The Watch List Newsletter

Published by CoStar Group, Inc.

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- Plus, a whole new round of major U.S. corporation closures and layoffs were announced in Arizona, Alabama, Arizona, California, Connecticut, Florida, Georgia, Indiana, Kansas, Kentucky, Massachusetts, Michigan, New York, Oregon and Virginia.

A Bad Second Half, Portends Bad First Half for GE, BlackRock

2008 was a tale of two extremes and mixed results for two big firms that control $115 billion in real estate investments: General Electric and BlackRock Inc. While the first half of the year was strong, it is the difficult second half that is worrisome for the firms' outlooks for this year.

Fairfield, CT-based GE with $85 billion invested in real estate reported its third-highest earnings year in history. Still this week, Moody's Investors Service said it was reviewing GE's Triple-A credit rating for possible downgrade. That would be a huge blow to a company that has prided itself on running the company to maintain that rating.

New York investment and advisory firm Blackrock reported operating income up 9.5% to $1.66 billion in 2008 but one in which it took a hit of $381 million on its investments, particularly in its commercial real estate holdings. BlackRock too got its own bad news this week from bond rating agency Fitch, which issued a negative report on its $5.4 billion joint venture investment in Peter Cooper Village and Stuyvesant Town in New York.

General Electric

In a very tough environment, GE posted 2008 revenue of $183 billion, up 6%, and earnings of $18.1 billion, down 19%. But the company took several negative hits to earnings in the fourth quarter, including increased loss reserves, negative marks and impairments.

GE's real estate assets were up 8% year over year as it invested in its debt portfolio early in the year.

Keith Sherin, vice chairman and CFO of GE told analysts this week that "debt as a percent of total assets is up to

57% of the portfolio but the assets were down 4% from the third quarter as we've dramatically tightened up underwriting on everything obviously to do with real estate. The business reported a $60 million loss in the quarter that was down more than $660 million from last year and it was mainly driven by fewer gains in the quarter."

Sherin said GE sold $1 billion of properties in the fourth quarter for a positive gain of about $50 million. However, that was about $400 million less than the company realized in gains last year.

In addition GE had about $200 million of impairments and marks in its real estate business in the fourth quarter.

"The portfolio is still in good shape, Sherin said. "We have a 1% delinquency rate and while the equity gains are down we fully expect to more than recover investment over asset hold periods."

GE said it typically holds its real estate investments for five years and is prepared to continue to do so.

"We invest in these properties to hold them for the long term," Sherin said. "We don't mark them to market. We have the ability to run them. We collect operating income from the tenants. We invest and improve the properties. Our hold period on this equity book is going to be five plus years. We've underwritten every single property from a supply and demand characteristic to make sure that we've got a high quality asset in a place that's going to have good supply and demand characteristics."

"In the short term if you have to deal with the rent decrease or a vacancy issue we can weather that," he said, adding, "I think you're going to see continued pressure in the commercial real estate market obviously from the impact of unemployment and the general economy and we forecast that into how we've looked at what this book is going to be. I think you can see further declines from an actual fair value mark to market versus this book but we have the ability to hold these properties for the long term and we intend to do that. When we put the plan together for '09 we were expecting a $0 to $500 million loss for real estate."

This week, Moody's Investors Service placed the long-term ratings of General Electric and General Electric Capital Corp. on review for possible downgrade.

Moody's said the review is based primarily upon heightened uncertainty regarding GE Capital's asset quality (which includes real estate) and earnings performance in future periods.

GE Capital recorded a $1.5 billion consolidated pre-tax loss from continuing operations in the fourth quarter of 2008, Moody's said. In addition, the firm revised upward its estimate for credit losses in 2009.

Moody's said is concerned that deepening global economic weakness could further compromise GE Capital's asset quality, potentially jeopardizing its ability to meet earnings objectives while also maintaining high earnings quality.

In response, GE said it "has outlined a plan for the year that is based on the difficult global economic environment we see. During the next few months, we will work constructively with Moody's on its review. Our objective is to maintain our Triple-A rating but we do not anticipate any major operational impacts should that change."

BlackRock

For New York investment and advisory firm BlackRock, total revenue increased 5% from 2007 to more than $5 billion but net income fell 21% to $858 million. Assets under management ended the year at $1.31 trillion, up $48.6 billion during the fourth quarter. Yet, it was also a year that BlackRock had to let go 500 people or 9% of its staff of about 5,500.

"2008 markets, particularly the fourth quarter, were not kind to anyone," Ann Marie Petach, managing director and

CFO for BlackRock, told analysts in its fourth quarter earnings conference call this past week. "The hardest hit asset classes included distressed credit, which represented about $140 million of the loss; real estate, which represented over $120 million and that was across multiple investments; hedge funds which represented over $50 million of the loss and private equities, which represented about $30 million."

BlackRock has about $30 billion invested on behalf of clients in real estate, so the loss is relatively small, as are the hits it took in its other investments. But BlackRock is expecting continued losses in value, particularly in the first six months of the year.

"Management fees, performance fees and non-operating income have all suffered," Laurence D. Fink, chairman and CEO of BlackRock commented in the company's earnings release. "All of our current seeds and co-investments have been marked-to-market, in some cases to levels below what cash flow analysis might suggest. It should be noted, however, that real estate and private equity markets typically lag public markets and further declines might be expected in 2009."

As one sign of troubles to come, Fitch Ratings this past week reviewed updated financials, including a 2009 budget and the year-end 2008 rent roll, for Tishman Speyer Properties LP's and Blackrock Realty's Stuyvesant Town/Peter Cooper Village loan.

Peter Cooper Village and Stuyvesant Town is a multifamily property comprising 56 multi-story buildings with a total of 11,227 residential apartments in Manhattan. In addition to the residential component, the complex contains approximately 100,000 square feet of retail space, 20,000 square feet of professional office space and six parking garages with 2,260 licensed spaces.

