

NAIOP

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION

NAIOP 2010 UPDATE

Lawrence Pobuda
2010 NAIOP Chairman

Northern Virginia
Chapter

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Overview...

- Our Industry and our Challenges
- What's the Scoop?
- New Development Opportunities – Where are They?
- The Value of Our Industry on the U.S. Economy
- NAIOP – How are we doing?

Our Industry and our Challenges

- 2009: A “tsunami-like” effect on our industry resulted in frozen credit markets, a lack of demand and a revaluation of property.
- Jobs will be slow to return
- Vacancy rates stabilizing at high levels...plus sublease and shadow
- Property Income and real estate values are down...up to 40%
- 2010: A Year of Transition – from “extend and pretend” to “back to the basics”
 - *Focus on our tenants*
 - *New lending practices*
 - *Signs of optimism*

What's The Scoop?

- *Thoughts from this week....*
 - *We came back after the holidays and it seemed that both lenders and borrowers had had enough and wanted to get back to work...Deanna Polizzo, NorthMarq Capital, New York City*
 - *Capital is back – debt is back, but it better be good real estate...Alex Klatskin, Forsgate Industrial Partners, New York City*
 - *There is a movement of “B” users migrating to “A” space.... William Hunt, Elmhurst Group, Pittsburgh*
 - *If you have cash flow, you have something that is marketable. Without it, forget it....Stephen Bronner, Parmenter Realty Partners, Dallas*
 - *Most life companies are back in the market – with substantial allocations to real estate...Gregory Walz, Northwestern Mutual, Milwaukee*
 - *Watch out if interest rates increase...this could be a problem on many fronts...Gregory Walz, Northwestern Mutual, Milwaukee*
 - *Optimism should be tempered and managed – there are no quick fixes out there....Steven Martin, SDM Partners, Atlanta*

NEW DEVELOPMENT OPPORTUNITIES –
WHERE ARE THEY?

Take Advantage of Demographic Tailwinds!

- Medical Office
- Higher Education
- State and Locally Owned Government Property

The challenge is to expand your businesses to take advantage of these opportunities – you'll emerge stronger, smarter and more diverse.

New Development Opportunities

Medical Office

On January 1, 2011, the “baby boomers” will begin celebrating their 65th birthdays – **10,000+ people will turn 65 each day**. This will continue for 20 years!

Where's the opportunity?

- Medical office buildings
- Free-standing ambulatory care centers
- Senior housing – Assisted Living, CCRC's, and Independent Living

New Development Opportunities

Medical Office

The good news

- Vacancy rates hover at 5-10 percent for stabilized MOBs, with tenants generally married to a certain location for the foreseeable future.
- Unlike many other product classes where sales have deteriorated and cap rates have climbed, investment activity is stronger for medical office assets.

New Development Opportunities

Public Institutions/Education

The National Center for Education says that college enrollment is on the rise:

- Enrollment is expected to increase up to 20 percent from 2002 to 2014 at degree-granting institutions.
- Undergraduate enrollment is expected to increase by 16 percent; graduate enrollment by 22 percent, and professional degrees by 32 percent.

Where's the opportunity?

- Student housing – Universities' limited funds are going toward top-notch educational programming. They look to private developers to build student housing and replenish their stock.

New Development Opportunities

Public Institutions/Education

The good news

- Student-housing rents have been rising faster than conventional apartments.
- The adage of, “Location, Location, Location.” couldn’t be more applicable to any other real estate (except maybe airport parking!)
- Students (and their parents) will pay more for good location, quality product, and good management.

New Development Opportunities

State and Locally Owned Government Property

State and local governments are facing severe budget shortfalls – and they are turning to real estate as a solution.

Where's the opportunity?

- Investment in and/or ownership of government-owned properties – everything from Class A office to fairgrounds and prisons.
- States, including California and Arizona, are executing long-term sale/leasebacks. This allows government services to continue without interruption, while giving the state a fast infusion of cash.

THE VALUE OF OUR INDUSTRY ON THE U.S. ECONOMY

The Impact of Commercial Development

Politically, it's more important than ever that legislators on the federal, state and local levels understand the tremendous economic contributions that commercial real estate makes.

- In 2007, commercial construction-related spending reached \$549 billion, adding 839 million square feet of existing building space.
- Commercial real estate development is a leading employer in the United States, supporting 4.89 million full-time equivalent jobs in 2007, and generating personal earnings of \$170.1 billion.
- Total construction spending (commercial and residential) was \$1.16 trillion - approximately 8.5 percent of the nation's GDP.

NAIOP TODAY

- Financial health of the organization is strong!
- NAIOP “brand” is recognized around the country and on Capitol Hill
- Membership strength in Developing Leaders
- Strategic Plan – 2007 / 2008

NAIOP Today

Let NAIOP be an extension of your internal training and education – at the fraction of the cost.

- Online education courses and Webinars offer unmatched education on the most critical industry topics – learn from the comfort of your office and bring your staff together for training.
- The free, online “Solutions Series” programs bring real-life, real-learning opportunities to you in short (30 minute) programs, presented by industry experts.
- Online courses are launching in the spring: Leasing, Marketing and Negotiation (9 week course) and Basic Real Estate Finance (8 week course), with more planned for the fall.

Legislation could significantly impact our industry in 2010:

1. Credit Availability and Capital Markets
2. Tax Reform
3. Carried Interest
4. Energy

***“The greater the difficulty, the more
glory in surmounting it.
Skillful pilots gain their reputation
from storms and tempests”***

–Epicetus, Greek Philosopher

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THANK YOU!

