



2008 Global Business Update

The Americas

Europe

Asia



FPL ADVISORY GROUP
FERGUSON PARTNERS
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Global Business Update

KEY TRENDS SHAPING THE INDUSTRY

A more pessimistic 2008 outlook has replaced last year's strong optimism. Widespread uncertainty about the economy, financing markets, and subsequent cap rate erosion has taken over. Overall, concerns are mitigated by global growth, plentiful equity capital, and reasonably strong real estate fundamentals.

FPL Advisory Group's extensive relationships with industry leaders gives us unique insight into the trends shaping our world. Here are a few of the key trends pervasive across the real estate and financial services industries today:

- **Global real estate investment continues as GDP increases in both developed and emerging economies.** Driven by investor demand and the opportunity for enhanced returns, real estate firms of all types are expanding their businesses overseas. Projected strong growth is especially true in emerging markets within Asia, which are demonstrating remarkable potential.
- **REIT legislation and securitization techniques drive growth in international real estate investment.** The recent wave of privatizations has decreased the number of REITs in the United States, but the REIT structure continues to gain acceptance globally.
- **Capital remains available and investors gear up to raise new funds targeting distressed situations – both equity and debt.** Trouble in global debt markets has re-focused interest in the durability of sources of equity; however conflicting signals keep market players guessing.
- **Economy sends mixed messages.** Some indicators suggest that a recession is highly probable but the traditional depths of recession may not be met.
- **Residential housing market continues to negatively impact the economy.** As the residential real estate downturn extends, a serious threat is posed to economic expansion due to the decline in mortgage market and housing activity. The downturn is expected to have overflow effects on job growth and consumer confidence levels.
- **Demographics and senior population growth will have a significant impact on the future of real estate demand, both domestically and abroad.** The aging baby-boomer generation will bring on dramatic changes in demand for different types of space.
- **Guidance and financial reporting standards tighten as markets globalize.** The SEC is moving forward with international financial reporting standards and efforts to reduce the complexity of financial reporting. Regulatory systems in the United States for companies that provide financial services are additionally under review as part of an ongoing effort to improve the competitiveness of the capital markets.



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IMPLICATIONS

Executive Compensation & Management Consulting

- On the private side, there is a general perception that it will become increasingly difficult to generate the outsized returns associated with long-term incentive programs vis-à-vis project/equity participation experienced over the past several years.
- Among public companies, shareholder returns in 2007 were negative for the first time since 1999; consequently, it is widely anticipated that the value of equity grants, which are largely predicated on shareholder return performance, will begin to slow and are expected to decrease from prior years.
- Interestingly enough, cash bonuses remain sound given the overall strong bottom-line financial and operational goals achieved in 2007 across the real estate marketplace.
- With existing uncertain market conditions, firms have increased their focus on financial budgeting; as such, base salaries are expected to grow only a modest 3.5-4% across the broader employee base.
- Given variances in currency and pricing around the world, it's been a challenge to develop consistent compensation methodologies for employees located internationally.
- Firms are taking advantage of the window provided by the market slowdown to revise their strategies and to adapt their organizations to make sure they're able to deliver on goals.
- Firms are renewing their interest in corporate strategy, taking advantage of this market slowdown to refocus their businesses for the next cycle.
- The trend towards greater organizational refinement continues, with more companies starting to think about how to structure their organizations to maximize efficiency and effectiveness.



Global Business Update

IMPLICATIONS

Director & Executive Recruiting

- There has been significant uncertainty in the real estate industry since the global credit crisis in August; nevertheless, with the exception of the debt world, recruiting activity has remained unexpectedly positive in most regions.
- Asia remains active, with its huge developing economies, vast capital flows into China, India, and pan-Asia strategies, and a shortage of Western-trained talent.
- Europe has witnessed the most slowing; while London has been hit hard, it has been buoyed in part by its role as the world financial capital most focused on global growth markets.
- The United States remains surprisingly active overall, despite a slowdown in the real estate finance and development sectors; searches focused on Brazil, Mexico, and Canada are on the rise.
- The Middle East is the greatest emerging user of executive search, as Israeli developers forge into the world's emerging markets and the Gulf continues to export more and more capital around the globe.
- While construction and development-related searches have decreased in the United States and Western Europe, the demand in Asia and other emerging markets has grown and offers an option for those open to relocation.
- As capital continues to flow to emerging markets, new entrants encounter a limited talent pool to draw from; locals with world-class training and experience are finding there is an auction-like frenzy for their services.
- There has been an increasing interest in the creation and growth of Fund of Funds vehicles—especially those with a global mandate—as small and mid-sized sponsors seek investment managers to deploy capital into real estate on a truly global basis.
- As many companies move away from originations, there's burgeoning demand for experts in servicing as well as in workouts and restructuring, as lenders focus on identifying and managing under-performing loans.



