

OVERVIEW OF REAL ESTATE CAPITAL MARKETS

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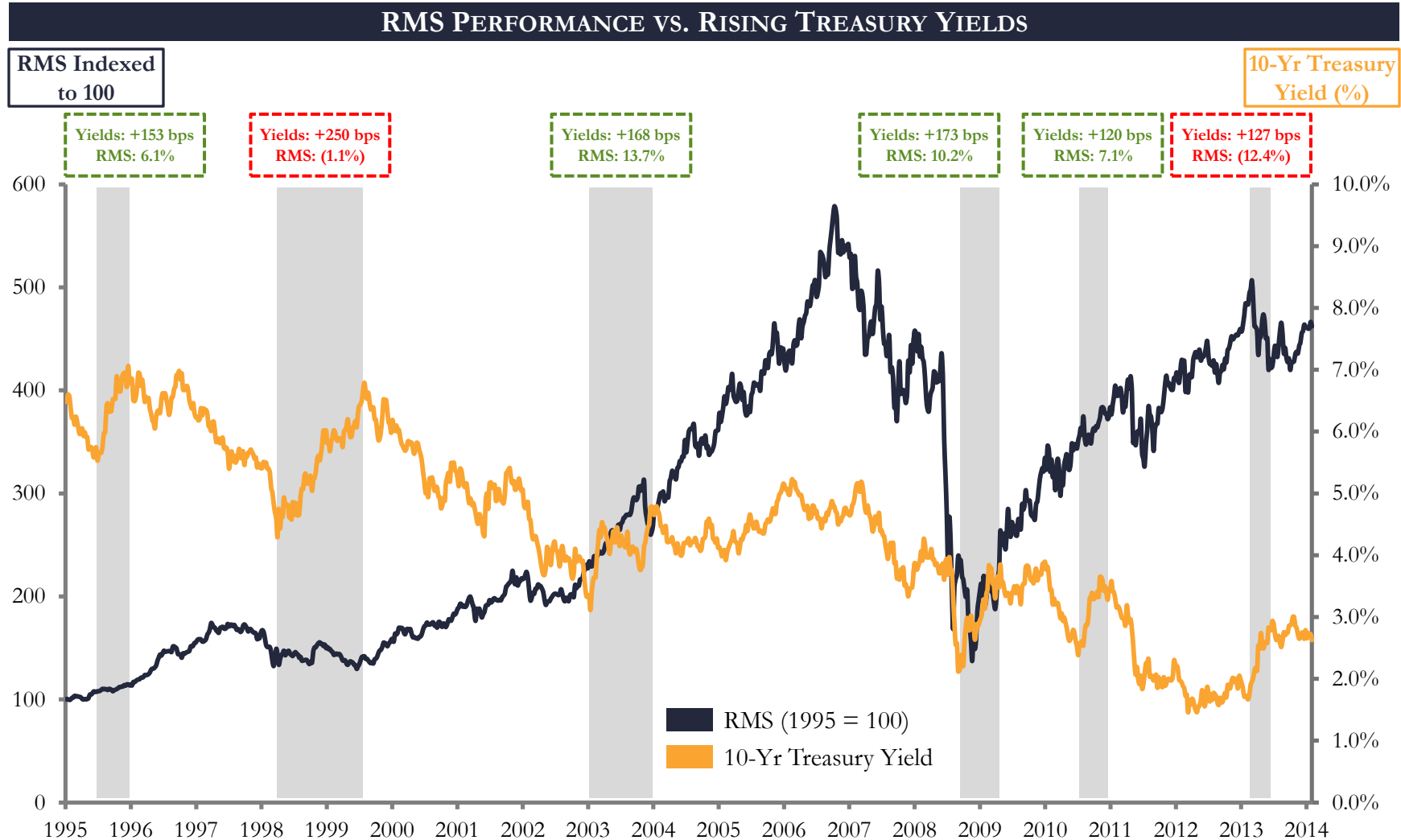
**NEW YORK UNIVERSITY**

**Stern Center for Real Estate – Spring Symposium**



# Interest Rate Environment & REIT Equity Performance

A critical question facing real estate investors in 2014 is the extent to which rising interest rates could potentially impact real estate valuations and development costs

