CREW Network®

Repositioning Your Real Estate Career to Succeed in an Era of Change

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Advancing the Success of Women in Commercial Real Estate
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CREW Network Industry Research Committee

Executive Summary

The extraordinary confluence of negative economic events in 2008 has created a global business crisis of unprecedented proportions resulting in a profound shock wave across all sectors of the real estate industry. Upheaval of the Wall Street investment banking world, sub-prime mortgage fraud, hedge fund mismanagement, energy price volatility, escalating environmental climate change, and shifting demographics are radically changing the business landscape for the commercial real estate industry at a pace not imagined just a few short years ago.   No commercial real estate sector has been immune – with retail, office, industrial, housing and hospitality experiencing declining valuations, deleveraging and profitability pressures. Undoubtedly, most commercial real estate professionals are facing the biggest upheaval of their careers as their companies retrench in this era of dramatic change.

The immediate business fallout from this economic maelstrom has been the large increase in job losses, with the national unemployment rate hitting 7.2 percent at the end of 2008. To date, the financial services sector has been the hardest hit with the greatest total number of job cuts. Many of these positions were directly related to the commercial real estate industry in the mortgage and construction lending, CMBS financing, multifamily and resort housing development arenas. Across the board job losses in other non-real estate sectors has compounded the commercial real estate industry problems by spurring a free-fall in office, retail and industrial tenant occupancy. In surveying a number of commercial real estate leaders, a commonly held view of one of the major stumbling blocks to national recovery and economic stabilization is the widespread consumer uncertainty and intense fear about an unknown future. At present, few individuals feel confident about the road ahead because of their sense of job insecurity.

CREW Network has developed this White Paper as an empowerment tool for professionals in the commercial real estate field to regain confidence in managing their careers in response to changing market conditions.

CREW Network's goal is to help its members reposition themselves in this era of transition by helping them navigate through the industry's sea of change. Based on interviews and industry research, CREW Network has collected ideas about possible emerging opportunities in this new environment, the corresponding requisite skills and training to successfully pursue such opportunities, as well as included specific strategies about how commercial real estate professionals can best retool themselves to succeed in a dramatically different industry landscape. While job losses have hit extraordinary levels, CREW Network has identified many areas of career growth and demand in various commercial real estate sectors and disciplines. Interviews with industry leaders also revealed that many strategic thinking companies will be viewing the staff cuts of their competitors as an opportunity to upgrade their own talent in order to position their firms for long-term growth. CREW Network believes there is reason for optimism.

2009 and beyond

Where does the commercial real estate professional go from here?

"When one door closes, another opens; but we often look so long and so regretfully upon the closed door that we do not see the one which has opened."

- Alexander Graham Bell

CREW Network offers this advice: don't reconsider, **reposition**.

With companies quickly retrenching throughout the commercial real estate industry and layoffs compounding by the month, many individuals are seriously considering whether to change careers and abandon the real estate industry altogether. While the commercial real estate industry is undoubtedly facing a difficult road ahead, with less transaction and development volume from the heydays of 2003-2004, commercial real estate isn't going to evaporate from most balance sheets. Remember, as a real "tangible" property, bricks and mortar assets are not going away as a major investment class, despite lower valuations. While land and building ownership may deleverage and change hands, with mortgage notes getting traded to new borrowers, the vast majority of commercial real estate will continue to have a very long asset life. Real property will continue to need to be re-tenanted, repaired and repositioned offering stable career paths.

At the beginning of the fourth quarter 2008, real estate ($572.4 billion in non-residential structures and $479.4 billion residential[1]) represented approximately 7.3 percent of the U.S. GDP[2]. Most economists continue to believe that real estate will again prove to be one of the best long-term inflation hedges. So while the production pipeline of newly created developments may dramatically slow for several years, the $1,051.8 billion stock[3] of existing commercial offices, distribution center, malls, multifamily housing and hotels will continue to require significant ongoing services for a changing pool of owners for the foreseeable future.

Despite rising vacancy rates and falling demand, most commercial real estate won't become obsolete (like technologies in other industries). It will, however, require a more intensive asset management focus. Consider that the U.S. population, at 303.8 million people[4], is projected to have a growth rate of 0.883 percent[5]. This translates each year into



an additional 2.68 million people who need new places to live, work, shop or educate their children. Location demand may shift between submarkets, but the overall national space utilization rates should remain fairly stable over the long term.

At the end of December 2008, IPD Canada Annual Property Index, which covered C$96.5 billion of commercial real estate transactions, reported that the Index saw a total return for 2008 of just 3.7%, down sharply from the 15.8% recorded in 2007, and the lowest level since 1994.

Despite the softening of investment yields, direct property still outperformed equities, which fell by -31.4% according to the MSCI Canada Index, and REITs which returned -39.3% according to the FTSE EPRA/NAREIT Index, but trailed bonds which returned 15.2%, as measured by the JP Morgan 7-10 Year Government Bond Index.

Of the major sectors, Offices was the top performer for the third consecutive year with a total return of 7.6%, followed by Residential at 6.4% and Industrials at 2.3%. Retail returns turned modestly negative in 2008, at -0.1%.

Western Canada markets continued to outperform markets in Eastern Canada. Edmonton once again took top spot among the major markets, although its return of 11.7% was down significantly from 29.8% in 2007. The other major markets all moved down into single-digit return territory or lower: Calgary (7.3%); Vancouver (7.0%); Ottawa (5.4%); Toronto (2.7%) and Montreal (0.3%).

Co-Star, which tracks commercial property listings across the U.S., shows an amazing pool of more than 65 billion square feet of building listings, with a vacancy rate as of January 2009 of 13.6 percent, or nearly 9 billion square feet of buildings that need leasing. Current commercial real estate employment to support the wide ranging services needed by this commercial building stock is about one million[6] professionals. While employment in certain building creation, construction and development positions will continue to free-fall in 2009, CREW Network's interviews with industry experts also show positive growth in other commercial real estate employment areas. Real estate firms that excel in operating management, debt restructuring and value-adding capabilities will need additional talent.

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[1] Source: U.S. Bureau of Econoomic Analysis (BEA)
[2] Source: U.S. Bureau of Econoomic Analysis (BEA)
[3] Source: U.S. Bureau of Econoomic Analysis (BEA)
[4] Source: U.S. Bureau of Econoomic Analysis (BEA)
[5] Source: U.S. Bureau of Econoomic Analysis (BEA)
[6] Source: U.S. Department of Labor

Opportunities

for Commercial Real Estate Professionals in the Changing Market

"It will be necessary to look at your skills and experiences with a broader view than the day-to-day activities and consider how your skills may be used differently to position you to participate in the 'new world order' of real estate and financial services."

*- **Collete English Dixon***
Vice President – Transactions, Prudential Real Estate Investors
CREW Chicago

A recent study by SelectLeaders and the Cornell University Program in Real Estate projects that despite the current industry retraction, the long-range real estate talent gap will continue to deepen in the decades ahead. While the commercial real estate industry is undoubtedly facing a difficult short-term road ahead, many leaders predict the market will bottom out in 2009 and the industry will again be looking to rebuild their professional ranks by the end of the decade. Many companies are facing a wave of retirements as their now 60 to 70 year old founders retire from the companies they built in the 1970's. As a cyclical industry, there was a discernable low point in hiring following the recessions in the early 1980's and 1990's, with significantly fewer new professionals entering commercial real estate from the top graduate schools and colleges. As a result, many commercial real estate firms in the U.S. and Canada have little depth (or diversity) in their mid to upper level ranks, once senior leaders retires. Thus, CREW Network sees opportunities, based on a review of both the long-range employment statistics as well as the near-term demand, created from the major shifts in the industry's financial, regulatory and technology policies.

