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The Big Picture

Structural Drivers

CRE Fundamentals

Key Takeaways

## Three Key Drivers for CRE performance

**Long term  
structural  
drivers**

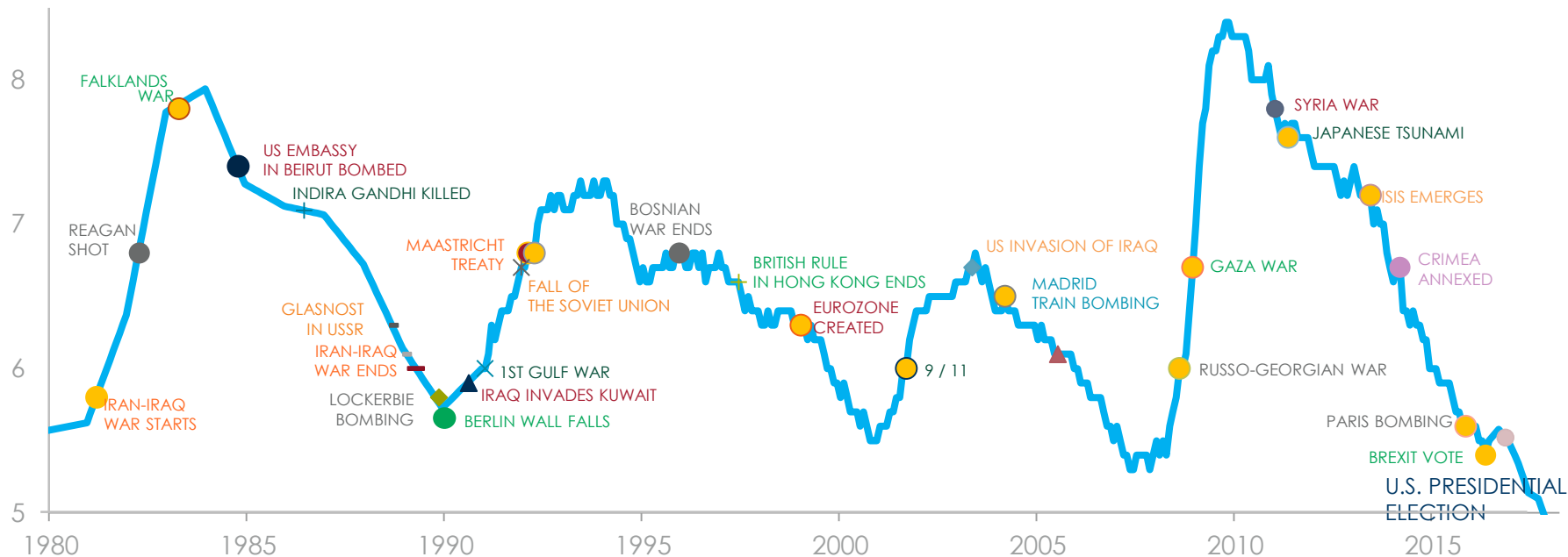
**Investor  
interest**

**CRE  
Fundamentals**

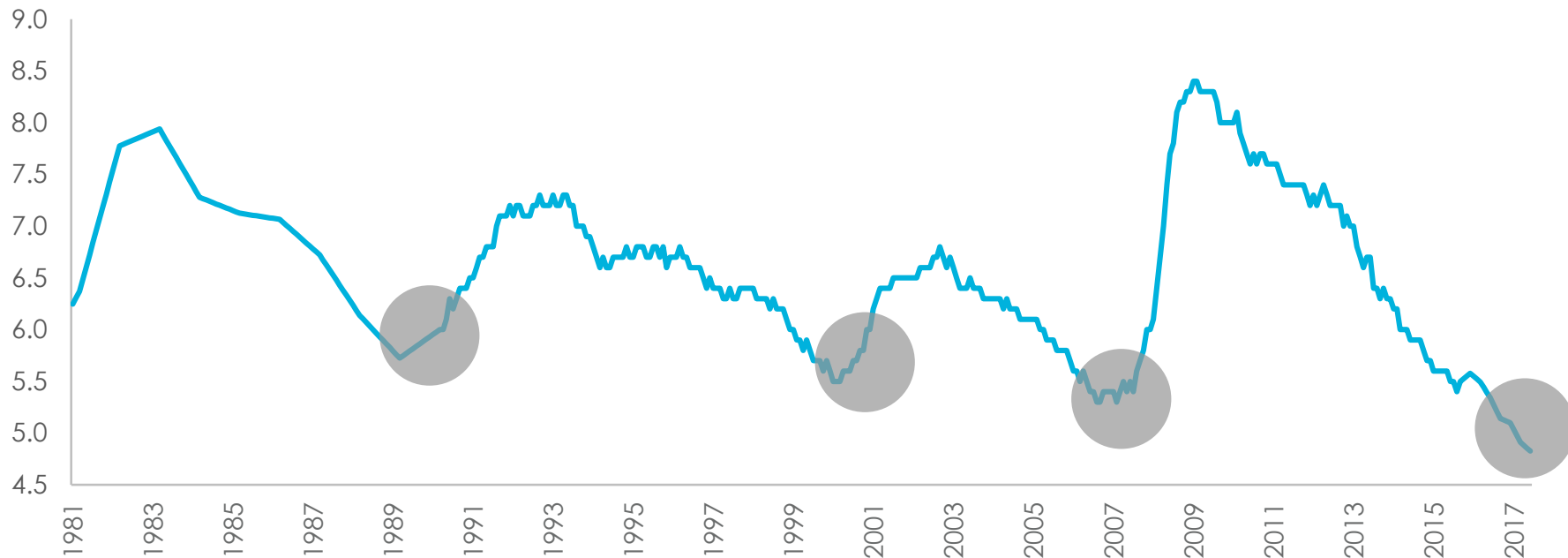
**a world of**  
**uncertainty**

# Most Geopolitical Events Do Not Matter

G7 Countries, Unemployment Rate (%)



