

The US Property Cycle Monitor: Searching for the Bottom

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Table of Contents:

Apartments.....	2
Industrial.....	7
Office.....	11
Retail.....	15

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The US economy entered its 19th month in recession in July and while it is apparent that the downturn is not over, it is moderating. The credit markets, which have been a focal point of this recession, are not back to 'business as usual', but banks are beginning to lend on more normal terms. Further improvement in the credit markets needs to come from the shadow banking sector which shut down last fall and has only partially re-opened after the Fed's aggressive actions. Home sales are occurring more frequently, although partially due to increases in foreclosure sales, but the market is slowly winding down the excess inventory. The home marketplace is benefiting from government support through expansion of the GSEs and tax breaks. The unemployment rate continues to climb as companies shed even their key workers but there is some optimism in the labor market. The four-week moving average of initial jobless claims, which generally leads other labor market statistics, is slowly improving. There are other positive signs in the economy. The consumer sector is stabilizing, but there are no real signs of true improvement as of yet. Uncertainty in the job market, reduced household wealth and historically high amounts of consumer leverage is contributing to lower consumer spending and a higher rate of savings. Consumer spending, which usually leads the economy out of recession, will likely be subdued during this recovery. But even the power of the consumer is diminished, consumer confidence, as measured by both the Conference Board and the University of Michigan survey, is off of its trough, which signals that a turn around in consumer spending should occur within the current quarter.

A brighter future is on the horizon of the economic landscape but downside risks are still measurable and a realization of these risks could delay the recovery. With consumption equaling around 70 percent of the economy, a substantial jump in the savings rate over what has already occurred would likely delay recovery and subdue its magnitude. Additional risk may stem from a deviation of the recovery plans laid out by the government and the Federal Reserve. Monetary policy is of the utmost importance for recovery and tempering of the programs may be devastating to the US economy. A pull back in monetary policy is not out of the question. As the monetary pump entered full swing in fall of last year, many forecasters, market participants and even Federal Reserve staff voiced concerns over inflation. Although inflation is a longer-term worry, a pull back in the monetary programs would have a greater negative affect on the economy. Fiscal policy is unlikely to unwind anytime soon, but the massive run-up in debt is becoming a concern. If the stimulus programs fail and the economy does not strengthen relatively soon, the government's ability to cover interest payments will be constrained resulting in a lower credit rating on government debt and higher yields.

Property Market Recovery is Still in the Distance

Slower production and spending in the greater economy is negatively affecting the commercial real estate market. The institutional property market continues to correct and values are falling as fundamentals continue to deteriorate. Fundamentals are projected to worsen through 2010 as rent declines struggle to pace diminishing demand. Fortunately supply, which grew at a relatively moderate pace during the past cycle, is not exacerbating the impacts of this collapse in demand. Supply will be constrained going forward with tighter lending standards by banks, weak fundamentals and property values which will remain well below construction costs.

All property sectors are negatively impacted by the economic downturn, but recovery will come soonest to apartments, which tend to respond most quickly to growing labor markets. Industrial properties are expected to be the next sector to recover, with office and retail properties underperforming through the near-term.

Apartment properties should begin to improve along with the employment market, which is expected to be around mid-year 2010. Until then, vacancies will continue to rise and rents to fall, especially in markets inundated with condos converting to apartments and those with a strong shadow supply of rental homes. With a significant wave of “Echo Boomers” or “Generation Y” entering prime apartment rental years once the job market opens up, apartment demand should be almost immediate. As a result, occupancy and rental rates should improve sooner than in other property sectors. In addition, short lease-terms in the sector will allow rental growth to translate into operating income more quickly.

Industrial properties will likely lag the apartments sector but perform better than the retail and office sectors. Vacancies have already jumped and will remain elevated in 2010 before improving in 2011. Improvement in trade, retail sales and company inventories will be signals for recovery in this sector. Given that the economic recovery is forecast to be more business-led rather than consumer-led, this should benefit the small and mid-size firms that occupy much of the industrial inventory.

Office properties will continue to experience sharp declines in rents, but at least some of the pain is already history. Vacancies will continue to work upward into 2011 when some relief will occur. Rental rates and valuation metrics pushed office property values to experience the greatest growth during the property boom. Since underwriting standards became progressively looser through time, it is likely that there will be an increase in the number of distressed properties entering the market place.

Retail will require the longest to rebound. Longer, less volatile lease terms and initial low vacancy allowed the sector to outperform the other sectors during the first stage of the downturn, but this trend is quickly changing. The sector is dealing with retailer bankruptcies, store closures, breach of co-tenancy clauses and rent reductions. With the consumer expected to resume spending at only a moderate pace during the recovery, sales growth will be restrained. Nevertheless, this shake out is likely to result in a smaller and healthier group of surviving retailers that will allow for a more sustainable industry. New store openings will continue to be restrained, as will new construction.

Property Cycle Monitor: Apartment

After growing robustly from 2004 to 2007 and then trading water much of last year, the US apartment market has finally begun to decline in earnest, as evidenced by the first quarter 2009 data. The first quarter 2009 US vacancy rate is 7.2 percent, up 50 basis points from the fourth quarter of 2008. At negative 28,000 units, absorption is firmly negative for the first time since 2006, when the negativity was caused by conversion of rental units to the condo market. Many of these units are now back in the rental stock, either as formal reconversions or as shadow units, and are siphoning considerable demand from institutional product. But this negative absorption is primarily a result of the employment market. Young workers, who are a mainstay of apartment communities, have taken the brunt of layoffs in this cycle.

Demand is likely to decline over the next year due to continued job loss as well as the aforementioned shadow supply of condos and unsold single family homes. All major markets will slip, but projected outperformers during the downturn include Washington, DC and Baltimore (due to government stimulus), and San Francisco and San Diego (due to supply constraints and desirability). Most markets should begin recovery by the end of 2010 for three reasons: the for-sale housing market is expected to have worked through excess supply and

foreclosures recovery; additional supply that is currently under construction should be mostly complete and few additional projects should begin construction; and the jobs market should stabilize early to mid-2010. In 2011, demand will return in response to job growth, particularly among young professionals who populate institutional quality apartment buildings. This demand should coincide with little new supply, thereby facilitating healthy rent and occupancy growth.

