

Lunch General Session: State of the Real Estate Markets

*Thursday, March 31st
12:45pm – 2:30pm
Marriott Marquis, Washington DC*

Speaker:
Spencer Levy, Americas Head of Research, CBRE

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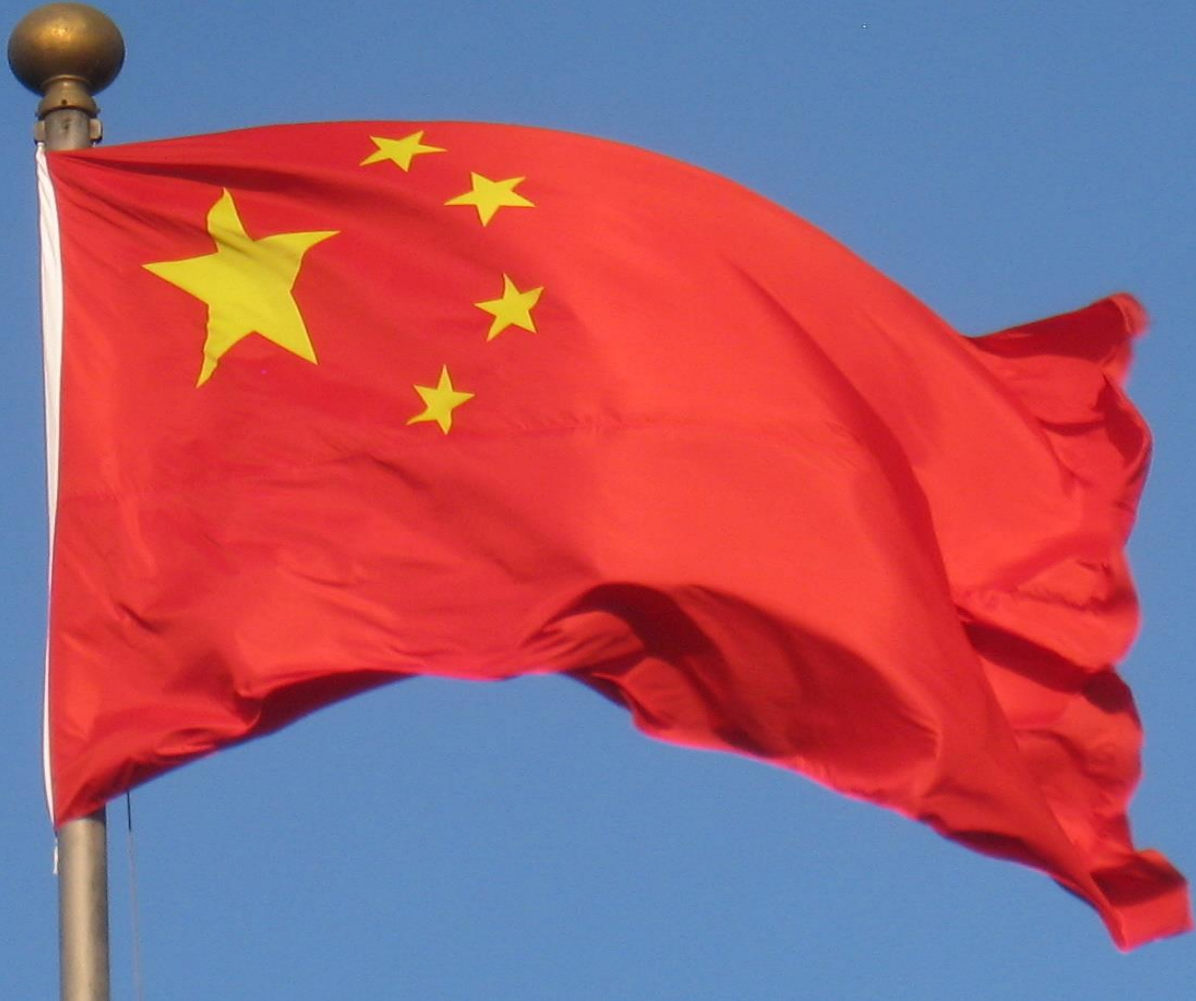


Commercial Real Estate Market Overview

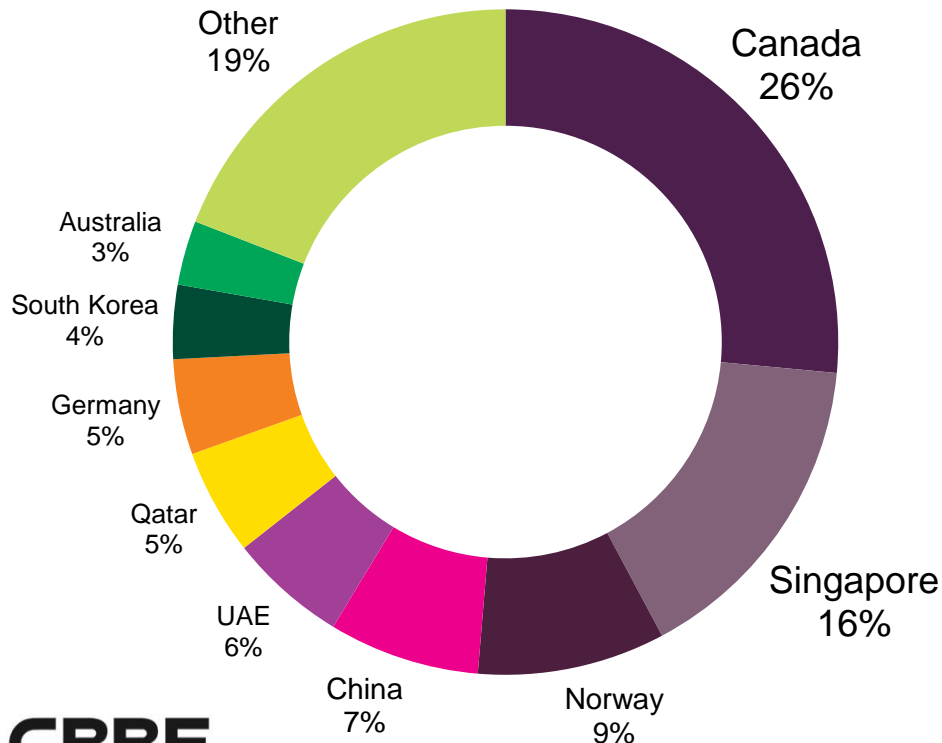
Spencer G. Levy, CBRE
Head of Americas Research



