



INSITES

ONE OF THE NATION'S LEADING REAL ESTATE FUND MANAGERS

Fourth Quarter
2010



Executive Terrace, King of Prussia, PA

BPG Sells Two Office Complexes in Suburban Philadelphia, PA

During the fourth quarter 2010, BPG sold Executive Terrace and King of Prussia Business Center, two office complexes totaling more than 300,000 square feet of Class A and B office space located in King of Prussia, Pennsylvania. The transactions were arranged by Eric Mattson of Professional Realty Advisors.

“These transactions evidence the continuing resurgence of investor confidence in well-known and well-located office properties in the Philadelphia metro area,” commented Christopher J. Locatell, vice president of BPG who is responsible for the firm’s dispositions.

Located on South Gulph Road with exceptional visibility from the Schuylkill Expressway, Executive Terrace is a four-story, 132,089 square foot Class A office building. It is situated within

two miles of the Schuylkill Expressway and Route 202 with easy access to the PA Turnpike and Route 422. At the time of the sale, the building was 91 percent occupied. The property sold for \$26,510,000 or \$201 per square foot. The owner was assisted in the transaction by Douglas Joseph of Grubb & Ellis.

King of Prussia Business Center, which sold for \$17,375,000 or \$99 per square foot, is an office park consisting of 14 one and two-story Class B office buildings totaling 175,990 square feet. The center is situated between Eighth and Ninth Avenues in King of Prussia, less than two miles from Valley Forge National Park, Routes 202, 422, the PA Turnpike and the Schuylkill Expressway. It offers a mixture of office, flex and lab space and was 73 percent occupied at the time of the sale. ■

2011 The Recovery Continues



Daniel M. DiLella
President and CEO

As I said at the beginning of 2010, I am the eternal optimist, believing that after every period of darkness there is a new day. I believe in 2011 the economic recovery will continue to gain strength and BPG remains well positioned to take advantage of the emerging opportunities in the real estate investment market.

During this protracted downturn, we stayed true to the proven strategies that we have acquired in our more than three decades of operating a diversified portfolio in both times of distress and growth. We retained our operating staff and relied on our collective experience from previous downturns to aggressively manage our portfolio by adhering to the basics of operating real estate. Over the past two years, we have focused on debt reduction and extension in order to stabilize our portfolio and sold assets with measurable equity value to create liquidity for reserves and deleveraging. We remain committed to our investors and continue to provide timely and transparent reporting.

We currently own and operate over 24 million square feet of commercial property and nearly 19,000 multi-family units throughout the United States. We will continue to asset manage these investments aggressively with an eye toward increasing leasing levels, decreasing operating costs and maintaining the physical condition of the assets at a best in class level for their relative markets. Within the overall portfolio there are many assets for which we have completed *(Continued on page 2)*

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I-81 Distribution Center, Harrisonburg, VA

Ply Gem Takes 100% of the I-81 Distribution Center, Harrisonburg, VA

In the fourth quarter 2010, Ply Gem Holdings, Inc. executed a seven year, 89,674 square foot expansion lease at the I-81 Distribution Center, a 357,673 square foot warehouse located at 4500 Early Drive in Harrisonburg, Virginia. The transaction extended Ply Gem's existing lease at the property by three years, bringing its occupancy to 100 percent. Josh Gurland and John Lesinski of the Leland Group represented the landlord in the transaction.

"We are pleased to be able to accommodate Ply Gem's growth and long-term commitment to the region," commented Daniel M. DiLella Jr., vice

president of industrial properties at BPG.

The I-81 Distribution Center support Ply Gem's manufacturing operations, located in Stuarts Draft, Virginia. The company is a leading manufacturer of residential exterior building products and sells a broad range of vinyl siding, vinyl, aluminum and wood windows, aluminum trim coil, aluminum siding and accessories, as well as vinyl composite fence, railing and deck products.

"The existing warehouse is expandable by 130,000 square feet so we are well positioned to accommodate substantial additional growth that Ply Gem or other users may have in the future," explained Peter Derrico, asset manager of BPG who is responsible for the operations and asset management of the building.

Promotions and New Hires

Promotion:

BPG Properties, Ltd.

Laura McCullough, *Director of Capital Markets*
Gardner Ellner, *Acquisitions Manager*

New Hire:

Madison Apartment Group, L.P.

