The Real Estate Roundtable Sentiment Index

Third Quarter 2011

The Real Estate Roundtable

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The Real Estate Roundtable is pleased to announce the results from the Q3-2011 Real Estate Roundtable Sentiment Survey. The survey is the industry's most comprehensive measure of senior executives' confidence in the real estate environment. This quarter, the survey captured the thoughts of over 100 senior real estate executives, including CEOs, presidents, board members, and other executives from a broad set of industry sectors including owners & asset managers, financial services providers, and operators & related service providers. The quarterly survey, conducted by FPL Advisory Group on behalf of the The Real Estate Roundtable, measures executives' current and future outlook on three topics: (1) overall real estate conditions, (2) access to capital markets, and (3) real estate asset pricing.

Topline Findings

- Although the Real Estate Roundtable Sentiment Index has dropped eight points since the previous quarter (from 77 to 69), it continues to reflect improved and improving market conditions.

- While the majority of respondents continue to report improvement in commercial real estate markets, more are seeing current market conditions as flat and fewer expect significant improvement going forward.

- Respondents report that asset values have increased and will continue to increase, but fewer respondents see increased prices in the future.

- Debt and equity availability are viewed as having improved, leading more respondents to see less room for further improvement.

[1] The Real Estate Roundtable Sentiment Index is measured on a scale of 1–100. It is the average of The Real Estate Roundtable Future Index and The Real Estate Roundtable Current Index. To register an Index of 100, all respondents would have to answer that they believe conditions are “much better” today than one year ago and will be “much better” one year from now.

Although the Real Estate Roundtable Sentiment Index has dropped eight points since the previous quarter (from 77 to 69), it continues to reflect improved and improving market conditions.

"Fundamentals are starting to come back. We're seeing good leasing activity with less pressure on rents. Still more weakness than we'd like to see, still more tenant failures than normal, but it's getting more stable."

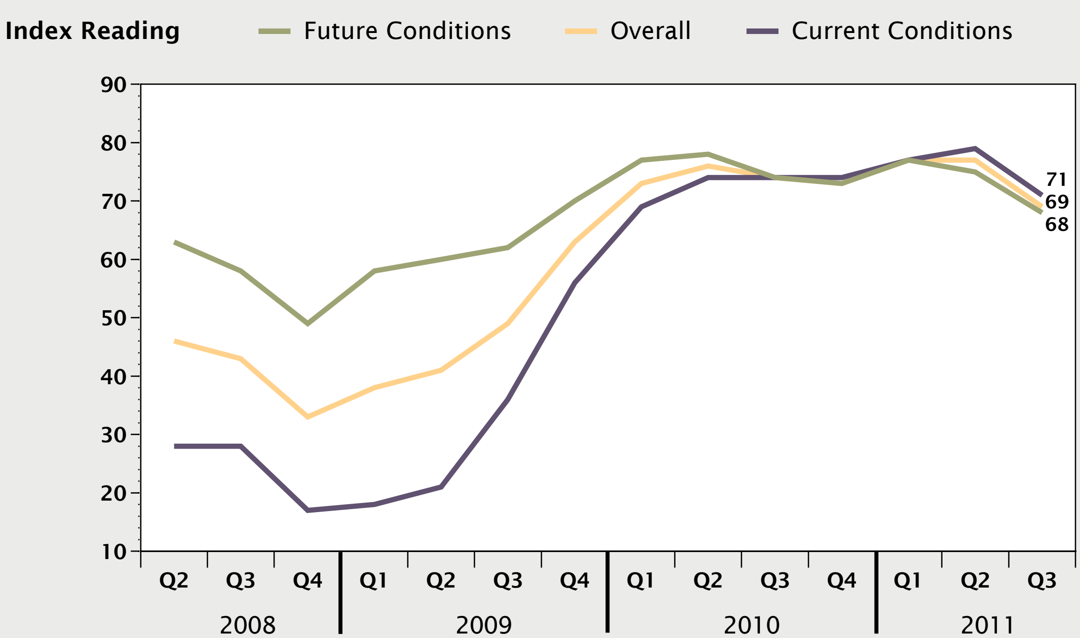
"It's going to be a slow, hard grind for a while. At least the consumer seems to be spending again, so hopefully we will see some growth going forward."

"The first quarter was one of our best ever, but ever since April 15th it's like the lights are turned off. Everyone is being cautious, and tenants have stopped making big decisions. The dropoff has been quite sharp."

"Other than discrete pockets, the broad economy is tracing a very shallow recovery. The prospects of further stagnation are exacerbated by possible adverse ramifications associated with sovereign debt issues in Europe and even in the US."

