"Never make predictions, especially about the future." With apologies to Casey Stengel, great baseball player though he was, we're going to give it our best shot anyway. Last year we did pretty well, though our views were far from perfect. We were largely correct about the Fed keeping rates at historic lows and that oil would stay below $70 per barrel. Our biggest miss was probably our unequivocal declaration that Donald Trump would not run for president, and we are reminded of that error every time we turn on a television. You can see a full analysis of what we got right and wrong under the section titled "2015 Scorecard" below. But first, here are Park Madison's top 10 predictions for 2016:

1. The Fed will hike rates, but slowly and in small increments
2. US real estate fundamentals will remain healthy
3. European real estate will offer interesting opportunities across the risk spectrum
4. Real estate debt strategies will grow in popularity
5. Oil prices will remain range-bound below $60 per barrel
6. Investors will increasingly target distressed opportunities in Latin America
7. Real estate fundraising will reach post-2008 highs
8. Real estate M&A transactions will gain momentum
9. ESG considerations will grow in importance
10. And finally… Someone will be elected President

OUTLOOK 2016

The Fed will hike rates, but slowly

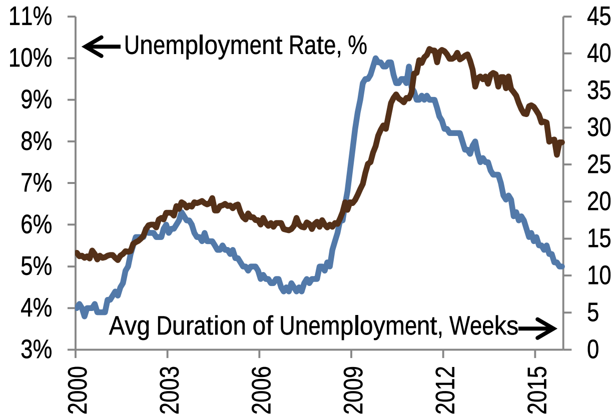
In December 2015, the US Federal Reserve finally hiked the Fed Funds Rate to 0.25%, officially ending 7 years of zero interest rate policy ("ZIRP"). To add further perspective, this marked the first rate hike by the Fed since June 2006 – nearly a decade ago. Ending ZIRP need not spell doom for the US economy, as many financial pundits would have us believe. On the contrary, the recent rate hike was enabled by a series of positive economic factors. The U3 unemployment rate has fallen to 5%, which economists broadly consider the "natural rate of unemployment" ("NAIRU"). The job openings rate as of October stood at 3.6%, which is the highest it's been since 2001. Growth in average hourly earnings finally gained momentum in 2015 after remaining stuck around 2% for several years, which bodes well for US consumer spending.

However, while speculation about the first rate hike is finally behind us, the debate about the velocity, or "slope," of the Fed's future rate hikes is just getting started. We expect that slope to be slow and gentle, with the Fed hiking in small increments over an extended period.

Despite recent economic strength, there are still many reasons for the Fed to remain relatively accommodative. The labor markets have not fully healed. The average duration of unemployment remains quite elevated at 28 weeks, significantly higher than the long-term average of 15.6 weeks. The labor force participation rate, at 62.5%, remains at multi-decade lows. According to a recent Georgetown University study, the US economy remains 6.4 million jobs short of where it should be had the Great Recession not occurred.

The US economy also shows little signs of overheating, which gives the Fed further justification to proceed slowly. Average hourly earnings growth, which last stood at 2.3% as of November, still remains far below the 2000-2007 average of 3.25%. Core inflation has yet to remain consistently above the Fed's target rate of 2.0%. Furthermore, policy divergence versus other developed markets has caused the US Dollar to strengthen significantly, taking a toll on US exports and leading to more restrictive monetary conditions.

Still Far from Normal – Unemployment Rate vs Avg. Duration of Unemployment, Jan 2000-Oct 2015



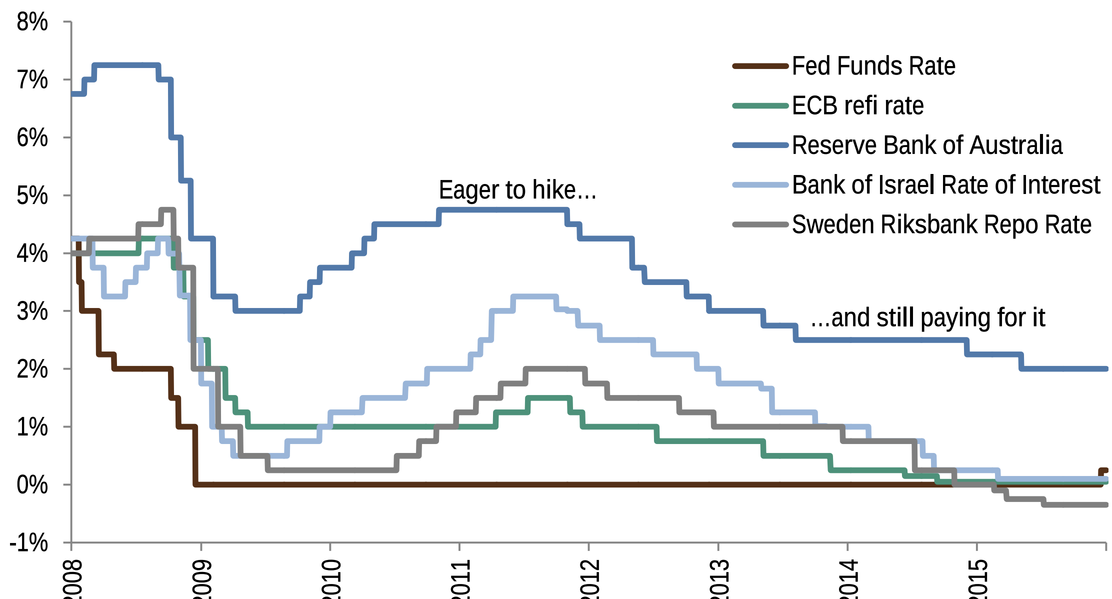
Source: FRED Economic Data

In Need of a Raise – Average Hourly Earnings Growth, Jan 2000-Oct 2015

Source: FRED Economic Data

Finally, the Fed knows that recent history has been unkind to central banks who have hiked rates prematurely. Several developed market central banks tried to raise rates in 2009-2011, only to reverse course when their economies slowed and deflation risks resurfaced. Stanley Fischer, the Fed's Vice Chairman and second in command, learned this lesson first hand as Governor of the Bank of Israel; after being the first developed world central bank to raise interest rates following the Global Financial Crisis, the Bank of Israel was forced to cut rates from 3.25% to 0.10%, where they remain today. Similarly, the ECB famously hiked rates in 2011, only to slash them to zero later and embark on quantitative easing when Europe's economy faltered. Australia, Sweden, Norway and others made similar blunders. We believe the Fed will heed the lessons of recent history, and will proceed slowly and cautiously towards policy normalization. We would be surprised to see a Fed Funds Rate higher than 1.25% by year-end.

