State of the U.S. Economy, Capital Markets, and Commercial Real Estate

VCU Real Estate Trends Conference

October 9, 2012

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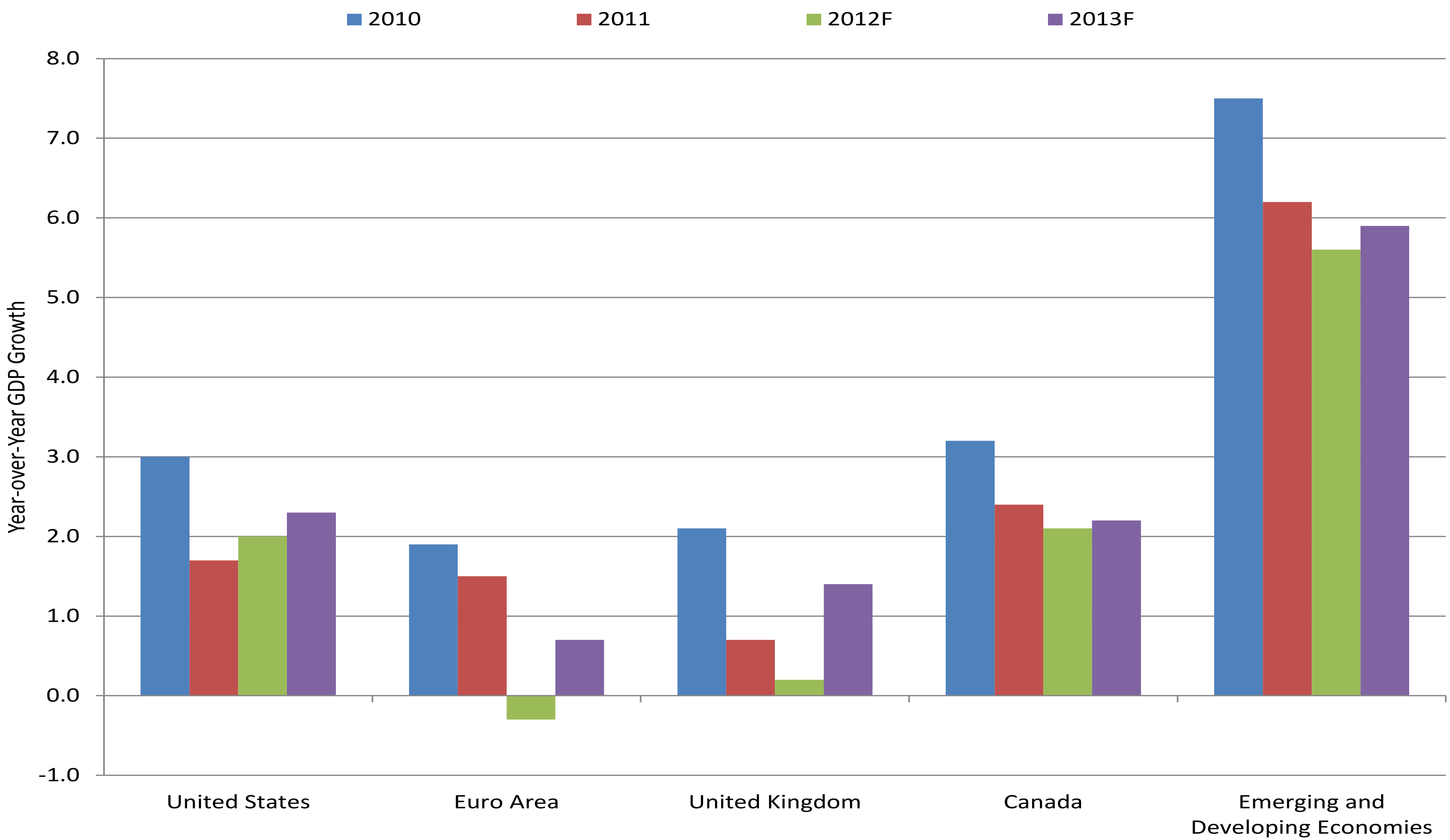
Strong Growth is Hard to Find in Developed Economies



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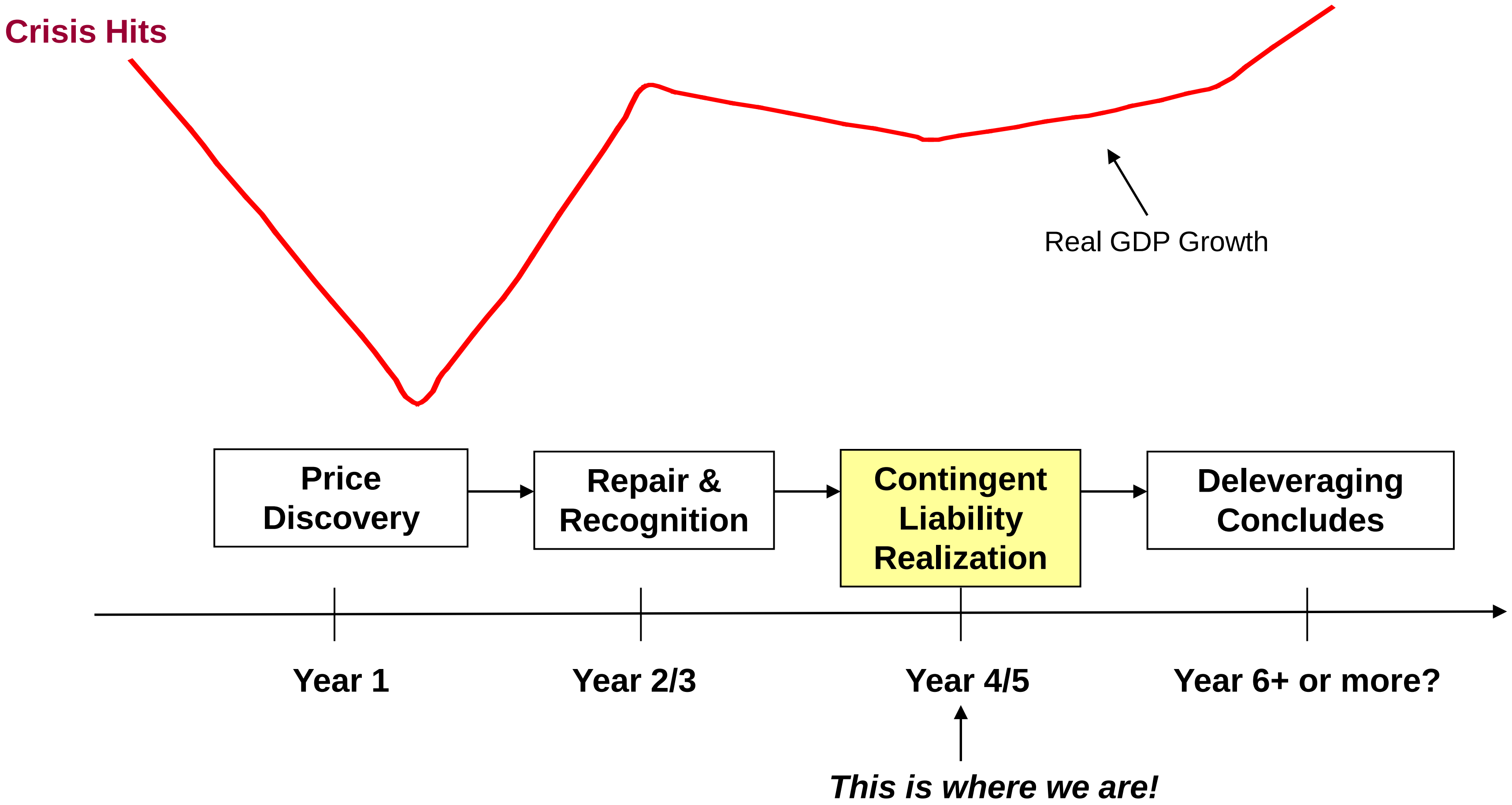
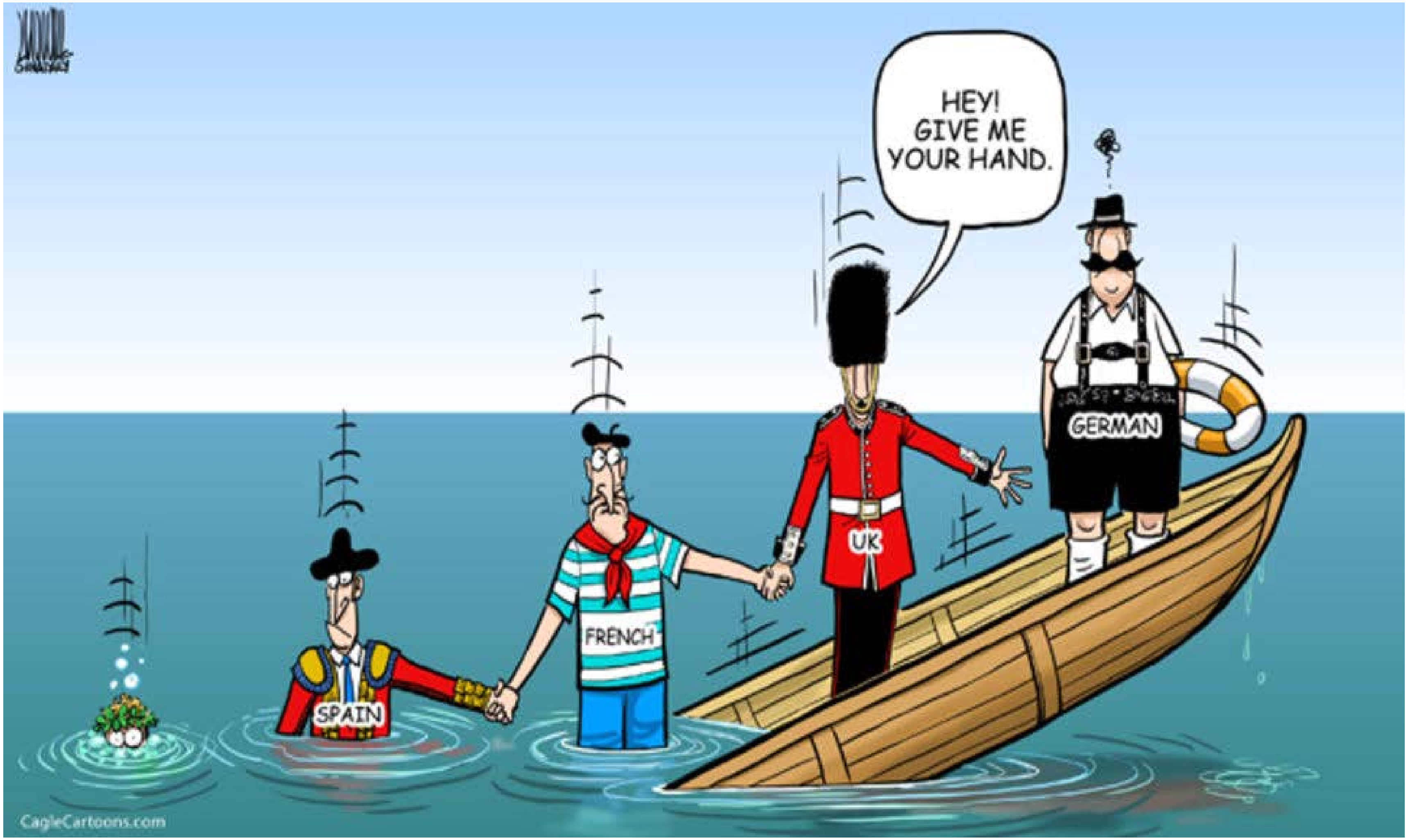
This Was Not Your Father's Recession

