



# NAREIM/FPL Pulse Survey

Participant Report of Findings  
1<sup>st</sup> Quarter, 2010



FPL ADVISORY GROUP  
FERGUSON PARTNERS  
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# NAREIM/FPL Pulse Survey

## Introduction

The National Association of Real Estate Investment Managers (NAREIM) and FPL Associates L.P. are pleased to present the results from the inaugural NAREIM/FPL Pulse Survey. This initiative is designed to provide NAREIM members with a “real-time” peer assessment of industry/market trends. In this first edition of the survey, we have addressed topics that include capital deployment plans, financing activity, valuation methodologies and other topics selected through discussions with NAREIM members.

We extend our sincere appreciation to all participating individuals for contributing their time and thought to this process.

Sincerely,

**Stephen M. Renna**  
President  
NAREIM

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

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



## Quantitative Survey Methodology

- The NAREIM/FPL Pulse survey was distributed in late January, with data collection extending through mid-February.
- Thirty-one (31) NAREIM members 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 all of the responses, clarified information with participants as needed, and then analyzed the data 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.

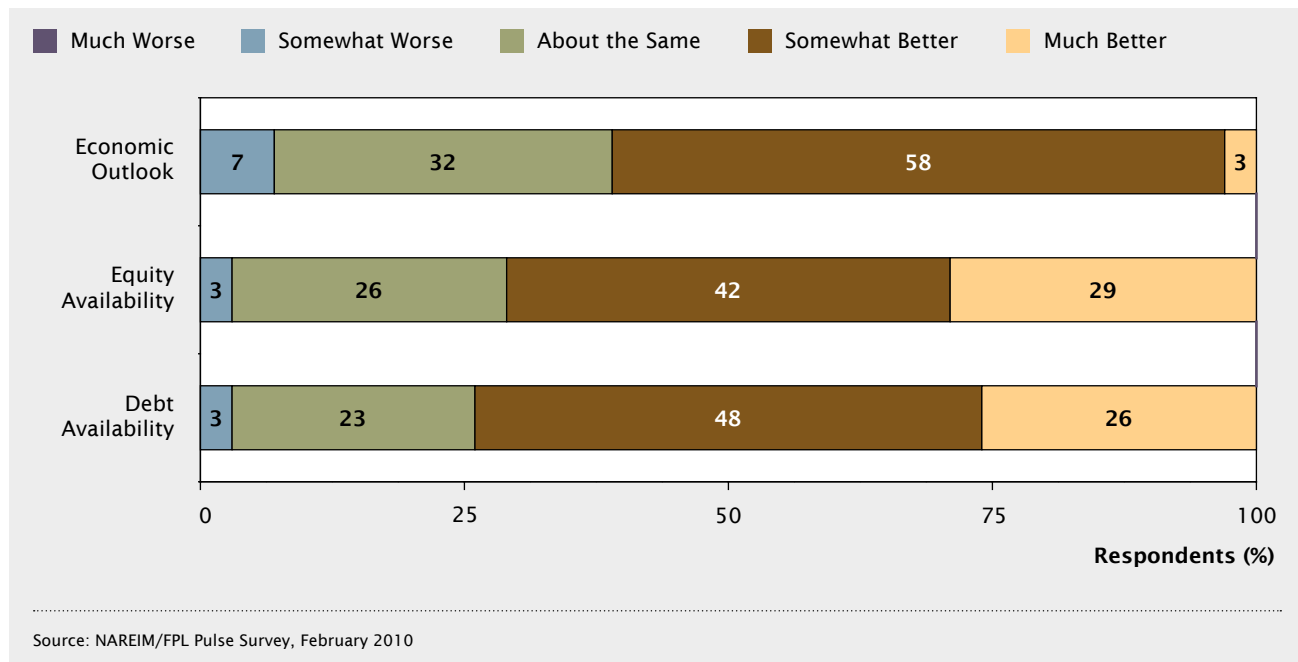
