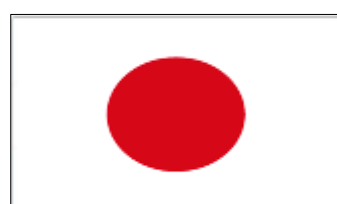
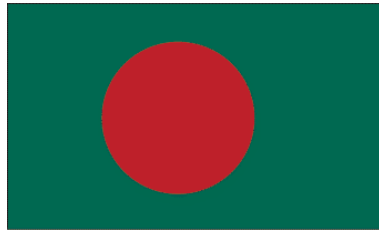


State of the Industry







Bienvenido!

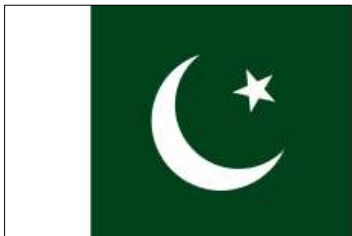
स्वागत!



Welcome!



Dobro Pojalovat!

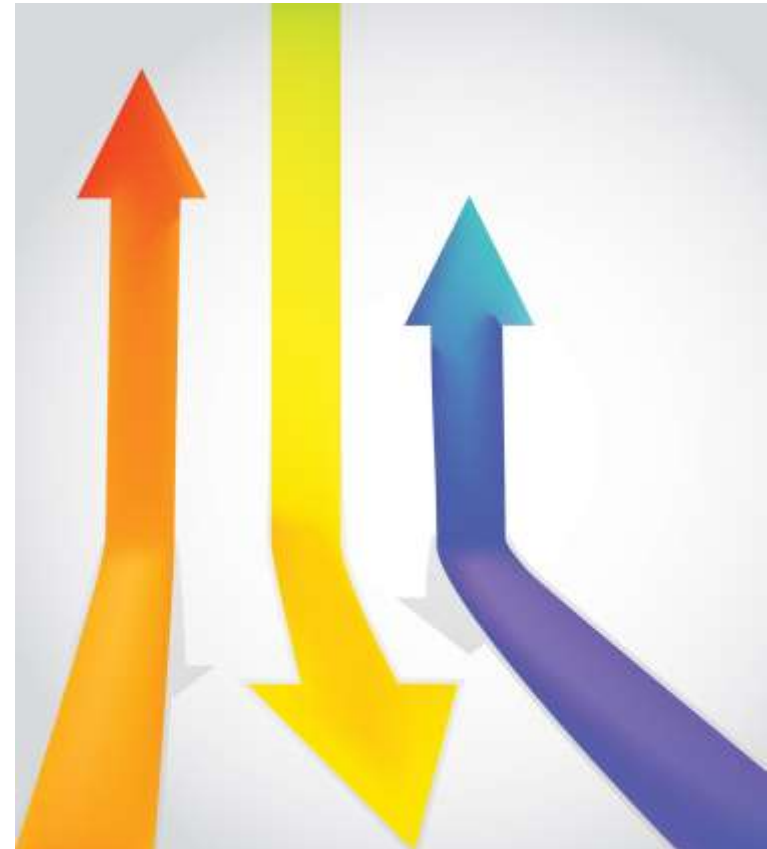


G'day Mate!



Start and Stumble Economy

- *Jobs: 288K in April, 179K in May, 217K in June*
- *Unemployment at 6.3%*
- *U.S. GDP: 2.4% for 2014*
- *Inflation up 1.8% for 2014*
- *Dow up 2.06%, NASDAQ up 1.8% YTD*
- *Stocks won the sprint last year, but real estate will win the marathon (Ray Torto)*



CRE by the Numbers

- Vacancy rates dipped to 14.8% - *CBRE*
- Demand increasing - 11M sf absorption, 60M sf new construction – *Mueller*
- 63% increase in office market absorption from 2013 – *Cassidy Turley*
- Pricing recovery extending to smaller markets and secondary property types - *CoStar*
- Real Estate Roundtable's Sentiment Survey dipped from 69 to 67
- CRE rental market flat globally, but capital values and global sales transactions rising – *Ray Torto*



