

# Economic Update for Commercial Real Estate:

## The Three C's Behind the Crisis: Credit, Confidence & Collateral

Presentation to Attendees :

*WSCAR Education Day 2008*

Washington State Commercial Association of REALTORS®

by

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October 29, 2008

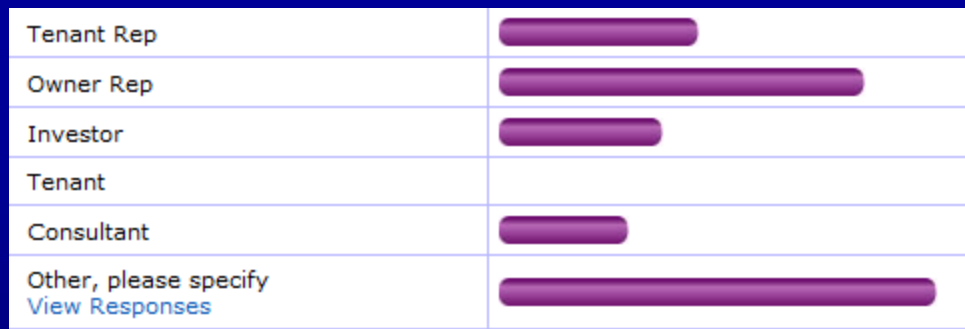
# Presentation Overview

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- Macro-View
  - Economic Conditions
  - Real Estate Capital Markets
  - Real Estate Fundamentals
- Seattle Regional View
  - Economic/Capital/Real Estate Markets
  - Challenges, Issues and Opportunities

# Survey Responses

- Objective
  - Link academic/industry perspectives
  - Provide local market insights
  - Compare to national perspective
- Who Responded?

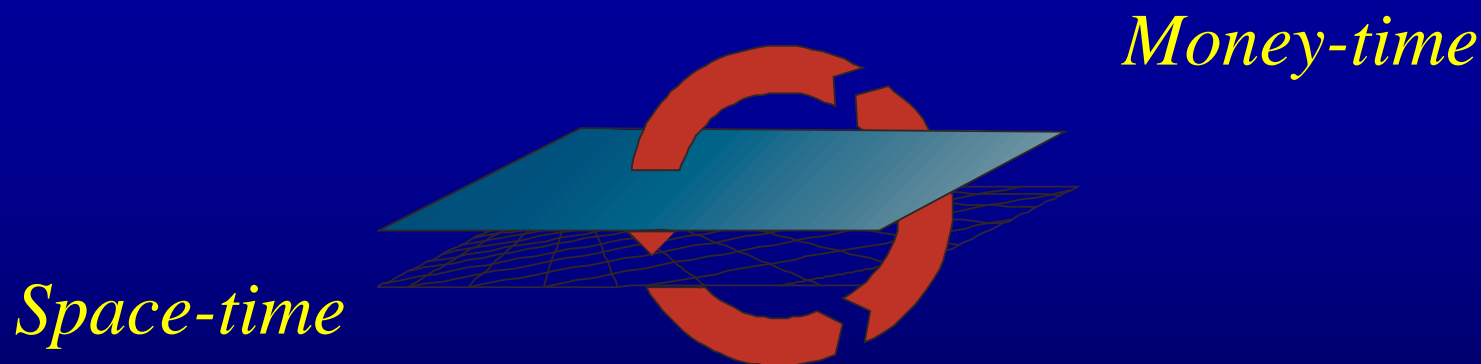


Brokerage management	4
All of above	3
Investment Sales/Broker/Rep	3
Property Manager	3
Land/investor broker	2
Mortgage Banker/Broker	2
Listing/procuring agent	1
Investor	1
Syndicator, owner, manager, agent	1
Market data provider	1

- Response Rate
  - 69 usable
  - 50% +/-

# The Definition of Real Estate

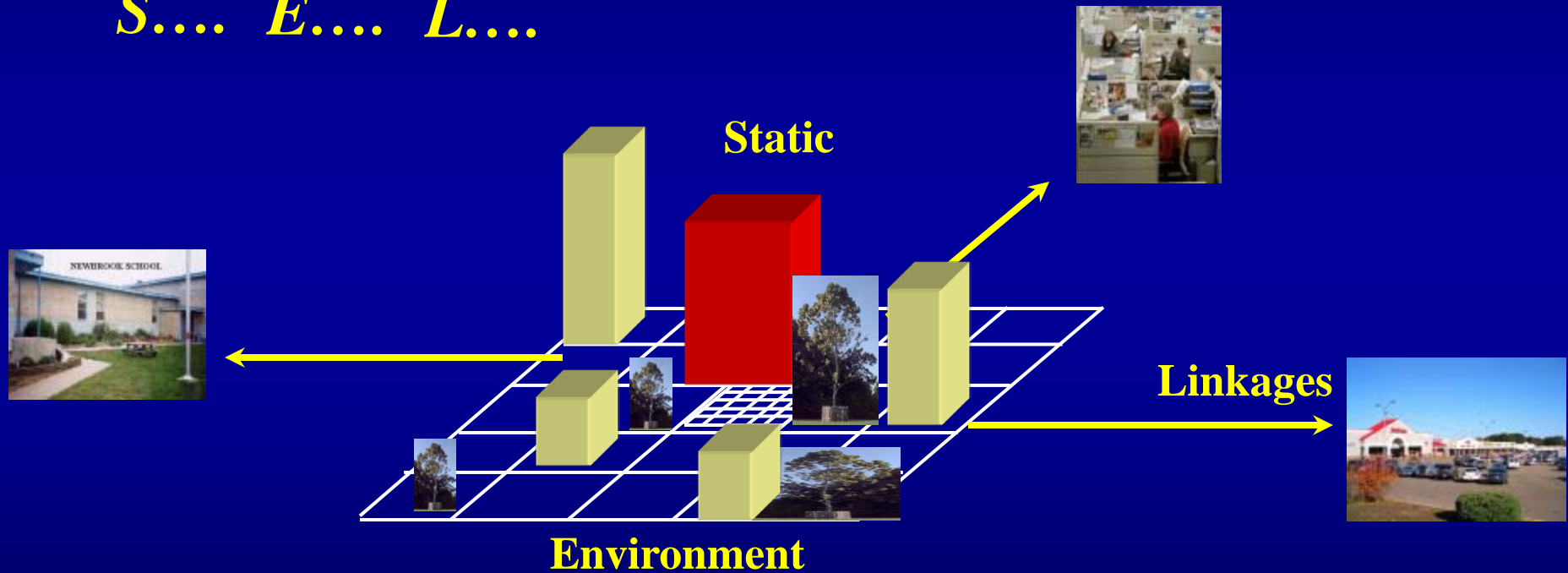
- What is Real Estate?
  - Artificially delineated space over time with a fixed reference point to the earth.....
- What key approaches to Real Estate?



# What is the Spatial Side of Real Estate?

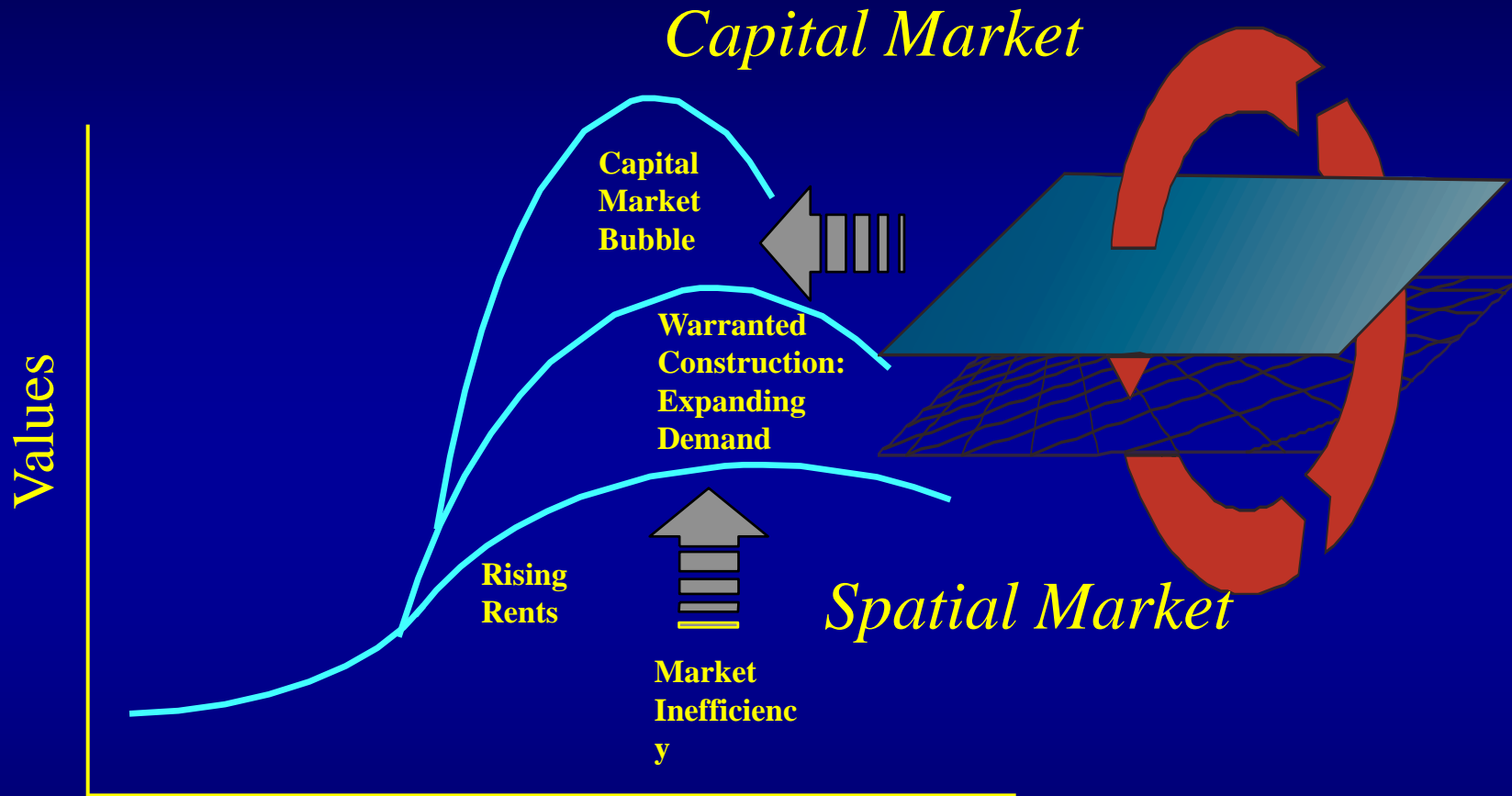
What are the three key dimensions of Real Estate?

*S.... E.... L....*



*S.... E.... L....*

# Real Estate Cycles & Spatial/Capital Disconnect



*Key Questions: Where are we? Where is bottom? When?*



Mouse over for Annotation

# Three Major Attributes of Real Estate

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*Three major attributes of real estate . . .*

- *L*,
- *L*,
- *L*.



# The Three C's of our Disconnect

- Credit Crisis
  - Easy Credit
  - Cheap Credit
  - Plentiful Credit
- Crisis of Confidence
  - Consumer Confidence
  - Corporate Confidence
- Crisis of Collateral
  - Value attributable to delinking spatial market/capital market
  - Values correction as “marked to market”
  - Re-pricing of Risk



# The Risk Management Process

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- Identify exposures
- Identify alternative control procedures
- Select appropriate control
- Implement
- Monitor and feedback

# Types of Risks in Real Estate

- Business risk
- Financial risk
- Liquidity risk
- Inflation risk
- Management risk
- Interest rate risk
- Legislative/Political risk
- Environmental risk
- Accounting risk
- Exit risk
- Market Balance
- Demand
- Risk to underlying activity
- Not generate sufficient funds
- Inability to transfer assets
- Loss of purchasing power
- Administrative, HR risks
- Changing cost of capital
- Changing “rules” of the game
- Changing standards
- Changing accepted practices
- Unable to liquidate position
- Excess or imbalance supply
- Changing nature, level of demand

# Political Preferences and Prognastications

- Which Presidential ticket do you personally prefer?

Barack Obama/Joe Biden		25	40%
John McCain/Sarah Palin		34	54%
Other, please specify <a href="#">View Responses</a>		4	6%
Total		63	100%

- Which ticket do you think will win?

Barack Obama/Joe Biden		52	85%
John McCain/Sarah Palin		8	13%
Other, please specify <a href="#">View Responses</a>		1	2%
Total		61	100%

- Who will win for Governor?

Christine Gregoire		26	43%
Dino Rossie		35	57%
Total		61	100%

← Mouse over for Annotation

Turning to the economy, you can start with some good news that is quickly overwhelmed with some of the bad news. In response to the q

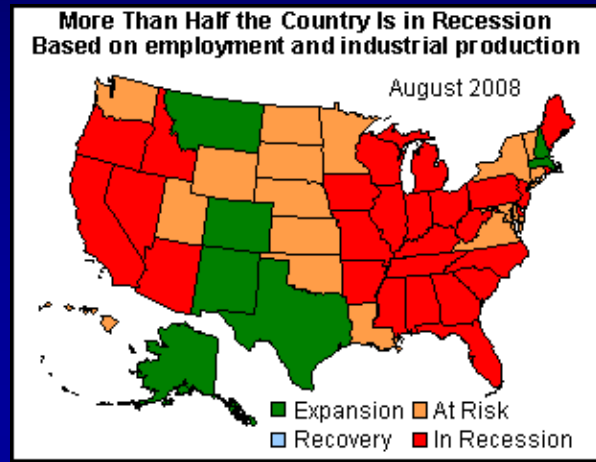
# Part I: Economic Growth & Recession?



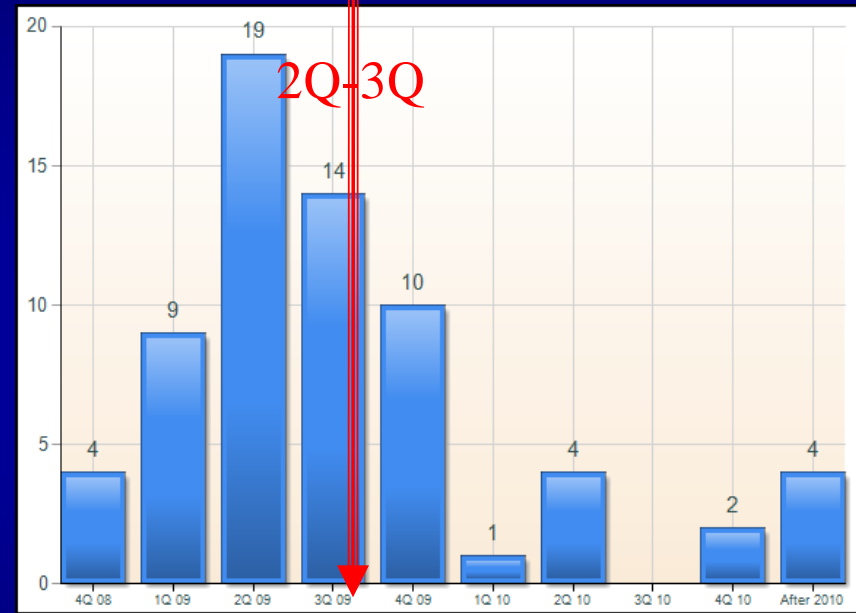
## GDP was up 3.5% in 2<sup>nd</sup> Q, but...

