

Commercial Real Estate Through Economic Recession

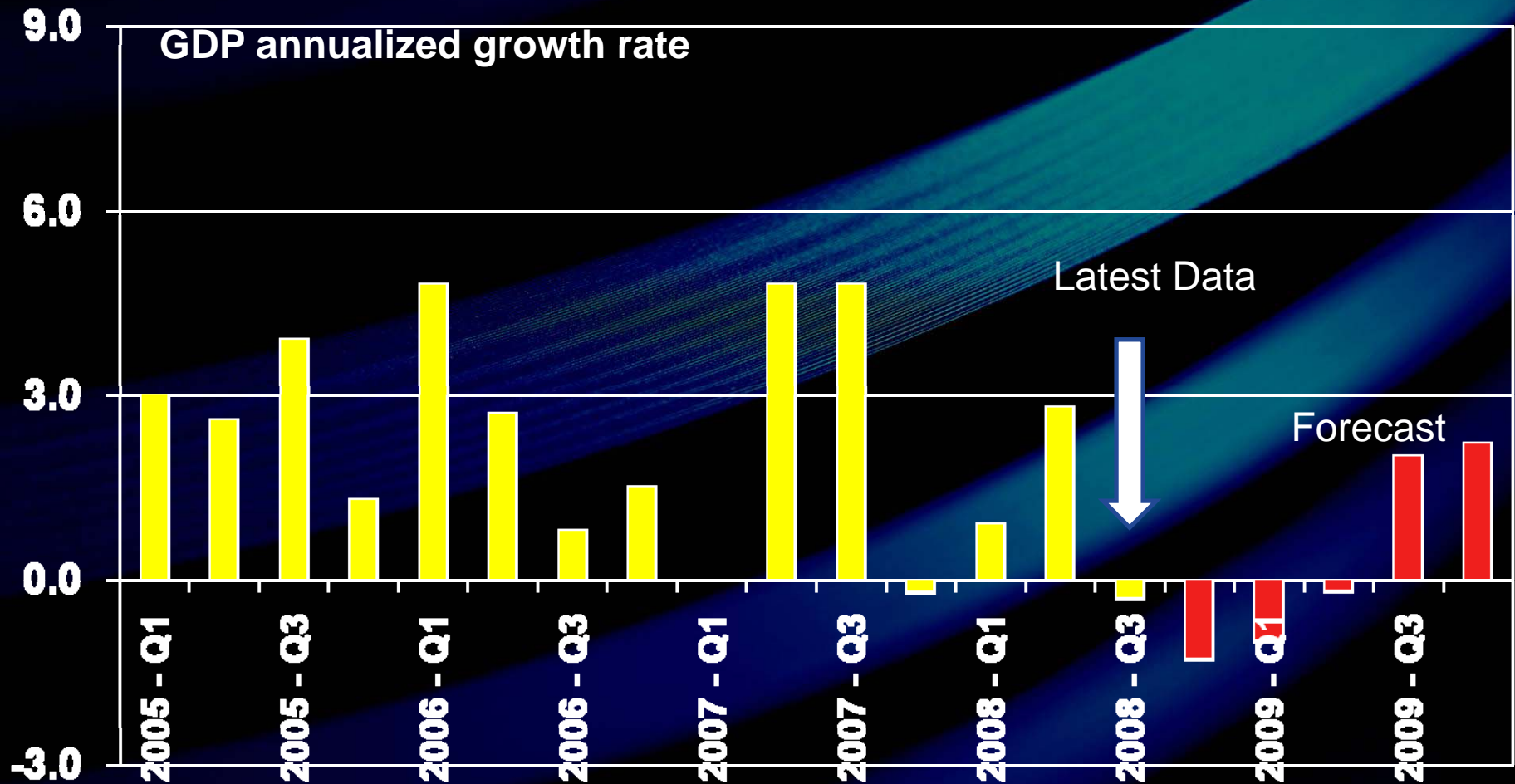
**Lawrence Yun, Ph.D.
Chief Economist
NATIONAL ASSOCIATION OF REALTORS®**

Presentation at NAR Annual Conference and Expo

Orlando, FL

November 7, 2008

Economy Contracting

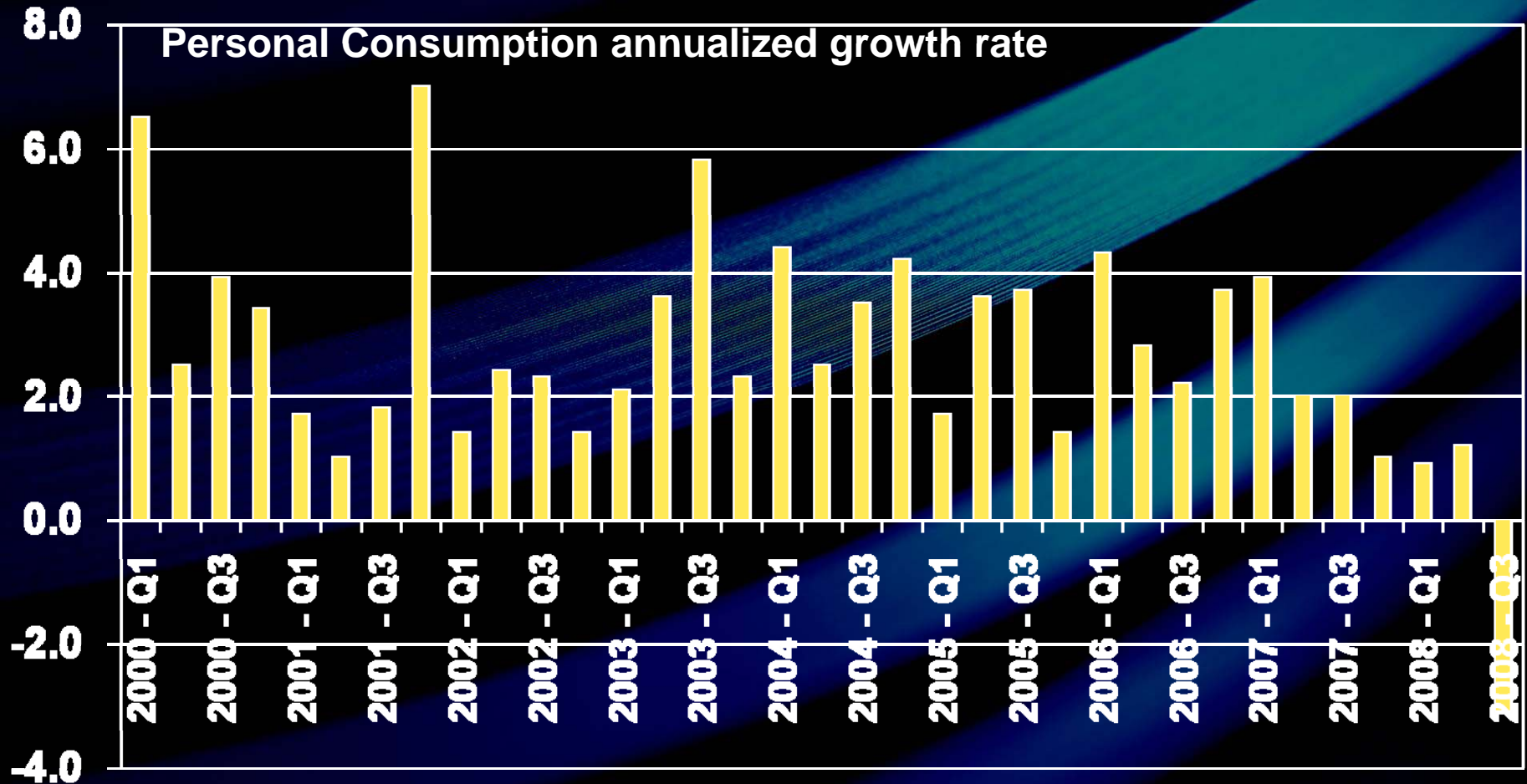


Source: BEA

Consumers and Retail Sector

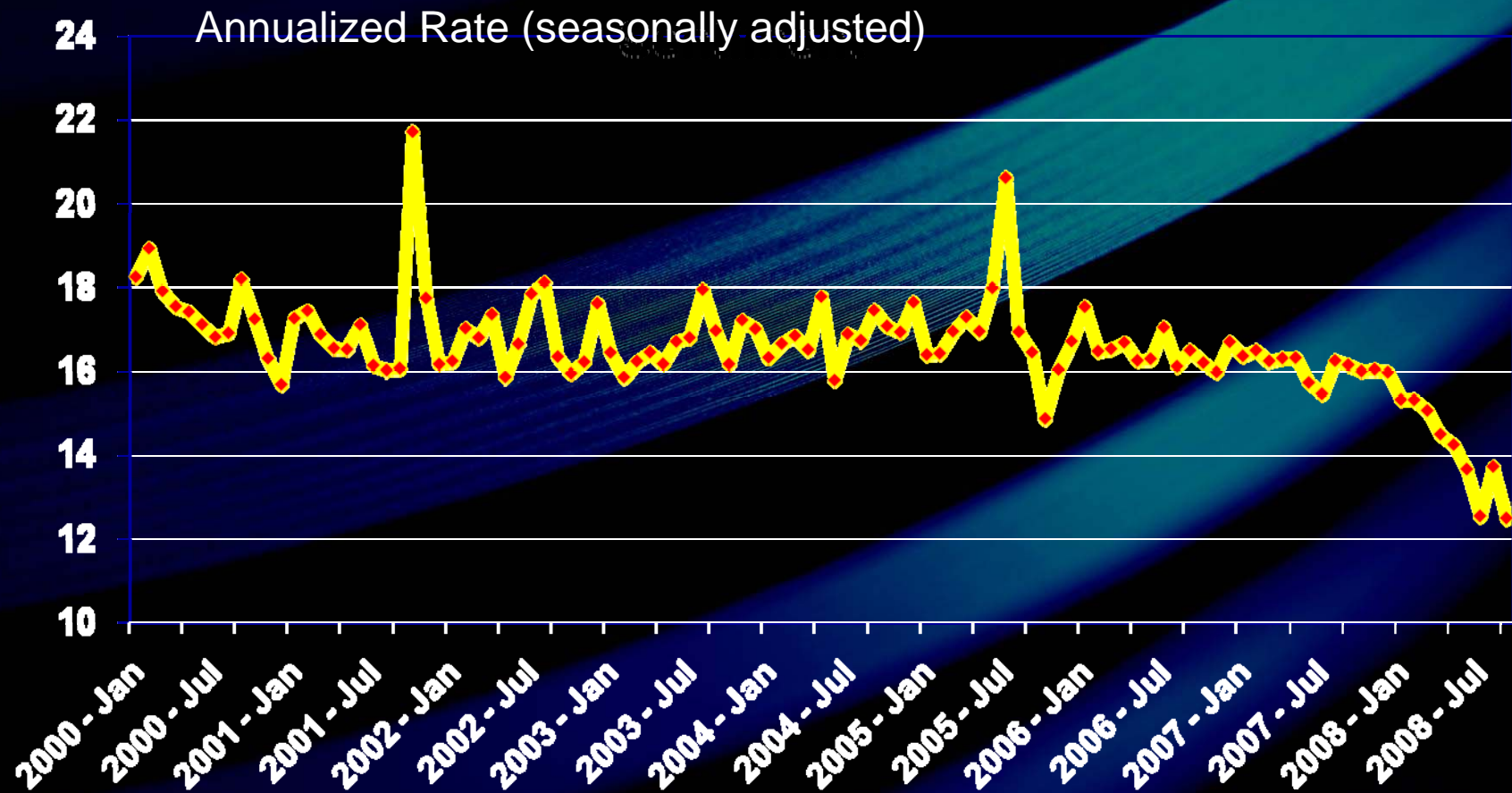


Consumers Tapped Out



Source: BEA

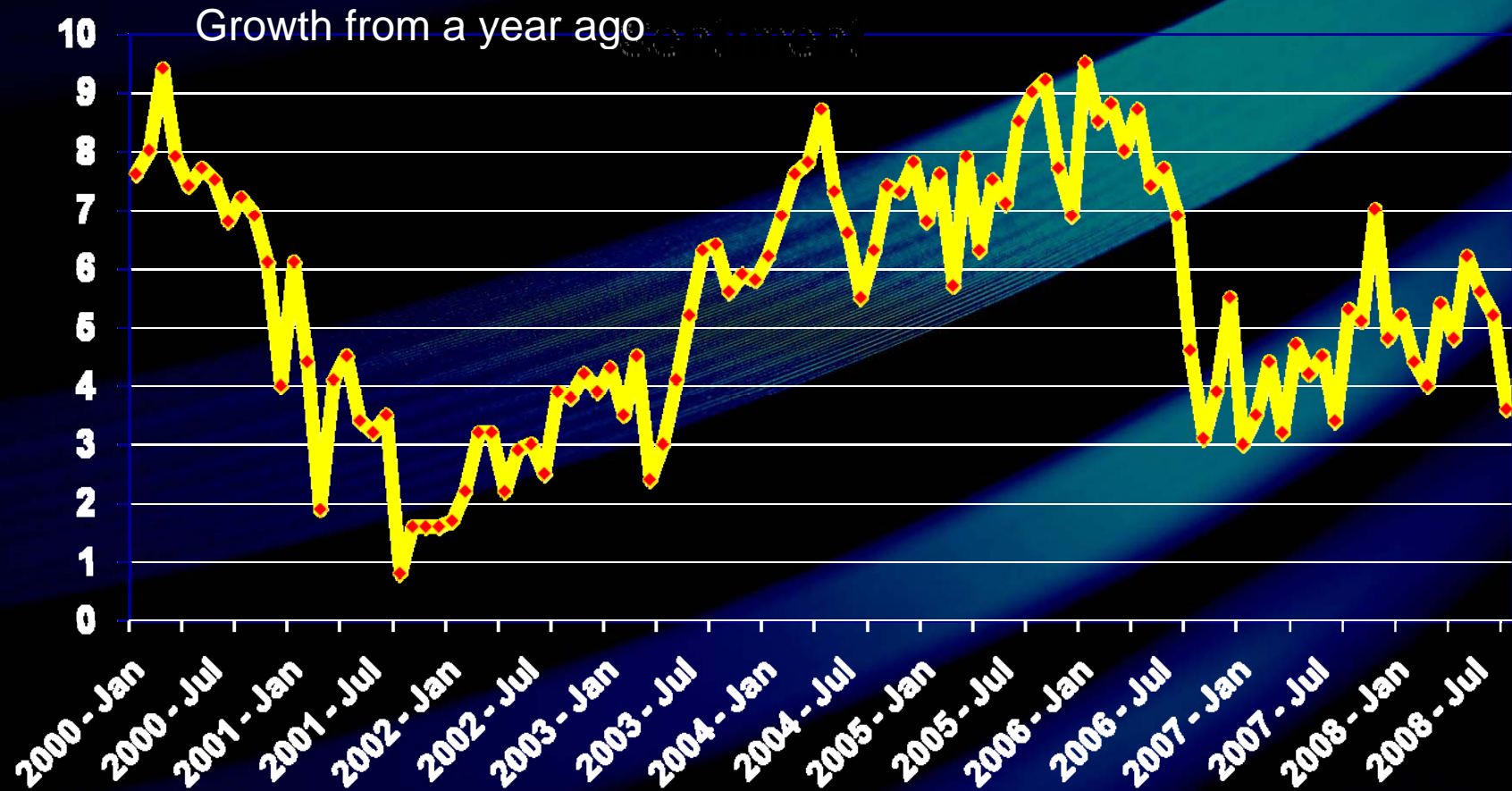
Vehicle Sales



Source: Census

Retail Sales Growth

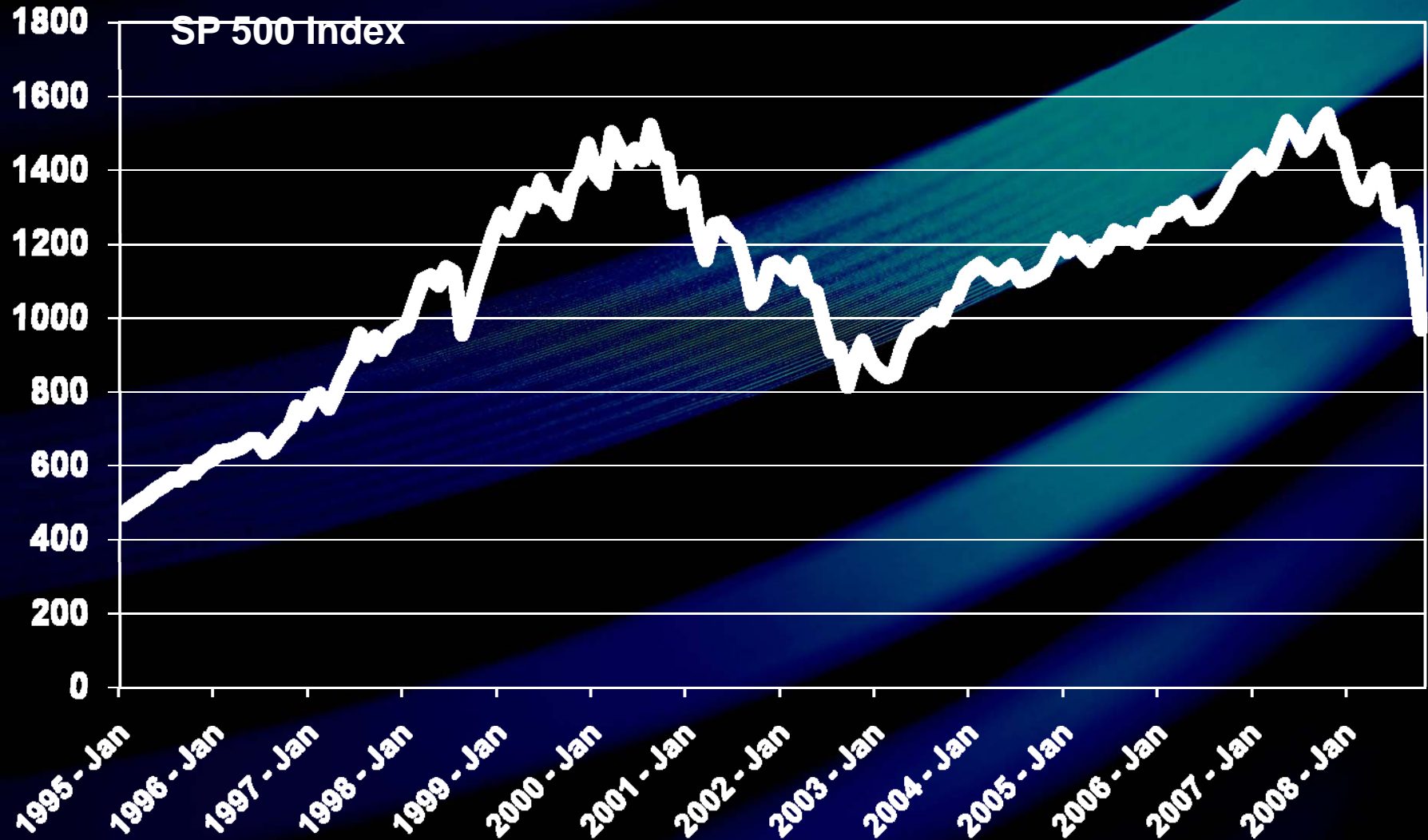
(excluding autos)



Source: University of Michigan

Stock Market Wealth

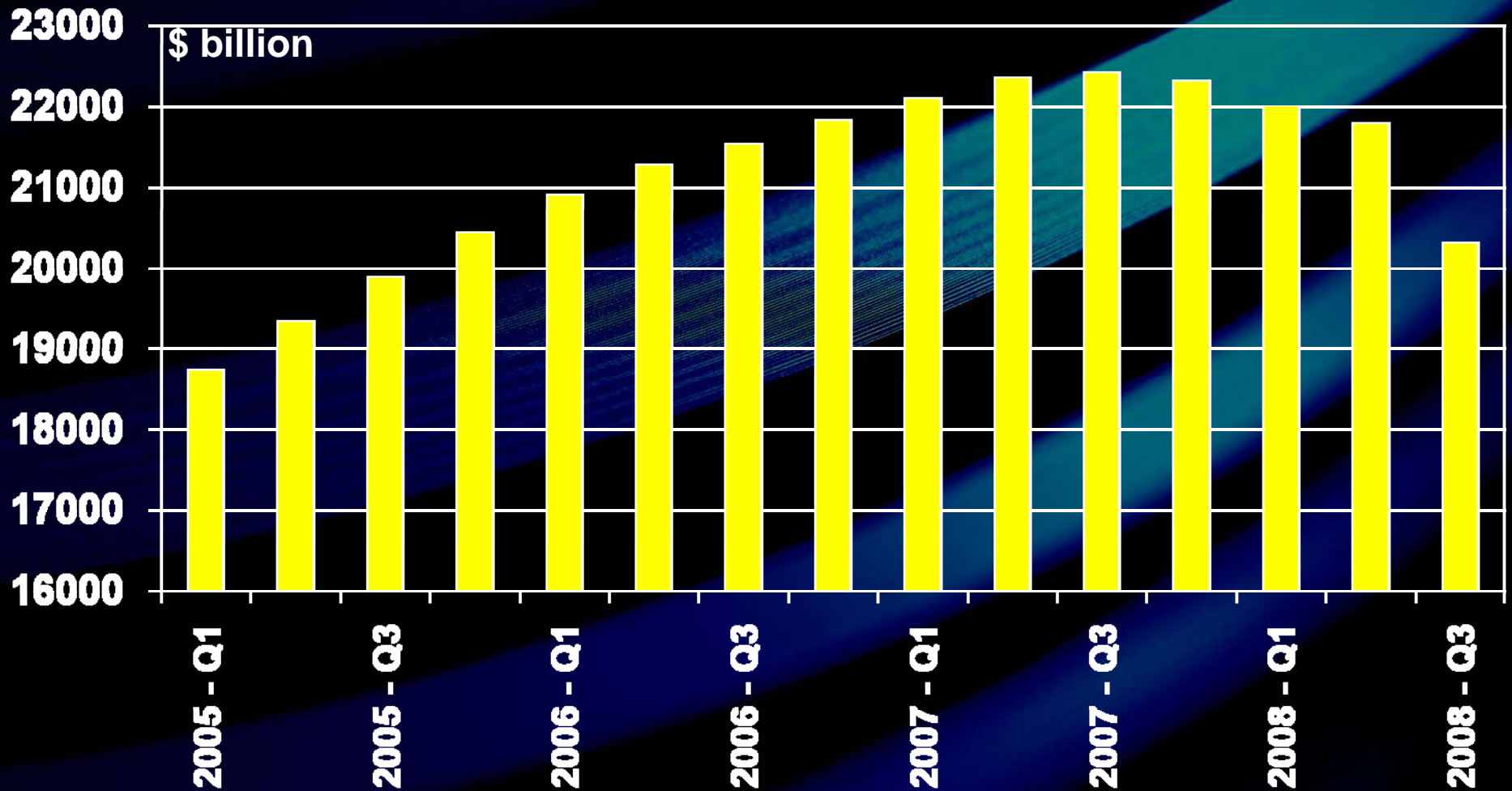
(\$8 trillion loss from peak)