ANATOMY OF A DELEVERAGING CYCLE



The New Globalization



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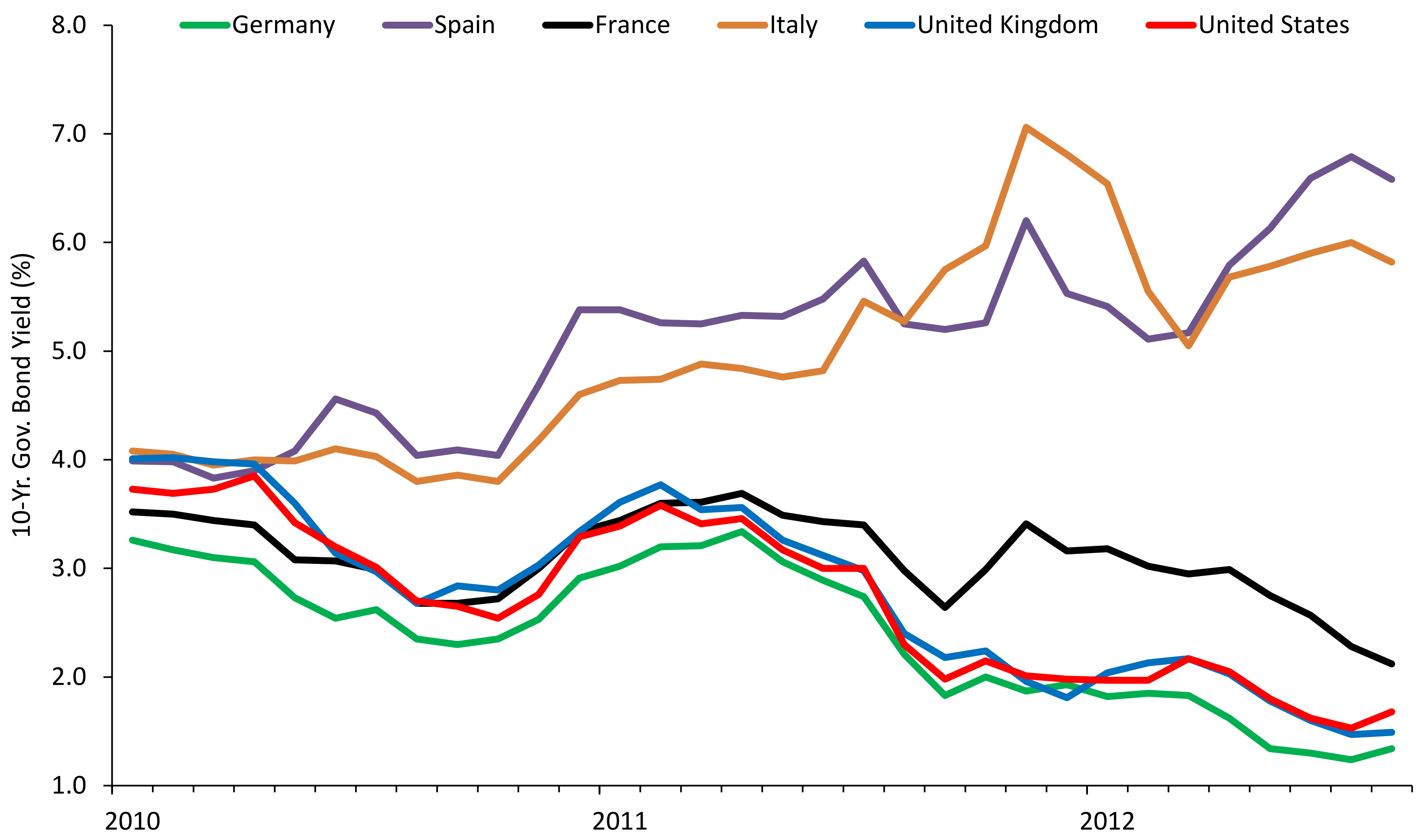
Global Investors Seeking Safe Havens



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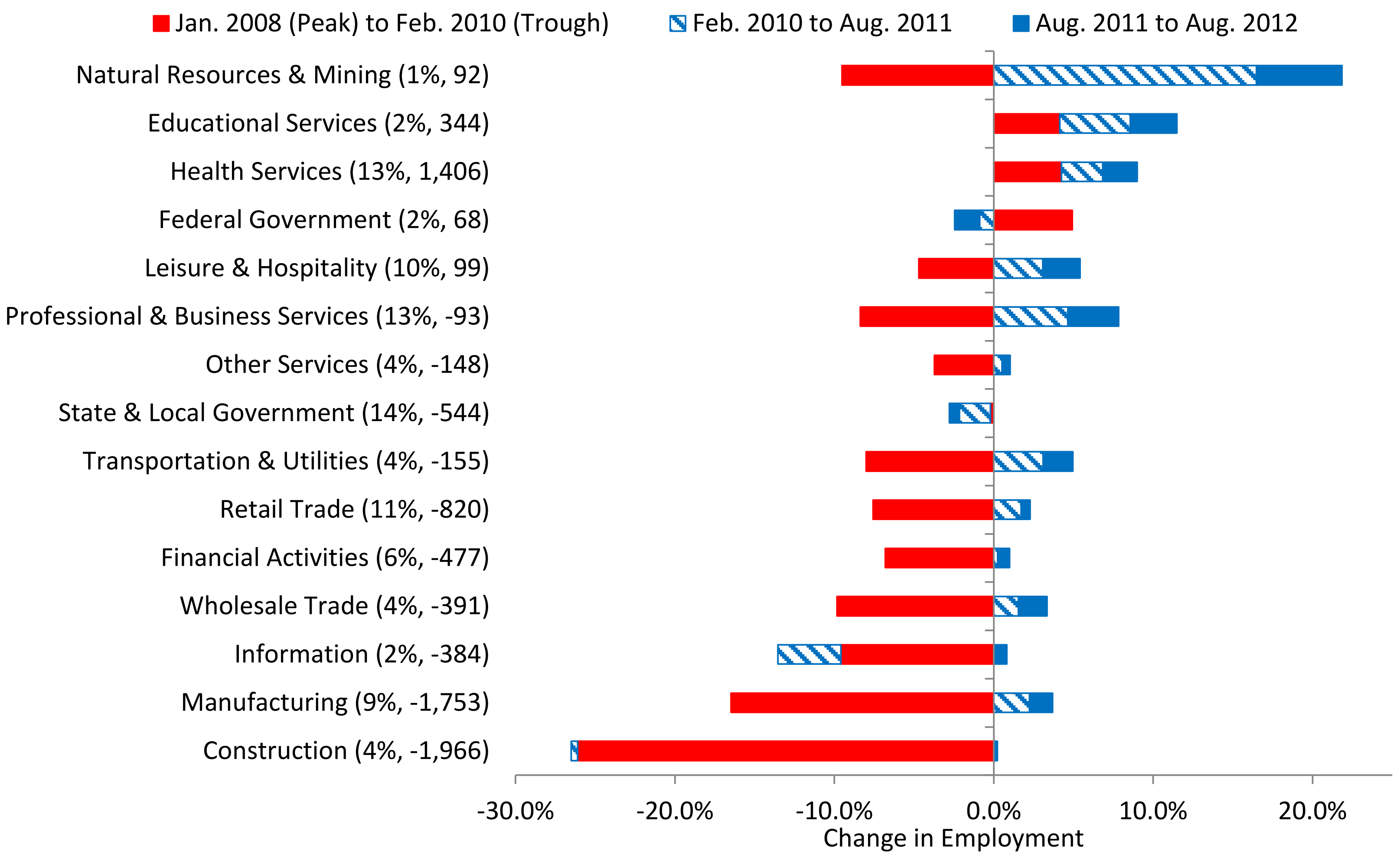
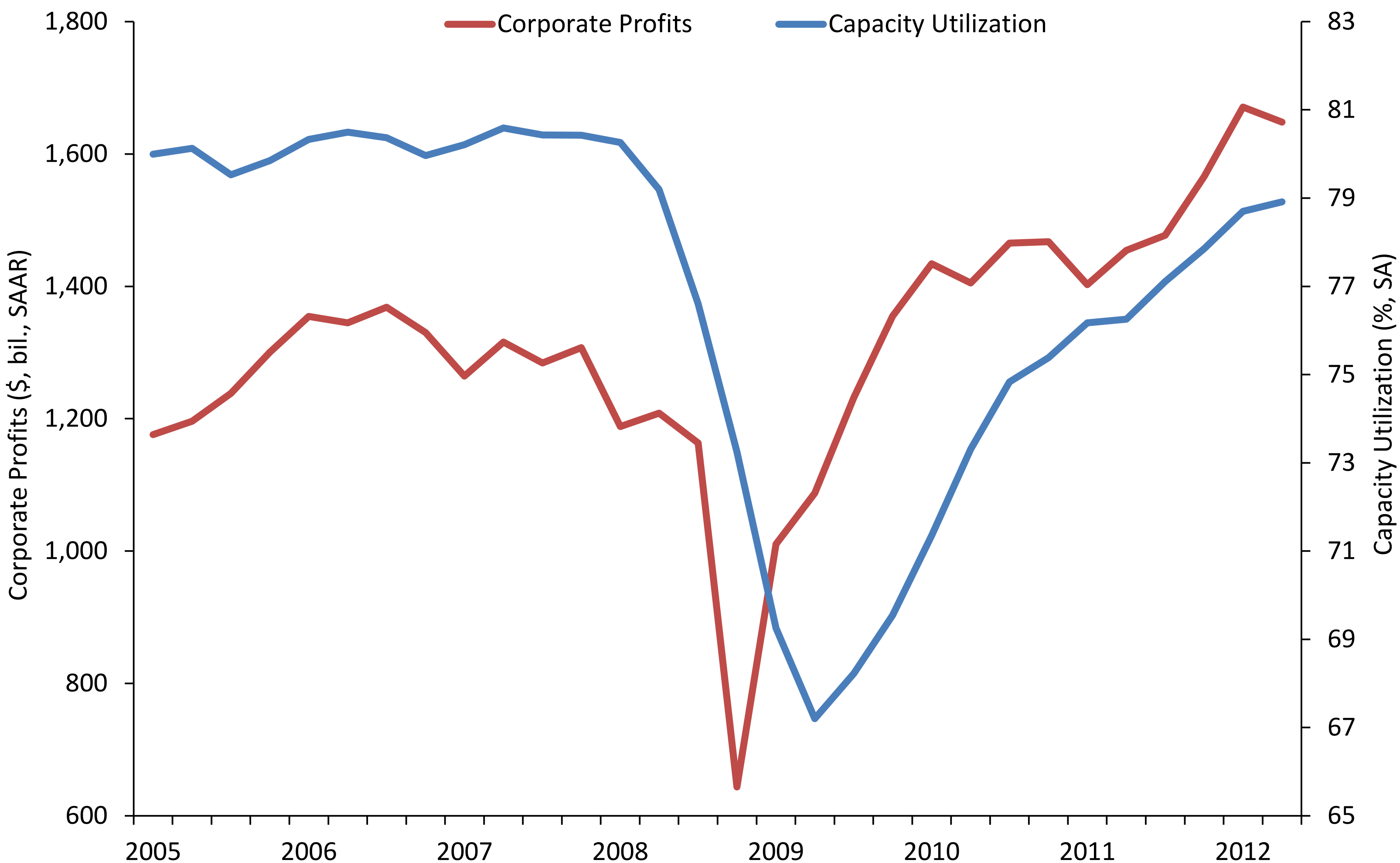
Most Job Sectors Are Growing, But Some Still Showing Signs of Weakness



