

Produced by



*Private  
Wealth*



Robert A. Stanger & Co. LLC

2ND ANNUAL

# Innovative REAL ESTATE STRATEGIES

HOW ADVISORS CAN ACHIEVE PORTFOLIO DIVERSIFICATION THROUGH REAL ESTATE

# Real Estate Macro Trends

## MODERATOR

**Evan Simonoff**

Editor-in-Chief

*Financial Advisor & Private Wealth Magazine*

## PANELISTS

**Brad McMillan**

Vice President & CIO

Commonwealth Financial Network

**Jeff Saut**

Chief Investment Strategist

*Raymond James*

# A Tale of (At Least) Two Markets

The Best vs. The Rest

Now versus Then  
(2004 and 2007)

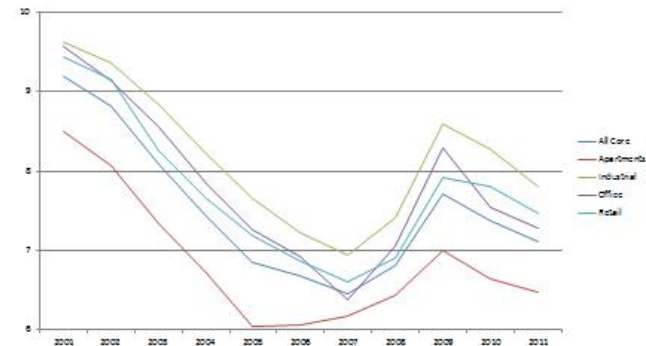
Housing versus Commercial

Divergence – Core vs. Market



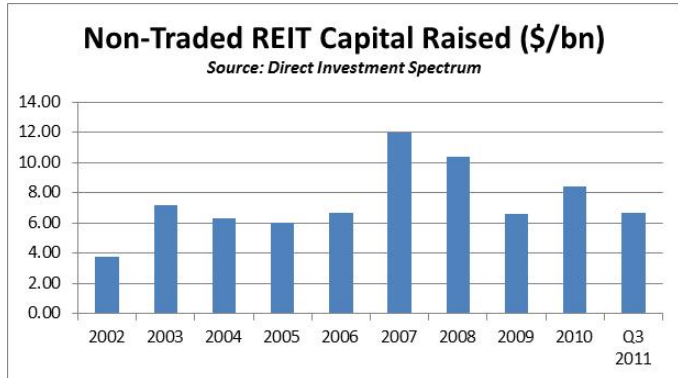
Source: Muddy's, Green Street Advisors, Commonwealth Financial Network research

Core Property Cap Rates (%)



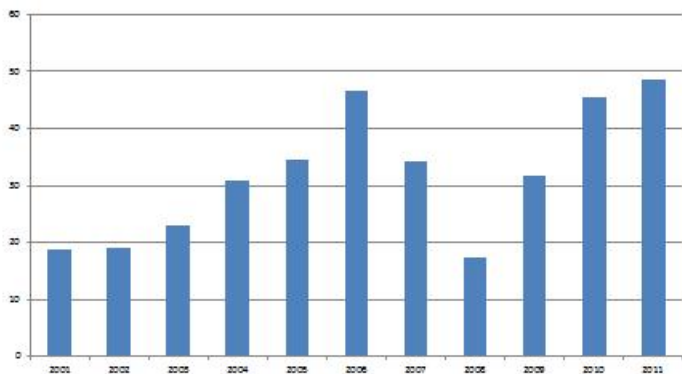
Source: Real Capital Analytics, Commonwealth Financial Network research

# It Was the Best of Times...



- NT REIT fundraising consistent and strong
- Retail investors committed to asset class
- General income focus limited the damage?

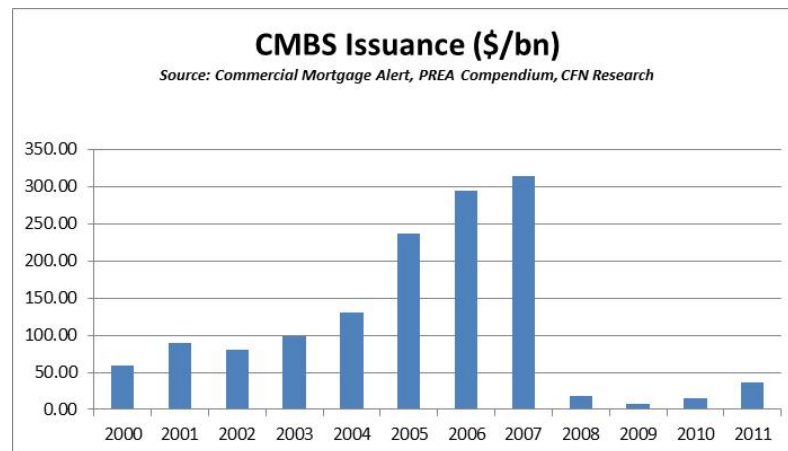
**Traded REIT Secondary Capital Raise (Billions)**



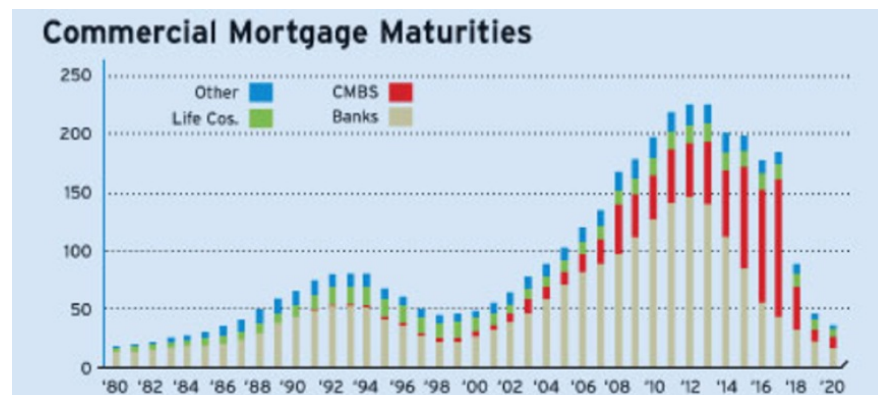
- Traded REIT capital raises dropped significantly in crisis
- Have recovered to new highs
- Acquisitions not following at same level
- Capital cushion against debt expirations

# ... It Was the Worst of Times

- Commercial debt securities issuance at much lower levels
- Slow recovery, but still below half of levels in previous decade
- Bank lending also constrained
- Overall private debt flows still negative



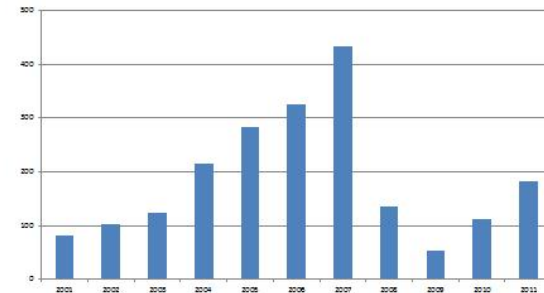
- Banking rollovers happening now
- CMBS market needed to recover to cover pending maturities
- Problem starts to get bad in 2013-2014
- Equity may have to replace debt



# A Dickens of a Market

- Values/markets recovering in core areas
- Non-core markets still weak
- Lots of equity available but not much debt
- Transaction volumes recovering, but still at early 2000s levels, even in core
- Overall pricing looks good compared to Treasuries, but...

Core Property Transaction Volumes  
(Billions)



Cap Rate Spread to 10 yr Treasuries

Source: Real Capital Analytics, PREA, CFN Research