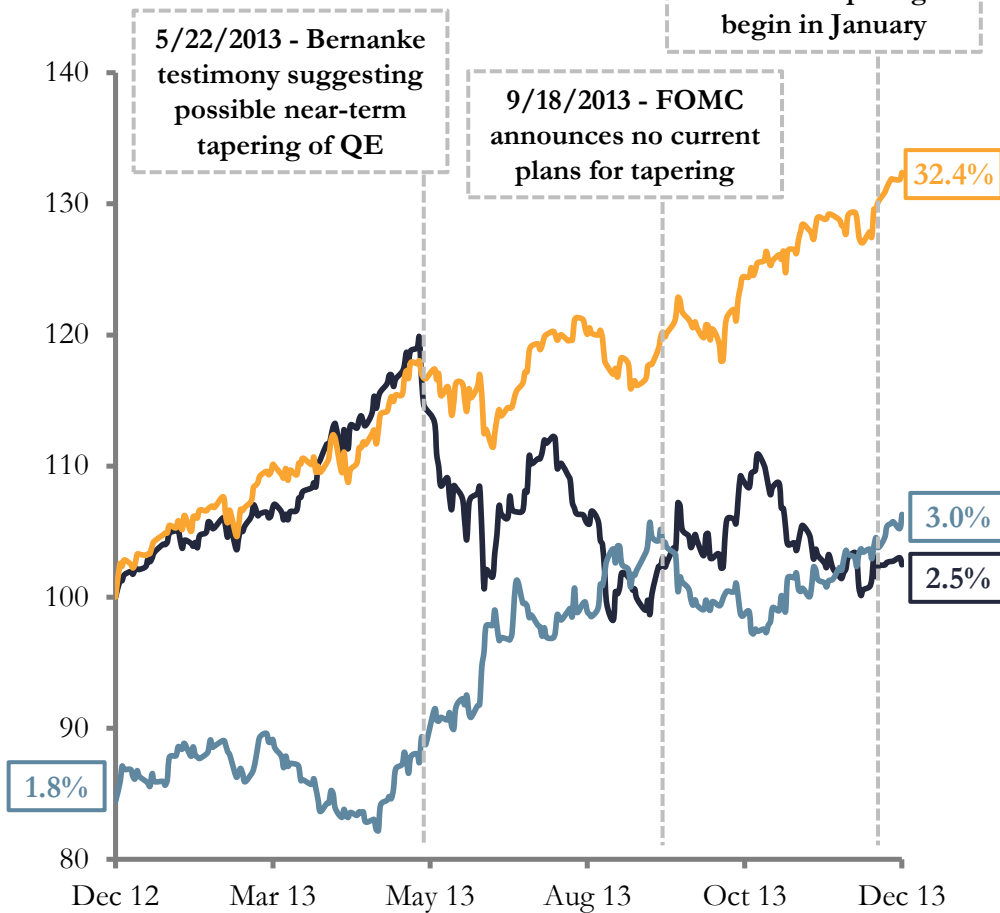




# REIT Equity Market Trading Performance

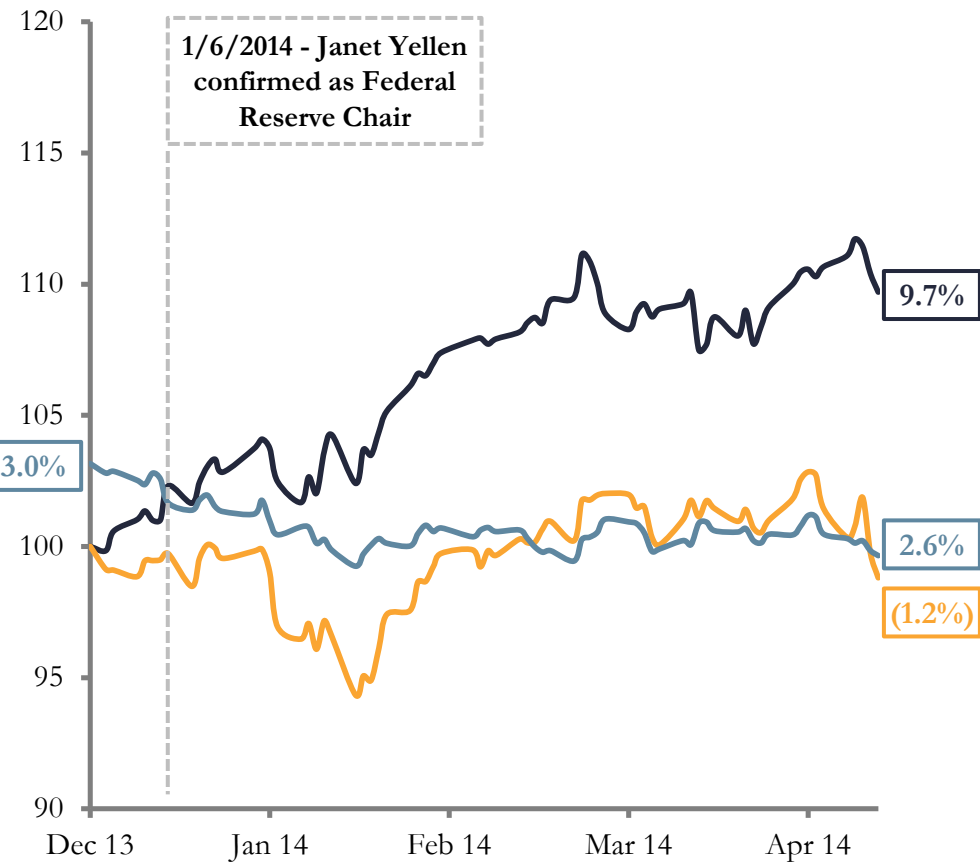
### 2013 TOTAL RETURNS – S&P 500 & RMS

Indexed Total Returns



### TOTAL RETURNS YTD – S&P 500 & RMS

Indexed Total Returns

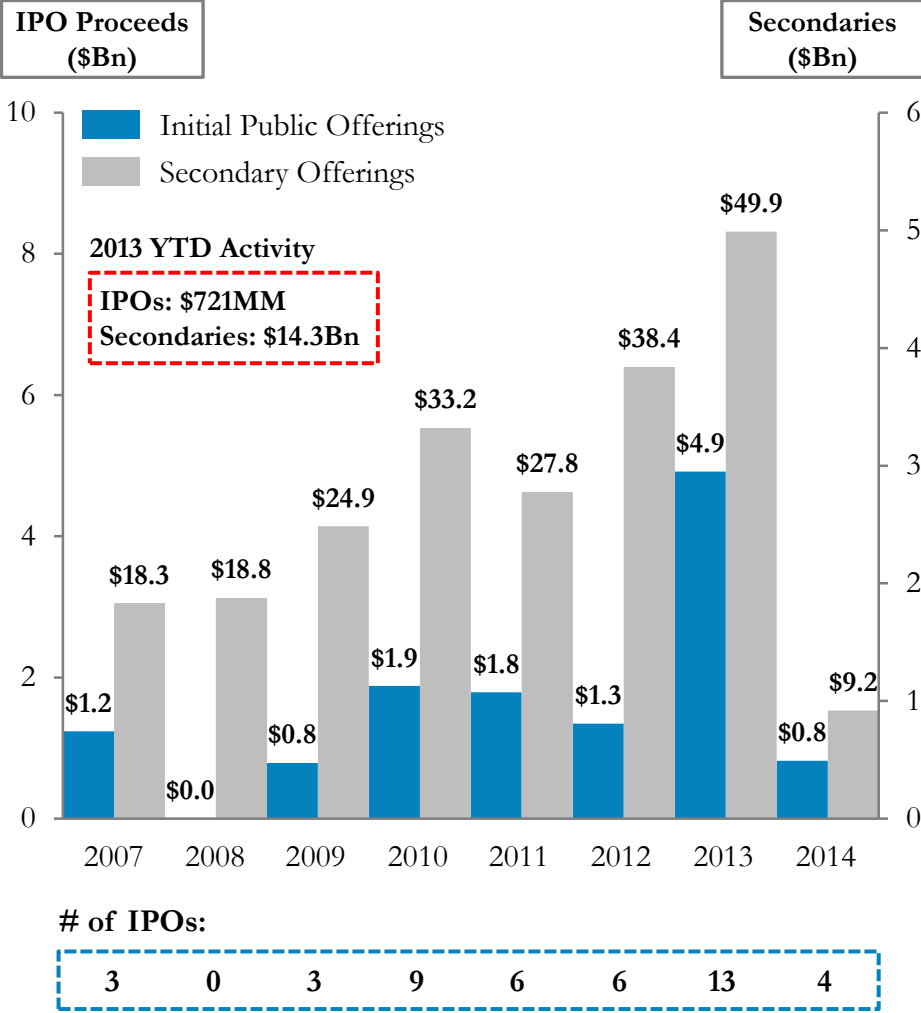


■ RMS ■ S&P 500 ■ 10-Yr Treasury Yield