Tishman Speyer and Blackrock acquired the property in 2006 from Metropolitan Life Insurance Co. for $5.4 billion with the intent to convert rent-stabilized units to market rents as tenants vacated the property, resulting in increased rental revenue.

According to Fitch, although the property's performance remains consistent, the cash flow generated from the property continues to require significant reserves to cover debt service obligations.

As of Jan. 15, the general reserve balance had been completely depleted and the debt service reserve balance had decreased to $127.7 million from $400 million at issuance.

Fitch did not expect property cash flow to improve from 2008 based on the borrower's restated budget for 2009. As a result, according to Fitch's calculations and the 2009 budget, Tishman and BlackRock have approximately six months of reserves remaining to cover the trust portion of the total debt on the property. Should the loan default, Fitch expects the servicer to advance debt service on the trust portion.

The securitized balance of the Stuyvesant Town/Peter Cooper Village Loan consists of five pari passu pieces of a $3 billion A-Note. There is an additional $1.5 billion of mezzanine debt outside the trust.

Wall Street Collapse Landing Hard On New York Apartments

Following years of robust growth, the upheaval on Wall Street will soften fundamentals in the New York City apartment market, according to the 2009 National Apartment Report by Marcus & Millichap. The fallout from the collapse of the investment banking industry, along with the late-2008 announcement that Citigroup will be cutting 10% of its worldwide workforce, which will result in the direct elimination of thousands of positions.

"While local transaction velocity will remain modest in 2009, the buyer pool should change significantly," says Edward Jordan, regional manager of the Manhattan office of Marcus & Millichap. "Experienced New York property owners who have waited on the sidelines for the froth in the investment market to dissipate are poised to re-enter the market."

According to Marcus & Millichap:

- Citywide, employment is expected to contract by 94,000 positions, or 2.6%, in 2009.
- Builders are projected to add roughly 2,500 market-rate units to inventory this year. In 2008, 1,997 units were brought online.
- As employers trim payrolls in 2009, vacancy is expected to climb 130 basis points to a still-tight 4.7%.
- In large, market-rate complexes, asking rents are forecast to advance 2.1% this year to $3,006 per month, while effective rents gain 1.5% to $2,906 per month.
- Acquisition activity will be conservative and based on location and steady returns. Additionally, the fairly predictable revenues of rent-stabilized housing will provide investors with a means to hedge the risks to cash flows.

Despite the downside risks to the multifamily market, the local reliance on rental housing is expected to prevent significant revenue declines. Additionally, vacancy is forecast to remain in check in popular Manhattan and Brooklyn neighborhoods such as the Upper East Side and Upper West Side, the Village, downtown Brooklyn and Park Slope as distressed renters take on roommates rather than move out of desirable locations.

In contrast, supply concerns will mount in Long Island City, Midtown West, the Financial District and southeastern Harlem, where deliveries will be elevated and the threat of shadow rentals persists.

A Securities It Is

The U.S. Securities & Exchange Commission looks to have definitively settled the long-running debate on whether a tenant-in-common transaction is a securities deal or a real estate deal.

The law firm of Luce, Forward, Hamilton & Scripps LLP, together with Passco Companies LLC, OMNI Brokerage Inc. and Argus Realty Investors, received a blunt, no-action letter from the SEC taking the definitive position that tenant-in-common (TIC) transactions, structured either as a master lease or property management, are considered securities.

As a result of the treatment of TIC interests as securities, it is clear that sponsors of TIC transactions will have to comply with securities laws, particularly with regards to disclosure and investor suitability.

"During the past seven years, there has been much debate in the TIC industry whether a syndicated tenant-in-common interest could be sold as real estate," said Darryl Steinhause a Luce Forward partner, who pioneered the legal structure for the syndicated TIC transaction about 14 years ago. "This no-action letter from the SEC makes it clear that syndicated TIC interests are securities -- a fact that will have repercussions across the entire TIC industry."

Luce Forward requested a no-action letter from the SEC approximately three years ago on behalf of Passco, OMNI Brokerage and Argus Realty. The firm sought confirmation from the SEC that TIC transactions could be sold as real estate without complying with securities laws and received the letter from the SEC this month.

"The no-action letter from the SEC defining TICs as securities will provide unanimity in the TIC industry that will benefit both sponsors and investors in the future," said Greg Paul, CEO of OMNI Brokerage Inc. "We expect that outliers operating on a real estate platform will soon fall into rank and that the improved disclosure will allow for a more investor-friendly structure."

Bill Winn, president of Passco added, "Knowing these transactions will all be subject to the securities laws will benefit investors because there will be more disclosure and sales to non-accredited investors will be eliminated. In addition, when TICs are sold as securities, investor protection is enhanced because investors can work directly with the sponsor who is actively managing the property."

A TIC is an ownership structure where two or more persons own undivided interests in a single piece of real property, such as an office or retail building. Through the modern TIC model, small real estate investors have the ability to purchase fractional interests in institutional quality property allowing them to take advantage of the tax free exchange rules by exchanging currently held real estate for their TIC interests.

Economic Meltdown Knocks Hotels

The tourism industry saw a significant slowdown in most regions in 2008 - particularly in the final quarter, according to a newly released report from Deloitte's

Tourism, Hospitality & Leisure practice.

Worse yet, unlike previous historic events that hurt the hotel industry - such as Sept. 11, 2001 and SARS - the unprecedented economic climate is expected to last longer than either of those events, which creates the potential for even greater damage.

While figures for travel-related spending in the final three months of 2008 were not available at the time Deloitte's report was written, preliminary data suggest a sharp worsening, particularly in travel from U.S. residents. The deterioration in the financial and employment markets in the fourth quarter left many consumers reeling. As a result, confidence tumbled and consumers cut back sharply on all types of spending.

