



MARQUETTE
UNIVERSITY

College of Business Administration
Center for Real Estate

Fall 2016 Strategies Conference

Current State of The Commercial Property Capital Markets

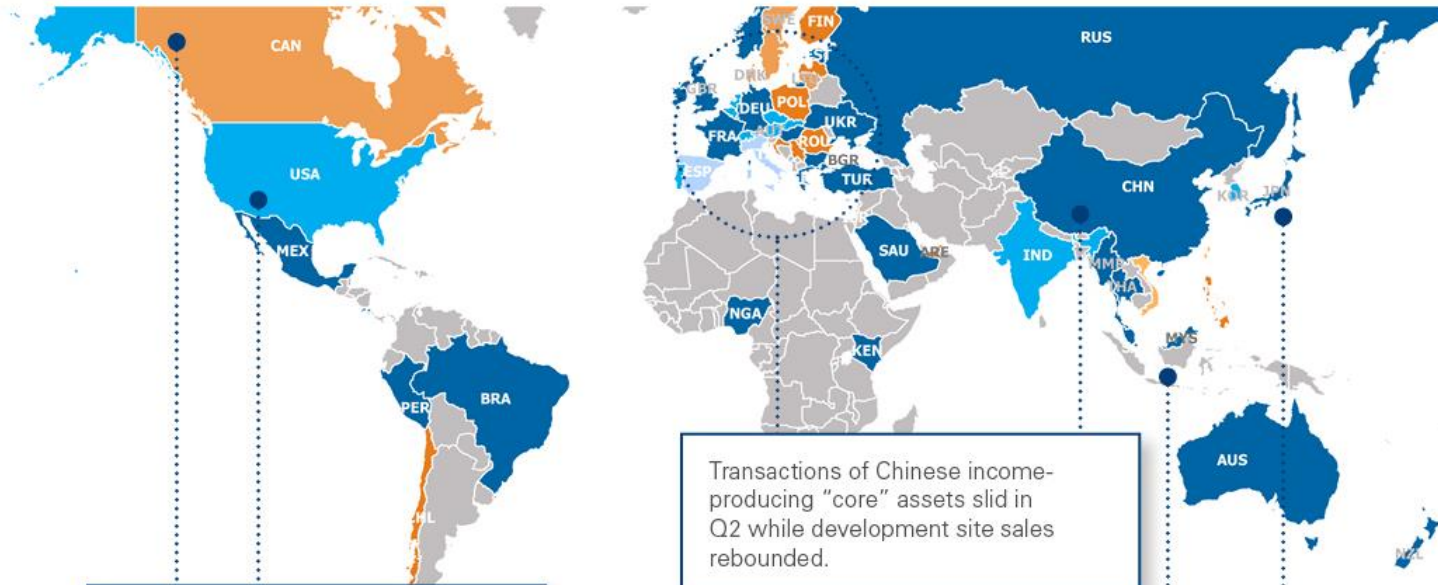
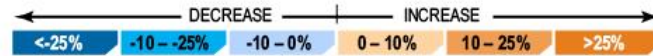
September 8, 2016



Robert M. White, Jr. CRE FRICS

THE H1 SLOWDOWN WAS FELT ACROSS THE WORLD

H1'16 YOY Change in Transaction Volume



Volumes and prices rebounded in the U.S. slightly in Q2, but overall volumes were 16% lower YOY in H1.

Canada was one of only a few developed countries recording gains. Volumes rebounded 18% in H1'16.

The uncertainty leading up to the Brexit referendum caused volumes in Europe to slow by 31% in H1. The declines were particular severe in the U.K. - off 45%.

Transactions of Chinese income-producing "core" assets slid in Q2 while development site sales rebounded.

Singapore saw the \$2.5b sale of Asia Square Tower 1 to Qatar's QIA spurring volume growth.

Office yields in Tokyo's five central wards are showing the smallest gap between the top (prime) and bottom (secondary) quartiles since '09, indicating strong demand for assets.

