CBRE NORTH AMERICA

# CAP RATE SURVEY

SECOND HALF 2015

A CBRE RESEARCH PUBLICATION

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## OVERVIEW

### KEY NATIONAL OBSERVATIONS | CANADA

- Canadian commercial real estate has been resilient despite gloomy economic headlines and a recent incremental rate hike by the U.S. Federal Reserve. The overall national Canadian cap rate is down 3 bps from mid-2015 to 6.00%, however, the spread to the 10-year Government of Canada Bond Yield increased by 26 bps to 461 bps. The Bank of Canada is expected to leave interest rates unchanged, maintaining attractive investment spreads.
- Canadian real estate is expected to benefit from positive capital flows due to its perception as a safe haven in the midst of global economic instability and geopolitical unrest. Caution is the prevailing sentiment and investors will aggressively pursue defensive assets in strong markets in 2016, and underwriting will be highly disciplined.

### KEY NATIONAL OBSERVATIONS | UNITED STATES

- CBRE's North America Cap Rate Survey for H2 2015 revealed that cap rates for U.S. commercial real estate saw little movement from H1 2015. Cap rate changes for office, retail and multifamily were all very small—too small to be considered significant. Cap rate changes for industrial were also small, but slightly larger than the other sectors and trended downward. In contrast, hotels registered higher cap rates, as investment activity declined most noticeably in this sector.
- The story was similar for returns on cost for value-add assets. Industrial and suburban multifamily experienced larger, but modest, declines in returns on cost. Movement in the other sectors was too small to suggest real pricing changes, but the fact that many edged slightly higher stands in contrast to previous surveys.
- Spreads over the 10-year U.S. Treasury Rate increased slightly over H2 2015, but not significantly, as the average change was 10 bps. The lowest spreads were among high-street retail (197 bps), infill Class A and B multifamily (230 bps and 290 bps), suburban Class A multifamily (272 bps) and CBD Class AA office properties (292 bps).
- CBD office cap rates were essentially stable in H2 2015 for all classes and market tiers. Cap rates for stabilized CBD property acquisitions edged down slightly and returns on cost for value-add acquisitions edged up slightly, however all of these changes were too small to be significant.
- Similarly, cap rates for suburban office experienced little movement; the averages inched up slightly in most classes, but the changes were very modest.
- Industrial cap rates declined modestly for acquisitions of stabilized assets. Cap rates for Class A industrial space dropped 14 bps to 5.59%, Class B edged down 11 bps to 6.65% and Class C declined slightly to 8.11%. Expected returns on cost for value-add assets also compressed modestly.
- Cap rates in the retail sector were essentially unchanged from H1 2015 to H2 2015. Nearly all changes in cap rates for stabilized assets averaged 10 bps or less.
- Infill multifamily cap rates are the second lowest of all product types—above only high street retail—and suburban multifamily cap rates are the third lowest. The H2 2015 survey revealed essentially unchanged cap rate conditions for stabilized infill and suburban multifamily acquisitions. However, returns on cost for suburban multifamily declined more noticeably.

## OVERVIEW CONT.

### KEY NATIONAL OBSERVATIONS | UNITED STATES CONT.

- Hotels experienced the most cap rate movement—and the direction was up. The CBD hotel categories rose modestly, from 3–13 bps, while movement was higher on suburban product—15–26 bps.
- Looking forward, across all property types, little to no change is anticipated over the coming six months for more than 60% of markets. That said, in markets where change is anticipated, cap rates are more likely to increase rather than decrease. Approximately 20% of markets may experience increases of up to 25 bps, versus only 10% of markets that may experience decreases. Less than 5% of markets are likely to experience movement greater than 25 bps in either direction.

### CBRE NORTH AMERICA CAP RATE SURVEY

The following survey reflects the knowledge and collaboration of CBRE Research, Capital Markets and Valuation & Advisory professionals who provided their estimation of cap rate ranges, based on recent interactions with active investors in their market. At the heart of the survey is current cap rates for stabilized acquisitions, expected returns on cost for value-add acquisitions, cap rate trends over the previous half-year and expectations of cap rate movements over the next six months. The survey also presents cap rate maps for acquisitions of stabilized Class AA, A and B properties; cap rates for Canada's principal metropolitan areas; cap rate averages for metro tier groupings and various tables and charts summarizing cap rate values.

In addition, as a part of our on-going commitment to bringing thought leadership to our clients and industry, a number of improvements have been made:

- New U.S. markets have been added, including Oakland, Louisville, Honolulu (all property types), West Palm Beach and Fort Lauderdale.
- The report now includes commentary on Canadian cap rate trends.
- Possibly the most significant addition is the set of graphs and comments addressing historical cap rate performance for each property type and subtype, by class and tier.

## OVERVIEW CONT.

### FIGURE 1. UNITED STATES NATIONAL LEVEL CAP RATES AND EXPECTED RETURNS ON COST BY PROPERTY TYPE, SECTOR, CLASS AND/OR SEGMENT

| | | | STABILIZED PROPERTY ACQUISITIONS | | | | | VALUE-ADD PROPERTY ACQUISITIONS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | CAP RATE | | | SPREAD OVER 10-YEAR TREASURY RATE (BPS) | | EXPECTED RETURN ON COST | | | SPREAD OVER 10-YEAR TREASURY RATE (BPS) | |
| PROPERTY TYPE | SECTOR | CLASS/ SEGMENT | H1 2015 (%) | H2 2015 (%) | CHANGE (BPS) | H1 2015 (%) EOP 2.35 | H2 2015 (%) EOP 2.27 | H1 2015 (%) | H2 2015 (%) | CHANGE (BPS) | H1 2015 (%) EOP 2.35 | H2 2015 (%) EOP 2.27 |
| OFFICE | CBD | AA | 5.29 | 5.19 | -10 | 294 | 292 | - | - | - | - | - |
| | | A | 5.87 | 5.86 | -1 | 352 | 359 | 6.97 | 7.03 | 6 | 462 | 476 |
| | | B | 6.79 | 6.78 | -1 | 444 | 451 | 7.84 | 7.90 | 6 | 549 | 563 |
| | | C | 8.51 | 8.50 | -1 | 616 | 623 | 9.75 | 9.76 | 1 | 740 | 749 |
| | SUBURBAN | AA | 6.05 | 6.08 | 3 | 370 | 381 | - | - | - | - | - |
| | | A | 6.75 | 6.80 | 5 | 440 | 453 | 7.88 | 8.00 | 12 | 553 | 573 |
| | | B | 7.70 | 7.81 | 11 | 535 | 554 | 8.95 | 9.05 | 10 | 660 | 678 |
| | | C | 9.14 | 9.14 | 0 | 679 | 687 | 10.28 | 10.33 | 5 | 793 | 806 |
| INDUSTRIAL | ALL | A | 5.73 | 5.59 | -14 | 338 | 332 | 6.52 | 6.38 | -14 | 417 | 411 |
| | | B | 6.76 | 6.65 | -11 | 441 | 438 | 7.66 | 7.65 | -1 | 531 | 538 |
| | | C | 8.17 | 8.11 | -6 | 582 | 584 | 9.64 | 9.35 | -29 | 729 | 708 |
| RETAIL | NEIGHBORHOOD/ COMMUNITY CENTER | A | 5.73 | 5.64 | -9 | 338 | 337 | 6.63 | 6.65 | 2 | 428 | 438 |
| | | B | 6.70 | 6.73 | 3 | 435 | 446 | 7.56 | 7.66 | 10 | 521 | 539 |
| | | C | 8.33 | 8.37 | 4 | 598 | 610 | 9.33 | 9.41 | 8 | 698 | 714 |
| | POWER | A | 6.00 | 6.09 | 9 | 365 | 382 | 7.11 | 7.16 | 5 | 476 | 489 |
| | | B | 7.16 | 7.20 | 4 | 481 | 493 | 8.00 | 8.03 | 3 | 565 | 576 |
| | | C | 8.71 | 8.72 | 1 | 636 | 645 | 9.53 | 9.47 | -6 | 718 | 727 |
| | HIGH STREET | A | 4.35 | 4.24 | -11 | 200 | 197 | - | - | - | - | - |
| MULTIFAMILY | INFILL | A | 4.59 | 4.57 | -2 | 224 | 230 | 5.23 | 5.23 | 0 | 288 | 296 |
| | | B | 5.15 | 5.17 | 2 | 280 | 290 | 5.85 | 5.77 | -8 | 350 | 350 |
| | | C | 6.12 | 6.09 | -3 | 377 | 382 | 6.87 | 6.67 | -20 | 452 | 440 |
| | SUBURBAN | A | 5.11 | 4.99 | -12 | 276 | 272 | 5.60 | 5.54 | -6 | 325 | 327 |
| | | B | 5.60 | 5.56 | -4 | 325 | 329 | 6.19 | 6.04 | -15 | 384 | 377 |
| | | C | 6.66 | 6.57 | -9 | 431 | 430 | 7.32 | 7.10 | -22 | 497 | 483 |
| HOTEL | CBD | LUXURY | 6.76 | 6.78 | 2 | 441 | 451 | - | - | - | - | - |
| | | FULL-SERVICE | 7.28 | 7.40 | 12 | 493 | 513 | - | - | - | - | - |
| | | SELECT-SERVICE | 7.69 | 7.79 | 10 | 534 | 552 | - | - | - | - | - |
| | | ECONOMY | 8.77 | 8.90 | 13 | 642 | 663 | - | - | - | - | - |
| | SUBURBAN | LUXURY | 7.19 | 7.39 | 20 | 484 | 512 | - | - | - | - | - |
| | | FULL-SERVICE | 7.69 | 7.84 | 15 | 534 | 557 | - | - | - | - | - |
| | | SELECT-SERVICE | 8.14 | 8.24 | 10 | 579 | 597 | - | - | - | - | - |
| | | ECONOMY | 9.17 | 9.42 | 25 | 682 | 715 | - | - | - | - | - |

Source: CBRE, U.S. Department of the Treasury. EOP = end of period.

## OVERVIEW CONT.

### FIGURE 2. CANADA NATIONAL LEVEL CAP RATES BY PROPERTY TYPE, SECTOR, CLASS AND/OR SEGMENT

| | | | STABILIZED PROPERTY ACQUISITIONS | | | | |
|---|---|---|---|---|---|---|---|
| | | | CAP RATE | | | SPREAD OVER 10-YEAR BOND YIELD (BPS) | |
| PROPERTY TYPE | SECTOR | CLASS/ SEGMENT | H1 2015 (%) | H2 2015 (%) | CHANGE (BPS) | H1 2015 (%) EOP 1.68 | H2 2015 (%) EOP 1.39 |
| OFFICE | CBD | AA | 5.15 | 5.04 | -11 | 347 | 365 |
| | | A | 5.78 | 5.77 | -1 | 410 | 438 |
| | | B | 6.64 | 6.52 | -12 | 496 | 513 |
| | SUBURBAN | A | 6.50 | 6.48 | -2 | 482 | 509 |
| | | B | 7.22 | 7.27 | 5 | 554 | 588 |
| INDUSTRIAL | ALL | A | 5.94 | 5.92 | -2 | 426 | 453 |
| | | B | 6.88 | 6.89 | 1 | 520 | 550 |
| RETAIL | NEIGHBORHOOD/ COMMUNITY CENTER | ALL | 6.27 | 6.17 | -10 | 459 | 478 |
| | POWER | ALL | 6.02 | 6.05 | 3 | 434 | 466 |
| MULTIFAMILY | INFILL | A | 4.41 | 4.39 | -2 | 273 | 300 |
| | SUBURBAN | B | 5.48 | 5.45 | -3 | 380 | 406 |
| HOTEL | CBD | FULL-SERVICE | 8.00 | 7.84 | -16 | 632 | 645 |
| | SUBURBAN | SELECT-SERVICE | 9.34 | 9.17 | -17 | 766 | 778 |

Source: CBRE, Bank of Canada. EOP = end of period.

## OVERVIEW CONT.

### CAPITAL MARKETS ENVIRONMENT FOR CAP RATES: INTEREST RATES AND INVESTMENT

### CANADA

Canadian commercial real estate has been resilient despite gloomy economic headlines and a recent incremental rate hike by the U.S. Federal Reserve. Although not a record year for commercial real estate investment activity, volume is expected to total approximately $13.1 billion in H2 2015, bringing total 2015 volume to $24.0 billion (CAD) in 2015. This is down slightly from $26.1 billion in 2014. There was an abundance of capital seeking core assets in core markets throughout the year; however, the decrease in volume is a reflection of the lack of available product, particularly in markets such as Calgary and Edmonton.

The overall national Canadian cap rate was relatively flat, falling just 3 bps over H2 2015 to 6.00%. However, the 10-year Government of Canada Bond Yield declined to end 2015 at 1.39%, down 29 bps from mid-year, resulting in a current spread of 461 bps. Nationally, most asset types and classes have seen a decline in average cap rates year-over-year, the exception being Class B suburban office, industrial and multifamily product, which saw slight increases in average cap rates during H2 2015.

Looking to 2016, the Bank of Canada is expected to maintain current interest rates, which will preserve the attractive investment spreads. Investors seeking safe, stable returns will likely become even more selective in 2016 which will further divide a market that is already split between core and secondary assets. As a result, super-prime assets in desirable areas could conceivably attract higher pricing and lower cap rates, while reducing liquidity for everything else. Caution is the prevailing sentiment for 2016, as investors will aggressively pursue defensive assets in strong markets with highly disciplined underwriting.

Canadian real estate is expected to benefit from positive capital flows due to its perception as a safe haven in the midst of global economic instability and geopolitical unrest. This image is even more appealing when one considers the weak Canadian dollar; over the last two years, the Canadian dollar has declined 25–30% against the U.S. dollar. Toronto and Vancouver were the engines of the investment market in 2015 and will continue to experience strong demand in 2016, supporting record low cap rates. Investment capital will continue to flow into Canada from foreign investors, particularly from Asia, in search of safe havens and stable assets. This activity will undoubtedly be focused on both the Vancouver and Toronto markets. The Calgary office sector, especially downtown, continues to be most affected by the rout in energy prices; however, opportunistic investors are ready to purchase if owners are tempted to sell.

### UNITED STATES

The real estate industry has long been a keen observer of interest rate dynamics. Interest rates, of course, are relevant to nearly all components of the overall economy and, hence, represent one of the demand drivers of commercial real estate investment and leasing. More directly, both short- and long-term interest rates are key ingredients of valuation and the cost of mortgage capital and therefore influence investment volumes, all of which greatly impact acquisition pricing. Interest rates are also a measure of risk-free yields that are used as a comparison to cap rates.

In late 2015, the U.S. Federal Reserve tweaked the federal funds rate by 25 bps—its first rate increase in nearly 10 years. Most economists and real estate professionals expect at least another upward adjustment in 2016, or possibly two, provided the U.S. economy continues on its current path of moderate economic expansion (2016 GDP growth expectation of about 2.4%).

## OVERVIEW CONT.

While the Fed does not directly control market-driven interest rates, such as short-term LIBOR or the 10-year Treasury Rate, both key benchmarks for commercial real estate, its monetary policies, along with other market forces, lead CBRE and the majority of real estate professionals to anticipate that interest rates will rise moderately in 2016.

In general, small increases in interest rates would not derail the positive performance in property market fundamentals nor would they halt the robust investment environment—especially given global capital's continued interest in the U.S. as an investment destination enhanced by regulatory changes (in particular FIRPTA), which removed some of the restrictions on international buyers.

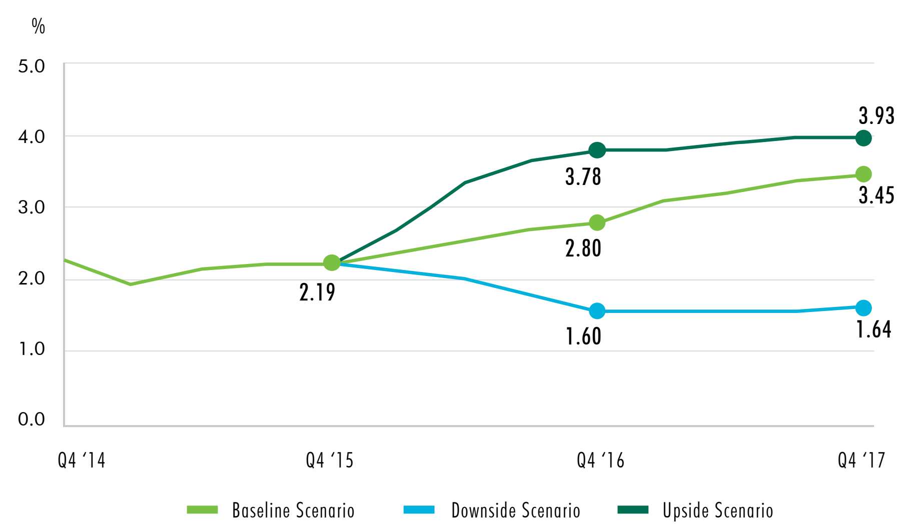
Higher interest rates, however, would make borrowing somewhat more expensive and could dampen domestic transaction activity. The impact depends on the pace and magnitude of rate increases, as well as the macroeconomic environment. For example, a more robust economic environment would have positive influences on real estate that would partly mitigate the negative impact of higher interest rates.

CBRE Econometric Advisors' baseline scenario forecasts the 10-year Treasury Rate to increase by 61 bps in 2016 to reach 2.80% as of Q4 2016, as shown in Figure 4. If the pace of the U.S. economic expansion accelerates, then the 10-year rates would rise more rapidly over the next two years. Conversely, if economic growth decelerates, we can expect a much more moderate increase, little change or possibly a decrease in rates.

### FIGURE 3. HISTORICAL 10-YEAR TREASURY RATES


Source: U.S. Department of the Treasury. Monthly averages.

### FIGURE 4. 10-YEAR TREASURY RATE FORECASTS, 2016-2017




Source: CBRE Econometric Advisors.

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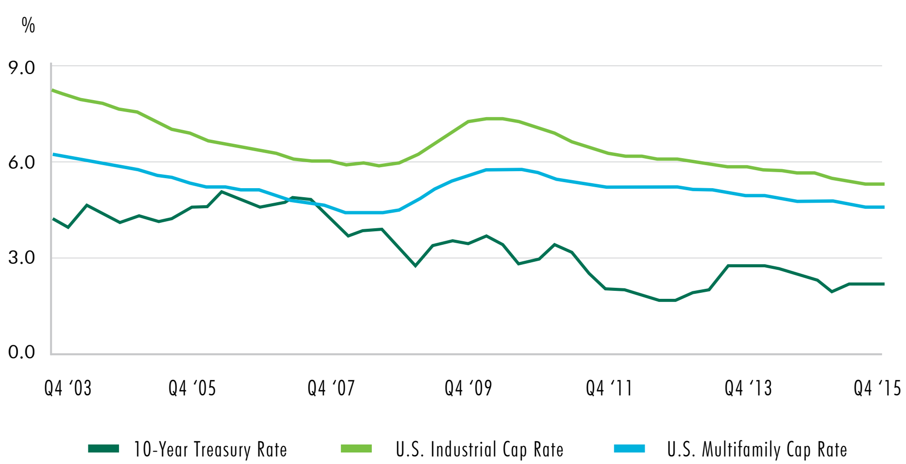
The relationship between Treasury and cap rates is of particular interest in the current environment. If and when they rise, will that automatically translate into an upward adjustment of cap rates? The qualified answer is "No." Certainly, there are other forces at work, but higher Treasury Rates themselves do not necessarily equate to higher cap rates.

Figure 5 provides a historical view of 10-year Treasury and cap rates. The industrial and multifamily sectors were chosen to represent the commercial real estate industry for this discussion. The cap rate data is from NCREIF, which covers predominantly higher-quality assets. A cap rate series covering a wider quality range of assets would have potentially placed average cap rates 30–60 bps higher, however the trend lines would be essentially the same.

The graph portrays three principal trends: broad downward movement in the Treasury Rate and cap rates over the study period, a generally positive correlation between the two and considerable variation within that correlation.

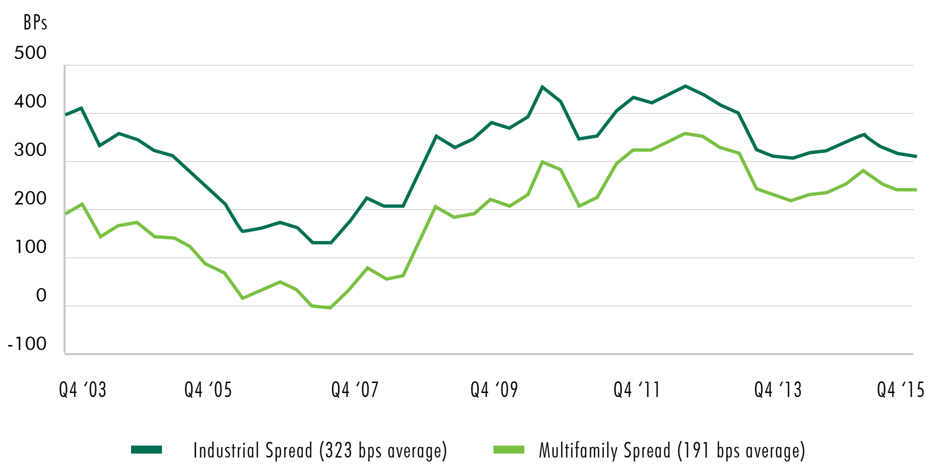
Figure 6 illustrates the spread between the 10-year Treasury and cap rates. Over the 12-year period, the spread between industrial cap rates and the 10-year Treasury Rate has ranged between 127 bps at the peak of the investment boom in 2007 (Q2 2007) to 451 bps in Q1 2010 at the end of the last recession and again in Q3 2012. Multifamily's peak and trough spreads had similar timing, but were lower—ranging from -7 bps in Q3 2007 to 356 bps in Q3 2012.

### FIGURE 5. HISTORICAL 10-YEAR TREASURY AND CAP RATES




Source: CBRE Econometric Advisors, NCREIF (cap rates for institutionally-owned properties through Q4 2015); U.S. Department of the Treasury (interest rates through Q4 2015).

### FIGURE 6. HISTORICAL SPREADS BETWEEN 10-YEAR TREASURY AND CAP RATES




Source: CBRE, Q4 2015. Spreads based on NCREIF cap rates for institutionally-owned properties.

## OVERVIEW CONT.

Analysis of the 10-year Treasury and cap rate histories further reveals that cap rates can, and do, sometimes fall during periods of rising interest rates. During periods of peak economic performance and investment, spreads between the 10-year Treasury and cap rates are typically compressed. Real estate is perceived as having less risk during these periods and the investment climate is more competitive, both contributing to narrower spreads.

Two noteworthy examples are in 2005 and 2013; in both periods, interest rates were rising fairly rapidly as a result of robust economic growth while cap rates were declining due to improving fundamentals in property markets and increased interest in real estate investment. Therefore, the near-term outlook of slightly higher interest rates is not necessarily going to translate into higher cap rates if the interest rate increases are due to stronger economic growth, as expected.

### INVESTMENT VOLUME ANOTHER DRIVER OF CAP RATES

Another key governor of cap rates is the availability of equity capital for investment and how competitive this capital is willing to be. Over the past few years, the amount of capital coming into commercial real estate has risen significantly—the marketplace has been increasingly competitive, driving cap rates down and prices up.

During the second half of 2015, however, the U.S. investment market cooled. Total volumes were still high by almost any standard, but reflected moderation from prior quarters, especially from the extraordinarily robust four quarter period ending Q2 2015. This deceleration is reflected to some degree in the cap rates presented in this report.

The big question for 2016 is whether investment volumes will climb for a seventh consecutive year, and if so, by how much. Cross-border capital shows every sign of rising significantly in 2016. This was evident even before the FIRPTA regulations were changed at the end of December 2015, and now with foreign pension funds no longer being penalized for ownership interests of 50% or greater in U.S. properties, global capital should rise even more than previously expected.

That said, domestic investors, including many key sources of institutional capital and REITs, are likely to be net sellers in 2016, as these capital sources will take advantage of an attractive climate for selling assets.

### INSTITUTIONAL CAPITAL IS STILL AGGRESSIVELY LOOKING FOR ACQUISITION OPPORTUNITIES

Private buyers should also remain active in the marketplace. This group may be more sensitive to the pricing of debt and scale back if mortgage debt costs climb further. The cost of mortgage capital rose slightly in H2 2015 for a number of reasons and has not returned to H1 2015 levels. Still, in early 2016, debt capital remains widely available and the cost is still favorable on an historical basis.

While the investment marketplace has cooled slightly, 2016 should experience substantial investment volumes. Commercial real estate is still very attractive due to strong property fundamentals, namely rental growth above historical averages, and hence rising values and returns that are greater than many other non-real estate asset classes. Investment activity in 2016, at most, will rise only modestly over 2015, but it should be strong enough to keep cap rate pricing fairly stable over the coming year.

## OFFICE | OVERVIEW

### CANADA

While new supply has been the dominant factor shaping office fundamentals, the demand side of the equation will become increasingly important in the year ahead.

In Alberta, there are the obvious struggles in the energy sector, Banks are signaling their intention to restructure some operations, and office users are generally moving to new, more efficient workplace strategies, creating the potential for a sustained rate of absorption below historic norms. This has resulted in relatively quiet investment activity when compared to previous years, partially due to owners being reluctant to sell.

Toronto and Vancouver are two markets that have seen the most significant activity. Vancouver, in particular, continues to experience strong demand from foreign buyers. Conversely, the Edmonton office market has seen cap rates edge upward, following limited demand for investment product due to limited leasing and an abundance of new supply expected to flood the market in the coming years.

### UNITED STATES | CBD

Cap rates for stabilized CBD office properties were essentially unchanged at the national level from H1 2015 to H2 2015. One slight exception to this was Class AA, which fell 10 bps to 5.19%. Also, Tier III markets experienced slightly larger declines than Tier I and II markets, albeit still modest.

The compression among Class AA assets was largely driven by Tier III markets, namely Portland, Salt Lake City and Orlando. Across all classes, Portland experienced the most downward movement in cap rates. Other Tier III markets that observed notable cap rate decreases in various classes were Columbus, Kansas City, Las Vegas and Tampa. Not surprisingly, Houston recorded cap rate increases across all classes, except for Class AA, which remained stable.

Expected returns on cost for CBD value-add acquisitions were either unchanged or inched up slightly across all classes and tiers. All increases were below the 15 basis point (bps) level, which represents meaningful change.

The historical data for CBD office cap rates confirms the steady decline across all classes and tiers through most of the period tracked. The most interesting trend is the compression of Class A cap rates in Tier II markets relative to Tier I markets from 2013 through H1 2015, but not in the most recent period.

#### FIGURE 7. OFFICE CBD - CAP RATES FOR STABILIZED PROPERTIES

| METRO TIER | CLASS | H1 2015 (%) | H2 2015 (%) | CHANGE (bps) |
|---|---|---|---|---|
| ALL | AA | 5.29 | 5.19 | -10 |
| | A | 5.87 | 5.86 | -1 |
| | B | 6.79 | 6.78 | -1 |
| | C | 8.51 | 8.50 | -1 |
| I | AA | 4.72 | 4.68 | -4 |
| | A | 5.13 | 5.17 | 4 |
| | B | 6.00 | 6.05 | 5 |
| | C | 7.66 | 7.69 | 3 |
| II | AA | 5.45 | 5.44 | -1 |
| | A | 5.81 | 5.80 | -1 |
| | B | 6.90 | 6.85 | -5 |
| | C | 8.35 | 8.37 | 2 |
| III | AA | 6.78 | 6.55 | -23 |
| | A | 7.45 | 7.37 | -8 |
| | B | 8.36 | 8.25 | -11 |
| | C | 9.80 | 9.72 | -8 |

Source: CBRE. Note: Data is subject to historical revision.



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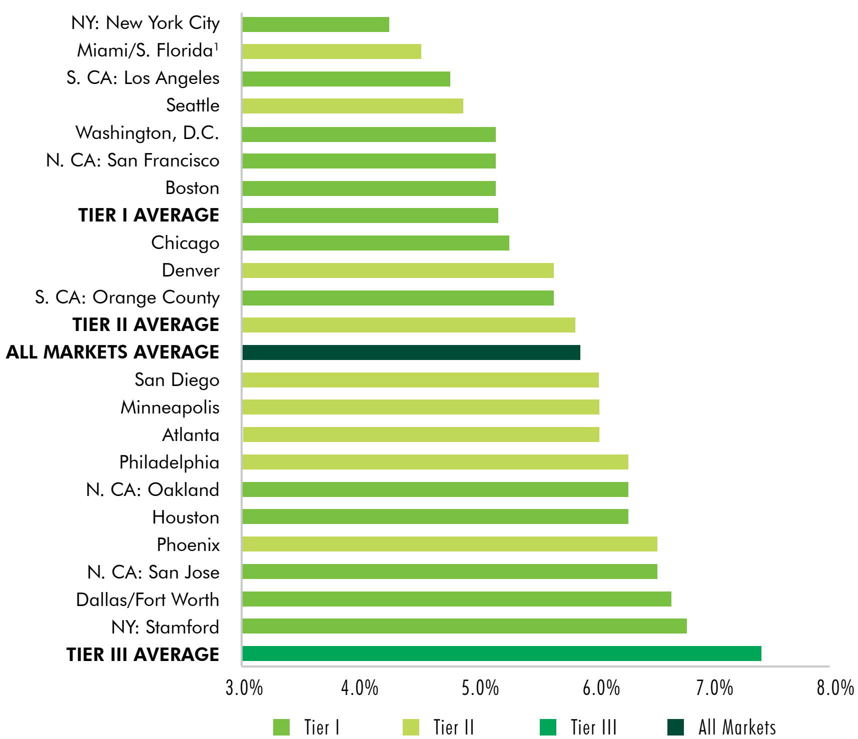
## OFFICE | OVERVIEW CONT.

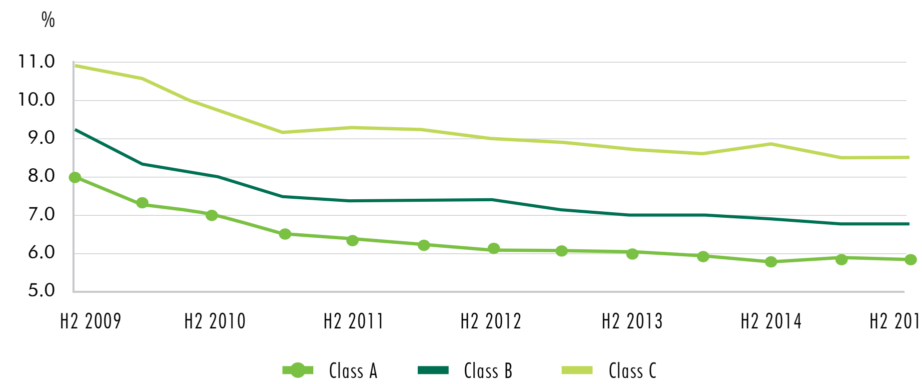
Looking forward, CBD office cap rates are expected to remain stable in about two-thirds of U.S. markets. For Class AA assets, the balance leans towards minor drops in cap rates. For Class A, the balance is fairly evenly split between small declines and small increases. However, for Class B and C assets, few or no markets are expected to experience cap rate compression, but about 24% of markets may experience cap rate increases in H1 2016.

### FIGURE 8. OFFICE CBD - CLASS A CAP RATES, H2 2015 - TIER I & II METROS



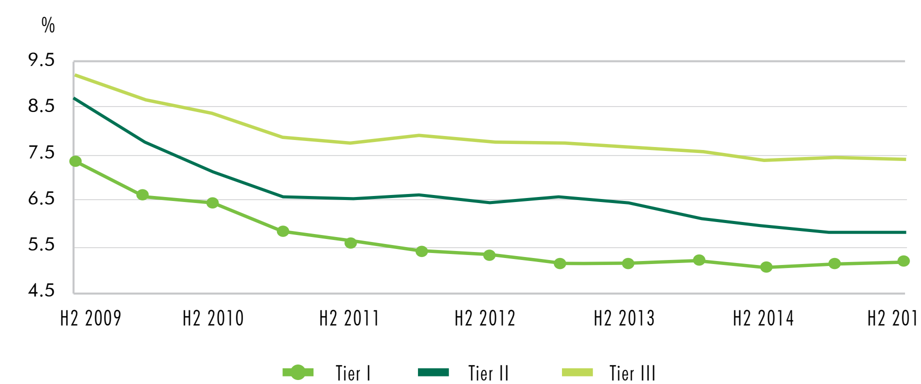

[1]Covers the three-county Miami area. Note: Data is subject to historical revision.
Source: CBRE for stabilized property acquisitions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

### FIGURE 9. OFFICE CBD - HISTORICAL CAP RATES BY CLASS




Source: CBRE for stabilized property acquisitions. Note: Data is subject to historical revision.

### FIGURE 10. OFFICE CBD - HISTORICAL CLASS A CAP RATES BY TIER




Source: CBRE for stabilized property acquisitions. Note: Data is subject to historical revision.

## OFFICE | OVERVIEW CONT.

### UNITED STATES | SUBURBAN

Suburban office cap rates for stabilized properties experienced modest increases from H1 2015 to H2 2015, however none were large enough to be significant for any reason other than to confirm the more-or-less stable pricing also found in H1 2015.

The more notable movement at the national level was among Class B properties, which increased 11 bps to 7.81%. This was largely driven by Tier I and II markets; Tier III markets witnessed very small declines across all classes.

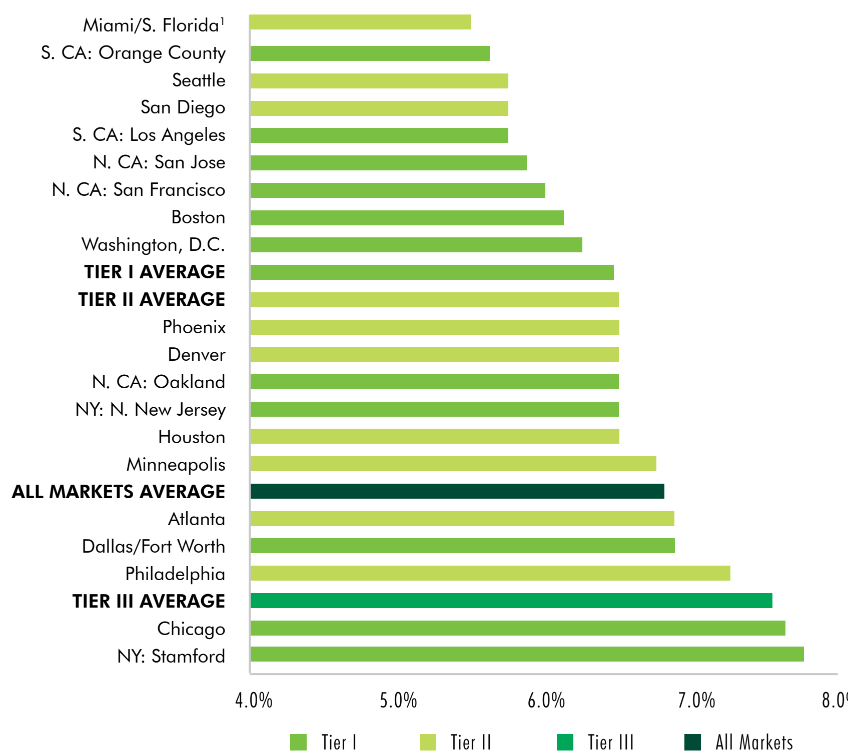
**FIGURE 11. OFFICE SUBURBAN - CAP RATES FOR STABILIZED PROPERTIES**

| METRO TIER | CLASS | H1 2015 (%) | H2 2015 (%) | CHANGE (bps) |
|---|---|---|---|---|
| ALL | AA | 6.05 | 6.08 | 3 |
| | A | 6.75 | 6.80 | 5 |
| | B | 7.70 | 7.81 | 11 |
| | C | 9.14 | 9.14 | 0 |
| I | AA | 5.82 | 5.84 | 2 |
| | A | 6.34 | 6.46 | 12 |
| | B | 7.37 | 7.54 | 17 |
| | C | 8.80 | 8.79 | -1 |
| II | AA | 5.89 | 5.94 | 5 |
| | A | 6.53 | 6.49 | -4 |
| | B | 7.44 | 7.57 | 12 |
| | C | 8.86 | 8.99 | 13 |
| III | AA | 6.87 | 6.79 | -8 |
| | A | 7.58 | 7.54 | -4 |
| | B | 8.43 | 8.39 | -4 |
| | C | 9.83 | 9.72 | -11 |

Source: CBRE. Note: Data is subject to historical revision.

At the market level, Portland led the metros in terms of cap rate compression, experiencing declines greater than 25 bps for Class AA, A and B. Salt Lake City also experienced notable declines. Houston, Albuquerque and Philadelphia all experienced general increases in cap rates.

**FIGURE 12. OFFICE SUBURBAN - CLASS A CAP RATES, H2 2015 - TIER I & II METROS**




[1]Covers the three-county Miami area. Note: Data is subject to historical revision.
Source: CBRE for stabilized property acquisitions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

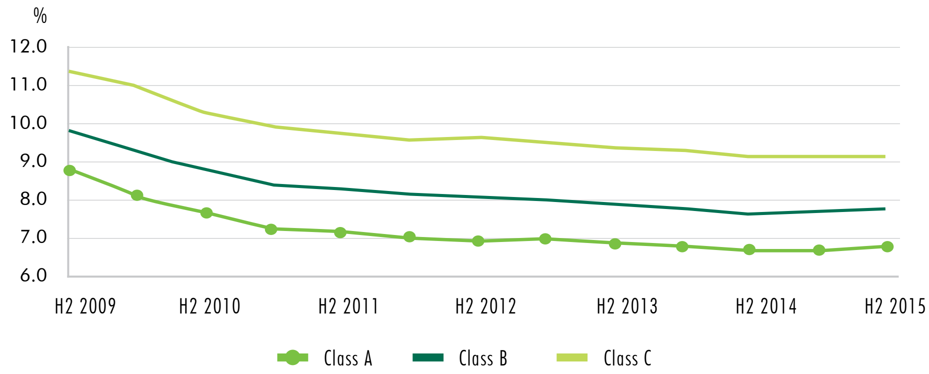
## OFFICE | OVERVIEW CONT.

Expected returns on cost for suburban value-add acquisitions saw the most significant increases at the national level, with Class A and B properties rising 12 bps and 9 bps, respectively. The increase among Class A properties largely originated in Tier I markets, specifically Los Angeles, and the rise among Class B assets can be traced back to the Tier II and III markets of Philadelphia and Portland.

The most notable observation in the figures representing historical cap rates by class and tier is the similarity of suburban Class A cap rates between Tier I and Tier II markets. The relative lack of cap rate movement within Tier III markets is also clear, as well as the minimal compression between Tier III cap rates and both Tier I and Tier II.

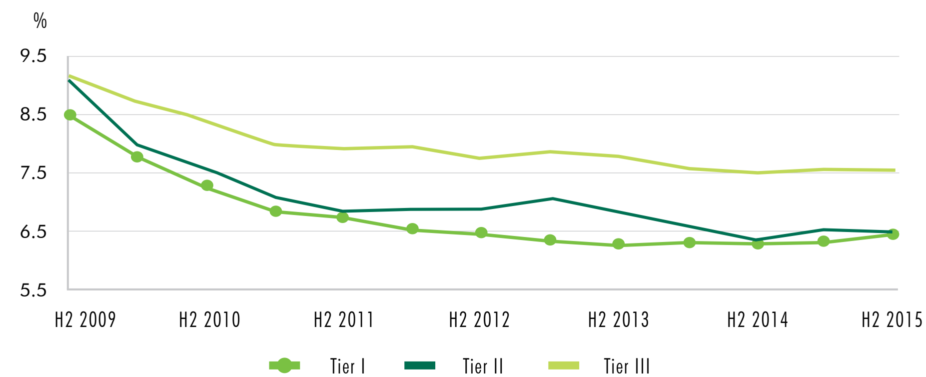
Over H1 2016, cap rates for stabilized suburban office assets are expected to remain steady in the majority (66–77%) of U.S. markets. For Class A suburban assets, the balance is fairly split between small declines and small increases. However, for Class B and C assets, few or no markets are expected to experience cap rate compression, but about 22% of markets are likely to experience cap rate increases in H1 2016.

#### FIGURE 13. OFFICE SUBURBAN - HISTORICAL CAP RATES BY CLASS




Source: CBRE for stabilized property acquisitions. Note: Data is subject to historical revision.

#### FIGURE 14. OFFICE SUBURBAN - HISTORICAL CLASS A CAP RATES BY TIER




Source: CBRE for stabilized property acquisitions. Note: Data is subject to historical revision.

## OFFICE | OVERVIEW CONT.

### UNITED STATES | OFFICE TIER METHODOLOGY

The set of metro markets tracked in the CBRE North America Cap Rate Survey are separated into three tiers for deeper understanding of both CBD and suburban office market behavior and trends. These tiers are analogous to primary, secondary and tertiary markets.

The methodology for determining the tiers has been updated and improved since its initial introduction in H1 2015. The tier ranking model is based on four principal variables: metro population size, economic size (metro GDP), office inventory and total dollar investment of office property acquisitions. The metros are ranked by each variable, and different weights are applied to compute a weighted average rank. The largest weights, by far, were given to market inventory and investment totals. The approximate value ranges for each tier are shown on Figure 15.

The tier methodology is based on a target split of 20% of metros in Tier I, 20% in Tier II and 60% in Tier III. The final office tiers came very close to matching the target proportions. It should also be noted that the definition of Tier I goes beyond the "gateway" markets (New York, Los Angeles, San Francisco, Washington, D.C., Chicago and Boston), often used to connote primary markets, and includes the very large metros of Dallas/Fort Worth and Houston.

### FIGURE 15. OFFICE TIERS - METHODOLOGY CRITERIA AND RANGES

| METRO TIER | INVESTMENT VOLUME 2001-Q3 15 ($B) | INVENTORY Q3 2015 (MSF) | POPULATION 2014 (M) | GDP 2014 ($B) |
|---|---|---|---|---|
| I | 35 + | 150 + | 6 + | 375 + |
| II | 12 - 35 | 60 - 150 | 3 - 6 | 200 - 375 |
| III | < 12 | < 60 | < 3 | < 200 |

Source: CBRE, U.S. Census Bureau (population), U.S. Bureau of Economic Analysis (GDP), Real Capital Analytics (investment volume), CBRE Econometric Advisors (inventory). All values for metropolitan area.

Market definitions in the tier model are based primarily on the U.S. Census Bureau's combined statistical area (CSA) definitions for large markets and on metropolitan statistical areas (MSAs) for other markets. A CSA combines the core metropolitan statistical area (MSA) with adjacent MSAs which have a high degree of economic and social integration with the core MSA. For example, the Los Angeles CSA is composed of three MSAs—Los Angeles-Long Beach-Anaheim, Riverside-San Bernardino and Oxnard-Thousand Oaks. Four of the large CSAs in the cap rate survey (New York, Los Angeles, San Francisco and Miami) include cap rate data for key MSAs within the CSA, providing greater depth in investment pricing for these very large metropolitan regions. Note that MSAs retain the same tier designation as the CSA to which they belong.

Select from the list below to access the current **key rates**, **forecasts** and **maps**.

