



Some Bright Spots Amid the Gloom: An Overview of U.S. Real Estate Market Conditions

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U.S. Macro Economic Environment

We do not expect the U.S. economy to reenter recession

Rate of economic growth will be extremely slow as many of the traditional drivers of growth are depressed

Absent external shocks, environment likely to remain the same through the November 2012 Presidential election

Real Estate Implications

Environment is supportive of commercial real estate investment

Capital flows should remain elevated as investors search for income yield

Property market conditions continue to improve

Low-cost debt capital is available for well-leased assets but gaps exist in debt finance

Construction activity will be limited

While Overall Growth Slow, Some Faster Options

Job Growth by Metropolitan Area Q3 2011-Q3 2014

Austin	3.4%	Louisville	2.4%	Denver	1.8%
Atlanta	3.3%	Riverside	2.3%	New York	1.7%
San Antonio	3.0%	Phoenix	2.3%	Memphis	1.7%
Las Vegas	3.0%	Charlotte	2.3%	Sacramento	1.7%
Dallas-Ft. Worth	3.0%	New Orleans	2.2%	Pittsburgh	1.7%
Houston	2.9%	Orlando	2.1%	Milwaukee	1.7%
Salt Lake City	2.8%	Oklahoma City	2.1%	Washington, DC	1.7%
Raleigh	2.8%	Nashville	2.0%	St. Louis	1.6%
Minneapolis-St. Paul	2.6%	San Jose	2.0%	Richmond	1.5%
		Portland	2.0%	Kansas City	1.5%
		San Diego	2.0%	Boston	1.5%
		Birmingham	2.0%	Virginia Beach	1.5%
		Columbus	2.0%	Cincinnati	1.5%
		U.S.	1.9%	Miami-Ft. Lauderdale	1.5%
		Los Angeles	1.9%	Baltimore	1.5%
		Seattle	1.9%	Buffalo	1.4%
		Jacksonville	1.9%	Indianapolis	1.4%
		Providence	1.8%		
		Philadelphia	1.8%		

2.5% +

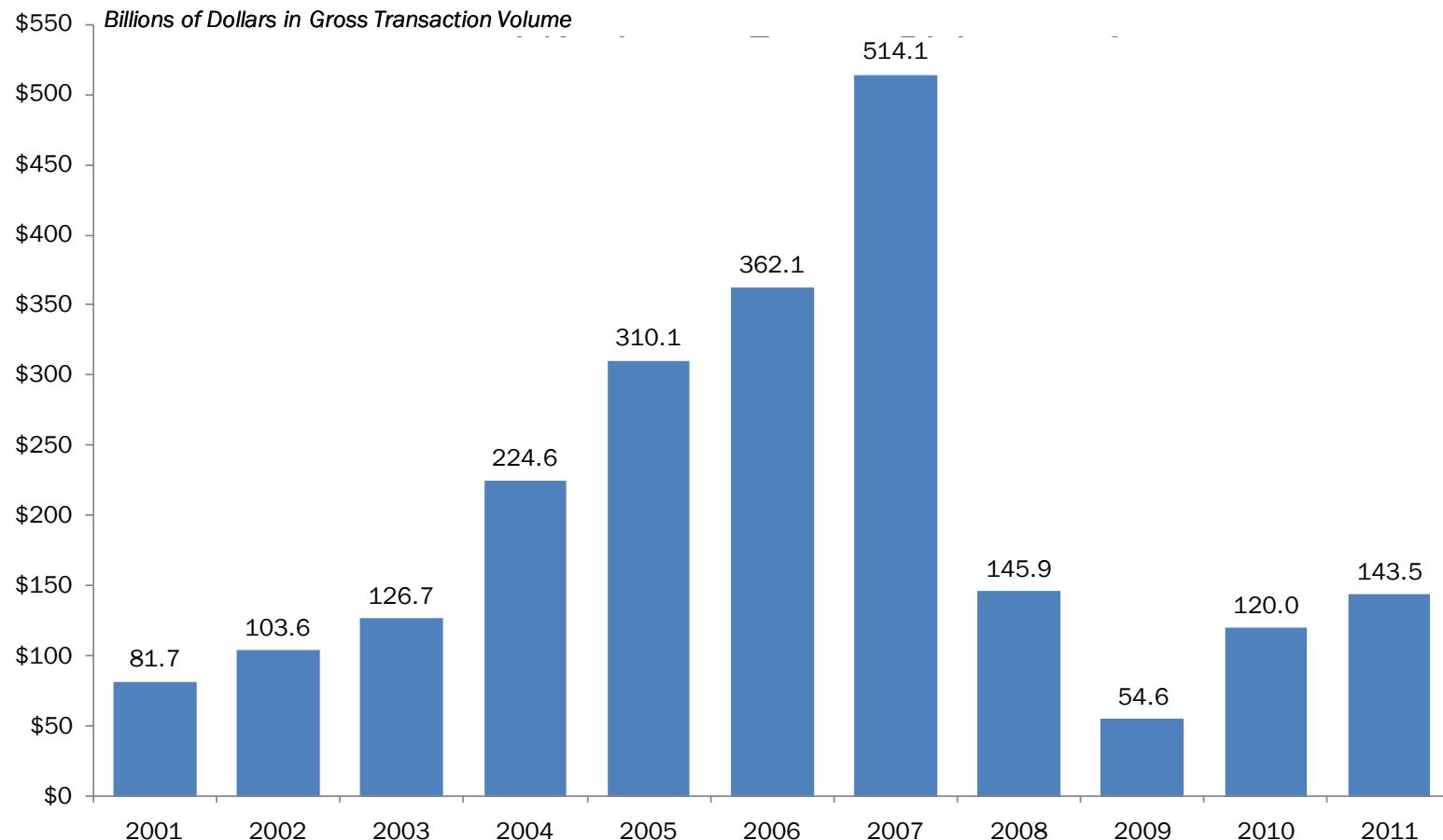
1.8% - 2.5%

1.4% - 1.8%

$\leq 1.7\%$

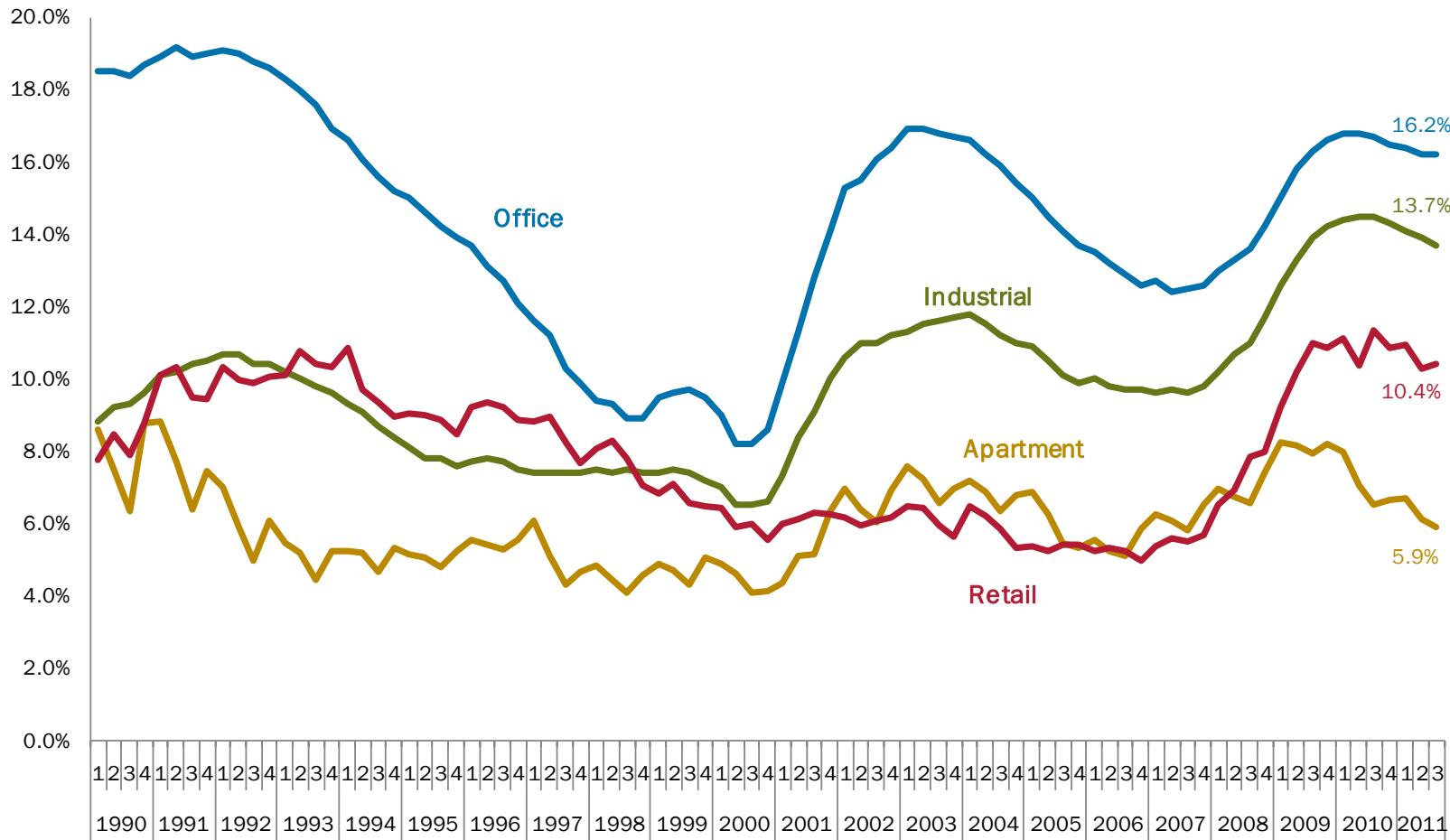
Source: Moody's Economy.com; Heitman Research

Commercial Property Transaction Volume U.S. 2001-2011 YTD September



Source: Real Capital Analytics; Heitman Research. These numbers reflect sales of all commercial real estate transactions over \$5 million.

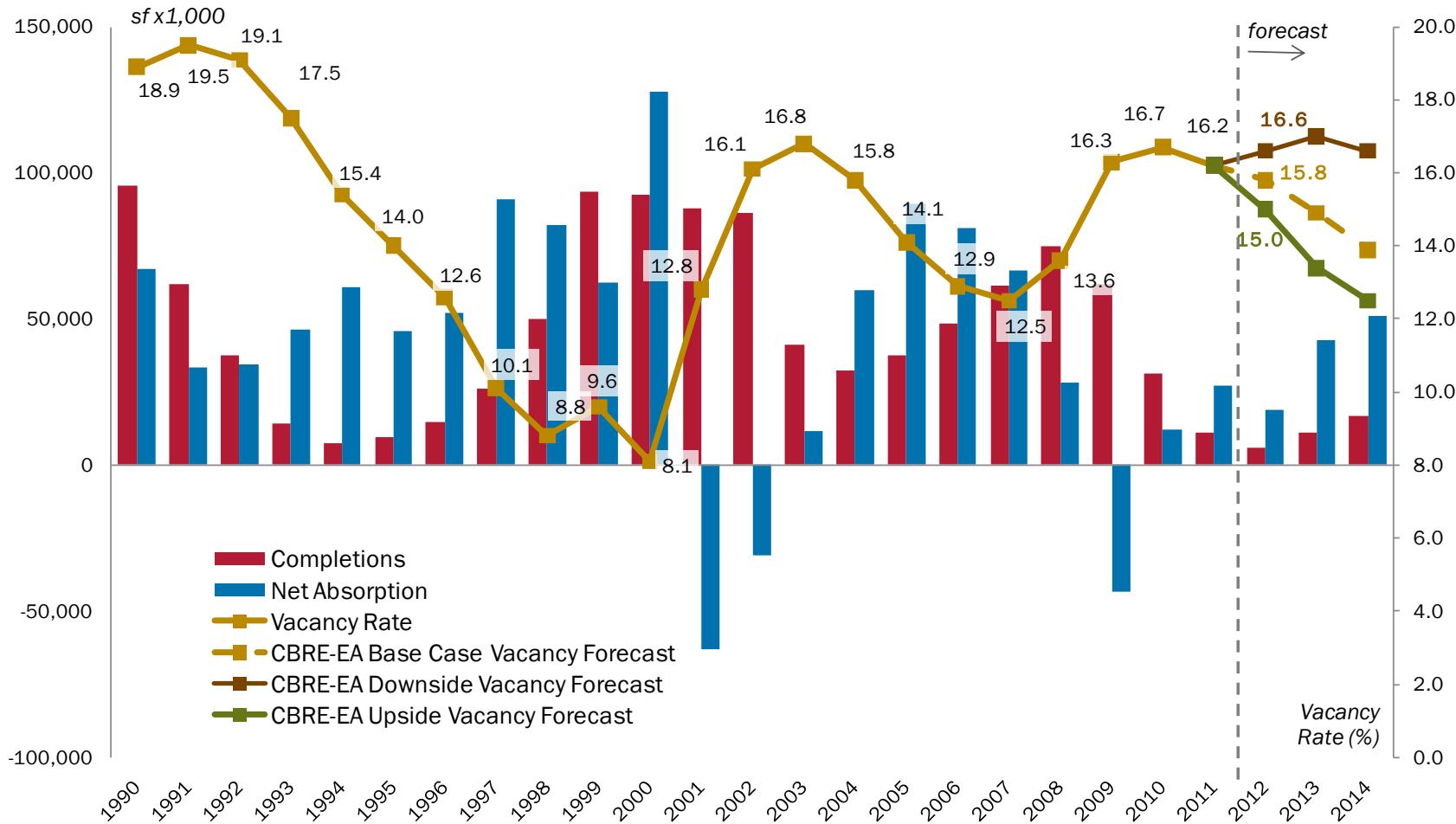
Vacancy Rates by Property Type
U.S. 1990-2011 (Q3)



Source: CBRE Econometric Advisors; NCREIF; Axiometrics; CoStar; Heitman Research. The apartment series reflects NCREIF data through 1996Q1 and Axiometrics data thereafter. The retail series reflects NCREIF data. The industrial and office series reflects the availability rate rather than the vacancy rate.

