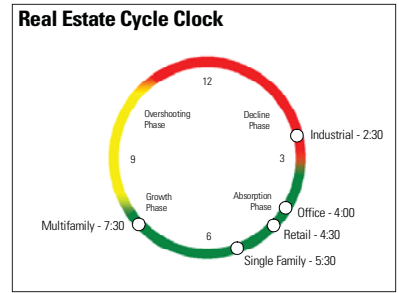


Outlook: Economy & Demographics

Hiring in Boston is ramping up again. Private sector employers added back 25,100 positions in 2010, expanding the total private sector employment base by 1.2%. Limiting stronger growth was continued weakness in the local financial services industry, as major local employers shed jobs in Boston. Employment in the financial activities sector contracted by 9.3% during the four years through December 2010 as compared with an overall decline of 1.5%. Nevertheless, our outlook for Boston's economy is positive. Innovative high-tech services and manufacturing industries prefer to operate in Boston based on its skilled labor pool, existing industry clusters and educational institutions. The technological advancements required to serve a rapidly aging U.S. population will benefit Boston through the medium term: innovative start-ups in the healthcare, medical device, biotech and life sciences industries attracted \$2.2 billion in venture capital investments and \$1.7 billion in funding from the National Institutes of Health in 2010. These sectors should continue to thrive through the medium term.

Boston's demographic trends are likely to improve through the forecast period as a result of strong job growth and relatively high housing affordability. Positive net migration should account for approximately 48% of the projected increase in population.



Economic Risk Assessment

2011-2012: Medium
2013-2015: Low

Average Employment Growth

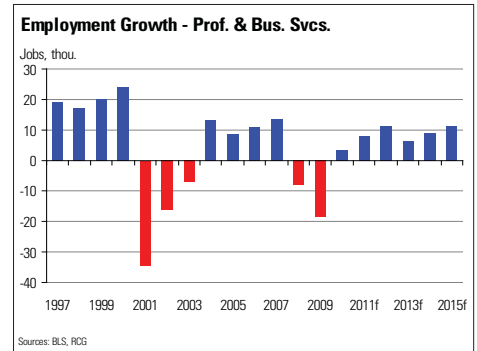
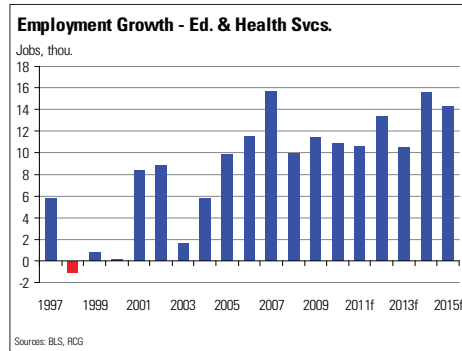
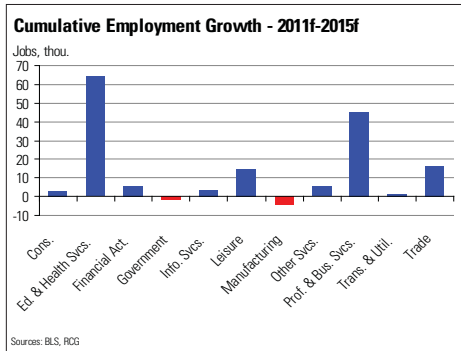
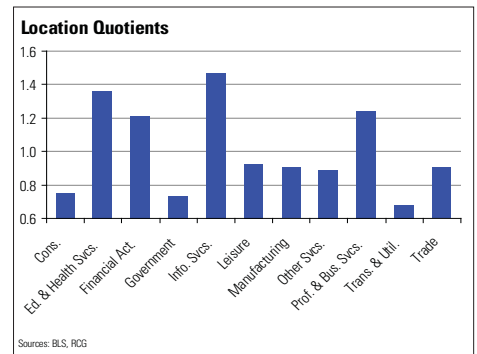
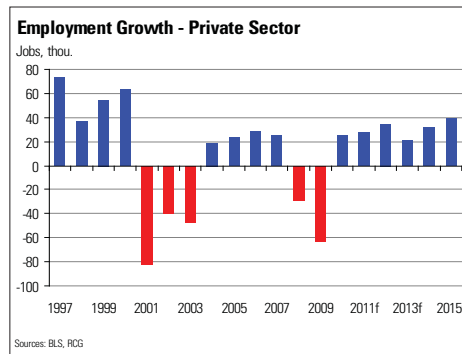
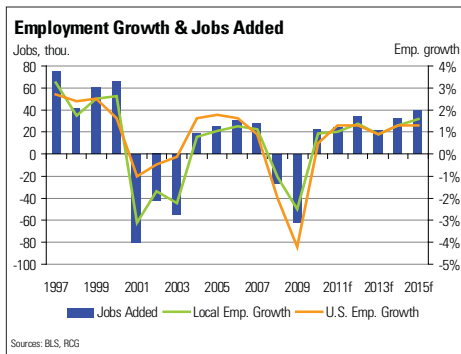
2006-2010: 0.0%
2011-2015(f): 1.2%

Employment Base (thou.)

Dec. 2010: 2,429

Population (thou.)

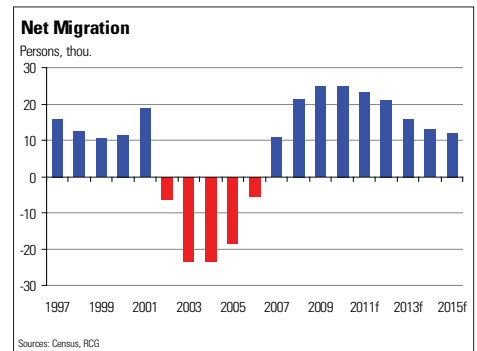
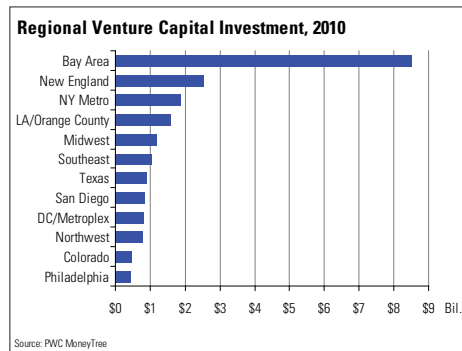
2010e: 4,623



Fastest Growing Metro Areas: Absolute Job Growth

Metro Area	YTD Abs. Change	YTD % Change
Houston, TX	47,100	1.9%
Dallas, TX	42,000	2.1%
New York, NY	27,900	0.5%
Washington, DC	26,500	0.9%
Chicago, IL	24,100	0.6%
Boston, MA	22,900	1.0%
Columbus, OH	15,800	1.8%
Nashville, TN	14,800	2.0%
Orlando, FL	14,100	1.4%
Philadelphia, PA	13,100	0.5%