OFFICE CBD

U.S. KEY RATES | CAN KEY RATES | U.S. FORECAST TRENDS | MAPS

OFFICE SUBURBAN

U.S. KEY RATES | CAN KEY RATES | U.S. FORECAST TRENDS | MAPS

## OFFICE CBD | UNITED STATES KEY RATES

| | | CLASS AA | | CLASS A | | | | CLASS B | | | | CLASS C | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] |
| TIER I | BOSTON | 4.25 - 5.00 | ◀▶ | 4.50 - 5.75 | ◀▶ | 6.00 - 7.00 | ◀▶ | 5.00 - 6.00 | ◀▶ | 7.00 - 9.00 | ◀▶ | — | — | — | — |
| | CHICAGO | 4.75 - 5.25 | ◀▶ | 5.00 - 5.50 | ◀▶ | 6.50 - 7.00 | ◀▶ | 6.00 - 7.00 | ◀▶ | 7.50 - 8.50 | ◀▶ | 7.50 - 8.50 | ◀▶ | 8.50 - 10.50 | ◀▶ |
| | DALLAS/FORT WORTH | 5.50 - 6.25 | ◀▶ | 6.25 - 7.00 | ◀▶ | 8.00 - 9.00 | ◀▶ | 8.25 - 9.25 | ▲ | 9.25 - 10.25 | ▲ | 9.00 - 11.00 | ◀▶ | 11.00 - 12.00 | ◀▶ |
| | HOUSTON | 5.50 - 5.75 | ◀▶ | 6.00 - 6.50 | ▲ | 7.50 - 8.00 | ▲ | 7.00 - 7.50 | ▲ | 8.50 - 9.00 | ▲ | 8.00 - 9.00 | ▲ | 11.00 - 11.50 | ▲ |
| | N. CA: OAKLAND | 5.50 - 6.25 | — | 6.00 - 6.50 | — | 7.00 - 8.00 | — | 7.50 - 8.00 | — | 9.00 - 10.00 | — | 8.50 - 9.50 | — | 10.00 - 12.00 | — |
| | N. CA: SAN FRANCISCO | 4.50 - 5.00 | ◀▶ | 4.75 - 5.50 | ◀▶ | 5.50 - 6.00 | ▼ | 5.50 - 6.00 | ▼ | 6.50 - 7.00 | ▼ | 6.00 - 6.50 | ◀▶ | 7.00 - 8.50 | ◀▶ |
| | N. CA: SAN JOSE | — | — | 6.00 - 7.00 | ◀▶ | 7.00 - 8.00 | ◀▶ | 6.50 - 7.75 | ▼ | 7.50 - 8.50 | ◀▶ | 7.50 - 8.50 | ◀▶ | 9.00 - 10.00 | ◀▶ |
| | NY: NEW YORK CITY | 3.75 - 4.25 | ◀▶ | 4.00 - 4.50 | ◀▶ | 4.50 - 5.50 | ▲ | 4.50 - 5.00 | ◀▶ | 4.50 - 5.50 | ▲ | — | — | — | — |
| | NY: STAMFORD | — | — | 6.50 - 7.00 | ◀▶ | 8.00 - 8.50 | ◀▶ | 7.25 - 7.75 | ◀▶ | 9.00 - 9.50 | ◀▶ | 8.50 - 9.00 | ◀▶ | 10.00 - 10.50 | ◀▶ |
| | S. CA: LOS ANGELES | 3.50 - 4.50 | ▼ | 4.50 - 5.00 | ◀▶ | 6.00 - 7.00 | ◀▶ | 5.50 - 6.00 | ◀▶ | 7.00 - 8.00 | ◀▶ | 7.00 - 8.00 | ▼ | 8.00 - 8.50 | ▼ |
| | S. CA: ORANGE COUNTY | 5.00 - 5.50 | ◀▶ | 5.25 - 6.00 | ◀▶ | 6.00 - 6.50 | ◀▶ | 6.25 - 7.00 | ◀▶ | 6.25 - 7.00 | ◀▶ | 7.25 - 8.25 | ◀▶ | 7.50 - 8.50 | ◀▶ |
| | WASHINGTON, D.C. | 4.50 - 5.00 | ◀▶ | 4.75 - 5.50 | ◀▶ | 6.00 - 7.00 | ◀▶ | 5.50 - 6.50 | ◀▶ | 6.50 - 8.00 | ◀▶ | 6.00 - 6.50 | ◀▶ | 7.00 - 8.00 | ◀▶ |

| | | CLASS AA | | CLASS A | | | | CLASS B | | | | CLASS C | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] |
| TIER II | ATLANTA | 5.25 - 5.75 | ◀▶ | 5.75 - 6.25 | ◀▶ | 6.50 - 7.25 | ◀▶ | 6.75 - 7.75 | ◀▶ | 7.25 - 8.50 | ◀▶ | 8.25 - 9.75 | ◀▶ | 8.50 - 11.00 | ▲ |
| | DENVER | 5.00 - 5.50 | ◀▶ | 5.25 - 6.00 | ◀▶ | 6.25 - 7.25 | ◀▶ | 6.25 - 7.00 | ◀▶ | 6.50 - 7.50 | ◀▶ | 7.50 - 8.50 | ◀▶ | 8.25 - 9.25 | ◀▶ |
| | MIAMI/S. FLORIDA[2] | — | — | 4.00 - 5.00 | ▼ | 5.25 - 6.00 | ▼ | 5.75 - 6.50 | ◀▶ | 6.50 - 7.50 | ◀▶ | 7.00 - 8.00 | ◀▶ | 7.50 - 9.00 | ◀▶ |
| | MINNEAPOLIS | 5.00 - 5.50 | ◀▶ | 5.50 - 6.50 | ◀▶ | 7.00 - 8.00 | ◀▶ | 7.50 - 8.50 | ◀▶ | 9.00 - 10.00 | ◀▶ | 9.00 - 10.00 | ◀▶ | 11.00 - 12.00 | ◀▶ |
| | PHILADELPHIA | 5.75 - 6.25 | ◀▶ | 6.00 - 6.50 | ◀▶ | 7.50 - 8.50 | ▲ | 7.00 - 7.50 | ◀▶ | 8.50 - 9.00 | ▲ | 8.50 - 9.00 | ◀▶ | 10.00 - 11.00 | ◀▶ |
| | PHOENIX | 5.75 - 6.25 | ◀▶ | 6.25 - 6.75 | ◀▶ | 6.50 - 7.00 | ◀▶ | 6.75 - 7.50 | ◀▶ | 7.25 - 8.25 | ◀▶ | 9.00 - 10.00 | ◀▶ | 11.00 - 12.00 | ◀▶ |
| | SAN DIEGO | 5.25 - 5.75 | ◀▶ | 5.75 - 6.25 | ◀▶ | 6.00 - 6.50 | ◀▶ | 6.00 - 6.50 | ◀▶ | 6.50 - 7.00 | ◀▶ | 6.75 - 7.25 | ◀▶ | 7.75 - 8.25 | ◀▶ |
| | SEATTLE | 4.25 - 4.75 | ◀▶ | 4.50 - 5.25 | ◀▶ | 5.75 - 7.00 | ◀▶ | 5.25 - 6.00 | ◀▶ | 6.50 - 7.50 | ◀▶ | 6.50 - 7.00 | ◀▶ | 7.50 - 9.00 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable. [2]Covers the three-county Miami area. Note: Data is subject to historical revision.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## OFFICE CBD | UNITED STATES KEY RATES CONT.

| | | CLASS AA | | CLASS A | | | | CLASS B | | | | CLASS C | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] |
| TIER III | ALBUQUERQUE | 8.00 - 8.50 | ◄► | 8.00 - 9.00 | ◄► | 8.75 - 9.50 | ◄► | 8.75 - 9.50 | ◄► | 10.00 - 12.00 | ▲ | 9.75 - 11.50 | ◄► | 10.50 - 13.00 | ◄► |
| | AUSTIN | 4.75 - 5.50 | ◄► | 5.25 - 6.00 | ◄► | 7.00 - 8.00 | ◄► | 5.75 - 6.75 | ◄► | 7.50 - 8.50 | ◄► | 6.25 - 7.00 | ◄► | 8.75 - 9.50 | ◄► |
| | BALTIMORE | 6.75 - 7.25 | ◄► | 7.00 - 8.25 | ◄► | 8.00 - 9.25 | ◄► | 8.25 - 8.75 | ◄► | 9.00 - 9.50 | ◄► | 9.75 - 10.00 | ◄► | 9.50 - 9.75 | ◄► |
| | CHARLOTTE | 5.50 - 6.25 | ◄► | 6.00 - 6.50 | ◄► | 8.00 - 8.75 | ◄► | 6.50 - 7.50 | ◄► | 8.75 - 9.25 | ◄► | 8.00 - 8.50 | ◄► | 10.00 - 10.00 | ◄► |
| | CINCINNATI | — | — | 8.25 - 8.75 | ▼ | 9.00 - 9.50 | ◄► | 9.00 - 9.50 | ◄► | 9.50 - 10.00 | ◄► | 10.00 - 10.50 | ▲ | 10.00 - 11.00 | ◄► |
| | CLEVELAND | 8.00 - 8.50 | ▲ | 8.50 - 9.00 | ▲ | 9.00 - 10.00 | ◄► | 8.50 - 9.00 | ▼ | 10.00 - 11.00 | ◄► | 10.00 - 12.00 | ◄► | 11.00 - 13.00 | ◄► |
| | COLUMBUS | — | — | 7.00 - 8.00 | ▼ | 8.00 - 9.50 | ◄► | 8.50 - 9.50 | ◄► | 9.75 - 10.75 | ◄► | 10.00 - 11.50 | ◄► | 11.00 - 12.00 | ◄► |
| | DETROIT | — | — | 8.50 - 9.25 | ◄► | 8.75 - 9.25 | ◄► | 9.25 - 10.00 | ◄► | 9.50 - 10.50 | ◄► | 11.75 - 12.50 | ◄► | 12.25 - 13.00 | ◄► |
| | INDIANAPOLIS | — | — | 7.50 - 8.50 | ◄► | 8.50 - 10.00 | ◄► | 8.50 - 9.25 | ◄► | 9.50 - 11.00 | ◄► | 10.00 - 12.00 | ◄► | 10.50 - 11.00 | ◄► |
| | JACKSONVILLE | — | — | 7.50 - 8.00 | ◄► | 9.50 - 10.50 | ▼ | 8.50 - 9.00 | ◄► | 10.50 - 11.00 | ▼ | 9.50 - 10.50 | ▲ | 10.50 - 13.00 | ◄► |
| | KANSAS CITY | — | — | 7.50 - 8.00 | ▼ | 8.50 - 9.00 | ▲ | 8.50 - 9.50 | ▼ | 9.50 - 10.50 | ◄► | 10.50 - 11.50 | ▼ | 11.00 - 12.00 | ◄► |
| | LAS VEGAS | 6.75 - 7.25 | ◄► | 7.25 - 7.75 | ▼ | 8.00 - 9.00 | ◄► | 7.25 - 7.75 | ▼ | 9.00 - 10.00 | ◄► | 8.00 - 10.00 | ▼ | 10.00 - 12.00 | ◄► |
| | MEMPHIS | 8.50 - 9.00 | ◄► | 8.75 - 9.25 | ◄► | 9.50 - 10.00 | ◄► | 9.50 - 10.00 | ◄► | 11.00 - 11.50 | ◄► | 11.00 - 11.50 | ◄► | 12.00 - 12.50 | ◄► |
| | NASHVILLE | 6.00 - 6.50 | ◄► | 6.25 - 6.75 | ◄► | 6.25 - 6.75 | ◄► | 7.50 - 8.00 | ◄► | 7.75 - 8.50 | ▼ | 8.25 - 9.25 | ▼ | 7.75 - 9.00 | ▲ |
| | OKLAHOMA CITY | — | — | 6.50 - 7.50 | ◄► | 7.00 - 8.00 | ◄► | 7.50 - 9.50 | ◄► | 8.00 - 9.00 | ◄► | 9.50 - 11.00 | ◄► | 10.00 - 11.00 | ◄► |
| | ORLANDO | 5.00 - 6.00 | ▼ | 5.50 - 6.50 | ◄► | 6.50 - 7.00 | ◄► | 7.00 - 8.00 | ◄► | 8.00 - 9.00 | ◄► | 8.00 - 9.00 | ▼ | 8.50 - 9.50 | ◄► |
| | PITTSBURGH | 7.00 - 7.50 | ◄► | 7.50 - 7.75 | ◄► | 8.50 - 9.50 | ◄► | 8.50 - 8.75 | ◄► | 10.00 - 12.00 | ◄► | 10.00 - 12.00 | ◄► | 12.00 - 14.00 | ◄► |
| | PORTLAND | 4.75 - 5.25 | ▼ | 5.75 - 6.75 | ▼ | 6.50 - 7.50 | ◄► | 7.00 - 7.50 | ▼ | 7.75 - 8.75 | ▲ | 7.50 - 8.50 | ▼ | 9.00 - 10.00 | ◄► |
| | RALEIGH-DURHAM | 6.00 - 6.75 | ◄► | 6.75 - 7.25 | ▲ | 9.00 - 9.50 | ◄► | 7.75 - 8.25 | ◄► | 9.50 - 10.50 | ▼ | 8.50 - 9.00 | ▲ | 11.00 - 12.00 | ▼ |
| | RICHMOND | — | — | 6.50 - 8.00 | ▲ | 7.00 - 8.50 | ◄► | 7.00 - 9.00 | ▼ | 8.50 - 10.25 | ◄► | 8.75 - 10.25 | ◄► | 9.50 - 11.00 | ◄► |
| | SACRAMENTO | 5.75 - 6.50 | ◄► | 6.25 - 7.00 | ◄► | 7.25 - 8.25 | ◄► | 6.75 - 8.00 | ◄► | 8.00 - 9.25 | ◄► | 7.75 - 9.00 | ◄► | 9.00 - 10.25 | ◄► |
| | SALT LAKE CITY | 5.50 - 5.75 | ▼ | 6.00 - 6.75 | ◄► | 6.25 - 7.00 | ◄► | 7.00 - 7.75 | ◄► | 7.25 - 8.00 | ◄► | 8.00 - 9.50 | ▼ | 8.50 - 9.50 | ▼ |
| | SAN ANTONIO | — | — | 6.50 - 7.50 | ◄► | 8.00 - 9.00 | ◄► | 8.00 - 8.75 | ◄► | 9.25 - 10.25 | ◄► | 9.00 - 10.00 | ◄► | 9.75 - 10.75 | ◄► |
| | TAMPA | — | — | 6.25 - 6.75 | ▼ | 6.75 - 7.75 | ◄► | 7.00 - 7.75 | ◄► | 7.50 - 8.75 | ◄► | 8.00 - 8.50 | ◄► | 8.50 - 9.50 | ▲ |

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable. Note: Data is subject to historical revision.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.



CBRE

## OFFICE CBD | CANADA KEY RATES

### TIER I

| | CLASS AA | | CLASS A | | CLASS B | |
|---|---|---|---|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| TORONTO | 4.25 - 4.75 | ▼ | 4.75 - 5.25 | ▼ | 5.50 - 6.00 | ▼ |
| VANCOUVER | 4.25 - 4.75 | ◀▶ | 4.50 - 5.00 | ◀▶ | 4.50 - 5.00 | ◀▶ |

### TIER II

| | CLASS AA | | CLASS A | | CLASS B | |
|---|---|---|---|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| CALGARY | 5.00 - 5.50 | ◀▶ | 6.00 - 6.50 | ◀▶ | 7.25 - 7.75 | ◀▶ |
| EDMONTON | 5.50 - 6.00 | ◀▶ | 6.50 - 7.00 | ▲ | 7.50 - 8.00 | ▲ |
| MONTREAL | 4.75 - 5.50 | ◀▶ | 5.50 - 6.00 | ◀▶ | 6.00 - 6.75 | ▼ |

### TIER III

| | CLASS AA | | CLASS A | | CLASS B | |
|---|---|---|---|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| HALIFAX | — | — | 6.00 - 6.50 | ◀▶ | 7.00 - 7.50 | ▼ |
| KITCHENER - WATERLOO | — | — | 6.00 - 7.00 | ◀▶ | 6.50 - 7.25 | ◀▶ |
| LONDON - WINDSOR | — | — | 6.50 - 7.50 | ◀▶ | 7.50 - 8.00 | ◀▶ |
| OTTAWA | 5.00 - 5.75 | ◀▶ | 5.25 - 6.00 | ◀▶ | 5.75 - 6.25 | ▼ |
| WINNIPEG | — | — | 5.50 - 6.00 | ◀▶ | 6.50 - 7.00 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE.

## OFFICE CBD | UNITED STATES FORECAST TRENDS

| | | CLASS AA | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| TIER I | BOSTON | Decrease | Decrease | Decrease | Increase | Increase | — | — |
| TIER I | CHICAGO | Stable | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER I | DALLAS/FORT WORTH | Stable | Stable | Stable | Increase | Increase | Stable | Stable |
| TIER I | HOUSTON | Stable | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER I | N. CA: OAKLAND | Decrease | Decrease | Decrease | Decrease | Decrease | Decrease | Decrease |
| TIER I | N. CA: SAN FRANCISCO | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER I | N. CA: SAN JOSE | — | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER I | NY: NEW YORK CITY | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER I | NY: STAMFORD | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER I | S. CA: LOS ANGELES | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER I | S. CA: ORANGE COUNTY | Decrease | Stable | Decrease | Stable | Stable | Stable | Stable |
| TIER I | WASHINGTON, D.C. | Stable | Stable | Stable | Stable | Stable | Stable | Stable |

| | | CLASS AA | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| TIER II | ATLANTA | Stable | Stable | Stable | Stable | Increase | Stable | Increase |
| TIER II | DENVER | Decrease | Stable | Stable | Stable | Decrease | Stable | Stable |
| TIER II | MIAMI/S. FLORIDA[2] | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER II | MINNEAPOLIS | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER II | PHILADELPHIA | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER II | PHOENIX | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER II | SAN DIEGO | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER II | SEATTLE | Stable | Stable | Stable | Stable | Stable | Stable | Stable |

INCREASE | DECREASE | STABLE | — N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016. [2]Covers the three-county Miami area.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## OFFICE CBD | UNITED STATES FORECAST TRENDS CONT.

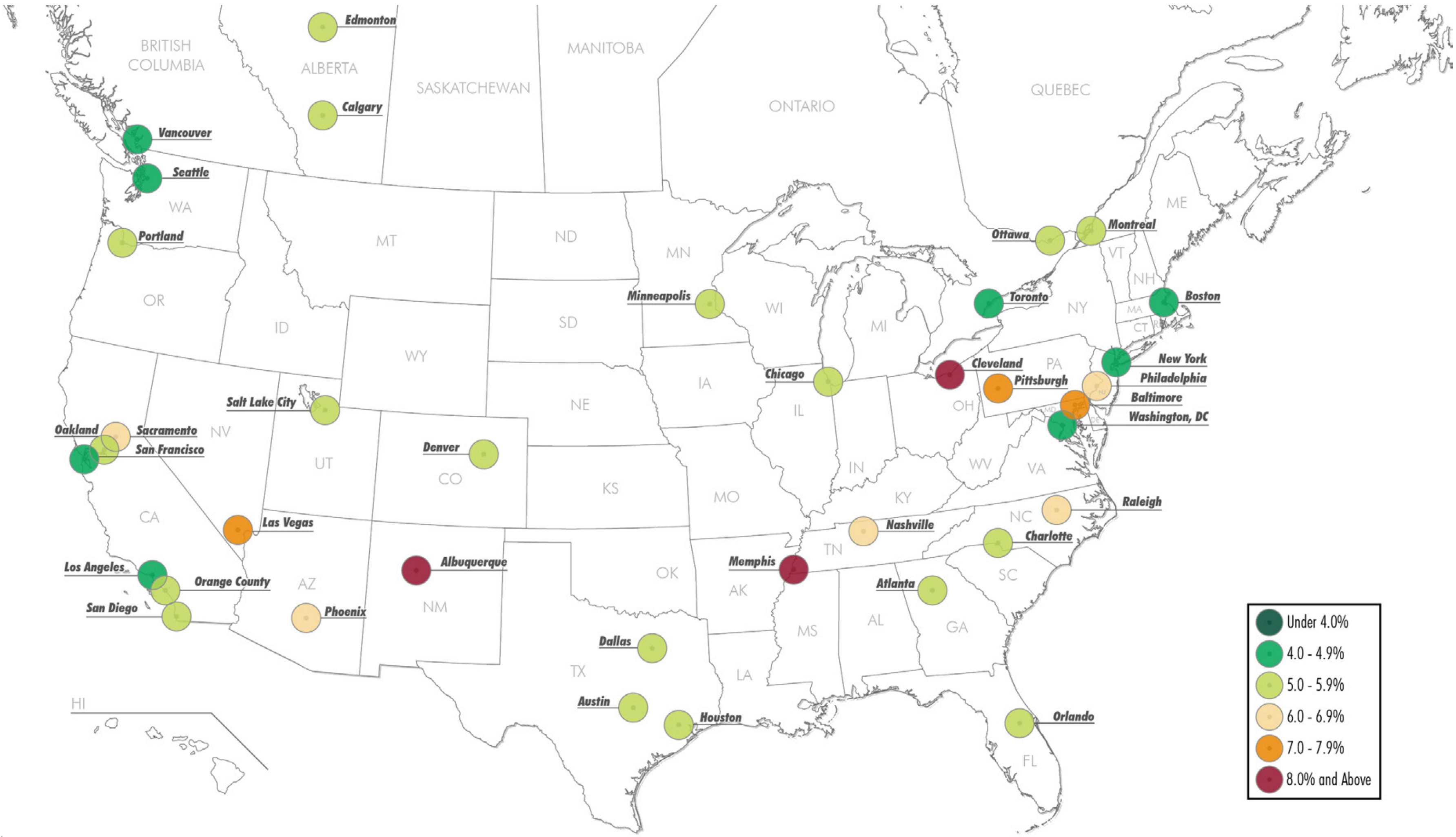
| | | CLASS AA | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| TIER III | ALBUQUERQUE | Stable | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER III | AUSTIN | Stable | Stable | Stable | Stable | Stable | Increase | Increase |
| TIER III | BALTIMORE | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | CHARLOTTE | Stable | Stable | Stable | Increase | Increase | Increase | Increase |
| TIER III | CINCINNATI | — | Decrease | Decrease | Stable | Stable | Stable | Stable |
| TIER III | CLEVELAND | Increase | Increase | Stable | Decrease | Stable | Stable | Stable |
| TIER III | COLUMBUS | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | DETROIT | — | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | INDIANAPOLIS | — | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | JACKSONVILLE | — | Decrease | Decrease | Decrease | Stable | Stable | Stable |
| TIER III | KANSAS CITY | — | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | LAS VEGAS | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | MEMPHIS | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | NASHVILLE | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER III | OKLAHOMA CITY | — | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER III | ORLANDO | Stable | Stable | Increase | Increase | Increase | Increase | Increase |
| TIER III | PITTSBURGH | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | PORTLAND | Decrease | Decrease | Decrease | Decrease | Decrease | Stable | Stable |
| TIER III | RALEIGH-DURHAM | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | RICHMOND | Decrease | Decrease | Decrease | Stable | Stable | Stable | Stable |
| TIER III | SACRAMENTO | Stable | Stable | Increase | Stable | Increase | Stable | Increase |
| TIER III | SALT LAKE CITY | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | SAN ANTONIO | — | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | TAMPA | — | Stable | Stable | Stable | Stable | Stable | Stable |

INCREASE DECREASE STABLE — N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## OFFICE CBD | CLASS AA CAP RATES FOR STABILIZED PROPERTIES

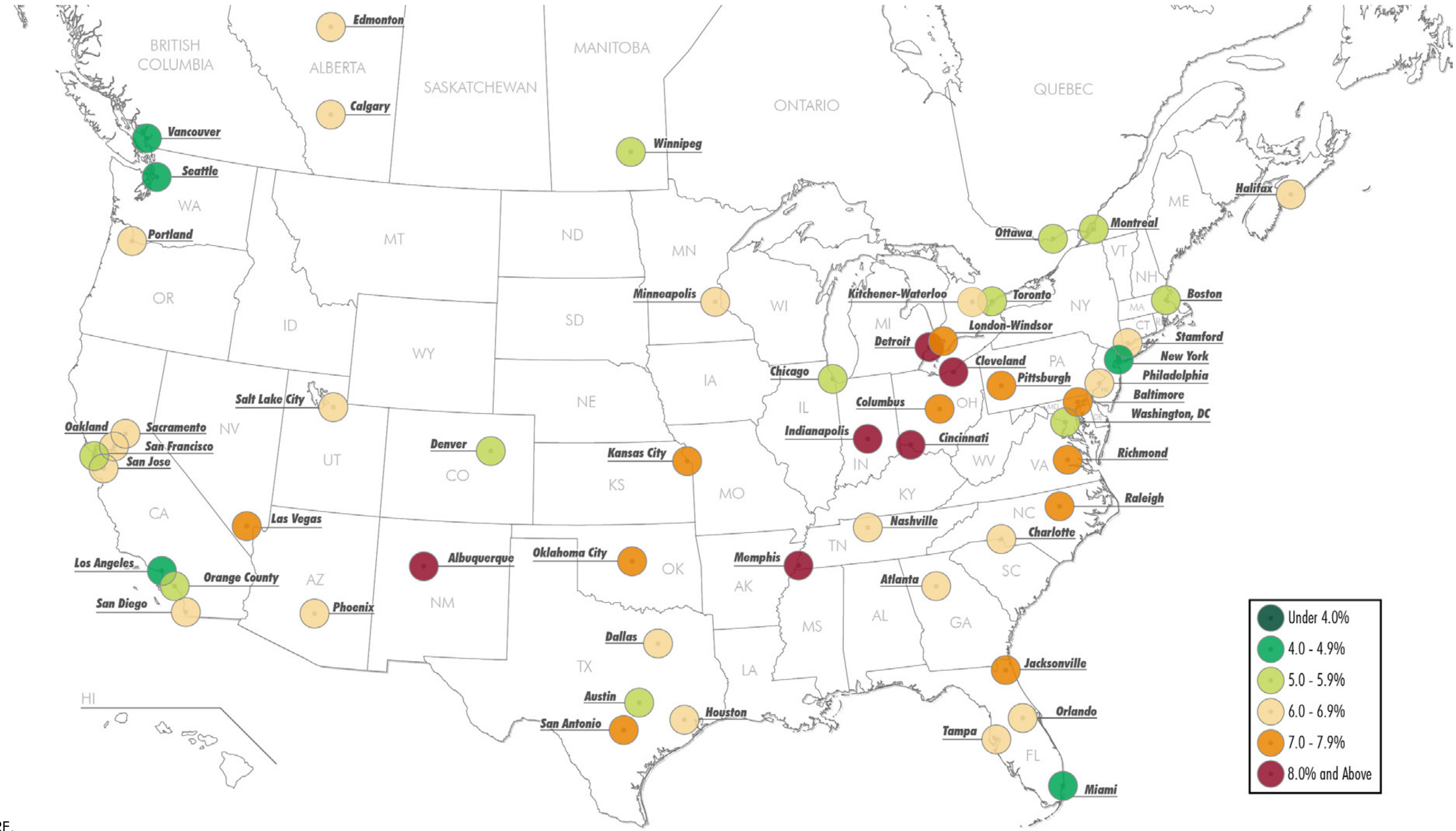



Source: CBRE.



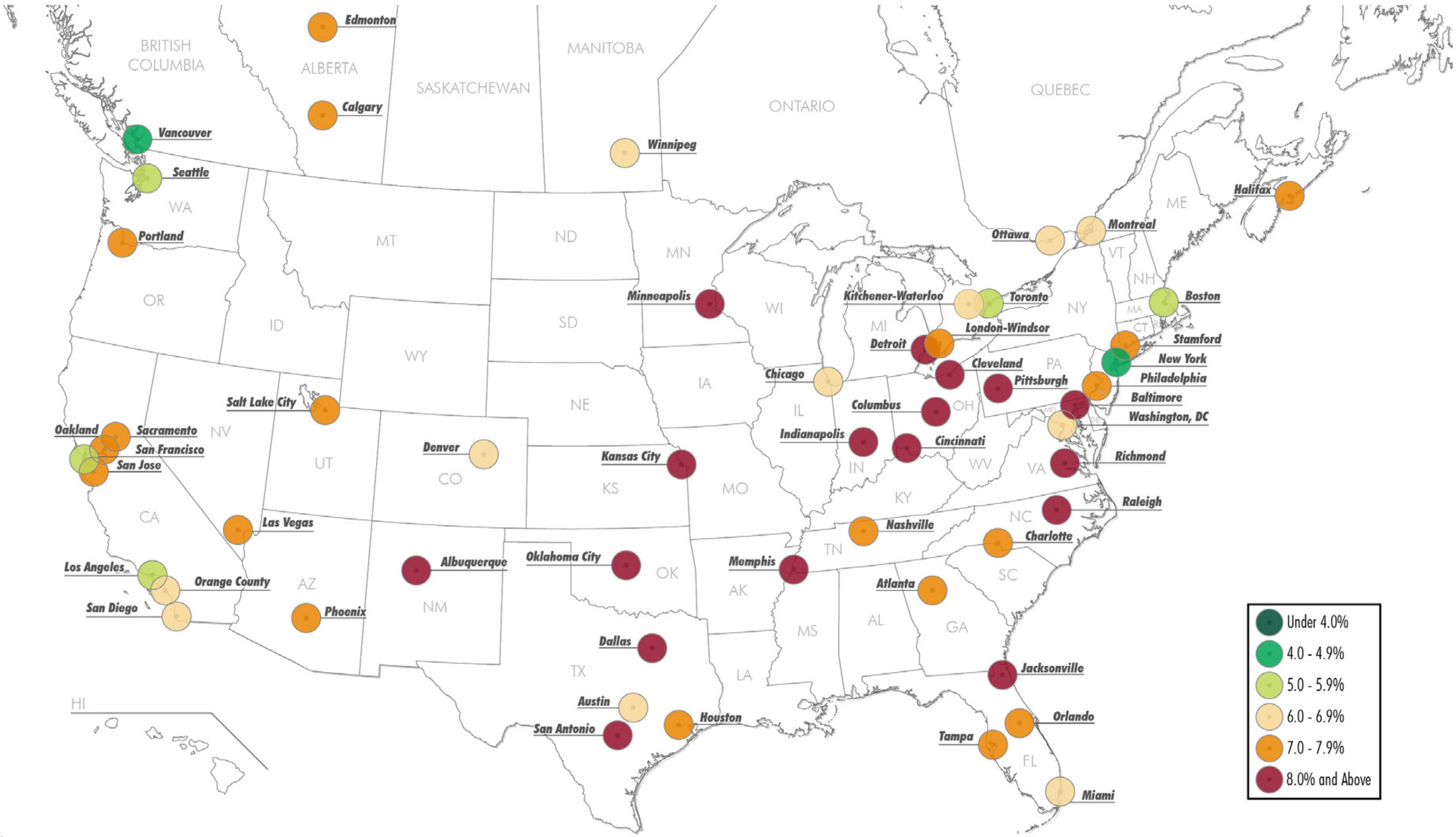
CBRE

## OFFICE CBD | CLASS A CAP RATES FOR STABILIZED PROPERTIES




Source: CBRE.

## OFFICE CBD | CLASS B CAP RATES FOR STABILIZED PROPERTIES




Source: CBRE.

## OFFICE SUBURBAN | UNITED STATES KEY RATES

| Tier | Market | Class AA: Cap Rates for Stabilized Properties (%) | Change[1] | Class A: Cap Rates for Stabilized Properties (%) | Change[1] | Class A: Expected Return on Cost for Value-Add Properties (%) | Change[1] | Class B: Cap Rates for Stabilized Properties (%) | Change[1] | Class B: Expected Return on Cost for Value-Add Properties (%) | Change[1] | Class C: Cap Rates for Stabilized Properties (%) | Change[1] | Class C: Expected Return on Cost for Value-Add Properties (%) | Change[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TIER I | BOSTON | 5.50 - 6.00 | ◄► | 5.75 - 6.50 | ◄► | 7.00 - 8.00 | ◄► | 7.00 - 8.25 | ▲ | 8.50 - 10.00 | ◄► | — | — | — | — |
| | CHICAGO | 7.00 - 7.25 | ◄► | 7.25 - 8.00 | ◄► | 8.50 - 10.00 | ◄► | 8.00 - 9.50 | ◄► | 10.00 - 12.00 | ◄► | 8.75 - 9.75 | ◄► | 10.00 - 12.00 | ◄► |
| | DALLAS/FORT WORTH | 5.75 - 6.50 | ◄► | 6.50 - 7.25 | ◄► | 7.25 - 8.00 | ◄► | 7.50 - 8.50 | ▲ | 8.75 - 9.75 | ◄► | 9.00 - 11.00 | ◄► | 10.75 - 11.50 | ◄► |
| | HOUSTON | 5.75 - 6.25 | ▲ | 6.25 - 6.75 | ▲ | 8.00 - 8.50 | ▲ | 7.50 - 8.50 | ▲ | 9.00 - 9.50 | ▲ | 9.00 - 10.00 | ▲ | 11.00 - 12.00 | ▲ |
| | N. CA: OAKLAND | 6.00 - 7.00 | — | 6.00 - 7.00 | — | 7.50 - 8.00 | — | 7.00 - 8.00 | — | 8.00 - 9.00 | — | 8.50 - 10.00 | — | 10.00 - 12.00 | — |
| | N. CA: SAN FRANCISCO | 5.00 - 6.00 | ◄► | 5.50 - 6.50 | ◄► | 7.00 - 8.00 | ◄► | 6.50 - 7.50 | ◄► | 8.25 - 9.25 | ◄► | 7.50 - 8.50 | ◄► | 9.50 - 10.50 | ◄► |
| | N. CA: SAN JOSE | 4.75 - 5.50 | ◄► | 5.50 - 6.25 | ▼ | 6.50 - 7.25 | ◄► | 6.00 - 7.25 | ◄► | 7.25 - 8.25 | ◄► | 7.50 - 8.50 | ▼ | 9.00 - 10.00 | ◄► |
| | NY: N. NEW JERSEY | 5.75 - 6.25 | ▼ | 6.25 - 6.75 | ▼ | 7.50 - 8.00 | ◄► | 7.75 - 8.25 | ◄► | 8.75 - 9.25 | ◄► | 9.00 - 9.50 | ◄► | 10.50 - 11.00 | ◄► |
| | NY: STAMFORD | — | — | 7.50 - 8.00 | ◄► | 9.50 - 10.00 | ◄► | 8.25 - 8.75 | ◄► | 10.50 - 11.00 | ◄► | 9.25 - 9.75 | ◄► | 12.00 - 12.50 | ◄► |
| | S. CA: LOS ANGELES | 5.00 - 5.50 | ◄► | 5.50 - 6.00 | ▲ | 7.00 - 7.50 | ▲ | 6.00 - 7.00 | ▲ | 7.00 - 7.50 | ▼ | 7.00 - 8.00 | ▼ | 8.50 - 9.00 | ◄► |
| | S. CA: ORANGE COUNTY | 5.00 - 5.75 | ◄► | 5.25 - 6.00 | ◄► | 6.25 - 7.00 | ◄► | 6.25 - 7.00 | ◄► | 6.25 - 7.00 | ◄► | 7.25 - 8.25 | ◄► | 7.50 - 8.50 | ◄► |
| | WASHINGTON, D.C. | 5.25 - 5.50 | ◄► | 5.75 - 6.75 | ▲ | 6.75 - 8.00 | ▲ | 6.50 - 7.75 | ▲ | 7.25 - 9.75 | ▲ | 8.50 - 9.00 | ◄► | 9.00 - 10.00 | ◄► |

| Tier | Market | Class AA: Cap Rates for Stabilized Properties (%) | Change[1] | Class A: Cap Rates for Stabilized Properties (%) | Change[1] | Class A: Expected Return on Cost for Value-Add Properties (%) | Change[1] | Class B: Cap Rates for Stabilized Properties (%) | Change[1] | Class B: Expected Return on Cost for Value-Add Properties (%) | Change[1] | Class C: Cap Rates for Stabilized Properties (%) | Change[1] | Class C: Expected Return on Cost for Value-Add Properties (%) | Change[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TIER II | ATLANTA | 5.75 - 6.25 | ◄► | 6.50 - 7.25 | ◄► | 7.00 - 7.75 | ▲ | 7.25 - 8.25 | ◄► | 8.00 - 9.50 | ▲ | 8.25 - 10.00 | ◄► | 9.00 - 12.00 | ▲ |
| | DENVER | 5.75 - 6.25 | ◄► | 6.00 - 7.00 | ◄► | 7.00 - 8.00 | ◄► | 6.75 - 7.75 | ◄► | 7.50 - 8.50 | ◄► | 8.00 - 9.00 | ◄► | 8.75 - 9.75 | ◄► |
| | MIAMI/S. FLORIDA[2] | — | — | 5.00 - 6.00 | ▼ | 6.00 - 7.00 | ▼ | 6.00 - 7.00 | ◄► | 7.00 - 8.00 | ▼ | 7.50 - 8.50 | ◄► | 9.00 - 10.00 | ◄► |
| | MINNEAPOLIS | — | — | 6.25 - 7.25 | ▼ | 8.50 - 9.50 | ◄► | 7.75 - 8.75 | ▼ | 9.50 - 10.50 | ◄► | 10.00 - 11.00 | ◄► | 12.00 - 13.00 | ◄► |
| | PHILADELPHIA | 6.25 - 6.75 | ▲ | 7.00 - 7.50 | ◄► | 8.00 - 8.50 | ◄► | 9.00 - 9.50 | ▲ | 10.00 - 10.50 | ▲ | 10.00 - 11.00 | ▲ | 11.00 - 12.00 | ◄► |
| | PHOENIX | 5.75 - 6.25 | ◄► | 6.25 - 6.75 | ◄► | 6.50 - 7.00 | ◄► | 6.75 - 7.50 | ◄► | 7.25 - 8.25 | ◄► | 9.00 - 10.00 | ◄► | 11.00 - 12.00 | ◄► |
| | SAN DIEGO | 5.00 - 5.50 | ◄► | 5.50 - 6.00 | ◄► | 6.00 - 6.50 | ◄► | 6.50 - 7.00 | ◄► | 6.75 - 7.25 | ◄► | 7.00 - 7.50 | ◄► | 7.75 - 8.25 | ◄► |
| | SEATTLE | 5.25 - 5.75 | ◄► | 5.50 - 6.00 | ◄► | 6.50 - 7.50 | ◄► | 6.25 - 6.75 | ◄► | 7.00 - 8.00 | ◄► | 7.00 - 8.00 | ◄► | 7.50 - 8.50 | ◄► |

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable. [2]Covers the three-county Miami area. Note: Data is subject to historical revision.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## OFFICE SUBURBAN | UNITED STATES KEY RATES CONT.

| | | CLASS AA | | CLASS A | | | | CLASS B | | | | CLASS C | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] |
| TIER III | ALBUQUERQUE | 7.50 - 8.25 | ▲ | 7.50 - 8.75 | ▲ | 9.00 - 9.75 | ▲ | 8.75 - 9.50 | ▲ | 9.75 - 10.75 | ▲ | 9.75 - 11.25 | ▲ | 10.25 - 12.50 | ▲ |
| | AUSTIN | 5.75 - 6.75 | ◄► | 6.25 - 7.25 | ◄► | 8.00 - 9.00 | ◄► | 7.00 - 7.50 | ◄► | 8.25 - 9.00 | ◄► | 8.00 - 8.75 | ◄► | 9.25 - 10.25 | ◄► |
| | BALTIMORE | 6.25 - 6.75 | ◄► | 6.50 - 7.25 | ◄► | 8.50 - 9.00 | ◄► | 8.00 - 9.00 | ◄► | 8.50 - 9.50 | ◄► | 9.75 - 10.00 | ◄► | 9.50 - 9.75 | ◄► |
| | CHARLOTTE | — | — | 6.50 - 7.00 | ◄► | 8.50 - 9.50 | ◄► | 7.25 - 8.25 | ◄► | 9.00 - 10.00 | ◄► | 8.50 - 9.00 | ◄► | — | ◄► |
| | CINCINNATI | — | — | 8.25 - 8.75 | ▼ | 9.50 - 10.00 | ◄► | 9.00 - 9.50 | ◄► | 10.00 - 11.00 | ▲ | 10.00 - 11.00 | ◄► | 11.00 - 12.00 | ◄► |
| | CLEVELAND | — | — | 8.50 - 9.00 | ▲ | 8.75 - 9.25 | ◄► | 8.50 - 9.50 | ◄► | 9.75 - 10.75 | ◄► | 9.50 - 11.00 | ◄► | 11.00 - 12.00 | ◄► |
| | COLUMBUS | — | — | 7.00 - 8.00 | ◄► | 8.00 - 9.00 | ▼ | 8.50 - 10.00 | ◄► | 9.25 - 9.75 | ◄► | 10.50 - 11.00 | ◄► | 11.50 - 12.50 | ◄► |
| | DETROIT | — | — | 7.75 - 9.00 | ◄► | 8.50 - 9.25 | ◄► | 8.50 - 9.25 | ◄► | 9.25 - 9.75 | ◄► | 10.00 - 12.00 | ◄► | 11.00 - 13.00 | ◄► |
| | INDIANAPOLIS | — | — | 8.00 - 9.00 | ◄► | 9.50 - 10.50 | ◄► | 9.00 - 10.00 | ◄► | 10.00 - 12.00 | ◄► | 10.00 - 12.00 | ◄► | 12.00 - 13.00 | ◄► |
| | JACKSONVILLE | — | — | 7.00 - 8.00 | ▼ | 10.00 - 10.50 | ◄► | 8.00 - 9.00 | ▼ | 10.00 - 11.00 | ▼ | 10.00 - 10.50 | ▲ | 11.00 - 11.00 | ▼ |
| | KANSAS CITY | 6.50 - 7.00 | ◄► | 7.00 - 7.50 | ◄► | 7.75 - 8.25 | ▲ | 8.25 - 8.75 | ◄► | 9.25 - 9.75 | ▲ | 9.25 - 10.25 | ▼ | 10.25 - 12.00 | ◄► |
| | LAS VEGAS | 6.75 - 7.25 | ◄► | 7.25 - 7.75 | ▼ | 7.50 - 8.00 | ◄► | 7.25 - 7.75 | ▼ | 8.50 - 9.50 | ▲ | 8.00 - 10.00 | ▼ | 10.00 - 12.00 | ◄► |
| | MEMPHIS | 6.75 - 7.25 | ▼ | 7.25 - 7.75 | ◄► | 8.50 - 9.00 | ◄► | 8.50 - 9.00 | ◄► | 10.00 - 10.50 | ◄► | 9.50 - 10.00 | ◄► | 11.50 - 12.00 | ◄► |
| | NASHVILLE | 6.00 - 6.50 | ◄► | 6.50 - 6.75 | ◄► | 7.25 - 7.75 | ▼ | 7.50 - 8.00 | ▲ | 7.75 - 8.50 | ◄► | 8.25 - 9.25 | ◄► | 7.75 - 9.00 | ▲ |
| | OKLAHOMA CITY | — | — | 7.00 - 8.00 | ◄► | 8.00 - 9.00 | ◄► | 8.00 - 9.50 | ◄► | 9.00 - 10.00 | ◄► | 9.00 - 11.00 | ▼ | 10.00 - 11.00 | ◄► |
| | ORLANDO | 6.00 - 6.50 | ▼ | 7.00 - 7.50 | ◄► | 7.50 - 8.00 | ◄► | 7.50 - 8.00 | ◄► | 8.00 - 8.50 | ◄► | 8.00 - 8.50 | ◄► | 8.50 - 9.00 | ◄► |
| | PITTSBURGH | 7.00 - 8.00 | ◄► | 7.75 - 8.50 | ◄► | 9.00 - 10.00 | ◄► | 8.50 - 9.00 | ◄► | 10.00 - 12.00 | ◄► | 11.00 - 12.00 | ◄► | 11.00 - 12.00 | ◄► |
| | PORTLAND | 6.00 - 7.00 | ▼ | 6.75 - 7.50 | ▼ | 8.00 - 9.00 | ▲ | 7.50 - 8.00 | ▼ | 9.00 - 10.00 | ▲ | 8.50 - 9.00 | ◄► | 9.00 - 10.00 | ◄► |
| | RALEIGH-DURHAM | 6.75 - 7.50 | — | 7.00 - 7.50 | — | 9.00 - 10.00 | — | 8.00 - 8.50 | — | 9.50 - 11.00 | — | 8.50 - 9.00 | — | 10.00 - 12.00 | — |
| | RICHMOND | — | — | 6.75 - 8.25 | ◄► | 8.00 - 9.50 | ◄► | 7.75 - 9.00 | ◄► | 8.75 - 10.25 | ◄► | 8.50 - 10.50 | ◄► | 9.50 - 12.00 | ◄► |
| | SACRAMENTO | 6.75 - 7.50 | ◄► | 7.00 - 8.00 | ◄► | 7.75 - 9.00 | ◄► | 8.00 - 9.00 | ◄► | 8.75 - 10.00 | ◄► | 9.00 - 10.00 | ◄► | 9.75 - 11.50 | ▲ |
| | SALT LAKE CITY | 5.75 - 6.00 | ◄► | 6.00 - 6.75 | ◄► | 6.25 - 7.00 | ◄► | 7.00 - 7.75 | ◄► | 7.25 - 8.00 | ▼ | 8.00 - 9.50 | ▼ | 8.50 - 9.50 | ▼ |
| | SAN ANTONIO | — | — | 6.75 - 7.75 | ◄► | 8.25 - 9.25 | ◄► | 8.00 - 8.75 | ◄► | 9.75 - 10.75 | ◄► | 9.25 - 10.25 | ◄► | 9.75 - 10.75 | ◄► |
| | SAINT LOUIS | 6.75 - 7.25 | — | 7.25 - 8.25 | ◄► | 8.25 - 8.75 | ▼ | 8.00 - 8.50 | ◄► | 9.00 - 10.00 | ◄► | 9.00 - 9.50 | ▼ | 10.00 - 12.00 | ▼ |
| | TAMPA | — | — | 6.75 - 7.50 | ◄► | 7.25 - 8.50 | ◄► | 7.75 - 8.25 | ◄► | 8.00 - 8.50 | ◄► | 8.50 - 9.00 | ◄► | 9.00 - 10.00 | ▲ |

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable. Note: Data is subject to historical revision.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## OFFICE SUBURBAN | CANADA KEY RATES

### TIER I

| | CLASS A CAP RATES FOR STABILIZED PROPERTIES (%) | CLASS A CHANGE[1] | CLASS B CAP RATES FOR STABILIZED PROPERTIES (%) | CLASS B CHANGE[1] |
|---|---|---|---|---|
| TORONTO | 5.75 - 6.25 | ◀▶ | 7.00 - 7.50 | ◀▶ |
| VANCOUVER | 5.50 - 6.25 | ◀▶ | 6.00 - 6.50 | ◀▶ |

### TIER II

| | CLASS A CAP RATES FOR STABILIZED PROPERTIES (%) | CLASS A CHANGE[1] | CLASS B CAP RATES FOR STABILIZED PROPERTIES (%) | CLASS B CHANGE[1] |
|---|---|---|---|---|
| CALGARY | 6.00 - 6.50 | ◀▶ | 7.25 - 7.75 | ▲ |
| EDMONTON | 6.75 - 7.25 | ◀▶ | 7.25 - 7.75 | ◀▶ |
| MONTREAL | 6.00 - 6.75 | ◀▶ | 7.00 - 7.75 | ◀▶ |

### TIER III

| | CLASS A CAP RATES FOR STABILIZED PROPERTIES (%) | CLASS A CHANGE[1] | CLASS B CAP RATES FOR STABILIZED PROPERTIES (%) | CLASS B CHANGE[1] |
|---|---|---|---|---|
| HALIFAX | 6.50 - 7.50 | ◀▶ | 7.50 - 8.00 | ▲ |
| KITCHENER - WATERLOO | 6.50 - 7.00 | ◀▶ | 7.00 - 7.50 | ◀▶ |
| LONDON - WINDSOR | 7.50 - 8.00 | ◀▶ | 8.00 - 8.50 | ◀▶ |
| OTTAWA | 6.25 - 7.00 | ◀▶ | 7.00 - 7.50 | ◀▶ |
| WINNIPEG | 6.50 - 7.00 | ◀▶ | 7.00 - 7.50 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE.

## OFFICE SUBURBAN | UNITED STATES FORECAST TRENDS

| | | CLASS AA | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| TIER I | BOSTON | Increase | Increase | Increase | Increase | Increase | — | — |
| | CHICAGO | Decrease | Decrease | Stable | Stable | Stable | Stable | Stable |
| | DALLAS/FORT WORTH | Stable | Increase | Decrease | Increase | Increase | Increase | Increase |
| | HOUSTON | Stable | Increase | Increase | Increase | Increase | Increase | Increase |
| | N. CA: OAKLAND | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | N. CA: SAN FRANCISCO | Decrease | Decrease | Stable | Stable | Stable | Stable | Stable |
| | N. CA: SAN JOSE | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | NY: N. NEW JERSEY | Increase | Increase | Stable | Stable | Stable | Stable | Stable |
| | NY: STAMFORD | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | S. CA: LOS ANGELES | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | S. CA: ORANGE COUNTY | Stable | Stable | Decrease | Stable | Stable | Stable | Stable |
| | WASHINGTON, D.C. | Stable | Stable | Stable | Stable | Stable | Stable | Stable |

| | | CLASS AA | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| TIER II | ATLANTA | Stable | Stable | Increase | Stable | Increase | Stable | Increase |
| | DENVER | Stable | Stable | Decrease | Stable | Decrease | Stable | Stable |
| | MIAMI/S. FLORIDA[2] | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | MINNEAPOLIS | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | PHILADELPHIA | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | PHOENIX | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | SAN DIEGO | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| | SEATTLE | Stable | Stable | Stable | Stable | Stable | Stable | Stable |

INCREASE   DECREASE   STABLE   — N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016. [2]Covers the three-county Miami area.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## OFFICE SUBURBAN | UNITED STATES FORECAST TRENDS CONT.

