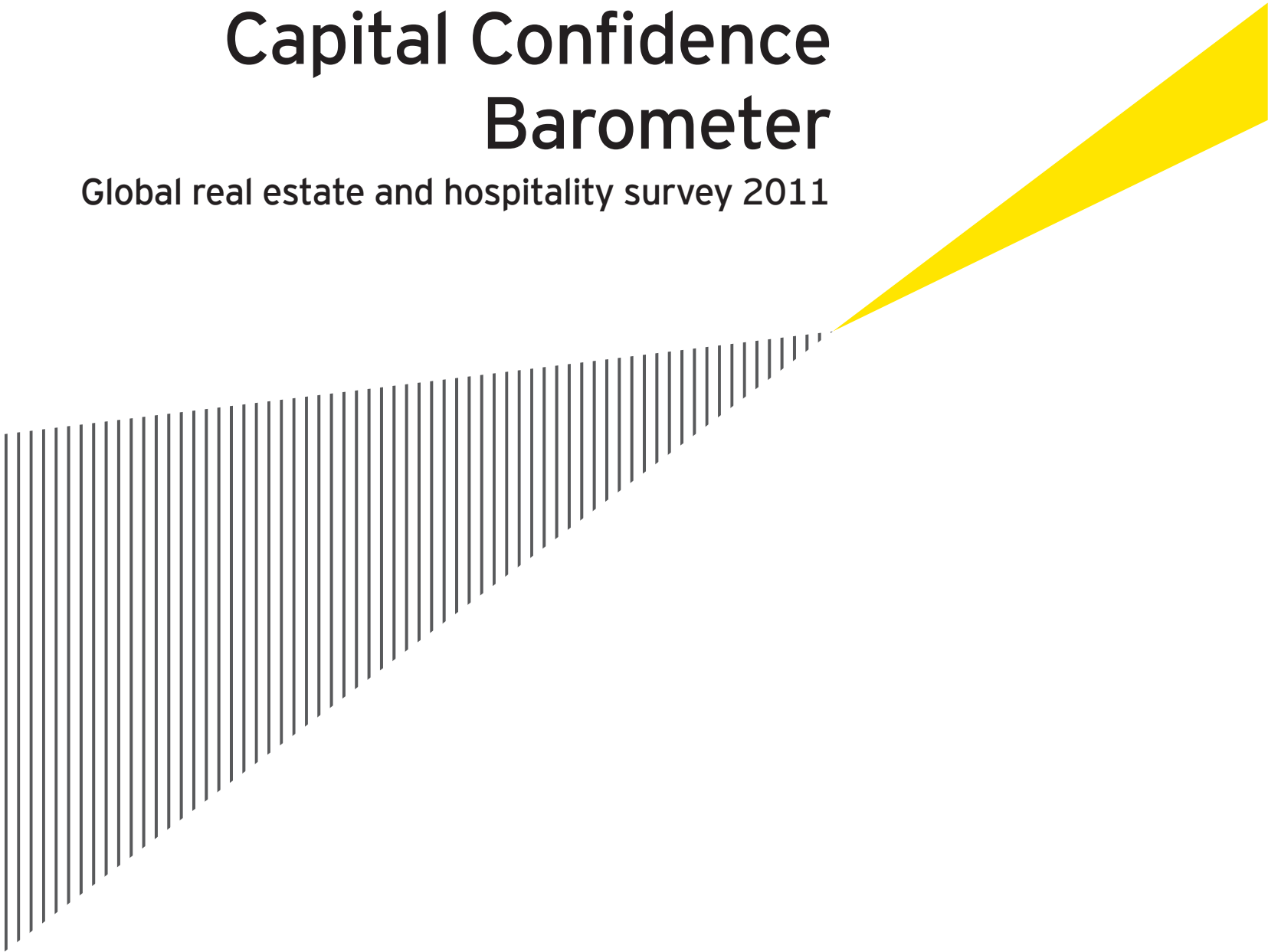


Capital Confidence Barometer

Global real estate and hospitality survey 2011



Capital Confidence Barometer

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In April 2011, Ernst & Young, in conjunction with the Economist Intelligence Unit (EIU), conducted the third semiannual Capital Confidence Barometer (the Barometer) survey of senior executives from large companies around the world. The survey panel was composed of selected Ernst & Young global clients and contacts and regular EIU contributors. In total, there were 1,000 survey participants (Global 1,000).

