



Late Cycle (or Not)? Outlook for CRE Performance in 2018

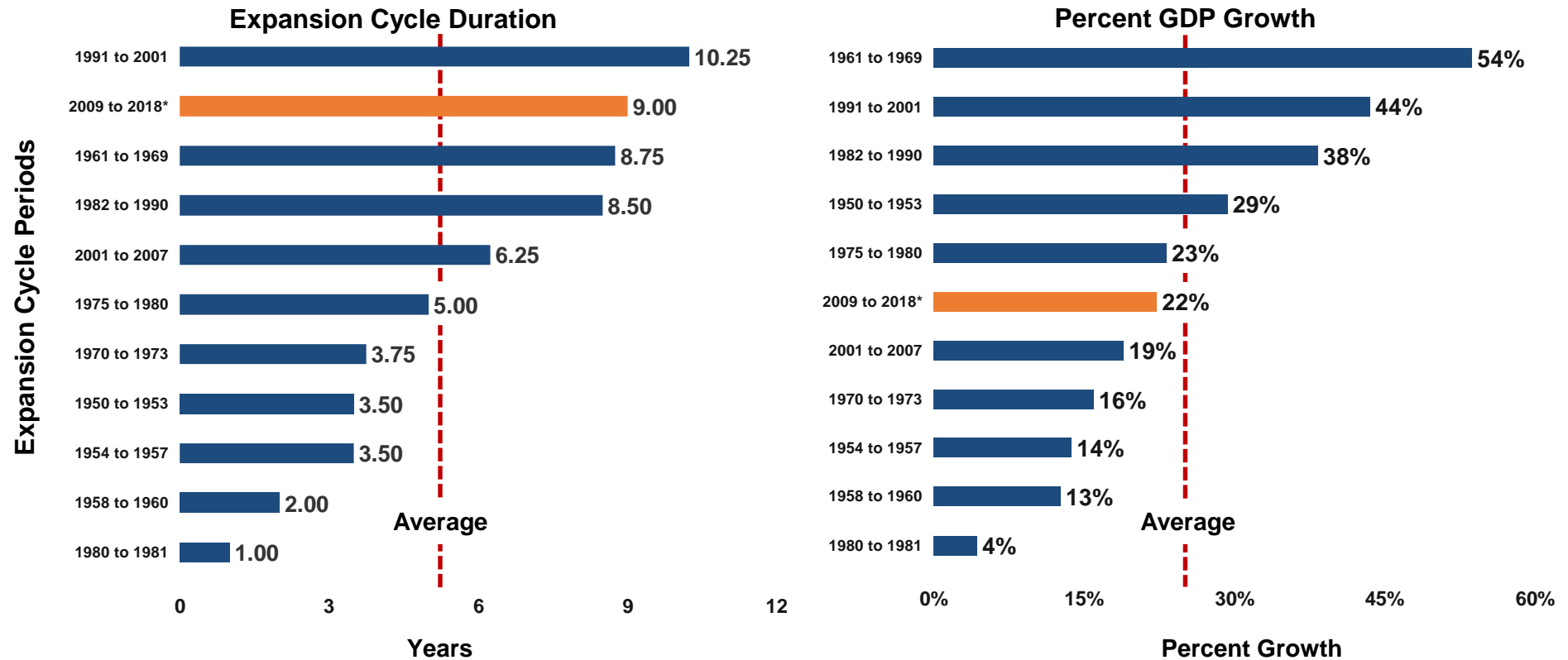
2018 – Economic Perspective

10-Year Lookback to 2008

- **3.9%** Unemployment Rate, Down from **6.5%**
- **2.2%** Inflation Rate (PCE), Down from **2.8%**
- **3.1%** 10-Year Treasury Yield, Down from **3.8%**
- **9.6 Million** More Households Than 2008
- **13.0 Million** More Jobs Than 2008
- **\$1.9 Trillion** Increase in Retail Sales, **Up 47%** since 2008
- **\$27.16** Avg. Hourly Earnings, **Up 25%** from 2008
- **\$5.9 Trillion** GDP Growth Since 2008

Comparison period: October 2008 for monthly data series and 4Q 2018 for quarterly data series
Sources: Marcus & Millichap Research Services, BEA, BLS, U.S. Census Bureau, Federal Reserve

