
Broker Exchange CRE Market Overview

Everett (Allen) Greer
Greer Advisors, LLC

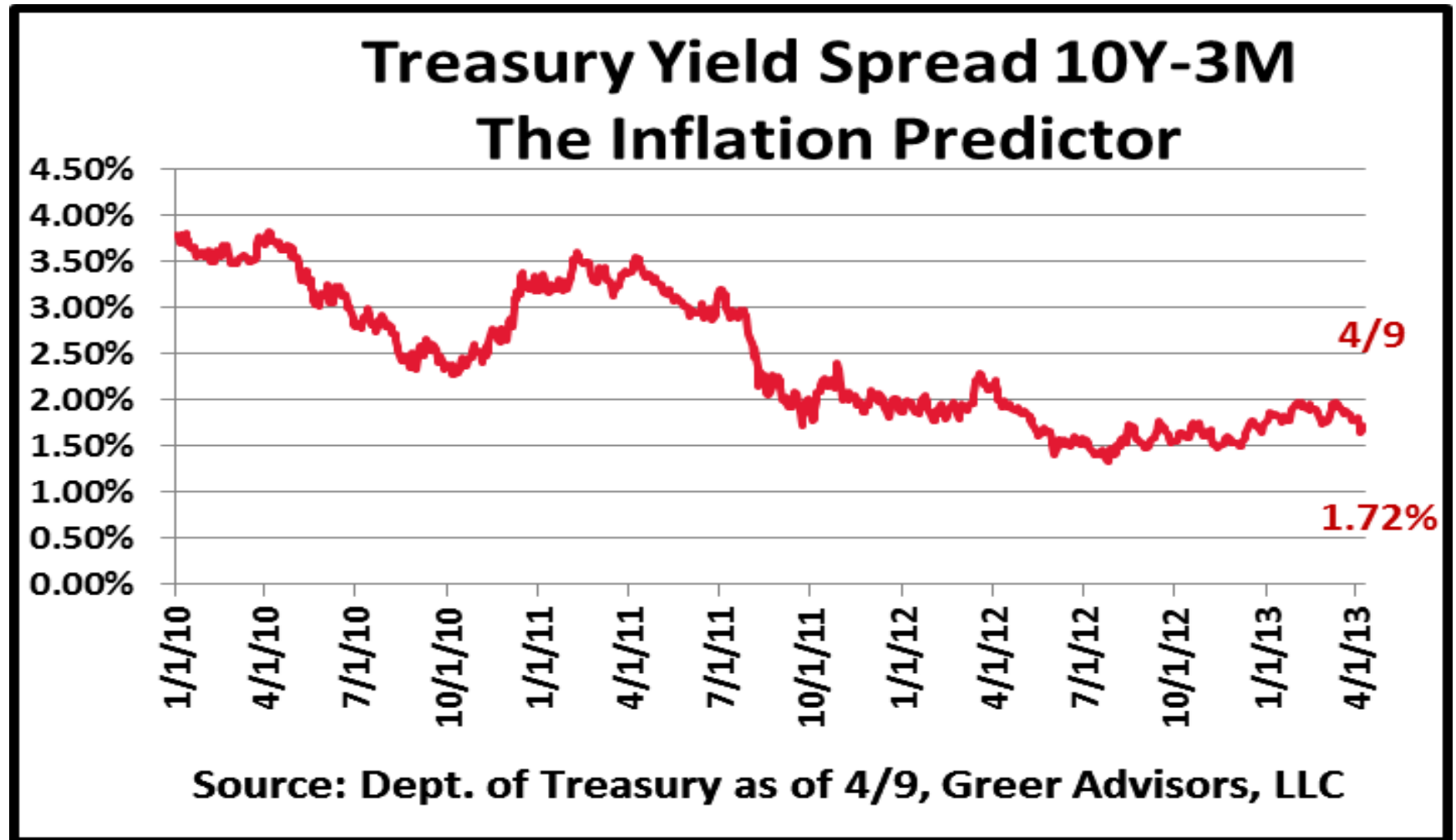
April 11, 2013

Greer Advisors, LLC

Interest Rate – 10 Yr Treasury

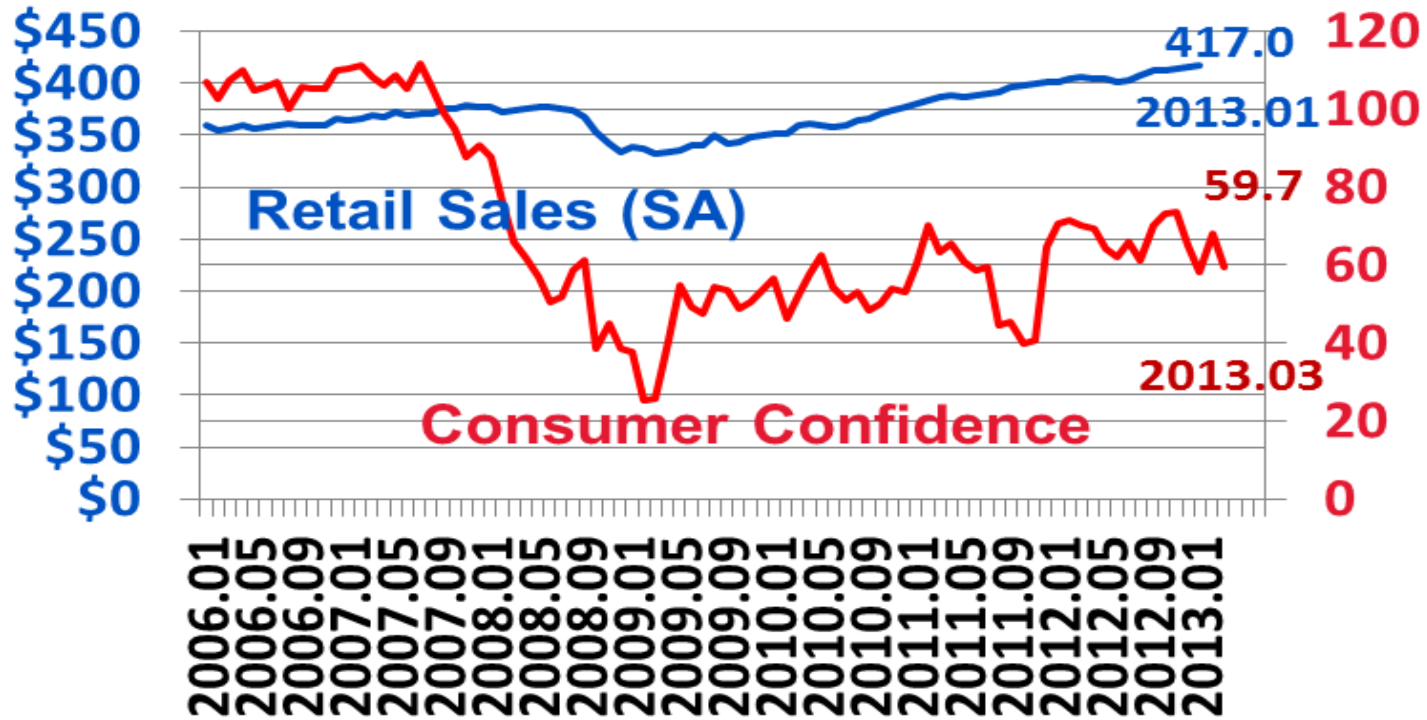


Interest & Inflation



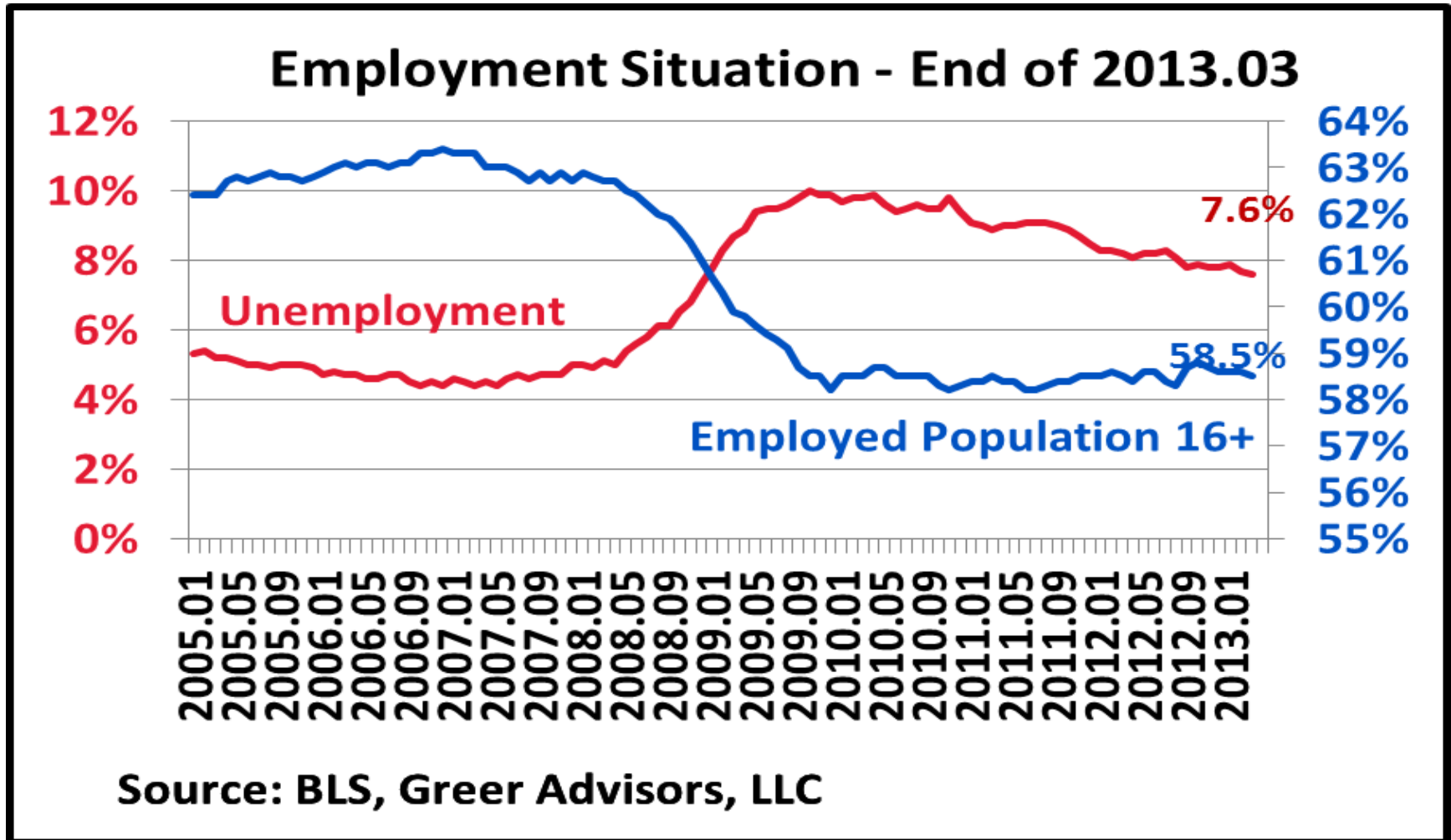
Economy – Consumer Confidence & Sales

Key Economic Indicators



Source: Conference Board, Census, Greer Advisors, LLC

Economy – Employment



As of 3/13: LA=10.3%, OC=6.5%, RIV=10.9%, SB=10.7%,

5 SD=8.0% Note: Based on Home, not work.

Greer Advisors, LLC

Top / Bottom Markets by Vacancy - Q1 2013

Industrial				Office				Retail			
	Metro	Vac %	Rent \$		Metro	Vac %	Rent \$		Metro	Vac %	Rent \$
1	Houston	5.0%	\$5.50	1	Salt Lake City	6.9%	\$18.12	1	San Francisco	2.7%	\$29.05
2	Los Angeles	5.1%	\$7.18	2	Albany/Schenec	7.2%	\$14.62	2	Miami-Dade Cou	3.9%	\$28.73
