Amidst global volatility, U.S. market continues to *outperform*

Perspectives on U.S. commercial real estate investment

April 2016

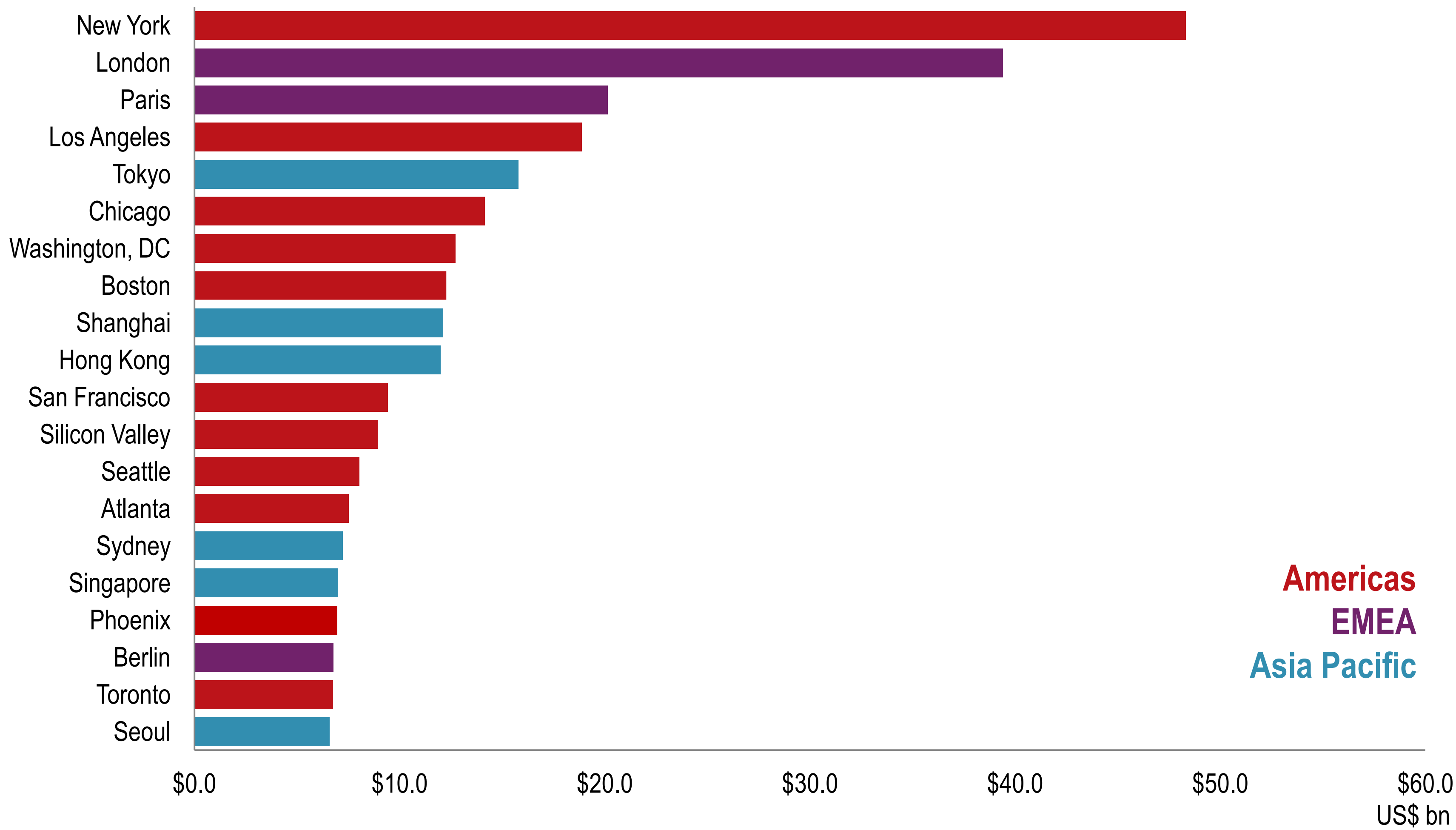
Inbound U.S. investment supported by strong employment

+151,000 **(64 consecutive months of growth)** 1-month net change	**4.9%** Unemployment rate	**5,431,000** **(+11.4% y-o-y)** Job openings
+2,665,000 **(+1.9% y-o-y)** 12-month change	**-70bp** 12-month change in unemployment	**5,197,000** **(+3.4% y-o-y)** Hires
+779,000 10-year average annual growth	**7.0%** 10-year average unemployment	**2,831,000** **(+6.3% y-o-y)** Quits

