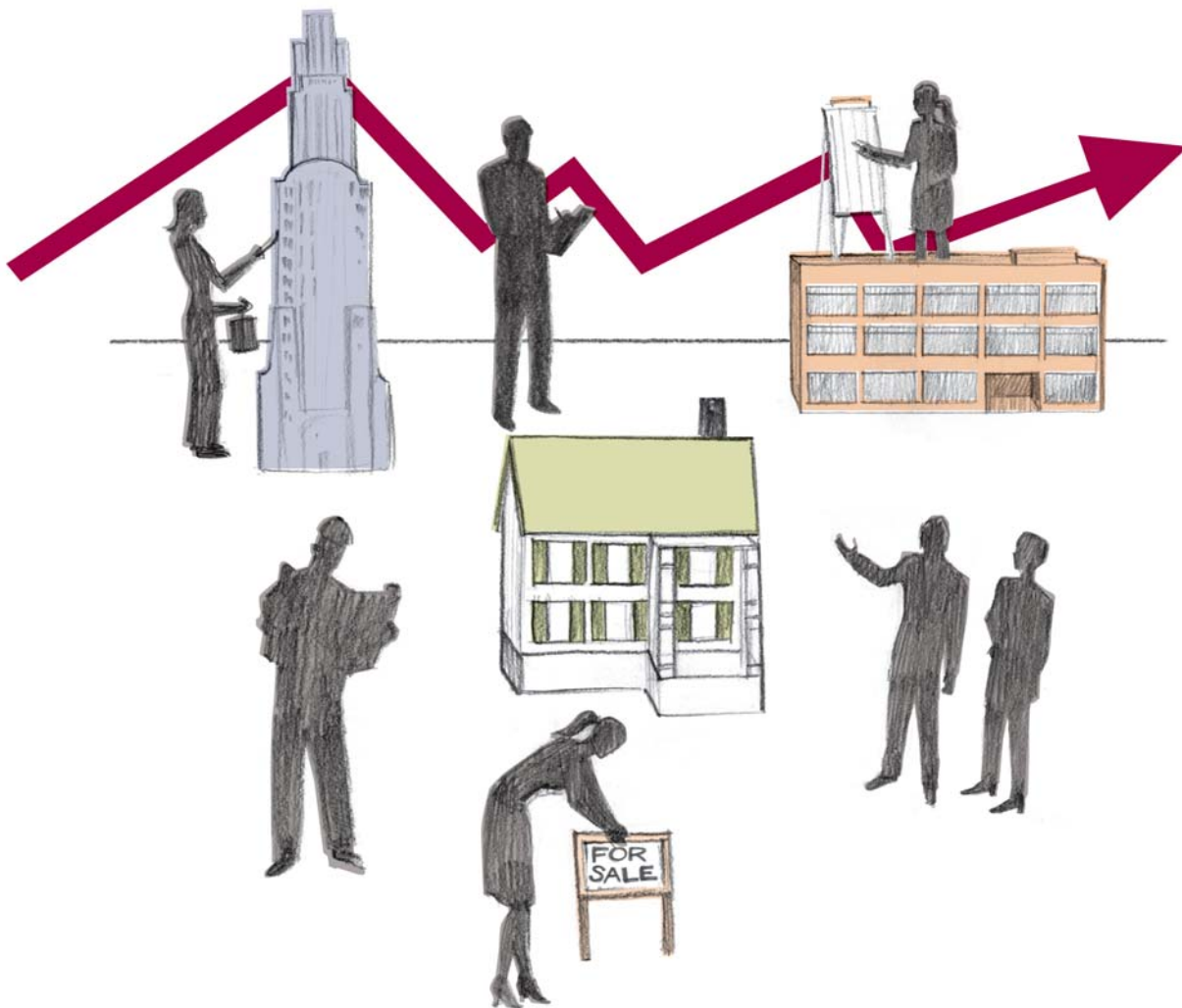


Emerging issues and current trends in the U.S. real estate market

2008 Real Estate Survey





Tom Novosel is the national managing partner of the Construction, Real Estate and Hospitality industry practice

Trends in the real estate market vary subtly from market to market, yet certain overarching issues undeniably pervade the current thinking, plans and business strategies of real estate professionals across the United States. Grant Thornton LLP's 2008 Real Estate Survey examines how these economic factors affect the real estate industry and influence business trends and tactics.

Taken as a whole, our survey findings highlight that, even in a down market, real estate industry leaders are savvy investors and managers. They are responsive to the market outlook, yet always ready to act on timely opportunities, whether for creative financing, green marketing or environmental strategies and, above all else, well-priced deals. What follows is a closer look at what's on their minds — and their agendas.

