

Turning Results by Question

Session Name: PREA-DATA-WASH.DC-March 2009

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1.) Who are you?

Investor
 Manager
 Consultant
 Other

Responses	
(percent)	(count)
30.88%	42
33.82%	46
9.56%	13
25.74%	35
Totals	100% 136

2.) When do you think the US economy will come out of recession?

End of 2009
 2010
 2011
 Beyond 2011

Responses	
(percent)	(count)
8.03%	11
54.01%	74
25.55%	35
12.41%	17
Totals	100% 137

3.) Will President Obama's economic policy accelerate the recovery?

Yes
 No
 Yes, but there are more effective options

Responses	
(percent)	(count)
54.86%	79
11.11%	16
34.03%	49
Totals	100% 144

4.) If you could make one "silver" bullet policy to help commercial real estate and support the economy, what would it be?

Accelerate depreciation schedules for real estate to increase earnings and raise asset values
 Reduce or eliminate the FIRPTA tax
 Creation of a warehouse facility to house new loans to be securitized
 Freeze mark-to-market for hard-to-value assets.
 Other

Responses	
(percent)	(count)
8.70%	12
15.94%	22
31.88%	44
24.64%	34
18.84%	26
Totals	100% 138

5.) Total Return for the NCREIF Property Index?

Lower than -20%
 -20% to -15%
 -15% to -10%

Responses	
(percent)	(count)
24.83%	36
44.14%	64
23.45%	34

-10% to -5%
Greater than -5%

	6.90%	10
	0.69%	1
Totals	100%	145

6.) Total Return for Wilshire REIT Index?

Lower than -20%
-20% to -15%
-15% to -10%
-10% to 0%
Greater than 0%

	Responses	
	(percent)	(count)
Lower than -20%	28.47%	41
-20% to -15%	14.58%	21
-15% to -10%	25.69%	37
-10% to 0%	18.06%	26
Greater than 0%	13.19%	19
Totals	100%	144

7.) What total return will your US private equity real estate portfolio deliver in 2009?

Lower than -30%
-29% to -20%
-19% to -10%
-9% to 0%
1% to 10%

	Responses	
	(percent)	(count)
Lower than -30%	8.46%	11
-29% to -20%	23.08%	30
-19% to -10%	38.46%	50
-9% to 0%	13.08%	17
1% to 10%	16.92%	22
Totals	100%	130

8.) Which property type will perform best in 2009?

Apartments
Hotel
Industrial
Office
Retail
Other

	Responses	
	(percent)	(count)
Apartments	73.97%	108
Hotel	2.05%	3
Industrial	12.33%	18
Office	2.05%	3
Retail	0%	0
Other	9.59%	14
Totals	100%	146

9.) Which property type will perform worst in 2009?

Apartments
Hotel
Industrial
Office
Retail
Other

	Responses	
	(percent)	(count)
Apartments	3.92%	6
Hotel	45.10%	69
Industrial	0.65%	1
Office	18.95%	29
Retail	31.37%	48
Other	0%	0
Totals	100%	153

10.) What is your current allocation to real estate?

Less than 3%

	Responses	
	(percent)	(count)
Less than 3%	7.89%	3

3% to 7%	26.32%	10
8% to 12%	36.84%	14
13% to 17%	15.79%	6
17% plus	13.16%	5
Totals	100%	38

11.) How will your real estate allocation change during 2009?

	Responses	
	(percent)	(count)
Increase	30%	12
Decrease	12.50%	5
No change	57.50%	23
Totals	100%	40

12.) What percent of your real estate portfolio is global (ex-US)

	Responses	
	(percent)	(count)
0% to 5%	32.50%	13
6% to 10%	25%	10
11% to 30%	20%	8
31% to 50%	5%	2
51% plus	17.50%	7
Totals	100%	40

13.) How do you expect your global allocation to change in 2009?

	Responses	
	(percent)	(count)
Increase	24.32%	9
Decrease	16.22%	6
No change	59.46%	22
Totals	100%	37

14.) Given current market conditions, which private equity real estate strategy makes most sense in 2009?

	Responses	
	(percent)	(count)
Core	26.17%	39
Value-added	12.08%	18
Opportunistic	31.54%	47
None of the above. We're waiting for the dust to settle	30.20%	45
Totals	100%	149

15.) Within the realm of debt, which investment strategy makes most sense today?

	Responses	
	(percent)	(count)
Origination	14.09%	21
CMBS	7.38%	11
Acquisition of performing loans	18.12%	27
Acquisition of distressed loans	27.52%	41
All/most of the above	24.16%	36

None of the above. We're waiting for the dust to settle

	8.72%	13
Totals	100%	149

16.) Is 2009 a good time to create or increase an allocation to REITs?