Source: JLL Research, Bureau of Labor Statistics

Innovation cities coming to the fore

Top 20 Cities for Transactional Volumes FY 2015



Source: JLL Research

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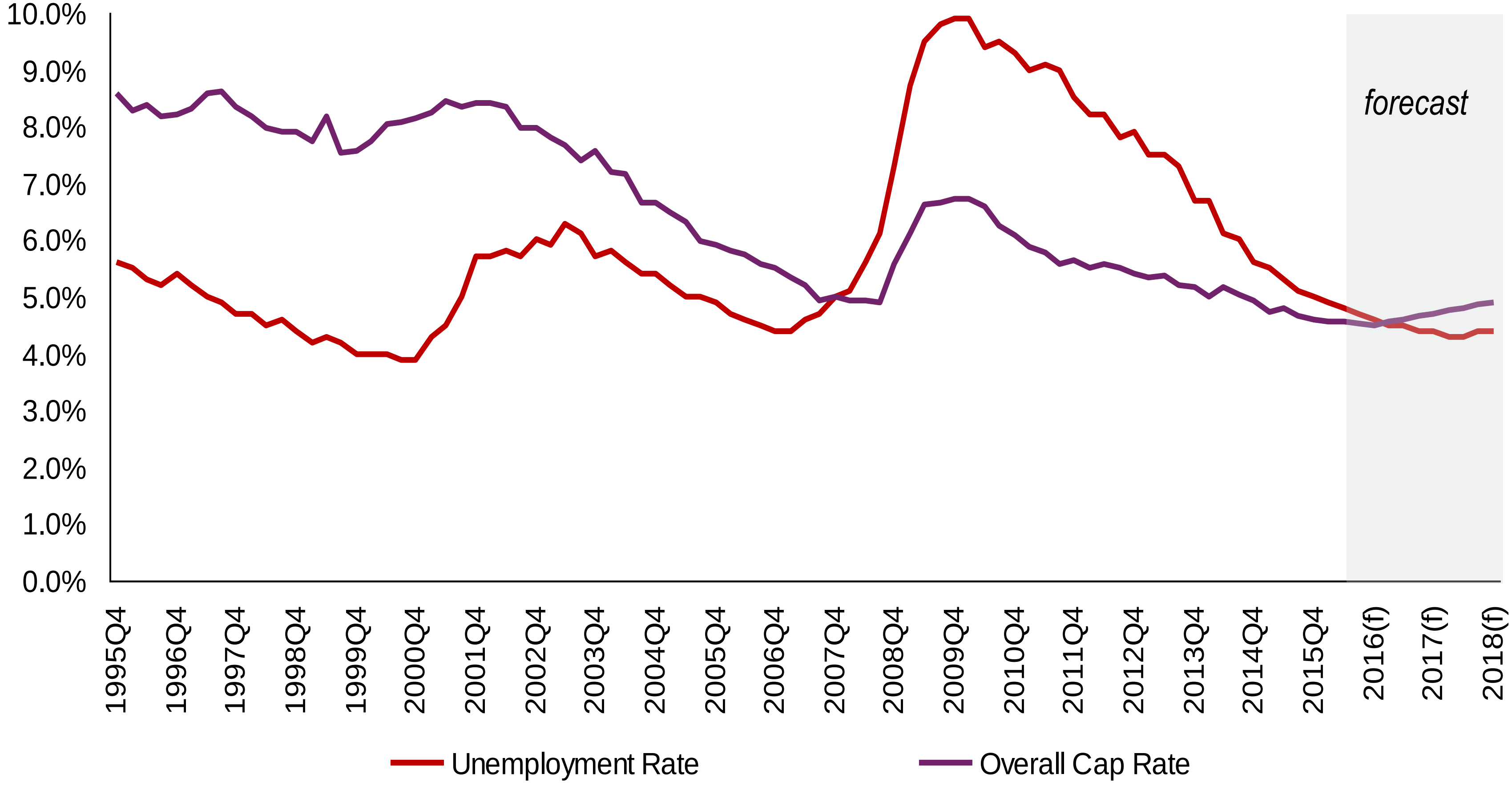
Improving U.S. economy parallels cap rate compression

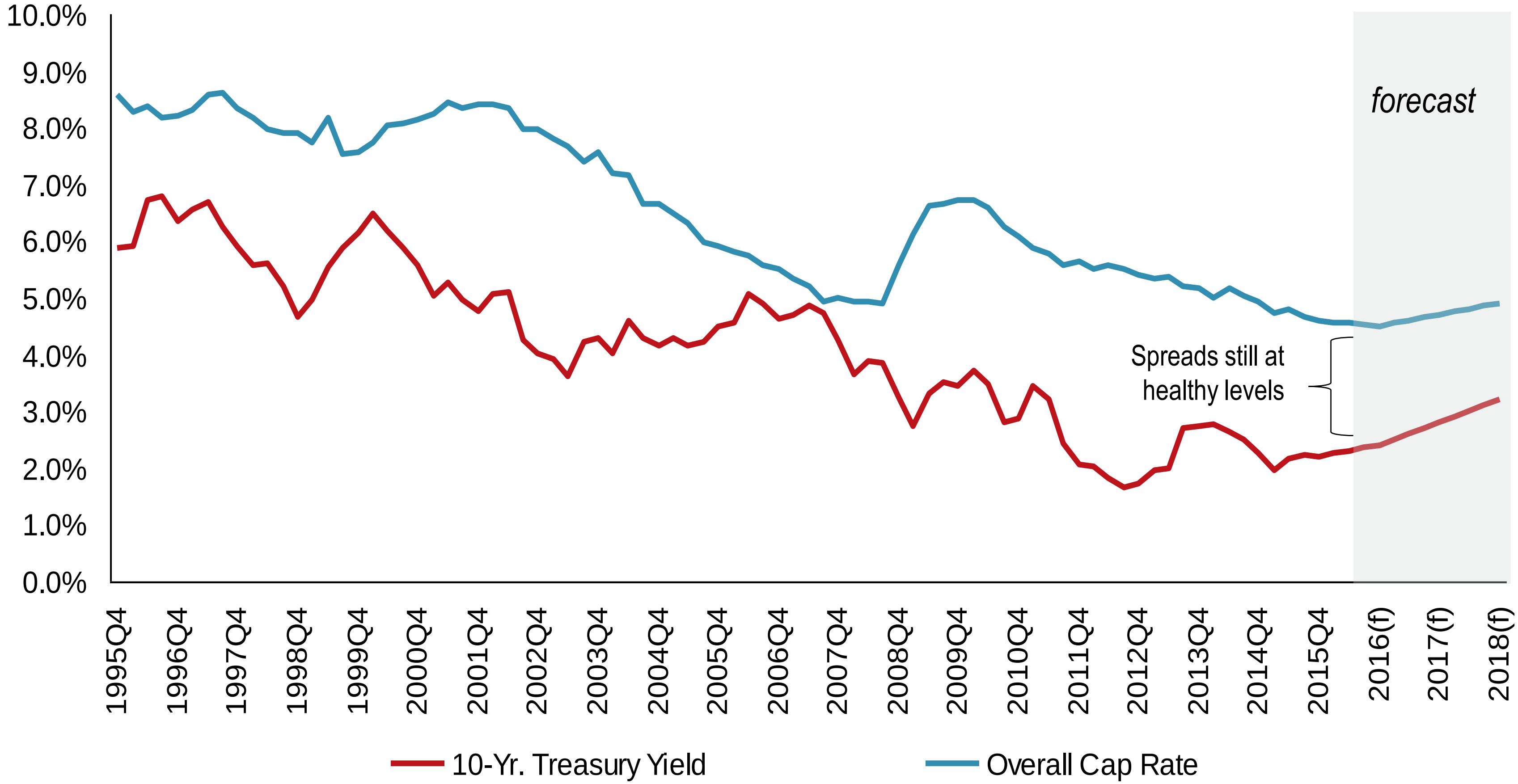
U.S. unemployment rate vs. overall institutional cap rates



