

Q1 2018 CHARTBOOK
**STATE OF THE
REAL ESTATE
MARKET**

ABOUT RCLCO

Since 1967, RCLCO has been the “first call” for real estate developers, investors, the public sector, and non-real estate companies and organizations seeking strategic and tactical advice regarding property investment, planning, and development. RCLCO leverages quantitative analytics and a strategic planning framework to provide end-to-end business planning and implementation solutions at an entity, portfolio, or project level.

With the insights and experience gained over 50 years and thousands of projects—touching over \$5B of real estate activity each year—RCLCO brings success to all product types across the United States and around the world.



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Each quarter, RCLCO releases our Chartbook on the State of the U.S. Real Estate Market, detailing industry trends and key takeaways. These reports feature an overview of market performance and investment fundamentals for residential, office, retail, industrial, and hotels.

**If you are viewing this on your computer or tablet,
click or tap on the bar to the right of every page to
jump to the beginning of each section.**

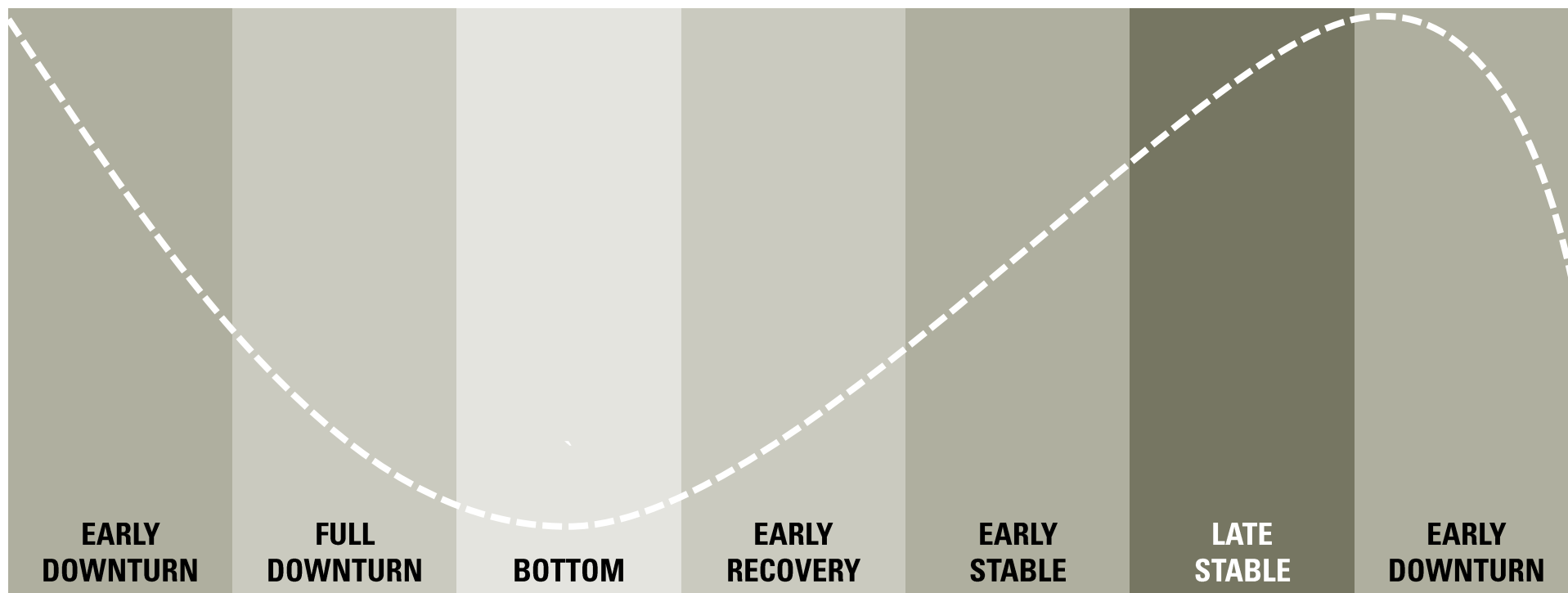


POINT OF VIEW FOR REAL ESTATE

Current and near-term outlook (as of May 2018)

Since we last issued our Chartbook, the U.S. Congress approved a generous \$1.3 trillion spending bill, unemployment dropped below 4%, the stock market has flirted with bear territory, and the 10-year Treasury surpassed 3% for the first time since 2013. News continues to break and the 24-hour news cycle is there to cover it, but the story of real estate during the last quarter has, thankfully, been fairly boring. **As we've stated for the last several quarters, real estate continues to be in a "late stable" stage of the market cycle for most property types in most geographies.**

We assume these "late stable" conditions endure throughout 2018, and potentially into 2019/2020. Supply is a concern in some markets and some property types, but not as much as in previous cycles. As we discuss below, interest rate and cap rate increases raise potential risks, but our "base case" doesn't anticipate significant spikes in either. Moderating operating performance and flattening/increasing cap rates make it increasingly difficult to coast toward sufficient returns, necessitating focus on market and operating fundamentals.



POINT OF VIEW FOR REAL ESTATE

Thoughts on the impacts of increasing interest rates

Real estate investors have been paying attention to the recent rate increases for U.S. Treasury bills, with the 10-year hovering around 3.0% for the past few weeks. These increases likely reflect investor worries about inflation, caused by potentially excessive economic stimulus at this point in the cycle, and for the real estate industry, may portend similar increases to borrowing rates, and perhaps cap rates. Interest rates have been steadily increasing for the past two years, yet cap rates have largely been flat for the past year. Low interest rates have given real estate investors a spring in their step; compressing cap rates have helped them float on air. Changes in both, especially a reverse to the past 16 years of cap rate compression, would drag us all unceremoniously back down to earth.

Many have for years now been inaccurately predicting interest and cap rate increases, but, perhaps like the broken clock that is correct twice a day, we think their time is approaching. Interest rates are increasing and inflation fears provide good reason for them to continue to do so. In an industry as heavily leveraged as real estate, rising rates have an impact on what investors can afford to pay for properties—suggesting that as the costs of borrowing go up, the price of real estate assets goes down.

However, we think these impacts will ultimately be modest: even as (or if) interest rates continue to steadily increase, cap rates are likely to remain flat or grow only modestly, for two primary reasons. First, spreads between cap rates and Treasuries have been above the long-term average for most of this cycle, only hitting their average differential in recent weeks. These relationships are, of course, complex and not clearly correlated, but history suggests that spreads can get much narrower late in the cycle and stay this way for years. Second, we continue to see unprecedented amounts of capital searching for real estate investments. This “dry powder” represents demand for deals that outpaces supply of them—and this should maintain a floor for pricing for the near- to medium-term.

The more interesting, and likely relevant, phenomena are the growing spreads in cap rates among markets and product types. Over the past 20 years, and especially since 2010, the valuation metric for real estate has gone from relative uniformity across geographies or property types—a spread from low and high of 50-100 bps—to much greater divergence in how assets are valued, with spreads that are three times wider today. We think this change is due to greater appreciation on the part of investors for property market fundamentals: the impacts on investment performance of things like lease terms and who pays for property maintenance, as well as long-term, structural changes, such as how we shop, work, or travel.

This suggests, therefore, that success in real estate investing requires redoubling the focus on what has always mattered most: 1) investing in locations and products most likely to address long-term demand and 2) operating them effectively. A truly “invisible hand” sets cap rates, but we have control over where we invest and how effectively our real estate assets generate income. Moreover, the divergence in valuations suggests that investing with a focus on long-term market and operating fundamentals (the primary factors driving income returns) may also positively impact valuation (or appreciation returns), as, over time, more investors perceive the benefits of certain property types or geographies—and value them more generously.

PROPERTY MARKETS SHORT-TERM OUTLOOK

First quarter data demonstrates that multifamily apartments, CBD office, and hospitality investments continue to hover around “peak” conditions, while other property types continue their steady marches toward maturity at varying paces. Only retail is following a unique trajectory given changing consumer behavior and preferences and the impacts of e-commerce; market fundamentals have steadily improved during this cycle due to very limited construction, but demand from retailers seems very uncertain—leading investors to pause while the proverbial knife continues to drop.

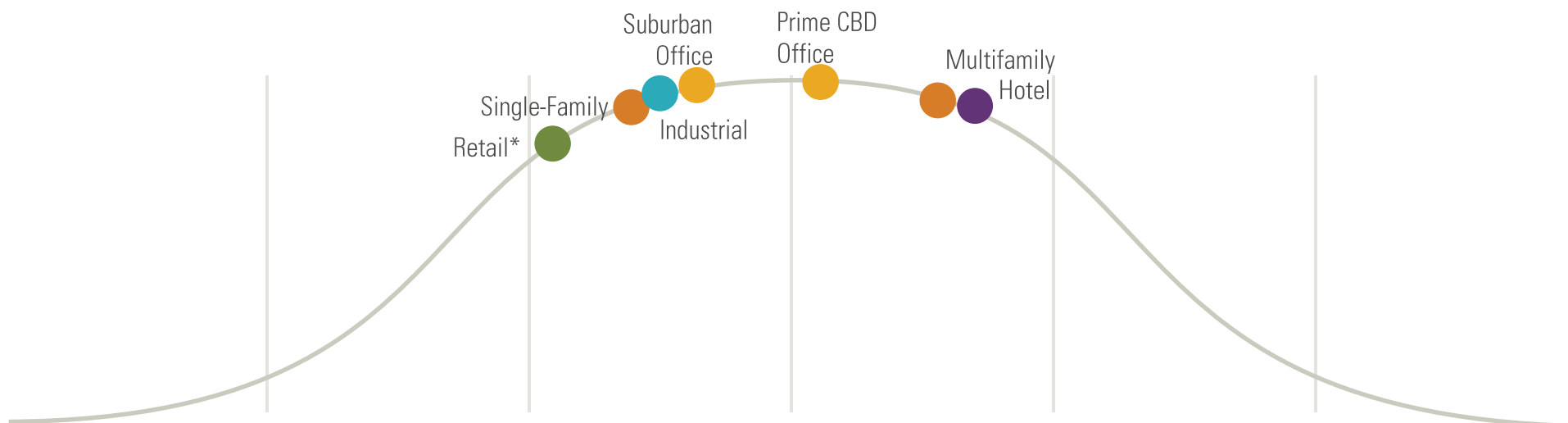
MULTIFAMILY: Thanks to new deliveries, vacancies are slightly above long-term averages in most markets, but absorption and transaction flow remain high.

OFFICE: In 1Q 2018, new deliveries exceeded absorption for the fifth straight quarter. Markets with strong tech sectors are experiencing the most growth—but will have to absorb significant upcoming supply.

RETAIL: Once again, limited construction activity is propping up neighborhood and community retail performance. Transaction volume was at its lowest since Q1 2013 and, anecdotally, is focused on higher quality centers.

INDUSTRIAL: Industrial remains the healthiest major property sector, though construction is catching up with demand. This is unlikely to be problematic given high occupancies nationwide and likely continued demand.

HOTEL: Q1 2018 occupancy and RevPAR exceed those of Q1 2017, and ADR remains above peak levels. Although limited service cap rates remain unchanged, full-service cap rates fell sharply, likely driven by the large increase in transaction volume.



CAPITAL MARKETS OUTLOOK

Real estate capital market conditions remain largely unchanged over the past 12 months:

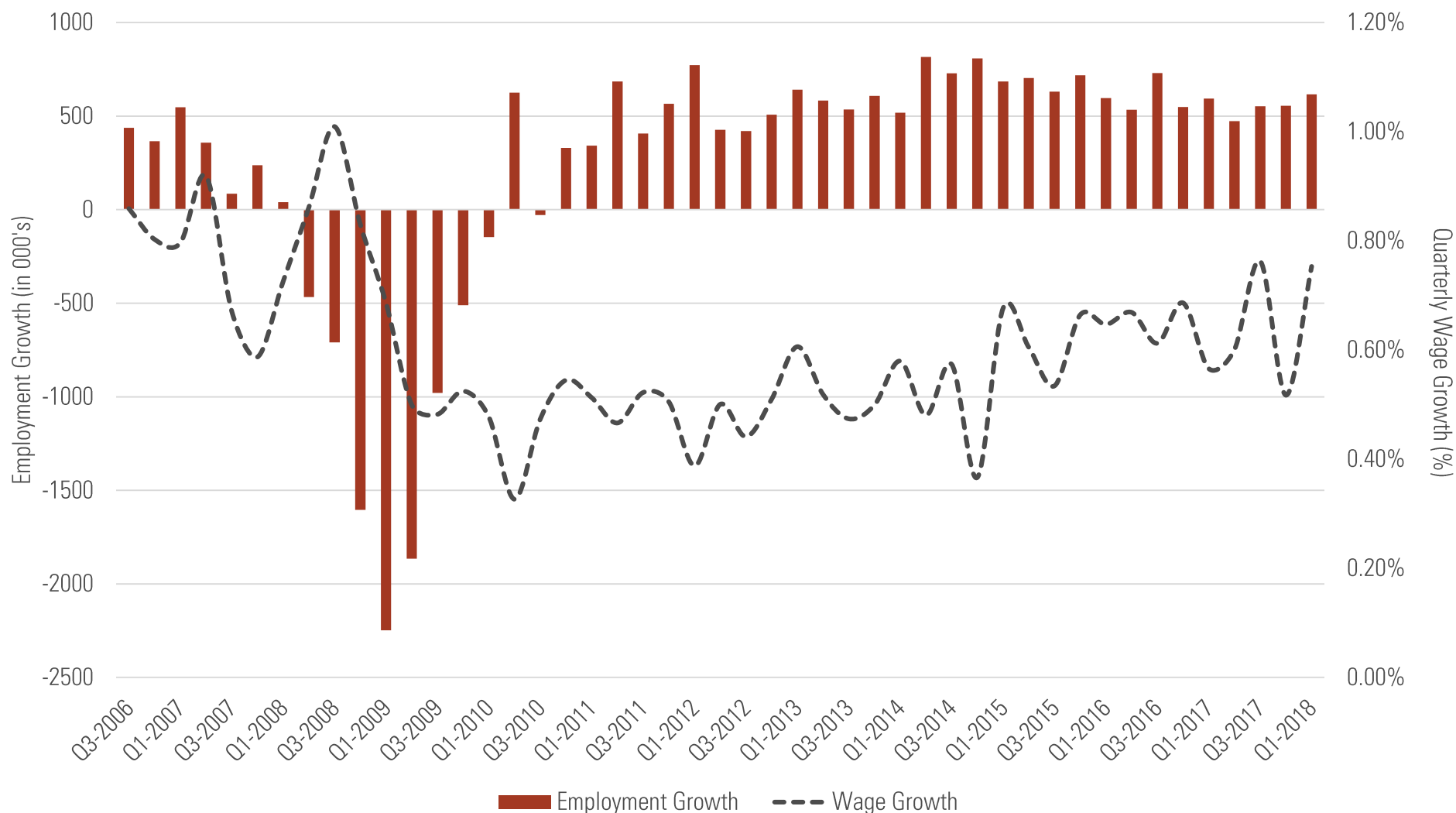
- **Equity**— Transaction volume in 1Q 2018 exceeded the relatively strong transaction volume of 1Q 2017, potentially fueled by expectations of a longer cycle thanks to fiscal stimulus (tax breaks and federal government spending). With record levels of “dry powder” raised, however, investors generally struggle to find a sufficient number of attractive opportunities to deploy equity. Pricing for assets with perceived strong operating fundamentals continues to be high, though moderating performance and rising interest rates appear to be neutralizing pressure on asset prices going forward, and fundraising has slowed.
- **Debt**— Debt continues to be available from a variety of sources, at generally attractive terms for borrowers, but was pricier in 1Q 2018—especially floating rate debt tied to Libor. Interest rates continue to rise as central banks notch borrowing rates up and lenders anticipate inflation, and this may intensify as a result of the new tax law and budget deal—further tapping the brakes on asset pricing.



STRONG EMPLOYMENT GROWTH CONTINUES

Strong Q1 2018 wage growth, on top of 8 years of recovery, has prompted inflation fears

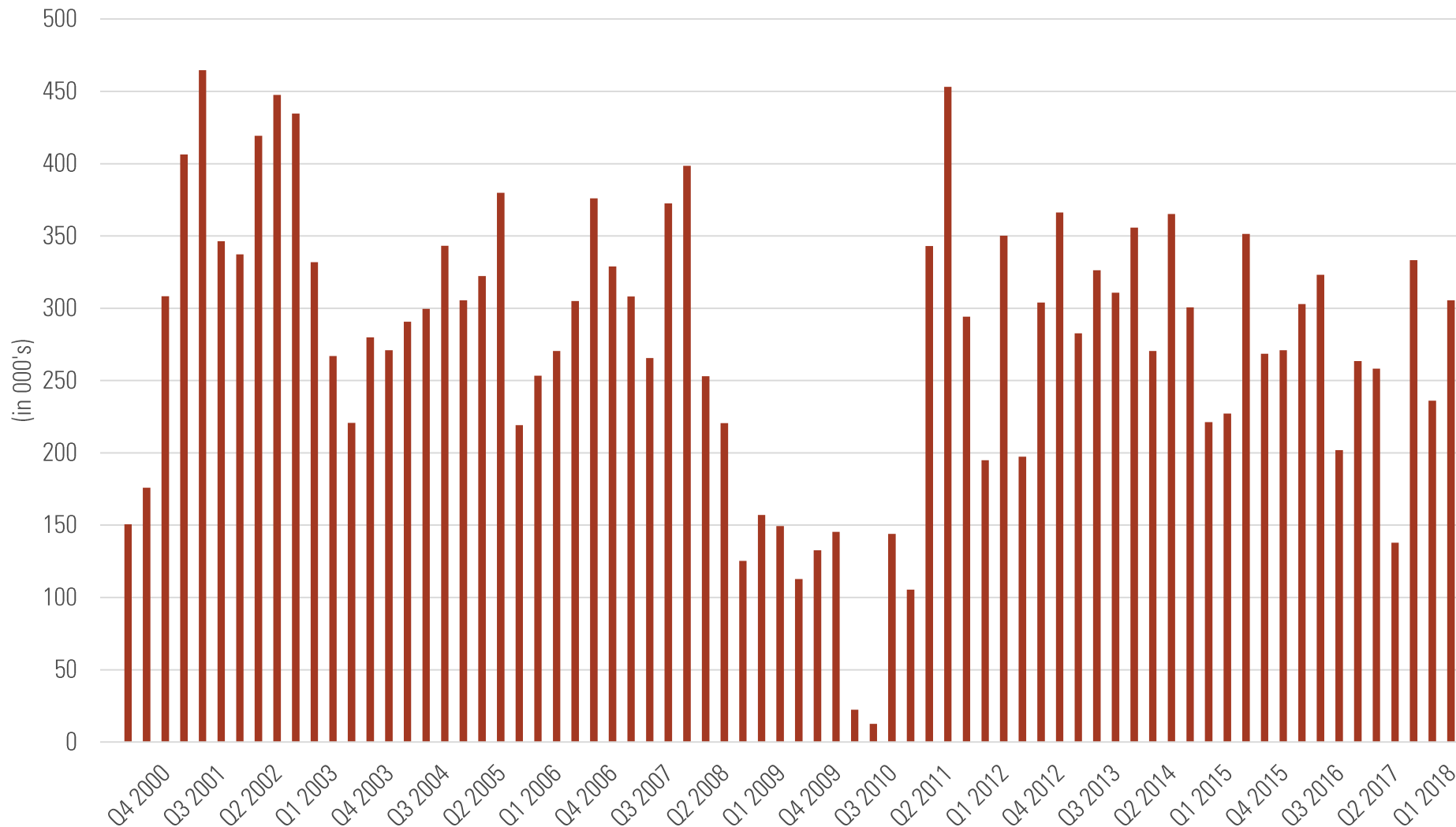
U.S. Employment Growth vs. Quarterly Wage Growth
2006-Q1 2018



HOUSEHOLD FORMATION STAYS STEADY

More than one million households formed over the past year

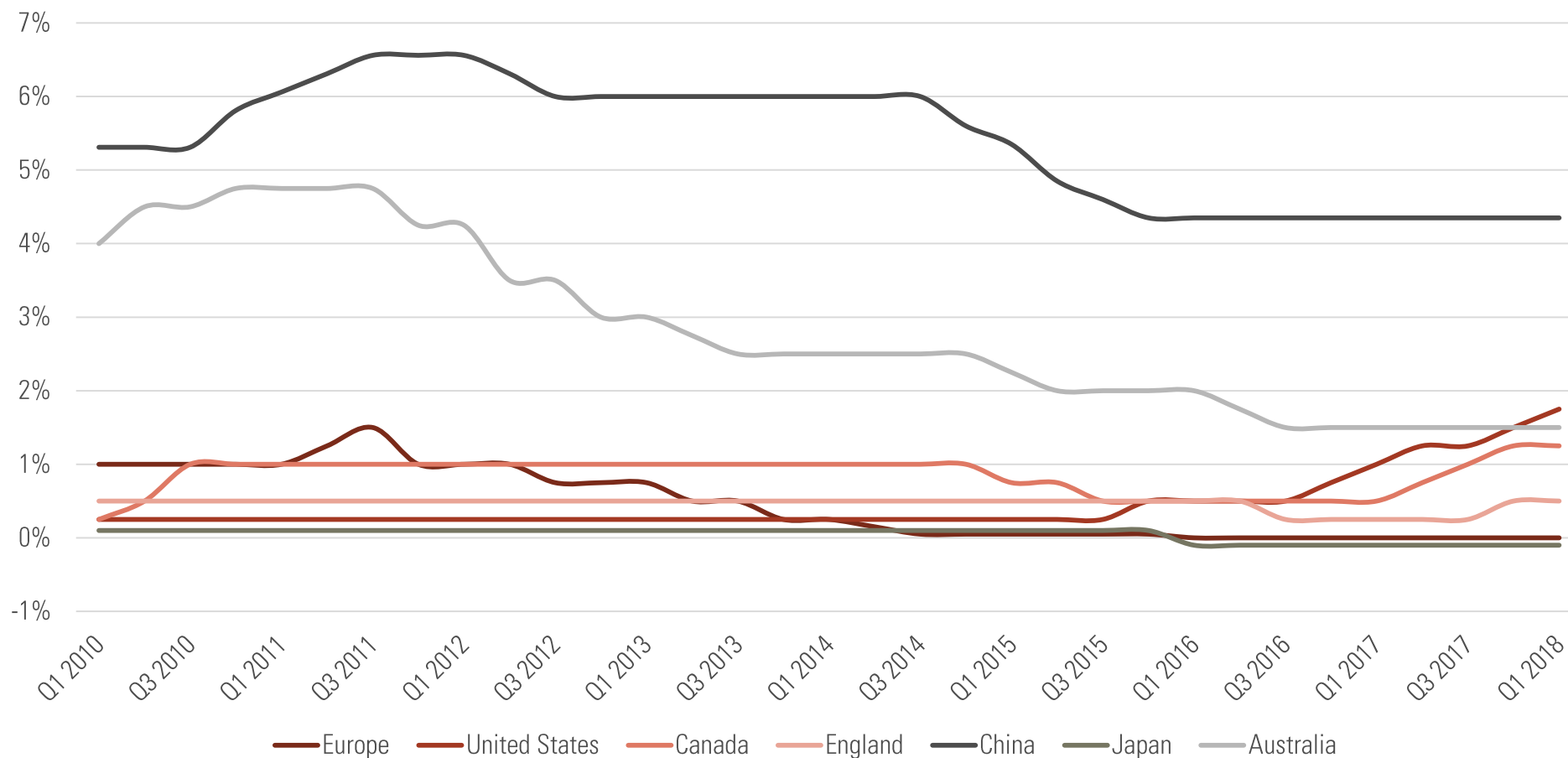
U.S. Household Formation
2000 - Q1 2018



FED FUNDS RATE CONTINUES TO INCREASE

Trying to manage inflation pressures; globally and from a historical perspective, monetary policy is still relatively loose

