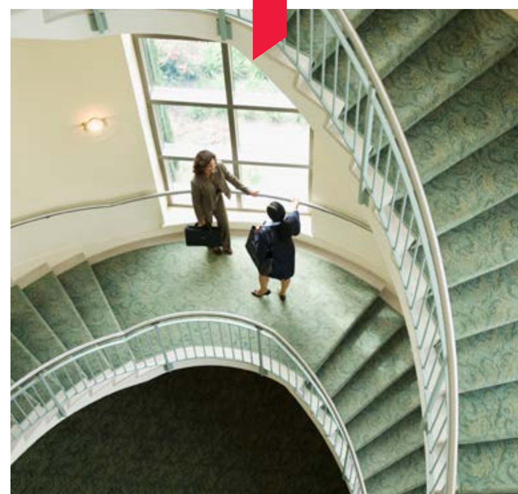
EXCERPTS OF RECENT MEDIA COVERAGE

REAL ESTATE PRACTICE

A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q1 2014



▶COMMERCIAL PROPERTY EXECUTIVE

BDO FORECASTS RE TRENDS FOR 2014

By Keith Loria

BDO USA revealed its outlook for real estate in 2014, noting that the year has started with gradual improvement and will most likely continue steady growth throughout the next 12 months.

"The outlook is pretty good, with better availability of equity and financing, and there's interest in going outside of prime and super-safe markets to do deals," **Stuart Eisenberg, partner & real estate practice leader at BDO USA**, told *Commercial Property Executive*. "People are keeping an eye on what's going to happen with interest rates—will it move up dramatically or not?"...

One area to watch for is in prime versus non-prime markets. In 2013, investors and developers chased good assets, as opposed to focusing on gateway markets, with cities such as Houston and Austin seeing some notable activity. Eisenberg predicted this shift towards acquiring solid assets in secondary markets will likely continue to be a driving force within the industry.

"I think they offer more upside to the investors because markets like New York, San Francisco and Boston, the prices are so competitive, so you're looking at lower yields," he added. "As far as other cities to watch, Miami looks very good and has a lot of activity. Seattle has had some good interest as well."

Generation Y will have a hand in what happens in 2014 as mixed-use properties shifted strongly into focus in recent months due to this segment.

"Analysts are seeing more and more interest outside the non-suburban markets. The desire of these individuals to live, work and play in the same place created a demand for these type of properties," Eisenberg said. "What remains to be seen is whether the desire and sustainability is there when these individuals begin to have families. Despite real estate operating on a hyper-regional scale, the broad short-term impact may be the transformation of suburbs into mini-urban environments."...

BDO reported another trend to watch for is that private equity may scale back in its acquisition of single-family homes and focus on their exit strategies. It will be important to watch how the investment cycle plays out, as a typical private equity investment often has a five-year exit cycle, while a 10-year cycle or longer is more standard in real estate.

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BDO's Real Estate industry practice provides assurance, tax and advisory services to all sectors of the real estate industry in the United States and globally. BDO's international reach and extensive experience in addressing the business and compliance issues applicable to REITs and other real estate structures is supported by a network of of 1,264 offices in 144 countries.

Other trends Eisenberg mentioned include suburban office space facing challenges, but showing potential for growth; the CMBS market continuing to improve on its 2013 growth; and safe investments in single-tenant commercial buildings continuing to be sought after, despite a lack of supply.

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HEALTH CARE REITS PURSUE QUALITY ASSETS ABROAD

By Sarah Borchersen-Keto

A number of recent foreign acquisitions by U.S. health care REITs underscores the sector's pursuit of geographic diversity, high quality core assets, and access to prosperous, well-established markets, according to industry watchers.

During 2013, U.S. health care REITs conducted a number of overseas deals. Health Care REIT, Inc. (NYSE: HCN), invested in 47 senior housing and care communities in major Canadian metropolitan markets, and also boosted its presence in the U.K. senior housing market.

Other deals included Griffin-American Healthcare REIT II, Inc.'s purchase of a 44-facility senior housing portfolio in the U.K., as well as Medical Properties Trust, Inc.'s (NYSE: MPW) acquisition of 11 rehabilitation facilities in Germany.

Jeff Walraven, assurance partner in the Real Estate Practice at BDO USA, LLP, notes that total health care assets in the U.S. that are owned by REITs account for about 8 to 10 percent of all available health care assets.

"The REITs are always striving for the top end of those assets, for the Class A portion," he said. And while the pool of Class A assets in the U.S. is by no means exhausted, according to Walraven, a lot of exploratory work is being done to find attractive assets outside of the country.

"As far as the size of the transactions they need, the quality of the transactions, to be able to show solid, continued growth, it's just kind of natural for them to seek assets elsewhere, in addition to the ones that are here," Walraven said. He added that health care REITs are also continuing to enjoy "substantial amounts" of capital…

Meanwhile, Walraven highlighted some of the difficulties of working outside of Europe and Canada. He noted that in order for healthcare REITs to enter the Chinese market they need strong local relationships that can ensure access to the central government. In India, meanwhile, the difficulty of working with the government has stymied REITs' interest in that country, despite its significant need for healthcare facilities.