The apartment sector will likely lead the recovery in institutional real estate. Short lease terms in the multi-family sector enables performance to reflect economic upticks quickly, and concession burn-off permits additional rent growth. Construction, while present, should be historically light in most markets over the next five years. Additionally, during this forecast period, the echo boom generation should be a major component of demand. These children of baby boomers are expected to revolutionize the apartment industry, according to a recent report by the Harvard Joint Center for Housing Studies. In the next 10 years, echo boomers will cause a roughly two million household increase among the cohort of 25-34 year olds, traditionally a vital renter cohort. By 2013, all preferred markets will show a notable recovery in vacancy from their 2010 peaks, with the US down 230 basis points to a forecast 6.3 percent.

However, it is important to note that most markets, and the US average, will still end up above their long term (1990-2008) historical average vacancies. This structural shift in vacancy, as well as the return to more affordable home prices, presents the most significant risks to revenue growth in the forecast period.

U.S. National Apartment Market Cycle		Forecast Years				
2008		2009	2010	2011	2012	2013
GRW	PGW					GRW
REC	CON		CON		REC	
Job Growth	(0.4%)	(3.6%)	(0.5%)	1.6%	2.4%	2.0%
Net Abs. (Units) *	5K	(45K)	35K	107K	144K	121K
Supply (Units)	93K	101K	56K	45K	60K	85K
% Vacant	6.7%	8.4%	8.6%	7.8%	6.8%	6.3%
Rent Momentum	None	None	None	Increase+	Increase	Increase

Key: REC = Recovery GRW = Growth PGW = Post-Growth CON = Contraction
 * Note: Net absorption figure includes condo conversions.
 Source: IHS Global Insight, REIS, and RREEF Research

This information is a forecast and due to a variety of uncertainties, and assumptions made in our analysis, actual events or results or the actual performance of the markets covered may differ from those presented.

Factors Shaping the Apartment Cycle

Drivers of Recovery (eventual)

- Job growth
- Positive demographics in echo boom generation
- Strengthening single family home sales and prices

Constraints on Recovery (ongoing)

- Increases in homeownership and affordability, leading to a wave of break-leases
- Continuing high unemployment and under-employment
- Formidable shadow market of unsold homes and condos, particularly among families who may otherwise have been institutional renters

- Young singles, who traditionally form the core of the renter pool, increasingly doubling up or moving home due to the weak economy

Implications: Timing of the Cycle

- All metros will be in retraction by year end 2009
- Metros with recovering single-family home markets (ex: Washington, DC and Baltimore) should enter recovery by early 2011

**US Apartment Market
Metro Performance 2009**

Outperform	Average*	Underperform
Baltimore	Boston	Atlanta
San Diego	Chicago	Austin
Washington, D.C.	Denver	Charlotte
	Ft. Lauderdale	Dallas
	Orange County	Houston
	Philadelphia	Los Angeles
	Portland	Miami
	Raleigh	New York
	Seattle	Northern New Jersey
		Oakland
		Orange County
		Orlando
		Phoenix
		Riverside-San Bern.
		Sacramento
		San Jose
		San Francisco
		Tampa
		West Palm Beach

* Broadly in line with national trends

Source: RREEF Research

Forecast

			1Q2009	2009	2010	2011	2012	2013
U.S.	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	7.2%		8.4%	8.6%	7.8%	6.8%	6.3%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase
Atlanta	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	10.3%		12.0%	12.1%	10.1%	8.2%	7.2%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase
Austin	Stage	Contraction		Contraction	Recovery	Growth	Post-Growth	Post-Growth
	Vacancy	9.2%		12.9%	12.3%	9.1%	5.5%	5.7%
	Rent Momentum*	None		None	Increase	Increase +	Increase	Increase
Baltimore	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	5.9%		6.9%	7.6%	6.2%	4.9%	4.6%
	Rent Momentum*	None		None	Increase +	Increase +	Increase	Increase
Boston	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	6.4%		8.8%	9.4%	8.3%	6.8%	6.0%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase
Charlotte	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	8.5%		11.5%	12.2%	11.0%	8.4%	7.4%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase
Chicago	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	6.0%		6.7%	7.2%	6.4%	5.3%	4.6%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase
Dallas	Stage	Growth		Contraction	Recovery	Growth	Post-Growth	Post-Growth
	Vacancy	8.3%		10.2%	10.1%	8.7%	7.3%	6.9%
	Rent Momentum*	Increase +		None	Increase	Increase +	Increase	Increase
Denver	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	8.3%		10.1%	10.1%	8.9%	6.7%	5.9%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase
Ft. Lauderdale	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	7.1%		9.3%	9.8%	7.4%	4.7%	3.8%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase
Houston	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	10.1%		11.5%	11.7%	11.1%	10.5%	10.0%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase
Jacksonville	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	12.7%		15.5%	15.7%	12.9%	8.5%	7.0%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase
Kansas City	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	8.2%		8.5%	9.0%	8.7%	8.5%	8.5%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase
Los Angeles	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	5.3%		6.3%	6.3%	5.9%	5.2%	4.6%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase
Miami	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	5.7%		6.9%	8.4%	7.7%	6.2%	5.2%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase
Minn./St. Paul	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	4.7%		5.0%	5.1%	5.0%	4.7%	4.7%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase
New York	Stage	Contraction		Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	3.4%		5.4%	5.9%	4.6%	3.0%	2.4%
	Rent Momentum*	None		None	None	Increase +	Increase	Increase

