or Banc of America Strategic Ventures, Inc. sells 50% or more of its interests in the Archstone. A termination fee amounts to 3.5% is payable by ERP Operating. Transaction closing is contingent on the remaining significant Archstone-Smith Trust owner, Lehman Brothers Real Estate Capital not exercising its right of first offer ("ROFO") to acquire this interest from the Barclays Bank PLC and Bank of America Corporation at the same price as agreed to by ERP Operating and certain other closing conditions and is not subject to a financing condition. The deal is subject to the antitrust approval including clearance by European Union antitrust regulatory authorities. If Lehman Brothers Real Estate Capital declines to exercise right and all other closing conditions are met, it is expected that the acquisition by ERP Operating would occur late in the first quarter of 2012. Post transaction, ERP Operating will have approval rights over certain major decisions including annual budgets and certain financings, refinancing, acquisitions and dispositions. ERP Operating has no rights or contractual obligations to acquire more than a 26.5% interest in Archstone. For the fourth quarter of 2011, ERP Operating will record approximately \$5.8 million of transaction and financing expenses from this acquisition, which will impact ERP Operating's earnings per share and funds from operations as defined by the National Association of Real Estate Investment Trusts, but not normalized funds from operations. ERP Operating Limited Partnership cancelled the acquisition of 26.5% interest in Archstone-Smith Trust from Barclays Bank PLC and Banc of America Strategic Ventures, Inc. on January 20, 2012. Lehman Brothers Holdings exercised the right of first offer.

January 12, 2012 - Winston Chung, a Chinese businessman agreed to acquire **International Bay Clubs Inc.** from Beverly Ray Parkhurst on August 5, 2011. The sale includes **Balboa Bay Club & Resort** and **Newport Beach Country Club**. The current management team will remain in place. David Wooten will remain President and Chief Executive Officer of International Bay Clubs. Henry Schielein will remain President and Chief Operating Officer of the Balboa Bay Club & Resort, and Perry Dickey will continue as President and Chief Operating Officer of the Newport Beach Country Club. Employees are expected to keep their current positions. The sale is dependent on getting the lease transferred to the Winston Chung. The deal is expected to close in 30 days. Winston Chung cancelled the acquisition of International Bay Clubs Inc. from Beverly Ray Parkhurst for \$174.5

million on January 12, 2012. Winston Chung was unable to come up with the funds necessary to complete the sale.

January 9, 2012 - **Vornado Realty Trust (NYSE: VNO)** entered into a contract to acquire **Marquand at 11 East 68th Street, Madison Avenue** from **ABRO Management Corp.** for \$170 million on September 23, 2011. Adam Spies and Douglas Harmon of Eastdil Secured marketed the property for ABRO. Vornado Realty Trust cancelled the acquisition of Marquand at 11 East 68th Street, Madison Avenue from ABRO Management Corp. on January 9, 2012.

IV. Auditor Going Concern Doubts

March 30, 2012 - **Real Estate Associates Limited VII** filed its 10-K for the period ending Dec 31, 2011. In this report its auditor, Ernst & Young LLP, gave an unqualified opinion expressing doubt that the company can continue as a going concern.

March 29, 2012 - **Behringer Harvard Short Term Opportunity Fund I LP** filed its 10-K for the period ending Dec 31, 2011. In this report its auditor, Deloitte & Touche LLP, gave an unqualified opinion expressing doubt that the company can continue as a going concern.

March 27, 2012 - **Affordable Green Homes International, Inc.** filed its 10-K for the period ending Mar 31, 2011. In this report its auditor, Ronald R. Chadwick, PC, gave an unqualified opinion expressing doubt that the company can continue as a going concern.

March 13, 2012 - **Jmb 245 Park Avenue Associates Ltd.** filed its 10-K for the period ending Dec 31, 2011. In this report its auditor, KPMG LLP, gave an unqualified opinion expressing doubt that the company can continue as a going concern.

February 15, 2012 - **Paragon Real Estate Equity & Investment Trust** filed its 10-K for the period ending Dec 31, 2011. In this report its auditor, Boulay, Heutmaker, Zibell & Co., PLLP, gave an unqualified opinion expressing doubt that the company can continue as a going concern.