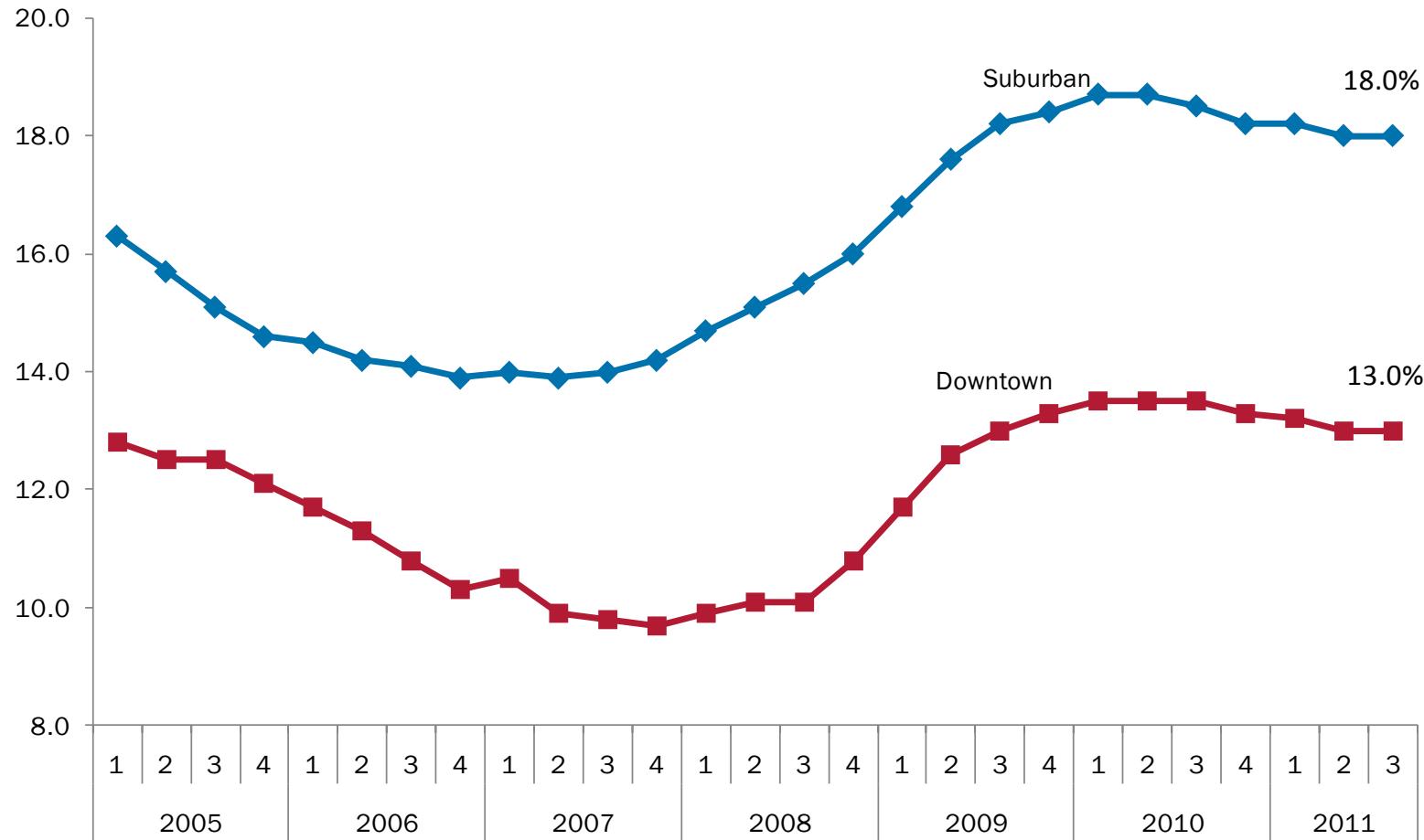
A Slow Office Recovery Underway

Office Completions, Net Absorption, and Vacancy U.S. 1990-2014 Years Ending Q3



Source: CBRE Econometric Advisors; Heitman Research

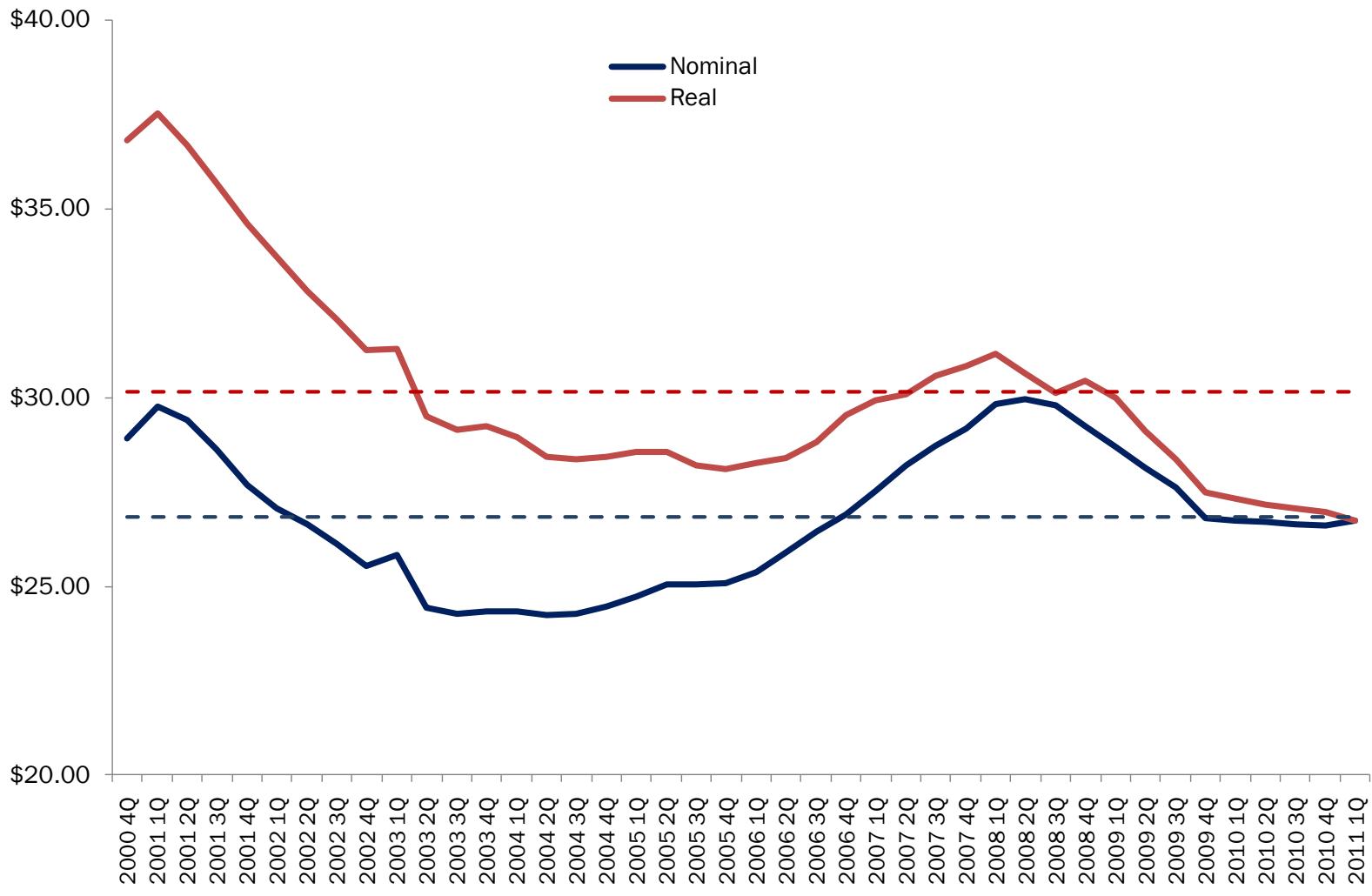
Office Vacancy: Downtown vs. Suburbs U.S. 2005-2011 Q3



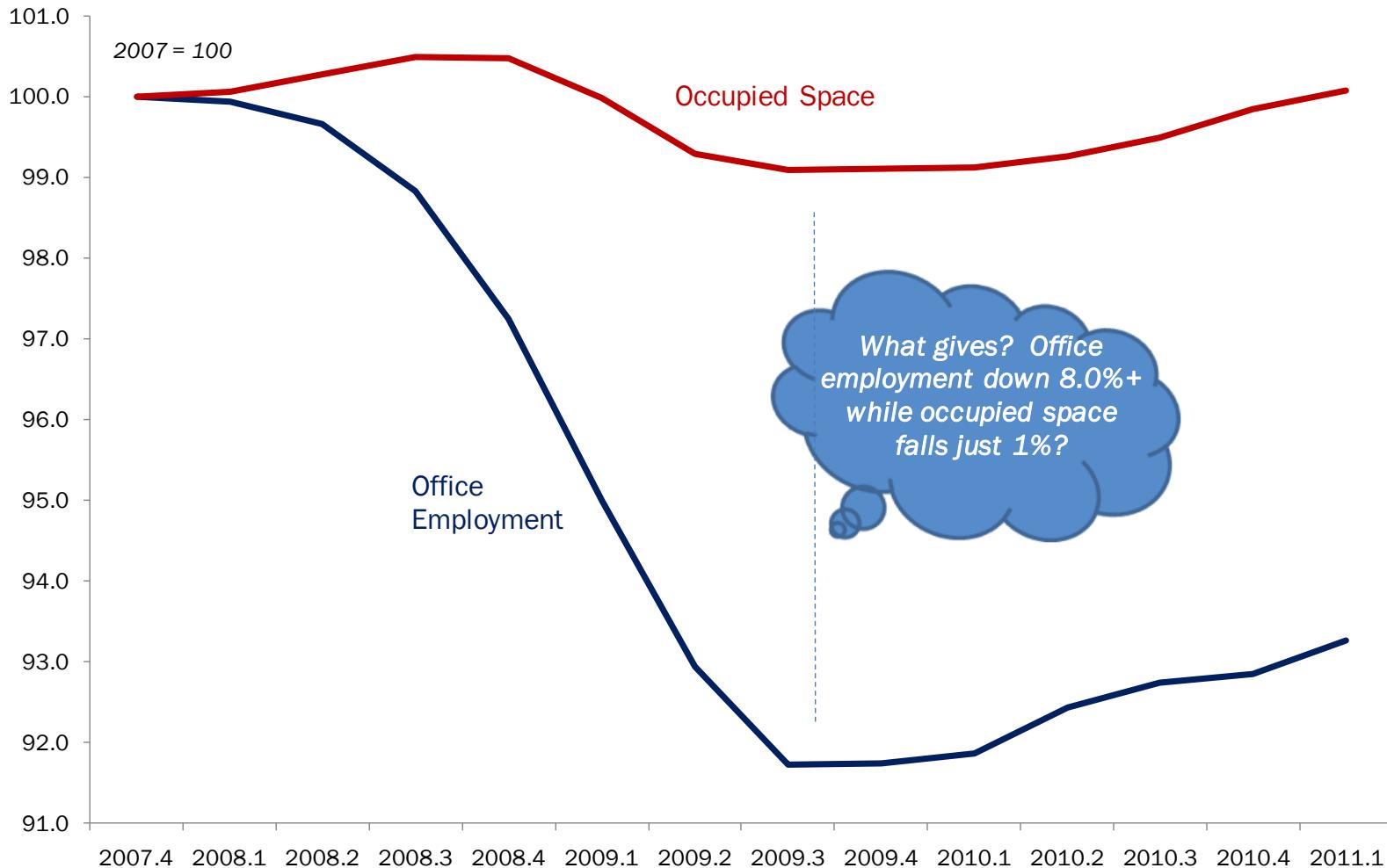
Source: CBRE Econometric Advisors; Heitman Research

