

The Investors Tour

Salient Indicators

2011

Survey Method:

Overall Capitalization Rate¹	Range	6.0%	to	16.0%
	Average			11.5%
Terminal / Residual Capitalization Rate²	Range	7.0%	to	20.0%
	Average			11.9%
Net Income Multiplier³	Range	5	to	13
	Average			7.9
Gross Income Multiplier	Range	0.5	to	3
	Average			1.4
Discount Rate	Range	8.0%	to	25.0%
	Average			14.5%

DCR & Band of Investment Method: ⁴

Overall Capitalization Rate	Range	9.50%	to	15.1%
	Average			12.2%
Discount Rate	Range	10.70%	to	16.8%
	Average			12.8%

Growth Indicators:

Income Growth Rate	Range	0.0%	to	4.0%
	Average			2.1%
Expense Growth Rate	Range	0.0%	to	3.0%
	Average			1.9%

Operational Indicators:

Management Fee as % of Gross Revenue	Range	2.5%	to	6.0%
	Average			3.7%
Capital Reserves as % of Gross Revenue	Range	2.0%	to	5.0%
	Average			3.0%

Transaction Indicators:

Marketing Period (Months)	Range	6 mos	to	24 mos
	Average			13.4
Broker Sales Commission	Range	2.0%	to	6.0%
	Average			3.6%

1/ Overall Capitalization reflects going-concern operations.

2/ Terminal or going-out Capitalization rates also reflect going-concern operations.

3/ Net Income Multiple (Price / Net Income) is the inverse of the Cap Rate.

4/ Typical information (LTV, DCR, etc.) derived from a survey of lenders.

The Lenders Tour

Salient Indicators

2011

LTV (Loan-to-Value)	Range	50.0%	to	100.0%
	Average			65.5%
Interest Rate	Range	5.0%	to	13.0%
	Average			6.9%

Common Indices (January 2011):

Prime Rate	3.25%
Libor 3 months	0.2618
Libor 6 months	0.3027
Libor 1 Year	0.7839

Call Period (Years)	Range	1.0	to	10.0
	Average			4.5

Amortization Period (Years)	Range	10	to	25
	Average			21

DCR (Debt Coverage Ratio)	Range	1.0	to	1.5
	Average			1.35

Points	Range	1.0%	to	2.0%
	Average			1.6%

19th Hole Quote:

“If you watch a game, it’s fun.
If you play at it, it’s recreation.
If you work at it, it’s golf.”

~ Bob Hope

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