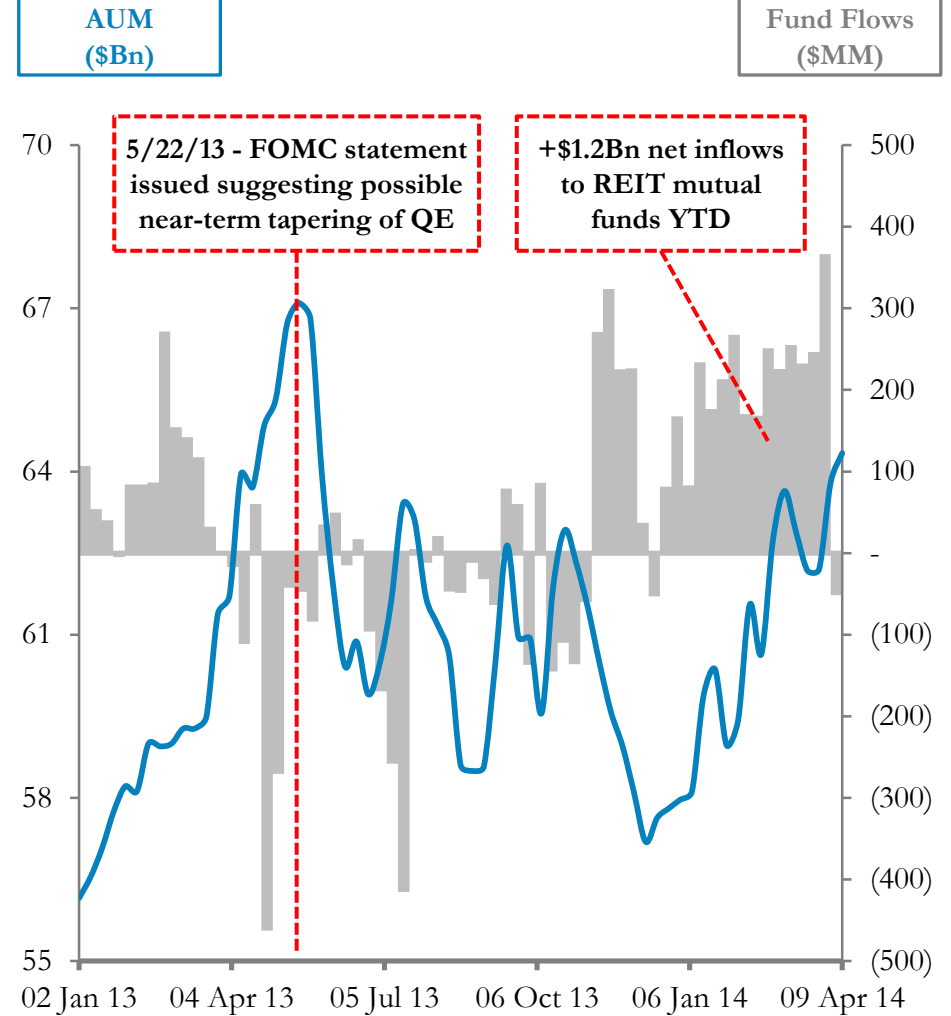


# REIT Capital Markets & Institutional Funds Flow Activity

## REIT EQUITY CAPITAL MARKETS ACTIVITIES



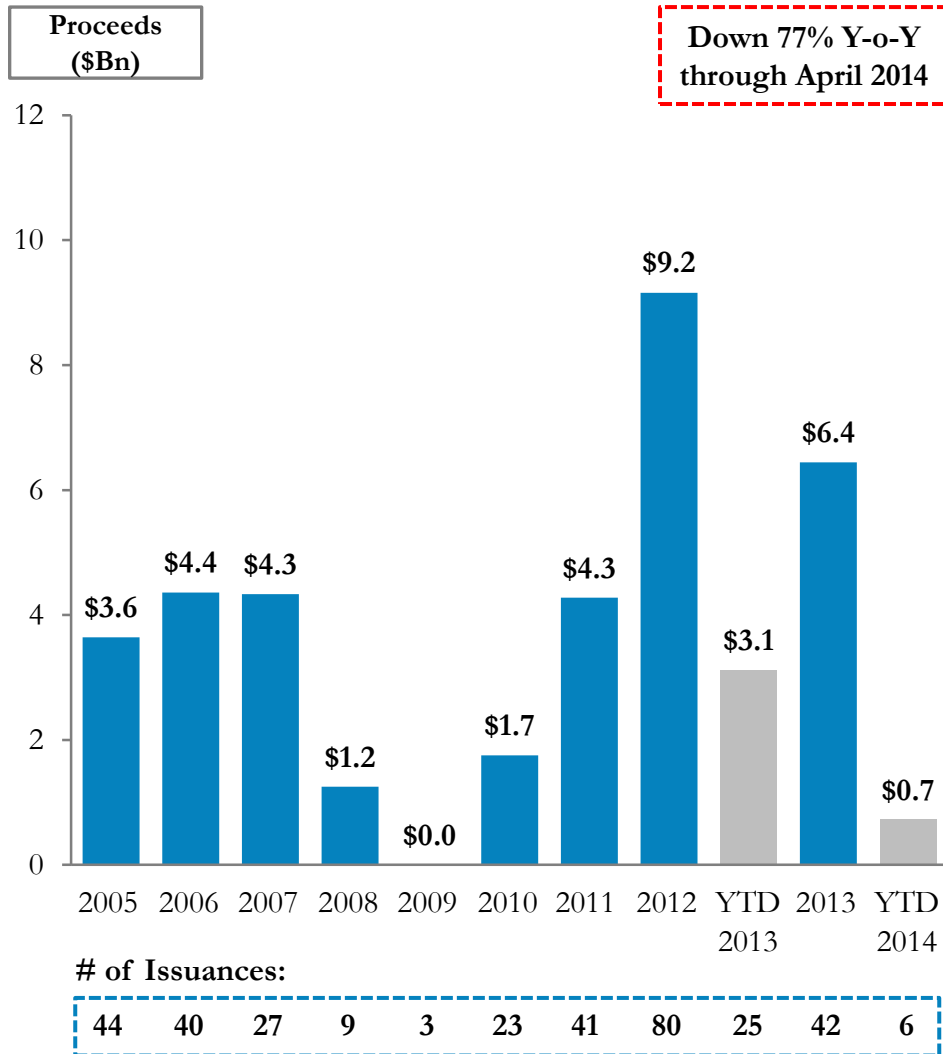
## REAL ESTATE MUTUAL FUND FLOWS & AUM



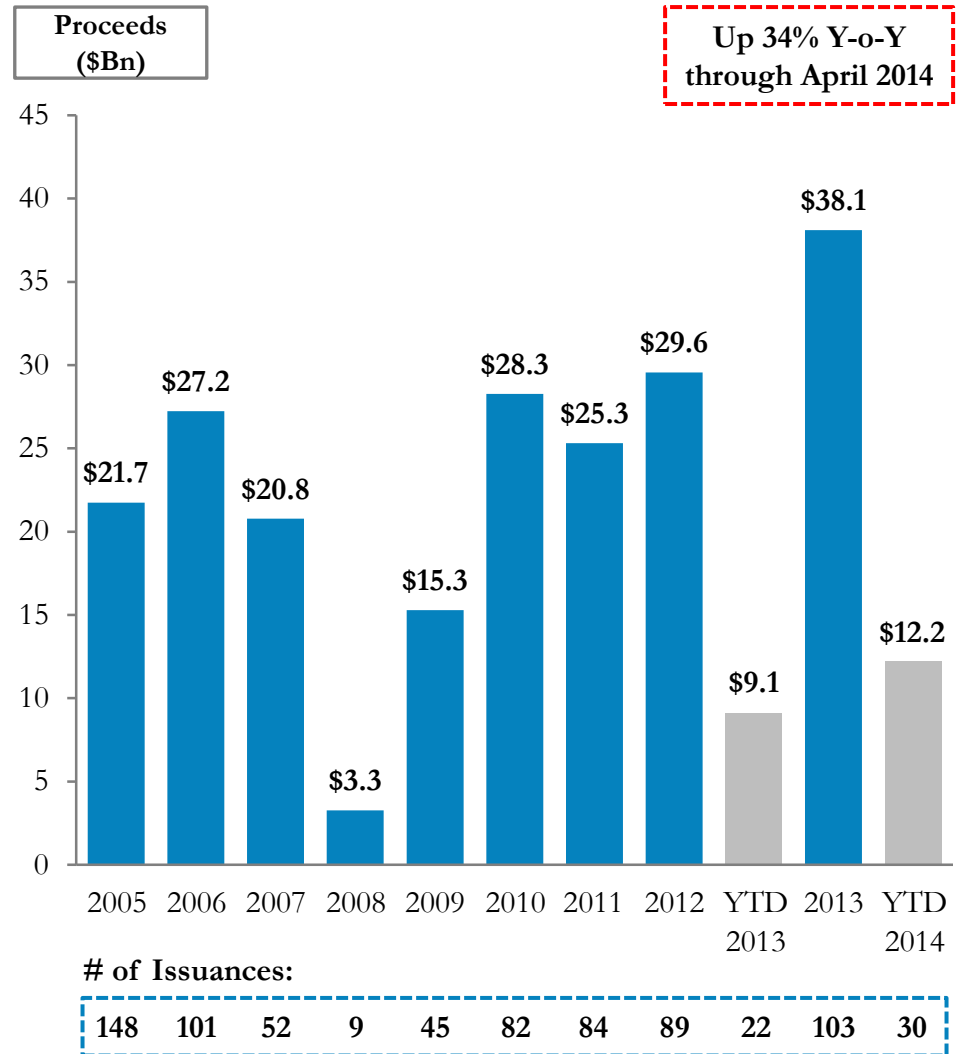


# Preferred Equity & Unsecured Bond Issuance

## REIT PREFERRED EQUITY