

10 Reasons to be Optimistic

ABOUT COMMERCIAL REAL ESTATE IN 2014

#10 Housing Engine Just Getting Started

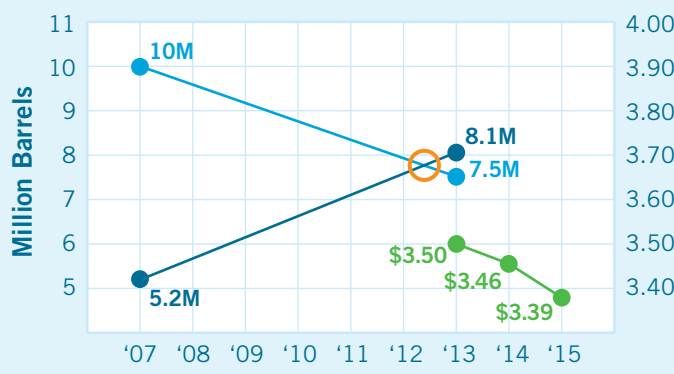
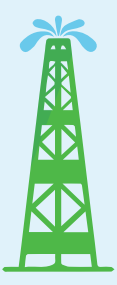
88% of metros registering home price gains
48 out of 152 metros reporting home price gains of 10% or more

Housing materials account for 15% of warehouse inventories



Source: National Association of Realtors

#9 America's Energy Boom



Source: U.S. Energy Information Administration

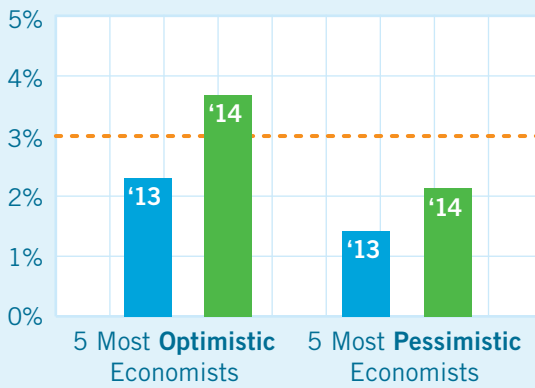
#8 Tech Cycle Still Has Legs

Venture capitalists invested **\$7.7B** in U.S. tech companies in Q3 2013
By 2017 it is projected that there will be **over 3 billion mobile-connected devices**, 2 billion more than exist today



Source: PriceWaterhouseCoopers

#7 GDP Getting Stronger



Consensus Forecast for 2014
Every 50 bps increase in GDP generates 7.2 msf of additional demand for office space

Source: National Association of Business Economics

#6 More Confident Consumers

Consumer Confidence Index (CCI)
January 2013 (after fiscal cliff debate): **58.4**
October 2013 (during government shutdown): **72.4**



A rise in the CCI is typically followed by a decline in office vacancy rates two quarters later

Source: The Conference Board

#5 Fed Likes What It Sees



"Recent economic indicators have increased our confidence that the job market gains will continue," Ben Bernanke, December 2013.

In January, the central bank will reduce its monthly bond buying program from **\$85B** to **\$75B**

#4 Job Growth

2013 – **180,000** jobs created per month
2014 – **198,000** jobs per month are forecasted

Job growth increases demand for apartment units



Source: U.S. Bureau of Labor Statistics

#3 Risk of Recession Low



Only **4% probability** of a severe recession in 2014, according to Moody's Analytics

#2 Better Balance Sheets

Household Debt Service Ratio **lowest rate in 30 years** at 10%
Corporate profits are near **record levels of \$1.2T**



Source: Federal Reserve

#1 Fiscal Drag Fades

The **Bipartisan Budget Act of 2013** signed into law on December 26, 2013



The deal funds the government through fall 2015, **removing a layer of fiscal uncertainty** weighing on the U.S. economy for 3 years