CREW Network advocates repositioning your career, rather than reconsidering the industry. Despite the downturn in the economy, solid opportunities for success in commercial real estate still exist for CREW Network members. In fact, with the average tenure of CREW Network members being more than 14 years of experience, many are well positioned for success in this difficult market having previously weathered the downturn in the commercial real estate industry in the early 1990s. With strategic career repositioning, both veteran professionals and those newer to the industry can achieve long-term, sustainable careers in commercial real estate. Based on CREW Network's industry research and interviews, we have presented a range of opportunities below in response to the economic upheaval, to demonstrate the varied new paths for successful employment in the year(s) ahead.

Economic Change: **Upheaval in the Capital Markets/ Institutional Credit Freeze**

Career Opportunities:

Demand for Bankruptcy/Reorganization/Workouts Experience

Almost $40 billion in commercial real estate debt is set to expire in 2009, and upwards of $50 billion in debt will expire the following year. If property owners are unable to refinance or extend this debt, defaults could result. Those experienced in bankruptcy, reorganization, and workouts will find themselves in high demand.

While these professionals are expected to be in demand for at least the next several years, at some point companies will emerge from bankruptcy and the loans will be worked-out. Accordingly, it is important not to focus on the job title or classification, but on key skills and core competencies. For example, recruiters indicate that one of the most desired skills for a workout position is a proven track record of having successfully worked out loans to a favorable alternative or solution. Translated, the recruiters want candidates to have strong negotiation skills, an ability to problem-solve and be creative, and independence.

Demand for Securities-Related Experience

With the CMBS market frozen, those with experience in trading and/or pricing commercial mortgage-backed securities and asset-backed securities will also be in high demand – albeit in different business settings than the now defunct investment banks. Derivatives unwinding and restructuring will continue to play a large role in the industry for the foreseeable future. The Federal Government may offer significant employment opportunities for those individuals with past securities experience.

> *"The valuation industry is always in a state of flux. Changing economic conditions and new regulations or legislation are common occurrences in the valuation industry. All of which could have an effect on property rights. As value experts, it's critical that you stay attuned to new legislation and market trends, such as green buildings. Opportunities are on the rise in the LEED certification programs. This accreditation will become more difficult to obtain when the new standards come out in March [2009]."*
>
> \- ***Lynny Osenbaugh***
> *President, Osenbaugh & Associates*
> *CREW Houston*

Opportunities

for Commercial Real Estate Professionals in the Changing Market

"Accessibility is key to your success in a down market. I never close."

- Faith Hope Consolo
Chairman, Prudential Douglas Elliman – Retail Leasing and Sales
NYCREW Network

- **Demand for Distressed Portfolio Management Experience**
  Troubled Asset Relief Program (TARP) – also known as the $700 billion bailout plan, as well as the TARP Reform and Accountability Act of 2009 (referred to as TARP II), – will provide new opportunities resulting from the massive stimulus package. The program is expected to have many facets, including a mortgage-backed securities purchase program, loan and equity purchase programs, insurance, and homeowner preservation programs. Fannie Mae and Freddie Mac will be reconstituted. Advisory firms, especially law and management consultants, will be active in writing policy changes as well as government contractors who later implement the bailout plan's programs. Professionals with complex asset management and institutional portfolio skills that can manage and optimize distressed financial as well as challenged real property pools, will see increased opportunities. Those experienced in leveraged finance, credit risk management, loan servicing, and auditing are particularly well positioned to secure distressed loan management positions.

- **Demand for Appraisers and Property Valuation/ Underwriting Experience**
  The unwinding of massive real estate securities, bankruptcies and lender workouts will create substantial volume for professionals involved in the valuation, tax and cost segregation side of the commercial real estate business. Valuation losses in portfolios, whether government, institutional fund or REIT owned, will need to be tracked as asset or mortgage ownership changes hands. The pendulum will swing as the prior lax underwriting standards will segue into an environment where governmental regulations will insist upon more detailed and frequent property valuations. Property analytic skills will be valued.

Economic Change:
The Fall in Consumer Spending and the Corresponding Retail Industry Recession

Career Opportunities:

- ### Demand for Seasoned Retail Property Leasing Experience

  Shopping center and mall owners are getting hit hard as the number of failing national big store retailers accelerates and thereby destabilizes retail properties with rapidly rising tenant vacancies. With retail bankruptcies increasing, mall vacancies increased to 7 percent by year-end 2008 and double digit statistics are likely in 2009. As the pool of national anchors and chain store tenants shrinks, retail asset owners will rely on more creative property re-tenanting and repositioning strategies to maintain occupancies. Leasing professionals with strong local networks and access to smaller tier retailers, "mom and pops" and other alternate retail space users will be in demand. Proactive real estate professionals who can accurately underwrite local tenant credit, evaluate business plan models, and know how to make smart deals with B or C+ tier players will be valued. Strip center owners will have more ethnic diversity and localized differences in their retail tenants, and will need leasing agents who are able to find the "best in class" local businesses, as top tier national retailers will curtail the number of operating locations. As retail landlords struggle to stay profitable, an ability to find suitable replacement tenants, negotiate and properly structure creative lease agreements, amendments, and options, will be key skills

- ### Demand for Retail Legal Expertise

  A record number of retail leases will be terminated by the courts, defaulted upon or restructured by tenants during the economic recession. Lenders, property owners as well as retail businesses themselves will be in need of seasoned legal talent that can successfully navigate the nuances in lease agreements in order to negotiate rights on both sides of the table.

- ### Demand for Retail Creative Expertise

  As the Internet has increased the means for consumers to purchase and find information about goods on line, efforts to maintain shopper loyalty have never been more intense, with consumer shopping options multiplying across physical center format and alternate channels. Consumer expectations about convenience comfort and entertainment in shopping environments continues to grow. Retail formats continue to evolve (e.g. return of intimate mixed-use outdoor retail centers vs. indoor malls or large expansive power centers) as shopping center owners continue to seek experience-rich environments that are designed to drive long-term loyalty relationships and profitable shopper behaviors. Retail specialists, who know how to design spaces that drive foot traffic, maximize sales per square foot and keep retail environments exciting, will still be in demand. Creative ideas for adaptive re-use of older centers will also be sought.

Opportunities

for Commercial Real Estate Professionals in the Changing Market

"Sustainability is the one growth industry we are experiencing in this down economy. The beauty is that sustainability touches all aspects of our business, so whether you are an asset manager or in valuation, we are finding our clients in need of 'green' services and knowledge."

- Sally Wilson
Global Director of Environmental Strategy
CB Richard Ellis
CREW Washington, DC

Economic Change: Increasing Government Regulatory Controls, Fear of Management Fraud Combined with Profitability Pressures

Career Opportunities:

- **Demand for Accountants/ Controllers**
  As commercial real estate companies seek to reduce costs and expenses, accountants and controllers will be in particularly high demand. The downturn is expected to result in a shift "back to basics" and significant emphasis will be placed on property-level cost management, and accurate corporate financial reporting and accounting standards. Competent and seasoned financial control staff will be required. However, expect that workload demands will increase with fewer staff running a greater number of properties and increased centralized accounting functions implemented at larger firms. Demonstrated project and cost management skills will be viewed as a premium.

- **Demand for Regulatory Compliance Expertise**
  A wealth of opportunities for compliance companies, attorneys, and real estate professionals skilled in compliance matters is expected to result from increased regulation of the commercial real estate industry. Regulatory requirements for financial reporting will continue to increase rather than decrease, given heightened lender and investor scrutiny over transactions and

portfolio performance.   It is anticipated, following the Presidential administration change, that there will be an onslaught of aggressive new regulatory changes at federal, state and local levels, as well as heightened public company disclosure obligations to be implemented by the SEC, that will make real estate investors more reliant upon experts that can navigate the new laws with respect to deal-making and property ownership.

