

2009 | REAL ESTATE FORECAST



NORTH TEXAS

Office

Industrial

Retail

Investment

Multi Housing

Land

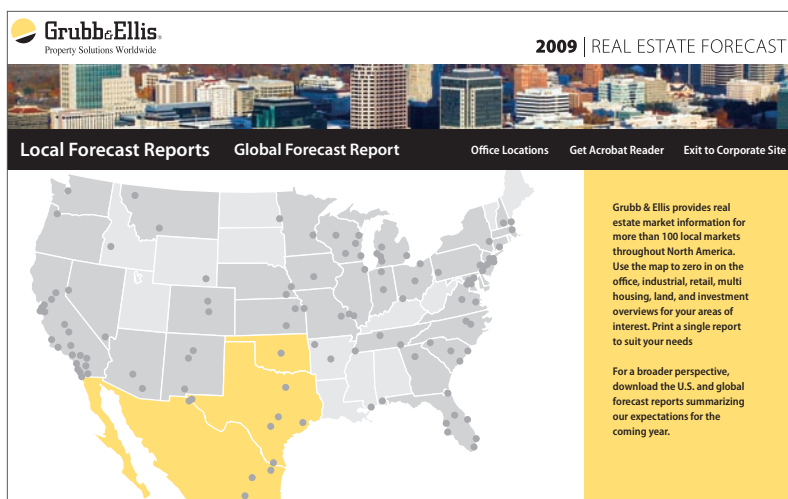
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Grubb & Ellis Company pioneered sophisticated real estate market research, and today we continue to lead the industry in providing vital market information and insight on timely topics that may affect your real estate needs. Global economic trends, domestic legislative changes, corporate performance – these and other factors affect the demand for and value of commercial real estate.

Our dedicated research staff, which spans major markets throughout North America, has developed a strong foundation upon which our professionals create innovative solutions for their clients. You can access this information by visiting our 2009 Forecast Web site: www.grubb-ellis.com/research/forecast2009. Download our national overview or zero in on specific property types in your markets of interest. Print a report for a single market, or customize a book to suit your needs. We recognize that each of our clients is unique, and are committed to delivering the information you need to achieve your business objectives.

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

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To Grubb & Ellis Clients and Colleagues:

As we end 2008, it is becoming extremely clear that we are in the midst of what could be a lengthy and prolonged recession. Actually, our outlook for the commercial real estate industry changed dramatically during the third quarter of 2008 as the credit market unrest that first gripped the national economy in August 2007 escalated into a full-blown global financial crisis.

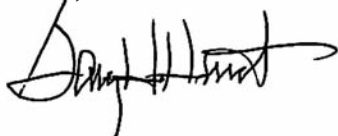
Although it is difficult to predict just how long and severe the current downturn will be, we believe that we have not seen the end of weakening consumer and business confidence, slowing manufacturing activity, and rising unemployment that is currently plaguing our economy. These are all factors that impact every aspect of the commercial real estate industry.

Within the commercial real estate market, the investment sector was the first to feel the effects of the credit crisis, and as a result property sales were down by two-thirds during the first three quarters of 2008 as compared with the same period in 2007. As I write this, access to capital remains extremely limited, and the leasing market is starting to more severely feel the effects of the economic uncertainty. Needless to say, this is probably the most challenging market we have experienced since the early 1990s. I can say that it is certainly the most challenging time I've seen in my 30 years in the real estate industry.

At this point we believe it most likely will be late 2010 before we begin to see a meaningful recovery throughout the commercial real estate industry. However, there are some bright spots. Low oil prices and interest rates will allow some commercial real estate sectors to recover quicker than others. And if you are a tenant with a requirement or an investor with cash, 2009 will offer considerable opportunity.

At Grubb & Ellis Company, we believe that within a challenging market there are opportunities. Our goal, as always, is to help our clients take advantage of them. We look forward to discussing the specifics of our 2009 Forecast with you, and to helping you meet your real estate goals now and into the future.

Sincerely,



Gary H. Hunt
 Interim Chief Executive Officer
 Grubb & Ellis Company

Grubb & Ellis goes above and beyond in-depth local market research and analysis. As our clients' needs have evolved from bricks and mortar requirements to encompass complex global real estate issues, our industry subject matter experts contribute focused, specialized expertise to the process. This added layer of analysis gives clients a more complete picture of the environment in which they operate and helps us leverage our market data to help owners, users and investors construct smart, innovative solutions to today's real estate needs.

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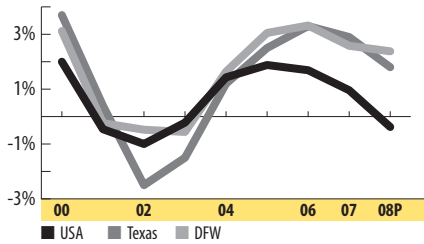
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DALLAS-FORT WORTH Economic Overview

While the rest of the nation reels from economic hardships, the Dallas-Fort Worth economy will see slower but modest growth reflecting its stability within the Texas market.

Employment Growth

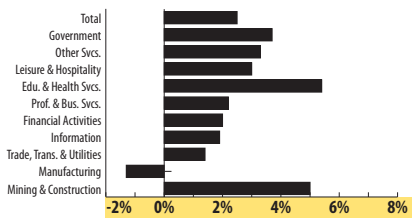
% Change from Same Period of Previous Year



Employment Data is current as of September 2008
Source: U.S. Bureau of Labor Statistics

Dallas Employment Growth

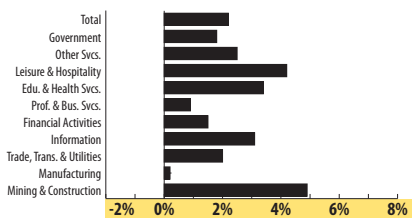
% Change from Same Period of Previous Year (by Sector)



Employment Data is current as of September 2008
Source: U.S. Bureau of Labor Statistics

Fort Worth Employment Growth

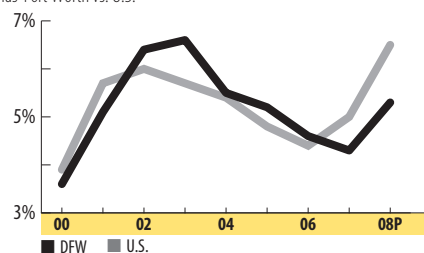
% Change from Same Period of Previous Year (by Sector)



Employment Data is current as of September 2008
Source: U.S. Bureau of Labor Statistics

Historical Unemployment Rates

Dallas-Fort Worth vs. U.S.



