



U.S. REAL ESTATE CHARTBOOK

**RCLCO**  
REAL ESTATE ADVISORS

# CONTENTS

<b>Summary Point of View</b>	<b>3</b>
<b>Investment Fundamentals Overview</b>	<b>9</b>
<b>Property Market Overview</b>	<b>27</b>
Residential	28
Office	39
Retail	46
Industrial	54
Hotel	61

# RCLCO

RCLCO is an independent consulting firm that exclusively provides real estate consulting services. With staff members in four U.S. locations, RCLCO provides consulting services in the areas of Institutional Advisory Services, Urban Development, Community and Resort Development, Public Strategies, and Strategic Planning and Litigation Support.

RCLCO's Institutional Advisory Services group provides services to commercial real estate owners in the areas of:

- Portfolio analysis, investment policies, and pacing plans
- Manager/operating partner selection
- Investment sourcing and hold/sell analyses
- Asset management
- Market analysis, target markets, and independent research

**For questions, contact:**

Taylor Mammen  
Director of Institutional Advisory Services, RCLCO  
11601 Wilshire Blvd.  
Suite 1650  
Los Angeles, CA 90025  
(310) 282-0437

**Report Prepared by:**

Taylor Mammen, Managing Director  
Taylor Kuntz, Senior Associate

## **SUMMARY POINT OF VIEW**

---

# POINT OF VIEW FOR REAL ESTATE

## CURRENT AND SHORT-TERM OUTLOOK (AS OF MAY 2017)

- Multiple metrics and indicators suggest that we are in or nearing a “late stable” stage of the market cycle for most property types in most geographies. In fact, multiple property types in some geographies (Washington, DC, Houston) and multifamily nationally appear to have surpassed “peak” conditions at this point, though we have no reason to expect a sharp downturn.
- Our “base case” scenario for real estate performance assumes these “late stable” conditions extend beyond 2017, though the probability that “left tail” events derail this trajectory continues to be high.
- Our near-term (~12 month), high-level assessment of the U.S. real estate market is a continued steady march toward “peak” conditions:
  - Property market fundamentals: Economic and demographic drivers are still increasing demand, though construction activity is catching up; as inventory nears equilibrium, operating fundamentals are positive but moderating.
  - Capital market fundamentals: 100+ days in, and Trump presidency policies and actions have had little impact on capital markets for real estate. Conditions seem largely unchanged from 4Q 2016:
    - *Equity*: Though still above the long-term average, transaction volume was down in 1Q. We suspect this is a hangover from 4Q 2016, when investors were paralyzed by indecision from the U.S. presidential election, and didn’t focus on underwriting. The amount of capital seeking investments continues to exceed available opportunities, but moderating operating fundamentals appears to be neutralizing pressure on pricing.
    - *Debt*: Demand for debt likely exceeds what lenders are willing to supply, particularly for “non-core” investments, and lenders’ cost of capital likely increases this year along with the Federal Funds Rate. Though rates have moderated following 4Q 2016 spikes, upward pressure on interest rates continues to persist—leading to *downward* pressure on pricing.
- On balance, we anticipate moderating, though still generally positive, operating and investment performance for 2017 resulting largely from healthy property market fundamentals. Current capital market dynamics are maintaining sufficient levels of liquidity and holding pricing steady—but require close monitoring.

# REAL ESTATE PERFORMANCE INDICATORS & IMPLICATIONS, MAY 2017

DRIVERS/INDICATORS (EXAMPLES)	IMPACT ON PERFORMANCE/PRICING	IMPLICATIONS
-------------------------------	-------------------------------	--------------

## Property Market Fundamentals

<u>Demand</u>	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Household formation</li> <li>• Consumer spending</li> </ul>	<p><b>Positive</b> (Job, population, spending growth enhance demand)</p>	<p><b>Fundamentals are still healthy overall, but enhanced focus on local market conditions is required</b></p>
<u>Supply</u>	<ul style="list-style-type: none"> <li>• Occupancy</li> <li>• Construction</li> </ul>	<p><b>Neutral to Slight Negative</b> (Construction catching up, sometimes exceeding, absorption)</p>	

## Capital Market Fundamentals

<u>Equity</u>	Demand (Buyers)	<ul style="list-style-type: none"> <li>• Fundraising/"dry powder"</li> <li>• Qualified offers per transaction</li> </ul>	<p><b>Neutral</b> (Plenty of dry powder, but fundraising is slowing and cap rates are holding steady)</p>	<p><b>Currently, neutral to slight negative pressure on asset pricing</b></p>
	Supply (Sellers)	<ul style="list-style-type: none"> <li>• Transaction volume trends</li> </ul>		
<u>Debt</u>	Demand (Borrowers)	<ul style="list-style-type: none"> <li>• Fundraising/"dry powder"</li> </ul>	<p><b>Slight Negative</b> (Lenders continue to be highly judicious; slight upward pressure on interest rates)</p>	
	Supply (Lenders)	<ul style="list-style-type: none"> <li>• Lending standards</li> <li>• Interest rates/spreads</li> </ul>		

# INDICATORS & IMPLICATIONS BY PROPERTY TYPE, MAY 2017

## Multifamily

Property: Supply reaching equilibrium in most markets, and exceeding it in some; expect record NOI growth to moderate.

Capital: Generally more capital available for MF than other property types thanks to GSEs, though expect slowing appetite as fundamentals moderate.

## Office

Property: In 1Q 2017, for the first time in 5 years, absorption did not exceed new deliveries. Expect to see flattening performance improvement in most markets.

Capital: Continues to be abundant for quality buildings in "Gateway" CBDs and is now (cautiously) chasing yield in lesser quality assets and locations

## Retail

Property: Very limited construction activity continues to benefit operating performance, but certain retail types and locations may suffer from "structural obsolescence," thanks primarily to e-commerce.

Capital: Investor appetite insatiable for "trophy" malls and well-located grocery-anchored centers, but muted for retail types facing threats (obsolete malls, power centers).

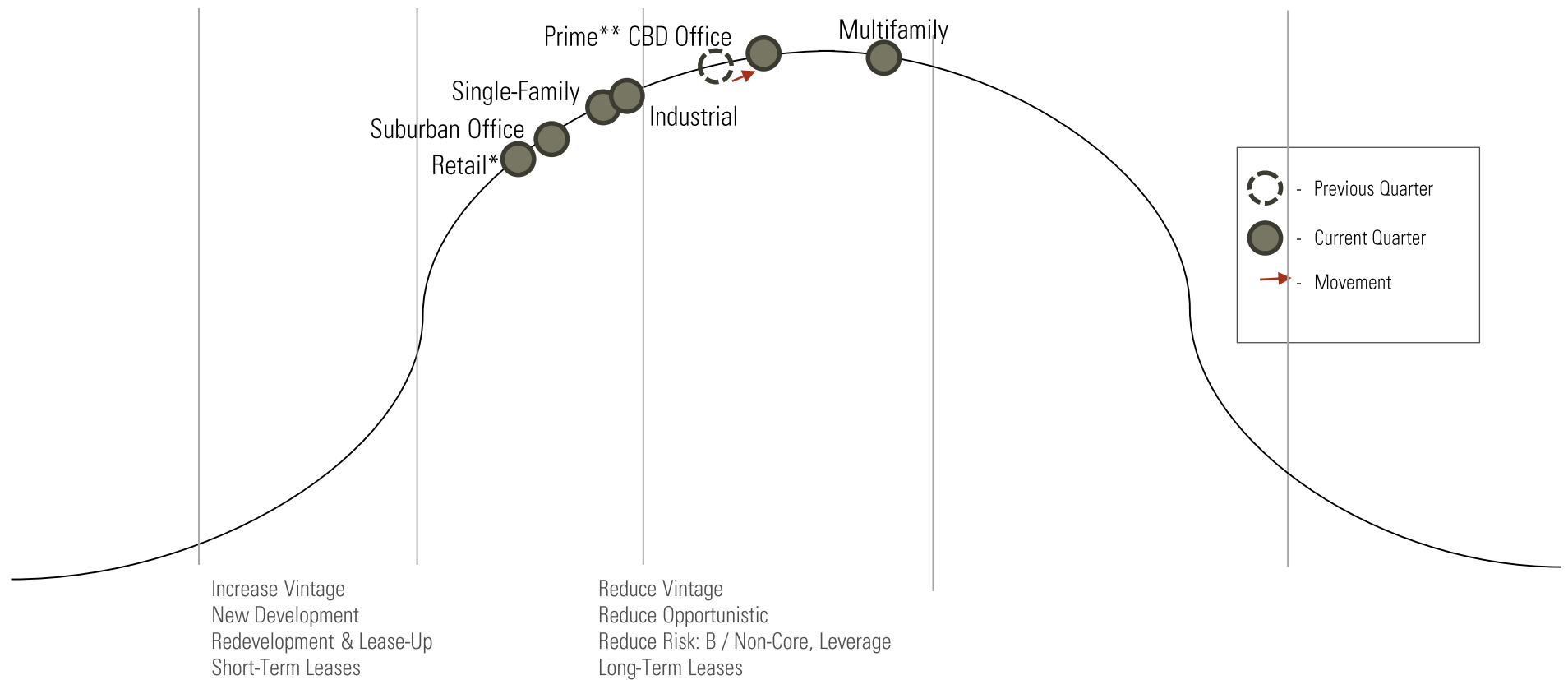
## Industrial

Property: The healthiest major property sector as demand continues to outpace new supply deliveries.

Capital: Continued growth in capital interest for industrial as investors view past performance and perceive structural changes in shopping patterns.

# MINIMAL MOVEMENT IN 2017

Occupancy Low	Occupancy Rising	Occupancy Rising	Occupancy High	Occ. Above Average	Occupancy Low
Demand Improving	Demand Improving	Demand Improving	Occupancy Flattening	Occupancy Falling	Occ. Flat to Down
Rents Flat to Down	Rents Rising	Rents Rising	Rents Flattening	Rents Falling	Rents Flat to Down
No Construction	Limited Construction	Construction	Construction	Construction	No Construction



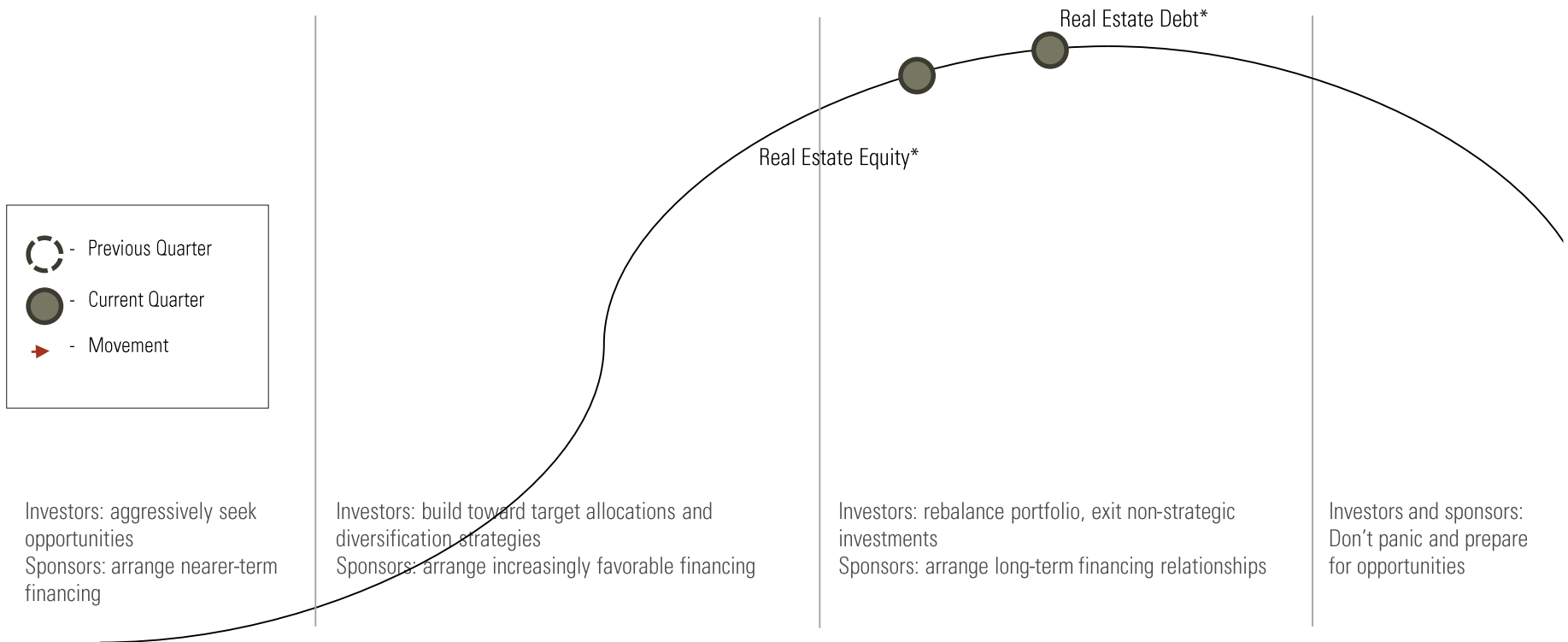
\*neighborhood & community centers

\*\*includes New York, Washington, DC, San Francisco, Seattle, Los Angeles, and Boston

Source: RCLCO

# MINIMAL OBSERVED MOVEMENT IN CAPITAL MARKETS IN 2017

High Cost of Capital	Cost of Capital Declining	Low Cost of Capital (Below Avg. Spreads to Risk Free)	Cost of Capital Uncertain
Terms/Control Favor Investor/Lender	Terms/Control More Balanced Between Sponsor/Borrower and Investor/Lender	Terms/Control Favor Sponsor/Borrower	Investors/Lenders Seizing Control
Low (Emerging) Liquidity	Growing Liquidity: Greater Availability and Diversity of Capital Sources	High Liquidity	No Liquidity
Low Asset Pricing	Asset Prices Grow and to Exceed Previous Peak	High Asset Pricing (Above Avg. Spreads)	Uncertain Asset Pricing



\* Debt and equity are less "mature" for perceived higher risk investments, such as development or assets in secondary/tertiary locations.

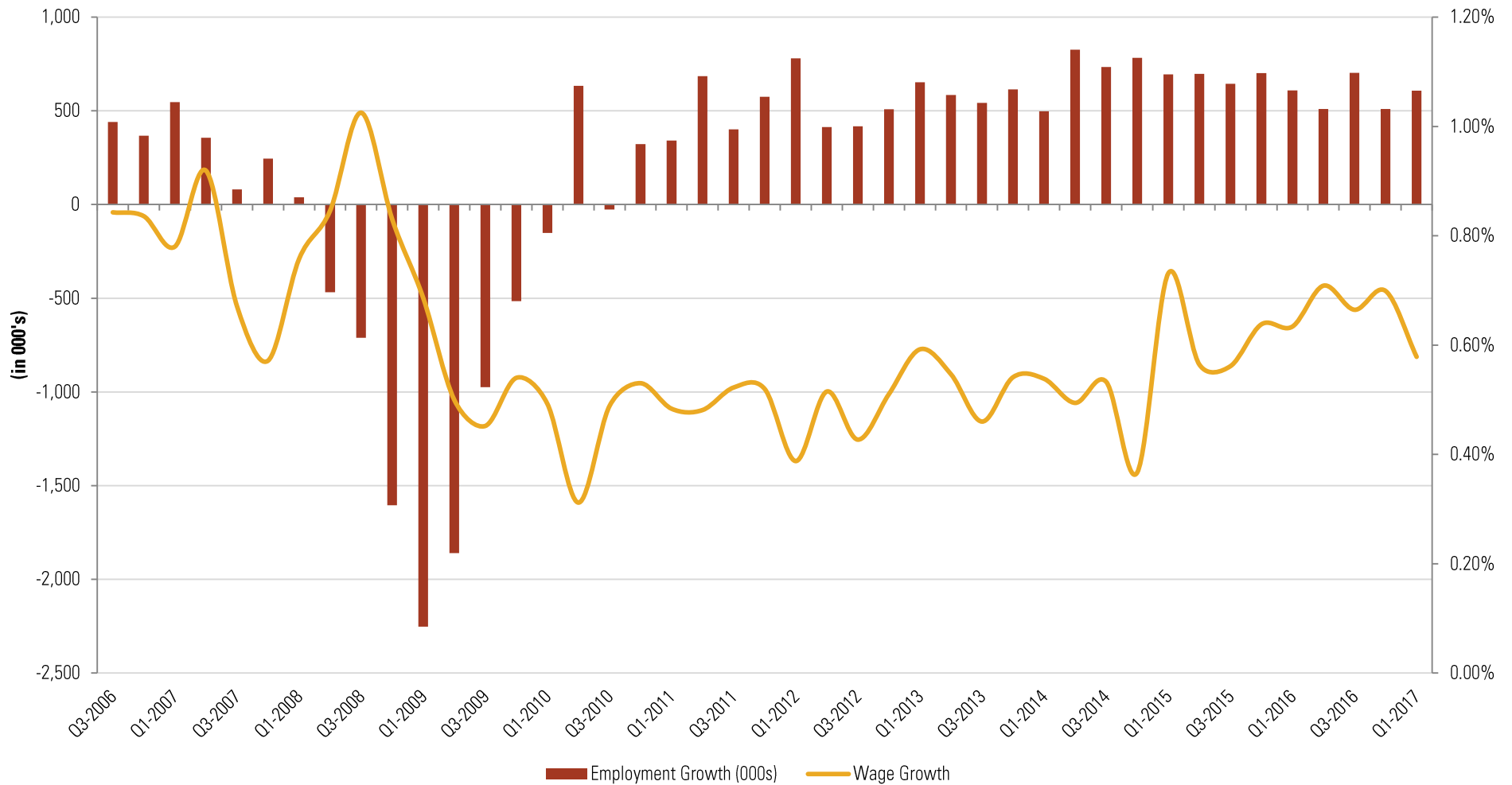


# INVESTMENT FUNDAMENTALS OVERVIEW

---

# CONTINUED POSITIVE EMPLOYMENT GROWTH NATIONWIDE; Q1 WAGE GROWTH RATE DECLINED TO LOWEST LEVEL SINCE 2015

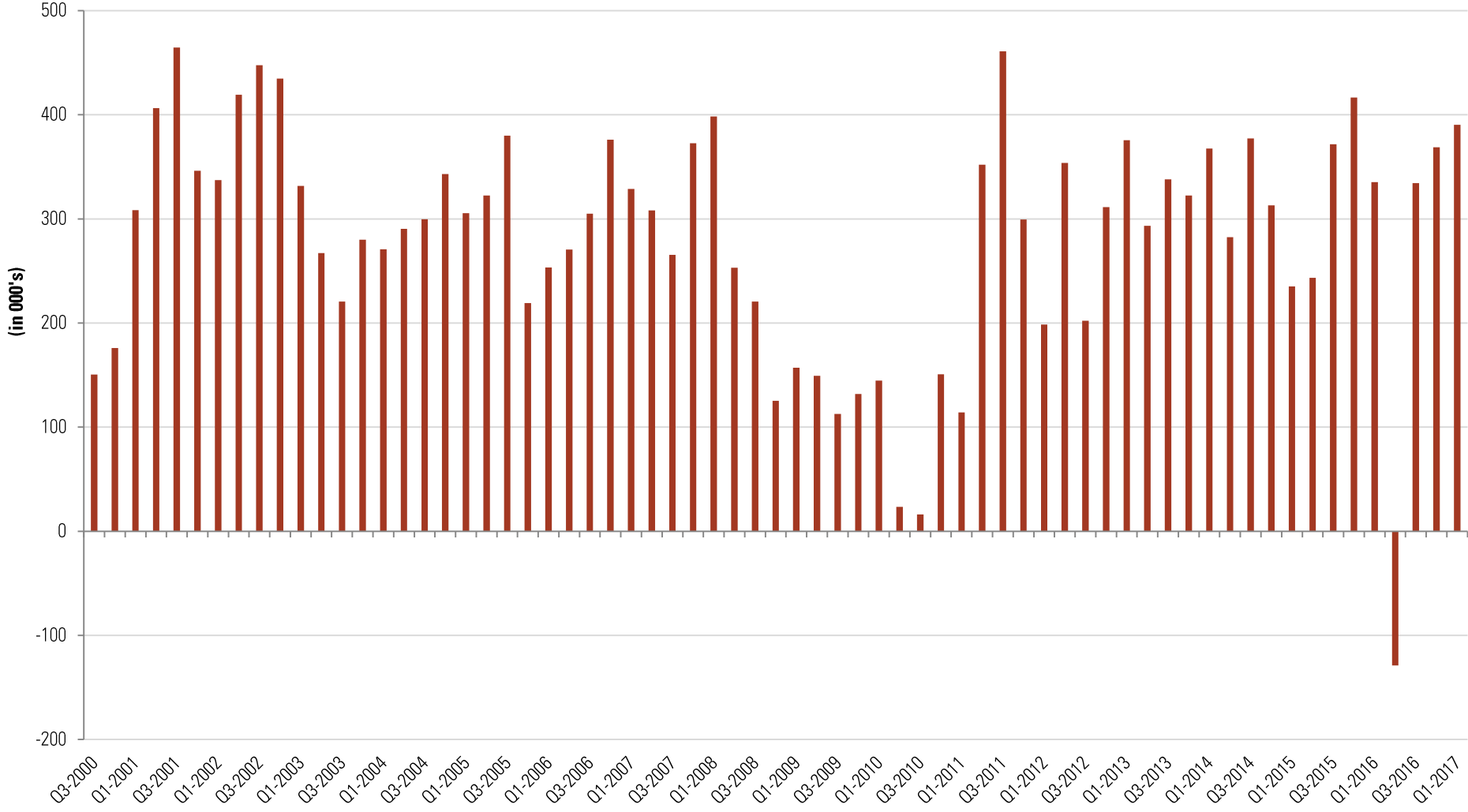
**U.S. Employment Growth vs. Quarterly Wage Growth  
2006-Q1 2017**



