



NAREIM/FPL Pulse Survey

Participant Report of Findings
Fourth Quarter, 2011



FPL ADVISORY GROUP
FERGUSON PARTNERS
FPL ASSOCIATES

NAREIM

Real Estate Investment Managers



NAREIM/FPL Pulse Survey

Introduction

NAREIM and FPL Associates L.P. are pleased to present the results from the NAREIM/FPL Pulse Survey for the fourth 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 fundraising and fee structures in the REIM sector.

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

- American Realty Advisors
- Carter
- Cohen Asset Management, Inc.
- Fremont Realty Capital, LP
- Grosvenor Fund Management
- Heitman LLC
- Henderson Global Investors (North America) Inc.
- Hines
- IDS Real Estate Group
- Inland Institutional Capital Partners Corporation
- INVESCO Real Estate
- Kimco Realty Corporation
- LaSalle Investment Management
- MayfieldGentry
- McWalters Advisors
- National Real Estate Advisors
- New Boston Fund, Inc
- PM Realty Group
- Rothschild Realty
- TriMont Real Estate Advisors
- UBS Realty Investors LLC
- URDANG
- W3 Partners

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,

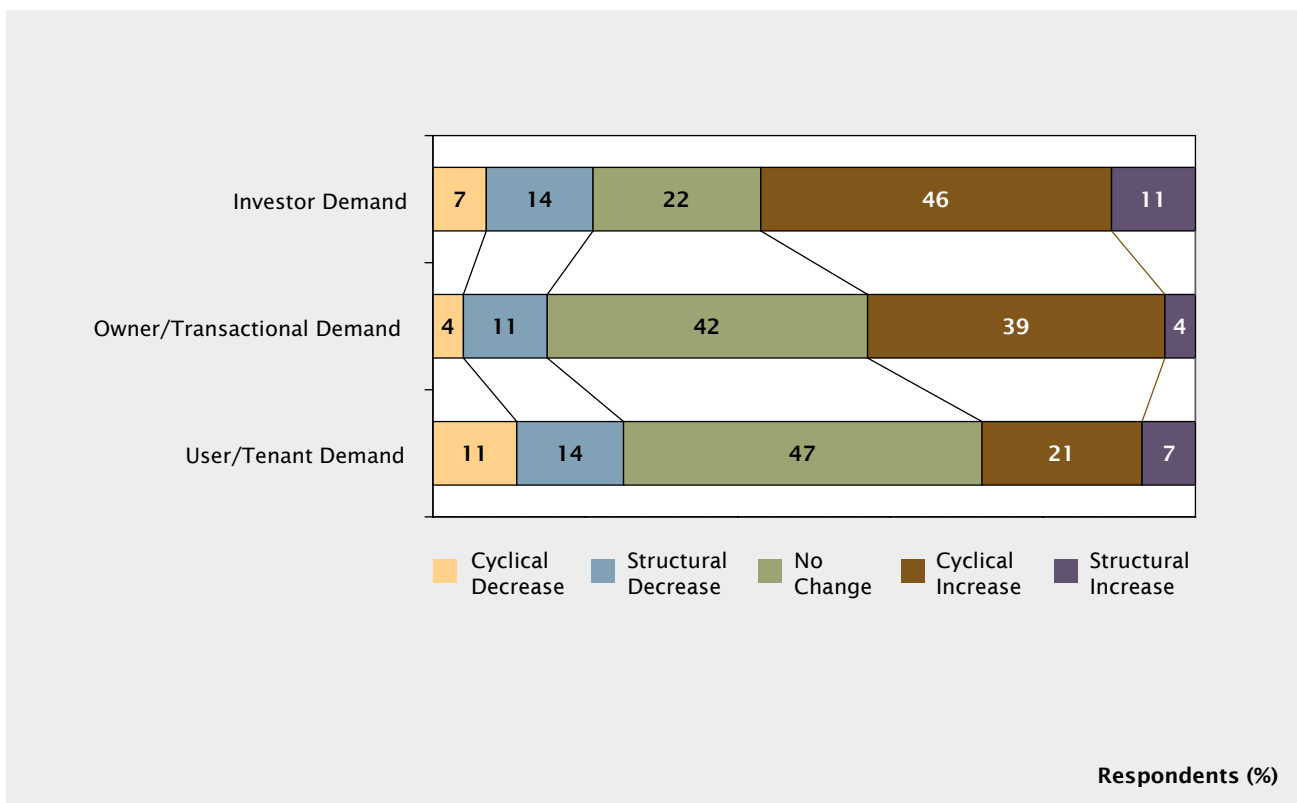
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A striking disconnect exists in terms of views regarding real estate demand from investors and tenants.