Navigant's Real Estate Investment Trust (REIT) Universe

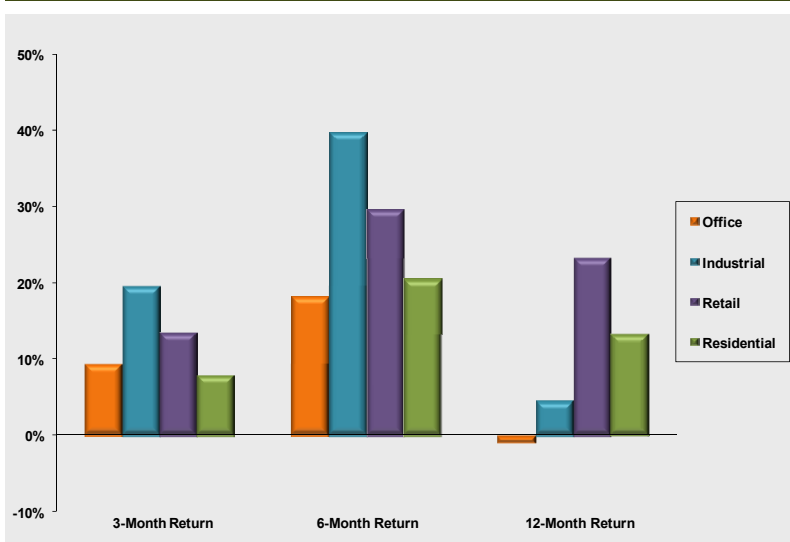
Navigant's Real Estate Investment Trust (REIT) Universe is outlined on the following pages, along with key performance measures to gauge the health of the public markets in four sectors: office, industrial, retail, and residential.

Navigant's REIT Universe Relative Performance (%)



During 2012, the relative performance of the Office and Industrial REIT segments continue to lag the S&P 500.

Navigant's REIT Universe Index Returns



All REIT segments experienced positive returns during the most recent three months.

Source: Capital IQ

Note: REITs selected from the FTSE NAREIT All REITs Index and S&P Equity Indexes (ranked within a category by equity market capitalization as of April 30, 2009).

