

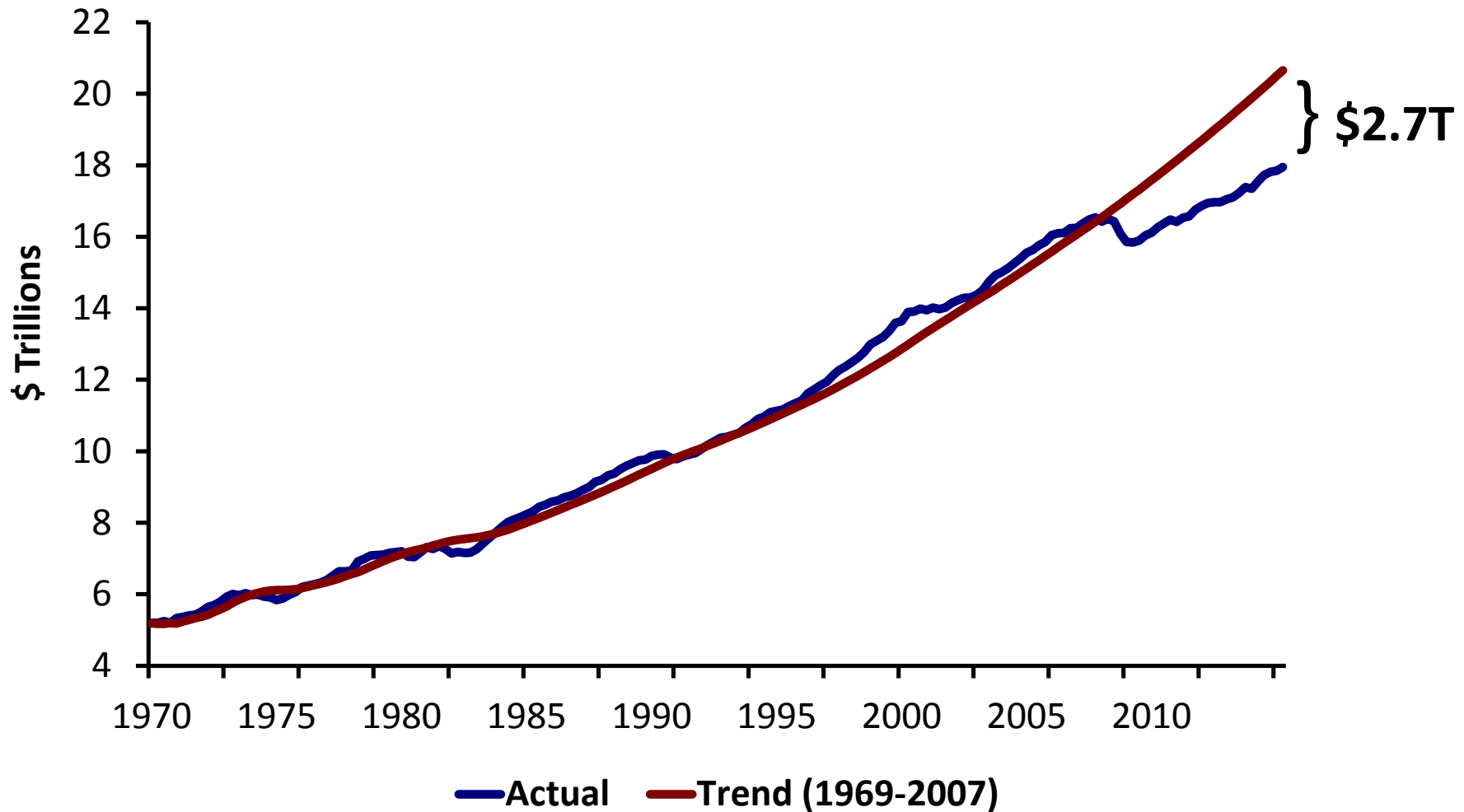


SIOR Chicago

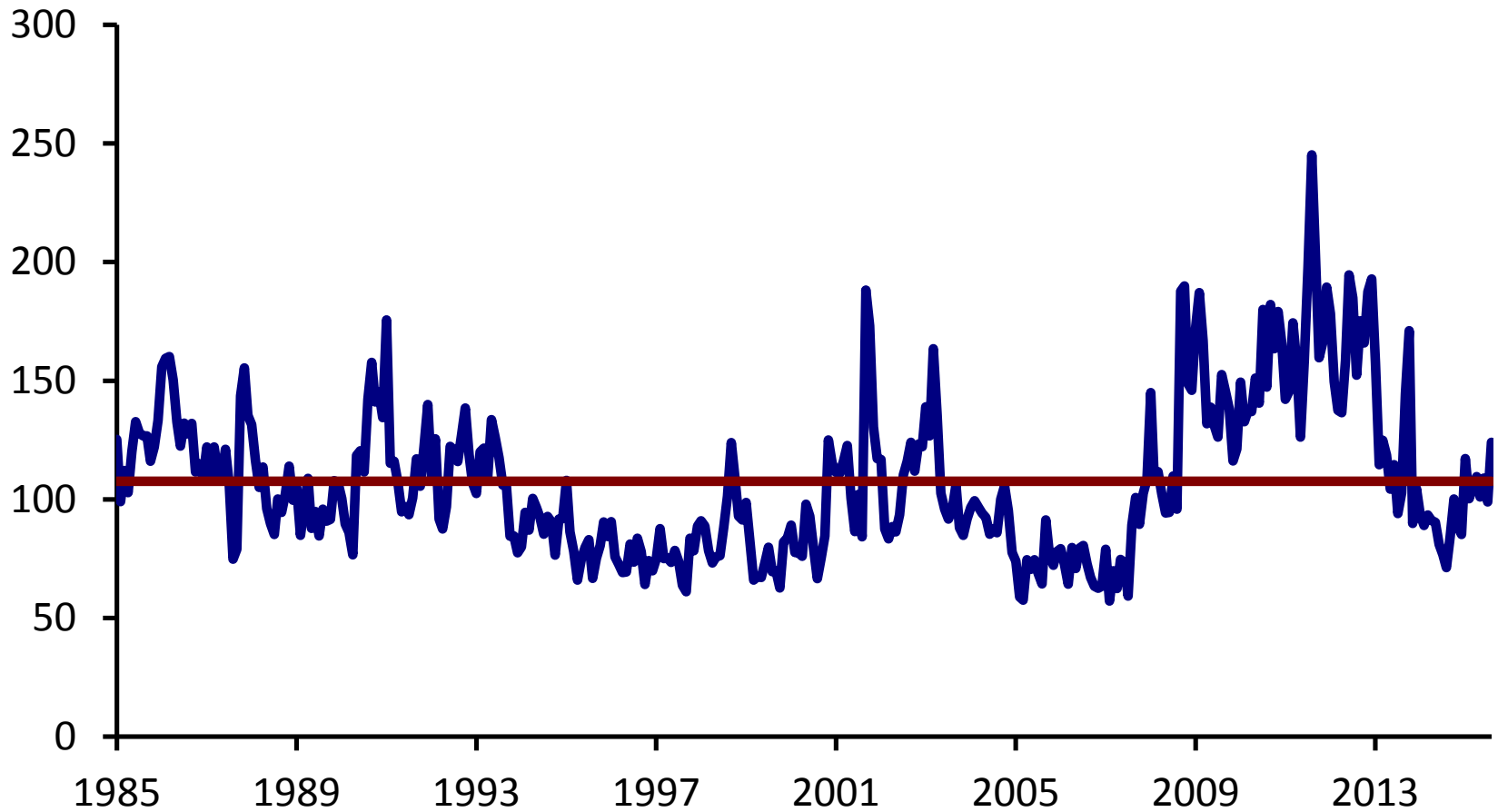
Dr. Peter Linneman
Linneman Associates
October 10, 2015

Actual vs. Trend Real GDP

A Huge Gap: The Gap Grows



Economic Policy Uncertainty Index: Finally About Average



Employer Payroll Survey: Diffuse Labor Market Recovery

	Unemployment Rate	Latest % Regained*
U.S.	5.3	143
New York City	6.1	385
Los Angeles	7.1	124
Chicago	5.6	102
Dallas/Fort Worth	3.7	318
Houston	4.2	385
Philadelphia	5.6	96
Washington D.C.	4.5	285
Miami	6.1	146
Atlanta	5.7	158
Boston	4.2	239
San Francisco	4.1	213

* MSA unemployment rates are seasonally-adjusted through July 2015. The others are seasonally-adjusted through August 2015. Source: BLS, Linneman Associates.