Economic Change:
Global Warming, Carbon Neutral Policies and the Green Movement

Career Opportunities:

- **Demand for Sustainability Expertise in Design, Construction and Property Management**

  LEED-accredited professional asset and property managers and other design professionals will be in high demand over the next several years, as many landlords and tenants now understand that costs can be reduced and productivity enhanced when buildings operate efficiently and offer a healthier environment. Real estate professionals that understand how to, evaluate, deliver and operate “green” buildings will be in demand. Recognizing that buildings are responsible for nearly 40 percent of our country’s CO_2 emissions , the real estate community is mobilizing unprecedented resources to implement sustainable practices. The increased awareness in climate change, positions building industry specialties in carbon footprinting, carbon trading, renewable to emerge as future opportunities.

  The green trend extends beyond the “core deal” real estate industry. An increasing number of office tenants are seeking sustainability in their real estate occupancy. In the insurance sector, for example, the green trend has created a need for new risk management products. In addition, “green” savvy marketing and sales professionals will be needed by vendors of all types. Knowledgeable professionals will seize these types of opportunities for growth.

- **Demand for Clean Energy, Conservation, Utility Industry and Waste Management Expertise**

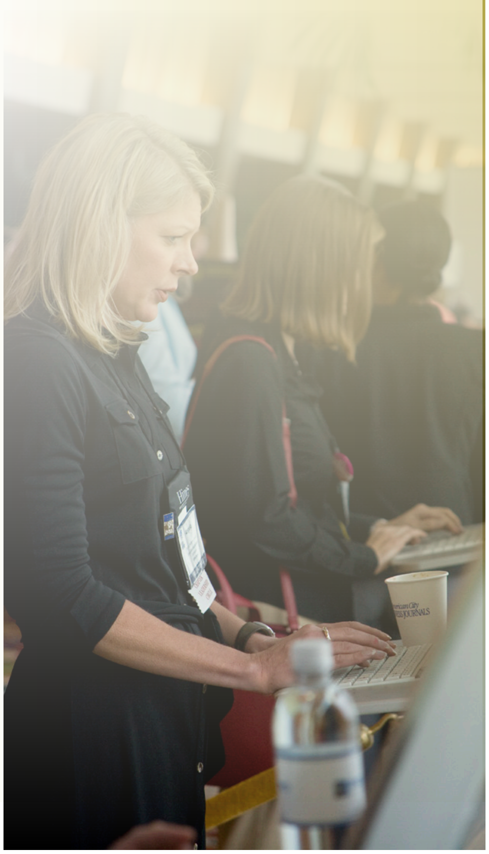
  Impending government policy in the form of incentives/tax credits, regulatory standards (e.g. emissions reductions, carbon trading, renewable portfolio standards, disclosure requirements) and accelerator programs (R&D funding, technical assistance) will be needed by large property owners, corporations and other big real estate users who are looking to increase clean energy usage and operate major facilities that are in compliance with new energy policies. Companies that employ real estate asset and property management staff that are savvy with “climate smart” operations will prove to be a competitive advantage. Engineering and building operations professionals that can complete energy audits, systems replacements and life cycle analysis, as well as understand purchasing strategies for alternate fuels, will see growth opportunities. Expertise will increase in

Opportunities

for Commercial Real Estate Professionals in the Changing Market

"What will the commercial real estate job market need most in the next five to 10 years? Dealmakers. People who are creative, innovative and resourceful. Those who can see the opportunity that exists in the market and can connect the dots to line up investors or occupiers with asset opportunities of value."

- Maureen Ehrenberg, CRE, FRICS
Principal, Expense Management Solutions
CREW Chicago



emissions standards, management of freshwater resources, ecosystem conservation, waste water and solid water management for properties of all types. Solar and wind energy companies are also expected to grow over the next several years.

Economic Change: Infrastructure Investment and the Government Economic Stimulus Package

Career Opportunities:

- **Demand for Local Government Expertise in Public Works Projects and Finance**

  For many years, virtually every state and local government has utilized public financial incentives to attract jobs and capital investments. As the market for projects grows increasingly competitive, and as developers struggle to close the financing gap for new or redevelopment projects, public incentives are likely to play a significant role in the financial structure of any development deal. Those legal, bond and investment professionals with experience in municipal finance, economic development, and tax incentives will be presented with new opportunities across the country. Public finance opportunities connected with infrastructure will also rise. Professionals with prior experience with large-scale vertical development may find new opportunities in financing or developing transportation, bridge, highway or other utility projects. Public/private project management skills, especially with a civil engineering or urban planning component, will be in greater demand.

Planners and engineers may also find opportunities with local, regional, and state governments. As developers scale back projects and wait for capital, cities are likely to take the lead on planning future projects. Infrastructure projects are also expected to be a key component of the new administration's economic stimulus package, and those with experience in public bidding and implementation of public works projects are likely to find opportunities.

> *"Employers will be looking for someone with both deal experience and a wide network of contacts, as well as a positive attitude and lots of energy."*
>
> - ***Elif A. Bali***
>   *Senior Vice President – Acquisitions & Development*
>   *Loews Hotels*
>   *NYCREW Network*

Economic Change:
Residential Housing, Condo Collapse and Subprime Meltdown

Career Opportunities:

- ### Demand of Multifamily Leasing and Marketing Expertise

  Failed condo conversions in 2009 will continue to feed the apartment supply pipeline. The multifamily sector is also expected to grow over the next several years as defaulting and distressed homeowners seek alternative living arrangements. Competition to fill units will be intense and high-quality leasing and property management expertise will be valued. Renters will be flocking to best-in-class newer product, so many landlords will have significant pressure to upgrade or reposition older properties. Professionals, who understand how to tap market demand and allocate capital investment for optimizing impact, will see opportunities. Proprietary multifamily market research will be valued.

- ### Demand for Value-Add Asset and Development Managers

  As financing for new projects will slow to a trickle, investors will seek returns from repositioning existing multifamily housing stock or completing partially completed distressed projects. While incremental capital investment may start slow in 2009, 2010 and 2011 are likely to bring renewed value-adding activity. The ability to untangle properties with lien problems, broken buyer agreements or messy warranty/insurance issues will be a needed skill.

Opportunities

for Commercial Real Estate Professionals in the Changing Market

Economic Change: Medical / Healthcare Restructuring and the Aging of Americans

Career Opportunities:

- **Specialized Brokerage, Design and Management Experience in Medical Facilities**

Significant changes loom on the horizon for both the type of facilities constructed to meet the medical needs of the aging Baby Boomers as well as in providing a more accessible, lower cost form of health care. Brokers who understand the nuances of leasing Medical Office Buildings (MOBs) will see rising demand. These medical brokerage specialists need to understand distinct property construction and operating specifics for these management intensive facilities. As the healthcare industry expands (three out of 10 new jobs in the next decade are projected to be in healthcare), the need for updated and newly configured medical buildings will clearly follow. Investors rallied to this niche real estate product in 2008. In addition, there will likely be the development of new format medical "mini-malls" or other aggregated out-patient care facilities that group together diagnostic, ambulatory care, out-patient surgery, pharmacy and other medical retail services with university or research institute-sponsored doctor groups. As healthcare demands grow for the aging population, creation of new or renovated medical facilities must certainly expand.

"Networking is absolutely essential. Those that did not keep up on it as they moved through their careers are regretting it now."

- Kate M. Stentebjerg-Olesen
Vice President – Commercial Real Estate Finance HSBC Bank USA, N.A.
NYCREW Network

CREW Network recognizes that it is not enough to simply identify potential new job opportunities. Commercial real estate professionals must develop an action plan to capitalize on them. In a down market, updating management skills and contacts, and acquiring relevant technical knowledge, is essential to career repositioning. The recruiters and commercial real estate industry experts interviewed suggested the following specific recommendations:

- **Focus on Building Strong Fundamentals**

Strong fundamentals are important in a down market. Relevant college and advanced degrees, coupled with specialized

technical training and accreditation can propel a job seeker to the top of a recruiter's list. For example, if you are interested in a "green" career or job, accreditations such as LEED or Green Advantage will likely be mandatory in the coming years.