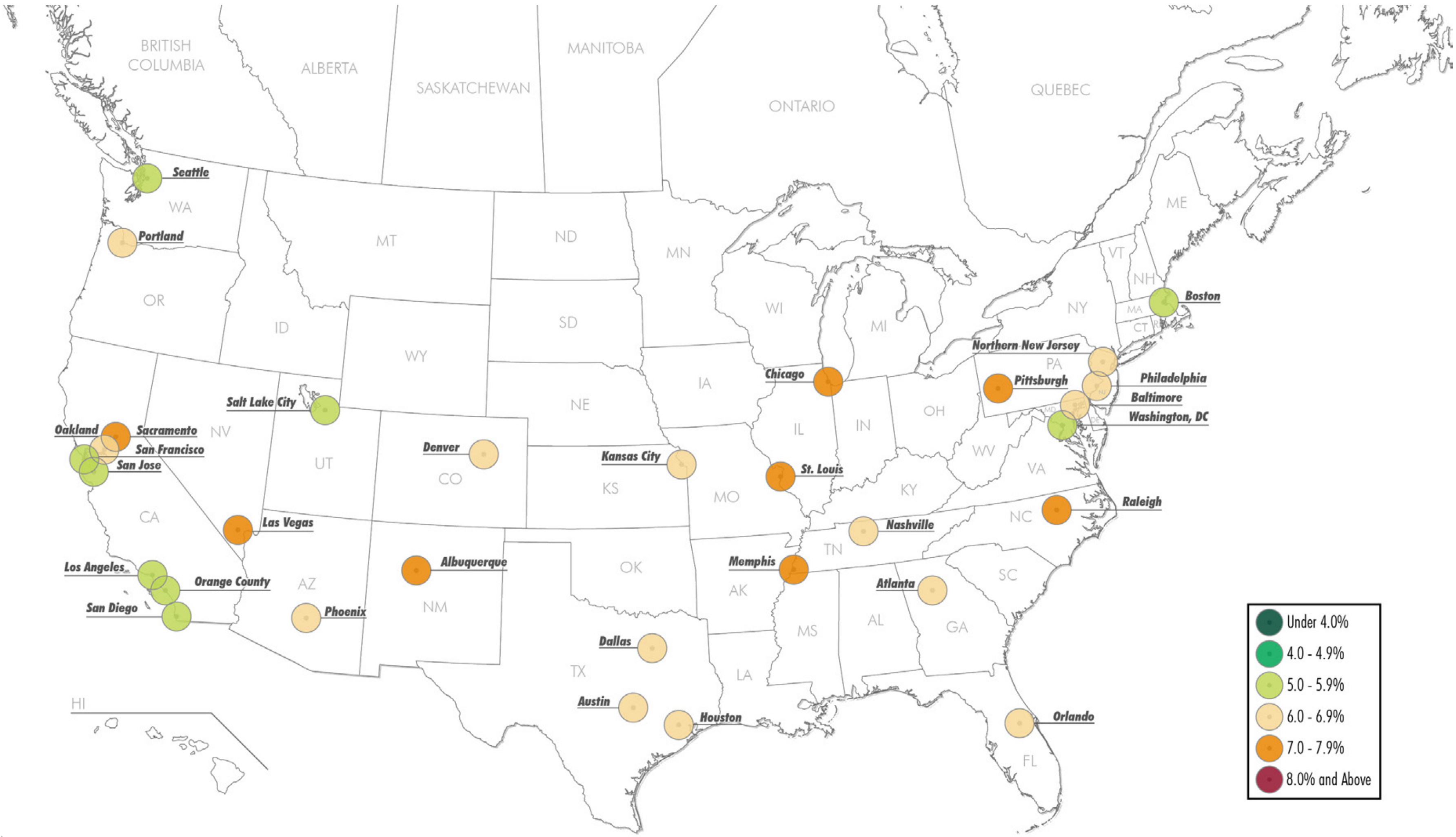
| | | CLASS AA | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| TIER III | ALBUQUERQUE | Stable | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER III | AUSTIN | Decrease | Decrease | Decrease | Decrease | Decrease | Stable | Stable |
| TIER III | BALTIMORE | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | CHARLOTTE | — | Stable | Stable | Increase | Increase | Increase | Increase |
| TIER III | CINCINNATI | — | Decrease | Decrease | Stable | Stable | Stable | Stable |
| TIER III | CLEVELAND | Increase | Stable | Increase | Stable | Stable | Stable | Stable |
| TIER III | COLUMBUS | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | DETROIT | — | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | INDIANAPOLIS | — | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | JACKSONVILLE | — | Decrease | Decrease | Decrease | Stable | Stable | Stable |
| TIER III | KANSAS CITY | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | LAS VEGAS | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | MEMPHIS | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | NASHVILLE | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER III | OKLAHOMA CITY | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER III | ORLANDO | Stable | Stable | Increase | Increase | Increase | Increase | Increase |
| TIER III | PITTSBURGH | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | PORTLAND | Decrease | Decrease | Decrease | Decrease | Decrease | Stable | Stable |
| TIER III | RALEIGH-DURHAM | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | RICHMOND | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | SACRAMENTO | Increase | Stable | Increase | Stable | Increase | Stable | Increase |
| TIER III | SALT LAKE CITY | Stable | Stable | Stable | Increase | Increase | Increase | Increase |
| TIER III | SAN ANTONIO | — | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | SAINT LOUIS | Stable | Decrease | Decrease | Stable | Stable | Decrease | Decrease |
| TIER III | TAMPA | — | Stable | Stable | Stable | Stable | Stable | Stable |

INCREASE | DECREASE | STABLE | — N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## OFFICE SUBURBAN | CLASS AA CAP RATES FOR STABILIZED PROPERTIES

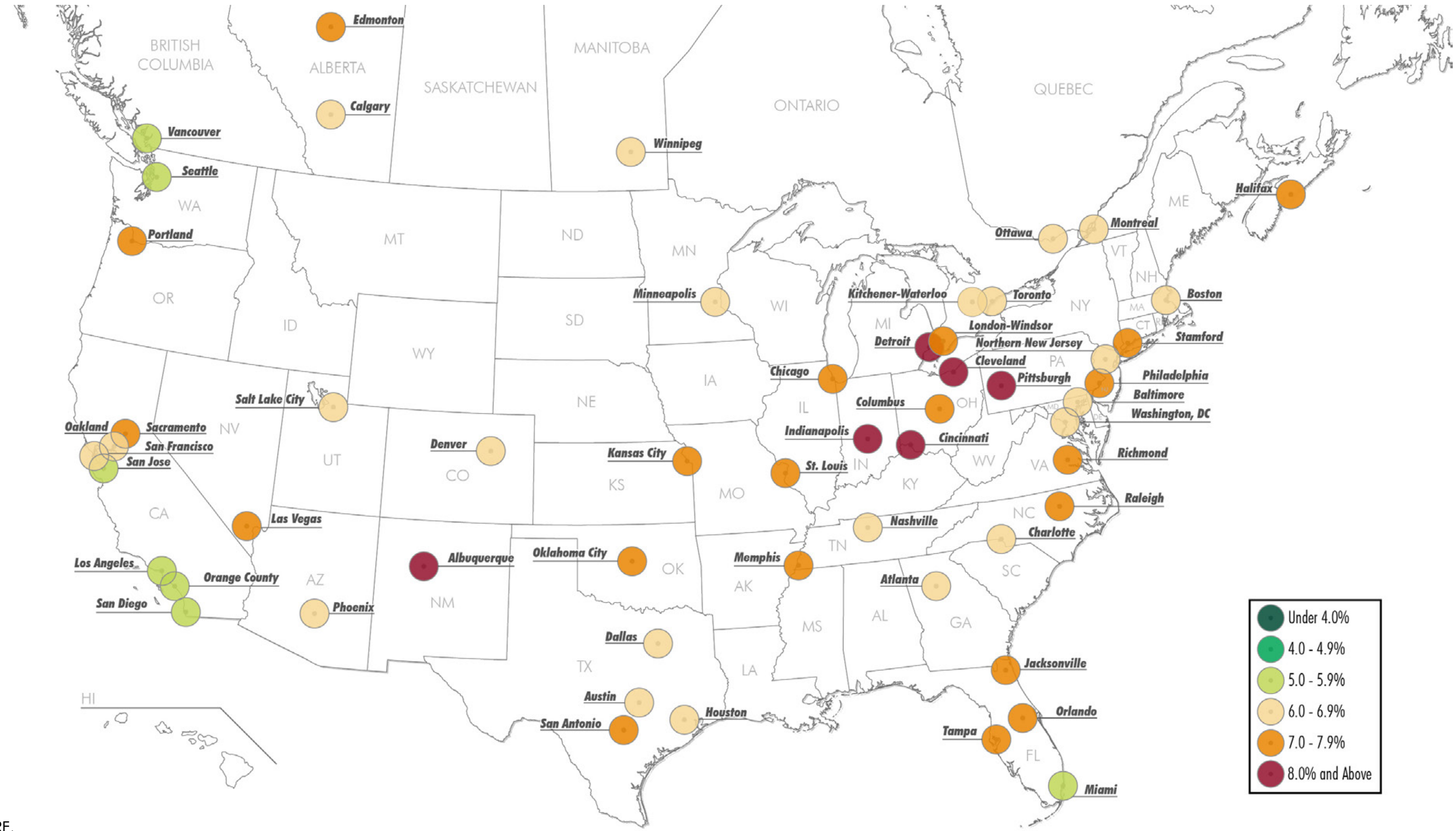



Source: CBRE.



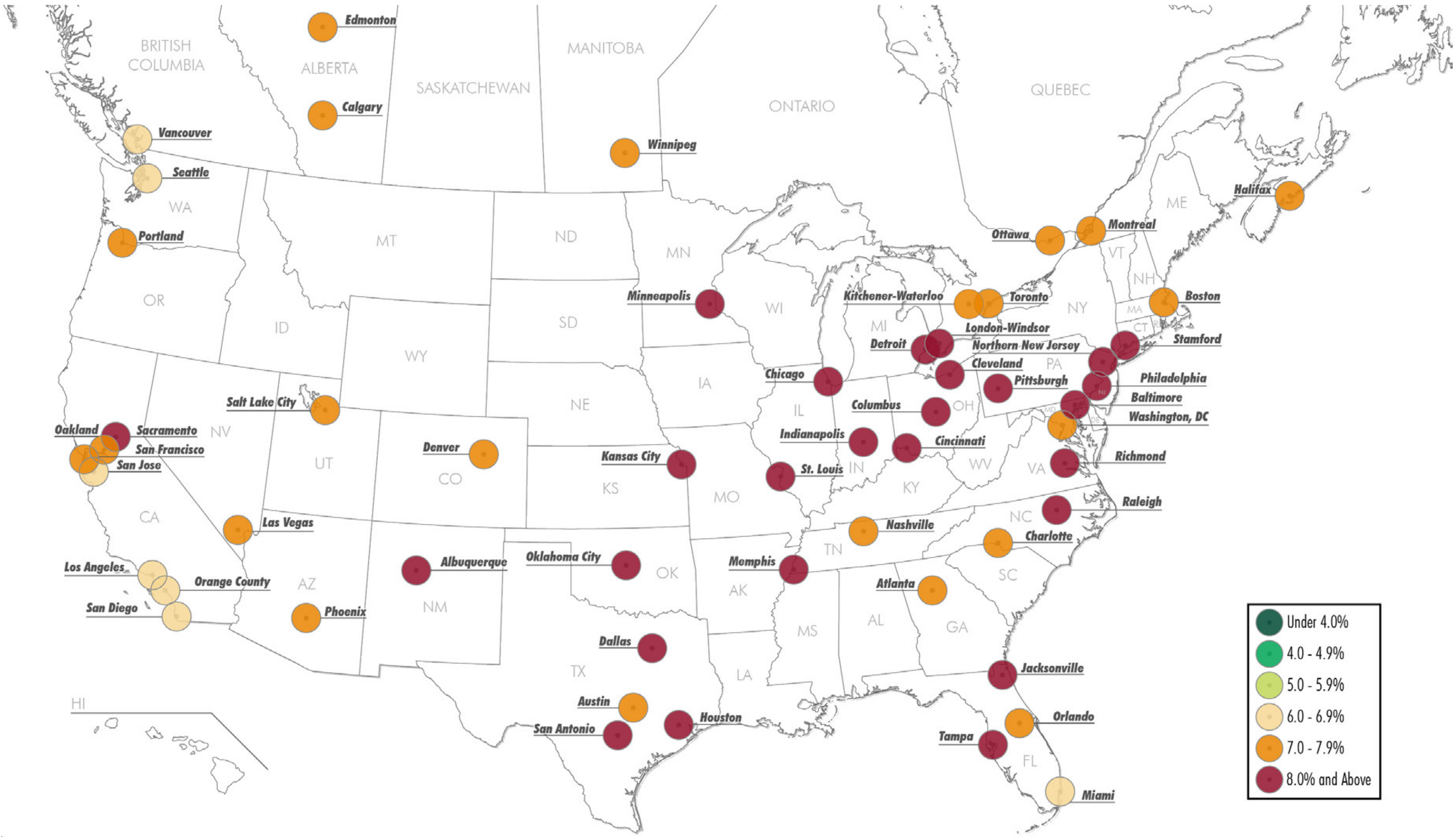
CBRE

## OFFICE SUBURBAN | CLASS A CAP RATES FOR STABILIZED PROPERTIES




Source: CBRE.

## OFFICE SUBURBAN | CLASS B CAP RATES FOR STABILIZED PROPERTIES




Source: CBRE.



CBRE

## INDUSTRIAL | OVERVIEW

### CANADA

The industrial market will outperform in 2016, from a leasing and investment perspective, as a responsive development pipeline maintains a healthy balance between supply and demand. Distribution and logistics activities will remain the primary driver of leasing and investment activity, as retailers and industrial businesses attempt to differentiate themselves with supply chain enhancements. Furthermore, increasingly favorable foreign exchange rates will likely provide a boost to the manufacturing sector and exports, although the impact has been negligible thus far.

Cap rates across the country have been mostly stable in the industrial market, particularly for Class A space, which has been unchanged year-over-year in all markets except for Vancouver, which saw a slight decrease. Class B industrial space has been a bit of a mixed bag—Vancouver, Ottawa and Montreal witnessing year-over-year decreases, but Calgary, Edmonton and Winnipeg experiencing increases. The higher cap rates in Alberta coincide with declining fundamentals, as availability rates have been on the rise and rental rates have been declining throughout H2 2015.

### UNITED STATES

The CBRE North America Cap Rate Survey for H2 2015 reveals that, on average, industrial cap rates declined very modestly for acquisitions of stabilized assets. Class A cap rates dropped 14 bps to 5.59%, Class B edged down 11 bps to 6.65% and Class C declined slightly to 8.11%. Tier II and Tier III markets as a whole experienced slightly more downward movement in cap rates than Tier I. The largest downward movement was experienced in Tier II Class B assets which fell 46 bps to just under 7%.

**FIGURE 16. INDUSTRIAL - CAP RATES FOR STABILIZED PROPERTIES**

| METRO TIER | CLASS | H1 2015 (%) | H2 2015 (%) | CHANGE (bps) |
|---|---|---|---|---|
| ALL | A | 5.73 | 5.59 | -14 |
| | B | 6.76 | 6.65 | -11 |
| | C | 8.17 | 8.11 | -6 |
| I | A | 5.03 | 4.93 | -10 |
| | B | 6.00 | 6.07 | 7 |
| | C | 7.53 | 7.52 | -1 |
| II | A | 6.08 | 6.00 | -8 |
| | B | 7.41 | 6.95 | -46 |
| | C | 8.65 | 8.58 | -7 |
| III | A | 6.74 | 6.53 | -21 |
| | B | 7.63 | 7.54 | -9 |
| | C | 8.93 | 8.90 | -3 |

Source: CBRE.

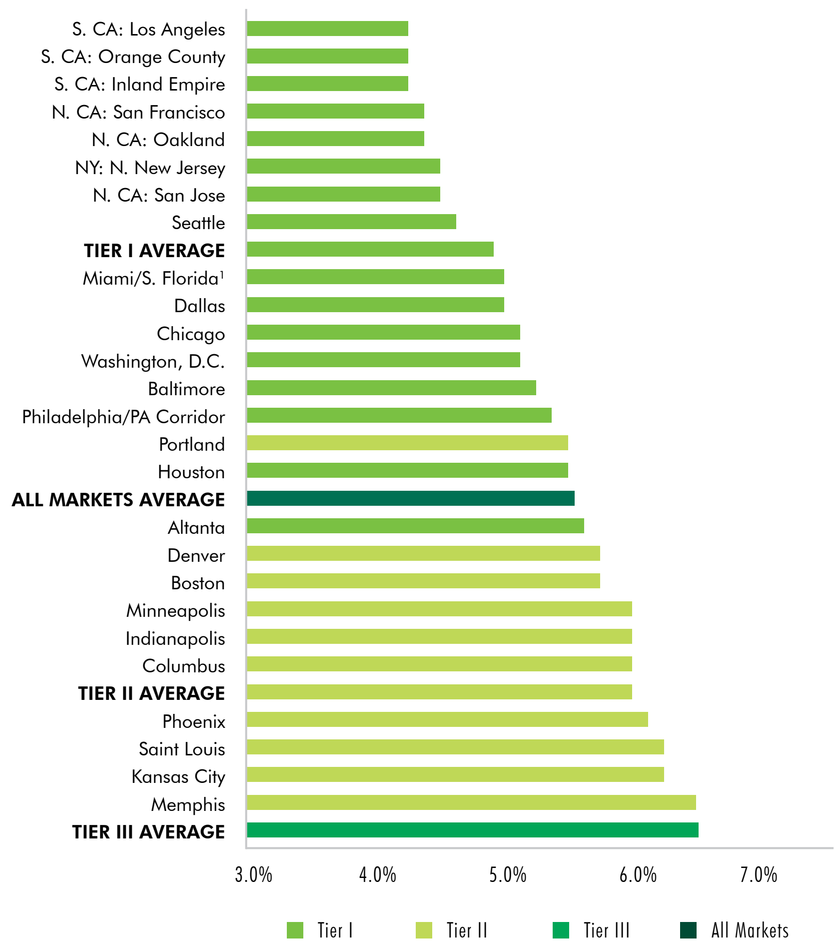
Of the 49 markets tracked, 10 have cap rates at or below 5% for stabilized Class A properties. The markets with the lowest cap rates can still be found in California.

Expected returns on cost for value-add industrial acquisitions edged down modestly, reflecting notable investor interest in both older and infill product. For Class A value-add acquisitions, the average expected return on cost compressed 14 bps from H1 2015 to H2 2015; Class C dropped 28 bps and Class B essentially held firm.

The steady tightening of industrial cap rates for all classes is clearly evident in the charts representing the historical series. The spread between the classes has changed minimally during the period CBRE has conducted its semi-annual survey.

## INDUSTRIAL | OVERVIEW CONT.

**FIGURE 17. INDUSTRIAL - CLASS A CAP RATES, H2 2015 - TIER I & II METROS**




[1]Covers the three-county Miami area. Source: CBRE for stabilized property acquisitions.
Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

However, after reaching a recent low of 235 bps between Class A and Class C, the spread widened slightly over H2 2015 to 251 bps.

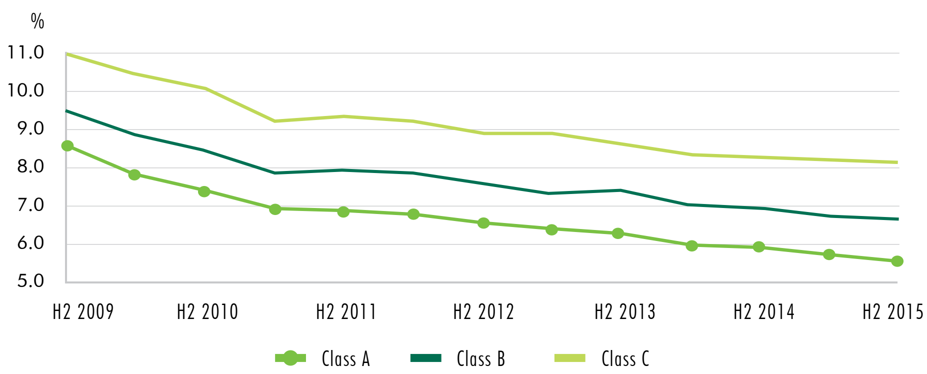
The historical analysis of cap rate averages by metro tier reveals a clear, sustained pricing differential for Class A assets in Tier I markets. Tier I, Class A assets have been priced at an average of 104 bps under Tier II, and 131 bps under Tier III. The H2 2015 survey reflected very modest compression between Tier I and Tier III markets.

Industrial cap rate spreads over the 10-year Treasury Rate changed minimally from the prior half. For Class A stabilized acquisitions, the spread averaged approximately 332 bps in H2 2015, compared to 338 bps in H1 2015. Value-add acquisitions also remained essentially unchanged, but the spread is higher. For Class A, value-add expected returns on cost, the spread averaged 411 bps in H2 2015 compared to 417 bps in H1 2015.

No change in cap rates is expected in a large majority of markets. However, further compression in Class A and B stabilized properties is expected in about 20% of markets. Rate increases greater than 25 bps are only expected among stabilized Class C assets in Houston, as well as Class C value-add in El Paso and Jacksonville. El Paso, Las Vegas and Oklahoma City are the only markets with modest increases anticipated across all asset classes, mostly in Class B and C.

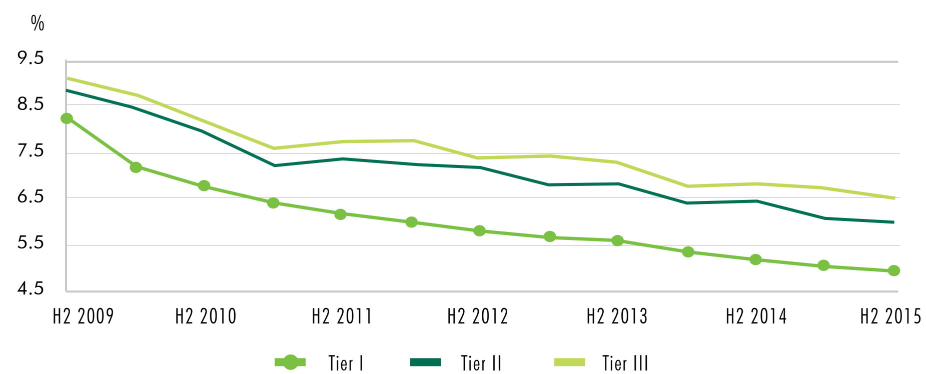
## INDUSTRIAL | OVERVIEW CONT.

### FIGURE 18. INDUSTRIAL - HISTORICAL CAP RATES BY CLASS




Source: CBRE for stabilized property acquisitions.

### FIGURE 19. INDUSTRIAL - HISTORICAL CLASS A CAP RATES BY TIER




Source: CBRE for stabilized property acquisitions.

### UNITED STATES | INDUSTRIAL TIER METHODOLOGY

For deeper understanding of industrial market trends and behavior, the set of markets tracked in the CBRE North America Cap Rate Survey are separated into three tiers—analogous to primary, secondary and tertiary markets.

The methodology for determining the tiers has been updated and improved since its introduction H1 2015. Four principal variables are the basis of the tier ranking model: metro population size, economic size, industrial inventory and total dollar investment of industrial property acquisitions. The metros are ranked by each variable, and different weights are applied to compute a weighted average rank. The largest weights, by far, were given to market inventory and investment total.

The tier methodology is based on a target split of 20% of metros in Tier I, 20% in Tier II and 60% in Tier III; however, due to similarities in market scoring, the final industrial tiers had a higher percentage of markets in Tier I and Tier II.

### FIGURE 20. INDUSTRIAL TIERS - METHODOLOGY CRITERIA AND RANGES

| METRO TIER | INVESTMENT VOLUME 2001-Q3 15 ($B) | INVENTORY Q3 2015 (MSF) | POPULATION 2014 (M) | GDP 2014 ($B) |
|---|---|---|---|---|
| I | 9 + | 350 + | 4 + | 300 + |
| II | 4 - 9 | 200 - 350 | 2 - 4 | 125 - 300 |
| III | < 4 | 200 | < 2 | < 125 |

Source: CBRE, U.S. Census Bureau (population), U.S. Bureau of Economic Analysis (GDP), Real Capital Analytics (investment volume), CBRE Econometric Advisors (inventory). All values for metropolitan area.

## INDUSTRIAL | OVERVIEW CONT.

Market definitions in the tier model are based primarily on the U.S. Census Bureau's combined statistical area (CSA) definitions for large markets and on metropolitan statistical areas (MSAs) for other markets. A CSA combines the core metropolitan statistical area (MSA) with adjacent MSAs which have a high degree of economic and social integration with the core MSA. For example, the Los Angeles CSA is composed of three MSAs—Los Angeles-Long Beach-Anaheim, Riverside-San Bernardino and Oxnard-Thousand Oaks. Four of the large CSAs in the cap rate survey (New York, Los Angeles, San Francisco and Miami) include cap rate data for key MSAs within the CSA, providing greater depth in investment pricing for these very large metropolitan regions. Note that MSAs retain the same tier designation as the CSA to which they belong.

Select from the list below to access the current **key rates**, **forecasts** and **maps**.

### INDUSTRIAL

U.S. KEY RATES

CAN KEY RATES

U.S. FORECAST TRENDS

MAPS

## INDUSTRIAL | UNITED STATES KEY RATES

| Tier | Market | Class A: Cap Rates for Stabilized Properties (%) | Change[1] | Class A: Expected Return on Cost for Value-Add Properties (%) | Change[1] | Class B: Cap Rates for Stabilized Properties (%) | Change[1] | Class B: Expected Return on Cost for Value-Add Properties (%) | Change[1] | Class C: Cap Rates for Stabilized Properties (%) | Change[1] | Class C: Expected Return on Cost for Value-Add Properties (%) | Change[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TIER I | ATLANTA | 5.50 - 5.75 | ▼ | 5.75 - 6.25 | ◀▶ | 6.25 - 6.75 | ◀▶ | 7.25 - 7.75 | ◀▶ | 8.25 - 9.00 | ◀▶ | 9.00 - 10.00 | ▼ |
| TIER I | BALTIMORE | 5.00 - 5.50 | ◀▶ | 6.00 - 6.75 | ◀▶ | 6.00 - 6.75 | ▲ | 6.75 - 7.50 | ◀▶ | 7.50 - 8.00 | ▲ | 8.50 - 9.50 | ◀▶ |
| TIER I | N. CA: OAKLAND | 4.00 - 4.75 | ▼ | 4.75 - 5.50 | ◀▶ | 5.00 - 5.75 | ◀▶ | 5.75 - 6.50 | ▲ | 6.50 - 7.25 | — | 7.00 - 8.00 | — |
| TIER I | N. CA: SAN FRANCISCO | 4.00 - 4.75 | ▼ | 4.75 - 5.50 | ◀▶ | 5.00 - 5.75 | ◀▶ | 5.75 - 6.50 | ▲ | 6.50 - 7.25 | ▲ | 7.00 - 8.00 | ▼ |
| TIER I | N. CA: SAN JOSE | 4.00 - 5.00 | ◀▶ | 4.75 - 6.50 | ▲ | 5.00 - 6.00 | ◀▶ | 5.75 - 7.00 | ▲ | 6.50 - 7.50 | ▲ | 7.00 - 8.00 | ▼ |
| TIER I | CHICAGO | 5.00 - 5.25 | ◀▶ | 5.50 - 6.00 | ▼ | 6.50 - 7.00 | ◀▶ | 7.50 - 8.50 | ◀▶ | 8.00 - 8.50 | ◀▶ | 9.00 - 11.00 | ▲ |
| TIER I | DALLAS/FORT WORTH | 4.75 - 5.25 | ◀▶ | 5.25 - 6.00 | ◀▶ | 5.75 - 6.25 | ◀▶ | 6.25 - 7.25 | ◀▶ | 7.00 - 8.25 | ◀▶ | 8.00 - 11.00 | ◀▶ |
| TIER I | HOUSTON | 5.25 - 5.75 | ▲ | 5.75 - 6.25 | ▲ | 6.50 - 7.00 | ▲ | 7.00 - 7.75 | ▲ | 7.50 - 8.00 | ▼ | 8.50 - 9.00 | ▼ |
| TIER I | MIAMI/S. FLORIDA[2] | 4.75 - 5.25 | ◀▶ | 5.50 - 6.50 | ▼ | 5.50 - 6.25 | ▼ | 6.25 - 7.25 | ▼ | 7.00 - 8.50 | ◀▶ | 7.50 - 9.00 | ◀▶ |
| TIER I | NY: N. NEW JERSEY | 4.25 - 4.75 | ▼ | 5.00 - 5.50 | ▼ | 5.25 - 5.75 | ◀▶ | 6.25 - 6.75 | ◀▶ | 7.00 - 8.00 | ◀▶ | 9.00 - 10.00 | ◀▶ |
| TIER I | NY: STAMFORD | 5.75 - 6.25 | ◀▶ | 7.50 - 8.00 | ◀▶ | 6.50 - 7.00 | ◀▶ | 8.50 - 9.00 | ◀▶ | 8.00 - 8.50 | ◀▶ | 9.25 - 10.00 | ◀▶ |
| TIER I | PHILADELPHIA/PA CORRIDOR | 5.00 - 5.75 | ◀▶ | 5.75 - 6.25 | ◀▶ | 6.00 - 6.50 | ◀▶ | 6.50 - 7.00 | ▼ | 7.25 - 8.00 | ◀▶ | 8.50 - 10.00 | ◀▶ |
| TIER I | S. CA: INLAND EMPIRE | 4.00 - 4.50 | ◀▶ | 4.75 - 5.25 | ◀▶ | 4.75 - 6.00 | ◀▶ | 5.50 - 6.50 | ▲ | 6.00 - 7.25 | ▲ | 6.50 - 7.50 | ▲ |
| TIER I | S. CA: LOS ANGELES | 4.00 - 4.50 | ◀▶ | 4.75 - 5.25 | ◀▶ | 4.75 - 6.00 | ◀▶ | 5.50 - 6.50 | ▲ | 6.00 - 7.25 | ▲ | 6.50 - 7.50 | ▲ |
| TIER I | S. CA: ORANGE COUNTY | 4.00 - 4.50 | ◀▶ | 4.75 - 5.25 | ◀▶ | 4.75 - 6.00 | ◀▶ | 5.50 - 6.50 | ▲ | 6.00 - 7.25 | ▲ | 6.50 - 7.50 | ▲ |
| TIER I | SEATTLE | 4.25 - 5.00 | ◀▶ | 5.50 - 6.25 | ◀▶ | 5.00 - 5.75 | ◀▶ | 6.25 - 7.00 | ◀▶ | 5.75 - 6.50 | ▼ | 7.50 - 8.50 | ◀▶ |
| TIER I | WASHINGTON, D.C. | 4.75 - 5.50 | — | 5.50 - 6.00 | — | 6.00 - 7.00 | — | 6.50 - 7.50 | — | 7.00 - 7.50 | — | 7.50 - 8.00 | — |

| Tier | Market | Class A: Cap Rates for Stabilized Properties (%) | Change[1] | Class A: Expected Return on Cost for Value-Add Properties (%) | Change[1] | Class B: Cap Rates for Stabilized Properties (%) | Change[1] | Class B: Expected Return on Cost for Value-Add Properties (%) | Change[1] | Class C: Cap Rates for Stabilized Properties (%) | Change[1] | Class C: Expected Return on Cost for Value-Add Properties (%) | Change[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TIER II | BOSTON | 5.50 - 6.00 | ◀▶ | 7.00 - 8.00 | ▲ | 6.50 - 7.50 | ▼ | 8.00 - 9.25 | ▼ | — | — | — | — |
| TIER II | COLUMBUS | 5.75 - 6.25 | ▼ | 7.00 - 7.50 | ◀▶ | 7.00 - 7.50 | ▼ | 8.00 - 9.00 | ▼ | 8.50 - 9.50 | ▲ | 9.00 - 11.00 | ▼ |
| TIER II | DENVER | 5.50 - 6.00 | ▼ | 6.00 - 7.00 | ◀▶ | 6.00 - 6.50 | ▼ | 7.00 - 8.00 | ◀▶ | 7.50 - 8.00 | ◀▶ | 8.00 - 9.00 | ▼ |
| TIER II | INDIANAPOLIS | 5.75 - 6.25 | ◀▶ | 6.25 - 7.00 | ▼ | 6.75 - 7.25 | ▼ | 8.25 - 9.25 | ▼ | 8.50 - 9.00 | ◀▶ | 9.00 - 11.00 | ◀▶ |
| TIER II | KANSAS CITY | 6.00 - 6.50 | ▼ | 7.00 - 7.50 | ▼ | 7.00 - 7.50 | ▼ | 8.00 - 9.00 | ◀▶ | 8.50 - 9.50 | ▲ | 9.00 - 11.00 | ▼ |
| TIER II | MEMPHIS | 6.25 - 6.75 | ◀▶ | 7.00 - 7.50 | ◀▶ | 7.00 - 7.50 | ▼ | 8.00 - 8.50 | ◀▶ | 9.00 - 9.50 | ◀▶ | 10.00 - 11.00 | ◀▶ |
| TIER II | MINNEAPOLIS | 5.75 - 6.25 | ◀▶ | 6.25 - 7.00 | ▼ | 6.75 - 7.25 | ▼ | 7.50 - 8.50 | ▼ | 8.50 - 9.00 | ▼ | 9.00 - 11.00 | ▼ |
| TIER II | PHOENIX | 5.75 - 6.50 | ◀▶ | 6.50 - 7.00 | ◀▶ | 6.50 - 7.50 | ◀▶ | 8.25 | ▲ | 7.50 - 8.50 | ◀▶ | 8.50 - 11.00 | ◀▶ |
| TIER II | PORTLAND | 5.25 - 5.75 | ◀▶ | 6.25 - 6.75 | ◀▶ | 5.75 - 6.25 | ▼ | 7.00 - 8.00 | ▼ | 7.00 - 8.00 | ▼ | 8.00 - 10.00 | ▼ |
| TIER II | SAINT LOUIS | 6.00 - 6.50 | ◀▶ | 7.00 - 7.50 | ▲ | 7.00 - 7.50 | ▼ | 8.00 - 9.00 | ▲ | 8.50 - 9.50 | ▲ | 9.00 - 11.00 | ▼ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable. [2]Covers the three-county Miami area.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## INDUSTRIAL | UNITED STATES KEY RATES CONT.

| | | CLASS A | | | | CLASS B | | | | CLASS C | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] |
| TIER III | ALBUQUERQUE | 7.50 - 8.00 | ▼ | 8.25 - 8.75 | ▼ | 7.75 - 8.75 | ▼ | 8.75 - 9.25 | ▼ | 8.75 - 9.75 | ▼ | 9.75 - 10.75 | ▼ |
| | AUSTIN | 5.25 - 6.25 | ▼ | 6.00 - 7.25 | ◀▶ | 6.50 - 7.50 | ◀▶ | 6.75 - 7.75 | ▼ | 7.50 - 8.25 | ◀▶ | 8.50 - 9.50 | ◀▶ |
| | CHARLOTTE | 5.75 - 6.25 | ▼ | 6.75 - 7.25 | ▼ | 6.75 - 7.25 | ▼ | 7.50 - 8.00 | ▼ | 8.25 - 9.25 | ◀▶ | 9.00 - 10.00 | ◀▶ |
| | CINCINNATI | 5.75 - 6.25 | ▼ | 6.75 - 7.25 | ▼ | 6.75 - 7.25 | ▼ | 8.00 - 9.00 | ▼ | 8.50 - 9.50 | ▲ | 10.00 - 12.00 | ▲ |
| | CLEVELAND | 6.75 - 7.25 | ▼ | 7.50 - 8.00 | ◀▶ | 7.75 - 8.25 | ◀▶ | 9.00 - 10.00 | ▲ | 9.00 - 10.00 | ▲ | 10.00 - 12.00 | ▲ |
| | DETROIT | 6.75 - 7.25 | ▼ | 7.25 - 8.00 | ▼ | 8.00 - 8.50 | ▼ | 9.00 - 10.00 | ◀▶ | 9.00 - 10.00 | ▼ | 10.00 - 11.50 | ▼ |
| | EL PASO | 7.00 - 7.50 | ◀▶ | 7.50 - 8.00 | ▼ | 7.75 - 8.75 | ◀▶ | 9.50 - 10.00 | ◀▶ | 9.50 - 10.00 | ◀▶ | 11.50 - 12.00 | ◀▶ |
| | HONOLULU | 5.00 - 5.50 | ◀▶ | 6.00 - 7.00 | ◀▶ | 6.00 - 6.50 | ◀▶ | 6.75 - 7.50 | ◀▶ | 7.50 - 8.00 | ◀▶ | 8.00 - 11.00 | ◀▶ |
| | JACKSONVILLE | 6.50 - 7.00 | ◀▶ | 7.00 - 7.50 | ◀▶ | 7.25 - 7.75 | ◀▶ | 8.25 - 9.00 | ◀▶ | 9.00 - 9.50 | ◀▶ | 10.00 - 12.00 | ◀▶ |
| | LAS VEGAS | 5.75 - 6.25 | ◀▶ | 6.25 - 6.75 | ◀▶ | 6.25 - 6.75 | ◀▶ | 7.25 - 8.00 | ▲ | 6.75 - 7.50 | ◀▶ | 7.75 - 8.50 | ▼ |
| | LOUISVILLE | 6.00 - 6.50 | — | 6.25 - 6.75 | ▲ | 7.00 - 7.50 | ▼ | 7.50 - 8.00 | ▼ | 8.25 - 9.25 | ◀▶ | 9.00 - 10.00 | ▼ |
| | NASHVILLE | 5.75 - 6.25 | ◀▶ | 6.50 - 7.00 | ▼ | 6.75 - 7.25 | ◀▶ | 7.50 - 8.00 | ▼ | 8.25 - 9.25 | ◀▶ | 9.00 - 10.00 | ▼ |
| | OKLAHOMA CITY | 7.00 - 7.50 | ◀▶ | 7.50 - 8.50 | ◀▶ | 7.50 - 8.50 | ◀▶ | 9.00 - 10.00 | ◀▶ | 9.00 - 10.00 | ◀▶ | 10.00 - 12.00 | ◀▶ |
| | ORLANDO | 5.75 - 6.25 | ◀▶ | 6.25 - 7.00 | ◀▶ | 6.50 - 7.00 | ▼ | 7.00 - 8.00 | ▼ | 8.25 - 9.00 | ◀▶ | 9.00 - 10.00 | ◀▶ |
| | PITTSBURGH | 7.25 - 8.00 | ◀▶ | 8.00 - 9.00 | ◀▶ | 8.50 - 9.50 | ◀▶ | 9.00 - 10.00 | ◀▶ | 9.50 - 10.50 | ▲ | 10.50 - 12.00 | ◀▶ |
| | RALEIGH-DURHAM | 6.25 - 7.00 | ◀▶ | 7.50 - 8.00 | ◀▶ | 7.25 - 8.25 | ◀▶ | 7.75 - 8.75 | ◀▶ | 8.50 - 9.50 | ◀▶ | 9.00 - 10.50 | ◀▶ |
| | RICHMOND | 6.25 - 7.25 | ◀▶ | 6.75 - 7.50 | ◀▶ | 6.75 - 8.25 | ◀▶ | 7.50 - 9.00 | ◀▶ | 8.50 - 9.50 | ▲ | 9.00 - 12.00 | ◀▶ |
| | SACRAMENTO | 6.25 - 6.75 | ▼ | 7.00 - 7.75 | ◀▶ | 7.00 - 7.75 | ◀▶ | 8.00 - 9.00 | ◀▶ | 8.00 - 8.75 | ◀▶ | 9.00 - 11.50 | ▼ |
| | SALT LAKE CITY | 5.75 - 6.25 | ◀▶ | 6.00 - 6.75 | ◀▶ | 6.50 - 7.00 | ◀▶ | 7.25 - 7.75 | ▼ | 8.00 - 8.50 | ▼ | 8.50 - 10.00 | ▼ |
| | SAN ANTONIO | 6.00 - 7.00 | ◀▶ | 6.75 - 7.25 | ◀▶ | 7.25 - 8.00 | ◀▶ | 7.75 - 8.50 | ◀▶ | 8.50 - 9.50 | ◀▶ | 9.00 - 12.00 | ◀▶ |
| | SAN DIEGO | 5.25 - 6.00 | ◀▶ | 6.00 - 6.50 | ◀▶ | 6.00 - 6.50 | ◀▶ | 6.25 - 6.75 | ◀▶ | 7.00 - 7.50 | ◀▶ | 8.00 - 11.00 | ◀▶ |
| | TAMPA | 6.25 - 6.75 | ◀▶ | 6.75 - 7.25 | ◀▶ | 7.00 - 7.50 | ◀▶ | 7.75 - 8.25 | ▼ | 8.50 - 9.50 | ◀▶ | 9.00 - 10.50 | ▼ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## INDUSTRIAL | CANADA KEY RATES

### TIER I

| | CLASS A | | CLASS B | |
|---|---|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| TORONTO | 5.00 - 5.50 | ◀▶ | 6.50 - 7.50 | ◀▶ |
| VANCOUVER | 5.00 - 5.75 | ◀▶ | 5.25 - 6.25 | ◀▶ |

### TIER II

| | CLASS A | | CLASS B | |
|---|---|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| CALGARY | 5.50 - 6.00 | ◀▶ | 6.50 - 7.00 | ◀▶ |
| EDMONTON | 5.50 - 6.00 | ◀▶ | 6.50 - 7.25 | ◀▶ |
| MONTREAL | 5.75 - 6.50 | ◀▶ | 7.00 - 8.00 | ◀▶ |

### TIER III

| | CLASS A | | CLASS B | |
|---|---|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| HALIFAX | 6.50 - 7.00 | ◀▶ | 7.25 - 7.75 | ◀▶ |
| KITCHENER - WATERLOO | 6.00 - 6.75 | ◀▶ | 7.00 - 7.50 | ◀▶ |
| LONDON - WINDSOR | 7.50 - 8.00 | ◀▶ | 8.25 - 9.00 | ◀▶ |
| OTTAWA | 6.00 - 6.25 | ◀▶ | 6.50 - 7.25 | ◀▶ |
| WINNIPEG | 6.00 - 6.50 | ◀▶ | 6.50 - 7.25 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE.



