

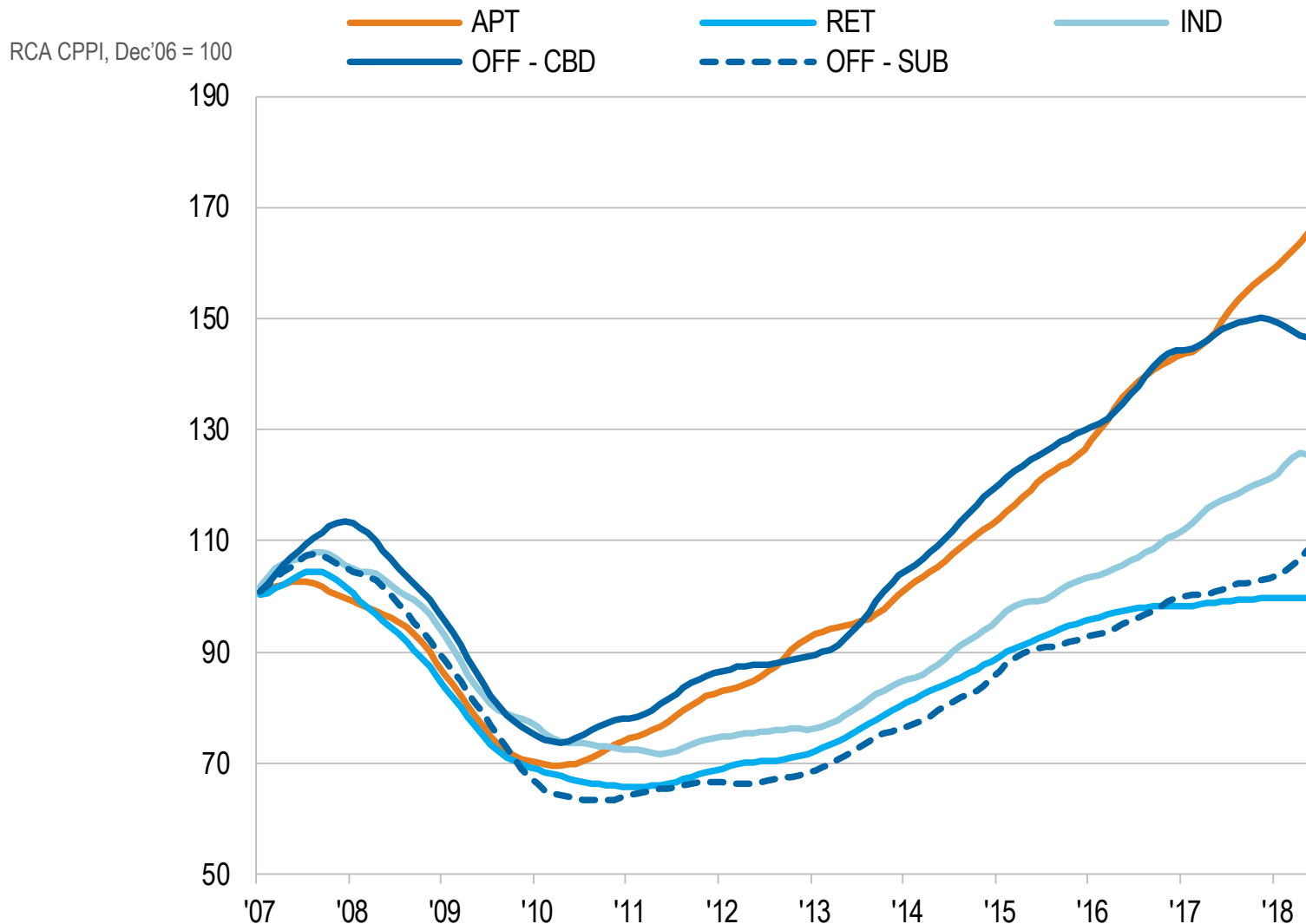


## **US Commercial Real Estate Investment Trends**

August 23, 2018

# RECORD HIGH COMMERCIAL PROPERTY PRICES

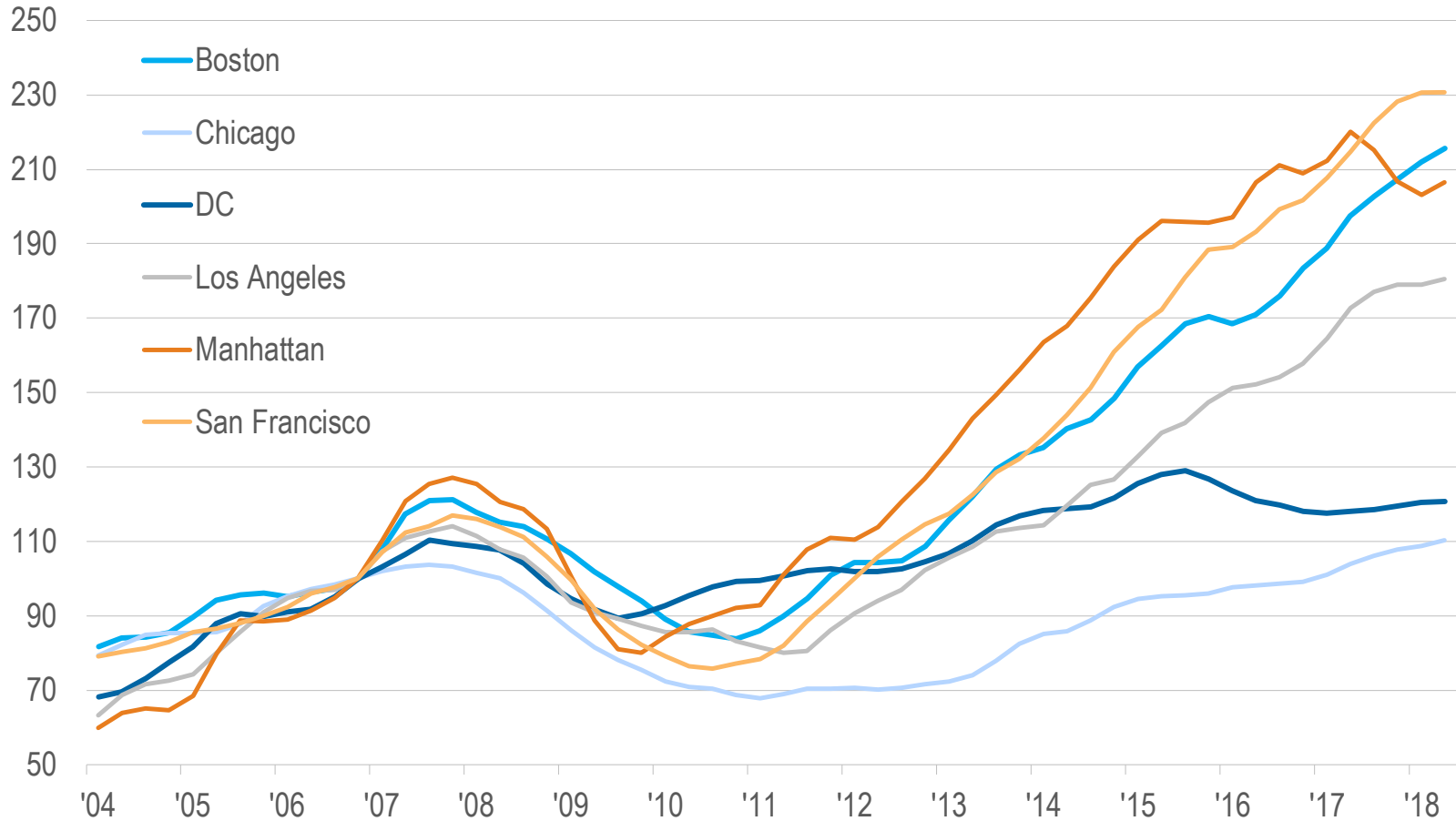
Is the world a roller coaster? Will prices come crashing down again?



# MANHATTAN DANCING TO IT'S OWN TUNE

Price declines in 2018 only in Manhattan, not a coordinated drop.