Employment Data is current as of September 2008
Source: U.S. Bureau of Labor Statistics

The Dallas-Fort Worth economy expanded moderately this past year outperforming much of the nation but showed signs of deceleration in comparison to the previous year. Despite the national economic downturn, the Dallas-Fort Worth Metroplex led in employment growth among the top 310 metropolitan areas surveyed across the nation. According to the U.S. Bureau of Labor Statistics, metro employment grew at an annualized rate of 2 percent in 2008, which translated into 59,800 jobs added.

The resilient economy and favorable business cost environment in the Dallas-Fort Worth area led to a host of corporate relocations and expansions over the past year. A major win for the Metroplex came when AT&T announced its global corporate headquarters relocation from San Antonio to Dallas, underscoring the importance of the DFW Airport and the area's concentration of tech firms and telecommunication workers. This adds to a long and impressive roster of expansions over the past year, including those by Comerica, Pioneer Natural Resources and the Federal Deposit Insurance Corporation.

Although hiring moderated last year, employment gains were relatively broad-based among all sectors with the exception of manufacturing. The Education/Health Services and Trade, Transportation and Utilities sectors fueled job growth in the Dallas-Fort Worth area by adding 14,900 and 10,700 jobs, respectively, over the 12 months ending September 2008. Growth within the financial, legal and business services sectors

boosted employment growth as well as offset job losses from downsizing residential-related and technology firms.

The mining and construction sector also added 8,700 jobs buoyed by strength in the state's oil and gas industry. The torrid pace of natural gas exploration and development in the Barnett Shale has pumped billions of dollars into North Texas, bringing stronger housing prices, lower unemployment and soaring tax revenue as drilling rigs rose in urban neighborhoods. Many residents have benefited directly from royalty checks and land-lease payments that soared. However, this sector started to lose some of its steam during the final months of 2008 as natural-gas companies began to pull lease offers back and cancel drilling projects on land they already controlled in response to recent price reductions.

Although the local banks are in better shape than others across the nation, the takeover of Countrywide Financial by Bank of America is posing a major downside risk for financial employment in the Dallas-Fort Worth area. Bank of America has estimated a total of 7,500 jobs companywide will be cut, and has emphasized that the reduction in workforce will be in those locations where there is overlap between the two companies. Within the Dallas-Fort Worth area, Countrywide and Bank of America employ approximately 10,000 and 6,300, respectively. The ongoing weakness in the national housing market implies that the bulk of any layoffs would likely occur in the mortgage originations, rather than the servicing area.

As a result of the turmoil in the mortgage and residential markets, local sales of existing homes and permits issued fell considerably this past year. Through the first 10 months of 2008, the number of home sales in North Texas was down 12 percent from the same period in the previous year and median prices were down by 3 percent. The good news is that the downward pressure on median home prices has been more moderate than elsewhere in the country and there is no appreciable excess supply.

During the latter part of 2008, many local businesses reverted to a “wait and see” approach which will likely remain in the foreseeable future. The indecision and uncertainty of Wall Street, and the disputes in Washington, D.C. have led to a loss in confidence that has further agitated a struggling national economy. With rising unemployment, inflation and energy costs that have paralleled the ongoing credit crisis, it may take many months or even years for the national economy to fully recover.

The national economic downturn has had a modest impact on the local market. The unemployment rate for the Dallas-Fort Worth area was 5.3 percent in September, up from 4.3 percent a year earlier, but remains 80 basis points lower than the national rate of 6.1 percent. However, the economic gap between Dallas-Fort Worth and the rest of the country has been narrowing ever since it began its upward climb in April 2008.

The forecast for 2009 will be more of the same as area businesses remain cautious in their operational decisions. In many cases, businesses will shut down all expansions and not take any risks until the economy begins its recovery. Many businesses are anticipating a rough 2009, with the expectation to “limp” through the year. The general consensus has been that 2010 is earmarked as the year when the economy will bounce back to where it has been in recent years. Although the local economy is not as robust as in previous years, it will continue to do better than others across the nation, but that does not mean Dallas-Fort Worth will escape completely unscathed.

Many of the challenges that businesses will face can be summed up by understanding that there is a lack of confidence in all parties, but there are still opportunities in the marketplace. However, it will take time for confidence to be restored and for businesses to know when it is “safe to go in the water again.”

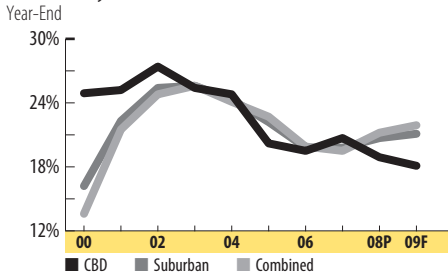
Despite of the troubling economic conditions nationwide, Dallas-Fort Worth will remain one of the better positioned markets in the country. Even though consumers reined in spending as the unemployment rate swelled, 401ks evaporated and gas prices soared this past year, there is still significant strength available in buying power for the average local consumer. The 2008 estimated median household income for the area was \$54,499. Meanwhile, the overall cost of living composite index in Fort Worth and Dallas is 88.2 and 91.2,

respectively, which is considerably lower than other major metropolitan areas throughout the country. Most impressively, the growing population in North Texas provides local businesses with a workforce that is expected to exceed seven million in the next 15 years. Population growth over the five-year span concluding with 2007 has averaged 2.3 percent or 90,566 residents per year and 2.0 percent or 81,750 persons projected for 2008 according to Moody's Economy.com. Also worth noting, more than 62 percent of the population own homes, in which they have a 2008 estimated median housing value of \$131,806. The area also remains an attractive distribution location because of its rail access to ports on the West Coast, its highway access to Mexico, and its closeness to the Port of Houston, which will benefit from the Panama Canal's expansion.