As always, we at Grant Thornton remain committed to continuing the dialogue about the pressing issues affecting our clients. I am confident this survey offers useful insight into some of the timely opportunities for real estate leaders and their companies, and the current and emerging issues impacting this sector.

I welcome your comments and questions.

A handwritten signature in cursive script that reads "Thomas C. Novosel". The signature is written in dark ink on a white background.

Tom Novosel
National managing partner
Construction, Real Estate and Hospitality industry practice
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Executive summary: Key survey findings

- **Waning optimism.** Real estate professionals are not feeling as optimistic about the industry as they were in 2006, the last time we conducted this survey. Development has slowed and credit markets have tightened. The economy and the industry appear much more fragile to respondents than they did two years ago. In response, most are reducing operating costs, speculative investments and capital expenditures.
- **Fear of rising vacancies.** Landlords are very concerned about the threat of rising vacancies — although currently, when taken as an average, occupancies remain consistent with 2006 findings. Landlords are offering many more incentives and upgrades in order to keep existing tenants and attract new ones. Some common upgrades include new security systems, multimedia conference rooms, wireless Internet access and concierge services.
- **Retaining key executives.** Survey respondents are well aware that times would be much tougher without the key people who manage and grow their businesses. The vast majority of real estate leaders are focused on retaining their key executives, and some actually are looking to grow their workforces in the near term.
- **Still planning to buy.** An undeniably softer economy is not slowing buying habits all that much. Most companies have plans to acquire new properties in the coming year. This means two things: They have enough confidence in the market to invest more assets, and they have sufficient access to capital to make it happen. Many buyers simply are waiting for the gap to narrow between sellers' still-high asking prices and bidders' low offers.
- **Seeking financing beyond Wall Street.** Financing deals generally has gotten more challenging due to the credit crunch. Despite this, the stable and predictable operating fundamentals of the real estate metrics remain generally intact and, consequently, many companies are not struggling to attract private equity investments. More companies also are turning to Fannie Mae and Freddie Mac to finance certain types of deals.
- **Going green.** Many real estate leaders are differentiating their properties in the marketplace by “going green” — a strategy that is mutually beneficial for the environment and for savvy marketers. Green properties, which go to market based on their ecologically friendly designs and features, demonstrably are on the rise. In the commercial sector, Leadership in Energy and Environmental Design (LEED) certification also is growing significantly.

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Leading concerns and success strategies

Real estate executives point to a few key factors when it comes to ensuring business success. This year's survey respondents were focused most on attracting new tenants (87%), retaining key employees (83%), managing their portfolio of investments (82%) and managing/reducing their operating costs (69%). By varying degrees, each of these factors was important to a higher percentage of respondents than in 2006.

Addressing rising vacancy rates: Attracting and retaining tenants

Attracting new tenants continues to be a big concern for survey respondents. Almost nine out of 10 respondents (87%) felt this was important to their continued success.

Attracting new tenants is particularly crucial given the rising rates of properties that are at or below market rates since 2006, suggesting that more landlords are providing incentives to keep occupancies up, particularly in the commercial, industrial and retail/office sectors. The percentage of properties rented at or below market rates has risen since 2006 in nearly all sectors. More than half (53%) of warehouse/distribution properties are at or below market rates this year, up from 45 percent in 2006.

Factors important for continued success

Factor	Important	
	2008	2006
Attracting new tenants	87%	86%
Retaining key employees	83%	78%
Managing the company's portfolio of investments	82%	77%
Managing/reducing operating costs	69%	60%
Attracting new sources of capital/financing	66%	n/a
Assuring the quality of financial reporting	61%	70%
Expanding joint venture relationships	59%	n/a
Acquiring new domestic investment	58%	55%
Developing new marketing strategies	52%	62%
Upgrading asset holdings	46%	55%
Investments in environmental (green) initiatives	45%	n/a
Attention to environmental regulations	41%	n/a
Planning for management succession	36%	35%
Enhancing use of technology to improve investor access to information	35%	44%
Planning for business continuation after a physical, economic and/or business disaster	33%	46%
Expanding into new geographic markets	29%	46%
Managing third-party assets	24%	22%
Acquiring new international investment	17%	16%
Implementing security procedures at owned/managed properties	13%	30%
Implementation of international financial reporting standards	9%	n/a

Results are rounded and do not include "no answer". Certain data were not available for the 2006 survey, indicated by "n/a".

