



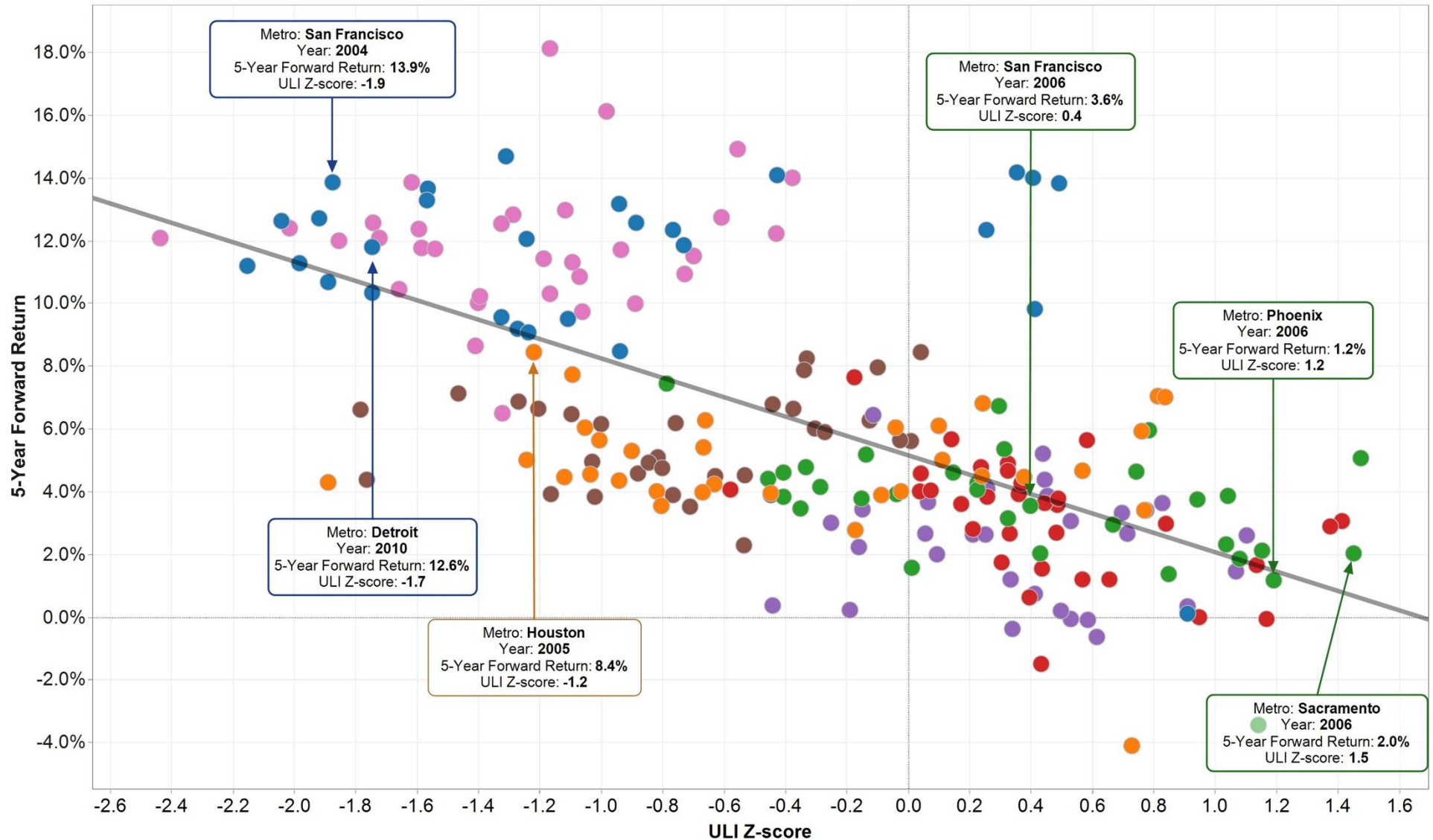
SETTING THE  
STANDARD FOR

# Real Estate Investment

Hines Proprietary Research | October 2016

## Noises and Signals in CRE Investment

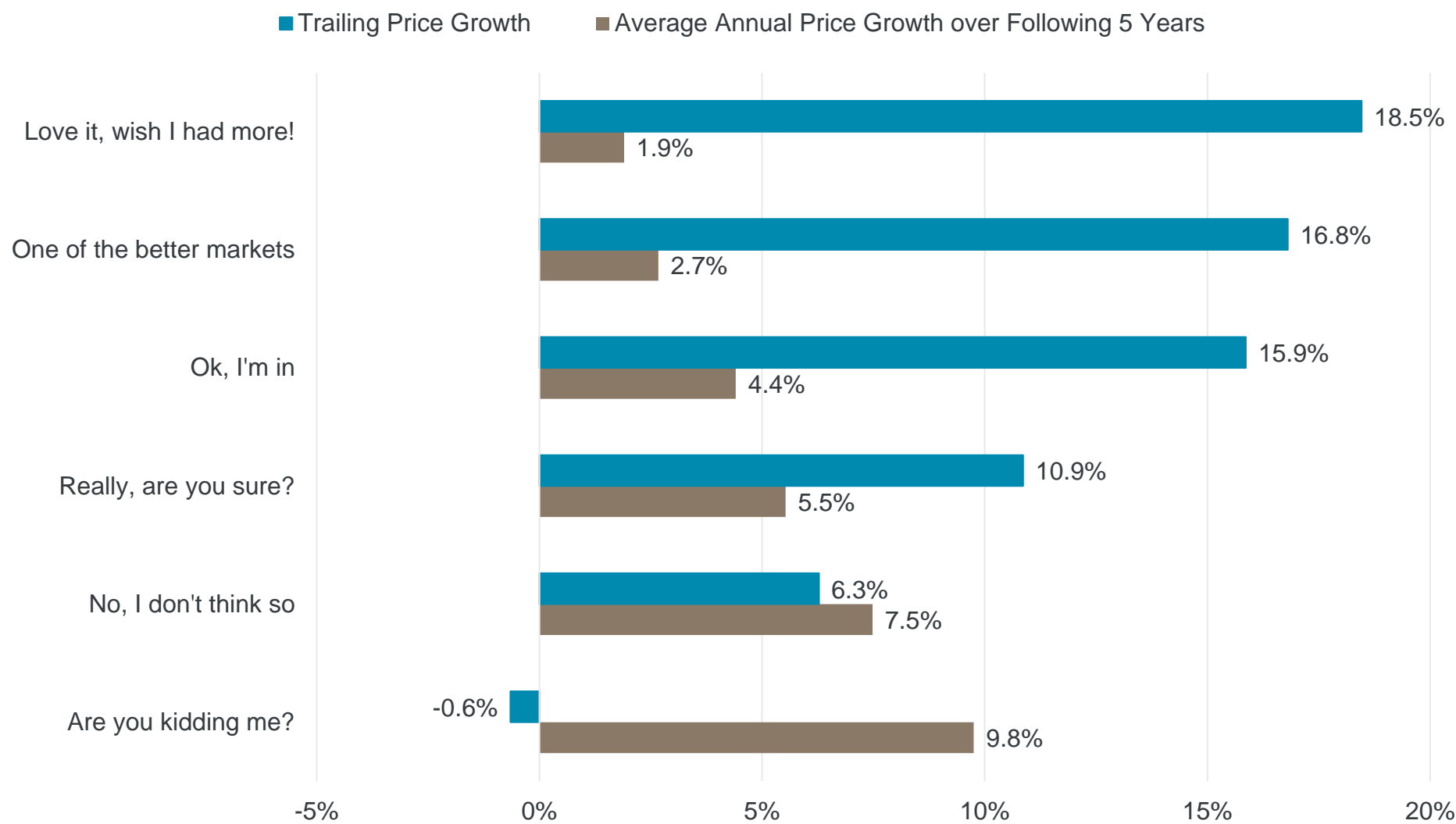
