

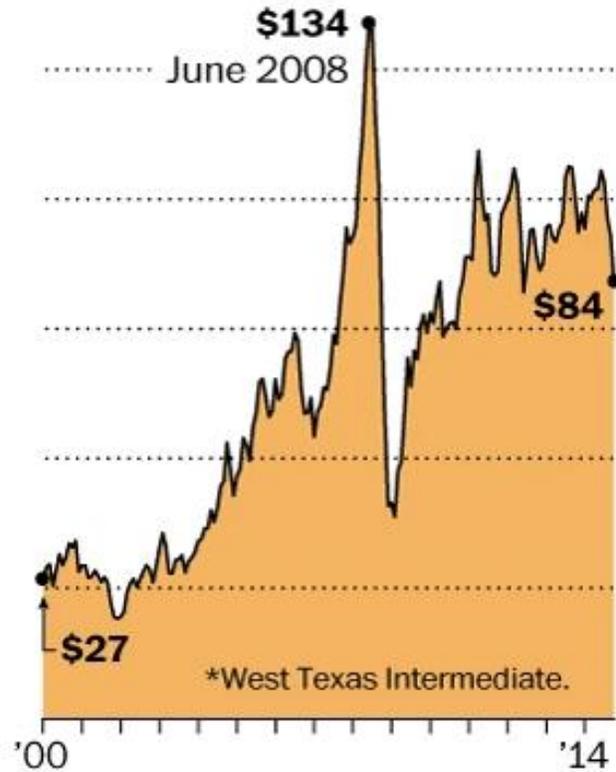
Cap Rates & Interest Rates to Remain Low and Stable in 2015

Oil, Inflation, and Other Indicators



Price per barrel of oil*

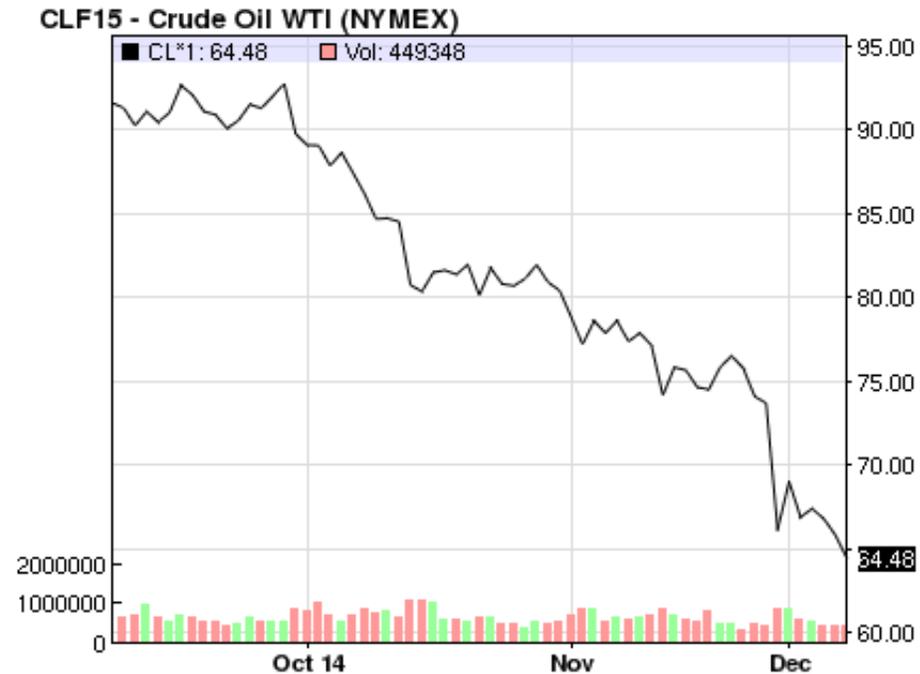
Monthly average spot prices,
Jan. 2000 through Oct. 2014



Source: U.S. Energy Information Administration
THE WASHINGTON POST
(The Washington Post)

Price per barrel of oil today:

\$64.48

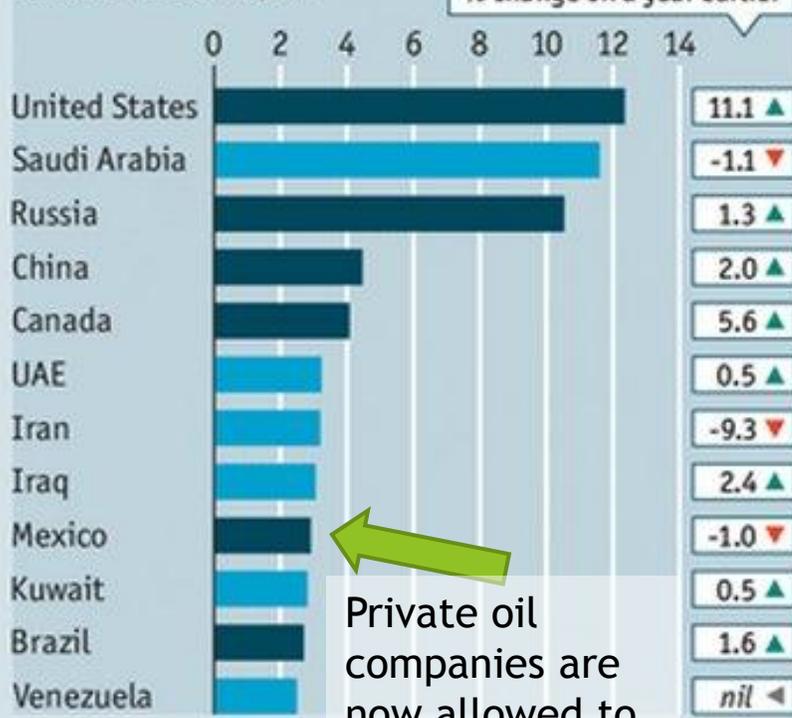


An overview of oil production, exports and imports...

Unsettled outlook

Biggest oil producers

2013, barrels per day, m



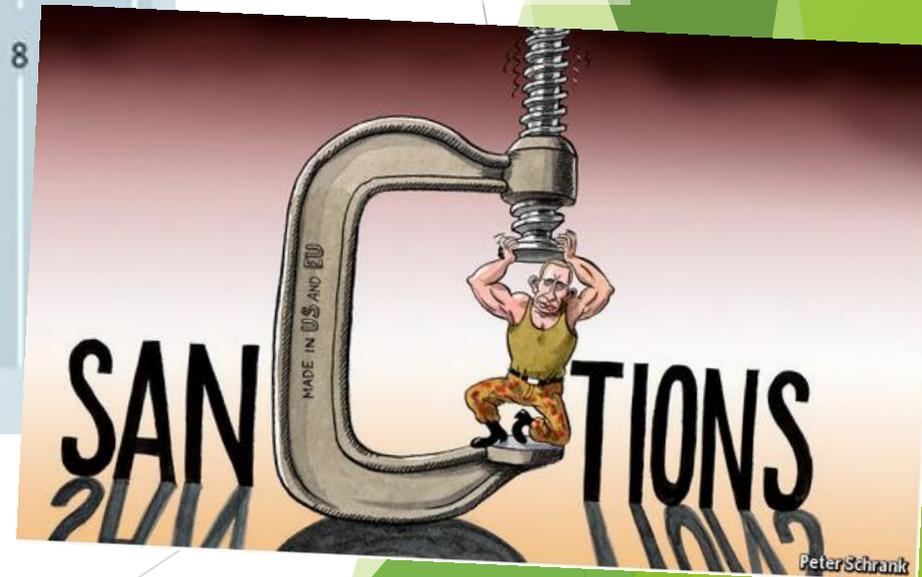
Private oil companies are now allowed to operate in the country for the first time in 76 years.