Source: Moody's Economy.com; St. Louis Federal Reserve

# U.S. HOUSEHOLD FORMATION STEADY

U.S. Household Formation  
2000-Q1 2017

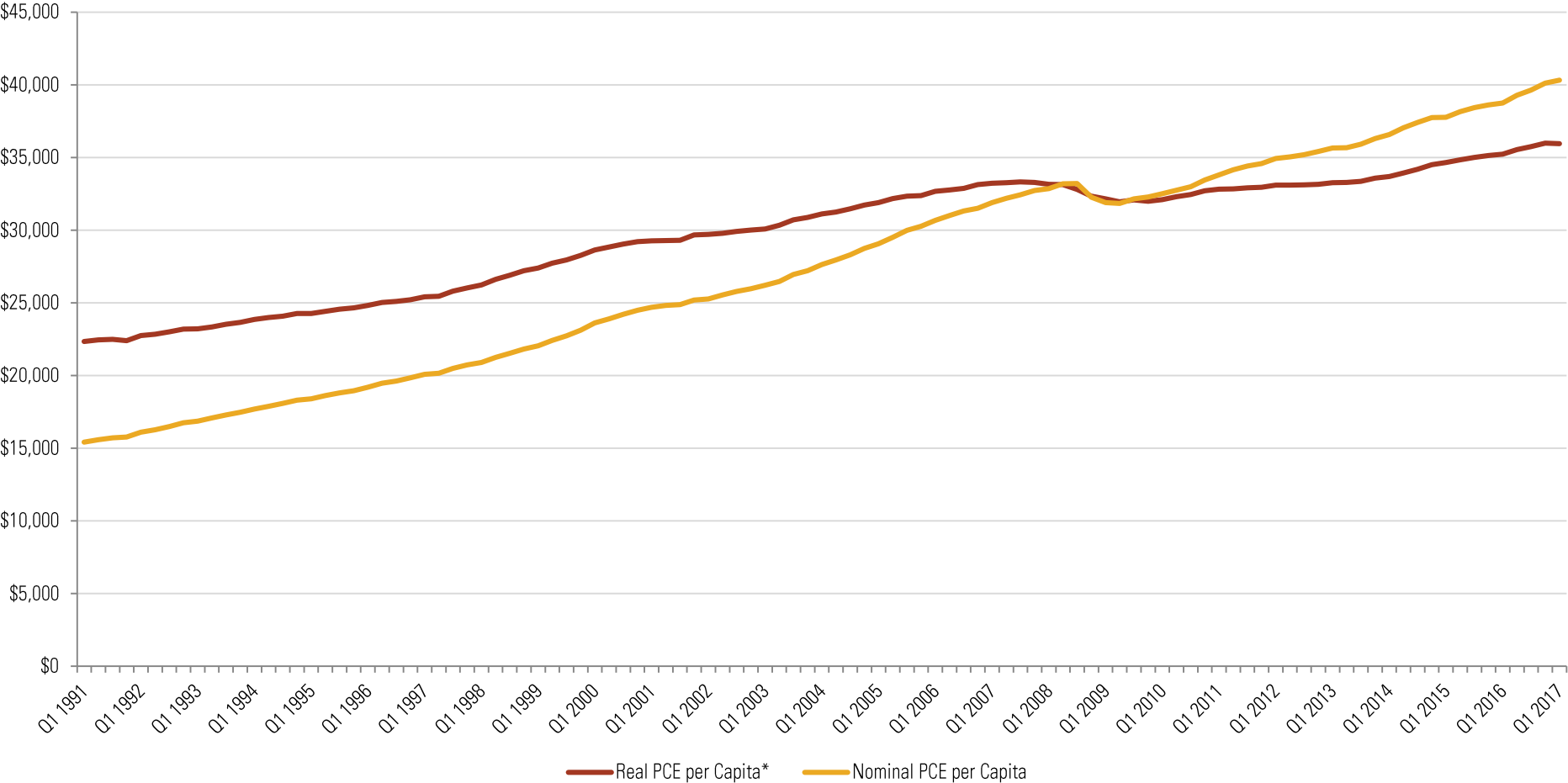


Source: Moody's Economy.com



# PER CAPITA SPENDING CONTINUES TO GROW, SHOWING SIGNS OF INCREASING CONSUMER CONFIDENCE

Quarterly Personal Consumption Expenditures per Capita  
1991-2017



\*Chained 2009 Dollars  
Source: St. Louis Federal Reserve

# Q1 2017 TRANSACTION VOLUME SLIGHTLY LOWER Y-O-Y;

## 2016 STILL BOASTED THE 2<sup>ND</sup> HIGHEST TRANSACTION VOLUME SINCE THE RECESSION

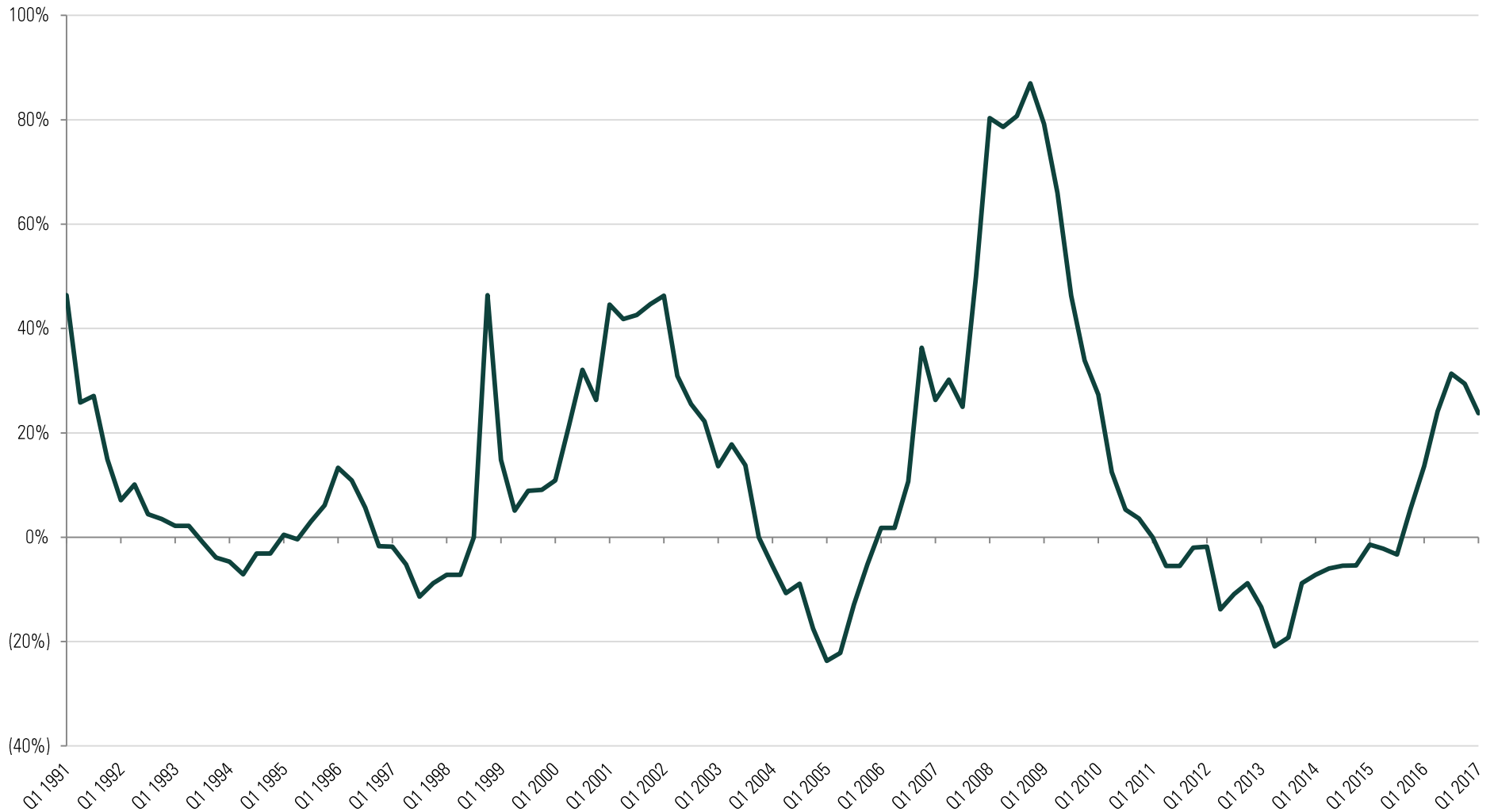
Total Transaction Volume (\$ in Billions)



Note: Only includes transactions valued at \$2.5 million or greater  
 Source: Real Capital Analytics (RCA)

# BANKS STILL TIGHTENING LENDING STANDARDS ON A “NET” BASIS

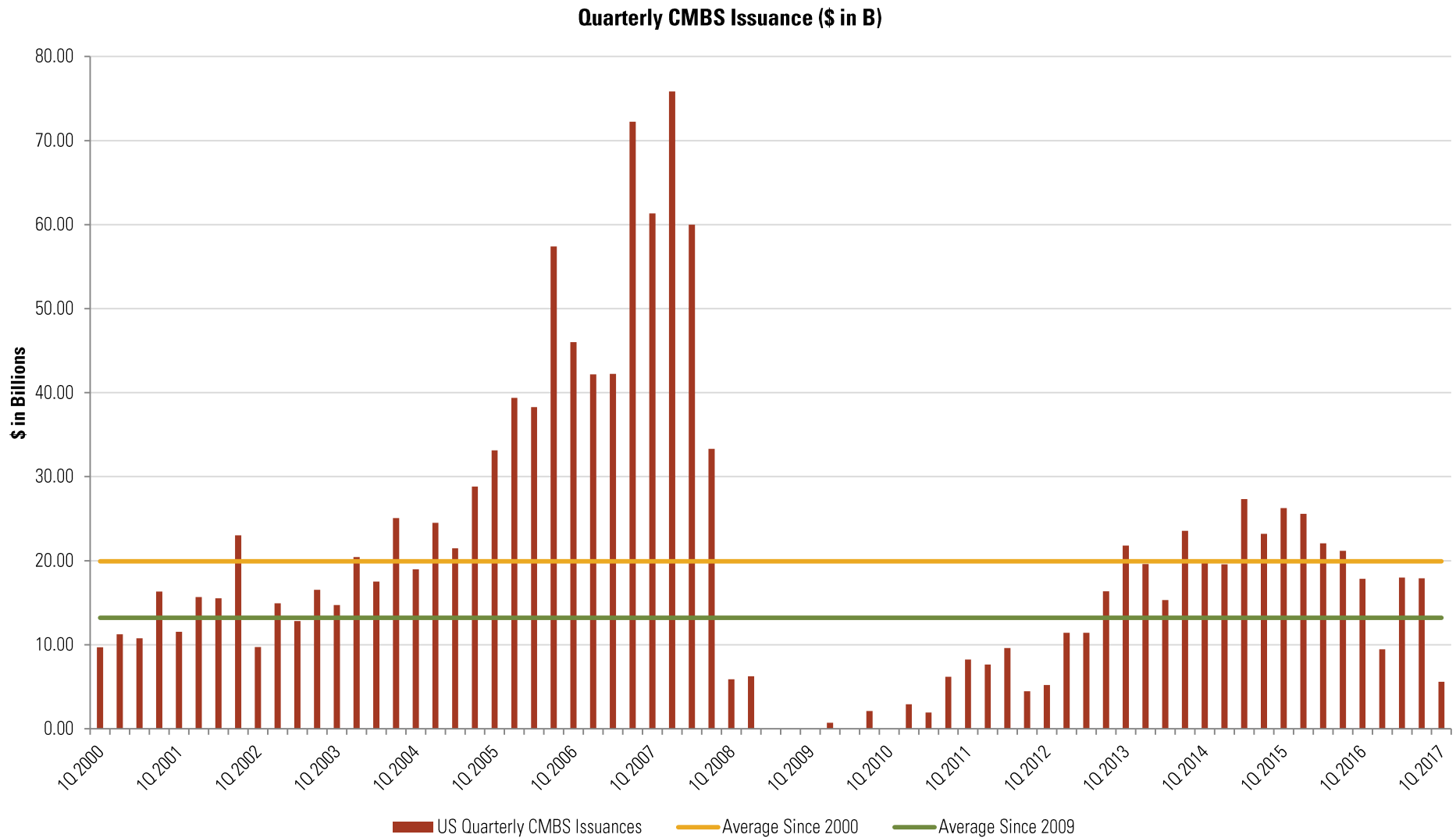
Net % of Banks Tightening Lending Standards



Note: As of Q4 2013, the U.S. Federal Reserve separated this data into three categories (construction/development, nonfarm nonresidential, and multifamily residential), depending on the type of structure for which the loan is intended. For these time periods, the data shown on the graph represents the average of these three categories.

Source: U.S. Federal Reserve; RCLCO

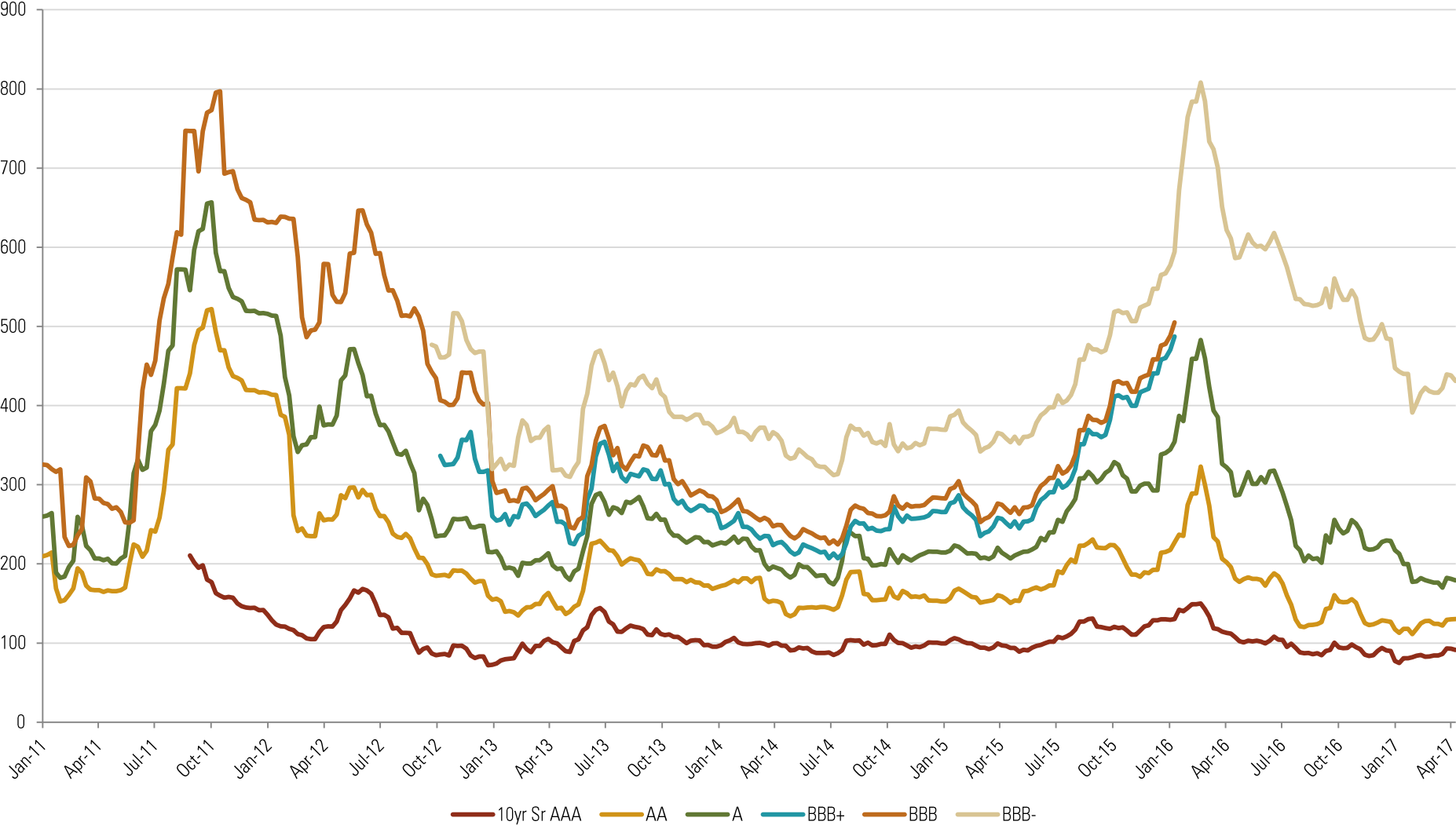
# QUARTERLY CMBS ISSUANCES DECLINE SHARPLY; WELL-BELOW THE POST-RECESSION AVERAGE



Source: Commercial Real Estate Finance Council

# CMBS SPREADS WIDENING SLIGHTLY IN Q1 2017

U.S. CMBS Spread to Treasuries



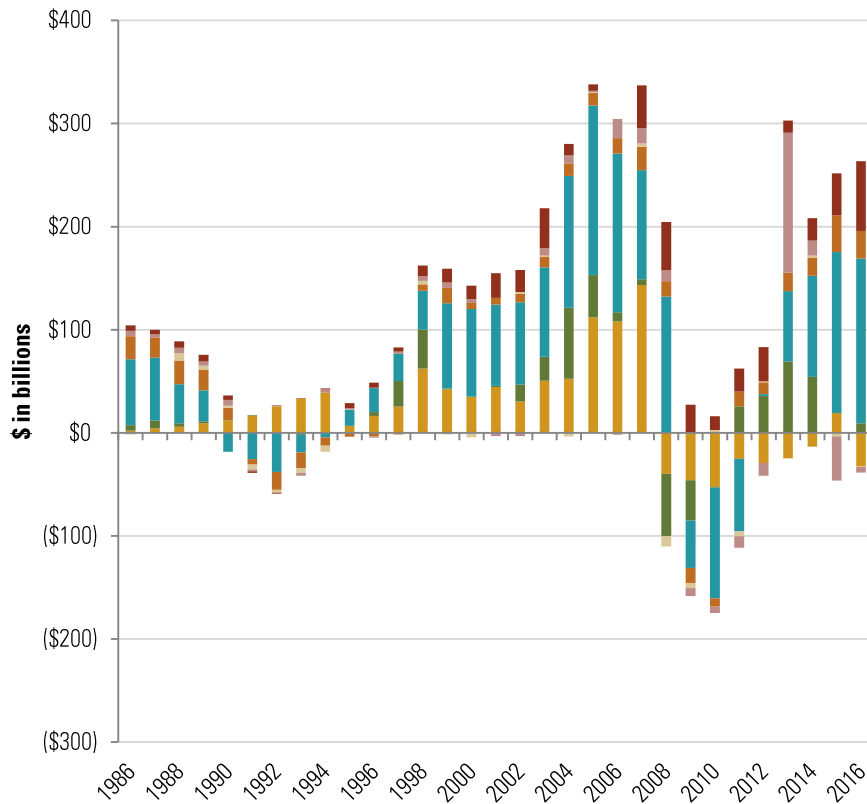
Source: Commercial Real Estate Finance Council; JP Morgan; Urban Land Institute (ULI); RCLCO



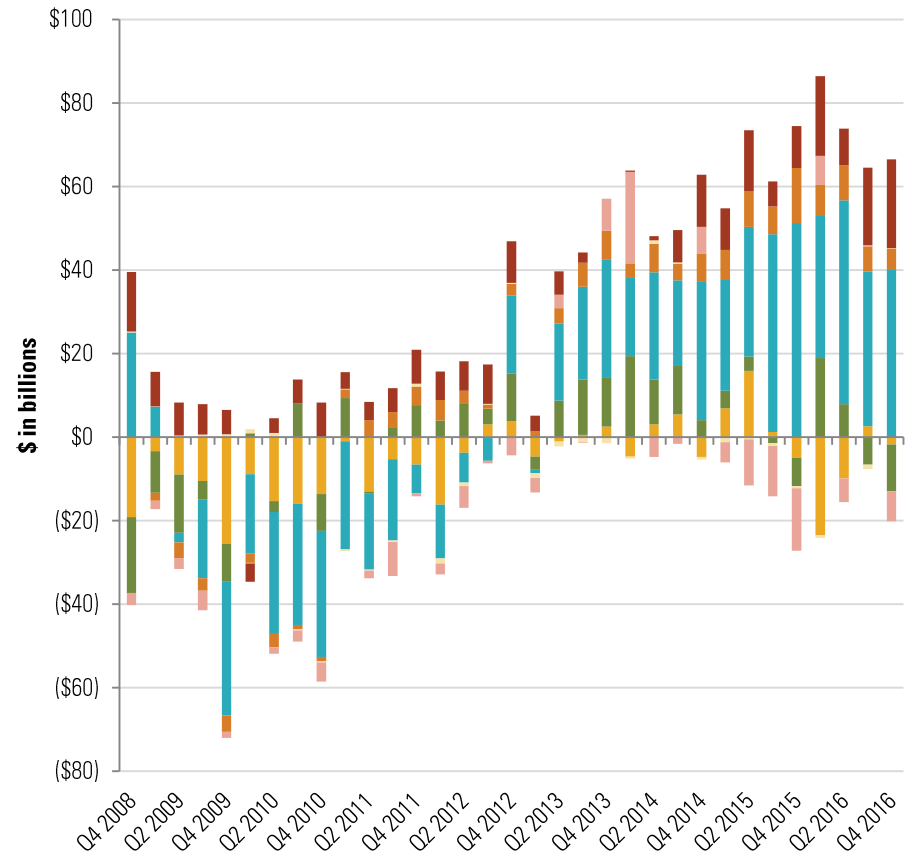


# REAL ESTATE DEBT FLOWS INCREASED SLIGHTLY; COMMERCIAL BANKS & GSEs REMAIN THE PRIMARY LENDERS

**U.S. Commercial RE Debt Markets - Net Capital Flows - Annually 1985 - 2016**



**U.S. Commercial RE Debt Markets - Net Capital Flows - Quarterly**

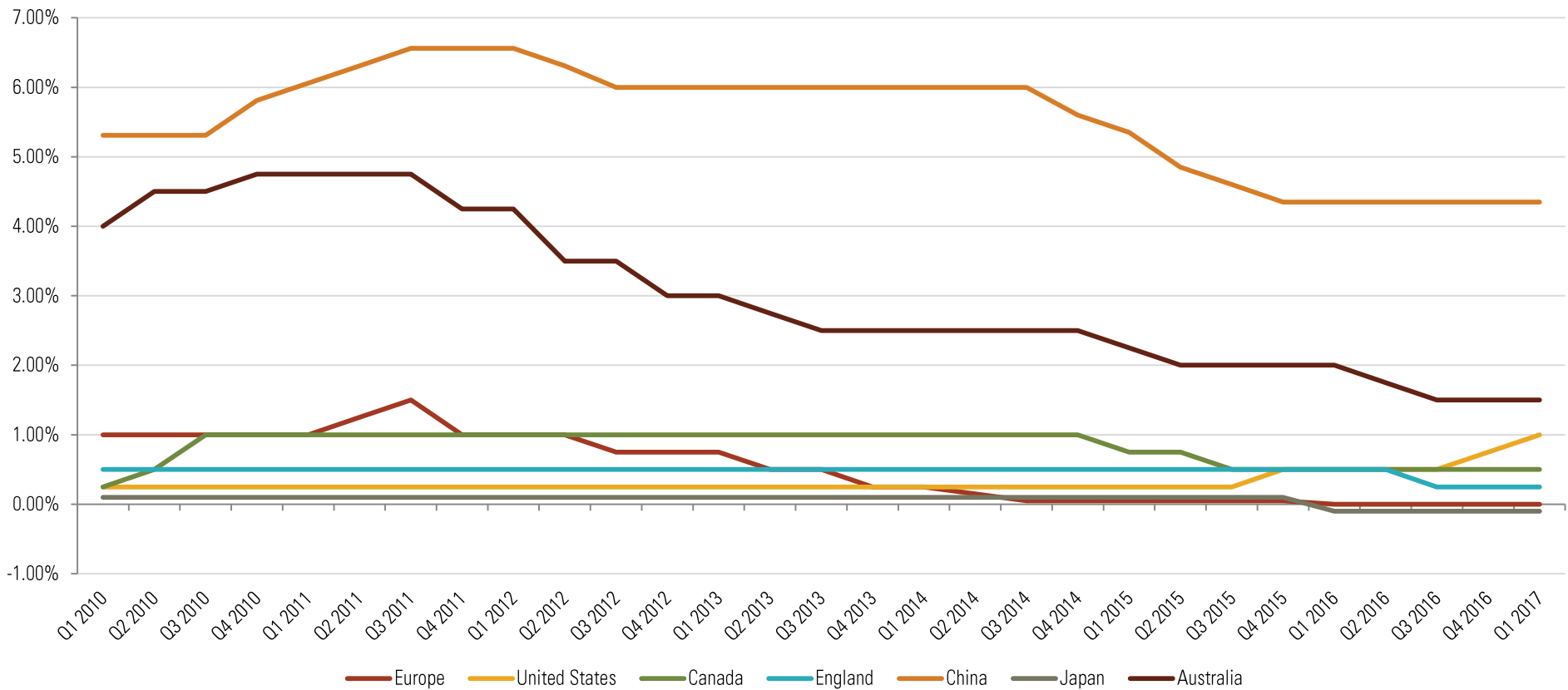


■ CMBS   
 ■ Unsecured REIT Debt   
 ■ Commercial Banks/Savings   
 ■ Life Insurance Companies   
 ■ Pension Funds   
 ■ Other   
 ■ GSEs

Note: Federal Reserve Data releases lag by one quarter. As of Q1 2017, the most recent data is as of Q4 2016.  
 Source: U.S. Federal Reserve; National Association of Real Estate Investment Trusts (NAREIT); RCLCO

# WITH THE EXCEPTION OF THE FED, GLOBAL CENTRAL BANK INTEREST RATES REMAINED FLAT IN Q1 2017

Central Bank Interest Rates

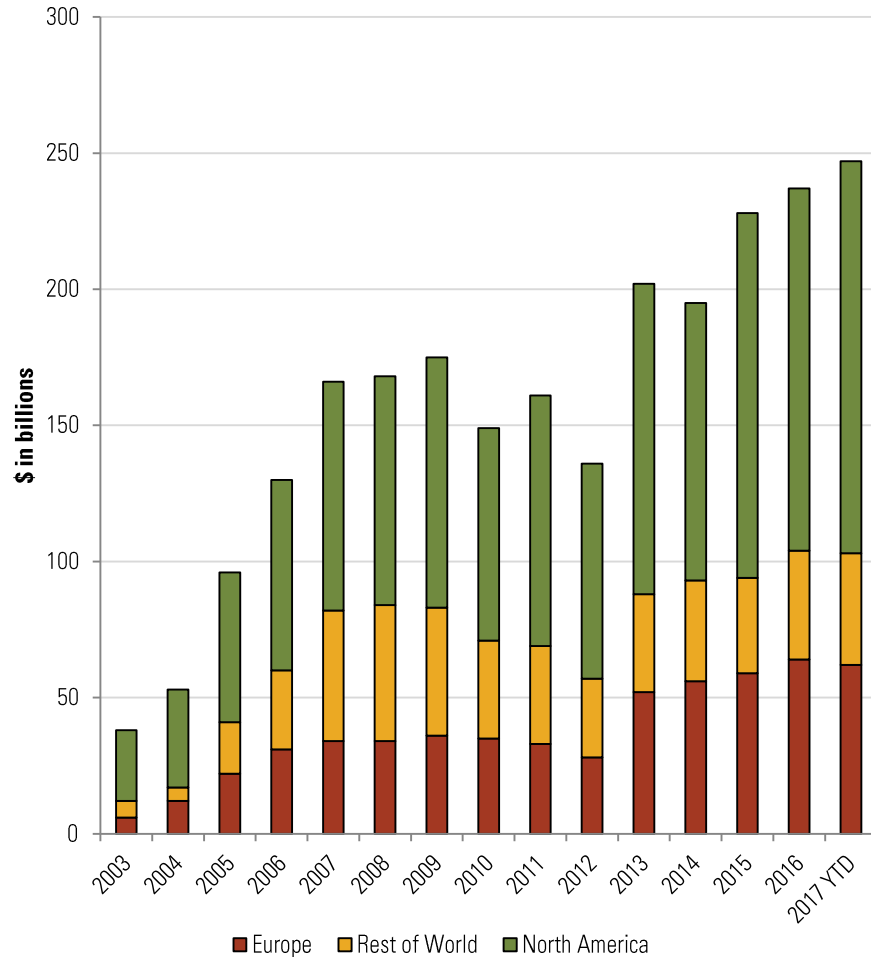


	Europe	United States	Canada	England	China	Japan	Australia
Current Rate	0.00%	0.75%	0.50%	0.25%	4.35%	-0.10%	1.50%

