Georgetown, Texas: State of the CRE Market

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November 2019

AGENDA

01

The Big Picture

02

Georgetown CRE

03

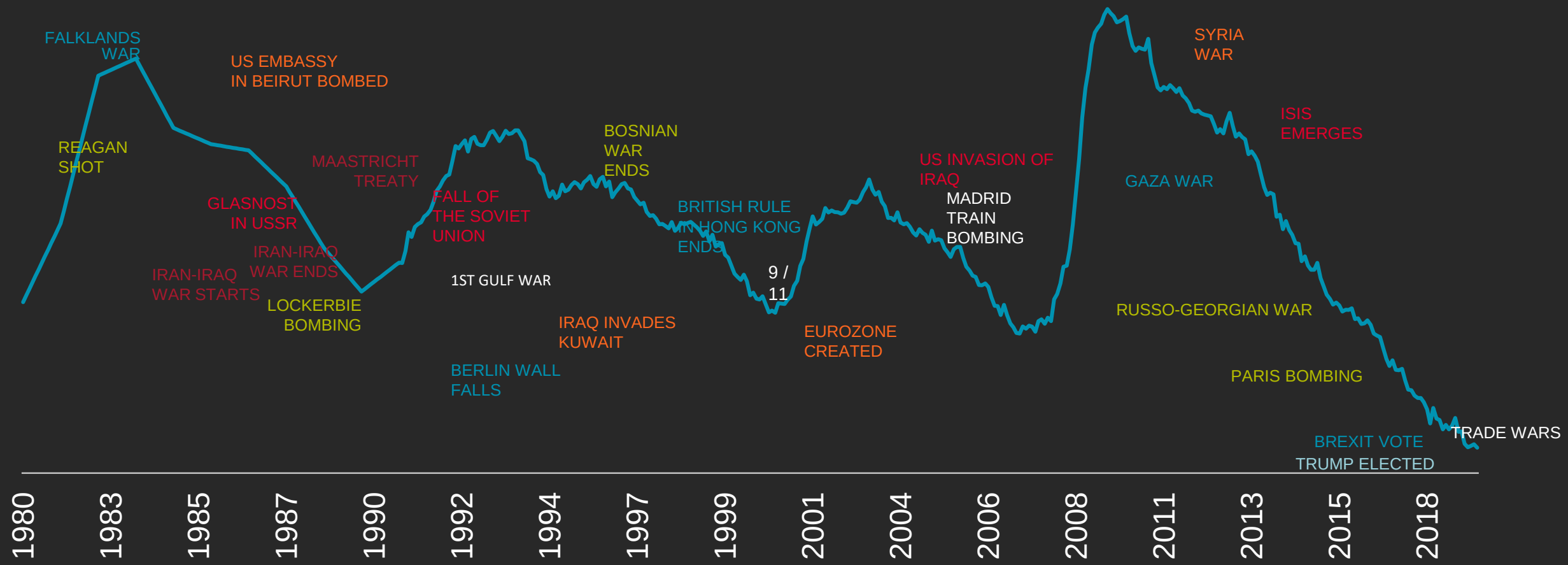
Capital Markets

04

Takeaways and Discussion

MOST GEOPOLITICAL EVENTS DO NOT MATTER

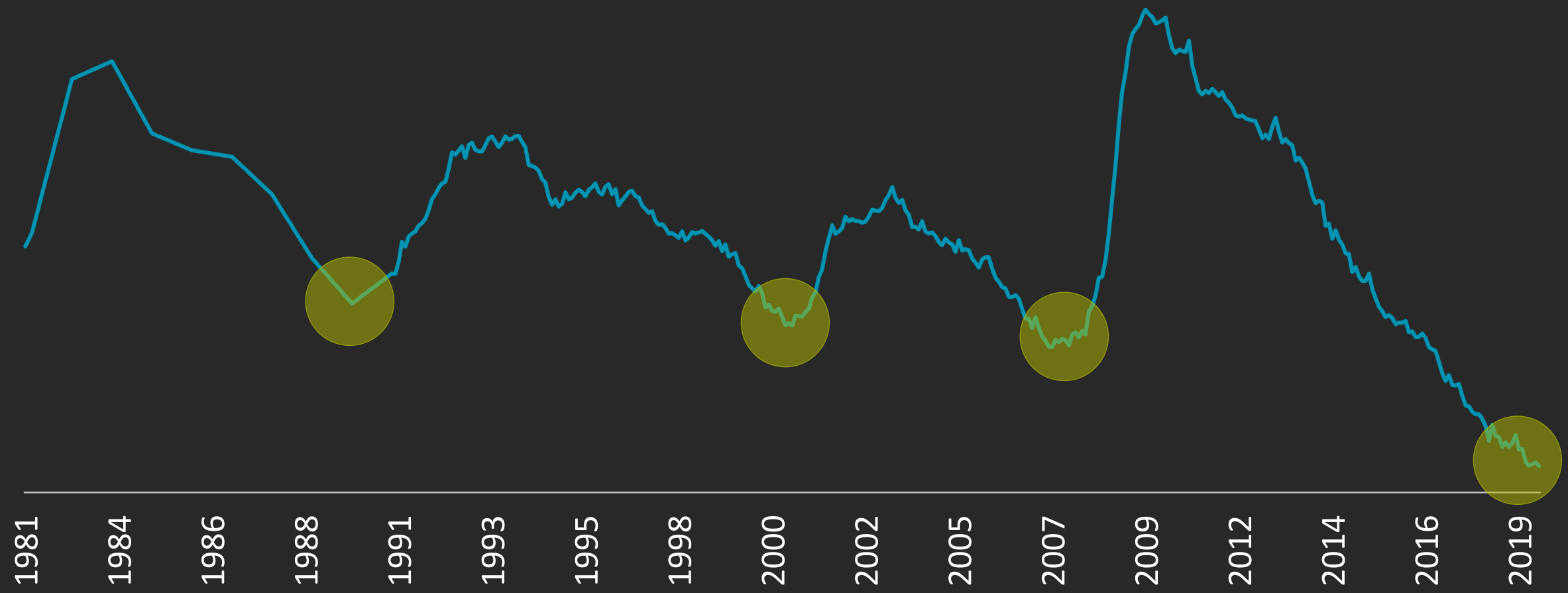
G7 COUNTRIES, UNEMPLOYMENT RATE



Source: OECD, Cushman Wakefield Research

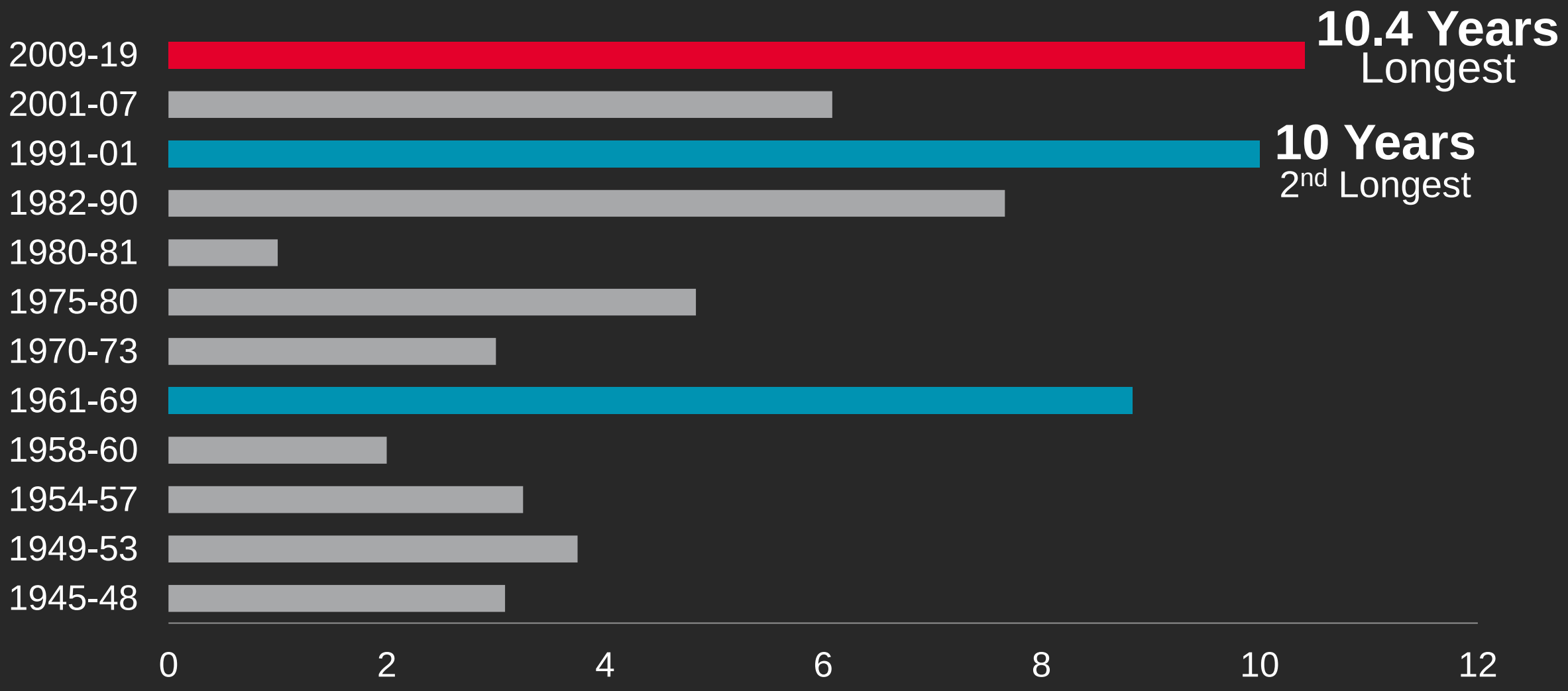
THE CYCLE DOES

G7 COUNTRIES, UNEMPLOYMENT RATE



Source: OECD, Cushman Wakefield Research

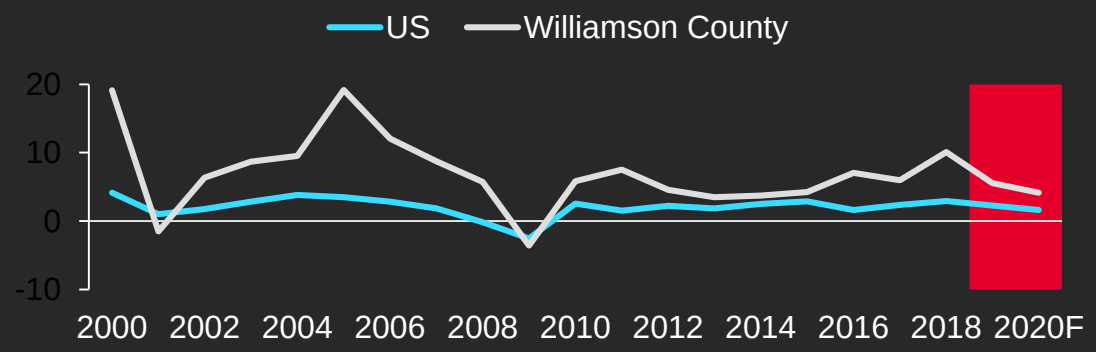
U.S. CYCLE HAS BROKEN ALL RECORDS



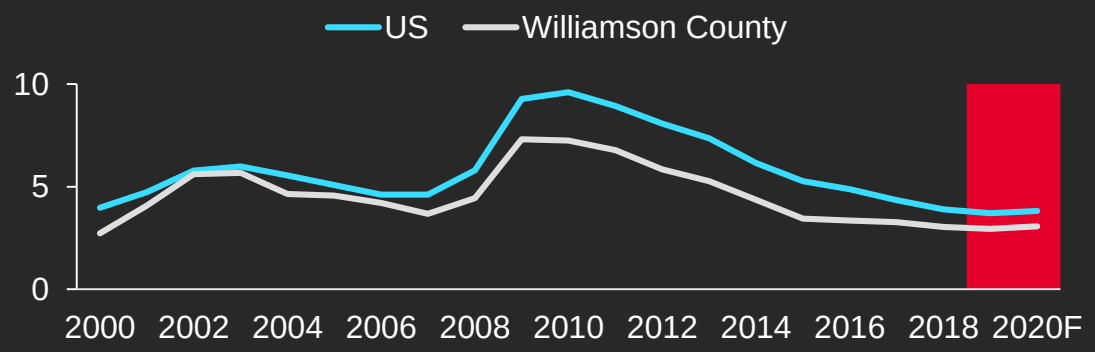
Source: NBER, Cushman Wakefield Research

GEORGETOWN VS US

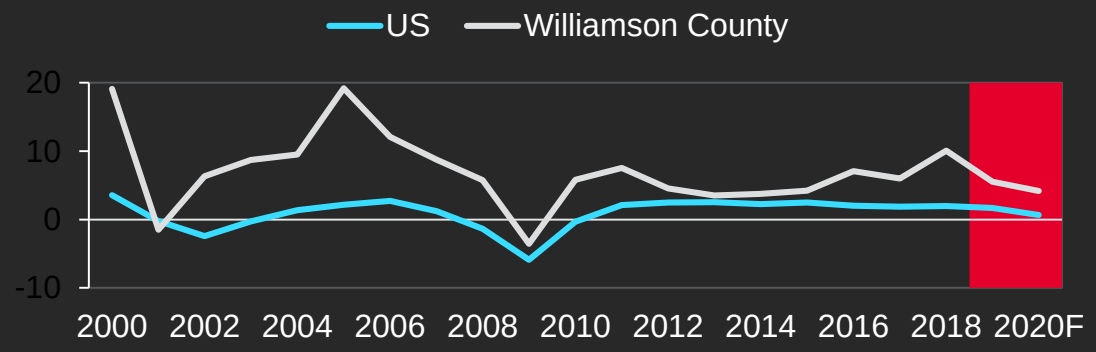
Real GDP



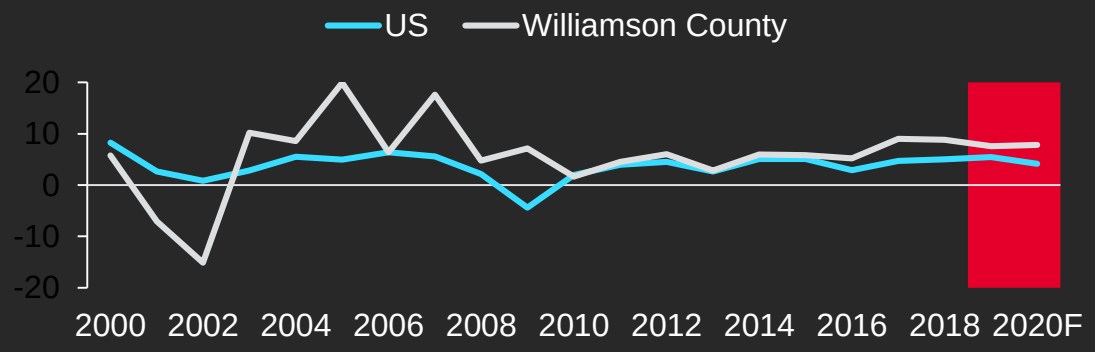
Unemployment Rate



Office Using Job Growth



Wage Growth



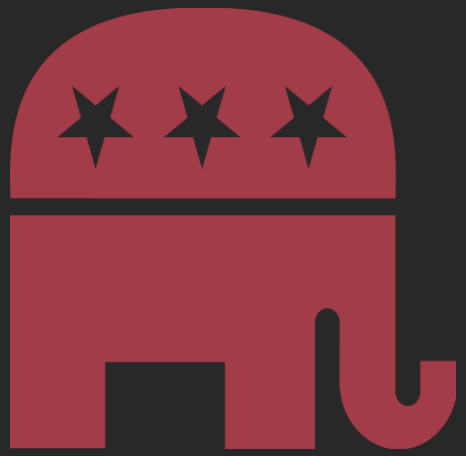
Source: Moody's Analytics, Cushman Wakefield Research