Despite national concerns of a looming recession lasting through mid-2009, the local economy will see modest growth. According to the Perryman Group, employment growth for the Dallas-Fort Worth area is estimated to slow to around 1.9 percent in 2009. Once the national economy returns to a sustained growth path, the local market will revive faster than other markets across the nation due to its positive business environment, low taxes, its “right to work” status, limited regulations, and infrastructure. As a result, many companies will continue to select the Dallas-Fort Worth Metroplex as a place to conduct their business.

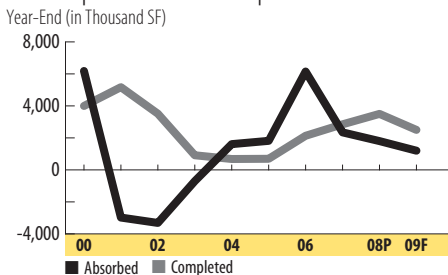
Even though the national economic hardships have affected most major metropolitan areas, the Dallas-Fort Worth office market will overcome these challenges due to strong regional population and labor growth.

Vacancy Rates



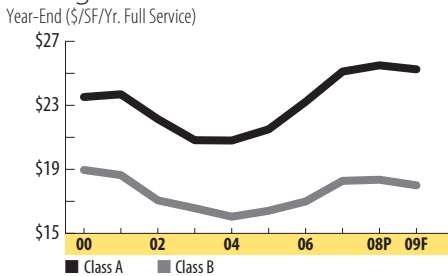
Source: Grubb & Ellis

Absorption vs. Completions



Source: Grubb & Ellis

Asking Rental Rates



Source: Grubb & Ellis

Key Leasing Transactions

2008

Lessee	Lessor	Property	Submarket	Size (SF)
United Healthcare Group	Granite Properties	1311 W Pres. G. Bush Hwy	Richardson/Plano/Allen	153,734
Semperian	Holt Lunsford	2911 Lake Vista Dr	Lewisville/Flower Mound	120,000
Crosstex Energy	Harwood International	2828 N Harwood St	Uptown/Turtle Creek	114,610
Denbury Resources	KanAm Grund	5160 Tennyson Pkwy	West Plano/Frisco	102,600
Morgan Stanley-Saxon Mort.	Prudential Financial	3701 Regent Blvd	Las Colinas/Irving	71,174

The Dallas-Fort Worth market leads the nation with the most jobs added over the past 12 months. Additionally, the metro population is expected to grow annually by more than 125,000 persons each year through 2012. These encouraging economic indicators will help maintain stability in the local office market in the midst of a struggling national economy.

However, we expect 2009 to see slower growth as companies will take a very conservative approach to expanding or moving operations. With limited revenue for expansion, some companies will not be signing any large deals. On the other hand, healthy businesses will certainly take advantage of the opportunities in the market. Landlords are offering many concessions and the time to act is now.

Tenants will look at termination options and for 10-year deals. Both tenants and landlords will be asking each other to make guarantees due to the worries regarding credit and finance. Banks are holding onto lines of credit and the challenge will be to convince businesses to not put off their decisions, but rather be aggressive to take advantage of market conditions.

It is important to understand that the Dallas-Fort Worth market is not suffering the same

fate as others across the nation. However, this market is not as robust as it has been in recent years. For this to change, certainty must return to the credit markets. Locally, there will be lenders who will approve deals, though the unforeseen challenge in 2009 will be in "how" companies are able to forecast their budgets and accurately estimate their revenue. This will affect "if" and "how" they make decisions.

The key for the local market's recovery is confidence. Without it, businesses will not expand, jobs will not grow and activity will drop. Confidence must return to the banks, credit and financial institutions as well. It will take time, with many forecasting that 2010 or 2011 will be the benchmark years for recovery.

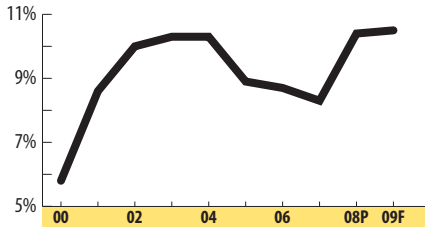
There is a healthy amount of new product currently in the pipeline that will deliver over the next year, which will cause vacancy to rise. With the stress of the overall economy, sublease inventory is also expected to rise. This will play to the advantage of tenants. They will be able to make good business decisions that will save them money by getting concessions from landlords due to falling rental rates. In many instances, companies are already seeing offers of a full year of free rent for their tenancy.

In summary, businesses will remain cautious in their real estate decisions despite the overall confidence in our local economy. There are opportunities to make profitable real estate decisions, though the lack of credit will affect all operations. Therefore, a conservative approach will remain in place for the short term.

Healthy businesses have an opportunity to take advantage of current market conditions and landlord concessions. The area's location within the central United States provides an edge with regard to rising transportation and energy costs.

