Next to real estate offerings, the most suspect prose comes from autobiographers.
THIS SAYS THE RECOVERY IS SLOWING DOWN.

HOW CAN THEY TELL?
2013: REAL GDP STEADY RELATIVE TO 2012

Source: IHS Global Insight, January 2013
2014: A MULTI-SPEED GLOBAL RECOVERY

(Real GDP, Annual % Change)

Source: IHS Global Insight, December 2012.
Gross National Debt as % GDP

If Reagan & Bushes had balanced their budgets and Dems did what they did

Sept. 30
2012


Roosevelt  Truman  Ike  Kennedy-LBJ  Nixon-Ford  Carter  Reagan  Bush  Clinton  Bush  Obama
Most of Budget Goes Toward Defense, Social Security, and Major Health Programs

- Defense and International Security Assistance: 20%
- Social Security: 20%
- Medicare, Medicaid, and CHIP: 21%
- Safety Net Programs: 13%
- Interest on Debt: 6%

Remaining Program Areas

- Benefits for Federal Retirees and Veterans: 7%
- Transportation Infrastructure: 3%
- Education: 2%
- Science and Medical Research: 2%
- Non-security International: 1%
- All Other: 4%

Source: 2011 figures from Office of Management and Budget, FY 2013 Historical Tables. Center on Budget and Policy Priorities | cbpp.org
New Private Housing Units Authorized by Building Permits (PERMIT)
Source: U.S. Department of Commerce: Census Bureau

Shaded areas indicate US recessions.
2013 research.stlouisfed.org
U.S. GROWTH SECTORS

- HIGH-TECH
- ENERGY
- AUTO
- HEALTH CARE
- GOV’T
- FINANCE
LACKLUSTER U.S. EMPLOYMENT TRENDS

Source: IHS Global Insight, December 2012.
Net Jobs (1000s), Left-Hand Side

Employment Growth Rate, Right-Hand Side

Source: Moody’s Analytics, February 2013.
US MARKET FUNDAMENTALS: MODEST IMPROVEMENT

CONTRACTION

STABILIZATION

EXPANSION

MATURATION

RETAIL

INDUSTRIAL W/D

OFFICE SUBURB

INDUSTRIAL FLEX/ R&D

MULTI-FAMILY HOUSING

OFFICE CBD
<table>
<thead>
<tr>
<th>Sector</th>
<th>Category</th>
<th>Rate</th>
<th>Past Cyclic High</th>
<th>“Natural Rate”</th>
<th>Year Back to &quot;Natural Rate&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>Vacancy Rate</td>
<td>15.4%</td>
<td>16.9 / 2010</td>
<td>13 to 15</td>
<td>2013</td>
</tr>
<tr>
<td>Industrial</td>
<td>Availability Rate</td>
<td>12.8%</td>
<td>14.5 / 2010</td>
<td>9 to 10</td>
<td>2015</td>
</tr>
<tr>
<td>Retail</td>
<td>Availability Rate</td>
<td>12.8%</td>
<td>13.2 / 2011</td>
<td>9 to 10</td>
<td>2016</td>
</tr>
<tr>
<td>Multifamily</td>
<td>Vacancy Rate</td>
<td>5.0%</td>
<td>7.44 / 2009</td>
<td>5 to 6</td>
<td>2010</td>
</tr>
<tr>
<td>Full Service Hotels</td>
<td>Vacancy Rate</td>
<td>33.7%*</td>
<td>43 / 2009</td>
<td>34 to 38</td>
<td>2010</td>
</tr>
</tbody>
</table>

*Q3 2012 data.
Source: CBRE Econometric Advisors, Q4 2012.
IMPROVEMENTS IN OFFICE MARKET CONDITIONS ACCELERATE

Office Completions & Net Absorption, SF x 1MM

Vacancy Rate (%)

Source: CBRE Econometric Advisors as of January 2012

Completions
Net Absorption
Vacancy Rate (%)