Sources: BLS, RCG



Economic Indicators

Statistic	Units	2006	2007	2008	2009	2010	Dec09	Sep10	Dec10	2011f	2012f	2013f	2014f	2015f
Total Employment	(000)	2,466.9	2,494.9	2,468.5	2,406.4	2,429.3	2,406.4	2,423.9	2,429.3	2,453.9	2,487.9	2,509.6	2,542.2	2,582.0
% Change		1.3%	1.1%	-1.1%	-2.5%	1.0%	-2.5%	0.8%	1.0%	1.0%	1.4%	0.9%	1.3%	1.6%
Construction	(000)	100.2	98.9	91.0	77.6	76.8	77.6	77.7	76.8	77.1	77.8	78.2	78.8	79.6
% Change		-2.2%	-1.3%	-8.1%	-14.7%	-1.0%	-14.7%	-1.5%	-1.0%	0.3%	0.9%	0.6%	0.7%	1.0%
Manufacturing	(000)	222.8	218.9	209.9	194.1	195.1	194.1	194.6	195.1	195.6	194.1	192.6	190.9	190.1
% Change		-0.8%	-1.8%	-4.1%	-7.5%	0.5%	-7.5%	0.3%	0.5%	0.3%	-0.8%	-0.7%	-0.9%	-0.4%
Trade	(000)	358.1	356.3	347.1	334.4	336.5	334.4	339.1	336.5	339.6	343.3	345.0	348.2	353.1
% Change		-0.1%	-0.5%	-2.6%	-3.7%	0.6%	-3.7%	0.9%	0.6%	0.9%	1.1%	0.5%	0.9%	1.4%
Transportation & Utilities	(000)	62.3	62.2	61.8	60.6	61.2	60.6	60.0	61.2	61.4	61.9	62.2	62.4	62.8
% Change		2.5%	-0.2%	-0.7%	-2.0%	1.0%	-2.0%	0.2%	1.0%	0.4%	0.8%	0.4%	0.4%	0.6%
Information Services	(000)	74.7	74.8	74.9	73.0	73.9	73.0	72.9	73.9	74.3	75.2	75.9	76.6	77.5
% Change		0.9%	0.1%	0.1%	-2.5%	1.3%	-2.5%	0.4%	1.3%	0.5%	1.3%	0.9%	1.0%	1.1%
Financial Activities	(000)	190.1	187.5	183.6	175.3	172.5	175.3	173.0	172.5	173.7	175.3	175.8	176.7	178.1
% Change		0.8%	-1.4%	-2.1%	-4.5%	-1.6%	-4.5%	-1.8%	-1.6%	0.7%	0.9%	0.3%	0.5%	0.8%
Professional & Business Svcs.	(000)	401.5	415.0	407.0	388.4	391.7	388.4	393.2	391.7	399.5	410.7	416.8	425.6	436.7
% Change		2.8%	3.4%	-1.9%	-4.6%	0.8%	-4.6%	1.8%	0.8%	2.0%	2.8%	1.5%	2.1%	2.6%
Educational & Health Svcs.	(000)	454.4	470.1	480.1	491.5	502.3	491.5	497.3	502.3	512.9	526.3	536.8	552.4	566.7
% Change		2.6%	3.5%	2.1%	2.4%	2.2%	2.4%	1.5%	2.2%	2.1%	2.6%	2.0%	2.9%	2.6%
Leisure & Hospitality	(000)	215.6	219.2	218.5	215.8	225.4	215.8	221.6	225.4	228.0	231.2	232.9	235.6	240.3
% Change		3.0%	1.7%	-0.3%	-1.3%	4.4%	-1.3%	2.7%	4.4%	1.2%	1.4%	0.7%	1.2%	2.0%
Other Services	(000)	87.6	89.9	89.4	89.4	90.0	89.4	89.5	90.0	90.9	92.2	92.8	93.9	95.2
% Change		0.7%	2.6%	-0.5%	0.0%	0.7%	0.0%	0.0%	0.7%	1.0%	1.4%	0.7%	1.1%	1.4%
Government	(000)	298.3	301.2	304.5	305.7	303.5	305.7	304.4	303.5	300.5	299.6	300.2	300.8	301.7
% Change		0.8%	1.0%	1.1%	0.4%	-0.7%	0.4%	0.1%	-0.7%	-1.0%	-0.3%	0.2%	0.2%	0.3%
Unemployment Rate	(%)	4.3%	4.0%	6.1%	8.7%	7.4%	8.7%	7.2%	7.4%	6.5%	6.2%	6.0%	5.6%	5.3%
Personal Income ¹	(\$Bill)	230.4	243.7	250.8	255.9	264.8				277.9	293.3	308.3	325.6	344.0
% Change		8.5%	5.8%	2.9%	2.0%	3.5%				5.0%	5.5%	5.1%	5.6%	5.7%
Household Income	(\$000)	136.7	144.7	146.9	150.0	154.0				160.2	167.6	174.9	183.5	192.5
% Change		8.4%	5.8%	1.5%	2.1%	2.6%				4.0%	4.6%	4.4%	4.9%	4.9%
CPI	Avg. 82 - 84	223.1	230.7	232.4	236.6	238.1	236.6	236.5	238.1	249.3	258.3	270.5	283.7	298.0
% Change		2.1%	3.4%	0.7%	1.8%	0.6%	1.8%	-0.1%	0.6%	4.7%	3.6%	4.7%	4.9%	5.0%