# “Market Consensus” is Usually Exactly Wrong



Sources: ULI; Hines Research; as of 2015Q4

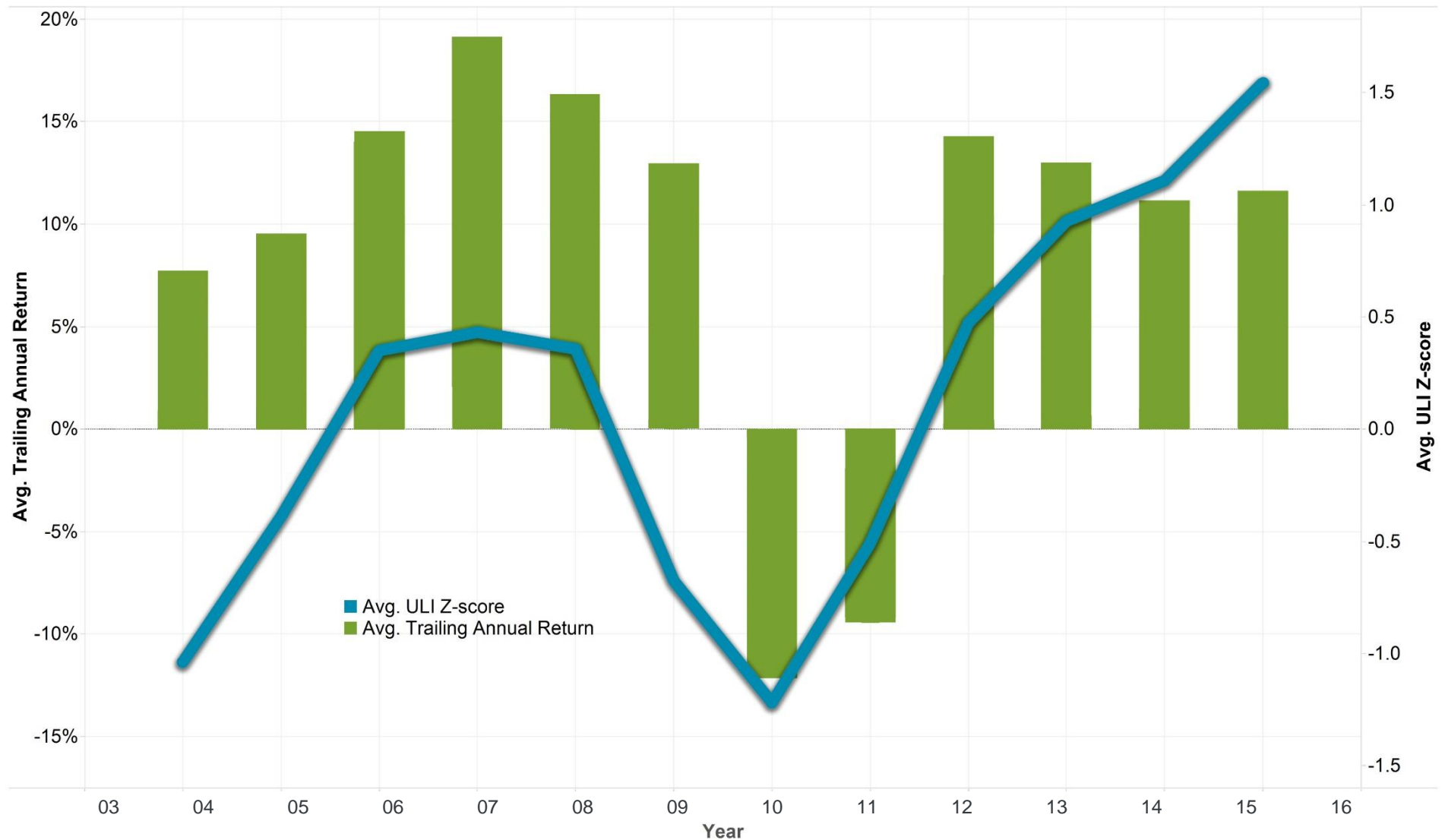
# Sentiment, Trailing Returns, and Future Price Growth