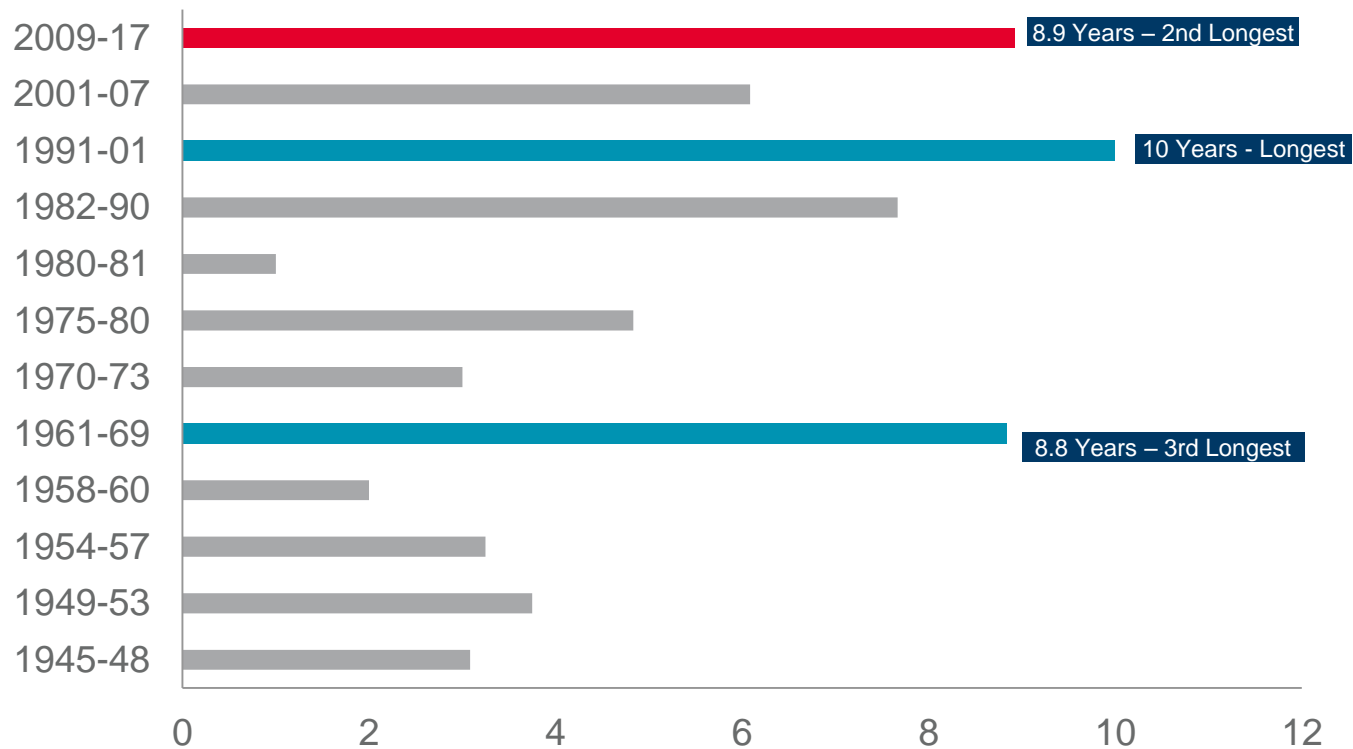
# It's the Cycle That Really Matters



Source: Cushman Wakefield Research, Oxford Economics, IMF, WEO

CUSHMAN & WAKEFIELD

## Tracking to Be Longest Expansion

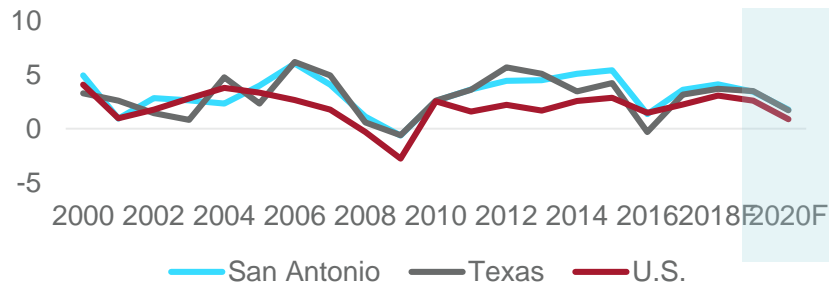


Source: NBER, Cushman & Wakefield Research

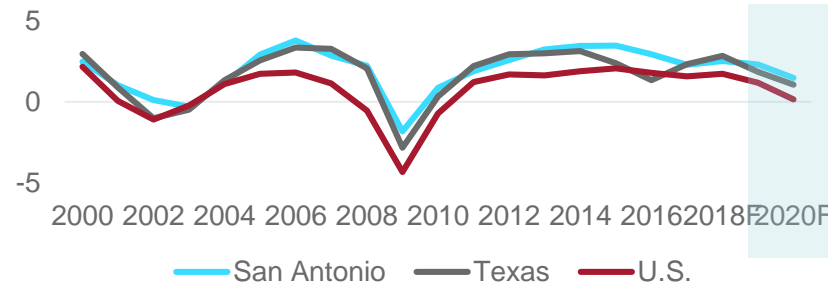
# San Antonio Outperforming U.S.

San Antonio vs. Texas U.S.

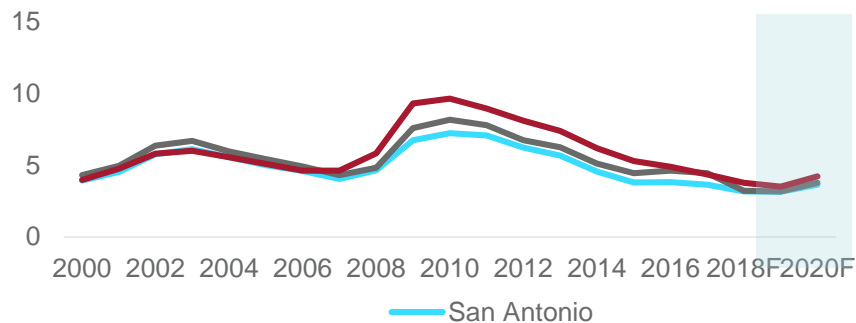
## Real GDP



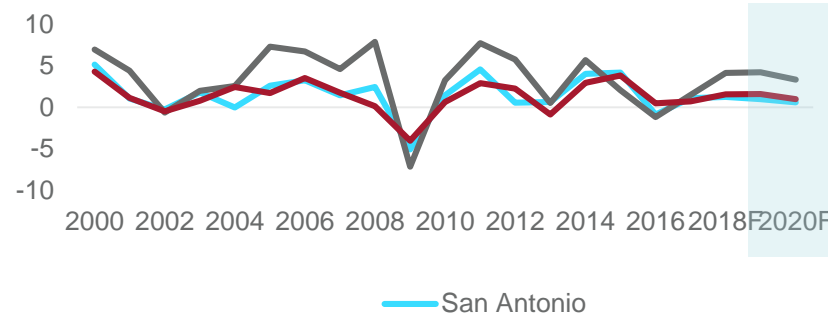
## Non-Farm Job Growth



## Unemployment Rate



## Wage Growth



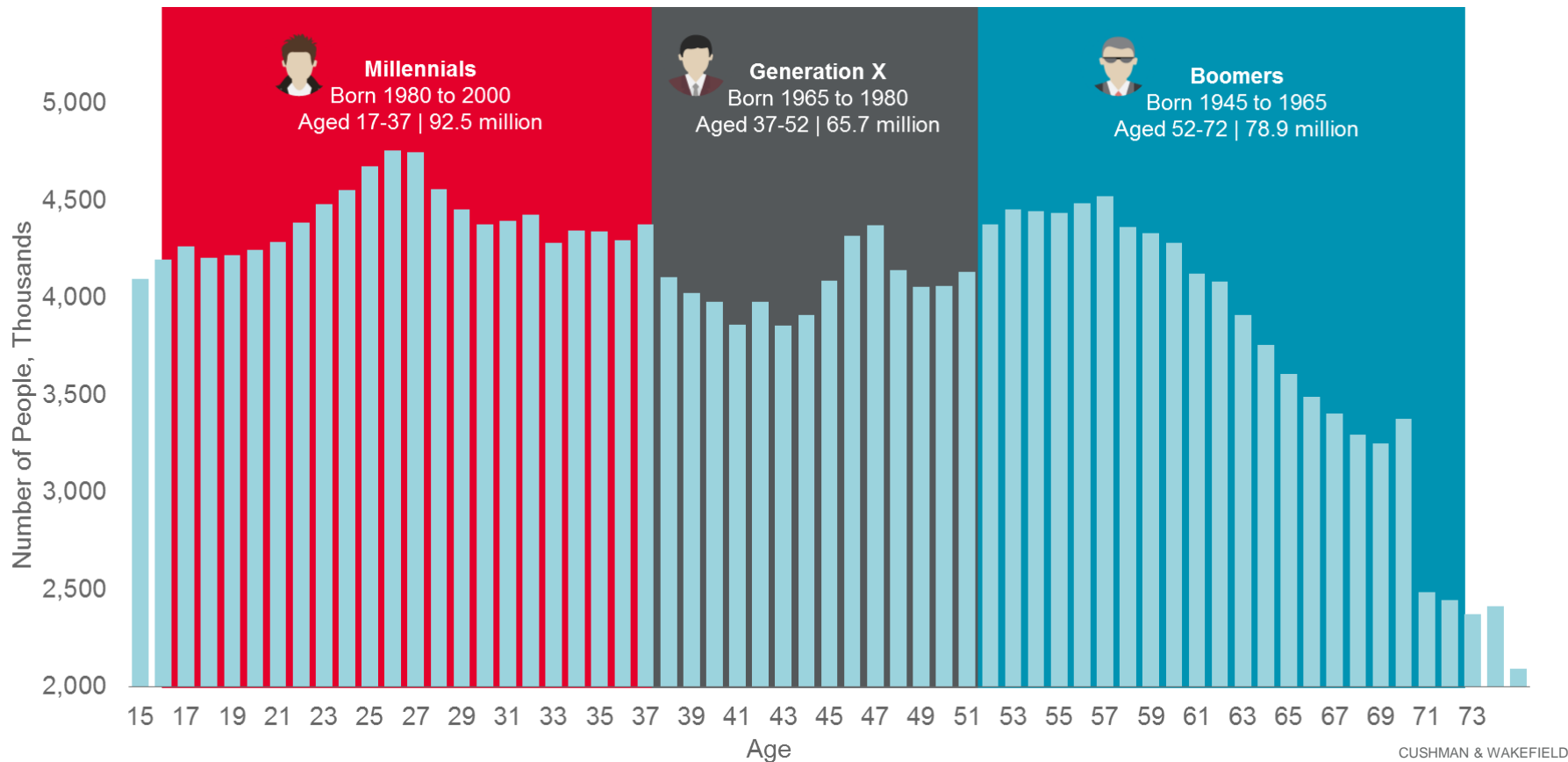


A low-angle, upward-looking perspective of several modern skyscrapers with glass facades. The buildings are arranged in a way that creates a sense of height and scale, with their lines converging towards the top of the frame. The sky is a clear, vibrant blue. A large, solid red diagonal banner is positioned across the middle of the image, serving as a background for the title text.

