RCLCO

ROBERT CHARLES LESSER & CO.

THE ADVISORY

SPRING 2009

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the big idea

BREAKING THE LOGJAM ON DISTRESSED ASSETS

Opportunistic investors have been waiting expectantly—and largely unsuccessfully—for the current "flood" of distressed assets to give free rein to buying opportunities. The lack of a resolution for bad assets and unrealistic pricing by owners of distressed assets, however, has resulted in very few transactions to date. Are we about to turn the corner? On March 23, 2009, the U.S. Treasury unveiled the Private-Public Investment Program (PIPP), which is designed to clear troubled assets off of banks' balance sheets. The Treasury plans to back private investors in the purchase of these troubled assets (both securities and loans), sharing in the risks and rewards, and increasing the ability of institutions to raise capital and increase lending. While it remains to be seen whether or not buyers and sellers will reach agreement on clearing prices for these assets, most believe that the Obama Administration has taken an important first step in breaking the logjam on distressed assets that has paralyzed the industry for more than a year. Only time will tell if the Treasury's new plan will be a game-changer, and it is important to recognize that the program, in its current form, is merely a framework for expanded regulatory details.

In the interim, owners and investors will continue to navigate their way through this challenging but opportunistic real estate market, using the best tools at their disposal to make strategic decisions about their entities, portfolios, and assets. As RCLCO has learned from working on over $2 billion worth of distressed assets nationwide over the past year, the current economic and financial downturn presents opportunities to develop creative strategies to preserve and generate value. Our firm is working with leading developers, land owners, builders, and financial institutions to help them address challenging portfolio issues and develop asset management strategies that match their business objectives. Our involvement in many different aspects of a transaction—from feasibility analyses, financial optimization, and valuation services to capital formation, workout and restructuring negotiations, and project management—has enabled us to identify and anticipate the key issues and concerns that may arise in a particular situation. The following are representative examples of the different types of issues produced by the current market cycle and potential strategic approaches to address them.

Homebuilding

As the volume and price of home sales continue to decline and foreclosures increase, many homebuilders have been trying to survive this downturn by selling off their land holdings to generate cash flow and improve their balance sheets. Builders in distress often are forced to sell existing inventory at heavily discounted prices to increase cash on hand. RCLCO has found that lenders have been open to debt-for-equity swap reorganization plans for builders who are in the process of filing for bankruptcy or have already been forced to file. A number of lenders have opted to take ownership of the builder's assets while keeping the existing management structure in place, allowing the company to continue operating to monetize the inventory.

The creditor committee of a bankrupt public homebuilder and land developer retained RCLCO to evaluate more than 240 communities in 13 regions across the United States with inventory values originally worth over $1 billion and provide advice with regard to asset acquisition and disposition strategies. We began by performing a detailed review of the company's overall reorganization business plan, which included a current and forward-looking view of homebuilding and land development projects in the portfolio. We conducted competitive market analyses to evaluate the current pricing, product offerings, and market position of the projects; analyzed land development issues that might affect timing, cost, and development risk; and provided hold, reposition, and disposition strategies.

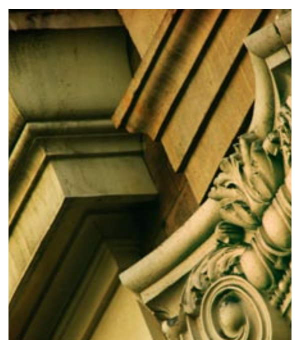
RCLCO recommends that homebuilders trying to maintain or improve cash flow—and those working to position their portfolios in anticipation of the residential market stabilization in 2010— assess their current landholdings with respect to market competitiveness, identify and address land development issues, and develop a project concept for each planned community that will maximize financial returns.

Land Developers

Increasing unemployment levels, declining home sales, near-term oversupply, and significant downward pricing pressure for land values also pose significant obstacles for land developers. In addition, the capital markets crisis has placed many development projects in progress at risk. Real Capital Analytics has estimated that projects under development make up a little less than one-third—or $7 billion—of the assets already in distress across six property types. An additional $5 billion of assets are potentially troubled. Many developers have been forced to reduce their development efforts by delaying or abandoning planned and proposed projects.

