Cities and Investment Performance

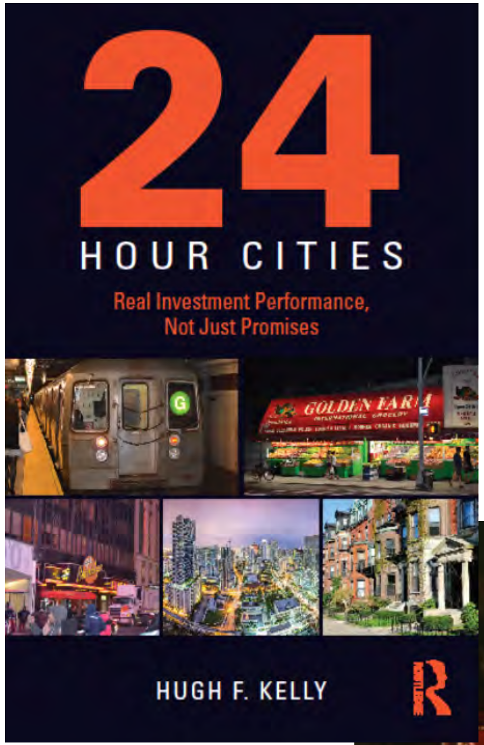
TCN Worldwide

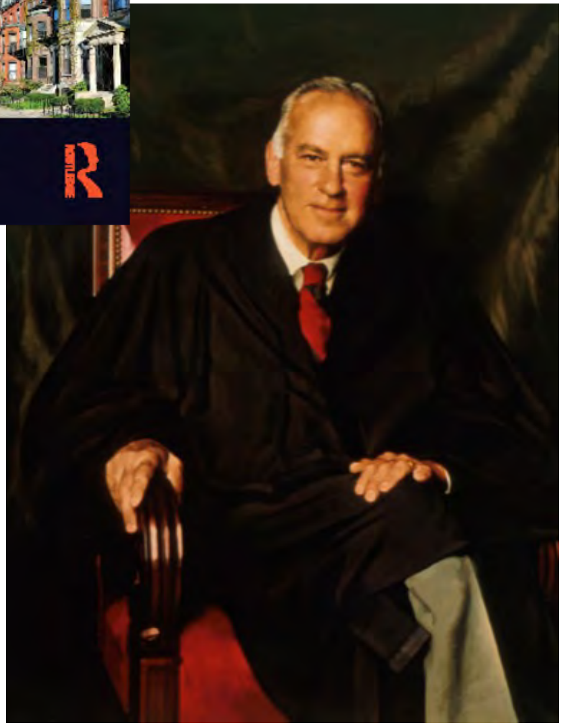
Loews Santa Monica Hotel

Hugh F. Kelly, PhD, CRE

Special Advisor, Fordham University Real Estate Institute

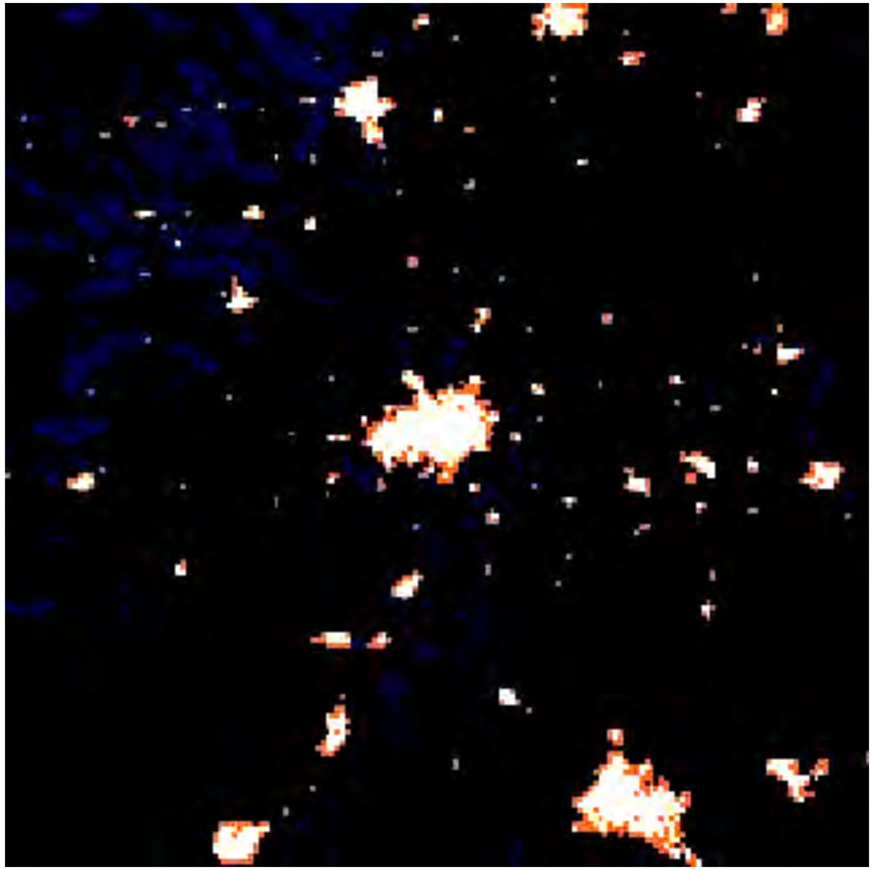
October, 2017





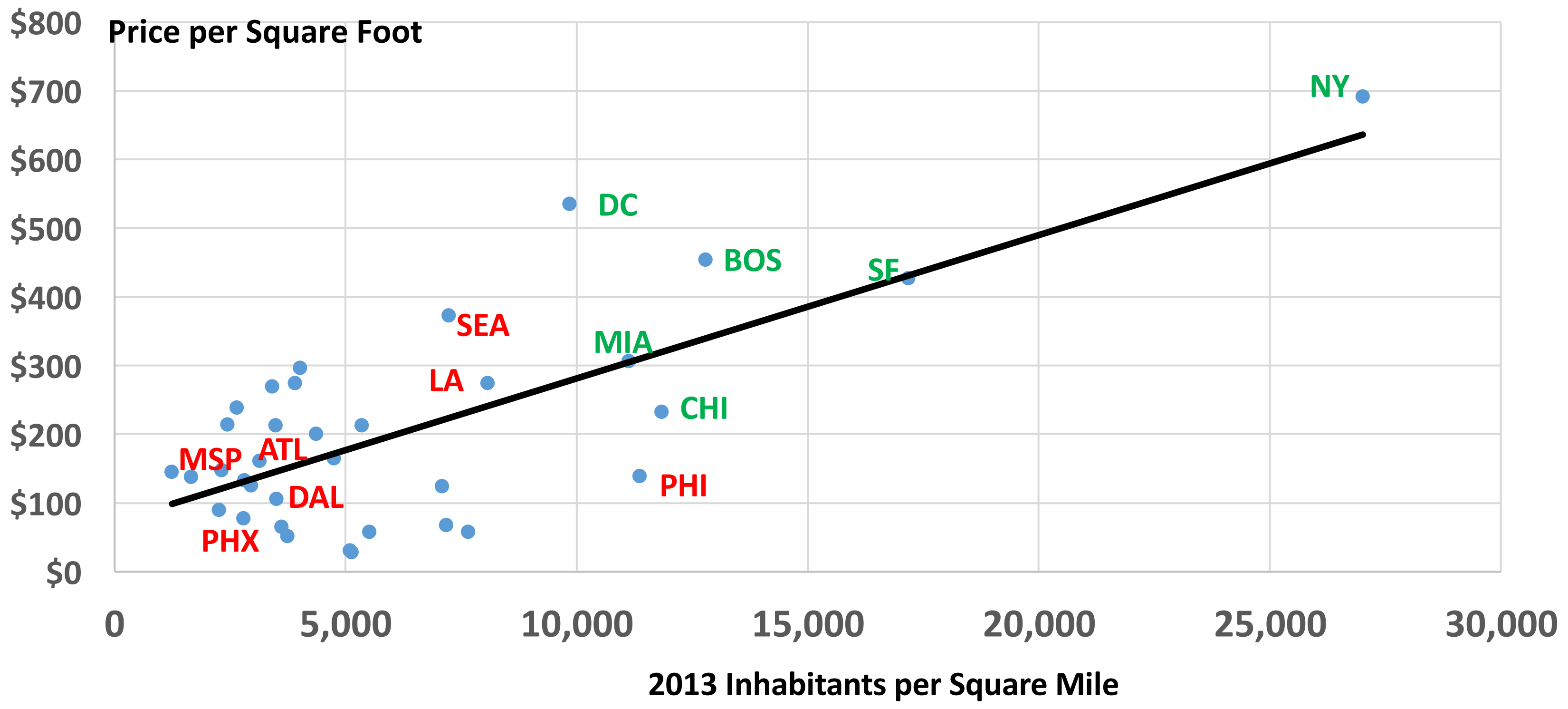
Boston-NYC-Washington

Dallas

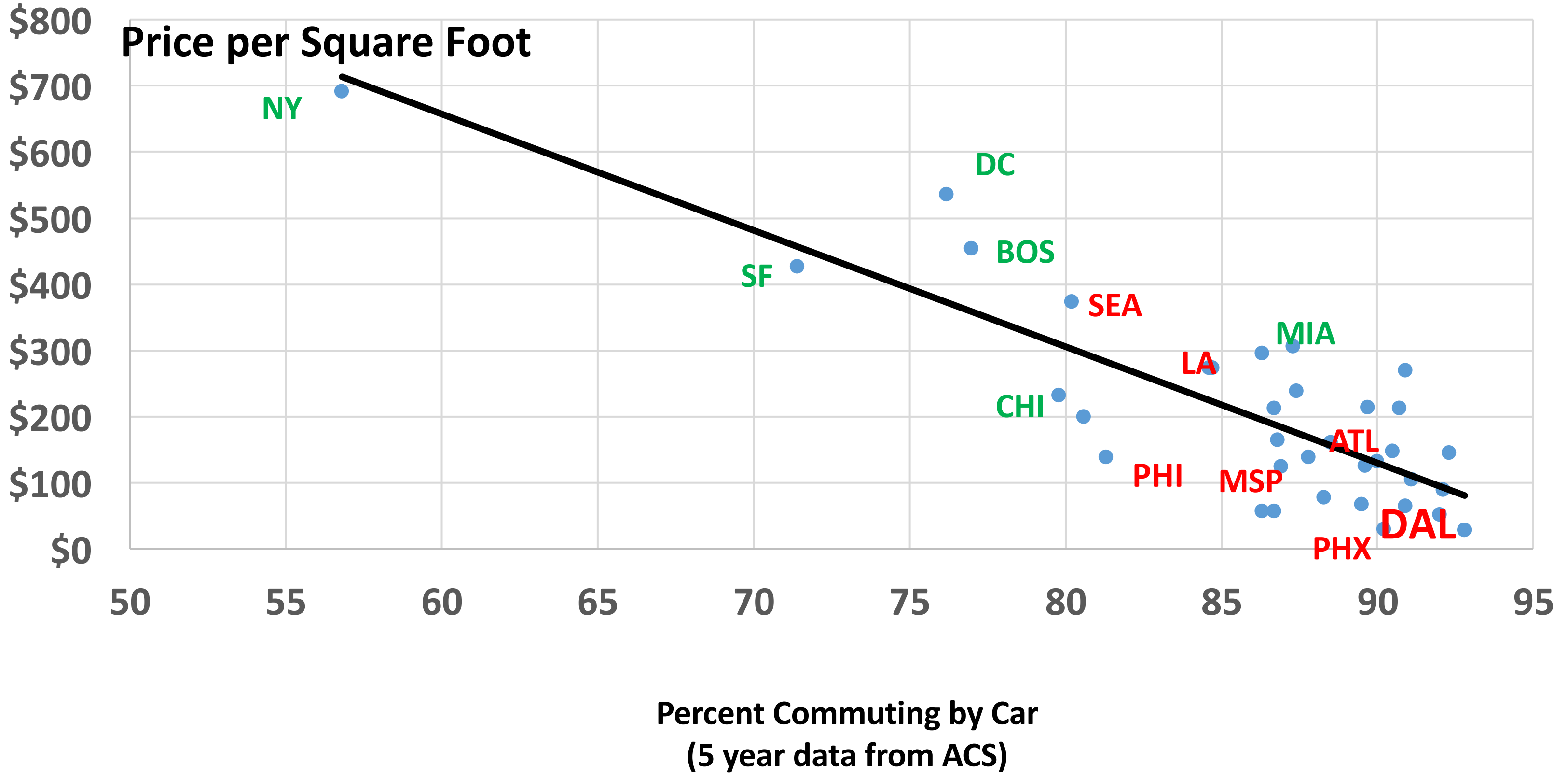


Lots of Room for Debate
Lots of Space Along the Spectrum

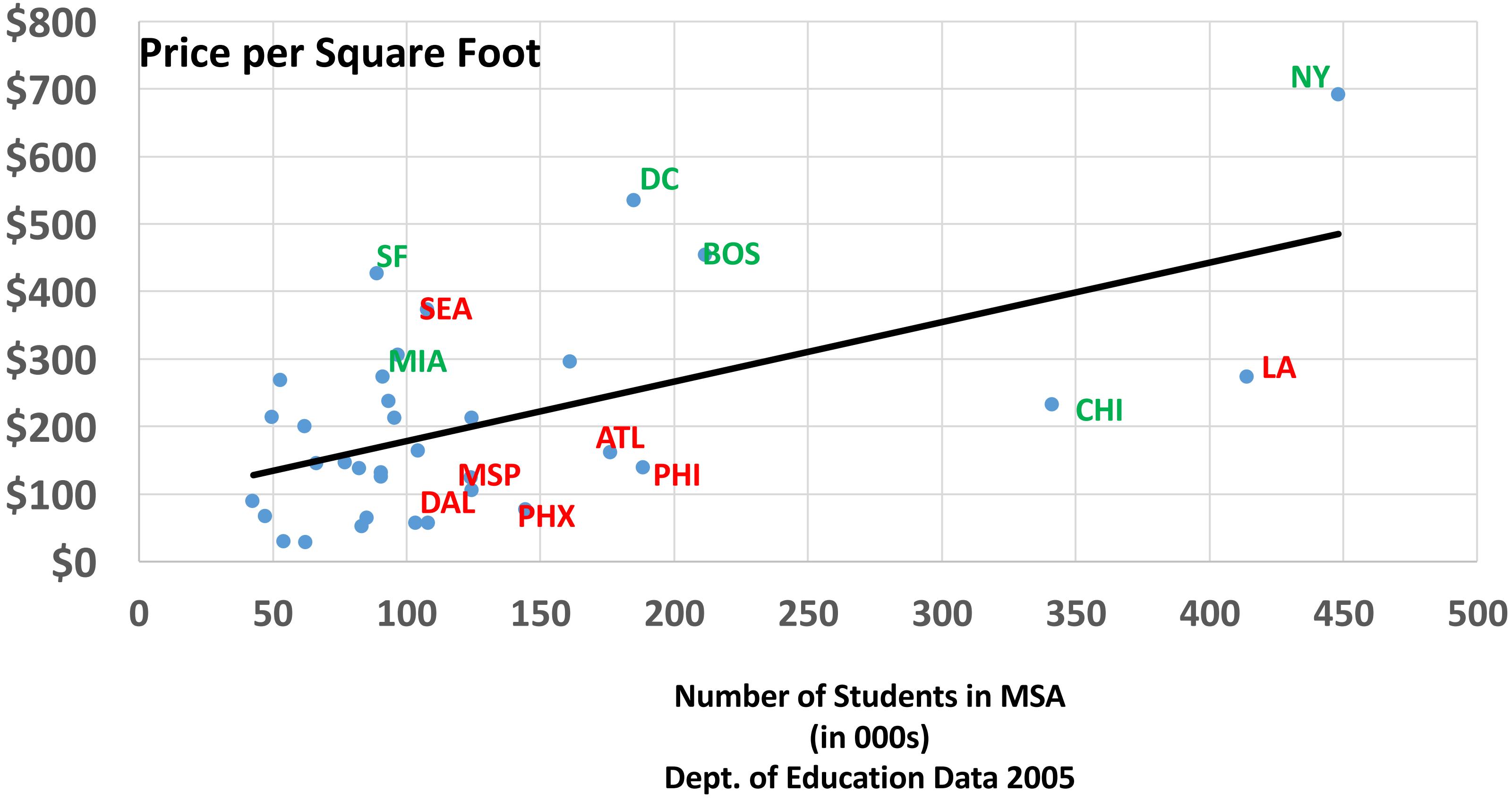
City Population Density and CBD Office Price



Automobile Commuting and CBD Office Price



College & University Students and CBD Office Price



Empirical Criteria for Analysis

- Population Density > 9,000 per square mile
- 24-hour Drugstores > 18 stores within 10 miles of center
- Crime < 5,000 per 100,000 population
- Transit commuters > 10% of total journey to work
