



MBA's COMMERCIAL REAL ESTATE FINANCE/MULTIFAMILY  
HOUSING CONVENTION & EXPO  
Walt Disney World Swan And Dolphin, Orlando, Fla.

# Location, Location, Location: The State of U.S. Property Markets

Tuesday, February 5

10:45 am - Noon

# Location, Location, Location: The State of U.S. Property Markets



## Moderator:

**Myra Moren**, Director, Holliday Fenoglio Fowler, L.P.

## Speakers:

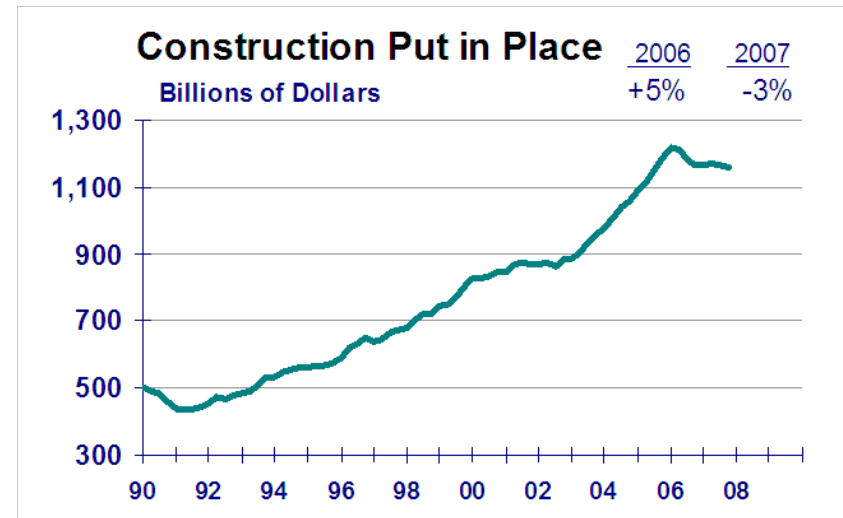
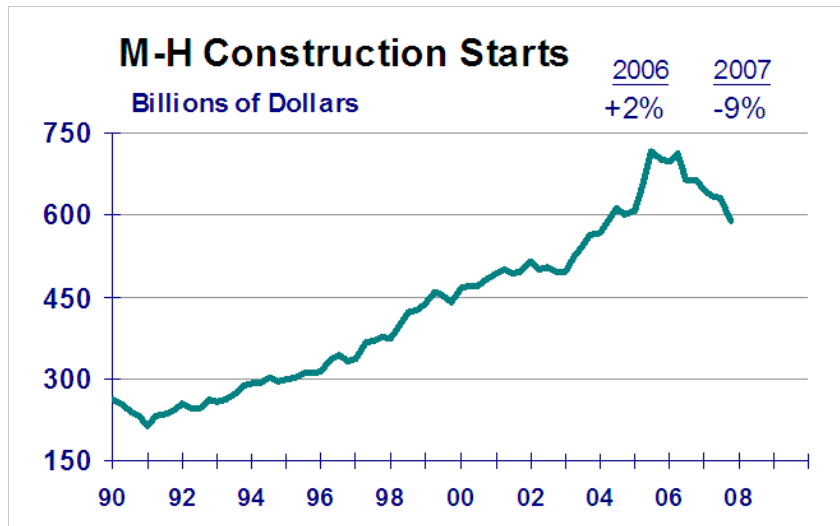
**Robert Murray**, Vice President, Economic Affairs, McGraw-Hill

