

Institutional View of the Real Estate Market

Vision of the Future

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BlackRock Overview

BlackRock Overview

Global provider of investment and risk management services

- Headquartered in NYC; offices in 21 countries

Independent firm in ownership and governance

- Established in 1988, BlackRock is a public company (NYSE:BLK)
 - No majority owners
 - Majority of Board of Directors is independent
- Laurence Fink, Chairman & CEO since firm's inception

Leader in creating solutions for clients

- Customized solutions to meet risk/return objectives
- Innovative products within and across asset classes
- Senior level of commitment to client service

Pioneer in risk management and technology

- Provide risk analytics for portfolios valued at \$7 trillion and investment accounting services for \$110 billion
- BlackRock Solutions® offers independent risk management products

Total Assets of US\$1.28 Trillion

Alternatives / Real Estate	\$52 Billion
Asset Allocation / Balanced	\$103 Billion
Equity	\$164 Billion
Financial Advisory	\$169 Billion
Liquidity	\$322 Billion
Fixed Income	\$473 Billion

AUM Reflects Diversity of Business

US Institutional	28%
US Retail	20%
International Institutional	18%
Cash Management	18%
Financial Advisory	10%
International Retail	6%

BlackRock Real Estate Capabilities

Global real estate platform

- Public, Private, Debt and Equity
- Core, Value-Added, Opportunistic
- \$22.5 billion in global private real estate equity and debt
 - \$20.8 billion in private real estate equity
 - \$1.7 billion in private real estate debt
- Over \$34 billion in CMBS
- 28 years experience in US and Europe - 16 years in Australia/Asia
- Average annual transaction volume 2004-2008 totaled \$6.0 billion

Focus on strategy, execution and risk management

- Firmwide conviction about the nature of the opportunities we see
- Move quickly to exploit those opportunities
- Understand, manage and price risk

Dedicated local presence

- Over 230 people with on-the-ground expertise - rooted in the culture, language and knowledge of their markets

As of 31 March 2009



US Real Estate Market

“Things that can’t go on forever, don’t!”

-Herb Stein

US Economy

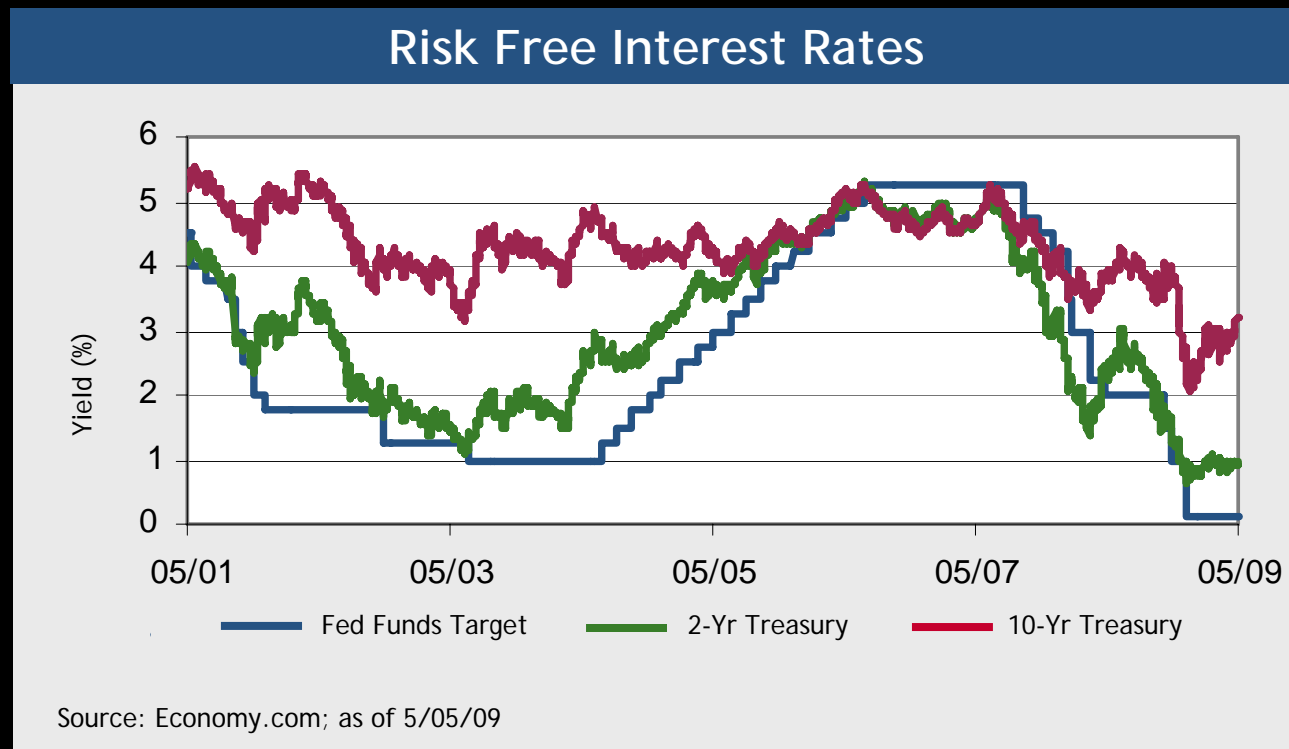
We are in a recession

- Q408 GDP - 6.2%
- National unemployment rate of 9%
- Equity markets down 40% on average
- Largest decline in consumer spending in 30 years
- Global economies are linked
- All asset classes correlated

See endnote 0.1 in the appendix

US Economy (cont.)