Office Rents Have Bottomed

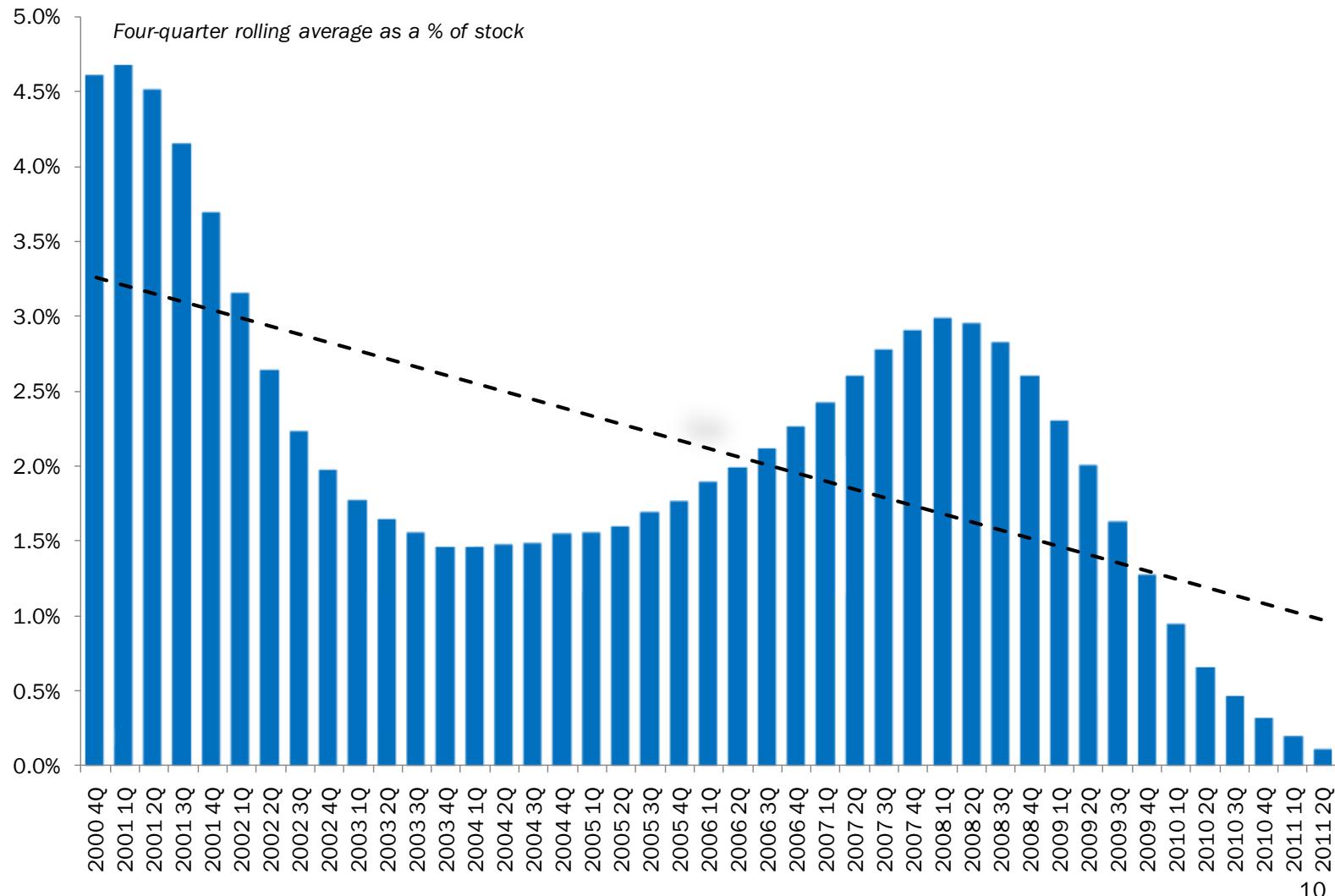
Average Asking Rental Rates Top 20 Office Markets



Office Employment vs. Occupied Space U.S. Office Markets 2007-2011

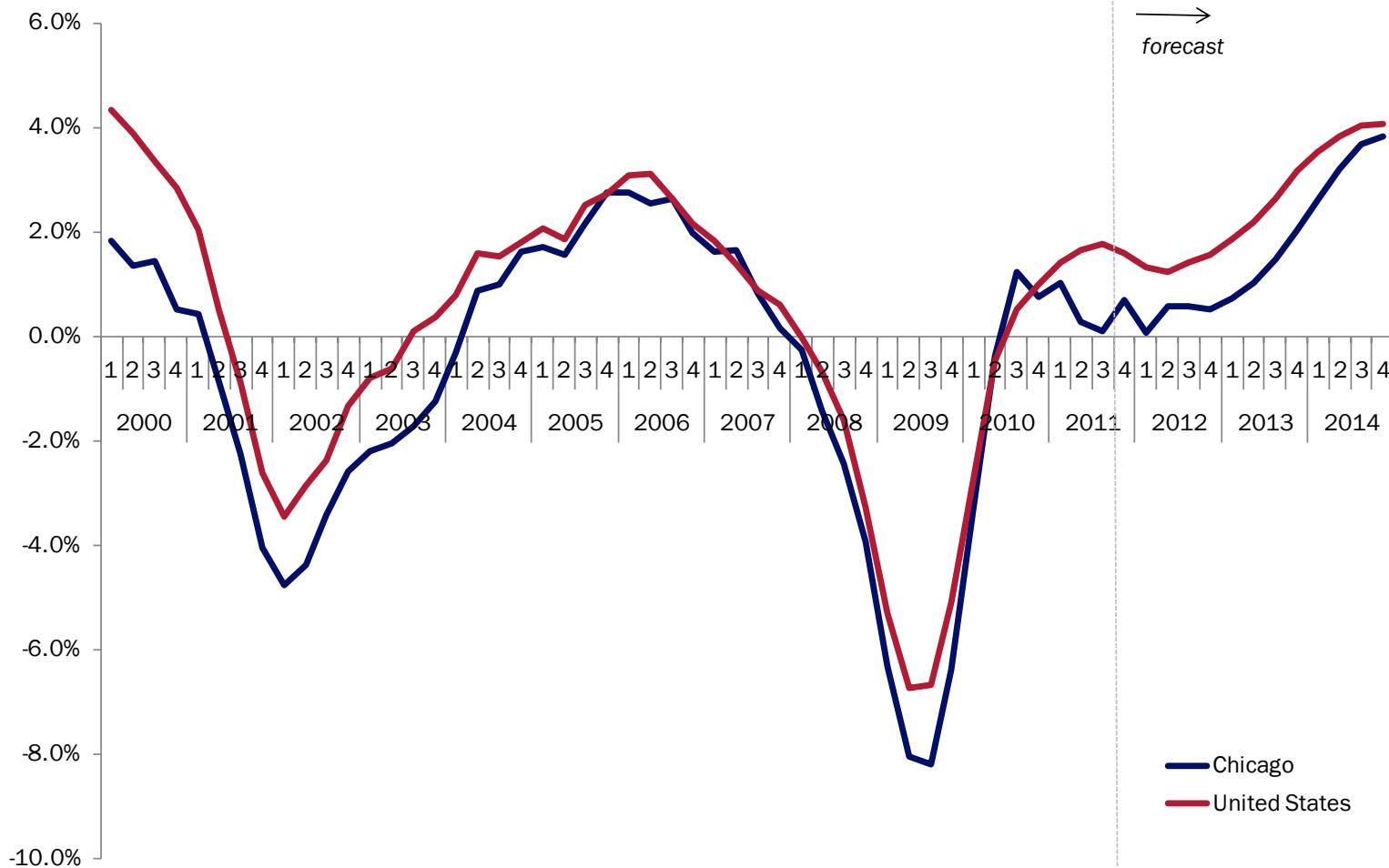


Office Space Under Construction Top 20 Office Markets



Chicago had a Sharper Recesssion and Has Had a Weaker Recovery in Office Jobs

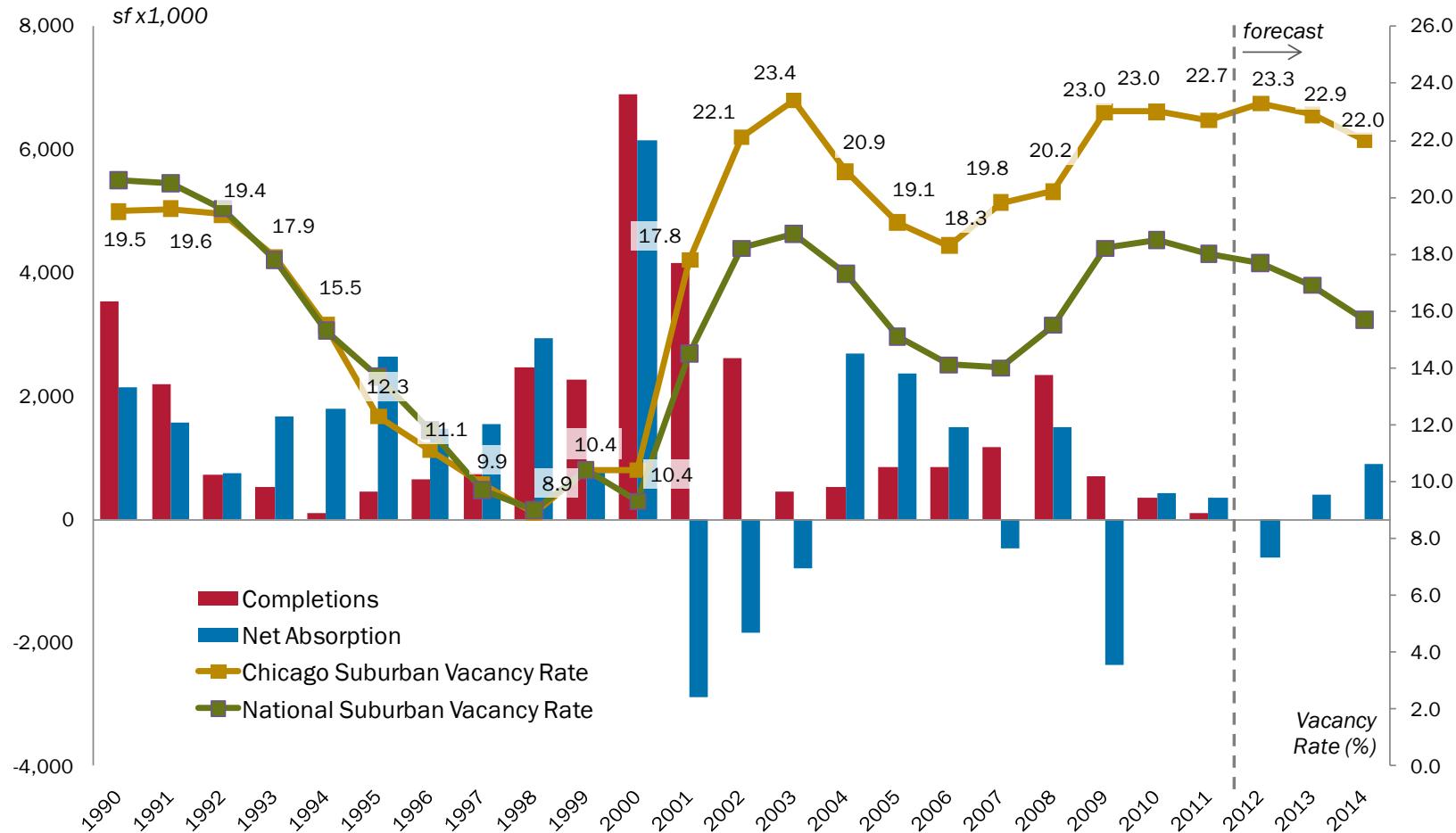
Year-On-Year Office Employment Growth Chicago and United States 2000-2014