Lessons of History – Five Central Bank Policy Rates, Jan 2008-Dec 2015



Source: FRED Economic Data, ECB, Reserve Bank of Australia, Bank of Israel, Sveriges Riksbank

US real estate fundamentals will remain healthy

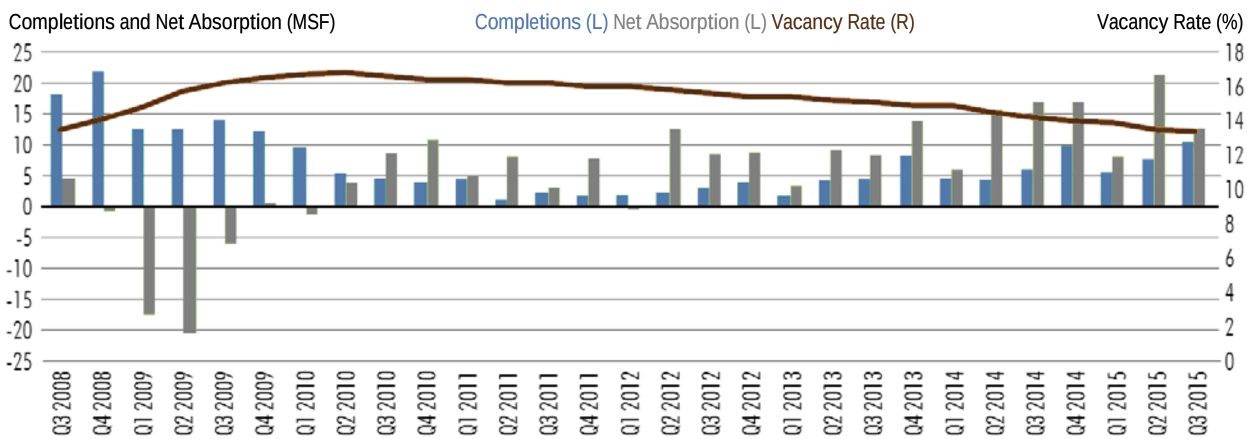
Despite worries by many in the real estate industry, we do not believe that rising interest rates in the US will cause a corresponding rise in cap rates, and thus a fall in commercial real estate valuations. Various studies have shown that the 10-year US Treasury yield, the most commonly used interest rate benchmark in real estate, exhibits no strong correlation with cap rates. Even if there was a strong correlation, current spreads suggest that real estate valuations are well-insulated from any external shock caused by rising interest rates. The average cap rate spread over 10-year Treasuries from Q2 1986 – 2Q 2015 was 286 bps according to Green Street Advisors, and current cap rate spreads remain well above 300 bps, which should theoretically provide cushion for an interest rate rise.

Cap rates and interest rates may even be negatively correlated in certain circumstances. Cap rates are essentially an inverse price/earnings multiple, and investors should be willing to pay a higher multiple – and therefore a lower cap rate – in a high growth / high interest rate environment. This has been the case in several past real estate bull markets, most notably in the periods of 1993-1994 and 2003-2007, both of which experienced a combination of rising interest rates and falling cap rates. Moreover, the most recent occasion when cap rates actually *rose* was not in a period of rising interest rates, but in the depths of the 2008-2009 financial crisis. This is logical, as investors should be less willing to pay a high growth multiple in the face of economic collapse. If economic conditions continue to improve in the US, we believe those conditions should lead to property NOI growth, thereby supporting both cap rates and valuations.

That all being said, we acknowledge that the current US real estate cycle is looking more mature. Several markets and asset classes have surpassed 2007 peak values. "Which inning is this?" is perhaps the most common question we hear at industry gatherings. We have heard a variety of responses to this question, ranging all the way from "9th inning" to "1st inning of a double header". We predict that bad baseball analogies will continue to dominate in 2016...

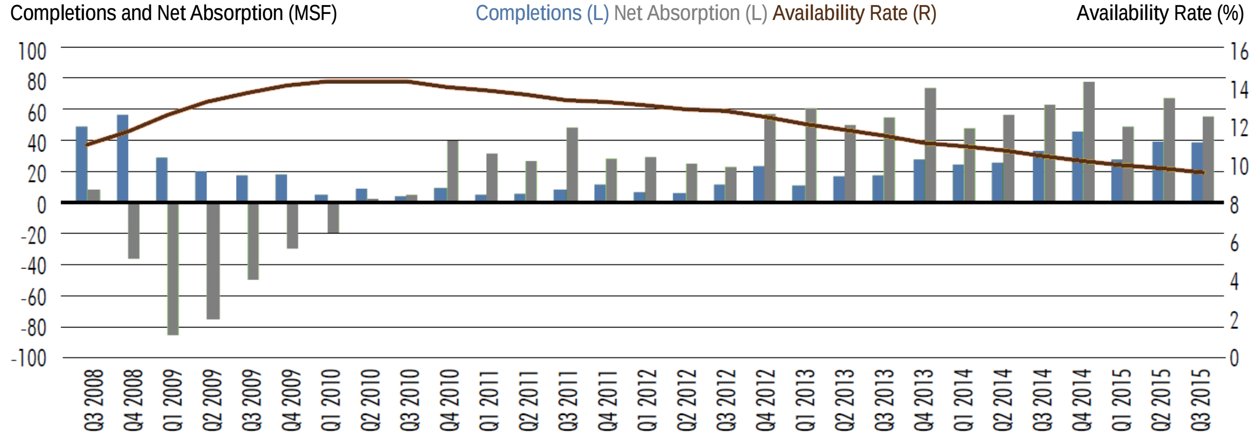
Though the current cycle is looking a bit long in the tooth, there are reasons for optimism. Real estate fundamentals remain quite strong. Tenant demand across all sectors remains, on the whole, fairly robust. Vacancies continue to decline and rents continue to rise. With the exception of multifamily, new supply coming to market has significantly lagged previous cycles. Leverage levels and credit underwriting standards have remained prudent. Additionally, despite repeated expectations for a slowdown, annual real estate investment returns have been accelerating every year since 2012 according to a survey of institutional investors conducted by Hodes-Weill and Associates.

