Real Estate Valuation
Environment
Multifamily

• Fundamentals

  • 4Q15 US Vacancy rate 4.3%
    3rd year of sub 5.0%
    First increase since ‘09

  • Forecast at 4.8% by year end and trending up

  • Rental Rates up 4.6% in 2015
    • Average rental rate now $1,227/month

  • Class A Cap rates now 4.57%
    • 31 of the top 45 metros in the US have Class A cap rates
      which are at 5.0% or below
Multifamily

• Current Cycle is Millennial Driven

• Challenges in the Sector
  • Overbuilding on track for 2016 and beyond in some markets
  • “Fringe” building
  • Maintaining “Class A” status
Multifamily

Apartment Market Cycle Analysis
4th Quarter, 2015

LT Average Occupancy

Source: Mueller, 2016
Office

• Fundamentals
  • US Vacancy rate 16.4%; Declining since Q12011
  • Forecast at 15.9% by year end
  • Rental Rates up 3.3% in 2015
    • Average rental rate now $30.94/SF
  • Employment growth drives office occupancy
    • Choppy growth
Office

• Investment Market
  • Class A Cap rates now 5.84%
    • Class A product in top tier markets just eclipsed 5.0%

• Underwriting Stress
  • Efficient office use
  • Older product will suffer
  • Millennials redefining what office space looks like
Office Market Cycle Analysis
4th Quarter, 2015

LT Average Occupancy

Source: Mueller, 2016
Retail

• Fundamentals
  • US Vacancy rate 10.0%
    Declining since 2011
  • Forecast to be below 10% in 2016
  • Rental Rates up 2.1% over past 12 months
    • Average rental rate now $20.11/SF
Retail

- Investment Market
  - NNN Retail cap rates 6.25% and falling (new historic low)

- Underwriting Stress
  - Malls (Dead properties)
  - Power Centers – Not being built anymore
Retail

• 4th Quarter 2015

- San Francisco, Miami, New York City, Dallas, Houston, Boston
- Fort Lauderdale, Orange County, Hawaii, Los Angeles
- Washington, DC, Palm Beach, United States
- Seattle, Atlanta, Orlando, San Diego
- Tampa, Chicago
- Philadelphia

• Source - JLL
Industrial

• Fundamentals
  • US Vacancy rate 10.7%
  • CBRE, JLL claim 14-20 year low
  • Market is highly fragmented
  • Rental Rates up 1.8% over past 12 months
    • Average rental rate now $4.98/SF
Industrial

• Investment Market
  • Class A cap rates 5.65%
  • Market volume set to be highest since ‘07

• Underwriting Stress
  • Fragmented Marketplace (where to invest?)
  • Developer/Owner
Industrial Market Cycle Analysis
4th Quarter, 2015

Source: Mueller, 2016