## Survey Respondent List

- Survey respondents represented the following organizations (please note that not participants all elected to be listed):
  - American Realty Advisors
  - Carter
  - CIGNA Realty Investors
  - Cohen Asset Management, Inc.
  - Commonfund Realty, Inc.
  - Commonwealth Partners, LLC
  - Cornerstone Real Estate Advisers LLC
  - Great Point Investors, LLC
  - Heitman LLC
  - Henderson Global Investors Inc.
  - Hines
  - ING Clarion Partners
  - Inland Institutional Capital Partners
  - Intercontinental Real Estate Corporation
  - INVESCO Real Estate
  - Kensington Realty Advisors, Inc.
  - Kimco Realty Corporation
  - LaSalle Investment Management
  - Lowe Enterprises Investors, LLC
  - McWalters Advisors
  - Metzler
  - New Boston Fund, Inc
  - Northwestern Mutual Life Insurance Co.
  - RREEF
  - The Brookdale Group
  - URDANG

# Investment Environment

Most respondents are expecting 2010 to be a stronger year than 2009.

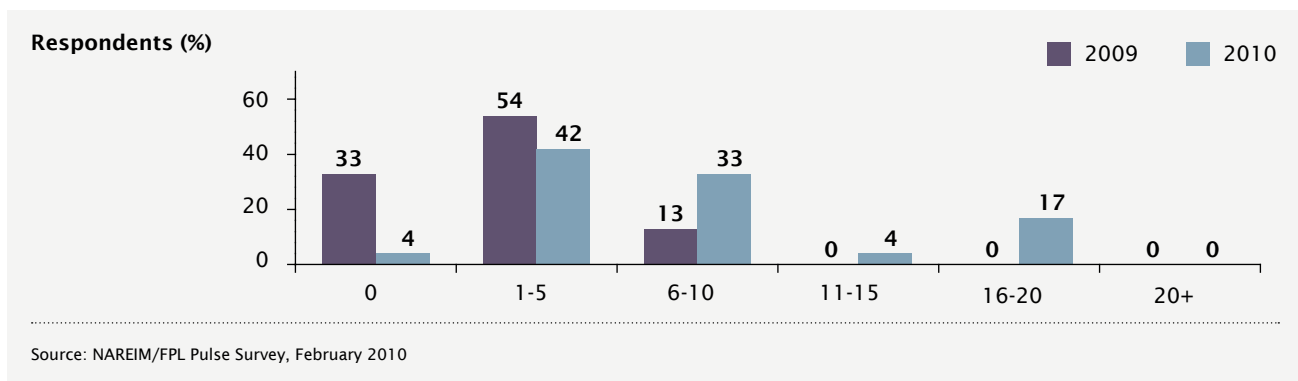
How do your expectations for 2010 compare to 2009 for the following?



## Investment Environment

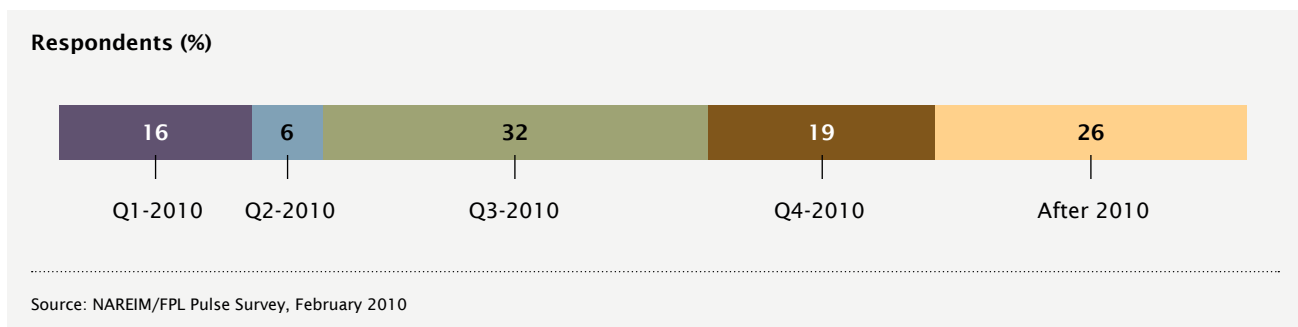
Consistent with these expectations, transactions are expected to pick up in the second half of 2010.

### How many transactions did you complete/do you expect to complete in 2009/2010?



- In 2009 there were no companies that reported over 10 transactions; almost a quarter of respondents expect at least ten transactions in 2010.
- On average, the respondents are expecting to complete about eight transactions in 2010, up from the average of two in 2009.