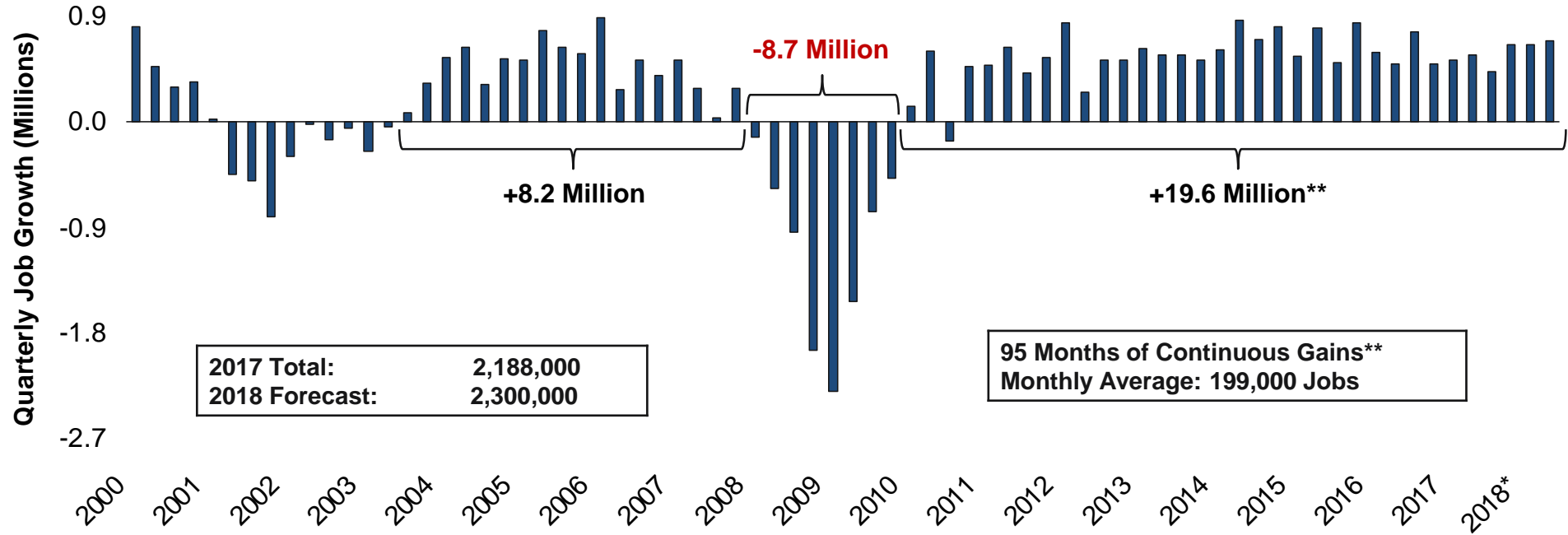
Current Expansion Cycle Longer Than Average But Still Not Record-Setting



