The Fall of our Discontent: Management & Leasing Outlook 2012

NAIOP Management & Leasing Forum Presentation

by
James R. DeLisle, Ph.D.

October 18, 2011
Overview

- Respondent Profile
- Market Timing

- Part I: Economic Outlook
- Part II: Capital Market Overview
- Part III: Real Estate Market Outlook
- Part IV: Challenges, Issues and Opportunities

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What Do You Want Me To Talk About?
# Careers: Past & Future

## How many more years do you think you will be active in the real estate industry?

<table>
<thead>
<tr>
<th>Under 5 years</th>
<th>5-7 years</th>
<th>8-10 years</th>
<th>11-15 years</th>
<th>16-20 years</th>
<th>20-25 years</th>
<th>26-30 years</th>
<th>31-35 years</th>
<th>36-40 years</th>
<th>Over 40 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0% (0)</td>
<td>5.0% (1)</td>
<td>10.0% (2)</td>
<td>35.0% (7)</td>
<td>30.0% (6)</td>
<td>5.0% (1)</td>
<td>5.0% (1)</td>
<td>5.0% (1)</td>
<td>5.0% (0)</td>
<td>0.0% (0)</td>
</tr>
</tbody>
</table>

Let's talk about your future career plans and how they may have changed.

## How have your retirement plans changed recently (i.e., # years shorter or longer) due to recent events?

<table>
<thead>
<tr>
<th>-10 years</th>
<th>-5 years</th>
<th>-2 years</th>
<th>No change</th>
<th>+2 years</th>
<th>+5 years</th>
<th>+10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.0% (1)</td>
<td>0.0% (0)</td>
<td>0.0% (0)</td>
<td>60.0% (12)</td>
<td>0.0% (0)</td>
<td>25.0% (5)</td>
<td>10.0% (2)</td>
</tr>
</tbody>
</table>
Market Timing: When Will Recovery Start

Economy

Housing

Commercial RE

It already has

4Q2011

1Q-2012

2Q

3Q

4Q

1Q-2013

2Q

3Q

4Q

After 2013

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Confident Owner/Uncertain Buyer

Case A: Deal Seller’s  Case B: Negotiated

Tone: Neutral

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Confident Owner/Buyer IVs

Case A: No Deal

Case B: Negotiations

Tone: Quick

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Market Expectations and Real Estate Cycles

Shock

Intervention

Bearish Bets Fall at NYSE, Nasdaq

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Part I: Economic Environment for Real Estate

<table>
<thead>
<tr>
<th>2010 Outlook</th>
<th>2011 Outlook</th>
<th>2012 Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recession over; slow recovery; some downside risk</td>
<td>Recession really over? slow recovery; some downside risk</td>
<td>Double-dip? Slow recovery at best; more downside risk</td>
</tr>
<tr>
<td>Big businesses okay, Small struggling, stock market up</td>
<td>Big business bragging profits up; small business lagging…..</td>
<td>Big business balance sheets okay; small business slipping…..</td>
</tr>
<tr>
<td>Consumers guarded; CEOs hopeful</td>
<td>Consumers wanna do it; CEOs hopeful</td>
<td>Consumer discontent; CEOs defensive</td>
</tr>
</tbody>
</table>
A slide titled "Agree/Disagree on Economy" shows a bar chart with various economic statements and their degree of agreement. The statements include:

- The economy is recovering and we will...
- Inflation will not be a concern over...
- Employment gains will accelerate by year-end.
- GDP growth will rebound in 2012.
- Consumer confidence will rebound in...
- The manufacturing slump will continue...
- The economic recovery will be very gradual.
- Interest rates will remain low.
- The credit markets will return to normal...
- Corporate profits will continue...

The chart uses colors to indicate the strength of agreement: orange for strongly agree, blue for agree, purple for neither, red for disagree, and green for strongly disagree.
There Is No Reality

Percentage Saying Economic Conditions Are "Getting Worse," by Month, 2008 to 2011

- Upper-income
- Middle- and lower-income

Source: Gallup.com
New Research: Informational Disintermediation

Twittering

| Positive Feelings | Negative Feelings | Twitter's Global Moods |

Blogging

WSJ BLOGS

Deal Journal
An up-to-the-minute take on deals and deal makers.

The Big Picture for Global Banks

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Small Business Confidence: Where the Jobs Aren’t

Sales vs. Credit is driving confidence for small business
How Important to a Recovery?