- Live/work ratio > 30% of resident population w/i one mile of job
- Walk Score > 90 for CBD AND > 80 citywide


MARKET INFORMATION
Free Range
Brown Eggs
Creamy
Butter
LOCAL
FARM FRESH
PRODUCE


GOLDEN FARM
INTERNATIONAL GROCERY
Open 24 Hrs
RUSSIAN UKRAINIAN POLISH TURKISH ISRAELI KOSHER ORGANIC
Apple Plus
Open 24 Hrs
WHOLESALE
& RETAIL
329

Top Tier Cities

Tier One

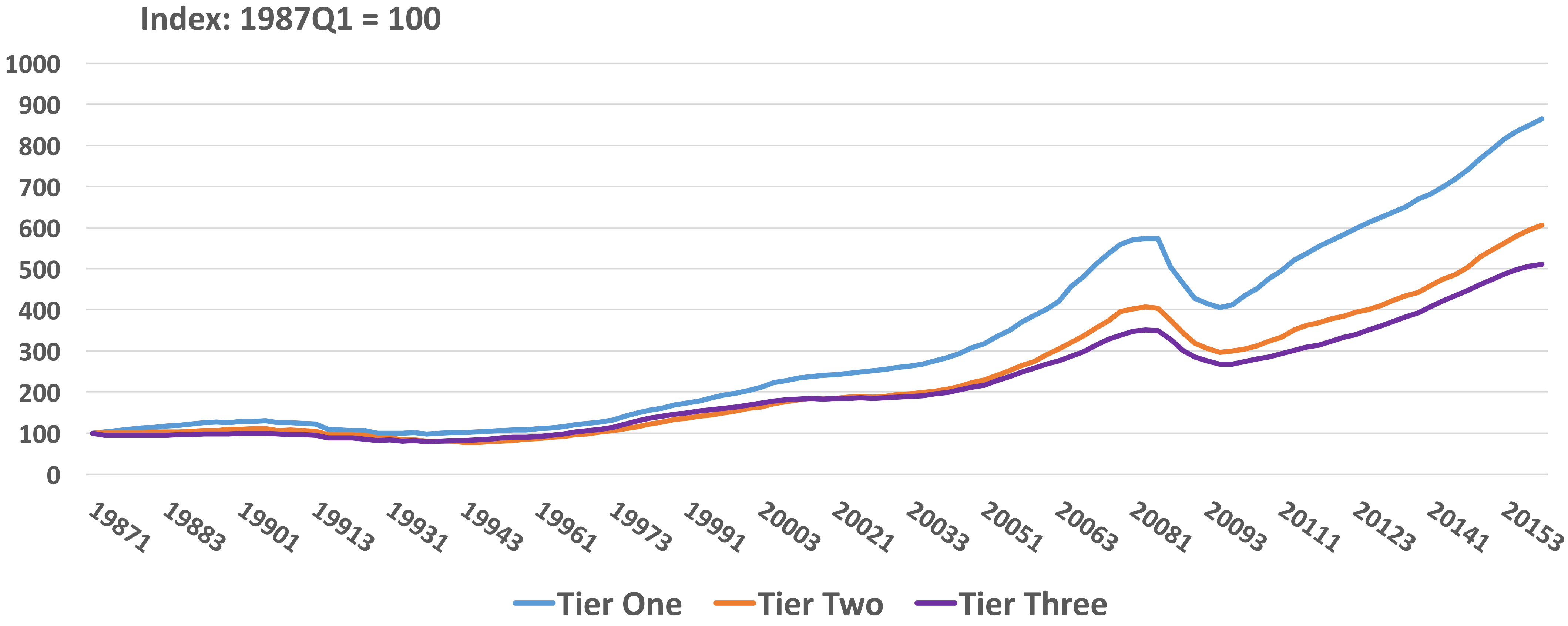
- New York
- Chicago
- San Francisco
- Philadelphia
- Washington
- Boston

Tier Two

- Seattle
- Los Angeles
- Oakland
- Portland
- Baltimore
- Pittsburgh
- Minneapolis
- Austin
- Miami

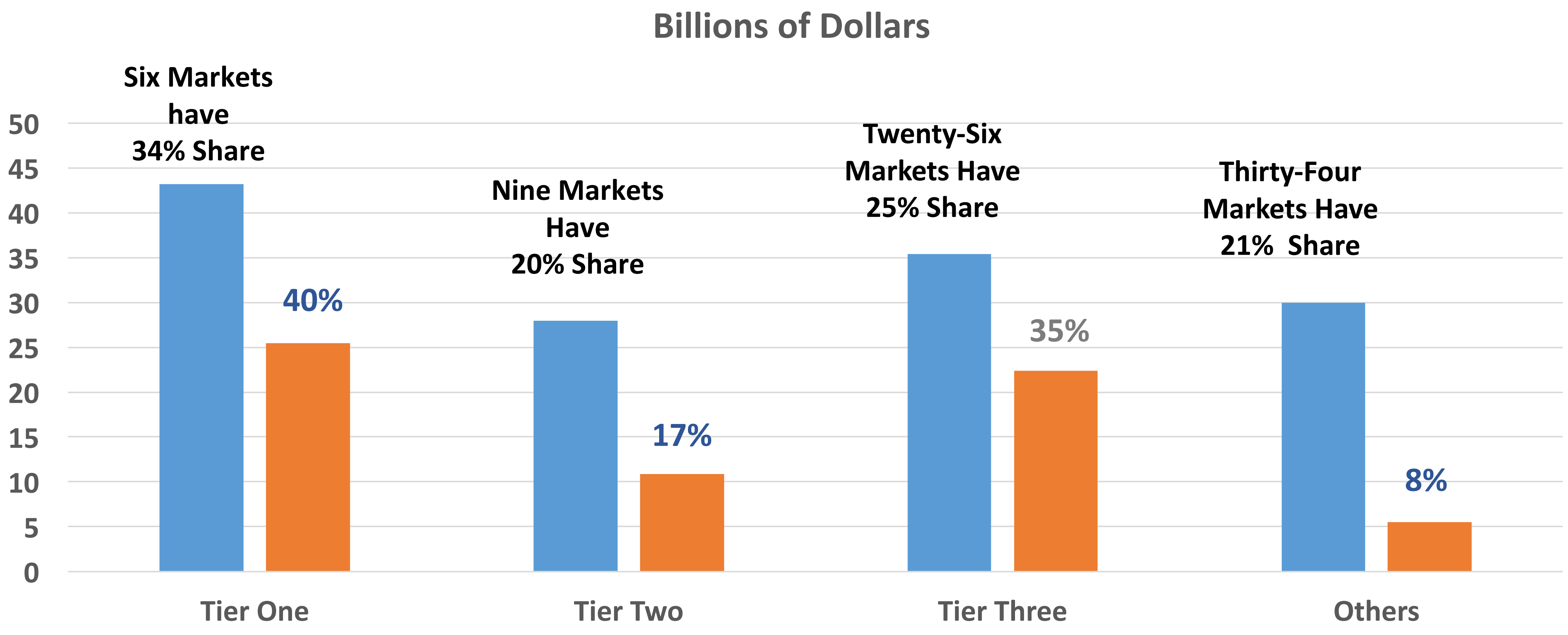
Office Cumulative Returns

1987 Q1 to 2016 Q2



Source: NCREIF data extracted by Custom Query

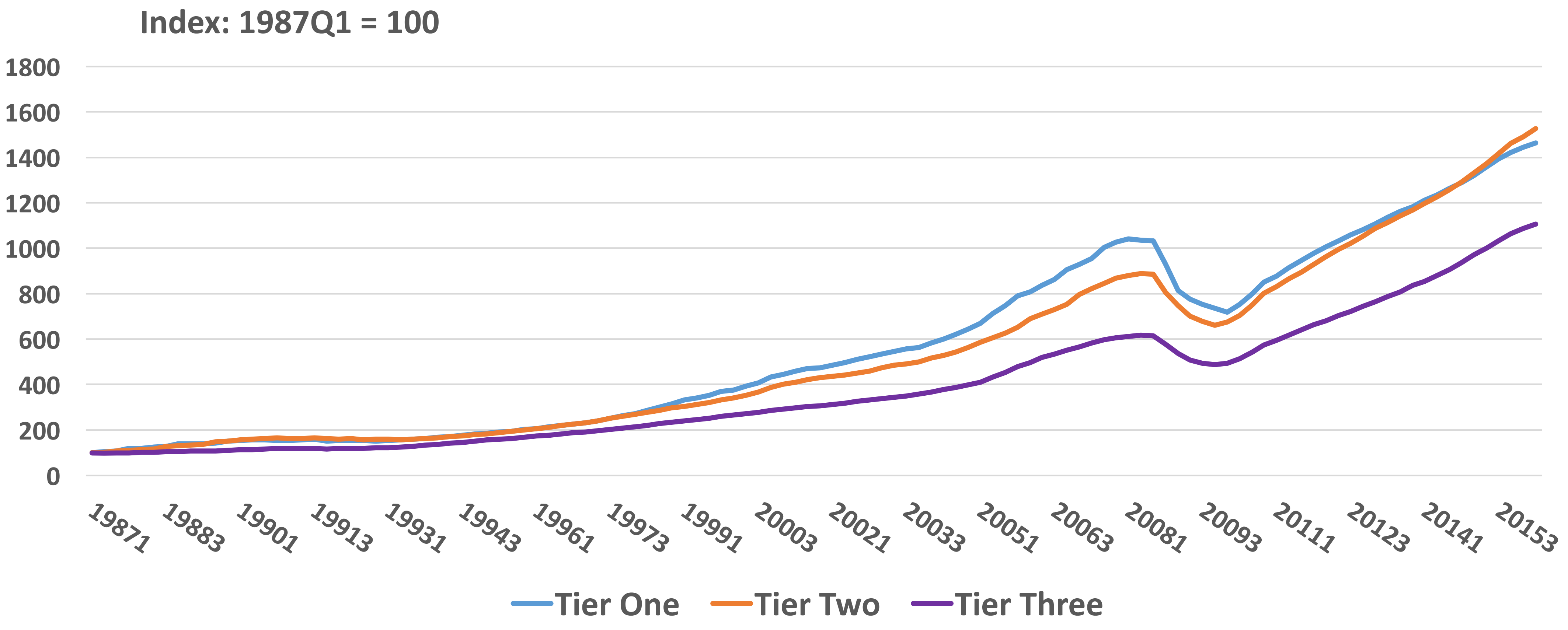
2016/2017 Office Investment Transactions
(All Investor Classes; Total $141.8 billion in 2016 $64.4 billion First Half 2017)