Sources: Moody's Analytics, Bureau of Labor Statistics

Note: sector share of total and peak to current employment change in 000s shown in parenthesis.

Capacity Tightening, Corporations Have Cash to Spend



Sources: Federal Reserve, BEA

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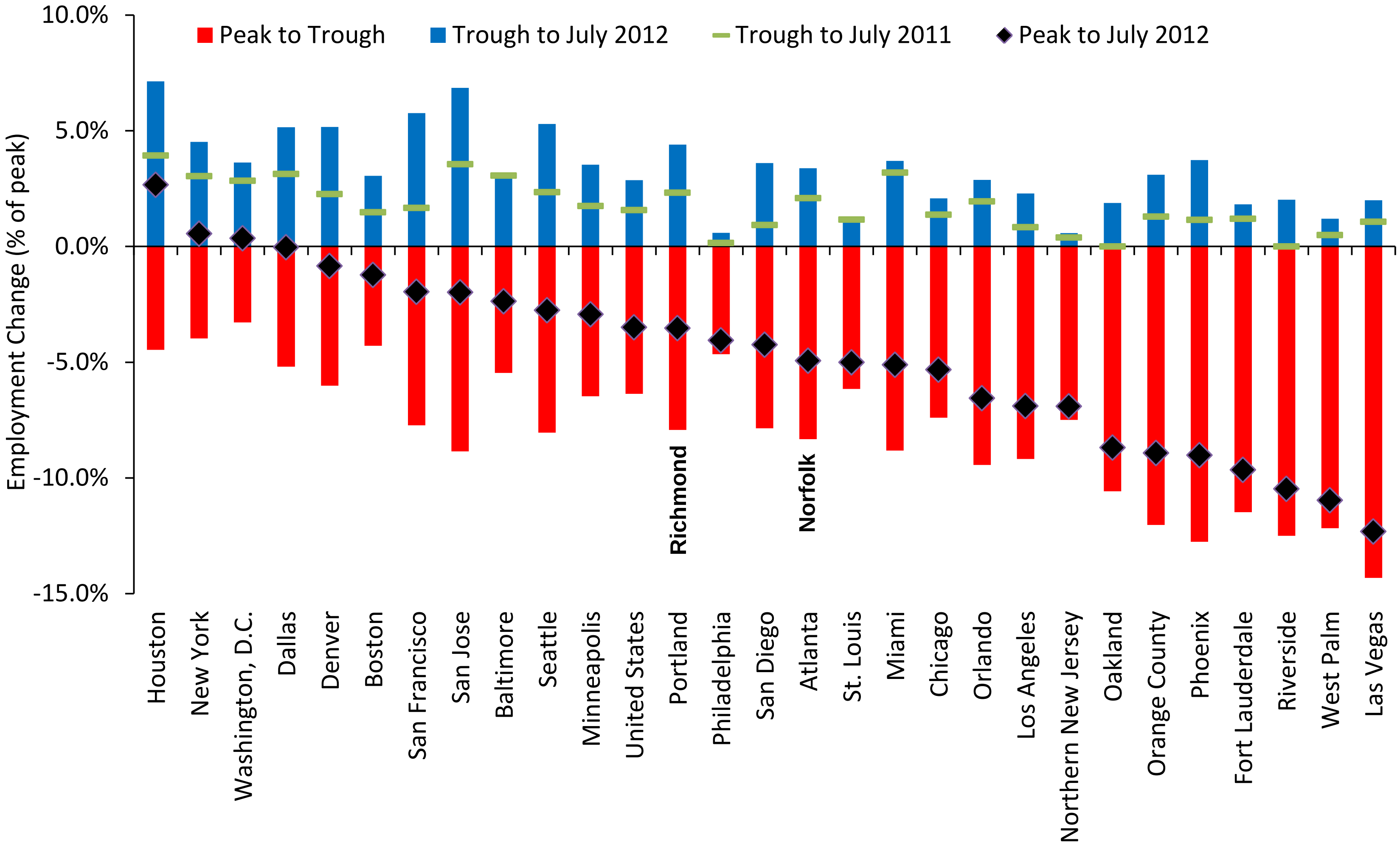
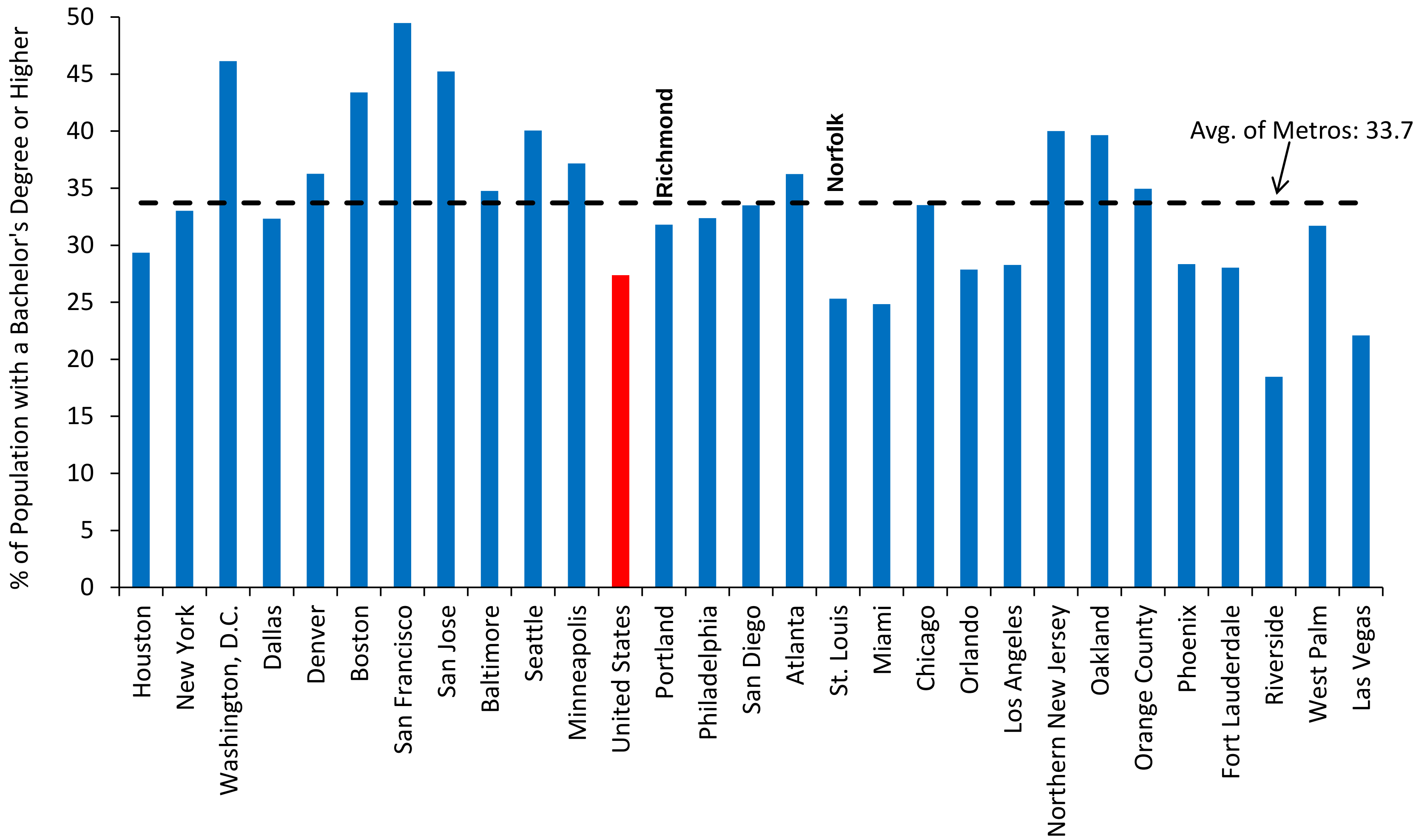
Tech & Energy Markets Leading the Recovery