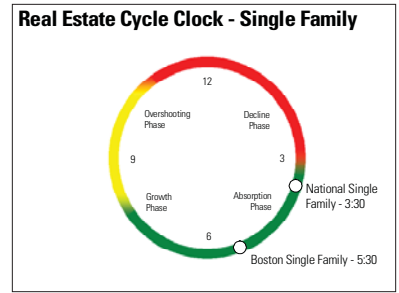
Demographic Indicators

Statistic	Units	2003	2004	2005	2006	2007	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Total Population	(000)	4,460.9	4,457.6	4,459.5	4,473.3	4,504.1	4,544.9	4,589.1	4,622.6	4,663.9	4,703.1	4,737.4	4,768.7	4,799.0
% Change		0.0%	-0.1%	0.0%	0.3%	0.7%	0.9%	1.0%	0.7%	0.9%	0.8%	0.7%	0.7%	0.6%
15 - 24 Years	(000)	590.0	594.6	602.6	612.9	621.6	628.6	633.1	637.8	643.4	648.9	653.6	657.9	662.1
25 - 34 Years	(000)	646.6	634.4	620.5	613.4	614.2	625.0	638.8	643.4	649.2	654.6	659.4	663.8	668.0
35 - 44 Years	(000)	736.9	724.2	714.2	702.3	690.2	676.3	660.1	665.0	670.9	676.6	681.5	686.0	690.3
45 - 64 Years	(000)	1,071.1	1,100.3	1,130.0	1,159.3	1,189.1	1,215.6	1,245.6	1,254.7	1,265.9	1,276.6	1,285.9	1,294.4	1,302.6
65 & Over	(000)	555.9	556.1	557.4	560.4	568.4	581.0	591.2	595.5	600.8	605.9	610.3	614.3	618.2
Births	(000)	58.8	58.2	57.5	57.1	56.9	57.0	56.8	57.2	56.0	56.0	56.1	56.1	56.2
Deaths	(000)	36.3	36.6	36.7	36.9	37.2	37.6	37.8	38.1	37.8	37.8	37.8	37.8	37.9
Natural Increase	(000)	22.4	21.5	20.8	20.2	19.7	19.4	19.0	19.2	18.2	18.3	18.3	18.3	18.3
Net Migration	(000)	-23.3	-23.3	-18.4	-5.6	10.7	21.4	24.9	25.1	23.0	21.0	16.0	13.0	12.0
Total Households	(000)	1,677.1	1,679.0	1,682.3	1,684.5	1,684.7	1,707.2	1,705.4	1,720.1	1,735.3	1,750.4	1,762.9	1,774.5	1,786.6
% Change		0.2%	0.1%	0.2%	0.1%	0.0%	1.3%	-0.1%	0.9%	0.9%	0.9%	0.7%	0.7%	0.7%
By Age of Householder														
15 - 24	(000)	59.4	59.5	59.6	56.3	46.8	56.7	52.3	52.7	53.2	53.6	54.0	54.4	54.8
25 - 34	(000)	270.0	270.3	270.8	254.4	249.9	249.3	258.6	260.8	263.1	265.4	267.3	269.1	270.9
35 - 44	(000)	367.9	368.4	369.1	372.3	369.5	363.5	338.4	341.3	344.3	347.3	349.8	352.1	354.5
45 - 64	(000)	641.7	642.4	643.7	663.8	679.0	693.8	697.2	703.2	709.4	715.6	720.7	725.5	730.4
65+	(000)	338.1	338.5	339.2	337.6	339.6	343.8	359.0	362.1	365.3	368.5	371.1	373.5	376.1
By Type														
Married	(000)	802.2	803.1	804.7	816.5	805.3	817.8	812.3	819.3	826.5	833.7	839.6	845.2	850.9
Total Other Family	(000)	269.9	270.2	270.8	256.8	258.1	259.6	248.6	250.7	252.9	255.1	256.9	258.6	260.4
Other Male	(000)	69.8	69.8	70.0	66.4	63.5	65.2	65.1	65.6	66.2	66.8	67.3	67.7	68.2
Other Female	(000)	200.2	200.4	200.8	190.4	194.5	194.5	183.5	185.1	186.7	188.3	189.7	190.9	192.2
Non-Family	(000)	605.0	605.7	606.8	611.2	621.4	629.7	644.6	650.2	655.9	661.6	666.3	670.7	675.3
Male	(000)	263.7	264.0	264.6	274.2	275.6	287.1	279.8	282.2	284.7	287.2	289.3	291.2	293.1
Female	(000)	341.2	341.6	342.3	337.0	345.8	342.6	364.8	367.9	371.2	374.4	377.1	379.6	382.1

1. Personal Income for 2010 is an estimate.

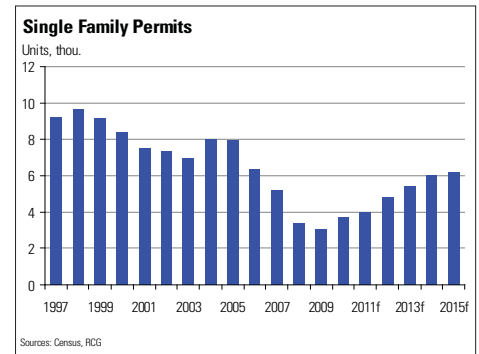
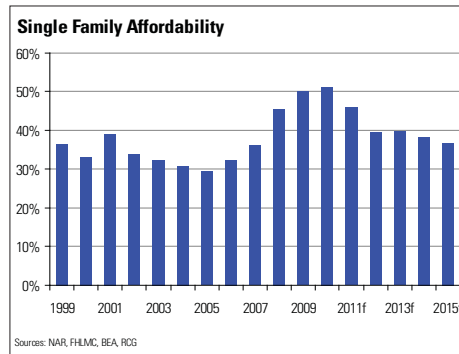
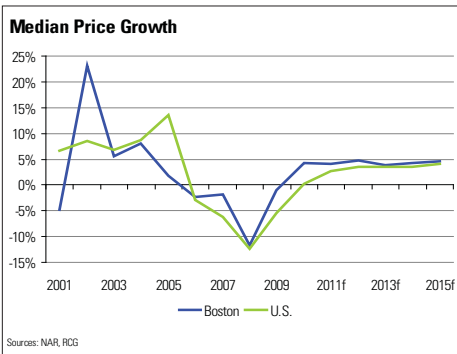
Outlook: Single Family Housing Market

Boston's single family housing market is outperforming the nation as a whole, with strong job growth boosting demand and limited foreclosure activity supporting supply-side fundamentals. The median price grew by 4.2% in 2010, ending four consecutive years of fourth-quarter year-over-year price declines. We expect market fundamentals to steadily improve through the near term. On the supply side, approximately 3,600 foreclosure filings were recorded in the first quarter of 2011, down from 6,000 during the previous quarter and from 8,500 in the third-quarter 2010. Fewer foreclosure sales will weaken the negative bias from forced sales in the median price calculation, causing the market-wide median price to increase. New home construction is not likely to rise rapidly through the forecast period, with annual building permits forecasted to reach 6,200 by 2015 from 4,000 in 2011. On the demand side, our outlook is positive based on the likelihood of sustained job growth. Furthermore, the pool of potential buyers will expand when mortgage credit becomes more available. The spring selling season may have begun to pick up already: closed and pending sales in March 2011 both increased more than 50% from February. The median price is expected to rise an additional 4.1% year-over-year by the fourth quarter of 2011, followed by a 4.8% gain in 2012. Later in the forecast period, we expect price appreciation to continue in the high-3% to mid-4% range annually.



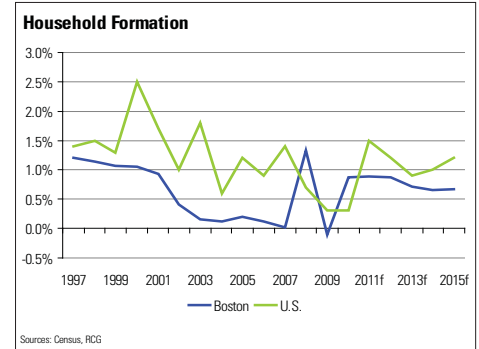
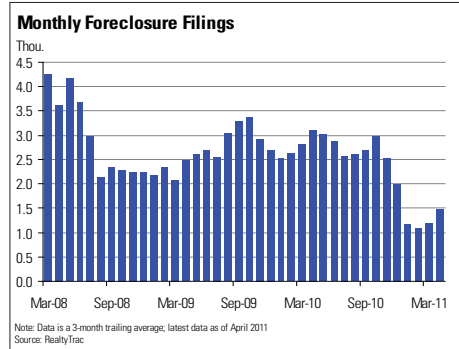
Single Family Risk Assessment

2011-2012:	Low-Medium
2013-2015:	Low
Avg. Permits (Units, thou.)	
2006-2010:	4.3
2011-2015(f):	5.3
Avg. Median Price Growth	
2006-2010:	-2.6%
2011-2015(f):	4.3%



