



Commercial Real Estate and Capital Markets

The University of Chicago | November 2010

Sam Chandan PhD FRICS

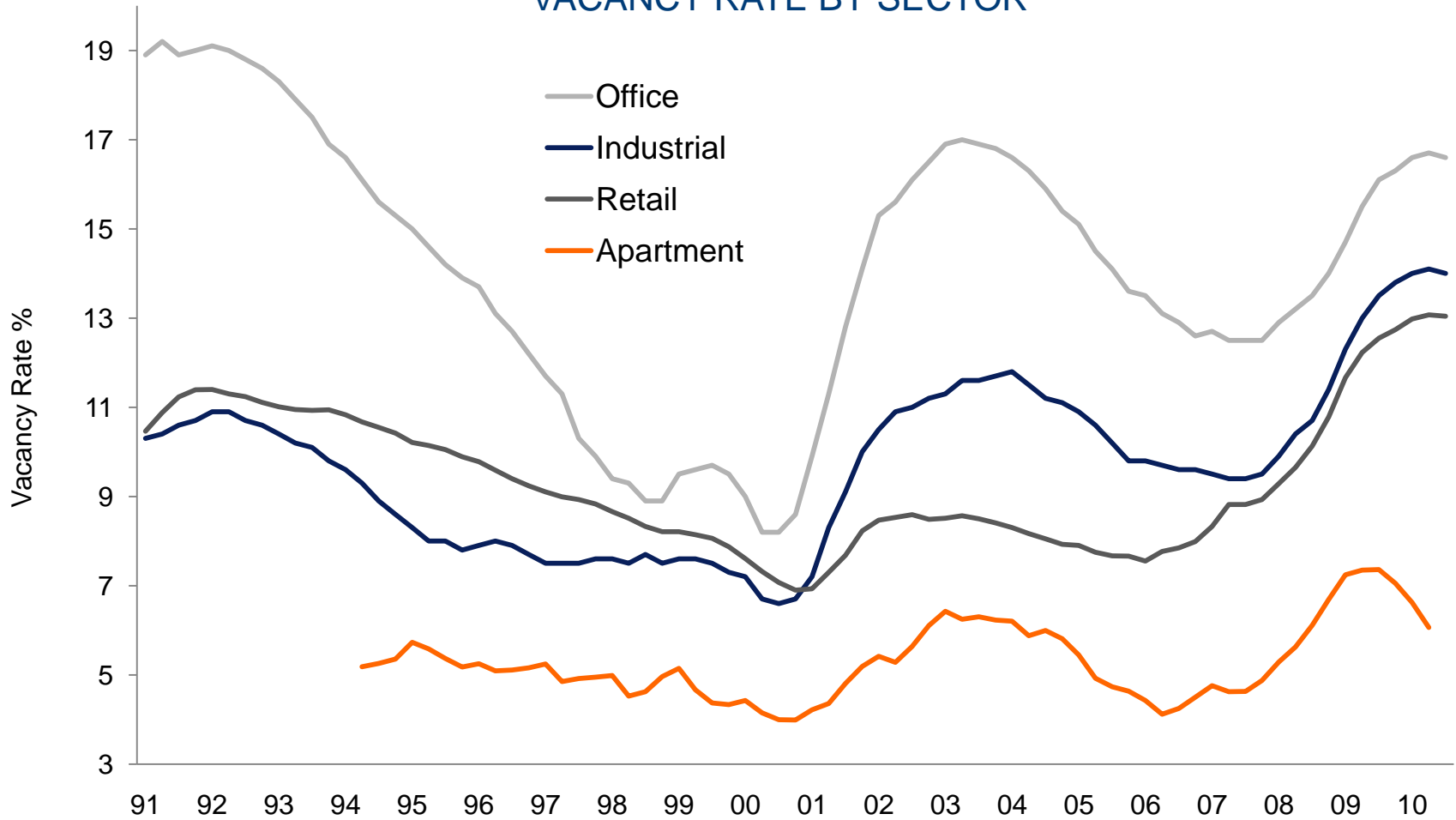
Global Chief Economist | Real Capital Analytics

Adjunct Professor | The Wharton School

- The Economy and Labor Markets
- Property Fundamentals
- Property Investment
- Risks to the Recovery
- Policy Intervention and the Weight of Unresolved Distress