Yes
No

Responses		
	(percent)	(count)
Yes	70.21%	99
No	29.79%	42
Totals	100%	141

17.) What is the leverage ratio on your private equity real estate portfolio as of the last appraisal?

0%
1% to 20%
21% to 40%
41% to 60%
61% plus

Responses		
	(percent)	(count)
0%	0.86%	1
1% to 20%	12.07%	14
21% to 40%	11.21%	13
41% to 60%	41.38%	48
61% plus	34.48%	40
Totals	100%	116

18.) What is your expected forward 12-month leverage ratio?

0%
1% to 20%
21% to 40%
41% to 60%
61% plus

Responses		
	(percent)	(count)
0%	1.72%	2
1% to 20%	10.34%	12
21% to 40%	17.24%	20
41% to 60%	35.34%	41
61% plus	35.34%	41
Totals	100%	116

19.) What is the most important risk factor you need to manage in 2009 and beyond?

Leverage level
Property sector/regional concentration
Debt roll-over
Lease roll-over
Property management and leasing
Declining rent

Responses		
	(percent)	(count)
Leverage level	10%	13
Property sector/regional concentration	3.08%	4
Debt roll-over	44.62%	58
Lease roll-over	12.31%	16
Property management and leasing	26.15%	34
Declining rent	3.85%	5
Totals	100%	130

20.) What is the biggest risk factor facing private equity real estate today?

Deeper and longer recession
Policy mistakes
Inflation
Sharper declines in real estate prices going forward
Availability of debt upon roll-over

Responses		
	(percent)	(count)
Deeper and longer recession	29.29%	41
Policy mistakes	3.57%	5
Inflation	0.71%	1
Sharper declines in real estate prices going forward	15%	21
Availability of debt upon roll-over	51.43%	72

Totals	100%	140
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21.) What is the appropriate unlevered return for core real estate today?

- 6% to 8%
- 8% to 10%
- 10% to 12%
- 12% plus

	Responses	
	(percent)	(count)
6% to 8%	33.11%	49
8% to 10%	51.35%	76
10% to 12%	11.49%	17
12% plus	4.05%	6
Totals	100%	148

22.) What is the optimal capital structure for real estate?

- 100% equity
- 60% equity
- 50% equity
- 40% equity
- 30% equity

	Responses	
	(percent)	(count)
100% equity	4.03%	6
60% equity	23.49%	35
50% equity	36.24%	54
40% equity	26.85%	40
30% equity	9.40%	14
Totals	100%	149

23.) How should exit cap rates compare to today's market cap rates?

- Higher
- Same
- Lower

	Responses	
	(percent)	(count)
Higher	45.07%	64
Same	27.46%	39
Lower	27.46%	39
Totals	100%	142

24.) What will we say in hindsight about real estate investment strategy since the 2001 recession?

- We went too far out on the risk/return spectrum
- We used too much leverage
- We created overly complex capital structures
- We ignored sell signals
- We relied too much on spread investing
- All of the above
- None of the above. The question writer is missing the boat

	Responses	
	(percent)	(count)
We went too far out on the risk/return spectrum	5.48%	8
We used too much leverage	15.75%	23
We created overly complex capital structures	6.85%	10
We ignored sell signals	3.42%	5
We relied too much on spread investing	2.74%	4
All of the above	59.59%	87
None of the above. The question writer is missing the boat	6.16%	9
Totals	100%	146

25.) As we translate the lessons of this downturn into action, what will change about how real estate investment gets done?

- More separate accounts, fewer commingled funds
- Fewer separate accounts, more commingled funds
- The proportion will stay the same

	Responses	
	(percent)	(count)
More separate accounts, fewer commingled funds	54.96%	72
Fewer separate accounts, more commingled funds	12.98%	17
The proportion will stay the same	32.06%	42
Totals	100%	131

26.) Given the volume of loan maturities over the next three to five years and the volume of REO that will come to market as a result, will these asset sales set market pricing and real estate values or will there be differentiation?

Distressed sales will drag prices down
 The market will differentiate
 Something in between

	Responses	
	(percent)	(count)
	60.14%	83
	12.32%	17
	27.54%	38
Totals	100%	138

27.) I find Quick Tally:

Helpful
 Confusing
 Loathsome

	Responses	
	(percent)	(count)
	87.31%	117
	4.48%	6
	8.21%	11
Totals	100%	134