

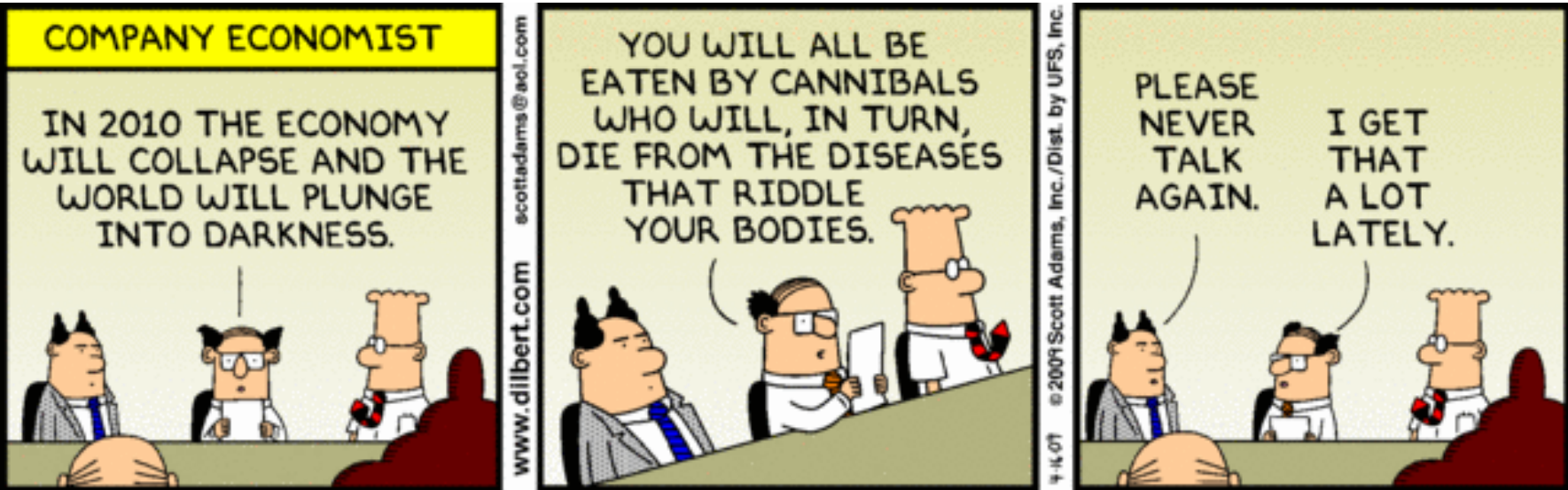


# Outlook for Commercial RE

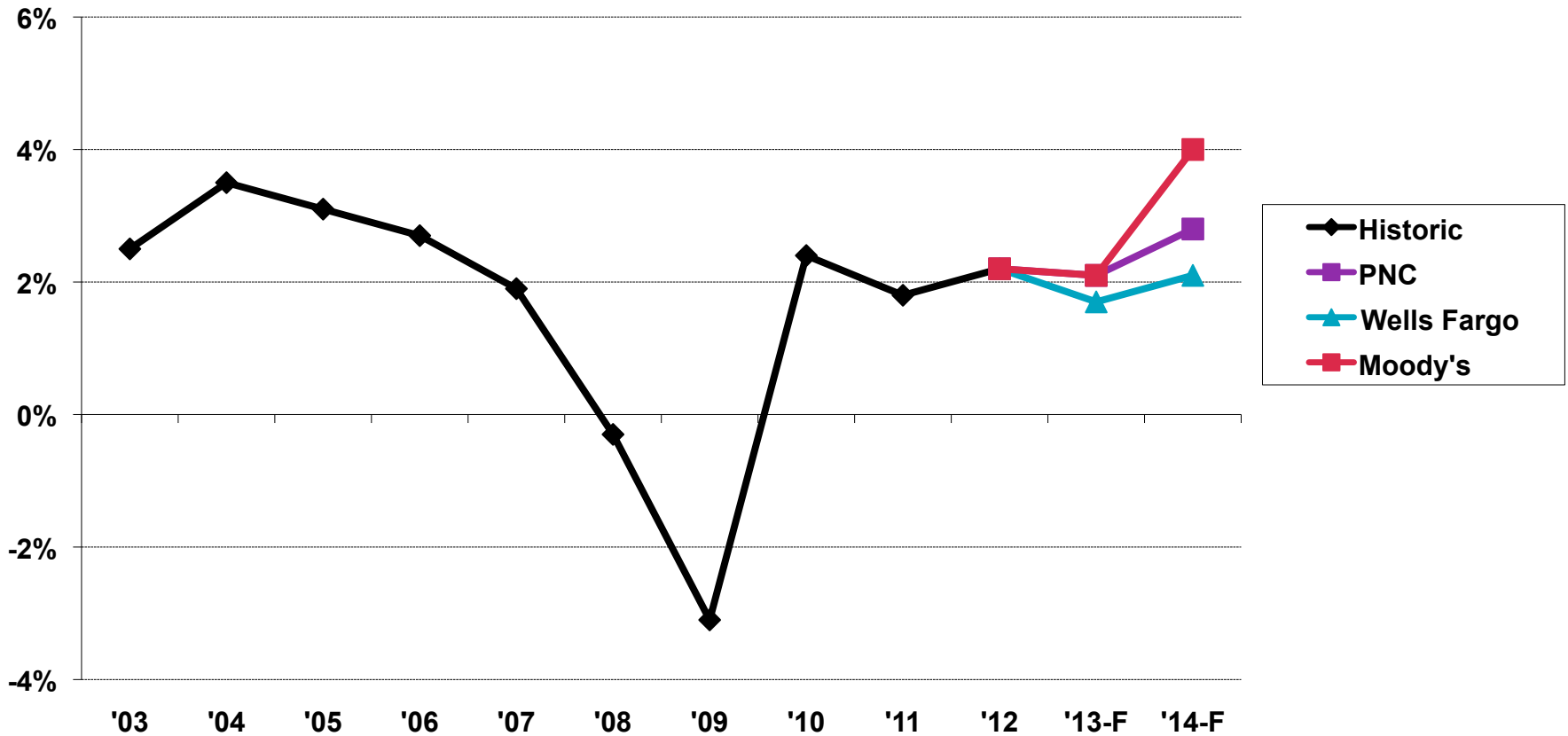
**Newmark Grubb  
Knight Frank**



# State of the Economy



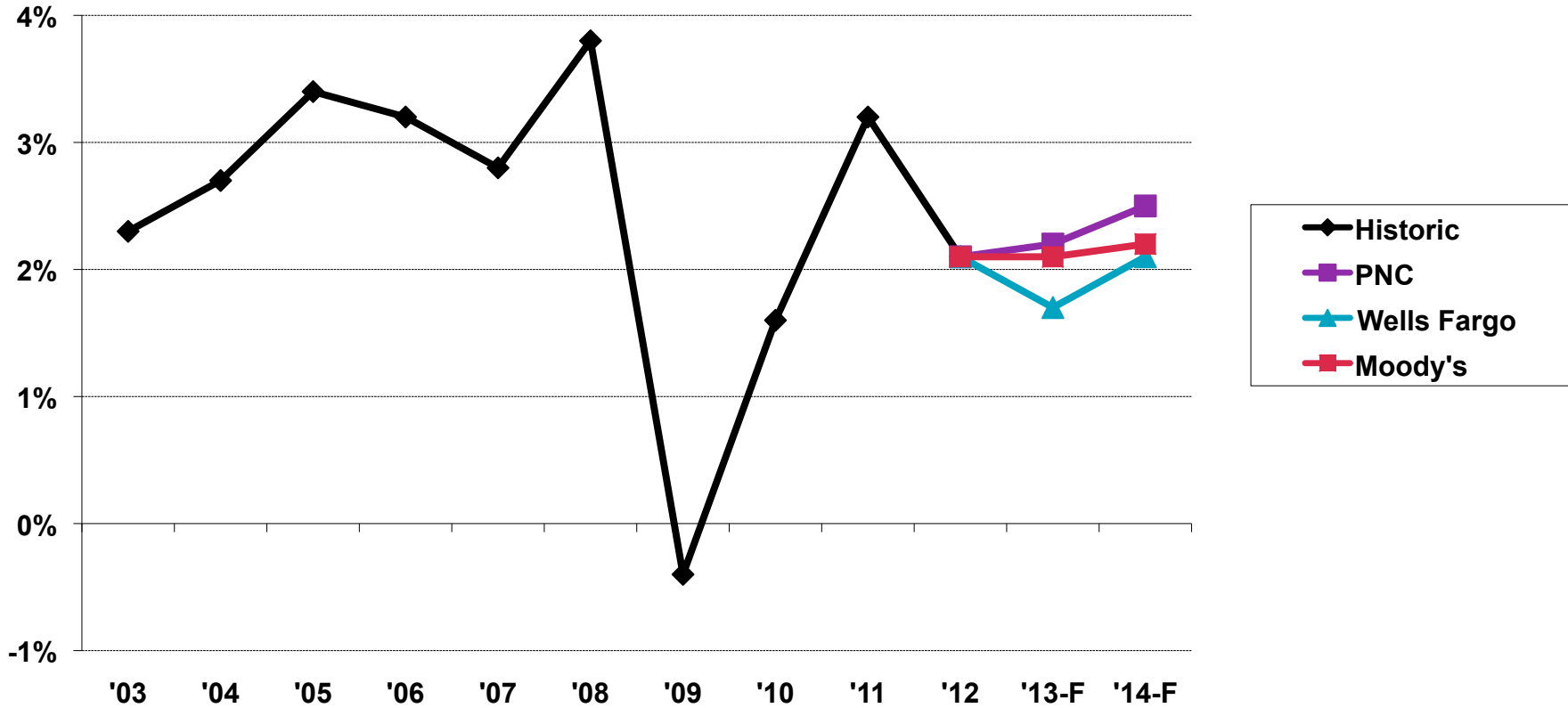
# Another Year of “Okay” Growth in 2013



Source: BEA, Moody's, PNC, Wells Fargo, NGKF

