



The Real Estate Roundtable Sentiment Index

Fourth Quarter 2011



The Real Estate Roundtable

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The Real Estate Roundtable is pleased to announce the results from the Q4-2011 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 nearly 110 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

- This quarter's Index reflects a material change in views; far more respondents now register concern about market conditions, leading to the lowest index values since late '09.
- For the first time in two years, a significant portion of respondents see conditions as worse than a year ago and predict a decline in the coming year.
- While a majority of respondents reported pricing improvement over the past year, almost half now expect pricing to stay flat in the coming year.
- As in other areas, this quarter saw a significant change in views on debt and equity; levels of observed improvement have declined and future expectations are modest.

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.

This quarter's Index reflects a material change in views; far more respondents now register concern about market conditions, leading to the lowest index values since late '09.

"The Eurozone 'wild card' continues to cast an increasingly ominous shadow on the US economy and, in turn, commercial real estate fundamentals. In the absence of some clarity on that issue and the American political picture, a soft seat on the sidelines looks like the smart play."

"There appears to be a major disconnect between positive operating fundamentals and negative economic outlooks; the question is whether the latter will eventually overwhelm the former. As a consequence, most of the tenants we survey seem more worried about other businesses than their own."

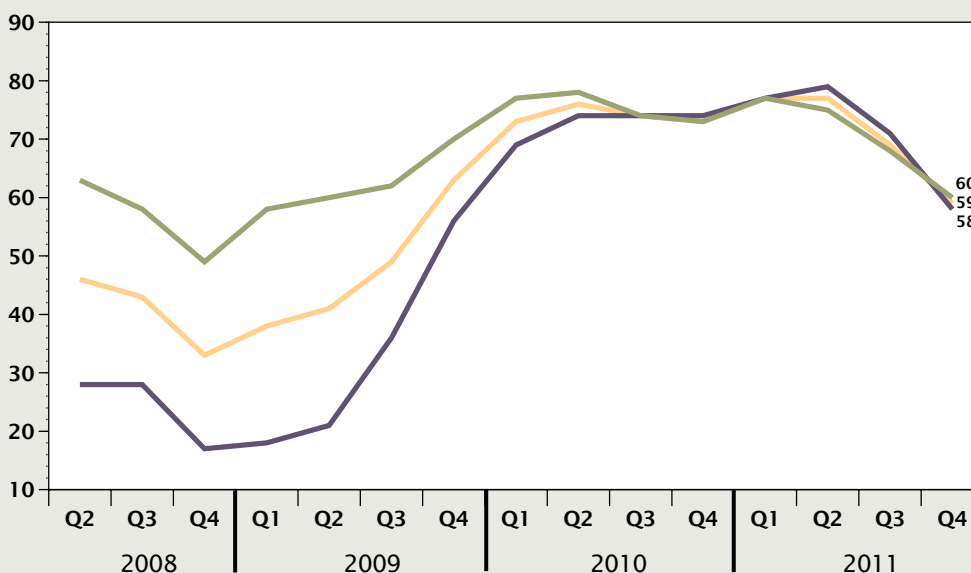
"Early expectations were much higher; however, we now see a tempering of expectations, still good but not as high as several months ago. This is much a result of the EU issues and uncertainty in the US."

"I'd call myself conservatively optimistic right now. Hard to believe, but fundamentals are actually getting to be in decent shape. Occupancy is up, though there's still a long way to go, given the lack of job growth. But, there's no supply being added to the market, and that's starting to be felt."

Exhibit 1

The Real Estate Roundtable Sentiment Index

Index Reading — Future Conditions — Overall — Current Conditions



For the first time in two years, a significant portion of respondents see conditions as worse than a year ago and predict a decline in the coming year.

“August and September have created more uncertainty and less confidence. If things continue to progress in this direction much longer, they will begin to have dire results on valuations and all the underlying fundamentals.”

“The lack of clarity from the US government is extremely frustrating - healthcare, energy, financial reform, tax policy; you name it. Businesses have cash but they are reluctant to spend it until we see some more certainty from Washington.”

“Until we settle on the rules around bank regulations and determine the future tax playing field, we will not see capital deploy to generate significant new business or net new jobs, and the economy will remain mired in recession.”

“I’m certainly not expecting a strong recovery, but I don’t think things will get much worse. Our team is actually hoping that this recession will start creating some distressed opportunities for us.”

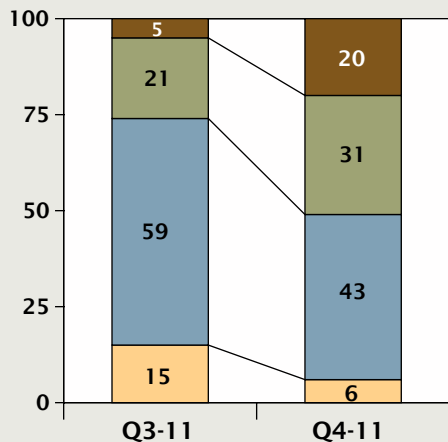
Exhibit 2

Perspectives on Real Estate Market Conditions

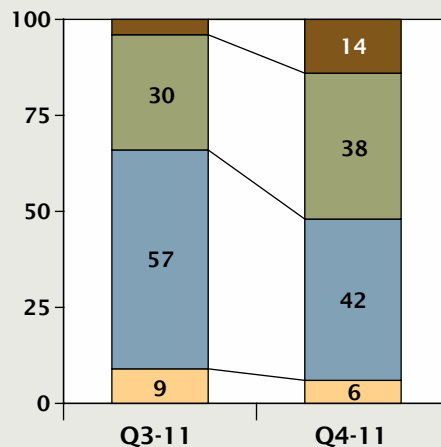
% of respondents

■ Much worse ■ Somewhat worse ■ About the same ■ Somewhat better ■ Much better

Today vs. One Year Ago



One Year From Now vs. Today



While a majority of respondents reported pricing improvement over the past year, almost half now expect pricing to stay flat in the coming year.

