2010 Forecast Report

GRUBB & ELLIS
From Insight to Results

LAS VEGAS

Office

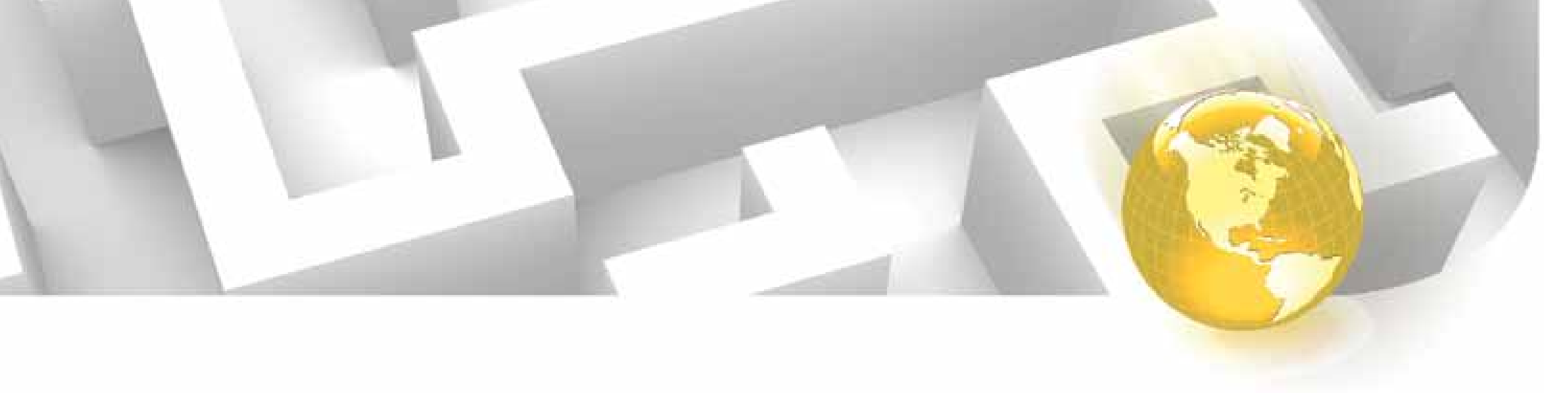
Industrial

Retail

Investment

Multi Housing

Land



Las Vegas

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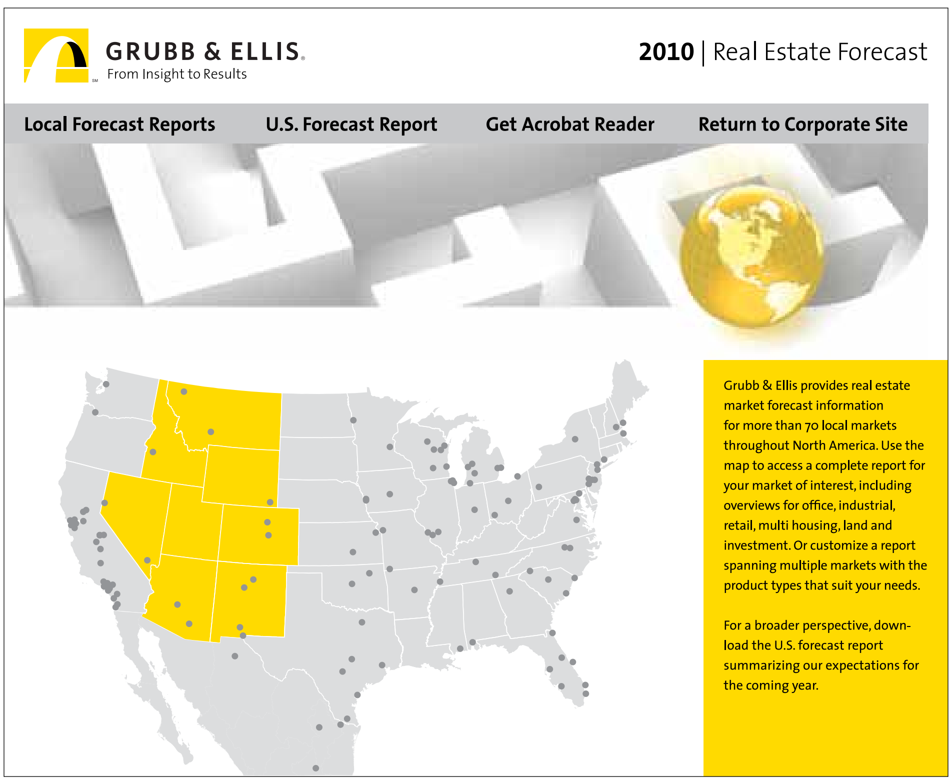

Please contact your local Grubb & Ellis office for further information about this local market forecast or see the list of contributors.

 Note: Year-end 2009 numbers include estimates for the fourth quarter that were derived in November. Final published numbers may vary slightly. Totals may not add precisely due to rounding.

GRUBB & ELLIS.
From Insight to Results

While everyone likes a challenge, in 2009 our industry has had more than its fair share of obstacles to maneuver. The U.S. and global economic conditions have not made it easy for anyone in the commercial real estate arena. Occupier demand plunged in all categories of commercial real estate last year. The fact that construction levels were moderate leading into the recession, while a mitigating factor, has not been enough to protect the industry from rising vacancy rates and falling rental rates that rival the deep cycle of the early 1990s.

Unlike that earlier cycle, commercial real estate was not a primary cause of the current downturn. Rather, it was the reckless use of credit, starting with subprime residential loans and spreading throughout the financial system and across the globe. Commercial real estate, whose value depends on leverage, was swept up in the credit bubble and the ensuing crash.

In the past few months, with the credit markets stabilizing, commercial real estate has developed a somewhat unfair reputation as "the next shoe to drop." No doubt there is pain ahead, as losses are realized and the industry is recapitalized at lower values, but this transition is highly unlikely to repeat the disruption caused by the housing crisis for reasons we discuss in our analysis. The re-pricing of assets is generating opportunities unseen since the early 1990s, notably for tenants and investors with cash.