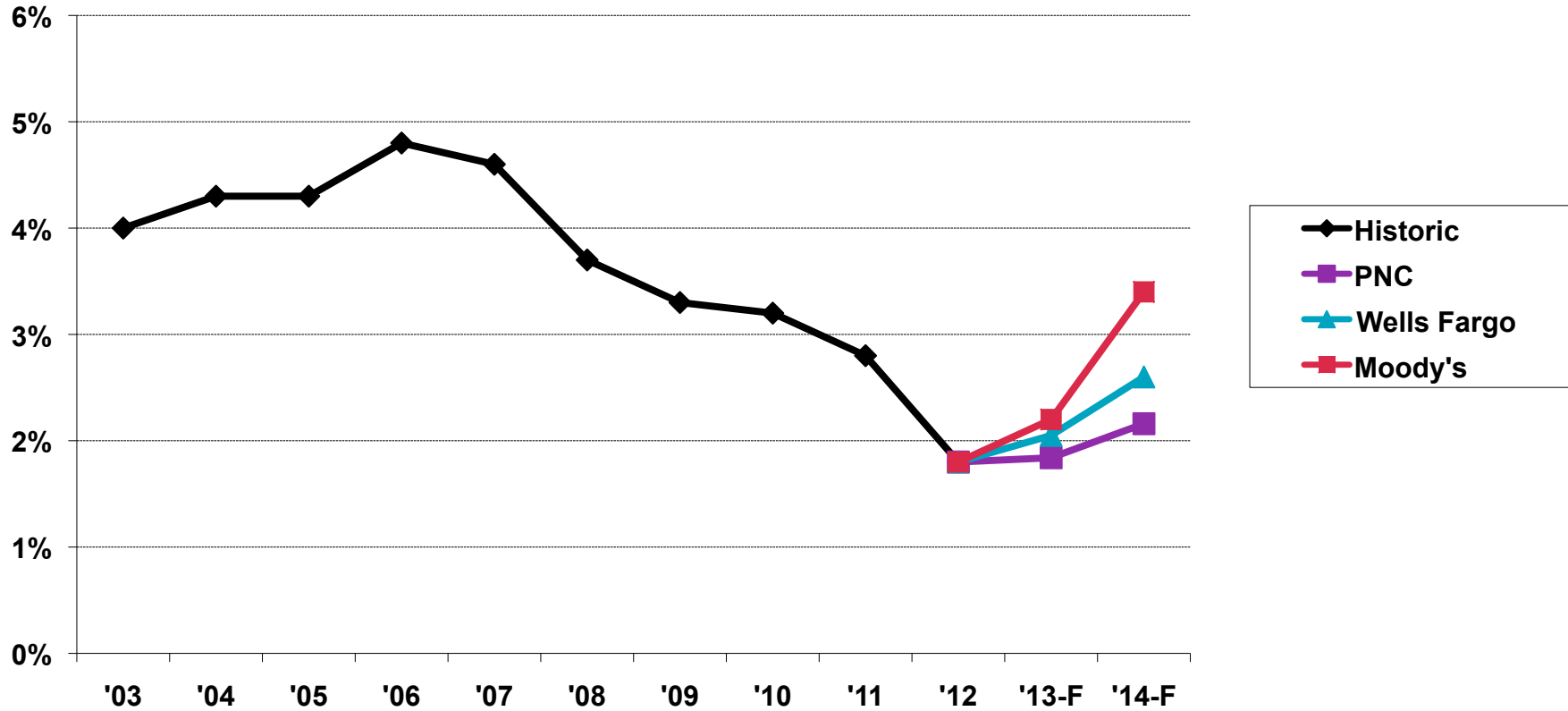
Consumer Price Index

# Inflation Stays Near Fed's 2% Target



Source: Bureau of Labor Statistics, Moody's, PNC, Wells Fargo, NGKF

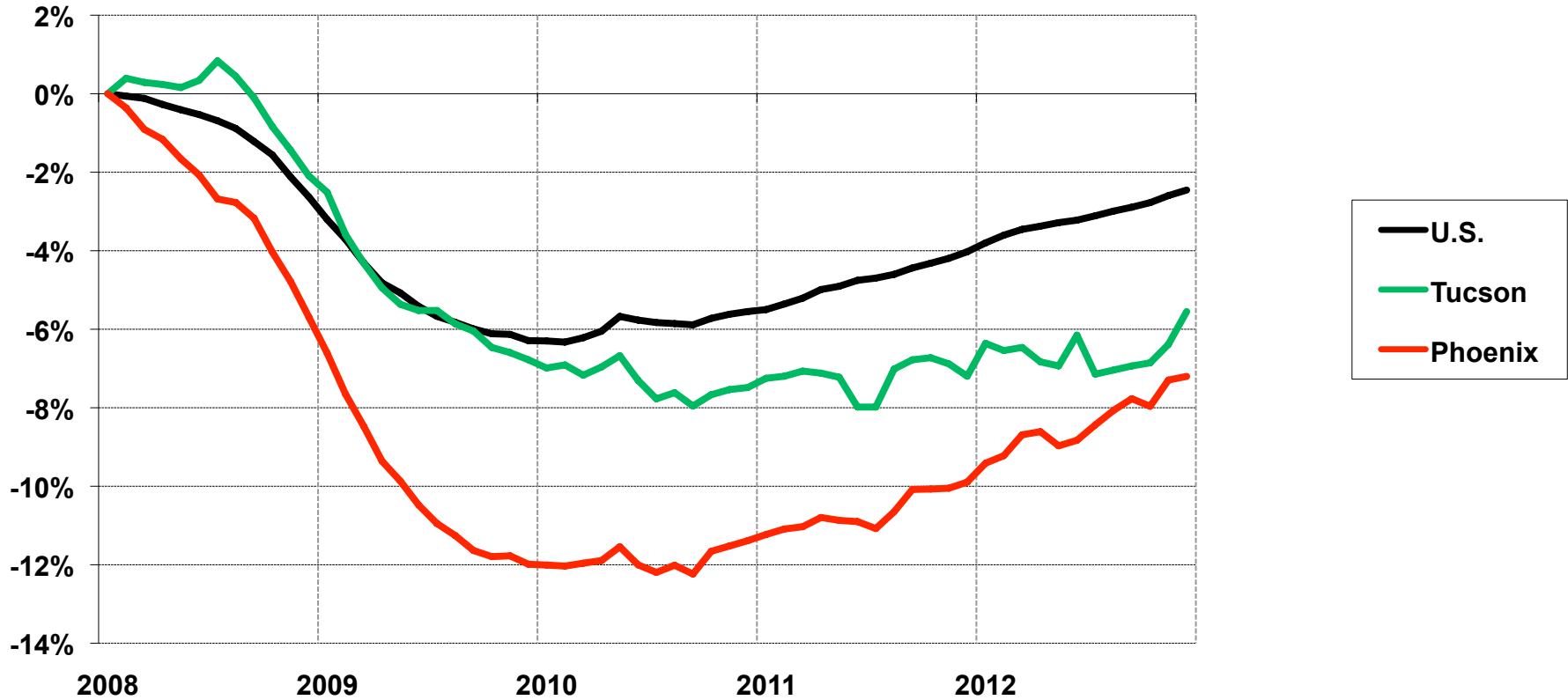
# 10-Year Treasury Yield Interest Rates Will Rise