Enrolling at a university or in a training program may not be the only path to gain necessary skills. If you don't have experience in a particular subject matter area, or with a particular type of transaction, ask a fellow CREW Network member for ideas, assistance, and support. Develop a resource group, read industry publications voraciously and attend specialty topic seminars and conferences.

"Relationships and trust will be critical elements in business relationships going forward."

- ***Dr. Lalia Rach***
  Divisional Dean and HVS International Chair at the Tisch Center for Hospitality, Tourism, and Sports Management at New York University

■ Value Networking: Externally and Internally

In addition to necessary education and technical training, continued success in the commercial real estate industry requires critical professional and personal "soft" skills. According to a 2008 survey of CREW Network members, networking was viewed as the most important skill necessary to survive the economic crisis. In the coming years, online professional and social networking Web sites, such as LinkedIn and Facebook, will become increasingly important tools. These Web sites allow other members to provide online recommendations of your work or introduce you to contacts outside of your network.

■ Recognize Organizational Differences Created by Generational Diversity

The workforce is being changed by the difference in management styles and career expectations between the Baby Boomers and the Millennials (also referred to as the Generation Y). The composition of the workforce, with an increase in younger managers, is creating different styles of leadership, changing command/authority structures, tenure expectations, communication styles and protocols. Dramatic changes in business models are anticipated over the next 10 years. Understanding the generational differences, remaining flexible, understanding how to work successfully with younger colleagues and learning to better manage a workforce with increased ethnic diversity will be important.

■ Adapt. Take Risks.

In turbulent economic times, strong people skills, adaptability, and flexibility are necessary for success. You need to be able to change goals, shift fluidly and take risks in this market. Not only will "thinking outside of the box" help you keep your current position, or reposition your career, it will help you solve problems, handle pressure in a dynamic work environment, and be well positioned for many years of success.

Opportunities

for Commercial Real Estate Professionals in the Changing Market

■ Work Hard. Play Fair. Stay Positive.

Dependability, reliability and responsibility are critical skills. Even if you aren't the most qualified person for a particular position, if you have a strong reputation for getting things done you are more likely to be kept on or hired. Creative solutions and a positive demeanor will be rewarded. During a downturn, getting along well with other coworkers also becomes increasingly important. A positive attitude amidst constant complaining and angst, particularly during these challenging times, will be a welcome relief which sets you apart, and above, your coworkers.

■ Be Strategically Visible

During these challenging times, it is more important than ever to make sure your manager knows how you are contributing to your company's bottom line in a meaningful way. According to a recent Wall Street Journal article, "*[f]or young professional women who sometimes fail to sing their own praises or point out their contributions that can be particularly challenging. . . . While young women are inclined to just work hard and keep their heads down, thinking strategically and asserting yourself may be more important to bullet-proof your job."* Given that companies are more likely to be short-handed in the aftermath of staff reductions, volunteering for projects beyond your job responsibility may enhance your value to the company, as long as it is a project or initiative that is viewed as contributing to the bottom line.

■ Promote Yourself

Become your own advocate within your company, understanding that it is part of your job to not only provide value to your company, but to effectively communicate that value to its decision-makers - something many women are more likely to be uncomfortable with, or otherwise overlook.

■ Be Proactive and Resourceful

Be vigilant in staying abreast of the market in which your company operates, including developments and trends which may not only impact your company but its competitors, service providers and customers as well. Look for opportunities to learn new skills to enhance your value to the company, particularly in these new areas of relevancy. Even if you have a job, continue creating opportunities for yourself. Situational awareness is also essential - being sensitive to internal, political dynamics is never more important to your survival than during tough times.

■ Be Accessible. Be Loyal. Be Passionate.

Whether during difficult economic times or otherwise highly competitive markets, employers, customers and clients are increasingly looking for accessibility, flexibility and loyalty from their partners, staff and service providers. It is an often overlooked, but highly valued, intangible no-cost way in which to distinguish you from your coworkers and competitors. Companies and individuals will always remember those who assisted during tough times. Furthermore, there is nothing like your passion for their business to remind them how valuable you can be to its survival and future success.

Conclusions

The economic maelstrom of the past year, and its resultant uncertainty, turmoil and hardship, are expected to continue in 2009 and perhaps through 2010. Rather than viewing this as a reason to dig in and hibernate, hoping to weather the storm without being noticed or impacted, smart professionals will reposition their expertise, skills, and strengths to qualify for new industry opportunities. Whether you have lost a job, want to hold onto a job or want to change positions, to be successful you must be proactive, not re-active, with your career.

CREW Network is committed to providing the right tools and resources necessary for your professional development, training and networking – empowering you to achieve ultimate career success.

APPENDIX

A Review of 2008 - What Happened to Create the Economic Crisis?

"The events we've seen over the past year have been unprecedented, and although we have seen governments and central banks working to restore confidence to badly shaken markets, a return to stability will take time, as deleveraging on a massive scale, continues. Like most crises that start in finance, the effects have spread to the rest of business and it looks as if much of the world is heading for a significant slowdown. It will continue to be a tough period and it will take time before we turn the corner toward recovery."

- James S. Turley
Chairman and CEO
Ernst & Young

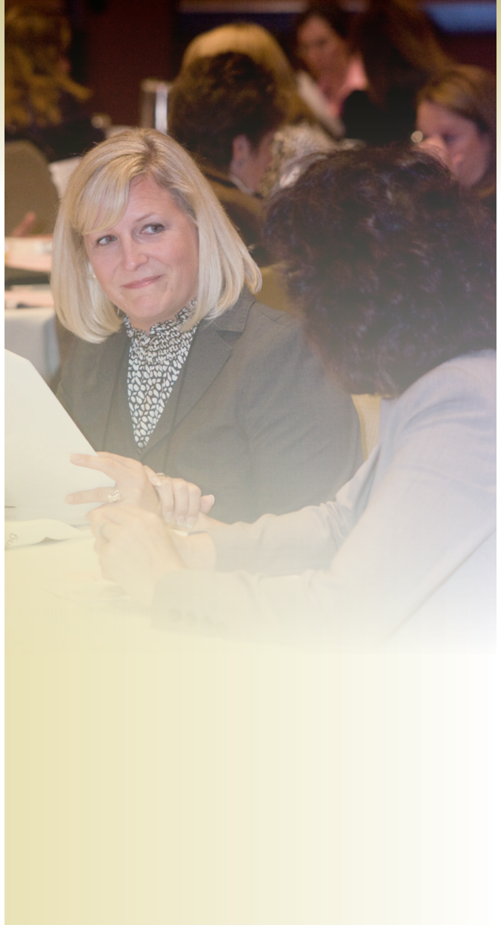
2008 OVERVIEW:

The unforeseeable confluence of various interdependent and often historic circumstances within the context of certain emerging trends has had and will continue to have, a profound and lasting effect on our lives and our industry, serving as a catalyst for irreversible change in many respects.

In order to provide a better understanding of how we came to be where we are, and a framework for moving forward, described below are some of those circumstances and trends which are likely to have a significant impact on the commercial real estate industry.

