

2020 Real Estate and the Economy



**Where have we been?
Where are we going?**

IRWA

Chapter 67

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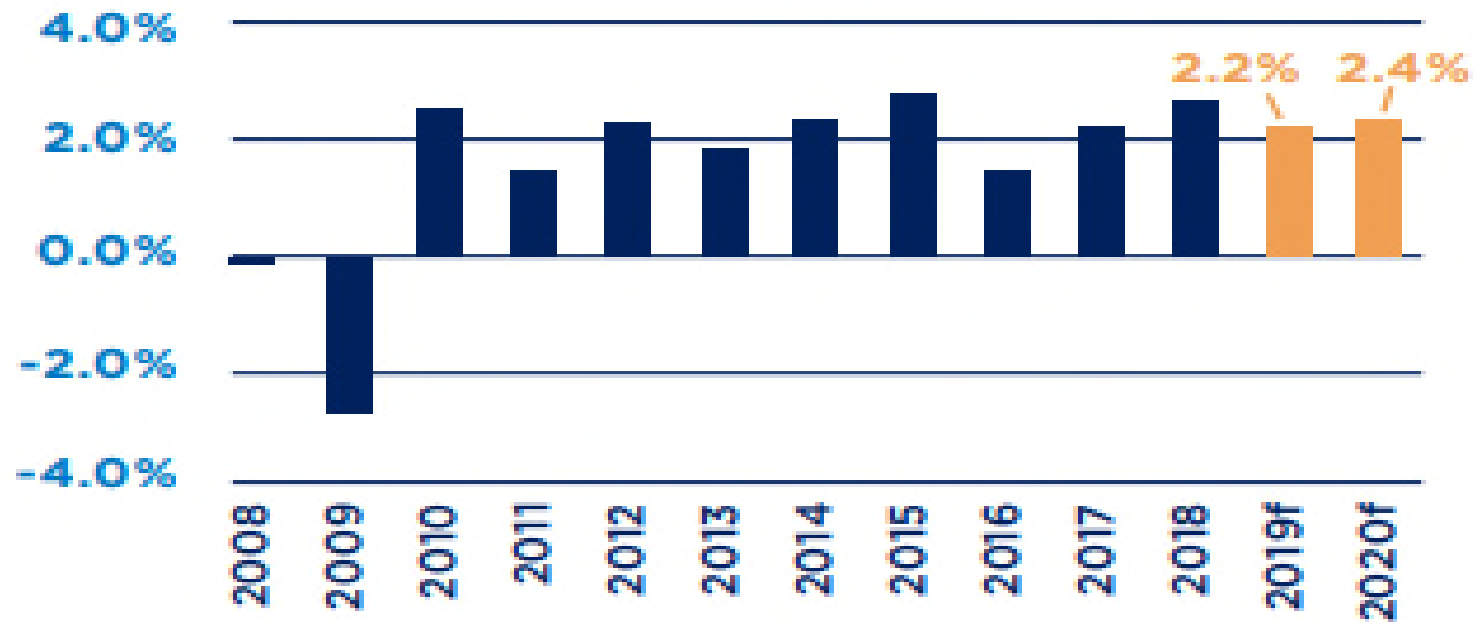
Integra Realty Resources – Los Angeles

January 14, 2020

US Economy

United States Real GDP Growth

Source: LAEDC



An International Perspective - Australia

GDP annual growth rate (%)



Three Gorges Dam, China



Economic Statistics and Forecast (U.S.)

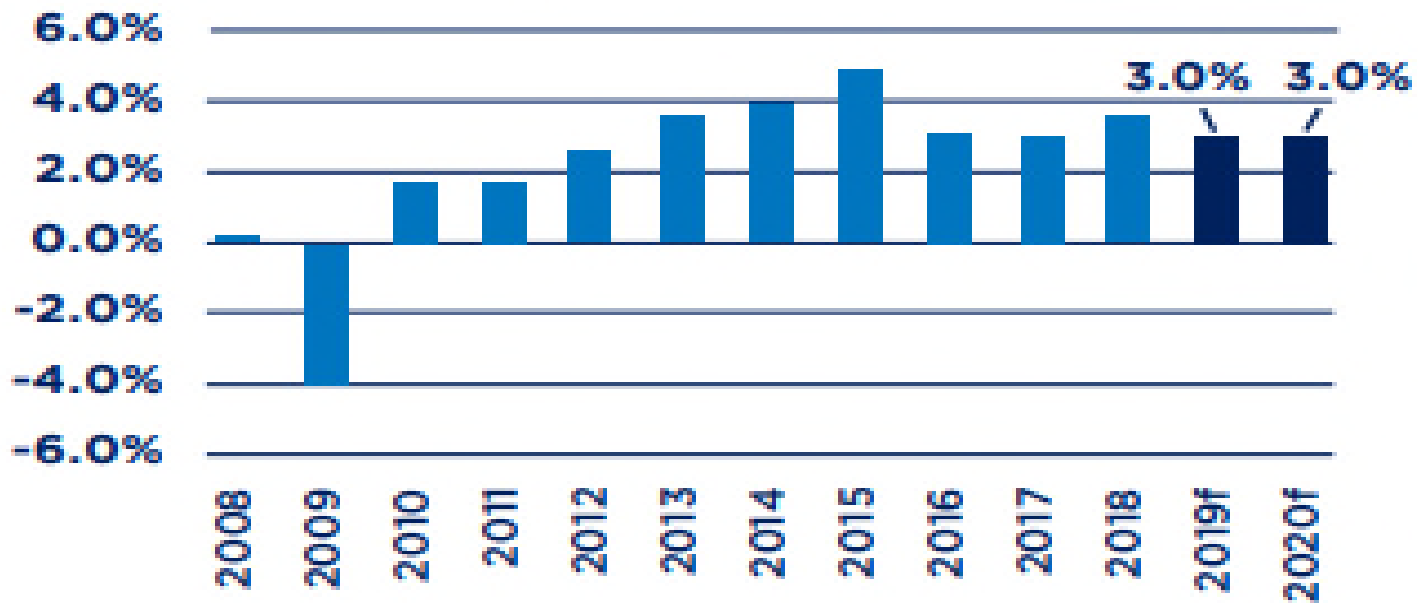
United States Headline Economic Statistics and Forecast

	2014	2015	2016	2017	2018	2019f	2020f
Real GDP Growth	2.5%	2.9%	1.6%	2.2%	2.9%	2.2%	2.4%
Real Personal Income Growth	4.2%	4.6%	1.5%	2.6%	2.2%	2.7%	2.5%
Total Employment Growth	2,567,500	2,882,200	2,530,000	2,275,300	2,399,300	2,515,300	2,424,900
Unemployment Rate	6.2%	5.3%	4.9%	4.4%	3.9%	3.5%	3.1%
Real Per Capita Income (\$2012)	\$45,772	\$47,523	\$47,883	\$48,799	\$49,578	\$50,569	\$51,509
CPI Change	1.6%	0.1%	1.3%	2.1%	2.4%	2.2%	1.9%

Real GDP Growth (CA)

California Real Real GDP Growth

Source: LAEDC



Economic Statistics and Forecast (CA)

California Headline Economic Statistics and Forecast

	2014	2015	2016	2017	2018	2019f	2020f
Real GSP Growth	4.0%	5.0%	3.1%	3.0%	3.4%	3.0%	3.0%
Real Personal Income Growth	5.0%	7.4%	2.3%	2.7%	2.7%	2.9%	2.8%
Total Employment Growth	424,200	474,000	427,100	340,200	330,600	322,700	318,500
Unemployment Rate	7.5%	6.2%	5.5%	4.8%	4.2%	3.7%	3.4%
Real Per Capita Income (\$2012)	\$44,875	\$47,775	\$48,541	\$49,438	\$50,363	\$51,436	\$52,447

Orange County Quick Facts

QUICK FACTS

Population:

3.2
MILLION

Median Household Income*

\$86,217

42.1%

% Prime Age
(25-54)