**Robert M. White, Jr.**, President, Real Capital Analytics

**Bret R. Wilkerson, CFA**, Chief Executive Officer  
Property & Portfolio Research

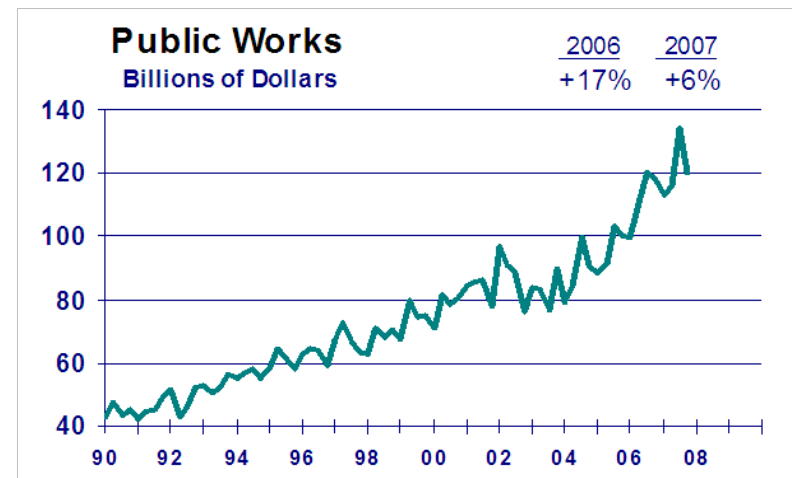
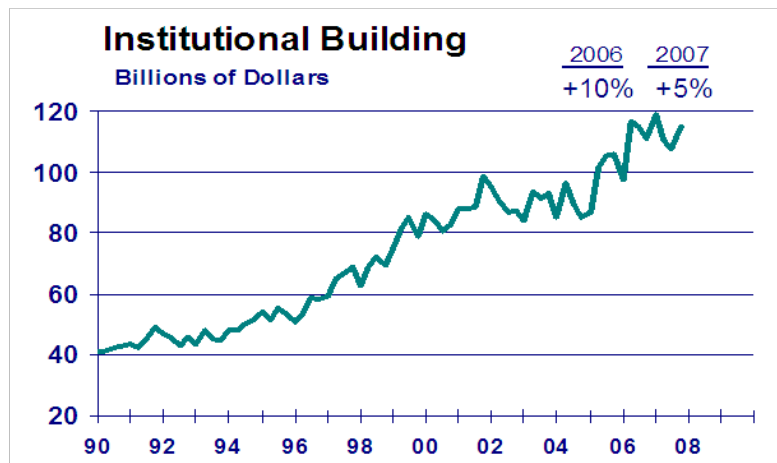
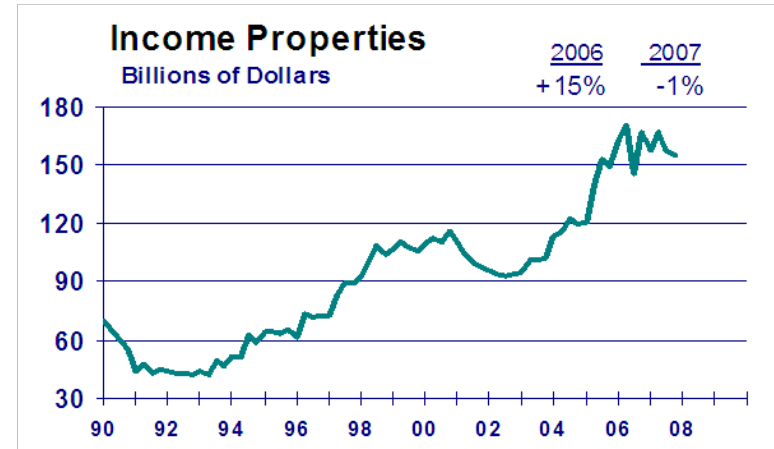
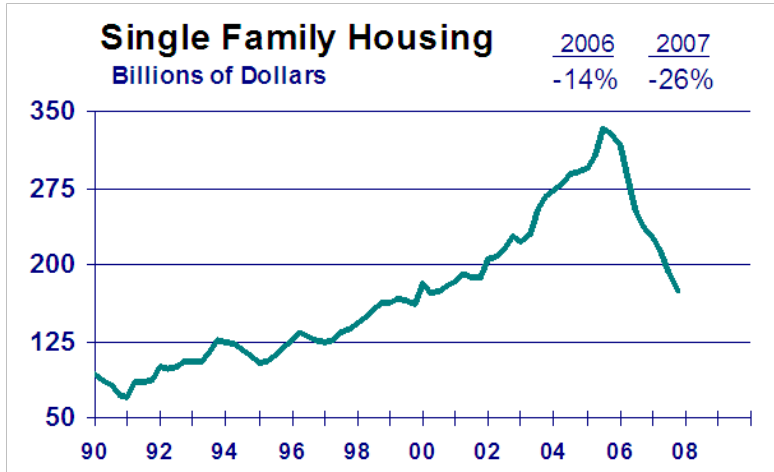
# U.S. Construction Market Indicators