Oil MSA Job Growth

June 2013 - June 2014

July 2014 – July 2015

Houston

3.4%

2.0%

Dallas

3.5%

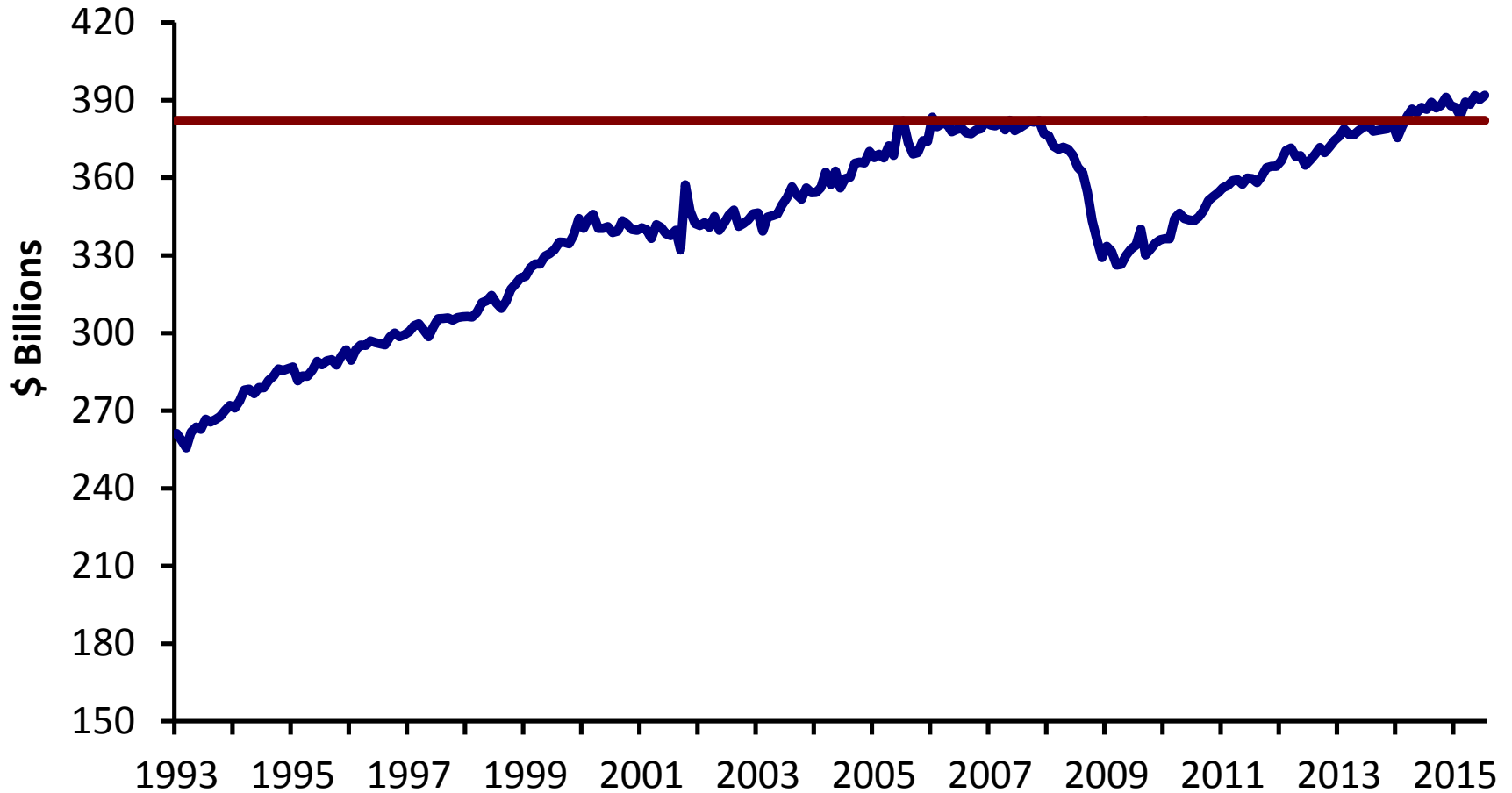
3.2%

Denver

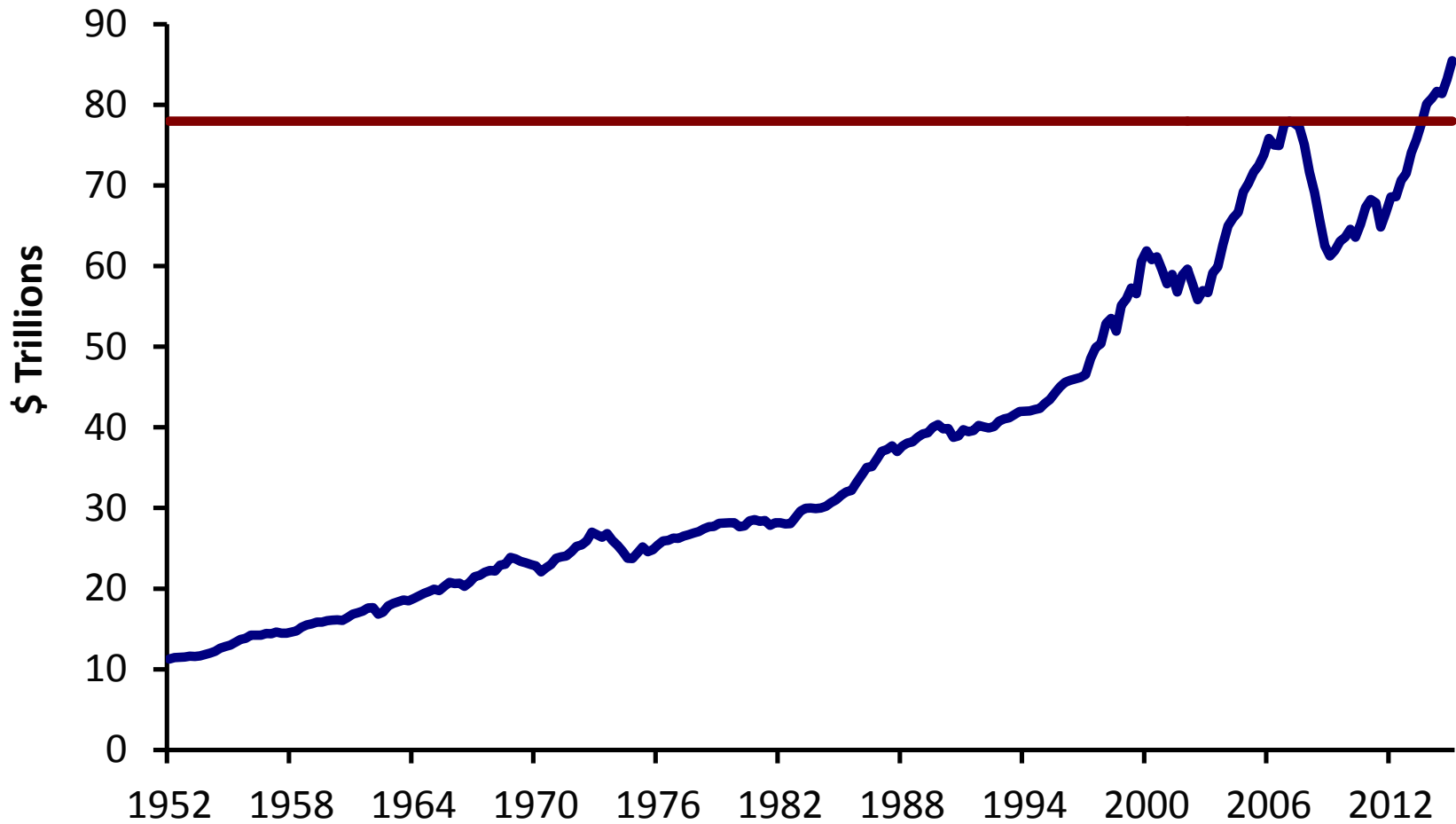
3.5%

2.6%

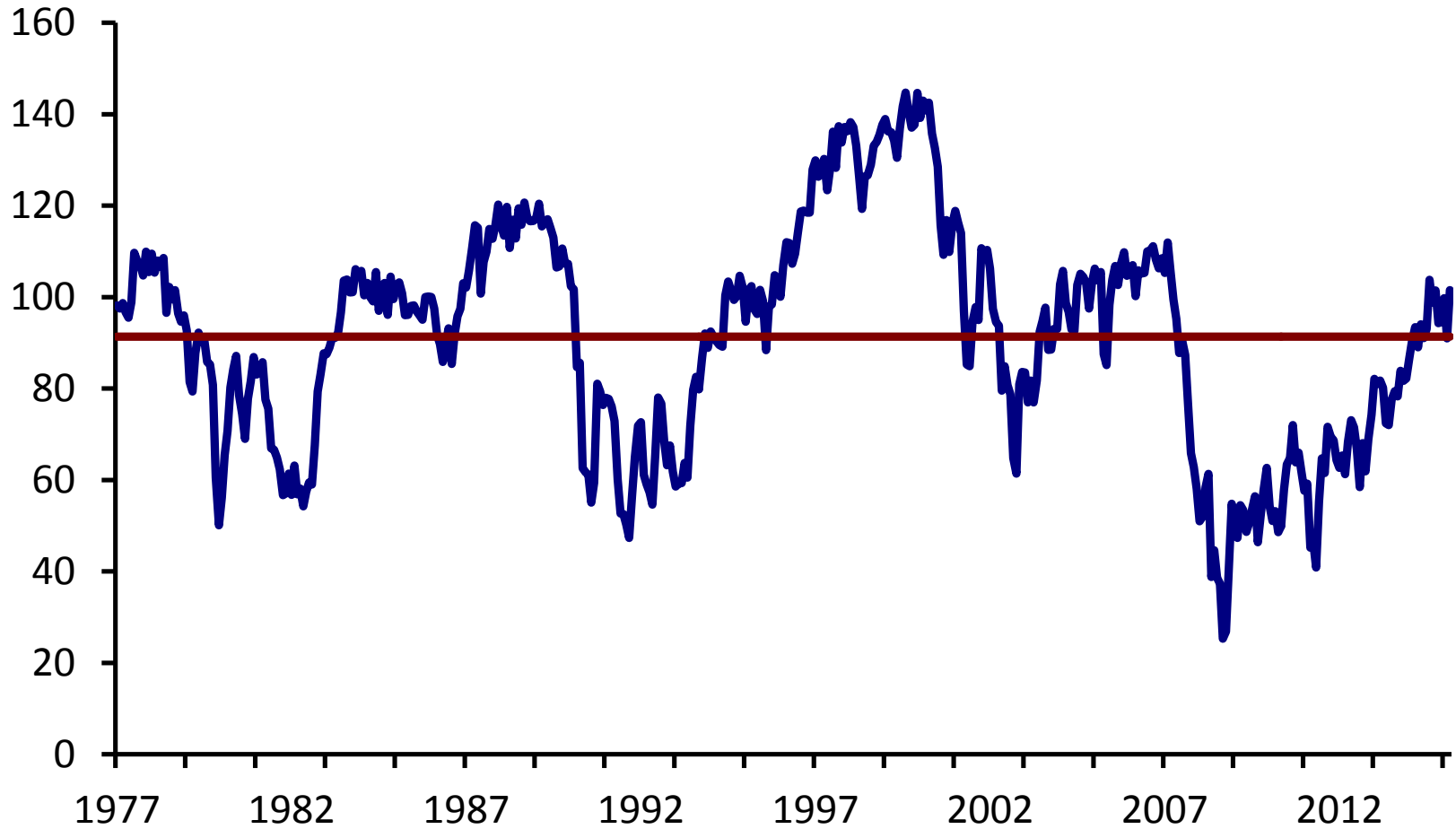
Real U.S. Retail Sales: Growing To New Heights



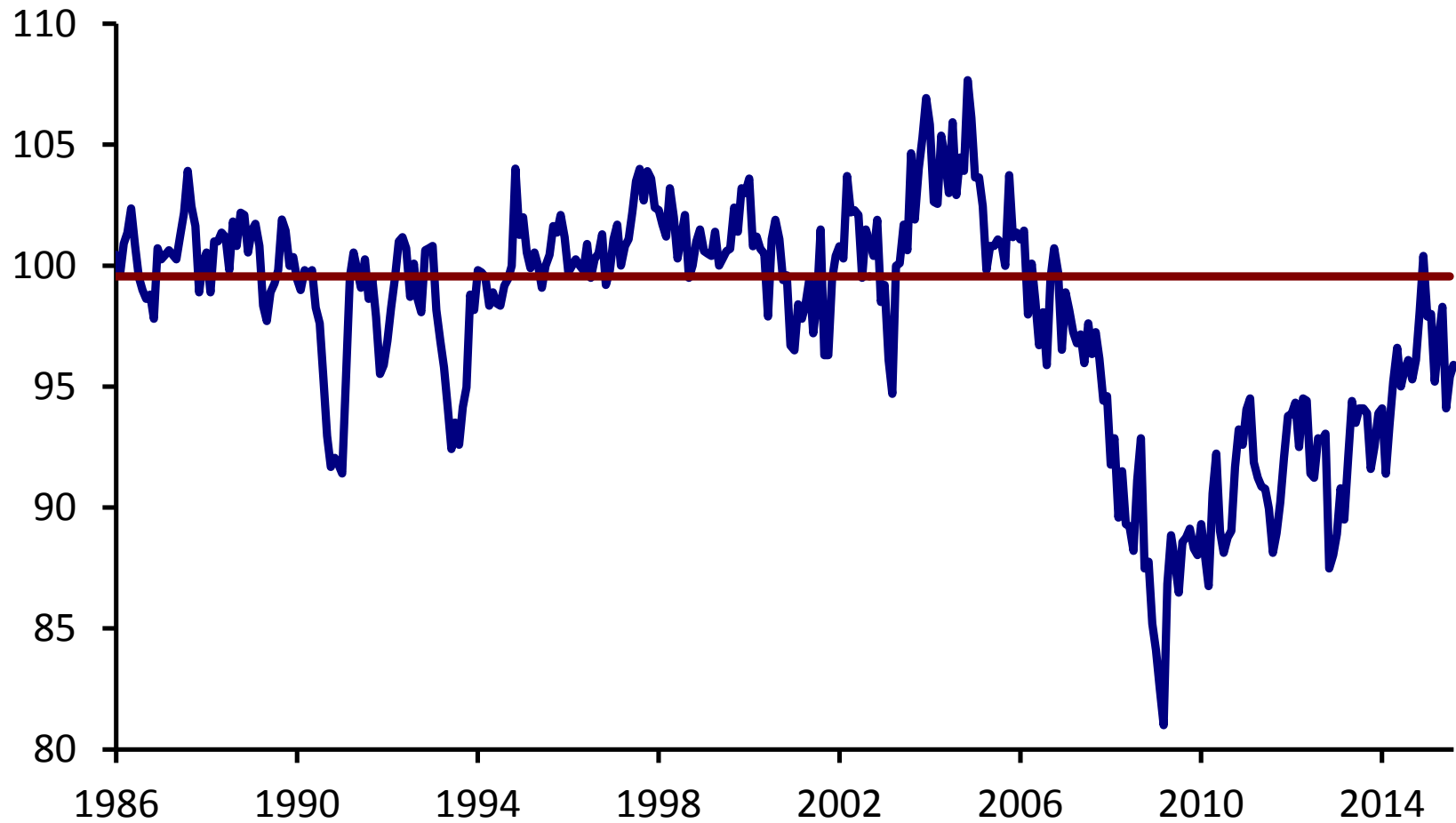
Real U.S. Household Net Worth: A New High