3	Orange County (5.3%	\$8.24	3	New York City	7.2%	\$49.78	3	Pittsburgh	4.1%	\$11.47
4	Salt Lake City	5.3%	\$4.59	4	Long Island (Ne	7.9%	\$26.27	4	Boston	4.3%	\$15.81
5	Long Island (Ne	5.5%	\$10.51	5	Pittsburgh	8.0%	\$18.49	5	Salt Lake City	4.4%	\$12.94
6	Seattle/Puget Sc	5.5%	\$7.14	6	Nashville	8.1%	\$18.71	6	Albany/Schenec	4.5%	\$12.03
7	Kansas City	5.9%	\$4.01	7	Oklahoma City	8.3%	\$13.95	7	San Diego	4.6%	\$21.15
8	Minneapolis	6.1%	\$5.99	8	Indianapolis	9.0%	\$15.98	8	South Bay/San J	4.7%	\$26.54
9	Inland Empire (C	6.6%	\$5.04	9	Minneapolis	9.1%	\$16.28	9	East Bay/Oaklan	4.8%	\$20.76
10	Miami-Dade Cou	6.7%	\$7.72	10	Portland	9.6%	\$19.84	10	Washington	4.8%	\$23.27
51	Memphis	11.9%	\$2.73	51	Sacramento	15.8%	\$19.51	51	Sacramento	9.4%	\$15.74
52	Atlanta	12.1%	\$3.85	52	Palm Beach Cou	15.9%	\$24.38	52	Atlanta	9.6%	\$13.00
53	Las Vegas	12.6%	\$5.90	53	Detroit	18.0%	\$17.07	53	Detroit	9.7%	\$11.91