Vacancy Rates

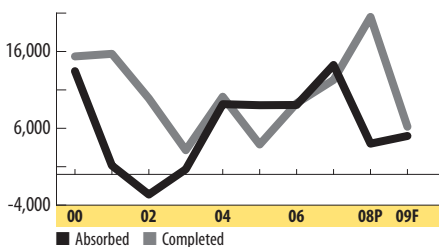
All Product Types, Year-End



Source: Grubb & Ellis

Absorption vs. Completions

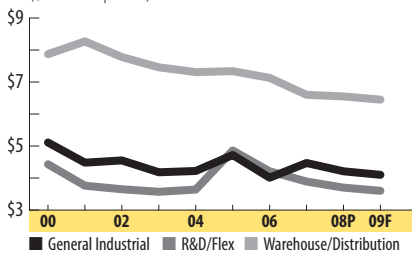
All Product Types, Year-End (in Thousand SF)



Source: Grubb & Ellis

Asking Rental Rates

Year-End (\$/SF/Yr. Triple Net)



Source: Grubb & Ellis

Key Leasing Transactions

2008

Lessee	Lessor	Property	Submarket	Size (SF)
Alcatel-Lucent	Opus West Corp.	2525 E SH 121	Northwest Dallas	489,796
CEVA Logistics	AMB Property Corp.	1901 W Airfield Dr	DFW Airport	400,000
Robert Yaquinto Printing Co.	ProLogis	5101 Highland Place Dr	South Dallas	279,840
Speed FC Inc.	ProLogis	10300 Sanden Dr	Northeast Dallas	267,690
Midwest Air Technologies Inc.	IDI	2300 Skyline Dr	East Dallas	259,200

High energy costs have led to rising expenses and inflation which has enhanced economic woes. With the increased price of transporting raw materials, companies are contemplating dramatic changes to their supply chain strategies. This includes analyzing the potential cost of savings by having their operations located closer to their clients.

Expectations for 2009 are for slower absorption growth with an influx of new inventory delivered to the market. This will cause vacancy to rise in select submarkets. Sublease inventory may increase as well. Due to rising vacancy, it is doubtful that any new speculative projects will break ground in 2009 without any preleasing commitments in place.

Landlords have become concerned with rising vacancy and are anxious to make aggressive proposals to retain and attract tenants. It will be a great time for stable companies looking to expand to renew a lease or purchase a building. Tenants will be looking for attractive landlord concessions and the same, if not lower rates than what they previously negotiated.

Landlords will have a low velocity of new business, with large and bulk national tenants less active as they wait for the market to recover.

Tenants should consider making a new deal if they are within 18 to 24 months of their lease expiration. They will be in position to take advantage of the weakening market and nervous landlords by negotiating long-term leases.

Great Southwest/Arlington, Valwood and Northeast Dallas submarkets will have a number of transactions in smaller increments, including second and third-generation spaces. Submarkets with heavy flex will trail in absorption totals. The DFW Airport and South Dallas submarkets will remain active due to their access to intermodals and airports.

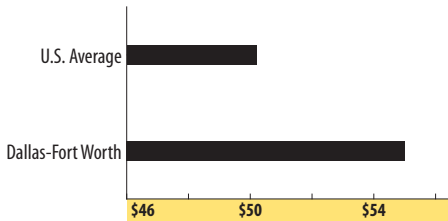
By industrial sector, general industrial and warehouse/distribution will either see the same activity or less. R&D/flex will suffer as it has in recent quarters. Since the technology sector has had the greatest loss in jobs, this has negatively impacted the R&D/flex sector.

Confidence is the key for the industrial market to return to the robust levels experienced in recent years. Summer of 2009 is being pegged as the earliest larger tenant transactions and acquisitions may return to the marketplace. However, there is an indefinite timeline with the many variables impacting the industrial market.

With Dallas-Fort Worth leading the nation in job growth and population gains, the industrial market will not feel the same pain as other markets. The mindset for businesses is to "wait and see" how the economy shakes out. However, not taking steps to be proactive may create greater challenges in the future.

Although retailers will be negatively impacted by the national economic downturn, the local retail market will not suffer like the rest of the nation. Strong population and labor growth will allow retailers to remain operational until the economy recovers.

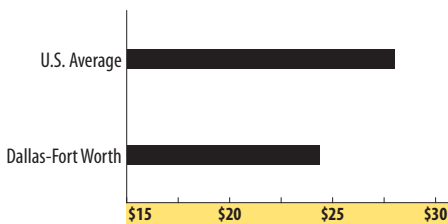
Median Household Income 2008 (in Thousands)



Source: Claritas.

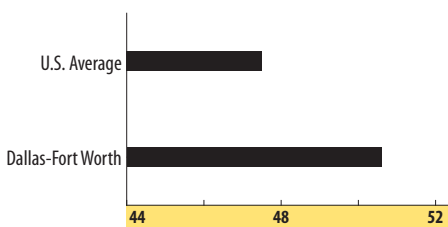
Typical Rent

In-line Shop Space, 2008 (\$/SF/Yr. Triple Net)



Source: Grubb & Ellis

Retail Square Feet Per Capita 2008



Source: CoStar, Claritas, Grubb & Ellis

Industries Expanding or Downsizing 2009

Expanding	Downsizing
Drug Stores	Building Materials, Garden Supply
Wholesale Clubs	Furniture & Home Furnishings
Cellular & Accessory Stores	Electronics & Appliances
Fitness Clubs	Auto Dealerships
Tax Preparation Services	Department Stores

Consumer spending, which accounts for two-thirds of the economy, has dropped by the largest amount in 28 years. In the Dallas-Fort Worth Metroplex, residential construction has also experienced a dramatic slowdown, which has caused retail construction to virtually stop. With national retailers not looking to expand, the lack of new product will limit expansion.

Although the local market has a labor force and population base that is still growing, the retail sector will be hit hardest. Retail leasing velocity will fall dramatically in 2009, which will be reflected in the drop of shopping center values. Although occupancy rates will decline, rental rates should hold steady.

The list of challenges for landlords will consist of reduced demand for space, slower rent growth, tighter credit and falling property values. They will also face increasing demand from tenants to negotiate reductions in rents and postponement of rate hikes. This will be more prevalent in lower quality retail properties and secondary submarkets.

Tenants will seek rent concessions, usually in the form of either free rent, reduced rates for a specific period and tenant improvement allowances. Local businesses that have already negotiated such concessions include: Jamba Juice, Sprint and Panda Express. The typical rent reduction will be 10 to 20 percent for two years.