Strong spending by international tourists in the U.S. that helped the tourism industry early in the year became less robust in the second half of 2008 and dropped 4.8% in November.

In particular, the number of visitors to Las Vegas was down 9.8% in November from a year earlier according to the Las Vegas Convention and Visitors Authority. And occupancy in the U.S. hotel industry in November was down 10.6% from November 2007, according to Smith Travel Research.

Further, year-to-November 2008 revenue per available room (revPAR) in the U.S. reportedly fell 1.3% compared with the first 11 months of 2007. This decline was driven primarily by a 4% drop in occupancy to 61.8%.

Looking ahead, spending among travelers, already lower due to economic factors, may well remain miserly in 2009. In particular, cost will be a significant factor for corporate travelers in 2009 and those once flying in business class will likely downgrade to economy, while the hotel suite guest may settle for something less luxurious.

Last of Okun Empire Will End in Foreclosure

Gerard A. McHale, Jr., the Chapter 11 bankruptcy Trustee for The 1031 Tax Group, has given up the effort to sell indicted Miami developer Edward H. Okun's last remaining real estate assets. That decision clears the way for the foreclosure of the properties.

McHale was charged with selling off Okun's assets from his finance and real estate empire that collapsed into numerous bankruptcy actions in the summer of 2007.

The last remaining parcels in the Okun portfolio are the 587,512-square-foot regional mall Salina Central Mall in Salina, KS, and the JC Penny's building in Houston, TX, contiguous to the West Oaks Mall property.

For the Salina property, Okun paid more than $40 million, but McHale was unsuccessful in finding a buyer who would even pay the amount of the mortgage ($32.745 million).

Hence McHale has agreed not to fight a foreclosure on the property by the lender, Wachovia.

The same applies for the JC Penny's building which has been vacant for a number of years now. Okun had originally purchased the property for $4 million and obtained financing from Wachovia of $3 million.

Caterpillar Levels 20,000 Jobs

In another sign of the global weakening of construction, Peoria, IL-based Caterpillar Inc. plans to eliminate 20,000 workers.

Worldwide demand propped up the heavy-equipment manufacturer for most of last year. But the bottom fell out of demand in December and company reported fourth-quarter results that fell far short of Wall Street predictions and moved Monday to lower production and capital spending to preserve capital.

Caterpillar employs 112,000 employees worldwide.

"While 2008 was our sixth consecutive year of record sales and revenues, it was an extraordinarily challenging year," said Jim Owens, Caterpillar chairman and CEO. "Through the first three quarters we experienced booming demand from key global industries, notably mining and energy and most emerging market countries."

"Then we were whipsawed in the fourth quarter as key industries were hit by a rapidly deteriorating global economy and plunging commodity prices. In anticipation of lower demand we encouraged dealers to align inventory with declining volume and they responded with significant order cancellations, particularly in December."

As a result, Caterpillar is rapidly executing strategic "trough" plans and implementing actions throughout the company, including cutting about 20,000 workers.

Actions include:

- Voluntary and involuntary separations and layoffs of about 4,000 full-time production employees. Depending on business conditions more layoffs may be required as the year unfolds.
- Sharp declines in overtime work. Factory overtime is a key element of volume flexibility and many facilities were working high levels of overtime through most of 2008.
- Several facilities have shortened workweeks and thousands of employees have been, or will be, affected by temporary layoffs and full and partial plant shutdowns.
- Elimination of almost 8,000 temporary, contract and agency workers. While these workers are a key element of our "flexible workforce" they are not included among the 112,887 full-time employees at year end.
- Voluntary separations of about 2,500 support and management employees.
- Additional layoffs or separations of as many as 5,000 support and management employees.
- Hiring freezes and suspension of salary increases for most support and management employees.
- Significant reductions in total compensation for executives / senior managers.
- Shifting more resources to work on short- and medium-term material cost reduction. And
- Shifting more resources to work on inventory reduction projects.

Not impacted by the cuts, are two new facilities Caterpillar has under construction, one in Texas and one in North Little Rock, AR. Caterpillar plans to move its motor grader production from its Decatur, IL, facility to North Little Rock and use the Decatur facility to support the long-term growth of its large off-highway truck business.

Caterpillar also noted that the financial and banking crisis accelerated in the fourth quarter and significantly impacted economic growth in general and the industries that it serves particularly. As a result, its outlook for 2009 has worsened.

Caterpillar said it expects 2009 will be the weakest year for economic growth in the postwar period. It is expecting recessionary conditions to persist in most of the world throughout the year, with no growth in the world economy.

(Randyl Drummer contributed to this report)

Home Depot Cutting Stores, 7,000 Jobs

By: Sasha M Pardy

The Home Depot announced that it will exit its Expo business, which involves the closure of 34 Expo Design Center stores, five Yardbirds stores, two Design Center stores, and seven HD Bath stores. Supporting distribution centers will also be affected. According to CoStar Tenant, the typical Expo store is 100,000 square feet.

The Expo unit closure will impact approximately 5,000 associates; but Home Depot said it is also restructuring its support functions into a region- and district-based model, thereby reducing headcount in administrative function by another 2,000 associates, resulting in a 10% reduction in Home Depot's officer ranks. The retailer has also initiated a salary freeze among all officers of the company.

A list of closing stores, as provided by Home Depot is as follows.