7.9

Median Home
Price to Household
Income Ratio*

Gross Domestic
Product

\$291
BILLION

11.5%

Poverty Rate*

2.9%

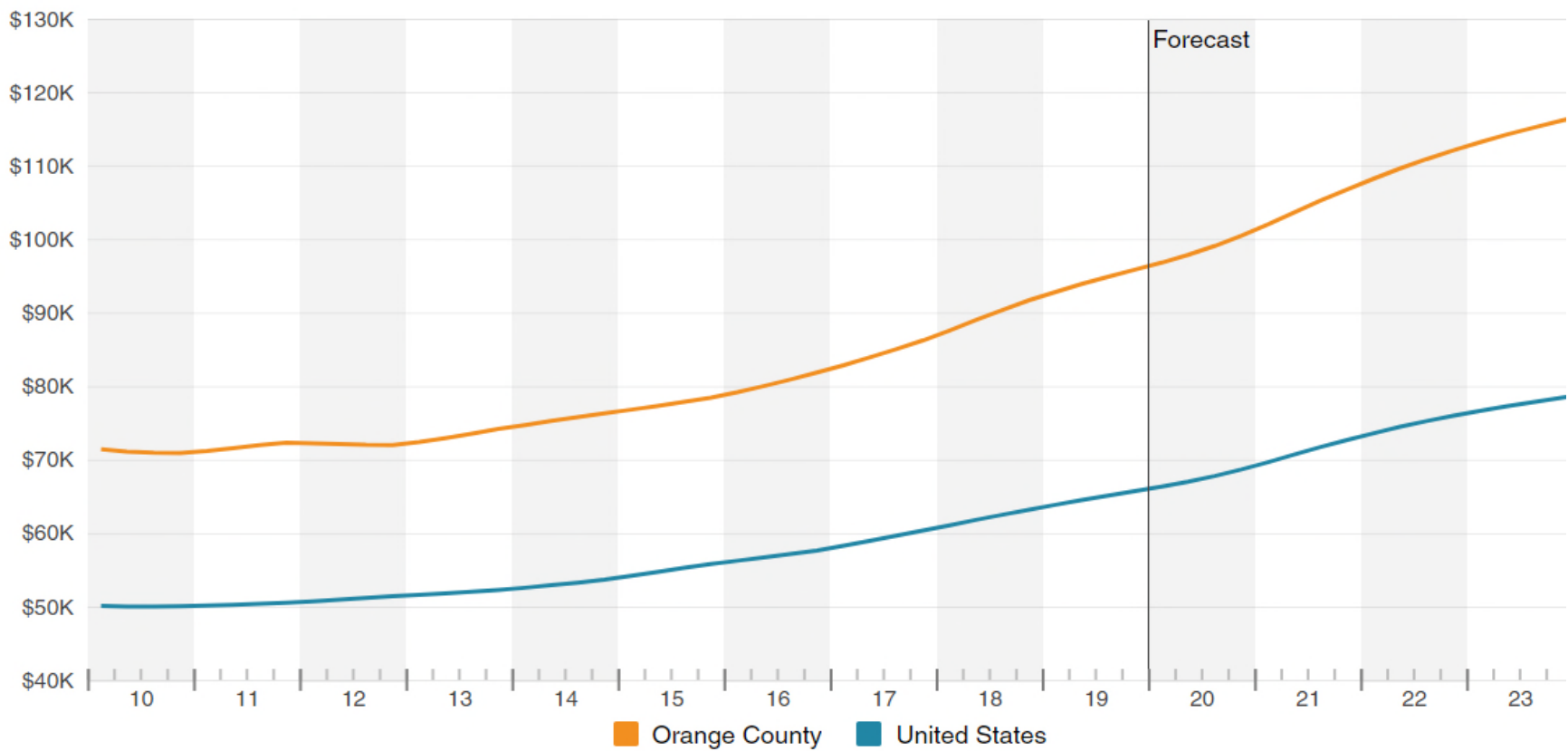
Unemployment Rate

*2017 Estimate

Sources: US Census ACS, CA DoF, IHS, FHFA, BLS

Orange County Median Household Income