ISSUANCE (\$Bn)



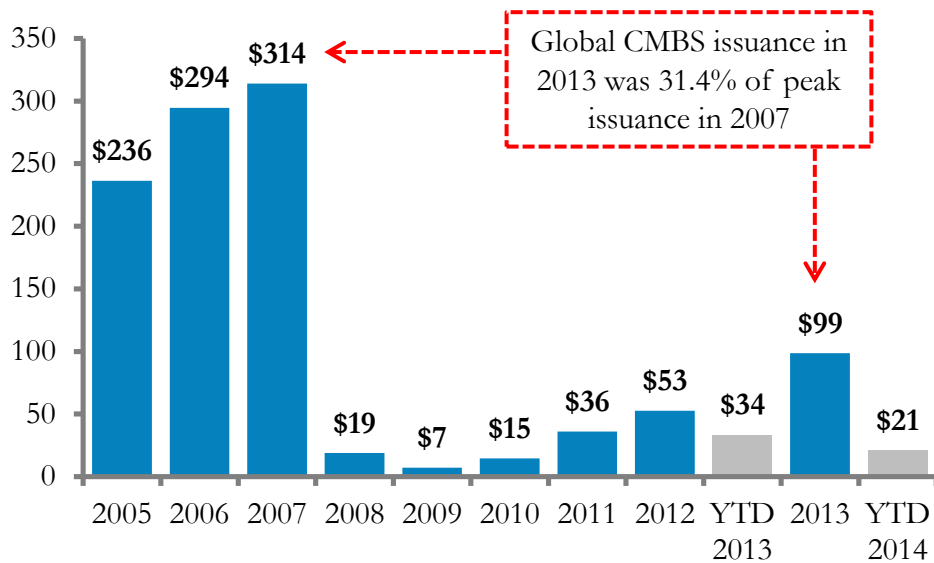
## REIT UNSECURED DEBT ISSUANCE (\$Bn)



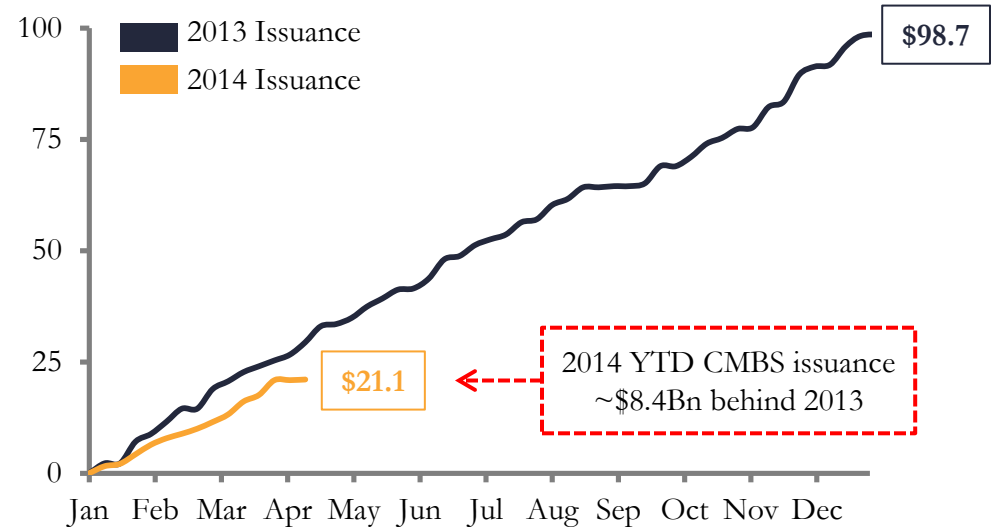


# Global CMBS Markets

### GLOBAL CMBS ISSUANCE (\$BN)



### GLOBAL CMBS ISSUANCE – Y-O-Y (\$BN)



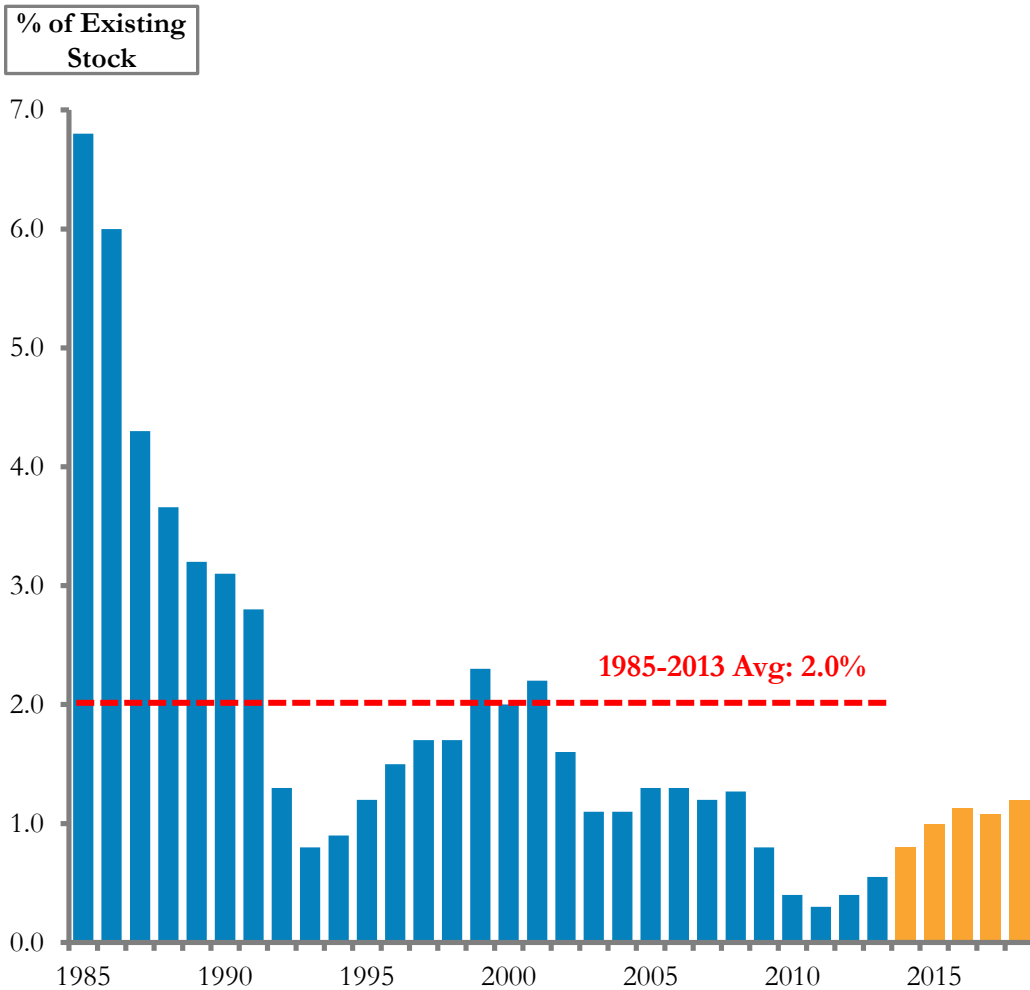
### GLOBAL ISSUANCE SPREAD ON 10-YEAR AAA SWAPS (BPS)