Credit market disruption with shifts to liquid securities and guaranteed bank deposits



See endnote 0.1 in the appendix

The Bubble Burst

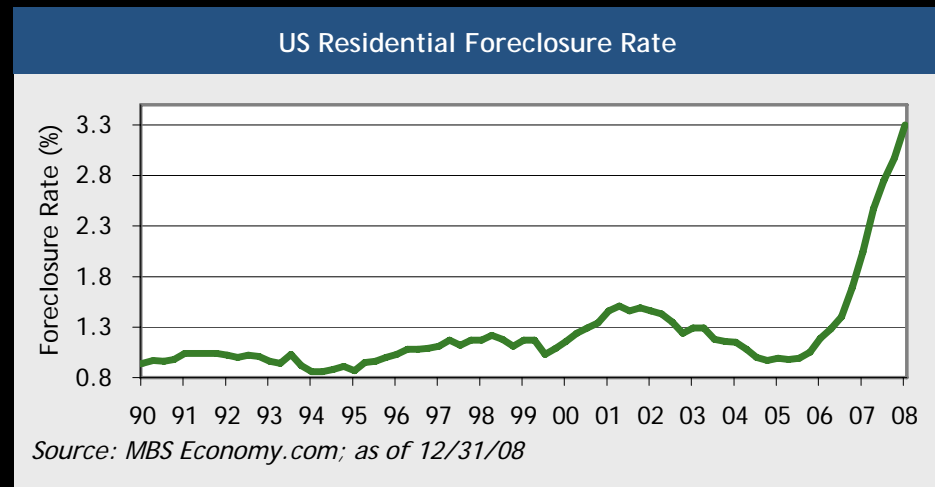
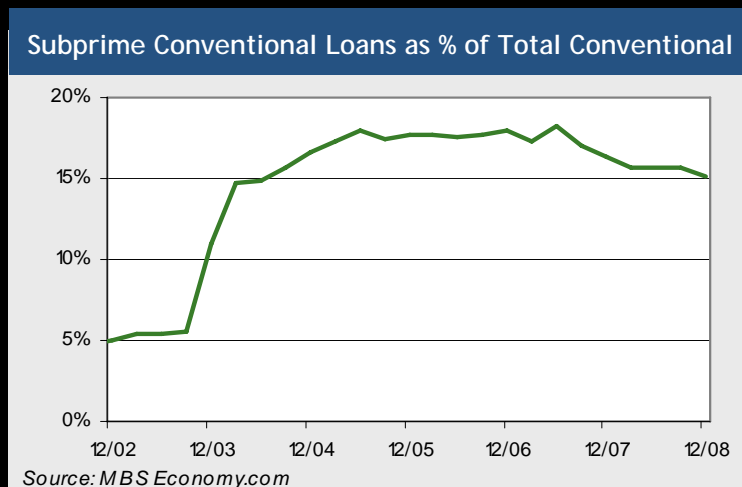


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US Economy (cont.)

How we got there

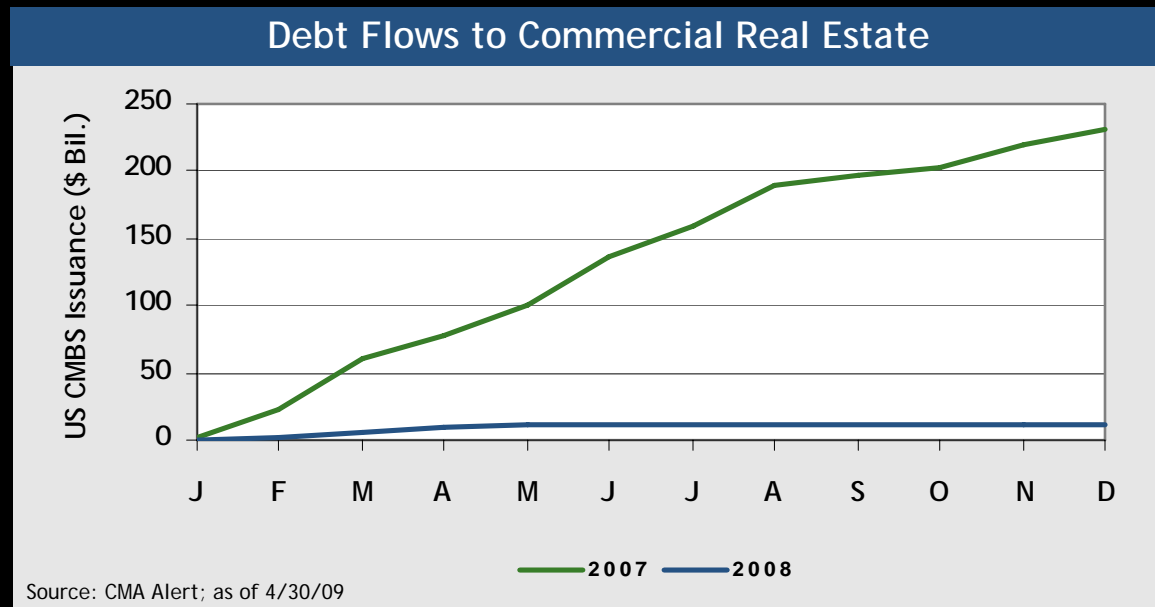
- Unprecedented growth fueled by easy credit and low rates
- Consumerism enabled by housing boom
 - Home ownership 64% to 69%
- Downturn began in subprime and spread throughout all asset classes across the globe