*Unemployment rate is quarter-end, cap rate is for privately-owned, mainly institutional-quality assets and is appraisal-based and market value-weighted
Source: Moody's Analytics, U.S. Bureau of Labor Statistics, NCREIF, JLL

Low interest rates supporting current pricing with spreads healthy

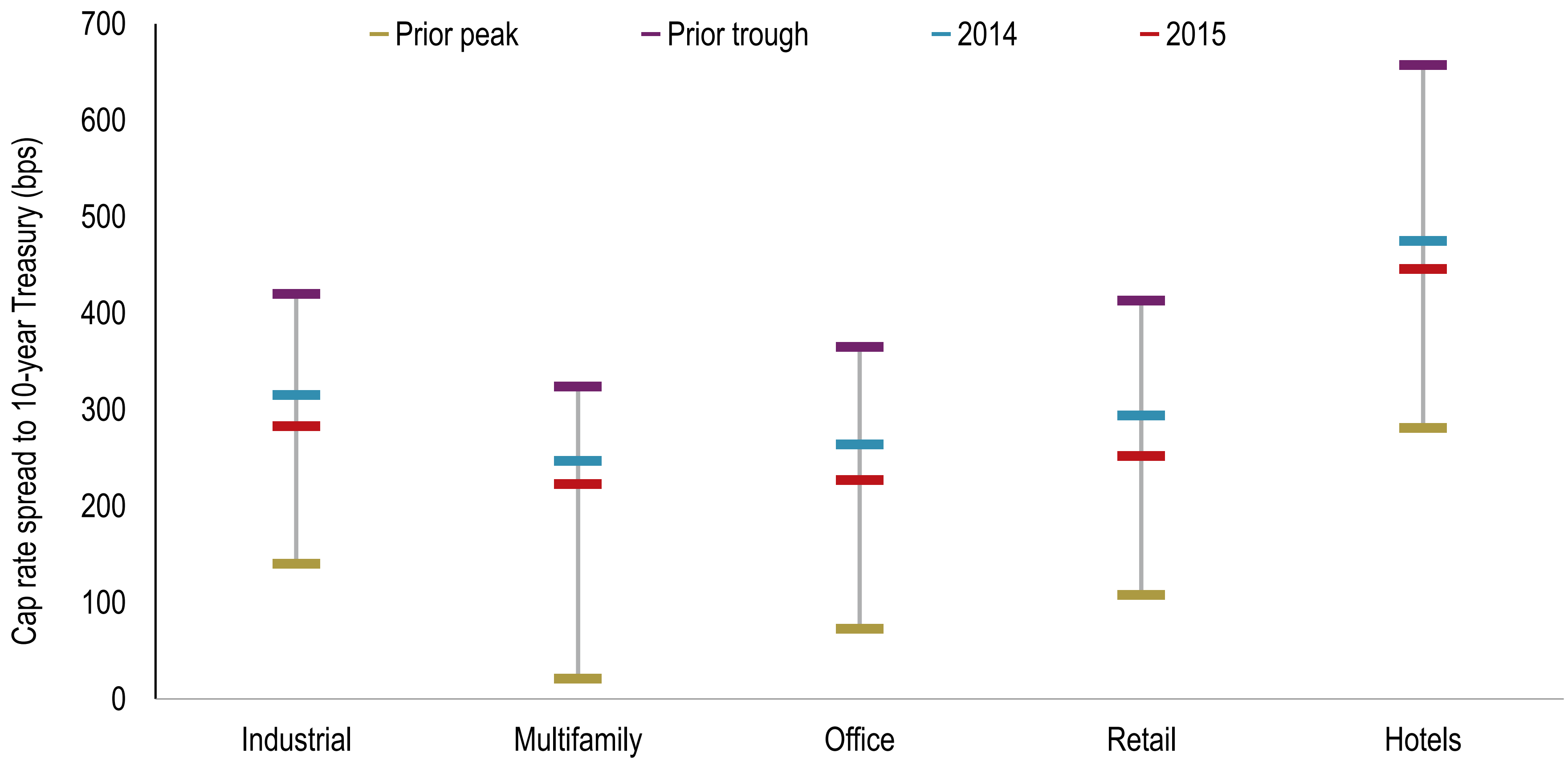
Ten-year U.S. Treasury yield vs. overall institutional cap rates



*Interest rates are quarterly average, cap rate is for privately-owned, mainly institutional-quality assets and is appraisal-based and market value-weighted
Source: Moody's Analytics, Federal Reserve Board of Governors, NCREIF, JLL

Healthy cap rate spread holds true across asset sectors

While cap rates compressed another 33 basis points on average across sectors in 2015, healthy cap rate spreads to 10-year continue and at a 150-basis-point average spread above prior peak levels



Source: JLL Research, NCREIF, Board of Governors of Federal Reserve

What do higher interest rates mean for private RE performance?

