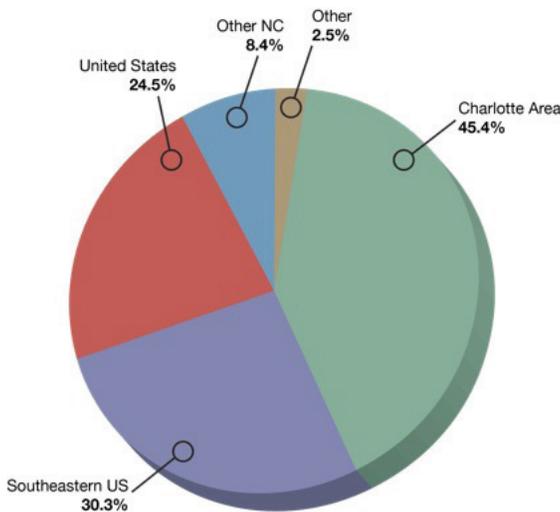


# 2014 REAL ESTATE TRENDS

The 2014 Real Estate Trends survey for the Charlotte Region presents the trends and forecasts as reflected by this region's market participants. As a complement to the *Emerging Trends in Real Estate*®, co-published by PwC US and the Urban Land Institute (ULI), ULI Charlotte gathered insights on the outlook on real estate investment and development trends, real estate finance, property sectors, and other real estate issues throughout the Charlotte region. This region is generally considered our ten-county metropolitan statistical area. We have taken a sampling of the information from the National report and compared it to our market responses.

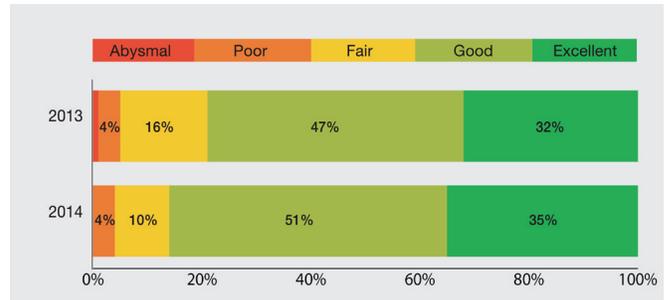
In the local survey, a majority of the respondents' firms focused primarily on office, retail and multifamily, and secondarily on the industrial and residential sectors. The geographic scope of the respondents' firms was significantly centered in the Charlotte region.



## Profitability of Real Estate-Related Business

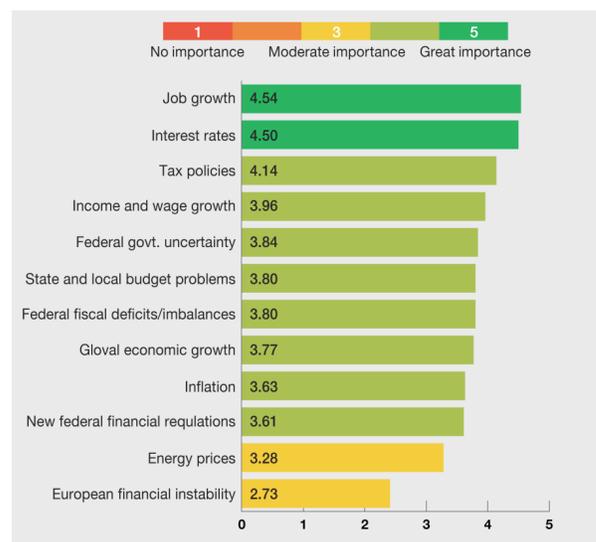
Real estate market participants feel good about profitability in a slow growth economic recovery. Regional survey respondents feel more optimistic about their ability to be

profitable in 2014 when compared to 2013 expectations, and generally appear more optimistic on a regional versus national level.<sup>1</sup>



## Economic and Financial Issues

The *Emerging Trends in Real Estate*® report points out that the economic recovery is projected to continue in 2014, even with its rising interest rates. Locally, respondents believe the economic and financial issues that continue to impact recovery include job growth, interest rates, tax policies, and Federal government uncertainty. After job growth and interest rates, national respondents viewed income and wage growth and inflation as more important than tax policies and federal government uncertainty. Regionally, inflation and global economic growth appear less important than nationally. This may or may not come as a surprise?



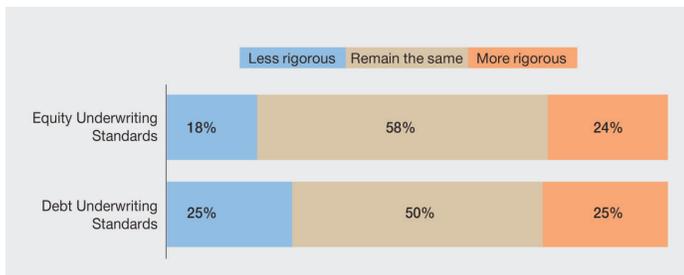
## Real Estate/Development Issues

Regionally, the top four issues for real estate/development are construction costs, land costs, infrastructure funding/development, and vacancy rates. This closely mirrors national results.<sup>2</sup>



## Real Estate Equity and Debt Underwriting Standards

General consensus for both equity and debt underwriting standards, reflected by a majority of the respondents in the Charlotte Region, is these standards will remain the same in 2014. In *Emerging Trends in Real Estate*<sup>®</sup> report respondents believe debt underwriting standards will be less rigorous in 2014.<sup>3</sup> A number of factors may account for this variation such as the significant presence of financial service companies in the region, and other available sources of debt financing (CMBS revival, life insurers, mezzanine debt, shadow banking [new market participants offering proprietary programs, etc.]).