54	Sacramento	13.1%	\$5.13	54	Las Vegas	18.3%	\$18.78	54	Las Vegas	10.0%	\$15.52
55	Dayton	13.8%	\$3.18	55	Phoenix	19.4%	\$19.44	55	Phoenix	11.0%	\$14.29
	National Avg	8.6%	\$5.21		National Avg	11.8%	\$21.36		National Avg	6.7%	\$14.48
2	Los Angeles	5.1%	\$7.18	37	Los Angeles	12.6%	\$27.72	16	Los Angeles	5.2%	\$24.39
3	Orange County (C	5.3%	\$8.24	35	Orange County (C	12.5%	\$22.23	19	Orange County (C	5.5%	\$22.23
9	Inland Empire (Ca	6.6%	\$5.04	43	Inland Empire (Ca	13.3%	\$18.00	47	Inland Empire (Ca	8.7%	\$16.56
35	San Diego	9.3%	\$9.94	34	San Diego	12.3%	\$25.61	7	San Diego	4.6%	\$21.15
	Min	5.0%	\$2.73		Min	6.9%	\$12.43		Min	2.7%	\$9.17
	Max	13.8%	\$13.40		Max	19.4%	\$49.78		Max	11.0%	\$29.05
	Spread	8.8%	\$10.67		Spread	12.5%	\$37.35		Spread	8.3%	\$19.88

Note: 1) Rents are Quoted Rents, 2) National Totals Cover all 140+ Markets, 3) Rankings limited to Top 55 Markets based on RBA
Source: CoStar Group, Inc. Greer Advisors, LLC