Excluding development sites

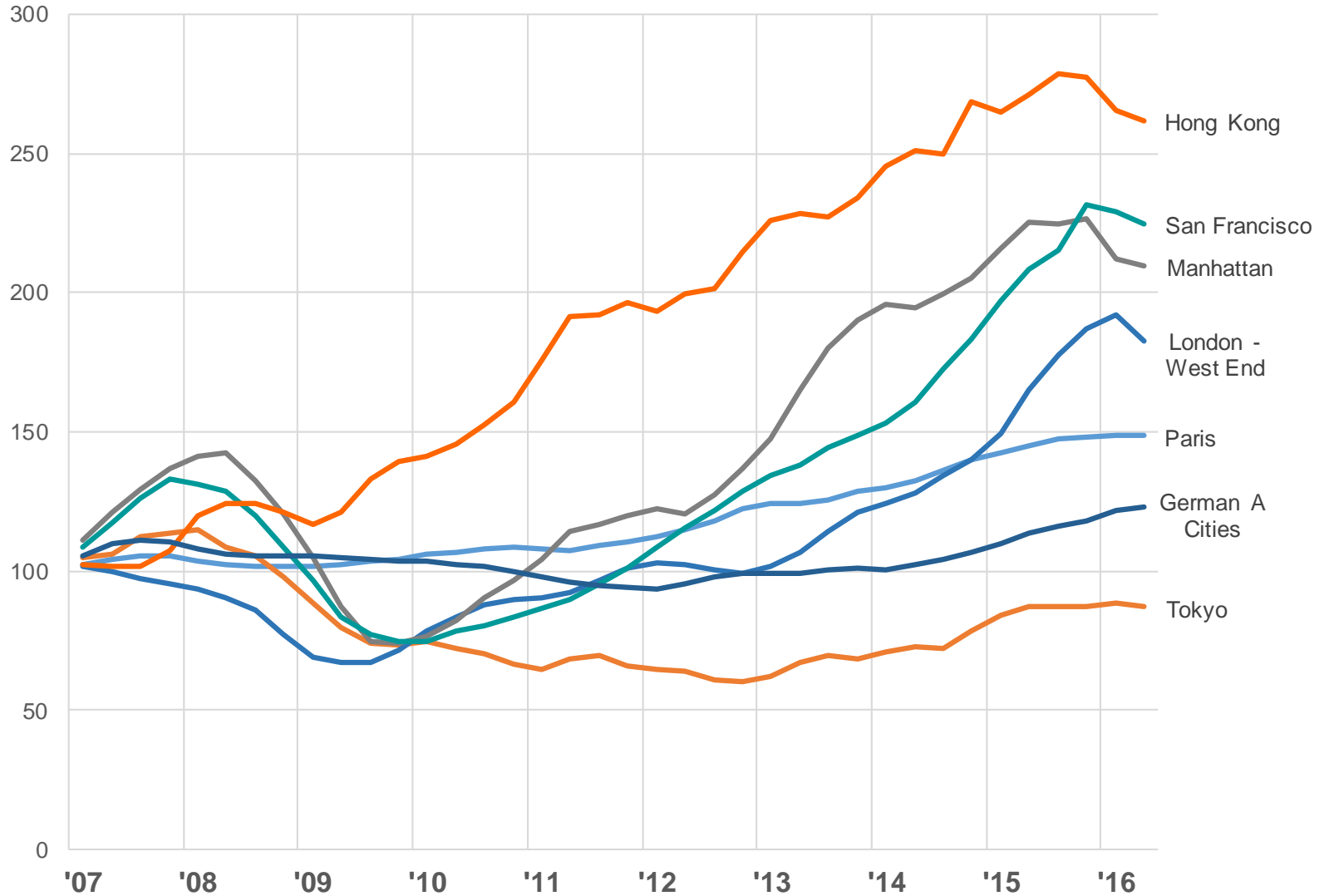
TOP MARKETS: H1 '16 GLOBAL

Market	Sales Volume (\$b)	YOY
NYC Metro	\$32.8	-11%
LA Metro	\$15.6	-7%
London	\$13.2	-59%
SF Metro	\$11.8	-25%
So Fla	\$8.3	12%
DC Metro	\$7.9	-23%
Tokyo	\$7.9	-56%
Boston	\$7.7	19%
Chicago	\$7.6	-21%
Paris	\$7.0	-33%
Hong Kong	\$6.6	16%
Denver	\$6.1	45%
Dallas	\$6.0	-18%
Seattle	\$5.8	-7%
Atlanta	\$4.9	-30%
Singapore	\$4.2	35%
Berlin	\$3.9	-43%
Phoenix	\$3.9	-10%
San Diego	\$3.8	-4%
Amsterdam	\$3.8	-23%
Austin	\$3.6	-8%
Houston	\$3.1	-49%
Philadelphia	\$3.0	25%
Sydney	\$2.8	-53%
Las Vegas	\$2.8	96%