CBRE

## INDUSTRIAL | UNITED STATES FORECAST TRENDS

### TIER I

| | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| ATLANTA | Stable | Stable | Stable | Stable | Stable | Stable |
| BALTIMORE | Stable | Stable | Stable | Stable | Stable | Stable |
| N. CA: OAKLAND | Stable | Stable | Stable | Stable | Stable | Stable |
| N. CA: SAN FRANCISCO | Stable | Stable | Stable | Stable | Stable | Stable |
| N. CA: SAN JOSE | Stable | Stable | Stable | Stable | Stable | Stable |
| CHICAGO | Decrease | Decrease | Decrease | Decrease | Stable | Stable |
| DALLAS/FORT WORTH | Stable | Stable | Stable | Stable | Stable | Stable |
| HOUSTON | Increase | Increase | Increase | Increase | Increase | Increase |
| MIAMI/S. FLORIDA[2] | Stable | Stable | Stable | Stable | Stable | Stable |
| NY: N. NEW JERSEY | Stable | Increase | Stable | Stable | Stable | Stable |
| NY: STAMFORD | Stable | Stable | Stable | Stable | Stable | Stable |
| PHILADELPHIA/PA CORRIDOR | Stable | Stable | Decrease | Decrease | Decrease | Decrease |
| S. CA: INLAND EMPIRE | Stable | Stable | Stable | Stable | Stable | Stable |
| S. CA: LOS ANGELES | Stable | Stable | Stable | Stable | Stable | Stable |
| S. CA: ORANGE COUNTY | Stable | Stable | Stable | Stable | Stable | Stable |
| SEATTLE | Decrease | Stable | Stable | Stable | Stable | Stable |
| WASHINGTON, D.C. | Stable | Stable | Stable | Stable | Stable | Stable |

### TIER II

| | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| BOSTON | Decrease | Decrease | Stable | Stable | — | — |
| COLUMBUS | Stable | Stable | Stable | Stable | Stable | Stable |
| DENVER | Stable | Stable | Stable | Stable | Stable | Stable |
| INDIANAPOLIS | Stable | Stable | Stable | Stable | Stable | Stable |
| KANSAS CITY | Decrease | Stable | Decrease | Stable | Stable | Stable |
| MEMPHIS | Stable | Stable | Stable | Stable | Stable | Stable |
| MINNEAPOLIS | Stable | Stable | Stable | Stable | Stable | Stable |
| PHOENIX | Stable | Stable | Stable | Stable | Stable | Stable |
| PORTLAND | Decrease | Stable | Stable | Stable | Stable | Stable |
| SAINT LOUIS | Decrease | Decrease | Stable | Stable | Stable | Stable |

INCREASE

DECREASE

STABLE

— N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

[2]Covers the three-county Miami area.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## INDUSTRIAL | UNITED STATES FORECAST TRENDS CONT.

| | | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| TIER III | ALBUQUERQUE | Stable | Stable | Stable | Stable | Stable | Stable |
| | AUSTIN | Decrease | Decrease | Decrease | Decrease | Stable | Stable |
| | CHARLOTTE | Decrease | Decrease | Decrease | Decrease | Stable | Stable |
| | CINCINNATI | Stable | Stable | Stable | Stable | Stable | Stable |
| | CLEVELAND | Decrease | Stable | Decrease | Stable | Decrease | Stable |
| | DETROIT | Increase | Increase | Increase | Increase | Stable | Stable |
| | EL PASO | Decrease | Decrease | Decrease | Decrease | Decrease | Increase |
| | HONOLULU | Stable | Stable | Stable | Stable | Stable | Stable |
| | JACKSONVILLE | Decrease | Stable | Decrease | Stable | Increase | Increase |
| | LAS VEGAS | Increase | Increase | Increase | Increase | Increase | Increase |
| | LOUISVILLE | Decrease | — | Decrease | — | — | — |
| | OKLAHOMA CITY | Increase | Increase | Increase | Increase | Increase | Increase |
| | ORLANDO | Stable | Increase | Increase | Increase | Increase | Increase |
| | PITTSBURGH | Stable | Stable | Stable | Stable | Stable | Stable |
| | RALEIGH-DURHAM | Stable | Stable | Stable | Stable | Stable | Stable |
| | RICHMOND | Decrease | Stable | Stable | Stable | Stable | Stable |
| | SACRAMENTO | Decrease | Stable | Stable | Stable | Stable | Decrease |
| | SALT LAKE CITY | Stable | Stable | Stable | Stable | Stable | Stable |
| | SAN ANTONIO | Stable | Stable | Stable | Stable | Stable | Stable |
| | SAN DIEGO | Stable | Stable | Stable | Stable | Stable | Stable |
| | TAMPA | Stable | Stable | Decrease | Decrease | Decrease | Decrease |

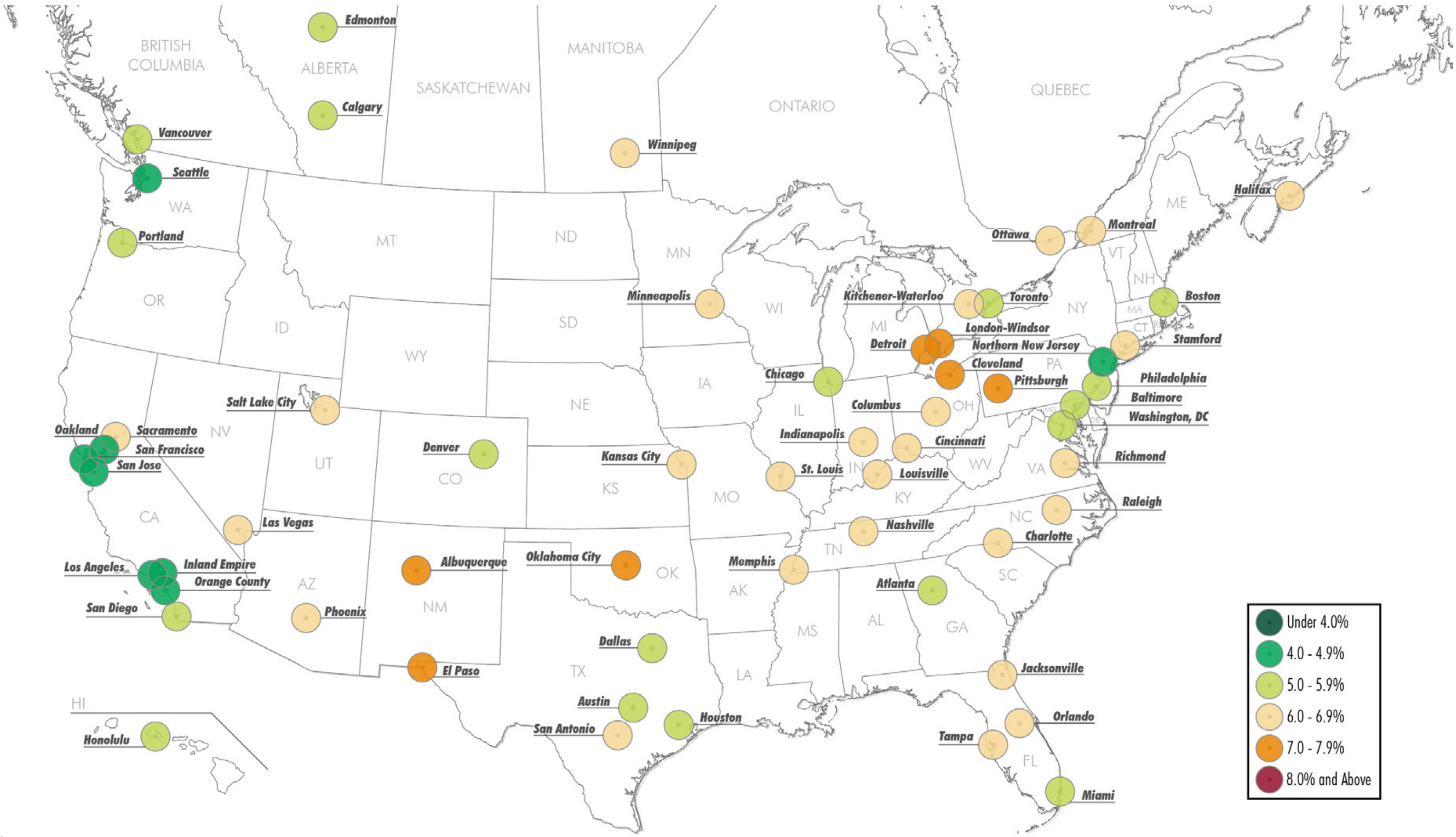
INCREASE
DECREASE
STABLE
— N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.


CBRE

## INDUSTRIAL | CLASS A CAP RATES FOR STABILIZED PROPERTIES

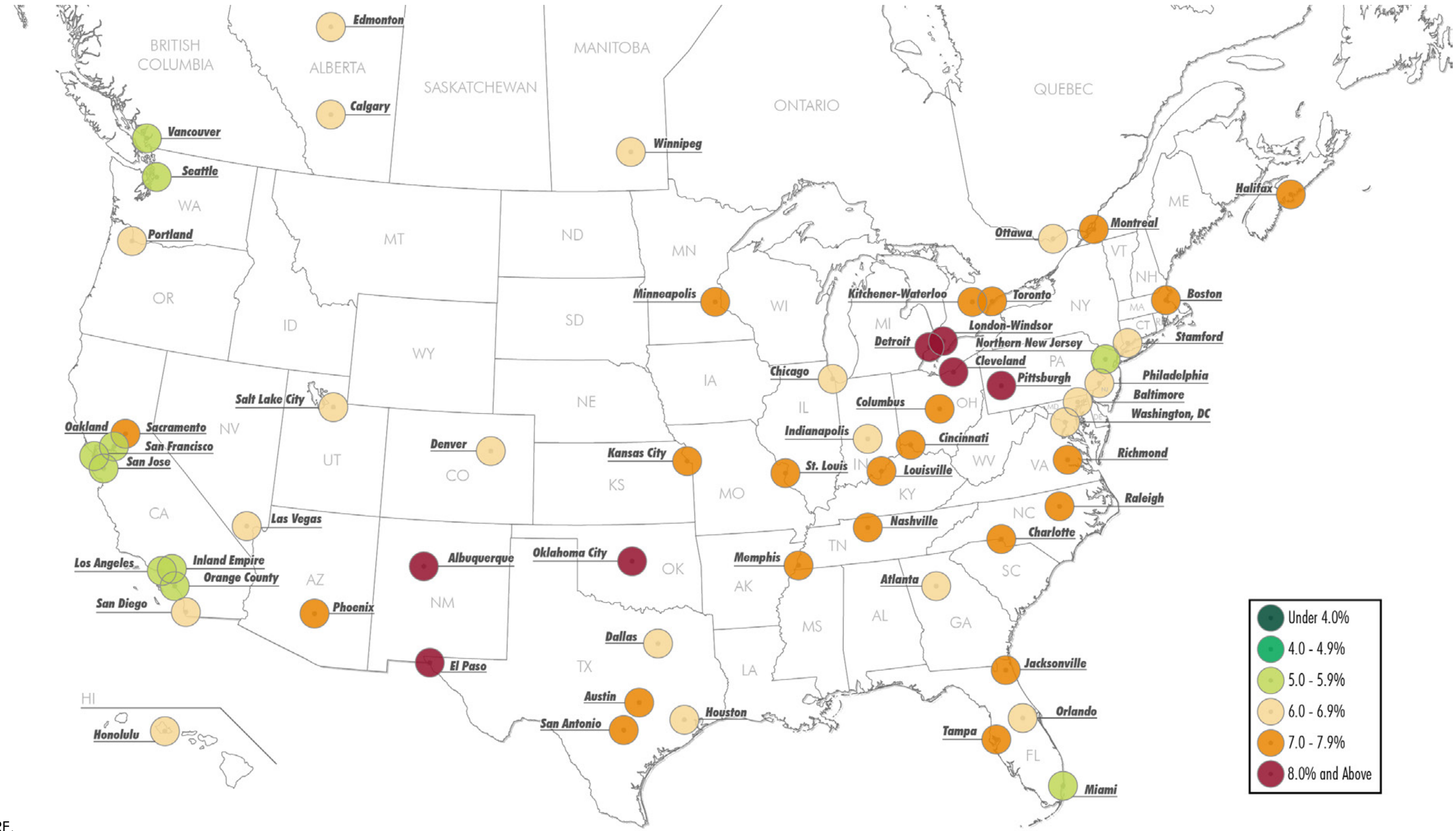



Source: CBRE.



CBRE

## INDUSTRIAL | CLASS B CAP RATES FOR STABILIZED PROPERTIES




Source: CBRE.



CBRE

## RETAIL | OVERVIEW

### CANADA

The Canadian retail market will continue its recalibration in 2016, following the demise of Target and a challenging year for mid-market retailers. Foreign retailers, however, continue to view Canada as a worthy destination, but will be more selective on locations and roll out more gradually. Shopping malls have long been at the center of the Canadian retail market, and high-end retailers—which are usually located on Canada's high streets—will gravitate towards super-regional shopping centers like Yorkdale Mall in Toronto and CF Pacific Centre in Vancouver.

The national Canadian average cap rate for regional malls has been steadfast, decreasing from both year-end 2014 and mid-year 2015. This drop, however, was largely due to the Vancouver market, as all other markets were unchanged. Power center cap rates have experienced increased pressure; and although they remained stable year-over-year on a national basis, Montreal experienced a slight decrease in H1 2015 while Calgary experienced an increase in H2 2015.

### UNITED STATES | NEIGHBORHOOD/COMMUNITY

Overall, grocery-anchored neighborhood/community centers witnessed little cap rate change from H1 2015 to H2 2015. The exception was Class A cap rates which compressed 9 bps to 5.64%, but this movement is too small to be considered significant. The decrease was driven primarily by Class A properties in Tier II and III markets, reiterating the thesis that cap rates in core markets are very close to their cyclical low and any further compression will likely be found in non-core product. That said, cap rates for stabilized Class C product in Tier III markets increased by 10 bps, suggesting that while retail center investors have been moving out the risk curve in search of yield, they remain cautious of going too far.

**FIGURE 21. RETAIL NEIGHBORHOOD/COMMUNITY CENTER - CAP RATES FOR STABILIZED PROPERTIES**

| METRO TIER | CLASS | H1 2015 (%) | H2 2015 (%) | CHANGE (bps) |
|---|---|---|---|---|
| ALL | A | 5.73 | 5.64 | -9 |
| | B | 6.70 | 6.73 | 3 |
| | C | 8.33 | 8.37 | 4 |
| I | A | 5.36 | 5.33 | -3 |
| | B | 6.41 | 6.45 | 5 |
| | C | 7.98 | 8.02 | 3 |
| II | A | 5.69 | 5.61 | -8 |
| | B | 6.64 | 6.74 | 10 |
| | C | 8.38 | 8.44 | 6 |
| III | A | 6.26 | 6.14 | -13 |
| | B | 7.13 | 7.14 | 1 |
| | C | 8.71 | 8.81 | 10 |

Source: CBRE.

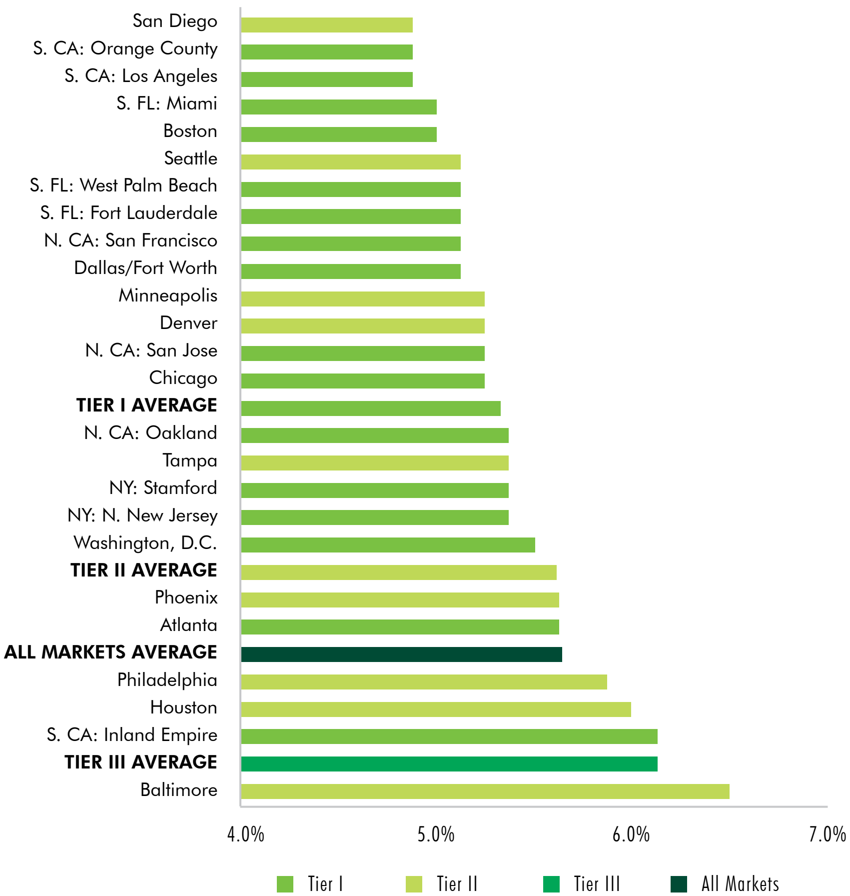
At the market level, Charlotte recorded cap rate compression among Class A and B properties and Indianapolis among Class B and C. Cap Rates for Honolulu Class A and B centers were reported at 4.25% and 4.75% respectively, the lowest in this survey. The only other markets exhibiting sub-5% cap rates are in Southern California. Conversely, Jacksonville witnessed broadly increasing cap rates, as did Baltimore, Washington, D.C. and Pittsburgh for Class B and C properties.

Returns on cost for neighborhood/community value-add acquisitions inched up slightly from H1 2015 (3–10 bps depending on class), but not enough to signal change.

The historical cap rate charts reveal a parallel trend between Class A and B properties, with the spread between them averaging about 108 bps over the past two years. However, over the same time frame, there has been a slight widening between Classes A and B compared to Class C.

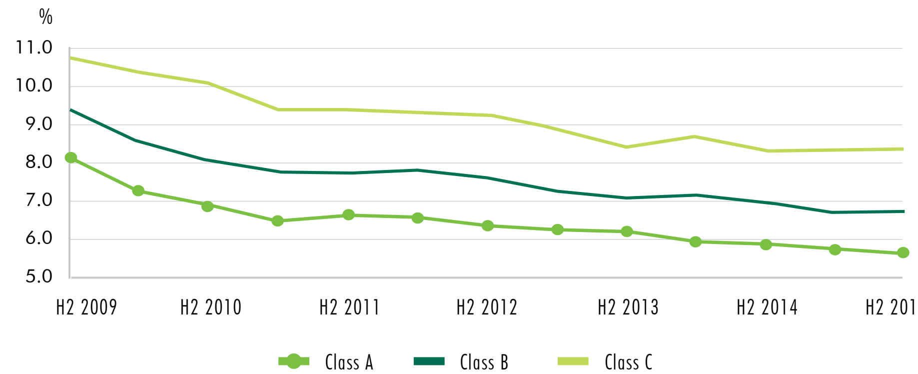
## RETAIL | OVERVIEW CONT.

### FIGURE 22. RETAIL NEIGHBORHOOD/COMMUNITY CENTER - CLASS A CAP RATES, H2 2015 - TIER I & II METROS



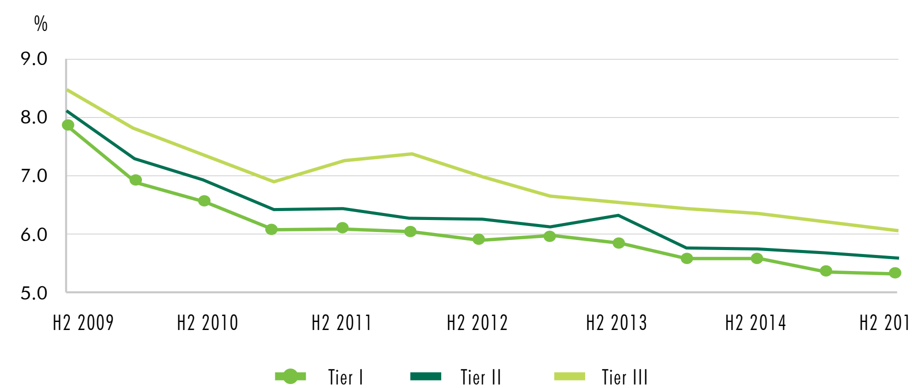

Source: CBRE for stabilized property acquisitions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

### FIGURE 23. RETAIL NEIGHBORHOOD/COMMUNITY CENTER - HISTORICAL CAP RATES BY CLASS




Source: CBRE for stabilized property acquisitions.

### FIGURE 24. RETAIL NEIGHBORHOOD/COMMUNITY CENTER - HISTORICAL CLASS A CAP RATES BY TIER




Source: CBRE for stabilized property acquisitions.

## RETAIL | OVERVIEW CONT.

With respect to tiers, the most interesting revelation from the historical chart is the similar performance between Tier I and Tier II metros. The differential between their Class A cap rates over the past two years was only 24 bps. Tier III cap rates were not that much higher—only a 79 bps differential between Tier I and Tier III for Class A assets—indicating that neighborhood/community center cap rate pricing is less influenced by the type of metro than for other property types.

Looking ahead, in H1 2016, CBRE professionals anticipate that cap rates for neighborhood/community Class A and B properties will rise about 25 bps in a strong majority of markets. The same is true for Class C, but here, about 11% of markets are also expecting a stronger increase of 25 bps to 50 bps.

### UNITED STATES | POWER CENTERS

Cap rates for stabilized power centers increased modestly across all classes and tiers with the exception of Class A properties in Tier III markets, which decreased 6 bps. Rates for Class A properties increased 9 bps on average to 6.09%.

Charlotte was the only market surveyed that recorded widespread decreases. Honolulu was unique, as the only market with a sub-5% cap rate. Jacksonville witnessed broad-based increases, as did Pittsburgh, with the exception of its Class A properties, which recorded a modest decrease. The Inland Empire also experienced a notable rise for Class A power centers.

The H2 2015 survey revealed no appreciable change in returns on cost for value-add power center acquisitions. The spread between stabilized power center cap rates and expected returns on cost for value-add assets averaged approximately 90 bps—lower than all other property types except multifamily.

**FIGURE 25. RETAIL POWER CENTER - CAP RATES FOR STABILIZED PROPERTIES**

| METRO TIER | CLASS | H1 2015 (%) | H2 2015 (%) | CHANGE (bps) |
|---|---|---|---|---|
| ALL | A | 6.00 | 6.09 | 9 |
| | B | 7.16 | 7.20 | 4 |
| | C | 8.71 | 8.72 | 1 |
| I | A | 5.68 | 5.89 | 21 |
| | B | 6.94 | 6.96 | 2 |
| | C | 8.45 | 8.48 | 3 |
| II | A | 6.05 | 6.08 | 3 |
| | B | 7.15 | 7.26 | 11 |
| | C | 8.53 | 8.61 | 8 |
| III | A | 6.62 | 6.56 | -6 |
| | B | 7.63 | 7.71 | 8 |
| | C | 9.22 | 9.25 | 3 |

Source: CBRE.

Similar to neighborhood/community centers, the historical cap rate charts for power centers reveal a fairly wide difference between Class A and Class C pricing. However, the difference between metro tier groupings is much less significant.

Over the first half of 2016, cap rates for Class A power centers are expected to witness little to no change, while cap rates for most Class B and C centers are expected to increase modestly, up to 25 bps.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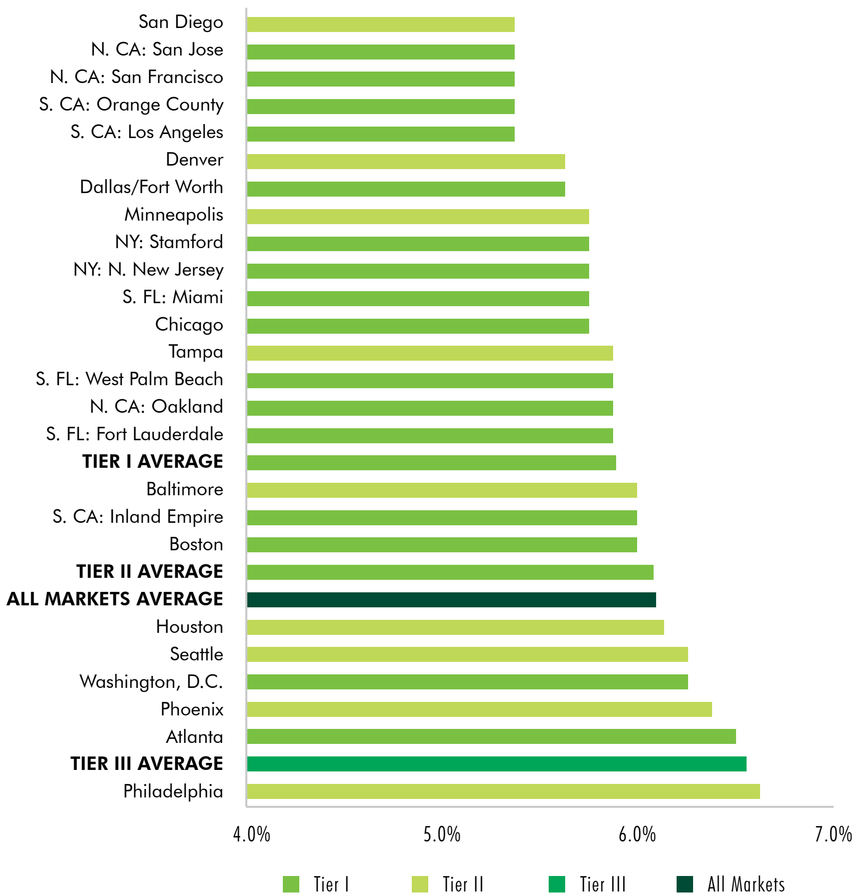
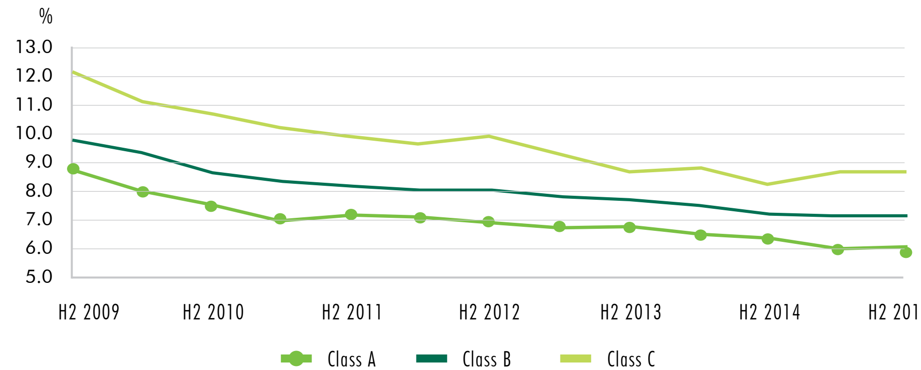
## RETAIL | OVERVIEW CONT.

### FIGURE 26. RETAIL POWER CENTER - CLASS A CAP RATES, H2 2015 - TIER I & II METROS



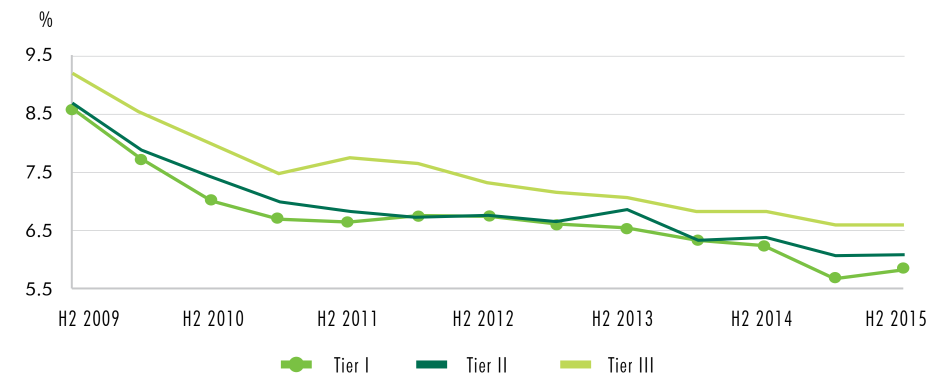

Source: CBRE for stabilized property acquisitions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

### FIGURE 27. RETAIL POWER - HISTORICAL CAP RATES BY CLASS




Source: CBRE for stabilized property acquisitions.

### FIGURE 28. RETAIL POWER - HISTORICAL CLASS A CAP RATES BY TIER




Source: CBRE for stabilized property acquisitions.



CBRE

## RETAIL | OVERVIEW CONT.

### UNITED STATES | HIGH STREET

High street properties witnessed modest cap rate compression from H1 2015 to H2 2015, falling 11 bps to 4.24%. Tier I markets registered a similar decline to 4.08%, which is not surprising since most markets tracked by the survey are Tier I. High street retail properties have the lowest cap rates of all property types and sectors in this survey.

At this point, none of the markets tracked have a cap rate above 5%. Only Las Vegas sits on the border with an average rate of 5%. Manhattan still has the lowest figure at 3.50%—about 25 bps lower than Los Angeles. The decline in the average U.S. cap rate level was driven by 25 bps decreases in Manhattan, Miami, Chicago and Philadelphia, while cap rates in all other markets remained stable.

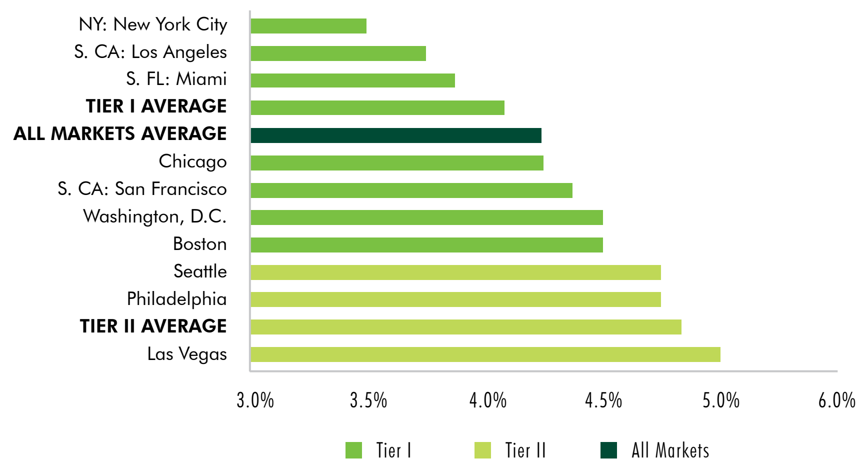
Looking ahead, cap rates for stabilized high street retail assets are expected to remain unchanged in H1 2016, with the exception of those in Los Angeles and Philadelphia,

**FIGURE 29. RETAIL HIGH STREET - CAP RATES FOR STABILIZED PROPERTIES**

| METRO TIER | CLASS | H1 2015 (%) | H2 2015 (%) | CHANGE (bps) |
|---|---|---|---|---|
| ALL | A | 4.35 | 4.24 | -11 |
| I | A | 4.19 | 4.08 | -11 |
| II | A | 4.92 | 4.83 | -9 |

Source: CBRE.

**FIGURE 30. RETAIL HIGH STREET- CLASS A CAP RATES H2 2015 - TIER I & II METROS**




Source: CBRE for stabilized property acquisitions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

which may compress slightly (up to 25 bps).

### UNITED STATES | RETAIL TIER METHODOLOGY

The set of markets tracked are separated into three tiers, analogous to primary, secondary and tertiary markets. Creating tiers allows for deeper understanding of retail market behavior and trends.

The methodology for determining the tiers has been updated and improved since its introduction in H1 2015, but consistent with the last survey, remains largely based on the size of the market and overall investment activity. Generally, the larger the market and the amount of investment volume, the higher the rank in

## RETAIL | OVERVIEW CONT.

the tier hierarchy.

More specifically, the tier ranking model is based on four principal variables for each metro: population, regional economic size, shopping center stock and total dollar investment in retail acquisitions (2001 through Q3 2015). The metros are ranked by each variable and different weights are applied to compute a weighted average rank. The largest weights, by far, were given to market inventory and investment volume.

The tiering methodology is based on a target split of 20% of metros in Tier I, 20% in Tier II and 60% in Tier III. The final retail tiers came very close to matching the target proportions.

Market definitions in the tier model are based primarily on the U.S. Census Bureau's combined statistical area (CSA) definitions for large markets and on metropolitan statistical areas (MSAs) for other markets. A CSA combines the core metropolitan statistical area (MSA) with adjacent MSAs which have a high degree of economic and social integration with the core MSA. For example, the Los Angeles CSA is composed of three MSAs—Los Angeles-Long Beach-Anaheim, Riverside-San Bernardino and Oxnard-Thousand Oaks. Four of the large CSAs in the cap rate survey (New York, Los Angeles, San Francisco and Miami) include cap rate data for key MSAs within the CSA, providing greater depth in investment pricing for these very large metropolitan regions. Note that MSAs retain the same tier designation as the CSA to which they belong.

### FIGURE 31. RETAIL TIERS - METHODOLOGY CRITERIA AND RANGES

| METRO TIER | INVESTMENT VOLUME 2001-Q3 15 ($B) | INVENTORY Q3 2015 (MSF) | POPULATION 2014 (M) | GDP 2014 ($B) |
|---|---|---|---|---|
| I | 13 + | 225 + | 4.5 + | 300 + |
| II | 8 - 13 | 115 - 225 | 2.5 - 4.5 | 125 - 300 |
| III | < 8 | 115 | < 2.5 | < 125 |

Source: CBRE, U.S. Census Bureau (population), U.S. Bureau of Economic Analysis (GDP), Real Capital Analytics (investment volume), CBRE Econometric Advisors (inventory). All values for metropolitan area.

Select from the list below to access the current **key rates**, **forecasts** and **maps**.

RETAIL NEIGHBORHOOD/COMMUNITY CENTER
U.S. KEY RATES
CAN KEY RATES
U.S. FORECAST TRENDS
MAPS

RETAIL POWER CENTER
U.S. KEY RATES
CAN KEY RATES
U.S. FORECAST TRENDS
MAPS

RETAIL HIGH STREET
U.S. KEY RATES
U.S. FORECAST TRENDS
MAPS

## RETAIL NEIGHBORHOOD/COMMUNITY CENTER | UNITED STATES KEY RATES

| | | CLASS A | | | | CLASS B | | | | CLASS C | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] |
| TIER I | ATLANTA | 5.25 - 6.00 | ◄► | 5.50 - 6.25 | ◄► | 6.25 - 7.75 | ◄► | 6.25 - 7.50 | ◄► | 7.50 - 10.00 | ◄► | 7.25 - 10.00 | ◄► |
| TIER I | BOSTON | 4.75 - 5.25 | ◄► | 6.25 - 6.75 | ▼ | 6.50 - 7.00 | ◄► | 9.00 - 10.00 | ◄► | 7.25 - 9.25 | ◄► | 11.00 - 15.00 | ◄► |
| TIER I | CHICAGO | 5.00 - 5.50 | ◄► | 5.75 - 6.25 | ◄► | 6.25 - 6.75 | ◄► | 7.00 - 7.50 | ◄► | 7.50 - 8.25 | ◄► | 8.00 - 8.50 | ◄► |
| TIER I | DALLAS/FORT WORTH | 4.75 - 5.50 | ◄► | 5.00 - 6.00 | ◄► | 6.25 - 7.50 | ▲ | 6.00 - 7.00 | ◄► | 8.50 - 11.00 | ◄► | 9.25 - 12.00 | ◄► |
| TIER I | N. CA: OAKLAND | 4.75 - 6.00 | — | 6.50 - 7.50 | — | 6.25 - 7.25 | — | 7.50 - 8.25 | — | 7.75 - 9.00 | — | 8.50 - 11.00 | — |
| TIER I | N. CA: SAN FRANCISCO | 4.50 - 5.75 | ◄► | 6.25 - 7.25 | ◄► | 6.00 - 7.00 | ◄► | 7.50 - 8.00 | ◄► | 7.50 - 9.00 | ◄► | 8.50 - 10.50 | ◄► |
| TIER I | N. CA: SAN JOSE | 4.75 - 5.75 | ◄► | 6.00 - 6.75 | ◄► | 6.00 - 7.00 | ◄► | 7.00 - 7.75 | ◄► | 7.50 - 8.50 | ◄► | 8.00 - 9.50 | ◄► |
| TIER I | NY: N. NEW JERSEY | 5.00 - 5.75 | ◄► | 6.25 - 6.75 | ◄► | 6.00 - 6.75 | ◄► | 7.25 - 7.75 | ◄► | — | — | — | — |
| TIER I | NY: STAMFORD | 5.00 - 5.75 | ◄► | 6.25 - 6.75 | ◄► | 6.00 - 6.75 | ◄► | 7.25 - 7.75 | ◄► | — | — | — | — |
| TIER I | S. CA: INLAND EMPIRE | 5.75 - 6.50 | ◄► | 5.50 - 6.50 | ◄► | 5.50 - 6.50 | ◄► | 6.00 - 7.50 | ◄► | 7.00 - 7.50 | ◄► | 7.50 - 10.00 | ◄► |
| TIER I | S. CA: LOS ANGELES | 4.50 - 5.25 | ◄► | 5.50 - 6.50 | ◄► | 5.50 - 6.50 | ◄► | 6.00 - 7.50 | ◄► | 7.00 - 7.50 | ◄► | 7.50 - 10.00 | ◄► |
| TIER I | S. CA: ORANGE COUNTY | 4.50 - 5.25 | ◄► | 5.50 - 6.50 | ◄► | 5.50 - 6.50 | ◄► | 6.00 - 7.50 | ◄► | 7.00 - 7.50 | ◄► | 7.50 - 10.00 | ◄► |
| TIER I | S. FL: FORT LAUDERDALE | 4.75 - 5.50 | — | 6.00 - 6.50 | — | 5.75 - 6.50 | — | 6.50 - 7.75 | — | 7.25 - 8.00 | — | 8.00 - 8.50 | — |
| TIER I | S. FL: MIAMI | 4.50 - 5.50 | ◄► | 6.00 - 6.50 | ◄► | 5.75 - 6.50 | ◄► | 6.50 - 7.75 | ◄► | 7.25 - 8.00 | ◄► | 8.00 - 8.50 | ◄► |
| TIER I | S. FL: WEST PALM BEACH | 4.75 - 5.50 | — | 6.00 - 6.50 | — | 5.75 - 6.50 | — | 6.50 - 7.75 | — | 7.25 - 8.00 | — | 8.00 - 8.50 | — |
| TIER I | WASHINGTON, D.C. | 5.00 - 6.00 | ◄► | 6.00 - 7.00 | ◄► | 6.50 - 7.50 | ▲ | 8.00 - 9.00 | ▲ | 8.00 - 9.00 | ▲ | 10.00 - 11.00 | ▲ |

| | | CLASS A | | | | CLASS B | | | | CLASS C | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] |
| TIER II | BALTIMORE | 6.00 - 7.00 | ◄► | 6.75 - 7.50 | ◄► | 7.25 - 8.25 | ▲ | 8.00 - 9.25 | ▲ | 8.00 - 9.75 | ▲ | 8.00 - 11.00 | ▲ |
| TIER II | DENVER | 5.00 - 5.50 | ▼ | 5.50 - 6.00 | ◄► | 6.50 - 7.00 | ▲ | 6.50 - 7.50 | ◄► | 8.00 - 8.50 | ▲ | 8.50 - 9.50 | ◄► |
| TIER II | HOUSTON | 5.50 - 6.50 | ◄► | 7.50 - 8.50 | ▲ | 6.50 - 7.50 | ▲ | 8.00 - 8.50 | ◄► | 8.50 - 11.00 | ◄► | 11.00 - 12.00 | ◄► |
| TIER II | MINNEAPOLIS | 5.00 - 5.50 | ◄► | 5.75 - 6.25 | ◄► | 6.25 - 6.75 | ◄► | 7.00 - 7.50 | ◄► | 7.50 - 8.25 | ◄► | 8.00 - 8.25 | ◄► |
| TIER II | PHILADELPHIA | 5.50 - 6.25 | ◄► | 6.50 - 7.25 | ◄► | 6.25 - 7.00 | ◄► | 7.50 - 8.50 | ◄► | 7.00 - 8.00 | ◄► | 8.75 - 9.50 | ◄► |
| TIER II | PHOENIX | 5.25 - 6.00 | ◄► | 7.00 - 7.50 | ◄► | 6.25 - 7.00 | ◄► | 7.50 - 8.00 | ◄► | 8.00 - 8.50 | ◄► | 8.50 - 9.50 | ◄► |
| TIER II | SAN DIEGO | 4.50 - 5.25 | ◄► | 5.50 - 6.50 | ◄► | 5.50 - 6.50 | ◄► | 6.00 - 7.50 | ◄► | 7.00 - 7.50 | ◄► | 7.50 - 10.00 | ◄► |
| TIER II | SEATTLE | 4.75 - 5.50 | ▼ | 6.50 - 6.75 | ◄► | 6.50 - 7.25 | ◄► | 7.25 - 8.25 | ◄► | 8.00 - 9.50 | ◄► | 9.00 - 10.50 | ◄► |
| TIER II | TAMPA | 5.00 - 5.75 | ◄► | 6.25 - 6.75 | ◄► | 6.25 - 6.75 | ◄► | 6.75 - 7.75 | ◄► | 7.75 - 8.50 | ◄► | 8.50 - 9.50 | ◄► |

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## RETAIL NEIGHBORHOOD/COMMUNITY CENTER | UNITED STATES KEY RATES CONT.

| | | CLASS A | | | | CLASS B | | | | CLASS C | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] |
| TIER III | ALBUQUERQUE | 6.00 - 7.00 | ◀▶ | 6.50 - 7.50 | ◀▶ | 7.50 - 8.50 | ◀▶ | 8.50 - 9.50 | ◀▶ | 8.75 - 9.50 | ◀▶ | 9.25 - 9.75 | ◀▶ |
| | AUSTIN | 4.75 - 5.25 | ◀▶ | — | — | 6.00 - 7.25 | ◀▶ | — | — | 8.00 - 10.00 | ▼ | — | — |
| | CHARLOTTE | 5.25 - 6.00 | ▼ | 6.50 - 7.25 | ▼ | 6.25 - 7.00 | ▼ | 7.25 - 8.25 | ▼ | 8.00 - 9.00 | ◀▶ | 9.00 - 10.00 | ◀▶ |
| | CINCINNATI | 5.50 - 6.00 | ▼ | 6.25 - 6.75 | ◀▶ | 6.50 - 7.00 | ◀▶ | 7.25 - 7.75 | ◀▶ | 7.75 - 8.50 | ◀▶ | 8.25 - 8.75 | ◀▶ |
| | CLEVELAND | 6.50 - 7.00 | ◀▶ | 6.50 - 7.00 | ◀▶ | 7.25 - 7.75 | ◀▶ | 8.00 - 8.50 | ◀▶ | 8.50 - 9.50 | ◀▶ | 9.00 - 9.50 | ◀▶ |
| | COLUMBUS | 6.00 - 6.50 | ◀▶ | 6.25 - 6.75 | ◀▶ | 6.50 - 7.00 | ◀▶ | 7.25 - 7.75 | ◀▶ | 8.00 - 8.50 | ◀▶ | 8.25 - 8.75 | ◀▶ |
| | DETROIT | 6.50 - 7.50 | ▼ | 8.00 - 9.00 | ◀▶ | 7.75 - 9.00 | ◀▶ | 8.50 - 9.75 | ◀▶ | 9.50 - 11.00 | ◀▶ | 10.00 - 12.00 | ◀▶ |
| | HONOLULU | 4.00 - 4.50 | — | — | — | 4.25 - 5.25 | — | — | — | — | — | — | — |
| | INDIANAPOLIS | 6.50 - 7.00 | ◀▶ | 8.00 - 9.00 | ▼ | 7.00 - 8.00 | ▼ | 9.00 - 10.00 | ▼ | 7.75 - 8.50 | ▼ | 8.25 - 8.75 | ▼ |
| | JACKSONVILLE | 5.50 - 6.25 | ◀▶ | 6.50 - 7.00 | ◀▶ | 6.50 - 7.25 | ▲ | 7.00 - 8.00 | ▲ | 8.00 - 8.75 | ▲ | 8.50 - 9.50 | ◀▶ |
| | KANSAS CITY | 5.50 - 6.25 | ◀▶ | 6.25 - 6.75 | ◀▶ | 6.50 - 7.00 | ◀▶ | 7.25 - 7.75 | ◀▶ | 7.75 - 8.50 | ◀▶ | 8.25 - 8.75 | ◀▶ |
| | LAS VEGAS | 6.00 - 6.75 | ◀▶ | 7.00 - 8.75 | ◀▶ | 6.50 - 7.50 | ◀▶ | 7.50 - 9.50 | ◀▶ | 7.50 - 9.50 | ▲ | 8.50 - 10.50 | ▼ |
| | MEMPHIS | 7.00 - 7.50 | ◀▶ | 8.00 - 8.50 | ◀▶ | 7.50 - 8.00 | ◀▶ | 8.50 - 9.00 | ◀▶ | 9.50 - 10.00 | ◀▶ | 10.50 - 11.00 | ◀▶ |
| | NASHVILLE | 6.25 - 6.50 | ◀▶ | 8.00 - 8.50 | ◀▶ | 6.75 - 7.25 | ◀▶ | 8.50 - 9.00 | ◀▶ | 7.50 - 8.00 | ◀▶ | 9.00 - 11.00 | ◀▶ |
| | ORLANDO | 5.00 - 5.75 | ◀▶ | 6.00 - 6.75 | ◀▶ | 6.25 - 7.00 | ◀▶ | 6.75 - 8.00 | ◀▶ | 7.75 - 8.75 | ◀▶ | 8.50 - 9.75 | ◀▶ |
| | PITTSBURGH | 6.75 - 7.00 | ◀▶ | 9.00 - 9.25 | ▲ | 7.50 - 7.75 | ▲ | 10.00 - 10.25 | ▲ | 10.50 - 10.75 | ▲ | 12.00 - 12.25 | ▲ |
| | PORTLAND | 5.75 - 6.75 | ▼ | 7.00 - 8.00 | ◀▶ | 6.75 - 7.75 | ◀▶ | 7.75 - 8.75 | ◀▶ | 8.00 - 9.00 | ◀▶ | 9.00 - 10.00 | ◀▶ |
| | SACRAMENTO | 5.75 - 6.50 | ◀▶ | 7.00 - 8.00 | ◀▶ | 6.75 - 7.75 | ◀▶ | 8.00 - 9.00 | ◀▶ | 8.00 - 10.00 | ◀▶ | 9.00 - 11.00 | ◀▶ |
| | SALT LAKE CITY | 6.00 - 7.00 | ◀▶ | 6.25 - 7.25 | ▲ | 6.75 - 7.75 | ◀▶ | 7.00 - 8.00 | ▲ | 8.50 - 9.00 | ▼ | 9.00 - 10.00 | ▼ |
| | SAN ANTONIO | 5.00 - 6.00 | ◀▶ | — | — | 6.50 - 7.75 | ◀▶ | — | — | 8.50 - 10.50 | ◀▶ | — | — |
| | SAINT LOUIS | 5.25 - 5.75 | ▼ | 6.25 - 7.00 | ◀▶ | 6.50 - 7.00 | ◀▶ | 7.25 - 7.75 | ◀▶ | 7.75 - 8.80 | ◀▶ | 8.25 - 8.75 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## RETAIL NEIGHBORHOOD/COMMUNITY CENTER | CANADA KEY RATES

### TIER I

| | ALL CLASSES | |
|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| TORONTO | 5.25 - 6.25 | ◄► |
| VANCOUVER | 5.00 - 5.75 | ▼ |

### TIER II

| | ALL CLASSES | |
|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| CALGARY | 5.25 - 5.75 | ▼ |
| EDMONTON | 5.75 - 6.25 | ◄► |
| MONTREAL | 7.00 - 7.75 | ◄► |

### TIER III

| | ALL CLASSES | |
|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| HALIFAX | 6.25 - 6.75 | ◄► |
| KITCHENER - WATERLOO | 6.00 - 6.50 | ◄► |
| LONDON - WINDSOR | 6.75 - 8.00 | ◄► |
| OTTAWA | 5.75 - 6.50 | ▼ |
| WINNIPEG | 6.50 - 7.00 | ◄► |

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE.