			Forecast				
1Q2009			2009	2010	2011	2012	2013
U.S.	Stage	Contraction	Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	7.2%	8.4%	8.6%	7.8%	6.8%	6.3%
	Rent Momentum*	None	None	None	Increase +	Increase	Increase
No. New Jersey	Stage	Contraction	Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	4.5%	5.7%	6.4%	5.8%	4.7%	4.2%
	Rent Momentum*	None	None	Increase +	Increase +	Increase	Increase
Oakland/East Bay	Stage	Contraction	Contraction	Recovery	Growth	Post-Growth	Post-Growth
	Vacancy	5.7%	6.0%	5.8%	5.4%	4.7%	4.5%
	Rent Momentum*	None	None	Increase	Increase +	Increase	Increase
Orange County	Stage	Contraction	Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	5.9%	7.0%	7.1%	5.8%	4.5%	4.3%
	Rent Momentum*	None	None	None	Increase +	Increase	Increase
Orlando	Stage	Contraction	Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	9.9%	11.7%	12.3%	10.5%	7.6%	7.0%
	Rent Momentum*	None	None	None	Increase +	Increase	Increase
Philadelphia	Stage	Contraction	Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	6.1%	6.8%	7.0%	6.1%	5.3%	4.9%
	Rent Momentum*	None	None	None	Increase +	Increase	Increase
Phoenix	Stage	Contraction	Contraction	Recovery	Growth	Post-Growth	Post-Growth
	Vacancy	11.3%	12.5%	12.2%	11.2%	10.2%	9.6%
	Rent Momentum*	None	None	Increase	Increase +	Increase	Increase
Portland	Stage	Contraction	Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	5.7%	6.4%	6.8%	6.5%	5.8%	5.0%
	Rent Momentum*	None	None	None	Increase +	Increase	Increase
Raleigh	Stage	Contraction	Contraction	Recovery	Growth	Post-Growth	Post-Growth
	Vacancy	7.8%	9.2%	9.1%	8.4%	5.8%	6.1%
	Rent Momentum*	None	None	Increase	Increase +	Increase	Increase
Riverside/SB	Stage	Contraction	Contraction	Recovery	Growth	Post-Growth	Post-Growth
	Vacancy	7.4%	8.0%	7.8%	7.2%	6.8%	6.2%
	Rent Momentum*	None	None	Increase	Increase +	Increase	Increase
Sacramento	Stage	Contraction	Contraction	Recovery	Growth	Post-Growth	Post-Growth
	Vacancy	6.3%	6.9%	6.8%	6.4%	6.0%	5.7%
	Rent Momentum*	None	None	Increase	Increase +	Increase	Increase
St. Louis	Stage	Contraction	Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	8.2%	8.8%	9.1%	8.8%	8.6%	8.4%
	Rent Momentum*	None	None	None	Increase +	Increase	Increase
San Antonio	Stage	Contraction	Contraction	Recovery	Growth	Post-Growth	Post-Growth
	Vacancy	9.8%	10.3%	10.0%	9.0%	8.3%	7.7%
	Rent Momentum*	None	None	Increase	Increase +	Increase	Increase
San Diego	Stage	Contraction	Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	4.6%	5.0%	5.1%	4.5%	3.5%	3.6%
	Rent Momentum*	None	None	None	Increase +	Increase	Increase
San Francisco	Stage	Contraction	Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	4.2%	4.6%	4.7%	4.0%	3.8%	3.0%
	Rent Momentum*	None	None	None	Increase +	Increase	Increase
San Jose	Stage	Contraction	Contraction	Recovery	Growth	Post-Growth	Post-Growth
	Vacancy	5.2%	5.3%	5.2%	5.4%	5.1%	4.6%
	Rent Momentum*	None	None	Increase	Increase +	Increase	Increase
Seattle	Stage	Contraction	Contraction	Contraction	Growth	Post-Growth	Post-Growth
	Vacancy	6.3%	9.0%	9.5%	8.4%	7.0%	5.6%
	Rent Momentum*	None	None	None	Increase +	Increase	Increase
Tampa	Stage	Contraction	Contraction	Recovery	Growth	Post-Growth	Post-Growth
	Vacancy	9.3%	10.2%	10.1%	9.3%	7.3%	6.6%
	Rent Momentum*	None	None	Increase	Increase +	Increase	Increase
Washington, D.C.	Stage	Contraction	Contraction	Recovery	Growth	Post-Growth	Post-Growth
	Vacancy	5.8%	6.7%	7.0%	6.8%	6.5%	6.1%
	Rent Momentum*	None	None	None	Increase +	Increase	Increase
West Palm Beach	Stage	Contraction	Contraction	Recovery	Growth	Post-Growth	Post-Growth
	Vacancy	8.0%	9.5%	9.1%	8.2%	6.9%	5.4%
	Rent Momentum*	None	None	Increase	Increase +	Increase	Increase

Sources: REIS and RREEF Research

Property Cycle Monitor: Industrial

The US industrial market is contracting sharply in response to negative economic trends. A fall-off in economic growth globally resulted in plummeting trade and import levels, and rapid US inventory reduction. Local demand drivers are also being impaired by depressed conditions in the housing and construction industries.

The industrial sector reached a peak mid-year 2007, but fundamentals moderately weakened through mid-year 2008. The pace of decline measurably changed later in the year and space demand turned negative pushing total net absorption for 2008 to negative 84.8 million square feet and vacancy to 11.3 percent. Total net absorption was more negative during first quarter 2009, when net absorption totaled negative 92.2 million square feet with vacancy reaching 12.2 percent, than during the full year 2008. Of the 54 primary industrial markets tracked by RREEF Research, only four posted positive net absorption during first quarter 2009.

The US industrial market is forecast to lose 193 million square feet of net occupancy in 2009, the worst performance since RREEF Research began tracking the market in 1989. Net absorption will likely continue to decline during the first half of 2010, turning only modestly positive during the second half of the year. As a result, the vacancy rate is expected to remain in around 13.5 percent over this two year period. Recovery is forecast to begin to take hold in 2011, with a forecast 170 million square feet of net absorption, lowering the vacancy rate to 12.3 percent. A significant supply gap and further demand-side gains in the second half of our forecast period should enable sharp occupancy and rent gains.