A large private land development company with 20 land development and income-producing properties worth approximately $200 million retained RCLCO to perform an overall financial, operational, and market diagnostic for the company, to help it form and implement a short- and long-term business plan. The firm's properties were in various entitlement and development stages. Certain projects were in jeopardy of losing future development permits, and several were at risk of having their development bonds called by the respective municipality. We guided the client through a pre-bankruptcy consensual workout with all of its lenders, conducted various sensitivity analyses in order to develop monetization strategies for each of its projects, created a leasing strategy that will help stabilize income-producing properties in the short term and preserve the assets' long-term value, and performed market feasibility analyses to determine the right strategy—hold, reposition, or sell—for each property.

Financial Institutions



Loan defaults have caused borrowers to turn over many properties to lenders. Banks are now faced with having to maintain and market real estate owned properties (REOs). After gaining possession of a neo-traditional master-planned community that was still in the development stages, a national bank asked RCLCO to serve as its owner's representative. Since the bank did not have extensive experience in land development, our firm guided the client in assessing project viability as well as potential buildout scenarios and exit strategies. We reviewed the approvals that the project had received, including the terms and tenure of the entitlements, permit expirations, and current zoning and attorney reports. We also analyzed the community's development status, assessing the progress and condition of construction and inspections, pricing benchmarks, unsold inventory, and planned and existing project amenities. Finally, we conducted a market and financial feasibility analysis, which included an examination of the property in the context of broader market conditions and demand and supply factors, to develop market-driven price and absorption recommendations.

Rising unemployment, coupled with wealth and income reductions, have forced retailers to close stores, reduce inventory, and seek rent concessions. Malls and shopping centers across the country have experienced declining sales, increasing vacancies, and lease renegotiations. As a result, the stock prices of mall real estate investment trusts (REITs) have experienced a sharp drop in value after a period of stable growth since 2004. A private retail REIT retained RCLCO to help it decide whether or not to monetize its interests in regional malls and to assist in evaluating future funds from operations (FFO). To answer this question, RCLCO evaluated the deterioration in REIT mall markets and analyzed the value and trajectory of investment opportunities in retail REITs. We also proposed a monthly retail market monitoring technique that will provide ongoing guidance to the client, enabling it to identify and take advantage of opportunities to meet its business goals.

In a tight capital market, acquiring distressed assets is an attractive investment strategy for opportunistic investors. A global financial services firm retained RCLCO to value and perform due diligence on a portfolio of 260 public and private golf facilities in the United States, United Kingdom, and Australia for acquisition purposes. Relying upon our experience and knowledge of various regional golf markets and a review of historical trends, we validated the revenue and expense projections for each property and evaluated each asset's performance in the context of recent micro-level trends to determine future asset performance.

Strategy Recommendations

Whether you're a developer or builder trying to decide whether to hold or sell an asset, a bank seeking to maximize the sale value of an REO, or an investor searching for attractive investment opportunities in a distressed market, conducting a careful analysis of the current and potential value of the asset is necessary to make the best informed decision. To this end, RCLCO recommends that you take the following steps to minimize risk and capital requirements while enhancing the value of the asset:

- Evaluate how the asset fits into your long-term strategy or portfolio;
- Review approvals and development status (if development is still in progress);
- Analyze general economic and market conditions that affect the asset (including existing supply, competition, and demand factors);
- Conduct a baseline financial assessment of the project;
- Assess the project's future cash needs and your ability to meet them; and
- Determine an appropriate hold period and exit strategy.

In order to break the logjam on distressed assets, real estate owners and investors will have to navigate through a challenging environment, using the best tools at their disposal to make strategic decisions and identify solutions. RCLCO's experience and expertise can provide you with the services needed to succeed in these troubling times. For a consultation, please contact Scott Price, Managing Director, at 240-644-0989.