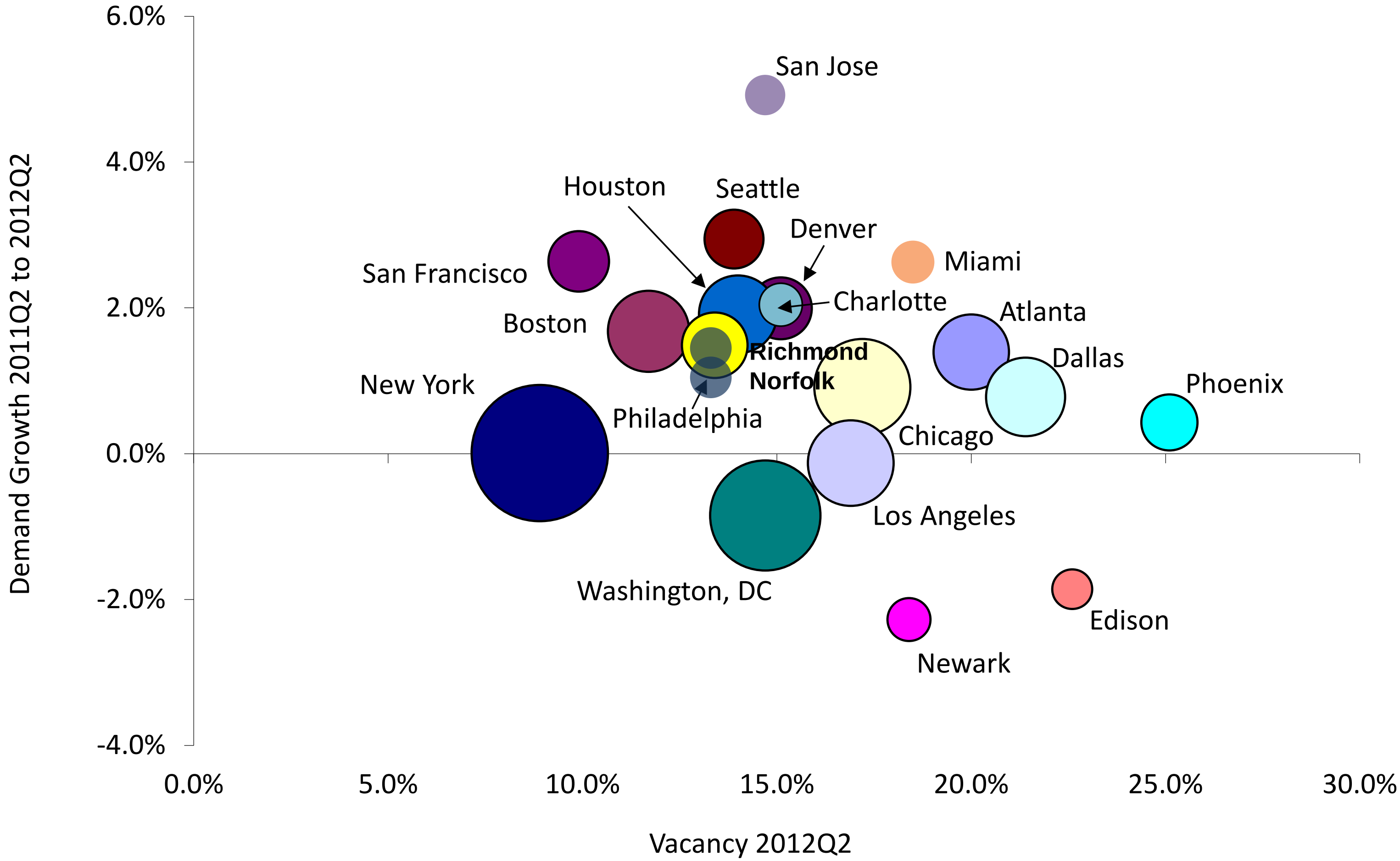
Sources: Moody’s Analytics, Bureau of Labor Statistics

High Educational Attainment Positions Metros for Stronger Growth



Sources: Moody's Analytics, U.S. Census Bureau

Tech Markets Experiencing Fastest Office Demand Growth



**Bubble Size Denotes Market Size*

Sources: CBRE-EA

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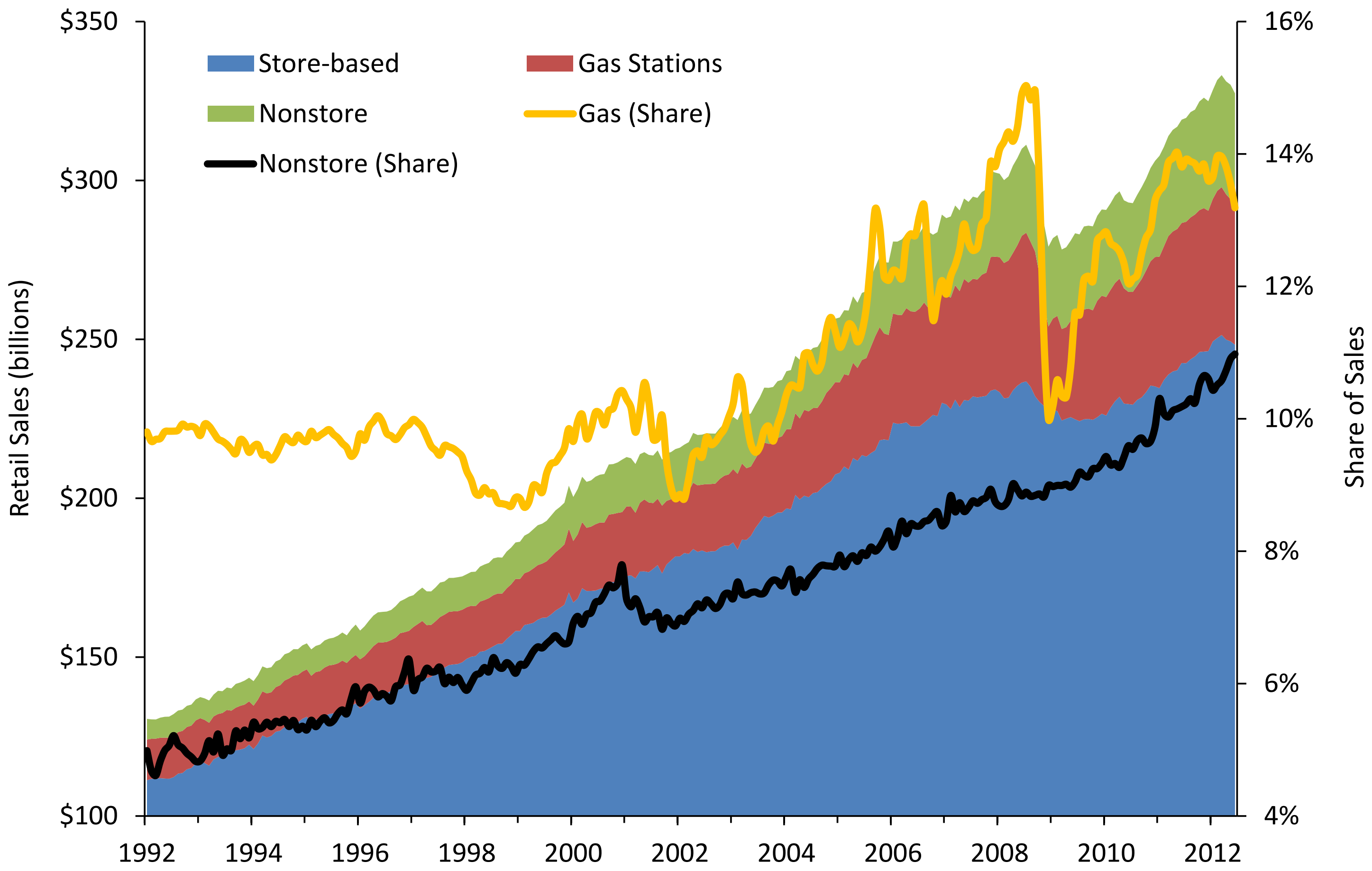
Retail Sales Rising Again but Gas and Internet Sales grabbing a Larger Share