U.S. Office Supply & Demand



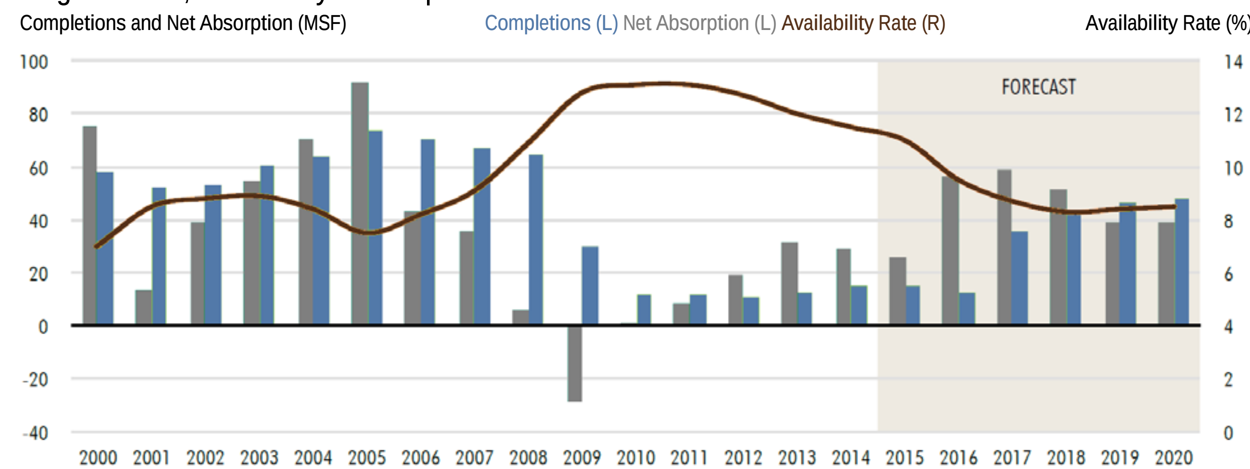
Source: CBRE Econometric Advisors, Q3 2015. Reprinted with permission.

U.S. Industrial Supply & Demand



Source: CBRE Econometric Advisors, Q3 2015. Reprinted with permission.

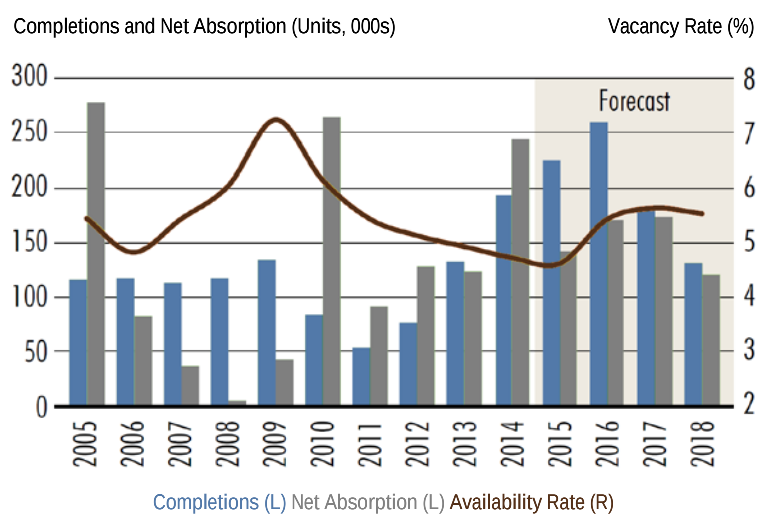
Neighborhood, Community and Strip Center Retail Forecast



Source: CBRE Econometric Advisors, Q3 2015. Reprinted with permission.

While a correction is always possible, real estate is a long-term asset class. Investors should be mindful of risks, and sophisticated investors will correctly view ongoing uncertainty as a reason to diversify across asset classes, geographies, and vintage years. We expect that investors who underwrite prudently and invest with quality managers will continue to experience strong returns from real estate over time.

U.S. Multifamily Supply & Demand Outlook



Source: CBRE Econometric Advisors, Q3 2015. Reprinted with permission.

European real estate will offer interesting opportunities across the risk spectrum

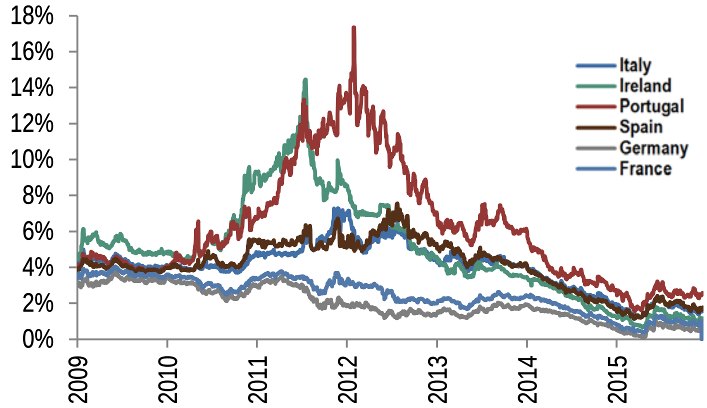
2015 was another eventful year in the Eurozone. With Syriza taking power in Greece early in the year, investors were treated to a contentious bailout negotiation in February, a bailout referendum in July, the Prime Minister's resignation in August, followed by his re-election in September. Needless to say, we won't be making any predictions about Greek politics for 2016… Europe's migrant crisis also reached a fever pitch, and the Continent is still divided on how best to integrate the diaspora of refugees. British voters appear evenly split on whether or not to stay in the EU. These and other events have stirred political debate and rattled nerves throughout the EU.

However, our view is that Europe will continue to muddle through, and the current atmosphere of uncertainty creates opportunities for investors willing to tolerate some volatility. Economic growth, while tepid, appears to be gathering strength across the EU. The ECB remains committed to its quantitative easing program until meaningful growth returns. The weak Euro appears to be stimulating exports and tourism. The ECB's bond purchases have caused sovereign credit spreads to fall significantly – even Italian 10-year government bonds now trade well below 2% yields – and fears of a messy Eurozone breakup have largely receded.

Economic and political reforms are also having a positive effect. Aggressive structural reforms in Spain have led to accelerating GDP growth, falling unemployment, and some of the healthiest consumer spending trends in Europe. Italy's government has surprised many with its bold efforts to improve labor markets, shrink budget deficits, and streamline an inefficient political system. Even France has started to flirt with various reforms to kick-start its languid economy.

