# NAREIM/FPL Pulse Survey

## Participant Report of Findings

Third Quarter, 2011

FPL Advisory Group
Ferguson Partners
FPL Associates

NAREIM
Real Estate Investment Managers

# NAREIM/FPL Pulse Survey

## Introduction

FPL Associates L.P. is pleased to present the results from the NAREIM/FPL Pulse Survey for the third quarter of 2011. This initiative is designed to provide NAREIM members with a "real-time" assessment of industry/market trends and an understanding of peer perspectives on transactions in the REIM sector.

This quarter's survey respondents represented the following organizations (please note that not all participants elected to be listed):

- Bentall Kennedy
- The Brookdale Group, LLC
- CIGNA Realty Investors
- Cohen Asset Management, Inc.
- Cole Real Estate Investments
- Colony Realty Partners, LLC
- Cornerstone Real Estate Advisers LLC
- Grosvenor Investment Management
- Heitman LLC
- IDS Real Estate Group
- Inland Institutional Capital Partners Corporation
- INVESCO Real Estate
- Kensington Realty Advisors, Inc.
- Kimco Realty Corporation
- LaSalle Investment Management
- M3 Capital Partners/Evergreen Investment Advisors LLC
- McWalters Advisors
- National Real Estate Advisors
- New Boston Fund, Inc.
- Northwestern Mutual Life Insurance Company
- Piedmont Office Realty Trust, Inc.
- PM Realty Group
- Principal Real Estate Investors
- Prudential Real Estate Investors
- UBS Realty Investors LLC
- USAA Real Estate Company

This survey is designed to provide up-to-date insights in light of both the current state of the economy and the real estate industry. We are always trying to make the survey more useful to you, so please let us know of any changes that you think would be helpful.

We extend our sincere appreciation to all participating organizations for providing valuable information.

Sincerely,

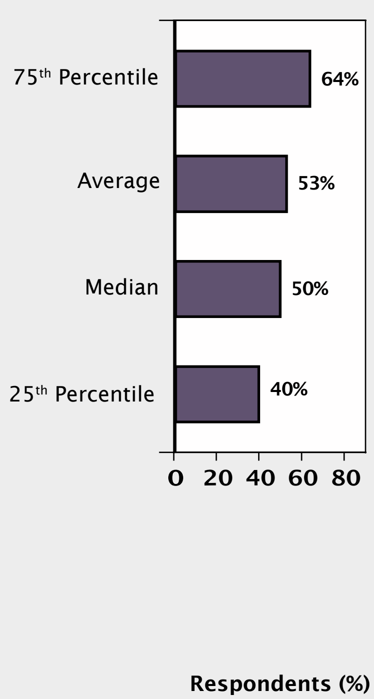
**Gunnar Branson**
Chief Executive Officer
NAREIM

**Josh R. Anbil**
Managing Director
FPL Associates L.P.

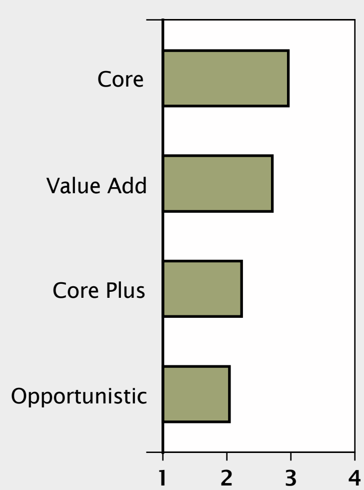
**Jonas D. Bordo**
Senior Director
FPL Associates L.P.

# On average, respondents successfully achieved 53 percent of acquisition targets in the last six months and had the most success pursuing core and office investments.

**Approximately what % of your acquisition targets have you successfully achieved in the previous six months?**

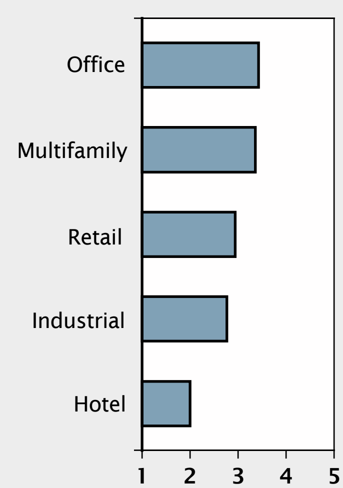



**Relative success at achieving targeted acquisitions by investment type for respondents active in multiple types.[1]**




[1] Index was calculated by assigning a number 1-4 to each investment type where 1 is the type in which respondents achieved the least success and 4 is the type where respondents achieved the most success.