Industrial market performance at the metro level is being largely impacted by the construction pipeline of the past five years. It is reflective of the relative risk that a given metro will suffer prolonged oversupply. Many of the markets with vigorous pipelines, such as Riverside, Phoenix and Orlando, are also the ones that will achieve the greatest jump in metro vacancy and take longest to recover. There are exceptions as negative demand-side trends in land-constrained markets, such as Orange County, Miami and Central New Jersey are also expected to cause above average vacancy increases.

Markets that outperform over the next two years will be those that have relatively stable local economic drivers and generally exhibited more restraint on development in recent years. In some cases, however, metros that fall into this group may have lower long-term growth potential. Some markets with greater vacancy volatility will absorb excess space upon recovery. Seattle and San Jose are comparatively more volatile than Dallas/Ft. Worth and Atlanta, but are expected to end our forecast period with lower metro vacancy rates and better rent performance. By virtue of their stability, Baltimore, Washington, D.C, and New York should outperform on a two-year and five-year rent growth basis.

Market rent growth prospects during the next two years are expected to be broadly negative. We continue to prefer multi-tenant space in core locations, but no individual segment is expected to perform well in the near term. On average, industrial market rents have declined about 8 to 10 percent in the past year and we expect that peak-to-trough rents will fall around 18 percent. Markets exhibiting the most distress are forecast to see declines close to 30 percent, while in the best performing markets declines of 10 percent are expected.

U.S. National Industrial Market Cycle		Forecast Years				
2008		2009	2010	2011	2012	2013
GRW	PGW					GRW
REC	CON		CON		REC	
Job Growth	(0.4%)	(3.6%)	(0.5%)	1.6%	2.4%	2.0%
Net Abs.	(84) MSF	(193) MSF	16 MSF	170 MSF	256 MSF	231 MSF
Supply	182 MSF	65 MSF	20 MSF	38 MSF	91 MSF	141 MSF
% Vacant	11.3%	13.3%	13.3%	12.2%	10.9%	10.1%
Rent Momentum	Decline	Decline	Decline	None	Increase+	Increase +

Key: REC = Recovery GRW = Growth PGW = Post-Growth CON = Contraction

Source: IHS Global Insight, Torto Wheaton, and RREEF Research

This information is a forecast and due to a variety of uncertainties, and assumptions made in our analysis, actual events or results or the actual performance of the markets covered may differ from those presented.

Factors Shaping the Industrial Cycle (Time Frame)

Drivers of Growth

- Job growth, consumer and business spending, trade flows beginning in 2010
- Growth in exports (mid- to longer-term)
- Global economic expansion (mid- to longer-term)
- Reduced new supply (near-term)
- Growth in high-tech (mid-term/longer-term)

Constraints on Recovery

- Declining housing sector (short-term)
- Elevated energy prices (ongoing)
- Contracting US construction sector (short/intermediate-term)
- Manufacturing sector erosion (ongoing)

Implications: Timing of the Cycle

- National market, global gateway markets suffer until trade rebounds, tech markets and regional hubs rebound with business recovery, defense and auto pose challenge
- Distressed housing markets are leading to retrenchment for some metros
- A constrained supply pipeline will aid recovery as US economy recovers (short-term)
- R&D/flex markets were late to weaken, but have now deteriorated in line with broader economy, there may be upside in Asia –linked metros and from stimulus spending

**US Industrial Market
Metro Performance 2009**

Out-Perform	Average*	Under-Perform
Baltimore	Atlanta	Chicago
Central New Jersey	Austin	Cincinnati
Houston	Boston	Columbus
Los Angeles	Charlotte	Dallas-Ft Worth
New York	Denver	Orlando
Portland	Ft. Lauderdale	Philadelphia
San Jose	Miami	Phoenix
Seattle	Minneapolis	Riverside (Inland Empire)
Washington, DC	Oakland/East Bay	West Palm Beach
	Orange County	
	San Diego	