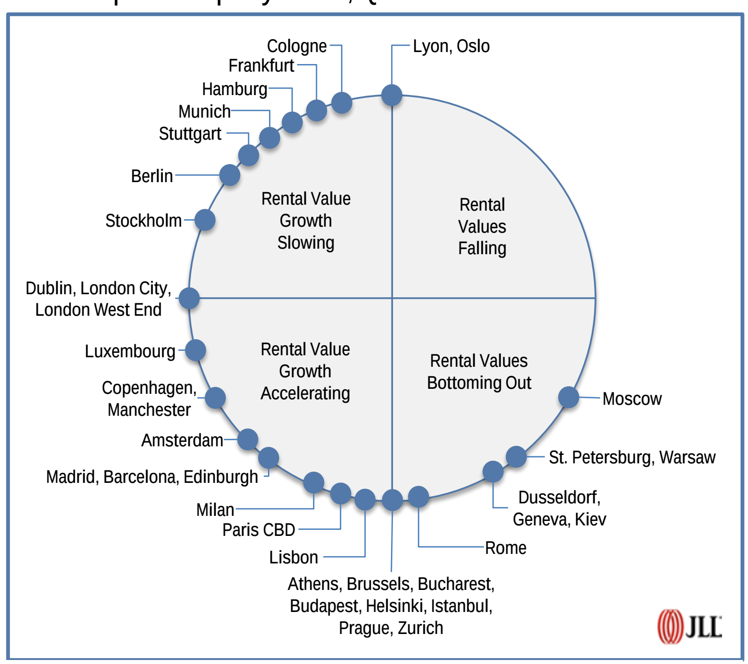
In many ways, Europe offers US investors with one of the best relative value opportunities currently available among developed markets. While Germany is starting to appear firmly bid, core assets can still be acquired at attractive unlevered yields in other European markets that are earlier in their recovery. Interesting value-add and repositioning opportunities are beginning to emerge across Southern, Central, and Eastern Europe. Office leasing volumes in Europe have accelerated to rates not seen since before the Global Financial Crisis. Rents are trending higher across the continent, and new supply remains limited. This suggests further room to run for many of Europe's property markets, and we expect 2016 will see a growing number of investors looking to gain exposure to the region.

Better Together – Eurozone 10 Year Sovereign Debt Yields, 2009-2015



Source: Bloomberg

JLL European Property Clock, Q3 2015



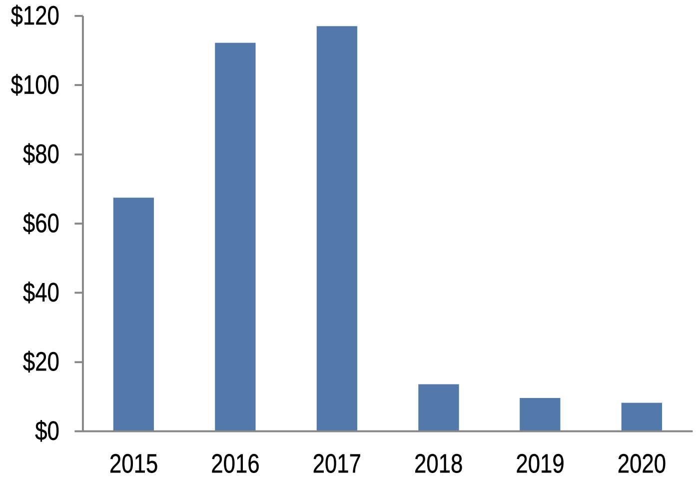
Source: Jones Lang LaSalle EMEA Research, Q3 2015. Reprinted with permission.
Note from Jones Lang LaSalle:

- This diagram illustrates where Jones Lang LaSalle estimates each prime office market is within its individual rental cycle as at end of the respective quarter
- Markets can move around the clock at different speeds and directions
- The diagram is a convenient method of comparing the relative position of markets in their rental cycle
- Their position is not necessarily representative of investment or development market prospects
- Their position refers to Prime Face Rental Values

Real estate debt strategies will grow in popularity

In both the US and Europe, we believe several different factors have created interesting opportunities in real estate for private debt investors. Indeed, we saw increased investor appetite for real estate debt in 2015, as many investors started looking at it as an alternative to core. We expect real estate debt strategies will continue to offer an attractive risk-reward opportunity in 2016.

Into the Wall – CMBS Maturity Schedule, 2015-2020 (Billions)



Source: Wells Fargo Securities

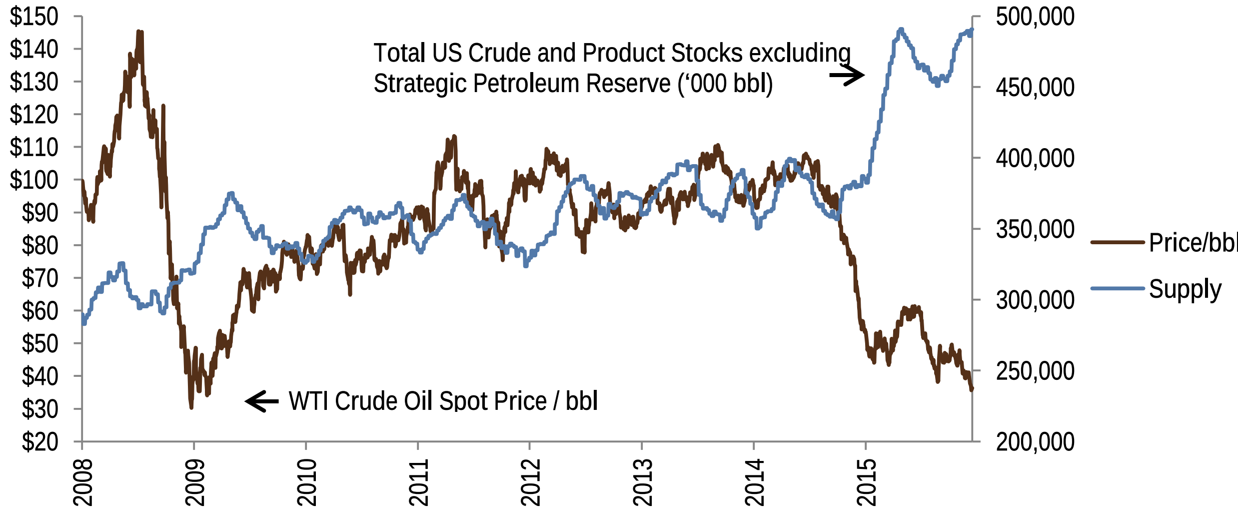
In the US, we have officially hit the CMBS "maturity wall", and just in time for a Fed rate hike. Over 40% of the entire CMBS market is scheduled to mature in the 2016-2017 period. Most of these loans were originated at the peak of the last cycle in 2006-2007, some at especially aggressive property valuations and LTVs of 80% or higher. The good news is that markets and asset values have recovered in recent years, and many of these loans should have no problem getting refinanced. Some, however, will require additional capital or loan workouts as their property values remain underwater. Additionally, the CMBS issuance market is far below its peak volumes of 2006-2007, meaning many of these loans will have to be refinanced through other means. By December 2016, Dodd-Frank's "risk retention" rules will require CMBS issuers to retain 5 percent of the bottom of the CMBS capital structure (a "B-piece", essentially) for at least 5 years. Some in the real estate industry have predicted that this new rule will cause up to 50 percent of CMBS issuers to leave the market. We expect that all these factors, plus tightening monetary conditions, will lead to increased credit market volatility, higher interest rate spreads, and – ultimately – better opportunities for private lenders.