*Total Construction fell in 2007 -- first decline in current dollars since 1991.*



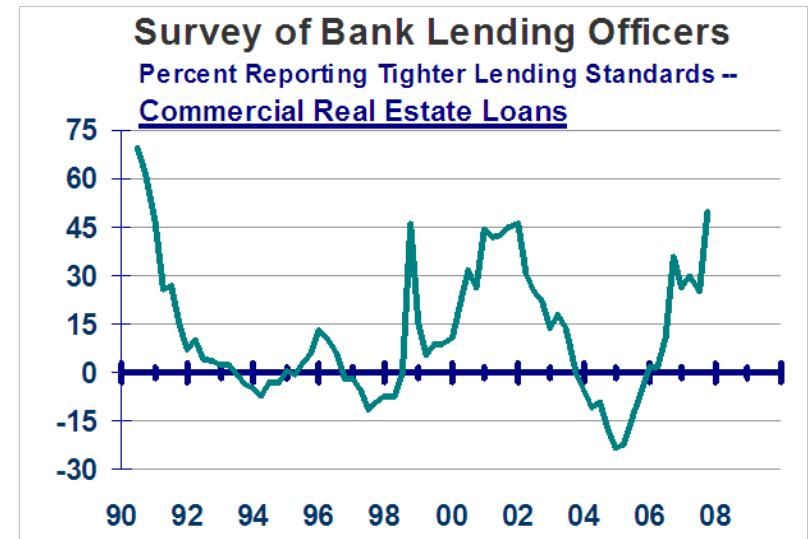
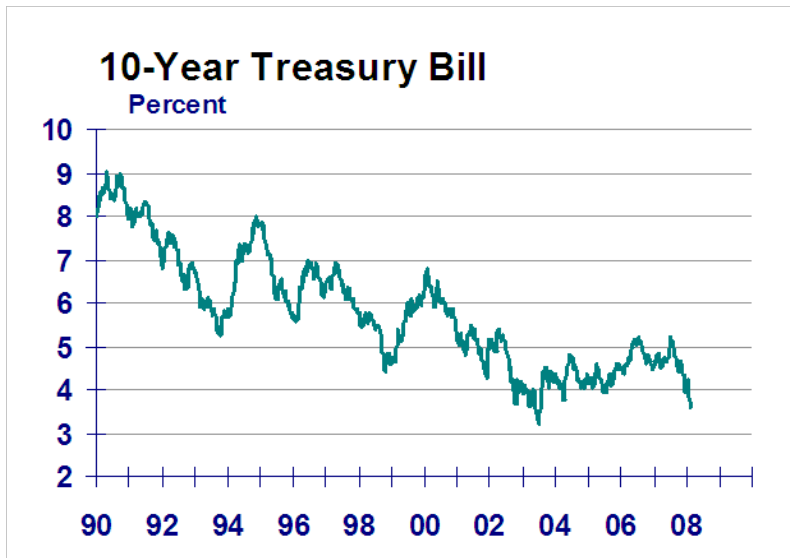
# U.S. Major Construction Sectors (Starts)