Navigant's REIT Universe – Market Value Analysis

Segments/Companies		Stock Price as of 3/31/12	Market Capitalization as of 3/31/12 (\$mm)	% Change		
				3-Month	6-Month	12-Month
Office:						
Alexandria Real Estate Equities Inc.	ARE	\$73.13	\$4,536.3	6.2%	19.3%	5.0%
BioMed Realty Trust Inc.	BMR	18.98	2,927.2	5.2%	34.6%	17.2%
Boston Properties Inc.	BXP	104.99	15,567.9	5.7%	18.9%	15.1%
CommonWealth REIT	CWH	18.62	1,558.9	11.9%	-1.8%	-16.8%
Corporate Office Properties Trust	OFC	23.21	1,672.0	9.3%	6.8%	-31.0%
Douglas Emmett Inc	DEI	22.81	3,184.2	36.6%	45.9%	36.7%
Franklin Street Properties Corp.	FSP	10.60	879.1	6.5%	-4.6%	-23.3%
Highwoods Properties Inc.	HIW	33.32	2,421.2	12.4%	18.3%	-3.6%
Mack-Cali Realty Corp.	CLI	28.82	2,530.4	8.8%	8.7%	-13.1%
SL Green Realty Corp.	SLG	77.55	6,697.8	16.7%	29.6%	12.8%
Industrial:						
DCT Industrial Trust Inc.	DCT	\$5.90	\$1,453.14	15.2%	34.5%	6.7%
EastGroup Properties Inc.	EGP	50.22	1,399.1	19.9%	36.7%	18.0%
First Industrial Realty Trust Inc.	FR	12.35	1,071.2	20.9%	54.6%	15.5%
First Potomac Realty Trust	FPO	12.09	611.0	-6.9%	-2.1%	-22.5%
Monmouth Real Estate Investment Corp.	MNR	9.74	391.2	8.9%	36.3%	36.8%
Prologis, Inc.	PLD	36.02	16,569.7	26.2%	48.9%	n/a
Retail:						
Alexander's Inc.	ALX	\$393.88	\$2,011.2	6.4%	9.1%	-3.2%
Equity One Inc.	EQY	20.22	2,320.5	19.2%	27.6%	14.7%
Federal Realty Investment Trust	FRT	96.79	6,162.8	7.0%	19.1%	21.5%
Kimco Realty Corporation	KIM	19.26	7,850.7	18.8%	28.3%	5.3%
The Macerich Company	MAC	57.75	7,622.6	14.2%	35.5%	18.1%
Regency Centers Corporation	REG	44.48	3,999.8	18.2%	25.9%	12.3%
Simon Property Group Inc.	SPG	145.68	44,800.1	18.3%	38.7%	42.7%
Tanger Factory Outlet Centers Inc.	SKT	29.73	2,554.9	1.5%	22.0%	20.5%
Taubman Centers Inc.	TCO	72.95	4,235.3	17.8%	45.4%	41.7%
Weingarten Realty Investors	WRI	26.43	3,194.0	21.1%	24.9%	5.6%
Residential:						
American Campus Communities Inc.	ACC	\$44.72	\$3,339.5	12.3%	29.1%	51.0%
Apartment Investment & Management Co.	AIV	26.41	3,200.4	15.5%	19.8%	5.8%
Avalonbay Communities Inc.	AVB	141.35	13,477.3	8.5%	25.7%	29.5%
BRE Properties Inc.	BRE	50.55	3,900.6	2.6%	23.3%	25.5%
Camden Property Trust	CPT	65.75	5,181.4	16.7%	31.7%	25.1%
Equity Residential	EQR	62.62	18,801.1	11.1%	22.3%	13.4%
Essex Property Trust Inc.	ESS	151.51	5,274.0	10.0%	29.9%	32.2%
Home Properties Inc.	HME	61.01	2,951.6	6.2%	8.3%	30.6%
Mid-America Apartment Communities Inc.	MAA	67.03	2,726.0	15.2%	21.9%	16.9%
UDR, Inc.	UDR	26.71	5,965.4	8.5%	23.0%	34.1%