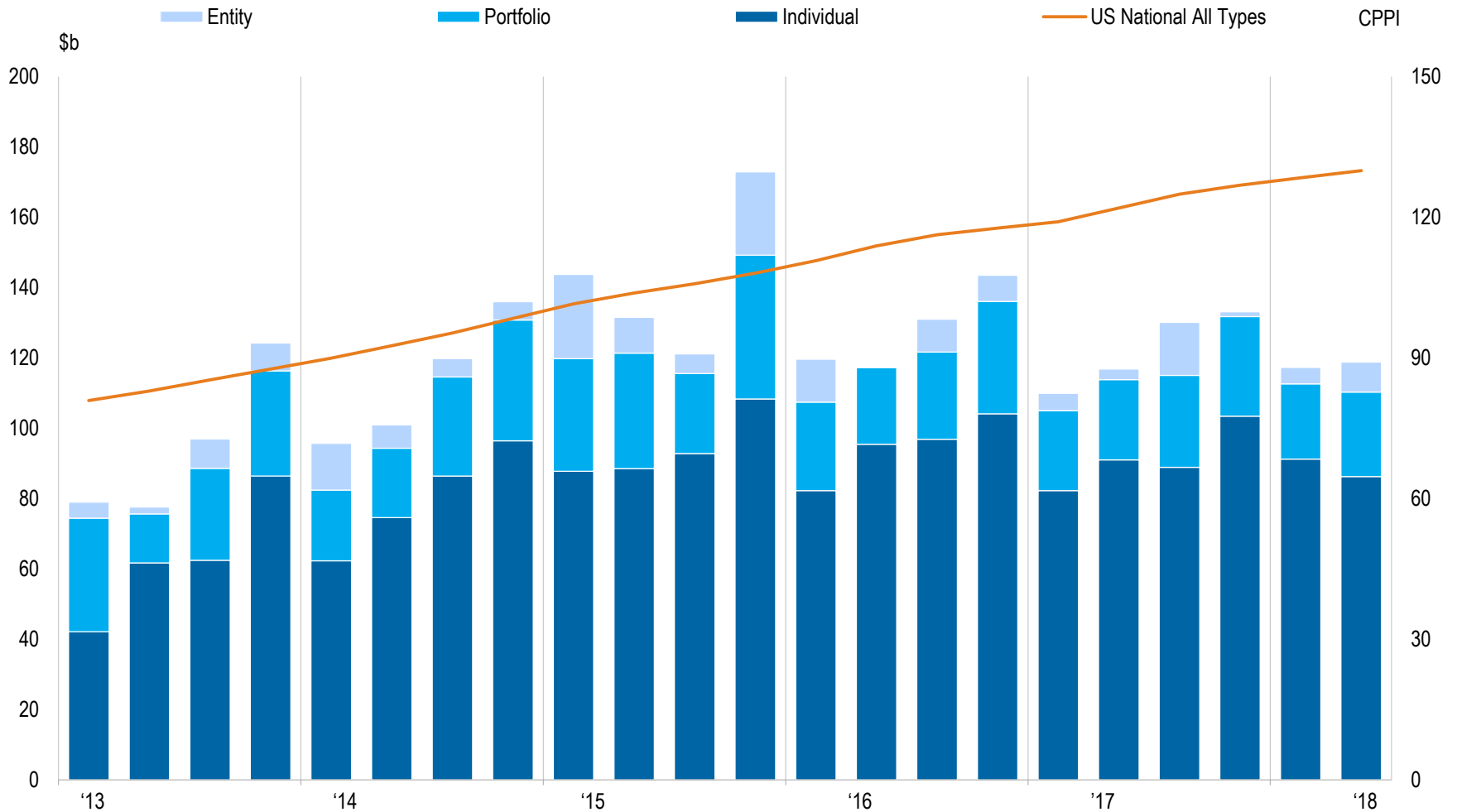
Index, Dec'06 = 100



RCA CPPI for Commercial Property, excludes Apartments

# DEAL VOLUME ROLLER COASTER

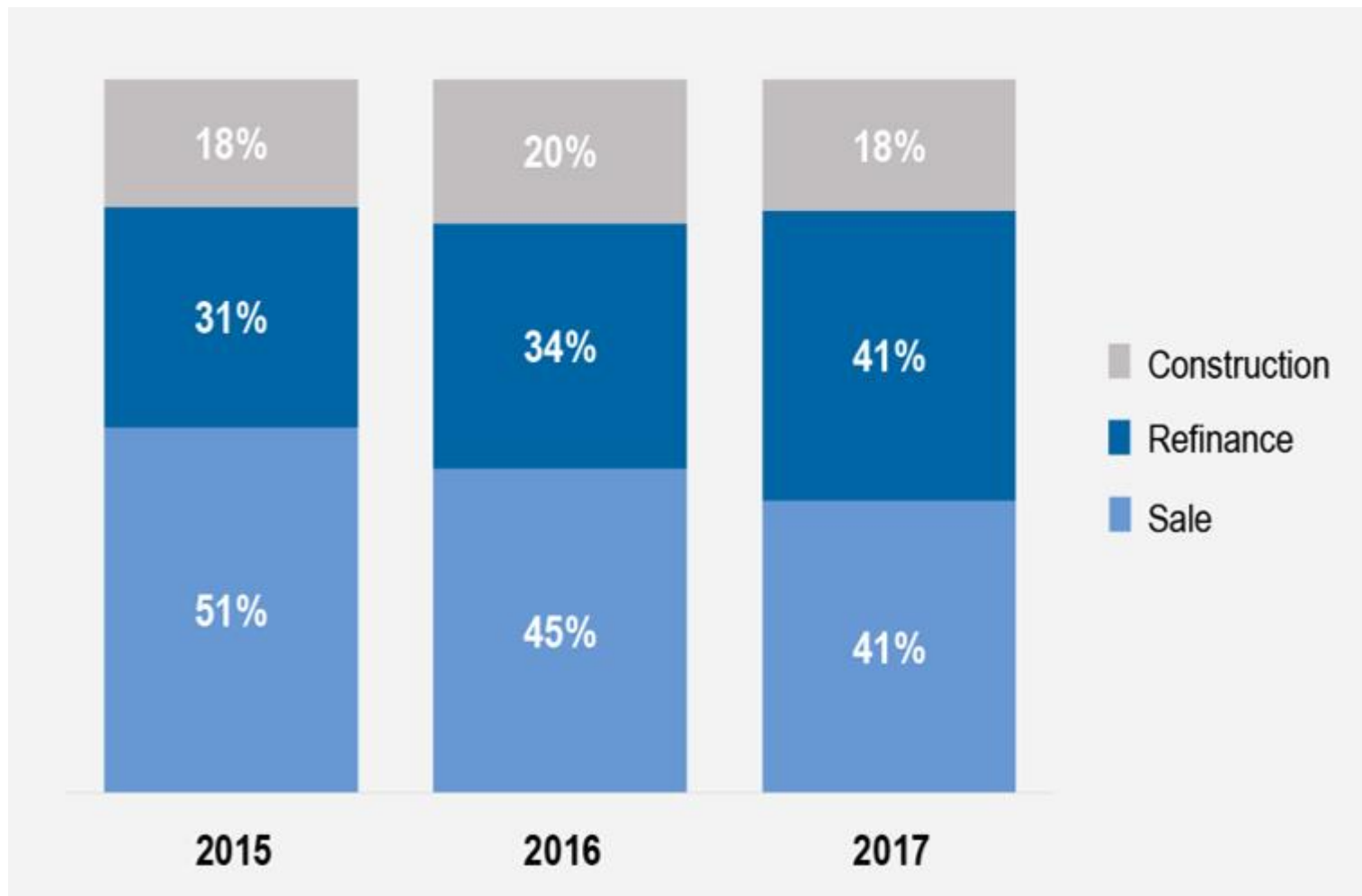
## Volume is No Longer Falling



\*Office, Industrial, Retail, Apartment, Hotel, Seniors Housing & Care, and Dev Sites