Source: CoStar as of End of 2013Q1

Top 20 OC Submarkets by Vacancy – Q1 2013

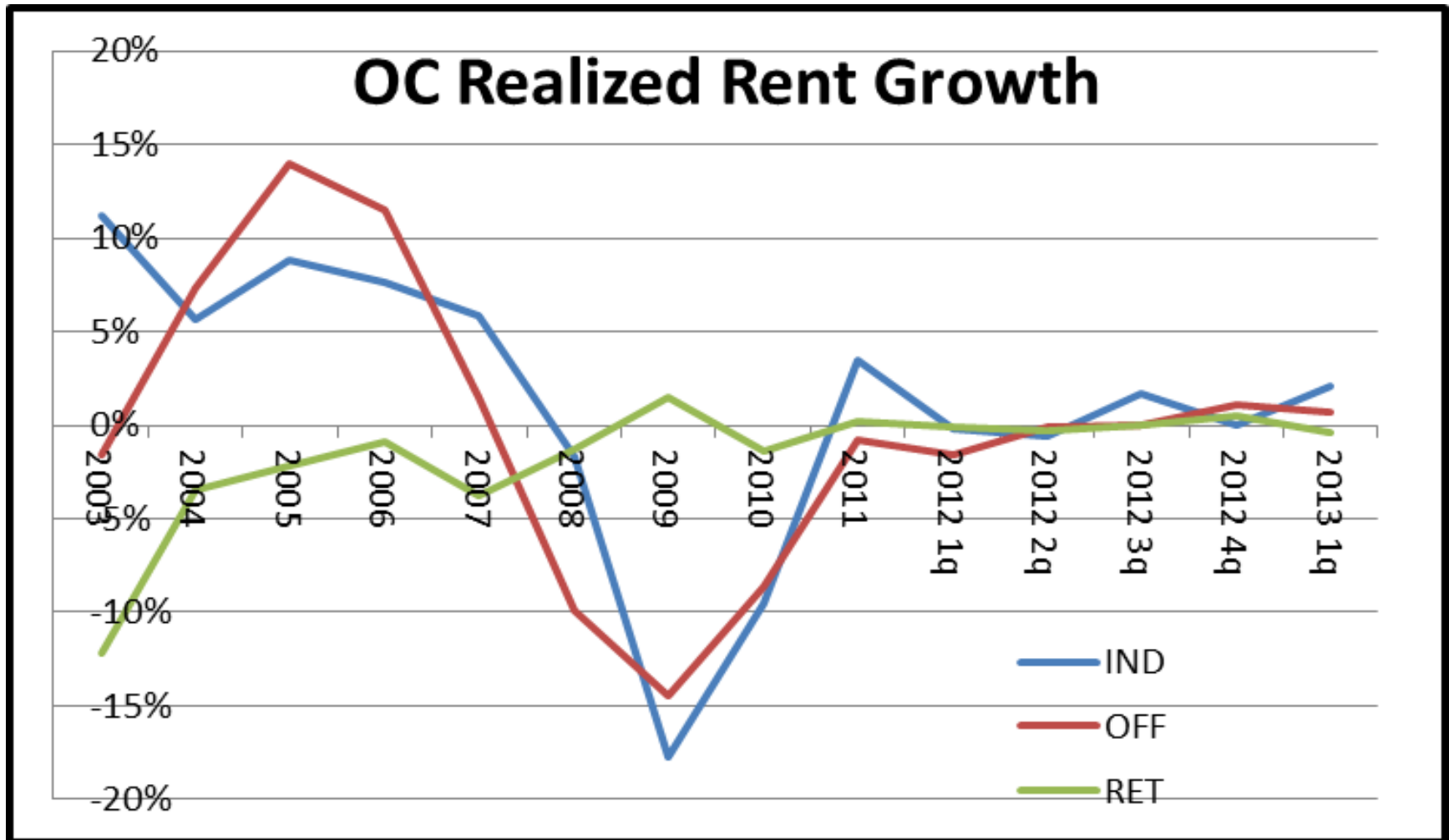
Industrial				Office				Retail			
	Metro	Vac %	Rent \$		Metro	Vac %	Rent \$		Metro	Vac %	Rent \$
1	North Laguna Hi	0.0%	\$10.20	1	Seal Beach	1.8%	\$33.01	1	Westminster Cc	0.0%	\$0.00
2	Outlying Orange	0.0%	\$0.00	2	Garden Grove	5.5%	\$16.99	2	The City Area	0.7%	\$15.00
3	Seal Beach Ind	0.0%	\$7.68	3	Anaheim Hills	5.8%	\$22.22	3	Main Place Area	1.2%	\$37.49
4	La Palma Ind	0.6%	\$5.13	4	East Orange	6.0%	\$20.76	4	Newport Beach	2.8%	\$38.53
5	Laguna Niguel/L	1.9%	\$11.13	5	Los Alamitos/St	6.5%	\$18.24	5	Costa Mesa	3.0%	\$26.07
6	Brea/La Habra In	2.0%	\$7.32	6	Civic Center Are	8.2%	\$16.39	6	Cypress	3.5%	\$19.86
7	Newport Beach	2.4%	\$13.65	7	Santa Ana	9.8%	\$17.70	7	Laguna Niguel/L	3.6%	\$34.59
8	Los Alamitos/St	2.9%	\$9.12	8	Fullerton	9.9%	\$24.37	8	San Juan Cap/S	3.6%	\$26.78
9	Westminster In	3.0%	\$9.29	9	Westminster	10.0%	\$22.44	9	Parkcenter Area	3.8%	\$18.59
10	Orange Ind	3.4%	\$7.83	10	San Juan Cap/S	10.2%	\$21.99	10	Los Alamitos/St	3.9%	\$19.79
11	Mission Viejo In	3.5%	\$12.10	11	Irvine Spectrum	10.2%	\$21.99	11	Brea/La Habra	4.1%	\$20.87
12	Buena Park Ind	3.5%	\$6.70	12	Laguna Niguel/L	10.4%	\$29.31	12	Irvine	4.1%	\$30.45
13	Fountain Valley	3.8%	\$9.06	13	Mission Viejo	10.6%	\$24.67	13	Mission Viejo	4.5%	\$28.19
14	Anaheim Ind	3.9%	\$7.27	14	Newport Beach	11.3%	\$27.11	14	Seal Beach	4.9%	\$33.47
15	Santa Ana Ind	3.9%	\$7.63	15	Brea/La Habra	11.4%	\$22.05	15	Fountain Valley	5.0%	\$20.51
16	Costa Mesa Ind	4.5%	\$10.84	16	Tustin (South of	11.4%	\$19.70	16	Irvine Spectrum	5.0%	\$15.53
17	Lake Forest/Foc	5.1%	\$9.18	17	Huntington Beac	11.7%	\$23.03	17	Huntington Beac	5.0%	\$23.85
18	Garden Grove Ir	5.2%	\$6.80	18	Laguna Hills/Alis	11.8%	\$23.98	18	East Orange	5.1%	\$21.22
19	San Juan Cap/S	6.1%	\$10.75	19	Fountain Valley	11.9%	\$21.34	19	Laguna Hills/Alis	5.7%	\$25.09
20	Irvine Ind	6.3%	\$8.75	20	The City Area	12.3%	\$24.26	20	Fullerton	6.1%	\$19.90
	Market Average	5.3%	\$8.24		Market Average	12.5%	\$22.23		Market Average	5.5%	\$22.23
	Min	0.0%	\$0.00		Min	1.8%	\$16.39		Min	0.0%	\$0.00
	Max	16.9%	\$13.65		Max	21.0%	\$33.01		Max	16.4%	\$38.53
	Spread	16.9%	\$13.65		Spread	19.2%	\$16.62		Spread	16.4%	\$38.53

Note: 1) Rents are Quoted Rents, 2) Mix, Max includes "non-Top 20" submarkets. Only Top 20 submarkets on size are shown.
Source: CoStar Group, Inc. Greer Advisors, LLC