We believe Europe will offer similarly attractive opportunities for private investors in 2016. Banks, which historically dominated the European commercial real estate lending market, continue to retrench following the Global Financial Crisis. The European Banking Authority estimates that EU banks currently hold over €1 trillion of non-performing loans, and the banks are under considerable pressure to clean up their balance sheets. The unpredictable regulatory environment, along with general reductions in staff, have further hindered banks' execution ability and decreased their viability as a lending source. In the meantime, the banks that are lending all seem to be focused on prime properties in the most liquid markets, and at considerably low LTVs. Loan LTVs above 50 percent are difficult to obtain, even for reputable sponsors. We believe this environment will provide opportunities for private investors to lend at attractive risk-adjusted margins.

Oil will not rise above $60 per barrel

In 2015 we asserted that crude oil would not rise above $70 per barrel. We are content to lower that bar in 2016 to $60 per barrel, and expect that oil prices will largely remain range-bound between $30 and $50 per barrel. There is simply too much supply in the market. Shale oil producers in the United States are adapting to lower prices. Though US rig count continues to fall, production has leveled off after hitting lows in September, and has even risen slightly. OPEC production hit a 3-year high in November as the cartel continues to focus on preserving market share rather than raising prices. Iran expects to start exporting 1 million barrels per day starting in Spring 2016. The net result is a global supply glut, which the IEA expects to persist well into 2016.

"Peak Oil" of a Different Sort – WTI Crude Oil Prices vs Supply in Stock, Jan 2011-Dec 2015



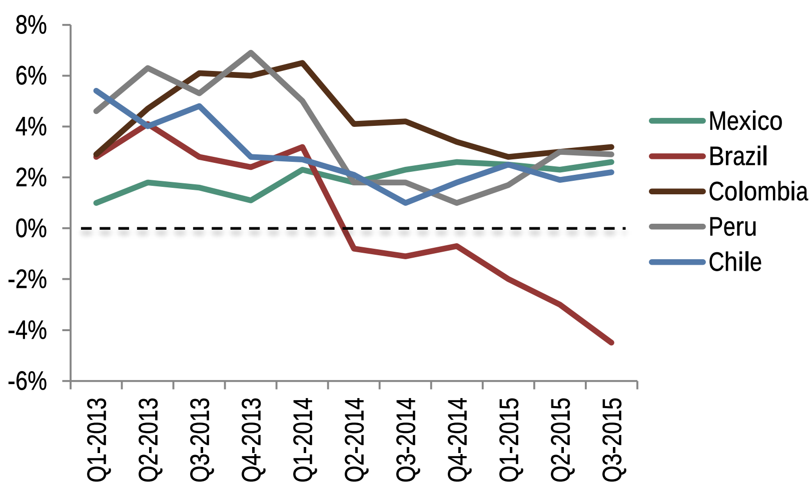
Source: FRED Economic Data, EIA

Conventional wisdom suggests that the current supply glut is transitory, and that demand will eventually catch up to supply to form a new market equilibrium. In the meantime, however, upstream and midstream energy players are likely to experience significant distress. Haynes and Boone, LLP, an international corporate law firm, recently released a report listing 36 energy and production firms totaling $13 billion that have filed for Chapter 11 bankruptcy through November 25. We expect the pace of bankruptcies to accelerate in 2016 as persistently low energy prices take their toll. Several private equity firms are raising funds to capitalize on the distress, through both equity and credit strategies. For investors, gaining long-term oil and energy exposure at current depressed prices may seem prudent. We tend to agree, however, we would caution investors against pursuing any strategy that assumes a quick "V-shaped" recovery in energy prices, and stick to strategies that can achieve attractive returns even if energy prices remain low and range-bound for several years.

Investors will increasingly target distressed opportunities in Latin America

Emerging markets had their fair share of pain in 2015. Falling commodity prices, a slowdown in China, and a strong US dollar conspired to send several emerging market economies into recession and their currencies to multi-year lows. Latin America stands out as a region where economic performance has been mixed, but where currency devaluation has been indiscriminate. Brazil, for example, is currently experiencing its worst recession since the 1930s, with further contraction expected in 2016. The Brazilian Real, in turn, depreciated by over 40% in 2015. On the other hand, countries like Mexico, Colombia, Peru, and Chile continue to post reasonable GDP growth despite economic headwinds, and even still their currencies have taken a beating.

Spot the Distress – Latin America Annual GDP Growth Rates, Select Countries, Q1 2013-Q3 2015



Source: INEGI (Mexico), IBGE (Brazil), DANE (Colombia), INEI (Peru), Banco Central de Chile

Despite Latin America's disappointing performance in 2015, we believe the region may provide interesting opportunities for investors in 2016. Depressed currencies may prove to be a good entry point for long-term investors, and economic "green shoots" seem to be emerging across the region. Commodity prices, especially oil, are finally reaching price levels where they seem likely to stabilize and, at the very least, cease to be a drag on growth in places like Colombia and Mexico. Brazil's economy is expected to contract again in 2016, but less severely than in 2015. Even Argentina, long a no-go zone to foreign investors, may start to look interesting if the new president can advance meaningful economic reforms.