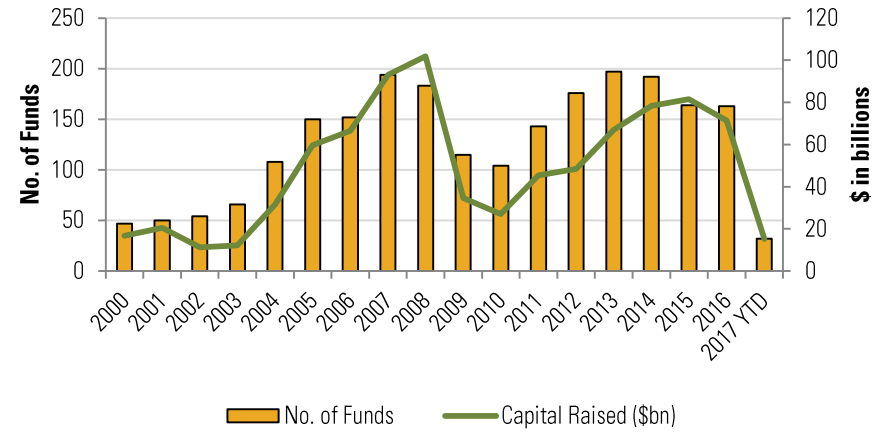
Source: FXStreet.com

# EQUITY “DRY POWDER” IS STILL ABUNDANT; FUNDRAISING ACTIVITY APPEARS TO BE SLOWING

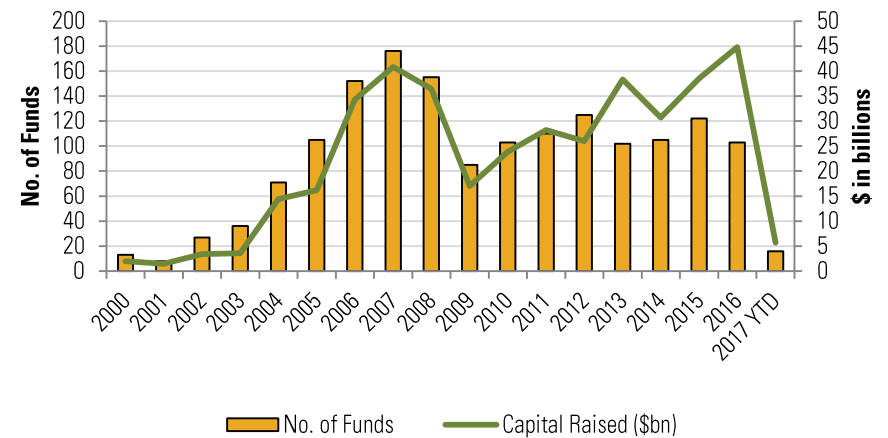
**Dry Powder by Region\***



**United States RE Fundraising**



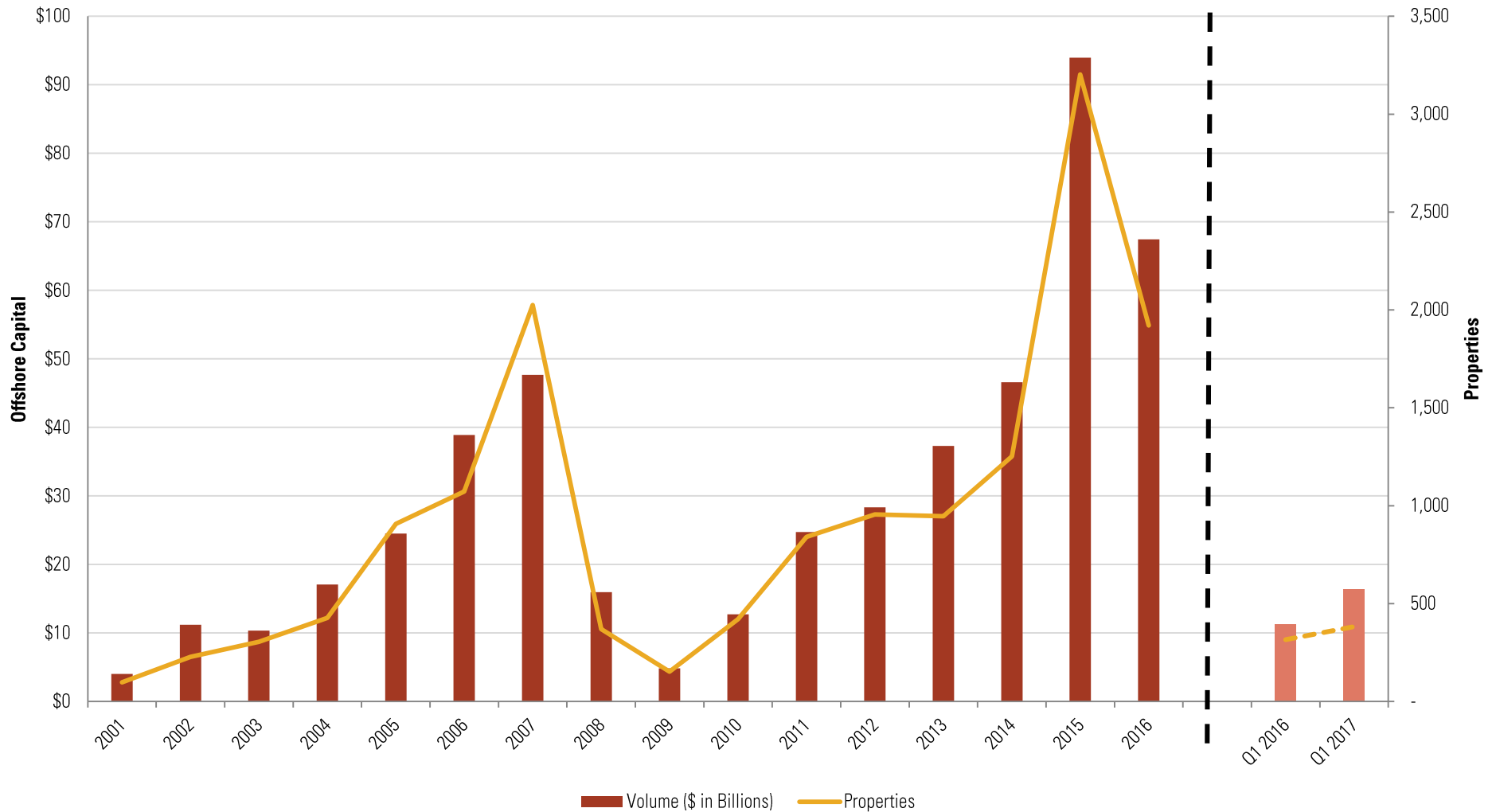
**International (Non-U.S.) RE Fundraising**



\*Private equity cash reserves held to fund future obligations  
Source: Preqin; RCLCO

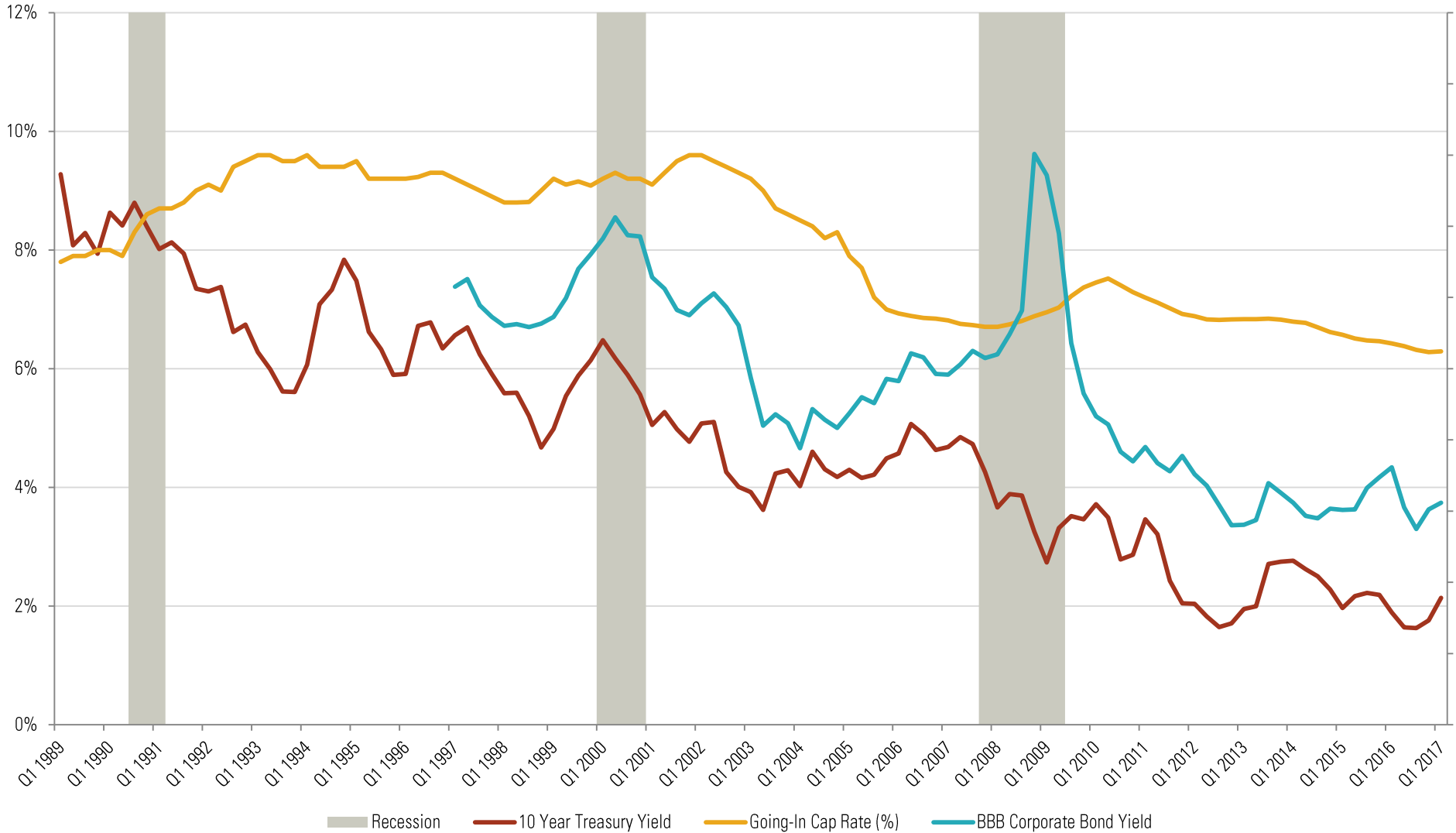
# Q1 2017 OFFSHORE TRANSACTION VOLUME ABOVE Q1 2016; INTERNATIONAL INVESTORS EXHIBITING INCREASED CONFIDENCE IN U.S. REAL ESTATE

Offshore Capital in United States (\$ in Billions)



Source: RCA

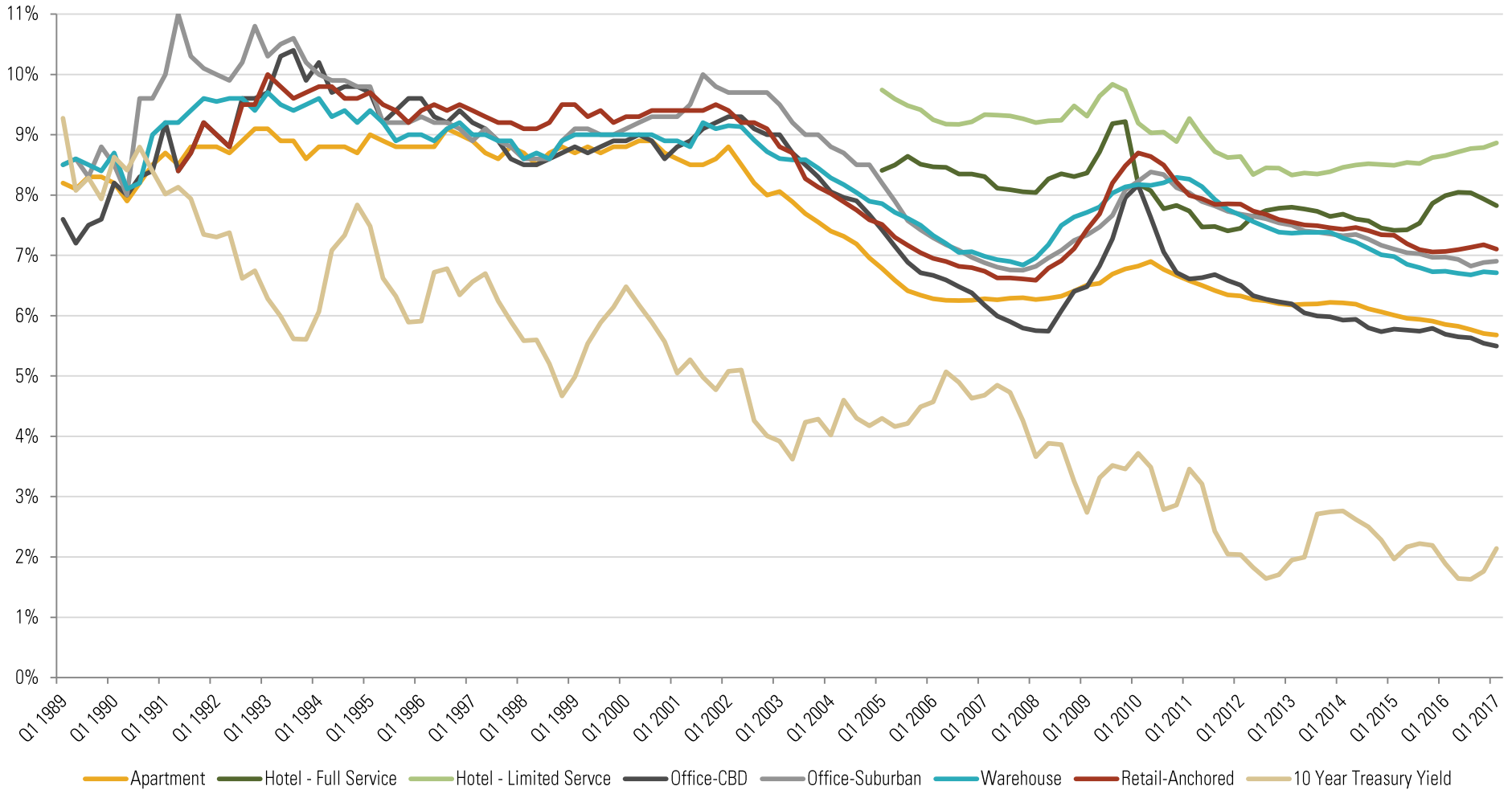
# CAP RATES REMAIN UNCHANGED OVER THE PAST THREE QUARTERS; DECREASING SPREADS RELATIVE TO RISING TREASURIES & OTHER BENCHMARKS



Source: U.S. Federal Reserve; Real Estate Research Corporation (RERC); RCA; Federal Reserve Bank of St. Louis; RCLCO

# CONTINUED CAP RATE COMPRESSION FOR CBD-OFFICE & MULTIFAMILY; OTHER PROPERTY TYPES APPEAR TO BE PAUSING

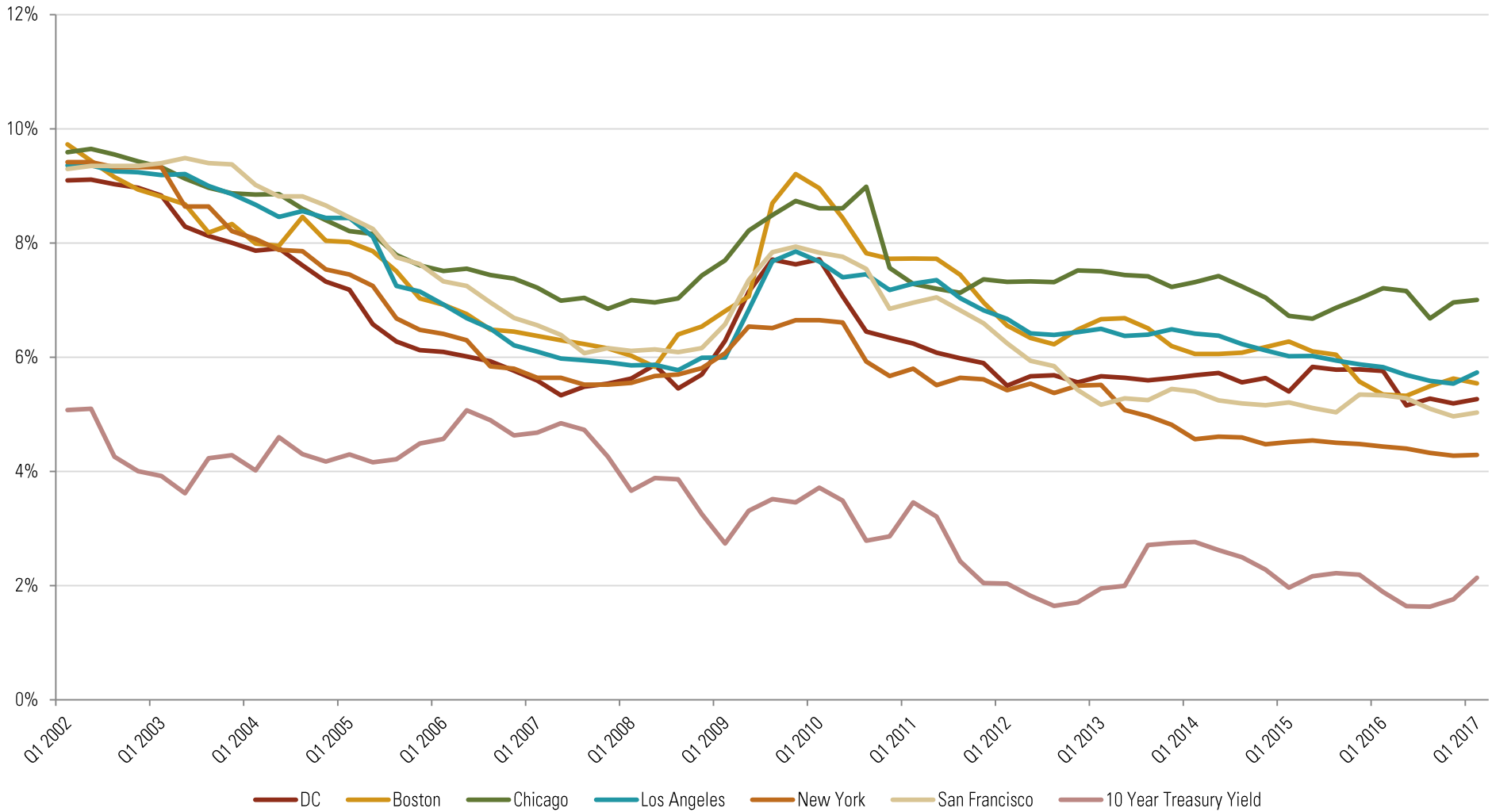
Cap Rates by Property Type  
1989 - Q1 2017



Source: RERC; RCA

# CAP RATES VARY BY MARKET, BUT BEGIN TO CREEP UP

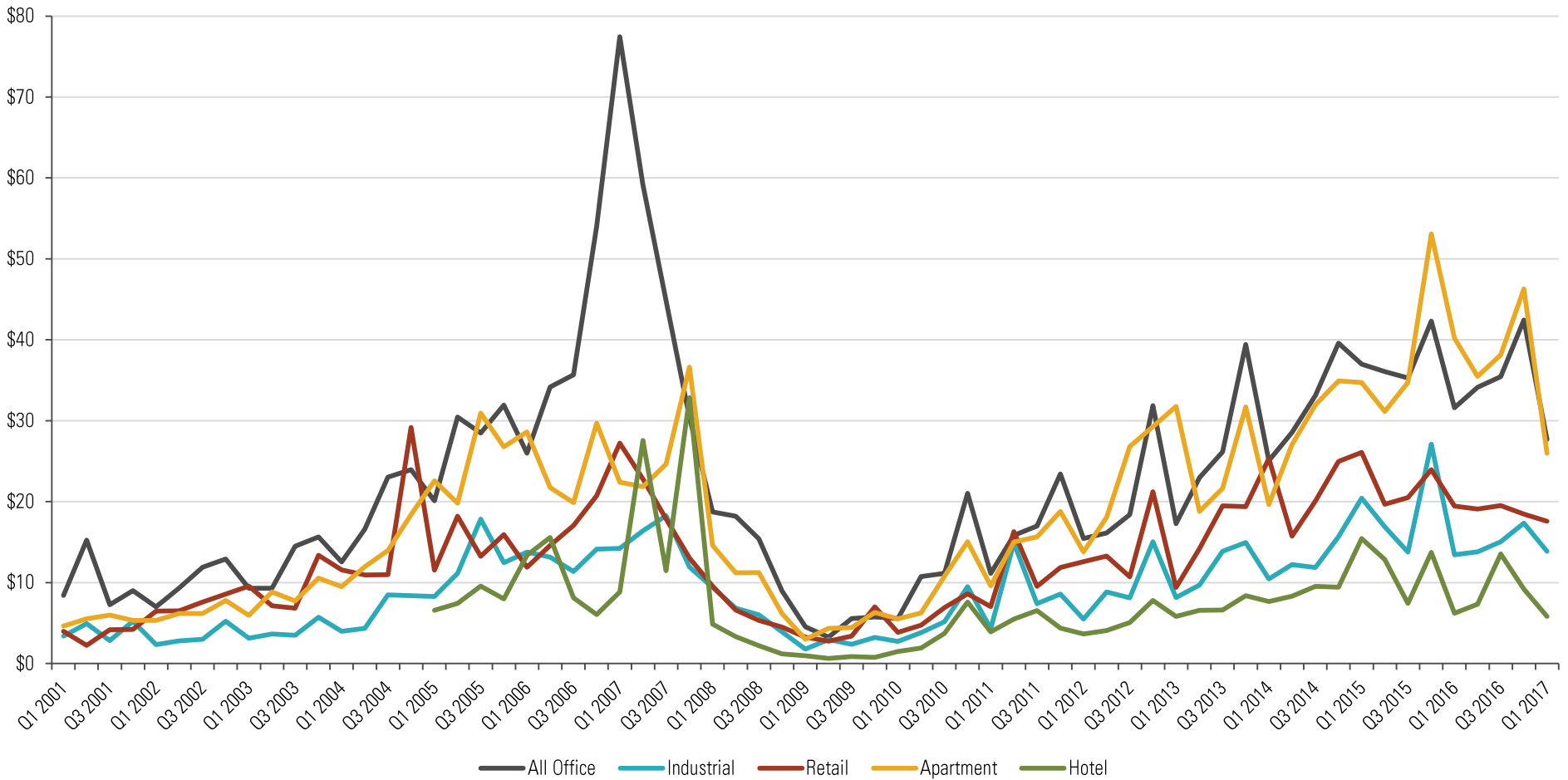
Office Cap Rates by Metro  
2002 - Q1 2017 (PwC/RCA)