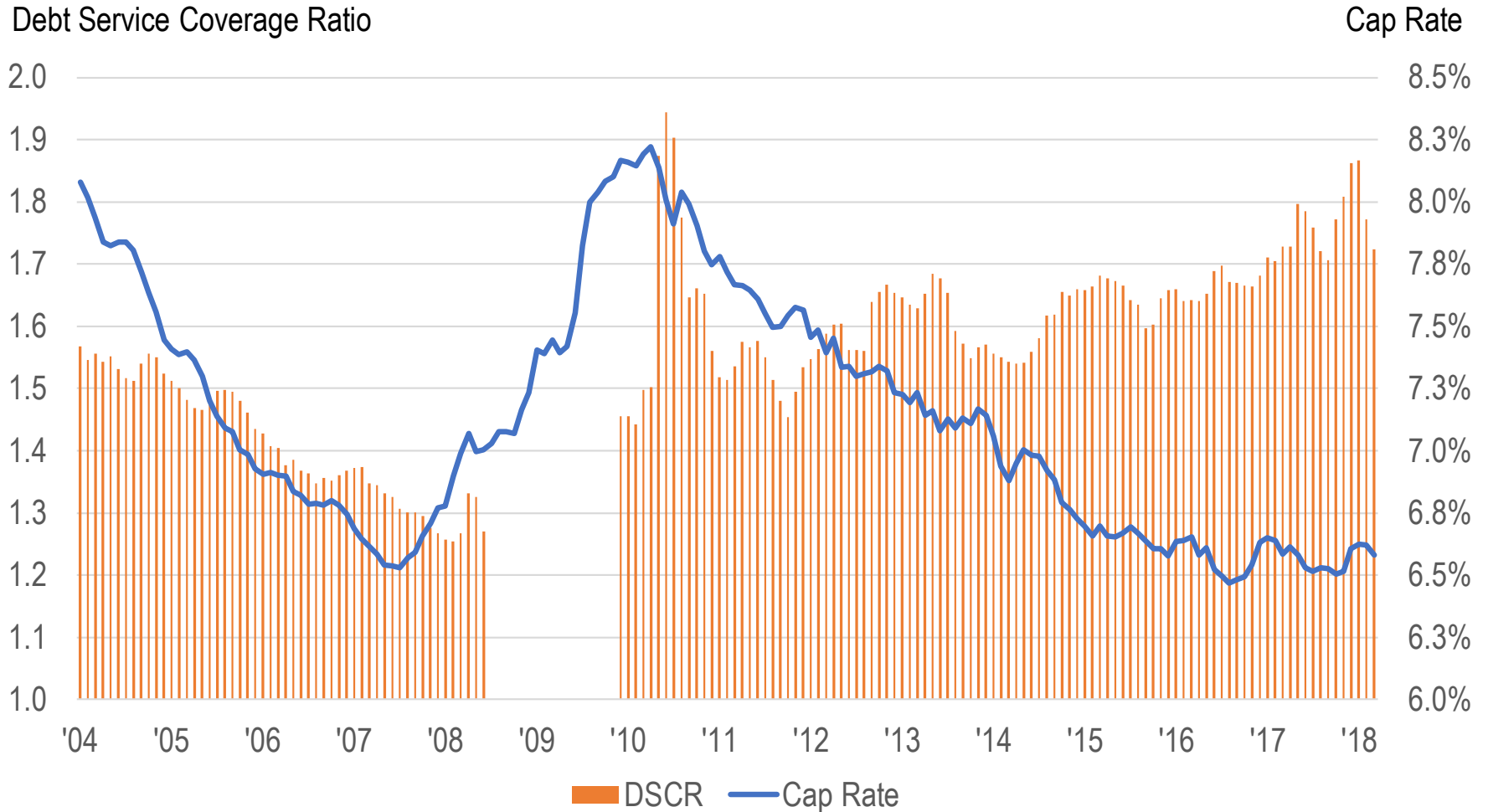
# US REFINANCE ACTIVITY MATCHES SALES IN '17

Why sell into uncertain market pricing if you can simply refinance?



# BETTER LOAN CHARACTERISTICS THIS CYCLE

Income to cover the debt service costs did not chase cap rates down this cycle.