Expo Design Centers

Arizona

- Scottsdale (7000 East Mayo Blvd., Phoenix, AZ 85054)

California

- Anaheim 1011 (N Tustin Ave., Anaheim, CA 92807)
- Dublin (7050 Amador Plaza Road, Dublin, CA 94568)
- Emeryville (1555 40th St., Emeryville, CA 94608)
- Encinitas (1550 Leucadia Blvd., Encinitas, CA 92024)
- Huntington Beach (6912 Edinger Ave, Huntington Beach, CA 92647)
- Laguna Niguel (25600 Rancho Niguel Road, Laguna Niguel, CA 92677)
- Westwood Village (10861 Weyburn Ave., Los Angeles, CA 90024)
- Monrovia (407 W Huntington Drive, Monrovia, CA 91016)
- Redondo Beach (1519 Hawthorne Blvd., Redondo Beach, CA 90278)
- Roseville (1120 Galleria Blvd., Roseville, CA 95678)
- San Diego (7803 Othello Ave., San Diego, CA 92111)
- San Jose (5095 Almaden Expressway, San Jose, CA 95118)

Florida

- Boynton Beach (1520 SW 8th St., Boynton Beach, FL 33426)
- Davie (8944 State Road 84, Davie, FL 33324)
- Miami (5737 NW 7th St., Miami, FL 33126)
- Naples (1000 Immokalee Road, Naples, FL 34110)
- SW Orlando (4601 Millenia Plaza Way, Orlando, FL 32839)

Georgia

- Alpharetta (10700 Davis Drive, Alpharetta, GA 30004)
- Atlanta - Perimeter (1201 Hammond Drive, Atlanta, GA 30346)

Illinois

- Downers Grove (1021 Butterfield Road, Downers Grove, IL 60515)
- Vernon Hills (569 N Milwaukee Ave., Vernon Hills, IL 60061)

Massachusetts

- Burlington (43 Middlesex Turnpike, Burlington, MA 01803)

Maryland

- Bethesda (7111 Westlake Terrace, Bethesda, MD 20817)
- Columbia (6100 Dobbin Road, Columbia, MD 21045)

Missouri

- Manchester (14205 Manchester Road, Manchester, MO 63011)

New Jersey

- Bridgewater (744 US Highway 202, Bridgewater, NJ 08807)
- Paramus (577 Winters Ave., Paramus, NJ 07652)

New York
- Commack (1 Garrett Place, Commack, NY 11725)
- New Rochelle (8 Joyce Road, New Rochelle, NY 10801)
- Westbury (1250 Corporate Drive, Westbury, NY 11590)

Tennessee
- Nashville (2421 Powell Ave., Nashville, TN 37204)

Texas
- Dallas - Galleria (13900 Dallas Pkwy, Dallas, TX 75240)

Virginia
- Fairfax (11181 Lee Highway, Fairfax, VA 22030)

Design Centers

- Concord (1461 Concord Ave., Concord, CA 94520)
- Charlotte (900 Metropolitan Ave., Building #1, Charlotte, NC 28204)

Yardbirds

- Concord (5424 Ygnacio Valley Road, Concord, CA 94521)
- Petaluma (2000 Lakeville Hwy, Petaluma, CA 94954)
- San Pablo (13901 San Pablo Ave., San Pablo, CA 94806)
- San Rafael (1801 4th St., San Rafael, CA 94901)
- Alamo (3211 Danville Blvd., Alamo, CA 94507)

Microsoft To Lay Off 5,000; Halts Data Center Project, Office Lease Talks

By: Randyl Drummer
Microsoft Corp. announced 5,000 layoffs as part of a plan to cut $1.5 billion in spending. In addition, it has halted work on its $550 million data center in Des Moines, IA. The software behemoth earlier this month bailed out of talks to lease 300,000 square feet in Seattle and reportedly is re-assessing numerous other leases.

"We're postponing construction of the data center in Iowa that we recently purchased land for," wrote Arne Josefsberg, general manager of infrastructure services, and Mike Manos, general manager of data centers, in a Microsoft blog on Friday. "We are still continuing construction of our facilities in Chicago and Dublin, (Ireland) and are planning to open them as customer demand warrants. But given the current economic climate, we're going to do the right thing for our business and shareholders and revisit our plans on a quarter-by-quarter basis."

In an e-mail to employees last week, Microsoft CEO Steve Ballmer announced "a series of aggressive steps" to increase efficiency. "We'll cut travel expenditures 20% and make significant reductions in spending on vendors and contingent staff. We've scaled back Puget Sound campus expansion and reduced marketing budgets. We'll also reduce costs by eliminating merit increases for FY10 that would have taken effect in September of this calendar year."

The company had been in negotiations to take all 300,000 square feet of office space at the under-construction 2201 Westlake mixed-use project at Westlake Ave. North and Denny Way. However, Microsoft said in a statement earlier this month it has "decided not to continue negotiations" due to the soft economy and changing market conditions.

In light of the further deterioration of global economic conditions, Microsoft announced additional steps to manage costs, including the reduction of headcount-related expenses, vendors and contingent staff, facilities, capital expenditures and marketing. As part of this plan, Microsoft will eliminate up to 5,000 jobs in R&D, marketing, sales, finance, legal, HR, and IT over the next 18 months, including 1,400 jobs immediately, 872 of which were in the Seattle area. These initiatives will reduce the company's annual operating expense run rate by approximately $1.5 billion and reduce fiscal year 2009 capital expenditures by $700 million.

*This story was excerpted from **In The Pipeline**, a column by Senior News Editor Randyl Drummer on significant land sales, transactions and trends affecting office, industrial, flex, multifamily, mixed-use, hotel and public works developers.*

Bye Bye Great Lakes, Hello Atlantic

The Mid-Atlantic and Western regions of the United States proved to be popular destinations last year for those looking to change their places of residence. according to United Van Lines' 32nd annual "migration" study, which tracks where its customers moved from and their most popular destinations over a 12-month period.

Mid-Atlantic states came out ahead in 2008, with the District of Columbia (62.1%more moves into the state than out of the state) reigning as the top destination, North Carolina (58.2%) capturing third place (dropping from the No. 1 spot in 2007) and South Carolina (56.4%) coming in as the seventh highest inbound state. And although it's not considered a high-inbound state, Delaware (54%) showed signs of growth in 2008.

