TRENDS SHAPING COMMERCIAL REAL ESTATE MARKETS

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CBRE

The Economy in a Box

- Commercial real estate reflects needs and changes in an economy

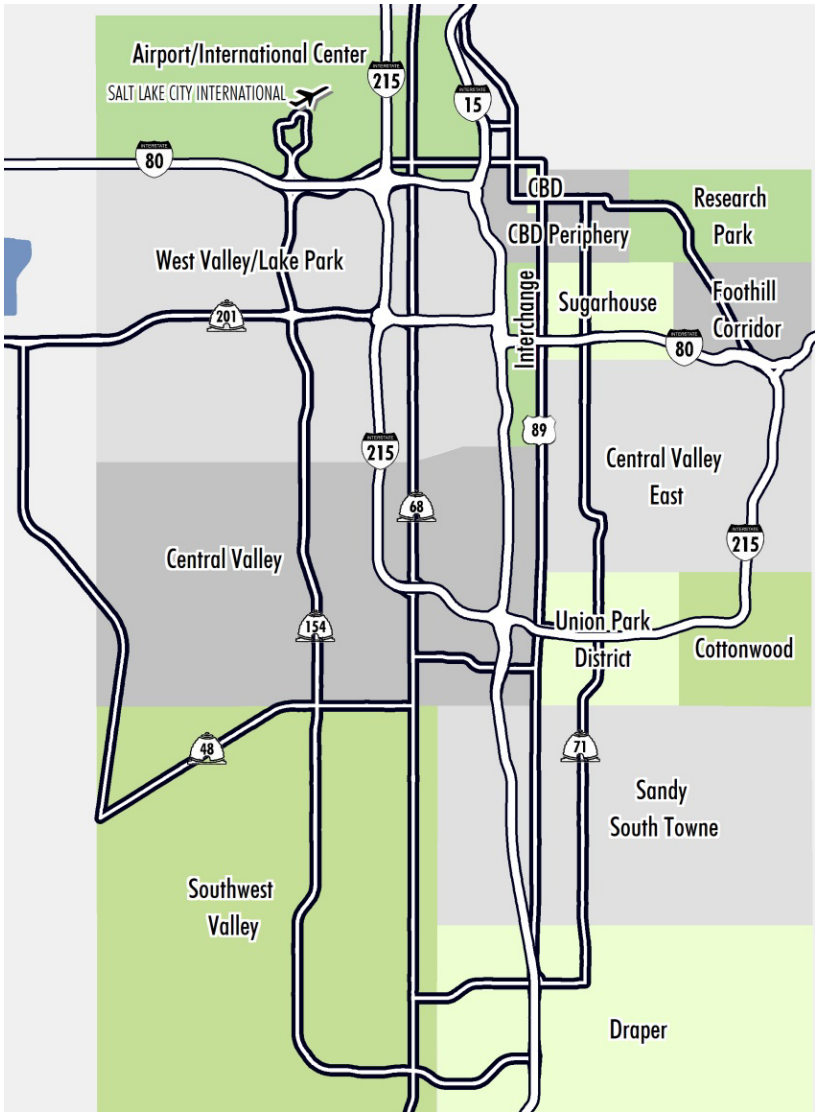
Shanghai 1990

Shanghai 2010

SALT LAKE MARKET

Current Conditions

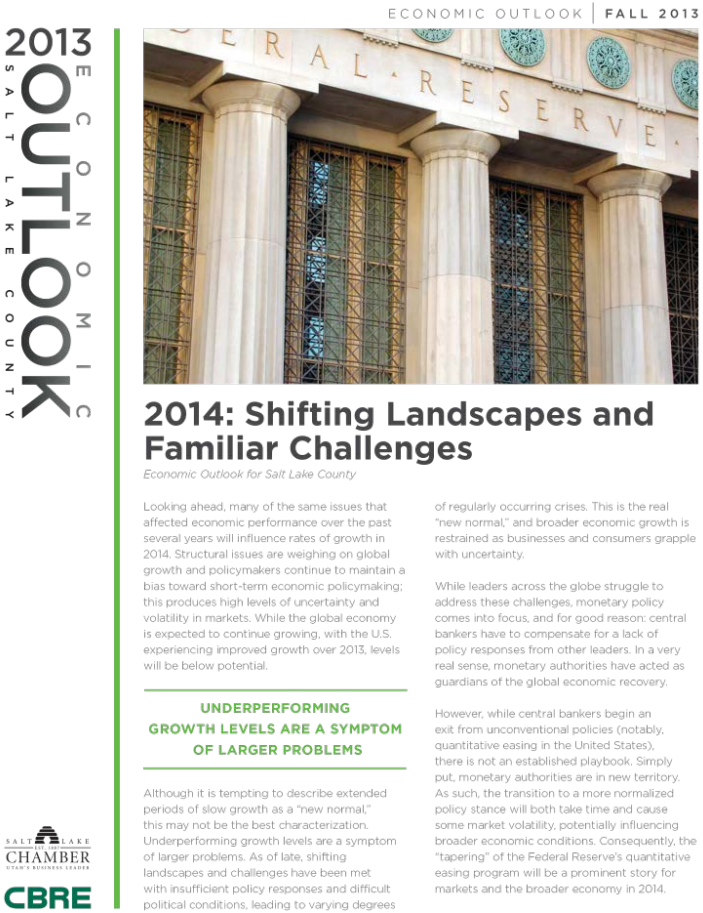
- City
- Submarket
- Individual Asset



WHAT IS AFFECTING CRE MARKETS

Trends

- Demographic wave
- Technology/societal changes
- New economic realities



2013 ECONOMIC OUTLOOK SALT LAKE COUNTY

ECONOMIC OUTLOOK | FALL 2013

2014: Shifting Landscapes and Familiar Challenges

Economic Outlook for Salt Lake County

Looking ahead, many of the same issues that affected economic performance over the past several years will influence rates of growth in 2014. Structural issues are weighing on global growth and policymakers continue to maintain a bias toward short-term economic policymaking; this produces high levels of uncertainty and volatility in markets. While the global economy is expected to continue growing, with the U.S. experiencing improved growth over 2013, levels will be below potential.

UNDERPERFORMING GROWTH LEVELS ARE A SYMPTOM OF LARGER PROBLEMS

Although it is tempting to describe extended periods of slow growth as a "new normal," this may not be the best characterization. Underperforming growth levels are a symptom of larger problems. As of late, shifting landscapes and challenges have been met with insufficient policy responses and difficult political conditions, leading to varying degrees of regularly occurring crises. This is the real "new normal," and broader economic growth is restrained as businesses and consumers grapple with uncertainty.

