HERE is the Recovery (Such as There Is)

The Federal Reserve Bank of Richmond
Credit Market Symposium

Presented by:

Jon Southard, *Principal, Director of Forecasting*

04/01/2011

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Space Market Fundamentals

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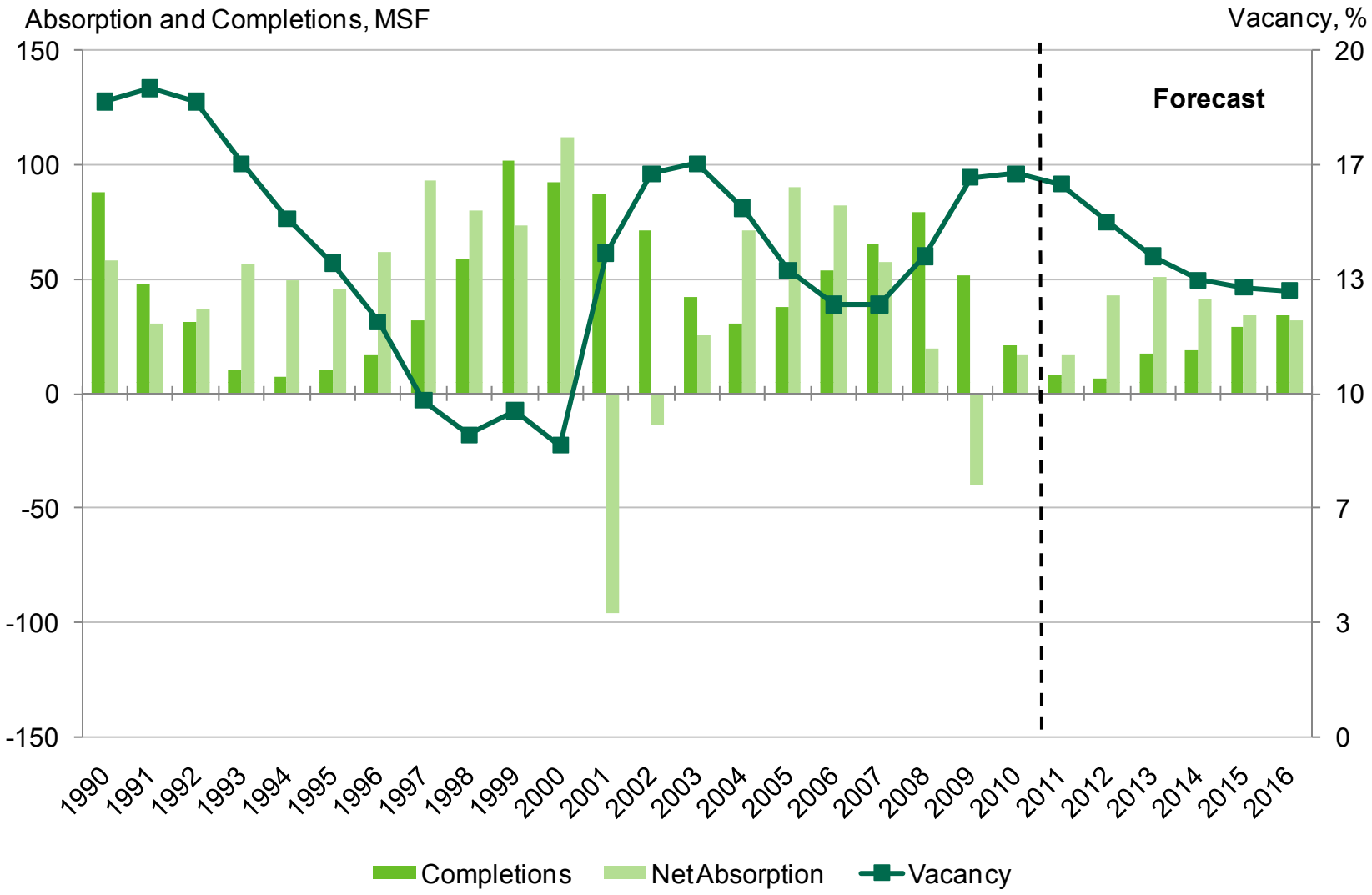
Office Recovery Awaits



Source: CBRE EA Office Outlook, Spring 2011.

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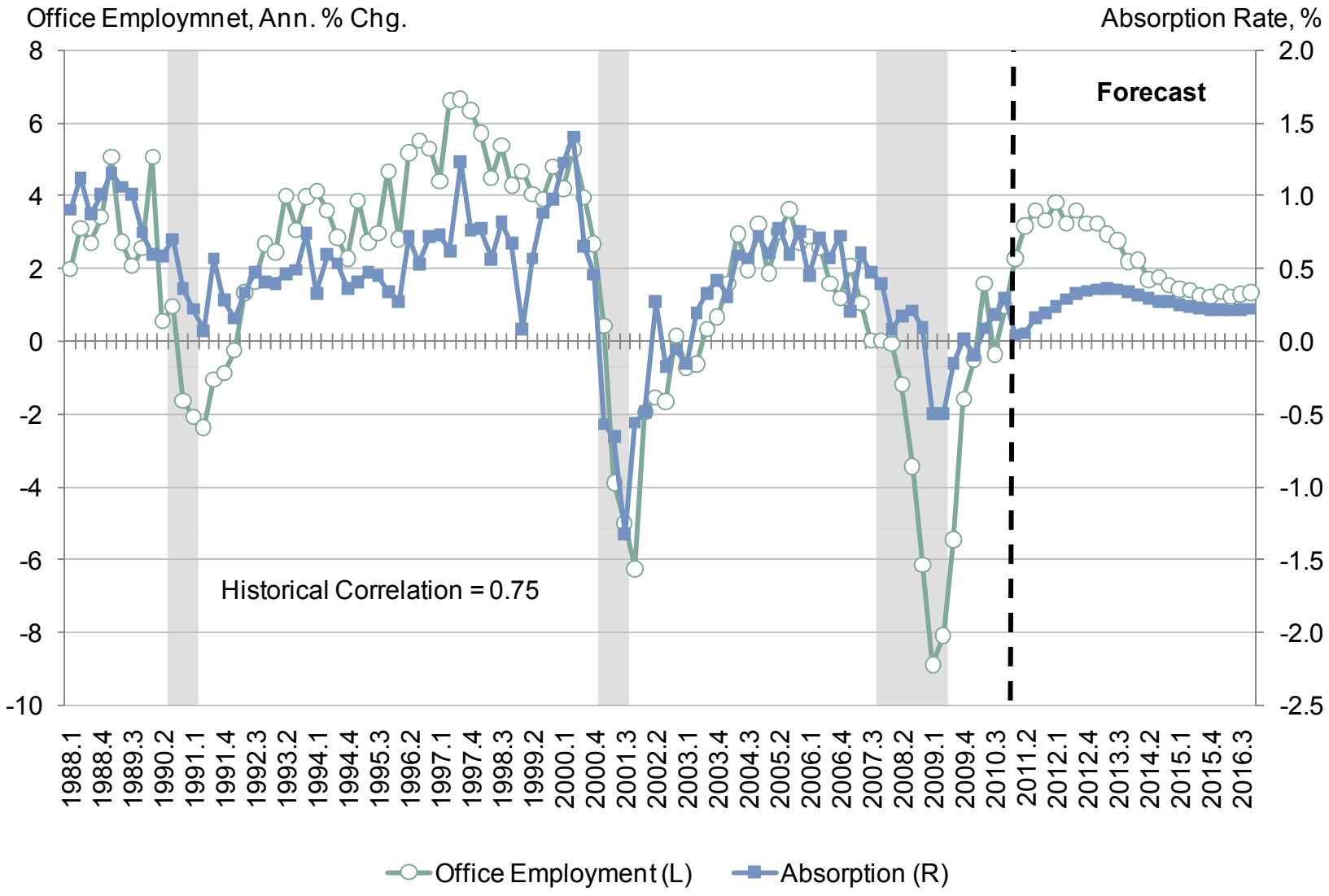
The Economy Must Lead the Office Recovery!



Source: CBRE EA Office Outlook, Spring 2011.