See endnote 0.1 in the appendix

US Economy (cont.)

Asset declines caused credit to contract



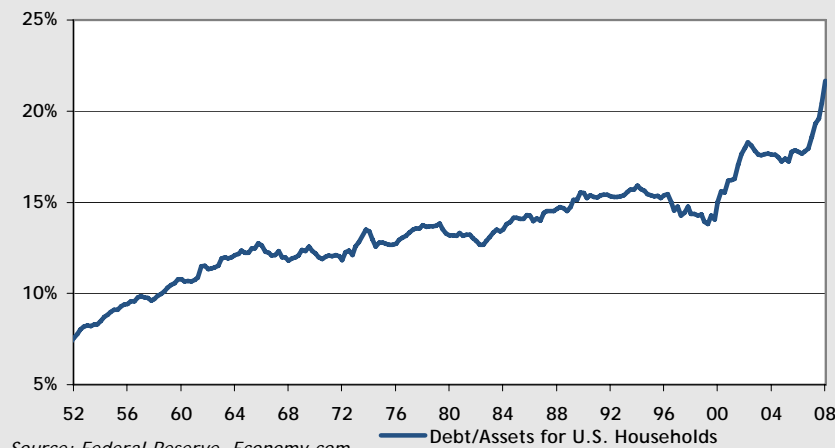
See endnote 0.1 in the appendix

The Need to Deleverage - the Country as a Whole

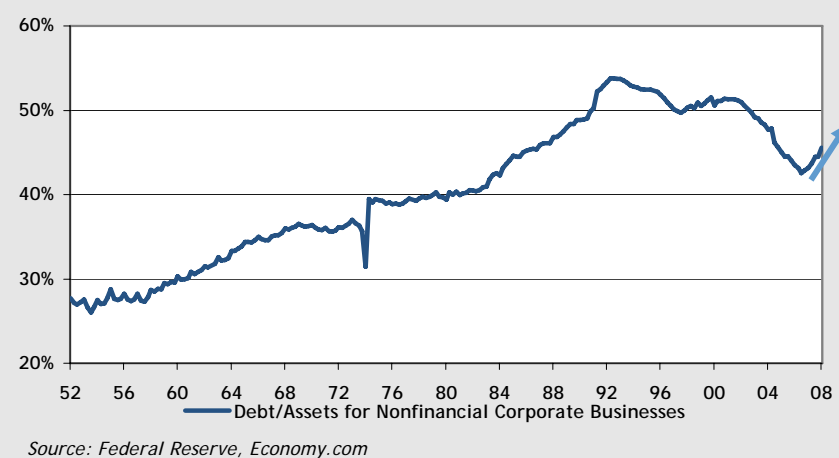
The household leverage level is currently at a historical high

The corporate leverage level is still below the 90s level, but is likely to continue to rise as asset values continue to decline