Source: PwC Real Estate Investor Survey; RCA

# SLOWEST Q1 FOR MOST PROPERTY TYPES SINCE 2014, BUT STILL AMONG THE STRONGEST 1Qs SINCE 2001

Transaction Volume by Property Type  
2001 - Q1 2017

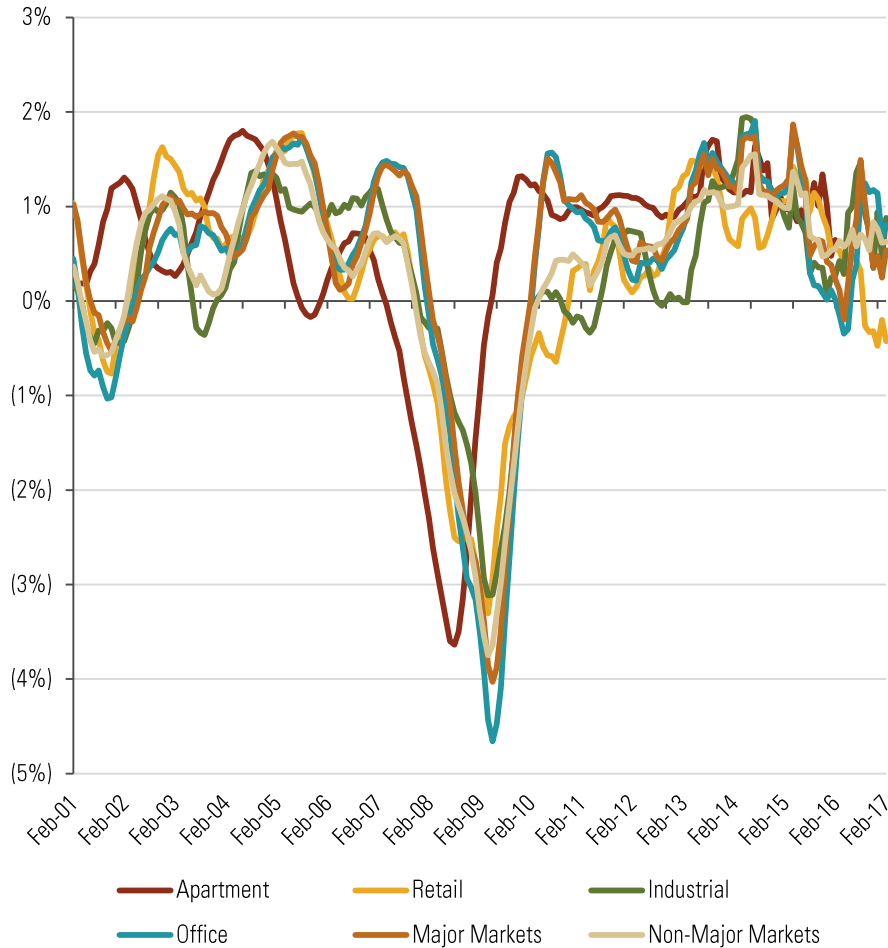


Source: RCA

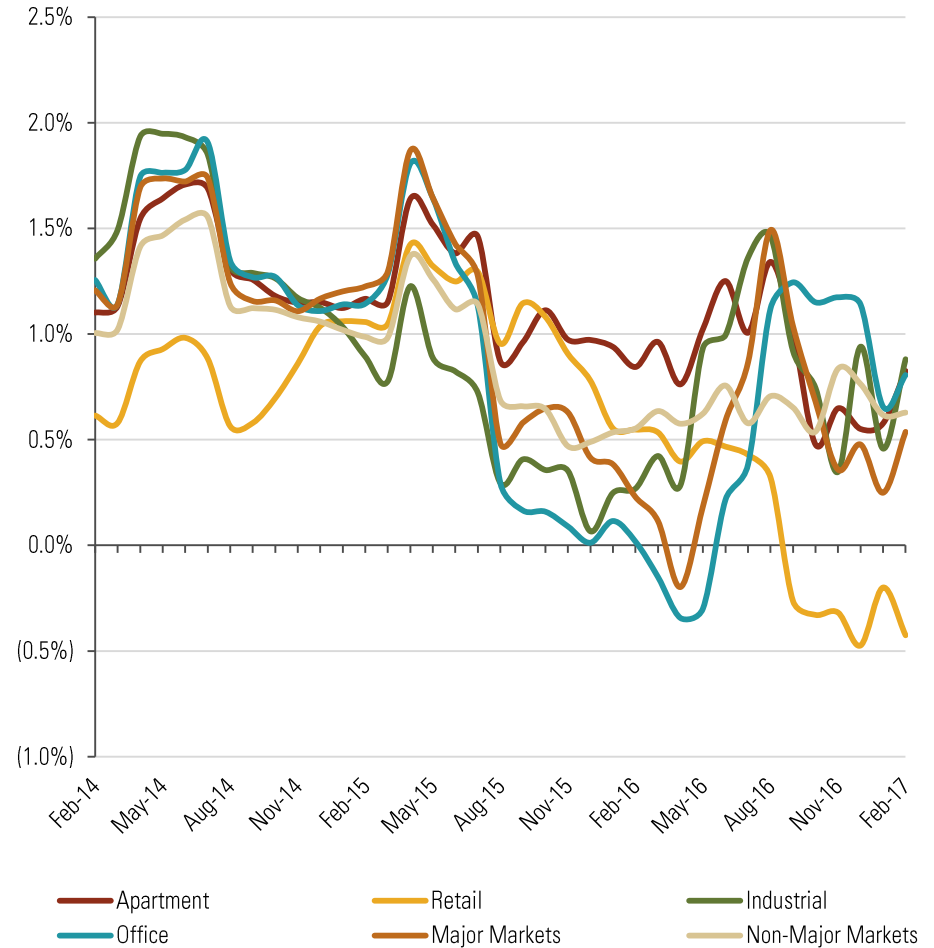


# INDUSTRIAL, OFFICE, APARTMENT STILL EXPERIENCING PRICE GROWTH; RETAIL PRICING CONTINUES TO DECLINE

Change in Moody's/RCA CPPI Index  
(2001- February 2017)



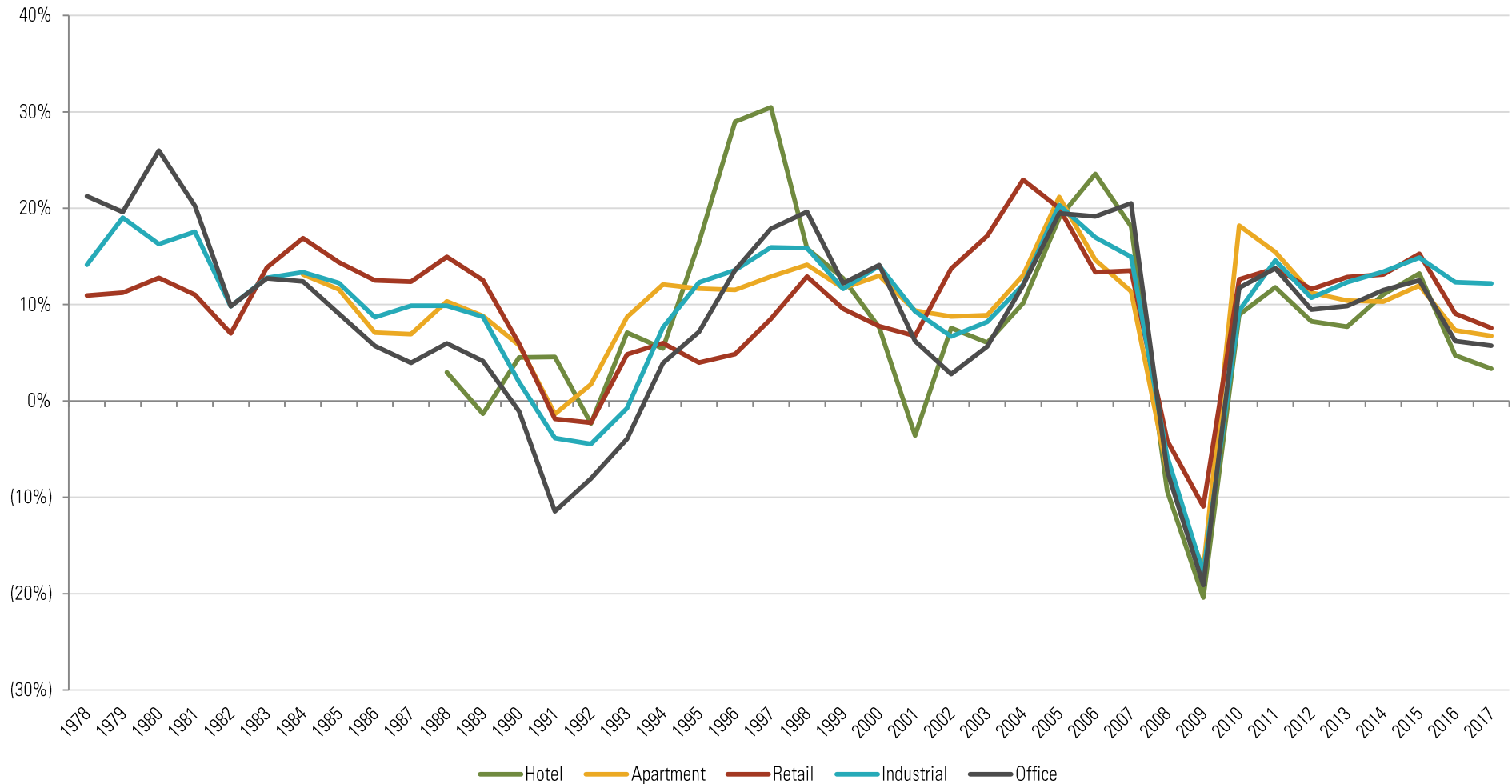
Change in Moody's/RCA CPPI Index  
(2014- February 2017)



Source: RCA; RCLCO

# NCREIF RETURNS MODERATE ACROSS ALL PROPERTY TYPES; INDUSTRIAL LEADS TOTAL RETURNS, WHILE OTHERS LAG MORE SHARPLY

NCREIF Total Returns



Source: National Council of Real Estate Investment Fiduciaries (NCREIF); RCLCO

# PROPERTY MARKET OVERVIEW

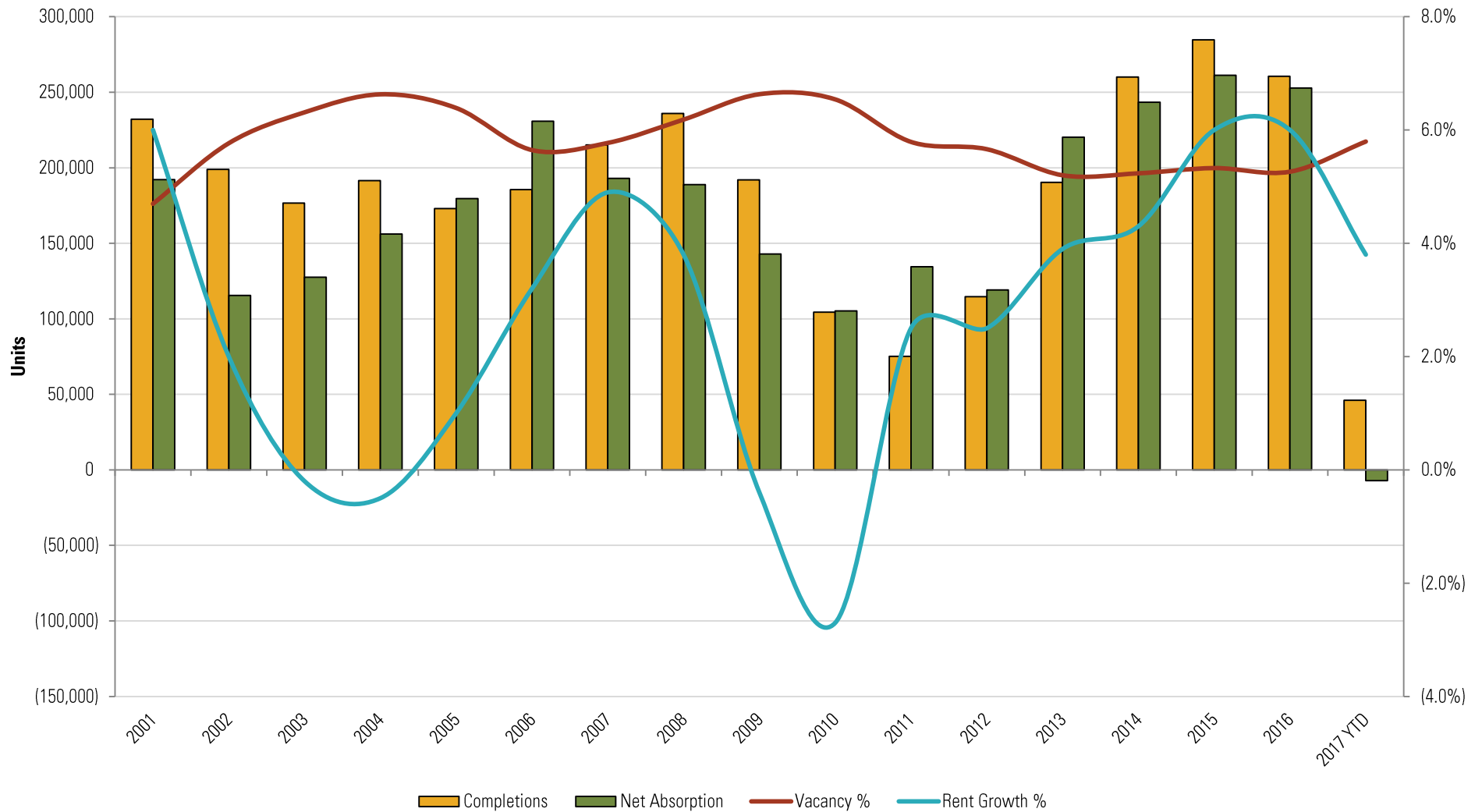
---

## RESIDENTIAL

---

# Q-Q VACANCY INCREASES AS NET ABSORPTION TURNS NEGATIVE

U.S. Apartment Absorption, Vacancy, Rent Growth

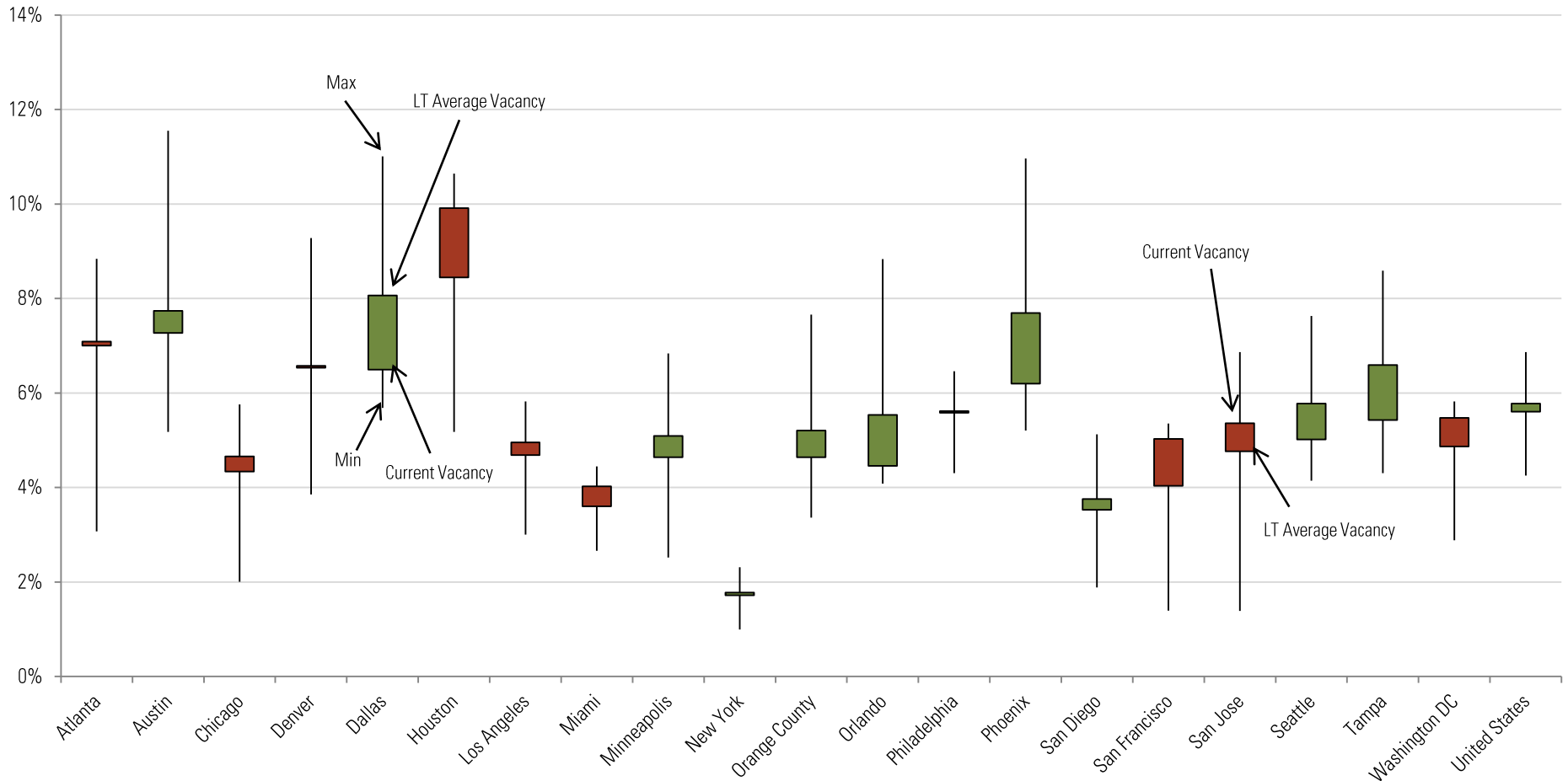


Note: Apartment criteria filtered as follows: multifamily property (secondary type is apartment), 50+ units, and a 3-star or greater CoStar rating  
 Source: CoStar; RCLCO

# CURRENT VACANCY EXCEEDS LONG-TERM AVERAGE VACANCY IN AN INCREASING NUMBER OF MARKETS

**Apartment Current and Long-term Vacancy**

Green box - current vacancy < LT avg.  
Red box - current vacancy > LT avg.



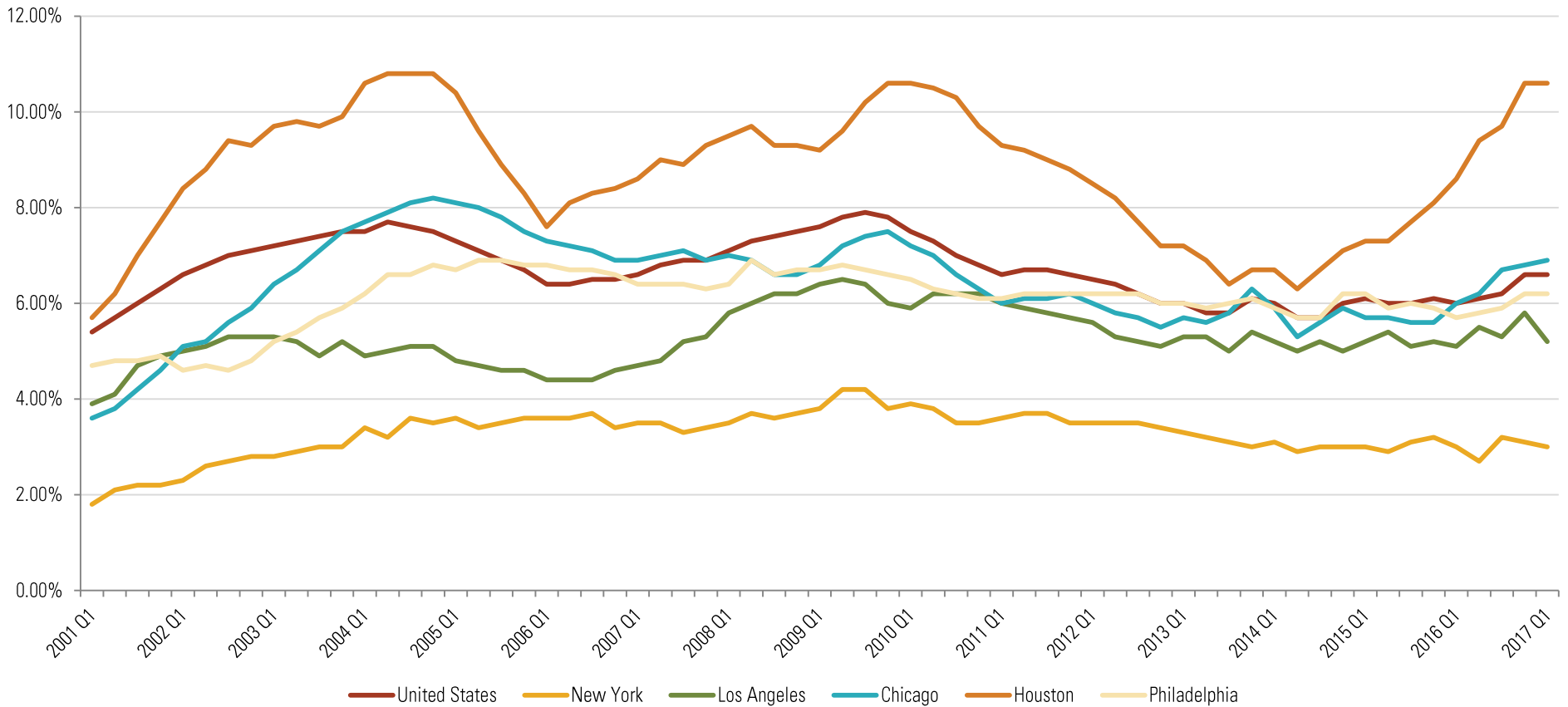
Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets

Note: Apartment criteria filtered as follows: multifamily property (secondary type is apartment), 50+ units, and a 3-star or greater CoStar rating

Source: CoStar; RCLCO

# APARTMENT VACANCIES INCREASING FROM HISTORIC LOWS IN DIVERSE MARKETS; HOUSTON VACANCY HAS RETURNED TO RECESSIONARY LEVELS

Vacancy in Five Largest Apartment Markets, 2000-2017



\*As of Q1 2017

Note: Apartment criteria filtered as follows: multifamily property (secondary type is apartment), 50+ units, and a 3-star or greater CoStar rating

Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets

Source: CoStar; RCLCO

# U.S. APARTMENT MARKET RISK INDICATORS OVER TIME:

CONSTRUCTION HAS CAUGHT UP TO AND MAY SOON EXCEED DEMAND; RENT GROWTH STRONG BUT MODERATING

	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking Rent Growth	Y-o-Y Asking Rent Growth
2010 Q1	0.5%	0.3%	1.5%	93.3%	0.0%	(0.3%)	(0.7%)	(2.8%)
2010 Q2	0.5%	0.4%	1.4%	93.4%	0.1%	(0.0%)	(0.2%)	(2.6%)
2010 Q3	0.5%	0.3%	1.4%	94.1%	0.7%		1.8%	(0.1%)
2010 Q4	0.4%	0.3%	1.4%	93.8%	(0.3%)	0.5%	(1.2%)	(0.3%)
2011 Q1	0.3%	0.2%	1.5%	94.0%	0.2%	0.7%	0.6%	1.0%
2011 Q2	0.2%	0.2%	1.7%	94.1%	0.1%	0.7%	0.6%	1.8%
2011 Q3	0.2%	0.2%	1.9%	94.2%	0.1%	0.1%	0.5%	0.5%
2011 Q4	0.2%	0.2%	2.2%	94.2%	0.0%	0.4%	0.5%	2.2%
2012 Q1	0.3%	0.2%	2.5%	94.2%	0.0%	0.3%	0.6%	2.2%
2012 Q2	0.4%	0.3%	2.8%	94.3%	0.1%	0.2%	0.7%	2.3%
2012 Q3	0.5%	0.4%	3.1%	94.4%	0.1%	0.2%	0.8%	2.7%
2012 Q4	0.6%	0.4%	3.3%	94.5%	0.1%	0.3%	0.9%	3.0%
2013 Q1	0.5%	0.5%	3.6%	94.6%	0.1%	0.4%	0.9%	3.3%
2013 Q2	0.6%	0.5%	3.9%	94.8%	0.1%	0.5%	1.1%	3.7%
2013 Q3	0.6%	0.6%	4.0%	94.9%	0.1%	0.5%	1.1%	4.0%
2013 Q4	0.3%	0.6%	4.2%	94.8%	(0.0%)	0.3%	1.1%	4.3%
2014 Q1	0.6%	0.6%	4.5%	94.8%	(0.0%)	0.2%	1.1%	4.4%
2014 Q2	0.9%	0.7%	4.6%	94.8%	0.0%	0.1%	1.0%	4.3%
2014 Q3	0.8%	0.8%	4.6%	94.9%	0.0%	0.0%	1.0%	4.3%
2014 Q4	0.5%	0.8%	4.7%	94.9%	0.0%	0.0%	1.2%	4.3%
2015 Q1	0.6%	0.7%	4.9%	94.8%	(0.0%)	0.0%	1.5%	4.7%
2015 Q2	0.8%	0.8%	5.0%	94.8%	(0.1%)	(0.1%)	1.8%	5.6%
2015 Q3	0.8%	0.8%	5.1%	94.7%	(0.1%)	(0.2%)	1.8%	6.4%
2015 Q4	0.6%	0.7%	5.3%	94.7%	(0.0%)	(0.2%)	1.6%	6.8%
2016 Q1	0.6%	0.5%	5.7%	94.7%	0.0%	(0.1%)	1.5%	6.8%
2016 Q2	0.7%	0.8%	5.8%	94.7%	(0.0%)	(0.1%)	1.3%	6.3%
2016 Q3	0.7%	0.8%	5.9%	94.6%	(0.0%)	(0.1%)	1.1%	5.5%
2016 Q4	0.7%	0.6%	6.1%	94.5%	(0.1%)	(0.2%)	0.9%	4.9%
2017 Q1	0.2%	0.5%	6.1%	94.4%	(0.1%)	(0.3%)	0.9%	4.3%

\*Current quarter defined as Q1 2017

\*\*Completions highlighted in Red if above 0.25% of Stock

\*\*\*Under Construction highlighted in Red if above 1% of Stock

\*\*\*\*Green if above historical average since 2000

Note: Above data includes only market-rate rentable apartment space

Note: Apartment criteria filtered as follows: multifamily property (secondary type is apartment), 50+ units, and a 3-star or greater CoStar rating