Impact of External Conditions

- ***Capital Markets/Economy***
  After recovering from the effects of September 11, 2001, many believe the U.S. economy, particularly in real estate, had experienced years of strong growth culminating in its most recent cyclical peak in 2006-2007. As the credit markets started to dry up in 2007, however, it became clear that the housing market had been dramatically overbuilt by the availability of easy and cheap credit. With the collapse of Bear Stearns in March 2008, came a freeze in the credit markets leading to the collapse of several more companies - many of them venerable Wall Street firms. The collapse took many forms, and what started as a trickle among the large institutions mushroomed to an avalanche by the end of 2008. The Bear Stearns acquisition in March by JP Morgan Chase, was followed by: the conservatorships of Indy Mac in July, and Freddie Mac and Fannie Mae in September; the extension of a line of credit to AIG in September,



with a second line of credit in October; a capital repurchase program involving the acquisition of preferred stock of 30 financial institutions for cash infusions in October; and the so-called “bailouts” of Citigroup and the auto industry in November and December, respectively. As a result, the credit markets ground to a halt, and spread fear and panic into the equities and futures markets as well. This triggered an economic downturn, which became exacerbated as problems in the housing market disclosed significant problems in the U.S. and global banking systems, involving the excessive and imprudent use of debt extending far beyond the housing market. The unraveling of highly complex debt instruments resulted in what many consider to be the worst financial meltdown during the post World War II era.

As reverberations of the financial crisis spread across all sectors of the economy throughout 2008, commercial real estate was surprisingly resilient throughout much of the year, and many investors expected that industry would remain comparatively stable during the otherwise pervasive financial and economic crisis. Development had been far less speculative than during previous boom cycles, and the underwriting standards used in the making of commercial real estate loans had remained more stringent than those for residential mortgages, or so the experts believed. According to the Wall Street Journal, however, “Evidence is emerging that the commercial property market - which runs from apartment and office buildings to shopping centers and warehouses - had some of the same excesses as the housing segment… In many cases, banks lent money based on future income assumptions rather than current cash flows...” As a result, commercial real estate began to struggle during the fourth quarter of 2008, with delinquencies on mortgages for hotels, shopping malls and office buildings increasing sharply. Furthermore, the Wall Street Journal reported data from Deutsche Bank showing that delinquencies on commercial mortgages packaged and sold as bonds, (representing nearly one-third of the commercial real estate debt market) nearly doubled during that same time period, to about 1.2 percent. Delinquencies on more traditional commercial real estate loans held by banks and thrifts, which typically own about half of outstanding commercial mortgages, also rose significantly, while still remaining much lower than subprime residential mortgages.

Although the commercial real estate job market had remained relatively stable during the first half of 2008 (even growing in certain sectors), new commercial real estate job opportunities began

A Review of 2008 - What Happened to Create the Economic Crisis?

a precipitous drop during the third quarter. According to the 2008 Select Leader/Cornell Job Barometer, "'wait and see' turned into a 'shut the door' hiring activity beginning in July and August." As the overarching economic crisis escalated going into the fourth quarter, the loss of new job opportunities paled in comparison to the loss of existing jobs in commercial real estate, directly and indirectly through the capital markets. Combined with the lack of liquidity and other factors, this had a ripple effect on related jobs throughout the economy. These job losses led to significant erosions of consumer confidence, taking its toll on numerous industries, including commercial real estate, as rents fell across the country and vacancies soared during the fourth quarter.

- ***Politics/Government Regulation***

After more than 20 months of campaigning, on November 4, 2008, in the midst of dramatic damage to the economy, Americans elected Barack Obama as President of the United States, sending a sitting member of Congress to the Oval Office for the first time since 1960. The election revealed a generational shift, as for the first time in two decades, neither a Bush nor a Clinton will serve as President and for the first time in more than 50 years, neither a Bush nor a Dole will hold elected office. Voter demographics underwent a seismic shift, with young voters turning out in record numbers (in many instances showing increases of more than 5 percent) in key swing states, and along with Hispanics and African-American voters, formed a non-traditional coalition supporting Obama, and significantly impacting the results.

President Obama clearly has his work cut out for him in leading the country through some challenging times. Indeed, he has already stressed the immediate need to address global engagement, stimulate economic growth and innovation, and take action on climate issues and health care.

In dealing with the economy, President Obama and his administration will utilize the powers granted to the Federal Government in the Emergency Economic Stabilization Act of 2008 (EESA), which was enacted in October of 2008 after contentious Congressional debate and significant public opposition. Among other things, EESA (commonly referred to as the "economic bailout") established the Office of Financial Stability and created a $700 Billion Troubled Asset Relief Program, or TARP. EESA provides the Department of the Treasury with broad discretion in buying up to $700 billion in "troubled assets", and allows Treasury to purchase and insure mortgages and any other financial instruments deemed necessary to stabilize the financial markets. The primary focus of TARP had been intended to be the purchase of mortgage-backed securities and whole loans. Soon after its enactment, however, following similar action by several foreign governments and central banks, $250 billion of the TARP funds were allocated to the purchase of preferred stock of U.S. financial institutions so as to increase confidence in the U.S. financial systems. Concurrently, in furtherance of that effort, the FDIC announced it would temporarily guarantee

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certain senior debt of all FDIC-insured institutions and certain holding companies, as well as deposits in non-interest bearing deposit transaction accounts.

- ***Geographic/Industry Sectors***

The economic ramifications of the crisis in the capital markets severely impacted not only the U.S. economy, but began to adversely affect national economies throughout Europe, Japan, China and elsewhere, as the ripple effects are being felt world-wide. What began with the credit crunch has escalated rapidly as some of the most prestigious names in global banking have collapsed or been nationalized, forcing governments to infuse billions of dollars into bailouts to try and stabilize the world markets. Around the world, emerging markets in Latin America, India and China are still growing, but at lower rates, exposing some underlying problems in their economies, and Russia is suffering from a sharp decline in oil prices, and is a key factor in what will happen in the European economy in 2009. As a result, many foreign banks, which had been actively making loans in the U.S., such as Allied Irish Bank, Bayerische Landesbank and others, are looking inward to their own countries to assist in supporting their own sagging economies. With the collapse of oil prices, even oil-producing countries, which have historically been very active inbound investors during recessionary periods, are focused on supporting their own economies rather than seeking investment elsewhere.

Consumer spending dropped precipitously during the fourth quarter of 2008 along with the steady erosion of consumer confidence, as the economic crisis emanating from the financial markets also adversely affected U.S. and global industry sectors. With the continued contraction of consumer credit, which had helped fuel spending in recent years, the Wall Street Journal reported that credit on consumer cards and loans for cars and education fell, representing the largest percentage drop in a decade. Consequently, the combination of Americans reducing debt loads and companies tightening lending standards is contributing to the broad downturn at department stores, restaurants and auto dealers, which in turn are directly, or indirectly, impacting the commercial real estate market. Even apparel sales, which should have been helped by a colder than normal October in 2008, were down over October 2007.

RETAIL

With the sharp retrenchment of consumer credit during the fourth quarter, as consumers grappled with falling stock market wealth, rising unemployment and choked-off credit access, they have been forced to reduce spending further, crimping a wide range of retail, restaurant and white collar service jobs, and as retailers continue to cut costs to stay afloat, more jobs are expected to be slashed in the retail industry. Beyond the negative headlines, consumers remain concerned that their household balance sheets are deteriorating, as their major asset, the home, continues to decline in value. This is creating a glut in the home sales market and problems for those whose mortgages now exceed the reduced value of their home. Homes aren’t the only asset class with declining

A Review of 2008 - What Happened to Create the Economic Crisis?

values, as many consumers' stock portfolios and pension savings plans have taken an even greater hit. The consumer's slowdown in spending continues to be felt by retailers and shopping centers. With retail bankruptcies rising, mall vacancies were at 6.6 percent in the third quarter of 2008, the highest since 2001, according to Reis, Inc. For enclosed centers, the rate was the highest since 1994. In the face of all these negatives, the one large offset is the sharp decline in gasoline prices. Some economists estimate that every one cent decline in the price of gas puts one billion dollars back into consumers' wallets for the year, but the money saved by consumers from lower prices at the gas pump do not yet seem to translate to a corresponding increase in retail spending, largely due to concerns about loss of jobs and declining paychecks and portfolios. Across the age groups, Baby Boomers were the most pessimistic about the future, as were lower income households, with women more likely than men to say they would be spending less. In today's difficult environment, the pullback in consumer demand will make 2009 a challenging year for retailers. Building customer loyalty, managing inventories closely and creating marketing buzz that keeps customers interested, will be the keys to survival for retailers. Among the ways to achieve this, is through creating better customer conversion opportunities through a top notch in-store experience, which will improve sales and profitability by creating long-term customer loyalty.

