AGENDA

Understanding the New Economy

1. U.S. Economic Recovery and Outlook
   a. Five years into recovery: Where are we?
   b. Slower growth a side effect of financial crisis or secular change
   c. New growth drivers: the New Economy?

2. Maine Economy
   a. Still trailing the national recovery
   b. Demographic drag?
   c. New industrial drivers?
   d. Housing recovery in Maine

3. Commercial Real Estate Outlook
   a. Capital once again flowing
   b. Most property types now seeing measurable improvements
   c. Shifting demand patterns for office and industrial properties
   d. Can multi-housing sustain its current pace?
GROWTH UNIMPRESSIONIVE YET STABLE

GDP and Contribution to Headline Growth, %

Source: Bureau of Economic Analysis and CBRE Econometric Advisors.
HIRING AMONG PRIVATE BUSINESSES REMAINS ON TRACK

- Economy created 2.1 million jobs in last 12 months
- Compared with 2.0 million annualized in last three months
- Payrolls remain on track to reach pre-recession peak by middle of 2014

Change in Payroll Employment, ths.

- Retail: 530 (September 2013 to December 2013)
- Prof & Bus. Services: 637 (September 2013 to December 2013)
- Leisure: 530 (September 2013 to December 2013)
- Education & Health: 530 (September 2013 to December 2013)
- Manufacturing: 228 (September 2013 to December 2013)
- Trans & Utilities: 133 (September 2013 to December 2013)
- Wholesale: 95 (September 2013 to December 2013)
- Finance: 84 (September 2013 to December 2013)
- Construction: 122 (September 2013 to December 2013)
- Natural Resources & Mining: 40 (September 2013 to December 2013)
- Other Services: 36 (September 2013 to December 2013)
- Information: 4 (September 2013 to December 2013)
- Government: -25 (September 2013 to December 2013)

September 2013 to December 2013

December 2012 to December 2013

HOUSING IS WHAT SHOULD DRIVE RECOVERY

Source: CBRE EA Office Outlook, Q3 2013.

Single Family Sales, mil.  
Mortgage Rate, %

Single Family Sales  
Mortgage Rate

Source: CBRE EA Office Outlook, Q3 2013.
HOUSING RECOVERY BOOSTS RETAIL SALES

Source: Census Bureau.
IMPORTS ARE STRONGER THAN THEY APPEAR ONCE OIL IS EXCLUDED

Source: U.S. Census.
LABOR FORCE PARTICIPATION RATE BECOMES AN ISSUE

Women’s Participation Peaked At 60%

U.S. EMPLOYMENT OUTLOOK: NEW SPEED LIMIT FOR GROWTH

Employment, YOY % Change.

HIGH-TECH INDUSTRIES HAVE BECOME BACKBONE OF U.S. ECONOMY

<table>
<thead>
<tr>
<th>Industry</th>
<th>Next 10 Years</th>
<th>Last 20 Years</th>
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</thead>
<tbody>
<tr>
<td>Semiconductor Man.</td>
<td></td>
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<tr>
<td>Computer Man.</td>
<td></td>
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<tr>
<td>Navigational Man.</td>
<td></td>
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<tr>
<td>Wireless Telecom</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-Tech Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer Systems Design</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Equipment Man.</td>
<td></td>
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</tr>
<tr>
<td>Date Processing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wired Telecom</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Telecom</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Scientific</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scientific Research</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satellite Telecom</td>
<td></td>
<td></td>
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<tr>
<td>Medical Lab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis and Moody’s Analytics.
MANUFACTURING RESURGENCE?

Source: Federal Reserve, BLS.
THE MAINE ECONOMY
LET’S START AT THE BEGINNING
Manufacturing Decline Has Not Been Kind to Maine

Manufacturing Employment Indexed (100=January 1990)

SLOW U.S. JOB MARKET RECOVERY

Maine Lags Significantly Behind

Non farm payrolls, indexed (Jan-2008=100)