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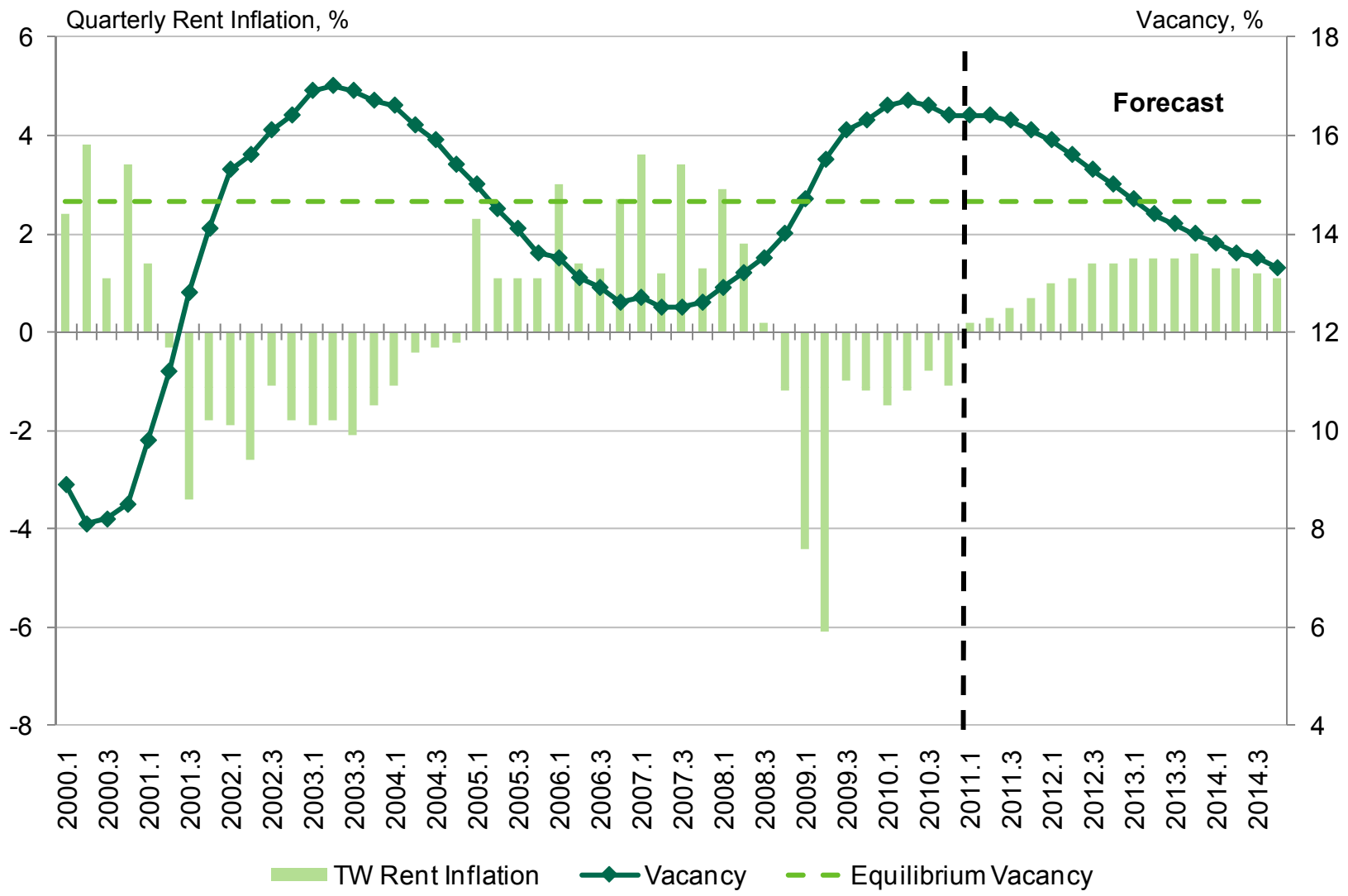
Substantial Office Rent Growth Still At Least A Year Away



Source: CBRE EA, Office Outlook, Spring 2011.

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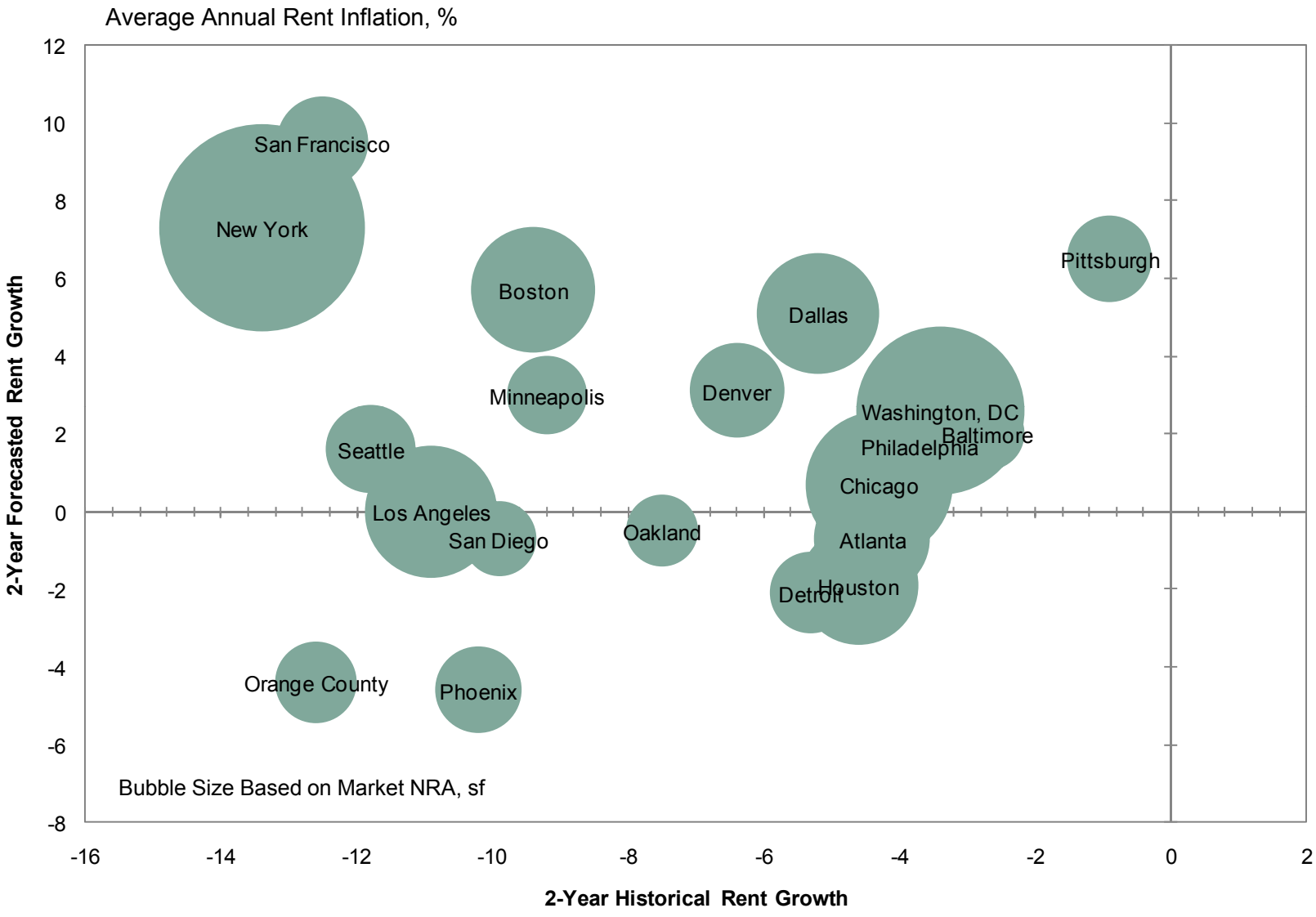
Most Office Markets See Rent Growth in the Offing



Source: CBRE EA Office Outlook, Spring 2011.

