

# Cassidy Turley / Commercial Real Estate Services

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## DC Region Overview & Forecast

November | 2011





# The U.S. Economy

Slow and bumpy, and Occasionally Scary

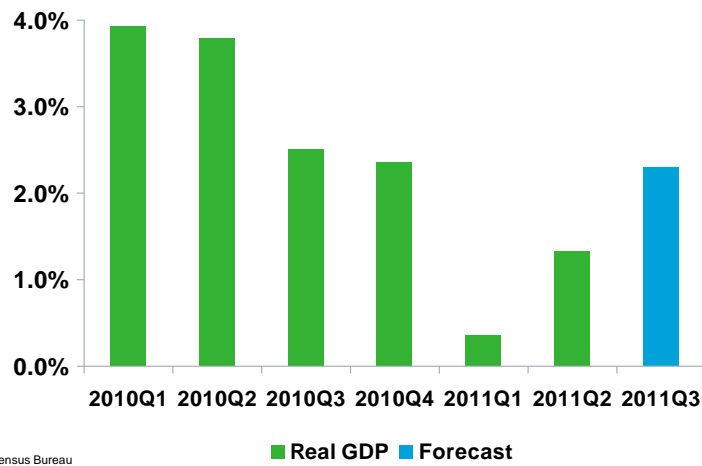


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## Close Call, but Double-Dip Avoided