Source: U.S. Census Bureau

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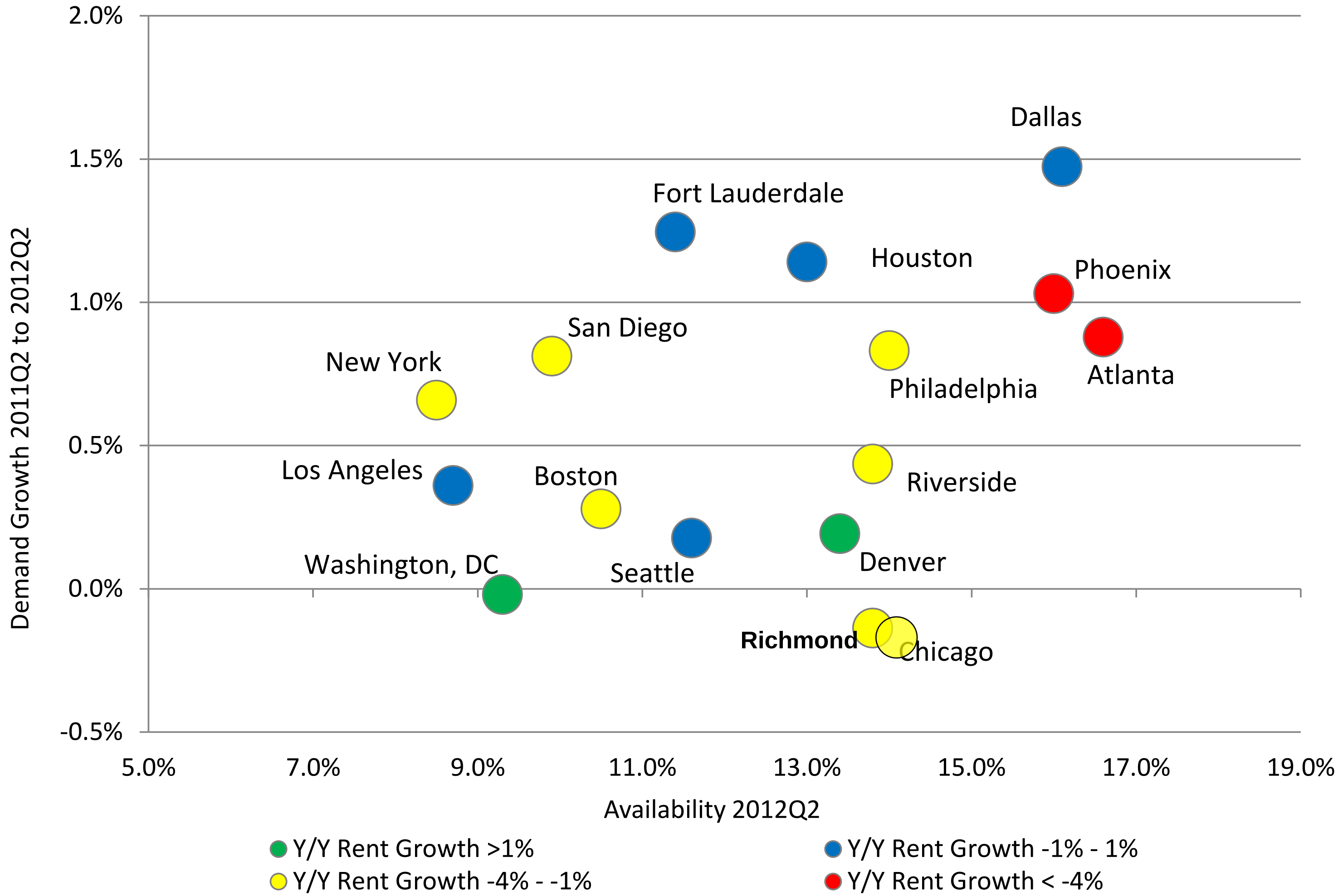
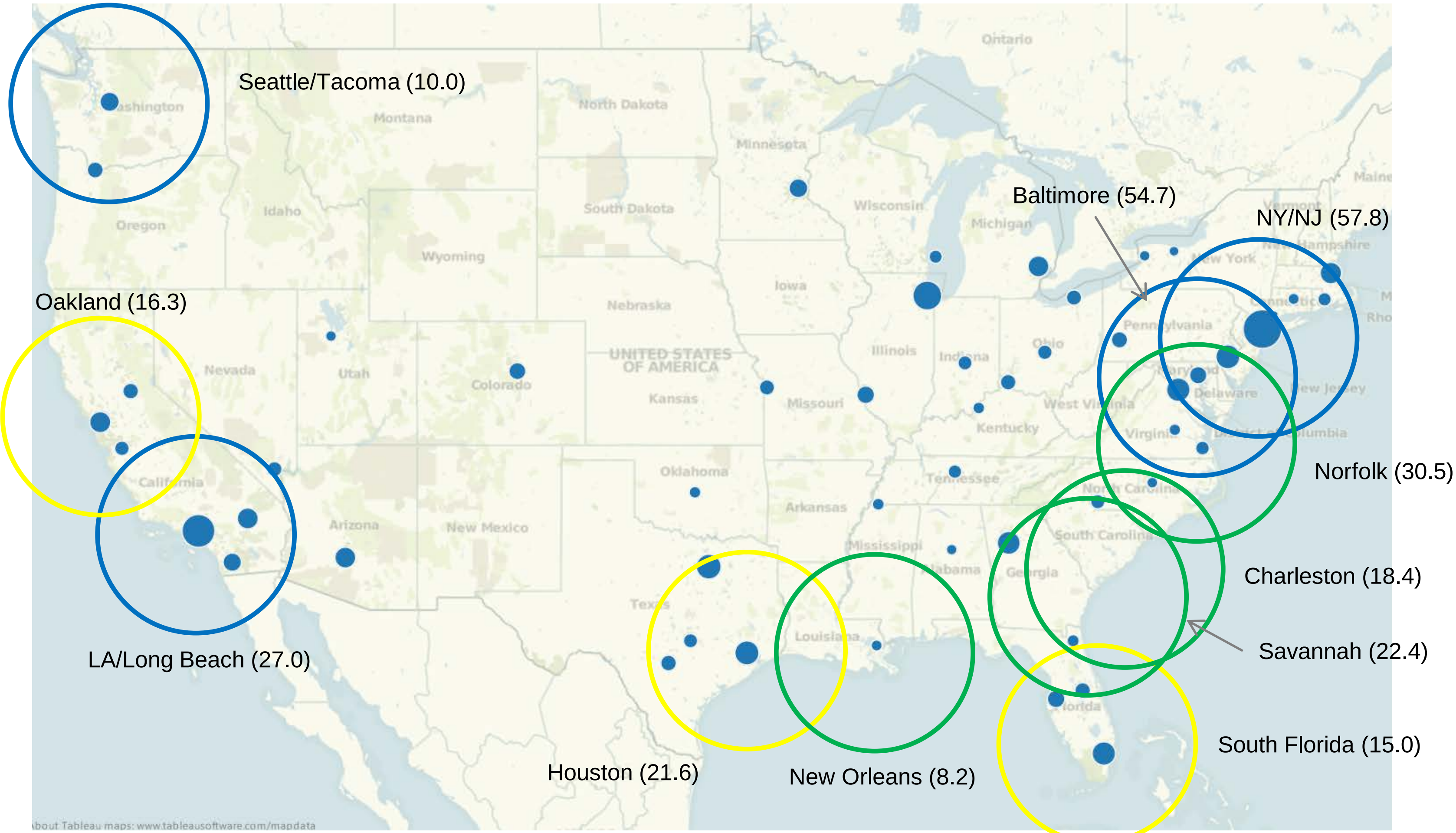
Modest Demand Growth = Soft Markets



Source: CBRE-EA

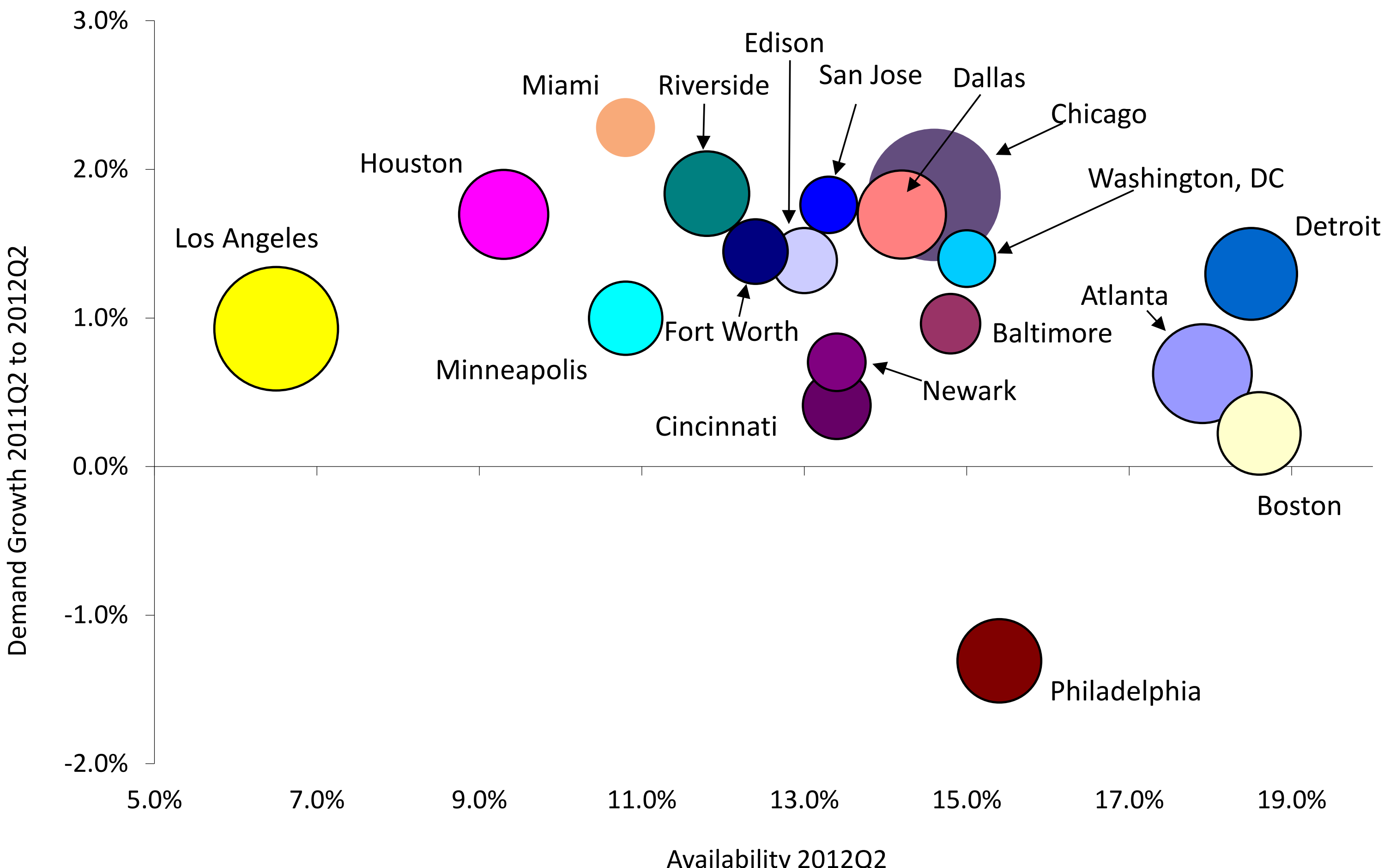
Trade Flows Play a Major Role in Industrial Market: Top Ten U.S. Container Ports