*Single Family Construction down sharply; Income Properties turning.*



# U.S. Construction Market Indicators

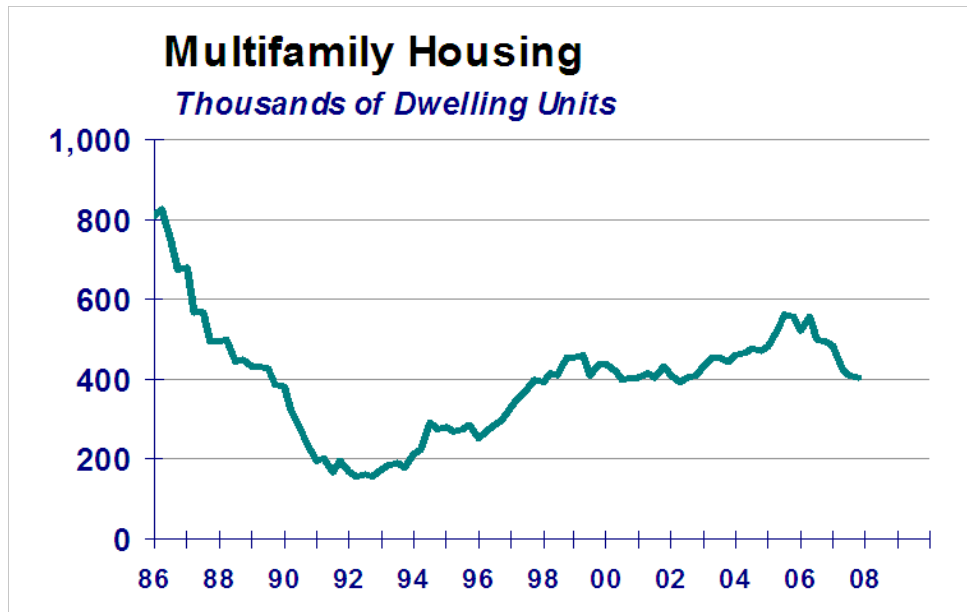
*Long term interest rates moving down, but lending standards tighter.*



- Emerging evidence that tighter credit dampening construction activity for income properties.

# U.S. Multifamily Housing

*Construction stable in 2006, now following single family housing down.*



- Mid-decade strength came from condominium development.
- Was attractive investment target, less so now – due to mounting concern about over-building of condos and diminished credit availability.

Multi Shares	<u>2006</u>	<u>2007</u>
Condo	56%	48%
Apt.	33%	37%

## Multifamily Housing (MHC basis)

**2006** 519,000 units -2%

**2007** 430,000 units -17%

**2008** 375,000 units -13%

- Helped by push for downtown redevelopment.
- Demographics supportive, especially from empty-nesters

# U.S. Multifamily Housing

<i>Recent Large Projects</i>					
81.8	250	<b>Project City Center Retail/Restaurants</b>	Las Vegas	NV	2007:10
75.0	635	<b>Palladio at Broadstone Shopping Center</b>	Folsom	CA	2007:11
74.3	800	<b>Avenue Forsyth Shopping Center</b>	Cumming	GA	2007:01
65.0	646	<b>The Plant Retail Center</b>	San Jose	CA	2007:02
65.0	400	<b>Florin Towne Center</b>	Sacramento	CA	2007:07
60.0	522	<b>Woodland Gateway Shopping Center</b>	Woodland	CA	2007:08
60.0	480	<b>Jersey Shore Premium Outlets Shopping Center</b>	Tinton Falls	NJ	2007:08
59.0	241	<b>La Alameda Regional Shopping Center</b>	Huntington Park	CA	2007:05
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# U.S. Multifamily Housing

