

THE NEW CITY



PRESENTED BY:
SPENCER LEVY
AMERICAS HEAD OF RESEARCH
SENIOR ECONOMIC ADVISOR

TAMPA, FL | SEPTEMBER 13, 2018

CBRE

THE
HISTORY 
OF
THE FUTURE

PRESENTED BY

Spencer Levy

THE NEW CITY

PITTSBURGH, PA





THE NEW CITY

WASHINGTON, D.C.

THE NEW CITY

LOS ANGELES, CA



THE NEW CITY

NEW YORK, NY





WHY DO WE DO THIS?

DISNEYWORLD

THIS IS WHY WE DO THIS...

PAST FIVE YEARS		NEXT TWO YEARS		NEXT FIVE YEARS	
Hotel	16.5	Hotel	9.7	Hotel	9.7
Apartments	12.7	Office	8.2	Industrial	3.9
Industrial	10.9	Industrial	7.7	Office	2.9
Office	10.9	Apartments	5.8	Apartments	2.7
Retail	8.0	Retail	3.2	Retail	1.5

Source: CBRE Econometric Advisors.

LA #1 MARKET IN UNITED STATES

#1 Los Angeles (31st)

#2 Dallas/Ft. Worth (4th)

#3† New York (37th)

#3† Seattle (10th)

#4† San Francisco (33rd)

#4† Houston (2nd)

#5 Atlanta (18th)

#6 Washington, D.C. (29th)

#7 Denver (23th)

#8 Miami (9th)

#9† Nashville (11th)

#9† Portland (6th)

#9† Boston (28th)

#10† Austin (1st)

#10† Tampa (5th)

#11 Phoenix (7th)



MR. T











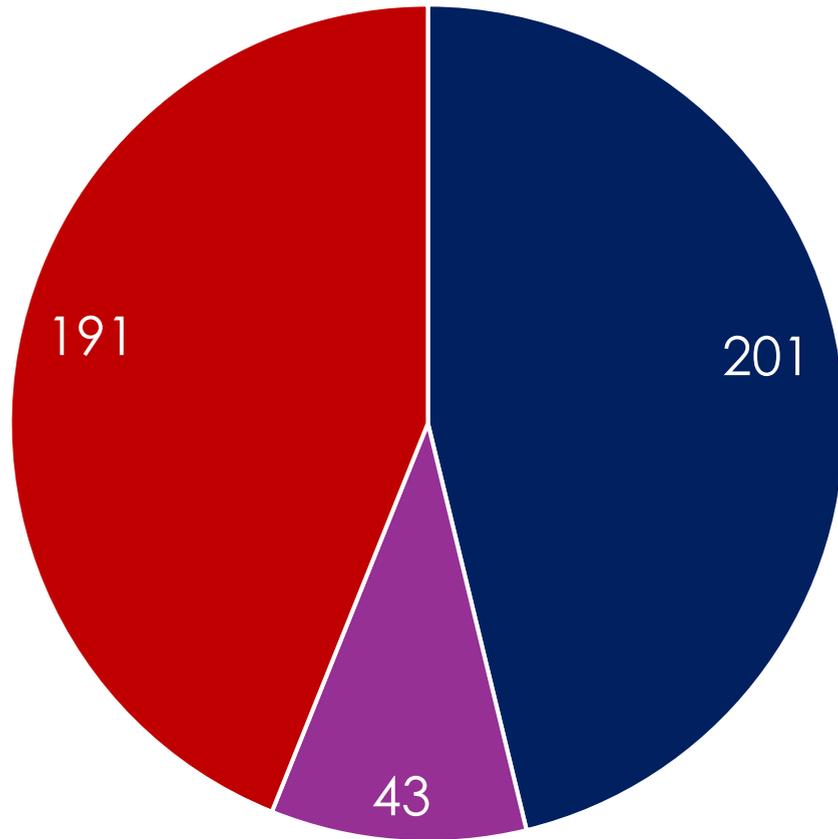


DO ELECTIONS MATTER?

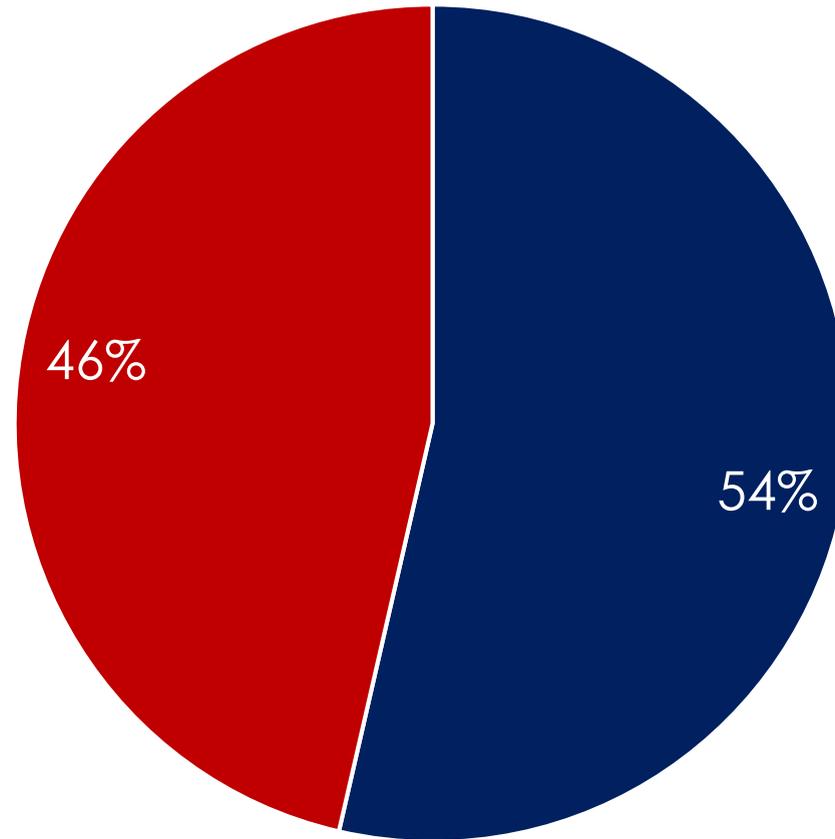


DEMOCRATS FAVORED TO WIN HOUSE ANYONE TRUST THE POLLS?

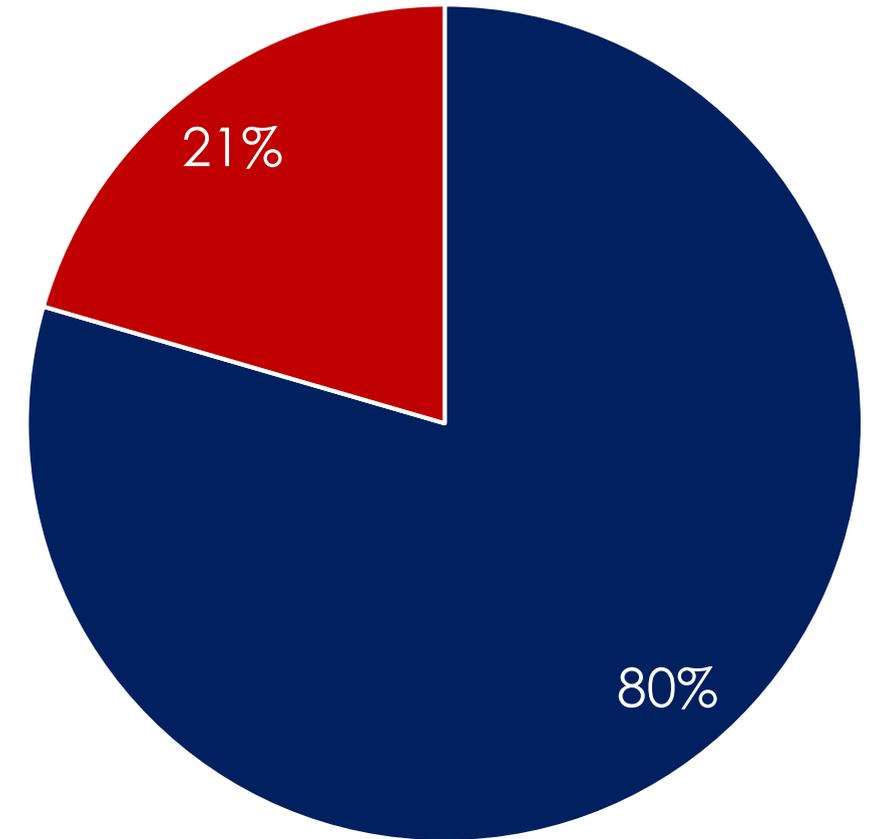
REAL CLEAR POLITICS



UVA CRYSTAL BALL



FIVE THIRTY EIGHT

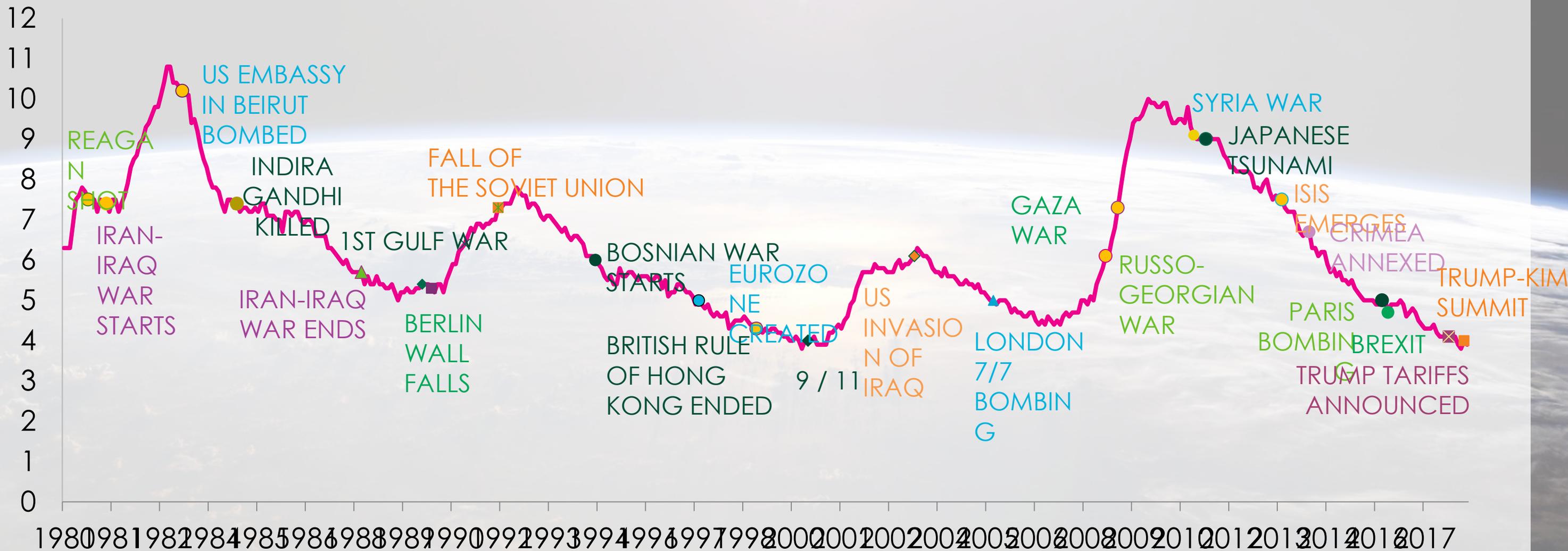


■ Democrat ■ Toss Up ■ Republican

Sources: Real Clear Politics; University of Virginia Center for Politics; Thirty Eight Five.

GEOPOLITICAL EVENTS DON'T REALLY MATTER

U.S. Unemployment Rate (%)

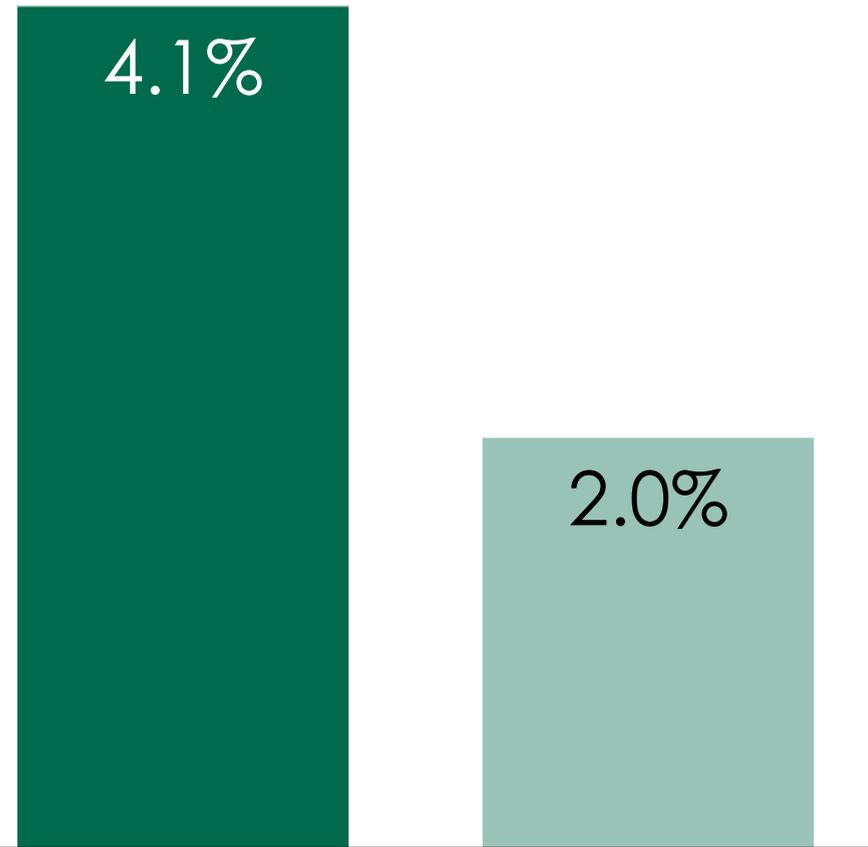


Source: Macrobond & CBRE Research, August 2018.