## How long?

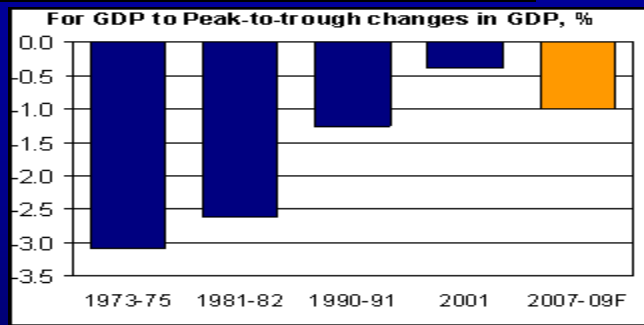
## Seattle CBA



### Where?



### How bad?



Source: Moody's Economy.com

### Heading into major recession?

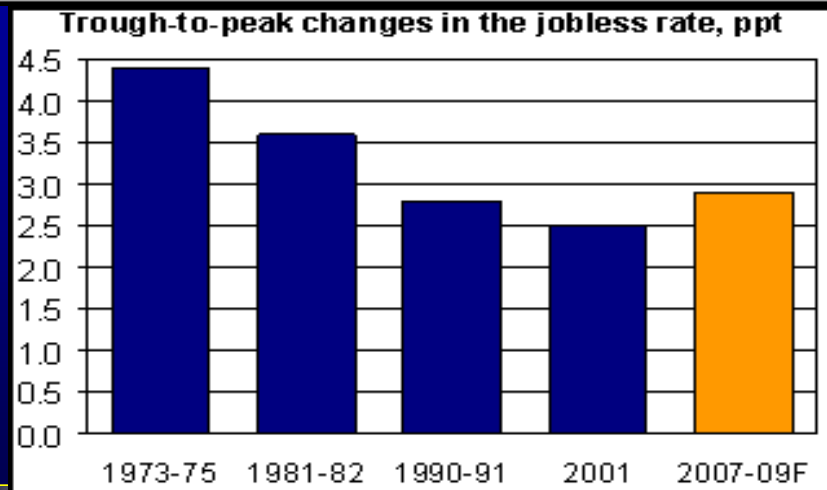
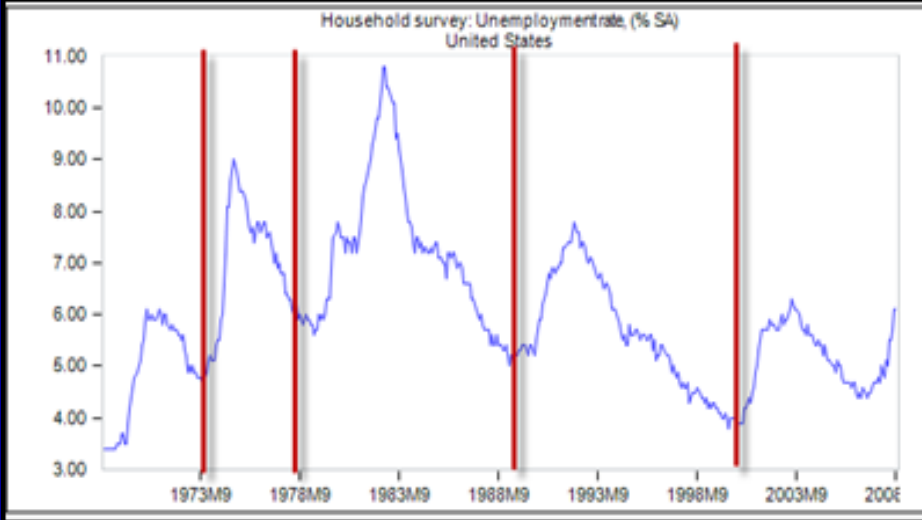
Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
26 39%	26 39%	9 14%	5 8%	0 0%

# Unemployment Rates

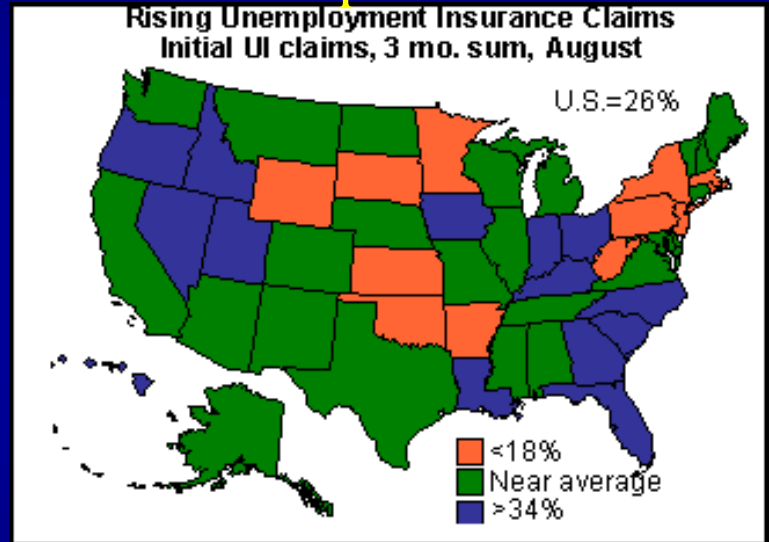
Employment to improve early '09?

Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
3 4%	12 18%	9 13%	35 52%	8 12%

Unemployment



## How Widespread?



## Who's Next?

- State & Local Government
- Technology, retail
- Everyone????
- University Professors???

How Bad?

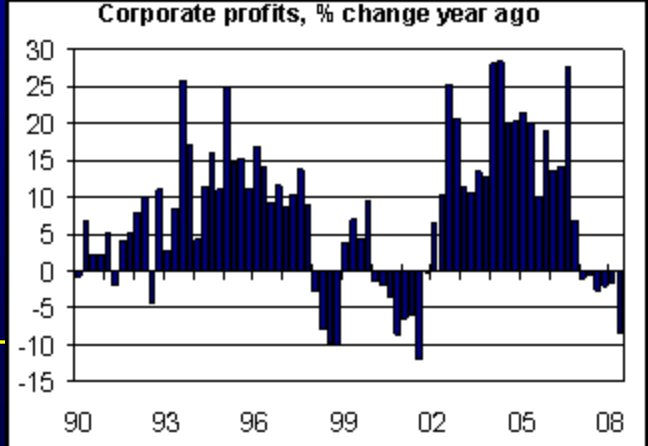
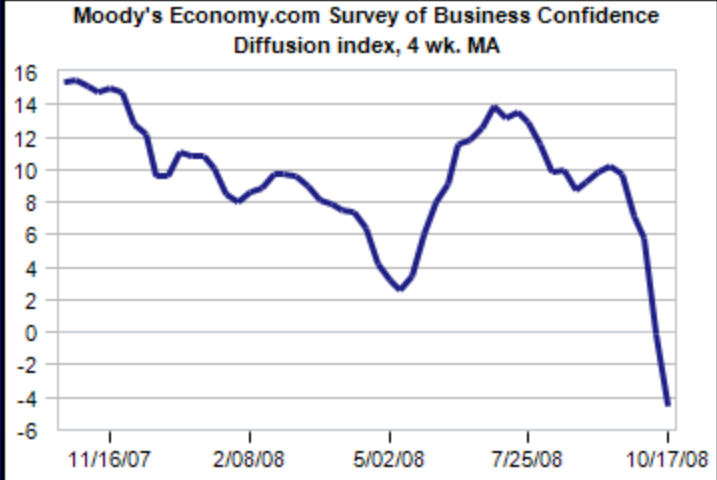
# Business Indicators & Business Confidence

Business Confidence

Corp Balance Sheets OK?  
Exports will propel economy

Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
5%	72%	12%	12%	0%
0%	18%	33%	43%	5%

## Inventories/Shipments



Source: economy.com

## Corp Profits

© JR DeLisle, Ph. D.

# Global Contagion: Diffusion of Credit Innovation

## Most Affected Regions



BBC News 10/19



Source: economy.com

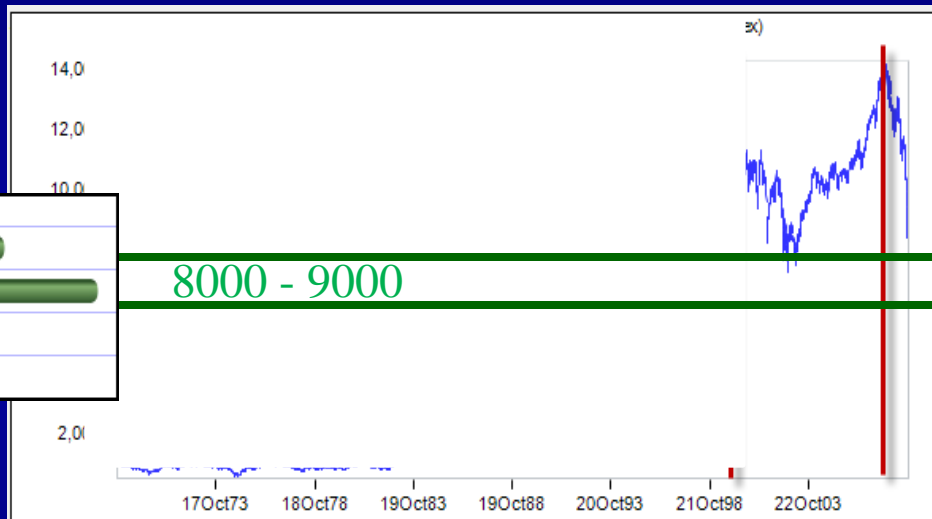
## Emerging Markets

- **Netherlands** to inject €10 billion (\$13.4 billion) into ING Groep NV
- **Germany** worked out details of a €500 billion rescue package
- **Sweden's** financial stability plan, includes \$206 b bank guarantee
- **South Korea's** \$130 b guarantee and \$30 b infusion Korean banking
- **Iceland's** banking system essentially collapsed in the past month
- **China's** economic growth slowed more sharply than expected
- **Russia's** financial markets face rising interest rates and a liquidity shortage.
- **Japanese** economic stimulus package worth \$107 b.

# Stock Market: Now and Then

## CBA on Where in 2 years?

## CBA on Where bottom?



9000 - 10000	
8000 - 9000	██████████
7000 - 8000	████████████████
6000 - 7000	██████████
5000 - 6000	██████

14000 - 16000	████
12000 - 14000	████████
10000 - 12000	████████████████████
8000 - 10000	██████████████████
6000 - 8000	████
Under 6000	████

Post election  
pro-business incentives

Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
3 5%	16 25%	20 31%	15 23%	11 17%

## Stocks surged 900 pts on 10/28/08...

# Crisis on Wall Street: From East Coast to West

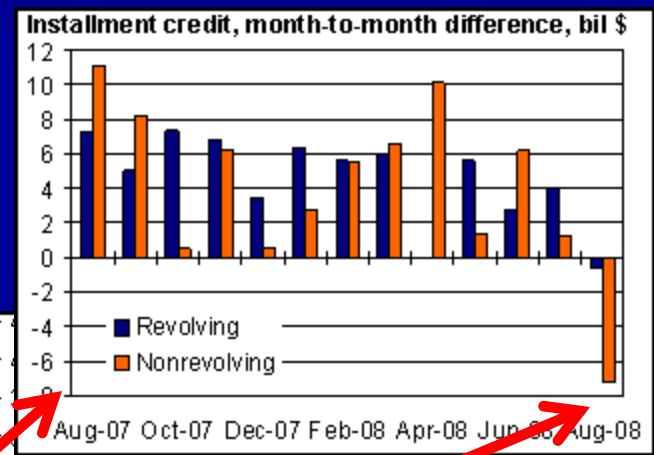
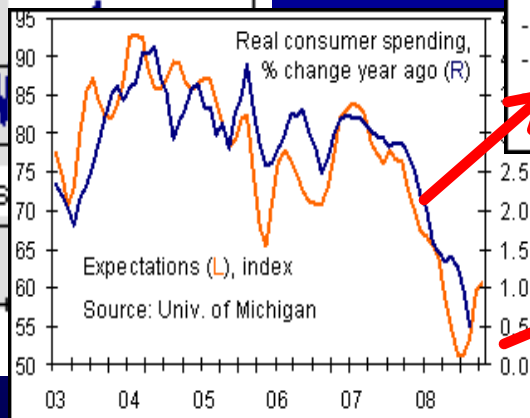
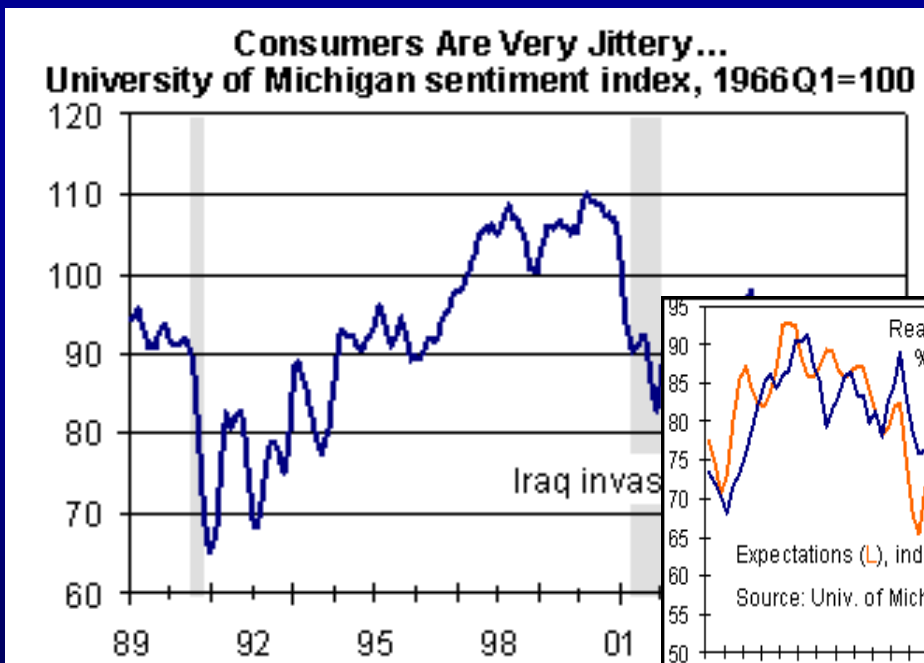
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- Residential market: Start of it all??
  - Went into a deep tailspin in 2006; focus on sub-prime mortgages; delinquencies up
  - New Federal Housing Finance Agency (FHFA) in July 2008
  - October, Fannie Mae and Freddie Mac conservatorship; \$200b
- Bailout
  - Approved \$700 billion “bail-out” under “Troubled Asset Relief Program” (TARP)
  - Bernanke: Fed paying depository interest on required and excess reserves
  - Treasury Secretary Paulson w/ \$200b infusion for financial institutions
- Fallout
  - September, 2008: watch Lehman Brothers bankruptcy
  - Gov help sell Bear Stearns sale to JP Morgan Chase
  - Seized control of AIG and made an \$85 billion infusion
  - Provided Morgan Stanley and Goldman Sachs with a credit agreement, under supervision
  - Bank of America acquired Merrill Lynch, with similar credit agreement
  - Acquisition of Washington Mutual by Wells Fargo & Co.