Central Bank Interest Rates

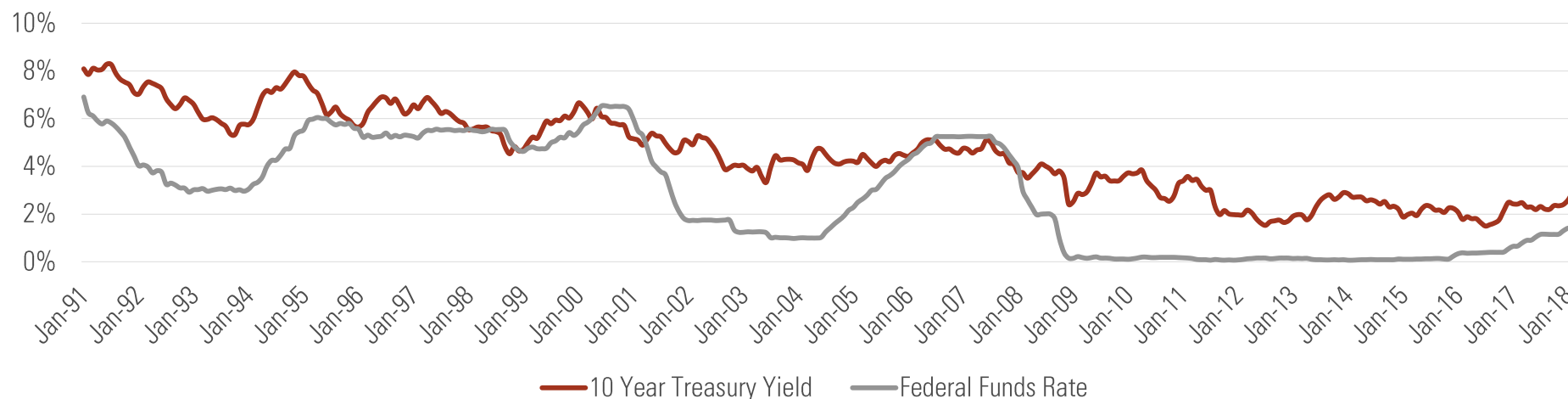


	EUROPE	UNITED STATES	CANADA	ENGLAND	CHINA	JAPAN	AUSTRALIA
Current Rate	0.00%	1.75%	1.25%	0.50%	4.35%	-0.10%	1.50%

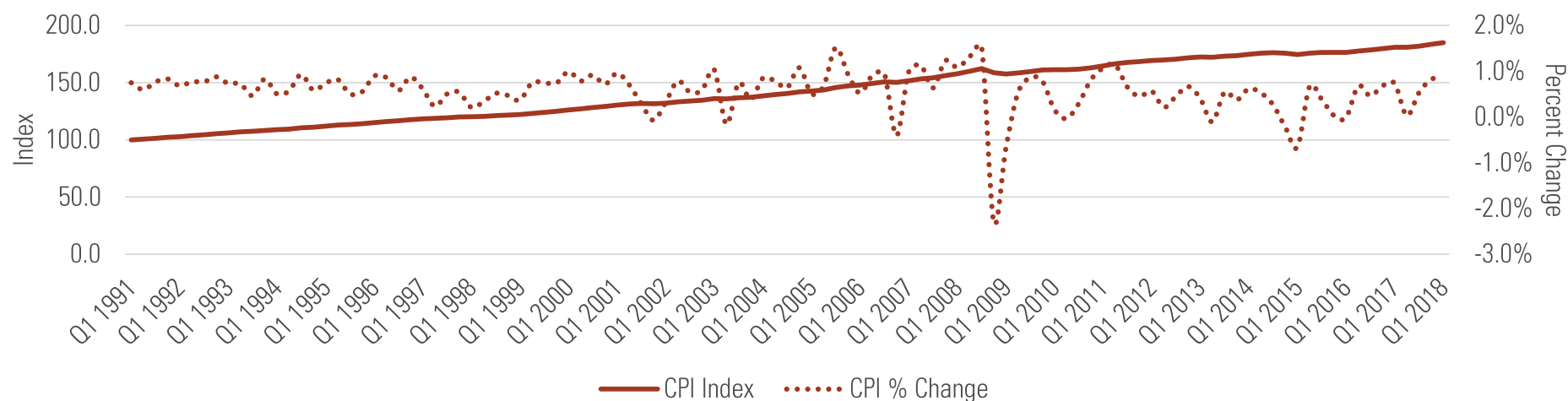
THE MARKET IS ANTICIPATING INFLATION

Assumed economic growth and inflation drive higher Treasury rates

10-Year Treasury Yield and Fed Funds Rate



CPI Index and Quarterly Percent Change 1991-2018



BORROWING RATES ARE (SOMETIMES) CORRELATED WITH TREASURY RATES

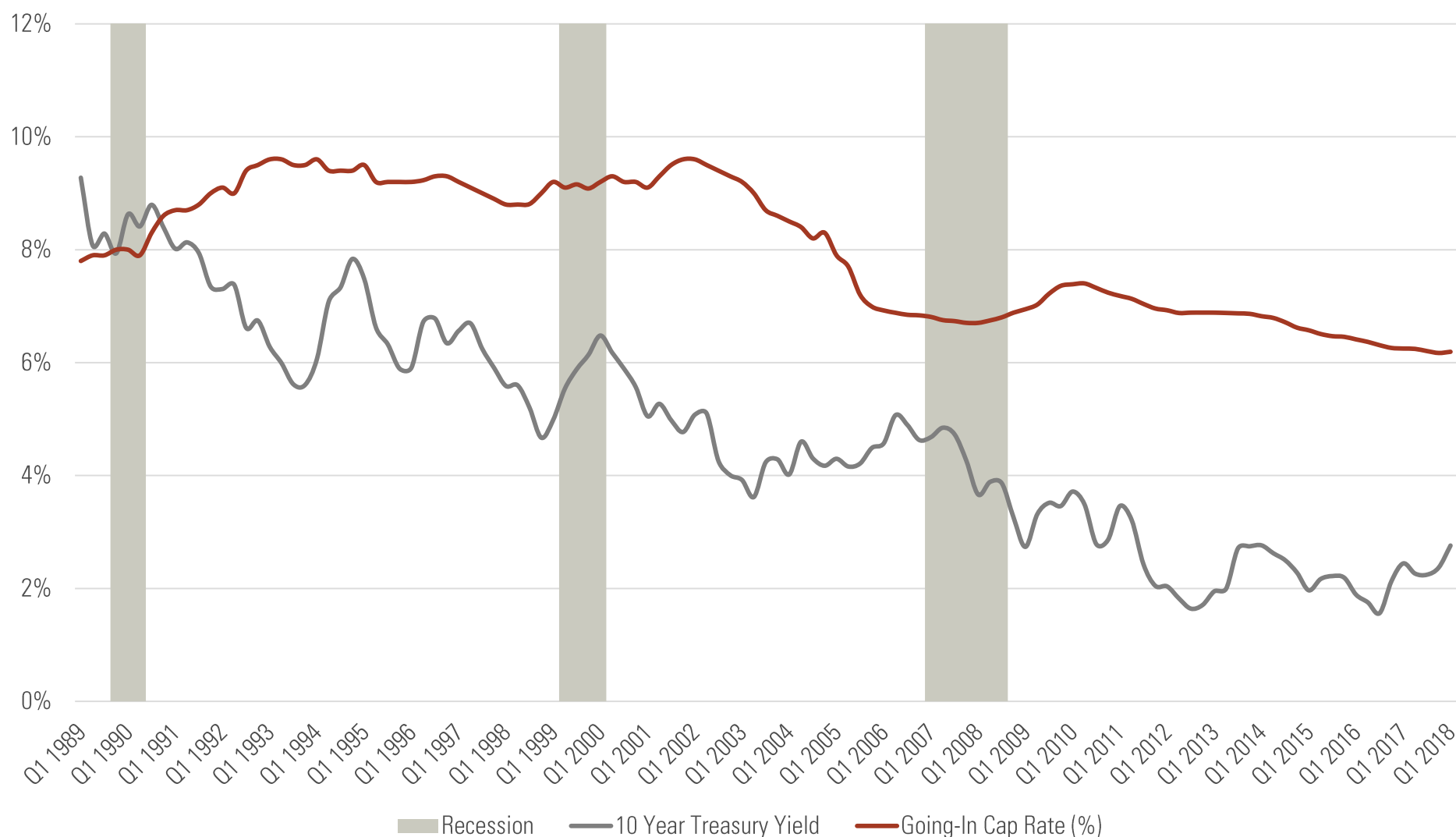
The prime rate has recently tracked increases in Treasury yields

Prime Rate vs. 10 Year Treasury Yield



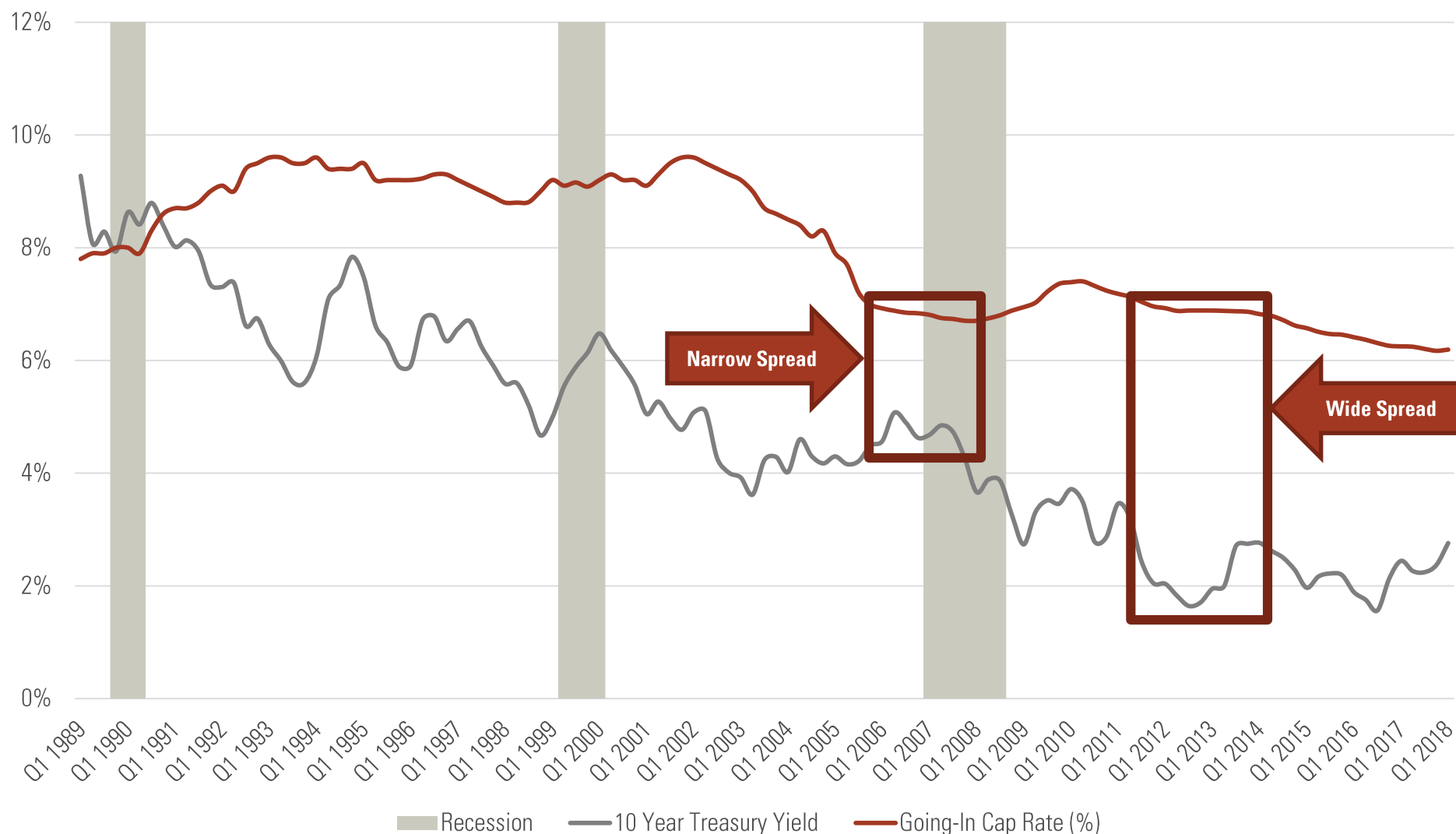
INTEREST RATES & CAP RATES ARE RELATED

Direct correlation is weak, but widespread use of leverage in real estate ensures that cap rates remain (usually) above interest rates



TREASURY-CAP RATE SPREAD MAY NARROW LATE IN THE CYCLE

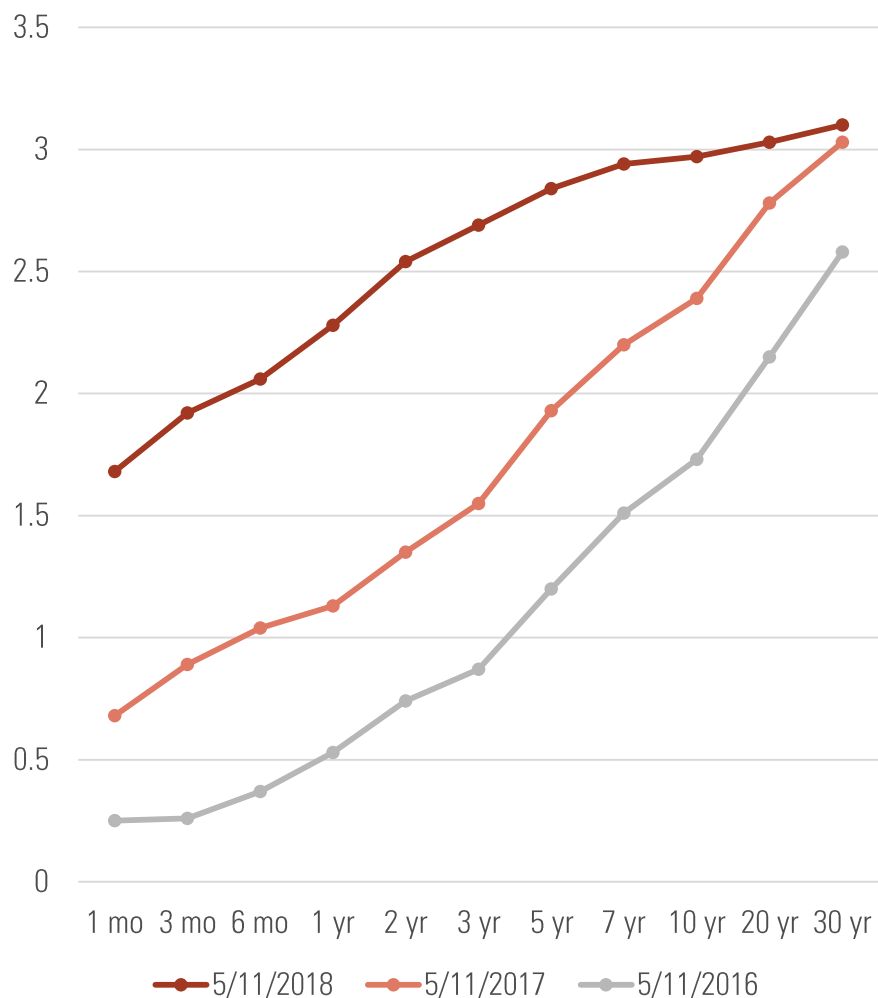
Capital market valuations, however, are driven by many factors



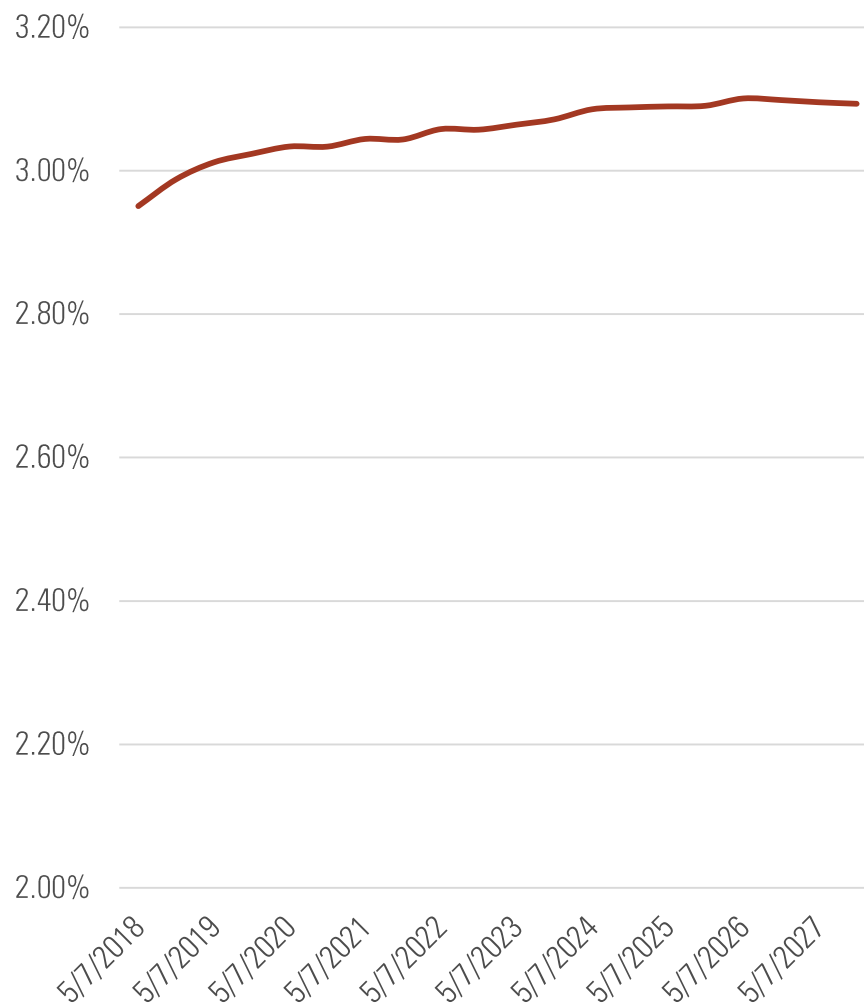
RATES INCREASES LIKELY TO CONTINUE

A flattening yield curve and Treasury forward rates suggest potential increases to long-term borrowing rates

May 11 Yield Curve, 2016-2018



Implied 10-Year Treasury Forward*



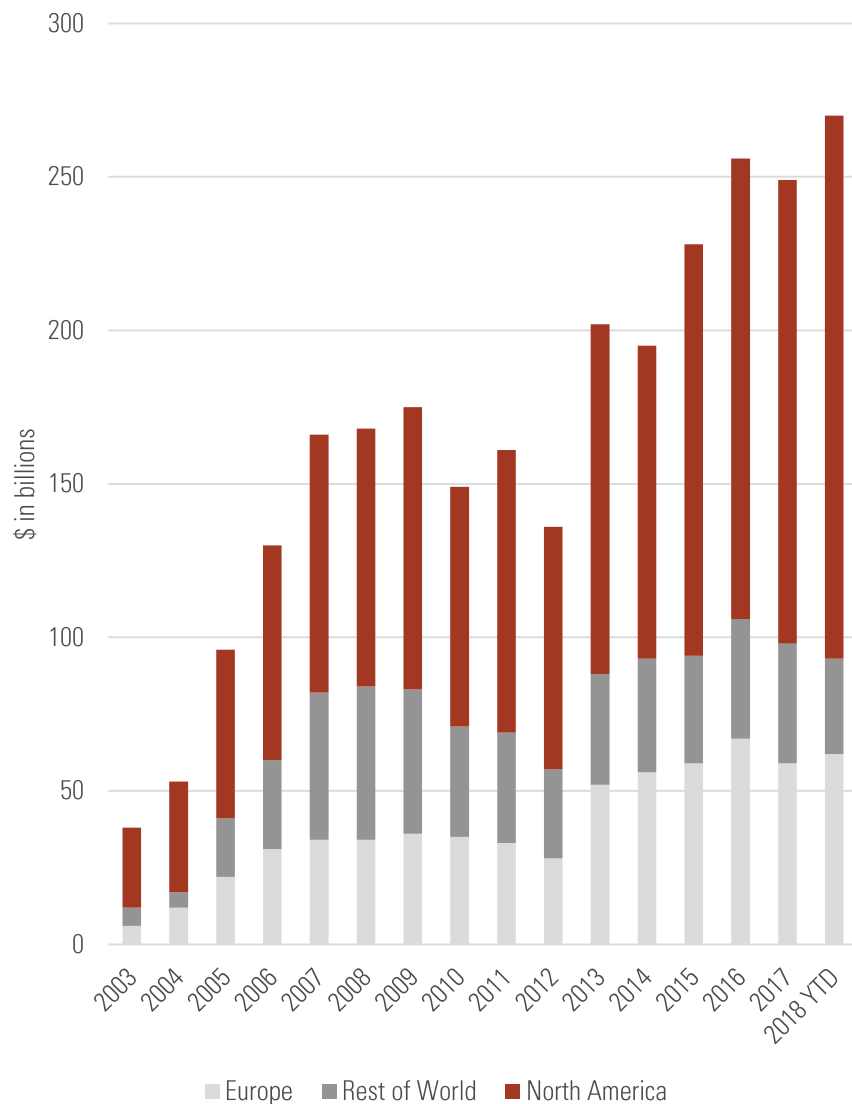
*As of 5/1/18

Source: Chatham Financial; U.S. Department of the Treasury
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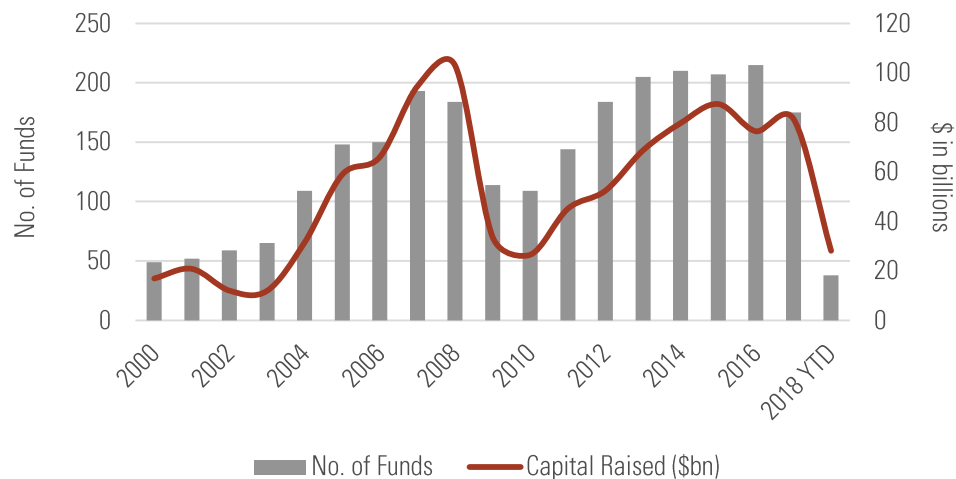
AT THE SAME TIME...

