

# **San Francisco Bay Area Commercial Real Estate Investment: Global, United States, and SF Bay Area Forecast 2013-2017**

*Prepared for*

***California Apartment Association  
Tri-County Division***

*Prepared by*

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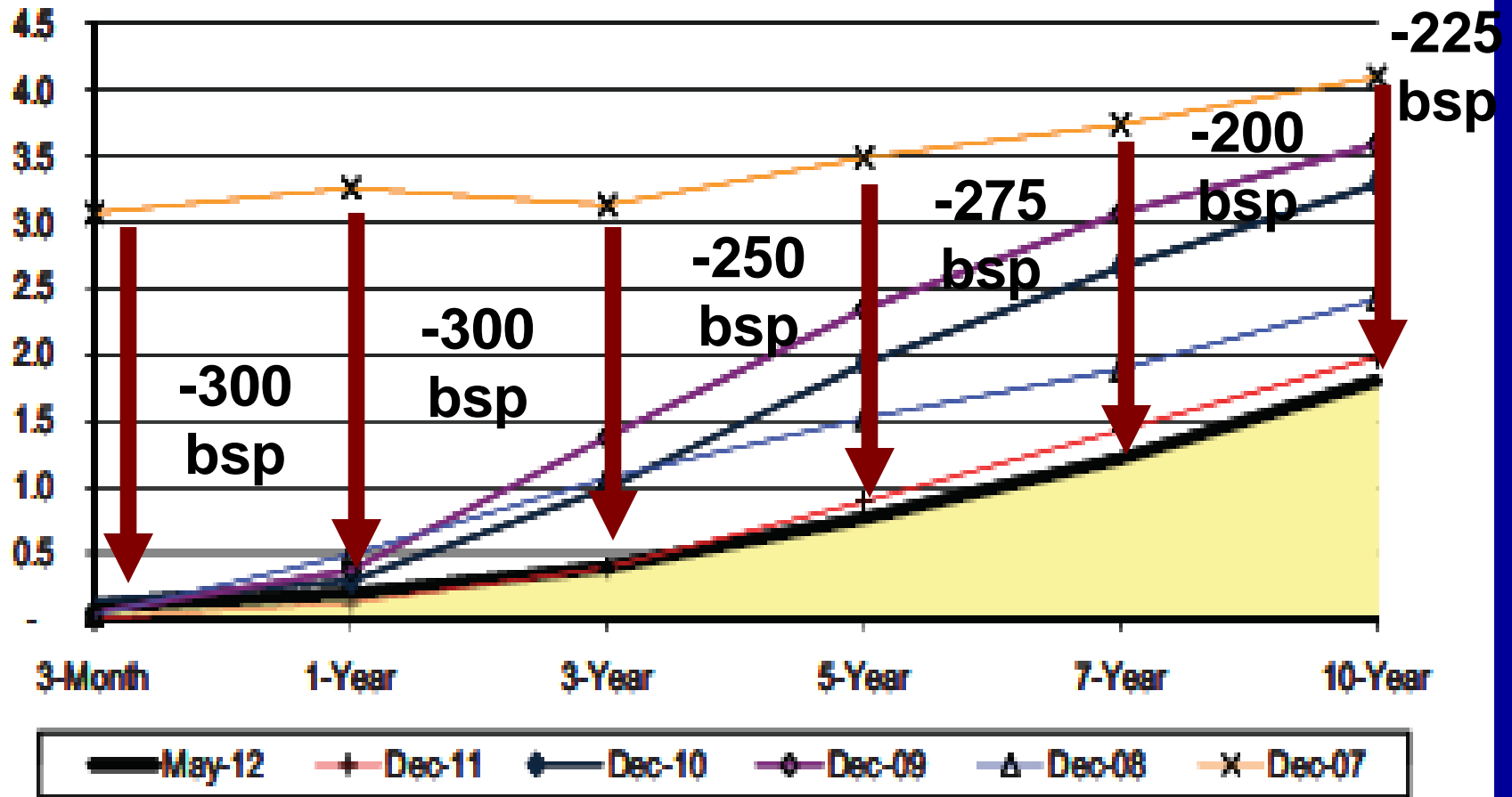


# Introduction

# Yield Curve Theory and Analysis

All debt + equity securities priced off of the yield curve (term structure interest rates)

Treasury Yield Curve



Although S-T Risk Free Rates near Zero (negative real) debt/equity credit and illiquidity risk premiums still high

# Yield 10-Year Treasury



- -240 bsp 4.7% (2001)
- -530 bsp 7.6% (1991)
- -1,300 bsp 15.3% (1981)
- -380 bsp 6.1% (1971)
- -160 bsp 3.9% (1961)
- -50 bsp 2.8% (1951)
- 443 bsp Avg.

$$QTM = G_r * I = V * M^s$$

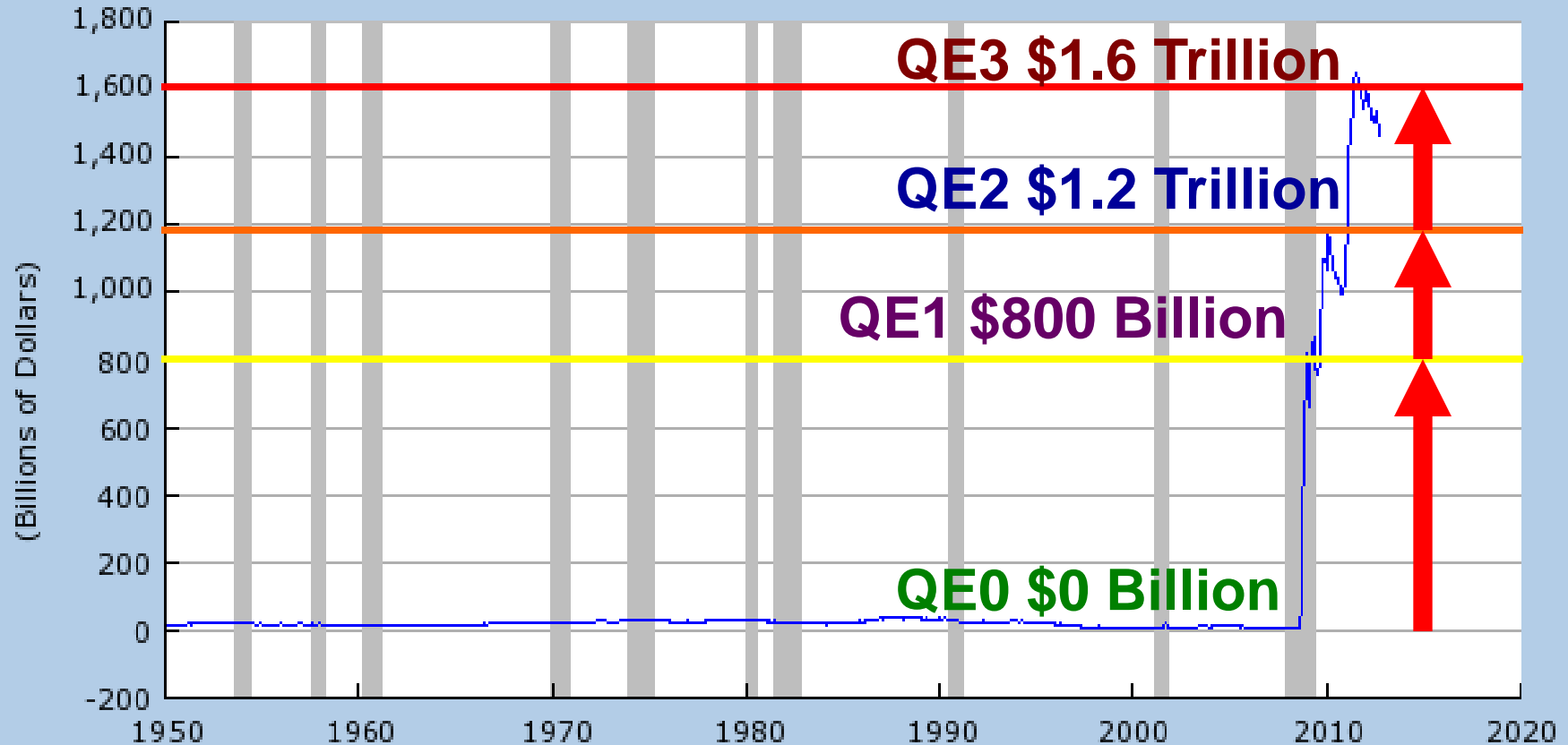
## Decline in Velocity of Money

- Global Shadow Banking
- Labor Productivity/Participation
- Capital/Labor Substitution
- Global Jobs Outsourcing
- Fed Over Accommodation
- Falling Savings Rate
- Rising Cash Balances

# Reserve Balances with Federal Reserve Banks

Reserve Balances with Federal Reserve Banks, Not Adjusted for Changes in Reserve Requirements (RESBALNS)

Source: Board of Governors of the Federal Reserve System



Shaded areas indicate US recessions.

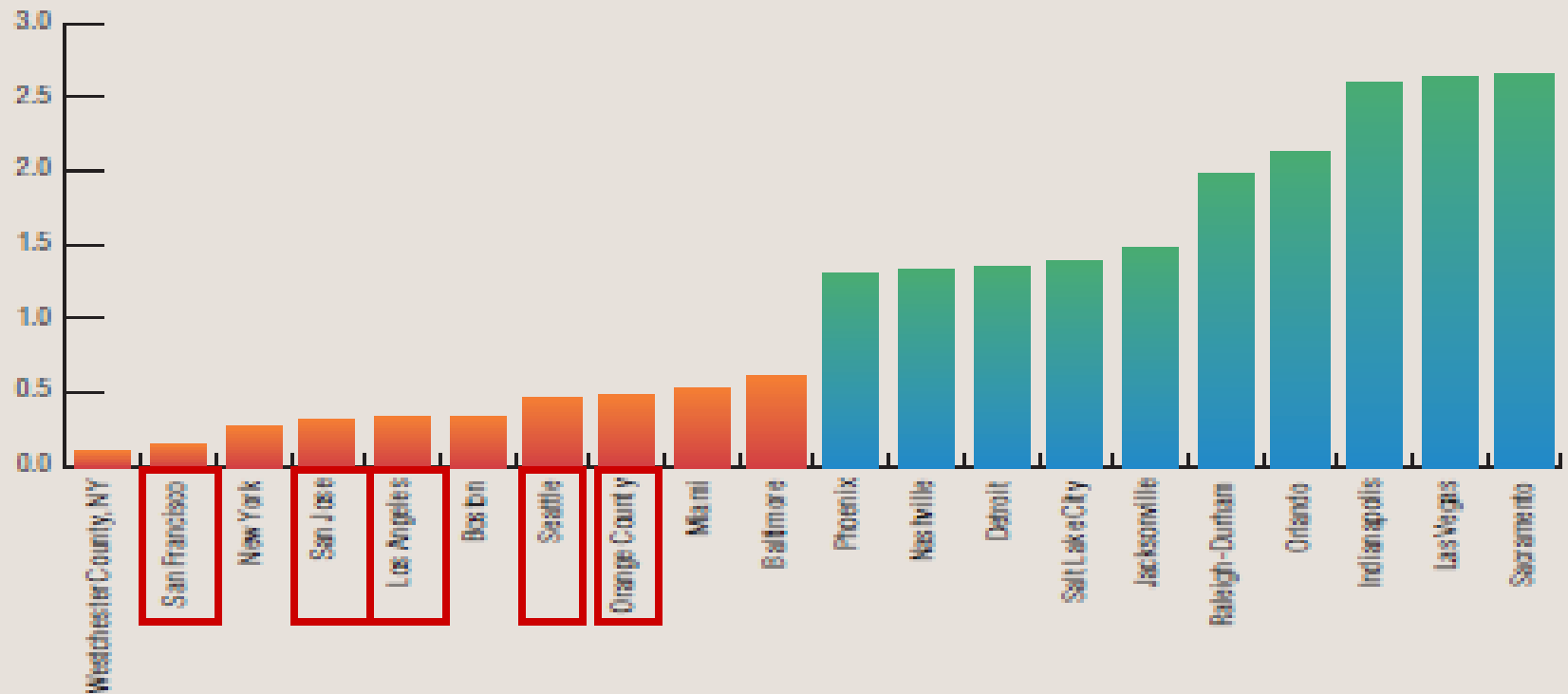
2012 research.stlouisfed.org



Modern & Post-Modern  
Real Estate Portfolio Theory  
(MREPT/PMREPT)

# Applications In Portfolio Theory – Target

2013 Supply Constraints: Most and Least Constrained Metro Areas



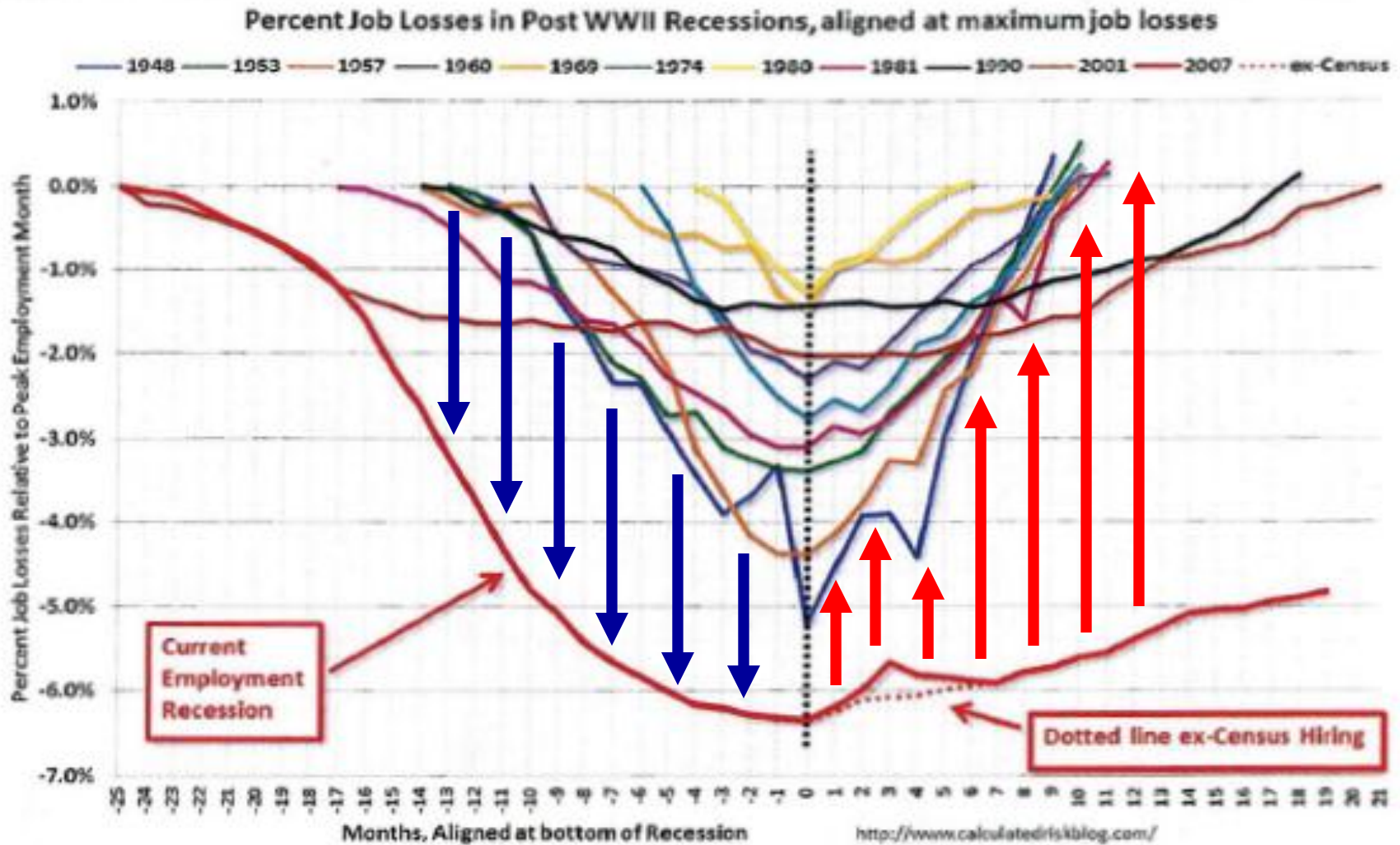
Sources: Reis Inc.; FirstREI Real Estate Research.

Note: Low score represents more supply constraints.

