

PwC Real Estate Investor Survey™

The following highlights are extracted from the above fourth quarter 2011 issue, which reflects the findings and opinions of the investor participants surveyed and does not necessarily reflect the views of PwC.

NATIONAL HIGHLIGHTS

Investors continue to search for buying opportunities involving commercial real estate despite a slowdown in the pace of the industry's recovery and a sluggish outlook for the U.S. economy.

Commercial real estate continues to offer attractive yields compared to alternative investment vehicles.

The majority of investors view commercial real estate as "favorably priced and a good play."

While most investment strategies are focused on core markets, a growing number of investors are searching for tactical acquisitions in secondary markets.

OVERALL CAP RATE ANALYSIS

The average overall cap rate decreased in 22 Survey markets this quarter.

This quarter, the national net lease market reported the largest decline in its average overall cap rate.

The Pacific region apartment market reported another strong quarterly decline.

VALUATION ISSUE

As the industry's recovery gains momentum, the need to provide additional inducements to tenants typically subsides.

The ability for owners to retain tenants has improved over the past year.

Many tenants are content to remain in existing spaces upon lease expiration due to the costs associated with relocating.

ECONOMIC NEWS

A growing number of investors believe that one of the greatest obstacles to overcome is a lack of confidence.

Both consumer and investor sentiment are fragile right now.

When confidence exists in the economy, there is less second-guessing about the outlook in the marketplace.

PwC REAL ESTATE BAROMETER

The number of office metros in recession will continue to decline through 2014.

The amount of U.S. retail stock in recovery will surge by year-end 2014.

Several industrial metro areas are expected to stay in recession into 2012.

Trends remain extremely positive for the U.S. multifamily sector through 2014.

NATIONAL REGIONAL MALL MARKET

Individual mall performances are highly bifurcated.

Many dominant malls with luxury department stores and upper-tier tenants are doing well.

NATIONAL POWER CENTER MARKET

Many big-box merchants continue to look for ways to improve profits.

Some big-box retailers are reducing brick-and-mortar footprints and competing more aggressively on-line.

NATIONAL STRIP SHOPPING CENTER MARKET

The West and Southeast regions of the country are top location picks for shopping center investments.

Some investors like "fortress" locations where development is limited.

NATIONAL CBD OFFICE MARKET

Investor sentiment has waned somewhat over the past several months.

A growing number of investors are looking at secondary office markets for higher-than-core yields.

NATIONAL SUBURBAN OFFICE MARKET

Cash flow assumptions this quarter reflect a wait-and-see investment attitude.

Some investors are avoiding this property type right now.

ATLANTA OFFICE MARKET

Pricing levels below replacement cost are drawing investors to this market.

Some investors are more willing to absorb leasing risk on acquisitions.

BOSTON OFFICE MARKET

The pace of recovery has been slow, particularly in many suburbs.

Surveyed investors report a slight uptick in tenant retention this quarter.

CHARLOTTE OFFICE MARKET

A lack of sustainable job growth limits office space demand and the ability of landlords to raise rents.

Surveyed investors unanimously agree that free rent is awarded in this market.

CHICAGO OFFICE MARKET

Sales activity has been pretty steady in the suburbs for Class-A assets.

This market's average overall capitalization rate remains lower for the CBD than for the suburbs.

DALLAS OFFICE MARKET

Leasing activity increased through the first nine months of this year.

Surveyed investors note that free rent is customary in Dallas.

DENVER OFFICE MARKET

Investors remain optimistic about Denver's future performance.

This quarter, Denver is one of ten individual office markets in our Survey with an average overall cap rate below 8.00%.

HOUSTON OFFICE MARKET

Surveyed investors have mixed opinions one who holds the pricing advantage in this market.

Investors are increasingly optimistic about rent growth expectations over the next 12 months.

LOS ANGELES OFFICE MARKET

Investors have become more optimistic about this market's outlook despite a slowdown in leasing trends.

This market's average overall cap rate declined this quarter.

MANHATTAN OFFICE MARKET

As this market's popularity has risen, it has pumped up sale prices.

Sales activity has accelerated since the start of the year.

NORTHERN VIRGINIA OFFICE MARKET

Some new projects are under construction despite weak preleasing.

Betting on the timing of this office market's stalled recovery does not appeal to certain investors.

PACIFIC NORTHWEST OFFICE MARKET

This market's ability to bounce back well ahead of other metro areas makes it a prime target for investment capital.

This market's average initial-year market rent change rate assumption surged this quarter.

PHILADELPHIA OFFICE MARKET

This market's stability factor appeals to many investors.

The local economy was not impacted like other metros during the recession.

PHOENIX OFFICE MARKET

Some landlords are offering incentives, such as free rent, to tenants.

As a recovery takes hold, a growing number of investors are taking notice and looking to acquire assets.

SAN DIEGO OFFICE MARKET

The average initial-year market rent change rate has trended upward over the past three years.

Certain investors believe this market's supply and demand trends may not justify the bright outlook expected by many.

SAN FRANCISCO OFFICE MARKET

This market's much-talked-about recovery continues to attract investors.

Over the next 12 months, most surveyed investors foresee property values in this market increasing.

SOUTHEAST FLORIDA OFFICE MARKET

Steady leasing activity and limited additions to supply are benefitting only a few portions of this market.

Some new construction is occurring in Miami.

SUBURBAN MARYLAND OFFICE MARKET

It could take up to five year for this market to fully recover.

Various submarkets in Montgomery County remain preferred locations for investors looking to acquire assets.

WASHINGTON, DC OFFICE MARKET

This market's unemployment rate has risen on a monthly basis since March 2011.

Many surveyed investors are less optimistic about their ability to raise rental rates over the next 12 months.

NATIONAL FLEX/R&D MARKET

Sales activity decelerated a bit in the third quarter of 2011.

The average overall cap rate appears to have stabilized.

NATIONAL WAREHOUSE MARKET

The U.S. industrial vacancy rate is receding at a slow rate.

Many investors believe that market conditions do not support speculative development at this time.

NATIONAL APARTMENT MARKET

A shift from home ownership to renting has helped decrease vacancy in the U.S. apartment market.

While single-asset sales remain dominant, multiproperty deals are becoming more prevalent.

REGIONAL APARTMENT MARKETS

Investor interest in apartments has heated up as this sector leads the industry's recovery.

Sales activity is widespread geographically.

NATIONAL NET LEASE MARKET

Investors face mounting challenges as new supply remains constrained by a shortage of development.

A few investors expect the upcoming months to be very quiet with little or no sales activity.

NATIONAL MEDICAL OFFICE BUILDINGS (MOB) MARKET

Steady fundamentals have attracted a wider array of buyers to this once niche market.

Private money still represents nearly half of the capital entering the MOB market.

NATIONAL DEVELOPMENT LAND HIGHLIGHTS - Semiannual Report

Some investors believe that investment activity has picked up greatly compared to a year ago.

Certain investors note that sales activity is occurring at the expense of those with shallow pockets.