Forecast
Americas Office Market Rent Cycle, Q3 2012

Source: CBRE Research, Q3 2012.
## NATIONAL INVESTMENT SALES

<table>
<thead>
<tr>
<th>YEAR</th>
<th>VOLUME</th>
<th>YOY CHANGE</th>
<th>APARTMENT</th>
<th>INDUSTRIAL</th>
<th>RETAIL</th>
<th>CBD OFFICE</th>
<th>SUBURBAN OFFICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$22,797,186,777</td>
<td>8.4%</td>
<td>9.8%</td>
<td>9.2%</td>
<td>8.8%</td>
<td>9.7%</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>$33,015,950,003</td>
<td>45%</td>
<td>7.8%</td>
<td>9.3%</td>
<td>9.0%</td>
<td>8.6%</td>
<td>9.3%</td>
</tr>
<tr>
<td>2003</td>
<td>$43,667,943,171</td>
<td>32%</td>
<td>7.1%</td>
<td>8.5%</td>
<td>8.0%</td>
<td>8.4%</td>
<td>8.6%</td>
</tr>
<tr>
<td>2004</td>
<td>$77,971,539,051</td>
<td>79%</td>
<td>6.4%</td>
<td>8.1%</td>
<td>7.5%</td>
<td>7.2%</td>
<td>7.9%</td>
</tr>
<tr>
<td>2005</td>
<td>$98,103,102,895</td>
<td>26%</td>
<td>5.9%</td>
<td>7.5%</td>
<td>6.8%</td>
<td>6.5%</td>
<td>7.3%</td>
</tr>
<tr>
<td>2006</td>
<td>$123,896,290,892</td>
<td>26%</td>
<td>6.2%</td>
<td>7.2%</td>
<td>6.9%</td>
<td>6.2%</td>
<td>6.9%</td>
</tr>
<tr>
<td>2007</td>
<td>$133,149,699,350</td>
<td>7%</td>
<td>6.2%</td>
<td>7.4%</td>
<td>6.7%</td>
<td>5.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>2008</td>
<td>$24,520,366,697</td>
<td>-82%</td>
<td>6.5%</td>
<td>7.7%</td>
<td>7.1%</td>
<td>6.6%</td>
<td>7.4%</td>
</tr>
<tr>
<td>2009</td>
<td>$22,405,355,614</td>
<td>-9%</td>
<td>6.7%</td>
<td>8.7%</td>
<td>8.0%</td>
<td>8.4%</td>
<td>8.8%</td>
</tr>
<tr>
<td>2010</td>
<td>$60,123,283,343</td>
<td>168%</td>
<td>6.5%</td>
<td>8.4%</td>
<td>7.7%</td>
<td>6.4%</td>
<td>7.8%</td>
</tr>
<tr>
<td>2011</td>
<td>$66,841,931,985</td>
<td>11%</td>
<td>6.3%</td>
<td>7.8%</td>
<td>7.4%</td>
<td>6.1%</td>
<td>7.7%</td>
</tr>
<tr>
<td>2012</td>
<td>$98,047,643,523</td>
<td>47%</td>
<td>6.2%</td>
<td>7.8%</td>
<td>7.4%</td>
<td>5.8%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

Updated as of Q4 2012 Data

Source: Real Capital Analytics
STRONG PERFORMANCE FOR REAL ESTATE ASSETS IN 2012

(Annualized Returns)

- REITs: 19.70%
- Equities: 16.00%
- Real Property: 11.78%
- Government Bonds: 7.10%
- CPI: 10.54%
- T-Bills: 8.44%
- 1 Year
- 10 Years

Source: NCREIF, Q4 2012.

(1) NAREIT Equity REIT Index
(2) Standard & Poor's 500 Index
(3) NCREIF Property Index
(4) Barclays Capital Govt Bond
(5) Consumer Price Index
(6) 90-day T-Bills
Nashville Office & Industrial Summary
# NASHVILLE OFFICE MARKET

## 4Q12 STATS vs. 2011 YEAR END STATS

<table>
<thead>
<tr>
<th></th>
<th>4Q12</th>
<th>4Q11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Rate</td>
<td>11.8%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Lease Rate</td>
<td>$18.23</td>
<td>$18.03</td>
</tr>
<tr>
<td>Net Absorption</td>
<td>303,534 SF</td>
<td>398,339 SF</td>
</tr>
<tr>
<td>YTD Absorption</td>
<td>660,117 SF</td>
<td>653,638 SF</td>
</tr>
</tbody>
</table>

**Submarkets:**

- Airport North
- Airport South
- Downtown
- Cool Springs/Brentwood
- Green Hills/21st Avenue/Music Row
- Metro Center
- North Nashville
- West End/Belle Meade
TOP NASHVILLE OFFICE & INDUSTRIAL SALES 2012

:: 2012 Office Sales
Carothers Building :: 500,000 SF
Synergy Business Park :: 496,235 SF
211 Commerce Street :: 228,567 SF
BNA Corporate Center :: 232,438 SF
1550 W McEwen :: 175,672 SF

:: 2012 Industrial Sales
Southpark E& F :: 1,000,000 SF
Barry Drive, Portland :: 414,043 SF
United Tech, Portland :: 297,000 SF
Hester Drive :: 252,000 SF
Source: Real Capital Analytics
RECENTLY INKED LARGE OFFICE LEASES

The majority of leasing activity has been in the CBD

Asurion * :: 173,450
Regions * :: 116,000
IRS :: 135,753

Brokered by CBRE *
HISTORICAL OFFICE INVENTORY

Source: CBRE Research updated 4Q12
HISTORICAL OFFICE NET ABSORPTION


- 1997: 1,000,000
- 1999: 1,400,000
- 2001: 0
- 2003: 200,000
- 2005: 800,000
- 2007: 1,200,000
- 2009: 600,000
- 2011: 800,000
- 2013 Est.: 1,000,000
HISTORICAL OFFICE VACANCY RATES
HISTORICAL OFFICE COMPLETED CONSTRUCTION

![Bar chart showing historical office completed construction by year.](chart.png)

- **1999**: 1,200,000
- **2001**: 1,000,000
- **2003**: 800,000
- **2005**: 800,000
- **2007**: 1,400,000
- **2009**: 1,200,000
- **2011**: 1,000,000