Source: WSJ

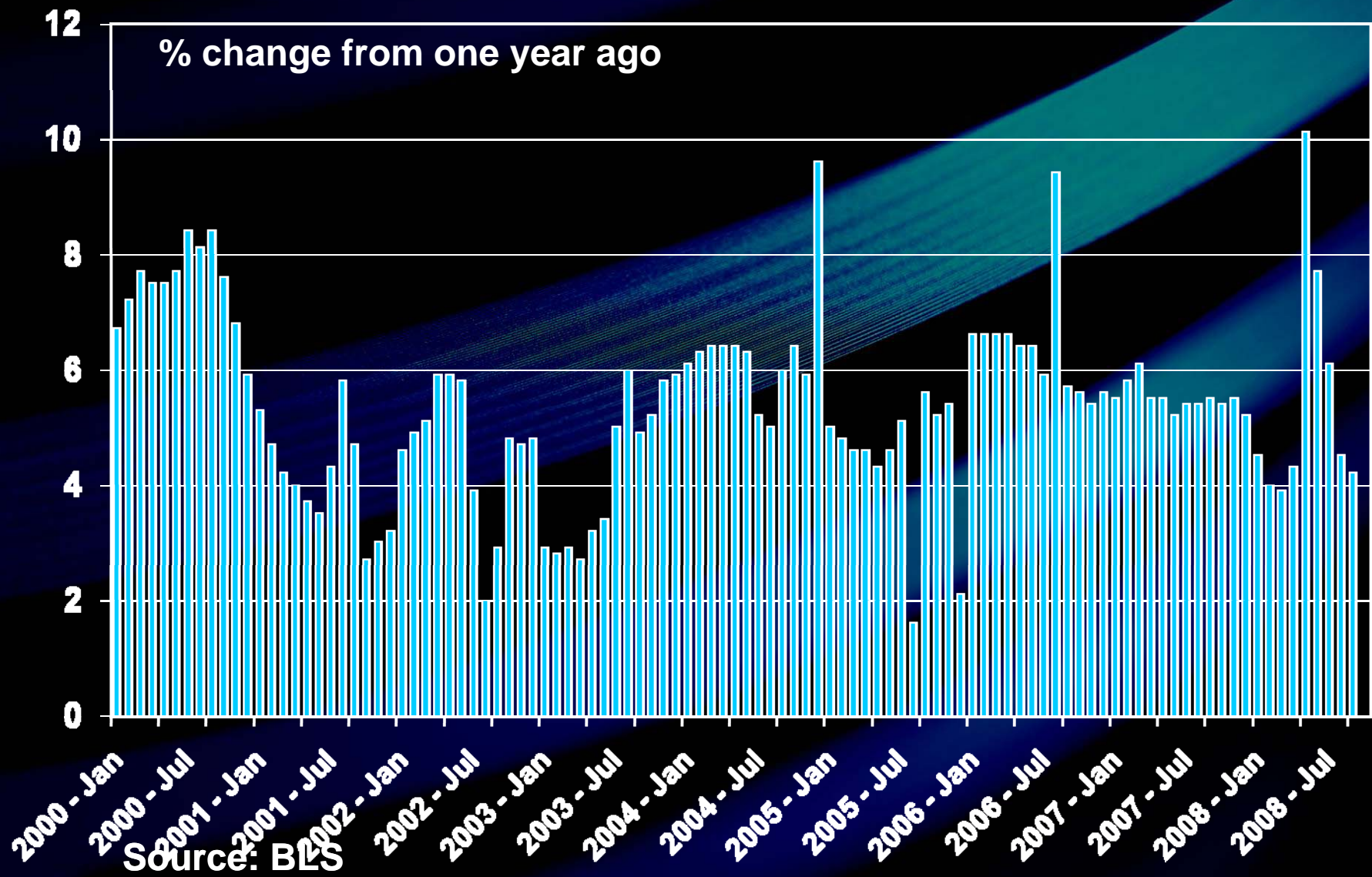
Housing Valuation

(\$2 trillion loss in wealth from peak)