“Fundamentals are turning down in the US and Europe, and real estate values are generally unattractive.”

“Today’s pricing of equity has to influence transaction pricing and volume... the scars of overleveraging are too grotesque for smart money to reach for the burner.”

“Prices are down 5-10% from the peak for the true core stuff – class A office and multifamily in DC, New York, Southern California, and even Northern California.”

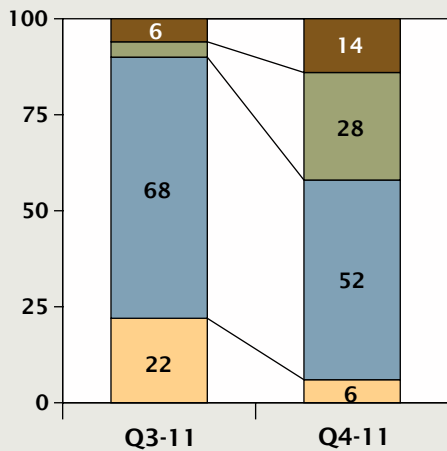
“If you agreed to a deal in July, you’re probably pausing to see if you still want to do it. No major re-trades, but a lot of people are thinking harder about whether they want to do deals.”

Exhibit 3
Real Estate Asset Values

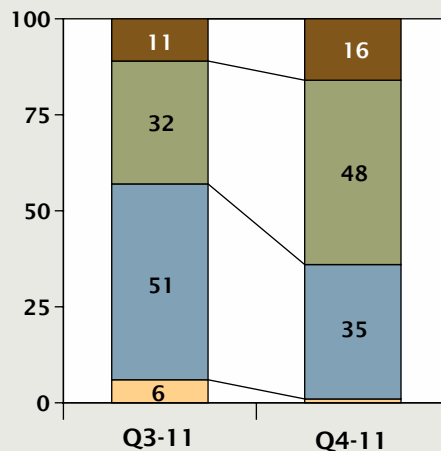
% of respondents

Much lower
 Somewhat lower
 About the same
 Somewhat higher
 Much higher

Today vs. One Year Ago



One Year From Now vs. Today



As in other areas, this quarter saw a significant change in views on debt and equity; levels of observed improvement have declined and future expectations are modest.

“Debt financing has become harder to find with the onset of the European credit crisis. Equity investors have also turned more cautious.”

“It’s a difficult capital markets environment given the combination of Europe’s government issues, financial institution, and general economic malice. LP’s are moving slowly and cautiously at this time given the market uncertainty. They are hopeful that as things stabilize, investors will once again want exposure to real estate.”

“Investors seem to be slower to let you get to a first close—they all want to wait and see. Once you get that, though, there’s others willing to jump on board and firms seem to be able to raise money. For the strong players, there’s definitely capital out there.”

“CMBS is dead. They’re still quoting, but they’re 200 basis points wide of other options. Unless you desperately need to get to 65% LTV, you’re not going to take what they’re offering.”

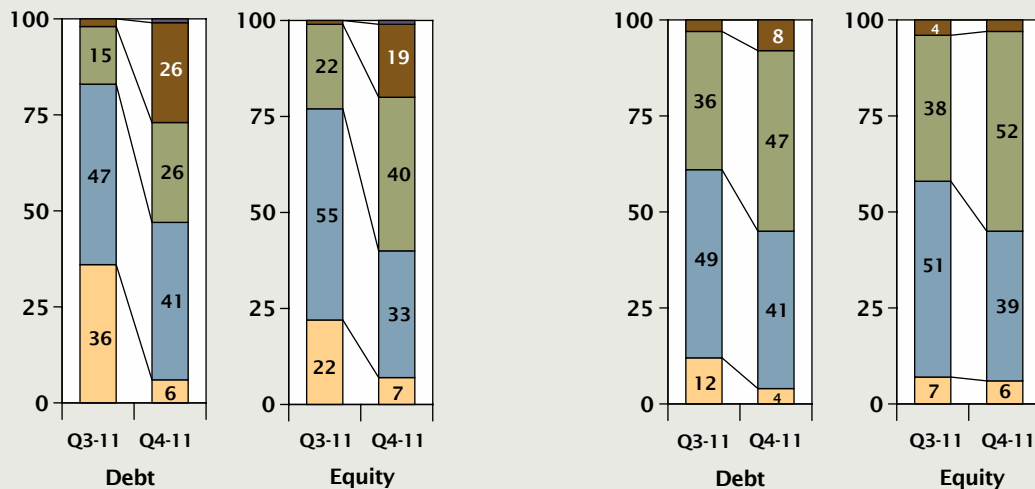
Exhibit 4
Availability of Capital

% of respondents

■ Much worse ■ Somewhat worse ■ About the same ■ Somewhat better ■ Much better

Today vs. One Year Ago

One Year From Now vs. Today



Participants

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

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Dang Phan

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Jerome J. Claeys, III

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Charles N. Hazen

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Dean Parker

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Moelis & Company
Alexander S. Rubin

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National Council of Real Estate
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Blake Eagle

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Life Insurance Co.
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Randal J. Richardson

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Watson Land Company
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