**Relative success at achieving targeted acquisitions by asset class for respondents active in multiple classes.[2]**

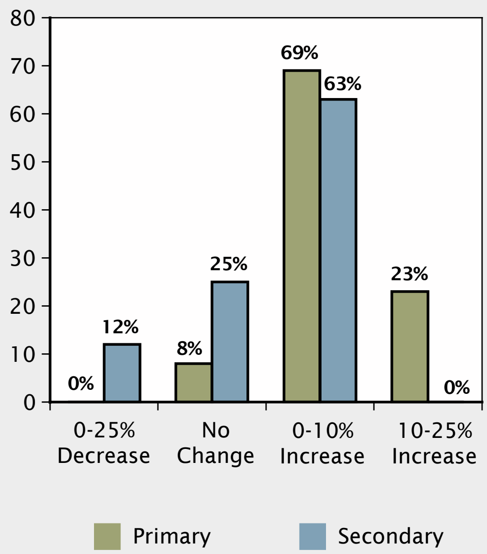



[2] Index was calculated by assigning a number 1-5 to each asset class where 1 is the class in which respondents achieved the least success and 5 is the class where respondents achieved the most success.

# Very few respondents expanded into new asset classes in the past six months.

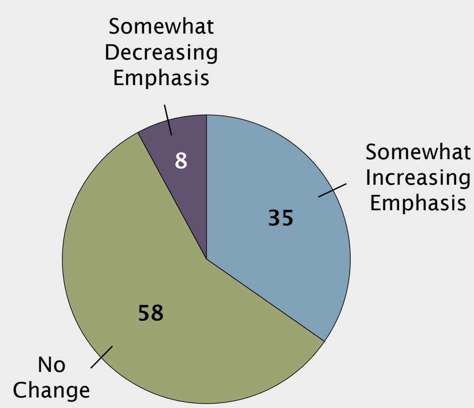
# With pricing spreads between primary and secondary markets seen as widening, more than one third of respondents are looking more towards secondary markets.

**Compared to the previous six months, how have asset prices changed in primary and secondary markets?**




**Respondents (%)**

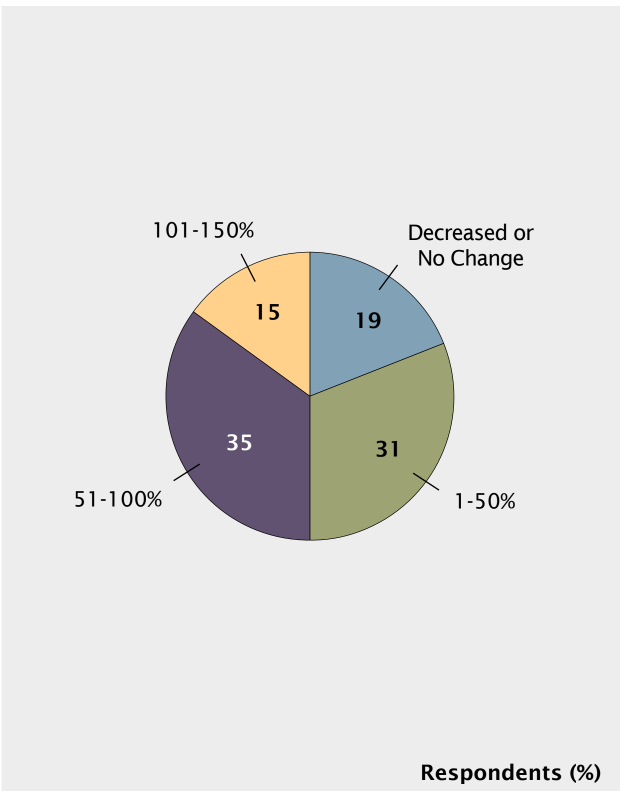
**How is the pricing spread between primary and secondary markets affecting your investment strategy in terms of the emphasis placed on secondary markets?**