Exhibit 1

The Real Estate Roundtable Sentiment Index



While the majority of respondents continue to report improvement in commercial real estate markets, more are seeing current market conditions as flat and fewer expect significant improvement going forward.

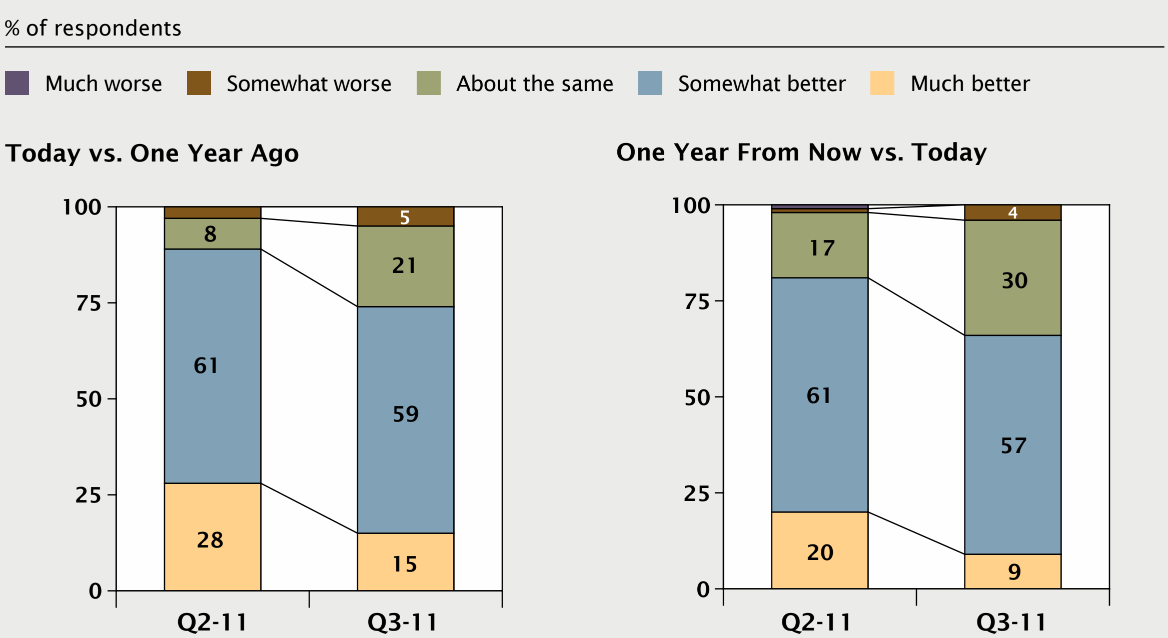
"Multifamily is hot as a pistol. Hotels are the other market where we've seen things bottom out. Office is still tough, but there's some stabilization."

"Going forward? It's all so fragile right now. Things are clearly getting better, but it's very fragile, and depending on what happens in the coming weeks in Washington, all the gains could be consolidated or get washed away."

"In terms of vacancy rates, there is still a general malaise permeating the market. Without a recovery in the jobs picture it will be hard for the vacancy to be absorbed."

"It's a story of haves and have nots right now. New York City and Washington DC are hot, but they are anomalies. San Francisco, Boston, and Los Angeles are getting some attention too, but everywhere else there is no capital chasing product (office)."

Exhibit 2
Perspectives on Real Estate Market Conditions



Respondents report that asset values have increased and will continue to increase, but fewer respondents see increased prices in the future.

"In strong markets, we're now seeing four caps on 'A' quality assets. I was surprised when we started seeing five caps, but now it's not uncommon to see 4.75 cap rates and lower."

"Cap rates are coming way down in New York and Washington DC, but I'm concerned about markets outside of these two locations. Pricing hasn't recovered the way it has there."