Property Fundamentals

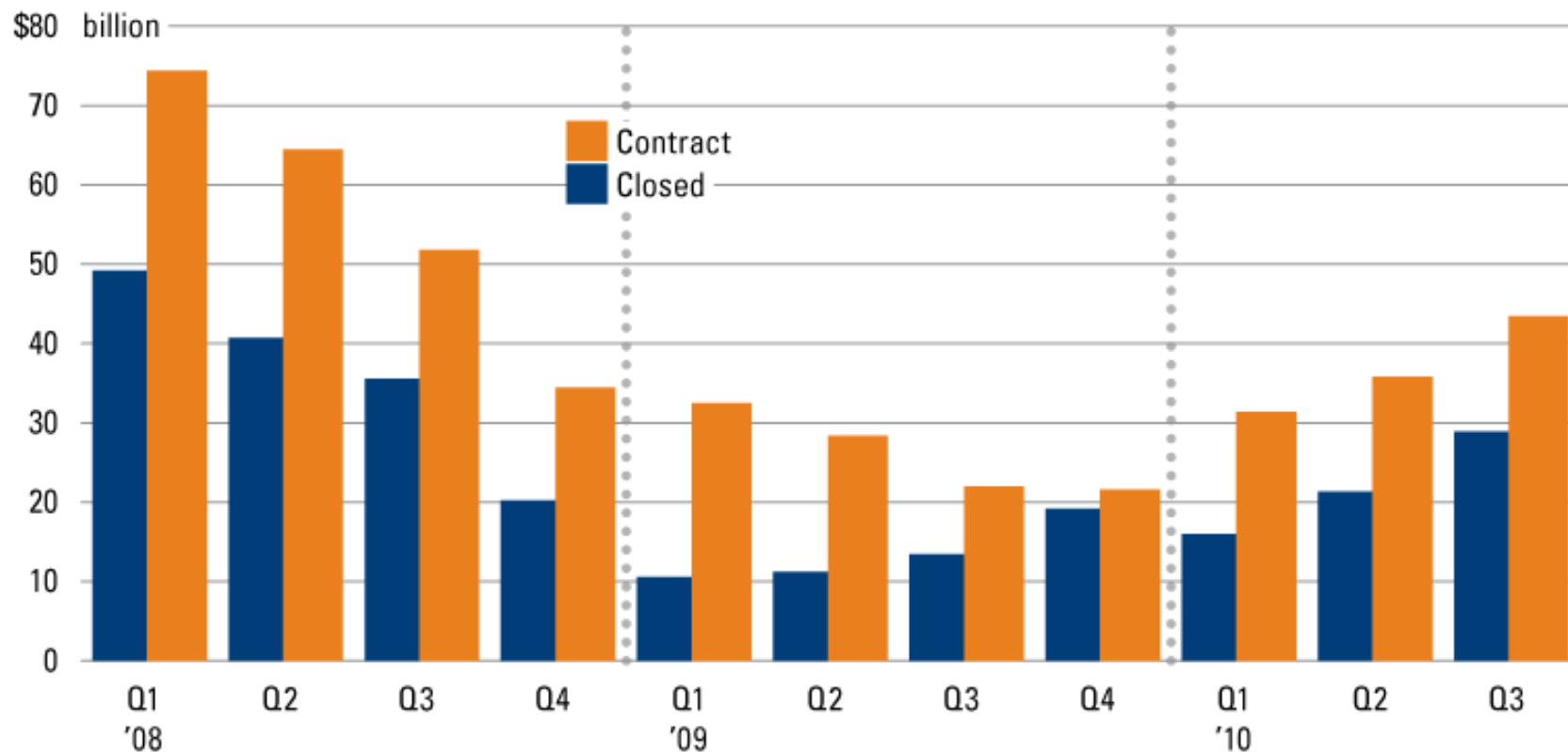
VACANCY RATE BY SECTOR



Source: CBRE Econometrics

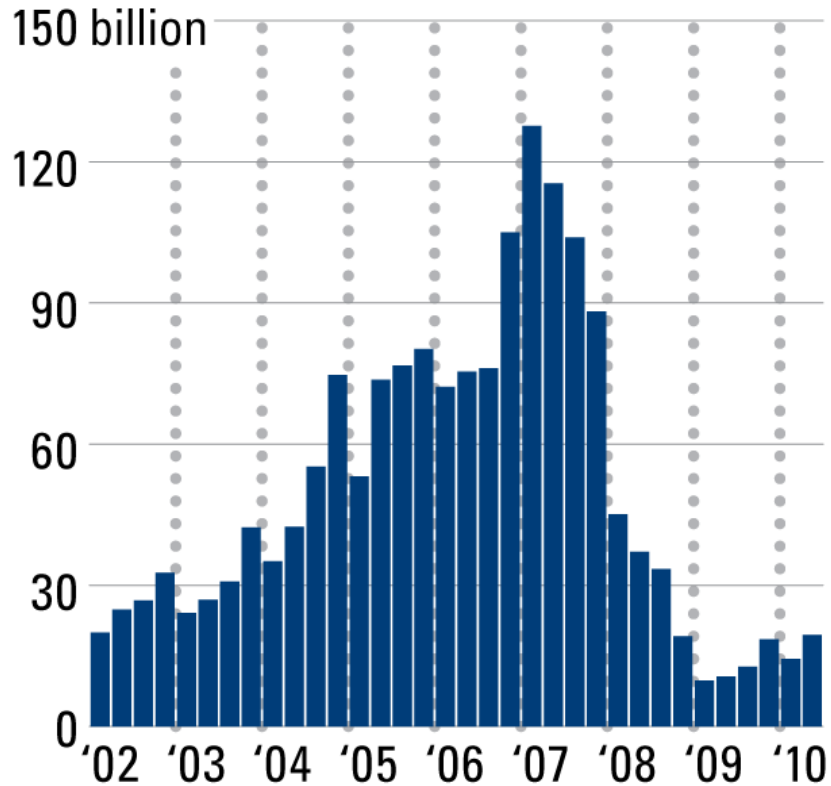
Property Investment Trends