An unprecedented amount of capital is pursuing real estate investments

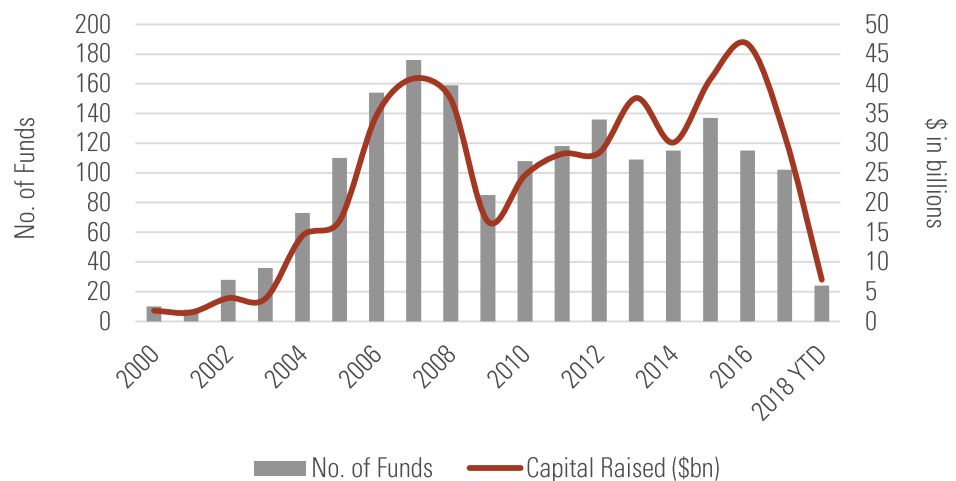
Dry Powder by Region*



United States RE Fundraising



International (Non-U.S.) RE Fundraising



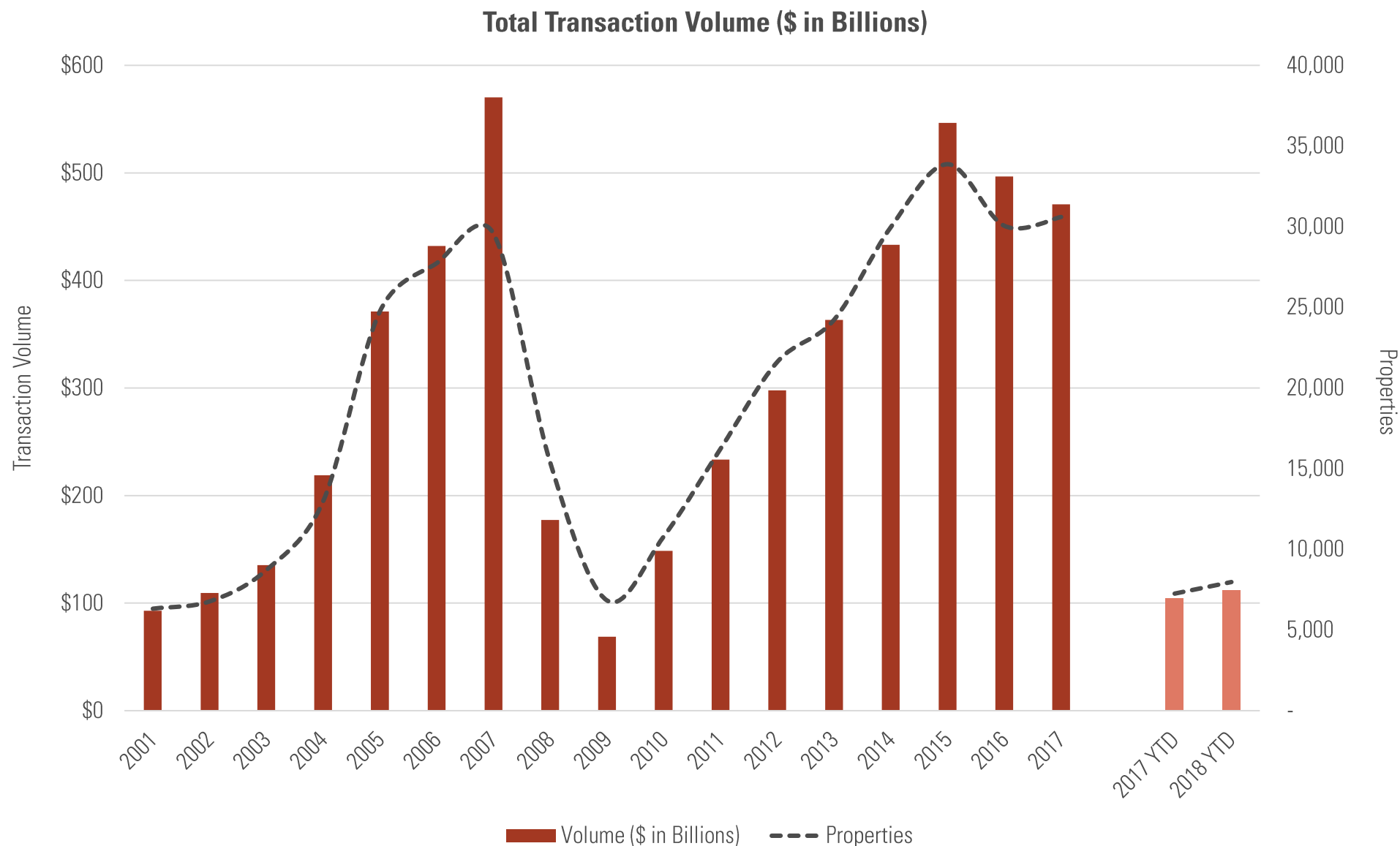
*Private equity cash reserves held to fund future obligations

Source: Preqin; RCLCO

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TRANSACTION VOLUME REMAINS STRONG

YoY transaction volume increased by 7.0% in Q1 2018



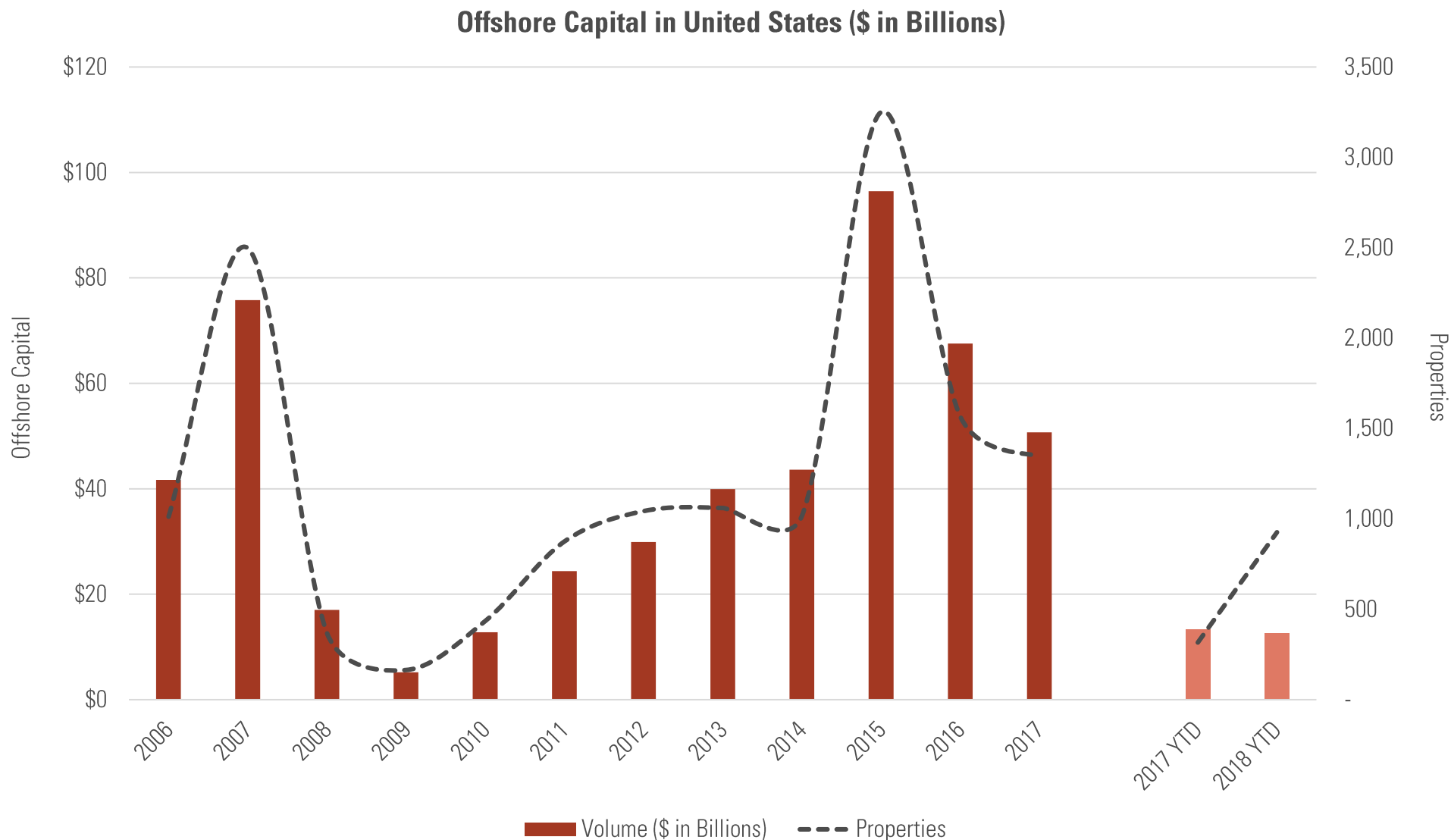
Note: Only includes transactions valued at \$2.5 million or greater

Source: RCA

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STILL PLENTY OF OFFSHORE CAPITAL

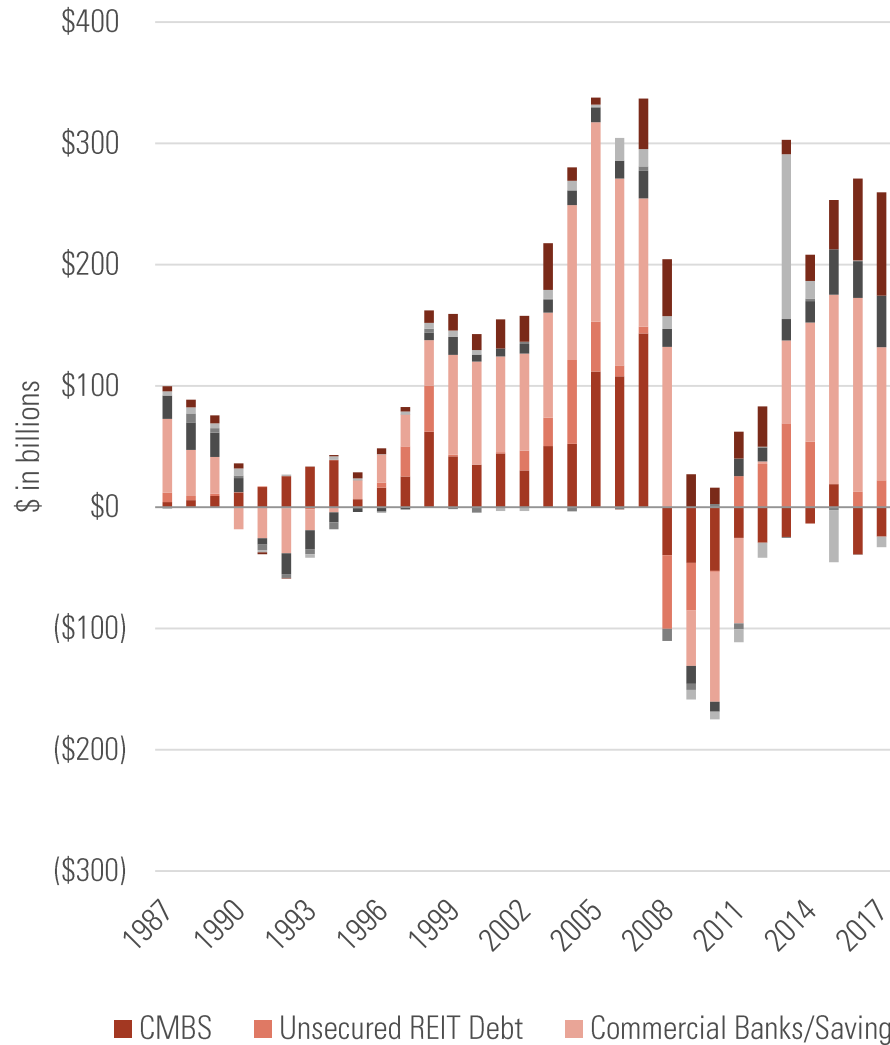
Sharp increase in the number of properties transacted driven by China's acquisition of GLP US Logistic Centers



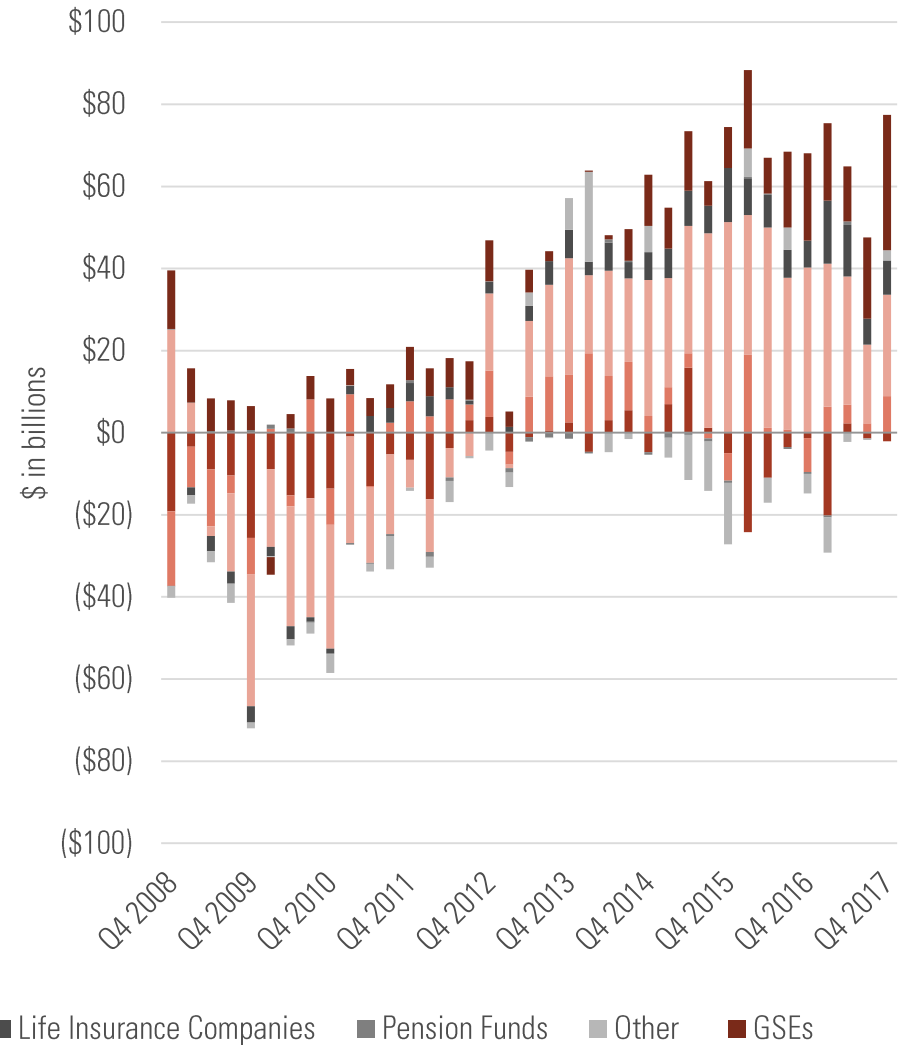
REAL ESTATE DEBT IS AVAILABLE

Led by commercial banks and GSEs

U.S. Commercial RE Debt Markets - Net Capital Flows - Annually 1985 - 2017



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



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

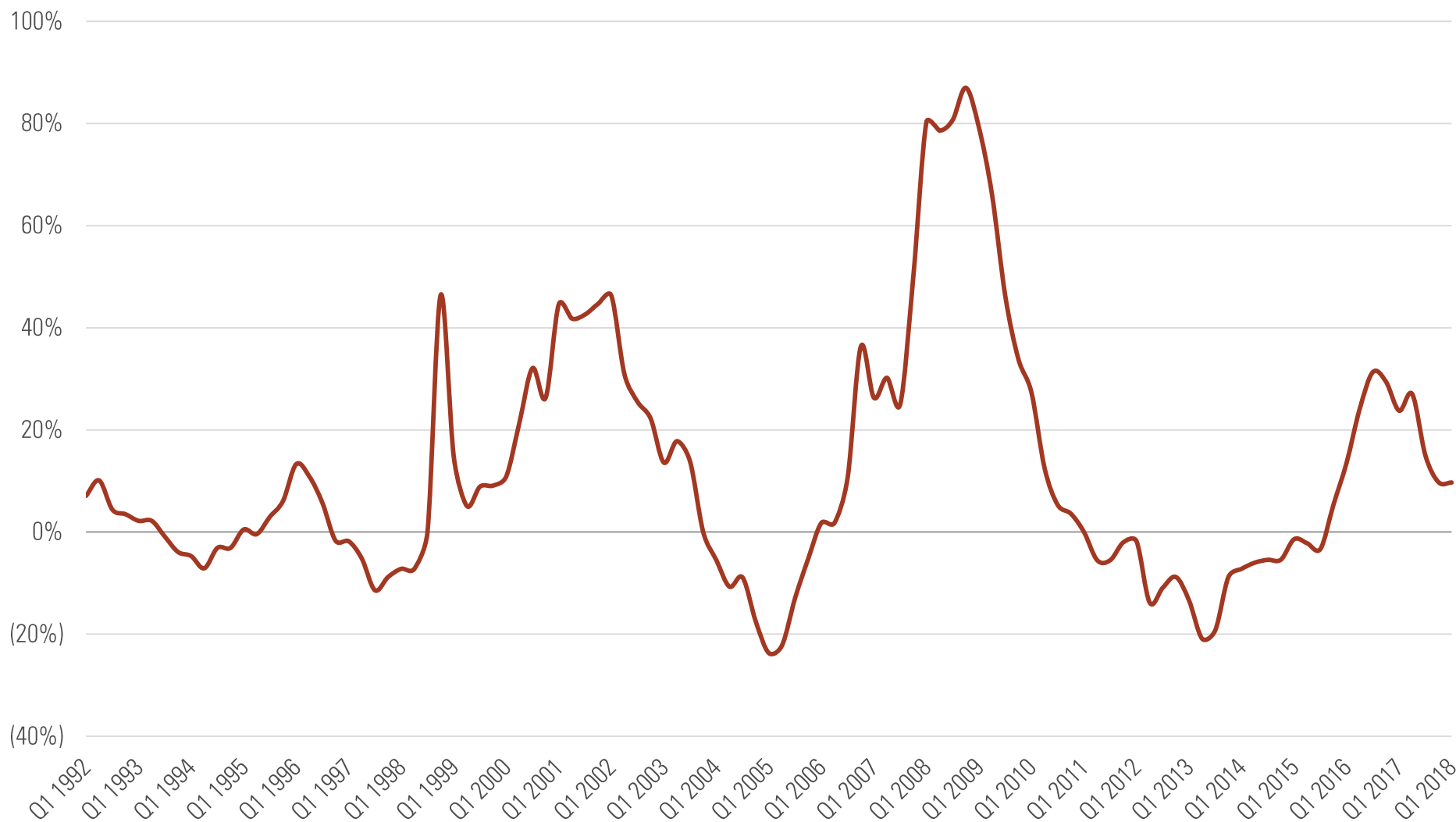
Note: Federal Reserve data releases lag by one quarter. As of Q1 2018, the most recent data is as of Q1 2018.

Source: U.S. Federal Reserve; RCLCO
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BANKS REMAIN MODERATELY DISCIPLINED

Lending standards remain unchanged over the past quarter

Net % of Banks Tightening Lending Standards

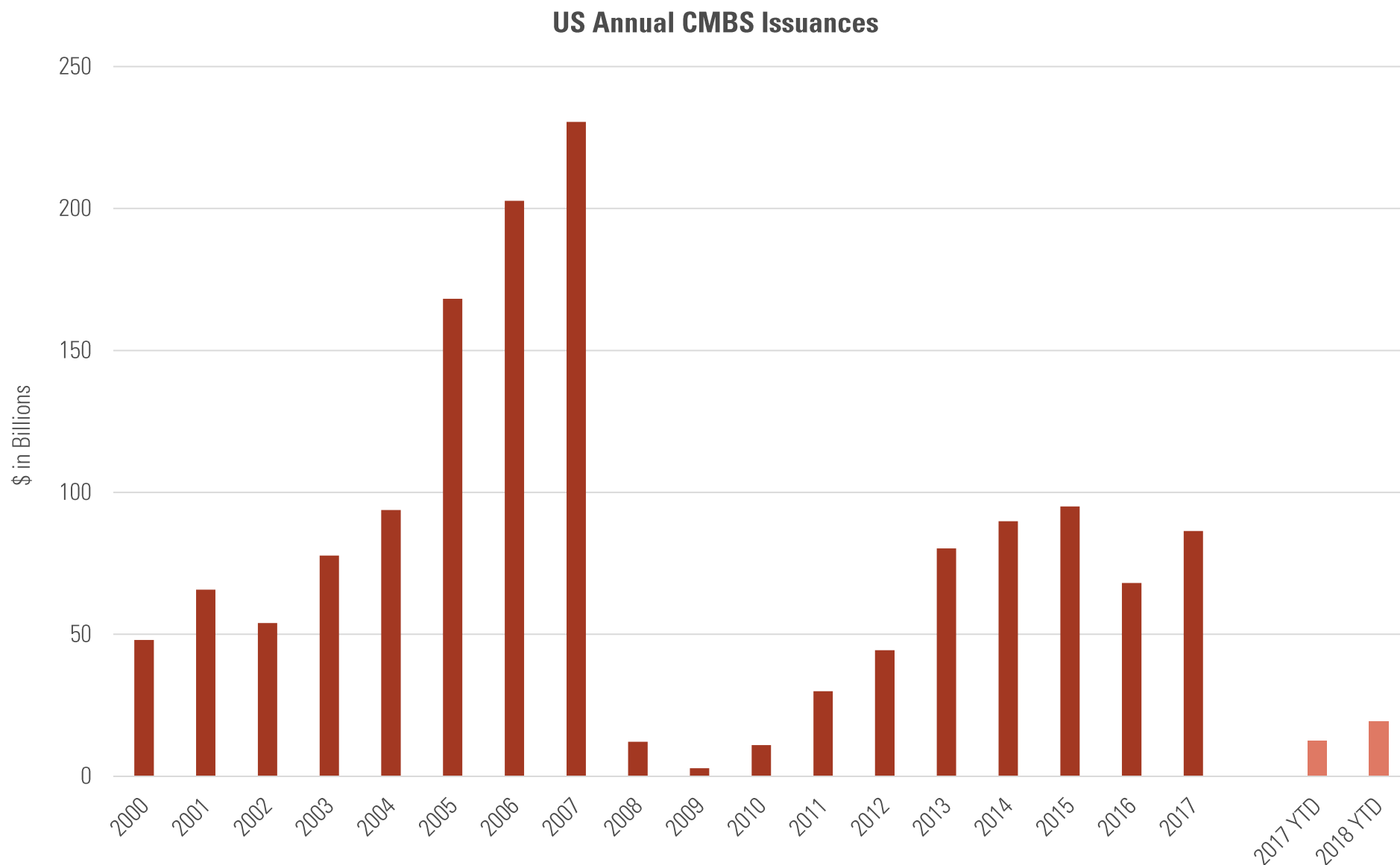


Notes: As of Q4 2013, the U.S. Federal Reserve separated this data into three categories (construction/development, nonfarm nonresidential, and multifamily residential), depending on the type of structure for which the loan is intended. For these time periods, the data shown on the graph represents the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

Source: U.S. Federal Reserve; RCLCO
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INCREASE IN CMBS ISSUANCES IN Q1 2018

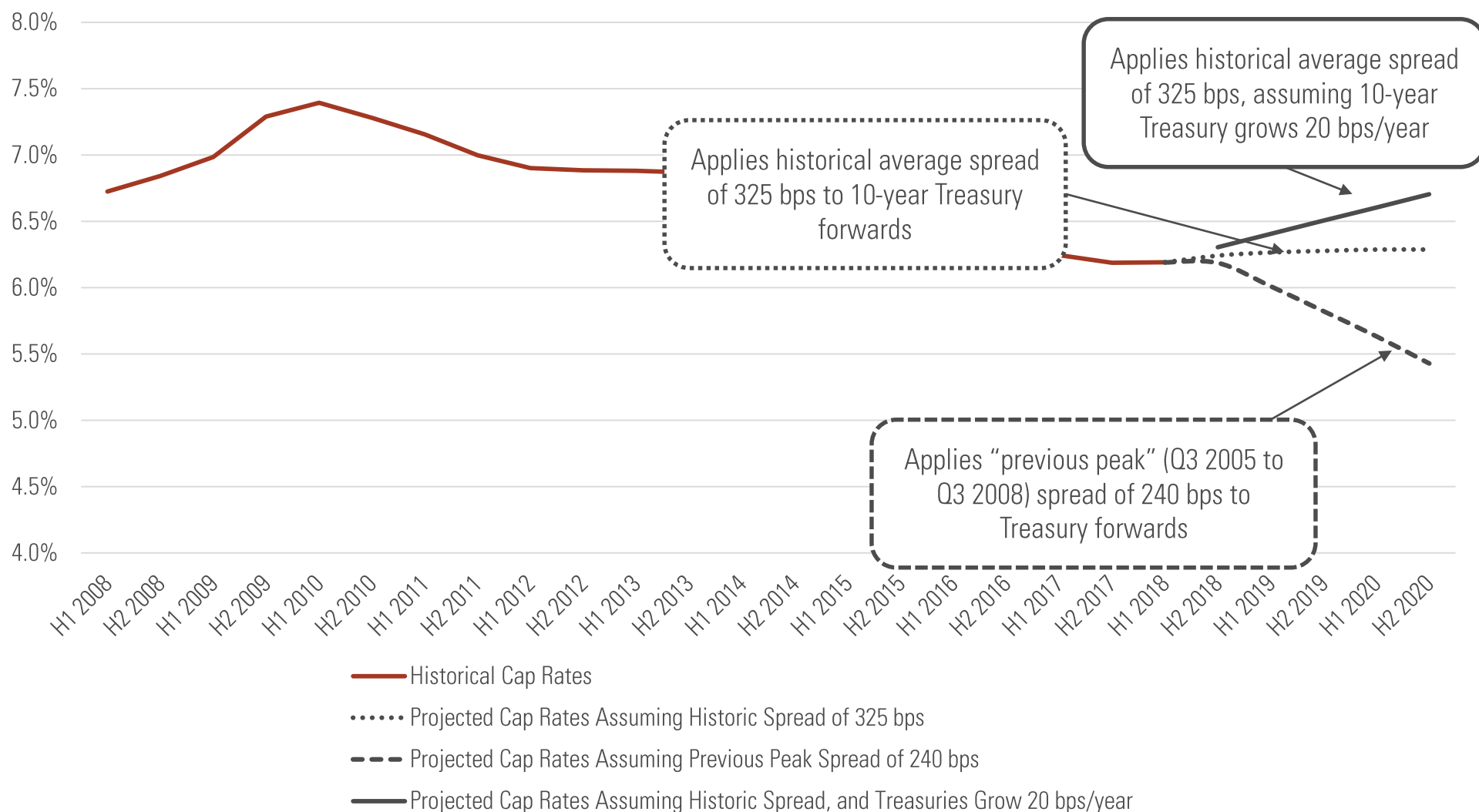
CMBS issuances grew by 54.6% between Q1 2017 and Q1 2018