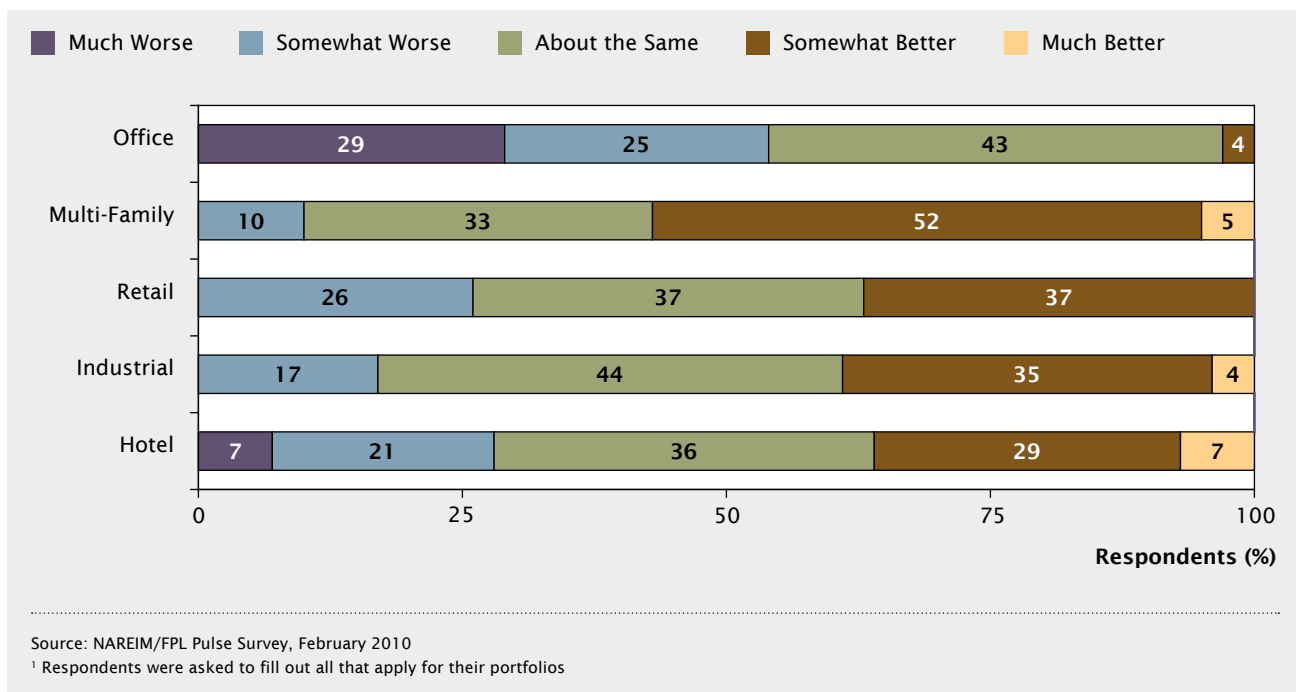
### When do you expect to be able to deploy investor capital in meaningful amounts?



## Investment Environment

Respondents planning to invest have the strongest expectations for the multi-family sector and weakest for offices in 2010.