Landlords will also be faced with tenants who want shorter terms of three to five years, which usually run from 5 to 10 years. Renewals will be cut back between one to

five years as retailers will want time to sort out the economic issues they face before committing to a longer term deal.

Landlords will be negotiating more leases and will have to decide whether the tenant in question could be replaced if they decide against rent cuts. They will risk leaving retail space vacant while they try to attract higher paying tenants. Landlords may spur similar requests by other tenants if they were to give concessions.

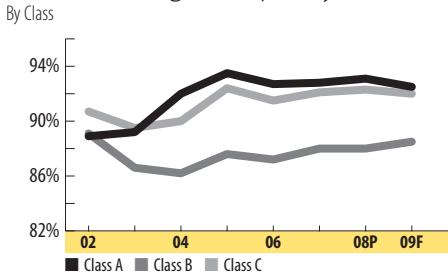
The challenge will be to determine which businesses are really distressed and need the concessions and rent cuts versus those wanting to take advantage of a soft market. However, the larger and more important retailers will have the most leverage when negotiation begins.

The Dallas-Fort Worth retail market is faced with closures by significant retailers that include Albertson's, Linens 'n Things, Macy's and Starbucks. Most retailers will be trying to survive in 2009 and look to 2010 for growth. Despite the slowdown, there will be steady activity in the stronger retail submarkets such as Frisco, Garland, North Dallas and Uptown.

In summary, retail construction has slowed, along with expansion. While tenant demand is on the decline, landlords will face challenges regarding occupancy. Both retail landlords and tenants will be cautious and not take any risks in 2009. They will be looking to preserve income, while riding through the economic storm until recovery.

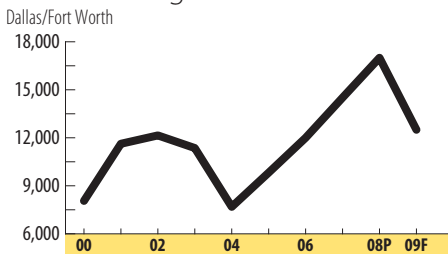
Rising demand in the Dallas-Fort Worth multi housing market will be offset by the abundance of new construction deliveries. This will slightly decrease occupancy levels and slow rents to marginal increases in 2009.

Multi Housing Occupancy



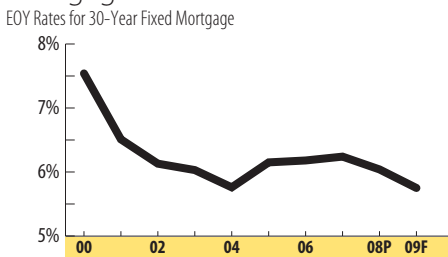
Source: O'Connor & Associates

Multi Housing Permits Issued



Source: Texas A&M Real Estate Center

Mortgage Rates



Source: Federal Reserve Board

Key Multi Housing Transactions

Buyer	Seller	Units	Property Name	Sale Price (millions)
United Dominion Trust	GE Real Estate	501	Lakeside at Legacy	\$56.9
United Dominion Trust	GE Real Estate	478	Legacy Village	\$54.3
DRA Advisors	United Dominion Trust	696	Oak Forest	\$43.9
McDowell Real Estate	Equity Residential	302	Lakeshore at Preston	\$38.5
DRA Advisors	United Dominion Trust	608	Oak Park	\$38.3

Source: Real Capital Analytics

In 2009, the Dallas-Fort Worth multi housing market will feel various pains of the economic recession. Rents and occupancies are going to fall, though not as much as other markets. Also, construction deliveries may lead to the threat of overbuilding down the road.

With more than 20,000 apartment units under way, deliveries will force Class A occupancy to slide as it is unlikely demand will absorb the majority of the new product. After 2009, expect a significant slowdown in new construction as banks set higher underwriting standards for loans or choose to not fund projects.

In the year ahead, rising foreclosures will add to the existing renter pool. What is difficult to predict is the impact of the shadow market, comprised of those residents that choose to rent houses rather than buy. However, attractively priced apartments with outstanding customer service will be enticing to potential renters.

The most active submarkets will be West Plano, Allen and McKinney. Rising costs are motivating renters to transition into Class B and C units. In the near term, lower-tier properties are expected to outperform the market average.

With an influx of new supply, effective rent growth will slow between 1.5 to 2.0 percent in

2009. These will mirror the rent increases that occurred in 2008. With the plethora of product that is expected to deliver, effective rent growth will not be sustained.

Apartments will remain the preferred investment vehicle during these uncertain economic times, though investments are down 80 percent from the previous year. The "bid to ask" price differential is approximately 25 percent, which is up from the usual 10 percent. As a result, sellers are opting to sit on the sidelines and hold out.

Investors are faced with challenges of "pervasive risk and uncertainty." Buyers are looking to acquire distressed properties and are focused on larger assets that involve less risk. With a reduction of investor competition, local buyers are surfacing.

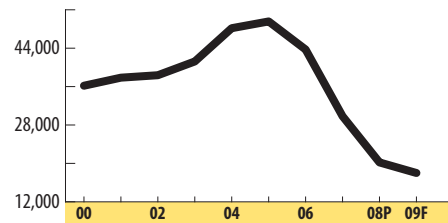
Capitalization rates are expected to rise over the next year, as they move above the mid to high 7 percent range. Capital for investments will remain available while underwriting and borrowing standards have been tightened. The down-payment requirements have increased by an average of 30 to 40 percent.

Through most of 2009, stricter lending standards will dampen investment velocity. Since agency and portfolio lender fixed-rates have increased, long-term notes will prove to be more favorable than short-term.

Developers may dip into public funding as there are municipalities that offer tax incentives. Any project that incorporates "job producing real estate" will be in high demand. As more residents elect to live closer to work, investors will seek opportunities near new office and retail developments.