GROWTH HAS FINALLY TAKEN OFF

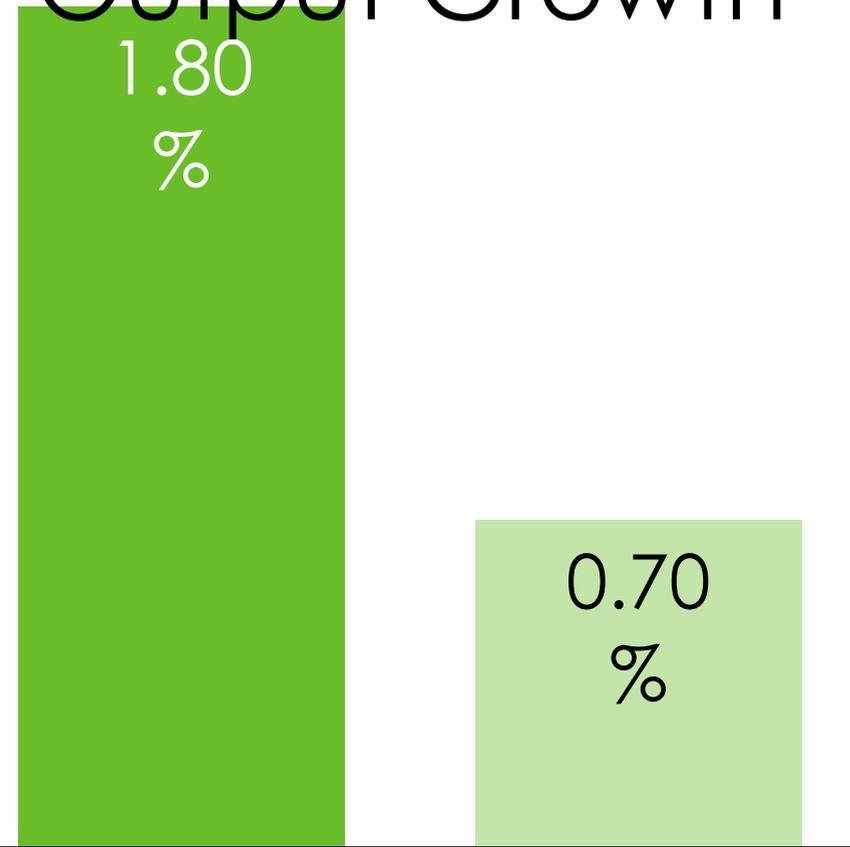
GDP Growth



Q2 2018

Annual Average
since '09

Manufacturing Output Growth



Q2 2018

Annual Average
since '99

Office Net Absorption



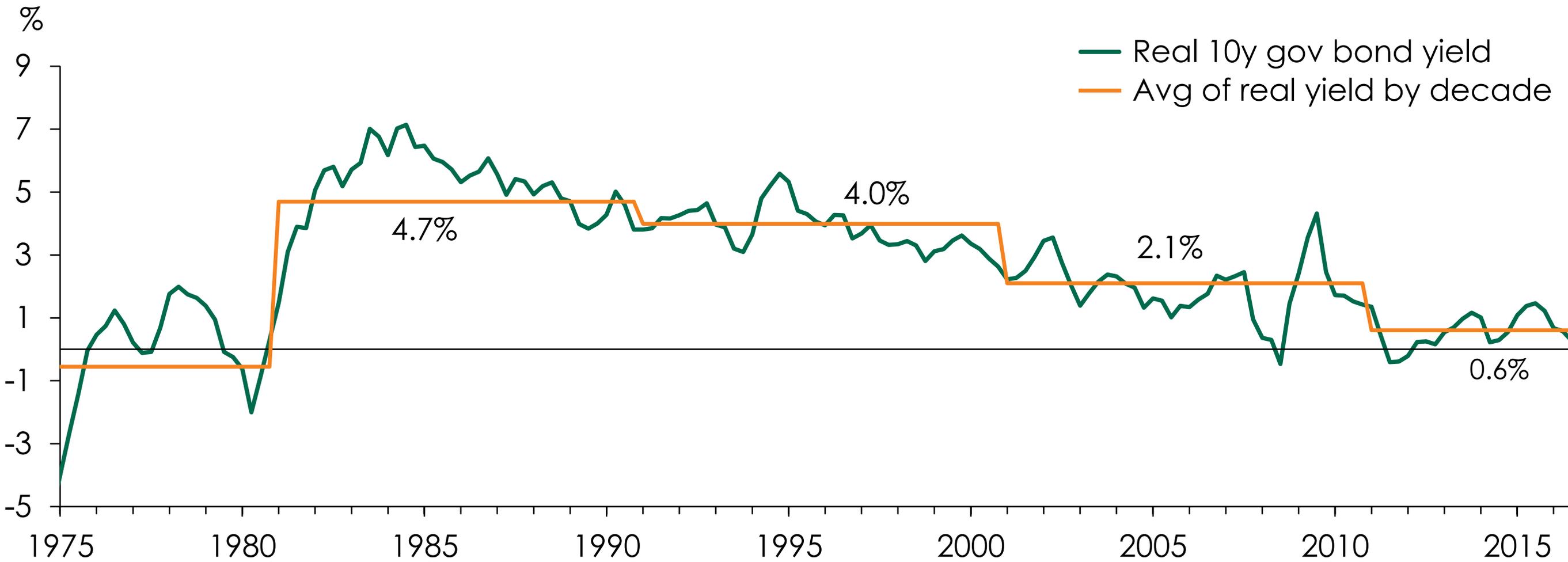
Past 12 Months

Annual Average
since '09

Source: NCREIF, Q2 2018.

LOW INFLATION FOREVER #1 EXCESS CAPITAL – REAL INTEREST RATES DOWN

G7 10-year government bond yield

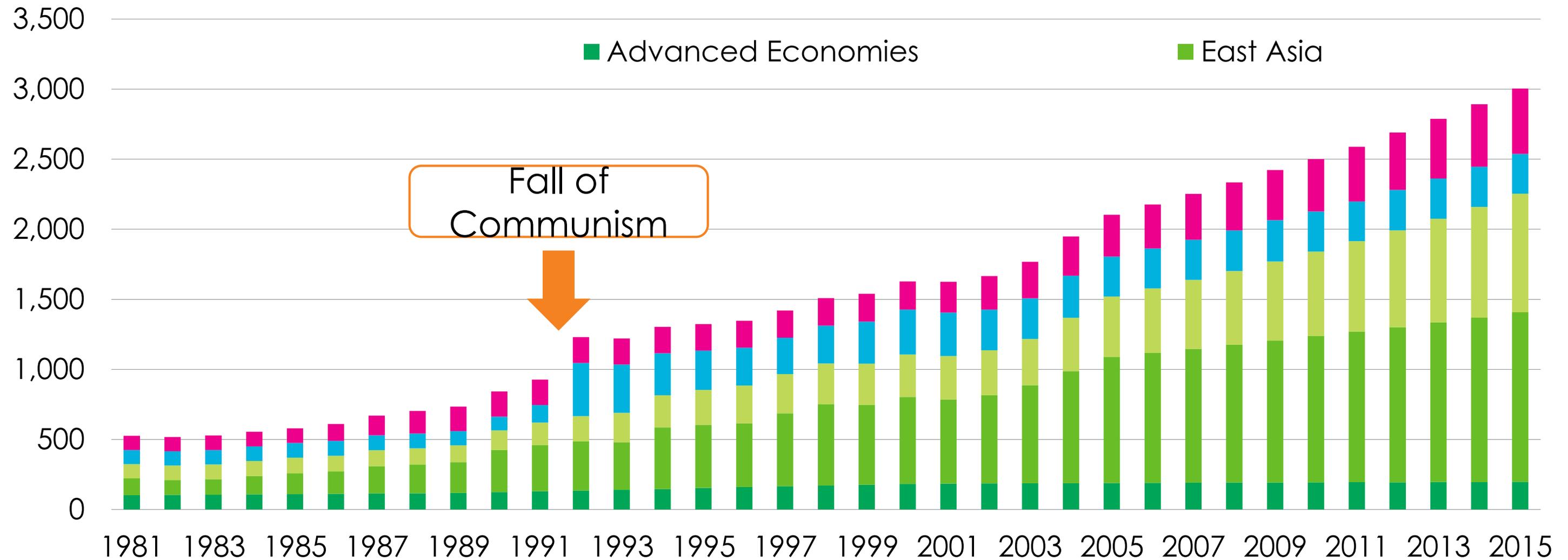


Source: Oxford Economics/Haver Analytics, Macrobond, CBRE Econometric Advisors, April 2018.

* weighted using nominal GDP PPP

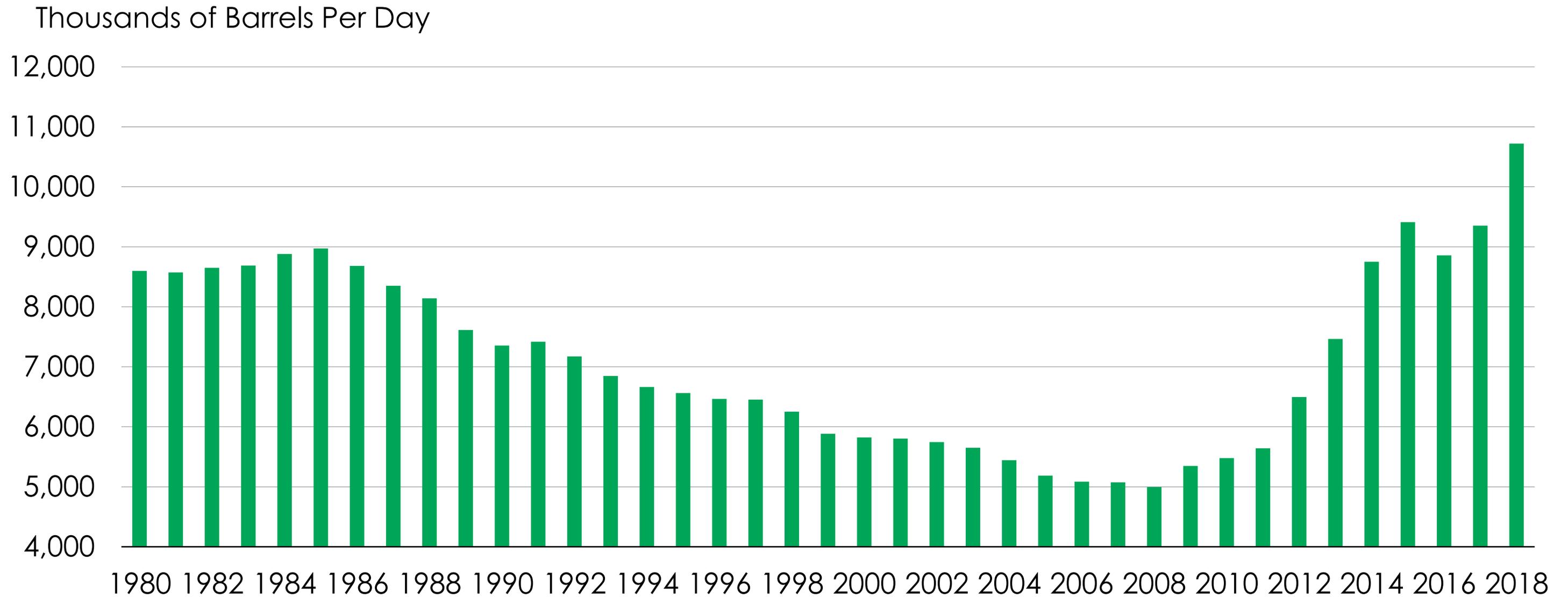
MASSIVE LABOR SUPPLY SHOCK AT A GLOBAL LEVEL

Export-Weighted Labor Force by Region (Index, 1980=100)



Source: IMF World Economic Outlook, CBRE Econometric Advisors.

3. OIL PRODUCTION IS A GAME CHANGER



Source: U.S. Energy Information Administration (EIA); Moody's Analytics Forecasted, April 2018.