While the Mid-Atlantic states flourished, their neighbors to the north weren't as fortunate. Only two Northeastern states experienced inbound migration this year - Vermont (52.2%) and Massachusetts (51.8%).

Across the country, Oregon (55.6%) and Nevada (59.2%) remained popular states - both continued to achieve high-inbound status. Oregon celebrated 21 consecutive years of high-inbound migration, while Nevada celebrated 23 years. In addition, Wyoming (57.8%) topped its own record of the highest percentage of inbound moves and South Dakota (57.3%,), a recent newcomer to the high-inbound list, made the high-inbound list for the third year in a row.

Alabama (58.1%) was the only Southern state represented on the high-inbound list in 2008. Although they are not classified as high-inbound states, the overwhelming majority of Southern states, including Texas (54.6%), Louisiana (54%), Mississippi (51.8%) and Georgia (51.2%), experienced more inbound moves than outbound moves.

The Midwest also experienced positive moving trends in 2008. Missouri (54%) ended its 13-year outbound trend with a 5.4 point increase over last year's percentage, while Tennessee (54.6%), Arkansas (54.3%) and Kentucky (51%) showed positive trends.

The historical data on outbound trends pulled from United's migration study in the past 32 years shows an overall emigration for the Great Lakes region. Michigan (67.1% more moves out of the state than into the state) again captured the top outbound spot, a title held since 2006. Indiana (57%) also earned the distinction of being a high-outbound state, continuing a 15-year trend. Other Great Lakes states that made the high-outbound list were New

York (55.1%) and Illinois (57.2%), both of which have been outbound states since the survey was established in 1977.

North Dakota (58.9%) ranked second on the high-outbound states list in 2008 with a decline of 8.3 percentage points in outbound moves between 2007 and 2008.

Five Northeastern states round out this year's high-outbound states. New Jersey (58.7%) ranked third in high-outbound states, continuing an outbound trend that began in 1988. Pennsylvania (58%), an outbound state since 1977, came in fourth and Rhode Island (57.8%) continued its six-year outbound status with a 6.4 percentage point increase in outbound moves and Maine (55.8%) witnessed a 4 percentage point increase in outbound moves over 2007.

Another Northeastern state, Connecticut (53.5%), ranked as an outbound state for the sixth year in a row. Maryland (52.6%), the only Mid-Atlantic state on the outbound list, retained its 17-year outbound tradition.

Watch List: Specially Serviced and Loans of Concern

Property	Property Type	Size(SF)	CMBS	Comment
Fifth Third Center, 110 N. Main St., Dayton, OH	Office	294,850	Bear Stearns 2002-PBW1	From Fitch Ratings: Although servicer reported DSC is 1.55x as of June 2008, occupancy has declined to 65.9% from an occupancy of 82.8% at year-end 2007.
Highland Run East Apartments, 640 Abberley Way, Stone Mountain, GA	Multifamily	300	Bear Stearns 2002-PBW1	From Fitch Ratings: The loan transferred to the special servicer (Centerline Servicing) at the end of November 2008 due to payment default. The servicer reported debt service coverage is 0.70 times as of June 2008, compared to 1.39x at issuance. The area has suffered from declining economic conditions.
13850 Gulf Freeway, 13850 Gulf Freeway, Houston, TX	Office	11,500	CD 2007-CD4	Servicer Comment: The loan was 30 to 59 days delinquent.
Challenger One Building, 615 and 620 Allen Ave. 625 Irving Ave., Glendale, CA	Industrial	28,920	CD 2007-CD4	From Fitch Ratings: The loan transferred to special servicing in November 2008, and the property is currently 100% vacant.
Continental Apartments, 2393 Continental Ave., Tallahassee, FL	Multifamily	24	CD 2007-CD4	Special Servicer comment: On Oct. 1, the borrower stated that it will not be able to make any more payments and would like to give a Deed-In-Lieu of Foreclosure as soon as possible. Working on the appointment of a receiver. Receivership documents have been filed.
Loews Lake Las Vegas, 101 Montelago Blvd., Henderson, NV	Hotel	493	CD 2007-CD4	From Fitch Ratings: The property-reported year-end 2007 and year-to-date 2008 debt service coverage ratios are less than 1.0x at 0.78x and 0.67x, respectively. Occupancy has declined, mostly as a result of lower group sales business.