Some of the most interesting opportunities in Latin America in 2016 may relate to financial distress in places like Brazil. Brazil's banks have curtailed lending, especially in the real estate sector, causing developers and operators to seek private investors to help fund their capital needs. With money in such short supply, many investors have been able to command outsized returns on their capital, and we have seen a growing number of institutional investors start venturing into Brazil in the last year. We expect further institutional interest in distressed credit and equity strategies in Brazil in 2016.

Real estate fundraising will reach post-2008 highs

Fundraising levels remained healthy in 2015, with over $102 billion of capital raised according to Preqin's latest tally, on par with last year's total. We expect real estate fundraising to hit a fresh post-2008 high in 2016. Real estate has solidified its standing as a mainstream asset class, and is considered an important component in a diversified institutional portfolio. In 2005, the average target allocation to real estate in institutional portfolios was just 5 percent. By 2014, that had risen to 9 percent, and the current average target is now approaching 10 percent.

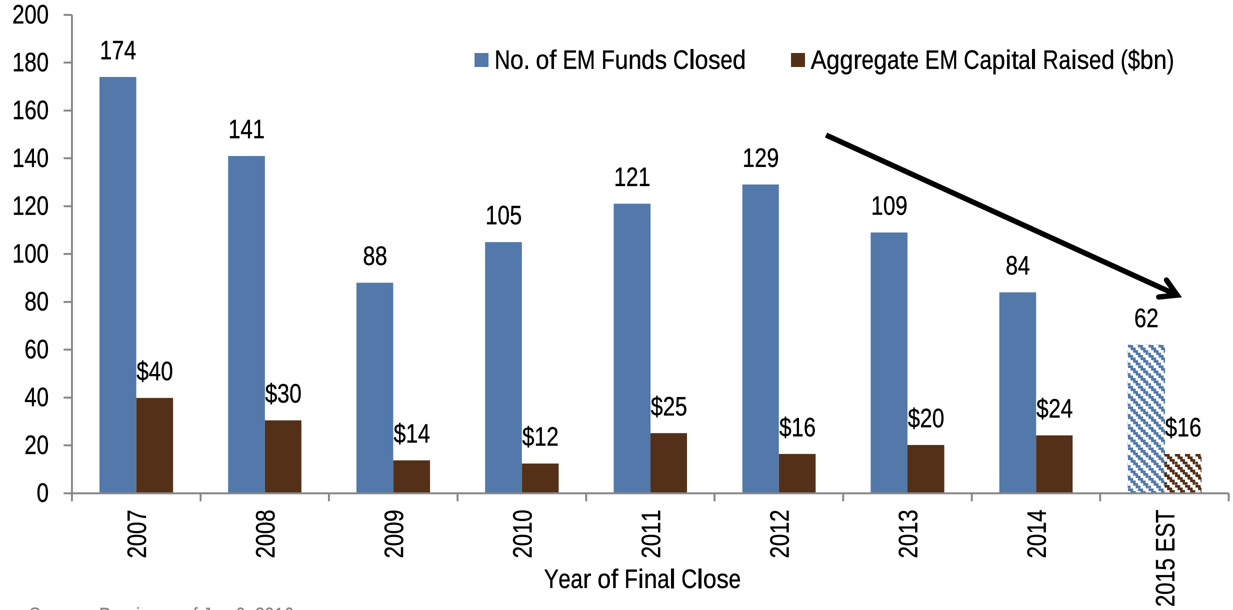
Still Climbing Back – Real Estate Closed-End Fundraising, 2007-2015 ($Billions)

Source: Preqin, as of Jan 6, 2016.

There are many factors fueling this trend. One is simply the growing institutionalization of real estate as an asset class, with high quality investment offerings that span the gamut in terms of structure, liquidity, geography, strategy, and risk profile. Another is likely the strong returns experienced by real estate investors in this cycle, as mentioned above, as well as a growing number of investors who view real estate as an attractive source of current income in a low-yield environment. Most importantly, however, is perhaps the increased correlation of asset classes globally as markets become more efficient, making effective diversification more challenging and increasing the appeal of less correlated asset classes such as real estate.

Despite what we expect will be a strong fundraising environment in 2016, there will still be winners and losers. While more capital is being raised, it is going to fewer, more established managers. Large-cap funds continue to attract record amounts of capital, while emerging managers are having perhaps their most difficult time raising capital since the Global Financial Crisis. The average fund size through October 2015 was approaching $650 million according to Preqin. The average for established (i.e. "non-emerging") managers was closer to $900 million, while the average emerging manager fund size was below $300 million. This is the widest spread we have ever seen. Additionally, the number of emerging manager funds reaching a final close looks to have declined markedly in 2015 (see chart on next page).

Crowded Out – Emerging Manager Annual Closed-End Private Real Estate Fundraising, 2007-2015



Source: Preqin, as of Jan 6, 2016.

Why are emerging managers having such a difficult time? Part of the reason is simply that institutional portfolios are more mature at this stage in the real estate cycle. Emerging managers saw very healthy interest from 2011-2013, as investors sought to shake up their portfolios and replace managers who performed poorly through the Global Financial Crisis. That culling process seems to have largely run its course. Institutional investors are largely happy with their existing portfolios, and are increasingly focusing their capital on re-ups with existing managers. The successful emerging managers of 2011-2013 are the new existing managers of today. Additionally, some of the largest institutional investors are migrating away from commingled funds and focusing instead on separate accounts and direct investments in an effort to minimize fees and retain more discretion.

As such, the bar for adding new manager relationships is much higher than at any other point in the current cycle. This holds true for both emerging managers and for more established managers who wish to diversify their investor bases – both are likely to find it difficult in this environment. It is therefore essential for managers who wish to attract new investors to possess some differentiating factor (a unique strategy, outstanding track record, superior access to deals, etc) that justifies their addition to a mature portfolio. For talented managers who know how to position themselves competitively, 2016 should be an exciting fundraising year.

Real estate M&A transactions will gain momentum

2015 was an interesting year for mergers and acquisitions in the real estate sector. With record amounts of dry powder and REITs trading at sizeable discounts to NAV, public-to-private REIT takeovers gained momentum. Going into 2016, data from Preqin suggests there is approximately $221 billion of dry powder in real estate private equity funds, roughly the same level that was outstanding at the end of 2014. REITs continue to trade at sizeable discounts to NAV, making it more difficult for them to raise money in the public markets for accretive acquisitions. With private fund sizes growing larger and high-alpha investment opportunities growing harder to find, we expect REIT takeover volumes to increase in 2016.