Source: Federal Reserve, Moody's, PNC, Wells Fargo, NGKF

Employment % Change Since Start of Recession

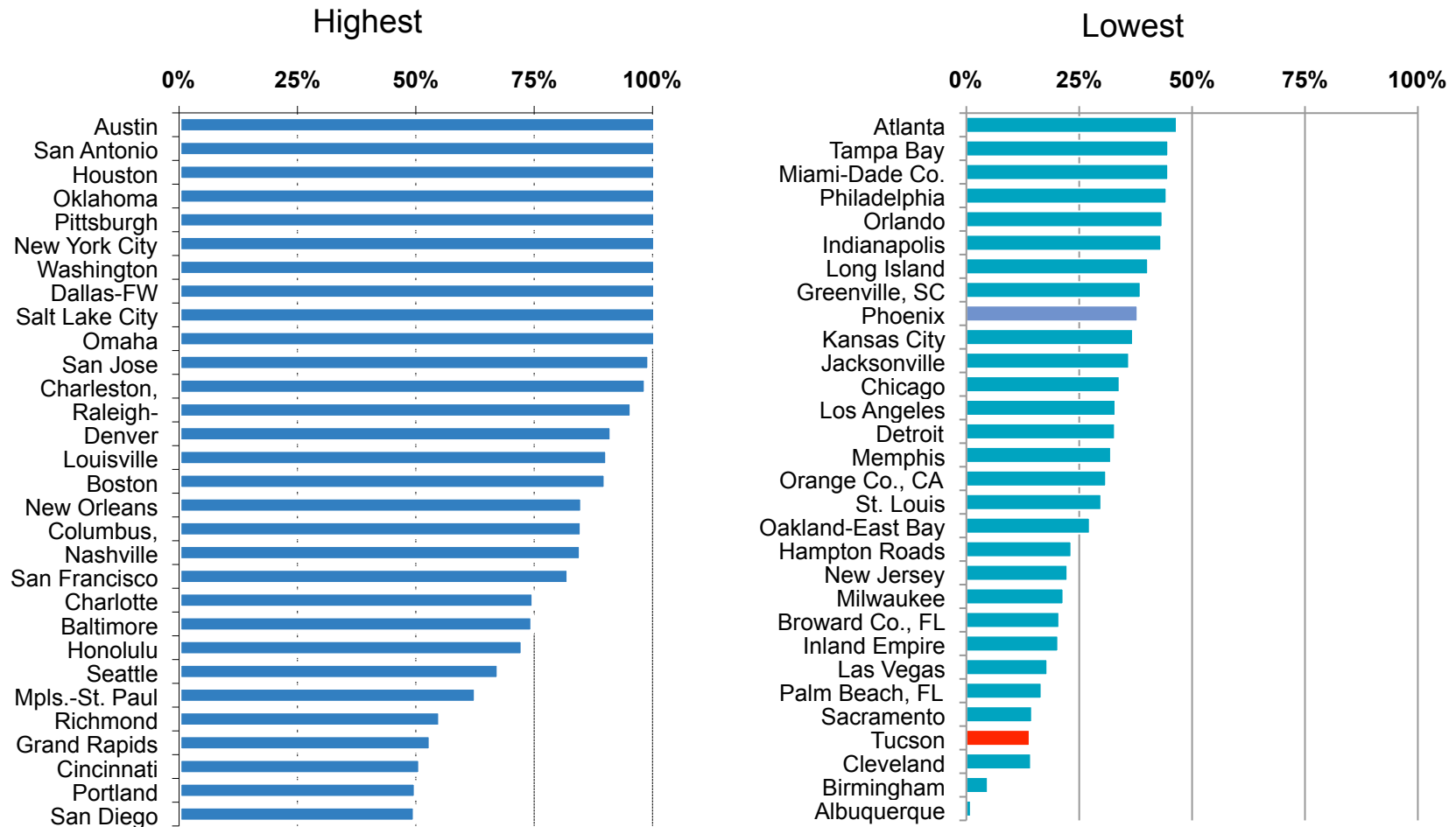
# Tucson Still Down by 25,900 Jobs From Peak



Source: Bureau of Labor Statistics, NGKF

# Metro Area Job Recovery Rates

From prior employment peak through November 2012



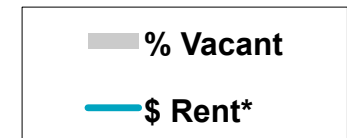
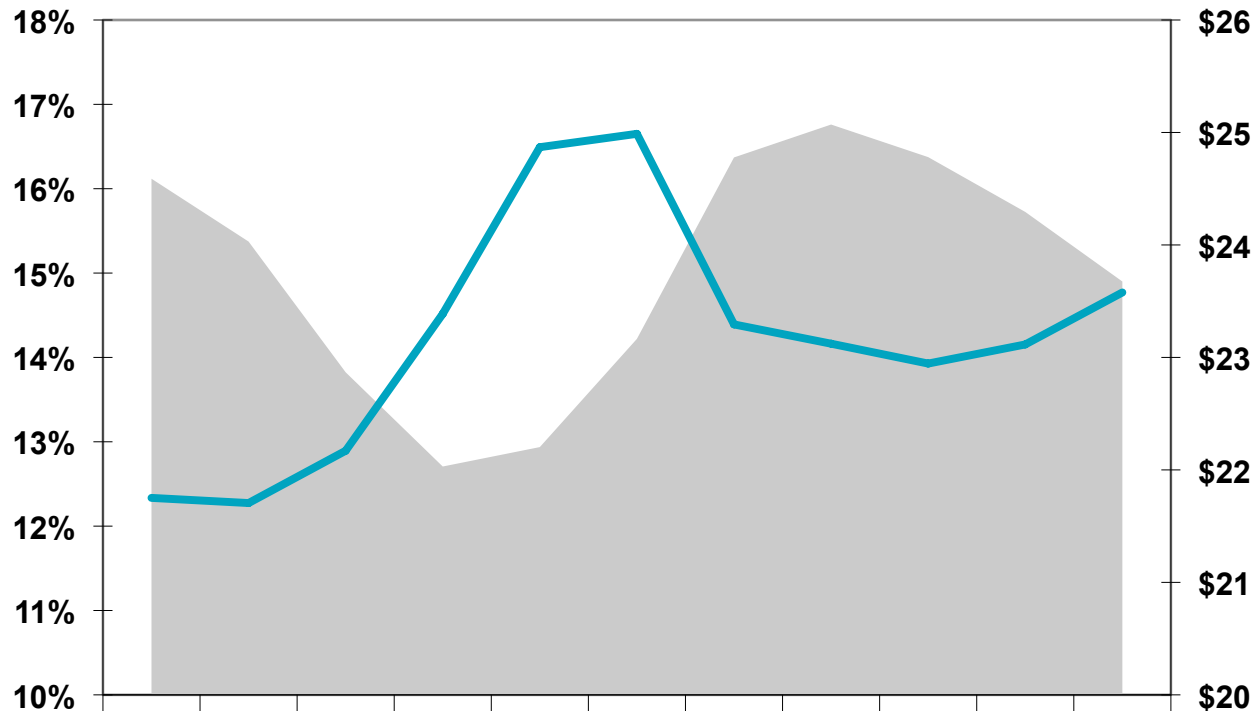
Source: Bureau of Labor Statistics, NGKF