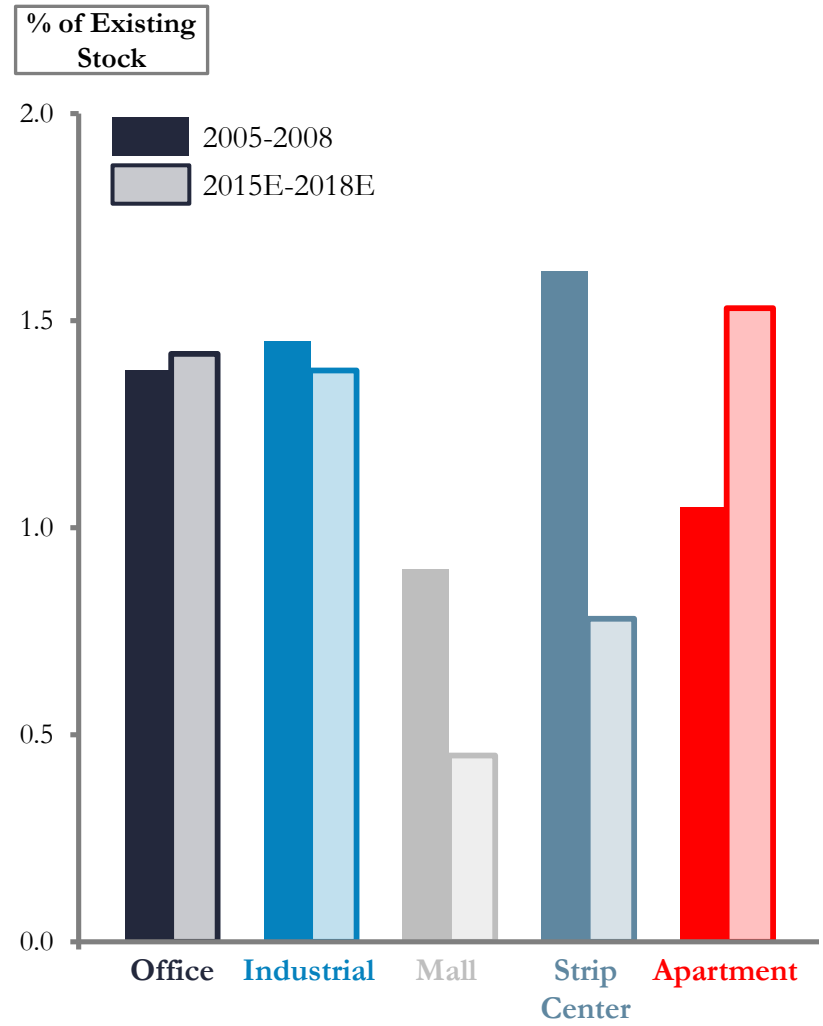


# Outlook for Commercial Real Estate

### NEW COMPLETIONS AS A % OF EXISTING STOCK (a)



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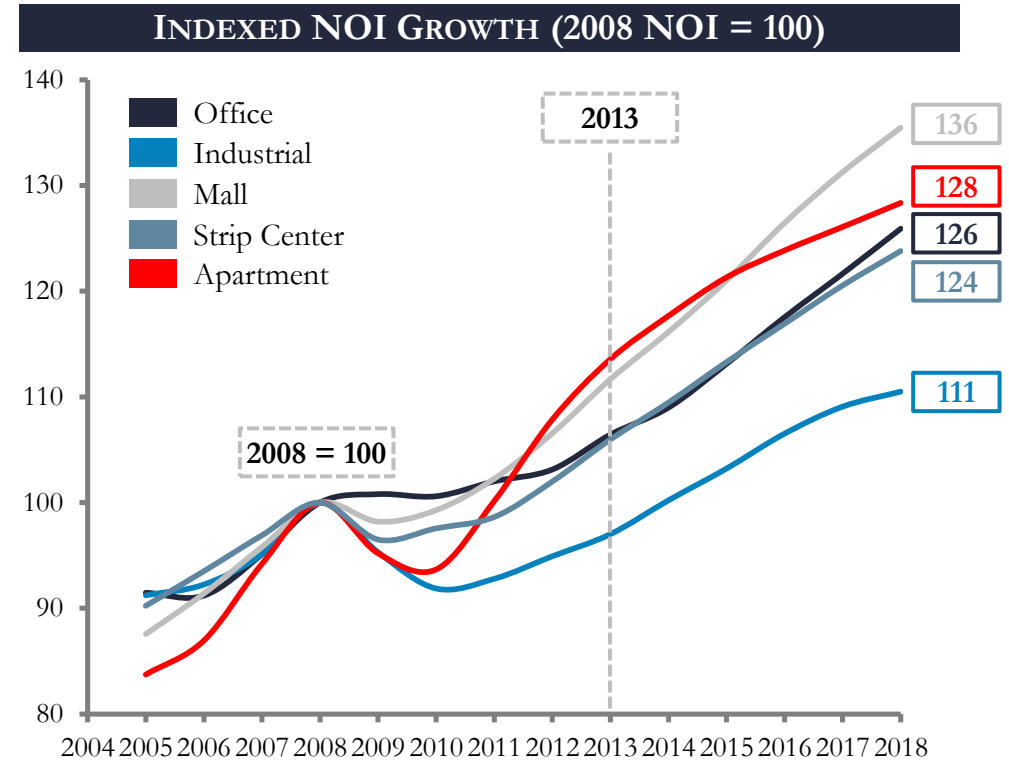
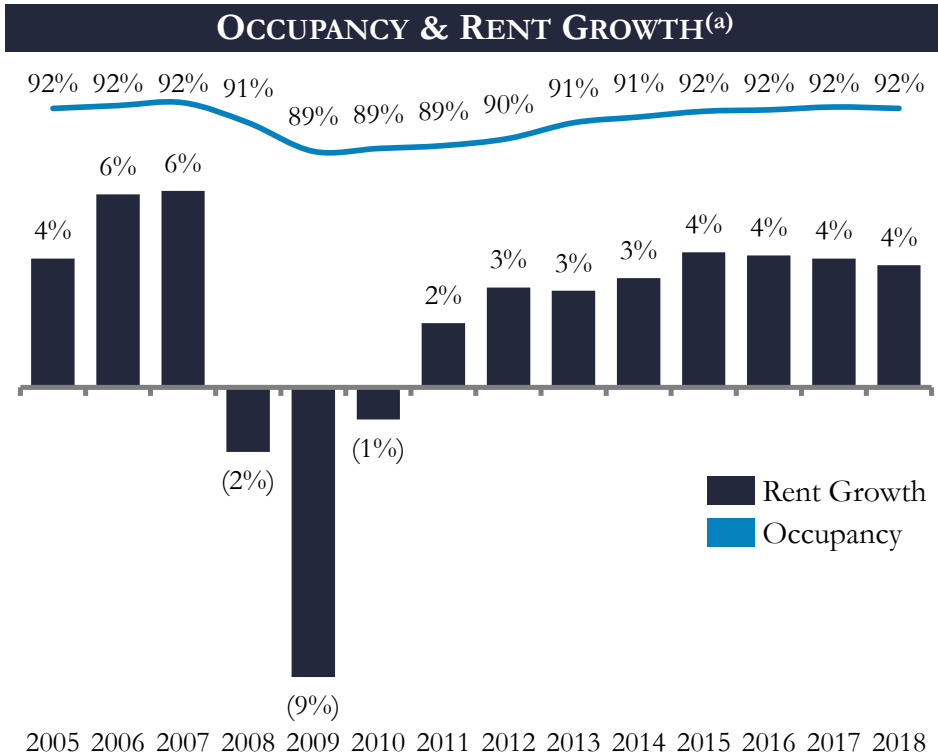