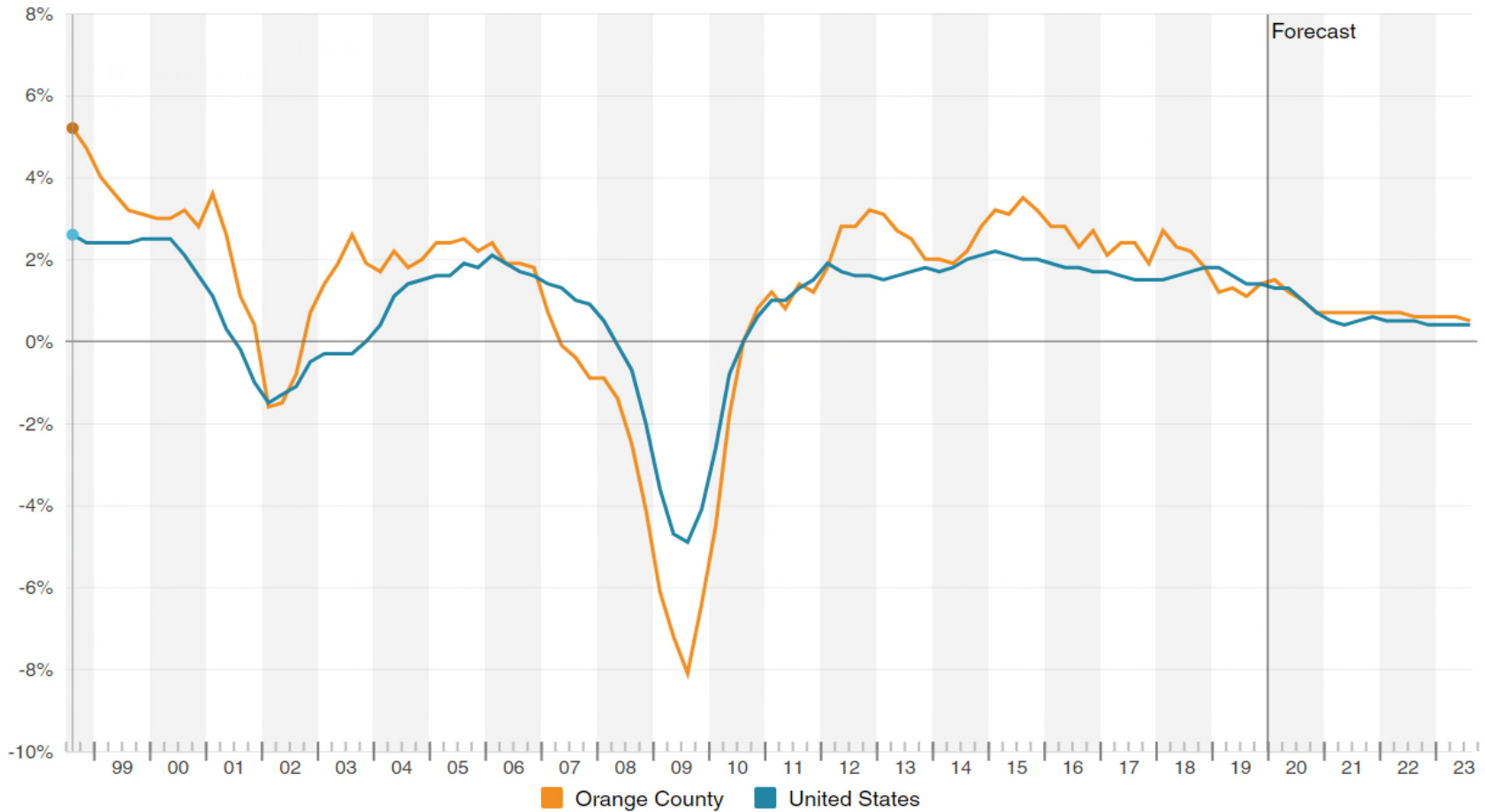
MEDIAN HOUSEHOLD INCOME



Orange County Job Growth

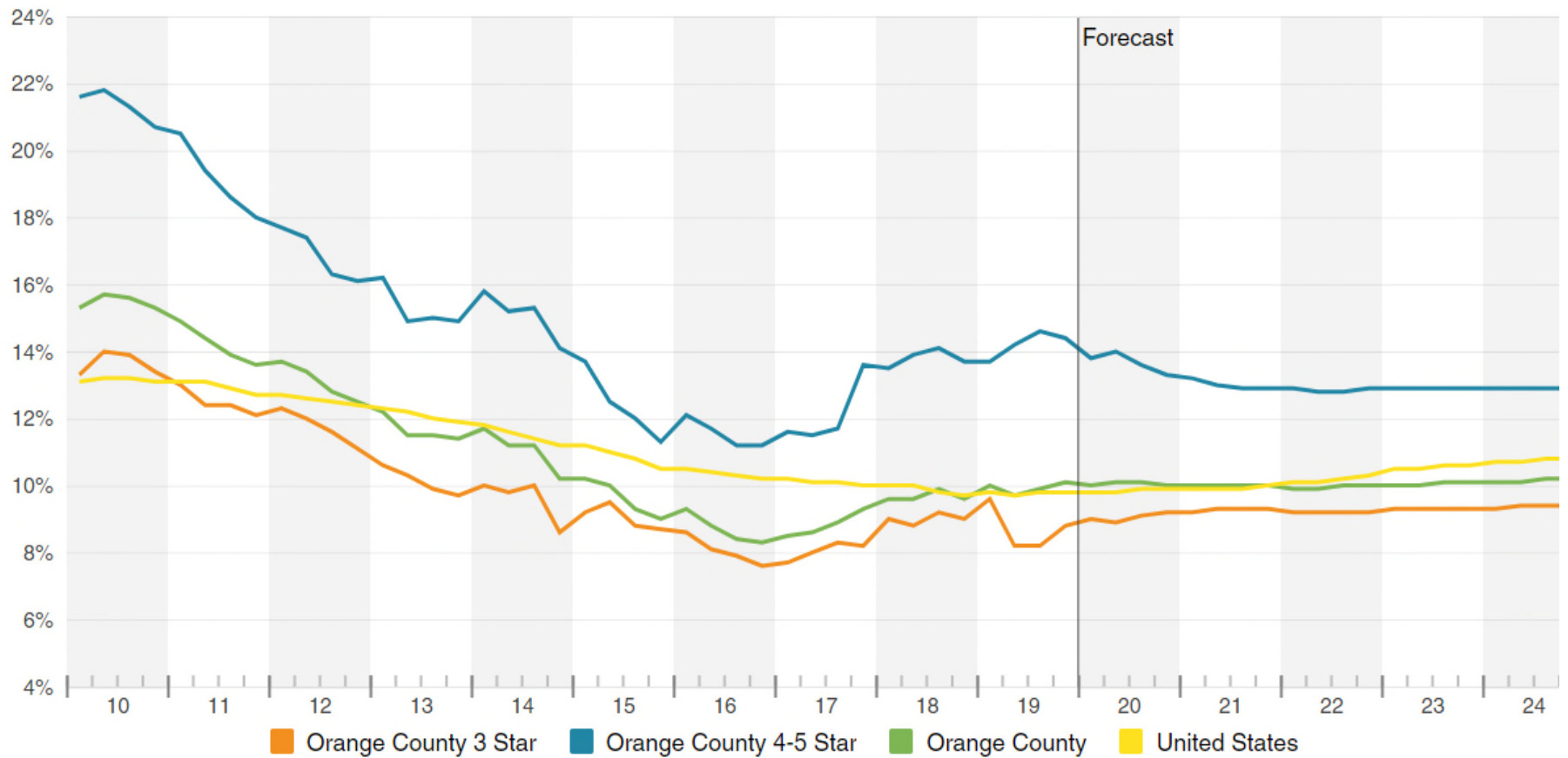
Year Over Year Job Growth ▾

History 1Y 3Y 5Y 10Y All | Forecast 1Y 3Y 5Y   



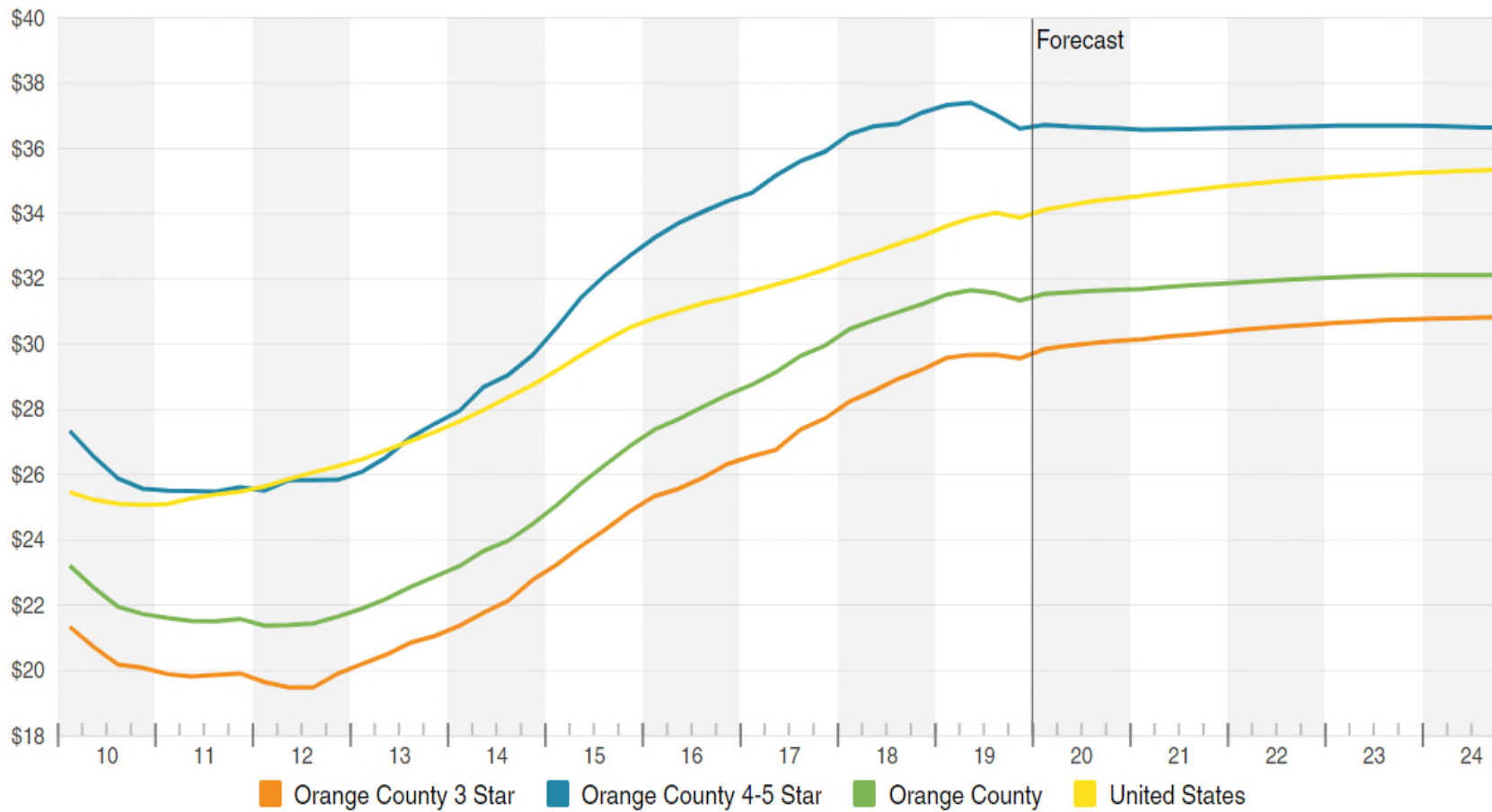
Orange County Office Market Vacancy Rate