- Ending the political rancor in Washington.
- Maintaining low interest rates.
- Improving access to credit for businesses.
- Creating strong job growth through various programs.
- Resolving the budget problem.
- Improving consumer confidence levels.
- Helping settle the "Occupy Wall Street" movement.
- Resolving the debt crisis in Europe.
- Introducing incentives for businesses to hire employees.
- Continuing to attract offshore capital flows to the US.
Employment & Economic Trends

Labor Force Participation Rates

Good news....

Labor Supply vs. Demand: Unemployment and Openings

Bloomberg

U.S. Senate Shelves Obama’s $447B Job Plan

Source: The Conference Board
Housing Trends

Next Generation of Homeowners Are Freaked Out

Home Builder Confidence Rises Four Points in October

Single-Family Housing Starts

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Inflation & Interest Rates

Wholesale Prices Indicate Continued Inflation Pressures

Producer Prices Rise More Than Expected
Producer price index, % change

- Headline
- Core

Source: BLS

Another Solid Quarter for Business Investment
Computers and peripheral equipment, annualized % change

Sources: Fed, BEA, Moody's Analytics

Total Compensation
% change

Retail Sales
% change

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Global Interest Rate Targets: Changing Times

Source: WSJ research, Thomson Reuters, IMF. Note: GDP based on 2008 figures in U.S. dollars.
What’s the Fed to Do (Twist & Shout?)

Fed Launches New Stimulus
Dramatic Recasting of Securities Holdings Aims to Reduce Long-Term Rates

... the Fed will sell $400 billion in Treasury securities that mature within three years and reinvest the proceeds into securities that mature in six to 30 years, significantly tilting the balance of its holdings toward long-term securities.

Economists React: Fed Is ‘Doing What It Can’
The Global Scene

China Gets Growth Help From Domestic Demand

GDP Slips from 9.5 to 9.1%....

Merkel Tempers EU Summit Hopes

Greek bailout Greece needs more than the €109 billion ($162 billion) estimated three months ago.

Bank recapitalization Banks will need to hold more capital against lending.

Global Outlook: 5 Years (Gallup)

Cosmic Convergence? China Growth and U.S. Unemployment Rates Coincide

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### Part II: Real Estate Capital Markets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Tentative, waiting to pounce, new players &amp; rules</td>
<td>• Patient pouncers, old rules, core rules</td>
<td>• Top-end frenzy, core investor apprehension</td>
</tr>
<tr>
<td>• Rising Cap rates, declining values de-capitalizing</td>
<td>• Cap rate halos; values unknown...</td>
<td>• Cap rate compression, spread investment</td>
</tr>
<tr>
<td>• Challenges re-levering; credit crunch for asset class</td>
<td>• Re-levering at top only; credit crunch for rest</td>
<td>• Window opening, headwinds closing, distress unrest</td>
</tr>
</tbody>
</table>
How Market Different?

More Behavioral

Optimistic

Normal

Pessimistic

Confident

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Ratings on Capital Markets

- Investors will move down the food chain in...
- Distressed assets will start flooding the market...
- New capital flows to real estate will increase...
- Commercial mortgages for "good" properties will...
- Transaction levels are picking up and will accelerate...
- Commercial values will fall another 15-20% before...
- The negative talk about the commercial real estate...
- The CMBS market will recover from the latest...
- Banks will get much more aggressive with troubled...
- Commercial mortgage rates will stay low...

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How We’re Doing: Commercial Real Estate

Annual Returns

3Quarter 2011

Current Qtr Estimate

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>5.7%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Appreciation</td>
<td>12.1%</td>
<td>-11.8%</td>
</tr>
<tr>
<td>Total, Gross</td>
<td>18.3%</td>
<td>-6.4%</td>
</tr>
</tbody>
</table>

1.29% * 4 = 5.16%

Total, Gross 0 3.58%

REITs, Don't Fail Me Now

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Transactions: Americas

QUARTERLY TRANSACTION VOLUME
BY PROPERTY TYPE

$70 Billion
$60
$50
$40
$30
$20
$10
$0

1 2 3 4 1 2 3 4 1 2 3 4 1 2
'08 '09 '10 '11

PERCENT CHANGE IN TRANSACTION VOLUME (H1'10 VS H1'11)

EVENT COVERAGE
Real Estate Remains Refuge for Capital

By Bob Howard

BEVERLY HILLS-Inflation fears and other factors will continue to push capital into real estate, according to a presentation at the annual Allen Matkins View From The Top conference.