Riverton, 2171-2200 Madison Ave., 2225-2265 Fifth Ave., 10 E. 138TH St., & 45 E. 135TH St., New York, NY	Multifamily	1,230	CD 2007-CD4	From Fitch Ratings: Modification discussions continue between the special servicer (LNR Partners Inc.), the current borrower and mezzanine lender. The mezzanine lender, Realty Finance Corp., recently exercised their right to initiate foreclosure proceedings and may assume control and sell the loan. Although Fitch expects a loan workout to be the ultimate resolution, conservative losses of 50% on the total debt of the loan were assumed to stress the transaction. Fitch will continue to monitor the progress of the potential loan modification and valuation.
Stonebridge Shops, 36100-3630 E. Southern Ave. , Meza, AZ	Retail	30,235	CD 2007-CD4	From Fitch Ratings: The loan transferred to special servicing in October 2008 for imminent default. The servicer is currently exploring workout options.
2121 Route 27, 2121 Route 27, Edison, NJ	Industrial	99,260	Chase 1998-2	From Fitch Ratings: The property is 100% occupied by Revlon through 2013. The loan became specially serviced after the borrower was unable to complete refinancing. The special servicer is currently working with the borrower to prepare the property for sale.
2525 Camp Creek Parkway, 2525 Camp Creek Parkway, Atlanta, GA	Garage	2,367	Chase 1998-2	From Fitch Ratings: The borrower was granted a three-month extension to pay off the existing debt, with the new maturity occurring in January 2009. Fitch considers this loan a loan of concern and will continue to monitor the borrower's progress in obtaining financing.
30400 Telegraph Road, 30400 Telegraph Road, Bingham Farms, MI	Office	154,375	Chase 1998-2	From Fitch Ratings: The loan transferred to the special servicer in May 2008 due to imminent default as the borrower indicated the loan would not pay off at maturity, July 1, 2008. The property's occupancy has declined as a result of tenant vacancies and a weak market. The borrower continues to market the vacant space at the property. As of November 2008, the property was 42% occupied.
Crosstown Plaza Shopping Center, N. Military Trail & Community Drive, West Palm Beach, FL	Retail	143,134	JPMorgan 1997-C5	From Standard & Poor's: The asset has insufficient windstorm insurance coverage. Midland reported a 1.12x DSC for the six months nded June 30, 2008, and 78% occupancy as of July 2008.
Broadway Summit Office Building, 3101 Broadway Blvd., Kansas City, MO	Office	121,639	JPMorgan 1999-C8	From Fitch Ratings: The loan was transferred to special servicing on June 2 due to imminent default. The special servicer is pursuing foreclosure and expects to take title by March 2009.
Woodfield Gardens, 4700 Arbor Drive, Rolling Meadows, IL	Multifamily	692	JPMorgan 1999-C8	From Fitch Ratings: The loan is currently 30 days delinquent and has had a history of delinquency throughout the life of the loan. The property is currently listed for sale.
Shepherd Office Center, 2401 NW 23rd St., Oklahoma City, OK	Office	637,463	LB-UBS 2003-C7	The property is in special servicing with ING Clarion Capital Loan Servicing. Standard & Poor's comments: The loan was transferred to ING on Aug. 27 due to imminent maturity default. The special servicer accelerated the loan and declared an event of default on Sept. 9 due to the borrower's failure to renew a letter of credit for new leasing activity. The borrower subsequently filed for Chapter 11 bankruptcy protection. As of March 2008, the reported DSC was 1.27x, and occupancy was 91%, down slightly from 1.30x and 91% as of year-end 2007.

Oceanview Village Shopping Center, 3995 Alemany Blvd., San Francisco, CA	Retail	98,515	LB-UBS 2003-C8	From Standard & Poor's: Hollywood Video vacated the property and rejected its lease after the company filed for bankruptcy. The grocery anchor, Albertsons, subleased its space to a local grocery chain but remains financially obligated through the end of its lease. Wachovia reported a DSC of 1.04x for the six months ended June 30, 2008, and an occupancy of 94% as of March 2008.
Rock Road Center, 3535 N. Rock Road, Wichita, KS	Retail	86,500	LB-UBS 2003-C8	From Standard & Poor's: The property was transferred to LNR, the special servicer, on Oct. 24 for imminent default. The collateral property is occupied by three tenants: Linens 'N Things, (43% of net rentable area), Office Max (27% of net rentable area), and Appollon Computers (29%). Due to the closure of Linens 'N Things, the property's cash flow will be insufficient to support the debt service payments. LNR is evaluating the situation to determine the asset strategy. The reported DSC was 1.39x as of June 30, 2008.
1710-1740 Walton Road, 1710-1740 Walton Road, Whitpain Township, PA	Office	62,400	WaMu 2005-C1	From Standard & Poor's: Net cash flow has declined due to low occupancy.
Galleria at Crystal Run, Route 17 & N. Galleria Drive, Middletown, NY	Retail	80,000	WaMu 2005-C1	From Standard & Poor's: The debt service for the loan will be below 1.0x without the rental revenue from the bankrupt tenants' leases. WaMu reported a 1.43x DSC and 100% occupancy for the nine months ended Sept. 30. The bankrupt tenant, Linens 'N Things, occupies 40% of the GLA.
Meadow Trail Shopping Center, 1007-09 N. Germantown Pkwy., Memphis, TN	Retail	14,000	WaMu 2005-C1	From Standard & Poor's: Net cash flow has declined due to low occupancy.
Plaza at Willow Grove, 2546 W. Moreland Road, Willow Grove, PA	Retail	106,800	WaMu 2005-C1	From Standard & Poor's: The debt service for the loan will be below 1.0x without the rental revenue from the bankrupt tenants' leases. WaMu reported a DSC of 1.41x and 100% occupancy for the six months ended June 30, 2008. The bankrupt tenant, Circuit City Stores Inc., occupies 28% of the gross leasable area (GLA).

Closures & Layoffs

Alabama

- Vertis Communications Inc. is closing down and laying off 283 workers in Sylacauga on Feb. 7.
- Gildan is closing down and laying off 738 workers at 202 35th St. NE in Fort Payne on Feb. 27.
- Patriot Homes Inc. is closing down and started laying off 125 workers at 1871 Bexar Ave. East in Hamilton.
- W.Y. Shugart & Sons Inc. is laying off 60 workers at 405 Beeson Gap Road NE in Fort Payne on Feb. 11.
- AlaTrade Foods LLC is closing down and laying off 200 workers in Boaz this week.

Arizona

- D.R. Horton is laying off 41 workers at 16430 N. Scottsdale in Scottsdale on March 9.
- Freeport-McMoran Morenci Inc. is laying off 1,550 workers at 4251 State Highway 191 in Morenci on March 16.
- Head/Penn is laying off 143 workers at its racquet plant at 306 S. 45th Ave. in Phoenix on March 9.
- Quantas Airways Ltd. is laying off 50 workers at 2801 E. Elvira Road in Tucson on Feb. 27.