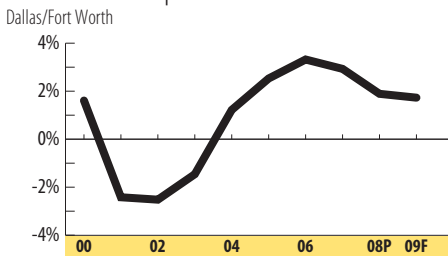
Land activity will slow in 2009 while investors wait for a significant price reduction resulting in more opportunities for land acquisition. Demand will be highest in areas located within the central sphere.

Single-Family Home Building Permits
Dallas/Fort Worth



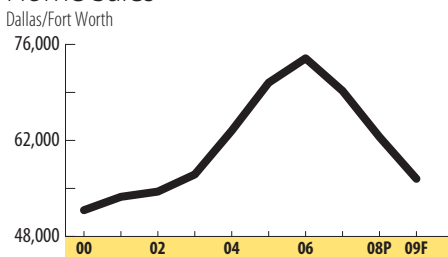
Source: Texas A&M Real Estate Center

Historical Population Growth
Dallas/Fort Worth



Source: U.S. Bureau of Census; Moody's Economy.com

Home Sales
Dallas/Fort Worth



Source: Texas A&M Real Estate Center

While the national credit crunch has deeply impacted home builders and developers alike, Dallas-Fort Worth land prices leveled out in 2008, after a sustained rate of increase from 2002 to 2007. The median land prices in the second quarter of 2008 failed to exceed the same quarter in 2007, which was the first time since 2002 that pricing from the previous matching quarters failed to increase from one year to the next.

With soaring commodity prices, along with the economic recession, land prices are expected to drop from 8 to 10 percent and will vary by size and location. Although land prices in Texas remain comparatively lower than other states, activity is expected to slow due to the ongoing liquidity challenges preventing some developers from obtaining financing. Land debt remains reasonably available, though lenders will increase average equity by 30 to 40 percent.

Land development activity will slow down even more than it has in 2008. However, with the expected drop in land prices, investment activity may increase. Land investors will be ready to move with access to opportunistic land funds once they feel the pricing has declined sharply.

Land owners with debt will be looking to sell their land, though they must be realistic about their pricing parameters. Owners with little or no debt will take a longer view and may choose to ride out the economic downturn. Long-term owners are more confident about their positions than short-term ones.

A long-term capital gains tax hike could affect the market for the worse. Though this

has yet to happen, the threat could further hamper acquisitions. There are potential challenges that owners will face when determining whether to sell or hold their land.

2009 will be a buyers' market as sellers will be forced to make parcel sites available. Some sellers may drop pricing as much as 10 to 20 percent or more on a parcel just to close a deal. In Dallas County, land prices will hover between \$25 and \$125 per square foot, especially inside the LBJ Freeway Loop.

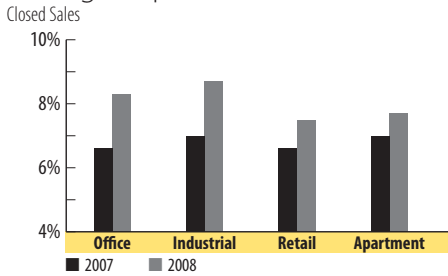
The Tollway and Preston Road Corridors will have the most positive activity from investors as adjacent tracts of land are holding their value. However, the southern, eastern and northern areas of McKinney will be the weakest. High gas prices are hindering land development and housing market deals in the outer suburbs.

There are several in-town projects that will be developed which include: Park Lane by Harvest Partners, Crow's redevelopment of Skillman and Northwest Highway, Prescott's redevelopment of Kingsley and Skillman, Valencia Capital's "Midtown" project in the Vickery and Meadow area, Provident Realty's mixed-use project at Walnut Hill and Central and finally Rick Strauss' Light Farms project in Celina. These projects will remain the most significant in the local market for 2009.

The Dallas-Fort Worth land market will be better off than other areas of the nation. However, it will not be completely immune. There are always those who will be able to succeed and actively grow in challenging times and 2009 will be no different.

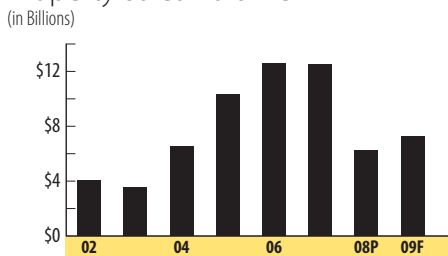
Investment velocity may remain low in 2009 pending a thaw in the credit markets that will allow capital to begin moving. The Dallas-Fort Worth market should benefit from strong local economic fundamentals and a sound leasing environment.

Average Capitalization Rate



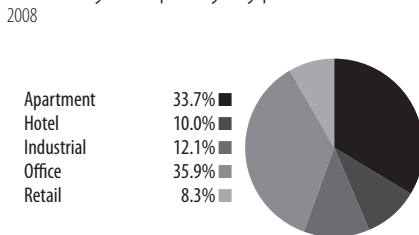
Source: Real Capital Analytics.

Property Sales Volume



Source: Real Capital Analytics, Grubb & Ellis

Sales by Property Type



Source: Real Capital Analytics

Key Investment Transactions

2008

Buyer	Seller	Property Type	Property Name	Size (SF)	Price (millions)
GT Dallas Properties, LLC	FPG Galleria One Owner LP	Office	Galleria Dallas	1,418,000	\$306.0
United Dominion Realty Trust, Inc.	Legacy PT MFA IV LP	Apartment	The Legacy Portfolio	1,043 Units	\$118.0
Robertsons Creek 1031 LLC	SWC FM 2499 & Dixon Ltd	Retail	5801 Long Prairie Rd Center	233,434	\$63.0
MLRP 13801 Diplomat LLC	Centreport Valwood Ind., Inc.	Industrial	Valwood Industrial Park/Centreport	1,341,837	\$59.7
Healthcare Realty Trust Inc.	Pyramids Partners Investor LP	Medical/Office	Multi-Purpose/Property Sale	291,389	\$59.2

Source: Real Capital Analytics; Grubb & Ellis

In 2008, the market for investment-grade assets declined nearly 50 percent compared to 2007. The drop off in activity can be attributed to a seizure in the global economy and the crisis in the debt markets. Steps taken by the federal government to improve liquidity in the fall of 2008 should begin to appear in the market by early 2009.