NASHVILLE INDUSTRIAL MARKET

4Q12 STATS & 2011 YEAR-END STATS

<table>
<thead>
<tr>
<th></th>
<th>4Q12</th>
<th>4Q11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Rate</td>
<td>9.8%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Lease Rate</td>
<td>$3.83</td>
<td>$3.79</td>
</tr>
<tr>
<td>Net Absorption</td>
<td>3,388,536 SF</td>
<td>474,113 SF</td>
</tr>
<tr>
<td>YTD Absorption</td>
<td>5,285,268 SF</td>
<td>2,690,000 SF</td>
</tr>
</tbody>
</table>

Submarkets ::
- Allied Drive/I-65 South
- CBD/Polk Avenue
- Elm Hill Pike/I-40 East
- Interchange City
- Metro Center/Cockrill Bend
- Northeast/I-65 North
RECENTLY INKED LARGE INDUSTRIAL LEASES

Oberto Brands * :: 183,000
Genco :: 225,000
Federal Mogul * :: 100,000
Musclepharm :: 120,000
SAKS * :: 564,300
Nissan * :: 1.5 MSF combined

* Brokered by CBRE
HISTORICAL INDUSTRIAL NET ABSORPTION

Nashville Development Pipeline
1.25 MSF of Class A Office space
One Franklin Park

Five 10 story Class A Office buildings

Developer :: Spectrum

Expected to deliver Early 2014
PLANNED CONSTRUCTION :: WEST END SUMMIT

900,000 square foot Class A-Office Tower (HCA Anchor tenant)

World Class Fitness Center and Health Spa

Internal Concourse connection with

Grand Entry Living room

Ample meeting space and Grand Ballroom

2,600 car garage

Dedicated Valet
PLANNED CONSTRUCTION : GREEN HILLS

Address: 4000 Hillsboro Pike
Lot Size: 2.17 acres
Units: 263 (14 story tower with 12 story tail)
Office SF: 20,000-50,000
Retail/Restaurant: 5,000
Parking: 414 spaces
Anticipated groundbreaking: Fall 2013
Office and Retail will front Hillsboro Pike; residential will be connected to commercial but in a separate building set back from commercial
Address: 2312 Elliston Place  
Lot Size: 2.71  
Units: 331 (6-story concrete with wrapped parking garage)  
Retail/Restaurant: 15,000 SF  
Parking: 500  
Status: In lease-up with residents moving in this spring.  
Resort style pool, fitness, lounge and two community courtyards.  
LEED Silver
UNDER CONSTRUCTION : ELLISTON 23
Tapestry at Brentwood

673 parking spaces 2 garages
4100 SF of retail space
Status: Under Construction
Developer: Bristol Development
Owner: Northwestern Mutual
ADDITIONAL DEVELOPMENTS IN THE PIPELINE

17th & Broadway
Mid-rise residential building with ground for residential and above grade structured parking
Status: Projected
Developer: Southern Land

505 Church Street
700,000 square feet of Class A office space
200-room hotel
Conference center with a 6,000-square-foot ballroom
Underground parking for 1,000 cars.
Status: Planned
Developer: Tony Giarratana
OFFICE MARKET CONTINUES RECOVERY, YEAR END NUMBERS SURPASS FORECAST

- **Vacancy**: Overall vacancy decreased by 80 basis points from the previous quarter to 13.6%. The vibrant market has not only sustained its previous momentum, but also managed to surpass market forecasts, indicating a strong recovery. This trend is expected to continue as demand for office space remains robust.

- **Rent**: Average market rates have shown a steady increase, reflecting the rising demand. Rent pressures are now being felt across the region, with landlords adjusting their rates to meet market demands.

- **Delivery**: A few projects are nearing completion, with deliveries scheduled for the near future. This increase in supply is anticipated to exert downward pressure on rental rates.

- **Under Construction**: The pipeline of new projects is growing, signaling continued optimism in the market. Developers are betting on the continued growth and demand for office space.

- **Total Vacancy**: The market shows signs of stabilization, with vacancy rates expected to remain relatively low in the coming quarters. This stability is crucial for maintaining the economic vibrancy of the region.

5.3 MSF OF POSITIVE ABSORPTION YEAR END, NASHVILLE INDUSTRIAL MARKET BOASTS BANNER YEAR

- **Vacancy**: Overall market vacancy decreased by 120 basis points during the fourth quarter, reaching 10.6%. This significant drop highlights the strong absorption rate of industrial space in the market.

- **Lease**: Average lease rates have shown a pronounced increase, indicating a healthy leasing environment. Leasing activity is robust, with new leases being signed at record-high rates.

- **Absorption**: Frequent and consistent delivery of new industrial space is driving the market. This new supply is well-absorbed, ensuring a healthy balance between supply and demand.

- **Construction**: Several projects are now under construction, indicating ongoing growth and investment in the industrial sector. This new construction is expected to further fuel market activity.

The combination of low vacancy rates, steady rent increases, and strong delivery of new space suggests a vibrant and expanding industrial market in Nashville. This dynamic environment presents opportunities for investors and developers alike.