# Long-term Structural Drivers

# Groups of people are predictable

Source: U.S. Bureau of the Census



# Baby boomers

Source: AARP, RCLCO



10,000 per  
day until  
2030

**Baby  
boomers  
retiring**



Seniors in  
**US**

By 2059  
**42%** of  
population over 50+



59%  
**Move and  
downsize**  
in next 5 years



65%  
Plan to work  
after 65

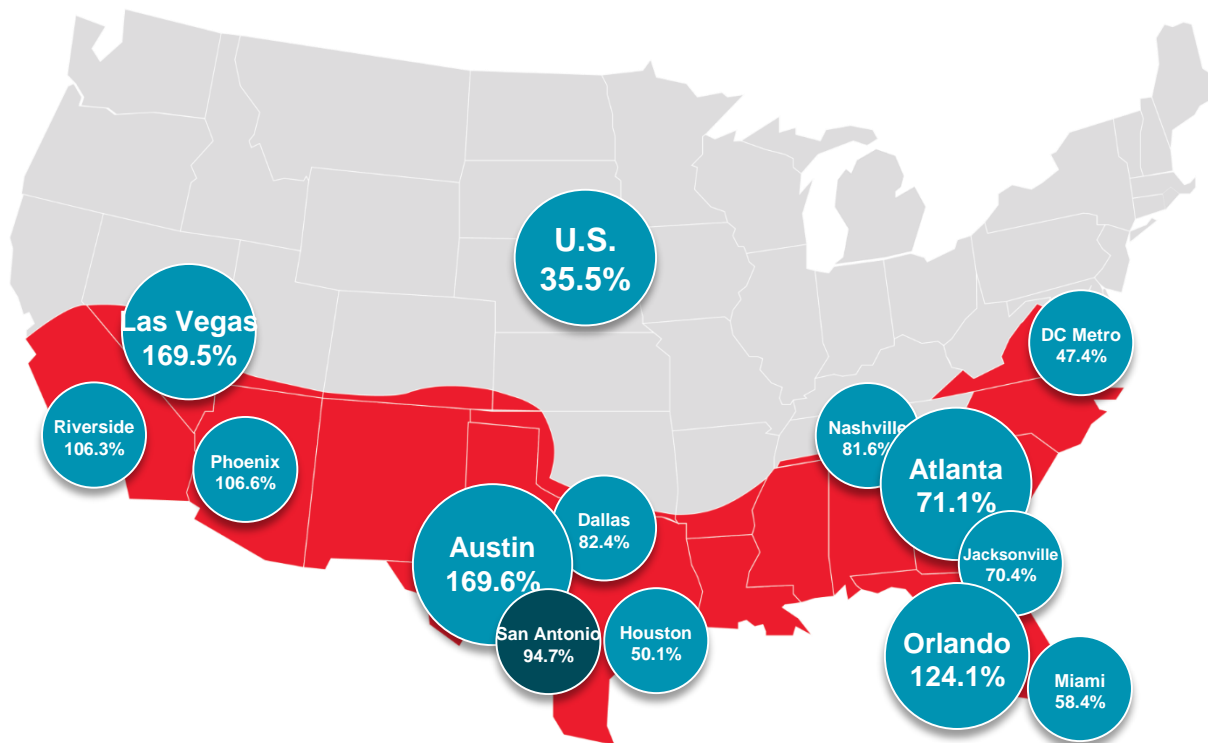


An aerial, high-angle view of a dense urban landscape, likely a major city center, rendered in a monochromatic red color. The image shows a complex grid of buildings, streets, and infrastructure, with several prominent skyscrapers rising above the surrounding urban fabric. The overall texture is grainy and slightly distressed, giving it a vintage or industrial feel. The text "Cities Matter" is superimposed in the center in a clean, white, sans-serif font.

# Cities Matter

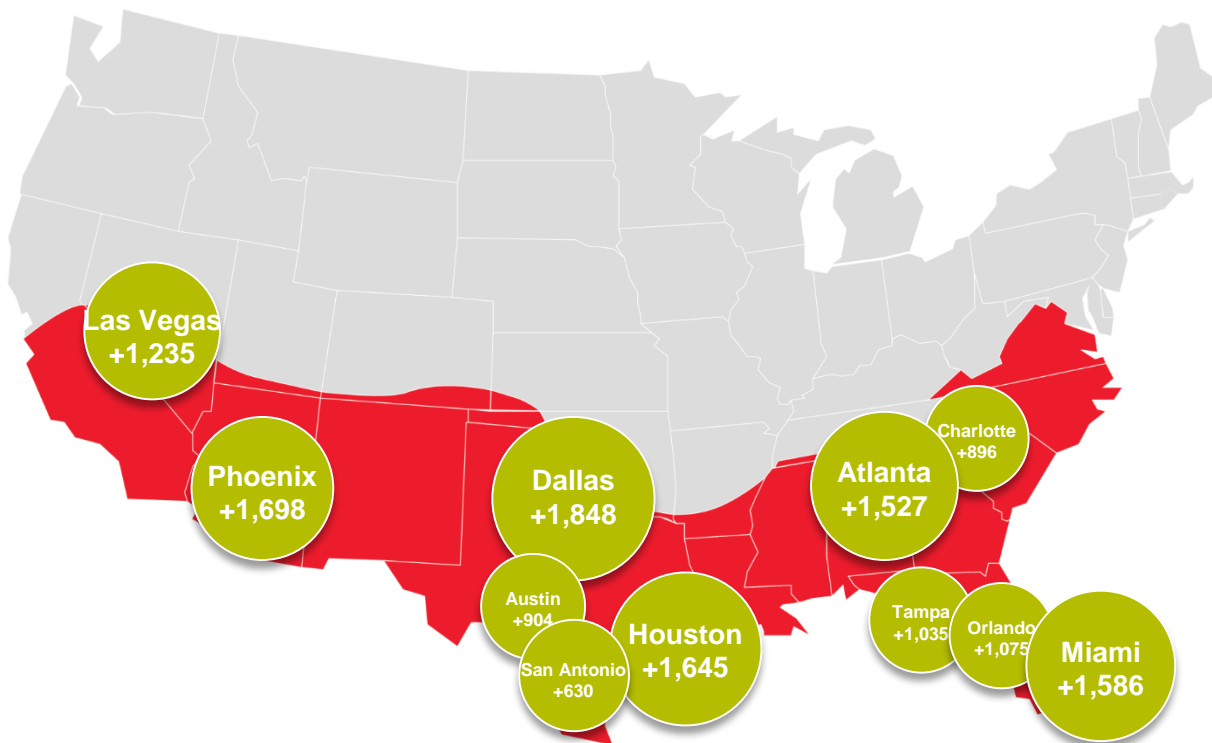
# Sunbelt Phenomena: Labor

Employment growing much faster in southern half of U.S.



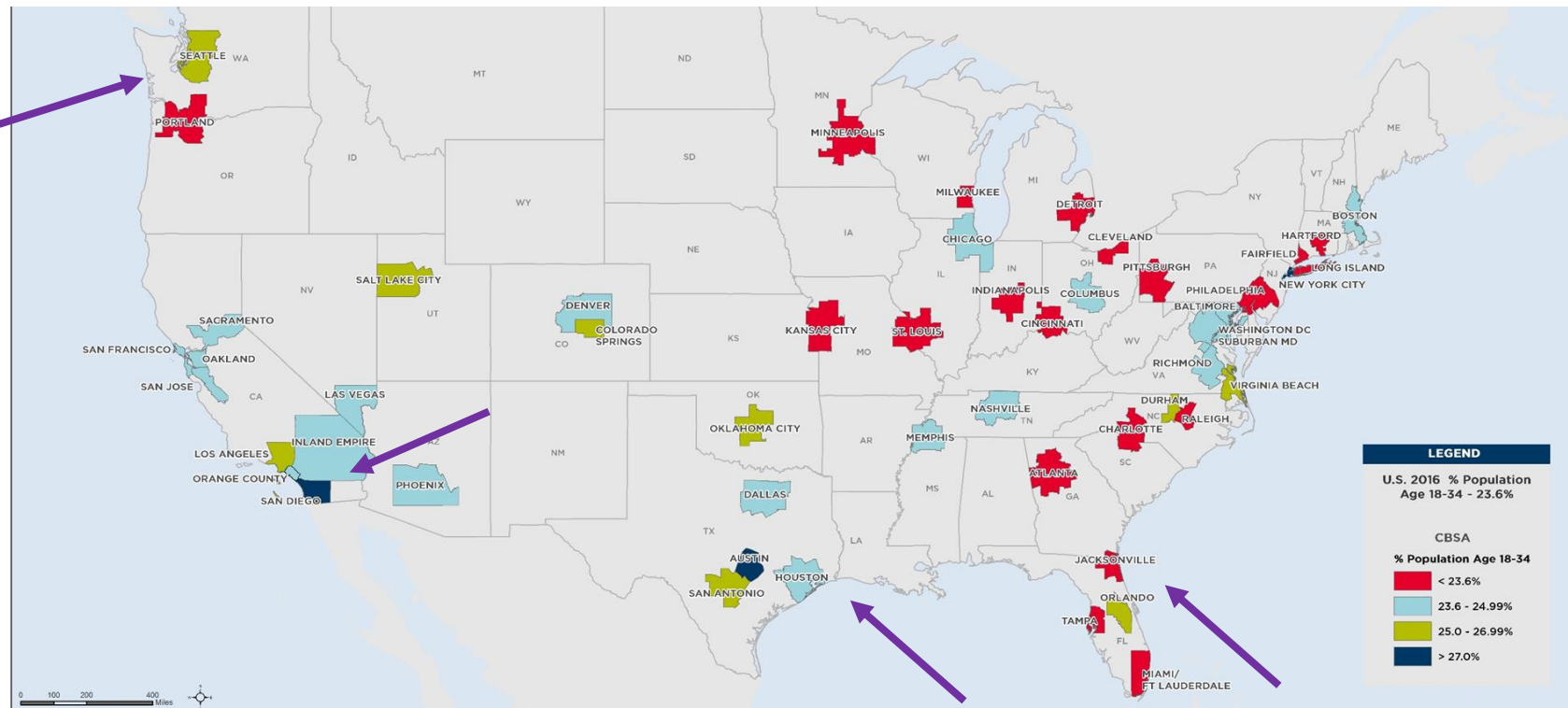
# Sunbelt Phenomena: Net Migration

What does the future hold?