## Investor Sentiment



Sources: ULI; Hines Research; as of 2015Q4

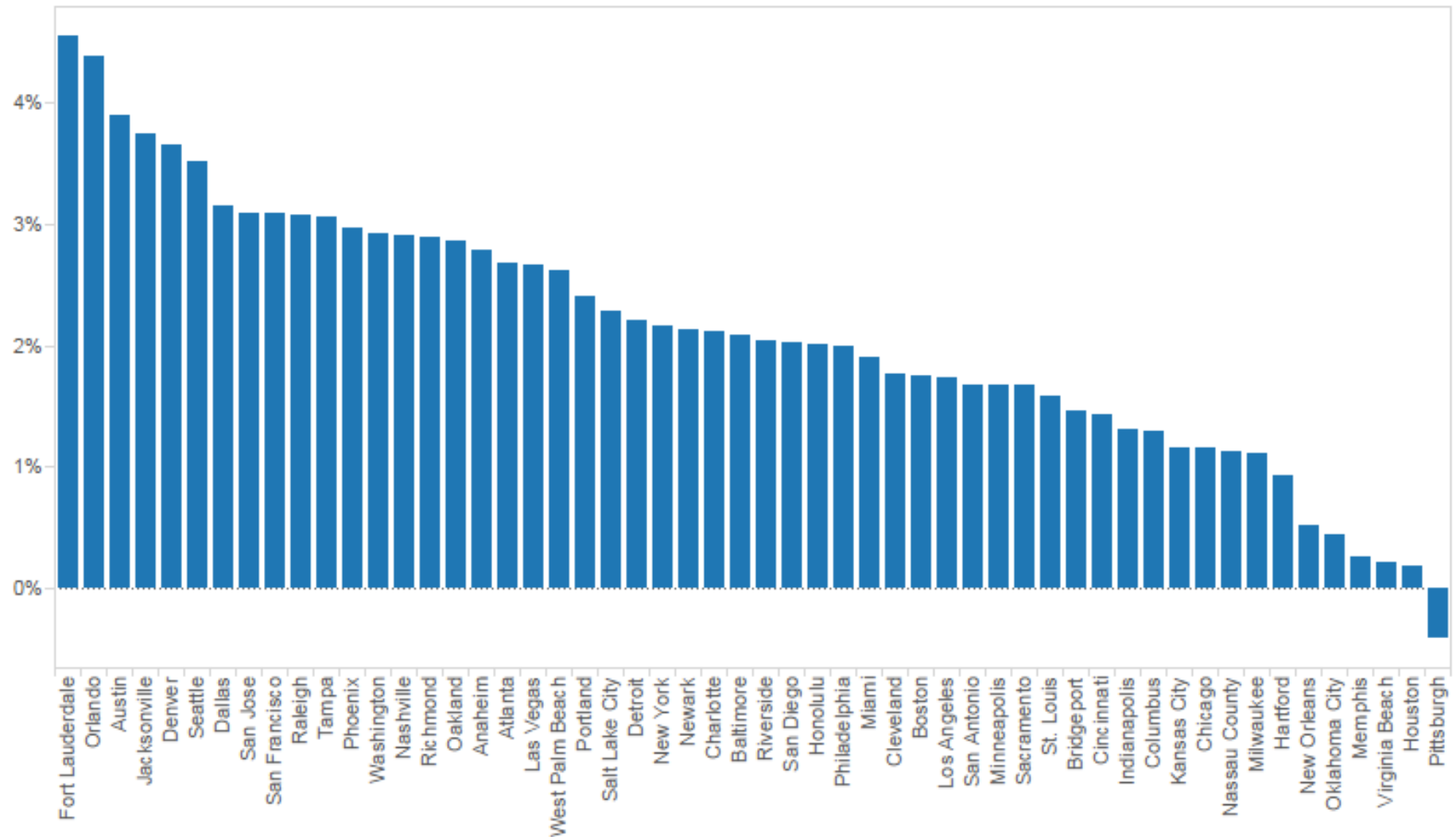
# Sentiment Tends to Be Very Backward Looking



