Positive Signs - Economy and Property Markets

SIGNS ARE POSITIVE IN THE NATIONAL ECONOMY
• Recession over and protracted expansion phase begun
• Painful reductions in employment begun to turn around
• Corporate America more profitable and productive, so the capacity to hire is increasingly evident
• Return of bank credit for small businesses where the majority of jobs are created

Positive Signs - Economy and Property Markets

SIGNS ARE POSITIVE FOR EACH OF THE MAJOR PROPERTY TYPES
• Especially positive for Office and Multi-Family
  ➢ Vacancy factors well below previous cyclical peaks
  ➢ Buoyed by job growth expectations and housing market

Positive Signs - Economy and Property Markets

SIGNS ARE POSITIVE FOR EACH OF THE MAJOR PROPERTY TYPES
• Clear signs of stabilization for Retail and Industrial
  ➢ Vacancy factors remain above previous cyclical peaks
  ➢ Buoyed by increased consumer spending and rising trade volumes

Trends in Property Sales Nationally

| Sales Transactions of $5 Million or greater |
|-----------------|-----------------|
| 2009 $55.6      | 2010 $121.4      |

Source: Real Capital Analytics
Trends in Distressed Assets

WHAT IS A “DISTRESSED ASSET”? 
- A loan default has occurred or is imminent 
  and/or 
- The owner/sponsor of the asset is bankrupt or faces financial trouble

VOLUME OF DISTRESSED ASSETS HAS STABILIZED

The Lending Market Today

GREAT SIGNS IN THE COMMERCIAL REAL ESTATE LENDING MARKET
- Lending volume in 4Q 2010 was the highest quarterly increase since mid-2007
- Overall lending volume in 2010 was 36% increase over 2009
- All types of lending sources show positive signs
  - Banks
  - Insurance Companies
  - Conduit Lenders

Summary Observations

Industry has evolved from the phrase “Survival of the Fittest” to “Most Success for the Fittest”
- Property Types
- Physical Assets
- Markets
- Locations
- Real Estate Companies
- Service Providers
Summary Observations

- While much of the first phase of investment volume recovery has been in the “major markets”, Hampton Roads will increasingly participate
  - More space absorption
  - More rental rate growth
  - Higher investment sales volume