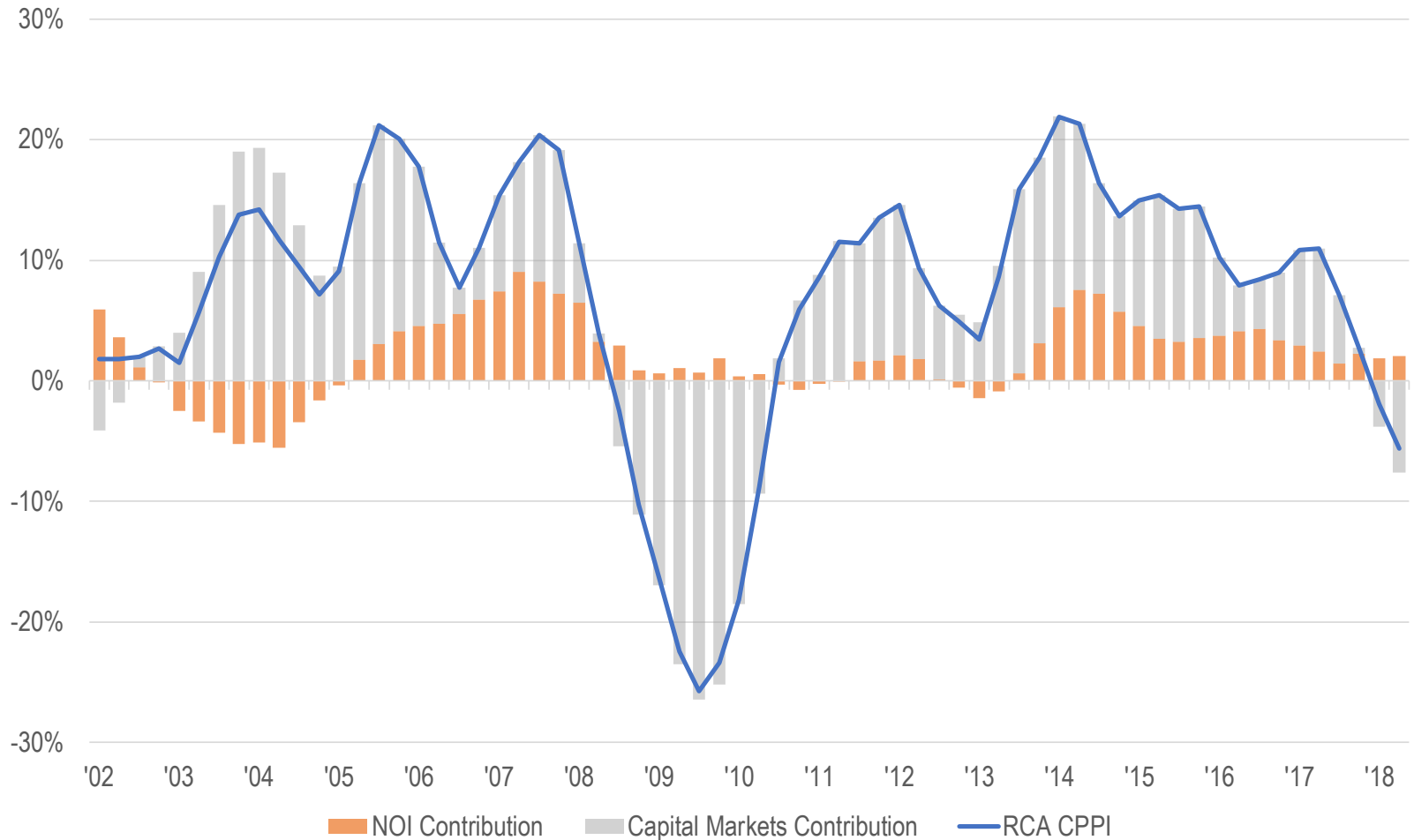


1<sup>st</sup> Mortgages, Commercial Properties

# DECOMPOSING PRICE GROWTH

## CBD Offices in 6 Major Markets of the US Experiencing Price Correction

YOY Growth