Next 10 Years			
#	Market	Net Migration	Employment
1	Miami	#1	#5
2	Dallas	#2	#1
3	Phoenix	#3	#6
4	Atlanta	#4	#7
5	Houston	#5	#2
6	Orlando	#6	#8
7	Tampa	#7	#17
8	Las Vegas	#8	#14
9	Charlotte	#9	#22
10	Austin	#10	#11
11	Raleigh	#11	#24
12	Seattle	#12	#12
13	Fort Myers	#13	#37
14	San Antonio	#14	#15
15	Jacksonville	#15	#27

# Where Are the Millennials?





## Renting preferences of empty nesters



- **High Interest:**

- Charlotte, NC (78%)
- Minneapolis, MN (71%)
- Tampa, FL (60%)
- Baltimore, MD (56%)
- St. Louis, MO (54%)
- DFW, TX (48%)
- Chicago, IL (46%)

- **Low Interest:**

- Denver, CO (8%)
- Portland, OR (23%)
- Boston, MA (29%)
- Phoenix, AZ (31%)
- Atlanta, GA (33%)
- Los Angeles, CA (35%)

- **US Average 41%**



A bright, jagged lightning bolt strikes downwards from the top right, branching out as it descends. The background is a deep, dark blue, suggesting a night sky. The lightning is a brilliant white-yellow color, with some faint, wispy lines of light trailing behind it.

# Lightning Quiz



# Technology

Has technology:

- a) Increased jobs overall
- b) Decreased jobs
- c) Stayed largely the same

A bright blue lightning bolt strikes down from the top right corner against a dark blue background, with several smaller, fainter lightning bolts branching out from the main strike.

# Ride Hailing

Why do most people use Uber/Lyft:

- a) Convenience
- b) Parking
- c) Drinking



# War for Talent

Where do you think HQ2 will land:

- a) DC Metro
- b) Boston
- c) Austin
- d) Other





# Online shopping

What percentage of your shopping do you do online?

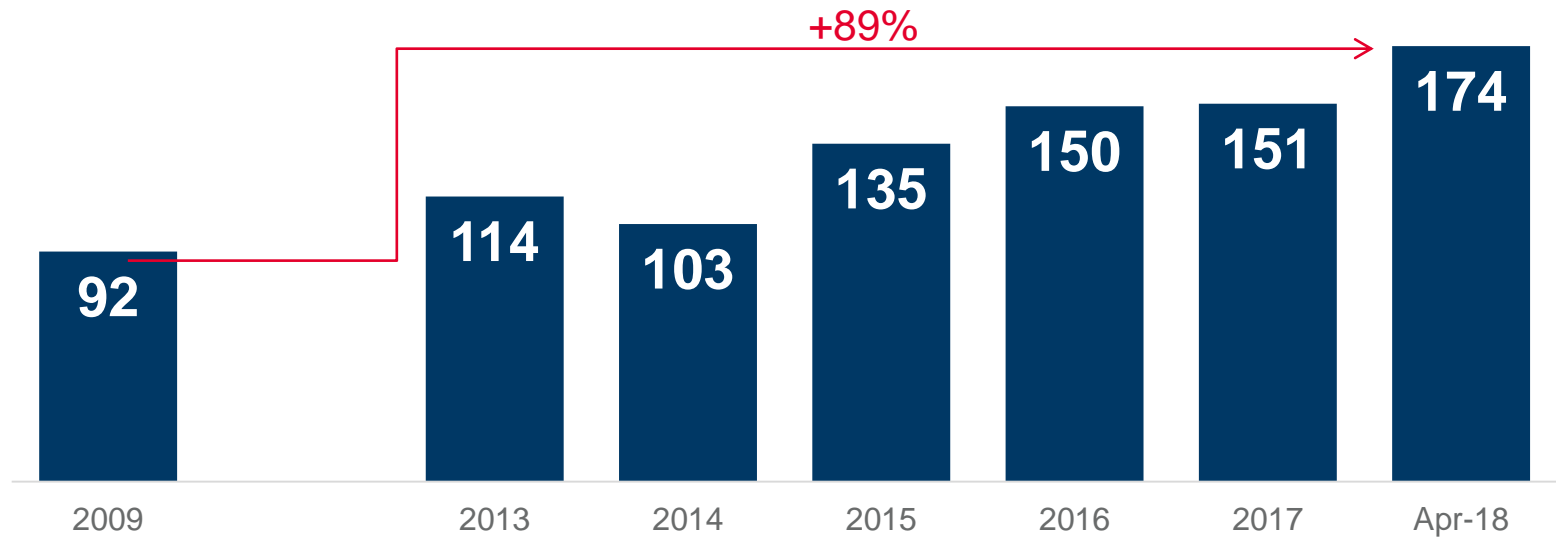
- a) Under 25%
- b) 25 – 50%
- c) Over 50%

A low-angle, upward-looking perspective of several modern skyscrapers with glass facades. The buildings are arranged in a way that they converge towards the top of the frame, creating a sense of height and scale. The sky is a clear, bright blue. A large, solid red shape, resembling a stylized arrow or a banner, points from the left towards the center of the image, serving as a background for the text.

# Investor Interest / CRE Fundamentals

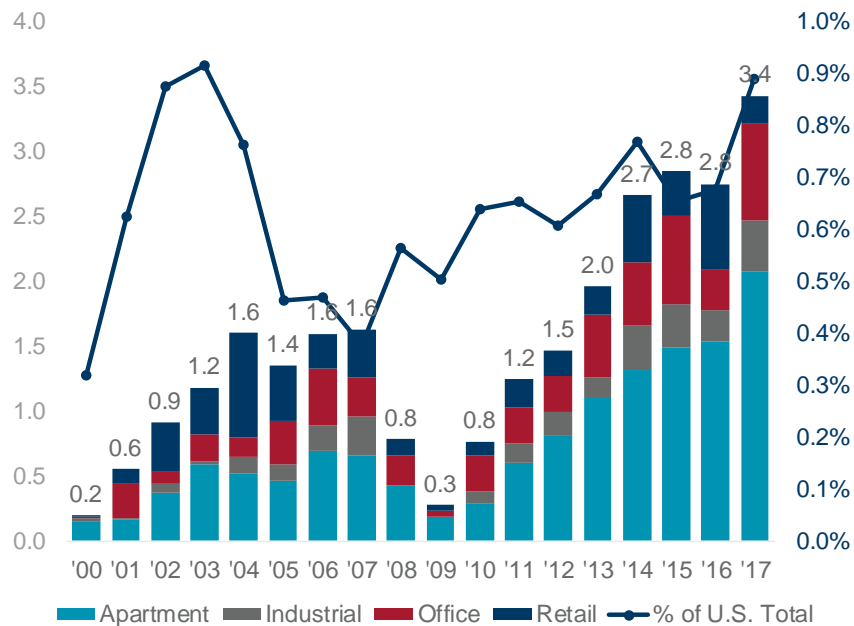
## Fundraising for CRE Remains Strong

Dry Powder Targeted at North America Commercial Real Estate (\$ Bn)



# Liquidity At All-Time Highs

## 2017 Sales More Than Twice Previous Cycle Peak



## Top Secondary Sunbelt Markets

Rank	Market	Sales Volume (\$ mil.) 2017
1	Dallas	19.3
2	Atlanta	16.4
3	Miami/So Fla	13.6
4	Houston	13.2
5	Phoenix	11.4
6	Denver	10.5
7	San Diego	7.3
8	Las Vegas	6.8
9	Orlando	6.6
10	Austin	6.4
11	Charlotte	5.8
12	Tampa	5.2
13	Raleigh/Durham	4.1
14	Sacramento	3.6
15	<b>San Antonio</b>	<b>3.6</b>