* Broadly in line with national trends

Source: RREEF Research

			Forecast				
	1Q09		2009	2010	2011	2012	2013
U.S.	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	10.4%	13.3%	13.3%	12.2%	10.9%	10.1%
	Rent Momentum	Decline	Decline	Decline	None	Increase	Increase +
Atlanta	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	13.3%	16.4%	16.1%	14.7%	12.9%	11.8%
	Rent Momentum	Decline	Decline	Decline	None	Increase	Increase
Austin	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	11.6%	16.7%	16.2%	13.8%	11.7%	10.6%
	Rent Momentum	Increase	None	Decline	Increase	Increase +	Increase
Baltimore	Stage	Contraction	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	14.4%	16.4%	15.9%	14.3%	12.9%	12.0%
	Rent Momentum	None	None	None	Increase	Increase +	Increase +
Boston	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	14.8%	16.1%	16.3%	15.5%	14.8%	14.2%
	Rent Momentum	Increase	None	Decline	Increase	Increase +	Increase +
Central New Jersey	Stage	Contraction	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	10.6%	14.0%	13.4%	11.4%	9.6%	8.5%
	Rent Momentum	None	None	Decline	Increase	Increase +	Increase +
Charlotte	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	9.2%	12.0%	12.3%	11.2%	9.8%	9.3%
	Rent Momentum	Increase +	None	Increase	Increase +	Increase +	Increase
Chicago	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	11.5%	14.6%	14.5%	13.3%	11.6%	10.7%
	Rent Momentum	Increase	Decline	Decline	Increase +	Increase +	Increase
Cincinnati	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	9.1%	12.1%	11.8%	10.9%	10.0%	9.7%
	Rent Momentum	Increase	Decline	Decline	Increase	Increase +	Increase
Columbus	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	14.1%	17.4%	17.0%	15.7%	14.9%	13.7%
	Rent Momentum	Increase	Decline	Decline	Increase	Increase	Increase
Dallas/Ft. Worth	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	11.0%	14.6%	14.3%	13.0%	11.1%	10.5%
	Rent Momentum	Increase	None	None	Increase	Increase	Increase
Denver	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	10.5%	12.2%	12.3%	11.3%	10.1%	9.6%
	Rent Momentum	Increase +	None	None	Increase	Increase	Increase
Fort Lauderdale	Stage	Contraction	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	8.7%	11.5%	11.2%	9.5%	7.5%	6.7%
	Rent Momentum	Increase +	Decline	Decline	Increase +	Increase +	Increase +
Houston	Stage	Contraction	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	7.3%	9.2%	9.1%	8.5%	8.1%	7.7%
	Rent Momentum	Increase +	Increase	None	Increase	Increase	Increase
Los Angeles	Stage	Contraction	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	5.4%	7.2%	7.6%	7.0%	5.9%	5.2%
	Rent Momentum	Increase +	Decline	Decline	Increase	Increase +	Increase +
Miami	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	9.0%	13.1%	12.7%	11.0%	9.5%	8.8%
	Rent Momentum	Increase +	None	Decline	Increase +	Increase +	Increase +
Minneapolis	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	8.7%	10.6%	10.5%	9.7%	8.3%	7.5%
	Rent Momentum	Increase +	Decline	Decline	Increase	Increase +	Increase +
New York/NNJ	Stage	Contraction	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	9.4%	11.8%	11.7%	11.5%	10.5%	9.9%
	Rent Momentum	Increase	None	Decline	Increase	Increase +	Increase +
Oakland/East Bay	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	9.9%	13.0%	13.5%	12.6%	11.1%	10.2%
	Rent Momentum	Increase +	None	Decline	Increase	Increase +	Increase +

			Forecast				
1Q09			2009	2010	2011	2012	2013
U.S.	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	10.4%	13.3%	13.3%	12.2%	10.9%	10.1%
	Rent Momentum	Decline	Decline	Decline	None	Increase	Increase +
Orange County	Stage	Contraction	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	7.5%	11.2%	10.7%	9.7%	8.1%	7.1%
	Rent Momentum	Increase +	Decline	Decline	Increase	Increase +	Increase +
Orlando	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	10.2%	14.2%	13.6%	12.1%	9.9%	9.1%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase +	Increase +
Philadelphia	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	10.3%	13.3%	13.9%	13.2%	12.1%	11.5%
	Rent Momentum	Increase	None	None	Increase	Increase	Increase
Phoenix	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	13.7%	19.5%	19.1%	17.8%	15.9%	13.8%
	Rent Momentum	Increase	Decline	Decline	None	Increase +	Increase +
Portland	Stage	Contraction	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	7.3%	9.6%	9.1%	8.0%	7.0%	6.9%
	Rent Momentum	Increase	Decline	None	Increase +	Increase +	Increase
Riverside/San Berdo	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	12.6%	17.1%	15.7%	13.6%	11.4%	9.6%
	Rent Momentum*	None	Decline	Decline	None	Increase +	Increase +
San Diego	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	10.1%	13.3%	13.0%	11.6%	10.3%	9.8%
	Rent Momentum*	Increase	Decline	None	Increase	Increase	Increase
San Jose	Stage	Contraction	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	10.7%	13.6%	14.1%	13.1%	11.3%	10.1%
	Rent Momentum*	Increase +	Increase	Decline	Increase	Increase +	Increase +
Seattle/Tacoma	Stage	Contraction	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	6.6%	10.4%	10.8%	9.6%	8.0%	7.0%
	Rent Momentum*	Increase +	None	None	Increase	Increase +	Increase +
Washington, D.C.	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	12.4%	15.3%	15.2%	13.8%	12.4%	12.0%
	Rent Momentum*	Increase	None	Decline	Increase	Increase +	Increase +

Source: Torto Wheaton and RREEF Research

Property Cycle Monitor: Office

Following its typical behavior in down cycles, distress in the office sector is the most acute of the four property types as office job losses outpace the overall rate of employment declines in the economy. Retracting demand pushed first quarter 2009 availability upward by 80 basis points to 14.7 percent causing contract rates to sink and free rent packages to swell. As a result, effective rents plummeted 9 percent during the first half of 2009, bringing the cumulative decline to 14 percent decline since their peak in mid-2008. While the US downtown vacancy of 11.0 percent remains well below the suburban level of 16.7 percent, both segments ratcheted up by about the same amount during the quarter.

Metros that have been most vulnerable to deteriorating market conditions are those with economies more heavily reliant on the interrelated housing, finance, real estate and constructions sectors, although some metros, such as San Francisco, are seeing large erosions in rents simply because they experienced large gains made during the last recovery cycle.

With net absorption totaling a forecast record negative 120 million square feet during the downturn, vacancy is expected to peak in 2010 at an unprecedented level of 19.2 percent. Further rent declines are in store during this period, with the total peak-to-trough decline in Class A rents expected to be close to 25 percent. Positive net demand will not return until 2011, but will be met by historically low supply deliveries under 10 million square feet that year. A full resurgence in demand is anticipated by 2012 and should pull vacancy down to 13.4 percent by 2013, still above the last low of 12.6 percent. New supply is expected to remain dampened throughout the five-year forecast horizon, as rent levels remain below their last peak. While the financial sector is expected to recover, it will not play as large a role as in the last cycle, with growth in professional and business services acting as a more important driver.

Metros with the highest 2008-2010 rent losses will be those with the largest impacts of the housing and financial sector fallouts, as well as those that saw the greatest rent gains coming into the last peak. In the longer term, traditional CBD markets generally remain the most attractive as the impacts of energy prices related to commuting remain of concern.