Source: Capital IQ

Segments/Companies		Dollars in Millions			Ratios		Total Debt / Enterprise Value
		Enterprise Value	Total Debt	Funds from Operations	EBITDA / (Interest Expense + Preferred Dividends Paid)	Total Debt / EBITDA	
Office:							
Alexandria Real Estate Equities Inc.	ARE	\$7,708.3	\$2,820.8	\$257.7	4.0x	7.8x	36.6%
BioMed Realty Trust Inc.	BMR	4,793.7	1,811.1	176.2	2.6x	6.4x	37.8%
Boston Properties Inc.	BXP	23,052.0	7,960.6	807.1	2.9x	6.9x	34.5%
CommonWealth REIT	CWH	5,808.1	3,778.6	276.8	2.5x	7.5x	65.1%
Corporate Office Properties Trust	OFC	4,206.4	2,420.8	88.0	2.6x	9.3x	57.5%
Douglas Emmett Inc.	DEI	6,950.0	3,348.7	216.8	2.2x	9.9x	48.2%
Franklin Street Properties Corp.	FSP	1,304.3	494.0	74.5	6.2x	5.7x	37.9%
Highwoods Properties Inc.	HIW	4,491.3	1,936.2	197.5	2.6x	7.4x	43.1%
Mack-Cali Realty Corp.	CLI	4,688.6	1,940.7	0.0	3.2x	4.8x	41.4%
SL Green Realty Corp.	SLG	13,659.0	6,099.9	370.3	2.1x	9.0x	44.7%
Industrial:							
DCT Industrial Trust Inc.	DCT	2,916.0	1,300.4	110.6	2.5x	8.0x	44.6%
EastGroup Properties Inc.	EGP	2,234.4	841.3	82.0	3.1x	7.6x	37.7%
First Industrial Realty Trust Inc.	FR	2,588.1	1,443.6	79.7	1.7x	7.4x	55.8%
First Potomac Realty Trust	FPO	1,704.6	916.0	66.3	1.8x	9.2x	53.7%
Monmouth Real Estate Investment Corp.	MNR	686.7	256.1	28.5	1.8x	7.3x	37.3%
Prologis, Inc.	PLD	29,180.6	12,413.4	611.6	2.1x	10.8x	42.5%
Retail:							
Alexander's Inc.	ALX	\$2,839.9	\$1,327.2	\$114.6	3.2x	8.1x	46.7%
Equity One Inc.	EQY	3,849.3	1,399.0	119.0	2.3x	8.4x	36.3%
Federal Realty Investment Trust	FRT	8,329.2	2,117.9	257.0	3.6x	5.7x	25.4%
Kimco Realty Corporation	KIM	12,142.0	3,913.6	4.2	1.9x	7.1x	32.2%
Macerich Co.	MAC	12,112.7	4,317.4	432.1	4.0x	5.7x	35.6%
Regency Centers Corporation	REG	6,285.5	2,023.4	0.0	2.3x	6.2x	32.2%
Simon Property Group Inc.	SPG	63,665.5	22,809.0	2,516.8	3.2x	7.3x	35.8%
Tanger Factory Outlet Centers Inc.	SKT	3,640.4	1,038.7	144.5	3.6x	6.1x	28.5%
Taubman Centers Inc.	TCO	7,325.9	2,953.1	423.6	2.5x	8.0x	40.3%
Weingarten Realty Investors	WRI	5,870.2	2,498.2	178.9	2.1x	6.9x	42.6%
Residential:							
American Campus Communities Inc.	ACC	\$4,839.5	\$1,490.1	\$136.9	3.4x	7.8x	30.8%
Apartment Investment & Management Co.	AIV	9,265.5	5,207.9	184.4	1.5x	9.3x	56.2%
Avalonbay Communities Inc.	AVB	16,629.8	3,380.3	442.9	3.8x	5.6x	20.3%
BRE Properties Inc.	BRE	5,569.9	1,654.7	154.4	3.1x	6.9x	29.7%
Camden Property Trust	CPT	7,741.8	2,442.7	222.0	3.0x	6.6x	31.6%
Equity Residential	EQR	28,971.8	9,441.6	767.0	2.5x	7.5x	32.6%
Essex Property Trust Inc.	ESS	7,819.3	2,345.6	210.9	3.4x	7.4x	30.0%
Home Properties Inc.	HME	5,862.7	2,687.7	205.0	2.6x	7.9x	45.8%
Mid-America Apartment Communities Inc.	MAA	4,375.6	1,569.4	165.0	3.7x	6.8x	35.9%
UDR, Inc.	UDR	10,254.2	3,927.2	296.5	2.6x	9.3x	38.3%

Source: Capital IQ

Notes

- Enterprise Value (EV) = Common equity value + preferred equity + debt – cash & short-term investments.
- EBITDA = Earnings before interest, taxes, depreciation and amortization.
- Funds from Operations (FFO): Net operating income - gains or losses from sales of property + real estate depreciation.
- Sources: Capital IQ, Bloomberg, S&P, CoStar, BOMA Experience and Exchange Report, Korpacz Real Estate Investor Surveys, Real Capital Analytics, Federal Reserve, Goldman Sachs, IREM, S&P/Case-Schiller Index, and others as indicated.
- Any public companies chosen for the “NCA Real Estate Investment Trust (REIT) Universe” are companies commonly used for industry information to show performance within a sector. They do not include all public companies that could be categorized within the sector and were not created as benchmarks; they do not imply benchmarking and do not constitute recommendations for a particular security and/or sector. The charts and graphs used in this report have been compiled by Navigant solely for purposes of illustration.

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For further information on any of our Real Estate services, please contact:

Edward R. Casas, Head of Navigant Capital Advisors, 847.583.1619, ecasas@ncacf.com

Darin L. Buchalter, Head of Navigant's Real Estate Practice, 415.356.7126, dbuchalter@ncacf.com

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