Biggest net oil:

2013, barrels per day, m

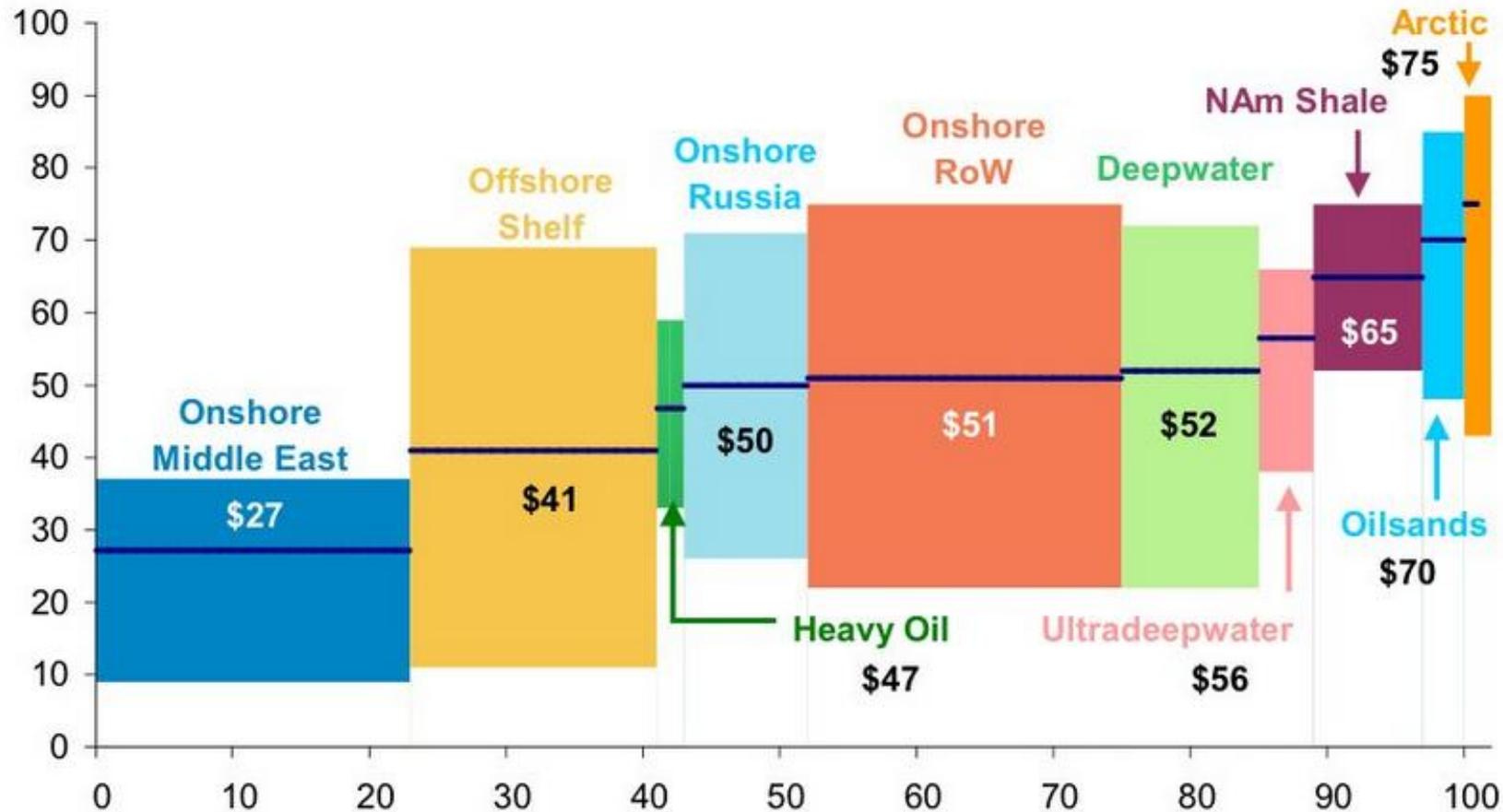


US & EU sanctions will continue to affect Russia's oil exports



Crude Cost of Production Rises as Demand Grows

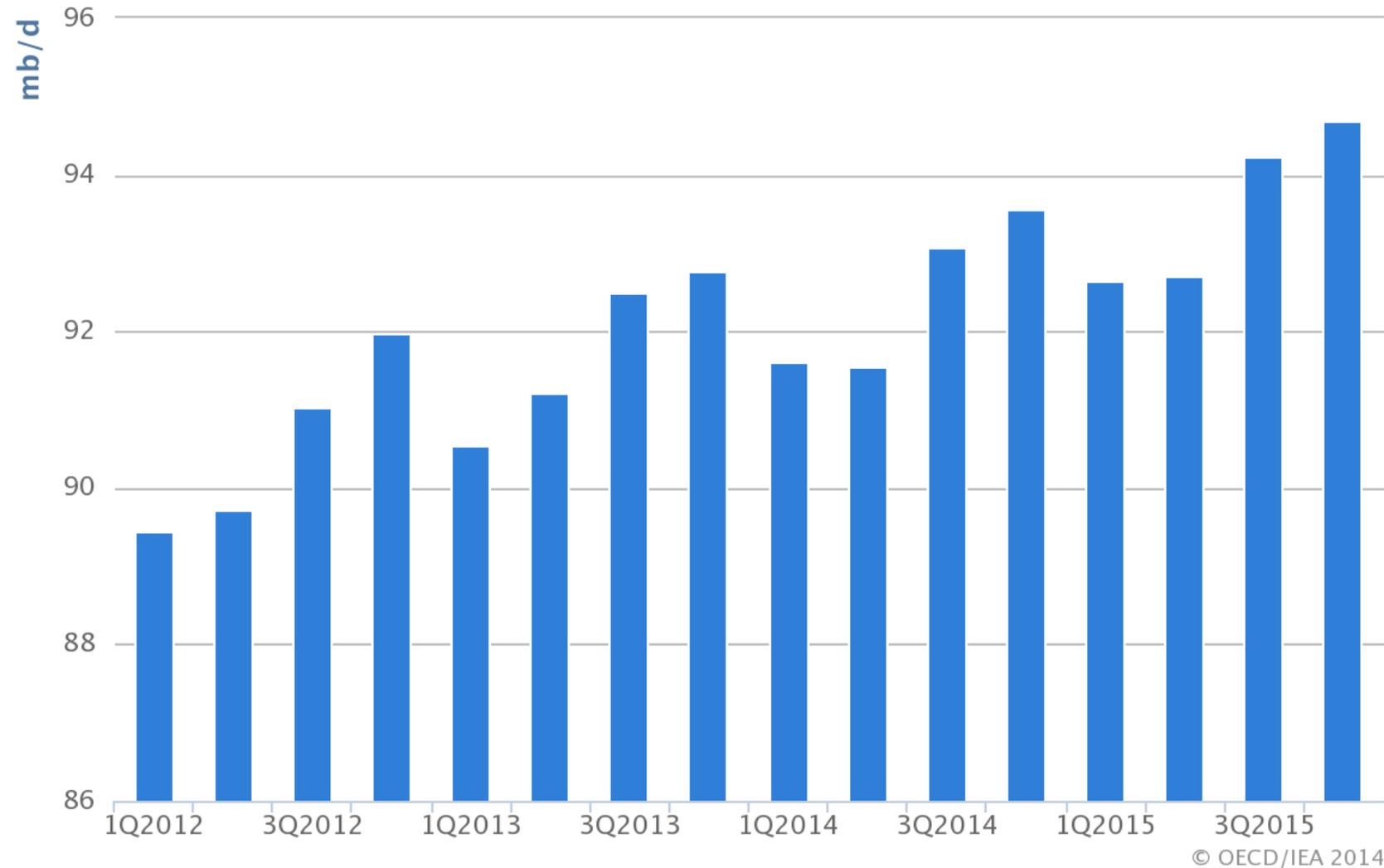
(x-axis: total liquids production; y-axis: avg Brent-equivalent breakeven price*, \$/bbl)