Macro Overview



FOREIGN CAPITAL FLOWS TO U.S. IN 2015



All Product: \$92.77 B

Top Markets	Volume (\$M)
Manhattan	\$27,235.9
Los Angeles	\$4,218.4
Chicago	\$3,516.8
DC	\$3,457.2
Boston	\$3,416.8
Other	\$50,926.8
Total	\$92,771.9

FOREIGN CAPITAL BIG DRIVER OF DC



DISTRICT OF COLUMBIA OUTLOOK

Market (2015)	Number of Sales	Total (\$M)
Manhattan	42	\$13,060.9
D.C.	17	\$2,885.9
Boston	15	\$2,228.0
Seattle	9	\$1,267.0
Chicago	13	\$1,026.4
San Francisco	12	\$982.0
Atlanta	14	\$949.2
Los Angeles	13	\$753.4
Houston	5	\$700.5
Other	145	\$5,241.9
Total	285	\$29,095.1

Overseas capital investments in D.C.'s real estate totaled more than \$8.8 billion since 2010.

Country	Number of Sales	Total (\$M)
Germany	13	\$2,046.2
Norway	5	\$1,422.6
South Korea	4	\$931.0
Canada	10	\$847.5
Japan	5	\$813.6
Israel	8	\$625.5
Australia	7	\$605.8
Kuwait	2	\$516.0
UK	4	\$461.5
Other	5	\$461.2
Total	63	\$8,831.1



USA

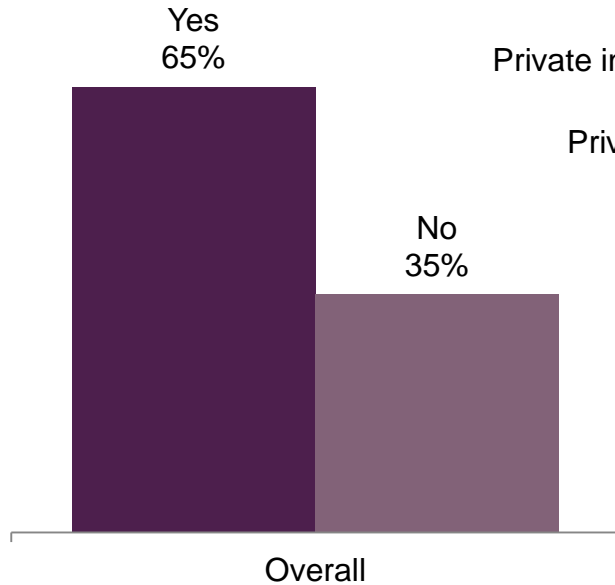


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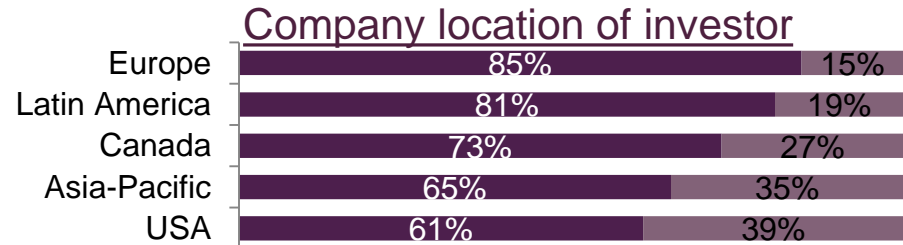
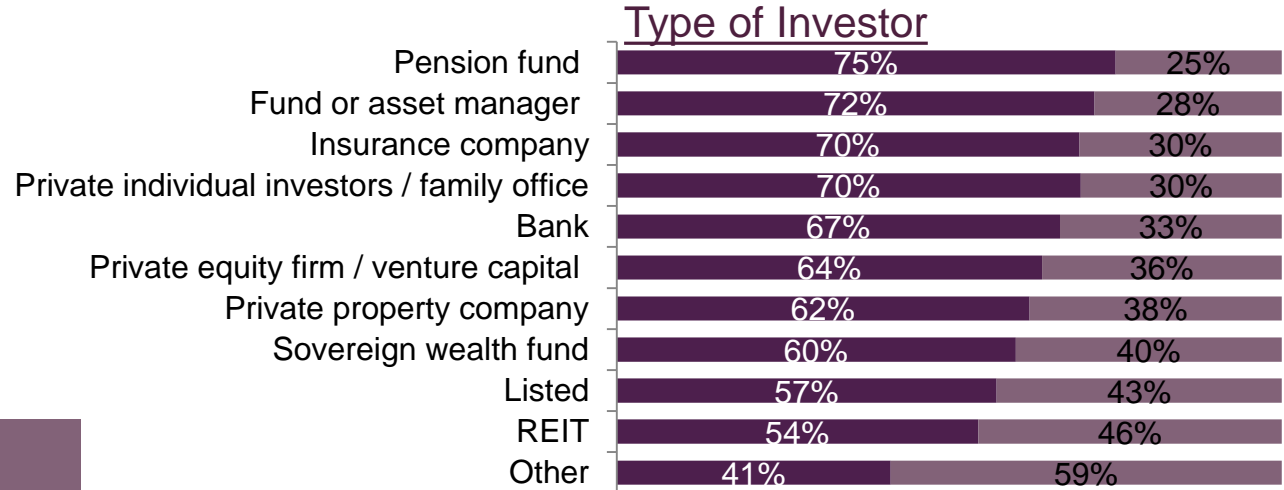
PURCHASES TO EXCEED SALES



Will your purchases exceed your sales in 2016?