* Through 2Q

Sources: Marcus & Millichap Research Services, BEA

Employment Growth Durable and Remarkably Stable

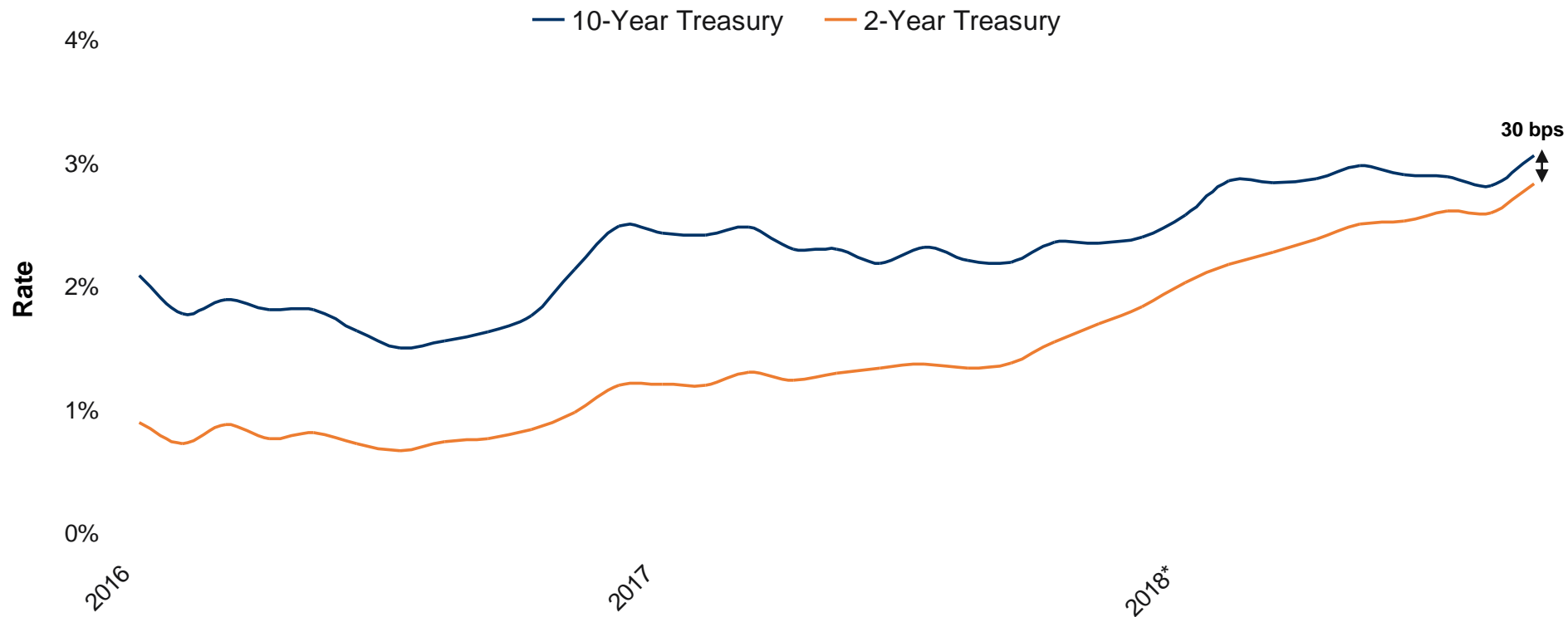


2017 Total: 2,188,000
2018 Forecast: 2,300,000

95 Months of Continuous Gains**
Monthly Average: 199,000 Jobs

* Through 2Q
** Through August 2018
Sources: Marcus & Millichap Research Services, BLS

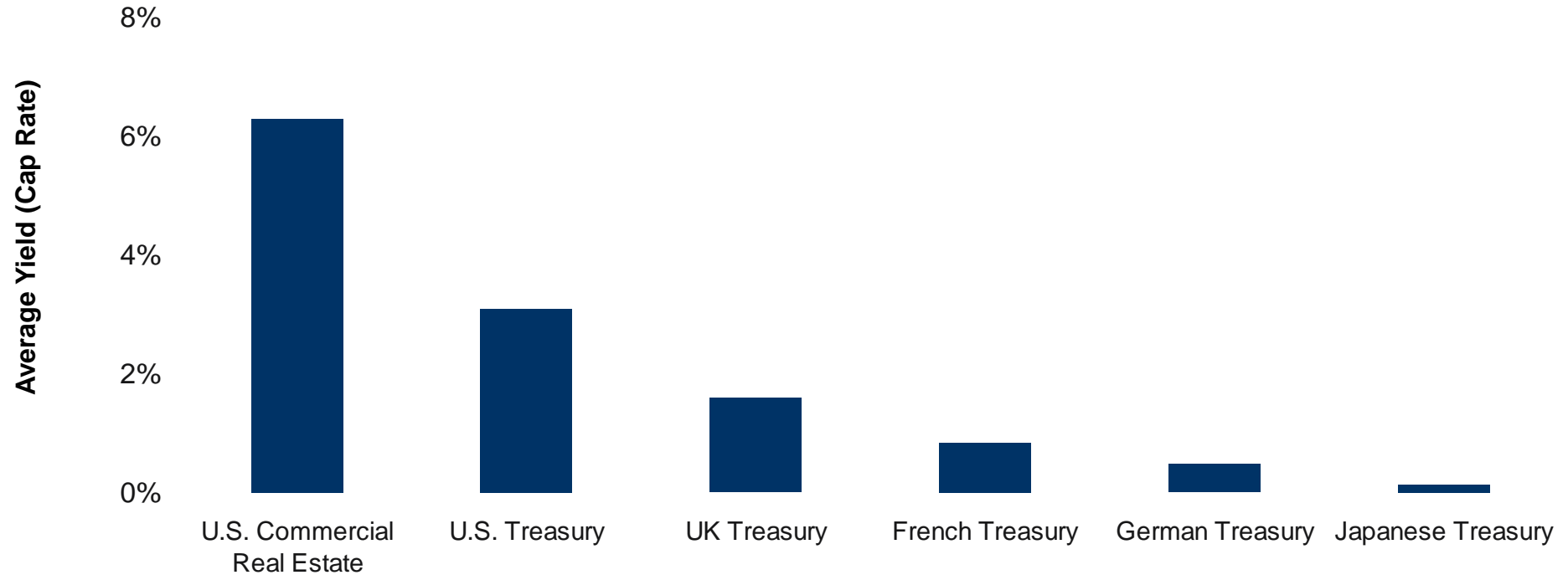
10-Year Treasury vs. 2-Year Treasury



* Through September 26

Sources: Marcus & Millichap Research Services, Federal Reserve

Commercial Real Estate an Attractive Investment Alternative Due to Competitive Yields