Source: CoStar as of Q1 2013

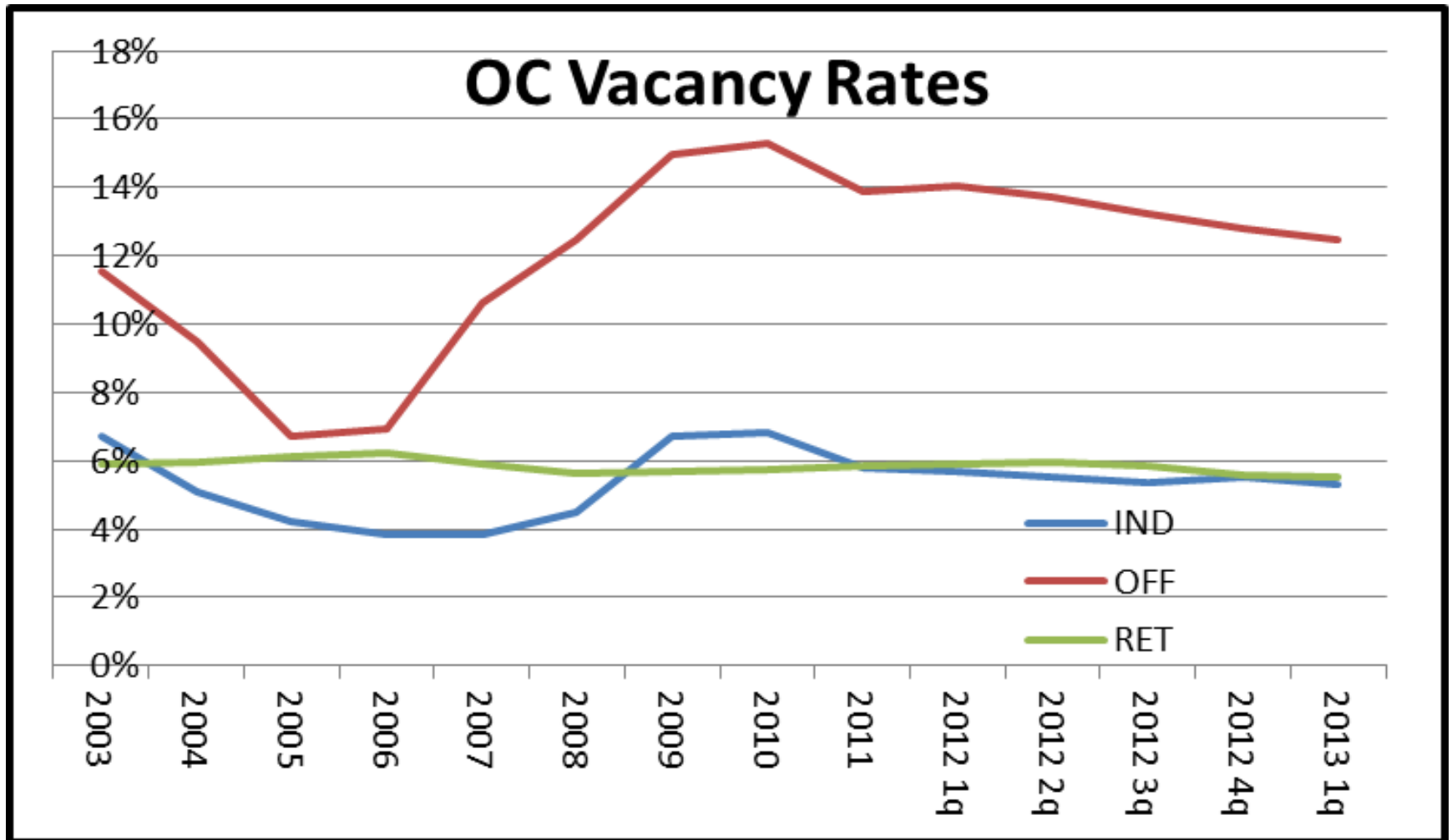
Greer Advisors, LLC

Orange County - Realized Rent Growth



Source: CoStar, Greer Advisors, LLC

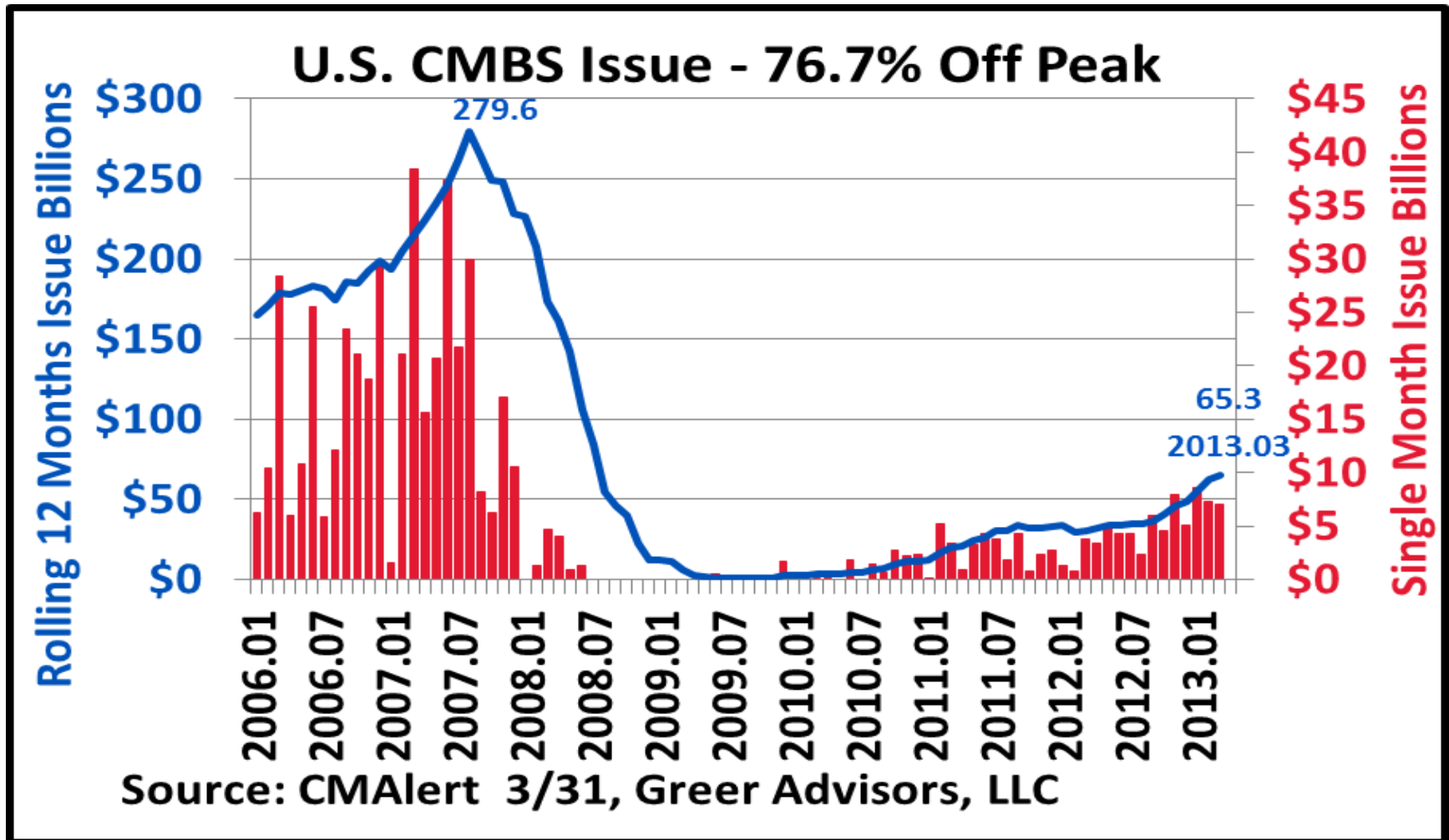
Orange County - Vacancy Rate Trends



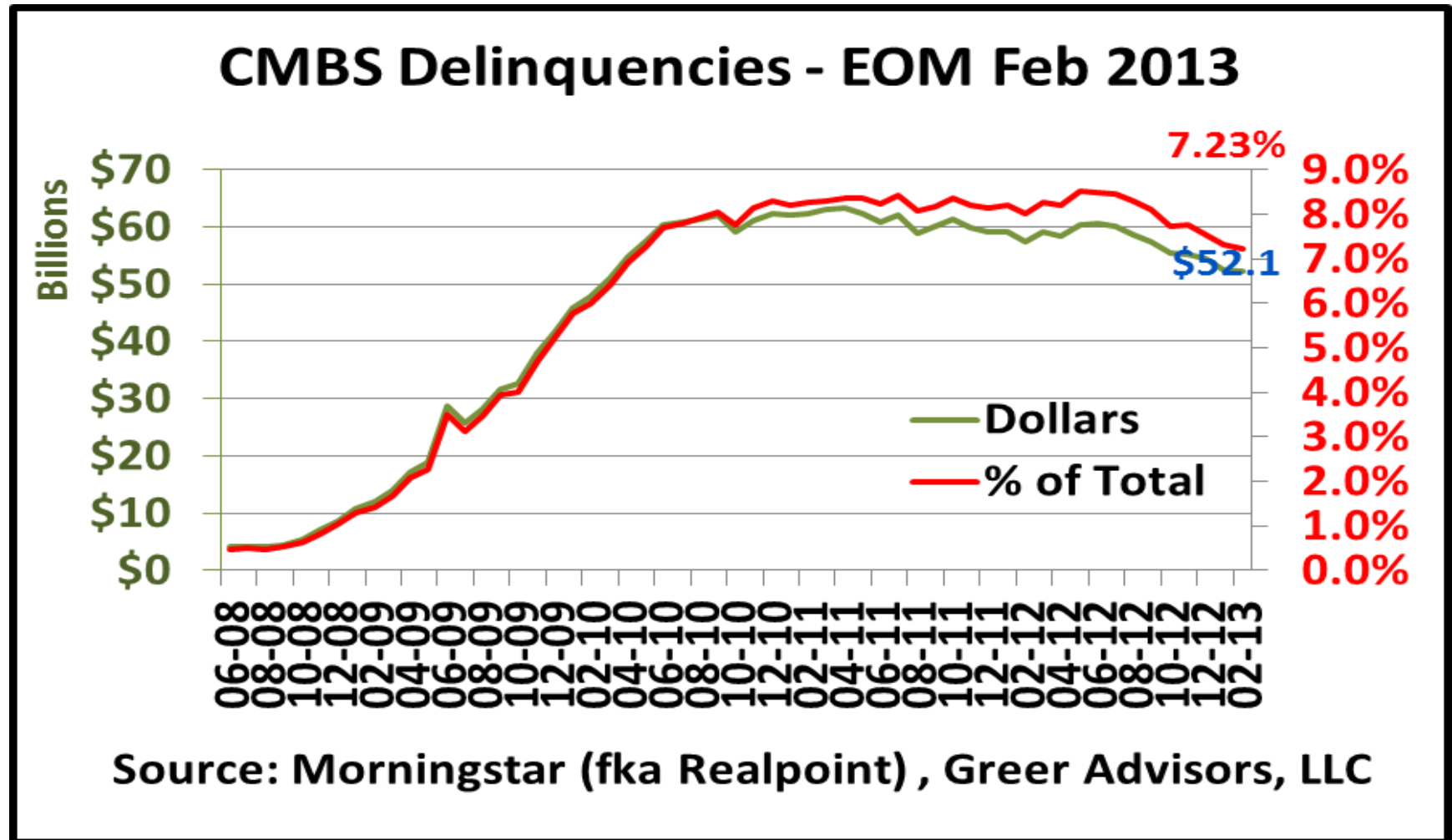
Source: CoStar, Greer Advisors, LLC

Greer Advisors, LLC

CMBS Issuance – Still Off



CMBS Delinquencies



CMBS – Break Even Loan Rate Still Too High

Greer CMBS / CMBx Yield RateTM				
Tranche	Yield	Suboord	Weight of Debt	Contribution to Total
AAA	2.28%	29.76%	70.24%	1.60%
AJ	3.15%	12.70%	17.06%	0.54%
AA	4.77%	10.63%	2.07%	0.10%
A	9.20%	8.00%	2.63%	0.24%
BBB	26.87%	4.72%	3.28%	0.88%
BBB-	28.21%	3.68%	1.04%	0.29%
BB	101.91%	2.69%	0.99%	1.01%
Unrated	176.00%	0.00%	2.69%	4.73%
Implied Overall Debt Yield			100.00%	9.39%
Loan to Value Ratio				75.00%
Class-A Equity Yield Total Yield			28.00%	14.05%
Class-B Equity Yield Total Yield			102.00%	32.55%

Notes: ① The table is somewhat complicated, as evidenced by the numerous footnotes. Several conclusions can be drawn. 1) If the 'Implied Overall Debt Yield' is greater than loan rates in the marketplace, the CMBS market CAN NOT recover because the required bond yields are too high to make debt affordable to borrowers. 2) When the spread between AAA and BB tranches is above 500 bps (now at 9,963 bps), the market can't recover because of risk aversion for lower-rated tranches. As a point of reference, January '07 AAA-BB CMBS spreads were around 65 bps. Lastly, the yields for each tranche provide tremendous insight into the pricing of risk premiums for each layer in the capital stack.