## Major Metropolitan Areas – Construction Starts

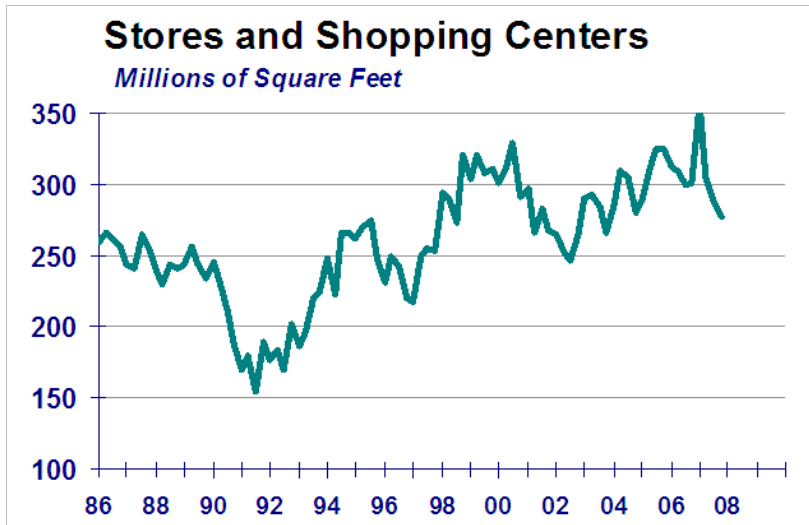
### Multifamily Housing

#### Top 10 Metros -- ranked by new dwelling units

<u>Year 2006,</u>	<u>%ch 06/05</u>	<u>Year 2007,</u>	<u>%ch 07/06</u>
1. New York	-1%	1. New York	-35%
2. Miami	-22%	2. Chicago	-21%
3. Chicago	+32%	3. Atlanta	-1%
4. Los Angeles	+23%	4. Seattle	+18%
5. Dallas-Ft.Worth	+28%	5. Miami	-51%
6. Washington DC	-20%	6. Orlando FL	-6%
7. Atlanta	-20%	7. Washington DC	-19%
8. Orlando FL	+21%	8. Houston	+14%
9. Seattle	+39%	9. Los Angeles	-42%
10. Houston	-6%	10. Boston	-8%
12. Las Vegas	+16%	12. Las Vegas	-11%

# U.S. Stores and Shopping Centers

*Construction in 2006 and 2007 stayed high; 2008 headed down.*



## Store Construction

**2006** 305 msf -2%

**2007** 307 msf -0-

**2008** 270 msf -12%

(msf = million of sq. ft.)

- Derived demand from housing market – definitely going up; but is it also true going down?
- Substantial building from five major players: Wal-Mart, Home Depot, Lowe’s, Target, Kohl’s
- Impact of slowing retail sales; still, competitive retail landscape.
- Wal-Mart announcement on plans to scale back expansion.
- Move to smaller venues e.g., “lifestyle centers”.



# U.S. Stores and Shopping Centers

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75.0	635	<b>Palladio at Broadstone Shopping Center</b>	<b>Folsom</b>	CA	2007:11
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# U.S. Stores and Shopping Centers

