US Supply Fundamentals Remain Healthy

New Supply is Generally Below Long-Term Averages

All sectors (multifamily being one exception) are 20%+ below their long-term avg. supply levels

Source: Reis
U.S. Debt Originations

CMBS < 20% of the Market vs. ~50% in 2007

Life Co's = CMBS

Debt Fund
Life Co.
Gov’t
Bank
CMBS

Source: MBA Origination Survey
U.S. CMBS Issuance
2005 – 2017

Billions

2005 $167
2006 $198
2007 $229
2013 $86
2014 $94
2015 $101
2016 $76
YTD 2017 $101?

Source: Commercial Mortgage Alert
Spreads still 3-7x greater than 2007

Spreads are 35-60% less than Feb. 2016

10 Year Swap Rate

Source: Wells Fargo Securities
Pension Funds Target Allocations to Real Estate

**Weighted Average Target Allocation to Real Estate**

<table>
<thead>
<tr>
<th>Year</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>8.9%</td>
</tr>
<tr>
<td>2014</td>
<td>9.3%</td>
</tr>
<tr>
<td>2015</td>
<td>9.6%</td>
</tr>
<tr>
<td>2016</td>
<td>9.9%</td>
</tr>
<tr>
<td>2017</td>
<td>10.1%</td>
</tr>
<tr>
<td>2018</td>
<td>Expected: 10.3%</td>
</tr>
</tbody>
</table>

**Expected Change in RE Allocation**

- Increasing: 24%
- Decreasing: 5%
- Unchanged: 71%

Source: Hodes Weill & Associates
Foreign Capital into the US From 2007 – Q3 2017
($ in billions)

Source: RCA Analytics.
Notable Recent UK Deals with HK Capital

122 LEADENHALL (“CHEESEGRATER”) LONDON

- Date: May 2017
- Price: $1.47 B

20 FENCHURCH (“WALKIE TALKIE”) LONDON

- Date: July 2017
- Price: $1.7 B

ALDWYCH HOUSE LONDON

- Date: October 2017
- Price: $320 M

Over $4 B Hong Kong capital across at least 24 equity transactions in the UK alone in 2017… with more likely to come

Source: Real Capital Analytics / Eastdil Secured
Cap Rates vs. Baa Bond Yields

Current Spread: 92 bps / 121%
Historical Avg: 69 bps / 111%

69 bps Average
Similar to 2005
92 bps Current

Source: Green Street Advisors
Cap Rate to Treasury Spread is Now Below Average

Source: Green Street, cap rates based on average nominal cap rates of major property sectors
Yield Environment has Pushed Values for all Asset Classes – Just Less For CRE

<table>
<thead>
<tr>
<th>Index</th>
<th>Feb. 2007*</th>
<th>Oct. 2017*</th>
<th>% Change in Value Since ‘07</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500 (Price Only)</td>
<td>1,445</td>
<td>2,515</td>
<td>+74%</td>
</tr>
<tr>
<td>10-Yr. Treasury</td>
<td>4.70%</td>
<td>2.25%</td>
<td>+52%</td>
</tr>
<tr>
<td>Green Street CPPI</td>
<td>100</td>
<td>127</td>
<td>+27%</td>
</tr>
</tbody>
</table>

*30 day average