Economic and Real Estate Outlook

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Job Creation Has Been Healthy

Job creation has been advancing at a healthy pace, bringing the unemployment rate down steadily.

Source: Bureau of Labor Statistics
Note: Data as of November 30, 2013.

Household Finances Are In Decent Shape

Household net worth and savings rates are in line with their historical averages.

Source: Federal Reserve (Household Net Worth); Bureau of Economic Analysis (Personal Savings Rate)
Note: Data as of September 30, 2013.
Europe is Less of a Concern

While the European and U.S. economies are indeed linked, the U.S. is recovering at a faster rate.

GDP Growth

Forecast

Source: IMF
Note: Data as of September 2013.

Federal Finances Are Improving

An improving economy, payroll tax hikes, and the sequester are shrinking annual deficits.

FEDERAL DEFICIT (%) OF GDP

Source: Congressional Budget Office
Note: Data as of September 30, 2013.
Homebuilding is Now a Tailwind

The housing rebound appears to be supporting the recovery through several channels, including construction and wealth effects.

The U.S. Is An Emerging Energy Power

The U.S. has eclipsed Russia as the world’s largest gas producer and is projected to lead the world in oil production in 2015.*
Tech Appears to be Leading the Jobs Recovery

The U.S. technology industry is currently strong. Tech employment is helping to lead the jobs recovery.

Agriculture Is A Bright Spot

Rising U.S. agricultural incomes may benefit Midwestern states.
Economic Growth Is Likely To Be Modest

We believe leading indicators suggest that the economic recovery remains on track for modest growth. We are still in a "new normal" economy.

For Commercial Real Estate, the Economy Is Only Half the Story

For commercial real estate, the economy matters but it does not tell the whole story.
Limited Supply Lays the Foundation For Future Rent Growth

New supply is at a historic low, in part because market rents generally have not justified new construction and because financing remains constrained.

Commercial Real Estate Fundamentals Are Steadily Improving

Limited supply has allowed modest absorption to reduce vacancies. As fundamentals have tightened, landlords have increased rents.
Looking Forward, Looking Backward: Five Predictions for 2014

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<td>1.</td>
<td>Economic growth will accelerate</td>
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<td>2.</td>
<td>Interest rates will increase their rise</td>
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<td>3.</td>
<td>New construction will remain muted, extending the current favorable supply-demand equation</td>
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<td>4.</td>
<td>Investment in CRE will increase</td>
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<td>5.</td>
<td>The &quot;Great Rotation&quot; should favor CRE</td>
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