CLOSED VS OFFERED VOLUME ALL CORE INCLUDING HOTEL

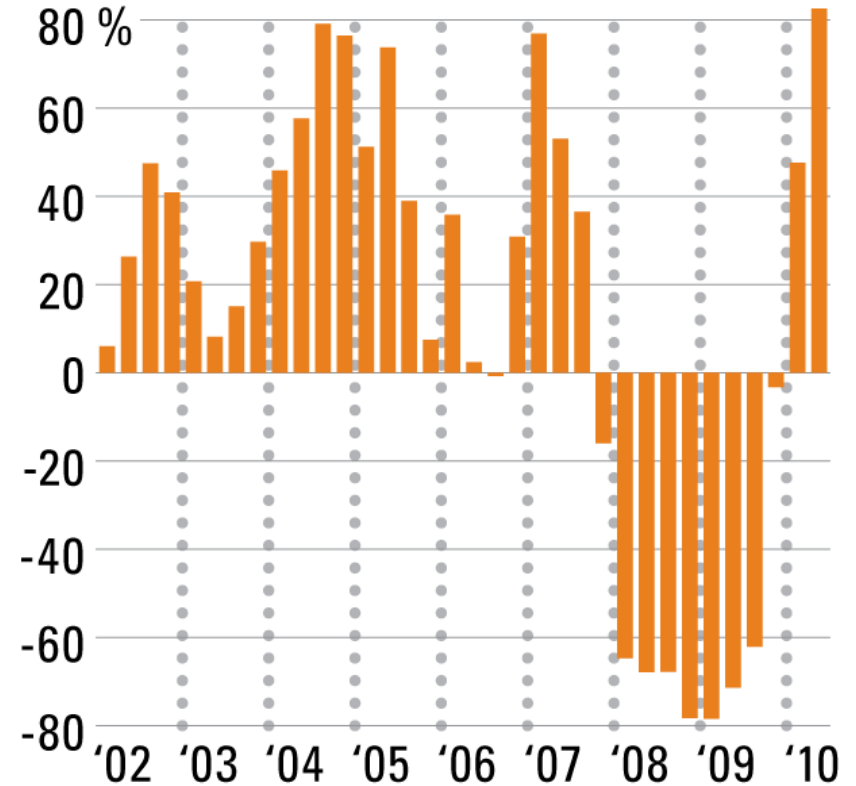


Property Investment Trends

QUARTERLY PROPERTY SALES

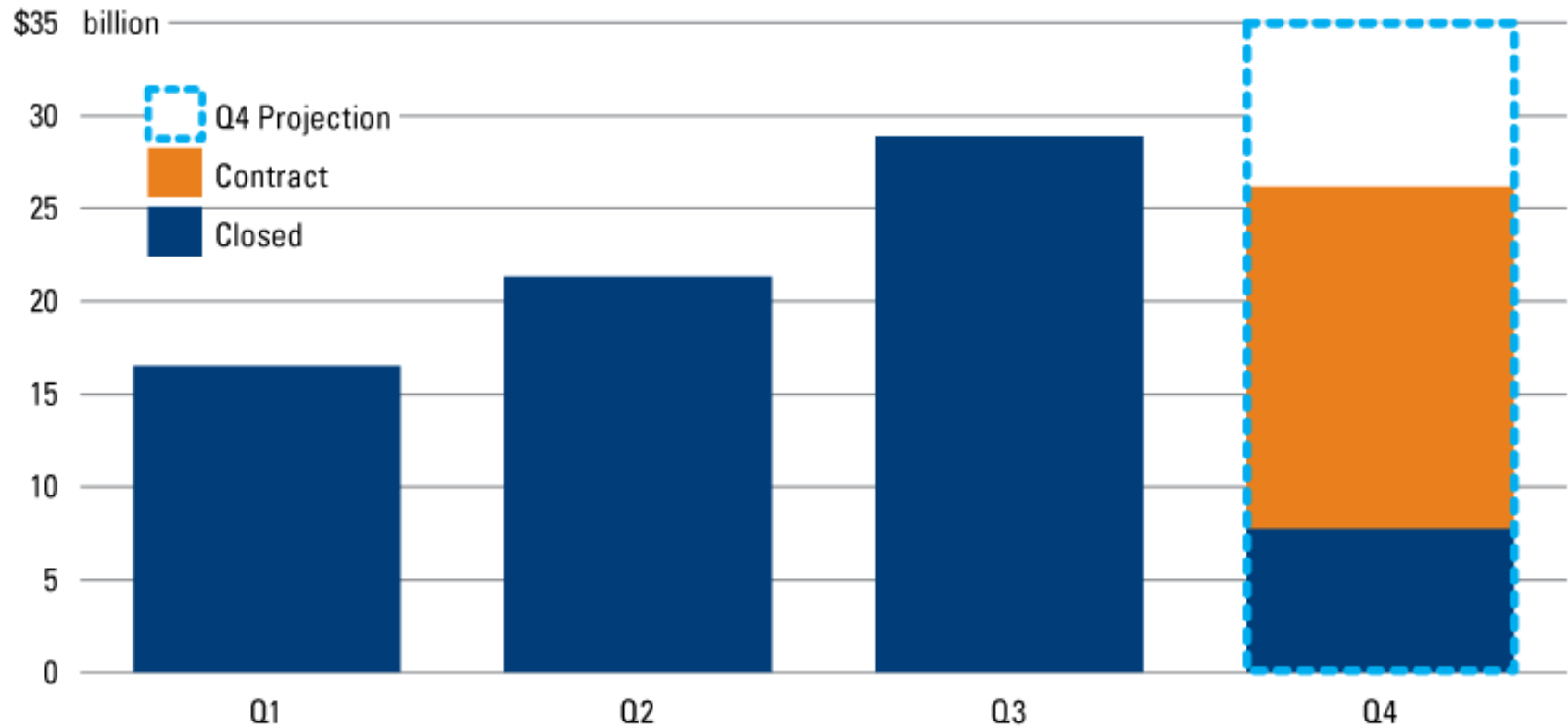