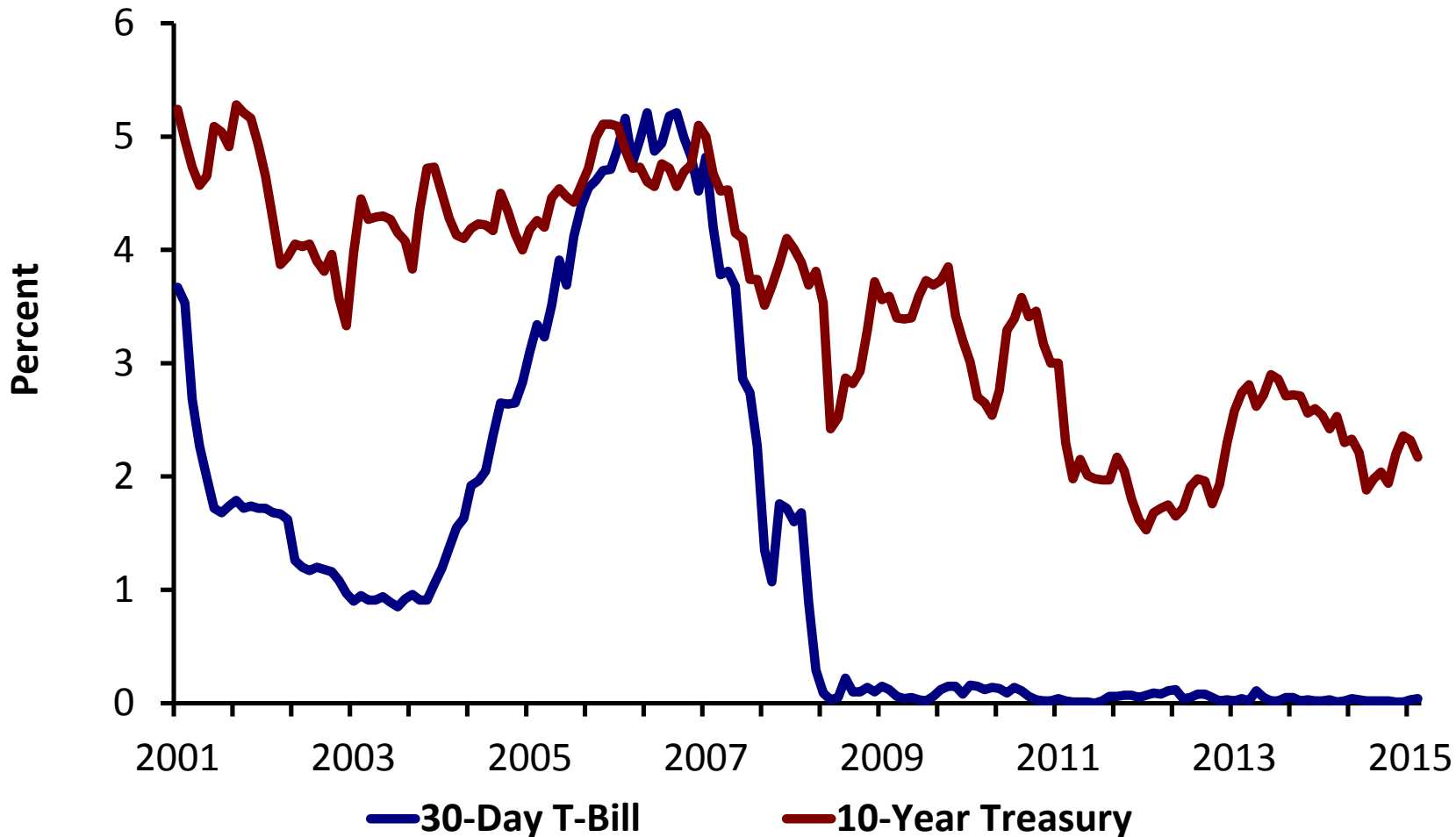
Consumer Confidence Index: Finally Above Average



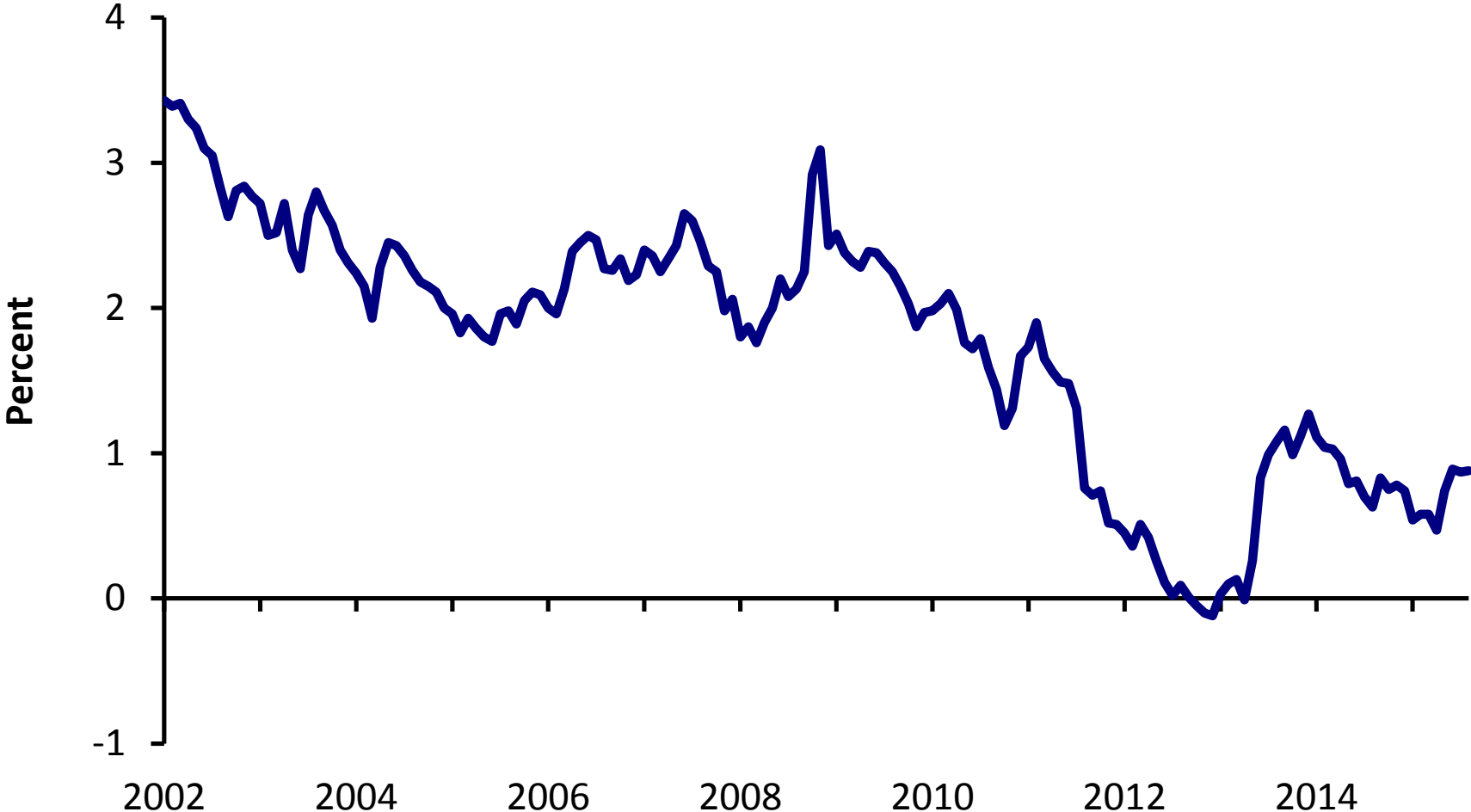
Small Business Optimism Index: Still Below Average



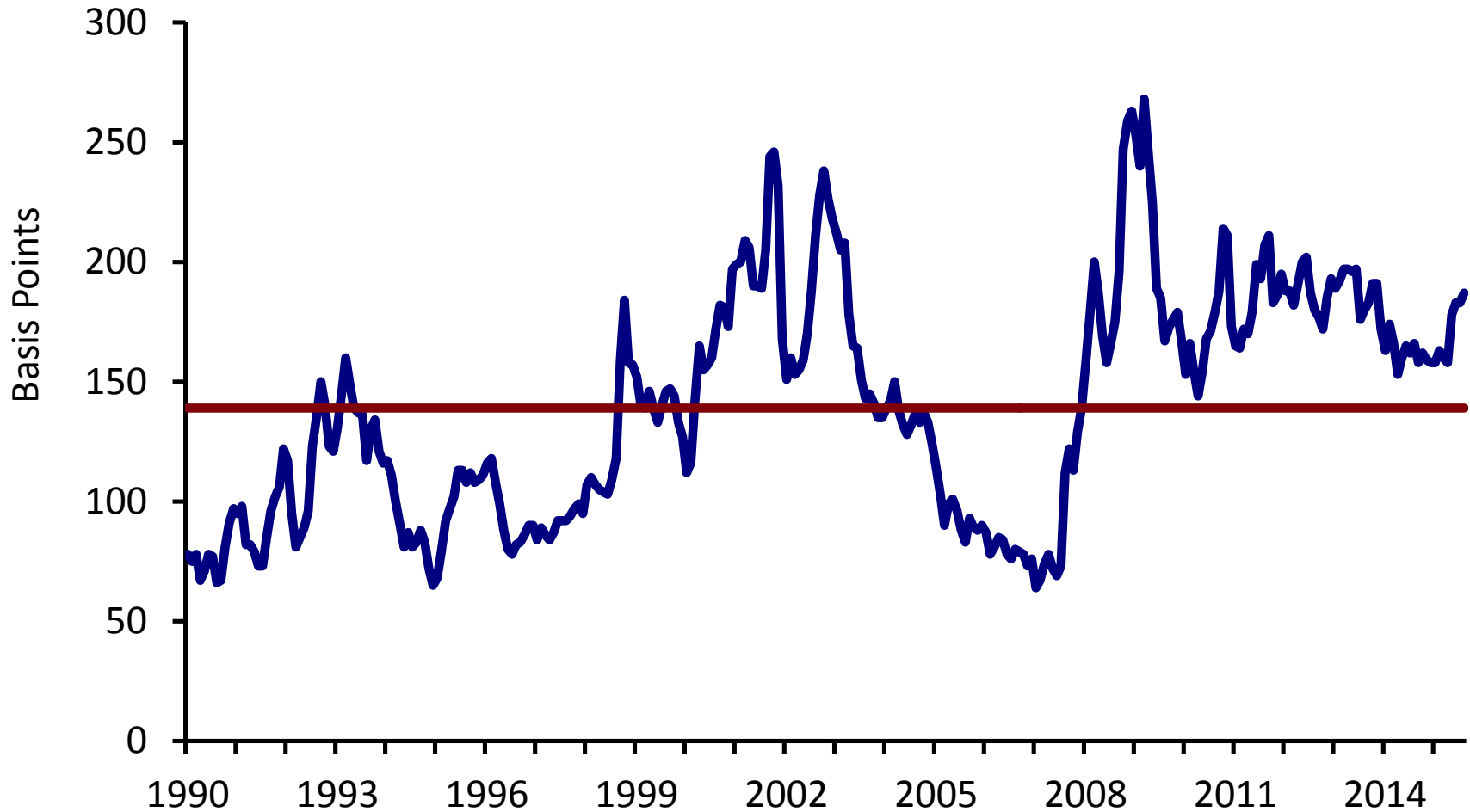
Treasury Yields: Should Be 3% and 4%



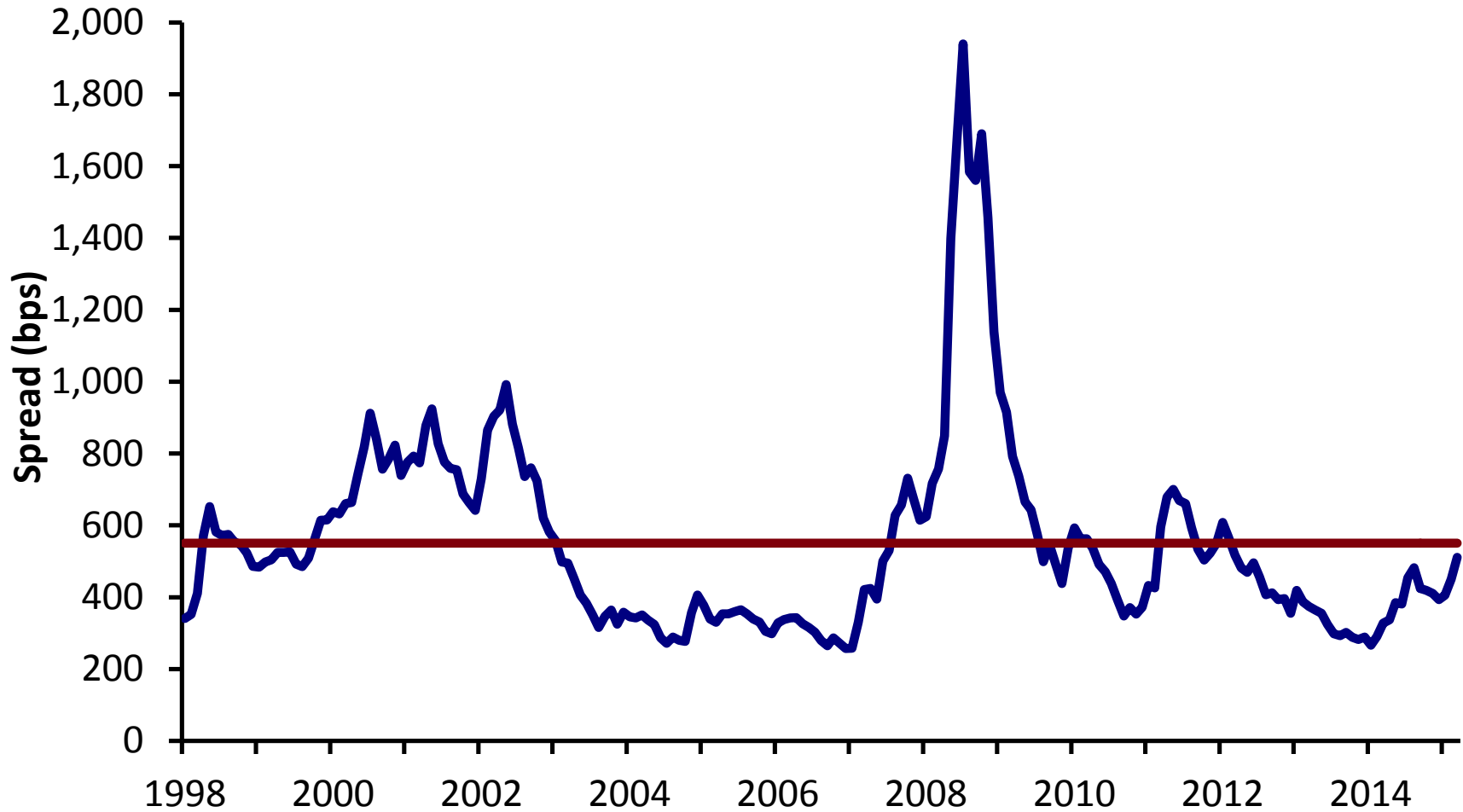
Long-Term TIPS: Real Return Still 150 bps Low



