

BUYING BOOM IN HEALTH SECTOR

Healthcare REITs will continue to gobble up properties and buy out competitors, boosted by equity market caps that have rebounded nearly 60% since 2008. More deals are assured beyond pending acquisitions and mergers because companies want to increase their stake in an estimated \$700B healthcare real estate pool that is expected to grow well beyond 2014, when federal healthcare reform takes hold and countless Baby Boomers flood the system.

Expect this trend to continue throughout the year and into next as nuances of the healthcare reform may inspire a higher pricing curve and attract more interest from all types of investors. In a race for lower debt, more investors could partner or buy out assets through big portfolio deals in a push to impress lenders with investment-grade credit ratings that can result in less expensive debt. More investors' credit ratings may improve along the lines of Ventas, which was placed on positive outlook earlier this month by Fitch and Standard & Poors, along with a review for possible upgrade from Moodys.

Slated for an April closing, Ventas' pending stock-swap acquisition of competitor Nationwide Health Properties for \$7.4B will more than double the company's 602-property, private-pay dominated portfolio of medical office, senior housing and skilled nursing facilities nationwide; senior housing accounts for 55% of NHP's portfolio that's rounded out by a 22% concentration in skilled nursing and 11% of medical office building square footage. When the deal is done, Ventas will more than double holdings in Minnesota, Tennessee, Texas, Wisconsin and Washington, and double asset concentrations in Florida, Michigan and Virginia. The largest portfolio jumps will occur in Texas, where Ventas plans to add 74 properties to an existing 22-property portfolio, as well as boosting a 20-property Wisconsin portfolio to 73 assets following the acquisition's close. Property ages in NHP's top five markets of California, Florida, Indiana, Texas and Wisconsin average 15 years. Ventas' counts California, Illinois, Indiana, Massachusetts, Ohio and Pennsylvania as current top markets ranging from 42 properties in Ohio to 34 apiece in Indiana and Massachusetts.

Large Acquisitions in the Offing this Year

Ventas will acquire \$500M worth of senior living and skilled nursing in two transactions slated to close later this month and later this year; there's a projected 8.5% yield. Additionally the company will take over NHP's right of first refusal slot in acquiring more than \$1B of recently built Class A medical office buildings from developer Pacific Medical Buildings (PMB), which counts asset concentrations in Southern California, followed by Nevada, Arizona, Hawaii, Oregon and Washington. Don't be surprised if PMB, also a buyer, ramps up acquisitions if it chooses to use sales cash for acquisitions via Section 1031 Exchange. In 2010 Ventas acquired an estimated \$4B worth of real estate with the acquisition of operating companies Atria Senior Living Group and medical office owner/developer Lillibridge Healthcare Services, along with a portfolio purchase from Sunrise Senior Living.

Dealmakers from Health Care Property Investors (HCP), who are more than familiar with Ventas as a competitor and in the courtroom, approach a \$6.1B cash, debt assumption and stock purchase of 334 HCR ManorCare properties. The company will further boost holdings in Florida — a top market — in addition to gaining market share in Illinois, Michigan, Ohio, Pennsylvania, and other markets nationwide. More than a third of HCP's existing 199-property senior housing portfolio comprises California, Texas and Florida assets. Senior housing dominates the company's portfolio, followed by medical office, life science, skilled nursing and hospitals.

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Healthcare REIT Performance
Equity Market Caps For the five largest U.S. healthcare REITs.

<u>Company</u>	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2008</u>	<u>Percent Change</u>
1. HCP	\$12.0B	\$7.0B	71.0%
2. Ventas	\$8.2B	\$4.8B	70.8%
3. Health Care REIT	\$7.0B	\$4.4B	59.0%
4. Nationwide Health Properties	\$4.6B	\$2.8B	64.0%
5. Senior Housing Properties Trust	\$2.8B	\$2.0B	40.0%

The following table refers to combined equity market caps for the six remaining public healthcare REITs in business during 2008. Information excludes National Health Investors and Sabra Healthcare REIT, since these companies were not publicly traded in 2008.

Collective market cap:	\$6.2B	\$4.1B	51.0%
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Source: National Association of Real Estate Investment Trusts. *Crittenden Real Estate Buyers* has rounded the market caps and calculated percent changes.

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The company this year acquired majority interests and took title to a 25-property senior housing portfolio, preceded by a \$290M acquisition of Genesis HealthCare senior and mezzanine debt, at a discount to the \$328M value. The company acquired \$305M worth of real estate during 2010.