YOY CHANGE IN PROPERTY SALES



Property Investment Trends

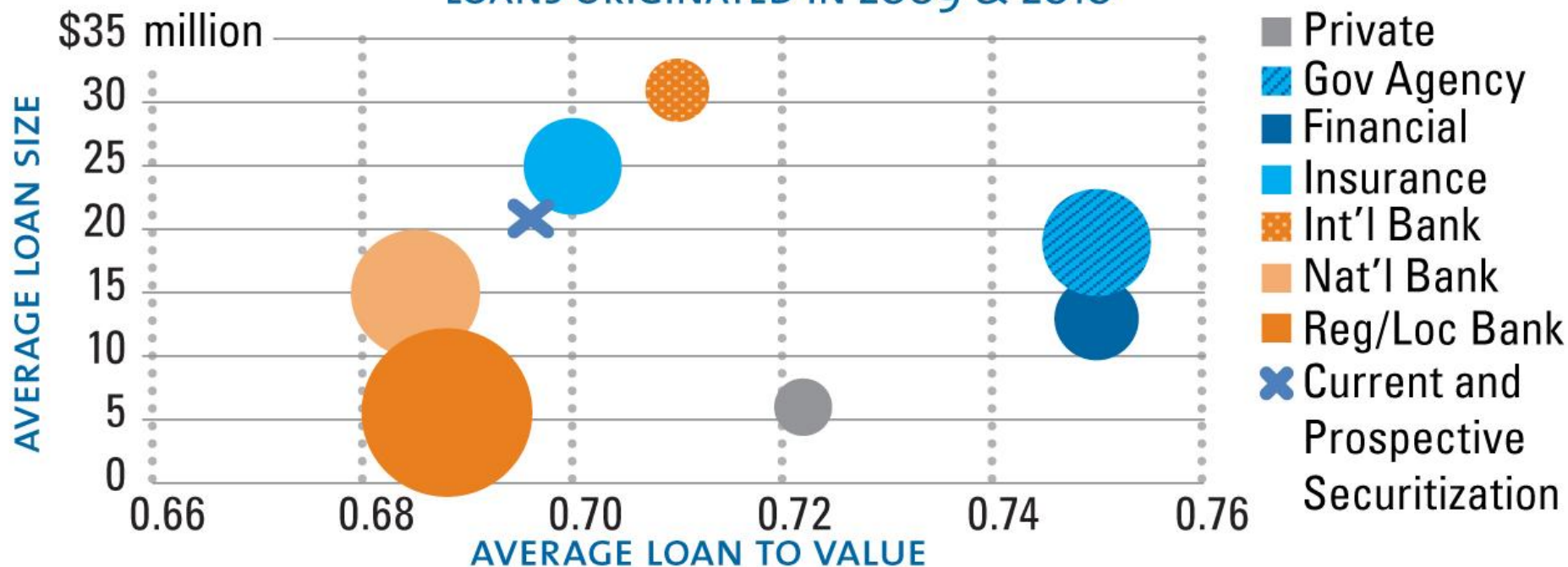
2010 VOLUME CLOSED AND IN CONTRACT ALL PROPERTY TYPES