U.S. Household Leverage



U.S. Corporate Leverage



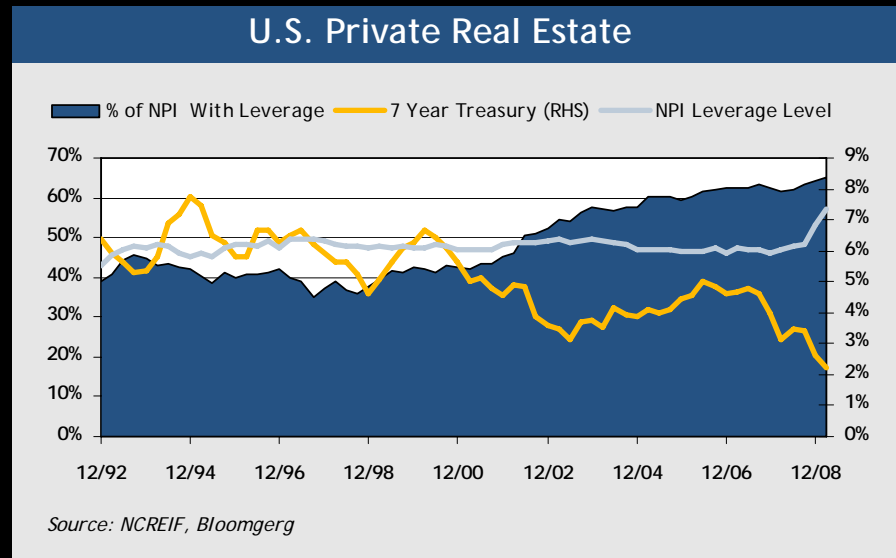
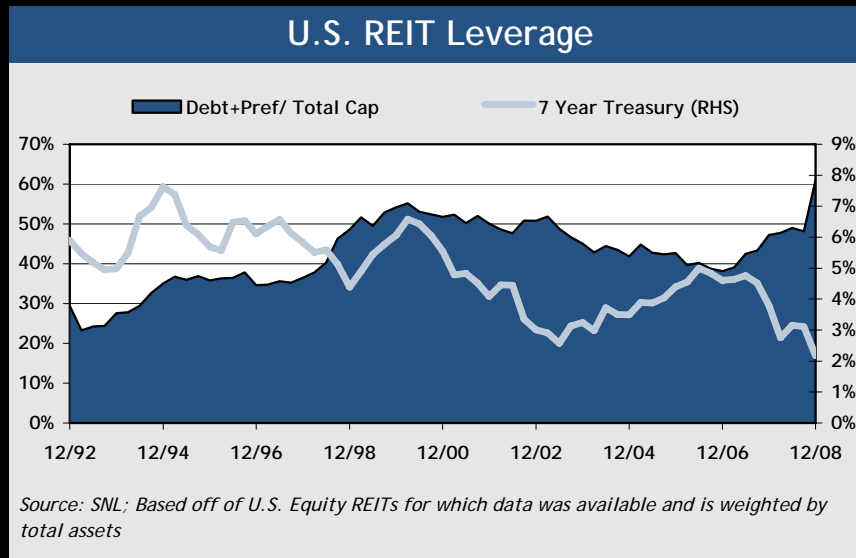
See endnotes 0.1 and 0.2 in the appendix

The Need to Deleverage - Real Estate Sector

The leverage level of public real estate is at its all-time high

The leverage level of private real estate is rising and is expected to continue to rise as asset values continue to decline

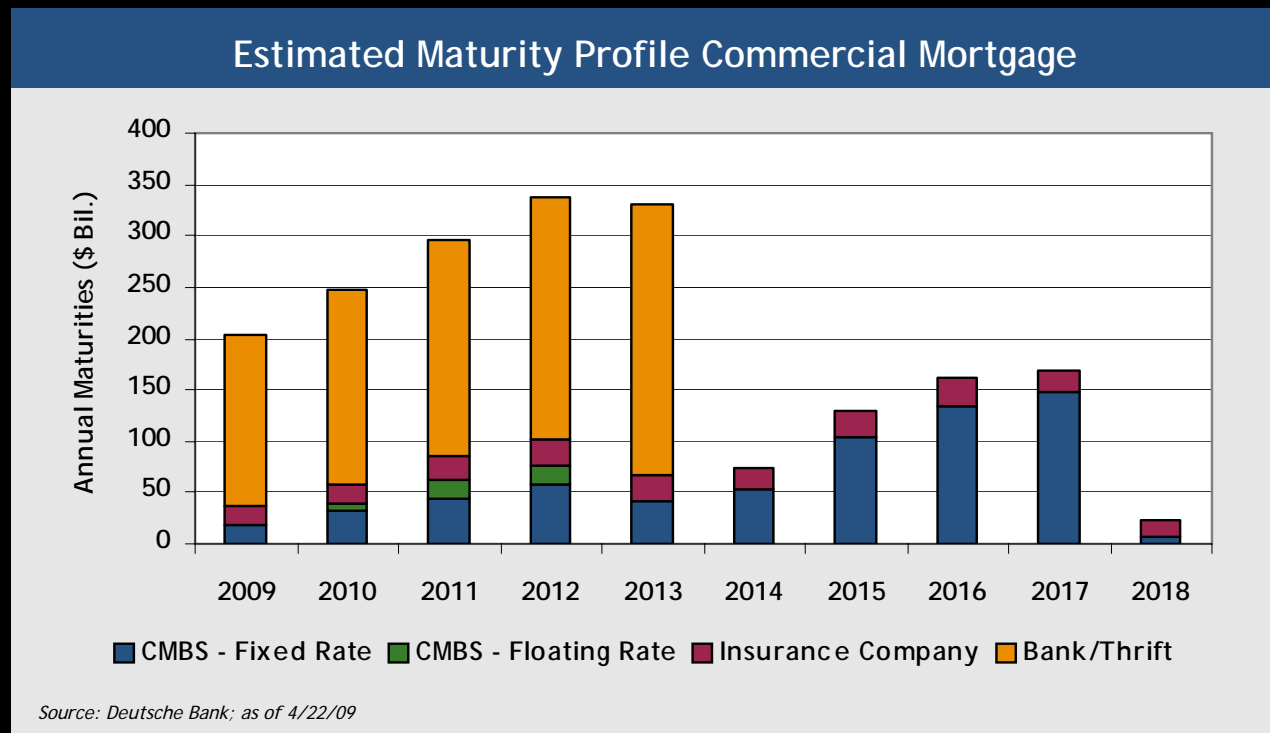
Leverage doubles at 50% LTV and quadruples at 75% LTV