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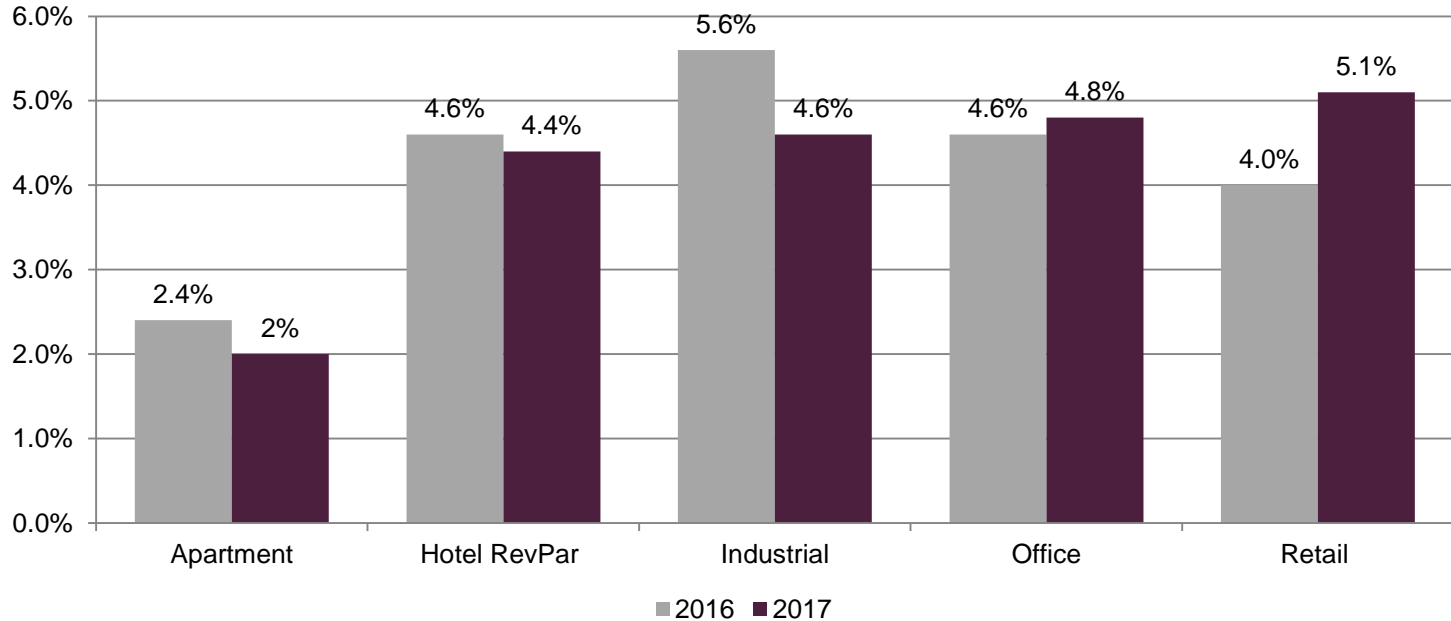


Source: CBRE Research, Global Investor Intentions Survey 2016.

CBRE HOUSE VIEW FORECAST



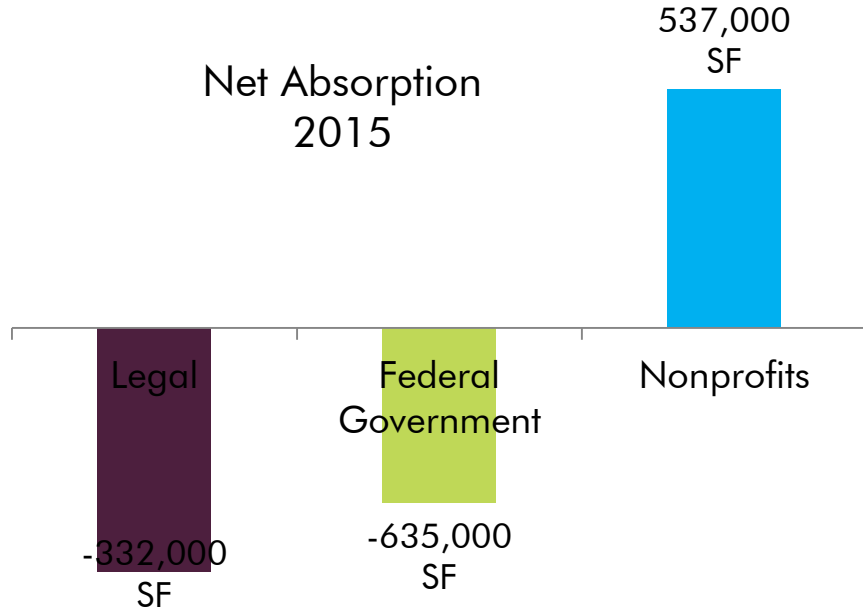
- Total Sales: Up 4-5%
- Rent Growth %:



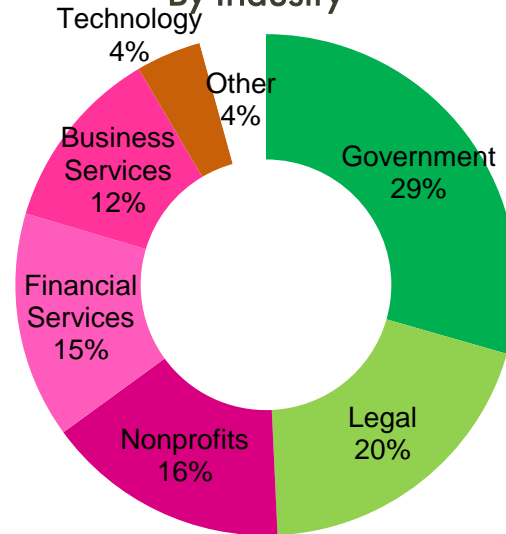
NON PROFITS NEW DRIVER OF DC



Net Absorption
2015



Leasing Activity:
By Industry



Lightning Round



Zombie Companies



Oil

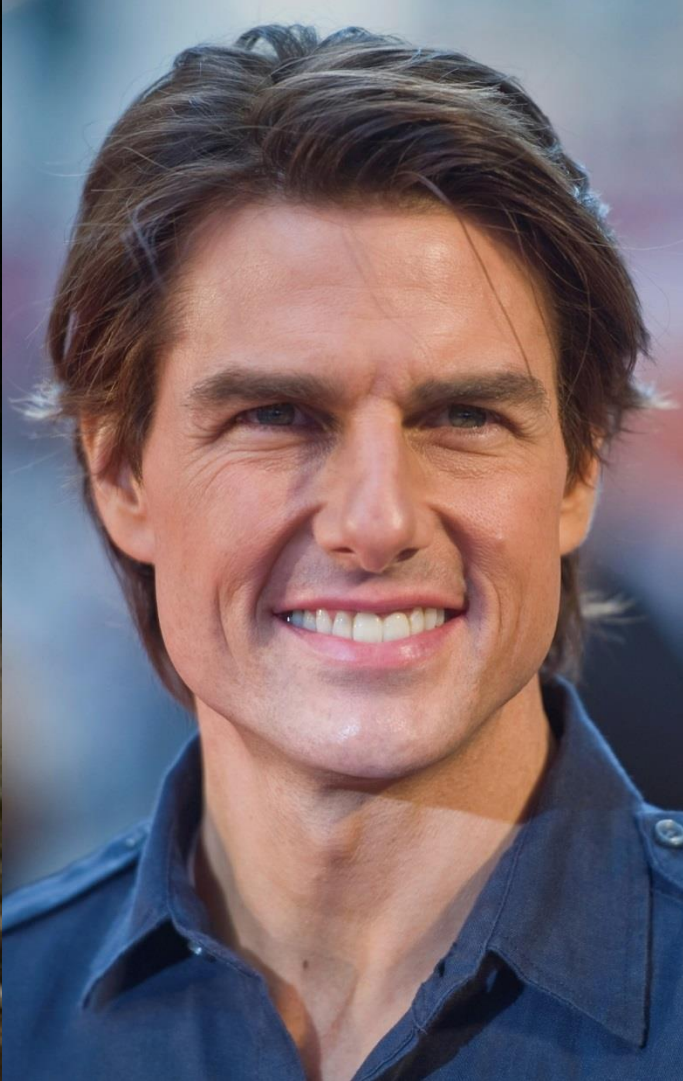


The Fed



2016 U.S. GDP Growth %?

Occupier



MARKET VS. LOCATION



Reflects leading decision drivers for location strategy at the city, country or region level



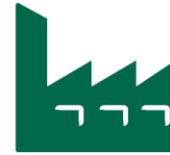
Talent availability

50%



Access to new markets and customers

40%



Quality of location infrastructure and amenities

36%



Real estate costs

31%

Reflects leading decision drivers for building selection within a market



Building and floorplate design

51%



Real estate costs

46%



Lease options

35%



Quality of location infrastructure and amenities

33%

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LABOR SHORTAGES AND COSTS ARE LEADING CONCERNS

Tech & Telecom

55%

Banking & Finance
51%

44

44

36

31

30

Skilled Labor Shortage

Cost Escalation

Economic Uncertainty

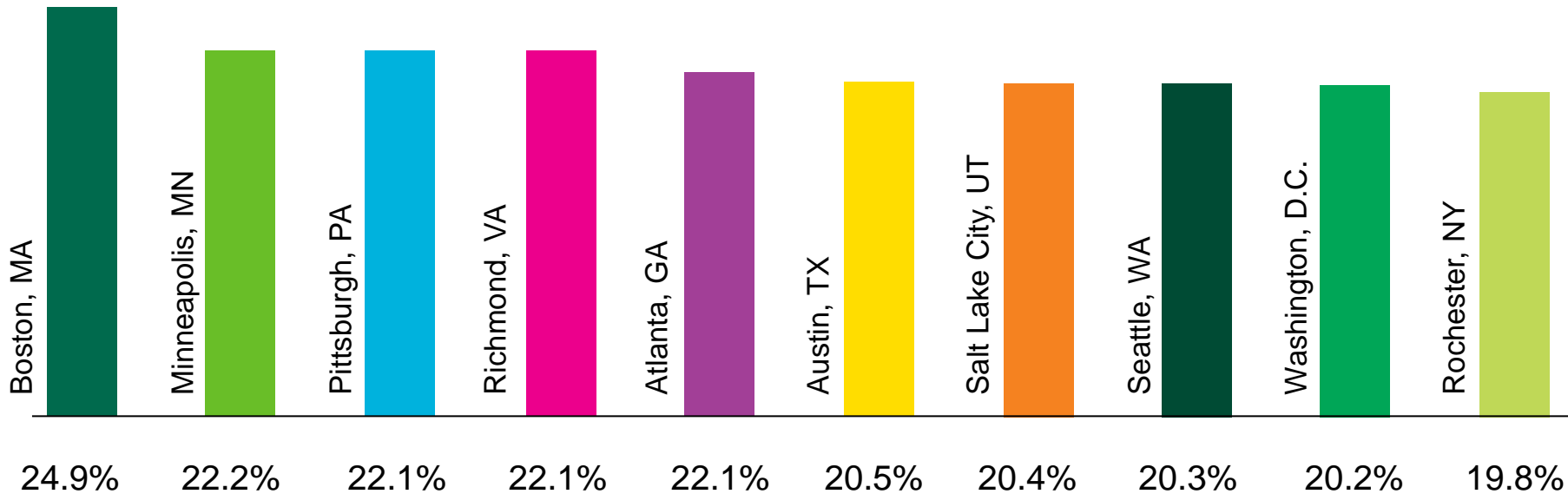
Technology Disruption

Tighter Regulation

SEEKING HIGHLY EDUCATED YOUNG TALENT



U.S. Average = 14.0%



*Millennials aged 20-29 years.

"OLD SCHOOL" CITIES RANK HIGH ON INFRASTRUCTURE

TOP 5

- 1 New York City
- 2 San Francisco
- 3 Los Angeles
- 4 Washington, D.C.
- 5 Chicago

BOTTOM (TOP 50)