Source: Rystad Energy, Morgan Stanley Commodity Research estimates

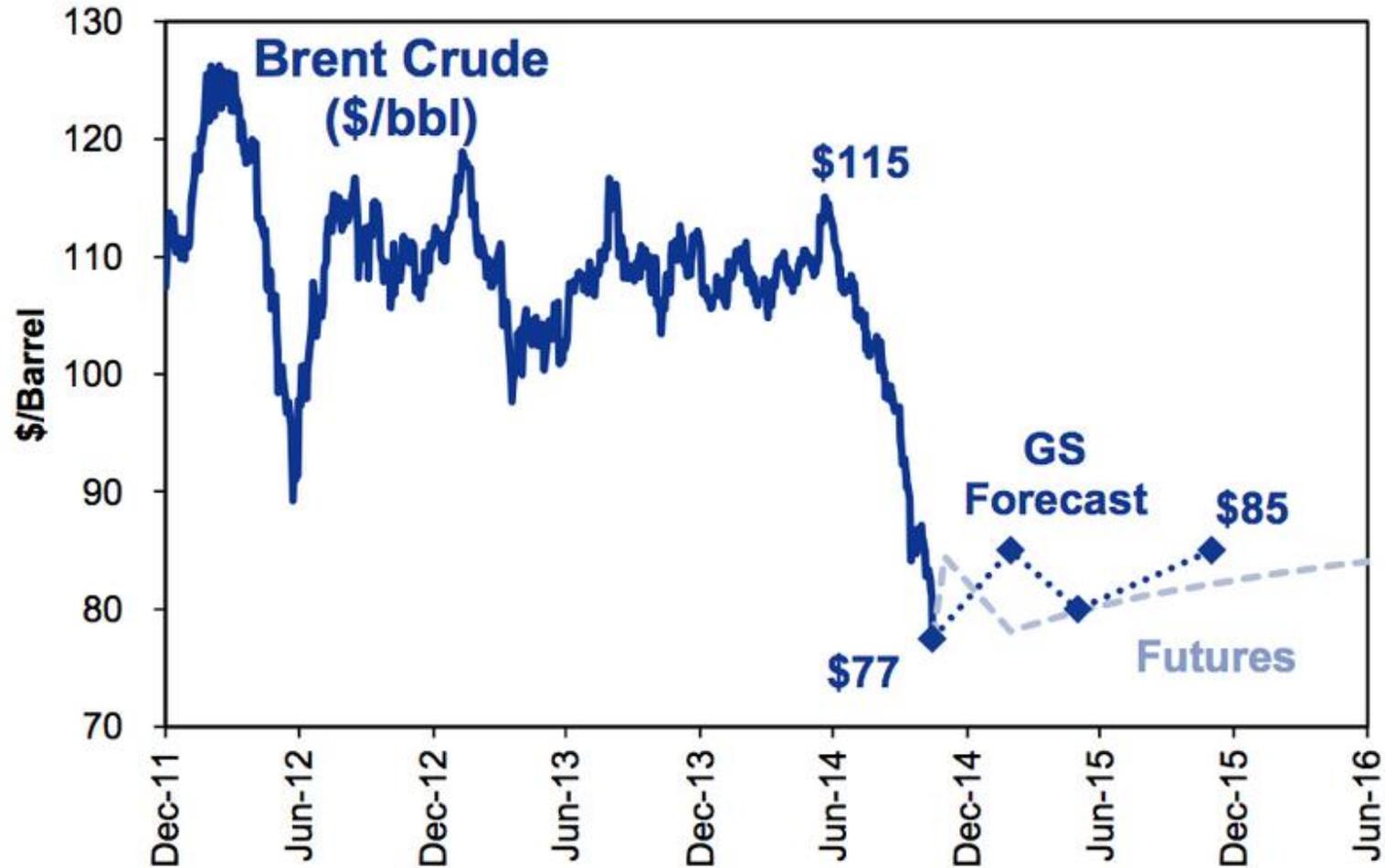
World consumption of oil on the rise...

World Oil Demand



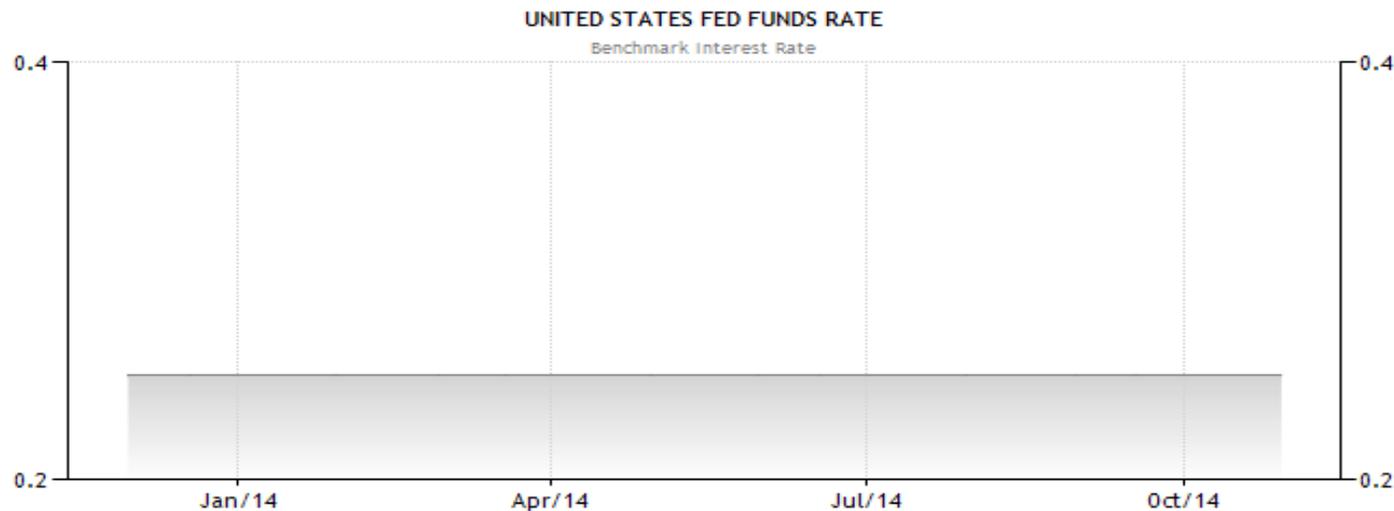
Oil prices expected to remain low

Exhibit 1: Brent crude price down 33% since June
as of November 13, 2014



Mixed impact on US...

- ▶ US is world's largest *consumer*, *importer* and *producer* of oil.
- ▶ Cheaper oil could make more of a difference to monetary policy...
- ▶ Lower energy costs act like a tax cut on American households, increasing their purchasing power. Fed may extend and slow the rate at which they try to achieve a normalized policy.



SOURCE: WWW.TRADINGECONOMICS.COM | FEDERAL RESERVE

International worries focused on recession and deflation....

Russia Says Sanctions Hurting as Bank Moves to Defend Ruble

Nobody's home: The ghost cities of China

Eurozone economy stumbles raising fears of new year recession

Japan's war on deflation is tough task

Chief Exec Of Italian Bank UniCredit: Sanctions Are Hurting Europe More Than Russia



Sources:

<http://politicsandfinance.blogspot.com/2013/08/pictorial-ghost-cities-of-china.html>

<http://www.archdaily.com/425651/how-to-bring-china-s-ghost-towns-back-to-life/>

Other indicators of flat interest rates....

