

Capital Market Fundamentals

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CAPITAL MARKET FUNDAMENTALS

MARKET FUNDAMENTALS - RENTS

U.S. Office Rent Trends

2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	Y/Y Chg.	2010 Q4 Forecast	Y/Y Chg.
\$ 19.24	\$ 19.08	\$ 19.01	\$ 18.70	\$ 18.56	\$ 18.39	-3.6%	\$ 18.31	-2.1%

U.S. Industrial Rent Trends

2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	Y/Y Chg.	2010 Q4 Forecast	Y/Y Chg.
\$ 5.20	\$ 5.11	\$ 5.03	\$ 4.88	\$ 4.82	\$ 4.73	-7.4%	\$ 4.64	-4.9%

MARKET FUNDAMENTALS - OCCUPANCY

U.S. Office Occupancy Trends

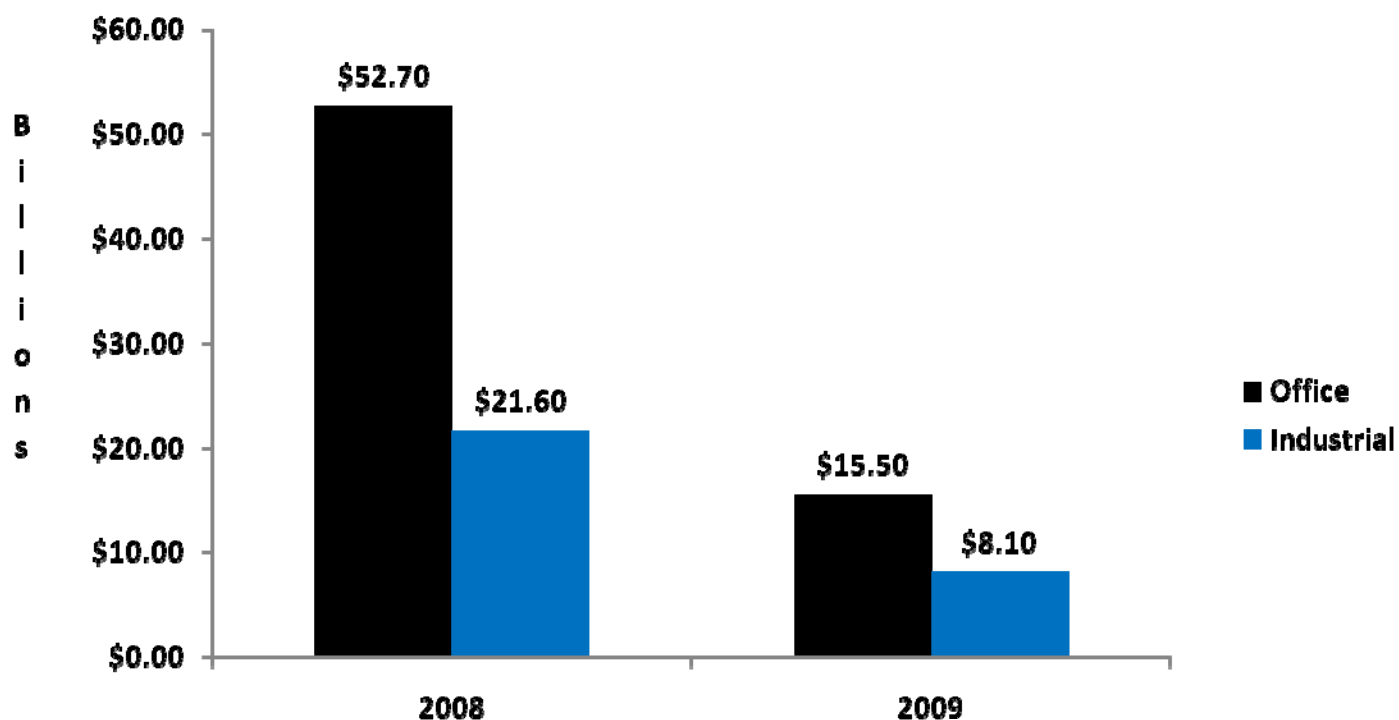
2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	Y/Y Chg. (BPS)	2010 Q4 Forecast	Y/Y Chg. (BPS)
85.3%	84.5%	83.9%	83.7%	83.4%	83.3%	-120	83.0%	-70

U.S. Industrial Occupancy Trends

2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	Y/Y Chg. (BPS)	2010 Q4 Forecast	Y/Y Chg. (BPS)
87.3%	86.4%	85.9%	85.5%	85.3%	85.0%	-140	85.1%	-40

2008 & 2009 US INVESTMENT ACTIVITY

Office and Industrial Sales Plummeted from 2008-09



Office and industrial trades fell from \$74 billion in 2008 to \$24 billion in 2009.