As both HCP and Ventas look to favorably capture and refinance debt as a result of their larger sizes, which will drive additional senior housing acquisitions, company execs could be nearing a close to almost four years of litigation stemming from a Ventas' charge that HCP interfered with their purchase of Sunrise Senior Living REIT. Oral arguments at the Kentucky appeals court were slated for March 10.

While Health Care REIT endeavors to grow its life science holdings beyond 3% of its current portfolio, it hasn't forsaken senior housing — as the recent agreement to pay more than \$2B for Genesis HealthCare assisted living, skilled nursing and post-acute care properties shows. Long-term, the acquisition may lead to Health Care REIT's acquiring additional properties and a 9.9% stake in the company.

If the deal closes, Health Care REIT will expand its Mid-Atlantic and northeastern U.S. footprint, and mark an initial entry into West Virginia and bolster asset concentrations in Massachusetts, Maryland, New Jersey and Pennsylvania, at an initial first-year 8.25% yield based on a 15-year initial lease term with Genesis. HCN currently counts Florida as its top market by asset concentration, with 83 senior housing and medical office properties, followed by Texas, North Carolina, California and Ohio. Excluding its Genesis contract, the company has made an estimated \$1.3B worth of acquisitions since January. Approximately \$3.2B worth of real estate was acquired during 2010.

MARKET CAP GAINS BOOST U.S. REITs

Top U.S. public REITs plan acquisitions and sales during the next year as equity market capitalizations continue an upward trend. According to National Association of Real Estate Investment Trusts' numbers, Equity Residential, ProLogis, Boston Properties and Kimco Realty each saw market cap gains from October to December 2010, which sets the stage for increased velocity through acquisitions and sales.

Industrial:

Of the four top REITs, none saw greater equity market cap gains during the latter part of 2010 than ProLogis which, unsurprisingly, will merge with AMB Property, the second largest REIT. Merger aside, expect to see more asset sales and development than acquisitions this year. Much of the sales activity may materialize during the second part of the year. ProLogis may sell approximately \$200M worth of land and older properties in secondary markets beyond its \$505M sale agreement with TPG Capital for 20 mixed-use, office and retail properties, along with ground and other leases nationwide.

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An estimated \$150M of new U.S. development is on the table as part of an \$800M to \$1B international development push. Company dealmakers see more action in secondary markets this year, so don't be surprised if cap rate compression that has affected primary markets trickles into lesser-billed markets as a result.

Apartment

DEALMAKER DATABANK™

<u>Company/Address</u>	<u>Contact/Phone/Fax</u>	<u>Property Type</u>	<u>Buying Criteria</u>
Behringer Harvard 15601 Dallas Parkway Suite 600 Addison, TX 75001	Jason Mattox (214) 655-1800 jdooley@behringerharvard.com	All	Fund sponsor and manager appoints CAO and CFO for BH Opportunity REITs I and II.
Boston Properties 800 Boylston St. Suite 1900 Boston, MA 02199	Tom O'Connor (617) 236-3316 Fax: (617) 236-3311 toconnor@bostonproperties.com	Office	Top office REIT acquired \$1.4B of real estate during 2010 and looks forward to additional acquisitions and dispositions through December.
Cabot Properties One Beacon St. Suite 1700 Boston, MA 02108	Andrew Ebbott (617) 723-7400 Fax: (617) 723-4200 aebott@cabotprop.com	Industrial Multitenant Single-tenant	Private investor acquires industrial land measuring more than 50,000 s.f., plus nationwide.
CalPERS 400 Q St. Fourth Floor LPE 4800 Sacramento, CA 95811	Ted Eliopoulos Joseph Dear (916) 795-3400 ted_eliopoulos@calpers.ca.gov	All	PF refocuses on core asset strategy for all asset classes nationwide.
DCT Industrial Trust 518 17 th St. Eighth Floor Denver, CO 80202	Philip Hawkins (303) 597-2400	Industrial	Public investor acquires \$111.5M worth of properties during 2010.
EastGroup Properties 180 E. Capitol St. Suite 400 Jackson, MS 39201	Jann Puckett (601) 354-3555 Fax: (601) 352-1441 jann.puckett@eastgroup.com	Industrial	Public REIT looks to acquire properties later this year.
Equity Residential Two N. Riverside Plaza Suite 400 Chicago, IL 60606-2639	Jim Alexander (northern California, Seattle) (312) 928-1260 John Yunker (312) 928-1226	Apartments	Public REIT looks for Class A acquisitions in primary U.S. markets. The buyer acquired approximately \$1.5B worth of real estate during 2010.
Equity Residential 4343 N. Scottsdale Road Suite 265 Scottsdale, AZ 85251-3352	Tony Duplisse (southern California, Phoenix) (480) 355-6447 Fax: (312) 707-9822		
GI Partners 2180 Sand Hill Road Suite 210 Menlo Park, CA 94025	Howard Park (650) 233-3600 Fax: (650) 233-3601	industrial	Manages industrial for CalPERS. May get new allocation in coming months/years.
Genesis HealthCare 101 E. State St. Kennett Square, PA 19348	Mike Sherman (610) 444-6350 Fax: (610) 925-4000	Healthcare	Private investor's portfolio to be acquired by Health Care REIT.
HCR ManorCare P.O. Box 10086 Toledo, OH 43699-0086	Griffin Julius (419) 252-5500 Fax: (419) 252-5554 gjulius@hcr-manorcare.com	Senior housing	Private investor sells portfolio to HCP.
HCP 3760 Kilroy Airport Way Suite 300 Long Beach, CA 90806	Thomas Kirby (562) 733-5100 Fax: (562) 733-5200	Senior housing	Public REIT's acquires skilled nursing senior housing and life science buildings nationwide.
Kimco Realty 1631-B S. Melrose Drive Vista, CA 92081	Matt Golden (760) 598-2032 Fax: (760) 727-1430 mgolden@kimcorealty.com	Retail	Public REIT seeks Class A properties and plans to advance sales through December.