# Real Estate and Business Cycle Analysis

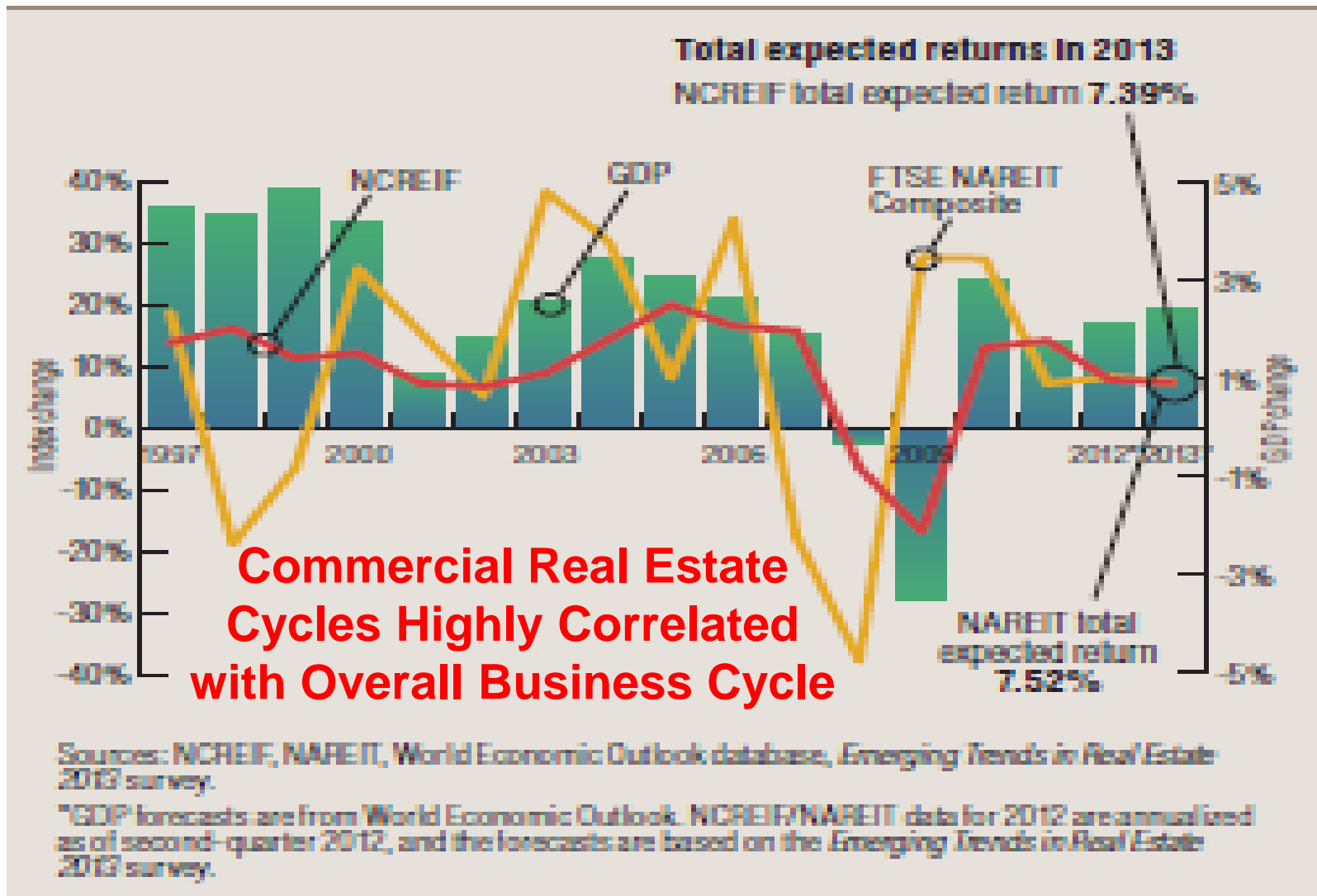


# Business/Real Estate Cycles



# Business and Real Estate Cycles

## U.S. Real Estate Returns and Economic Growth

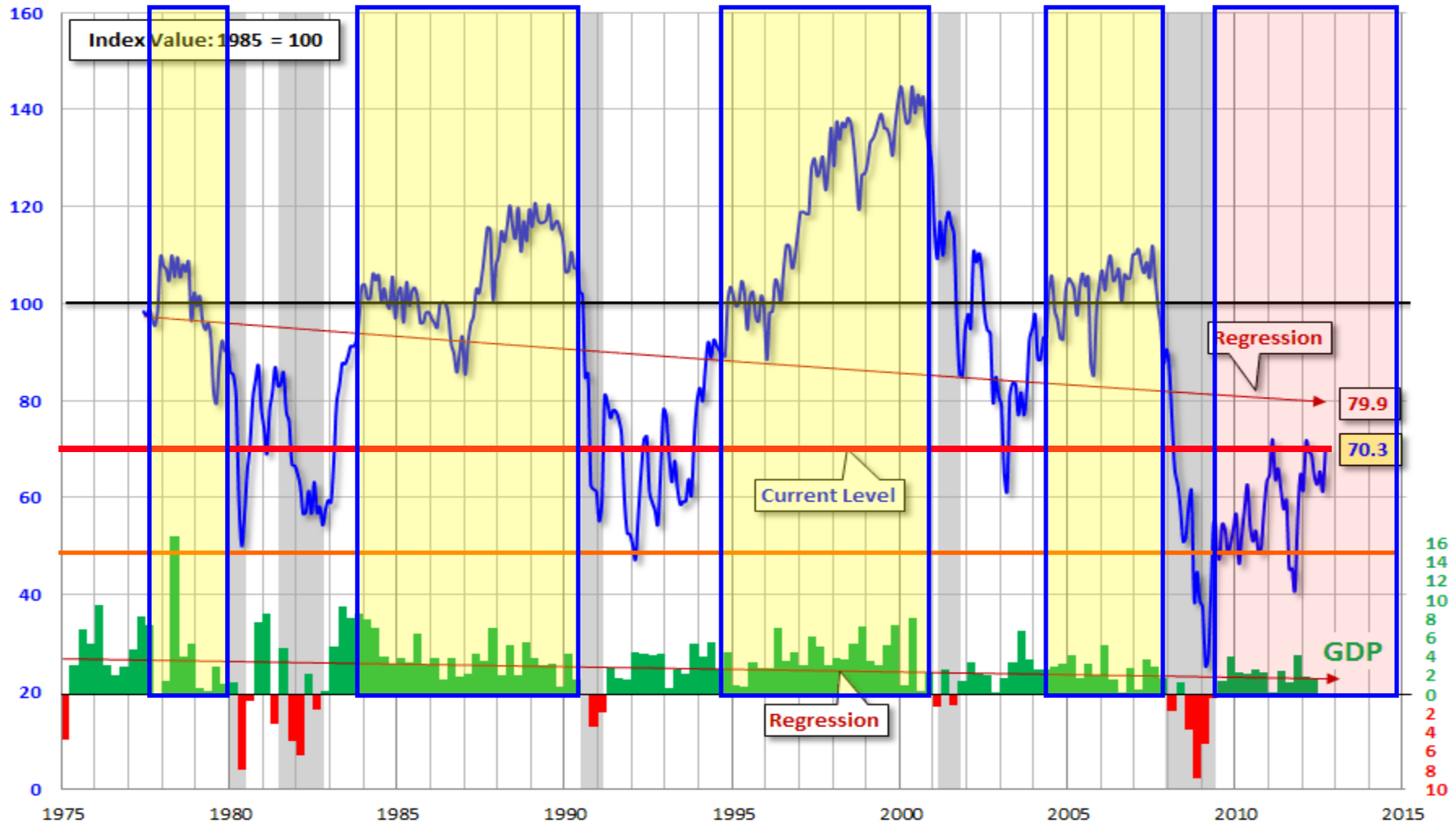


# Economic Indicators

# Consumer Confidence

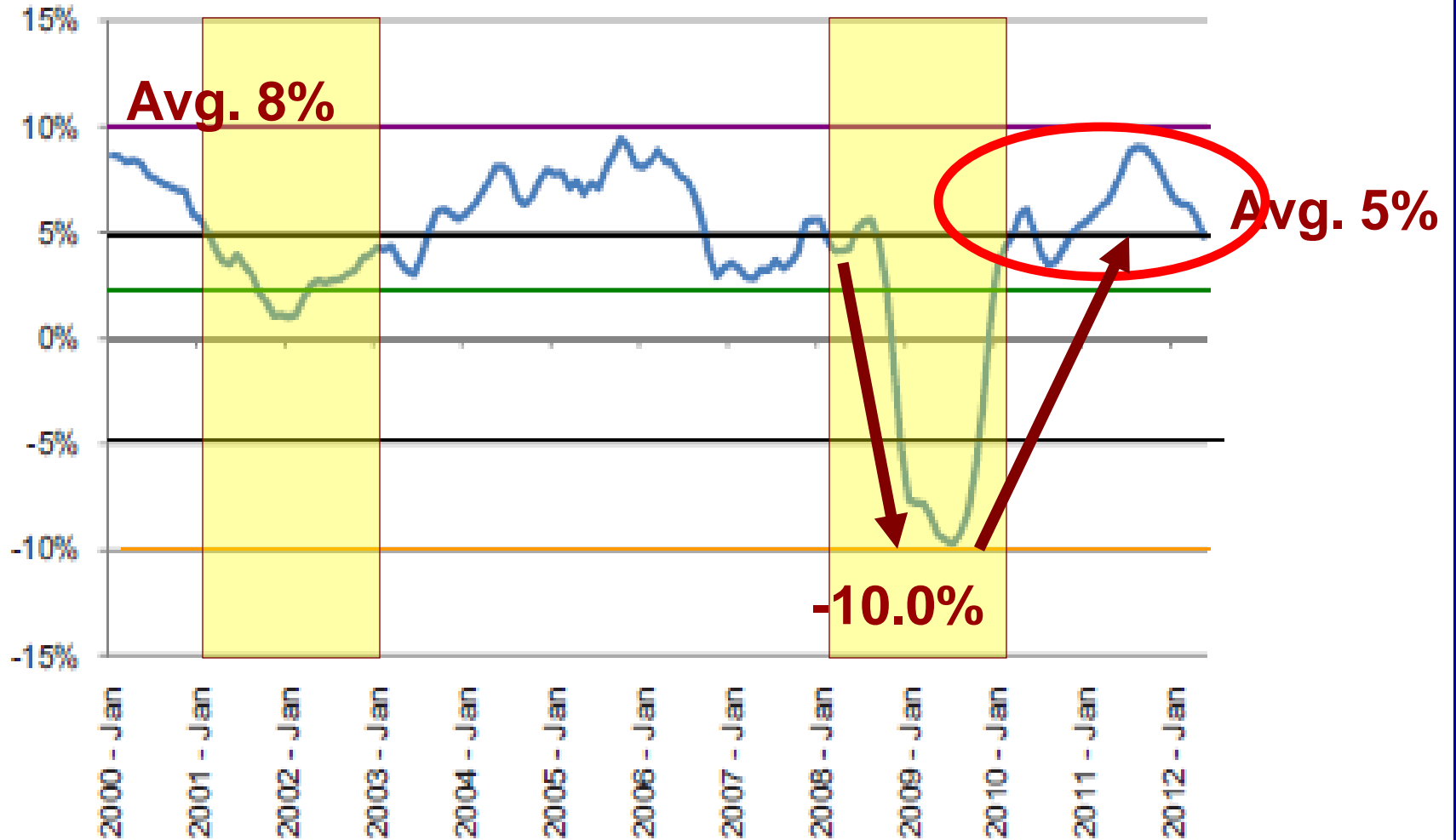
Conference Board Consumer Confidence Index  
Recessions Highlighted in Gray, Real GDP Shown Below

dshort.com  
September 2012



# Retail Sales

Year-Over-Year % Change in Trailing three month retail sales, excluding motor vehicles and parts dealers



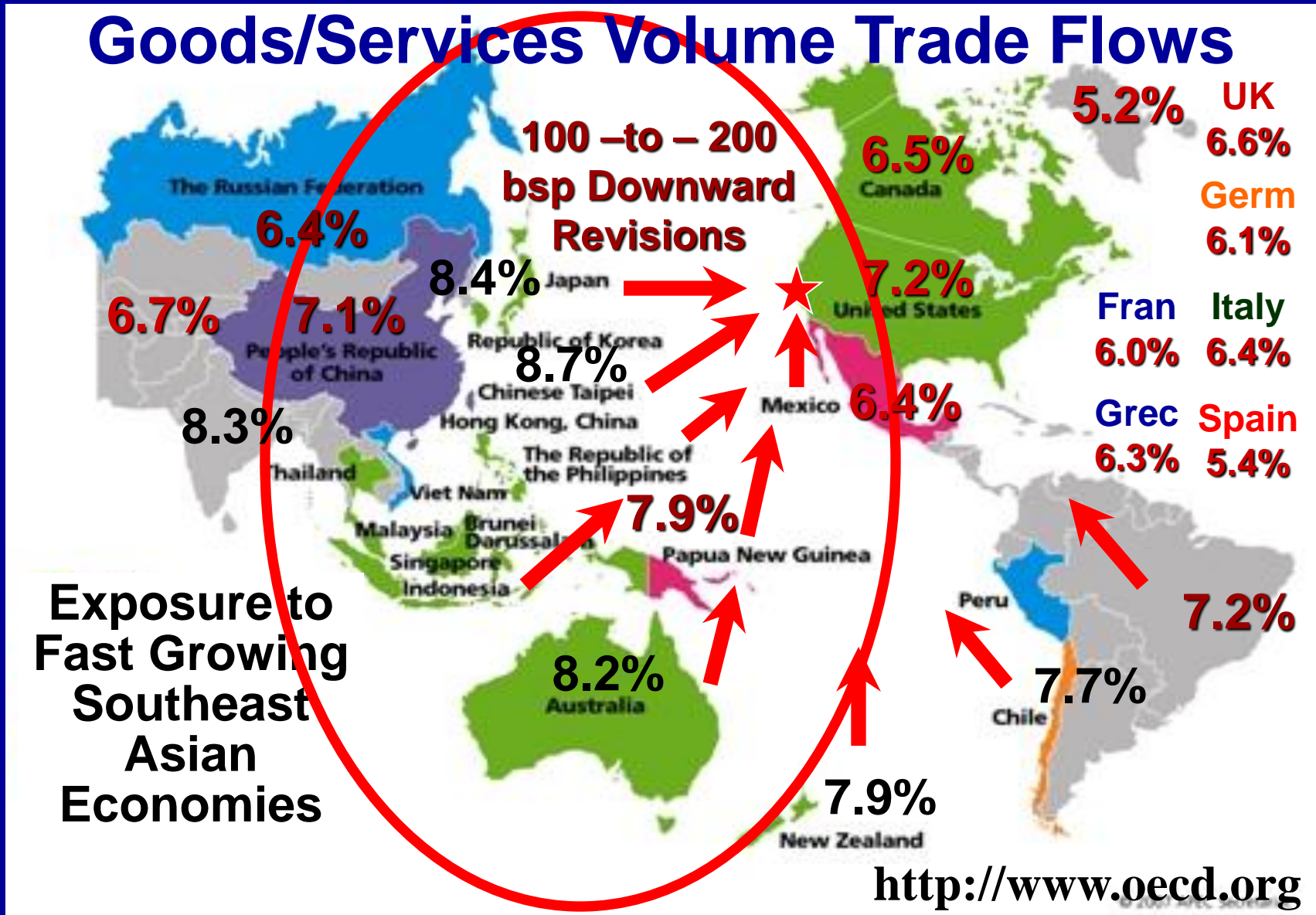
Source: U.S. Census Bureau

# International Trade

# Global Geography – Export Market Growth

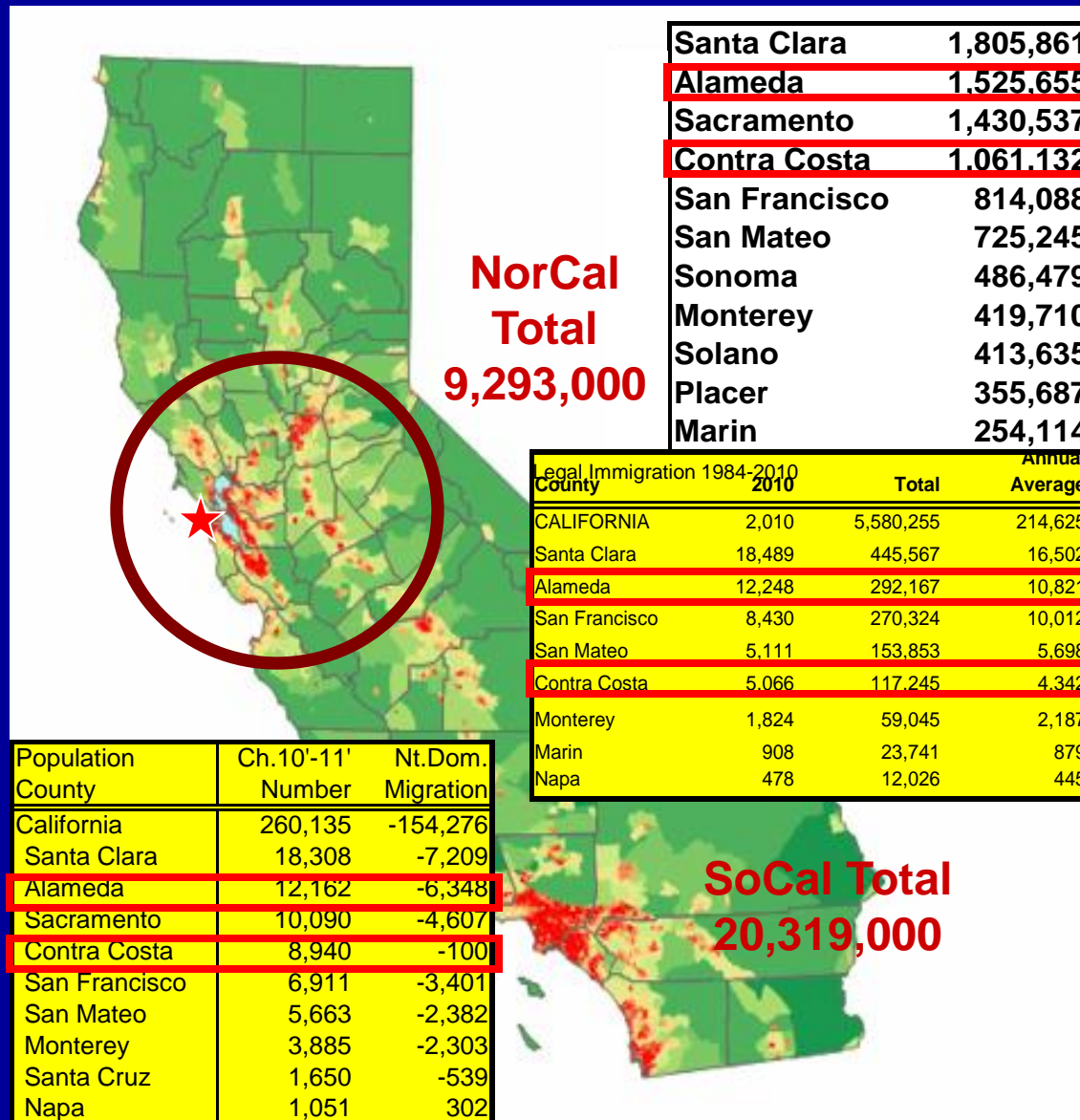
(Forecast 2013)

## Goods/Services Volume Trade Flows



<http://www.oecd.org>

# California Geography





# Economic Geography

# Northern CA – Business/Market Cycle

## Commercial Markets 2013-2017:

### Target Urban-Infill/Supply- Constrained/Transit Oriented (TOD)/Diverse-Growth Economic Base Submarkets

Downtown San Francisco/West San Jose; I-680/880 Corridors-Walnut Creek->San Ramon (UC/Nth Berkeley/Oakland Hills/Pleasanton/Fremont);

SF Peninsula-Redwood City/Palo Alto (Marin/Santa Cruz/Monterey);

Sacramento (Davis/CBD-State Capitol)