2014 EER – Income Increasing

	10/11 Avg. Sq. Ft.	11/12 Avg. Sq. Ft.	12/13 Avg. Sq. Ft.	% Variance
Rental Income	\$ 25.46	\$ 25.56	\$ 27.40	7.6
Total Income	\$ 26.90	\$ 27.03	\$ 29.03	7.9
Cleaning	\$ 1.39	\$ 1.37	\$ 1.45	4.3
R&M	\$ 1.88	\$ 1.87	\$ 1.99	5.9
Utilities	\$ 2.33	\$ 2.10	\$ 2.15	(7.7)
Roads/Grounds	\$ 0.22	\$ 0.18	\$ 0.21	(4.5)
Security	\$ 0.69	\$ 0.69	\$ 0.74	7.2
Admin	\$ 1.44	\$ 1.45	\$ 1.53	6.3
Fixed	\$ 3.95	\$ 4.17	\$ 4.51	14.2
TOE	\$ 7.98	\$ 7.73	\$ 8.13	1.9
TOE + Fixed	\$ 11.67	\$11.78	\$12.43	6.5

The 53% Factor

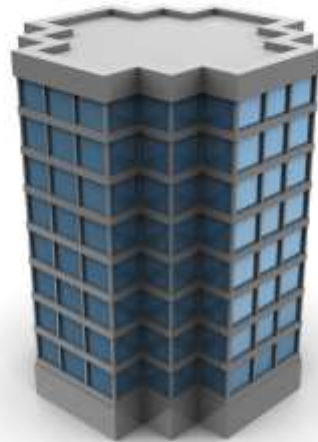
53% of the building level annual total return is due to changing features around the individual property – *Ray Torto*

This is what BOMA does best...

Legislation & Building Codes

Safety/Security

Industry Best Practices



Technology

Tenant Retention

High Performance

Bigger isn't Always *Better*

Older, smaller buildings =
more vibrant communities

National Trust for Historic Preservation

- *More walkable*
- *More young professionals*
- *More cultural outlets*
- *More entrepreneurship*
- *More diversity*
- *Take control*

Better Blocks Project



Space Planning for Millennials

- *Campus design that fosters mentoring and leverages technology*
KI / HOK
- *Alternative workplace options*
- *Wireless everything!*



Second Machine Age

- High Speed Keeps Speeding Up
- ICT Prices Keep Falling
- **Moore's Law** – “Complexity for Minimum Component Cost has increased at rate of roughly a factor of two per year”
 - ... This is why your smart phone has more Gigabytes than the computer you bought 3 years ago
- Server in the Sky



Enter the Mind Reading Office ...

Brookfield's World Financial Center

- Video wall with motion tracker interface, marketing/information
- Automatic teleconferencing
- Automatic minutes

Fast Company



CBRE's L.A. Office

- Liquid Galaxy Theater
- High Tech Wall *aka* "high-tech water cooler"

Realcomm

Future Workspace is about Choice

- Innovative employers provide spectrum of choice for where/when to work, have higher performing employees – *Gensler*
- Don't forget the introverts! Smart design incorporates both collaboration and focus space