HOSPITALITY

Due to the operating nature of the hospitality business, this sector is often a leading economic indicator of economic trends to come. If a business or leisure traveler is facing economic hardship, she/he simply doesn't book the room for the night, or chooses a less costly alternative. With budget cuts affecting the business and leisure traveler, the tourism industry will be highly vulnerable to the fallout. Hotel occupancy rates and the average daily rate of rooms have already suffered, with hotel share prices and transaction volume also down significantly. Indeed, Deloitte reports that several airlines and tour companies have already collapsed, and with compressed demand, there could be more to come.

ENERGY

Over the past 150 years, the U.S. energy industries have been susceptible to volatility, market meltdowns, political upheavals and the drying up of outside capital investment into these industries, although they had been remarkably resilient in overcoming any significant or long-term effects of these conditions. Due to the unprecedented nature of the recent market turmoil, and drying up of global liquidity, economists' forecasts of a modest economic slowdown were transformed into forecasts of possibly severe worldwide recession, causing oil and gas prices to decline precipitously, falling to roughly 50 percent of their peak value. In response, industry players are re-assessing risk exposure, deferring or terminating planned projects and considering the sale of valuable assets, particularly as near-term uncertainty continues. Ironically, the reduction in gas prices, which is one of the few economic positives for consumers during the past 4-6 months, has softened worldwide demand for oil and gas, thereby negatively impacting one of the industry sectors which might otherwise have remained relatively stable during the crisis in the financial markets.

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Many energy companies are now contending with both pricing weakness and diminished access to both credit and capital leading to speculation that the smaller companies, with less cash reserves, may have difficulty surviving. Indeed, there are already indications that cash-rich larger companies are already moving to buy assets from the smaller cash-strapped natural gas companies.

The current economic environment, while challenging for the energy industry, should provide well-capitalized companies with the opportunity to enter into acquisitions, form partnerships, find and nurture talent, grow their businesses in a more rational price climate and capitalize on long-term hedging relationships. While confident that the world's increasing demand for energy supplies will support this growth, the challenge to manage the risks and regulatory environment, coupled with a rapidly aging workforce, will require sound strategies and investment. The winners will be those companies which can build and sustain strong alliances and networks globally, as well as train and retain a skilled workforce.

Effect of Emerging Trends.

- ***Environmental Sustainability***

  At its most basic level, sustainability is the process of improving the quality of life for all people while living within our planet's environmental limits. Since 1997 when the concept of sustainability was first mentioned on a coordinated platform with the release of the UN-sponsored Brundtland Commission's "Our Common Future", the movement towards sustainability has expanded across the globe. Governmental and non-governmental organizations, corporations and consumers are increasingly focusing on the need to exist in harmony with their surroundings and reduce their environmental footprints. Previously soaring gas prices, extreme weather, crippling power outages and mounting scientific evidence of the harmful effects of greenhouse gas emissions have further raised public awareness and concern about the long-term effects on the environment of economic growth and development.

  As the success of green products becomes evident, consumers, shareholders, and companies alike increasingly want to make a statement about their environmental ethos, and sustainability has quickly become a core objective in the corporate world – for its own end, and as an increasingly effective marketing tool. The greening of products and business operations has become a central theme in virtually every industry. Companies increasingly recognize they can be better positioned to achieve strategic and financial goals by addressing sustainability issues and requirements.

A Review of 2008 - What Happened to Create the Economic Crisis?

With sustainability awareness growing among businesses and consumers around the world, it is increasingly important for consumer products companies, retailers and shopping center developers and owners to understand what drives consumers to buy environmentally friendly products and to frequent green stores and shopping centers. National Geographic's Greendex project - a 2008 global study to measure progress towards environmentally sustainable consumption in 14 countries - found that Americans ranked last among the nations that were surveyed for choosing a "green option" when it came to housing, transportation and consumer goods, and near the bottom when it came to food. However, environmental awareness has risen significantly in the U.S. in recent years, including recognizing the economic and social costs of not conserving energy and other finite resources.

With heightened public awareness and concern about global warming and ongoing increases in energy costs, the case for green development seems to have gained mainstream acceptance. While companies are responding to the opportunities and challenges that the sustainability movement presents with a broad range of soft "green" initiatives, the new emphasis on sustainability has inevitably led companies to consider green buildings and their potential benefits. With the extensive media coverage of high profile sustainable projects and heightened political pressure for environmental responsibility, the U.S. commercial real estate industry has started to embrace the benefits of sustainable building design and construction, and consider investing significant capital into energy-saving and other environmentally high performance building projects. Accordingly, sustainability and efficiency – going "green" – are increasingly becoming explicit considerations in the planning and construction of major development projects. The current standard for green buildings is the Leadership in Energy and Environmental Design (LEED) rating system, a set of standards developed by the U.S. Green Building Council. (), originally launched in 1998 to provide a benchmark for high-performance "green" buildings, has continued to evolve and expand, and now includes standards for existing buildings as well as specific building components (e.g., commercial interiors, core and shell) and, most recently, specialized property types and residential structures. As the U.S. commercial real estate industry has started to embrace green building design, it has begun to invest significant capital into energy-saving and other environmentally high performance building projects. As a result, many owners and developers are asking whether a green premium exists for property resale values and/or rental rates, and whether space demand is higher for green buildings than others. To date, however, most studies on the benefits of green investment are case studies with no hard comparables yet available.

Perhaps the most powerful driver currently behind the move toward green development in the office sector, however, is tenant demand. Several studies have shown that the most sophisticated tenants value sustainability and seek it out in their real estate occupancy. A report from Co-Star Group found that LEED and Energy-star rated buildings consistently command rent premiums over their non-green counterparts.

Over the long-term, the human resource benefits of a green building may far outweigh the potential energy savings as the primary reason tenants decide to go green. Although the data is mostly anecdotal, the features that typically are incorporated into new green office buildings to ensure a healthy indoor environment can generate significant gains in worker productivity, and may also provide a competitive advantage for companies in attracting and retaining the best talent.

While much of the discussion surrounding green buildings has focused on premiums associated with their cost and, potentially, the rents and values they might achieve over time, the most compelling long-term arguments for developing green today may involve the risks associated with non-green buildings. As the market share of green buildings increases and sustainable development becomes more mainstream, owners of non-green buildings could face various increased risks, including functional obsolescence, reduction in building class, governmental disincentives, etc. The green building movement has serious implications for real estate investors and developers.

Consumers are increasingly demanding not only green products and services but green companies. As more businesses conclude that green practices address a myriad of competitive, organizational and, potentially regulatory challenges, increasing demand for green space will create new risks and opportunities for owners and builders. Mergers, acquisitions and divestitures have so far been relatively unaffected by the green trend. However, recent deals in industries as disparate as energy and retailing have demonstrated that sustainability can affect both the viability and ultimate value of deals. Companies are seeking to gain support for acquisitions by committing to actions that will help address issues which affect the environment. Others are willing to pay a premium earnings multiple for companies because of their sustainability leadership. Corporate responsibility and sustainability issues have evolved from their roots in community and environmental activism into the forefront of regulatory action and ultimately, the valuation of deals.