Notes: Bubbles denote MSA population levels; circles identify 250-mile radius from port color coded by import (blue), export (yellow), balanced (green); population in millions in parenthesis

Source: U.S. Census Bureau, Moody's Analytics, ESRI, American Association of Port Authorities

Industrial Market Performance is Mixed, But Few Strong Performers



**Bubble Size Denotes Market Size*

Source: CBRE-EA

The Reality of the American Housing Bust Continues to Play Out

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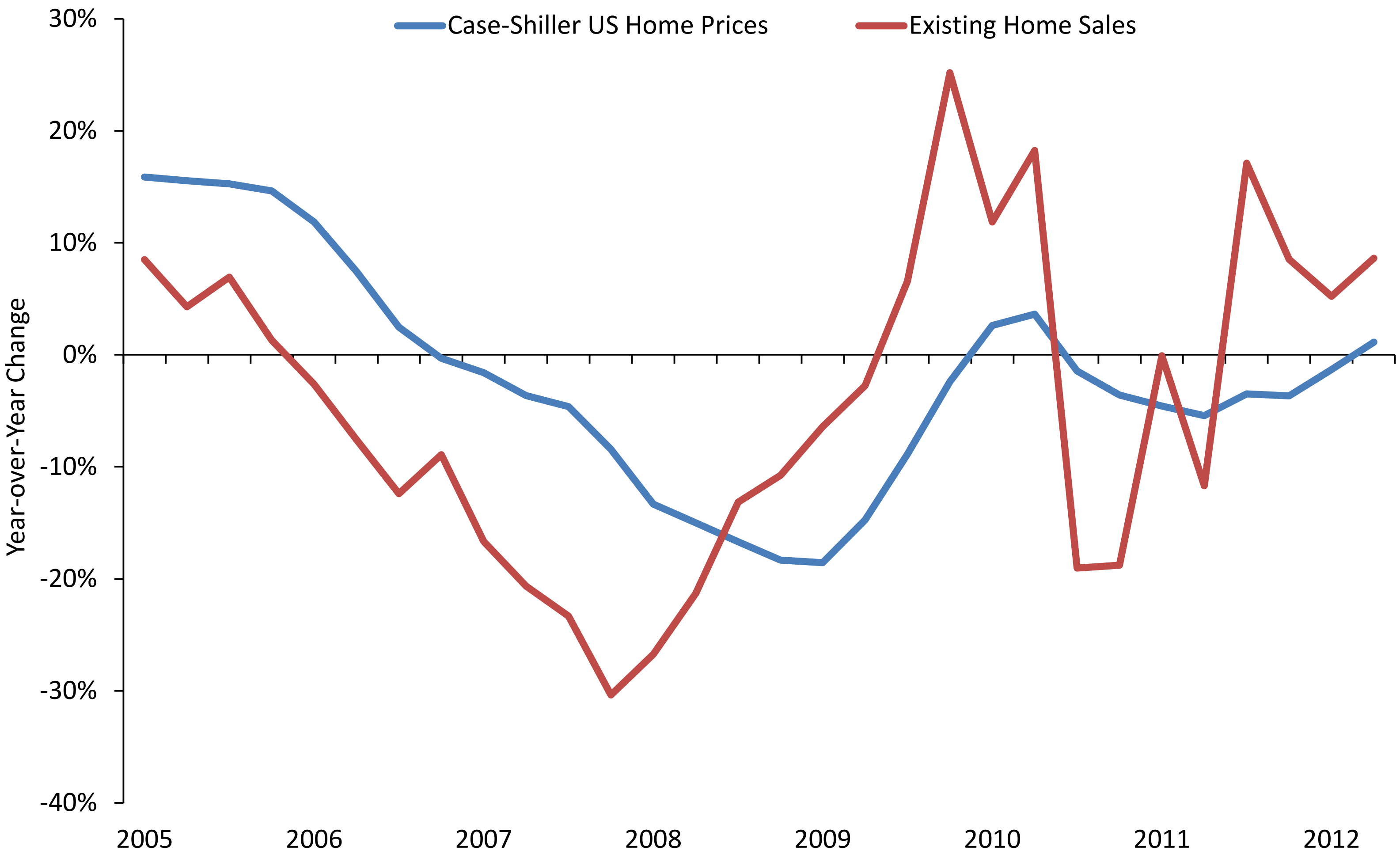
Home Prices Stabilizing as Sales Volume Improves



Sources: S&P/Case-Shiller, National Association of Realtors

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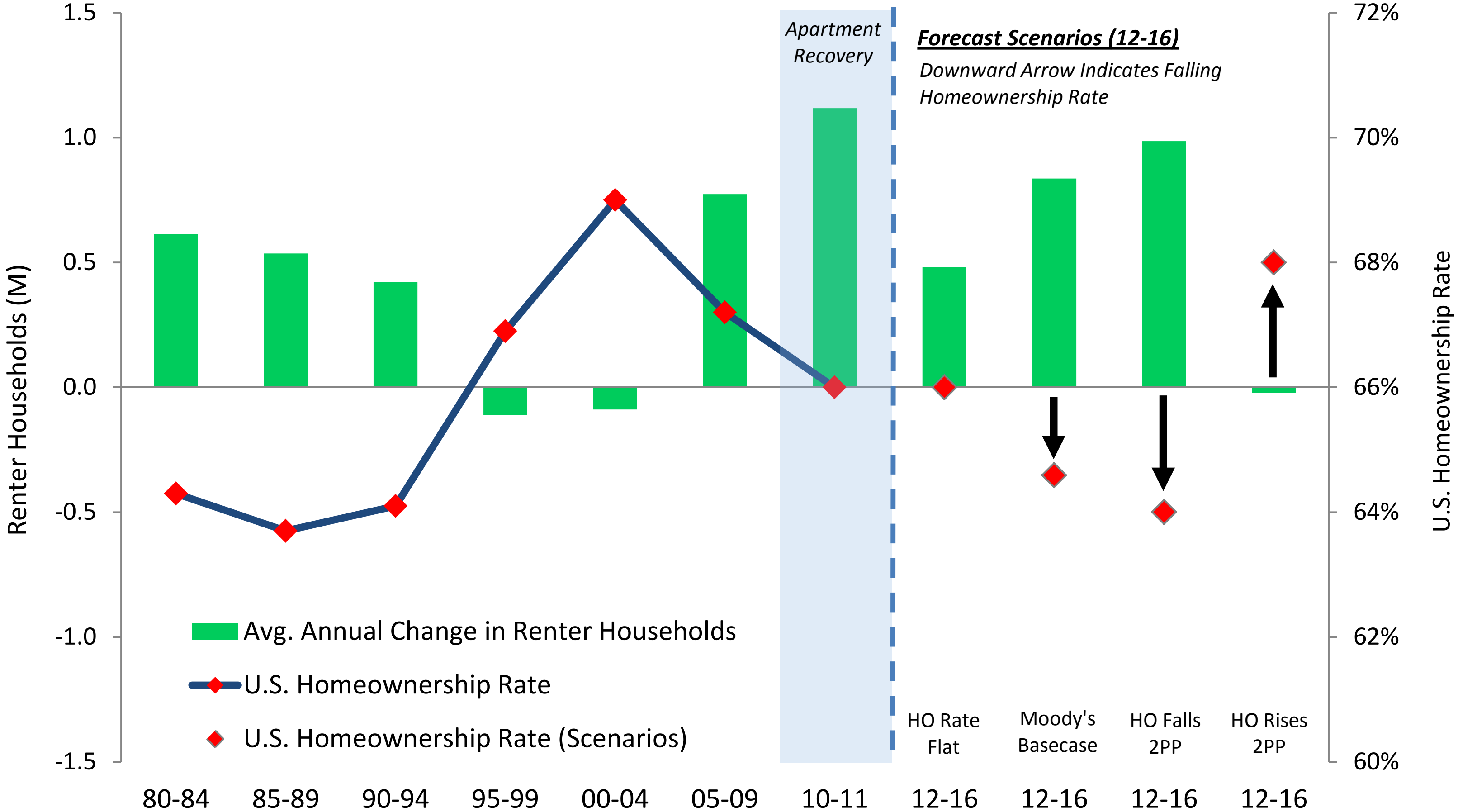
Renter Households Set for Continued Strong Growth