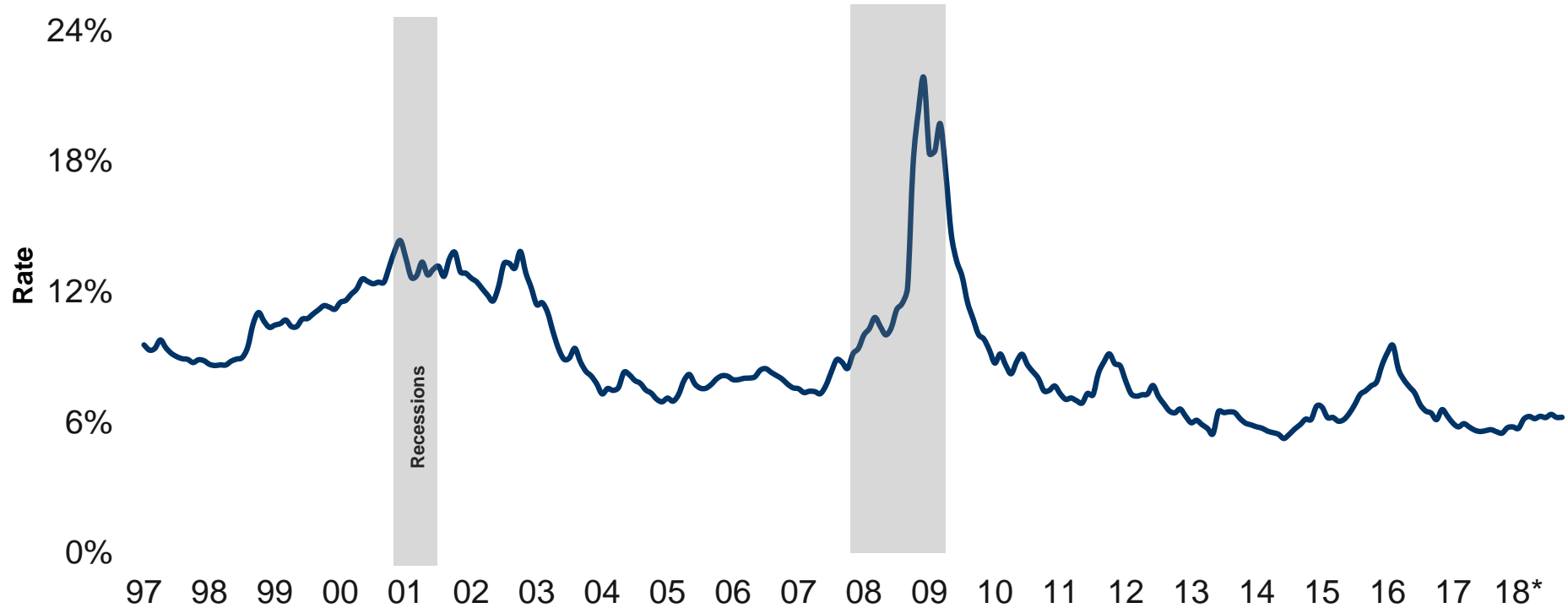
As of September 28, 2018

Treasury rates for 10-year treasuries

Commercial real estate yield (cap rate) includes apartment, retail, office, and industrial sales \$1 million and greater

Sources: Marcus & Millichap Research Services, Real Capital Analytics, Federal Reserve