Least Affordable Single Family Housing Markets

Metro Area	Afford. Rate	Metro Area	Afford. Rate
Honolulu, HI	23.6%	Santa Rosa, CA	45.3%
San Francisco, CA	26.1%	Salinas, CA	45.7%
New York, NY	31.5%	Newark, NJ	49.7%
Oakland, CA	33.8%	Boston, MA	51.2%
San Jose, CA	36.7%	Seattle, WA	51.4%
Santa Barbara, CA	37.6%	Central New Jersey	54.0%
Orange County, CA	38.2%	Stamford, CT	54.7%
Los Angeles, CA	41.7%	Nassau-Suffolk, NY	57.1%
San Diego, CA	41.8%	Miami, FL	57.9%
Ventura, CA	43.7%	West Palm Beach, FL	59.7%
U.S.	59.1%		



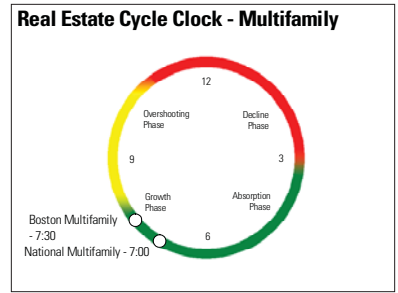
Single Family Housing Statistics⁽¹⁾

	2006	2007	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Stock (Units, 000)	949.0	954.2	957.5	960.6	964.3	968.3	973.1	978.5	984.5	990.7
Building Permits (Units, 000)	6.3	5.2	3.3	3.1	3.7	4.0	4.8	5.4	6.0	6.2
Existing Median Price	\$388,000	\$380,700	\$336,000	\$332,500	\$346,300	\$360,582	\$377,889	\$392,249	\$408,724	\$427,116
%Change	-2.4%	-1.9%	-11.7%	-1.0%	4.2%	4.1%	4.8%	3.8%	4.2%	4.5%
FHLMC Price Index	259.0	249.8	238.3	231.4	.	254.9	268.4	279.5	291.8	291.8
%Change	-1.5%	-3.5%	-4.6%	-2.9%	.	.	5.3%	4.1%	4.4%	0.0%
Monthly Mortgage Payment	\$1,910.51	\$1,871.27	\$1,589.77	\$1,414.97	\$1,389.49	\$1,637.87	\$2,011.29	\$2,087.72	\$2,263.94	\$2,365.81
Households Able to Afford a Median Priced Home	32.4%	36.0%	45.4%	50.2%	51.2%	46.0%	39.6%	39.8%	38.3%	36.8%

(1) Data on permits are year to date. All growth rates are year-ago rates.

Outlook: Multifamily Housing Market

Boston's apartment market improved through the last year as job creation fueled new demand and slow construction activity limited the addition of new supply to the market. Through early 2011, market fundamentals in the investment-grade sector are bouncing back. According to MPF, the investment-grade vacancy rate decreased by 1.0 percentage point to 4.3%, while monthly rents increased by 4.8% to \$1,509 through the first quarter from one year prior. Looking at the broader rental housing market, which also includes single family homes available to rent, has not yet recovered. The annual Census rental vacancy rate increased to 6.0% in 2010 from 4.7% in 2009, while CPI rent growth slowed to 0.1% from 1.0%. Looking ahead, an impending supply shortage, particularly in desirable, supply-constrained locations bodes well for landlords' ability to raise rents more aggressively through the near term. Nevertheless, sustained job creation throughout various industry sectors is expected to benefit the market as whole going forward. The rental vacancy rate is forecasted to drop to 3.6% by 2015, while rent growth averages 3.3% annually through the five-year forecast period. Though our forecast is generally positive, a pullback in hiring activity among regional employers or excessive building activity would weaken the supply/demand balance and reduce overall market rent growth.



Multifamily Risk Assessment

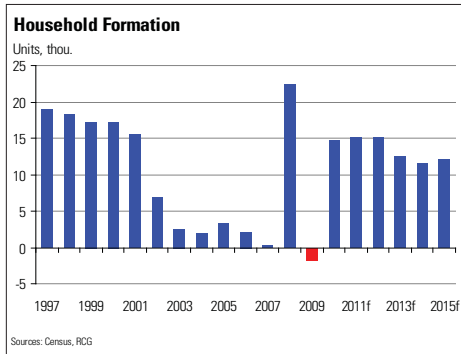
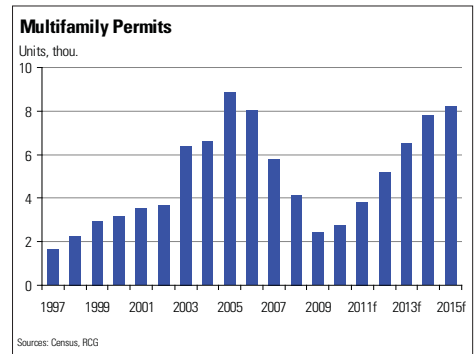
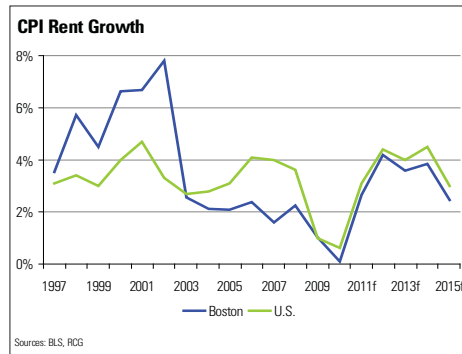
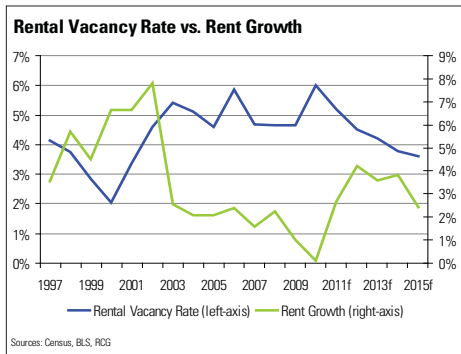
2011-2012: Medium
2013-2015: Low-Medium

Avg. Permits (Units, thou.)

2006-2010: 4.6
2011-2015(f): 6.3

Avg. CPI Rent Component Growth

2006-2010: 1.5%
2011-2015(f): 3.3%



Year-over-Year Change in Revenue Per Available Unit for Public Apt. Companies, March 2011

Metro Area	Yr/Yr % Change	Metro Area	Yr/Yr % Change
Phoenix	10.9%	Charlotte	10.9%
San Francisco	9.7%	Orlando	9.7%
Boston	9.6%	Tampa	9.6%
Austin	9.5%	Atlanta	9.5%
Washington, D.C.	7.9%	Orange County	7.9%
NYC Metro	7.8%	Houston	7.8%
Denver	7.6%	Riverside	7.6%
Seattle	7.6%	San Diego	7.6%
Chicago	7.5%	Los Angeles	7.5%
Dallas/Ft. Worth	6.9%	Las Vegas	6.9%