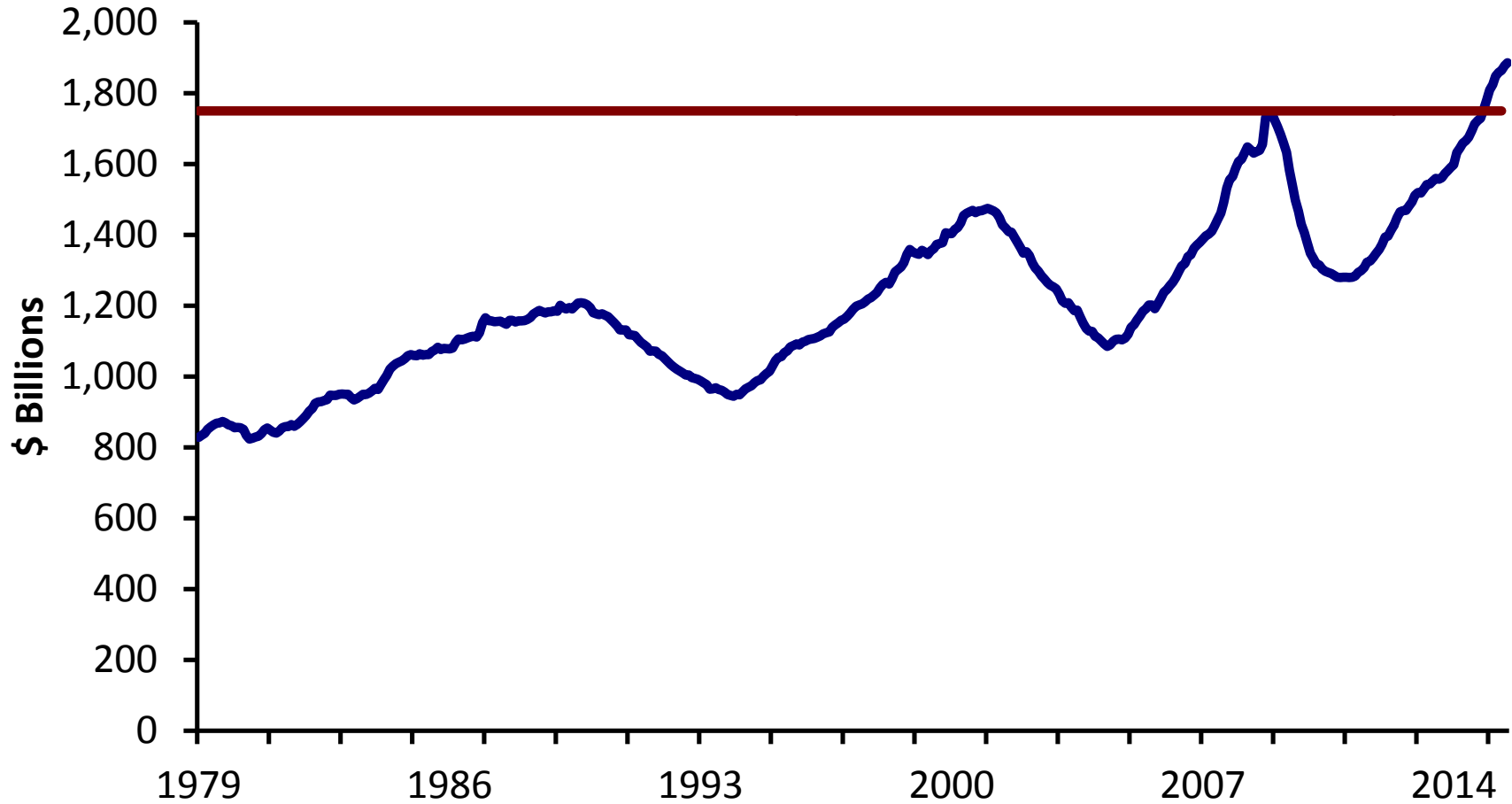
U.S. Corporate Investment Grade Spread: Not Unusually Low



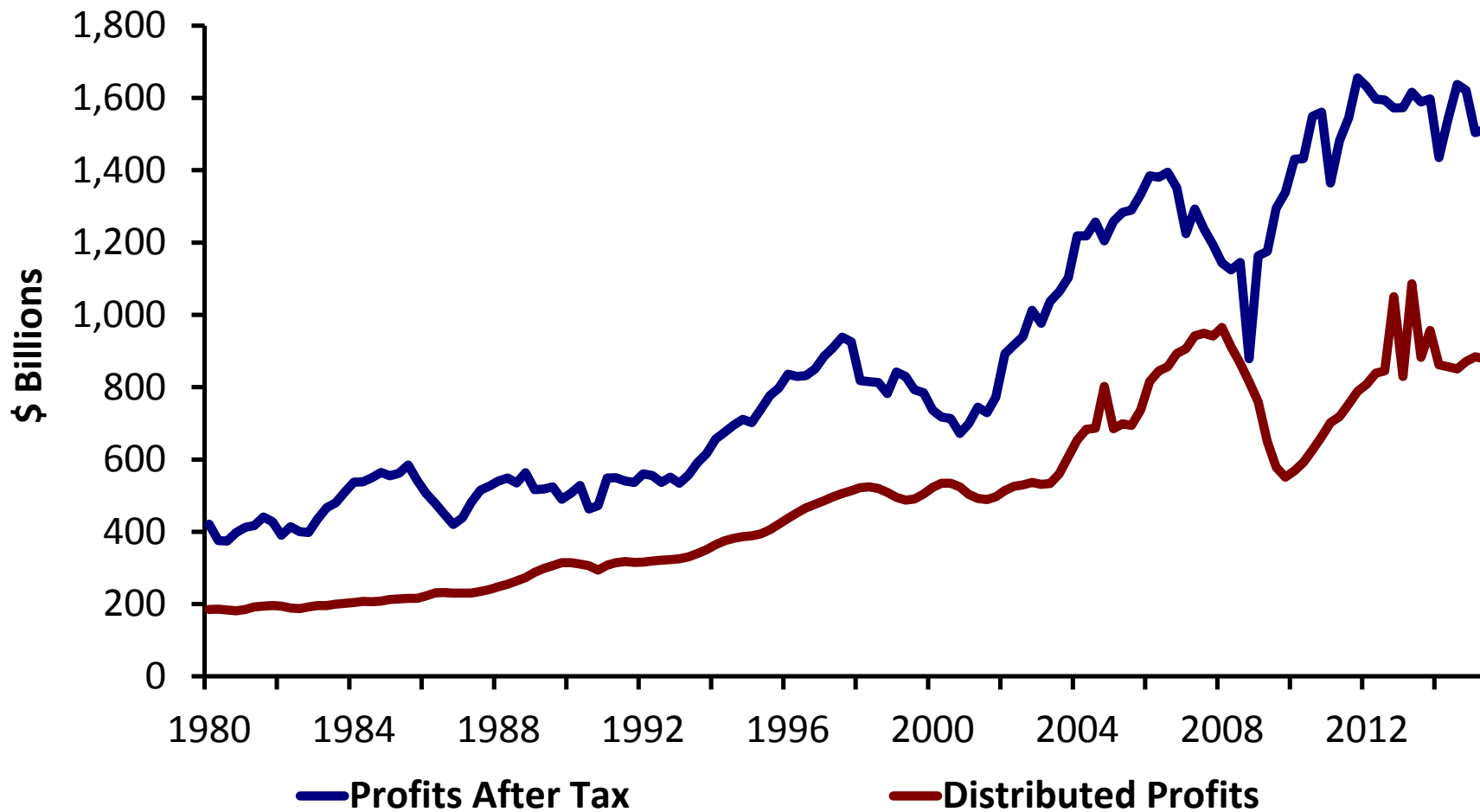
Junk Bond Spread over 10-Year Treasury: Remains Low



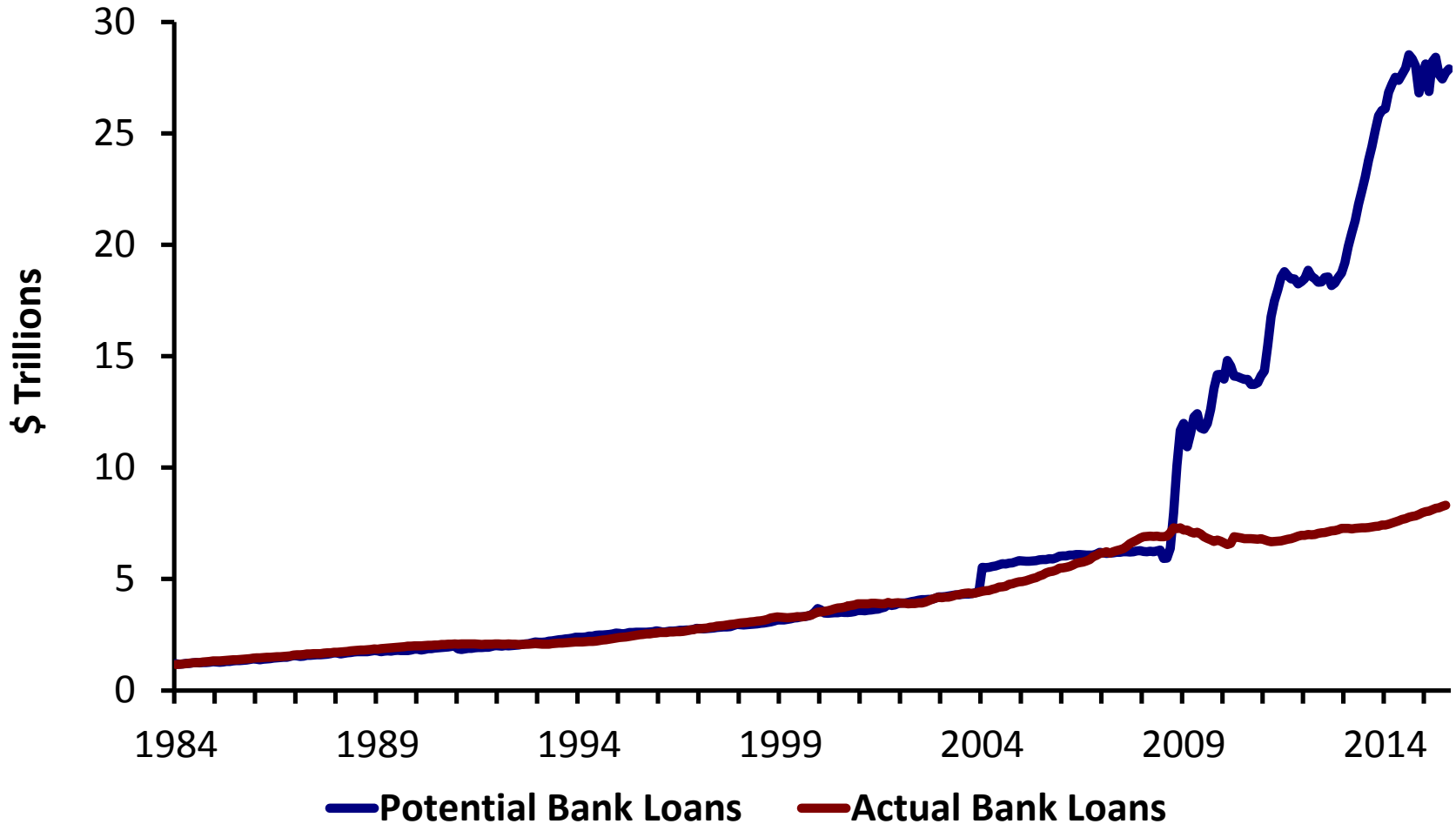
Real Outstanding Commercial & Industrial Loans: Banks Are Lending