2020 Elections

CNN	**45%**	**51%**
Harris x	**36%**	**43%**
Emerson College	**47%**	**53%**

Source: FiveThirtyEight, Cushman Wakefield Research

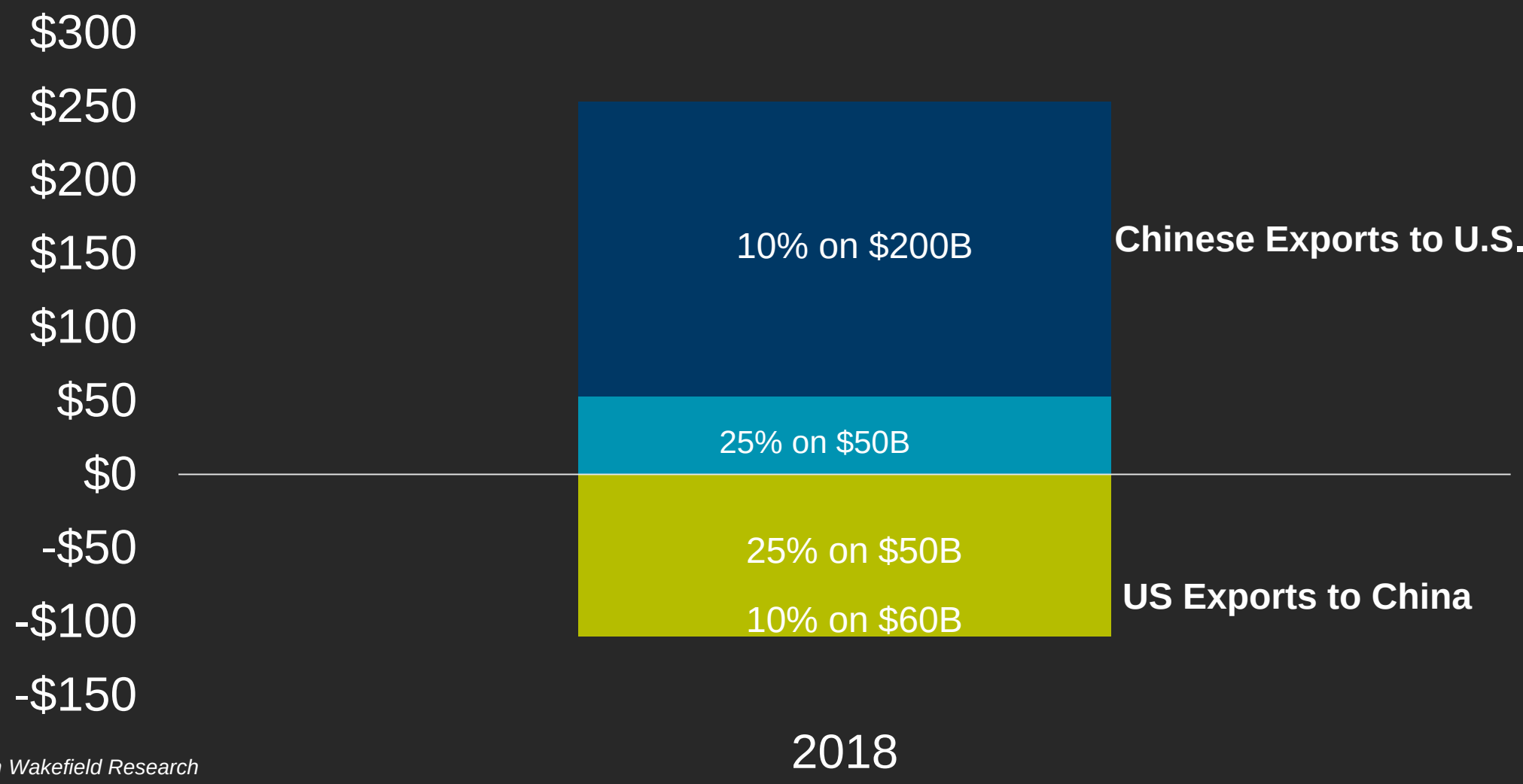
Report Card



US GDP (1969-2018)	**2.8%**	**2.7%**
Investment sales vol (2001)	**$284 B**	**$278 B**

TRADE WARS

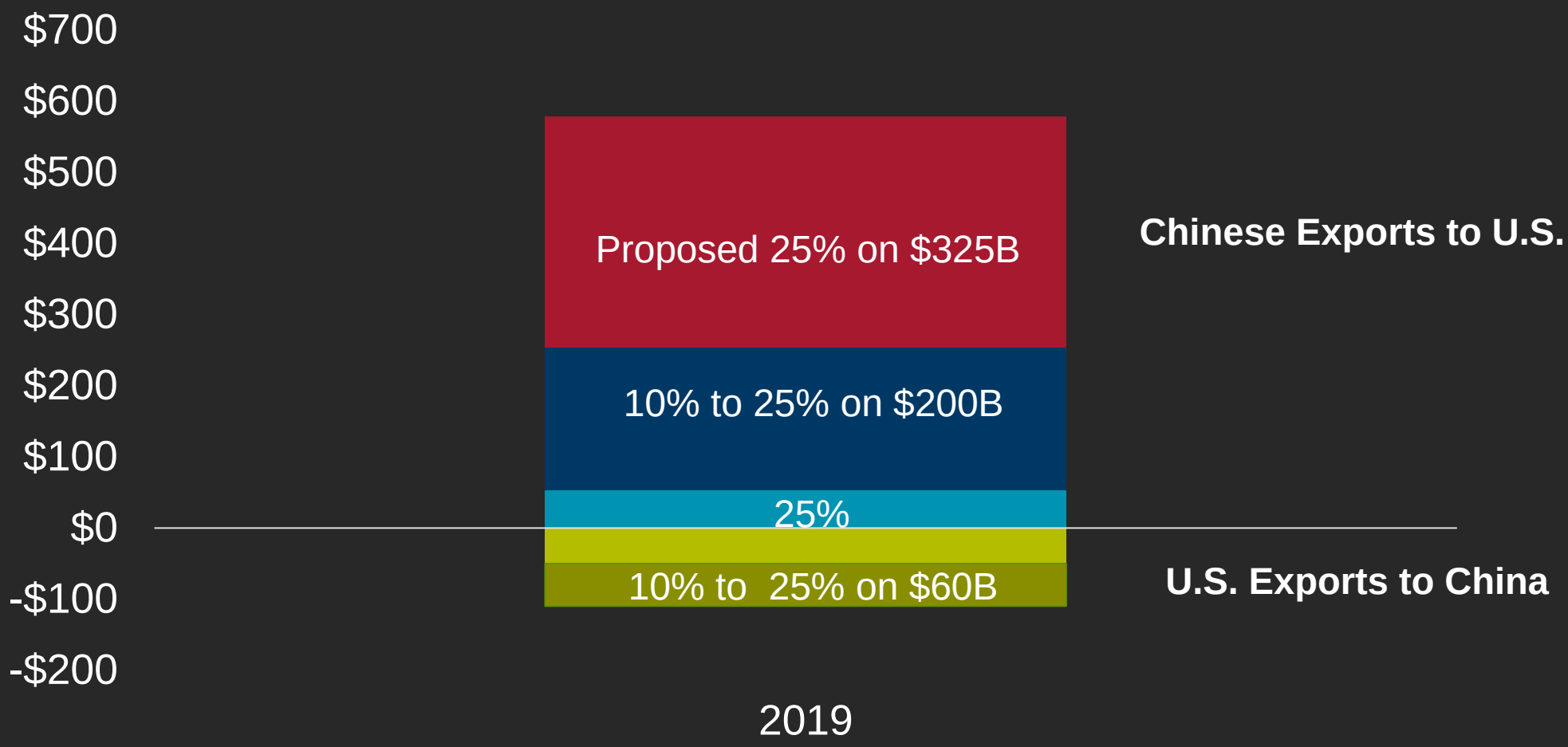
US CHINA TRADE TARIFFS IN 2018



Source: Cushman Wakefield Research

2019 AND BEYOND

US CHINA TARIFFS IMPLEMENTED & THREATENED



IMMIGRATION
REFORM

IMMIGRATION DRIVING WORKFORCE

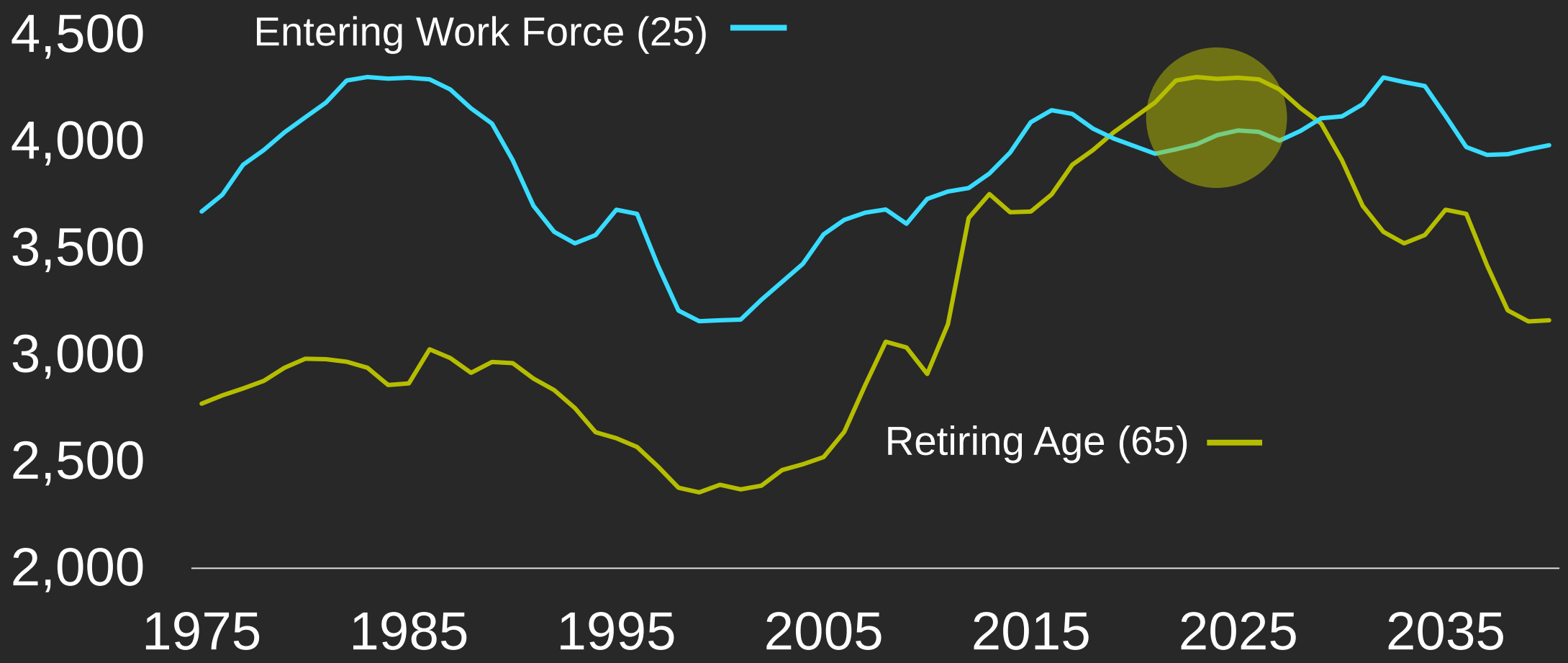
47.8%

of U.S. population growth in 2017 from foreign immigration

69.5%

of foreign immigrants working age, compared to 59.6% of U.S. residents

WORKING AGE POPULATION DECLINES WITHOUT IT



Source: Cushman Wakefield Research

2.1
Million

Labor Shortages Are a Problem

Unemployment Rate: **Williamson County 2007 Avg = 3.7; Aug 2019 = 2.8**

Tier 1			Tier 2			Tier 3		
	2007 Avg	Aug 2019		2007 Avg	Aug 2019		2007 Avg	Aug 2019
New York	4.4	3.6	Houston	4.2	3.5	Tampa	4.4	3.2
Los Angeles	4.8	4.0	Philadelphia	4.3	3.7	Orlando	3.9	3.1
Chicago	4.9	3.8	Atlanta	4.4	3.4	Charlotte	5.0	3.7
San Francisco	4.4	2.6	Phoenix	3.3	4.3	Pittsburgh	4.4	3.9
Boston	4.2	2.5	Detroit	7.2	4.5	Portland, OR	5.0	3.8
Washington, DC	2.9	3.2	Minneapolis	4.3	3.0	Cincinnati	5.0	3.6
Seattle	3.7	3.6	Denver	3.8	2.7	Kansas City	5.1	3.0
San Jose	4.7	2.6	San Diego	4.5	3.2	Columbus, OH	4.8	3.5
Miami	3.6	3.3	Riverside	5.8	4.0	Austin	3.6	2.6
Dallas	4.2	3.1	Baltimore	3.6	3.8	Nashville	4.1	2.7

Source: Bureau of Labor Statistics, Cushman & Wakefield Research

Job Growth to Slow but Remain Healthy

Top 25: Total Nonfarm Employment Gains, 000's

Rank	Metro Area	Job Growth 2018	Job Growth 2019
1	Dallas	87.9	111.0
2	New York	127.6	108.0
3	Houston	63.6	81.4
4	Los Angeles	96.3	67.1
5	San Francisco	54.5	62.2
6	Phoenix	68.7	58.7
7	Chicago	44.6	56.4
8	Miami	50.5	55.9
9	Seattle	48.1	55.2
10	Atlanta	49.4	52.9
11	Orlando	45.9	46.8
12	Washington	36.1	32.3
13	Charlotte	28.0	30.8
14	San Jose	20.0	30.0
15	Philadelphia	33.2	29.8
16	Riverside	50.5	27.7
17	Austin	34.4	25.4
18	Boston	24.3	25.2
19	Tampa	31.1	24.8
20	Denver	36.8	24.3
	Williamson County	8.6	5.6

Source: Bureau of Labor Statistics, Moody's Analytics Forecasts, Cushman & Wakefield Research

Workplace Amenities

By 2020 how will demand for these increase?

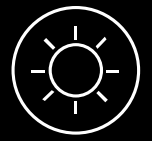
75%
Multi-Purpose Space

71%
Lounge / Social Area

63%
Fitness Services

57%
Outdoor Patio / Seating Area

52%
Fitness Center



50%
Outdoor Recreation Area / Walking Paths

45%
Coffee Shop / Bakery

43%
Quiet Room/ Child Care

41%
Nursing / Lactation Area

40%
Full-Service Cafeteria / Food Services

Source: Corenet Sodexho Survey, 265 respondents

By 2020 how will demand for these increase?