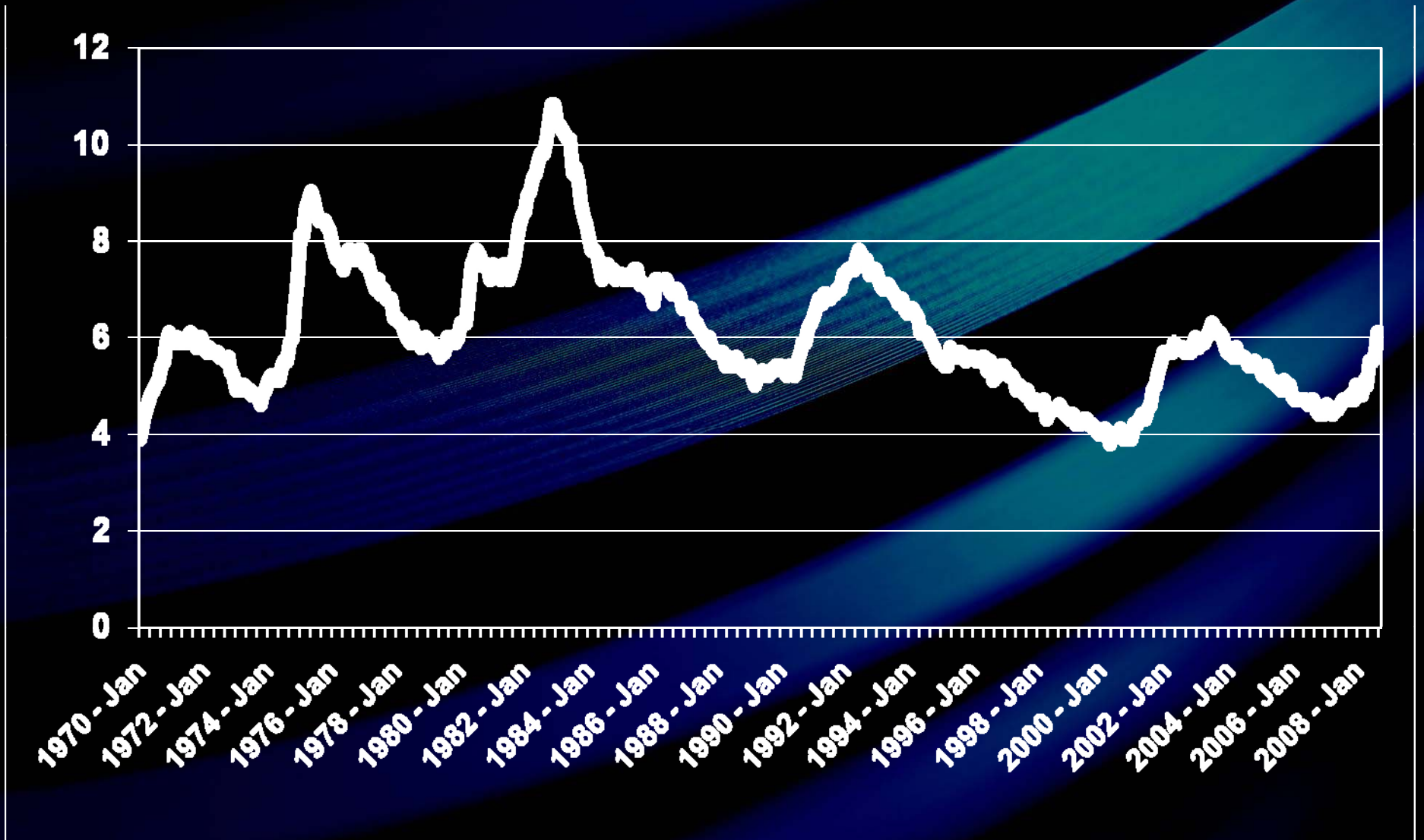


Source: Federal Reserve, NAR estimate

Disposable Income Growth



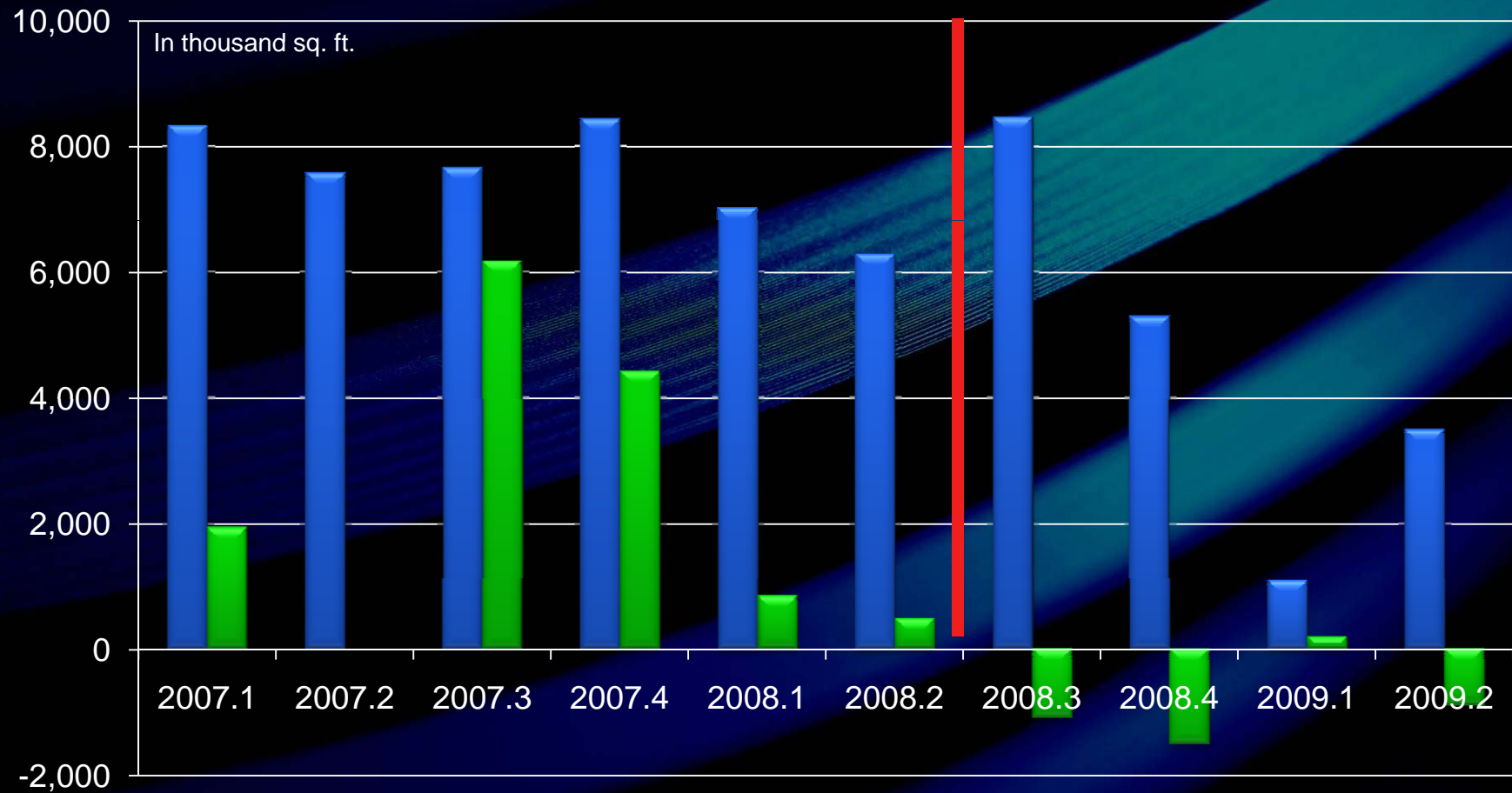
Unemployment Rate



Source: BLS

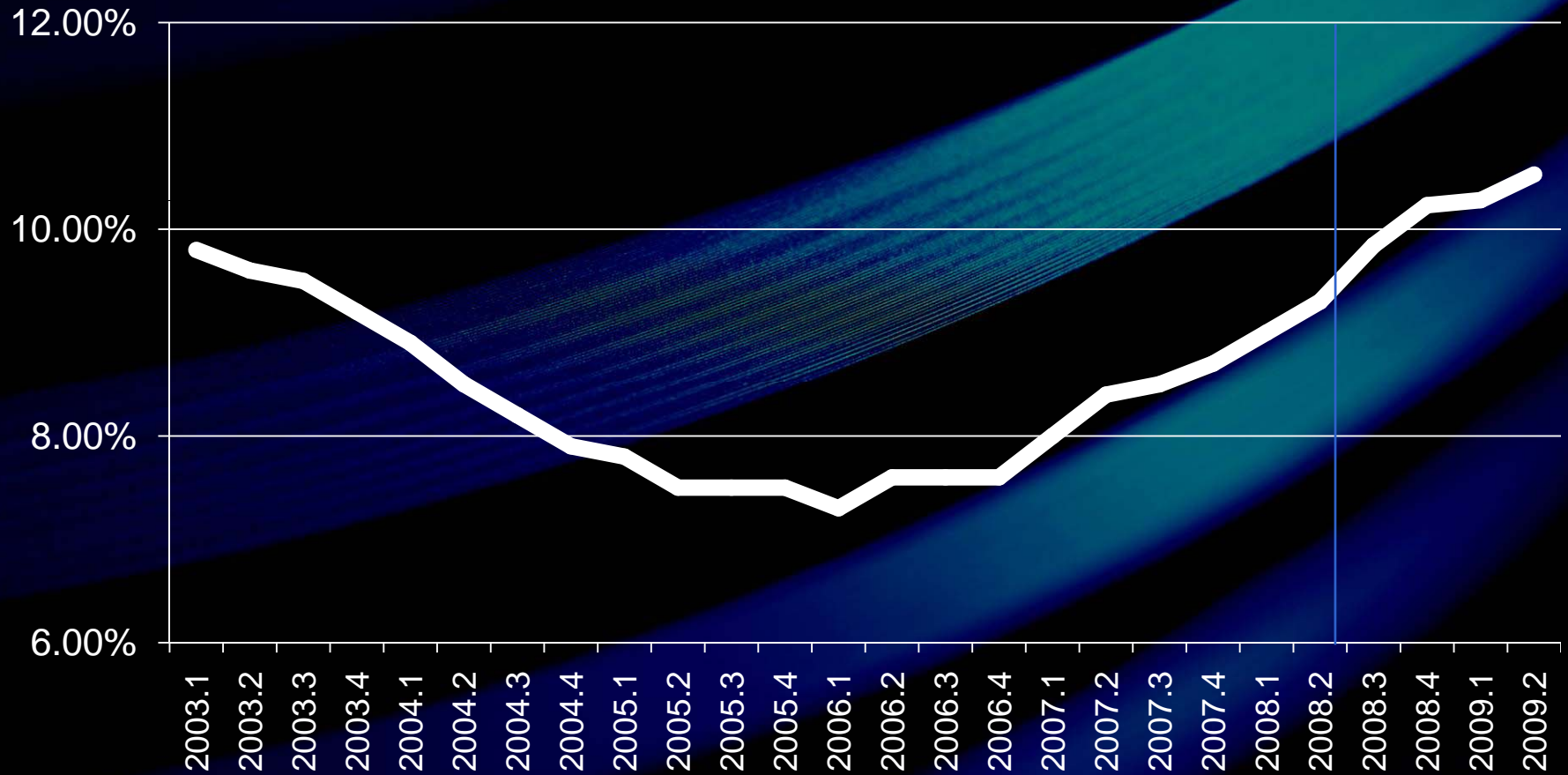
Retail Market Fundamentals

■ Completions ■ Net Absorption



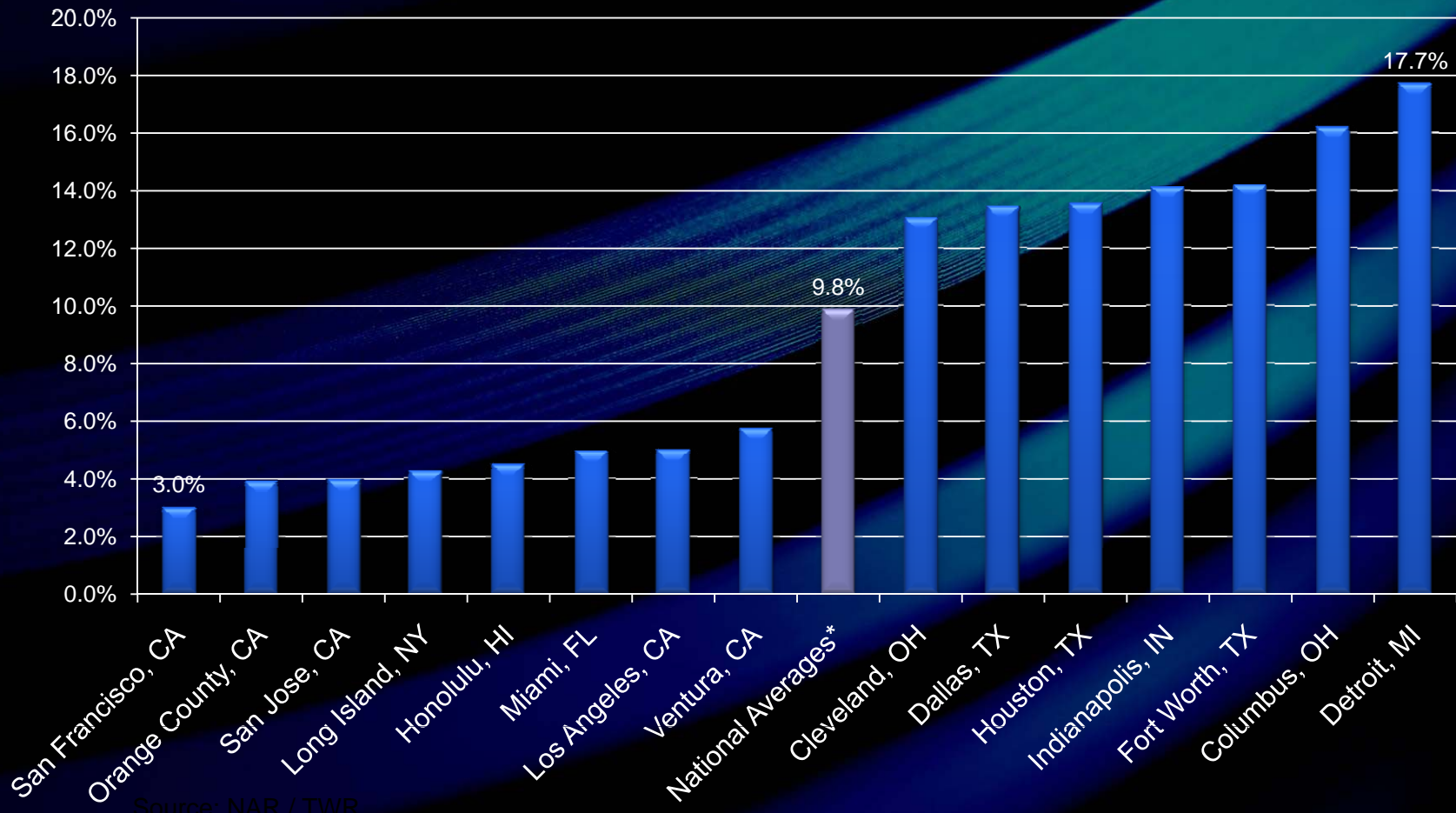
Retail Vacancy Rate

National Vacancy Rate



Retail Vacancy Rates

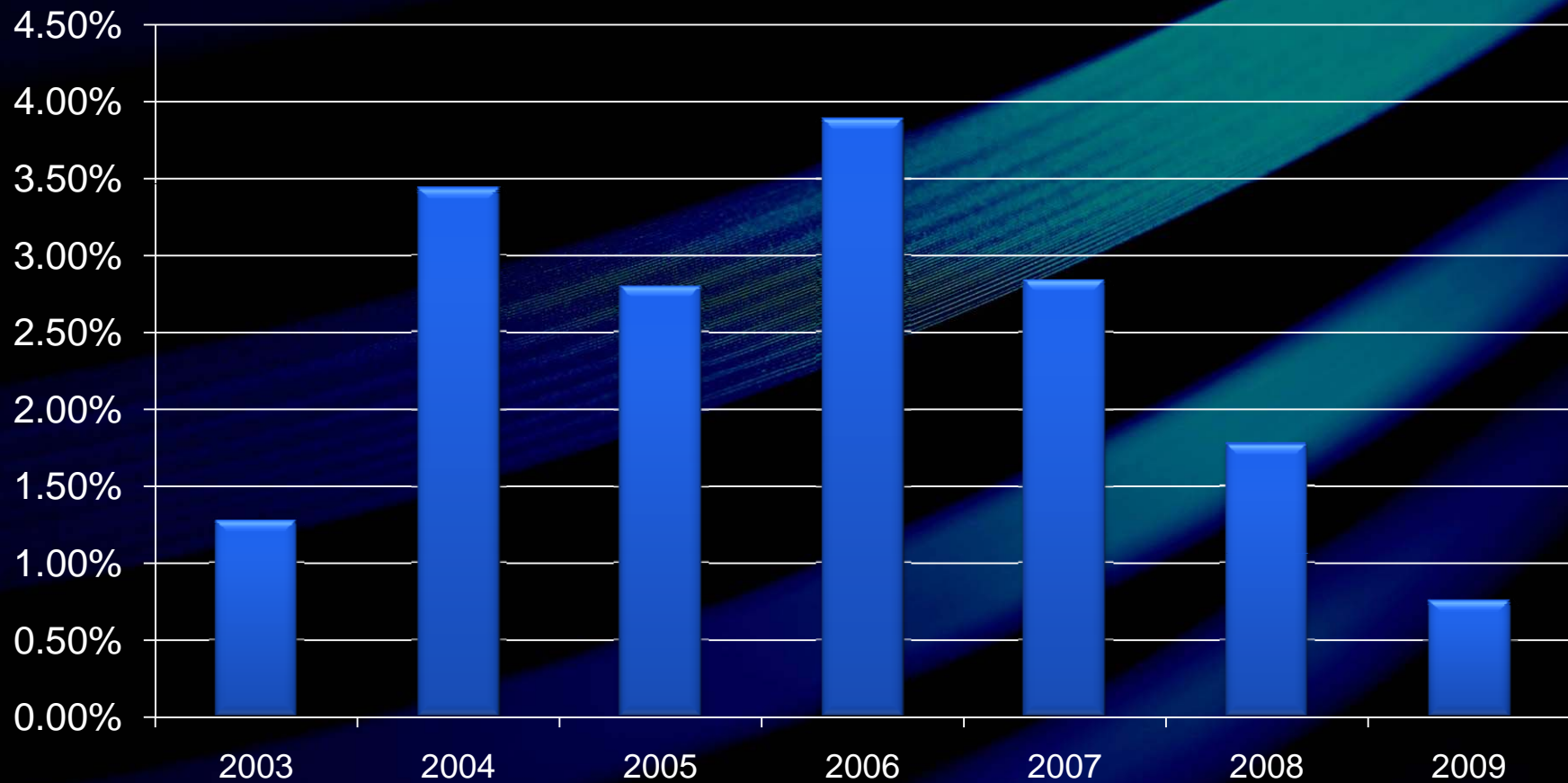
Selected Markets - 2008.Q3



Source: NAR / TWR

Retail Rent Growth

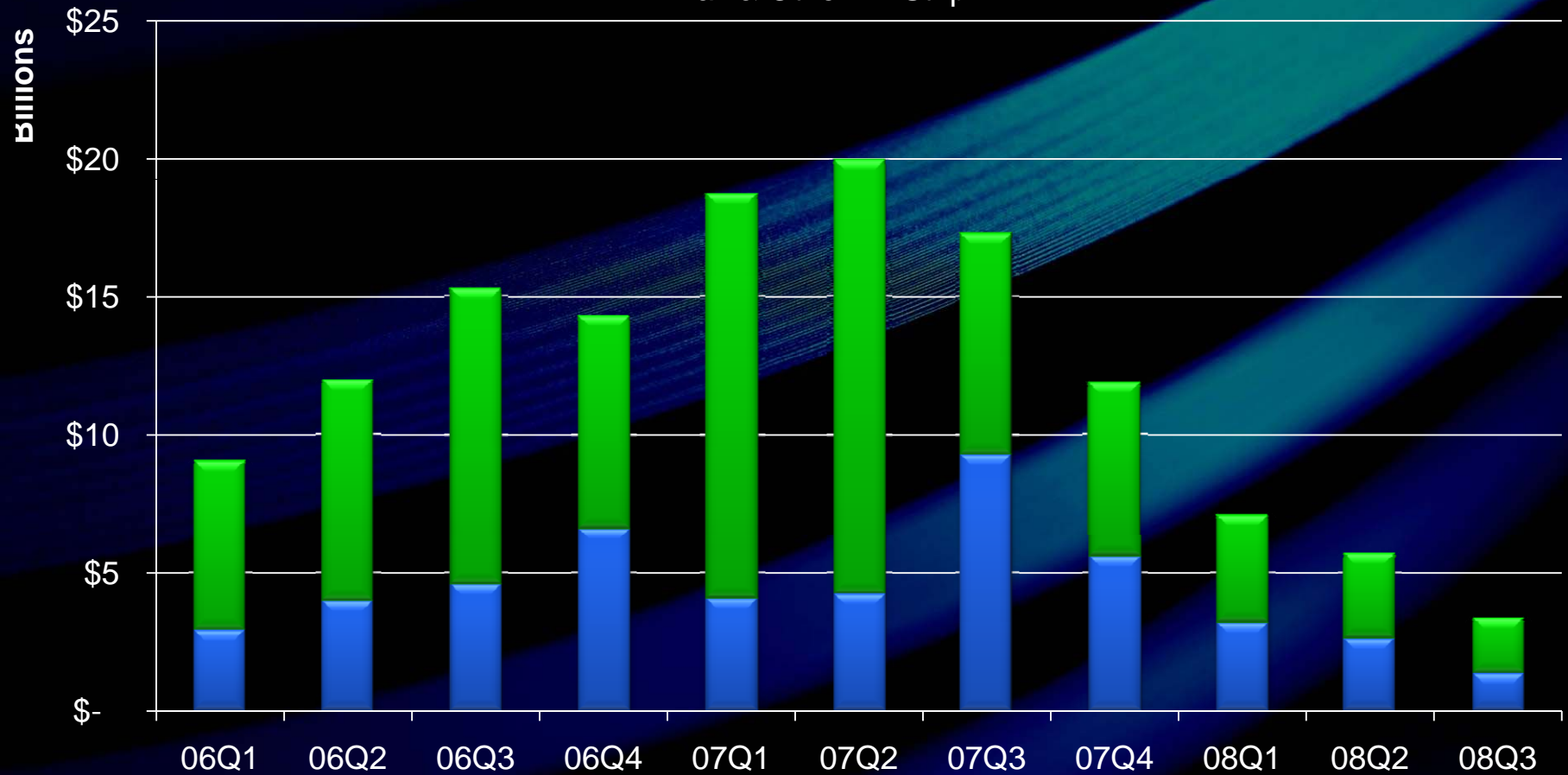
National Rent Growth



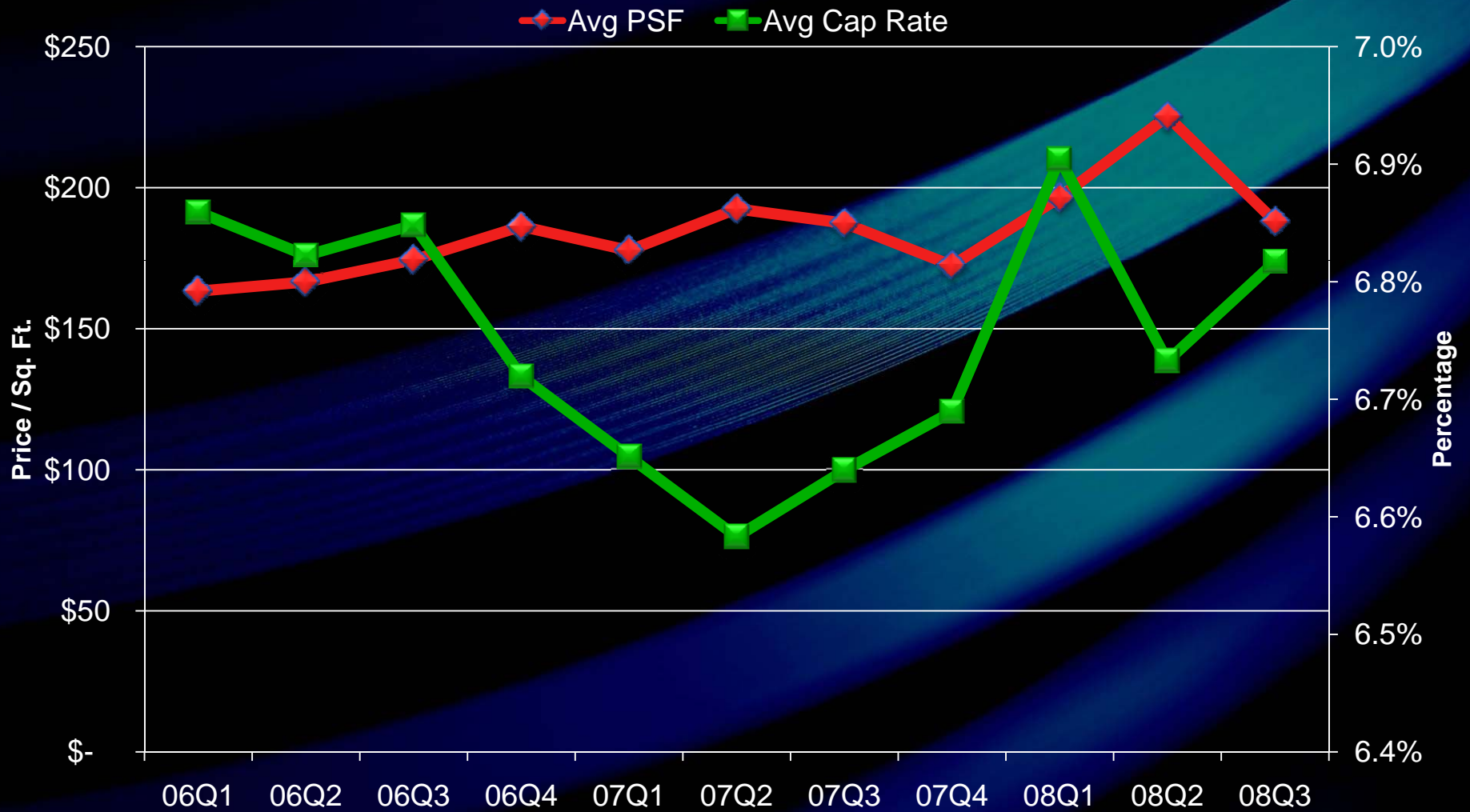