“Climate smart” companies are taking initiatives to put their own houses in order, partnering with their customers and suppliers, focusing R&D dollars on the problem, bringing cleantech products and services to market and influencing government policy. A number of forces are driving the corporate response to climate change. Government policy in the form of incentives/tax credits, regulations (e.g. emissions reduction, carbon trading, renewable portfolio standards, disclosure requirements) and accelerator programs (R&D funding, technical assistance) are both pushing and pulling the corporate response.

A Review of 2008 - What Happened to Create the Economic Crisis?

- ***Management: Technology & Human Resources***

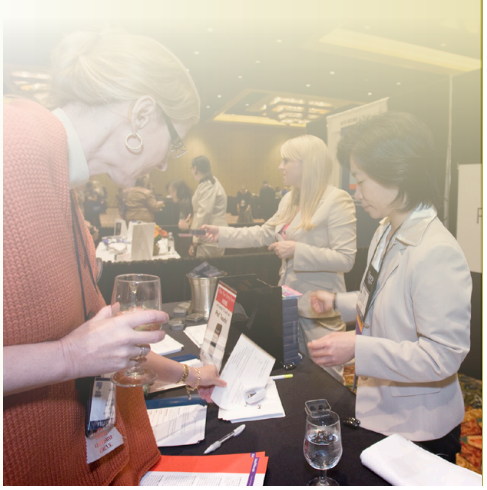
Seismic demographic changes have been transforming the workforce across the world. These changes are being primarily driven by four major trends: an aging workforce, a shrinking workforce, a more diverse workforce, and the globalization of the workforce. Together with technology, globalization and other factors, these demographic changes are expected to impact organizational models and cultures, as businesses grapple with the realities of skill shortages, managing people through change and creating an effective workforce amidst such change. Developing an effective talent strategy begins with an examination of business goals. Dramatic changes in business models over the next 10 years are expected to result in companies facing challenges arising from the disappearance of the boundary between work and home life, stringent people measurement techniques to control and monitor productivity and performance, and the increasing importance of social capital and relationships as the drivers of business success. In order to remain viable, the function of human resources, often considered as passive and service-oriented, is likely to undergo a fundamental change - either becoming the proactive heart of the organization and driver of the corporate social responsibility agenda with the organization, or becoming outsourced and predominantly focused on people sourcing.

In addition, the composition and attitude of workforces are changing and will continue to do so at an accelerated pace, precipitated by a number of factors, including Baby Boomer retirements, changes in the family structure, and the emergence of women (who historically have had non-linear careers) as the majority of available workers entering or re-entering the workforce. One of the key factors driving this dramatic shift, are the so-called “Millennials” (also referred to as Generation Y) - who are not only making generational diversity as much of a workplace issue as gender and racial diversity, but who themselves are exceptionally diverse in gender, race and ethnicity. While there is not complete agreement on the age ranges of this group, or even to what the group should be referred, there is general consensus that this group will dramatically shift the workplace paradigm. One managing consulting firm reports that by 2010, half of its workforce will be Millennials. Among the ways in which Millennials are challenging the traditional workplace, are: the tenure program, the best practices mentality, traditional planning, chain of command/authority, and rigidity in time, space, job and career. Current people management practices were created for a very different workforce with different expectations. Consequently, in order to compete for top talent among the Millennial generation, corporations will need to make fundamental changes in current corporate philosophies, practices and policies. Among those changes, they will need to create a culture of continuous collaboration, support and communication.

2009 - Where Are We Now?

"Throughout America's history, there have been some years that simply rolled into the next without much notice or fanfare. Then there are the years that come along once in a generation - the kind that mark a clean break from a troubled past, and set a new course for our nation."

- President-elect Barack Obama[cite]



As the new year begins, we have provided a brief snapshot of where some of the foregoing circumstances and trends currently stand, to assist in identifying, and strategically seizing, the opportunities which do and will exist, despite the prevailing "doom and gloom" forecasts regularly appearing in the media.

- While it is too soon to know how the overhaul of the banking system will play out, it is undeniable that the financing of real estate has undergone a long-term shift. The era of high leverage is over, replaced with a more conservative market environment for the foreseeable future. Less debt means more equity, leading to falling property prices and the possible revival of REITs. Life companies are least likely to be significantly impacted by current market conditions. As historically conservative lenders, their annual lending volume may not only remain steady, but grow as its more aggressive competitors exit. Securitization programs are sidelined for the foreseeable future (and perhaps much longer), which leaves portfolio lenders in a relatively strong competitive position for 2009, provided they remain cautious in the origination and underwriting. Loan-sale advisors expect the secondary market for commercial mortgages to swell with new offerings in 2009, although the volume of deal closings will likely remain low until bid-ask spreads thin. Accordingly, many advisors do not see trading volume picking up until the second half of 2009 through 2010. Several REITs, including Developers Diversified Realty and ProLogis, are taking advantage of investors' fears and have looked into buying back their unsecured bonds at a discount.

Conclusions

APPENDIX

2009 - Where Are We Now?

- During the first quarter of 2009, a wave of bad economic news is anticipated, as the incoming administration attempts to lay the political groundwork for a massive stimulus package in a volatile market amidst further “bailout” requests from Citigroup and other banks. While the Obama administration will be pressed to take immediate action to address the financial problems, doing so may actually exacerbate them through rising debt and inflation, while the global economy remains vulnerable to oil price shocks.
- Inevitably, like the corporate collapses of the early 2000s, the credit crunch will trigger a further wave of new and tighter regulatory requirements. The TARP Reform and Accountability Act of 2009 (referred to as TARP II) has already been introduced to enhance restrictions and reporting requirements placed on institutions receiving funds under the EESA, as well as to increase foreclosure mitigation efforts and clarify the Treasury Secretary’s authority to assist automotive manufacturers, municipalities, and consumer credit providers. Another bill aimed at giving homeowners more leverage in renegotiating their mortgages utilizing so-called mortgage “cram-downs”, overcame a major obstacle with Citigroup withdrawing its opposition, and is in the pipeline for passage in some form. As the housing market and economy continue to weaken, there is also a push to modify other bankruptcy laws to allow bankruptcy judges to lower the principal and interest rates on mortgages and extend the terms of loans. This represents a major shift from lenders to debtors, as debtors are not currently allowed to renegotiate their mortgages. Top commercial mortgage industry groups are lobbying for federal relief for the commercial mortgage market, through the expansion of TARP and/or new initiatives, which may impact the timing.
- Among the items included in President Obama’s proposed stimulus package, is the creation of jobs developing and/or repairing the major infrastructure projects throughout the country. Declining construction costs and lower gas prices are likely to support the viability of this initiative, although negotiated labor rates and the need for extensive training programs may delay or restrict this proposal.
- Trying to lease warehouse space in today’s economy is a challenge, no matter the size, location or region. Along with every other non-residential property type, industrial real estate is being buffeted by one of the worst economic downturns since the Great Depression. Key demand drivers including retail, housing, manufacturing, imports and exports are all down significantly from recent levels. Demand is not expected to return before year-end at the earliest.
- On the supply front, construction has already fallen off considerably with just 66.8 million square feet under construction at the beginning of January compared with 141.3 million square a year ago. For 2009, warehouse development will total just 75 million square feet compared with 171.9 million square feet in 2008. Even with new supply less than half 2008 levels, the US industrial vacancy rate is expected to be in excess of 10.5% by the end of 2009 versus 9.1% at year-end 2008. Warehouse rents not surprisingly will continue to drift lower for much of 2009 finishing $0.75 per square foot lower at $4.75 per square foot and back to 2005 levels. In summary, tenants can look forward to

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lower real estate costs while developers and landlords will struggle to keep occupancy levels from falling and rental income from declining.