* Income-producing property types only

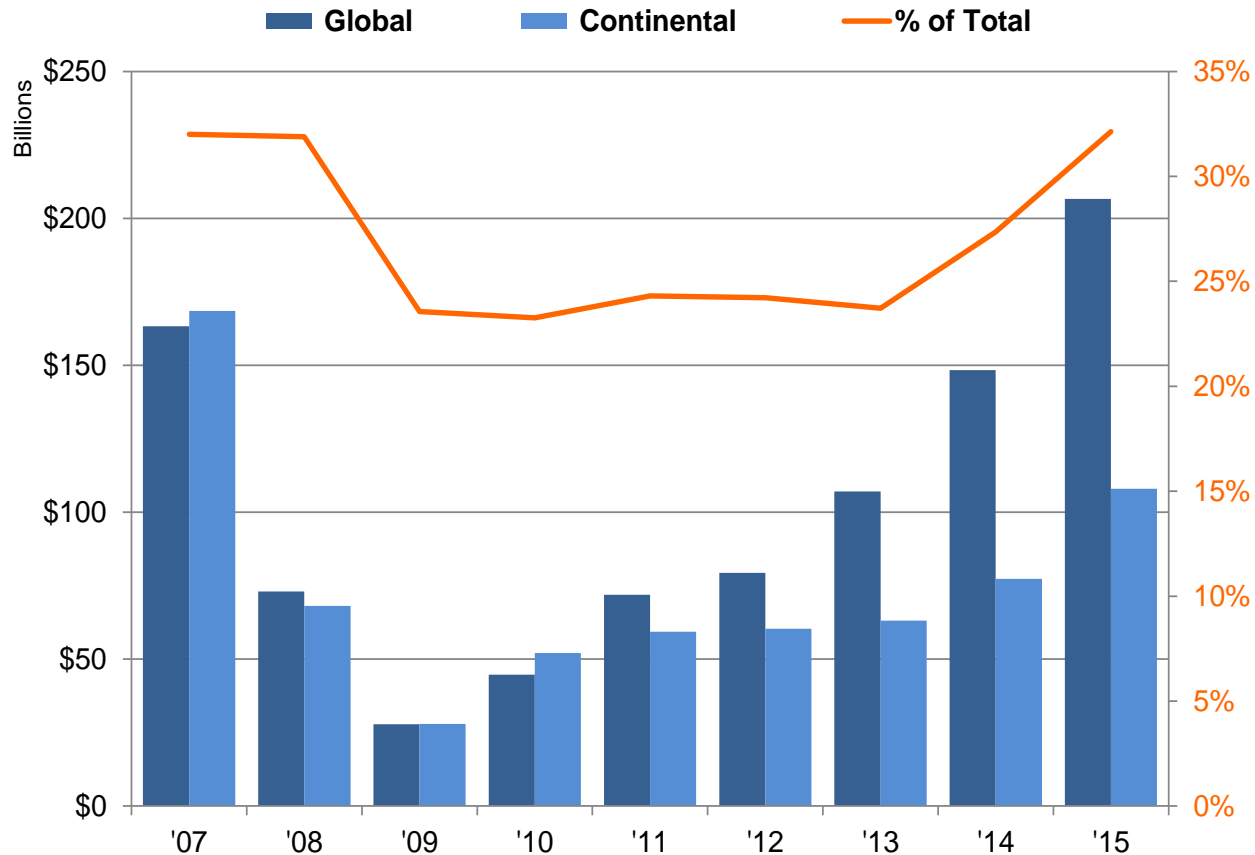
HIGH-FLYING MARKETS HITTING TURBULENCE

Global Office Price Indices



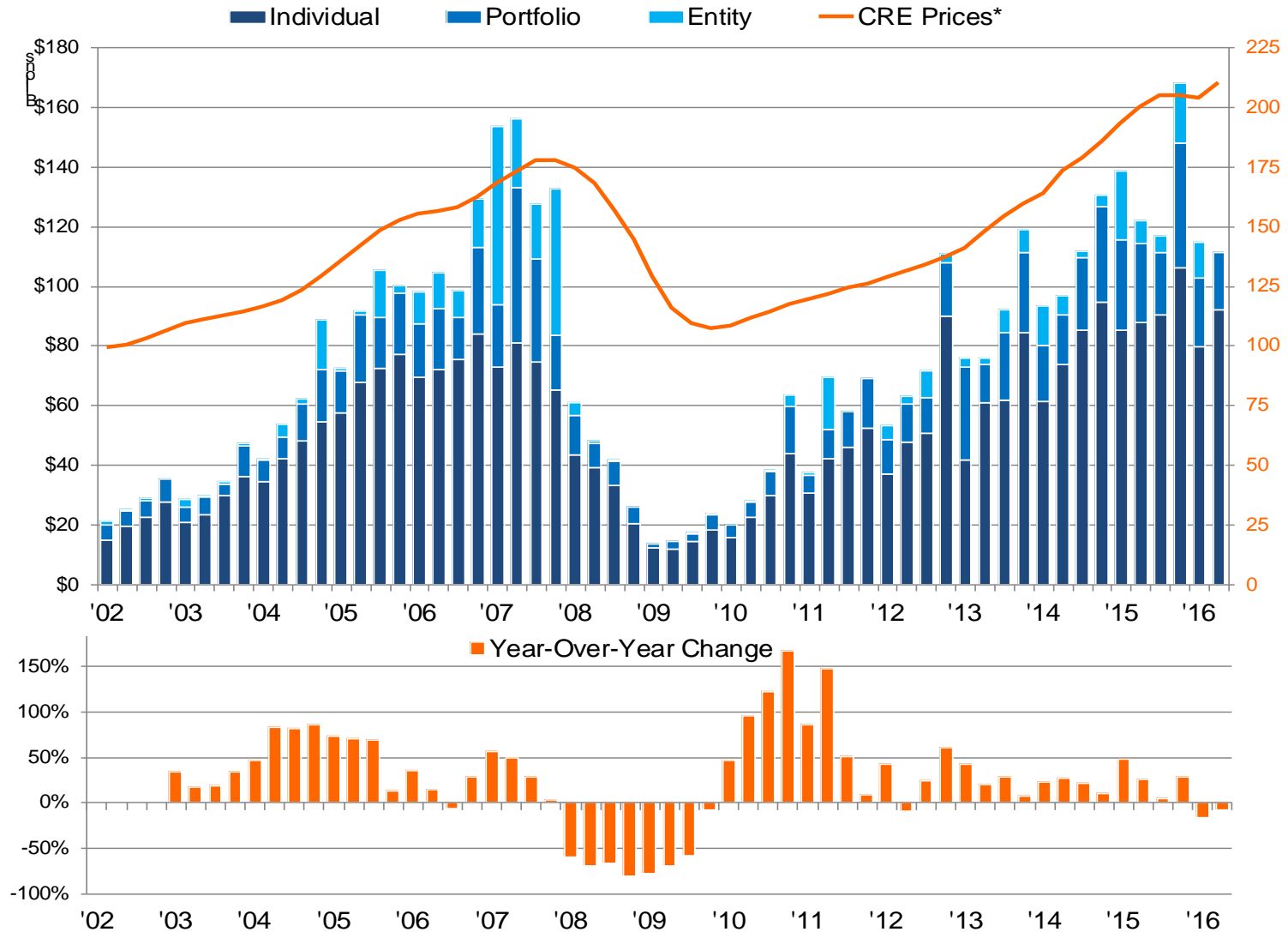
GLOBALIZATION OF PROPERTY MARKETS

Direct Acquisitions by Cross-Border Investors



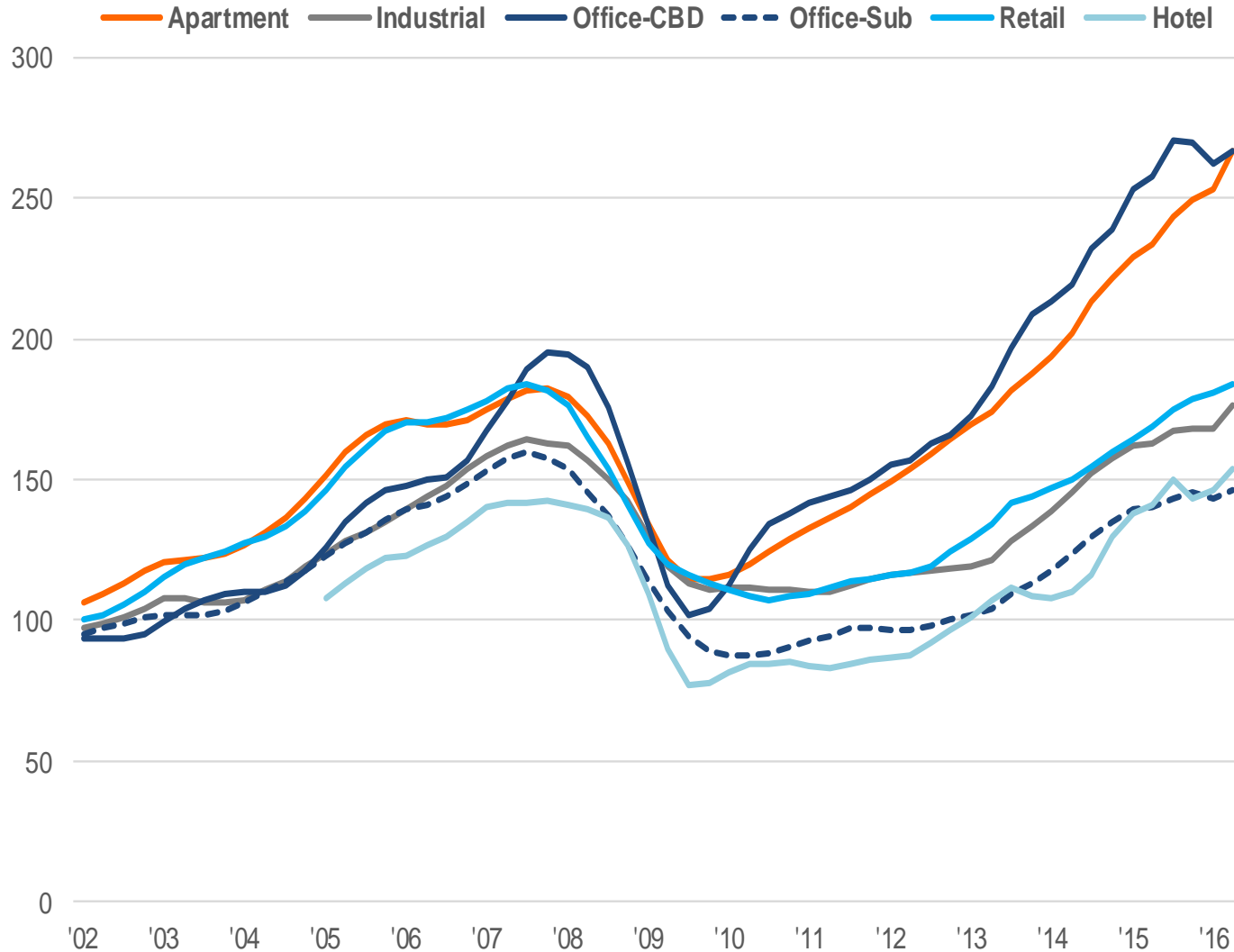
US MARKET OVERVIEW

US CRE Volume & Price Trends

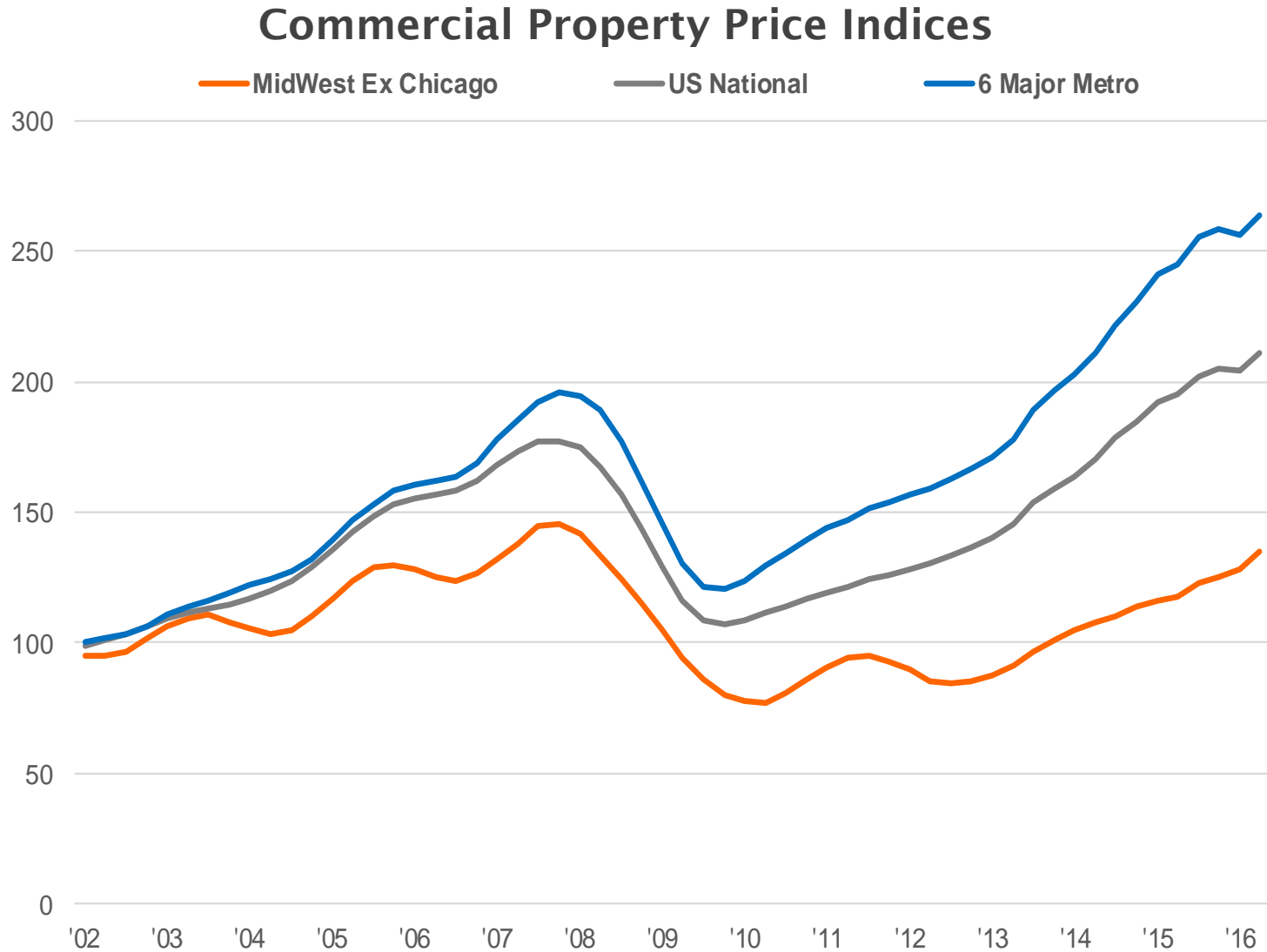