High-Yield Corporate Bond Yield Trends

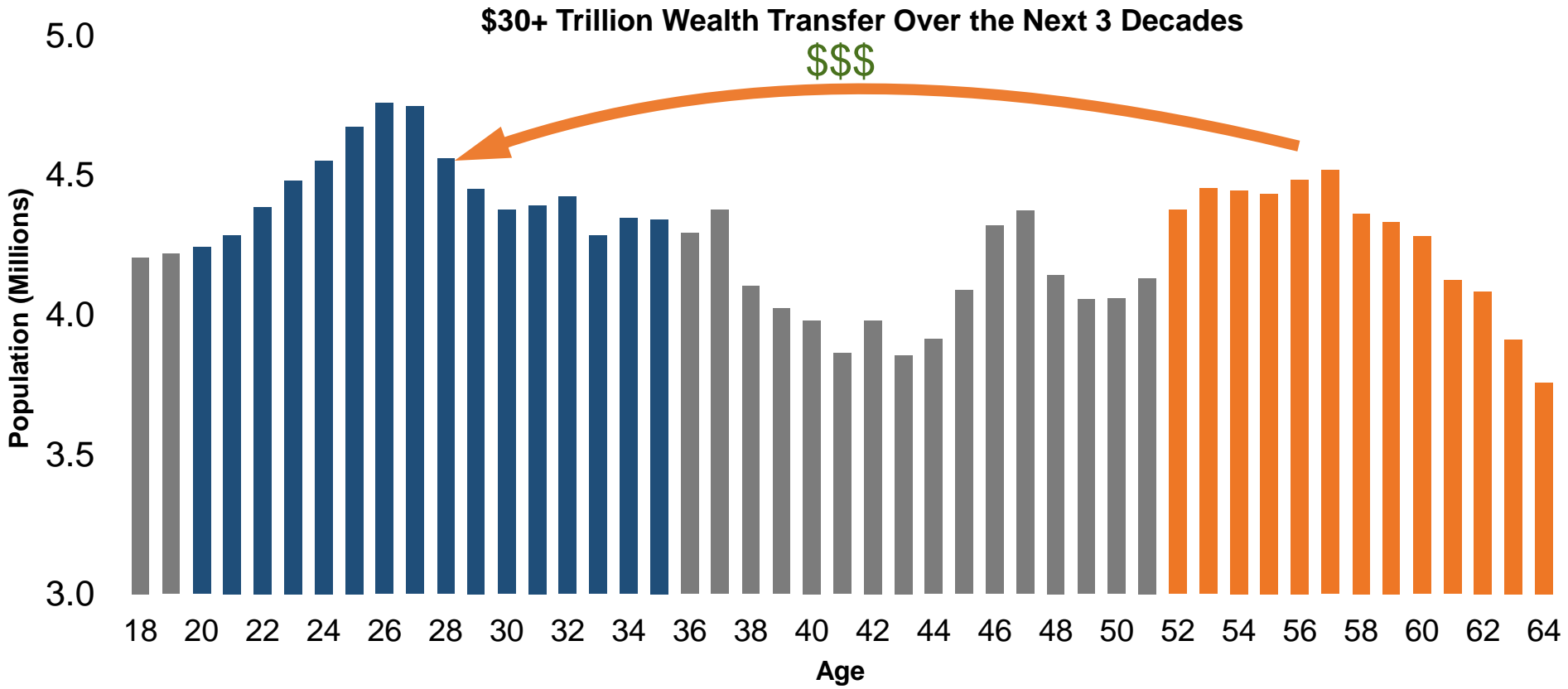


* Through September 30

Sources: Marcus & Millichap Research Services, Federal Reserve

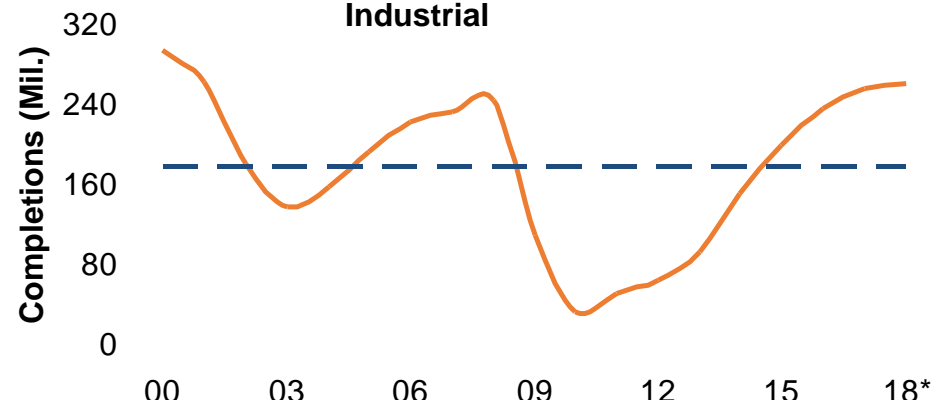