- 39 Austin
- 40 Raleigh
- 43 Nashville

WHAT IS MOST IMPORTANT TO YOUR EMPLOYEES



Reflects features identified as most important to the labor force

44%



Connectivity to partners and suppliers

42%



Flexible working

39%



Flexible workspace

34%



Amenities

33%



Indoor environmental quality

24%



Public transport accessibility

CO-WORKING SPACE



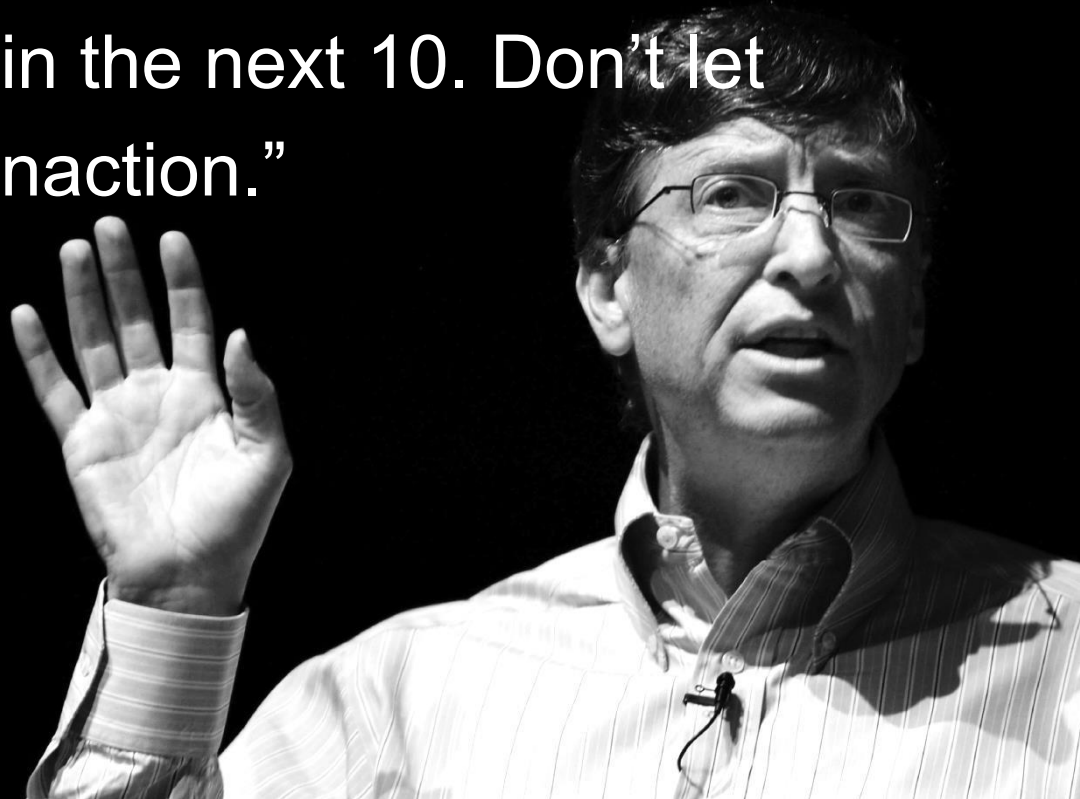
HOW DO USERS EXPERIENCE COMMUNITY IN THEIR CO-WORKING ENVIRONMENT?



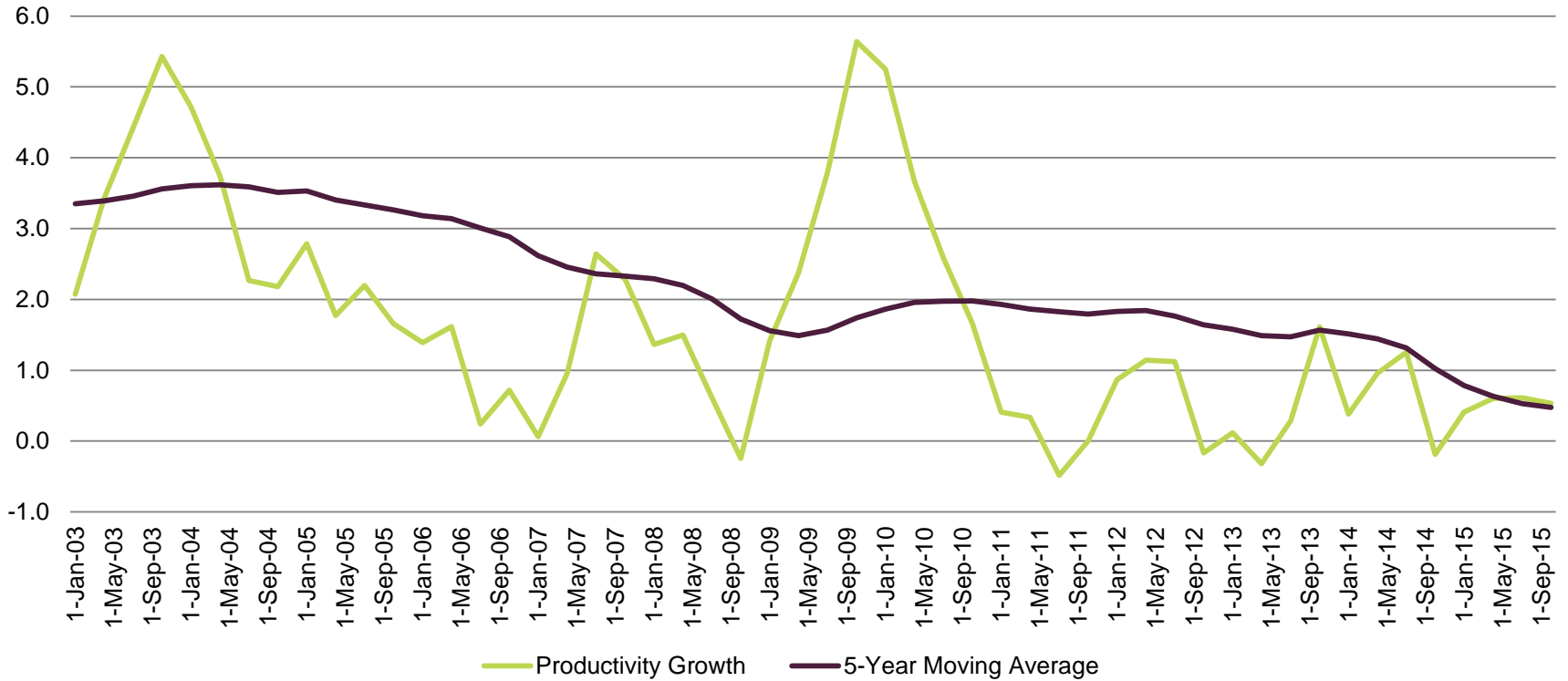
Source: CBRE Research user survey, October–November 2015.

“We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next 10. Don't let yourself be lulled into inaction.”