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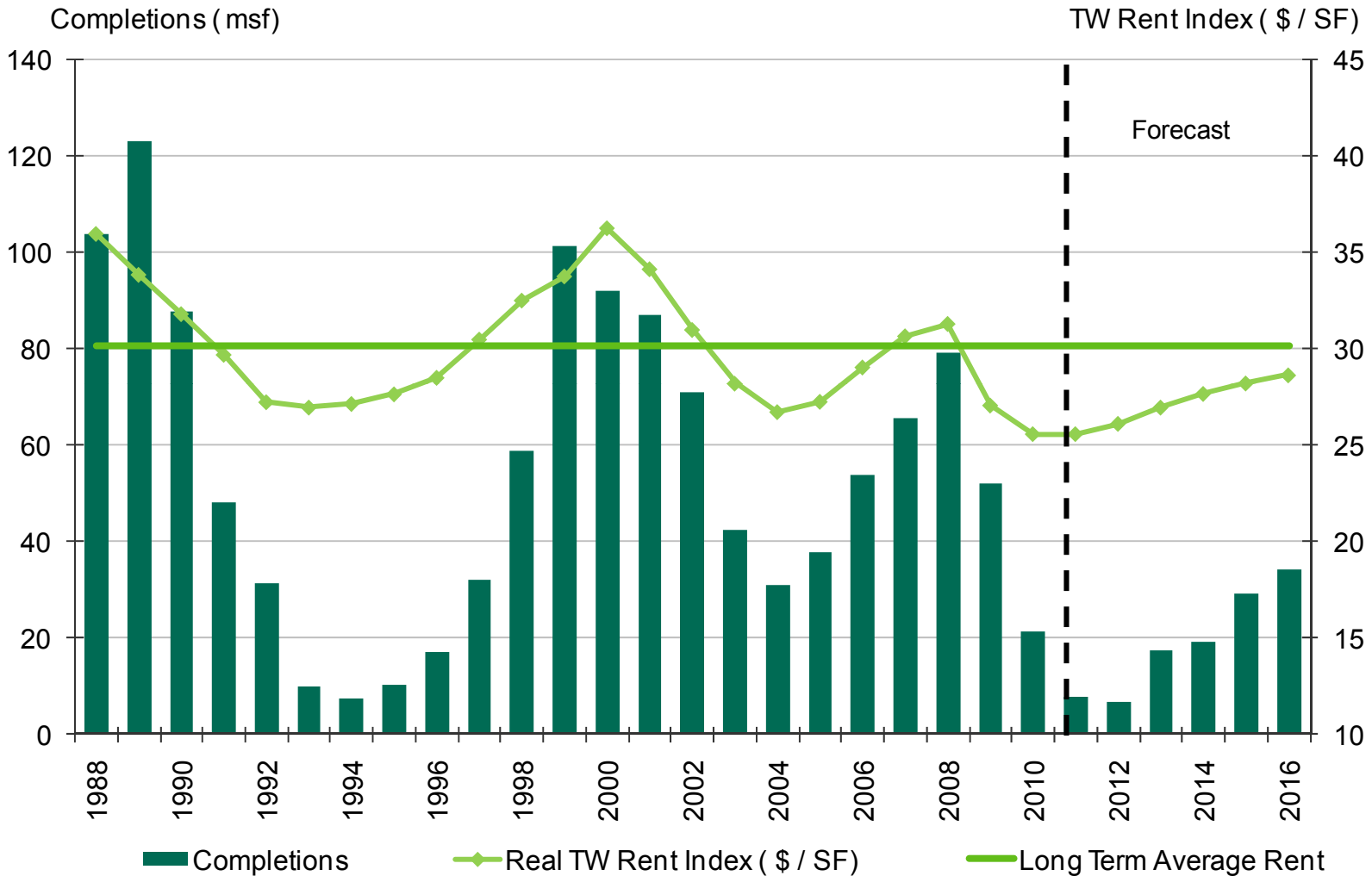
Office Construction Risks Remain Low



Source: CBRE EA, Office Outlook, Spring 2011.

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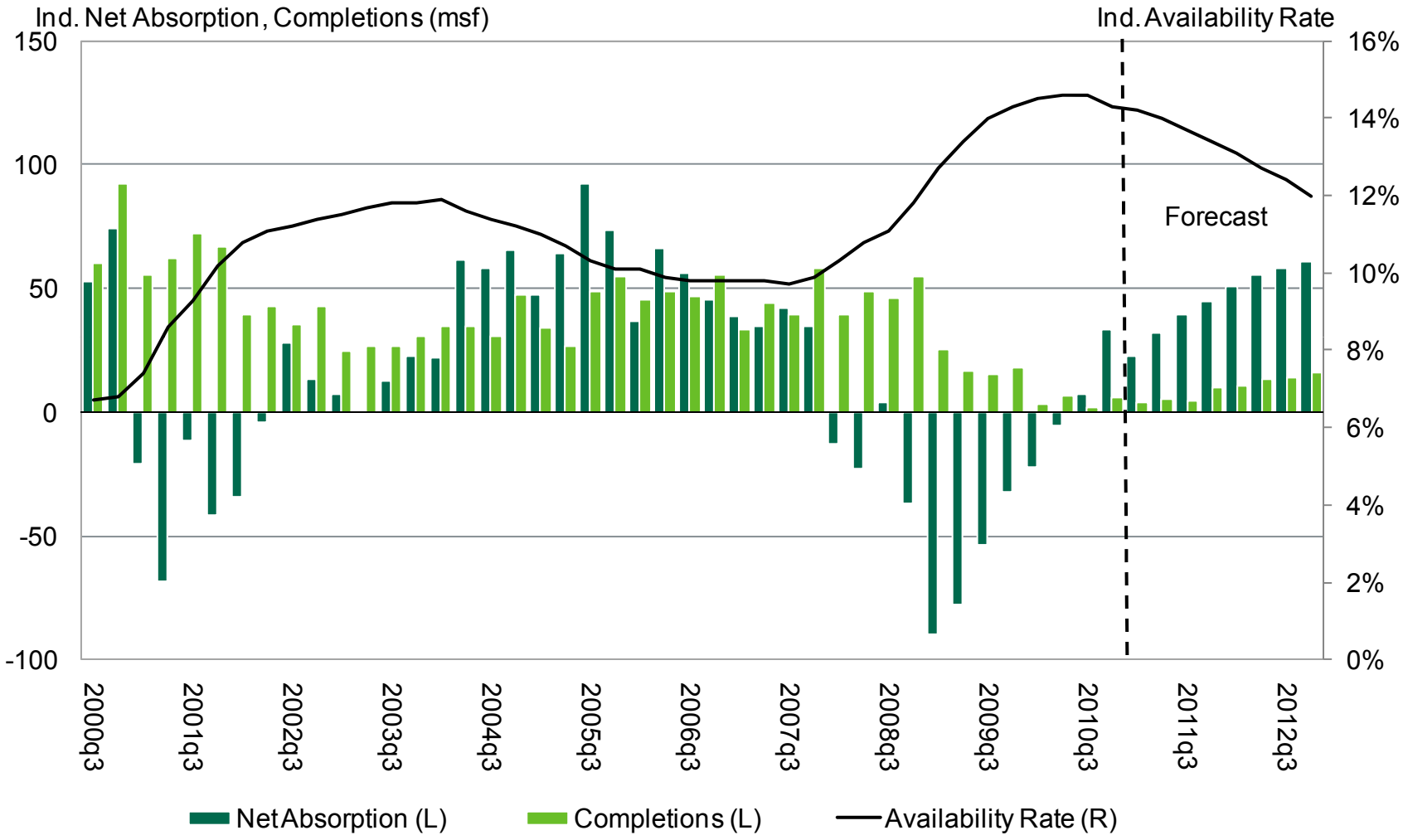
Lack of Construction Key Factor in Industrial Recovery



Source: CBRE-EA Industrial Outlook, Spring 2011.