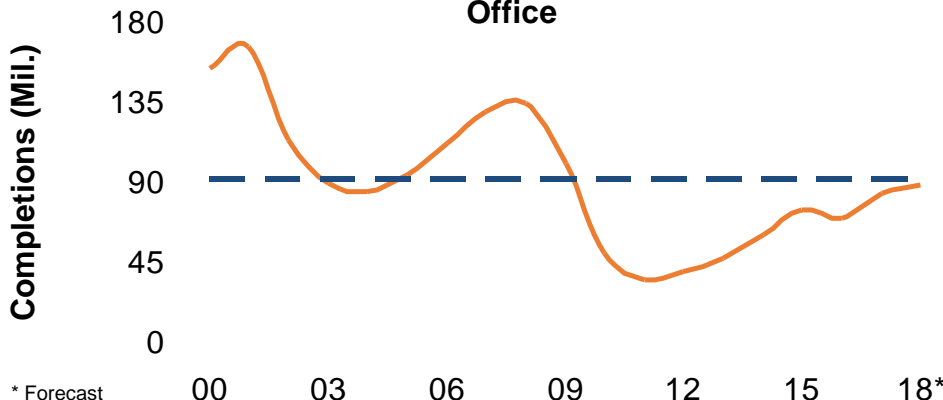
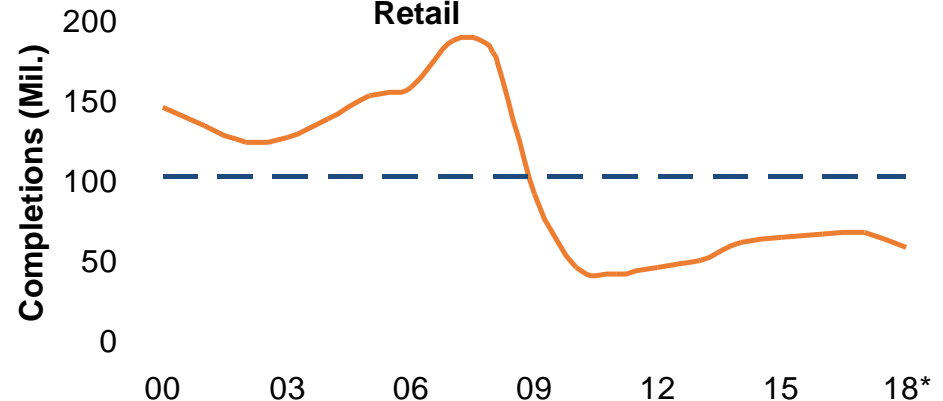
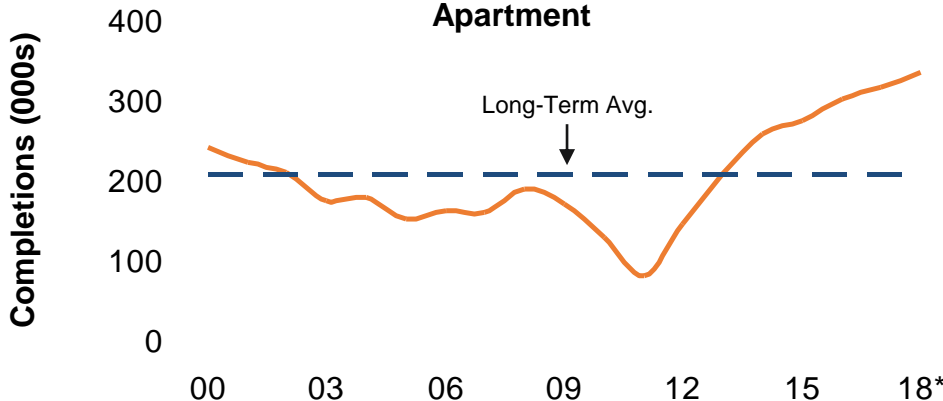
Wealth Transfer, Quest For Yield = CRE Capital Flows