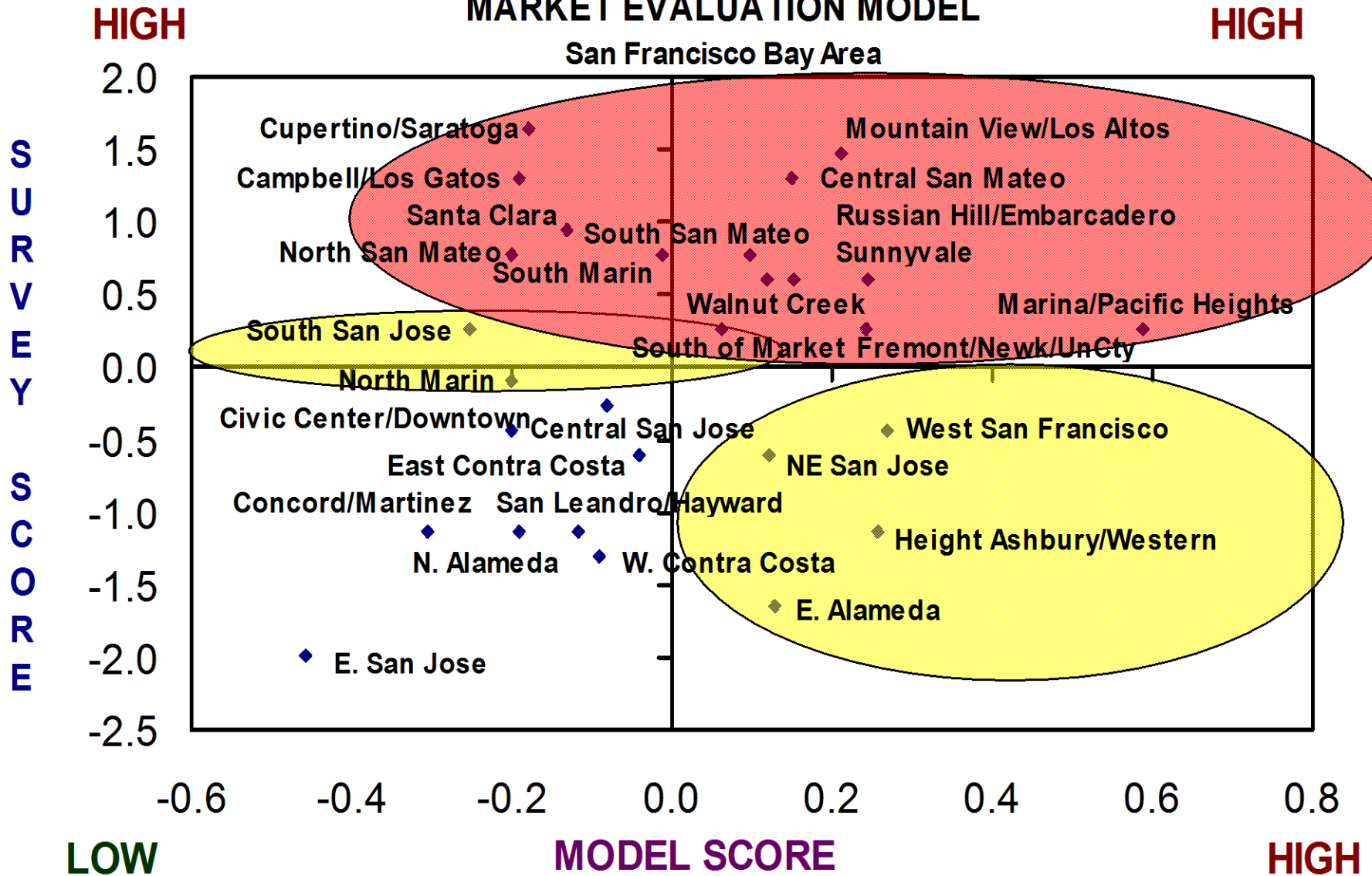
# Commercial Demand (Economic Base)

## Geographies-Submarkets by Industry Sector:

- **High-tech and Bio-tech** Manufacturing (SF/Oak/SEA/SD)
- **Alternative and Clean Energy** Technologies (SF/SJ/PHO)
- **Healthcare**-Information Systems Services (SF/SJ/SD/Oak/SEA/PHO)
- **Financial Services and Venture Capital (SF/SJ/SM/SEA)**
- **Telecommunications/Networking** (SJ/Marin/Den/Sea)
- **Multimedia and Entertainment** (SF/Marin/LA)
- **Internet and Software Programming** (SF/SJ/Oak/Sea)
- **International Trade & Tourism** (SF/SJ/Sac/SEA/LA/Mon)
- **Construction and Engineering Services (SF/SJ/SEA/LA)**
- **Education/Government Services (SF/SJ/Oak/SEA/PHO)**
- **Defense (SJ/Sac/SEA/LA/PHO/UT/MON)**
- **Agricultural/Timber Products (Cent Val/Port/SEA/Mon)**

# MARKET EVALUATION MODEL

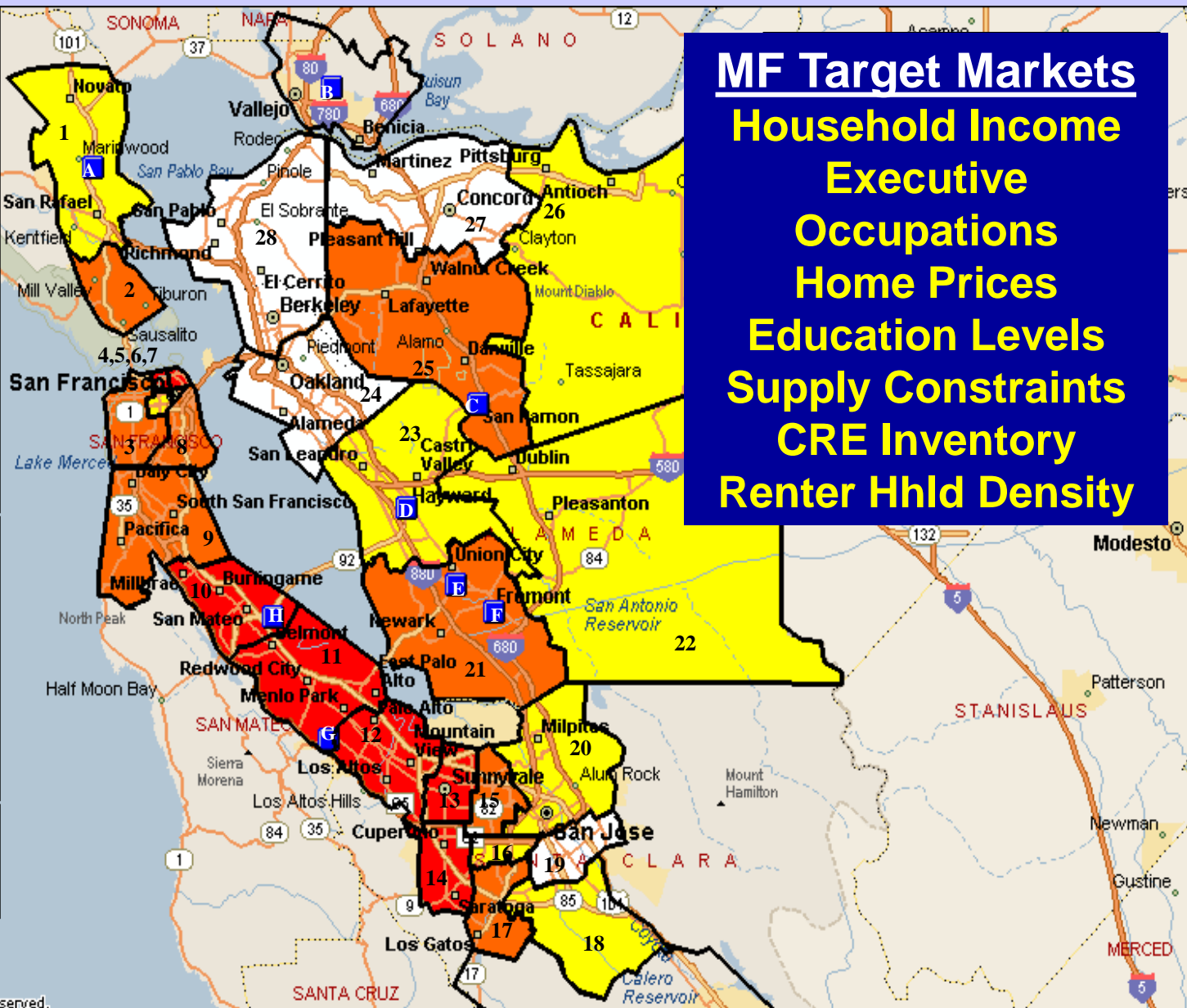
San Francisco Bay Area



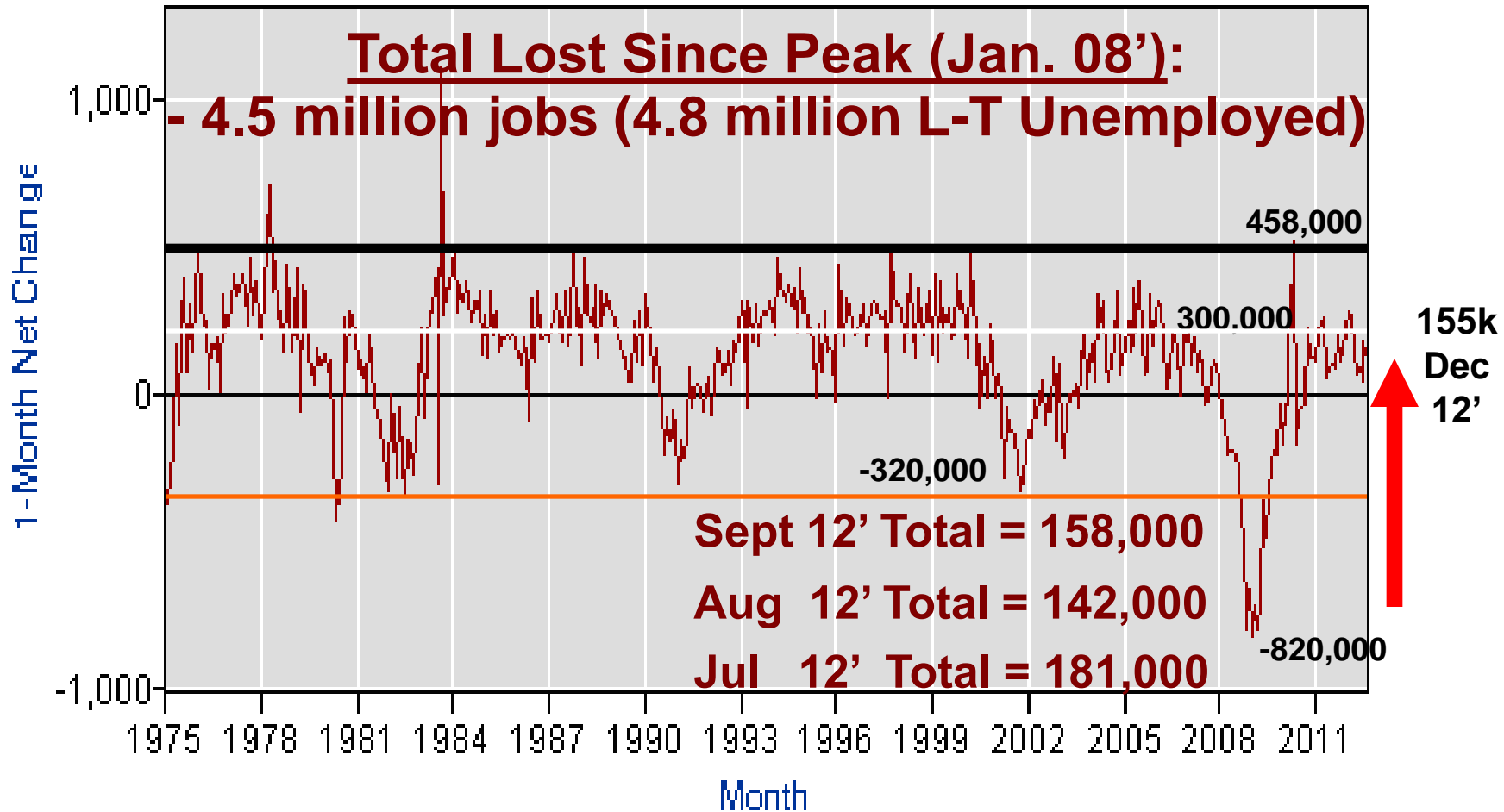
Sources: Claritas, Inc., REIS Reports, Inc., and BRE Properties Research Department.

# S.F. Bay Area Submarket Rankings

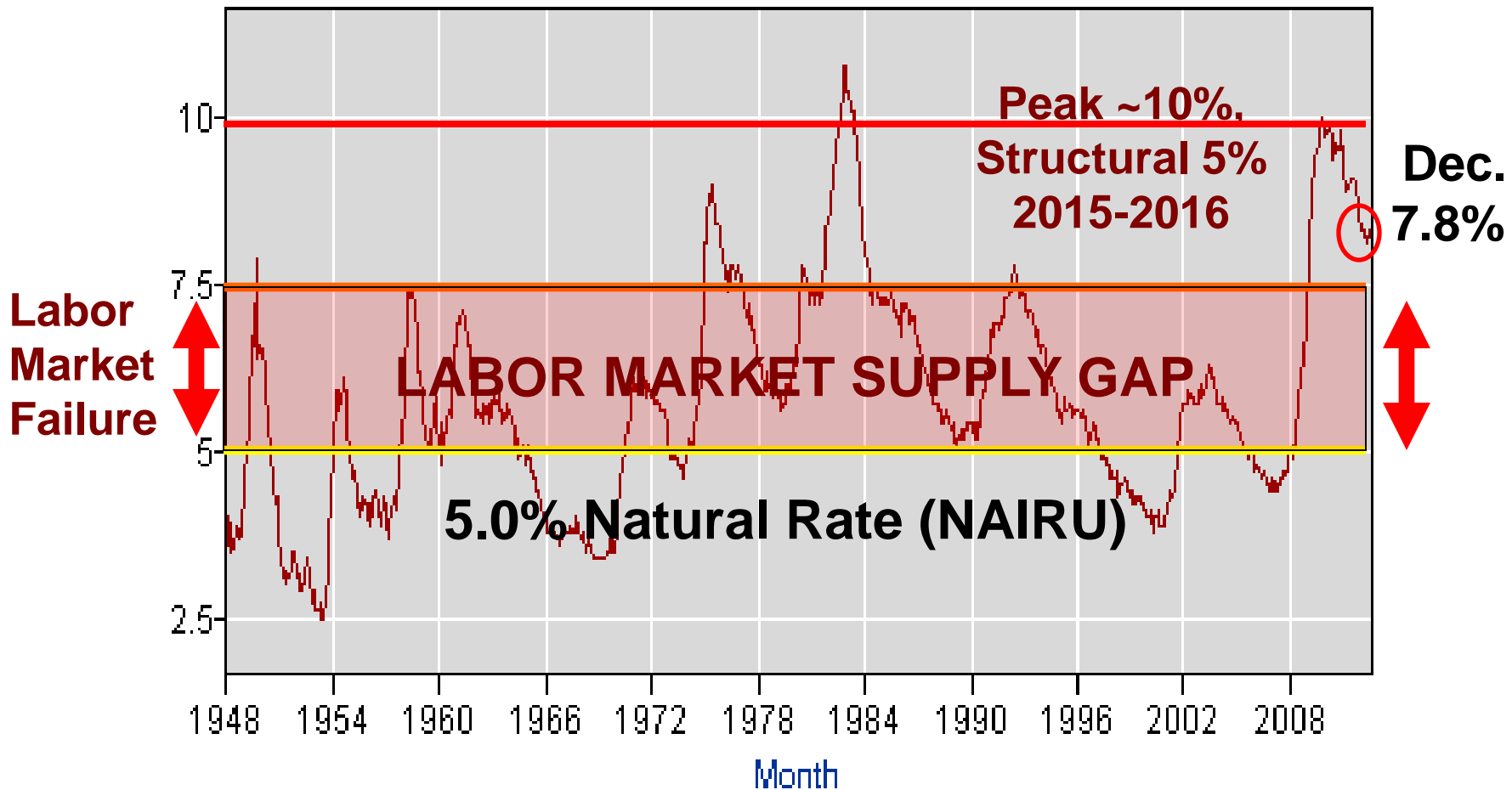
Submarket Rankings	
Mountain View (12)	
Central San Mateo (10) (H)	
Marina (4)	
Cupertino (14)	
Sunnyvale (13)	
South San Mateo (11) (G)	
Russian Hill (5)	
San Ramon (25) (C)	
Campbell (17)	
Fremont (21) (E,F)	
South Marin (2)	
Santa Clara (15)	
South of Market (8)	
North San Mateo (9)	
West San Francisco (3)	
Northeast San Jose (20)	
South San Jose (18)	
Central San Jose (16)	
Haight Ashbury (7)	
North Marin (1) (A)	
East Contra Costa (26)	
Civic Center (6)	
East Alameda (22)	
Hayward (23) (D)	
West Contra Costa (28)	
North Alameda (24)	
Concord (27)	
East San Jose (19)	



# Non-Farm Payroll Employment



# U.S. Unemployment Rate



**Note: Under-employment rate double stated unemployment rate.**

**Source: Bureau of Labor Statistics.**

# Northern California Economics

## MSA Year-Over-Year Employment Growth Rates

	Aug '10-'11	Aug (p) '11-'12	Ann.Ch. Gain/Loss
<b>San Jose</b>	<b>+2.8%</b>	<b>+3.4%</b>	<b>+23.8k / +29.6k</b>
*1998 – 2008: -0.6%, -5,620			Total Non-Farm Employment 889,900
<b>San Francisco</b>	<b>+1.8%</b>	<b>+3.8%</b>	<b>+16.6k / +36.4k</b>
*1998 – 2008: -0.1%, -1,350			Total Non-Farm Employment 963,100
<b>Oakland</b>	<b>+0.5%</b>	<b>+2.0%</b>	<b>+4.9k / +18.9k</b>
*1998 – 2008: 0.6%, 5,920			Total Non-Farm Employment 953,900
<b>Sacramento</b>	<b>-1.1%</b>	<b>+2.2%</b>	<b>-8.5k / +17.7k</b>
*1998 – 2008: 2.0%, 15,630			Total Non-Farm Employment 809,000
<b>Salinas</b>	<b>-2.4%</b>	<b>+3.9%</b>	<b>+3.0k / +4.7k</b>
*1998 – 2008: 0.9%, 1,018			Total Non-Farm Employment 125,700

\*Average annual compound growth rate, and average annual absolute change in non-farm employment.

Source: U.S. Department of Labor. [www.bls.gov](http://www.bls.gov). Note: Non-farm employment growth rates are not seasonally adjusted.