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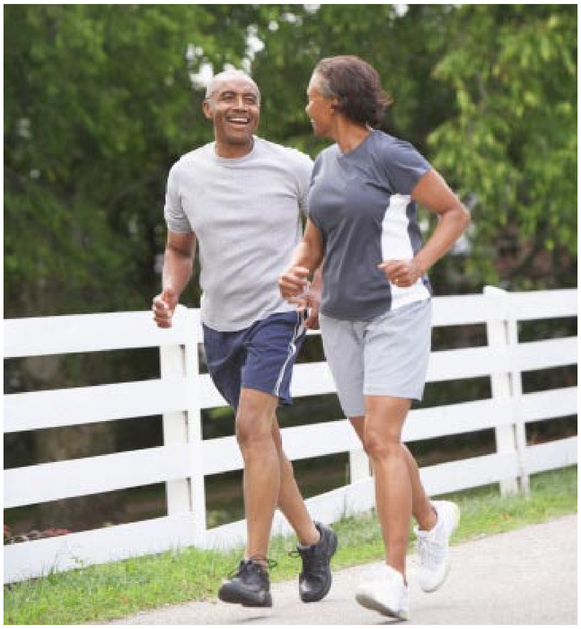
in sites

BOOMER TRENDS IMPACTING RETIREMENT AND SECOND-HOME DEMAND

The current market downturn—and dramatic declines in the value of housing, stocks, and 401(k) accounts—likely will have a significant and lasting impact on the baby boomer generation's retirement and second-home purchase decisions. Even when the market does begin to turn around, what will boomers be seeking, in terms of locations and products? What will the market for retirement and second homes look like when we come out of the downturn, and how do land owners, developers, builders, and others position themselves for success in this market? How long will this downturn—and its impacts—last and how long will the subsequent recovery take?



Demographic Destiny versus Market Reality

Baby boomers—the generation born between 1945 and 1964—are about 78 million strong and make up about 27% of the U.S. population. More importantly, many boomers—who are now between 45 and 64 years old—are entering lifestages at which they are considering making major changes in their lifestyles. Shifts in lifestages—from family to empty nester to retiree, for example—are among the best predictors of when people will make a housing purchase decision. Understanding what portions of the population are at which stages of their lives helps us understand both how much demand there will be for housing and the kinds of housing products people are likely to buy. Second-home ownership rates increase at age 40, and are highest among households 50 and older. Because more people will be in these key age ranges during the next ten to 15 years, we expect the aging of the boomer generation to have a major impact on demand for retirement and second homes, as well as on the types of products and locations that will be in demand.

The influences of the nation's aging population will increase during the next 30 years. In 2000, about 35% of the U.S. population was 45 or older. By 2010, this figure will increase to 40%, and has been forecast to stimulate demand for second and retirement homes. The 45- to 64- and 65- to 84-year-old categories—both of which are key segments for second-home and active adult retirement housing—are growing even more rapidly, and in much greater numbers, than the 85+ age group (the Eisenhower generation).

While the demographics of demand for retirement and second homes remain strong—and continue to create new development opportunities—it was becoming clear even before the current market downturn that boomer lifestyle preferences and retirement plans would differ greatly from those of previous generations. Boomers already were planning to stay in the workforce longer, creating the potential to delay their entry into the retirement housing market. Almost half of all workers today—and even 40% of wealthier workers—believe that they will still be working, at least part time, at age 67. While one reason boomers give for this is a desire to supplement their income, boomers also want to work to remain mentally engaged and involved in the workplace—as well as to maintain their healthcare benefits. These facts alone may not affect their reasons to move into a new home, but they will influence what they buy and where they buy it.

Since 9/11, second homes have been seen as attractive retreats, safe places where family members could gather and reconnect. Technology has made it easier for people to work from remote locations, enabling them to spend more time at vacation or retirement homes while remaining in the workforce. After the bursting of the tech bubble in the late 1990s, real estate replaced the stock market as the most popular place to invest. Of the 3.34 million second homes purchased in 2005, 2 million were for investment purposes. Viewing both their primary and second homes as ever-appreciating assets, people bought larger and more expensive homes than they perhaps would have otherwise, because they saw them as good investments. Many invested more in their homes than in their retirement accounts.