Source: Moody's Analytics; Heitman Research

And Suburban Chicago is Suffering

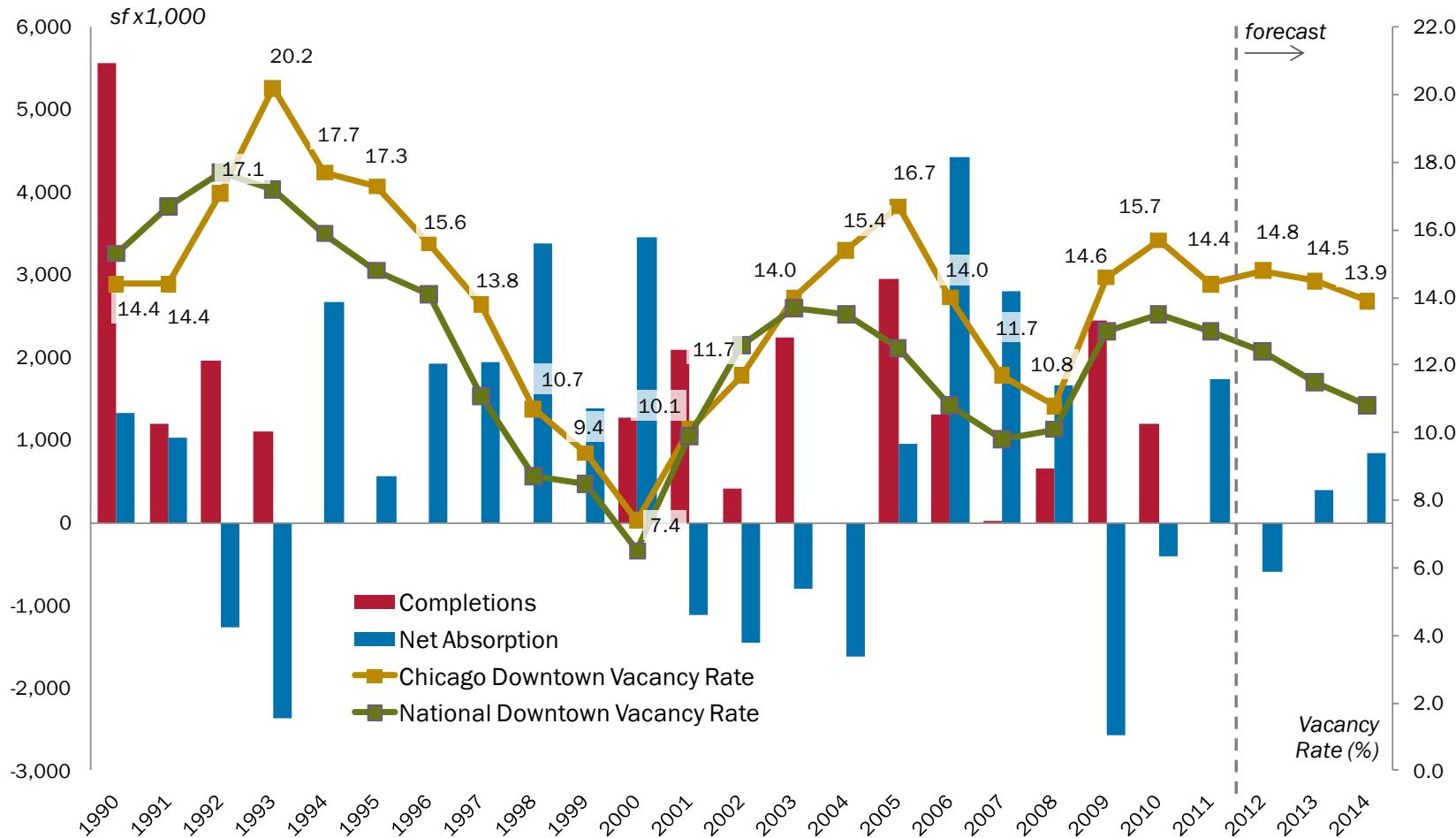
Office Completions, Net Absorption, and Vacancy Suburban Chicago 1990-2014 Years Ending Q3



Source: CBRE Econometric Advisors; Heitman Research

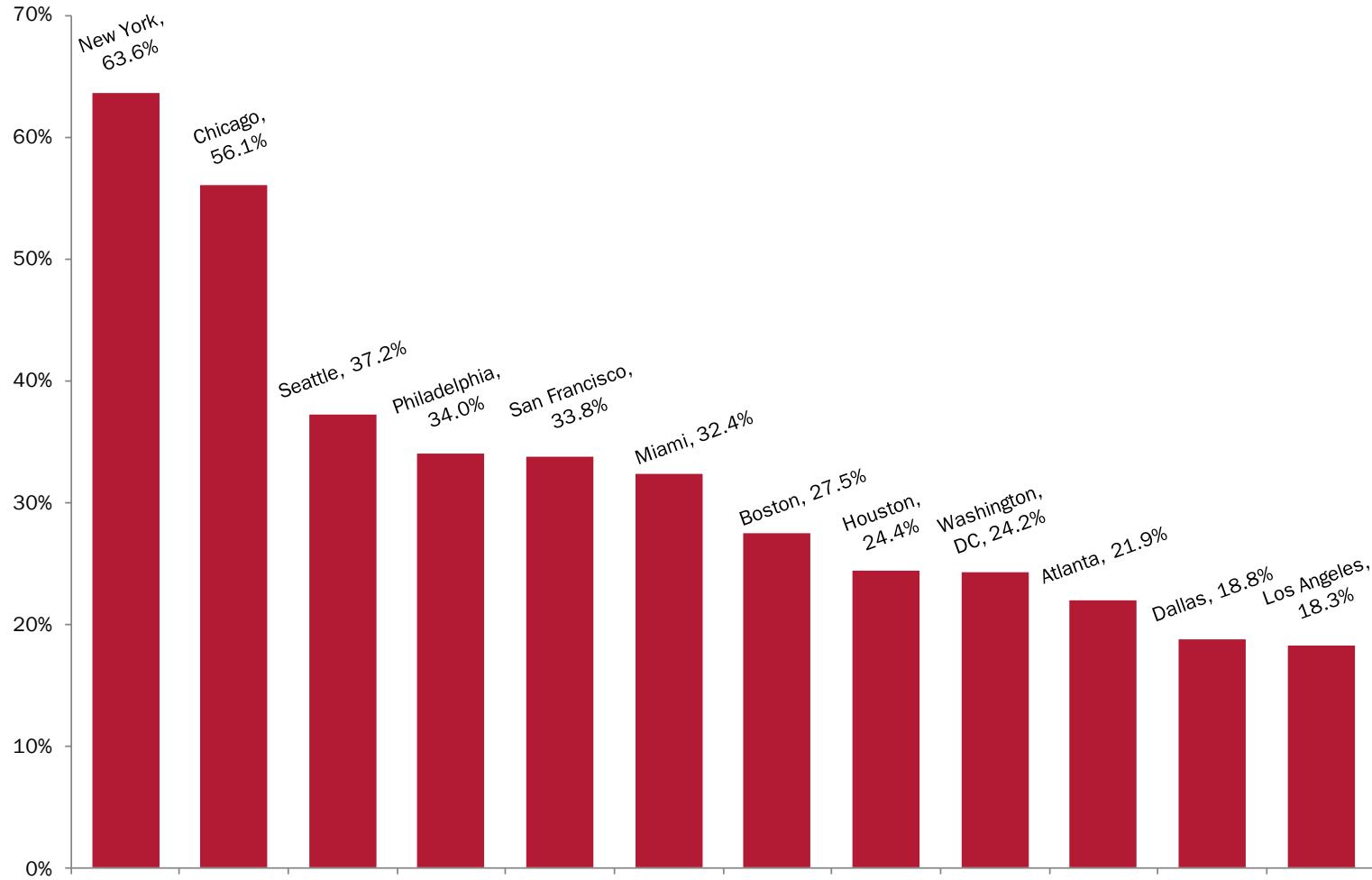
Downtown Chicago is Much Healthier

Office Completions, Net Absorption, and Vacancy Downtown Chicago 1990-2014 Years Ending Q3



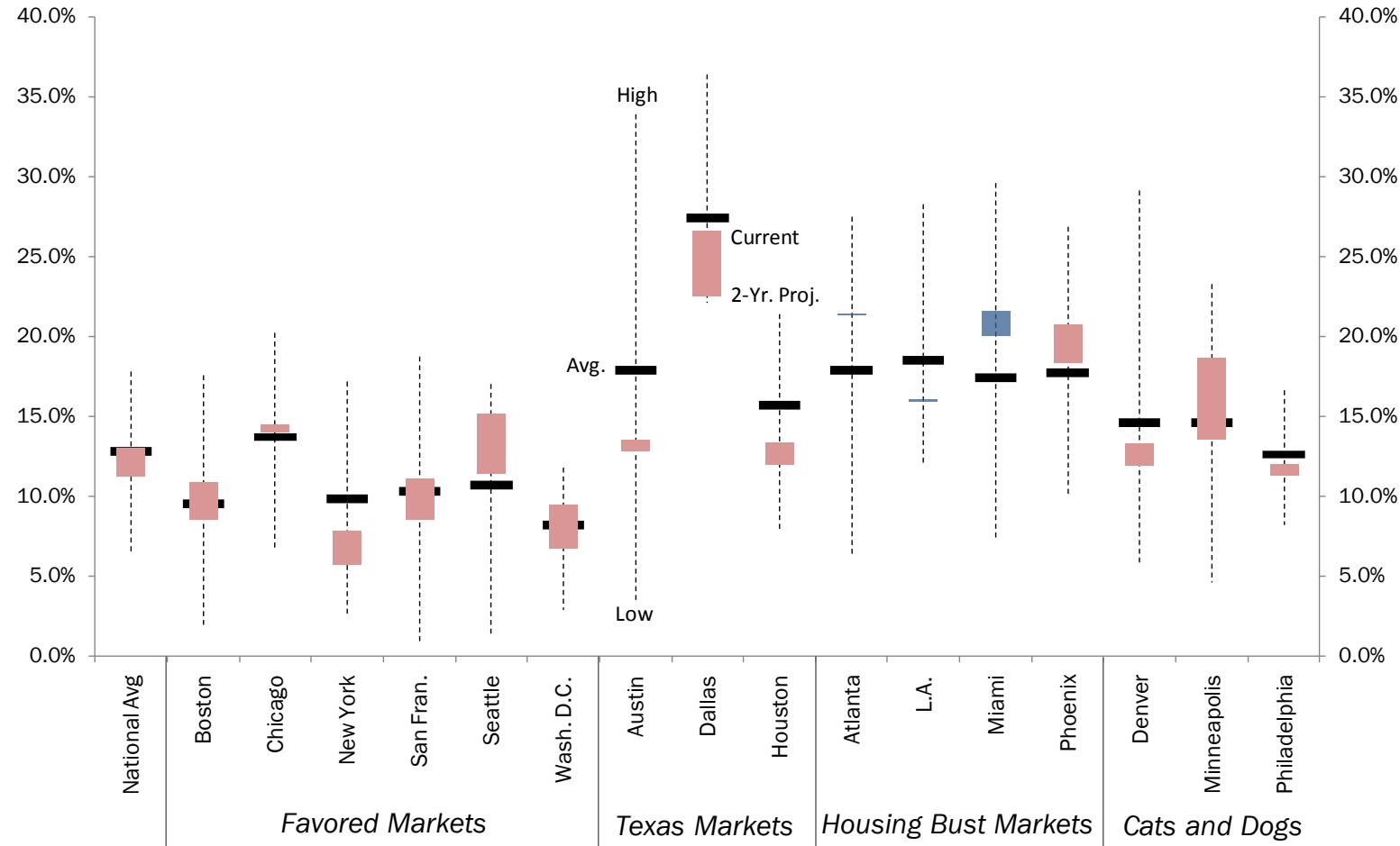
Source: CBRE Econometric Advisors; Heitman Research

Downtown Inventory as a % of Total Metro Inventory Select Office Markets Q3 2011



Source: CBRE Econometric Advisors; Heitman Research

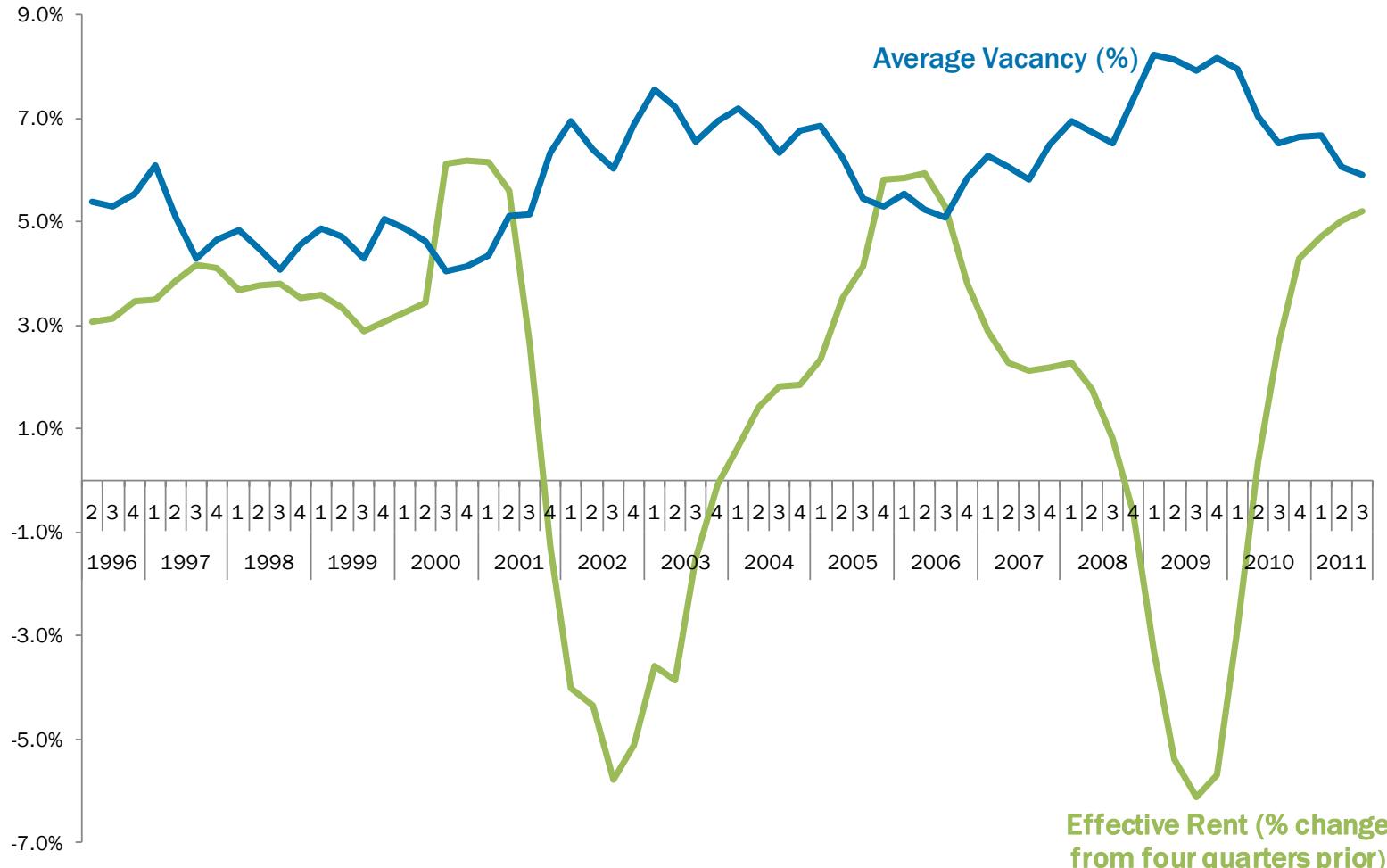
Downtown Office Vacancy Rates Two-Year Projection