## *Major Metropolitan Areas – Construction Starts*

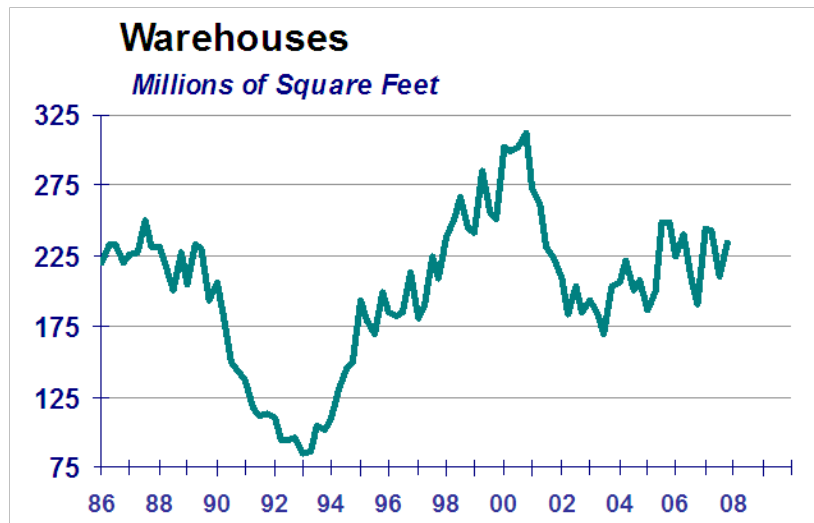
### Store Construction

### Top 10 Metros -- ranked by new square feet

<u>Year 2006,</u>	<u>%ch 06/05</u>	<u>Year 2007,</u>	<u>%ch 07/06</u>
1. Chicago	-5%	1. Chicago	+8%
2. Phoenix	+28%	2. Phoenix	+10%
3. Dallas-Ft.Worth	+4%	3. Atlanta	+4%
4. Houston	+29%	4. Dallas-Ft.Worth	-17%
5. Atlanta	-27%	5. Houston	-11%
6. New York	-26%	6. New York	+3%
7. Riverside-SB	+10%	7. Miami	+18%
8. Las Vegas	+45%	8. Orlando	+61%
9. Washington DC	+21%	9. Los Angeles	-3%
10. Los Angeles	-21%	10. Riverside-SB	-20%

# U.S. Warehouses

*Construction upturn has been uneven.*



## Warehouse Construction

**2006** 216 msf -2%

**2007** 240 msf +11%

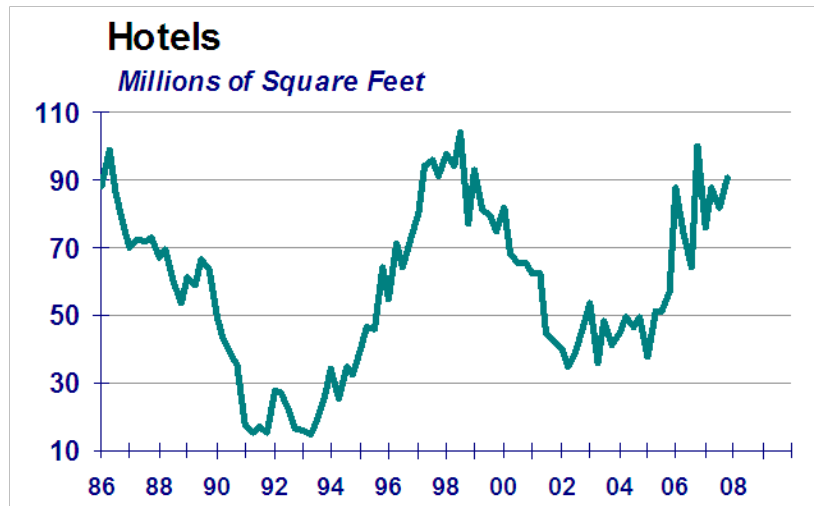
**2008** 205 msf -15%

(msf = million of sq. ft.)

- Slower growth in 2006 -- projects reassessed due to higher costs.
- Vacancy rates edged down in 2004-2006. However, 2007Q4 reported at 10.2%, after 9.5% in 2006 Q3.
- Still, push coming from greater demand from increased global trade.
- Larger regional facilities being built by major retailers.
- Need for updated facilities to handle improved inventory management practices.

# U.S. Hotels

*Construction soared in 2006, more growth in 2007, down in 2008.*



## Hotel Construction

**2006** 82 msf +66%

**2007** 84 msf +2%

**2008** 72 msf -14%

(msf = million of sq. ft.)