U.S. Real GDP, % Chg



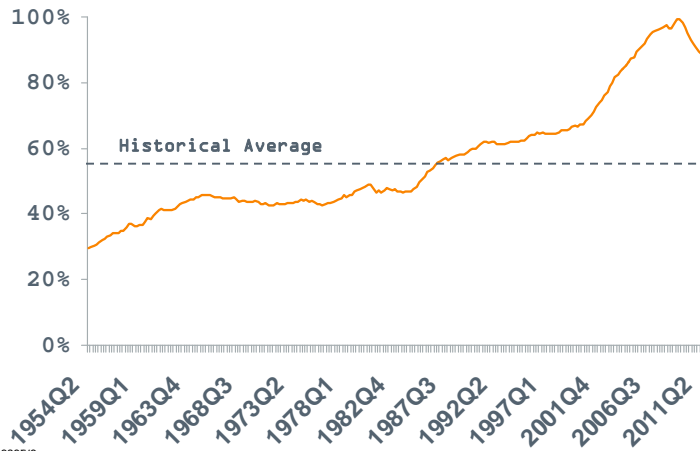
Source: U.S. Census Bureau



## Still Deleveraging



### Household Debt-to-GDP



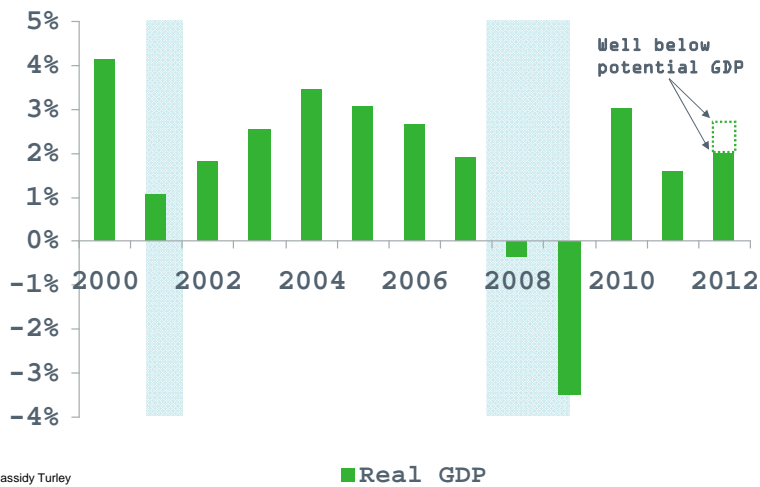
Source: Federal Reserve



## Real GDP Forecast



### Real GDP, %chg



Source: BEA, Cassidy Turley

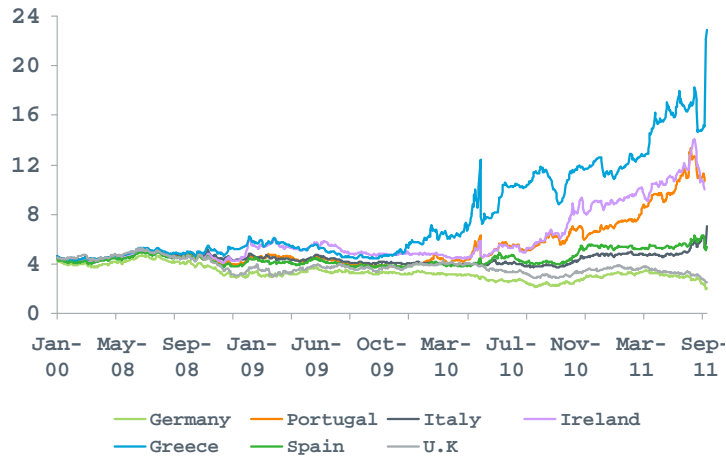
■ Real GDP



## Dark Cloud: Europe



### 10-Yr Sovereign Debt Yields

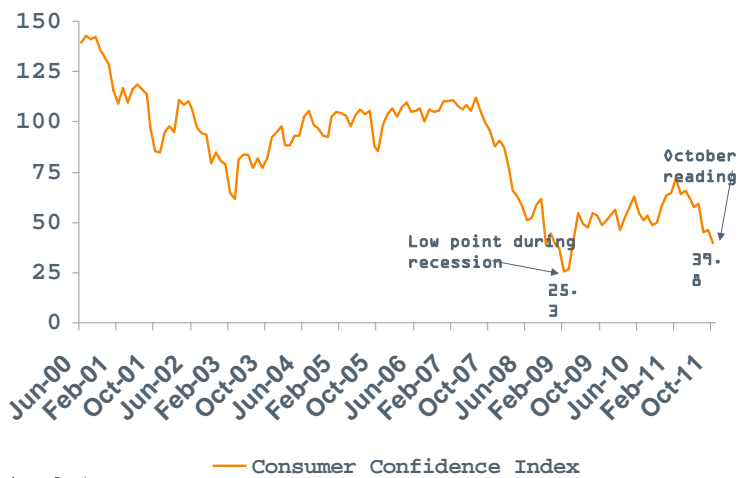


Source: Moody's

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## Making U.S. Nervous



Source: The Conference Board

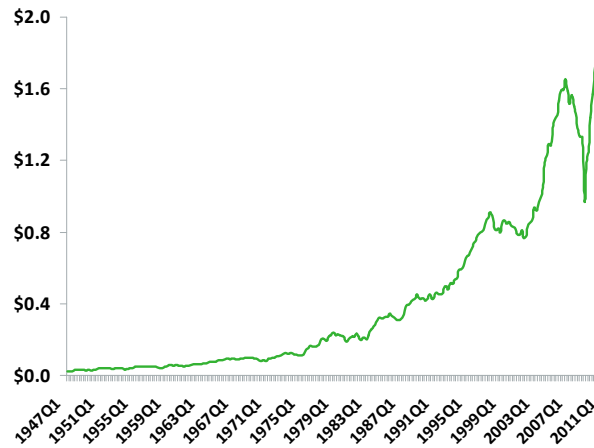
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## It's not all bad



Corporate Profits, \$ tril



Source: Census Bureau, Cassidy Turley

— Corporate Profits

- Businesses are very profitable
- Consumer spending bumpy, but up
- Exports Surging
- Very low probability of 2<sup>nd</sup> deep recession
- Global GDP growing between 3 & 4%

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## U.S. – Outlook for 2012



- Classic deleveraging recovery continues
- 2012 will look & feel a lot like 2011
- Real GDP grows at a rate of 2% or less
- 1.4 million jobs will be created, similar to 2011
- 10-Yr Treasury will remain below 3%
- Unemployment stays above 9%
- Home sales will remain sluggish, but trend up slowly
- Home values will remain flat to falling
- Slow CRE recovery will continue – flight back to core

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## DC Region

From Good to Just Okay

## U.S. vs. DC Region

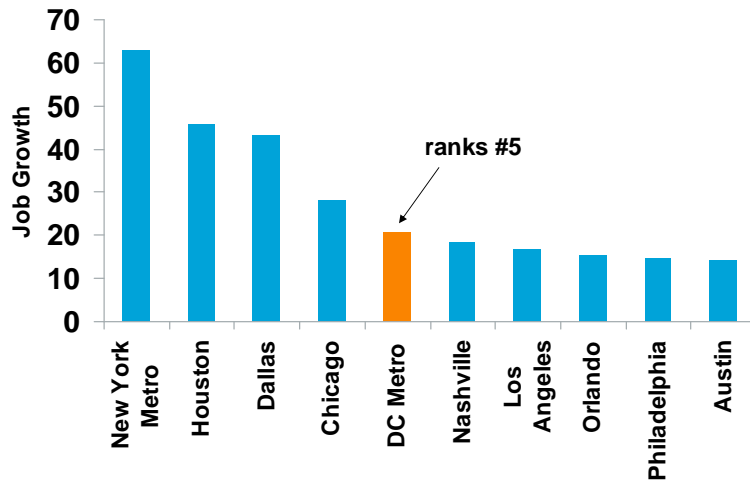


	2009	2010	2011	2012	
<b>National:</b>					
Real GDP (%)	-3.5	3.0	1.2	2.0	↗
Job Gains/Losses (%)	-4.4	0.7	0.9	0.7	↗
Unemployment	9.3	9.6	9.1	9.0	↘
Office Net Abs (% of inv)	-1.5	0.4	0.7	0.9	↗
<b>DC Metro:</b>					
Real GMP (%)	0.0	3.3	2.1	2.7	↗
Job Gains/Losses (%)	-1.5	0.9	0.7	0.7	↗
Unemployment	6.3	6.3	6.0	5.8	↘
Office Net Abs (% of inv)	-0.7	1.6	0.3	0.9	↗

