Investment Market Review
March 12, 2015

J. Scott Adams, CCIM
President, Mid-South Region

CBRE Hampton Roads
Part of the CBRE affiliate network
HIGHLIGHTS OF THE ECONOMY

JOB GROWTH IMPROVEMENT

• 3 million jobs created in 2014
• Unemployment rate below 6%
• Pressure building for more wage growth also
HIGHLIGHTS OF THE ECONOMY

2015 will be year of transition for U.S. Federal Reserve Policy

“Quantitative Easing” ended in 2014

• What will be the timing and magnitude of interest rate increases?

• How will economy respond to a “normal” fed policy?
HIGHLIGHTS OF NATIONAL CAPITAL MARKETS

$367.4 billion of commercial sales in 2014

- 16% increase over 2013
- Volume back to 2006 level (but less than 2007 peak)
HIGHLIGHTS OF NATIONAL CAPITAL MARKETS

Expect continued increase in allocations of investment capital to commercial real estate

• Best alternative to “low-yield world”

• Expectation of appreciation at or above rate of inflation

• Low correlation to returns of stocks and bonds
WHY INVEST IN COMMERCIAL REAL ESTATE?

FOR SUPERIOR LONG-TERM RETURNS

<table>
<thead>
<tr>
<th>INVESTMENT TYPE</th>
<th>5 YRS</th>
<th>10 YRS</th>
<th>15 YRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Large Cap Stocks</td>
<td>15.5%</td>
<td>7.7%</td>
<td>4.2%</td>
</tr>
<tr>
<td>U.S. Bonds</td>
<td>4.4%</td>
<td>4.7%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Directly Held Real Estate</td>
<td>12.1%</td>
<td>8.4%</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

Source: Vanguard and Wilbanks, Smith, & Thomas

Measures as of year-end 2014: S & P 500 Index, Barclay's Aggregate Bond Index, NCREIF Property Index

Index, NCREIF Property Index
AREAS OF STRONGEST CURRENT INVESTMENT INTEREST ACROSS THE COUNTRY

• Class A and B Multi-Family
• Grocery-Anchored Retail
• Medical Office
• Single-Tenant Net Leased Assets
ADDITIONAL UNIQUE AREA OF STRONG INVESTMENT INTEREST FOR HAMPTON ROADS

CLASS A INDUSTRIAL

Port of Virginia is 3rd largest on the East Coast and expected to benefit from Panama Canal widening
TOP 2014 SALE TRANSACTIONS

Ultras at Banyan Grove
$41.0 Million
August 2014

288 Units
Virginia Beach, VA
TOP 2014 SALE TRANSACTIONS
The UDR Newport News Portfolio
$47.2 Million
July 2014

Forest Lake at Oyster Point
296 Units
Newport News, VA

Woodscape
296 Units
Newport News, VA
TOP 2014 SALE TRANSACTIONS
Peninsula Town Center
$48.5 Million
September 2014

990,274 Square Feet
Hampton, VA
TOP 2014 SALE TRANSACTIONS
Mariner’s Cove
$49.2 Million
October 2014

458 Units
Virginia Beach, VA
TOP SALE TRANSACTIONS
The Berkshire Peninsula Portfolio
$83.3 Million
August 2014

Lake Ridge
282 Units
Hampton, VA

Reserves at the Arboretum
143 Units
Newport News, VA

Bridgewater on the Lake
216 Units
Hampton, VA
“Investors should take the opportunity right now to place capital in good quality projects. This window of opportunity will not last forever. Carpe Diem!”

Dr. Richard Barkham
Global Chief Economist
CBRE
KEY TAKEAWAYS

1. Improving fundamentals across all property types

2. Limited new construction

3. Lower near-term job growth locally means less institutional interest which typically drives prices higher