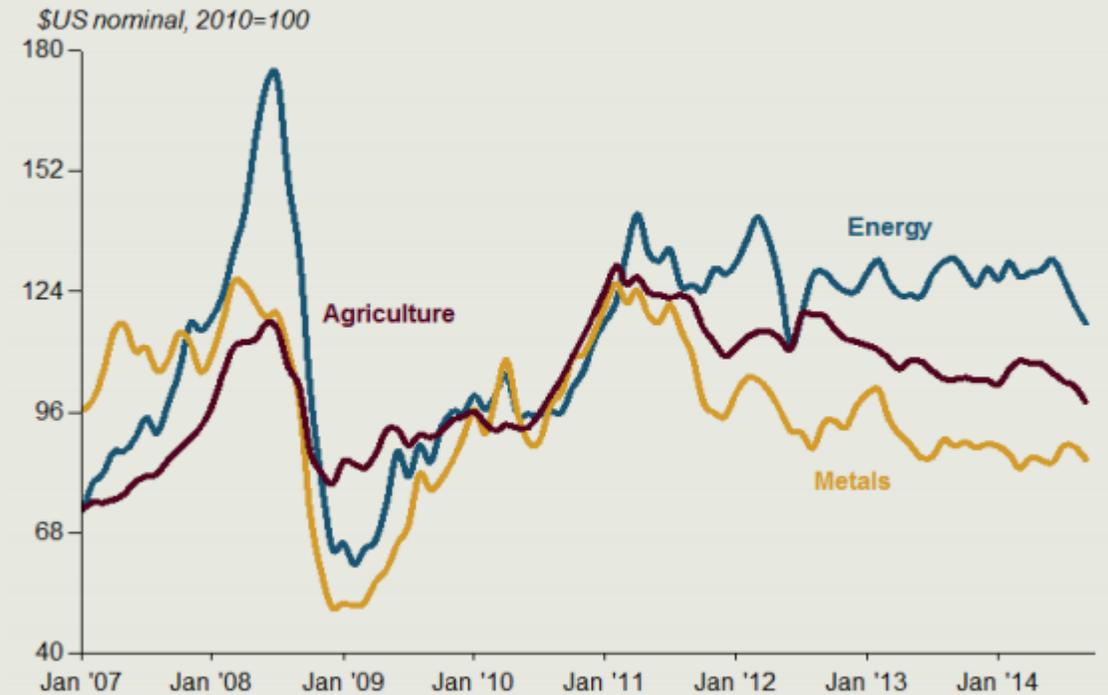
Consumer prices

Change from previous year, not seasonally adjusted



Source: Bureau of Labor Statistics

Figure 1 Commodity price indexes

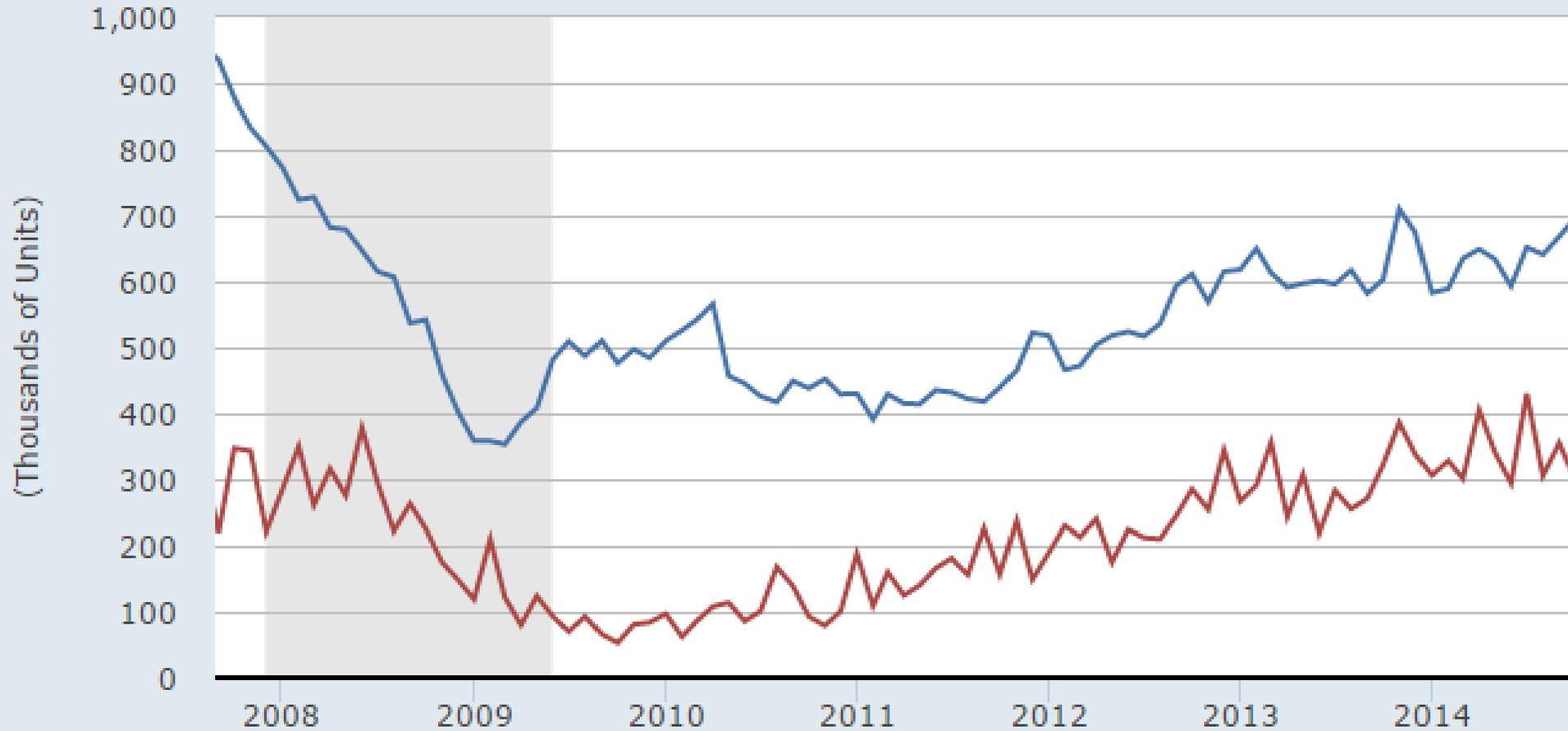


Source: World Bank.

Note: Last observation is for September 2014.



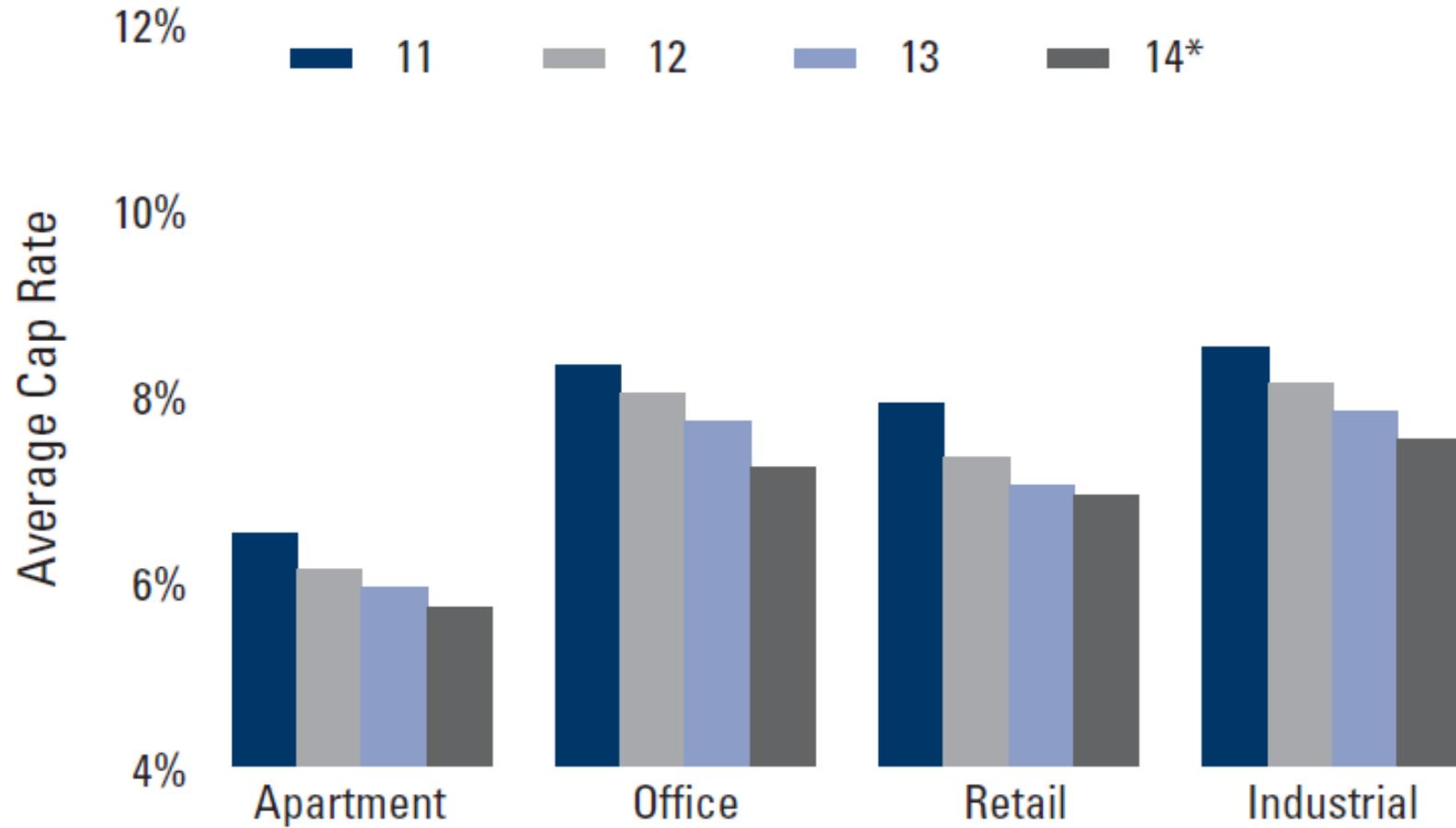
- Privately Owned Housing Starts: 1-Unit Structures
- Privately Owned Housing Starts: 5-Unit Structures or More