Source: Real Capital Analytics

Apartment Cumulative Returns

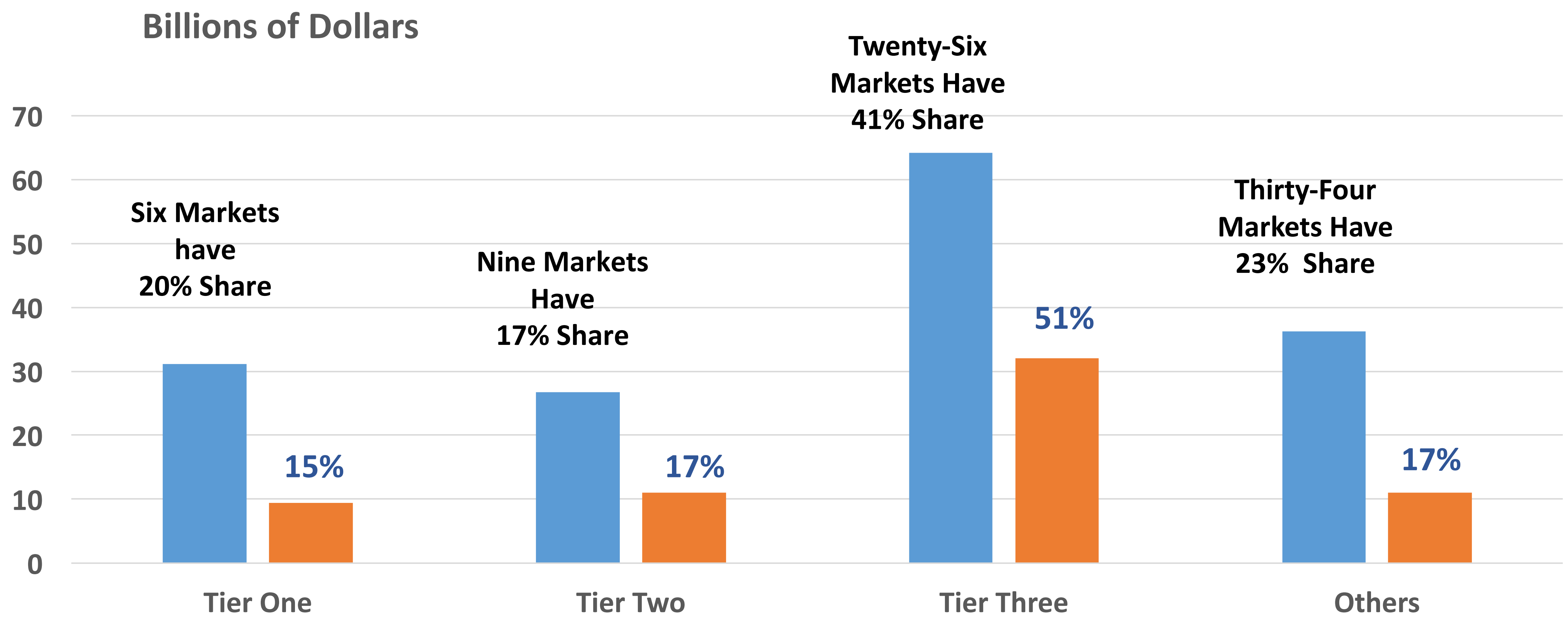
1987 Q1 to 2016 Q2



Source: NCREIF data extracted by Custom Query

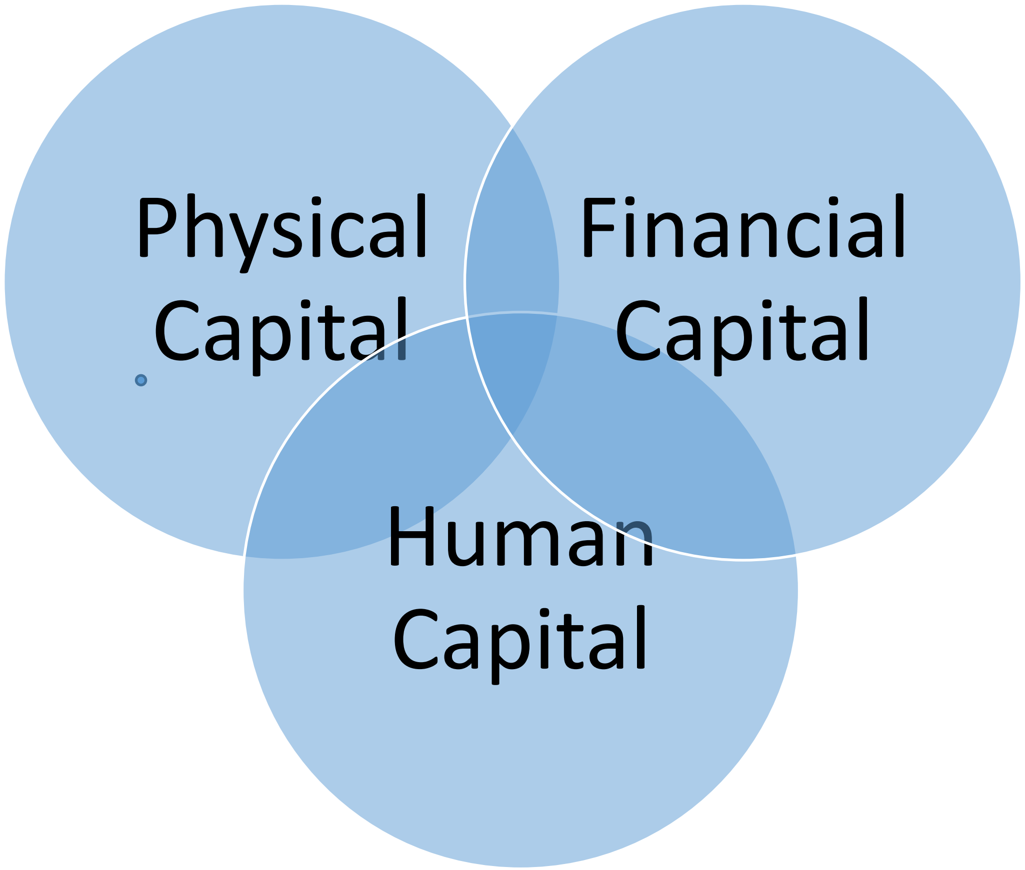
2016/2017 Apartment Investment Transactions

(All Investor Classes; Total $158.4 billion in 2016; $63.5 billion in First Half 2017)



Source: Real Capital Analytics

Why Pay More???



- Price, Productivity, and Property Usage
- Fiscal Resiliency
- Addressing the Gini Coefficient

Thinking About Urban Regions

The Good News

- Strong Core Cities support stronger Edge Cities
- Urban networks provide a more potent model than urban hierarchies
- The taxonomy of cities is complex, dynamic, and adaptive

The Challenges

- Political balkanization encourages “Beggar Thy Neighbor” strategies
- Cost-aversion hinders investment and hampers operations
- The built environment is slow to change

What Lies Ahead of Us?

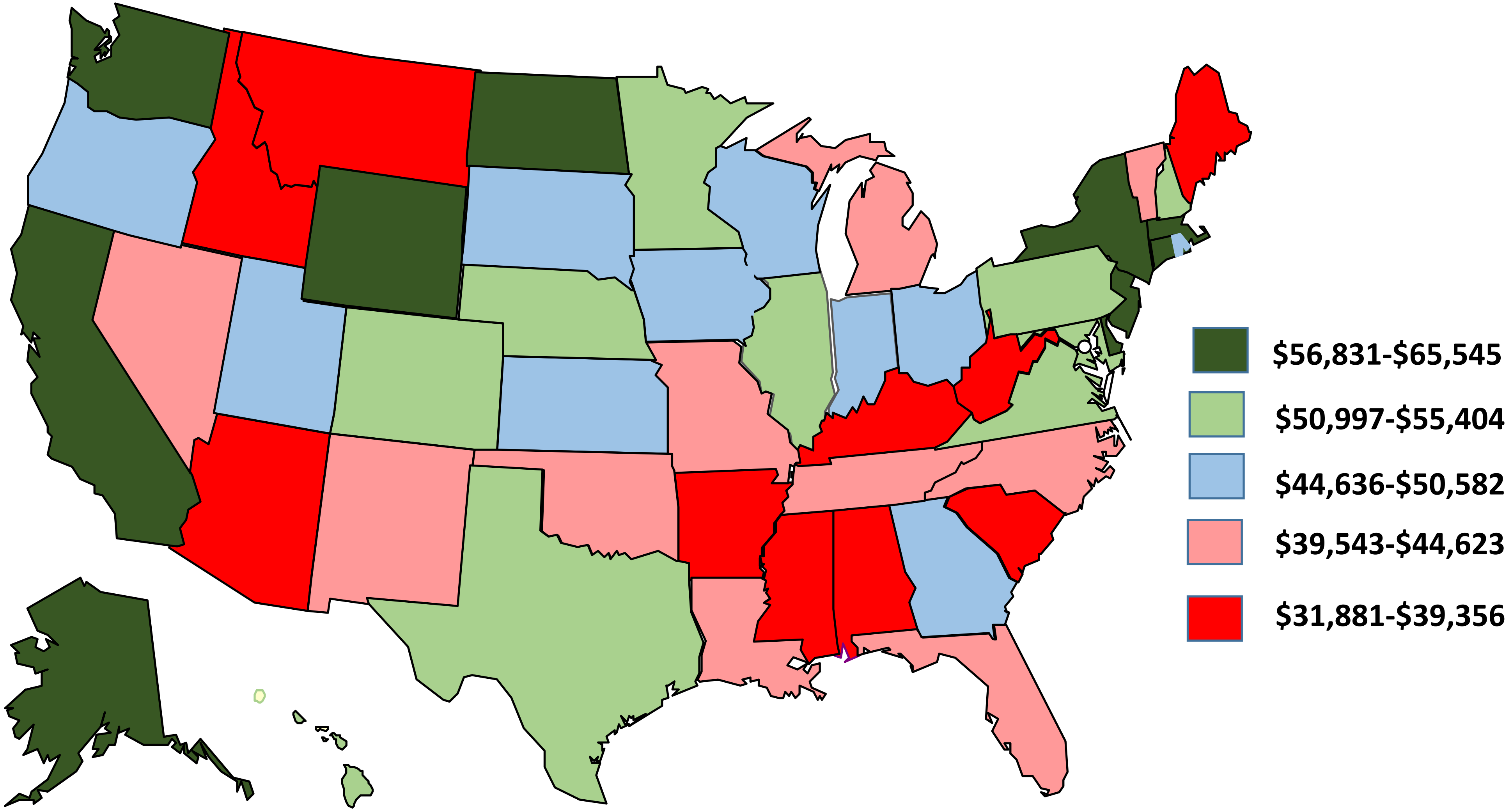
If you must forecast, Forecast frequently.