See endnotes 0.1, 0.2 and 0.3 in the appendix

Debt Maturities

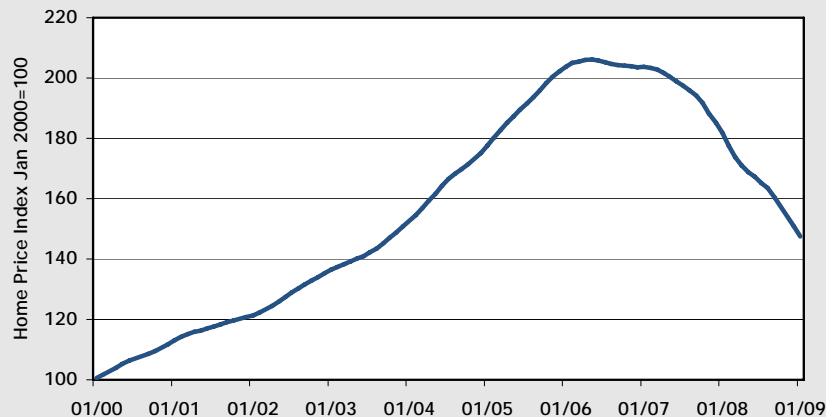
Significant bank debt maturities in illiquid market the next five years



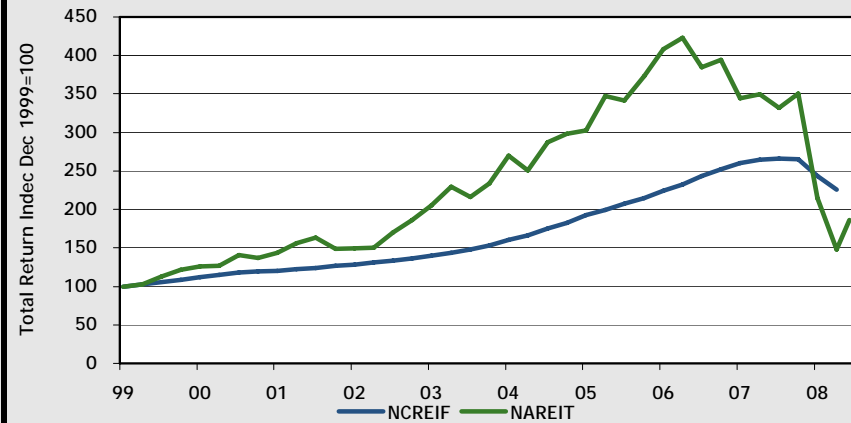
See endnotes 0.1 and 0.2 in the appendix

Re-pricing Ongoing

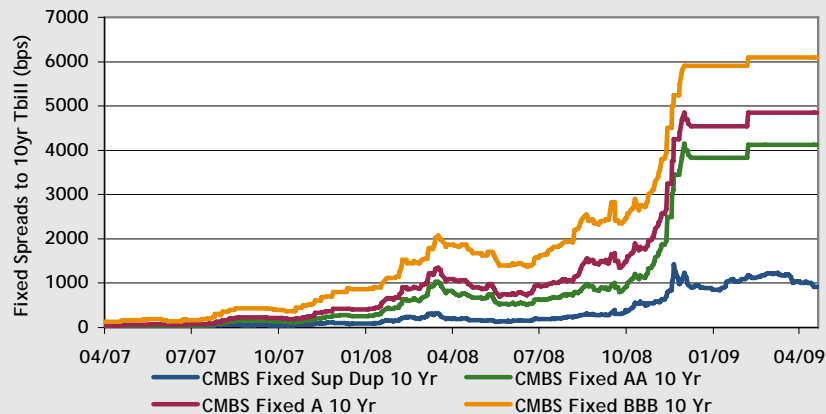
Re-pricing Started with US Home Prices in 2006



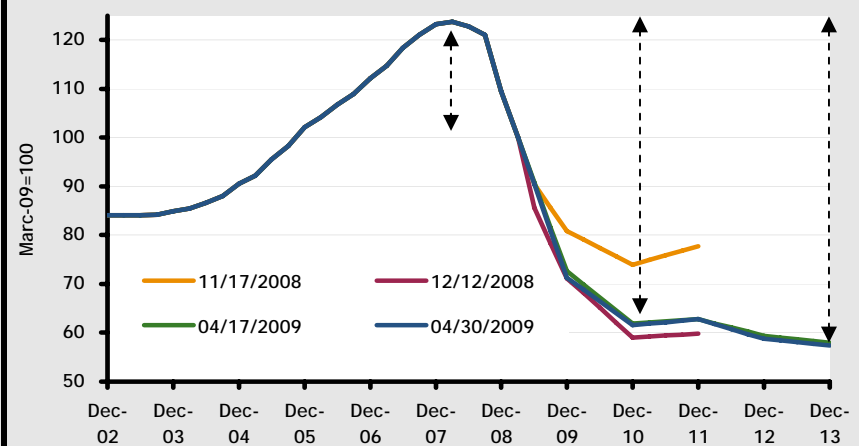
Followed by Public Real Estate Markets in Early '07