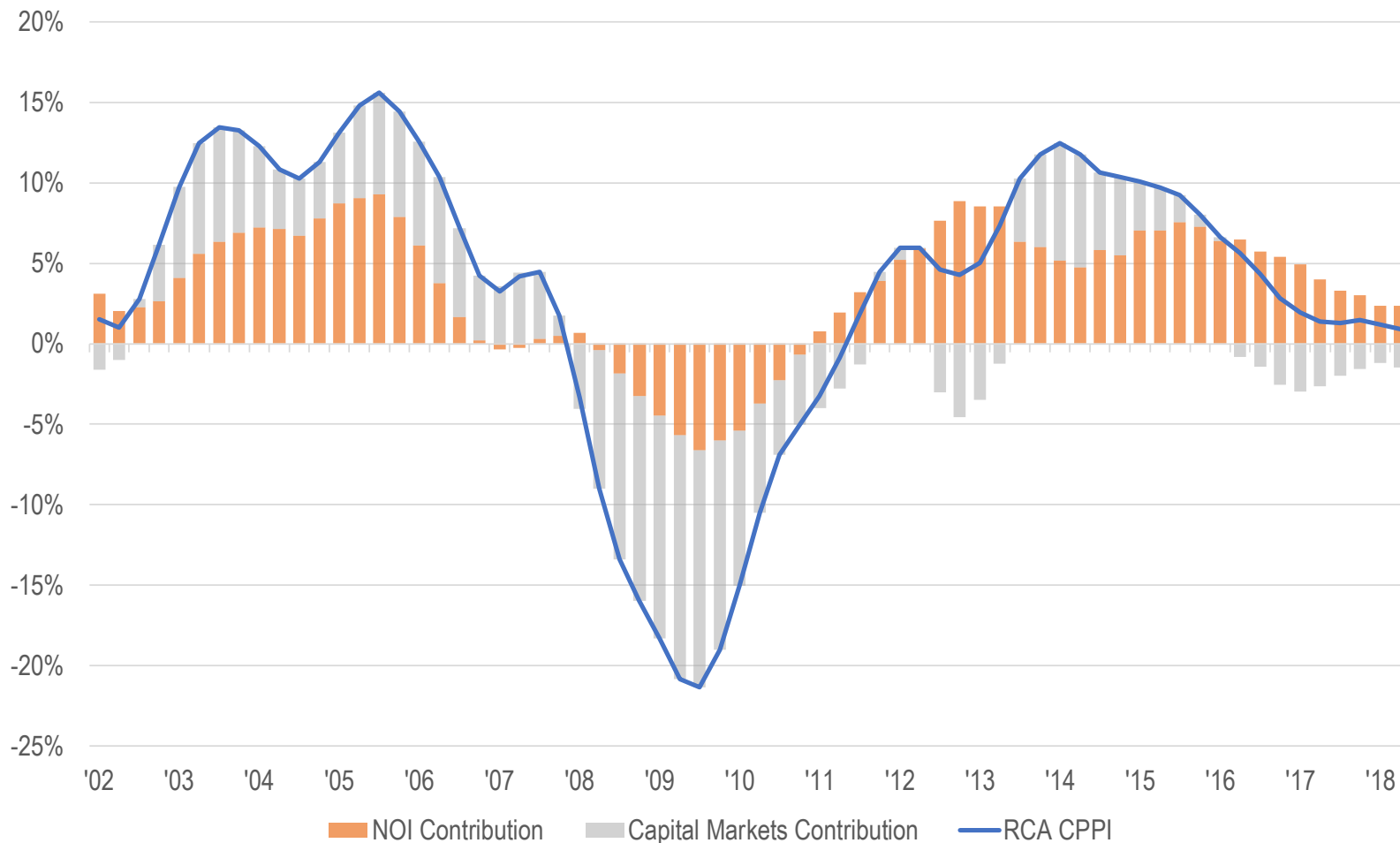


Sources: Real Capital Analytics, NCREIF

# DECOMPOSING PRICE GROWTH

Despite the negative headlines, price growth still marginally positive for retail.