Ernst & Young's Real Estate and Hospitality group performed an in-depth analysis, specifically focusing on responses from real estate and hospitality (REH) companies. Below are some of the key findings from the data analyzed:

- ▶ As of April 2011, approximately 80% of the REH executives are more optimistic about the prospects for the economy, compared with 57%

of REH executives six months ago. (See Chart 1.) In comparison, 66% of the Global 1,000 executives are more optimistic as of April 2011, and 13% are less optimistic. (See Chart 2.) As of April 2011, no REH companies responded that they were less optimistic.

- ▶ Forty-two percent of the REH companies are focused on either raising or investing capital, gearing up for what is expected to be an extended period of growth and transactions in the real estate and hospitality sector.
- ▶ The outlook for M&A activity is getting brighter among REH companies; as compared to October 2010, the percentage of companies likely to execute transactions in the next six months has increased from 20% to 44%. (See Chart 3.)

Chart 1: REH survey participants

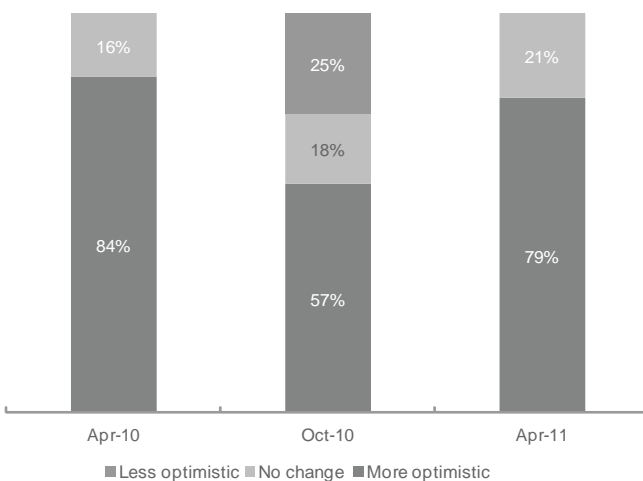


Chart 2: Global 1,000 survey participants

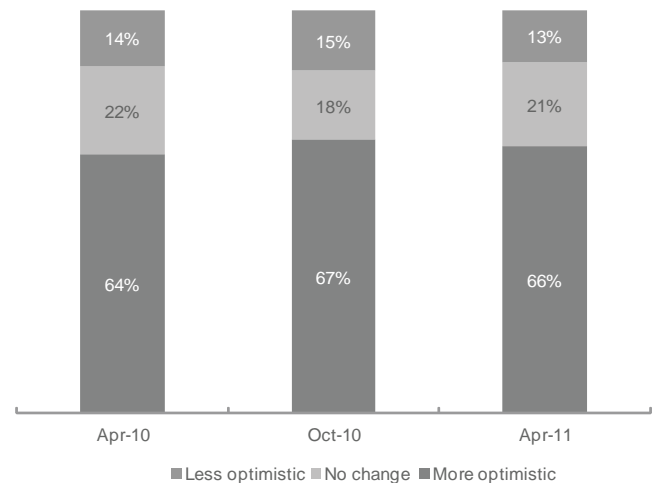
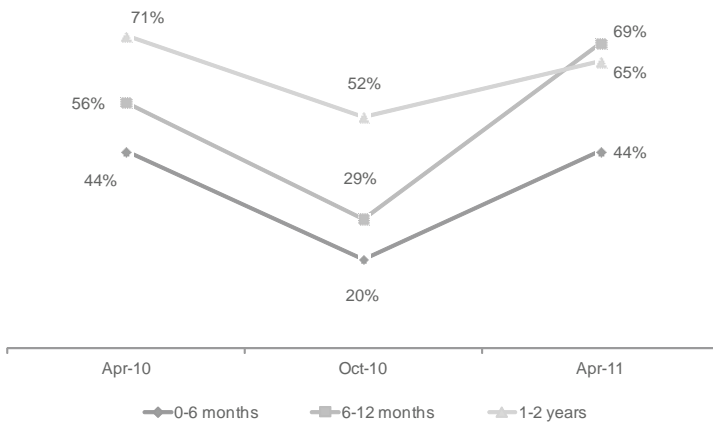