# Recovery Continues This Year



% Vacant

Rent\*



\* Weighted average asking rent \$/SF/year gross

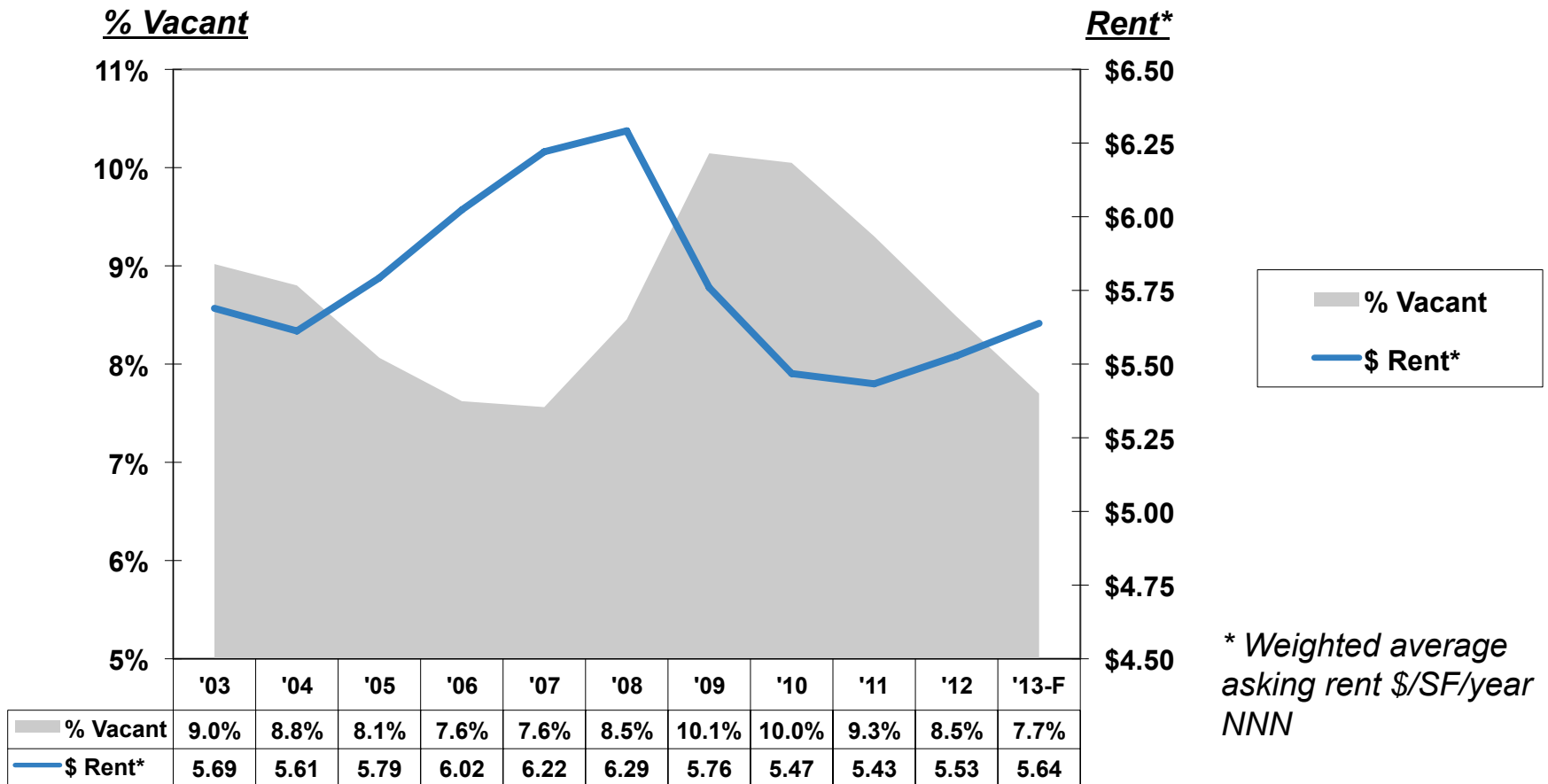
% Vacant	16.1%	15.4%	13.8%	12.7%	12.9%	14.2%	16.4%	16.8%	16.4%	15.7%	14.9%
\$ Rent*	21.75	21.71	22.17	23.39	24.87	24.99	23.29	23.12	22.95	23.12	23.58

Source: NGKF



# Industrial Vacancy & Rent\*

## Rent Growth Stays Slow



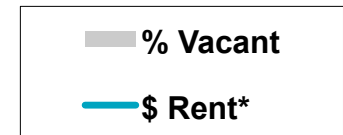
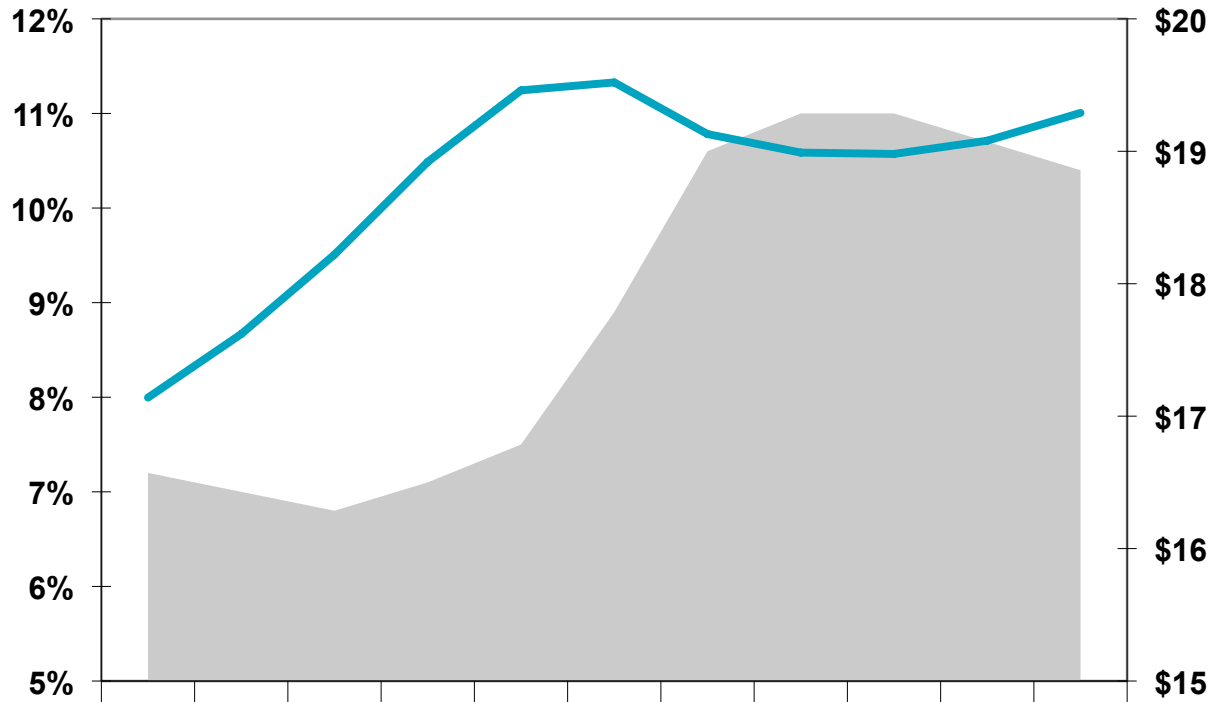
Source: NGKF

# Retail Vacancy & Rent\* Haves and Have Nots



% Vacant

Rent\*



\* Neighborhood & community centers, asking rent \$/SF/year NNN

% Vacant	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13-F
\$ Rent*	17.14	17.62	18.22	18.92	19.46	19.52	19.13	18.99	18.98	19.08	19.29