Source: CoStar; RCLCO



# U.S. APARTMENT MARKET RISK INDICATOR:

AMIDST NEW SUPPLY, OCCUPANCY CONTINUES TO DECLINE IN MOST MARKETS: EXPECT SLOWING RENT GROWTH IN 2017

	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking Rent Growth	Y-o-Y Asking Rent Growth
Atlanta	0.1%	0.5%	4.6%	92.9%	(0.3%)	(0.7%)	1.3%	6.5%
Austin	0.2%	0.1%	6.6%	92.7%	(0.2%)	(0.4%)	0.4%	3.2%
Chicago	0.1%	0.2%	4.8%	95.3%	(0.2%)	(0.7%)	1.1%	4.9%
Dallas	0.5%	0.5%	6.3%	93.5%	(0.2%)	(0.4%)	1.3%	6.1%
Denver	0.6%	0.4%	9.9%	93.4%	(0.3%)	(0.3%)	0.8%	3.2%
Houston	0.4%	0.5%	4.2%	90.1%	(0.5%)	(2.1%)	0.3%	1.4%
Los Angeles	0.8%	0.3%	10.0%	95.0%	(0.0%)	(0.2%)	1.4%	6.0%
Miami	0.9%	0.9%	9.6%	96.0%	(0.2%)	(0.7%)	0.9%	4.7%
Minneapolis	0.9%	1.1%	5.0%	95.4%	(0.0%)	0.4%	1.3%	5.2%
New York	0.4%	0.4%	4.8%	98.3%	(0.0%)	0.0%	0.1%	1.3%
Orange County	0.4%	1.2%	5.3%	95.4%	(0.1%)	0.3%	1.2%	5.7%
Orlando	0.4%	0.3%	5.5%	95.5%	(0.0%)	0.1%	1.4%	5.5%
Philadelphia	0.5%	0.5%	3.7%	94.4%	(0.1%)	(0.1%)	0.8%	3.6%
Phoenix	0.9%	0.6%	4.3%	93.8%	0.0%	(0.2%)	1.4%	6.7%
San Diego	0.3%	0.5%	5.9%	96.5%	0.0%	0.7%	1.2%	5.2%
San Francisco	1.4%	1.2%	9.3%	95.0%	(0.3%)	(1.0%)	0.4%	1.5%
San Jose	0.5%	0.5%	10.0%	94.6%	(0.2%)	0.0%	0.4%	1.0%
Seattle	1.0%	0.7%	7.6%	95.0%	0.1%	0.4%	1.7%	8.0%
Tampa	0.4%	0.7%	3.9%	94.6%	(0.5%)	(0.7%)	1.2%	5.8%
Washington DC	0.7%	0.6%	5.5%	94.5%	(0.0%)	(0.1%)	0.7%	2.8%
United States	0.5%	0.5%	6.1%	94.4%	(0.1%)	(0.3%)	0.9%	4.3%

\*Current quarter defined as Q1 2017

\*\*Completions highlighted in Red if above 0.25% of Stock

\*\*\*Under Construction highlighted in Red if above 1% of Stock

\*\*\*\*Green if above historical average since 2000

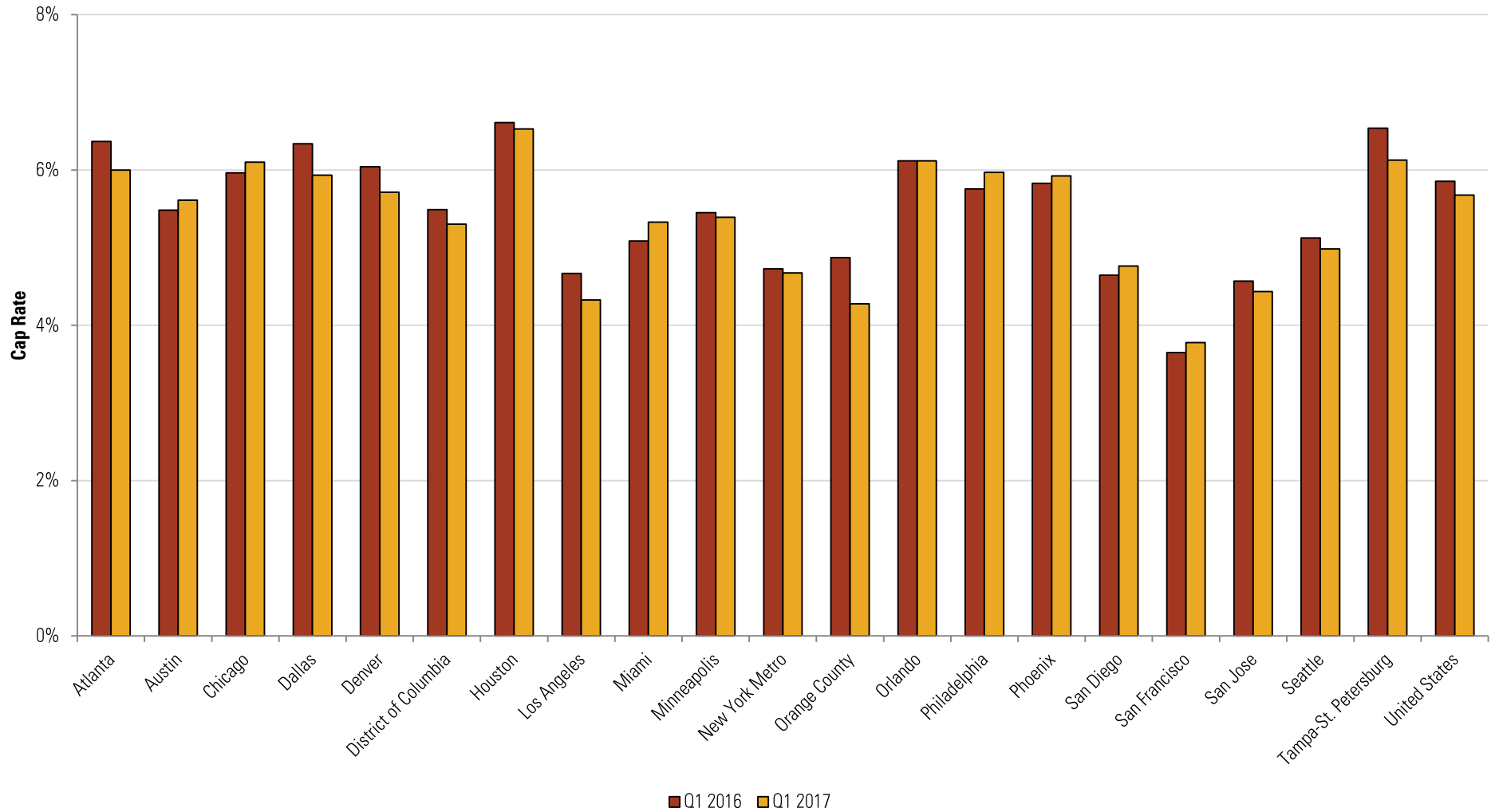
Note: Above data includes only market-rate rentable apartment space

Note: Apartment criteria filtered as follows: multifamily property (secondary type is apartment), 50+ units, and a 3-star or greater CoStar rating

Source: CoStar; RCLCO

# AVERAGE APARTMENT CAP RATES REMAIN LOW; HOWEVER, INCREASING IN TECH HUBS SUCH AS AUSTIN AND THE BAY AREA

Average Class A Apartment Cap Rates

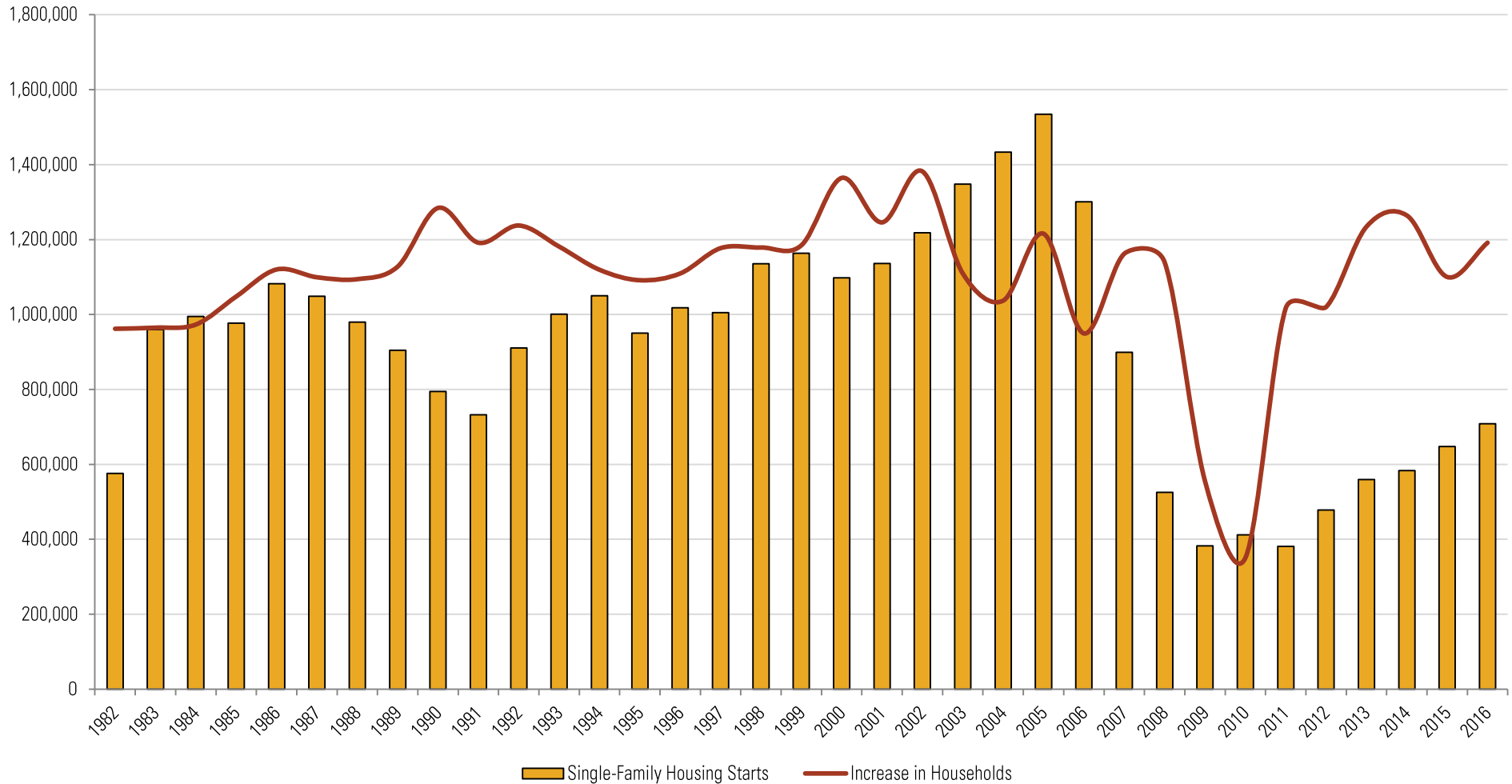


Source: RCA

# NEW HOUSEHOLDS OUTPACE SINGLE-FAMILY STARTS

MULTIFAMILY HAS BEEN FILLING THE GAP TO DATE, THOUGH PENT-UP DEMAND IS LIKELY GROWING

Single-Family Housing Starts and Household Growth

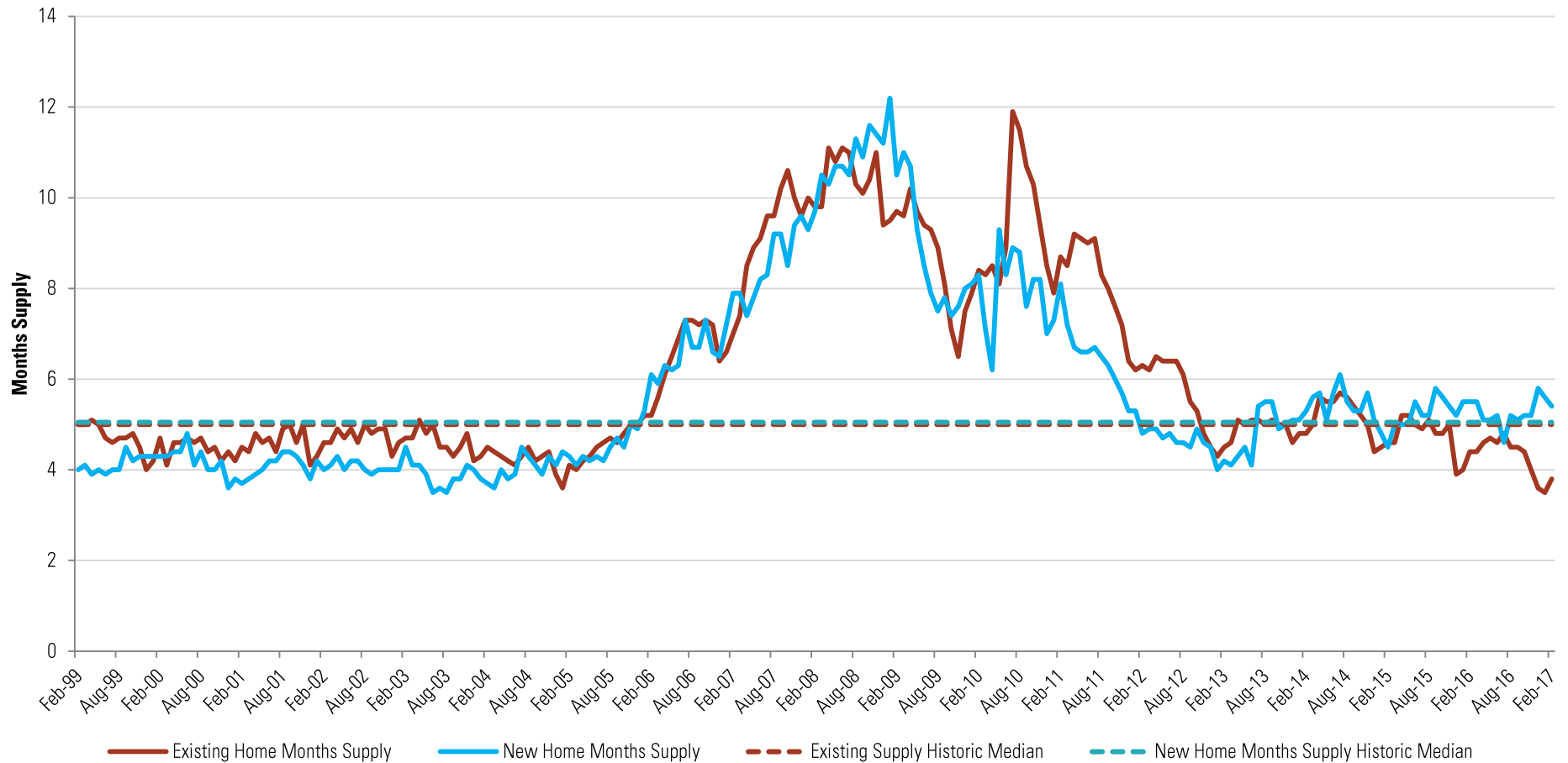


Note: Single-Family Housing Starts include single-family detached and single-family attached (townhomes)

Source: Moody's Analytics; RCLCO

# EXISTING HOUSING SUPPLY STILL BELOW MEDIAN LEVEL OF EXISTING INVENTORY; NEW HOME SUPPLY ABOVE MEDIAN

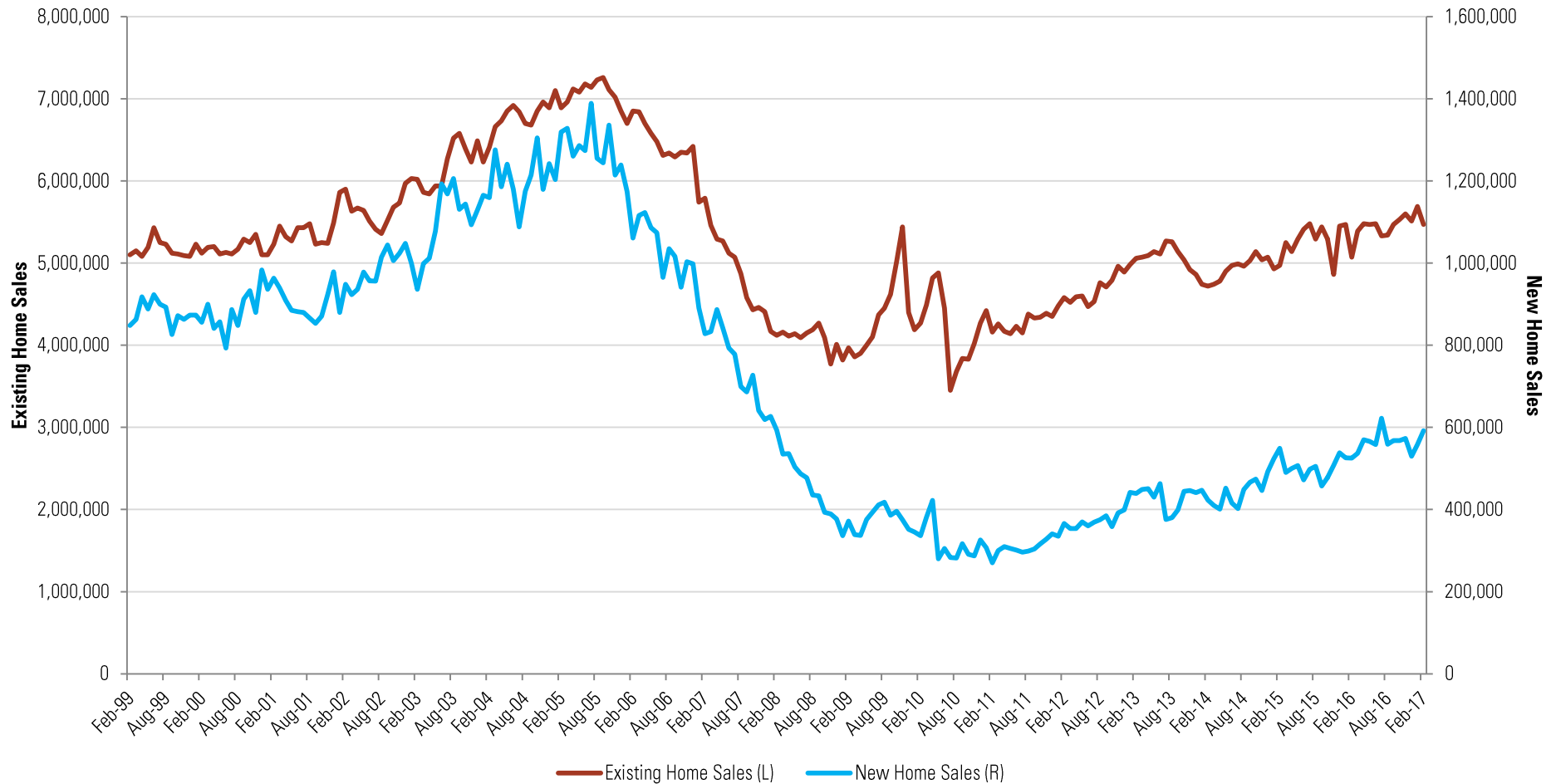
**New and Existing Home Months Supply of Housing  
(1999 - February 2017)**



Note: Home supply includes single-family detached, condo, and townhomes  
Source: National Association of Realtors (NAR); RCLCO

# DESPITE MONTHLY FLUCTUATIONS, NEW & EXISTING HOME SALES CONTINUE STEADY INCREASE

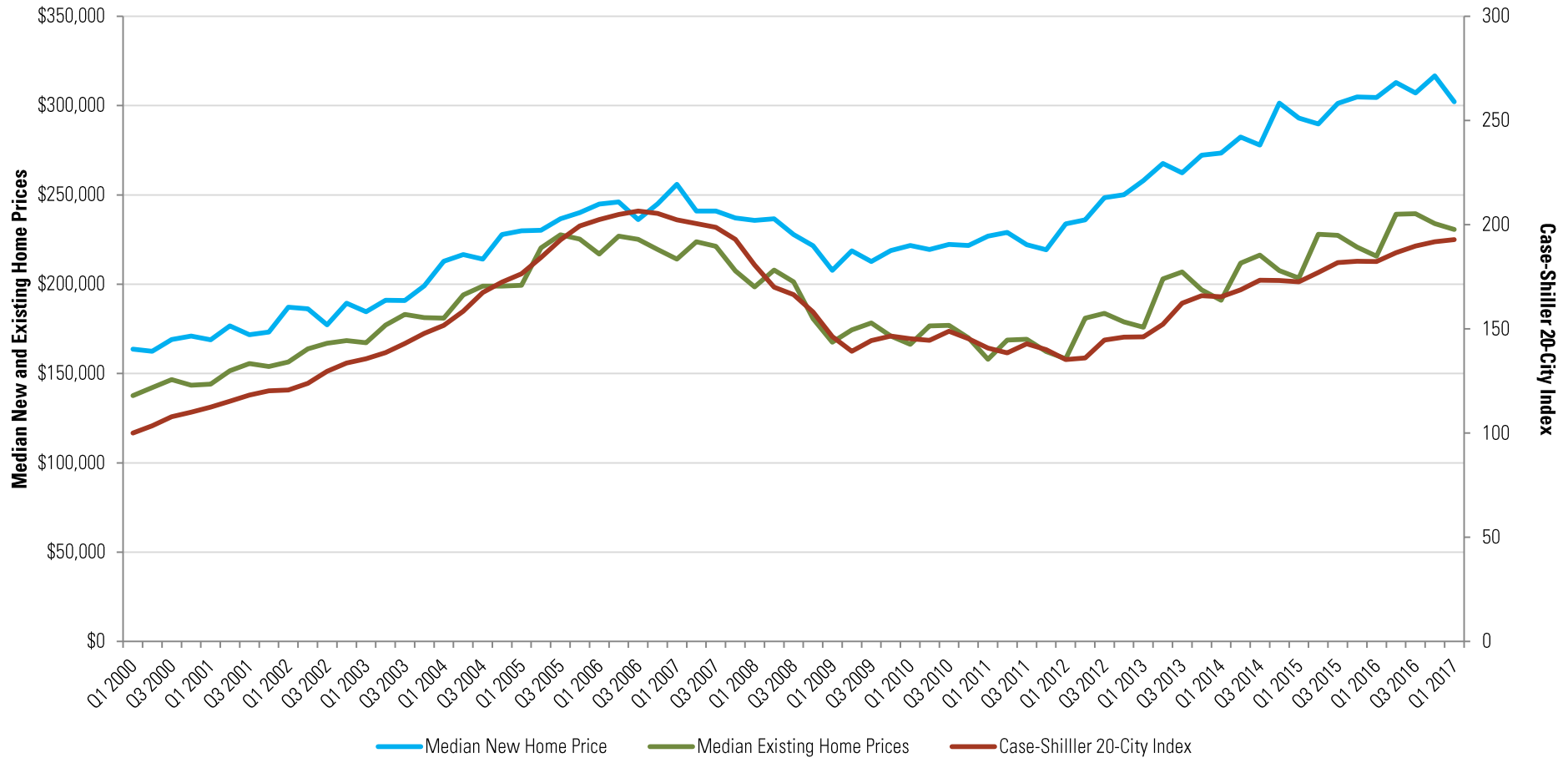
National Home Sales



Note: Monthly data are seasonally adjusted annual rates  
 Source: U.S. Census Bureau; NAR

# SIMILARLY, PRICING CONTINUES TO INCREASE, WITH WIDE SPREAD BETWEEN NEW & EXISTING HOME PRICES

Median Home Price and Case-Shiller 20-City Price Index  
(2000 – Q1 2017)



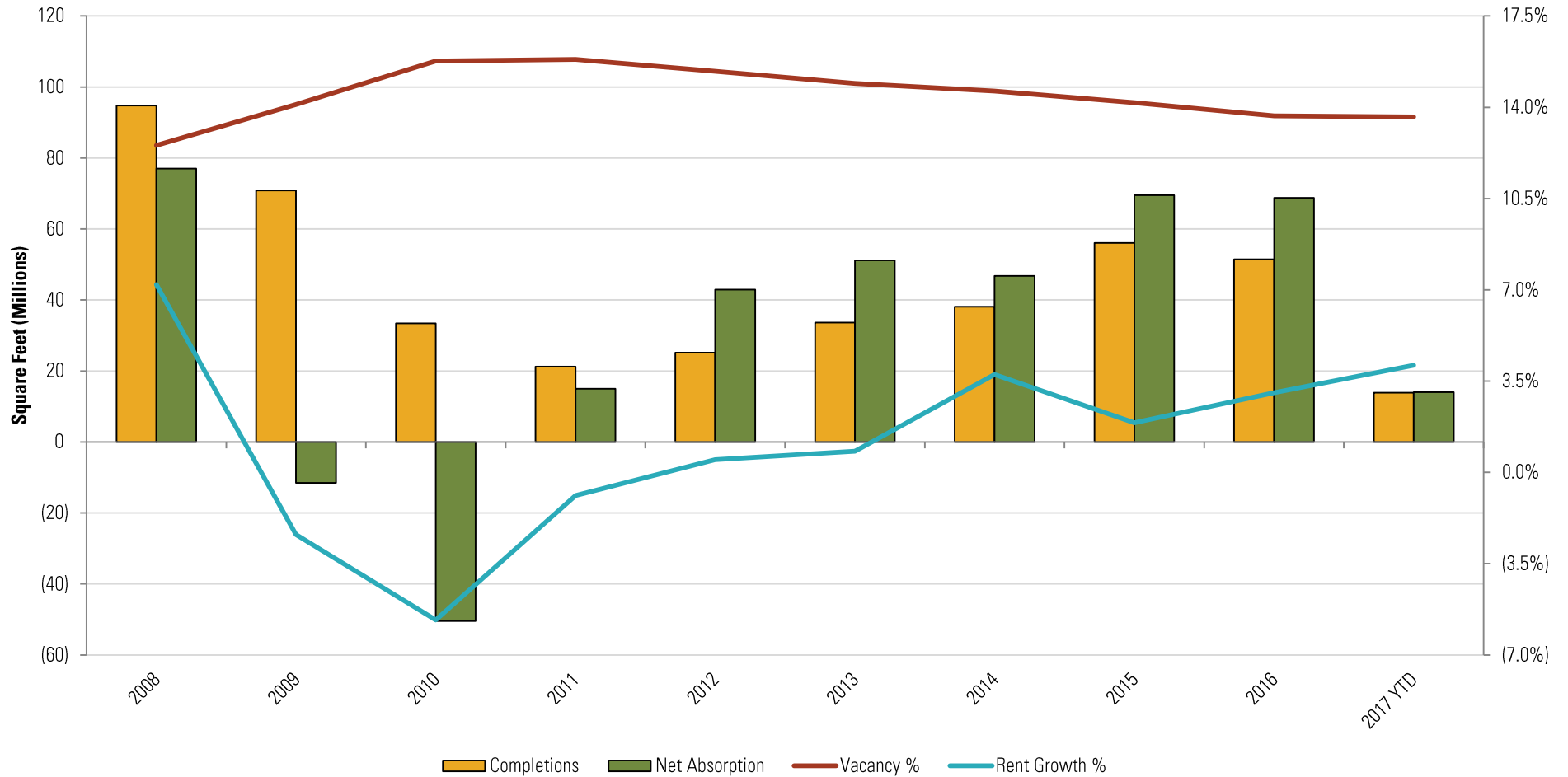
Source: U.S. Census; NAR; Standard & Poor's; Federal Reserve Bank of St. Louis