Emerging Sources of Credit

AVERAGE LOAN SIZE & LTV IN RELATION TO MARKET SHARE

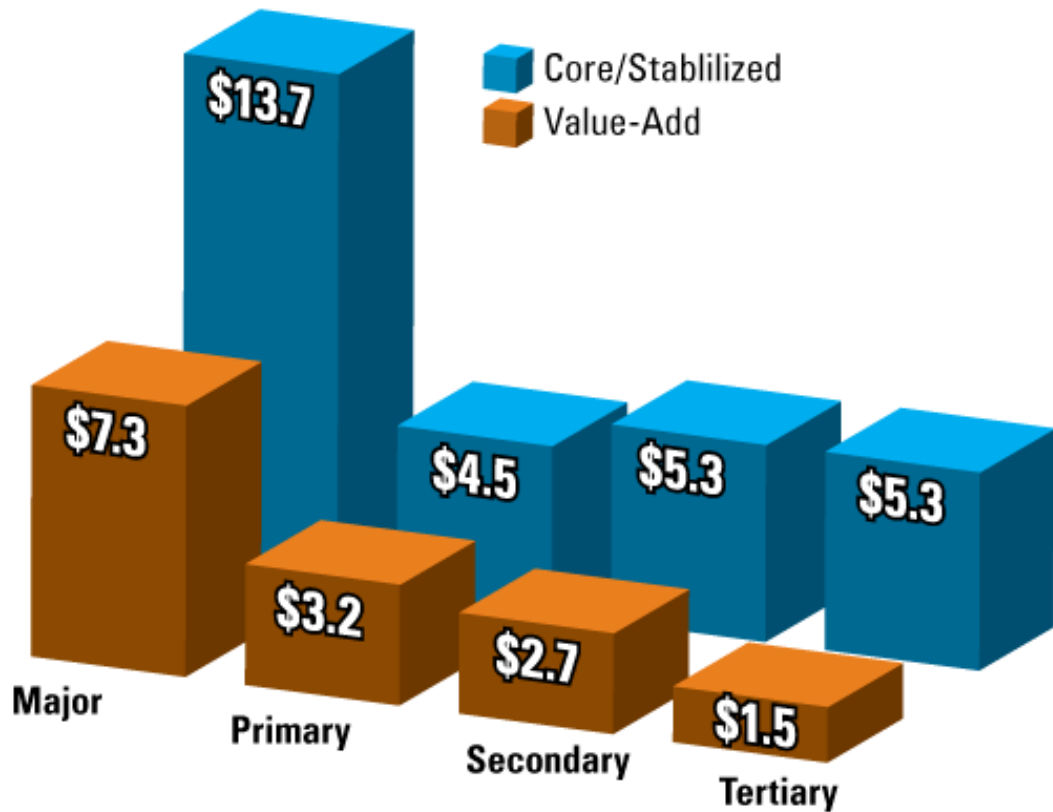
LOANS ORIGINATED IN 2009 & 2010



*Bubble size represents market share of lender group by loan count

Risk Aversion and Capital Concentrations

2010 ALL CORE INCLUDING HOTEL ACQUISITIONS



MAJOR MARKETS

NYC Metro LA Metro
DC Metro Chicago
SF Metro Boston

PRIMARY MARKETS

Seattle Dallas
So Florida Philly Metro
Houston Atlanta