Year-over-Year Change in Effective Rent for Public Apt. Companies, March 2011

Metro Area	Yr/Yr % Change	Metro Area	Yr/Yr % Change
San Francisco	9.0%	Charlotte	4.7%
Boston	8.4%	Atlanta	4.1%
Phoenix	7.8%	Tampa	4.0%
Austin	7.3%	Orlando	3.7%
Seattle	7.2%	Riverside	3.7%
Washington, D.C.	7.0%	Orange County	3.3%
Chicago	6.8%	Houston	3.1%
Denver	6.3%	Los Angeles	2.3%
NYC Metro	6.2%	San Diego	2.0%
Dallas/Ft. Worth	4.9%	Las Vegas	-2.7%

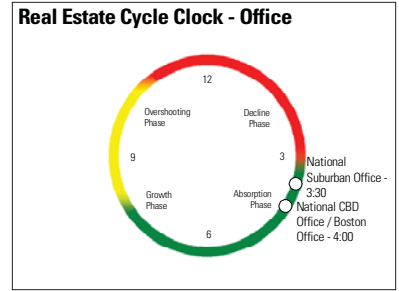
Multifamily Housing Statistics⁽²⁾

	2006	2007	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Stock (Units, 000)	873.1	880.6	885.9	889.7	892.2	895.2	899.3	904.8	911.7	919.6
Building Permits (Units, 000)	8.0	5.8	4.2	2.4	2.7	3.8	5.2	6.5	7.8	8.2
Units Delivered (000)	8.7	7.5	5.4	3.7	2.5	3.0	4.2	5.5	6.8	7.9
Net Absorption (Units, 000)	(2.7)	17.1	5.6	3.5	(9.7)	10.0	10.2	8.0	10.2	9.4
Occupied Units (000)	822.0	839.2	844.7	848.3	838.6	848.6	858.8	866.8	877.0	886.5
Rental Vacancy Rate	5.9%	4.7%	4.7%	4.7%	6.0%	5.2%	4.5%	4.2%	3.8%	3.6%
CPI Rental Component	264.7	268.9	274.9	277.7	278.0	285.4	297.3	308.0	319.8	327.6
%Change	2.4%	1.6%	2.2%	1.0%	0.1%	2.7%	4.2%	3.6%	3.8%	2.4%

(2) Data on permits and units delivered are year to date. All growth rates are year-ago rates.

Outlook: CBD Office Market

The Back Bay is leading the Boston CBD office market recovery, as tenant demand for high-quality space in Boston's premier office submarket has rebounded since 2009. The Back Bay's strength contrasts sharply with the Financial District, where a restructuring tenant base of financial firms is reducing office demand. The Back Bay vacancy rate fell by 3.7 percentage points to 7.4% during 2010 while the Financial District vacancy rate increased by 3.0 percentage points to 15.0%. The direct average Class A asking rent in the Bay Back grew by 2.8% on the year, in contrast to a 6.0% decline in the Financial District. The market is at risk for continued bifurcation through the near term as the 709,000 square-foot Atlantic Wharf project came online in the Financial District in early 2011; while the building was 80% pre-leased, tenants will be relocating and consolidating operations from elsewhere in the CBD market. Our outlook for the market overall is strong through the medium term as a result of stronger job growth and a drop-off in new deliveries after 2011. As lease rates are raised in the Back Bay, tenants will increasingly look to more economical spaces in the Financial District. The Seaport submarket also represents an area of growing demand, with a variety of development projects likely to increase the area's attractiveness to office workers. Located in the Seaport submarket, Boston's "Innovation District" in particular should attract tech companies and start-ups going forward. We expect a mild rent spike later in the forecast period as the overall vacancy rate drops into the 10% range and under by 2014.



Overall Office Risk Assessment

2011-2012: Medium-High
2013-2015: Medium

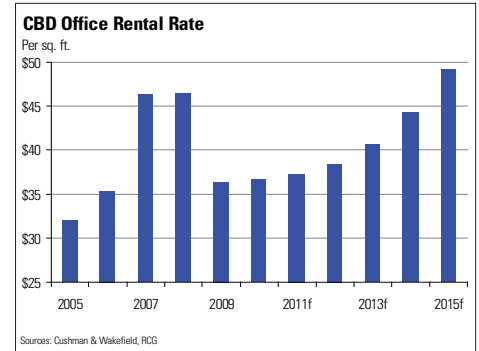
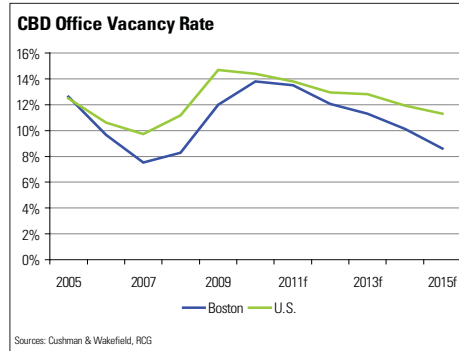
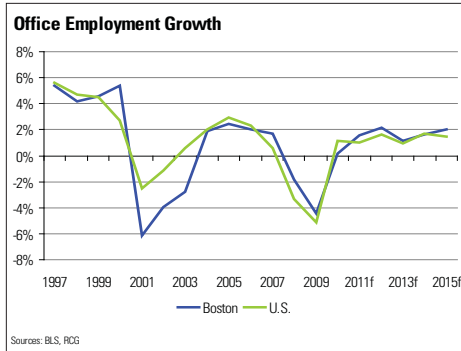
CBD

Avg. New Const. (SF, thou.)

2006-2010: 216.7
2011-2015(f): 141.8

Avg. Rent Growth

2006-2010: 4.1%
2011-2015(f): 6.1%



Overall Office Market Statistics⁽¹⁾

		2006	2007	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Stock	(SF,000)	175,796	176,892	178,815	180,225	181,854	182,763	182,909	183,159	183,609	183,609
New Construction	(SF,000)	254	1,096	1,923	1,410	1,629	909	146	250	450	-
Net Absorption	(SF,000)	5,782	4,626	(1,054)	(6,772)	218	2,100	2,660	1,250	2,550	3,000
Occupied Stock	(SF,000)	150,157	154,783	153,729	146,958	147,176	149,276	151,936	153,186	155,736	158,736
Vacancy Rate		14.6%	12.5%	14.0%	18.5%	19.1%	18.3%	16.9%	16.4%	15.2%	13.5%
Rent	(\$/SF)	\$24.81	\$29.54	\$30.06	\$25.32	\$25.86	\$26.44	\$27.05	\$28.09	\$29.65	\$31.60
Rent Growth		4.3%	19.1%	1.8%	-15.8%	2.1%	2.2%	2.3%	3.8%	5.6%	6.6%

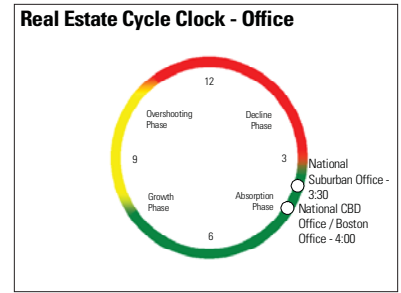
CBD Office Market Statistics⁽¹⁾

		2006	2007	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Stock	(SF,000)	58,959	59,083	59,332	59,539	60,043	60,752	60,752	60,752	60,752	60,752
New Construction	(SF,000)	-	124	249	207	504	709	-	-	-	-
Net Absorption	(SF,000)	1,766	1,361	(207)	(2,030)	(651)	800	860	450	750	900
Occupied Stock	(SF,000)	53,279	54,640	54,434	52,404	51,753	52,553	53,413	53,863	54,613	55,513
Vacancy Rate		9.6%	7.5%	8.3%	12.0%	13.8%	13.5%	12.1%	11.3%	10.1%	8.6%
Rent	(\$/SF)	\$35.38	\$46.30	\$46.45	\$36.42	\$36.64	\$37.34	\$38.46	\$40.69	\$44.35	\$49.23
Rent Growth		10.4%	30.9%	0.3%	-21.6%	0.6%	1.9%	3.0%	5.8%	9.0%	11.0%

(1) Construction, net absorption and rent growth are year-to-date values.