Bad for Bonds, But Not Necessarily for Private Real Estate: US Example Below

Best in Year	Middle in Year	Worst in Year

Since 1980, years with 50 basis point + increases in Fed Funds rate

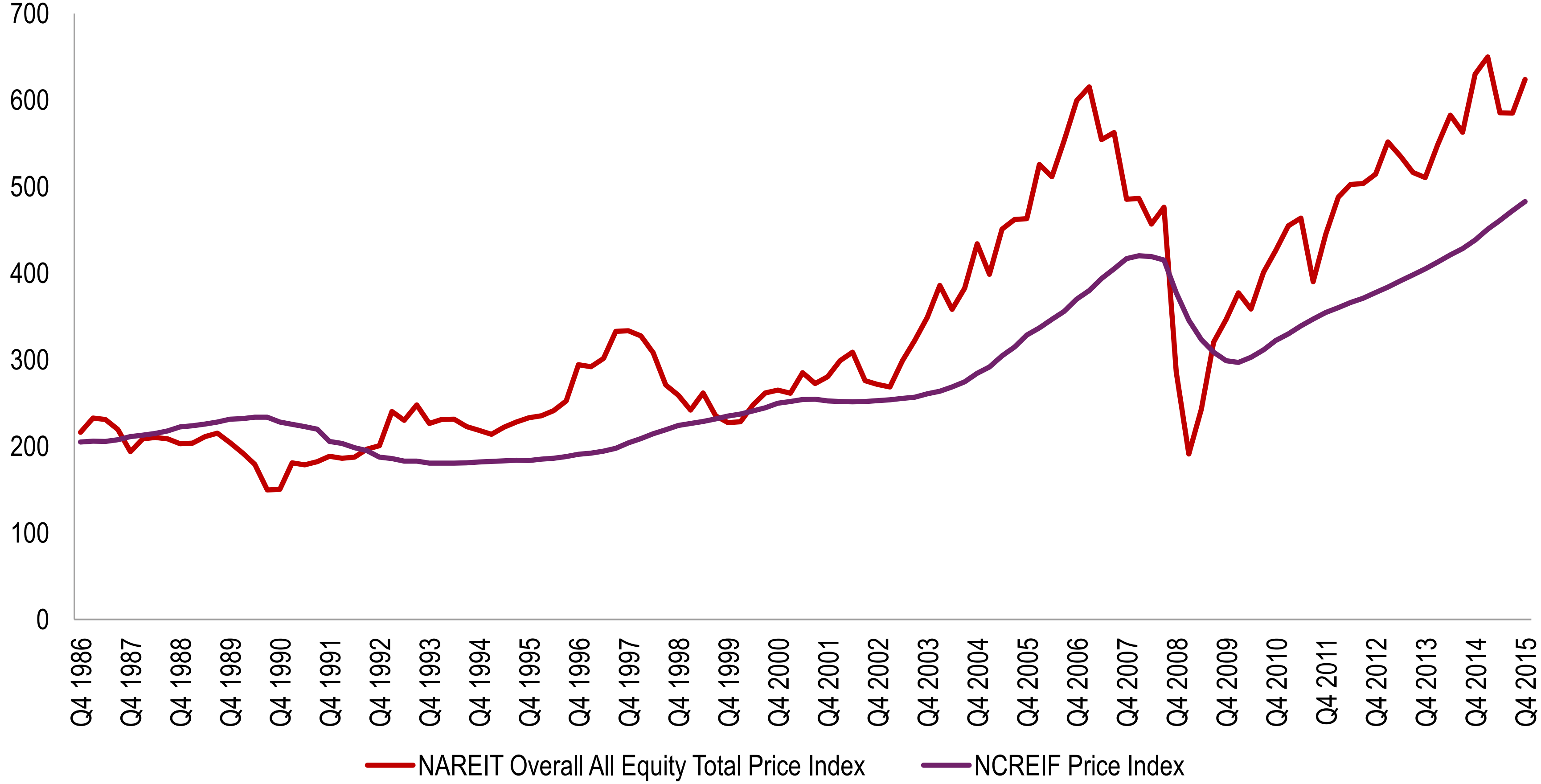
Year	Increase in Fed Funds Rate	YE Fed Funds Rate Target	Real Estate Return (NCREIF ODCE)	S&P 500 Return	Corporate Bond Return
2006	+100 bps	5.25%	16.3%	15.8%	4.6%
2005	+200 bps	4.25%	21.4%	4.9%	2.0%
2004	+125 bps	2.25%	13.1%	10.9%	5.6%
2000	+100 bps	6.50%	14.3%	-9.1%	9.3%
1999	+75 bps	5.50%	13.2%	21.0%	-1.6%
1994	+250 bps	5.50%	6.1%	1.3%	-3.5%
1988	+187 bps	8.75%	7.3%	12.4%	8.0%
1987	+88 bps	6.88%	6.7%	2.0%	2.6%
1983	+100 bps	9.50%	13.2%	17.3%	8.2%

In 8 of last 9 years when the Fed Funds rate has increased US real estate has out-performed bonds. US private real estate also outperformed equities in 6 of the last 9 years when the Fed Funds rate increased.