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<u>Company/Address</u>	<u>Contact/Phone/Fax</u>	<u>Property Type</u>	<u>Buying Criteria</u>
LRG Capital 80 E. Sir Francis Drake Blvd Larkspur, CA 94939	Lawrence Goldfarb (415) 834-4600	Office, Retail	Private investor, fund manager and sponsor settles fraud case with SEC. and is prohibited from associating with brokers for five years.
Nationwide Health Properties 610 Newport Center Drive Suite 1150 Newport Beach, CA 92660	Abdo Khoury (949) 718-4400 Fax: (949) 759-6876	Medical buidings	Public REIT to be acquired by Ventas Inc. in an estimated \$7.4B deal.
USAA Real Estate Co. 9830 Colonnade Blvd. Suite 600 San Antonio, TX 78230	(210) 641-8400 Fax: (210) 641-8425	Industrial Single tenant Multitenant	Private investor acquires newly built properties nationwide with new fund. It recently hired a new president and CEO.
U.S. contacts for regional primary markets	<p>Texas Steven M. Freche (512) 346-5232, ext. 201 steve.freche@usrealco.com</p> <p>Arizona, California and Nevada Steven Ames (800) 442-0521 or (949) 442-7700, ext. 203 steven.ames@usrealco.com</p> <p>Illinois, Iowa, Minnesota and Wisconsin David Reahl (312) 382-5601 david.reahl@usrealco.com</p> <p>Delaware, Maryland, North Carolina, Washington, D.C. and Virginia Bruce Childs (866) 292-6500 (301) 571-0763 bruce.childs@usrealco.com</p> <p>Alabama, Florida, Georgia, Mississippi, South Carolina and Tennessee Greg Knowles (813) 273-9300, ext. 228 greg.knowles@usrealco.com</p>		
STAG Capital Partners 99 High Street 28th Floor Boston, MA 02110	Ben Butcher Michael Chase (617) 574-4777 Fax: 617-574-0052 bbutcher@stagcapital.com mchase@stagcapital.com	Industrial	Private investor acquires Class B single-tenant properties in secondary U.S. markets.
Washington REIT 6110 Executive Blvd.	Thomas Regnell (301) 984-9400	Industrial Office	Public investor to sell off industrial assets and increase office purchases this year.

DEALMAKER OF THE WEEK

Wilshire Capital Investments shifts toward the equity investment market this year after acquiring debt stakes as an operating partner since a January 2010 founding. The private investor targets upwards of \$100M worth of deals, and could make up to 20% equity investments through general partnership positions, by December. Its first industrial deal of the year may occur in coming weeks.

Company staff will target 15%-plus returns for positions in apartments, industrial and office buildings located throughout primary and secondary California markets. Assets in Seattle and Arizona are also on the buy list. Vacant buildings and those requiring renovation and repositioning, project buildout or planned development are sought. Price ranges from \$30M to \$150M per building will attract interest. Leveraged IRRs, or yields to maturity, of more than 20% are targeted.

