



SMITH-TRG Introduces 'HAVS', Helps Commercial Real-Estate Sector

HAVS

Hidden-Asset Value Solutions

HAVS - A 'New' Source of Continuous Business Value

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Proprietary Service Solutions

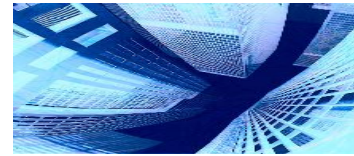
Hidden-Asset Value Solutions (HAVS) is a SMITH-TRG devised and developed proprietary advisory service. HAVS is available to commercial real-estate property holders – investors/owners – with whom we work collaboratively as 'Trusted-Advisors' and under conditions of high mutual confidentiality.

How HAVS Helps? Ten Cents to \$5 Dollars Monthly Recurring per Sq. Ft.

HAVS helps clients create new source of asset value. HAVS helps clients identify eligible non or under-performing commercial real-estate related assets; convert chosen assets into recurring revenue; re-classify or monetize 'new-value' assets; and build a portfolio of new and continuous value.

HAVS Candidate Properties

- **Shopping Malls** (*Mega or Regional*)
- **Strip Malls** (*Regional or Community*)
- **Office Buildings**
- **City Center Developments**
- **Hotels/Resorts/Golf Courses**
- **Sport Stadiums** (*Pro & Collegiate Venues*)
- **Entertainment Complexes**
- **Big Box Retailers**
- **Retail Chains** (*National/Regional*)
- **Undeveloped Land**
- **Mass Transit Systems**
- **Parking Lots** (*Covered Structures or Open*)



Real-Estate Holders Most Interested in HAVS

Owner/Investor Holders

- Property (s) in Default
- Trending Toward Delinquency
- Overbuilt Market
- Tenant Shortage/Growing Vacancy Rates
- Need to Create Added-Value to Secure Tenants

Have Operational Assets – Local, Regional, National

- Top 50 MSA's
- Local Real-Estate Fundamentals at Risk
- Growing Economic & Employment Issues

Why HAVS Now? Need to Increase Value and Gain Competitive Advantage

The Commercial Mortgage Securities Association held its annual Investors Conference January 8, 2008 in South Beach, Fla., at a particularly precarious moment. Credit markets remain locked up, which has turned the previous deluge of CMBS issuance into a drizzle. As a result, there are deeply dampened expectations for CMBS issuance for 2008. Meanwhile, talk of which--if any--commercial real estate sector might go the way of the residential market clearly had some attendees worried.

The mood was in stark contrast to one year ago. The CMBS industry closed 2006 with \$297.8 billion in CMBS issuance (\$202.6 billion in the U.S.) and \$39.8 billion in CDO issuance, according to Commercial Mortgage Alert.

Market Assessment:

- Lackluster Market Situation
- Growing Threat of Defaults & Delinquencies
- Overbuilding & High Vacancy Rates
- Commercial Real-Estate Fundamentals
- Expected Lower Returns
- Retail Sector December 07 Same-Store-Sales Down 4%



Lackluster Market –

Now, expectations are that the CMBS market will remain lackluster well into 2008. The same pool of experts and analysts surveyed by Commercial Mortgage Alert expects issuance to drop in half from 2007's levels down to \$158 billion overall and \$113 billion in the U.S.

Growing Threat of Defaults & Delinquencies –

Any downturn in commercial real estate fundamentals could cause an increase in defaults and delinquencies in existing CMBS pools, which, for now, remain near record lows.

Overbuilding –

Property & Portfolio Research (PPR's) figures show that 145 million square feet of new retail space was delivered in 2007--which is more than 30 percent higher than the historical average of 106 million square feet added each year since 1982. This year it expects another 122 million square feet to be added.

Higher Vacancy Rates –

Newer centers are seeing higher vacancy rates than properties that opened in earlier years and are taking longer to lease up.

Concerns about Real-Estate Fundamentals –

Concerns remain about the health of CMBS that could suffer even if commercial real estate fundamentals continue to grow. There is a question in that the assumed growth in the underwriting of some CMBS is too aggressive and that will pressure the mortgages.

Expected Lower Returns –

Returns over the past five years have been largely due to cap rate compression and rising property values and not a result of growing net occupancy income. With vacancies down and construction in check, some expect income growth and no cap rate compression. As a result, the returns will be less, but the important thing is that they will still be positive.

Real-Estate Sector Statistics

<u>Categories:</u>	<u>CMBS</u>	<u>&</u>	<u>ABS</u>
Market Size	\$650B	&	\$600B
Delinquencies	6.4%	&	24.5%
LTV	69%	&	80%
Loan Size	\$15.8M	&	\$185,000
Loan Term	10 years	&	30 years



Why HAVS Market Indicators

Trouble in REITs

<u>Company:</u>	<u>1/18/08</u>	<u>Off High</u>	<u>'08 Change</u>
General Growth Prop.	\$32.86	-51.3%	-20.2%
Duke Realty	\$21.34	-55.9%	-18.2%
Macerich	\$58.9	-43.1%	-17.1%
Kimco Realty	\$30.70	-42.7%	-15.7%
Mack-Cali Realty	\$29.30	-48.2%	-13.8%
iShares Cohen & Steers	\$70.53	-39.1%	-10.9 %
Realty Majors Index			

HAVS, To-Date Experience...

1,000 Qualified Properties Surveyed

(Greater Baltimore/Washington Area Market)

99.8% Classified HAVS Eligible

Identified/Developed Additional Asset Value

**Results Varied by Client, Real-Estate Asset
Type, Size & Location**

NEW Recurring Value-Creation

10 cents per sq. ft. per month

50 cents per sq. ft. per month

\$2.00 per sq. ft. per month

\$5.00 per sq. ft. per month