Spaces to socialize & entertain

75%
Multi-Purpose Space

71%
Lounge / Social Area

Spaces for privacy when needed

43%
Quiet Room

41%
Nursing / Lactation Area

Fitness & Wellbeing

63%
Fitness Services

57%
Outdoor Patio / Seating Area

52%
Fitness Center

50%
Outdoor Recreation Area / Walking Paths

Food

45%
Coffee Shop / Bakery

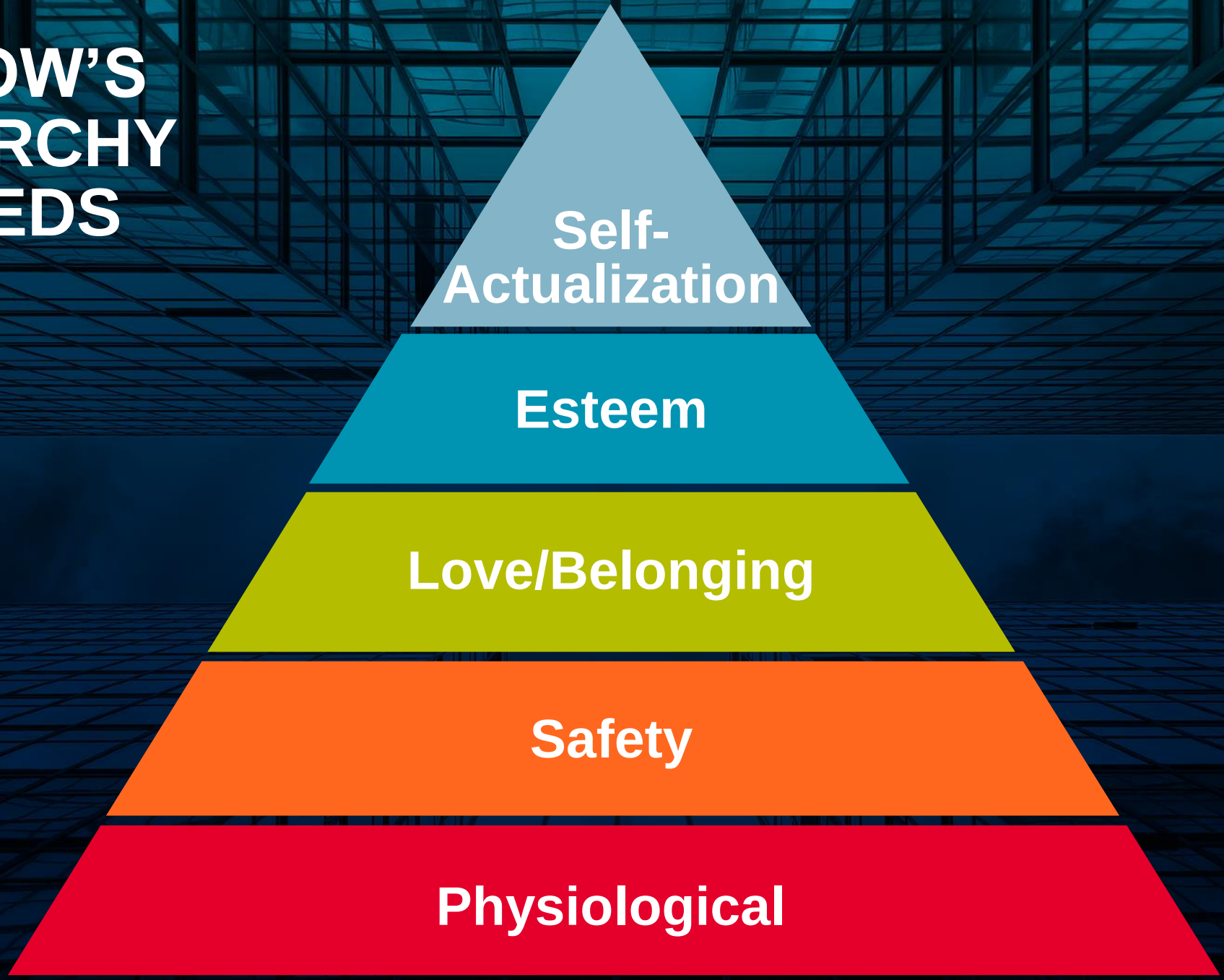
40%
Full-Service Cafeteria / Food Services

Other

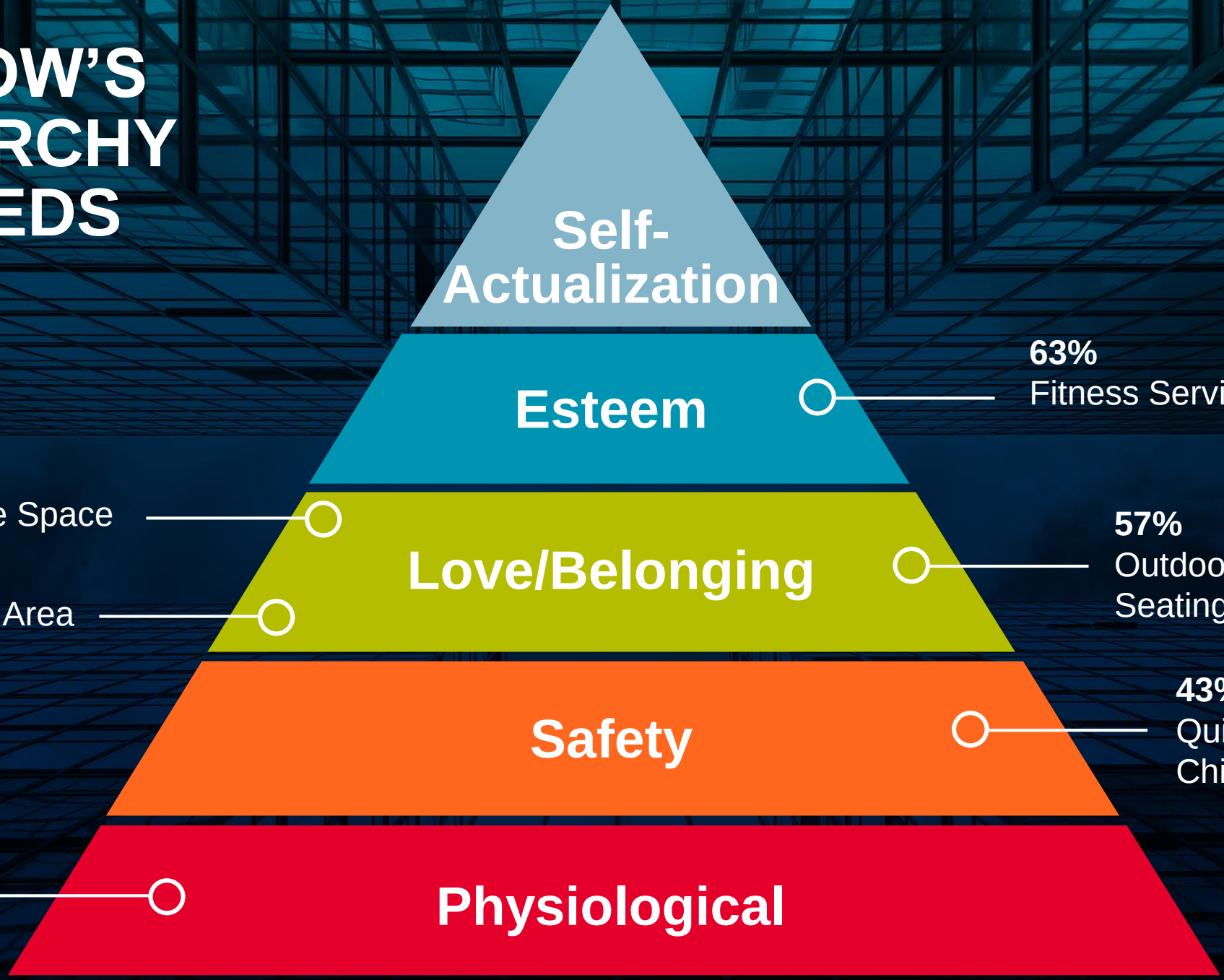
43%
Child Care

Source: Corenet Sodexho Survey, 265 respondents

MASLOW'S HIERARCHY OF NEEDS



MASLOW'S HIERARCHY OF NEEDS



63%
Fitness Services

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Multi-Purpose Space

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Lounge / Social Area

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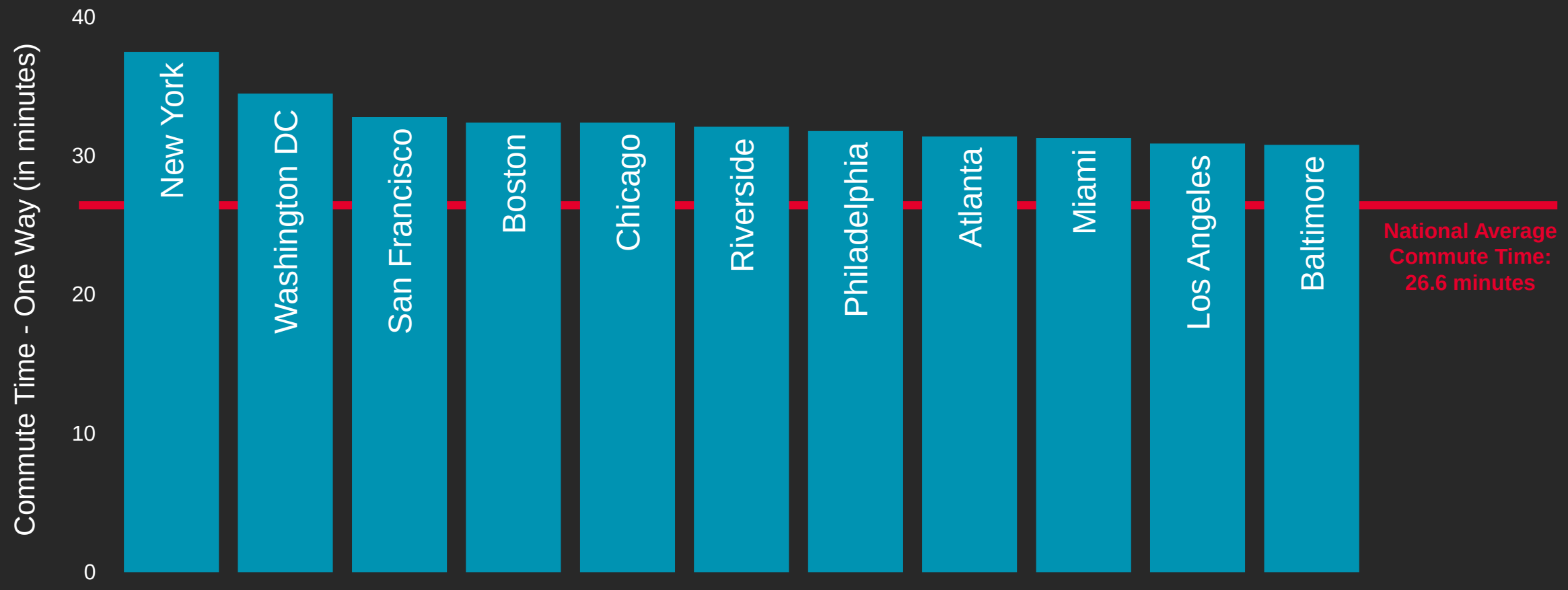
Quiet Room/ Child Care

45%
Coffee Shop / Bakery

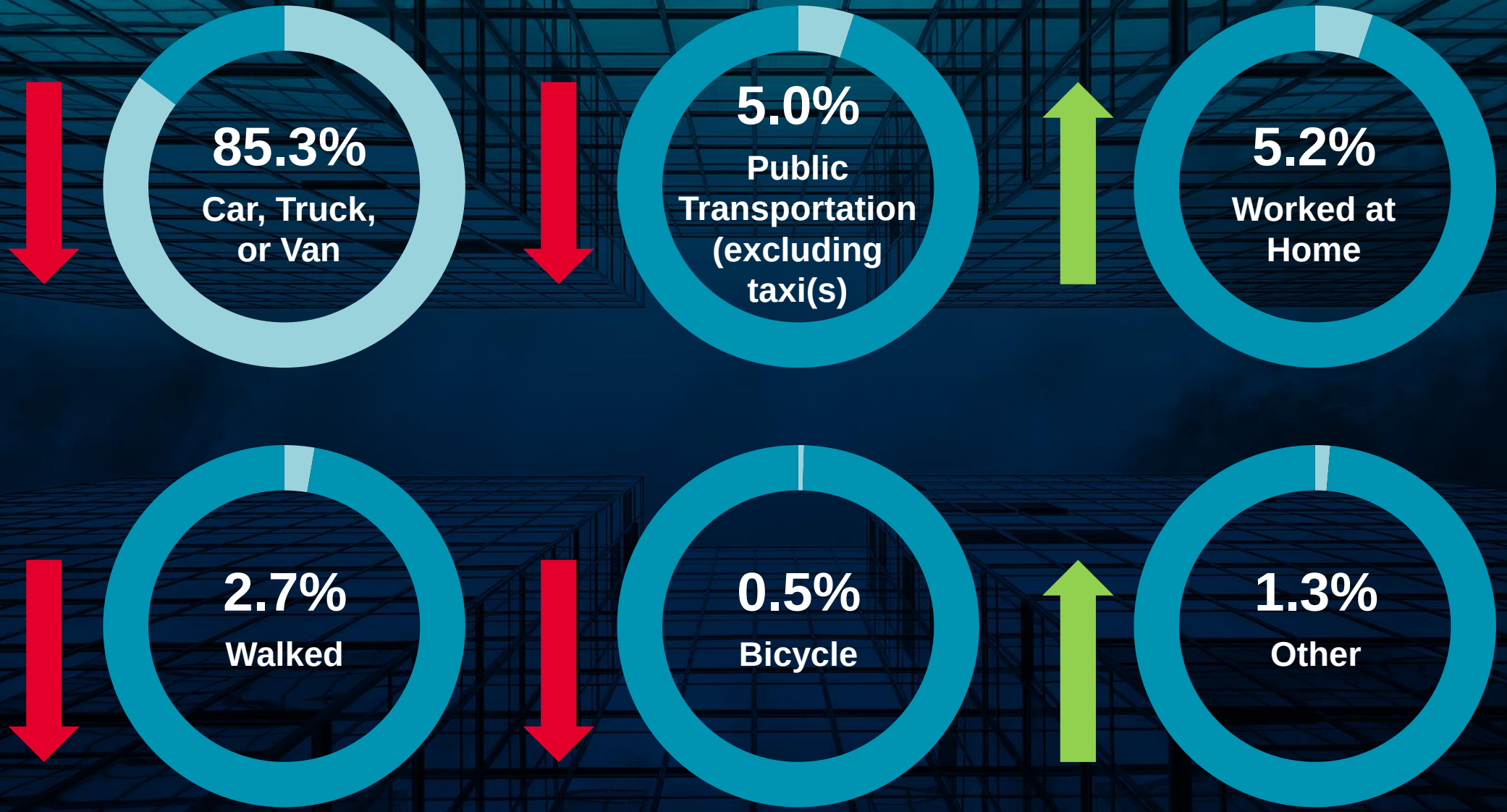
Commuting

COMMUTE TIMES SIGNIFICANT PAIN POINT



- *Source: Cushman & Wakefield Research*

How do people get to work?