Boomers' savings have been concentrated in real estate and stocks that have declined dramatically in value. Between the market peak in 2007 and February 2009, about $10 trillion in total U.S. stock market capitalization has been lost. About 20% of the value of retirement savings, or about $2 trillion, has been lost in the past 15 months. A recent AARP study found that one in five workers 45 and older have stopped putting money into a 401(k), IRA, or other retirement savings account during the past year.

As of September 2008, boomers age 50 to 61 accounted for 21 percent of all delinquent and foreclosed mortgages in the United States, and retirement markets in Arizona and Florida have been hit particularly hard. For boomers, the value of their homes accounts for a significant portion of their total net worth. U.S. homeowners have lost $3.3 trillion from the value of their real estate this past year. An estimated 12 million households, or 16 percent of all homeowners in the United States, now owe more than their homes are worth. Declining home values have had a huge impact on boomers' retirement plans, since many treated their homes as their piggy banks, relying on the increasing values of those homes to support their retirement savings, rather than by saving a portion of their disposable income over the years. The decline in home values has resulted in a decline in their net worth.

As the market has declined, the numbers of people migrating to traditional retirement destinations also has declined. This is bad news for states like Florida, where migration from other states—including Ohio, New Jersey, New York, and Massachusetts—has fallen substantially. Florida can be seen as a good proxy for other retirement/second-home locations; migration from primary home markets peaked in 2004/2005, began slowing in 2006, and is continuing to slow even further as the recession continues.

As the downturn continues, boomers are postponing major purchases, travel, and retirement. Their perception of real estate—once seen as a safe investment but now viewed as a damaged asset class—will have a huge impact on when and how boomers decide to make new real estate purchase decisions. The psychology of these purchases has shifted; while boomers will continue to buy second and retirement homes, they probably will be buying smaller, less-expensive properties that are more in line with their actual needs. The timing of those purchases also may be shifting. Recent AARP surveys indicate that 65% of 45 year olds now plan to delay retirement and work longer.

So while boomers were already more likely to work longer than preceding generations—in part because they feel younger—they now will need to work longer, as their savings have taken a big hit. The demographically driven forecast of increased retirement and second-home demand is likely to be delayed for several years. While a bump in retirement originally was projected for 2009, we believe that the economic downturn will delay much of this retirement demand until 2012 to 2014 and expect that the boomers' peak retirement years will take place between 2018 and 2023.

How Long Will the Recovery Take?

How many years of recovery will it take to make up for the trillions of dollars in lost stock and home equity value? Historically, recoveries in retiree destination and second-home markets have lagged primary housing markets by at least a year, depending in part on local conditions. Because of the severity of the current downturn—and because so much of the boomer generation's wealth has been tied up in the equity of their primary homes, which have suffered big losses—it is likely that primary markets will need to recover and become stabilized for at least one to two years before this will have a positive impact on boomer decisions to purchase retirement or second homes.

So, how long will the decline in home sales—which began in 2006—last? In past recessions, the decline in the housing market has lasted longer than the recession itself, so even when the current recession ends, home sales activity may remain depressed for some time. While the United States has experienced several national housing downturns caused by significant drops in employment, the current national home price correction has been the most dramatic in the

Year	Student Housing	Single & Roommate Rental	Rent as Couple / 1st Home	Young Family Own	Mature Family Own	Empty Nester Downsize Own	Retiree Senior Housing
2008	Gen Y	Gen Y	Gen X	Gen X	Baby B	Baby B	Eisen Baby B
2010	Gen Y	Gen Y	Gen Y	Gen X Gen Y	Baby B Gen X	Baby B	Eisen Baby B
2015	Gen Y	Gen Y	Gen Y	Gen Y	Gen X	Baby B Gen X	Eisen Baby B
2020	Gen Z	Gen Y	Gen Y	Gen Y	Gen X Gen Y	Baby B Gen X	Baby B

boomer generation's lifetime. The inflation-adjusted decrease in home prices of more than 25% and the first decline in nominal home prices since 1975 are unique. There is, however, a fair amount of variability in the duration and severity of home price declines from metro area to metro area. Areas with the most severe overbuilding combined with major job losses are affected the most. In past recessions, home price declines lasted three to four years in areas with severe overbuilding alone and six to seven years in areas with both severe overbuilding and job losses of 5% or more. These figures offer a small ray of sunshine. National statistics are strongly influenced by huge price declines in places like Arizona, California, Nevada, Florida, and the coastal Northeast; other parts of the country are in much better shape. How long it will last in your area depends on the severity of overbuilding, degree of over-heating in real estate prices, depth of job losses, and geography—in the path of growth, close-in or remote, etc.