Sources: ULI; Hines Research; as of 2015Q4

# Where is the Job Growth Occurring?

Annual Employment Growth as of July 2016

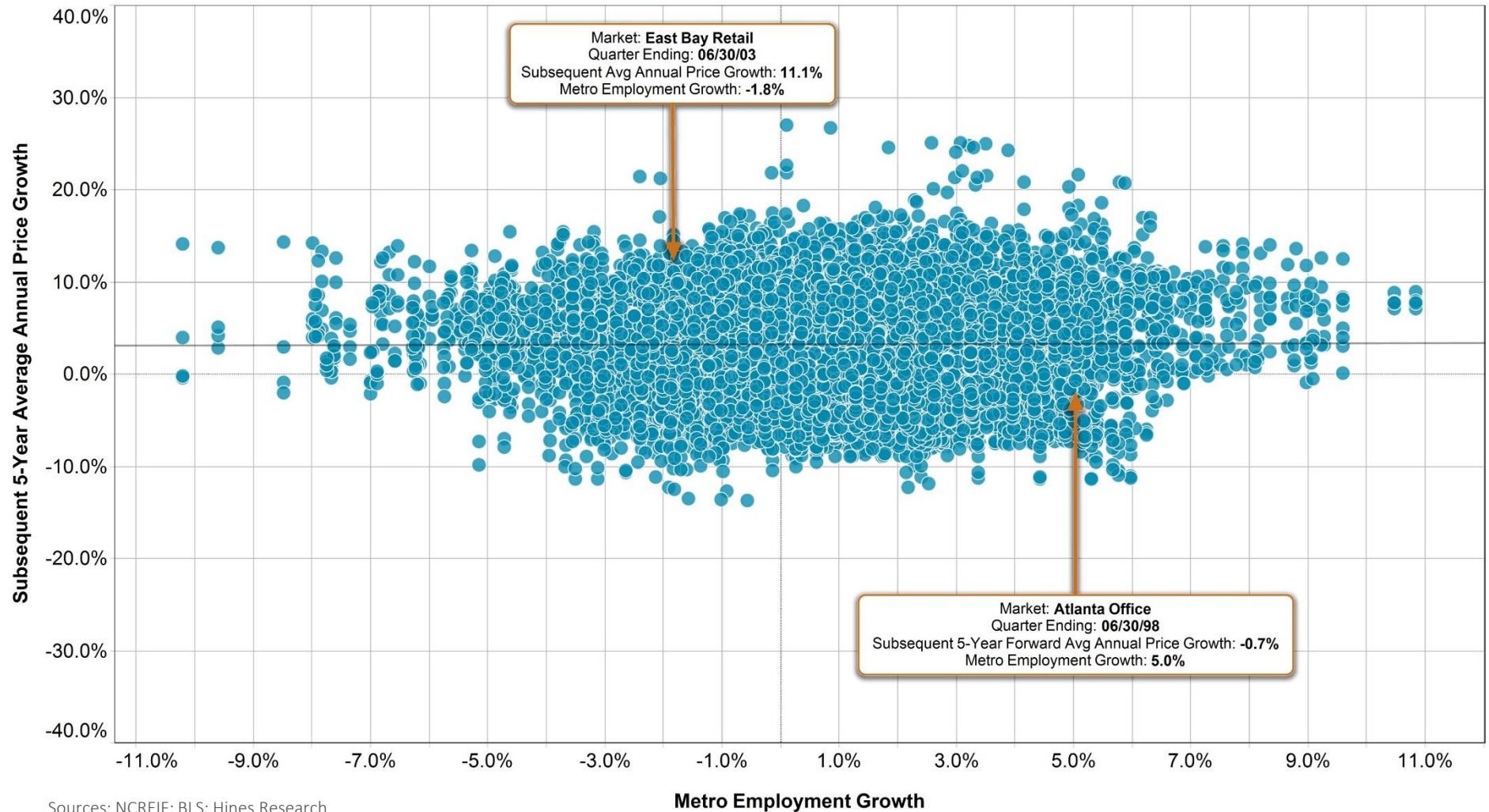


Sources: BLS; Hines Research



# But Recent Job Growth is a Poor Predictor of Future Price Growth

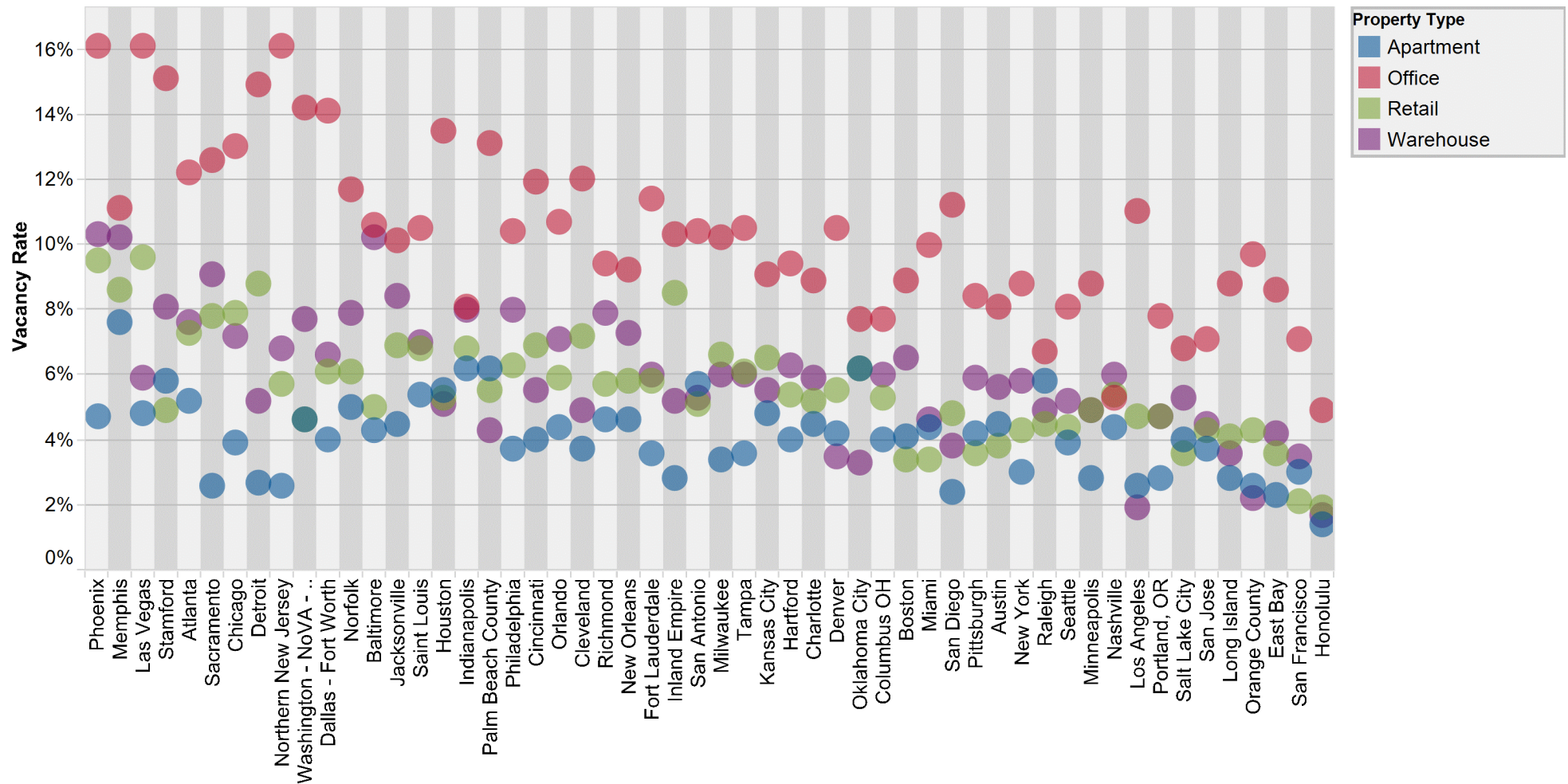
## Trailing Employment Growth and Future Price Growth



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?