Source: LaSalle Investment Management, Bloomberg

Public REITs a more volatile and leading indicator

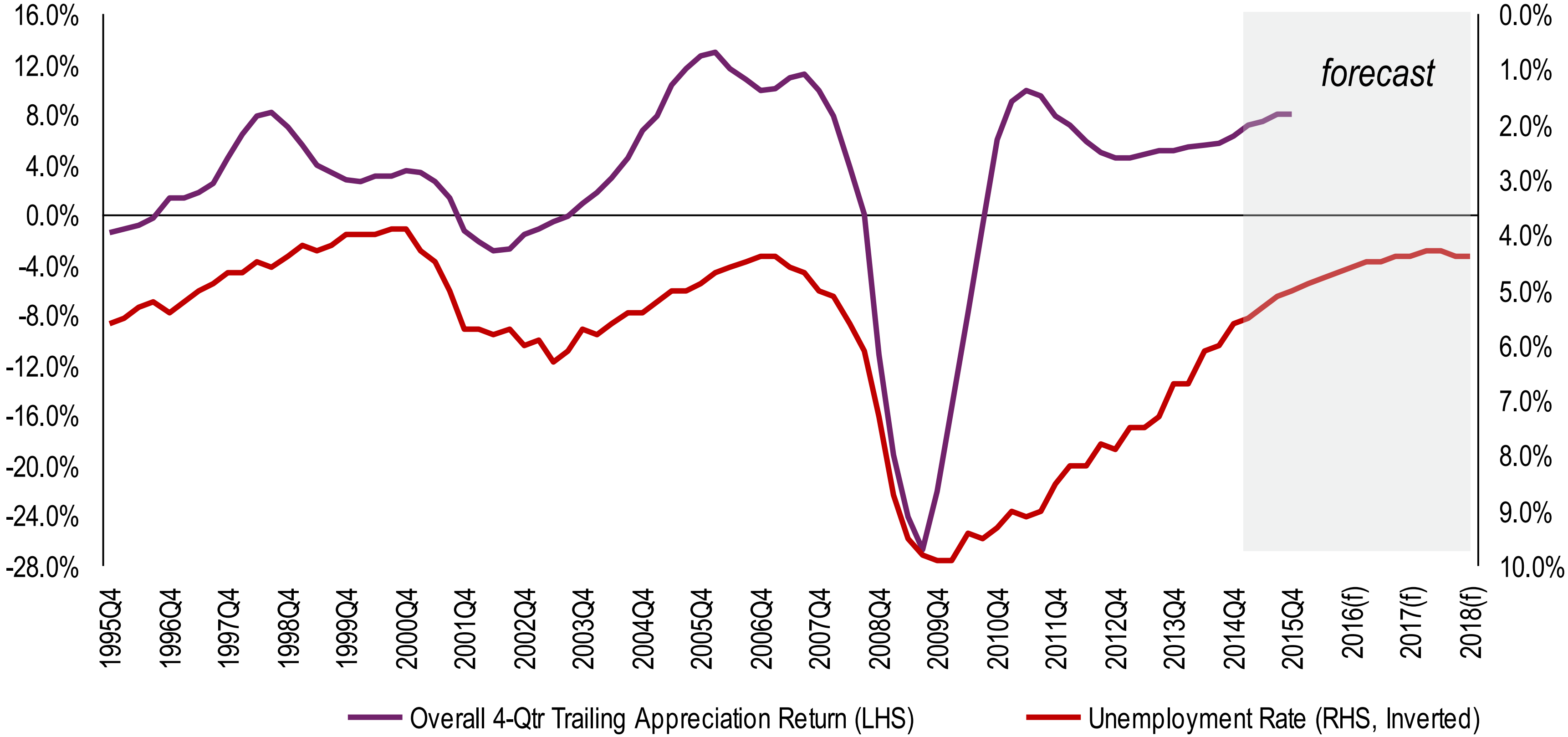
Public versus private real estate price index



Source: JLL Research, NAREIT, NCREIF

Strong RE returns historically supported by strong economy

U.S. unemployment rate vs. overall institutional appreciation return



*Unemployment rate is quarter-end, appreciation return is for privately-owned, mainly institutional-quality assets
Source: Moody's Analytics, U.S. Bureau of Labor Statistics, NCREIF, JLL

