



Private  
Wealth



Robert A. Stanger & Co. LLC

2ND ANNUAL

# Innovative REAL ESTATE STRATEGIES

HOW ADVISORS CAN ACHIEVE PORTFOLIO DIVERSIFICATION THROUGH REAL ESTATE

## Real Estate Market Trends & Performance in Periods of Economic Recovery

### MODERATOR

**Daniel Oschin**

Managing Director

*KBR Capital Partners, Inc.*

### PANELISTS

**Troy L. Gagliardi**

Chief Investment Officer

*Sayco Capital Group, Inc.*

**Maxwell Drever**

Founder and Chairman

*Drever Capital Management, LLC*

**Kevin Bradburn**

President

*Central Trade and Transfer*

# Key Macroeconomic Trends

Macroeconomics - A branch of economics dealing with the performance, structure, **behavior**, and decision-making of the whole economy.

## *Today's UNCERTAINTY*

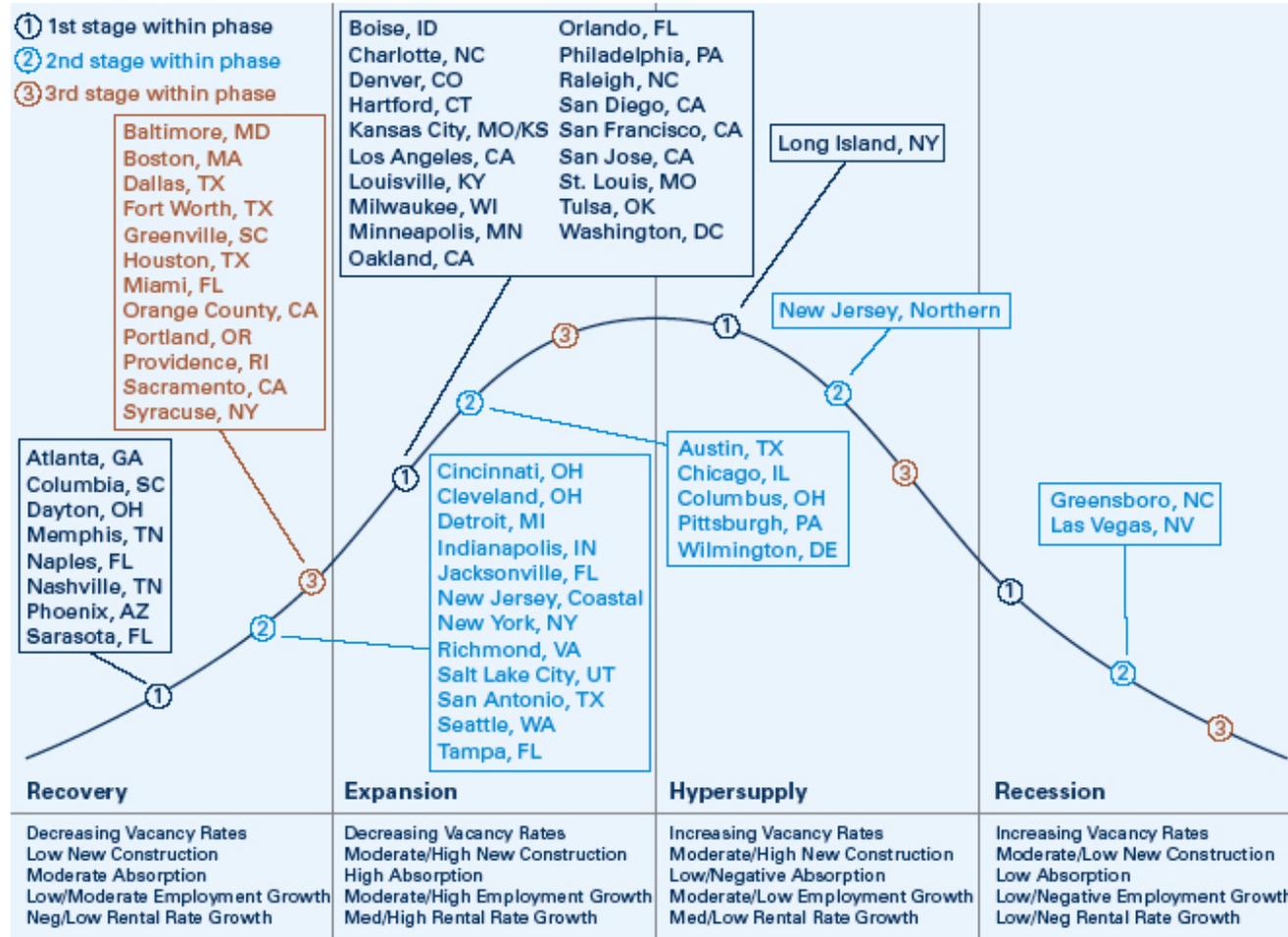
- Deleveraging
- Credit and liquidity tightening
- Overcorrection
- Government involvement

