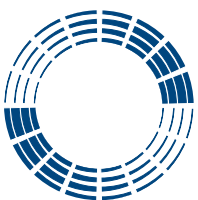




# The Real Estate Roundtable Sentiment Index

Second Quarter 2009



The Real Estate Roundtable

# The Real Estate Roundtable Sentiment Index

The Real Estate Roundtable is pleased to announce the results from the Q209 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 over 120 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 including (1) overall real estate conditions, (2) access to capital markets, and (3) real estate asset pricing.

## Topline Findings

- The sentiment index shows only a small improvement since January's study.
  - The Real Estate Roundtable Sentiment Index rose to 41<sup>1</sup> from a reading of 38 in January 2009.
- Respondents continue to report eroding current conditions, but show hope for the future.
  - Respondents show less pessimism in current market conditions than in January 2009.
- Respondents report that asset values continue to slide and still expect little improvement in pricing in the next 12 months.
  - Virtually all respondents feel asset values are lower or much lower than one year ago.
  - Almost 60% of respondents expect conditions to improve in the next 12 months.
- Access to capital remains limited, though conditions have improved slightly.
  - Eighty-eight percent (88%) of respondents think debt availability has deteriorated from a year ago.
  - Sixty-nine percent (69%) of respondents think debt capital availability will improve in the next year.

<sup>1</sup> 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.

## The sentiment index shows only a small improvement since January's study.

"People need to realize that this is a recession, not the end of the world. Everything will be alright... I'm already seeing things start to get better in numerous areas."

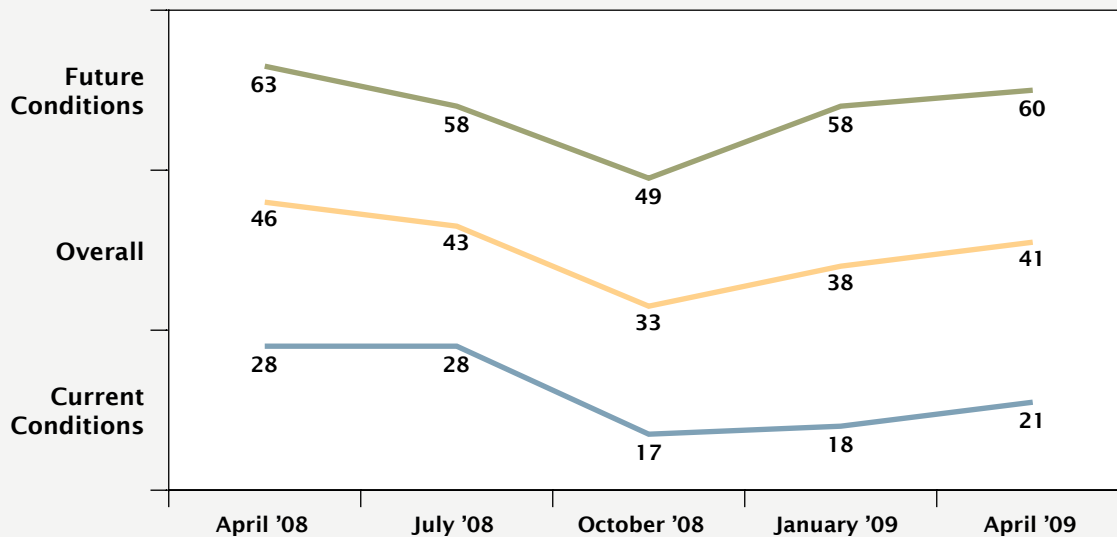
"Conditions will not get materially better until housing and unemployment get better. Consumer confidence will lead."

"There has been so much damage to the financial system that no one knows what it will take to fix things."

"People are starting to anticipate a 'new normal.' There's still little to no activity, but they're remembering what happened from '89 - '92 and are trying to get ready."

Exhibit 1

### The Real Estate Roundtable Sentiment Index



# Respondents continue to report eroding current conditions, but show hope for the future.

“Things are substantially better—and substantially worse; it depends on where you’re sitting. We’re excited about new acquisitions, which means others are hurting.”

“I believe stock market pricing will get better, but the private market will get worse... The public markets are a leading indicator and they seem to have found a floor.”

“Lots of funds who bought in '05 - '07 used all available leverage. Anyone who did that is now in significant trouble—looking at refinancing at 14 or 15%.”