Meanwhile land owners, developers, and builders of retirement and second-home communities must understand not only the markets in which they plan to build, but also the markets from which their prospective buyers will be moving. The severity of the job losses in their source markets will have a big impact on how quickly the primary home markets there—as well as the retirement and second-home markets for which those areas are feeders—begin to recover.

As markets recover, the potential remains for boomers to contribute to strong demand for both second homes and retirement housing. In 2004, 15% of individuals age 50 and older owned both a primary residence and a second home, essentially the same percentage as in 1992. So, proportionately, boomers have not been purchasing more second homes than their parents did, but the fact that their sheer numbers are higher does make a difference in demand potential: 78 million compared with 63 million in their parents' generation. Although we now expect the depressed economy to delay the impacts of these positive demographics for a few years, they will not disappear, and could impact the market as soon as 2012 and for years after. Once the economy recovers, the outlook for the second-home and retirement market is positive for at least ten to 15 years.

What Will Boomers Be Seeking When the Market Turns Around?

In order to compete successfully at any time, developers must be able to offer the right product in the right location. Over the next two to five years, as the market struggles to recover from this down economy, having the right mix of ingredients will be even more important than ever. Developers will need to hone their competitive edge to target their products most appropriately in order to attract a larger share of a limited pool of buyers. What do we know about the boomers and what they're looking for in retirement and second-home communities?

The locations, amenities, and products that will appeal to the boomer generation are quite different from those sought by earlier generations of retirees. Boomers are primarily seeking convenience, active lifestyles, and social interaction. They want more than just golf courses and clubhouses; they are looking for communities that make it easy for them to shop, make new friends, pursue continuing educational opportunities, and engage in active lifestyles—which, for many, will include working, at least part time. Maintenance-free homes—which allow them to travel, socialize, and pursue new interests—and proximity to shopping are among the top demands of homebuyers age 55+. While clubs are still important, the village or town center has replaced the clubhouse as the most significant community gathering place; boomers have already made “third places” like Starbucks, Barnes & Noble, and Borders Books their new community centers.

The desire—or need—of many boomers to continue to work well into their traditional retirement years also will impact the types of communities in which they will chose to live. Boomers will seek out communities that offer amenities that support their inability to truly “let go.” These amenities include conveniently located grocery stores, banks, parks, restaurants, and health and fitness facilities, as well as executive office space to support second and third careers, small businesses, and so forth. Convenience, in particular, has become an incredibly important amenity to boomers who want to continue to live active, productive lives. They are seeking out low-upkeep homes in places like urban cores, inner suburban neighborhoods and activity centers, town centers, and traditional neighborhood developments (TNDs) that allow them to spend less time in their cars and more time having fun, working, playing, and learning. All of these are prime locations for second homes and retirement housing geared to the boomer generation. “Safe urbanism” communities that offer urban-style amenities in suburban activity centers and TNDs without the grit and crime of the inner city will be particularly attractive to this generation, although statistical evidence already shows that a significant segment of the market is moving in-town as well. Communities in remote locations without basic goods and services nearby will have a harder time competing, and will either have to provide those amenities themselves or suffer the consequences.

In addition to health and fitness centers, boomers are looking for entire communities that they perceive as contributing to a healthy lifestyle. Examples of community themes that attract boomer buyers without relying on conventional golf-and-clubhouse amenities vary widely, and include smart growth projects and TNDs, water- and nature-oriented communities, communities that offer small town charm, those oriented to support a gourmet lifestyle, and communities that offer a wide assortment of active recreational amenities, including hiking, biking, swimming, and so forth. While traditional recreational pursuits such as swimming, golf, and bowling remain popular with boomers, other activities—including hiking, climbing, rappelling, river rafting, skiing, rollerblading, competitive running, and even hang gliding, parasailing, and parachuting—are increasing in popularity among this generation.