AVG. CAP RATES LIKELY RELATIVELY FLAT

Trajectory depends on how quickly Treasury rates grow, and continued appetite of investors for real estate

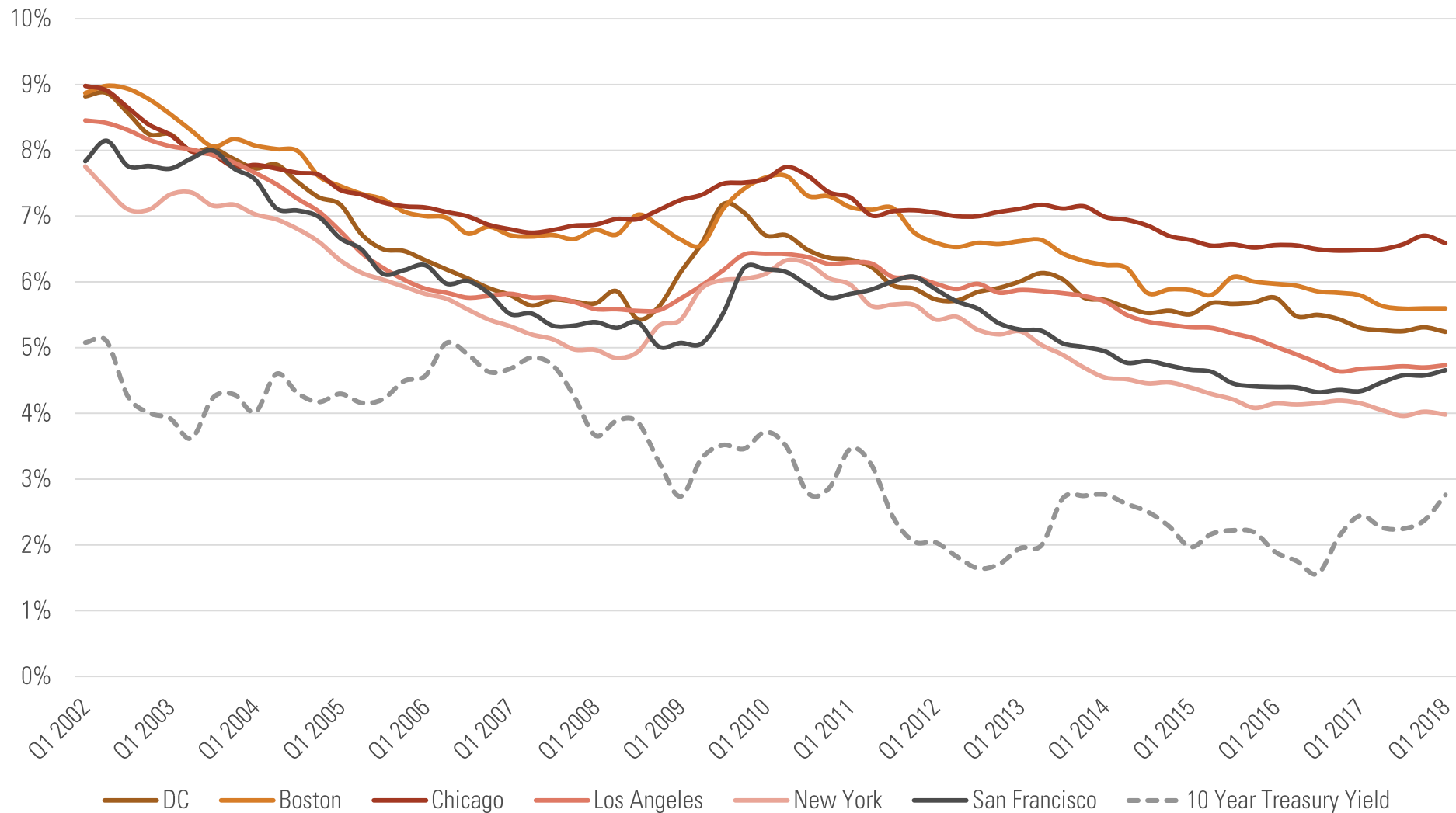
**Historical and Projected Cap Rates
H1 2008 - H2 2020**



CAP RATE SPREADS AMONG MARKETS WIDEN

"Average" cap rate hides growing variation in market valuations for assets

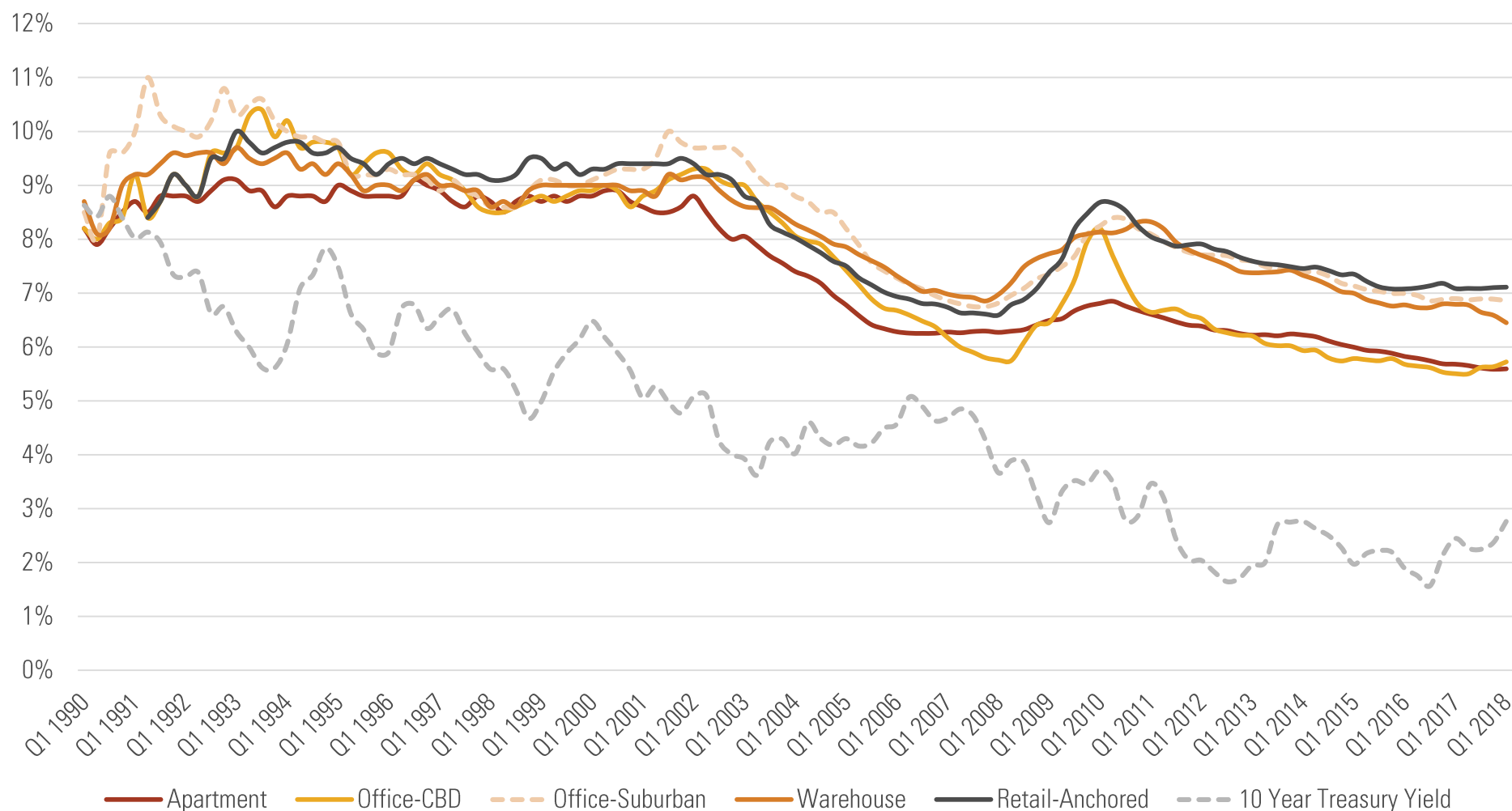
Cap Rates by Metro
2002 - Q1 2018 (PwC/RCA)



SPREADS AMONG PROPERTY TYPES WIDEN

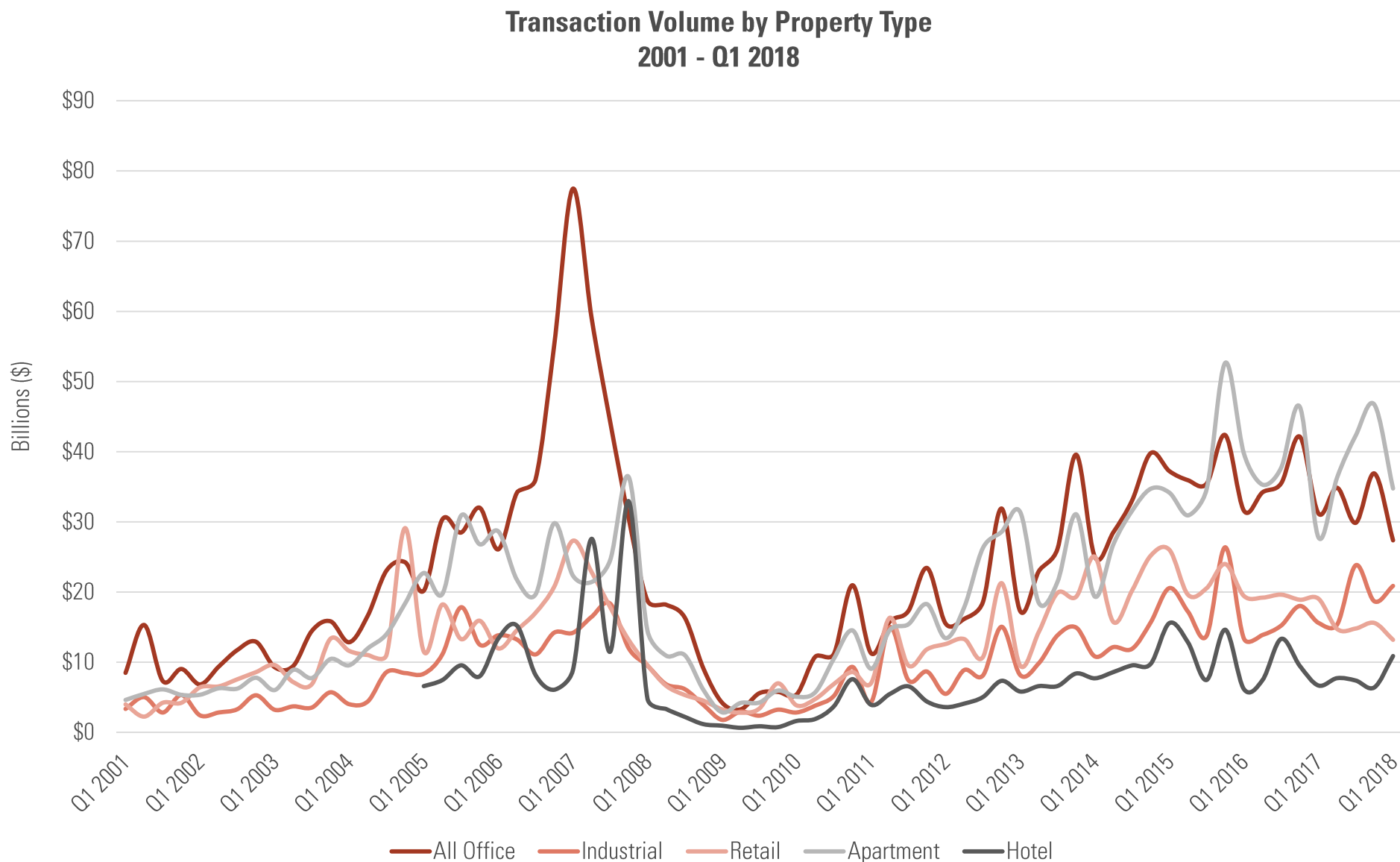
Major property types formerly traded in narrow (50 bps) valuation bands; cap rate variance is now wider than 100 bps

Cap Rates by Property Type
1990 - Q1 2018



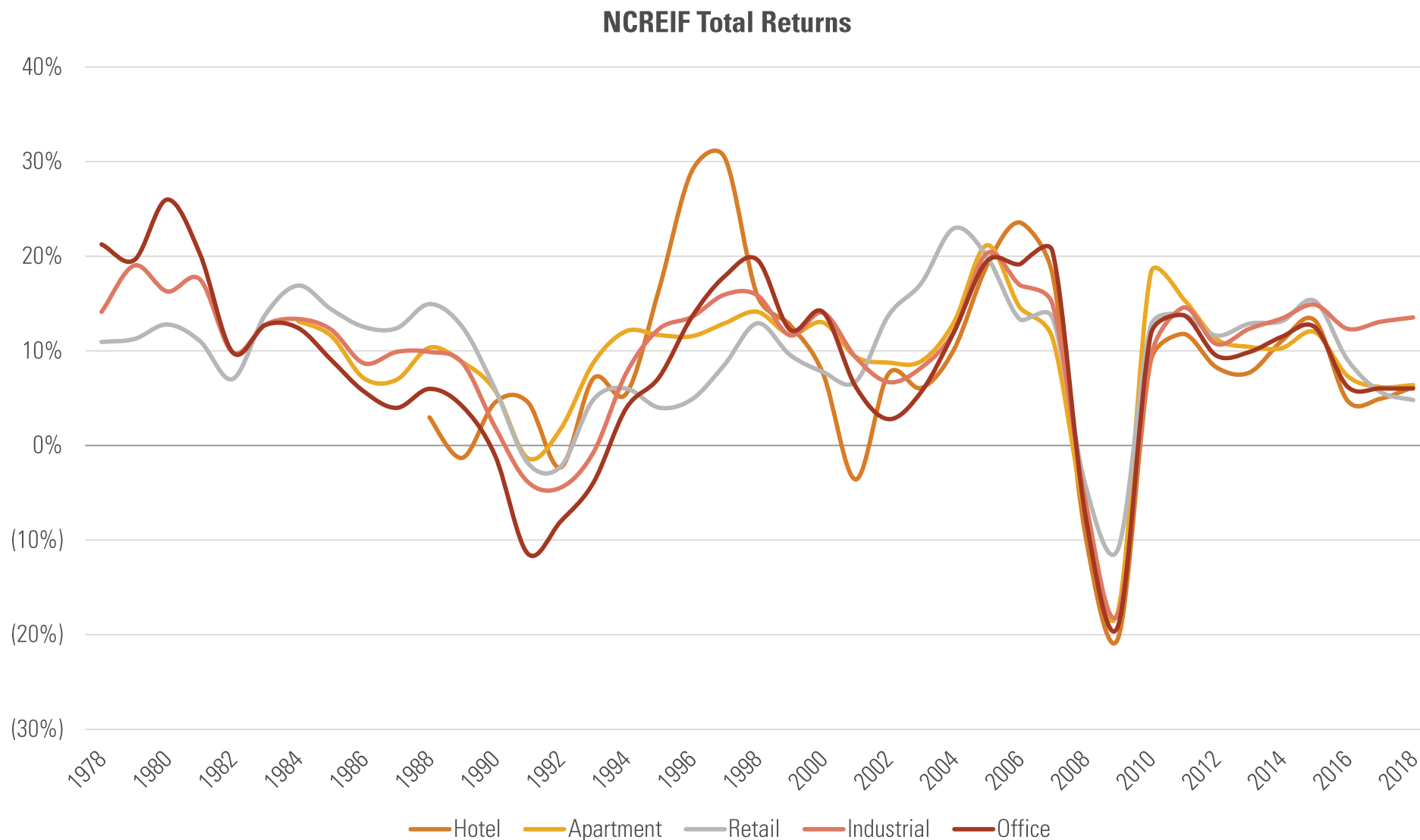
OFFICE & APARTMENTS DOMINATE

Could industrial eventually surpass office transaction volume?



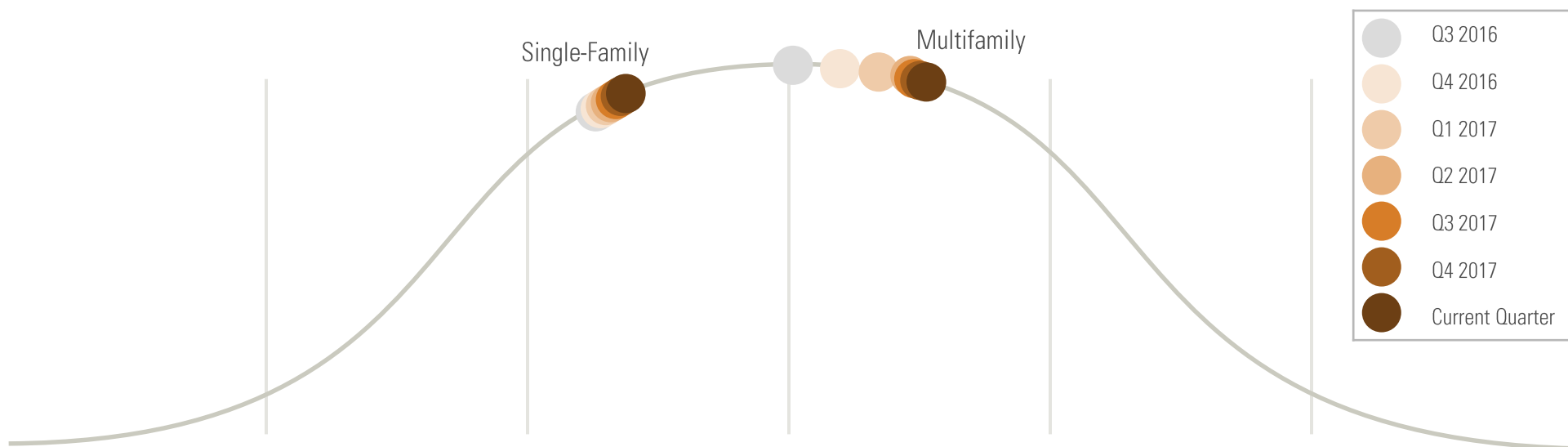
NCREIF RETURNS CONTINUE TO MODERATE

Except for industrial, cap rates have been flat and operating fundamentals are moderating after years of strong growth



RESIDENTIAL PROPERTY MARKET OVERVIEW

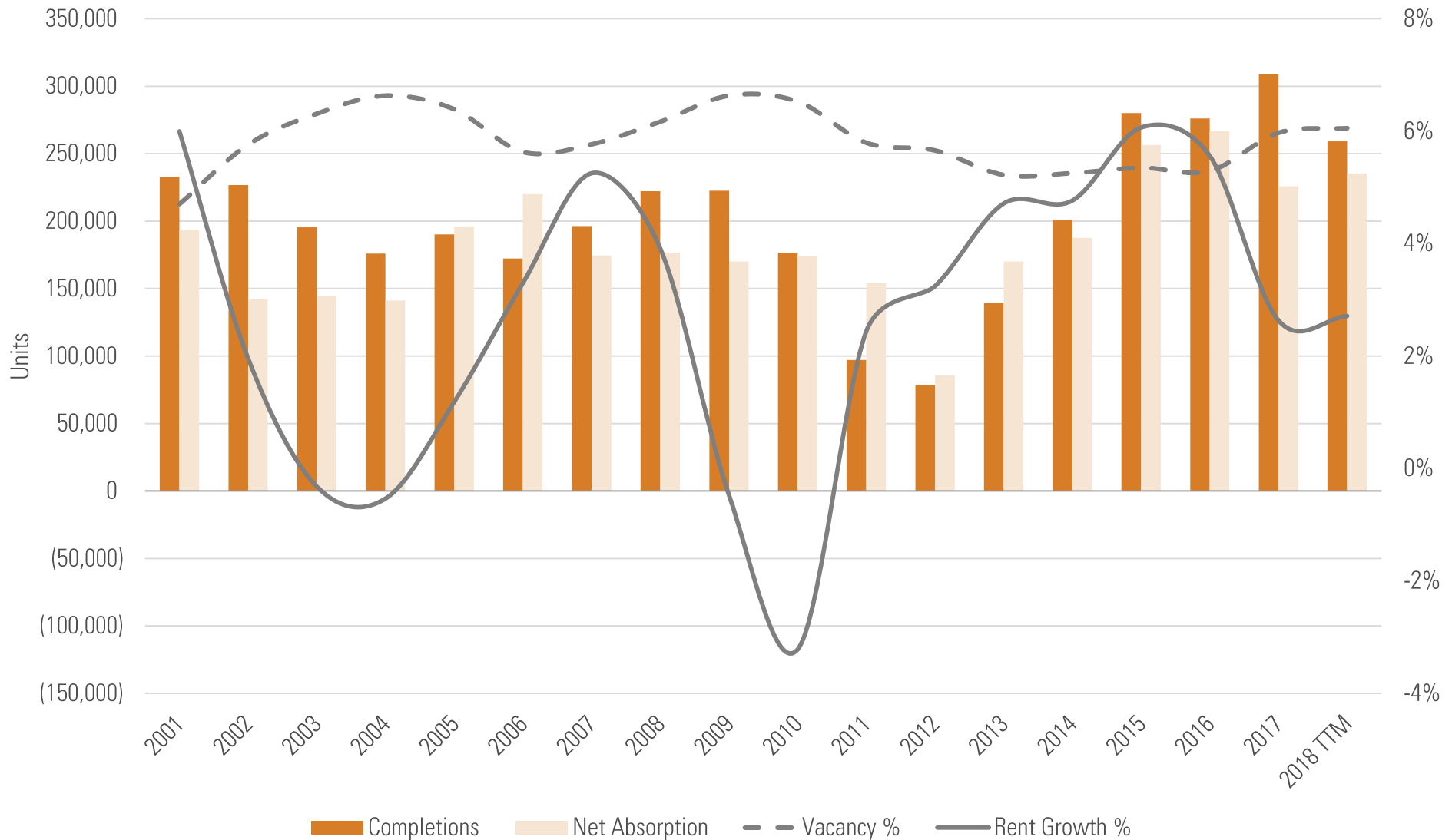
- ▶ Multifamily demand and supply have reached equilibrium in most markets, and exceed it in some
- ▶ Nationwide, multifamily vacancy slightly above average levels in Q1 2018
- ▶ Class B apartments have a lower vacancy rate than Class A, suggesting greater need for more affordable rental units
- ▶ Multifamily rents exhibit strong growth, but the growth rate has begun to stabilize
- ▶ Investor demand for multifamily product remains strong: pricing grew by 8.8% Y-o-Y, and multifamily transactions comprised 31.1% of investment activity in Q1 2018
- ▶ Despite strong multifamily performance, pent-up demand for single-family product likely exists
- ▶ Both new and existing homes continue to sell at a steady pace
- ▶ The price spread between new and existing product remains relatively unchanged