# Consumer Confidence, Spending & Credit

Consumers Contracting dramatically

Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
22 33%	33 49%	5 7%	6 9%	1 1%

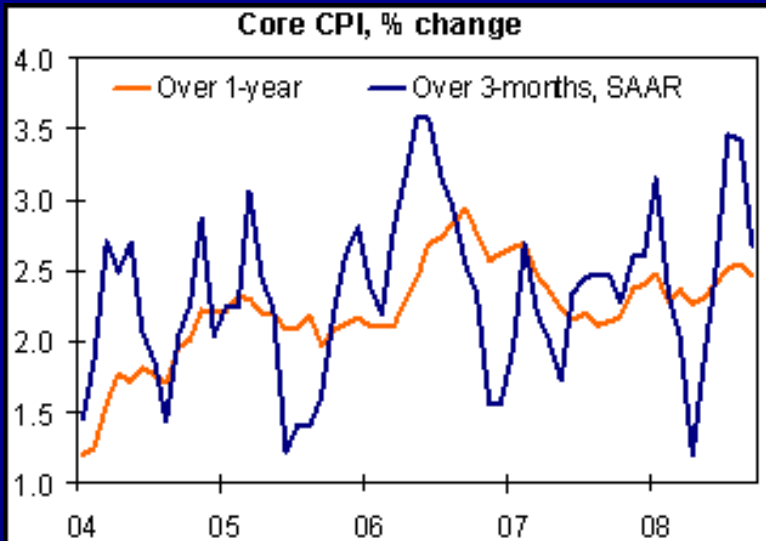


Source: economy.com

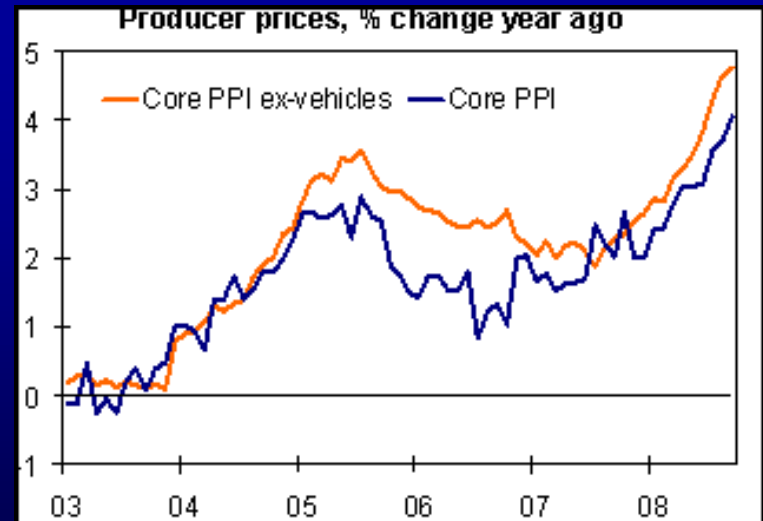
# Inflation Trends

Inflation not major concern

Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
5 7%	27 40%	11 16%	21 31%	3 4%

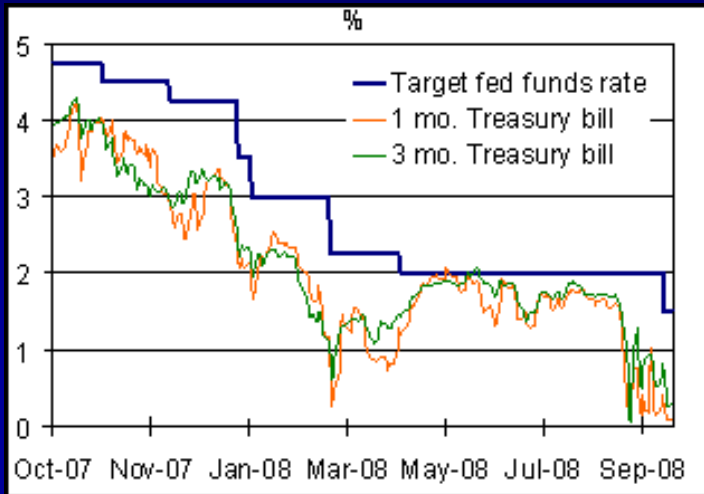


Decline due to Apparel & Auto Reductions

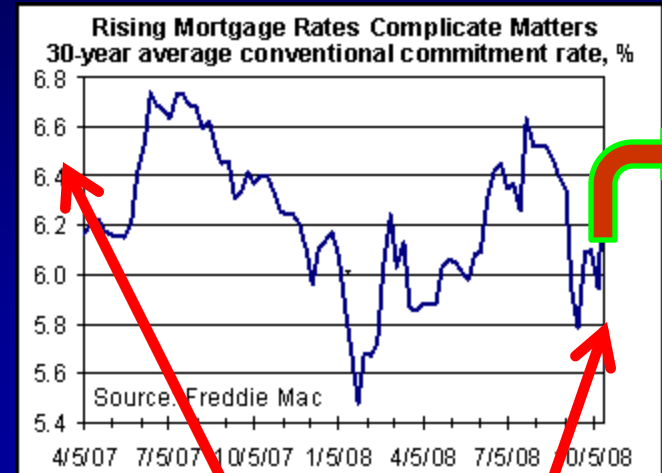


# Interest Rates, Mortgage Rates & Spreads

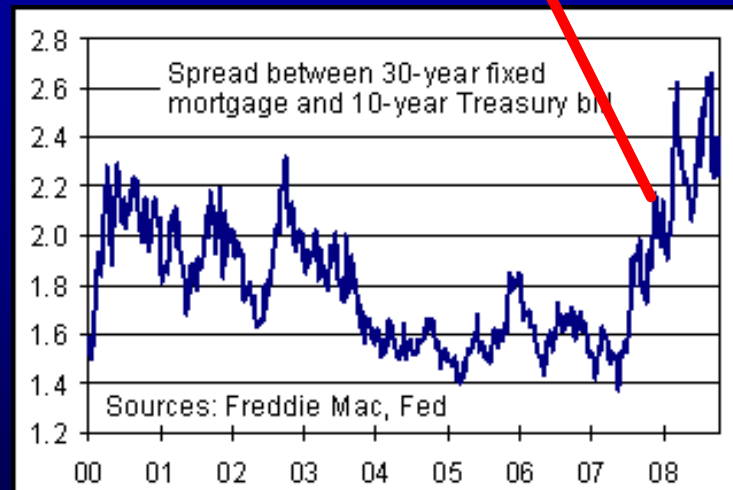
## Fed Funds Rate



## Mortgage Rates



## Mortgage Spreads



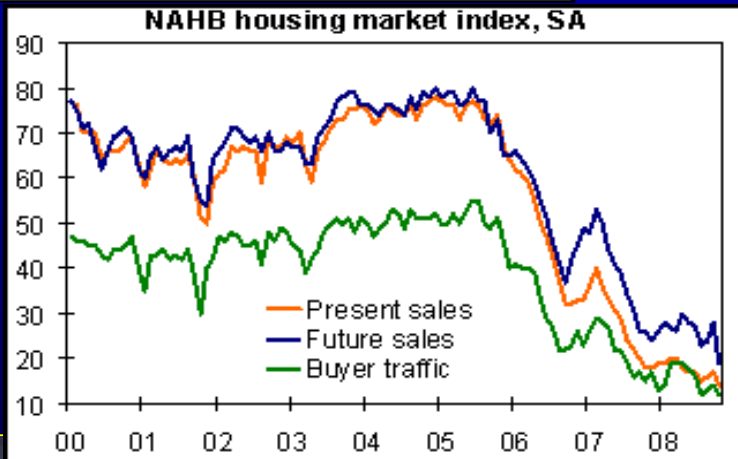
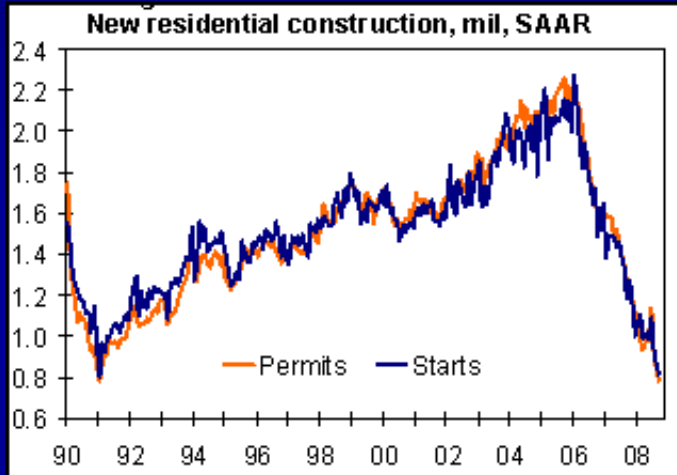
Fed likely cutting rate  
50bp 10/29/08

# Housing Activity and Delinquency Rates

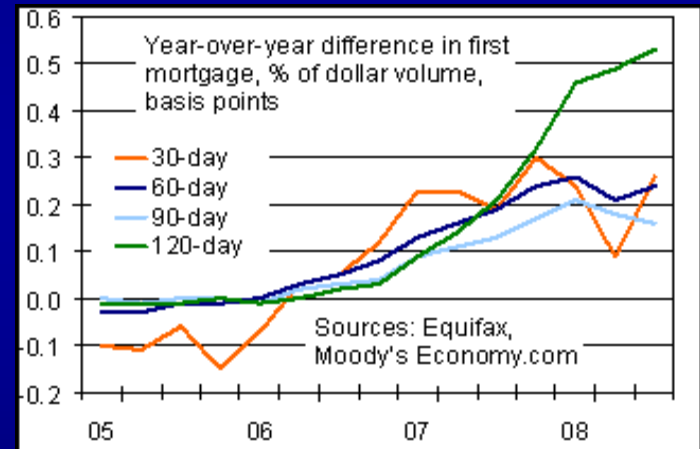
In 6 mo, housing crisis behind us

Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
0 0%	12 18%	5 7%	32 48%	18 27%

## Construction



## Delinquency & Default



Housing Index

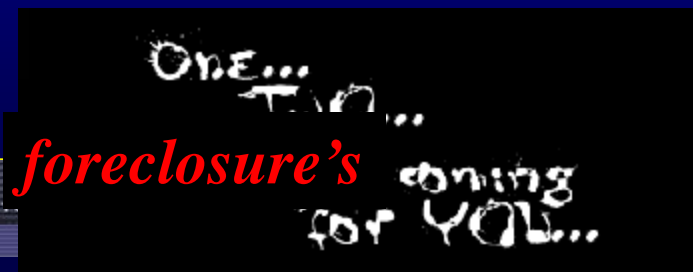
# The American Dream or ...

## A NIGHTMARE ON **ARM** STREET



My lender, my friend

My Freddie



# Economic Environment: Snapshot

## Macroeconomic Environment

- Economy in recession; painful and long
- Businesses struggling, stocks volatile
- Consumers bearish