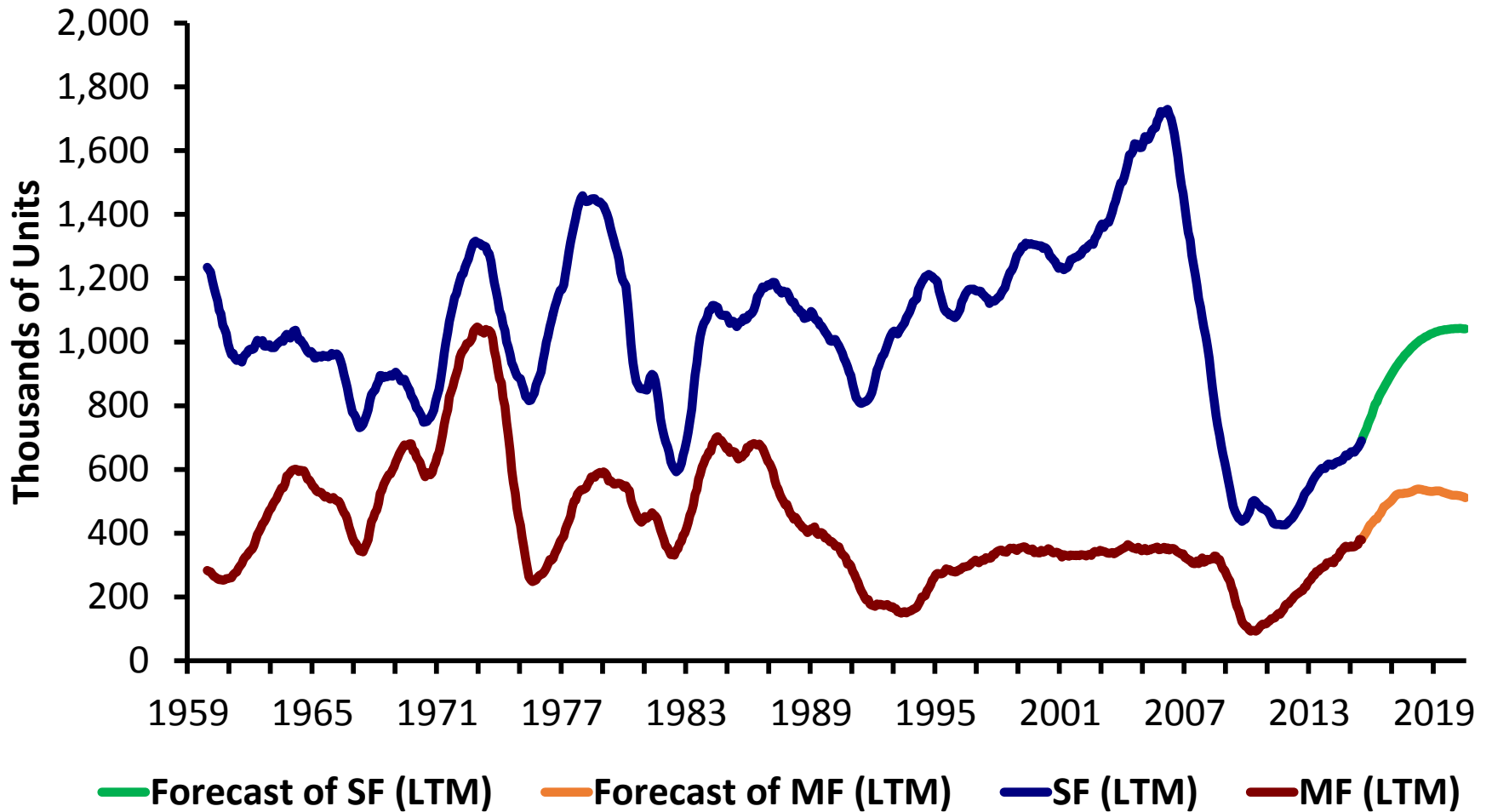
Corporate Profits: Getting Tougher



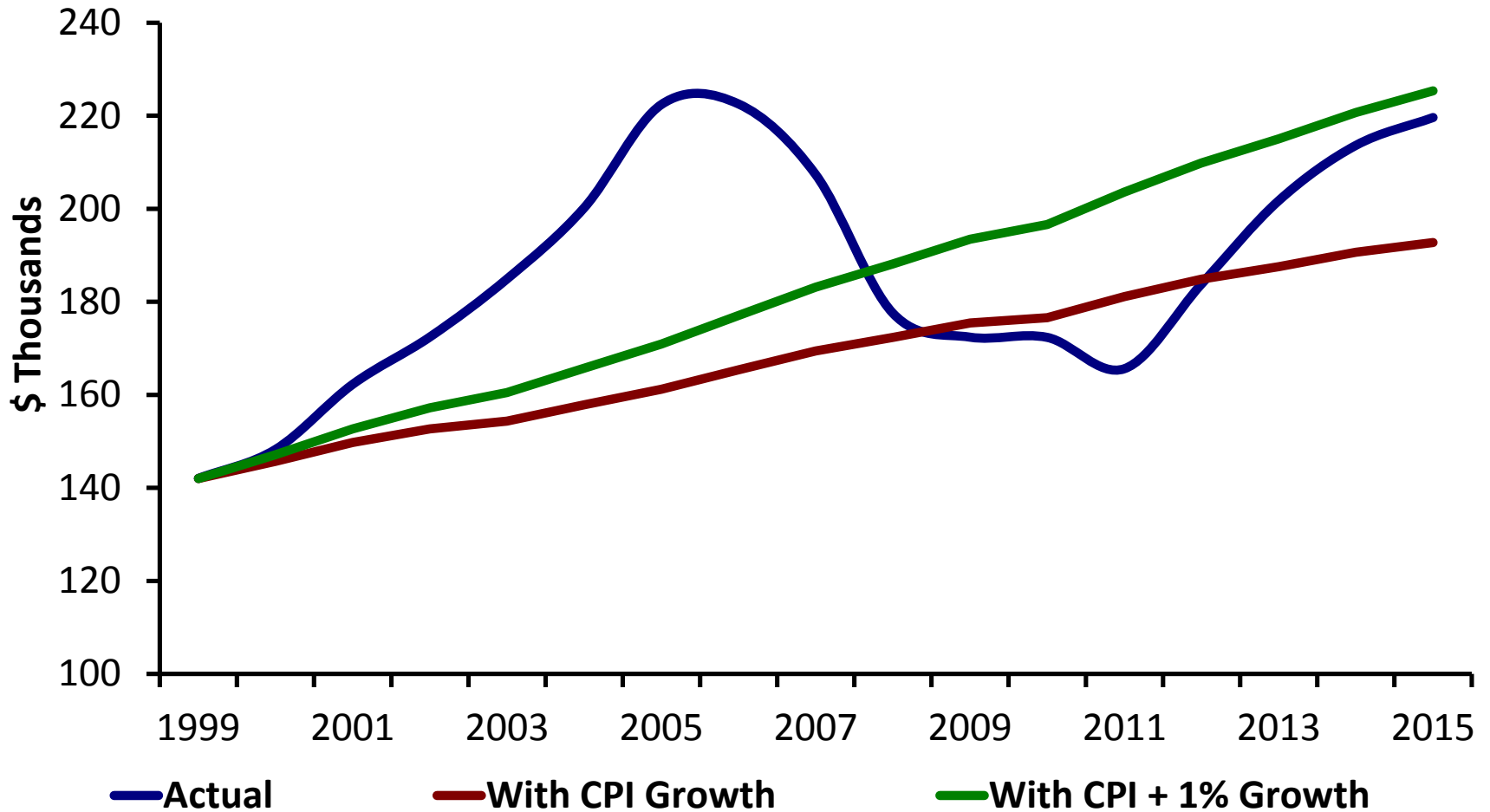
Unused Bank Lending Capacity Vs Actual Bank Loans: Capacity is 3X Outstanding



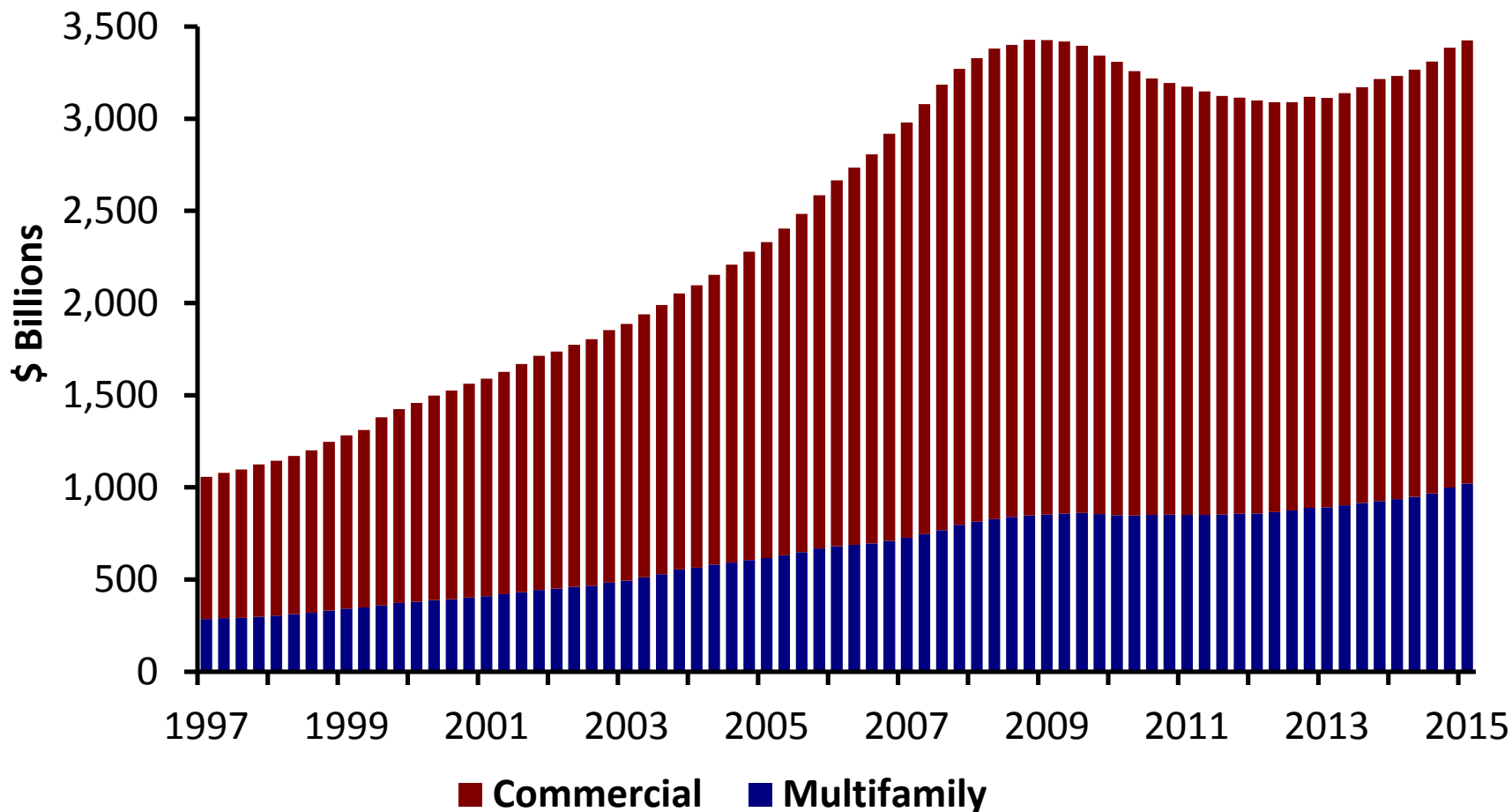
Housing Starts Outlook: Very Slow Upward Climb