Starts of one-family houses advanced 4.2 percent to a 696,000 annualized rate last month, the most since November 2013, Commerce Department figures showed today in Washington.

Seasonally adjusted. Source: US. Bureau of the Census

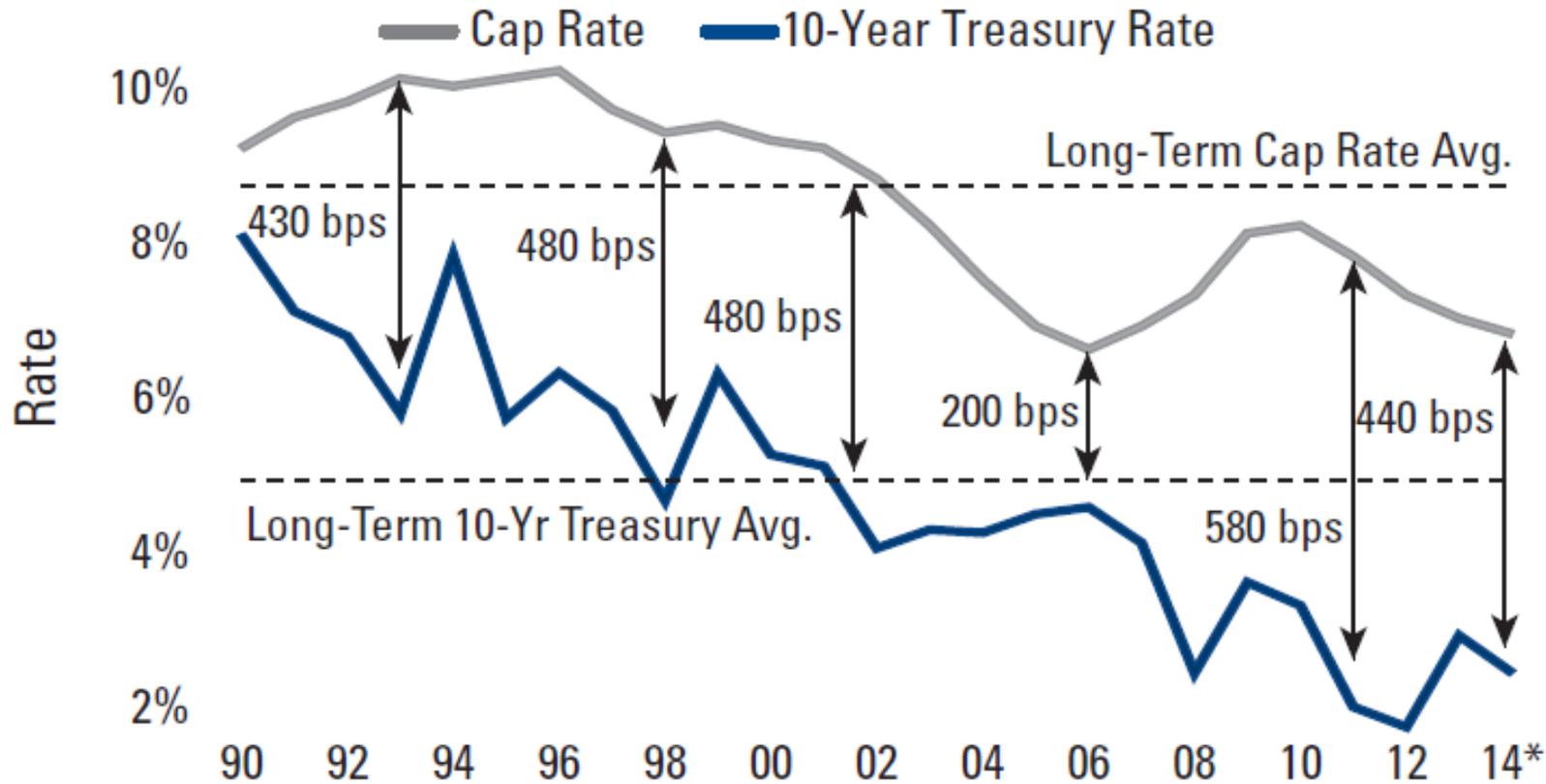
Cap Rates by Property Type



*Through 2Q

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

Commercial Real Estate Cap Rate vs. 10-Year Treasury



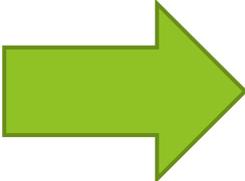
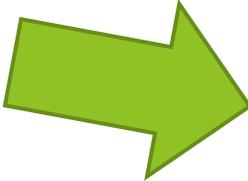
*Through August

Sources: Marcus & Millichap Research Services, CoStar Group, Inc.,
Real Capital Analytics, Federal Reserve Board