The largest obstacle facing the investment market in 2009 will be financing. Higher costs of borrowing and less-favorable lending conditions will force some buyers to the sidelines. All-cash and low-leverage buyers will be well positioned to capitalize on the slower pace of the market in early 2009. In addition to buyers, sellers/owners of investment real estate could be affected by the credit market in 2009. The higher cost of debt will impact cap rates as investors seek higher yields to adjust for debt coverage ratios. Sellers could be faced with reduced pricing as "bid-ask" spreads widen. Expect those that don't have to sell to sit on the sidelines until mid-2009.

2009 will be a new chapter for commercial real estate. The seemingly overnight evaporation of the CMBS market has resulted in a radical departure from the past few years.

Expect the first half of 2009 to be slow until buyers and sellers regain confidence and understanding of the debt markets as well as pricing expectations.

One segment of the investment market that is at the forefront of the current financial crisis is distressed/foreclosed properties. The collapse of the credit market has left many owners of real estate unable to refinance and/or meet their debt service obligations, resulting in a rise in foreclosures or other types of workouts. Expect to see more properties brought to market by banks and debt services that are looking to monetize loans. This should present cash buyers and low-leverage buyers with an outstanding opportunity to position themselves for the upswing in the economic cycle.

While the market for investment real estate will not return to 2007 levels, expect to see increasing activity by mid year 2009. The new year should bring a renewed sense of urgency amongst market players as real estate companies get back to the fundamentals of buying and selling real estate. The Dallas-Fort Worth market will benefit as liquidity returns to the national economy. Unaffected by the robust growth of lease rates and building pricing that impacted the east and west coast, the local real estate market saw modest growth over the past 3 years and is therefore better positioned to capitalize on an investment market that is returning to sustainable long-run practices.

COMPANY PROFILE

Grubb & Ellis is a real estate services and investment firm committed to identifying and creating business and investment opportunities through real estate, uniquely tailored to our clients' individual needs.

Grubb & Ellis is one of the largest and most respected commercial real estate services and investment companies. With more than 130 owned and affiliate offices worldwide, Grubb & Ellis offers property owners, corporate occupants and investors comprehensive integrated real estate solutions, including transaction, management, consulting and investment services supported by proprietary market research and extensive local market expertise. Grubb & Ellis and its subsidiaries are leading sponsors of real estate investment programs that provide individuals and institutions the opportunity to invest in a broad range of real estate investment vehicles, including tax-deferred 1031 tenant-in-common exchanges, public non-traded real estate investment trusts and real estate investment funds.

Research plays an integral role in our business, and our professionals have earned a reputation for providing informed solutions that combine local market knowledge with detailed analysis. Strong knowledge about general economic issues and global trends – combined with specialized expertise for property types such as office, industrial, retail, land, medical office, multifamily and hospitality – provides our clients the information they need to achieve their corporate and investment goals.

Grubb & Ellis has the people, platform and best-in-class processes to deliver superior service whether a client needs help with a single investment property or multiple global facilities. Our consistent performance grounded in keen market insight plays a role in our success and is recognized by our clients. For example, 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. 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.

Seamless Integration of Real Estate Products and Services

Grubb & Ellis is a unique company that brings together traditional transaction and management real estate services with innovative investment programs offered through Grubb & Ellis Realty Investors. Our brokerage network offers insight into the pool of assets nationwide, maximizing investment opportunities for program investors. In turn, the property and asset management services of the company seek to drive value to each property, capitalizing on opportunities from acquisition to disposition – whether it be for our own portfolio or on behalf of our clients.

Structured Around the Needs of Our Clients

Our unique, comprehensive platform includes transaction services, management services, corporate services and a wide range of investment programs.

Transaction Services

Grubb & Ellis has one of the largest and most experienced real estate brokerage sales forces in the country. Our teams of specialists cover all aspects of commercial real estate and work closely with owners, occupants and investors 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 16,250 transactions valued at more than \$22 billion.

Transaction services include:

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

Grubb & Ellis was the recipient of Microsoft's Environmental Award in 2008

Global Client Services

As one of the nation's largest full-service commercial real estate firms, Grubb & Ellis delivers 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. The company and its affiliates manage a diverse portfolio totaling more than 275 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.

Management services include:

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

Corporate services include:

- 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

Grubb & Ellis is one of the nation's leading sponsors of innovative commercial real estate investment programs. Grubb & Ellis Realty Investors, the company's real estate investment and asset management subsidiary, structures, acquires, manages and disposes of real estate for its clients. Through Private Client Accounts, the firm offers high net worth investors a comprehensive program to build or expand their commercial real estate portfolio to meet their investment objectives. In total, Grubb & Ellis Realty Investors oversees a portfolio of assets valued in excess of \$6.5 billion located throughout more than 30 states, and has completed acquisition and disposition volume totaling more than \$11 billion on behalf of program investors since its founding in 1998.

Investment programs include:

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

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.

Our Commitment

A strong, integrated delivery platform combined with the expertise of our professionals offers our clients a partnership unlike any other in the industry. We bring strategic thinking and exceptional service to each and every engagement. We deliver perspective, insight and innovation to help our clients achieve their desired outcomes. And we execute effectively and efficiently, enabling us to form long-lasting collaborative relationships with property owners, investors and corporate users of real estate.

To locate a Grubb & Ellis office near you, please visit www.grubb-ellis.com/offices.

Grubb & Ellis is one of the most widely quoted sources when it comes to real estate market trends and their implications.