Retail Investment Market

Retail Sales Volume

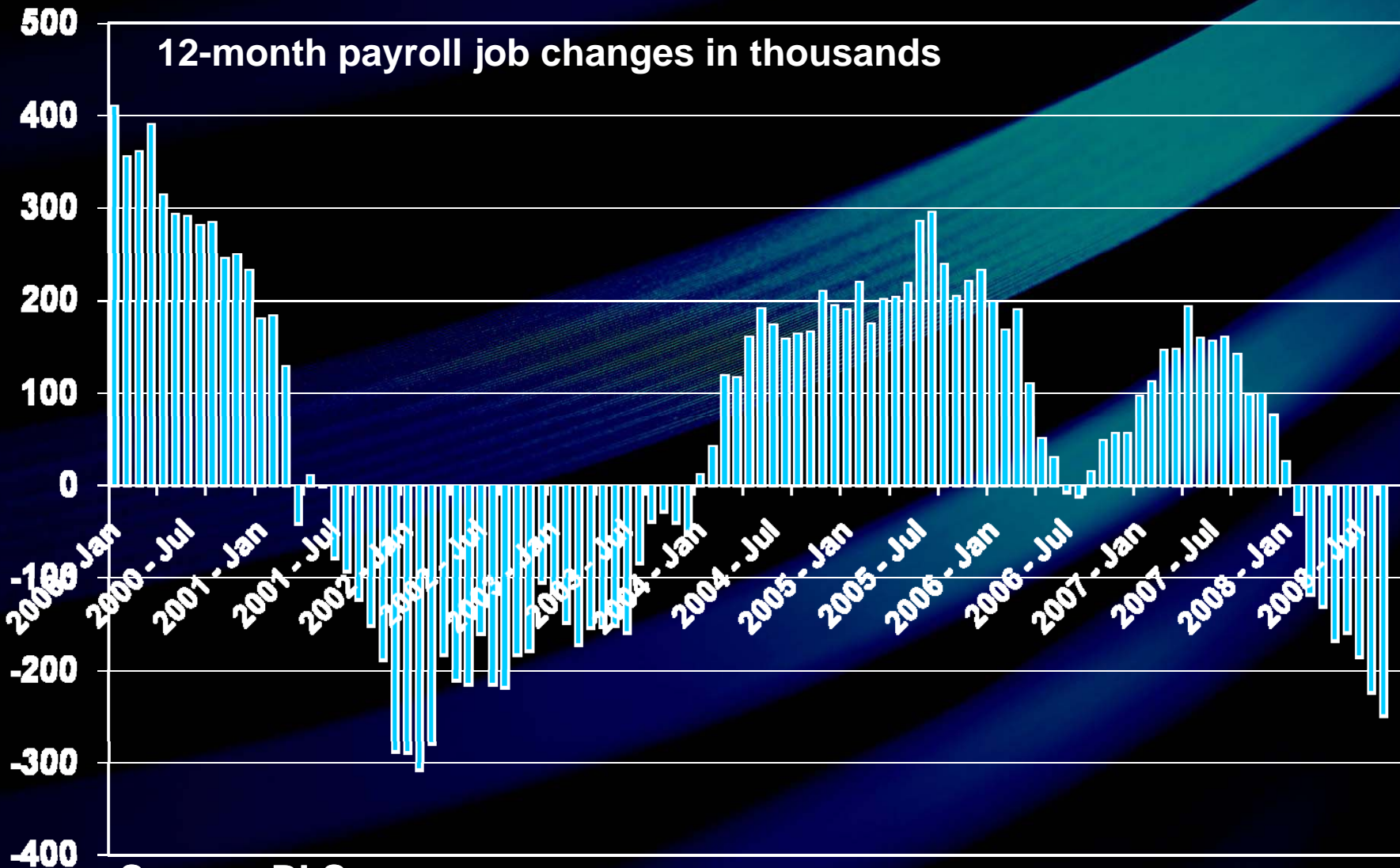
■ Mall & Other ■ Strip



Retail Pricing & Cap Rates



Retail Sales Job Changes

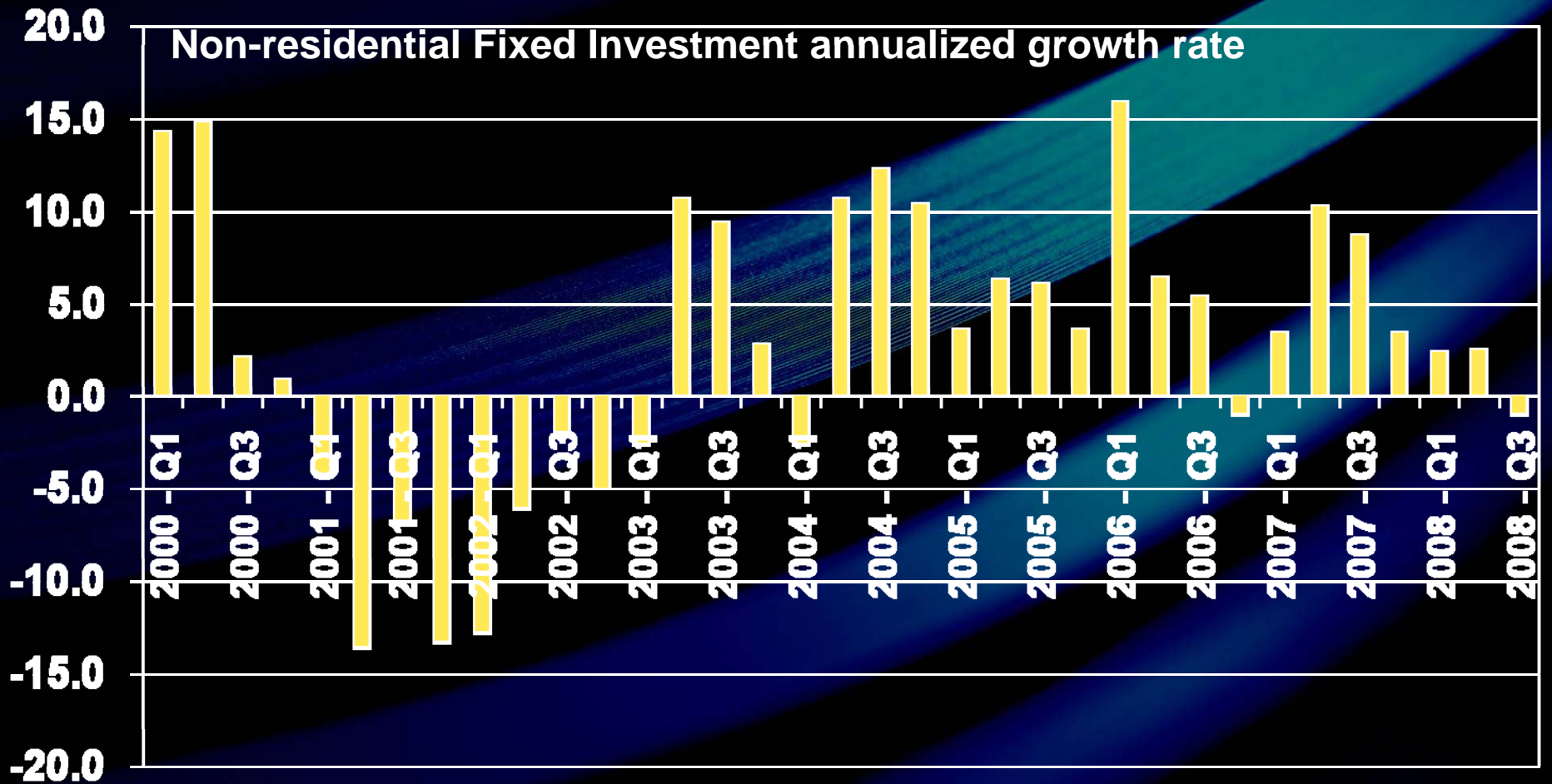


Source: BLS

Businesses and Office/Industrial Sectors

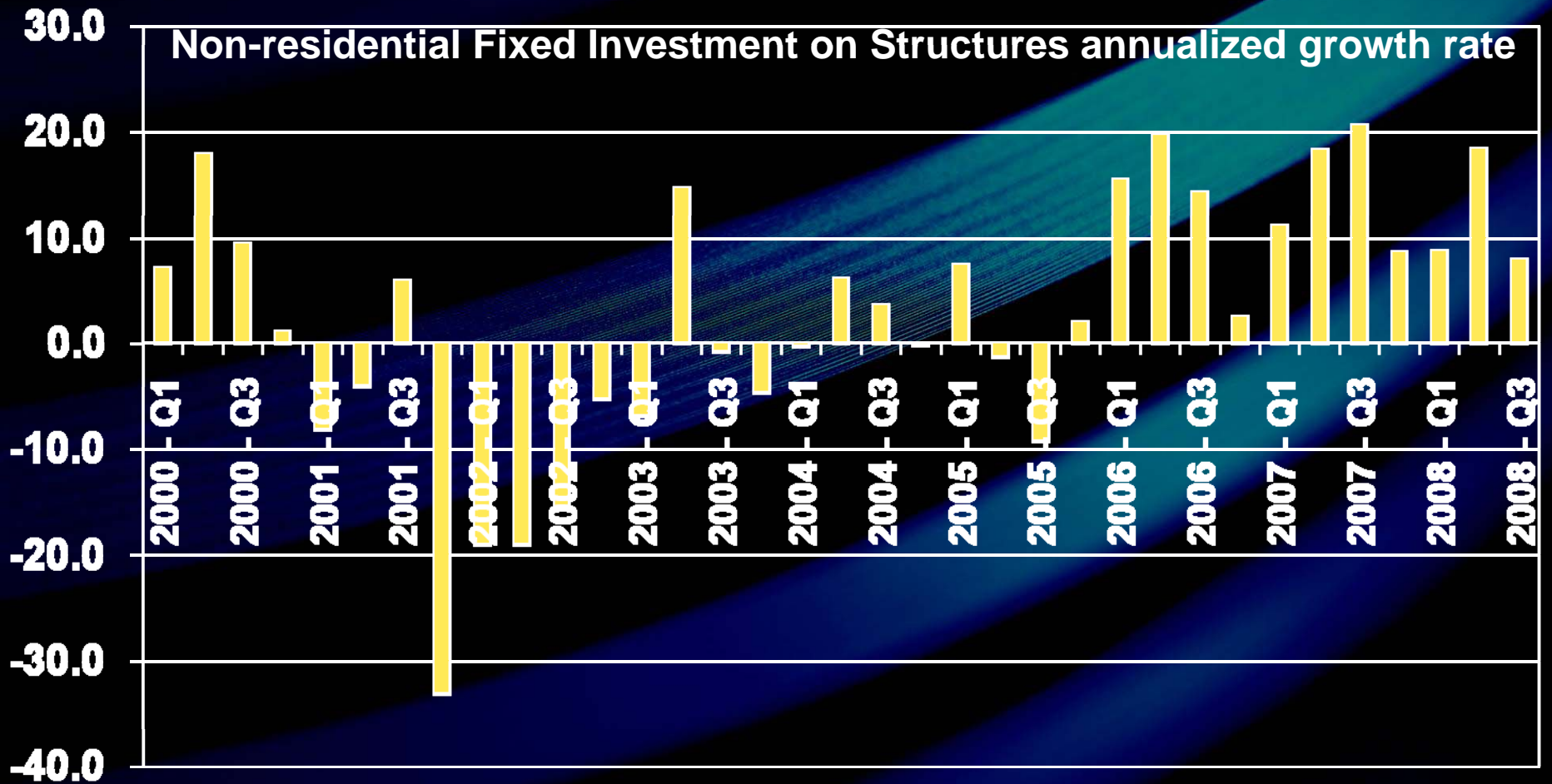


Businesses Very Cautious



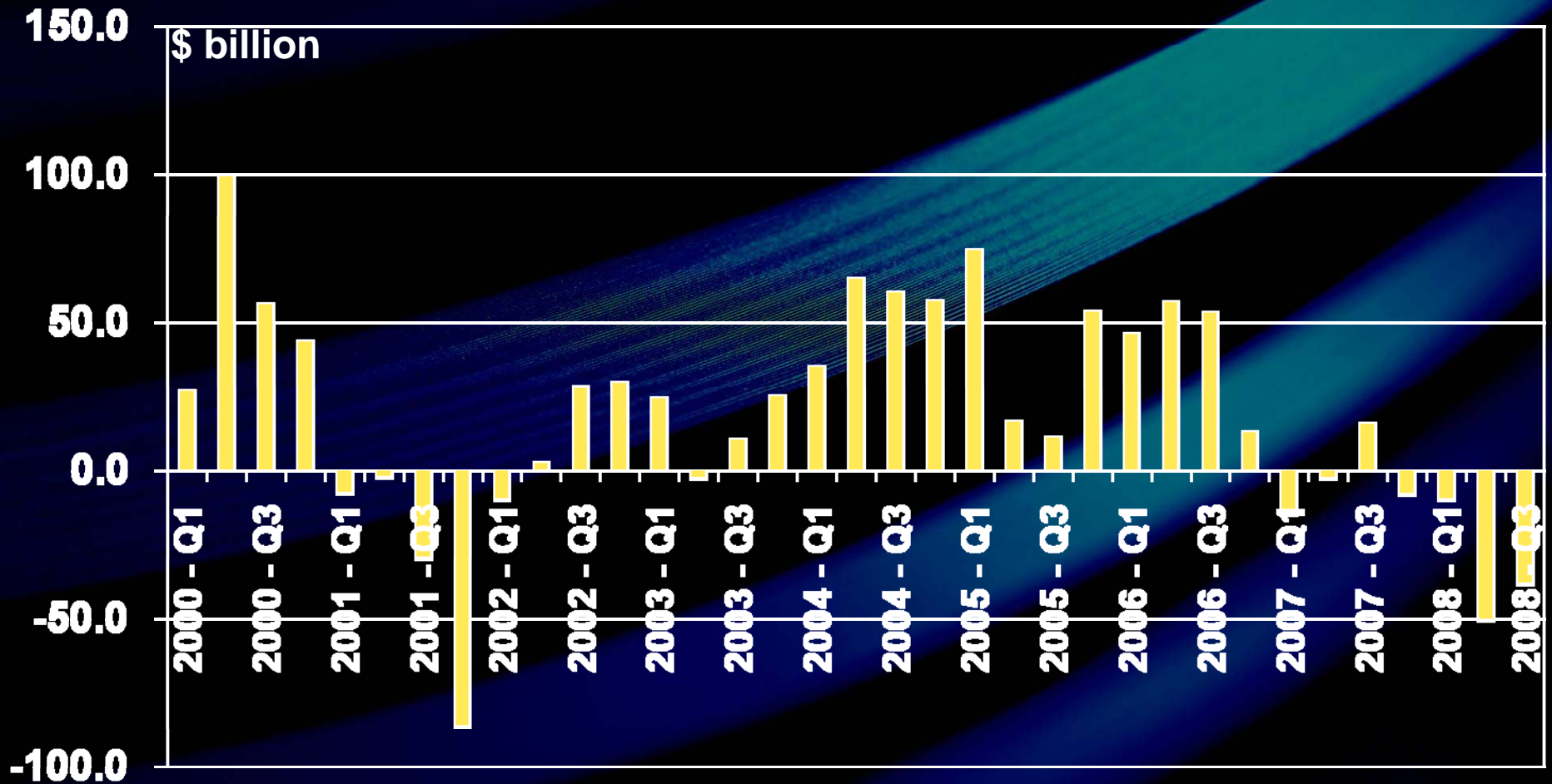
Source: BEA

Business Spending on Structures



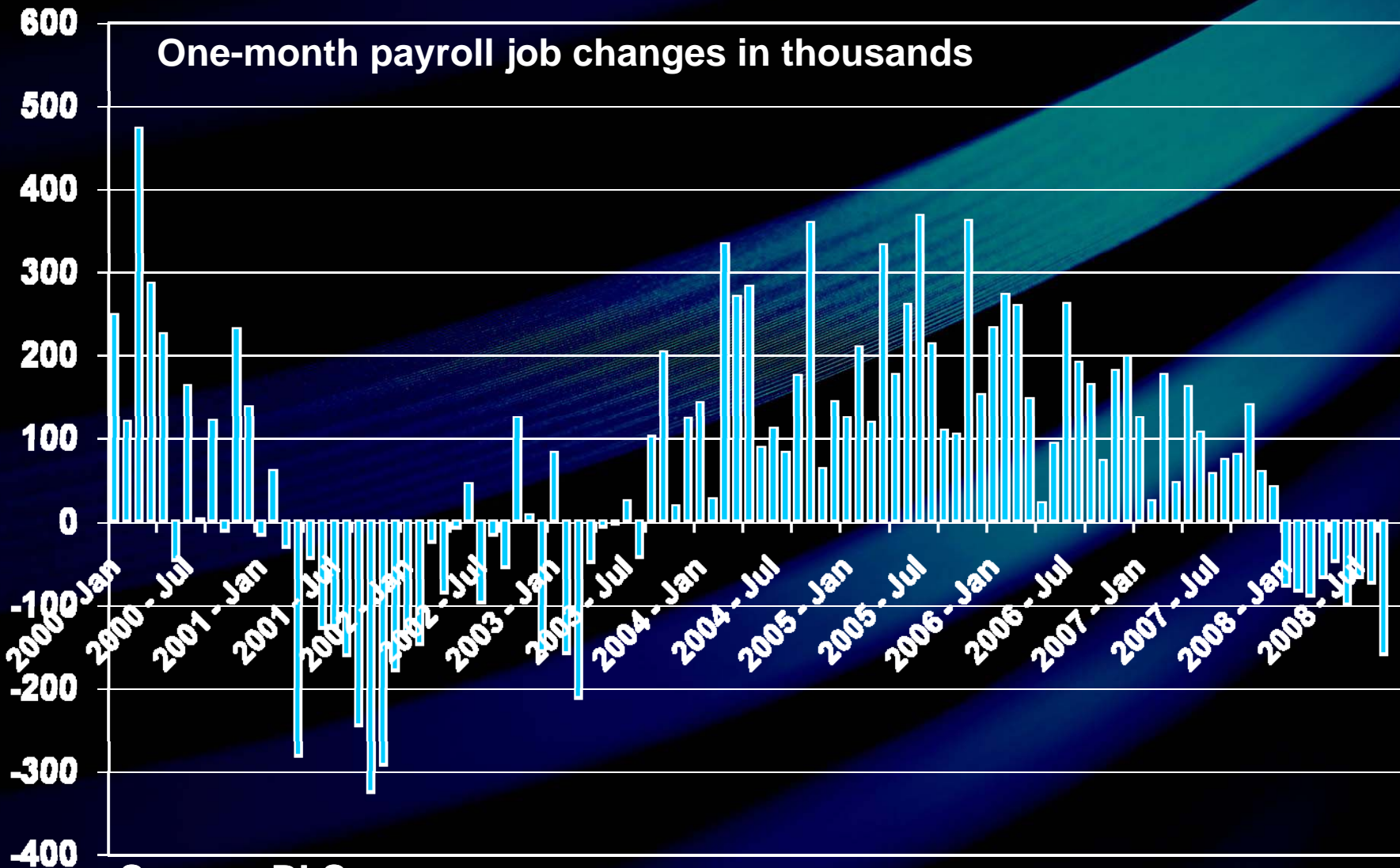
Source: BEA

Business Inventory Change

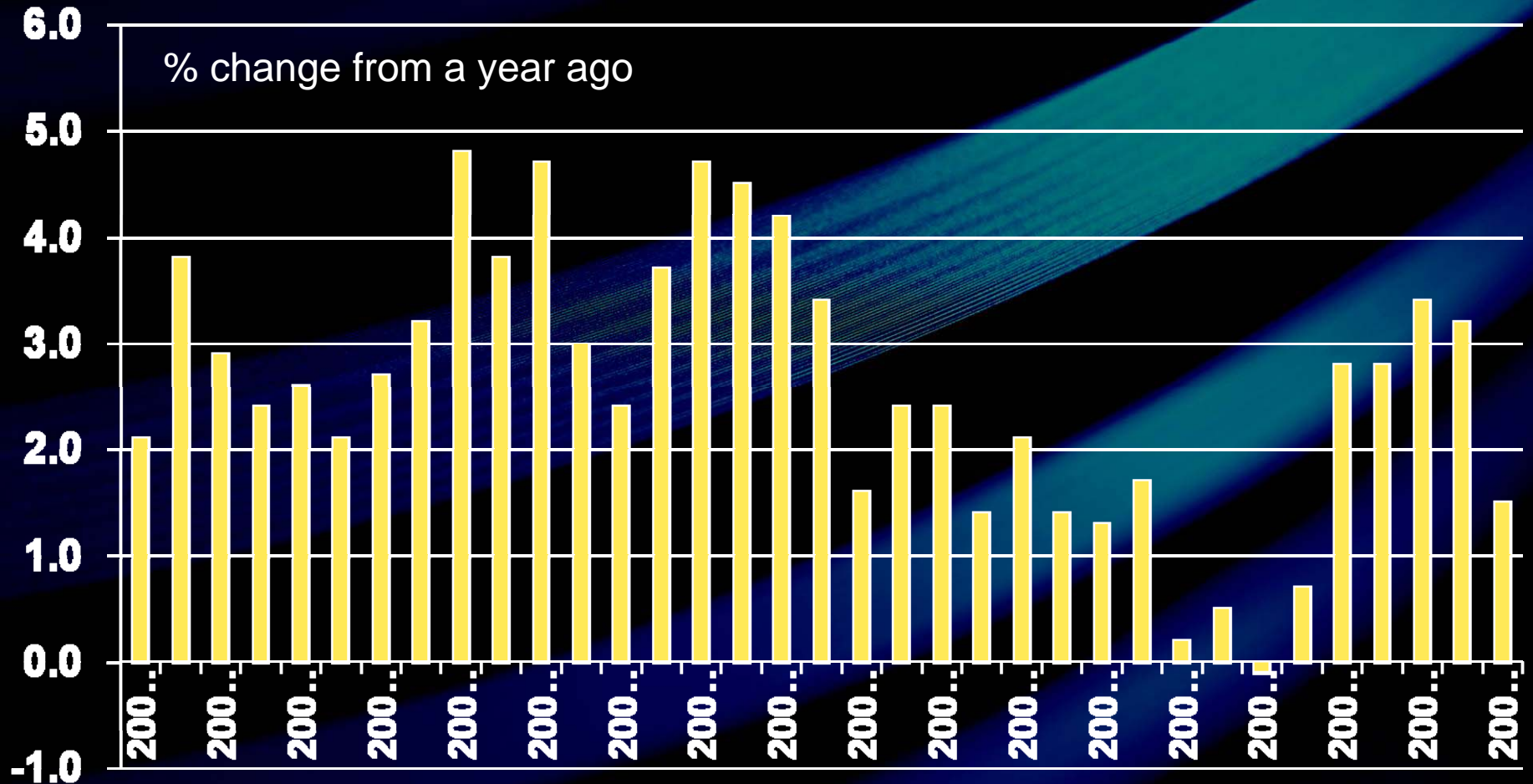


Source: BEA

Job Changes in U.S.