# Part II: Capital Markets & Submerging Trends

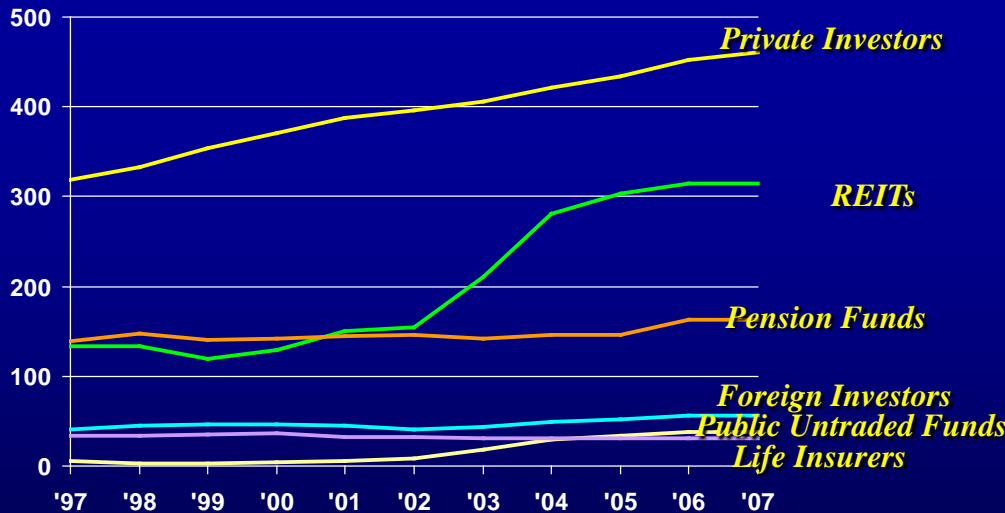


## The Perfect Storm

- Credit
- Confidence
- Collateral

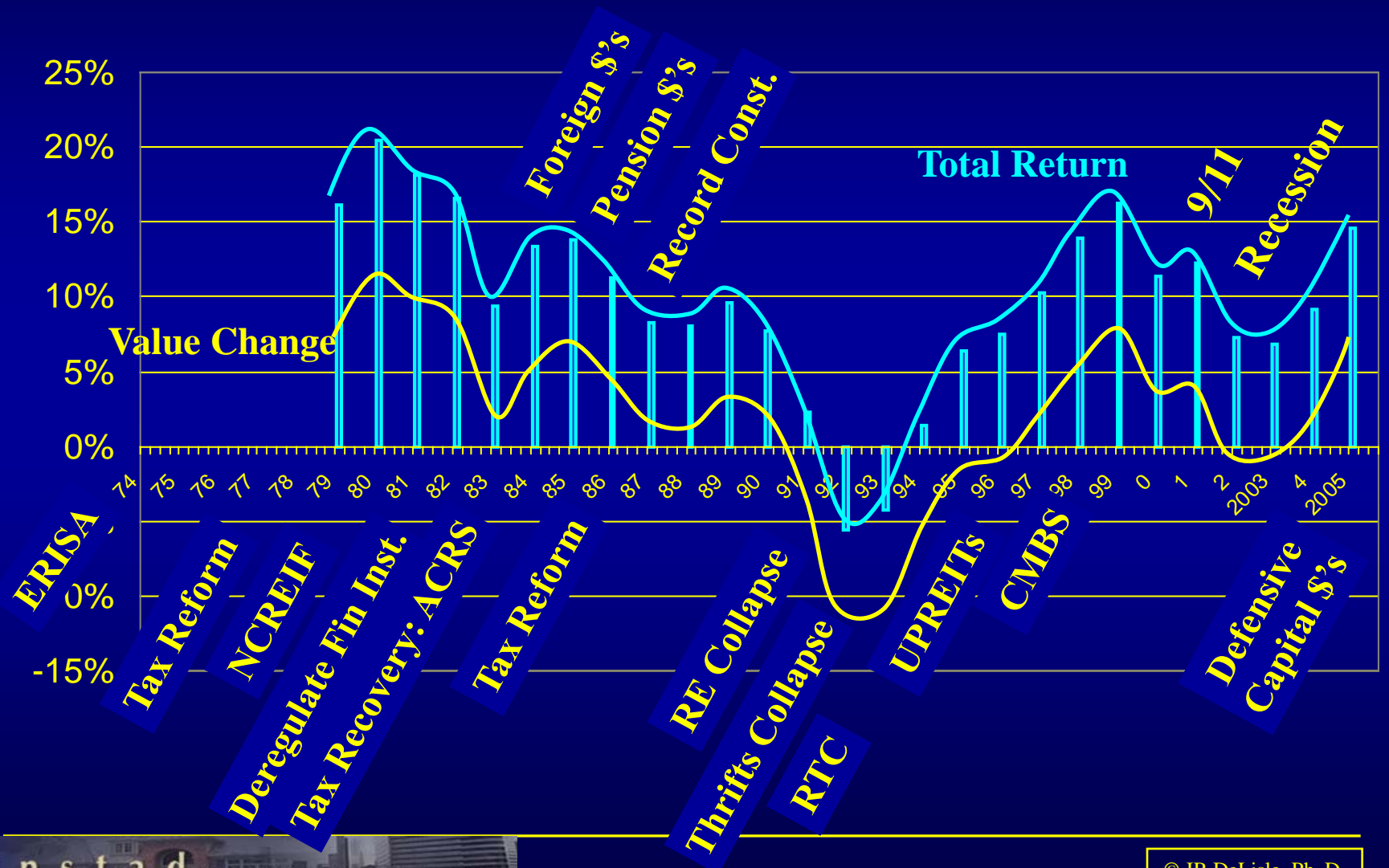


## Institutional Capital Flows



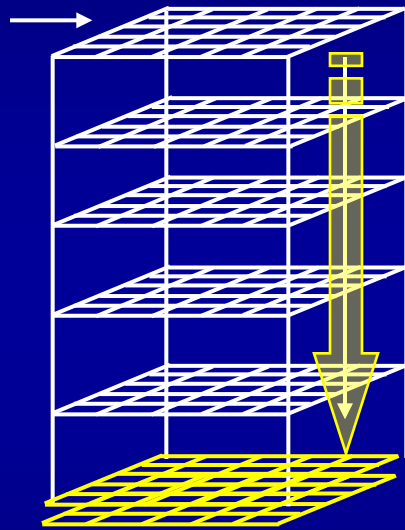
Source: 2008 Emerging Trends

# Institutional RE Investment: An Historical Look



# Contemporary Portfolios: Capital/Spatial Convergence

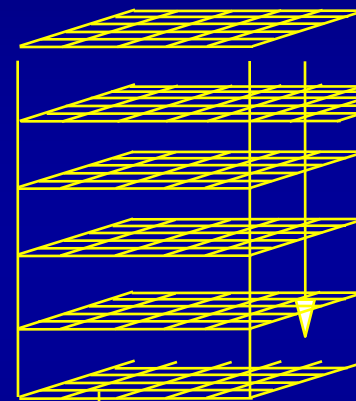
Client Goals & Objectives:  
Portfolio Strategy



Aggregate First Generation Portfolio

- Open-end Fund 1
- Open-end Fund 2
- Closed End Fund 1
- Closed End Fund 2
- Specialty Fund

Core



Non-Core

International

Commercial Mortgages

REITs

Securitized Products/

Aggregate Second Generation Portfolio



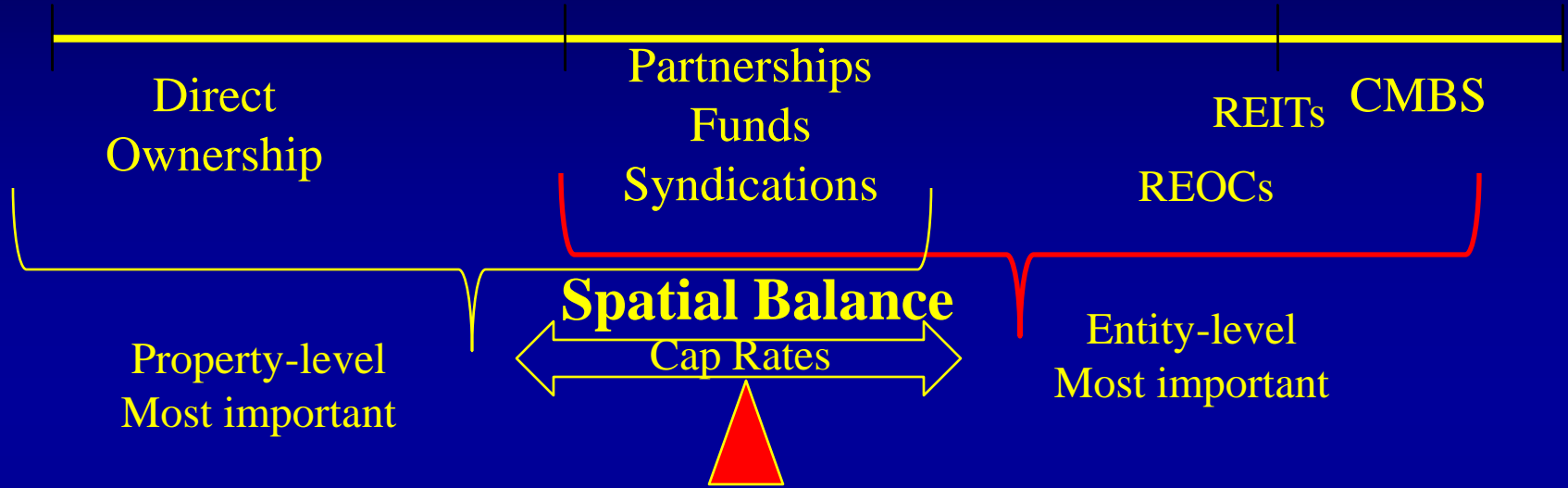
*Main Street*

*Wall Street*

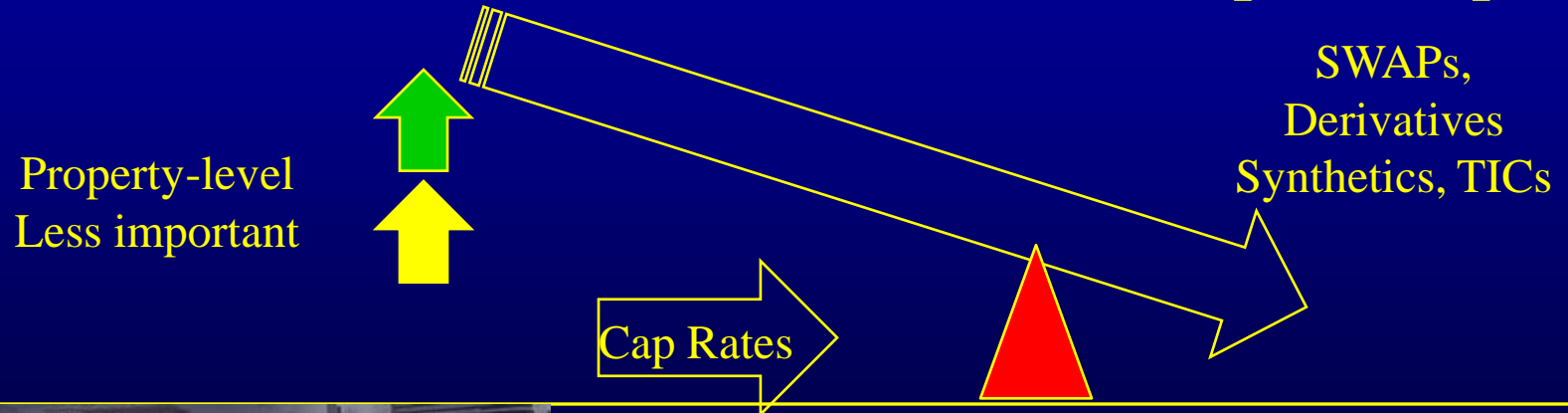
# Valuation: Spatial Balance, Capital Surplus

*Property Level*

*Entity Level*



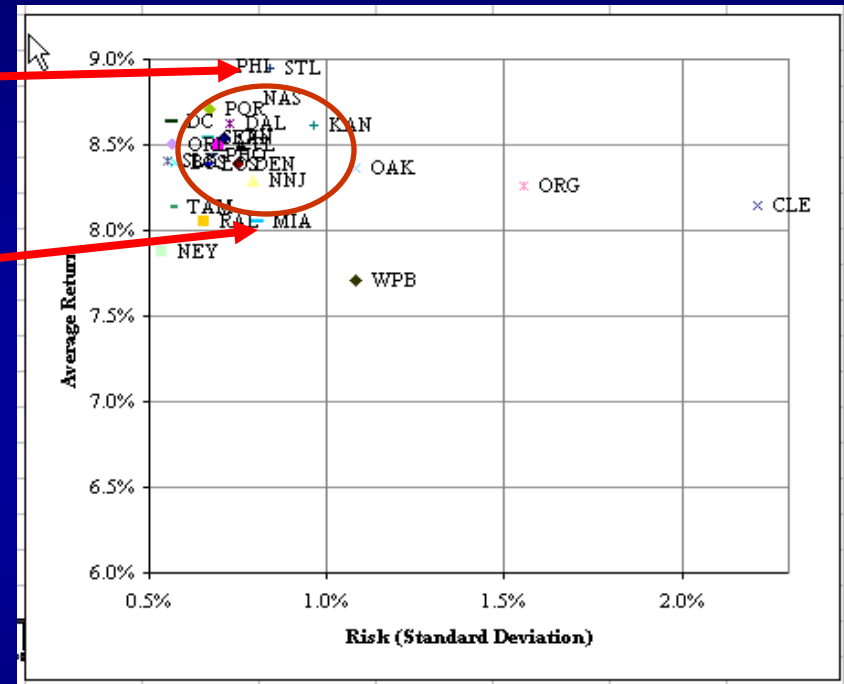
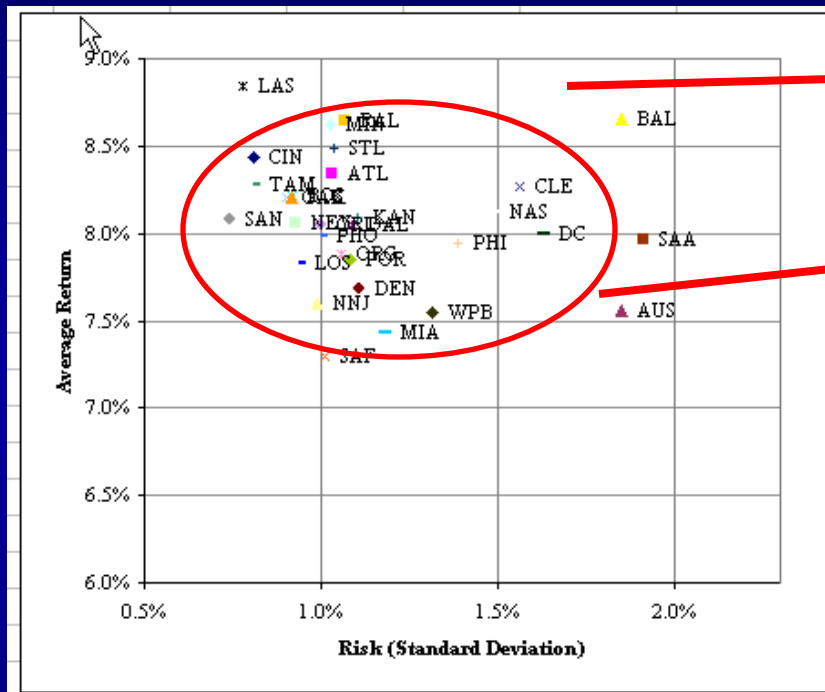
## Capital Surplus



# Capital/Spatial Divide: Commoditization

## Market Risk/Return Long-Term

## Recent: 5 yrs



## Commoditized Pricing

# Impact of Commoditized Pricing

Commoditized Pricing Behind Us

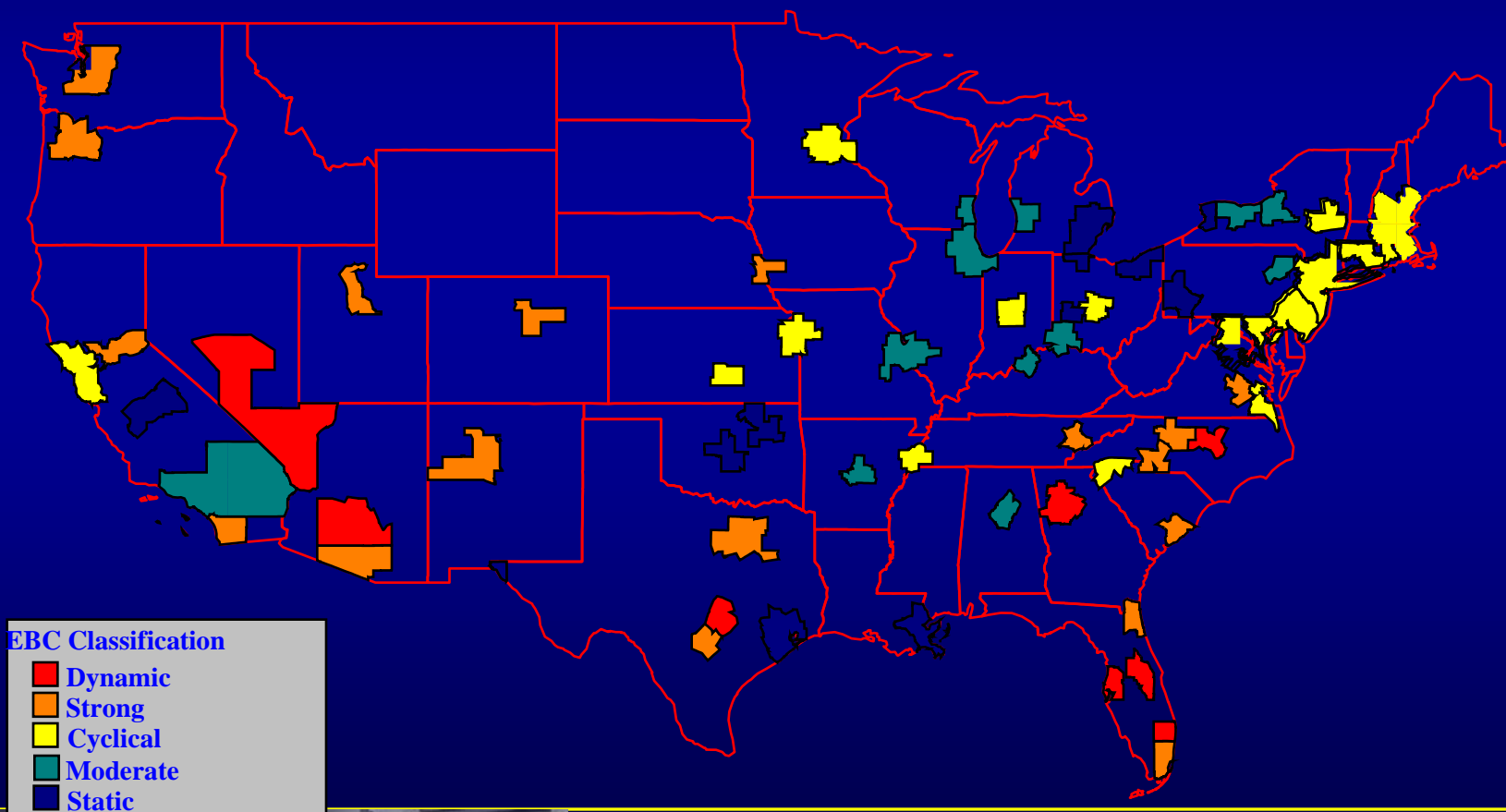
Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
6 10%	19 32%	15 25%	16 27%	3 5%