“Keeping tenants is an extremely high priority right now. Landlords are offering significant incentives and upgrading their properties to hold current tenants and attract new ones.”

Steven Kahn
Audit partner, New York

Forty-five percent of survey respondents say that residential rates are also substantially at or below market, up from 39 percent in 2006. Hotels, likewise, rose from one-quarter (25%) at or below market in 2006, to 37 percent in 2008.

At the time of the survey, nearly half (46%) of the office sector responses were at or below market rate, which is slightly lower, but consistent with 2006 findings (47%). However, the office sector has been hard hit recently. Even with landlords offering generous incentives such as moving tenants to a new floor, providing additional space or granting larger allowances to adapt space to tenant needs, office vacancies are likely to be a looming challenge, with the exception of buildings that are in a few concentrated, urban centers. We expect to see vacancies on the rise in the coming months.

Upgrading assets

Given the high percentage of real estate professionals who are concerned with attracting tenants, it is not surprising that upgrading asset holdings is also on the minds of so many. Nearly half (46%) of respondents report that upgrading asset holdings is important.

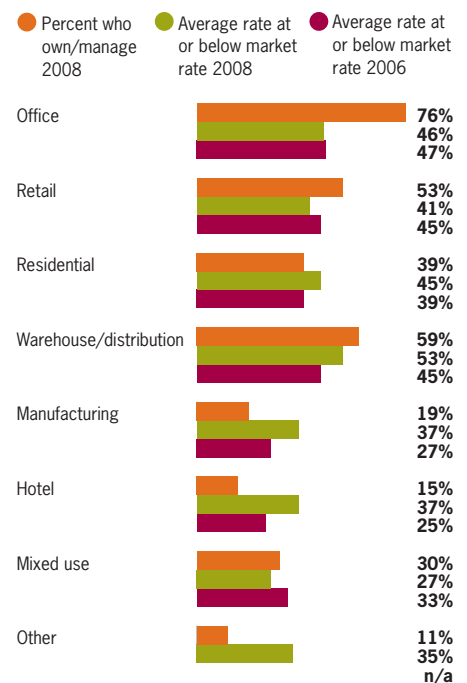
This focus on upgrades may speak to the emphasis on retaining existing tenants and attracting new ones by increasing the amenity levels, offering rental holidays and upgrading assets at the property.

As always, it costs landlords far more to secure a new tenant than keep an existing one. Upgrades to differentiate properties may include capital replacement, repairing facades, renovating lobbies and instituting environmental or green initiatives. In addition, many buildings that were built during the real estate boom in the early 1990s have become dated and tenants are seeking newer and more innovative features, such as heating, ventilating and air conditioning (HVAC) and security systems; common area multimedia conference rooms; wireless Internet access; fitness facilities; concierge services and cafés.

New marketing strategies

In addition to upgrades, real estate professionals are doing what they can to differentiate their properties in the marketplace. Developing new marketing strategies, such as branding, highlighting full-service amenities and environmental/green marketing, is important to more than half of respondents (52%). This is down somewhat from 2006, when more than six in 10 (62%) felt developing new marketing strategies was critical.

Types of properties owned and market rate



“Nearly everyone is examining their spending priorities closely. They are scaling back projects that are less than essential, such as IT infrastructure or speculative building, or at least putting them on hold until their cash flows improve.”

John Michel
Tax partner, Cincinnati

Credit crunch slows but doesn't hinder deals

Financing has become a critical issue, and attracting new sources of capital/financing is high on the list of concerns shared by real estate professionals. Two-thirds (66%) of respondents felt this was important for continued success. A year or two ago, developers did not need to put much or any equity into a deal. But now even with substantial amounts of equity in the deal, securing loan financing from financial institutions is harder than ever.

Respondents also report that they are experiencing the fallout from the subprime lending debacle. More than six in 10 (62%) respondents feel that the subprime lending crisis and issues related to accessing financing are having a strong impact on their business.

One of the strategies real estate leaders are pursuing in response to tightening credit markets is expanding joint venture relationships, with 59 percent of respondents suggesting that this is important. They also are looking to government agencies for financing. While in the past they would have gone to Wall Street, many are now moving back into Department of Housing and Urban Development (HUD) financing for senior housing or to Fannie Mae and Freddie Mac for multifamily deals.

It is worth noting that although financing is tougher to procure, most respondents are continuing to increase the assets they own or manage. In short, certain financing may have all but dried up, but there is still significant capital available if real estate professionals find the right deal.