Source: CBRE Econometric Advisors, Heitman Research

Apartment Effective Rent vs Vacancy

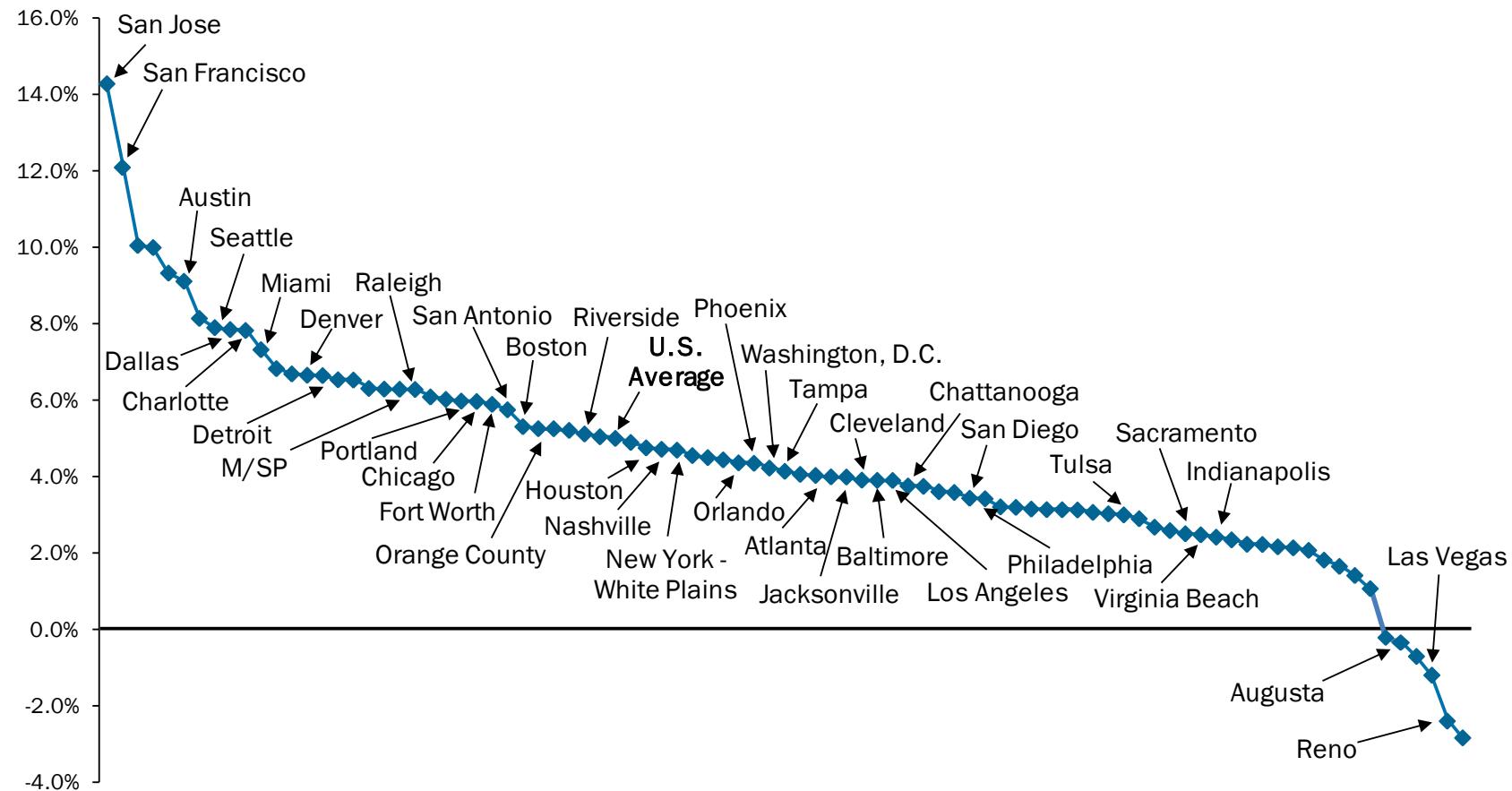
U.S. 1996-2011 Q3 *



Source: Axiometrics; Heitman Research * Q3 2011 is a 3-month moving average as of August