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US Transaction Momentum

QUARTERLY US PROPERTY SALES

YOY CHANGE

Search by Style

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## Cap Rates: Current Cap Rates

<table>
<thead>
<tr>
<th></th>
<th>Under 5%</th>
<th>5%</th>
<th>5.5%</th>
<th>6%</th>
<th>6.5%</th>
<th>7%</th>
<th>7.5%</th>
<th>8%</th>
<th>8.5%</th>
<th>9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>0.0%</td>
<td>3.1%</td>
<td>0.0%</td>
<td>15.6%</td>
<td>9.4%</td>
<td>21.9%</td>
<td>15.6%</td>
<td>18.8%</td>
<td>6.3%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Retail</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.6%</td>
<td>10.7%</td>
<td>3.6%</td>
<td>21.4%</td>
<td>17.9%</td>
<td>17.9%</td>
<td>17.9%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Industrial</td>
<td>0.0%</td>
<td>3.4%</td>
<td>6.9%</td>
<td>17.2%</td>
<td>3.4%</td>
<td>13.8%</td>
<td>20.7%</td>
<td>10.3%</td>
<td>6.9%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Apartments</td>
<td>3.3%</td>
<td>23.3%</td>
<td>16.7%</td>
<td>23.3%</td>
<td>16.7%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>0.0%</td>
<td>3.3%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Mixed-use</td>
<td>3.4%</td>
<td>3.4%</td>
<td>0.0%</td>
<td>13.8%</td>
<td>10.3%</td>
<td>20.7%</td>
<td>13.8%</td>
<td>13.8%</td>
<td>6.9%</td>
<td>6.9%</td>
</tr>
</tbody>
</table>
# Cap Rates: Current Cap Rates in 12 Months

<table>
<thead>
<tr>
<th></th>
<th>Under 5%</th>
<th>5%</th>
<th>5.5%</th>
<th>6%</th>
<th>6.5%</th>
<th>7%</th>
<th>7.5%</th>
<th>8%</th>
<th>8.5%</th>
<th>9%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office</strong></td>
<td>3.2% (1)</td>
<td>0.0% (0)</td>
<td>3.2% (1)</td>
<td>0.0% (0)</td>
<td>19.4% (6)</td>
<td>32.3% (10)</td>
<td>12.9% (4)</td>
<td>12.9% (4)</td>
<td>9.7% (3)</td>
<td>3.2% (1)</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td>0.0% (0)</td>
<td>0.0% (0)</td>
<td>0.0% (0)</td>
<td>14.8% (4)</td>
<td>7.4% (2)</td>
<td>11.1% (3)</td>
<td>29.6% (8)</td>
<td>22.2% (6)</td>
<td>14.8% (4)</td>
<td>0.0% (0)</td>
</tr>
<tr>
<td><strong>Industrial</strong></td>
<td>0.0% (0)</td>
<td>0.0% (0)</td>
<td>10.7% (3)</td>
<td>17.9% (5)</td>
<td>3.6% (1)</td>
<td>21.4% (6)</td>
<td>7.1% (2)</td>
<td>10.7% (3)</td>
<td>14.3% (4)</td>
<td>7.1% (2)</td>
</tr>
<tr>
<td><strong>Apartments</strong></td>
<td>3.4% (1)</td>
<td>10.3% (3)</td>
<td>27.6% (8)</td>
<td>24.1% (7)</td>
<td>13.8% (4)</td>
<td>3.4% (1)</td>
<td>6.9% (2)</td>
<td>0.0% (0)</td>
<td>3.4% (1)</td>
<td>3.4% (1)</td>
</tr>
<tr>
<td><strong>Mixed-use</strong></td>
<td>3.6% (1)</td>
<td>0.0% (0)</td>
<td>3.6% (1)</td>
<td>3.6% (1)</td>
<td>25.0% (7)</td>
<td>14.3% (4)</td>
<td>17.9% (5)</td>
<td>14.3% (4)</td>
<td>7.1% (2)</td>
<td>3.6% (1)</td>
</tr>
</tbody>
</table>

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## What’s Trading?