DIVERGENT RECOVERY ACROSS PROPERTY TYPES

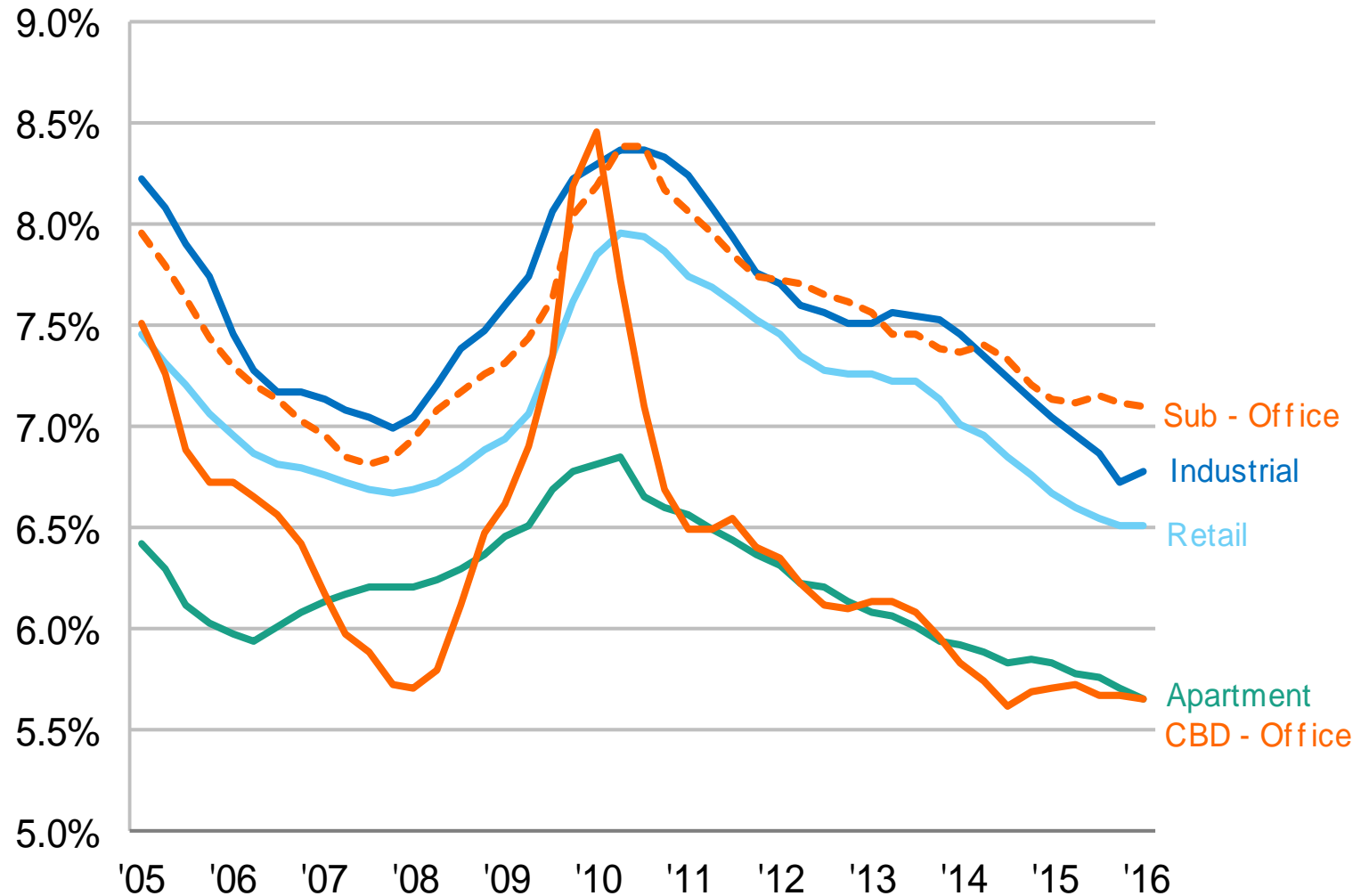
Commercial Property Price Indices



DIVERGENT RECOVERY ACROSS MARKETS

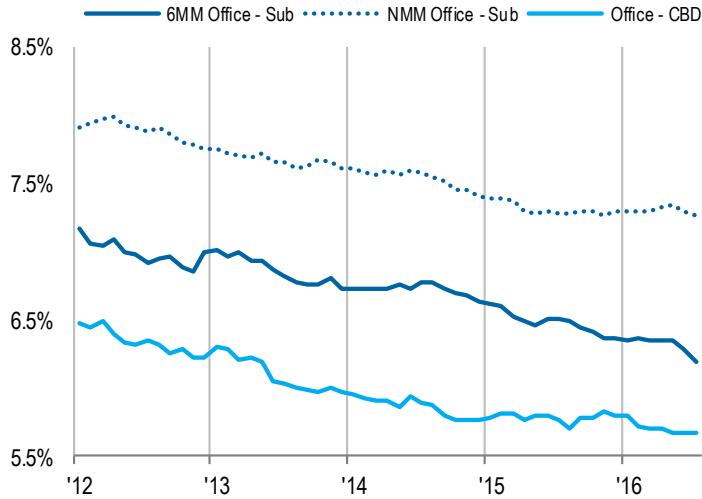


CAP RATES STEADY DESPITE DECLINING VOLUME

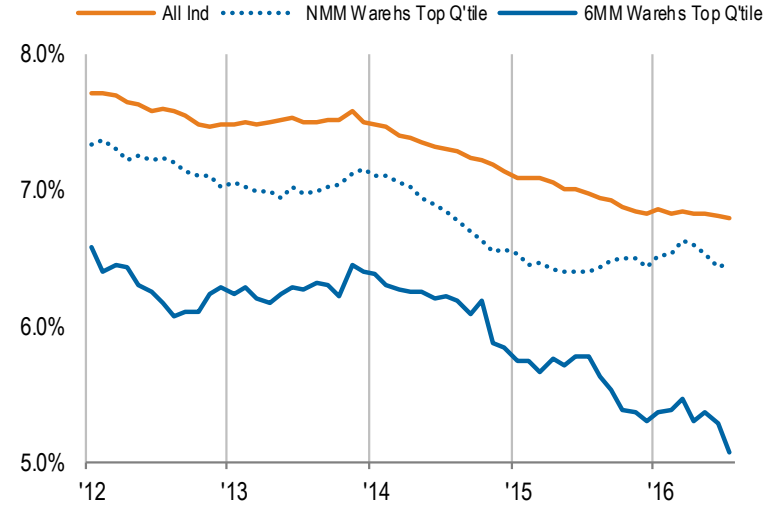


PROPERTY SECTOR SWEET-SPOTS

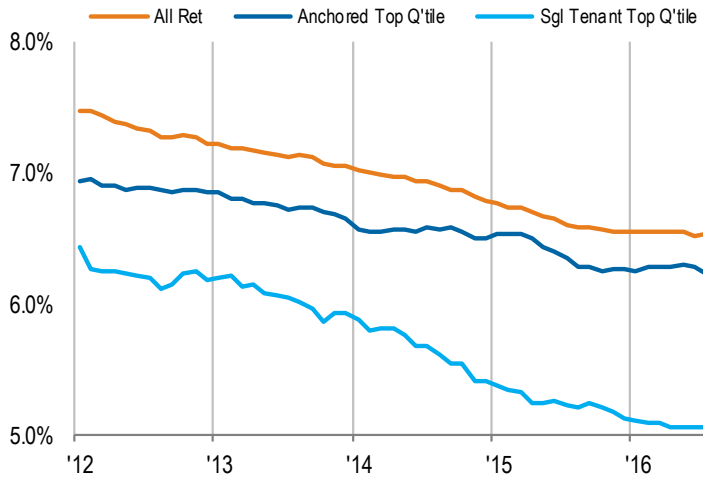
Office



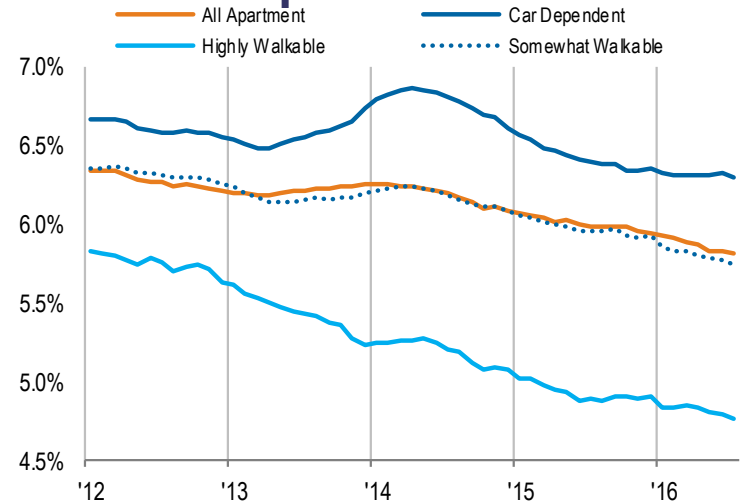
Industrial



Retail



Apartments

