

News release

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Real estate owners and investors see signs of hope amid turbulent global market

London 03 March 2010 – More than 70% of real estate owners and investors say they are ready, willing and able to buy property in 2010, suggesting that this could indeed be the year that global acquisition activity resumes in earnest.

That's according to a survey undertaken at a recent Ernst & Young conference. More than 250 representatives from private equity, hospitality and leisure, real estate and banking gathered at the fourth annual Europe, Middle East, India and Africa (EMEIA) Real Estate Workshop to debate a broad range of topics from real estate investment trusts (REITs) to M&A in the hospitality sector and development in the Middle East.

“Sentiment among real estate professionals, especially in the commercial real estate private equity sector, is rightly cautious because – after all -- real estate is a lagging indicator and most economies are only now emerging from deep recession,” said Howard Roth, Global Head of Real Estate, Ernst & Young. “However, those investors currently sitting on cash smell the scent of a buying opportunity and many of them are ready to invest. Whether that time is near or not, remains to be seen,” he added.

There was general consensus that the UK and Euro zone economies still have some way to go before economic stability can be established. Nearly 65% of the audience believed that the UK market offered one of the top markets for real estate investment but just over half of those attending the conference indicated they thought it would be 2011 before the UK economy showed growth. Seventy-eight per cent of respondents thought the Euro zone would exhibit any growth either in the first six months of 2011 or soon after.

According to Dean Hodcroft, Head of real estate for Ernst & Young EMEIA, future buying activity in the UK and elsewhere - which has been fairly brisk over the last six months or so - may depend heavily on the ability and willingness of banks to finance anticipated purchases once government stimulus programs end.

“It’s a great time to be a lender in the sense that you can be incredibly selective and write very conservative loans with highly attractive returns,” Hodcroft said. While a poll of the audience indicated that ability to secure financing was still an issue for those attending, the ability to raise capital was what kept most attendees up at night (28%).

One sector of the real estate market that has yet to see a great deal of transaction activity is hospitality. A key reason may be that investors fear the worst is yet to come for hotels. Three quarters of the participants at the conference indicated they believed that hotel valuations had not reached bottom yet in the UK and within the EMEIA region.

More than two thirds of them believed that a significant upturn in hospitality M&A activity would not occur before 2011. However, looking further out on the horizon, those polled believed that, among all Middle Eastern markets, Libya represented the best long term potential for hotel development, followed by Qatar and Iraq.

The meeting also featured a panel chaired by Luxembourg-based Ernst & Young partner Michael Hornsby on the European Union’s Alternative Investment Fund Manager Directive, which if adopted would regulate managers promoting pooled investment funds of any kind in the EU. A majority of attendees at the EY event (55%) admitted they had not started an impact assessment on their own organizations of the proposed directive. However, 40% of those attending were giving the AIFM ‘high level consideration.’

Mike Frankel, a US-based partner with Ernst & Young, chaired a discussion on REITs at which the majority of attendees indicated they doubted there would be any significant REIT IPOs in the UK or Europe this year. However, the audience did believe that existing UK and European REITs would be major forces in acquiring real estate or entering joint ventures with property owners over the next 18 months.

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For more information on Ernst & Young's 2010 Global Hospitality Insights or to download a copy of the report, visit www.ey.com/realestate.

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