MARKET TRYING TO DETERMINE VALUE

- **2009**
 - **No Capital**
 - **No Trades**
- **2010**
 - **Starting to recover**

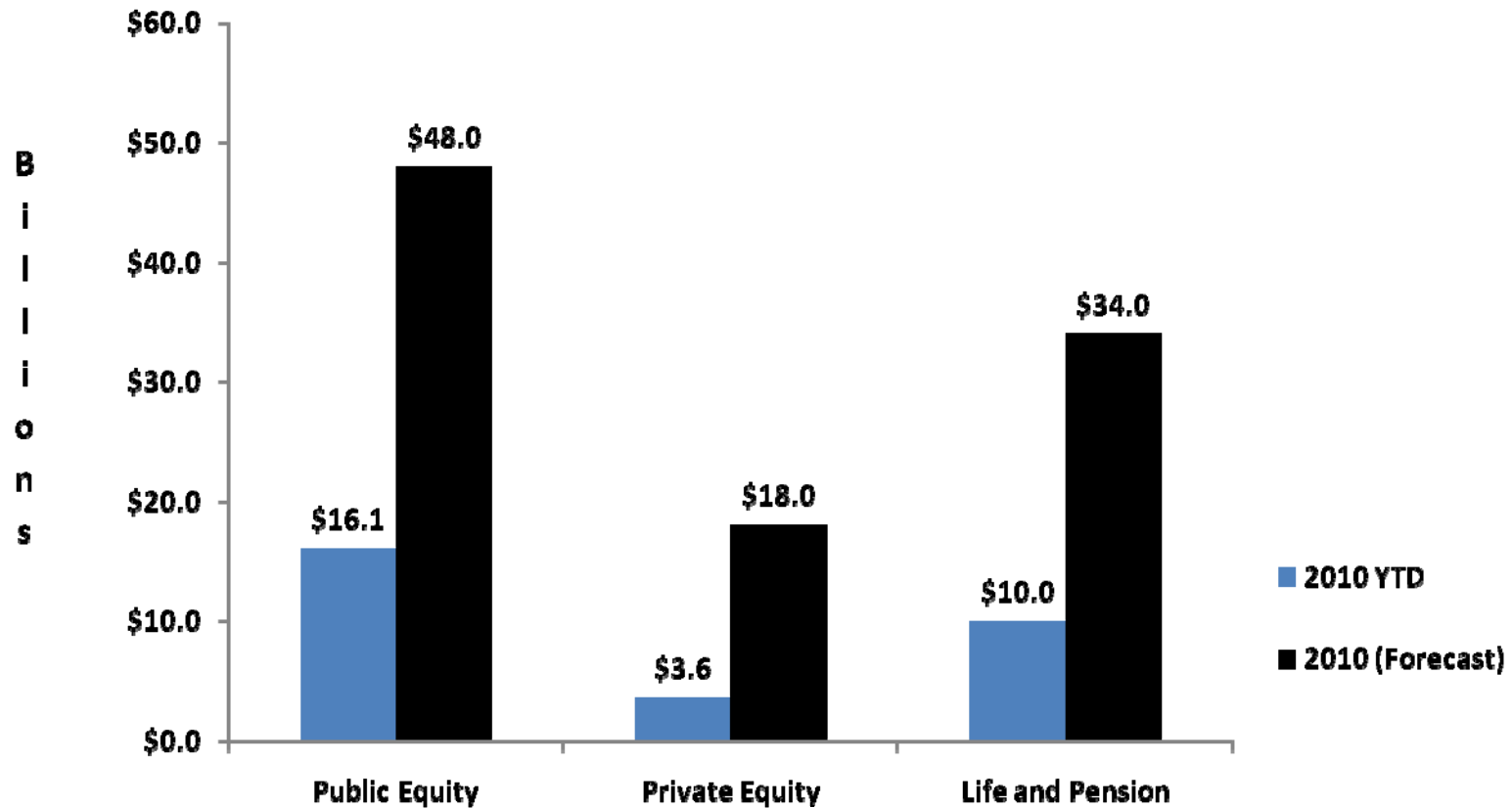
OVERVIEW OF THE MARKET

- **Debt Markets**
 - **Capital for stabilized assets**
 - **Lend to strong borrowers**
 - **Foreign Banks (Germany – China)**