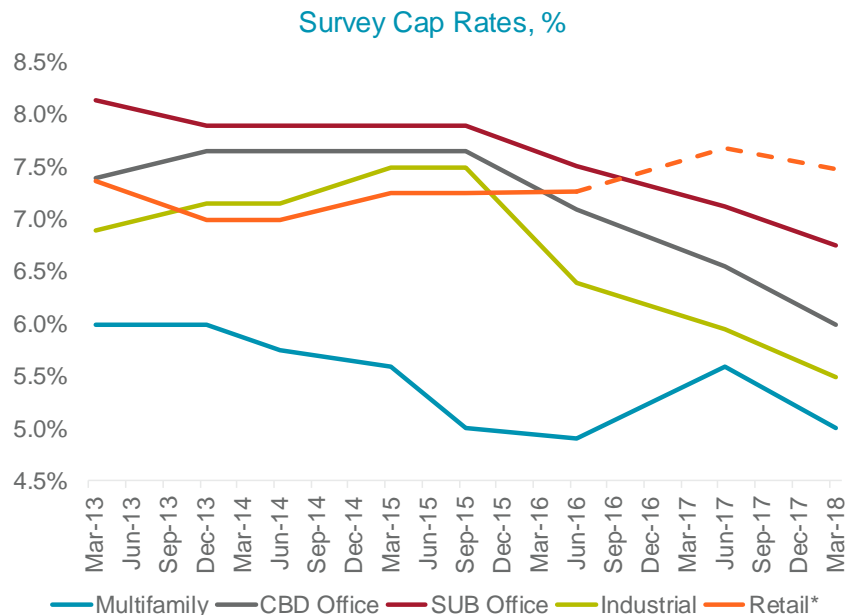
Source: RCA, Cushman & Wakefield Research

Deals over \$5 million



# Relative Pricing Competitive

## Cap Rates Remain Low



Source: RCA, Cushman & Wakefield Research

Deals over \$5 million.

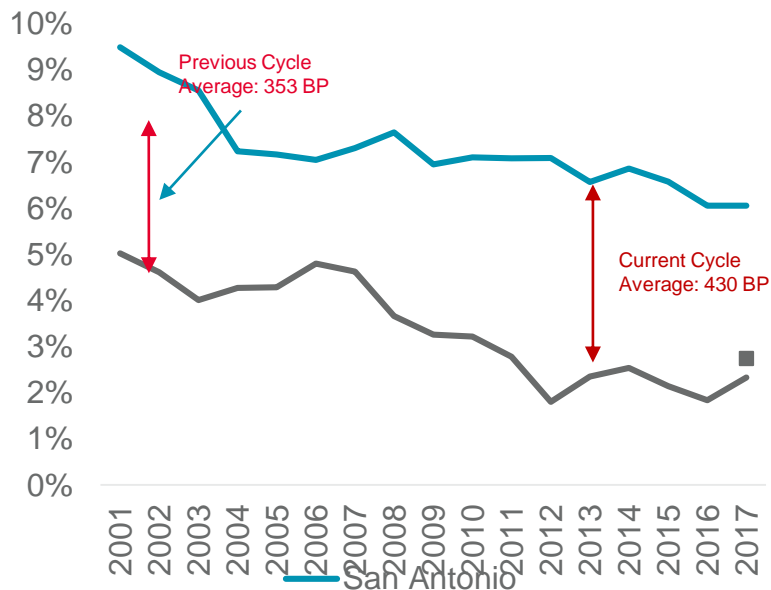
\*Solid line reflects survey data, dotted line reflects transaction cap rates adjusted for 89 basis points spread between transaction and survey cap rates.

## Top 25 Nationally

Rank	Market	Avg. Cap Rate 2017
1	LA Metro	5.0%
2	NYC Metro	5.1%
3	SF Metro	5.1%
4	Austin	5.5%
5	Boston Metro	5.6%
6	Seattle	5.6%
7	San Diego	5.7%
8	Portland	5.7%
9	Denver	5.8%
10	Miami/So Fla	5.9%
11	Sacramento	6.0%
12	Phoenix	6.0%
13	<b>San Antonio</b>	<b>6.1%</b>
14	DC Metro	6.1%
15	Dallas	6.1%
16	Las Vegas	6.1%
17	Raleigh/Durham	6.1%
18	Houston	6.2%
19	Nashville	6.3%
20	Atlanta	6.4%
21	Minneapolis	6.4%
22	Chicago	6.5%
23	Salt Lake City	6.6%
24	Orlando	6.6%
25	Philly Metro	6.6%

# Spreads Still Attractive

## San Antonio Yield vs. Treasuries



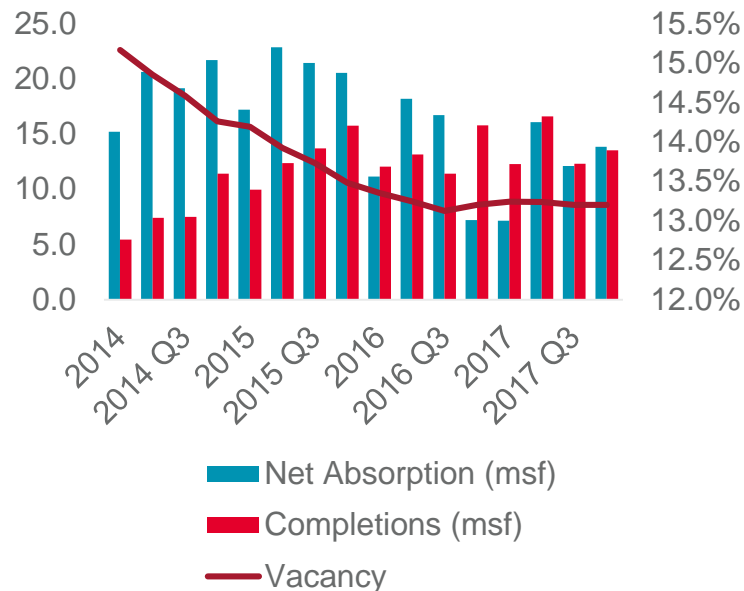
## San Antonio vs. Texas vs. Gateway Yields



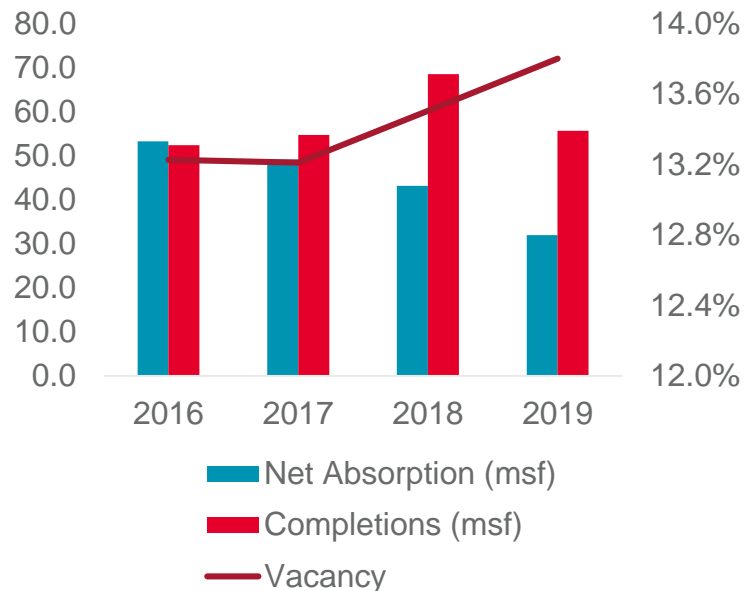
# Demand Slows Just As New Supply Comes Online