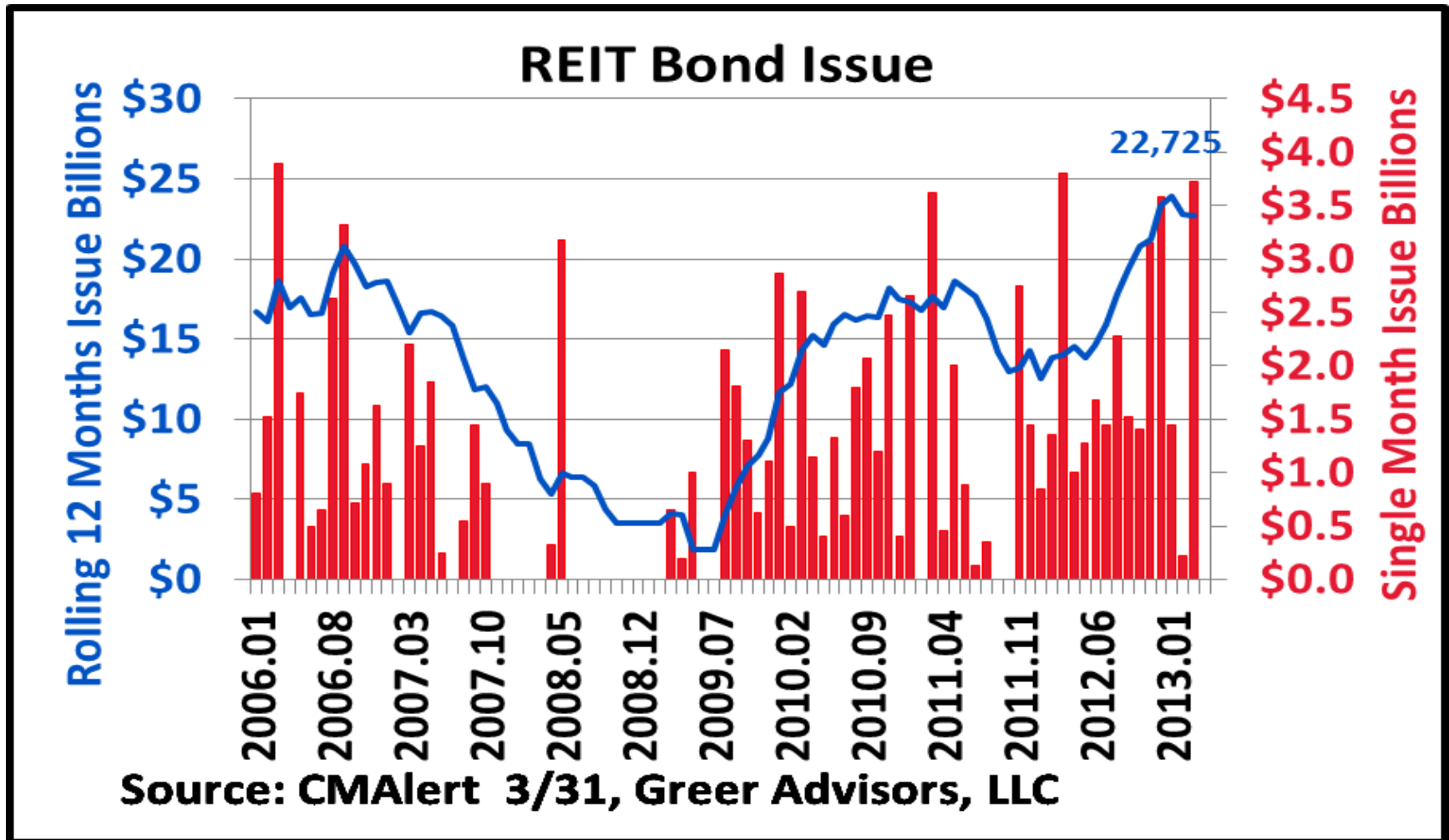
② MarkitTM Data and Calculations based on close of 4/10. Swap (10Yr) as of 4/9.

③ Coupon and Price data were from MarkitTM for AAA Senior through BB bonds. MarkitTM data was used as part of the calculations by Greer Advisors, LLC to determine Spreads. Subordination levels were from MarkitTM.

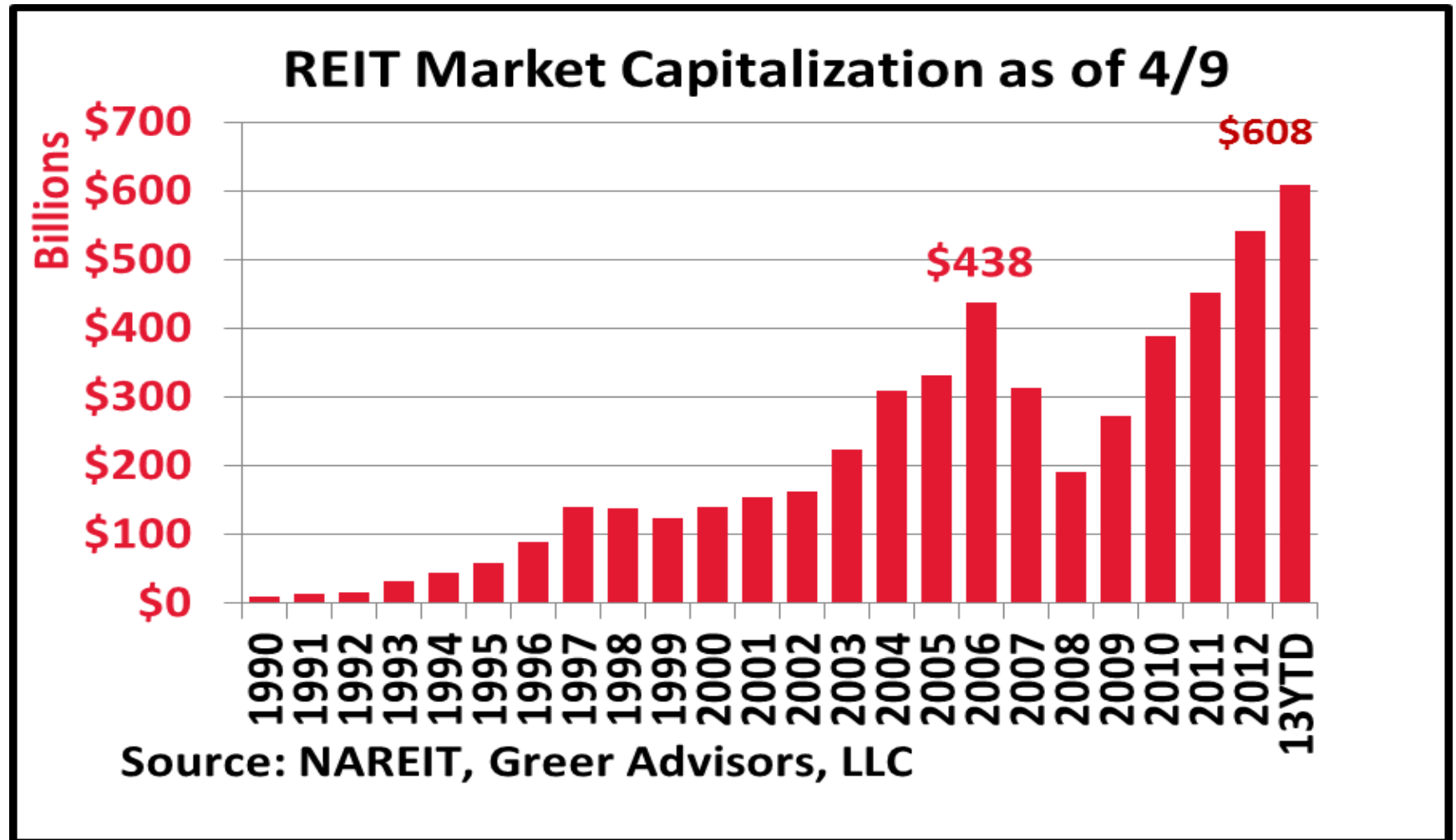
④ Profit / arbitrage opportunity for the issuer was ignored.