VACANCY RATE

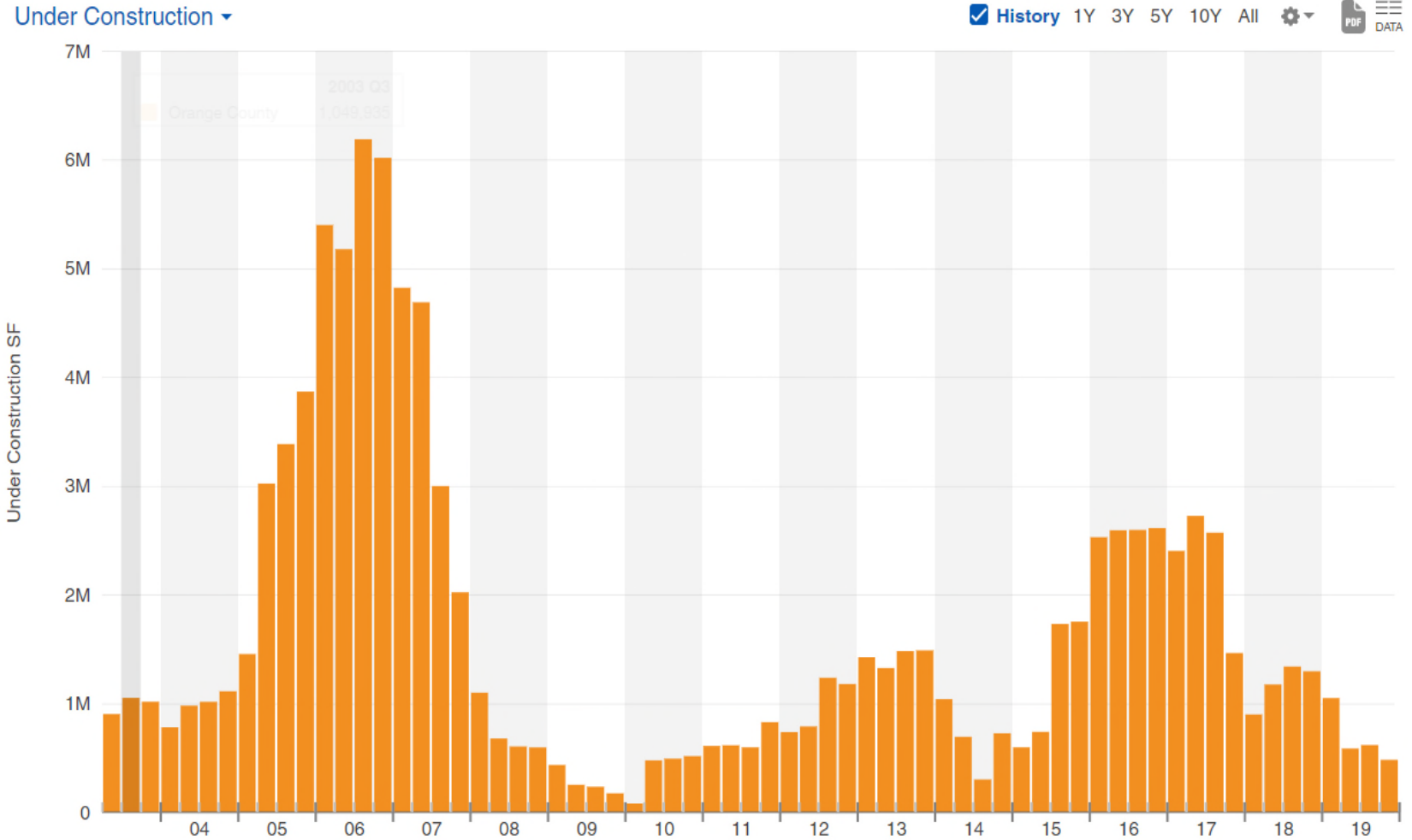


Orange County Office Market Rent per Square Foot

MARKET RENT PER SF

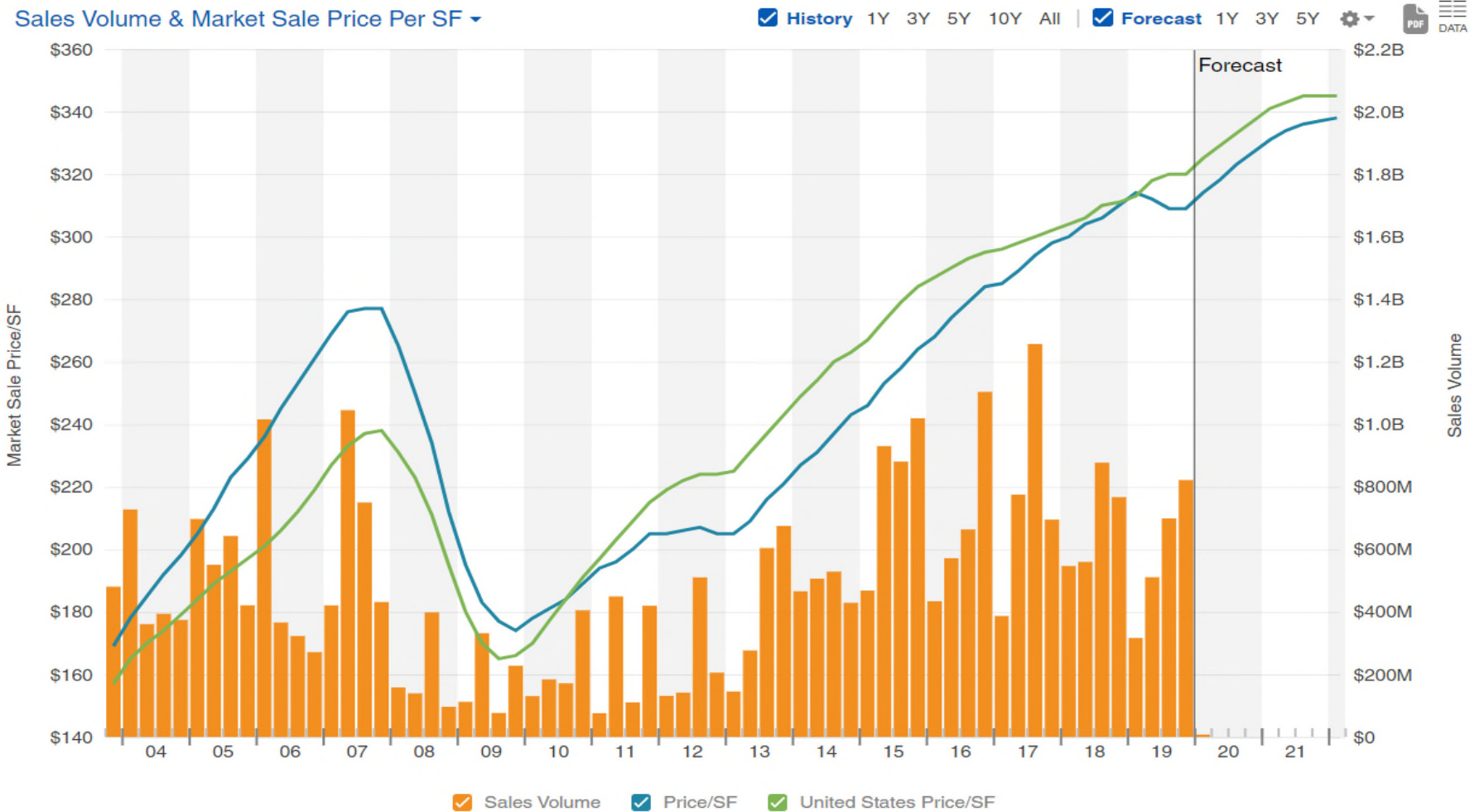


Orange County Office Market Under Construction Square Feet



Source: CoStar

Orange County Office Market Sales Volume & Market Sale Price Per SF



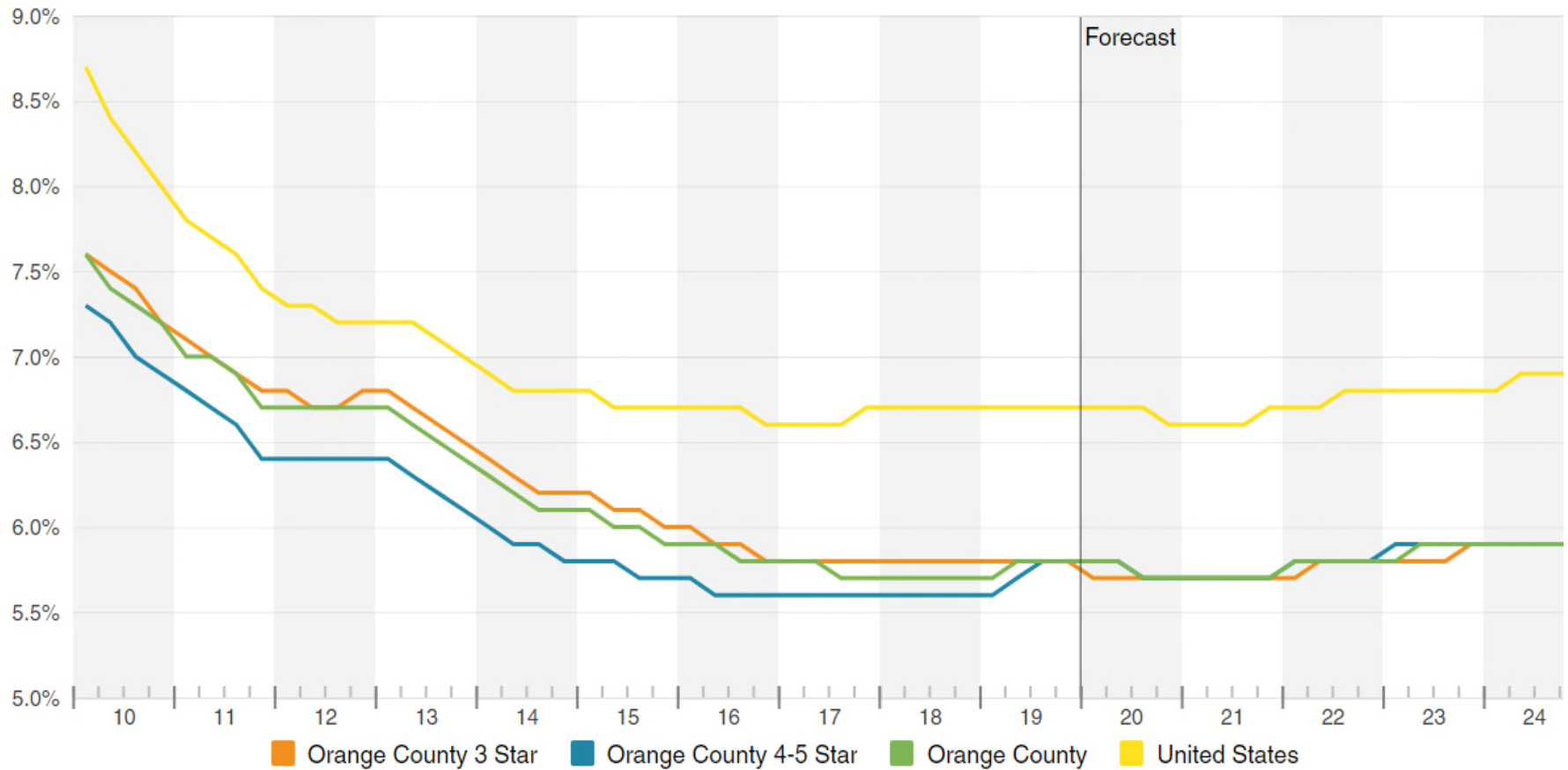
Major Office Building Sales In Orange County