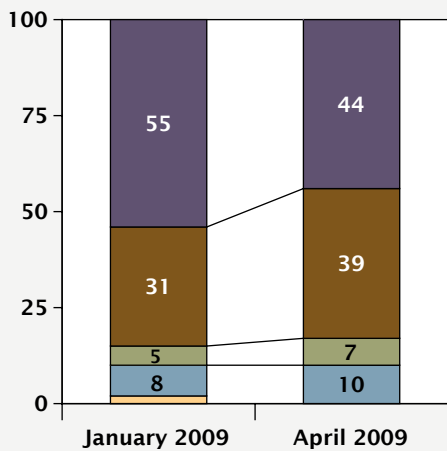
Exhibit 2

## Perspectives on Real Estate Market Conditions

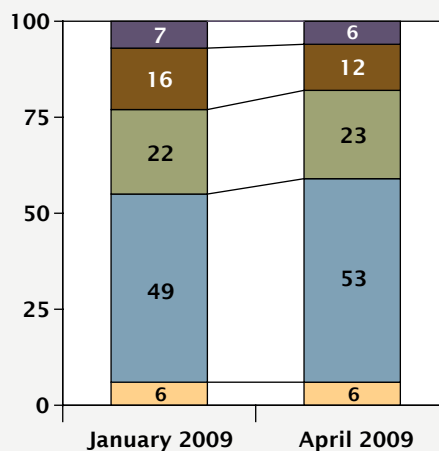
% of respondents

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

### Today vs. One Year Ago



### One Year From Now vs. Today



# Respondents report that asset values continue to slide and still expect little improvement in pricing in the next 12 months.

“People will look back at this period as one of the great times to place capital. But that’s only for those who can get the capital to do so.”

“There’s no transaction volume, so it’s hard to say where pricing really is.”

“Asset pricing is going down and down. There is some overreaction in the system, though we won’t see a return to 2000-2007 pricing for a long time. I don’t know that we’ll ever see those cap rates again.”

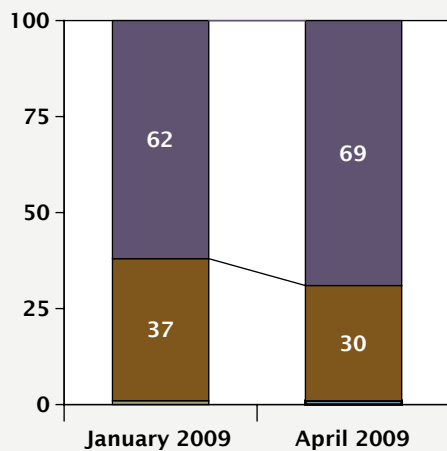
Exhibit 3

## Real Estate Asset Values

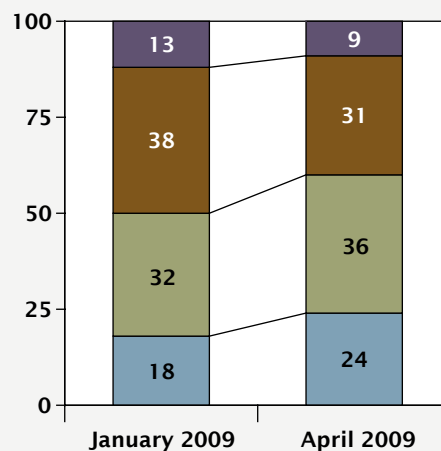
% of respondents

■ Much lower ■ Somewhat lower ■ About the same ■ Somewhat higher ■ Much higher

### Today vs. One Year Ago



### One Year From Now vs. Today



# Access to capital remains limited, though conditions have improved slightly.

“Debt was terrible one year ago. It’s terrible today. But, now there’s less concern about the survival of banks. Lenders are now rolling over loans and they weren’t ever doing that before.”

“There is access to both equity and debt, but they’re expensive. Banks are being very selective and are trying to pick survivors.”

“We’re at the next stage beyond total collapse for debt. The system has slowed itself so much and supply doesn’t even come close to matching demand. Supply of debt is a one out of ten today.”

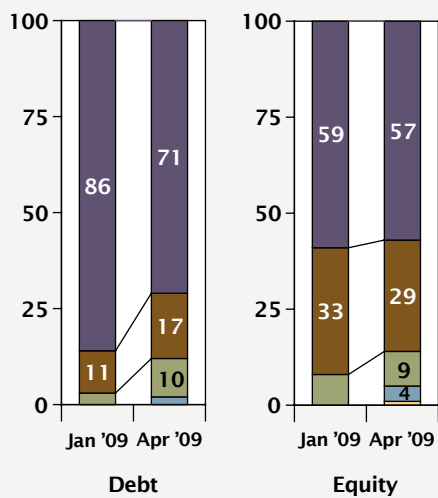
Exhibit 4

## Availability of Capital

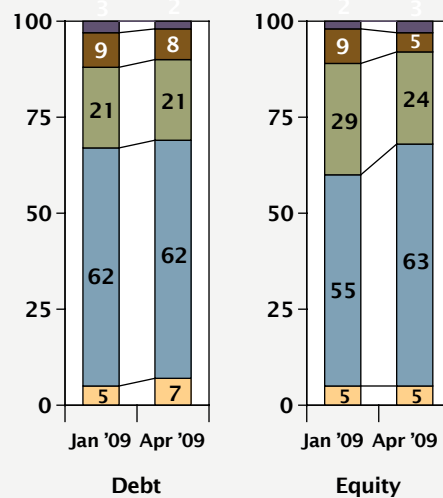
% of respondents

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.)*

**AEW Capital Management, L.P.**  
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