FPL Associates

EXECUTIVE COMPENSATION & MANAGEMENT CONSULTING

Domestic United States, Canada

- For one of the largest institutional real estate investors in the world, we completed a compensation benchmark and identified the appropriate mix between base salary, annual incentives, and long-term incentives.
- After the merger of a leading full service commercial real estate organization with a global commercial real estate advisory firm, we completed a total compensation study of the combined businesses.
- We assisted one of the most prominent and successful placement agents on an international basis with guidance on allocation of economic benefits and assessed issues of management, succession, transition, and requirements for legacy.
- For a leading diversified real estate company headquartered in the Southeastern United States, we provided a competitive benchmarking analysis, magnitude recommendations and a compensation program assessment for Board members and senior executives.
- For one of the nation's largest real estate companies focusing on the ownership, management, and development of community and neighborhood shopping centers, we conducted a benchmarking analysis of senior management and non-employee independent director compensation programs.
- We assisted more than one half of all public REITs on the S&P 500 stock market index with a variety of compensation related issues.
- For a fully integrated real estate investment trust undergoing an acquisition, we provided a broad based change in control severance policy to cover all employees in the organization.
- We conducted a financial valuation for a leading real estate investment management firm with distinct competence in multifamily, industrial, commercial office, and retail sectors.
- We helped a large private commercial real estate owner understand and address company-specific issues relating to employee retention and satisfaction.
- We solved a myriad of complex compensation, succession planning, and structural planning tribulations for a leading commercial real estate property acquisition and development investment company.
- We provided a competitive benchmarking analysis and compensation recommendations for a full-service, commercial mortgage banking firm.
- For a family organization undergoing a reorganization/transition, we conducted a competitive benchmarking analysis and provided retention and severance considerations for employees outside the senior management team.
- For a technology-based manufacturing company, we benchmarked compensation levels, assisted in the developed of a base salary structure, and designed a long-term incentive plan to fit within the company's real estate business strategy.

International (Europe, Asia, Middle East, Africa)

- For one of the largest global real estate investors in the world, we assisted in the design of a plan allocating long-term/promote points to various members of senior management. We additionally provided an understanding of competitive pay levels and structures across nine geographic regions, with a particular emphasis on long-term incentive/promote and carried interest program design. We surveyed the competitive landscape across the United States, Taiwan, Europe, Tokyo, Hong Kong, Shanghai, Singapore, Mexico, and India.
- We conducted several sector-specific international surveys across the corporate real estate, private equity, and CMBS sectors collecting base salary, annual, and long-term compensation data.
- For an international real estate investment and advisory firm headquartered in Hong Kong, we completed a competitive compensation review across operating regions, with a particular emphasis on the design and structure of a formal annual and long-term incentive plan.
- For a leading property investment and development company, we designed a long-term incentive compensation plan for its head office in Johannesburg, South Africa.



Ferguson Partners

DIRECTOR & EXECUTIVE RECRUITING

Domestic United States, Canada

- For a premier professional real estate association, we recruited a new Chief Executive Officer.
- For a leading multifamily REIT, we recruited a Board member, reviewing Chief Executive Officers from other retail, hospitality, and healthcare public companies and candidates from real estate private equity firms.
- For a private equity firm, we recruited a Head of Risk Management to oversee a troubled residential mortgage portfolio.
- We recruited a Global Head of Marketing/Client Relations for one of the largest commercial and residential property and real estate investment management firms worldwide.
- We recruited a retired Chief Executive Officer of a homebuilder to serve on the advisory board for a global real estate private equity firm.
- Focusing on candidates in cyclical industries ranging from automotive to consumer durables, retail, and defense contractors, we recruited a Board member for a public homebuilder.
- For a large publicly traded industrial REIT, we recruited a Senior Vice President and Head of Canada to lead development and oversee business expansion in major Canadian markets.
- For a world leader in destination resorts and leisure travel, we recruited a Chief Executive Officer, sourcing candidates in the hospitality business globally.
- We recruited a Head of Corporate Real Estate for a major retailer.
- For a leading office REIT, we recruited a Chief Operating Officer with a blend of asset management and investment experience.
- For a national residential land company based on the West Coast, we recruited a Chief Financial Officer and Chief Investment Officer to create and implement capital strategy nationwide.
- For a London-based developer of high end, luxury condominiums, we recruited a Managing Director, Development to build and run a US-based development team.
- For one of the largest insurance companies in the United States, we recruited a Portfolio Manager to source international fund to fund equity investments for its real estate group.
- For one of the fastest growing private shopping center owners in the country, we recruited a Regional Head of Leasing to oversee leasing and operations in the Midwest.
- For a publicly traded REIT that owns and develops office and industrial properties nationwide, we recruited a Senior Vice President of Capital Markets to develop capital markets strategy and negotiate private capital markets transactions.
- For a major purchaser of mortgages, we recruited a Senior Director to lead the firm's growth in the senior housing and healthcare finance industries.

International (Europe, Asia, Middle East, South America)

- Exploring candidates on a global basis and seeking executives with strong residential construction and design experience, we recruited a Director of Development for a prominent mixed use developer in India.
- We recruited a Head of Asia to be based in Hong Kong for a global investment manager.
- We recruited a Head of Special Situations to be based in London for a global investment manager.
- For a premier real estate private equity firm in Asia, we recruited a Chief Investment Officer to be based in Hong Kong.
- For a global real estate private equity firm, we recruited a Managing Director, International to formulate and execute a strategy for real estate investments in both Europe and Asia.
- For a leading global asset manager, we recruited a European Head sourcing candidates across Europe in special situations, private equity, and debt finance.
- We hired a Chief Executive Officer to lead operations in Brazil for a major global asset management firm.
- For a global commercial lending organization based in Europe, we recruited a Head of Commercial Real Estate Lending.



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