COMMERCIAL PROPERTY EXECUTIVE

INDUSTRY UPS &DOWNS IMPACT RETAIL REITS

By Jerry Shapiro

The retail REIT sector has the right framework in place for success: interest rates remain attractive in the first quarter of 2014, despite the Federal Reserve Bank's commitment to quantitative easing, capital is accessible, and retail vacancy rates remain largely unchanged. Beyond the surface, however, general shifts in the retail industry will likely be the driving force behind retail REIT performance this year. While retail isn't going to die and positive indicators have been forecast, brick-and-mortar stores continue to suffer in the wake of the economic crisis and the continuing inroads of e-commerce…

The retail REIT sector is at the mercy of larger economic factors, from consumer confidence and holiday sales, to bankruptcy for the weak and over-leveraged, and consolidation.

The National Retail Federation forecasts a 4.1 percent increase in retail sales for this year and "stronger household and business confidence should spur more consumer spending overall." However, this comes on the heels of largely lackluster holiday sales and retail bankruptcies, downsizings and woes.

The future of the retail industry remains unpredictable, as e-commerce threatens in-store sales and consumer tastes shift. And, thus, the retail REIT sector, which is directly impacted by tenants' ability to lease property and pay rents, will likely remain risky, and industry professionals and investors alike should be cognizant of property type and location as well as retailer type that the REIT finances.

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OFFICE FUNDAMENTALS MOVING IN POSITIVE DIRECTION

By Sarah Borchersen-Keto

After an extended period of underperformance, fundamentals in the office sector appear to be moving in the right direction. However, the pace of improvement does not match past recoveries, according to industry observers.

The first month of 2014 has offered positive signs for the sector. So far this year, total returns for office sector REITs are up 2.4 percent, compared to 1.4 percent for the FTSE NAREIT All Equity REITs Index.

Greg Adams, director of BDO Valuation Advisors' national real estate practice, which values both domestic and foreign real estate, noted that in prime markets such as Boston, New York and San Francisco, investors are modeling rent spikes into their cash flows. "You'll see maybe a 5 or 10 percent rent spike in year two or three, instead of the typical 2 or 3 percent rate of inflation rent spike," he said. In those stronger markets, "there's more demand for the space, it's becoming more of a landlord's market where they are able to increase rents and offer lower tenant improvement dollars," Adams noted.

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MEDICAL TOURISM MAGAZINE

QUALITY ASSETS ABROAD ATTRACT U.S. HEALTHCARE REITS

By **Jeff Walraven**

A trend indicates that U.S. healthcare real estate investment trusts (REITs) are diversifying their portfolios by investing in foreign real estate markets. In independent transactions since May 2013, three U.S. healthcare REITs purchased more than 100 healthcare properties in Canada, Germany and the United Kingdom. In doing so, these large-cap REITs are establishing an international presence, while adding to their already hefty domestic-based portfolios.

Targets and Acquisitions

There are likely several contributing factors to the uptick in U.S. healthcare REITs acquiring foreign assets. However, in equal measure, the most prominent factors are the current climate of the U.S. healthcare real estate market and that of foreign countries.

Large-cap U.S. healthcare REITs have sufficient capital to make acquisitions. For example, according to Seeking Alpha, there are three companies within close reach of the $20 billion market capitalization: HCP Inc., Ventas, Inc., and Health Care REIT, Inc. (HCN). Thus, it's not surprising that they are looking at acquisition targets…

A REIT may also be more inclined to seek international growth opportunities when prime domestic acquisition targets are less abundant. Such activity may be able to further shareholder distributions that otherwise could have been impacted from slower U.S. growth. Additionally, foreign assets may offer the benefit of being slightly below market price today with the potential to increase over time…

Impact on U.S. Healthcare Real Estate Market

A follow-up question might be surrounding repercussions of this trend for domestic properties looking to be acquired by U.S.-based REITs. Thus far, there has not been any notable direct impact on the domestic healthcare real estate market. However, an influx of acquisitions of foreign assets could lead to competitive pricing pressure, if U.S. assets are overpriced and foreign assets are either fair or underpriced. In such a case, U.S. sellers may lose an opportunity if REITs choose to deploy the capital it has on the better priced foreign asset versus the more expensive domestic one.

Potential Emerging Markets

Thus far, we have seen U.S. REITs acquire properties in Canada, Germany and the United Kingdom including Birmingham, Bristol, Oxford, and six facilities in Scotland. U.S. REITs that have already acquired foreign assets may be looking to deepen their international footprints, and those with strictly domestic portfolios might be considering venturing overseas. In either situation, the discussion of potential emerging markets is relevant. In addition to familiar markets like Canada, Germany and the UK, budding markets include locations in China and, perhaps, other BRICS countries (Brazil, Russia, India, China and South Africa) where there is newly advanced economic development…

While we have seen only a handful of U.S. healthcare REITs establish an international presence, the trend has potential to be long-term, as the U.S. REIT population is now awakening to the availability of foreign assets. As REITs are seeking to expand their pool, looking beyond American borders may become more prevalent. If U.S. healthcare REITs continue to have access to deployable capital, the trick will be for foreign entities to demonstrate facility and operating superiority.

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