## *Behavior during economic recovery*

- Influx in rental demand/increased revenue
- Affordability = homeownership / lack of supply = appreciation
- Understanding of real estate fundamentals encourages investments in real estate

# Multifamily Market Projection through 2014

Apartment Market Cycle (Fig. 27)



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# Counter-Cyclical Investment Strategy

WILL THE LAST  
PERSON LEAVING  
SEATTLE –  
Turn Out the Lights.



- Acquired & sold 1968–84
- Acquired 1987–1997 & merged into REIT
- Acquired post 2000
- Concierge Management

# Securitized Real Estate 2011

<b>Mortgage Loan LPs/ LLCs</b> <sup>⊕</sup>	<b>\$5.1</b>
<b>Equity NL-REITs</b>	<b>\$7,980.6</b>
<b>Mortgage NL-REITs</b>	<b>\$377.3</b>
<b>1031 Programs*</b>	<b>\$227.6</b>
<b>Real Estate Total</b>	<b>\$8590.60</b>

\$= Millions

Source\*: ORES

Source: Robert A. Stanger & Co., Inc

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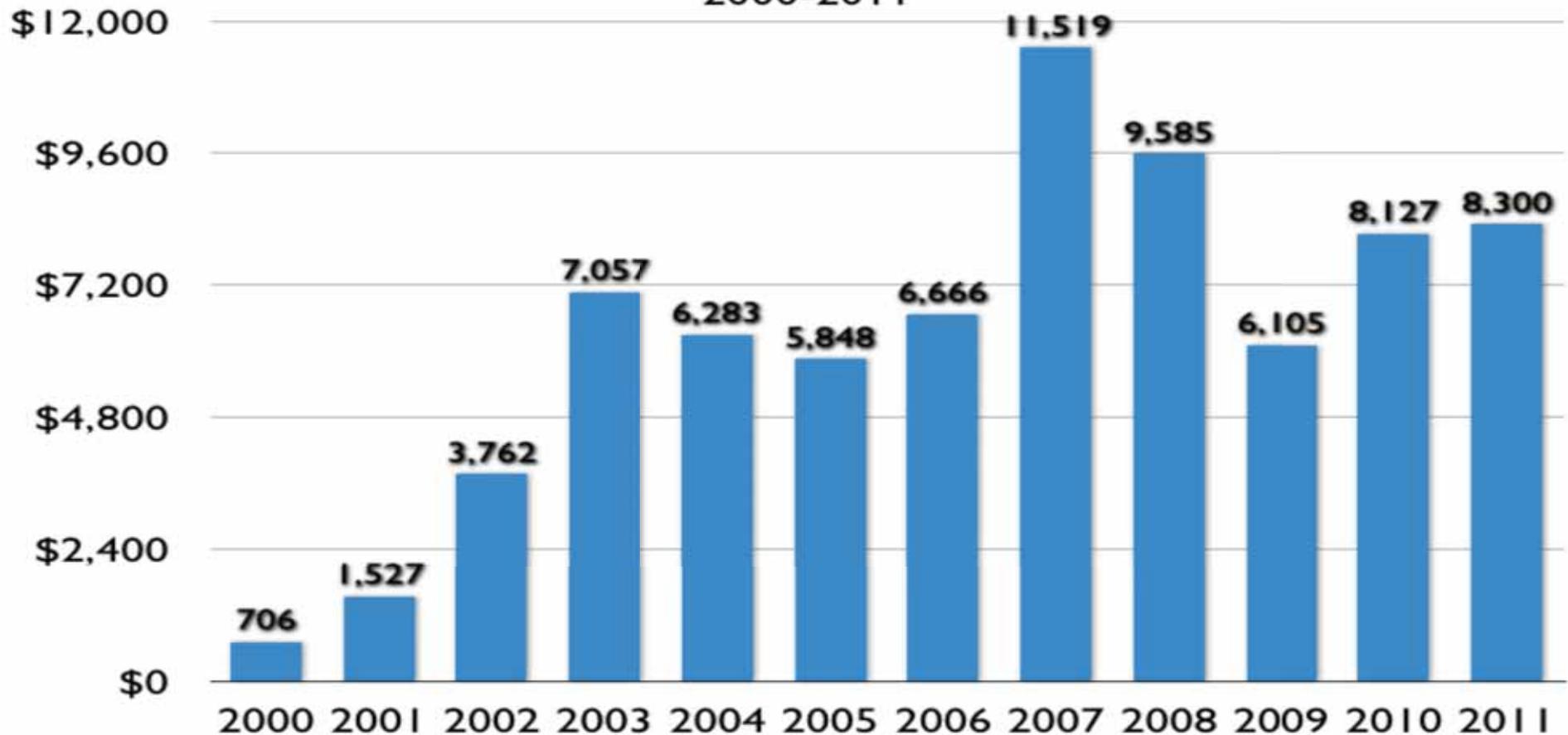
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# NL-REIT Fund Raising