THE 4TH: INNOVATION

TRADE

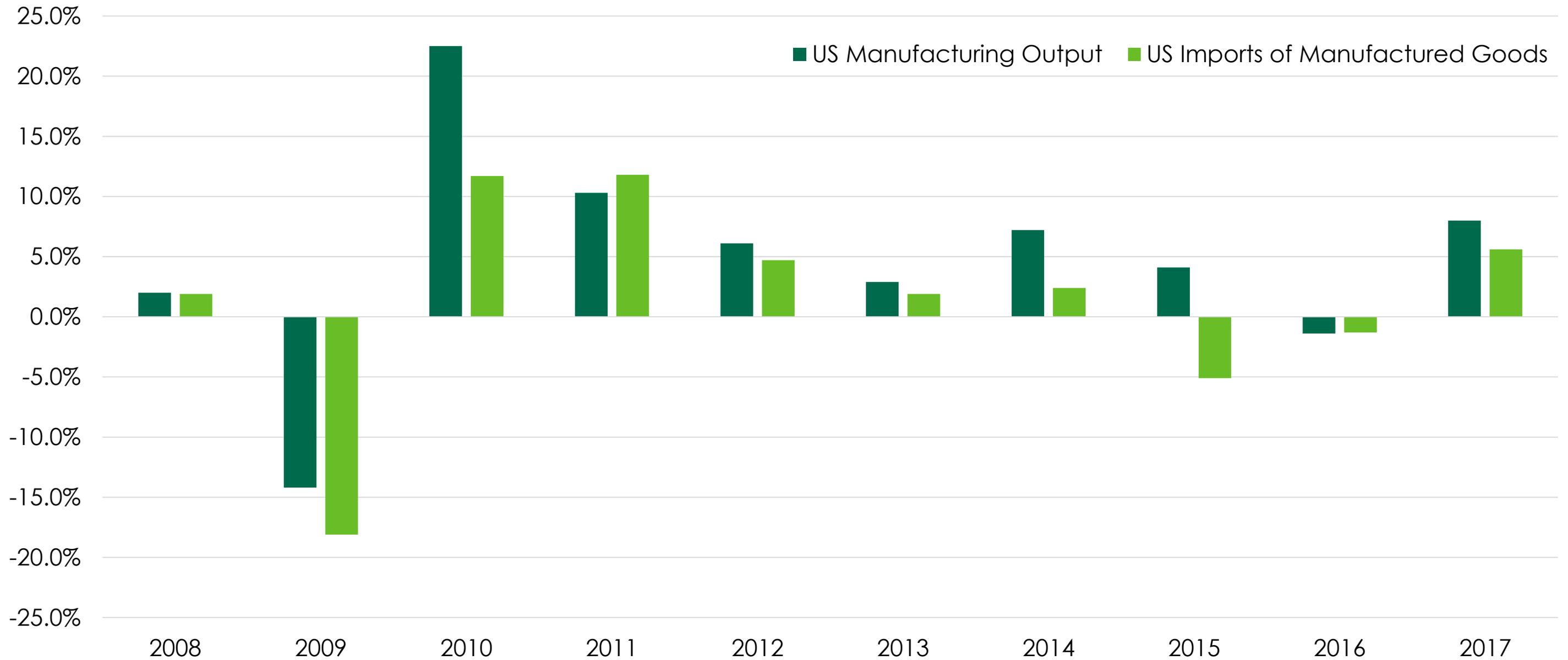






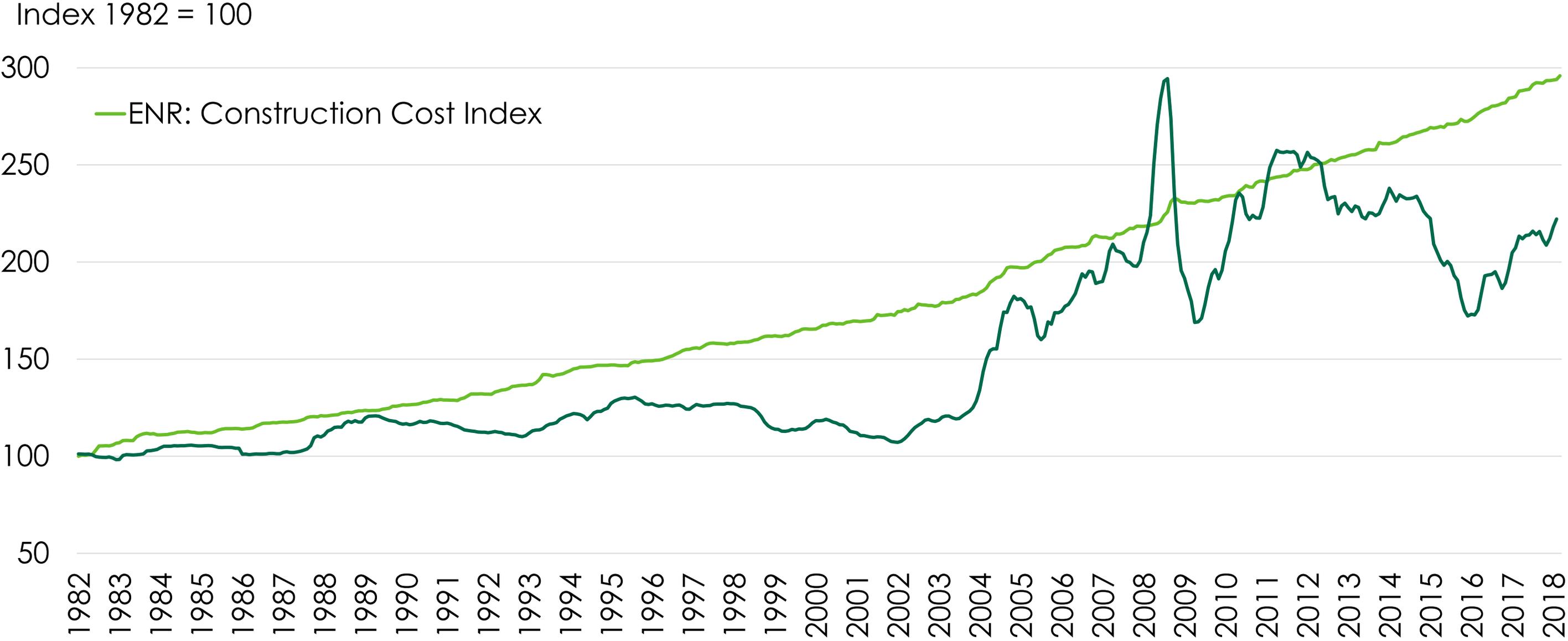


U.S. MANUFACTURING OUTPUT GROWTH VS. IMPORTS GROWTH



Source: US International Trade Commission, US Department of Commerce, A.T. Kearney.

STEEL COSTS MATTER; LABOR MATTERS A LOT MORE



Source: Federal Reserve Flow of Funds, CBRE Research, 2018.

MANHATTAN CONCESSIONS COMPARISON



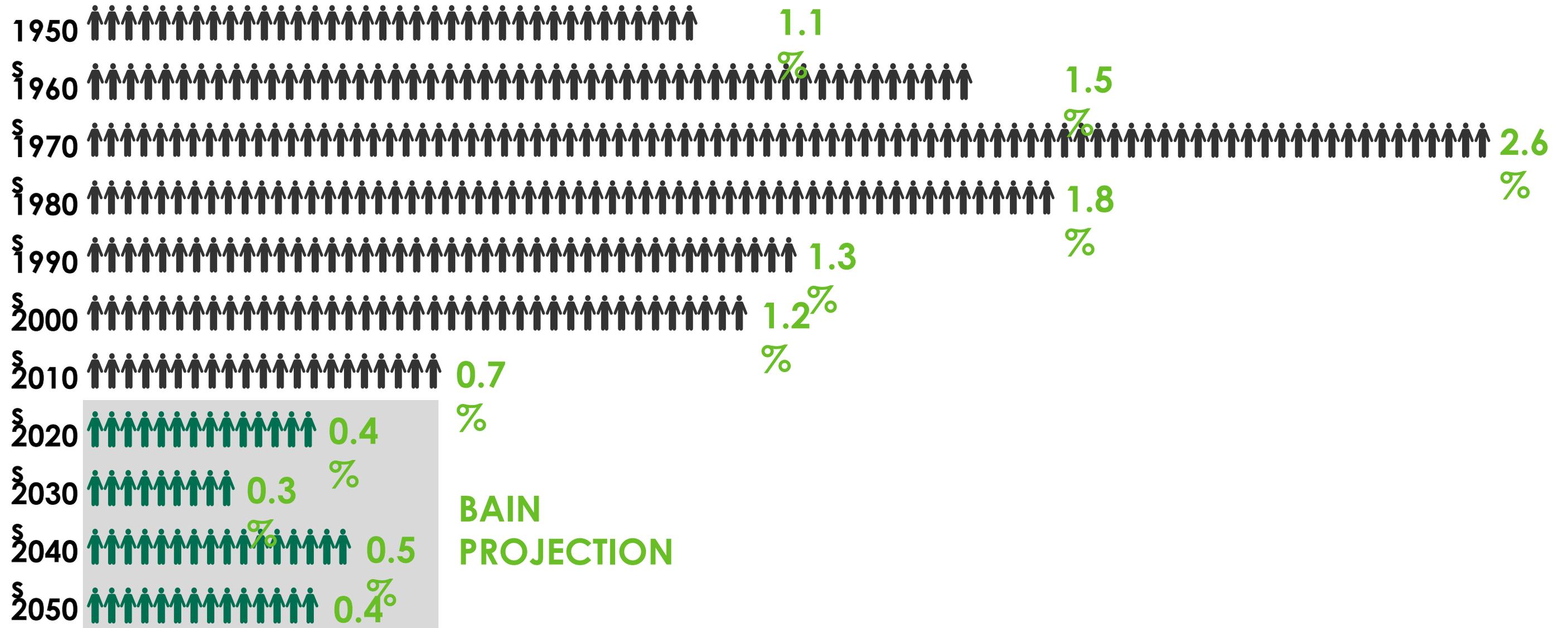
* Data examined from 2003-YTD 2018 direct lease transactions 25,000 sq. ft. or larger with a term length greater than 10 years, but excludes renewal and expansion deals.



JOBS

U.S. LABOR FORCE GROWTH WILL REMAIN LOW

U.S. LABOR FORCE AVERAGE ANNUAL GROWTH, BY DECADE



Source: U.S. Bureau of Labor Statistics, U.S. Census Bureau; Bain Macro Trends Groups Analysis, 2017.

METROS IN ALL REGIONS ADDING OFFICE JOBS

TOP MARKETS FOR OFFICE-USING EMPLOYMENT, YEAR-OVER-YEAR ABSOLUTE CHG. (THOUSANDS) – Q1 2018

MARKETS IN SOUTH AND WEST

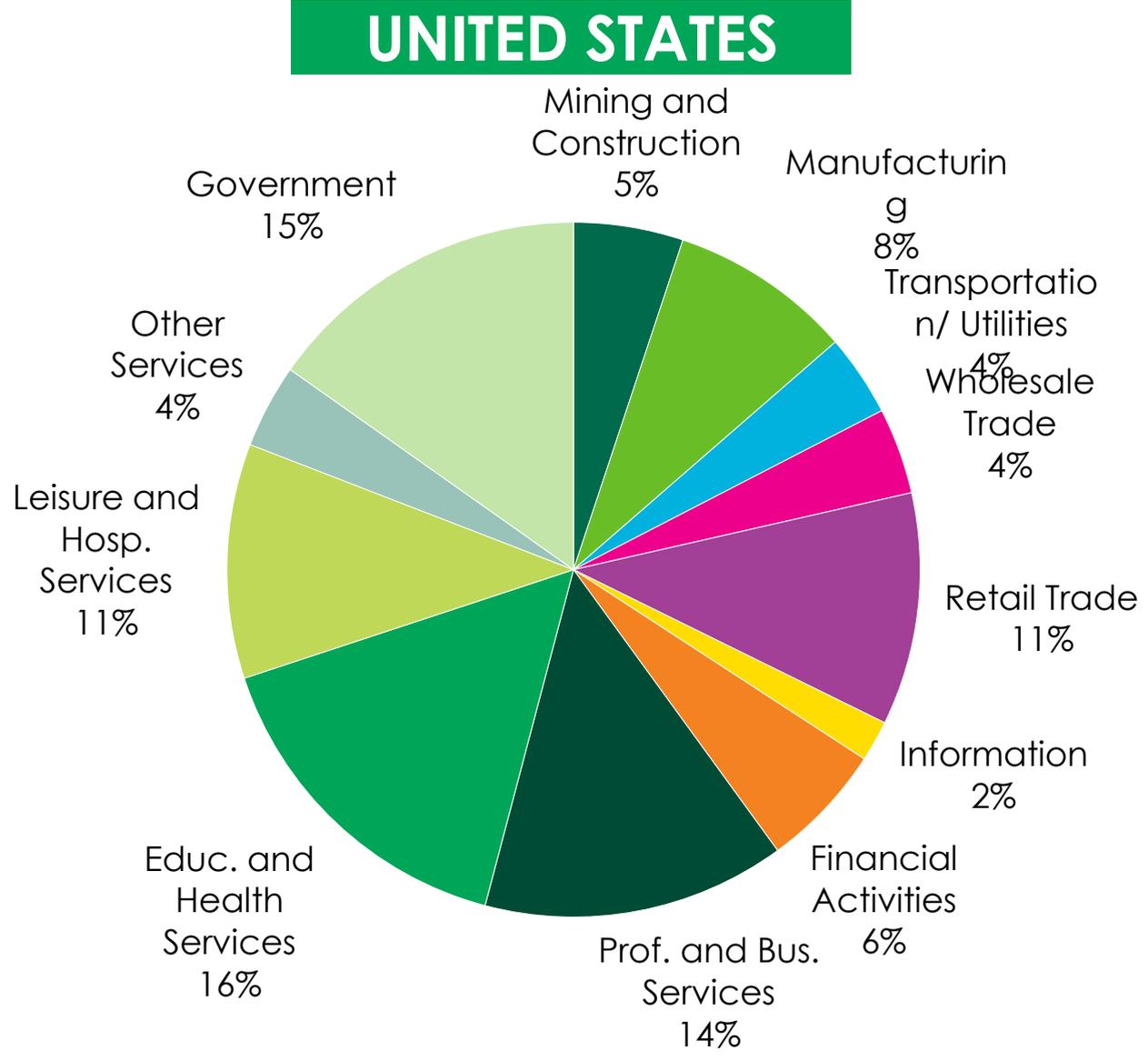
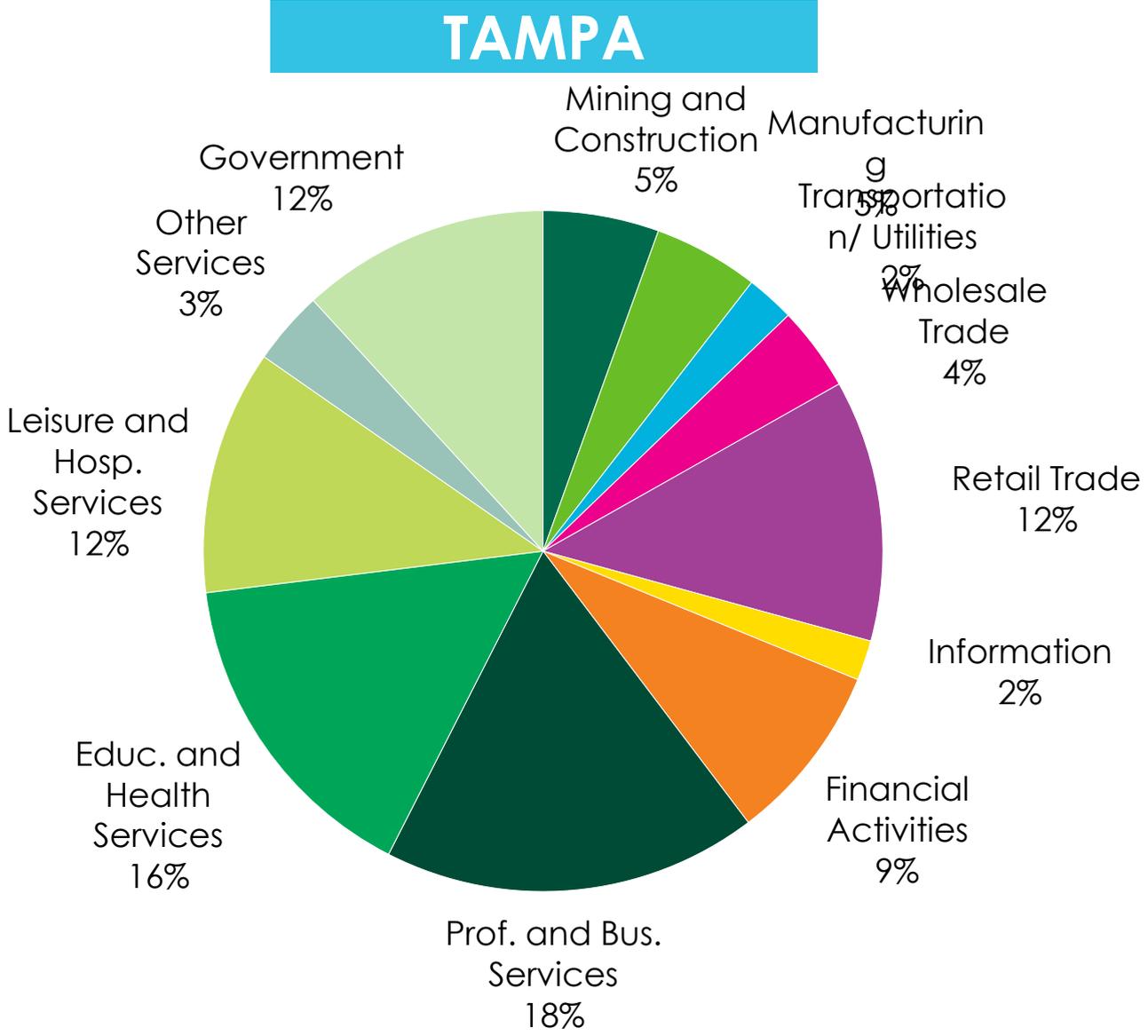
NEW YORK 25.9	HOUSTON 24.1	DALLAS/FT. WORTH 19.3	SAN FRANCISCO 17.7	WASHINGTON, D.C. 17.1	SEATTLE 16.5	SAN JOSE 14.2	AUSTIN 12.8
PHOENIX 12.1	TAMPA 11.0	DENVER 10.0	BOSTON 9.5	INDIANAPOLIS 9.2	NASHVILLE 8.4	ORANGE COUNTY 8.1	RALEIGH 6.9
SAN DIEGO 6.9	CHARLOTTE 6.7	KANSAS CITY 5.9	ST. LOUIS 5.0				

LARGEST MARKETS TO ADD THE MOST JOBS

TOP 20 MARKETS FOR FORECASTED OFFICE-USING EMPLOYMENT, AVERAGE ANNUAL CHANGE (THOUSANDS) – Q1 2020 VS. Q1 2018

DALLAS/FT. WORTH 20.8	HOUSTON 16.2	CHICAGO 11.2	NEW YORK 10.7	PHOENIX 9.0	TAMPA 8.0	SEATTLE 7.8
WASHINGTON, D.C. 7.6	ATLANTA 7.2	AUSTIN 7.0	ORLANDO 6.9	BOSTON 6.8	LOS ANGELES 6.3	MINNEAPOLIS 6.1
PORTLAND 5.2	SAN ANTONIO 4.7	DENVER 4.6	ORANGE COUNTY 4.2	DETROIT 3.9	CHARLOTTE 3.8	

INDUSTRY COMPARISON



Source: Moody's Analytics, BLS, CBRE Research, August 2018.