## U.S. Office Sector Fundamentals

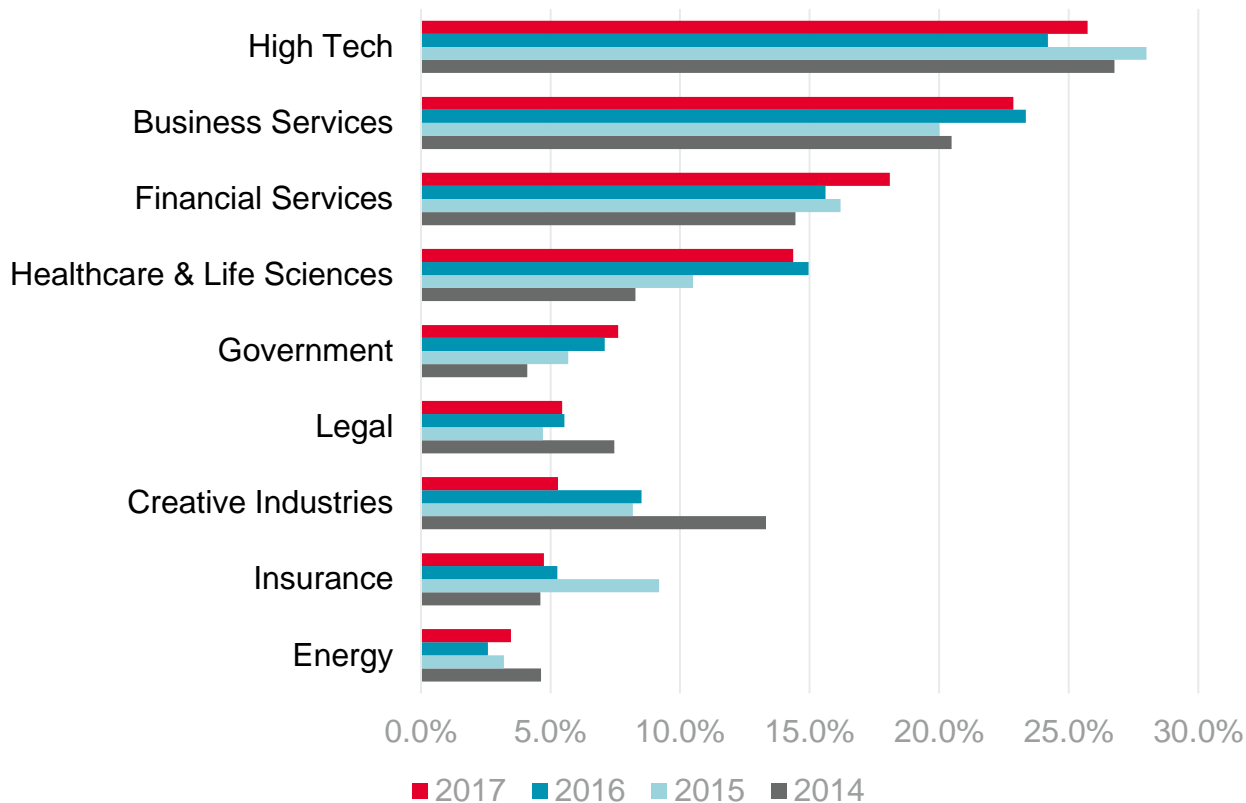
### Vacancy Bottoming



### Forecast



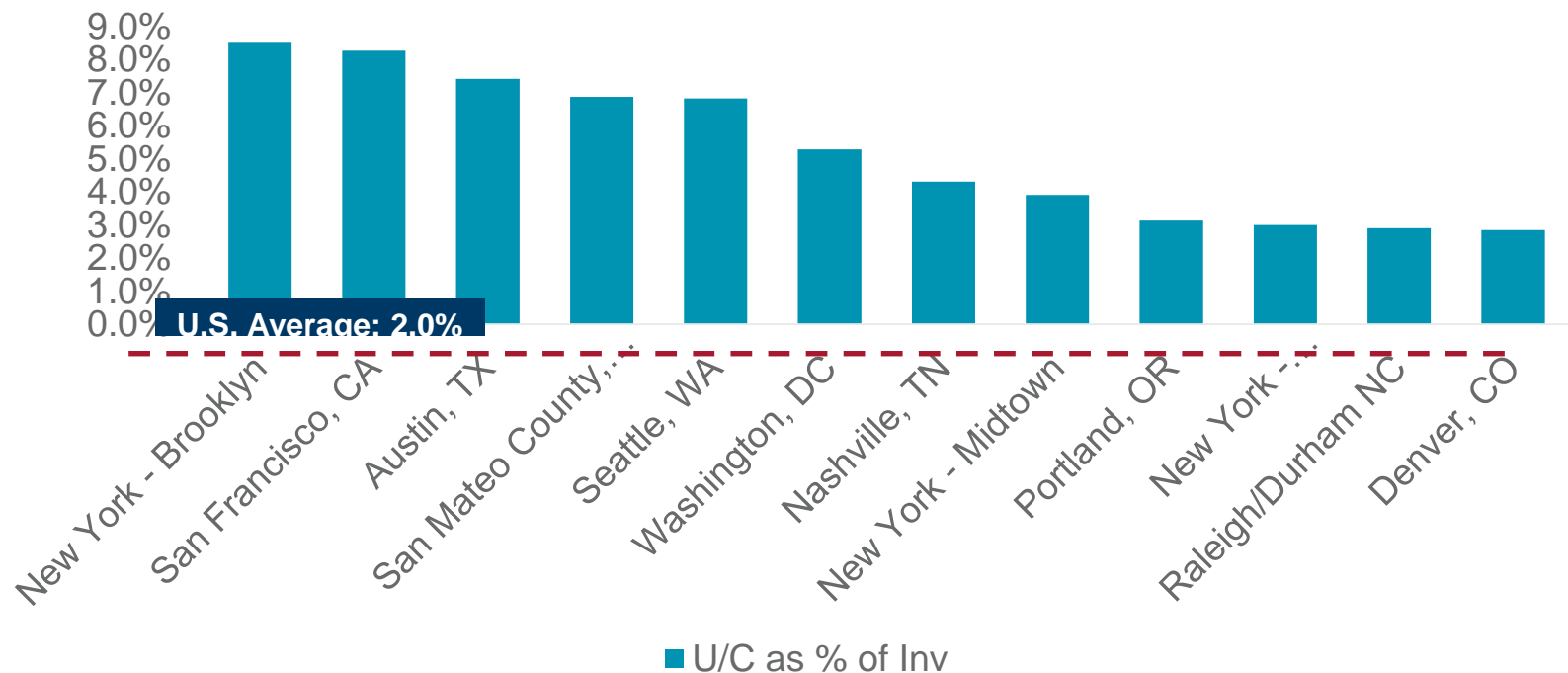
## Who Is Driving Demand: Office Leasing Trends by Industry



Note: Rankings based on the 40 largest office leasing deals by year in all reported major markets.