Belt tightening

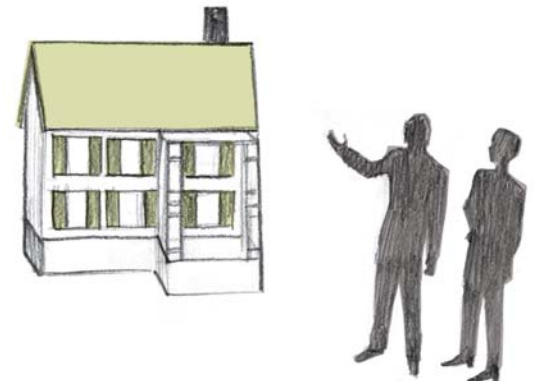
Not surprisingly, managing and reducing operating costs is a high priority for survey respondents, and represents a sizable increase since 2006. Nearly seven in ten (69%) feel this is important for continued success. This is an increase from 2006, when six in 10 (60%) felt managing or reducing operating costs was important.

Tighter spending means that projects that are not essential, such as IT spending, are either being scaled back or put on hold until cash flows improve. More than one-third (35%) of respondents reported that enhancing use of technology to improve investor access to information is important. Enhancing technology for investor access is a lesser concern currently, however, than it was in the previous survey, when 44 percent felt it was important.

As part of this belt tightening, companies are reducing capital spending, especially compared with 2006. At that time, nearly seven in 10 respondents (68%) had plans to increase capital spending. This year, that percentage has shrunk to 38 percent. Likewise, only 4 percent of companies had plans to decrease capital spending in 2006. Now, a full one-quarter (25%) have plans to cut back capital spending.

Stable metrics and liquidity needs lead to increasing role for private equity

To address increasing challenges surrounding financing, many real estate companies are looking to private equity funds and investors to fill the financing void. Because the operating metrics for real estate and cash flows of properties remain relatively stable, they tend to be an attractive investment for private equity. Even if properties are offering incentives and bringing in less revenue, landlords typically are offsetting reduced revenues by managing costs more effectively.



“Private equity investors often look to real estate for its relatively stable returns and cash flows. When other sectors are less stable, real estate’s predictability is a big draw for private equity.”

Jerry Williford
Tax director, Charlotte, N.C.

These relatively stable real estate metrics are supported by the consistent return on assets this year compared with 2006 findings. Half report “more than 10 percent” return on assets (compared with 51% in the 2006 survey, reflecting 2005 data). Thirty percent report “between five and 10 percent” return (compared with 31 percent in 2006), while only 8 percent report “less than 5 percent” returns (compared with 6% in 2006).

The increasing role of private equity is consistent with another one of respondents’ concerns for the coming year. Nearly six in 10 (58%) say acquiring new domestic investment is important for continued success, up slightly from the 55 percent who felt this was important in 2006. Much of this new domestic investment is coming through private equity.

Going green and LEED certification

Environmental issues, including government regulations and incentives, are a growing concern. These environmental incentives include those offered by the government to encourage green building, such as LEED certification for new construction and redevelopment of existing structures. In addition to LEED office buildings, retail stores and industrial spaces, there are now LEED-certified schools, banks, homes and car dealerships.

Factors currently impacting business

Factor	Moderate to major impact 2008	Little or no impact 2008	Moderate to major impact 2006
Sluggish economy/lack of demand	87%	2%	82%
Subprime lending crisis and access to financing	62%	18%	n/a
Cost of materials	60%	14%	66%
Limited access to capital	55%	25%	32%
Environmental (green) issues	34%	26%	n/a
Employee costs	32%	24%	42%
State/federal regulation or oversight	30%	34%	n/a
International economic outlook	27%	38%	n/a
Lack of qualified workers	21%	45%	35%
Federal environmental or health and safety regulations	18%	39%	n/a
Overseas competition for capital investment	16%	58%	23%
State/federal budget deficit	15%	46%	21%
Fear of terrorism	6%	74%	12%

Results are rounded and do not include neutral responses. Certain data were not available in 2006, indicated by “n/a”.

More than one-third (34%) of respondents felt environmental/green issues have a big impact on the way they do business. In a related response, four in 10 (41%) say that attention to environmental regulations is important to their success, as well as 45 percent that feel it’s important to invest in green initiatives.

Companies can generate major tax benefits by changing lighting or replacing HVAC systems with more eco-friendly,

energy-efficient options. These incentives are creating an economic driver for modernizing and upgrading facilities.

Generally, LEED certification is voluntary, but some communities have standards requiring buildings, particularly state-funded projects, to be LEED-certified. States including California, Michigan, Arizona and New Mexico require that state-owned, state-funded or public buildings over a certain size be LEED-certified.