**NL-REITs \$75.5 Billion**  
2000-2011



\$= Millions

Source: Robert A. Stanger & Co., Inc

# Real Estate Investment Timing

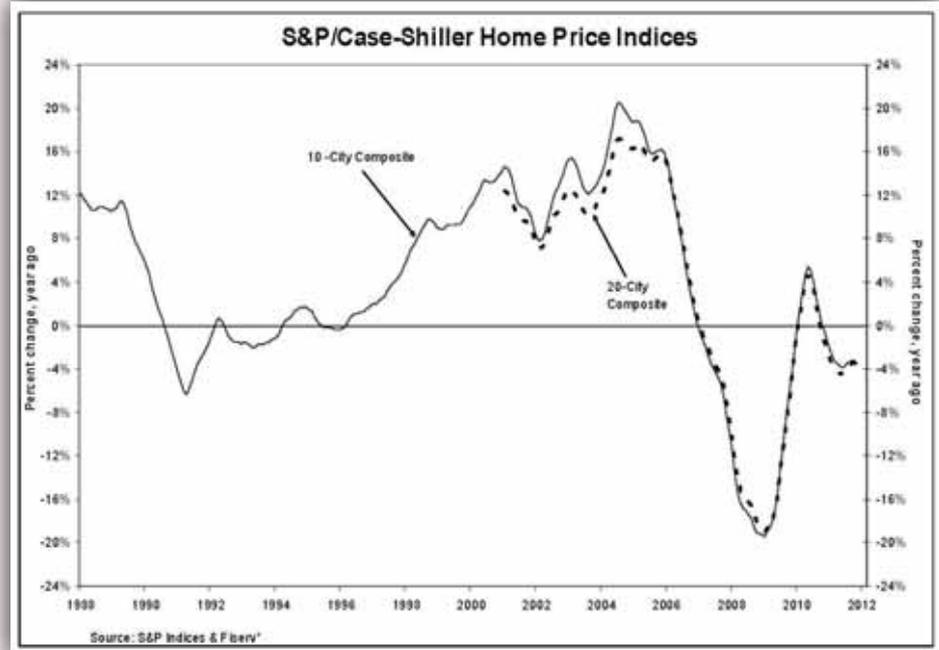
Why is NOW and good time to invest in REAL ESTATE