## RETAIL NEIGHBORHOOD/COMMUNITY CENTER | UNITED STATES FORECAST TRENDS

| | | Class A | | Class B | | Class C | |
|---|---|---|---|---|---|---|---|
| | | Cap Rates for Stabilized Properties | Expected Return on Cost for Value-Add Properties | Cap Rates for Stabilized Properties | Expected Return on Cost for Value-Add Properties | Cap Rates for Stabilized Properties | Expected Return on Cost for Value-Add Properties |
| TIER I | ATLANTA | Stable | Stable | Stable | Increase | Increase | Increase |
| TIER I | BOSTON | Stable | Decrease | Stable | Stable | Stable | Stable |
| TIER I | CHICAGO | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER I | DALLAS/FORT WORTH | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER I | N. CA: OAKLAND | Decrease | Decrease | Decrease | Stable | Decrease | Stable |
| TIER I | N. CA: SAN FRANCISCO | Decrease | Stable | Decrease | Stable | Decrease | Increase |
| TIER I | N. CA: SAN JOSE | Stable | Decrease | Decrease | Decrease | Decrease | Decrease |
| TIER I | NY: N. NEW JERSEY | Stable | Stable | Stable | Stable | — | — |
| TIER I | NY: STAMFORD | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER I | S. CA: INLAND EMPIRE | Decrease | Stable | Increase | Stable | Increase | Stable |
| TIER I | S. CA: LOS ANGELES | Decrease | Stable | Stable | Decrease | Increase | Increase |
| TIER I | S. CA: ORANGE COUNTY | Decrease | Stable | Stable | Stable | Stable | Stable |
| TIER I | S. FL: FORT LAUDERDALE | Stable | Stable | Increase | Stable | Increase | Increase |
| TIER I | S. FL: MIAMI | Stable | Stable | Increase | Stable | Increase | Increase |
| TIER I | S. FL: WEST PALM BEACH | Stable | Stable | Increase | Stable | Increase | Increase |
| TIER I | WASHINGTON, D.C. | Stable | Stable | Decrease | Decrease | Decrease | Decrease |

| | | Class A | | Class B | | Class C | |
|---|---|---|---|---|---|---|---|
| | | Cap Rates for Stabilized Properties | Expected Return on Cost for Value-Add Properties | Cap Rates for Stabilized Properties | Expected Return on Cost for Value-Add Properties | Cap Rates for Stabilized Properties | Expected Return on Cost for Value-Add Properties |
| TIER II | BALTIMORE | Stable | Stable | Decrease | Decrease | Decrease | Decrease |
| TIER II | DENVER | Stable | Stable | Increase | Increase | Increase | Increase |
| TIER II | HOUSTON | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER II | MINNEAPOLIS | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER II | PHILADELPHIA | Decrease | Stable | Increase | Increase | Increase | Increase |
| TIER II | PHOENIX | Decrease | Stable | Decrease | Stable | Decrease | Stable |
| TIER II | SAN DIEGO | Decrease | Increase | Decrease | Stable | Decrease | Decrease |
| TIER II | SEATTLE | Stable | Decrease | Decrease | Decrease | Decrease | Decrease |
| TIER II | TAMPA | Stable | Stable | Decrease | Stable | Stable | Stable |

INCREASE

DECREASE

STABLE

— N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## RETAIL NEIGHBORHOOD/COMMUNITY CENTER | UNITED STATES FORECAST TRENDS CONT.

| | | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| TIER III | ALBUQUERQUE | Stable | Stable | Stable | Stable | Stable | Stable |
| | AUSTIN | Stable | Stable | Stable | Stable | Stable | Stable |
| | CHARLOTTE | Decrease | Decrease | Stable | Stable | Stable | Stable |
| | CINCINNATI | Increase | Increase | Increase | Increase | Increase | Increase |
| | CLEVELAND | Increase | Increase | Increase | Increase | Increase | Increase |
| | COLUMBUS | Increase | Increase | Increase | Increase | Increase | Increase |
| | DETROIT | Stable | Stable | Stable | Stable | Stable | Stable |
| | HONOLULU | Stable | Stable | Stable | Stable | Stable | Stable |
| | INDIANAPOLIS | Increase | Increase | Increase | Increase | Increase | Increase |
| | JACKSONVILLE | Stable | Stable | Increase | Increase | Increase | Increase |
| | KANSAS CITY | Increase | Increase | Increase | Increase | Increase | Increase |
| | LAS VEGAS | Stable | Stable | Stable | Stable | Stable | Stable |
| | MEMPHIS | Stable | Stable | Stable | Stable | Stable | Stable |
| | NASHVILLE | Stable | Stable | Increase | Stable | Stable | Decrease |
| | ORLANDO | Stable | Stable | Increase | Increase | Increase | Increase |
| | PITTSBURGH | Increase | Stable | Increase | Stable | Stable | Stable |
| | PORTLAND | Increase | Increase | Increase | Increase | Increase | Increase |
| | SACRAMENTO | Stable | Stable | Stable | Stable | Stable | Stable |
| | SALT LAKE CITY | Stable | Stable | Stable | Stable | Stable | Stable |
| | SAN ANTONIO | Stable | Stable | Stable | Stable | Stable | Stable |
| | SAINT LOUIS | Increase | Increase | Increase | Increase | Increase | Increase |

INCREASE

DECREASE

STABLE

— N/A

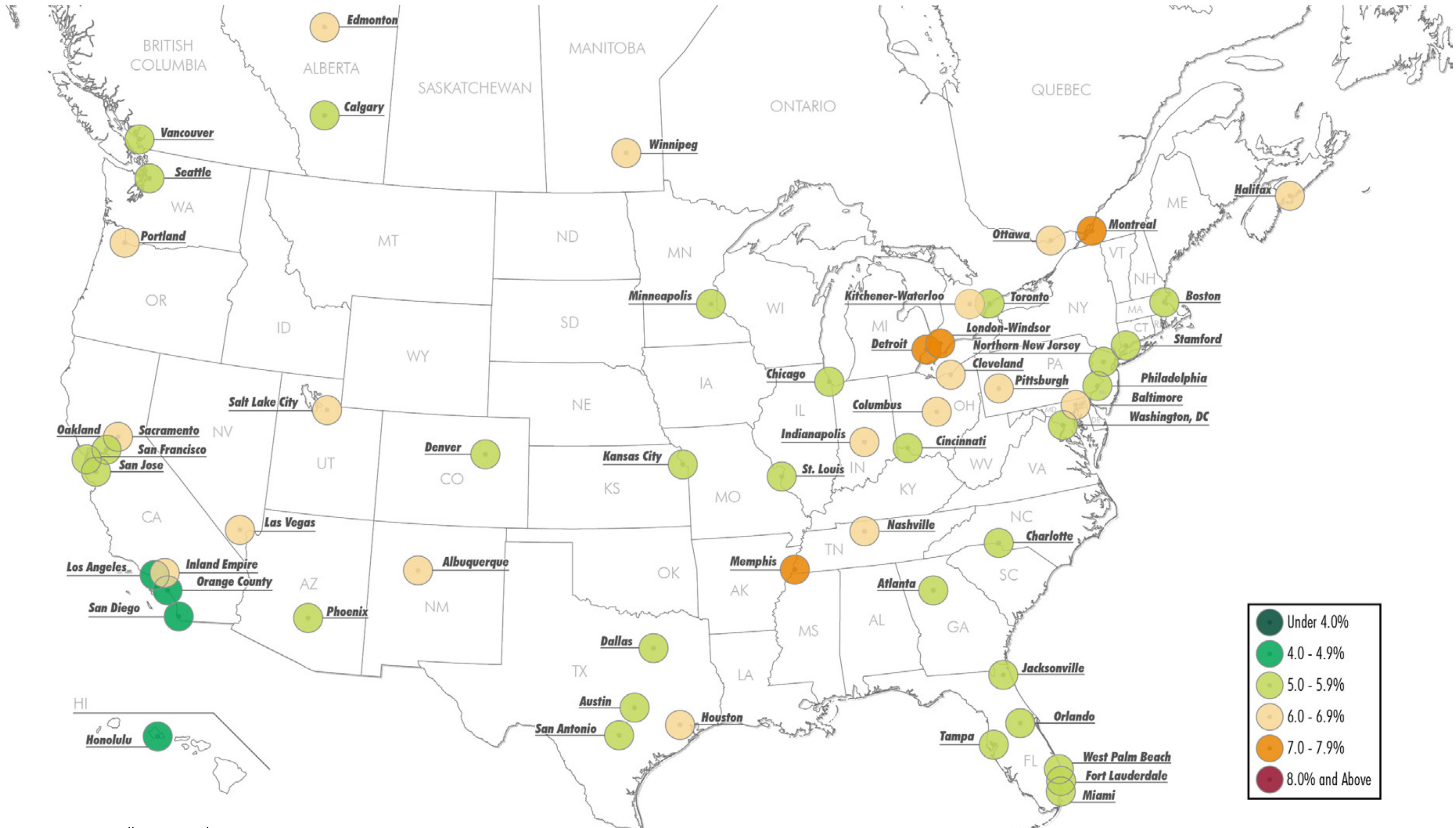
[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.



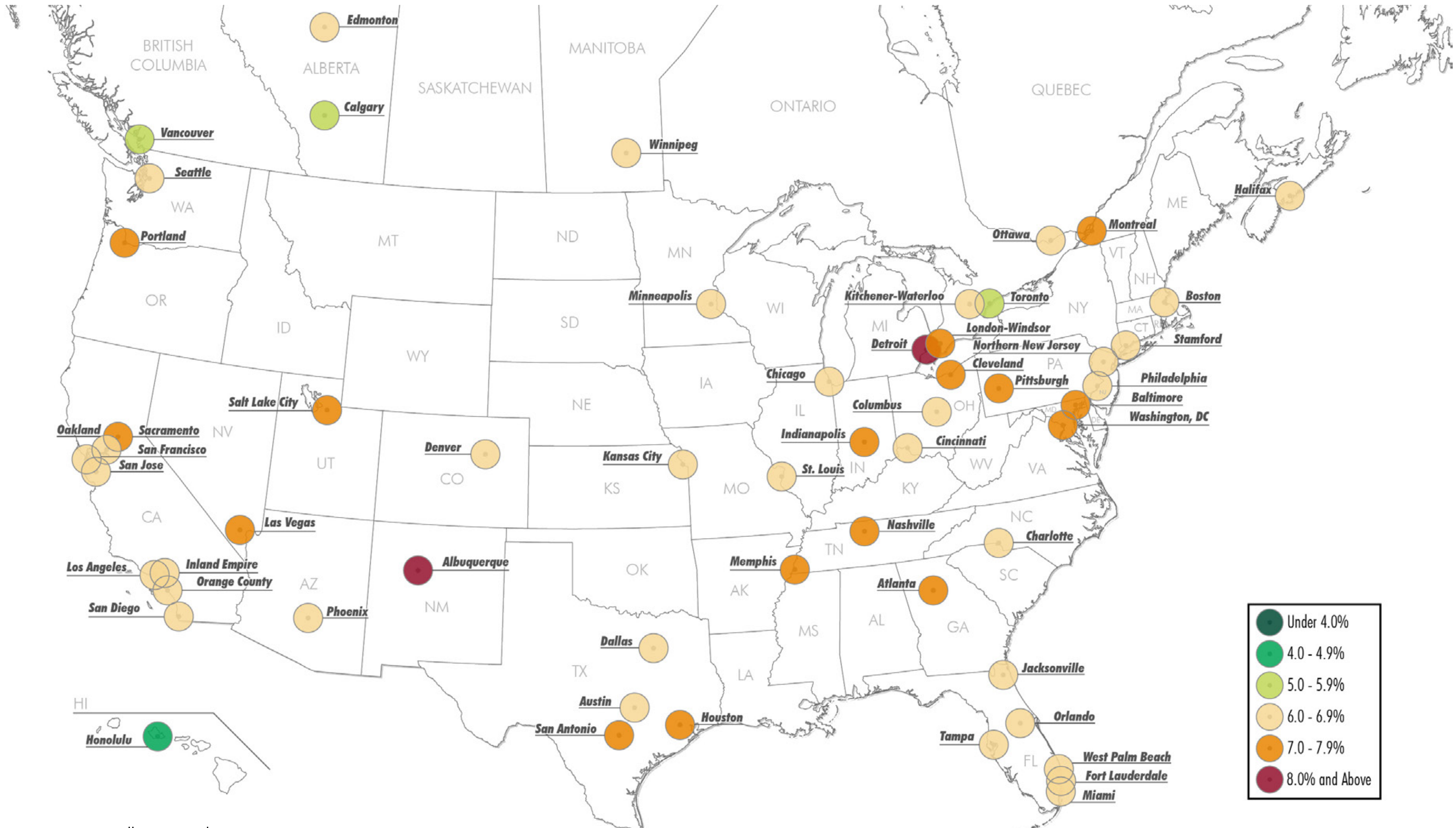
CBRE

## RETAIL NEIGHBORHOOD/COMMUNITY CENTER | CLASS A CAP RATES FOR STABILIZED PROPERTIES[1]




[1]Canadian cap rates represent all property classes.
Source: CBRE.

## RETAIL NEIGHBORHOOD/COMMUNITY CENTER | CLASS B CAP RATES FOR STABILIZED PROPERTIES[1]




[1]Canadian cap rates represent all property classes.
Source: CBRE.

## RETAIL POWER | UNITED STATES KEY RATES

| TIER | MARKET | CLASS A: CAP RATES FOR STABILIZED PROPERTIES (%) | CLASS A: CHANGE[1] | CLASS A: EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CLASS A: CHANGE[1] | CLASS B: CAP RATES FOR STABILIZED PROPERTIES (%) | CLASS B: CHANGE[1] | CLASS B: EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CLASS B: CHANGE[1] | CLASS C: CAP RATES FOR STABILIZED PROPERTIES (%) | CLASS C: CHANGE[1] | CLASS C: EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CLASS C: CHANGE[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TIER I | ATLANTA | 6.00 - 7.00 | ◀▶ | 6.25 - 7.00 | ◀▶ | 7.00 - 7.75 | ◀▶ | 7.00 - 8.00 | ◀▶ | 7.50 - 10.00 | ◀▶ | 7.50 - 10.00 | ◀▶ |
| | BOSTON | 5.75 - 6.25 | ◀▶ | 7.50 - 8.00 | ◀▶ | 7.50 - 8.00 | ◀▶ | 10.00 - 11.00 | ◀▶ | 8.50 - 10.25 | ▲ | 12.00 - 15.00 | ◀▶ |
| | CHICAGO | 5.50 - 6.00 | ▼ | 6.25 - 6.75 | ▼ | 6.75 - 7.25 | ◀▶ | 7.50 - 8.00 | ◀▶ | 7.75 - 8.75 | ◀▶ | 8.50 - 9.50 | ◀▶ |
| | DALLAS/FORT WORTH | 5.25 - 6.00 | ◀▶ | 6.75 - 8.25 | ◀▶ | 6.75 - 8.25 | ◀▶ | 6.75 - 8.25 | ◀▶ | 8.75 - 11.00 | ◀▶ | 8.75 - 12.00 | ◀▶ |
| | N. CA: OAKLAND | 5.50 - 6.25 | — | 7.00 - 7.50 | — | 6.75 - 7.50 | — | 7.75 - 8.25 | — | 7.75 - 9.00 | — | 8.50 - 11.00 | — |
| | N. CA: SAN FRANCISCO | 5.00 - 5.75 | ▼ | 6.75 - 7.25 | ◀▶ | 6.50 - 7.25 | ◀▶ | 7.25 - 8.00 | ◀▶ | 7.50 - 9.00 | ◀▶ | 8.50 - 9.00 | ◀▶ |
| | N. CA: SAN JOSE | 5.00 - 5.75 | ▼ | 6.25 - 7.25 | ◀▶ | 6.50 - 7.50 | ◀▶ | 6.75 - 7.75 | ◀▶ | 7.00 - 8.50 | ◀▶ | 8.25 - 9.00 | ◀▶ |
| | NY: N. NEW JERSEY | 5.50 - 6.00 | ◀▶ | 6.50 - 7.00 | ◀▶ | 6.00 - 6.75 | ◀▶ | 7.25 - 7.75 | ◀▶ | — | — | — | — |
| | NY: STAMFORD | 5.50 - 6.00 | ◀▶ | 6.50 - 7.00 | ◀▶ | 6.00 - 6.75 | ◀▶ | 7.25 - 7.75 | ◀▶ | — | — | — | — |
| | S. CA: INLAND EMPIRE | 5.75 - 6.25 | ▲ | 6.75 - 7.25 | ▲ | 6.50 - 7.50 | ◀▶ | 7.00 - 7.75 | ◀▶ | 8.00 - 8.75 | ▲ | 7.75 - 9.00 | ◀▶ |
| | S. CA: LOS ANGELES | 5.00 - 5.75 | ◀▶ | 6.25 - 7.25 | ◀▶ | 6.50 - 7.50 | ◀▶ | 7.00 - 7.75 | ◀▶ | 7.75 - 8.50 | ◀▶ | 7.75 - 9.00 | ◀▶ |
| | S. CA: ORANGE COUNTY | 5.00 - 5.75 | ◀▶ | 6.25 - 7.25 | ◀▶ | 6.50 - 7.50 | ◀▶ | 7.00 - 7.75 | ◀▶ | 7.75 - 8.50 | ◀▶ | 7.75 - 9.00 | ◀▶ |
| | S. FL: FORT LAUDERDALE | 5.50 - 6.25 | — | 6.50 - 7.25 | — | 6.25 - 7.00 | — | 7.00 - 7.75 | — | 7.25 - 8.75 | — | 8.50 - 9.50 | — |
| | S. FL: MIAMI | 5.50 - 6.00 | ◀▶ | 6.50 - 7.00 | ◀▶ | 6.25 - 6.75 | ◀▶ | 7.00 - 7.50 | ◀▶ | 7.25 - 8.25 | ◀▶ | 8.50 - 9.00 | ◀▶ |
| | S. FL: WEST PALM BEACH | 5.50 - 6.25 | — | 6.50 - 7.25 | — | 6.25 - 7.00 | — | 7.00 - 7.75 | — | 7.25 - 8.75 | — | 8.50 - 9.50 | — |
| | WASHINGTON, D.C. | 5.75 - 6.75 | ◀▶ | 7.25 - 8.25 | ◀▶ | 7.00 - 8.00 | ▲ | 8.75 - 9.75 | ▲ | 8.00 - 9.00 | ▲ | 10.50 - 11.50 | ◀▶ |

| TIER | MARKET | CLASS A: CAP RATES FOR STABILIZED PROPERTIES (%) | CLASS A: CHANGE[1] | CLASS A: EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CLASS A: CHANGE[1] | CLASS B: CAP RATES FOR STABILIZED PROPERTIES (%) | CLASS B: CHANGE[1] | CLASS B: EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CLASS B: CHANGE[1] | CLASS C: CAP RATES FOR STABILIZED PROPERTIES (%) | CLASS C: CHANGE[1] | CLASS C: EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CLASS C: CHANGE[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TIER II | BALTIMORE | 5.75 - 6.25 | ◀▶ | 6.25 - 6.75 | ◀▶ | 7.00 - 8.00 | ▲ | 7.00 - 9.00 | ▲ | 8.00 - 10.00 | ▲ | 9.75 - 12.00 | ▲ |
| | DENVER | 5.25 - 6.00 | ◀▶ | 5.75 - 6.25 | ◀▶ | 6.75 - 7.50 | ▲ | 7.50 - 8.00 | ▲ | 8.00 - 9.00 | ◀▶ | 9.75 - 10.50 | ◀▶ |
| | HOUSTON | 5.75 - 6.50 | ▲ | 6.50 - 7.00 | ◀▶ | 7.00 - 8.50 | ◀▶ | 8.50 - 9.00 | ◀▶ | 9.00 - 11.00 | ◀▶ | 11.00 - 12.00 | ◀▶ |
| | MINNEAPOLIS | 5.50 - 6.00 | ▼ | 6.25 - 6.75 | ▼ | 6.75 - 7.25 | ◀▶ | 7.50 - 8.00 | ◀▶ | 7.75 - 8.75 | ◀▶ | 8.50 - 9.50 | ◀▶ |
| | PHILADELPHIA | 6.25 - 7.00 | ◀▶ | 7.25 - 8.00 | ◀▶ | 6.75 - 7.50 | ◀▶ | 8.00 - 8.75 | ◀▶ | 7.25 - 8.50 | ◀▶ | 9.00 - 10.00 | ◀▶ |
| | PHOENIX | 6.00 - 6.75 | ◀▶ | 8.00 - 8.50 | ◀▶ | 6.75 - 7.50 | ◀▶ | 8.50 - 9.00 | ◀▶ | 7.75 - 8.75 | ◀▶ | 9.50 - 10.50 | ◀▶ |
| | SAN DIEGO | 5.00 - 5.75 | ◀▶ | 6.25 - 7.25 | ◀▶ | 6.50 - 7.50 | ◀▶ | 7.00 - 7.75 | ◀▶ | 7.75 - 9.00 | ▲ | 7.75 - 9.00 | ◀▶ |
| | SEATTLE | 6.00 - 6.50 | ◀▶ | 7.00 - 8.00 | ◀▶ | 7.00 - 7.75 | ◀▶ | 8.00 - 9.00 | ◀▶ | 7.75 - 9.50 | ◀▶ | 9.00 - 10.00 | ◀▶ |
| | TAMPA | 5.50 - 6.25 | ◀▶ | 7.00 - 7.75 | ◀▶ | 6.50 - 7.25 | ◀▶ | 7.75 - 8.75 | ◀▶ | 7.75 - 8.50 | ◀▶ | 9.00 - 9.50 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## RETAIL POWER | UNITED STATES KEY RATES CONT.

| | | CLASS A | | | | CLASS B | | | | CLASS C | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] |
| TIER III | ALBUQUERQUE | 6.50 - 7.50 | ◀▶ | 7.00 - 8.00 | ◀▶ | 7.75 - 9.00 | ◀▶ | 8.75 - 9.50 | ◀▶ | 9.00 - 10.50 | ◀▶ | 9.25 - 10.25 | ◀▶ |
| | AUSTIN | 5.00 - 6.00 | ▼ | 6.25 - 7.25 | ◀▶ | 6.25 - 7.75 | ▼ | 7.25 - 8.50 | ◀▶ | 8.50 - 10.50 | ▼ | 9.00 - 11.00 | ◀▶ |
| | CHARLOTTE | 5.50 - 6.50 | ▼ | 7.25 - 8.00 | ◀▶ | 6.50 - 7.25 | ▼ | 8.00 - 8.75 | ◀▶ | 7.50 - 8.25 | ▼ | 9.00 - 10.50 | ▼ |
| | CINCINNATI | 6.25 - 6.75 | ◀▶ | 7.00 - 7.50 | ◀▶ | 7.25 - 7.75 | ◀▶ | 8.00 - 8.50 | ◀▶ | 8.25 - 9.25 | ◀▶ | 9.00 - 10.00 | ◀▶ |
| | CLEVELAND | 7.00 - 7.50 | ◀▶ | 7.75 - 8.25 | ◀▶ | 7.75 - 8.75 | ◀▶ | 8.50 - 9.25 | ◀▶ | 9.00 - 11.00 | ◀▶ | 9.75 - 12.00 | ◀▶ |
| | COLUMBUS | 6.25 - 6.75 | ◀▶ | 7.00 - 7.50 | ◀▶ | 7.25 - 7.75 | ◀▶ | 8.00 - 8.50 | ◀▶ | 8.00 - 8.50 | ◀▶ | 9.00 - 10.00 | ◀▶ |
| | DETROIT | 6.75 - 7.50 | ▼ | 7.75 - 8.50 | ◀▶ | 7.75 - 9.00 | ◀▶ | 8.50 - 9.50 | ◀▶ | 9.50 - 11.00 | ◀▶ | 10.00 - 12.00 | ◀▶ |
| | HONOLULU | 4.00 - 4.25 | — | — | — | — | — | — | — | — | — | — | — |
| | INDIANAPOLIS | 6.25 - 6.75 | ▼ | 8.00 - 9.00 | ▼ | 8.50 - 9.50 | ▲ | 9.00 - 10.00 | ▼ | 8.25 - 9.25 | ▼ | 9.00 - 10.00 | ▼ |
| | JACKSONVILLE | 6.00 - 7.00 | ▲ | 7.00 - 8.00 | ◀▶ | 6.75 - 7.50 | ▲ | 7.75 - 8.75 | ◀▶ | 8.00 - 9.00 | ▲ | 9.00 - 10.00 | ◀▶ |
| | KANSAS CITY | 6.25 - 6.75 | ◀▶ | 7.00 - 7.50 | ◀▶ | 7.25 - 7.75 | ◀▶ | 8.00 - 8.50 | ◀▶ | 8.25 - 9.25 | ◀▶ | 9.00 - 10.00 | ◀▶ |
| | LAS VEGAS | 6.25 - 6.75 | ▲ | 7.00 - 8.00 | ◀▶ | 6.75 - 7.50 | ◀▶ | 7.50 - 9.00 | ▼ | 7.50 - 9.00 | ◀▶ | 8.50 - 10.50 | ▼ |
| | MEMPHIS | 7.75 - 8.25 | ◀▶ | 8.25 - 8.75 | ◀▶ | 8.50 - 9.00 | ◀▶ | 9.50 - 10.00 | ◀▶ | 10.50 - 11.00 | ◀▶ | 11.00 - 11.50 | ◀▶ |
| | NASHVILLE | 6.50 - 7.25 | ◀▶ | 8.00 - 8.50 | ◀▶ | 7.25 - 7.75 | ◀▶ | 8.50 - 9.00 | ◀▶ | 8.00 - 9.00 | ◀▶ | 9.00 - 11.00 | ◀▶ |
| | ORLANDO | 5.75 - 6.50 | ◀▶ | 6.75 - 7.75 | ◀▶ | 6.50 - 7.50 | ◀▶ | 7.75 - 9.00 | ◀▶ | 7.75 - 8.75 | ◀▶ | 8.75 - 9.75 | ◀▶ |
| | PITTSBURGH | 6.50 - 6.75 | ▼ | 8.50 - 8.75 | ▲ | 8.25 - 8.50 | ▲ | 10.00 - 10.25 | ▲ | 12.00 - 12.25 | ▲ | 12.00 - 12.25 | ▲ |
| | PORTLAND | 6.00 - 7.00 | ▼ | 7.75 - 8.75 | ◀▶ | 7.25 - 8.00 | ◀▶ | 8.50 - 9.25 | ◀▶ | 8.25 - 9.25 | ◀▶ | 9.50 - 10.00 | ▼ |
| | SACRAMENTO | 6.00 - 7.00 | ◀▶ | 7.00 - 8.00 | ◀▶ | 7.00 - 8.00 | ◀▶ | 8.00 - 9.00 | ◀▶ | 9.00 - 10.00 | ◀▶ | 9.00 - 11.00 | ◀▶ |
| | SALT LAKE CITY | 6.25 - 6.75 | ◀▶ | 6.50 - 7.00 | ▲ | 7.00 - 7.50 | ◀▶ | 7.25 - 7.75 | ◀▶ | 8.50 - 9.25 | ▼ | 8.75 - 9.50 | ▼ |
| | SAINT LOUIS | 6.25 - 6.75 | ◀▶ | 7.00 - 7.50 | ◀▶ | 7.25 - 7.75 | ◀▶ | 8.00 - 8.75 | ◀▶ | 8.25 - 9.25 | ◀▶ | 9.00 - 10.00 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## RETAIL POWER | CANADA KEY RATES

### TIER I

| | ALL CLASSES: CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
|---|---|---|
| TORONTO | 5.50 - 6.50 | ◀▶ |
| VANCOUVER | 5.50 - 6.00 | ◀▶ |

### TIER II

| | ALL CLASSES: CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
|---|---|---|
| CALGARY | 5.50 - 6.00 | ▲ |
| EDMONTON | 5.75 - 6.25 | ◀▶ |
| MONTREAL | 5.75 - 6.75 | ◀▶ |

### TIER III

| | ALL CLASSES: CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
|---|---|---|
| HALIFAX | 6.00 - 6.50 | ◀▶ |
| KITCHENER - WATERLOO | 5.75 - 6.50 | ◀▶ |
| LONDON - WINDSOR | 6.25 - 7.50 | ◀▶ |
| OTTAWA | 5.75 - 6.50 | ◀▶ |
| WINNIPEG | 6.00 - 6.50 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE.

## RETAIL POWER | UNITED STATES FORECAST TRENDS

| Tier | Market | CLASS A: CAP RATES FOR STABILIZED PROPERTIES | CLASS A: EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CLASS B: CAP RATES FOR STABILIZED PROPERTIES | CLASS B: EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CLASS C: CAP RATES FOR STABILIZED PROPERTIES | CLASS C: EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
|---|---|---|---|---|---|---|---|
| TIER I | ATLANTA | Stable | Stable | Stable | Increase | Increase | Increase |
| TIER I | BOSTON | Stable | Stable | Stable | Stable | Increase | Stable |
| TIER I | CHICAGO | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER I | DALLAS/FORT WORTH | Decrease | Stable | Decrease | Stable | Decrease | Stable |
| TIER I | N. CA: OAKLAND | Decrease | Decrease | Decrease | Stable | Decrease | Stable |
| TIER I | N. CA: SAN FRANCISCO | Decrease | Stable | Decrease | Decrease | Decrease | Stable |
| TIER I | N. CA: SAN JOSE | Decrease | Decrease | Stable | Decrease | Decrease | Decrease |
| TIER I | NY: N. NEW JERSEY | Stable | Stable | Stable | Stable | — | — |
| TIER I | NY: STAMFORD | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER I | S. CA: INLAND EMPIRE | Decrease | Stable | Increase | Stable | Increase | Stable |
| TIER I | S. CA: LOS ANGELES | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER I | S. CA: ORANGE COUNTY | Decrease | Stable | Decrease | Stable | Increase | Decrease |
| TIER I | S. FL: FORT LAUDERDALE | Stable | Stable | Increase | Increase | Increase | Increase |
| TIER I | S. FL: MIAMI | Stable | Stable | Increase | Stable | Increase | Increase |
| TIER I | S. FL: WEST PALM BEACH | Stable | Stable | Increase | Increase | Increase | Increase |
| TIER I | WASHINGTON, D.C. | Stable | Stable | Decrease | Decrease | Decrease | Decrease |

| Tier | Market | CLASS A: CAP RATES FOR STABILIZED PROPERTIES | CLASS A: EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CLASS B: CAP RATES FOR STABILIZED PROPERTIES | CLASS B: EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CLASS C: CAP RATES FOR STABILIZED PROPERTIES | CLASS C: EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
|---|---|---|---|---|---|---|---|
| TIER II | BALTIMORE | Stable | Stable | Decrease | Decrease | Decrease | Decrease |
| TIER II | DENVER | Stable | Stable | Increase | Increase | Increase | Increase |
| TIER II | HOUSTON | Decrease | Decrease | Decrease | Decrease | Decrease | Decrease |
| TIER II | MINNEAPOLIS | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER II | PHILADELPHIA | Decrease | Stable | Increase | Increase | Increase | Increase |
| TIER II | PHOENIX | Stable | Stable | Increase | Stable | Increase | Stable |
| TIER II | SAN DIEGO | Decrease | Increase | Decrease | Increase | Increase | Decrease |
| TIER II | SEATTLE | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER II | TAMPA | Stable | Stable | Decrease | Stable | Stable | Stable |

INCREASE

DECREASE

STABLE

— N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## RETAIL POWER | UNITED STATES FORECAST TRENDS CONT.

| | | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| TIER III | ALBUQUERQUE | Stable | Stable | Decrease | Stable | Decrease | Stable |
| | AUSTIN | Stable | Stable | Decrease | Stable | Decrease | Stable |
| | CHARLOTTE | Stable | Stable | Stable | Stable | Stable | Stable |
| | CINCINNATI | Increase | Increase | Increase | Increase | Increase | Increase |
| | CLEVELAND | Increase | Increase | Increase | Increase | Increase | Increase |
| | COLUMBUS | Increase | Increase | Increase | Increase | Increase | Increase |
| | DETROIT | Stable | Stable | Stable | Stable | Stable | Stable |
| | HONOLULU | Stable | Stable | Stable | Stable | Stable | Stable |
| | INDIANAPOLIS | Increase | Increase | Increase | Increase | Increase | Increase |
| | JACKSONVILLE | Stable | Stable | Increase | Increase | Increase | Increase |
| | KANSAS CITY | Increase | Increase | Increase | Increase | Increase | Increase |
| | LAS VEGAS | Stable | Stable | Stable | Stable | Stable | Stable |
| | MEMPHIS | Stable | Stable | Stable | Stable | Stable | Stable |
| | NASHVILLE | Stable | Stable | Stable | Stable | Stable | Stable |
| | ORLANDO | Stable | Stable | Increase | Increase | Increase | Increase |
| | PITTSBURGH | Increase | Stable | Increase | Stable | Stable | Stable |
| | PORTLAND | Increase | Increase | Increase | Increase | Increase | Increase |
| | SACRAMENTO | Stable | Stable | Stable | Stable | Stable | Stable |
| | SALT LAKE CITY | Stable | Stable | Stable | Stable | Stable | Stable |
| | SAN ANTONIO | Stable | — | Decrease | — | Decrease | — |
| | SAINT LOUIS | Increase | Increase | Increase | Increase | Increase | Increase |

INCREASE

DECREASE

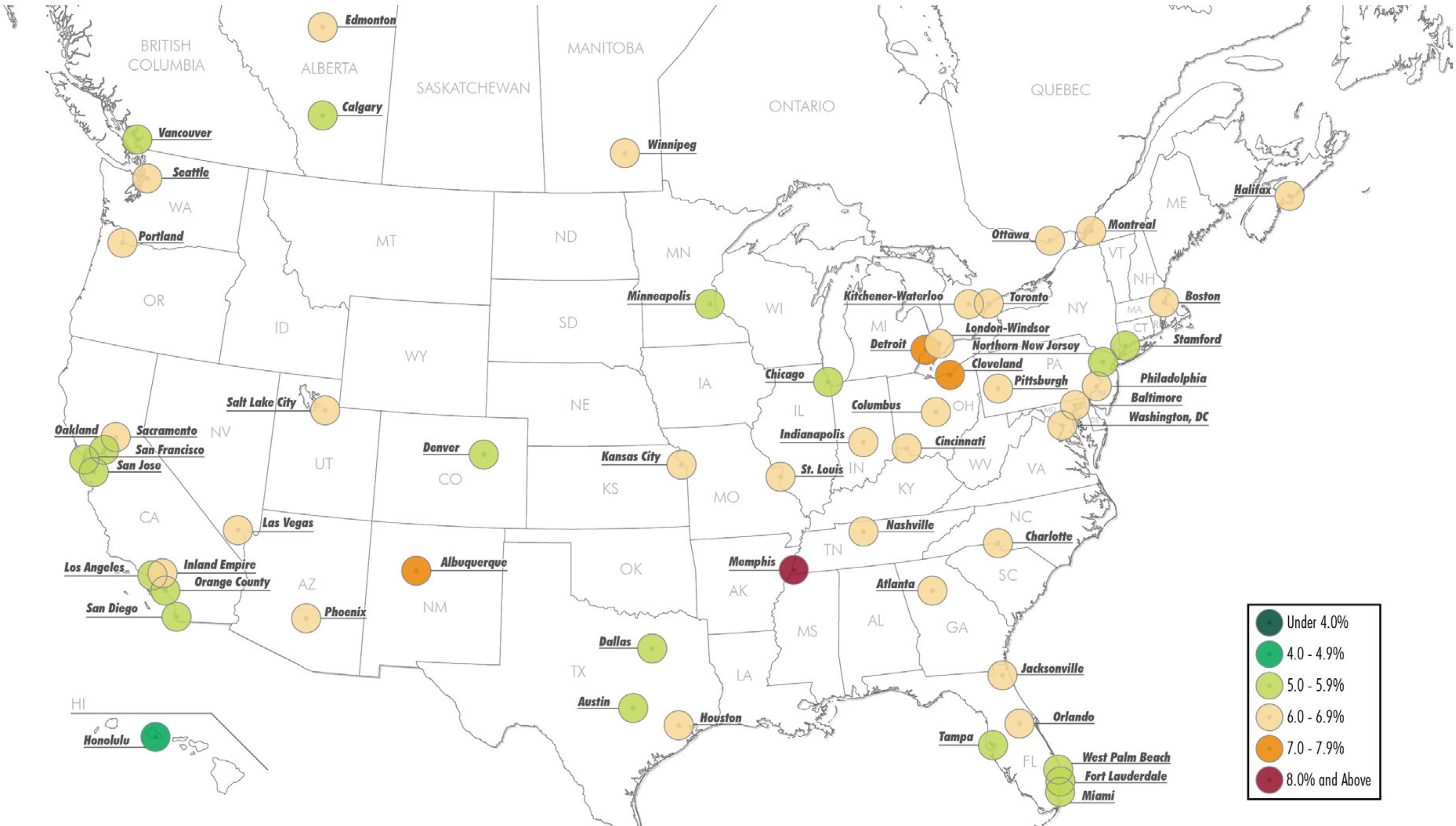
STABLE

— N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## RETAIL POWER | CLASS A CAP RATES FOR STABILIZED PROPERTIES[1]

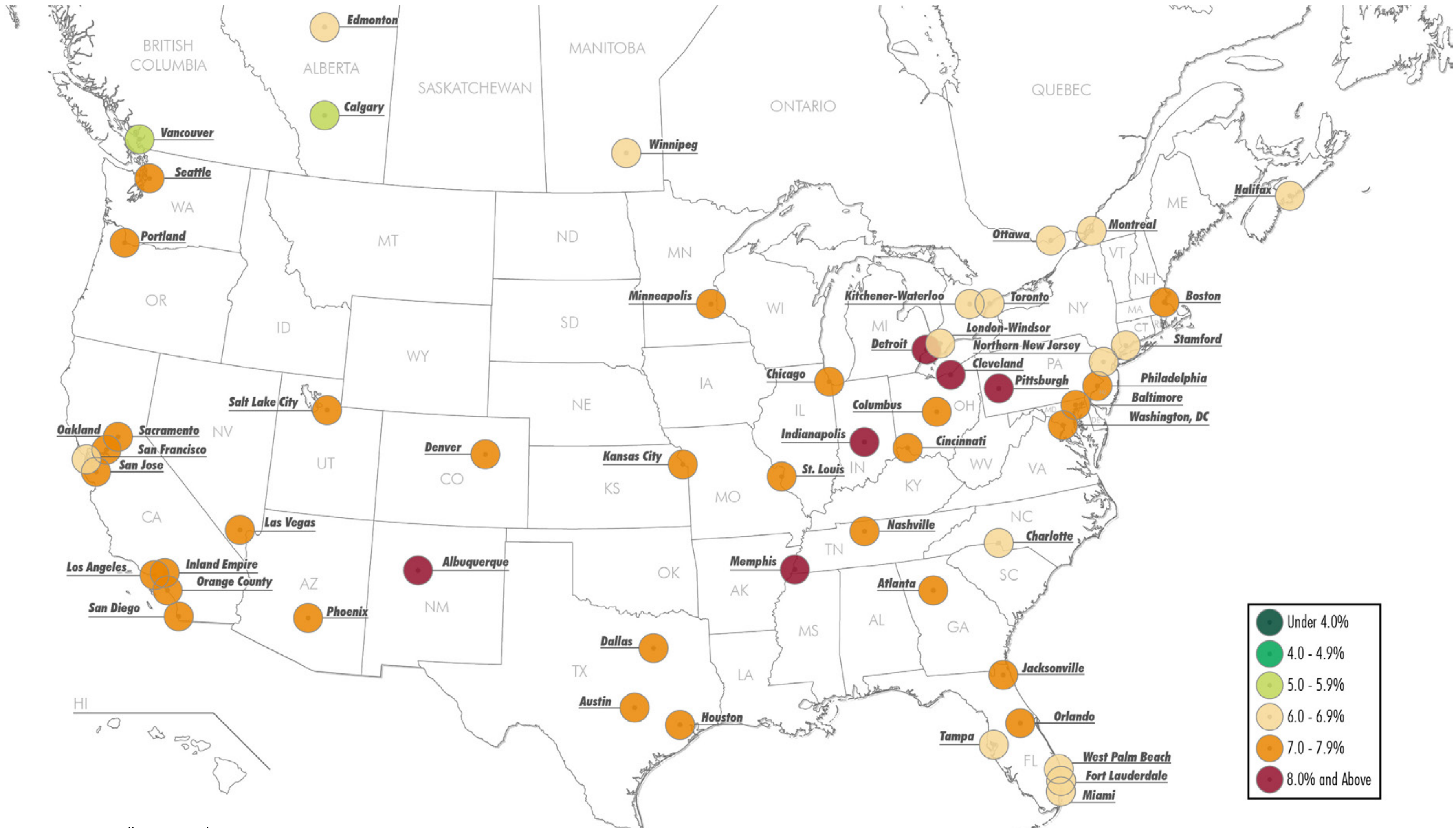



[1]Canadian cap rates represent all property classes.
Source: CBRE.



CBRE

## RETAIL POWER | CLASS B CAP RATES FOR STABILIZED PROPERTIES[1]




[1]Canadian cap rates represent all property classes.
Source: CBRE.

## RETAIL HIGH STREET | UNITED STATES KEY RATES

### TIER I

| | CLASS A | |
|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| BOSTON | 4.00 - 5.00 | ◀▶ |
| CHICAGO | 3.50 - 5.00 | ▼ |
| S. CA: LOS ANGELES | 3.00 - 4.50 | ◀▶ |
| S. FL: MIAMI | 3.50 - 4.25 | ▼ |
| NY: NEW YORK CITY | 3.00 - 4.00 | ▼ |
| N. CA: SAN FRANCISCO | 3.75 - 5.00 | ◀▶ |
| WASHINGTON, D.C. | 4.00 - 5.00 | ◀▶ |

### TIER II

| | CLASS A | |
|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| LAS VEGAS[2] | 4.50 - 5.50 | ◀▶ |
| PHILADELPHIA | 4.50 - 5.00 | ▼ |
| SEATTLE | 4.25 - 5.25 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable. [2]For the purposes of high-street retail, Las Vegas is considered a Tier II market.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## RETAIL HIGH STREET | UNITED STATES FORECAST TRENDS

### TIER I

| | CLASS A |
|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES |
| BOSTON | STABLE |
| CHICAGO | STABLE |
| S. CA: LOS ANGELES | DECREASE |
| S. FL: MIAMI | STABLE |
| NY: NEW YORK CITY | STABLE |
| N. CA: SAN FRANCISCO | INCREASE |
| WASHINGTON, D.C. | STABLE |

### TIER II

| | CLASS A |
|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES |
| LAS VEGAS[2] | STABLE |
| PHILADELPHIA | DECREASE |
| SEATTLE | STABLE |

INCREASE | DECREASE | STABLE | — N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016. [2]For the purposes of high-street retail, Las Vegas is considered a Tier II market.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## RETAIL HIGH STREET | CLASS A CAP RATES FOR STABILIZED PROPERTIES


Source: CBRE.



CBRE

## MULTIFAMILY | OVERVIEW

### CANADA

The multifamily sector produced near record investment volumes in 2015, with strong pricing and deferred maintenance causing some owners to strategically reexamine their portfolios. Demand for multifamily product is so widespread and fundamentals so stable, that there is very little that could derail investment activity in this sector in 2016. That said, the market is still evolving as a result of the growing number of condos entering the rental universe.

Cap rates for high-rise apartments continued to tighten across Canada, except in Calgary, which experienced a slight uptick towards the end of 2015. Average Class A high-rise cap rates in Vancouver and Toronto are now 3.75% and 3.63%, respectively—the lowest levels on record. This will translate into higher prices for investors, and spur rental rate increases and higher fees for ancillary services such as laundry and parking. Likewise, low-rise cap rates were unchanged for all markets in H2 2015 except for Montreal, which experienced a 25 bps decrease, and Calgary, which experienced a 25 bps increase.

### UNITED STATES | INFILL

The principal message from the H2 2015 multifamily cap rate data is stability, most notably among stabilized product acquisitions. For value-add acquisitions, the survey revealed there was slight downward movement in expected returns on cost.

Cap rates for stabilized infill properties remained low on a historical basis—under 5% for Class A product in Tier I and II markets and under 5% for Class B in Tier I markets. Rates were essentially unchanged from the prior half for all classes.

Among stabilized Class A infill assets, San Francisco and Los Angeles had the lowest cap rate averages at about 3.75%, followed closely by San Jose, San Diego, Orange County and New York. Of the 48 markets surveyed, 35 have cap rates of 5.00% or below. Kansas City is the only market to have fallen out of this group during the second half, following a 25 bps increase to 5.25%.

The historical cap rate series by class, in contrast to the other property sectors, only goes back to 2012. Before that, the data was not separated by infill and suburban. During the 2012 to 2015 period, Class A cap rates were relatively stable—and low—while cap rates for Class B and C declined a bit more, revealing modest compression in rates between the classes.

The most noticeable change apparent in the history of Class A cap rates for metro tiers is the compression in Tier III markets, while Tier I and Tier II Class A cap rates remained relatively stable.

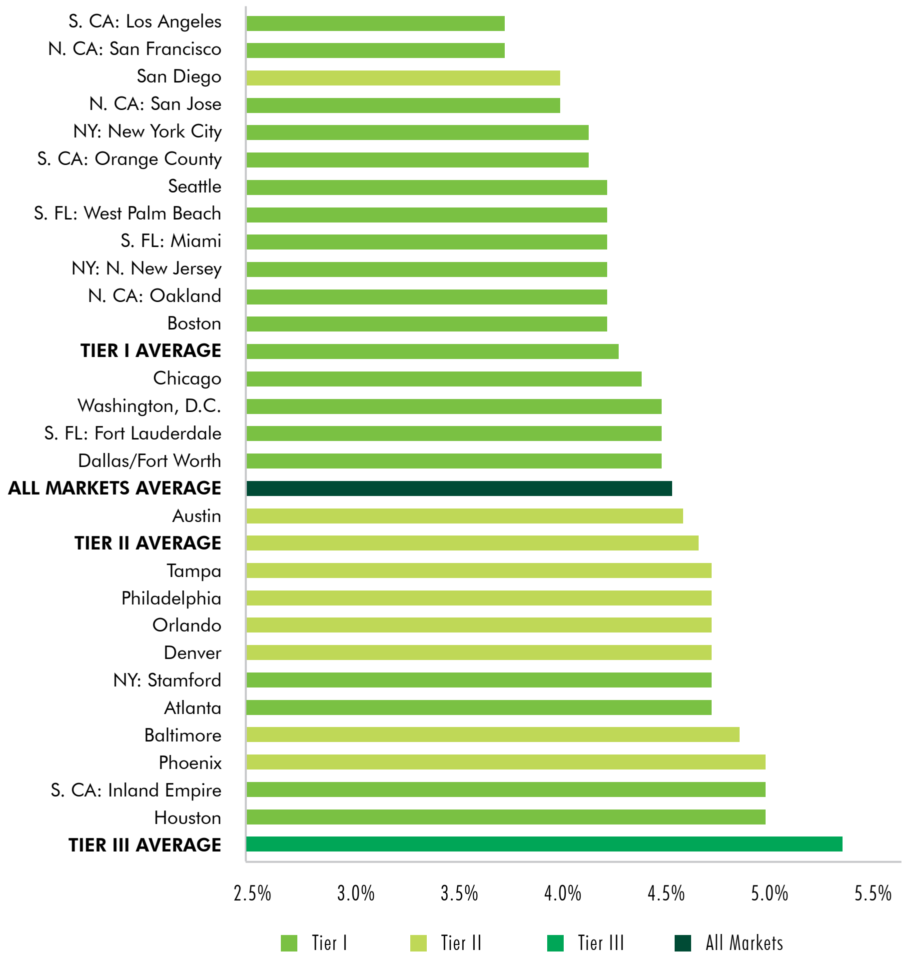
#### FIGURE 32. MULTIFAMILY INFILL - CAP RATES FOR STABILIZED PROPERTIES

| METRO TIER | CLASS | H1 2015 (%) | H2 2015 (%) | CHANGE (bps) |
|---|---|---|---|---|
| ALL | A | 4.59 | 4.57 | -2 |
| | B | 5.15 | 5.17 | 2 |
| | C | 6.12 | 6.09 | -3 |
| I | A | 4.29 | 4.28 | -1 |
| | B | 4.84 | 4.87 | 3 |
| | C | 5.82 | 5.76 | -6 |
| II | A | 4.68 | 4.68 | 0 |
| | B | 5.33 | 5.25 | -8 |
| | C | 6.08 | 6.00 | -8 |
| III | A | 5.39 | 5.33 | -6 |
| | B | 5.87 | 5.95 | 8 |
| | C | 6.89 | 7.04 | 15 |

Source: CBRE.