YOY Growth

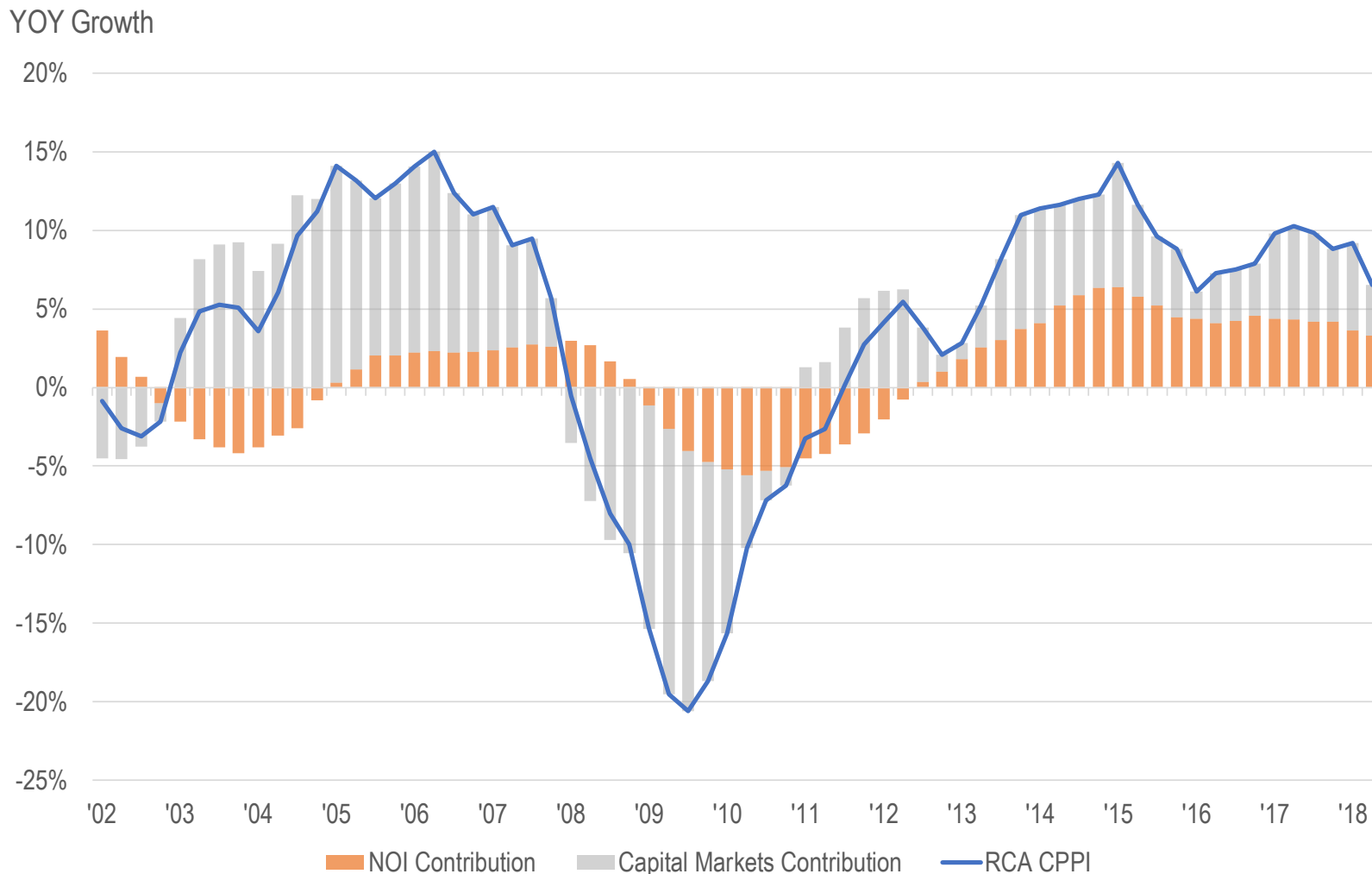


Sources: Real Capital Analytics, NCREIF



# DECOMPOSING PRICE GROWTH

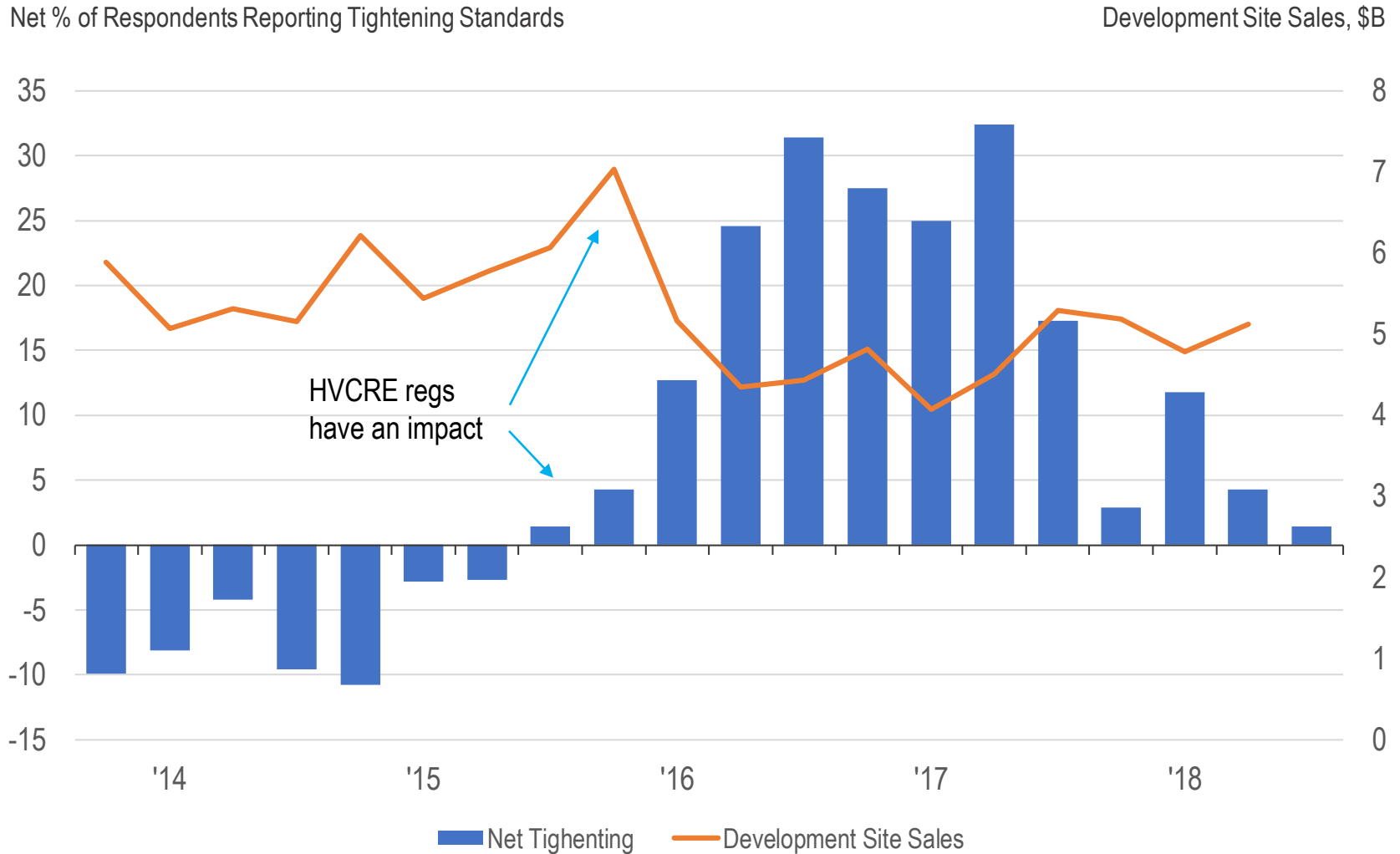
## US industrial market on a tear.