# Southern California Economics

## MSA Year-Over-Year Employment Growth Rates

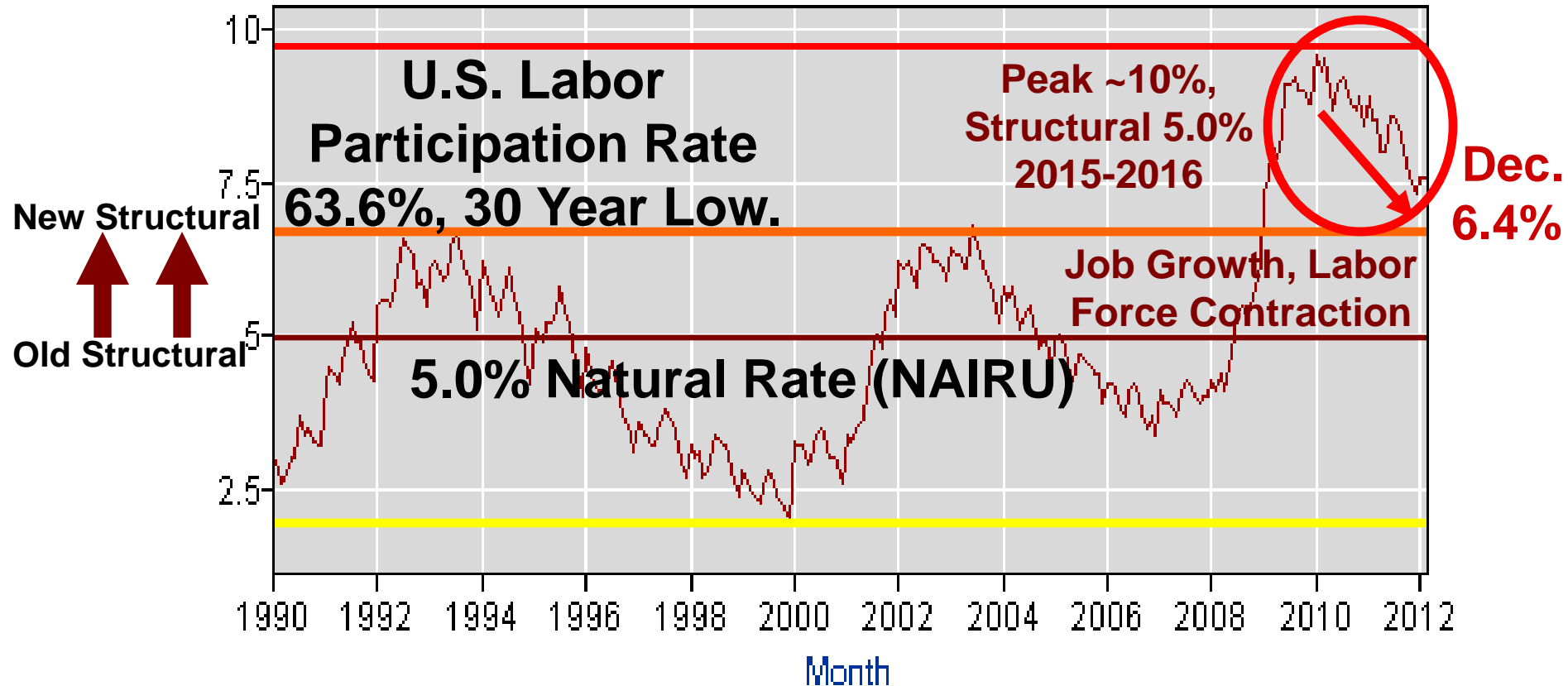
	Aug '10-'11	Aug (p) '11-'12	Ann.Ch. Gain/Loss
<b>Los Angeles</b>	<b>+0.1%</b>	<b>+2.0%</b>	<b>+ 2.0k / + 74.0k</b>
<small>*1998 – 2008: 0.0%, 14</small>			<small>Total Non-Farm Employment 3,826,100</small>
<b>Orange Co.</b>	<b>+0.7%</b>	<b>+2.1%</b>	<b>+ 9.5k / + 29.0k</b>
<small>*1998 – 2008: 1.3%, 18,570</small>			<small>Total Non-Farm Employment 1,391,500</small>
<b>Inland Empire</b>	<b>+0.3%</b>	<b>+2.3%</b>	<b>+ 3.8k / + 25.4k</b>
<small>*1998 – 2008: 3.4%, 35,430</small>			<small>Total Non-Farm Employment 1,143,200</small>
<b>San Diego</b>	<b>-0.2%</b>	<b>+2.5%</b>	<b>- 2.7k / + 30.3k</b>
<small>*1998 – 2008: 1.7%, 19,920</small>			<small>Total Non-Farm Employment 1,261,000</small>
<b>California*</b>	<b>+0.7%</b>	<b>+2.1%</b>	<b>+ 93.0k / + 398.7k</b>
<small>*1998 – 2008: 1.0%, 148,400</small>			<small>Total Non-Farm Employment 14,199,000</small>

\*Average annual compound growth rate, and average annual absolute change in non-farm employment.

Source: U.S. Department of Labor. [www.bls.gov](http://www.bls.gov). Note: Non-farm employment growth rates are not seasonally adjusted.

# San Francisco-San Mateo-Redwood City, CA

## Unemployment Rate

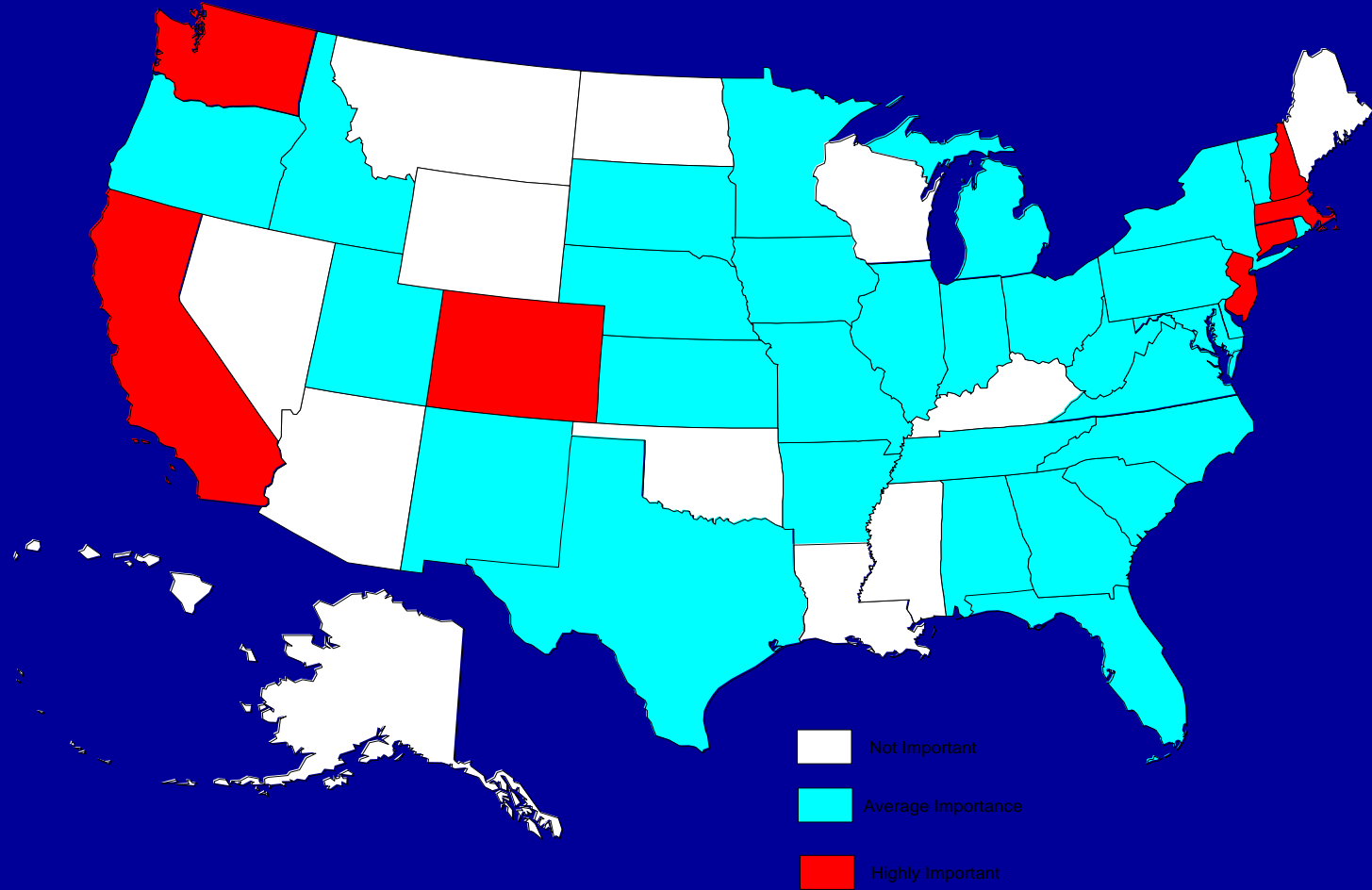


**Note:** Under-employment rate double stated unemployment rate.

**Source:** Bureau of Labor Statistics.

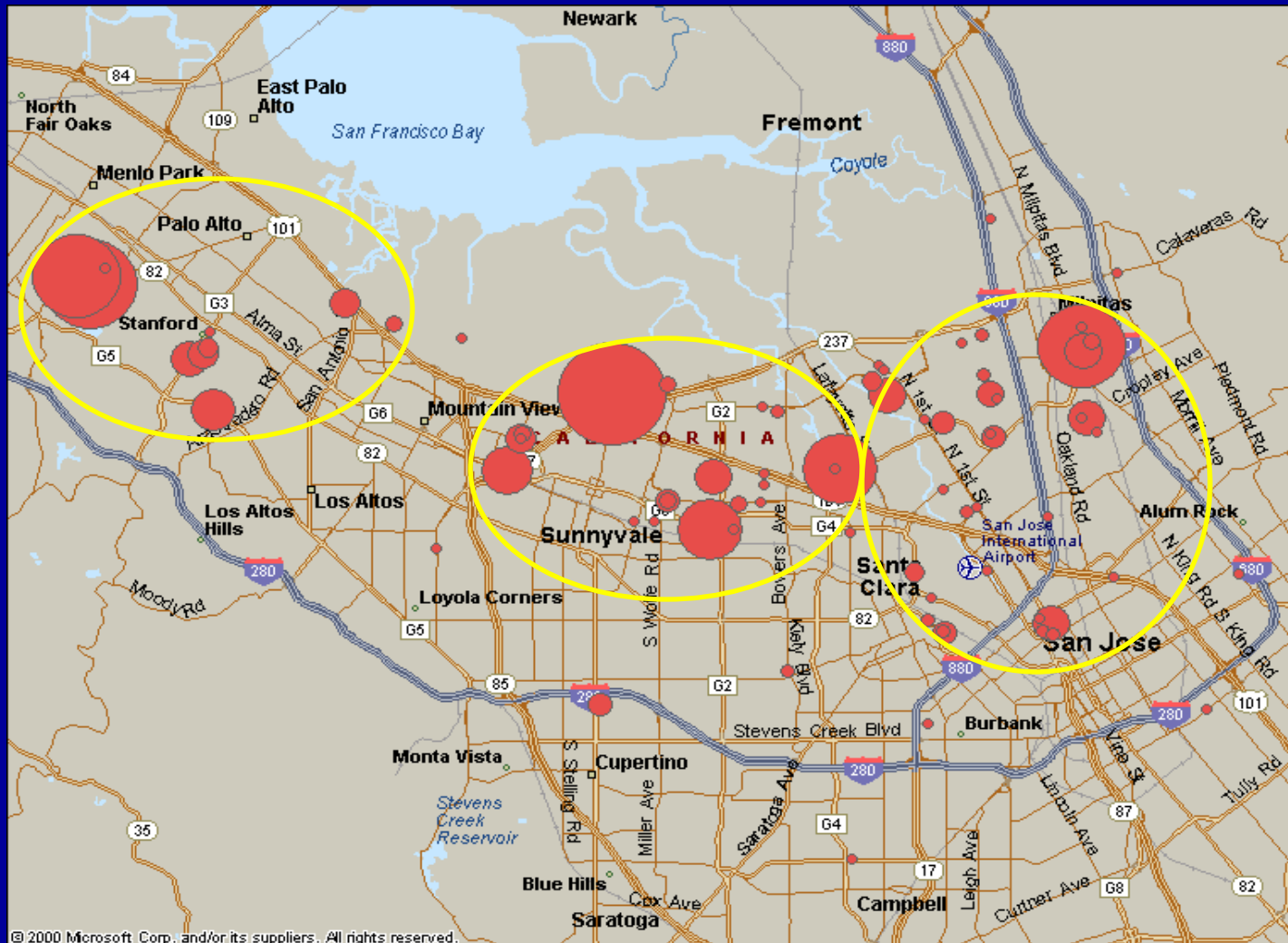
# Technology/Venture Capital

# The Importance of IT Industries

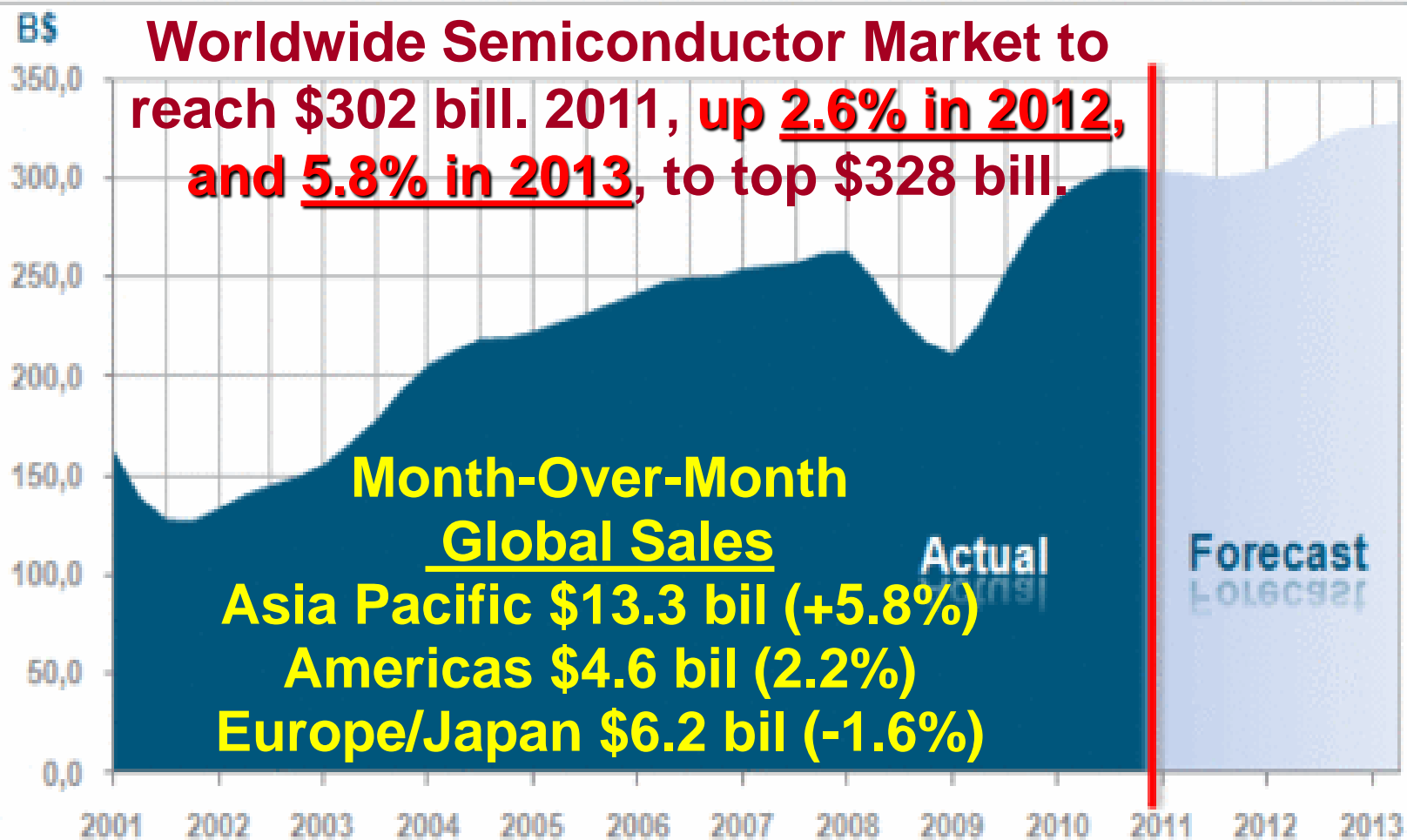


*Note: IT accounts for 10.5% of U.S. Employment*

# Major Employment Clusters Santa Clara County (+850 Employees)



# Worldwide Semiconductor Billings (US\$) per 12 months Rolling Average and WSTS Semiconductor Forecast



Source: World Semiconductor Trade Statistics (<http://wsts.org>)

# Venture Capital Flows

**Silicon Valley +50.2% 1Q12 - 2Q12 +4.4% 2Q12 YOY**

Regions Defined	Total \$ Invested	Average \$ Per Deal	Deals
All	\$7,198,515,400	\$7,799,042	923

	Amount	% of Total	Deals
Silicon Valley	\$3291M	45.72%	298
LA/Orange County	\$537M	7.46%	64
San Diego	\$321M	4.45%	29

**California +58% of U.S. Total VC Funding**

	Amount	% of Total	Deals
Software	\$1119M	34.00%	115
Industrial/Energy	\$439M	13.33%	22
Media and Entertainment	\$399M	12.12%	40
Medical Devices and Equipment	\$322M	9.77%	25
Semiconductors	\$246M	7.47%	18
IT Services	\$225M	6.84%	22
Biotechnology	\$186M	5.69%	21
Telecommunications	\$160M	4.86%	9

**2Q/2012 Total:** **Software** industry again number one industry for investment, up 37% YOY to \$2.3 bill.; **Industrial Energy** second up 20% to \$914 mil.; **Medical Devices Equip** down 17% to \$700 mill.; **Biotechnology** down 52% to \$697 mill.; **Media & Entertainment** down 8% to \$671 mill.; **IT Services** down 29% to \$548 mill.; **Semiconductors** down 4.2% to \$341 mill.; **Telecommunications** up 26% to \$248 mill.; **Computer Products** down 53% to \$199 mil.