- John Kenneth Galbraith


HARDER
SMARTER

Entry Level Jobs Do Not Need To Be Dead End Jobs

2016 State GDP per capita
(in chained 2009 U.S. Dollars)



.Source: Bureau of Economic Analysis, accessed via Statistic.com

City of Tomorrow

Walt Disney World
EPCOT
CENTER

FUN CITY
ENTERTAINMENT COMPLEX

Scottsdale, Ariz.: Business Attraction Through Internal Investment

2017 TCN WORLDWIDE CONFERENCE

(480) 312-7989
Business@ScottsdaleAZ.gov
ChooseScottsdale.com
@ScottsdaleEcDev

CHOOSE Scottsdale
CITY OF SCOTTSDALE ECONOMIC DEVELOPMENT

1. Open to business and the sharing economy

State moratorium on all agency rule-making efforts with the potential to impact business, and a lifting of regulations on the sharing economy

CHOOSE Scottsdale
CITY OF SCOTTSDALE ECONOMIC DEVELOPMENT

2. Unparalleled events, entertainment and attractions

9 million visitors a year to Scottsdale alone; Waste Management Phoenix Open with 200,000+ attendees in 2017; McDowell Sonoran Preserve

CHOOSE Scottsdale
CITY OF SCOTTSDALE ECONOMIC DEVELOPMENT

3. Downtown density and place-making to attract big business

Who knew Tempe Town Lake – which did not exist 20 years ago – could look like this now

4. Moving people around in a walkable, safe environment

Light rail stretches from Phoenix to Mesa; docked bike share has reached the Metro and dock-less to launch in Scottsdale soon with parking sensor apps

CHOOSE Scottsdale
CITY OF SCOTTSDALE ECONOMIC DEVELOPMENT

5. Urban multifamily housing for talent attraction and retention

Fashion Square Mall redevelopment will allow up to 150 feet in height and will include office, residential and retail components

CHOOSE Scottsdale
CITY OF SCOTTSDALE ECONOMIC DEVELOPMENT

5. ASU #1 Most Innovative School; Basis Scottsdale #1 in Nation

Partnerships and collaboration with K-20 systems will ensure the workforce of the future is grown in Arizona; with

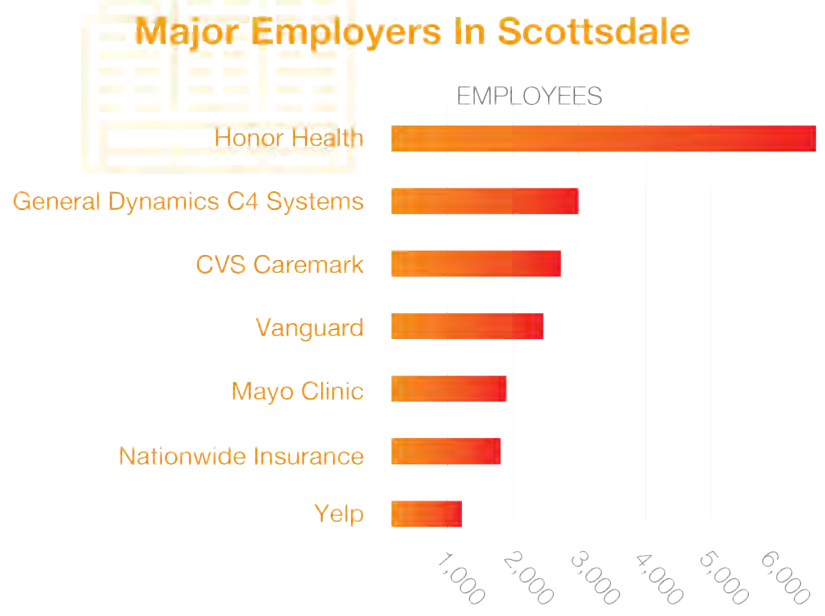
CHOOSE Scottsdale
CITY OF SCOTTSDALE ECONOMIC DEVELOPMENT

Thank you.

Danielle Casey
Economic Development Director
City of Scottsdale
480-312-7601
dcasey@scottsdaleaz.gov

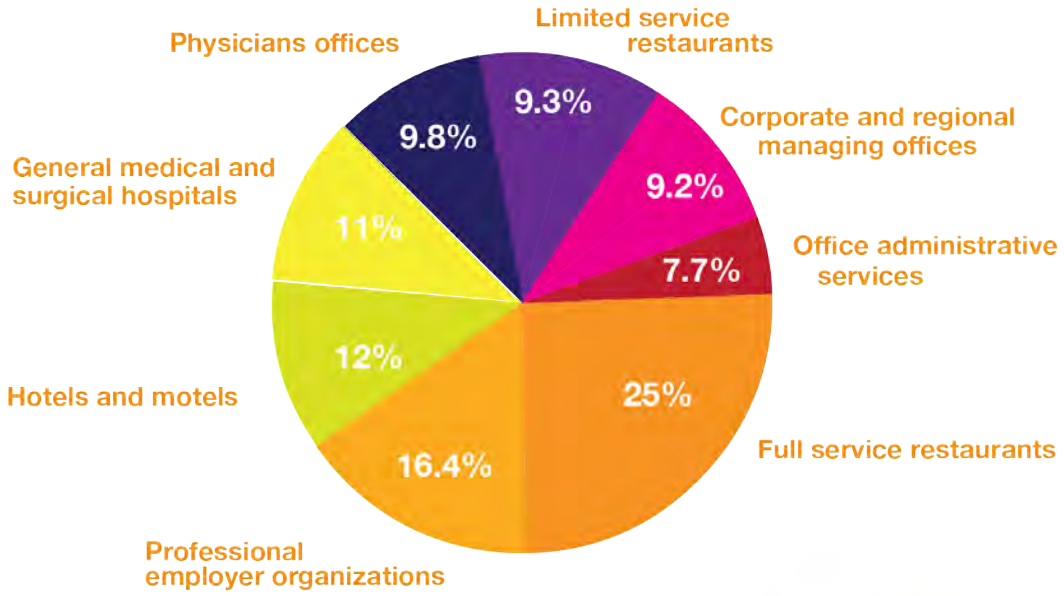
CHOOSE Scottsdale
CITY OF SCOTTSDALE ECONOMIC DEVELOPMENT

Top Employers & Industries



Source: MAG 2016 Employer Database and Staff Research

Eight Largest Industries



Source: EMSI June 2017

Scottsdale
ECONOMIC DEVELOPMENT

Industry Growth

INSURANCE

- Occupations increased 46%
- 2017 Avg. Wage: $88,687

BIO-LIFE SCIENCE

- Jobs up 13.5%
- 2017 Avg. Wage: $62,947

TECH WORKERS

- 30% or more growth
- 2017 Avg. Wage: $82,716

Scottsdale ECONOMIC DEVELOPMENT

Metro Cost Comparisons

Area	Scottsdale	Boulder	New York	San Francisco	Austin	Chicago
Office Lease Rate	$26.18	$25.90	$73.91	$71.30	$44.60	$41.85
Industrial Lease Rate	$11.52	$12.50	$15.73	$41.46	$11.01	$9.50
Property Tax Rate	2.25%	2.45%	1.07%	1.19%	2.38%	3.68%
Workers Compensation	$1.50	$1.56	$2.83	$3.24	$1.45	$2.23
Unemployment Insurance	$140	$213	$371	$238	$243	$461
Regional Cost of Living Index	95.9	109.7	227.8	176.7	96.0	116.3

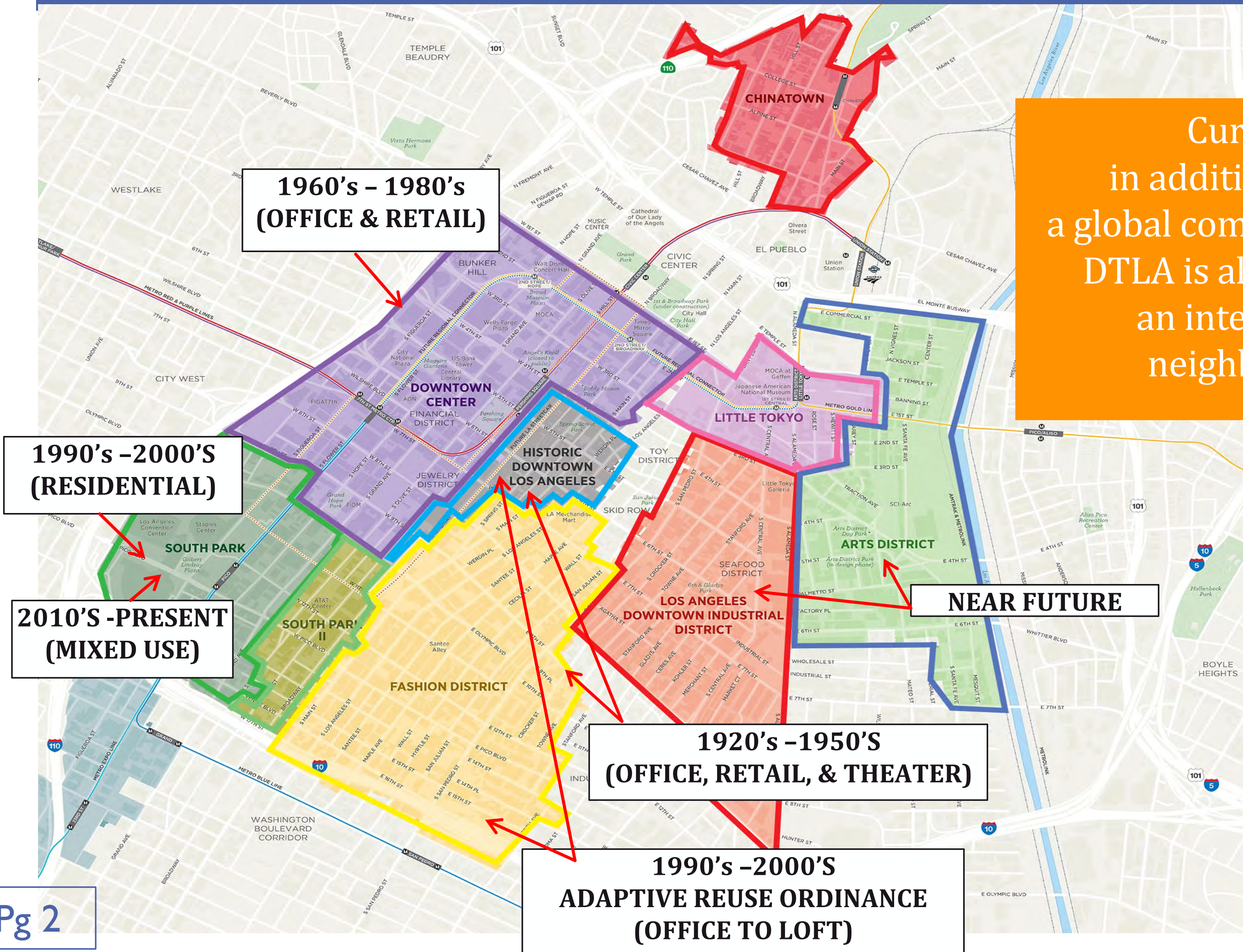
Sources: Costar; Greater Phoenix Economic Council; The Council for Community and Economic Research

Scottsdale
ECONOMIC DEVELOPMENT

DTLA – AN UPCOMING "24 HOUR" CITY

By *Raymond S. Chan*

DTLA EVOLUTION



Currently,
in addition to being
a global commercial center,
DTLA is also becoming
an international
neighborhood.