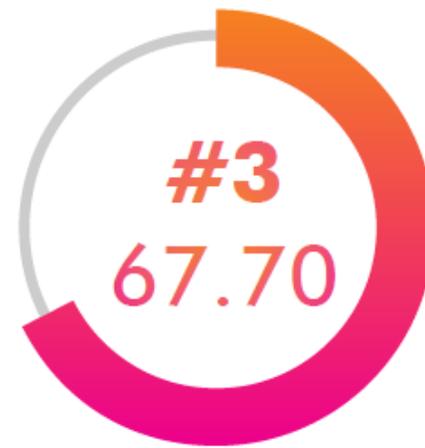
TECH TALENT SCORECARD



SF Bay Area, CA



Seattle, WA



Washington, D.C.



Toronto, ON



New York, NY



Austin, TX



Boston, MA



Raleigh-Durham, NC



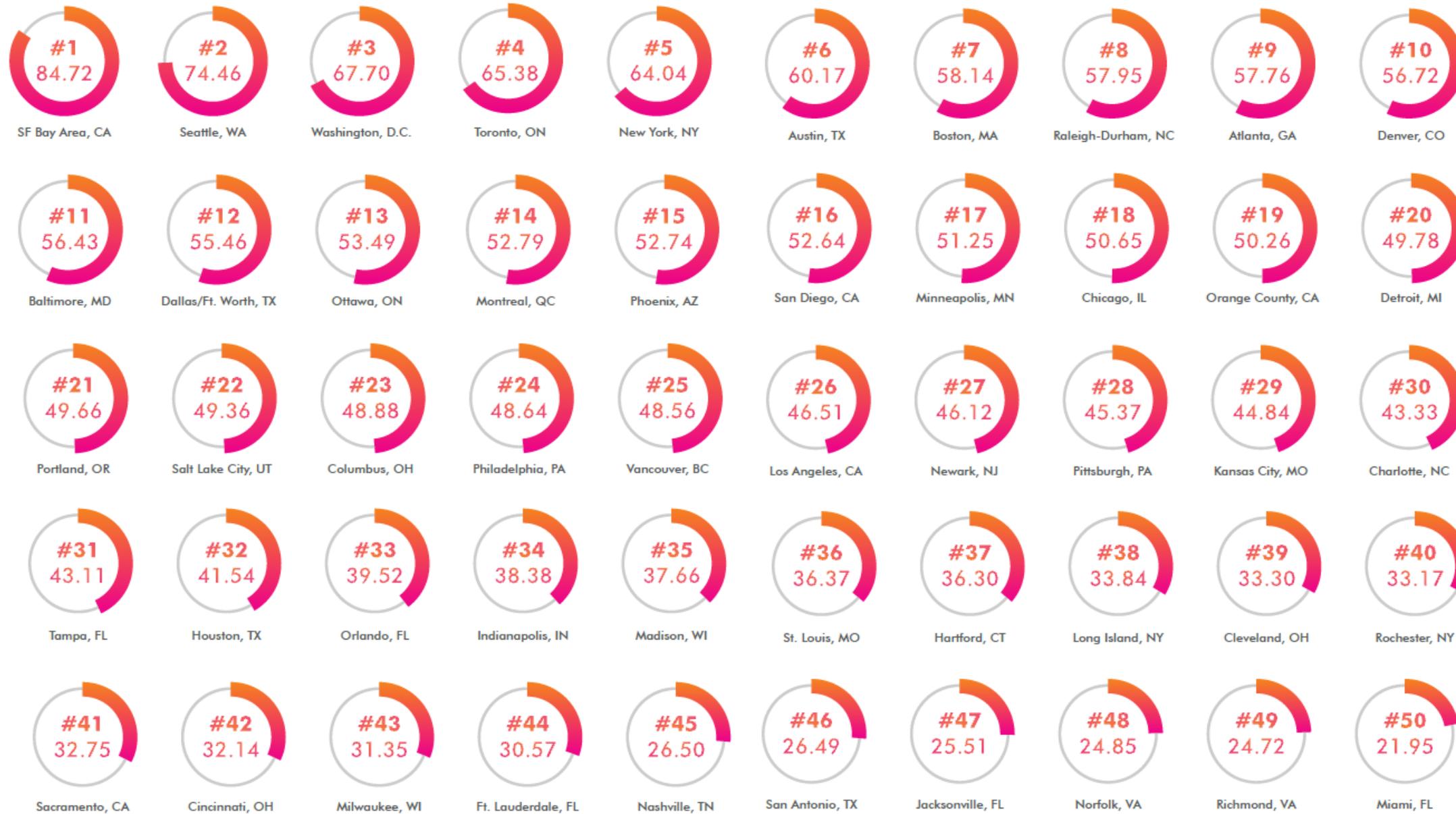
Atlanta, GA



Denver, CO

Source: CBRE Research; CBRE Econometric Advisors; U.S. Bureau of Labor Statistics; Statistics Canada; Moody's Analytics; The National Center of Education Statistics; National Science Foundation; Axiometrics.

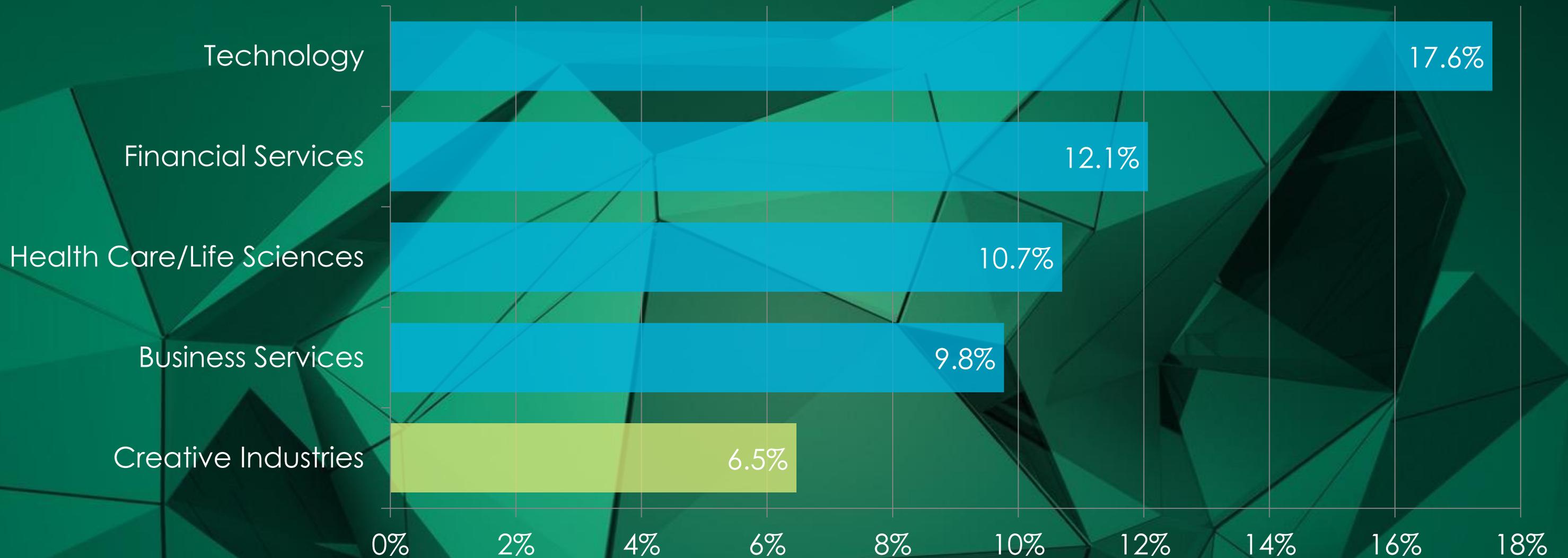
TAMPA #31



Source: CBRE Research; CBRE Econometric Advisors; U.S. Bureau of Labor Statistics; Statistics Canada; Moody's Analytics; The National Center of Education Statistics; National Science Foundation; Axiometrics.

TECH, FINANCIAL SERVICES TENANTS MOST ACTIVE

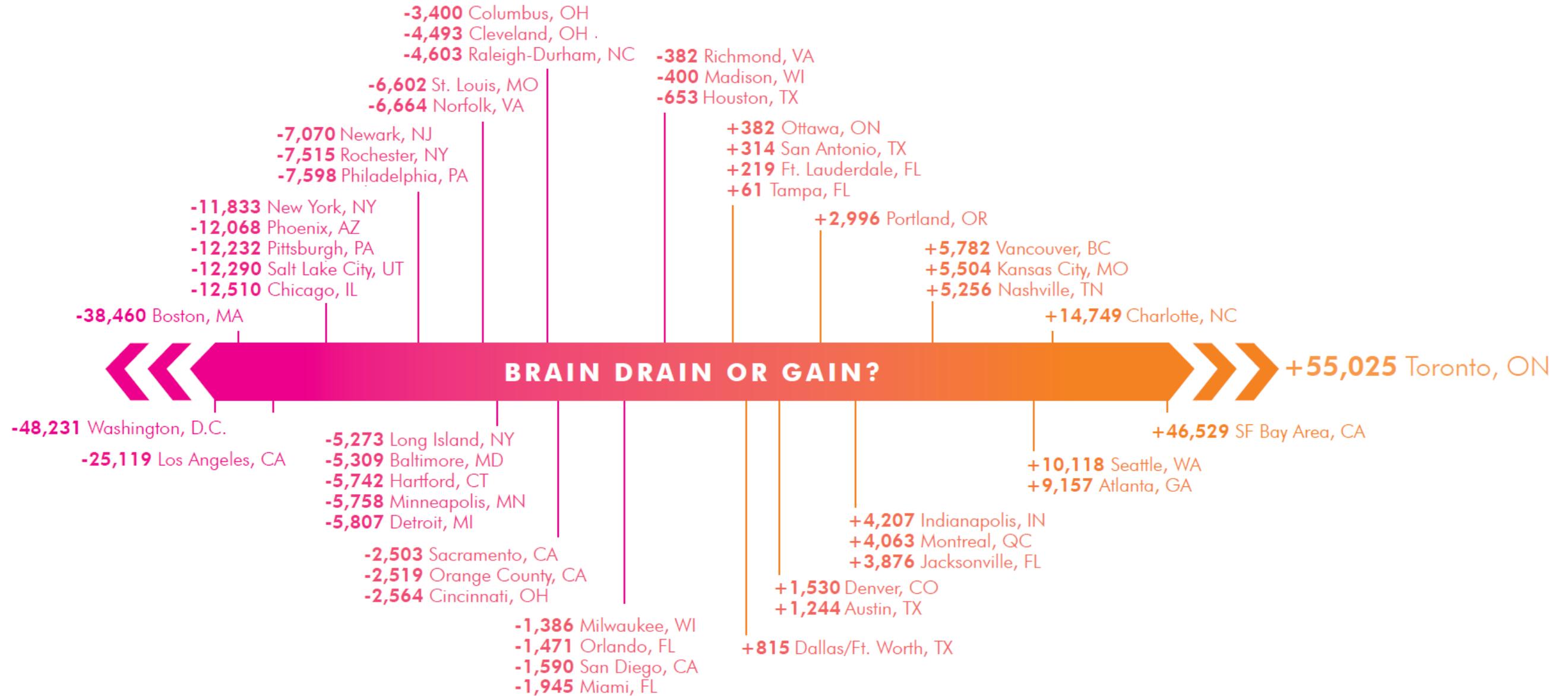
INDUSTRIES DRIVING DEMAND FOR OFFICE SPACE, Q1 2018



Source: CBRE Research, Q1 2018.

Note: Data includes the 25 largest users currently in the market by sq. ft. each quarter for the 54 markets tracked by CBRE Research.

D.C. #1 BRAIN DRAIN MARKET



Source: CBRE Research; U.S. Bureau of Labor Statistics; The National Center of Education Statistics (Region).

A photograph of a white semi-truck engulfed in flames on a road. A firefighter in full gear is visible in the foreground, working to extinguish the fire. The scene is set against a backdrop of bare trees and a clear sky. Two large, dark, diamond-shaped arrows point towards each other in the center of the image, framing the text.