Boomers clearly have a broad range of interests, and therefore will be looking for many different types of places in which to live. This is the generation that grew up with “Baskin-Robbins 31 flavors,” and its members will be attracted to many different flavors of communities—and to multidimensional communities. The common elements of all successful communities, however, will include a range of recreational activities, convenience, social interaction, and access to services and shopping. Combining these elements in different ways will result in the development of a wide variety of second-home and retirement communities for the boomer generation in the coming years.

Real estate has been hit hard by the current economic downturn. This downturn is likely to delay the huge demographic impact of boomers buying second homes and retiring. Recovery in the primary home market likely will have to precede a recovery in the retirement/second-home markets. This market therefore will become increasingly competitive, as many boomers delay their purchase decisions. Given that this market is going to be increasingly competitive—particularly in the short term—developers of retirement and second-home communities will need to be sure their communities contain the key ingredients that boomers will be looking for in order to compete successfully in these challenging times.

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minding your strategy

SHIFTING YOUR BUSINESS MODEL TO MEET NEW CHALLENGES AND OPPORTUNITIES

Recently, The Economist labeled the world economy as "accelerating downhill" after reporting that a majority of 1,100 CEOs surveyed from around the world expected the downturn to last at least 3 years. Most of these executives had shifted their focus from growth to survival and less than 25% held any hope for revenue growth in 2009. RCLCO's own survey of real estate executives from around the country indicates that a majority believe we are not likely to see a recovery until 2010 and beyond. Recognizing that this is going to be a long slog, developers are shifting into survival mode and changing their business models and operating paradigms to brace for a longer downturn than most imagined. Others in the real estate space such as professional service firms, banks, opportunistic funds, etc. seem to be in suspended animation until the Federal Government provides greater certainty on how it plans to address distressed assets.

It is hard to think strategically while in survival mode, so how do CEOs ensure they are making the right decisions to survive while not compromising their firms' ability to thrive in the upswing?

When the marketplace is changing both cyclically and structurally, real estate executives face too many uncertainties to not have a clear picture of where their company is going. Responding to market, demographic, economic and capital market changes all require fundamental shifts in a company's financial, organizational, and marketing structures and approaches. Dynamic markets in motion require company leaders to make difficult decisions, some of which will take the company in directions it has never gone in the past.

1. What is your outlook for the next one, three and five years? Nobody has a crystal ball, but your organization should have an opinion.

2. What are the most relevant "knowns" and "unknowns" impacting your business strategy for the foreseeable future? How are you rethinking your business model around these "knowns" and "unknowns"?

3. At the present time, are you in "survival" or "growth" mode?

   a. What is your survival strategy?
      - How have you adjusted your operating model?
      - How is your organization (number of people, how the firm is organized, what you outsource versus what you execute internally), and capital (debt versus equity, internal versus external equity) – changing?

   b. What is your growth strategy?
      - How will you know to switch from survival to growth?
      - What indicators inform or trigger decisions?
      - How will your firm change in the next five years?

4. Future opportunities:

   a. What niches are still strong in this environment and how do you capitalize on them?
   b. Are there geographic pockets of opportunity and if so, how are you capitalizing on them both short term and long term?

5. Is there one lesson you are learning in this environment that will help you be a better leader in 12 to 18 months?

The following are a series of strategies that real estate companies should focus on in the near-term, over the next 6 to 12 months. First and foremost, ensure that your company is one of the ones that will survive during these challenging times, and just as importantly, thrive as opportunities present themselves in the downturn, and the market moves into the next expansionary cycle.

Have a plan—"Hope is not a plan."

Devise and constantly reexamine an exit strategy for your individual project(s) and your overall company. This downturn is shaping up to be one of the most challenging any of us has seen – don't hope you will survive, have a plan and a series of "what if" contingency plans that you can deploy quickly as the situation evolves.