**Global/Institutional  
Commercial Real Estate  
Investment Market**



# Core office markets are more expensive globally as yields tighten, but there remain several attractive markets

## Ranking of prominent global office markets

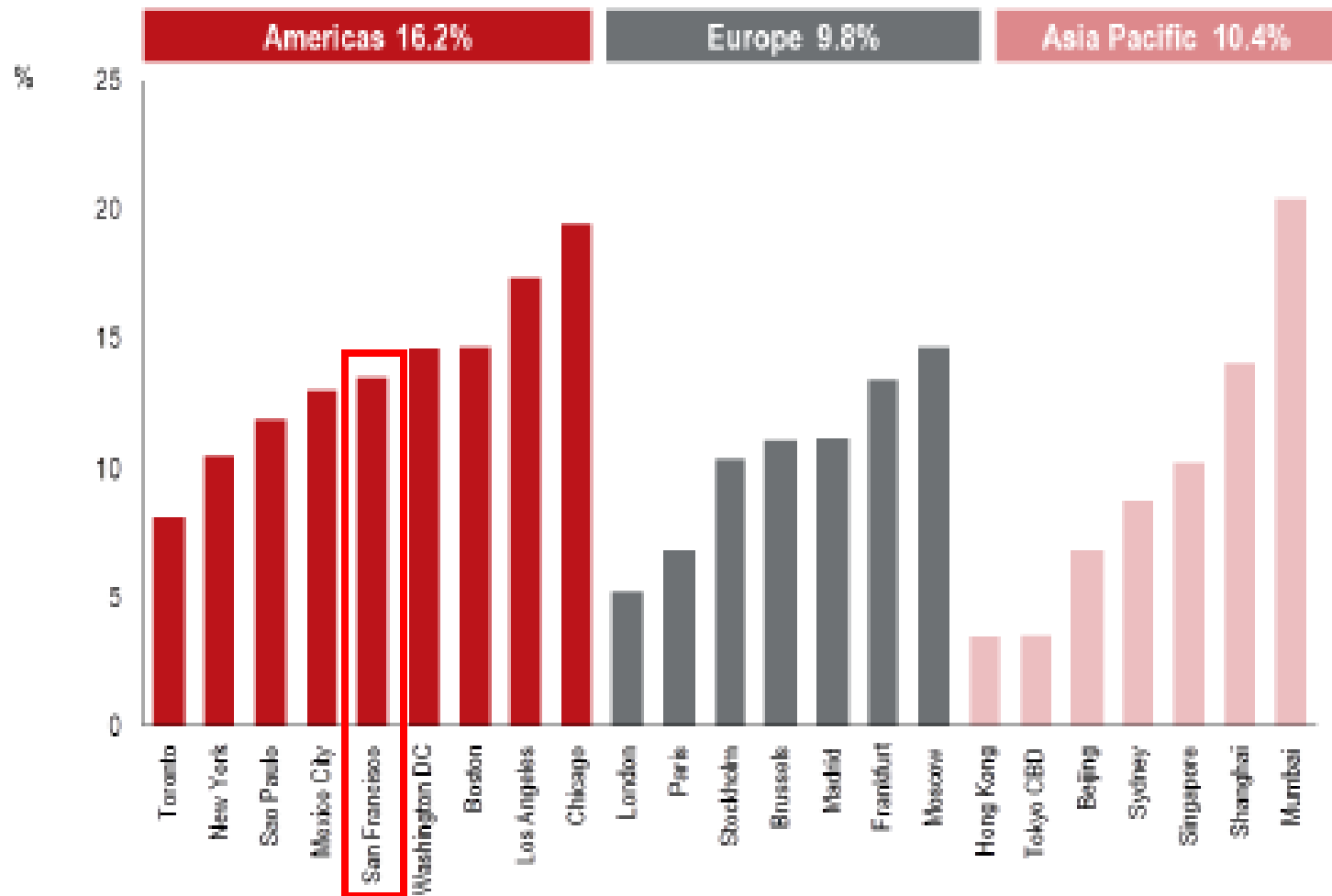
Ranking	Market	Attractiveness
1	<b>San Francisco</b>	<b>HOT</b>
2	Beijing	<b>HOT</b>
3	<b>Los Angeles</b>	<b>HOT</b>
4	Singapore	<b>HOT</b>
5	Shanghai	<b>HOT</b>
6	New York	<b>WARM</b>
7	Tokyo	<b>WARM</b>
8	London WE	<b>WARM</b>
9	Sydney	<b>WARM</b>
10	London City	<b>WARM</b>

Ranking	Market	Attractiveness
11	Berlin	<b>WARM</b>
12	Chicago	<b>WARM</b>
13	Brussels	<b>WARM</b>
14	Frankfurt	<b>WARM</b>
15	Munich	<b>WARM</b>
16	Madrid	<b>WARM</b>
17	Barcelona	<b>COLD</b>
18	Paris CBD	<b>COLD</b>
19	Milan	<b>COLD</b>
20	Hong Kong	<b>COLD</b>

Source: DTZ Research

# Global Office Vacancy Rates

Office Vacancy Rates - Major Markets, Q2 2012



# Capital Value Growth

## Prime Offices – Projected Value Changes in 2012

	Rental Values	Capital Values
+ 20%	Beijing, <b>San Francisco</b>	<b>San Francisco</b>
+ 10-20%	Mexico City	Beijing, Moscow Toronto, Mexico City
+ 5-10%	Boston, Toronto Shanghai, Tokyo, Moscow	Tokyo Stockholm, Sao Paulo
+ 0-5%	Frankfurt, Stockholm, Paris*, London* Chicago, Los Angeles, New York* Sydney, Mumbai, Sao Paulo	Boston, Los Angeles Frankfurt, Paris*, London* Hong Kong, Sydney, Mumbai, Shanghai
- 0-5%	Washington DC, Brussels	New York, Chicago
- 5-10%	Madrid, Dubai	Washington DC, Brussels Dubai, Singapore
- 10-20%	Hong Kong, Singapore	Madrid

# Global Office Rent Growth

## Quarterly Rental Performance across 90 Cities

Quarterly Change  
Q2 2012 vs Q1 2012

<b>Global</b>	<b>0.6%</b>
Europe	-0.2%
Asia Pacific	1.0%
Americas	1.0%
1 Beijing	8.8%
2 Jakarta	8.6%
2 Monterrey	8.6%
4 San Francisco	4.5%
5 Dusseldorf	4.2%
6 Portland	4.0%
7 Perth	3.7%
8 Orlando	3.2%
9 Brisbane	3.0%
10 Bangkok	2.9%
11 Seattle	2.6%
11 Silicon Valley	2.6%
13 Houston	2.4%
13 Vancouver	2.4%

## Annual Rental Performance across 90 Cities

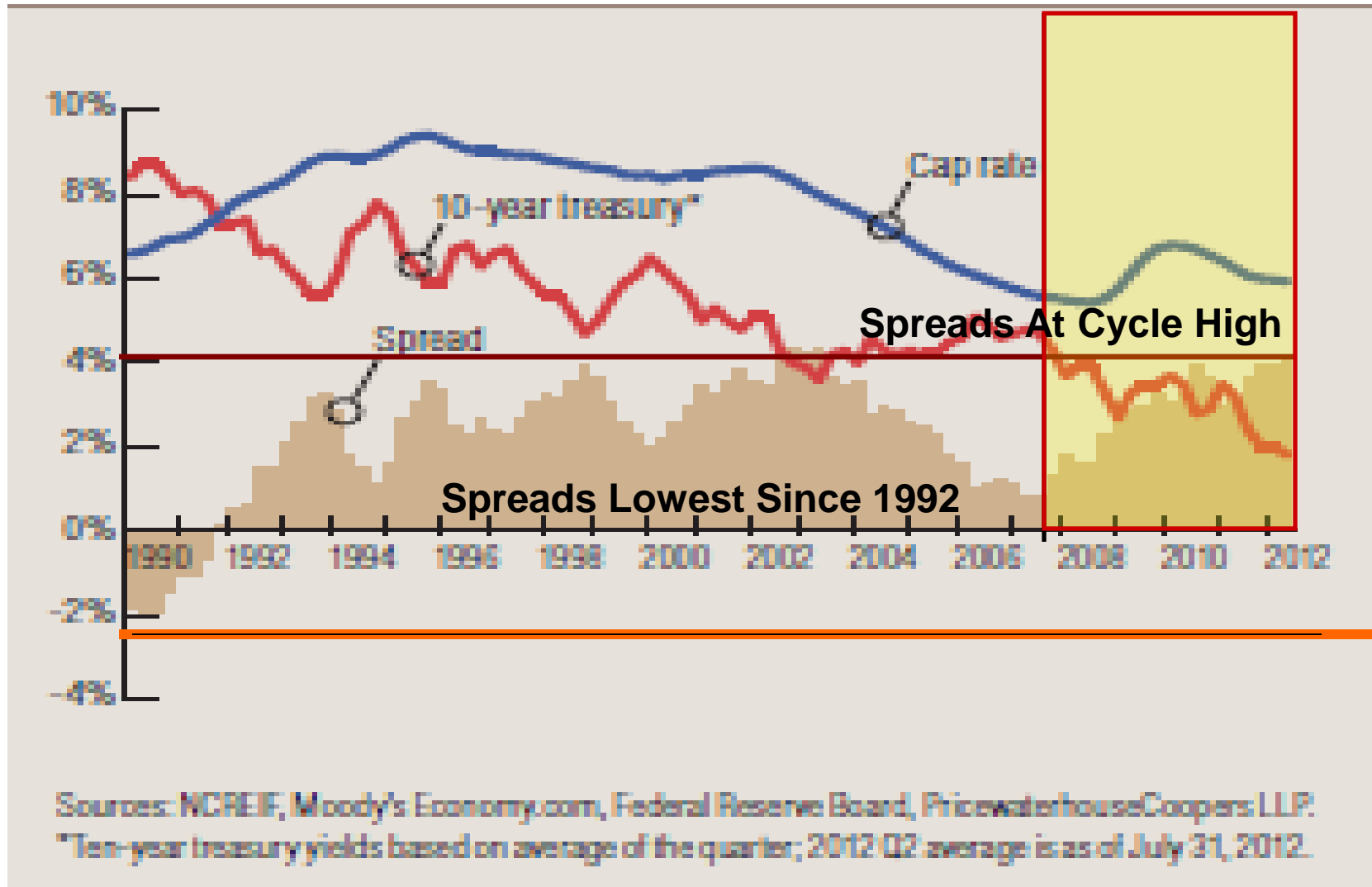
Annual Change  
Q2 2012 vs Q2 2011

<b>Global</b>	<b>3.0%</b>
Europe	-0.1%
Asia Pacific	4.6%
Americas	4.9%
1 Jakarta	41.1%
2 Beijing	40.7%
3 Perth	23.2%
4 Mexico City	19.7%
5 Sao Paulo	18.2%
6 San Francisco	17.5%
7 Santiago	17.3%
8 San Francisco Peninsula	13.1%
9 Sydney	12.5%
10 Silicon Valley	10.9%
11 Manila	10.6%
12 Chennai	10.0%
13 Bangalore	9.6%

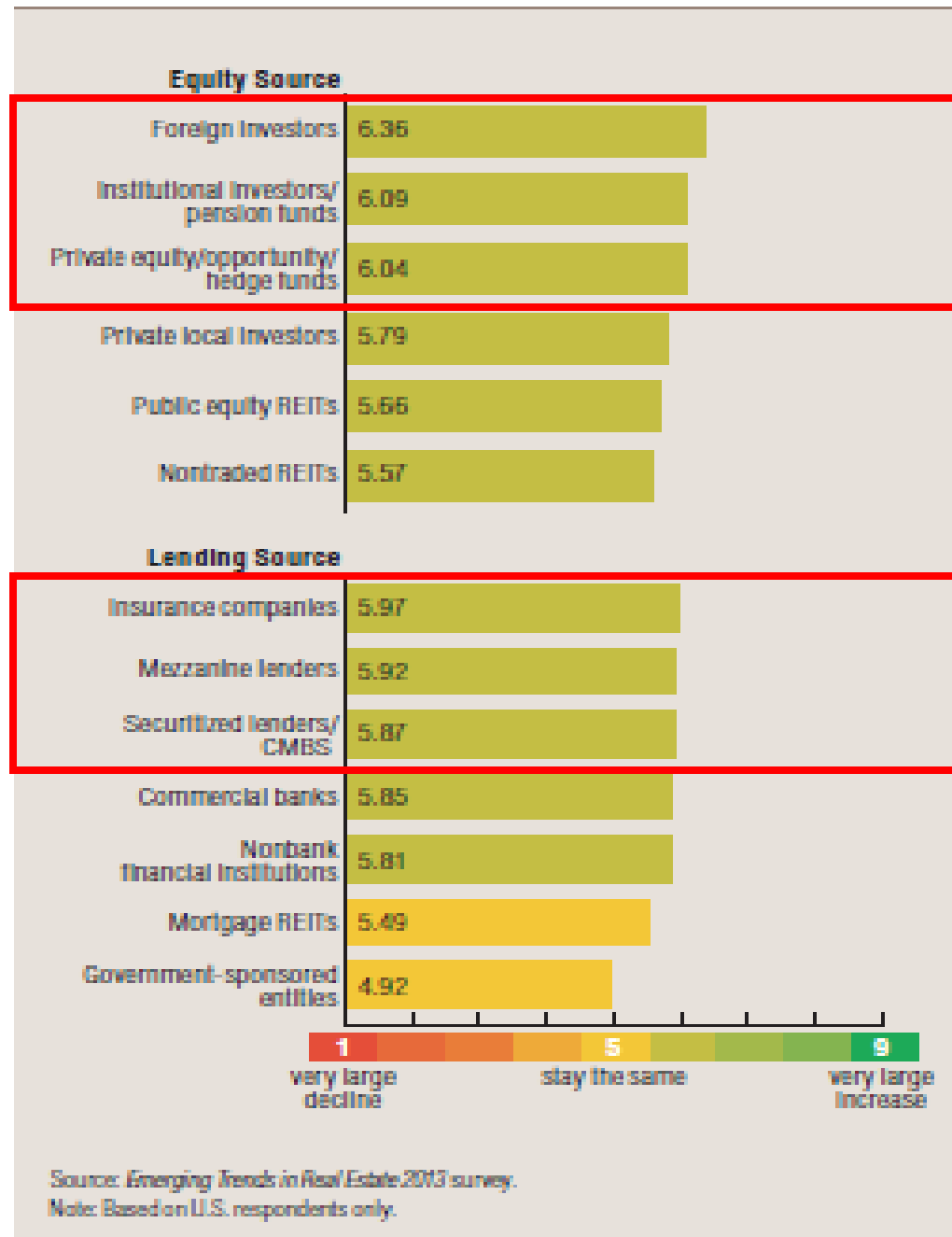
# Domestic Commercial Real Estate Investment Market

# Commercial Real Estate Spreads

## NCREIF Cap Rates vs. U.S. Ten-Year Treasury Yields

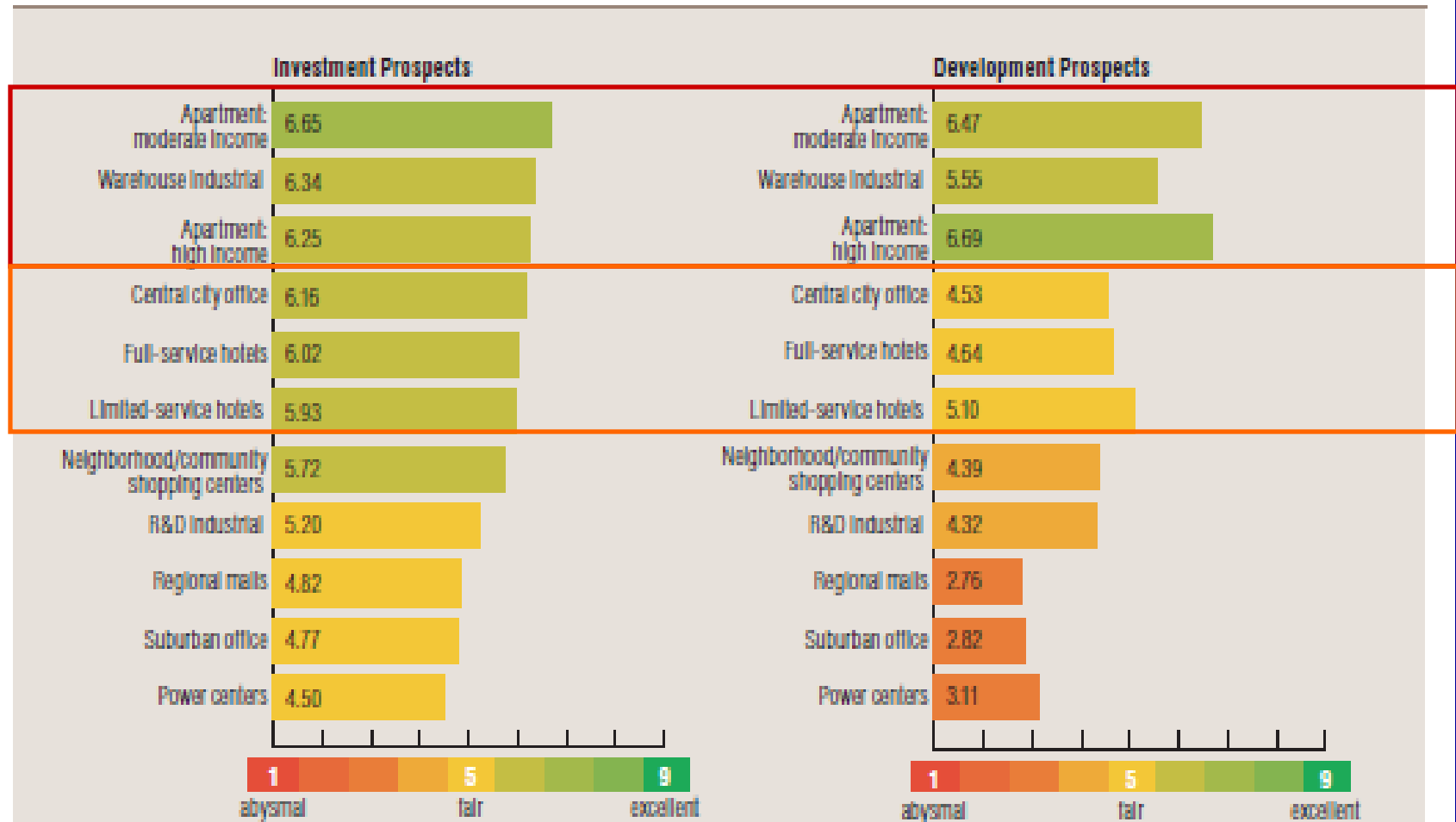


## Change in Availability of Capital for Real Estate in 2013



# Commercial Development

## Prospects for Commercial/Multifamily Subsectors in 2013



Source: Emerging Trends in Real Estate 2013 survey.

Note: Based on U.S. respondents only.