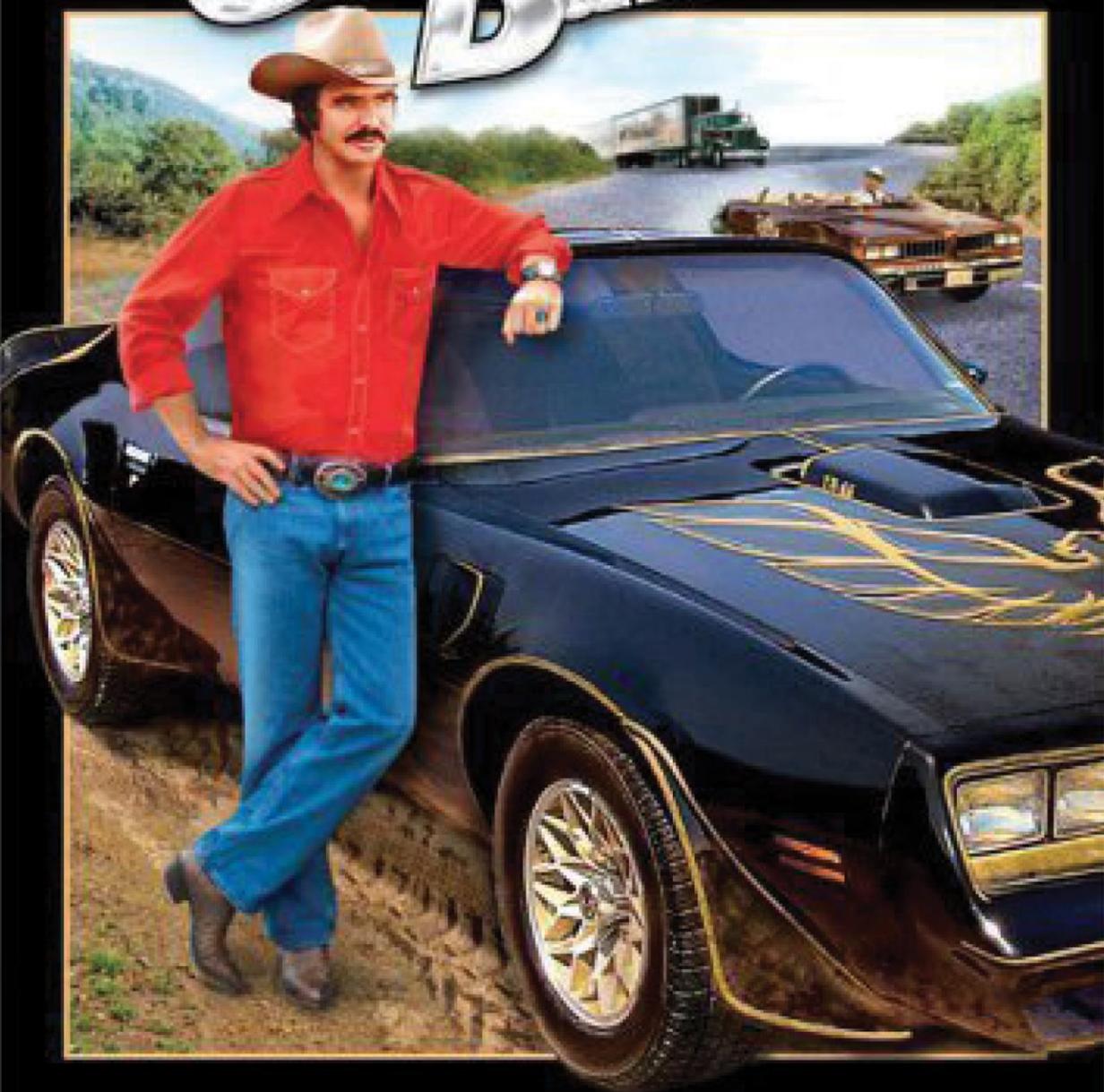
300% Turnover Rate

Driver Shortage – 100K
by 2020

Special Edition

Burt Reynolds

Smokey AND THE Bandit

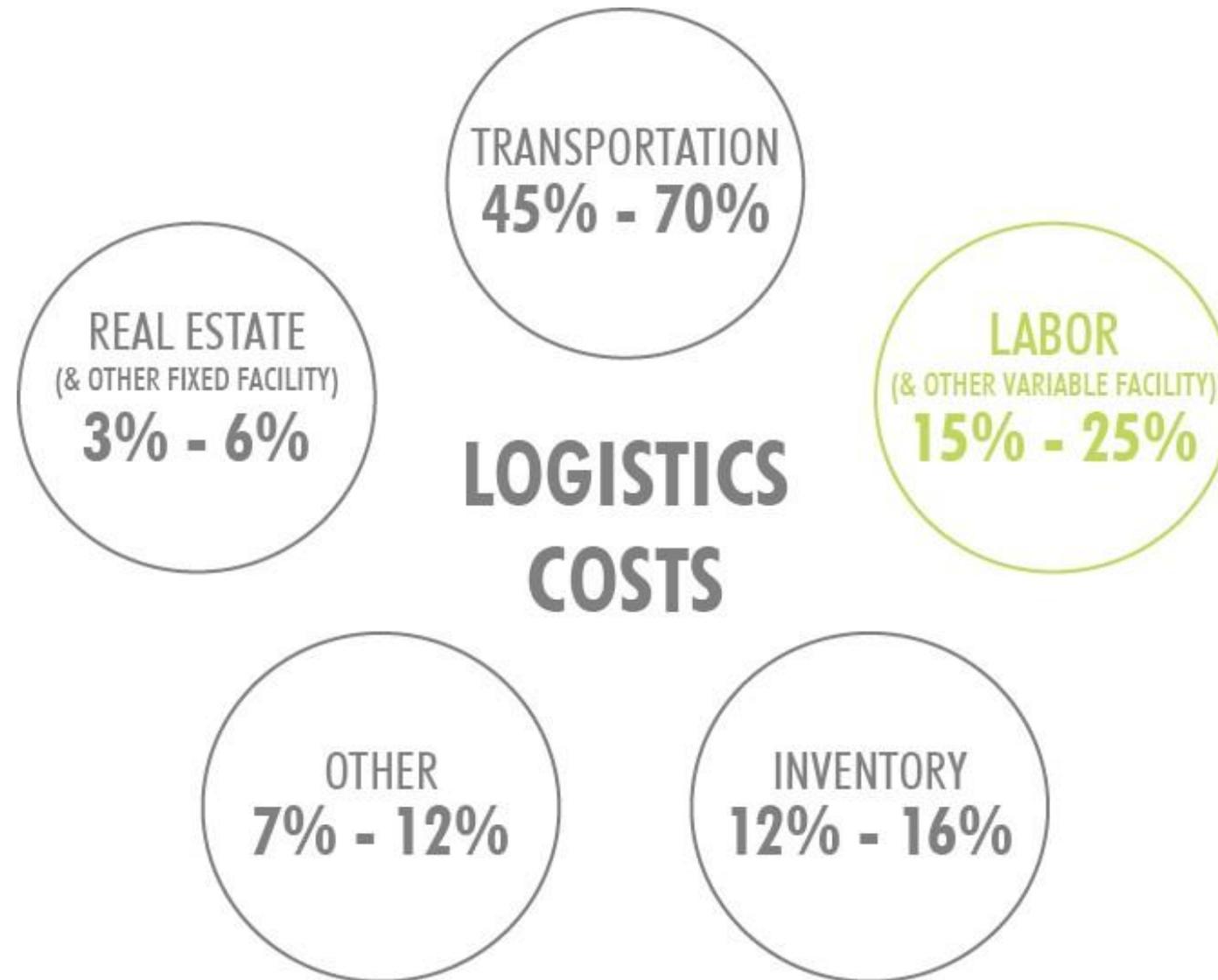


CBRE Edition

Ed Schreyer



BREAKDOWN OF A TENANT'S LOGISTICS SPENDING



Source: CBRE Supply Chain Group analysis of various sources; CBRE Research, 2018.

Other includes: customer service, reverse logistics, administration, etc.

JOB-TO-JOB FLOWS FROM 2011-2015: GROWTH RATE PER DESTINATION INDUSTRY



Transportation
& Warehousing



Public
Administration



Admin/Support/Waste Mgmt/
Remediation Services



Accommodation
& Food Services



Education
& Health Services



Retail/Wholesale
Trade



Construction/
Mining/Utilities



Office-Using
Services



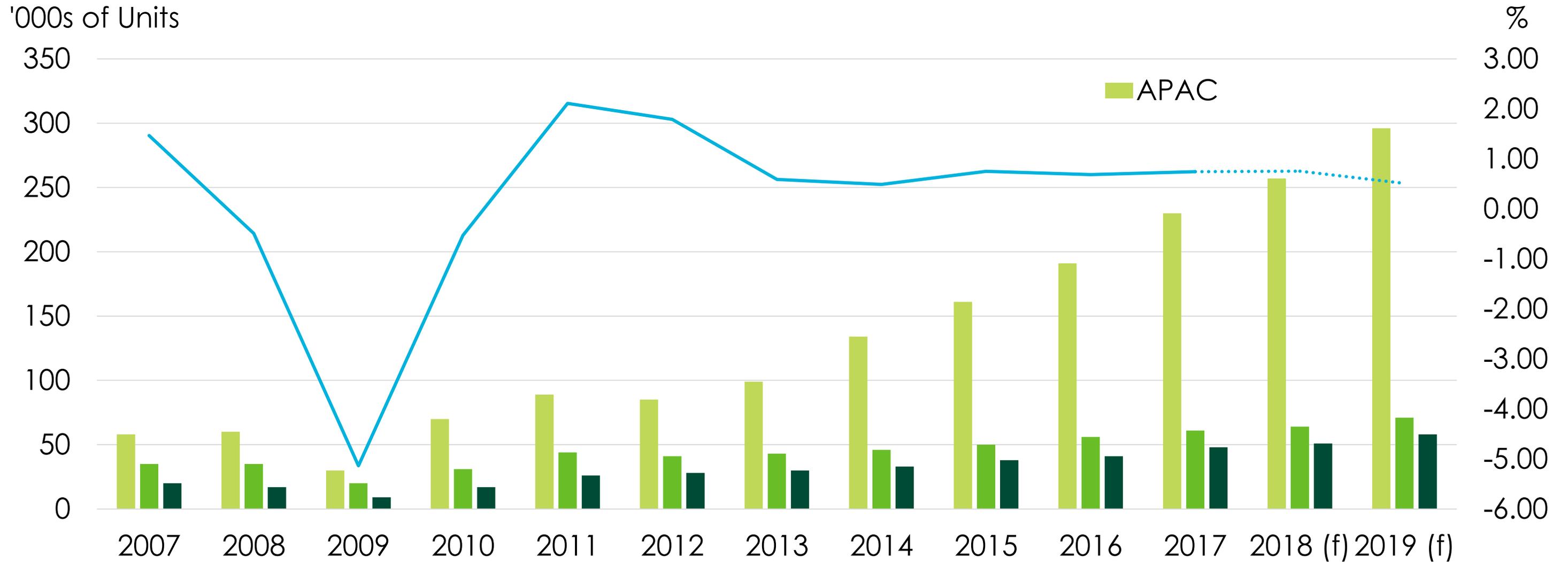
Other



Manufacturing

GROWTH OF ROBOT SHIPMENTS

APAC LEADING THE WAY IN ROBOT INVESTMENT



Source: IFR World Robotics; Oxford Economics, 2017.

*Average year-over-year growth in industry

STEVE MARTIN

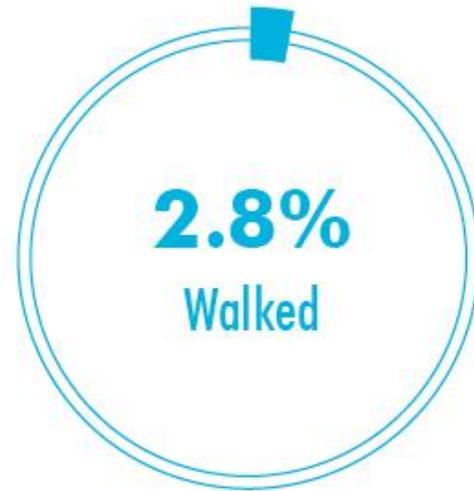
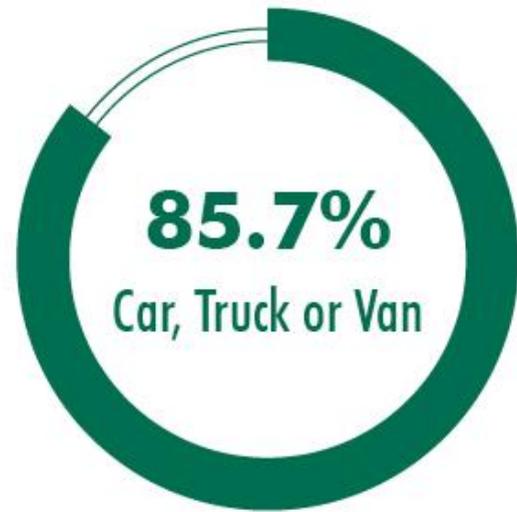
JOHN CANDY

A JOHN HUGHES FILM

PLANES, TRAINS AND AUTOMOBILES

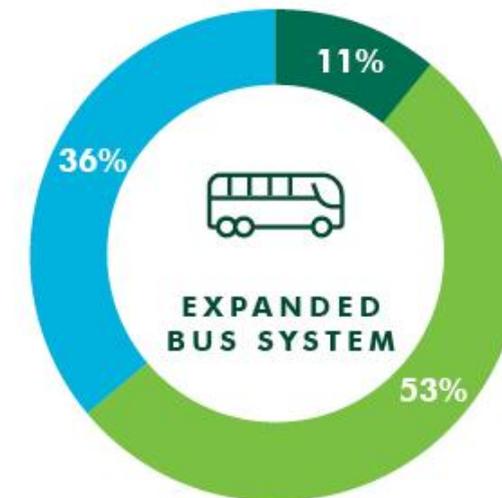
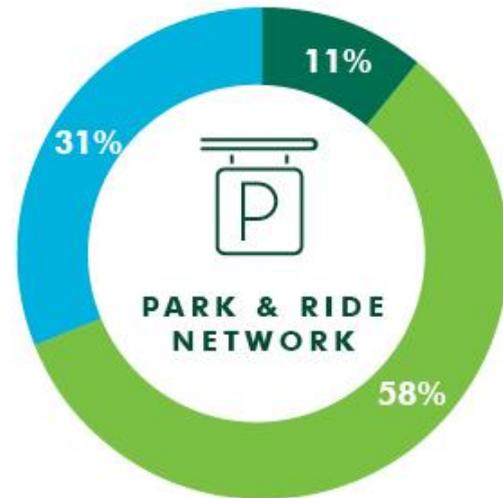
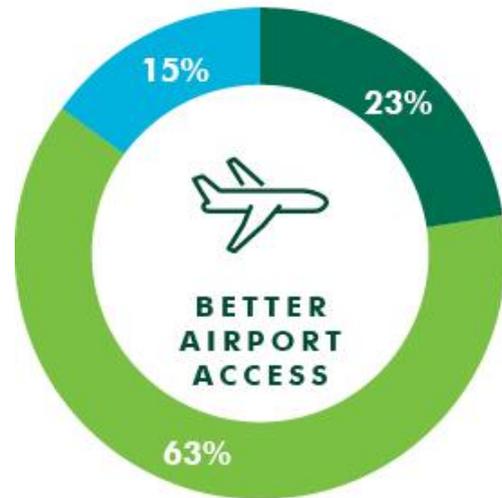
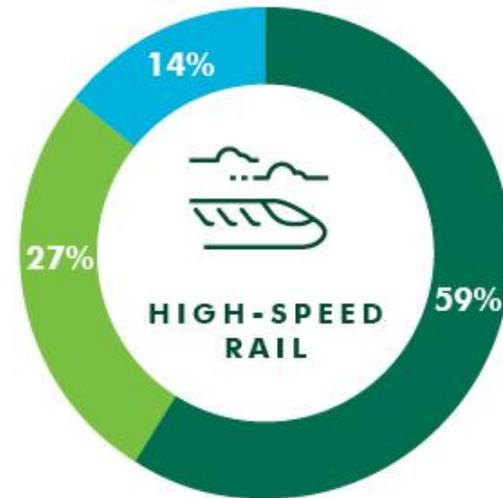
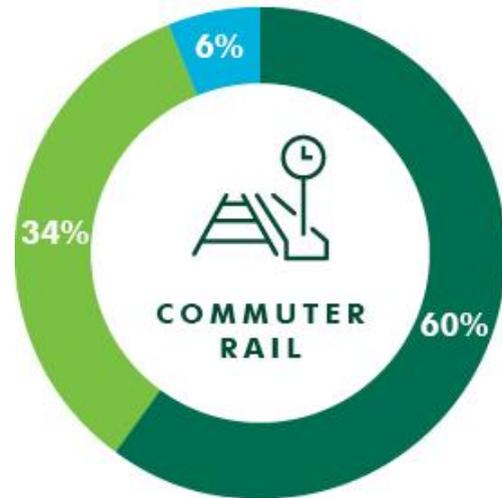


U.S. WORKERS' MEANS OF TRANSPORTATION TO WORK



Source: Census American Community Survey, 2016 5-Year Estimates.

HOW BENEFICIAL DO YOU BELIEVE EACH OF THE FOLLOWING INFRASTRUCTURE PROJECTS WOULD BE FOR YOUR REGION?