—Bill Gates



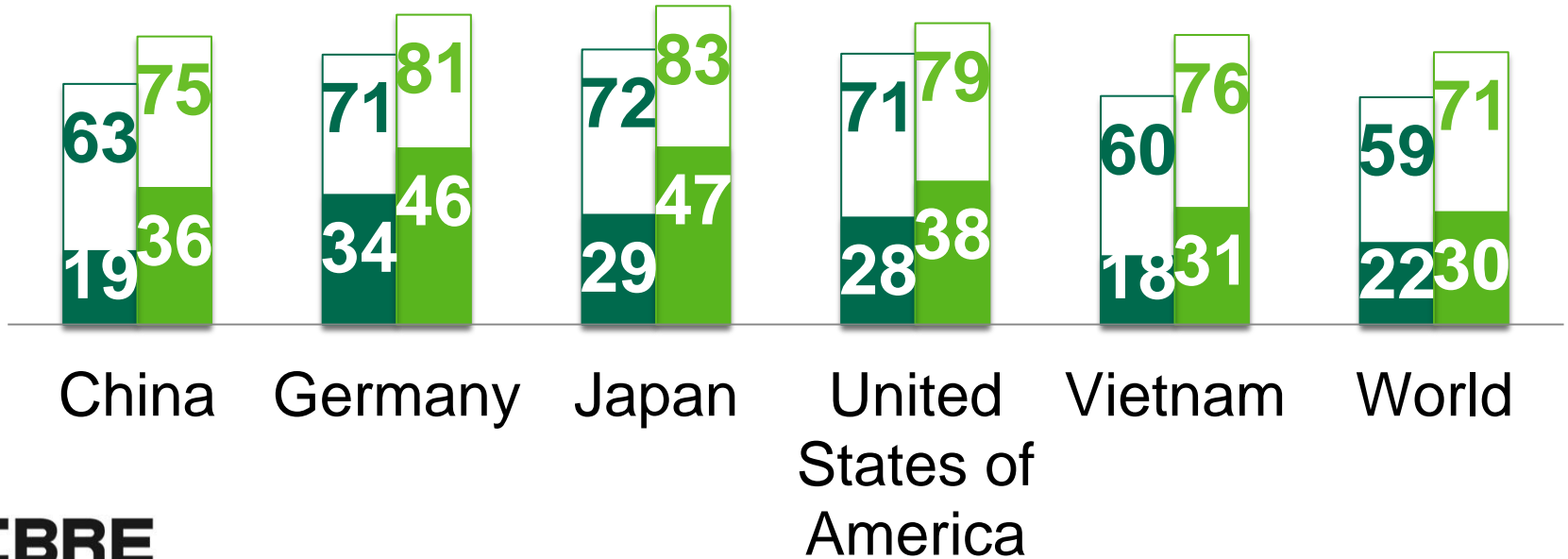
PRODUCTIVITY



DEMOGRAPHIC TIME BOMB OR OPPORTUNITY?



■ 1970 Median Age ■ 2015 Median Age
□ 1970 Life Expectancy □ 2015 Life Expectancy



Lightning Round #2



3D Printing



Air b-n-b

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Temporary Office Space

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“This Time It’s
Different”



Investor

THE INVESTOR: HIT IT WHERE THEY AIN'T

Wee Willie Keeler



BEST METROS FOR INVESTMENT



Which metro in the Americas do you believe to be the most attractive for property investment purchase?

2016 Rank	Metro	2015 Rank
1	Los Angeles	4
2	New York	2t
3	Dallas/Ft. Worth	2t
4	San Francisco	1
5	Toronto	*
6	Atlanta	9t
7	Seattle	5
8	Washington, D.C.	8
9	Denver	*
10	Boston	*
11	Chicago	9t
12	Austin	6
13	São Paulo	*
14	Miami/So. Florida	9t
15	Calgary	*
16	Phoenix	*
17	Charlotte	*

Canada

Top Ranked
Metros:

1. Toronto
2. Calgary
3. Vancouver



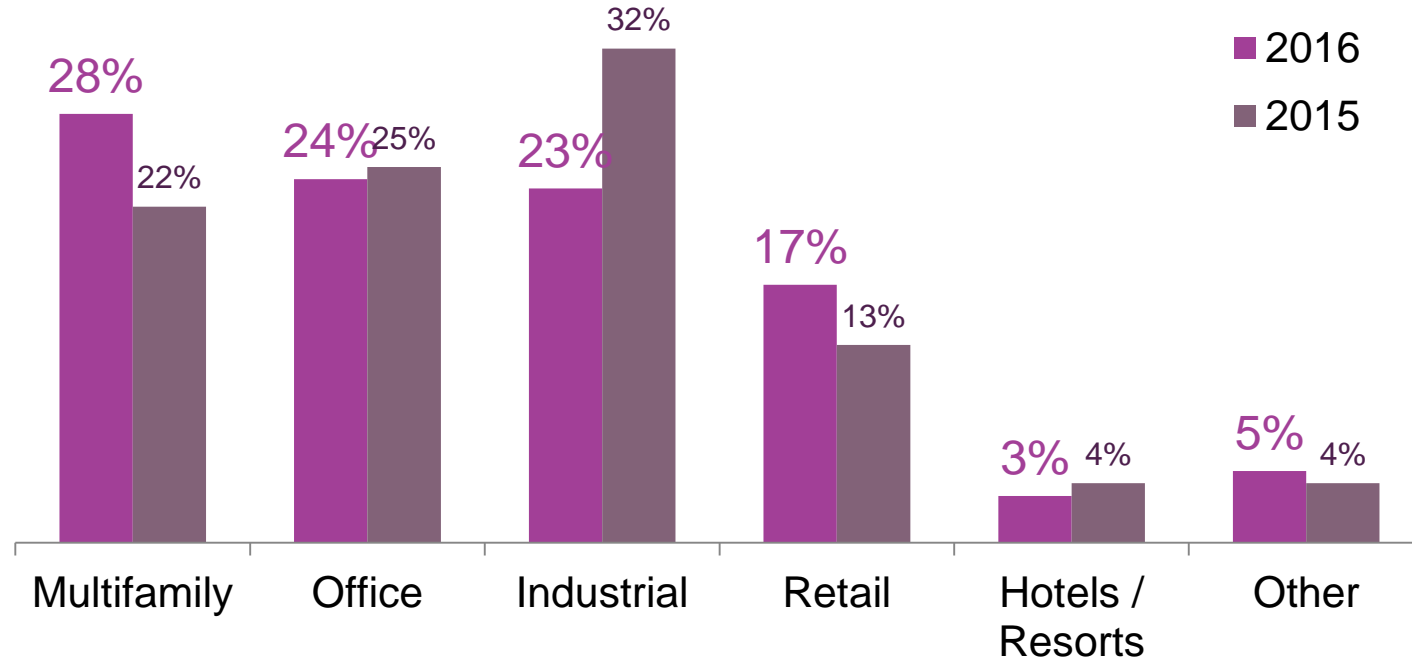
Latin America

Top Ranked
Metros:

1. São Paulo
2. Mexico City



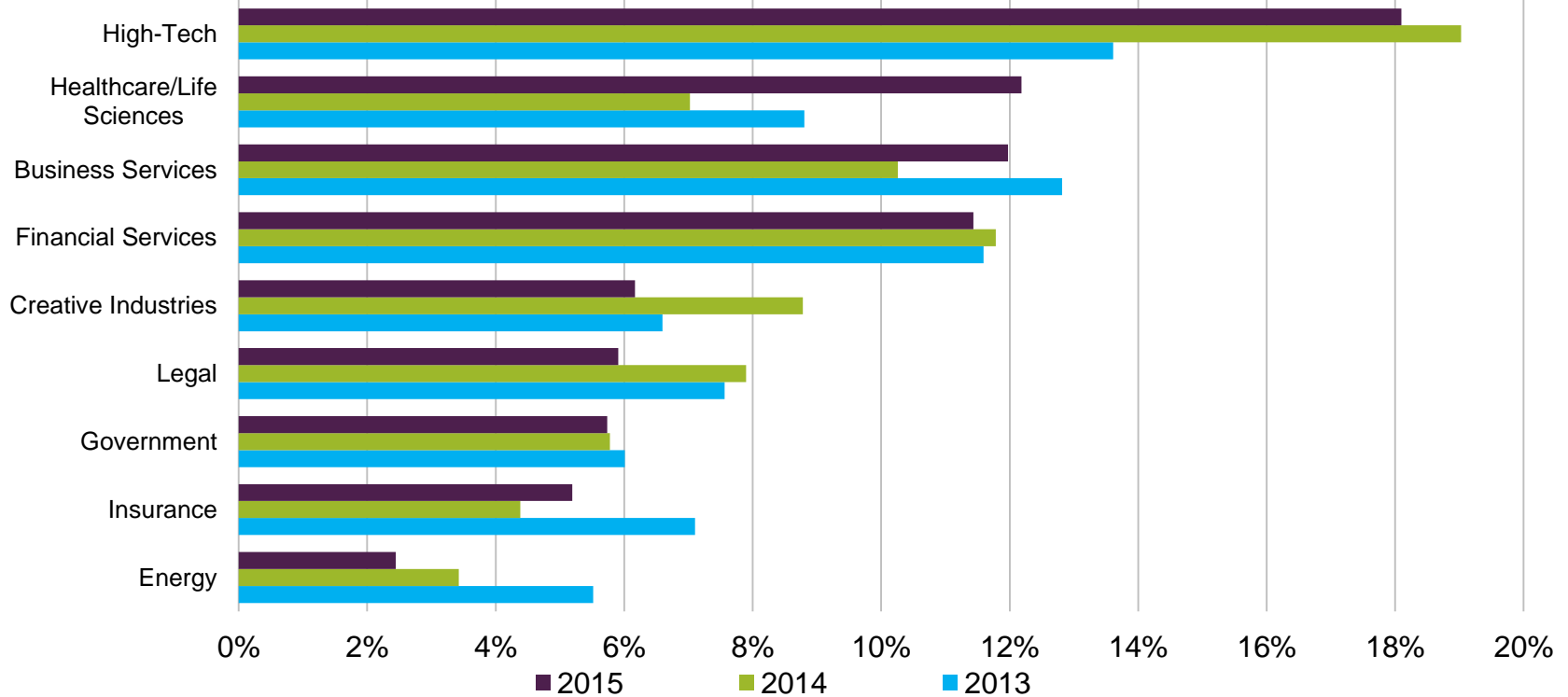
PREFERRED PROPERTY SECTOR



TECH & HEALTHCARE LEAD DEMAND



U.S. Leasing Trends by Industry

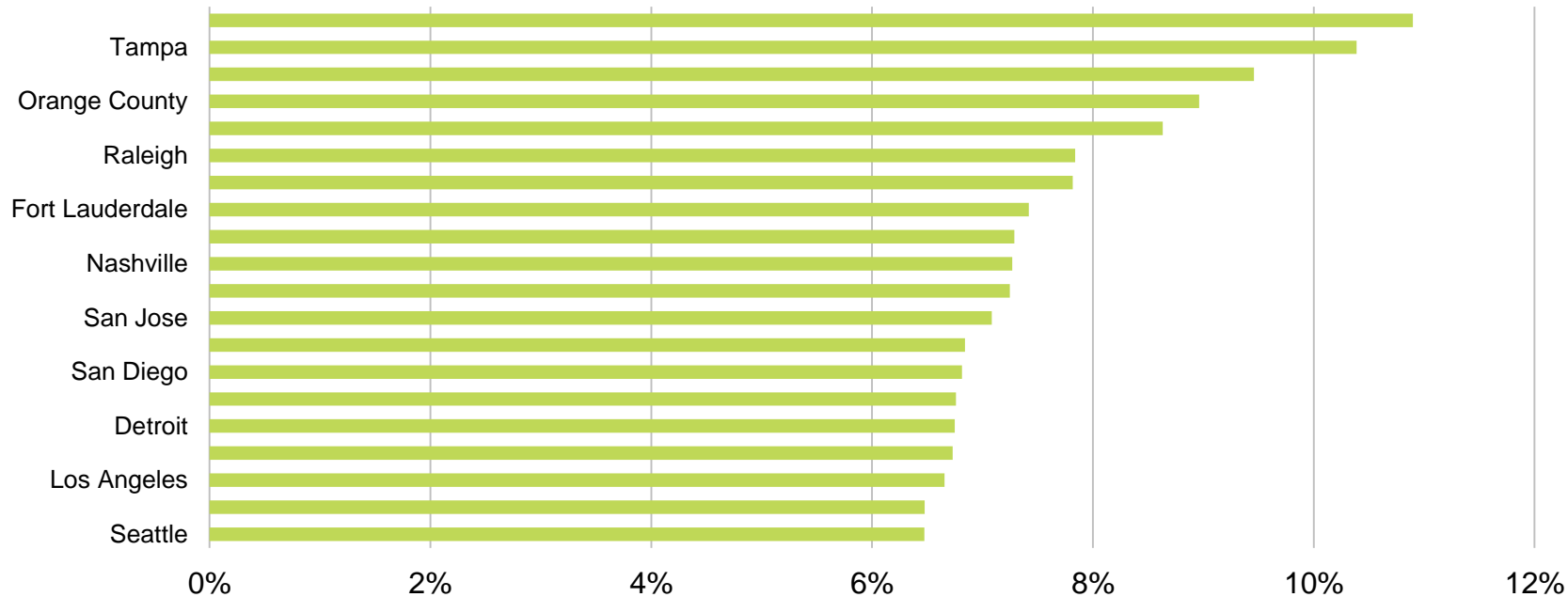


Note: Includes the 25 largest transactions by sq. ft. each quarter for the markets tracked by CBRE Research.
Source: CBRE Research, Q4 2015.

