About Mike Elliott
- Over 24 years and more than $5 billion dollars of diversified national and international real estate experience
- Founding Partner and Managing Principal of Energy Real Estate Solutions
- Former Senior Vice President and Founder of CBRE Energy Facilities Services Group
- Former Managing Director of the Energy Facilities Group at JLL
- Former CEO and Founding Principal of Catalyst Real Estate Solutions and Grubb & Ellis|Catalyst

About Energy Real Estate Solutions (ERES)
Energy Real Estate Solutions is the only company focused on enabling energy companies and investors to achieve commercial success in active North American energy markets by providing a “one-stop-shop” for all real estate services. Our value lies in our industry and geographic knowledge, our expertise in the energy industry, our integrity, and the breadth of our skills. Our clients rely on us to maximize their portfolio value through brokerage, management of existing and future real estate projects, and consulting on various development and investments.
With the fluctuation of oil prices and uncertainty in the energy markets, real estate has felt the impact across various product types and in various geographic areas, including the Williston Basin.

As optimism returns to the conversation about oil prices, we are seeing a bright future for real estate and numerous opportunities for both energy companies and investors.

Today’s discussion will explore real estate in key energy markets – past, present and future – and outline some of the key things to watch in energy real estate over the next several years.
WHERE WE WERE
PRE-2014

- As the price of oil sat above/around $100 per barrel, the commercial real estate industry in the Bakken and other energy markets was booming
- Demand outweighed supply on almost all product types
- Leasing rates were the highest in North America from industrial to housing
- Hotels and apartments were 100% occupied and no matter the product type pricing and availability were at a premium
WHERE WE WERE
PRE-2014 (continued)

Commercial/Industrial
- Average lease rates were between $20 – $32/SF NNN
  - Long term leases 10+ years
  - Many companies built their own campuses ($10+ million) due to lack of existing supply
  - Little to no office product available or infrastructure for the influx of people

Multi-Family
- Rates higher than San Francisco and New York – $2,500+ per bed per month
- Crew Camps full and located all over the Bakken

Land
- Selling at $5 – $15/SF depending on location and zoning
AND THEN....
POST-NOVEMBER 2014

- OPEC decides not to cut supply
- Rig count drops across the board
- Increased bankruptcies
- Thousands of job layoffs across the industry
- At capacity for crude storage
- Any debt available in the market vanished
- Real estate supply still low, but demand decreases
- Occupancy numbers drop to 90%+- (still higher than national average)
Commercial/Industrial
- Lease rates slowly dropped
- New leases signed for shorter terms (Three years and below)
- Rates dropped below $15/SF NNN
- Industrial vacancy still low in the 7 –10% range
- Overall leasing stayed active but timeline for decision making increased significantly
  - Board-level approval now required for small SF and short term leases
- Energy companies consolidated to core energy markets (i.e. Williston and Watford City)

Multi-Family
- One of the most impacted product types
- Supply overbuilt, rates and thus values dropped quickly – up to 66%
- Energy companies dropped master leasing and scaled back stipends for employee housing
- Many Crew Camps drop food service (law eventually passed to remove camps from city limits)
Land
➢ All land deals died
➢ No debt in the market for development
➢ Values dropped to almost nothing
NOW & LOOKING AHEAD

- While some product types were hit very hard during the downturn, it was not as bad as the media would have you believe.

- Industrial activity endured.

- Multifamily owners were hit hard – What once was selling for $225k per door, now sells at $85k+- per door.

- Energy companies are hiring and that is creating a larger need for housing, retail services, etc.

- Energy markets not disappearing anytime soon. Prices have stabilized offering better picture of future returns.
Commercial/Industrial
- Today, the market has stabilized
- Rates hovering around $10 – $15/SF NNN
- Leases back to 5+ years with more landlord flexibility
- More quality supply available – Buildings that sit empty usually do so for a reason (poor location, not built out or poor design)

Multi-Family
- Rates have stabilized at around $700 per bed per month
- Occupancy for the market around 70% and rising quickly in core markets
- Crew Camps no longer operational within city limits of Williston

Land
- Still very little land trading – Debt needs to come back to market once oil stabilizes (likely ~$60 per barrel)
BAKKEN REAL ESTATE PERFORMANCE
TRENDS & OPPORTUNITIES

Energy Companies
- No longer required to master lease residential
- Balanced market: No longer purely an owner/landlords market – More flexibility to negotiate rates/terms
- Turning real estate into profit center
- Shedding excess property and engaging in sale/lease backs

Investors
- Industrial lease rates have stabilized; still some of the highest in North America
- Potential development for core markets
- Great deals still available in Multi-Family and NNN deals
- A lot of capital looking for investments in the energy markets
- Some of the highest investment returns in North America

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<th>Cap Rate</th>
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*National average Cap Rate for Industrial: 4.9%
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LIFE CYCLE OF A SHALE PLAY

STAGE 1
Land, Cars/Trailers, Parking Lots & Man Camps

STAGE 2
Mobile Homes & Motels

STAGE 3
Hotels & Start of Industrial Buildings

STAGE 4
Multi-family

STAGE 5
Single Family & Retail

STAGE 6
Office Buildings

OKLAHOMA

MARCELLUS

PERMIAN

NIOBRARA

BAKKEN

EAGLE FORD
THANK YOU!

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