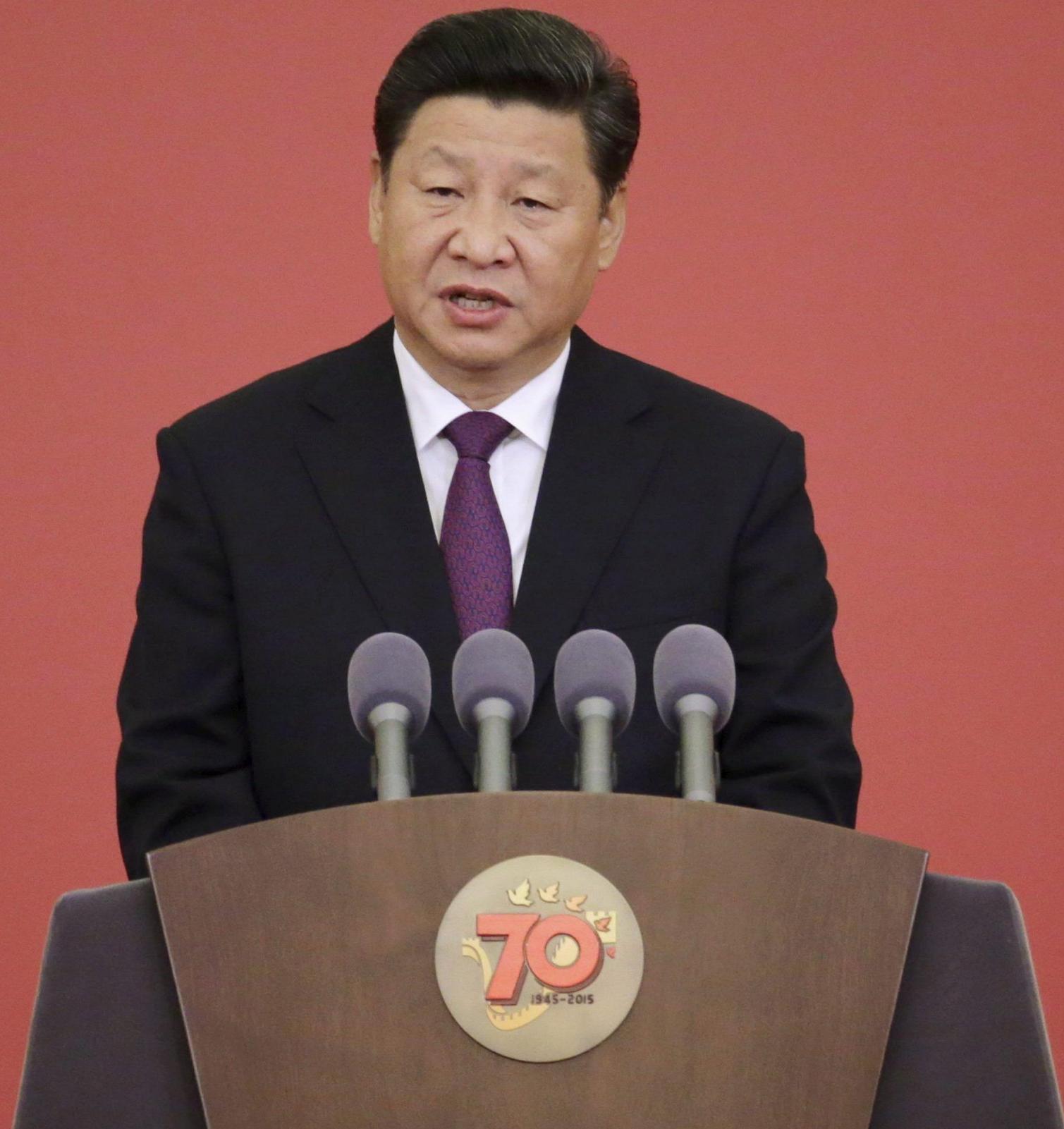


Very Beneficial

Beneficial

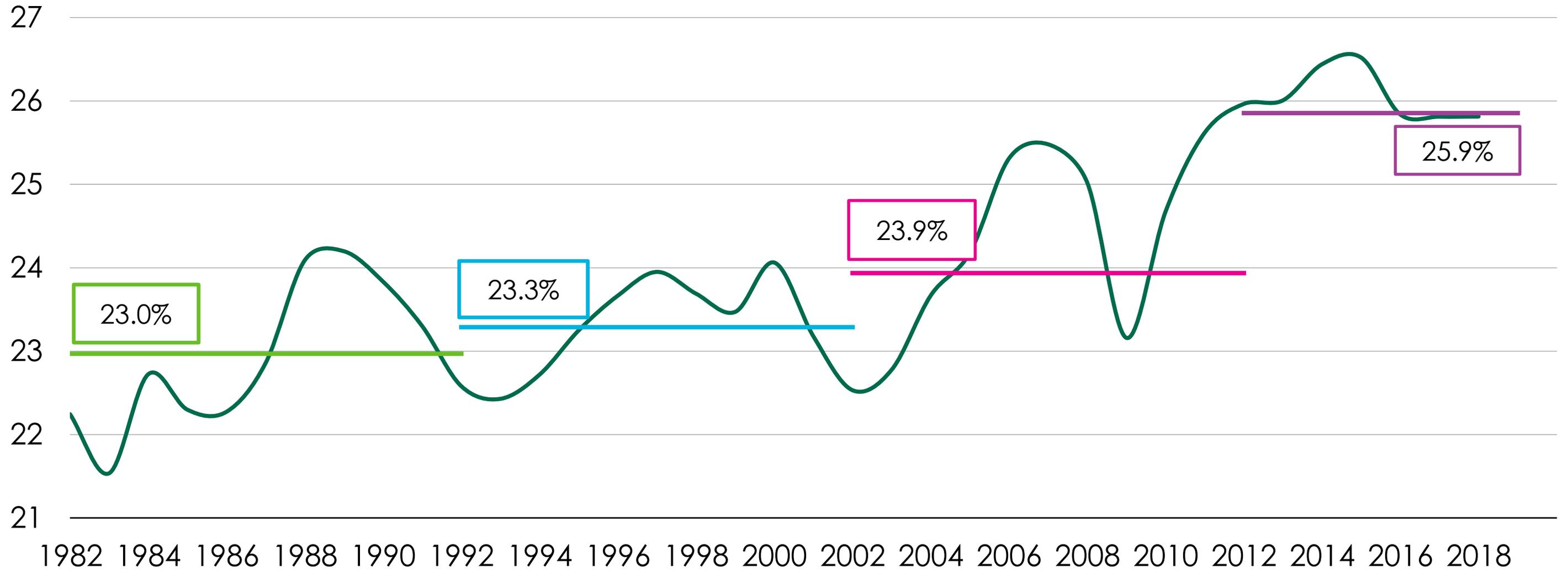
Not Beneficial

Source: CBRE Research, Q2 2018. Parking rates are per month unless otherwise noted.



GLOBAL SAVINGS INCREASING SINCE 2000

Gross Savings as % of GDP

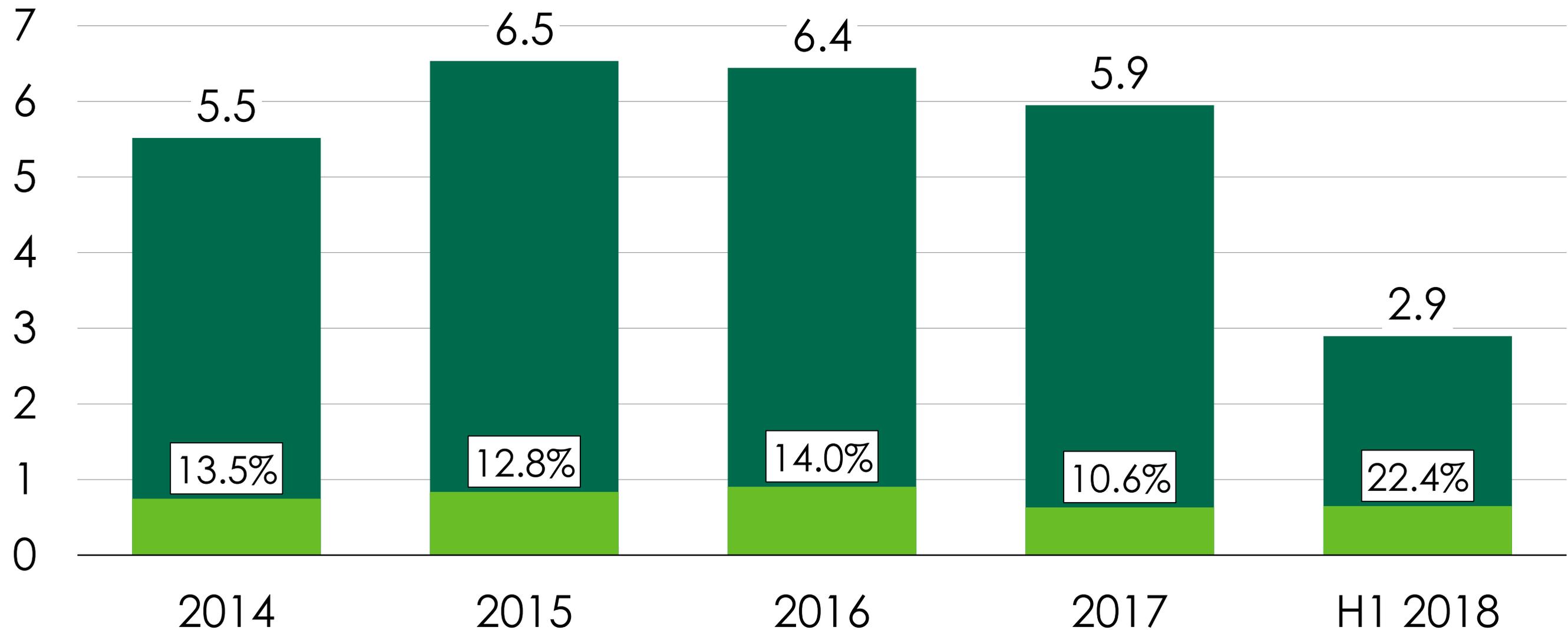


Source: Oxford Economics/Haver Analytics; Macrobond; CBRE Econometric Advisors, April 2018.

TAMPA CAPITAL MARKETS

Investment Sales (\$ Billions)

■ Total Investment



Source: Real Capital Analytics, CBRE Research, May 2018.

Note: Sales include Office, Industrial, Multifamily, Hotel, Retail, and Development Sites over \$2.5 million.

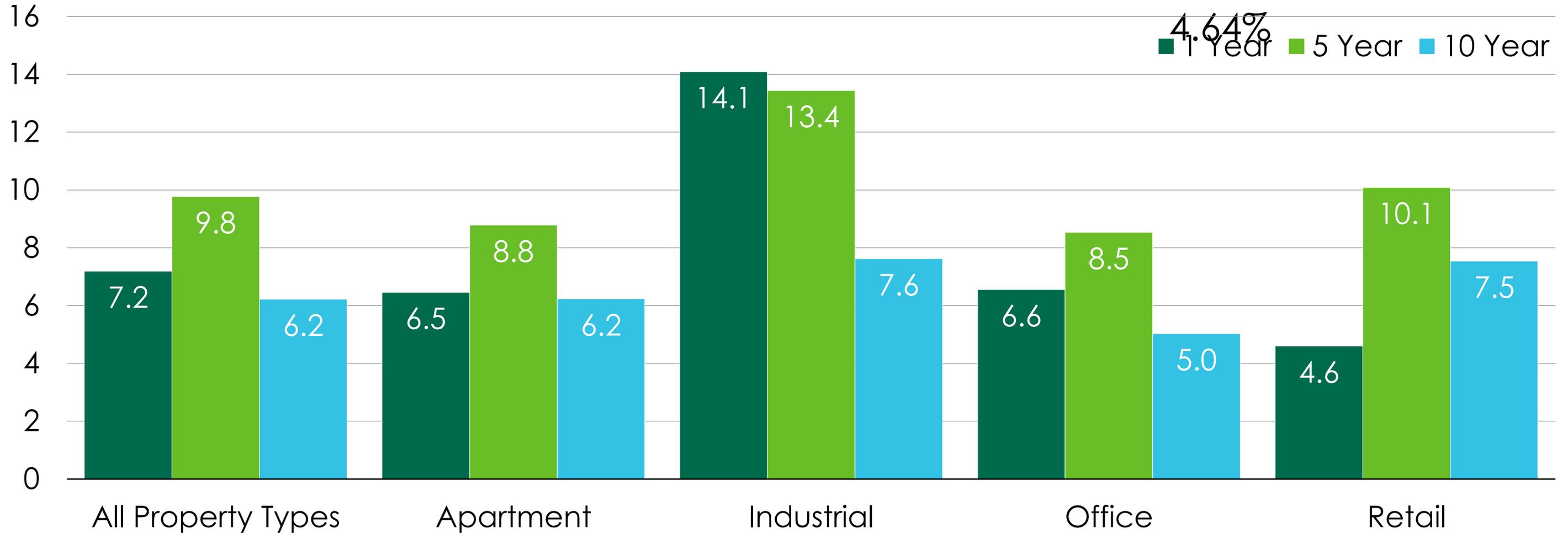
RETURNS TRENDING DOWN

All property

- Total returns: 7.19%
- Capital appreciation: 2.46%
- Income return:

4.64%
■ 1 Year ■ 5 Year ■ 10 Year

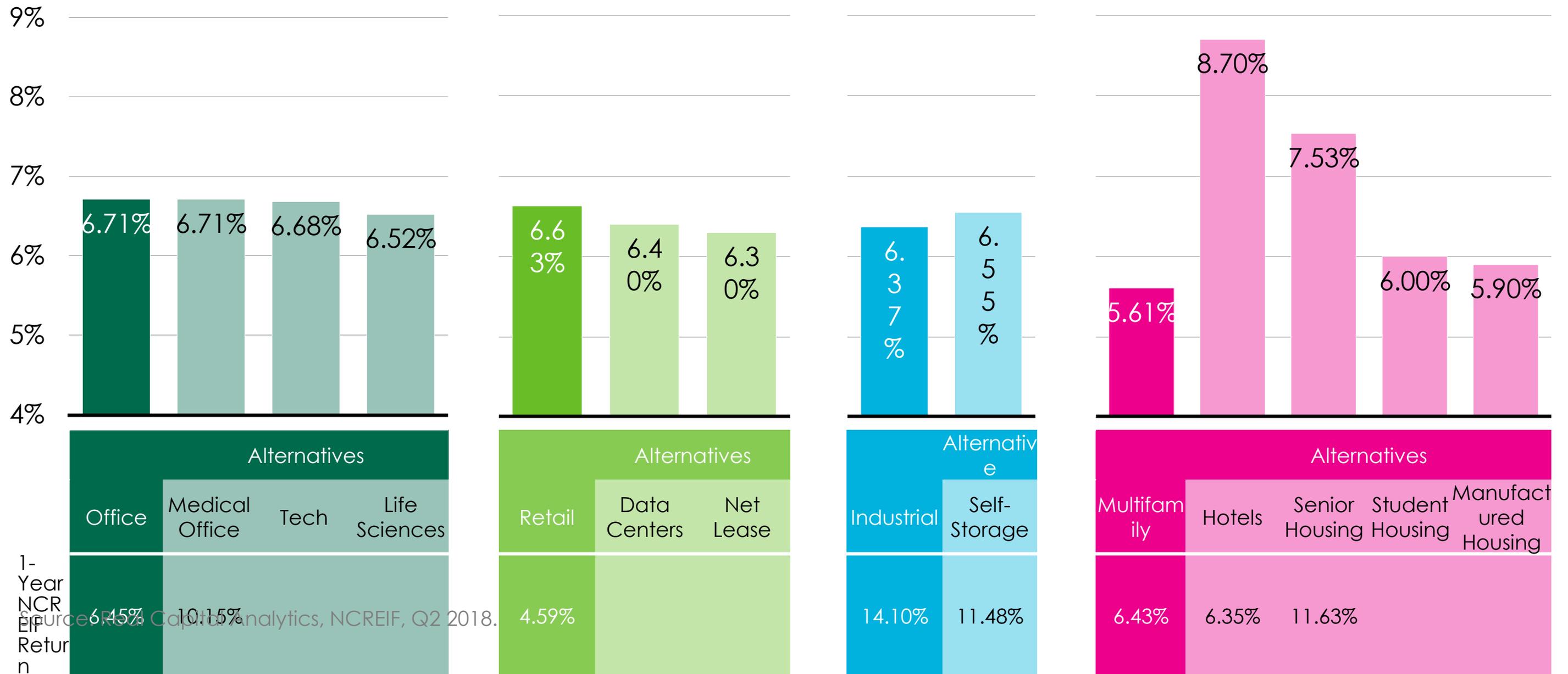
Total Return (%)



Source: NCREIF, Q2 2018.