CURRENT DTLA STATISTICS

	Before 2000	Since 2000	Current	Construction	Total	Proposed
Residential Units	11,000	23,000	34,000	11,000	45,000	14,000
Population	20,000	35,000	59,000		77,000	

97% Residential Occupancy Rate

$98,000 Average median household income

66% of residents are between the ages of 23-34

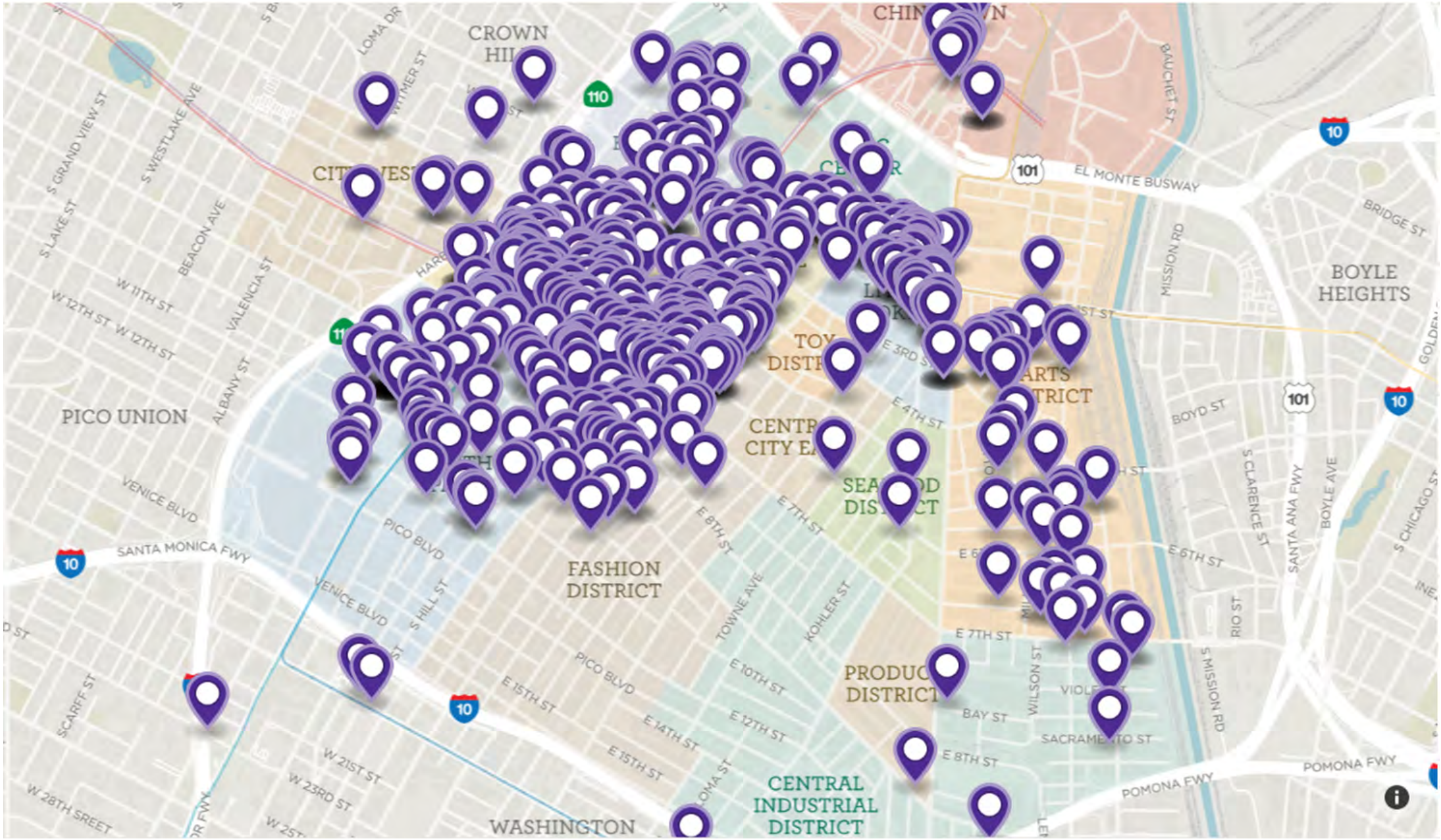
79% of residents have a Bachelor's degree or higher

500,000+ weekday population

12,000+ business establishments including **150** tech businesses

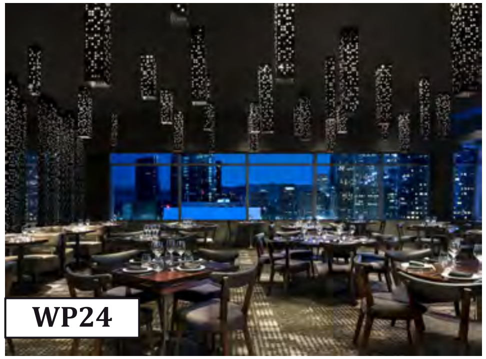
800+ new restaurants, bars, retail, nightlife 2008-2016