## Prediction: Re-emergence of Market Fundamentals

- Reward strong projects
- Penalize weak
- Challenges
  - 2<sup>nd</sup> and 3<sup>rd</sup> Tier Markets
  - Weak Product: location, design, tenancy
- Opportunities
  - Market Targeting/Timing
  - Market Fundamentals; specialized skills & expertise

# Market Vulnerability for Re-pricing

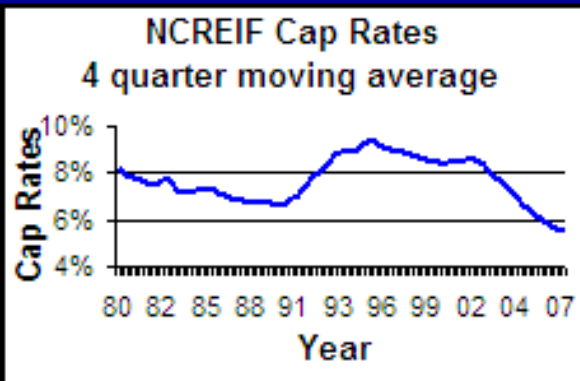
- Secondary and Tertiary Markets
- Moderate and Static Markets



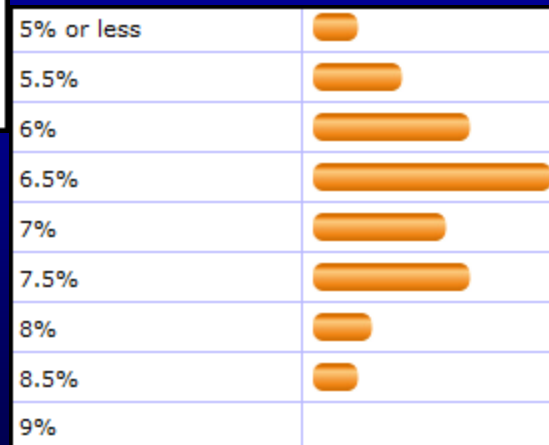
# Institutional Cap Rates: Today & Tomorrow

Cap Rates too low  
 Cap Rates up for 2+ years  
 Lenders too risk-average  
 Investors can't price risk

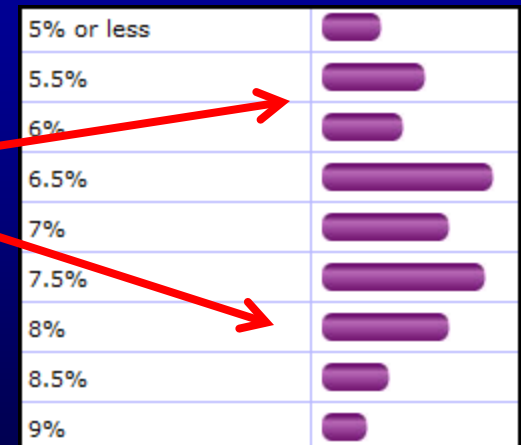
Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
7 12%	25 42%	15 25%	13 22%	0 0%
6 10%	27 46%	8 14%	15 25%	3 5%
14 23%	32 53%	6 10%	7 12%	1 2%
11 18%	30 50%	4 7%	13 22%	2 3%



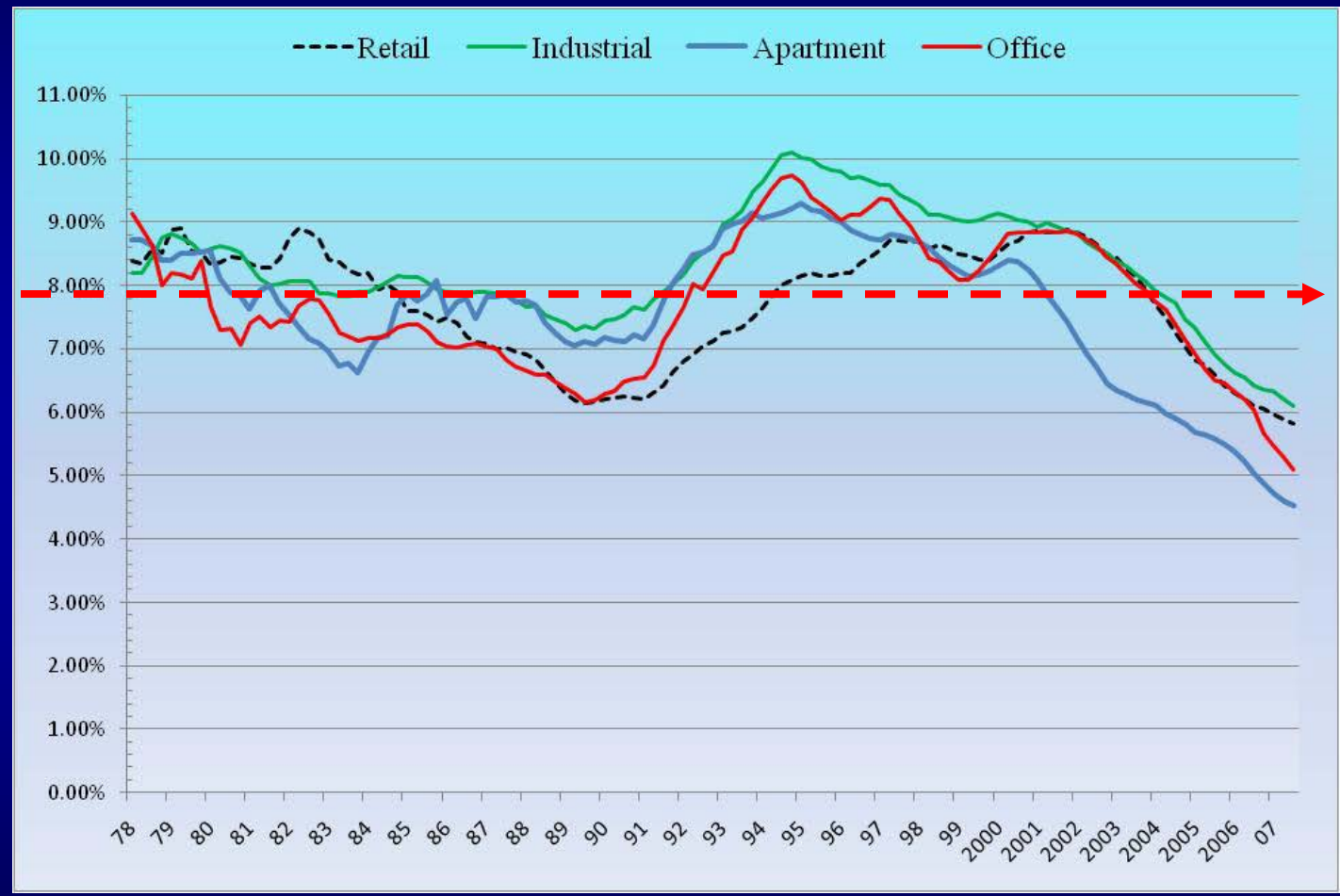
## Cap Rates Today



## Cap Rates in 2 Yrs

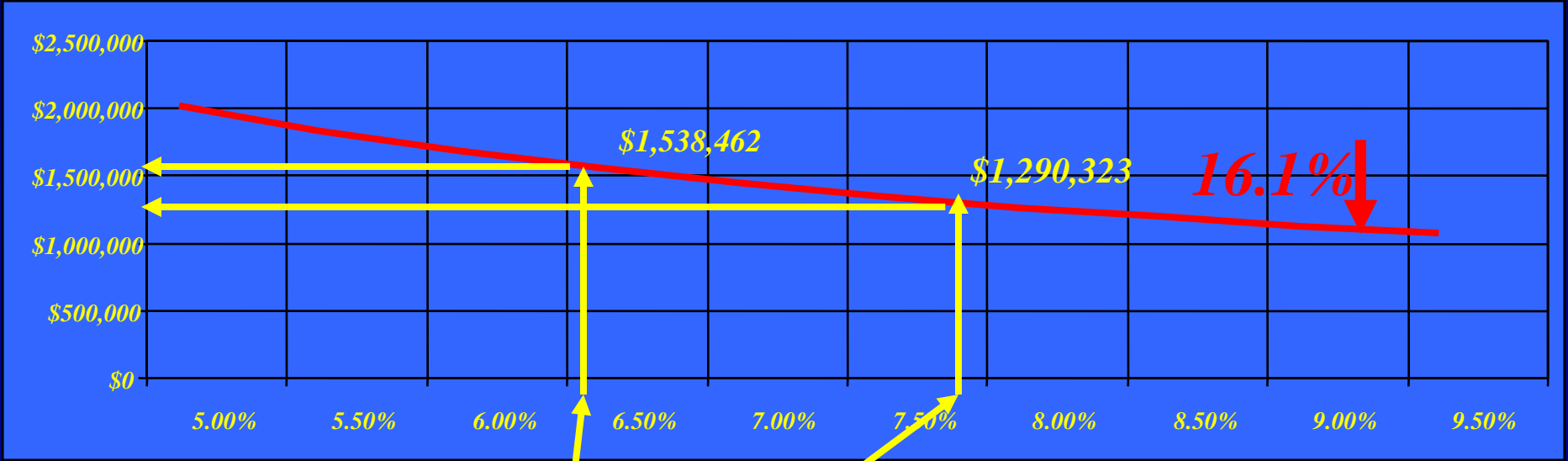


# Institutional Cap Rate: NCREIF Income Returns



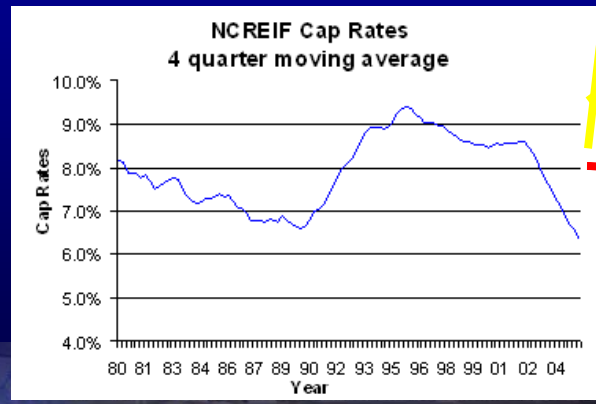
Mouse over for Annotation

# Impact of Cap Rate Change: Reversion to Mean



What if Cap Rate Increases From 6.25% to 7.75%?

What Value impact on \$100,000 NOI?  
What if NOI down 10%?

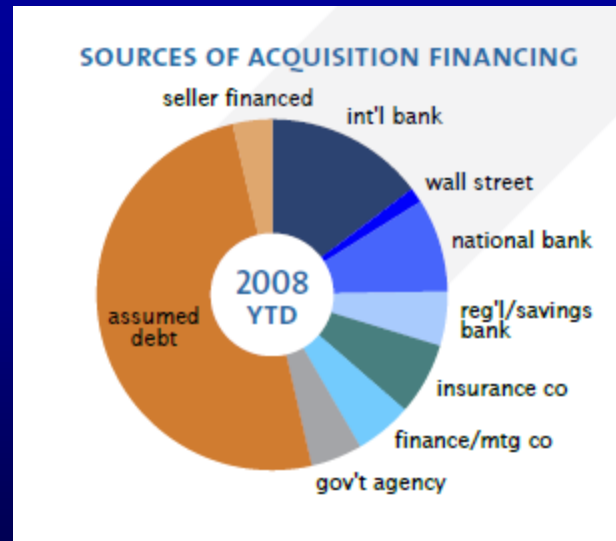


\$	90,000
	7.75%
\$	1,161,291
	25%

4.6% NCREIF Apartment Cap in 2008!

# Commercial Leverage: Problems & Implications

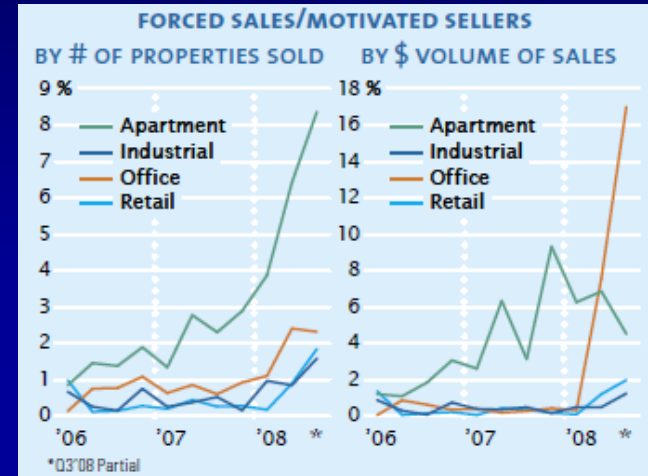
- **Project Risk: Ability to Pay**
  - DCRs: lowered; escrow subsidized; eased via bullets: 3, 5, 10 yrs
  - LVs
    - Record values/low Cap Rates;
    - Some 100% financing; financial engineering, mezzanine debt
- **Borrower Risk: Will to Pay**
  - Easy credit & relaxed underwriting
  - Non-recourse debt
  - Unqualified/unregulated Investors: (TICs)
- **Outlook for Commercial Debt**
  - Limited supply; flight to quality
  - Tighter; increased equity and recourse



# Institutional Capital Flows & Outlook

- Decreased capital flows
  - Rising Return/Yield hurdle
  - Allocation down via denominator effect
- Investment Preferences
  - Search for value/yield; eschew risk
  - Fewer products/structures
- Timing
  - Patient; waiting for bottom
  - Indecisive; slower to act

- Risks



- Opportunities

- Cash is king; Big and Quick
- Channel sourcing; REO, TICs
- Asset takeovers
- Promoted interests
- Portfolio Acquisitions