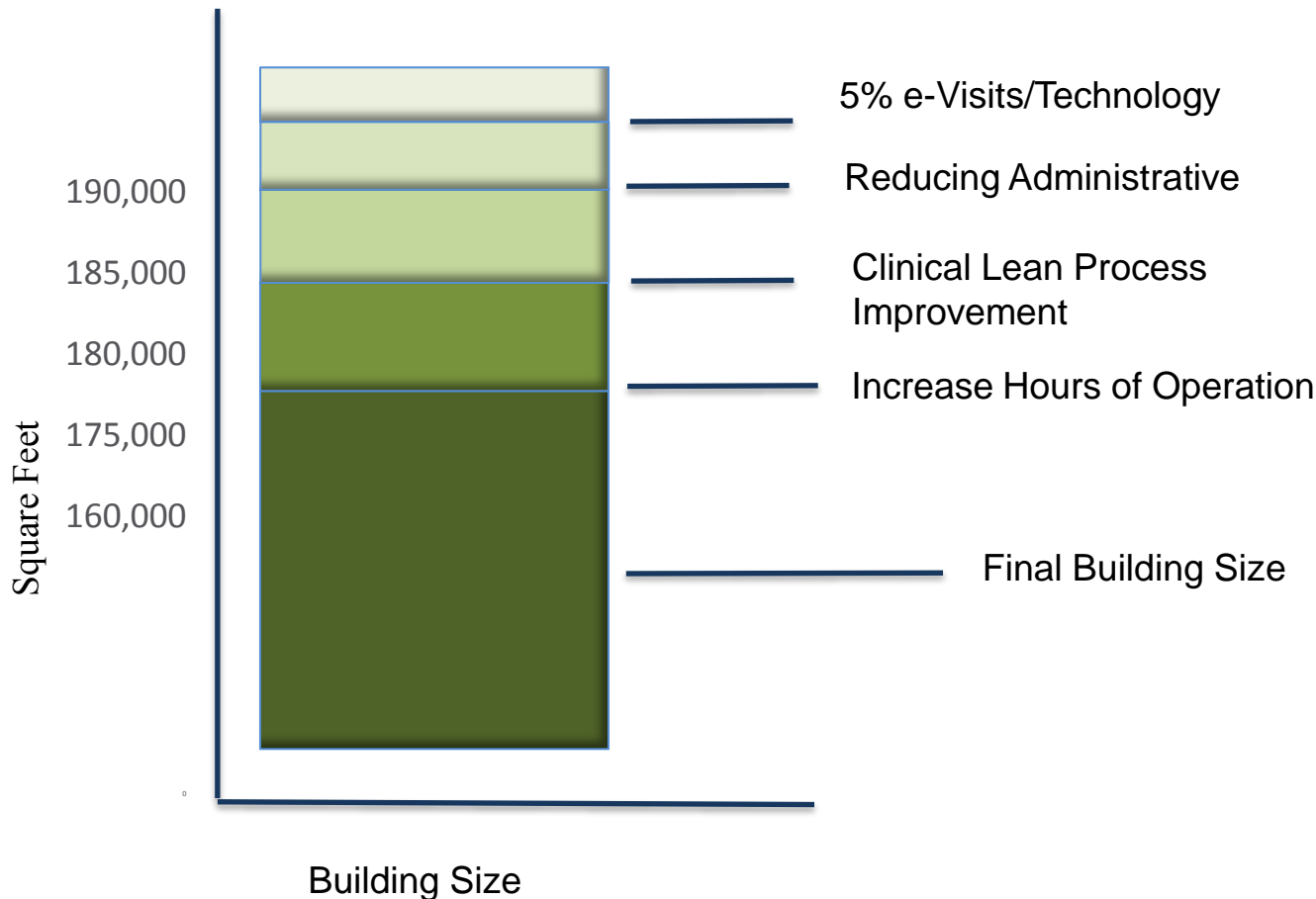
Co-Working



- Collaborating with other companies that share space
- 50% of coworkers access work around the clock, 71% report creativity boost – *Deskmag study*
- The Living Office – John Deere and Oculus case studies, “scrum teams” – *Herman Miller*
- Nature-based design
 - Neurological nourishment
 - Biophilic design = reduced stress

Impacts of Change

Results Of Modeling Decreased Capital Expenditure



- Office recovery slower due to less square footage per person. 200 SFPP down to 180 SFPP – *Mueller*
- MOB Model shows the effects of decreased capital expenditure on building size

Crowdsourcing: *The Answers are All Around Us!*



State of the Industry