Outlook: Suburban Office Market

Boston's overall suburban office market has likely reached bottom as of 2010, as expansion among tech-related industry tenants balanced restructuring financial firms. The vacancy rate covering the market as a whole ended the year flat compared to 2009, at 21.7%. The suburban office average asking rent increased slightly on the year. Looking ahead, our outlook for Boston's suburban office market is positive based on several factors. Sustained job creation among growth industries will likely boost net absorption going forward as the pace of contraction market-wide slows. High-value professional services, technology and some types of financial services should continue to prefer suburban locations in Boston because of the high quality of life in these submarkets. In Cambridge, proximity to Harvard and MIT should continue to support demand and high rents for office and lab space in the submarket; however, supply-constraints may cause expanding firms to move elsewhere. On the supply side, the speculative building cycle has now run its course, with only two office buildings under construction in the suburbs; both are built-to-suit. We expect the overall vacancy rate to decrease back to 16.0% by 2015 from 20.7% in 2011. Our forecast calls for rent growth to gain momentum through the forecast period as well, reaching 5.5% by 2015. Outperforming the market in terms of supply/demand fundamentals will likely be multi-tenant space in supply-constrained, highly desirable locations, such as in the inner suburbs and Cambridge.



Overall Office Risk Assessment

2011-2012: Medium-High
2013-2015: Medium

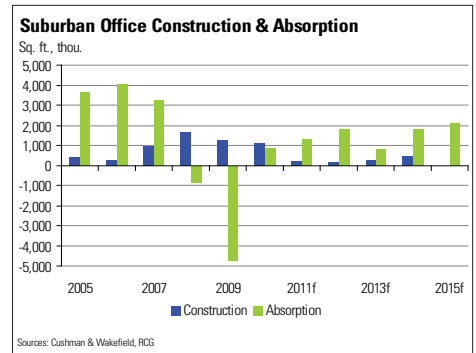
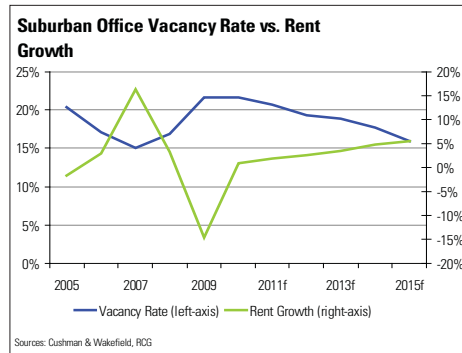
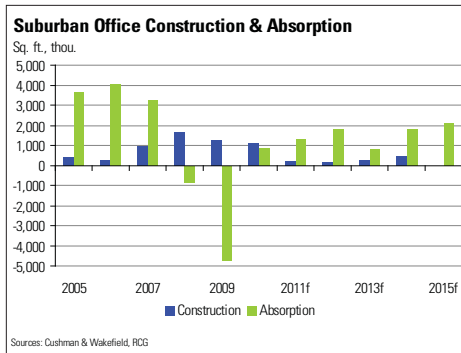
Suburban

Avg. New Const. (SF, thou.)

2006-2010: 1,045.4
2011-2015(f): 209.2

Avg. Rent Growth

2006-2010: 1.7%
2011-2015(f): 3.7%



Overall Office Market Statistics⁽¹⁾

		2006	2007	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Stock	(SF,000)	175,796	176,892	178,815	180,225	181,854	182,763	182,909	183,159	183,609	183,609
New Construction	(SF,000)	254	1,096	1,923	1,410	1,629	909	146	250	450	-
Net Absorption	(SF,000)	5,782	4,626	(1,054)	(6,772)	218	2,100	2,660	1,250	2,550	3,000
Occupied Stock	(SF,000)	150,157	154,783	153,729	146,958	147,176	149,276	151,936	153,186	155,736	158,736
Vacancy Rate		14.6%	12.5%	14.0%	18.5%	19.1%	18.3%	16.9%	16.4%	15.2%	13.5%
Rent	(\$/SF)	\$24.81	\$29.54	\$30.06	\$25.32	\$25.86	\$26.44	\$27.05	\$28.09	\$29.65	\$31.60
Rent Growth		4.3%	19.1%	1.8%	-15.8%	2.1%	2.2%	2.3%	3.8%	5.6%	6.6%

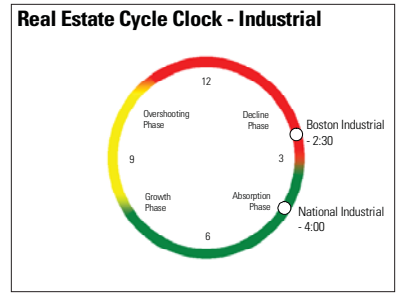
Suburban Office Market Statistics⁽¹⁾

		2006	2007	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Stock	(SF,000)	116,837	117,809	119,483	120,686	121,811	122,011	122,157	122,407	122,857	122,857
New Construction	(SF,000)	254	972	1,674	1,203	1,125	200	146	250	450	-
Net Absorption	(SF,000)	4,016	3,265	(848)	(4,742)	869	1,300	1,800	800	1,800	2,100
Occupied Stock	(SF,000)	96,878	100,143	99,295	94,554	95,423	96,723	98,523	99,323	101,123	103,223
Vacancy Rate		17.1%	15.0%	16.9%	21.7%	21.7%	20.7%	19.3%	18.9%	17.7%	16.0%
Rent	(\$/SF)	\$21.75	\$25.28	\$26.11	\$22.29	\$22.48	\$22.91	\$23.50	\$24.33	\$25.49	\$26.90
Rent Growth		2.9%	16.2%	3.3%	-14.6%	0.9%	1.9%	2.6%	3.5%	4.8%	5.5%

(1) Construction, net absorption and rent growth are year-to-date values.