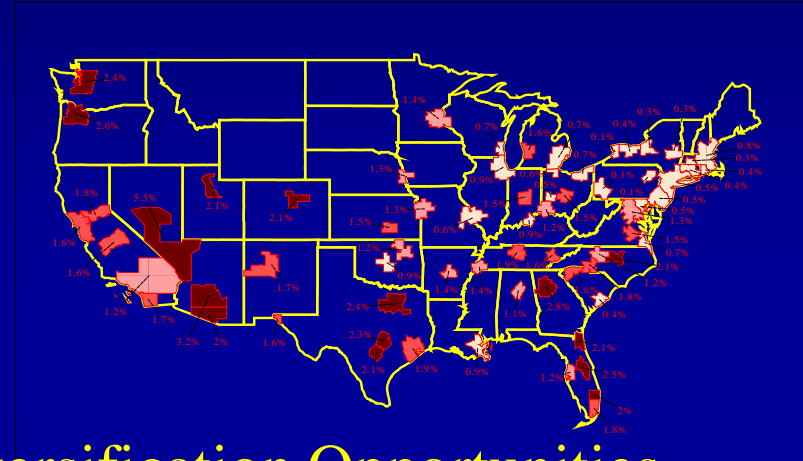
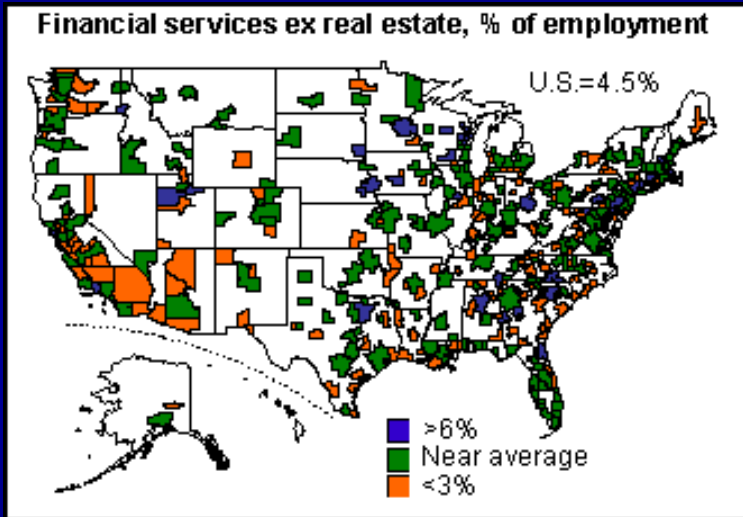
# Local Market Challenges

# Fundamental Opportunities

## Market Challenges

- Financial Service-Dominated
- Secondary and Tertiary Markets

- High Growth
- High Barriers to Entry



## Diversification Opportunities

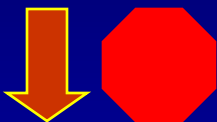


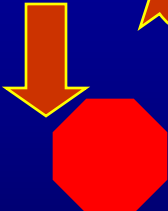
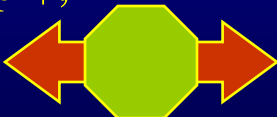
- Strategic Diversification
- Portfolio Acquisitions & SWAT Team Mobilized

### EBC Classification

- Dynamic
- Strong
- Cyclical
- Moderate
- Static

# Real Estate Capital Markets Overview

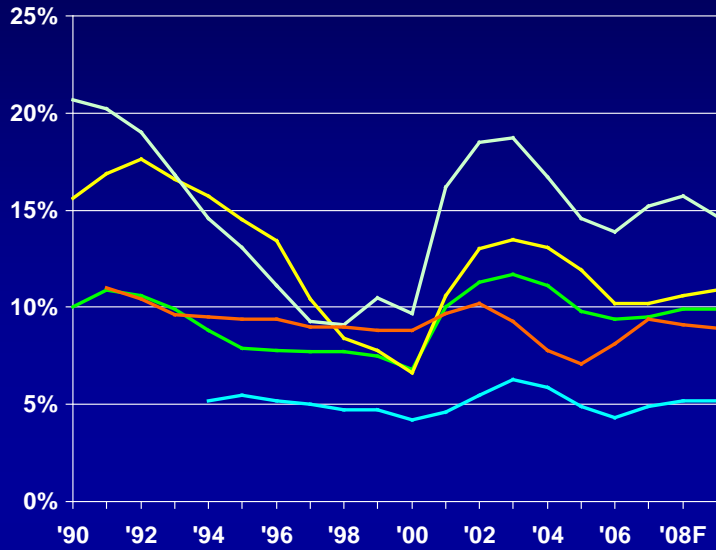
- Construction Activity
- Private Equity Market
- Public Equity Market
- Commercial Mortgage Market
- Foreign Investment

- Significant Contraction 
- Demand off, wait & see 
- Tightening, discipline 
- Red light; down, down 
- Still attracted by cheap \$, but more deliberate 

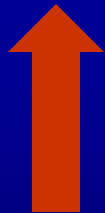
# Economic Environment vs. Real Estate Capital Market



# Part III: Real Estate Market Fundamentals

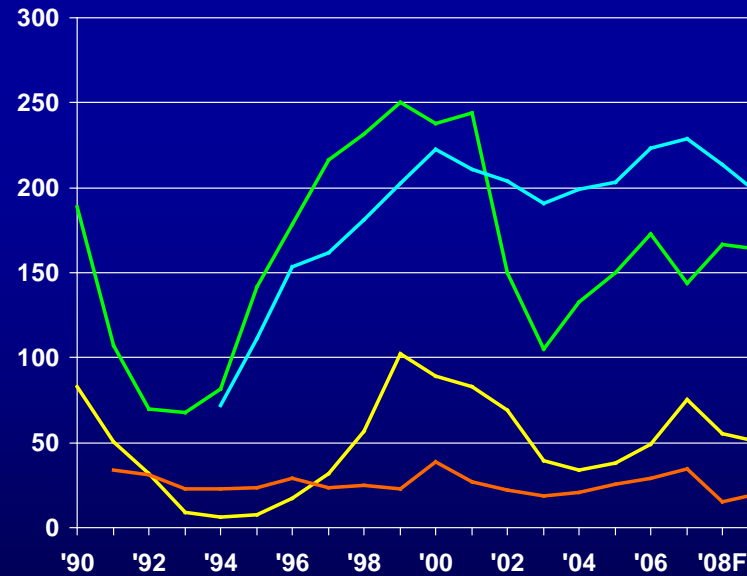


## Vacancy Rates

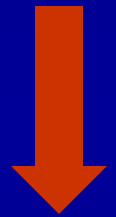


Suburban Office  
 Downtown Office  
 Industrial  
 Retail  
 Apartments

## Construction Activity

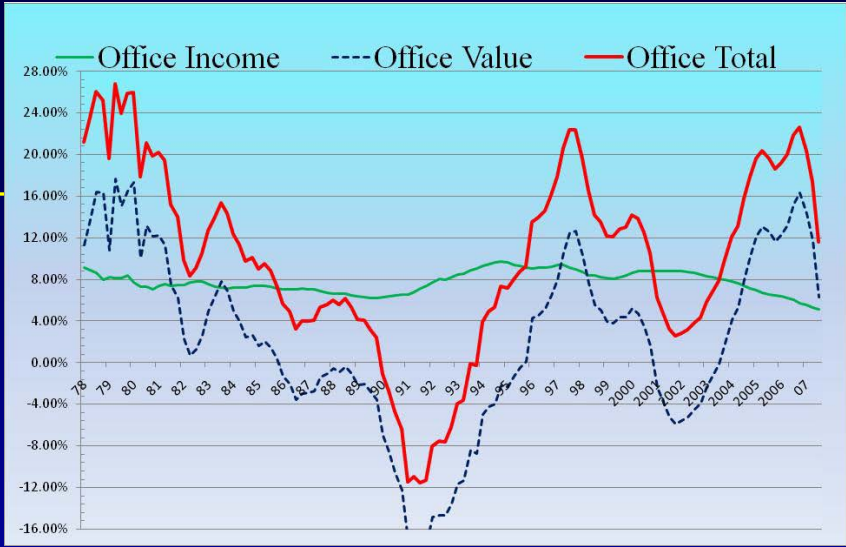


Apartments  
 Industrial  
 Office  
 Retail



Source: 2008 Emerging Trends

# Office Real Estate



## Overview

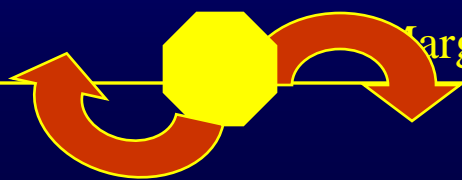
- Rents softening
- Credit tightening
- Construction declining
- Tenants giving back space
- Subleasing activity increasing
- Vacancy rates rising

## Areas of Concern

- Speculative projects
- Commodity product
- Capital Needs: Cap X, TI's
- Second and third tier markets
- Emerging sub-markets

## Opportunities

- Projects
  - Abandoned /Entitled Projects
  - Capital Needs Projects
  - Asset Takeovers
- Sourcing
  - Institutional REO
  - Corporate REO
  - Marginal Owner Refin



# Retail Real Estate

- Overview

- Retail sales slowing
- Inventories tightening
- Credit shortening
- Retailer contracting
- Defensive capital needed

- Areas of Concern

- New unproven & unopened stores
- Underperforming existing units
- Unanchored Life-style centers
- Tenant Bankruptcies
- Mixed-use , TOD in marginal markets
- Underparked MU



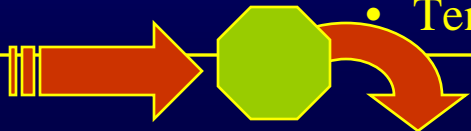
- Opportunities

- Projects

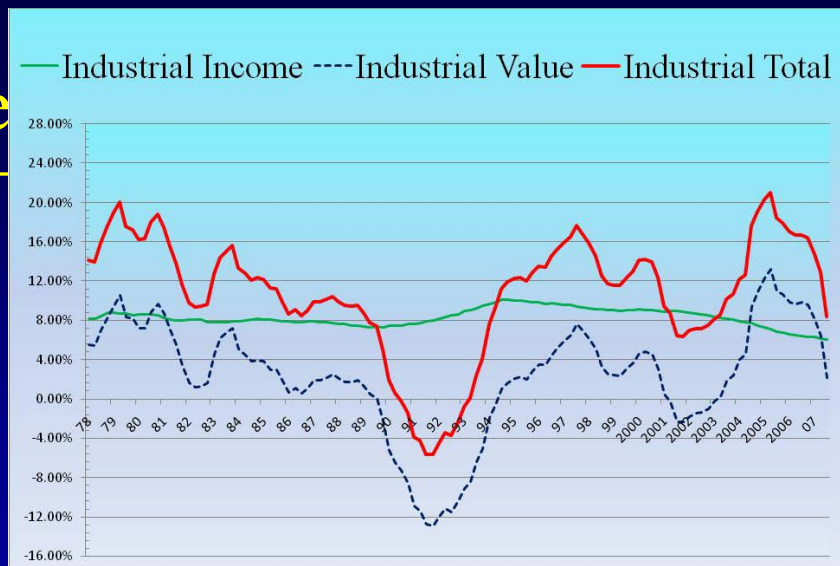
- Lost Anchors
- Entitled/Spec Projects
- Capital Needs Projects
- Asset Takeovers

- Sourcing

- Undercapitalized owners
- REO: Institutional & Corp
- Tenant-owned Pads



# Industrial Real Estate



## • Overview

- Absorption slowing
- Rents softening
- Construction moderating
- Logistics models changing
- Design standards increasing
- Globalization slowing

## • Areas of Concern

- Overbuilt markets/submarkets
- Functional obsolescence
- Office Showroom/Flex
- R&D facilities

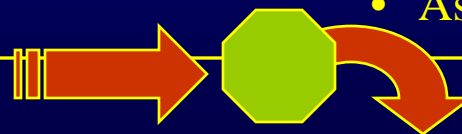
## • Opportunities

### - Projects

- Lost Tenants
- Functional Obsolescence
- Capital Needs Projects

### - Sourcing

- Undercapitalized owners
- REO: Institutional & Corp
- Asset Takeovers



# Multifamily Properties



- Overview

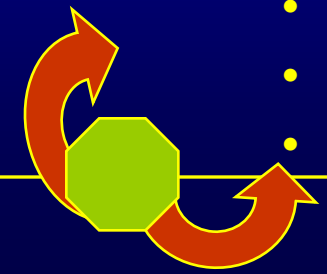
- Rent vs. Own preference shifting
- Tenant diversity rising
- Vacancy rates declining
- Rents rising

- Areas of Concern

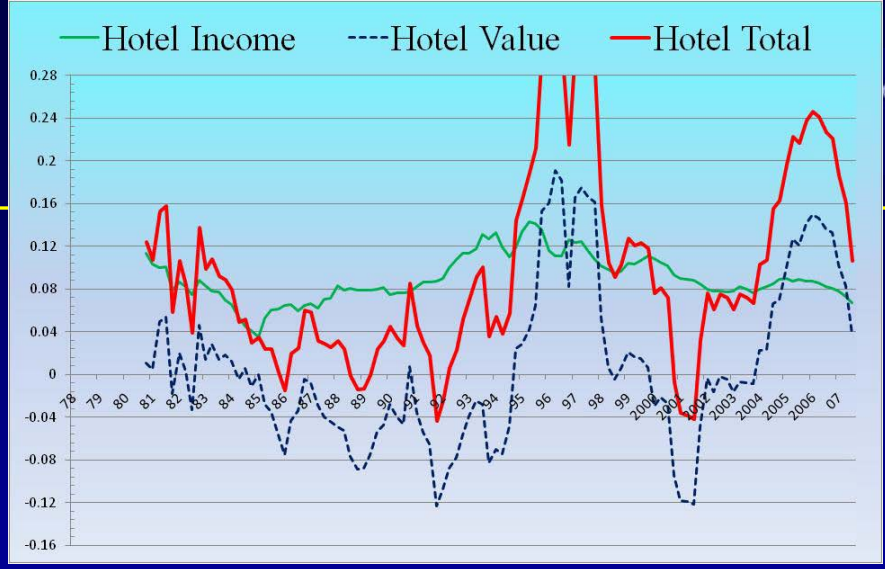
- Homogenized Product
- Poor Product Positioning
- Re-apartmenting
- Density as an End vs. Means

- Opportunities

- Projects
  - In development: not finished
  - Entitled: not started
  - Repositioning existing
- Sourcing
  - Undercapitalized owners
  - Stuck Condo developers
  - REO: Institutional
  - Asset Takeovers



# Hotels



## • Overview

- High risk/return profile
- Travel down
- Companies down-scaling
- Occupancy falling
- Rates slipping

## • Areas of Concern

- Homogenized Product
- Poor Product Positioning
- Hotel/Apartment Hybrids
- Weak flags

