



The Velocity of Real Estate Transactions Will Improve in 2010

March 3, 2010

FTI Schonbraun McCann Group Predicts REITs will Lead the Recovery

NEW YORK, March 3, 2010 /PRNewswire via COMTEX/ -- The velocity of real estate transactions is expected to improve in 2010, with property pricing to stabilize as liquidity returns to the markets and as the capital markets play a role in recapitalizing the industry, according to FTI Schonbraun McCann Group, the real estate advisory practice of FTI Consulting, Inc.

"Despite weak fundamentals, I believe the real estate industry has moved beyond survival mode and is once again forward thinking about emerging opportunities. The capital markets have historically been a leading indicator and their message is clear: the real estate industry is poised for recovery and by the second quarter in 2010, the industry's revitalization will be palpable," said Bruce Schonbraun, the group head of real estate of FTI Schonbraun McCann Group and head of the global real estate practice of FTI Consulting. Bruce Schonbraun has been involved in many of the real estate industry's most noteworthy transactions over the course of the last three decades, and in the three years alone before the most recent downturn, in transactions valued at more than \$100 billion.

Mr. Schonbraun has identified the following real estate industry trends that will characterize this shift toward a recovery in 2010:

The upswing in the equity markets will precede a wave of initial public stock offerings (IPOs). While banks are more stabilized and debt is slowly finding a way back into the market, underwriting criteria is far more conservative than it has been in the last decade. As a result real estate companies will look to the capital markets for funding for growth in this recovery. A wave of IPOs in the hospitality, retail, and office sectors will likely lead the trend.

REITs will invest in a diverse array of property types. Student housing, healthcare facilities, self-storage and multifamily properties will also be attractive investments for REITs.

Real estate people will return to the helm. The management teams of REITs will again be comprised of real estate company executives who have come from other public real estate companies and are real estate operators. This is in contrast to the wave of financial engineers and Wall Street professionals that played a meaningful role in the previous real estate up-cycle.

Institutional investors will invest in REITs. REITs, not assets, will be the investment of choice for institutional investors that have cash to invest. Not only do REITs offer liquidity, but the public markets are "marked" daily and provide a gauge to institutional investors on the state of their investments.

Other capital sources will begin to flow more freely in 2010. Recent changes to REMIC rules may promote more proactive solutions to CMBC servicers. With bank profits gradually increasing, banks may be more inclined to work out their commercial real estate loan portfolios.

The real estate industry will shift its focus to asset based returns. The real estate industry will look to operational efficiencies to create and preserve value of their assets, in a shift away from a focus on financially- based returns.

Greater transaction volume is expected. Debt maturities are likely to force action upon sellers, and a return of liquidity to the capital markets is likely to spur buyers, providing the catalysts for greater transaction volume. Private equity by its nature is not a long-term holder of real estate and will have to seek liquidity to return proceeds to limited partners.

Foreign investors will be among the most active buyers of distressed assets in the U.S. Expect to see investors from China and Saudi Arabia to be among those most interested in "marquee" properties here in the U.S.

"The real estate industry will be watching, however, how the government and lending institutions will account for the massive amount of debt that is coming due in the next few years in an effort to prevent pricing and market turmoil. With this, we remain cautiously optimistic that 2010 will likely be the beginning of a recapitalization period for the real estate industry, which will allow like minded buyers and sellers to finally transact and help foster equilibrium in the market," added Mr. Schonbraun.

About FTI Schonbraun McCann Group

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