PROPERTY TYPES & THEIR ALTERNATIVES

CAP RATE AS OF Q2 2018



The background features a dark blue, stormy sky with multiple bright, jagged lightning bolts striking downwards from the top left towards the bottom right. The bolts vary in intensity, with some appearing as thin, glowing lines and others as thicker, more powerful strikes.

**LIGHTNING
ROUND**

The background of the image is a dark, stormy blue sky filled with numerous bright, jagged lightning bolts. The bolts vary in intensity, with some appearing as sharp white lines and others as softer, glowing blue streaks. The overall effect is one of intense energy and volatility.

INTEREST RATES



GLOBALIZATION

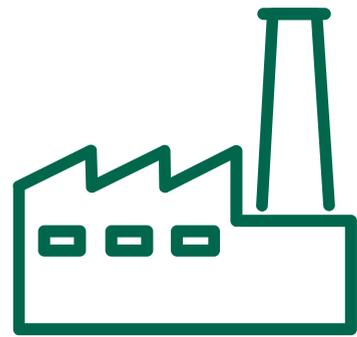


**FOREIGN
CAPITAL**

SPENCER LEVY, COME ON DOWN!

PREFERRED PROPERTY TYPES

2018 2017



Industrial
50% 38%



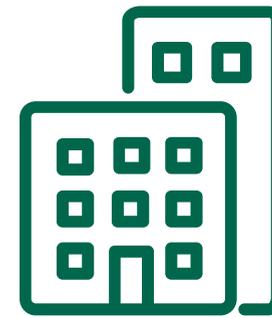
Multifamily
20% 28%



Office
14% 18%



Retail
10% 8%



Other
4% 5%

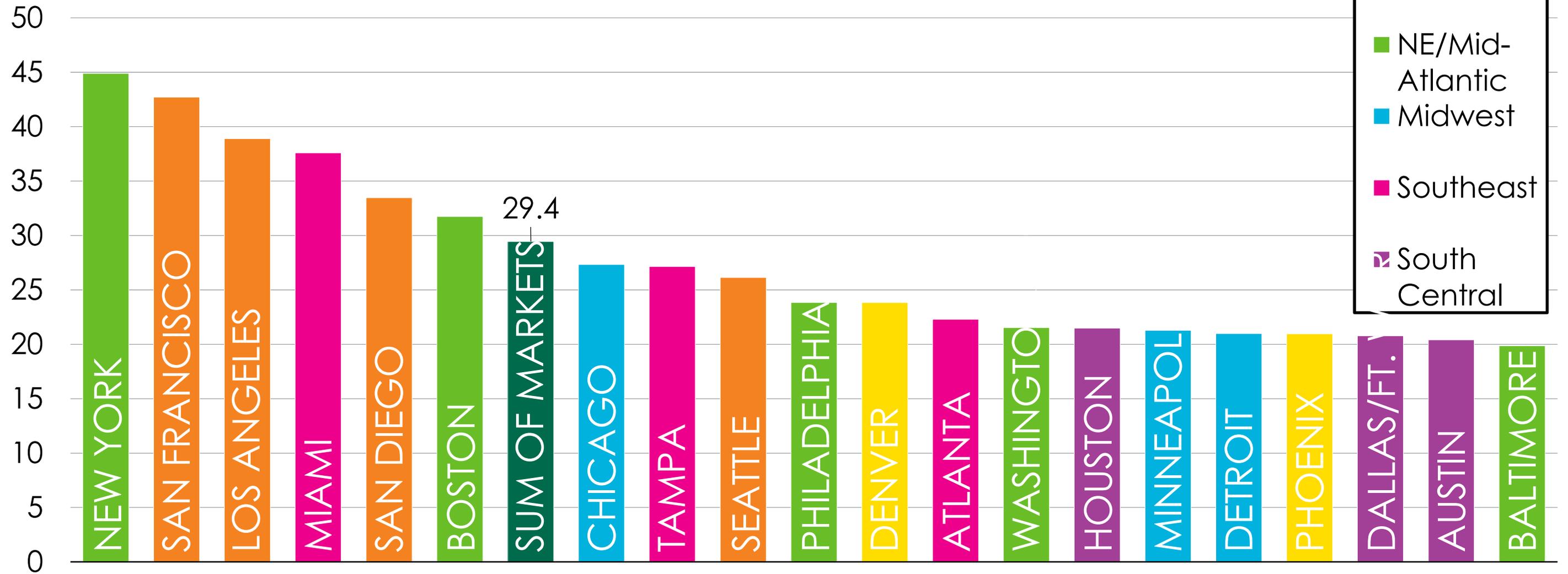


Hotel/Resorts
2% 4%



AFFORDABILITY OF TOP 20 MARKETS

Annual Rent to Median Income Ratio (%)



Source: CBRE Research; CBRE Econometric Advisors (Q1 2018 average rent), U.S. Census Bureau (2016 median household income from ACS).

Stanley

SOUTH

No Smoking
Please see
sign for details





No Stopping
7-9:30am
4-6:30pm
Mon-Fri
↑

No Stopping
Anytime
↓
Tow Zone
Info 202.727.5000

Yankee Donuts

TEG & bone

bluemercury

3065

3057

VIETNAMESE CUISINE M STREET

UZI-8449



INDUSTRIAL

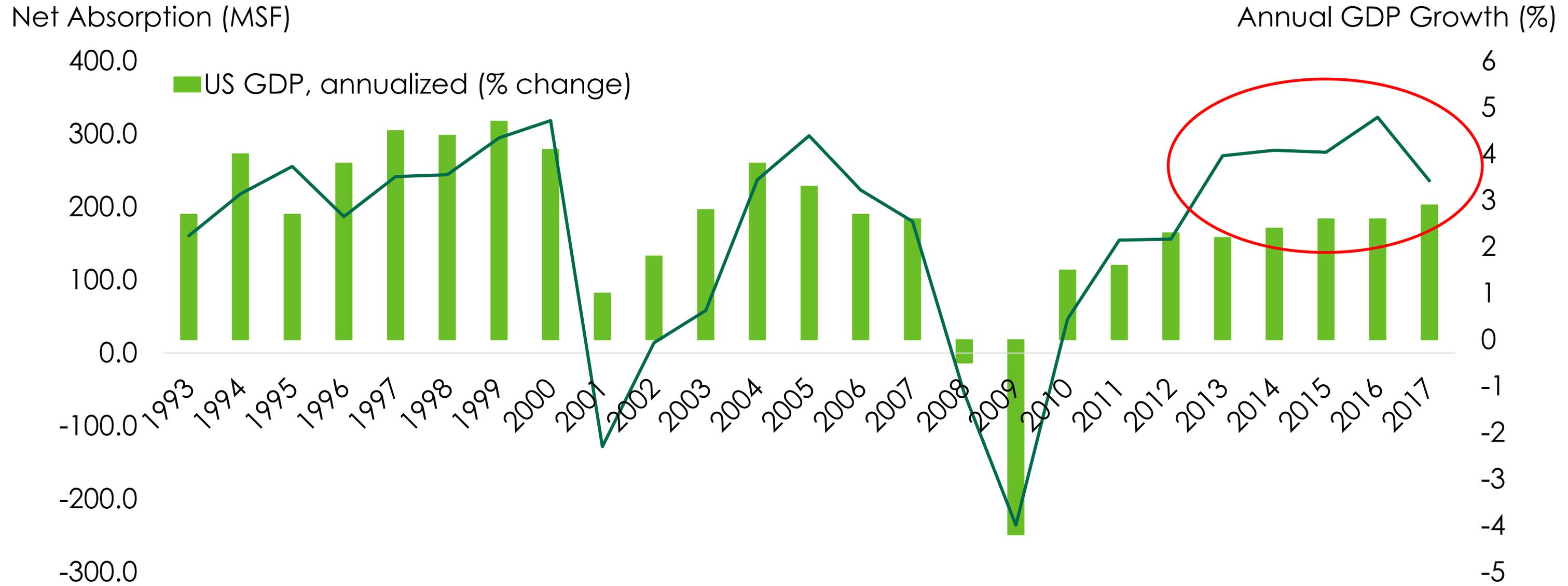
NEW JERSEY INDUSTRIAL MARKET

AVERAGE LEASE TERM VS. AVERAGE ASKING LEASE RATE



Source: CBRE Research, Q1 2018.

U.S. NET ABSORPTION VS. U.S. GDP GROWTH

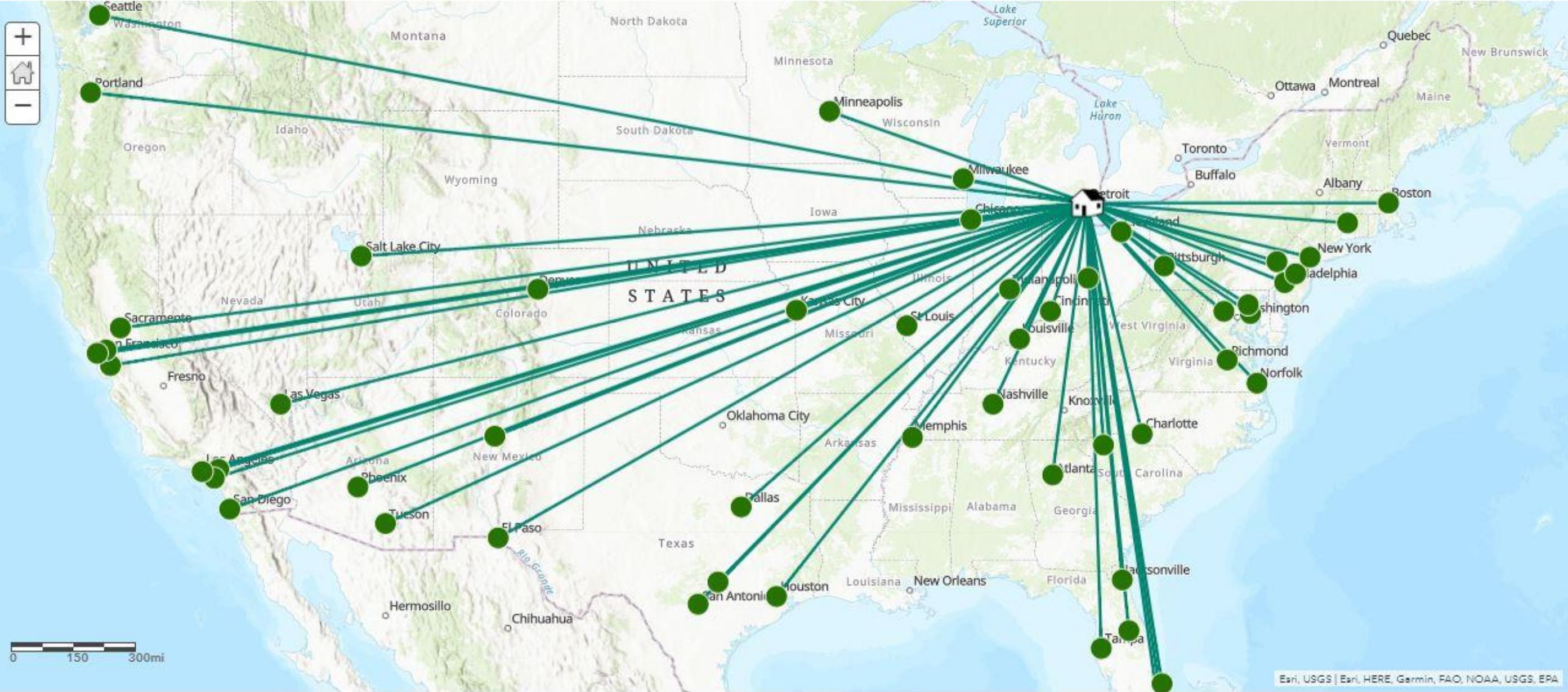


Source: CBRE EA Industrial Outlook, Q1 2018; U.S. Federal Reserve.