# Commercial Real Estate Markets

## U.S. Markets to Watch: Overall Real Estate Prospects

	Investment	Development	Homebuilding
1 San Francisco (1/1/1)	7.21	6.87	6.80
2 New York City (2/2/3)	7.14	6.75	6.42
3 San Jose (3/3/2)	6.89	6.58	6.58
4 Austin (7/4/5)	6.71	6.40	6.26
5 Houston (5/5/6)	6.84	6.35	6.15
6 Boston (4/5/8)	6.85	6.31	6.05
7 Seattle (6/8/7)	6.72	6.15	6.14
8 Washington, DC (12/9/4)	6.43	6.11	6.30
9 Dallas/Fort Worth (10/7/10)	6.47	6.20	5.85
10 Orange County, CA (9/19/9)	6.48	5.57	5.91
11 Raleigh/Durham (15/10/11)	6.27	5.93	5.72
12 Miami (11/11/16)	6.47	5.89	5.44
13 Northern New Jersey (16/12/12)	6.26	5.89	5.65
14 Denver (8/14/15)	6.49	5.77	5.45
15 San Diego (13/17/13)	6.37	5.60	5.61
16 Los Angeles (14/15/14)	6.35	5.69	5.49
17 Charlotte (18/16/19)	6.17	5.67	5.26
18 Nashville (21/13/21)	6.03	5.79	5.15
19 San Antonio (22/18/17)	5.97	5.59	5.40
20 Portland, OR (17/20/23)	6.19	5.52	5.09
21 Salt Lake City (19/21/20)	6.06	5.39	5.20
22 Honolulu/Hawaii (24/22/18)	5.79	5.37	5.33

Source: Urban Land Institute Emerging Trends, 2013.

# Top Markets Based on Total Return Forecast

	Apartment	Industrial	Office	Retail
1st Tier	New York	Los Angeles	San Francisco	San Francisco
	San Francisco	Oakland	Boston	Washington DC
	Seattle	Houston	New York	Houston
2nd Tier	Raleigh	Riverside	San Diego	Austin
	Portland	Orange County	Austin	Baltimore

Local/Regional  
Commercial Real Estate  
Space Markets

# Commercial Market Comparison

## Office and Industrial Vacancy/Availability Rates

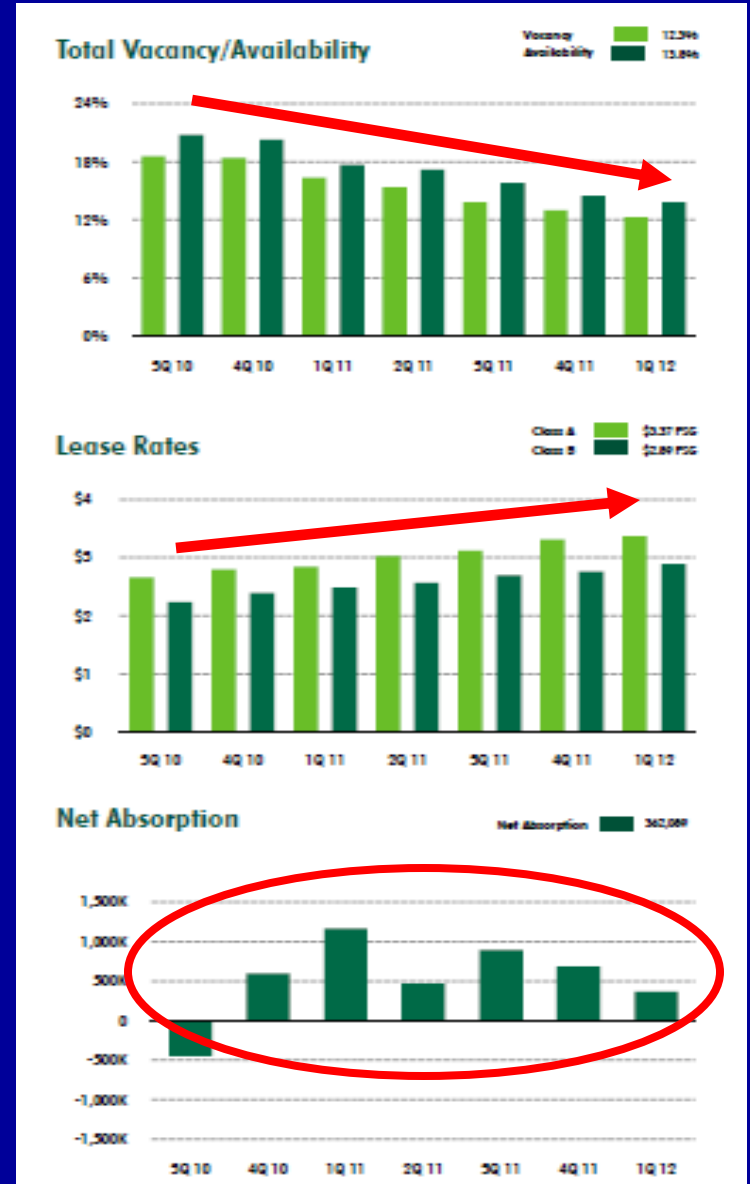
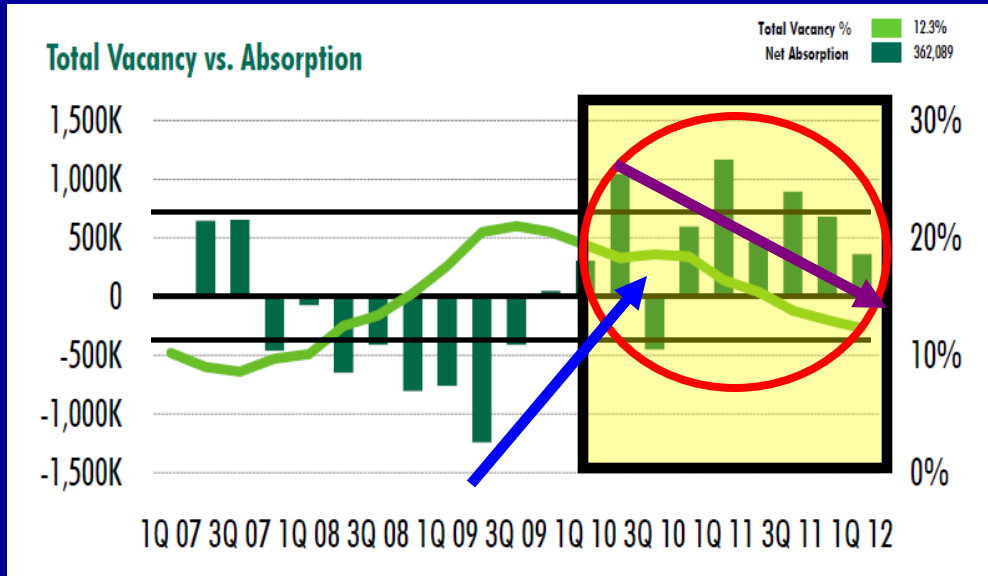
	Office	Industrial
Los Angeles	17.1%	6.9%
SF Bay Area	12.1%	13.8%
Santa Clara	14.0%	9.3%
Sacramento	23.7%	16.7%
Riv.-San Co.	22.8%	12.5%
Orange Co	15.0%	7.8%
San Diego	16.6%	15.4%
Seattle	17.1%	10.5%
Portland	14.5%	10.6%

SF Bay Area Commercial Vacancy Rates Reaching Structural Levels, Causing Asking Rents to Rise At or Well Above Local Inflation Rates

Source: CB Richard Ellis, MarketView, First Quarter, 2012.