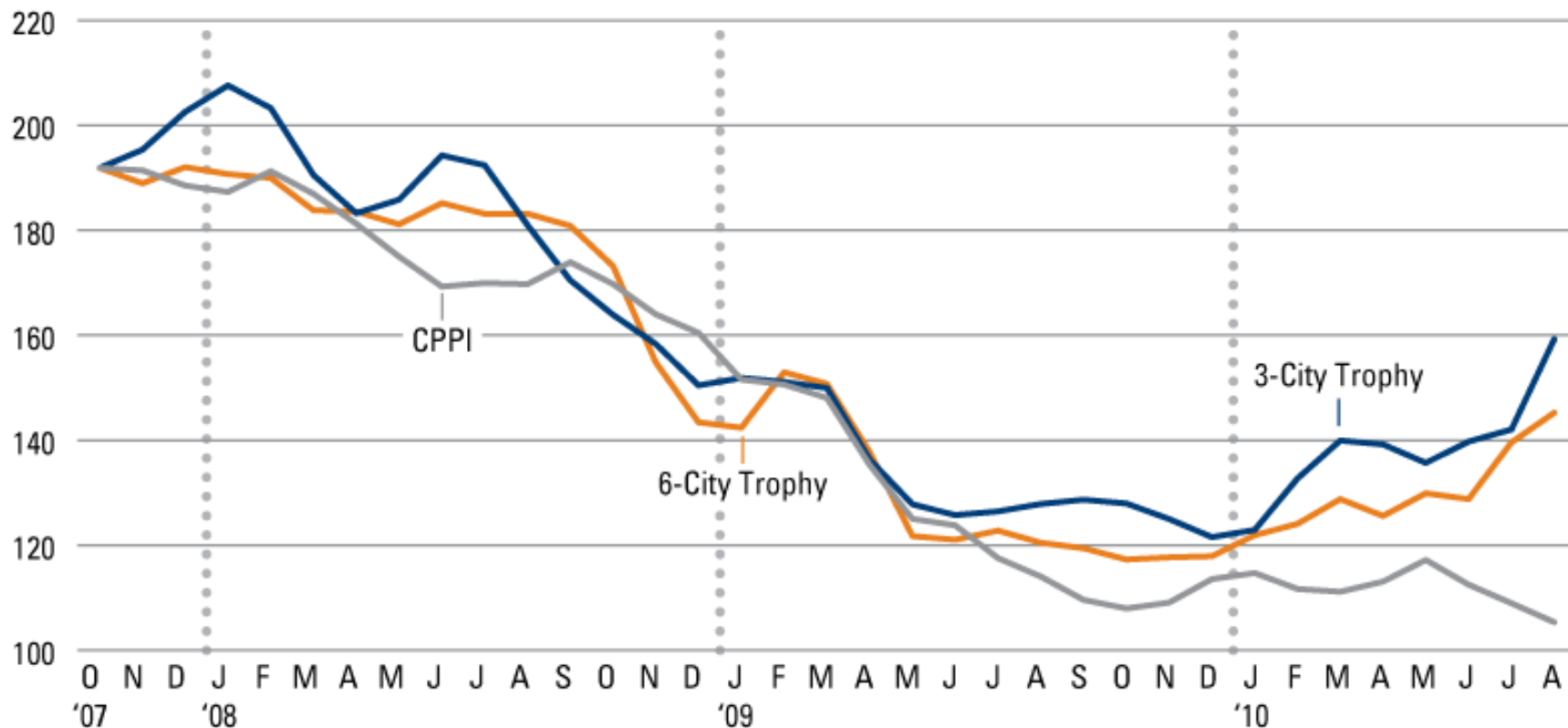
SECONDARY MARKETS

Austin San Diego
Denver St Louis
Orlando ... top 40

All data 2010 YTD;
in contract; all values
in billions

Prices and Capital Concentration

CPPI OFFICIAL VS CPPI TROPHIES* SINCE CRASH



Source: RCA data & Geltner Associates LLC, analysis based on the August 2010 CPPI dataset.

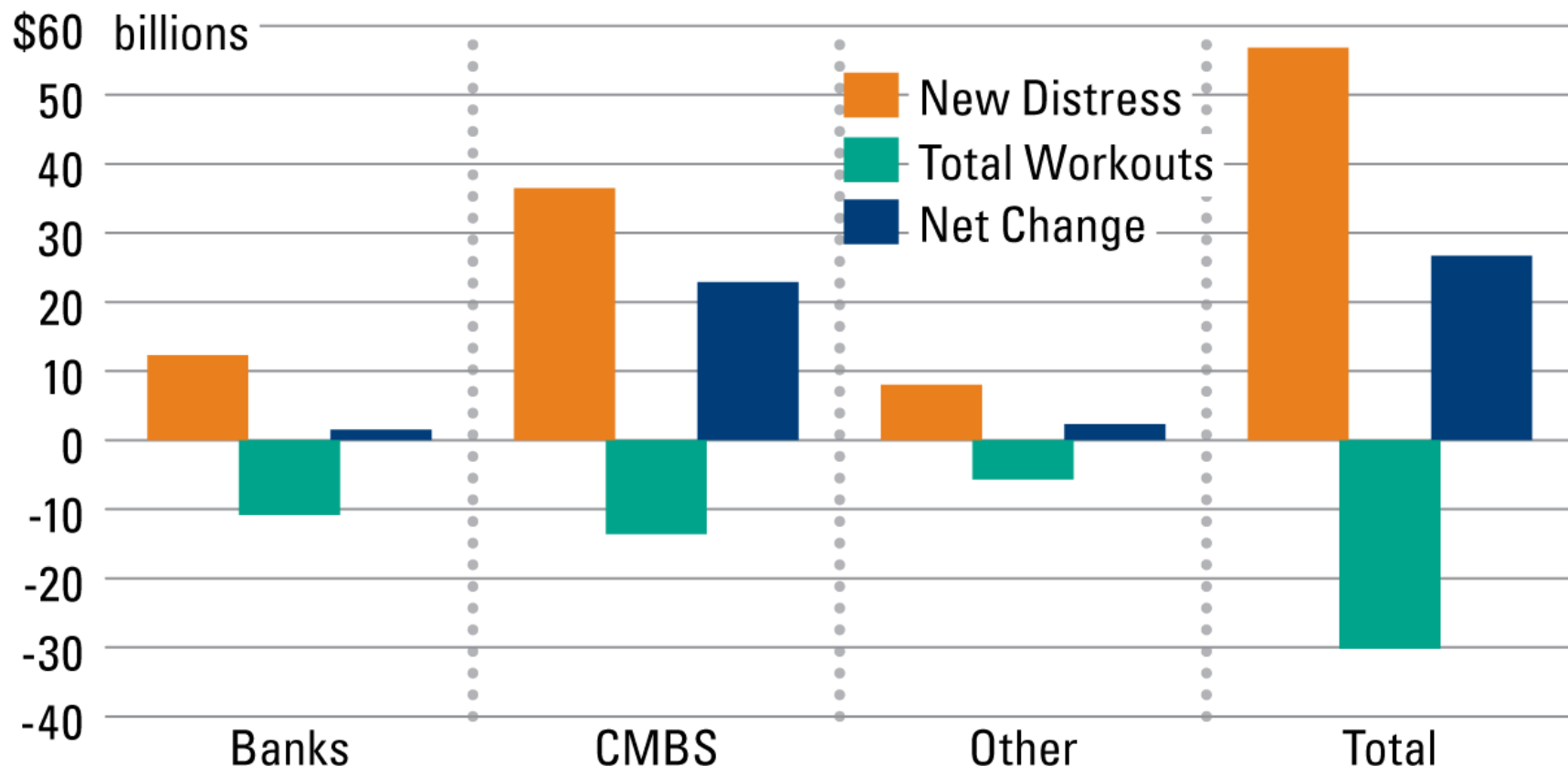
*CPPI Trophy = >\$10M, Non-Troubled, 3-City = NY,DC,SF; 6-City = NY,DC,SF,LA,Chi,Bos