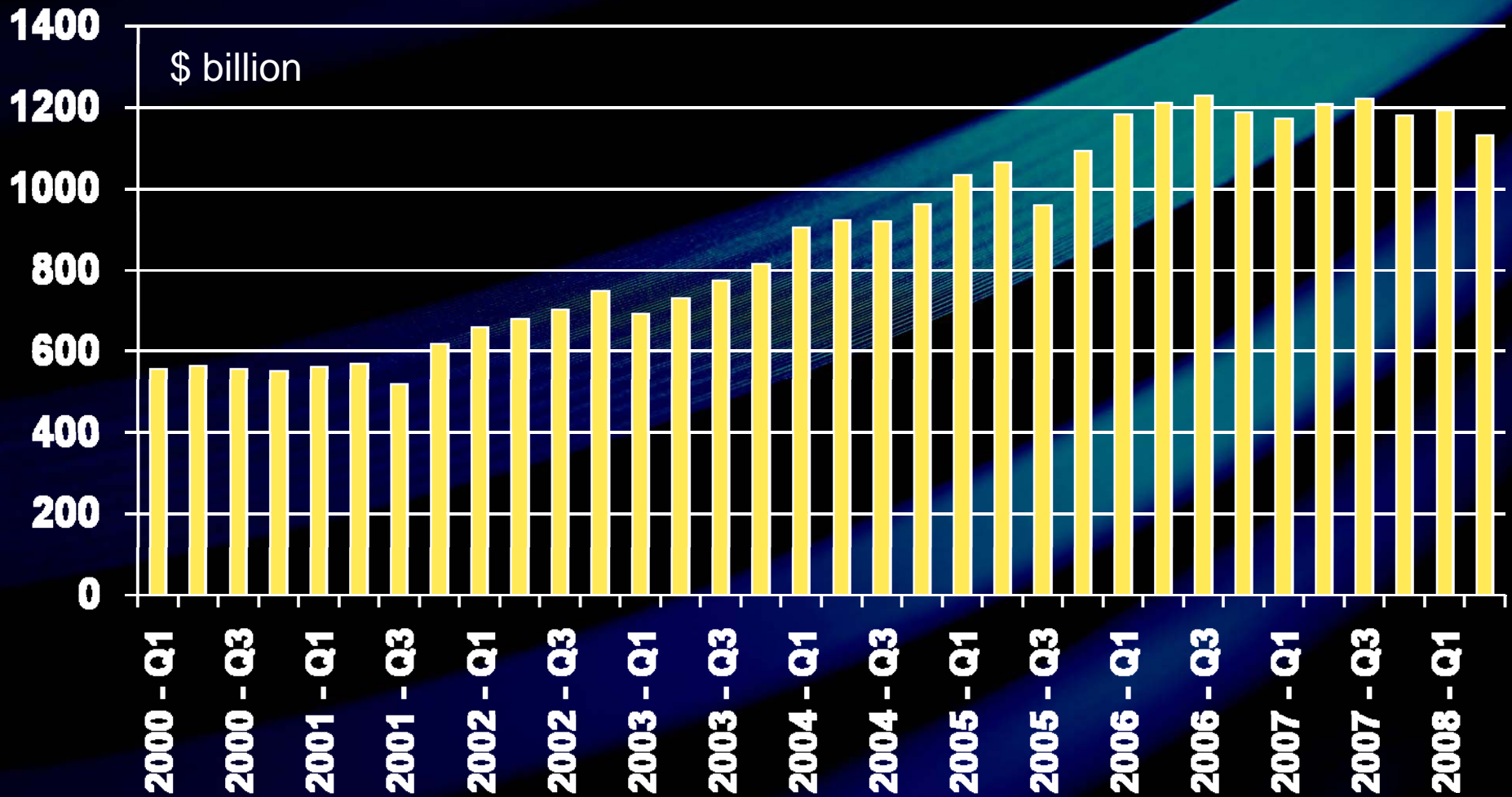


Business Productivity Rising



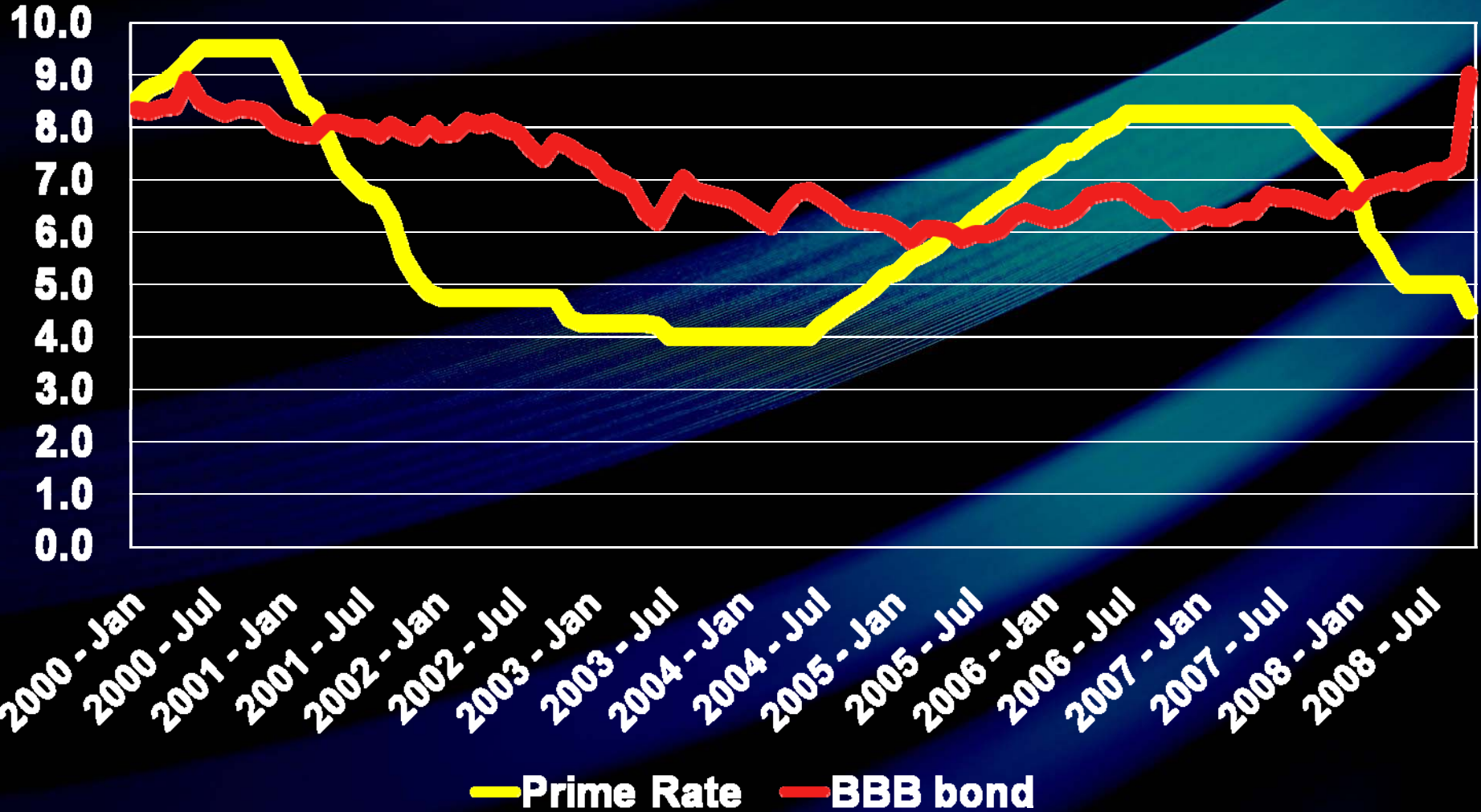
Source: BEA

Corporate After-Tax Profits

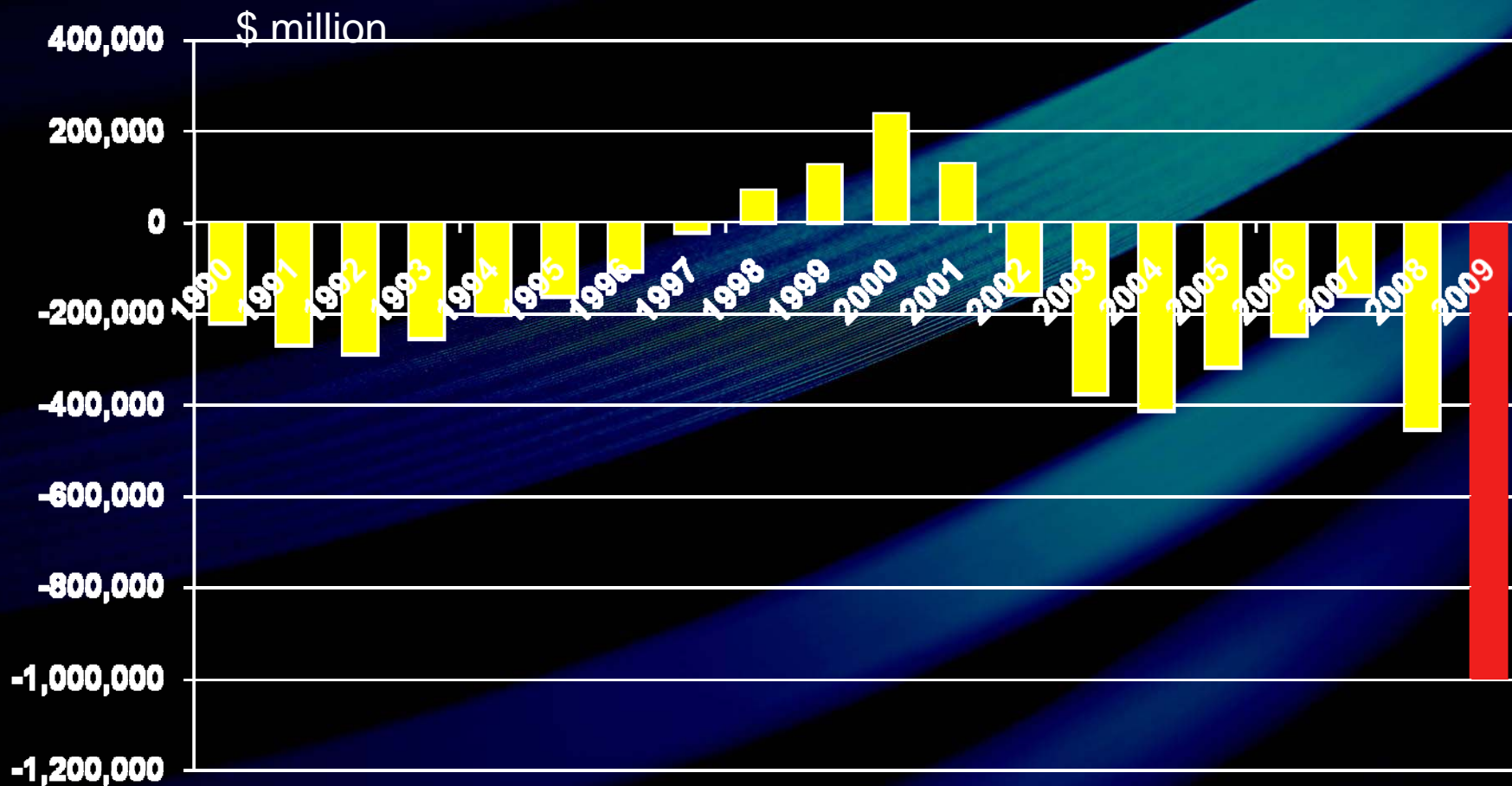


Source: BEA

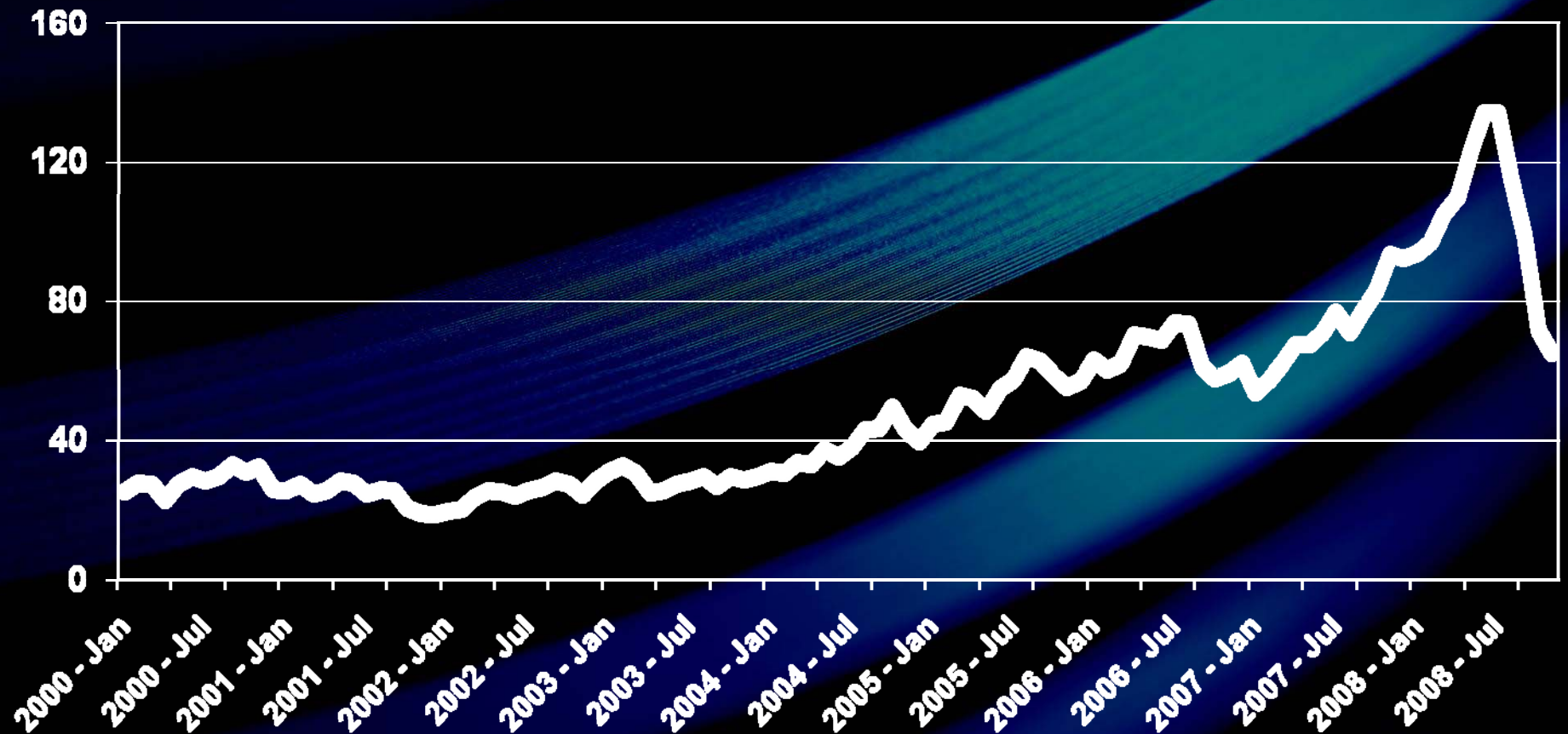
Business Borrowing Cost



Federal Budget Deficit can Impact Future Borrowing Costs

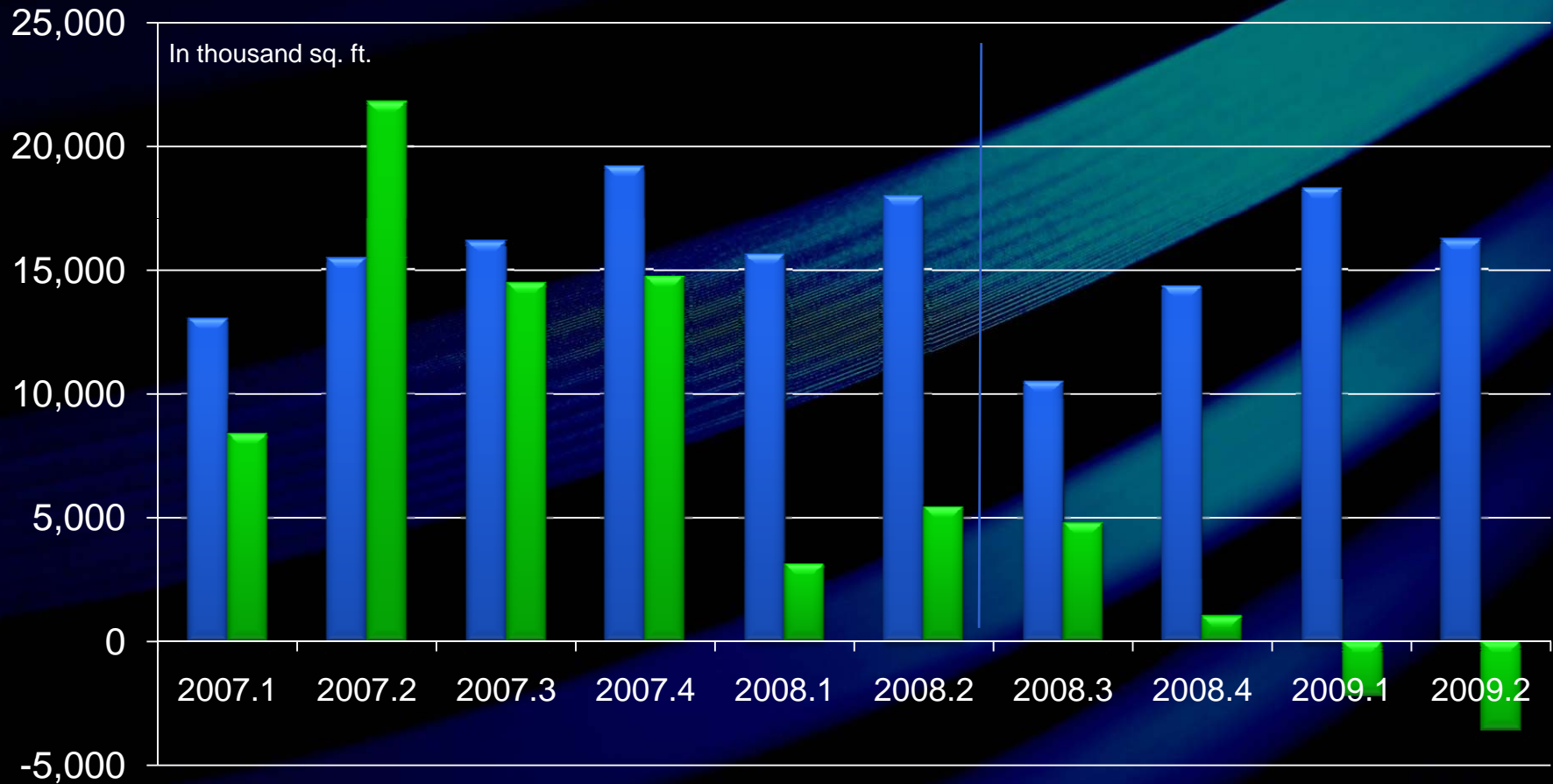


Oil Prices Lower

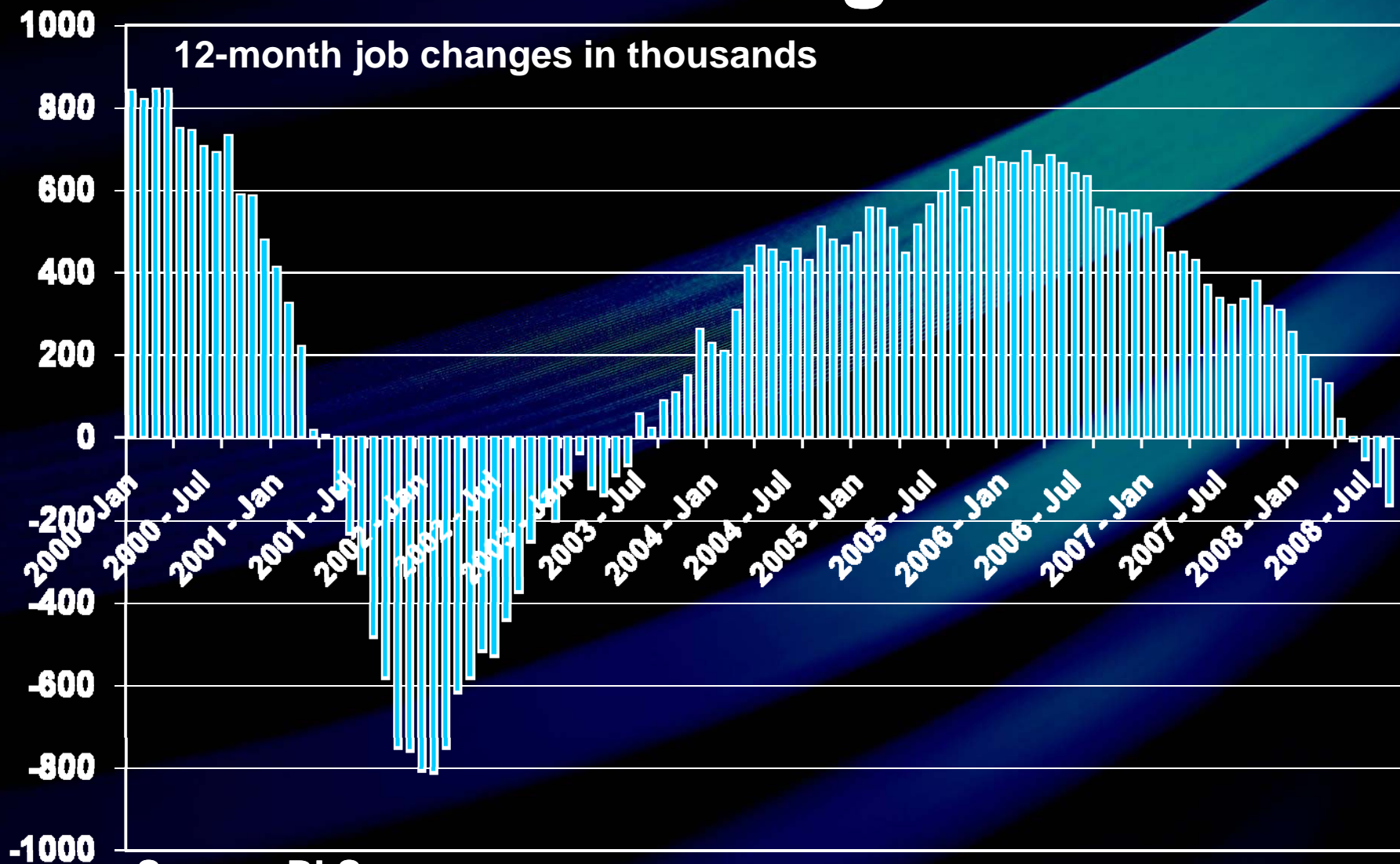


Office Market Fundamentals

■ Completions ■ Net Absorption



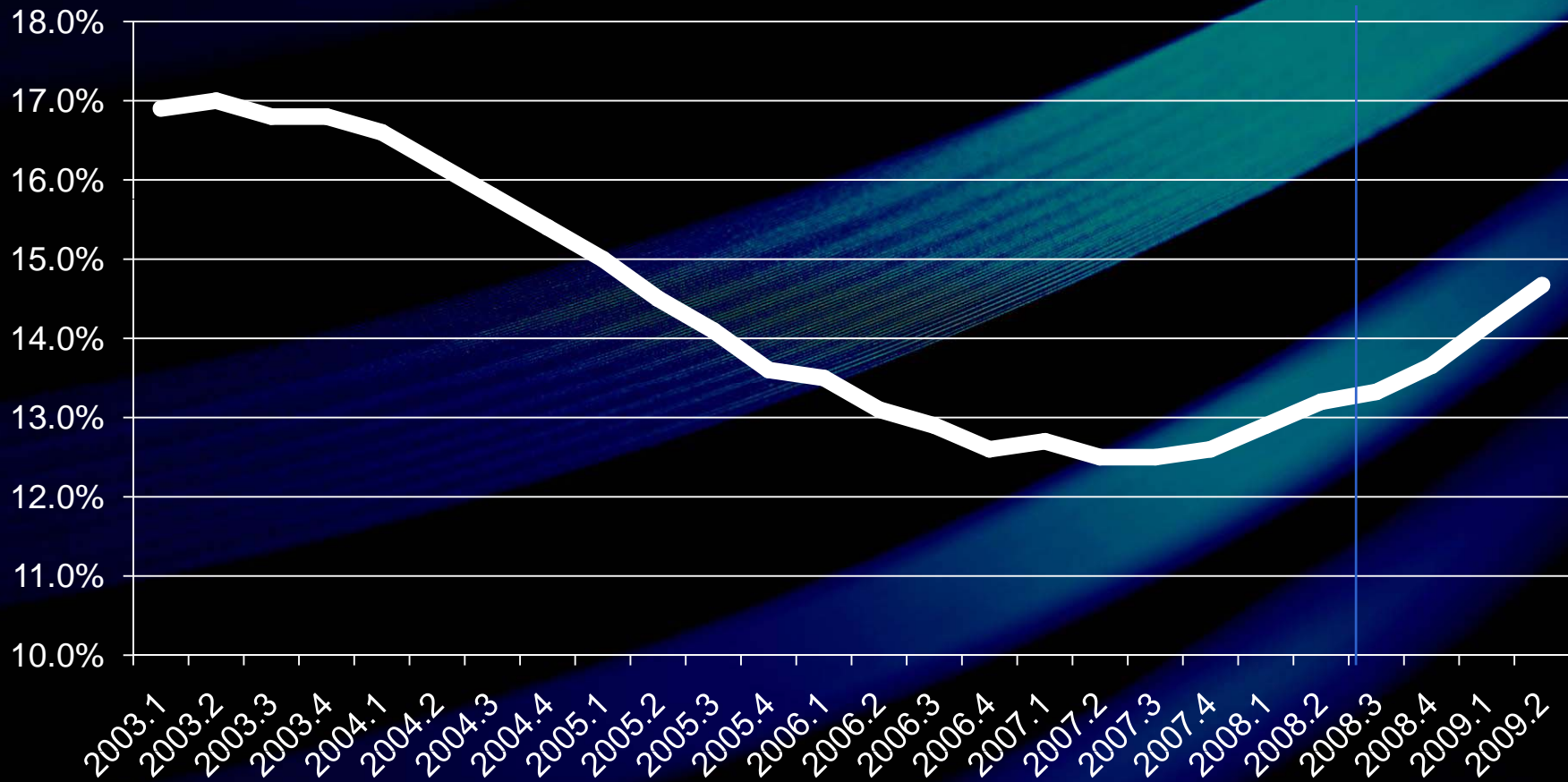
Professional Business Service Job Changes