U.S. National Office Market Cycle		Forecast Years				
2008		2009	2010	2011	2012	2013
	GRW					GRW
	PGW					
	REC		CON	REC	REC	
	CON					
Office Job Growth	(0.9%)	(5.2%)	0.8%	6.9%	5.2%	2.7%
Net Abs.	23 MSF	(99) MSF	(23) MSF	54 MSF	101 MSF	97 MSF
Supply	81 MSF	64 MSF	20 MSF	7 MSF	8 MSF	27 MSF
% Vacant	13.9%	18.0%	19.1%	17.8%	15.3%	13.3%
Rent Momentum	Decline	Decline	Decline	Increase	Increase+	Increase++

Key: REC = Recovery GRW = Growth PGW = Post-Growth CON = Contraction

Source: Torto Wheaton, IHS Global Insight and RREEF Research

This information is a forecast and due to a variety of uncertainties, and assumptions made in our analysis, actual events or results or the actual performance of the markets covered may differ from those presented.

Factors Shaping the Office Cycle (Time Frame)

Drivers of Recovery

- Financial sector, and professional and business services sector recovery
- Growth in high tech will benefit metros over-weighted in these sectors
- Subdued construction (near-term)

Constraints on Recovery

- Continued office-using job losses (near-term)
- Slow financial sector recovery (mid- to long-term)
- Supply overhangs in some metros (near-term)

Implications: Timing of the Cycle

- Turnaround in housing and financial sector timing
- Negative growth of effective rents for the next 12 months at a national level
- Underutilization of office space could cause lag in absorption

US Office Market Metro Performance 2009-2013

Out-Perform	Average*	Under-Perform
Austin	Chicago	Atlanta
Boston	Denver	Dallas
Los Angeles	Fort Lauderdale	Houston
Orange County	Miami	New Jersey
San Diego	Oakland/East Bay	New York
San Francisco	Seattle	Philadelphia
San Jose		Phoenix
Washington, DC		Sacramento

* Broadly in line with national trends

Source: RREEF Research

			Forecast				
			2009	2010	2011	2012	2013
U.S.	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	14.7%	18.1%	19.2%	17.9%	15.4%	13.4%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase+	Increase++
Atlanta	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	17.8%	22.2%	23.9%	21.9%	17.6%	14.4%
	Rent Momentum*	Decline	Decline	Decline	None	Increase+	Increase++
Austin	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	18.6%	20.5%	19.9%	16.7%	13.0%	10.7%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase++	Increase++
Boston	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	12.3%	15.8%	17.0%	16.3%	12.8%	9.9%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase++	Increase++
Charlotte	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	15.2%	18.8%	23.6%	21.8%	17.7%	14.7%
	Rent Momentum*	Decline	Decline	Decline	None	Increase+	Increase++
Chicago	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	16.4%	19.5%	20.2%	19.2%	17.4%	15.5%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase+	Increase++
Dallas	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	20.1%	23.2%	24.5%	23.5%	22.2%	20.1%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase+	Increase++
Denver	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	17.4%	20.2%	20.8%	19.9%	16.5%	14.0%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase++	Increase++
Fort Lauderdale	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	16.9%	21.8%	21.6%	19.5%	15.6%	13.4%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase++	Increase++
Houston	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	13.8%	16.8%	17.5%	17.3%	15.5%	13.3%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase++	Increase++
Los Angeles	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	13.9%	17.1%	17.8%	15.7%	12.9%	11.0%
	Rent Momentum*	Decline	Decline	Decline	None	Increase++	Increase++
Miami	Stage	Contraction	Contraction	Contraction	Contraction	Recovery	Recovery
	Availability	15.9%	19.9%	24.6%	22.8%	18.8%	15.9%
	Rent Momentum*	Decline	Decline	Decline	None	Increase+	Increase++
Minneapolis	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	16.2%	18.5%	19.2%	18.1%	15.9%	14.2%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase++	Increase++
New Jersey	Stage	Contraction	Contraction	Contraction	Contraction	Recovery	Growth
	Availability	14.1%	18.4%	19.0%	18.4%	16.6%	15.7%
	Rent Momentum*	Decline	Decline	Decline	None	Increase	Increase++
New York	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Availability	7.4%	11.6%	13.6%	12.7%	10.9%	9.8%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase+	Increase+
Oakland/East Bay	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Availability	14.3%	18.2%	18.7%	16.7%	13.8%	12.3%
	Rent Momentum*	Decline	Decline	None	Increase	Increase+	Increase++

			Forecast				
1Q09			2009	2010	2011	2012	2013
U.S.	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	14.7%	18.1%	19.2%	17.9%	15.4%	13.4%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase+	Increase++
Orange County	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Availability	18.1%	20.5%	21.2%	19.1%	15.3%	12.3%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase++	Increase++
Philadelphia	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	13.2%	16.2%	17.3%	15.9%	13.8%	12.6%
	Rent Momentum*	Decline	Decline	Decline	Increase+	Increase+	Increase+
Phoenix	Stage	Contraction	Contraction	Contraction	Contraction	Recovery	Recovery
	Availability	23.0%	28.5%	29.8%	28.8%	25.9%	22.9%
	Rent Momentum*	Decline	Decline	None	None	Increase	Increase
Portland	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	12.9%	15.9%	18.1%	16.9%	14.8%	11.7%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase++	Increase++
Riverside	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Availability	20.3%	26.4%	26.4%	24.7%	20.6%	16.1%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase+	Increase++
Sacramento	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Availability	18.5%	22.2%	23.0%	22.3%	20.3%	18.7%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase+	Increase++
San Diego	Stage	Contraction	Contraction	Contraction	Contraction	Recovery	Growth
	Availability	18.8%	21.1%	21.0%	18.4%	14.8%	12.4%
	Rent Momentum*	Decline	Decline	Decline	None	Increase	Increase+
San Francisco	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	12.0%	14.4%	15.2%	13.8%	10.3%	8.7%
	Rent Momentum*	Decline	Decline	None	None	Increase+	Increase++
San Jose	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	19.4%	23.5%	25.1%	21.4%	17.5%	13.9%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase++	Increase++
Seattle	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	12.7%	17.7%	18.3%	17.4%	14.9%	12.4%
	Rent Momentum*	Decline	Decline	Decline	None	Increase++	Increase++
Washington, DC	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Availability	12.8%	15.6%	15.7%	13.9%	11.6%	10.5%
	Rent Momentum*	Decline	Decline	Decline	Increase	Increase+	Increase++

