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Please refer to Appendix – Important Disclosures and Analyst Certification on page 4.

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DC

Looking for a job? Try Fairfax County. Bechtel Corp. is the latest in a long line of companies that have moved or are expanding to Fairfax County, VA, just outside DC. All tolled, the Fairfax County Economic Development Authority said it worked with about 160 companies that lead to more than 9,000 jobs coming to the area in 2011. Other companies include Aerotek, adding nearly 1,000 jobs, as well as CACI International, Hilton, and AppAssure Software, all of which are adding between 100 and 200 jobs. Of particular interest was a comment from the EDA's CEO, who noted the growing diversification of the economic base in the region, including technology and professional services, as well as a robust presence of foreign-based companies with offices here. (*Washington Business Journal*)

-Poskon

HOTEL

Forget Super Bowl tickets, the real money is in hotel room scalping. The NFL has never been more popular, and hotel press tidbits are ripe this week with NFL-related banter, including Patriots QB Tom Brady dissing the quality of hotels in Buffalo, NY, and talk of "black market" Super Bowl rates. In Indianapolis, 90% of rooms within a 30-mile radius of downtown were contracted for by the NFL four years ago for corporate sponsors and other partners; most of the few remaining available rooms are likely in the hands of these sponsors or partners, or those they sold the rooms to, who are looking to charge what the press has referred to as "black market" prices. Press accounts suggest rooms in downtown are available on the black market for over \$4,000 a night with a minimum four night stay. It is likely that hotel owners who contracted with the NFL for specific rates will never see most of that revenue, which is not to say that some hoteliers aren't taking advantage. To illustrate, the Quality Inn & Suites in Greenfield, IN, which is 23 miles away from Lucas Oil Stadium, is charging \$399 a night for a non NFL-allocated room that typically sells for \$73.99. Now that's strong pricing for the last available rooms! Of the REITs, LaSalle's Marriott in Downtown Indianapolis, which is host to the NY Giants, could be worth remembering when 1Q12 earnings are released. Let's hope the Super Bowl makes up for lost hotel revenue in Indy given the Colts' lackluster season. (*New Jersey Star-Ledger, Hotel News Now*)

-Loeb

INDUSTRIAL

ISM show signs of global stabilization. Encouraging signs from this week's ISM index report note an increase in the manufacturing activity in the U.S., China, and Germany. More specifically, the U.S. manufacturing sector has outperformed the broader economy since the start of the recovery in 2009, reporting a slight increase from the prior month to 54.1. Germany reported an increase in manufacturing activity for the first time since September; an encouraging number that coupled with continued expansion could help stabilize the European economy in future months. China reported minimal manufacturing activity expansion in January (50.5), though is up from the previous month (50.3) despite fears of the impact of the current real estate bubble. With ISM numbers improving in three of the largest world economies we believe the outlook for industrial real estate fundamentals is positive. (*WSJ*)

-AuBuchon

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– From The Ground Up

MULTI-FAMILY

Take me out to the ballgame. A multi-phase development project is getting underway just a few blocks from the Nationals' Ball Park in Washington D.C., being spearheaded by William C. Smith & Co. What started out first as an office project that then morphed to a mixed-use, the project is now targeted for luxury rentals. Phase 1 is to include a 13-story, 433-unit apartment building with 1,500 sf of retail and three levels of underground parking. Product mix is currently planned at 65% 1BRs, 22% 2BRs, 13% efficiencies, and "a handful" of 3BRs. Planned amenities include a 75-foot indoor lap pool as well as a rooftop pool, gym, Pilates studio, garden, dog area and hot tub -- and within a five-minute walk of the Orange and Blue Metro lines. The article noted that vacancy is in the neighborhood -- which currently has about 2,400 apartment units and another 600 underway -- is about 5%. (*Washington Business Journal*)

-Poskon

Macon bacon. A recent edition of *Real Estate Alert* highlighted Atlanta-area apartment communities being marketed for sale. On the list was MAA's Ansley Village in Macon, with an estimated value at \$27 million for the 294-unit complex. According to MAA's website, Ansley Village has a mix of 1-3 BR units ranging in price from \$665-\$1,250 and square footages ranging from 727 to 1,360. Amenities include a swimming pool, laundry facility, fitness and business centers, as well as some units with "contemporary kitchens with black appliances," 9-ft ceilings, sunrooms, crown moulding, and ceramic tile floors. The community also has a "preferred employer program" that is offering up to \$300 off.