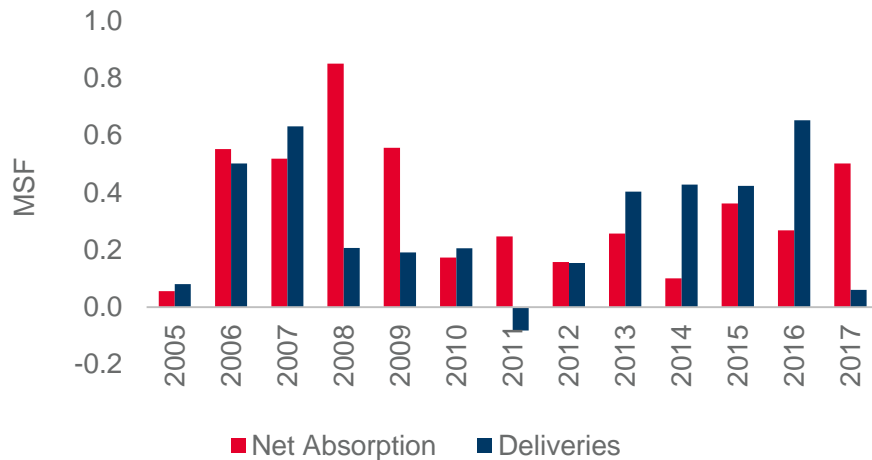
# Where the Construction Is Happening

44% of the Country's New Supply Occurring in These Markets

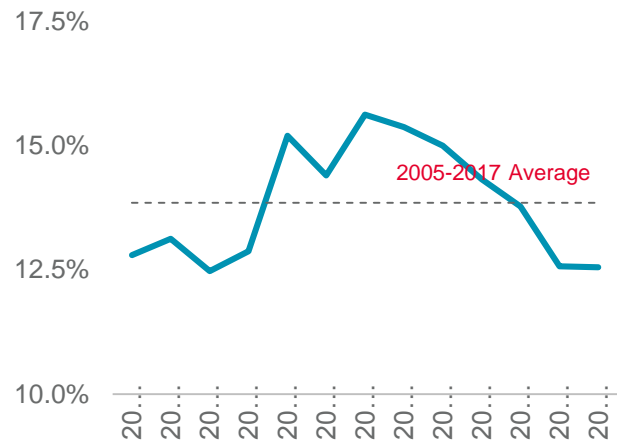


# San Antonio: Office Trends

## Supply & Demand

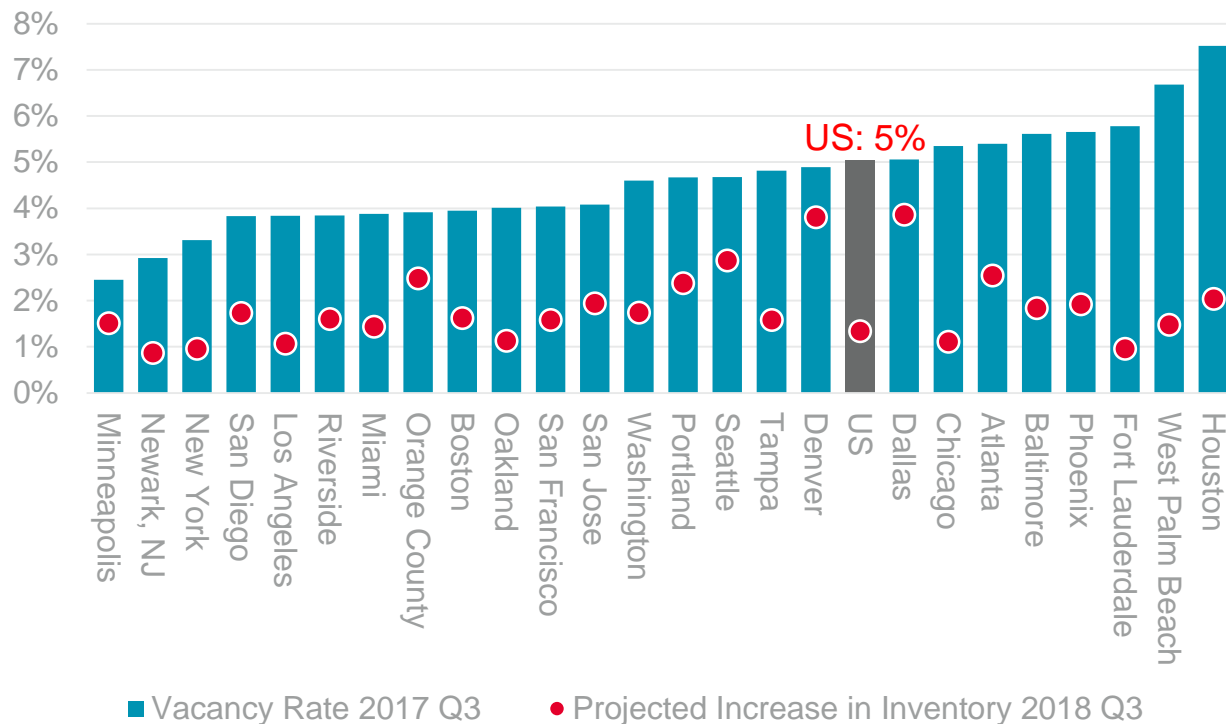


## Vacancy



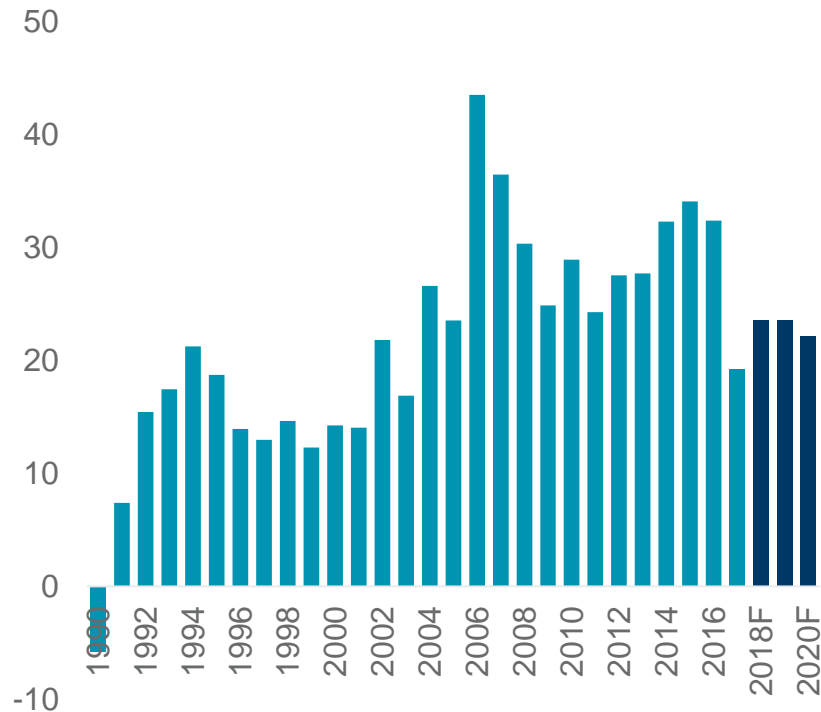
# Multifamily Market Overview

Current vacancy and one year forward increase in inventory



# San Antonio: People Drive Demand for Real Estate

San Antonio Net Migration (000s)



Market	Forecast Net Migration (000s)
Miami	284
Atlanta	259
Dallas	254
Phoenix	231
Orlando	196
Houston	195
Tampa	157
Las Vegas	134
Charlotte	125
Austin	122
Seattle	110
Raleigh	92
Ft. Myers	81
Nashville	74
San Antonio	69

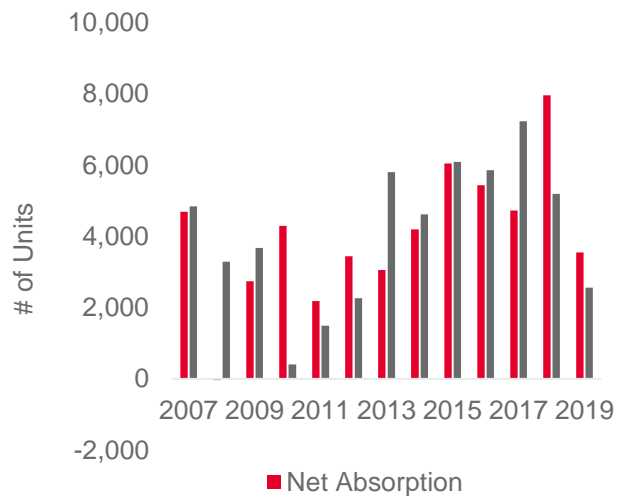
Source: U.S. Census Bureau, Moody's Analytics

Note: All figures are for MSAs and are ranked based on 2018-2020 total net migration.

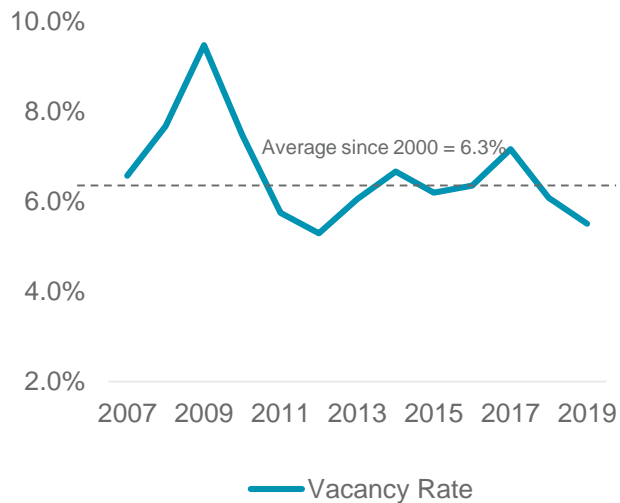


# San Antonio: Multifamily Trends

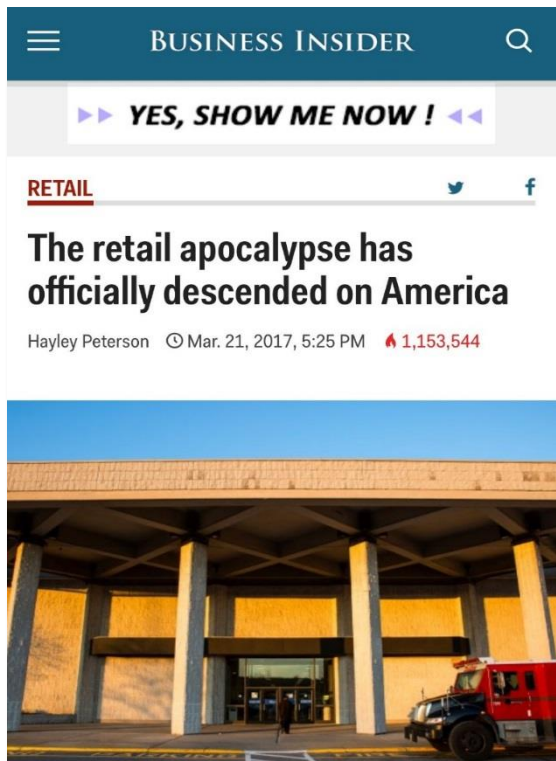
## Supply & Demand



## Vacancy



# Retail Apocalypse?



# Online Not Killing Neighborhood ... Just Because Malls

Neighborhood/Community Centers eCommerce Resistant



## Number of US Malls

2007:	1,350
2017:	1,150
2027:	850



## Core Tenancy of Neighborhood/Community Centers

- Grocery: Traditional, Organic, Ethnic, Discount, Niche
- Restaurants
- Off-Price Apparel
- Service Related Retail
- Medical Retail
- Personal Services