We also expect to see increased M&A activity relating to various commercial real estate platforms. Real estate investment managers are likely to see increased M&A interest as strategic buyers seek to enhance their in-house real estate capabilities and annuity revenue streams, as in the case with Northstar's acquisition of Townsend. There seems to be a growing appreciation for investment management platforms as a business model, and we have seen more capital being raised to pursue platform-level investment strategies.

We also expect to see additional transaction activity due to "mergers of equals" between small and mid-sized investment management platforms, such as the combination of Gramercy Property Trust and Chambers Street Properties. Such combinations often allow managers to build scale and increase their competitiveness in markets where larger platforms tend to dominate. With competition heating up as the current real estate cycle matures, we expect further industry consolidation ahead.

ESG considerations will grow in importance

On December 12, 2015, after over two decades of negotiations, representatives from 196 countries gathered in Paris and forged a landmark agreement to combat climate change globally. Even before this agreement, many governments, industries, and businesses across the world were already adapting their practices to focus on sustainability and environmental conservation. The real estate industry has played an important role in this trend, as the EPA estimates that buildings are responsible for up to 20 percent of carbon emissions globally.

In addition to their environmental impact, buildings also have numerous social impacts on their surrounding communities. Recognizing this, the real estate industry has recently seen growing adoption of environmental, social, and governmental considerations, or "ESG", in its investment, development, and operational decision-making. Innovations to reduce energy use and water consumption are already widespread. LEED certification, which focuses on a multitude of sustainability metrics such as water savings, energy efficiency, air quality, and building materials, is now often demanded by large corporate or government tenants before occupying commercial space.

Among the institutional investor community, we have seen an increasingly large number of due diligence questionnaires which feature special sections on ESG and how real estate managers integrate ESG into their investment process. We expect ESG to increase in importance as a differentiating factor between real estate managers. Public pensions and sovereign wealth funds, which have the deepest pools of capital to invest, are also likely to focus more on ESG as their investment policies are often closely entwined with public policy. Investment managers who wish to remain competitive would be well-advised to adopt formal ESG policies to incorporate within their broader investment practices.

And finally… Someone will be elected President

Our last section is an opportunity for us to step away from real estate prognostications and have some fun with current events. The 2016 presidential election cycle has featured one of the messiest primary seasons in recent memory – and it's just getting started. At this point, the race is still a free-for-all, with the outcome in November far from certain. We expect Hillary Clinton to secure the Democratic nomination with relative ease. Even if Bernie Sanders manages to win Iowa or New Hampshire, we expect Clinton will steamroll through South Carolina and the Super Tuesday primaries, removing any lingering doubts of her eventual nomination.

The Republican nomination, on the other hand, is still unpredictable as various "outsider" and "establishment" candidates battle for the party's soul. However, some clarity on an eventual nominee is beginning to emerge. Twelve candidates remain in the race, but only five appear to be serious contenders at this stage: Chris Christie, Ted Cruz, Marco Rubio, Jeb Bush, and Donald Trump. Donald Trump continues to dominate both state and national polls, but we believe his support is essentially maxed out in the 27-35% range. A loss to Ted Cruz in Iowa (which appears increasingly likely) may diminish Trump's frontrunner status early in the primaries, setting up a contest between Cruz and Trump over who will carry the "outsider candidate" banner.

Chris Christie, Jeb Bush, and Marco Rubio, meanwhile, all have an opportunity to seize the "establishment" banner. Rubio continues to pick up high profile endorsements and is doing well in national polls. Christie is running a solid campaign in New Hampshire, and a first or second place win there could cause New Jersey swagger to catch on elsewhere. Jeb Bush started this race as the favorite and has since surprised mostly to the downside, but he still retains a sizeable war chest and thus cannot be counted out.

Ultimately, we have no definitive prediction on how the Republican nomination battle will shake out, but we have some ideas regarding the path it could follow. There is speculation that the primary will go all the way to the July convention, resulting in a brokered outcome. The Republican Party last experienced a brokered convention in 1920.

Despite this possibility, we believe a 1992-like scenario is more likely. The 1992 presidential primary saw one party united around a presumptive nominee facing a vocal but nonthreatening opponent, while the other party had a crowded primary field, and a clear front-runner did not emerge until late in the primary process.

Sound familiar?

The presumptive nominee in 1992 was George H. W. Bush, the incumbent Republican president (his vocal but nonthreatening opponent was Pat Buchanan, who won no primaries but came close in New Hampshire). Meanwhile, the Democratic primary was a five-way slugout between Jerry Brown, Paul Tsongas, Bob Kerrey, Tom Harkin, and Bill Clinton. The first four primaries – Iowa, New Hampshire, Maine, and South Dakota – were won by four different candidates, none of whom was named Clinton. Clinton emerged as the frontrunner much later in the process, eventually going on to win the presidency.

Regardless of how the Republican primary turns out, the general election is bound to be a close contest. Hillary Clinton is no shoe-in. In the post-war era, the incumbent party in the White House typically loses after holding it for 8 years. George H. W. Bush's election following Reagan's 8-year presidency is the lone exception. Voters simply grow tired of seeing the same party in power. Thanks to the Republican Congress and general dysfunction in Washington, this effect may be somewhat mitigated for Clinton. But at this point, it's anyone's race.

SCORECARD 2015

In the spirit of keeping ourselves honest, below we have provided a short "scorecard" on our 2015 Outlook and what we got right and wrong. Each of our market calls is scored on a scale of 1 to 10, with 10 meaning "nailed it" and 1 meaning "not even close". We also include some brief commentary to explain why we scored ourselves the way we did. We admit that this is a highly subjective exercise, and we have absolutely no problem with that. So let's get to it.

The Fed will remain accommodative

Score: 9/10

We correctly predicted that the US Federal Reserve would finally hike interest rates in 2015, and also suggested that the pace of rate hikes would proceed much more slowly than markets expected. In January 2015, the consensus forecast was for a 1.00% Fed Funds rate by December. We were skeptical of this view, and the only reason we did not score ourselves 10/10 is that we did not have enough conviction to refute it entirely.

US 10-year treasury yields will approach 3%

Score: 5/10

On this one, we scored well on our supporting rationale, but missed the actual headline call. So we classify this one as a draw and give ourselves 5/10. We were correct in suggesting that low rates at the end of 2014 were not a sign of imminent economic collapse, but rather the result of falling inflation expectations in the developed world. The economic outlook for the US going into 2015 was, in our view, quite positive. Unemployment was falling, wage growth was picking up, and GDP growth showed no signs of slowing. We did not believe a 1.67% 10-year Treasury yield was likely to persist, and we fully expected a rebound closer to 3%. While strong US economic trends largely continued in 2015, and 10-year Treasury yields did rise considerably from their lows in early 2015, yields did not come as close to approaching our 3% target as we expected. The highest they advanced in 2015 was 2.5%, and for most of the year they remained stuck in a 2.0%-2.5% range.