The economy is improving thanks in part to quick actions by governments around the world. Recovery will be slow, however, particularly in the labor market. Because tenant demand for commercial real estate derives from job growth, the leasing market will struggle in 2010. Tenants will have the upper hand in negotiations with landlords, resulting in flexible leases and hefty incentive packages. A shortage of debt capital will continue to affect the investment market, but there is a growing pool of equity capital forming to acquire property assets at bargain prices.

While we expect real estate sales to pick up during the year, banks have delayed selling their REO properties in order to protect their capital reserves. As a result, distressed assets will likely come to market over the next two, three or even four years. CMBS will provide opportunities for investors to acquire distressed debt in 2010, but the structure of the original agreements often makes the process more arduous than buying a property or a whole loan from a bank.

As we work through this maze together, we are focused on offering solutions that ensure each of our client's real estate is being optimally utilized regardless of market conditions. Our 2010 forecast may encourage you to re-evaluate your real estate investment strategy, consider a new market for doing business or investigate alternative space options. We're ready to discuss your needs at any time and are committed to delivering integrated real estate solutions that meet your business objectives. We'll help you uncover opportunities that exist today – and together prepare for the future.

Sincerely,

Jack Van Berkel
President, Real Estate Services

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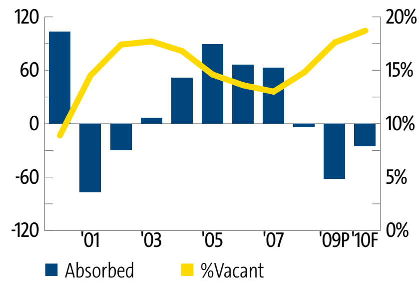
National **Overview**

GRUBB & ELLIS
From Insight to Results

U.S. Office Vacancy and Absorption

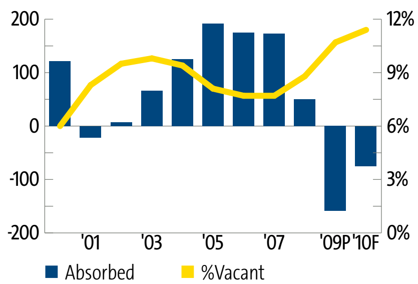
Year-End (in Millions of SF)



Source: Grubb & Ellis

U.S. Industrial Vacancy and Absorption

Year-End (in Millions of SF)



Source: Grubb & Ellis

Office and Industrial Review and Forecast

Year-End

Office Market	2009 Actual	2010 Forecast
Vacancy rate	17.6%	18.7%
Class A rental rate [1]	$30.81	$29.27
Class B rental rate [1]	$22.93	$22.01
Net absorption	–62M SF	–25M SF
Space completed	49M SF	25M SF
Industrial Market		
Vacancy rate	10.7%	11.4%
Warehouse/dist. rental rate [2]	$4.26	$4.04
General industrial rental rate [2]	$5.26	$5.15
R&D/flex rental rate [2]	$9.32	$8.86
Net absorption	–158M SF	–75M SF
Space completed	60M SF	15M SF

[1] Asking rate per square foot per year full service
[2] Asking rate per square foot per year triple net

2009: Averting Disaster

The Great Recession, the worst downturn since the Great Depression, most likely passed into history last fall. From its beginning in December 2007 through October 2009, the recession destroyed 7.3 million payroll jobs, but that estimate will be revised upward by approximately 824,000 in February when the Bureau of Labor Statistics benchmarks its data to state unemployment insurance tax records, as it does annually. With further losses anticipated through 2010, the final damage could approach 9 million jobs eliminated, or about 6 to 7 percent of total employment. That would make this labor market downturn worse than all 10 of the other post-World War II recessions, more than double the average employment loss of 2.7 percent.

The recession pushed vacancy rates higher, rental rates lower, absorption into the red and construction starts toward zero across all product types. Retailers downsized or postponed expansion plans, slicing demand for retail and industrial space. Falling global trade hurt demand for industrial space, particularly in import-dependent markets. Job losses in the financial services and professional and business services sectors pushed office absorption deep into the red. Even the unflappable apartment market was hurt when new graduates couldn't find work and young adults were laid off. The only subsector showing some resilience was medical office and healthcare properties. Conditions were even worse in the investment market where transaction volume slowed to subsistence levels. The average commercial property sales price, based on repeat sales (however few), fell approximately 40 percent from its 2007 peak.

It could have been worse, perhaps much worse. "Depression 2.0," a contemporary version of what the world endured in the 1930s, was on the table from late 2008 through early 2009. Although reasonable people may disagree, it appears that the epic rescue measures undertaken by the government – two stimulus packages, TARP and a host of lending programs at the Federal Reserve – helped pull the global economy back from the brink.

2010: The Aftermath

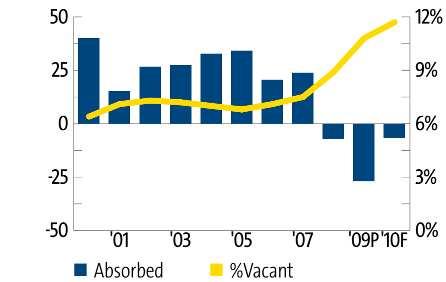
As the recession ebbs, discussion has turned to the shape of the recovery, with letters of the alphabet being the most popular descriptors. The possibilities are framed by the optimistic scenario of a brisk rebound (a "V") and the pessimistic scenario of a double-dip recession or zero growth following a stimulus-fueled bounce (a "W"). In between are weak but sustainable recoveries of varying lengths – a "U" depicting a jobless period of moderate length, and an "L" where the weakness lasts longer, perhaps much longer as occurred in Japan during the 1990s.

We believe a U-shaped recovery is most likely, with the labor market bottoming in the second half of 2010 and sustained job growth returning in 2011. The labor market is unlikely to recoup the 8 to 9 million lost jobs until 2014 or 2015. Inflation will not be an issue in 2010 but could become a problem down the road unless the government takes steps to control its debt. A little inflation could burnish real estate's long-dormant reputation as an inflation hedge.