Cap Rate Trends

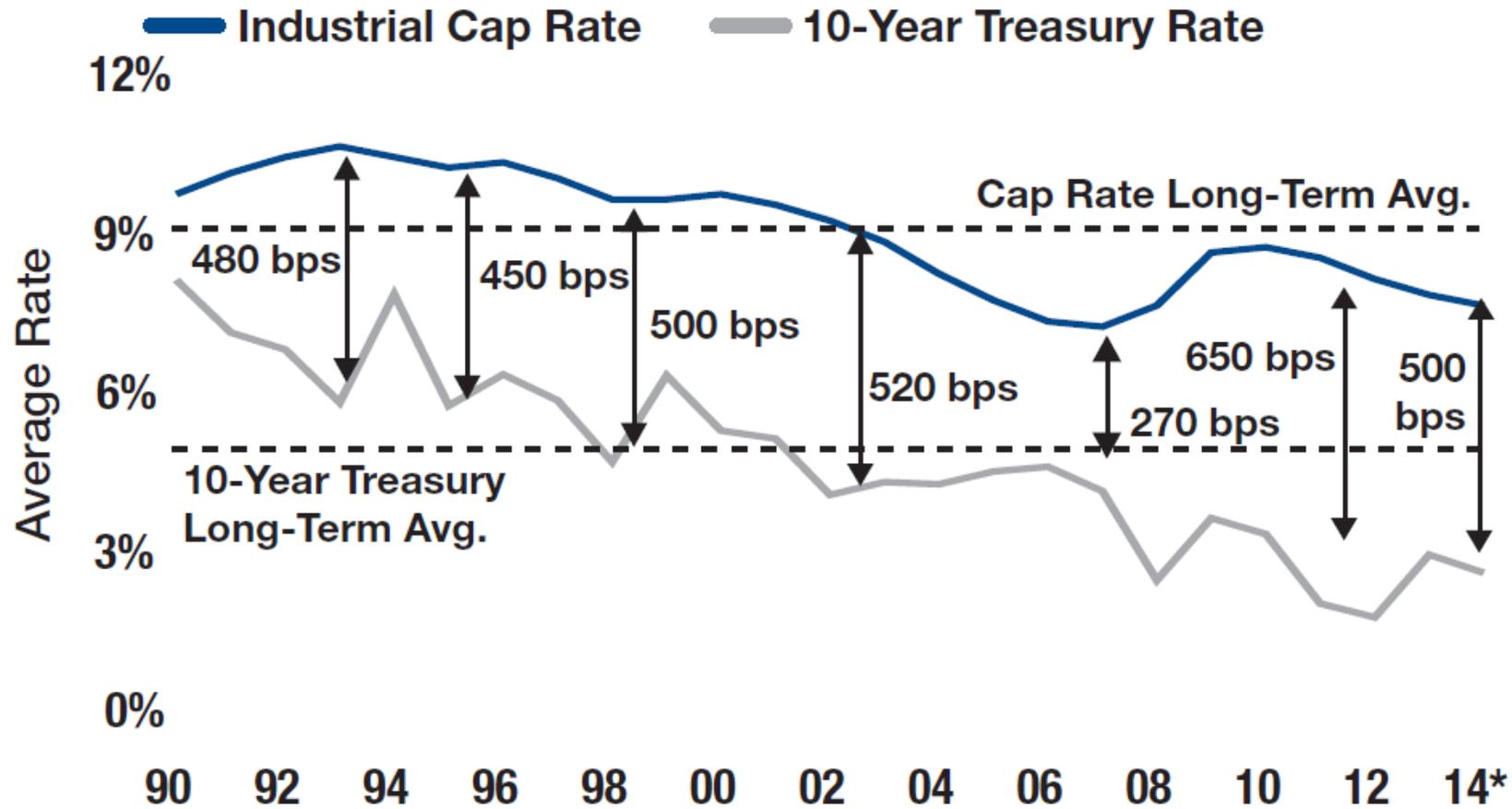


*Year-over-year change through 2Q 2014

	Office	Industrial
Primary Markets*	 <p>0 basis point decrease</p>	 <p>10 basis point decrease</p>
Secondary/ Tertiary Markets	 <p>50 basis point decrease</p>	 <p>40 basis point decrease</p>