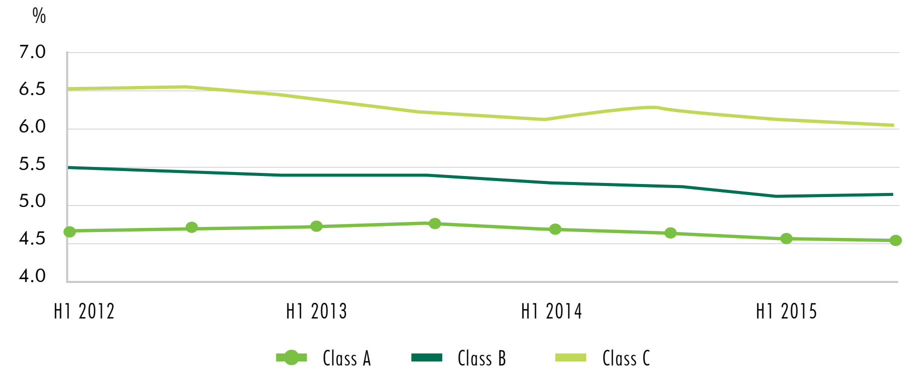
## MULTIFAMILY | OVERVIEW CONT.

### FIGURE 33. MULTIFAMILY INFILL - CLASS A CAP RATES, H2 2015 - TIER I & II METROS



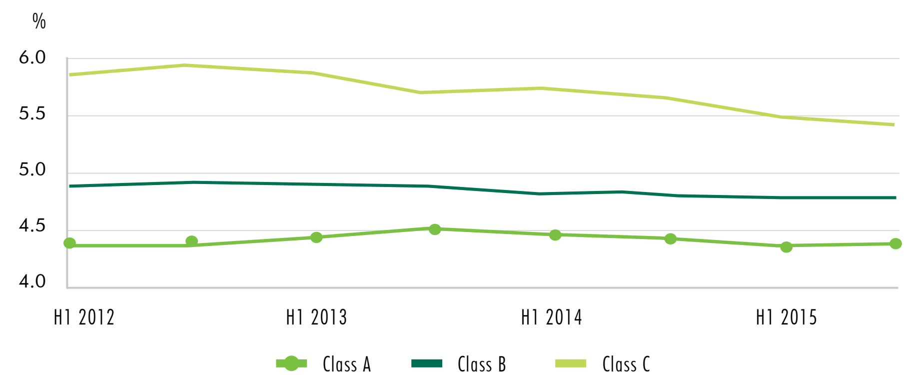

Source: CBRE for stabilized property acquisitions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

### FIGURE 34. MULTIFAMILY INFILL - HISTORICAL CAP RATES BY CLASS




Source: CBRE for stabilized property acquisitions.

### FIGURE 35. MULTIFAMILY INFILL - HISTORICAL CLASS A CAP RATES BY TIER




Source: CBRE for stabilized property acquisitions.



CBRE

## MULTIFAMILY | OVERVIEW CONT.

For value-add acquisitions, expected returns on cost for infill properties also remained essentially unchanged from H1 2015 to H2 2015 for Class A and Class B assets. However, the Class C average decreased by a small, but notable, 21 bps. Behind this average was divergence among the metro tiers. In Tier I markets, expectations for returns on cost fell 38 bps for Class C properties, whereas in Tier III markets, the average rose 30 bps. Tier II markets experienced almost no change.

For acquisitions of stabilized infill multifamily assets, CBRE Capital Markets and Valuation professionals expect that the vast majority of markets will not experience any cap rate change over H1 2016. Seattle, Portland, Denver and Albuquerque expect compression of up to 25 bps among Class A properties. Only Minneapolis and Richmond expect increases across all classes.

### UNITED STATES | SUBURBAN

Cap rates for stabilized suburban properties fell across all tiers and classes during the second half of 2015, although none were greater than 17 bps. Class A properties witnessed the most significant change, decreasing by 12 bps to 4.99%. This was largely driven by Tier I markets, led by Los Angeles where cap rates compressed about 75 bps to 4.00%. All of the other categories surveyed registered less than 12 bps of movement. At the market level, decreases among multiple classes occurred in Miami, Philadelphia, Portland and Detroit. Austin was one of the few markets with cap rate increases, averaging about 25 bps for suburban communities.

Over the next six months, cap rates are not anticipated to change in about 70% of markets, while changes in the remaining markets will be split—small decreases or small increases. Only Class C suburban properties in Cincinnati are expected to witness more than a 25 bps increase over the coming six months.

**FIGURE 36. MULTIFAMILY SUBURBAN - CAP RATES FOR STABILIZED PROPERTIES**

| METRO TIER | CLASS | H1 2015 (%) | H2 2015 (%) | CHANGE (bps) |
|---|---|---|---|---|
| ALL | A | 5.11 | 4.99 | -12 |
| | B | 5.60 | 5.56 | -4 |
| | C | 6.66 | 6.57 | -9 |
| I | A | 4.91 | 4.74 | -17 |
| | B | 5.37 | 5.34 | -3 |
| | C | 6.49 | 6.38 | -11 |
| II | A | 5.00 | 4.95 | -5 |
| | B | 5.57 | 5.51 | -6 |
| | C | 6.25 | 6.20 | -5 |
| III | A | 5.61 | 5.56 | -5 |
| | B | 6.10 | 6.06 | -4 |
| | C | 7.22 | 7.23 | 1 |

Source: CBRE.

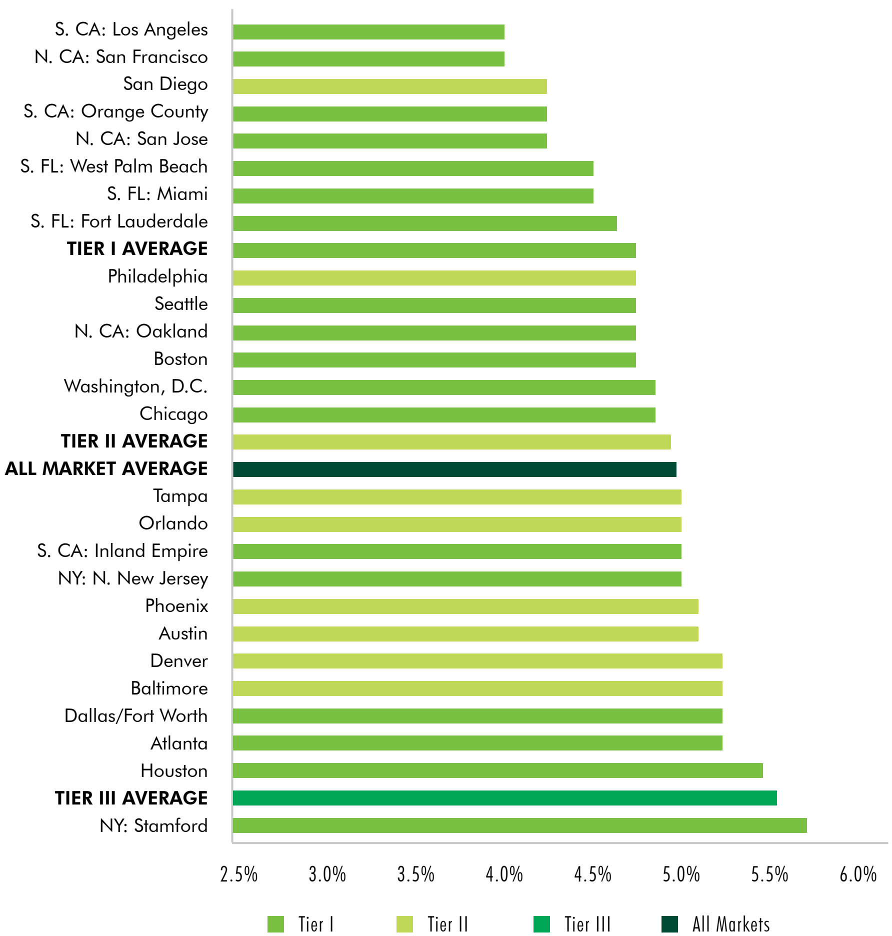
The historical suburban cap rate series, by class and tier, revealed slight downward movement over the past two to three years. The class history, however, reflects no real compression between the classes.

The most interesting revelations from the cap rate historical graph by tier are: a) the very similar suburban cap rate pricing between Tier I and Tier II markets and b) the larger declines in both Tier I and Tier III markets over the past two years.

Expected returns on cost for suburban, value-add acquisitions also fell across all classes and tiers. The only exception was among Class A properties in Tier II markets, which increased by a slight 3 bps. The most significant decreases were among Class B and C properties in Tier I markets, which fell 17 bps and 27 bps, respectively. Cap rates for

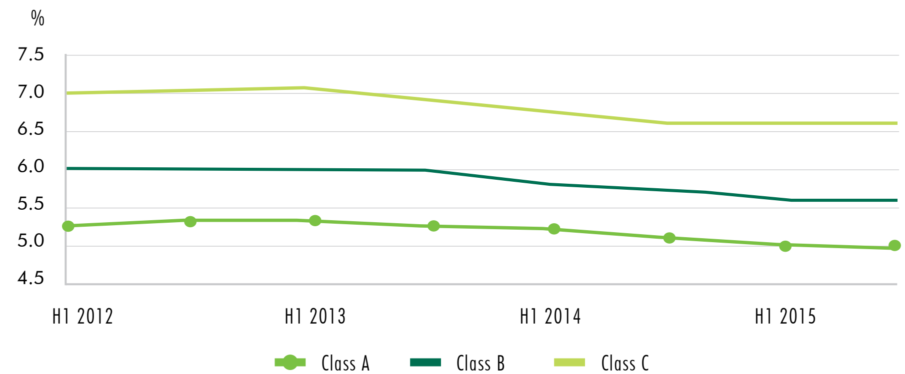
## MULTIFAMILY | OVERVIEW CONT.

### FIGURE 37. MULTIFAMILY SUBURBAN - CLASS A CAP RATES, H2 2015 - TIER 1 & II METROS



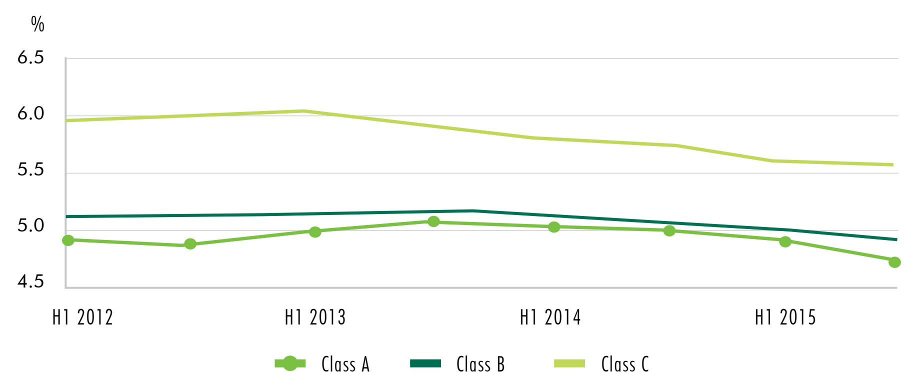

Source: CBRE for stabilized property acquisitions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

### FIGURE 38. MULTIFAMILY SUBURBAN - HISTORICAL CAP RATES BY CLASS




Source: CBRE for stabilized property acquisitions.

### FIGURE 39. MULTIFAMILY SUBURBAN - HISTORICAL CLASS A CAP RATES BY TIER




Source: CBRE for stabilized property acquisitions.

## MULTIFAMILY | OVERVIEW CONT.

Class B product in Los Angeles fell 50 bps, as they did for Class C product in the Inland Empire and Atlanta. Indianapolis also experienced a larger than average decrease in expected returns on cost for Class A and B value-add acquisitions, while Detroit witnessed decreases across all classes.

Looking ahead, most markets expect little to no change in cap rates over the first half of 2016, with about 20% of markets expecting decreases up to 25 bps.

### UNITED STATES | MULTIFAMILY TIER METHODOLOGY

Beginning H1 2015, the North America Cap Rate Survey has included analysis of cap rates by metro "tiers." Metros are divided into three tiers, analogous to primary, secondary and tertiary markets, to provide a deeper understanding of market trends and behavior.

The methodology for determining the tiers has been updated and improved since H1 2015. Four principal variables are the basis of the multifamily tier ranking model: metro population size, economic size, apartment inventory totals and total dollar investment in multifamily property acquisitions. Investment volumes and multifamily inventories were given the largest weights.

Market definitions in the tier model are based primarily on the U.S. Census Bureau's combined statistical area (CSA) definitions for large markets and on metropolitan statistical areas (MSAs) for other markets. A CSA combines the core metropolitan statistical area (MSA) with adjacent MSAs which have a high degree of economic and social integration with the core MSA. For example, the Los Angeles CSA is composed of three MSAs—Los Angeles-Long Beach-Anaheim, Riverside-San Bernardino and Oxnard-Thousand Oaks. Four of the large CSA's in the cap rate survey (New York, Los Angeles, San Francisco and Miami) include cap rate data for key MSAs within the CSA, providing greater depth in investment pricing for these very large metropolitan regions. Note that MSAs retain the same tier designation as the CSA to which they belong.

The target split is 20% of metros in Tier I, 20% in Tier II and 60% in Tier III. Eleven, or 26%, of the metros were placed in Tier I (higher than the target 20% due to similarities among a few markets), and eight markets were placed in Tier II, leaving 24 (56%) in Tier III.

#### FIGURE 40. MULTIFAMILY TIERS - METHODOLOGY CRITERIA AND RANGES

| METRO TIER | INVESTMENT VOLUME 2001-Q3 15 ($B) | INVENTORY Q3 2015 (UNITS 000S) | POPULATION 2014 (M) | GDP 2014 ($B) |
|---|---|---|---|---|
| I | 20 + | 350 + | 4.5 + | 300 + |
| II | 12 - 20 | 180 - 350 | 2.5 - 4.5 | 150 - 300 |
| III | < 12 | 180 | < 2.5 | < 150 |

Source: CBRE, U.S. Census Bureau (population), U.S. Bureau of Economic Analysis (GDP), Real Capital Analytics (investment volume), CBRE Econometric Advisors (inventory). All values for metropolitan area.

Select from the list below to access the current **key rates**, **forecasts** and **maps**.

MULTIFAMILY INFILL

U.S. KEY RATES | CAN KEY RATES | U.S. FORECAST TRENDS | MAPS

MULTIFAMILY SUBURBAN

U.S. KEY RATES | CAN KEY RATES | U.S. FORECAST TRENDS | MAPS

## MULTIFAMILY INFILL | UNITED STATES KEY RATES

| Tier | Market | Class A: Cap Rates for Stabilized Properties (%) | Class A: Change[1] | Class A: Expected Return on Cost for Value-Add Properties (%) | Class A: Change[1] | Class B: Cap Rates for Stabilized Properties (%) | Class B: Change[1] | Class B: Expected Return on Cost for Value-Add Properties (%) | Class B: Change[1] | Class C: Cap Rates for Stabilized Properties (%) | Class C: Change[1] | Class C: Expected Return on Cost for Value-Add Properties (%) | Class C: Change[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TIER I | ATLANTA | 4.50 - 5.00 | ◀▶ | 5.75 - 6.25 | ◀▶ | 5.25 - 5.75 | ▲ | 6.25 - 6.75 | ▲ | 6.25 - 6.75 | ▲ | 7.00 - 7.50 | ◀▶ |
| | BOSTON | 4.00 - 4.50 | ◀▶ | 5.50 - 6.00 | ◀▶ | 4.50 - 5.00 | ◀▶ | 6.00 - 6.00 | ▼ | — | — | 6.25 - 6.75 | ◀▶ |
| | CHICAGO | 4.25 - 4.50 | ◀▶ | 4.25 - 4.75 | ◀▶ | 4.75 - 5.00 | ◀▶ | 5.00 - 5.25 | ◀▶ | 5.50 - 6.00 | ◀▶ | 5.75 - 6.25 | ◀▶ |
| | DALLAS/FORT WORTH | 4.25 - 4.75 | ◀▶ | 4.50 - 5.25 | ◀▶ | 5.00 - 6.00 | ◀▶ | 5.00 - 6.00 | ◀▶ | 6.00 - 7.00 | ◀▶ | 6.00 - 7.00 | ◀▶ |
| | HOUSTON | 4.75 - 5.25 | ▲ | 4.50 - 5.00 | ▲ | 5.75 - 6.25 | ▲ | 5.50 - 6.00 | ▼ | 6.00 - 6.50 | ◀▶ | 6.50 - 7.00 | ▼ |
| | N. CA: OAKLAND | 4.00 - 4.50 | — | 4.00 - 4.50 | — | 4.25 - 4.50 | — | 4.25 - 4.50 | — | 4.50 - 5.00 | — | 4.50 - 5.00 | — |
| | N. CA: SAN FRANCISCO | 3.50 - 4.00 | ◀▶ | 3.50 - 4.00 | ◀▶ | 3.75 - 4.25 | ◀▶ | 3.75 - 4.25 | ◀▶ | 4.00 - 4.50 | ◀▶ | 4.00 - 4.50 | ◀▶ |
| | N. CA: SAN JOSE | 3.75 - 4.25 | ◀▶ | 3.75 - 4.25 | ◀▶ | 4.00 - 4.50 | ◀▶ | 4.00 - 4.50 | ◀▶ | 4.50 - 5.00 | ◀▶ | 4.50 - 5.00 | ◀▶ |
| | NY: N. NEW JERSEY | 4.00 - 4.50 | ◀▶ | 5.00 - 5.50 | ◀▶ | 4.50 - 5.00 | ◀▶ | 5.50 - 6.00 | ◀▶ | — | — | — | — |
| | NY: NEW YORK CITY | 3.75 - 4.50 | ◀▶ | 4.75 - 5.50 | ◀▶ | 4.25 - 5.00 | ◀▶ | 5.00 - 5.50 | ▼ | 5.25 - 5.75 | ◀▶ | 5.50 - 6.00 | ▼ |
| | NY: STAMFORD | 4.50 - 5.00 | ◀▶ | 5.50 - 6.00 | ◀▶ | 5.50 - 6.00 | ◀▶ | 6.00 - 6.50 | ◀▶ | — | — | — | — |
| | S. CA: INLAND EMPIRE | 4.75 - 5.25 | ◀▶ | 5.00 - 5.50 | ◀▶ | 5.00 - 5.50 | ◀▶ | 5.50 - 6.00 | ◀▶ | 6.00 - 6.50 | ◀▶ | 6.50 - 7.00 | ◀▶ |
| | S. CA: LOS ANGELES | 3.50 - 4.00 | ▼ | 4.00 - 4.50 | ◀▶ | 4.00 - 5.00 | ◀▶ | 4.50 - 5.50 | ▲ | 5.00 - 6.00 | — | 5.50 - 6.50 | — |
| | S. CA: ORANGE COUNTY | 4.00 - 4.25 | ▲ | 4.75 - 5.25 | — | 4.25 - 4.75 | ◀▶ | 5.25 - 5.75 | — | 5.00 - 5.50 | ◀▶ | 6.25 - 6.75 | — |
| | S. FL: FORT LAUDERDALE | 4.25 - 4.75 | — | 4.75 - 5.25 | — | 4.50 - 5.00 | — | 5.00 - 5.50 | — | 5.75 - 6.50 | — | 6.50 - 7.25 | — |
| | S. FL: MIAMI | 4.00 - 4.50 | ◀▶ | 4.75 - 5.25 | ◀▶ | 4.25 - 4.75 | ◀▶ | 5.00 - 5.50 | ◀▶ | 5.50 - 6.25 | ◀▶ | 6.50 - 7.25 | ▲ |
| | S. FL: WEST PALM BEACH | 4.00 - 4.50 | — | 4.75 - 5.25 | — | 4.25 - 4.75 | — | 5.00 - 5.50 | — | 5.50 - 6.25 | — | 6.50 - 7.25 | — |
| | SEATTLE | 4.00 - 4.50 | ◀▶ | 4.50 - 5.00 | ◀▶ | 4.75 - 5.25 | ◀▶ | 5.00 - 5.50 | ◀▶ | 5.50 - 6.00 | ◀▶ | 5.25 - 6.25 | ◀▶ |
| | WASHINGTON, D.C. | 4.25 - 4.75 | ◀▶ | 4.75 - 5.25 | ◀▶ | 5.00 - 5.50 | ◀▶ | 5.50 - 6.50 | ◀▶ | 6.25 - 7.00 | ◀▶ | 7.50 - 8.50 | ◀▶ |

| Tier | Market | Class A: Cap Rates for Stabilized Properties (%) | Class A: Change[1] | Class A: Expected Return on Cost for Value-Add Properties (%) | Class A: Change[1] | Class B: Cap Rates for Stabilized Properties (%) | Class B: Change[1] | Class B: Expected Return on Cost for Value-Add Properties (%) | Class B: Change[1] | Class C: Cap Rates for Stabilized Properties (%) | Class C: Change[1] | Class C: Expected Return on Cost for Value-Add Properties (%) | Class C: Change[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TIER II | AUSTIN | 4.25 - 5.00 | ◀▶ | 4.50 - 5.00 | ◀▶ | 4.75 - 5.25 | ◀▶ | 4.75 - 5.25 | ◀▶ | 5.25 - 5.75 | ◀▶ | 5.00 - 5.75 | ◀▶ |
| | BALTIMORE | 4.75 - 5.00 | ◀▶ | 5.00 - 5.25 | ◀▶ | 5.00 - 5.75 | ◀▶ | 6.75 - 7.25 | ◀▶ | 6.25 - 7.00 | ◀▶ | 8.00 - 9.00 | ◀▶ |
| | DENVER | 4.50 - 5.00 | ◀▶ | 6.00 - 7.00 | ◀▶ | 5.00 - 5.50 | ◀▶ | 6.50 - 7.50 | ◀▶ | 5.50 - 6.25 | ◀▶ | 7.00 - 8.50 | ◀▶ |
| | ORLANDO | 4.50 - 5.00 | ◀▶ | — | — | 5.25 - 5.75 | ◀▶ | 5.75 - 6.25 | ◀▶ | 6.00 - 6.50 | ◀▶ | 7.00 - 7.50 | ▲ |
| | PHILADELPHIA | 4.50 - 5.00 | ◀▶ | 6.50 - 7.00 | ◀▶ | 5.50 - 6.00 | ◀▶ | 7.00 - 7.75 | ◀▶ | 6.25 - 6.75 | ◀▶ | 7.50 - 8.00 | ◀▶ |
| | PHOENIX | 4.75 - 5.25 | ◀▶ | 6.00 - 6.50 | ◀▶ | 5.00 - 5.50 | ▼ | 6.25 - 6.75 | ▼ | 5.75 - 6.25 | ▼ | 7.00 - 7.50 | ▼ |
| | SAN DIEGO | 3.75 - 4.25 | ◀▶ | 4.00 - 4.50 | ◀▶ | 4.25 - 4.75 | ▼ | 5.00 - 5.50 | ◀▶ | 4.75 - 5.25 | ▼ | 5.50 - 6.00 | ◀▶ |
| | TAMPA | 4.50 - 5.00 | ◀▶ | 5.00 - 5.50 | ◀▶ | 5.25 - 5.75 | ◀▶ | 5.50 - 6.00 | ◀▶ | 6.25 - 6.75 | ◀▶ | 6.75 - 7.25 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## MULTIFAMILY INFILL | UNITED STATES KEY RATES CONT.

| | | CLASS A | | | | CLASS B | | | | CLASS C | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] |
| TIER III | ALBUQUERQUE | 5.50 - 6.00 | ▼ | 6.50 - 7.00 | ◄► | 5.75 - 6.50 | ◄► | 7.00 - 7.50 | ◄► | 6.75 - 7.50 | ◄► | 8.00 - 9.00 | ◄► |
| | CHARLOTTE | 4.50 - 5.00 | ◄► | 4.50 - 5.00 | ◄► | 5.00 - 5.50 | ◄► | 5.00 - 5.50 | ◄► | 5.50 - 6.00 | ◄► | 5.50 - 6.00 | ◄► |
| | CINCINNATI | 5.00 - 5.50 | ◄► | 6.00 - 7.50 | ◄► | 5.75 - 6.25 | ▲ | 7.00 - 8.50 | ▲ | 7.00 - 8.00 | ▲ | 9.00 - 10.00 | ▲ |
| | CLEVELAND | 6.00 - 7.00 | ▼ | 7.00 - 8.00 | ◄► | 7.50 - 8.50 | ▲ | 8.50 - 8.75 | ◄► | 8.50 - 9.00 | — | 9.00 - 11.00 | — |
| | COLUMBUS | 5.00 - 6.00 | ◄► | 6.00 - 6.50 | ◄► | 6.25 - 7.25 | ◄► | 7.00 - 7.50 | ◄► | 7.50 - 9.50 | ◄► | 8.75 - 9.25 | ◄► |
| | DETROIT | 7.00 - 8.00 | ◄► | 7.50 - 8.50 | ◄► | 7.50 - 8.25 | ◄► | 8.00 - 9.00 | ◄► | 10.00 - 11.00 | ◄► | 9.50 - 11.50 | ▲ |
| | HONOLULU | 3.00 - 4.00 | — | — | — | 4.25 - 4.50 | ◄► | — | — | — | — | — | — |
| | INDIANAPOLIS | 5.00 - 5.50 | ◄► | 5.50 - 6.00 | ▼ | 5.50 - 6.00 | ◄► | 6.00 - 6.75 | ▼ | 6.75 - 7.50 | ◄► | 7.50 - 10.00 | ◄► |
| | JACKSONVILLE | 4.00 - 5.00 | ◄► | 5.25 - 6.00 | ◄► | 4.50 - 5.50 | ◄► | 5.50 - 6.50 | ▼ | 6.00 - 6.50 | ◄► | 6.50 - 7.00 | ◄► |
| | KANSAS CITY | 5.00 - 5.50 | ▲ | 5.50 - 6.00 | ◄► | 5.25 - 5.75 | ▲ | 5.75 - 6.25 | ◄► | 5.50 - 6.00 | ▼ | 6.00 - 6.50 | ▼ |
| | MINNEAPOLIS | 4.25 - 4.75 | ◄► | 4.75 - 5.25 | ◄► | 5.00 - 5.50 | ▲ | 5.50 - 6.00 | ▲ | 5.00 - 5.50 | ◄► | 5.75 - 6.25 | ◄► |
| | NASHVILLE | 4.50 - 5.00 | ◄► | 5.50 - 6.00 | ◄► | 5.25 - 5.75 | ◄► | 5.75 - 6.25 | ◄► | 6.00 - 6.50 | ◄► | 6.75 - 7.25 | ◄► |
| | OKLAHOMA CITY | 5.25 - 5.75 | ◄► | 7.25 - 7.75 | ◄► | 5.50 - 6.00 | ▼ | 8.00 - 9.00 | ▼ | 7.50 - 8.50 | ▲ | 9.00 - 10.00 | ▲ |
| | PITTSBURGH | 6.00 - 6.50 | ◄► | 6.50 - 7.00 | ◄► | 6.50 - 7.00 | ◄► | 7.00 - 7.50 | ◄► | 7.50 - 8.00 | ◄► | 8.50 - 9.00 | ◄► |
| | PORTLAND | 4.00 - 4.50 | ◄► | 4.00 - 4.50 | ◄► | 4.50 - 4.75 | ◄► | 4.25 - 4.75 | ◄► | 4.75 - 5.25 | ▼ | 4.50 - 5.00 | ▼ |
| | RALEIGH-DURHAM | 4.50 - 5.00 | ◄► | 4.75 - 5.25 | ◄► | 5.00 - 5.25 | ◄► | 5.25 - 5.50 | ◄► | 6.00 - 6.50 | ◄► | 6.50 - 7.00 | ◄► |
| | RICHMOND | 5.75 - 6.25 | ◄► | 6.00 - 7.00 | ◄► | 6.25 - 7.00 | ▲ | 6.50 - 8.00 | ◄► | 7.00 - 8.00 | ◄► | 7.50 - 9.00 | ◄► |
| | SACRAMENTO | 4.25 - 5.00 | ◄► | — | — | 4.75 - 5.25 | ◄► | 5.00 - 5.50 | ◄► | 5.25 - 5.75 | ◄► | 5.75 - 6.25 | ◄► |
| | SALT LAKE CITY | 5.00 - 5.50 | ◄► | 5.50 - 5.75 | ◄► | 5.25 - 5.75 | ◄► | 5.75 - 6.25 | ◄► | 6.00 - 6.50 | ◄► | 6.00 - 6.50 | ◄► |
| | SAN ANTONIO | 4.75 - 5.50 | ◄► | 4.75 - 5.50 | ◄► | 5.25 - 6.00 | ◄► | 5.50 - 6.25 | ◄► | 5.75 - 6.50 | ◄► | 5.75 - 6.50 | ▼ |
| | SAINT LOUIS | 5.50 - 5.75 | ◄► | — | — | 6.00 - 6.50 | ◄► | — | — | 7.50 - 8.50 | ◄► | — | — |

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## MULTIFAMILY INFILL | CANADA KEY RATES

### TIER I — INFILL CLASS A (HIGH RISE A)

| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
|---|---|---|
| TORONTO | 3.25 - 4.00 | ◀▶ |
| VANCOUVER | 3.50 - 4.00 | ◀▶ |

### TIER II — INFILL CLASS A (HIGH RISE A)

| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
|---|---|---|
| CALGARY | 4.50 - 5.00 | ▲ |
| EDMONTON | 4.50 - 5.00 | ◀▶ |
| MONTREAL | 4.50 - 5.00 | ◀▶ |

### TIER III — INFILL CLASS A (HIGH RISE A)

| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
|---|---|---|
| HALIFAX | 4.75 - 5.25 | ▼ |
| KITCHENER - WATERLOO | 4.75 - 5.25 | ◀▶ |
| LONDON - WINDSOR | 5.00 - 5.50 | ◀▶ |
| OTTAWA | 3.75 - 4.50 | ◀▶ |
| WINNIPEG | — | — |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE.

## MULTIFAMILY INFILL | UNITED STATES FORECAST TRENDS

| TIER I | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| ATLANTA | Stable | Stable | Stable | Stable | Stable | Stable |
| BOSTON | Stable | Stable | Stable | Stable | Stable | Stable |
| CHICAGO | Stable | Stable | Stable | Stable | Stable | Stable |
| DALLAS/FORT WORTH | Stable | Stable | Stable | Stable | Stable | Stable |
| HOUSTON | Stable | Stable | Stable | Stable | Stable | Stable |
| N. CA: OAKLAND | Stable | Stable | Stable | Stable | Stable | Stable |
| N. CA: SAN FRANCISCO | Stable | Stable | Stable | Stable | Stable | Stable |
| N. CA: SAN JOSE | Stable | Stable | Stable | Stable | Stable | Stable |
| NY: N. NEW JERSEY | Stable | Stable | Stable | Stable | Stable | Stable |
| NY: NEW YORK | Stable | Stable | Stable | Stable | Stable | Stable |
| NY: STAMFORD | Increase | Stable | Increase | Stable | Stable | Stable |
| S. CA: INLAND EMPIRE | Stable | Stable | Stable | Stable | Stable | Stable |
| S. CA: LOS ANGELES | Stable | Stable | Stable | Stable | Stable | Stable |
| S. CA: ORANGE COUNTY | Stable | Stable | Stable | Stable | Stable | Stable |
| S. FL: FORT LAUDERDALE | Stable | Stable | Stable | Stable | Stable | Stable |
| S. FLA: MIAMI | Stable | Stable | Stable | Stable | Stable | Stable |
| S. FL: WEST PALM BEACH | Stable | Stable | Stable | Stable | Stable | Stable |
| SEATTLE | Decrease | Stable | Stable | Stable | Stable | Stable |
| WASHINGTON, D.C. | Stable | Stable | Stable | Stable | Stable | Stable |

| TIER II | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| AUSTIN | Stable | Stable | Stable | Stable | Stable | Stable |
| BALTIMORE | Stable | Stable | Stable | Stable | Stable | Stable |
| DENVER | Decrease | Decrease | Stable | Stable | Stable | Stable |
| ORLANDO | Stable | Stable | Increase | Increase | Increase | Increase |
| PHILADELPHIA | Stable | Stable | Stable | Stable | Stable | Stable |
| PHOENIX | Stable | Stable | Stable | Stable | Stable | Stable |
| SAN DIEGO | Stable | Stable | Stable | Stable | Increase | Increase |
| TAMPA | Stable | Stable | Stable | Stable | Stable | Stable |

INCREASE

DECREASE

STABLE

— N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## MULTIFAMILY INFILL | UNITED STATES FORECAST TRENDS CONT.

| | | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| TIER III | ALBUQUERQUE | Decrease | Decrease | Stable | Stable | Stable | Stable |
| | CHARLOTTE | Stable | Stable | Increase | Increase | Increase | Increase |
| | CINCINNATI | Increase | Increase | Increase | Stable | Increase | Increase |
| | CLEVELAND | Stable | Stable | Stable | Stable | Stable | Stable |
| | COLUMBUS | Stable | Stable | Stable | Stable | Stable | Stable |
| | DETROIT | Stable | Stable | Stable | Stable | Stable | Stable |
| | HONOLULU | Stable | Stable | Stable | Stable | Stable | Stable |
| | INDIANAPOLIS | Stable | Stable | Stable | Stable | Stable | Stable |
| | JACKSONVILLE | Stable | Stable | Stable | Stable | Stable | Stable |
| | KANSAS CITY | Stable | Increase | Stable | Increase | Stable | Increase |
| | MINNEAPOLIS | Increase | Increase | Increase | Increase | Increase | Increase |
| | NASHVILLE | Increase | Stable | Stable | Stable | Stable | Stable |
| | OKLAHOMA CITY | Increase | Stable | Increase | Decrease | Stable | Increase |
| | PITTSBURGH | Stable | Stable | Stable | Stable | Stable | Stable |
| | PORTLAND | Stable | Decrease | Stable | Decrease | Decrease | Decrease |
| | RALEIGH-DURHAM | Stable | Stable | Stable | Stable | Stable | Stable |
| | RICHMOND | Increase | Increase | Increase | Increase | Increase | Increase |
| | SACRAMENTO | Stable | — | Stable | Stable | Stable | Stable |
| | SALT LAKE CITY | Stable | Stable | Stable | Stable | Stable | Stable |
| | SAN ANTONIO | Stable | Stable | Stable | Stable | Decrease | Stable |
| | SAINT LOUIS | Stable | Stable | Stable | Stable | Stable | Stable |

INCREASE

DECREASE

STABLE

— N/A

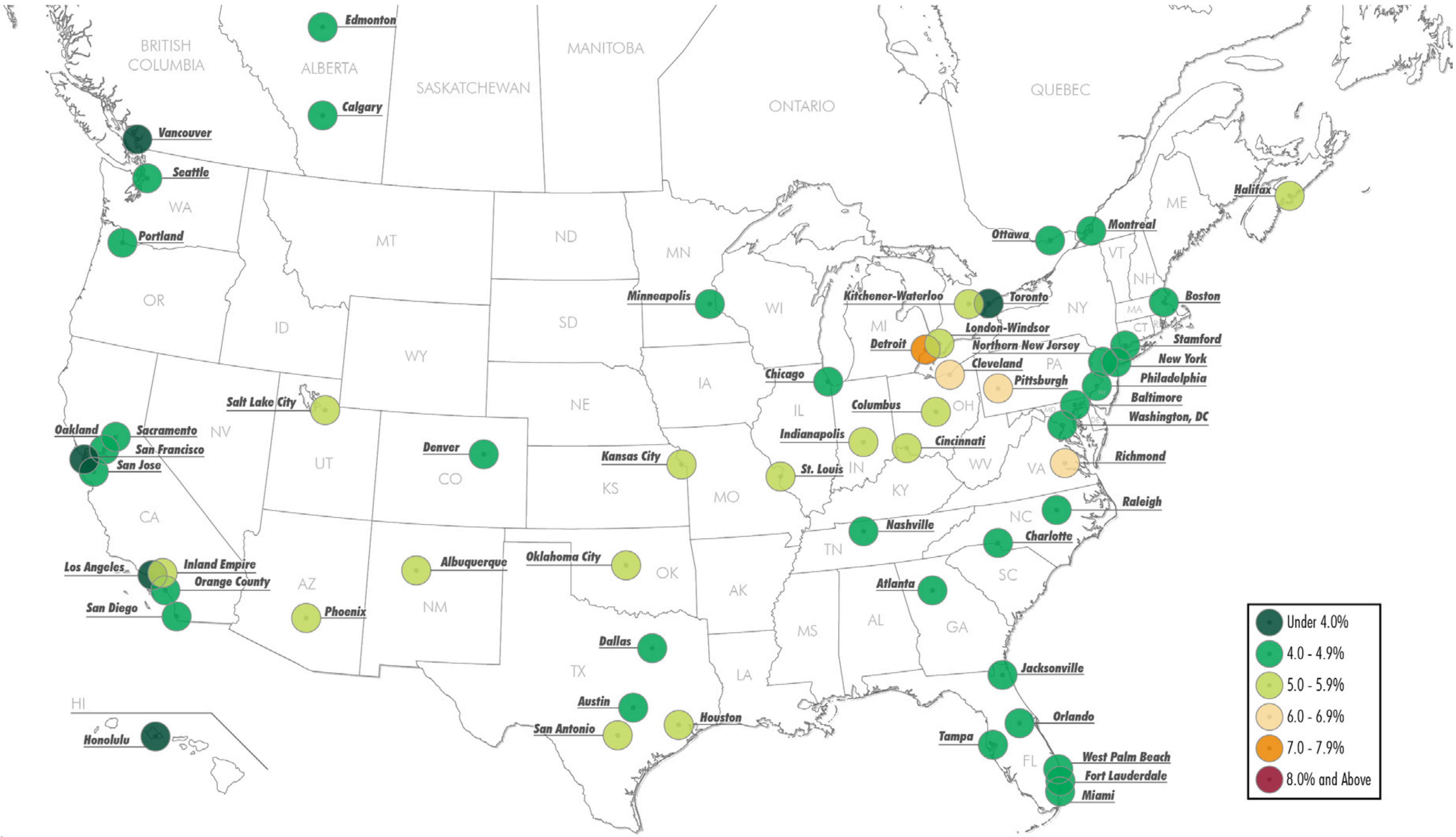
[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.



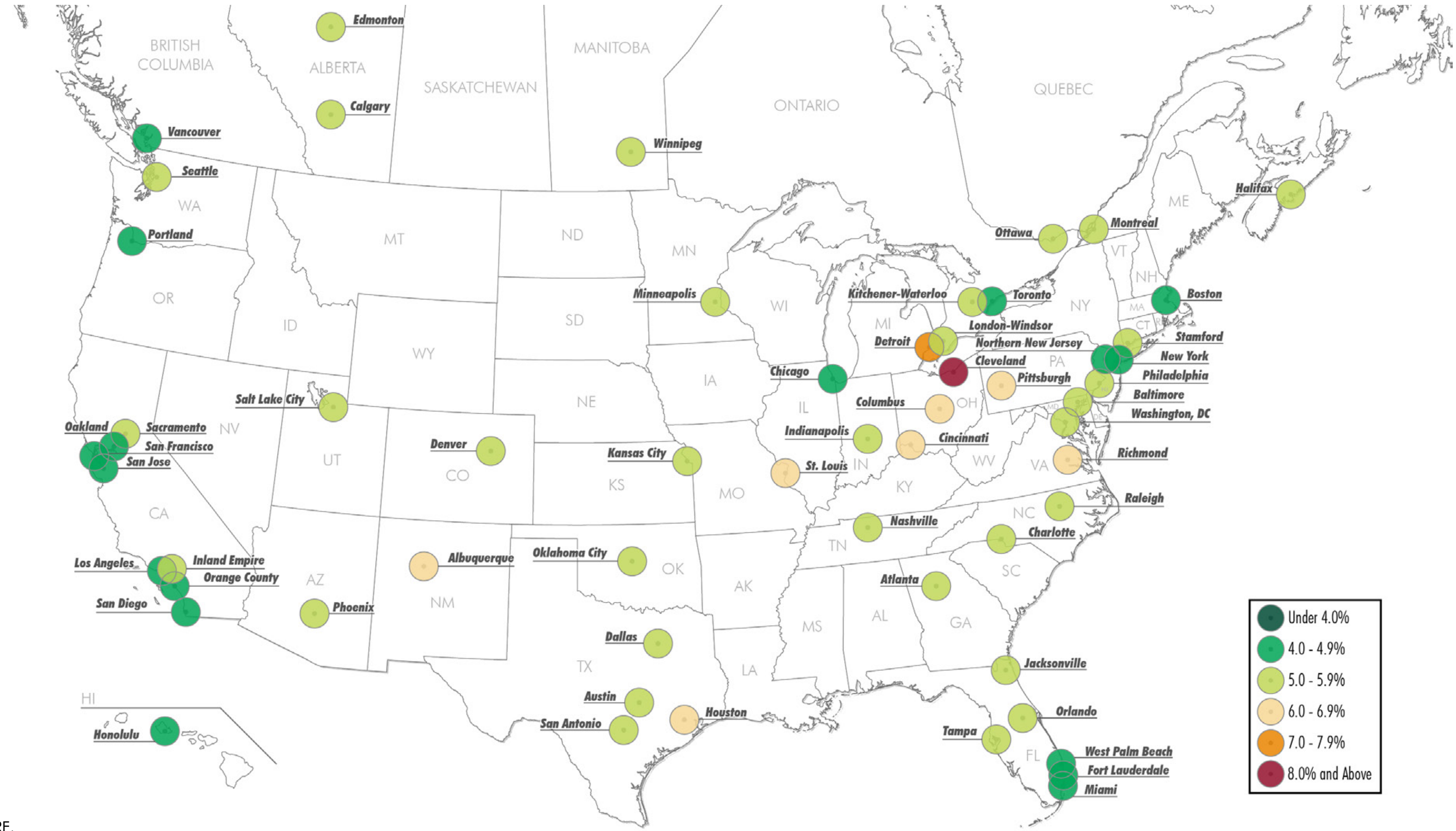
CBRE

## MULTIFAMILY INFILL | CLASS A CAP RATES FOR STABILIZED PROPERTIES




Source: CBRE.

## MULTIFAMILY INFILL | CLASS B CAP RATES FOR STABILIZED PROPERTIES




Source: CBRE.