Source: Reis, NGKF

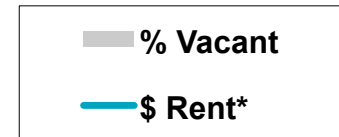
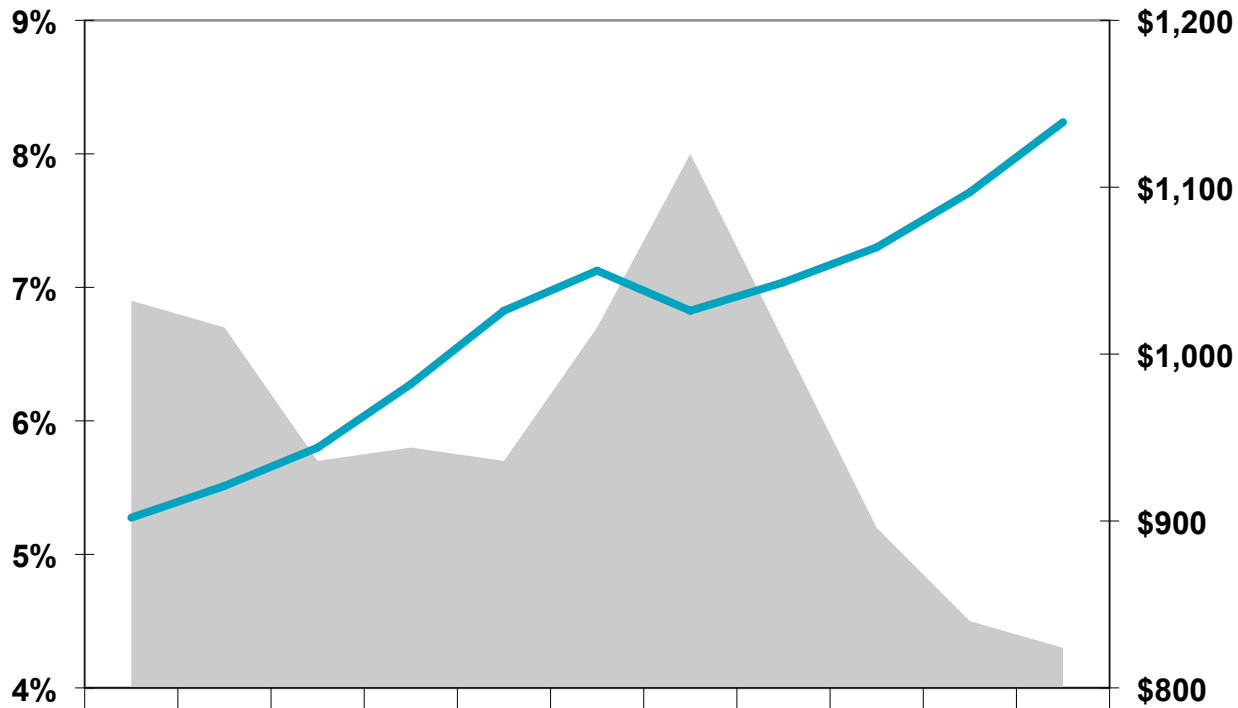
# Apartment Vacancy & Rent\*

## No Overbuilding (yet)



% Vacant

Rent\*



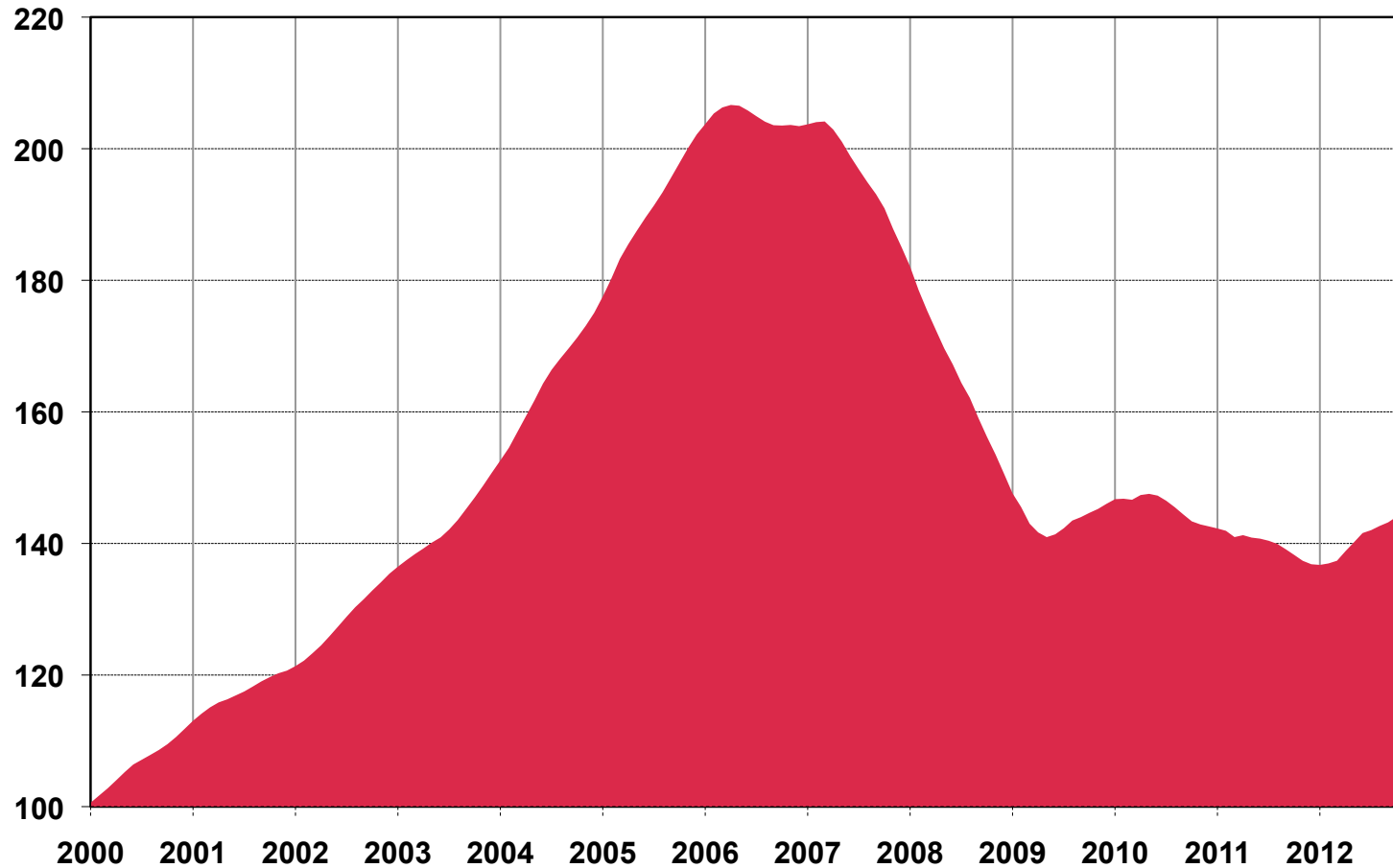
% Vacant	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13-F
	6.9%	6.7%	5.7%	5.8%	5.7%	6.7%	8.0%	6.6%	5.2%	4.5%	4.3%
\$ Rent*	902	921	944	982	1,026	1,050	1,026	1,043	1,064	1,097	1,139