California

- Matson Navigation Co. in Oakland, CA, plans to reduce its non-union headcount at its by approximately 60 positions, augmenting position eliminations that resulted from hiring freezes adopted in 2007 and 2008.
- Time Warner Inc.'s Warner Bros. Entertainment movie studio is eliminating nearly 800 jobs, or 10% of its global workforce, and is examining further cost reductions. Most of the jobs will come out of the studio's headquarters in Burbank, CA, through a mix of layoffs, the elimination of open positions and outsourcing. About 300 jobs in information technology and accounting are being outsourced through French company Capgemini and some of the jobs will move to India and Poland. About 100 of those back office positions will be offered to current employees who will continue to be based in Burbank. Some 300 other people will be laid off and 200 open positions will not be filled.

California, Oregon

- Intel Corp. in Santa Clara, CA, will consolidate and streamline some older capacity by close two existing overseas assembly test facilities and halting production at its wafer fabrication facility in Hillsboro, OR. In addition, wafer production operations will end at the D2 facility in Santa Clara, CA. The actions at the four sites, when combined with associated support functions, are expected to affect between 5,000 and 6,000 employees worldwide. However, not all employees will leave Intel; some may be offered positions at other facilities. The actions will take place between now and the end of 2009.

Connecticut

- AT&T is laying off 191 workers at two locations in Meriden on Feb. 9.
- DriveSol Global Steering Inc. at 156 Park Road in Watertown is closing down and laying off 241 workers by March 15.
- Greenwood Publishing Group Inc. at 88 Post Road W in Westport is closing down and laying off 40 workers on March 16.
- Protocol Integrated Direct Marketing at 7 Mckee Place in Cheshire is closing down and laying off 161 workers by March 30.
- The Stanley Works is laying off 56 workers in Clinton starting Feb. 26 and closing down by Dec. 1.

Florida

- Alliance Entertainment LLC at 4250 Coral Ridge Drive in Coral Springs is laying off 462 workers by May 4.
- American Airlines at 6150 NW 17th St., Bldg. 714-Bay 40, in Miami is laying off 97 workers this week.
- Chromalloy Gas Turbine LLC at 630 Anchors St. in Fort Walton Beach is laying off 257 workers on March 27.
- Dow Jones & Co. at 8251 Presidents Drive in Orlando is laying off 59 workers on Feb. 2.
- East Balt Baker of Florida Inc. at 1108 Collins Drive in Kissimmee is laying off 53 workers by March 15.
- Elsevier Inc. at 6277 Sea Harbor Drive in Orlando is laying off 66 workers by June 30.
- Eva-Tone Inc. at 4801 Ulmerton Road in Clearwater is laying off 107 workers by March 20.
- Express Scripts Inc. at 841 Prudential Dr., Ste. 800 in Jacksonville is laying off 75 workers on April 1.
- JPMorgan Chase Bank at 3990 S. Babcock in Melbourne is laying off 300 workers this week.
- Lear Corp. at 5100 W. Waters Ave. in Tampa is laying off 35 workers by Sept. 30.
- Marriott Vacation Club International 8403 S. Park Circle, Suite 500, in Orlando is laying off 173 workers on Feb. 20.
- Nuvell Financial Services LLC at 7159 Corklan Drive, Suite 200, Jacksonville is laying off 153 workers on March 7.
- Owens & Minor / AOM Healthcare Solution at 1801 W. Sample Road in Deerfield Beach is laying off 353 workers this month.
- Pilgrim's Pride Corp, at 19740 U.S. Hwy 90 in Live Oak is laying off 505 workers by March 19.

- Synovate TRS at 8600 NW 17th St., Suite 100 in Miami is laying off 88 workers on March 20.
- Teleflex Marine at 6980 Professional Parkway E. in Sarasota is laying off 100 workers by June 22.
- West Fraser McDavid Lumber Mill at 401 Champion Drive in McDavid is laying off 81 workers on Feb. 13.

Georgia
- Lodgenet in Atlanta is laying off 120 workers.
- Pilgrim's Pride at 825 Barber St. in Athens is laying off 180 workers.
- Primerica Financial Services in Duluth is laying off 50 workers.
- Roper Corp. (GE) at 1507 Broomtown Road in Lafayette is laying off 258 workers.
- Siemens Energy & Automation at 3130 N Berkeley Lake Road in Duluth is laying off 70 workers.
- Springs Global's Finishing Division in Griffin is laying off 365 workers.
- Standard Textiles at 1 Peerless Road in Thomaston is laying off 55 workers.
- TRW in Warrington is laying off 215 workers.
- Wilen Industries at 3760 Southside Industrial Pkwy in Hapeville is laying off 36 workers.

Indiana
- AT&T at 240 N. Meridian St. in Indianapolis is laying off 115 workers on March 16.
- Beach Mold and Tool Inc. at 999 Progress Blvd. in Albany has started laying off 193 workers.
- Color-Box at 5645 W. 82nd St. in Indianapolis is closing down and laying off 74 workers on March 10.
- General Aluminum at 1561 NW 11th St. in Richmond is laying off 84 workers on March 8.
- Holm Industries at 745 S. Gardner and 1320 S. Main St. in Scottsburg is closing down and laying off 38 workers on March 16.
- Kimball Office at 555 E. Water St. in Borden and relocating to 200 Kimball Blvd. in Salem is laying off 75 workers on March 31.
- MAHLE is closing down its distribution center in Churubusco and laying off 78 workers in the third quarter of 2009.
- Patriot Homes is closing down in Middlebury and started laying off 125 workers.
- Sleep Innovations Inc. at 2040 Toledo Road in Elkhart is closing down and laying off 104 workers on April 27.

Kansas
- Kongsberg Automotive is laying off 99 workers at 128 Baughman Ave. in Haysville.
- Unilever Food Solutions is laying off 60 workers at 5015 S Water Circle in Wichita.