### Selected Investment Sales Transactions

**Reported in the Past 3 Months**

<table>
<thead>
<tr>
<th>Property Name</th>
<th>Address Details</th>
<th>SF/Units</th>
<th>Year Built</th>
<th>Property Type</th>
<th>Price</th>
<th>PPSF/PPU</th>
<th>Qualifier</th>
<th>Buyer</th>
<th>Seller</th>
<th>Broker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helmsley Building</td>
<td>230 Park Ave, New York, NY</td>
<td>1212,576</td>
<td>1929</td>
<td>Office</td>
<td>$763,266,667</td>
<td>$629</td>
<td>confirmed</td>
<td>Invesco Real Estate by Houlihan Lokey</td>
<td>Monday Properties ♠</td>
<td></td>
</tr>
<tr>
<td>Atrium on Bay</td>
<td>595 Bay St, Toronto, Canada</td>
<td>1070,287</td>
<td>1991</td>
<td>Office</td>
<td>$356,221,543</td>
<td>$333</td>
<td>confirmed</td>
<td>H&amp;R Real Estate Investment Trust from</td>
<td>Hines Real Estate Investment Trust Inc by</td>
<td>Brookfield Financial BMO Capital Markets</td>
</tr>
<tr>
<td>The Corner</td>
<td>200 W 72nd St, New York, NY</td>
<td>196</td>
<td>2007</td>
<td>Apartment</td>
<td>$209,000,000</td>
<td>$1,066,327</td>
<td>approximate</td>
<td>TIAA-CREF from Gotham Organization Inc</td>
<td>JV Philips International</td>
<td></td>
</tr>
<tr>
<td>Millennium Warner Center</td>
<td>21201 Kittridge St, Woodland Hills, NY</td>
<td>438</td>
<td>2010</td>
<td>Apartment</td>
<td>$132,883,333</td>
<td>$303,387</td>
<td>approximate</td>
<td>Essex Property Trust from Dinerstein</td>
<td>Companies by Institutional Property Advisors - Marcus &amp; Millichap Company</td>
<td></td>
</tr>
<tr>
<td>Rockhill Apartments</td>
<td>4858 Chemin De La Côte-des-neiges, Montreal, Canada</td>
<td>1000</td>
<td>1972</td>
<td>Apartment</td>
<td>$120,417,957</td>
<td>$120,418</td>
<td>street talk</td>
<td>Ivanhoe Cambridge from Canapen</td>
<td>Canapen</td>
<td></td>
</tr>
<tr>
<td>Prime Outlets Jeffersonville I</td>
<td>8000 Factory Shops Blvd, Jeffersonville, NY</td>
<td>409,959</td>
<td>1993</td>
<td>Retail</td>
<td>$134,000,000</td>
<td>$327</td>
<td>confirmed</td>
<td>Tanger Factory Outlet from Simon Property Group by Jones Lang LaSalle</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scottsdale Promenade</td>
<td>18447 N Scottsdale Rd, Scottsdale, AZ</td>
<td>433,533</td>
<td>1999</td>
<td>Retail</td>
<td>$110,000,000</td>
<td>$254</td>
<td>confirmed</td>
<td>Excel Trust Inc from Levine Investments LP by Lucescu Realty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New York Palace Hotel</td>
<td>455 Madison Ave, New York, NY</td>
<td>899</td>
<td>1981</td>
<td>Hotel</td>
<td>$377,000,000</td>
<td>$419,355</td>
<td>approximate</td>
<td>Northwood Investors LLC from Brunel Investment Agency (BIA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>YOTEL</td>
<td>440 W 42nd St, New York, NY</td>
<td>669</td>
<td>2011</td>
<td>Hotel</td>
<td>$315,000,000</td>
<td>$470,852</td>
<td>approximate</td>
<td>IFA Hotels &amp; Resorts JV Kuwait Real Estate Co by Hodges Ward Elliott Inc from Related Companies JV Goldman Sachs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Long-term Commercial Transaction Trends

Institutional Allocation by Vehicle

Global: Cross-Border

Private: Market Timers

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Distress Levels

QUARTERLY CUMULATIVE DISTRESS VOLUME

WORKOUT STRATEGIES
(Trailing 12 Month Total)

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Commercial Loan Maturities: CMBS Land & Payoffs

CMBS Delinquencies

CMBS Issuances

Projected Commercial Mortgage Loan Maturities
- CMBS
- Non-CMBS

Loan Payoffs at Maturity

CMBS Sales to Reach $30 Billion in 2012 on Refi Needs, JPMorgan

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Part III: Spatial Market Fundamentals

2010 Spatial Market
- Still weakening, negative absorption; more downside risk
- Vacancy rates pushing records, rents declining
- Negative absorption, lagged recovery

2011 Spatial Market
- Still weak, limited absorption; more downside risk
- Vacancy rates peaking, rents stabilizing but low
- Absorption flat, recovery lagging tenants nagging