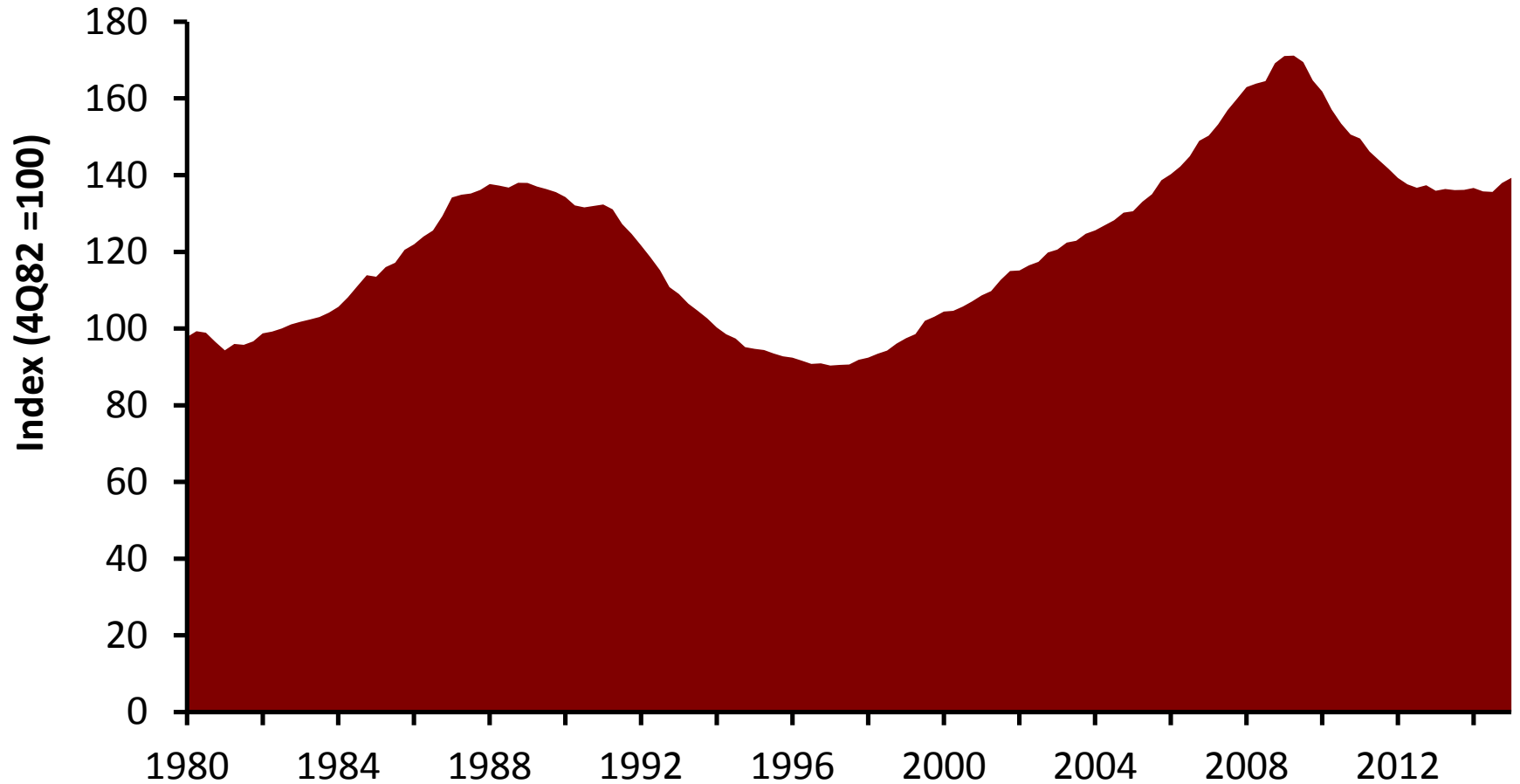
Existing Home Prices: In Comfortable Range



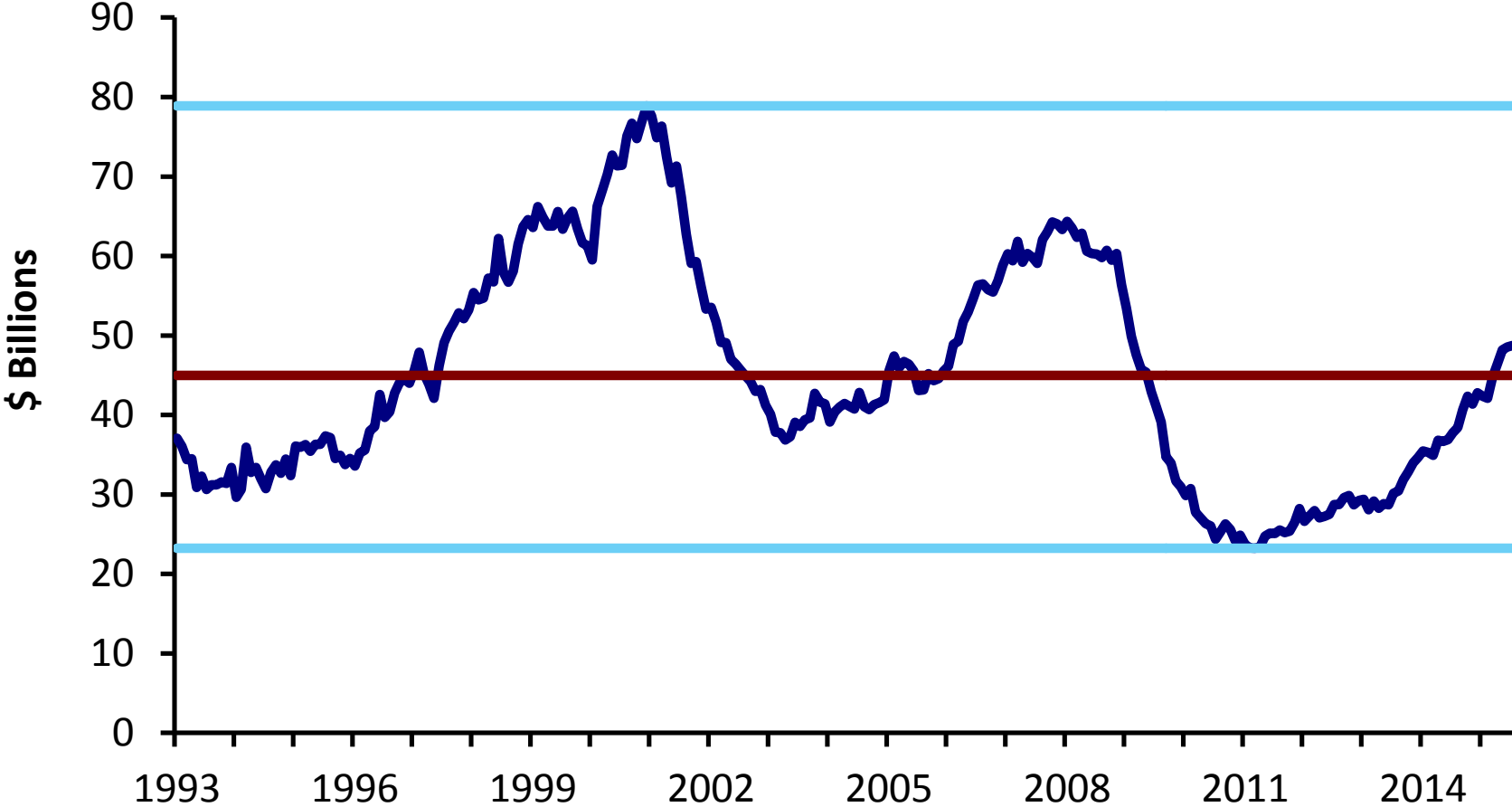
Multifamily and Commercial Mortgages Outstanding: Rising Quickly



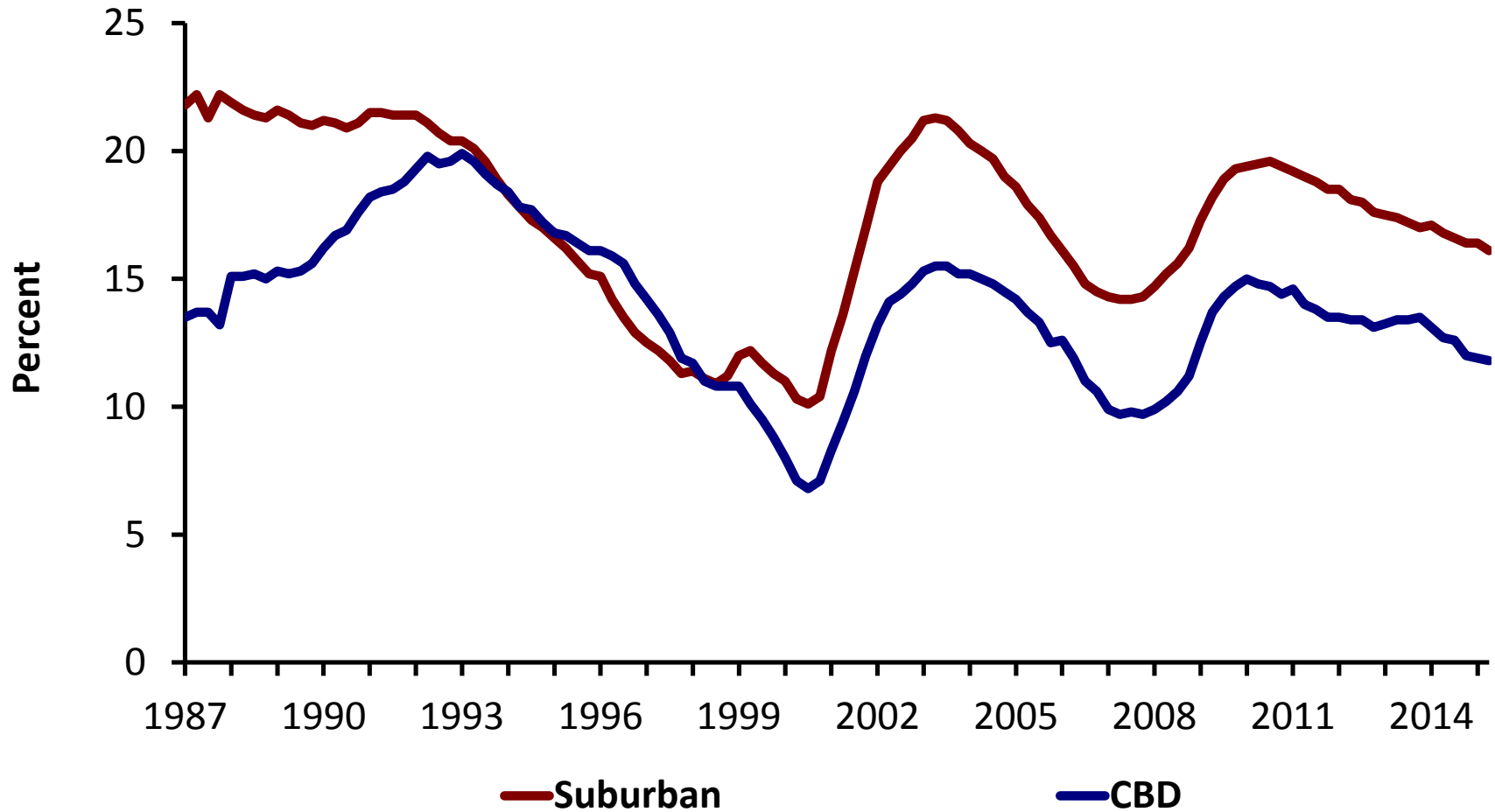
Linneman Real Estate Index: Big Rises Are Coming



