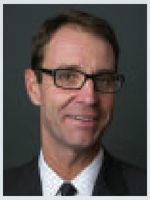
ASK THE ADVISORS

Each month, the editors of Forum pose a topical question to our Editorial Advisory Board members.

What is your CRE New Year's resolution for 2014?



Three resolutions come to mind for 2014. First, in light of the risk of interest rates rising over time, underwriting for new acquisitions should more than ever provide for stressing of returns under higher rates, including their impact on exit cap rates.

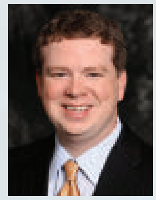
Second, while fundamentals appear to be improving for most asset types and markets, they remain at risk to an ever-increasing supply dynamic, encouraging an aggressive approach to management and leasing this year to capture the benefits of improvements and best position the asset for the impact of new supply.

Lastly, this may be the year to strongly challenge the benefits of holding stabilized assets, given increased capital flows to most asset types and markets, including secondary markets, combined with increased risks associated with rising interest rates and supply.—***Thomas R. Burton, Chief Investment Officer and Chief Operations Officer; Alex. Brown Realty Inc.***

Our New Years resolution for 2014 is to continue pushing the net lease market into the mainstream and out of its traditional "niche" status. Already in 2013 American Reality Capital purchased CapLease for $2.2 billion and will merge with Cole Real Estate in a transaction worth $11.2 billion, creating the largest net lease REIT with an enterprise value of $21.5 billion and the largest REIT merger in two years.

In fact, publicly traded net lease companies now combine for $40 billion in market capitalization—a larger presence than the industrial real estate REIT sector and on par with lodging and self-storage. Over the past three years, net lease REITs have doubled their share of the FTSE NAREIT Equity REIT index to 6% and have witnessed growth of 9% to 11% in the past two years.

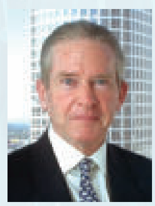
It's clear the net lease sector is becoming a much more attractive target for institutional capital, and this will only increase in 2014. Long term, we expect net leases to become a heavily integrated component of the commercial property portfolio. In 2014 our goal is to continue to bolster the growth and increase the relevance of the net lease market.—***Jonathan Hipp, President & CEO, Calkain Cos.***



The beginning of a new year always presents the opportunity to reflect on the past year's successes and areas to improve. In 2014, our resolutions include continuing to build the Franklin Street brand by increasing awareness of our multiservice approach, as well as expanding our market share across the nation and within our lines of business.

To facilitate this growth we are actively pursuing motivated professionals to help us enter new markets and build upon our collaborative platform. We are also becoming increasingly aware of the role technology plays in our industry and in 2014 we are looking forward to rolling out a proprietary internal communication system to seamlessly integrate our marketing efforts throughout the company.

In 2013, we worked to build our infrastructure, and this year we plan to use that strength as a building block for growth.—***Andrew Wright, CEO and Managing Partner, Franklin Street***



Over the holidays, when reviewing our client assignments for last year and organizing for 2014, I realized, I need 'to get out' more!

We have kept our heads down in the last five years to navigate the post-Great Recession phase of this very modest recovery period. We have invested in research technology in the form of Real Capital Analytics and Co-Star; and the necessary human capital to maintain cutting-edge intelligence to assist clients' best decisions.

Now, "Getting Out" means expanding our knowledge base through attending and participating in continuing education and industry conferences, like upcoming Real Share Net Lease in NYC in April; the USC Lusk Real Estate and Gould School of Law, Business Forum in LA in March; as well as specialized events like Jeremiah Long Memorial 1031 Conference, later in the year, to stay current on tax-related matters as well as, real estate market intrinsics.

You're never too old to learn more!—***Sean O'Shea, Managing Director, the O'Shea Net Lease Advisory of BRC Advisors***

REIT WATCH

2013: A Decidedly Mixed Bag for REITs

Washington, DC—REITs did not have a good 2013 performance wise, but the year was a winner in one respect: these companies raised a record level of capital, according to new NAREIT statistics. The FTSE NAREIT All REITs Index gained 3.21% in total returns for the year, while FTSE NAREIT All Equity REITs Index delivered a 2.86%. By contrast, the S&P 500 delivered a 32.39% total return for the year.

But while investors fled these securities for their own portfolios, they welcomed REITs capital raising activities in other areas. NAREIT also reported that listed REITs raised a total of $76.96 billion of equity and debt in 2013, an amount that surpassed 2012's prior record of $73.33 billion.

Some sectors of the REIT market delivered double-digit returns in 2013, NAREIT noted, pointing to the lodging/resorts sector, which produced a 27.18% total return, and manufactured homes, which returned 10.46%.

The capital raising activity, though, was clearly their sweet spot for the year. A total of $5.71 billion was raised in 19 initial public offerings during the year, the largest amount raised in the largest number of IPOs since 2004,—*Erika Morphy* ◆