National **Overview**

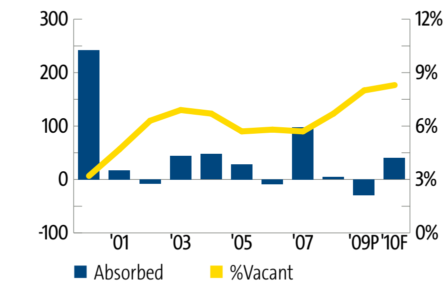
continued

U.S. Retail Vacancy and Absorption
Year-End (in Millions of SF)



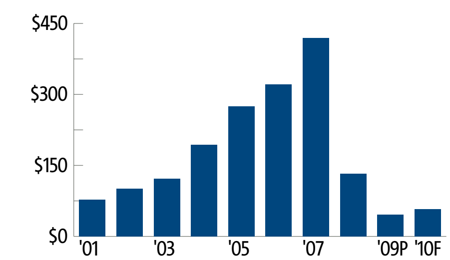
Source: Reis, Grubb & Ellis

U.S. Apartment Vacancy and Absorption
Year-End (in Thousands of Units)



Source: Reis, Grubb & Ellis

U.S. Commercial Property Sales
In Billions



Source: Real Capital Analytics, Grubb & Ellis

Expect the four core property types to recover in the following sequence:

1. **Multi Housing:** Early in the downturn, apartments benefited from the stream of foreclosed homeowners seeking a place to live. But the growing wave of foreclosures increased the supply of shadow units – unsold condominiums and houses being offered for rent. Job growth is required for a robust recovery. Longer term, apartments will benefit from the return of homeownership rates to pre-bubble levels (if not below) and growth of the 20 to 29 age cohort as the boomers' kids move out on their own.
2. **Industrial:** The recession dealt a blow to the drivers of demand for industrial space – retail sales, logistics, global trade and manufacturing. Expect leasing market conditions to bottom out by year-end as these drivers register modest rebounds.
3. **Retail:** The crystal ball is cloudiest for this property category. Was this recession just another cyclical downturn, or are there secular forces at work that will permanently alter tenant demand for retail space? Bubble-era spending, inflated by unsustainable housing prices and a flood of credit, will not return, and the savings rate will keep rising. These changes may be part of the wallpaper in a couple of years – that is, part of the new normal operating environment for retailers and their customers.
4. **Office:** The shadow space inventory may be higher in this downturn because job layoffs, implemented so swiftly following "Lehman Brothers weekend," have outrun tenants' ability to shed unneeded space. Expect the vacancy rate to peak in the first half of 2011 and rents to bottom in the second half of 2011 followed by a multi-year return to equilibrium. Vacancy is likely to set a modern-day record by the end of 2010.

In the investment arena, we anticipate transactions to increase 20 to 30 percent in 2010 compared with last year's artificially low levels. This is likely to be the start of a multi-year recapitalization process for commercial real estate where banks, CMBS servicers and other lenders finally write down and sell a steady river of distressed assets. Prices, already down 40 percent from their peaks, may decline another 10 percent as buyers finally get in the game. Anecdotes suggest that capitalization rates for apartment and medical office properties actually fell slightly late in 2009 as credit market panic abated, so prices may be finding a floor.

Las Vegas
Office

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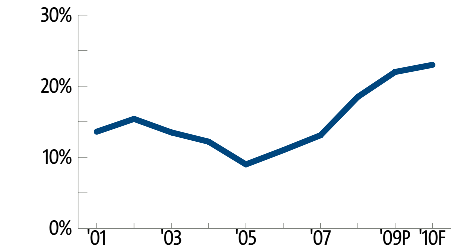
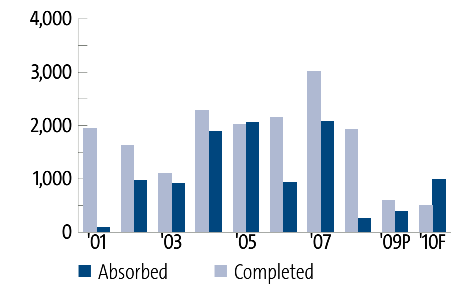
Vacancy Rate
Year-End



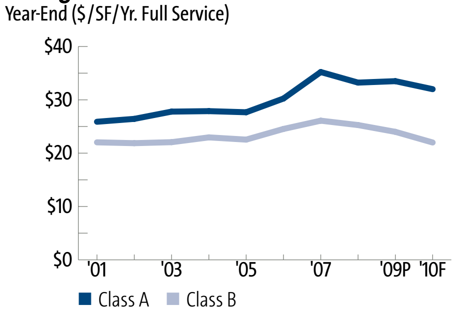
Source: Grubb & Ellis|Las Vegas

Completions vs. Absorption
Year-End (in Thousands of SF)



Source: Grubb & Ellis|Las Vegas

Asking Rental Rates
Year-End ($/SF/Yr. Full Service)



Source: Grubb & Ellis|Las Vegas

By comparison, activity in 2010 is expected to be similar to 2009.

The Las Vegas market dynamic has been greatly affected in recent years by a rising unemployment rate, a significant decline in tourism and convention attendance, and a large amount of canceled or delayed commercial projects. Development of new office product has almost come to a standstill and vacancy continues to rise due to companies downsizing, closing other locations or going out of business altogether. Bank-owned properties are on the rise and are expected to continue to increase in the year ahead. However, not all aspects of the real estate market are negative.

Opportunities for tenants continue to be abundant. Concessions, such as several months of free rent, large tenant improvement allowances and assistance with moving costs remain popular efforts aimed at attracting new tenants. In the latter part of 2009, it became more common for existing tenants to negotiate with landlords and renew their leases, instead of relocating to a building that may have offered more enticing incentives. In some cases, tenants have been known to renew their leases one or two years in advanced of their existing lease expiration date in order to obtain the lower rates that are available in the current market. Those tenants who were able to renegotiate a lower lease rate on a renewal have put themselves in a better position to reduce their overall operating expenses. This trend is likely to continue in 2010.