### How do you view the outlook for the following property sectors in 2010?<sup>1</sup>

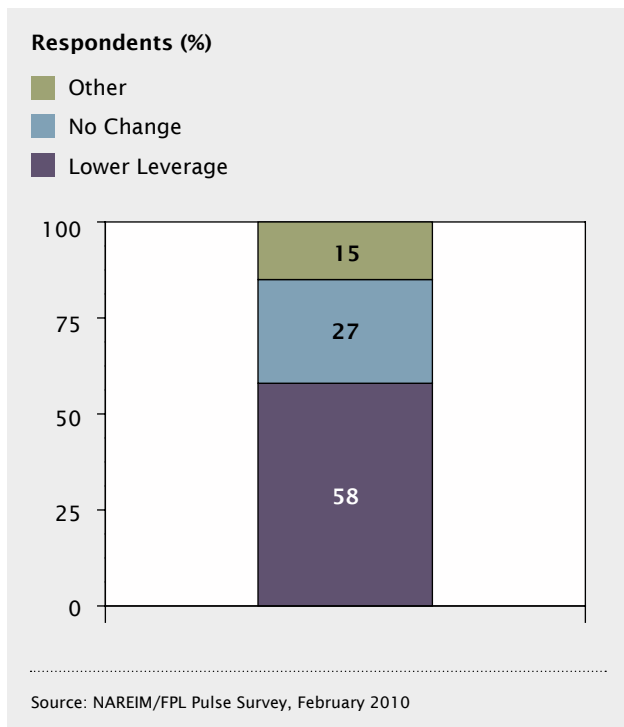


- While a majority of respondents expect the multi-family sector to improve, only 5% expect the sector to be “much better” in 2010.
- Most expect the office sector to falter in 2010; in fact, 29% expect the sector to be “much worse.”
- In all other sectors (retail, industrial, hotel), expectations are widely varied.
- Most respondents are focused on primary markets.
- There is a mix of interest in CBD and Suburban; in office and hotels, CBD focus is predominant. In multi-family, retail, and industrial, there is more interest in Suburban properties.

# Capital Markets Environment

In response to current market conditions, respondents have in large part changed to a lower leverage strategy.

Have you changed your investment strategies regarding your use of debt and equity, given the current market environment? If so, how?

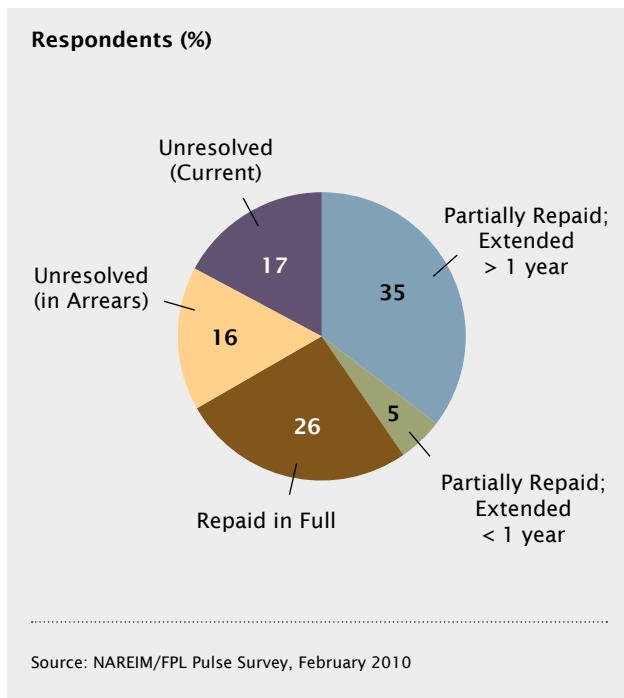


- Under current market conditions, a large portion of respondents have decided that a strategy combining the use of more equity and less debt funding is prudent.
- Over a quarter of investment managers have not, as of yet, changed their investment strategies with respect to the level of debt employed.
- Others responded that they are:
  - Seeking out more third party co-investment opportunities.
  - Increasing focus on core investing.
  - Running a contrarian strategy, looking for more value-add and opportunistic investment opportunities.

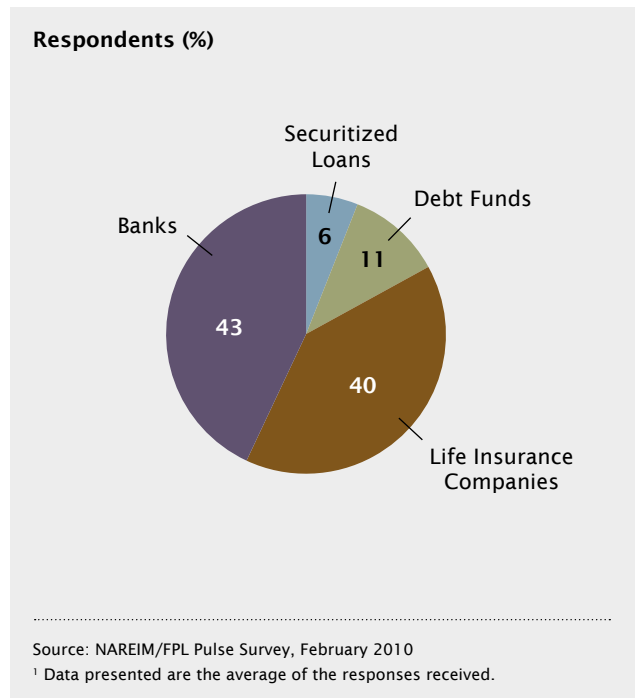
## Capital Markets Environment

The repayment of existing loans has proven difficult for many respondents; going forward, banks and life companies are seen as the best sources of debt.