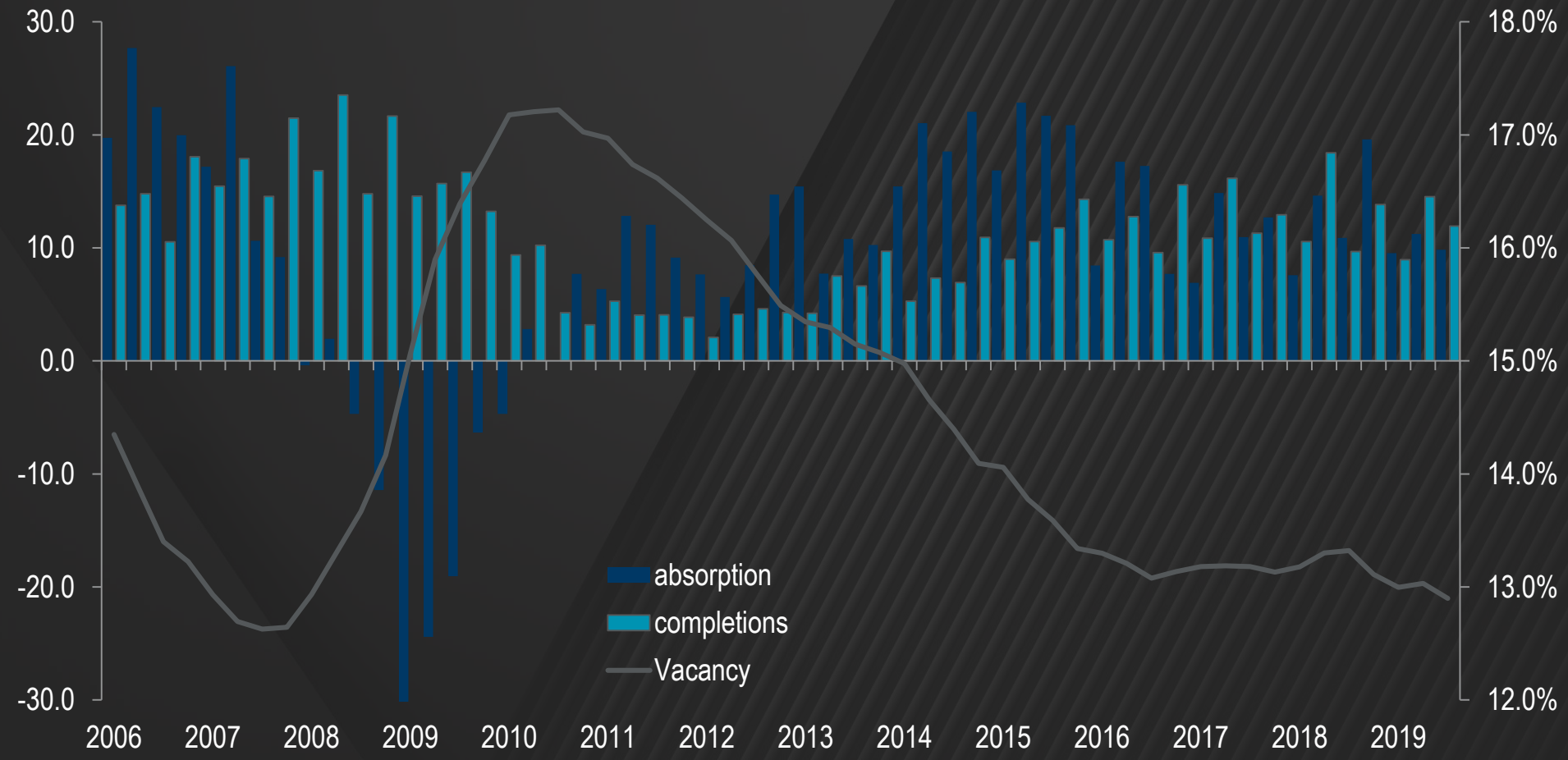


Source: Cushman & Wakefield Research; Census American Community Survey, 2017

CRE
FUNDAMENTALS

OFFICE VACANCY BOTTOMING?

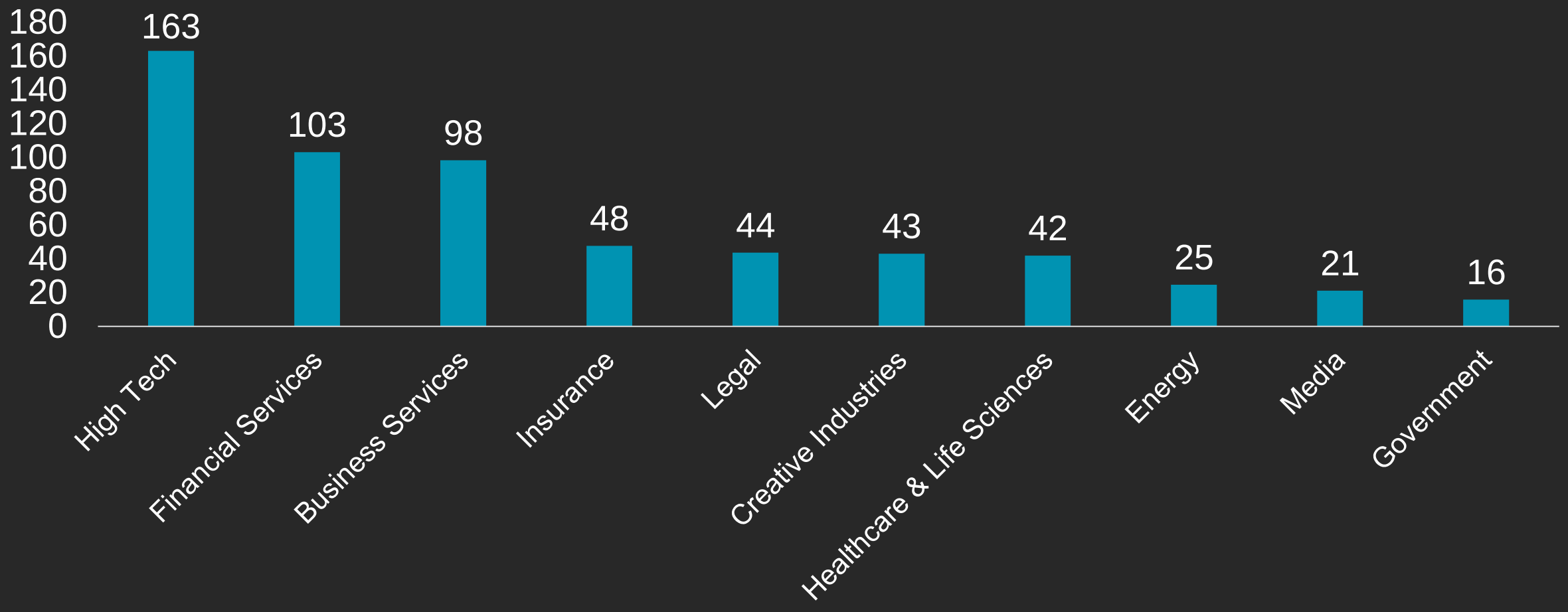
U.S. TOTAL NET ABSORPTION, CONSTRUCTION DELIVERIES (MSF) AND VACANCY RATE



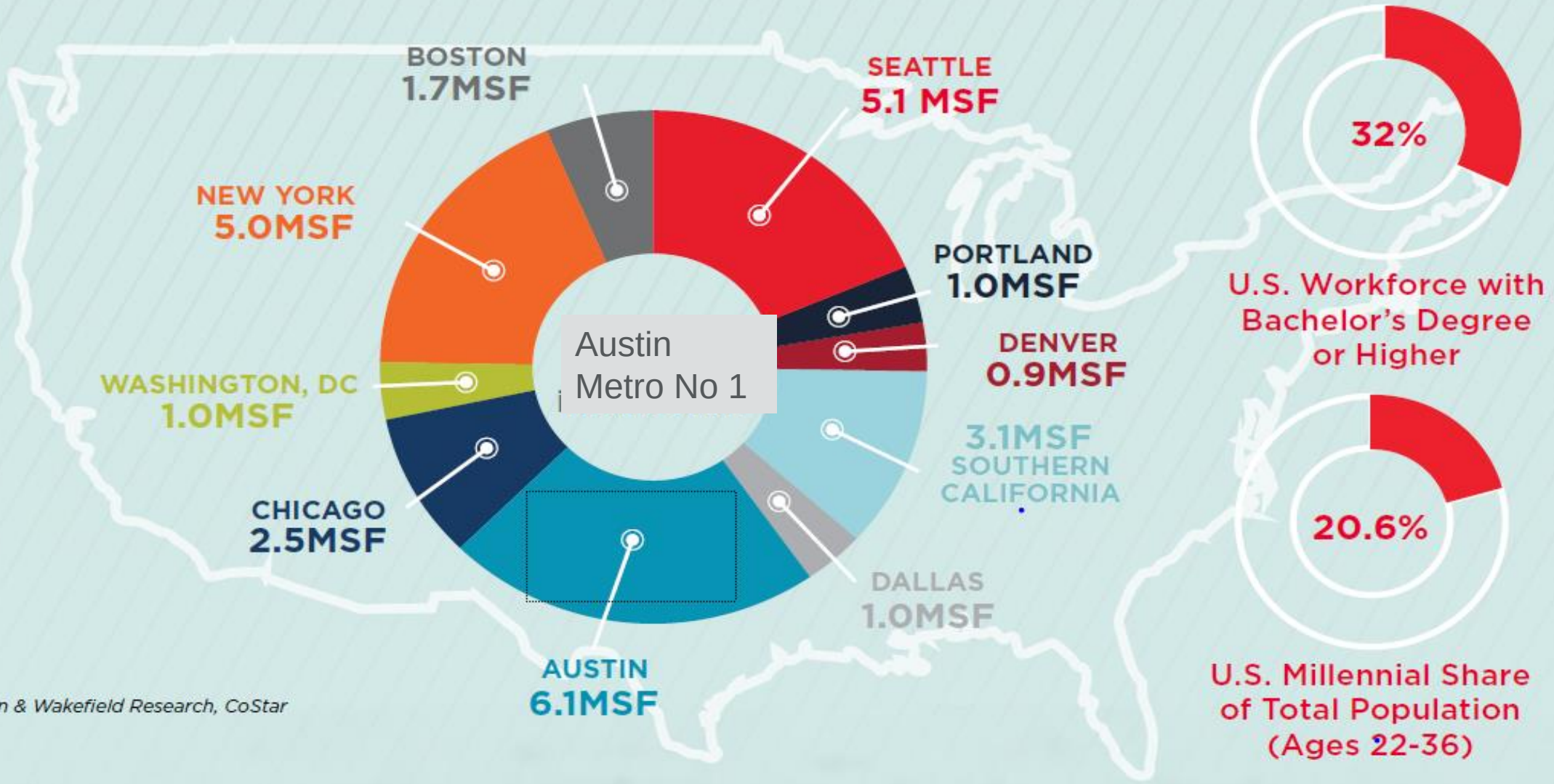
Source: Cushman & Wakefield Research

Key Engines Powering Office Demand

- *Gross Leasing, 2011-2019Q3 MSF



Since January 2010, **58 of the 89** San Francisco Bay Area headquartered *(100,000 SF+)* tech and life science companies have taken **30.4 MSF** of office space across the U.S. representing:



Source: Cushman & Wakefield Research, CoStar

HI-TECH OFFICE WORKER

NON HI-TECH OFFICE WORKER

4 - 5 X MULTIPLIER

2 - 3X MULTIPLIER

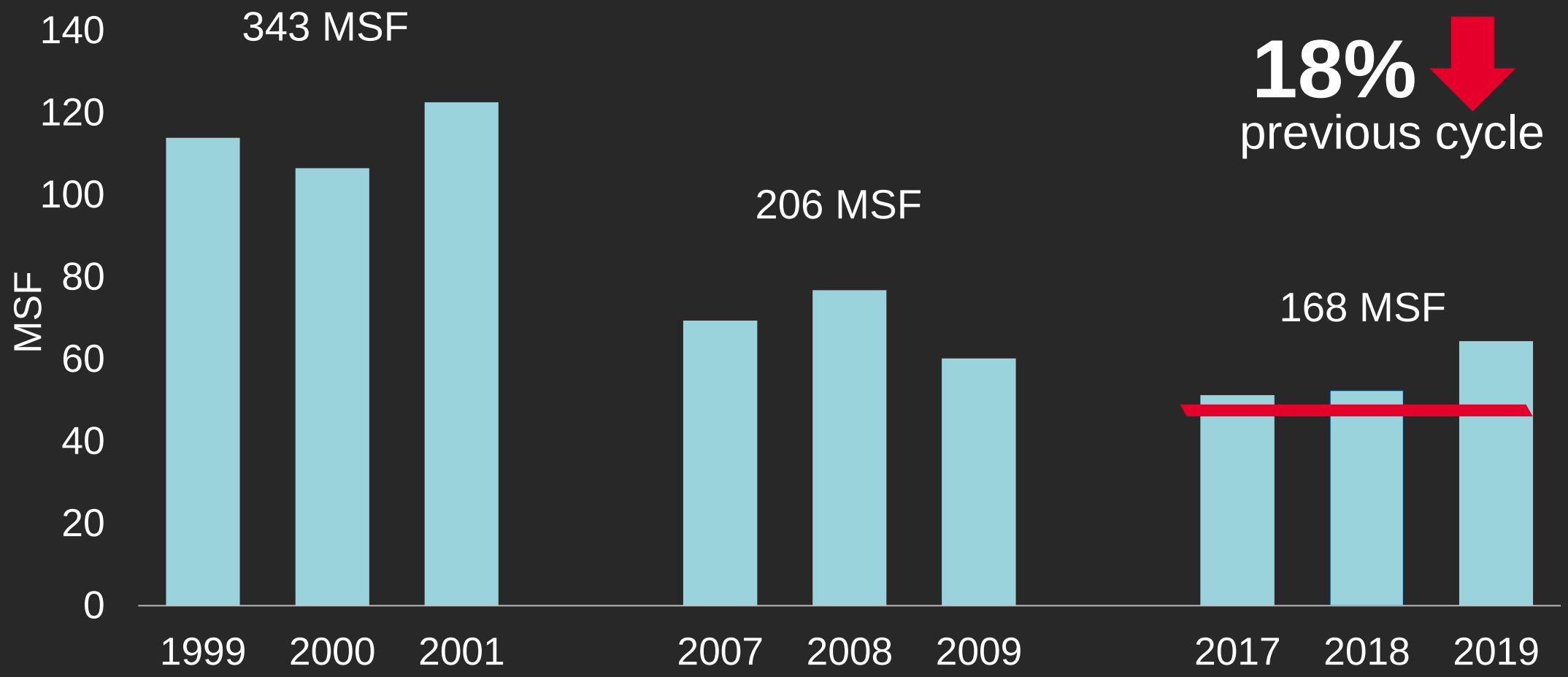
Source: Cushman & Wakefield Research

U.S. Office New Supply

- Strongest 3-year Stretches on Record (1995-2018)

51% ↓
late 1990's

18% ↓
previous cycle



Where Is Supply Coming From?