RECENT SIGNIFICANT SALES

Property Name - Address	Property				Sale				
	Rating	Yr Built	Bldg SF	Vacancy	Sale Date	Price	Price/SF	Cap Rate	
1 2211 Michelson Dr	★★★★★	2007	271,556	8.0%	10/25/2019	\$116,000,000	\$427	5.4%	
2 Pacific Corporate Center 1801 E Saint Andrew Pl	★★★★☆	1989	372,891	0%	8/29/2019	\$83,683,500	\$224	-	
3 MacArthur Place 2 MacArthur Pl	★★★★☆	2001	208,142	0%	6/14/2019	\$83,000,000	\$399	5.9%	
4 2040 Main St	★★★★★	2002	307,559	15.3%	9/30/2019	\$73,327,500	\$238	-	
5 1 Enterprise Dr	★★★★☆	1999	111,391	0%	9/26/2019	\$59,000,000	\$530	5.1%	
6 4 Hutton Centre 4 Hutton Centre Dr	★★★★☆	1988	216,864	23.2%	7/8/2019	\$55,400,000	\$255	-	
7 MacArthur Place 1 MacArthur Pl	★★★★☆	2000	210,025	13.0%	4/24/2019	\$54,000,000	\$257	7.0%	
8 1610 E Saint Andrew Pl	★★★★☆	1992	202,725	12.3%	8/8/2019	\$50,912,076	\$251	6.5%	
9 Crown Cabot Financial C... 28202 Cabot Rd	★★★★☆	1990	175,268	13.7%	10/25/2019	\$46,950,000	\$268	6.3%	
10 1600 E Saint Andrew Pl	★★★★☆	1992	187,875	18.0%	8/8/2019	\$46,587,924	\$248	6.5%	

Orange County Office Building Sales

MARKET CAP RATE



Orange County and Irvine Multi-Family

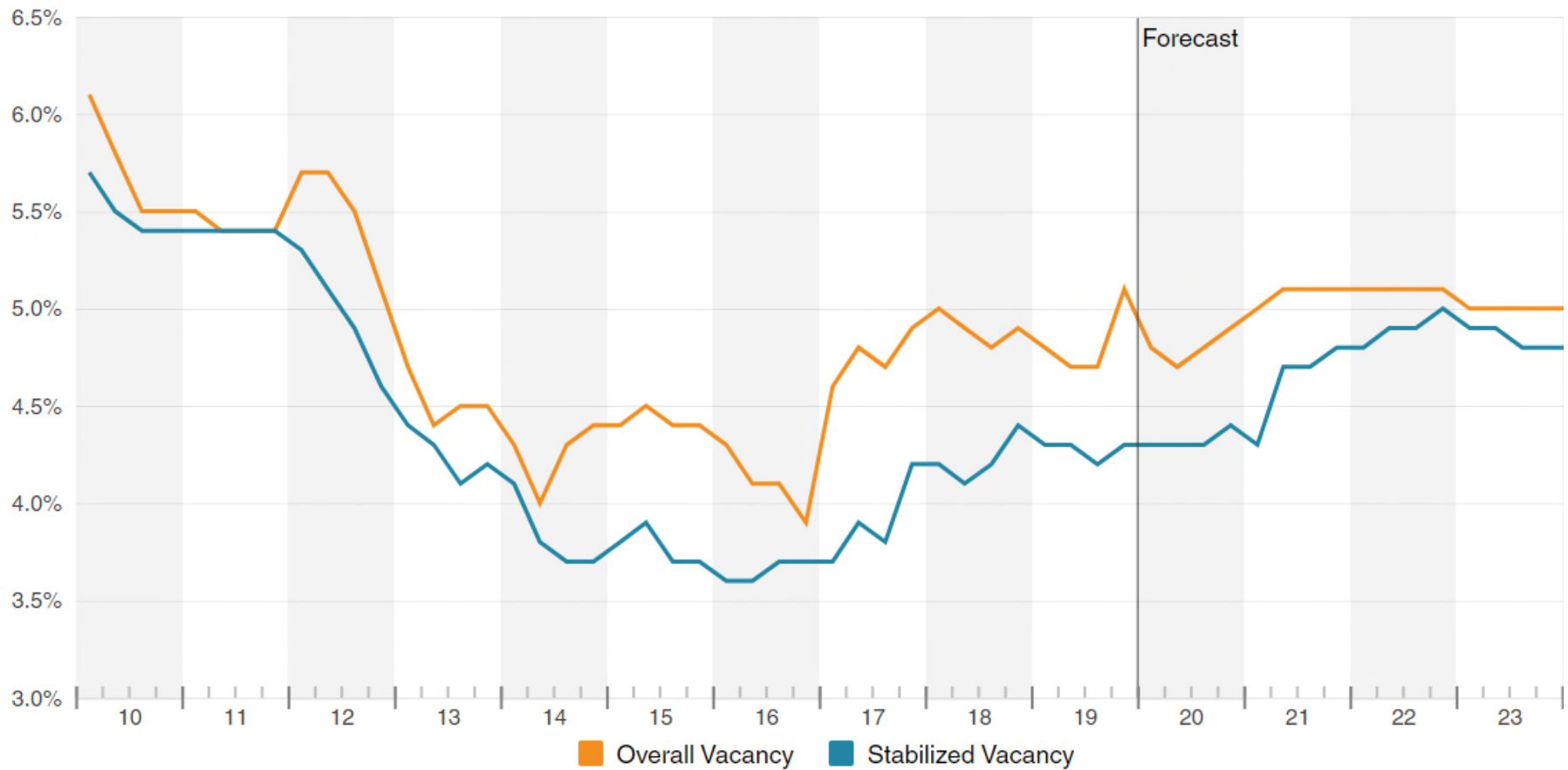
	Irvine	Orange County
INVENTORY	SUBMARKET	MARKET
Inventory Units	44,572 ↑	247,435 ↑
Existing Buildings	89 ↑	5,868 ↑
Avg Units Per Bldg	501 ↑	42 ↑

Orange County and Irvine Multi-Family

	Irvine	Orange County
AVAILABILITY	SUBMARKET	MARKET
Vacancy Rate	9.1% ↑	5.5% ↑
Vacant Units	4.1 K ↑	13.6 K ↑
Market Asking Rent/Unit	\$2,456 ↑	\$2,074 ↑
Market Effective Rent/Unit	\$2,438 ↑	\$2,060 ↑
Concession Rate	0.7% ↓	0.6% ↓
Studio Asking Rent	\$2,365 ↑	\$1,772 ↑
1 Bedroom Asking Rent	\$2,159 ↑	\$1,834 ↑
2 Bedroom Asking Rent	\$2,660 ↑	\$2,246 ↑
3 Bedroom Asking Rent	\$3,309 ↑	\$2,900 ↑