**OFFICE**

---

# U.S. OFFICE VACANCY STABILIZING AS SUPPLY & DEMAND ARE IN BALANCE; RENTS CONTINUE TO IMPROVE

U.S. Office Absorption, Vacancy, Rent Growth



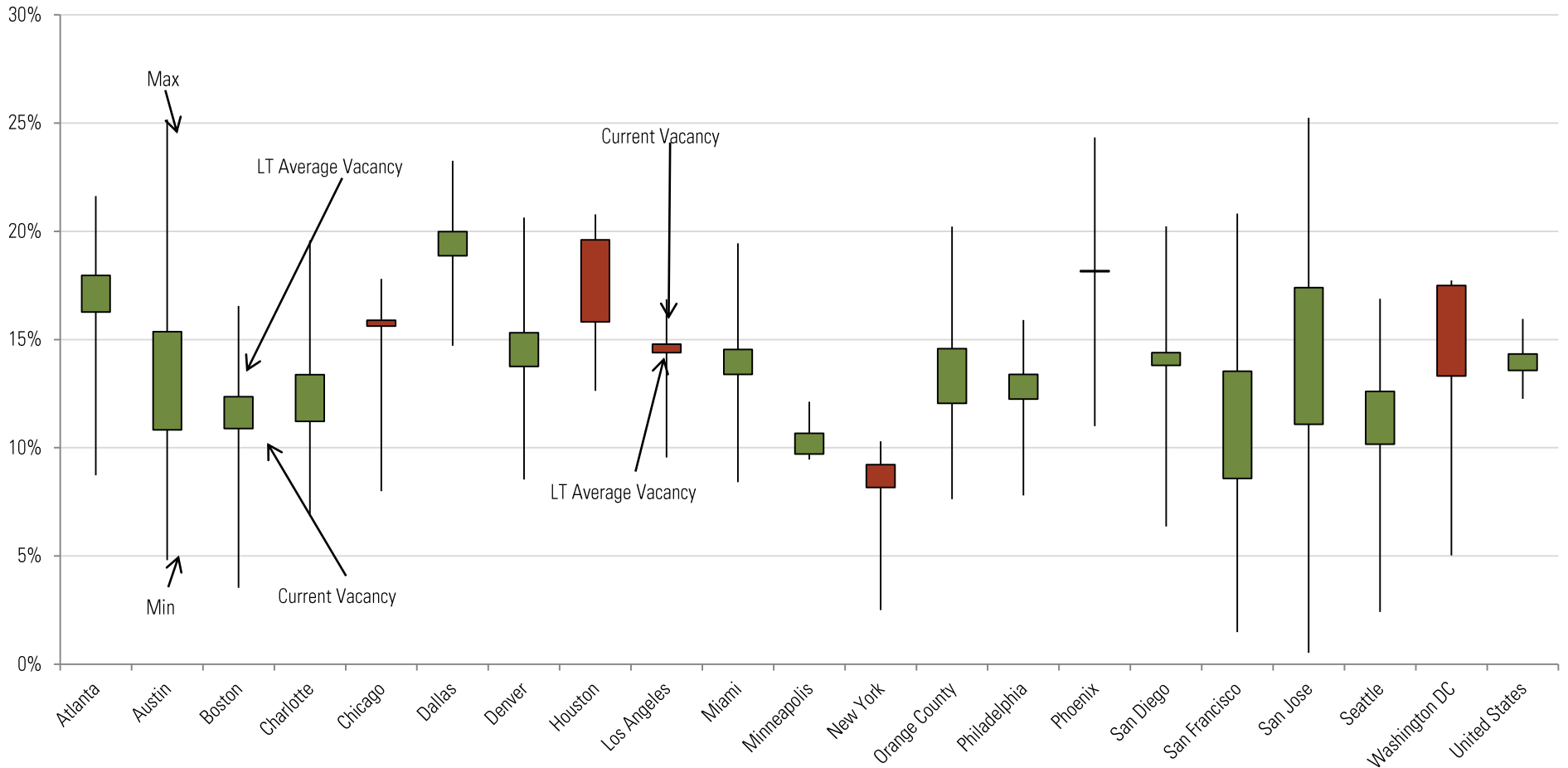
Note: Office criteria filtered as follows: office property, not owner occupied, 30,000+ SF, and a 3-star or greater CoStar rating  
 Source: CoStar; RCLCO



# OFFICE VACANCY REMAINS RELATIVELY UNCHANGED FROM Q4 2016; NOTABLE ABOVE-AVERAGE VACANCY IN HOUSTON AND WASHINGTON, D.C.

**Office Current and Long-term Vacancy**

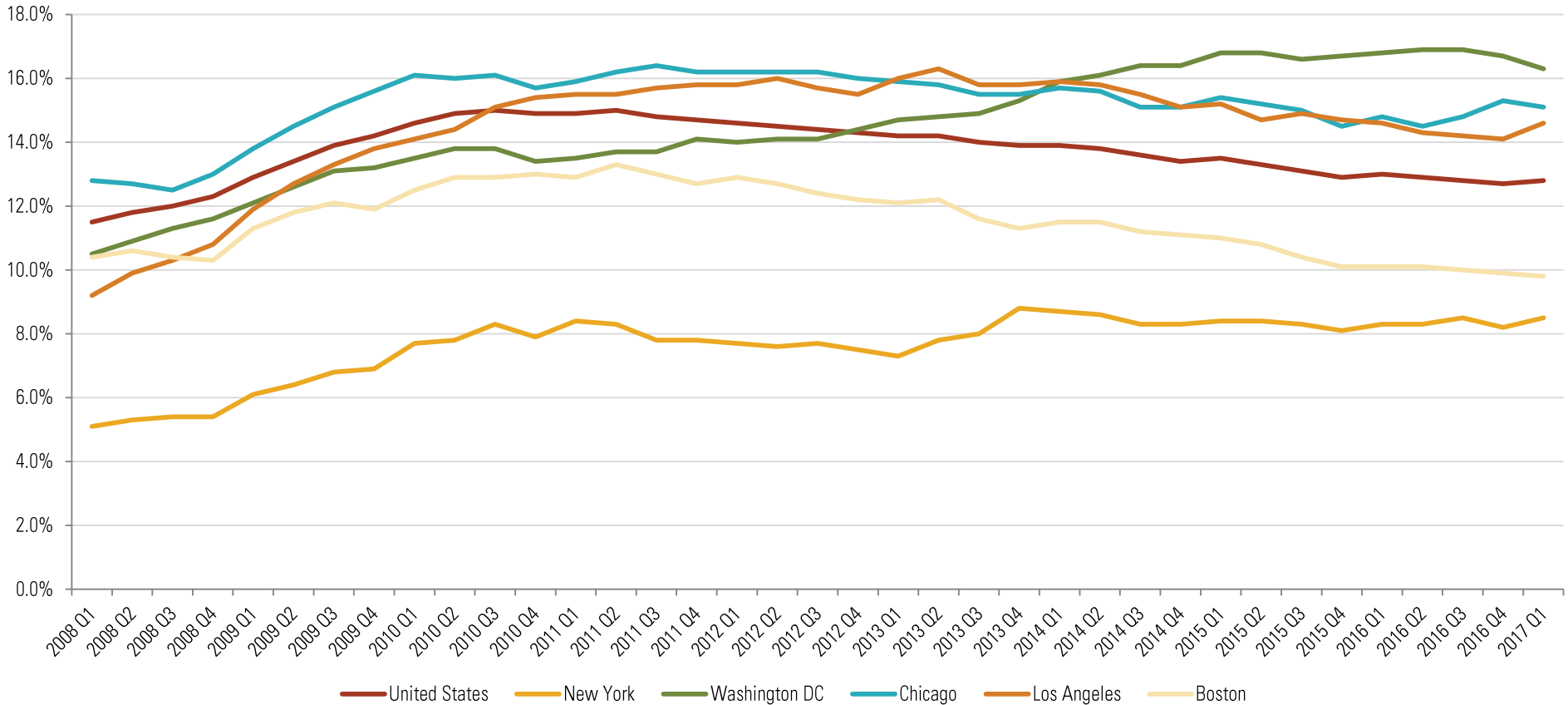
Green box - current vacancy < LT avg.  
Red box - current vacancy > LT avg.



Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets.  
 Note: Office criteria filtered as follows: office property, not owner occupied, 30,000+ SF, and a 3-star or greater CoStar rating  
 Source: CoStar; RCLCO

# U.S. OFFICE VACANCY STABILIZES; VACANCY TRENDS VARY ACROSS MAJOR MARKETS

Vacancy in Five Largest Office Markets, 2007-2017



\*As of Q1 2017

Note: Office criteria filtered as follows: office property, not owner occupied, 30,000+ SF, and a 3-star or greater CoStar rating

Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets

Source: CoStar; RCLCO

# U.S. OFFICE MARKET RISK INDICATOR:

## LIMITED, BUT CONTINUED IMPROVEMENT NATIONWIDE

	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking Rent Growth	Y-o-Y Asking Rent Growth
2010 Q1	(0.2%)	(0.2%)	0.9%	84.8%	(0.4%)	(1.9%)	(1.4%)	(4.7%)
2010 Q2	0.0%	(0.0%)	0.8%	84.4%	(0.3%)	(1.7%)	(1.2%)	(4.9%)
2010 Q3	0.1%	0.0%	0.7%	84.1%	(0.3%)	(1.5%)	(1.9%)	(3.1%)
2010 Q4	0.2%	0.1%	0.7%	84.1%	(0.0%)	(1.0%)	0.4%	(4.1%)
2011 Q1	0.1%	0.0%	0.7%	84.1%	(0.0%)	(0.6%)	(0.2%)	(2.9%)
2011 Q2	0.1%	0.0%	0.8%	84.1%	0.0%	(0.3%)	(0.2%)	(1.9%)
2011 Q3	0.3%	0.2%	0.8%	84.2%	0.1%	0.1%	(0.1%)	(0.1%)
2011 Q4	0.3%	0.2%	0.9%	84.3%	0.1%	0.2%	(0.1%)	(0.6%)
2012 Q1	0.2%	0.1%	0.9%	84.4%	0.1%	0.3%	0.1%	(0.3%)
2012 Q2	0.2%	0.2%	1.0%	84.6%	0.1%	0.4%	0.3%	0.3%
2012 Q3	0.2%	0.2%	1.0%	84.7%	0.1%	0.5%	0.4%	0.8%
2012 Q4	0.3%	0.2%	1.0%	84.8%	0.1%	0.5%	0.3%	1.1%
2013 Q1	0.2%	0.1%	1.1%	84.9%	0.1%	0.5%	0.2%	1.2%
2013 Q2	0.2%	0.1%	1.2%	85.0%	0.1%	0.4%	0.3%	1.2%
2013 Q3	0.3%	0.2%	1.3%	85.1%	0.1%	0.4%	0.4%	1.2%
2013 Q4	0.3%	0.2%	1.3%	85.2%	0.1%	0.4%	0.5%	1.4%
2014 Q1	0.2%	0.1%	1.6%	85.3%	0.1%	0.4%	0.9%	2.1%
2014 Q2	0.3%	0.2%	1.7%	85.4%	0.1%	0.4%	0.8%	2.7%
2014 Q3	0.4%	0.3%	1.9%	85.5%	0.1%	0.4%	0.8%	3.1%
2014 Q4	0.4%	0.3%	2.0%	85.6%	0.1%	0.4%	0.7%	3.3%
2015 Q1	0.1%	0.1%	2.0%	85.7%	0.1%	0.5%	0.5%	2.8%
2015 Q2	0.5%	0.4%	2.2%	85.9%	0.1%	0.5%	0.6%	2.6%
2015 Q3	0.4%	0.3%	2.2%	86.0%	0.1%	0.5%	0.7%	2.5%
2015 Q4	0.5%	0.4%	2.0%	86.1%	0.1%	0.5%	0.8%	2.6%
2016 Q1	0.2%	0.1%	2.0%	86.3%	0.1%	0.5%	0.8%	2.9%
2016 Q2	0.3%	0.3%	2.0%	86.3%	0.1%	0.5%	0.7%	3.0%
2016 Q3	0.2%	0.3%	1.9%	86.4%	0.0%	0.4%	1.0%	3.2%
2016 Q4	0.3%	0.2%	1.8%	86.4%	0.0%	0.3%	1.0%	3.4%
2017 Q1	0.1%	0.1%	1.6%	86.4%	0.0%	0.2%	1.0%	3.7%

\*Current quarter defined as Q1 2017

\*\*Completions highlighted in Red if above 0.25% of Stock

\*\*\*Under Construction highlighted in Red if above 1% of Stock

\*\*\*\*Green if above market's historical average since 2008

Note: Above data does not include Medical Office

Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets.

Note: Office criteria filtered as follows: office property, not owner occupied, 30,000+ SF, and a 3-star or greater CoStar rating

Source: CoStar; RCLCO

# U.S. OFFICE MARKET RISK INDICATOR:

VARIATIONS IN PERFORMANCE DRIVEN BY LOCAL ECONOMIES, CONSTRUCTION ACTIVITY, AND OCCUPANCY LEVELS

	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Gross Asking Rent Growth	Y-o-Y Gross Asking Rent Growth
Atlanta	(0.2%)	0.0%	2.4%	83.7%	(0.0%)	0.4%	1.5%	6.4%
Austin	0.1%	0.1%	2.1%	89.2%	0.2%	0.3%	0.7%	5.6%
Boston	0.2%	0.1%	1.2%	89.1%	0.0%	0.2%	(0.3%)	(1.1%)
Charlotte	0.2%	1.1%	2.7%	88.8%	(0.3%)	0.1%	0.7%	4.8%
Chicago	0.6%	0.6%	0.4%	84.1%	(0.1%)	(0.1%)	0.6%	2.4%
Dallas	0.2%	0.8%	2.4%	81.1%	(0.1%)	(0.3%)	0.9%	4.6%
Denver	(0.2%)	0.7%	3.9%	86.2%	(0.3%)	(0.4%)	0.3%	3.2%
Houston	(0.4%)	0.8%	1.0%	80.4%	(0.6%)	(2.5%)	(0.3%)	(0.4%)
Los Angeles	(0.3%)	0.4%	0.6%	85.2%	(0.0%)	0.4%	1.6%	5.3%
Miami	0.3%	0.2%	1.1%	86.6%	0.2%	0.6%	1.1%	4.4%
Minneapolis	0.3%	0.1%	0.2%	90.3%	(0.0%)	0.5%	(0.1%)	4.1%
New York	(0.3%)	0.0%	3.0%	90.8%	(0.1%)	(0.2%)	2.4%	8.5%
Orange County	0.2%	0.3%	0.2%	88.0%	0.2%	0.3%	1.7%	8.0%
Philadelphia	0.0%	0.1%	1.3%	87.8%	0.1%	0.7%	0.9%	3.0%
Phoenix	0.9%	1.3%	0.7%	81.8%	0.1%	0.7%	1.1%	5.5%
San Diego	0.8%	0.0%	1.0%	86.2%	0.2%	0.3%	1.1%	3.1%
San Francisco	(0.0%)	0.3%	5.0%	91.4%	(0.2%)	(0.4%)	2.1%	8.3%
San Jose	1.4%	0.9%	9.0%	88.9%	0.2%	0.4%	2.2%	9.7%
Seattle	(0.1%)	0.1%	2.6%	89.8%	(0.0%)	0.9%	(0.0%)	0.8%
Washington DC	0.5%	0.1%	2.1%	82.5%	0.2%	0.0%	0.5%	1.7%
United States	0.1%	0.3%	1.6%	86.4%	0.0%	0.2%	1.0%	3.7%

\*Current quarter defined as Q1 2017

\*\*Completions highlighted in Red if above 0.25% of Stock

\*\*\*Under Construction highlighted in Red if above 1% of Stock

\*\*\*\*Green if above market's historical average since 2008

Note: Above data does not include Medical Office

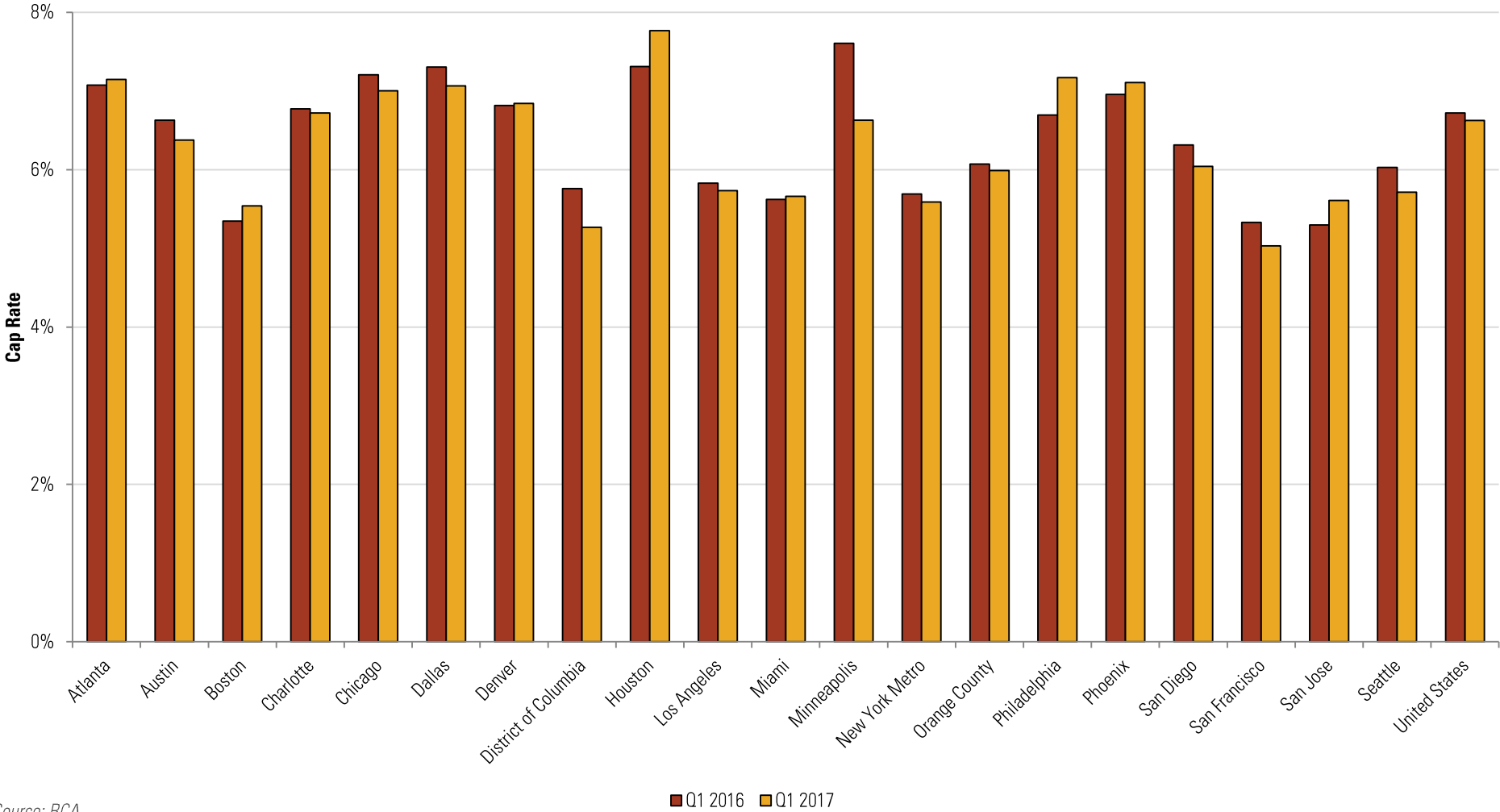
Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets.

Note: Office criteria filtered as follows: office property, not owner occupied, 30,000+ SF, and a 3-star or greater CoStar rating

Source: CoStar; RCLCO

# OFFICE CAP RATES, & MOVEMENT DURING THE PAST YEAR, REFLECT CHANGES IN LOCAL MARKET CONDITIONS

Average Class A Office Cap Rates



Source: RCA

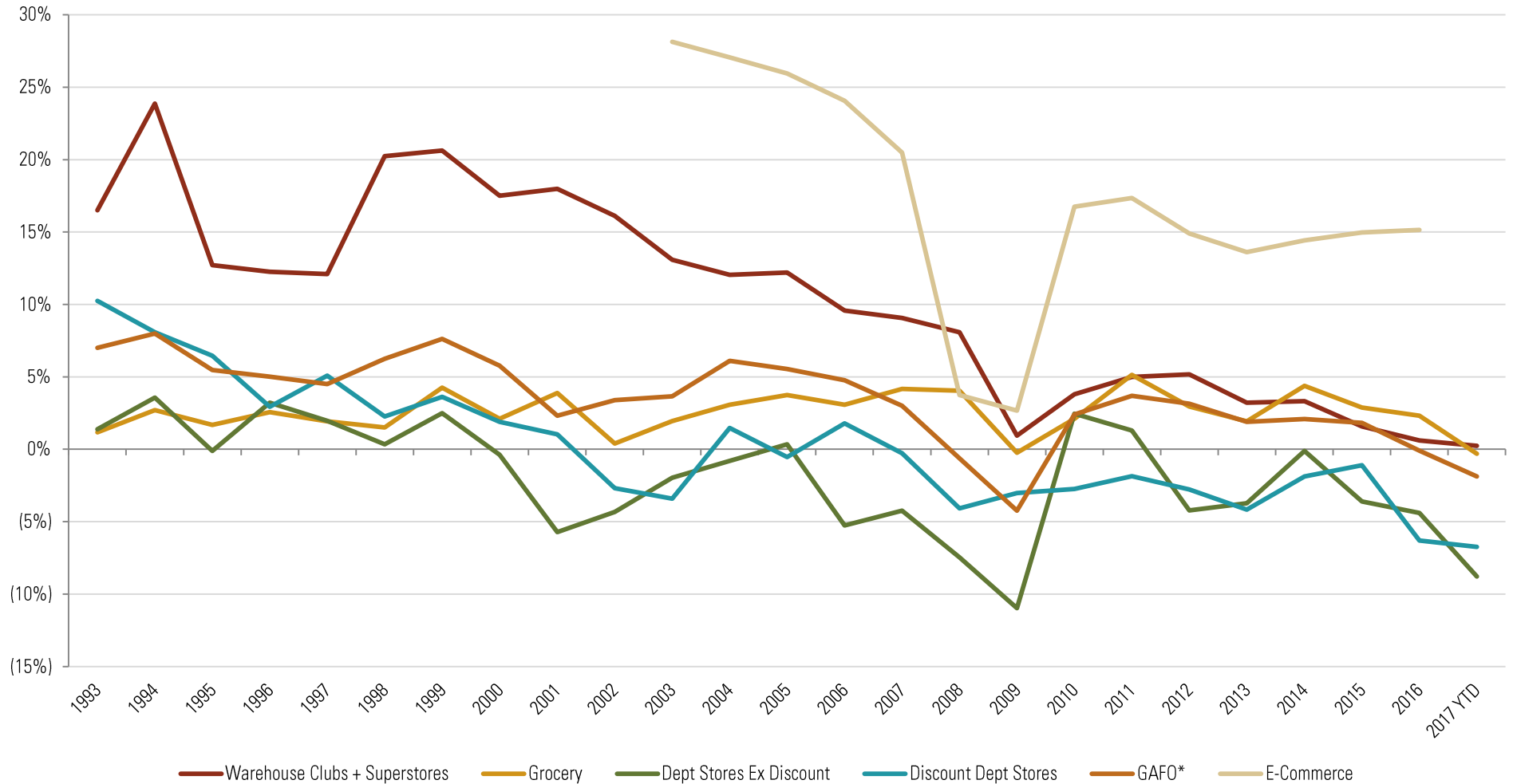


## **RETAIL (NEIGHBORHOOD & COMMUNITY CENTER)**

---

# E-COMMERCE CONTINUES TO DRIVE RETAIL SALES GROWTH

Retail Sales Growth  
1993 - 2017

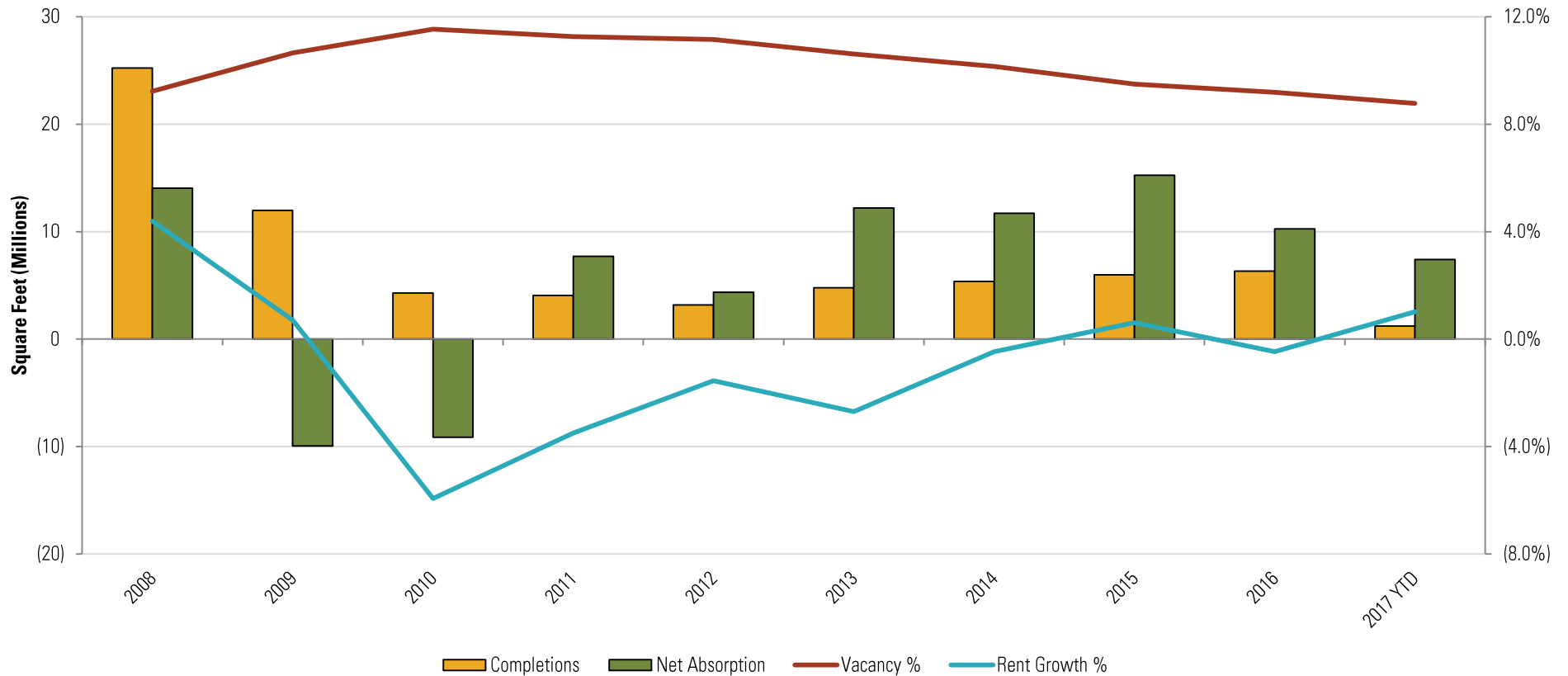


\*GAFO includes furniture, appliance, office supply, and general merchandise stores  
 Note: 2017 E-Commerce data not yet available  
 Source: US Census