\* Projects w/ at least 50 units, asking rent

Source: Reis, NGKF

S&P/Case-Shiller 20-City Home Price Index

# Median Price on Repeat Sales Up 5.5% Y/Y



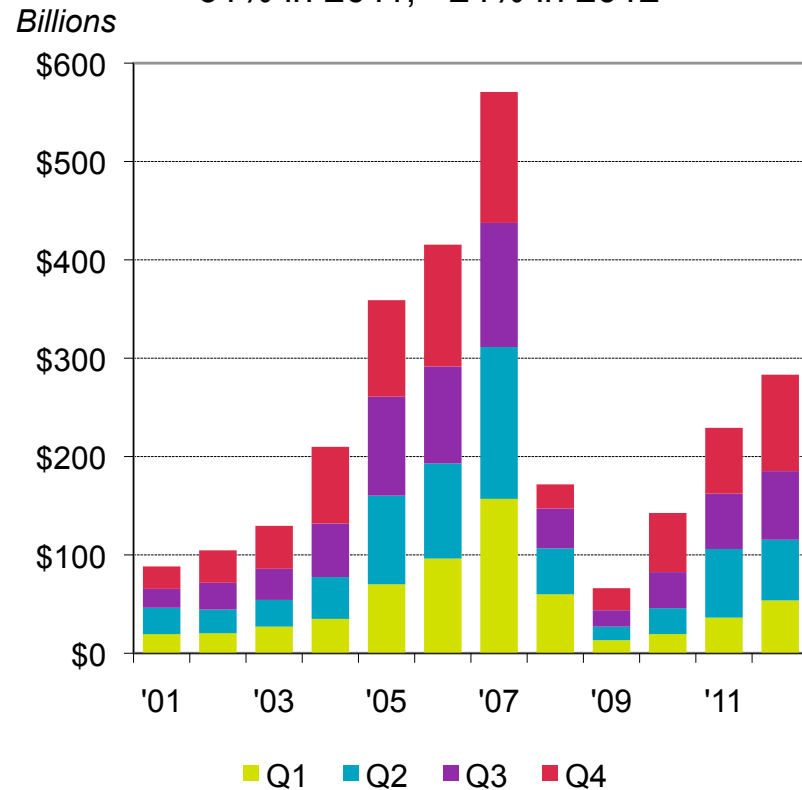
Source: S&P, NGKF



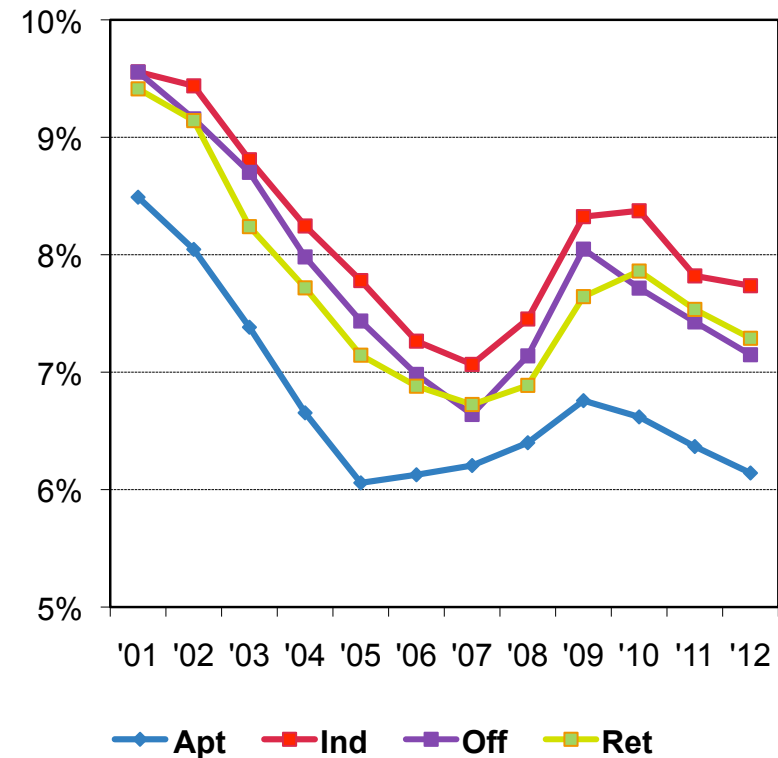
# Sales Moving Higher, Cap Rates Lower

## CRE Investment by Quarter

+61% in 2011, +24% in 2012