[*Prepared by Ross J. Moore, Executive Vice President, Market and Economic Research Colliers International USA]*

- Drained by the worst consumer-spending slump in decades and burdened by debt, U.S. retailers are expected to begin a wave of bankruptcy filings in 2009, altering the landscape at malls and on main streets across the country. Retailers are particularly vulnerable in the current downturn after a decade of buoyant consumer spending encouraged them to over expand and over borrow. In 2009, those banks and private investors still standing, are pulling back, tightening lending terms and reducing exposure to retailers. As a result, these tougher terms are making it harder for retailers to find capital to reorganize under bankruptcy-court protection, as they were able to do in the past - likely resulting in more liquidations.
- The Internet, however, continues to be a star performer for retail, along with the growing popularity of multi-channel retailing, which is being embraced most notably by consumers under the age of 30. According to a recent Deloitte report, "Multi-channel retailing is not about 'the store' - it's about serving the customer, however and whenever she wants. A purchase made in the store is not worth more than one made on the laptop or via mobile device."
- Responsive retailers are making it easier for consumers to find information and make purchases online. Investments in mobile technology, blogs, social networking sites, product videos and viral marketing have picked up sharply, and Web 2.0 technologies will greatly enhance the effort to keep consumers spending. Under current economic conditions, however, competition for shopper loyalty has never been more intense, with consumer shopping options multiplying across physical center formats and alternative channels. At the same time, consumer expectations for convenience, comfort and entertainment in shopping environments continues to grow. In response, center operators are increasing their investment in experience-rich shopping environments that are designed to drive long-term loyalty relationships and profitable shopper behaviors.
- The anticipated corporate consolidations and emergence of bargain prices for stock in world-class companies are among the positive notes, as each presents unique buying opportunities for those with liquidity, patience and courage. Further, U.S. interest rates are hitting historic lows and a flood of liquidity is coming into financial markets through Treasury bonds, but not expected to have much impact. 2009 is expected to be difficult in Europe as well with the recession hitting there about six months after the U.S and European markets being less flexible than the U.S. system, requiring longer to adapt.

2009 - Where Are We Now?

- Even with the current economic slowdown, several hotel chains are continuing to expand throughout Europe. According to Lodging Econometrics, 53,245 new rooms or 359 hotels are scheduled to go online by the end of 2009. Although the financial crisis is holding back development in some countries, developers who can raise the cash are moving quickly into emerging markets, such as Turkey, Russia and the Commonwealth of Independent States (CIS). Sovereign wealth funds and budget brands are also still making acquisitions. The current financial turmoil may actually present plenty of opportunities to cash-rich companies looking to invest in distressed hotel assets or companies.

- Fortunately, many energy companies are currently very well capitalized and have large capital reserves. As such, these companies are positioned to purchase assets at more attractive prices, create partnerships with less well-capitalized companies and perhaps even enter into long-term strategic hedging relationships with end users. The U.S. natural gas industry is just one example of how, through partnerships, asset sales, and strategic investments by strong highly liquid companies, exploration and development in the industry can continue despite tight credit conditions – an advantage other industries lacking the liquidity and capitalization structures of the energy sector might envy. In fact, even with its lack of Wall Street money for new energy transactions, the current economic environment will not eliminate funding for legitimate development activities. It will, however, likely mean a return to more traditional financing methods used before Wall Street took over industry financing, in order to fund exploration, development and production.

  Another area where the demise or exit of outside players may mean significant changes in the way energy companies do business is the energy trading markets. In recent years, investment banks and other financial institutions, lured by attractive arbitrage opportunities, particularly after the collapse of Enron, jumped into the forward markets more significantly, playing the role of middleman between end users and oil companies in various financial transactions. With the demise (or transformation into commercial banks) of most of the investment banks active in the energy markets, the liquidity, type and structure of transactions, spreads and participants in industry financial transactions and hedging activities has changed.. Major players in this arena such as Goldman Sachs, Merrill Lynch and Morgan Stanley have shifted from investment banks to commercial banks as part of their bailouts and as such will face greater regulation, stricter capital requirements and more extensive governmental oversight. Existing positions may play out, or energy portfolios could be put up for sale – another purchase opportunity for a well-capitalized energy company.

- Companies that do not have corporate responsibility and sustainability programs in place can expect to face increasing regulatory and marketplace demands for change. It is anticipated that under the new administration there will be aggressive regulatory change at federal, state and local levels, and public company disclosure obligations are likely to be implemented by the SEC during the next few years. These new and proposed changes to regulations are causing dealmakers to think more carefully about the implications of upcoming deals and if necessary, to alter their approach. Energy isn't the only industry affected by sustainability issues such as carbon trading and environmental protection. Deals in virtually all sectors are likely to involve a variety of sustainability challenges and opportunities.

- Technological innovation will continue to provide new opportunities for cost reduction, efficiency improvements, compliance with new regulations and the production of new products and services, which corporations cannot afford to ignore. These companies are developing a broad range of partnerships as they shape their unique competitive responses to the challenge.
- The focus on green issues is not just a passing phase and is anticipated to continue for the long term. The difficult economic times may actually drive the green agenda more rapidly, as operators competing for a static level of demand utilize an environmentally-friendly program as a differentiating factor. LEED certification is one of the most obvious ways in which developers and owners can benefit from green-related tax breaks and cost savings, as well as enhance their market appeal to customers who are demanding green products. Operators can save on operational expenses as well, because LEED-certified buildings are more energy efficient, use less water and have less solid waste disposal. In the hospitality sector, green measures can span the gamut from water and energy conservation measures, to using green materials in buildings - appealing to a new breed of ecotourists and meeting planners seeking out environmentally friendly venues - even at a higher cost.
- The sheer scale of the sustainability challenge has moved sustainability to the top of the corporate agenda and into every function and business unit. External reporting requirements along with internal financial and strategic objectives have driven environmental and social performance issues out of their traditional corporate silos. In the face of increasing competition and consumer interest, a broad range of businesses, from retailers and consumer goods companies to hospitality companies and professional consultants, are using sustainability to support their brand and generate a competitive advantage.
- Heightened awareness of ethical and environmental issues has irreversibly changed consumer perceptions of brands and products. The Obama administration is expected to reinforce the importance of sustainability through a number of initiatives and programs, and its economic stimulus plan is expected to include as much as $25 billion of energy tax credits to bolster renewable energy projects, fuel-efficient cars, biodiesel production and more. These anticipated regulatory changes are already causing dealmakers to think more carefully about the implications of upcoming deals While job losses have hit extraordinary levels, not only are there areas of growth and opportunity in various commercial real estate sectors and disciplines, but strategic thinking companies will be viewing the staff cuts of their competitors as an opportunity for them to upgrade their own talent in order to position itself for long-term growth.

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Selected Resources

For your convenience, CREW Network provides the following selected list of resources which may be helpful, and on much of which this White Paper is based:

INDUSTRY OVERVIEW:

1. "The RREEF Property Cycle Monitor: The Eye of the Storm", prepared by RREEF, a member of the Deutsche Bank Group, November 2008
2. "Global Annual Review", issued by PricewaterhouseCoopers for the 2008 Fiscal Year (July 1, 2007 - June 30, 2008), including: "Assurance in a Time of Change", by Dennis Nally; and "Sustainability: A Perfect Storm for Change", by Ian Powell
3. "Commercial Real Estate Outlook: Q4 2008", prepared by Deutsche Bank, contact: Richard Parkus, Head of CMBS Research, 212.250.6724
4. "An Assessment of the U.S. Job Market in Commercial Real Estate", the Select Leaders/Cornell Job Barometer, Fall 2008
5. "Research Review", Volume 15, Number 1, published by the International Counsel of Shopping Centers in 2008, contains various articles on the different topics.
6. "Global Review 2008", issued by Ernst & Young
7. "Planned Layoffs in 2008 Hit 5-Year High: Challenger Report", Reuters, January 7, 2009.
8. "Obama: New Layoffs Show Need for Urgent Action", reported by Associated Press, FOX Business News (online), December 9, 2008
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