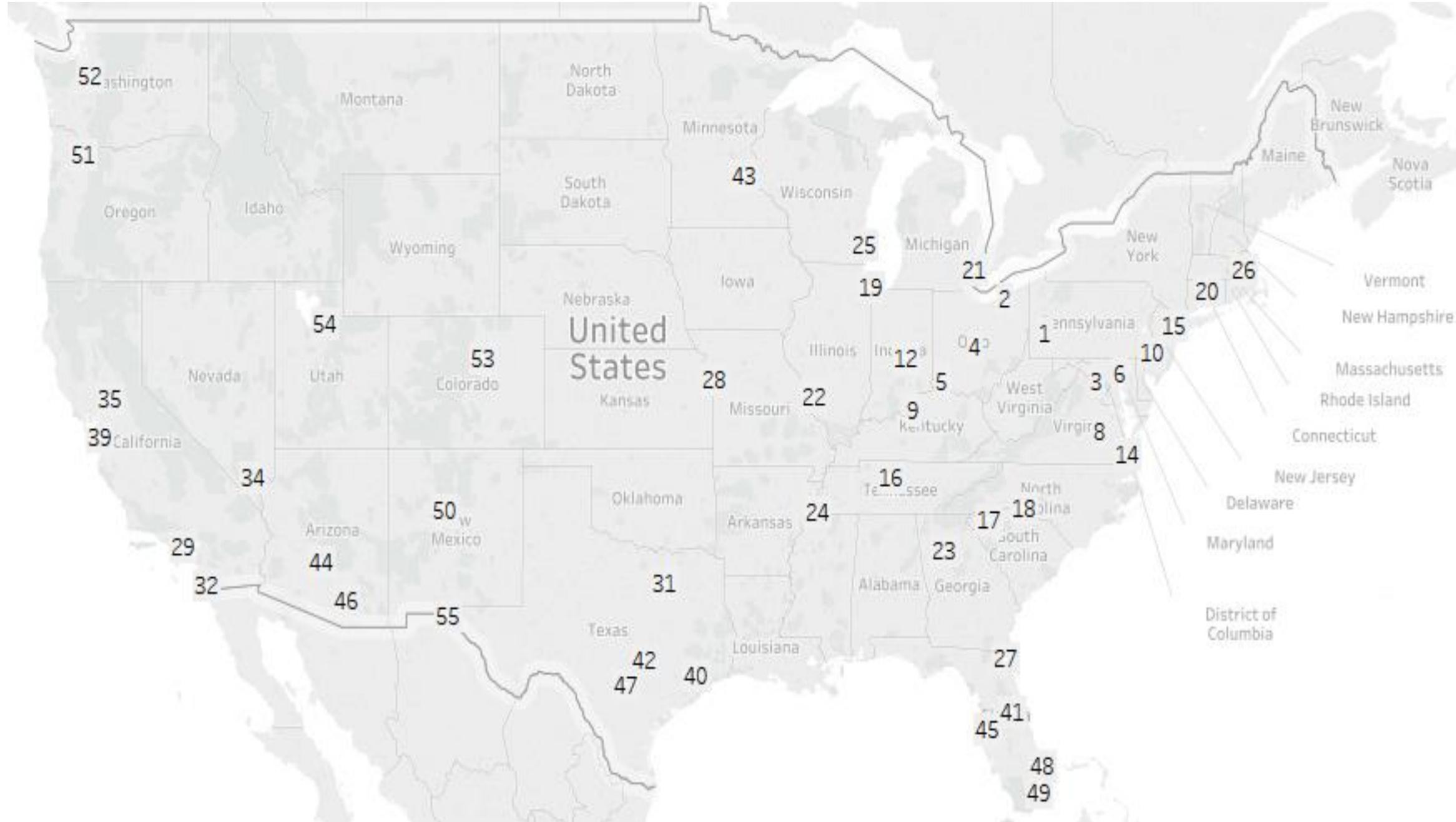




THOUGHT EXPERIMENT: DISTRIBUTION

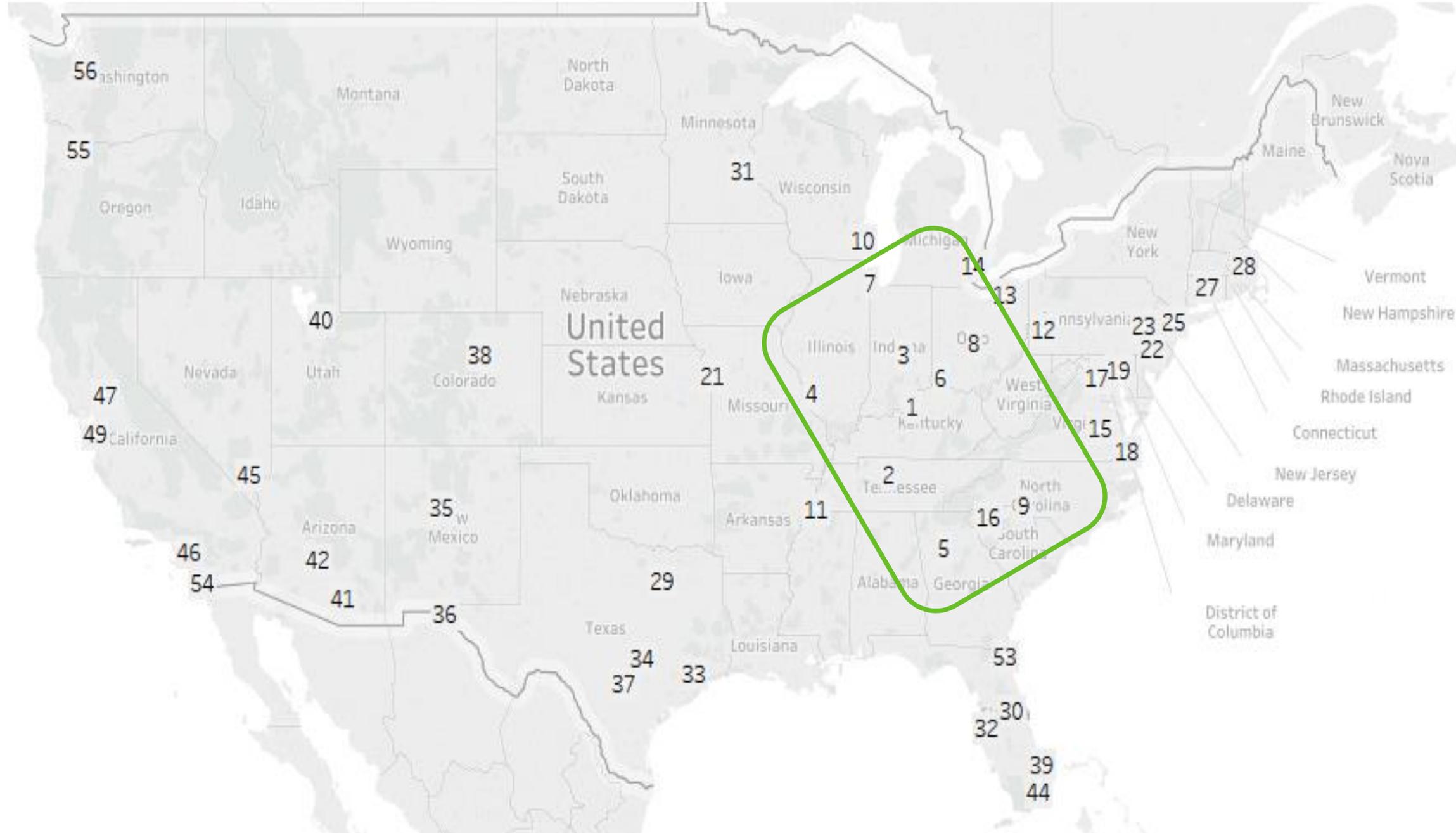


POPULATION SERVED: ONE-WAY DRIVE



RANK	CITY
1	Pittsburgh
2	Cleveland
3	Leesburg
4	Columbus
5	Cincinnati
6	Baltimore
7	Annapolis
8	Richmond
9	Louisville
10	Philadelphia
11	Allentown
12	Indianapolis
13	Trenton
14	Norfolk
15	Newark
16	Nashville
17	Greenville
18	Charlotte
19	Chicago
20	Hartford
21	Detroit
22	St Louis
23	Atlanta
24	Memphis
25	Milwaukee
26	Boston
27	Jacksonville
28	Kansas City
29	Los Angeles
30	Irvine
31	Dallas
32	San Diego
33	Empire
34	Las Vegas
35	Sacramento
36	San Francisco
36	Oakland
36	Walnut Creek
39	San Jose
40	Houston
41	Orlando
42	Austin
43	Minneapolis
44	Phoenix
45	Tampa
46	Tucson
47	San Antonio
48	Palm Beach
49	Miami
50	Albuquerque
51	Portland
52	Seattle
53	Denver
54	Salt Lake City
55	El Paso
56	Laprele

POPULATION SERVED: "SLEEPLESS TRUCK"



RANK	CITY
1	Louisville
2	Nashville
3	Indianapolis
4	St Louis
5	Atlanta
6	Cincinnati
7	Chicago
8	Columbus
9	Charlotte
10	Milwaukee
11	Memphis
12	Pittsburgh
13	Cleveland
14	Detroit
15	Richmond
16	Greenville
17	Leesburg
18	Norfolk
19	Baltimore
20	Annapolis
21	Kansas City
22	Philadelphia
23	Allentown
24	Jersey City
25	Newark
26	Ontario
27	Hartford
28	Boston
29	Dallas
30	Orlando
31	Minneapolis
32	Tampa
33	Houston
34	Austin
35	Albuquerque
36	El Paso
37	San Antonio
38	Denver
39	Palm Beach
40	Salt Lake City
41	Tucson
42	Phoenix
43	Ft Lauderdale
44	Miami
45	Las Vegas
46	Irvine
47	Sacramento
48	Walnut Creek
49	San Jose
50	Oakland
51	San Francisco
52	Los Angeles
53	Jacksonville
54	San Diego
55	Portland
56	Seattle



THE NEW CITY?

MILWAUKEE, WI



OPPORTUNITY ZONES

OPPORTUNITY ZONES 101

- Meant to attract capital investment to “economically disadvantaged” areas
- Allow investors to defer and reduce amount of capital gains taxed
- Still waiting on all rules, but investments must be channeled through approved entity
- Time is of the essence (deferred taxes due at end of 2026)
- Capital gains invested for five years see 10% reduction in taxable amount (15% if held for seven years)

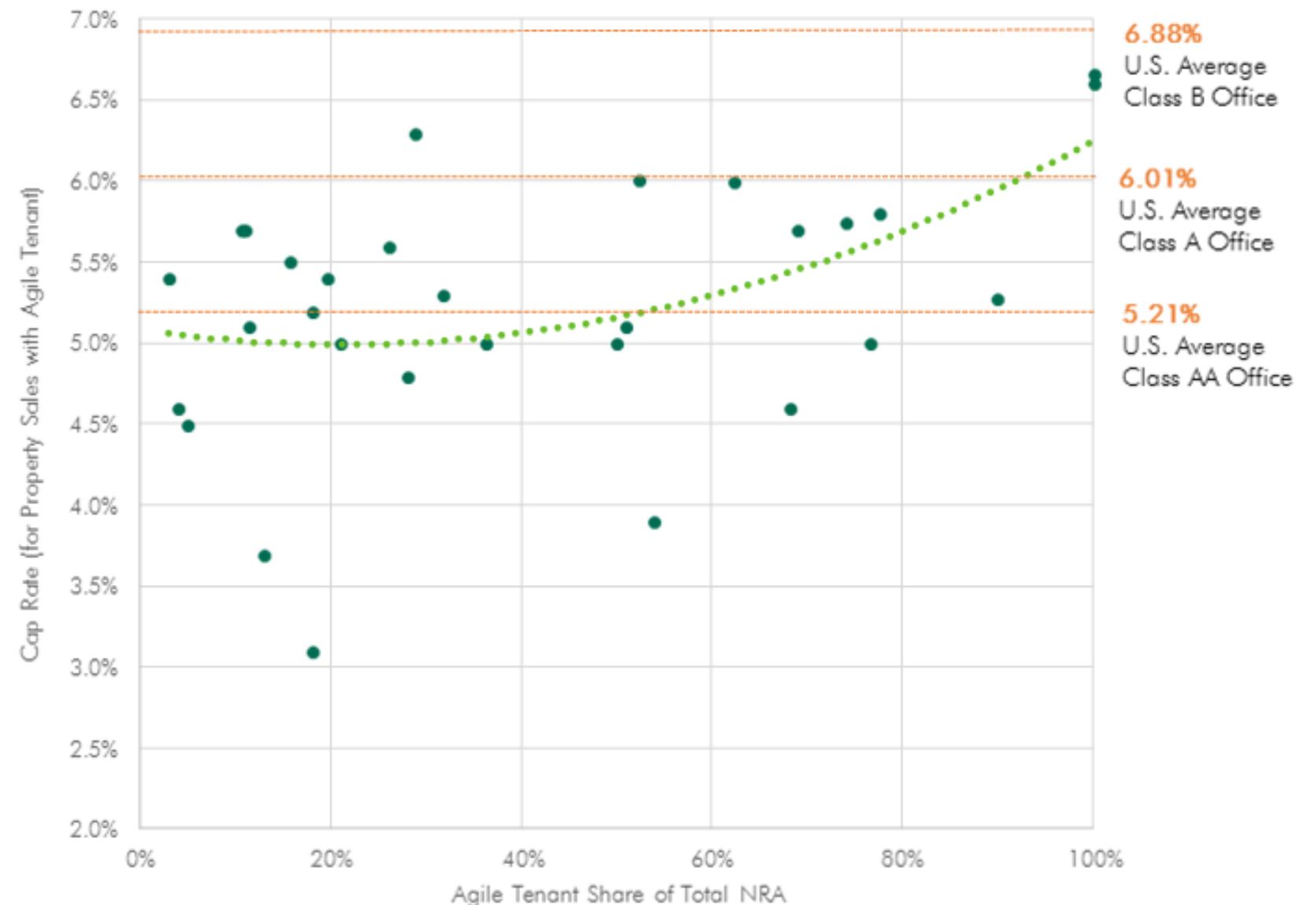
DOES THE SHARE OF COWORKING IN A BUILDING IMPACT CAP RATES?

Coworking share of building	Average Cap Rate	Sample Set
<40%	5.05%	17
>40%	5.49%	13

The majority of investors feel coworking will have a neutral to positive impact on building value when present in less than 40% of the building

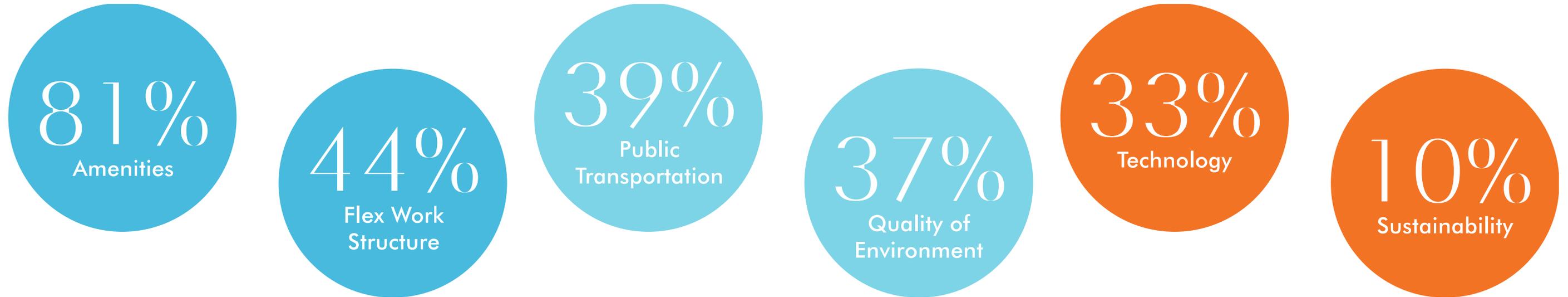
-Americas Investor Intention Survey, 2018

Source: RCA; CoStar; CBRE Research, July 2018.



WHAT IS MOST IMPORTANT TO YOUR WORKFORCE?

% OF RESPONDENTS THAT PLACE OFFERING AMONG THE TOP-THREE MOST IMPORTANT



Source: CBRE Americas Occupier Survey, 2018.

WHAT WORKPLACE AMENITIES DO YOU PROVIDE?

FIXED SPACE



74%

Full-Service
Cafeteria



71%

Showers



66%

Fitness Facilities



39%

Green
Space



36%

On-Site
Health Care



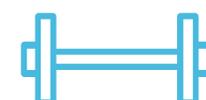
79%

Bike Racks



63%

Custom Coffee



33%

Wellness
Facilities



31%

Game Room



23%

Free
Healthy Snacks



32%

Dry Cleaning



31%

Curated
Fitness Classes



25%

Hospitality
Services



19%

Wellness
Services

FLEXIBLE SERVICE



THE NEW CITY









THANK YOU

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