*Year-over-year change through 2Q 2014

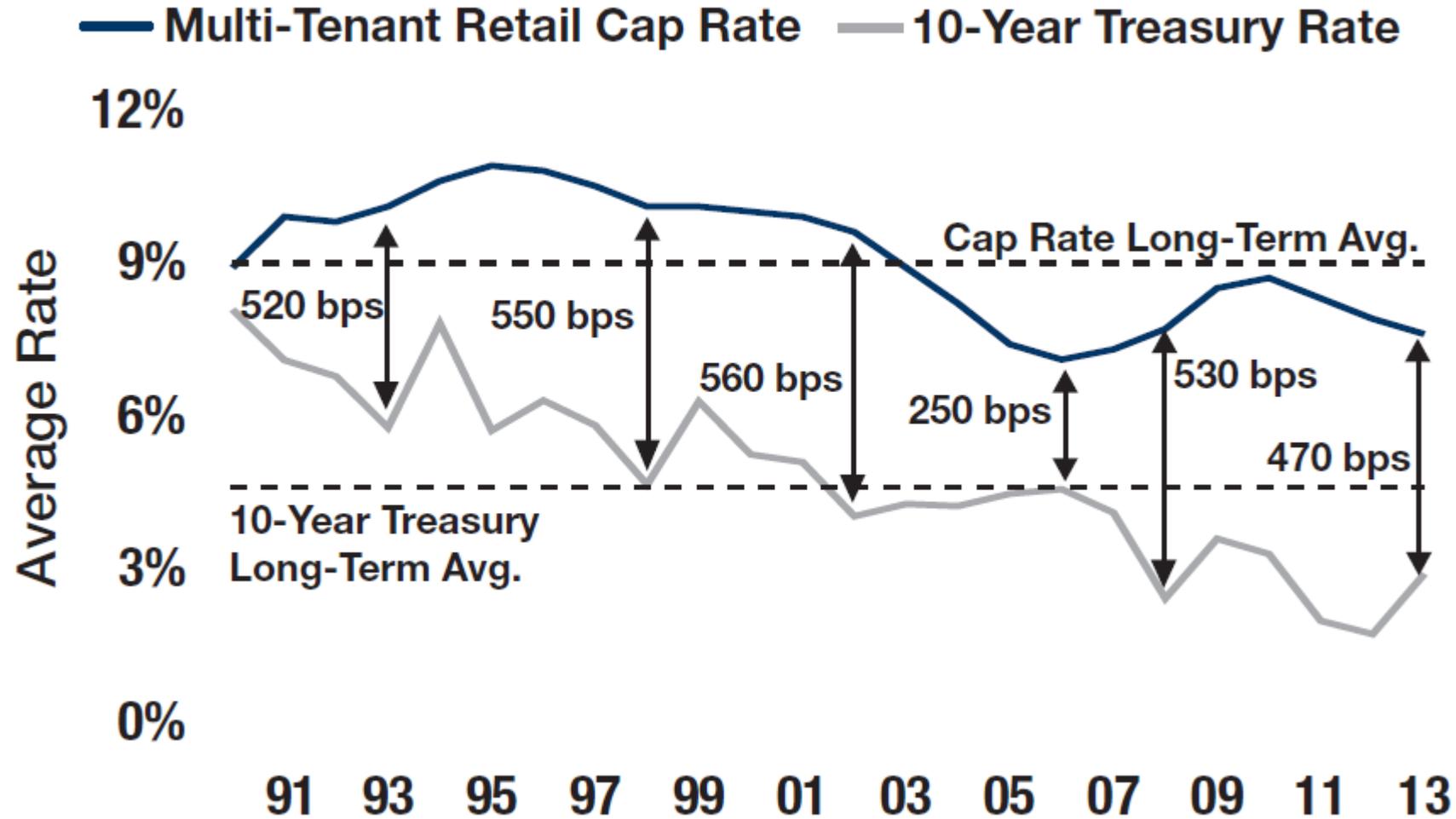
Industrial Cap Rate Trends



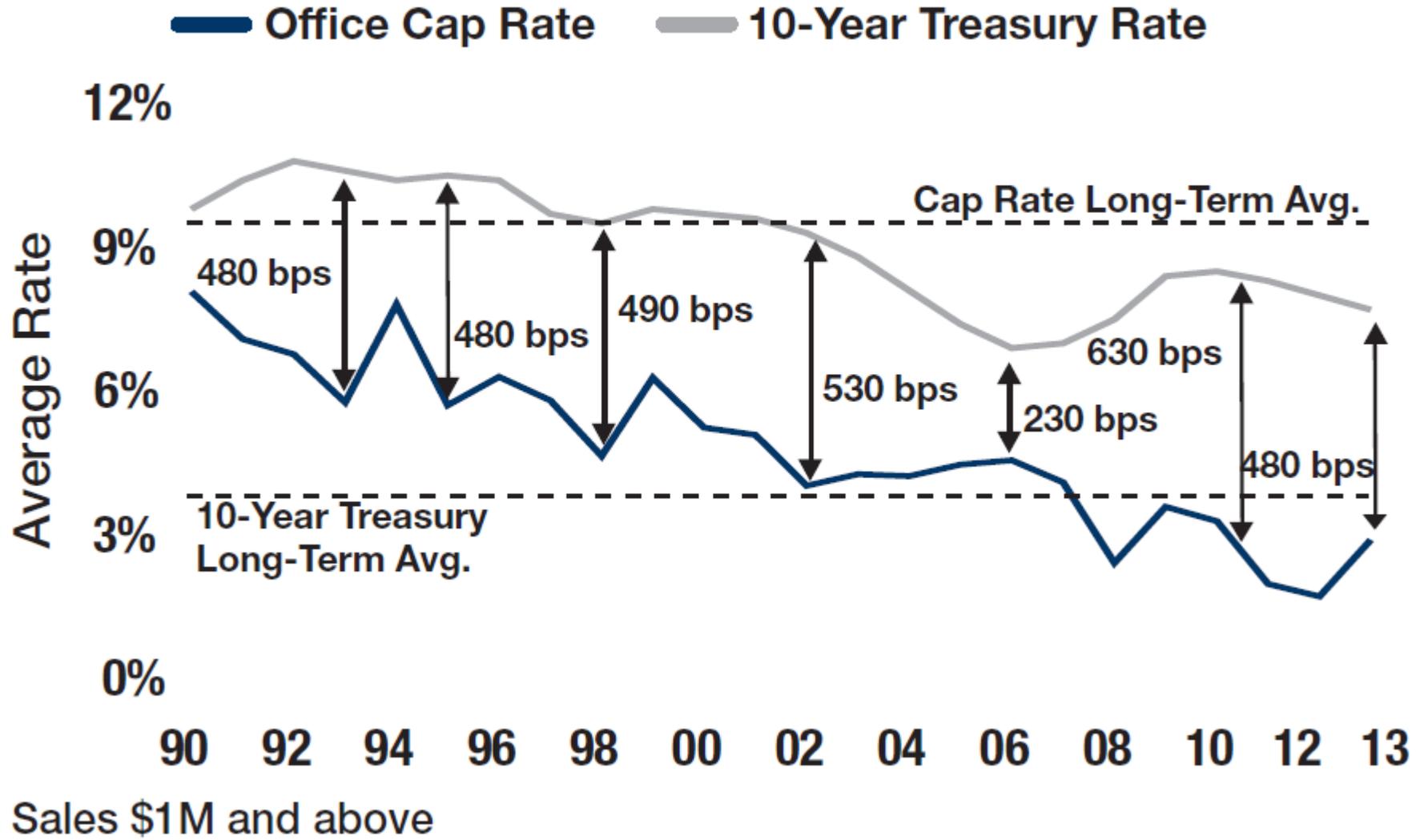
*Through May

Sources: CoStar Group, Inc, Real Capital Analytics, Federal Reserve Board

Multi-Tenant Retail Cap Rate Trends

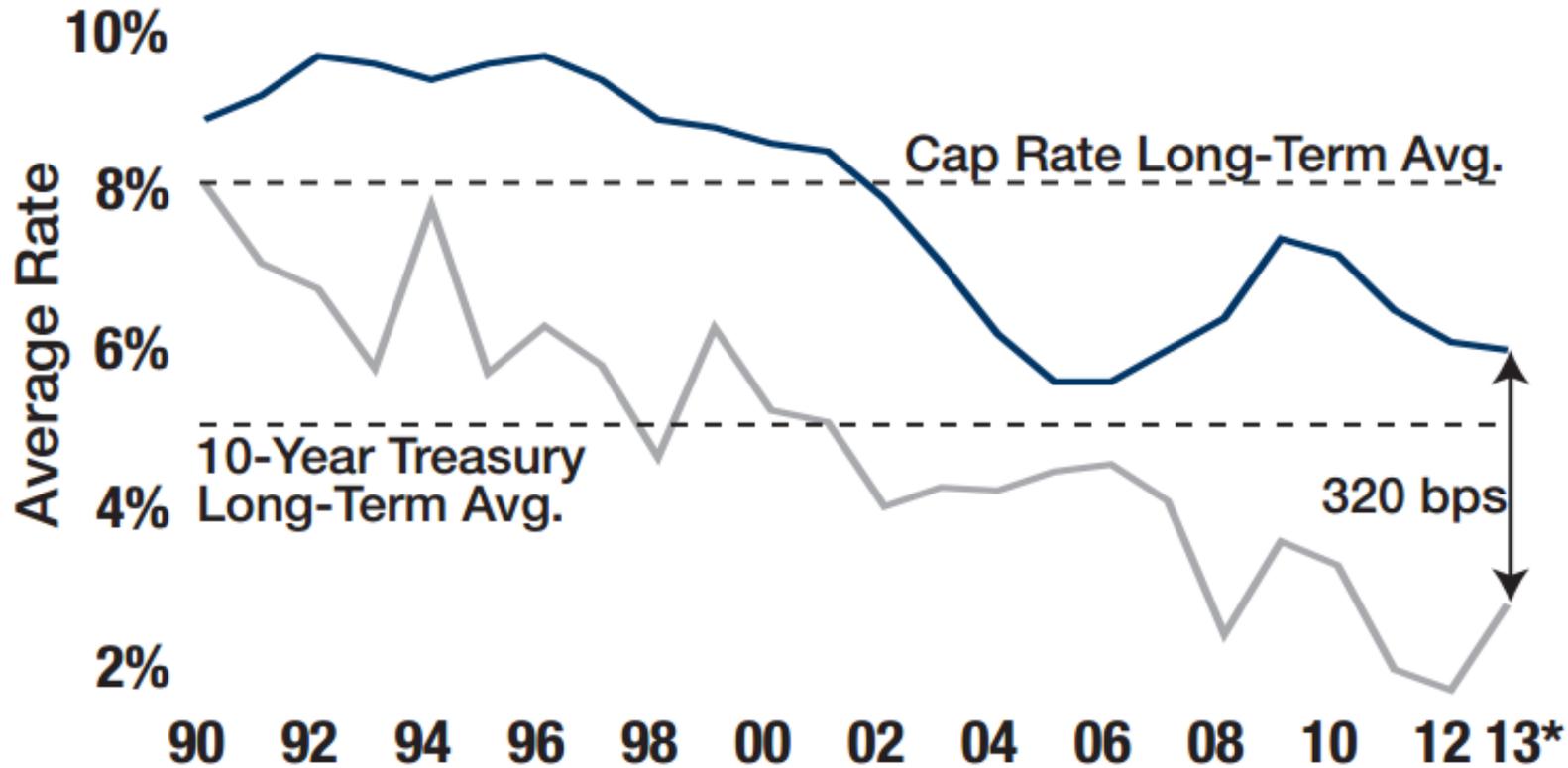


Office Cap Rate Trends



Apartment Cap Rate Trends

— Apartment Cap Rate — 10-Year Treasury Rate



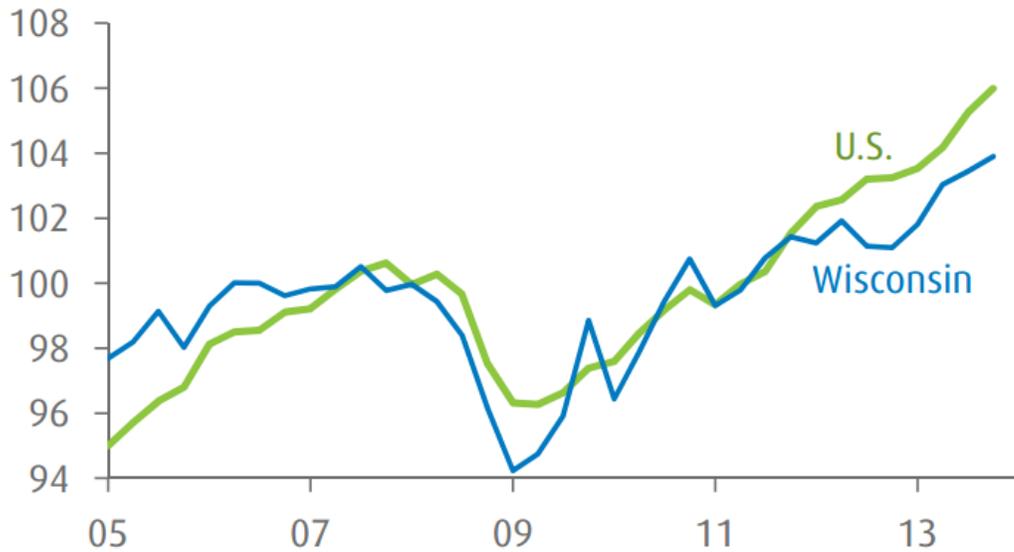
Sales \$1M and above

* Through 3Q ** Estimate

Sources: CoStar Group, Inc., Real Capital Analytics

Growth in Milwaukee & SE Wisconsin

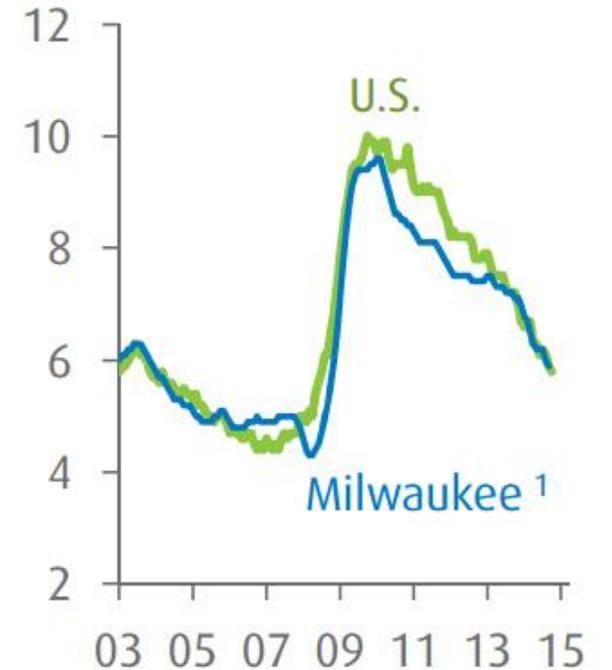
Real GDP (2007 = 100)



Payroll Employment
(y/y % chng)



Unemployment Rate
(percent)





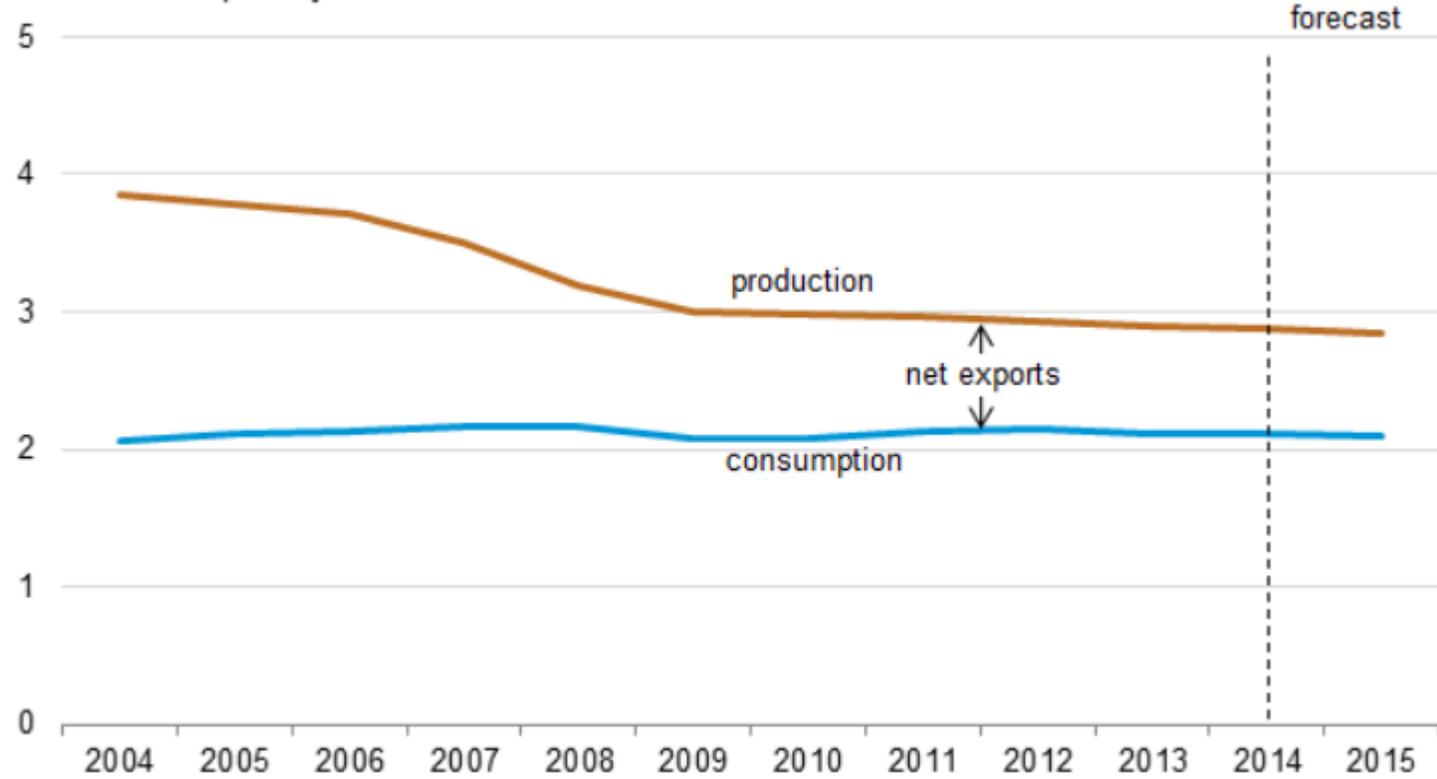
National Level Stabilized Capitalization Rates (by section, class and/or segment)

Sector	Class/Segment	2013 Q4	2014 Q2	BPS Change	BPS Spread to Treas.
CBD Office	A	5.49%	5.53%	4	291
	B	6.92%	6.91%	-1	429
	C	8.95%	8.85%	-10	623
Suburban Office	A	6.67%	6.63%	-4	401
	B	7.95%	7.81%	-14	519
	C	9.41%	9.30%	-11	669
Industrial	A	6.25%	5.97%	-28	335
	B	7.36%	7.04%	-32	442
	C	8.56%	8.33%	-23	571
Retail-Neighborhood Centers	A	6.25%	5.93%	-32	331
	B	7.15%	7.14%	-1	452
	C	8.43%	8.72%	29	610