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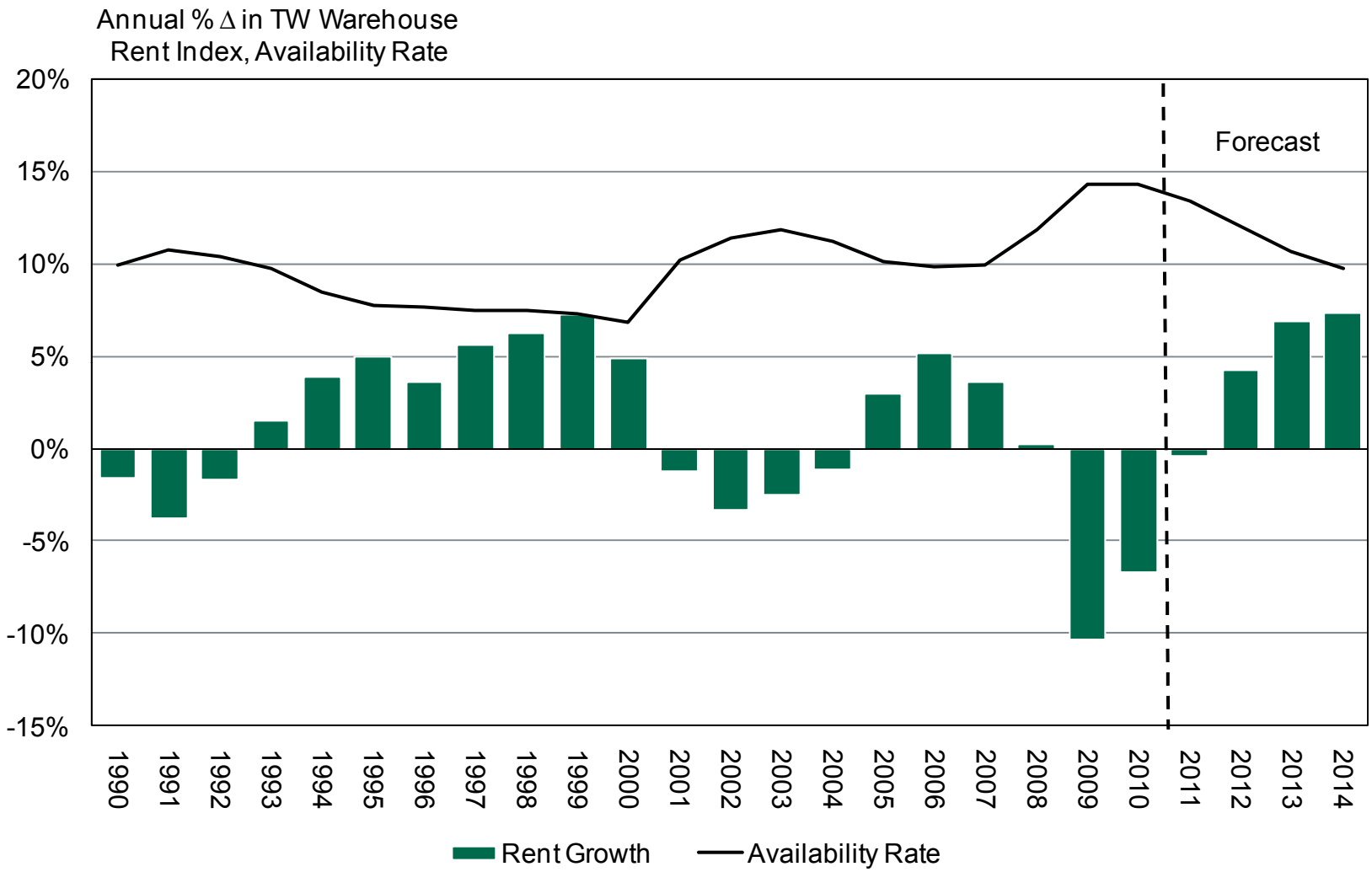
Annual Industrial Rent Growth Set to Begin in 2012



Source: CBRE-EA Industrial Outlook, Spring 2011.

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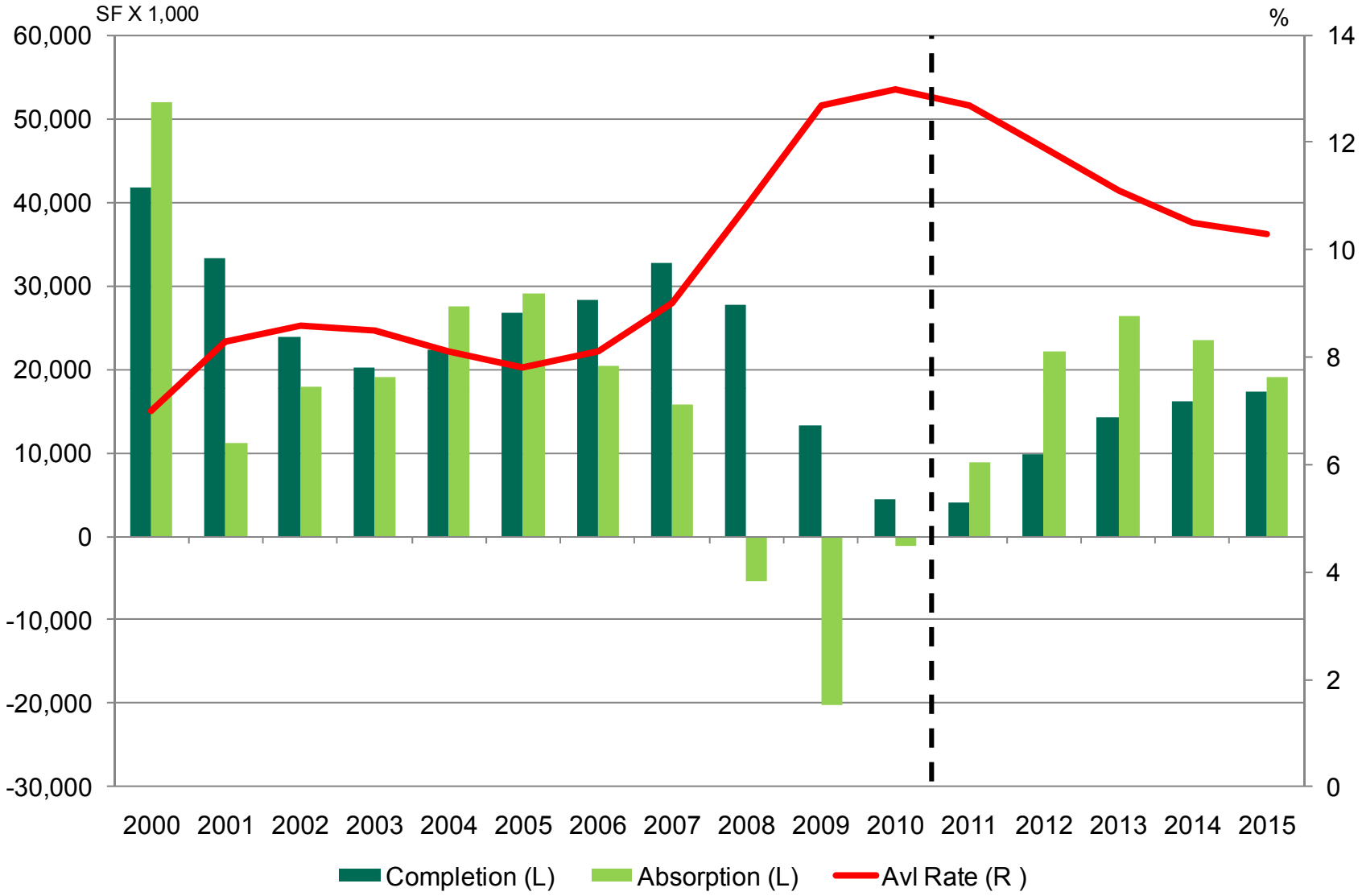
Grocery-Anchored Retail: Looking Ahead to 2011