SUNBELT TO LEAD EMPLOYMENT GROWTH



Top 20 Markets for Forecasted Office-Using Employment Growth, 2015-2017



Note: Ranking includes markets with at least 200,000 forecasted office-using jobs in 2017.
Source: CBRE Econometric Advisors, Q4 2015.

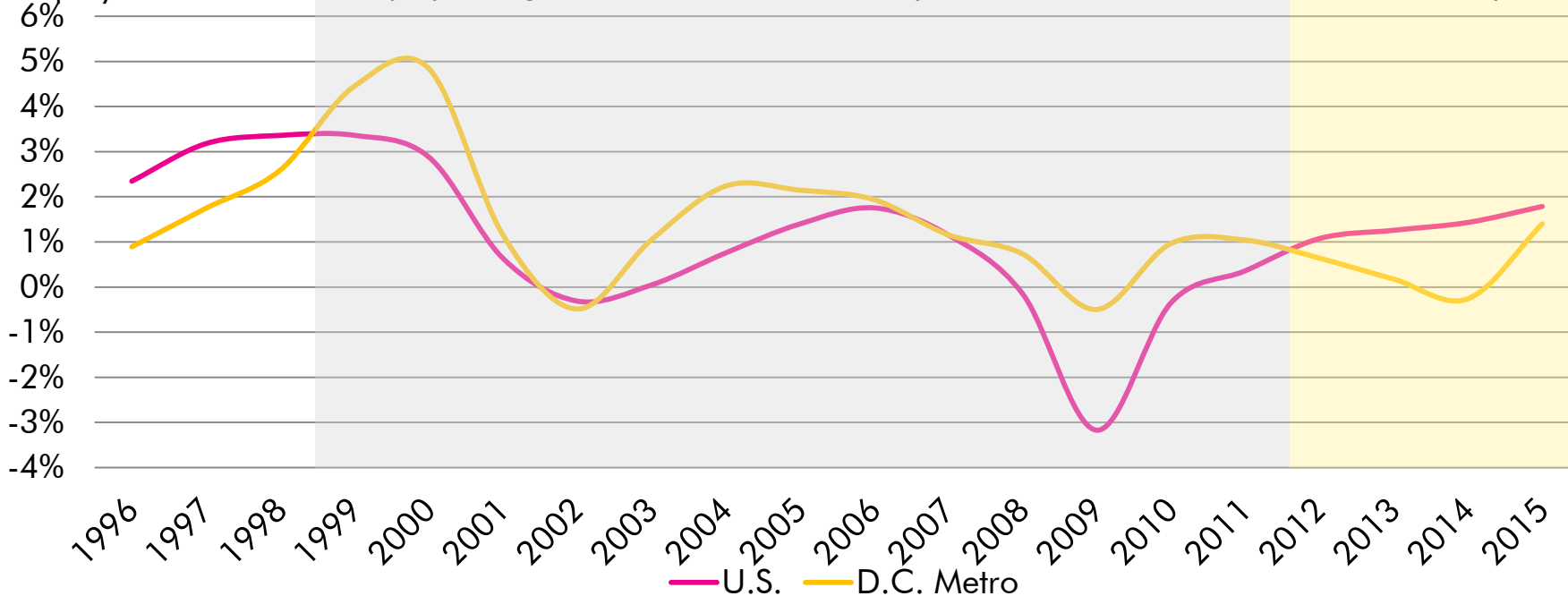
DC UNDERPERFORMED US IN JOB GROWTH



Change in Office
Employment

D.C. metro outperformed the national average in office-using
employment growth rate 12 out of the 13 years from 1999 to 2011

And now, a
different story...



REVERSE LOGISTICS



**\$20B -
Projected
Ecommerce
Returns**

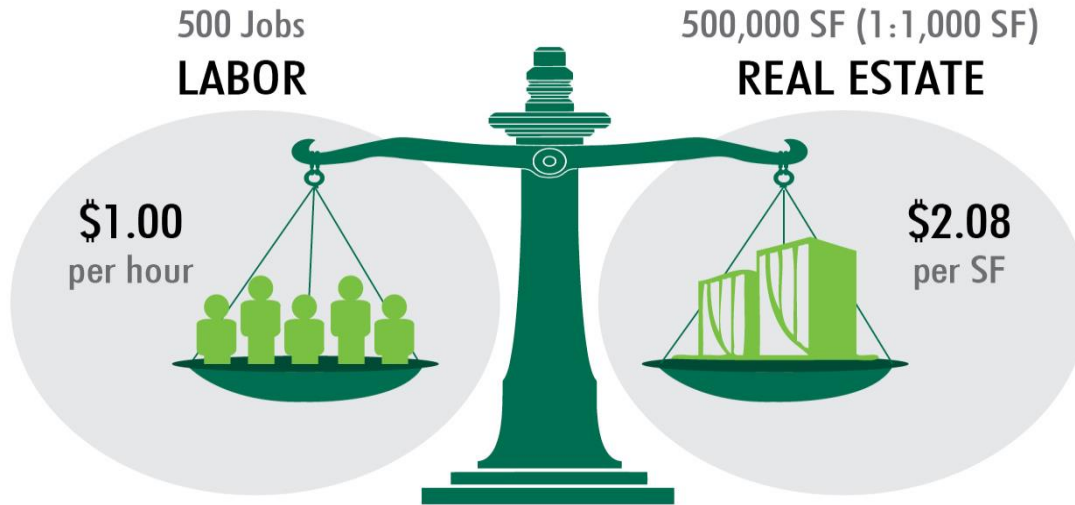


**\$70B - Total
Holiday
Ecommerce Sales**

MINIMUM WAGE IMPACT



The Strategic Cost of Industrial Labor



Source: CBRE Labor Analytics, January 2016.

3. A \$1/hour wage increase for 500 jobs = \$1.04 million/year, assuming 2,080 hours/employee/year ($\$1/\text{hour} \times 500 \text{ employees} \times 2,080 \text{ hours/employee/year}$). A facility that houses 500 employees at 1,000 SF per employee = 500,000 SF ($\$1.04 \text{ million} / 500,000 \text{ SF} = \$2.08/\text{SF/year}$ price increase)

AGILITY IS THE NEW OMNICHANNEL



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CONCLUSION



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