DINING IN DTLA



DINING HIGHLIGHTS


Bottega Louie


WP24

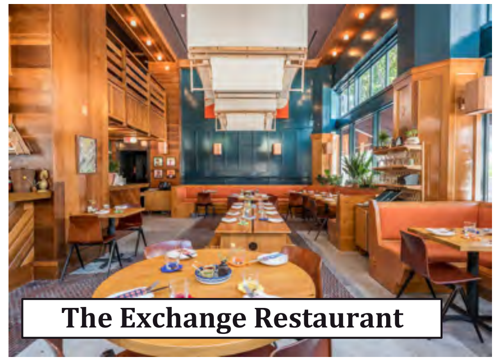

71Above

Grand Central Market

KazuNori Hand Roll Bar


Redbird


10e


The Exchange Restaurant

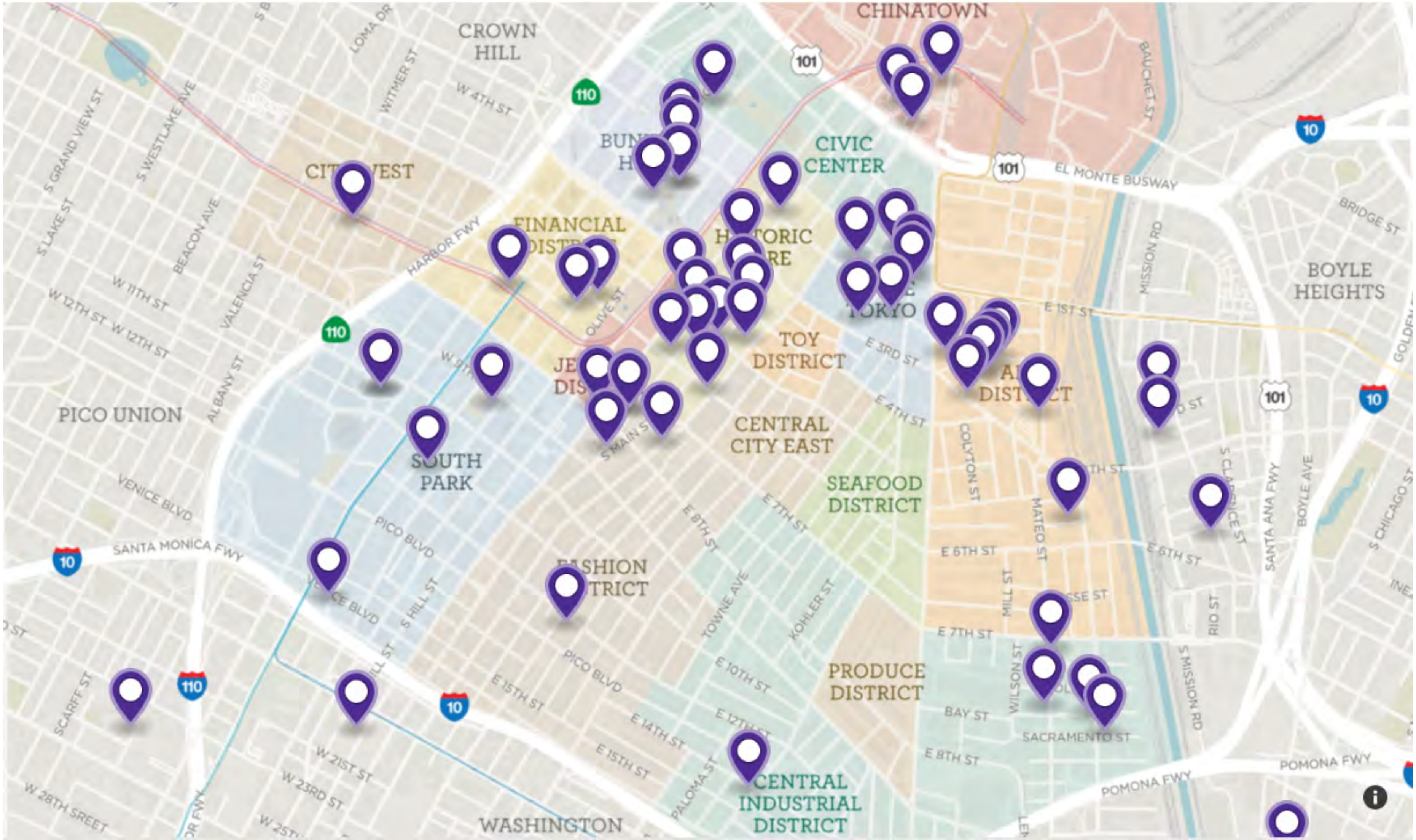

Smorgasburg Los Angeles


Officine Brera


Sushi Gen


Industriel Urban Farm Cuisine

MUSEUM & GALLERIES IN DTLA



MUSEUM & GALLERIES HIGHLIGHTS


Petersen Automotive Museum


Annenberg Space for Photography


LACMA


Japanese American National Museum

Coagula Curatorial Gallery


California Science Center

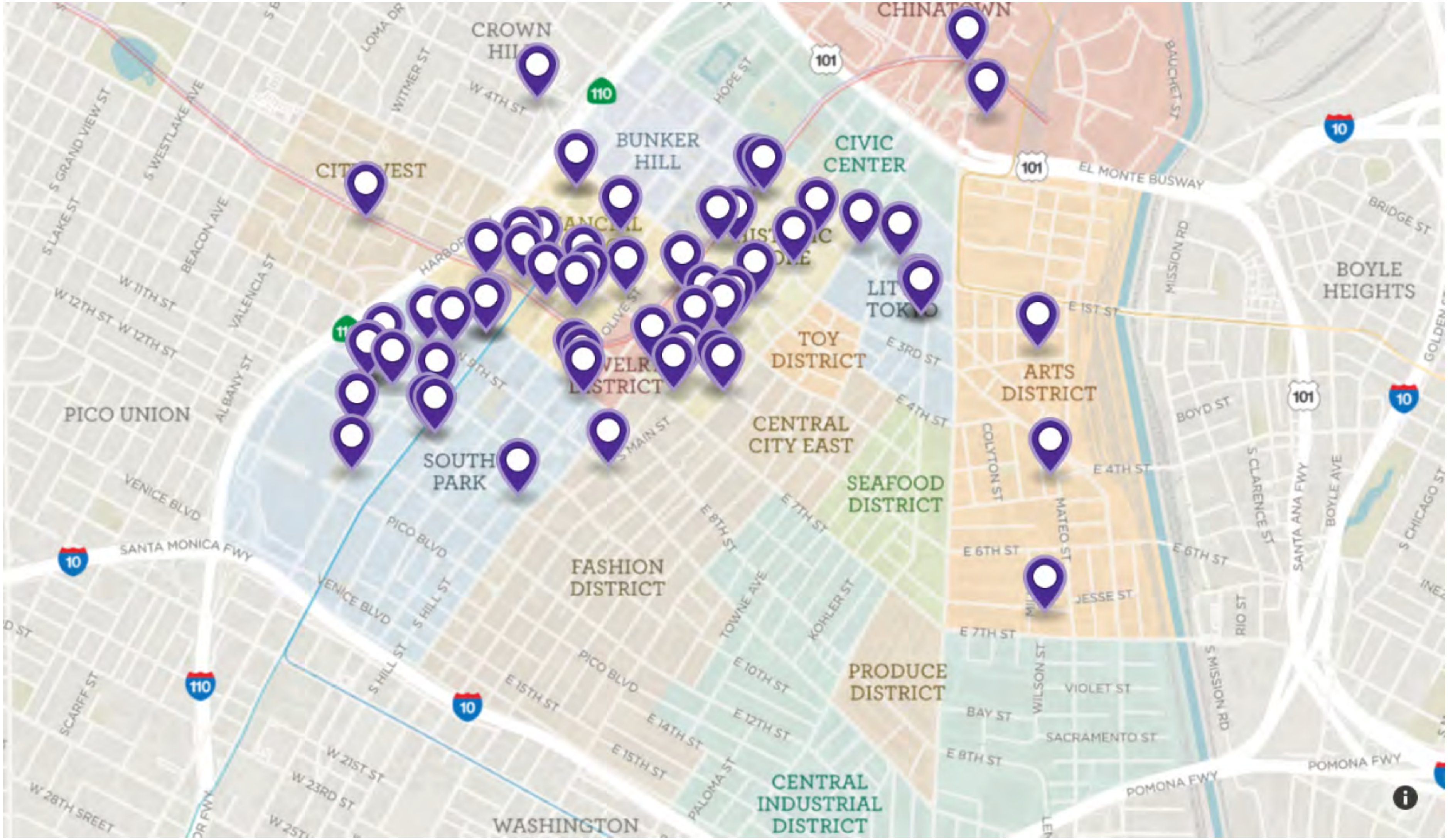

The Broad


MOCA

MUSEUM OF ICE CREAM


GRAMMY MUSEUM

NIGHTLIFE IN DTLA



NIGHTLIFE HIGHLIGHTS


Elevate Lounge


Perch


Clifton's Bar


The Rooftop at Standard Hotel

The Edison

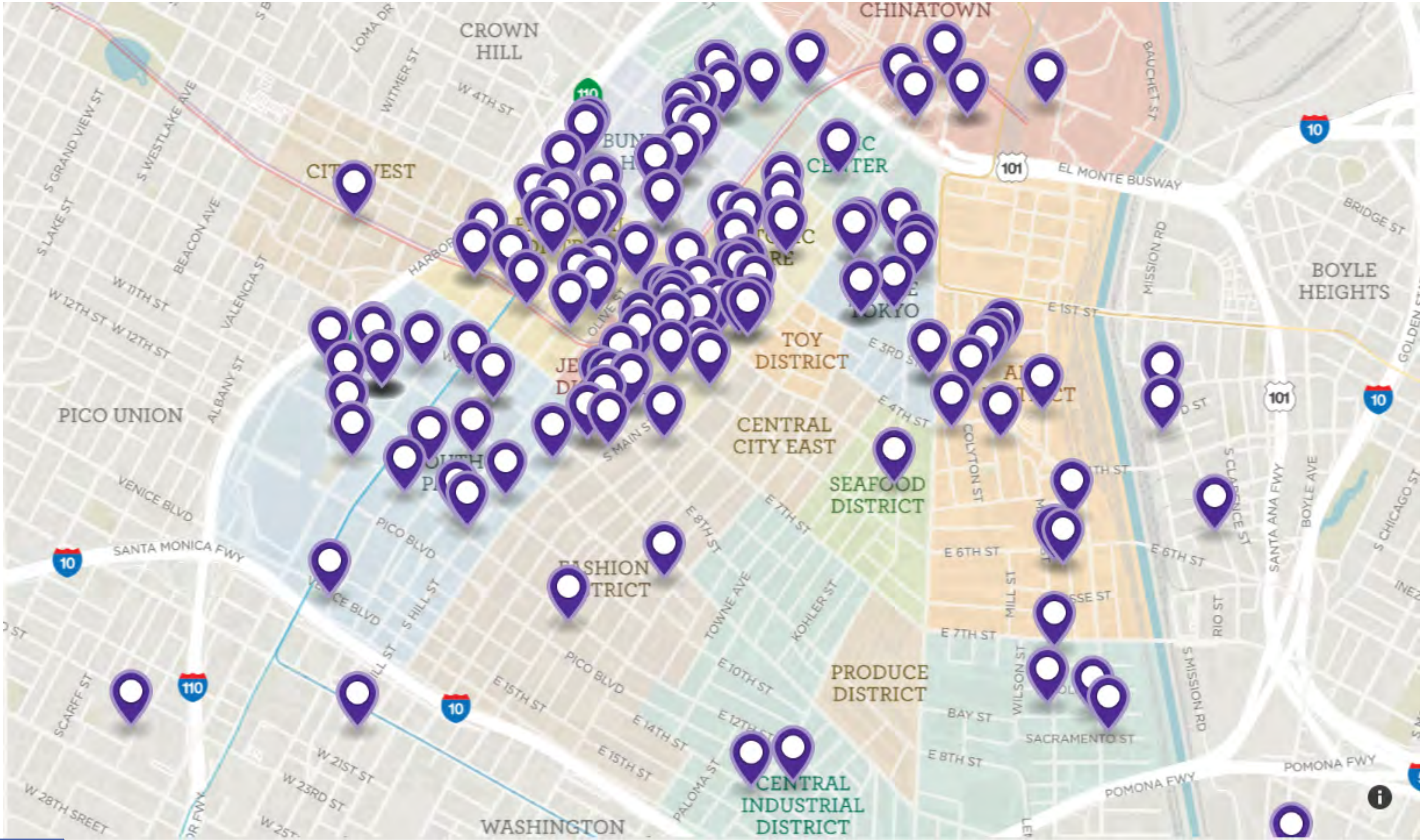

Seven Grand


LA Live


Honeycut Club

Angel City Brewery

THEATRE & MUSIC IN DTLA

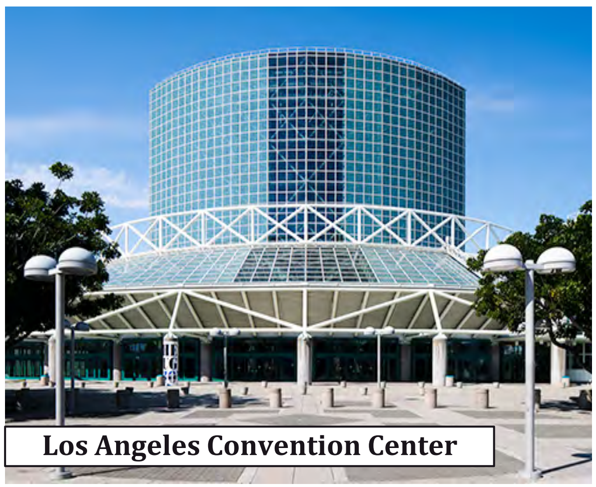


THEATRE & MUSIC HIGHLIGHTS


Novo Theatre


The Music Center