Sources: CBRE Econometric Advisors

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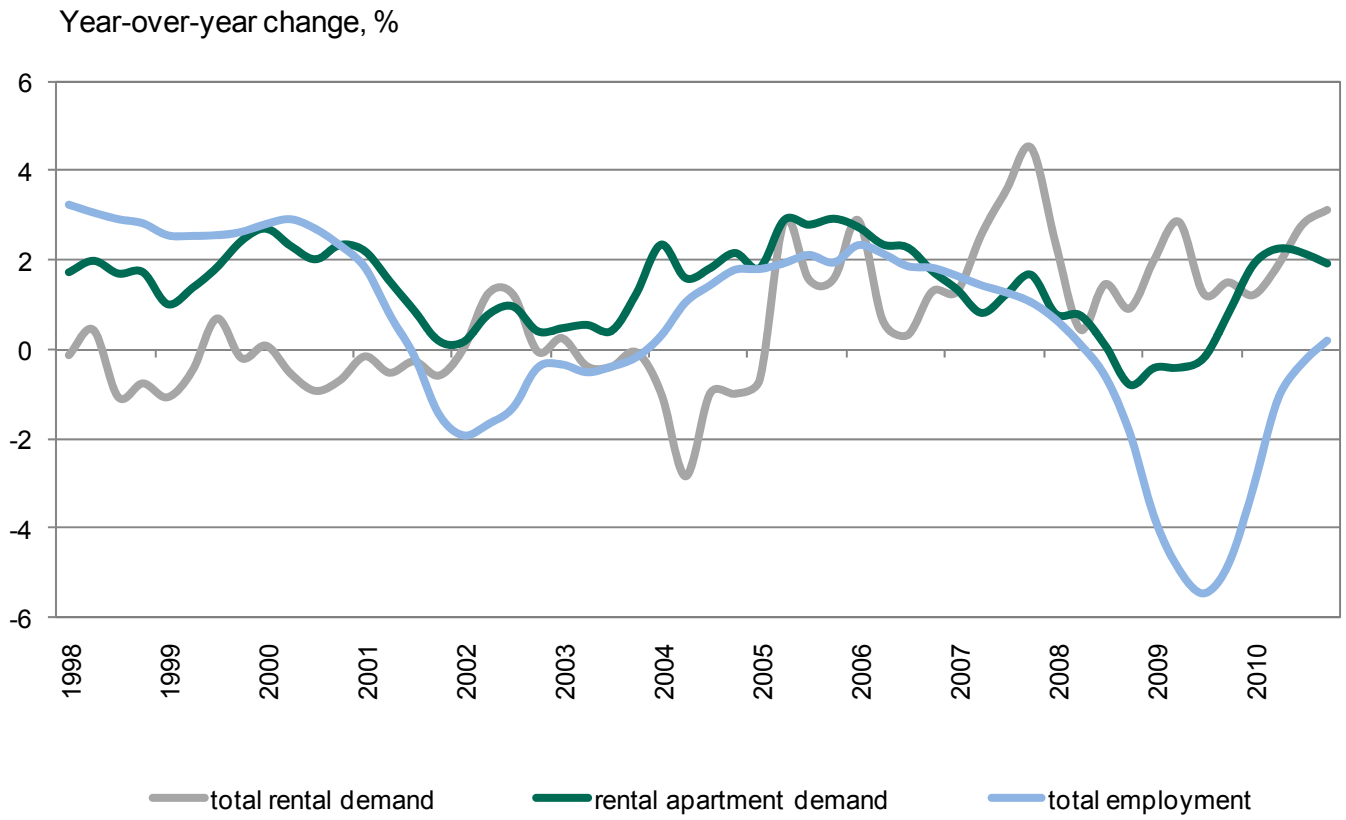
Apartment Demand Not Just From Economy



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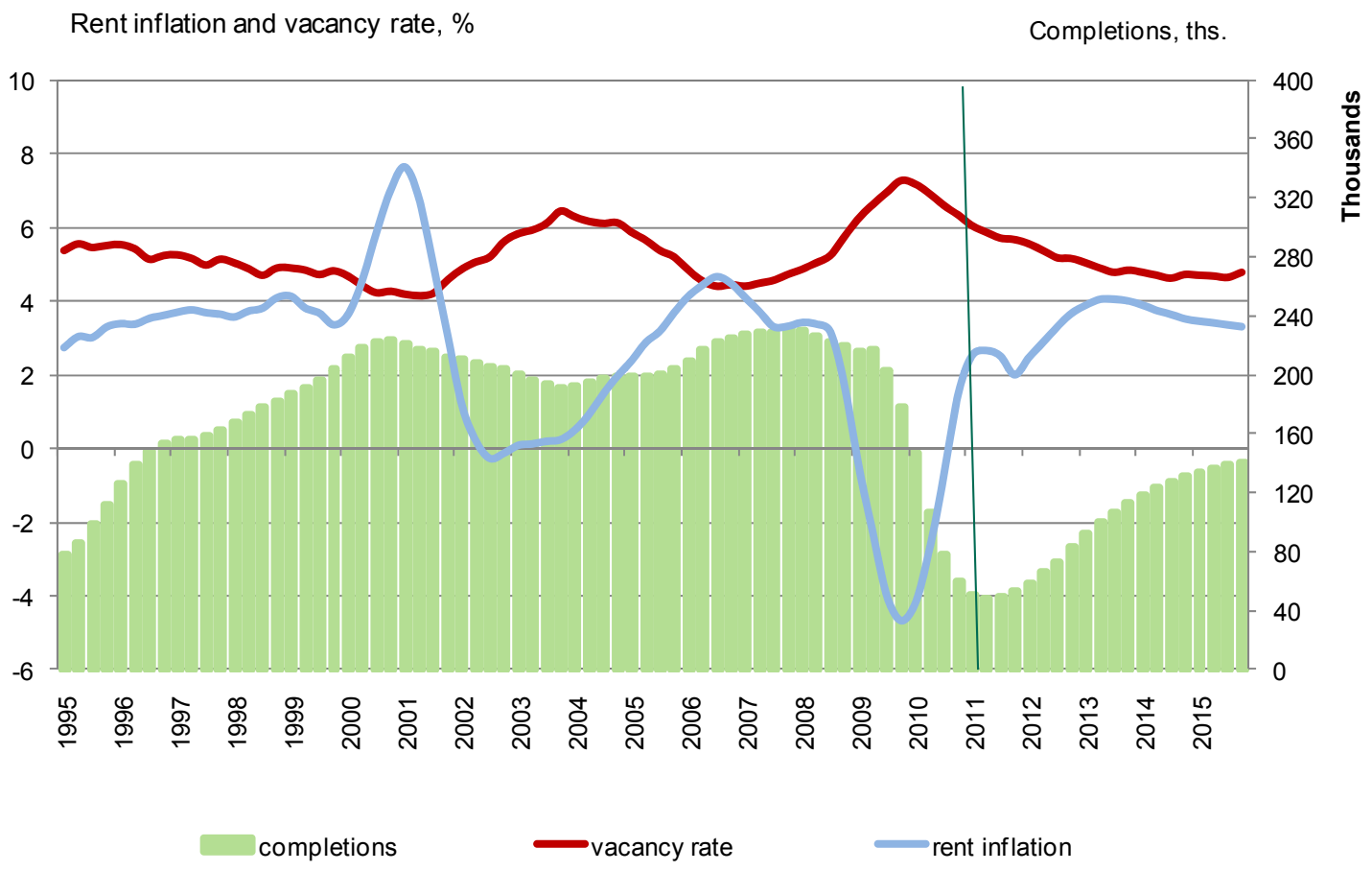
…Resulting in Faster Multifamily Recovery



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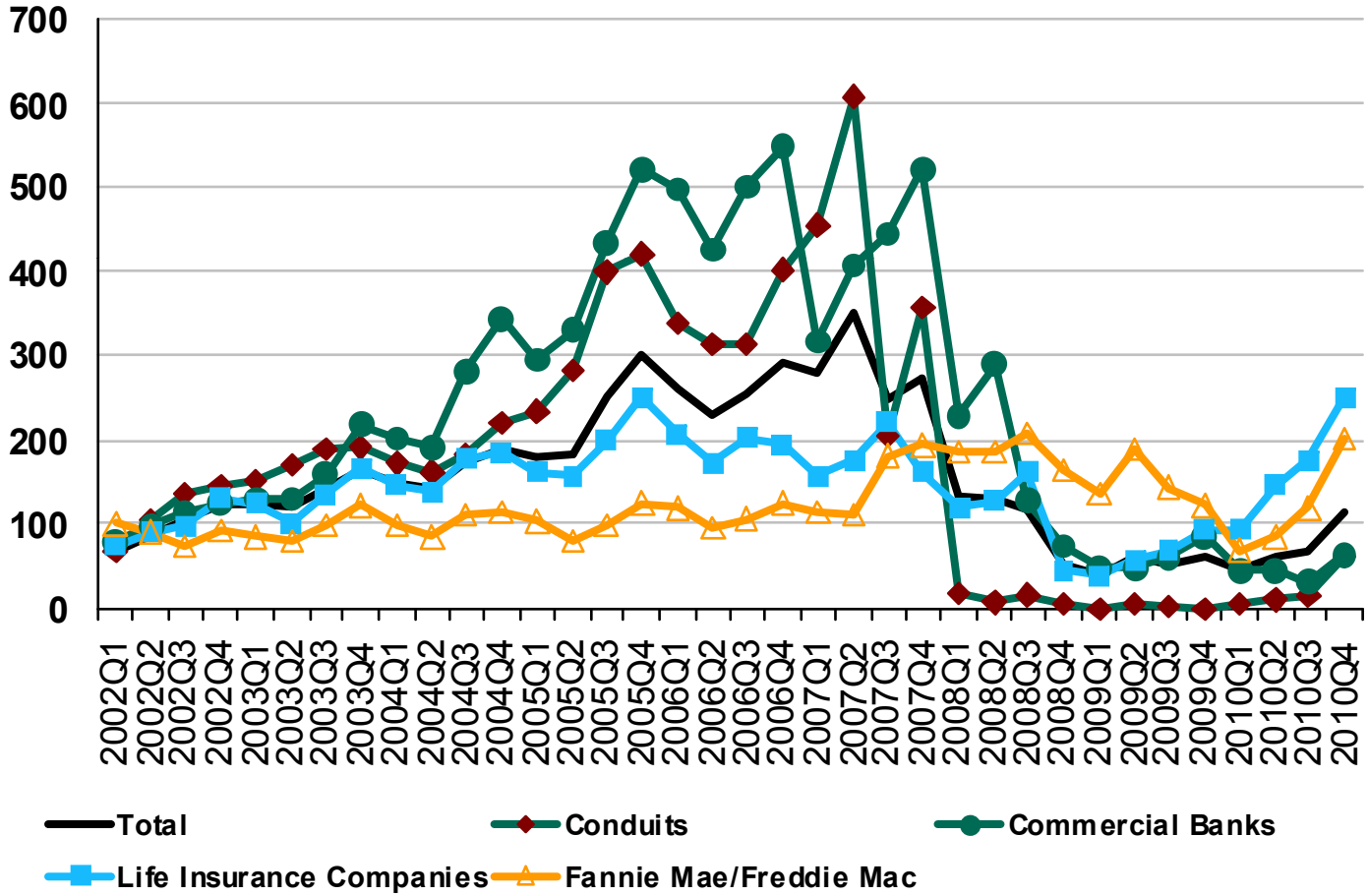
Life Company Originations Rise Sharply During 2010