“Having the right people on your team is critical, especially in a down market. Real estate leaders wisely are attuned to the importance of their people.”

Kirk Rogers
Audit partner, McLean, Va.

Cautious, wait-and-see attitude

When addressing their plans for the coming year, survey respondents are more risk averse than they were two years ago. In 2006, 46 percent of survey respondents said expanding into new geographic markets was important. This year, however, expanding into new geographic markets is important to fewer than three

in 10 (29%). Likewise, investments in speculative building are much less popular than in 2006. Forty percent plan to decrease spending in this area, compared with 2006, when only 6 percent had plans to decrease speculative building.

Instead, many real estate owners and investors are retrenching into their current portfolios, making them as efficient as

possible to weather the economic storm and are waiting — momentarily — for opportunities. While some larger real estate investment trusts (REITs) are over-leveraged and in need of equity, others are ready to buy but are still waiting for the spread between bidding and asking prices to close.

Keeping key talent: Retention and hiring

Even in a down market, keeping the best people remains a high priority and has become even more so over the past two years. More than eight in 10 (83%) say that retaining their key employees is important to their ongoing success. This also was a priority in 2006 among a slightly smaller but still substantial 78 percent of respondents.

Companies also plan to either hold steady or grow in terms of hiring new employees in the coming 12 months. Nearly half (48%) plan no change in this area, but among those that plan to take action, more companies plan to grow their workforce (34%) than shrink it (19%). This is a sharp decrease from 2006, when 72 percent had plans to increase their number of employees, and only 4 percent had plans to shrink their workforce. Despite the decrease since 2006, it is an encouraging sign that more than one-third of respondents are planning to grow in the coming year.

Business outlook for next 12 months

	2008		2006	
	Increase	Decrease	Increase	Decrease
Number of employees	34%	19%	72%	4%
Health benefits spending	50%	4%	66%	3%
Marketing and advertising spending	43%	11%	54%	2%
Equity offerings	24%	9%	27%	6%
Capital spending	38%	25%	68%	4%
Assets you manage for third-party owners	25%	6%	25%	8%
Assets you own/manage	62%	11%	72%	4%
Debt load	39%	19%	46%	14%
Investment in speculative building	25%	40%	52%	6%
Refinancing	30%	13%	29%	12%
Access to capital	25%	36%	46%	5%
Property/casualty insurance costs	40%	16%	60%	6%
Environmental compliance	33%	1%	n/a	n/a
Investment of U.S. capital overseas	14%	11%	n/a	n/a

Results are rounded and do not include neutral responses. Certain data were not available in 2006, indicated by “n/a”.

“Most survey respondents are not particularly focused on the potential impact that implementing IFRS will have on their companies, which now generally rely on GAAP accounting. But if IFRS becomes the new standard, the effect will be substantial.”

Alvin Wade
Audit partner, Dallas

More comfort with financial reporting

Real estate professionals surveyed have become more acclimated to financial reporting standards over the past two years. As a result, financial reporting remains important but perhaps is less pressing than it was in 2006. At that time, seven in 10 felt this issue was very important. Now, slightly more than six in 10 of respondents (61%) say that assuring the quality of financial reporting is important.

By 2008, companies have had more experience with the Sarbanes-Oxley Act and are not as concerned as they were in 2006, when it was relatively new. In addition, spending on Sarbanes-Oxley compliance has abated somewhat as a result of a concentration of efforts over the last several years. Companies are also more familiar with recently adopted accounting pronouncements affecting the real estate industry.

Minimal concerns about IFRS

While respondents have become accustomed to U.S. financial reporting standards, very few are concerned about implementing international financial reporting standards (IFRS). Only 9 percent feel implementing IFRS is a factor important for continued success, while more than seven in 10 (71%) do not. This, in part, reflects the lessening interest in going overseas due to the weakened dollar. Moreover, if companies are

tightening spending priorities, as with other areas, overseas investment may not be high on the priority list.

This also may reflect a lack of awareness of how IFRS will affect the U.S. real estate industry, which currently relies heavily on fair value accounting. If generally accepted accounting principles (GAAP) change to IFRS, the percentage of those concerned is likely to increase sharply, since there will be a major domestic impact from the adoption of IFRS.

Less development abates worries about material and labor costs

There is less development taking place now than there was in 2006, particularly in the residential and commercial sectors. With less and slower development taking place, concerns about rising material costs, labor shortages and employee costs have abated somewhat since 2006.