Leasing activity of medical office space has outperformed professional office space and is expected to do well in the year ahead. Even with a downturn in the economy, the demand for health care remains. Although vacancy in the medical office market has not increased as dramatically as professional office space, many doctors who are uncertain of the details surrounding the national healthcare reform, have been requesting short-term lease renewals so they can adjust their plans once future economic trends become clearer.

Office leasing and sales activity in 2010 is expected to mirror that of 2009. Until existing product is absorbed and vacancy starts to decline, there will be little demand for new development. Landlords will continue to offer the lowest lease rates possible in order to compete with each other. Many market observers are optimistic that the few development projects currently underway, such as CityCenter, will provide additional job opportunities and help push the commercial market towards recovery.

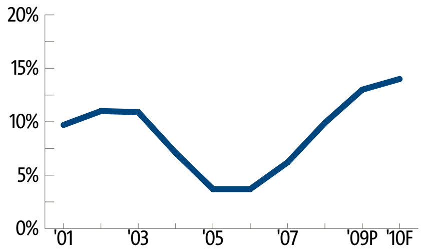
Key Leasing Transactions
2009

Lessee	Lessor	Property	Submarket	Size (SF)
Telus Enterprise Solutions	HCA Realty	2251 Decatur	Southwest	104,320
Clark County	Greystone Office Pk	Greystone	Central East	103,308
Clark County	MLK Holdings	121 Martin Luther King	Central East	63,365
Lewis & Roca	Crescent	Hughes Center	Central East	33,338
State of Nevada	Wazir Enterprises	Pecos Square II	Central East	29,282

Source: In Business Las Vegas

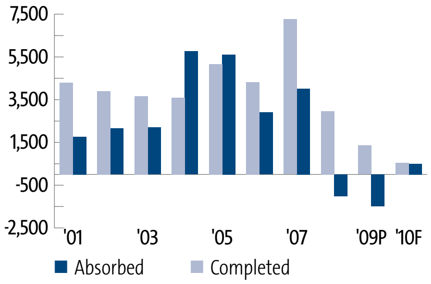
Las Vegas Industrial

Vacancy Rate
All Product Types, Year-End



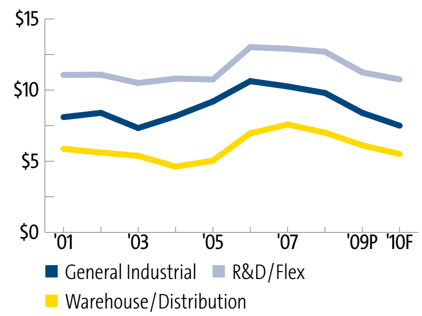
Source: Grubb & Ellis|Las Vegas

Completions vs. Absorption
Year-End (in Thousands of SF)



Source: Grubb & Ellis|Las Vegas

Asking Rental Rates
Year End ($/SF/Yr. Triple Net)



Source: Grubb & Ellis|Las Vegas

While there are opportunities for tenants to relocate at more affordable rates, many are using those opportunities as leverage to negotiate with existing landlords and renew their lease.

The economic downturn in 2008 and 2009 brought many opportunities for tenants across all subtypes and submarkets in Las Vegas. Desperate landlords continued to offer several months of free rent, generous tenant improvement allowances, and reduced lease rates in order to compete with other landlords. Towards the end of 2009, the consistent increase of vacancy in the industrial market has pushed landlords to reevaluate their marketing strategies. Many have begun to treat existing tenants like new tenants, offering them free rent and introductory lease rates for a committed renewal. The market has become lease rate driven and rates are expected to continue to drop in 2010.

While there are numerous opportunities for tenants to relocate at more affordable rates, many are using those opportunities as leverage to negotiate with their existing landlords and renew for one to three years. With a rise in commercial foreclosures in 2009 and a likely increase in 2010, it has not been unusual for tenants to research their landlord's financials before renewing or relocating. The concern over the financial stability of landlords is especially important to larger institutional tenants.

In 2010, bank-owned properties will offer some of the best deals available. Many banks are working with brokers to market their properties at rock bottom prices. The sooner the banks can sell or lease some of these buildings and generate revenue from them, the quicker the market will be able to recover. Even though these bank-owned property transactions will drive down property values, there will be opportunities for tenants and buyers, who may not be able to afford other buildings on the market, to add value to these properties once again.

Many economists have speculated that the national economy hit bottom in the third quarter of 2009 and expect it to slowly recover over the next few years. In the past, Las Vegas has been highly recession resistant and rebounded quickly from previous economic cycles. However, with a historically high unemployment rate, lackluster tourism and convention activity and numerous hotel/casino projects canceled or delayed, Las Vegas has been dramatically impacted by this recession. In the year ahead, activity in the industrial market is likely to remain relatively flat. Existing product is expected to see moderate amounts of absorption, while spectacular deals will be easy to come by and tenants continue to reap the benefits of the downturn in the economy.