Sources: Moody's Analytics, U.S. Census Bureau, Bentall Kennedy Research

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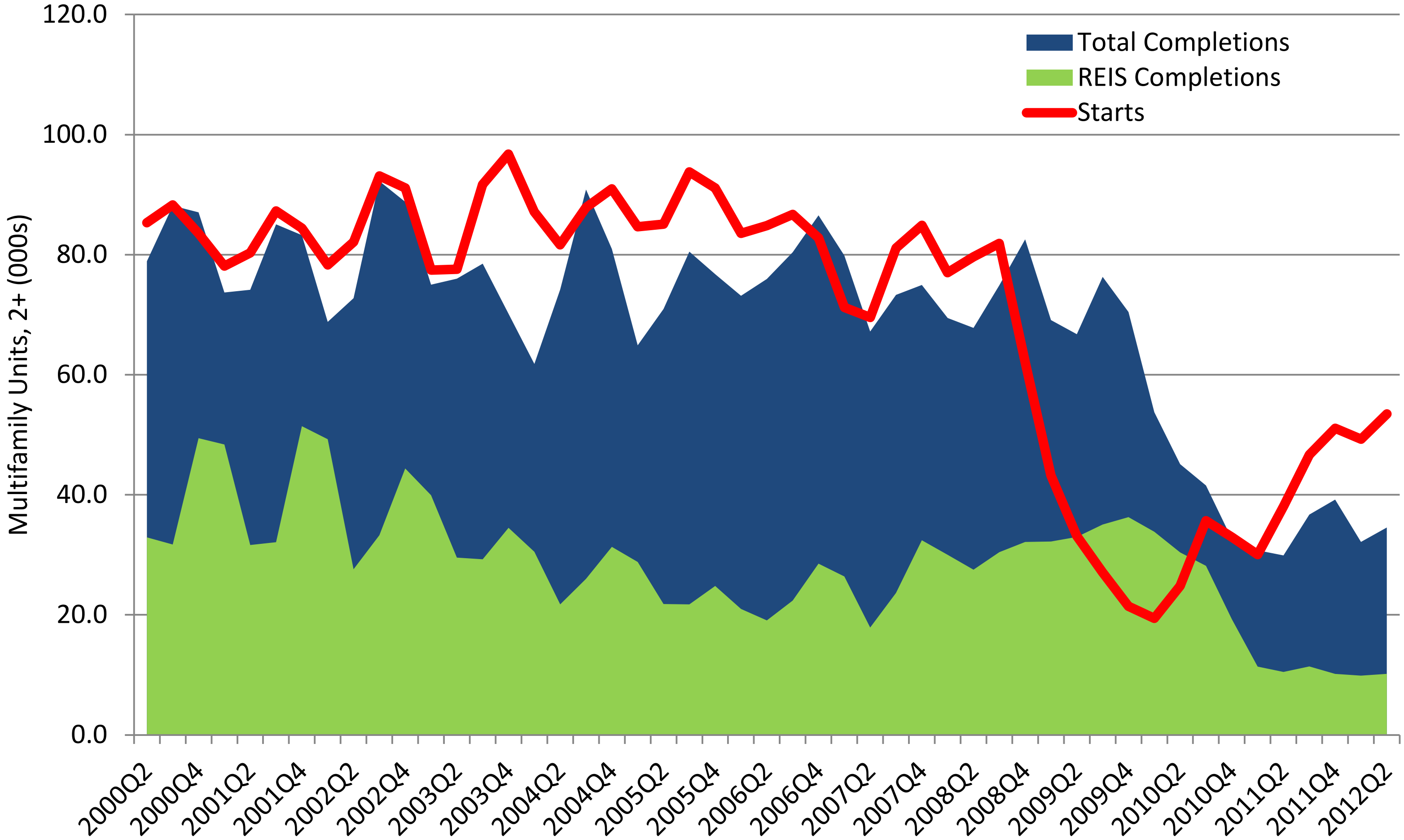
New Multifamily Supply Still Running Well Below Housing Boom Era



Sources: Moody's Analytics, U.S. Census Bureau, REIS

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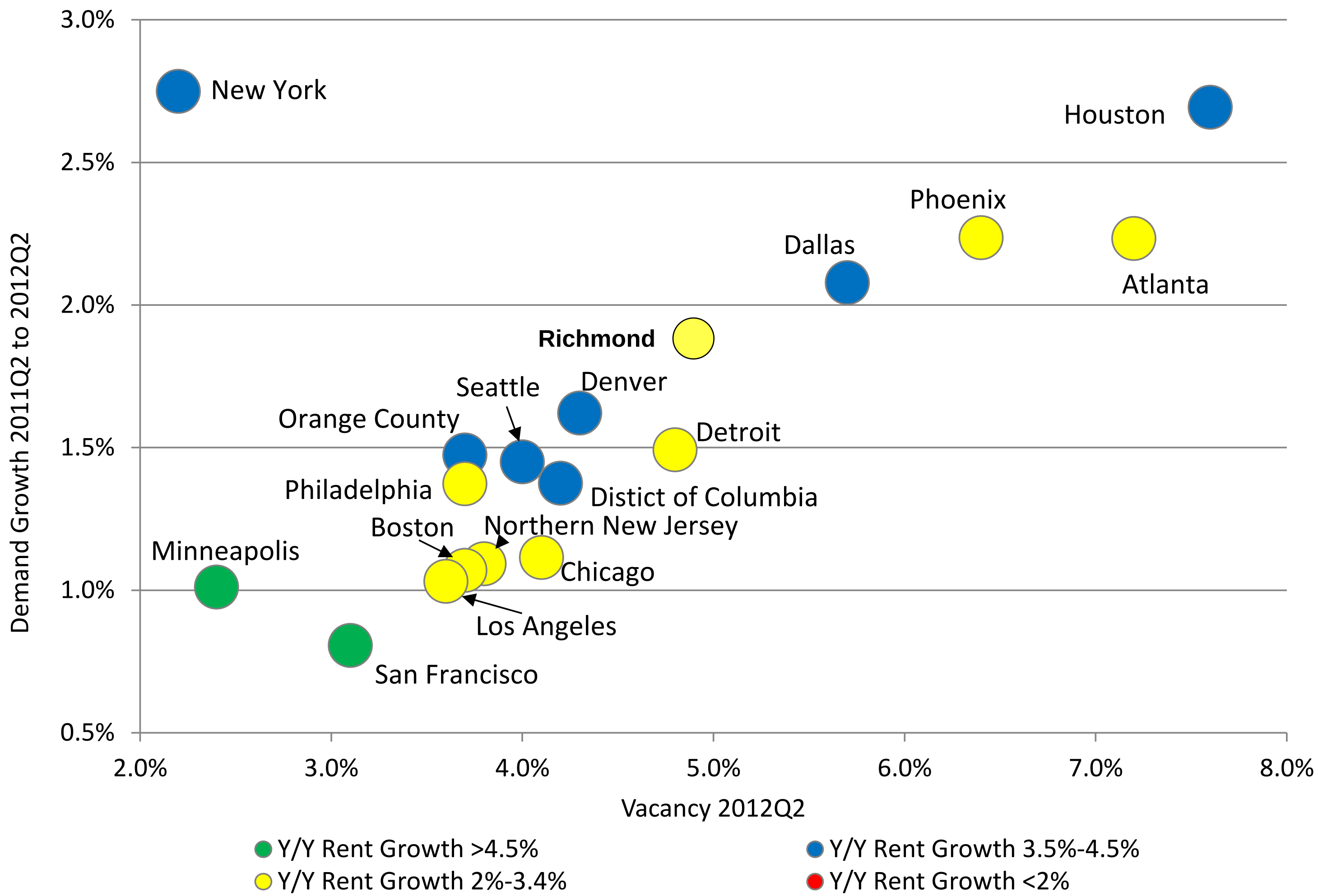
Apartment Market Experiencing Strong Demand Growth



Source: REIS

Even My Daughter is out of the House

"I do like it here, but I'm ready for my own apartment."

Source: Cartoonbank.com

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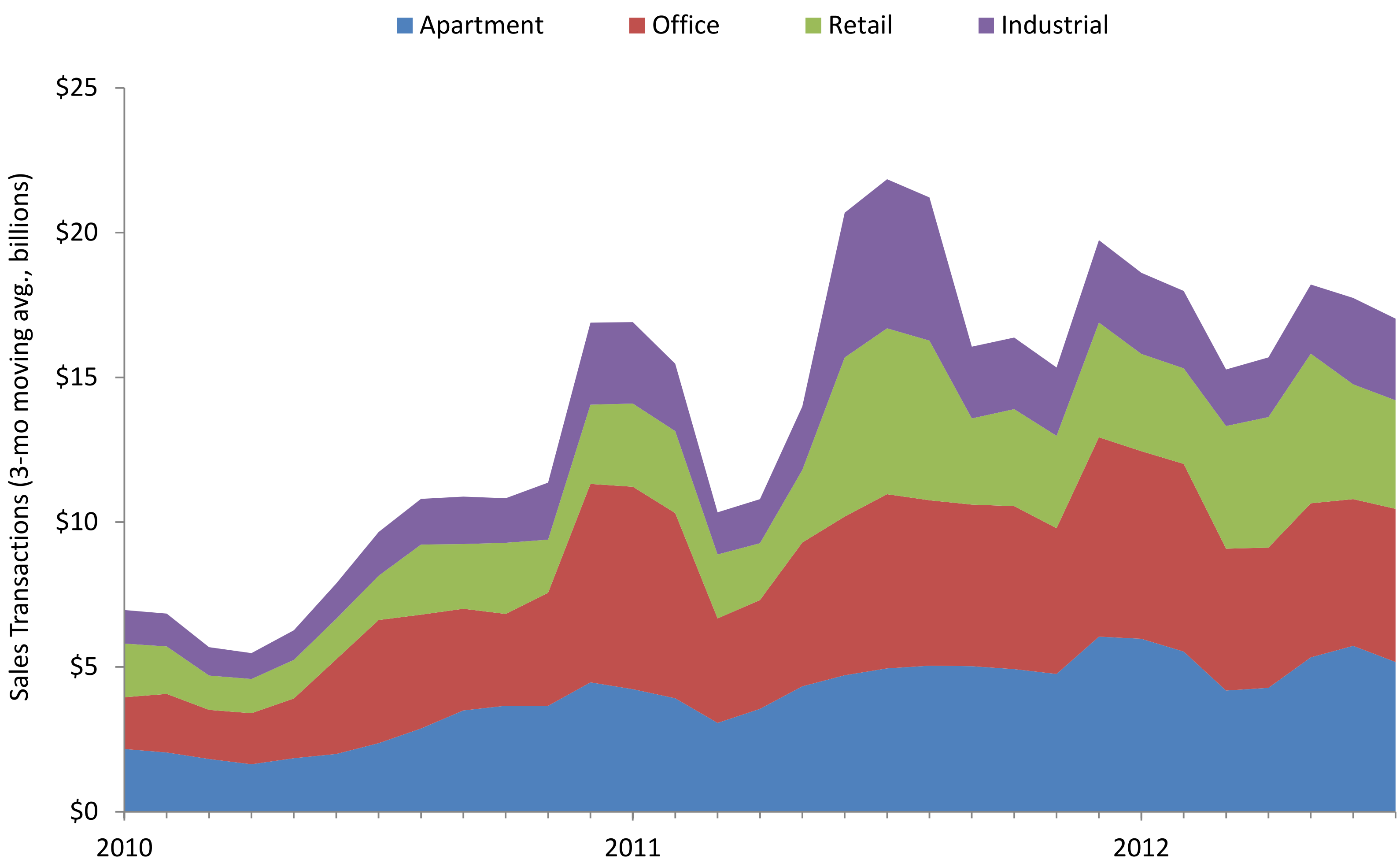
Sales Volume Solid but Leveling Out