This year 21 percent of respondents feel that a shortage of qualified workers has a great deal of impact on their business, whereas 35 percent of respondents were concerned about this issue in 2006. Similarly, employee costs are a shrinking concern, as 32 percent of respondents say this has a great deal of impact on their business in 2008, compared with 42 percent in 2006. The ever-rising cost of materials has the majority of executives (60%) concerned, but this percentage also is down from two years ago (66% in 2006).

Tenancy in common is less prevalent than in the past

Tenancy-in-common investment structures are waning in popularity compared with 2006. At that time, 34 percent said this investment structure was becoming more common in their markets, versus 12 percent currently. This fractional interest in real estate is likely down because liquidity and debt capital are harder to find. The tenancy-in-common industry was spawned out of easy access to debt capital and to defer large capital gains taxes among taxpayers. With financing harder to come by for tenancy-in-common structures, this investment structure is less attractive than it was just a few years ago.

Offshore investors are increasing

Offshore investors looking for diversification by investing in the U.S. market have a growing role in today's real estate market. One-quarter (25%) of survey respondents feel that offshore investors increasingly are bringing needed capital to their real estate markets. This is up from the 18 percent who felt that way in 2006. The increase in foreign investors likely is a result of the weakening of the U.S. dollar. Consequently, foreign investors often can get more for their money in the U.S. than they can abroad.

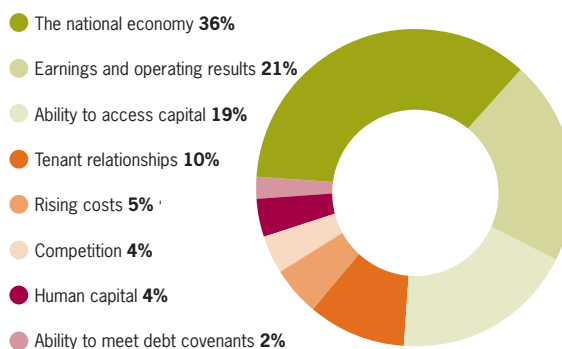
Business outlook: Waning optimism, but actions speak louder than words

The national economy is the single most important issue facing real estate companies over the next year, according to survey respondents. In 2006, the economy, competition, tenant relationships and rising costs were ranked nearly equally.

Respondents are not feeling particularly optimistic about the national economy. Nearly six in 10 (57%) are pessimistic about the economy, and only 10 percent are optimistic. This is nearly the reverse from 2006, when 54 percent were optimistic, and 15 percent were pessimistic about the U.S. economy. In addition, 44 percent say it is likely that the U.S. is heading into a recession in the next year. A scant 15 percent are confident that the U.S. is moving in the right direction, compared to 48 percent in 2006.

Respondents' pessimism extends to the business outlook for the real estate industry over the next year. Nearly half (48%) feel the outlook for real estate in the coming year is not good, compared with only 5 percent in 2006.

Single most important issue facing real estate companies over the next year



Opinions on industry issues

	2008		2006	
	Agree	Disagree	Agree	Disagree
I am confident that the country is moving in the right direction.	15%	43%	48%	28%
It is difficult to find and retain qualified employees.	39%	23%	43%	22%
The amount of overseas investment available for real estate investment in the U.S. will decline over the next two years.	19%	46%	16%	34%
There is an oversupply of commercial real estate properties in my market.	32%	36%	15%	58%
Commercial construction is booming in my market.	26%	46%	43%	26%
Tenancy-in-common investment structures are becoming increasingly common in my market.	12%	42%	34%	22%
Offshore investors increasingly are bringing needed capital to my real estate market.	25%	34%	18%	39%

“Real estate developers, first and foremost, are dealmakers. They look at tough markets as opportunities to find and exploit local real estate anomalies. Our survey shows that they actively are seeking new deals.”

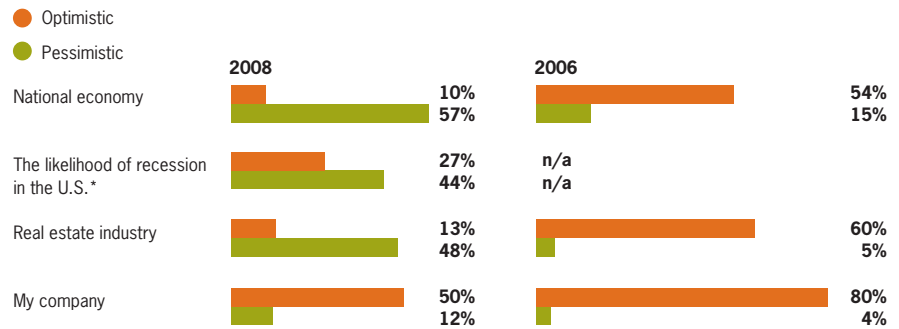
Todd Taggart
Tax partner, Minneapolis

That said, survey respondents are significantly more optimistic regarding their own companies. Half of respondents express optimism for the outlook of their companies in the coming year. Only 12 percent express pessimism about the outlook for their companies in the coming year.