## Real Estate Capital Markets

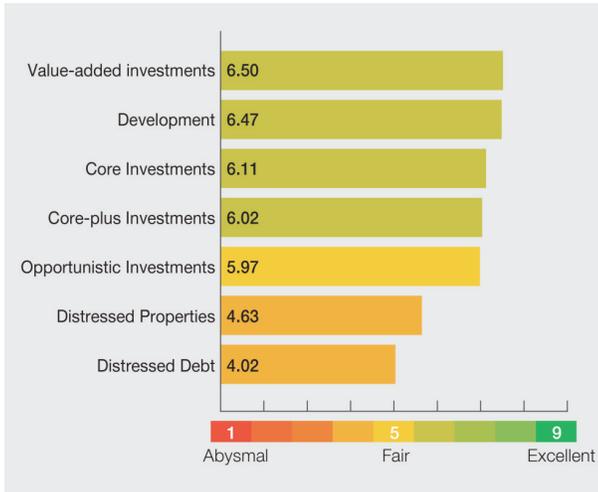
Capital markets are generally viewed as being “in balance,” although a slight majority of regional respondents feel equity capital for investing is modestly oversupplied (this is consistent with national;<sup>4</sup> however, many developments’ proformas do not meet the return expectations of equity providers. Debt capital for development is viewed as either “in balance” or “moderately undersupplied,” although there are submarkets and product types that have financiers concerned with overbuilding.

Nationally, banks are all of a sudden comfortable with commercial real estate and lending into this market. Available equity capital is expected to increase, driven primarily by foreign investors, closely followed by pension funds and other large institutions, private equity funds, hedge funds, opportunistic funds, and private local investors.



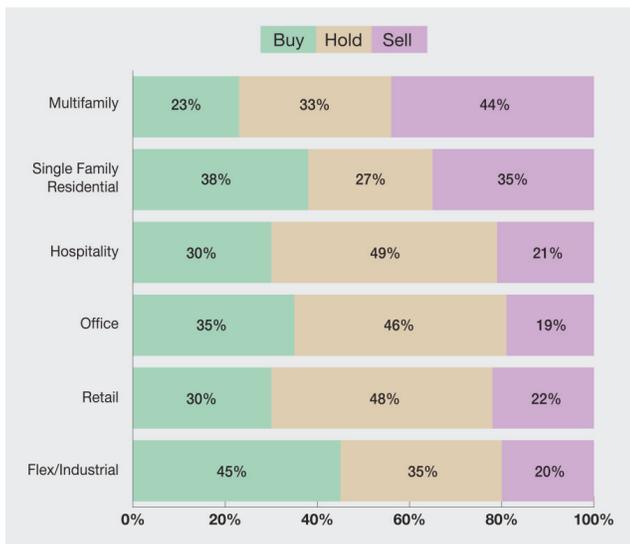
## Prospects for Real Estate Investment Strategies

There is consensus and consistency, regionally and nationally, that distressed properties and distressed debt have peaked. Opportunity, regionally and nationally, is in value-added investments and development.<sup>5</sup>



## Investment Properties

The interest in the various investment properties favors selling multifamily, while holding hospitality, office and retail. Flex/industrial properties are viewed as a favorable buy opportunity in the Charlotte region.<sup>6</sup>



## New Development Projects

New development projects are viewed as very favorable in single-family housing, followed by flex/industrial. Multifamily seems to have lost some of its appeal regionally. Other sectors hover on the neutral to somewhat favorable for development projects. Excluding single family residential, the national survey puts industrial at the top, followed by apartments and hospitality.



## Footnotes

See the 2014 *Emerging Trends in Real Estate*<sup>®</sup> report, co-published by PwC US and the Urban Land Institute (ULI), for more national survey information: <sup>1</sup> Page 6, <sup>2</sup> Page 4, <sup>3</sup> Page 18, <sup>4</sup> Page 20, <sup>5</sup> Page 13, and <sup>6</sup> Page 41.

## ULI Charlotte, a District Council of ULI - the Urban Land Institute

Our mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI Charlotte carries forth that mission by serving the Charlotte, Piedmont and Western North Carolina's public and private sectors with pragmatic land use expertise and education.

**We would like to extend a special thanks to the 2014 Real Estate Trends project team that surveyed, compiled, analyzed, and developed this report.**

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