U.S. 2017 Population by Age



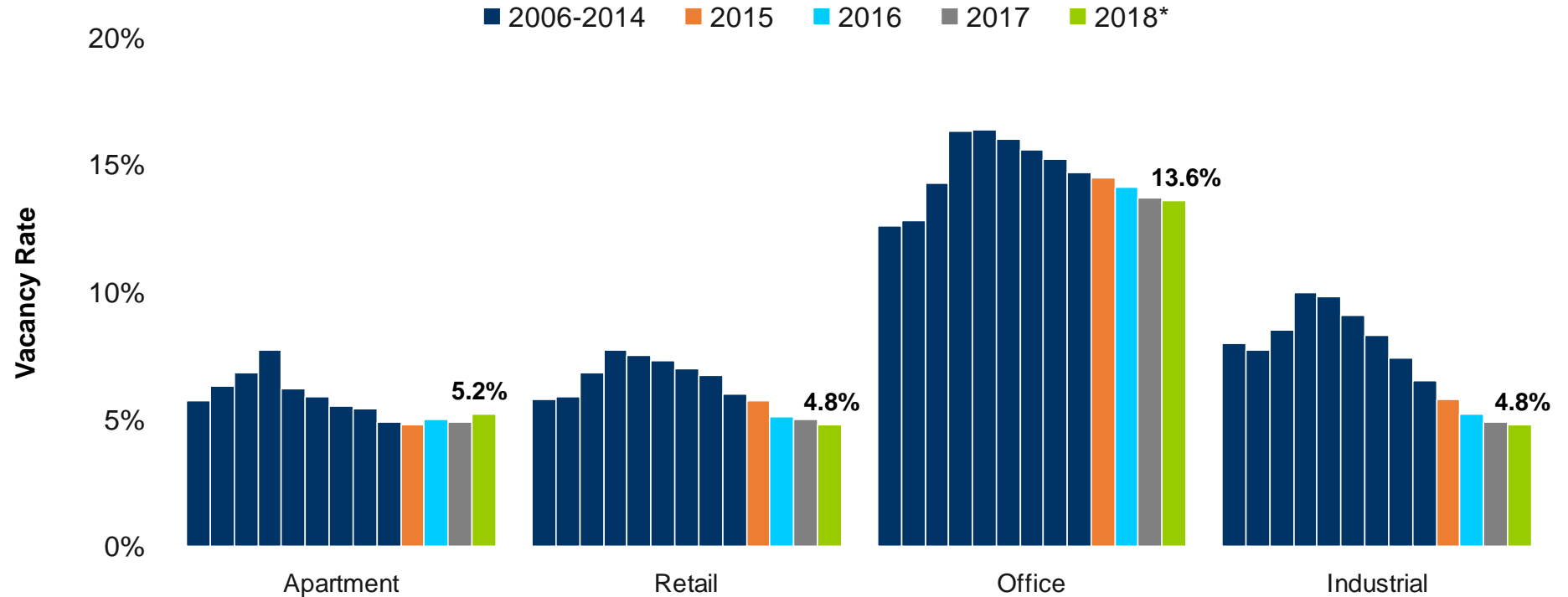
Sources: Marcus & Millichap Research Services, U.S. Census Bureau

U.S. Construction Trends



* Forecast
 Completions in square feet; completions in units for apartments
 Sources: Marcus & Millichap Research Services, MPF Research, CoStar Group, Inc.