SUPPLY AND DEMAND GAP STAYS NARROW

Occupancy and rent growth have steadied over the past 12 months

U.S. Apartment Absorption, Vacancy, Rent Growth



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

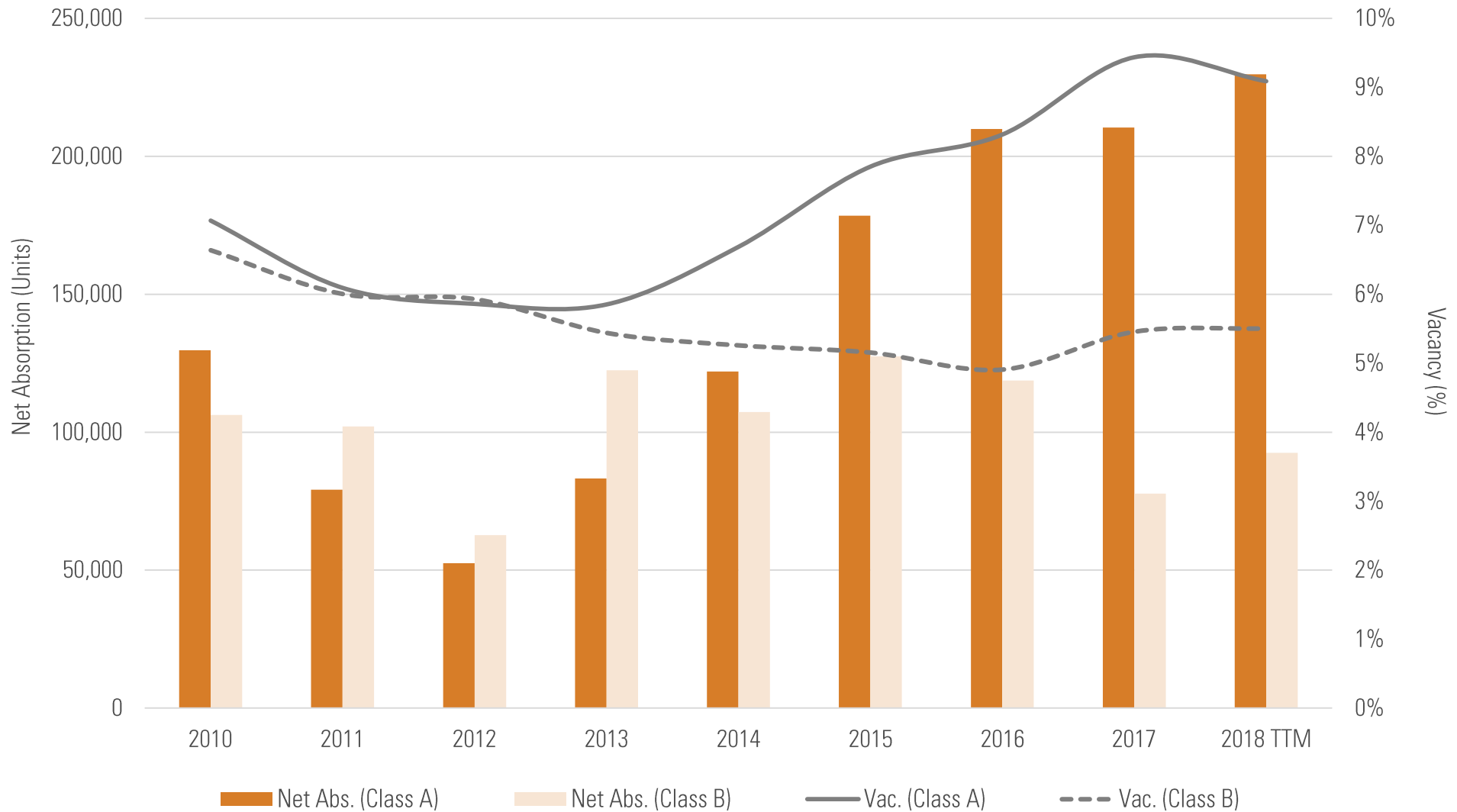
Source: CoStar; RCLCO

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SUPPLY CONTINUES TO DRIVE ABSORPTION

Higher class A vacancy driven by construction, and likely remains elevated

Net Absorption and Vacancy by Class
2010-2018



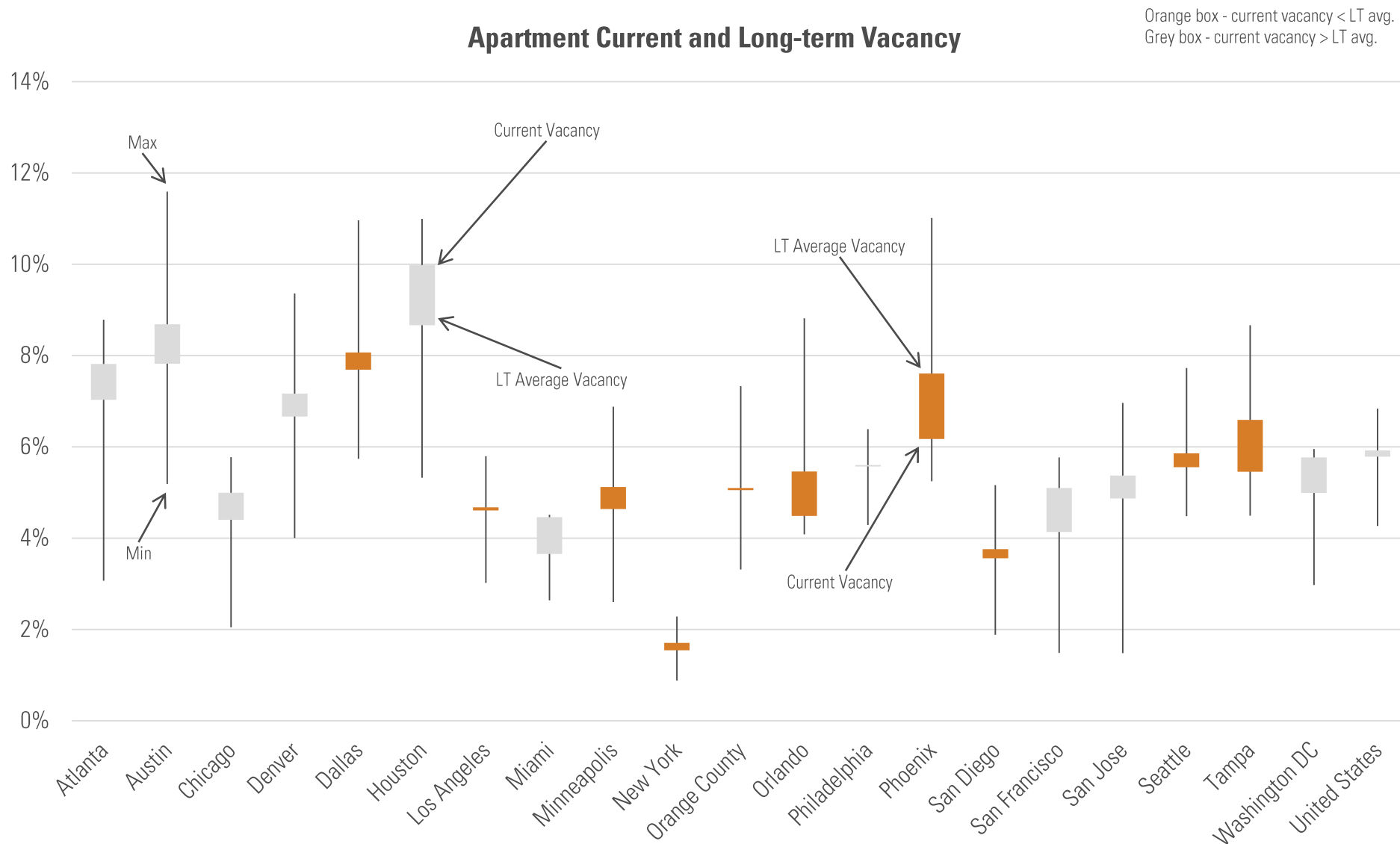
Notes: Apartment criteria filtered as follows: multifamily property (secondary type is apartment), 50+ units, and a 3-star or greater CoStar rating

Source: CoStar; RCLCO

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CURRENT & LONG-TERM MULTIFAMILY VACANCY

National vacancy is slightly above long-term average



Notes: Occupancy is based on a rolling 4-quarter average; The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets; Apartment criteria filtered as follows: multifamily property (secondary type is apartment), 50+ units, and a 3-star or greater CoStar rating

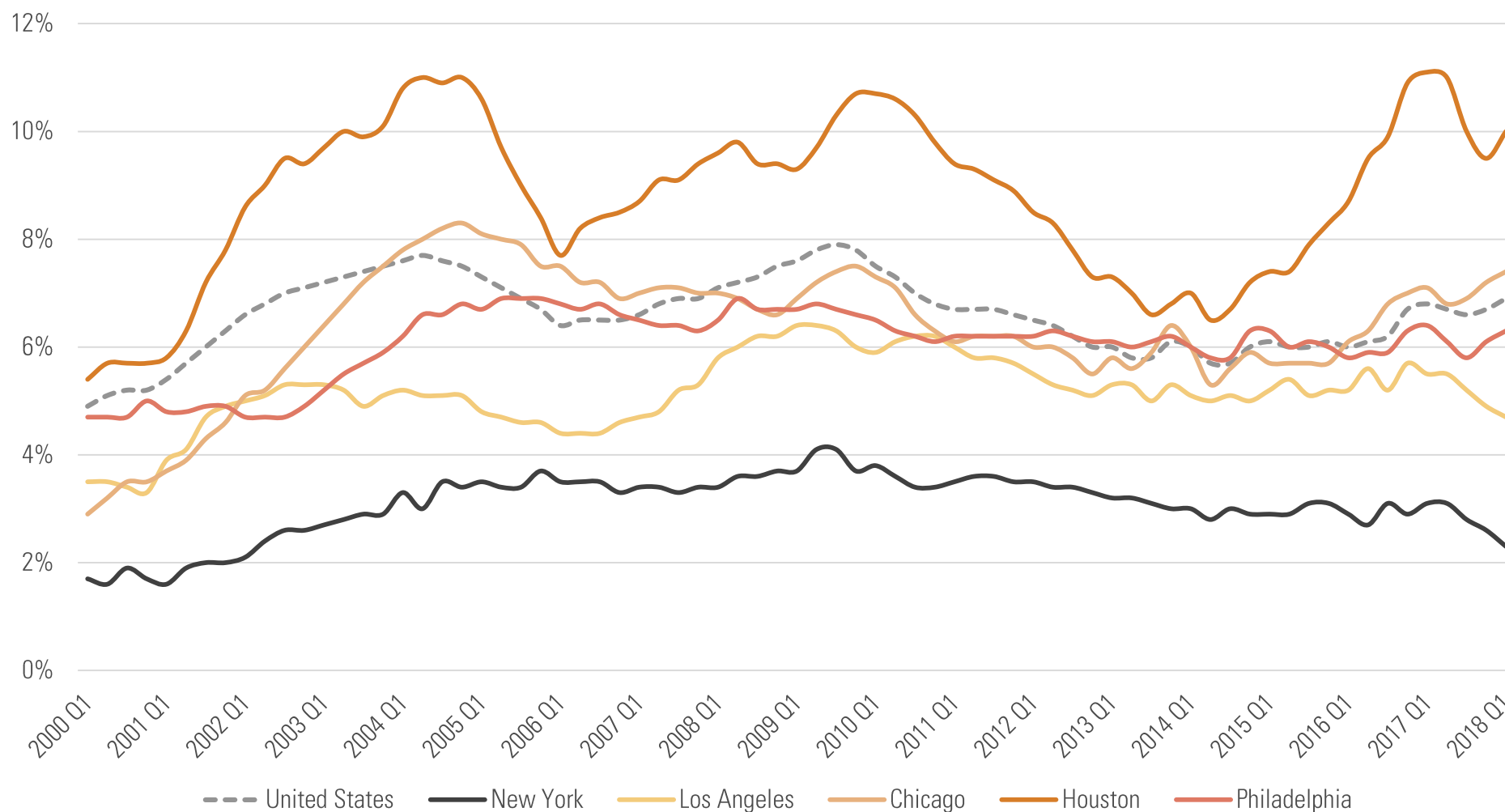
Source: CoStar; RCLCO

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VACANCY SLIGHTLY ABOVE LT AVERAGE

However, New York and Los Angeles saw declining vacancy over the past quarter

**Vacancy in Five Largest Apartment Markets,
2000-2018**



Notes: Apartment criteria filtered as follows: multifamily property (secondary type is apartment), 50+ units, and a 3-star or greater CoStar rating; the markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets

Source: CoStar; RCLCO

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U.S. APARTMENT MARKET RISK INDICATORS

Absorption slowing slightly; rent growth & occupancy hold steady

	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking Rent Growth	Y-o-Y Asking Rent Growth
2012 Q2	0.4%	0.3%	2.8%	94.3%	0.1%	0.2%	0.9%	3.0%
2012 Q3	0.5%	0.4%	3.1%	94.4%	0.1%	0.2%	1.0%	3.5%
2012 Q4	0.5%	0.4%	3.3%	94.5%	0.1%	0.3%	1.1%	3.9%
2013 Q1	0.5%	0.5%	3.6%	94.6%	0.1%	0.4%	1.2%	4.2%
2013 Q2	0.6%	0.5%	3.9%	94.8%	0.1%	0.5%	1.3%	4.6%
2013 Q3	0.6%	0.6%	4.1%	94.8%	0.1%	0.4%	1.2%	4.8%
2013 Q4	0.3%	0.6%	4.3%	94.8%	(0.0%)	0.3%	1.2%	5.0%
2014 Q1	0.6%	0.6%	4.6%	94.8%	(0.0%)	0.2%	1.2%	5.0%
2014 Q2	0.9%	0.7%	4.6%	94.8%	0.0%	0.1%	1.1%	4.8%
2014 Q3	0.8%	0.8%	4.6%	94.8%	0.0%	0.0%	1.1%	4.7%
2014 Q4	0.5%	0.8%	4.7%	94.8%	0.0%	0.0%	1.2%	4.7%
2015 Q1	0.6%	0.7%	4.9%	94.8%	(0.0%)	0.0%	1.5%	5.0%
2015 Q2	0.9%	0.9%	4.9%	94.8%	(0.1%)	(0.1%)	1.8%	5.7%
2015 Q3	0.8%	0.8%	5.1%	94.7%	(0.1%)	(0.2%)	1.8%	6.4%
2015 Q4	0.6%	0.7%	5.3%	94.7%	(0.0%)	(0.2%)	1.5%	6.7%
2016 Q1	0.6%	0.5%	5.7%	94.7%	0.0%	(0.1%)	1.4%	6.6%
2016 Q2	0.7%	0.8%	5.8%	94.7%	(0.0%)	(0.1%)	1.1%	5.9%
2016 Q3	0.7%	0.9%	5.8%	94.6%	(0.0%)	(0.1%)	0.9%	4.9%
2016 Q4	0.3%	0.7%	6.1%	94.5%	(0.1%)	(0.2%)	0.7%	4.0%
2017 Q1	0.6%	0.7%	6.2%	94.3%	(0.2%)	(0.4%)	0.7%	3.3%
2017 Q2	0.8%	0.8%	6.1%	94.2%	(0.1%)	(0.5%)	0.7%	2.9%
2017 Q3	0.8%	0.8%	6.0%	94.1%	(0.1%)	(0.5%)	0.6%	2.6%
2017 Q4	0.4%	0.5%	6.2%	94.1%	0.0%	(0.4%)	0.6%	2.5%
2018 Q1	0.3%	0.5%	6.4%	94.1%	(0.0%)	(0.2%)	0.7%	2.5%

*Current quarter defined as Q1 2018; **Completions highlighted in Red if above 0.25% of Stock; ***Under Construction highlighted in Red if above 1% of Stock; ****Green if above historical average since 2000

Notes: Above data includes only market-rate rentable apartment space; Rent and occupancy are based on a rolling 4-quarter average; Rent growth numbers utilize asking rent data; Apartment criteria filtered as follows: multifamily property (secondary type is apartment), 50+ units, and a 3-star or greater CoStar rating

U.S. APARTMENT MARKET RISK INDICATORS

Potential supply risk in most markets

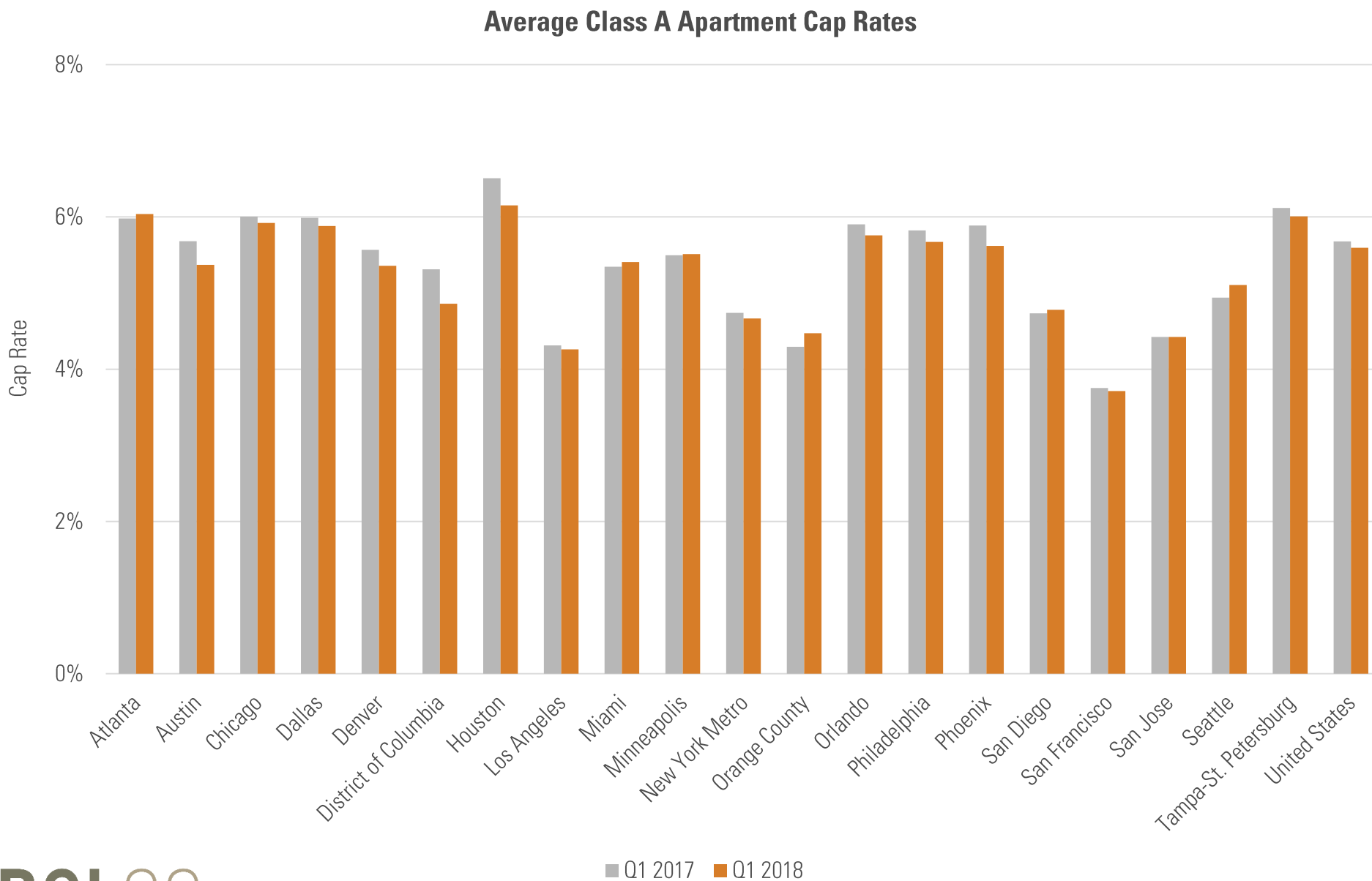
	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking Rent Growth	Y-o-Y Asking Rent Growth
Atlanta	0.0%	0.4%	4.0%	92.2%	(0.1%)	(0.6%)	1.1%	4.1%
Austin	0.1%	0.1%	6.4%	91.3%	(0.1%)	(1.1%)	0.3%	1.1%
Chicago	0.3%	0.5%	4.7%	95.0%	(0.1%)	(0.2%)	0.5%	2.1%
Dallas	0.1%	0.5%	6.5%	92.3%	(0.2%)	(0.9%)	0.6%	2.9%
Denver	0.2%	0.5%	10.7%	92.8%	(0.2%)	(0.6%)	0.7%	2.9%
Houston	(0.4%)	0.1%	2.1%	90.0%	0.3%	0.3%	0.9%	1.8%
Los Angeles	0.6%	0.5%	11.7%	95.4%	0.2%	0.4%	0.8%	3.5%
Miami	0.8%	0.7%	9.3%	95.5%	(0.0%)	(0.4%)	0.9%	2.5%
Minneapolis	0.6%	1.1%	5.9%	95.4%	(0.0%)	0.1%	1.0%	4.0%
New York	0.3%	0.1%	4.2%	98.5%	0.1%	0.1%	0.1%	0.7%
Orange County	0.1%	0.9%	5.7%	95.0%	(0.1%)	(0.5%)	0.6%	3.0%
Orlando	0.6%	0.7%	6.0%	95.5%	0.1%	(0.1%)	1.7%	6.0%
Philadelphia	0.0%	0.1%	4.3%	94.4%	0.0%	0.1%	0.6%	2.2%
Phoenix	0.9%	0.4%	7.9%	93.8%	(0.0%)	0.1%	1.3%	4.7%
San Diego	0.1%	0.5%	5.6%	96.4%	(0.1%)	0.0%	0.9%	3.9%
San Francisco	1.7%	1.0%	10.0%	94.9%	0.2%	0.1%	0.6%	1.7%
San Jose	1.2%	0.2%	11.2%	94.6%	0.3%	0.1%	1.0%	2.4%
Seattle	0.8%	0.9%	7.9%	94.4%	(0.2%)	(0.4%)	0.7%	3.7%
Tampa	0.4%	0.4%	6.2%	94.5%	0.2%	(0.0%)	1.0%	3.6%
Washington DC	0.3%	0.6%	6.1%	94.2%	(0.1%)	(0.1%)	0.3%	0.8%
United States	0.3%	0.5%	6.4%	94.1%	(0.0%)	(0.2%)	0.7%	2.5%

*Current quarter defined as Q1 2018; **Completions highlighted in Red if above 0.25% of Stock; ***Under Construction highlighted in Red if above 1% of Stock; ****Green if above historical average since 2000

Notes: Above data includes only market-rate rentable apartment space; Rent and occupancy are based on a rolling 4-quarter average. Rent growth numbers utilize asking rent data; Apartment criteria filtered as follows: multifamily property (secondary type is apartment), 50+ units, and a 3-star or greater CoStar rating