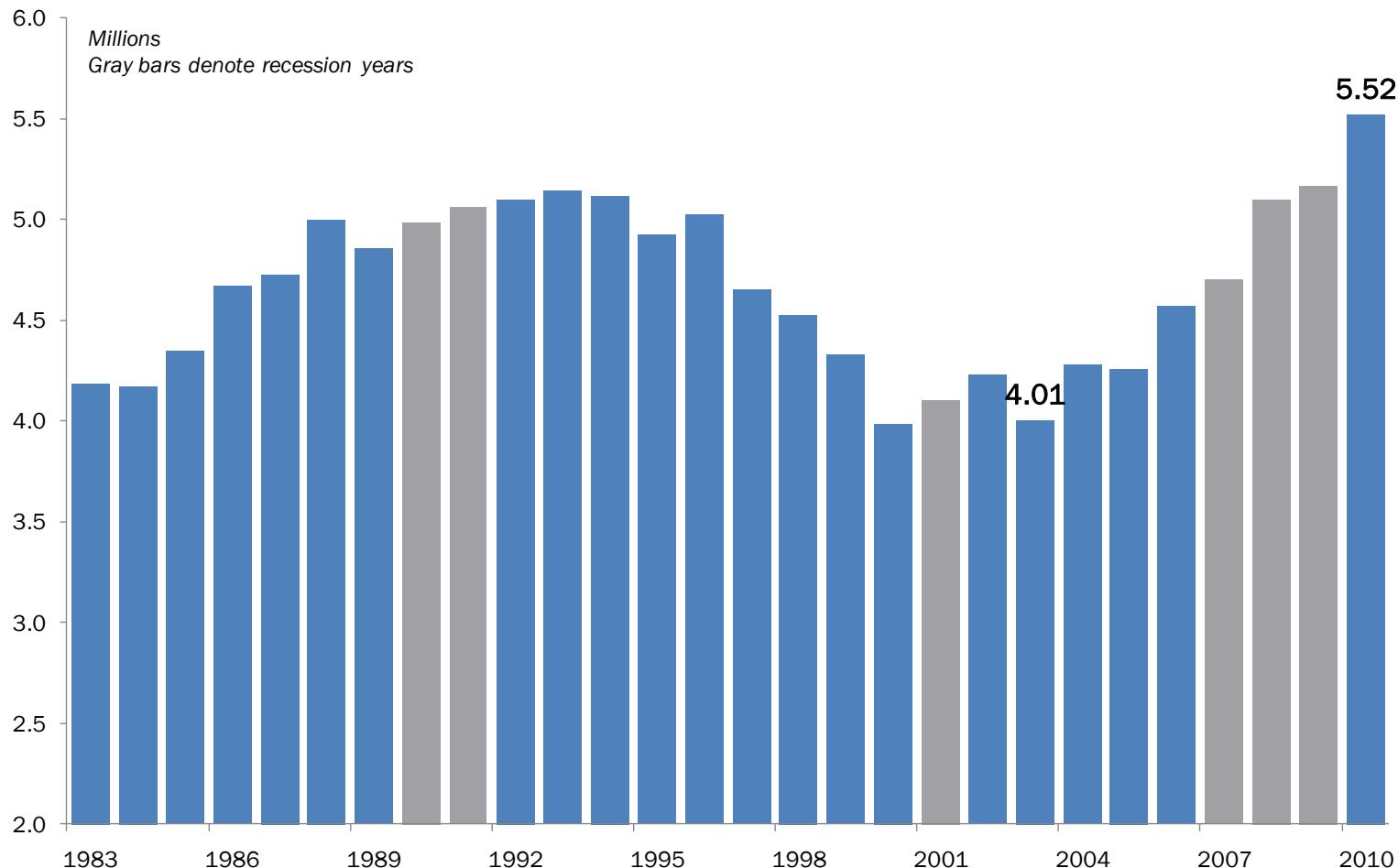
Effective Rent Growth

Selected U.S. Metropolitan Areas August 2010-August 2011



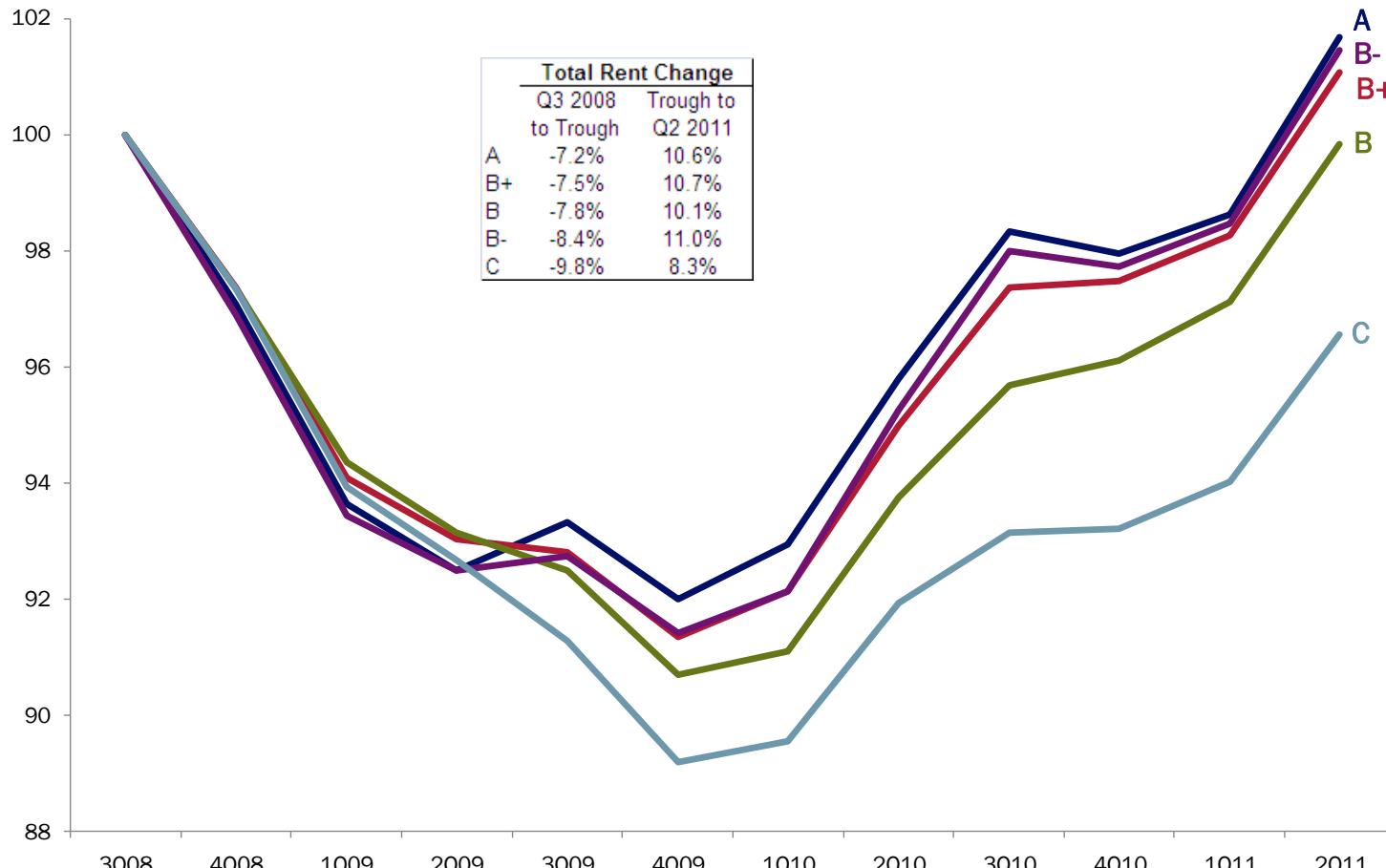
Source: Axiometrics; Heitman Research

25 to 34-Year-Olds Living at Home with Parents U.S. 1983-2010



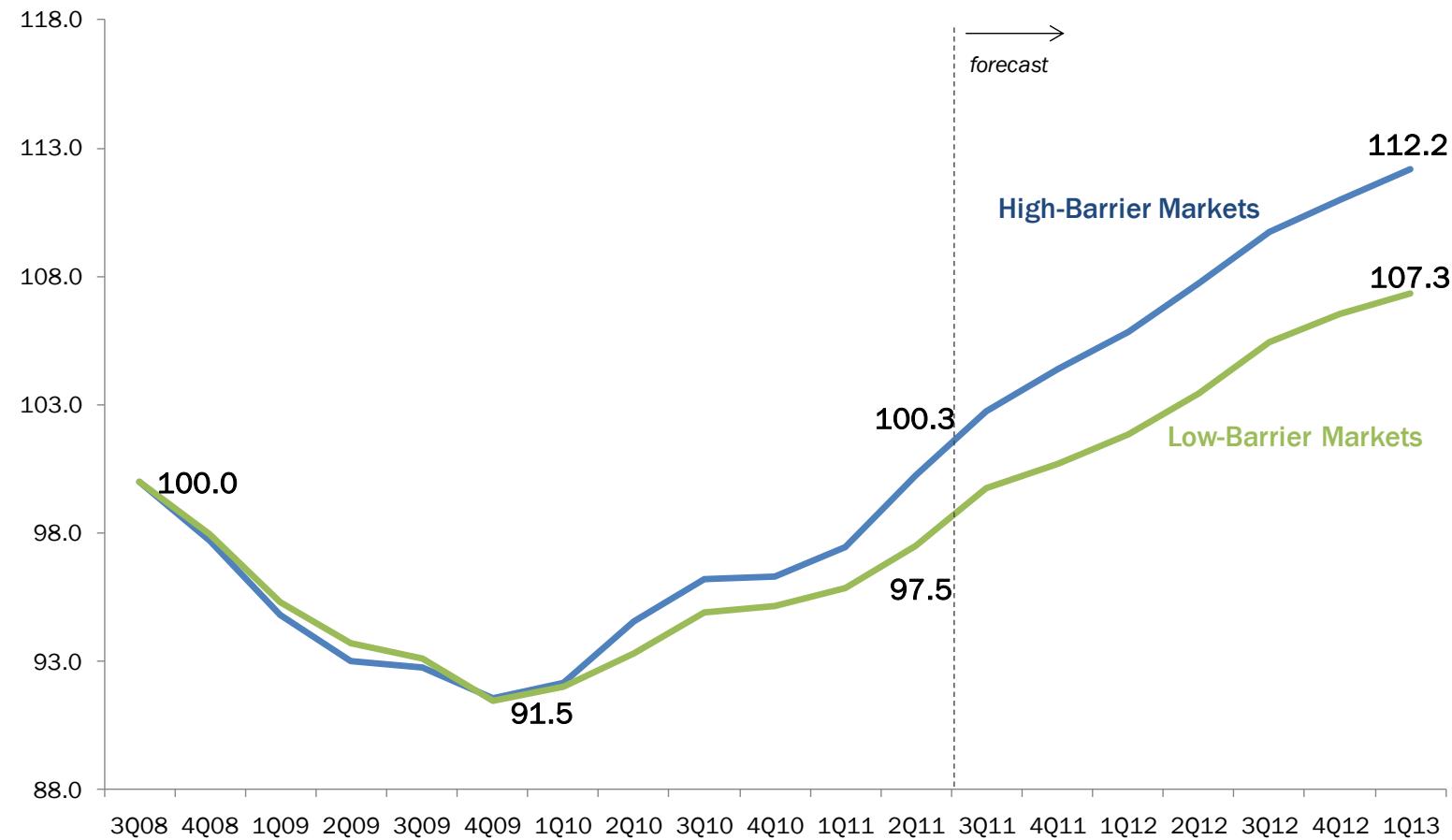
Sources: US Census Bureau, JBREC; Heitman Research

Revenue Growth by Apartment Class Q3 2008-Q2 2011



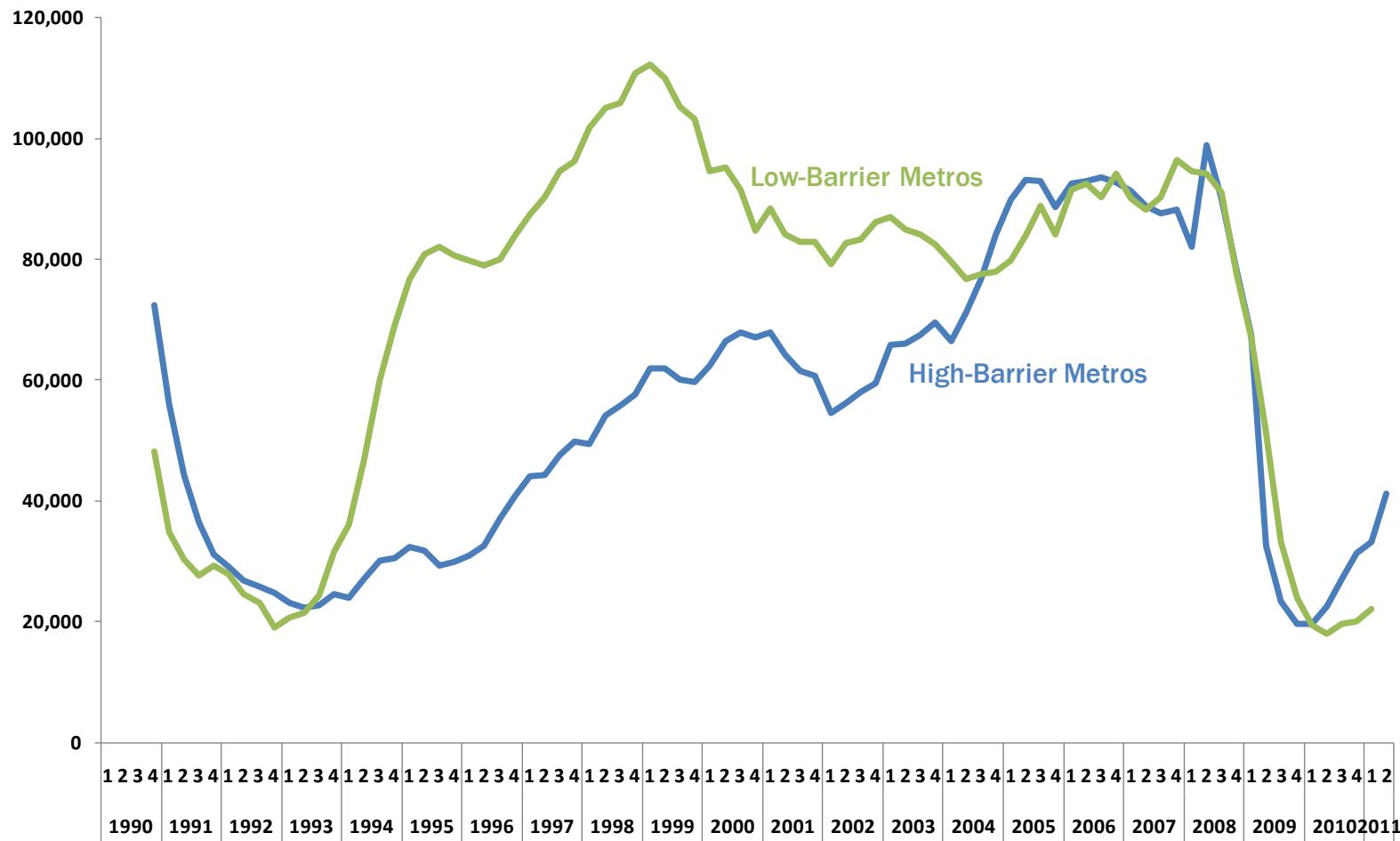
Source: Axiometrics Research; Heitman Research

Effective Rent Growth High-Barrier vs Low-Barrier Markets U.S. 2008-2013



Source: Axiometrics; Heitman Research

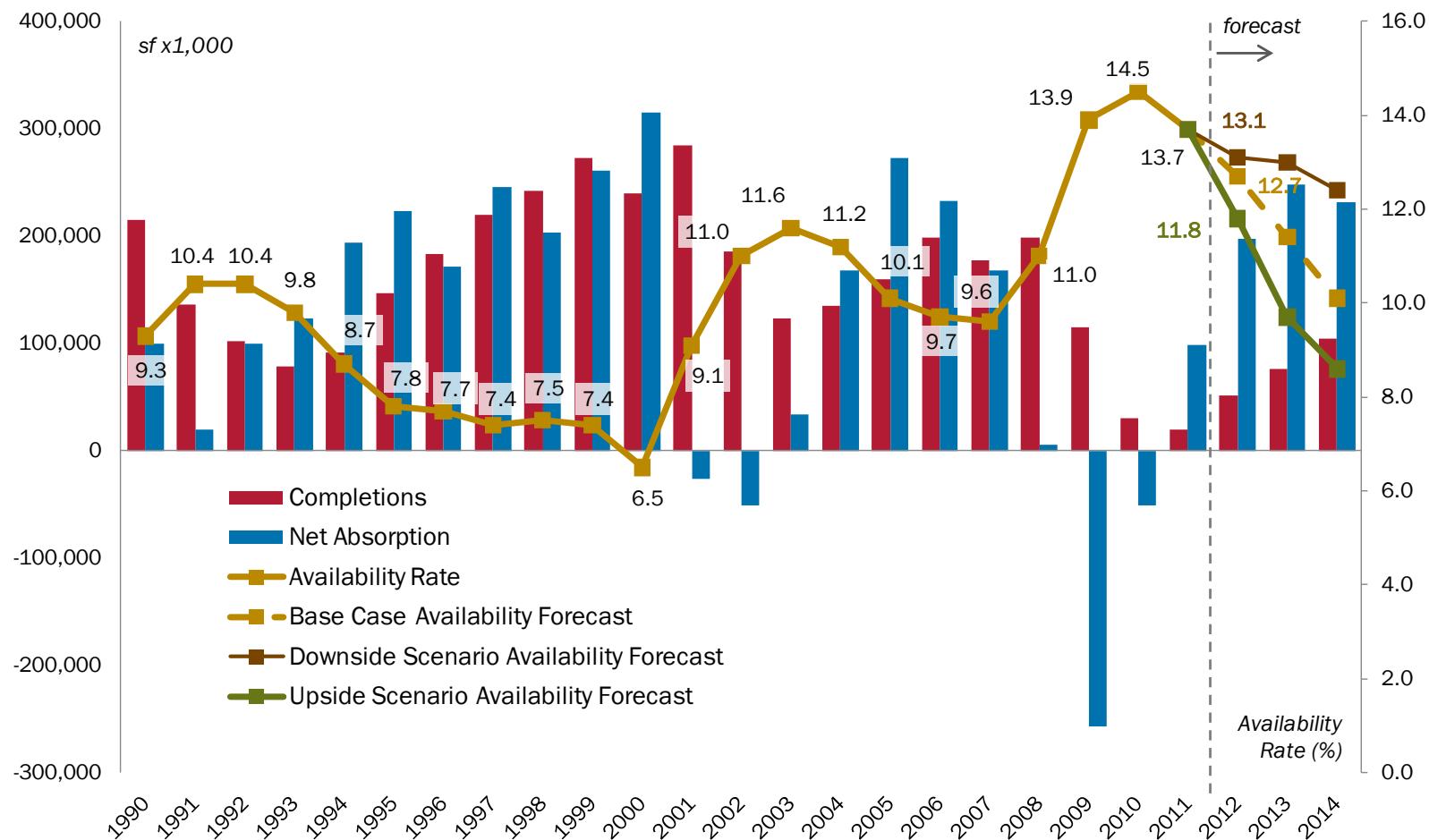
Multifamily Building Permits: High-Barrier vs Low-Barrier Markets* U.S. 1990-2011 2Q