Source: BLS

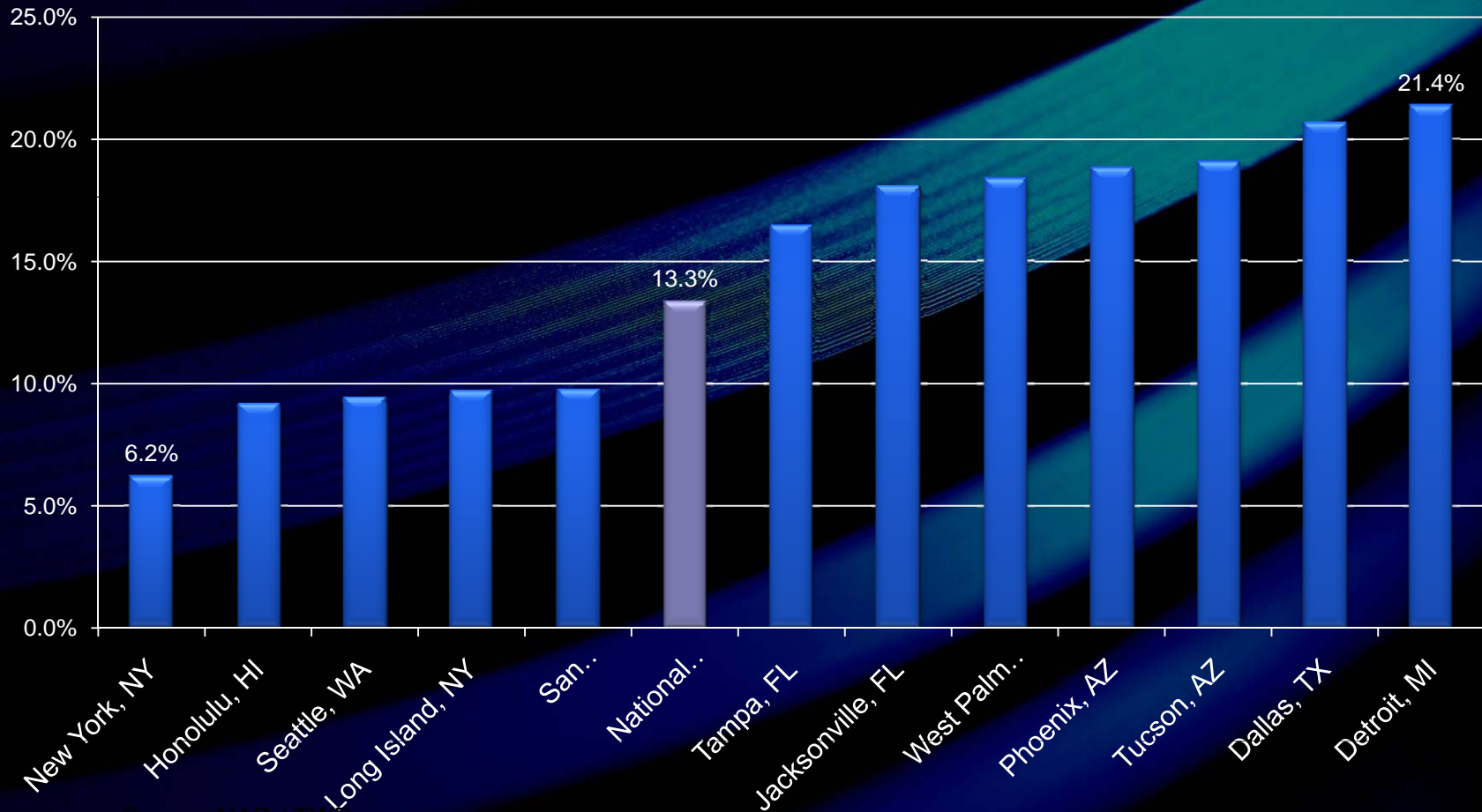
Office Vacancy Rate

National Vacancy Rate



Office Vacancy Rates

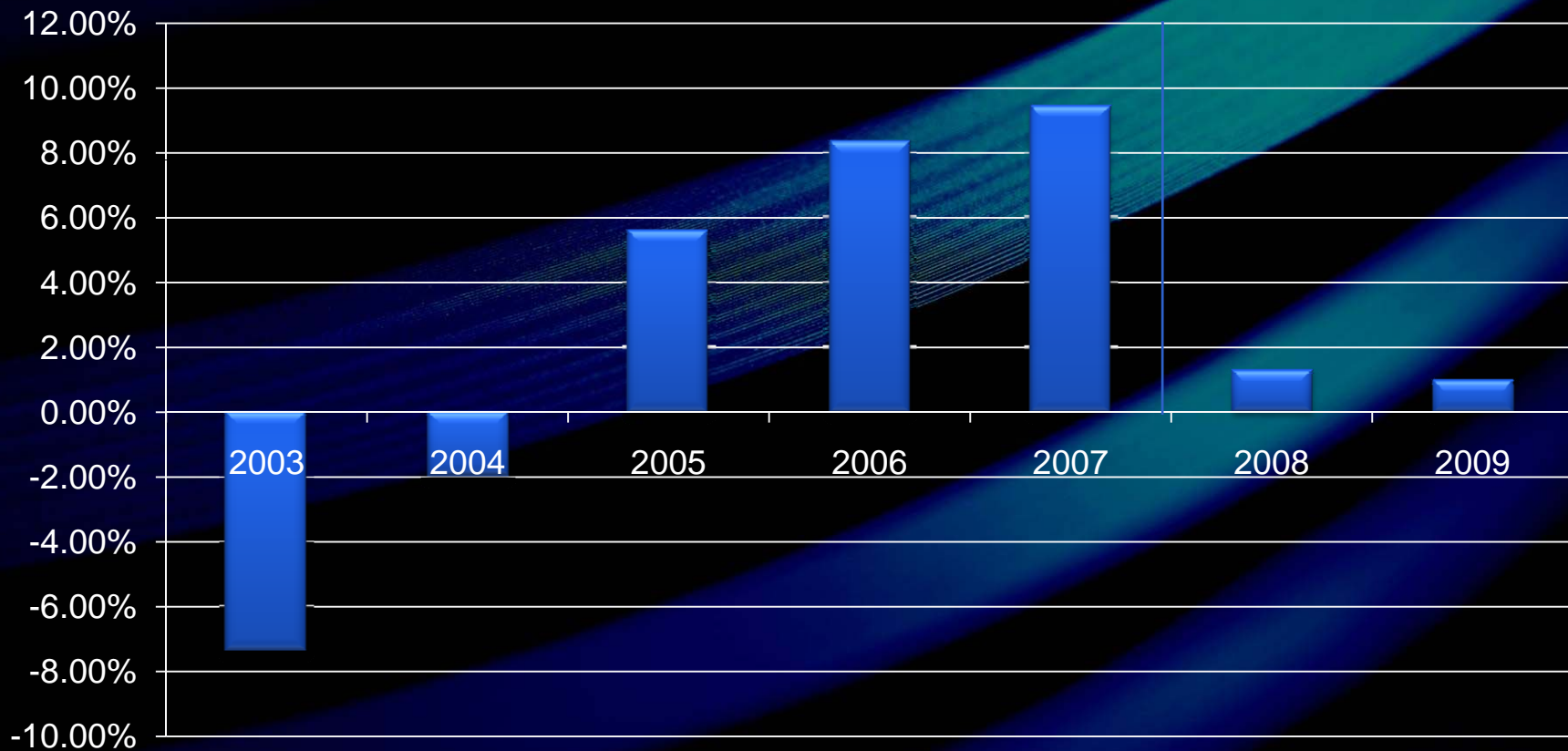
Selected Markets - 2008.Q3



Source: NAR / TWR

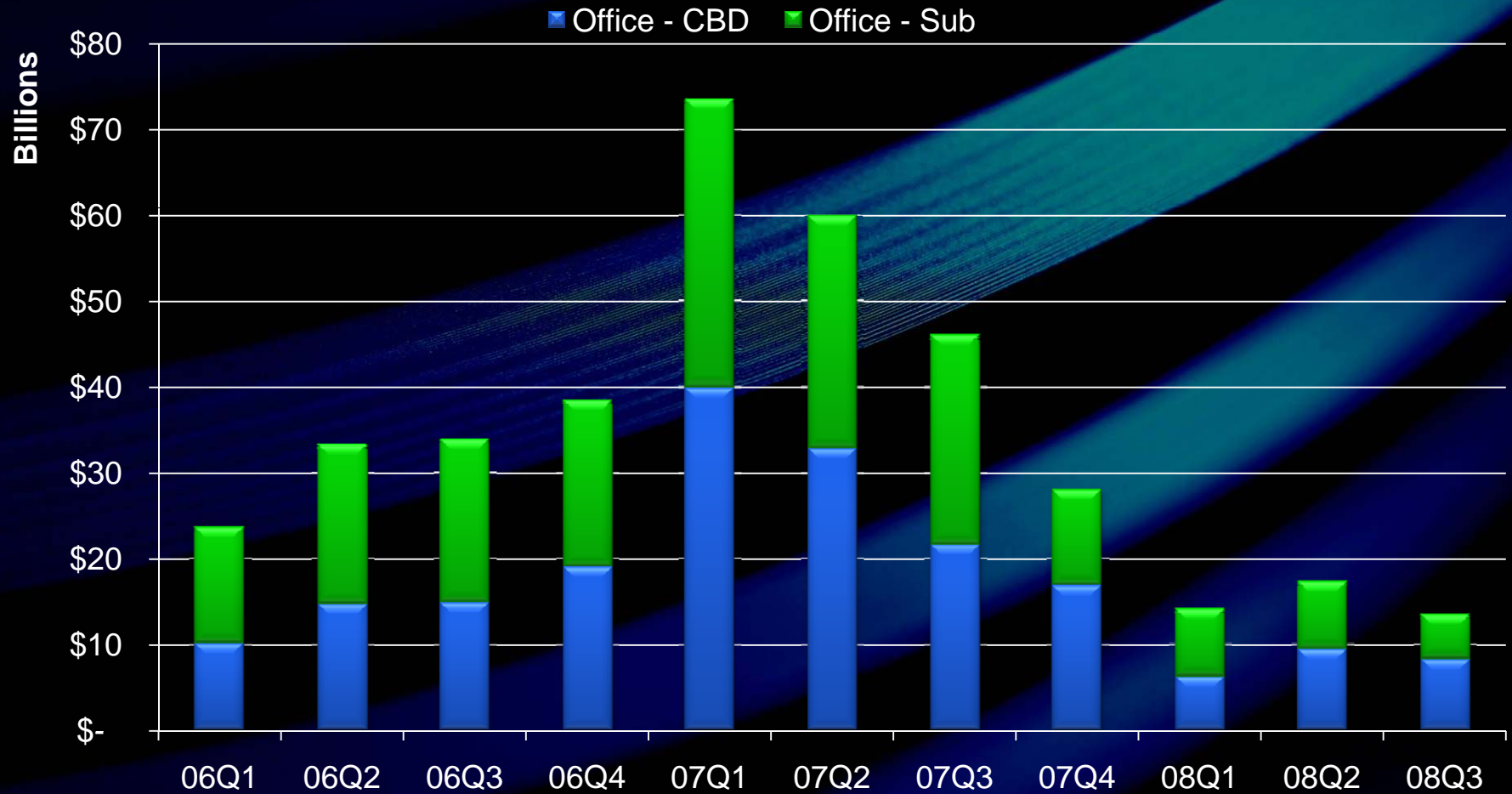
Office Rent Growth

National Rent Growth



Office Investment Market

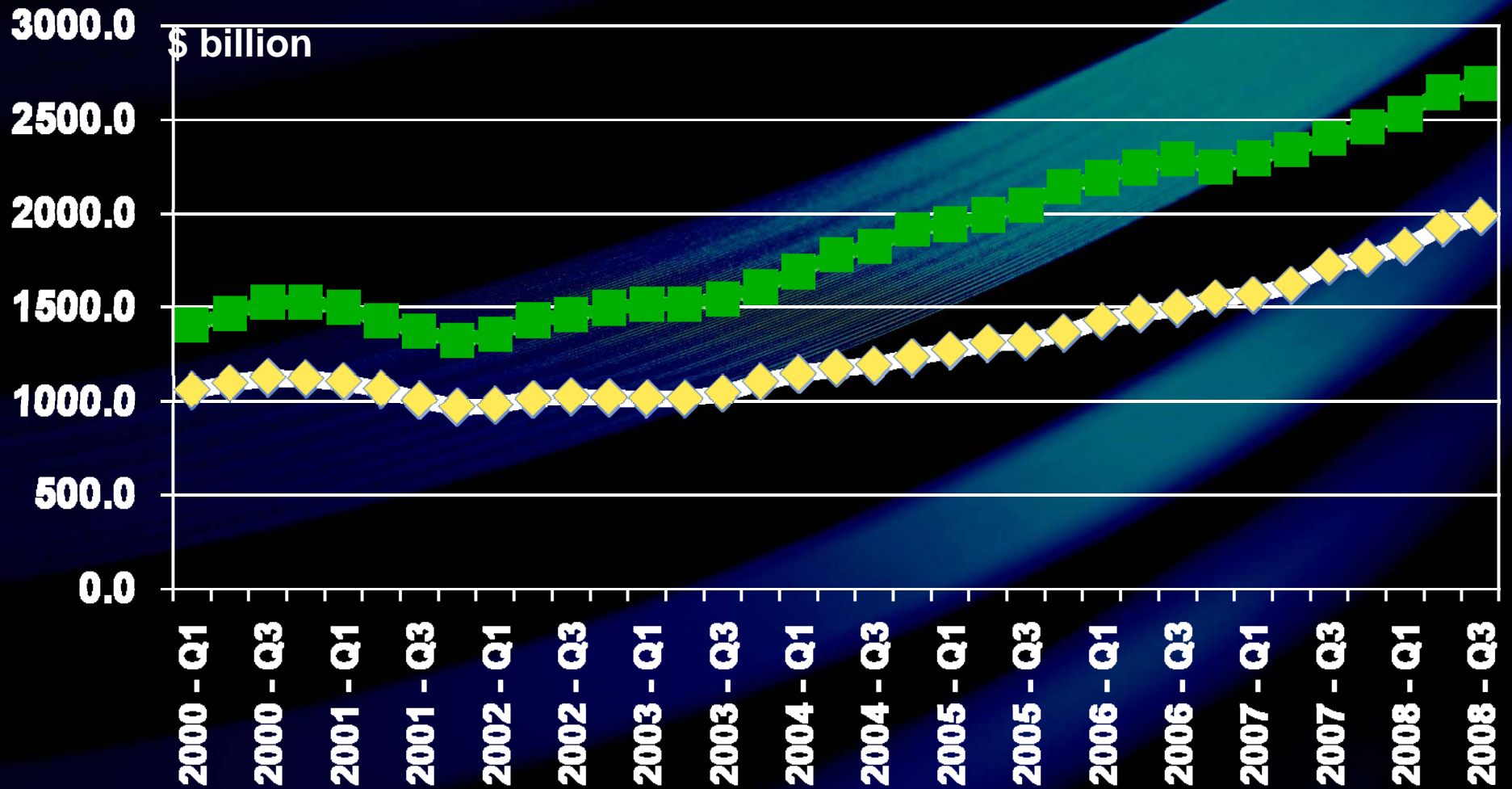
Office Sales Volume



Office Pricing & Cap Rates

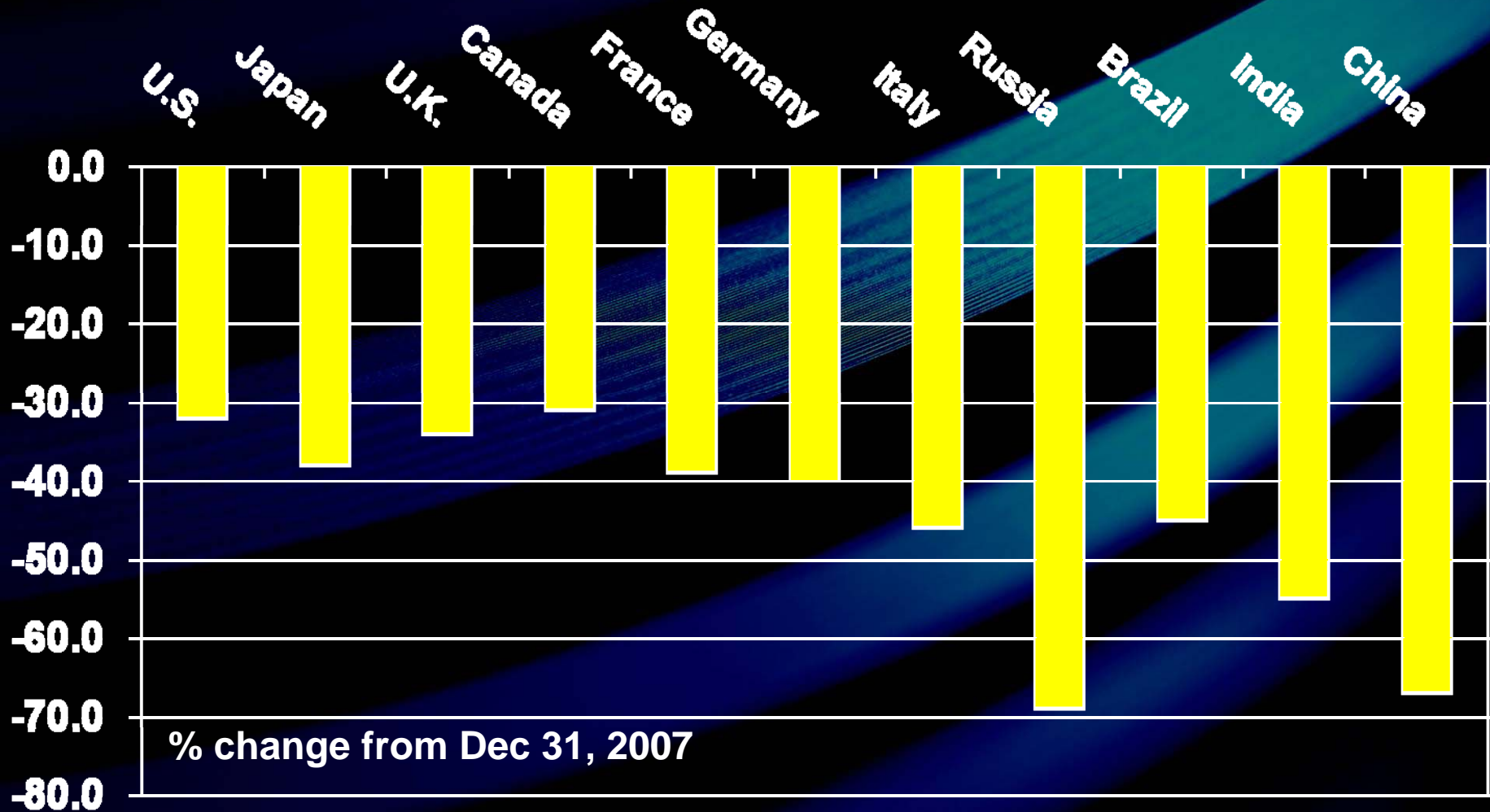


Exports and Imports



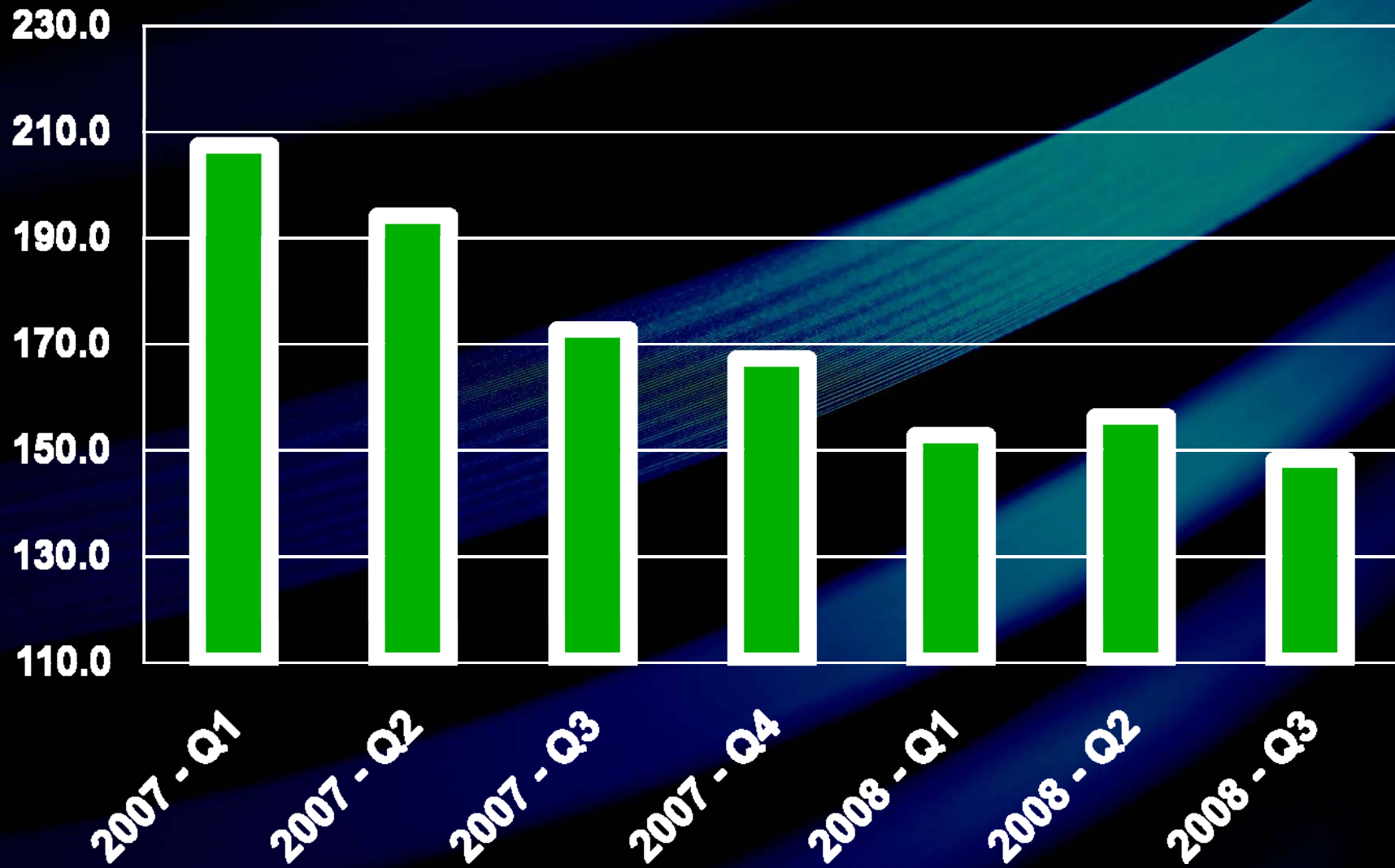
Source: BEA

Global Stock Market



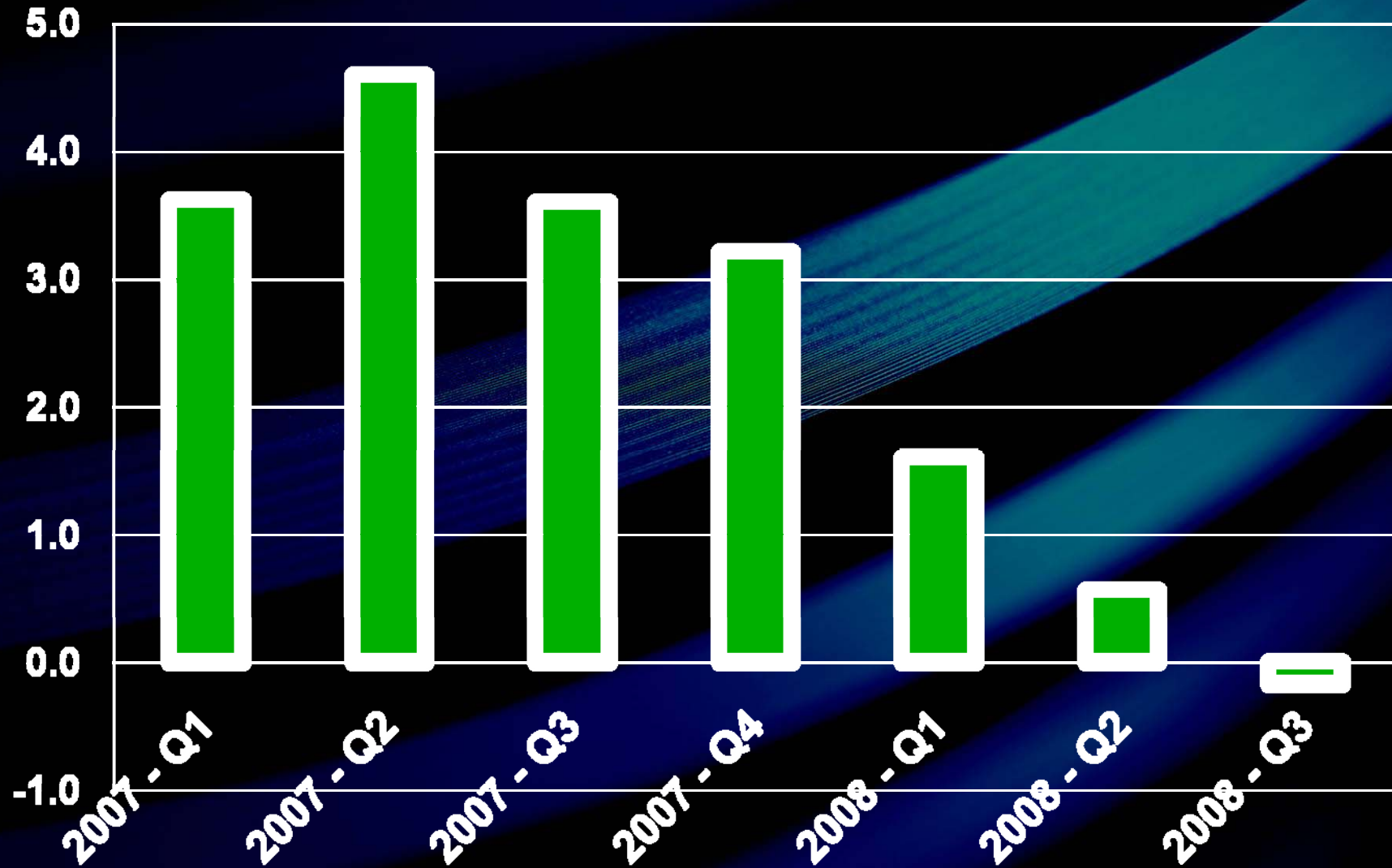
Source: The Economist

NAREIT Price Index



Source: NAREIT

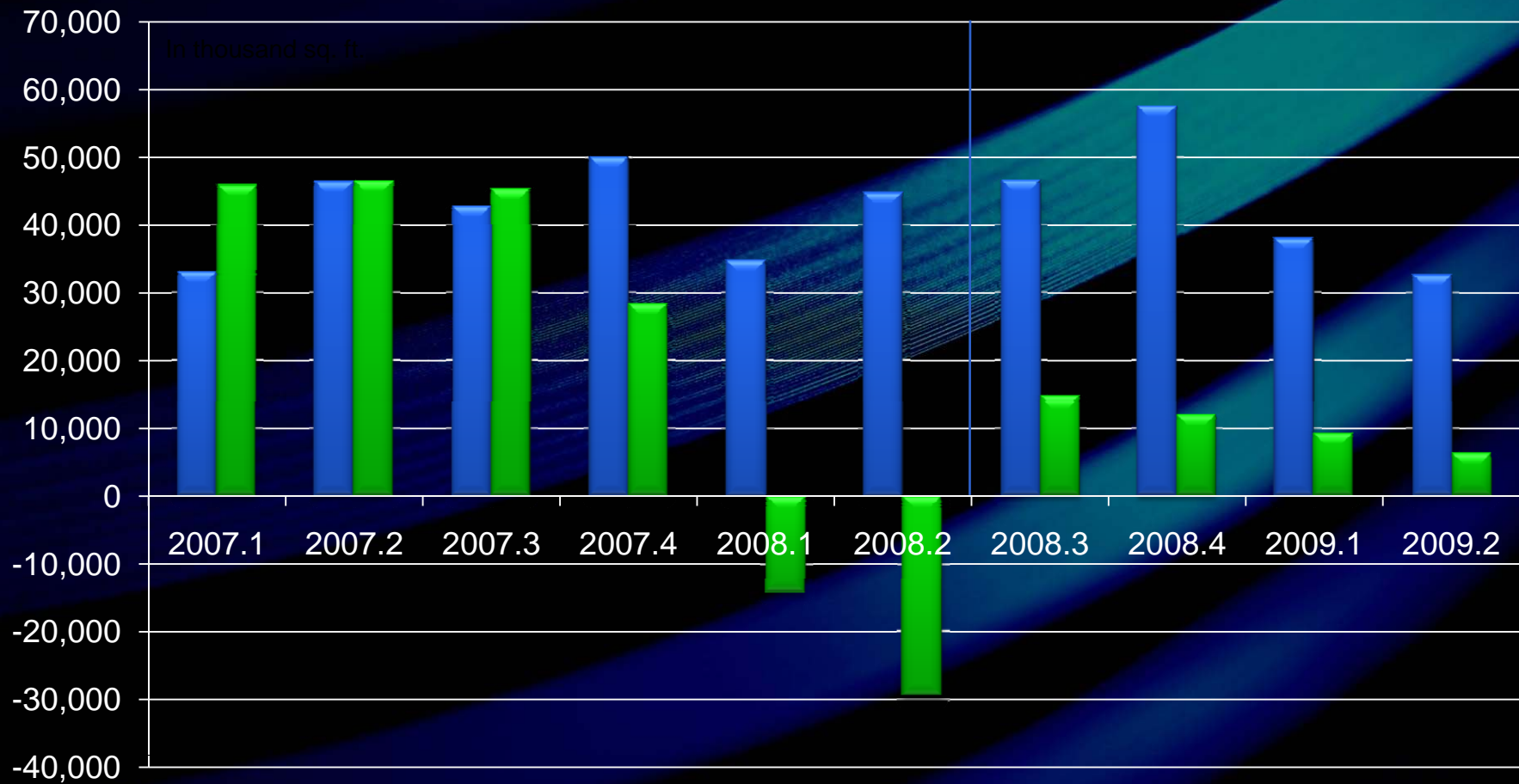
NACREIF Return



Source: NACREIF

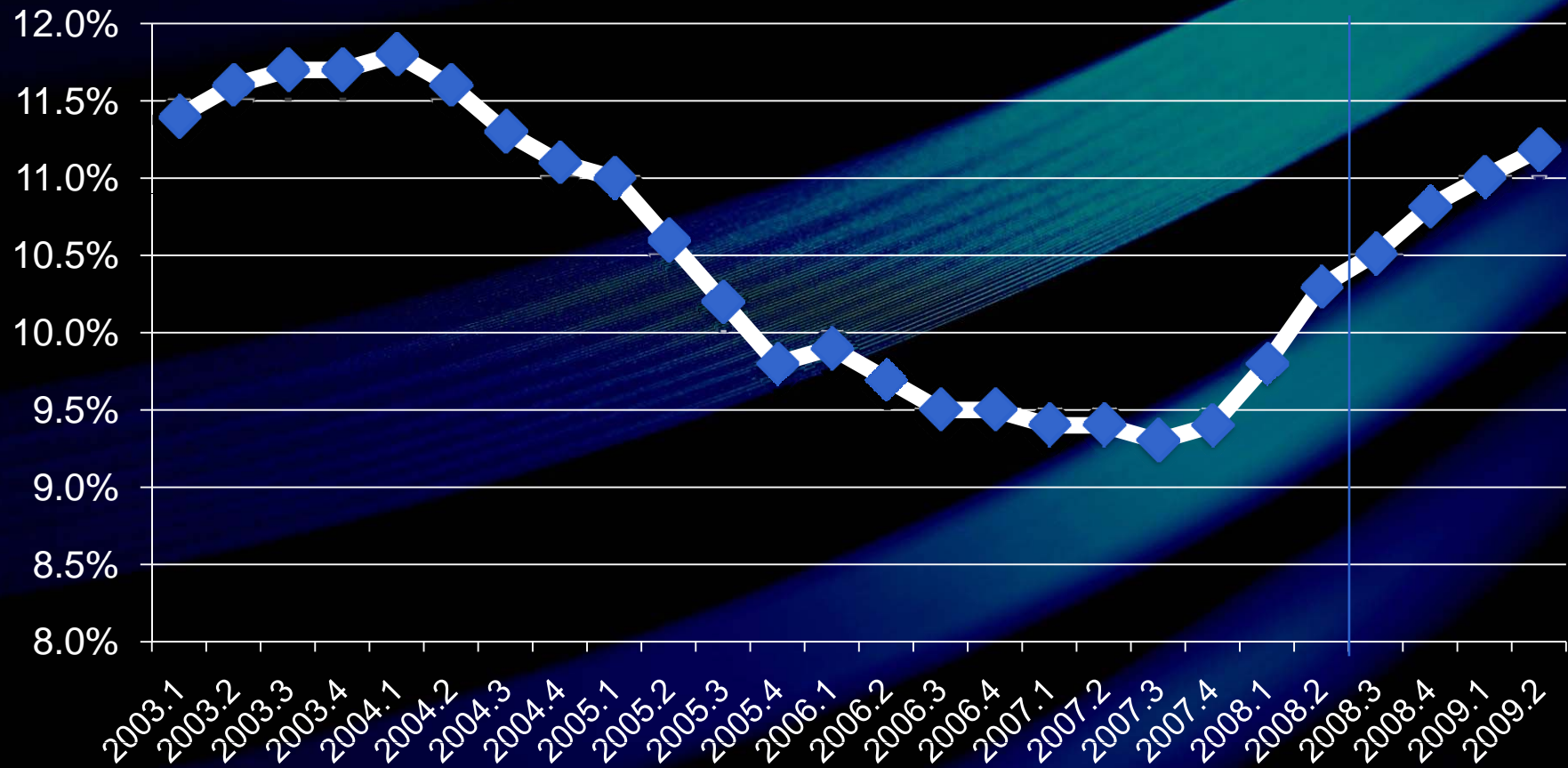
Industrial Market Fundamentals

■ Completions ■ Net Absorption



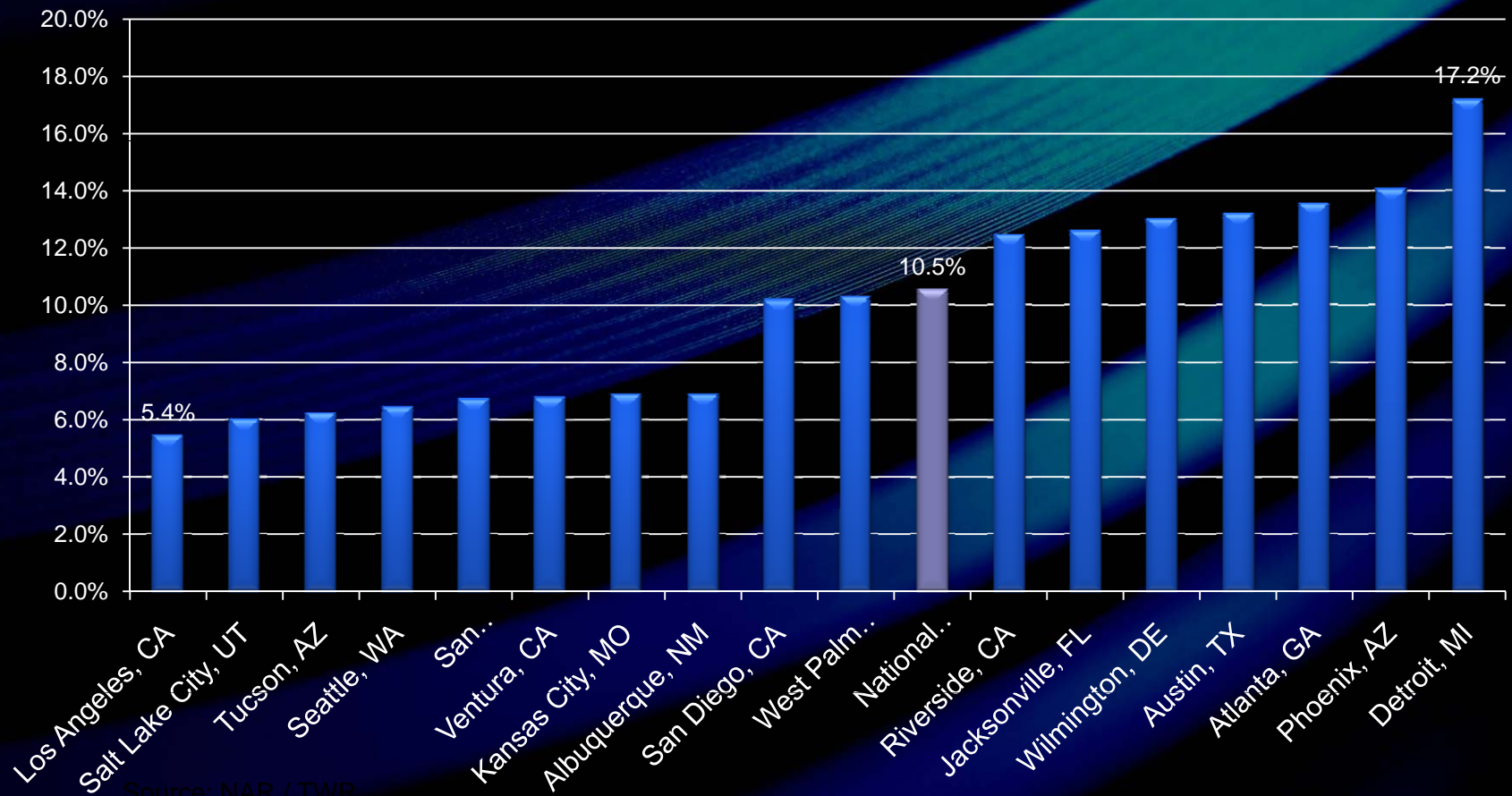
Industrial Vacancy Rate

National Vacancy Rate



Industrial Vacancy Rates