APARTMENT CAP RATES STAY LOW

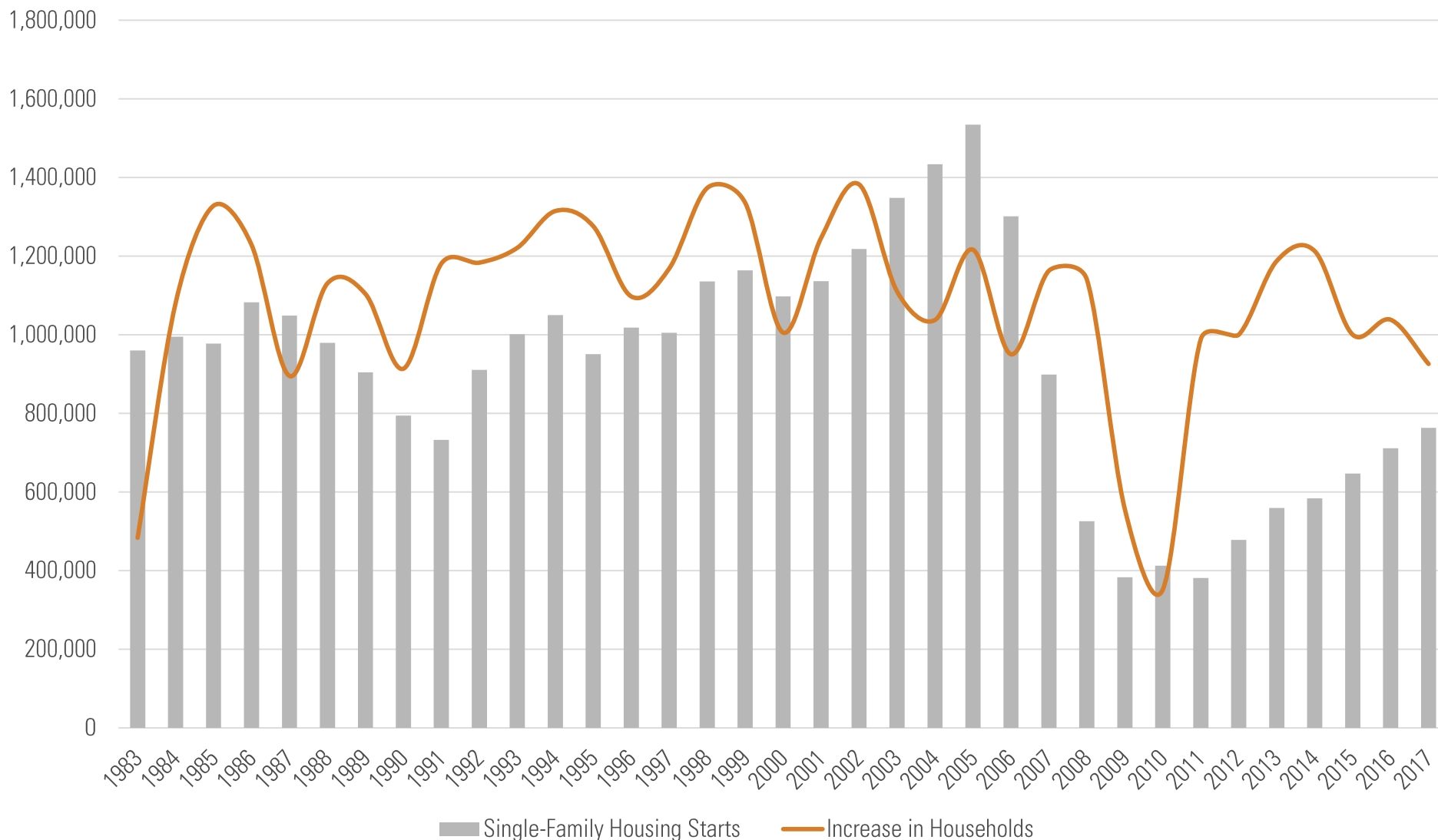
DC and Houston exhibit greatest (but still moderate) cap rate compression



NEW HOUSEHOLDS OUTPACE SINGLE-FAMILY STARTS

Household formation slowed during the past year

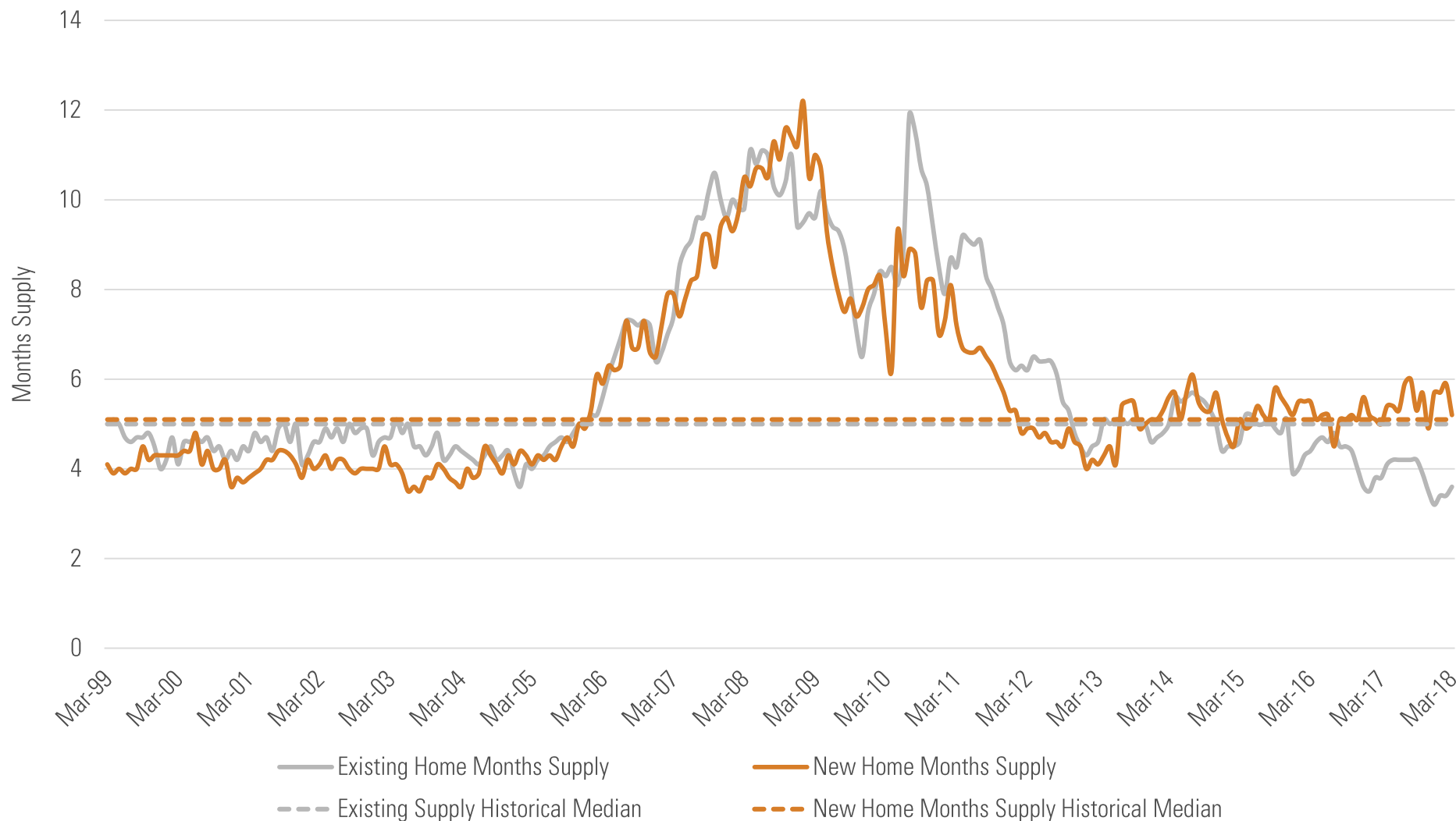
Single-Family Housing Starts and Household Growth



HOME SUPPLY CONTINUES TO BE TIGHT

New housing inventory at long-term median; existing home months of supply is at record lows

**New and Existing Home Months Supply of Housing
(1999 - March 2018)**



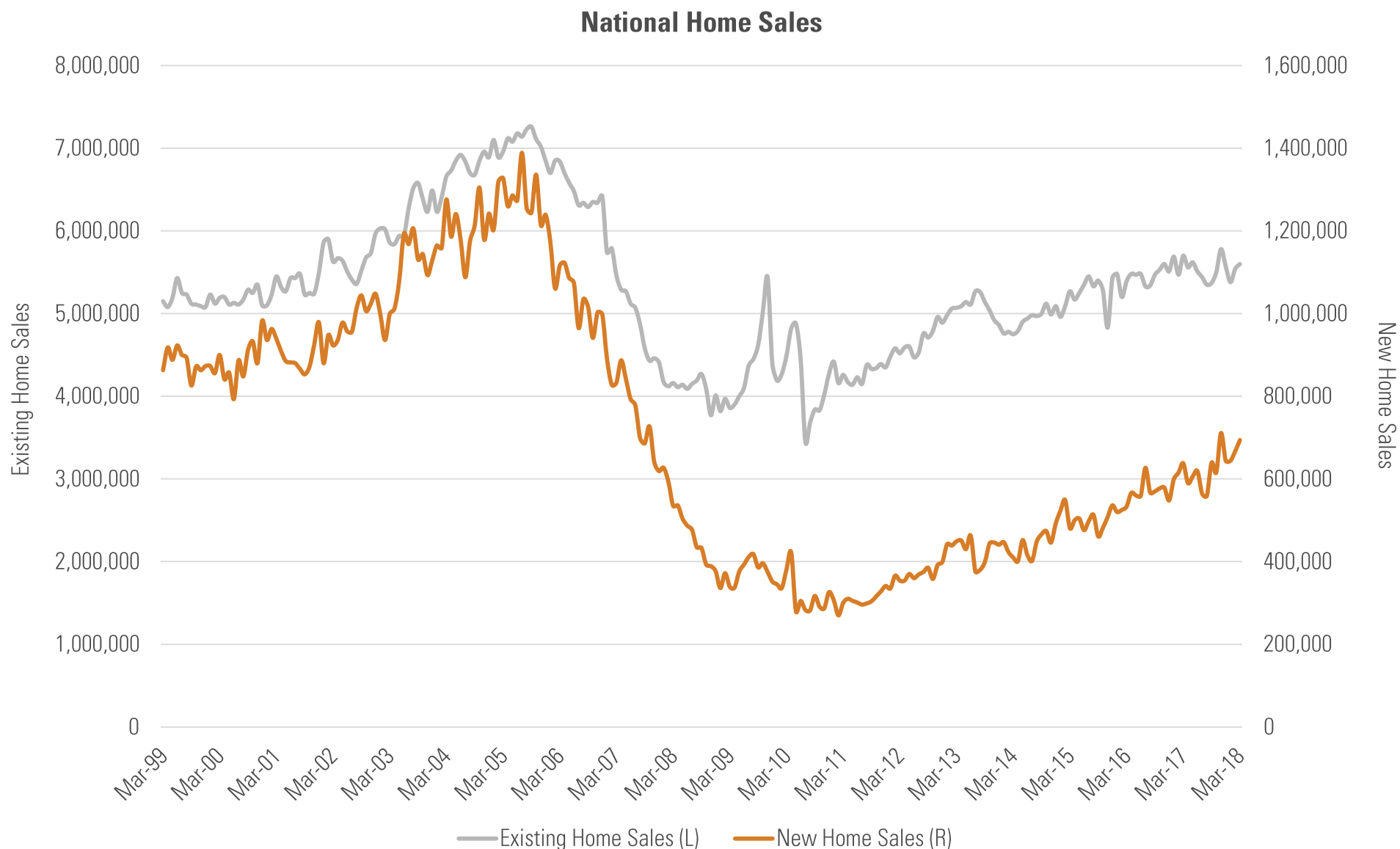
Note: Home supply includes single-family detached, condo, and townhomes

Source: National Association of Realtors (NAR); RCLCO

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STEADY INCREASE IN HOME SALES

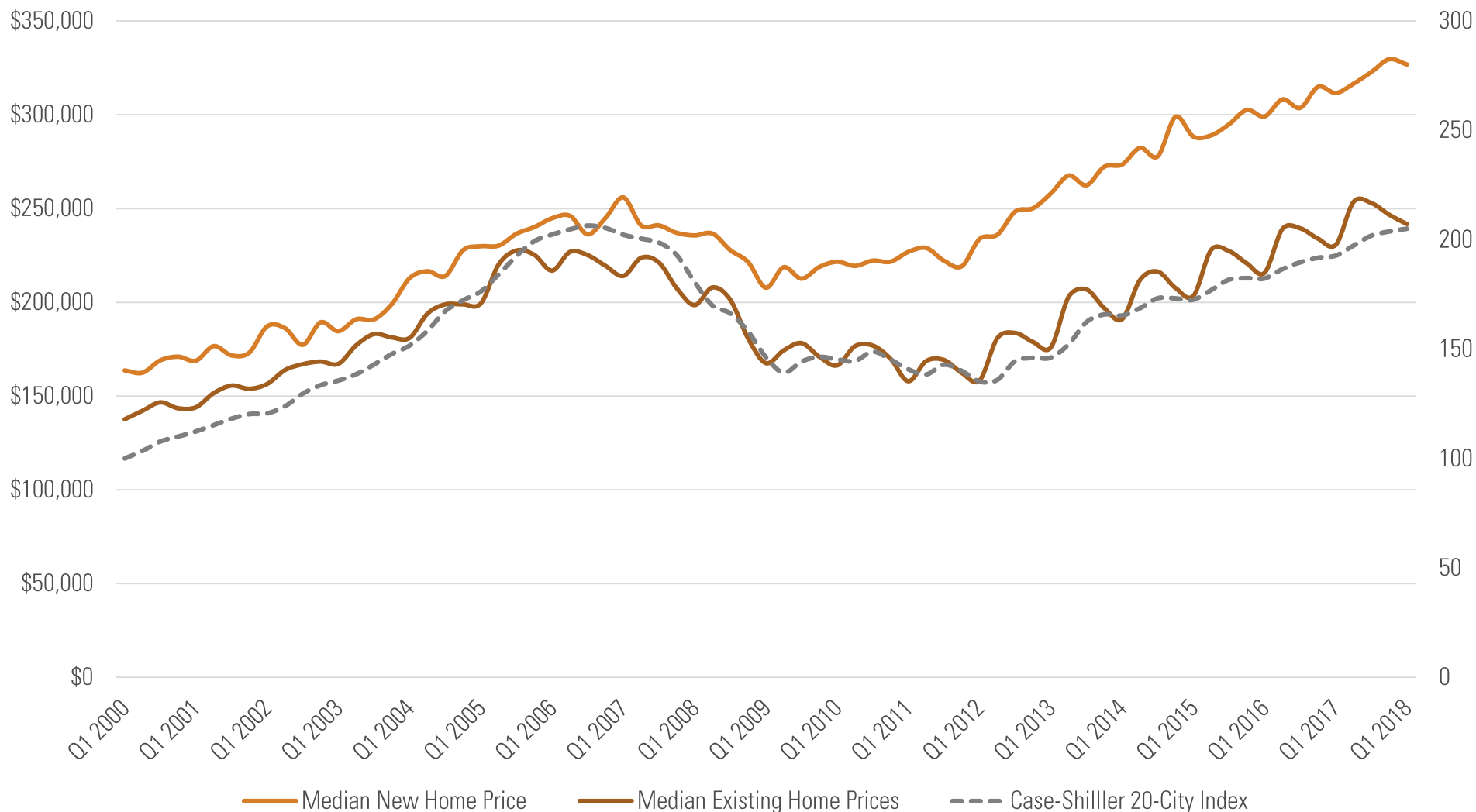
Existing home sales are flat due to limited supply



PRICES CONTINUE TO INCREASE

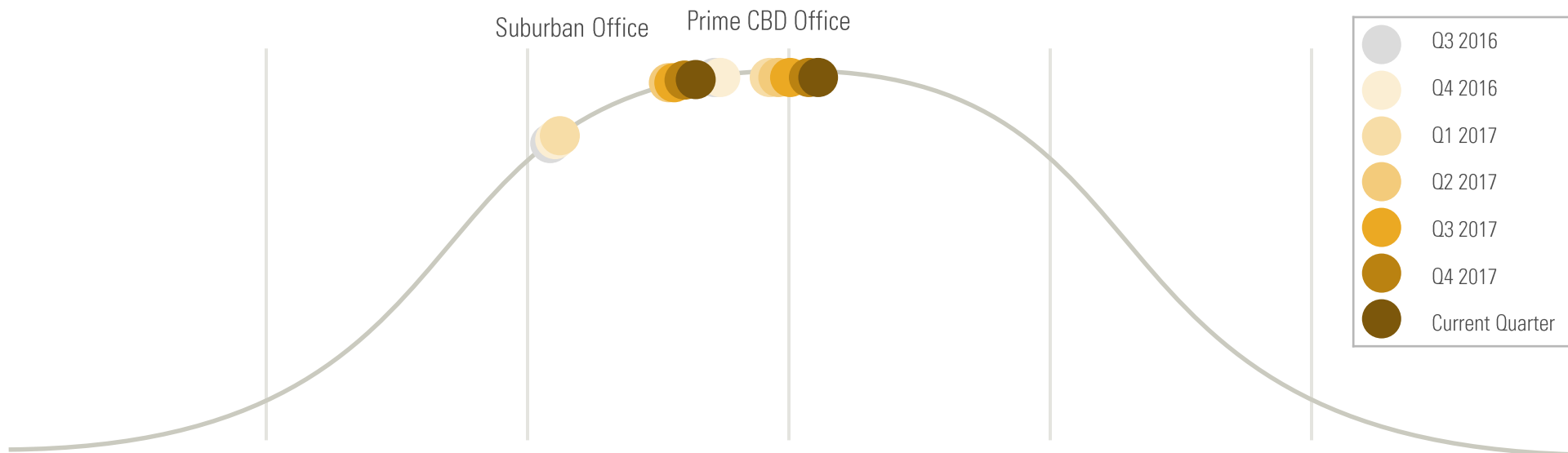
Steady increase in new and existing home prices since 2011

**Median Home Price and Case-Shiller 20-City Price Index
(2000 – Q1 2018)**



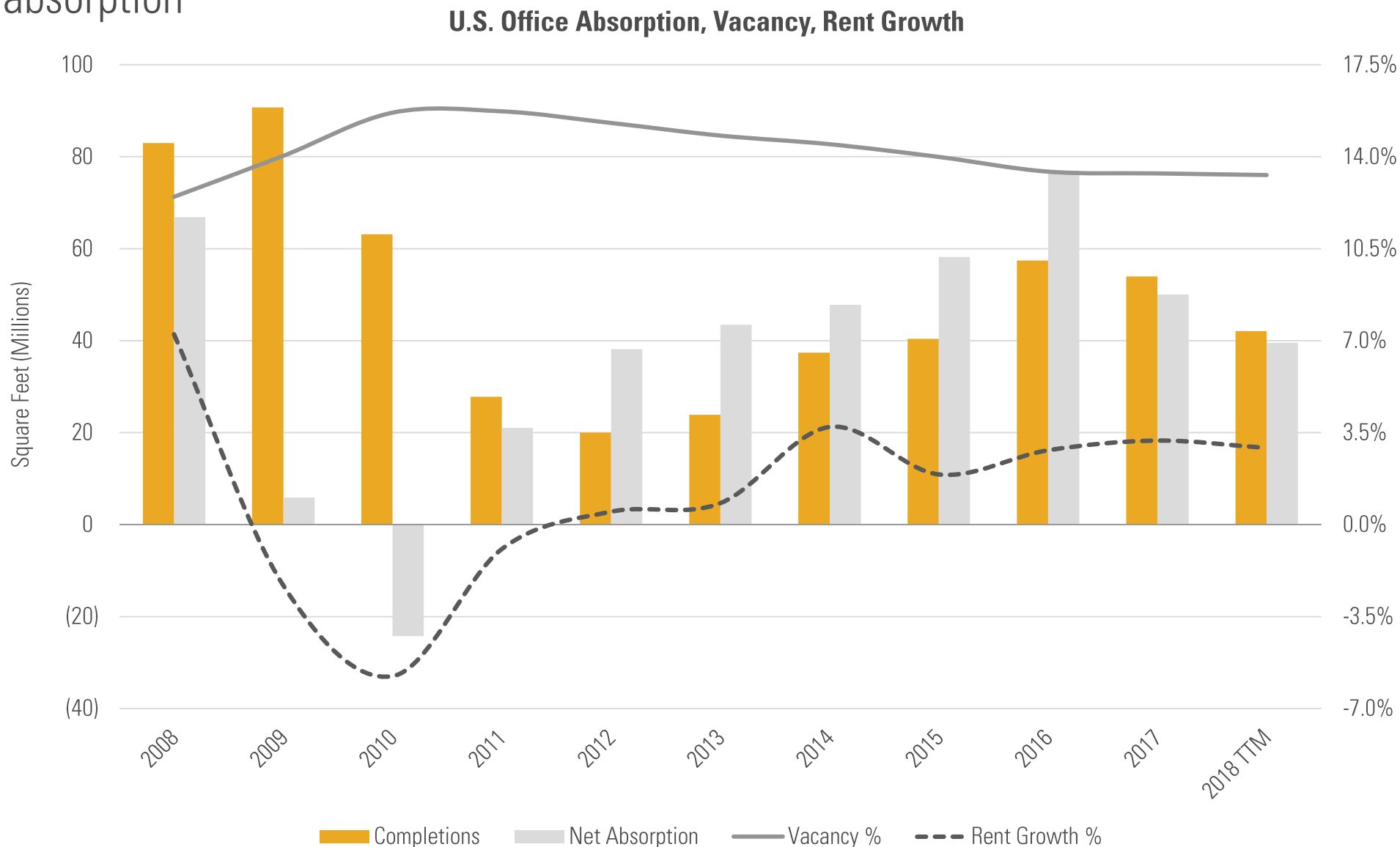
OFFICE MARKET OVERVIEW

- ▶ Office vacancy has remained relatively stable over the past three years; however, new supply has exceeded demand for the fifth straight quarter
- ▶ Annual rental rate growth decreased from 3.5% in Q1 2018 to 2.9% in Q1 2018
- ▶ Class A and B vacancies remain relatively unchanged despite new supply
- ▶ Construction activity remains moderately elevated nationwide but is continuing to slow
- ▶ Overall, office cap rates have increased nominally
- ▶ Tech markets exhibit the best current performance but will have to absorb upcoming supply; other markets are staying full thanks to more limited construction



U.S. OFFICE VACANCY FLAT SINCE 2016

Rent growth decreases slightly; narrowing gap between new supply and absorption



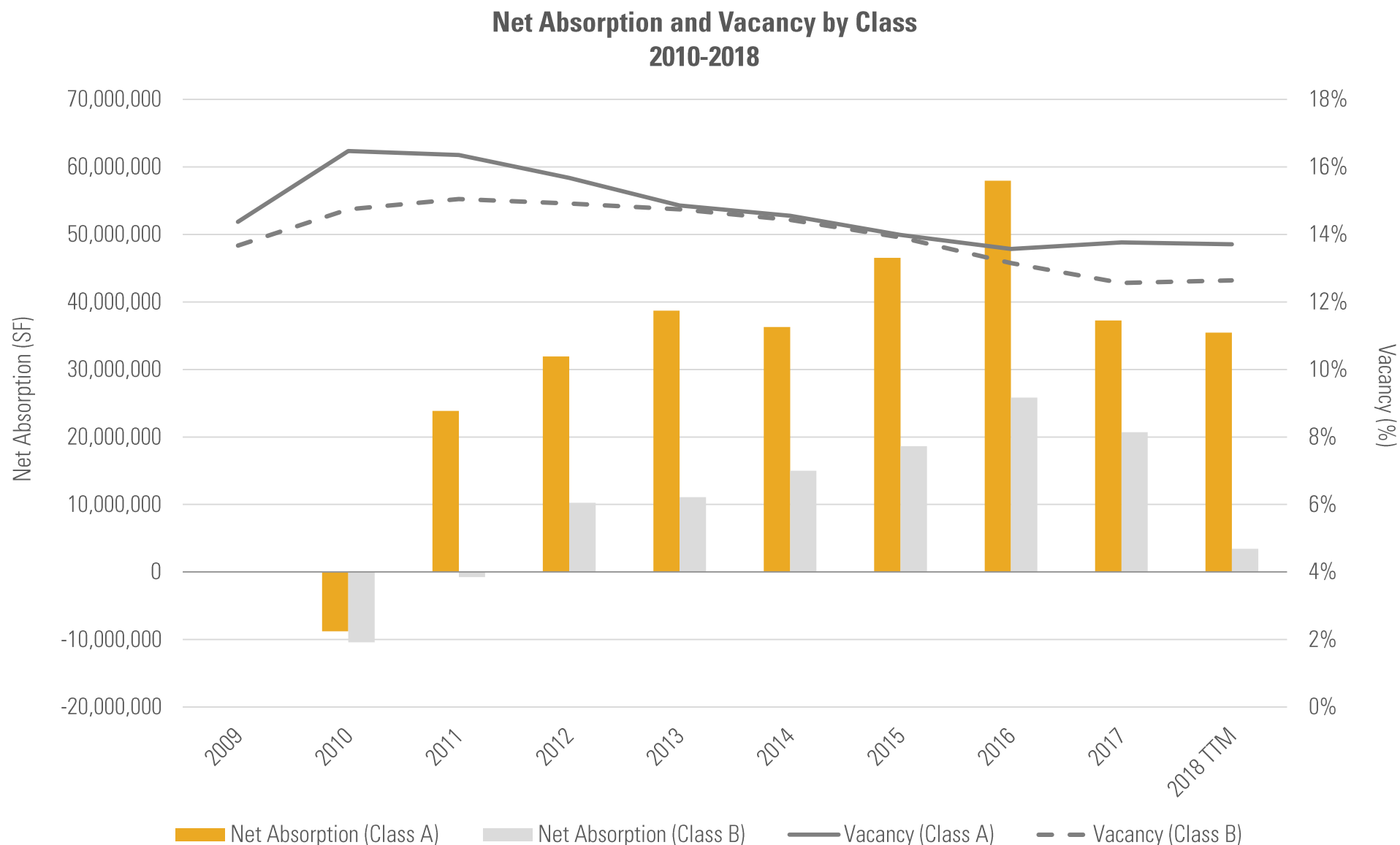
Note: Office criteria filtered as follows: office property, not owner occupied, 30,000+ SF, and a 3-star or greater CoStar rating