* Rolling four-quarter average

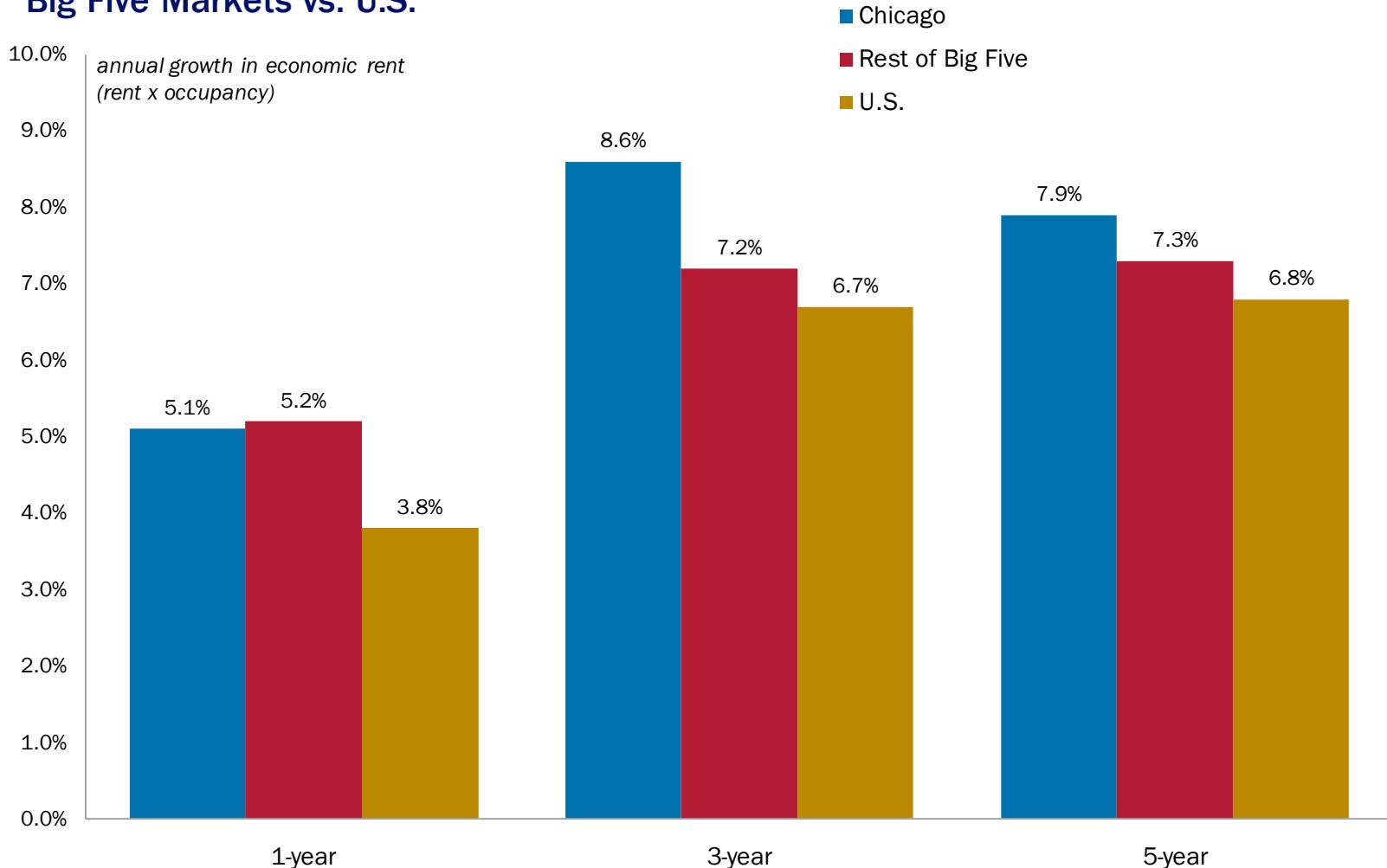
Source: Census Bureau; Axiometrics Research; Heitman Research

Industrial Completions, Net Absorption, and Availability U.S. 1990-2014 Years Ending Q3



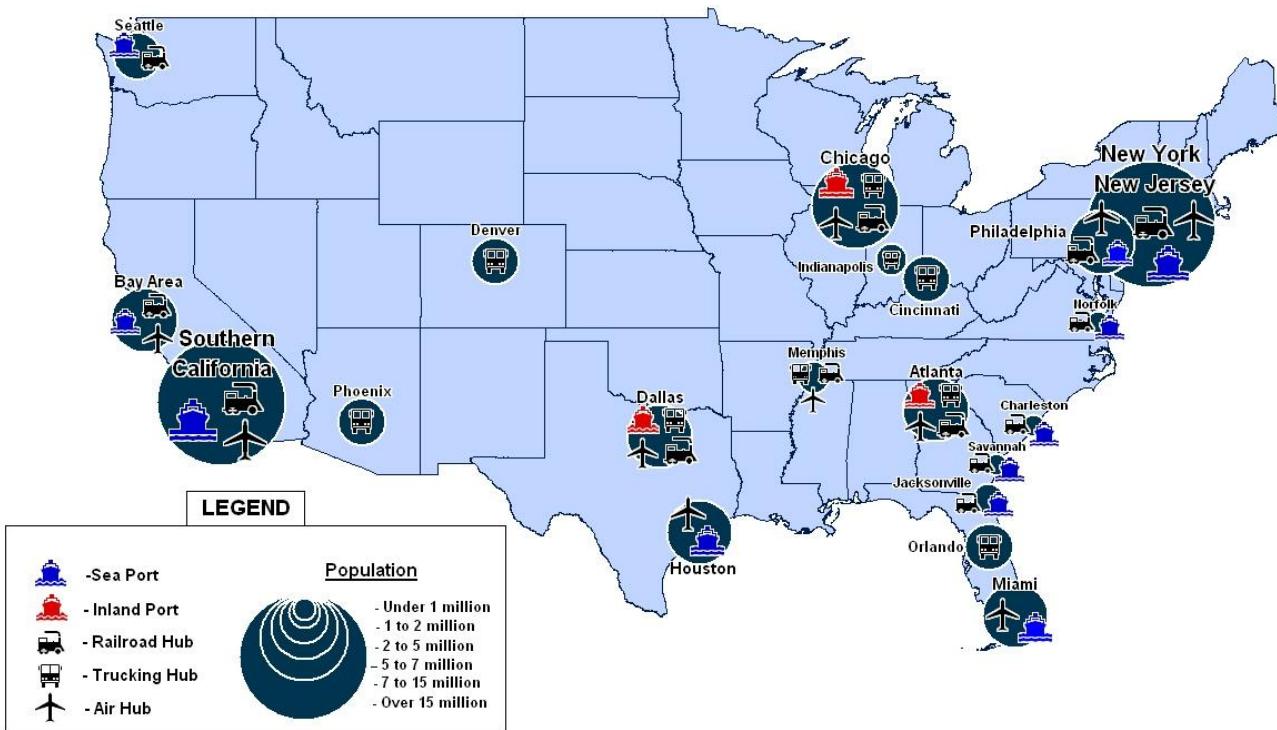
Source: CBRE Econometric Advisors; Heitman Research

Economic Rent Growth Forecasts Big Five Markets vs. U.S.



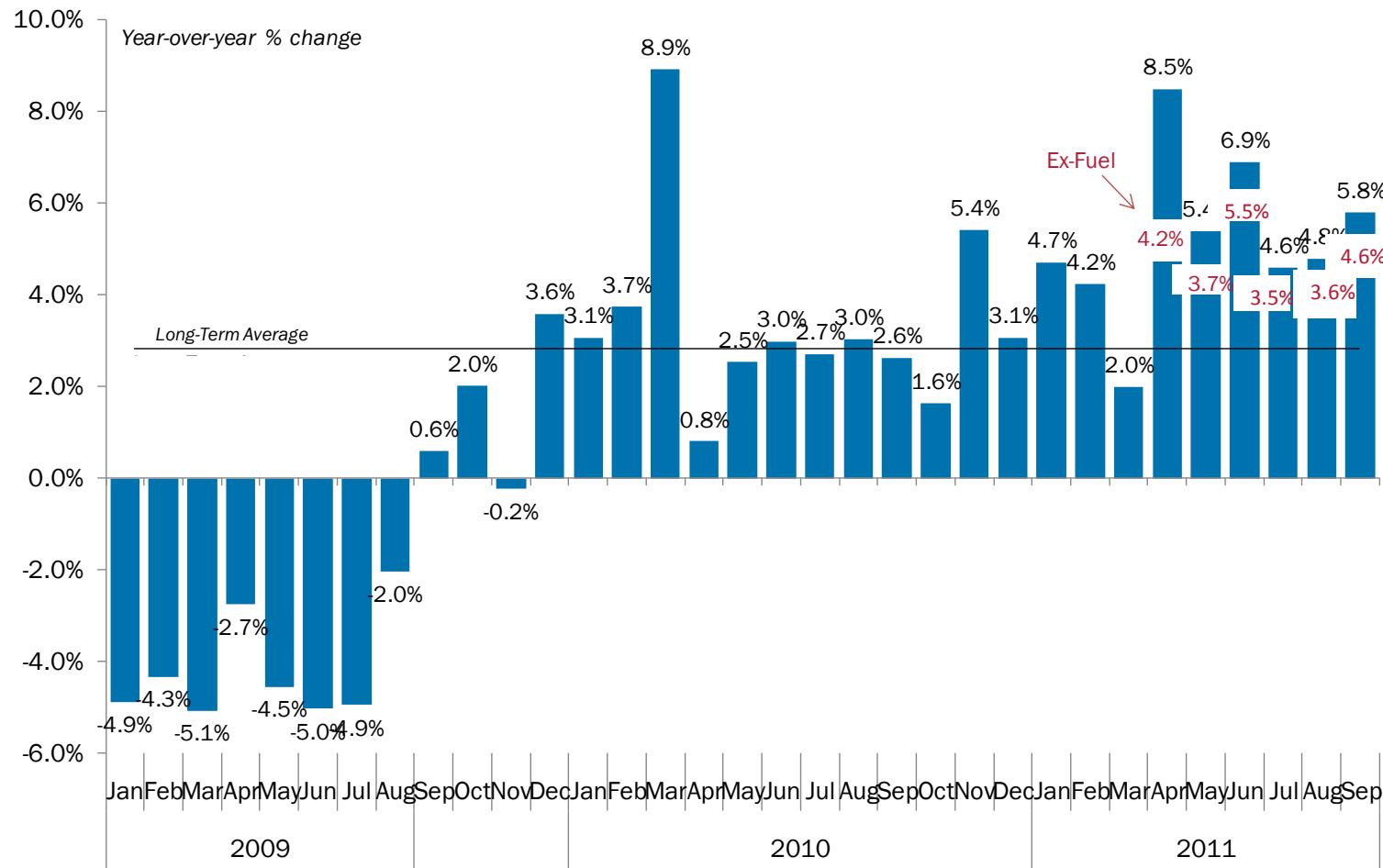
Source: CBRE Econometric Advisors; Heitman Research

Factors Driving Warehouse Demand



Shopping Center Sales Rising Despite Market Volatility

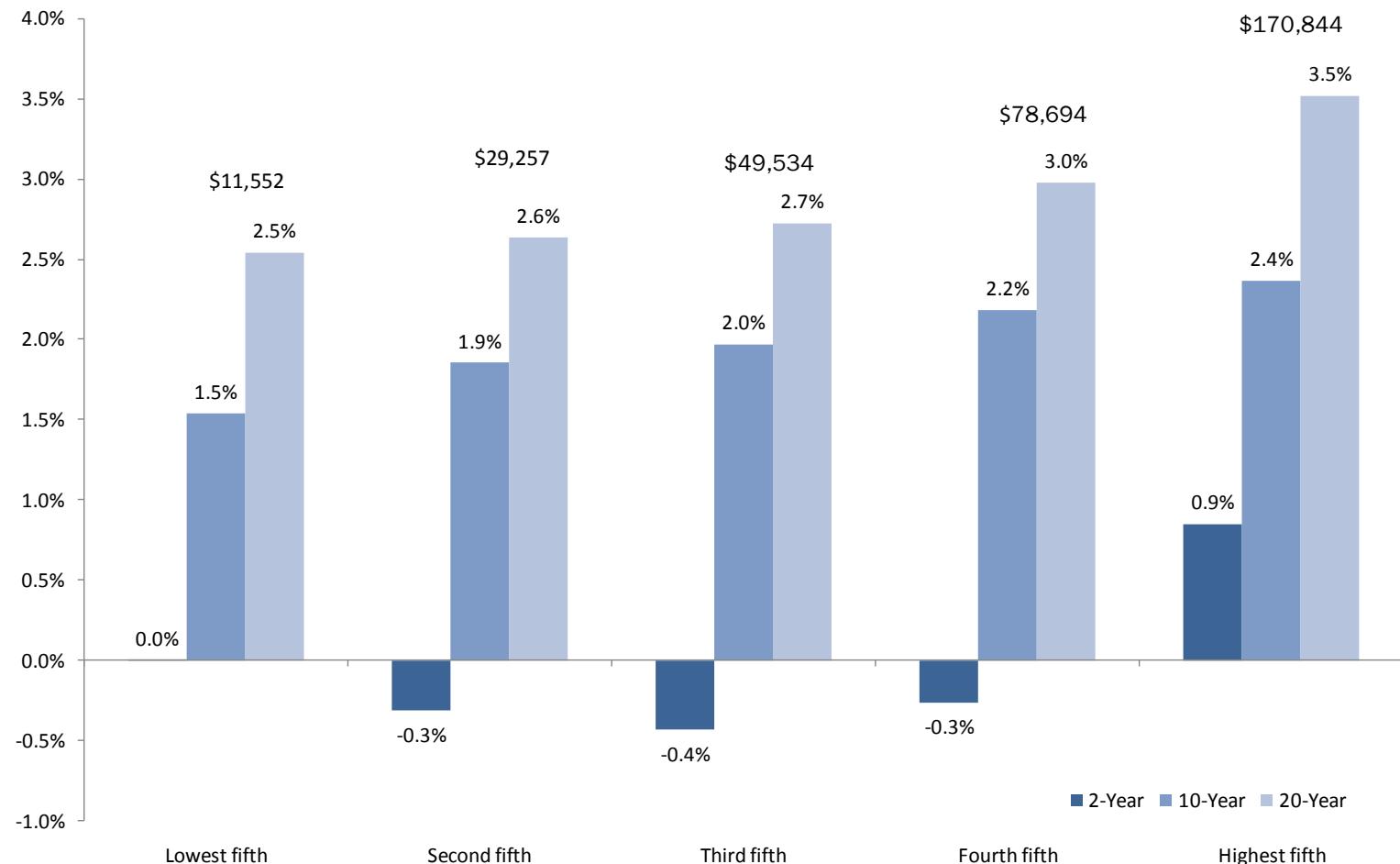
ICSC Same-Store Sales Trends U.S. 2009-2011 (September)