For more than 50 years, Grubb & Ellis has made real estate market research a cornerstone of its business. The company has built a reputation for consistently delivering some of the highest quality research reports in the industry and regularly provides expert commentary on the forces shaping the commercial real estate landscape. As the issues facing real estate owners, corporate users and investors grow increasingly complex, sound research and analysis become even more vital, and our research is a tool our professionals rely on to help their clients solve real estate issues, uncover opportunities and achieve larger organizational objectives.

Grubb & Ellis research reports span from coast to coast and around the globe. We cover big-picture economic trends as well as specific drivers of local market demand for space. We provide standard real estate statistics and also respond to significant developments, such as the credit crisis of 2008. Our research is used by our clients, the media and the industry at large to help explain current conditions and predict what the future has in store.

Grubb & Ellis leverages four integrated components to create our unique and comprehensive insights:

- 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, which is widely viewed as having the most accurate grass-roots level data in the industry. Incoming research 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 a pioneer in the field of computerized market research and analysis and continues to make investments to improve and enhance the information available. Most of the company's offices have been tracking data for more than two decades. In addition to subscribing to the top property databases in the industry, Grubb & Ellis has built 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, all in an easy-to-use format. 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 throughout North America by product type, a Weekly Market Insight electronic communication on a timely economic or real estate-related topic, quarterly capital markets reports and white papers on issues that are important to our clients.

- Our real estate professionals, whose familiarity with the people and the property in their submarkets 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, sales professionals and investment specialists. This knowledge is integrated with our professionals' insight and experience, forming a solid foundation from which to advise clients, and giving Grubb & Ellis and its clients a competitive edge.

Among our clients, we have seen an increased demand for more accurate data and sharper analysis fueled by increased market transparency and a strong need for accountability. Real estate investors as well as corporations in all sectors of the economy are closely examining their real estate strategies and searching for timely and smart market research that will help guide and support their decisions. Providing this information is one of the things Grubb & Ellis does best.

To keep abreast of research disseminated by Grubb & Ellis, please visit www.grubb-ellis.com/research.

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

Claritas/National Decision Systems (NDS); Commercial Property News; CoStar Group; *Dallas Business Journal*; Dallas Chamber of Commerce; *Dallas Morning News*; Federal Reserve Bank of Dallas, Federal Reserve Board of Governors; *Fort Worth Star Telegram*; *Globe St.com*; Imark Online; *Inman News*; M/PP Research; Moody's Economy.com; National Multi-Housing Council; O'Connor & Associates; The Perryman Group; Real Capital Analytics; *Real Estate Alert*; *Real Estate Forum*; *Red News*; Reis, Inc.; RIS Media; Roddy Information Systems; ***Shopping Centers Today***; State of Texas website; Texas A&M Real Estate Center; *Texas Real Estate Business*; Texas State Demographer; Texas Workforce Commission; Urban Land Institute; U.S. Bureau of the Census; U.S. Bureau of Labor Statistics; *Wall Street Journal*.

Grubb & Ellis offers its clients an integrated platform of real estate services and investment programs. We strive to meet the evolving needs and investment objectives of corporate owners and occupants as well as institutional and private investors.

Transaction Services

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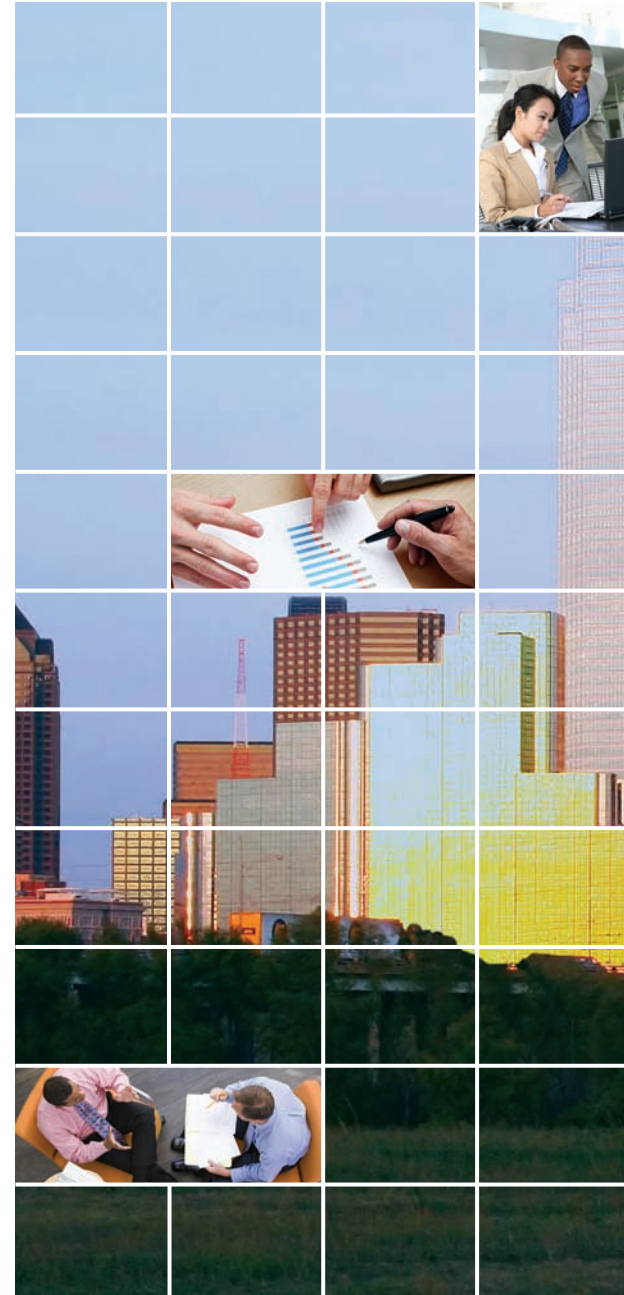
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The direct or indirect purchase of real property involves significant risks. Investors should consult their own tax advisors and legal counsel. Always remember that each property is unique and past performance is no guarantee of future results.