2012 Spatial Market
- Spotty correction, plateau in connection, deferred resurrection
- Vacancy peaking, rents creaking
- Modest absorption, tenant reflection, landlord perplexion
Office Market: National Snapshot

U.S. Office Vacancy Rates

Office Investment Trends

Price Per Square Foot

U.S. Office Absorption

Distressed Property Sales

Lowest Vacancy

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Office Market Structure & Trends

Market Structure
- Major: CBD vs. Suburban
- Other: Class A, B, C; Intensity, Specialty

Trends
- Growth of Specialty: biotech, medical and R&D facilities
- Green buildings, sustainability
- Office hotelling, virtual officing
- Corporate Social Responsibility

Demand
- Primary Demand: FIRE & Office & office-related employment; secondary office needs of others
- Quality of life, pop. growth, education, business attractiveness

Supply
- Office stock & structure
- Growth in stock & location
- Land & construction costs
- Entitlements & barriers to entry

Investment
- Rental level and growth
- Operating expenses
- Lease structure and terms
- Tenant mix, rent roll
As of 2008, there were some 150,900 occupational workers in the US. Of that total, over 71,000 workers (47%) worked in office-type space... These occupations included: Management, Business & Finance; Office & Administration; and, Professional & Related.
Office-Related Job Growth

Chart 6. Percent change in total employment, by major occupational group, 2008–18 (projected)

Chart 5. Numeric change in wage and salary employment in service-providing industries, 2008–18 (projected)
Where the Office Jobs Might Go

Legend

Location Quotients for Professional Services (US Nationwide Employment Ratio: 12.7)

- 10 - 12.7%
- 12.7 - 17%
- 17 - 23%

The 10 industries with the largest projected employment growth, 2008–18

1. Management, scientific, and technical consulting services
2. Offices of physicians
3. Computer systems design and related services
4. Other general merchandise stores
5. Employment services
6. Local government, excluding education and hospitals
7. Home health care services
8. Services for the elderly and persons with disabilities
9. Nursing care facilities
10. Full-service restaurants

Source: U.S. Bureau of Labor Statistics

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Future Trends Affecting Office

<table>
<thead>
<tr>
<th>Globalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Continued globalization expands the competitive arena</td>
</tr>
<tr>
<td>• Shifting among locations and greater elasticity in demand and supply adds risk</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Consolidation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Trend toward consolidation is continuing creating larger space users</td>
</tr>
<tr>
<td>• Increases in the scale of operations increases risk</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growth of demand for idiosyncratic office</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Demand for idiosyncratic space increases</td>
</tr>
<tr>
<td>• greater specialization requires more understanding of business activities of targeted users</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Green/Sustainable buildings</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Concerns over environment render some buildings functionally obsolescent</td>
</tr>
<tr>
<td>• Added pressure to produce more efficient buildings</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate social responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Concerns over CSR pressures corporate users to focus on real estate</td>
</tr>
<tr>
<td>• Quality and character of office space will become more important</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Virtual office and technological innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Technological innovations will continue to change demand function</td>
</tr>
<tr>
<td>• Some changes will have impact on design and infrastructure requirements</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Policies and Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>• In the increasingly global, dynamic arena companies will place more emphasis on flexibility, mobility, collaboration and productivity</td>
</tr>
<tr>
<td>• Real estate solutions and the workplace will take on added importance in recruiting, retaining and motivating employees, especially &quot;new milleneum&quot; employees of the future</td>
</tr>
</tbody>
</table>
Industrial Market: National Snapshot

INDUSTRIAL INVESTMENT TRENDS
- CAP RATE
- PRICE PER SQUARE FOOT
- VOLUME

Industrial Availability Rates
- United States
- Canada

Industrial Construction Completions
- United States
- Canada

QUARTERLY CUMULATIVE DISTRESS VOLUME

ADDITIONS AND REDUCTIONS TO DISTRESS

DISTRESSED PROPERTY SALES

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Industrial Market Snapshot

Market Structure

- Major: manufacturing & warehouse
- Other: light/heavy manufacturing, general & specialized warehouse & distribution, specialized, flex space

Trends

- Globalization
- Supply chain reconfiguration, logistics
- Technological innovation,

The space-time component of warehouse facilities has taken on much greater stratification than in the past, creating specialized needs for some users that require 30’plus clear height ceilings, super-flat floors, cross-dock loading and other design features needed to accommodate an increasingly global and dynamic logistical network.
# Industrial Drivers of Value