Source: ICSC; Heitman Research

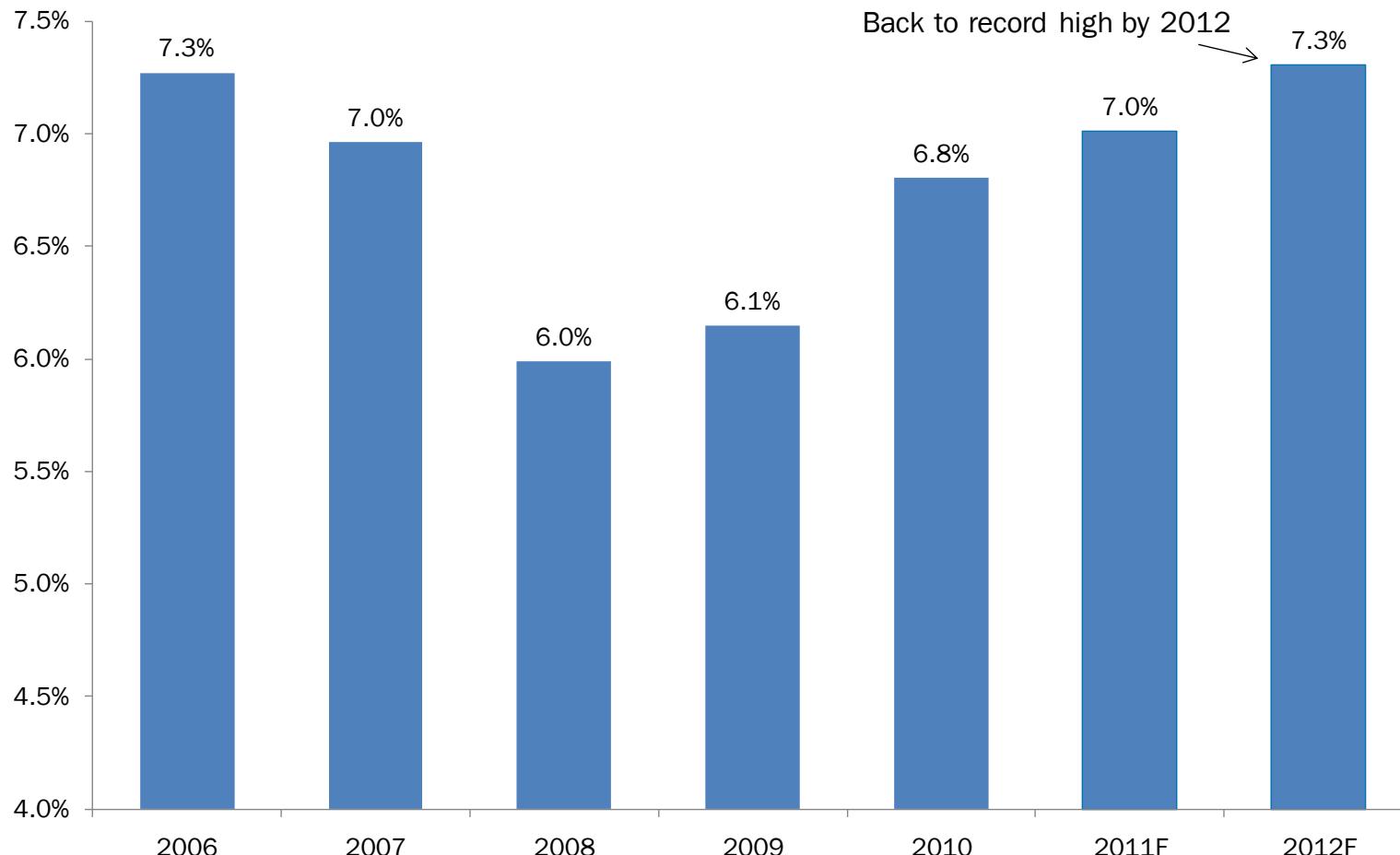
High-Income Households Have Led U.S. Income Growth

Annual Growth in Mean Household Income 2009 U.S. Households by Income Quintile



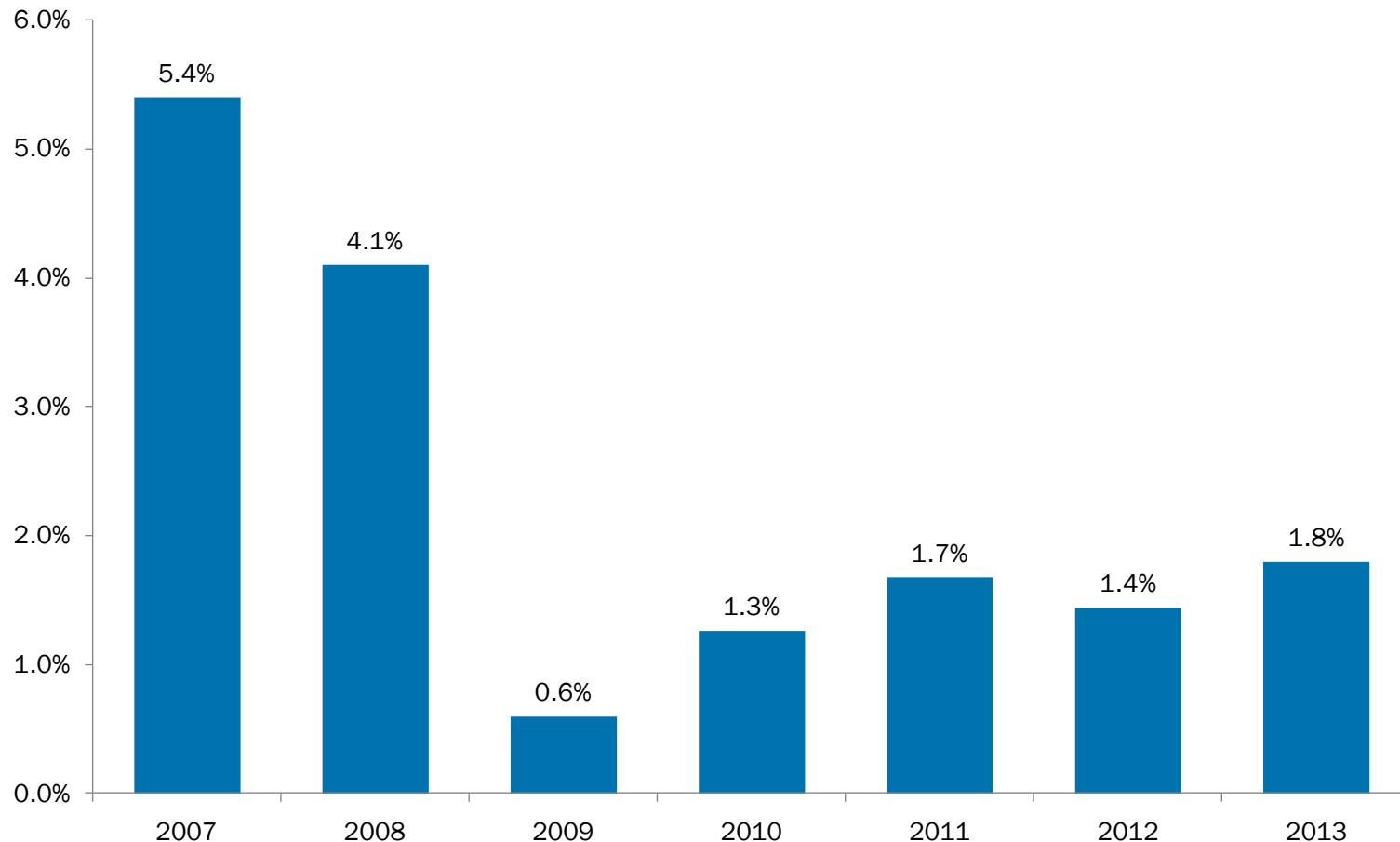
Source: US Census Bureau; Heitman Research

Operating Margins – Major Publicly Traded Retailers U.S. 2006-2012



Source: TAG Research; Heitman Research

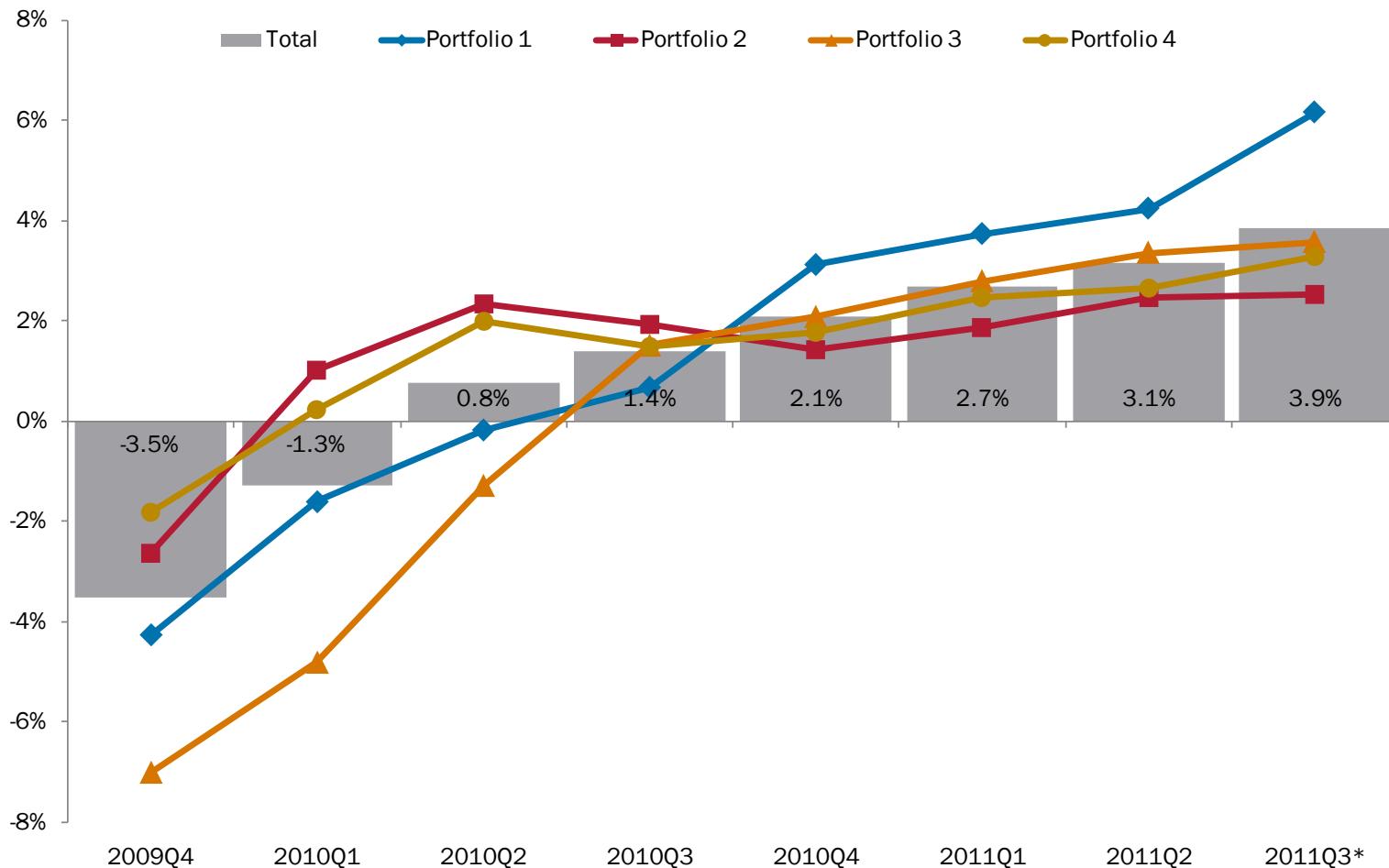
Net Square Footage Growth
57-Retailer* Sample (U.S. Stores Only)



Source: Telsey, Heitman Research

* Includes Blockbuster, Borders, Barnes and Noble

Same-Property Revenue Growth (Y-O-Y) for Heitman Self-Storage Properties 2009-2011 Q3*



Source: Heitman Research * Three-month moving average through August