Risks to the Recovery

- Economic and Labor Market Trends
- In Major Markets, a Decoupling of Pricing from Fundamentals
- The Weight of Unresolved Distress
- Monetary Policy and Interest Rate Shocks
- Regulatory Change

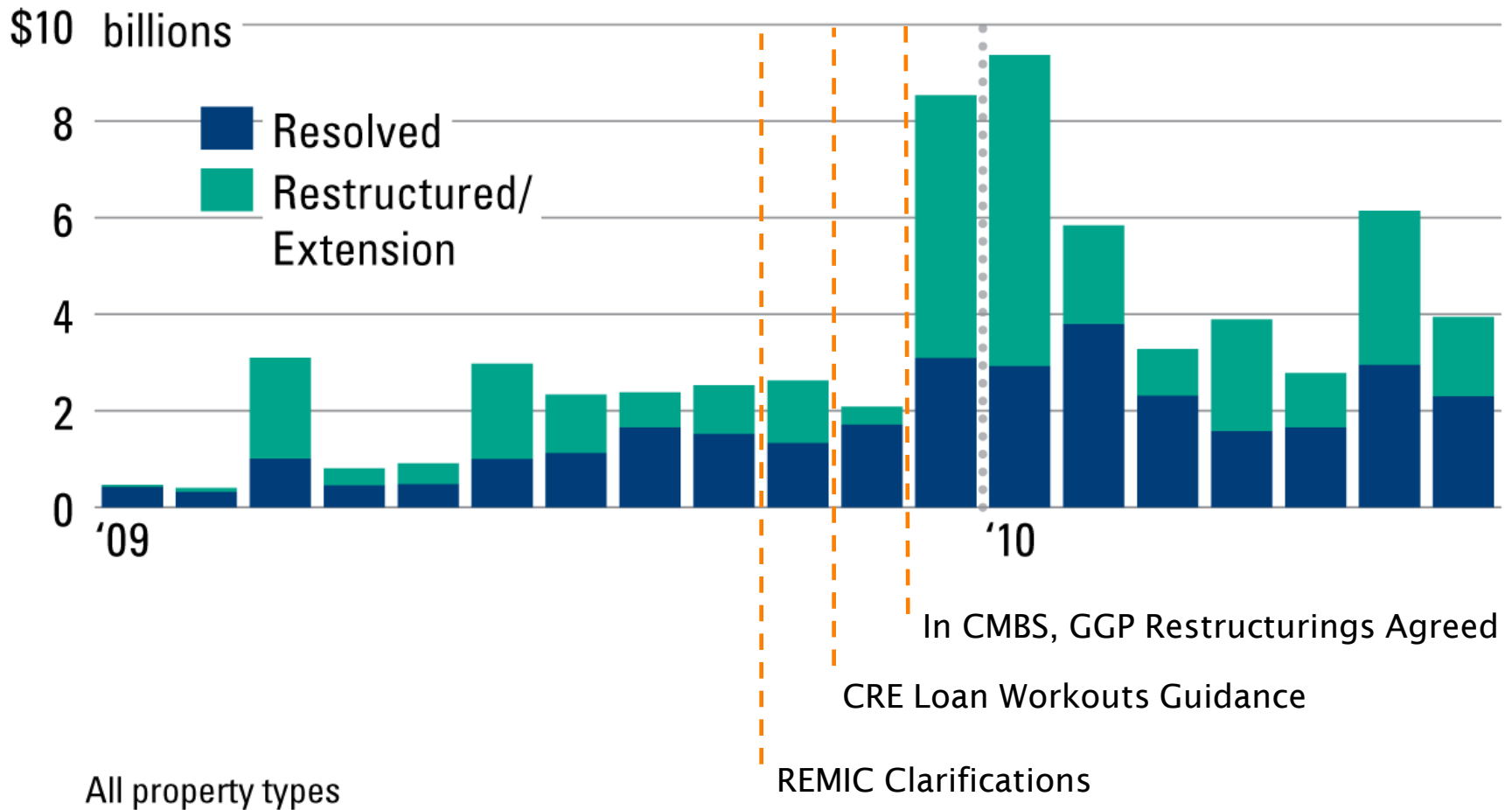
Shifting Sources of Distress

FIRST HALF 2010 DISTRESS



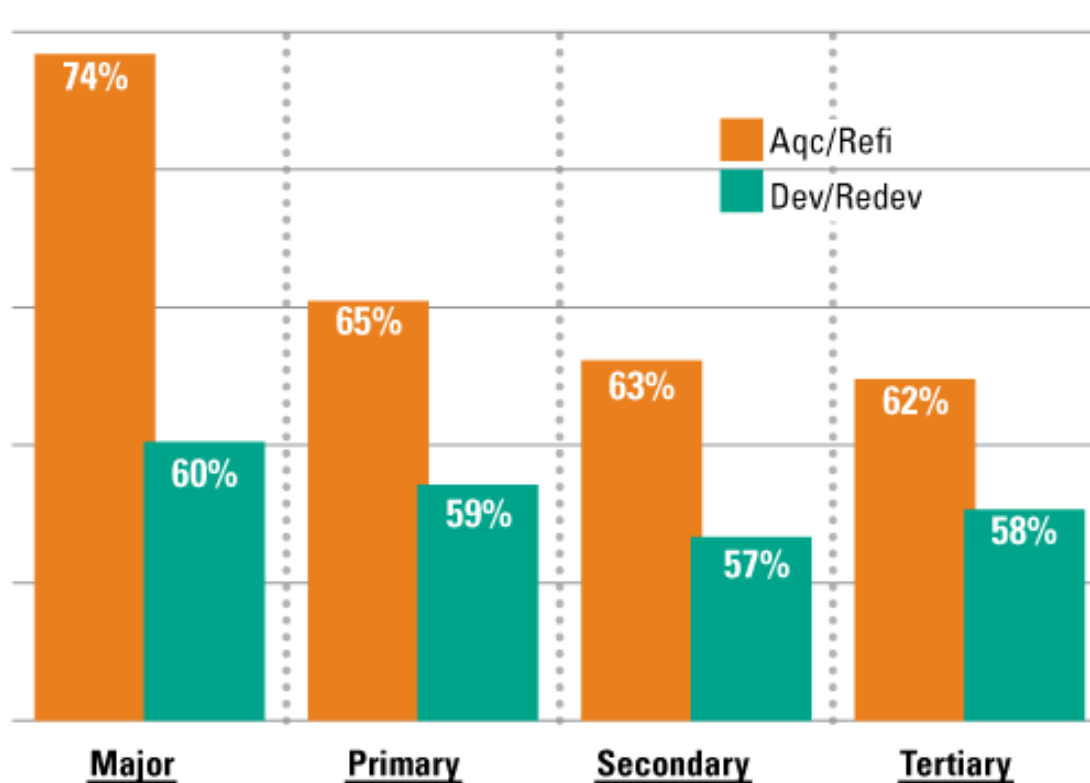
Policy Intervention and the Weight of Unresolved Distress