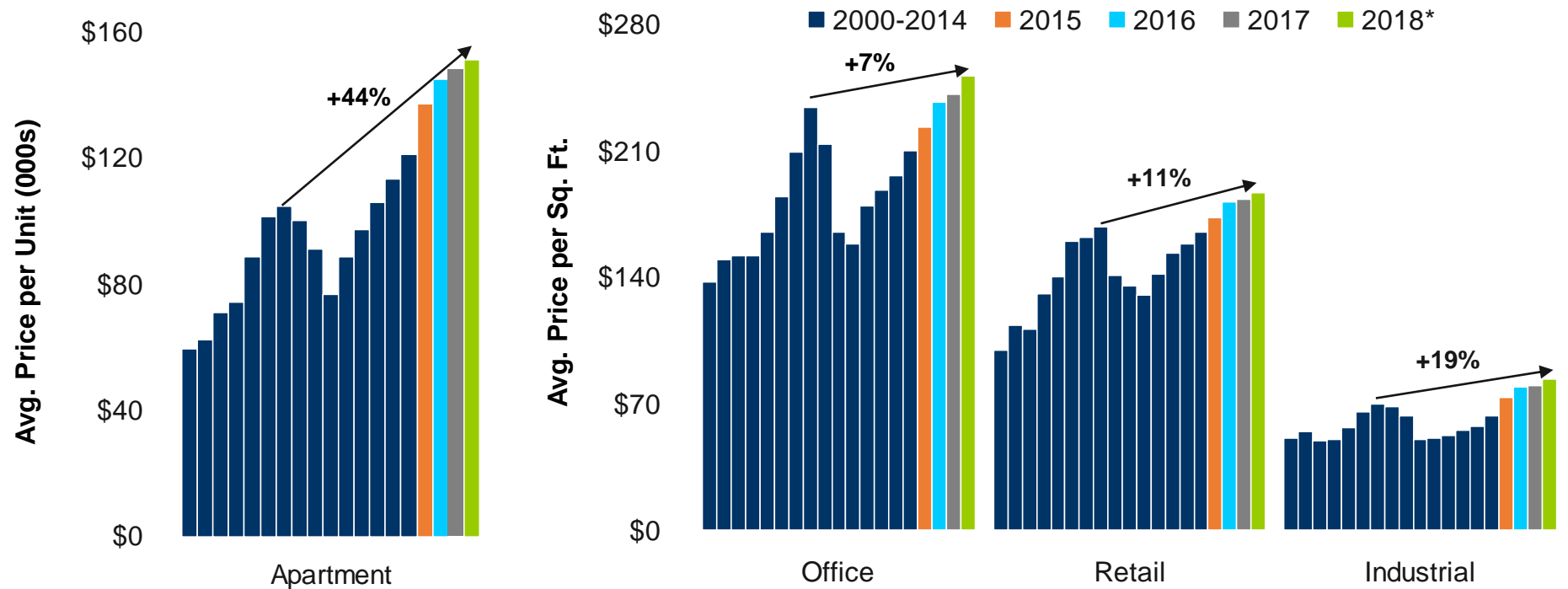
U.S. Vacancy Rate by Property Type



* Forecast

Sources: Marcus & Millichap Research Services, RealPage, Inc., CoStar Group, Inc., STR, Inc., Union Realtime LLC

U.S. Average Price Trends

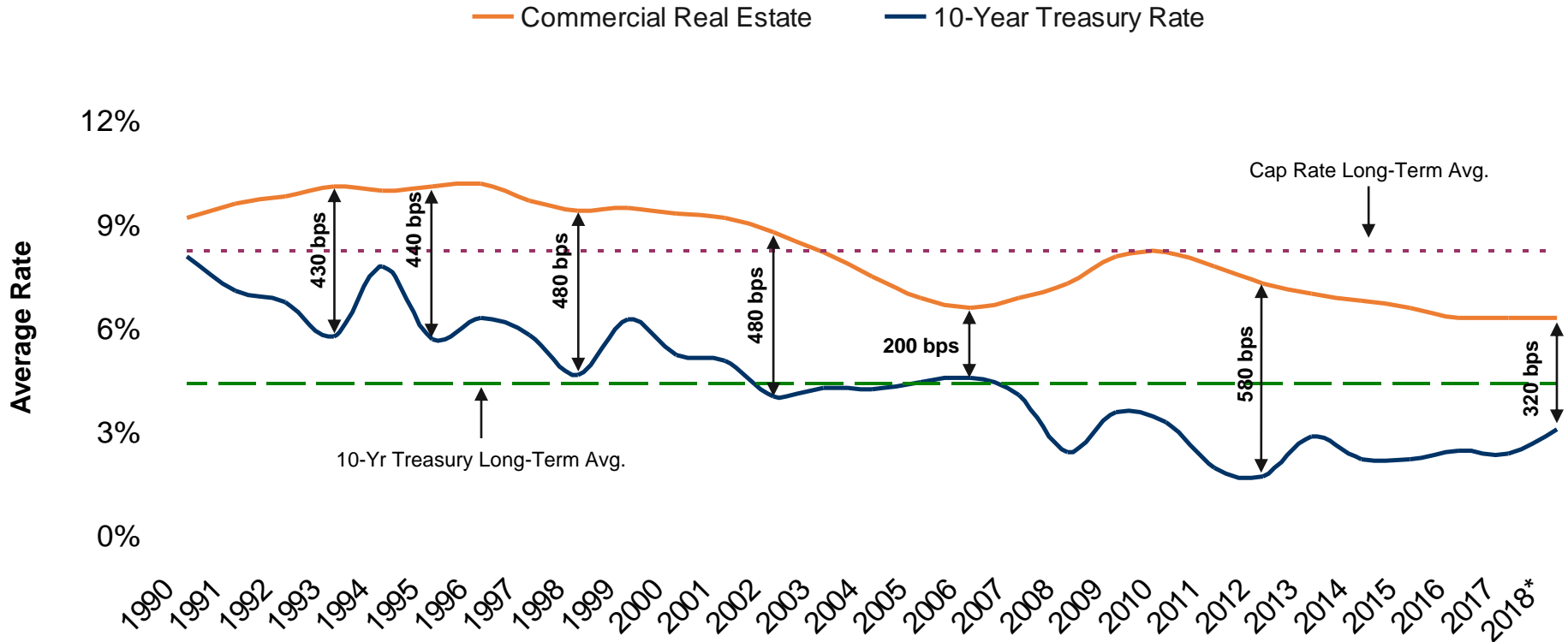


* Through 2Q

Includes sales \$1 million and greater

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

Commercial Real Estate Avg. Yield vs. 10-Yr. Treasury – Spread Indicates “Buy” Window



* Through September 28

Includes apartment, retail, office, and industrial sales \$1 million and greater

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics



Late Cycle (or Not)? Outlook for CRE Performance in 2018