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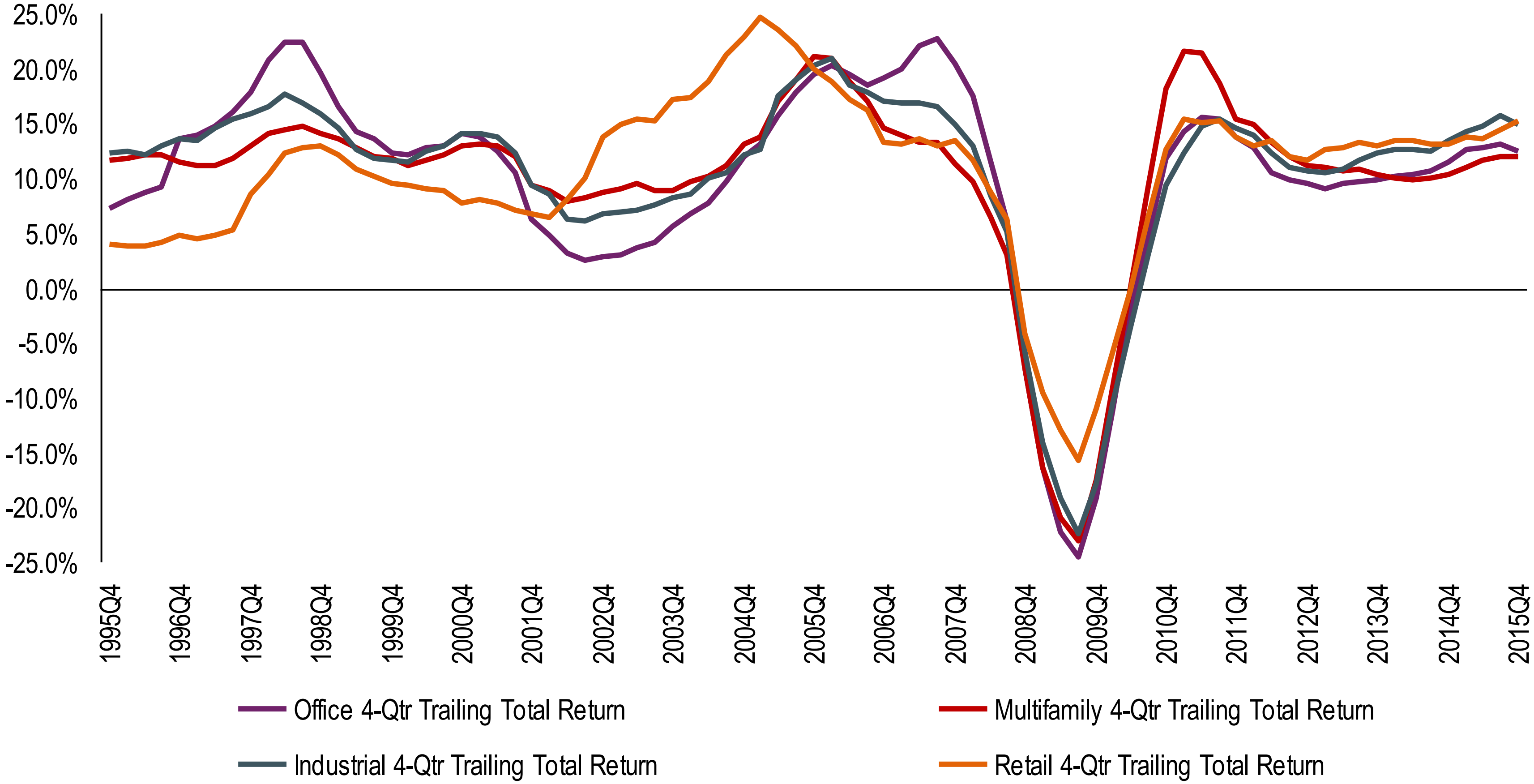
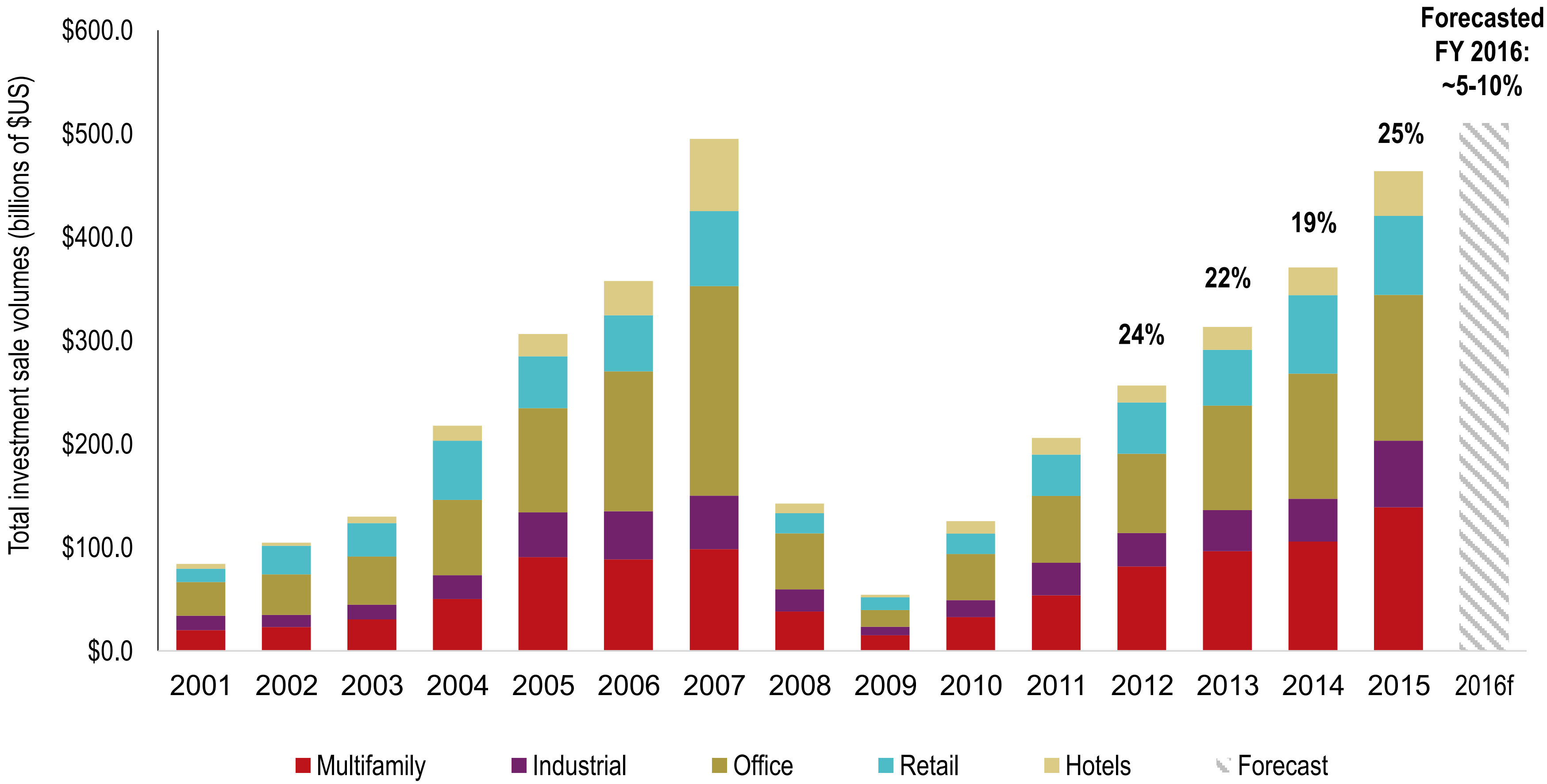
This also holds true across sectors with convergence this cycle