While leaders across the globe struggle to address these challenges, monetary policy comes into focus, and for good reason: central bankers have to compensate for a lack of policy responses from other leaders. In a very real sense, monetary authorities have acted as guardians of the global economic recovery.

However, while central bankers begin an exit from unconventional policies (notably, quantitative easing in the United States), there is not an established playbook. Simply put, monetary authorities are in new territory. As such, the transition to a more normalized policy stance will both take time and cause some market volatility, potentially influencing broader economic conditions. Consequently, the "tapering" of the Federal Reserve's quantitative easing program will be a prominent story for markets and the broader economy in 2014.

How Do Trends Affect the Central Wasatch?

Things to Consider

- Gen Y will make up 75% of the workforce by 2025 – Brookings
- Salt Lake City 2nd in Gen Y concentration – Nielsen
- 2/3 of Gen Y willing to pay more for environmentally friendly products – Nielsen

- 90% of Gen Y shops online – Cisco
- 70% believe smartphone apps are important for daily life – Cisco

- Grads from 80s recession lost $100k in earnings over 2 decades – Yale
- Gen Y has higher % of those with $2 MM+ in assets than Gen X - Nielsen

IMPLICATIONS

How Do Trends Affect the Central Wasatch?

- Consider the crowd these plans will be serving
- How area is developed matters
- Overall Experience (environment, character, technology, economics)

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