## *Affordability*

- Low price points
- Low interest rates
- Inventory

## *Key Aspects*

- Objectives
- Strategy
- Longevity



# Looming Shortage

## Projected Occupancy Rates through 2020

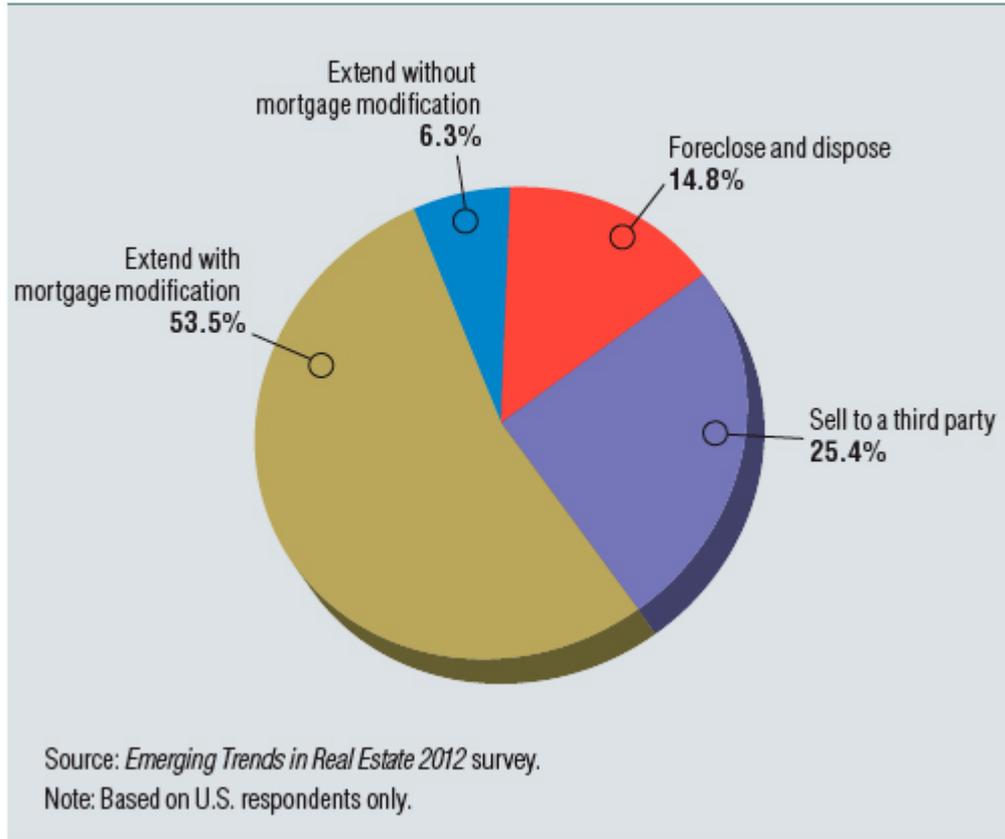


- 100,000 units completed nationally in 2010 year
- 150,000 units demolished nationally in 2010
- Targeted metropolitan markets were not overbuilt when the Great Recession began

Born in the mid-1980s and later, members of the Generation Y cohort are recently in or just entering the workforce. With numbers estimated as high as 70 million, Generation Y is the fastest growing segment of today's workforce.

# The Acquisition Pipeline: Distressed Assets or NPLs

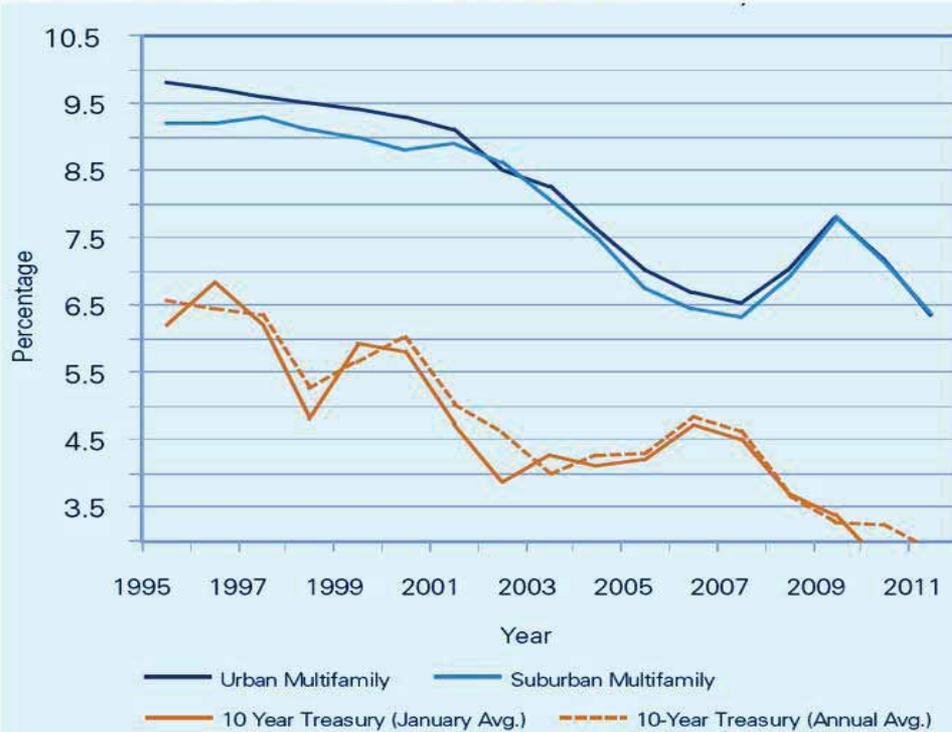
## Maturing Loans: Preferred Strategy for Lenders



