

## Prosperous Times

There was a period in the first decade of the 2000s, during 2005-2007, which one can refer to as “Prosperous Times;” where it seemed like everyone was prospering within commercial real estate. As shown in the graphs to the right or in the later part of this document, across all property types, sales were up, vacancies were down, CAP rates were at historic lows and rents were rising. Development was fast paced – construction and other bridge financing was readily available and inexpensive – the market was enjoying quite a ride.

Debt capital was abundant. Not only for home purchases, refinances and other real estate related financial transactions—but for corporations and private equity. Many Buyers/Users looked to future projected income (in most cases excessively optimistic) to justify present values that were unsound.

Leverage buy-outs were abundant—the large banks, Wall Street and pension fiduciaries were spending into the economy like they had not done in the recent past. Things were really good!

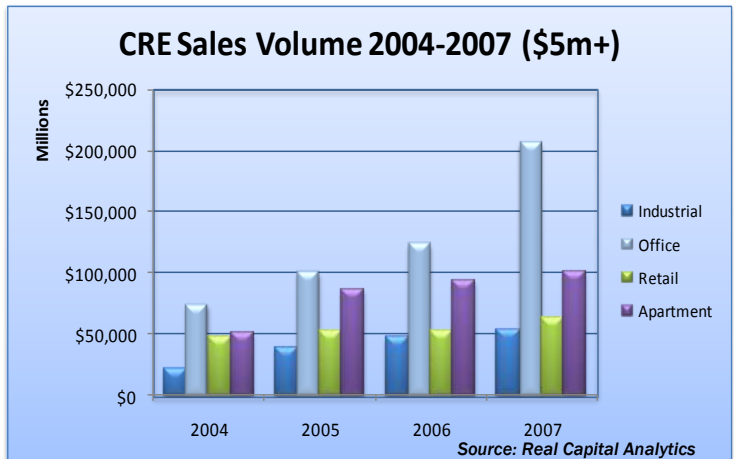
Virtually all of the significant transactions (displayed on the following pages) were completed during this time. In fact, there were several record-setting quarters for the individual property types. Competition among buyers for the largest and best assets remained fierce. Condo Converters were running strong during these years. The prices they paid for multi-family properties outpaced the conservative business mind of the investor buyers.

It seemed liked everyone wanted to be in commercial real estate. National commercial real estate trade shows, such as ICSC, experienced record levels of attendance. Commercial real estate companies seemed to grow in size, more offices opened up, more professionals would be licensed. To say the least, it was a great time to be in commercial real estate. The commercial industry lagged slightly behind the Housing Boom, which took place between 2003-2005.

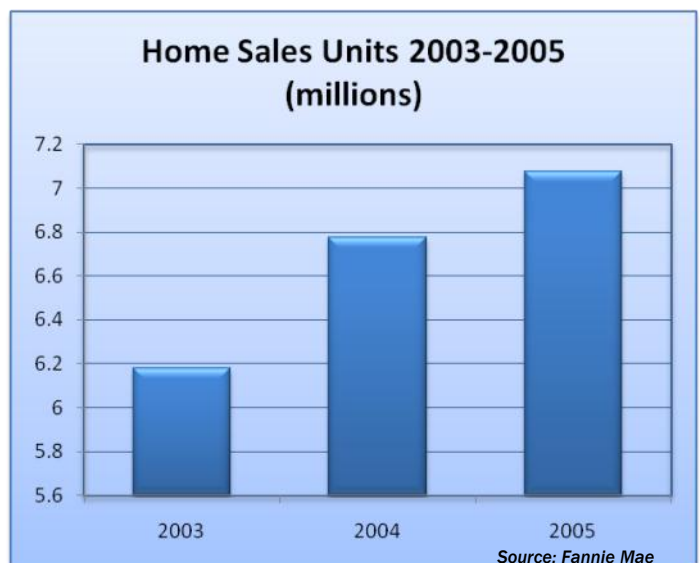
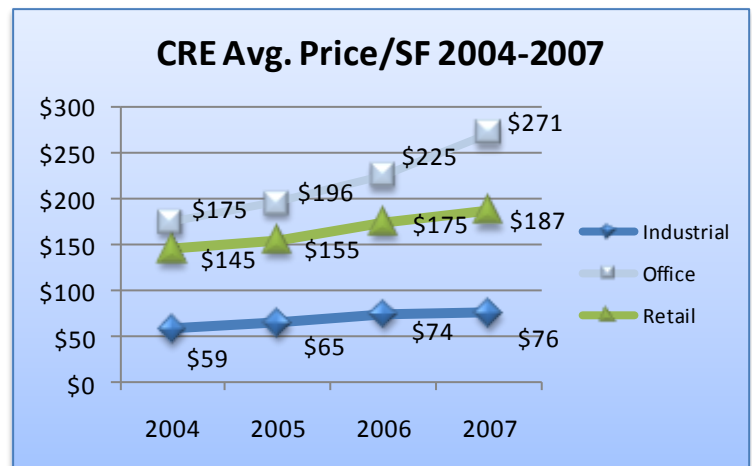
## Housing Market

The “Housing Market Boom,” a period between 2003-2005; where home prices dramatically increased, bidding wars were frequent, contracts were above asking prices and houses remained on the market for short periods of time. For a while, it seemed you could pay almost anything for a home, wait a few months and make a profit selling it.

During this time, consumer confidence soared. Home owners were building equity at a rate that outpaced their savings; and as such, many stopped putting money aside and were looking to their future net worth to be a product of the value of their largest investment – their home. This in turn, led to many homeowners stretching the envelope as to what they felt they could afford. *However, it appeared to be a false “Prosperous Times” and this all led to...*



**In 2007 \$423B of commercial real estate assets traded hands.**



***“You could do less than half the things right and still have an awesome year...” anonymous***