Sources: Real Capital Analytics, NCREIF

# CONSTRUCTION LENDING ON THE WAY TO EASING

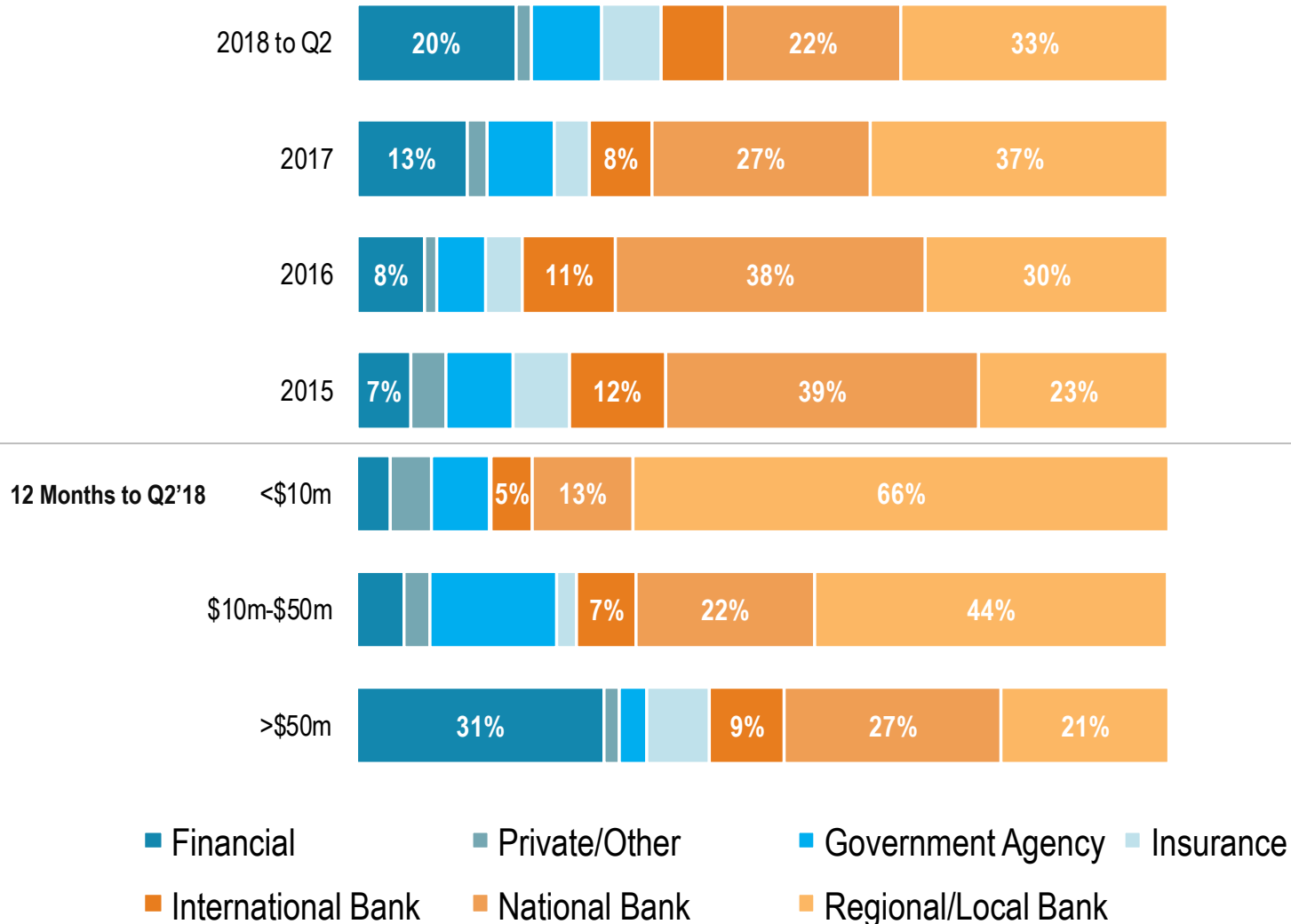
Development site sales cooled in 2016 following HVCRE regulations.



Sources: Real Capital Analytics, Federal Reserve Bank Senior Loan Officer Survey

# THE GATEKEEPERS OF CONSTRUCTION FINANCE

Financial includes debt funds which might be viewed as a shadow banking sector.



1st Mortgages for Construction Loans

# COMMERCIAL LOAN CHARACTERISTICS, NO APT.

Variation in 1<sup>st</sup> Mortgage Risk Tolerance by Lenders: 2017

	Avg Loan Size (\$m)	Avg LTV	Avg Cap
CMBS	17.0	61.7%	6.9%
International Bank	31.4	65.5%	5.8%
National Bank	19.8	67.0%	6.1%
Regional/Local Bank	10.7	67.1%	6.0%
Financial	34.9	72.6%	5.9%
Insurance	23.2	56.3%	6.2%
Total	18.3	64.2%	6.6%

1<sup>st</sup> Mortgages for Acquisition or Refinancing of Existing Properties



**REAL** CAPITAL  
ANALYTICS

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