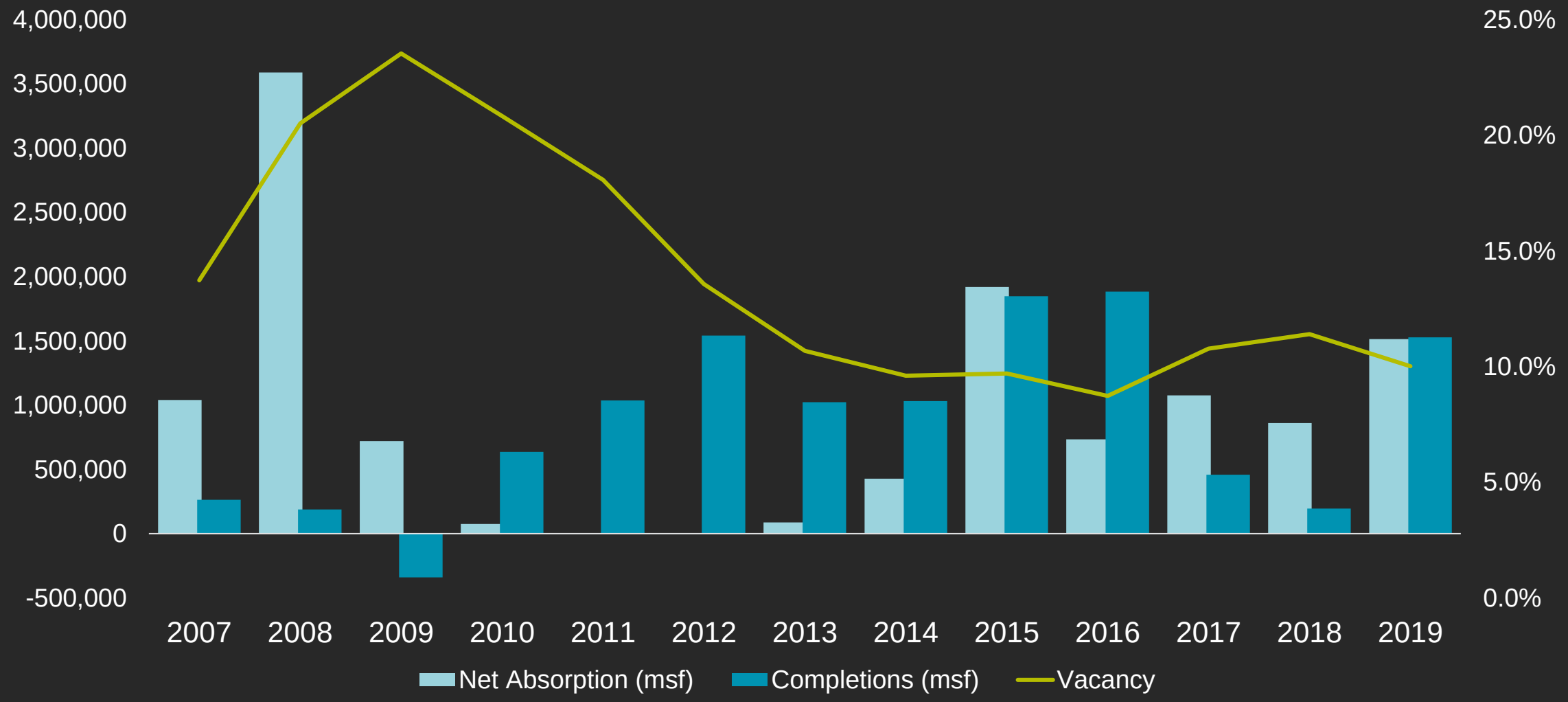
Rank	City	Completions (msf)	% of Inv.
1	NYC - Midtown	10.3	4.3%
2	San Jose	8.6	4.0%
3	Dallas	7.9	3.9%
4	Chicago	7.3	3.1%
5	Washington	6.9	6.4%
6	Atlanta	6.2	4.4%
7	Austin	6.2	12.4%
8	San Mateo County	5.8	10.6%
9	San Francisco	5.8	7.4%
10	Seattle	5.5	8.4%
11	Denver	5.2	4.6%
12	Raleigh/Durham	4.9	9.4%
13	Phoenix	4.7	4.6%
14	Los Angeles Non-CBD	4.5	2.6%
15	Boston	4.5	2.8%

Estimated New Completions in the U.S., 2018-2020
Georgetown data source: CoStar

Georgetown

Ranks 64th with 256,121 of completions; 12.2% of inventory

Austin suburban office sector overview



- Source: Cushman & Wakefield Research

US OFFICE VACANCY TODAY

Tight (Vacancy under historical avg)	2019Q3	10-Yr Average
Phoenix	15%	20%
San Diego	12%	17%
San Francisco	5%	10%
Austin	9%	14%
Raleigh/Durham	8%	12%
Seattle	11%	14%
San Jose	10%	13%

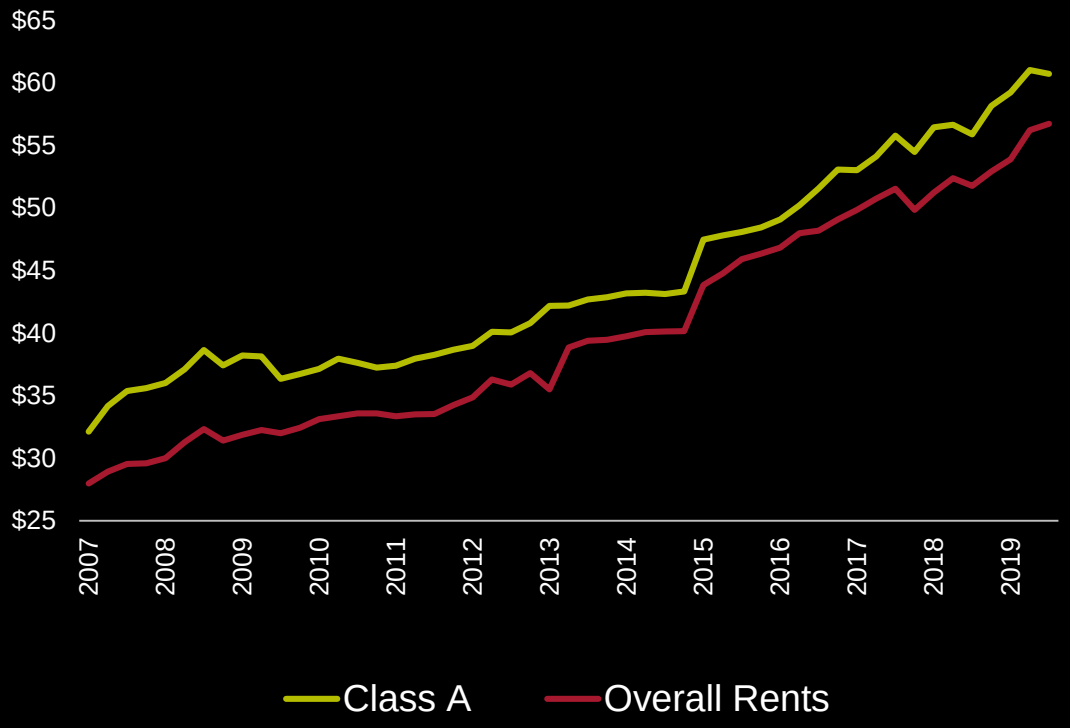
Balanced (Vacancy at historical avg.)	2019Q3	10-Yr Average
Minneapolis/St. Paul	17%	18%
Suburban MD	18%	19%
Philadelphia	14%	14%
Chicago	17%	17%
Denver	15%	15%
New York - Midtown	11%	10%
Georgetown	**7%**	**7%**

Oversupplied (Vacancy over historical avg.)	2019Q3	10-Yr Average
New York - Downtown	11%	10%
Nashville	12%	10%
Washington D.C.	14%	13%
Houston	21%	16%

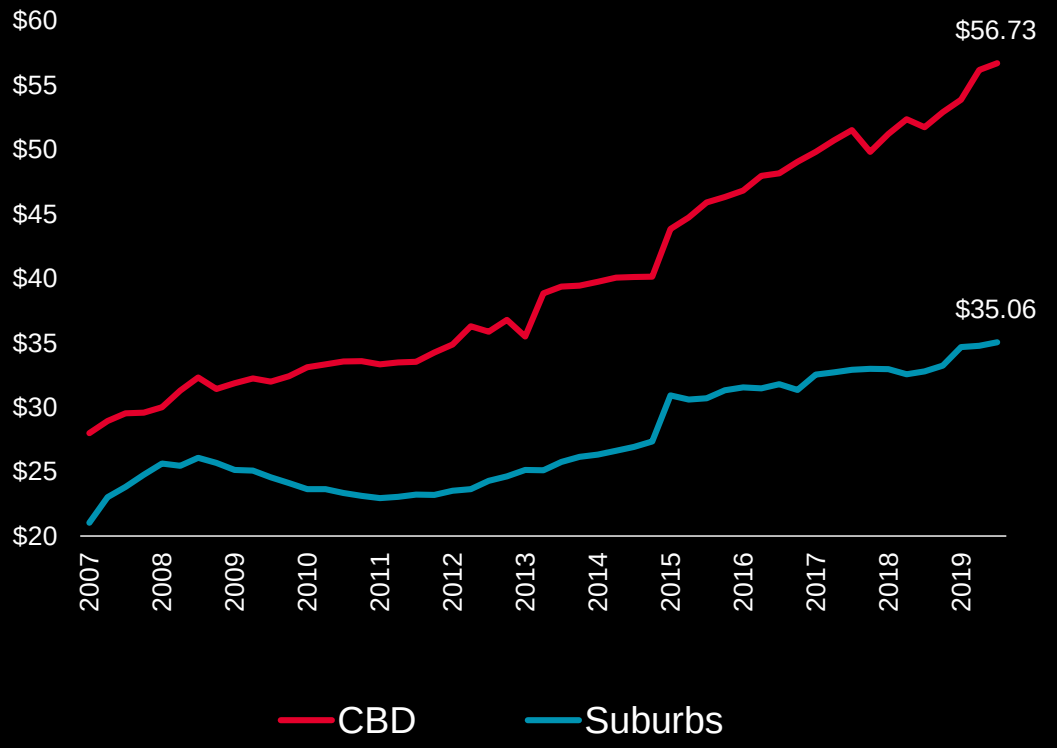
Source: Cushman & Wakefield Research / CoStar

