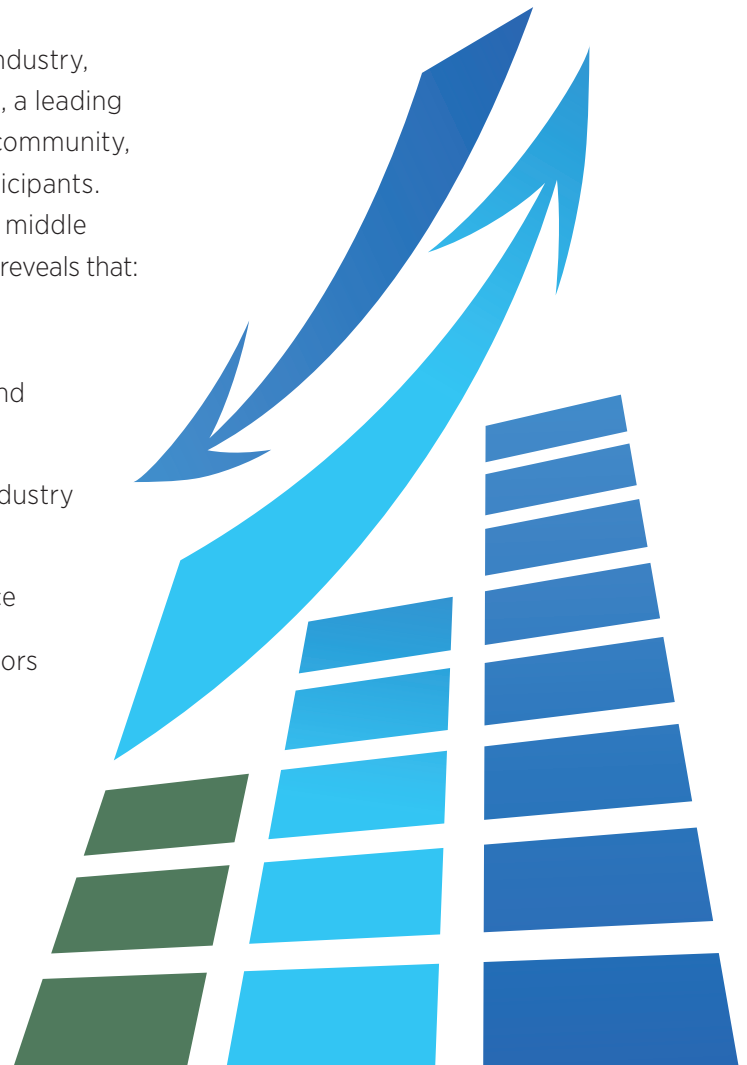


MIDDLE MARKET COMMERCIAL REAL ESTATE OUTLOOK: IN A MIXED MARKET, OPPORTUNISM PREVAILS

The worst may be over for the U.S. commercial real estate industry. In fact, well over half of industry participants – including developers, investors, lawyers and financiers – are now signaling that markets are entering a period of recovery. Cautious recovery is evident, with three out of five executives describing their outlook as opportunistic – and just over one in 10 additional executives saying their behavior will be aggressive, since they see conditions as ripe for long-term investments.

Seeking to gauge conditions and outlooks for the industry, Forbes Insights, in association with CIT (NYSE: CIT), a leading financial services company serving the real estate community, conducted an October 2013 survey of industry participants. Interpreting responses from 208 senior, U.S.-based middle market commercial real estate executives, the survey reveals that:

- Commercial real estate is in cautious recovery
- Markets are mixed, but feature both aggression and opportunism
- Trends in interest rates and unemployment top industry concerns
- Taxation and regulation are hindering performance
- Though government budgets may be tight, investors want tax credit and incentives concessions
- Financing ranges from overabundant to spotty



COMMERCIAL REAL ESTATE OUTLOOK: IN A MIXED MARKET, OPPORTUNISM PREVAILS



COMMERCIAL REAL ESTATE IS IN CAUTIOUS RECOVERY

- Over half of industry executives, 57%, believe that the U.S. commercial real estate market is in recovery
- One in 10 – part of this 57% – say the recovery is very strong
- Just under a third, nonetheless, warn that certain segments of the industry are poised for significant decline



MARKETS ARE MIXED, BUT FEATURE BOTH AGGRESSION AND OPPORTUNISM

- More than half (51%) of industry executives view markets as mixed
- But a third describe the markets where they are active as strong – 6% saying “very strong”
- Overall, three out of five (60%) say their go-forward orientation is opportunistic, a mix of challenges and opportunities
- 12% describe their market orientation for the coming year as aggressive, saying today’s conditions are making for great long-term investments



INTEREST RATES AND UNEMPLOYMENT TOP THE LISTS OF INVESTMENT CONCERNS

In order of the average ranking by executives’ lists of the top five investment drivers, the top investment influences include:

- Interest rates
- Unemployment rates
- The Affordable Care Act
- Foreclosures
- Consumer confidence

COMMERCIAL REAL ESTATE OUTLOOK: IN A MIXED MARKET, OPPORTUNISM PREVAILS

TAXES, REGULATIONS AND SOME COSTS ARE IMPEDING GROWTH POTENTIAL

- Three out of five say the current tax and regulatory climate is placing a strain on their performance; just under 60% are concerned by the ACA, with nearly half (46%) saying its implementation will depress the economy
- 40% cite concerns over the impact of Dodd-Frank on investing and lending
- 22% are concerned by trends in the availability/cost of terrorism insurance; 23% say the high cost of terrorism insurance will likely stall certain segments



DESPITE GOVERNMENT AUSTERITY, INVESTORS WANT TAX CREDITS AND INCENTIVES

- 40% say they are negotiating harder with state and local governments to obtain tax credits, cash grants and related business incentives
- Only 22% believe such packages are growing larger
- 28% say the availability of tax credits and cash grants for green energy are a significant influence on their design, renovation and related commercial real estate investments
- 22% say the availability of tax-exempt financing has played a significant role in past investments; 27% say it will likely play a significant role in the future



FINANCING RANGES FROM OVERABUNDANT TO QUESTIONABLE

- Three out of five, 61%, say they have adequate capital for their operations – with 12% of these indicating that capital is overabundant for the opportunities available
- 33% say capital availability is spotty: though they could raise what’s needed for the most profitable projects, anything less than ideal might be very challenging
- 6% say their access to capital is questionable or has completely dried up
- Half (51%) are likely to pursue bank financing in the next 12 months – 18% of these saying very likely



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