The majority predict rising vacancy rates (61%), as well as rising unemployment (69%) in their markets. This is in contrast to 2006, when only 10 percent predicted an increase in unemployment, and only 16 percent predicted rising vacancy rates. In addition, over half of respondents (51%) in this year's survey predict that financing interest rates will decrease in the coming year.



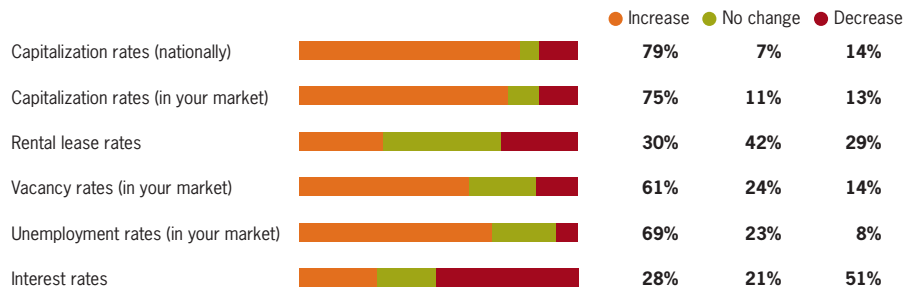
Industry and economic outlooks for the coming year



Results are rounded and do not include neutral responses. Certain data were not available in 2006, indicated by “n/a”.

*Optimistic responses to this item suggest that an impending recession is not likely. Pessimistic responses suggest that a recession is likely.

Anticipated changes in market rates



Results are rounded.

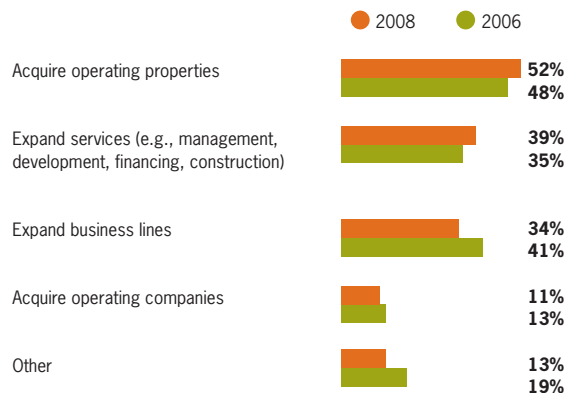
Business planning: Grow assets, acquire properties and operating companies

While the overall outlook on the economy is mixed or even pessimistic, this has not dissuaded real estate developers and operators from devising aggressive asset strategies, which is an encouraging sign. More than half of respondents have plans to grow in the coming year to two years. The most prevalent growth strategy includes plans over the next two years to acquire operating properties, noted by more than half (52%) of those surveyed. This is up slightly from nearly half (48%) in 2006.

Nearly four in 10 respondents (39%) also plan to grow by expanding services to include management, development, financing or construction, up slightly from 35 percent in 2006. More than one-third (34%) also plan to branch out into wider business lines, down from 41 percent in 2006. This decline may reflect the more cautious, risk-averse attitude of the current real estate market.



Plans for growth in the next two years



More than six in 10 survey respondents (62%) also have plans to increase the assets they own or manage in the upcoming year, another encouraging sign. This is down somewhat from 2006, when 72 percent had plans to increase the assets they own or manage, but still represents the majority of those surveyed. More than four in 10 (43%) plan to upgrade the assets in their company portfolios this year. This remains very similar to the 46 percent who planned to do so in 2006.

The economic slowdown has reduced but not extinguished acquisition plans. Eleven percent plan to acquire operating companies in the next two years, down from 13 percent in 2006.

Recommendations: Winning strategies for real estate leaders

1. Diversify sources of capital and address liquidity issues.

Given the current credit crunch, get ahead of the curve. Get to know your lending agreements and get close to your lenders. Review capital requirements and bank covenants to prepare for credit line issues. If possible, negotiate a larger credit line to provide a cushion, even if it means giving additional collateral or guarantees. These can be renegotiated when this business cycle turns around. Consider taking advantage of lower interest rates by refinancing.

If you are considering accessing capital through a private equity firm, pension fund or government agency, plan ahead to the extent possible, particularly given potential compliance requirements. It is a good idea to reach out to alternative financing sources to explore the options before you absolutely need them.