CMBS Markets Followed in Second Half of '07



Property Derivatives Imply Significant Value Losses



See endnote 0.1 in the appendix

Three Stages of Re-pricing

Increase in risk premiums for real estate

- Risk premium spreads pushed to historically low levels
- Low cost of debt and abundant leverage as contributory factors

Downward pressure on earnings due to the recession

- Weak economy and job losses resulting in rising vacancies and declining rents
- Expect vacancies to continue to increase until late 2010 or early 2011

Distressed selling

- Early stage and still very limited
- Suggests valuations have not reached bottom

See endnote 0.1 in the appendix

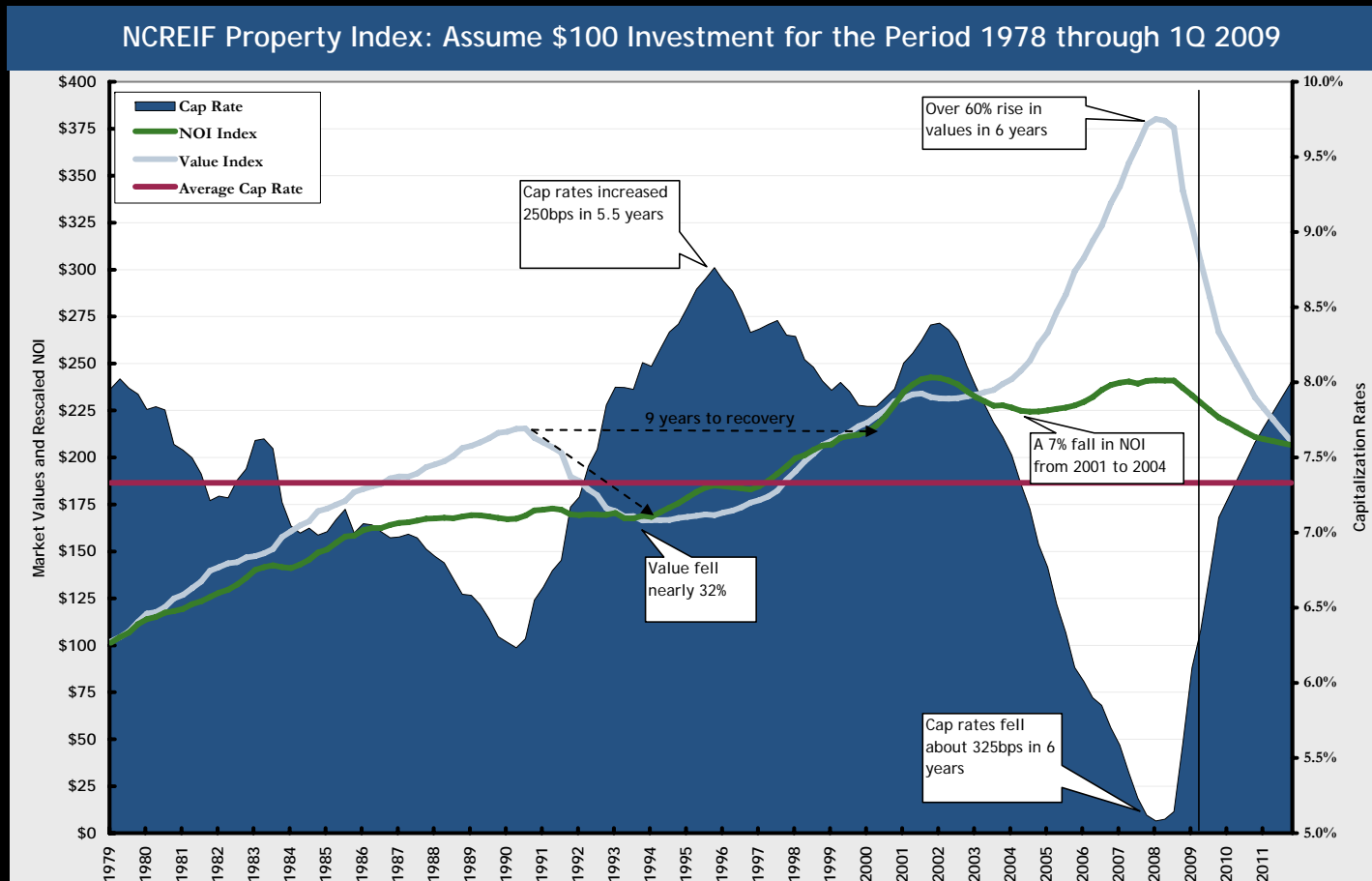
This Cycle is Different

Similar credit market conditions

- 1990s - Failures / distress among S&Ls (RTC liquidations)
- Now - Failures / distress among CMBS & Hedge Funds
- 1990s and Now - Tightening credit standards by commercial banks

Differences

- CMBS market did not exist
- Much lower supply level in this cycle
- Much higher run-up in values this time due to aggressive cap rate compression



Summary of Market Conditions

Global risk repricing and recession

- Risk pricing reverting back to normal, creating illiquidity; economic activity has followed
- Unemployment levels (including underemployed) at recent historic highs
- Deleveraging of companies and households not likely to be solved quickly