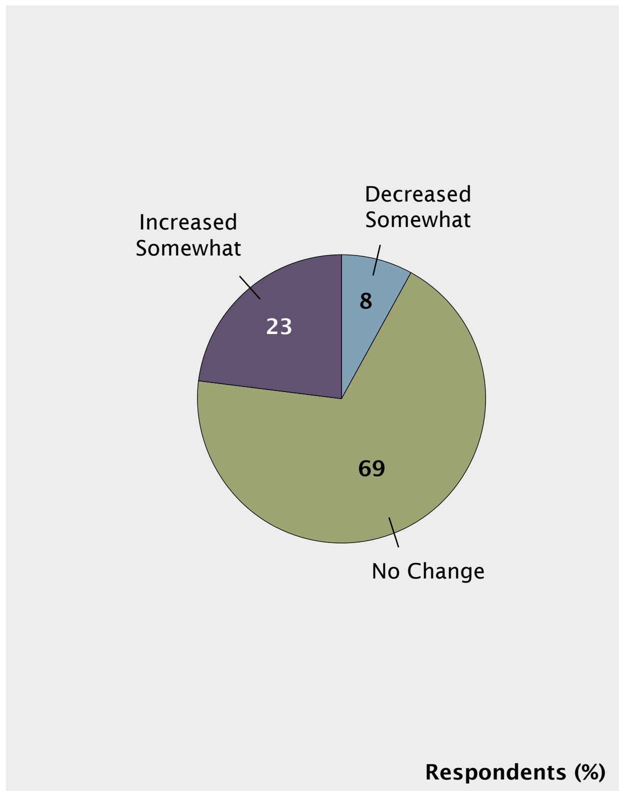

**Respondents (%)**

# Eighty-one percent of respondents reported increased transactional activity since 2010, though only a few firms have undertaken a concurrent increase in transactional staffing.

**In the first six months of 2011 how much did your transaction volume change versus the last six months of 2010?**

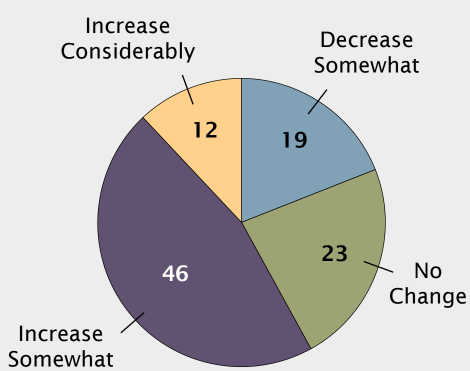



**How has your transactional staffing changed over the past six months?**



# Outlook is largely positive as more than half of respondents expect their transaction volume to increase over the next six months.

**How do you expect your company's transaction volume to change over the next six months?**




**Respondents (%)**

# Though still in positive territory (above 50), confidence in the REIM sector's prospects dropped to 63, the lowest level observed in six quarters.

**Respondent sentiment about the REIM sector's prospects.**

*How do current Real Estate Investment Management industry conditions compare to the prior quarter?*


**About the Index:** The index is calculated as follows: a point value is assigned to each response, worse (0), about the same (1/2) and better (1) then dividing the total number of points by the number of respondents. Therefore, an index of 50 indicates the overall sentiment is 'about the same' as the prior quarter; similarly, any value over 50 indicates a 'better' environment and under 50 indicates a 'worse' environment.

# Thank You

We sincerely appreciate your participation in this valuable and timely survey. We would not be able to produce such a detailed and robust report of findings without your participation. We welcome your comments and feedback on our survey process, scope, and approach.

# Contact

Please direct all inquiries regarding this study to:

**Gunnar Branson**
Chief Executive Officer
NAREIM
900 7th Street, NW Suite 960
Washington, DC 20001
Phone: (202) 789-4374
Email: gbranson@nareim.org

**Josh R. Anbil**
Managing Director
FPL Associates L.P.
191 North Wacker Drive, Suite 2850
Chicago, Illinois 60606
Phone: (312) 368-5088 ext. 2315
E-mail: janbil@fplassociates.com

**Jonas D. Bordo**
Senior Director
FPL Associates L.P.
191 North Wacker Drive, Suite 2850
Chicago, Illinois 60606
Phone: (312) 368-5088 ext. 2355
E-mail: jbordo@fplassociates.com

# Quantitative Survey Methodology

- In early August 2011, FPL Associates sent out a survey questionnaire for the purpose of gathering investment managers' perspectives on trends in transaction and development activities.

- For the seventh incarnation of this survey, 27 organizations provided thorough responses. Participants vary in size, strategy, and location and represent a cross-section of real estate investment managers (see Survey respondent list for a representative group of participants). FPL gathered, clarified and analyzed the responses to develop this summary report.

- Due to company policies and/or unique aspects of their operations, not every participating company was able to provide information for every survey question. In cases where certain participants did not respond to a particular question, they were excluded from the reported statistics related to that question.