Sources: Real Capital Analytics

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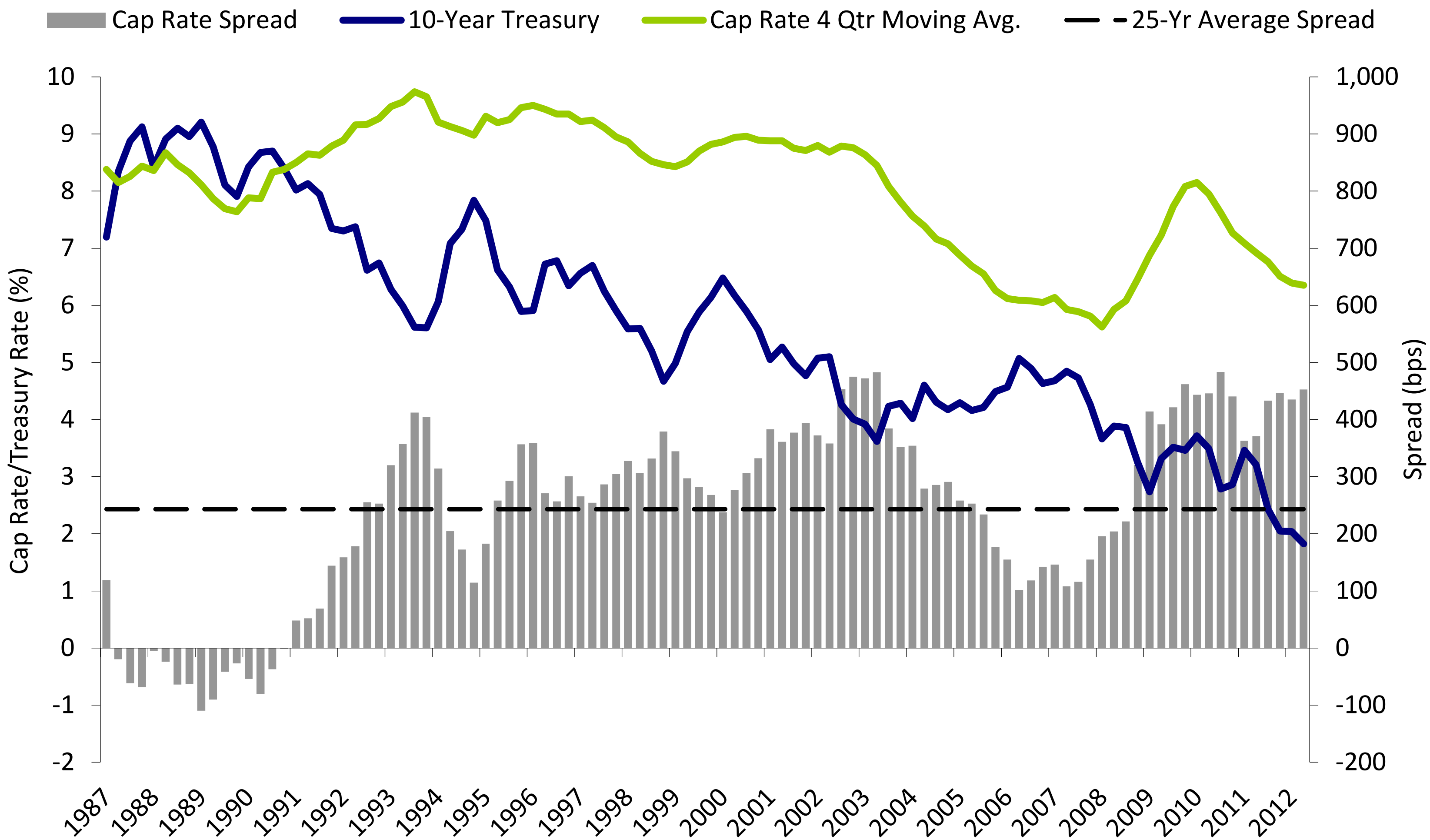
Real Estate Offering Attractive Yields Versus Treasuries



Sources: Federal Reserve, Moody's Analytics, NCREIF (transaction-based cap rates)

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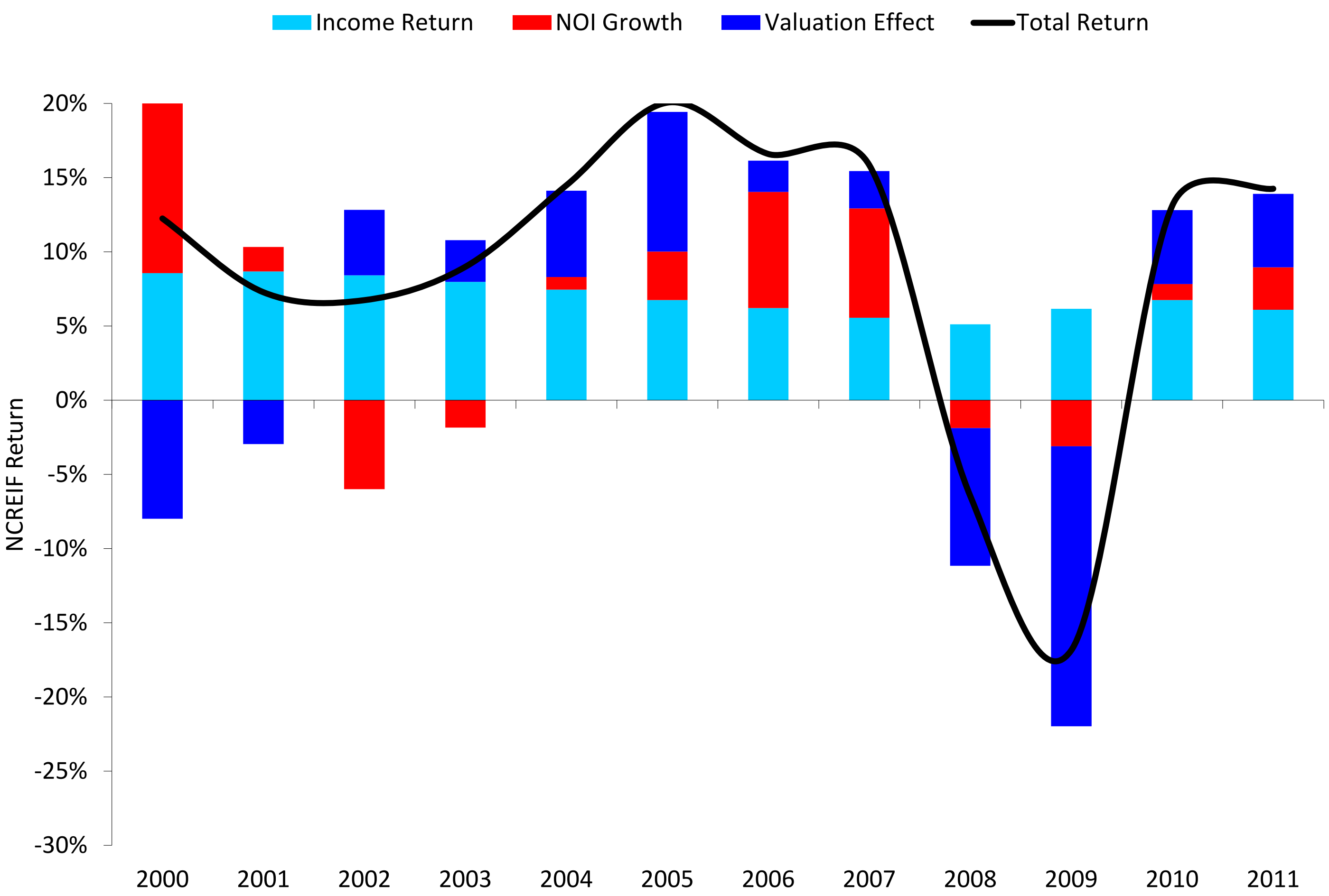
“Valuation Effect” has played a Significant Role in the Rebound of CRE Performance



Sources: NCREIF, Bentall Kennedy Research

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