<table>
<thead>
<tr>
<th>Demand</th>
<th>Supply</th>
<th>Investment Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global trade and transportation</td>
<td>Industrial and warehouse stock</td>
<td>Rental level and rent change</td>
</tr>
<tr>
<td>Distribution and logistics</td>
<td>Construction and net absorption</td>
<td>Operating expenses</td>
</tr>
<tr>
<td>Manufacturing &amp; assembly</td>
<td>Supply of entitled land; excess capacity</td>
<td>Lease structure, terms &amp; tenancy</td>
</tr>
<tr>
<td>Global and domestic economic conditions,</td>
<td>Land prices and barriers to entry</td>
<td></td>
</tr>
<tr>
<td>business &amp; consumer sales</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Industrial Property Classification

- Manufacturing
  - Heavy Manufacturing
  - Medium Manufacturing
  - Light Manufacturing
- Warehouse/Distribution
  - Regional Warehouse
  - Bulk Warehouse
  - Refrigerated Storage
  - Truck Terminal
  - Heavy Distribution
  - Air Cargo
- Hybrid Facilities
  - R&D Facilities
  - Flex Space
  - Office/Showroom
Supply Chain Management

Producers

- Business & marketing plan
- Design products
- Forecast demand/take orders
- Obtain inputs
- Produce products/add value
- Package & ship
- Tracking and replenishment

Supply Chain

- Business & marketing plan
- Develop logistical strategies, network
- Receiving & Storage
- Shipping & Delivery

Consumers

- Search & selection
- Order and/or purchase in store
- Consume or use
- Evaluate and learn

In addition to globalization, technological innovations and changes in logistical models have made supply chains more dynamic, creating changes in the demand for industrial and distribution/warehouse facilities.
Distribution: Inter and Intrastate Shipping

Table 1: U.S. Value, Tonnage, and Ton-Miles of Shipments by Mode of Transport, Percent of Total: 2007

<table>
<thead>
<tr>
<th>Transportation mode</th>
<th>Value (million $)</th>
<th>Percent of total</th>
<th>Tons (thousands)</th>
<th>Percent of total</th>
<th>Ton-miles (millions)</th>
<th>Percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>All modes</td>
<td>11,831,503</td>
<td>100</td>
<td>13,016,610</td>
<td>100</td>
<td>3,490,806</td>
<td>100</td>
</tr>
<tr>
<td>Truck</td>
<td>8,363,657</td>
<td>71</td>
<td>8,957,687</td>
<td>69</td>
<td>1,390,102</td>
<td>40</td>
</tr>
<tr>
<td>Rail</td>
<td>387,567</td>
<td>3</td>
<td>1,928,530</td>
<td>15</td>
<td>1,294,921</td>
<td>37</td>
</tr>
<tr>
<td>Water</td>
<td>106,905</td>
<td>1</td>
<td>423,282</td>
<td>3</td>
<td>175,973</td>
<td>5</td>
</tr>
<tr>
<td>Air (includes truck to/from airport)</td>
<td>209,611</td>
<td>2</td>
<td>3,525</td>
<td>-</td>
<td>4,014</td>
<td>-</td>
</tr>
<tr>
<td>Pipeline</td>
<td>487,140</td>
<td>4</td>
<td>774,732</td>
<td>6</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Parcel, USPS, or courier</td>
<td>1,597,931</td>
<td>13</td>
<td>36,029</td>
<td>-</td>
<td>29,535</td>
<td>1</td>
</tr>
<tr>
<td>Multiple modes</td>
<td>340,953</td>
<td>3</td>
<td>590,510</td>
<td>5</td>
<td>460,233</td>
<td>13</td>
</tr>
<tr>
<td>Other and unknown modes</td>
<td>337,739</td>
<td>3</td>
<td>302,315</td>
<td>2</td>
<td>47,964</td>
<td>1</td>
</tr>
</tbody>
</table>

NOTES: A percent below 0.5% is marked by a dash (−) in the table. NA = not available due to high sampling variability or poor response quality.

Distribution Paths by Mode

Distribution Maps:
- Future Trains per Day
- Future Trucks per Year
- Ports and Navigable Waterways of the United States

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Exports and Imports

Goods Exports From Top Economies and Percent Share to the United States: 2008


Shipments from Los Angeles Metropolitan Area

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What Should Professionals Do?
Presentation Summary

- Part I: Economic Outlook
- Part II: Real Estate Capital Markets
- Part III: Real Estate Market Fundamentals
- Part IV: Challenges, Issues & Opportunities