Chart 3: REH companies likely to execute transactions*



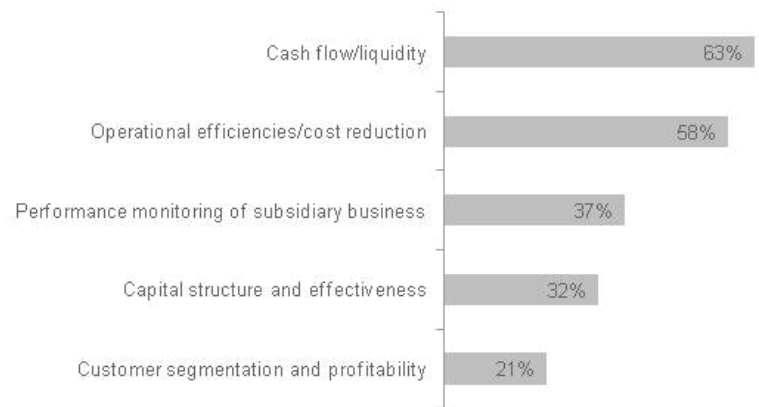
*Respondents were able to choose more than one response

- ▶ Enthusiasm for emerging market and non-distressed assets investment remains strong; the percentage of REH companies saying they are considering an emerging market acquisition is 50% higher than it was in October 2010. Interest in non-distressed assets is 75% higher than it was in October 2010, as the distressed assets did not materialize or were not very attractive.
- ▶ Almost 66% of REH companies say access to funding is not a problem; approximately 70% of the REH companies in the survey have a debt-to-capital ratio below 50%. In spite of the improvement in financing conditions for deals, the preferred source for funding over the next 12 months remains cash (42%), followed by bank loans (32%).
- ▶ At the same time, 32% of the REH companies are still focused on capital optimization, followed by 26% focused on capital preservation.

- ▶ Companies are continuing to build sustainable improvements into their business operations. Areas where they plan to invest greater effort include cash flow/liquidity, operational efficiencies/cost reduction and performance monitoring of subsidiary businesses. (See Chart 4.)

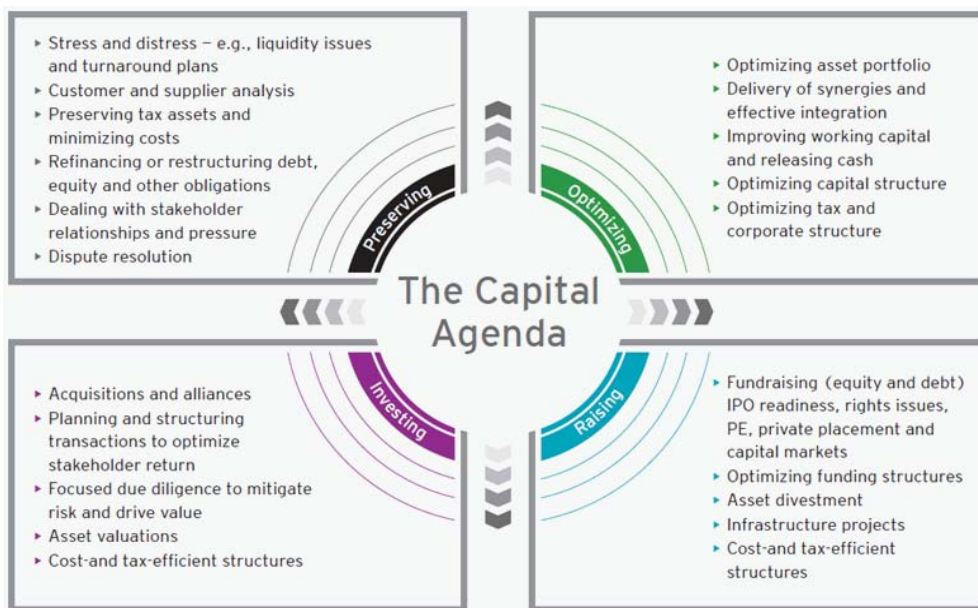
Our latest findings again underline one critical point: how companies manage their Capital Agenda today will define their competitive position tomorrow. How they raise, invest, optimize and preserve their capital is vital to their future success. The Barometer clearly shows that coming out of the recession, fundamentals are improving for the real estate and hospitality market, presenting significant opportunities for investment in a new economic and real estate growth cycle.

Chart 4: Top 5 areas of focus for the REH companies over the next 12 months



Understanding your Capital Agenda

A strong Capital Agenda needs to be at the heart of all strategic boardroom and management decisions. Using the Capital Agenda will help companies consider their issues and challenges, and more importantly, understand their options to make more informed strategic capital decisions.



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If you would like to discuss your company's Capital Agenda, please contact your usual EY advisor or any of the Global Real Estate or Transaction Real Estate contacts listed below.

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