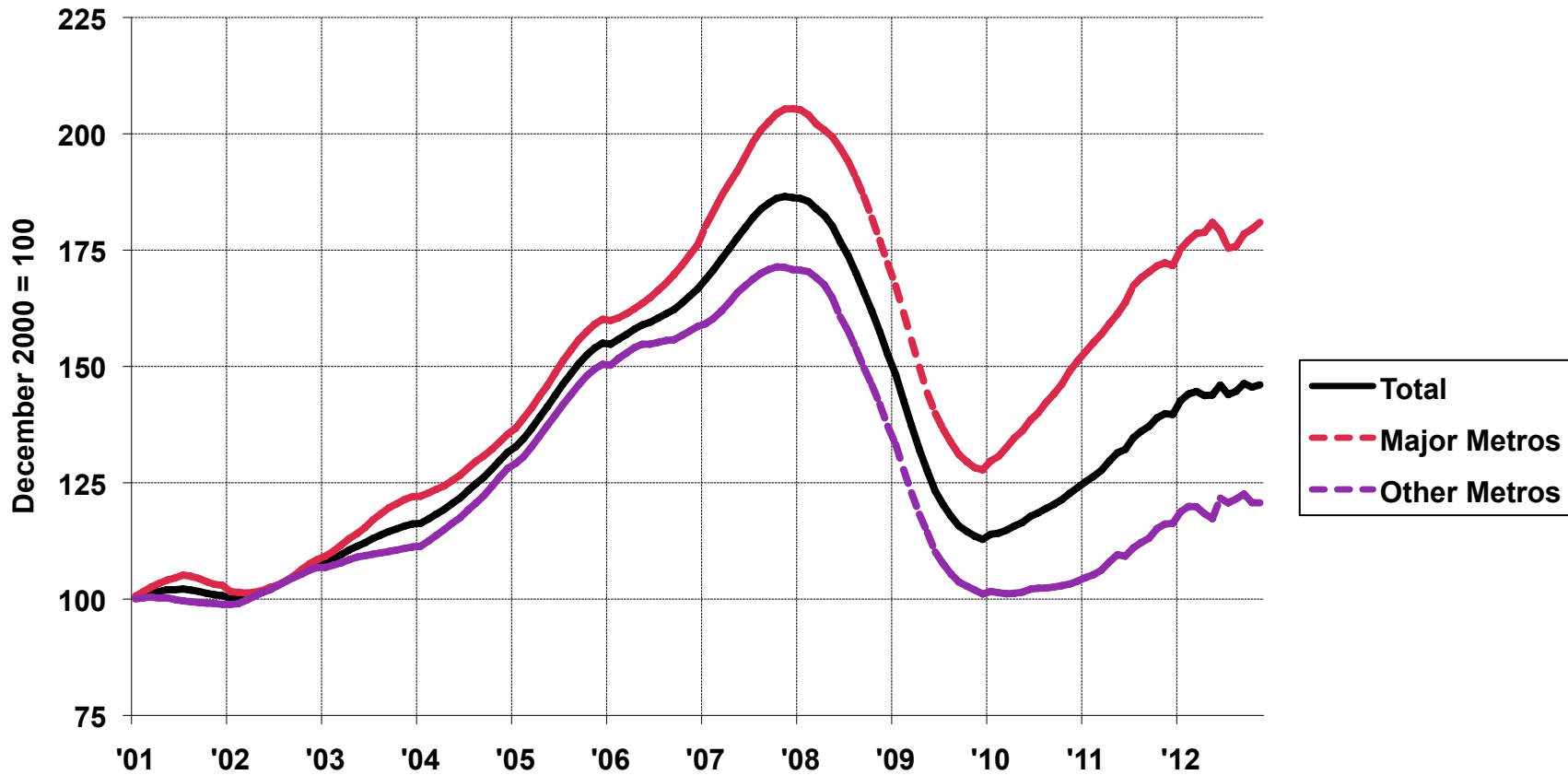


## Average Annual Cap Rates



Source: Real Capital Analytics, NGKF

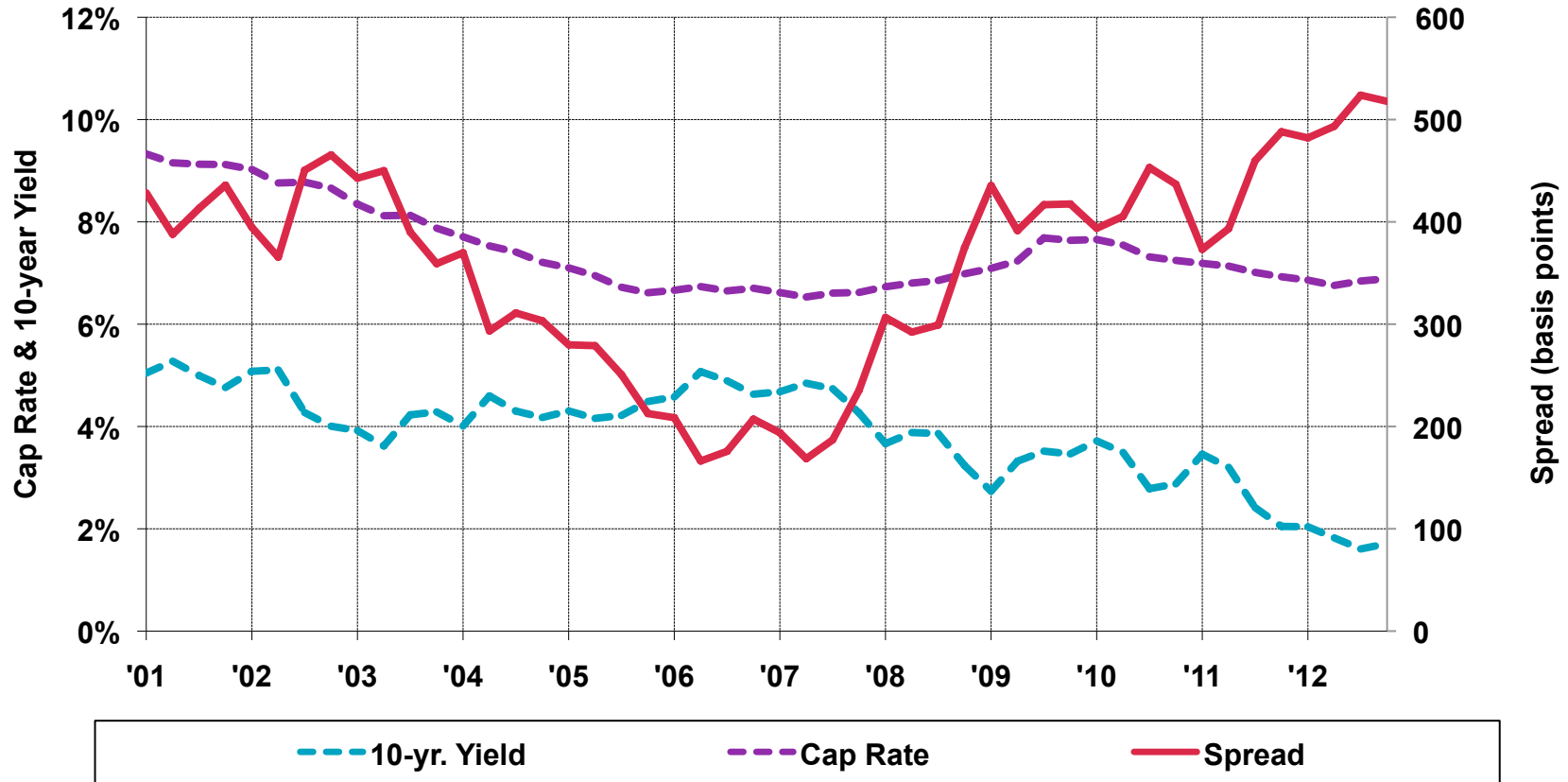
# Secondary Markets See Prices Increase



Source: Real Capital Analytics, NGKF

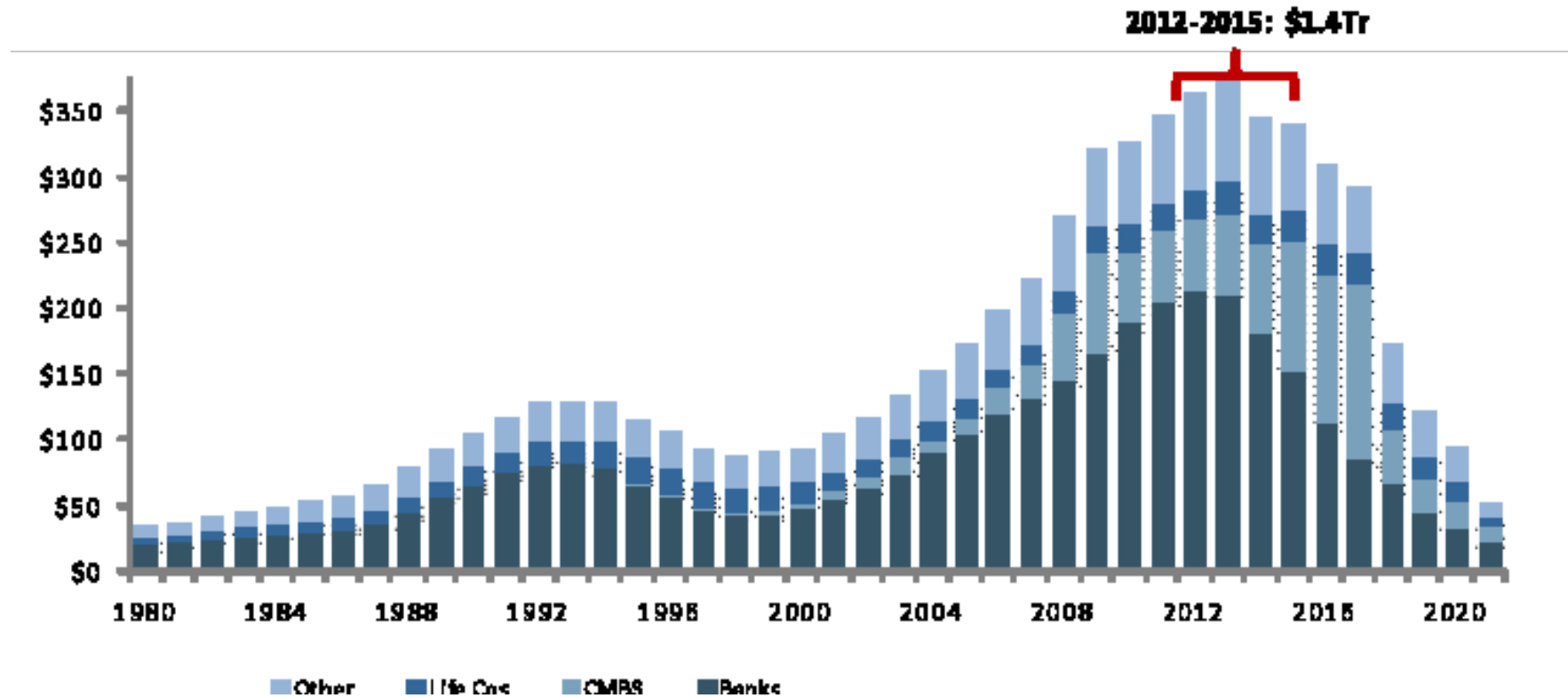
Avg Cap Rate vs. 10-year Treasury Yield (Quarterly)