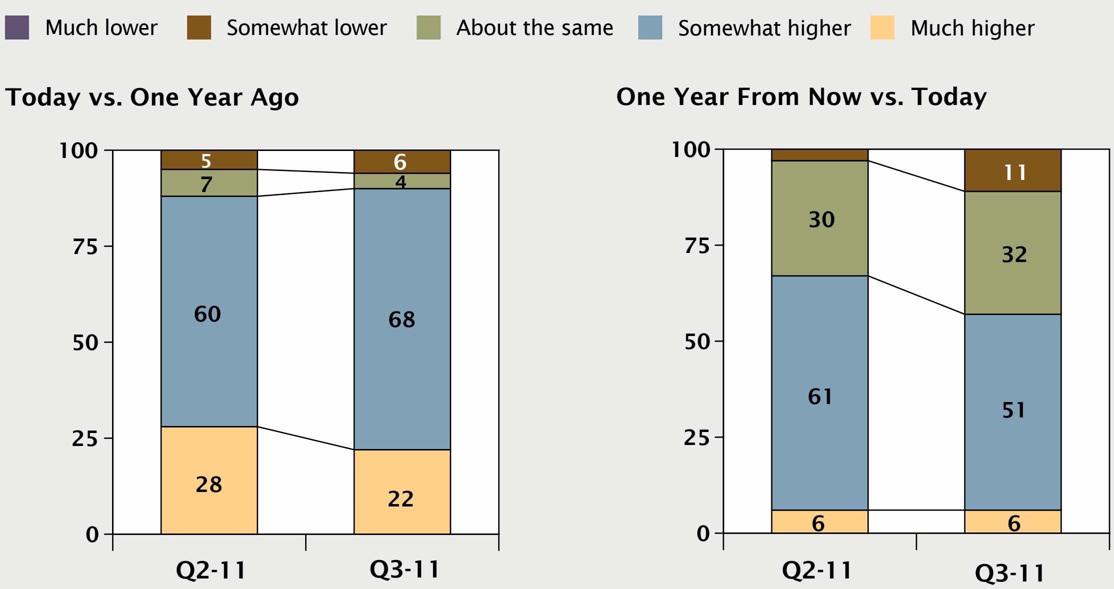
"Things are trending in the right direction, but until vacancies get absorbed and we see some rental rate improvement, values will remain well below peak levels. It could take until 2014-2015 to get back to where we were."

"Top tier urban and/or green assets are a home run right now. Everything else is garbage."

Exhibit 3

Real Estate Asset Values

% of respondents



Debt and equity availability are viewed as having improved, leading more respondents to see less room for further improvement.

"Eighteen months ago there was no financing... now you can pretty much get what you need for 'A' assets in 'A' markets."

"CMBS is opening up. Life companies are coming back. Construction lending is coming back. Debt capital is back."

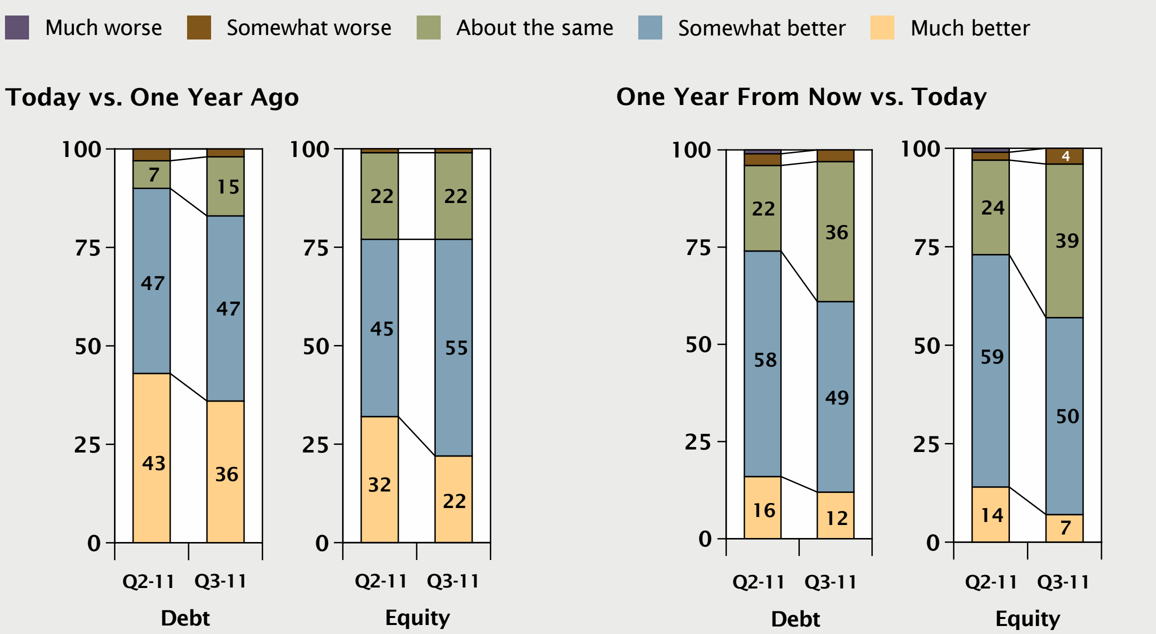
"Raising blind pool capital is impossible, but with an identified use, you can pretty much get what you need."

"There's a tremendous amount of capital for institutional quality assets. You can now get financing for 'B' centers, so that market is starting to look much more interesting. 'C' centers? There's still no financing for that."

"They are throwing money at us. A bank actually came to me recently and told me 'we're here to see how we can lend you money.' How times have changed."

Exhibit 4
Availability of Capital

% of respondents



Participants

(Please note that this is only a partial list. Not all survey participants elected to be listed.)

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