-Poskon

OFFICE

Highwoods puts five Nashville office buildings up for sale. The *Nashville Business Journal* reported today that HIW is selling BNA Corporate Center (Building 100 & 200), Lake Ridge Office Park (Lake Ridge II & III), and Century City Plaza I. In aggregate, the properties are nearly half-a-million square feet near Nashville International Airport and are 86% occupied. HIW hired CBRE to market the buildings, which are already drawing interest from "large out-of-town parties." Brian Reames, SVP and Regional Manager for HIW's Nashville office, said, "Nashville seems to be in a real good spot. It seems to be very healthy and a good time to be testing the market." The Airport North submarket consists of 33 multi-tenant office buildings with 3.6m sf of total inventory. The direct vacancy rate is 11% in the submarket, which is on par for the overall city according to a *Colliers International* report. However, average rent in the submarket is \$18/sf, lower than Nashville's more active areas like Cool Springs, the West End, and Belle Meade, where rents are \$20+/sf. Reames added, "It's an overall company-wide recycling of capital. We consistently review our portfolio in order to build new and maintain the age of the portfolio at a certain level." Our take: we view the capital recycling as yet another example of HIW's prowess in capital allocation and demonstrated value creation.

-Lucas

RETAIL

WRI JV breaks ground on Hilltop Village Center in Alexandria. *CityBizList* reported that general contractor L.F. Jennings broke ground on the 33 AC site that will be home to the future 370K sf. Wegmans anchored center located just outside a main gate to Ft. Belvoir. The project is already 67% preleased. The contractors initial involvement consists of the entire site package installation, including clearing, mass grading, storm water management pond installation, all underground utilities, road installation, parking lots, traffic signalization, and pad site installation for all future buildings. It will also construct four buildings for a total of 125K sf. in-line retail. That phase will coincide with the construction of a 140K sf. Wegmans grocery store. Two bank pads and a future office building are also included in the project. This is WRI's first metro DC investment.

-Lucas

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SELF-STORAGE

We swear, we really did exit development. The *McLean Patch* reported that a 544-unit Extra Space Storage facility broke ground yesterday at 1320 Old Chain Bridge Road in downtown McLean. An EXR spokesperson confirmed what we suspected: the development is being done by a private owner, but EXR will third-party manage the asset. Interestingly, the City of McLean, VA – home of the busy Tysons Corner submarket -- designed the four-story, 59K sf. facility to look like an office building in an effort to have it better blend in with the surrounding aesthetics of the quaint town. The private developer also owns the neighboring Madison Building. The construction timeline is expected to be 12 months, with prices to be set 30 days prior to opening. Speakers at the groundbreaking, held yesterday, said “patience” was required of the project, noting it has been 14 years in the making. We think the facility is an excellent location, not far from busy Route 123 and in a rather high-density area, including across the street from two multi-family communities, The Ashby (rentals) and the McLean House (condos).

-Poskon

Stop that RV! Portland, OR's *KPTV* reported this week that a thief broke into a motor home kept at a PSA facility and drove the vehicle through a gate to steal it. The theft occurred sometime Sunday night or early Monday morning at 6525 N. Lombard St. “It's still kind of unbelievable,” said the motor homeowner. “Who steals a motor home and drives it through a gate?” No estimate was given in terms of damage to the facility.

-Poskon

DID YOU KNOW

Heading into this year's Super Bowl game, the New York Giants have three Super Bowl Titles (XXI in 1986, XXV in 1990 and XLII in 2007). On the other hand, The New England Patriots have also won three Super Bowl Championships (XXXVI in 2001, XXXVIII in 2003 and XXXIX in 2004). Who do you think will come out with a fourth title? Tune into NBC this Sunday at 6:30 p.m. EST to watch the outcome. (<http://melrose.patch.com/articles/super-bowl-kickoff-time-and-five-fun-facts-about-the-game>)

Covered Companies Mentioned

EXR (\$26.91-Outperform)
HIW (\$33.60-Outperform)
LHO (\$27.85-Outperform)
MAA (\$64.28-Outperform)
MAR (\$35.83-Outperform)
PSA (\$139.33-Outperform)
WRI (\$24.93-Outperform)

Pricing as of February 3, 2012

See recent research notes for additional information

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