# Office Market

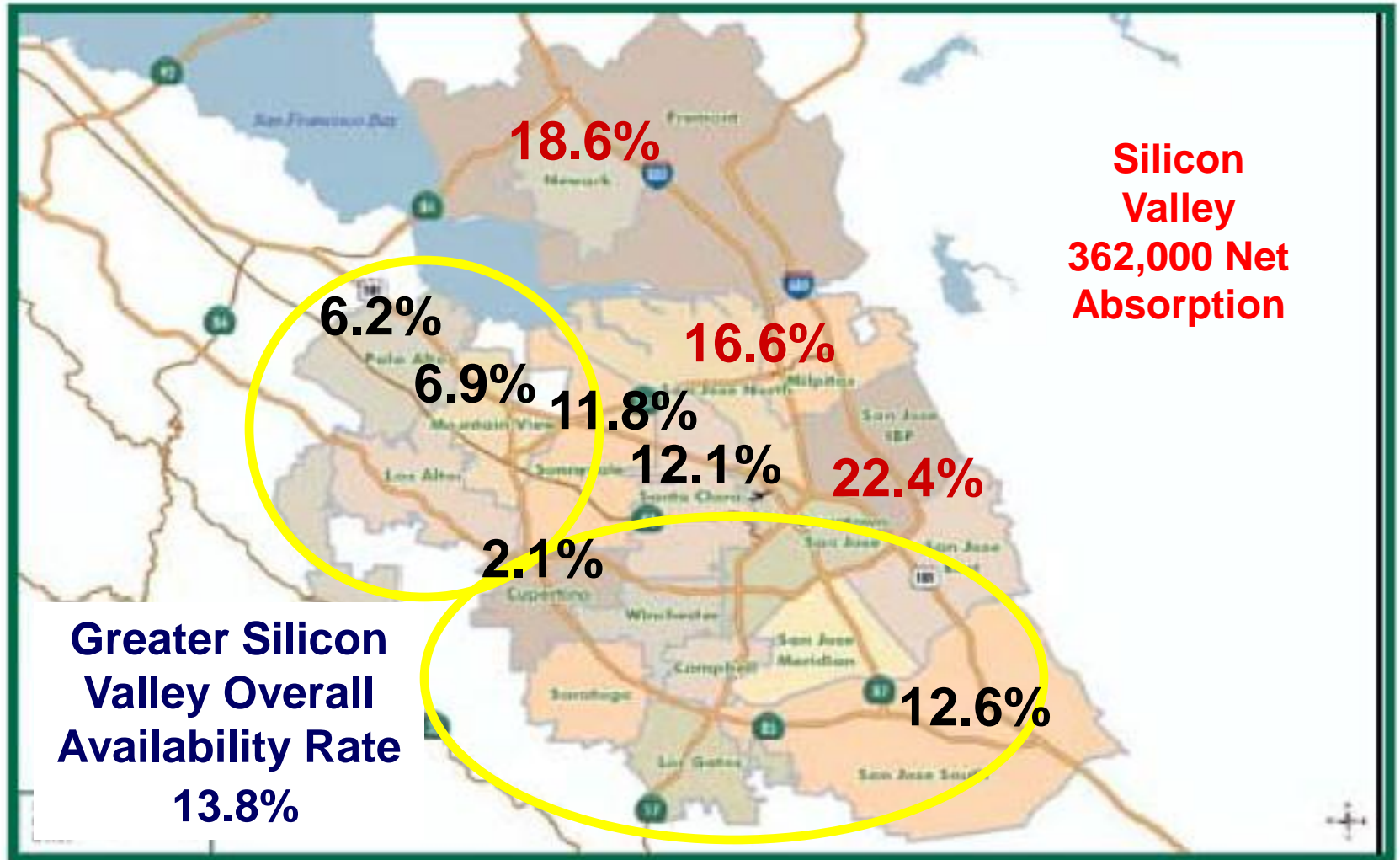
# Silicon Valley Office



**Rapid Vacancy Rate Decline, Rental Rate Acceleration, Net Positive Absorption**

# Silicon Valley Office Submarkets

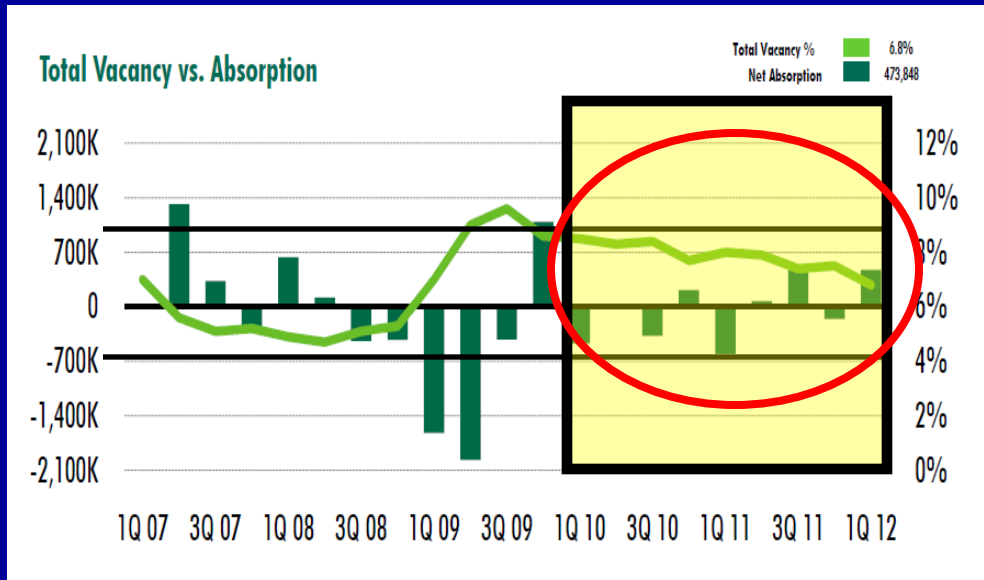
## Submarket Map



# Industrial Market



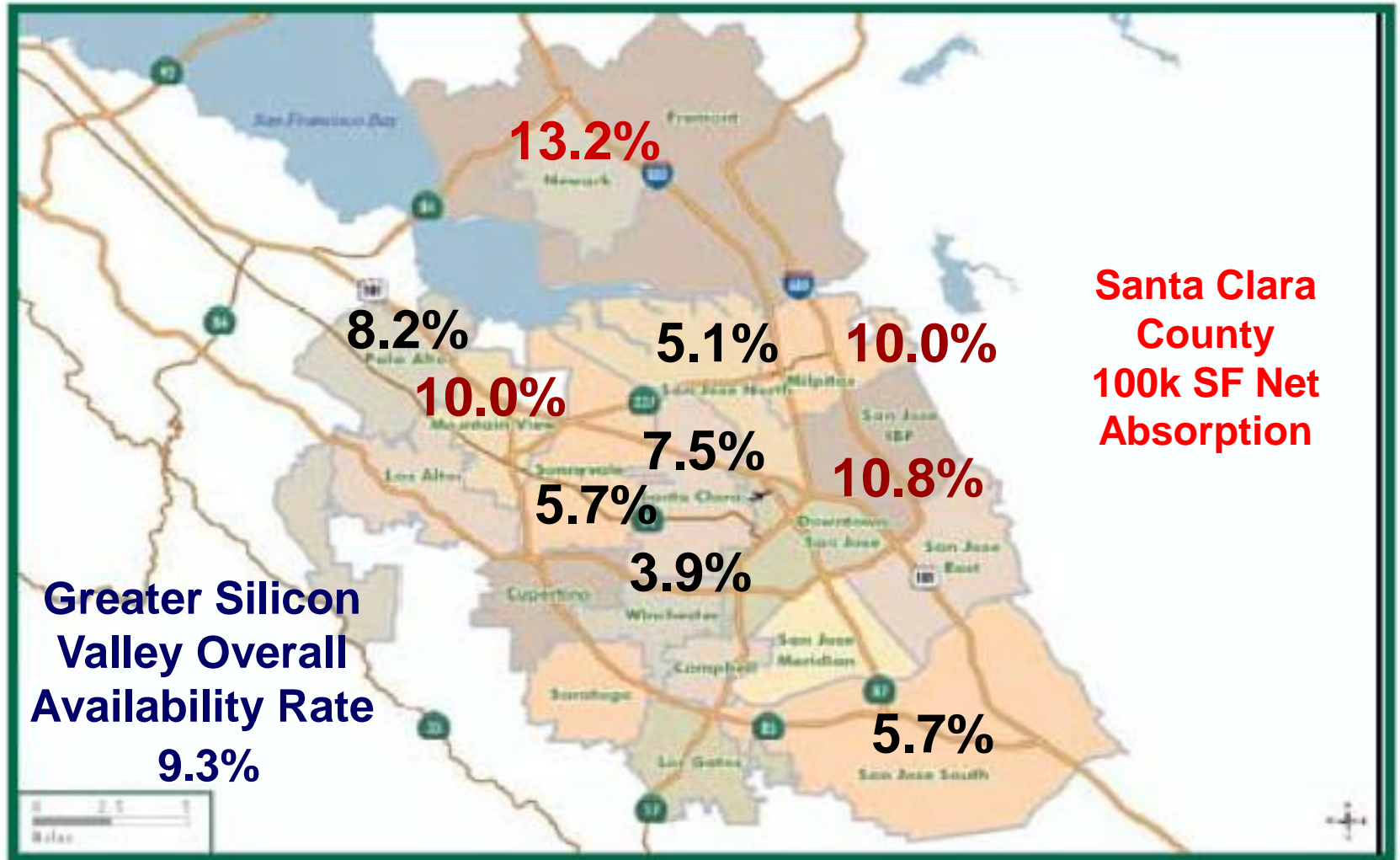
# Silicon Valley Industrial



**Vacancy Rate,  
Rental Rate and Net  
Absorption  
Stabilization**

# Silicon Valley Industrial Submarkets

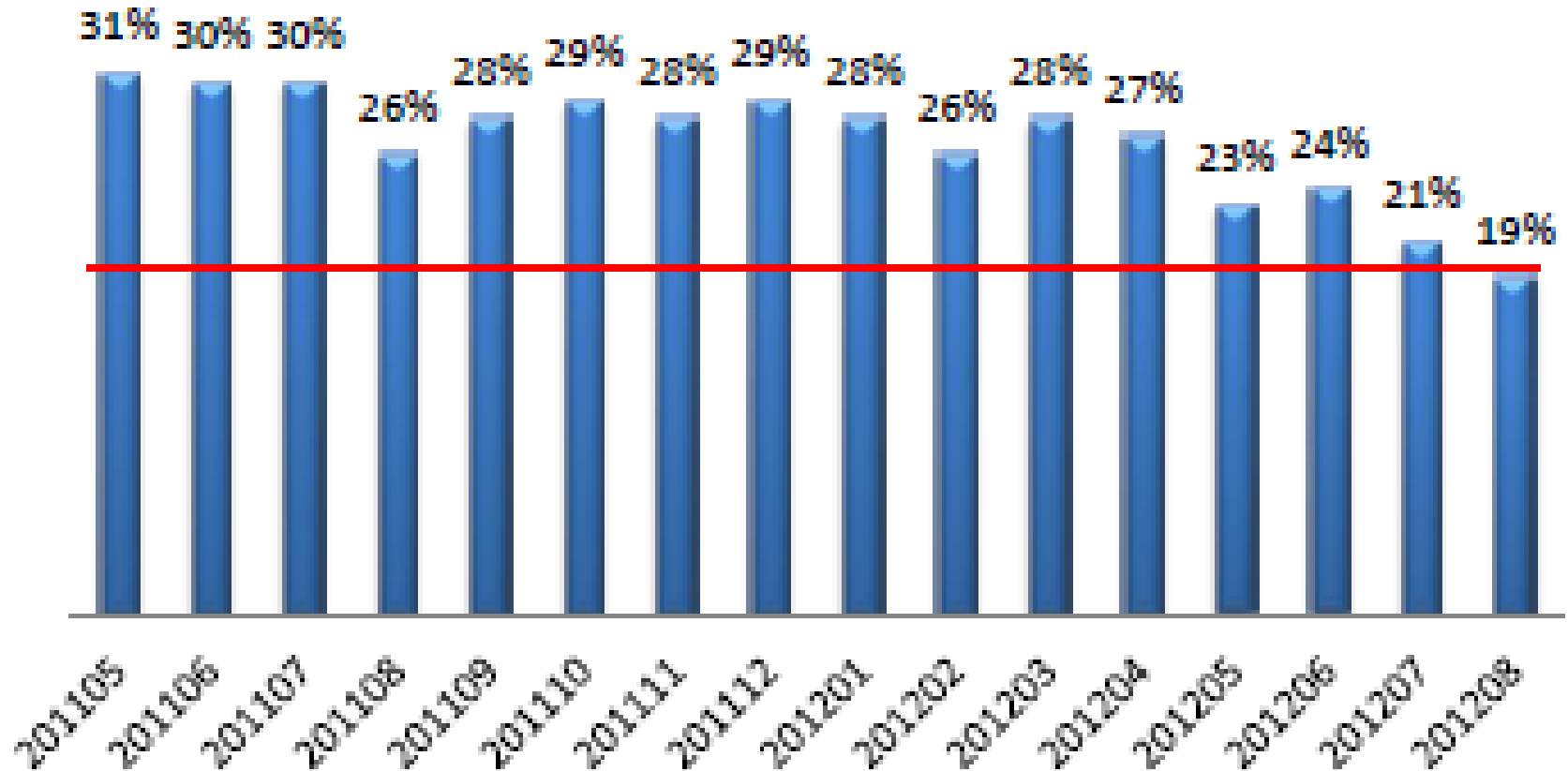
## Submarket Map



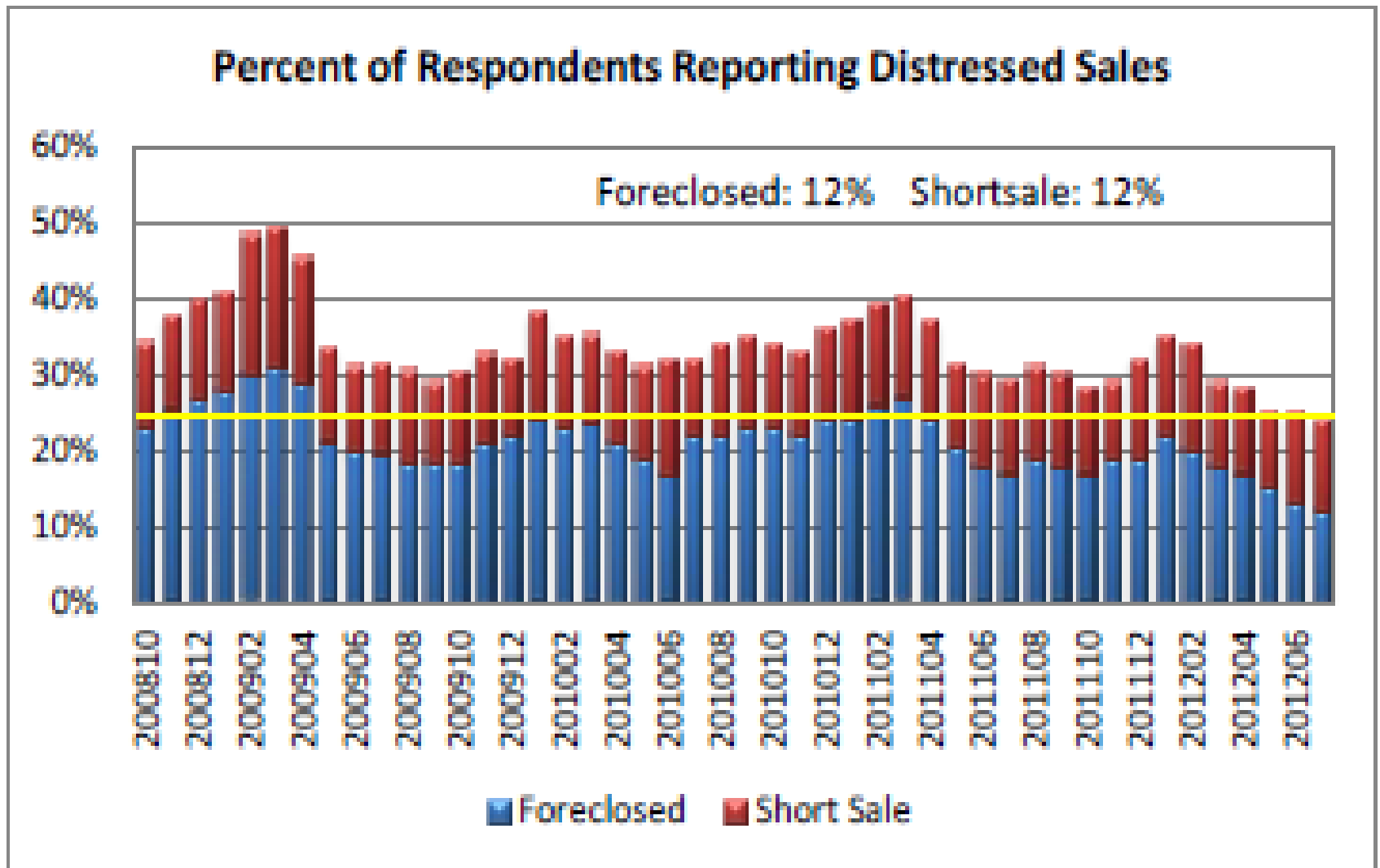
# Residential Real Estate Markets

# Time One Market

## On Market 6 Months or More

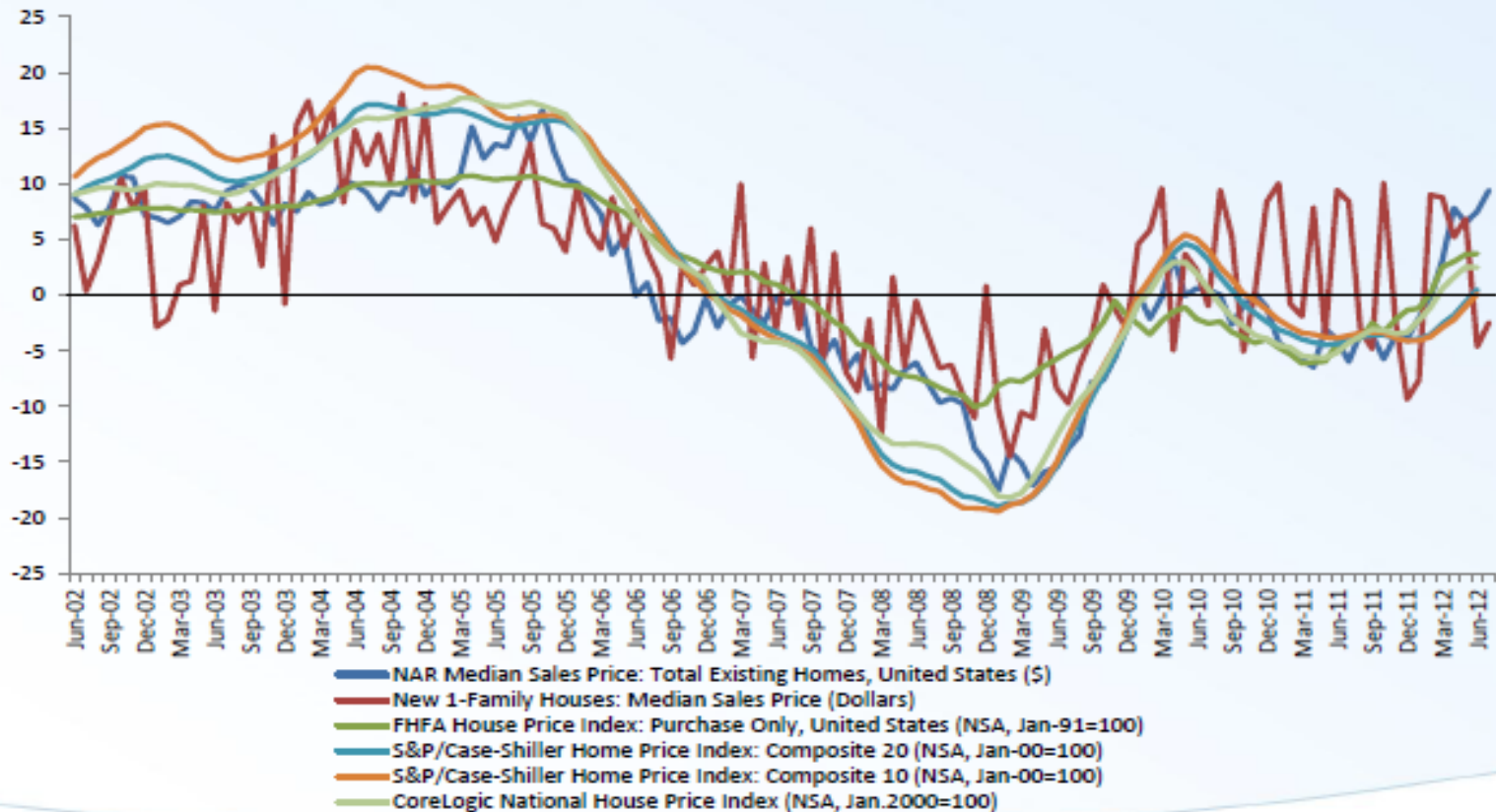


# Distressed Sales



# National Home Prices

## Home Price Data – Year over Year Change



Sources: NAR, Case-Shiller, CoreLogic, FHFA, Census, HAVER

# Housing Market – Price Declines

Metropolitan Area	July 2012 Level	July/June Change (%)	June/May Change (%)	1-Year Change (%)
Atlanta	94.15	2.6%	4.4%	-9.9%
Boston	157.22	1.8%	2.5%	0.9%
Charlotte	116.08	0.9%	1.5%	2.2%
Chicago	116.70	2.7%	4.6%	-0.9%
Cleveland	102.02	0.4%	2.2%	0.4%
Dallas	121.20	0.9%	1.3%	3.7%
Denver	132.79	1.3%	2.0%	5.4%
Detroit	77.16	3.3%	5.4%	6.2%
Las Vegas	94.57	0.7%	1.5%	-1.0%
Los Angeles	170.81	1.3%	1.7%	0.4%
Miami	148.70	2.1%	1.6%	5.3%
Minneapolis	123.17	3.7%	4.7%	6.4%
New York	165.23	1.2%	1.9%	-2.6%
Phoenix	117.22	2.2%	2.5%	16.6%
Portland	140.12	1.2%	2.5%	3.2%
San Diego	156.48	1.1%	1.1%	0.8%
San Francisco	141.71	1.9%	2.8%	4.8%
Seattle	141.78	1.4%	1.8%	3.1%
Tampa	134.12	0.9%	2.0%	3.6%
Washington	192.12	1.5%	1.8%	3.7%
Composite-10	157.30	1.5%	2.1%	0.6%
Composite-20	144.61	1.6%	2.3%	1.2%

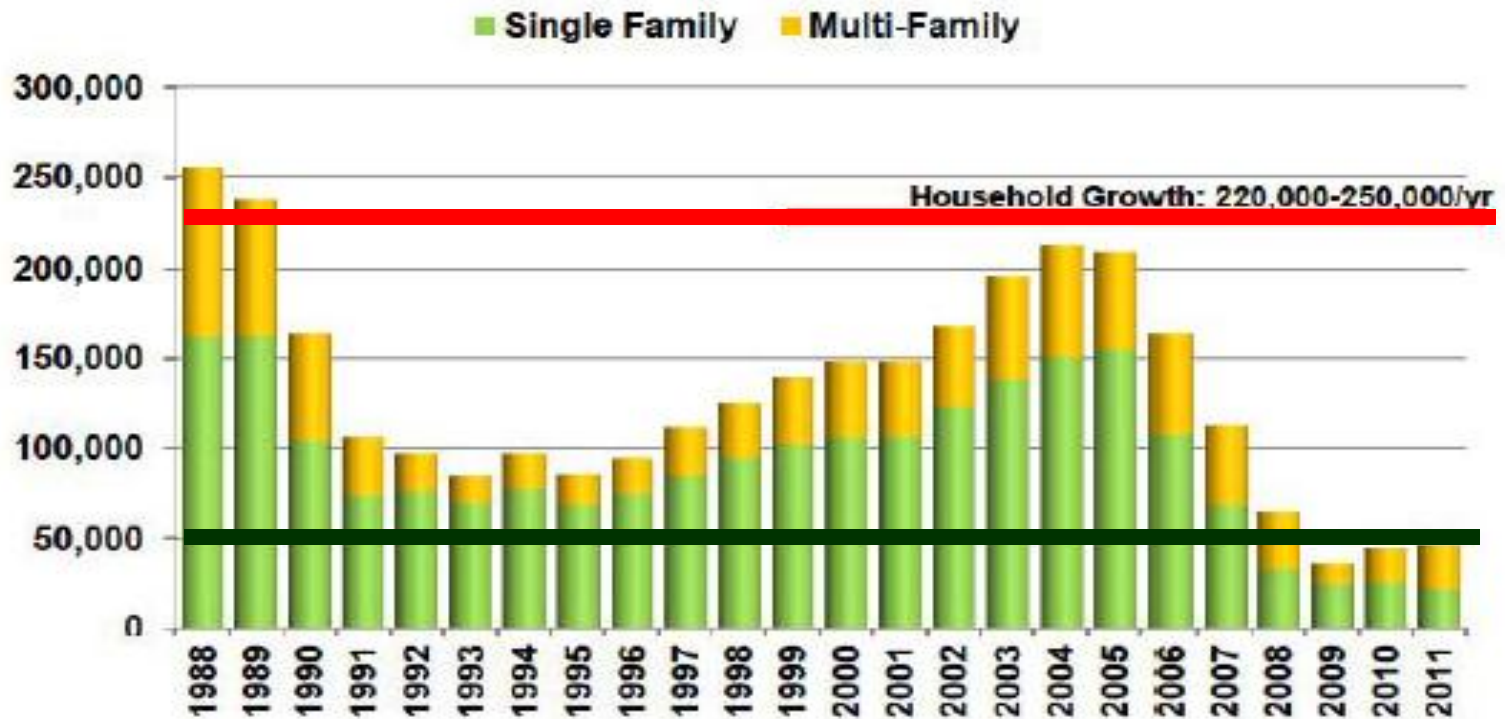
Source: S&P Dow Jones Indices and Fiserv