U.S. institutional total return by sector



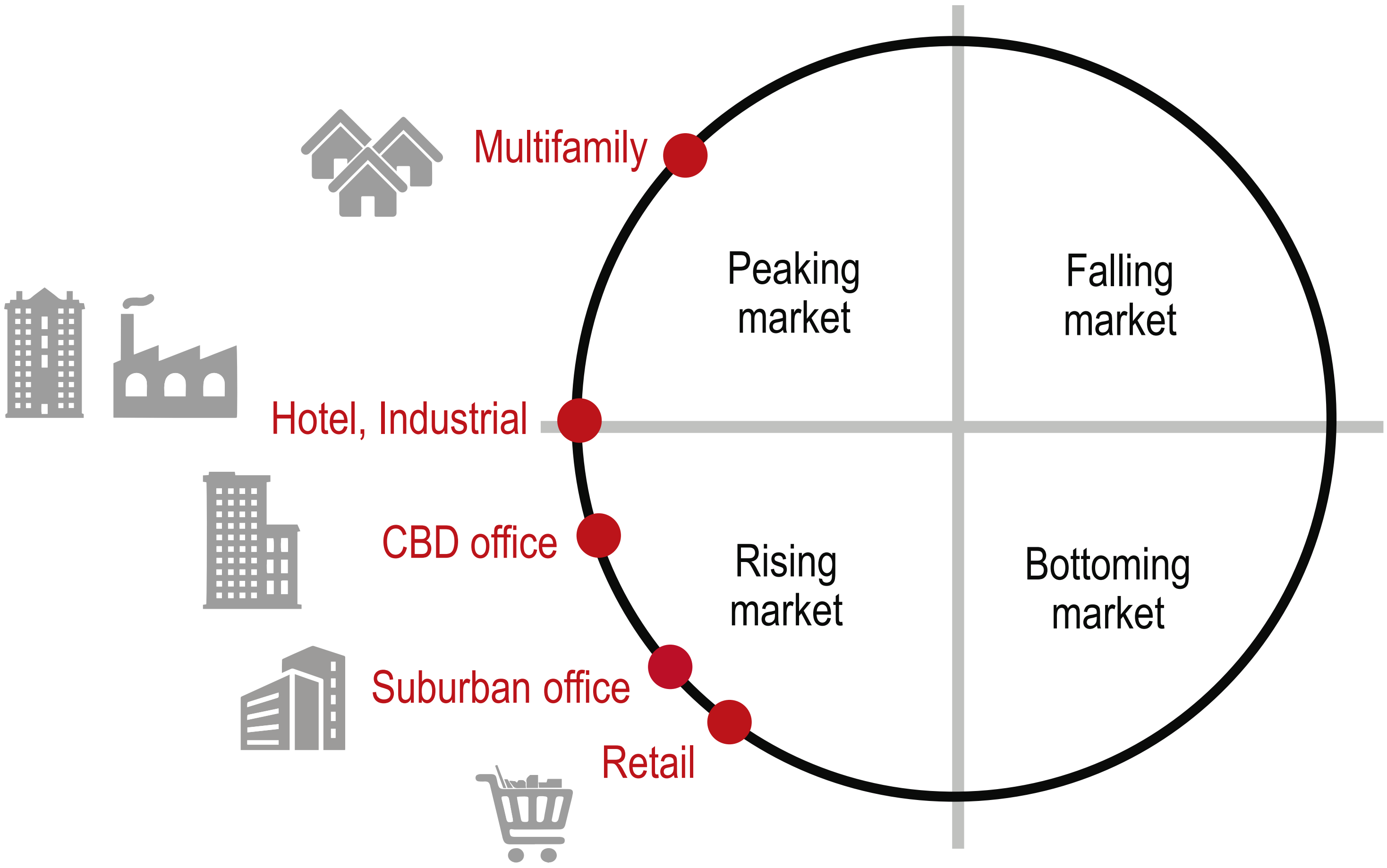
*Total return is for privately-owned, mainly institutional-quality assets
Source: NCREIF, JLL

After 25.1 percent growth in volumes at year-end, U.S. momentum strong and positioned to surpass 2007 peak in 2016



Source: JLL Research, Real Capital Analytics (Transactions larger than $5.0m; Includes portfolio, entity-level transactions)