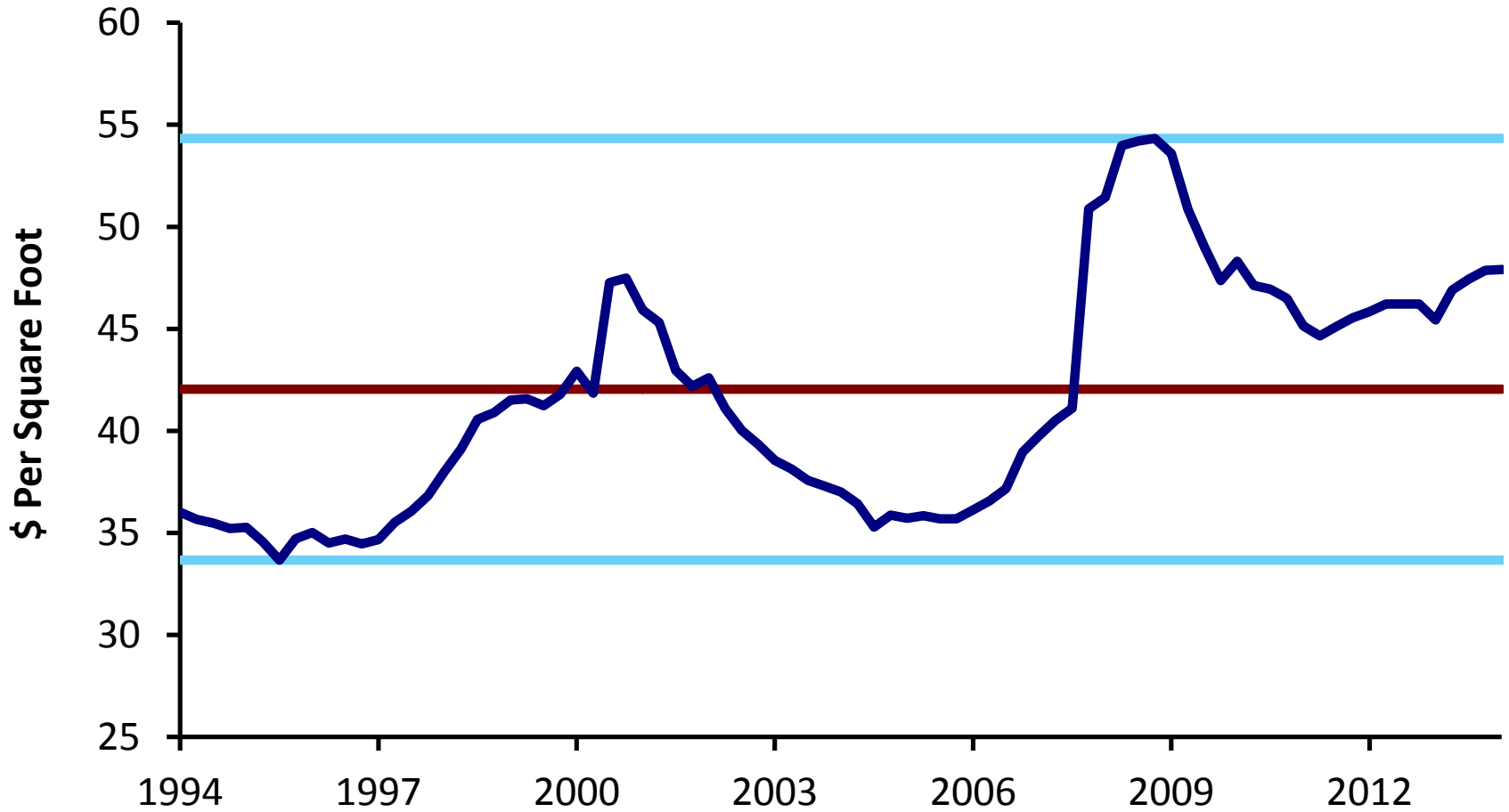
Real U.S. Office Construction



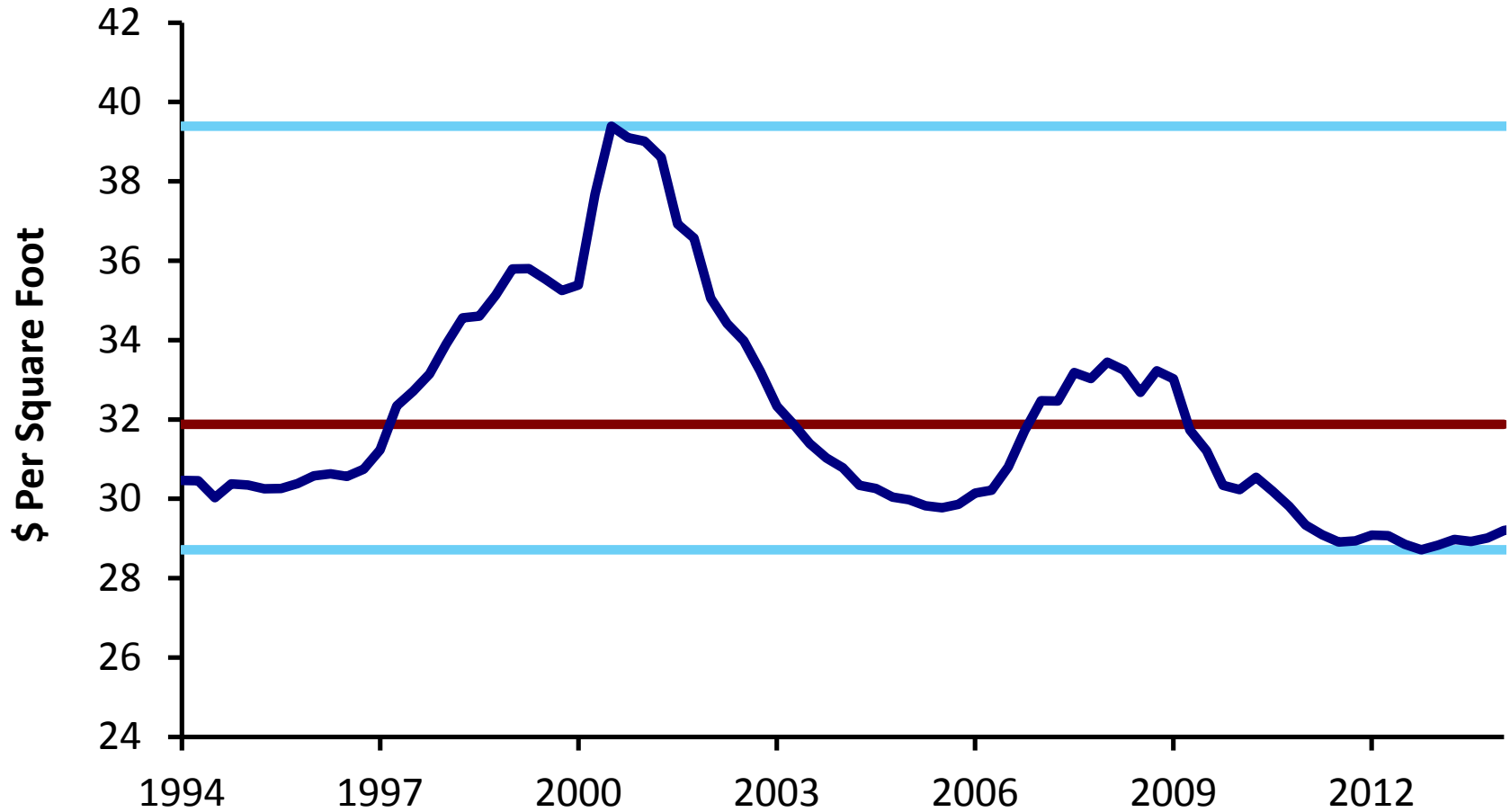
U.S. Office Vacancy Rate



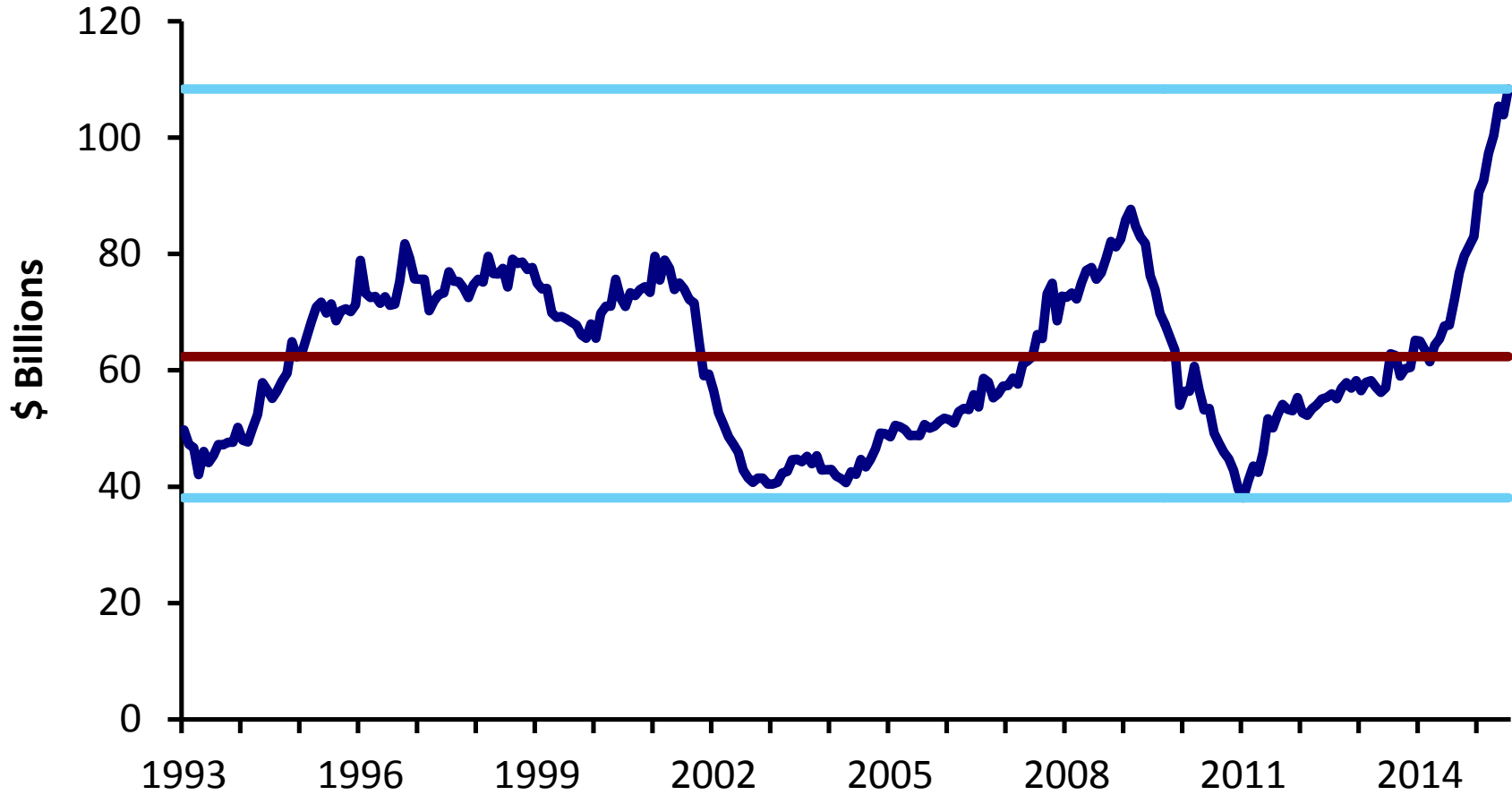
Real U.S. Class A Office CBD Rent



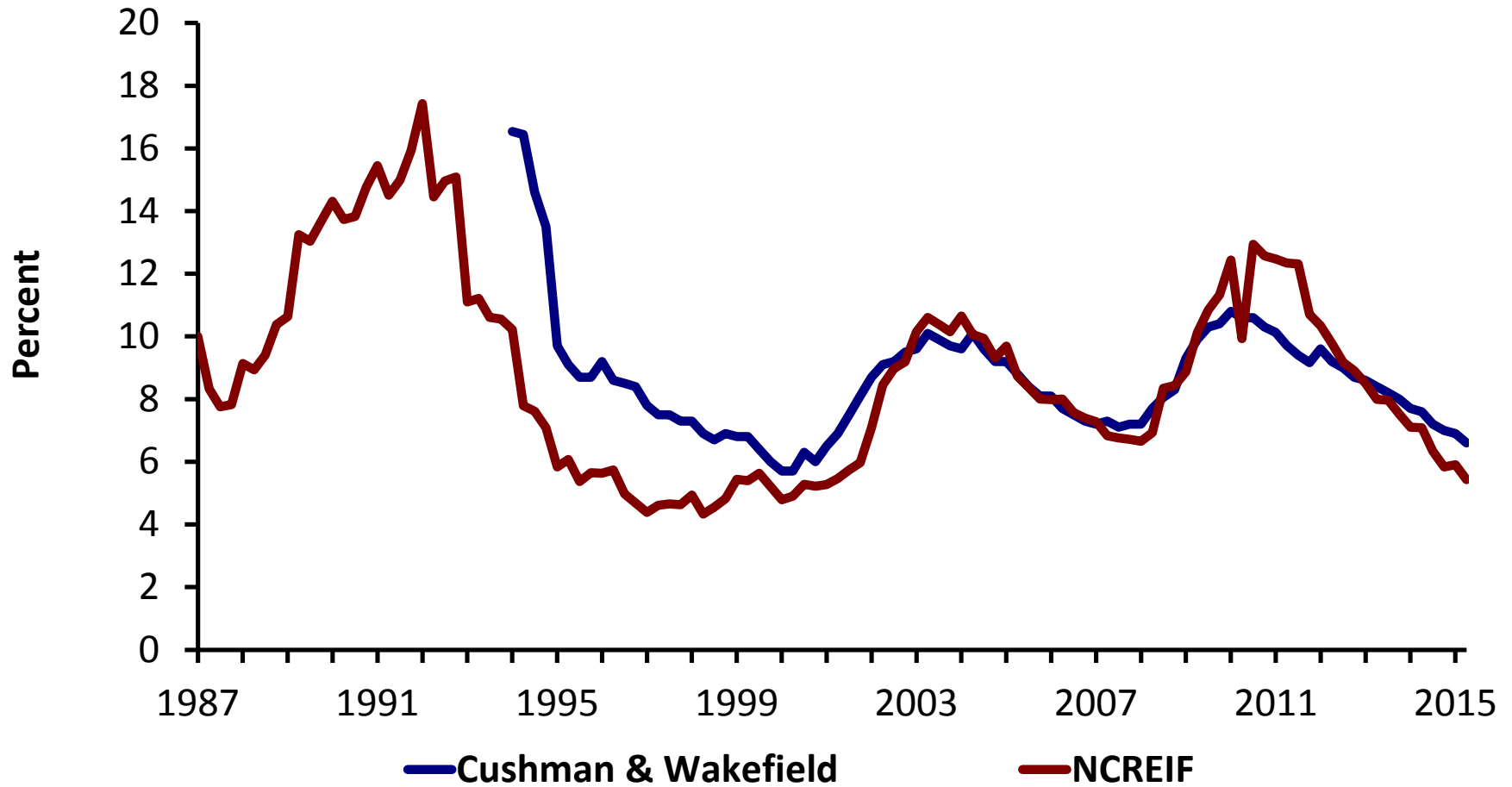
Real U.S. Class A Suburban Office Rent



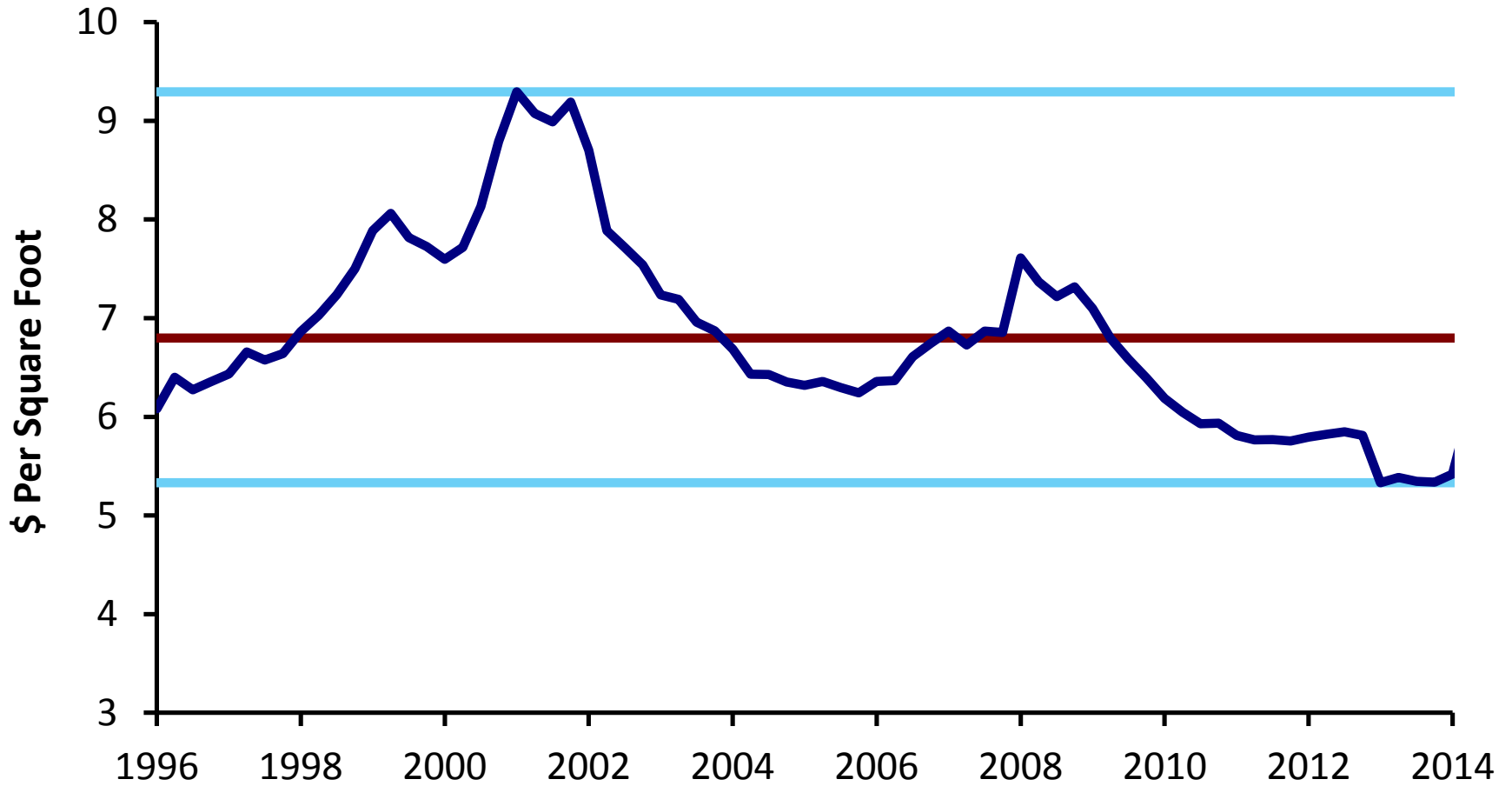
Real U.S. Industrial Construction



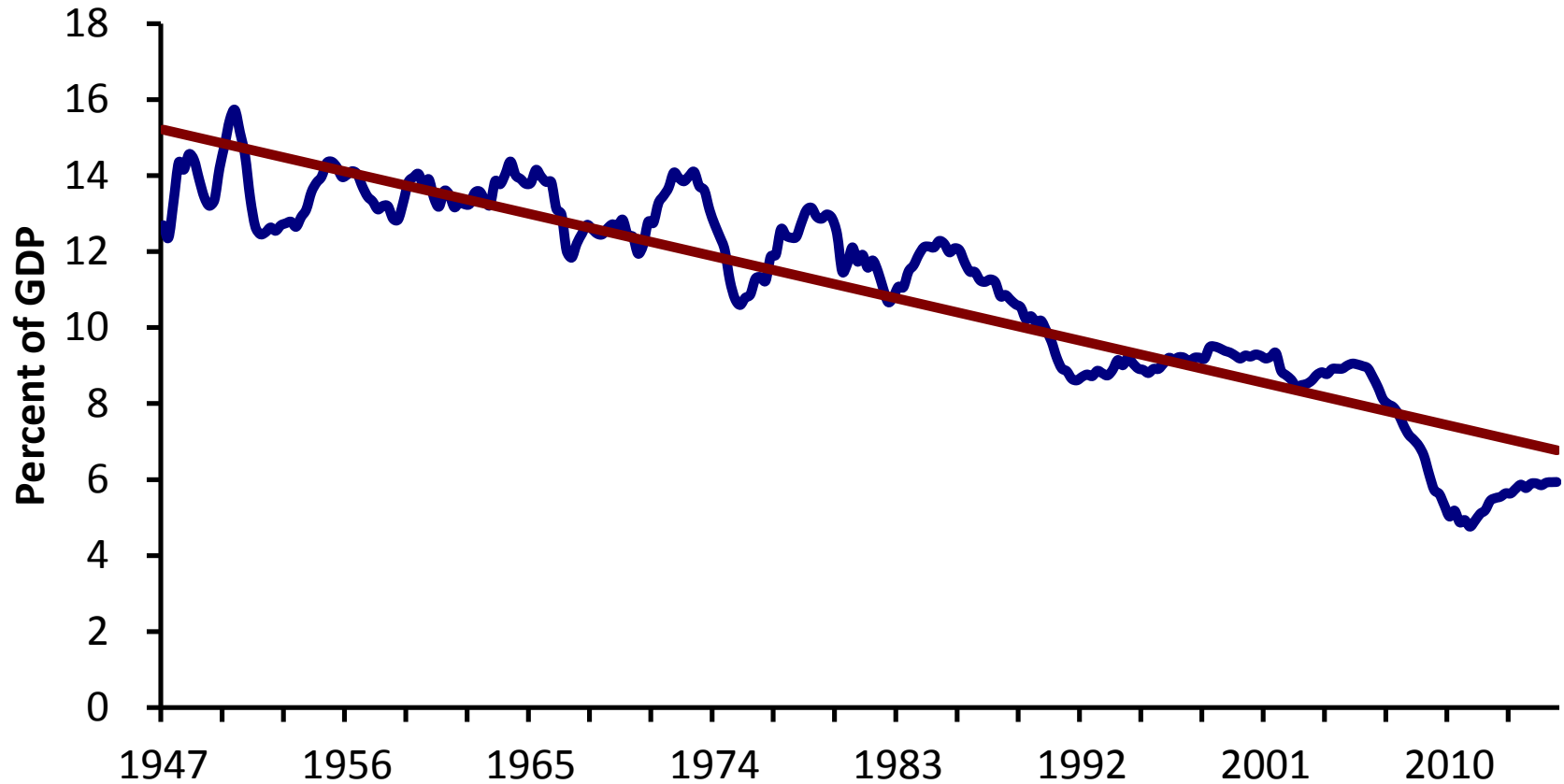
U.S. Industrial Vacancy Rates



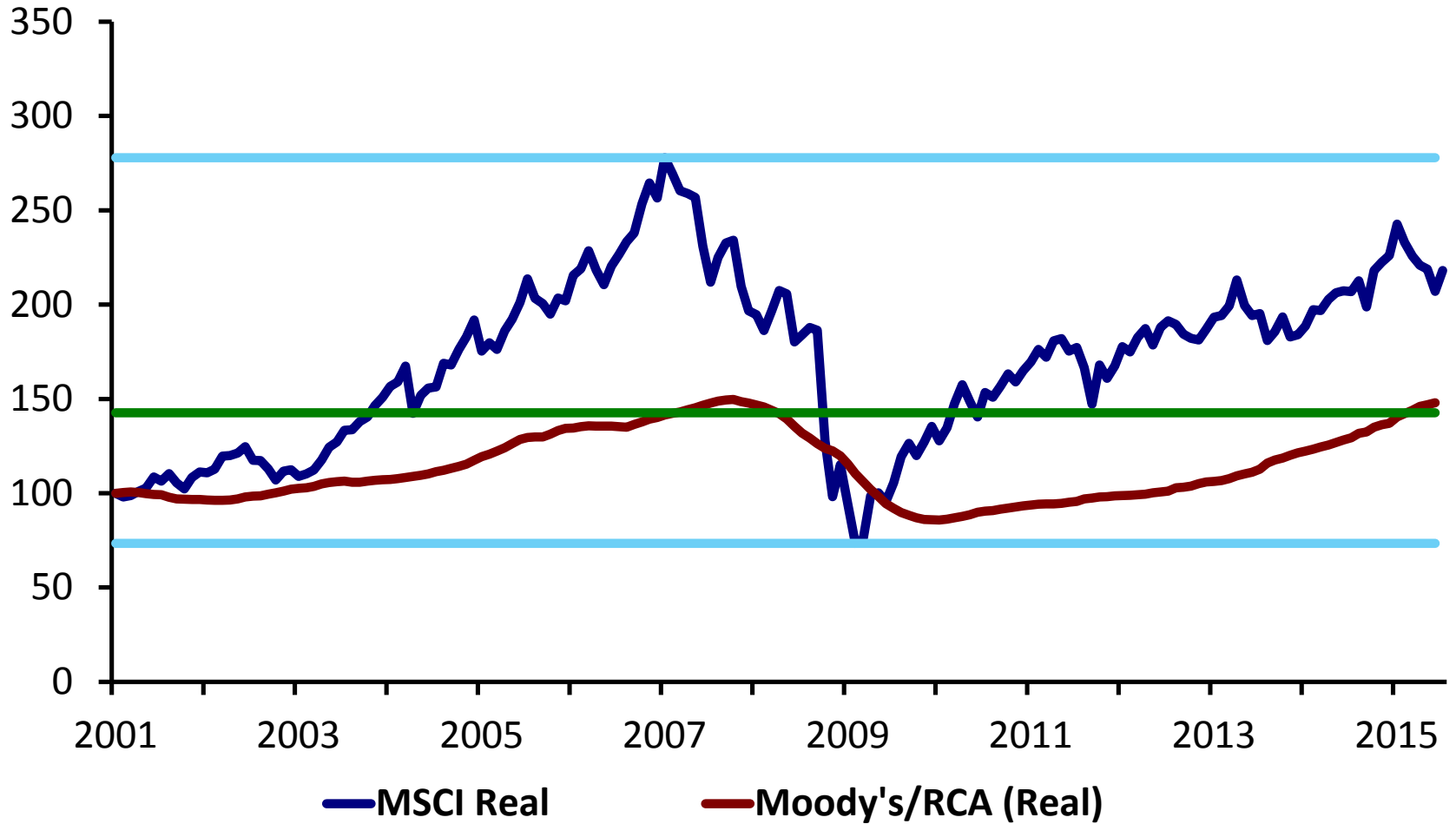
Real U.S. Industrial Rent



U.S. Residential and Commercial Construction as % of GDP



Real Public and Private Market Commercial Real Estate Values



REIT Total Returns and Rising Interest Rates

Episode	10-Yr Treas. Change (bps)	90 Days Later	180 Days Later	1 Year Later
I. Feb. 96 - Sep. 96	+140	-3.9%	1.2%	-13.0%
II. Oct. 96 - Jan. 00	+253	4.0%	11.8%	27.3%
III. Nov. 01 - Apr. 02	+122	17.9%	22.8%	22.3%
IV. Jun. 03 - Jun. 04	+176	14.0%	23.2%	30.2%
V. Jun. 05 - Jun. 06	+136	4.5%	6.0%	-7.2%
VI. Jan. 09 - Jan. 10	+162	4.3%	12.4%	13.4%
VII. Oct. 10- Apr. 11	+120	7.9%	1.6%	6.1%
VIII. May 13 - Nov. 13	+141	7.9%	10.5%	16.7%
Historical Average	+146	7.1%	11.2%	12.0%

Source: Bank of America / Merrill Lynch.

For Now The Canaries Are Still Chirping

- PIK Debt 
- Massive mortgage growth 
- Spec development boom 
- First replaces mezz 
- Mezz replaces equity 
- Narrow spreads and rising LTVs 
- Record buyout deals 
- Empty space worth more than full space 