Source: CoStar; RCLCO

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CLASS B OFFICE DEMAND SLOWING

Class A vacancy and demand remain relatively steady



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

Source: CoStar; RCLCO

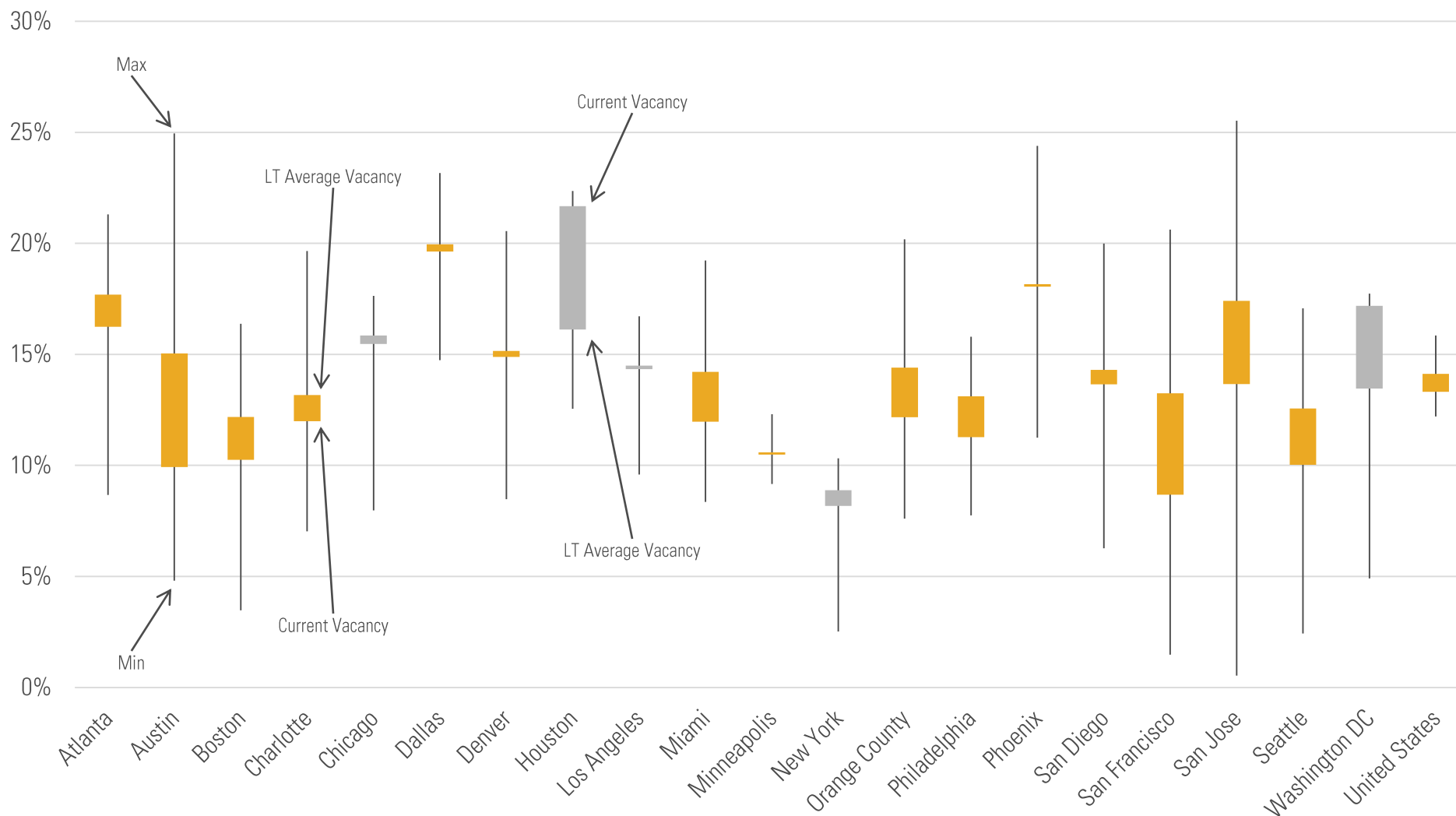
Quarterly Chartbook | Q1 2018 | 41

LITTLE CHANGE IN VACANCY FROM 4Q17

Vacancy remains above average in Houston and Washington, DC

Office Current and Long-term Vacancy

Yellow box - current vacancy < LT avg.
Gray box - current vacancy > LT avg.



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

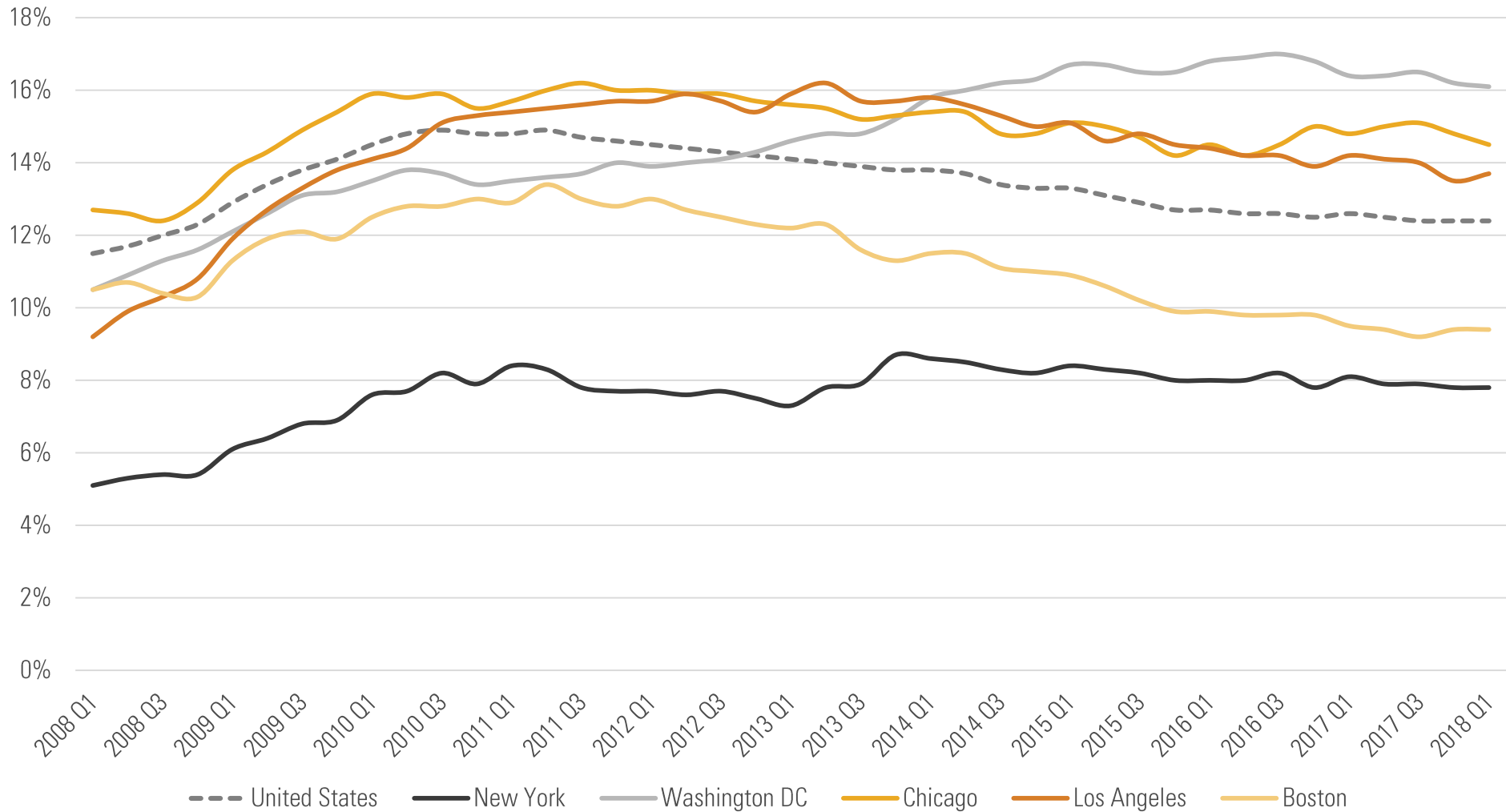
Source: CoStar; RCLCO

Quarterly Chartbook | Q1 2018 | 42

U.S. OFFICE VACANCY GENERALLY STABLE

Chicago vacancy declined by 30 bps in Q1 2018

Vacancy in Five Largest Office Markets,
2008-2018



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

Source: CoStar; RCLCO

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U.S. OFFICE MARKET RISK INDICATORS

National office market is largely stable

	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking Rent Growth	Y-o-Y Asking Rent Growth
2012 Q2	0.2%	0.2%	1.0%	84.7%	0.1%	0.4%	0.3%	0.3%
2012 Q3	0.2%	0.2%	1.0%	84.8%	0.1%	0.4%	0.4%	0.8%
2012 Q4	0.3%	0.2%	1.0%	84.9%	0.1%	0.5%	0.3%	1.2%
2013 Q1	0.2%	0.1%	1.1%	85.0%	0.1%	0.5%	0.2%	1.3%
2013 Q2	0.2%	0.2%	1.2%	85.1%	0.1%	0.4%	0.3%	1.2%
2013 Q3	0.3%	0.2%	1.3%	85.2%	0.1%	0.5%	0.4%	1.2%
2013 Q4	0.3%	0.2%	1.3%	85.3%	0.1%	0.4%	0.5%	1.4%
2014 Q1	0.2%	0.1%	1.6%	85.4%	0.1%	0.4%	0.9%	2.1%
2014 Q2	0.3%	0.2%	1.7%	85.5%	0.1%	0.4%	0.8%	2.6%
2014 Q3	0.4%	0.3%	1.9%	85.6%	0.1%	0.4%	0.8%	3.0%
2014 Q4	0.4%	0.3%	2.0%	85.8%	0.1%	0.4%	0.7%	3.2%
2015 Q1	0.1%	0.1%	2.0%	85.9%	0.1%	0.5%	0.5%	2.8%
2015 Q2	0.5%	0.4%	2.2%	86.1%	0.2%	0.5%	0.6%	2.6%
2015 Q3	0.4%	0.3%	2.2%	86.2%	0.1%	0.5%	0.7%	2.5%
2015 Q4	0.5%	0.4%	2.0%	86.3%	0.1%	0.5%	0.7%	2.5%
2016 Q1	0.2%	0.1%	2.0%	86.5%	0.1%	0.6%	0.7%	2.7%
2016 Q2	0.3%	0.3%	2.0%	86.6%	0.1%	0.5%	0.7%	2.8%
2016 Q3	0.2%	0.3%	1.9%	86.6%	0.1%	0.4%	0.7%	2.9%
2016 Q4	0.3%	0.2%	1.8%	86.7%	0.0%	0.3%	0.7%	2.9%
2017 Q1	0.1%	0.1%	1.6%	86.7%	0.0%	0.2%	0.8%	3.0%
2017 Q2	0.2%	0.2%	1.5%	86.7%	0.0%	0.1%	0.7%	3.0%
2017 Q3	0.2%	0.2%	1.4%	86.7%	(0.0%)	0.1%	0.6%	2.9%
2017 Q4	0.2%	0.2%	1.3%	86.7%	(0.0%)	0.0%	0.9%	3.0%
2018 Q1	0.1%	0.1%	1.3%	86.7%	0.0%	0.0%	0.7%	2.9%

*Current quarter defined as Q1 2018; **Completions highlighted in Red if above 0.25% of Stock; ***Under Construction highlighted in Red if above 1% of Stock; ****Green if above market's historical average since 2008

Notes: Above data does not include Medical Office; Rent and occupancy are based on a rolling 4-quarter average. Rent growth numbers utilize asking rent data; The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets; Office criteria filtered as follows: office property, not owner occupied, 30,000+ SF, and a 3-star or greater CoStar rating

U.S. OFFICE MARKET RISK INDICATORS

Tech markets continue to exhibit strong performance, but will need to monitor construction pipelines

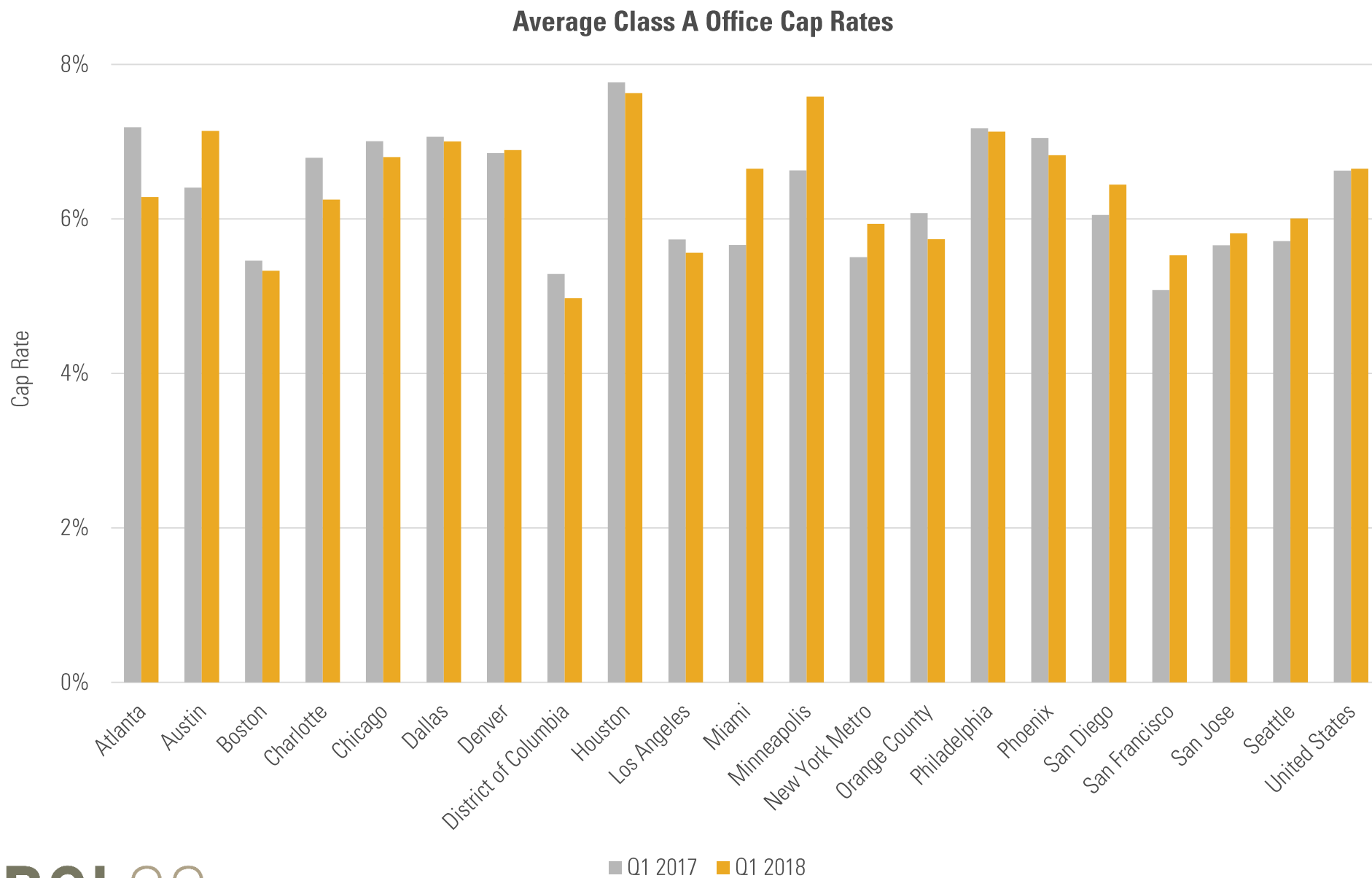
	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Gross Asking Rent Growth	Y-o-Y Gross Asking Rent Growth
Atlanta	0.6%	0.5%	1.9%	83.8%	0.0%	(0.4%)	1.5%	6.4%
Austin	0.3%	0.1%	1.9%	90.1%	0.0%	0.4%	1.0%	1.9%
Boston	0.1%	0.0%	1.5%	89.7%	0.1%	0.4%	3.4%	8.6%
Charlotte	0.4%	0.4%	3.7%	88.0%	(0.5%)	(1.9%)	3.3%	9.7%
Chicago	0.3%	0.0%	0.3%	84.1%	0.1%	(0.2%)	(0.0%)	0.3%
Dallas	(0.2%)	0.4%	1.4%	80.4%	(0.2%)	(0.7%)	0.8%	3.9%
Denver	1.0%	1.2%	1.6%	85.1%	(0.0%)	(1.1%)	0.5%	1.9%
Houston	(0.7%)	0.2%	0.6%	78.3%	(0.3%)	(2.1%)	0.2%	0.1%
Los Angeles	(0.3%)	0.0%	0.5%	85.5%	0.1%	0.1%	0.8%	5.2%
Miami	(0.4%)	0.0%	0.7%	88.0%	0.1%	1.1%	0.9%	2.8%
Minneapolis	0.1%	0.1%	0.4%	89.5%	(0.3%)	(1.0%)	0.5%	(0.7%)
New York	0.2%	0.0%	2.4%	91.1%	0.0%	(0.1%)	0.0%	1.8%
Orange County	0.4%	0.6%	0.0%	87.8%	(0.2%)	(0.4%)	2.0%	6.6%
Philadelphia	0.2%	0.0%	1.5%	88.7%	0.2%	0.7%	0.1%	1.5%
Phoenix	0.9%	0.4%	1.6%	81.9%	0.2%	0.2%	1.8%	5.0%
San Diego	(0.6%)	0.0%	0.7%	86.3%	(0.2%)	0.2%	0.6%	3.7%
San Francisco	1.9%	1.8%	3.5%	91.3%	0.1%	(0.2%)	(0.2%)	2.5%
San Jose	1.6%	1.5%	1.8%	86.3%	(0.8%)	(2.1%)	0.8%	4.8%
Seattle	1.0%	0.2%	1.2%	90.0%	0.5%	0.2%	1.1%	1.6%
Washington DC	0.2%	0.1%	1.8%	82.8%	0.0%	0.3%	0.6%	1.8%
United States	0.1%	0.2%	1.3%	86.7%	0.0%	0.0%	0.7%	2.9%

*Current quarter defined as Q1 2018; **Completions highlighted in Red if above 0.25% of Stock; ***Under Construction highlighted in Red if above 1% of Stock; ****Green if above market's historical average since 2008

Notes: Above data does not include Medical Office; Rent and occupancy are based on a rolling 4-quarter average. Rent growth numbers utilize asking rent data; The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets; Office criteria filtered as follows: office property, not owner occupied, 30,000+ SF, and a 3-star or greater CoStar rating

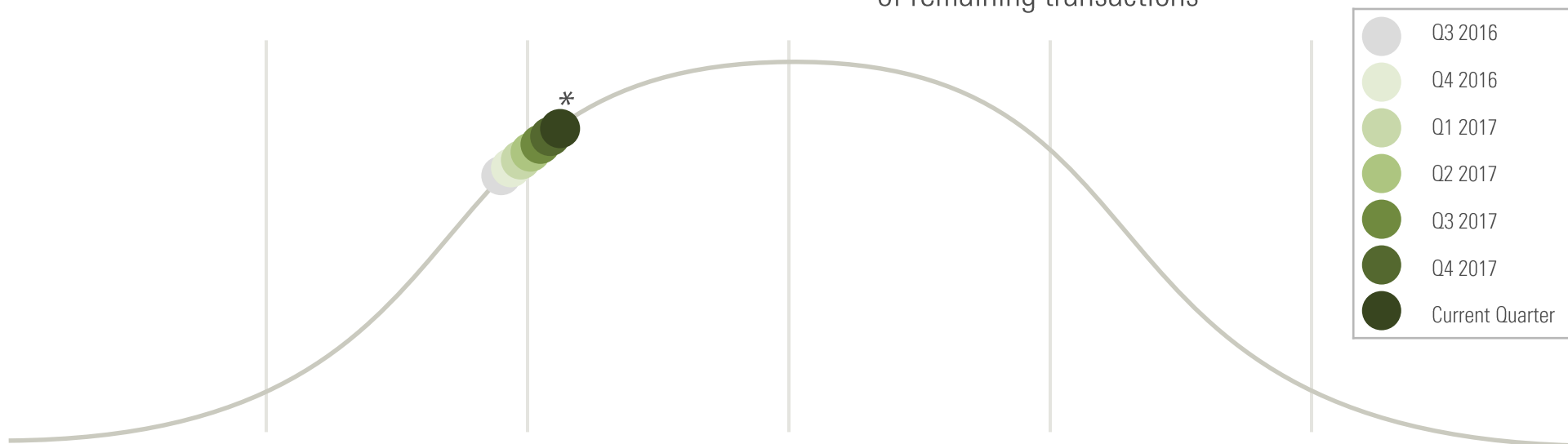
U.S. OFFICE CAP RATES LARGELY FLAT

Miami and Minneapolis experience 100 bps of cap rate expansion



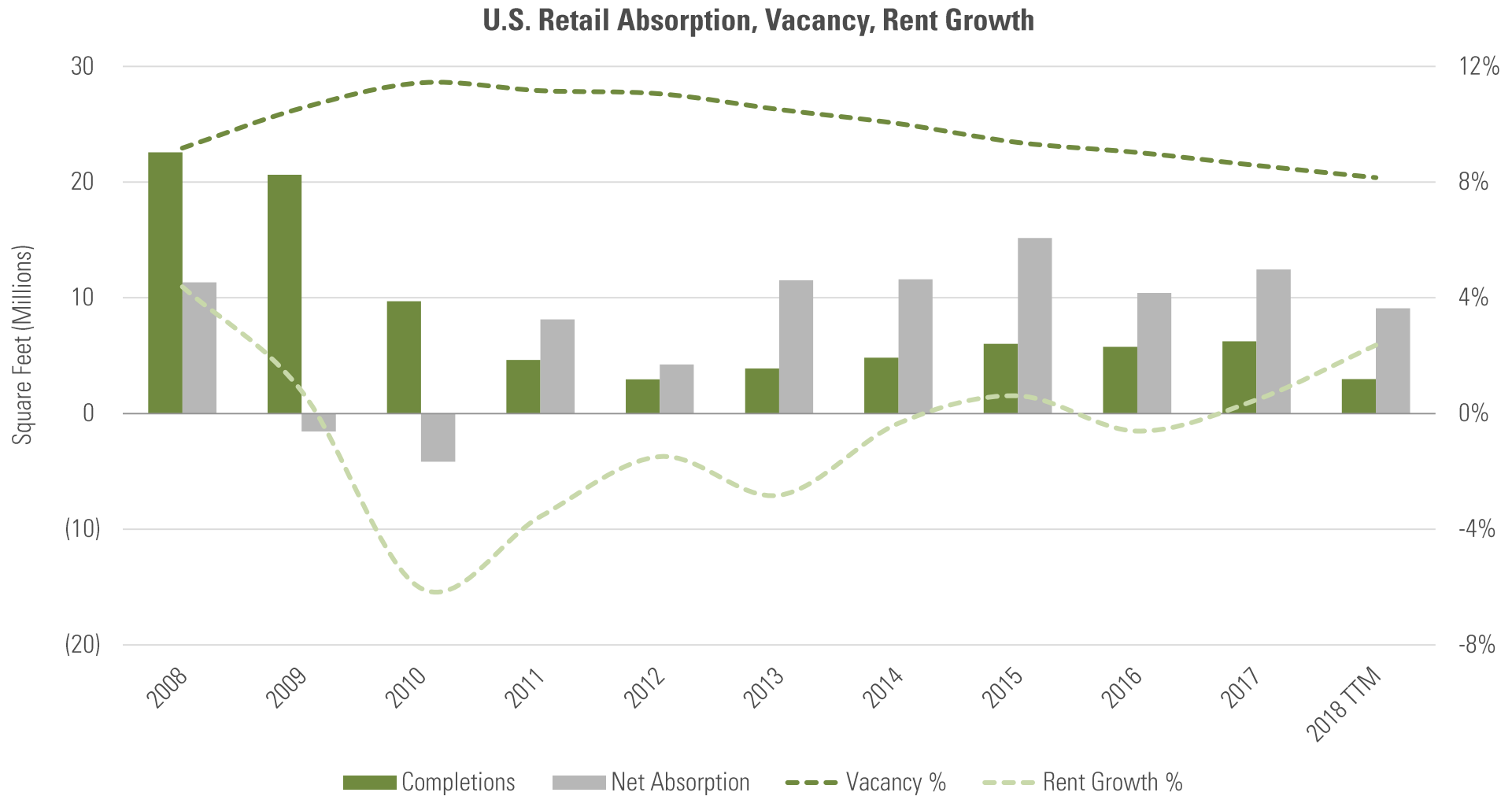
RETAIL MARKET OVERVIEW*

- ▶ This section focuses primarily on neighborhood/community center retail as it is relatively more investable than other types of retail
- ▶ In general, lack of new supply is sustaining retail performance in the face of broader challenges; the full impacts of e-commerce are still unknown, however, leading investors to be cautious (for good reason, we believe)
- ▶ Annual asking rent growth for neighborhood and community retail has increased from 0.68% in Q4 2017 to 2.37% in Q1 2018.
- ▶ Neighborhood and community center vacancy has continued to decline gradually nationwide due to limited new supply, rather than growing demand for stick-and-brick retail
- ▶ Overall retail transaction volume declined to its lowest level since Q1 2013, as mall and grocery anchored retail transactions declined by approximately \$1M each
- ▶ Cap rates vary by type, but power centers and malls experienced notable compression in Q4, likely due to significant increases in the prior year, or higher quality of remaining transactions