Commercial/Multifamily Mortgage Bankers Originations Index by Investor Group (2001 average = 100)



Source: Mortgage Bankers Association, 10Q4 Survey

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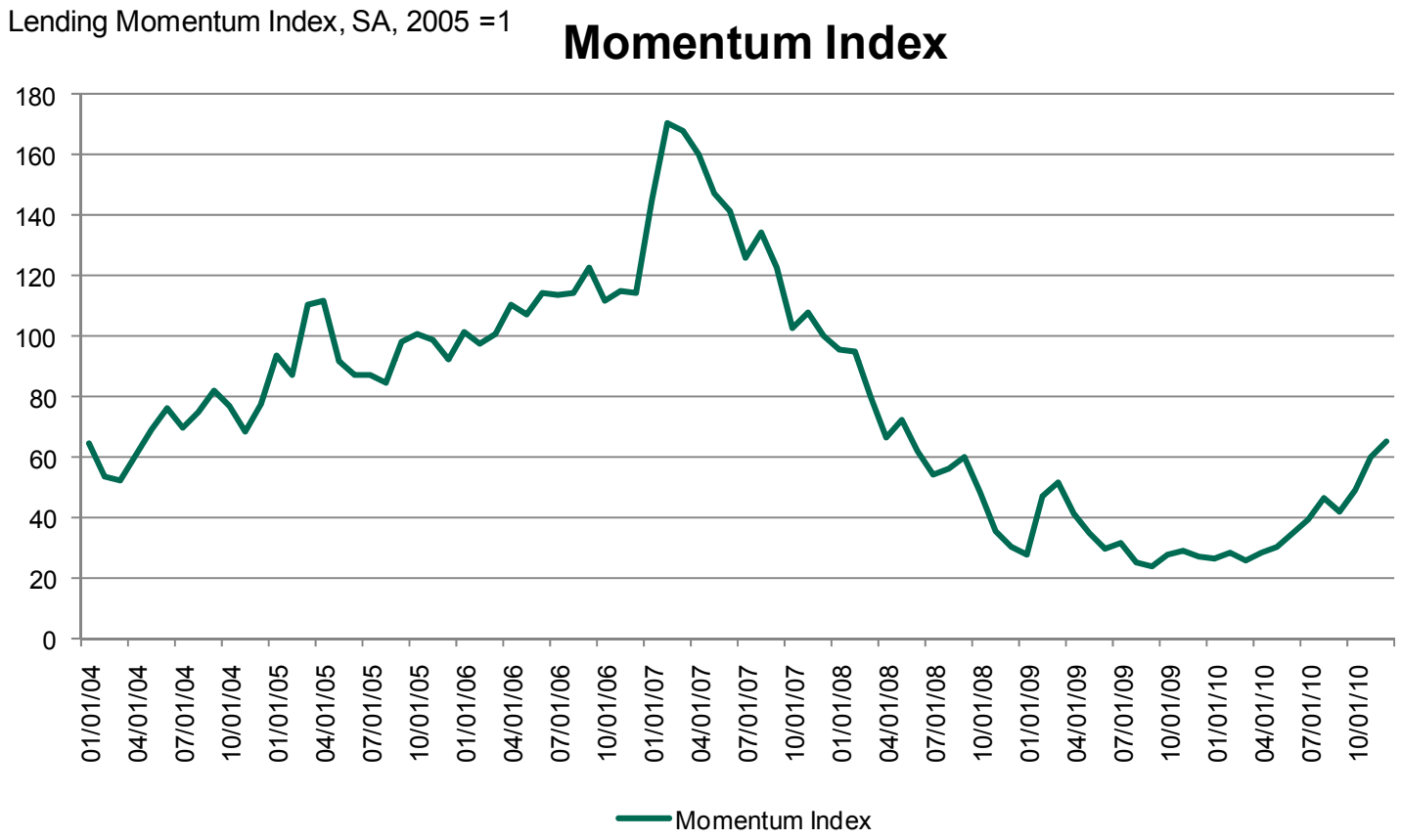
Debt Availability Improved Rapidly in 2010H2



Source: CB Richard Ellis Capital Markets, CBRE-EA, Index reflect acquisition and refinance volumes on CBRE brokered and originated transactions.

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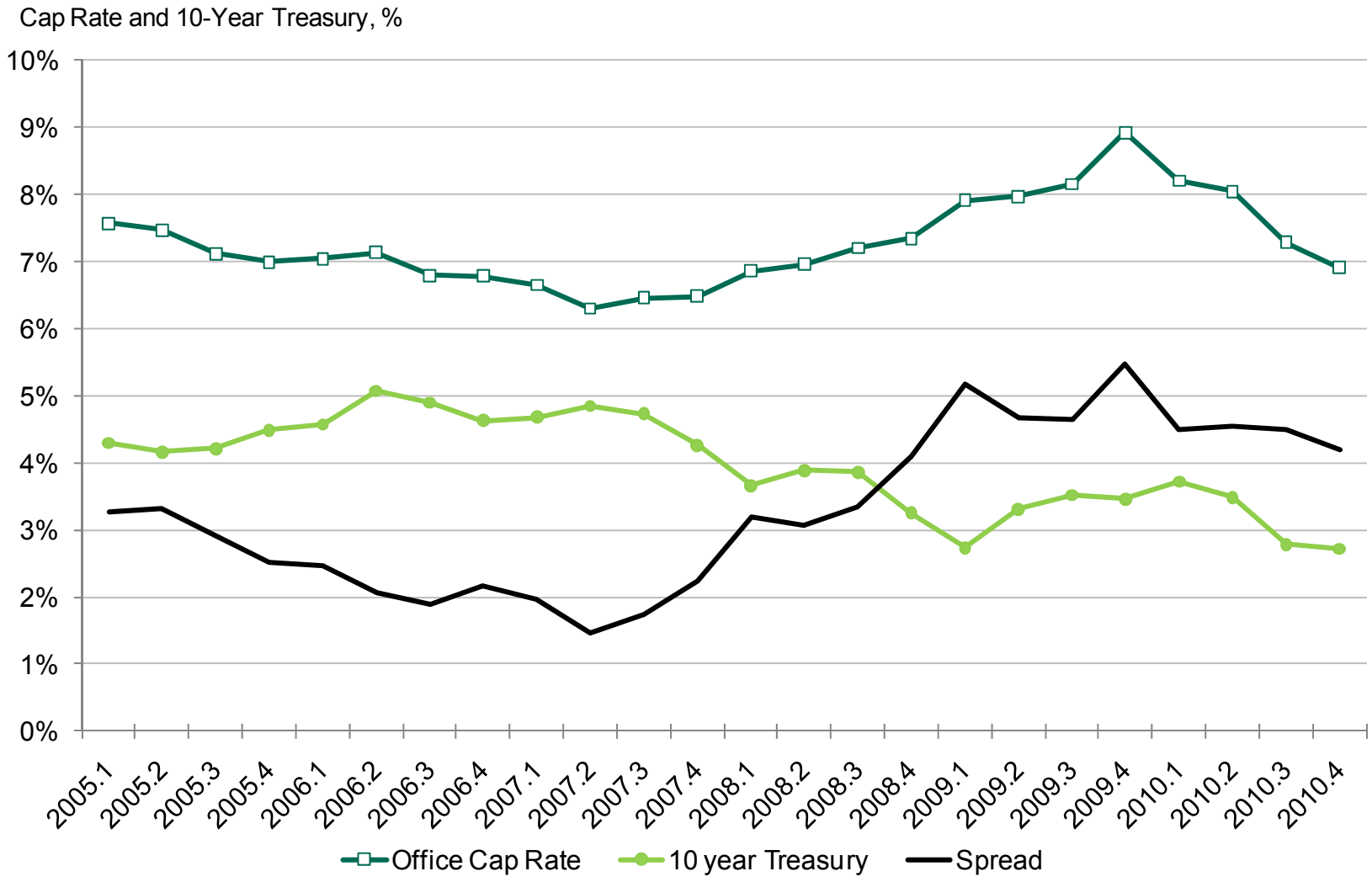
Cap Rates Compared to Treasuries