Source: Green Street Advisors as of 4/11/2014.

(a) Supply growth represents an equal-weighted average of the five major property sectors.



## Outlook for Commercial Real Estate (cont'd)



### ECONOMIC FORECASTS<sup>(b)</sup>

	Historical		Consensus Estimates		
	'01-'11	'12	'13	'14E	'15E-'18E Avg.
Inflation (PCE)	2.1%	1.8%	1.1%	1.1%	1.5%
Unemployment Rate	6.4%	8.1%	7.4%	6.6%	6.0%
Real GDP Growth	1.7%	2.8%	1.9%	2.9%	2.8%
Real Disp. Inc. Growth	2.2%	2.0%	0.7%	2.4%	2.7%
Savings Rate	4.6%	5.6%	4.5%	4.2%	4.4%
Real PCE Growth	2.1%	2.2%	2.0%	2.7%	2.6%

Source: Green Street Advisors as of 4/11/2014.

(a) Occupancy and rent growth are equal-weighted averages of the apartment, industrial, mall, office and strip center property sectors.

(b) Blue Chip Economic Indicators, BEA, BLS, Census Bureau and Green Street Advisors.





# Historical Cap Rates & Observed Valuation Trends

## AVERAGE QUARTERLY CAP RATE – 2005 TO PRESENT (%)

Avg. Quarterly Cap Rate (%)

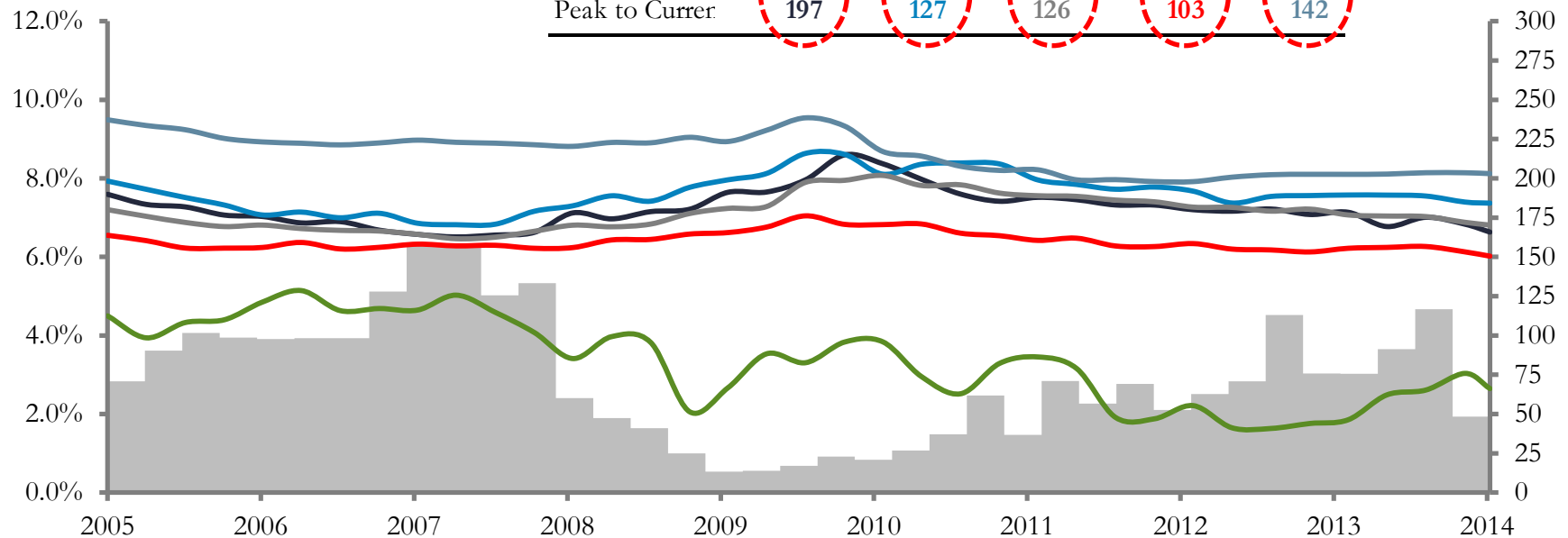
### OBSERVED CHANGE IN CAP RATES

Quarterly Trnx. Volume (\$Bn)

	Office	Industrial	Retail	Apartment	Hotels
Q1 2005	7.6%	7.9%	7.2%	6.5%	9.5%
Peak Cap Rate	8.6%	8.6%	8.1%	7.0%	9.5%
Q1 2014 (b)	6.6%	7.4%	6.8%	6.0%	8.1%