# Spread Near High = Room for Compression?



Source: Real Capital Analytics, NGKF

# U.S. Commercial Real Estate Loan Maturities Peaking This Year



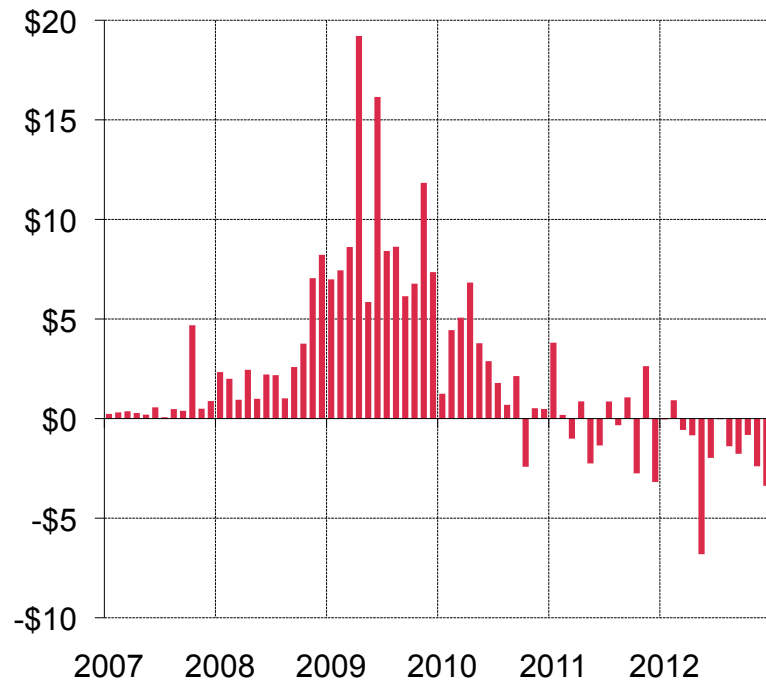
Source: Goldman Sachs, NGKF



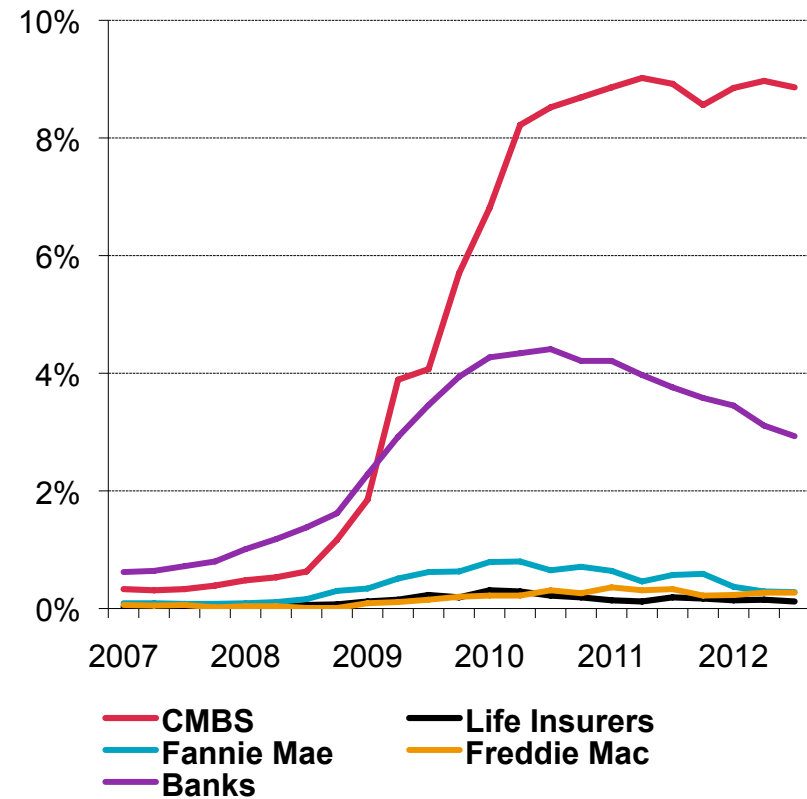


# Commercial Mortgage Conditions

### Monthly Net Change to Inventory of Distressed Properties



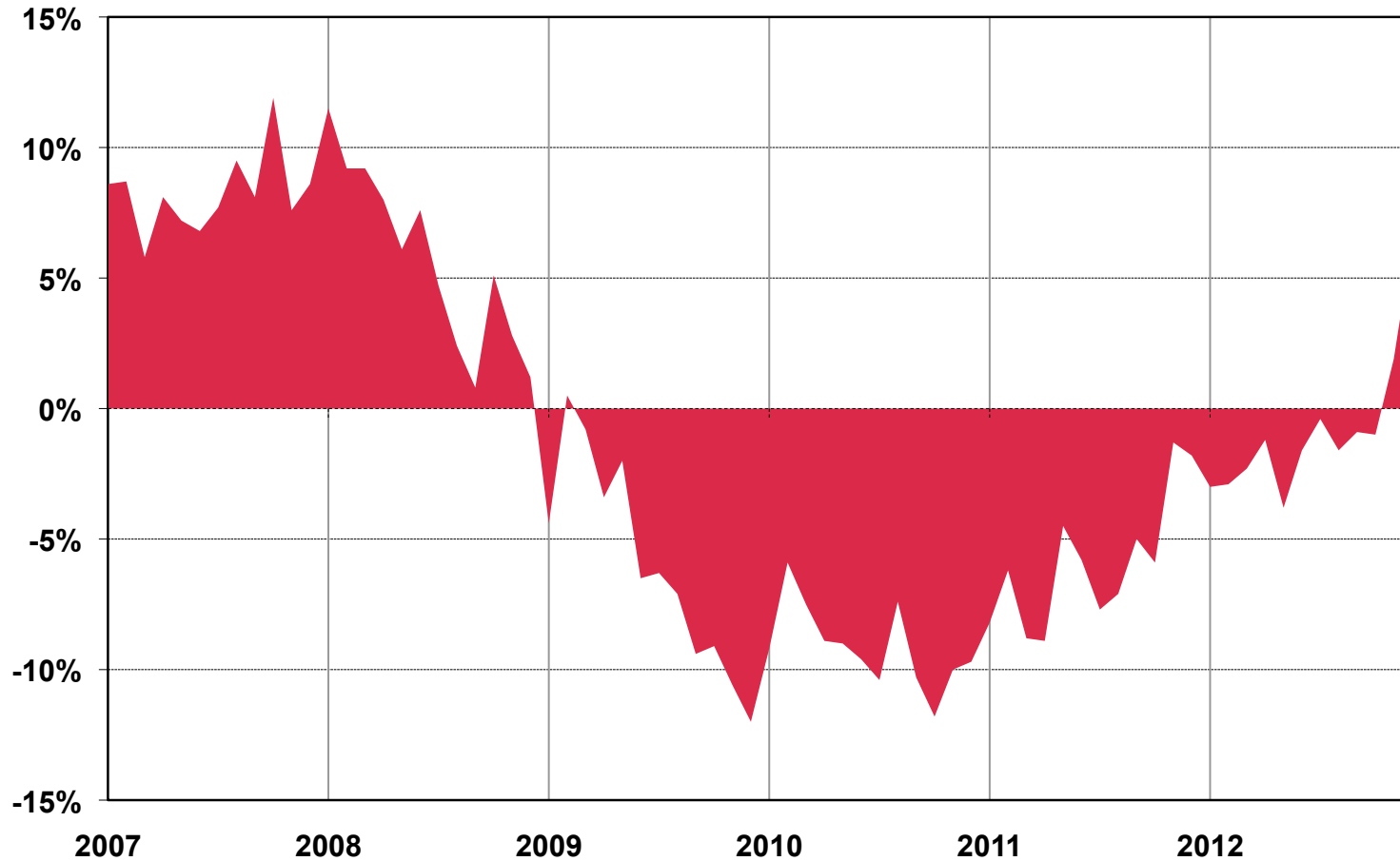
### Delinquency Rates Thru 2012-Q3



Source: Real Capital Analytics, Mortgage Bankers Assoc., NGKF


Outstanding CRE Bank Loans (annualized monthly change)

## New Loans Outweigh Maturities & Distress



Source: Federal Reserve, NGKF

**Q & A**



**Robert O. Bach**  
312.698.6754 |  
rbach@ngkf.com

[www.ngkf.com](http://www.ngkf.com)

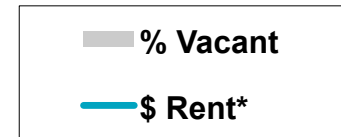
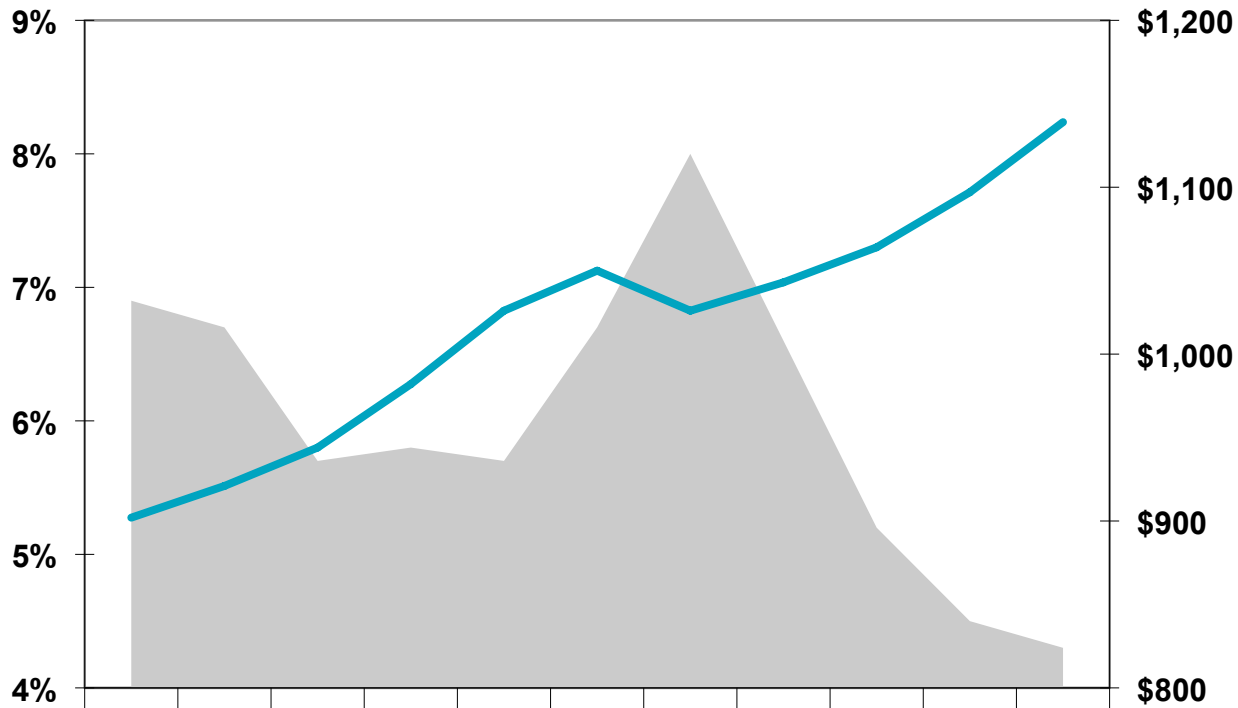
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Source: Reis, NGKF