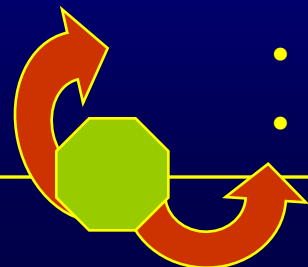
## • Opportunities

### - Projects

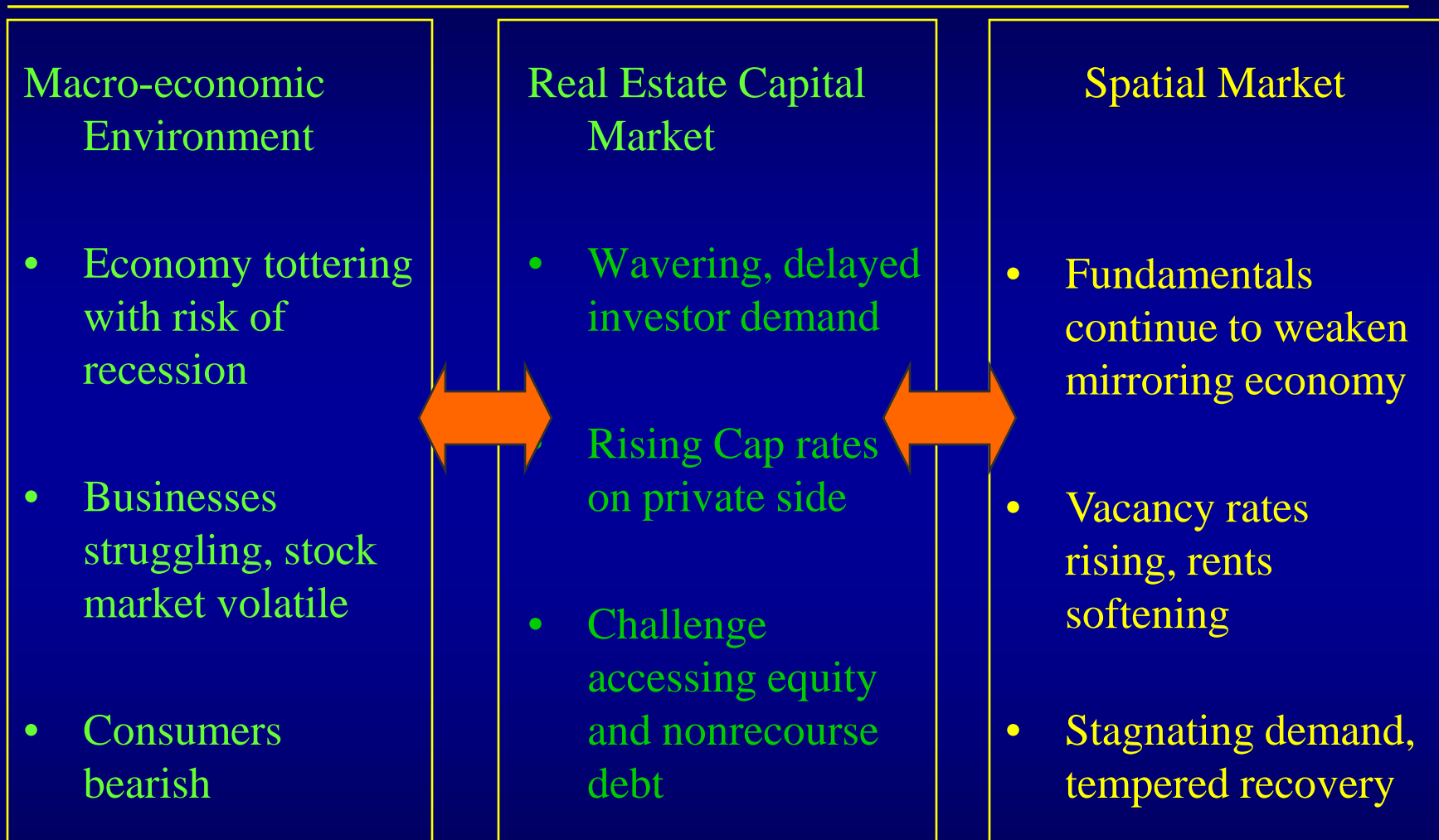
- In development: not finished
- Entitled: not started
- Reflagging existing

### - Sourcing

- Undercapitalized owners
- REO: Institutional
- Asset Takeovers



# Economy vs. Capital Market vs. Spatial Market



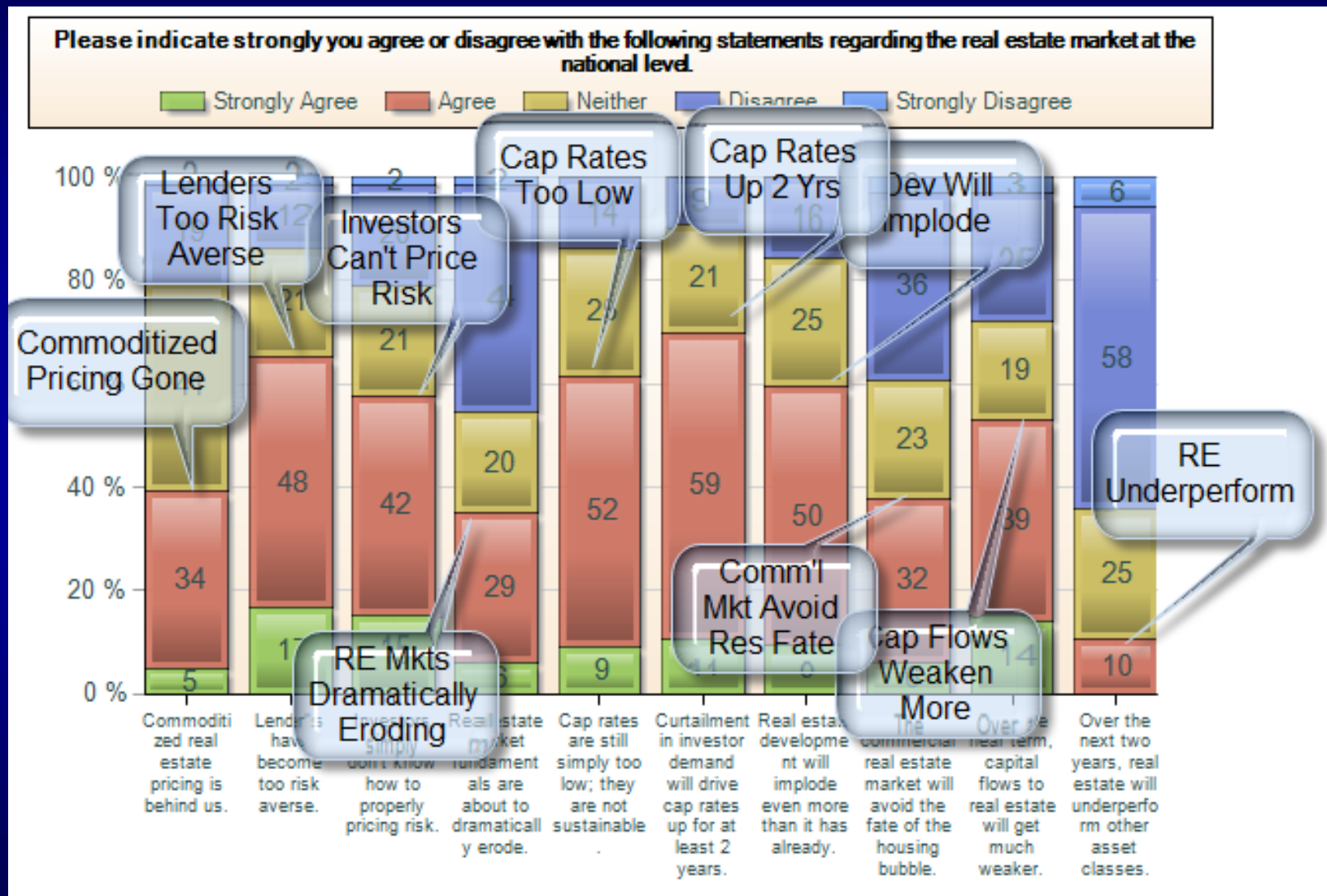
# Will Government Intervention Work?

- No
  - Not enough \$; too little, too late
  - Not address mortgage issue
  - Ill-conceived; gov only stupid buyer
  - Cycle inevitable, let it play out
  - Not deal with fundamental issues
  - Not deal with commercial bomb
- Not right away
  - Not until credit crisis resolved
  - Curtail negative, but take time
  - Not a quick fix; eventually
- Limited
  - Marginal help
  - Too long, slow, costly
- Mixed/Maybe
  - Ok for banks, not taxpayers/econ
  - Essential to avoid further erosion
  - Create illusion of stability
  - They don't know what they'll do
- Yes, but only if...
  - Buy truly toxic loans
  - Have Stopgaps to avoid foreclosure
  - Banks forced to loan vs. hoard
- Yes
  - Restore Confidence; banks/market
  - Fear removed, mitigated
  - Put a floor on bottom
  - Add essential liquidity
  - Get wheels in motion

# What More Should Government Do?

- No more actions
  - Don't know
  - Nothing
  - Enough already; Out of tricks
- Taxes
  - Cut capital gains taxes
  - Cut income & capital gains
  - Create incentives
- Mortgages
  - Lower rates
  - National loan program
- Market-based solutions
  - Stimulus package
  - Eliminate mark to market accounts
- Equity infusion
  - Inject equity; take positions
  - Pari pasu with private investors
  - Force liquidity; flow-through
- Psychic Interventions
  - Leadership stability (Paulson)
  - Restore accountability
  - Remove “entitlement”
- Regulation
  - Increase Oversight
  - Proactive regulations
- Other:
  - Global action/world leader
  - Create RTC-like entity
  - Education

# Seattle CBA on National Market Trends/Issues



# National: Greatest Risks to Commercial RE?

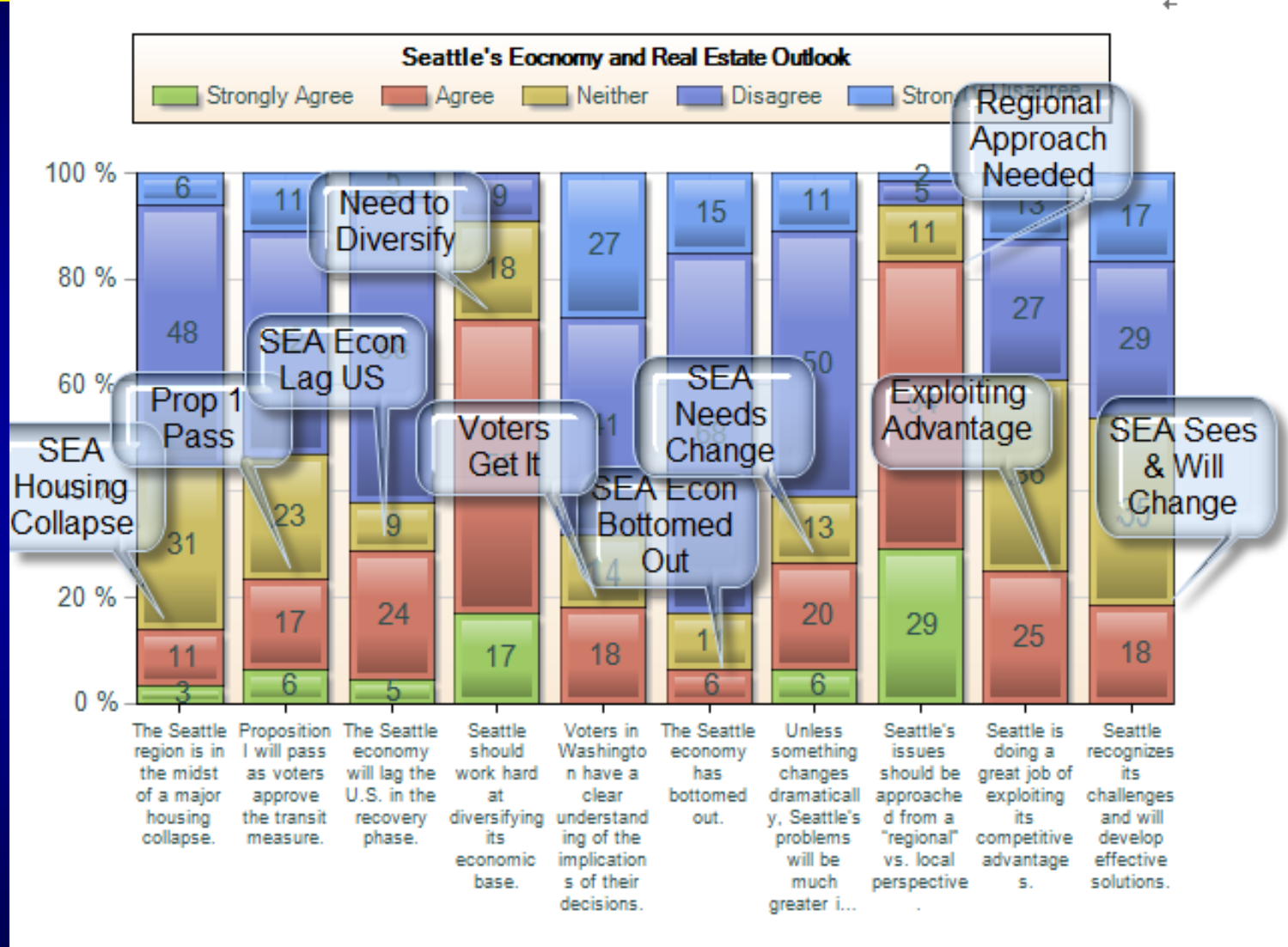
- Equity
  - Decline in qualified buyers
  - Capital shortage near-term
  - Players on sidelines
- Debt Access
  - Tightened credit
  - Credit hangover
  - General shortages
  - Deleveraging effects
  - Illiquidity
- Debt Rollover
  - Maturing bullets
  - Mezzanine
  - Default increases
  - Non-recourse walk-always
- Demand
  - Employment losses
  - Tenant Bankruptcies
  - Consumers and confidence
- Fundamentals
  - Overall deterioration
  - Erosion in market balance
  - Rising vacancies, rents declines
  - Rising costs
- Re-pricing/Valuation
  - Some already occurred
  - Further valuations slippage
  - Foreclosures
  - Non-recourse walk-always

# National: Greatest Opportunities?

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- Get in the game
  - Be a player
  - Be Opportunistic
- Cash
  - At bottom
  - Cash is king
  - Deleverage
- Debt
  - Distressed
  - Discounted
- Distressed
  - Properties
  - Sellers; overleveraged
  - REO
  - Any form
- Markets
  - Secondary and Tertiary
  - Lower Cost
- Property Types
  - Land
  - Apartments, student, assisted
  - Industrial/flex
  - Medical
- Value creation
  - Repositioning assets
  - Adding management expertise
  - Takeovers
  - Re-tenanting
  - Provide liquidity, capital