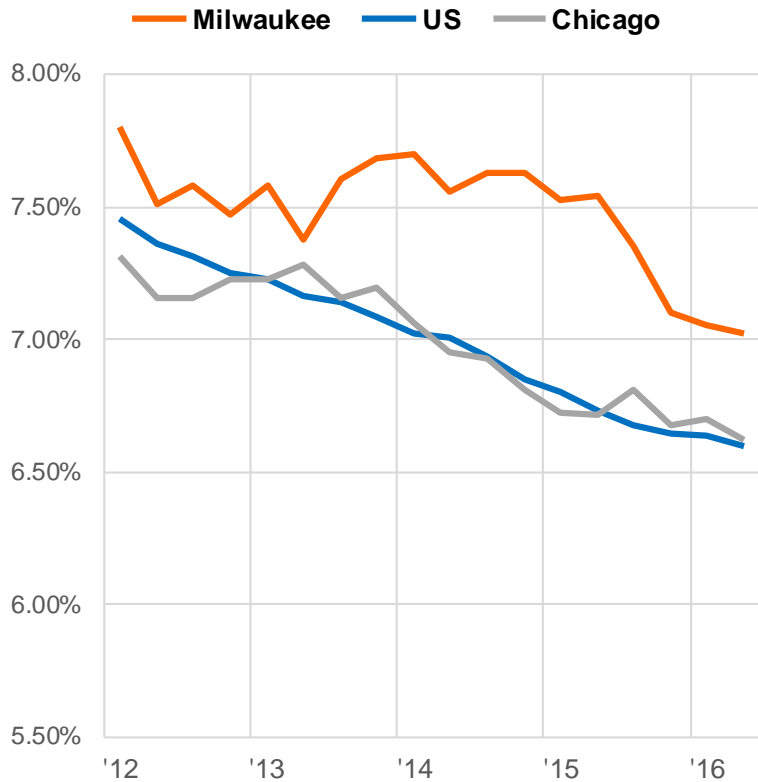


TOP MARKETS: H1 '16 US

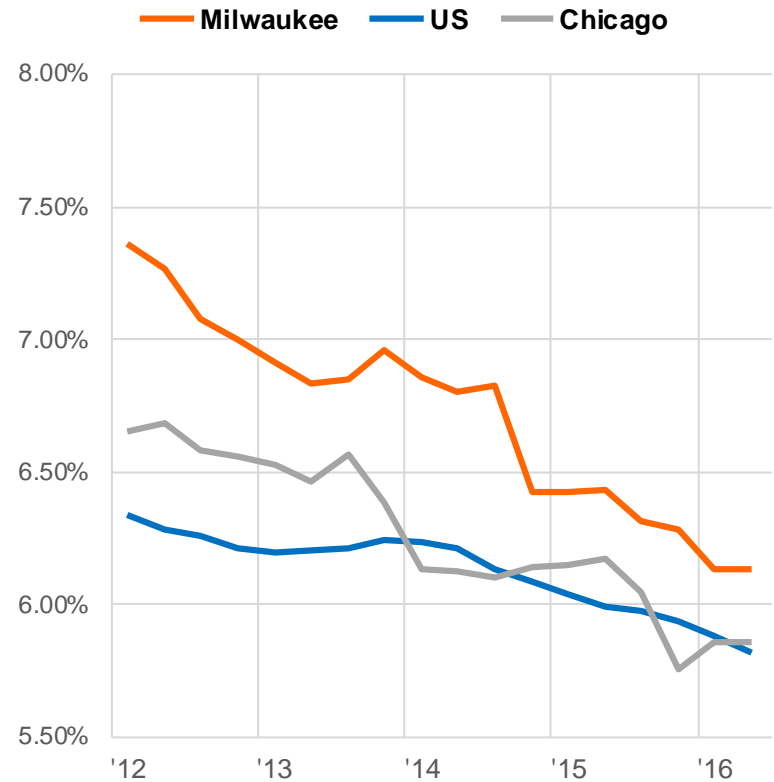
2011	2015	H1'16	Market	Sales Volume (\$m)	YOY
1	1	1	Manhattan	23,086	-11%
2	2	2	Los Angeles	14,102	10%
3	3	3	Chicago	8,754	-20%
7	6	4	Boston	8,312	16%
4	4	5	Dallas	7,196	-16%
13	15	6	Denver	6,762	38%
15	8	7	Seattle	6,542	-8%
9	5	8	Atlanta	5,666	-27%
17	13	9	NYC Boroughs	5,355	-14%
8	7	10	San Francisco	4,783	-33%
14	11	11	Phoenix	4,731	-8%
10	17	12	San Diego	4,608	-3%
12	9	13	No NJ	4,506	-27%
16	10	14	San Jose	3,923	-41%
25	19	15	Austin	3,842	-8%
21	18	16	Miami	3,771	-13%
5	12	17	Houston	3,731	-46%
6	14	18	DC VA burbs	3,651	-23%
18	23	19	East Bay	3,590	22%
31	28	20	Broward	3,535	48%
27	34	21	Las Vegas	3,056	78%
22	16	22	Orange Co	2,785	-45%
20	20	23	Inland Empire	2,679	-23%
23	27	24	Tampa	2,654	9%
26	25	25	Philadelphia	2,598	18%