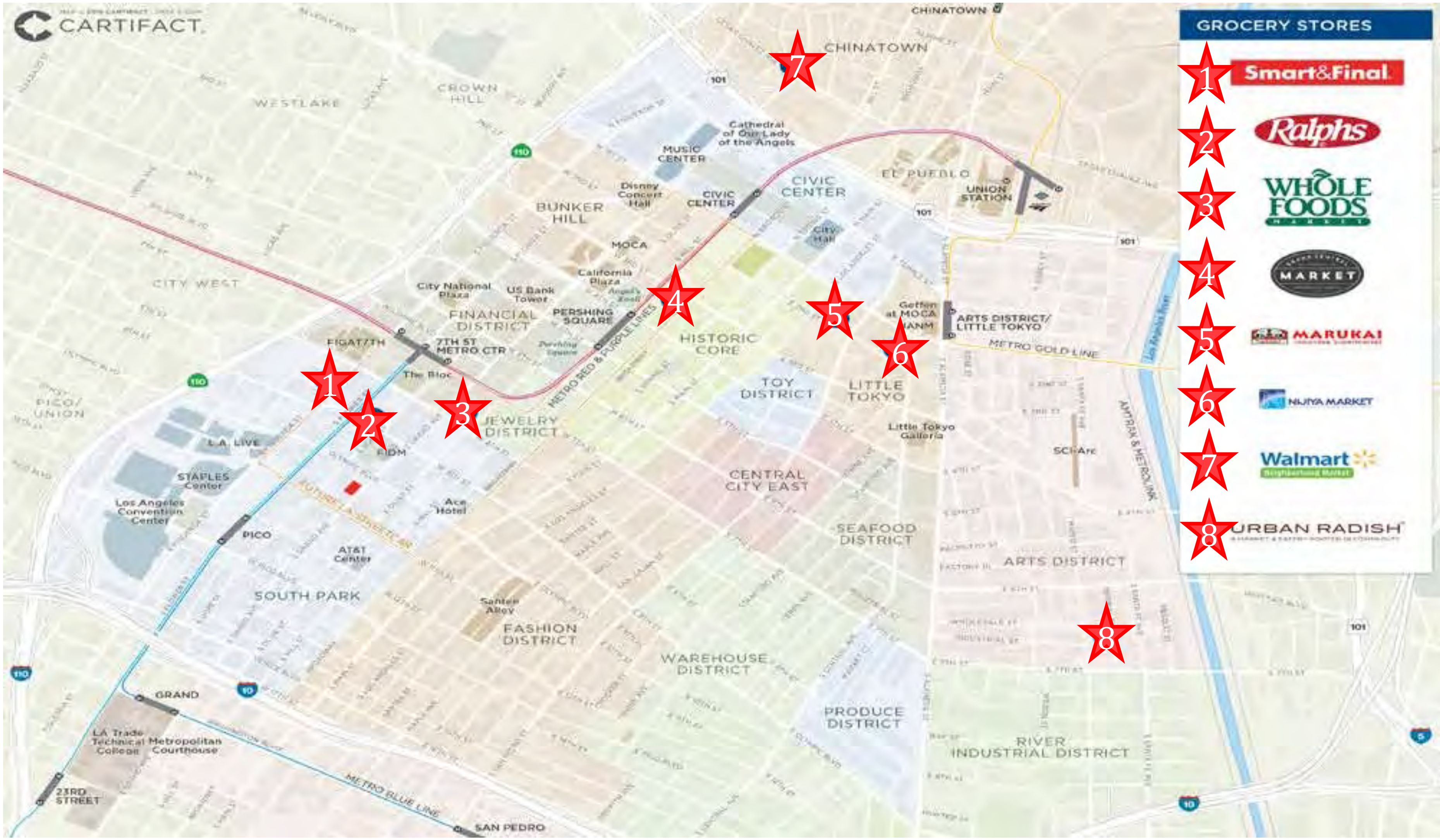

The Orpheum Theatre


Los Angeles Convention Center

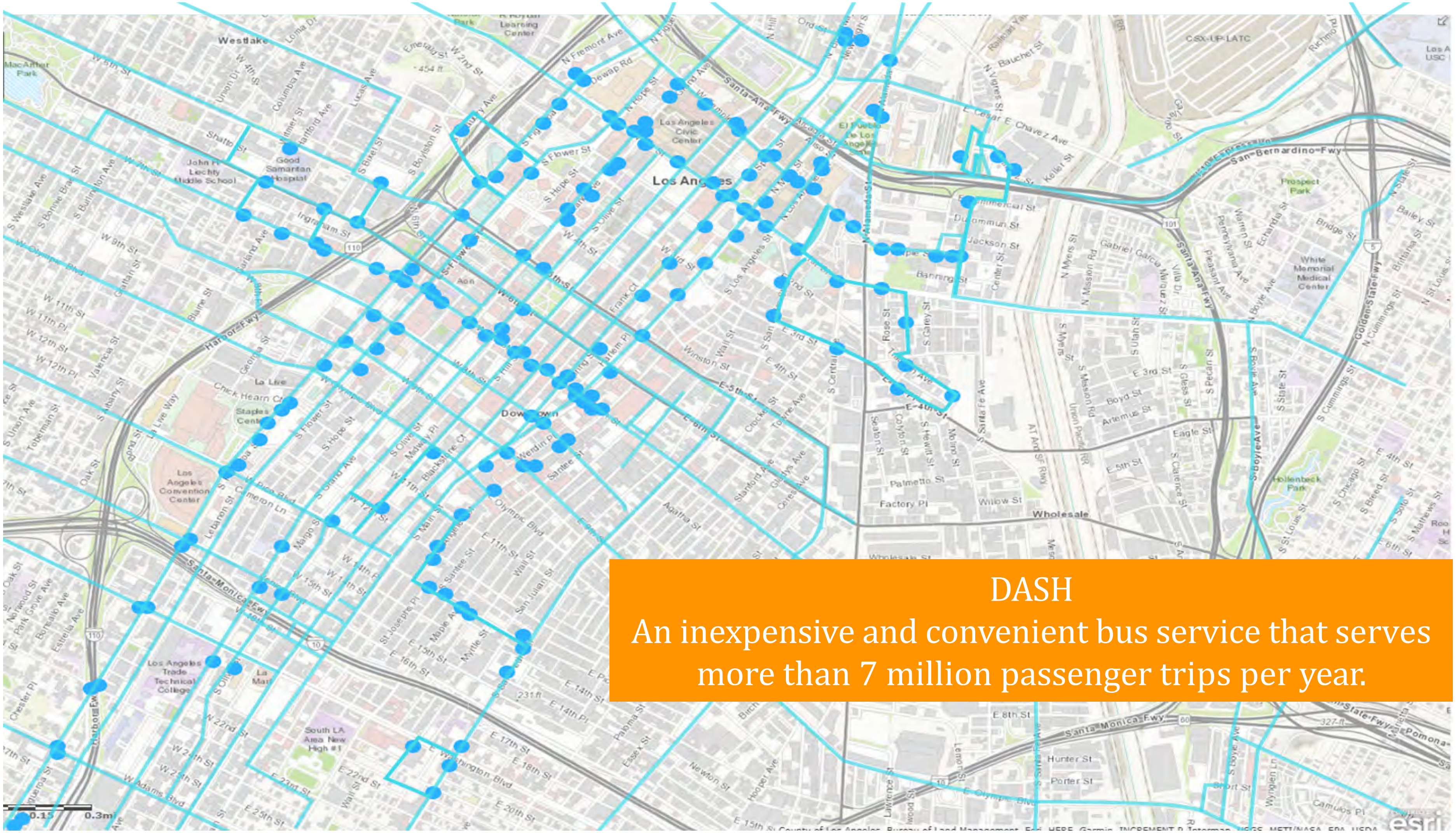

Grand Park


Walt Disney Concert Hall

GROCERY STORES IN DTLA

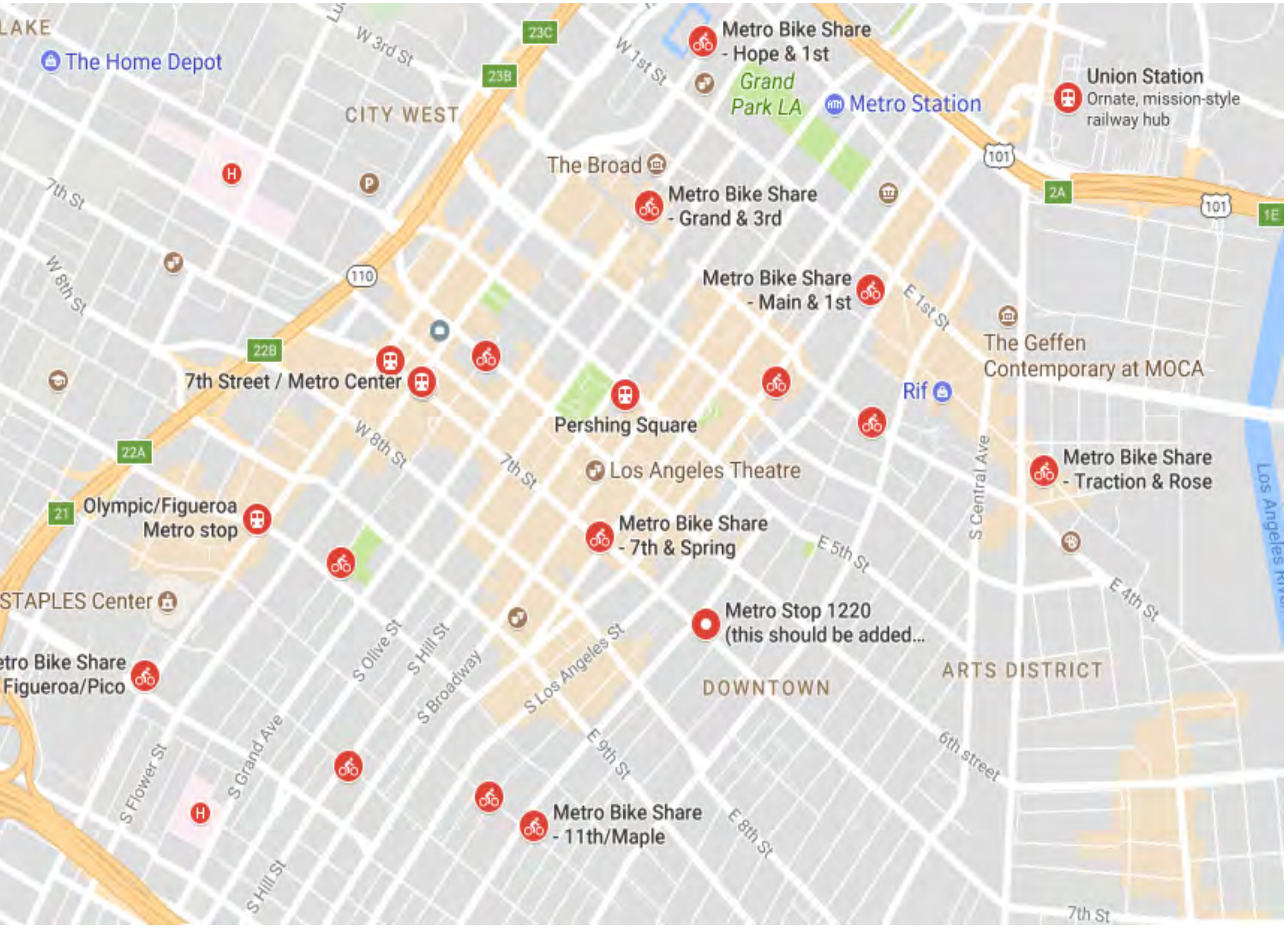


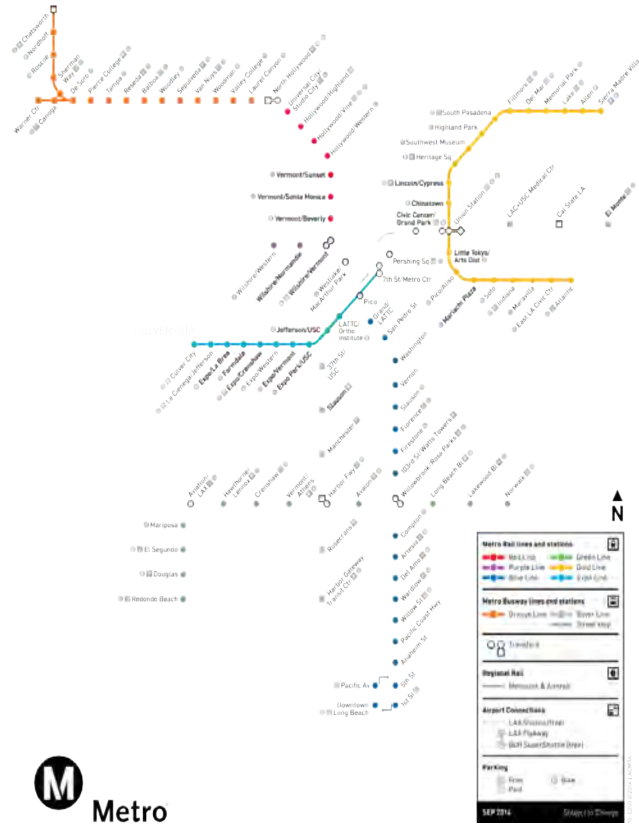
DTLA TRANSPORTATION 1: DASH BUS ROUTES & STOPS



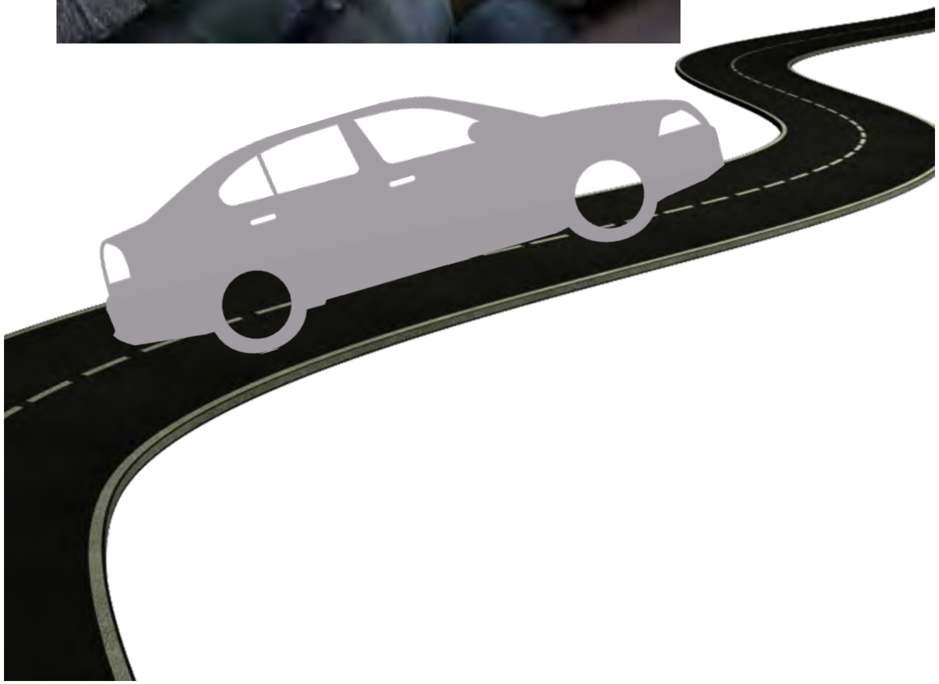
DASH
An inexpensive and convenient bus service that serves more than 7 million passenger trips per year.

DTLA TRANSPORTATION 2: METRO STATIONS





TRANSPORTATION 3: LYFT AND UBER



TRANSPORTATION 4: STREET CAR *(future)*

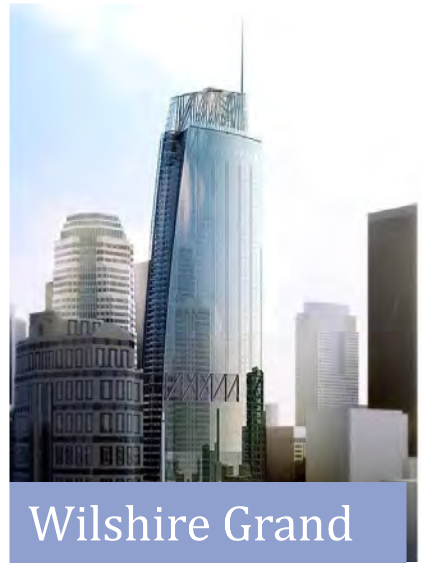
LA LIVE HUB

LA GATEWAY
METROPOLIS
OLYMPIC
STAPLES Center
Arena for LA sports
Los Angeles
Convention Center
Jumbo facility hosting...
Microsoft Theatre
ESPN Zone
Grammy Museum
JW Marriot
Ritz Carlton
2007 - 2010
WILSHIRE
GRAND
Los Angeles
Convention Center
1971 / 1997
Staples Center
1999
FIGUEROA
S Figueroa St
CIRCA
OCEANWIDE
PLAZA
LUXE
CITY CENTER
S Flower St
L.A. Live Way
110