Kentucky
- DESA is laying off 431 workers at 2701 Industrial Drive in Bowling Green.
- Flextronics - Global Services is laying off about 150 workers at 4000 Commerce Crossing in Louisville.
- MultiServ-HARSCO is laying off 95 workers at 6870 Highway 42 East in Ghent.
- West Irving Die Casting is laying off 96 workers at 2900 Air Park Drive in Owensboro.

Massachusetts
- Bose Corp., the high-end audio equipment maker, is cutting 1,000 jobs - about 10% of its workforce. The job reductions will occur in select areas, including manufacturing and at the privately held company's Framingham, MA, headquarters.

Michigan (no impact date provided)
- Checker Motors Corp. is laying off 150 workers in Kalamazoo.
- Gerdau MacSteel at 100 E. Michigan Ave. in Jackson is laying off 299 workers.
- Key Plastics at 40300 Plymouth Road in Plymouth is laying off 238 workers.

- Manpower at 1305 Lincoln Road in Allegan is closing down and laying off 68 workers.
- Shape Corp. at 1835 Industrial Park Drive in Grand Haven is laying off 400 workers.

Nationwide

- CC Media Holdings, which owns billboards and radio stations under the Clear Channel name, is eliminating 1,850 positions, or about 9% of its staff. The dismissals were effective immediately.
- Disney's theme park division is offering buyouts to roughly 600 executives at its U.S. parks - that's nearly every executive in the division. Disney says it's trying to reduce the size of its executive workforce but says it has no target number of buyouts (or savings) and says it can't predict how many people will accept the buyout. The executives have until Feb. 6th to decide.
- Ericsson is cutting costs through a reduction in the number of consultants and other temporary staff, consolidation of research & development sites and layoffs. These activities will result in a reduction of the number of employees by some 5,000, of which about 1,000 in Sweden, primarily in Stockholm.
- Harley-Davidson Inc. plans to consolidate two engine and transmission plants in the Milwaukee area into its facility in Menomonee Falls, WI; consolidate paint and frame operations at its assembly facility in York, PA; close its distribution facility in Franklin, WI, at 10000 S. Franklin Drive; consolidate parts and accessories and general merchandise distribution through a third party; and discontinue its domestic transportation fleet operation. The planned volume reduction and restructuring actions are expected to result in the elimination of about 1,100 jobs over 2009 and 2010, including about 800 hourly production positions and about 300 non-production, primarily salaried positions. About 70% of the workforce reduction is expected to occur in 2009.
- Huntsman Corp. in The Woodlands, TX, will reduce its full-time employment by approximately 1,175 positions by year-end 2009 - more than 9% of Huntsman's 12,770 employees. Full-time contractors working in the company's divisions and functions will be reduced by an additional 490 positions.
- Rohm and Haas Co. in Philadelphia is undertaking a second set of actions to adjust its operations and cost structure. The initiatives, which build on actions announced in June of last year, will impact approximately 900 positions across all regions and businesses within the company except Salt.
- Williams-Sonoma Inc. in San Francisco is taking a series of actions to align its infrastructure with current sales trends. These actions include: an 18% reduction in company-wide full-time headcount (approximately 1,400 positions); the closure of a 500,000-square-foot distribution facility in Memphis, TN, at 4300 Concorde Road; and the closure of its 38,000-square-foot Camp Hill, PA, call center at 3025 Market St. All of these actions will be completed this week.
- Yankee Candle Company Inc. in South Deerfield, MA, plans to close the company's 28 Illuminations retail stores and discontinuance its related Illuminations consumer direct business. It will also close one underperforming Yankee Candle retail store, and cut its corporate and administrative workforce. The restructuring plan will result in the termination of the employment of approximately 330 employees of the company, including approximately 310 store employees. The stores should be closed by April 30. The Illuminations retail stores are located primarily on the West Coast.

New York

- Rite Aid Corp. is closing its 255,000-square-foot distribution center in Bohemia by May 2009, laying off 60 associates. Rite Aid acquired the facility in June 2007 with its purchase of approximately 1,800 Brooks Eckerd stores and six distribution centers.

Texas

- Air System Components Inc, with a plant at 12504 Weaver Road in El Paso will be going through a reorganization in the coming months and moving some operations to Mexico, which will result in the layoffs of at least 54 employees.

- Freescale Semiconductor Inc. has developed plans to restructure certain operations at its facility at 6501 William Cannon Drive West in Austin, which will mean the layoff of 60 employees and at 7700 W. Parmer Lane also in Austin, which will affect 30 more employees by March 20.
- Maxim Integrated Products Inc. is letting go 172 employees at its Dallas semiconductor facility at 4401 S. Beltwood Pkwy by June 26.
- Merrill Lynch and Bank of America have begun implementing plans to combine their organizations; part of those plans will result in the layoff of 85 employees at 1401 Elm St. in Dallas on March 10.
- Nabors Well Services has begun a layoff of 123 employees at 2450 State Highway 214 and based on current market conditions, it is foreseeable that it may ultimately close the Denver City facility.
- Norbord Texas Jefferson Inc. will suspend production for an indefinite time period at 500 Nexfor Blvd. in Jefferson, but it will result in the permanent layoff of 87 employees as of March 13.
- Plains Cotton Cooperative Association is laying off 160 employees at its denim plant at Highway 54 East in Littlefield by March 14.
- STMicroelectronics Inc.'s manufacturing operations at the semiconductor wafer fabrication plant at 13 10 Electronics Drive in Carrollton were notified of a layoff effective March 15, due to the ramp-down of operations in anticipation of the closure of the facility in this year or early in 2010.

Virginia

- Interstate Hotels & Resorts at 4501 N. Fairfax Drive in Arlington, VA, eliminated 45 corporate positions, cut senior management pay 10% and reduced other corporate expenses, including advertising, travel, training and employee relations. The company expects all of these efforts combined will result in savings of at least $13 million in corporate overhead costs as compared to 2008.