## Neighborhood/Community Centers

Overall Vacancy 8.0%

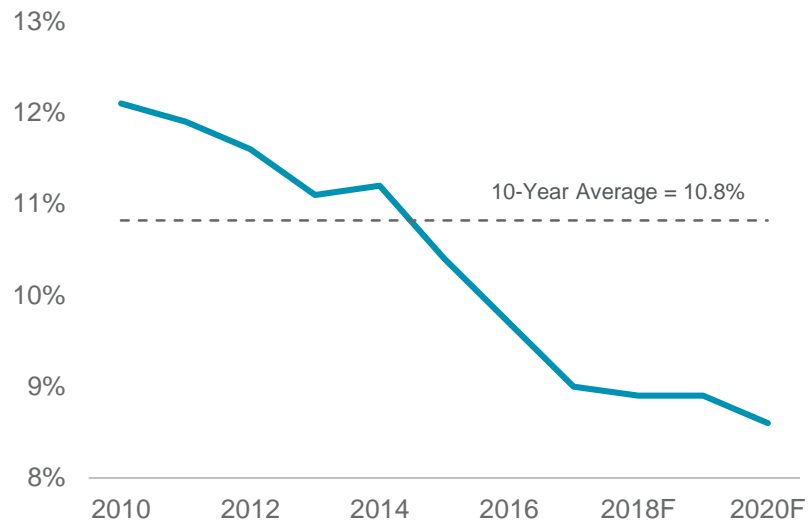
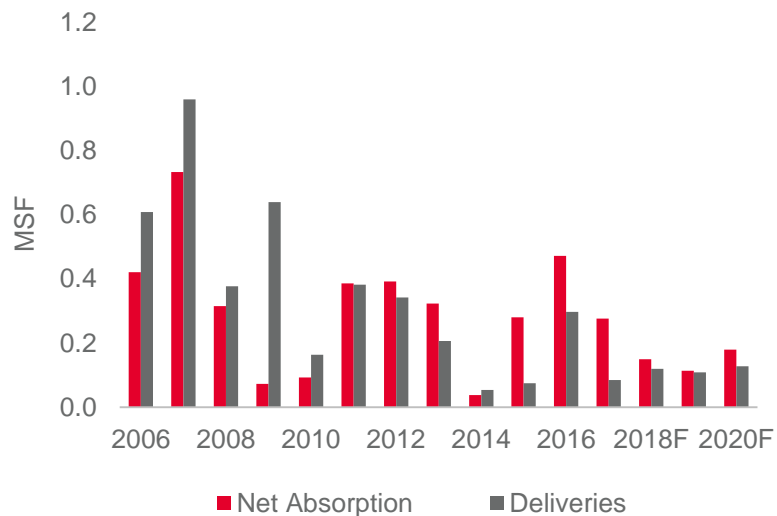
Class A Vacancy: 4.0% - 5.0%

Class B Vacancy: 7.0% to 9.0%

Class C Vacancy: 13.0% to 16.0%

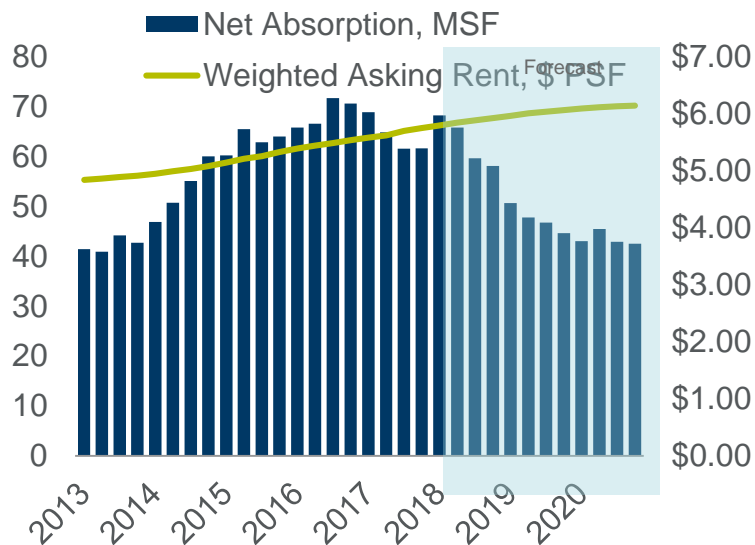
# San Antonio: Retail Sector Trends

## Neighborhood/Community Shopping Centers

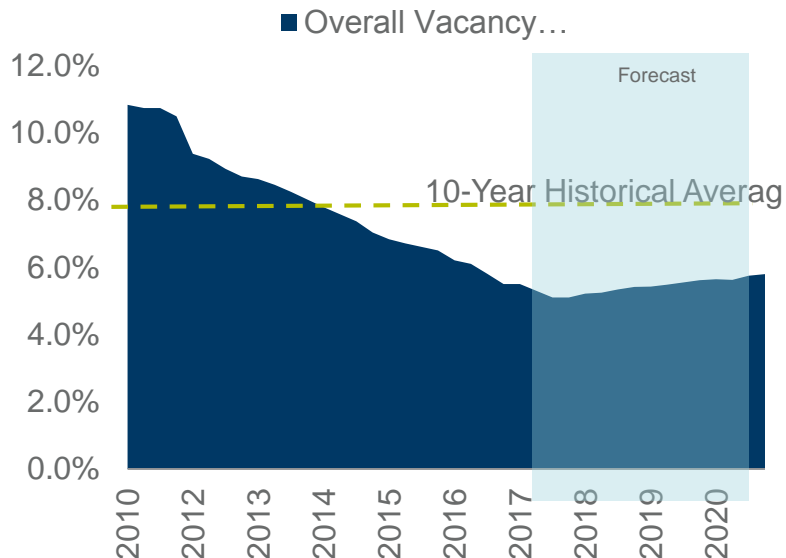


# Retail's Pain Is Industrial's Gain

Absorption and Rents Have Reached All-Time Highs  
4Q Trailing Average

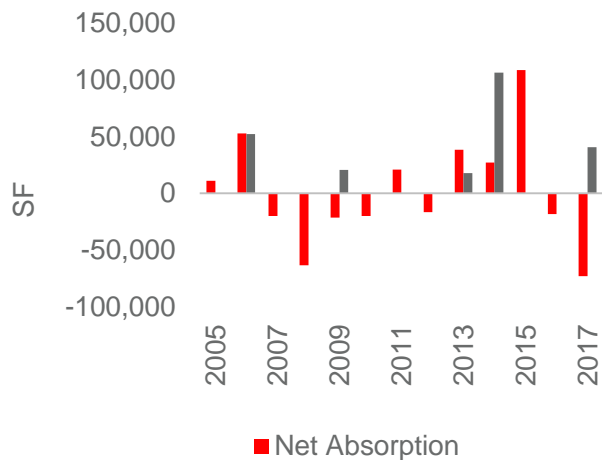


Vacancy will Slowly Rebalance  
Vacancy Rate, %

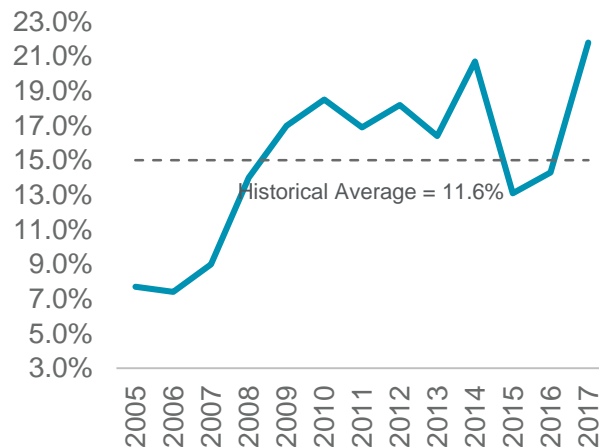


# San Antonio's Industrial Sector

## Supply & Demand



## Vacancy





A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a way that creates a sense of height and scale, converging towards the top of the frame. The sky is a clear, bright blue. A large, solid red diagonal shape cuts across the middle of the image, serving as a background for the text.

# Key Takeaways

## Key Takeaways

- U.S. expansion continues but be prepared for slowdown in three years
- Sunbelt poised for growth – millennials, job growth, migration, immigration
- Mountain of capital targeting markets like San Antonio - opportunistic
- Office sector – demand strong, supply story
- Industrial sector booming – demand drivers firmly intact
- Retail mixed– all about quality; steer clear of anything challenging Ecommerce directly
- Multifamily overbuild in the near-term, vacancy will rise and rent growth will soften, but don't bet again
- HH formation revving up
- Strong opportunities - development deals, strategic class B plays, and attractive spreads relative to gateways







# Thank you

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