MILWAUKEE CAP RATES

Commercial Cap Rates



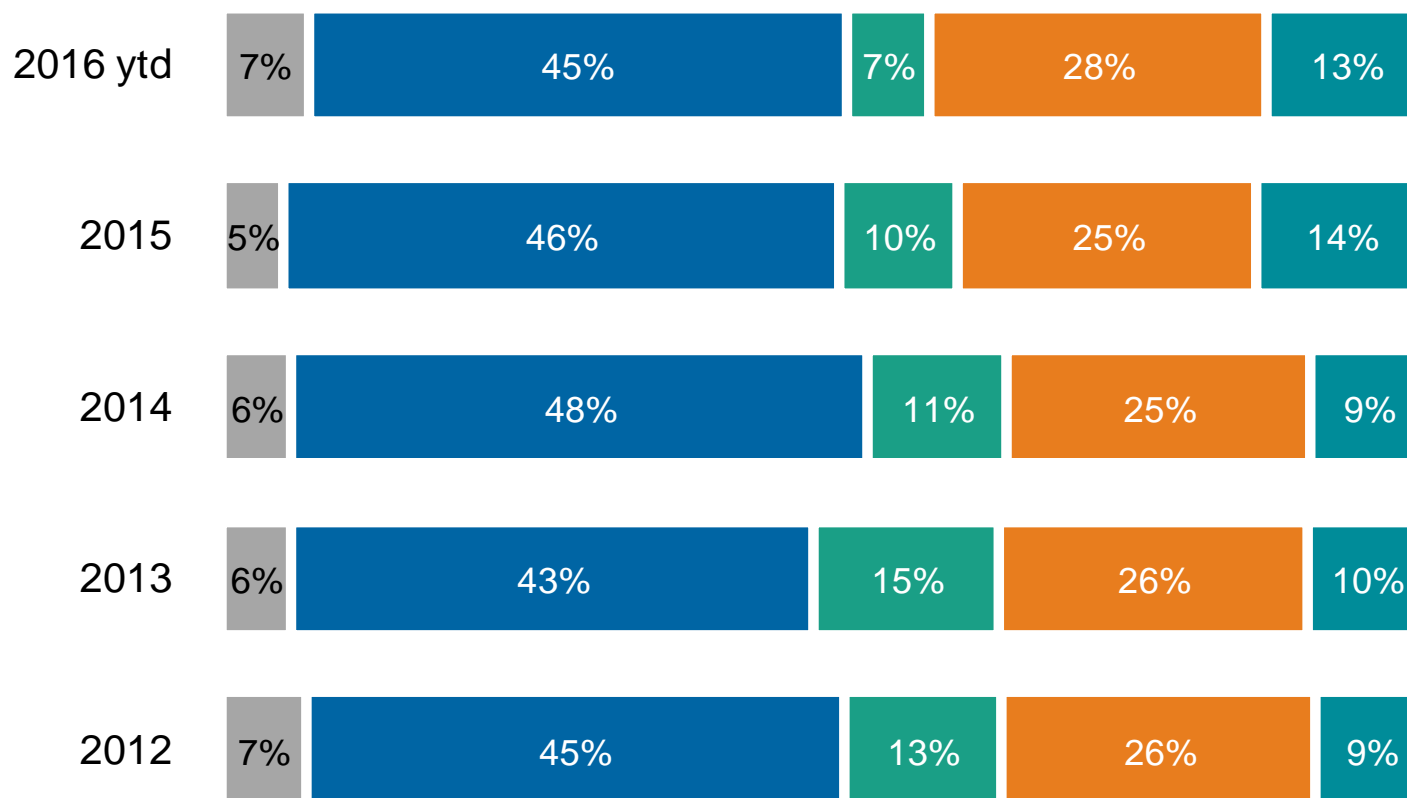
Apartment Cap Rates



EQUITY CAPITAL STILL DEEP AND DIVERSE

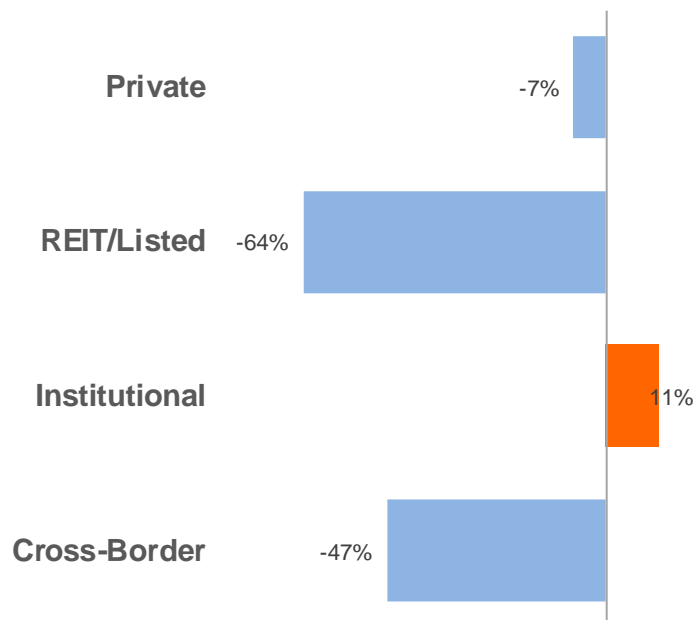
Composition of Property Buyers

■ User/Other ■ Private ■ Public ■ Institutional/Fund ■ Cross-Border

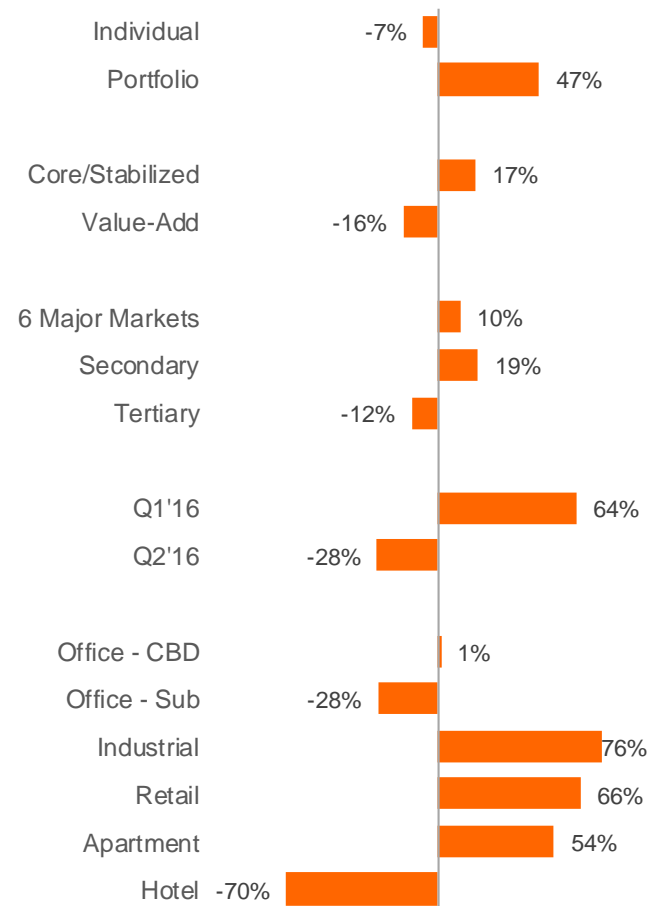


INSTITUTIONAL INVESTMENT REMAINS STRONG

H1 '16 YOY
Change in Acquisitions
By Capital Sector

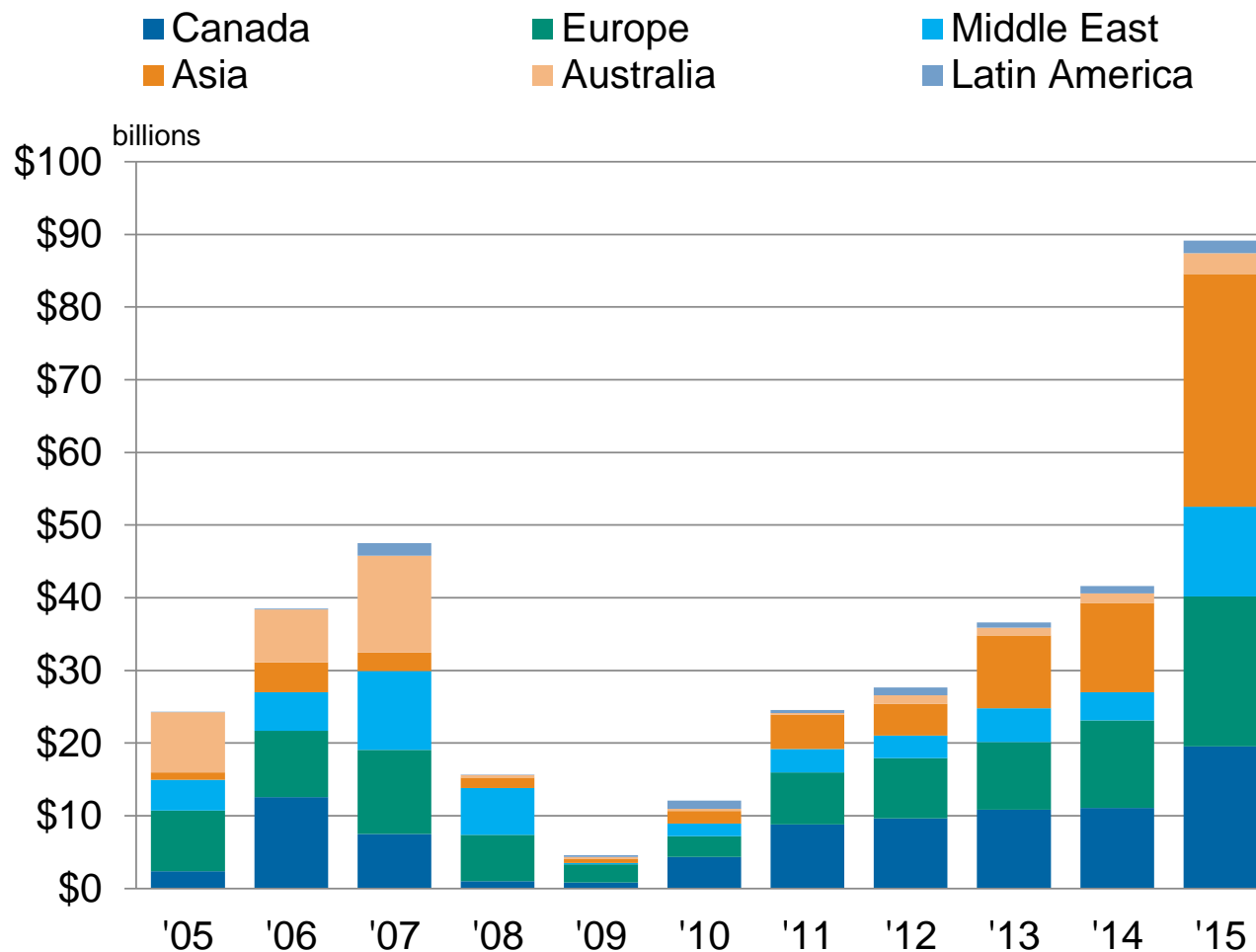


H1 '16 YOY
Change in Acquisitions
By Institutional Investors



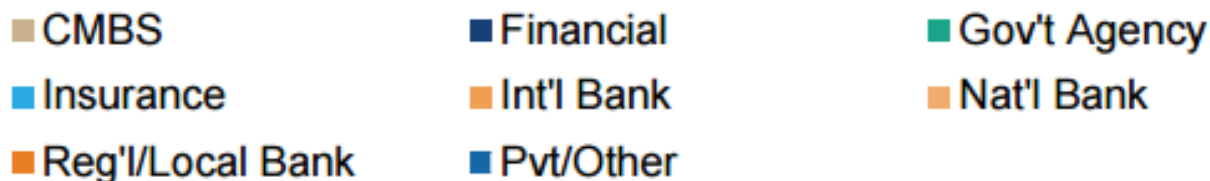