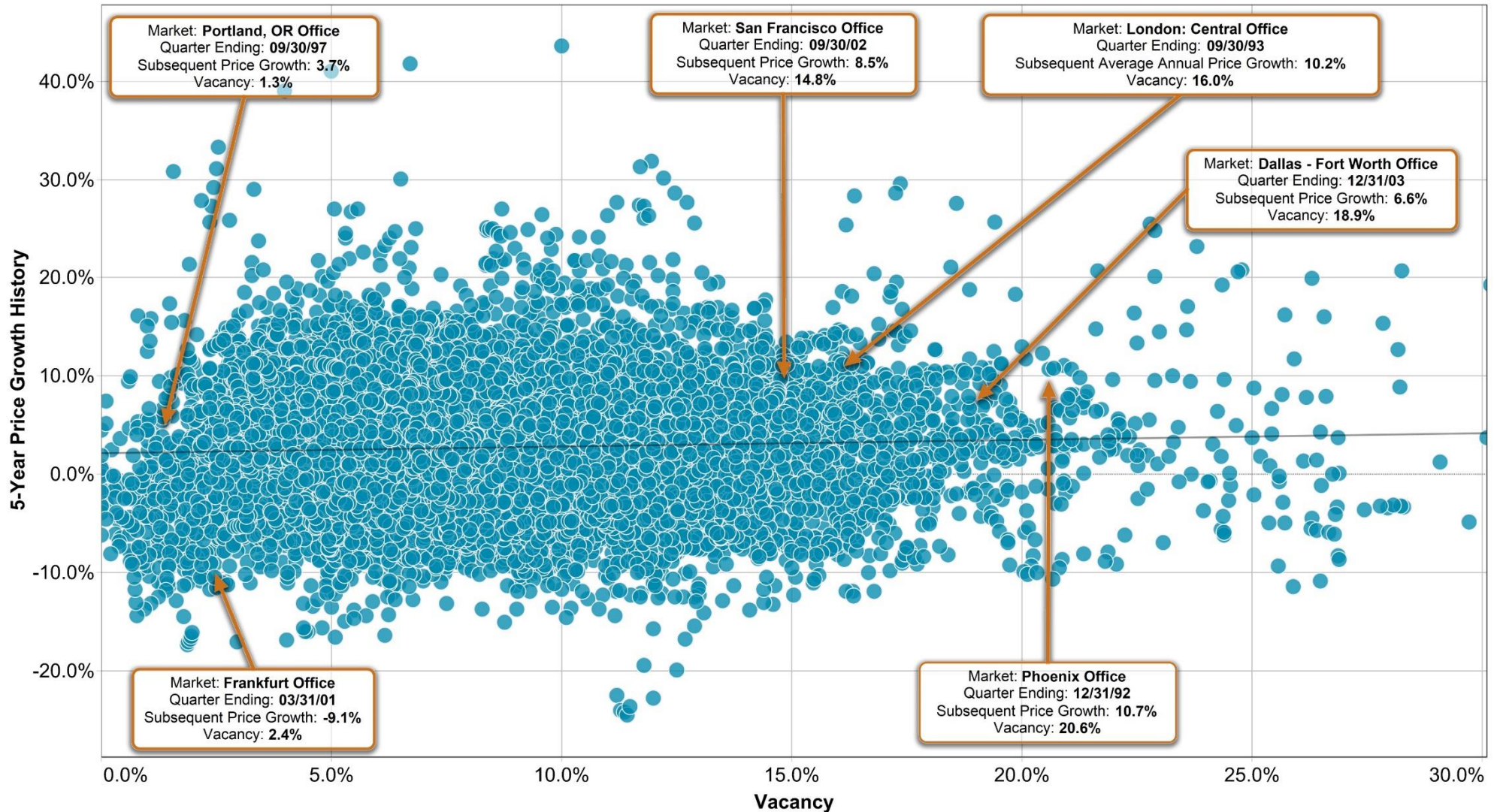


Sources: CoStar; Hines Research; as of 16Q2



# No, Vacancy Rates Don't Matter Much

## Vacancy and Future Price Growth



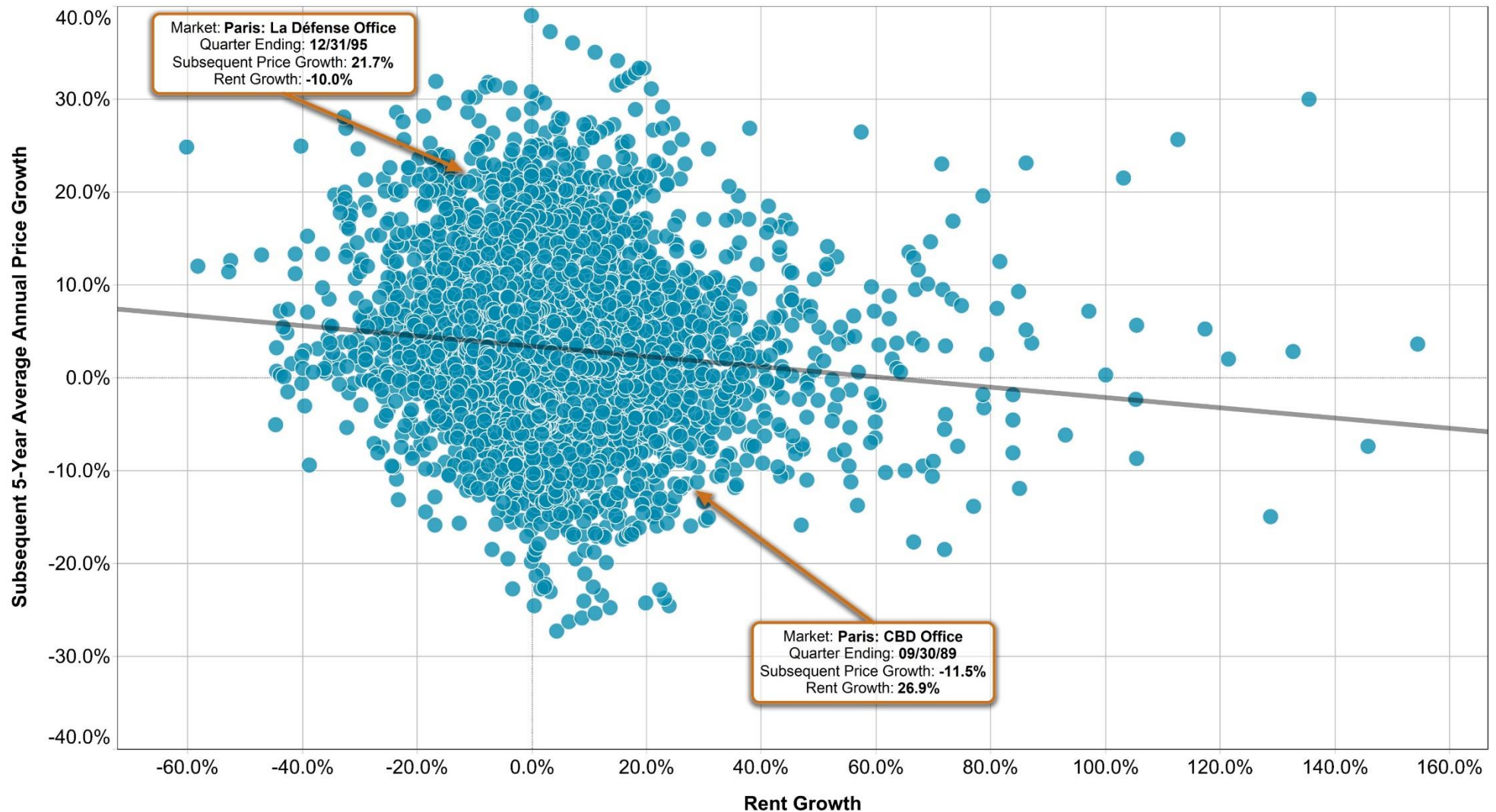