⑤ The yield spread for "unrated" classes were based on (BBB-yield minus BB yield) times 1.0, round to the nearest bp. Class-A property equity yield was assumed equal to the BBB- (last investment-grade piece) yield rounded to the nearest 100 bp. Class B property equity yield was assumed equal to the BB yield, rounded to 100 bps.

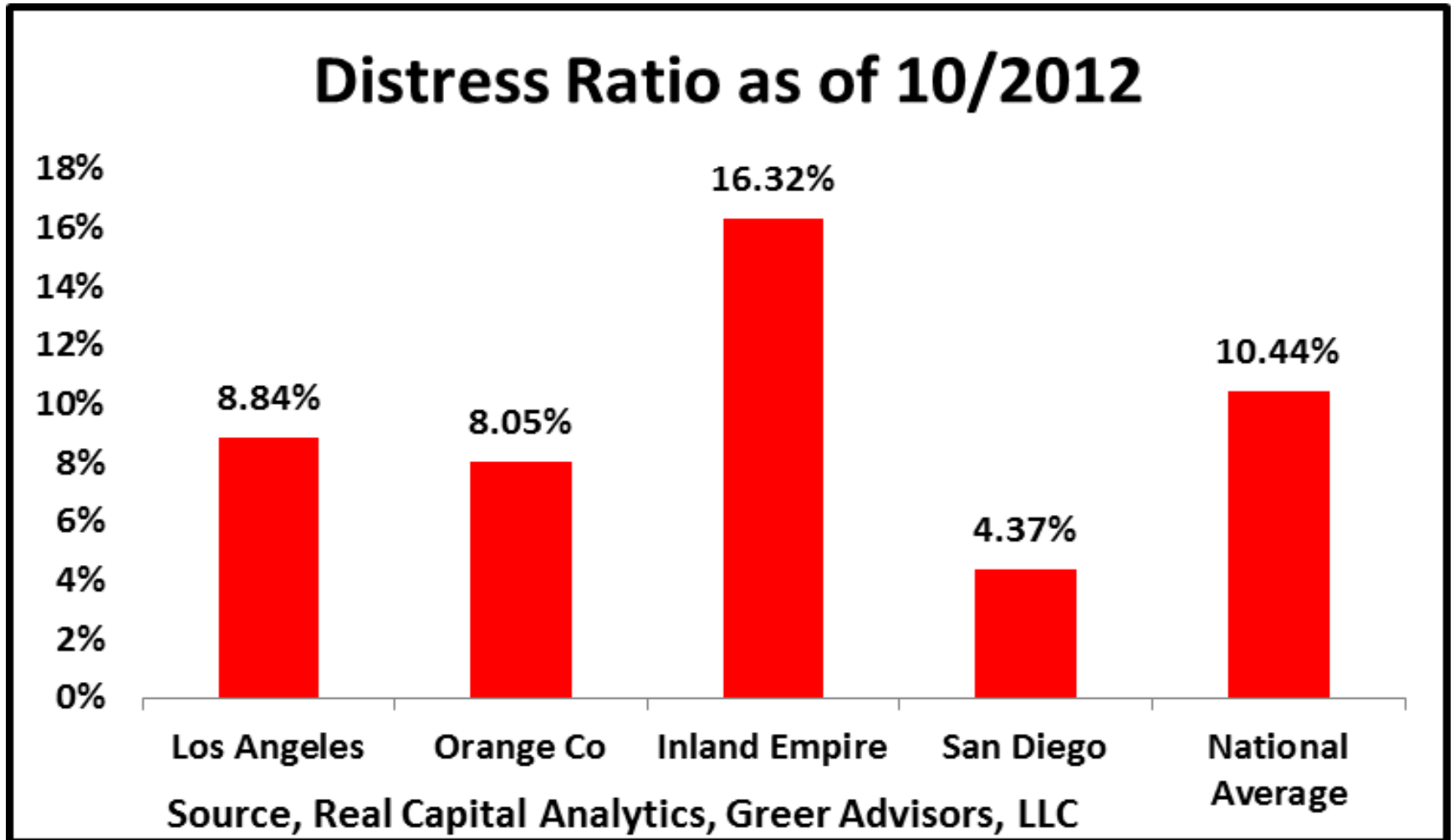
REIT Bond Issuance – New Highs Past 5 Mo's



REIT Market Capitalization – Long Term



Distressed Sale Ratio



Why Won't the Bank Accept My Offer

Banks Require Certain Capital Reserves, roughly 8 percent

Short Sale Forces Banks to Realize Loss Today

Losses Are Direct Hits to Capital, aka Equity

They Have 5 Years Before they Must Write it Down

Choice: Kick the Can vs. Realize Loss Today

Losses Reduces Capital

Insufficient Capital Makes “Out of Compliance”

Regulators Takeover Banks when Capital is Insufficient

Issues Facing Commercial Real Estate:

Fiscal Cliff

SFR Mortgage Deduction

Capital Gains Exemption

Wealth Tax

Possible Elimination Other Exemptions

Estate Tax - \$10,000 / year / child

Energy (Sec 29), Low Income (Sec 42) & Historic Credits

European Union – Will England Depart, Can it Survive

In U.S. - National, State and Local Deficits

Alternate Logistics Routes – Canada, Mexico, Panama Canal

Dodd Frank (Minimal Impact for CRE)

Greer Advisors, LLC

Questions / Answers

Greer Advisors, LLC

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