Sources: CBRE/Torto Wheaton and RREEF Research

Property Cycle Monitor: Retail

Retail markets are undergoing their greatest downturn in over a generation, with vacancy rates for the nation's neighborhood and community shopping centers hitting 9.2 percent and projected to reach 10.4 percent by year end, peaking at 10.9 percent in 2010 – the highest rate in almost 20 years. By some measures, this decline is unprecedented in its speed, scale and breadth. The depth of the turnaround is demonstrated by the sharp drop in occupied space nationally. Net absorption turned negative last year for the first time in the 27 years of data tracked by REIS going back to 1981. In fact, total net absorption had never dipped below a *positive* 11 million square feet. But absorption declined by seven million square feet in 2008 – and even bigger losses are expected this year.

Also unusual is the breadth of the downturn. With the recession hitting all regions of the country to varying degrees, retail centers in virtually every metro is feeling the sting. Thirty-five of the 47 metros analyzed by RREEF have a vacancy rate above its 20-year average and this count should reach 44 metros by the end of this year. Ironically, the speed of the market descent has choked off supply, limiting the rise in vacancies. New supply is projected at only 13.4 million square feet this year, down 30 percent from 2008 and half the 20-year average, while construction will fall another 50 percent in 2010 to under seven million square feet.

Retail spending clearly has been hurt by the housing market downturn, turmoil in the credit markets, the loss of consumer confidence and unemployment. The fate of the retail market over the next few years will depend on when consumer spending recovers. After several years of torrid retail sales growth through mid 2007, sales began declining in 2008 and we do not anticipate a significant pickup in retail sales until 2011. While almost all retailers are hurting, the discounters continue to show relative strength against the weakness of more discretionary spending in apparel and department stores, and now luxury goods. Home-related sales have been especially weak. Sales grew temporarily last spring, bolstered by tax rebates from the stimulus package, but that blip was short-lived. In short, all factors point to continued weakness in retail sales growth and a subsequent slowdown in retail net absorption.

The primary risk to this forecast is continued weakness in the housing market and declining economic conditions. In addition, a shakeout among weaker retailers continues, with more bankruptcies, store closings, and reduced planned store openings, creating a weaker leasing environment overall. Weakness in both consumer and capital markets could continue this trend, postponed prospects for recovery in the retail sector, and reduced opportunities in the longer-term.

Virtually all markets have seen at least a moderate decline in forecast over the past six months. The strongest markets remain in the Pacific Northwest (Seattle and Portland) and select global markets and tech (San Francisco Bay Area and Washington, DC).

Over the five-year forecast period, RREEF Research forecasts a muted recovery for retail. With a forecast economic recovery based more on business than the overstretched consumer, demand for additional retail space will be muted. A significant amount of retail space is likely to be demolished or converted to other uses, as poorly tenanted properties fail. Nevertheless, with retailers likely to be pushing restrained additional supply, the retail market should largely recover over the five year forecast period.

U.S. National Retail Market Cycle		Forecast Years				
2008		2009	2010	2011	2012	2013
GRW	PGW					
REC	CON		CON			
Retail Sales	(0.7%)	(7.1%)	3.8%	5.9%	5.5%	4.0%
Net Abs.	(7) MSF	(15) MSF	(5) MSF	(1) MSF	23 MSF	29 MSF
Supply	19 MSF	15 MSF	12 MSF	14 MSF	15 MSF	18 MSF
% Vacant	8.7%	10.4%	11.4%	12.2%	11.6%	10.8%
Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase

Key: REC = Recovery GRW = Growth PGW = Post-Growth CON = Contraction
Source: REIS, IHS Global Insight, and RREEF Research

This information is a forecast and due to a variety of uncertainties, and assumptions made in our analysis, actual events or results or the actual performance of the markets covered may differ from those presented.

Factors Shaping the Retail Cycle

Drivers of Recovery (eventual)

- Job growth
- Household and income growth
- More restrained product deliveries

Constraints on Recovery (ongoing)

- Slowing/falling consumer spending growth
- Home price depreciation
- Reduced consumer and mortgage credit
- Unemployment, strained household budgets,
- Higher prices for oil and natural gas)
- Rising retailer bankruptcies and reduced planned store openings

Implications: Timing of the Cycle

- Retail sector is quite weak
- Virtually all markets are retracting

**US Retail Market
Metro Performance 2009**

Out-Perform	Average*	Under-Perform
Long Island	Austin	Atlanta
Los Angeles	Boston	Chicago
Miami	Charlotte	Dallas
N New Jersey	Denver	Fort Worth
Orange County	Ft. Lauderdale	Houston
San Francisco	Orlando	Minneapolis
San Diego	Philadelphia	Sacramento
San Jose	Phoenix	San Antonio
Seattle	Portland	St. Louis
Washington, DC	West Palm Beach	Tampa