OVERVIEW OF THE MARKET

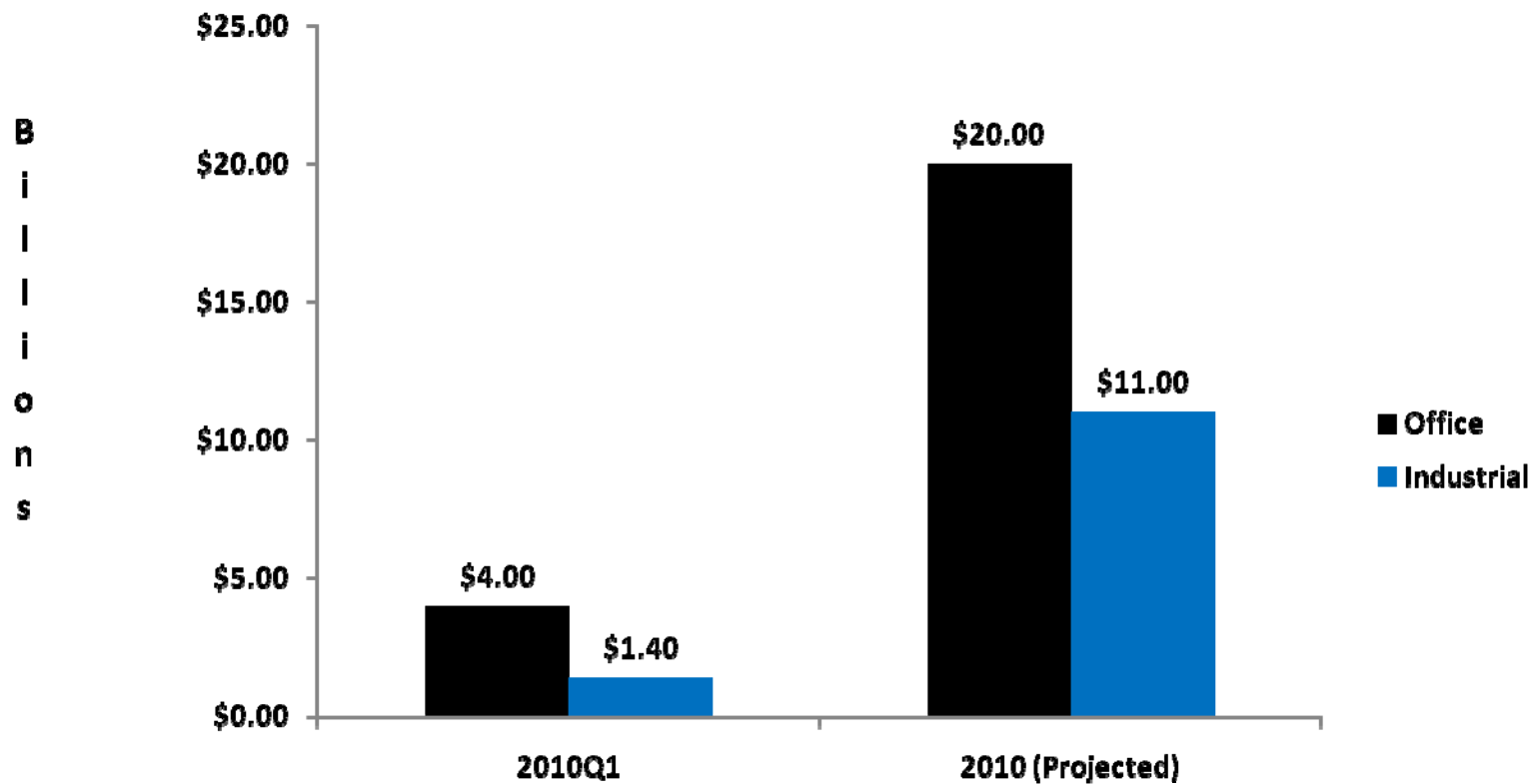
Equity on the 'sidelines'

Capital Sources of CRE Investment



2010 PROJECTED INVESTMENT ACTIVITY

Investment Sales Are Projected to Reach \$31 Billion in 2010



LOST DEAL IN FLORIDA

- **4 warehouse buildings totaling 679,918 SF**
- **24'-30' clear**
- **Average Age - 11 Years Old**
- **10-40% office finish**
- **100% Leased**
- **In-place Rents = \$7.60psf**
- **Market Rents = \$7.00psf blended**

LOST DEAL IN FLORIDA

➤ **Winning Bid:**

➤ **\$95.60psf, \$65.0 million**

➤ **7.50% cap rate on Year 1 NOI**

5.5% exit cap rate needed to attain a 9% IRR

LRY 2010 ACQUISITIONS PLAN

Acquisitions

\$0 to \$100 Million

Stabilized Cap Rate

8% to 10%

WHAT DO WE LOOK FOR?

- **Fits with company and city strategy**
- **Review the cash flow**
 - **What are the risks in the cash flow?**
 - **What is the upside to the cash flow?**
- **Long term functionality risk**

MARKETS AND PROJECT TYPE:

Big Box

Chicago

Lehigh

Central PA

Multi-Tenant

Industrial

Houston

Lehigh

Tampa

Orlando

Carolina's

Office

Metro DC

OFFERS MADE

SF	% Occupancy	LRV Value	Market Value	Market Value PSF	Cap Rate
5,454,311	49.4%	\$322,379,936	\$383,756,663	\$70.36	6.6%

OPPORTUNITIES

- **RTC vs. today**
- **Distressed Assets**
 - **CMBS**
 - **Banks**
 - **Life Companies**
 - **Pension Funds/Joint Ventures**
- **Making money on the “buy”**