RECORD CROSS-BORDER INFLOWS TO US

US Direct Acquisitions by Foreign Buyers

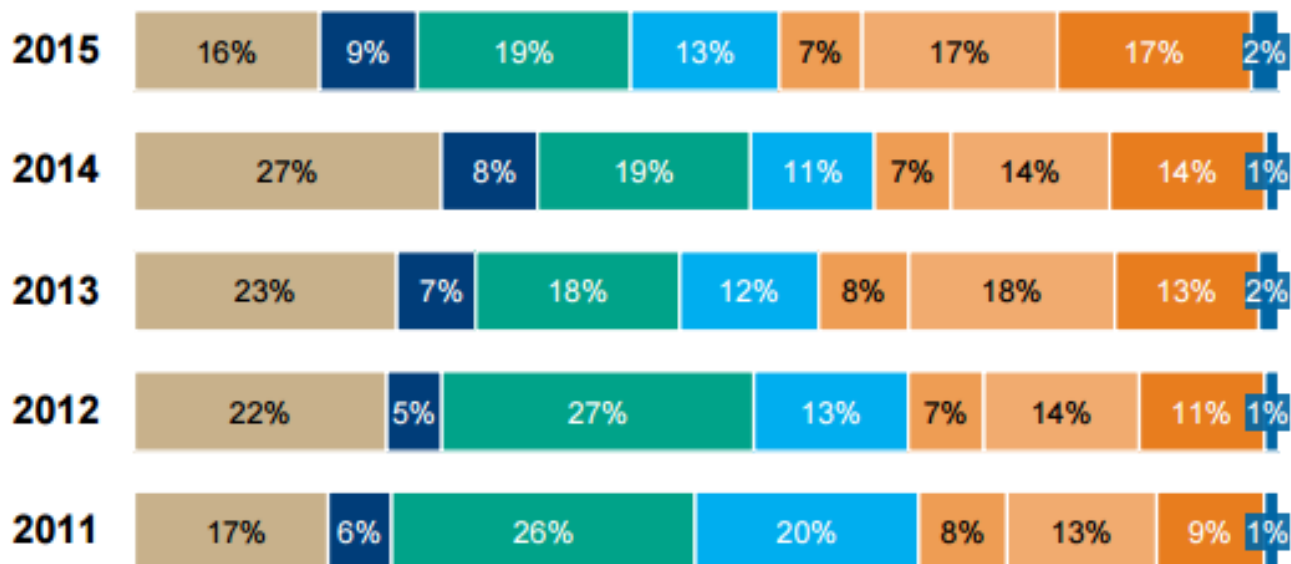


SHIFTING SOURCES OF DEBT CAPITAL

Lender Composition

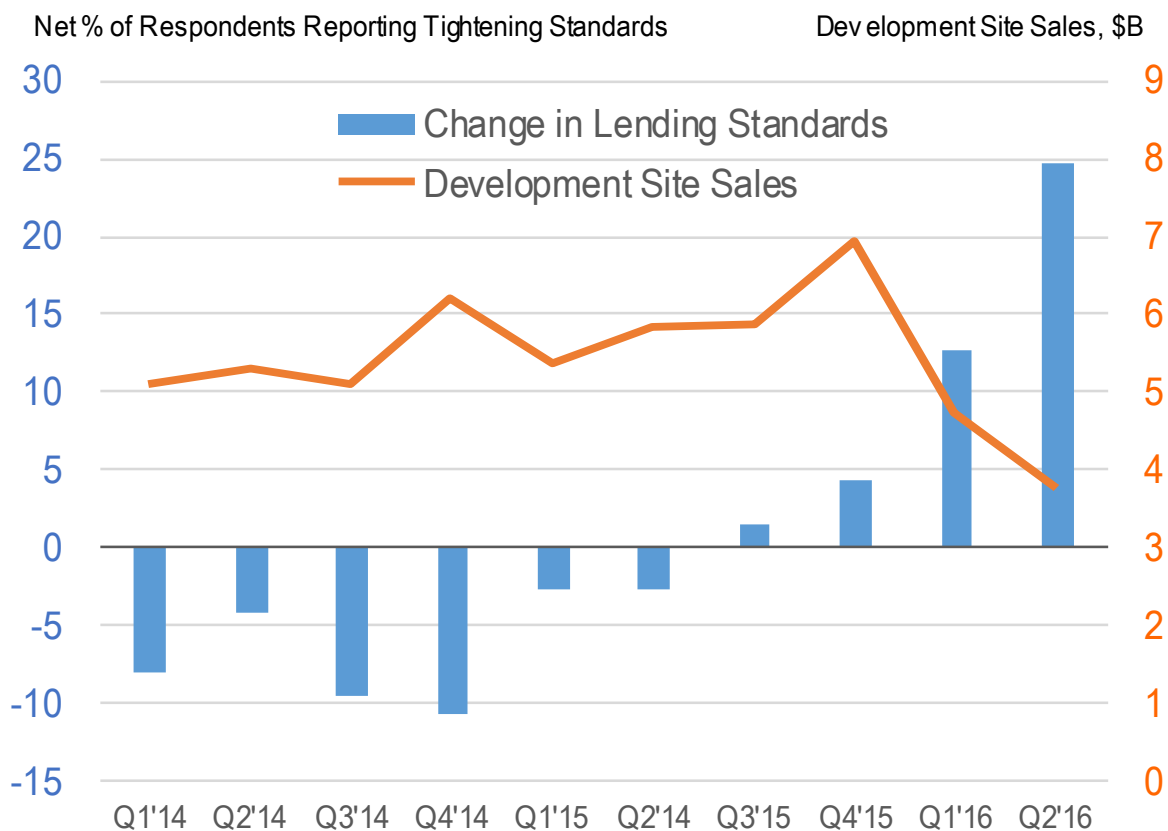


All Property Types



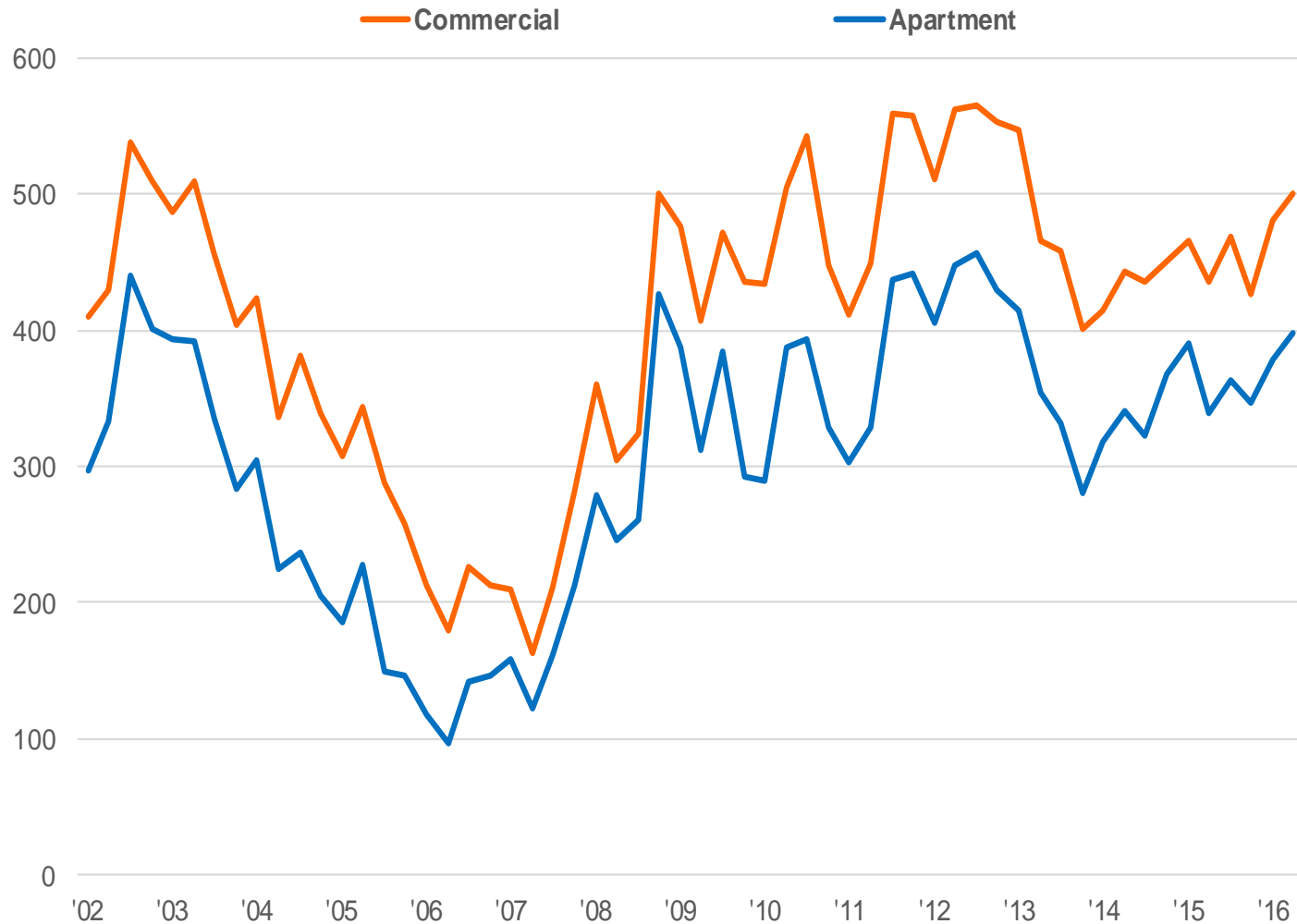
LENDING STANDARDS TIGHTENING

Development Site Sales Slow as Construction Lending Standards Tighten



Source: Federal Reserve Bank, Senior Loan Officer Survey

CRE ATTRACTIVE HISTORICALLY & RELATIVELY



THANK YOU

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