- Industry financials had strengthened:  
Occupancies in 2006 at 63.3%,  
vs. 63.1% in 2005.  
Revpar in 2006 up 7.5%.  
almost as strong as 8.5% in 2005.  
(Smith Travel Research)  
2007 Revpar up, but more slowly.
- In 2005:  
hotel/casino projects, and  
convention center- related hotels.
- In 2006 and 2007:  
broader expansion,  
more Las Vegas projects,  
convention center hotels,  
“condo” hotels
- Shorter “upcycle” this time?

# U.S. Hotels

<b>Value</b> <b>\$ Millions</b>	<b>Sq. Ft.</b> <b>Thous.</b>	<i>Recent Large Projects</i>	<b>City</b>	<b>Start Date</b> <b>Year:Mo</b>
705.6	1,800	Fontainebleau Hotel/Casino - hotel portion	Las Vegas	NV 2007:06
550.0	850	Cosmopolitan Resort & Casino - hotel portion	Las Vegas	NV 2007:10
297.8	840	LA Live Marriott/Ritz Carlton Hotel	Los Angeles	CA 2007:06
237.0	1,000	Cibola Canyons J.W. Marriott Resort Hotel	San Antonio	TX 2007:06
194.5	400	Mandarin Oriental Hotel/Condo Tower	Chicago	IL 2007:04
186.0	1,243	Hilton Orlando Convention Center Hotel	Orlando	FL 2007:06
172.5	560	The Hilton Bonnet Creek Hotel	Orlando	FL 2007:04
151.6	202	Aliante Station Hotel Casino & Resort	N. Las Vegas	NV 2007:04
144.3	525	Pojoaque Hilton Hotel/Casino	Santa Fe	NM 2007:02
130.0	329	Hotel & Entertainment Center	Michigan City	IN 2007:03
129.2	420	The Waldorf Astoria Hotel at Bonnet Creek	Orlando	FL 2007:04
127.2	390	Poarch Creek Casino & Hotel	Wetumpka	AL 2007:09
124.7	232	Sky Ute Casino Hotel Resort	Ignacio	CO 2007:02
117.4	247	Terranea Luxury Resort and Spa	Rancho Palos Verdes	CA 2007:05
107.0	574	Mandarin Oriental Hotel & Condo Bldg	Las Vegas	NV 2007:04