LA LIVE RECENT & UPCOMING DEVELOPMENT


Metropolis

Circa

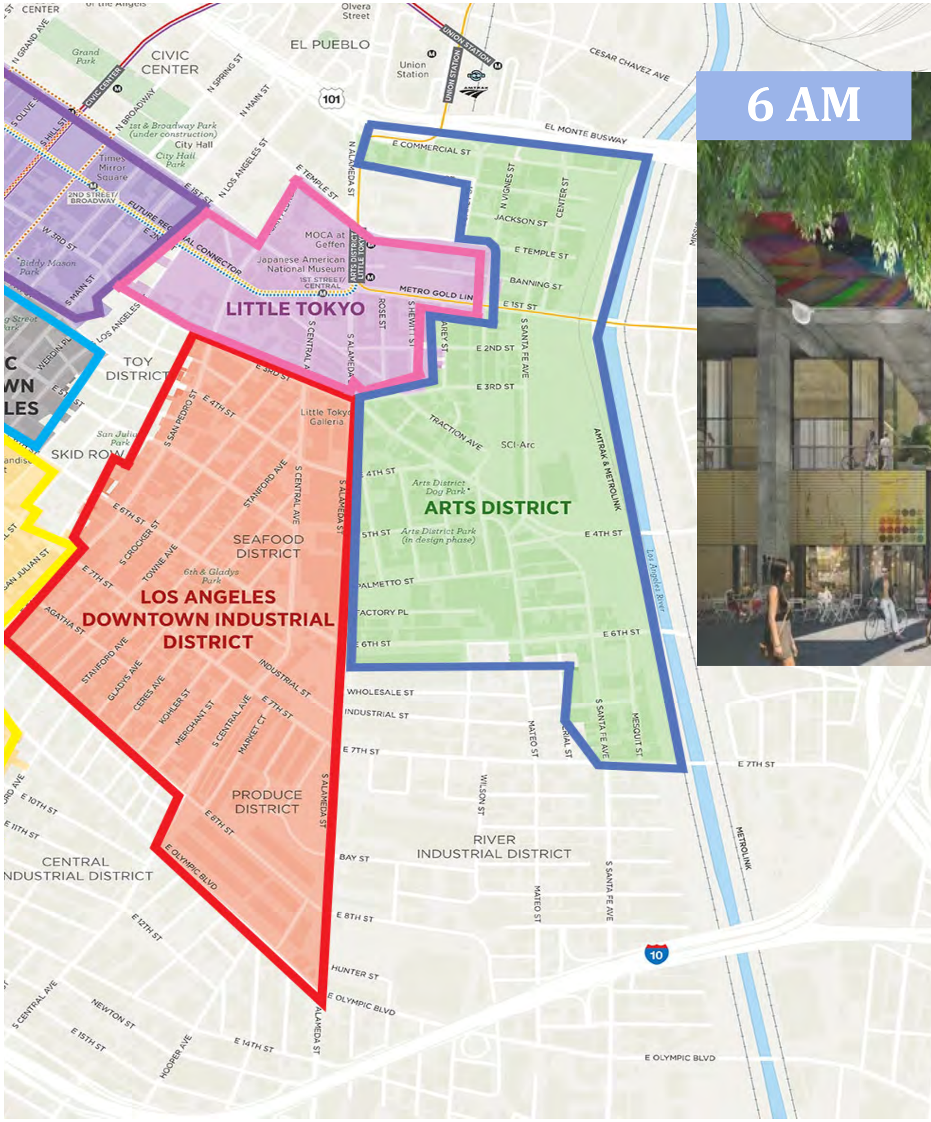

Wilshire Grand


Luxe City Center


Oceanwide Plaza


LA Gateway

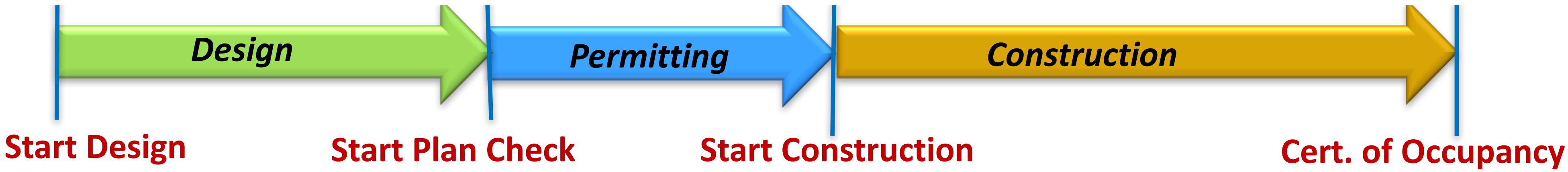
ARTS DISTRICT UPCOMING DEVELOPMENT



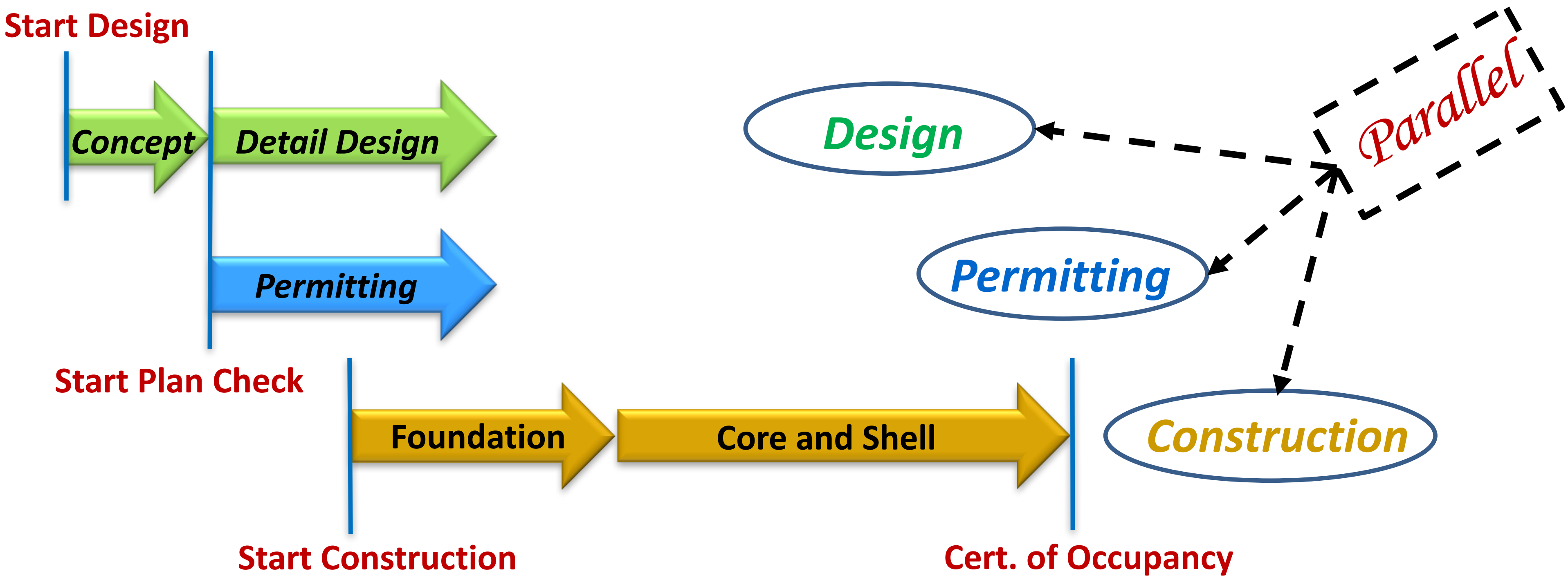
6 AM

670 Mesquit

Traditional Development Process – *in Series*



Parallel Design Permitting Construction Process – *in Parallel*



METROPOLIS (Greenland USA)

The 4 high-rises with over 1500 units:

Tower I: 38-story condo high-rise
Tower II: 40- story condo high-rise
Tower III: 56-story condo high-rise
Hotel Indigo: 18-story (350 hotel rooms)

December 2013
Vacant Parking Lot with no building plans

April 2017- *40 months* later
Temporary Certificate of Occupancy (TCO) issued for 2 High-rises

The Fastest-Built Project in USA

DTLA,
a Global Commercial Center and an International Neighborhood,
is on its way to become a 24-hour City

GVA Worldwide

24 Hour Cities

Patrick Morrissey, Chairman

> Cities, like cats, will reveal themselves at night.

Rupert Brooke

GVA Worldwide

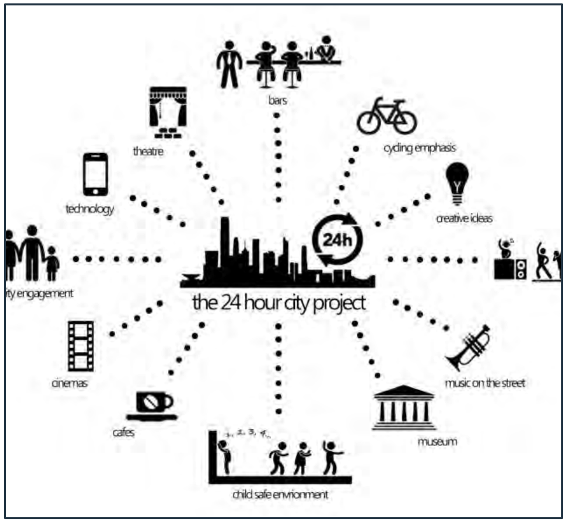
We know the positives that come from….

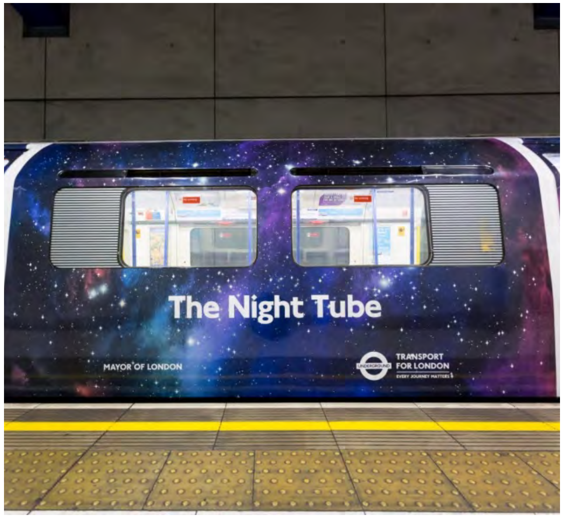
- Safety
- Mobility
- Proximity
- Commerce
- Interaction

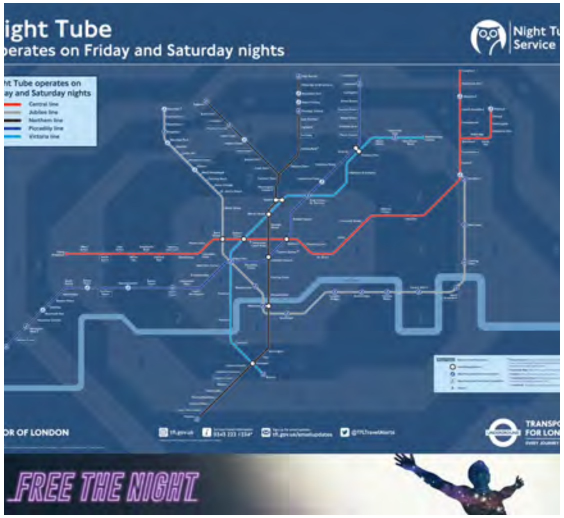
GVA Worldwide

The ten principles of the London Mayors night time vision

1. Be a global leader.
2. Provide vibrant opportunities for all Londoners, regardless of age, disability, gender, gender identity, race, religion, sexual orientation or means.
3. Promote all forms of cultural, leisure retail and service activity.
4. Promote the safety and well being of residents.
5. Promote welcoming and accessible nightlife.
6. Promote and protect investment, activity and entrepreneurship.
7. Promote domestic and international visits to London.
8. Be strategically located across London to promote opportunity and minimise impact.
9. Become a 24 hour city that supports flexible lifestyles.
10. Take account of future global and domestic trends in leisure, migration, technology, employment and economies .

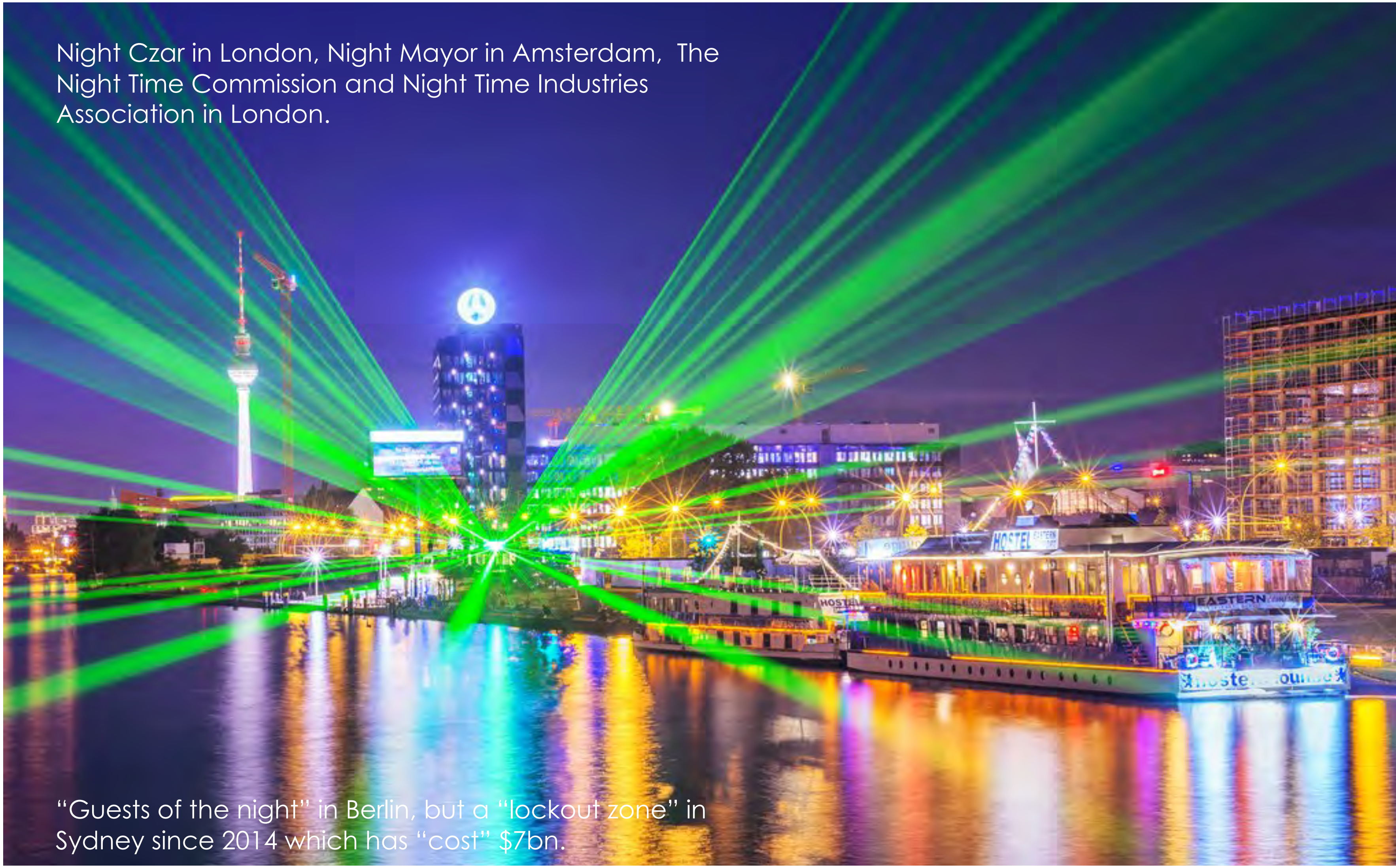






GVA Worldwide

Recognition and engagement



Night Czar in London, Night Mayor in Amsterdam, The Night Time Commission and Night Time Industries Association in London.

“Guests of the night” in Berlin, but a “lockout zone” in Sydney since 2014 which has “cost” $7bn.

There’s more to a 24 hour city than pubs and clubs……

In the UK young people are drinking less (?) and nightclubs have halved (3144 in ‘05 to 1733 in ‘15) and in London 40% of live music venues have gone.

Bad news for the alcohol industry is good news elsewhere – others expand and London will see a £43bn boost by 2030!

Iconic Sporting Events.

“nuits blanche” include light shows, illuminating landmarks, art exhibitions, fireworks, night markets.

Richmond in Canada (Vancouver) had over 1m visitors in ’16!

Reduce ”high volume vertical drinking” – down it and move on!

Light touch regulation, private / public partnerships and joint investment enable new entertainment zones e.g. London, Amsterdam, Lisbon & Berlin.

GVA Worldwide

Thank you

Presented by

Patrick Morrissey
Chairman

GVA Worldwide

65 Gresham Street, London, EC2V 7NQ