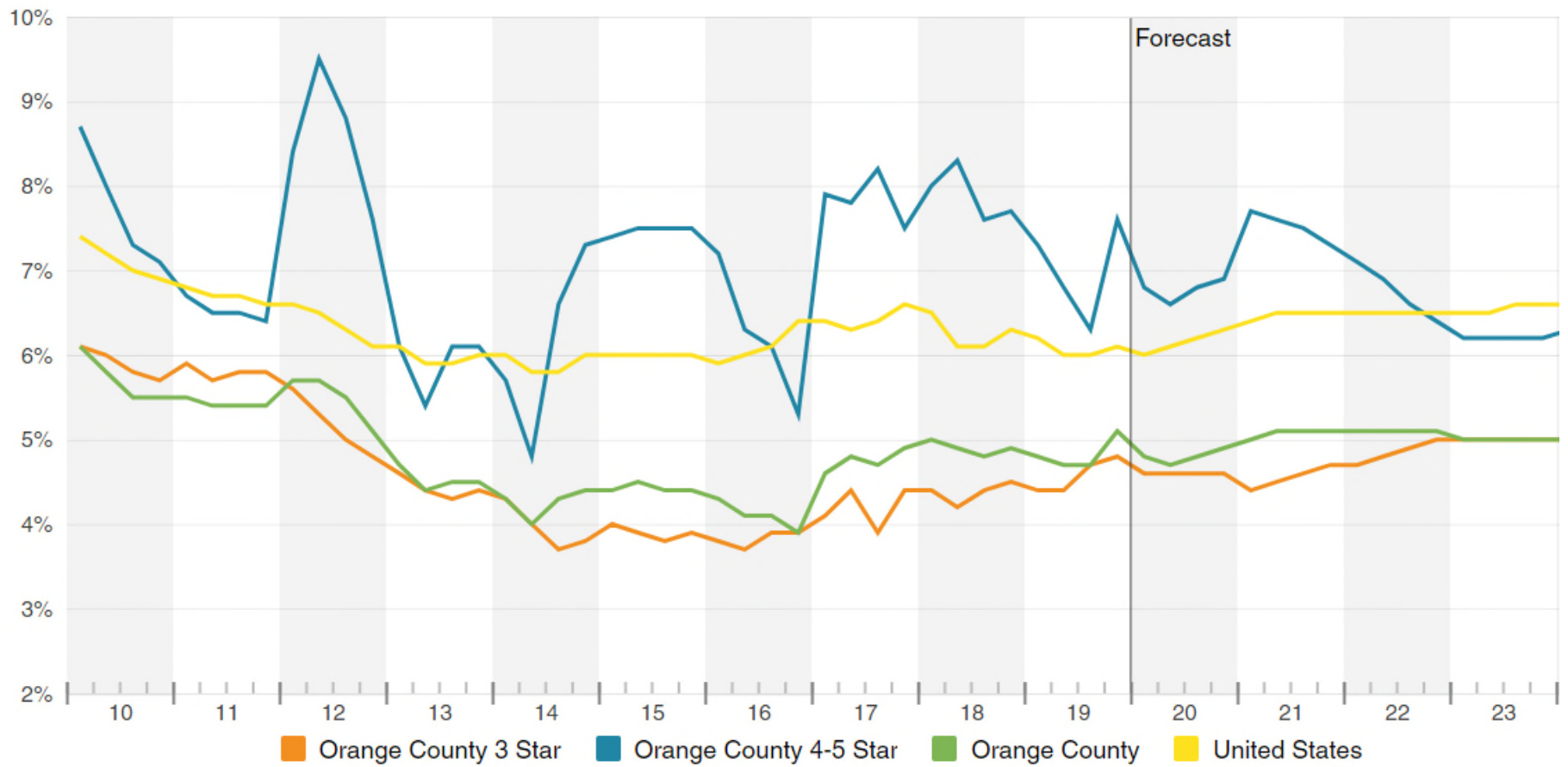
Orange County Multi-Family Overall & Stabilized Vacancy