### Cap Rate Compression (bps)

2005 to Currer	96	56	39	53	137
Peak to Currer	197	127	126	103	142



Office Industrial Retail Apartment Hotels 10-Yr Treasury

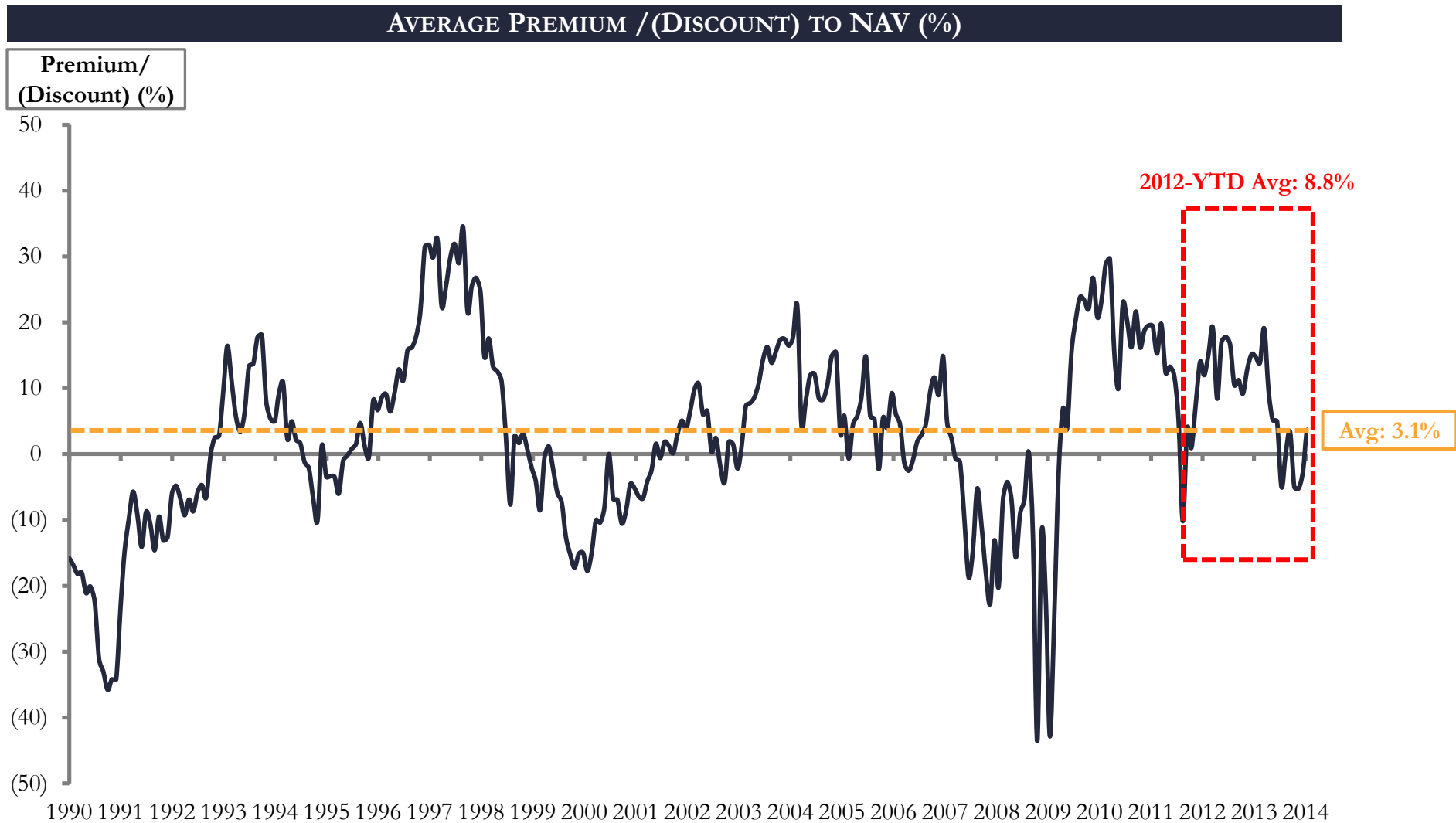
Source: RCA Analytics as of 4/11/2014.

(a) Cap rates represent 3-month average for all property types except hotels for which a 12-month average is used.

(b) Average quarterly cap rate and transaction volume as of 2/28/2014.



# NAV Premium / (Discount) Over Time

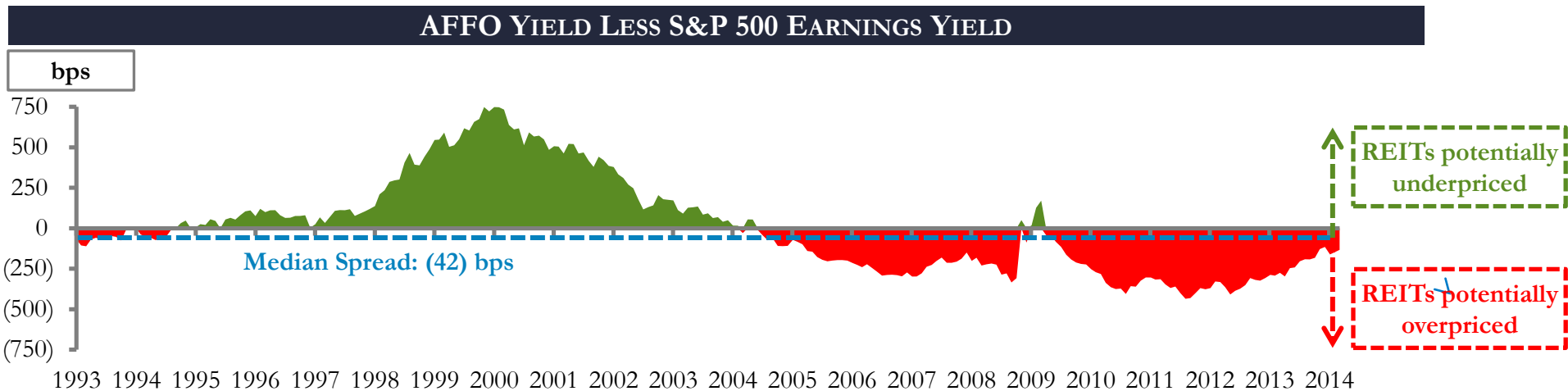
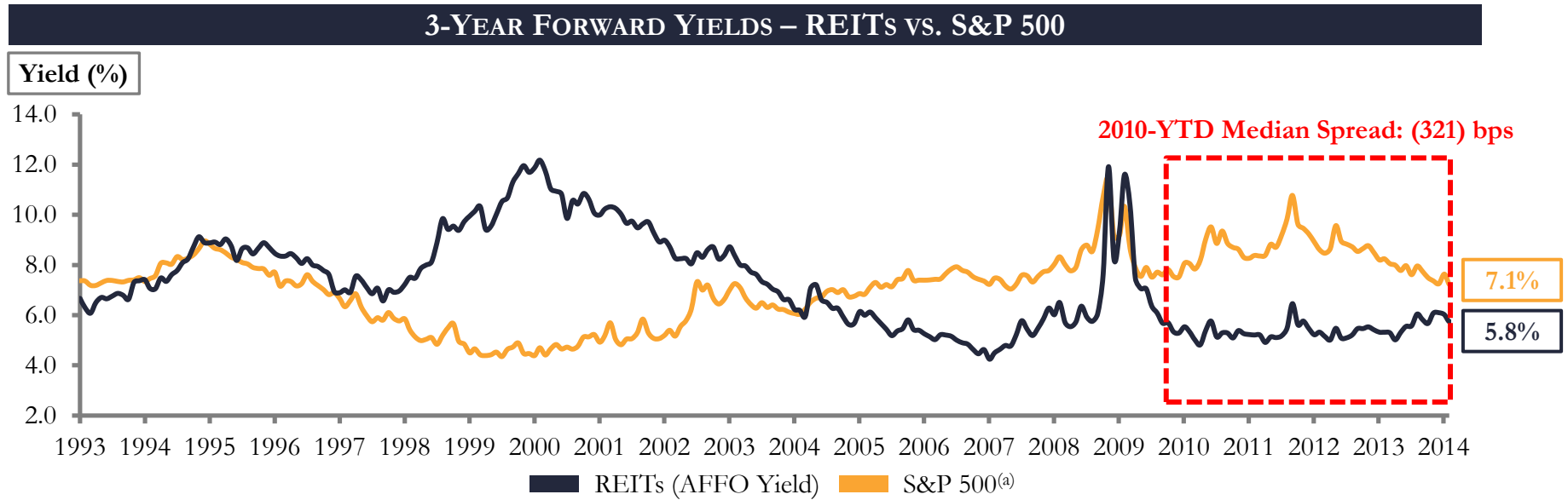