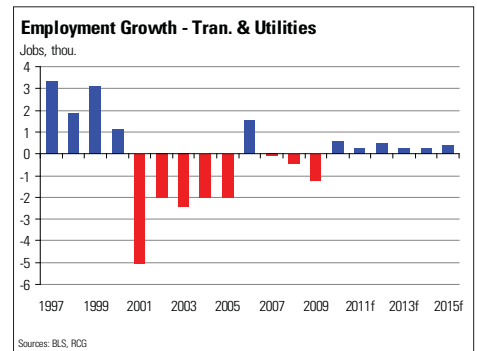
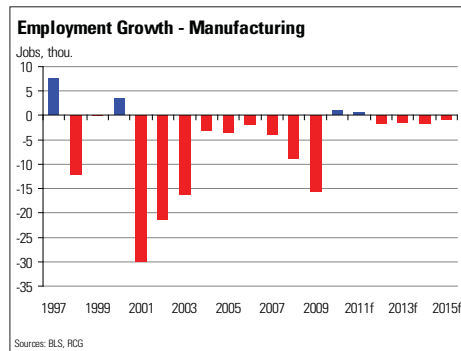
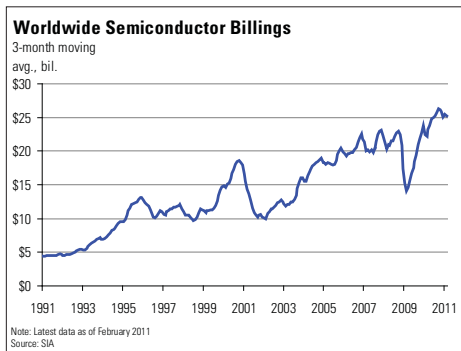
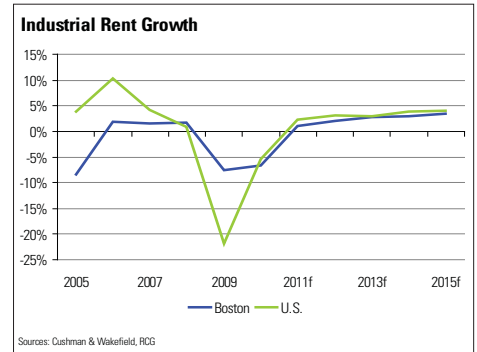
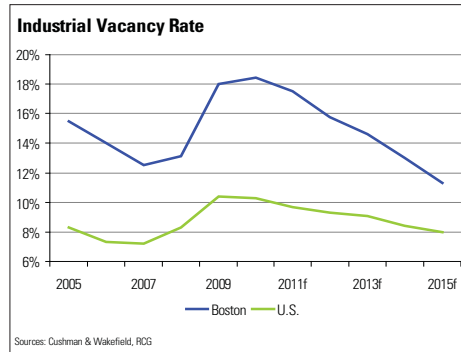
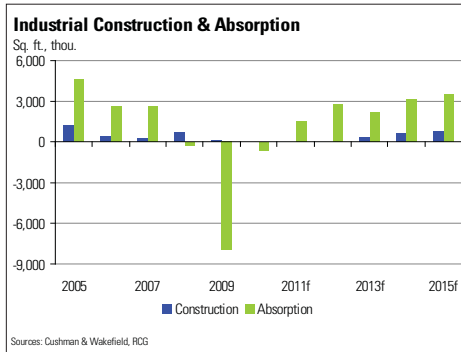
Outlook: Industrial Market

Boosted by expanding high-tech and manufacturing firms, Boston's industrial market is on the cusp of entering the expansion phase of the real estate cycle. Recovery began in the second half of 2010: the vacancy rate decreased by 1.9 percentage points to 18.4% by the fourth quarter from 20.3% at mid-year. Leasing activity for manufacturing and flex space through all of 2010 increased by 33.9% and 30.5% from 2009, respectively, while warehouse leasing fell by 6.4%. Looking ahead through the near to medium term, the South Boston Waterfront in particular represents an area of potentially strong demand in the future, with the "Innovation District" attracting major clean tech and pharmaceuticals firms among others. Outside of Cambridge, the district is an ideal location based on its scalability of space usage and relatively economical lease rates. For the market as a whole, we expect fundamentals to generally improve through the forecast period with some mild volatility on a quarter-to-quarter basis. Furthermore, a slowdown in new construction activity will also help maintain a healthy supply/demand balance. Through 2015, our forecast calls for the vacancy rate to drop back to 11.3% from 17.5% in 2011. Lease rates should begin to rise in 2011, with rent growth gaining some momentum later in the forecast period. Through the longer term, the concentration of tenants in the high-tech exporting industries, such as medical equipment, computers, industrial machinery and other electrical machinery, means that market fundamentals are somewhat linked to volatile regions of the world like Europe, where 39% of Massachusetts' \$26.3 billion in exports were sent in 2010.



Industrial Risk Assessment

2011-2012:	High
2013-2015:	Medium-High
Avg. New Construction (SF, thou.)	
2006-2010:	302.3
2011-2015(f):	350.0
Avg. Rent Growth	
2006-2010:	-1.8%
2011-2015(f):	2.5%



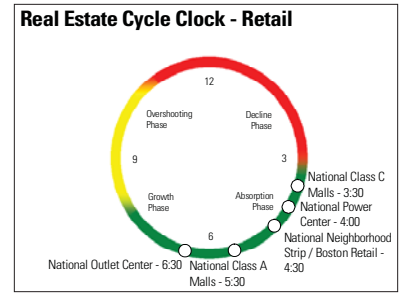
Overall Industrial Market Statistics⁽¹⁾

		2006	2007	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Stock	(SF,000)	161,548	161,799	162,530	162,675	162,675	162,675	162,675	163,025	163,625	164,425
New Construction	(SF,000)	385	251	731	145	-	-	-	350	600	800
Net Absorption	(SF,000)	2,673	2,669	(279)	(7,921)	(624)	1,500	2,800	2,200	3,100	3,500
Occupied Stock	(SF,000)	138,864	141,533	141,254	133,332	132,708	134,208	137,008	139,208	142,308	145,808
Vacancy Rate		14.0%	12.5%	13.1%	18.0%	18.4%	17.5%	15.8%	14.6%	13.0%	11.3%
Rent	(\$/SF)	\$6.89	\$7.00	\$7.11	\$6.57	\$6.13	\$6.20	\$6.32	\$6.50	\$6.69	\$6.93
Rent Growth		2.0%	1.6%	1.7%	-7.6%	-6.7%	1.1%	2.0%	2.8%	3.0%	3.5%

(1) Construction, net absorption and rent growth are year-to-date values.

Outlook: Retail Market

Boston's retail market entered the early stages of recovery in 2010, with strong job growth and stabilizing housing values boosting demand and a slowdown in new construction reducing supply-side pressure. Despite several rounds of major store closings during the year, including Blockbuster and Borders, the market's overall vacancy rate decreased by a moderate 0.4 percentage points to 6.8%. Looking ahead, we expect demand for retail space to strengthen as incomes rise with the growing economy, while the supply response stays somewhat restrained at least through the near term. The retail recovery in prime locations in Boston, most notably the Newbury Street corridor, will likely lead the market as a whole through the near term, as recent hires settle in nearby apartments and tenants relocate into previously unaffordable and/or occupied space in sought-after properties. Our supply forecast calls for annual deliveries to ramp up slowly to 1.8 million square feet by 2015 from 450,000 square feet in 2011, averaging 1.0 million square feet annually through the five-year forecast period. By contrast, annual deliveries averaged 1.6 million square feet during the five years through 2010. We expect the vacancy rate to decrease to 4.0% by 2015, which compares favorably to the pre-recession vacancy rate of 5.8% in 2007. Rents should rise in concert with tightening market conditions as well, with annual growth forecasted to reach 4.0% by 2015.