Data through July 2012

<http://www.standardandpoors.com/home/en/us>

## CA New Housing Permits

2011: 47,092 units, +5.2% YTY; Mar 2012: +20.6% YTD

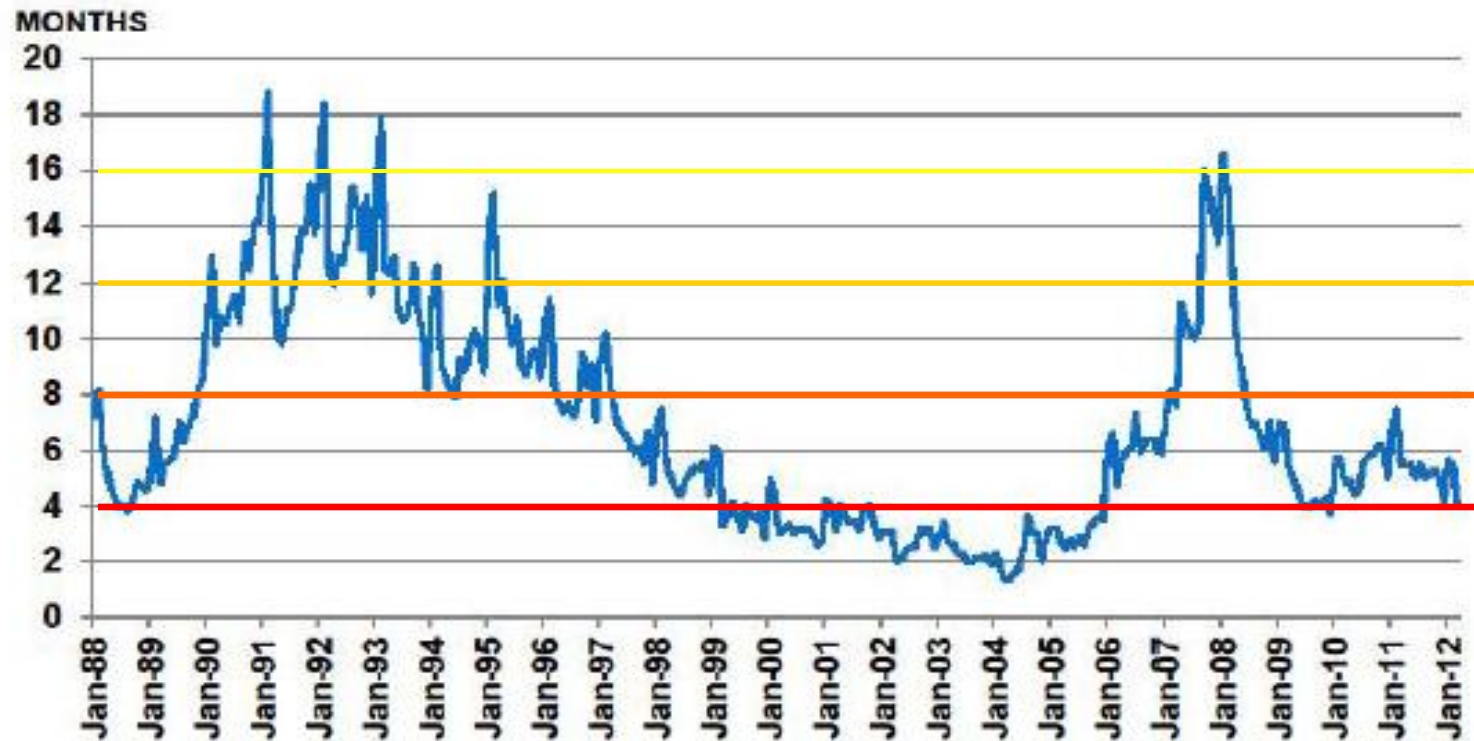


SOURCE: Construction Industry Research Board



## Unsold Inventory Index

California, August 2012: 3.2 Months

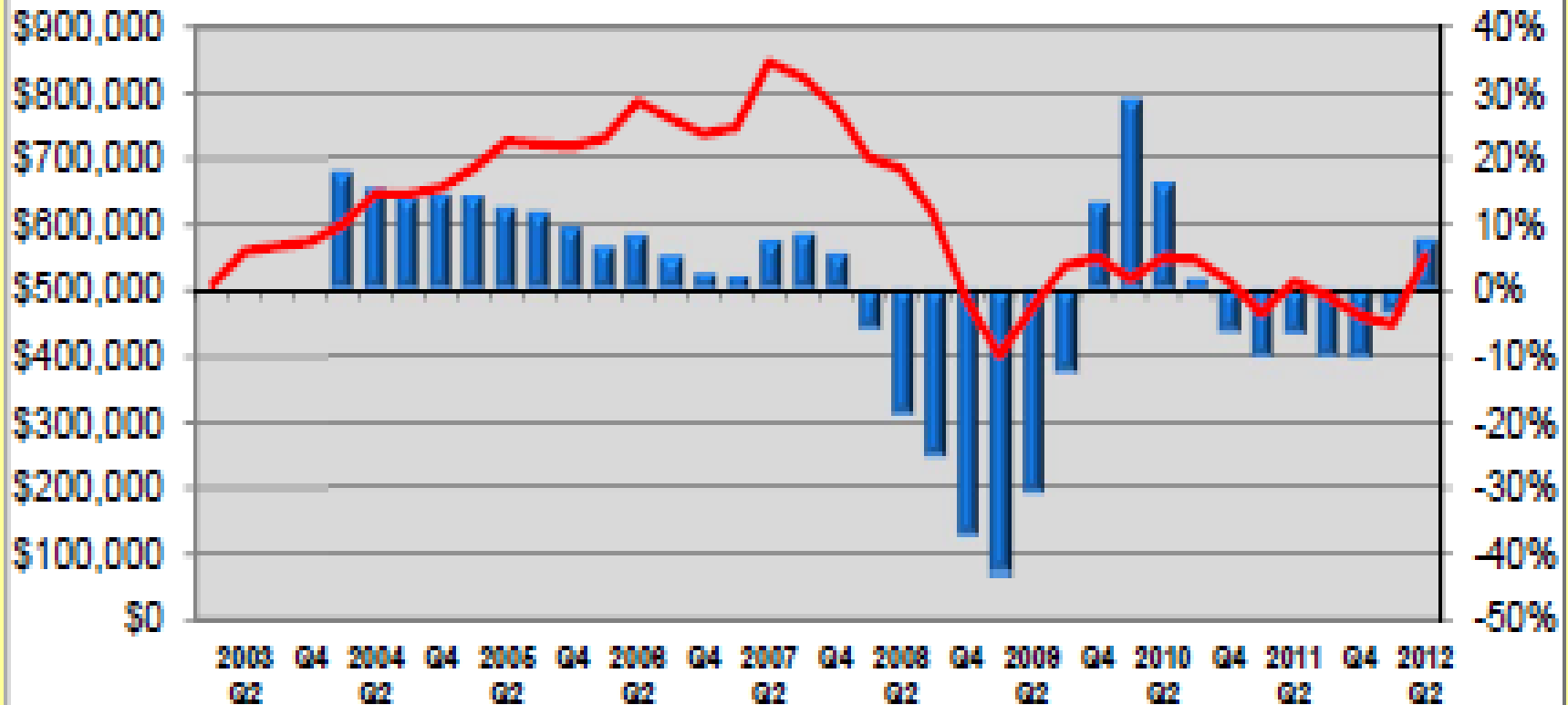


Note: "Unsold Inventory Index" represents the number of months it would take to sell the remaining inventory for the month in question. The remaining inventory for the month is defined as the number of properties that were "Active", "Pending", and "Contingant" (when available) and divide the sum by the number of "Sold" properties for the month in question.

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

# San Francisco-Oakland-Fremont

Median Price (Red Line) and One-year Price Growth



# Housing Market

## Median Home Prices

Source: California and National Associations of Realtors. <http://www.car.org/>; National Association of Realtors, <http://www.realtor.org>

Home Prices	Aug 11'	Aug 12'	Y-O-Y % Ch.
San Francisco	\$632,270	\$692,980	+9.6%
Marin	\$806,550	\$806,450	0.0%
San Mateo	\$742,000	\$777,500	+4.8%
Santa Clara	\$595,000	\$666,750	+12.1%
Contra Costa	\$607,310	\$628,290	+3.5%
Monterey	\$252,000	\$317,500	+26.0%
San Luis Obispo	\$352,310	\$386,180	+9.6%
Santa Barbara	\$421,430	\$515,240	+22.3%
Santa Cruz	\$490,000	\$540,000	+10.2%
California	\$297,660	\$343,820	+15.5%

# Housing Market

## *Housing Affordability Index - Traditional*

Source: California Association of Realtors. <http://www.car.org/>

Affordability	2Q/2011	2Q/2012	Y-O-Y % Ch.
San Francisco	24%	24%	0.0%
Marin	24%	27%	+12.5%
San Mateo	22%	23%	+16.7%
Santa Clara	32%	32%	0.0%
Contra Costa	26%	26%	0.0%
Monterey	56%	55%	-1.8%
San Luis Obispo	37%	41%	+10.8%
Santa Barbara	34%	32%	-5.9%
Santa Cruz	32%	34%	+6.3%
California	51%	51%	0.0%

San Francisco Bay Area  
Rental Rate Growth Trends  
All Unit Types

	Current Average Rent (larger complexes)	% Growth Over Past Year
Alameda County	\$1,584	7.3%
Contra Costa County	\$1,384	5.9%
Marin County	\$1,917	6.5%
Napa County	\$1,387	2.7%
San Francisco County	\$2,585	15.8%
San Mateo County	\$1,966	15.7%
Santa Clara County	\$1,828	12.6%
Solano County	\$1,140	3.9%
Sonoma County	\$1,230	4.4%
Total San Francisco Bay Area	\$1,735	11.0%

Source: Cassidy Turley BT Commercial.

## Regional Rental Market Summary

	99 Units or Less Index		100 Units or More Index	
Region	Vacancy	Market Rent	Vacancy	Market Rent
<b>East Bay</b>				
Q1-2012	2.8% 	\$1,248 	4.3% 	\$1,502 
Q4-2011	3.1%	\$1,234	4.3%	\$1,478
<b>South Bay</b>				
Q1-2012	2.8% 	\$1,541 	3.7% 	\$1,907 
Q4-2011	3.4%	\$1,504	4.1%	\$1,828
<b>SF/Peninsula</b>				
Q1-2012	2.0% 	\$1,902 	3.9% 	\$2,372 
Q4-2011	3.1%	\$1,822	3.6%	\$2,287
<b>North Bay</b>				
Q1-2012	4.4% 	\$1,288 	4.4% 	\$1,343 
Q4-2011	4.6%	\$1,275	4.2%	\$1,327
<b>Bay Area</b>				
Q1-2012	3.0% 	\$1,415 	4.1% 	\$1,791 
Q4-2011	3.4%	\$1,386	4.1%	\$1,735

Source: Cassidy Turley BT Commercial.

# Conclusions

# Economic/Employment Summary

## Strengths

- Global Economy Growing, focus on Asian, Emerging Europe, and Latin American Economies.
- Retail Sales Growth, Confidence and Investment Levels Recover.
- Large Multinational/Tech Firm Corporate Cash Holdings (Retained Earnings or Dividend Payout).
- Import/Export Trade flows.

## Risks

- Inflation (Oil/Gas/Food Prices) and Interest Rate Volatility; Sovereign Defaults
- Uncertainty Business and Consumer Confidence:
  - Middle East Unrest
  - Government Shut Down
  - State/Muni Budget Cuts.
- Rising Costs of Living: Food, Housing, Healthcare, Education, Utilities, and Taxes.
- Industry (Finance) Consolidation, Increased (M&A), Litigation Activity/ Re-Regulation.



# Commercial Real Estate Market Summary

## Strengths

- Job Growth (Supply Constraints)
- Recovery and Growth in International Trade, and Retail Sales.
- Rising Occupancy Rates/Net Absorp.
- Rising Values/Rental Rates.

## Risks

- Job Losses Government, Defense, Education, Finance Sectors.
- Rising Business Costs (Federal/State/Local Taxes and Fees.
- Business Consolidation.
- Rising Traffic Congestion.
- Rising Transportation Costs.
- Labor Strikes/Trade Disputes.

**Thank You**

# Questions/Answers

# Educational, Training, Certification and Networking

# Recommended Readings

- **David Skeel, The New Financial Deal**: Understanding the Dodd-Frank Act and its Unintended Consequences.
- **Peter Ingersoll, Real Estate Tsunami Survivors Guide**.
- **Gretchen Morgenson, Reckless Endangerment**.
- **Satyajit Das, Extreme Money**: Masters of the Universe and Cult of Risk.
- **Damon Vickers, The Day After the Dollar Crashes**.
- **John Mauldin, Endgame**: End of the Super Debt Cycle.
- **Diane Coyle, The Economics of Enough**: How to Run an Economy as if the Future Matters.
- **Barry Eichengreen, Exorbitant Privilege**: The Rise and Fall of the Dollar and the Future of the International Monetary System.
- **Dambisa Moyo, How the West was Lost**: Fifty Years of Economic Folly – and the Stark Choices Ahead.
- **Carmen Reinhart-Ken Rogoff, This Time is Different**: Eight Centuries of Financial Folly.
- **Glenn Hubbard, Seeds of Destruction**: Why the Path to Economic Ruin Rugs Through Washington, and **How to Reclaim American Prosperity**.
- **Robert Barbera, The Cost of Capitalism**: Understanding Market Mayhem and Stabilizing our Economic Future.
- **Paul Muolo, Chain of Blame**: How Wall Street Caused the Mortgage and Credit Crisis.
- **Manfred Max-Neef, From the Outside Looking In**: Experiences in Barefoot Economics.
- **Abhijit Banerjee-Esther Duflo, Poor Economics**.
- **Edmund Phelps, Structural Slumps and Rewarding Work**.

# Recommended Readings

- **Randall Lane, The Zeros: My Misadventure in the Decade Wall Street Went Insane.**
- **David Brooks, Bobos in Paradise: The New Upper Class And How They Got There.**
- **Dambisa Moyo, How the West Was Lost: Fifty Years of Economic Folly, and the Stark Choices Ahead.**
- **Andrew Napolitano, A Nation of Sheep.**
- **Paul Krugman, The Return of Depression Economics and the Crisis of 2008.**
- **Robert Reich, Aftershock: The Next Economy and America's Future. **Robert Scheer, The Great American Stickup: How Reagan Republicans and Clinton Democrats Enriched Wall Street and Mugged Main Street.****
- **Joseph E. Stiglitz, Freefall: America, Free Markets and the Sinking of the World Economy.**
- **William Holstein, The Next American Economy: Blue Print for a Real Recovery.**
- **Suzanne McGee, Chasing Goldman Sachs: How they Melted.**
- **Michael Lewis, The Big Short: Inside the Doomsday Machine.**
- **Simon Johnson, 13 Bankers: The Wall Street Takeover and Next Financial Meltdown.**
- **Andrew Ross Sorkin, Too Big To Fail.**
- **Gary Stern, Too Big To Fail: Hazards of Bank Bailouts.**
- **Paul Sperry, The Great American Bank Robbery: The Unauthorized Report About What Really Caused the Great Recession.**

# Recommended Readings

- **Nicole Gelinas, After the Fall**: Saving Capitalism from Wall Street and Washington.
- **Frank Portnoy, FIASCO**: Blood in the Water on Wall Street.
- **Liaquat Ahamed, Lords of Finance**.
- **Steve Fraser, Wall Street**: Americas Dream Palace.
- **Roger Lowenstein, The End of Wall Street**.
- **Justin Fox, The Myth of the Rational Market**: A History of Risk, Reward and Delusion on Wall Street.
- **George Cooper, The Origins of Financial Crisis**: Central Banks, Credit Bubbles.
- **Charles Kindleberger, Manias, Panics and Crashes**: The History of Financial Crises.
- **Harry Dent, The Great Depression Ahead**.
- **William Bonner, The Empire of Debt**: the Rise and Fall of an Epic Financial Bubble.
- **John Bogle, The Battle for the Soul of Capitalism**.
- **John Cassidy, How Markets Fail**: The Logic of Economic Calamities.
- **David Harvey, The Enigma of Capital and the Crisis of Capitalism**.

# Recommended Readings

- **Mark Zandi, Financial Shock: A 360° Look at the Subprime Mortgage Implosion, and How to Avoid the Next Financial Crisis.**
- **Robert Shiller, Animal Spirits: How Human Psychology Drives the Economy and Why It Matters for Global Capitalism; and The Subprime Solution: How Today's Global Financial Crisis Happened, and What to Do about It.**
- **Thomas Sowell, The Housing Boom and Bust.**
- **Roman Frydman, Beyond Mechanical Markets: Asset Price Swings, Risk and the Role of the State.**
- **Eric Weiner, The Shadow Market: How Wealthy Nations/Investors Secretly Dominate the World.**
- **Raghuram Rajan, Fault Lines: Hidden Fractures Still Threaten the World Economy.**
- **Barry Eichengreen, Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System.**
- **Clyde Prestowitz, The Betrayal of American Prosperity.**
- **Pat Choate, Saving Capitalism: Keeping America Strong.**
- **Judge Richard Posner, A Failure of Capitalism.**
- **Kim Phillips-Fein, Invisible Hands.**
- **Jerome Corsi, America for Sale.**
- **Timothy Carney, Obamanomics.**
- **Naomi Klein, The Shock Doctrine.**
- **Daniel Yergin, The Prize: The Epic Quest for Oil, Money and Power.**
- **Anthony Downs, Real Estate and the Financial Crisis.**



# Recommended Readings

- David Harvey, [The New Imperialism](#).
- Paul Kennedy, [Rise and Fall of the Great Powers](#).
- Noam Chomsky, [Failed States](#), [Necessary Illusions](#), and [Manufacturing Consent](#).
- V.S. Soloviev, [Politics, Law and Morality](#); Michel Foucault, [Power/Knowledge](#).
- Arthur Miller, [Death of a Salesman](#), [The Crucible](#), [A View from the Bridge](#), [Timebends](#), and [A Life](#).
- Susan Casey, [The Devil's Teeth: Great White Obsession/Survival](#).
- Stephen Breyer, [Making Our Democracy Work](#).
- Garber Mate: [Scattered Minds: A New Look at Origins and Healing of ADD](#).
- Max Weber, [The Protestant Ethic and the Spirit of Capitalism](#).
- Friedrich Nietzsche, [The Will to Power](#).
- David Ricardo, [The Principals of Political Economy and Taxation](#).

# Recommended Readings

**Books - [www.amazon.com](http://www.amazon.com) - [www.irei.com](http://www.irei.com)**

- **Real Estate Finance & Investments** 12th Ed, William B. Brueggeman, Jeffrey D. Fisher, 2005.
- **Commercial Real Estate Analysis and Investments** (2nd Ed), David Geltner, Norman G. Miller, 2007.
- **Income Property Valuation** (2nd Ed), Jeffrey D. Fisher, Robert S. Martin, 2004.

# Online Data

- **Argus Valuation (Investment/Development) Software**

[www.argussoftware.com](http://www.argussoftware.com)

- **Loop Net** <http://www.loopnet.com/>
- **CoStar/Comps** <http://www.comps.com/comps.asp>
- **Real Capital Analytics (RCA)** [www.rcanalytics.com](http://www.rcanalytics.com)
- **FW Dodge** <http://www.fwdodge.com/>
- **Marshall & Swift** <http://www.marshallswift.com/>
- **MP/F Research/Yield Star (Apartment Data)**  
<http://www.realpage.com/yieldstar/>
- **REIS Research, Inc.** <http://www.reisreports.com/>
- **CB Richard Ellis** <http://www.cbrichardellis.com/>
- **Marcus & Millichap** <http://www.mmreibc.com/>
- **SNL Financial** <http://www.snl.com>

# Organizations

## *Certifications/Designations/Education*

- **Counselors of Real Estate (CRE)**

<http://www.cre.org>

- **Royal Institute of Chartered Surveyors (RICS)**

<http://www.rics.org>

- **Appraisal Institute (AI) – MAI**

<http://www.appraisal institute.org>

- **Certified Commercial Investment Member (CCIM)**

<http://www.ccim.com>

- **Institute of Real Estate Management (IREM) – CPM**

<http://www.irem.org/>

- **Urban Land Institute (ULI) – Development**

<http://www.uli.org/>

# Organizations

## *Professional*

- **Building Owner Management Association (BOMA)**  
<http://www.boma.org>
- **Commercial Real Estate Women (CREW)**  
<http://www.crew.org/>
- **National Association of Industrial and Office Professionals (NAIOP)**  
<http://naiop.org/>
- **National Association of Realtors – Commercial Division** <http://www.realtor.org/commercial/>
- **Society of Industrial and Office Realtors**  
<http://www.sior.com/>

# Organizations

## *Institutional*

- **National Association Real Estate Investment Management (NAREIM)**

<http://www.nareim.org/>

- **National Council of Real Estate Investment Fiduciaries (NAREIF)**

<http://www.ncreif.org/>

- **National Association of Real Estate Investment Trusts (NAREIT)**

<http://www.nareit.com/>

- **Pension Real Estate Association (PREA)**

<http://www.prea.org/>

# Appendix

Lawrence Souza brings to his clients over 20 years of experience in real estate economic and financial research experience. Mr. Souza has held senior positions as Managing Director-Index Services, Charles Schwab Investment Management (CSIM); Chief Real Estate Economist and Director of Index Services, Global Real Analytics (GRA); Director of Research for BRE Properties, Inc. (REIT) in San Francisco and holding Senior Market/Research Analyst positions at Metric Institutional Realty Advisors and Mellon-McMahan/MacFarlane Realty Advisors, and market research positions at Norris, Beggs and Simpson and Grubb & Ellis commercial brokerage. **Mr. Souza combines traditional fundamental real estate economic and market research with fundamental and technical financial and capital market research and investment strategy. This combined approach allows for the tracking and forecasting of economic, real estate and financial cycles and efficient portfolio construction, optimization and risk management.**

Mr. Souza has undergraduate degrees in Economics (BA) and Business Administration (BS) with concentrations in Accounting, Finance, Banking and Real Estate; and holds master's degrees in Applied Economics (MA), Finance/Investments (MS), Public Administration (MPA), Information Systems (MSIS), and Political Science (MA). **Mr. Souza has been teaching Modern Real Estate Principles and Finance since 1996 with an emphasis on real estate in a modern and post-modern portfolio and capital markets context; and the institutionalization, securitization, internationalization and technologization of real estate markets and products.**



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