Austin: Office Rent Trends

Austin CBD: Class A vs. Overall



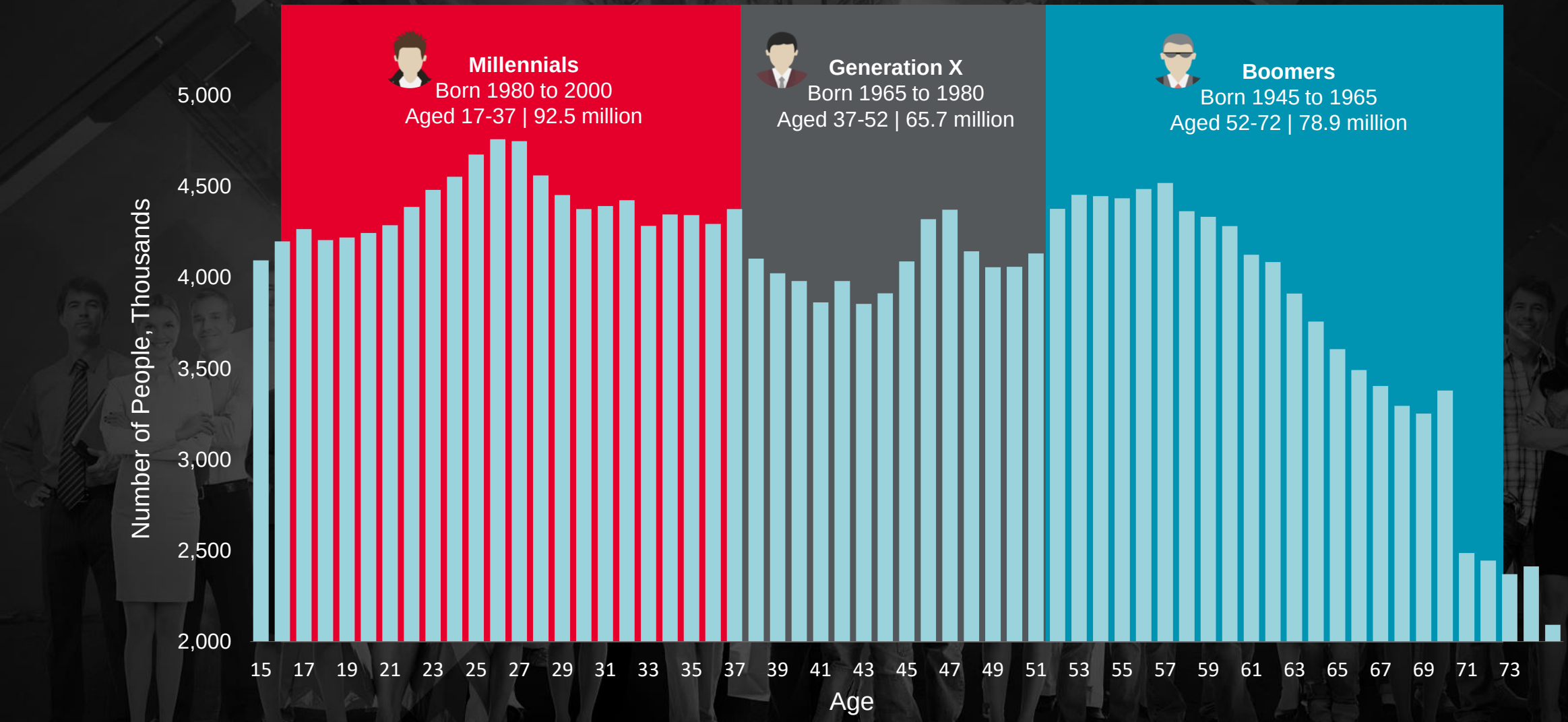
CBD vs. Suburbs



Source: Cushman & Wakefield Research,

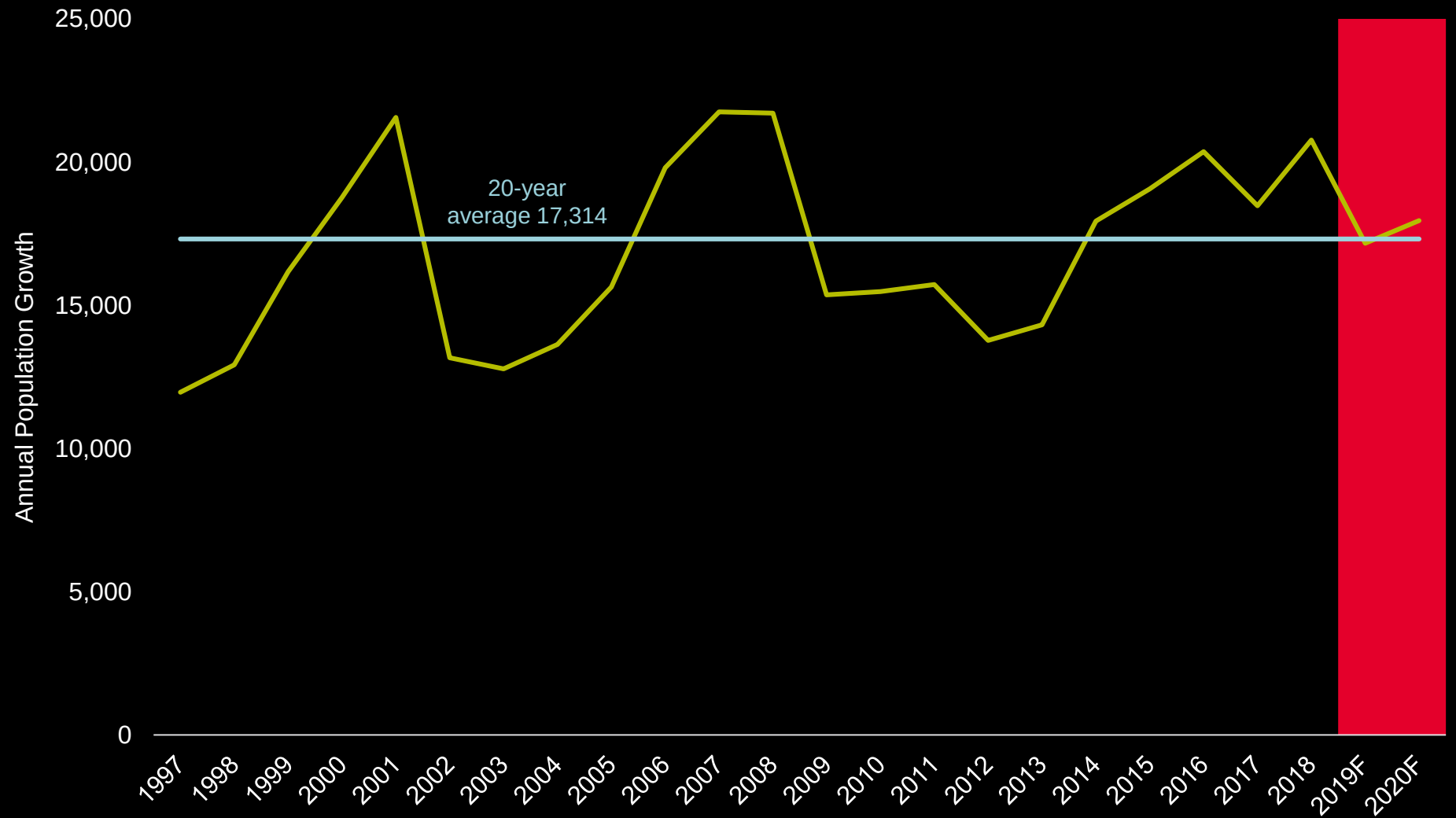
Demographics

GROUPS OF PEOPLE ARE PREDICTABLE



Source: U.S. Bureau of the Census, 2017

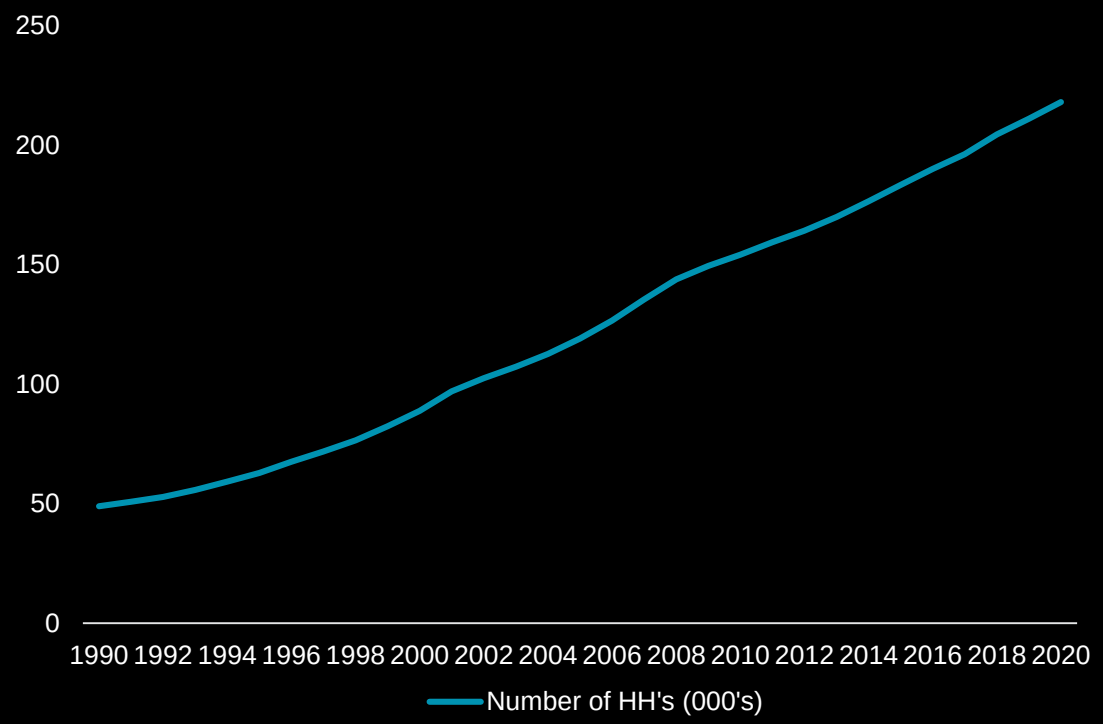
Williamson County Population Projected Growth



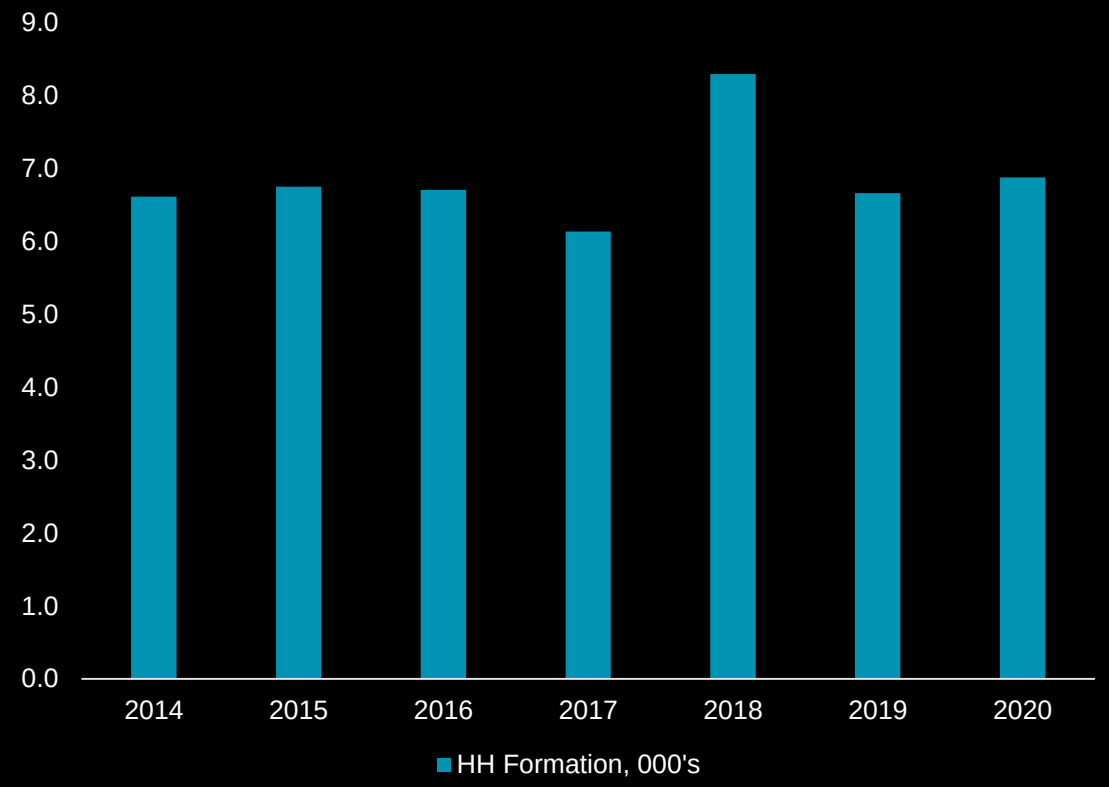
Source: Moody's Analytics

Williamson County: Household Formation Rate Steady

Number of Households

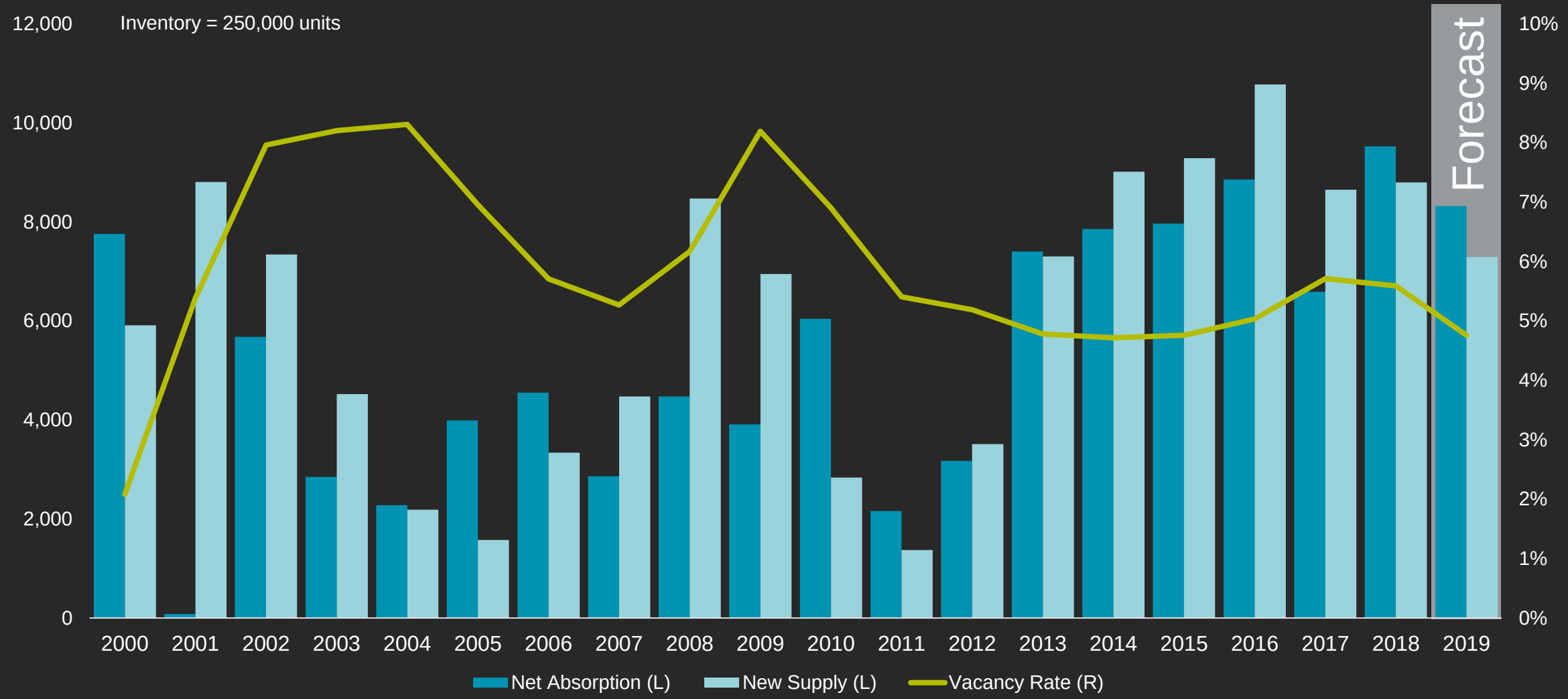


Household Formation Rate



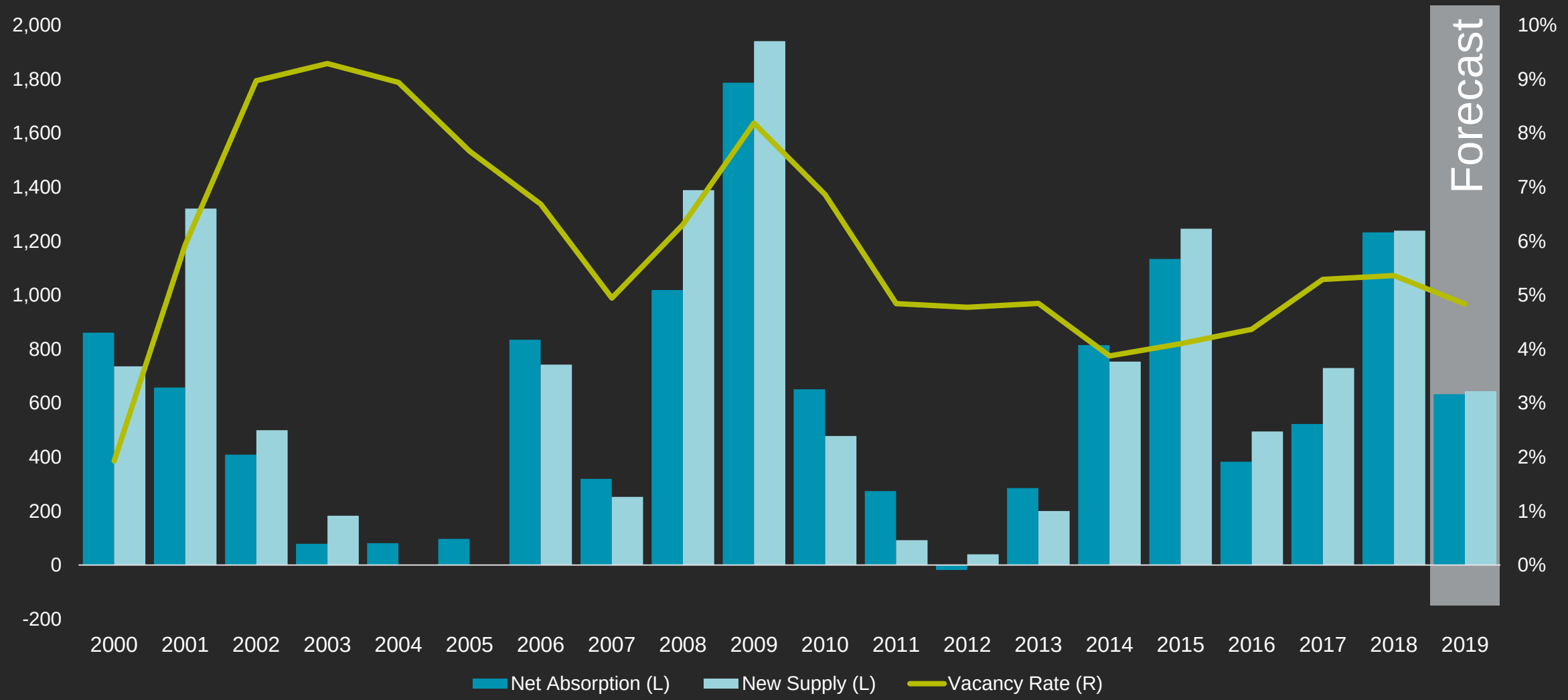
Source: U.S. Census Bureau, Moody's Analytics