Sources: BLS, Bureau of Census, Bureau of Economic Analysis, Moody's Economy.com

## Top Job Producing Markets in 2010

Total Nonfarm, 2010 over 2009, 000s

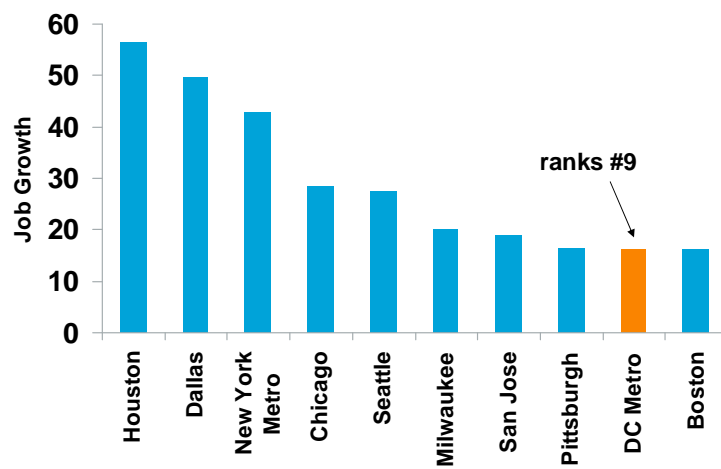


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## Top Job Producing Markets in 2011

Total Nonfarm, 2011YTD, 000s

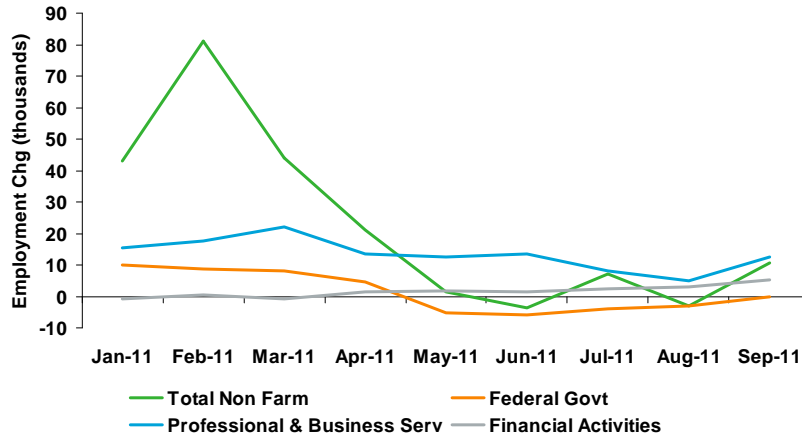


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# DC Metro Employment

Year over Year Change



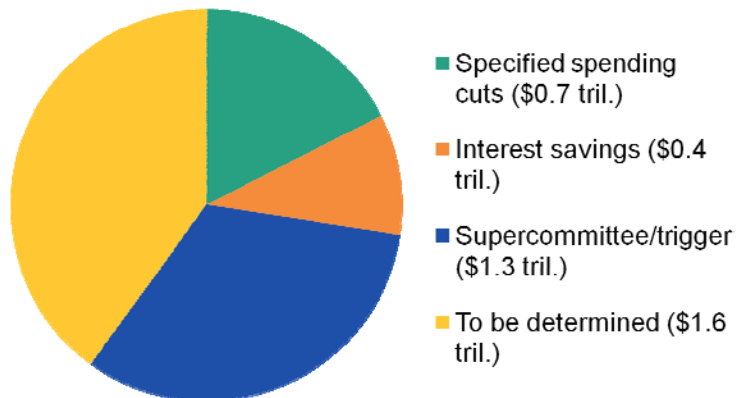
Sources: BLS, Moody's Economy.com



# The Budget Control Act 2011



Total of \$4 trillion needed for long-run sustainability, 2012-2021



Source: CBO, Moody's



## Debt Deal: Impact on DC Region



- Still uncertainty on what Supercommittee will do
  - Will there be cuts or just slower spending?
  - What will get cut? Is Medicare/Medicaid on the table?
- Defense contractors are on defense – nervous about triggers
- Possible future tax increases (carried interest) could impact real estate market
- History is on DC's side...spending could still grow in the region

## DC Region – Outlook for 2012



- More of the same for the next 12 to 18 months
  - 20,000 jobs, all private sector
  - Slight improvement in home sales & values
  - Apartment sector will thrive
  - Medical office will thrive
- Business uncertainty continues until after 2012 election
  - Election year
  - Super committee decisions looming
  - Slow US economy now translates into DC economy
- Office rents will move sideways for the next 12 months, not up or down; same for TIs & free rent
- End of 2013 & 2014 are potential rent pop years, 7% growth a real possibility

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