Sources: CoStar; NCREIF; PMA; JLL; CBRE; IPD; Hines Research

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

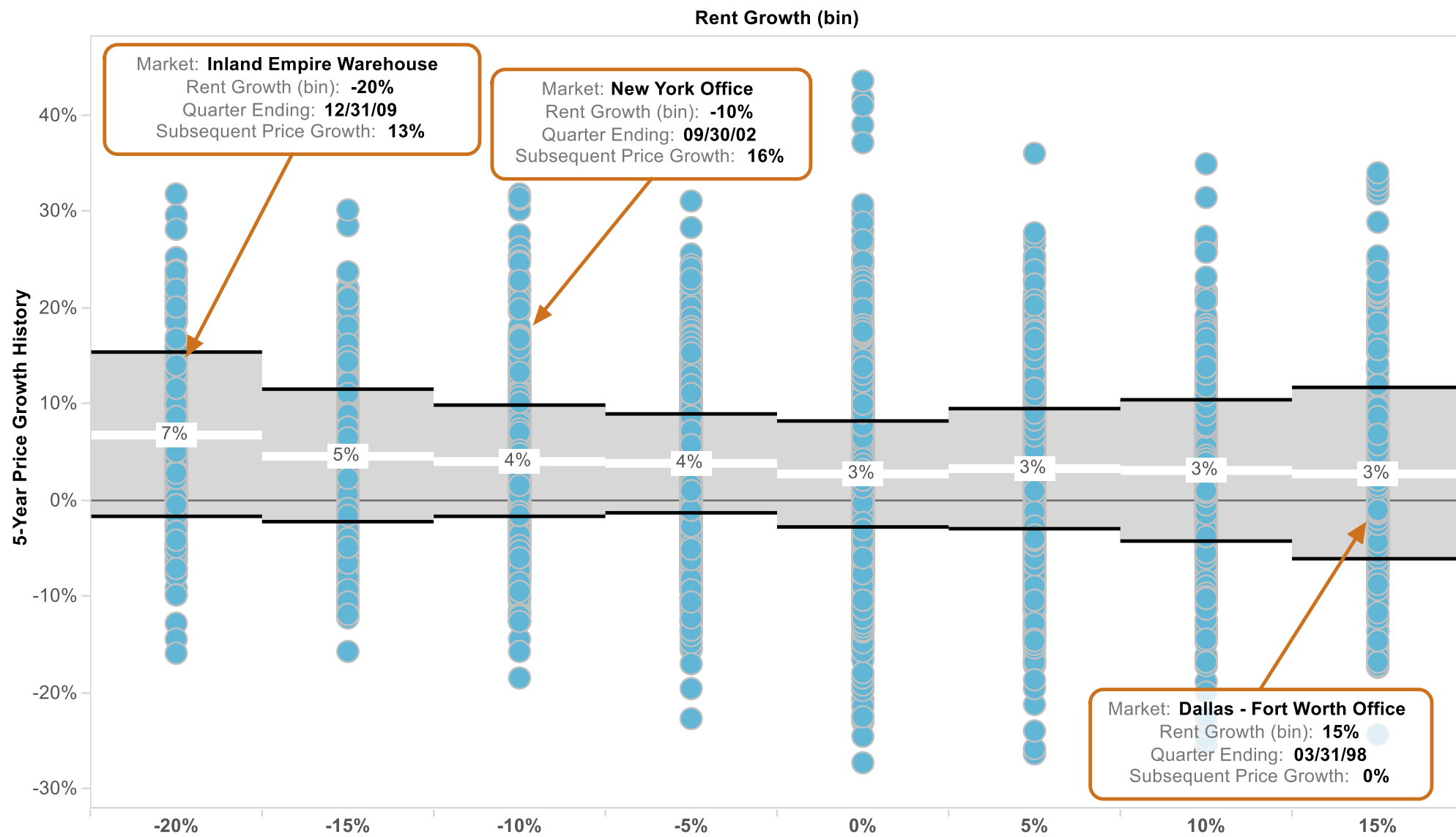
## Trailing Rent Growth and Future Price Growth