Retail-Power Centers	A	6.82%	6.52%	-30	390
	B	7.72%	7.41%	-31	479
	C	8.71%	8.44%	-27	582
Retail-High Street	A	4.81%	4.45%	-36	183
Multifamily - Infill	A	4.64%	4.59%	-5	197
	B	5.16%	5.18%	2	256
	C	5.93%	5.95%	2	333
Multifamily - Suburban	A	5.32%	5.29%	-3	267
	B	5.93%	5.82%	-11	320
	C	6.89%	6.75%	-14	413
CBD Hotels	Economy	9.03%	8.69%	-34	607
	Full Service	7.54%	7.54%	0	492
	Luxury	6.94%	6.66%	-28	404
	Select Service	8.06%	7.88%	-18	526
Suburban Hotels	Economy	9.62%	9.60%	-2	698
	Full Service	8.03%	8.14%	11	552
	Luxury	7.48%	7.35%	-13	473
	Select Service	8.38%	8.32%	-6	570

Major Exploration Country	Exploration Type	Marginal Production Cost	Transport Costs to major distribution channel	Profit per Barrel at Price of 70\$
Saudi Arabia	Onshore	3	2	65
Middle East ex Saudi	Onshore	14	4	52
Russia	Onshore	18	12	40
Other former USSR	Onshore	21	12	37
Venezuela/Mexico	Onshore	32	4	34
Norway/UK	Northsea	50	2	18
United States	Deep-water	57	2	11
Brazil	Ethanol	66	5	-1
Brazil	Offshore	80	2	-12
United States	Shale	73	12	-15
Canada	Sand	90	15	-35
Europe	Ethanol	103	2	-35
Europe	Biodiesel	110	2	-42
Russia	Arctic	120	5	-55

Mexico total oil production and consumption, 2004-15

million barrels per day



Source: U.S. Energy Information Administration