WORKOUTS PER MONTH



Policy Intervention, Recoveries, and Unresolved Distress

RECOVERY RATES BY MARKET PAST 6 MONTHS



Major

NYC Metro LA Metro
DC Metro Chicago
SF Metro Boston

Primary

Seattle Dallas
So Florida Philly Metro
Houston Atlanta

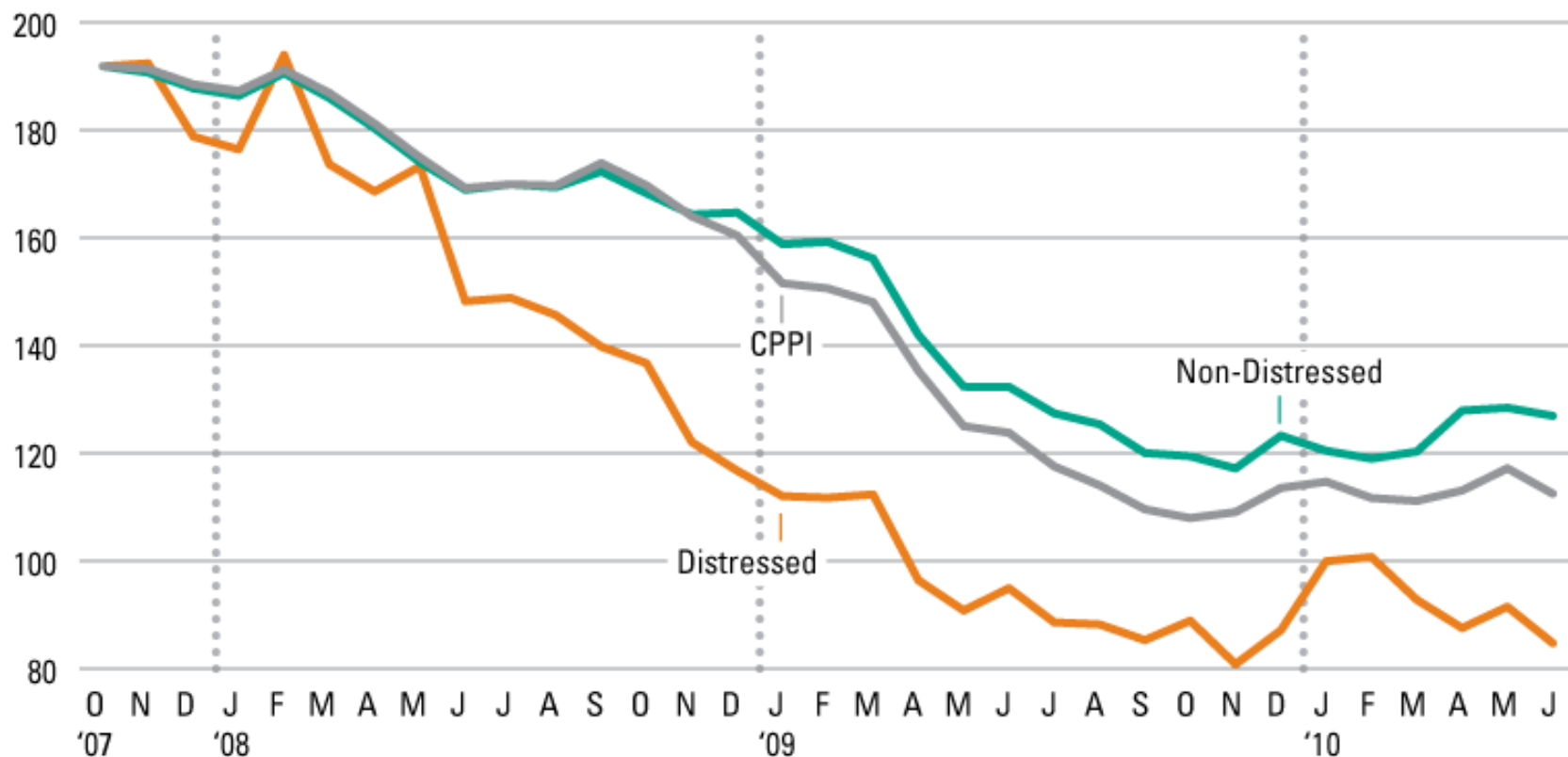
Secondary

Austin San Diego
Denver St Louis
Orlando ... top 40

Includes full recoveries

The Weight of Unresolved Distress

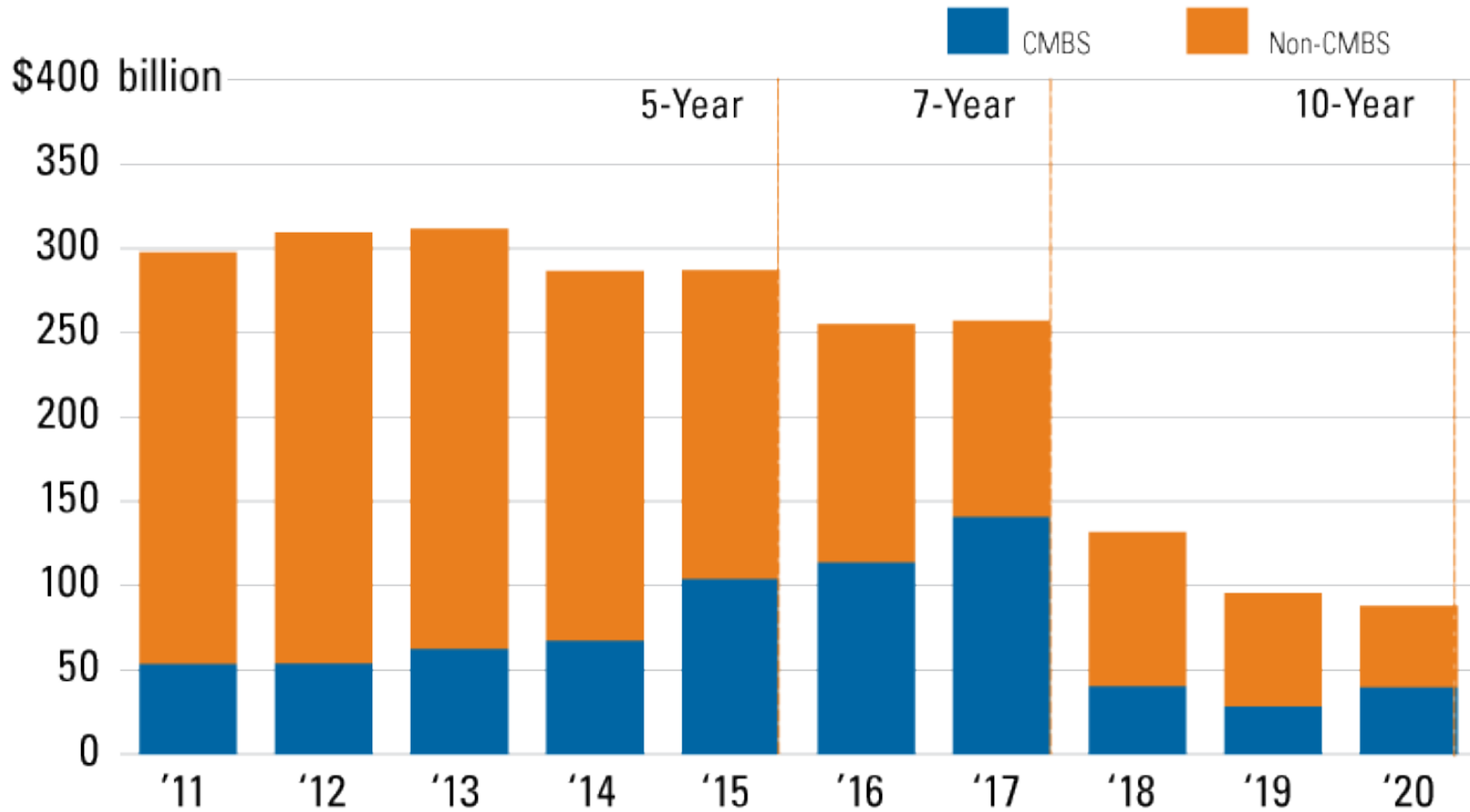
CPPI-BASED NON-DISTRESSED & DISTRESSED PROPERTY INDICES



Source: RCA data & Geltner Associates LLC, analysis based on the August 2010 CPPI dataset.

Relative Financing Costs and Demand for Credit

PROJECTED COMMERCIAL MORTGAGE MATURITIES



Source: Foresight Analytics

Outlook in Summary

- A lackluster economic and labor market recovery affording favorable monetary policy
- Fiscal policy – including federal spending and taxes – clouding the investment outlook
- Transaction activity and credit conditions improving in a subset of markets, exacerbating bifurcations
- Legacy credit issues and uncertainties relating to financial and regulatory reform remain drags on the real estate outlook



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