OVERALL & STABILIZED VACANCY



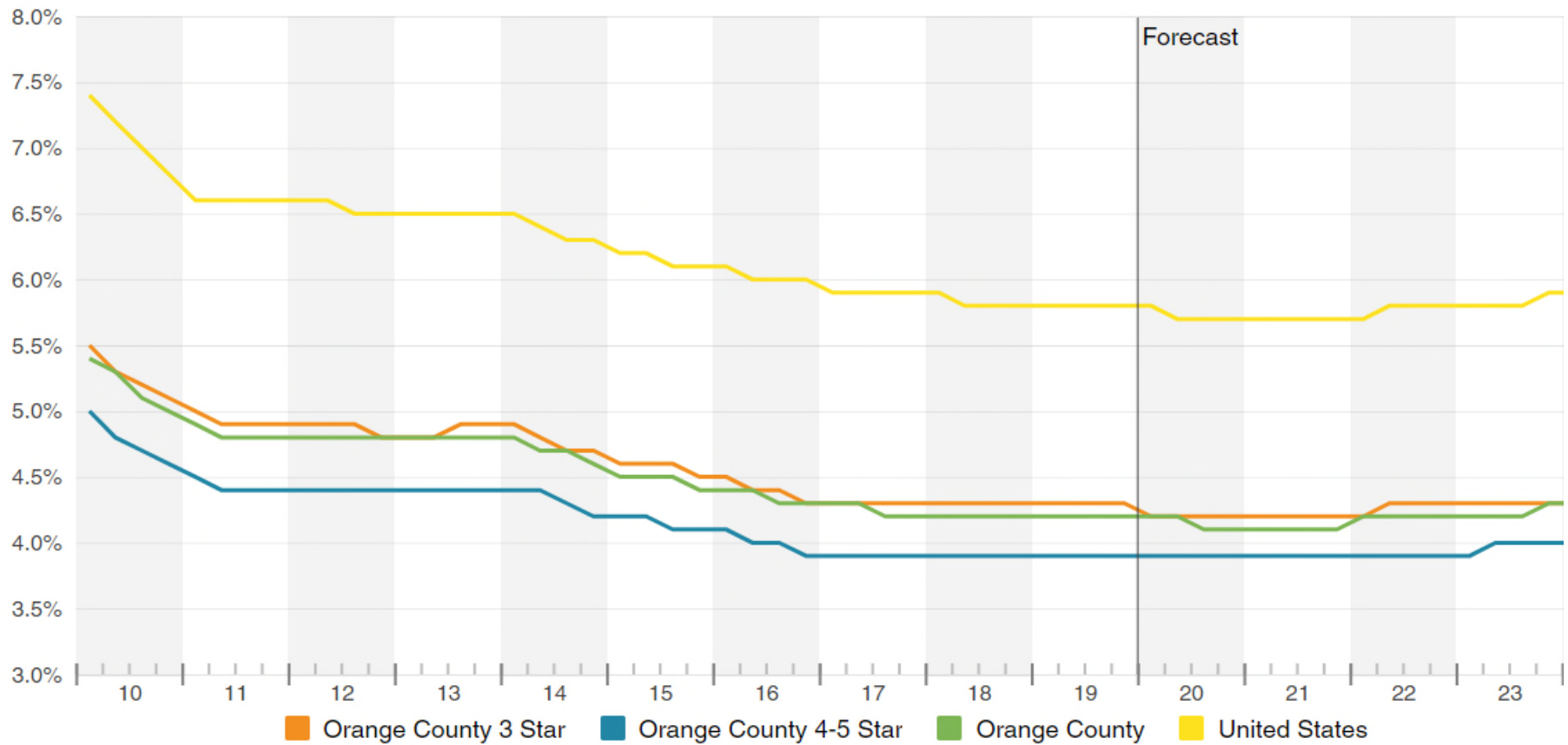
Orange County Multi-Family Vacancy Rate

VACANCY RATE



Orange County Multi-Family Market Cap Rate

MARKET CAP RATE



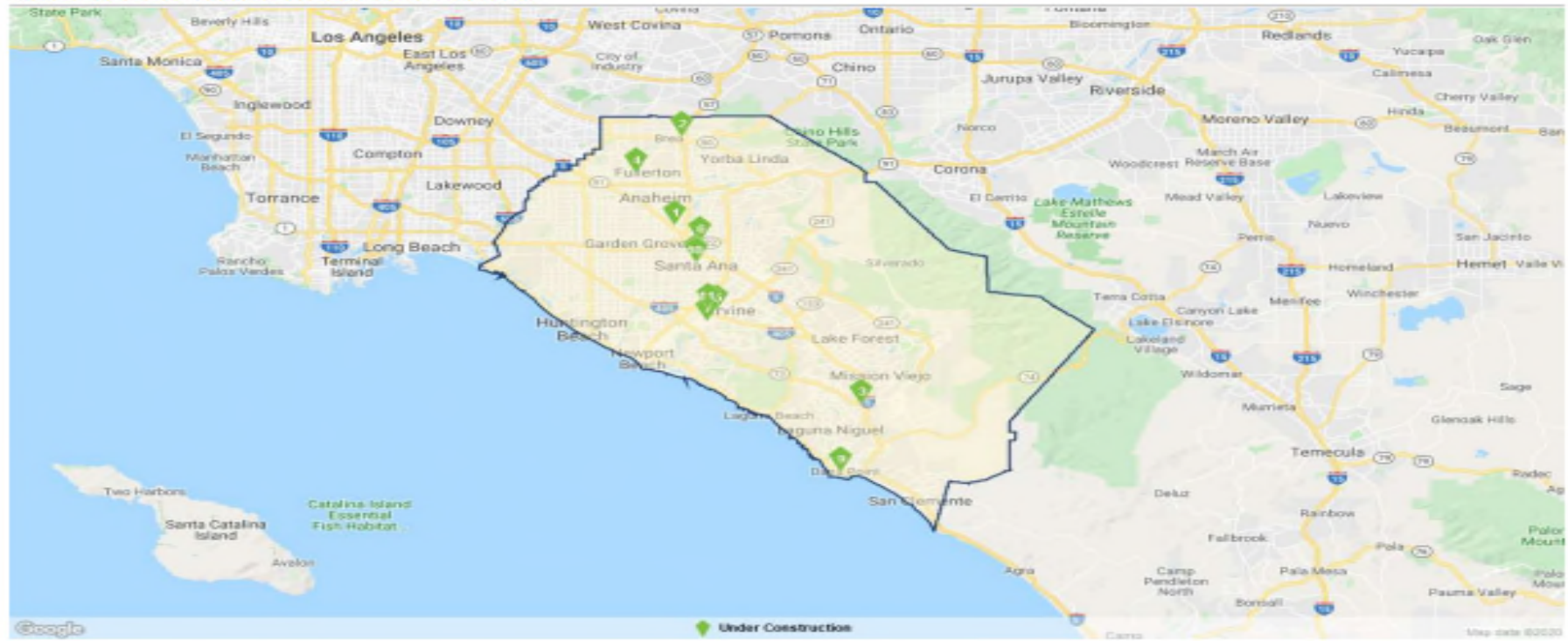
Orange County Multi-Family Development

Under Construction Properties

Orange County Multi-Family

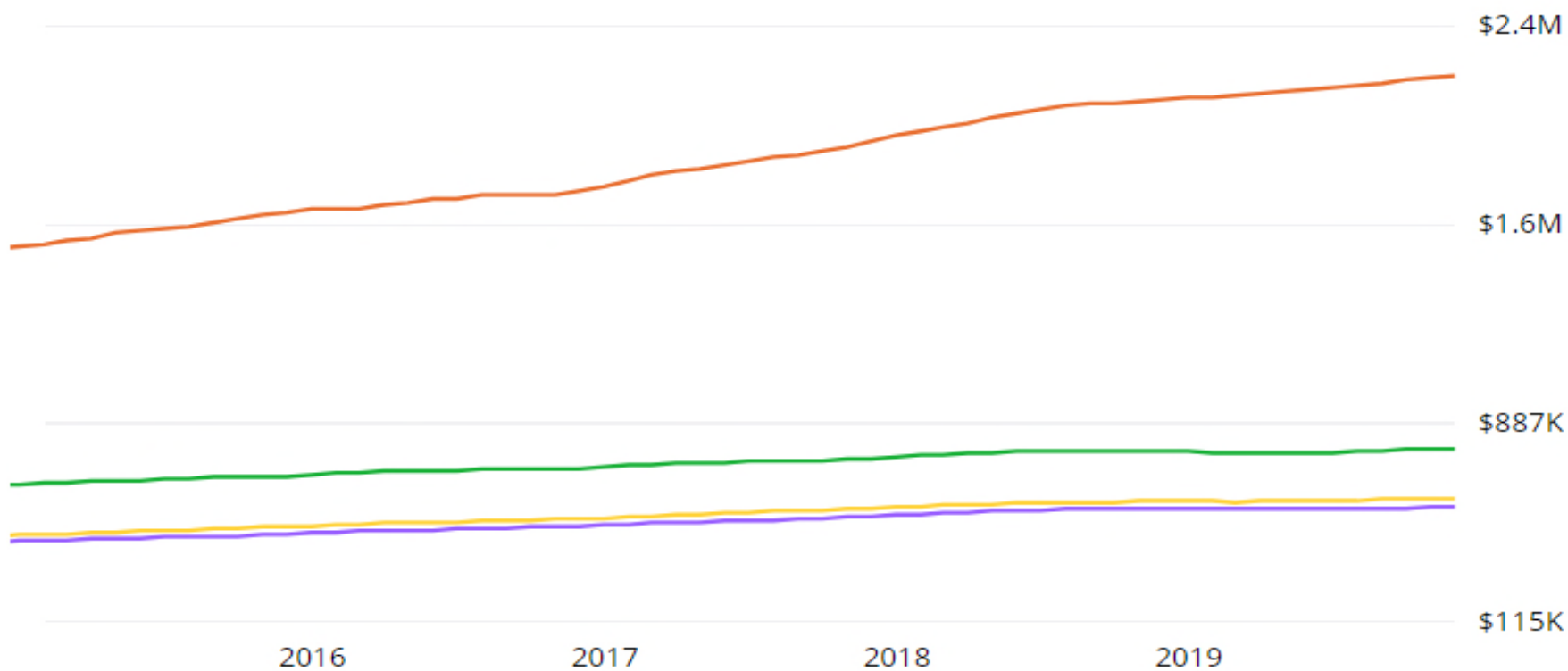
Properties	Units	Percent of Inventory	Avg. No. Units
11	3,199	1.3%	291

UNDER CONSTRUCTION PROPERTIES



Zillow Single Family Home Index – Detached SFRs

Nov 2019 — Orange County \$787K — Newport Beach \$2.24M — Santa Ana \$597K — California \$563K

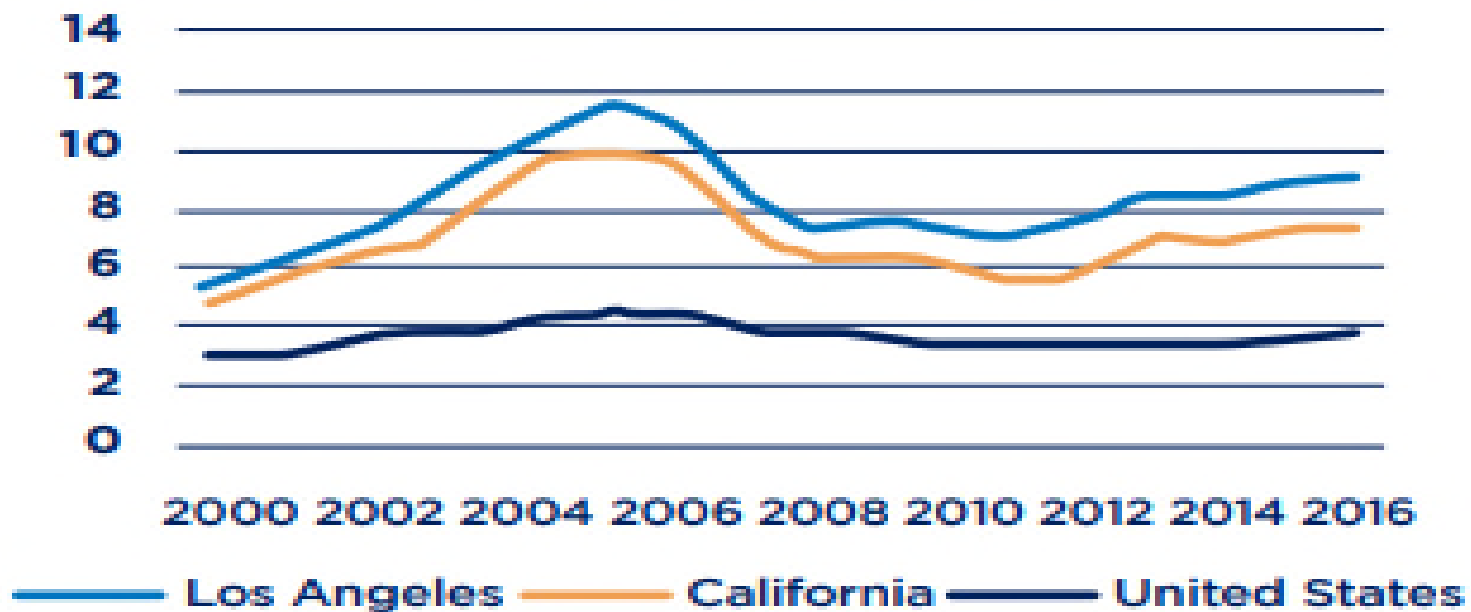


Orange County Newport Beach X Santa Ana X California Submit

Median Household Income (CA)

Median Household Income to Median House Price Ratio

Source: US Census ACS, FHFA



Pre-Recession Investment Performance



Source: Wells Fargo Investment Institute, Bloomberg, Morningstar, AQR, October 1, 2019. Chart shows average return before, during and after past recessions from January 1926 to September 2019.