US real estate will offer interesting opportunities across the risk spectrum

Score: 10/10

We made several calls about US real estate last year and they have all proved to be correct. First, we said there would be no catastrophic rise in cap rates that would hurt real estate valuations. This has held true, though concerns about cap rates are growing going into 2016 (see our section on US real estate above for our updated view on this topic). We also said we expect more investors to begin venturing outside of major gateway markets and into some non-major markets. We see this happening as both investment managers and investors are looking beyond their core markets. Finally, we predicted growing investor appetite in real estate debt strategies, and have largely seen this trend gain momentum throughout the year and into 2016 (see our previous section on this titled "Real estate debt strategies will grow in popularity").

Fundraising will gain momentum, and deal sourcing will become more competitive

Score: 10/10

Fundraising does indeed appear to be gathering momentum heading into 2016, with overall fundraising volumes in 2015 looking likely to surpass 2014's total. We were also correct in saying that large-cap funds would dominate fundraising in 2015, and that emerging managers would suffer from a "crowding out" effect. We also are quite proud of our call that REIT buyouts seemed more likely in 2015. Several REITs have since been taken private, with the largest buyout transaction being Blackstone's $3.93 billion acquisition of Strategic Hotels & Resorts. Prior to 2015, REIT buyout activity had largely been at a standstill since 2007. In 2014, for example, the only REIT buyout was the $763 million buyout of Houston-based AmREIT. However, given the amount of dry powder with private equity funds and competition for deals heating up, we saw a growing possibility that REIT buyouts would pick up in 2015, and our instincts were correct.

Technology will continue to transform the real estate industry in unpredictable ways

Score: 5/10

We'll just call this one a draw because it's so difficult to score. Real estate technology firms continue to emerge and seek new innovative ways to transform the industry. However, the effects of these changes are difficult to perceive in the short term. Call us back in 5 years and we'll tell you how we scored on this one…

A weak Euro and a dovish ECB will create opportunities in Europe

Score: 9/10

We were correct that, assuming a "Grexit" could be avoided, 2015 should offer compelling opportunities across Europe. We also correctly stated that the Euro would remain weak relative to the US dollar in 2015, stimulating exports and tourism in Europe's recession-struck periphery. Indeed, the periphery is where many of the best real estate investment opportunities appear to be emerging. Spain and Ireland are some of the strongest performing economies in Europe. Italy also appears to be gathering steam. Our reason for not giving ourselves a perfect 10/10 here is that we struck a decidedly cautious tone regarding Greece, the possibility of a "Grexit", and the broader implications of that risk overhang on the rest of Europe. We were not entirely certain that Europe's recovery would continue apace with Greece repeatedly lunging towards the exit door. That risk persisted throughout 2015, but it has done little to slow Europe's recovery.

Oil will not rise above $70 per barrel

Score: 9/10

WTI oil prices managed to reach the $60 range in the summer but quickly retreated thereafter. We were correct that a V-shaped recovery was not in the cards, and that several E&P bankruptcies loomed. However, our $70 benchmark was perhaps too generous, so we'll settle for 9/10 here instead of a perfect 10/10.

Emerging markets will start to find a cyclical bottom

Score: 5/10

As we head into 2016, there are conflicting signs about whether or not emerging markets are starting to find a bottom or are just taking a pause before another leg down. In many ways any blanket prediction about "emerging markets" is no longer fair. India for instance has seen its growth accelerate in 2015, while Brazil is slipping deeper into recession; both are often lumped within the same "emerging markets" category, despite having very different economies. The term "BRICs" has become so out of fashion… Though performance has varied widely across markets, there are some signs that a cyclical bottom in emerging markets may be forming. For instance, while Russia and Brazil are both expected to weather a second year of recession in 2016, current consensus forecasts suggest that both will contract less severely than in 2015, which could potentially set the stage for a recovery in late 2016 or early 2017. History may yet judge 2015 as the low point for emerging markets in this cycle. However, given the lingering uncertainties and our inability to definitively call "bottom", we give ourselves a neutral 5/10 here.

New York's condo market will soften

Score: 4/10

Our results were mixed here. We correctly predicted that a strong US dollar would reduce the number of foreign buyers in New York's condo market. The ultra-luxury condo segment saw some additional weakness, as inventory and time on the market both increased and a growing number of sellers offered price cuts. However, outside of the ultra-luxury segment, prices have remained quite strong, with median condo prices reaching a record $1.6 million in 2015 according to CityRealty. While we remain cautious regarding the condo market's staying power, we cannot dispute that 2015 was another record year. Had we focused our bearish call exclusively on the ultra-luxury market, we would have been relatively pleased with our results. That not being the case, we score ourselves 4/10.

Nearly everyone will run for President

Score: 8/10

While the headline alone likely deserves a 10/10 score, there were some things we got right and wrong here. We said Hillary Clinton was by far the favorite to win the Democratic nomination. She still is, but we never suspected that Bernie Sanders would become such a threat to Clinton in the early primary contests. We correctly predicted that the Republican contest would be extremely crowded, and that no fewer than 20 Republicans would enter the race. So far, there have been 17 major candidates featured in national polls, along with 5 other minor candidates who have technically filed with the Federal Election Commission but are unlikely to be serious contenders. That's 22 total, so not bad compared to our forecast! One of the 22 candidates, however, was New York real estate's very own Donald Trump, who we unequivocally declared would not run but would play games with the media to draw attention to himself. He continues to play games with the media, and they are indeed showering him with attention, but he also happens to be the current frontrunner for the Republican nomination. It's not something we ever would have expected, and we got it wrong. So the two quintessential insurgents of this campaign – Donald Trump and Bernie Sanders – bring us down to 8/10.

ABOUT PARK MADISON PARTNERS

Park Madison Partners is a New York-based real estate placement and advisory firm focused on the global real estate private equity and private funds industry, and to date has participated in the placement of over $7.5 billion of real estate capital globally. Park Madison Partners was founded to offer clients capital raising and strategic consulting services with a high degree of customization, integrity and accountability. The firm provides a relationship-driven approach to structuring and marketing assignments and offers its clients access to institutional investors across North America and the Middle East. Park Madison Partners is a member of SIPC-FINRA and is certified with the Women's Business Enterprise National Council.

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