Real estate fundamentals have deteriorated very quickly

- US asset value declines of 40% expected; 25% through 4Q08 and 1Q09 realized
- First ever major real estate recession that is “demand” led
- Vacancy rates are poised to surpass late-1980’s and early-1990’s level

Spot market pricing across property types reflect 7.5%+ cap rates

- Multifamily cap rates range from 7.0% to 9.0%
- Office cap rates range from 8.50% to 10.0%
- Industrial cap rates range from 8.5% to 9.5%
- Retail cap rates range from 8.50% to 9.0%

See endnotes 0.1 and 0.2 in the appendix

Market Opportunities

2009 Macro Strategy

Challenging market environment offers the best and worst of times

- Deep recession will negatively impact demand for space and in turn rents
- Downturn is very broad, impacting all property types and regions
- Real estate capital is likely to remain constrained, further impacting pricing
- Distressed selling due to de-leveraging and liquidity expected to accelerate / pricing appears likely to over-shoot

Take advantage of distress: Offense

- Cash is king
- Seek out distressed sellers/favorable pricing - "stock picker's" market

Prepare for prolonged, broad downturn: Defense

- Buy quality - provide value to the tenant
- Income focus
- Minimal leasing exposure over next 2-3 years
- No or low leverage
- Buy well below (falling) replacement cost
- Diversification

Largest fortunes have been made in the worst of economic times

See endnotes 0.1 and 0.2 in the appendix

Real Estate Investment Opportunities

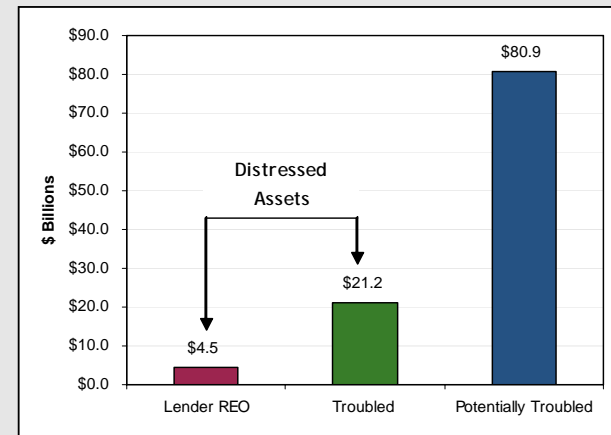
Market turmoil has begun creating unprecedented buying opportunities in distressed core, preferred equity and residential land

- Standard core, value add and opportunistic equity currently offer poor risk adjusted value

High quality core assets/ distressed opportunities

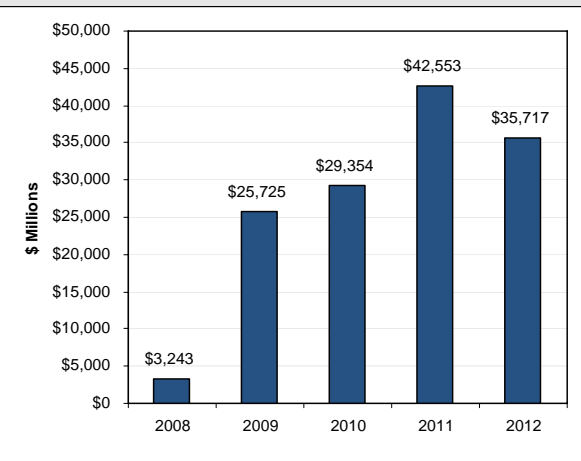
- Negative conditions in the commercial real estate market expected to increase the volume of distressed sales over the next 3 years
 - Estimates that over \$106 billion worth of properties may be “distressed” and/or “potentially troubled”
 - Distressed owners vs. distressed property
 - Distress is spread across all markets and property types
 - Volume of distressed asset sales expected to be greatest in 2011 as indicated by loan maturity schedules
- Selectively purchase class “A” quality assets in high barrier to entry markets with strong tenant quality and low lease turnover
 - Cautiously begin acquisition of high quality, core assets in second half of 2009 focusing on distressed owners
 - Increased buying opportunities expected late 2009 into 2011 due to maturing loan schedules
 - Selectively add moderate leverage when accretive