Melissa Davis, *Administrative Assistant*

50 West State Street in Trenton, NJ Sold

In other disposition news, 50 West State Street Square, a 267,000 square foot office building and two adjacent surface parking lots located in downtown Trenton, New Jersey sold for \$44,300,000 or \$166 per square foot at the end of 2010. The transaction included the sale of the

(Continued from page 1) our repositioning plan. We will continue to closely monitor the capital markets to determine the optimum time for realization of these investments.

In 2010, there were definitive signs that economic and real estate fundamentals are improving. There has been an increase in both business and consumer confidence with modest, positive job creation. Further, liquidity pressures have shown signs of subsiding. Effective rents are once again turning positive and long term leasing commitments are beginning to emerge. Taking all of this into consideration, we believe it is an opportune time to launch BPG Investment Partnership IX, L.P. (Fund IX), a \$250 million value added fund. Fund IX will have an entrepreneurial focus. We will seek to acquire assets that will allow us to apply our value-added, direct operating strategy and provide attractive risk adjusted returns to our investors.

As we begin 2011, we would like to thank our many investors, tenants, lenders, brokers, construction firms, architects and law firms who we have had the pleasure to work with over the past year. Thank you for your support and we wish you a healthy and prosperous 2011. ■

"Furthermore, the site has been fully approved for the development of up to an additional 301,000 square feet in a second building on a separate but adjoining parcel."

Located in the Shenandoah Valley of Harrisonburg, Virginia, the I-81 Distribution Center offers excellent visibility and access to I-81, which connects the entire eastern seaboard and major metropolitan areas such as New York City, Baltimore, MD and Washington, DC as well as access to the Midwest, Tennessee and North Carolina. The Shenandoah Valley submarket is a thriving economic area, home to major employers including James Madison University, Merck & Company, INVISTA, SI International, Coors Brewing Company, SYSCO Food Services and Wal-Mart. ■

14-story office building along with its 351 space parking garage. The building, which is home to a variety of private and governmental tenants, was developed in 1989 by affiliates of Aegis Property Group and BPG and since 1990, co-owned with an institutional joint venture partner. ■

2010 YEAR IN REVIEW



Arthur P. Pasquarella
Executive Vice
President and Chief
Operating Officer

The property and capital markets stabilized during mid-2010 and began improving at year end. Clearly the most vibrant property type during 2010 was the multi-family sector with most of our property locations experiencing significant increased renter demand. Multi-family investment values in turn were supported by attractively priced mortgage debt and a return of investor confidence in the asset class. With private sector employment awakening from its more than two year decline, the national office market witnessed positive absorption with slightly increasing rental rates. Employment growth also bodes well for the retail and industrial sectors where we are also witnessing stronger tenant demand. Capital, both debt and equity, is also returning to the commercial property sector further improving the outlook for increased values and transaction pace during 2011.

We are pleased to report that during 2010 our commercial asset management staff completed nearly 400 leases totaling more than 3.2 million square feet representing an aggregate lease value of \$292 million with new leasing representing two thirds of the total. This success is owed in large part to the tenacity of our staff, our ability to quickly reach a space decision with a tenant and to provide the requisite funds to complete the build out and pay leasing brokers. Madison Apartment Group provided additional stability and diversity to BPG's portfolio by delivering a 93 percent occupancy rate in our nearly 19,000 unit multi-family portfolio.

Our capital markets department was very busy in extending and/or refinancing more than \$514 million in loans in 2010. During the year we and our partners invested more than \$75 million of new equity in 33 multi-family properties. One third of that total was from investors new to the BPG series of investment funds. We also sold eight properties during the year for a total of just over \$200 million.

I wrote last year that until employment levels turned positive we would not see appreciable improvement in the real estate markets. Fortunately, the private sector is growing again, space demand has resumed as a result and the rebuilding of capital values has clearly begun. As the fog of recession lifts we are confident in an increasing pace of transactions throughout the real estate market in 2011.

Best wishes for a Happy and Healthy New Year. ■

BPG would like to thank the following brokers and their firms for helping us lease 1,072,718 square feet in the 4th Quarter 2010:

Aegis Property Group (PA)	Kim Harris and Jim Kinzig
Bridge Real Estate Advisors, Inc. (IN)	Rob Chrisman
Bradford Allen Real Estate (IL)	Ben Azulay, Jeff Bernstein and Andrew DeMoss
Carolantic Realty (NC)	Ed Brown
Cassidy Turley (IN)	Darrin Boyd, Mike Semler, Russell Van Til and Bennett Williams
Cassidy Turley (MN)	Anna Engstrom, Mark Stevens
Cassidy Turley (OH)	Andrew Sellet and Sean Wall
Cassidy Turley (VA)	Todd Brinkman, Krysta Hardiman, Scott Killie, Darian LeBlanc and Spencer Stouffer, III
CB Richard Ellis (AZ)	Nate Goldfarb, Greg Mayer and Jerry Noble
CB Richard Ellis (GA)	Kevin Carroll
CB Richard Ellis (IN)	Zane Brown and Rick Trimpe
CB Richard Ellis (MA)	Andrew Majewski, Matthew Siciliano and Robert Walles
CB Richard Ellis (MD)	Charlie Carroccio
CB Richard Ellis (NC)	Butch Miller
CB Richard Ellis (PA)	Rija Beares and Scott Miller
CB Richard Ellis (VA)	John DiCamillo and Meghan Walters
Centry 21/Rasmussen Company (IN)	Chuck Devan
Coldwell Banker Commercial (NC)	Christopher Taft
Colliers (IN)	Matt Moore
Colliers International (CA)	Matt Arya, Dion Campisi, Susan Gregory and Jeff Rodger
Colliers International (IL)	Dave Florent and Steve Kling
Cresa Partners (MN)	Ann Hansen
Cresa Partners (NC)	Sam DiFranco
Cushman & Wakefield (IL)	Jordan Rovito
Cushman & Wakefield (MA)	Matthew Adams, Rich Ruggiero, Torin Tayler and Rory Walsh
Cushman & Wakefield (MN)	Jason Butterfield and Gordon Hampson
Cushman & Wakefield (MO)	Kevin Kurpierz
Cushman & Wakefield (PA)	Jeff Barker and Kim Finnerty
Cushman & Wakefield (VA)	Peter Berk and David Millard
Fallon, Hines & O'Connor (MA)	Kevin Hanna
Flaherty Collins (IN)	Jim Crossin
GPE Commercial Advisors (AZ)	Dave Sampson
Grubb & Ellis (IN)	Spero Pulos
Grubb & Ellis (MA)	Mark Coelho

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BPG would like to thank the following brokers and their firms for helping us lease 1,072,718 square feet in the 4th Quarter 2010:

Hunter and Associates (NC)	Ty Thomas
Jones Lang LaSalle (AZ)	John Pearson
Jones Lang LaSalle (CA)	Jessica Kokish
Jones Lang LaSalle (IN)	John Robinson
Jones Lang LaSalle (MA)	Ben Heller and Patrick Nugent
Jones Lang LaSalle (VA)	Joe Judge and Brian McMullen
Leder Commercial (NC)	Stuart Leder
Leland Commercial Real Estate (VA)	Josh Gurland and John Lesinski
The Marquardt Group (NC)	Dan Marquardt
McShea & Company, Inc. (MD)	Robert Dickman and Robert Wrightson
Metro Commercial (NJ)	Michael Gorman
Meridian Real Estate (IN)	Andrew Follman
The Miller Companies (VA)	Stuart Miller
Mohr Partners (MA)	Glenn Rhuda
NAI Brannen Goddard (GA)	David Beak, Darren Butler and Stephen Pond
NAI Keystone (PA)	John Buccinno and Bryan Cole
NAI Olympic Partners (IN)	Brooke Augustin
Newmark Knight Frank (IN)	Kevin Duckler and Anthony Rye
Newmark Knight Frank (MA)	David Campbell and Drew Nelson
Newmark Knight Frank Smith Mack (PA)	Neil Brazitis, Jeff Mack and Adam Shute
ProTen Realty Group (IL)	John H. Tschantz and Kurtis A. Walsh
Real Tech (MN)	Kim Josephson
Rube McMullan & Company (GA)	Manny Guillen
Seven Development Company, LLC (IN)	Ryan Menard
The Stevens Group (MA)	Deb Stevens
Stream Realty (GA)	Jill Bomar, Ben Hautt and Hudson Smythe
Studley (VA)	Adam Brecher
Summit Realty Group (IN)	Tom Frank
Synergy (NC)	Rich Harris
T3 Advisors (MA)	Greg Hoffmeister
UGL Equis (IN)	Brian Askins
UGL Equis (PA)	Peter Strickler
USI Real Estate Services, Inc. (IN)	Emmett Purcell
William Leonard Company (GA)	Bill Leonard

BPG PROPERTIES, LTD. is one of the nation's leading private equity real estate fund managers. BPG's portfolio consists of over 24 million square feet of office, retail, student housing, and industrial properties and nearly 19,000 apartment units in more than 70 communities located throughout the United States.

Philadelphia | Yardley | Chicago | Washington, D.C. | Los Angeles | Raleigh | Atlanta | Boston

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