Describe the changes in real estate demand over the past six months.



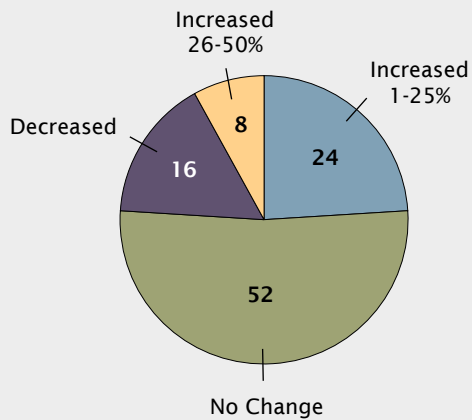
Respondents are similarly split in terms of staffing changes over the previous six months.

How have economic conditions over the past six months affected your staffing?



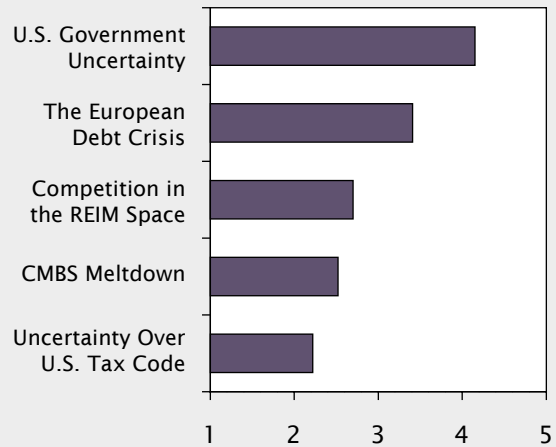
U.S. government uncertainty is reported as the factor having the greatest impact on current fundraising efforts.

How has the pace of fundraising changed over the past six months?



Respondents (%)

To what degree have the following macroeconomic factors affected your fundraising efforts?¹

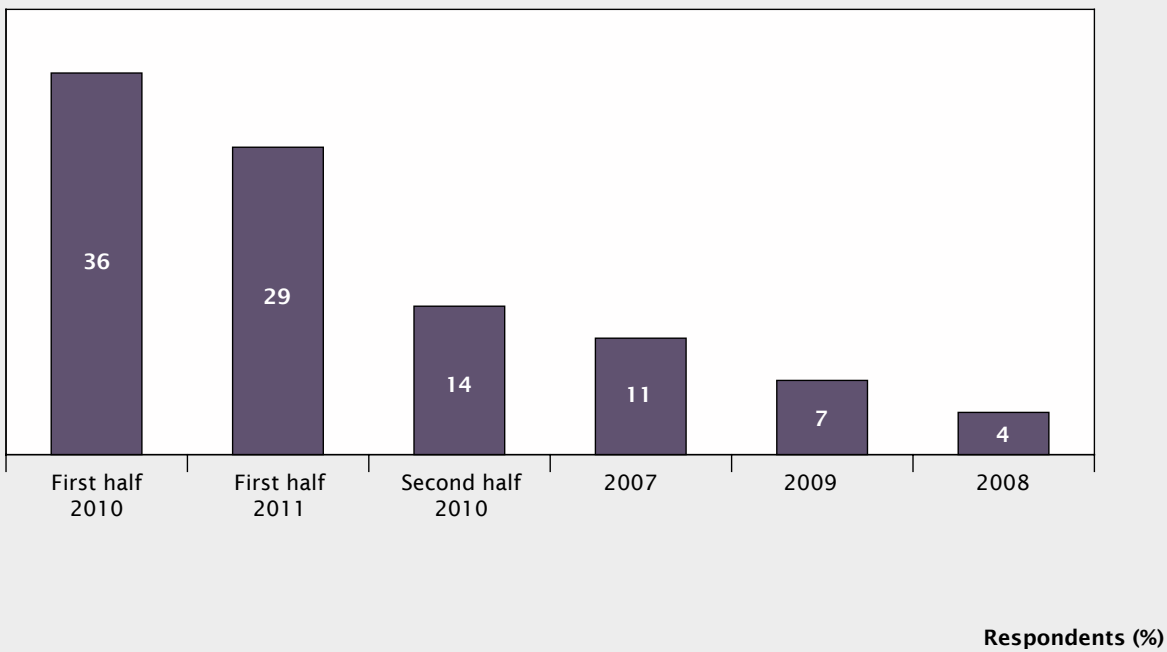


56 percent of all respondents selected U.S. government uncertainty as the number one factor affecting fundraising.

¹ Index was calculated by assigning a number 1-5 to each factor where 1 is factor having the least effect on fundraising efforts and 5 is the factor having the greatest effect on fundraising efforts.