# Unique Economics – Cap Rates/Interest Rates



Cap Rate Trends – Multifamily (Fig. 29)



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ASSET TYPE	2011 LOW %	2011 HIGH %
Urban Multifamily	4.00	9.75
Suburban Multifamily	4.25	8.50

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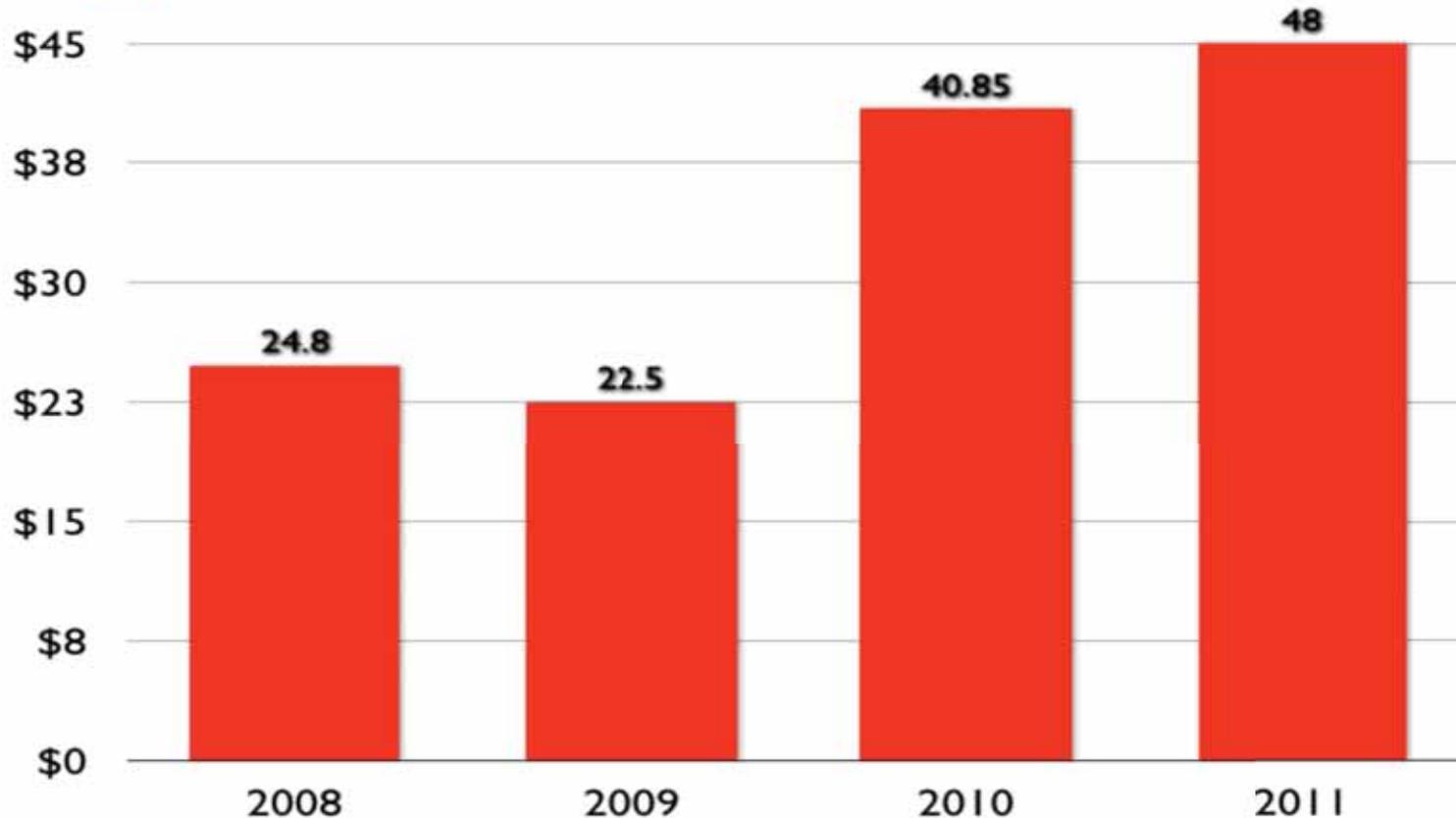
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# NL-REIT 2<sup>nd</sup> Market