2. Focus on growth while managing costs and maximizing revenues.

Don't let the softer economy halt your growth plans, yet manage your spending carefully in these lean times. Consider retrenchment in spending and other ways to cut costs. Review all discretionary expenditures and identify those that can be deferred or reduced. Tighten operations by making sure that you identify and record revenue sources in a timely manner.

While it is a good idea to avoid some of the risks of speculative development, keep an eye out for operating properties or companies that may be purchased at advantageous prices — perhaps from competitors who are facing liquidity issues and need to liquidate assets below market value. If you are considering expansion into a new line of business or a new geographic area, consider minimizing risks by partnering with an established business in that region or sector.

Your continued success hinges on retaining your key people, including your good tenants. Don't be afraid of offering incentives to keep tenants. The cost of replacing those tenants typically is much higher than the cost of keeping them, so the investment is worthwhile. At the same time, be aggressive about keeping your top performers and remaining their employer-of-choice. Compensation clearly matters but, surprisingly, it typically is not the top factor in job satisfaction. It is important to pay people well enough to keep them from looking for other opportunities, but the path to loyalty often comes through innovative incentives such as deferred compensation, team building, organizational culture and participation in setting strategic direction.

To the extent possible, take steps to reduce health care costs and manage payroll and benefits expenses, such as restructuring your workforce and hours to minimize benefits expenses. In addition, consider outsourcing appropriate functions to reduce costs and increase efficiency. Other ideas include exploring health and wellness programs to limit increases in health care expenses, and adopting health savings accounts. Now is a good time to ensure that benefits programs are funded at appropriate, but not excessive, levels.



3. Consider green marketing and environmental strategies.

In a challenging market, marketing is more important than ever to differentiate your properties. Green properties are growing in popularity, and could be a win-win proposition for you and for the environment. LEED certification clearly is on the rise in the commercial sector, dictated by regulations in certain states and communities and voluntary compliance in others. A note of caution: Be careful about making sweeping declarations about environmental impact and then taking cost-cutting shortcuts that may compromise the green commitment. Inconsistency could expose your company to potential reputational damage.

4. Get ready to take advantage of price declines.

Inevitably, a soft economy spurs opportunity for real estate leaders eventually to take advantage of price declines. At this point, sellers' prices have not come down enough to meet buyers' lower offers, and there is still a waiting game to see if this gap will widen or close. Most real estate professionals agree that the current real estate cycle is nearing the bottom and surely will rebound. Those who have survived and prepared for the turnaround will be ready to take advantage of the looming opportunities.

For aggressive investors and those with war chests or easy access to capital, it may be time — or nearly so — to buy. For those real estate companies that prefer to wait it out, now remains a good time to retrench and improve the leverage on your balance sheets. For over-leveraged companies, now is the time to take on new investors, pay off some debt and/or refinance debt to more favorable terms. As troubled real estate companies start to resolve leverage issues, our survey findings suggest that there will be ripe acquisition opportunities.

About the survey

Grant Thornton LLP's 2008 Real Estate Survey was designed to elicit the opinions and activities of a broad range of real estate industry professionals. The real estate executives were polled in two ways. First, an invitation to participate in the online survey was sent to nearly 1,900 real estate contacts in Grant Thornton's database. This effort was followed up with a communication to 4,000 developers, owners and investors who are members of the National Association of Industrial and Office Properties (NAIOP). NAIOP's members include developers, owners, investors and other professionals in the industrial, office and mixed-use real estate industry. A total of 341 survey responses were collected between March 2, 2008, and March 26, 2008.

We extend our sincere thanks to all the respondents for taking the time to participate in our survey. We also are grateful to NAIOP for allowing us to reach out to its members for survey participation.

Profile of survey respondents

Position	%
Developer	41%
Real estate investor	17%
Real estate owner	11%
Asset manager	9%
Real estate property manager	5%
Construction contractor	1%
Other (CFO, consultant, leasing director, investor, etc.)	16%

Total value of properties owned or managed

Value	%
<\$75 million	18%
\$75 million to \$150 million	13%
\$150 million to \$300 million	9%
\$300 million to \$500 million	10%
\$500 million to \$1 billion	13%
\$1 billion to \$5 billion	23%
\$5 billion +	14%

Square footage owned or managed

Square feet	%
<1 million	24%
1 million to 2.5 million	19%
2.5 million to 5 million	18%
5 million +	40%

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This survey is not intended to answer specific questions or suggest suitability of action in a particular case.

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