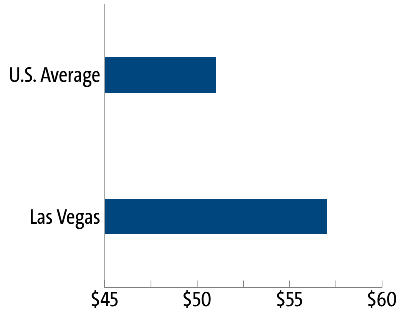
Key Leasing Transactions
2009

Lessee	Lessor	Property	Submarket	Size (SF)
Greatwide Distribution	Natomas Creek	Magnum Distribution Center	North Las Vegas	189,000
Priority Plastics	Paskin Properties	1840 Aerojet Way	North Las Vegas	102,948
Ocean Spray	Blevans Industrial	Traverse Point	Henderson	76,614
Ace World Wide Moving	ProLogis	ProLogis Park North	North Las Vegas	58,240
Flagstone Logistics	Operating Engineers	Golden Triangle Industrial Park	North Las Vegas	48,300

Source: In Business Las Vegas

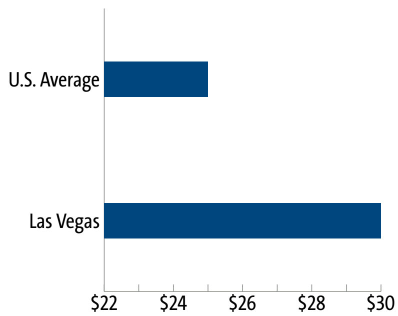
Las Vegas
Retail

Median Household Income
2009 (in Thousands)



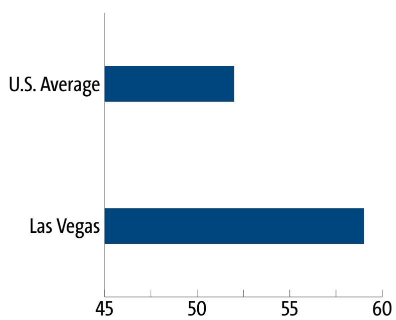
Source: Claritas

Typical Rent
In-line Shop Space, 2009 ($/SF/Yr. Triple Net)



Source: Grubb & Ellis|Las Vegas, Claritas

Retail Square Feet Per Capita
2009



Source: CoStar, Claritas, Grubb & Ellis|Las Vegas

Tenants Expanding or Downsizing
2010

Expanding or New to the Market	Downsizing
Kohls	Mervyns
	Blockbuster
	Starbucks
	Dunkin Donuts
	Circuit City

Source: Grubb & Ellis|Las Vegas

The name of the game is renegotiation.

At the end of 2008, the overall feeling of the Las Vegas commercial real estate market was that of delayed optimism. Many tenants and landlords felt that the first half of 2009 would elicit a "wait and see" attitude and the end of the year would yield some form of recovery. Unfortunately, that was not the case. Many retail centers, scheduled for completion in 2009, never broke ground. Numerous planned projects have been put on hold until the market shows signs of improvement. Retail vacancies have continued to soar into double-digits and lease rates have fallen further than speculated. Throughout 2009, landlords have desperately competed with each other in order to promote the best deals possible and, as a result, opened up a world of opportunities for eager tenants who were able to reap the benefits of the market downturn.

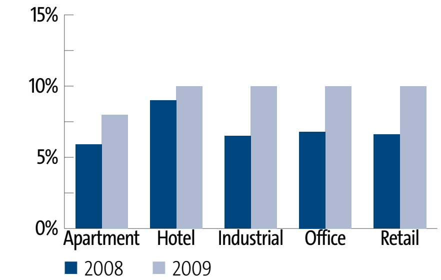
The wait-and-see attitude of 2009 has now carried over into 2010. While the battle to attract new tenants continues, the trend amongst recent deals has favored renewals. Those quality tenants who have made their payments on time and have, thus far, been able to weather the economic storm are in a better position to negotiate rent modifications with their landlords and renew their leases for another one to three years. Some landlords have even gone a step further by putting stipulations in the lease giving tenants more options to opt out in the future if the center's vacancy increases above a certain point or the anchor tenant leaves. Other landlords have offered to sign a contingency lease, even though the tenant may not be able to move in for several months, in order to lock them into the space. These are just a few examples of the creative ways landlords and tenants are dealing with the current economic environment.

Towards the end of 2009, Kohl's department store opened three new locations in Las Vegas, all of which were located in former Mervyn's space. This was a fairly bold move given the lackluster economic conditions and resulted in the creation of almost 500 jobs, and proved that at least one business is confident about the future of the Las Vegas retail market. Opportunities like this will continue be available in the year ahead for those companies with the ability to take advantage of the current deals being offered.

Forward momentum in the Las Vegas retail market has slowed quite a bit in recent years; however, it has not stopped entirely. The number of store openings has been less than what it used to be, but deals are still getting done. Landlords are taking steps to keep vacancy low, steps they would have never been considered before. Tenants have plenty of options for new space to consider and opportunities to renew in their existing space, resulting in their spending more time in the evaluation and decision making process than in the past. Care and hope will epitomize the actions of market participants in the year ahead. Care in making the right decisions for the immediate future and hope that the years ahead will show significant signs of improvement.

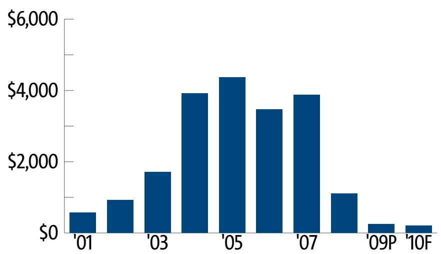
Las Vegas
Investment

Average Capitalization Rate
Closed Sales



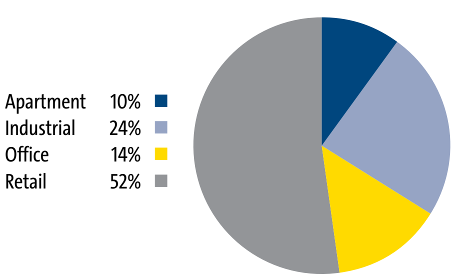
Source: Real Capital Analytics, Grubb & Ellis|Las Vegas

Property Sales Volume
(in Millions)



Source: Real Capital Analytics, Grubb & Ellis|Las Vegas

Sales by Property Type
2009



Source: Real Capital Analytics

The wait and see attitude of 2009 will carry forward into 2010. Those investors who can still manage to close a sale in this challenging market are likely to see a profit in the near future.

The condition of the Las Vegas market in recent years has left many investors hesitant to put their money into commercial product. All property types experienced a rise in vacancy in 2009, effectively lowering their investment value. Lenders continue to require as much as 30 to 50 percent down, with interest rates ranging from 7 to 8 percent and tend only to provide financing for first-class properties.