## MULTIFAMILY SUBURBAN | UNITED STATES KEY RATES

| Tier | Market | Class A: Cap Rates for Stabilized Properties (%) | Class A: Change[1] | Class A: Expected Return on Cost for Value-Add Properties (%) | Class A: Change[1] | Class B: Cap Rates for Stabilized Properties (%) | Class B: Change[1] | Class B: Expected Return on Cost for Value-Add Properties (%) | Class B: Change[1] | Class C: Cap Rates for Stabilized Properties (%) | Class C: Change[1] | Class C: Expected Return on Cost for Value-Add Properties (%) | Class C: Change[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TIER I | ATLANTA | 5.00 - 5.50 | ◀▶ | 6.25 - 6.75 | ▲ | 5.75 - 6.25 | ▲ | 6.50 - 7.00 | ◀▶ | 6.50 - 7.00 | ▲ | 7.25 - 7.75 | ◀▶ |
| TIER I | BOSTON | 4.50 - 5.00 | ◀▶ | 5.75 - 6.25 | ◀▶ | 5.00 - 5.50 | ◀▶ | 6.50 - 7.00 | ◀▶ | 6.25 - 6.75 | ◀▶ | 7.00 - 7.50 | ◀▶ |
| TIER I | CHICAGO | 4.75 - 5.00 | ▼ | 5.25 - 5.50 | ◀▶ | 5.50 - 5.75 | ◀▶ | 5.50 - 5.75 | ◀▶ | 6.50 - 7.00 | ◀▶ | 6.25 - 6.50 | ◀▶ |
| TIER I | DALLAS/FORT WORTH | 4.75 - 5.75 | ▲ | 4.50 - 5.50 | ◀▶ | 5.50 - 6.50 | ▲ | 5.25 - 6.25 | ▲ | 6.75 - 7.50 | ◀▶ | 8.00 - 9.00 | ◀▶ |
| TIER I | HOUSTON | 5.25 - 5.75 | ◀▶ | 5.25 - 5.75 | ◀▶ | 6.00 - 6.50 | ▲ | 5.75 - 6.25 | ▼ | 7.25 - 7.75 | ▲ | 7.00 - 7.50 | ▼ |
| TIER I | N. CA: OAKLAND | 4.50 - 5.00 | — | 4.50 - 5.00 | — | 4.75 - 5.25 | — | 4.75 - 5.25 | — | 5.00 - 5.50 | — | 5.00 - 5.50 | — |
| TIER I | N. CA: SAN FRANCISCO | 3.75 - 4.25 | ◀▶ | 4.00 - 4.50 | ◀▶ | 4.25 - 4.75 | ◀▶ | 4.25 - 4.75 | ◀▶ | 4.75 - 5.25 | ◀▶ | 4.50 - 5.00 | ◀▶ |
| TIER I | N. CA: SAN JOSE | 4.00 - 4.50 | ◀▶ | 4.00 - 4.75 | ◀▶ | 4.25 - 4.75 | ◀▶ | 4.25 - 5.00 | ◀▶ | 4.50 - 5.00 | ◀▶ | 4.50 - 5.25 | ◀▶ |
| TIER I | NY: N. NEW JERSEY | 4.75 - 5.25 | ◀▶ | 5.75 - 6.25 | ◀▶ | 5.50 - 6.00 | ◀▶ | 6.50 - 7.00 | ◀▶ | — | — | — | — |
| TIER I | NY: STAMFORD | 5.50 - 6.00 | ◀▶ | 6.25 - 6.75 | ◀▶ | 6.25 - 6.75 | ▼ | 6.75 - 7.25 | ▼ | — | — | — | — |
| TIER I | S. CA: INLAND EMPIRE | 4.75 - 5.25 | ◀▶ | 5.00 - 5.50 | ◀▶ | 5.00 - 5.50 | ◀▶ | 5.50 - 6.00 | ◀▶ | 6.00 - 6.50 | ◀▶ | 6.50 - 7.00 | ◀▶ |
| TIER I | S. CA: LOS ANGELES | 3.75 - 4.25 | ▼ | 4.25 - 4.75 | ▼ | 4.25 - 5.25 | ▼ | 4.75 - 5.75 | ▼ | 5.50 - 6.50 | — | 5.75 - 6.75 | — |
| TIER I | S. CA: ORANGE COUNTY | 4.00 - 4.50 | ▲ | 4.75 - 5.25 | — | 4.25 - 5.00 | ◀▶ | 5.25 - 5.75 | — | 5.25 - 5.75 | ◀▶ | 6.25 - 6.75 | — |
| TIER I | S. FL: FORT LAUDERDALE | 4.25 - 5.00 | — | 5.00 - 5.50 | — | 4.75 - 5.00 | — | 5.00 - 5.50 | — | 6.25 - 7.00 | — | 6.75 - 7.50 | — |
| TIER I | S. FL: MIAMI | 4.25 - 4.75 | ▼ | 5.00 - 5.50 | ▼ | 4.50 - 5.00 | ▼ | 5.00 - 5.50 | ▼ | 6.00 - 6.75 | ▼ | 6.75 - 7.50 | ▼ |
| TIER I | S. FL: WEST PALM BEACH | 4.25 - 4.75 | — | 5.00 - 5.50 | — | 4.50 - 5.00 | — | 5.00 - 5.50 | — | 6.00 - 6.75 | — | 6.75 - 7.50 | — |
| TIER I | SEATTLE | 4.50 - 5.00 | ◀▶ | 4.75 - 5.00 | ◀▶ | 5.00 - 5.50 | ◀▶ | 5.25 - 5.75 | ◀▶ | 5.75 - 6.25 | ▼ | 6.00 - 6.50 | ◀▶ |
| TIER I | WASHINGTON, D.C. | 4.50 - 5.25 | ◀▶ | 4.75 - 5.50 | ◀▶ | 5.25 - 5.75 | ◀▶ | 5.75 - 6.50 | ◀▶ | 6.00 - 6.75 | ◀▶ | 6.75 - 7.75 | ◀▶ |

| Tier | Market | Class A: Cap Rates for Stabilized Properties (%) | Class A: Change[1] | Class A: Expected Return on Cost for Value-Add Properties (%) | Class A: Change[1] | Class B: Cap Rates for Stabilized Properties (%) | Class B: Change[1] | Class B: Expected Return on Cost for Value-Add Properties (%) | Class B: Change[1] | Class C: Cap Rates for Stabilized Properties (%) | Class C: Change[1] | Class C: Expected Return on Cost for Value-Add Properties (%) | Class C: Change[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TIER II | AUSTIN | 4.75 - 5.50 | ▲ | 4.75 - 5.25 | ▲ | 5.00 - 6.00 | ▲ | 5.00 - 5.75 | ▲ | 5.50 - 6.50 | ▲ | 5.25 - 6.00 | ◀▶ |
| TIER II | BALTIMORE | 5.00 - 5.50 | ◀▶ | 5.25 - 5.75 | ◀▶ | 5.25 - 5.80 | ◀▶ | 6.75 - 7.25 | ◀▶ | 6.25 - 7.00 | ◀▶ | 8.00 - 8.00 | ◀▶ |
| TIER II | DENVER | 5.00 - 5.50 | ◀▶ | 6.00 - 7.00 | ◀▶ | 5.50 - 6.00 | ◀▶ | 6.75 - 7.50 | ◀▶ | 5.75 - 6.25 | ◀▶ | 7.50 - 9.00 | ◀▶ |
| TIER II | ORLANDO | 4.75 - 5.25 | ◀▶ | — | — | 5.50 - 6.00 | ◀▶ | 6.25 - 6.75 | ▲ | 6.50 - 7.00 | ◀▶ | 7.50 - 8.00 | ◀▶ |
| TIER II | PHILADELPHIA | 4.50 - 5.00 | ▼ | 6.25 - 6.75 | ▼ | 5.50 - 6.00 | ▼ | 6.75 - 7.25 | ▼ | 6.00 - 6.75 | ▼ | 7.25 - 7.75 | ▼ |
| TIER II | PHOENIX | 5.00 - 5.25 | ◀▶ | 6.25 - 6.50 | ◀▶ | 5.00 - 5.50 | ▼ | 6.25 - 6.75 | ▼ | 5.75 - 6.25 | ▼ | 7.00 - 7.50 | ▼ |
| TIER II | SAN DIEGO | 4.00 - 4.50 | ▼ | 4.25 - 4.75 | ◀▶ | 4.75 - 5.25 | ◀▶ | 5.00 - 5.50 | ◀▶ | 5.25 - 5.75 | ◀▶ | 5.50 - 6.00 | ◀▶ |
| TIER II | TAMPA | 4.75 - 5.25 | ◀▶ | 5.25 - 5.75 | ◀▶ | 5.50 - 6.00 | ◀▶ | 6.00 - 6.50 | ◀▶ | 6.50 - 7.00 | ◀▶ | 7.00 - 7.50 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## MULTIFAMILY SUBURBAN | UNITED STATES KEY RATES CONT.

| TIER | MARKET | CLASS A | | | | CLASS B | | | | CLASS C | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%) | CHANGE[1] |
| TIER III | ALBUQUERQUE | 5.50 - 6.00 | ▼ | 6.50 - 7.00 | ◄► | 5.75 - 6.50 | ◄► | 7.00 - 7.50 | ◄► | 6.75 - 7.50 | ◄► | 8.00 - 9.00 | ◄► |
| | CHARLOTTE | 5.00 - 5.25 | ◄► | 5.00 - 5.25 | ◄► | 5.25 - 5.75 | ◄► | 5.25 - 5.75 | ◄► | 6.00 - 6.50 | ◄► | 6.00 - 6.50 | ◄► |
| | CINCINNATI | 5.00 - 6.00 | ▼ | 7.00 - 8.00 | ◄► | 6.25 - 6.75 | ▲ | 8.00 - 9.00 | ▲ | 8.00 - 9.50 | ▲ | 9.00 - 10.00 | ▲ |
| | CLEVELAND | 6.50 - 7.50 | ◄► | 7.50 - 8.50 | ◄► | 6.75 - 7.75 | ◄► | — | — | 8.50 - 10.00 | ▲ | 9.00 - 11.00 | ◄► |
| | COLUMBUS | 5.50 - 6.50 | ◄► | 6.25 - 6.75 | ◄► | 6.50 - 7.50 | ◄► | 7.25 - 7.75 | ◄► | 7.75 - 9.00 | ◄► | 8.75 - 9.25 | ◄► |
| | DETROIT | 6.25 - 7.00 | ◄► | 6.75 - 8.00 | ◄► | 6.75 - 7.50 | ▼ | 7.00 - 8.00 | ▼ | 7.75 - 9.00 | ▼ | 8.75 - 10.00 | ▼ |
| | HONOLULU | — | — | — | — | — | — | — | — | — | — | — | — |
| | INDIANAPOLIS | 5.25 - 5.75 | ◄► | 6.00 - 6.75 | ▼ | 5.75 - 6.25 | ◄► | 6.50 - 7.25 | ▼ | 7.00 - 8.25 | ◄► | 8.00 - 10.00 | ◄► |
| | JACKSONVILLE | 4.25 - 5.25 | ▼ | 5.25 - 6.00 | ◄► | 5.75 - 6.75 | ◄► | 6.25 - 7.00 | ◄► | 6.75 - 7.75 | ◄► | 7.50 - 8.00 | ◄► |
| | KANSAS CITY | 5.25 - 5.50 | ◄► | 5.75 - 6.00 | ◄► | 5.25 - 5.50 | ◄► | 5.75 - 6.00 | ▼ | 6.00 - 6.50 | ▼ | 6.75 - 7.25 | ▼ |
| | LAS VEGAS | 5.00 - 5.25 | ◄► | 5.25 - 5.50 | ◄► | 5.25 - 5.75 | ◄► | 5.50 - 6.00 | ◄► | 6.25 - 7.00 | ◄► | 6.50 - 6.50 | ▼ |
| | MINNEAPOLIS | 5.00 - 5.25 | ◄► | 5.50 - 5.75 | ◄► | 5.25 - 5.75 | ◄► | 6.00 - 6.50 | ◄► | 6.25 - 6.75 | ▲ | 6.50 - 7.00 | ◄► |
| | NASHVILLE | 4.75 - 5.50 | ◄► | 5.75 - 6.25 | ◄► | 5.50 - 6.00 | ◄► | 6.00 - 6.50 | ◄► | 6.00 - 6.50 | ◄► | 6.75 - 7.25 | ◄► |
| | OKLAHOMA CITY | 5.50 - 6.00 | ◄► | 7.50 - 8.00 | ▼ | 5.50 - 6.00 | ▼ | 8.00 - 8.50 | ▼ | 7.50 - 8.50 | ▲ | 8.50 - 9.50 | ▲ |
| | PITTSBURGH | 6.00 - 6.50 | ◄► | 6.50 - 7.00 | ◄► | 6.50 - 7.00 | ◄► | 7.00 - 7.50 | ◄► | 7.50 - 8.00 | ◄► | 8.50 - 9.00 | ◄► |
| | PORTLAND | 4.75 - 5.25 | ◄► | 4.50 - 5.00 | ◄► | 5.00 - 5.50 | ▼ | 4.75 - 5.25 | ▼ | 5.25 - 5.75 | ▼ | 5.00 - 5.50 | ▼ |
| | RALEIGH-DURHAM | 4.75 - 5.25 | ◄► | 4.95 - 5.45 | ◄► | 5.25 - 5.50 | ◄► | 5.50 - 5.75 | ◄► | 6.50 - 7.00 | ◄► | 6.75 - 8.00 | ◄► |
| | RICHMOND | 5.75 - 6.25 | ◄► | 6.25 - 7.00 | ◄► | 6.00 - 7.50 | ◄► | 6.75 - 8.00 | ◄► | 7.25 - 8.50 | ◄► | 8.00 - 10.00 | ◄► |
| | SACRAMENTO | 4.25 - 5.00 | ▼ | 5.00 - 5.50 | ▲ | 5.00 - 5.75 | ◄► | 5.50 - 6.00 | ◄► | 5.75 - 6.25 | ◄► | 6.25 - 7.00 | ◄► |
| | SALT LAKE CITY | 5.00 - 5.50 | ◄► | 5.50 - 5.75 | ◄► | 5.25 - 5.75 | ◄► | 5.75 - 6.25 | ◄► | 6.00 - 6.50 | ◄► | 6.00 - 6.50 | ◄► |
| | SAN ANTONIO | 5.00 - 5.75 | ◄► | 4.75 - 5.50 | ▼ | 5.25 - 6.00 | ◄► | 5.25 - 6.00 | ▼ | 5.75 - 6.50 | ◄► | 5.75 - 6.50 | ▼ |
| | SAINT LOUIS | 5.50 - 5.75 | ◄► | — | — | 6.00 - 6.75 | ◄► | — | — | 7.25 - 8.25 | ◄► | — | — |

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## MULTIFAMILY SUBURBAN | CANADA KEY RATES

### TIER I

SUBURBAN CLASS B (LOW RISE B)

| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
|---|---|---|
| TORONTO | 4.25 - 5.00 | ◀▶ |
| VANCOUVER | 4.25 - 4.75 | ▼ |

### TIER II

SUBURBAN CLASS B (LOW RISE B)

| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
|---|---|---|
| CALGARY | 5.00 - 5.50 | ▲ |
| EDMONTON | 6.00 - 6.50 | ◀▶ |
| MONTREAL | 5.75 - 6.75 | ◀▶ |

### TIER III

SUBURBAN CLASS B (LOW RISE B)

| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
|---|---|---|
| HALIFAX | 5.50 - 5.75 | ▼ |
| KITCHENER - WATERLOO | 6.00 - 6.50 | ◀▶ |
| LONDON - WINDSOR | 6.00 - 7.00 | ◀▶ |
| OTTAWA | 4.75 - 5.50 | ◀▶ |
| WINNIPEG | 5.75 - 6.00 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE.



CBRE

## MULTIFAMILY SUBURBAN | UNITED STATES FORECAST TRENDS

| | | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| TIER I | ATLANTA | Stable | Stable | Stable | Stable | Stable | Stable |
| | BOSTON | Stable | Stable | Stable | Stable | Stable | Stable |
| | CHICAGO | Stable | Stable | Stable | Stable | Stable | Stable |
| | DALLAS/FORT WORTH | Stable | Stable | Stable | Stable | Increase | Stable |
| | HOUSTON | Stable | Stable | Stable | Stable | Stable | Stable |
| | N. CA: OAKLAND | Stable | Stable | Stable | Stable | Stable | Stable |
| | N. CA: SAN FRANCISCO | Stable | Stable | Stable | Stable | Stable | Stable |
| | N. CA: SAN JOSE | Stable | Stable | Stable | Stable | Stable | Stable |
| | NY: N. NEW JERSEY | Stable | Stable | Stable | Stable | Stable | Stable |
| | NY: STAMFORD | Stable | Stable | Stable | Stable | Stable | Stable |
| | S. CA: INLAND EMPIRE | Stable | Stable | Stable | Stable | Stable | Stable |
| | S. CA: LOS ANGELES | Stable | Stable | Stable | Stable | Stable | Stable |
| | S. CA: ORANGE COUNTY | Stable | Stable | Stable | Stable | Stable | Stable |
| | S. FL: FORT LAUDERDALE | Decrease | Decrease | Decrease | Decrease | Decrease | Decrease |
| | S. FL: MIAMI | Decrease | Decrease | Decrease | Decrease | Decrease | Decrease |
| | S. FL: WEST PALM BEACH | Decrease | Decrease | Decrease | Decrease | Decrease | Decrease |
| | SEATTLE | Stable | Stable | Decrease | Decrease | Decrease | Decrease |
| | WASHINGTON, D.C. | Stable | Stable | Stable | Stable | Stable | Stable |

| | | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| TIER II | AUSTIN | Stable | Stable | Stable | Stable | Stable | Stable |
| | BALTIMORE | Stable | Stable | Stable | Stable | Stable | Stable |
| | DENVER | Decrease | Decrease | Stable | Stable | Stable | Stable |
| | ORLANDO | Stable | Stable | Increase | Increase | Increase | Increase |
| | PHILADELPHIA | Decrease | Decrease | Decrease | Decrease | Decrease | Decrease |
| | PHOENIX | Stable | Stable | Stable | Stable | Stable | Stable |
| | SAN DIEGO | Stable | Stable | Stable | Stable | Increase | Increase |
| | TAMPA | Stable | Stable | Stable | Stable | Stable | Stable |

INCREASE

DECREASE

STABLE

— N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.



CBRE

## MULTIFAMILY SUBURBAN | UNITED STATES FORECAST TRENDS CONT.

| | | CLASS A | | CLASS B | | CLASS C | |
|---|---|---|---|---|---|---|---|
| | | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES | CAP RATES FOR STABILIZED PROPERTIES | EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES |
| TIER III | ALBUQUERQUE | Decrease | Decrease | Stable | Stable | Stable | Stable |
| TIER III | CHARLOTTE | Stable | Stable | Increase | Increase | Increase | Increase |
| TIER III | CINCINNATI | Stable | Stable | Increase | Increase | Increase | Increase |
| TIER III | CLEVELAND | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | COLUMBUS | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | DETROIT | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | HONOLULU | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | INDIANAPOLIS | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | JACKSONVILLE | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | KANSAS CITY | Stable | Increase | Stable | Increase | Stable | Increase |
| TIER III | LAS VEGAS | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER III | MINNEAPOLIS | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER III | NASHVILLE | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | OKLAHOMA CITY | Increase | Decrease | Stable | Decrease | Decrease | Stable |
| TIER III | PITTSBURGH | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER III | PORTLAND | Stable | Decrease | Stable | Decrease | Decrease | Decrease |
| TIER III | RALEIGH-DURHAM | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | RICHMOND | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER III | SACRAMENTO | Decrease | Increase | Stable | Stable | Stable | Stable |
| TIER III | SALT LAKE CITY | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER III | SAN ANTONIO | Stable | Stable | Stable | Stable | Decrease | Stable |
| TIER III | SAINT LOUIS | Stable | Stable | Stable | Stable | Stable | Stable |

INCREASE

DECREASE

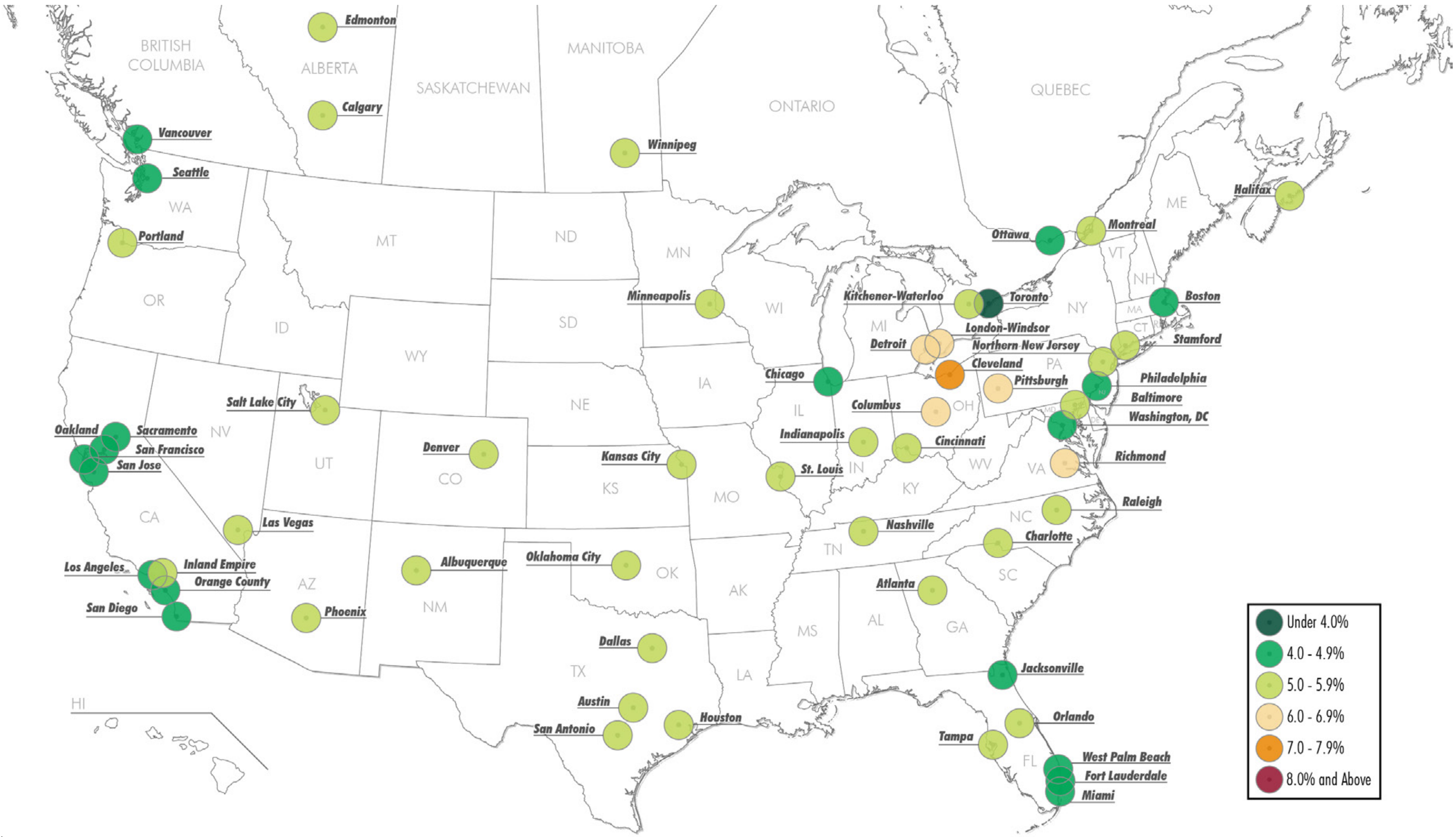
STABLE

— N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

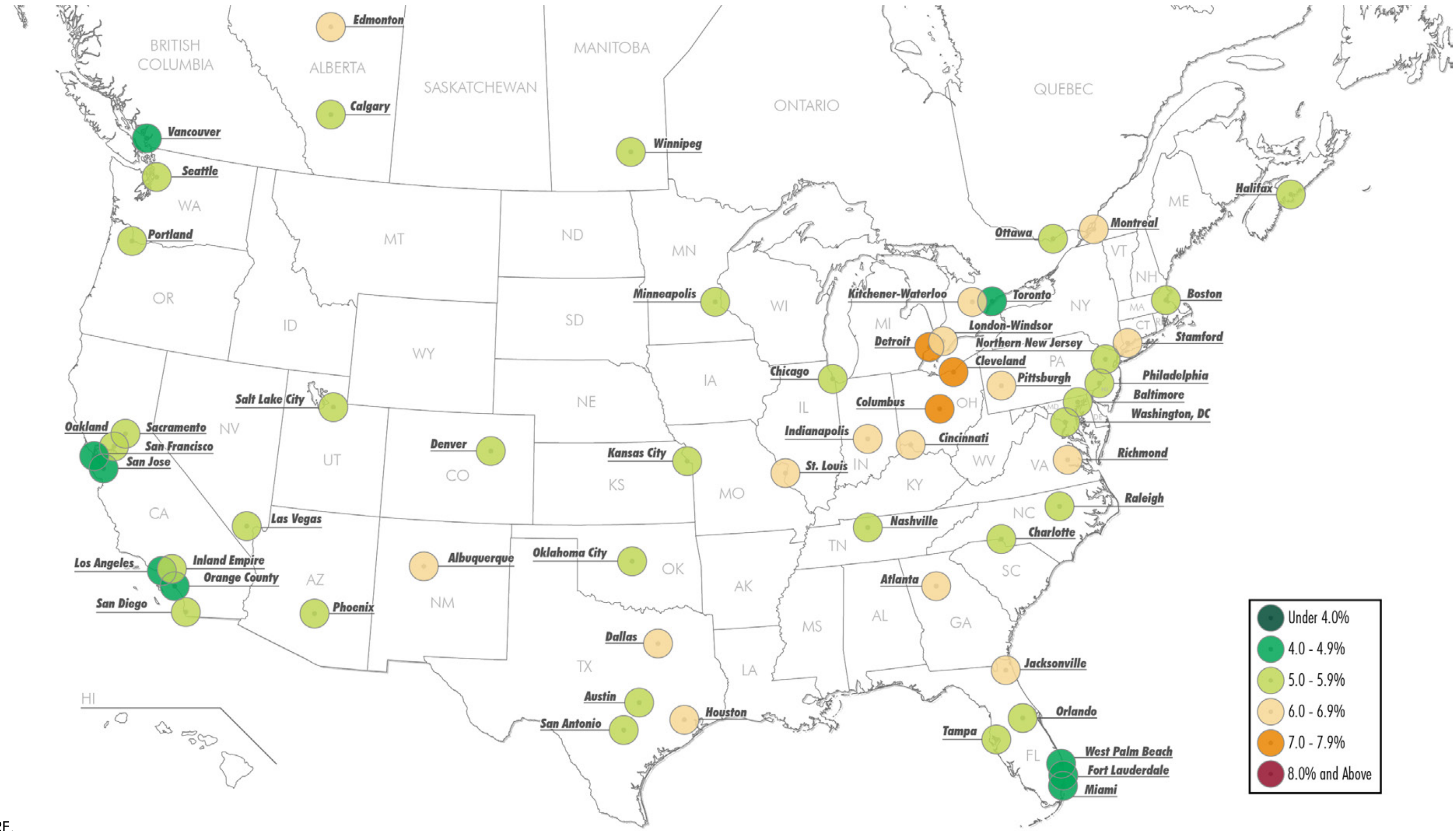
Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## MULTIFAMILY SUBURBAN | CLASS A CAP RATES FOR STABILIZED PROPERTIES




Source: CBRE.

## MULTIFAMILY SUBURBAN | CLASS B CAP RATES FOR STABILIZED PROPERTIES




Source: CBRE.

## HOTEL | OVERVIEW

### CANADA

The hotel markets in British Columbia, Ontario and Quebec—which represent more than 70% of the Canadian industry—performed well in 2015 and are expected to show strong gains in 2016. The Alberta market, which represents approximately 15% of Canadian inventory, has suffered from the resource downturn and some overbuilding, however, is expected to stabilize and has shown hints of a possible recovery in late 2016. In 2015, hotel investors were able to choose from the most diverse range of available product in recent memory, which enticed a deep buyer pool with growing interest from private equity and institutional buyers. We anticipate strong activity and demand for all product types to continue in 2016.

Strong investor demand created downward pressure on hotel cap rates in Vancouver, Toronto and Montreal. Declining hotel cash flows, Alberta, Saskatchewan and other resource dependent markets, resulted in minor cap rate increases as investors reevaluated asset performance potential.

### UNITED STATES | CENTRAL BUSINESS DISTRICT

In contrast to the other property types, the Cap Rate Survey for H2 2015 revealed that U.S. hotel cap rates all trended upward, although the increases were still small. Cap rates for stabilized CBD hotels rose slightly, while full-service and economy properties each climbed 12 bps and 13 bps on average. Changes in cap rates for luxury hotels and for select-service properties were lower at 2 bps and 10 bps, respectively.

The strongest increases for CBD full-service and economy properties were witnessed in Tier I markets, suggesting that pricing in core markets has peaked. The small cap rate increases for all types of CBD hotel assets in Tier I markets provide further evidence of this. Cap rates in Tier II markets reflected essentially stable conditions—all changes were 8 bps or less.

**FIGURE 41. HOTEL CBD - CAP RATES FOR STABILIZED PROPERTIES**

| METRO TIER | CLASS | H1 2015 (%) | H2 2015 (%) | CHANGE (bps) |
|---|---|---|---|---|
| ALL | LUXURY | 6.76 | 6.78 | 2 |
| | FULL-SERVICE | 7.28 | 7.40 | 12 |
| | SELECT-SERVICE | 7.69 | 7.79 | 10 |
| | ECONOMY | 8.77 | 8.90 | 13 |
| I | LUXURY | 6.43 | 6.53 | 10 |
| | FULL-SERVICE | 6.95 | 7.13 | 18 |
| | SELECT-SERVICE | 7.53 | 7.61 | 8 |
| | ECONOMY | 8.48 | 8.72 | 24 |
| II | LUXURY | 6.66 | 6.62 | -4 |
| | FULL-SERVICE | 7.19 | 7.28 | 9 |
| | SELECT-SERVICE | 7.63 | 7.70 | 7 |
| | ECONOMY | 8.90 | 8.85 | -5 |
| III | LUXURY | 7.45 | 7.38 | -7 |
| | FULL-SERVICE | 7.96 | 8.02 | 6 |
| | SELECT-SERVICE | 8.02 | 8.20 | 18 |
| | ECONOMY | 9.19 | 9.33 | 14 |

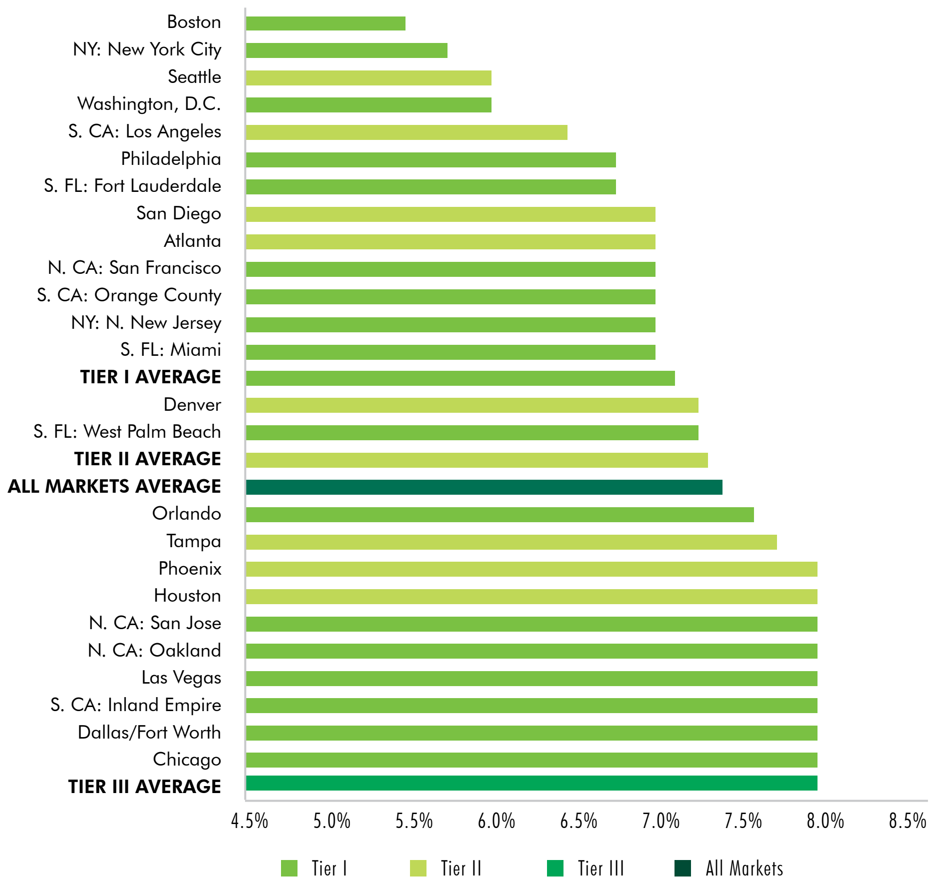
Source: CBRE.

At the market level, only Boston registered decreases for all hotel types, while Miami, Chicago, Houston, the Inland Empire and Oklahoma City witnessed broad-based increases. New York City, with luxury properties trading at 4.25%, is the only market to report a cap rate less than 5%. Boston is the next lowest at 5.50%.

The historical charts reveal the moderate downward movement in hotel cap rates until H1 2015. The historical data by tier shows similar trends. It also reveals compression in cap rates between full-service hotels in Tier I markets and Tier II markets. Part of the explanation for this is the new supply in many Tier I markets, as well as some declines in international tourist traffic due to the relatively strong dollar.

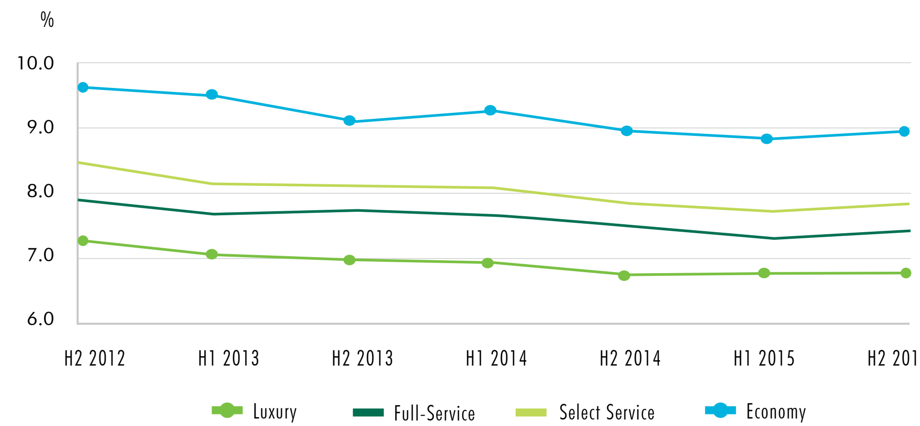
## HOTEL | OVERVIEW CONT.

### FIGURE 42. HOTEL CBD - FULL SERVICE CAP RATES, H2 2015 - TIER I & II METROS



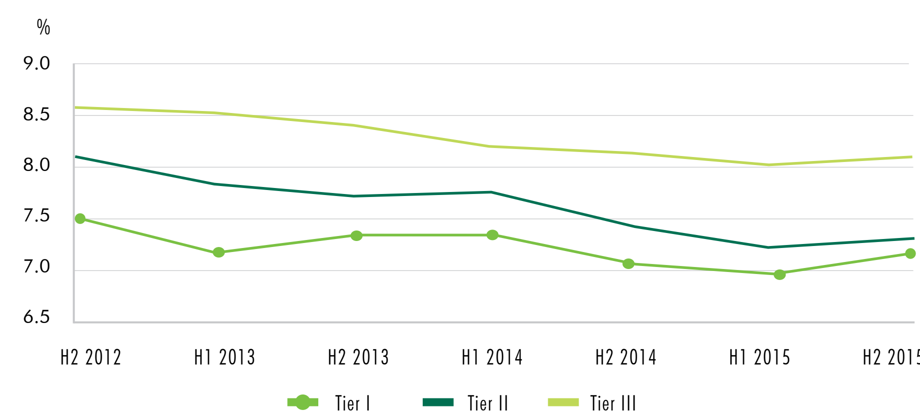

Source: CBRE for stabilized property acquisitions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

### FIGURE 43. HOTEL CBD - HISTORICAL CAP RATES BY HOTEL TYPE




Source: CBRE for stabilized property acquisitions.

### FIGURE 44. HOTEL CBD - HISTORICAL CLASS A FULL-SERVICE CAP RATE BY TIER




Source: CBRE for stabilized property acquisitions.

## HOTEL | OVERVIEW CONT.

Looking ahead over the first half of 2016, CBRE professionals expect no change in the majority of markets. However, almost 50% of markets expect economy properties to see rates rise by up to 25 bps. Houston is the only market anticipating increases greater than 50 bps for any hotel type, but this is isolated to its full- and select-service properties.

### UNITED STATES I SUBURBAN

Stabilized suburban hotels witnessed much stronger cap rate appreciation than their urban counterparts, with rates for every tier and property type moving upward from H1 2015 to H2 2015. These increases were still relatively modest, with most changes less than 25 bps.

The exception occurred among economy hotels, which saw cap rates rise 41 bps in Tier I markets to 9.27%, driving a 25 bps increase at the national level to 9.42%. The source of this movement was largely centered in California, with cap rates for economy hotels in Los Angeles and Orange County up 125 bps. Further, cap rates in San Jose, the Inland Empire and San Francisco were also up 75 bps. Overall, Tier I markets registered the most significant movement compared to other markets. The Tier II luxury and economy segments also registered notable movement, up 23 bps and 24 bps, respectively.

Cap rates rose more than 50 bps for all hotel types in Miami, Houston, Kansas City, San Jose and the Inland Empire. In contrast, Jacksonville was the only market to register widespread decreases, and Cincinnati, Cleveland and Columbus all witnessed cap rate compression of more than 50 bps for select-service and economy properties.

**FIGURE 45. HOTEL SUBURBAN - CAP RATES FOR STABILIZED PROPERTIES**

| METRO TIER | CLASS | H1 2015 (%) | H2 2015 (%) | CHANGE (bps) |
|---|---|---|---|---|
| ALL | LUXURY | 7.19 | 7.39 | 20 |
| | FULL-SERVICE | 7.69 | 7.84 | 15 |
| | SELECT-SERVICE | 8.14 | 8.24 | 10 |
| | ECONOMY | 9.17 | 9.42 | 25 |
| I | LUXURY | 6.97 | 7.22 | 25 |
| | FULL-SERVICE | 7.34 | 7.58 | 24 |
| | SELECT-SERVICE | 7.97 | 8.13 | 16 |
| | ECONOMY | 8.86 | 9.27 | 41 |
| II | LUXURY | 7.04 | 7.27 | 23 |
| | FULL-SERVICE | 7.64 | 7.66 | 2 |
| | SELECT-SERVICE | 7.99 | 8.01 | 2 |
| | ECONOMY | 9.23 | 9.47 | 24 |
| III | LUXURY | 7.70 | 7.84 | 14 |
| | FULL-SERVICE | 8.37 | 8.45 | 8 |
| | SELECT-SERVICE | 8.54 | 8.61 | 7 |
| | ECONOMY | 9.67 | 9.66 | -1 |

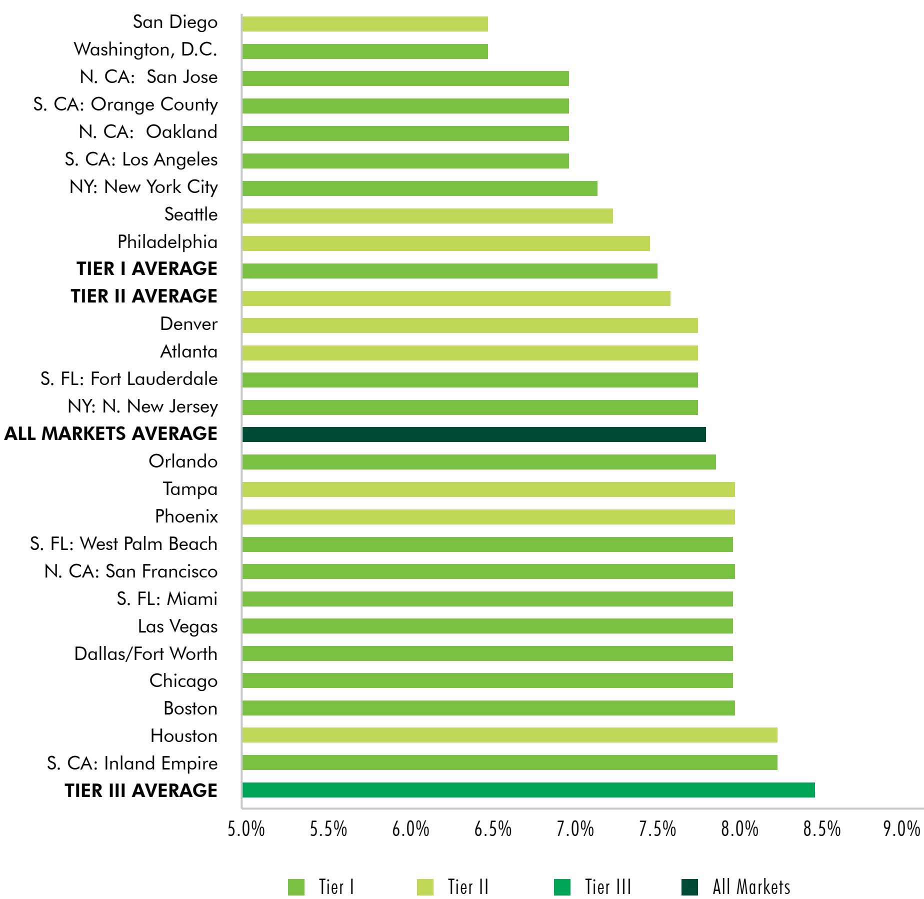
Source: CBRE.

The prominent decline in suburban hotel cap rates in 2014 and H1 2015 are reflected in the historical cap rate charts, along with the recent reversal of those trends. The charts also reveal compression between Tier I and Tier II markets similar to CBD hotels.

Cap rates are expected to rise in about half the markets, however, most less than 25 bps. Cap rates in most of the other suburban markets should remain at current levels.

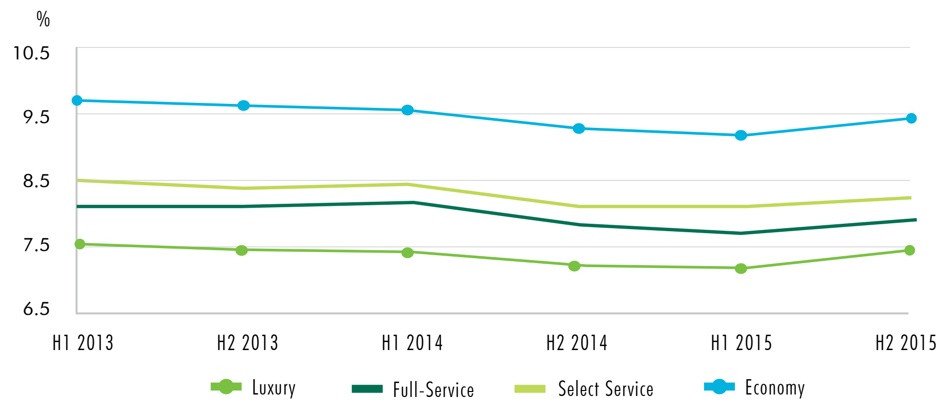
## HOTEL | OVERVIEW CONT.

### FIGURE 46. HOTEL SUBURBAN - FULL-SERVICE CAP RATES, H2 2015 TIER I & II METROS



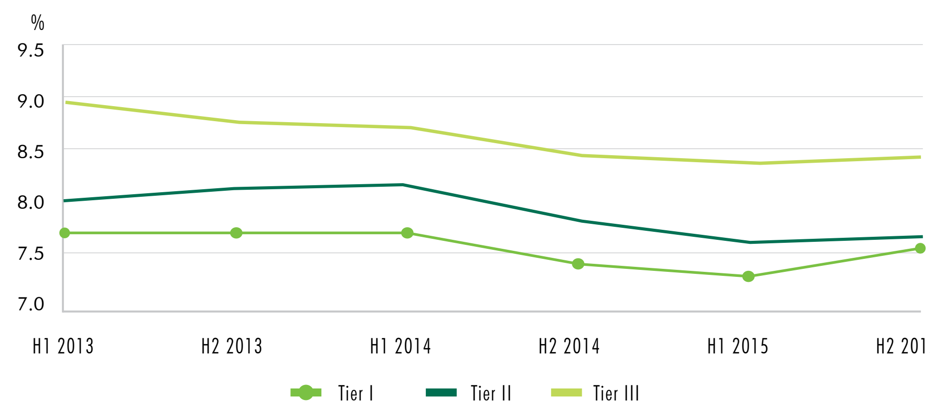

Source: CBRE for stabilized property acquisitions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

### FIGURE 47. HOTEL SUBURBAN - HISTORICAL CAP RATES BY HOTEL TYPE




Source: CBRE for stabilized property acquisitions.

### FIGURE 48. HOTEL SUBURBAN - HISTORICAL FULL-SERVICE CAP RATES BY TIER




Source: CBRE for stabilized property acquisitions.

## HOTEL | OVERVIEW CONT.

### UNITED STATES | HOTEL TIER METHODOLOGY

The set of markets tracked in the North America Cap Rate Survey for H2 2015 are separated into three tiers, analogous to primary, secondary and tertiary markets. Creating tiers allows for deeper understanding of hotel market behavior and trends.

The methodology for determining the tiers has been updated and improved since its introduction in H1 2015. However, consistent with the last survey, the tier methodology remains largely based on the size of market and investment activity. Generally, the larger the market's hotel stock and the larger the amount of investment, the higher the rank in the tier hierarchy.

Specifically, the tier ranking model is based on four principal variables for each metro: population, regional economic size, hotel room inventory and total dollar investment in hotel acquisitions (2001 through Q3 2015). The metros are ranked by each variable, and different weights are applied to compute a weighted average rank. The largest weights, by far, were given to investment volume and market inventory.

The tier methodology is also based on a target split of 20% of metros in Tier I, 20% in Tier II and 60% in Tier III. The final hotel tiers came very close to matching the target proportions.

**FIGURE 49. HOTEL TIERS - METHODOLOGY CRITERIA AND RANGES**

| METRO TIER | INVESTMENT VOLUME 2001-Q3 15 ($B) | INVENTORY Q3 2015 (UNITS 000S) | POPULATION 2014 (M) | GDP 2014 ($B) |
|---|---|---|---|---|
| I | 8 + | 90 + | 5 + | 375 + |
| II | 3 - 8 | 40 - 90 | 3 - 5 | 200 - 375 |
| III | < 3 | < 40 | < 3 | < 200 |

Source: CBRE, U.S. Census Bureau (population), U.S. Bureau of Economic Analysis (GDP), Real Capital Analytics (investment volume), CBRE Econometric Advisors (inventory). All values for metropolitan area.

Market definitions in the tier model are based primarily on the U.S. Census Bureau's combined statistical area (CSA) definitions for large markets and on metropolitan statistical areas (MSAs) for other markets. A CSA combines the core metropolitan statistical area (MSA) with adjacent MSAs which have a high degree of economic and social integration with the core MSA. For example, the Los Angeles CSA is composed of three MSAs—Los Angeles-Long Beach-Anaheim, Riverside-San Bernardino and Oxnard-Thousand Oaks. Four of the large CSAs in the cap rate survey (New York, Los Angeles, San Francisco and Miami) include cap rate data for key MSAs within the CSA, providing greater depth in investment pricing for these very large metropolitan regions. Note that MSAs retain the same tier designation as the CSA to which they belong.

Select from the list below to access the current **key rates**, **forecasts** and **maps**.