Austin Multifamily Market Fundamentals



Source: Axiometrics, Cushman & Wakefield Research

Round Rock/Georgetown Multifamily Market Fundamentals



- *Source: Axiometrics, Cushman & Wakefield Research*

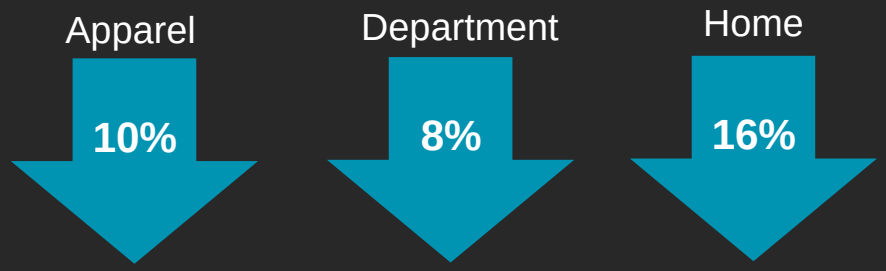
Retail

Green Shoots: Clicks to Bricks

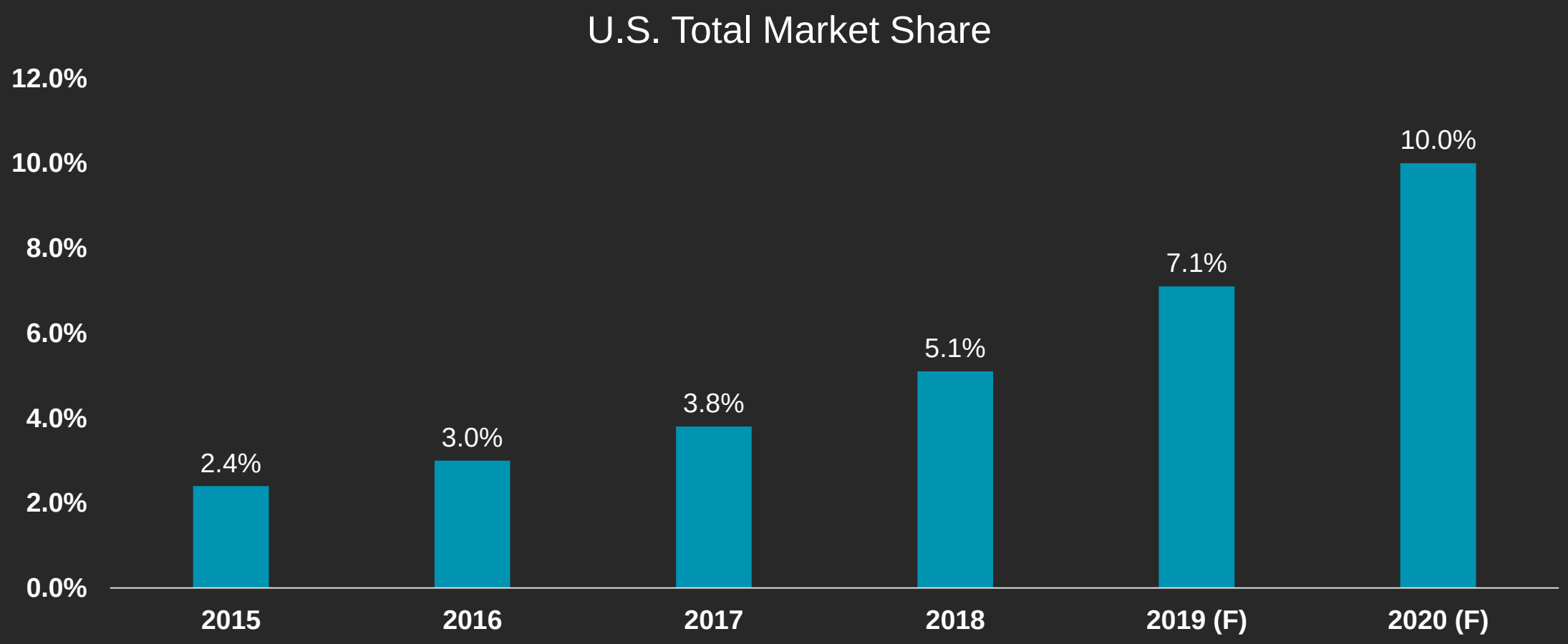
- eCommerce retailers…

opening physical stores

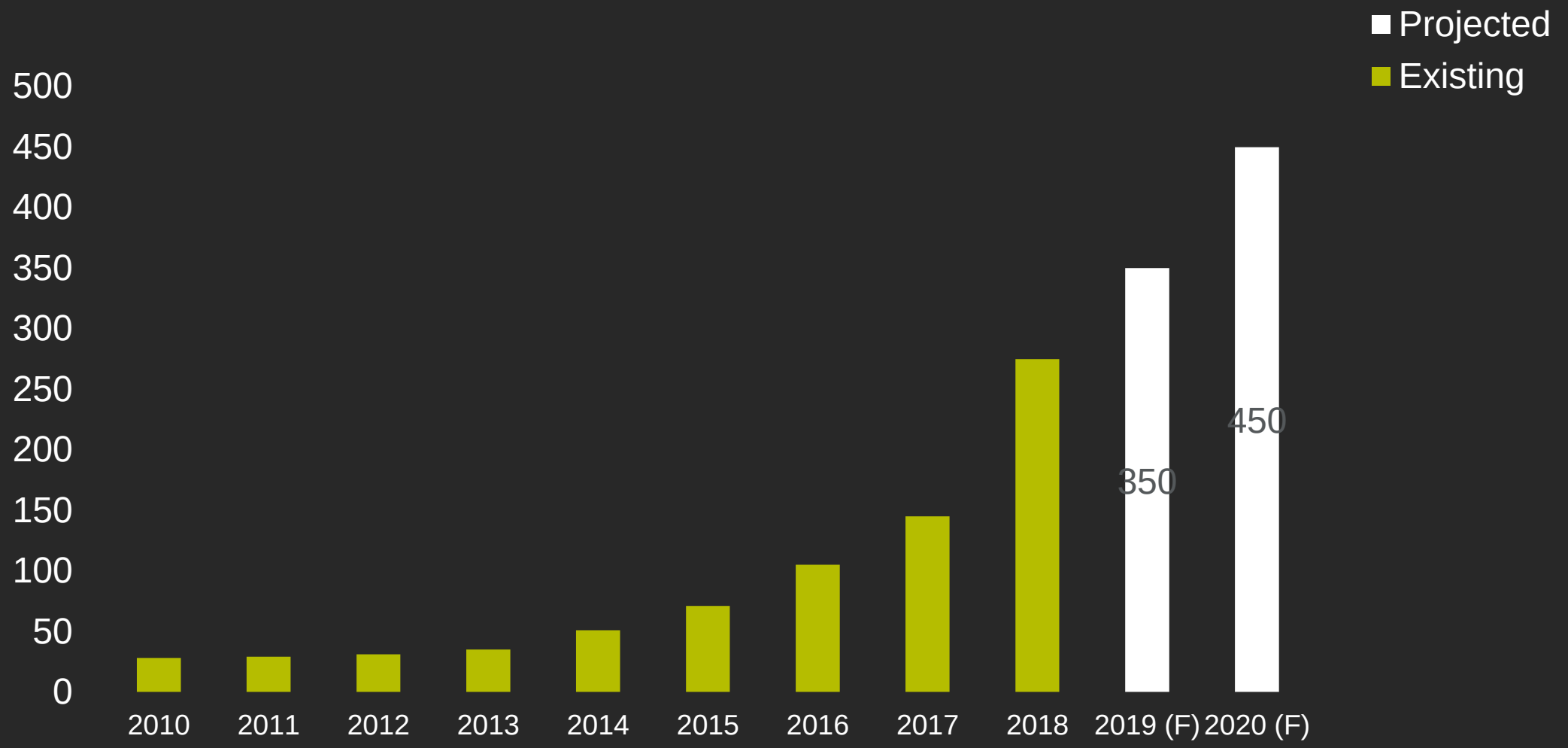
closing physical stores.



Green Shoots: eGroceries

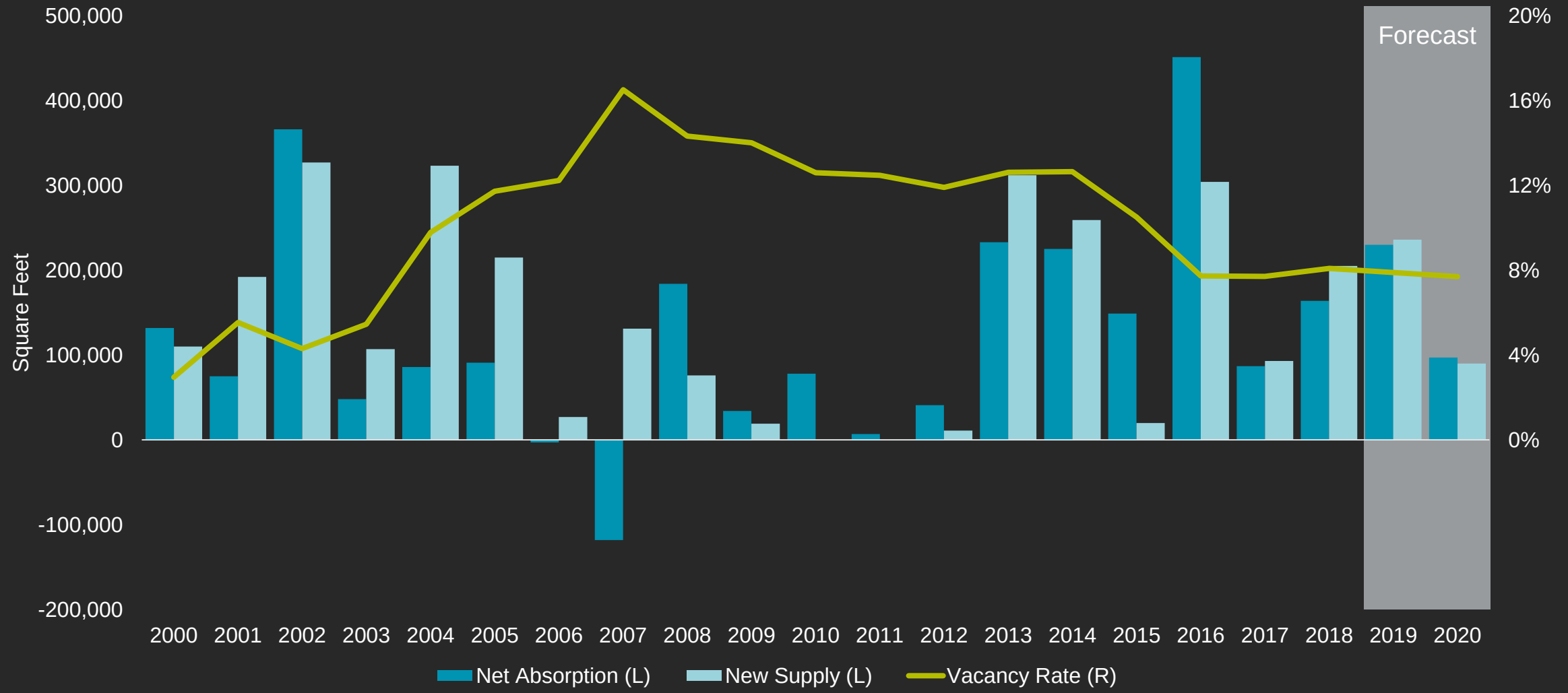


Green Shoots: Food Halls on Fire!



- *Source: Cushman & Wakefield Research*

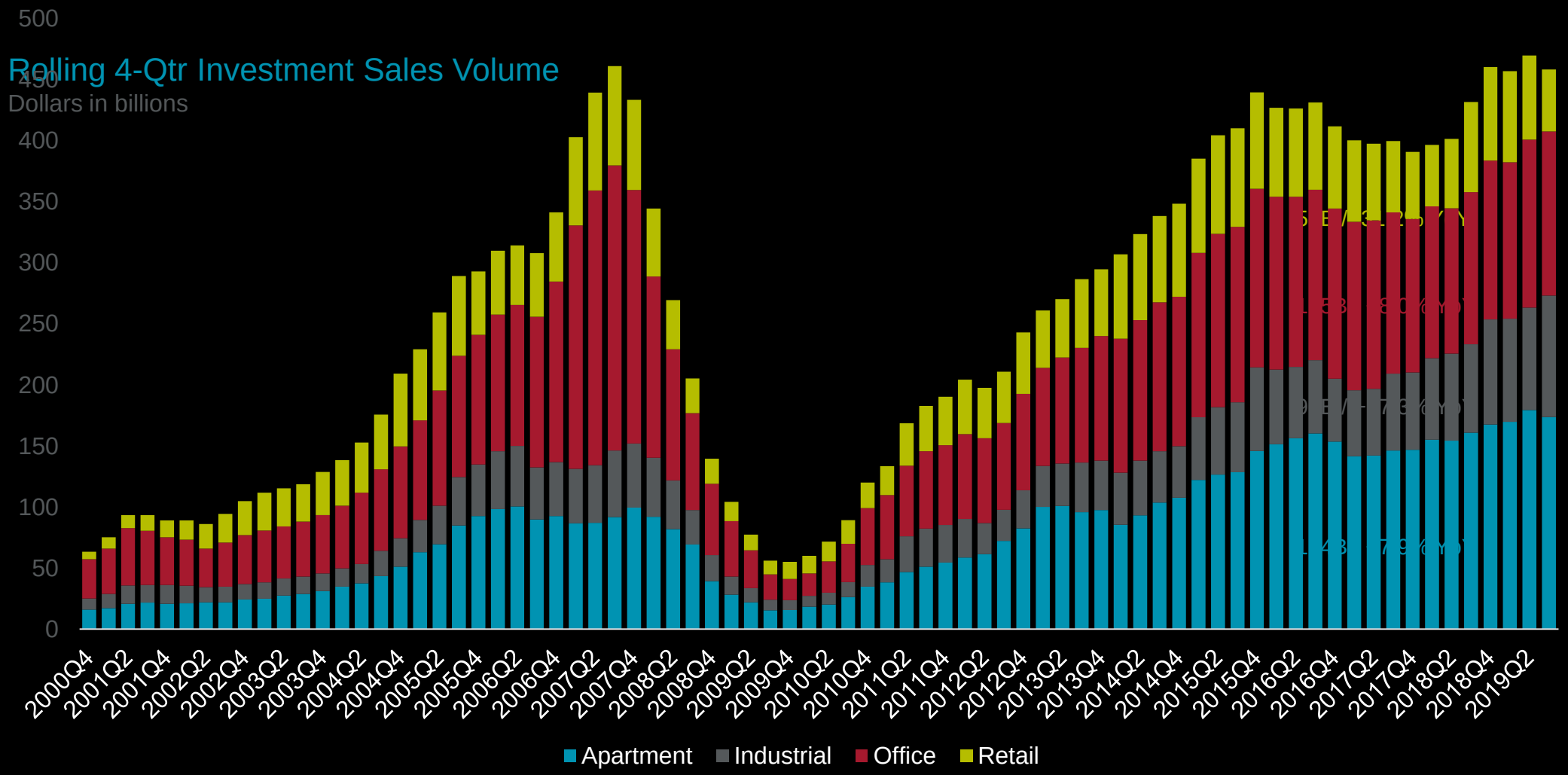
Round Rock/Williamson County Retail Sector Fundamentals