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

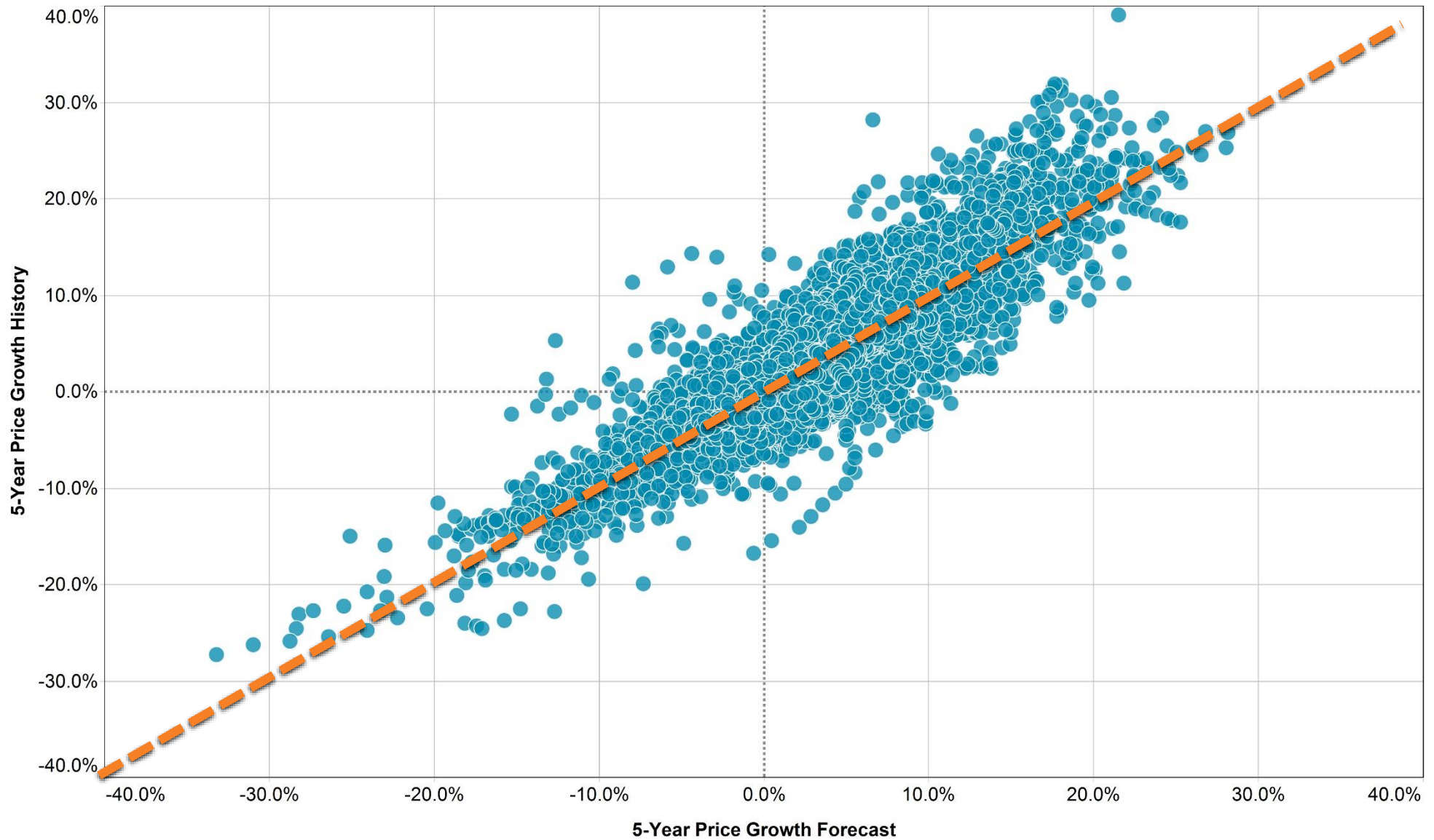
# Another Way of Looking at the Data



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

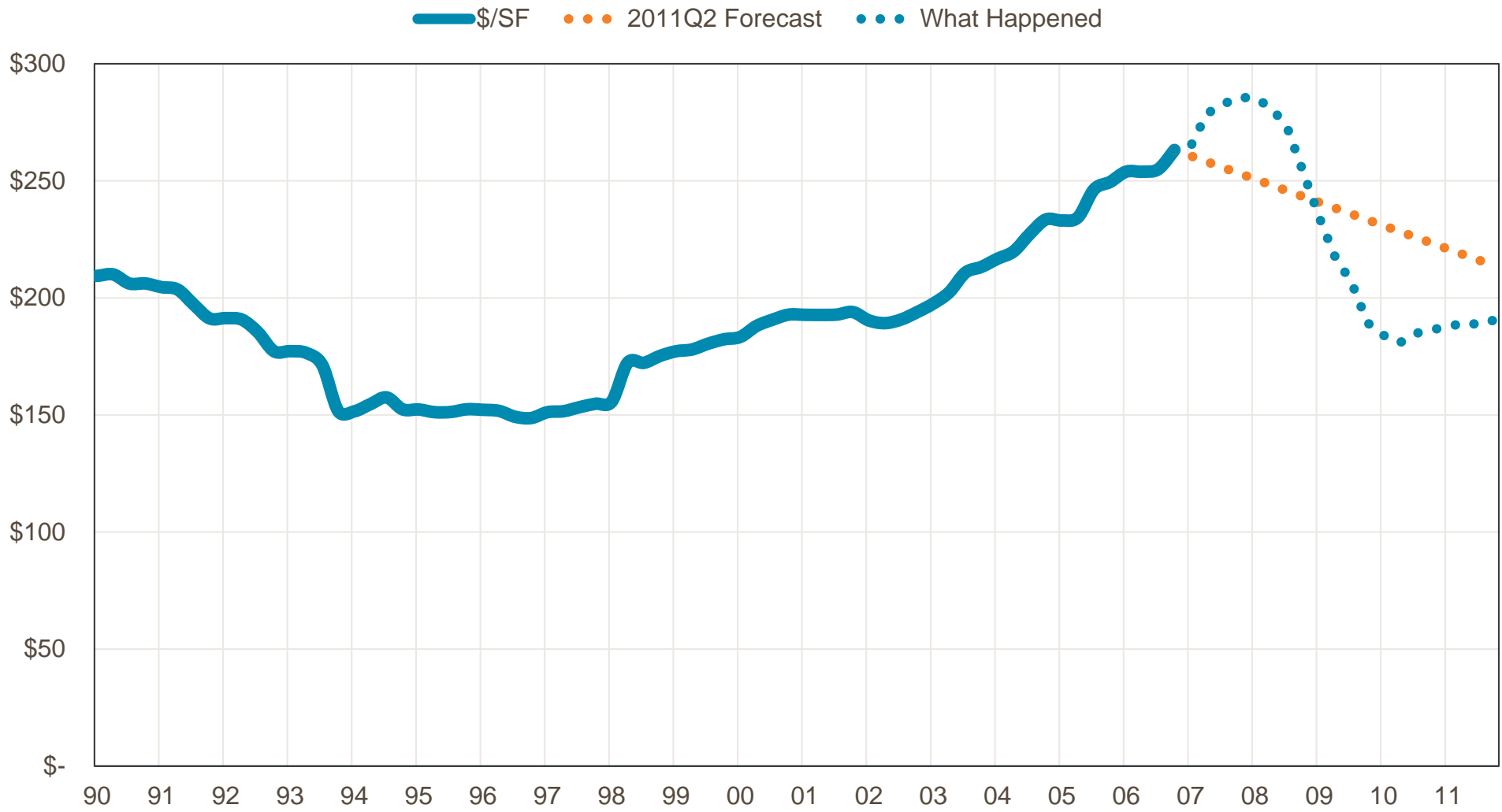