Source: Green Street Advisors as of 4/11/2014.

(a) Sector level NAV premiums are weighted by total private market value of equity (NAV \* Share Count). Analysis excludes non US-listed companies, those without a published opinion and ROIC.



# AFFO Yields vs. S&P 500 Earnings Yields



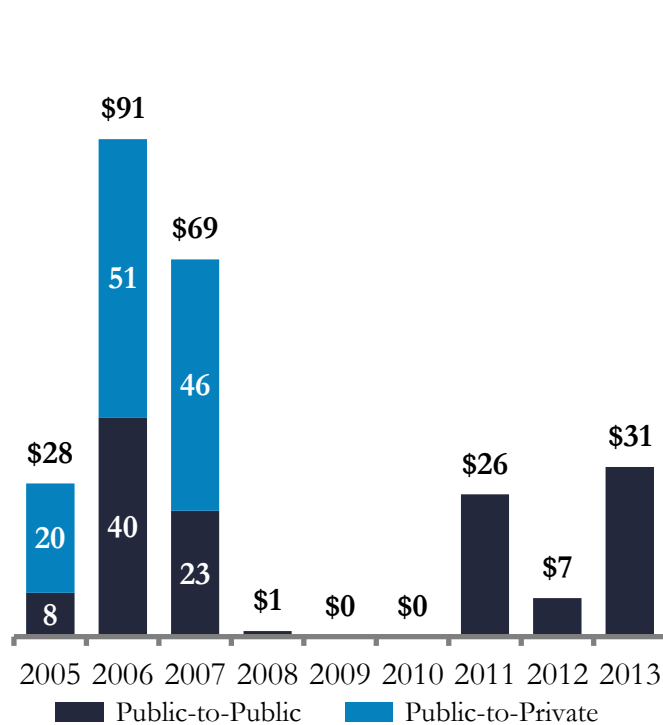
Source: Green Street Advisors as of 4/11/2014.

(a) 3-Year Forward Earnings for the S&P 500 represents the 52-week forward operating earnings per Thomson Reuters grown by 10%.

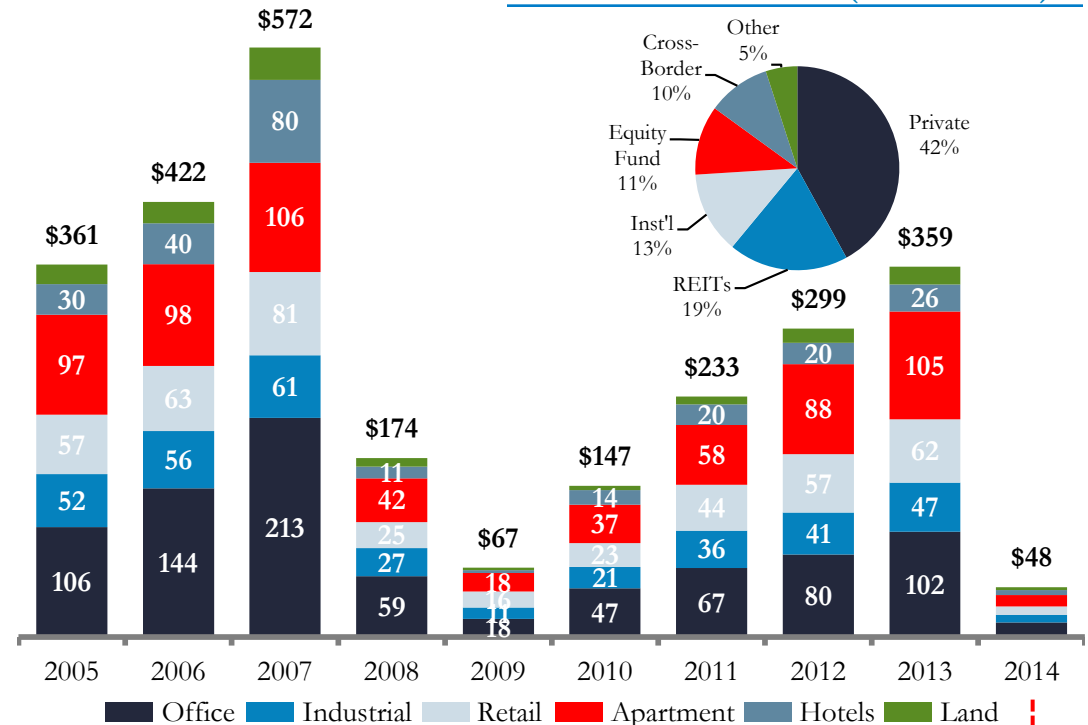


# M&A in the REIT Sector & Real Estate Transaction Volume

**REIT M&A VOLUME (\$Bn)**



**REAL ESTATE TRANSACTION VOLUME (\$Bn)**



**Notable Recent M&A Transactions (\$Bn)**

ARCP / Cole Real Estate (2013)	\$7.2Bn
Essex Property Trust / BRE Properties (2014)	\$4.3Bn
W.P. Carey / CPA:16 (2013)	\$4.0Bn
ARCP / ARCT IV (2013)	\$3.1Bn
Mid-America / Colonial Properties (2013)	\$2.2Bn
ARCP / CapLease (2013)	\$2.2Bn
Kite Realty / Inland Diversified (2014)	\$2.1Bn

**2014 YTD Breakdown (\$Bn) (a)**

Office	\$14.3
Apartment	11.1
Retail	8.1
Industrial	7.1
Hotels	5.1
Land	2.8
<b>Total</b>	<b>\$48.4</b>



# Recent REIT Strategic Themes

**SHIFTING PROPERTY FOCUS**

**CONSOLIDATION**

**PORTFOLIO REPOSITIONING**

**CORPORATE REPOSITIONING**

**REGIONAL EXPANSION**

**NON-TRADITIONALS**

**FORMER NON-TRADED REIT'S**

**LARGE JVS**