Source: Reis, Cushman & Wakefield Research

CAPITAL
MARKETS

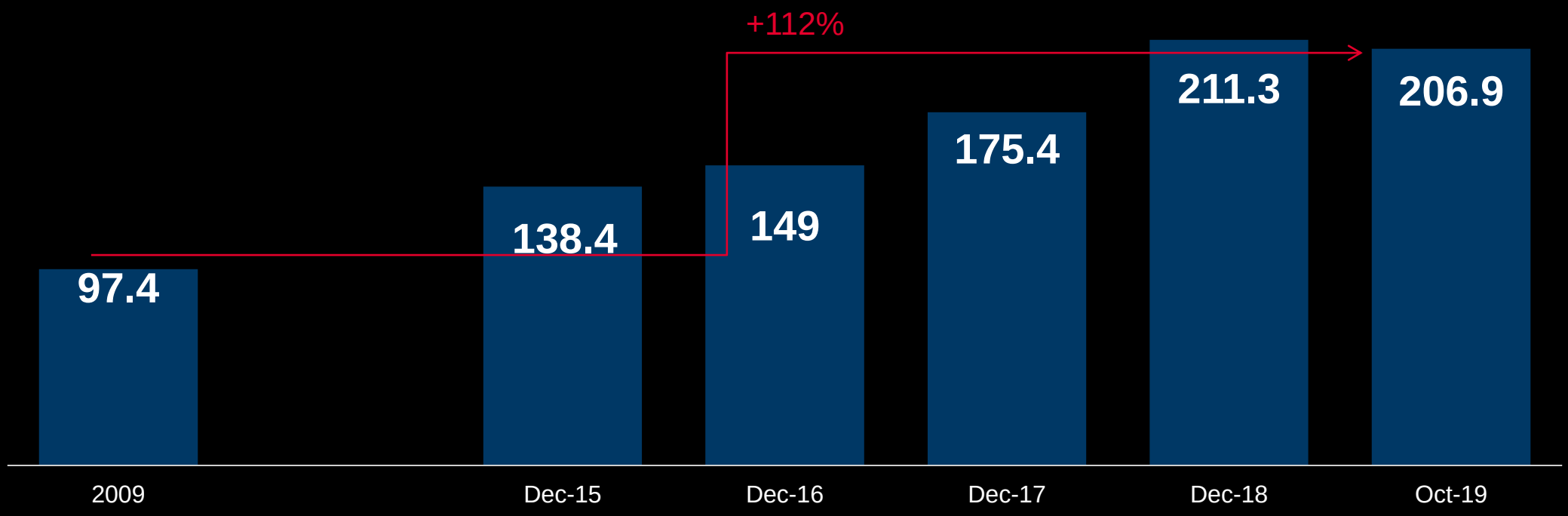
Robust Liquidity in Transaction Market



Source: RCA, Cushman & Wakefield Research
Deals over $5M

Fundraising for CRE Remains Strong

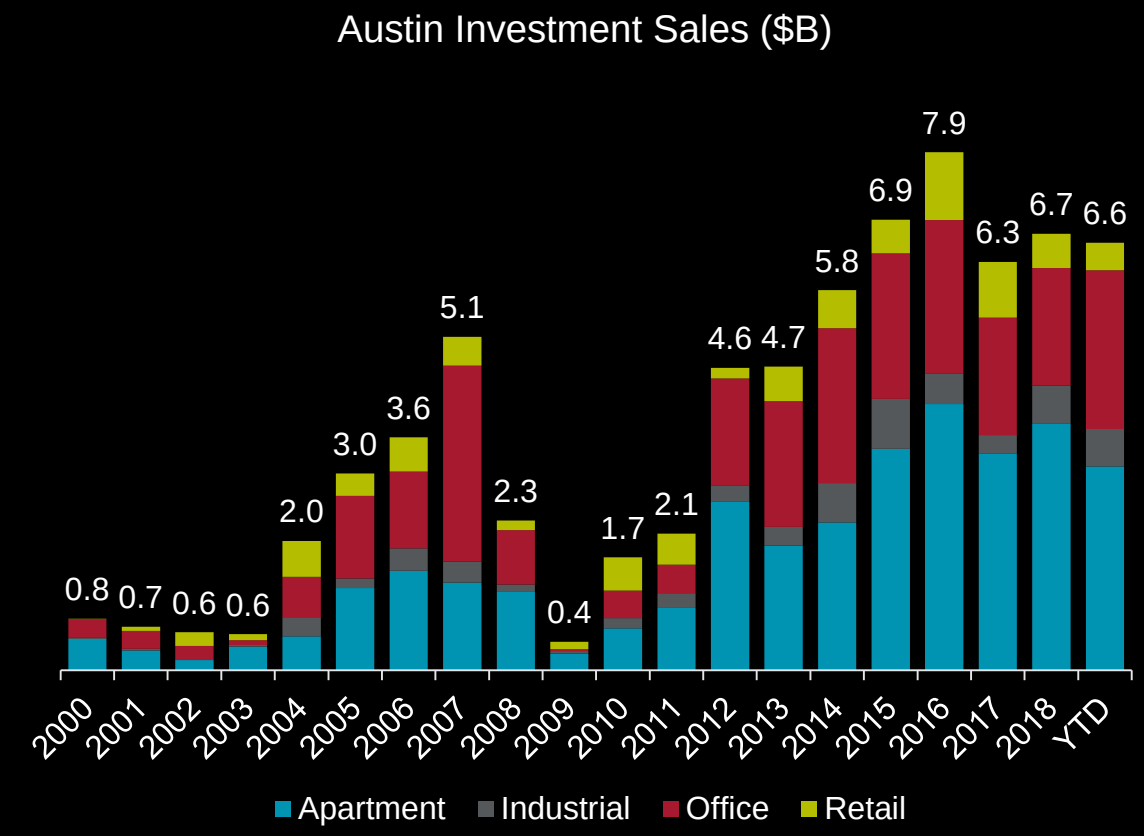
Dry Powder Targeted at North America Commercial Real Estate ($ Bn)



Source: Preqin, Cushman & Wakefield Research

Activity Strong

On Course for Record-Setting 2019



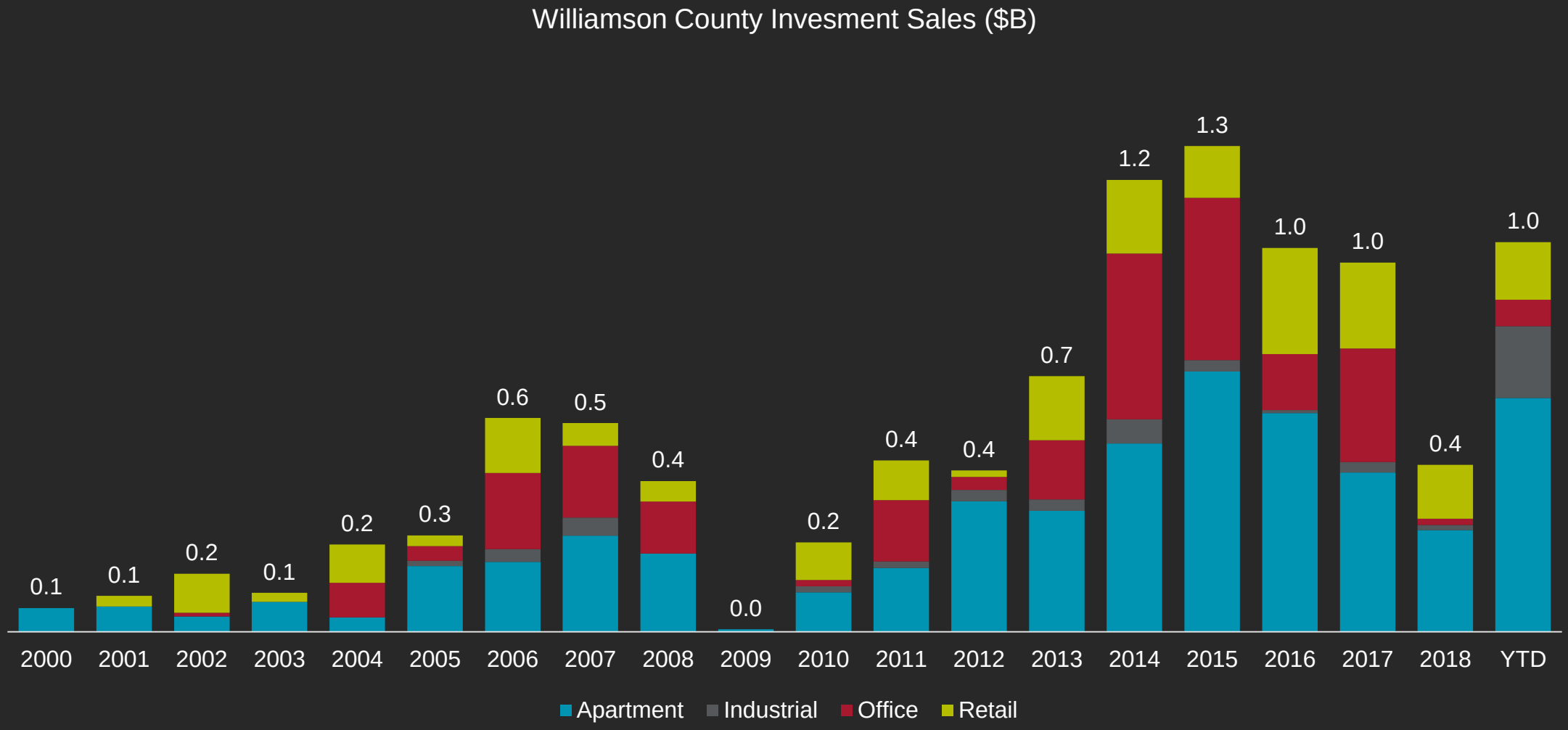
Top Secondary Markets

Rank	Market	Sales Volume ($B) YTD 2019
1	Dallas	13.4
2	Seattle	12.4
3	Atlanta	10.8
4	Phoenix	9.4
5	Houston	7.8
6	Miami/So Fla	7.7
7	**Austin**	**6.6**
8	Denver	6.4
9	San Diego	5.2
10	Philly Metro	5.1

Source: RCA, Cushman & Wakefield Research
Deals over $5 million

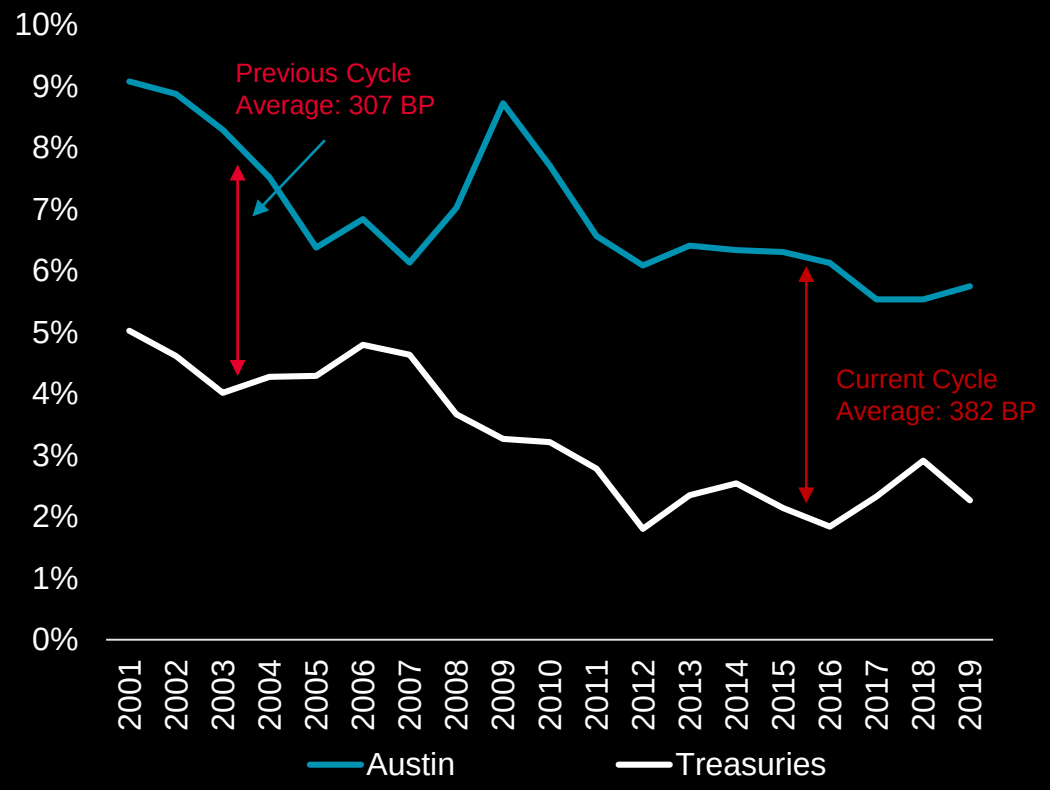
On Course For Record Setting 2019

Williamson County

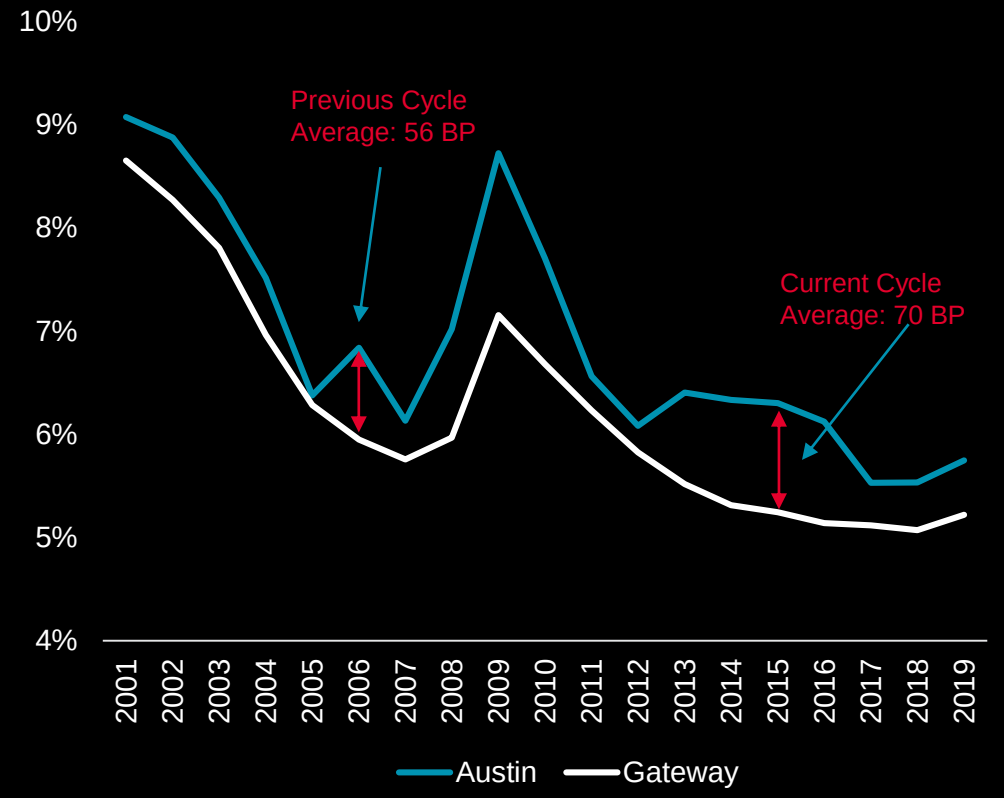


Spreads Still Attractive

Austin Yield vs. Treasuries



Austin vs. Gateway Cap Rates



Source: RCA, Cushman & Wakefield Research
Deals over $5 million

Key Takeaways

KEY TAKEAWAYS

- U.S. expansion continues, Austin/ Georgetown to outperform
- Mountain of capital targeting markets like Austin suburbs - opportunistic/core-plus
- Office sector – high tech base, strong leasing, suburbs strong
- Retail mixed– all about quality; steer clear of anything challenging Ecommerce directly
- Multifamily - HH formation revving up, structural drivers strong and affordability key
- Strong opportunities - development deals, strategic class B plays, and attractive spreads relative to gateways

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Thank you!

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