# U.S. RETAIL MARKET RESPONDING RATIONALLY TO E-COMMERCE AS LIMITED NEW SUPPLY HAS COME ONLINE;

## DECLINING VACANCY DIRECTLY ATTRIBUTABLE TO LIMITED NEW SUPPLY

U.S. Neighborhood and Community Center Retail Absorption, Vacancy, Rent Growth



Note: Above data is for neighborhood and community centers only

Note: Retail criteria filtered as follows: retail property in a shopping center, not owner occupied, 30,000+ SF, multiple tenancy, and a 3-star or greater CoStar rating

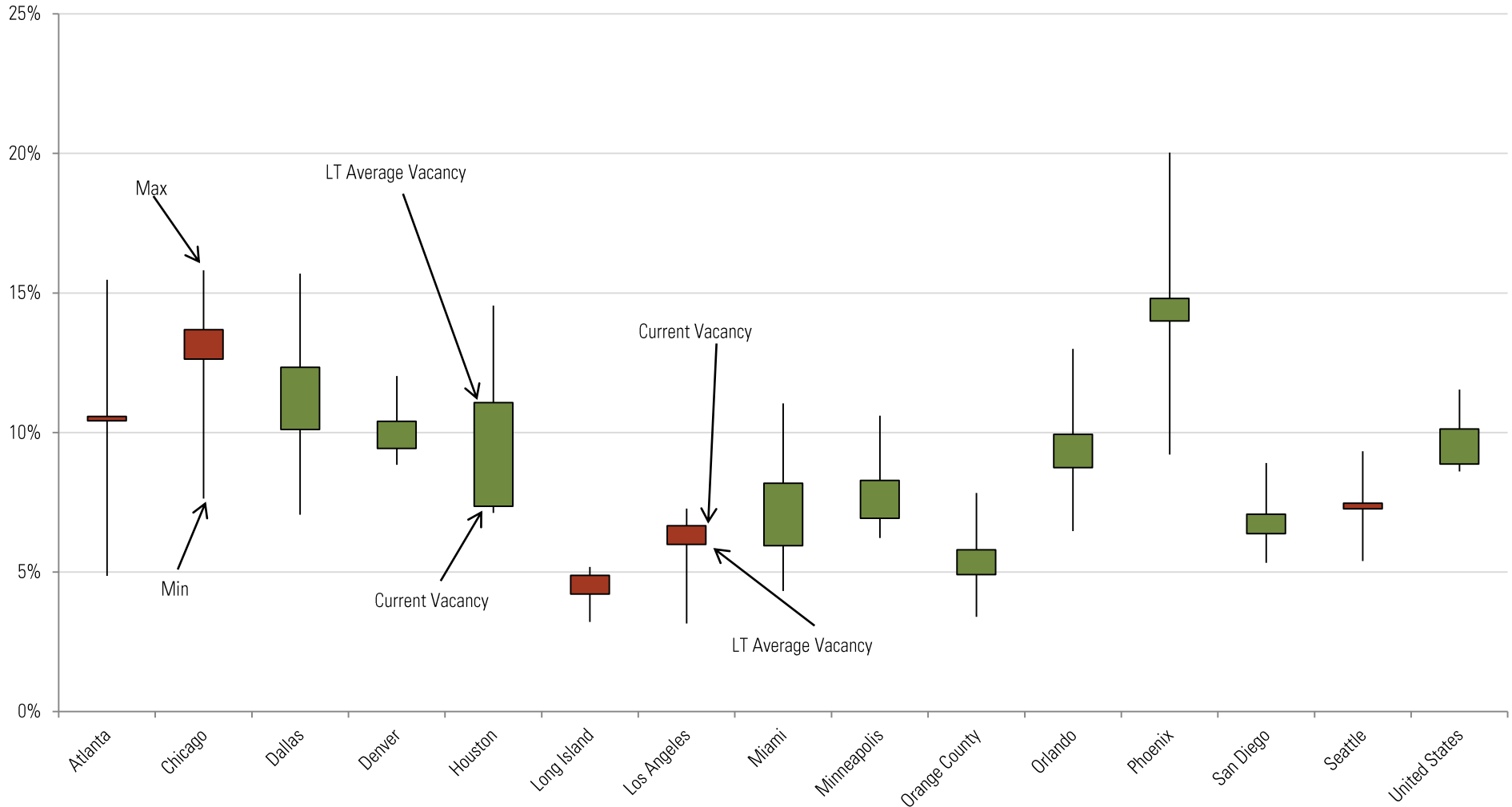
Source: CoStar; RCLCO



# RETAIL OCCUPANCY YET TO FULLY RECOVER IN SELECT MARKETS

**Neighborhood and Community Center Retail Current and Long-term Vacancy**

Green box - current vacancy < LT avg.  
Red box - current vacancy > LT avg.



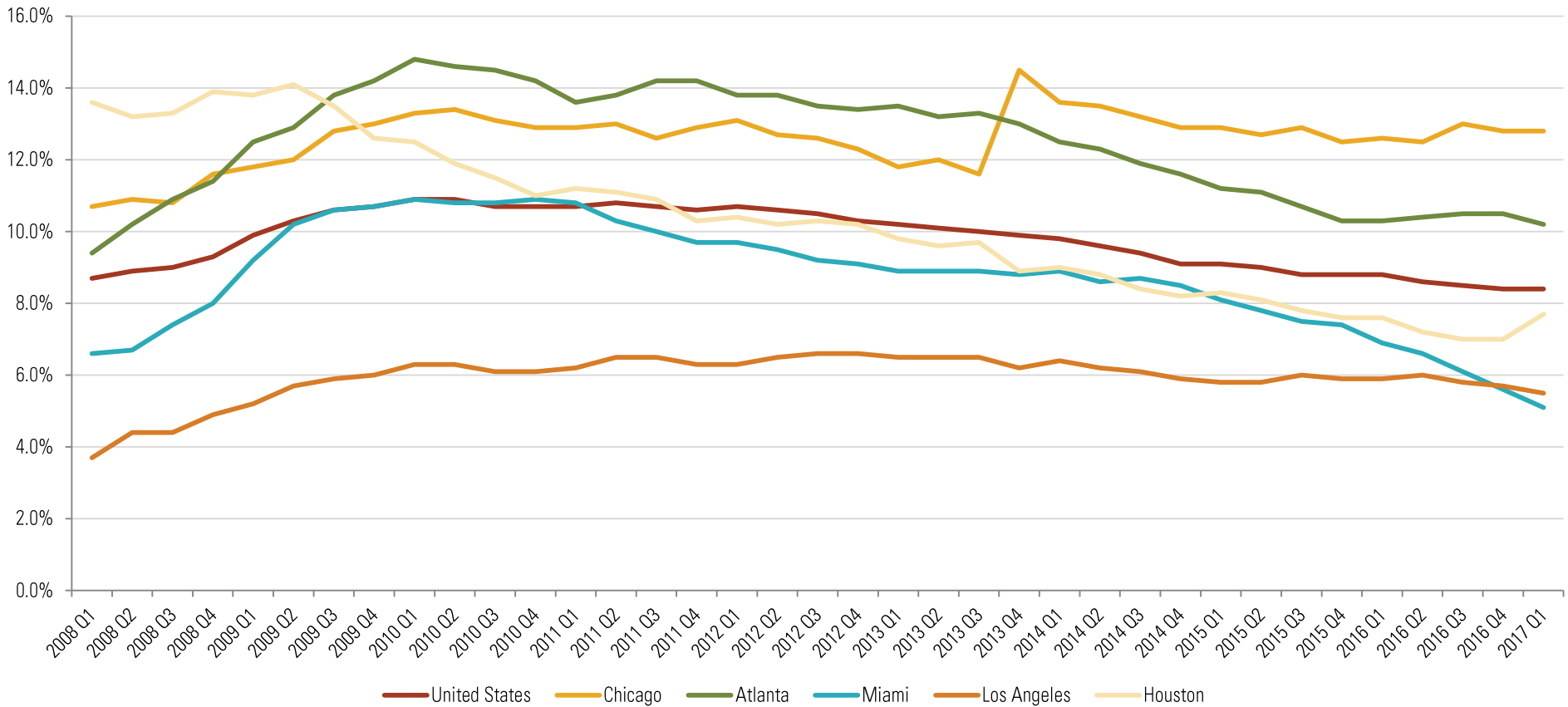
Note: Retail criteria filtered as follows: retail property in a shopping center, not owner occupied, 30,000+ SF, multiple tenancy, and a 3-star or greater CoStar rating

Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets

Source: CoStar; RCLCO

# EXCLUDING CHICAGO, RETAIL VACANCY NEARING PRE-RECESSION LEVELS DUE TO LOW LEVELS OF NEW INVENTORY

Neighborhood and Community Center Retail Vacancy in Five Largest Retail Markets, 2007-2016



\*As of Q1 2017

Note: Retail criteria filtered as follows: retail property in a shopping center, not owner occupied, 30,000+ SF, multiple tenancy, and a 3-star or greater CoStar rating

Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets

Source: CoStar; RCLCO

# U.S. RETAIL MARKET RISK INDICATORS:

## VERY SLOW NATIONAL RECOVERY; RENT AND OCCUPANCY REMAIN RELATIVELY UNCHANGED

	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking Rent Growth	Y-o-Y Asking Rent Growth
2010 Q1	(0.1%)	0.1%	0.3%	88.7%	(0.2%)	(1.5%)	(1.5%)	(4.0%)
2010 Q2	0.2%	0.1%	0.3%	88.6%	(0.1%)	(1.1%)	(1.3%)	(4.9%)
2010 Q3	0.2%	0.0%	0.3%	88.7%	0.1%	(0.5%)	(4.0%)	(7.9%)
2010 Q4	0.2%	0.1%	0.3%	88.6%	(0.1%)	(0.3%)	1.9%	(4.9%)
2011 Q1	0.0%	0.1%	0.2%	88.7%	0.1%	0.0%	(0.9%)	(4.3%)
2011 Q2	0.0%	0.0%	0.2%	88.7%	0.0%	0.1%	(1.0%)	(4.0%)
2011 Q3	0.1%	0.1%	0.2%	88.8%	0.0%	0.0%	(0.7%)	(0.7%)
2011 Q4	0.2%	0.0%	0.2%	88.8%	0.0%	0.2%	(0.5%)	(3.0%)
2012 Q1	(0.0%)	0.0%	0.3%	88.8%	0.0%	0.1%	(0.4%)	(2.5%)
2012 Q2	0.1%	0.0%	0.3%	88.9%	0.0%	0.1%	(0.2%)	(1.8%)
2012 Q3	0.2%	0.0%	0.3%	88.9%	0.1%	0.2%	(0.4%)	(1.6%)
2012 Q4	0.3%	0.1%	0.2%	89.0%	0.1%	0.2%	(0.8%)	(1.8%)
2013 Q1	0.2%	0.1%	0.3%	89.1%	0.1%	0.3%	(0.7%)	(2.1%)
2013 Q2	0.1%	0.0%	0.4%	89.3%	0.1%	0.4%	(0.6%)	(2.5%)
2013 Q3	0.3%	0.1%	0.3%	89.4%	0.2%	0.5%	(0.6%)	(2.6%)
2013 Q4	0.1%	0.1%	0.3%	89.5%	0.1%	0.5%	(0.3%)	(2.2%)
2014 Q1	0.2%	0.1%	0.4%	89.7%	0.1%	0.5%	(0.1%)	(1.6%)
2014 Q2	0.2%	0.1%	0.4%	89.8%	0.1%	0.5%	0.1%	(0.9%)
2014 Q3	0.3%	0.1%	0.3%	89.9%	0.1%	0.5%	0.5%	0.2%
2014 Q4	0.3%	0.1%	0.3%	90.1%	0.2%	0.6%	0.3%	0.8%
2015 Q1	0.2%	0.1%	0.4%	90.3%	0.2%	0.6%	0.2%	1.1%
2015 Q2	0.1%	0.1%	0.4%	90.4%	0.2%	0.6%	(0.2%)	0.7%
2015 Q3	0.2%	0.1%	0.5%	90.6%	0.1%	0.6%	(0.3%)	0.0%
2015 Q4	0.1%	0.1%	0.4%	90.6%	0.1%	0.5%	(0.2%)	(0.5%)
2016 Q1	0.1%	0.1%	0.5%	90.7%	0.1%	0.4%	(0.1%)	(0.7%)
2016 Q2	0.3%	0.1%	0.4%	90.8%	0.1%	0.4%	0.0%	(0.6%)
2016 Q3	0.3%	0.1%	0.3%	90.9%	0.1%	0.3%	0.2%	(0.1%)
2016 Q4	0.2%	0.1%	0.2%	91.0%	0.1%	0.4%	0.2%	0.2%
2017 Q1	0.1%	0.1%	0.2%	91.1%	0.1%	0.4%	0.3%	0.6%

\*Current quarter defined as Q1 2017

\*\*Completions highlighted in Red if above 0.25% of Stock

\*\*\*Under Construction highlighted in Red if above 1% of Stock

\*\*\*\*Green if above city's historical average since 2008

Note: Above data includes only Neighborhood/Community centers; does NOT include power centers, regional malls, or lifestyle retail centers

Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets.

Note: Retail criteria filtered as follows: retail property in a shopping center, not owner occupied, 30,000+ SF, multiple tenancy, and a 3-star or greater CoStar rating

Source: CoStar; RCLCO

# U.S. RETAIL MARKET RISK INDICATORS:

## SIGNIFICANT PERFORMANCE VARIATION ACROSS MARKETS

	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking NNN Rent Growth	Y-o-Y Asking NNN Rent Growth
Atlanta	0.3%	0.1%	0.3%	89.4%	0.0%	0.3%	0.9%	2.5%
Chicago	0.1%	0.1%	0.1%	86.3%	(0.0%)	0.1%	(1.6%)	(5.8%)
Dallas	0.4%	0.2%	0.2%	89.9%	0.2%	1.2%	(0.6%)	(1.1%)
Denver	0.3%	0.0%	0.0%	90.6%	0.2%	0.6%	2.0%	4.8%
Houston	(0.7%)	0.0%	0.2%	92.6%	(0.0%)	0.5%	1.7%	(0.1%)
Long Island	(0.1%)	0.0%	0.2%	95.1%	(0.0%)	(1.0%)	2.0%	1.6%
Los Angeles	0.1%	0.0%	0.0%	93.3%	0.2%	0.1%	0.3%	0.8%
Miami	0.4%	0.0%	0.1%	94.1%	0.4%	1.5%	0.9%	3.8%
Minneapolis	0.3%	0.0%	0.4%	93.1%	(0.0%)	0.4%	0.1%	1.6%
Orange County	(0.1%)	0.0%	0.0%	95.1%	0.0%	0.3%	1.1%	4.4%
Orlando	0.1%	0.0%	0.0%	91.3%	0.2%	0.3%	0.2%	(3.0%)
Phoenix	(0.0%)	0.1%	0.4%	86.0%	(0.1%)	0.1%	0.1%	1.9%
San Diego	0.5%	0.0%	0.0%	93.6%	0.5%	1.2%	(1.1%)	(2.9%)
Seattle	(0.3%)	0.0%	0.3%	92.5%	(0.2%)	(0.7%)	(0.3%)	0.5%
United States	0.1%	0.1%	0.2%	91.1%	0.1%	0.4%	0.3%	0.6%

\*Current quarter defined as Q1 2017

\*\*Completions highlighted in Red if above 0.25% of Stock

\*\*\*Under Construction highlighted in Red if above 1% of Stock

\*\*\*\*Green if above city's historical average since 2008

Note: Above data includes only Neighborhood/Community centers; does NOT include power centers, regional malls, or lifestyle retail centers

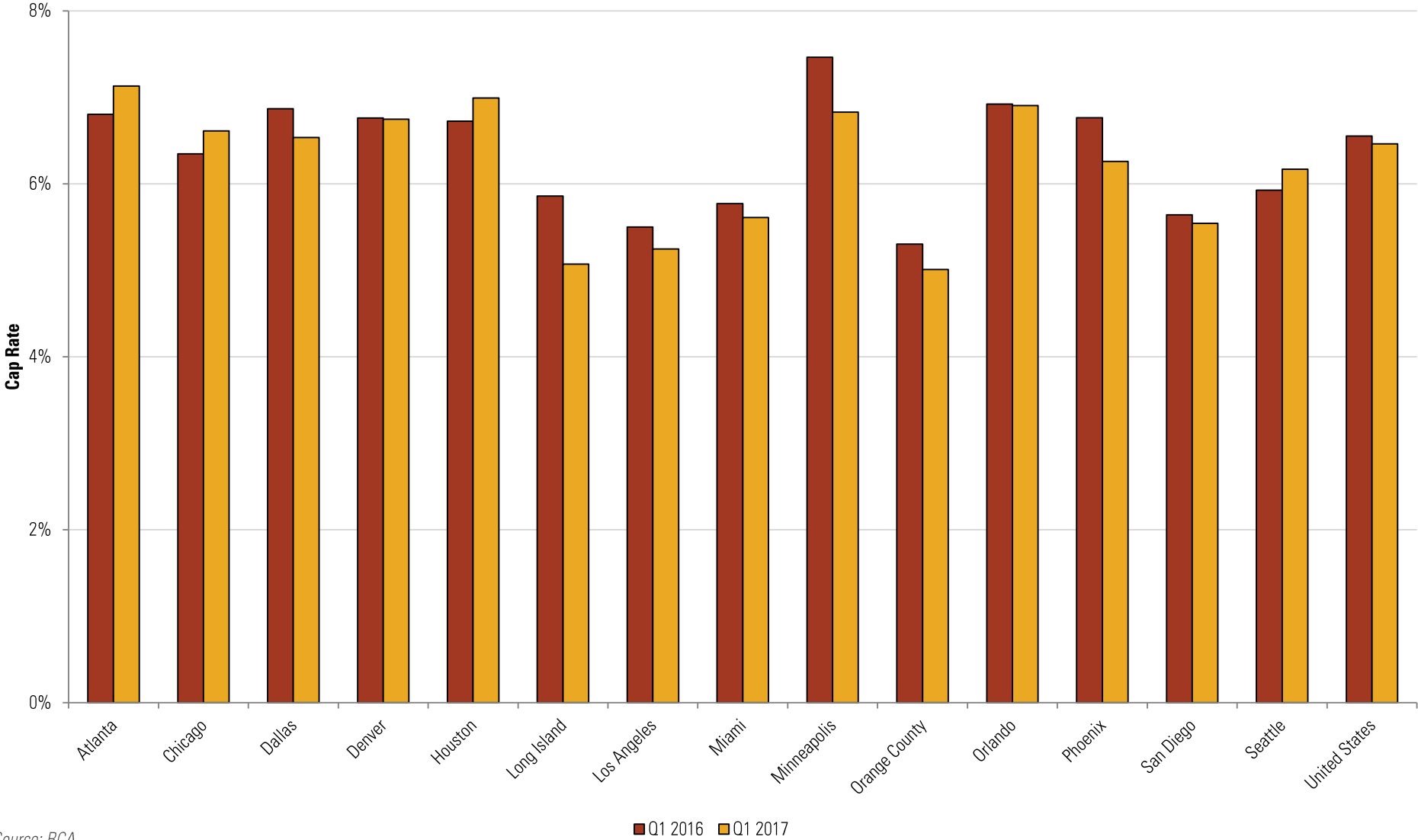
Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets.