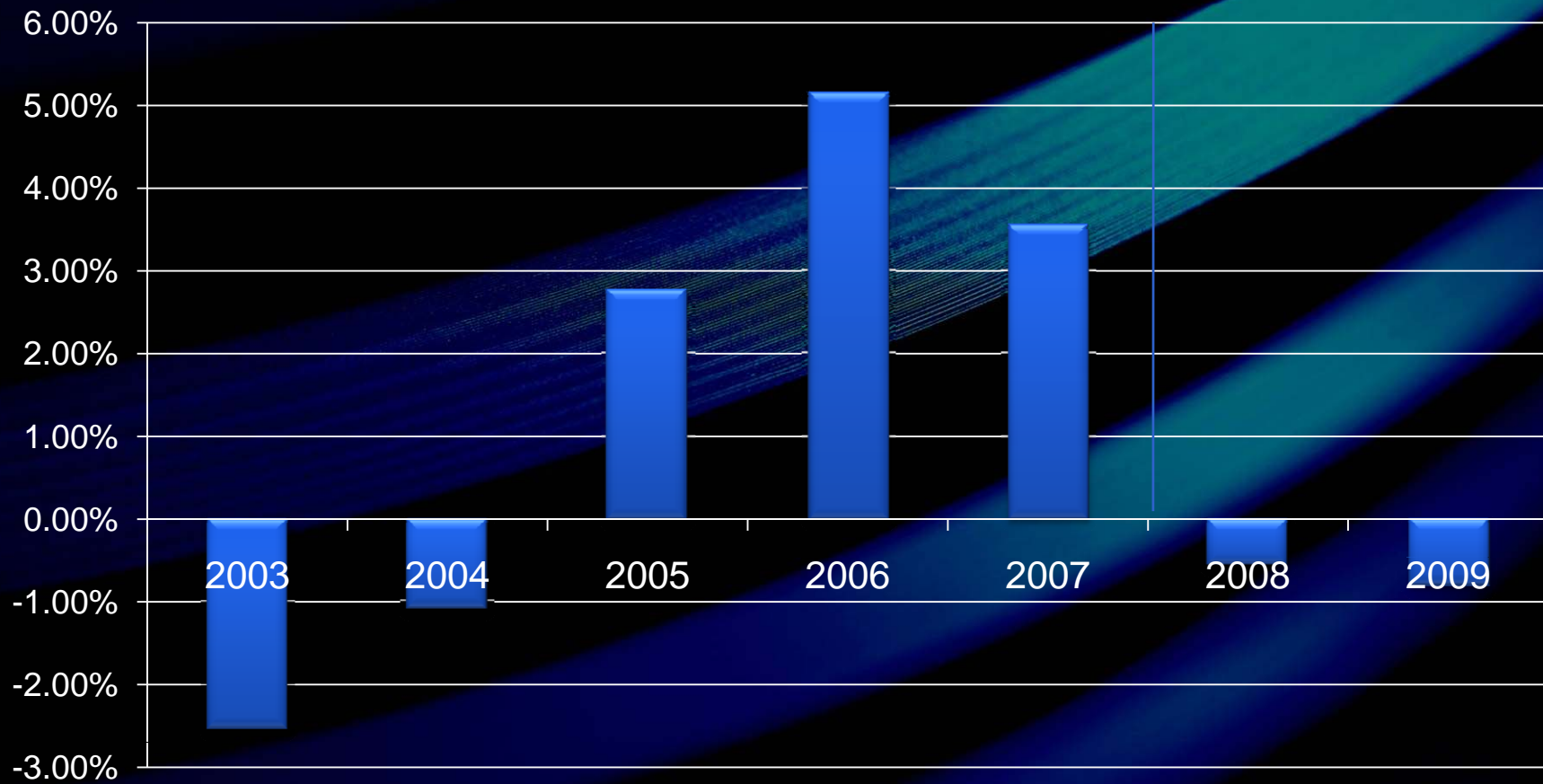
Selected Markets - 2008.Q3



Source: NAR / TWR

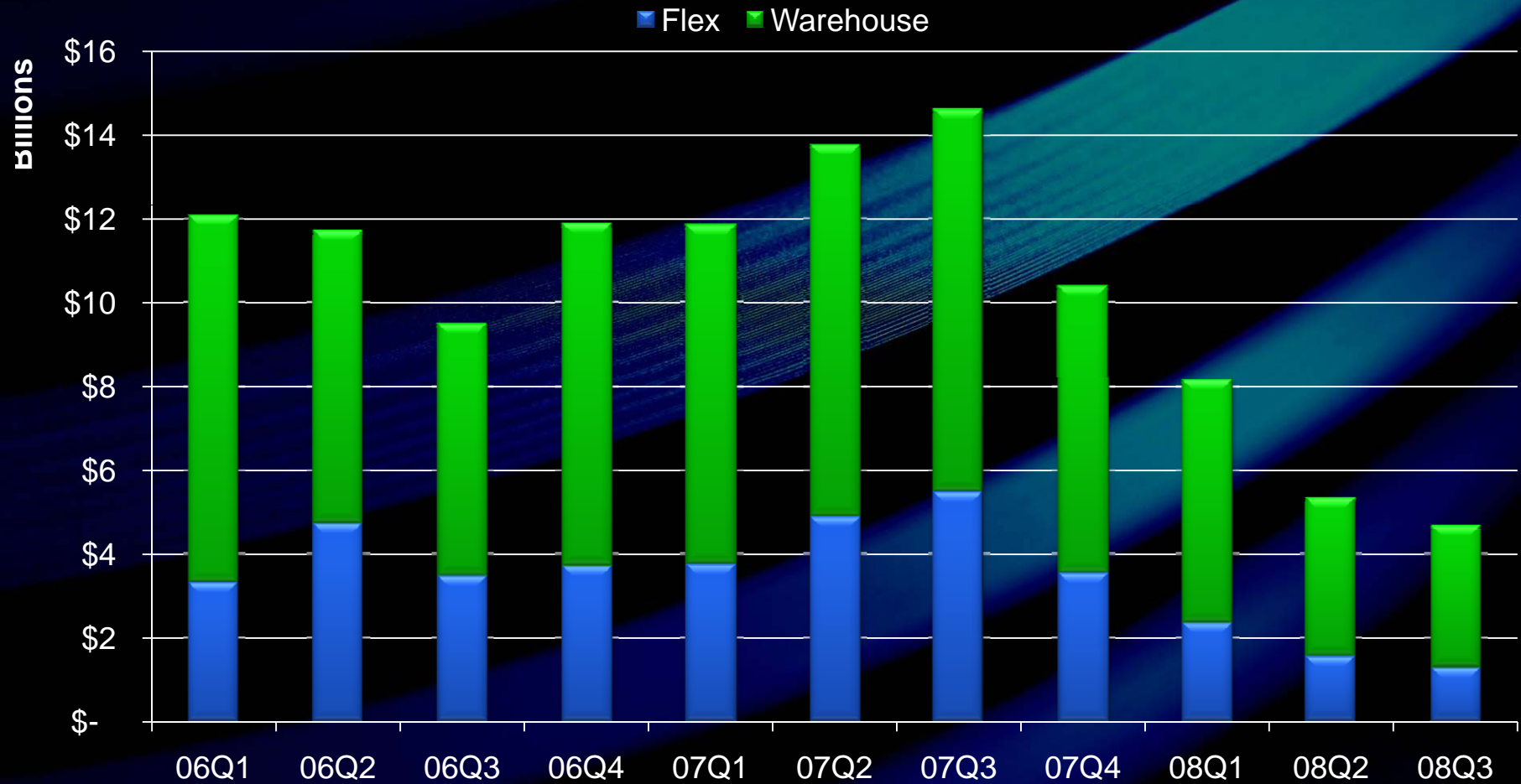
Industrial Rent Growth

National Rent Growth

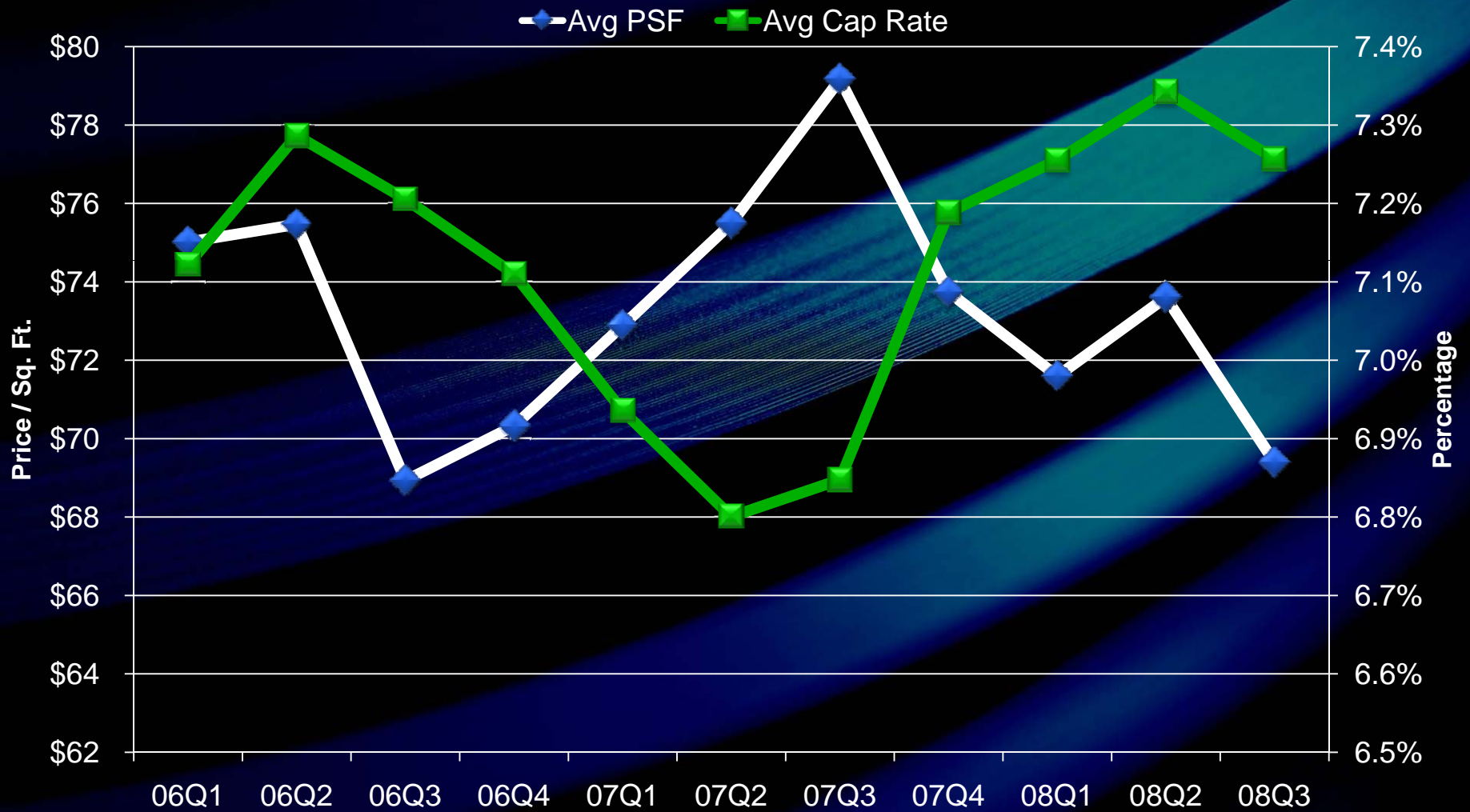


Industrial Investment Market

Industrial Sales Volume



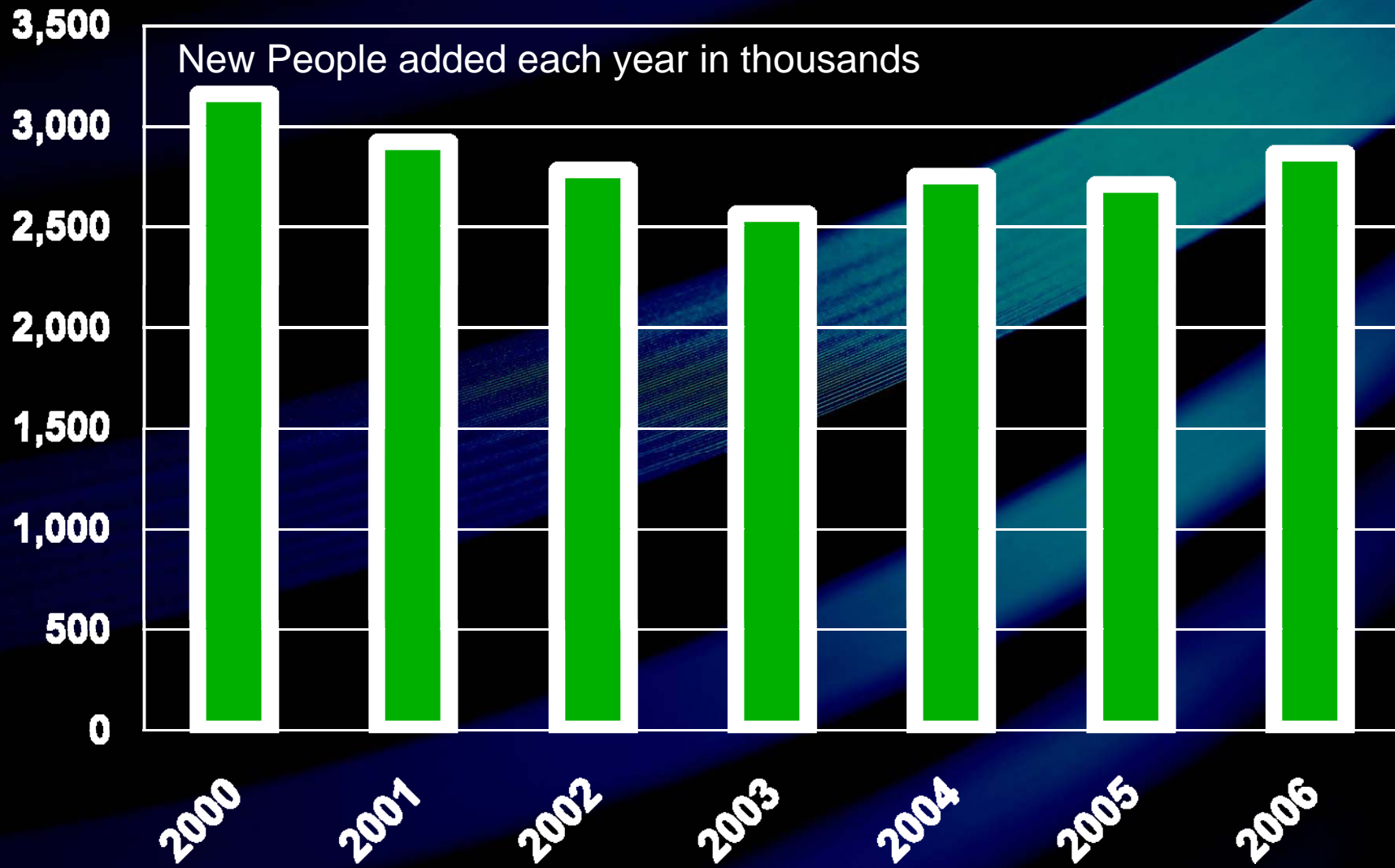
Industrial Pricing & Cap Rates



Population and Multifamily Sector

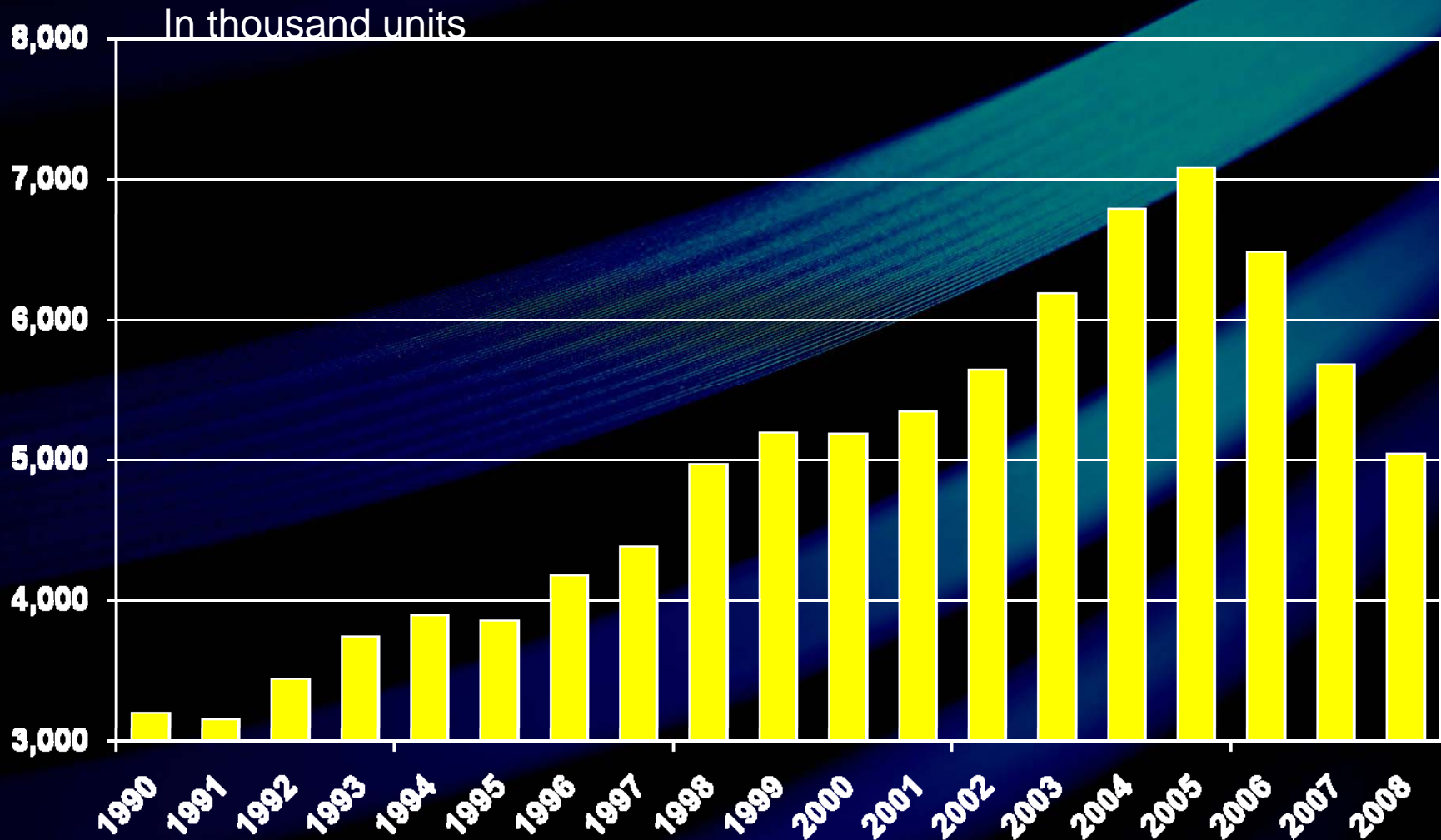


U.S. Population Growth



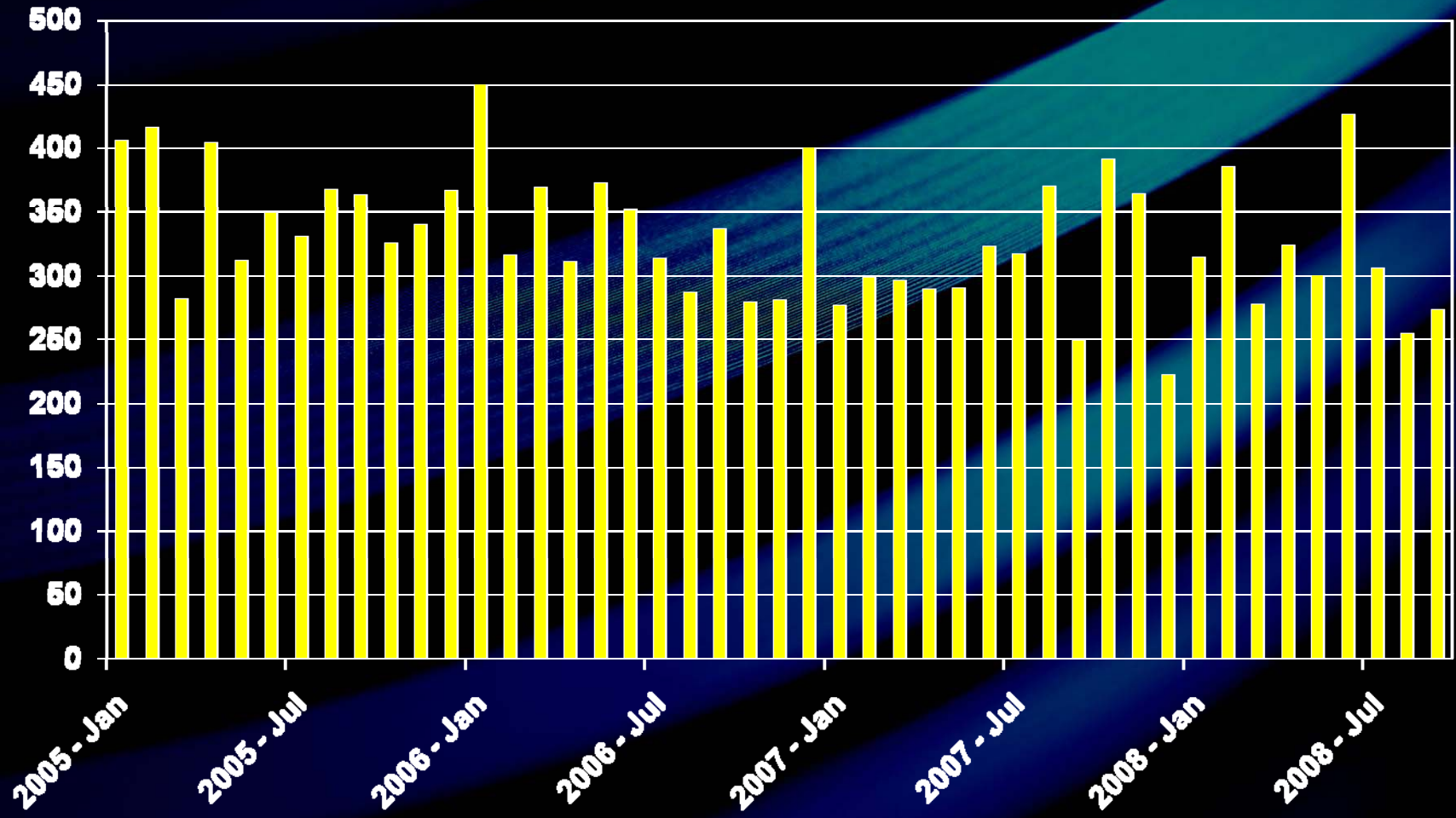
Source: NAREIT

National Existing-Home Sales at 1998 levels



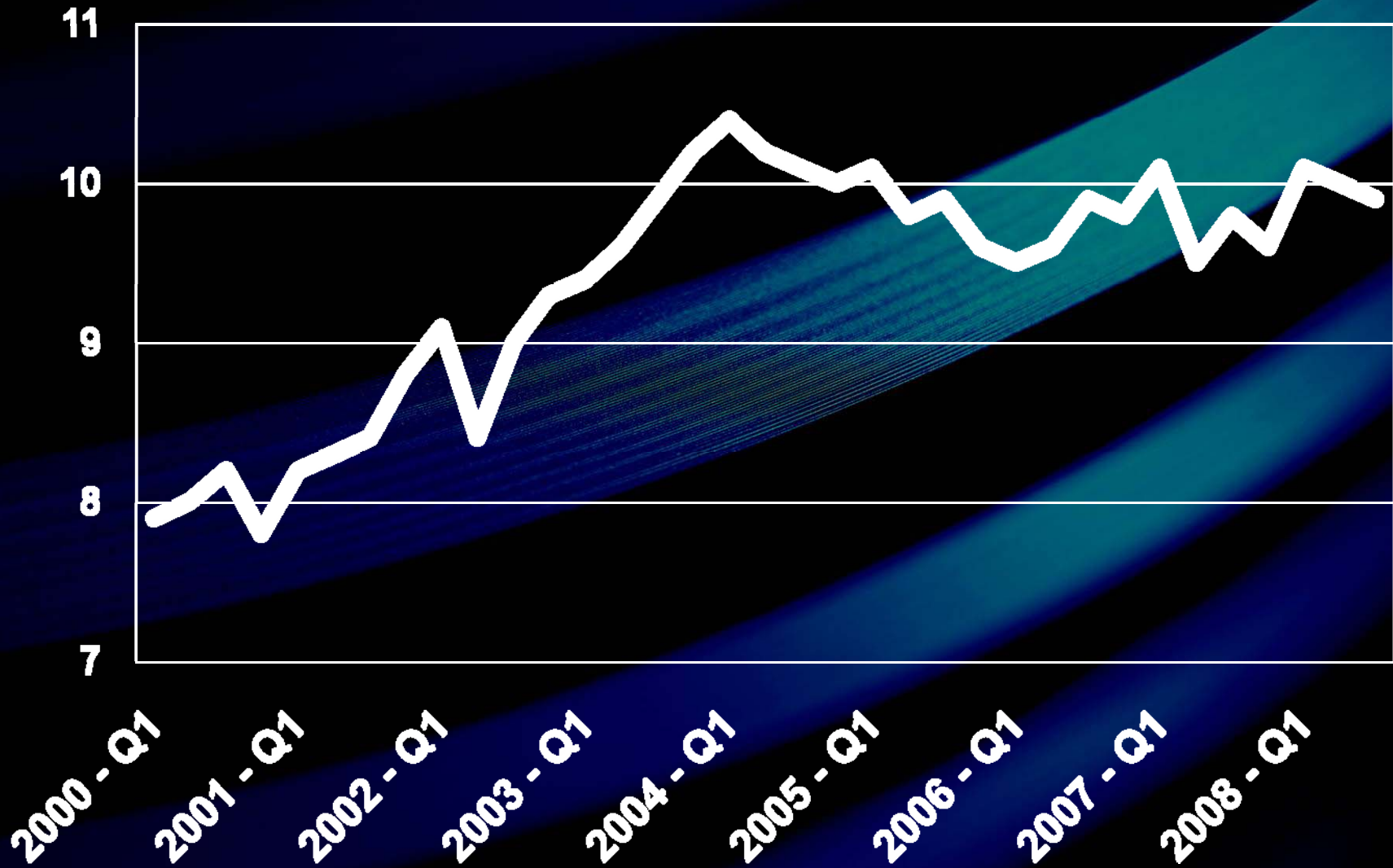
U.S. Multifamily Housing Starts

In thousand units



Source: Census

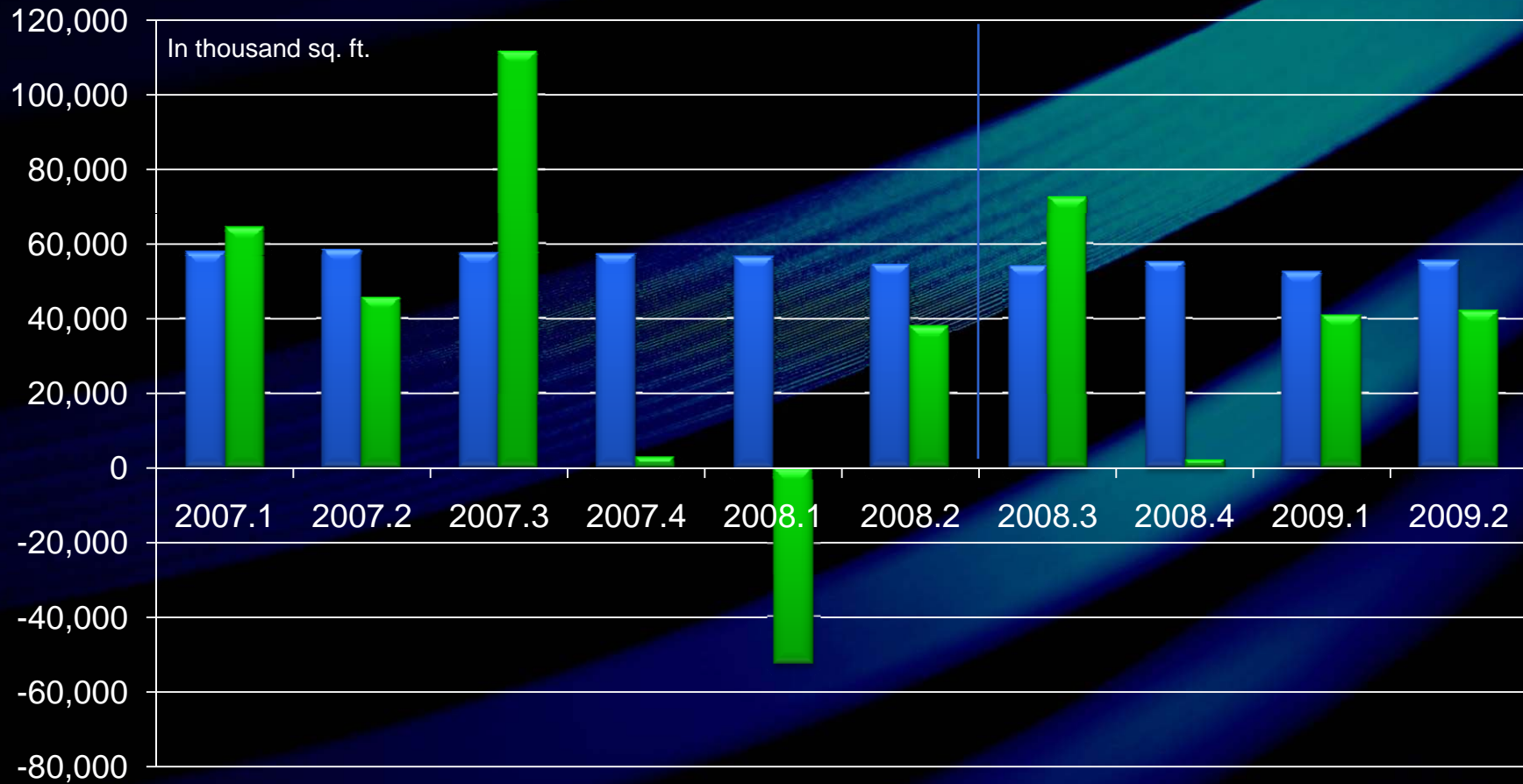
National Rental Vacancy Rate



Source: Census

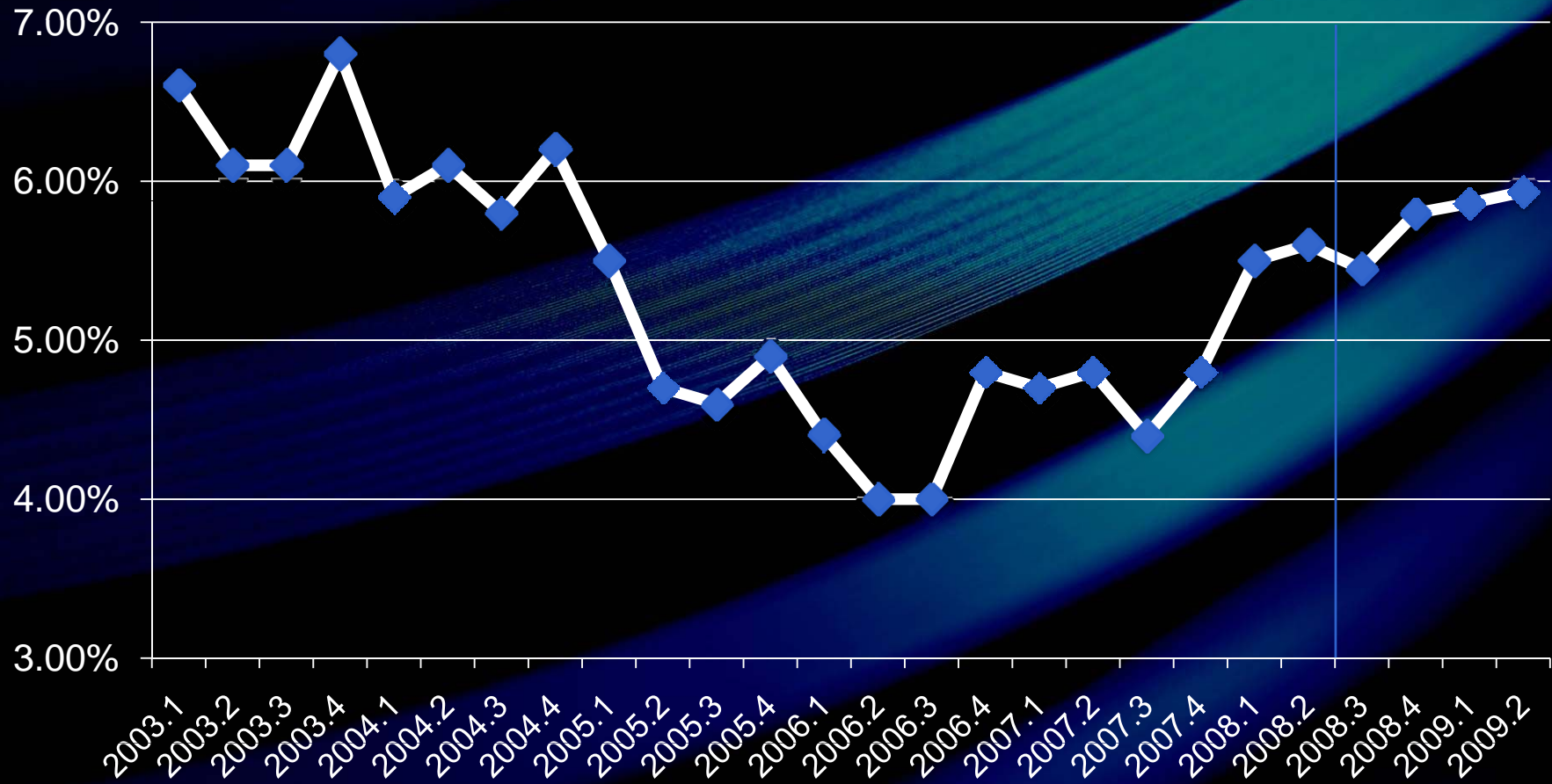
Multifamily Market Fundamentals

■ Completions ■ Net Absorption



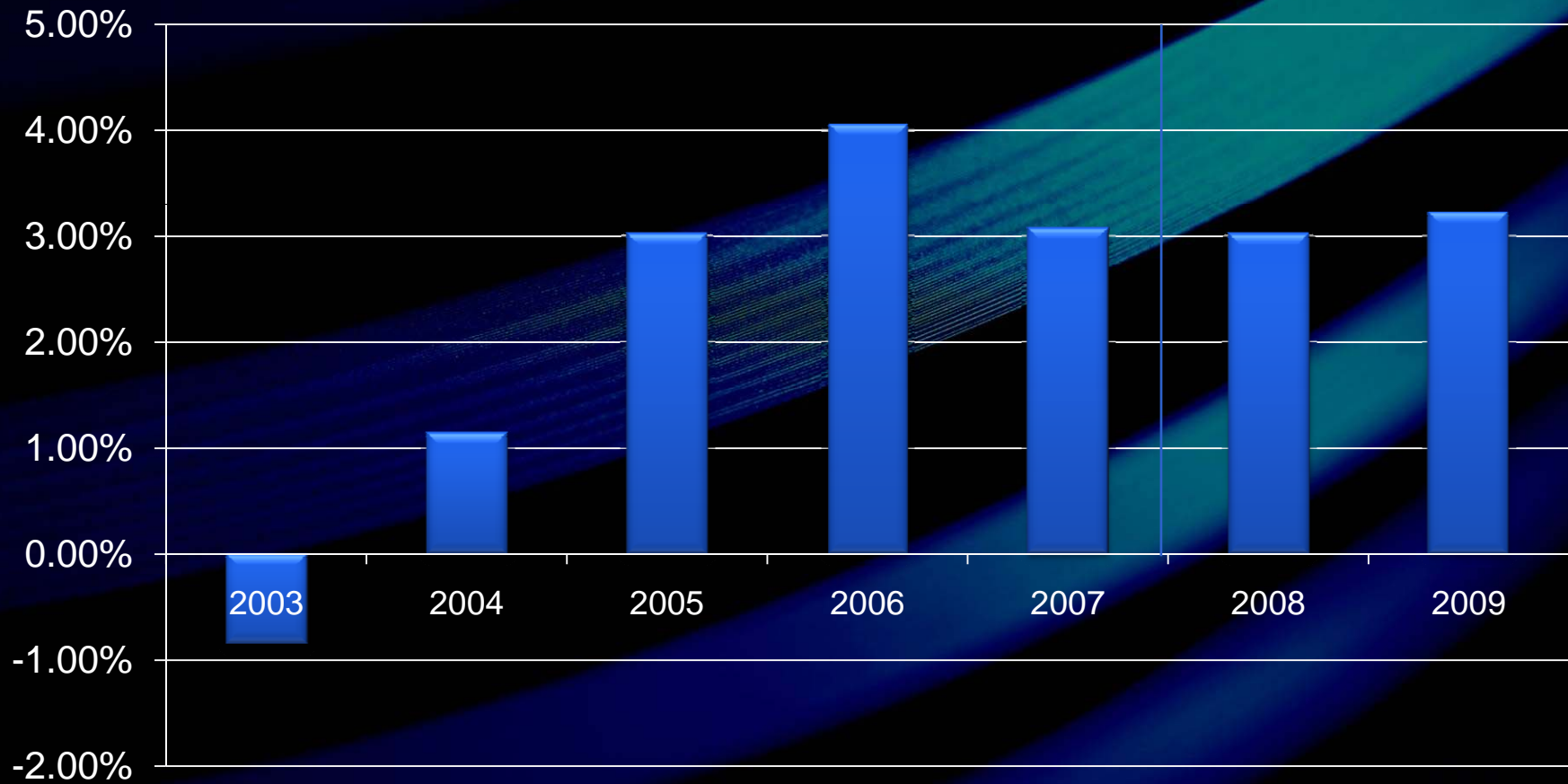
Multifamily Vacancy Rate