* Broadly in line with national trends

Source: RREEF Research

U.S. Property Cycle Monitor
Retail - Relative to 20-Yr average

August 2009

			Forecast				
		1Q09	2009	2010	2011	2012	2013
U.S.	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	9.2%	10.4%	10.9%	10.5%	9.8%	9.1%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase
Atlanta	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	11.6%	13.1%	13.9%	13.8%	12.9%	10.6%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase
Austin	Stage	Post-Growth	Contraction	Contraction	Growth	Growth	Growth
	Vacancy	9.3%	10.7%	10.9%	9.9%	9.0%	7.9%
	Rent Momentum	None	Decline	Decline	Increase +	Increase +	Increase +
Baltimore	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	6.0%	7.0%	7.5%	6.9%	6.1%	5.5%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase +
Boston	Stage	Post-Growth	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	5.5%	6.4%	6.8%	6.7%	6.0%	5.5%
	Rent Momentum	None	Decline	Decline	Increase	Increase	Increase
Charlotte	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	9.7%	10.6%	10.8%	10.0%	9.3%	8.5%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase +
Chicago	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	10.7%	12.0%	12.8%	12.7%	12.2%	11.6%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase
Dallas	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	12.8%	14.5%	14.8%	14.3%	13.7%	13.3%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase
Denver	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	11.1%	11.4%	11.8%	11.3%	10.7%	9.8%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase
Ft. Lauderdale	Stage	Post-Growth	Contraction	Recovery	Growth	Growth	Growth
	Vacancy	9.2%	10.2%	9.9%	9.5%	9.0%	8.5%
	Rent Momentum	None	Decline	Increase	Increase +	Increase +	Increase +
Fort Worth	Stage	Post-Growth	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	12.5%	13.7%	14.1%	13.8%	13.2%	12.3%
	Rent Momentum	None	Decline	Decline	Increase	Increase	Increase +
Houston	Stage	Post-Growth	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	13.5%	14.6%	14.9%	14.5%	13.9%	13.2%
	Rent Momentum	None	Decline	Decline	Increase	Increase	Increase +
Long Island	Stage	Post-Growth	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	4.9%	5.6%	6.2%	5.8%	5.0%	4.6%
	Rent Momentum	None	Decline	Decline	Increase	Increase +	Increase +
Los Angeles	Stage	Contraction	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	5.0%	5.6%	5.8%	5.1%	4.7%	4.4%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase +	Increase +
Miami	Stage	Contraction	Contraction	Recovery	Recovery	Growth	Growth
	Vacancy	6.5%	7.7%	7.5%	6.9%	6.0%	5.3%
	Rent Momentum	Decline	Decline	Increase	Increase	Increase +	Increase +
Milwaukee	Stage	Contraction	Contraction	Contraction	Contraction	Recovery	Recovery
	Vacancy	9.3%	11.5%	13.4%	13.6%	12.8%	12.1%
	Rent Momentum	Decline	Decline	Decline	Decline	Increase	Increase
Minneapolis	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	10.4%	12.1%	13.4%	12.9%	12.3%	11.6%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase
N. New Jersey	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	4.7%	5.6%	6.0%	5.3%	4.7%	4.2%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase +	Increase +
Oakland/East Bay	Stage	Post-Growth	Contraction	Recovery	Growth	Growth	Growth
	Vacancy	5.4%	6.4%	6.3%	5.5%	4.9%	4.3%
	Rent Momentum	None	Decline	Increase	Increase +	Increase +	Increase +

U.S. Property Cycle Monitor
Retail - Relative to 20-Yr average

August 2009

			Forecast				
1Q09			2009	2010	2011	2012	2013
U.S.	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	9.2%	10.4%	10.9%	10.5%	9.8%	9.1%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase
Orange County	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	5.2%	6.0%	6.2%	5.8%	5.3%	4.9%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase
Orlando	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	10.6%	11.0%	11.4%	10.8%	10.1%	9.5%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase
Philadelphia	Stage	Post-Growth	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	7.2%	8.0%	8.8%	8.4%	7.9%	7.5%
	Rent Momentum	None	Decline	Decline	Increase	Increase	Increase
Phoenix	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	8.8%	10.0%	10.2%	9.8%	9.3%	8.7%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase +
Portland	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	7.0%	8.2%	8.8%	8.3%	7.9%	7.4%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase
St. Louis	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	11.3%	13.7%	14.5%	14.3%	13.6%	12.6%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase
San Antonio	Stage	Post-Growth	Post-Growth	Post-Growth	Growth	Growth	Growth
	Vacancy	11.1%	12.4%	12.7%	12.3%	11.6%	10.6%
	Rent Momentum	None	None	None	Increase	Increase	Increase +
San Diego	Stage	Contraction	Contraction	Recovery	Recovery	Recovery	Growth
	Vacancy	5.9%	6.4%	6.1%	5.7%	5.3%	4.8%
	Rent Momentum	Decline	Decline	Increase	Increase	Increase	Increase +
San Francisco	Stage	Post-Growth	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	3.7%	4.8%	5.0%	4.5%	4.2%	4.1%
	Rent Momentum	None	Decline	Decline	Increase	Increase	Increase
San Jose	Stage	Post-Growth	Contraction	Contraction	Recovery	Recovery	Growth
	Vacancy	3.7%	4.9%	5.0%	4.7%	4.4%	4.0%
	Rent Momentum	None	Decline	Decline	Increase	Increase	Increase +
Seattle	Stage	Contraction	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	5.6%	6.3%	6.6%	5.9%	4.8%	4.2%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase +	Increase +
Tampa-St. Petersburg	Stage	Contraction	Contraction	Contraction	Recovery	Recovery	Recovery
	Vacancy	9.9%	11.3%	11.7%	11.4%	10.8%	10.1%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase	Increase
Washington, D.C.	Stage	Contraction	Contraction	Contraction	Recovery	Growth	Growth
	Vacancy	5.5%	5.9%	6.1%	5.6%	4.8%	4.2%
	Rent Momentum	Decline	Decline	Decline	Increase	Increase +	Increase +
West Palm Beach	Stage	Contraction	Contraction	Recovery	Recovery	Recovery	Growth
	Vacancy	10.2%	11.5%	11.0%	10.3%	9.2%	8.1%
	Rent Momentum	Decline	Decline	Increase	Increase	Increase	Increase +

Sources: REIS and RREEF Research

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