Sources: NCEIF; IPD; PMA; CBRE; JLL; Hines Research; 1990Q1 – 2016Q2



# Would Have Been Helpful at the Top of the Last Cycle

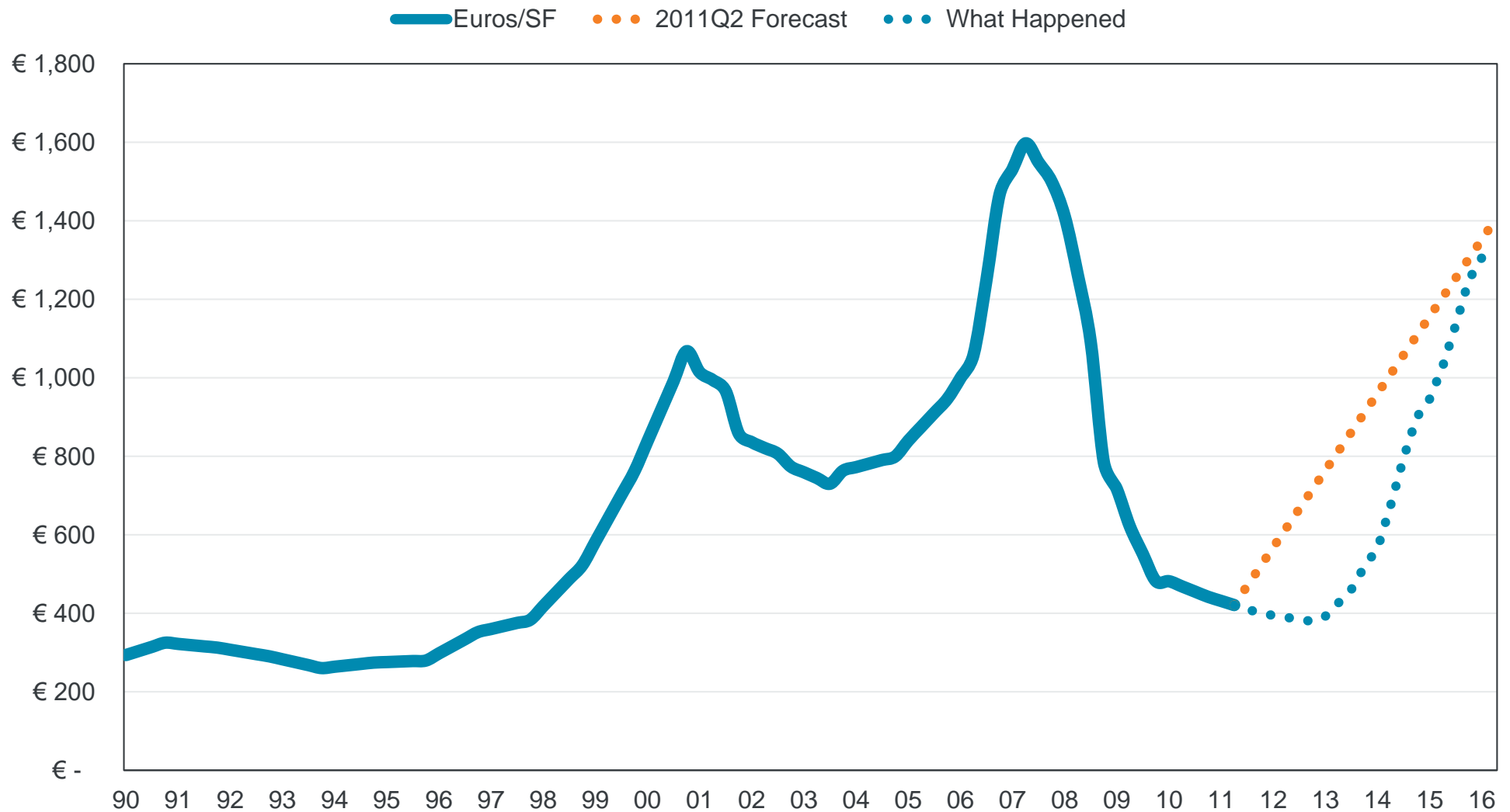
## Sacramento Office Prices (\$/SF)



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