Towards the end of 2009, the velocity of foreclosures started to increase and is expected to rise dramatically in 2010. In the year ahead, those investors who have cash are in a better position to obtain distressed properties with the potential of increasing their value in the near-term. Properties with limited cash flow and low occupancy will yield the highest potential for investment, allowing an investor to purchase a property at a low price and offer competitive lease rates to attract new tenants, thereby enabling the property to appreciate over time. The increased amount of foreclosures in Las Vegas has investors calling banks on a daily basis. Due to the sheer volume of calls, these banks are, in turn, contacting real estate brokers for assistance with the transactions. This trend picked up substantially towards the end of 2009 and is likely to continue in 2010.

It has become difficult to assess the true value of commercial property due to the lack of sales transactions, the number of special or unique deals that have taken place, and the overall devaluation of real estate during the downturn in the economy. With little demand for space, falling property values and a drop in the amount of income produced by a shrinking tenant base, it will not be surprising if cap rates hit 10 percent in the first quarter of 2010.

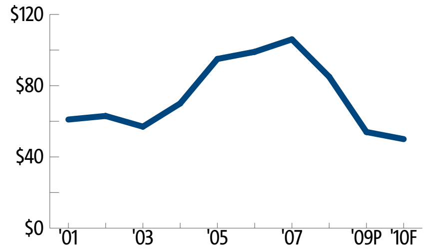
As long as vacancies remain high and banks continue to make it difficult to obtain financing, investor activity will remain slow. Many investors are still waiting for the market to hit bottom before committing to an investment, while others feel that now is the time to buy. Lease-to-own and seller financing options have been popular in 2009 and have allowed some owner/users to get into a space while the market is vulnerable, with the intention of purchasing the space at the end of their lease term. The wait and see attitude of 2009 will carry forward into 2010. Those investors who can still manage to close a sale in this challenging market are likely to see a profit in the near future.

Key Investment Transactions
2009

Buyer	Seller	Property	Property Type	Size (SF)	Sale Price (millions)
CVK, LLC	Pebble Place	Pebble Place	Office	51,878	$15.0
EastGroup Properties	MDN/JSC-II	5530 & 5580 Arville	Industrial	142,430	$11.1
Bixby Land Company	CIC Development	Cheyenne Industrial Center	Industrial	130,000	$8.75
RiverCity Petroleum	Surrey/Pama	6760 Surrey Street	Office	18,397	$5.75
Vegas Walgreens, LLC	RPM Las Vegas	Walgreens	Retail	14,820	$5.41

Source: CoStar

Average Sales Price Per Unit*
Year-End (In Thousands)



*Over 50 Units
Source: Real Capital Analytics, Grubb & Ellis|Las Vegas

As lenders take back more apartment buildings, there will be tremendous opportunities in the year ahead.

For the past two years, apartment transactions in Las Vegas have slowed almost to a halt. The average net operating income of apartments has steadily dropped. Average rental rates per unit have declined 20 to 30 percent and concessions are commonly between 6 and 8 percent of the scheduled gross income. Vacancy towards the end of 2009 averaged between 10 percent in Class A apartments to over 20 percent in Class C apartments. As these trends became common, more owners were unable to meet their current debt service demands.

Newly decreased net operating incomes have frequently made property values worth less than their underlying debt. This has been especially prevalent among those properties purchased since 2006. When an owner/borrower no longer has any equity in the property, is incapable of servicing the debt, or is incapable of refinancing, the property becomes a troubled asset and is appointed into receivership or foreclosed upon. In the last half of 2009, lenders typically foreclosed on properties and put them back on the market for sale with their original financing in place as an assumable loan.

As lenders take back more properties, there will be tremendous opportunities in the year ahead. Cap rate analysis is a common approach used for determining the value of an apartment property. In recent years, a building would sell at a low cap rate due to the expectation of future rent growth or condo conversion. In 2009, that same analysis resulted in a potential purchase price so low that investors often would ignore the cap rate and chose to buy on a "per pound" basis, which is more reflective of the actual replacement cost of the project. It is likely that many buyers will continue to value buildings using the price per unit, rather than the assumed cap rate, as it has become a more realistic means of determining value given the current market conditions.

The main challenge in 2010 will be obtaining financing. Since Nevada has so many foreclosures, the highest in the nation, obtaining a FNMA or Freddie Mac loan is more difficult. In the third quarter of 2009, most underwriters requested three months of stable occupancy of at least 90 percent. Typically, the deals that have been getting done have had some form of lender provided financing. Consequently, it has become more sensible to modify and assume an existing loan than shop around for a new one. Creative negotiations between potential buyers and existing lenders will be necessary for a substantial amount of transactions to close in the year ahead.

Key Investment Transactions
2009

Buyer	Seller	Property Name	Units	Sale Price (millions)
Leo Zuckerman	RW Selby	Summerlin Entrada	352	$15.6
Goodrich Capital	Sunvest Communities	Pinehurst	193	$12.3
Undisclosed	Undisclosed	Desert Sky	170	$17.5
BPL Management	Philip Donia	Wood Creek Villas	75	$7.5

Source: Pierce-Eislen, Inc.