HOUSEHOLD DATA PAINT SLIGHTLY DIFFERENT PICTURE

Maine Unemployment Lower Than National Average

Unemployment Rate, %

HOUSEHOLD EMPLOYMENT RECOVERING
More Consistent with National Picture

Household Survey Employment, Year-over-Year % Change

IS EDUCATIONAL ATTAINMENT A PROBLEM

Maine Losing Talent to New England Neighbors

Source: U.S. Bureau of the Census.
**MAINE GROWTH SLOW, BUT SOME BRIGHT SPOTS**

Housing Could Be Common Theme With National Outlook

<table>
<thead>
<tr>
<th>Industry</th>
<th>Share of Employment %</th>
<th>Employment Growth, 2-Yr. Average Annual %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maine</td>
<td>US</td>
</tr>
<tr>
<td>Total Employment</td>
<td>0.50</td>
<td>1.65</td>
</tr>
<tr>
<td>Natural Resources and Mining</td>
<td>4.78</td>
<td>4.91</td>
</tr>
<tr>
<td>Construction</td>
<td>4.38</td>
<td>4.27</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.51</td>
<td>8.78</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>3.20</td>
<td>4.25</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>13.99</td>
<td>11.18</td>
</tr>
<tr>
<td>Prof. and Business Services</td>
<td>9.97</td>
<td>13.68</td>
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<tr>
<td>Transportation and Utilities</td>
<td>2.70</td>
<td>3.69</td>
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<tr>
<td>Information</td>
<td>1.36</td>
<td>1.98</td>
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<tr>
<td>Financial Activities</td>
<td>5.14</td>
<td>5.81</td>
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<tr>
<td>Government</td>
<td>16.59</td>
<td>16.05</td>
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<tr>
<td>Other Services</td>
<td>3.25</td>
<td>4.03</td>
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<tr>
<td>Education and Health</td>
<td>19.95</td>
<td>15.23</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>10.54</td>
<td>10.42</td>
</tr>
</tbody>
</table>

*Source: Bureau of Labor Statistics and CBRE Econometric Advisors.*
INDUSTRIES TO WATCH IN MAINE

Business Services, Trade and Tourism Show Momentum

Maine Home Price Still Have Less Ground to Make Up

FHFA Purchase Only Home Price Index, (Index=Q2 2007)

Source: Federal Housing Finance Agency.
CONSTRUCTION ACTIVITY SLOW TO RAMP UP
Housing Could Provide a Boost To Maine Economy

Single- and Multi-Family Housing Permits, ths.

Source: Department of Housing and Urban Development.
COMMERCIAL REAL ESTATE PRICES MOVING HIGHER

CBD Office Near Full Recovery Prices

CPPI Index (Jan-2001=100)

Source: Real Capital Analytics
## Commercial Real Estate Recovery to Date

Office and Industrial Poised for Solid Rent Recovery in 2014

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Measure</th>
<th>Q3 2013</th>
<th>Cyclical Peak</th>
<th>Natural Rate</th>
<th>Year Back to Natural Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>Vacancy Rate</td>
<td>15.1%</td>
<td>16.9%</td>
<td>13 to 14%</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td>Availability Rate</td>
<td>11.7%</td>
<td>14.5%</td>
<td>10.0 to 11.0%</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>Availability Rate</td>
<td>12.3%</td>
<td>13.2%</td>
<td>9 to 10%</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>Multifamily</td>
<td>Vacancy Rate</td>
<td>4.6%</td>
<td>7.4%</td>
<td>5 to 6%</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2009</td>
<td></td>
</tr>
<tr>
<td>Full Service Hotels</td>
<td>Vacancy Rate</td>
<td>26.7%</td>
<td>43%</td>
<td>34 to 38%</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2009</td>
<td></td>
</tr>
</tbody>
</table>

Source: CBRE Econometric Advisors
Employers Hiring: Backfilling Space and Densifying?

Source: CBRE Econometric Advisors.
U.S. OFFICE RENT RECOVERY WILL ACCELERATE

Rent, % Chg. vs. Vacancy, %

Forecast

Rent Inflation
Vacancy

Source: CBRE Econometric Advisors.
INCREASED GLOBAL TRADE AND PRODUCTION HELPING INDUSTRIAL

Source: CBRE EA Office Outlook, Q2 2013.
RENT GROWTH TO PRE-RECESSION LEVELS AS AVAILABILITY CONTINUES TO IMPROVE

Rent, % Chg.

Vacancy, %

Source: CBRE Econometric Advisors.
PERMITS AND STARTS REMAINED NEAR THE HISTORICAL NORM IN Q3

U.S. Multi-housing with 5+ Units in Structure, thousands (Seasonally-adjusted Annual Rate)

Permits 1989-2008 Average (301 ths.)
Starts 1989-2008 Average (265 ths.)

Source: CBRE Econometric Advisors, Q2 2013.
VACANCY IS LIKELY TO RISE IN 2014

Source: MPF/CBRE EA Multi-Housing Outlook, Q3 2013.
SIGNIFICANT RENT GROWTH A COUPLE OF YEARS AWAY

Sources: CBRE Econometric Advisors.
DEMAND RECOVERY STALLS IN Q3

Source: CBRE Econometric Advisors.
For more information regarding this presentation please contact:

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