# U.S. Hotels

## Major Metropolitan Areas – Construction Starts

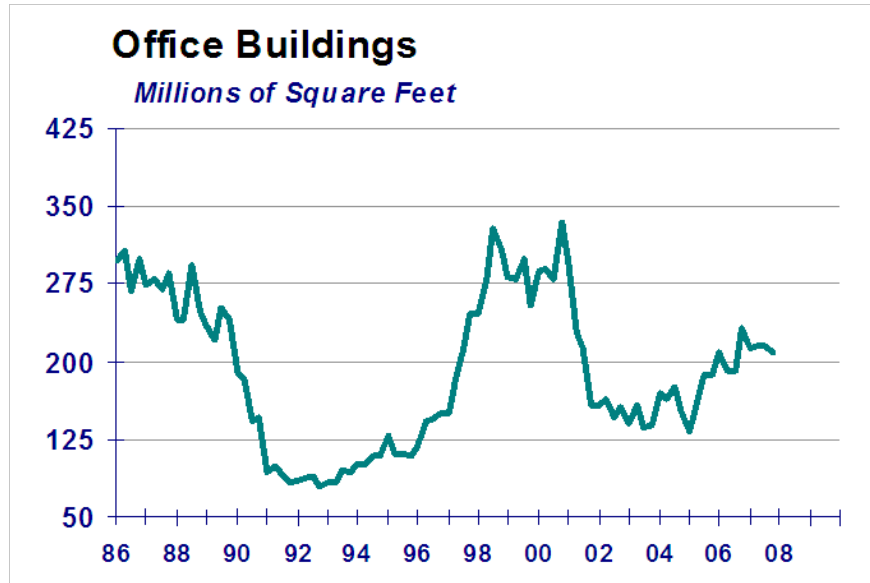
### Hotel Construction

#### Top 10 Metros -- ranked by new square feet

<u>Year 2006, %ch 06/05</u>		<u>Year 2007, %ch 07/06</u>	
1. Las Vegas	+866%	1. Las Vegas	-65%
2. Atlantic City	+++%	2. Orlando	+190%
3. San Diego	+228%	3. Los Angeles	+35%
4. Phoenix	+531%	4. Chicago	+26%
5. Dallas-Ft. Worth	+116%	5. Washington DC	+132%
6. New York	+45%	6. New York	-5%
7. Los Angeles	+136%	7. San Antonio	+201%
8. Chicago	+35%	8. Atlanta	+65%
9. New London CT	+++%	9. Phoenix	-33%
10. Miami	+58%	10. Dallas-Ft. Worth	-35%

# U.S. Office Buildings

*Construction upturn has been measured this time, compared to before.*



## Office Construction

**2006** 206 msf +23%

**2007** 215 msf +4%

**2008** 198 msf -8%

(msf = million of sq. ft.)

- Recovery re-established in 2006: activity stalled in 2005 as projects reassessed due to higher costs.
- Market fundamentals still relatively healthy, but now turning. office employment vacancy rates –
  - suburban in 2007 Q4 up to 14.2%;
  - downtown in 2007 Q4 held at 10.3%
- In 2006 and 2007: several major high-rise projects reached groundbreaking, including:
  - Goldman Sachs headquarters
  - Freedom Tower
  - 11 Times Square
- Early 2008: more NYC WTC – Towers 3 & 4



# U.S. Office Buildings

<u>Value</u> <u>\$ Millions</u>	<u>Sq. Ft.</u> <u>Thous.</u>	<i>Recent Large Projects</i>	<u>City</u>	<u>Start Date</u> <u>Year:Mo</u>
550.0	972	11 Times Square Office Tower	New York	NY 2007:06
550.0	450	Data Center	San Antonio	TX 2007:06
420.0	750	Bank of America Office Tower	Charlotte	NC 2007:05
408.9	0	1095 Avenue of the Americas (Alterations)	New York	NY 2007:02
254.7	900	Wachovia First Street Office Condo Tower	Charlotte	NC 2007:03
200.0	0	Nassif Office Bldg (renovations)	Washington	DC 2007:07
183.0	0	Pentagon Renovation Wedges 2 thru 5	Arlington	VA 2007:04
166.1	490	Horizon At Playa Vista Offices	Playa Del Rey	CA 2007:04
160.0	701	Patriot Plaza Phase II & III Office Buildings	Washington	DC 2007:10
146.0	560	Office Building at Atlantic Station	Atlanta	GA 2007:07
135.5	499	Pinnacle Office Tower	Nashville	TN 2007:12
132.3	1,050	Office/Retail Building	Chicago	IL 2007:03
125.7	550	West End Summit Office/Retail/Hotel	Nashville	TN 2007:05
120.0	1,315	Office Tower	Chicago	IL 2007:08
117.6	550	Brickell Financial Center (Phase 1)	Miami	FL 2007:05

# U.S. Office Buildings

## Major Metropolitan Areas – Construction Starts

### Office Construction

#### Top 10 Metros -- ranked by new square feet

<u>Year 2006,</u>	<u>%ch 06/05</u>	<u>Year 2007,</u>	<u>%ch 07/06</u>
1. Washington DC	+29%	1. Phoenix	+24%
2. New York	+62%	2. Washington DC	-19%
3. Dallas-Ft. Worth	+33%	3. Atlanta	+36%
4. Phoenix	-12%	4. Chicago	+24%
5. Miami	+17%	5. Miami	+17%
6. Chicago	+157%	6. Dallas-Ft. Worth	-31%
7. Atlanta	+27%	7. Houston	-4%
8. Houston	+50%	8. Seattle	-7%
9. Los Angeles	-2%	9. Charlotte NC	+82%
10. Seattle	+335%	10. New York	-49%