Source: Real Capital Analytics; U.S. Federal Reserve

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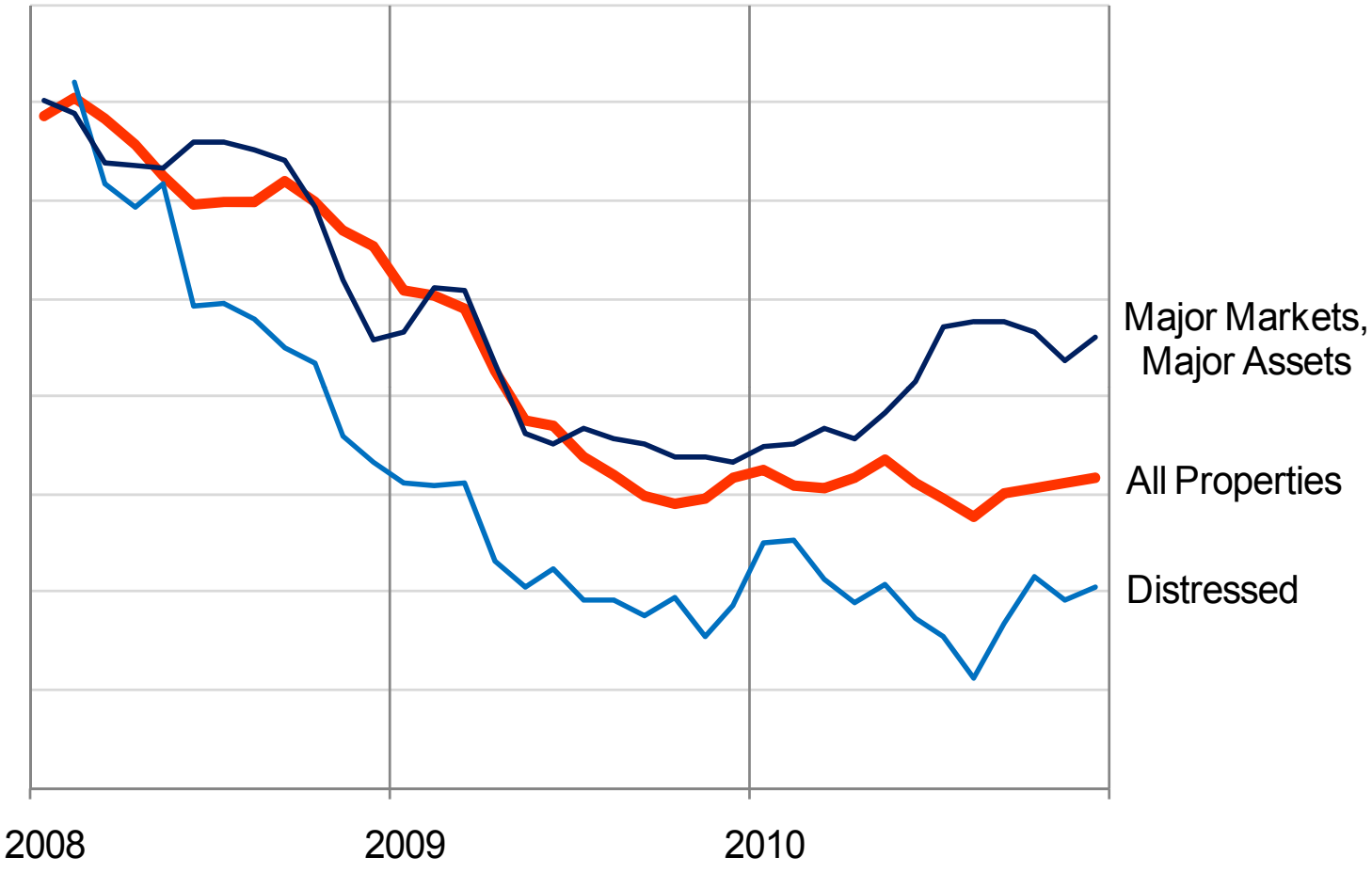
National Value Trends Mask Bifurcated Market



Major Market, Major Assets: properties values $10 million and greater in NY, DC, SF, LA ,Boston, Chicago,
Distressed: properties sold by or on behalf of creditors
Sources: Real Capital Analytics,Geltner & Associates, Moody's/REAL CPPI National Aggregate Index

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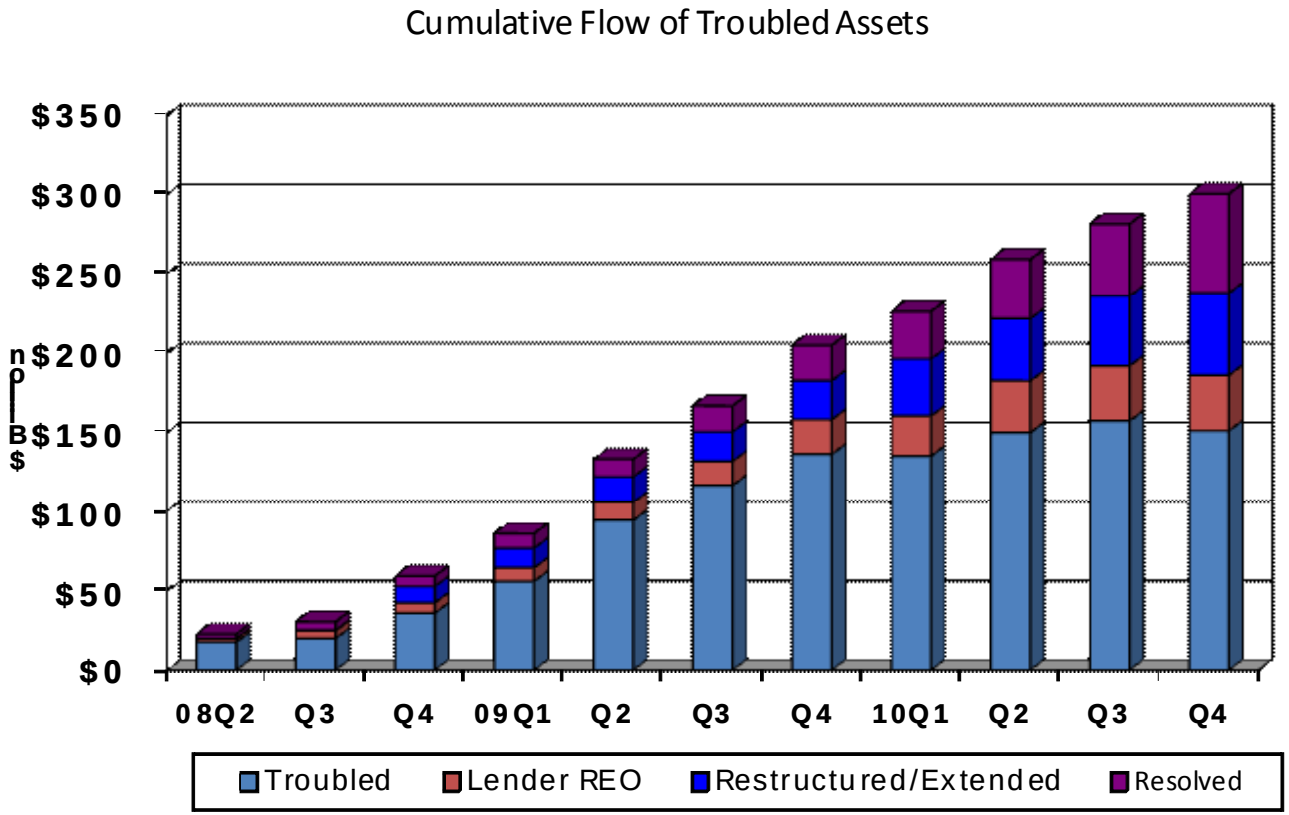
Growth in Troubled Assets Appears To Level Off…For Now