# Seattle's Economy and Real Estate Outlook



# Seattle as an Institutional Market: Why it Matters

## How significant are Institutional Dollars?

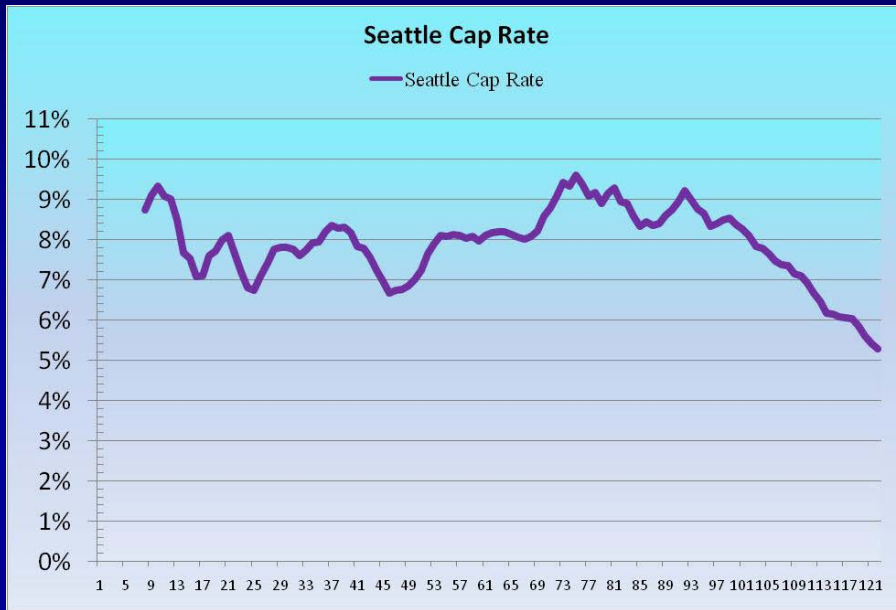


## How many Players/Properties?

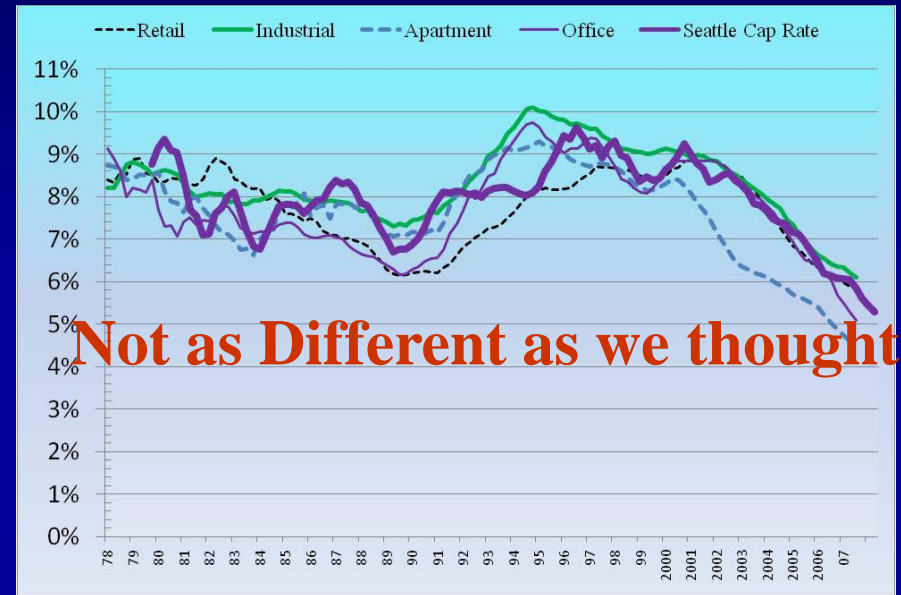


# How is Institutional Real Estate Priced in Seattle?

## What are Implicit Cap Rates?



## How Cap Rates Compare to US?



## What's Coming?

**CHANGES IN SALES PRICE APPRECIATION OVER PAST YEAR**

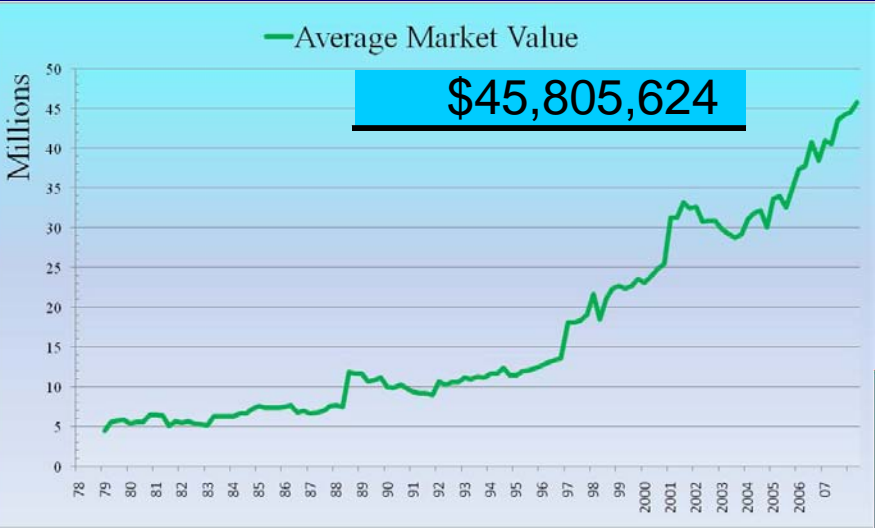
	National	Top 10 MSAs
Apartments	-10.3%	-5.1%
Office	-8.0%	-2.9%
Retail	-7.8%	-0.6%
Industrial	-7.6%	-2.9%

Moodys/Real CPPI (Q3'07 to Q2'08)

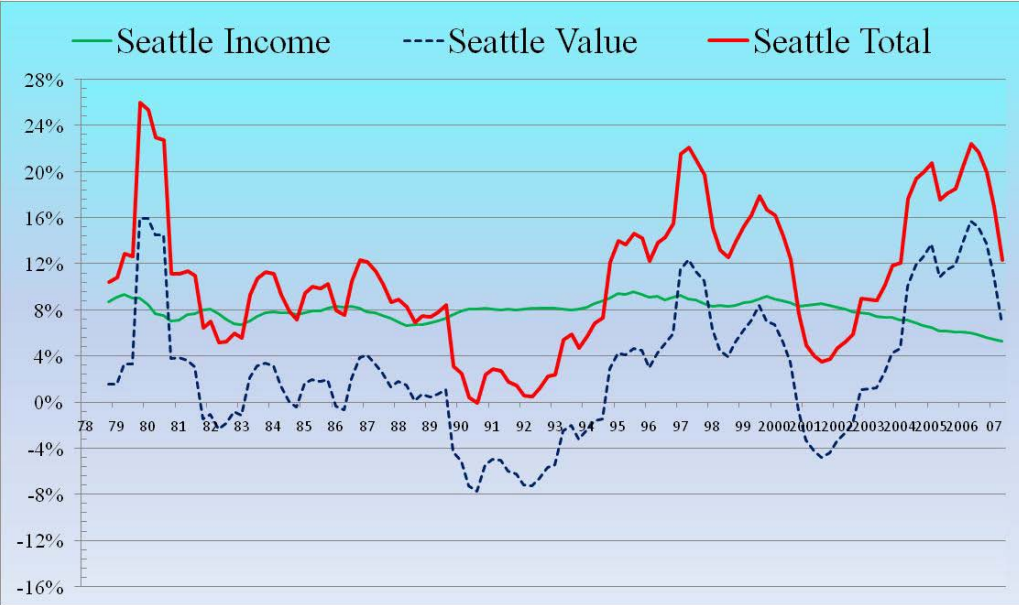
Seattle has some catching up to do!!!

# Seattle Institutional Investment: Performance

## What is Average Value?



## How is it Doing?



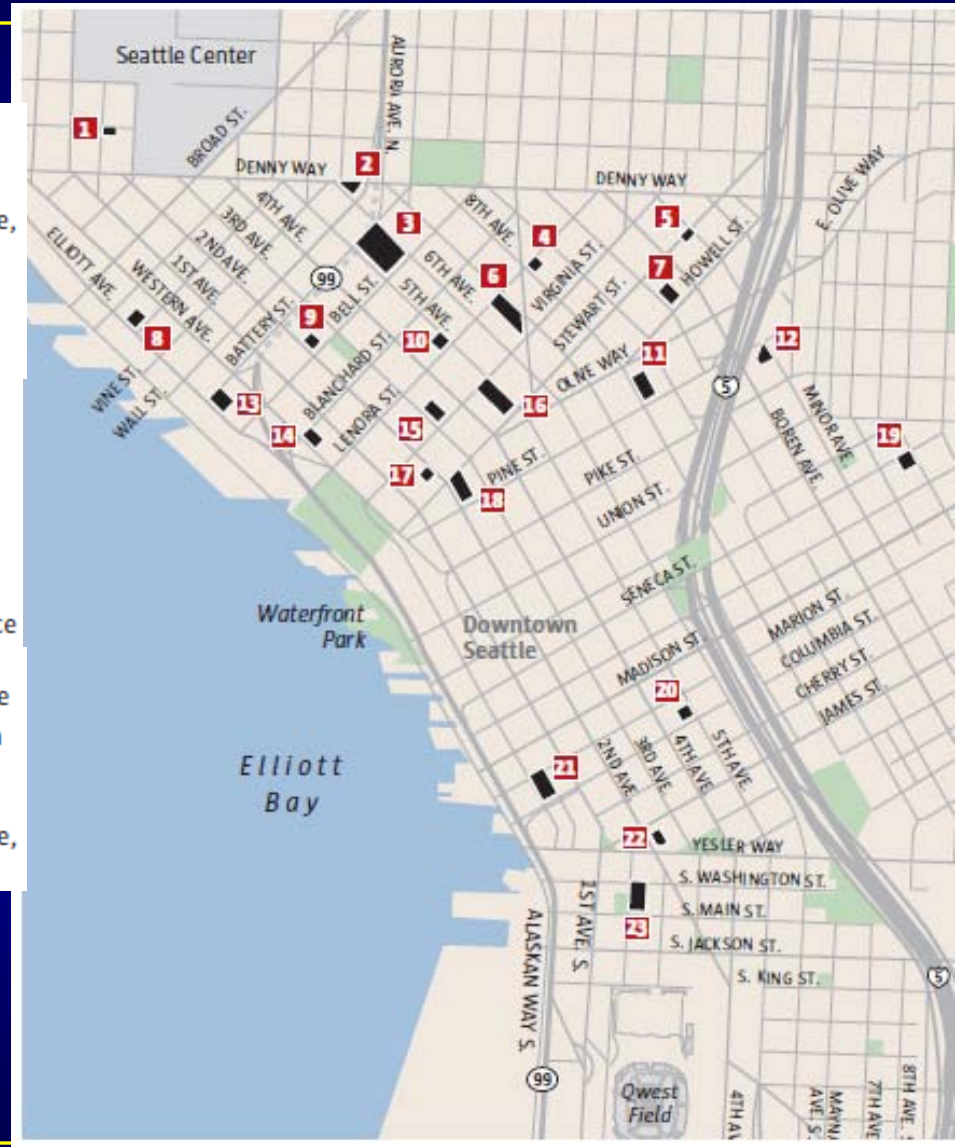
Why is it Doing What it is?

Recent Outperformer  
High Barriers to Entry

# Seattle Commercial RE: What's Happening/Not?

## GREATER DOWNTOWN SEATTLE

- 1. 151 John St.**  
17 apartments
- 2. Icon**  
283 condominiums
- 3. Insignia**  
646 condominiums
- 4. 2030 Eighth Ave.**  
230 condominiums
- 5. Stewart & Minor Lofts**  
150 apartments, 160-room hotel
- 6. 7th@Westlake**  
342,000 square feet office space, 365 condominiums
- 7. 1800 Terry Ave.**  
261 retirement units
- 8. 2700 Elliott Ave.**  
100 condominiums
- 9. 2nd & Bell**  
102 apartments
- 10. The Martin**  
170 condominiums
- 11. Ava**  
236 condominiums, 190-room hotel
- 12. 1519 Minor Ave.**  
80 condominiums
- 13. Art House**  
140 condominiums
- 14. Western and Blanchard**  
113 condominiums
- 15. 2000 3rd Ave.**  
441 apartments, 40-room hotel
- 16. Heron and Pagoda Towers**  
267,000 square feet office space, 400 condominiums, 200-room hotel, retail
- 17. 1915 2nd Avenue**  
175 condominiums
- 18. 1 Hotel & Residences**  
51 condominiums, 44 "condo-hotel" units, 192-room hotel, retail
- 19. SkyGarden**  
116 condominiums
- 20. 5th and Columbia Tower**  
760,000 square feet office space
- 21. Colman Center**  
170,000 square feet office space
- 22. Smith Tower condo conversion**  
12 condominiums
- 23. 200 Occidental Ave. S.**  
130,000 square feet office space, 62 condominiums, retail

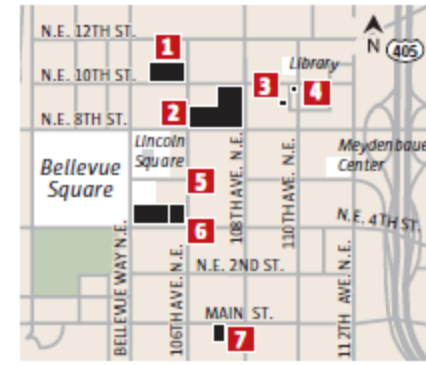


# Bellevue RE: What's Happening/Not?

## DOWNTOWN BELLEVUE

- 1. Hanover Bellevue Cadillac**  
295 apartments
- 2. Washington Square**  
700,000 square feet office space,  
150-room hotel,  
200 retirement units, retail
- 3. Pacific Regent Phase II**  
168 retirement units

- 4. European Tower**  
16 condominiums
- 5. Lincoln Square II**  
545,000 square feet office space,  
200 condominiums,  
120-room hotel, retail
- 6. Bank of America site tower**  
692,000 square feet office space,
- 7. Ventana on Main**  
68 apartments



## Some of the Buzz

- Seattle's commercial real-estate market is No. 1 for 2009
- Seattle beats rivals in bleak commercial real-estate picture
- Prospective condo buyers in Seattle area sitting on the fence
- Retail Tenant's backing out of deals
- Area office vacancies climb

# Who's Hurting? Who's Not?

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- Who is Hurting?
  - Developers
  - Architects
  - Contractors
  - Brokers
  - Mortgage Bankers/Brokers
  - Leveraged Owners
- Who is Not Hurting (yet...)?
  - Long-term, non-market value, non-leveraged owners
  - Tenants looking for space
  - Property managers creating value
  - Consultants... who you going to turn to????

# Biggest Risks in Seattle?

- Employment
  - Layoffs
  - Loss of jobs (Safeco, Wamu & Who?)
  - Minimal job growth
- Infrastructure
  - Transportation
  - Service cutbacks
- Business Environment
  - Anti-business mindset
  - Onerous regulations
  - Lack of leadership (effective)
  - Apathy
- National Economy
  - Recession
  - Static economy
- Capital
  - Lack of capital flows
  - Lack of credit
- Real Estate Fundamentals
  - Weakening occupancy
  - Overbuilding continues
- Transactions
  - Sellers unrealistic
  - Tenants non-committal
  - Buyers on fence

# Biggest Opportunities in Seattle?

- None
  - Buyers & sellers not adjusted
  - Cap rates too high
- Property Types
  - Apartments favored by many
  - Industrial; port
  - Medical
  - Lifestyle
  - Renovation/Rehab
- Core Locations/Assets
  - Develop waterfront; viaduct
  - Buy core; CBD; Queen Anne
  - TOD; infill; South Lake Union
- Real Estate Services
  - Tenant Rep
  - Leasing
- Investors
  - Cash rich
  - Opportunistic Buyers
- Distressed
  - Buy properties
  - Buy debt
- Channel
  - Distressed owners
  - Refinance

# Key Topics of Interest?

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- Real Estate Outlook
  - What's happening?
  - Where are we headed?
  - How low can it go?
  - When will it bottom?
- Capital Markets
  - Where's the money?
  - Who steps in?
  - What role securitization?
- The Seattle Difference?
  - Are we different?
  - What does it mean?
- What to do?
  - How will we be affected?
  - Where are the Opportunities
  - How do we Survive?
  - How do we go forward?
  - How do we get ahead of the curve?
- What are the lessons learned?
  - What can the past tell us?
  - What are the dangers ahead?
  - How will this get turned around?
- Other Questions?
  - What about sustainability?
  - Where's the demand?

# Summary (vs. Conclusion.....)

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- The 3 C's and the Macro-view
  - Macroeconomic Conditions
  - Capital Markets
  - Real Estate Fundamentals
- The Seattle Experience
  - What it is
  - What it will be
  - What are the Risks and Opportunities

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