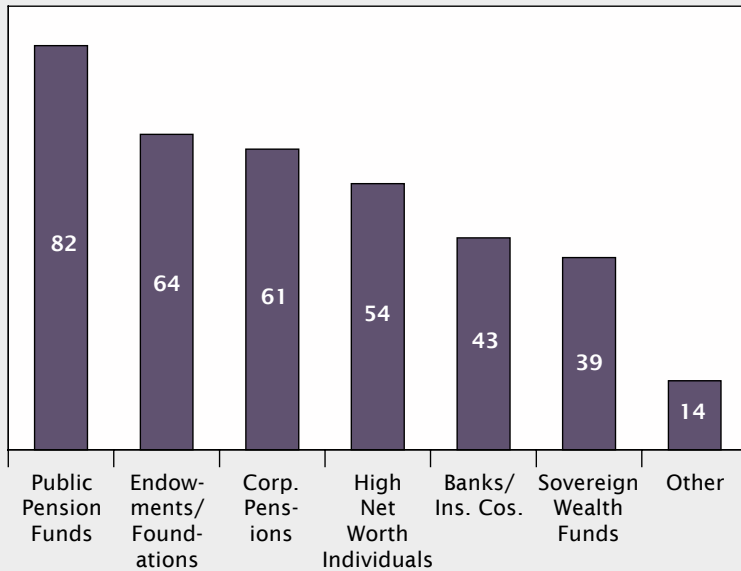
The majority of participants do not feel the current fundraising environment is as challenging as 2008-2009.

Which of the following time periods represents an equivalent fundraising environment to the one we are in currently?



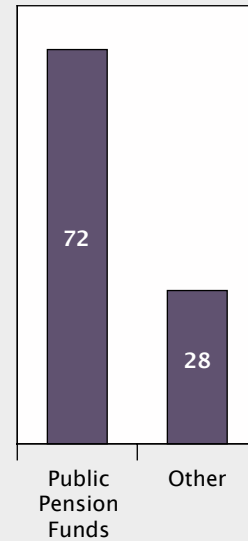
Respondents indicate that public pension funds are putting the greatest amount of pressure on fee structures.

From which types of investors do you raise capital?



Respondents (%)

For those types of investors from whom you raise capital, which type is giving the most push back on fee structures?¹

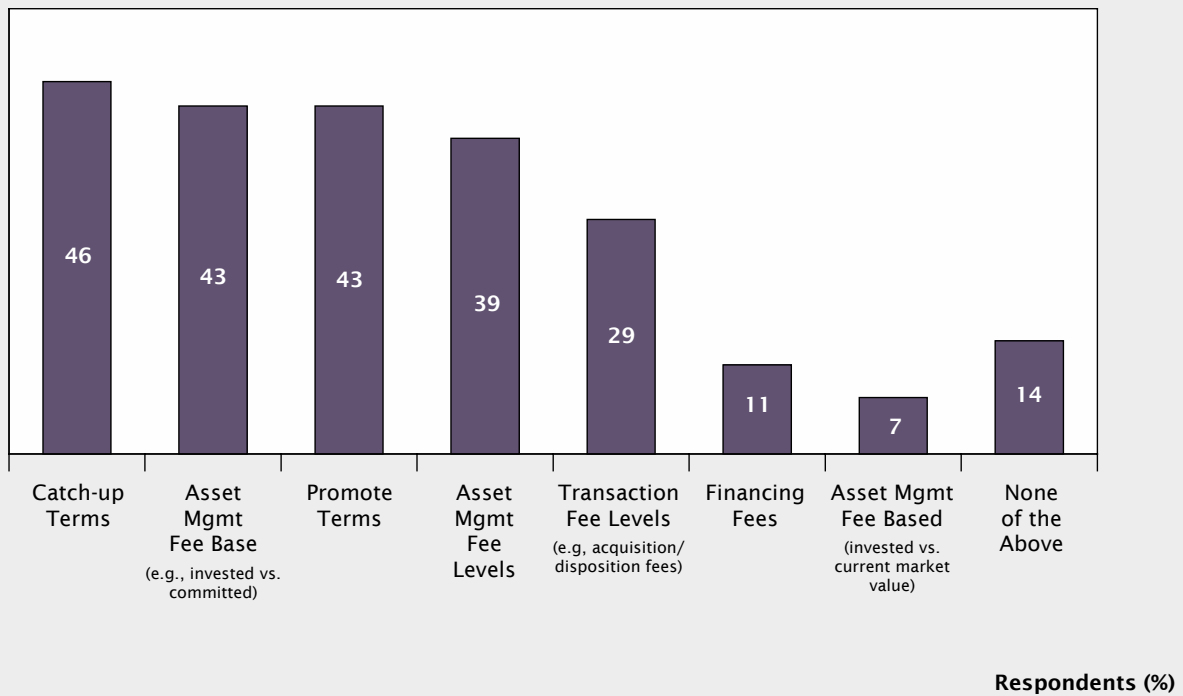


Respondents (%)

¹ Analysis only includes those firms that raise capital from three or more types of investors.