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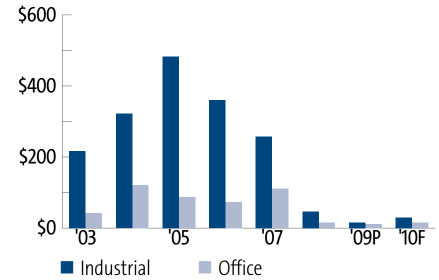
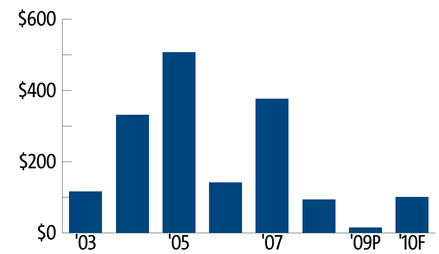
Land Sales Volume
Industrial and Office (In Millions)



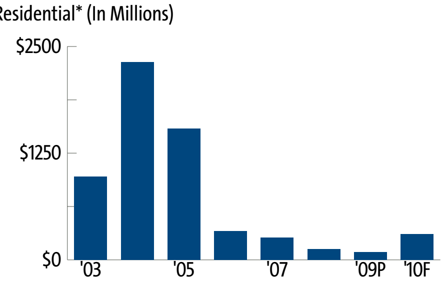
Source: CoStar, Grubb & Ellis|Las Vegas

Land Sales Volume
Retail (In Millions)



Source: CoStar, Grubb & Ellis|Las Vegas

Land Sales Volume
Residential* (In Millions)



**Includes single-family, multi housing and finished lots*
Source: CoStar, Grubb & Ellis|Las Vegas

Banks are the new land sellers. 2010 will be the year of opportunity for buyers to strike deals with banks for attractive pricing.

In 2009, most of the completed land transactions were either foreclosures or unique deals. Few standard, arm's-length deals closed. In some cases, appraisals were created using comparables that were based on atypical deals, foreclosures or seller financing. In other words, estimated land values were heavily skewed based on recorded transactions that did not reflect a traditional deal and consequently, it will be difficult to assess true land value going forward.

Nonperforming loans on retail, office and industrial space will create opportunities to purchase completed or partially completed buildings in 2010 at pricing that is less than the replacement cost of the building. These reduced prices will shift the value of commercial land essentially into the negative, as occurred with finished lots that sold in 2008 and at the beginning of 2009. As commercial building vacancies increase, land will become more marketable, especially as creative financing relationships are formed and land-uses are modified to accommodate current market demand.

Pricing of commercial land in 2010 is expected to follow the historical trends for residential land that began in late 2006. Two years ago, residential finished lots could be purchased for less than the development cost of the lot. Towards the end of 2009, finished lot transactions were closing at a price that exceeded the development cost. In other words, residential land regained positive value after only few years.

Land investments in Las Vegas have traditionally produced lucrative results. However, due to the inflated market prices that existed from 2004 to 2006, some buyers have not been able to make payments during the recession. This has forced lenders to foreclose or consider selling the property note at a significant discount from the original loan amount. While this is obviously an unappealing prospect for current lenders and borrowers, new entrants into the market will, consequently, find plenty of opportunities to buy land with attractive pricing.

There is a finite amount of available, commercially zoned land in Las Vegas, and the supply is shrinking. Pricing on the remaining land has become attractive enough to catch the attention of investors currently seeking secure, long-term investments. Many opportunities exist to purchase valuable land at a considerable discount for future development a few years down the road

Company Profile

GRUBB & ELLIS®
From Insight to Results℠

Transaction Services

- Agency leasing
- Tenant representation
- Consulting services
- Valuation consulting
- Retail services
- Institutional investment services
- Private capital investment services
- Site selection

Management Services

- Property management
- Facility management
- Asset management
- Business and fulfillment services
- Consulting services
- Project/construction management
- Engineering services

Overview

Headquartered in Santa Ana, Calif., Grubb & Ellis Company (NYSE: GBE) was founded in 1958. Over the last half century, the company has grown from a single office in San Francisco into one of the largest and most respected commercial real estate services and investment firms in the world. Its 6,400 professionals in approximately 130 company-owned and affiliate offices draw from a unique platform of real estate services, investment products and specialty practice groups to deliver integrated solutions to real estate owners, tenants and investors. The solutions Grubb & Ellis delivers to its clients are supported by proprietary market research and extensive local expertise.

From Fortune 500 multinational companies, institutional investors and government agencies to small and mid-sized businesses and individual investors, clients look to Grubb & Ellis for real estate solutions that meet their business objectives. Whether it is selecting a location to do business, improving a property or portfolio's operating efficiency, increasing occupancy or otherwise maximizing the return on an investment, we can help. Our practice groups bring together professionals who have experience with particular property types and specific industries, seeking to ensure clients' needs are clearly understood and the most effective solutions are implemented.

Through its real estate investment and asset management subsidiaries, Grubb & Ellis is a leading sponsor of a full range of commercial real estate investment programs, including public non-traded real estate investment trusts (REITs), mutual funds, tenant-in-common programs for investors structuring tax-deferred (like-kind) exchanges under Section 1031 of the Internal Revenue Code and various institutional investments. Through the Grubb & Ellis Private Client Management program, Grubb & Ellis also offers institutional and high net-worth investors a comprehensive program to build or expand their commercial real estate portfolio, whether their objectives are 1031 exchange-driven or not. One of the nation's most active buyers and sellers of commercial real estate, Grubb & Ellis' investment arm has completed acquisition and disposition volume totaling more than $12.2 billion on behalf of program investments since its founding in 1998; in excess of $9.3 billion of this volume has been transacted since 2005.

GRUBB & ELLIS.
From Insight to Results

Corporate Services

- Consulting services
- Real property and lease administration
- Retail services
- Strategic planning
- Tenant representation
- Valuation services
- Site selection
- Project management
- Portfolio rationalization
- Disposition services

Investment Programs

- Public non-traded real estate investment trusts (REITs)
- Limited liability companies
- Wealth management
- Institutional investments
- Mutual funds
- 1031 tenant-in-common exchanges
- Securities separate accounts and funds

Structured Around the Needs of Our Clients

Grubb & Ellis has the people, platform and best-in-class processes to deliver superior service whether a client needs help with a single property or multiple global facilities. Our comprehensive real estate solutions include transaction services, management services, corporate services and a wide range of investment programs.

Possessing one of the largest and most experienced real estate brokerage sales forces in the country, Grubb & Ellis' teams of specialists cover all aspects of commercial real estate and work closely with clients to assess the ways in which real estate issues relate to – and contribute to – an organization's strategic business objectives. Last year, Grubb & Ellis and its affiliates completed more than 15,000 brokerage transactions valued at more than $16 billion.