Resolutions Jumped by $17 billion in 2010Q4



Source: RCA Troubled Assets Radar, October 2010

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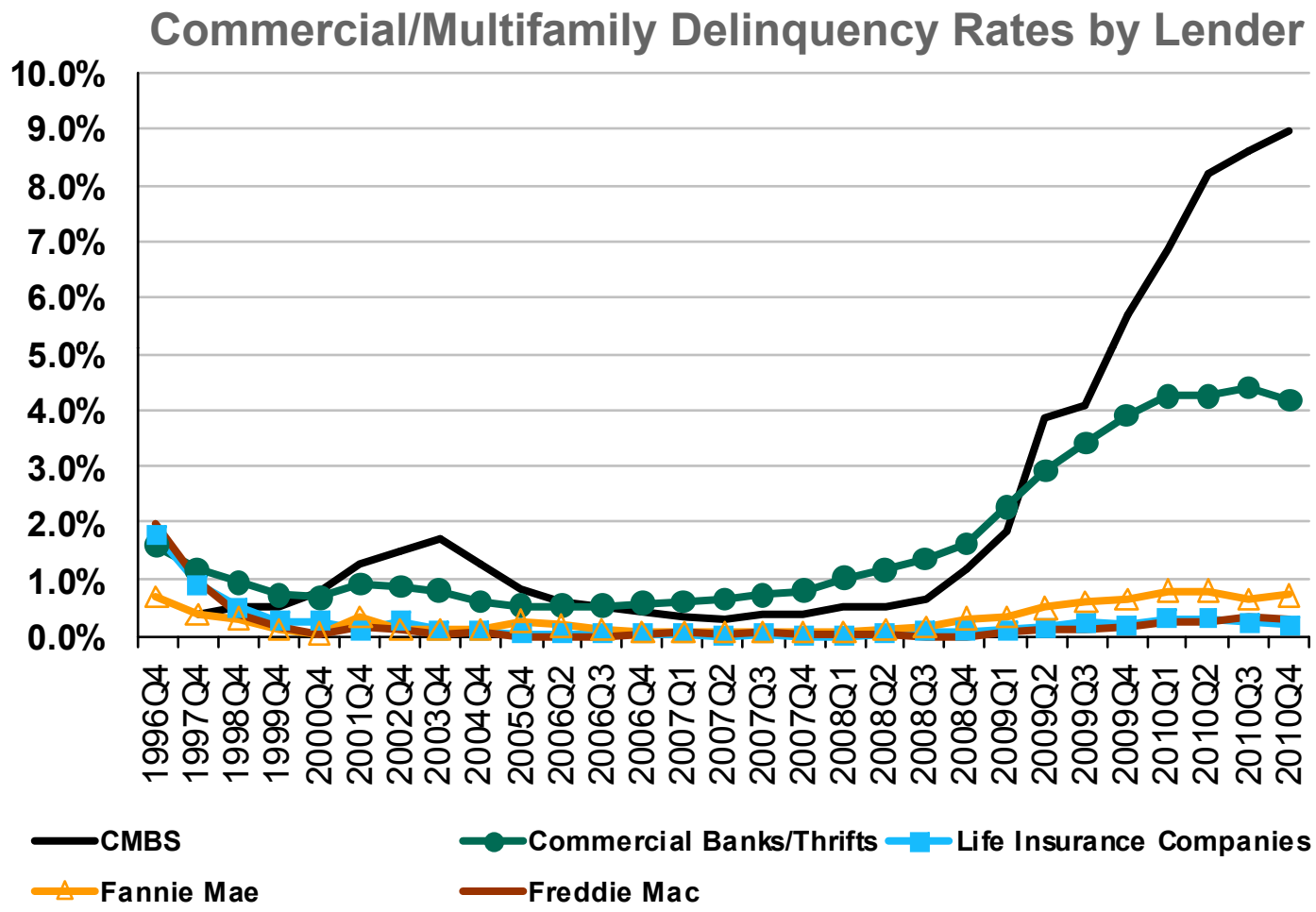
Banks and CMBS Issues Likely to Face Highest Delinquencies Near-Term



Source: MBA, ACLI, Wells Fargo, Fannie Mae, Freddie Mac, OFHEO and FDIC

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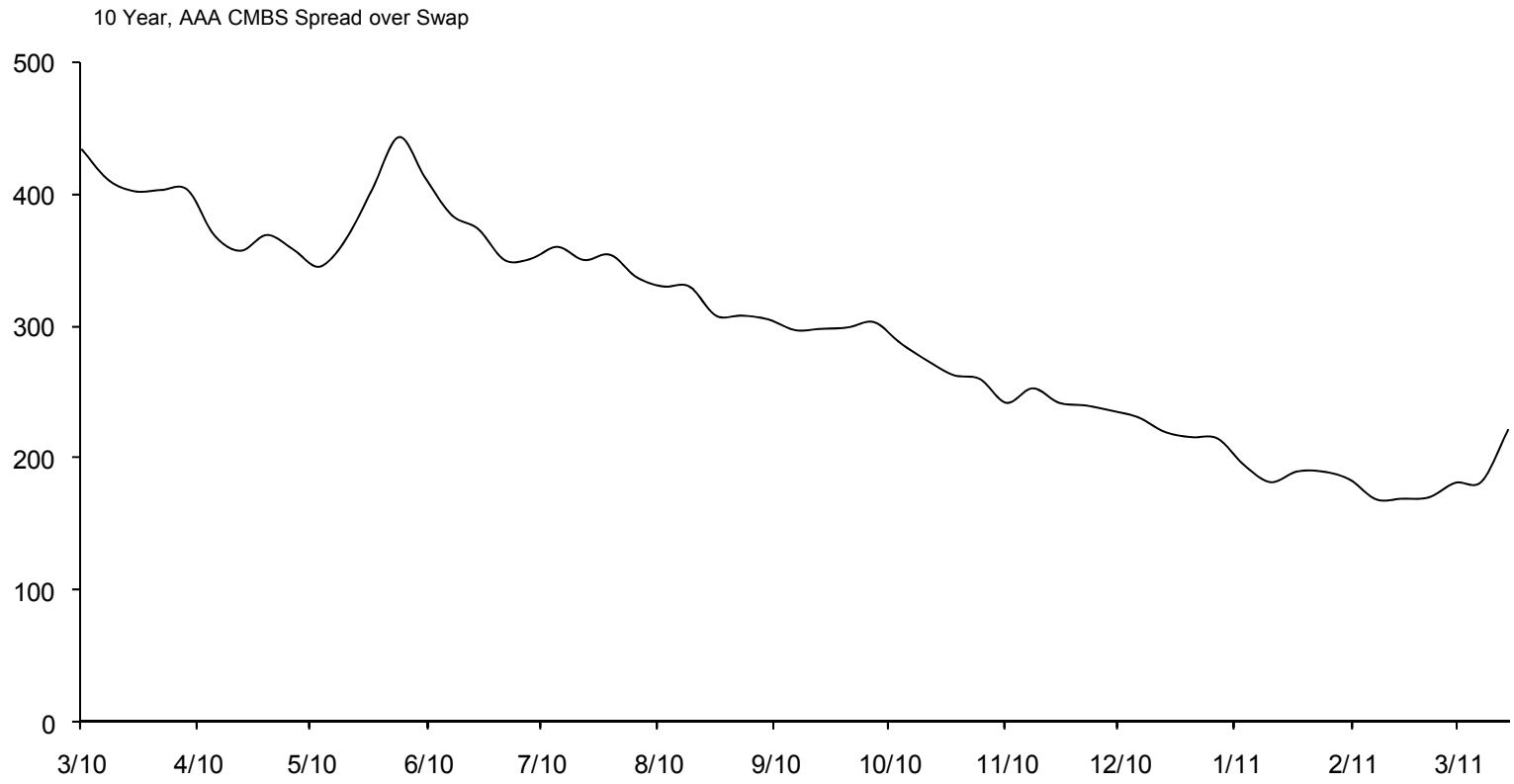
But CMBS Spreads Reflect Comparison to Previous Expectations



Source: Trepp, Commercial Mortgage Alert

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Thank You

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