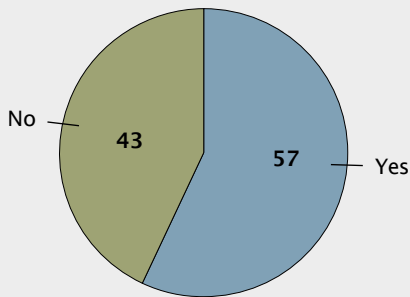
Firms are facing broad push back on all aspects of fund fee structures; only 14 percent report no push back from investors.

In which facets of the typical fund fee structure have you experienced push back from investors?



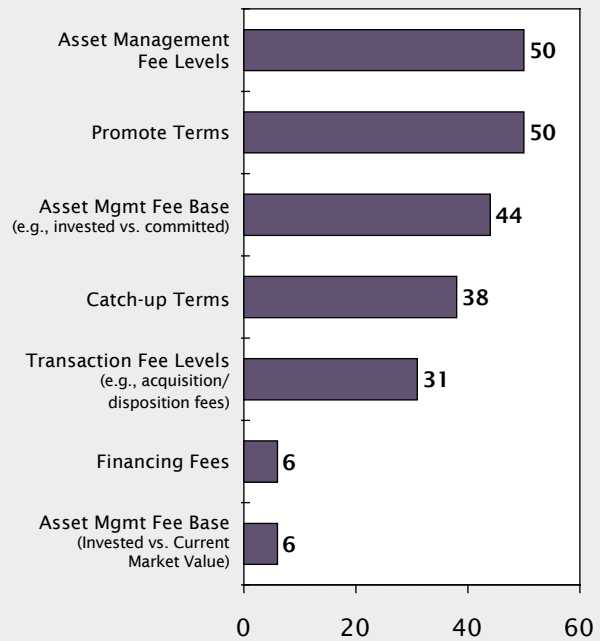
This pressure has resulted in changes to fees at 57 percent of respondents, most commonly to fee levels and promote terms.

Has pressure from investors resulted in actual changes to new fund fee structures?



Respondents (%)

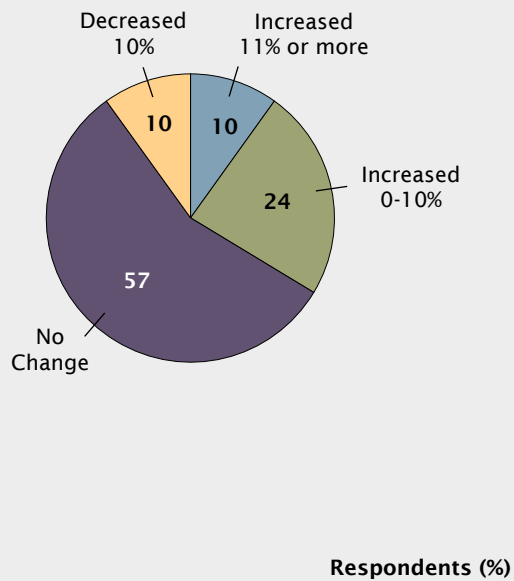
If this pressure has resulted in changes to fee structures, in which areas have changes been implemented?



Respondents (%)

However, firms generally report flat or increasing fees for new funds.

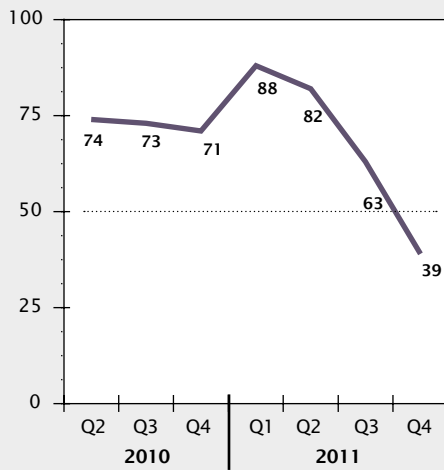
How do asset management fees on new funds compare with previous funds?



For the first time since its inception, the index dropped below 50, indicating a “worse” environment than Q3.

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

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Quantitative Survey Methodology

- In late October 2011, FPL Associates sent out a survey questionnaire for the purpose of gathering investment managers' perspectives on trends in fundraising and fee structures.
- For the eighth incarnation of this survey, 28 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.

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