Retail Risk Assessment

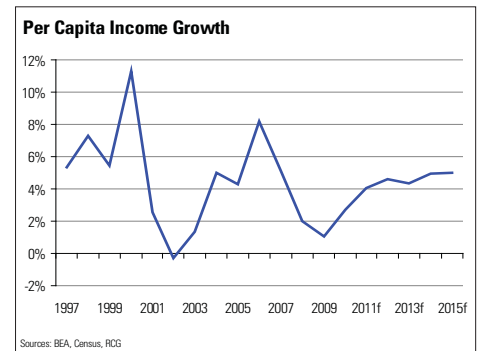
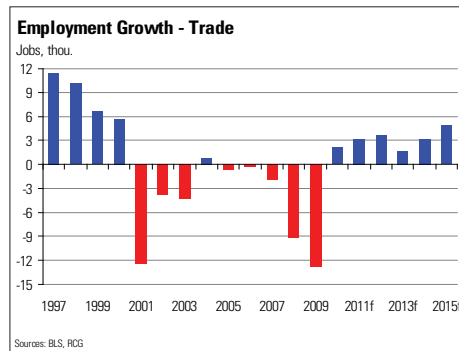
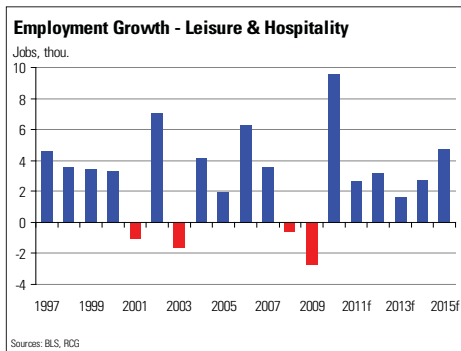
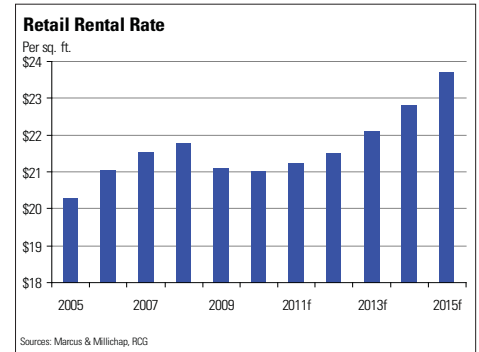
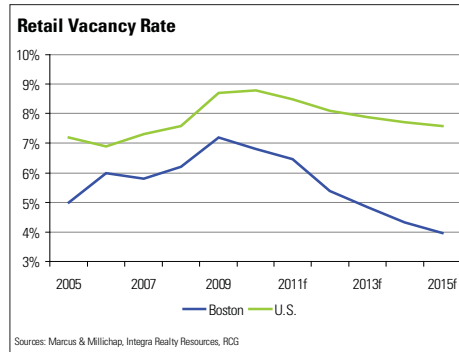
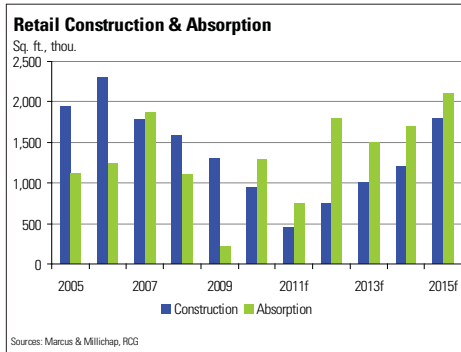
2011-2012: Medium-High
2013-2015: Medium

Avg. New Construction (SF, thou.)

2006-2010: 1,586.8
2011-2015(f): 1,040.0

Avg. Rent Growth

2006-2010: 0.7%
2011-2015(f): 2.4%



Overall Retail Market Statistics⁽¹⁾

		2006	2007	2008	2009	2010	2011f	2012f	2013f	2014f	2015f
Stock	(SF,000)	94,885	96,672	98,263	99,563	100,514	100,964	101,714	102,714	103,914	105,714
New Construction	(SF,000)	2,305	1,787	1,591	1,300	951	450	750	1,000	1,200	1,800
Net Absorption	(SF,000)	1,241	1,873	1,106	224	1,285	750	1,800	1,500	1,700	2,100
Occupied Stock	(SF,000)	89,192	91,065	92,171	92,394	93,679	94,429	96,229	97,729	99,429	101,529
Vacancy Rate		6.0%	5.8%	6.2%	7.2%	6.8%	6.5%	5.4%	4.9%	4.3%	4.0%
Rent	(\$/SF)	\$21.04	\$21.54	\$21.78	\$21.10	\$21.03	\$21.24	\$21.52	\$22.12	\$22.80	\$23.72
Rent Growth		3.6%	2.4%	1.1%	-3.1%	-0.3%	1.0%	1.3%	2.8%	3.1%	4.0%

(1) Construction, net absorption and rent growth are year-to-date values.

Boston, MA

Explanatory Notes for Data Tables

Economic Indicators	Comments	Source*
Employment	Quarterly columns are percent change between indicated monthly level. Annual data are year-end.	Bureau of Labor Statistics
Unemployment	Quarterly columns reflect seasonally adjusted rate for the indicated month. Annual data are year-end.	Bureau of Labor Statistics
Income	All income concepts are annual averages.	Bureau of Economic Analysis
Demographic Indicators		
Population	Data through 2000 are from the Census Bureau intercensal data calculated by RCG until new MSA intercensal estimates are released by the Census Bureau.	Bureau of the Census
Net Migration	Calculated by RCG by netting out natural increase (births less deaths) from population growth.	Bureau of the Census
Households	All intercensal data are calculated by RCG.	Bureau of the Census
Household Market Activity		
Existing Median Price	Quarterly columns are percent change between indicated quarter and year-ago levels. Annual data are averages.	National Assoc. of Realtors
FHLMC Paired Sales Price Index	Quarterly columns are percent change between quarter and year-ago levels. Annual data are averages.	Federal Home Loan Mtg. Corp.
Affordability	Based on FHLMC 30-year, fixed interest rate mortgage, 80% LTV, HH income, and median existing home price.	RCG
Housing Stock	Stock increased by permits in intercensal years.	Bureau of the Census, RCG
Housing Permits	Quarterly numbers are year-to-date.	Bureau of the Census
Rental Vacancy Rate	Small sample of all units.	Bureau of the Census
Rental CPI	Rent of primary residence component of CPI.	Bureau of Labor Statistics
Commercial Real Estate Markets		
Office Market Data:	All competitive office buildings of significant size, excluding government, medical and owner occupied buildings.	Cushman & Wakefield
Industrial Market Data:	All competitive industrial buildings of significant size, excluding self storage.	Cushman & Wakefield
Retail Market Data:	All competitive retail properties of significant size.	Marcus & Millichap
All Variables:	New construction and net absorption reflect year-to-date totals. Vacancy and rents are as of the end of the current quarter. Rents are weighted by the amount of available space.	

* All 2011 to 2015 data are forecasts by RCG.