Test your portfolio and balance sheet

Do you know if your company can take a 10% hit to revenues? What if it is more like 20%? Some homebuilding companies have seen their revenues decline by over 80%. You may not have it as bad as that, but you should stress test your financials and balance sheet and know what you would do if the market, and your business, deteriorates further than you anticipate.

Revisit Contracts/Relationship

Buy time, renegotiate contracts, and do whatever you can to defer making investments in a declining market while still staying in the deal – consider participating with sellers on upside, profit sharing, look-back pricing, negotiate with your lender(s), etc.

Watch your dollars wisely

You absolutely need to do whatever possible to conserve cash, but this is not the time to pull back on critical marketing dollars that are likely to increase your chances of converting prospects into clients or buyers. Use your dollars and ideas, which are free, to get more than your fair share of the market.

Stay liquid

Do whatever it takes to have the cash to stay in the game. This probably mean rightsizing your staff or dropping your prices to reduce your inventory. Get your "powder dry" – during the downturn, someone else's pain can be your gain. This is also important to position the company for the next upswing – the market will recover in time and companies who have the foresight, and cash, to make investments in the early stages of the recovery stand to make oversized returns.

Revisit market segmentation

Discontinue – don't discount. Stop offering the same product/service, only to find that you have to reduce the price to get any traction. Value engineer and change your offerings to respond to what your customers and clients want, and are willing to pay for. In the process, explore alternative lifestyle, age, income, niche opportunities, etc.

Know your customer

If you are not a customer-oriented organization, you better become one quickly. Listen intently to what your customers want/need, and respond swiftly. Knowing what your customers want and what they value will be invaluable as you revisit products, amenities and services. Use input/feedback from your customers to improve your product or service offerings and to respond to their needs more appropriately—their concerns are "to do's" for you.

Back to basics

Get back to real estate fundamentals– location, execution, marketing, sales and follow up. Make sure your company and your projects are "ship shape." You should constantly be asking yourself is the performance of my asset or company a function of the market, or is us?! It better not be you, but if it is, then you have something you can fix.

Communicate honestly

Develop an ongoing, honest communications campaign with your team, your customers/clients, prospects, lenders, etc. Be realistic, but don't feed into the negative frenzy. Instill confidence and reaffirm your company's strategy, the vision and actions you intend to take in an effort to keep morale up. Your team wants to know that someone in the organization is aware and in charge?!

Have an HR strategy

You need to critically evaluate the company's human capital and right-size to a realistic expectation of the level of business activity. Don't lose the great people you worked so hard to attract - remember when it was impossible to find experienced people?! This can also be a great time to pick up good talent that may be un- or under-employed.

Restructuring Philosophy

Many companies have had to right size, and some more than once. It is important to have a plan that is sensitive to the unique characteristics of your company/business. Should the company make a vertical or horizontal slice through the organization, perhaps parting ways with an entire team up and down the line, or does it make more sense to prune across the platform? As you contemplate what is appropriate to your situation, remember the "lost generation" in real estate stemming from the early 1990s recession, which created a real dearth of mid- to late-30 something talent in the industry? These people are the future of your company for the next 10 to 15 years! It may be easier and more productive for your company to replace 20-somethings when the market improves…

Keep the "Keepers"

Whatever the restructuring philosophy of the company, it is critical to identify team members you need to hang on to now, and which ones you can re-hire once business returns. Once you have done this, you need to make sure that your "keepers" get the training and resources they need to do the job well. Be brutally honest about non-performers, and give them a dignified way to go elsewhere. Keep your keepers engaged and busy – to keep them from seeking other opportunities. These key team members need incentives now more than ever! - it doesn't need to be expensive to be effective.

Although it may sound masochistic, real estate downturns can be healthy. They force all companies in the industry to reevaluate their strategies, make decisions about issues that they did not have to face in good times, get out of businesses and markets that do not have as much potential as others, become more efficient, and take other courses of action that—while painful in the short term—will be beneficial in the long term. Downturns also provide great opportunities for companies that are well positioned to take advantage of the pain of others. Which one will you be?