HOTEL

U.S. KEY RATES CAN KEY RATES U.S. FORECAST TRENDS MAPS

## HOTEL | UNITED STATES KEY RATES

| | | LUXURY | | | | FULL-SERVICE | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | CBD CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CBD CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| TIER I | BOSTON | 5.00 - 6.00 | ▼ | 6.50 - 7.50 | — | 5.00 - 6.00 | ▼ | 7.50 - 8.50 | ▲ |
| | CHICAGO | 6.25 - 6.75 | ▲ | 7.25 - 8.25 | ▲ | 7.00 - 9.00 | ▲ | 7.50 - 8.50 | ▲ |
| | DALLAS/FORT WORTH | 7.25 - 8.25 | ◀▶ | 7.25 - 8.25 | ◀▶ | 7.50 - 8.50 | ◀▶ | 7.50 - 8.50 | ◀▶ |
| | LAS VEGAS | 7.00 - 8.00 | ◀▶ | 7.00 - 8.00 | ◀▶ | 7.50 - 8.50 | ▲ | 7.50 - 8.50 | ▲ |
| | N. CA: OAKLAND | 7.00 - 8.00 | — | 7.00 - 8.00 | — | 7.50 - 8.50 | — | 6.50 - 7.50 | — |
| | N. CA: SAN FRANCISCO | 5.50 - 6.50 | ▲ | 6.50 - 7.50 | ▲ | 6.50 - 7.50 | ▲ | 7.50 - 8.50 | ▲ |
| | N. CA: SAN JOSE | 7.00 - 8.00 | ▲ | 7.00 - 8.00 | ▲ | 7.50 - 8.50 | ▲ | 6.50 - 7.50 | ▲ |
| | NY: NEW YORK CITY | 3.50 - 5.00 | ◀▶ | 5.50 - 7.00 | ◀▶ | 5.25 - 6.25 | ▲ | 6.25 - 8.00 | ▲ |
| | NY: N. NEW JERSEY | 6.00 - 6.25 | — | 7.00 - 7.50 | — | 6.50 - 7.50 | — | 7.00 - 8.50 | — |
| | ORLANDO | 6.00 - 8.00 | ◀▶ | 6.25 - 8.00 | ◀▶ | 6.75 - 8.50 | ◀▶ | 7.00 - 8.75 | ◀▶ |
| | S. CA: INLAND EMPIRE | 7.50 - 8.50 | ▲ | 7.75 - 8.75 | ▲ | 7.50 - 8.50 | ▲ | 7.75 - 8.75 | ▲ |
| | S. CA: LOS ANGELES | 6.00 - 7.00 | ◀▶ | 6.50 - 7.50 | ▲ | 6.00 - 7.00 | ▼ | 6.50 - 7.50 | ◀▶ |
| | S. CA: ORANGE COUNTY | 6.50 - 7.50 | ▲ | 6.50 - 7.50 | ▲ | 6.50 - 7.50 | ▲ | 6.50 - 7.50 | ◀▶ |
| | S. FL: FORT LAUDERDALE | 5.75 - 6.75 | — | 6.25 - 7.25 | — | 6.25 - 7.25 | — | 7.25 - 8.25 | — |
| | S. FL: MIAMI | 5.75 - 6.75 | ▲ | 6.50 - 7.50 | ▲ | 6.50 - 7.50 | ◀▶ | 7.50 - 8.50 | ▲ |
| | S. FL: WEST PALM BEACH | 5.75 - 7.00 | — | 6.50 - 7.50 | — | 6.75 - 7.75 | — | 7.50 - 8.50 | — |
| | WASHINGTON, D.C. | 5.00 - 6.50 | ◀▶ | 7.00 - 7.50 | ▲ | 5.50 - 6.50 | ▲ | 6.00 - 7.00 | ▼ |

| | | LUXURY | | | | FULL-SERVICE | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | CBD CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CBD CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| TIER II | ATLANTA | 6.00 - 6.75 | ◀▶ | 6.50 - 7.25 | ◀▶ | 6.50 - 7.50 | ◀▶ | 7.25 - 8.25 | ▲ |
| | DENVER | 6.50 - 7.00 | ◀▶ | 7.00 - 7.50 | ◀▶ | 7.00 - 7.50 | ◀▶ | 7.50 - 8.00 | ◀▶ |
| | HOUSTON | 7.00 - 8.00 | ▲ | 7.50 - 8.50 | ▲ | 7.50 - 8.50 | ▲ | 7.75 - 8.75 | ▲ |
| | PHILADELPHIA | 5.75 - 6.25 | ◀▶ | 6.25 - 6.75 | ◀▶ | 6.50 - 7.00 | ◀▶ | 7.25 - 7.75 | ◀▶ |
| | PHOENIX | 6.25 - 7.00 | ▼ | 6.25 - 7.00 | ▼ | 7.50 - 8.50 | ▼ | 7.50 - 8.50 | ▼ |
| | SAN DIEGO | 6.00 - 7.00 | ◀▶ | 8.50 - 9.00 | ▲ | 6.50 - 7.50 | ▲ | 6.00 - 7.00 | ▼ |
| | SEATTLE | 5.50 - 6.00 | ▼ | 6.00 - 7.00 | ▼ | 5.75 - 6.25 | ▼ | 7.00 - 7.50 | ◀▶ |
| | TAMPA | 6.25 - 8.00 | ◀▶ | 6.50 - 8.00 | ◀▶ | 7.00 - 8.50 | ◀▶ | 7.25 - 8.75 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## HOTEL | UNITED STATES KEY RATES CONT.

| | | LUXURY | | | | FULL-SERVICE | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | CBD CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CBD CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| TIER III | ALBUQUERQUE | 7.25 - 7.75 | ◀▶ | 7.75 - 8.25 | ◀▶ | 7.75 - 8.75 | ◀▶ | 8.25 - 9.00 | ◀▶ |
| | AUSTIN | 6.25 - 7.50 | ◀▶ | 6.50 - 7.75 | ◀▶ | 7.00 - 7.50 | ◀▶ | 7.25 - 8.25 | ▲ |
| | BALTIMORE | 6.50 - 7.50 | ▲ | 8.00 - 9.00 | ▲ | 7.00 - 8.00 | ◀▶ | 8.00 - 9.00 | ◀▶ |
| | CHARLOTTE | 6.25 - 8.00 | ◀▶ | 6.25 - 8.00 | ◀▶ | 6.25 - 8.00 | ◀▶ | 6.25 - 8.00 | ◀▶ |
| | CINCINNATI | 7.00 - 8.00 | ◀▶ | 7.00 - 8.00 | ◀▶ | 7.50 - 8.50 | ◀▶ | 8.00 - 9.00 | ◀▶ |
| | CLEVELAND | 7.00 - 8.00 | ◀▶ | 7.00 - 8.00 | ◀▶ | 7.50 - 8.50 | ◀▶ | 8.00 - 9.00 | ◀▶ |
| | COLUMBUS | 7.00 - 8.00 | ◀▶ | 7.00 - 8.00 | ◀▶ | 7.50 - 8.50 | ◀▶ | 8.00 - 9.00 | ◀▶ |
| | DETROIT | 8.00 - 8.50 | ◀▶ | 8.00 - 9.00 | ◀▶ | 8.00 - 9.00 | ◀▶ | 8.50 - 9.50 | ◀▶ |
| | HONOLULU | 5.00 - 6.50 | — | — | — | — | — | 7.00 - 9.00 | — |
| | INDIANAPOLIS | 7.00 - 8.50 | ◀▶ | 8.00 - 9.50 | ◀▶ | 7.00 - 10.00 | ◀▶ | 8.00 - 10.50 | ◀▶ |
| | JACKSONVILLE | 6.50 - 8.00 | ▼ | 6.75 - 8.00 | ▼ | 7.25 - 8.50 | ▼ | 7.50 - 8.75 | ▼ |
| | KANSAS CITY | 7.50 - 8.50 | ▲ | 8.00 - 8.75 | ▲ | 8.00 - 9.25 | ▲ | 8.25 - 9.50 | ▲ |
| | MINNEAPOLIS | 6.25 - 7.75 | ▲ | 6.75 - 7.75 | ▲ | 6.25 - 8.25 | ▲ | 7.25 - 9.25 | ▲ |
| | NASHVILLE | 7.00 - 7.50 | ◀▶ | — | — | 7.00 - 8.00 | ◀▶ | 7.50 - 8.50 | ◀▶ |
| | OKLAHOMA CITY | 7.50 - 8.50 | ▲ | 8.00 - 8.75 | ◀▶ | 8.00 - 9.25 | ▲ | 8.25 - 9.50 | ▲ |
| | PITTSBURGH | 6.00 - 7.00 | ▼ | 6.50 - 7.50 | ◀▶ | 7.50 - 8.50 | ◀▶ | 7.50 - 8.50 | ◀▶ |
| | PORTLAND | 6.75 - 7.25 | ◀▶ | 7.00 - 7.50 | ◀▶ | 6.75 - 7.25 | ▼ | 7.25 - 7.75 | ◀▶ |
| | SACRAMENTO | — | — | — | — | 8.50 - 9.50 | ▲ | 9.50 - 10.50 | ▲ |
| | SALT LAKE CITY | 5.75 - 7.75 | ◀▶ | 6.50 - 8.50 | ◀▶ | 7.75 - 8.50 | ◀▶ | 8.00 - 9.00 | ◀▶ |
| | SAN ANTONIO | 7.75 - 8.75 | ◀▶ | 7.75 - 8.75 | ◀▶ | 8.00 - 9.00 | ◀▶ | 8.00 - 9.00 | ◀▶ |
| | SAINT LOUIS | 7.00 - 9.00 | ◀▶ | 7.50 - 9.50 | ◀▶ | 7.50 - 10.50 | ◀▶ | 8.00 - 10.50 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## HOTEL | UNITED STATES KEY RATES CONT.

| | | SELECT-SERVICE | | | | ECONOMY | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | CBD CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CBD CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| TIER I | BOSTON | 5.50 - 6.50 | ▼ | 7.50 - 8.50 | ▲ | 5.00 - 6.00 | — | 8.00 - 9.50 | ▼ |
| | CHICAGO | 7.75 - 8.75 | ▲ | 7.50 - 8.50 | ▲ | 8.25 - 10.25 | ▲ | 8.75 - 10.75 | ▲ |
| | DALLAS/FORT WORTH | 7.25 - 8.25 | ◀▶ | 7.25 - 8.25 | ◀▶ | 8.25 - 10.75 | ◀▶ | 8.25 - 10.25 | ◀▶ |
| | LAS VEGAS | 8.00 - 9.00 | ◀▶ | 8.00 - 9.00 | ◀▶ | 9.00 - 10.00 | ▲ | 9.00 - 10.00 | ▲ |
| | N. CA: OAKLAND | 8.00 - 10.00 | — | 7.50 - 8.50 | — | 9.00 - 11.00 | — | 9.00 - 11.00 | — |
| | N. CA: SAN FRANCISCO | 7.50 - 8.50 | ▲ | 9.00 - 10.00 | ▲ | 8.00 - 10.00 | ◀▶ | 9.00 - 11.00 | ▲ |
| | N. CA: SAN JOSE | 8.00 - 10.00 | ▲ | 7.50 - 8.50 | ▲ | 9.00 - 11.00 | ◀▶ | 9.00 - 11.00 | ▲ |
| | NY: NEW YORK CITY | 5.50 - 7.25 | ▲ | 7.25 - 8.75 | ▲ | 6.50 - 7.75 | ▲ | 8.25 - 10.25 | ▲ |
| | NY: N. NEW JERSEY | 7.50 - 8.50 | — | 8.50 - 9.00 | — | 7.50 - 9.00 | — | 8.50 - 10.00 | — |
| | ORLANDO | 8.00 - 9.50 | ◀▶ | 8.25 - 10.00 | ◀▶ | 9.50 - 10.75 | ◀▶ | 9.50 - 11.00 | ◀▶ |
| | S. CA: INLAND EMPIRE | 7.50 - 8.50 | ▲ | 7.75 - 8.75 | ▲ | 8.50 - 9.00 | ▲ | 8.50 - 9.00 | ▲ |
| | S. CA: LOS ANGELES | 6.00 - 7.00 | ▼ | 6.50 - 7.50 | ▼ | 8.50 - 9.00 | ▲ | 8.50 - 9.00 | ▲ |
| | S. CA: ORANGE COUNTY | 6.50 - 7.50 | ◀▶ | 6.50 - 7.50 | ▼ | 8.50 - 9.00 | ▲ | 8.50 - 9.00 | ▲ |
| | S. FL: FORT LAUDERDALE | 7.25 - 8.25 | — | 7.75 - 8.75 | — | 8.25 - 9.25 | — | 8.75 - 9.50 | — |
| | S. FL: MIAMI | 7.00 - 8.00 | ◀▶ | 8.00 - 9.00 | ▲ | 8.50 - 9.50 | ▲ | 8.75 - 9.50 | ▲ |
| | S. FL: WEST PALM BEACH | 7.25 - 8.25 | — | 8.00 - 9.00 | — | 8.50 - 9.50 | — | 8.75 - 9.50 | — |
| | WASHINGTON, D.C. | 6.00 - 7.00 | ◀▶ | 7.50 - 8.00 | ▲ | 6.50 - 7.50 | ▲ | 7.50 - 8.50 | ▲ |

| | | SELECT-SERVICE | | | | ECONOMY | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | CBD CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CBD CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| TIER II | ATLANTA | 7.75 - 8.50 | ◀▶ | 8.00 - 8.75 | ◀▶ | 8.00 - 8.75 | ◀▶ | 8.75 - 9.50 | ◀▶ |
| | DENVER | 7.50 - 8.00 | ◀▶ | 8.00 - 8.50 | ▲ | 8.50 - 9.00 | ◀▶ | 9.00 - 9.50 | ◀▶ |
| | HOUSTON | 7.25 - 8.25 | ▲ | 7.75 - 8.75 | ▲ | 8.25 - 11.00 | ▲ | 8.50 - 11.00 | ▲ |
| | PHILADELPHIA | 7.00 - 8.00 | ◀▶ | 7.50 - 8.00 | ▼ | 8.50 - 9.00 | ▼ | 9.50 - 10.00 | ◀▶ |
| | PHOENIX | 7.50 - 8.50 | ▼ | 7.50 - 8.50 | ▼ | 9.50 - 11.00 | ◀▶ | 9.50 - 11.00 | ◀▶ |
| | SAN DIEGO | 6.50 - 7.50 | ◀▶ | 6.00 - 7.00 | ▼ | 6.50 - 7.50 | ▼ | 8.50 - 9.00 | ▲ |
| | SEATTLE | 6.00 - 6.50 | ▼ | 7.25 - 8.00 | ◀▶ | 7.50 - 8.50 | ◀▶ | 8.25 - 9.25 | ◀▶ |
| | TAMPA | 8.00 - 9.50 | ◀▶ | 8.50 - 10.00 | ◀▶ | 9.50 - 10.75 | ◀▶ | 9.50 - 11.00 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## HOTEL | UNITED STATES KEY RATES CONT.

| | | SELECT-SERVICE | | | | ECONOMY | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | CBD CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CBD CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| TIER III | ALBUQUERQUE | 8.00 - 8.75 | ◄► | 8.50 - 9.00 | ◄► | 9.00 - 9.75 | ◄► | 9.00 - 9.75 | ◄► |
| | AUSTIN | 6.50 - 7.50 | ◄► | 7.00 - 8.00 | ▲ | 7.75 - 10.25 | ◄► | 8.25 - 10.75 | ▲ |
| | BALTIMORE | 7.00 - 8.00 | ▼ | 8.50 - 9.50 | ▲ | 7.50 - 9.00 | ▲ | 8.00 - 9.50 | ▲ |
| | CHARLOTTE | 6.50 - 8.50 | ◄► | 6.50 - 8.50 | ◄► | 8.00 - 10.00 | ◄► | 8.00 - 10.00 | ◄► |
| | CINCINNATI | 8.00 - 9.00 | ▲ | 8.00 - 9.00 | ▼ | 8.50 - 9.50 | ▼ | 9.50 - 10.50 | ▼ |
| | CLEVELAND | 8.00 - 9.00 | ▲ | 8.00 - 9.00 | ▼ | 8.50 - 9.50 | ▼ | 9.50 - 10.50 | ▼ |
| | COLUMBUS | 8.00 - 9.00 | ▲ | 8.00 - 9.00 | ▼ | 8.50 - 9.50 | ▼ | 9.50 - 10.50 | ▼ |
| | DETROIT | 8.50 - 9.50 | ◄► | 8.75 - 10.00 | ◄► | 9.50 - 11.00 | ◄► | 9.50 - 11.00 | ◄► |
| | HONOLULU | — | — | 8.50 - 11.00 | — | — | — | 9.50 - 12.00 | — |
| | INDIANAPOLIS | 7.50 - 9.00 | ◄► | 8.00 - 10.00 | ◄► | 9.00 - 11.00 | ◄► | 9.50 - 11.50 | ◄► |
| | JACKSONVILLE | 8.25 - 9.50 | ▼ | 8.50 - 9.50 | ▼ | 9.50 - 10.75 | ▼ | 9.50 - 10.75 | ▼ |
| | KANSAS CITY | 7.75 - 8.75 | ◄► | 8.00 - 9.00 | ▲ | 9.00 - 11.00 | ▼ | 9.25 - 11.50 | ◄► |
| | MINNEAPOLIS | 7.25 - 8.75 | ▲ | 7.75 - 9.75 | ▲ | 7.25 - 9.75 | ▲ | 8.25 - 10.25 | ▲ |
| | NASHVILLE | 7.50 - 8.50 | ◄► | 8.00 9.00 | ◄► | — | — | 8.50 - 9.50 | ◄► |
| | OKLAHOMA CITY | 7.75 - 8.75 | ▲ | 8.00 - 9.00 | ▲ | 9.00 - 11.00 | ▲ | 9.25 - 11.50 | ▲ |
| | PITTSBURGH | 8.00 - 9.00 | ◄► | 7.50 - 8.50 | ◄► | 8.50 - 9.50 | ◄► | 8.50 - 9.50 | ◄► |
| | PORTLAND | 7.25 - 7.75 | ◄► | 7.50 - 8.00 | ◄► | 8.25 - 8.75 | ▲ | 8.50 - 9.00 | ▲ |
| | SACRAMENTO | 8.50 - 9.50 | ▲ | 10.00 - 11.00 | ▲ | 9.00 - 11.00 | ◄► | 9.00 - 11.00 | ◄► |
| | SALT LAKE CITY | 6.75 - 7.75 | ◄► | 7.00 - 8.00 | ◄► | 7.75 - 8.75 | ◄► | 8.00 - 9.00 | ◄► |
| | SAN ANTONIO | 7.75 - 8.75 | ◄► | 7.75 - 8.75 | ◄► | 8.75 - 11.00 | ◄► | 8.75 - 11.00 | ◄► |
| | SAINT LOUIS | 8.00 - 10.00 | ◄► | 8.00 - 10.00 | ◄► | 9.00 - 10.00 | ◄► | 9.00 - 10.00 | ◄► |

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## HOTEL | CANADA KEY RATES

### TIER I

| | CBD FULL-SERVICE | | SUBURBAN SELECT (LIMITED) SERVICE | |
|---|---|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| TORONTO | 6.00 - 7.00 | ▼ | 7.00 - 8.50 | ▼ |
| VANCOUVER | 6.00 - 7.00 | ▼ | 7.00 - 8.00 | ▼ |

### TIER II

| | CBD FULL-SERVICE | | SUBURBAN SELECT (LIMITED) SERVICE | |
|---|---|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| CALGARY | 7.75 - 8.75 | ◀▶ | 9.25 - 10.25 | ◀▶ |
| EDMONTON | 7.75 - 8.75 | ◀▶ | 10.00 - 10.50 | ◀▶ |
| MONTREAL | 7.50 - 8.50 | ◀▶ | 9.00 - 10.00 | ▼ |

### TIER III

| | CBD FULL-SERVICE | | SUBURBAN SELECT (LIMITED) SERVICE | |
|---|---|---|---|---|
| | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] | CAP RATES FOR STABILIZED PROPERTIES (%) | CHANGE[1] |
| HALIFAX | 8.75 - 9.75 | ◀▶ | 9.50 - 10.50 | ◀▶ |
| KITCHENER - WATERLOO | 8.25 - 9.00 | ◀▶ | 8.50 - 9.00 | ◀▶ |
| LONDON - WINDSOR | 8.25 - 9.00 | ▼ | 8.50 - 9.50 | ▼ |
| OTTAWA | 7.00 - 8.00 | ▼ | 8.25 - 9.00 | ▼ |
| WINNIPEG | 8.00 - 9.00 | ◀▶ | 9.50 - 10.50 | ◀▶ |

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

[1]Compared to H1 2015. Changes less than 15 bps considered stable.

Source: CBRE.



CBRE

## HOTEL | UNITED STATES FORECAST TRENDS

| | | LUXURY | | FULL-SERVICE | | SELECT-SERVICE | | ECONOMY | |
|---|---|---|---|---|---|---|---|---|---|
| | | CBD CAP RATES FOR STABILIZED PROPERTIES | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES | CBD CAP RATES FOR STABILIZED PROPERTIES | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES | CBD CAP RATES FOR STABILIZED PROPERTIES | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES | CBD CAP RATES FOR STABILIZED PROPERTIES | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES |
| TIER I | BOSTON | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER I | CHICAGO | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER I | DALLAS/FORT WORTH | Decrease | Decrease | Decrease | Decrease | Decrease | Decrease | Decrease | Decrease |
| TIER I | LAS VEGAS | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER I | N. CA: OAKLAND | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER I | N. CA: SAN FRANCISCO | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER I | N. CA: SAN JOSE | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER I | NY: NEW YORK CITY | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER I | NY: N. NEW JERSEY | Stable | Increase | Stable | Increase | Stable | Increase | Stable | Increase |
| TIER I | ORLANDO | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER I | S. CA: INLAND EMPIRE | Increase | Increase | Stable | Stable | Stable | Increase | Increase | Increase |
| TIER I | S. CA: LOS ANGELES | Stable | Stable | Stable | Stable | Stable | Increase | Increase | Increase |
| TIER I | S. CA: ORANGE COUNTY | Stable | Stable | Stable | Stable | Stable | Increase | Increase | Increase |
| TIER I | S. FL: FORT LAUDERDALE | Stable | Increase | Stable | Increase | Stable | Increase | Stable | Increase |
| TIER I | S. FL: MIAMI | Decrease | Increase | Stable | Increase | Stable | Increase | Stable | Increase |
| TIER I | S. FL: WEST PALM BEACH | Decrease | Increase | Stable | Increase | Stable | Increase | Stable | Increase |
| TIER I | WASHINGTON, D.C. | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable |

| | | LUXURY | | FULL-SERVICE | | SELECT-SERVICE | | ECONOMY | |
|---|---|---|---|---|---|---|---|---|---|
| | | CBD CAP RATES FOR STABILIZED PROPERTIES | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES | CBD CAP RATES FOR STABILIZED PROPERTIES | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES | CBD CAP RATES FOR STABILIZED PROPERTIES | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES | CBD CAP RATES FOR STABILIZED PROPERTIES | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES |
| TIER II | ATLANTA | Stable | Increase | Stable | Increase | Stable | Stable | Stable | Stable |
| TIER II | DENVER | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| TIER II | HOUSTON | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER II | PHILADELPHIA | Stable | Stable | Stable | Decrease | Stable | Decrease | Stable | Stable |
| TIER II | PHOENIX | Stable | Stable | Stable | Stable | Stable | Increase | Stable | Stable |
| TIER II | SAN DIEGO | Stable | Stable | Stable | Stable | Stable | Increase | Increase | Increase |
| TIER II | SEATTLE | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| TIER II | TAMPA | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable |

INCREASE   DECREASE   STABLE   — N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## HOTEL | UNITED STATES FORECAST TRENDS CONT.

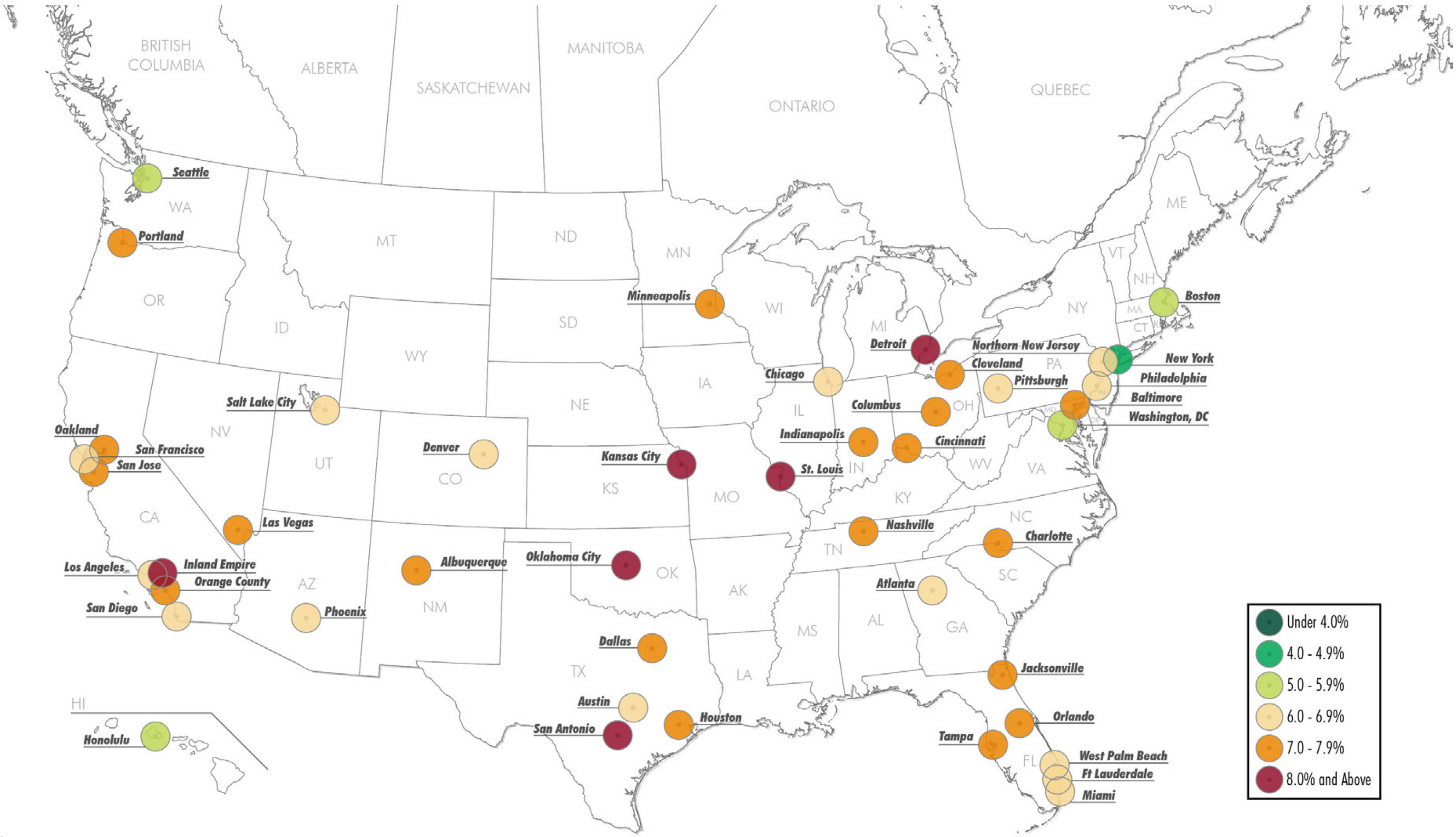
| | | LUXURY | | FULL-SERVICE | | SELECT-SERVICE | | ECONOMY | |
|---|---|---|---|---|---|---|---|---|---|
| | | CBD CAP RATES FOR STABILIZED PROPERTIES | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES | CBD CAP RATES FOR STABILIZED PROPERTIES | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES | CBD CAP RATES FOR STABILIZED PROPERTIES | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES | CBD CAP RATES FOR STABILIZED PROPERTIES | SUBURBAN CAP RATES FOR STABILIZED PROPERTIES |
| TIER III | ALBUQUERQUE | Stable | Stable | Stable | Stable | Increase | Increase | Increase | Increase |
| | AUSTIN | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| | BALTIMORE | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | CHARLOTTE | Decrease | Decrease | Decrease | Decrease | Decrease | Decrease | Decrease | Decrease |
| | CINCINNATI | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | CLEVELAND | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | COLUMBUS | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | DETROIT | Decrease | Decrease | Decrease | Stable | Decrease | Stable | Increase | Increase |
| | HONOLULU | Stable | Stable | Increase | Increase | Increase | Increase | Increase | Increase |
| | INDIANAPOLIS | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| | JACKSONVILLE | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | KANSAS CITY | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| | MINNEAPOLIS | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| | NASHVILLE | Increase | — | Increase | Increase | Increase | Increase | Increase | Increase |
| | OKLAHOMA CITY | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| | PITTSBURGH | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |
| | PORTLAND | Stable | Stable | Stable | Stable | Stable | Stable | Increase | Increase |
| | SACRAMENTO | Increase | Increase | Increase | Increase | Increase | Increase | Stable | Stable |
| | SALT LAKE CITY | Stable | Stable | Stable | Stable | Stable | Stable | Stable | Stable |
| | SAN ANTONIO | Stable | Increase | Stable | Increase | Stable | Increase | Stable | Decrease |
| | SAINT LOUIS | Increase | Increase | Increase | Increase | Increase | Increase | Increase | Increase |

INCREASE | DECREASE | STABLE | — N/A

[1]Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2016.

Source: CBRE. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

## HOTEL | CBD LUXURY CAP RATES FOR STABILIZED PROPERTIES

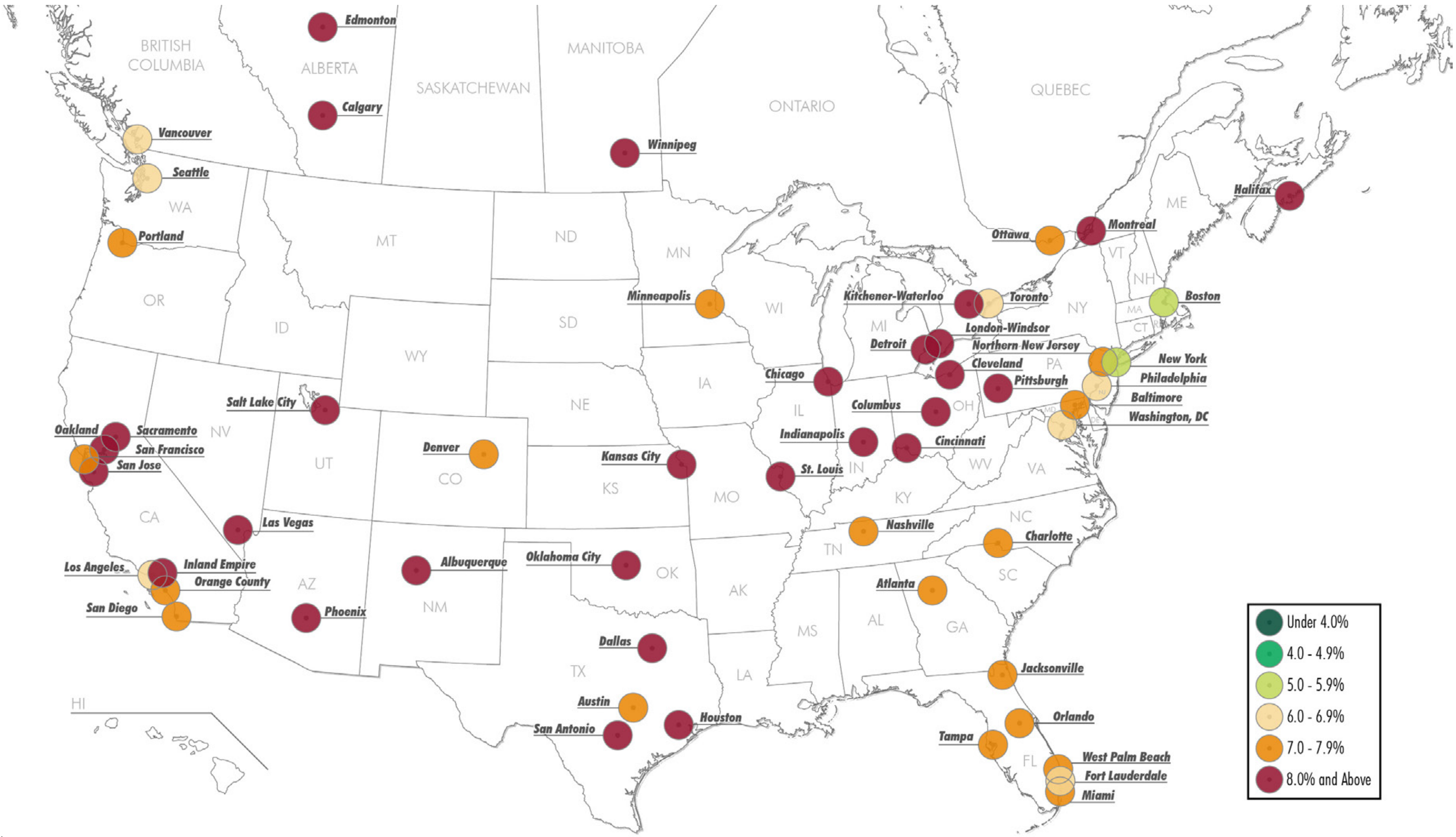



Source: CBRE.



CBRE

## HOTEL | CBD FULL-SERVICE CAP RATES FOR STABILIZED PROPERTIES

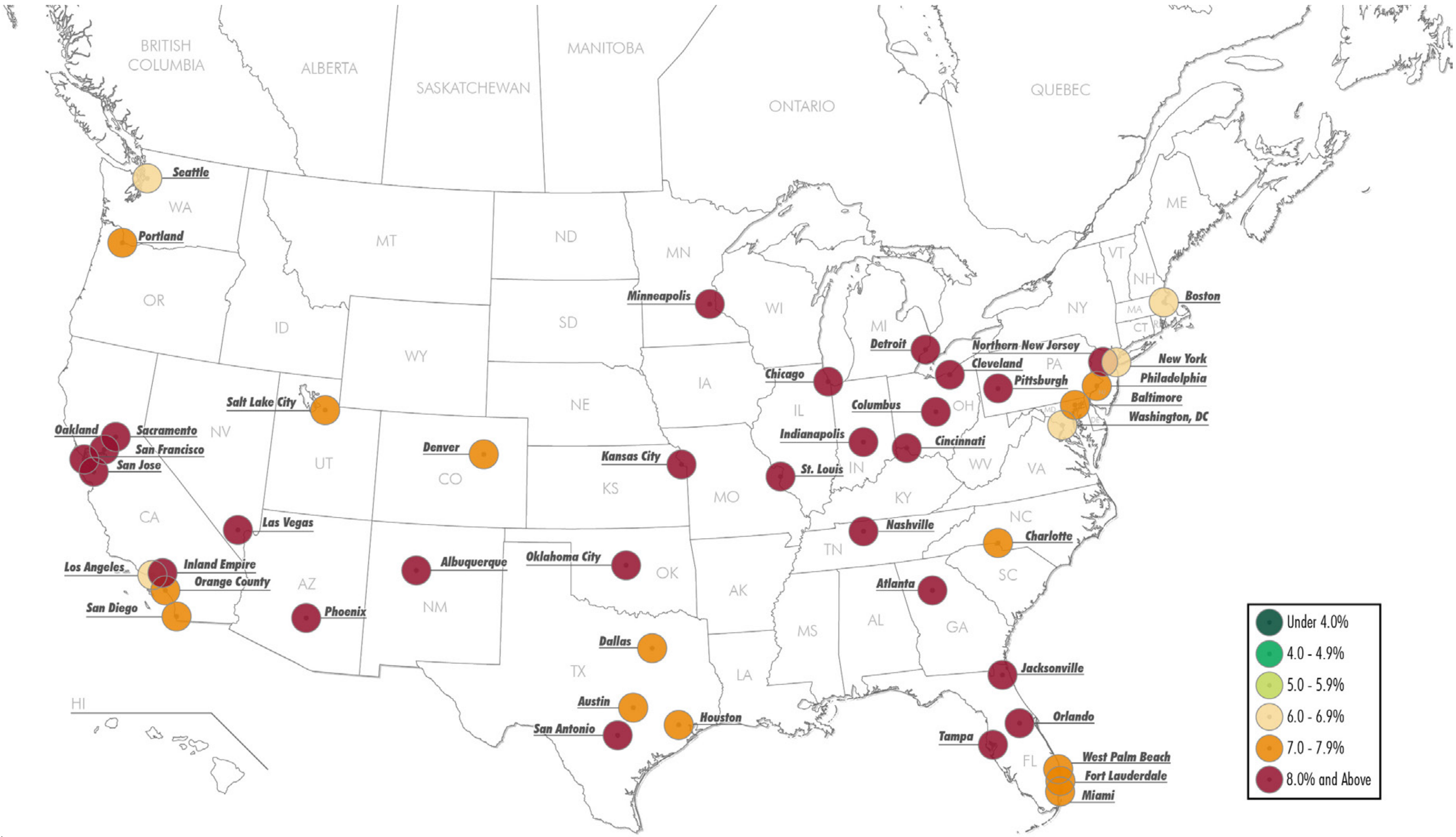



Source: CBRE.



CBRE

## HOTEL | CBD SELECT-SERVICE CAP RATES FOR STABILIZED PROPERTIES




Source: CBRE.

## APPENDIX | DEFINITIONS

**Capitalization Rates (Cap Rates) for Stabilized Properties**

Cap rate ranges are best estimates provided by CBRE professionals based on recent trades in their respective markets as well as communications with investors. The ranges represent the cap rates at which a given asset is likely to trade in the current market. Cap rates within each subtype will vary, occasionally falling outside the stated ranges, based on asset location, quality and property-specific opportunities for NOI enhancement.

Stabilized properties (vs. value-add) are assets leased at market rents with typical market lease terms, and have vacancy levels close to market averages.

The cap rate is the ratio of the net operating income (NOI) to the acquisition price of the asset (NOI divided by acquisition price) as shown in the following examples. The NOI calculation is based on net income less operating expenses. For all property types, except multifamily, the first year projected net rental income is used for the income calculation. For multifamily assets, the trailing 90-day income (annualized) is used in the cap rate calculation.

### CAP RATE CALCULATION EXAMPLE - OFFICE, INDUSTRIAL, RETAIL AND HOTEL (Based on 100,000 sq. ft. asset)

| | | $/SQ. FT./YEAR | TOTAL |
|---|---|---|---|
| PURCHASE PRICE | | $200.00 | $20,000,000 |
| NET OPERATING INCOME (NOI) | | | |
| INCOME | | | |
| Potential Rental Income (Year 1 of holding period) | | 21.00 | 2,100,000 |
| Vacancy | 8.00% | (1.68) | (168,000) |
| Credit Loss | 1.00% | (0.21) | (21,000) |
| NET RENTAL INCOME | | 19.11 | 1,911,000 |
| OTHER INCOME | | | |
| Parking | | 0.67 | 67,000 |
| Other Income | | 0.08 | 8,000 |
| Expense Reimbursements | | 2.44 | 244,000 |
| EFFECTIVE GROSS INCOME | | 22.30 | 2,230,000 |
| OPERATING EXPENSES (Estimated year 1 of holding period) | | 9.62 | 962,000 |
| NET OPERATING INCOME (NOI) | | $12.68 | $1,268,000 |
| CAP RATE (NOI divided by purchase price) | | | 6.3% |

Source: CBRE.

Click here for more detailed calculations for each property type.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## APPENDIX | DEFINITIONS CONT.

### CAP RATE CALCULATION EXAMPLE - MULTIFAMILY
**(Based on 125-unit community)**

| | $/UNIT/YEAR | TOTAL |
|---|---|---|
| PURCHASE PRICE | $80,000 | $10,000,000 |
| NET OPERATING INCOME (NOI) | | |
| EFFECTIVE GROSS INCOME (Trailing 90-day income annualized) | 7,015 | 876,875 |
| OPERATING EXPENSES (Estimated year 1 of holding period) | 2,577 | 322,125 |
| NET OPERATING INCOME (NOI) | $4,438 | $554,750 |
| CAP RATE (NOI divided by purchase price) | | 5.5% |

Source: CBRE.

Click here for more detailed calculations for each property type.

**Expected Return on Cost for Value-Add Properties**

Expected returns on cost are best estimates provided by CBRE professionals based on recent trades in their respective markets as well as communications with investors. The ranges represent the expected returns for value-add assets after the property improvements have been made and the property has been leased to market levels (occupancy and rent). Returns on cost within each subtype can vary widely depending, in particular, on the extent of the capital improvements and upgrades made on the asset. The expected return on cost is the ratio of the net operating income (NOI) at stabilization to the total investment in the property (to stabilization) as shown in the following examples.

Value-add assets are properties which have below market rents and/or higher-than-average vacancy levels. They are properties which are acquired with the intention of making physical improvements or bringing more effective property management to significantly improve property performance and create value.



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## APPENDIX | DEFINITIONS CONT.

### EXPECTED RETURN ON COST FOR VALUE-ADD ACQUISITIONS CALCULATION EXAMPLE - OFFICE, RETAIL, INDUSTRIAL AND HOTEL (Based on 100,000 sq. ft. asset)

| | | $/SQ. FT./YEAR | TOTAL |
|---|---|---|---|
| PURCHASE PRICE | | $100 | $10,000,000 |
| NET OPERATING INCOME (NOI) AT STABILIZATION | | | |
| INCOME | | | |
| Potential Rental Income | | 20.00 | 2,000,000 |
| Vacancy | 8.00% | (1.60) | (160,000) |
| Credit Loss | 1.00% | (0.20) | (20,000) |
| NET RENTAL INCOME | | 18.20 | 1,820,000 |
| OTHER INCOME | | | |
| Parking Income | | 0.67 | 67,000 |
| Other Income | | 0.08 | 8,000 |
| Expense Reimbursements | | 2.44 | 244,000 |
| EFFECTIVE GROSS INCOME AT STABILIZATION | | 21.39 | 2,139,000 |
| OPERATING EXPENSES | | 9.62 | 962,000 |
| NET OPERATING INCOME (NOI) AT STABILIZATION | | 11.77 | 1,177,000 |
| INVESTMENT IN PROPERTY | | | |
| PURCHASE PRICE | | 100.00 | 10,000,000 |
| CAPITAL EXPENDITURES (Including TIs and commissions) | | 31.00 | 3,100,000 |
| TOTAL INVESTMENT THROUGH STABILIZATION | | $131.00 | $13,100,000 |
| EXPECTED RETURN ON COST (NOI at stabilization divided by total investment through stabilization) | | | 9.0% |

Source: CBRE.

### EXPECTED RETURN ON COST FOR VALUE-ADD ACQUISITIONS CALCULATION EXAMPLE - MULTIFAMILY (Based on 125-unit community)

| | | $/UNIT/YEAR | TOTAL |
|---|---|---|---|
| PURCHASE PRICE | | $28,000 | $3,500,000 |
| NET OPERATING INCOME (NOI) AT STABILIZATION | | | |
| INCOME | | | |
| Potential Rental Income | | 7,015 | 876,875 |
| Vacancy | 8.00% | (561) | (70,150) |
| ADJUSTED RENTAL INCOME | | 6,454 | 806,725 |
| Vacancy | 10.00% | (645) | (80,673) |
| Credit Loss | 1.00% | (65) | (8,067) |
| EFFECTIVE GROSS INCOME AT STABILIZATION | | 5,744 | 717,985 |
| OPERATING EXPENSES (Including reserves) | | 3,500 | 437,500 |
| NET OPERATING INCOME (NOI) AT STABILIZATION | | 2,244 | 280,485 |
| INVESTMENT IN PROPERTY | | | |
| PURCHASE PRICE | | 28,000 | 3,500,000 |
| CAPITAL EXPENDITURES THROUGH STABILIZATION | | 5,200 | 650,000 |
| TOTAL INVESTMENT THROUGH STABILIZATION | | $33,200 | $4,150,000 |
| EXPECTED RETURN ON COST (NOI at stabilization divided by total investment through stabilization) | | | 6.8% |

Source: CBRE.

Click here for more detailed calculations for each property type.

## APPENDIX | DEFINITIONS CONT.

**CBD**
Central business district or downtown.

**Class AA**
The best quality assets in the most desirable locations, fully leased, or near fully leased, at or above market rents, to tenants of acceptable credit to investors of high quality real estate, on lease terms also acceptable to the same. Typically the top 5-10 Class A properties in a given market.

**Class A**
Properties competing for higher-quality tenants/residents, with above-average rental rates for the area, along with high-quality finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

**Class B**
Buildings competing for a wide range of tenants/residents, with rents in the average range for the area. Building finishes are fair to good for the area and the systems are adequate, but the building does not compete with Class A in terms of price.

**Class C**
Buildings competing for tenants/residents requiring functional space at rents below the average for the area.

**Suburban**
The portion of a metropolitan area that is outside the city center with a less concentrated population and typically lower density land use than is typically found in the metro's urban areas.

**Value-add**
Properties which have below market rents and/or higher-than-average vacancy levels. Value-add assets are assets acquired with the intention of significantly improving market performance and creating value through capital improvements and better management.

### RETAIL-SPECIFIC DEFINITIONS

**High Street**
The primary walkable retail shopping thoroughfare in the premiere location of an urban submarket, serving as a focal point for high-end shops and luxury retailers.

**Neighborhood/Community Center (Grocery Anchored)**
Open-air retail center that is anchored by a grocery store and, in the case of community centers, a second major retail anchor. Size range from 75,000 to 350,000 square feet.

**Power Center**
Open-air retail center typically occupied by large-format, big-box and value-oriented retailers, with very limited small-shop tenant space. Size range from 100,000 square feet to over 600,000 square feet.

### MULTIFAMILY-SPECIFIC DEFINITIONS

**Infill**
Multifamily properties that are typically located in the denser parts of metropolitan areas. They represent higher density product—mid-rise and high-rise—and are most commonly found in mature neighborhoods close to the city center. Infill multifamily product can also be found in higher density suburban neighborhoods.

**Suburban**
In addition to being located in the suburbs, properties that are typically garden style construction and lower density than infill.

## APPENDIX | DEFINITIONS CONT.

### HOTEL-SPECIFIC DEFINITIONS

**Economy**

Hotel properties priced at 40% or less than average room rates, according to Smith Travel Research (STR). Economy (also budget) properties, both chain-affiliated and independent, are generally compatible with the STR chain scale 'Economy'.

**Full-Service**

Hotel properties typically having more than 150 rooms, room service, an on-site restaurant, and concierge service. Full-service properties, both chain-affiliated and independent, are generally compatible with the STR chain scales 'Upper Upscale' and 'Upscale'.

**Luxury**

Hotel chains that are priced in the top 15% in terms of average annual room rates, according to STR. Luxury properties, both chain-affiliated and independent, are generally compatible with the STR chain scale 'Luxury'.

**Select-Service**

Hotel properties typically having less than 150 rooms, no room service, no on-site restaurant, and no concierge service. Select-Service properties, both chain-affiliated and independent, are generally compatible with the STR chain scales 'Upper Midscale' and 'Midscale'. Generally equivalent to limited-service properties in Canada.

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