

2010 NAIOP SEMINAR

Reading the Signposts of Recovery

Moss Adams Capital LLC – Stephen J. Duffy
Albuquerque Marriott
May 11, 2010

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AGENDA

- I. Data to Watch
- II. Cycle Insights
- III. Moving Forward
- IV. Current Private Equity Characteristics
- V. Plan Your Exit

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I. Data to Watch

a. National

1. Unemployment
2. GDP
3. Interest Rates (Treasuries, 30 Year Fixed Mortgage, Money Market and CDs)
4. Key Links: 8% / 5% / 4.5% / ½%

b. Local

1. Retail (Traffic, Occupancies, Sales)
2. Office and Industrial (Occupancies, Effective Rents, Tenant News)
3. Home Prices
4. New Home Construction
5. Resale Home Inventory

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II. Cycle Insights

a. Clock Face as the Cycle

1. At 6 to 7
 - a) Equity: Expensive, “Story” Based, Subordinate Promotes
 - b) Debt: Challenging to Find, Low Proceeds, Guarantees
 - c) Dysfunctional Asset Clearing
2. At 7 to 9
 - a) Capital Easing Continues: Availability, Pricing, Promotes
 - b) Robust Asset Clearing; Financials Switch to Offense
 - c) Development Leaves Oncology
3. From 9 Up
 - a) Equity: Multiple Alternatives, Best Promotes of the Cycle
 - b) Debt: Abundant, Low Spreads, High Proceeds
 - c) Development Expands

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III. Moving Forward

- a. Clear Your Legacy Issues.
- b. Target Assets.
- c. Track Ownership/Track Capital.
- d. Assess Needs (Due Diligence, Property Management, Rehab, Leasing, Etc.).
- e. Highlight Your Value-Add.
- f. Align Your Organization.
- g. Start Small and Build Volume.

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IV. Current Private Equity Characteristics

- a. Track Record
- b. Pipeline
- c. Execution Capability
- d. Co-Investment
- e. Preferences
- f. Promotes
- g. Governance
- h. Term
- i. Deal Size
- j. Speed

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V. Plan Your Exit

a. Know Thyself

1. Timing
2. Cash
3. Guarantees
4. Activity Level

b. Hindsight Red Flags

1. Home Ownership
2. Leverage (Amount and Coverage Quality)
3. No Risk/No Co-Invest
4. Flat Going-In to Exit Cap Relationships
5. Non-Operating Cash Flow in the Yield
6. Construction Cranes
7. Lack of Risk/Quality Premiums

Stephen J. Duffy

Steve is the leader of the real estate consulting and investment banking business in Moss Adams Capital LLC (“MAC”). Moss Adams Capital LLC is the investment banking affiliate of Moss Adams LLP.

Steve has over 28 years of real estate consulting and capital markets experience. He has been a partner at both Kenneth Leventhal & Company and Ernst & Young LLP. In addition, Steve has operating executive experience as a chief operating officer, principal and managing principal in the multifamily industry and the institutional real estate private equity sector.

Steve has worked with a wide variety of the leading private and public real estate operating companies across product types, the capital stack (equity investors and lenders) and domestic and international markets. He has significant experience in restructuring, capital markets and strategic planning and he has been involved in numerous capital transactions as well as mergers and acquisitions within the industry over a number of real estate cycles. He has spoken on these topics in a variety of industry forums over his career.

Steve is a full member of the Urban Land Institute and the National Multi Housing Council. He is an advisory board member for the USC Lusk, Marshall School of Business Center for Real Estate as well as for the UCI, Paul Merage School of Business Center for Real Estate. He has a B.S. in Economics as well as an MBA from Fordham University.

Stephen J. Duffy
Moss Adams Capital LLC – Real Estate
Recent Speaking Engagements

- “Capital Markets Update,” Northwest Indian Gaming Finance Panel, Tulalip, Washington, July 2009
- “Opportunities in Real Estate and Debt Restructuring,” Moss Adams LLP Client Conference, Fircrest, Washington, September 2009
- “Opportunities in Real Estate and Debt Restructuring,” Moss Adams, LLP Client Conference, San Rafael, California, November 2009
- “Real Estate Capital Markets Update and Survival Tips,” Puget Sound Controllers Conference, Seattle, Washington, December 2009
- “Capital Markets Update,” Oregon Long Term Care Conference, Portland, Oregon, December 2009
- “Effectively Managing & Negotiating Workouts: Borrowers’ Perspectives,” Seventh Annual Winter Forum on Real Estate Opportunity & Private Fund Investing, Laguna Beach, California, January 2010
- “Securing Credit & Restructuring Debt in Indian Country,” Online Webinar, Moss Adams LLP, January 2010
- “Asset Advisory, Receivership and Workout Strategies Emerging in the Downturn,” Urban Land Institute (ULI), San Francisco, California, March 2010
- “Receivership and Asset Advisory Amid the Meltdown,” Bay Area Mortgage Association (BAMA), San Francisco, California, April 2010
- “Capital Update for Tribal Finance,” California Native American Economic Development Conference, San Diego, California, April 2010

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