How many loans in your portfolio matured in 2009 and how have the maturities been resolved?



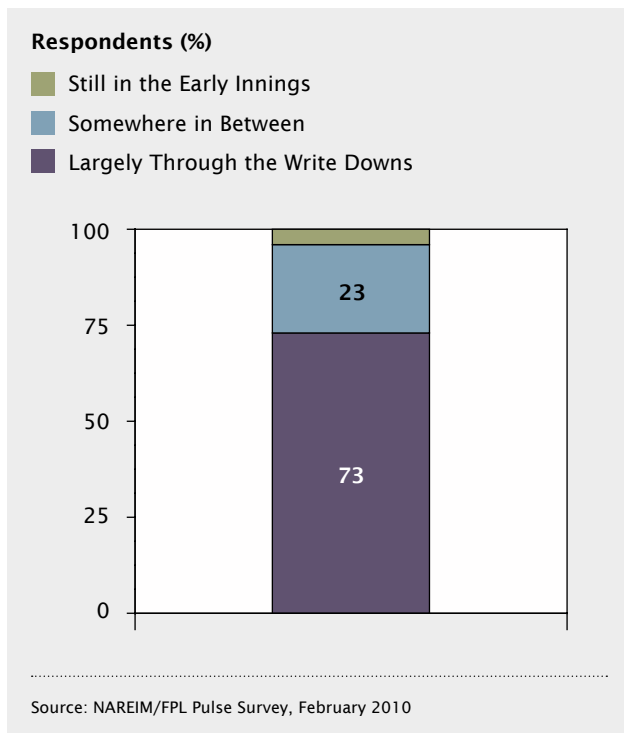
Please indicate your expected source of debt capital for 2010 by percentage.<sup>1</sup>



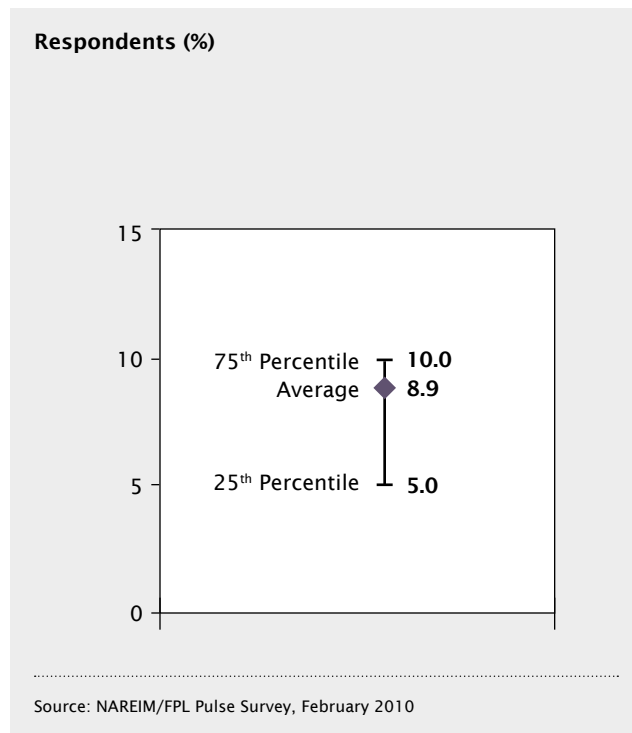
# Valuation Environment

As for existing assets, most respondents believe they are largely through the write down process, but on average, also expect a further 9% more devaluation.

Where are you in terms of recalibration of values for the types of assets that you own?