Price of Gold



Gold Price Chart

The Inverted Yield Curve – What Does It Mean?

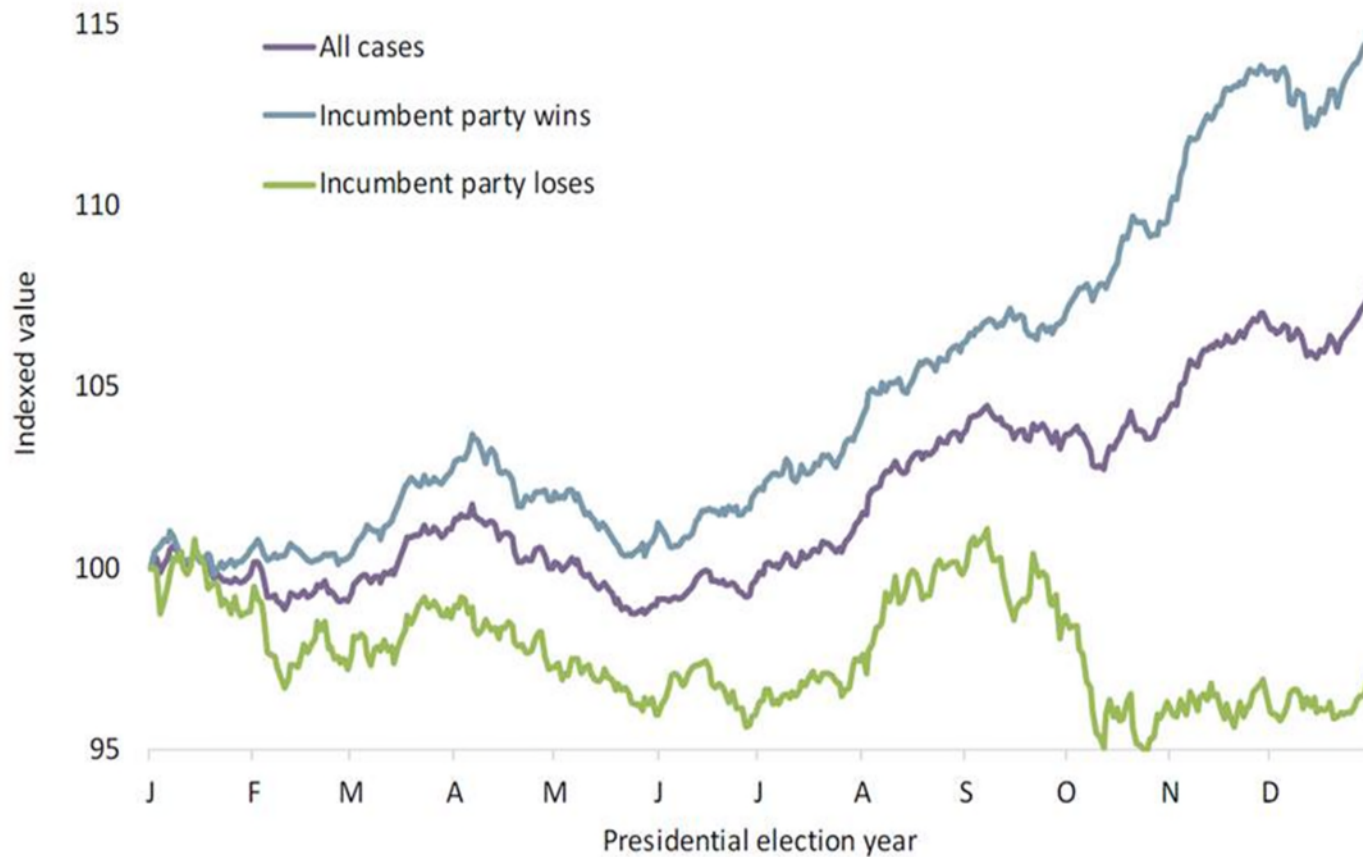
US Treasury yield curve

Curve inversions have preceded the past 7 recessions, but the time between the inversion and the recession has varied.



Shading represents US economic recessions as defined by the National Bureau of Economic Research (NBER). Source: Bloomberg Financial LP, NBER, Fidelity Investments (AART), as of 6/30/19.

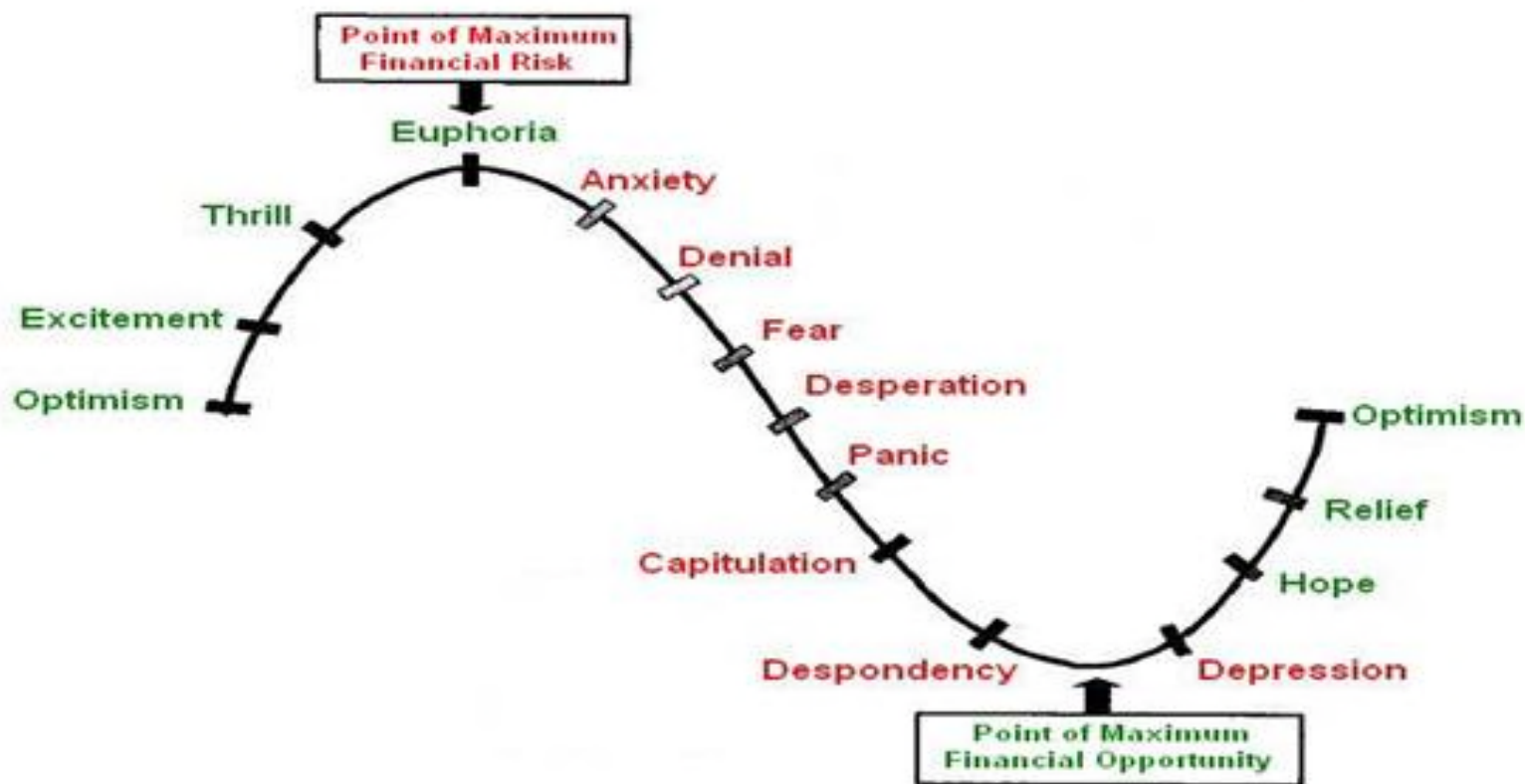
Election Year Performance of Dow Industrial Average Since 1900



Sources: Bloomberg, Wells Fargo Investment Institute. Indexed to 100 as of January 1 of each election year since 1900. Lines indicate the average performance. Stocks represented by the Dow Jones Industrial Average.

The Cycle of Market Emotions

The Cycle of Market Emotions



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