■ \$136 Million NL-REIT Out of \$2.2 Billion Projected Need



\$= Millions

Source: Direct Investments Spectrum

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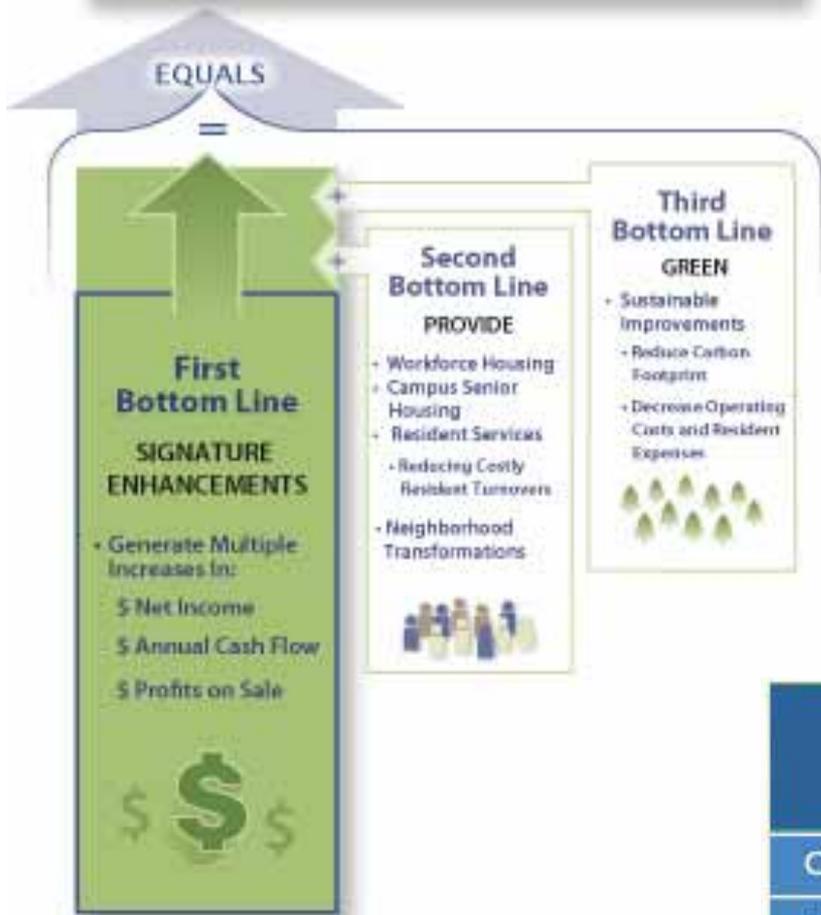
# Secondary Market Pricing Trends

	Aug/Sep	Oct/Nov	Current	Current Yield	Values	Discount
<b>Inland Western</b>	<b>\$5.01</b>	<b>\$4.37</b>	<b>\$4.00</b>	<b>6.5%</b>	<b>\$6.95</b>	<b>42%</b>
<b>Inland American</b>	<b>\$6.40</b>	<b>\$6.45</b>	<b>\$5.90</b>	<b>8.5%</b>	<b>\$7.22</b>	<b>18%</b>
<b>Wells REIT II</b>	<b>\$6.71</b>	<b>\$6.78</b>	<b>\$6.10</b>	<b>8.2%</b>	<b>\$7.47</b>	<b>18%</b>
<b>BH REIT I</b>	<b>\$2.62</b>	<b>\$2.67</b>	<b>\$1.75</b>	<b>5.7%</b>	<b>\$4.64</b>	<b>38%</b>
<b>Cole Credit Property Trust II</b>	<b>\$6.93</b>	<b>\$6.91</b>	<b>\$6.90</b>	<b>9.1%</b>	<b>\$9.35</b>	<b>26%</b>
<b>KBS REIT</b>	<b>\$6.13</b>	<b>\$5.75</b>	<b>\$5.50</b>	<b>9.5%</b>	<b>\$7.32</b>	<b>25%</b>

\*Based Upon Data Published By Direct Investments Spectrum

# Impact Investing and Future Resales

## PFII's Triple Bottom Line Profit Builders



Example from  
Parallel Fund I  
& Institutional  
Club Fund I  
- both closed



	ORIGINAL DEVELOPER (2008)	CROSSBEAM/CONCIERGE ACQUISITION (APR. 2010)	LENDER APPRAISAL (OCT. 2010)
COST	\$55,000,000	\$30,800,000	\$44,000,000
UNIT	\$249,000	\$139,000	\$199,000



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