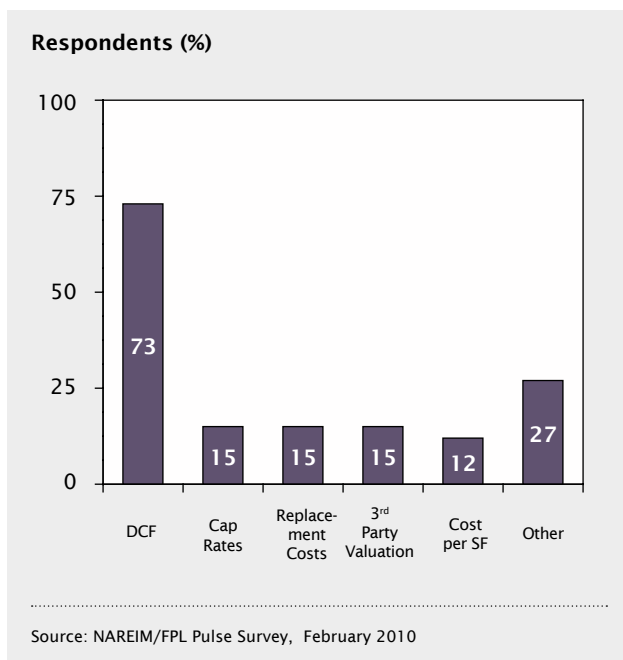
How much devaluation do you believe remains?



## Valuation Environment

Under current market conditions, discounted cash flow was the most popular valuation method listed by a large margin.

What valuation methods are you using, given the limited amount of comparables?

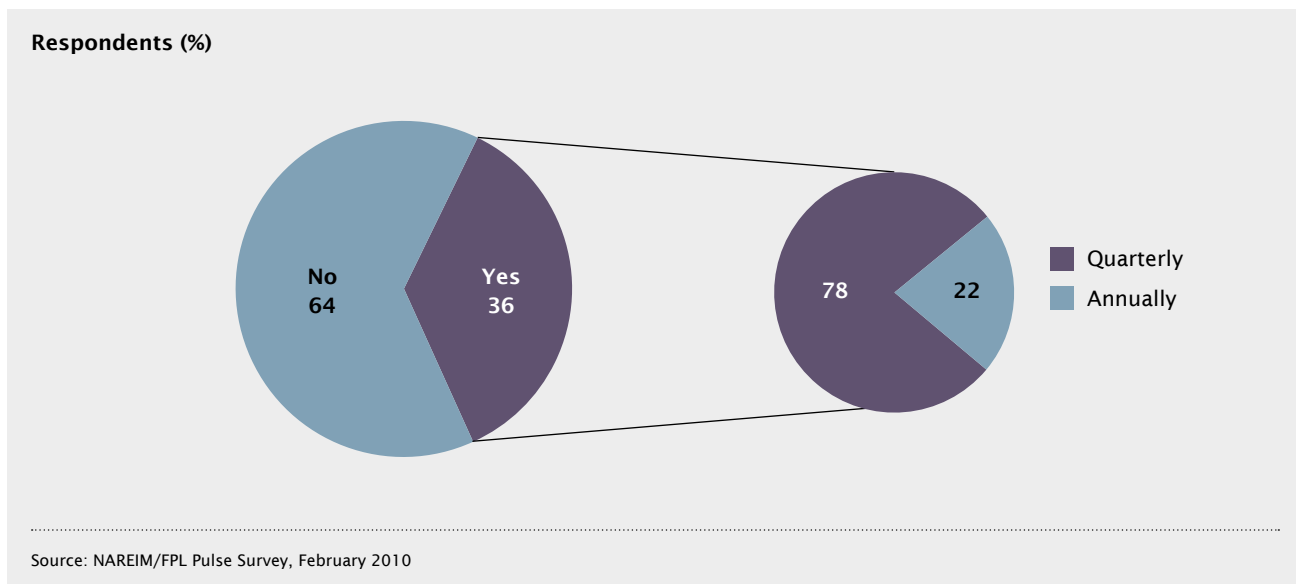


- Over 70% of respondents listed discounted cash flow as a viable valuation method in the current economic environment.
- Over half (54%) revealed they are using multiple valuation methods.
- Participant approaches, other than a fairly standardized use of DCF valuation, are highly variable, indicating the absence of a “standard” methodology today.

## Valuation Environment

A majority of managers reported that LPs are not requesting more frequent property valuations.

Are LPs requesting more frequent property valuations? If so, how often?





# 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

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