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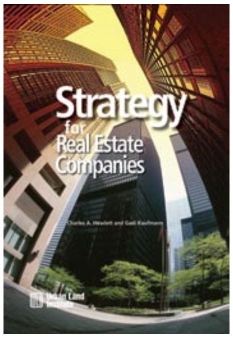
announcements



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March 3, 2009
Gadi Kaufmann
ULI Webinar
"Repositioning Your Company to Weather Difficult Times"
Moderator

March 5-6, 2009
Gadi Kaufmann
RCLCO CEO Summit
Organizer
Denver, CO

March 6, 2009
Neal Tsay
2009 Built Green Conference
"Green Homes and the Mass Market"
Speaker
Seattle, WA

March 11-12, 2009
Adam Ducker
NAIOP DevelopGreen
"Quantifying the Demand for Green Residential"
Speaker
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Gadi Kaufmann
YPO-WPO
Distressed Real Estate Seminar
Chair
Los Angeles, CA

March 23, 2009
Gadi Kaufmann
YPO-WPO
Distressed Real Estate Seminar
Chair
Washington, D.C.

March 27, 2009
Terrye Underwood
ULI Real Estate Development Class
"Market Analysis - Finding Profitability"
Speaker
Los Angeles, CA

March 31, 2009
Gadi Kaufmann
ULI DC Trends Conference
Residential Panel
Moderator
Washington, D.C.

March 31, 2009
Adam Ducker
ARDA 2009 Conference and Expo
"Navigating Through the Economic Downturn"
Speaker
Orlando, FL

March 31, 2009
Scott Price
DCBIA
"Valuations of Distressed Properties: Value Trends,

Mark-to-Market, REO"
Speaker
Washington, DC

April 2009

April 1, 2009
Gadi Kaufmann
Clemson University's Masters of Real Estate Development Program
"Strategy for Real Estate Companies"
Guest Lecturer
Clemson, SC

April 2, 2009
Charlie Hewlett
Mortgage Bankers Association of Washington
"Economic and Real Estate Market Outlook"
Moderator
Washington, D.C.

April 7, 2009
Terrye Underwood
UCLA Anderson School of Management - Entrepreneurial Real Estate Development Class
"Project Due Diligence and Market Analysis"
Speaker
Los Angeles, CA

April 17, 2009
Gregg Logan & Melina Duggal
Orange County Planning Division Training Session
"Jobs to Housing Balance"
Speakers
Orlando, FL

April 23, 2009
Gadi Kaufmann
ULI Spring Council Conference
RDC Red Council
"Managing Through Ups and Downs - A Career of Lessons Learned"
Speaker/Moderator
Atlanta, GA

April 23, 2009
Gadi Kaufmann
ULI Spring Council Conference
CDC Gold Council
"What's Working Now"
Speaker
Atlanta, GA

April 28-29, 2009
Scott Price
Opal Financial - Annual Real Estate Investors Summit
"Workouts and Exit Strategies"
Speaker
Orlando, Florida

May 2009

May 7, 2009
Scott Price
CFA Washington Chapter
"Distressed Assets"
Speaker
Washington, DC

about RCLCO

Since our founding in 1967, RCLCO has been at the leading edge of real estate trends and issues. Our impressive record of accomplishments has made us the "first call" for clients seeking strategic advice. We can help you with everything from market research to product programming; financial sourcing to deal structuring; conceptual design to development strategies. We set the highest industry standards by partnering with our clients to answer key questions and solve complex issues--offering strategic guidance that is always market driven, analytically based, and financially sound. Our real estate advisors help clients make the best decisions about property development, planning, and investment, so they can seize the right opportunities for tomorrow ... today. We are real estate consultants, analysts, financiers, developers, and designers--and we are dedicated to offering end-to-end solutions.

In 1985, RCLCO published its first Advisory Newsletter. Since then, subsequent issues have come to represent significant milestones in our intellectual history. Today, our e-newsletter provides over 5,000 real estate professionals with free research, tips, and original articles on various industry trends and issues.