Note: Retail criteria filtered as follows: retail property in a shopping center, not owner occupied, 30,000+ SF, multiple tenancy, and a 3-star or greater CoStar rating

Source: CoStar; RCLCO

# RETAIL CAP RATES COMPRESS IN MANY MARKETS

Average Retail Cap Rates



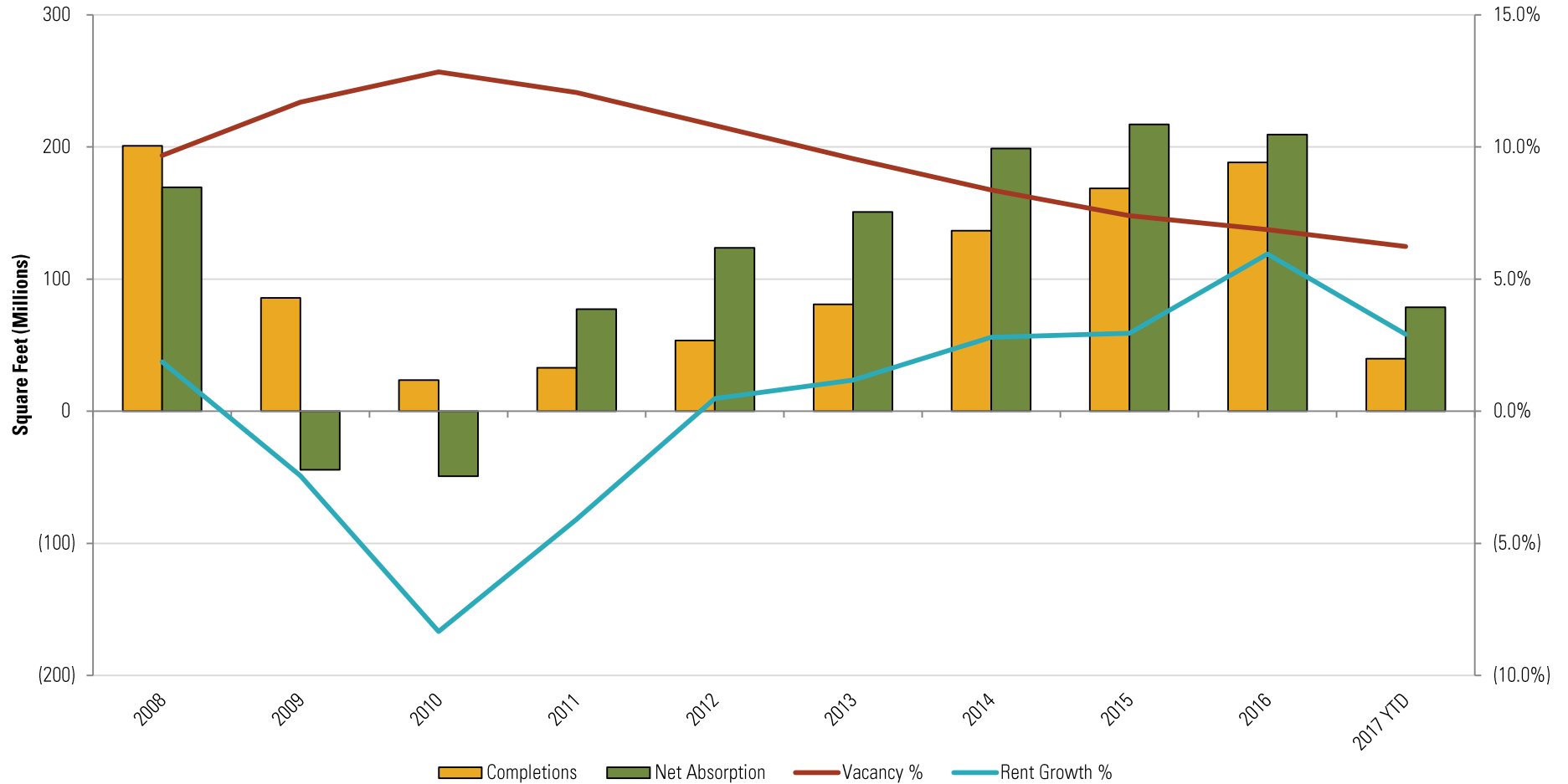
Source: RCA

# INDUSTRIAL

---

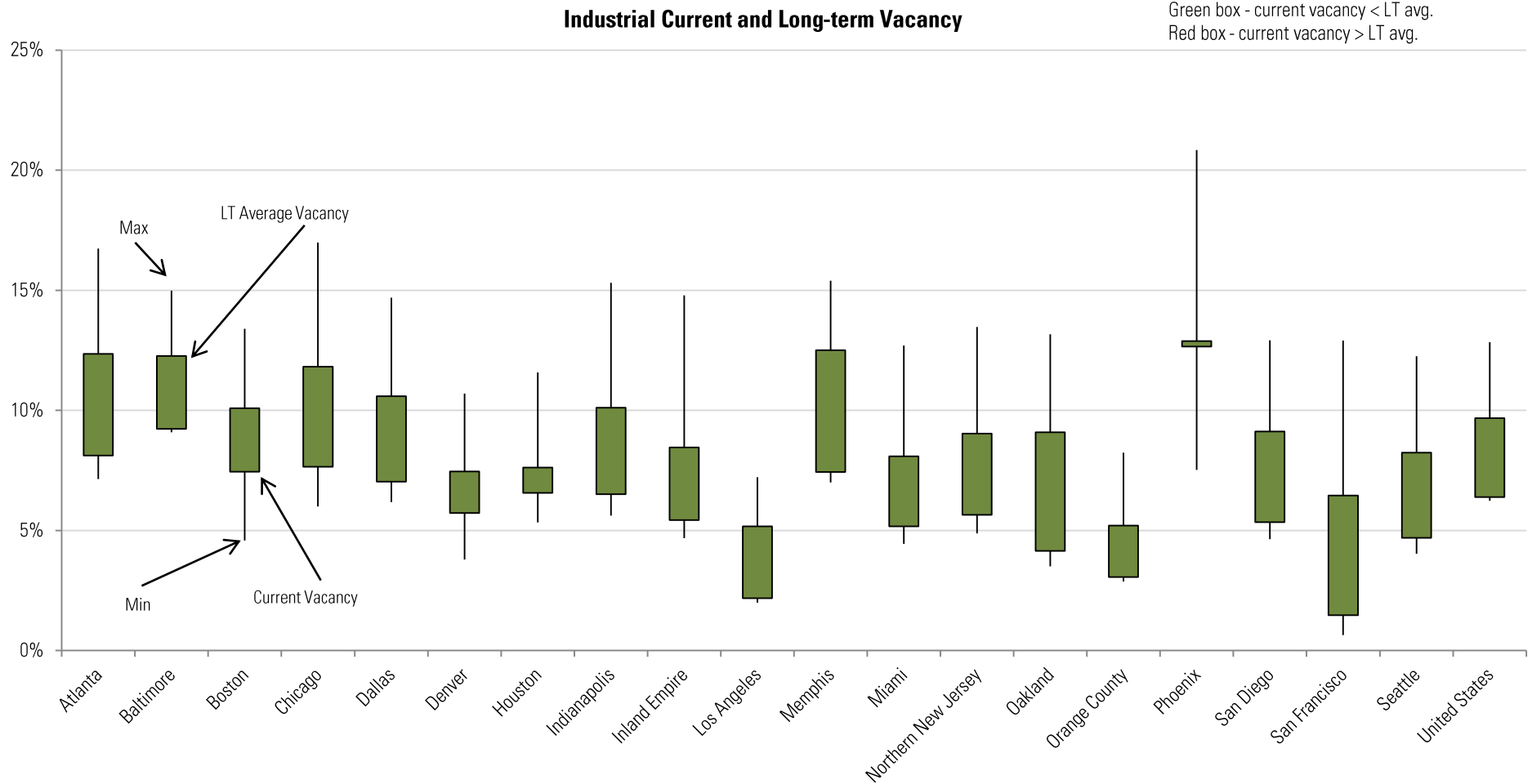
# NET ABSORPTION CONTINUES TO OUTPACE NEW SUPPLY AS OCCUPANCY & RENT GROWTH REMAIN STRONG

U.S. Industrial Absorption, Vacancy, Rent Growth



Note: Industrial criteria filtered as follows: industrial property (secondary type is either distribution or warehouse), 30,000+ SF, and a 3-star or greater CoStar rating  
 Source: CoStar; RCLCO

# INDUSTRIAL VACANCY CONTINUES TO DECLINE IN MOST MARKETS, REMAINING WELL BELOW AVERAGE NATIONWIDE



Note: Industrial criteria filtered as follows: industrial property (secondary type is either distribution or warehouse), 30,000+ SF, and a 3-star or greater CoStar rating

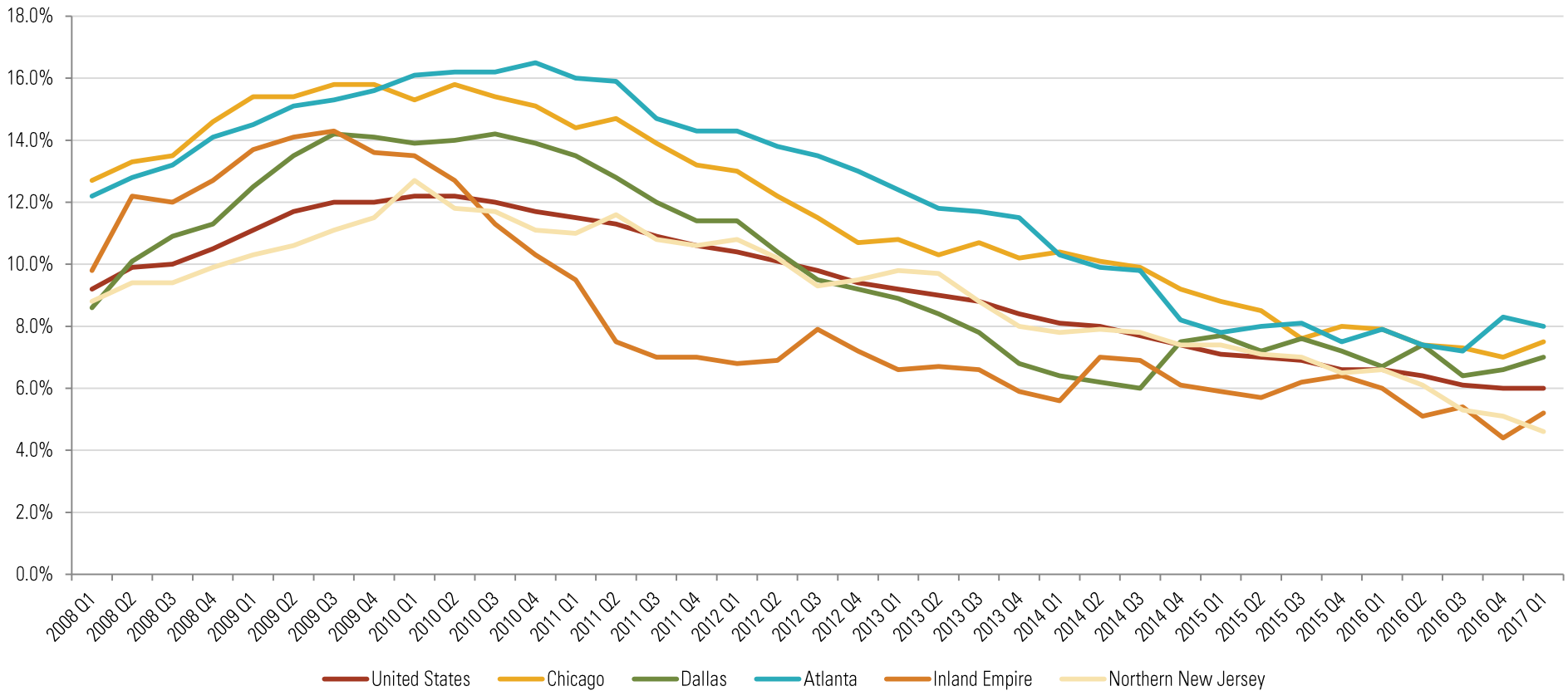
Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets

Source: CoStar; RCLCO



# INDUSTRIAL VACANCY WELL BELOW PRE-RECESSION LEVELS NATIONWIDE & IN MAJOR MARKETS; STILL DECLINING IN NJ & ATLANTA

Vacancy in Five Largest Industrial Markets,  
2007-2016



\*As of Q1 2017

Note: Industrial criteria filtered as follows: industrial property (secondary type is either distribution or warehouse), 30,000+ SF, and a 3-star or greater CoStar rating

Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets

Source: CoStar; RCLCO

# U.S. INDUSTRIAL MARKET RISK INDICATORS:

## CONSTRUCTION ACTIVITY REMAINS AT PEAK; RENT GROWTH STILL HIGH BUT MODERATING

	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking Rent Growth	Y-o-Y Asking Rent Growth
2010 Q1	(0.1%)	0.1%	0.4%	87.4%	(0.3%)	(1.7%)	(2.1%)	(6.4%)
2010 Q2	0.1%	0.1%	0.4%	87.3%	(0.1%)	(1.4%)	(2.1%)	(7.5%)
2010 Q3	0.3%	0.1%	0.4%	87.8%	0.6%	(0.3%)	(5.0%)	(10.9%)
2010 Q4	0.4%	0.1%	0.4%	87.4%	(0.5%)	(0.3%)	1.7%	(7.5%)
2011 Q1	0.3%	0.1%	0.5%	87.6%	0.2%	0.1%	(1.0%)	(6.4%)
2011 Q2	0.4%	0.1%	0.5%	87.8%	0.3%	0.6%	(0.6%)	(5.0%)
2011 Q3	0.5%	0.2%	0.4%	88.1%	0.3%	0.3%	(0.4%)	(0.4%)
2011 Q4	0.5%	0.1%	0.6%	88.5%	0.3%	1.1%	0.0%	(2.0%)
2012 Q1	0.3%	0.1%	0.7%	88.8%	0.3%	1.2%	0.1%	(0.9%)
2012 Q2	0.4%	0.1%	0.9%	89.1%	0.3%	1.2%	0.2%	(0.1%)
2012 Q3	0.6%	0.2%	1.0%	89.4%	0.3%	1.2%	0.2%	0.5%
2012 Q4	0.7%	0.4%	0.9%	89.7%	0.3%	1.2%	0.2%	0.7%
2013 Q1	0.4%	0.2%	1.3%	90.0%	0.3%	1.2%	0.3%	0.9%
2013 Q2	0.5%	0.3%	1.3%	90.3%	0.3%	1.2%	0.5%	1.2%
2013 Q3	0.7%	0.5%	1.5%	90.5%	0.3%	1.2%	0.6%	1.6%
2013 Q4	0.8%	0.3%	1.7%	90.8%	0.3%	1.2%	0.7%	2.1%
2014 Q1	0.6%	0.4%	1.9%	91.1%	0.3%	1.1%	0.7%	2.5%
2014 Q2	0.6%	0.5%	2.1%	91.4%	0.3%	1.1%	0.7%	2.7%
2014 Q3	0.8%	0.6%	2.3%	91.7%	0.3%	1.2%	0.6%	2.7%
2014 Q4	1.0%	0.7%	2.2%	92.0%	0.2%	1.1%	0.5%	2.5%
2015 Q1	0.7%	0.5%	2.2%	92.2%	0.2%	1.1%	0.7%	2.6%
2015 Q2	0.7%	0.6%	2.3%	92.4%	0.2%	1.0%	0.9%	2.8%
2015 Q3	0.8%	0.8%	2.4%	92.7%	0.2%	0.9%	1.1%	3.3%
2015 Q4	0.9%	0.7%	2.5%	92.8%	0.2%	0.9%	1.4%	4.2%
2016 Q1	0.7%	0.7%	2.4%	93.0%	0.1%	0.8%	1.5%	5.0%
2016 Q2	0.7%	0.6%	2.6%	93.1%	0.1%	0.7%	1.3%	5.4%
2016 Q3	1.1%	0.8%	2.5%	93.3%	0.2%	0.6%	1.2%	5.5%
2016 Q4	0.8%	0.7%	2.6%	93.5%	0.2%	0.6%	0.9%	5.0%
2017 Q1	0.6%	0.6%	2.5%	93.6%	0.2%	0.6%	0.7%	4.2%

\*Current quarter defined as Q1 2017

\*\*Completions highlighted in Red if above 0.25% of Stock

\*\*\*Under Construction highlighted in Red if above 1% of Stock

\*\*\*\*Green if above city's historical average since 2008

Note: Above data includes only warehouses and distribution centers; does NOT include other industrial buildings

Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets.

Note: Industrial criteria filtered as follows: industrial property (secondary type is either distribution or warehouse), 30,000+ SF, and a 3-star or greater CoStar rating

Source: CoStar; RCLCO

# U.S. INDUSTRIAL MARKET RISK INDICATORS:

## CONSTRUCTION CONTINUES TO RAMP UP IN MOST MARKETS, BUT GENERALLY NOT ENOUGH TO MEET DEMAND

	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking NNN Rent Growth	Y-o-Y Asking NNN Rent Growth
Atlanta	1.2%	1.0%	3.6%	91.9%	(0.0%)	0.1%	0.7%	5.6%
Baltimore	0.6%	0.3%	4.4%	90.8%	0.2%	1.1%	0.2%	1.8%
Boston	0.3%	0.1%	1.2%	92.6%	0.4%	1.2%	2.5%	3.9%
Chicago	0.1%	0.6%	2.6%	92.3%	0.1%	0.5%	(0.9%)	0.1%
Dallas	0.8%	1.3%	3.4%	93.0%	(0.1%)	0.3%	1.6%	3.4%
Denver	0.6%	0.7%	3.8%	94.3%	(0.4%)	(1.5%)	(0.8%)	2.1%
Houston	0.9%	1.3%	1.5%	93.4%	0.1%	(0.6%)	1.4%	6.6%
Indianapolis	0.1%	0.0%	1.3%	93.5%	0.6%	2.3%	(0.6%)	(0.4%)
Inland Empire	(0.4%)	0.8%	6.6%	94.6%	0.1%	0.8%	1.0%	7.2%
Los Angeles	0.1%	0.5%	1.1%	97.8%	0.0%	0.4%	1.9%	7.0%
Memphis	(0.1%)	0.7%	0.6%	92.6%	0.1%	2.3%	0.3%	2.8%
Miami	0.7%	0.4%	2.0%	94.8%	0.4%	1.2%	2.0%	7.9%
Northern New Jersey	1.0%	0.5%	2.9%	94.3%	0.6%	1.8%	3.2%	12.4%
Oakland	(0.2%)	0.2%	0.9%	95.8%	(0.0%)	0.5%	3.8%	15.7%
Orange County	(0.3%)	0.1%	0.0%	96.9%	0.0%	0.1%	1.6%	9.8%
Phoenix	1.1%	1.3%	2.7%	87.3%	0.3%	0.6%	0.3%	5.3%
San Diego	(0.3%)	0.0%	0.3%	94.7%	0.5%	0.4%	3.0%	12.9%
San Francisco	(0.9%)	0.0%	0.0%	98.5%	(0.2%)	1.2%	4.6%	11.3%
Seattle	1.3%	0.7%	1.6%	95.3%	0.3%	1.0%	4.7%	7.4%
United States	0.6%	0.6%	2.5%	93.6%	0.2%	0.6%	0.7%	4.2%

\*Current quarter defined as Q1 2017

\*\*Completions highlighted in Red if above 0.25% of Stock

\*\*\*Under Construction highlighted in Red if above 1% of Stock

\*\*\*\*Green if above city's historical average since 2008

Note: Above data includes only warehouses and distribution centers; does NOT include other industrial buildings

Note: The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets.

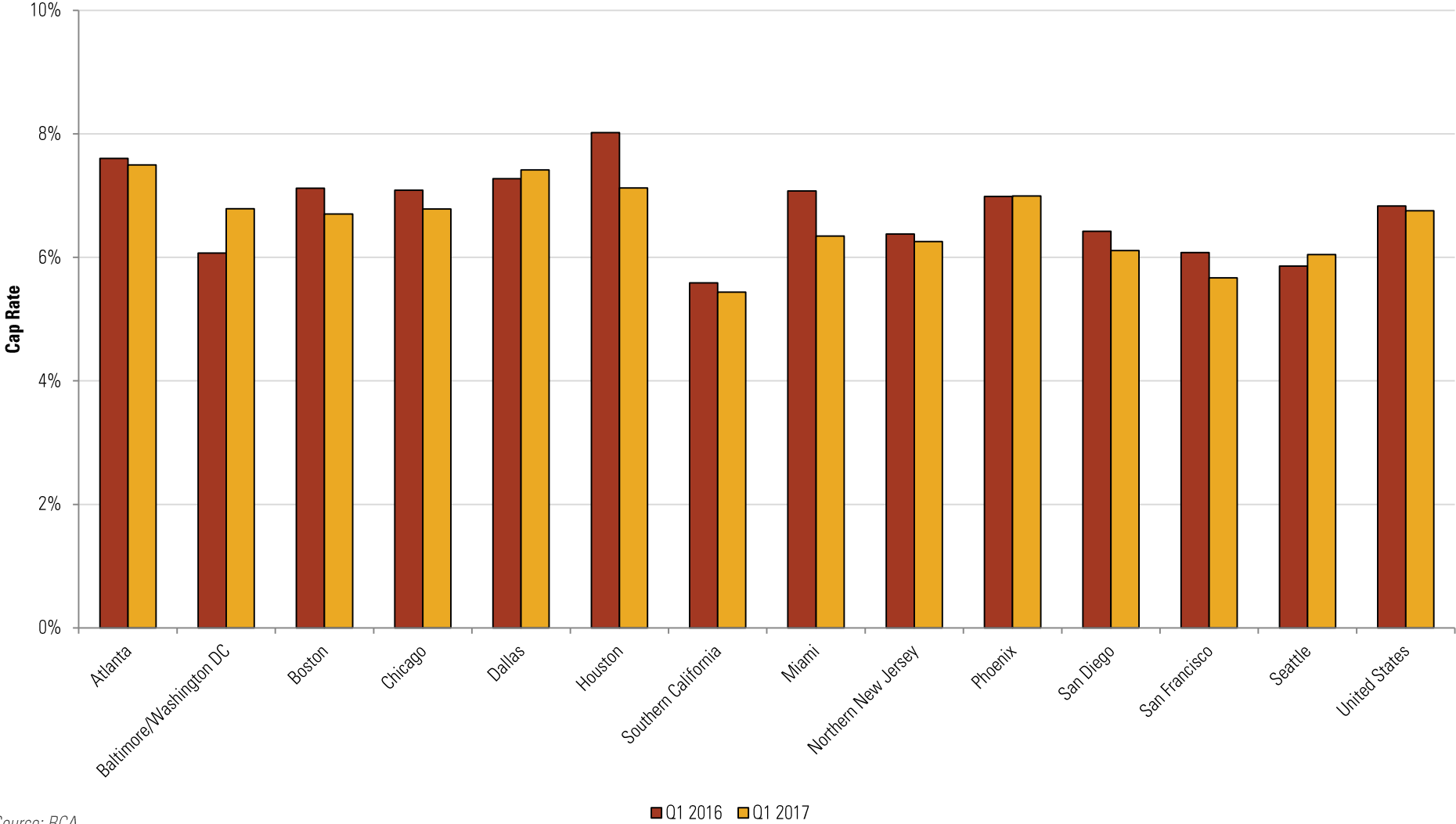
Note: Industrial criteria filtered as follows: industrial property (secondary type is either distribution or warehouse), 30,000+ SF, and a 3-star or greater CoStar rating

Source: CoStar; RCLCO

# INDUSTRIAL CAP RATES STILL LOW;

COMPRESSING IN MOST, BUT NOT ALL, MARKETS

Average Industrial Cap Rates



Source: RCA

**HOTEL**

---

# HOTEL OCCUPANCY & REVPAR REACH PEAK LEVELS

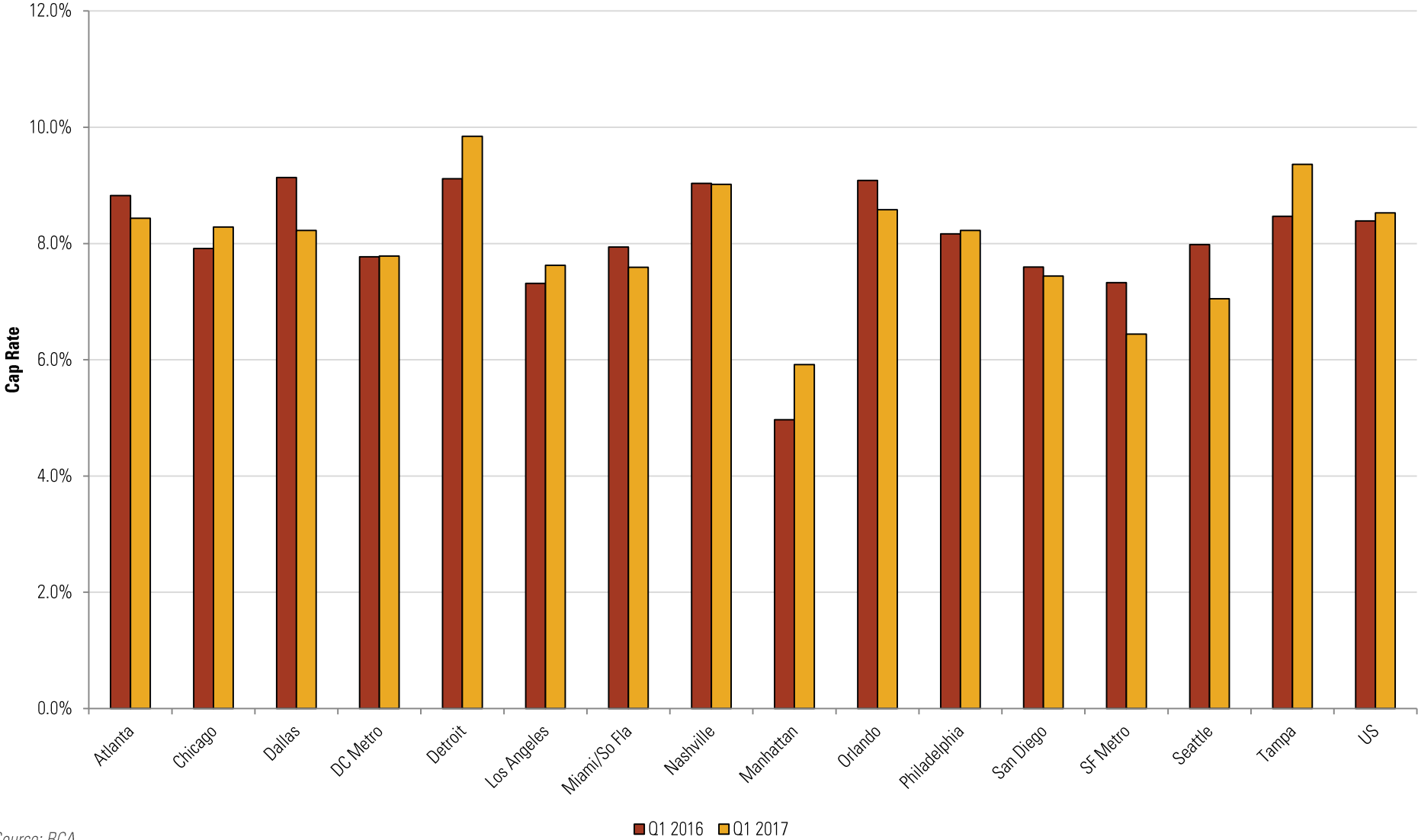
ADR, RevPAR, and Occupancy  
1995-2016



Source: Cushman & Wakefield; RCLCO

# HOTEL CAP RATES VARY BY MARKET; EXPAND NATIONWIDE

Average Hotel Cap Rates



Source: RCA



**RCLCO**

11601 Wilshire Blvd.

Suite 1650

Los Angeles, CA 90025

Phone: (310) 914-1800

Fax: (310) 914-1810

[www.rclco.com](http://www.rclco.com)