We deliver integrated property, facility and asset management services focused on cost-efficient operations, tenant retention and increasing property values to a host of corporate and institutional clients. In total, Grubb & Ellis and its affiliates manage a diverse portfolio of nearly 300 million square feet of space. This portfolio includes headquarters, facilities and Class A office space for major corporations, as well as industrial, manufacturing and warehouse facilities, data centers, retail properties, medical buildings and multifamily assets for real estate occupants and investors. Additionally, Grubb & Ellis provides consulting services that help clients better understand their real estate portfolio, the current operating environment, and future opportunities that exist through smart, strategic planning.

Why We're Unique

When selecting a commercial real estate firm, the most important consideration is how well the company understands your needs. Grubb & Ellis is known for working with clients, not just for them. We partner with clients to create long-term relationships that are built upon a commitment to their business objectives. In return, we have been recognized by our clients and others in the industry for our accomplishments. In 2008, Grubb & Ellis was honored with Microsoft Corporation's Environmental Award for our successful efforts to reduce the company's impact on the environment, and, in 2009, the company was included in the International Association of Outsourcing Professional's Global Outsourcing 100™. This commitment to continuous improvement and the development of programs and initiatives designed to meet a client's individual needs are the driving forces behind our more than 50 years of service excellence.

This is neither an offer to sell nor a solicitation of an offer to buy any security. Such an offer may be made only by means of an offering document. Investors should read the offering materials and review the risks associated with any offering prior to making an investment and should be able to afford the loss of their entire investment. Securities offered through Grubb & Ellis Securities, Inc. member FINRA/SIPC.

Grubb & Ellis Research

GRUBB & ELLIS
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Grubb & Ellis professionals know that the best real estate decisions begin with sound real estate data. That's why our highly respected research and analysis is integrated in all that we do.

In today's complex environment, you want to be sure you're making smart decisions when it comes to your real estate needs. There's little room for error when competition is fierce, margins are tight and organizations are trying to squeeze the most value out of their investments. Sound research helps ensure you are pursuing the most effective real estate strategies and evaluating the best possible solutions to achieve your business objectives.

This approach is nothing new for Grubb & Ellis. Research is part of our legacy, and we're known for delivering some of the highest quality research in the industry. We cover big-picture economic trends as well as specific drivers of local market demand for space. Our professionals regularly provide expert commentary to business organizations, government entities and the media on the forces shaping the commercial real estate landscape. We go beyond standard real estate statistics to explore how significant developments – such as the 2009 stimulus package or recent environmental legislation – may affect real estate owners, tenants and investors.

Our comprehensive insights are based on:

- Our professional research managers and their staff, whose critical function it is to build the base of market intelligence in each office and provide published reports and custom analyses to our clients. Grubb & Ellis pioneered the concept of hiring professional research managers to direct the company's research function. Analysts and brokers are trained to understand the nuances of the real estate cycle, inflection points in the cycle, leading indicators, and the actions and advice that are appropriate for each phase of the cycle.
- Our systems used to compile, maintain, analyze and disseminate our research. Grubb & Ellis was one of the first in the industry to use computerized market research and analysis and continues to make investments to improve and enhance the information available. In addition to subscribing to the top property databases, Grubb & Ellis maintains a proprietary, centralized Web-resident data warehouse to track its property-specific data – including property details, images, available space, leasing and sales comparables and tenant information. This sophisticated system is based on a rigorous set of research standards designed to ensure that data are consistent across markets.
- Our reports and publications through which we translate our extensive databases into analysis, insights and actionable recommendations for our clients. In addition to our annual national and local forecast reports, Grubb & Ellis produces quarterly Market Trends reports that analyze local and national market conditions by product type, a Weekly Market Insight electronic communication on a timely economic or real estate-related topic, a biannual Logistics Market Trends report and white papers on issues that are important to our clients.
- Our real estate professionals and extensive network of specialty practices, whose familiarity with the people and the property in their submarkets and unique industry segments yields a daily, in-the-trenches grasp of changing market conditions. The creation of market intelligence is a team effort, with knowledge flowing constantly between our research teams, brokerage sales professionals, practice groups and investment specialists.

Our strong research platform combined with the knowledge and expertise of our professionals enables us to deliver integrated solutions to our clients – from market to market and around the globe. It is a proven tool that forms the foundation of all the services we provide, allowing us to uncover opportunities when they may not be easily visible. And it's what gives Grubb & Ellis and our clients a competitive advantage in the marketplace.

We'd be happy to discuss the findings in this year's forecast or any of our publications. To keep abreast of research disseminated by Grubb & Ellis, please visit www.grubb-ellis.com/research.

Contributors and Sources

Grubb & Ellis research teams across the U.S. work together to ensure our clients have the most up-to-date market knowledge.

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Sources

Costar, Inc., Real Capital Analytics, Property Line, *Las Vegas Business Press*, *In Business Las Vegas*, *Las Vegas Review-Journal*, *Nevada Business Journal*, Claritas, Pierce-Eislen, Inc.

INTEGRATED SOLUTIONS
FROM MARKET TO MARKET.

About Grubb & Ellis Company

Named to *The Global Outsourcing 100*™ in 2009 by the International Association of Outsourcing Professionals™, Grubb & Ellis Company (NYSE: GBE) is one of the largest and most respected commercial real estate services and investment companies in the world. Our 6,400 professionals in more than 130 company-owned and affiliate offices draw from a unique platform of real estate services, practice groups and investment products to deliver comprehensive, integrated solutions to real estate owners, tenants and investors. The firm's transaction, management, consulting and investment services are supported by highly regarded proprietary market research and extensive local expertise. Through its investment subsidiaries, the company is a leading sponsor of real estate investment programs that provide individuals and institutions the opportunity to invest in a broad range of real estate investment vehicles, including public non-traded real estate investment trusts (REITs), tenant-in-common (TIC) investments suitable for tax-deferred 1031 exchanges, mutual funds and other real estate investment funds. For more information, visit **www.grubb-ellis.com.**

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