Noises and Signals in CRE Investment
“Market Consensus” is Usually Exactly Wrong

Sources: ULI; Hines Research; as of 2015Q4
Sentiment, Trailing Returns, and Future Price Growth

**Investor Sentiment**

- **Love it, wish I had more!**
  - Trailing Price Growth: 1.9%
  - Average Annual Price Growth over Following 5 Years: 18.5%
- **One of the better markets**
  - Trailing Price Growth: 2.7%
  - Average Annual Price Growth over Following 5 Years: 16.8%
- **Ok, I'm in**
  - Trailing Price Growth: 4.4%
  - Average Annual Price Growth over Following 5 Years: 15.9%
- **Really, are you sure?**
  - Trailing Price Growth: 5.5%
  - Average Annual Price Growth over Following 5 Years: 10.9%
- **No, I don’t think so**
  - Trailing Price Growth: 6.3%
  - Average Annual Price Growth over Following 5 Years: 7.5%
- **Are you kidding me?**
  - Trailing Price Growth: -0.6%
  - Average Annual Price Growth over Following 5 Years: 9.8%

Sources: ULI; Hines Research; as of 2015Q4
Sentiment Tends to Be Very Backward Looking

Sources: ULI; Hines Research; as of 2015Q4
Where is the Job Growth Occurring?

Sources: BLS; Hines Research
But Recent Job Growth is a Poor Predictor of Future Price Growth

Sources: NCREIF; BLS; Hines Research
Based on 17,121 historical observations of trailing employment growth and average annual price growth over subsequent five years in US metropolitan areas from 1990Q1 – 2016Q2
How About Vacancy Rates?

Sources: CoStar; Hines Research; as of 16Q2
No, Vacancy Rates Don’t Matter Much

Vacancy and Future Price Growth

Sources: CoStar; NCREIF; PMA; JLL; CBRE; IPD; Hines Research
Based on 25,418 historical observations of initial vacancy rate and average annual price growth over the following five years from 1990Q1 – 2016Q2
Nor Does Recent Rent Growth

Trailing Rent Growth and Future Price Growth

Sources: CoStar; NCREIF; PMA; Hines Research
Based on 26,118 historical observations of trailing annual rent growth and average annual price growth over subsequent five years in US and European markets from 1990Q1-2016Q2
Another Way of Looking at the Data

Sources: CoStar; NCREIF; PMA; Hines Research
Based on 26,118 historical observations of trailing annual rent growth and average annual price growth over subsequent five years in US and European markets from 1990Q1-2016Q2
Our Models Are Mostly Driven by Initial Pricing

Sources: NCEIF; IPD; PMA; CBRE; JLL; Hines Research; 1990Q1 – 2016Q2
Sacramento Office Prices ($/SF)

Sources: NCREIF; Hines Research; data spans 1990Q1 – 2011Q4
Has Been Helpful this Cycle

Dublin Office Prices (Euros/SF)

Sources: PMA; Hines Research; data spans 1990Q1 – 2016Q2