Wilshire Capital Investments was part of a group that acquired a trio of mezzanine loans secured by more than 1 million s.f. of Class A office space in Boston, Los Angeles and San Francisco. Although equity investments should attract the most attention this year, more debt purchases will be considered.

CONTACT: Wilshire Capital Investments, 9701 Wilshire Boulevard, Suite 1000, Beverly Hills, CA 90212. Scott Sorenson and Michael Panich, (310) 322-3500. ssorensen@wilshirecapital.com and mpanich@wilshirecapital.com

PLAYERS AND THE PLAYS THEY'RE MAKING...

The Securities and Exchange Commission has been quite busy busting various money managers, bank
and investors for fraud and other violations. Lawrence Goldfarb is one of the latest charged with

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People on the Move...

USAA Real Estate Co. hires Len O'Donnell as president and COO. O'Donnell is former president and CEO of Crimson Capital; he also worked as a Crimson Real Estate Fund principal and was once an investment sales broker. He'll likely draw from his investment sales background in directing the investor towards an estimated \$4B worth of acquisitions this year across all investment platforms. During 2010 the institutional buyer acquired an estimated \$850M worth of real estate.

Apartment and mixed-use buyer Behringer Harvard promotes Kymberlyn Janney to CFO and CAO of BH Opportunity REITs I and II. She had worked as the funds' financial administration senior VP since July 2010.

The Securities and Exchange Commission says goodbye to Diego Tomás Ruiz, who had worked as executive director at the commission since 2006. Notice of his impending departure is preceded by David Becker, general counsel and senior policy director, who was an adviser to SEC Chairwoman Mary Schapiro since early 2009. Expect to see their names in the private sector in the not-too-distant future.

M&As TRICKLE DOWN TO AFFECT INDUSTRIAL

Anticipate a ripple effect throughout the industrial sector this year as owners and buyers work to capitalize on building interest stoked by big-deal M&As. More companies will likely follow Washington REIT's plan to exit the industrial sector as part of a push to shed non-core assets. Industrial trades have increased substantially compared to this time last year, and, with merger agreements involving AMB Property and ProLogis preceded by The Blackstone Group's move to acquire a bulk of ProLogis' portfolio, more companies will likely follow suit.

Washington Real Estate Investment Trust plans to divest its 18-property/2.9 million s.f. portfolio of Maryland and Virginia industrial buildings, most likely during the next 12 to 24 months; the portfolio is approximately 79% leased. Their move is part of a portfolio realignment to concentrate on and bolster apartment, office and retail throughout Washington, D.C., and its suburbs throughout Maryland and northern Virginia.

Completed Deal Could be Harbinger of Things to Come

USAA Real Estate's US Industrial REIT III heads to the Charleston, S.C., suburb of Summerville and pays an estimated \$49M for a two-month-old, 1.1 million s.f. distribution center leased to tire marketing company TBC Corp. Don't be surprised to see the institutional investor strike additional deals similar to its Charleston purchase, as it scans the U.S. for bulk warehouse/distribution and light industrial assets with \$95M of equity remaining in the \$605M fund.

Markets on USAA Real Estate's go-to list include Atlanta, Chicago, Los Angeles and Nashville, for one-off and portfolio acquisitions priced from \$10M to \$250M. Going-in cap rates ranging from 6% to 8.5%, depending on location and quality, are likely sought.

Dealmakers at USAA Real Estate opted to buy the South Carolina property for its proximity to the Port of Charleston and Charleston International Airport. The 124-acre site is part of a larger 400-acre industrial development. A development JV between equity partner The Rockefeller Group and builder MeadWestvaco sold the property; the property is the first and largest delivery within an area called the Rockefeller Group Foreign Trade Zone that will house an estimated 2.7 million s.f. Rounding out the development will be another three buildings measuring 561,000 s.f., 520,000 s.f. and 450,000 s.f.

Watch for more action from DCT Industrial Trust as the company plans to put a slice of \$96.7M raised from a stock sale to work in the acquisitions market.

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In a recent \$7.5M deal for a Miami distribution center, DCI Industrial expects a 7% cash yield after the first year. Look for more interest in the rebounding market through December. Company dealmakers struck nearly \$50M worth of acquisitions involving 884,000 s.f. during January, in deals including 519,990 s.f. of light manufacturing, distribution and bulk industrial properties in Chino, Calif., and Ridgefield, N.J. Anticipated yields after stabilization of the vacant Chino building pencil to 7%, while a 9.7% yield is expected for a 330,000 s.f. single-tenant building in Ridgefield within 12 months.