Current Distressed Real Estate Assets



Source: Real Capital Analytics

U.S. Public REIT Debt Maturities



Source: SNL Financial

See endnotes 0.1 and 0.2 in the appendix

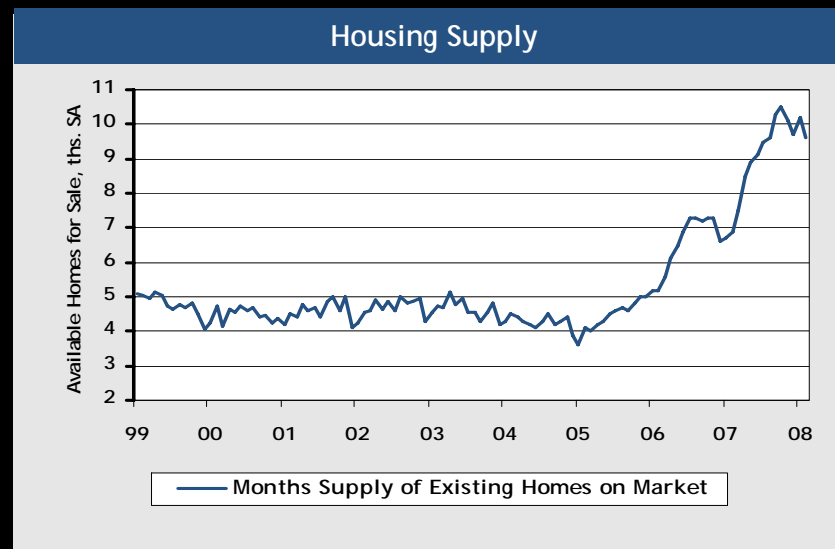
Real Estate Investment Opportunities

Residential land opportunities

- Turmoil in residential housing has caused distressed selling of prime land parcels by home builders caught with inventory
- Downturn, which is three years into the cycle, is likely nearing the bottom
 - Downturn began in mid-2005 through the increased use of concessions and incentives by homebuilders, not reflected in home sales data, leading to absolute price reductions
- Focus inside the beltway in major markets where demand is proven and recovery expected to be earliest

Potential real estate debt opportunities

- Real Estate debt investments have more fully re-priced and offer attractive relative value
- Return to more realistic underwriting standards
- Lower advance rates from senior lenders are expected to increase demand for Mezzanine Capital
- Exposure to more senior positions in the capital stack
 - AAA CMBS
 - REIT Debt



Market Strategy Summary

Market dislocation has created attractive opportunities, albeit with greater risk, to:

- Target long-term unlevered core returns in the high single digits
- Focus on residential land markets with steep price corrections and improving sales volume
 - Markets with strong long-term growth fundamentals and diversified economic bases are expected to recover first
- Target investments with high current income and downside cushion, such as mezzanine debt, REIT bonds, AAA CMBS
 - Market environment is resulting in two primary opportunities: discount pricing on previously underwritten risk and newly underwritten risks with better structuring
 - Tactical opportunity to take more senior positions in the capital stack, which offer very attractive risk-adjusted returns



Pacific Northwest Market

Seattle

Ports are important for US trade with Asia

High cost, high barrier to entry market

Natural land constraints (Lake Washington and Puget Sound)

High education levels, high median income

See endnotes 0.1 and 0.2 in the appendix

Seattle

Apartment market forecasted to underperform over next three years

- High supply forecast (expect 2.3% of stock to be delivered)
- Ranked last among 80 markets we track

Office market is also forecasted to underperform

- Weak NOI forecast (ranked 58th out of 80)
- Considerable economic risk associated with major employers (e.g. Boeing and High Tech Manufacturing)

Industrial is expected to be above average on risk adjusted basis

- Global economic trade will benefit Seattle over the long term
- Short term supply risk has increased slightly

Retail expected to be a stronger performer but with a higher risk level

- Moderate new supply expected

See endnotes 0.1 and 0.2 in the appendix

Portland

Small to mid-size apartment market for apartments and industrial

Office market is considered tertiary

Affordable single family housing has negative effect on apartment NOI growth

Diversified economy

Positioned to be a leading market for green technology and renewable energy firms

Non-institutional market due to small size, but a good market for regional and local investors

Portland

Apartment sector will be significantly oversupplied
(10th worst in the US)

Office market expected to be one of the best
performers over the next three years

- Positive outlook for economic recovery
- Less exposure to financial sector
- Higher risk associated with recently illiquid market and investors should require that higher risk is appropriately rewarded

Industrial is projected to be an average performer

- Will benefit from spillover demand if LA and Seattle are part of Asia trade links

Brighter outlook on economic recovery could benefit
the retail sector

See endnotes 0.1 and 0.2 in the appendix

Endnotes

- 0.1 This is a general analysis of the real estate market prepared by BlackRock and is not related to any specific products or services of BlackRock or any affiliate. Sources for statistics and other factual data included herein are maintained by BlackRock. Such data has not been verified by BlackRock and we can give no assurance that it is accurate or complete. Statements contained herein that are nonfactual constitute opinions of BlackRock, which are subject to change. Projections contained herein are estimates only and are based on assumptions. No assurance can be given that either the projections or the assumptions will prove to be accurate.
- 0.2 Projections and targets contained herein are estimates only and are based on assumptions, including the use and costs of third-party leverage. No assurance can be given that either the projections or the assumptions will prove to be accurate, and an investor could experience losses from investment in a BlackRock product. As with all investments, real estate investments involve the potential for loss and past performance is not a guarantee of future results.
- 0.3 The National Council of Real Estate Investment Fiduciaries (“NCREIF”) Property Index (the “Index” or “NPI”) has been taken from published sources. The Index is based on the unleveraged performance of stabilized, income-producing U.S. apartment, industrial, office, R&D, hotel and retail properties owned by tax-exempt entities reporting to NCREIF. The Index excludes cash and other non-property related assets and liabilities, income and expenses.