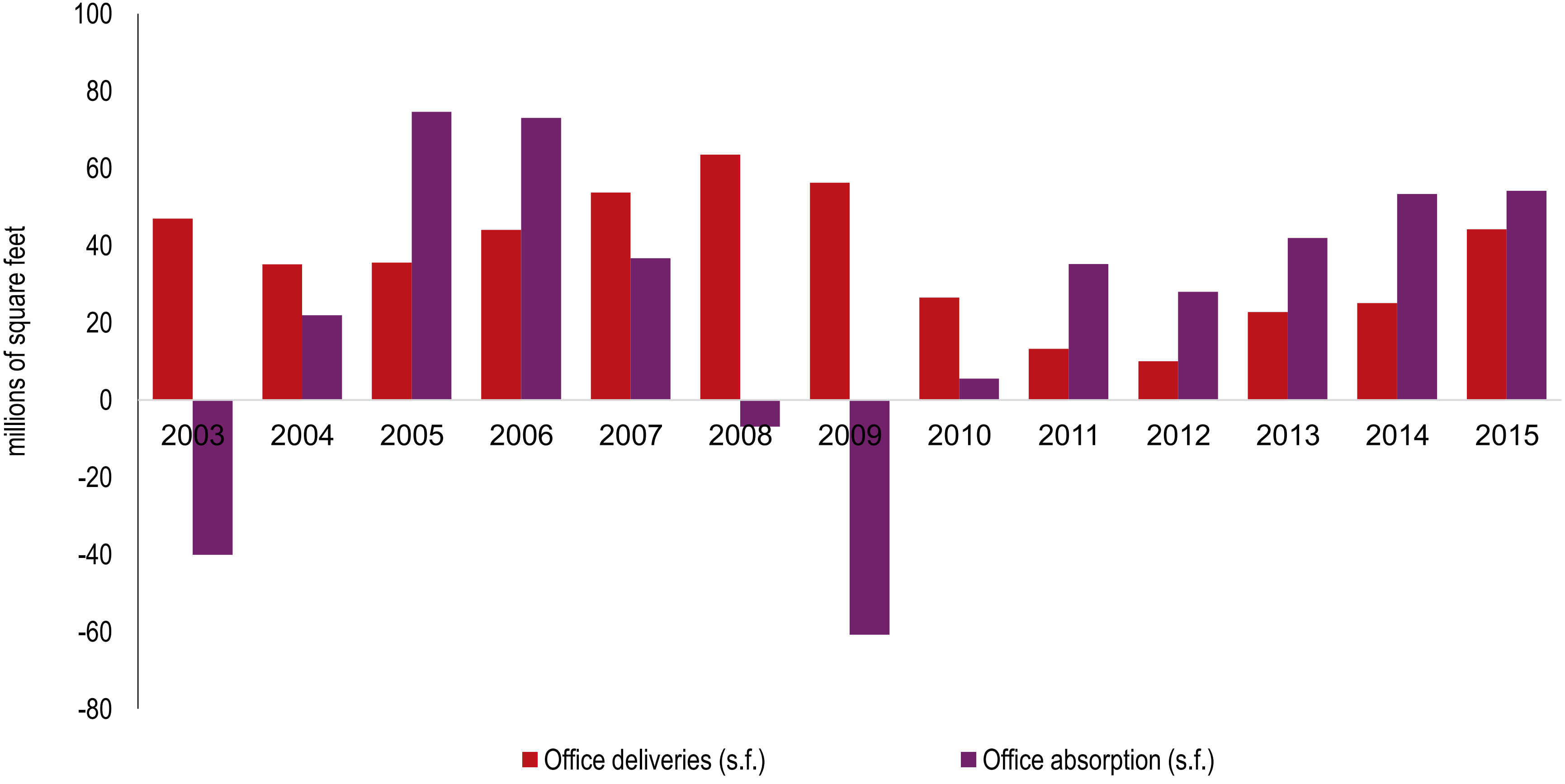
U.S. property clock shows momentum across sectors: Markets tightening, rents growing, construction rising



Source: JLL Research, NCREIF

In office sector, development remains controlled in most markets

Since 2012, occupancy growth has outpaced supply growth by 1.5 times with average annual deliveries 49.0 percent below prior cycle



Source: JLL Research

The spectrum of rental performance

Projected prime office rental growth in 2015 and 2016

		2015	2016
+	10–20%	Stockholm, Dubai Hong Kong, Sydney	Boston
+	5–10%	Shanghai, Los Angeles San Francisco, Tokyo Boston, Madrid	Tokyo, Sydney, Dubai, Chicago Los Angeles, New York San Francisco, Hong Kong Shanghai, Madrid
+	0–5%	London, Toronto, Chicago Beijing, Washington DC New York, Milan Frankfurt, Brussels	London, Brussels, Seoul Toronto, Beijing, Washington DC Paris, Moscow, Milan Stockholm, Frankfurt
−	0–5%	Mexico City, Seoul, Mumbai, Paris	Mumbai, Mexico City
−	5–10%	Sao Paulo	Sao Paulo
	10–20%	Singapore, Moscow	Singapore

Source: JLL Research, February 2016

Prime Rental Growth FY 2015 and Projected Rental Growth FY 2016 (% p.a)
Nominal rates in local currency.

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Prime Offices – Projected Change in Values, 2016

	Rental Values	Capital Values
+ 10-20%	Boston	Boston, Madrid, Brussels
+ 5-10%	Tokyo, Sydney, Dubai* Chicago, Los Angeles, New York* San Francisco, Hong Kong Shanghai, Madrid	Tokyo, Shanghai Dubai*, Chicago, Los Angeles New York*, San Francisco Moscow, Stockholm
+ 0-5%	London*, Brussels, Seoul, Toronto, Beijing, Washington DC Paris*, Moscow, Milan Stockholm, Frankfurt	Sydney, London*, Hong Kong Milan, Frankfurt, Toronto Washington DC, Beijing, Seoul Paris*
- 0-5%	Mumbai, Mexico City	Mumbai, Mexico City
- 5-10%	Sao Paulo	Sao Paulo
- 10-20%	Singapore	Singapore

*New York – Midtown, London – West End, Paris – CBD, Dubai – DIFC. Nominal rates in local currency.
Source: JLL, February 2016

Key takeaways heading into 2016

1. Investment volumes strong with additional 5.0 to 10.0 percent growth forecasted for 2016

2. Unplaced capital robust and growing at a faster pace than opportunities. With this, a bimodal distribution of capital is emerging, skewed toward value add transactions.

3. Capital shifting up into larger, structured transactions and out into submarkets and assets for yield

4. Despite interest rate hike, 10-Year Treasury remains relatively stable, maintaining healthy cap rate spreads levels with room to compress in coming years

5. Amidst market volatility, CMBS spreads to swaps widen, but issuance momentum continues. U.S. banks and life companies remain active, exceeding CMBS growth.

6. “Wild cards” to watch: Increased foreign capital into multifamily; increased privatization deals & accelerated dispositions from near-term hold investors

Thank you!