50 Major Cities Vacancy Rate



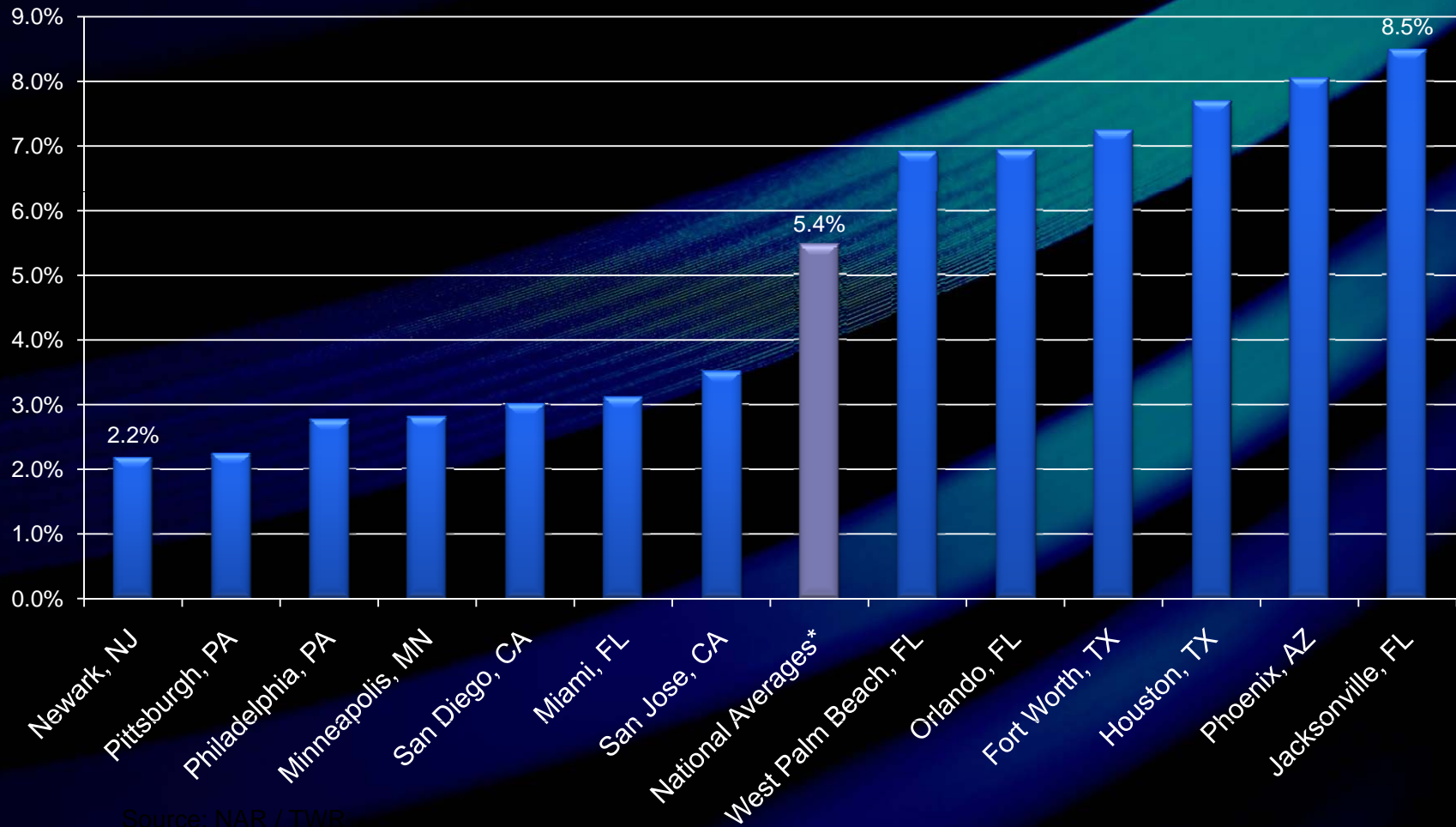
Multifamily Rent Growth

National Rent Growth



Multifamily Vacancy Rates

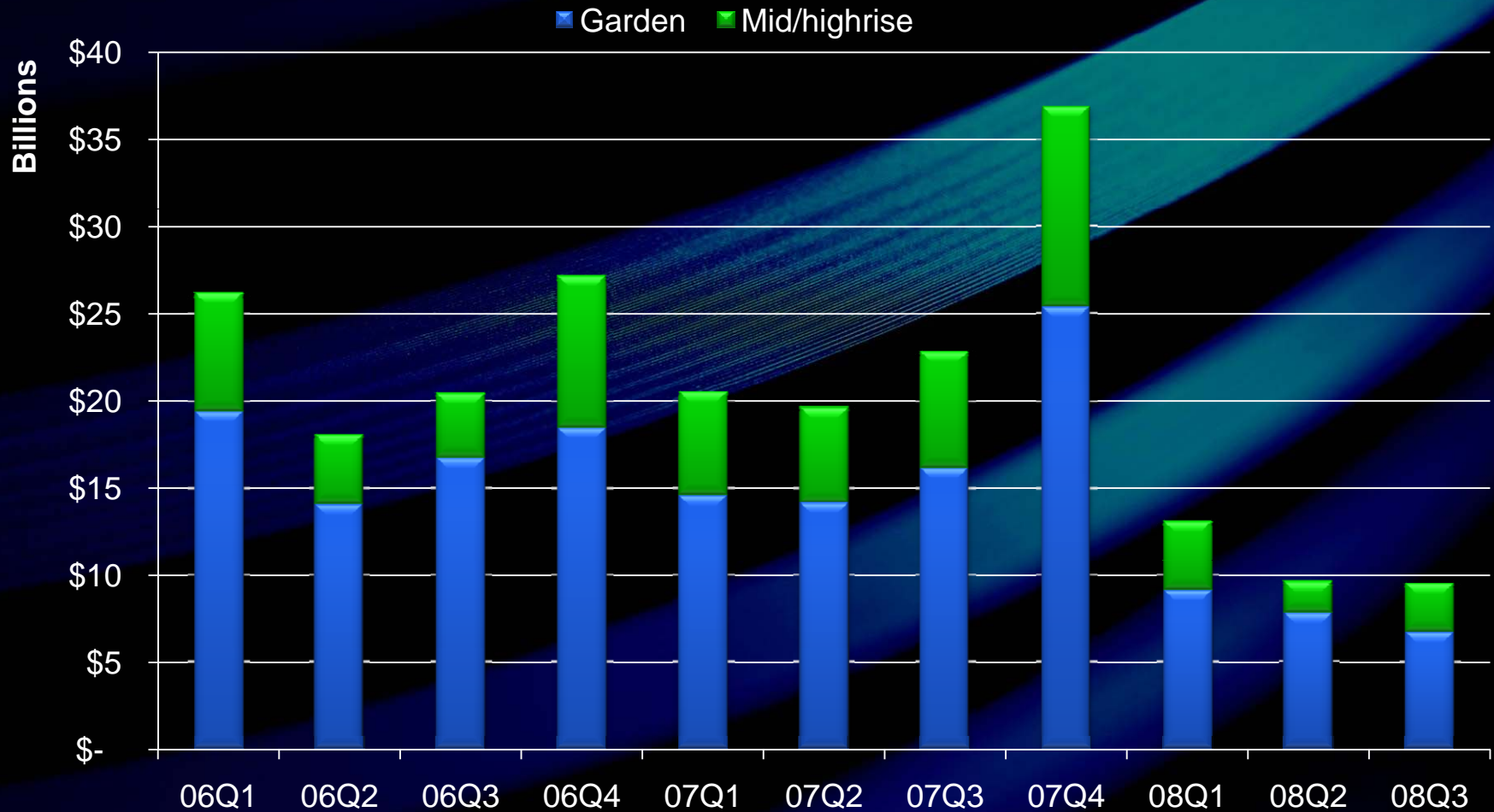
Selected Markets – 2008.Q3



Source: NAR / TWP

Multifamily Investment Market

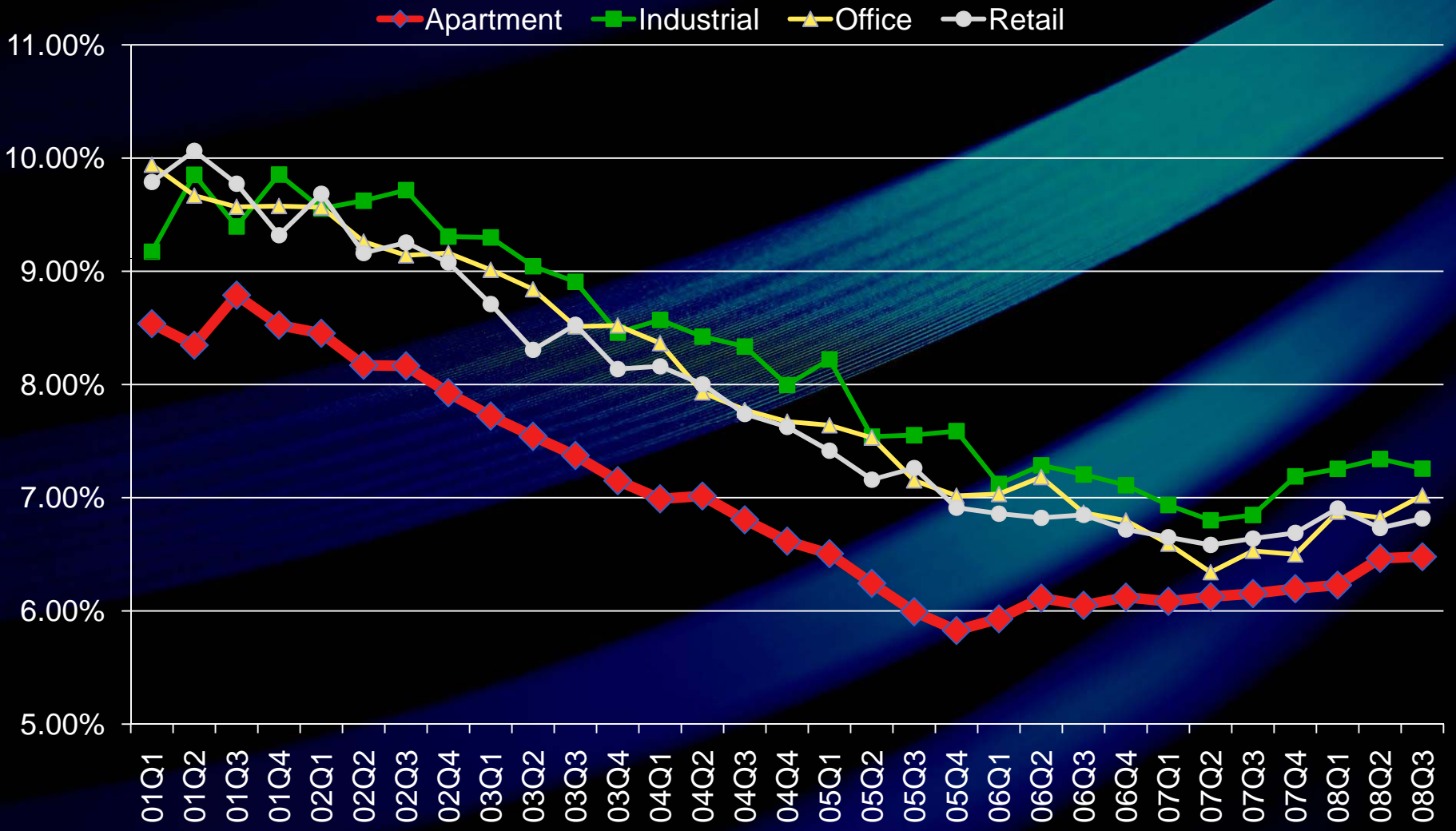
Multi-family Sales Volume



Multifamily Pricing & Cap Rates

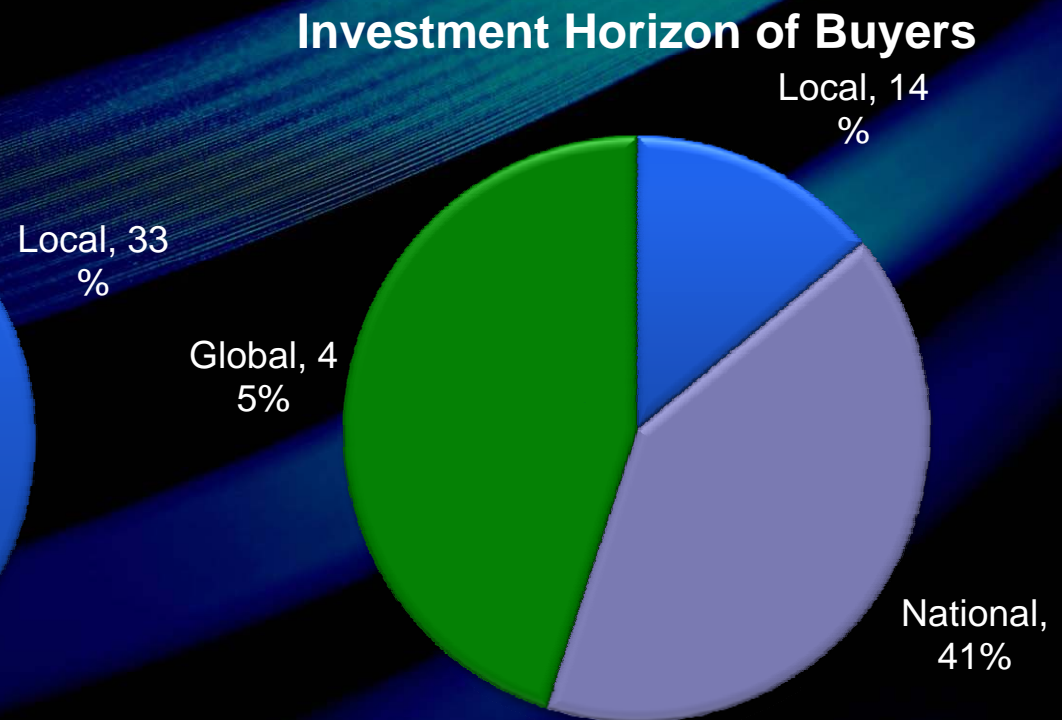
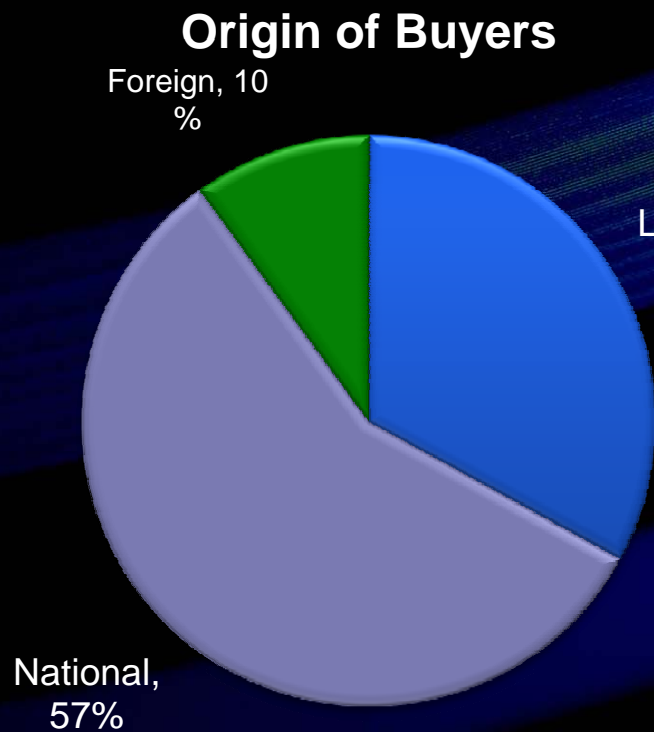


Cap Rates by Property Type



Global Perspectives

- U.S. market participants – international investment scope



Source: Real Capital Analytics, August 2008

Commercial Market Outlook

- **2008 to 2009**

- Net absorption stalls or turns negative
- Rising Vacancy Rates and Stagnant Rent
- Markedly Fewer Transactions
- Property Prices Falling ... providing opportunities for parked cash
- Apartments holding up better

- **2010**

- Economic recovery
- Global factors will become important