NEW SUPPLY OF GROCERY-ANCHORED RETAIL SLOWS FURTHER

Rent growth / declining vacancy attributable to limited new supply

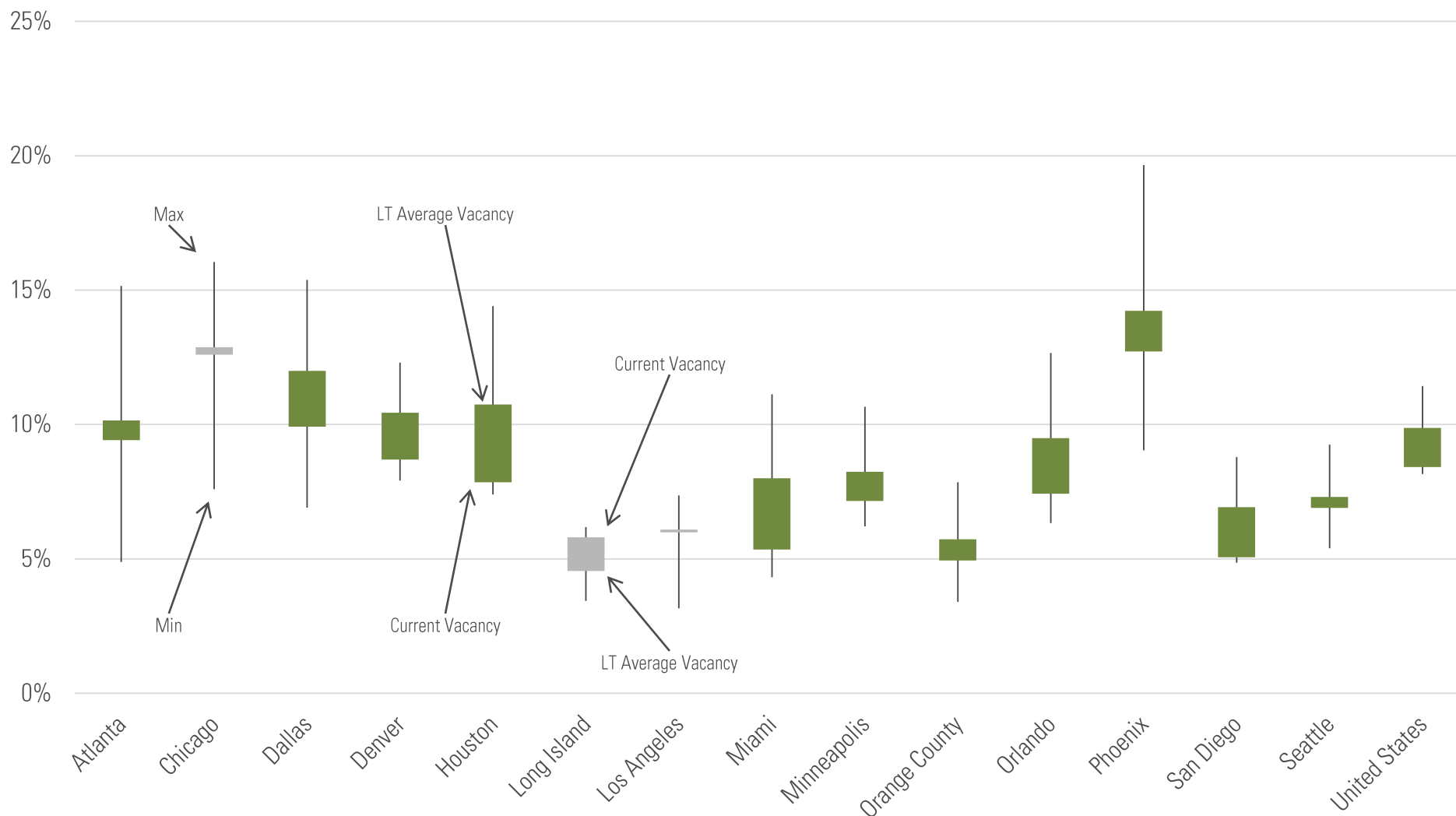


U.S. RETAIL OCCUPANCY ABOVE AVERAGE

Retail occupancy improving slightly in most markets

Neighborhood and Community Center and Long-term Vacancy

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



Notes: Retail criteria filtered as follows: retail property in a shopping center, not owner occupied, 30,000+ SF, multiple tenancy, and a 3-star or greater CoStar rating; the markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets

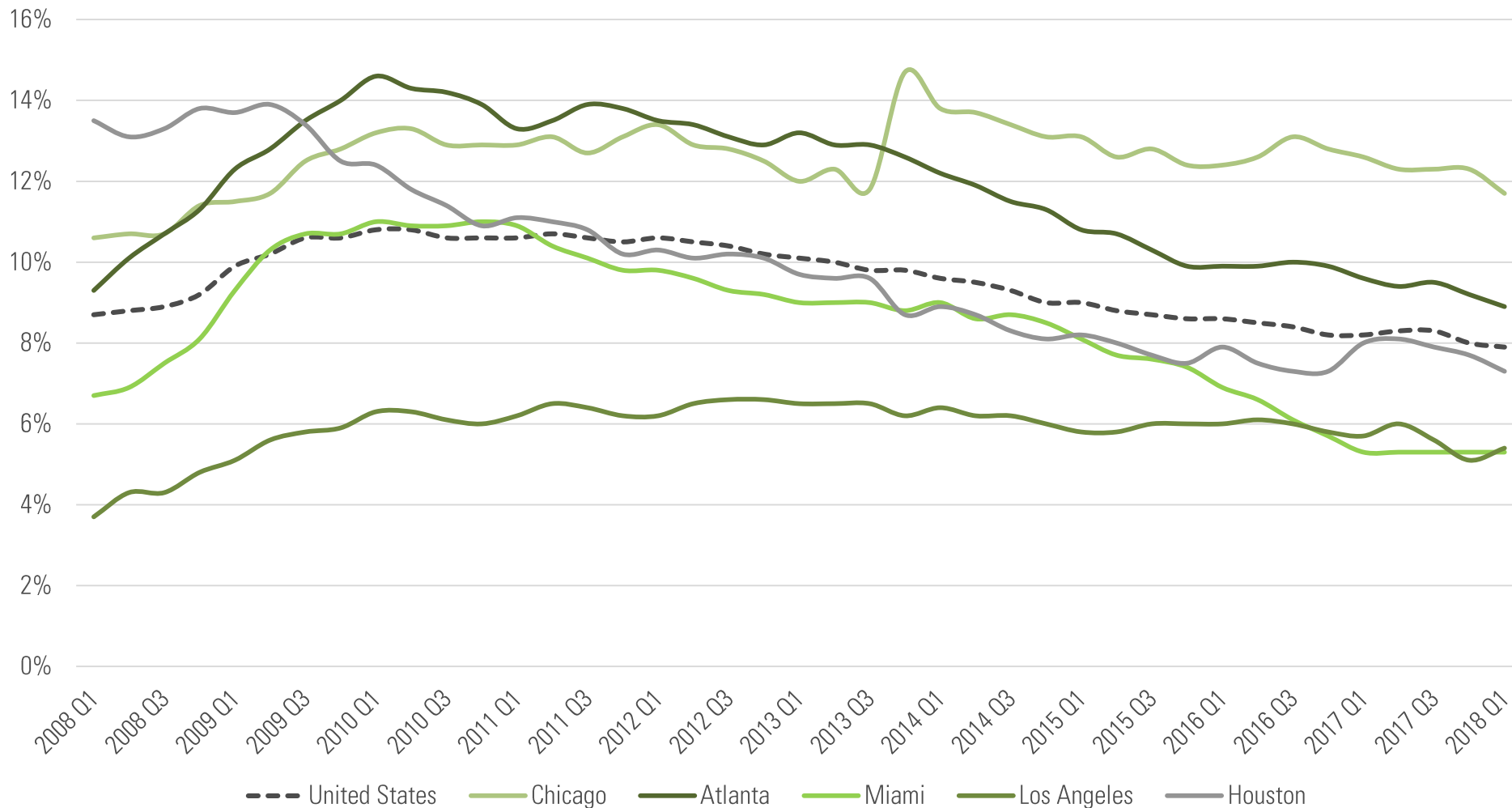
Source: CoStar; RCLCO

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LOWER VACANCY IN MOST MARKETS

Chicago vacancy fell by 50 bps; LA vacancy increased by 30 bps

Vacancy in Five Largest Retail Markets,
2008-2018



Notes: Retail criteria filtered as follows: retail property in a shopping center, not owner occupied, 30,000+ SF, multiple tenancy, and a 3-star or greater CoStar rating; the markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets

Source: CoStar; RCLCO

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U.S. RETAIL MARKET RISK INDICATORS

Rents and occupancy continue to improve slowly

	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking Rent Growth	Y-o-Y Asking Rent Growth
2012 Q2	0.1%	0.0%	0.3%	89.0%	0.0%	0.1%	(0.2%)	(1.7%)
2012 Q3	0.2%	0.1%	0.3%	89.0%	0.1%	0.2%	(0.4%)	(1.5%)
2012 Q4	0.3%	0.1%	0.2%	89.1%	0.1%	0.2%	(0.8%)	(1.8%)
2013 Q1	0.2%	0.1%	0.3%	89.2%	0.1%	0.3%	(0.7%)	(2.1%)
2013 Q2	0.1%	0.0%	0.4%	89.4%	0.1%	0.4%	(0.6%)	(2.5%)
2013 Q3	0.3%	0.2%	0.3%	89.6%	0.2%	0.5%	(0.6%)	(2.7%)
2013 Q4	0.1%	0.1%	0.3%	89.7%	0.1%	0.6%	(0.3%)	(2.2%)
2014 Q1	0.2%	0.1%	0.4%	89.8%	0.1%	0.5%	(0.1%)	(1.6%)
2014 Q2	0.2%	0.1%	0.4%	89.9%	0.1%	0.5%	0.2%	(0.9%)
2014 Q3	0.3%	0.1%	0.3%	90.1%	0.1%	0.5%	0.5%	0.2%
2014 Q4	0.3%	0.1%	0.3%	90.2%	0.2%	0.6%	0.3%	0.8%
2015 Q1	0.2%	0.1%	0.4%	90.4%	0.2%	0.6%	0.2%	1.1%
2015 Q2	0.2%	0.1%	0.4%	90.6%	0.2%	0.6%	(0.2%)	0.7%
2015 Q3	0.3%	0.1%	0.5%	90.7%	0.2%	0.7%	(0.3%)	0.0%
2015 Q4	0.1%	0.1%	0.4%	90.8%	0.1%	0.6%	(0.1%)	(0.4%)
2016 Q1	0.1%	0.1%	0.4%	90.9%	0.1%	0.5%	(0.2%)	(0.7%)
2016 Q2	0.2%	0.1%	0.4%	91.0%	0.1%	0.4%	(0.0%)	(0.6%)
2016 Q3	0.3%	0.2%	0.3%	91.1%	0.1%	0.3%	0.0%	(0.3%)
2016 Q4	0.2%	0.1%	0.2%	91.2%	0.1%	0.4%	(0.0%)	(0.2%)
2017 Q1	0.1%	0.1%	0.2%	91.3%	0.1%	0.5%	0.1%	0.1%
2017 Q2	0.1%	0.1%	0.2%	91.4%	0.1%	0.5%	0.5%	0.6%
2017 Q3	0.0%	0.0%	0.1%	91.4%	0.0%	0.4%	0.2%	0.8%
2017 Q4	0.3%	0.0%	0.1%	91.5%	0.1%	0.4%	0.5%	1.2%
2018 Q1	0.2%	0.0%	0.1%	91.6%	0.1%	0.4%	0.6%	1.7%

*Current quarter defined as Q1 2018; **Completions highlighted in Red if above 0.25% of Stock; ***Under Construction highlighted in Red if above 1% of Stock; ****Green if above city's historical average since 2008

Notes: Above data includes only Neighborhood/Community centers; does NOT include power centers, regional malls, or lifestyle retail centers; Rent and occupancy are based on a rolling 4-quarter average. Rent growth numbers utilize asking rent data; The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets; Retail criteria filtered as follows: retail property in a shopping center, not owner occupied, 30,000+ SF, multiple tenancy, and a 3-star or greater CoStar rating

U.S. RETAIL MARKET RISK INDICATORS

Nearly non-existent construction activity providing for solid performance in almost all markets

	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking NNN Rent Growth	Y-o-Y Asking NNN Rent Growth
Atlanta	0.4%	0.1%	0.0%	90.6%	0.2%	0.6%	0.1%	1.2%
Chicago	0.5%	0.0%	0.2%	87.1%	0.2%	0.7%	1.7%	1.6%
Dallas	0.2%	0.0%	0.5%	90.1%	0.0%	0.0%	0.1%	4.4%
Denver	(0.4%)	0.0%	0.7%	91.3%	0.2%	1.0%	0.4%	6.2%
Houston	0.4%	0.1%	0.4%	92.1%	0.2%	(0.2%)	1.6%	2.3%
Long Island	0.4%	0.0%	0.0%	94.2%	(0.2%)	(0.7%)	(1.0%)	0.4%
Los Angeles	(0.3%)	0.0%	0.0%	93.9%	0.1%	0.6%	0.8%	4.9%
Miami	0.0%	0.0%	0.0%	94.6%	0.0%	0.7%	0.8%	3.7%
Minneapolis	(0.5%)	0.0%	0.0%	92.8%	(0.1%)	(0.1%)	0.9%	6.7%
Orange County	0.5%	0.0%	0.0%	95.1%	0.2%	(0.1%)	0.3%	6.1%
Orlando	0.1%	0.0%	0.2%	92.6%	0.3%	1.1%	2.0%	4.9%
Phoenix	(0.1%)	0.0%	0.2%	87.3%	0.5%	0.9%	(0.1%)	1.0%
San Diego	(0.0%)	0.0%	0.0%	94.9%	0.2%	1.2%	2.4%	8.8%
Seattle	0.6%	0.0%	0.0%	93.1%	0.5%	1.0%	1.7%	0.9%
United States	0.2%	0.0%	0.1%	91.6%	0.1%	0.3%	0.6%	1.7%

*Current quarter defined as Q1 2018; **Completions highlighted in Red if above 0.25% of Stock; ***Under Construction highlighted in Red if above 1% of Stock; ****Green if above city's historical average since 2008

Notes: Above data includes only Neighborhood/Community centers; does NOT include power centers, regional malls, or lifestyle retail centers; Rent and occupancy are based on a rolling 4-quarter average. Rent growth numbers utilize asking rent data; The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets; Retail criteria filtered as follows: retail property in a shopping center, not owner occupied, 30,000+ SF, multiple tenancy, and a 3-star or greater CoStar rating

RETAIL CAP RATES LARGELY FLAT

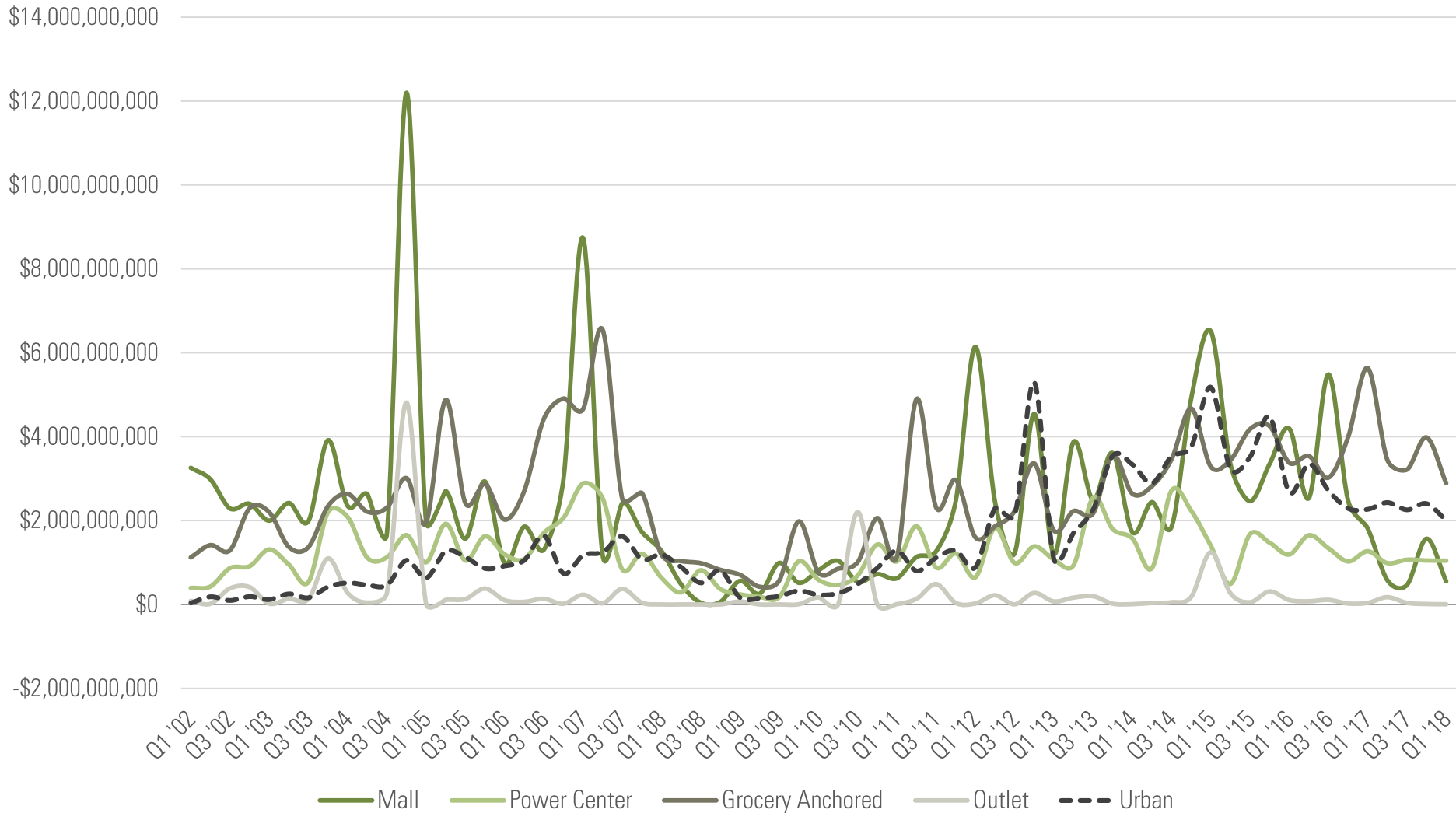
Chicago, Dallas, and Long Island experienced the most notable expansion



RETAIL TRANSACTION VOLUME

Sales of Grocery Anchored and Malls fell sharply in Q1 2018

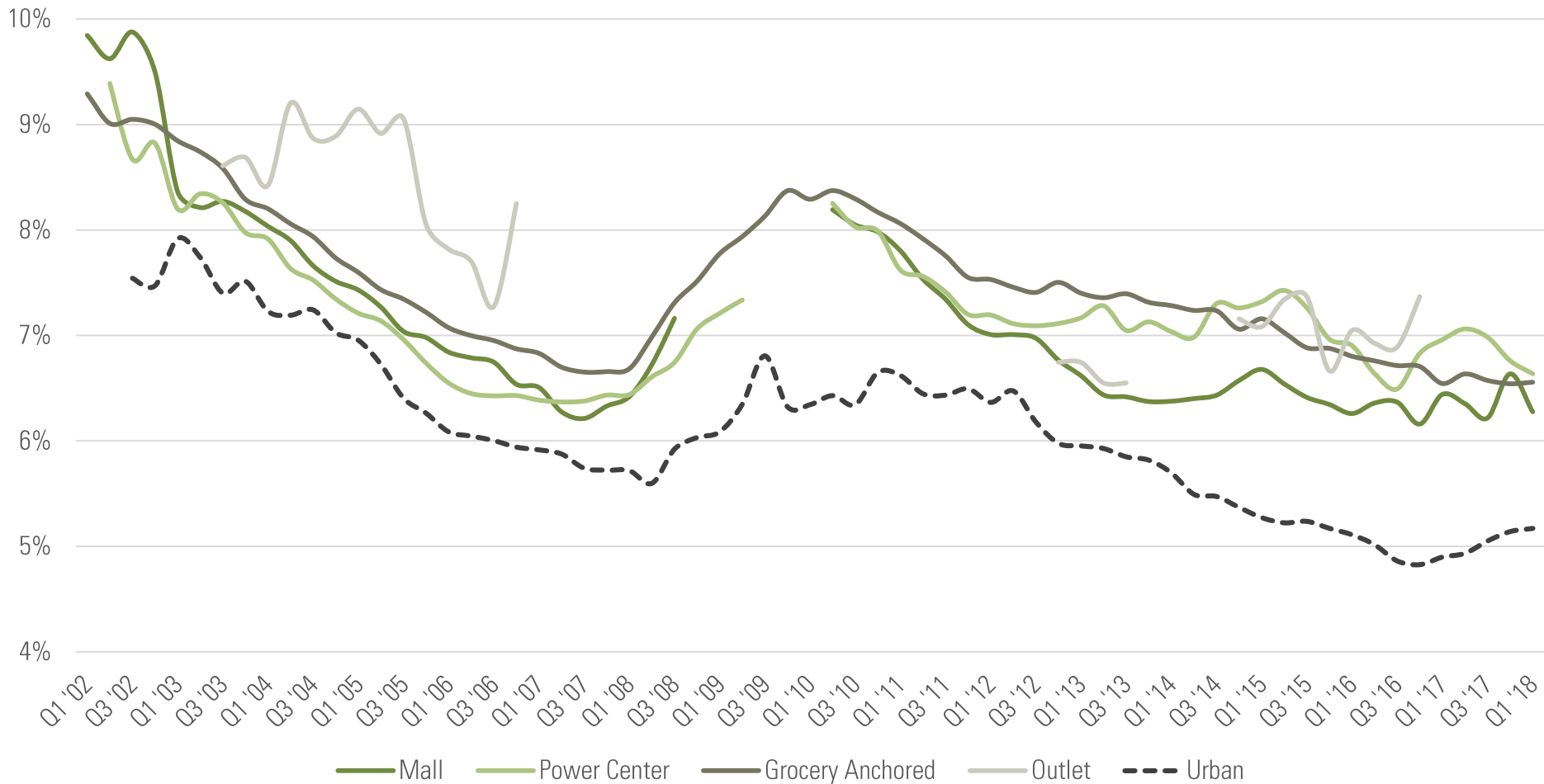
Retail Transaction Volume by Sector
2002-Q1 2018



CAP RATES VARY BY TYPE, BUT ARE LIKELY DRIVEN BY TRANSACTION QUALITY

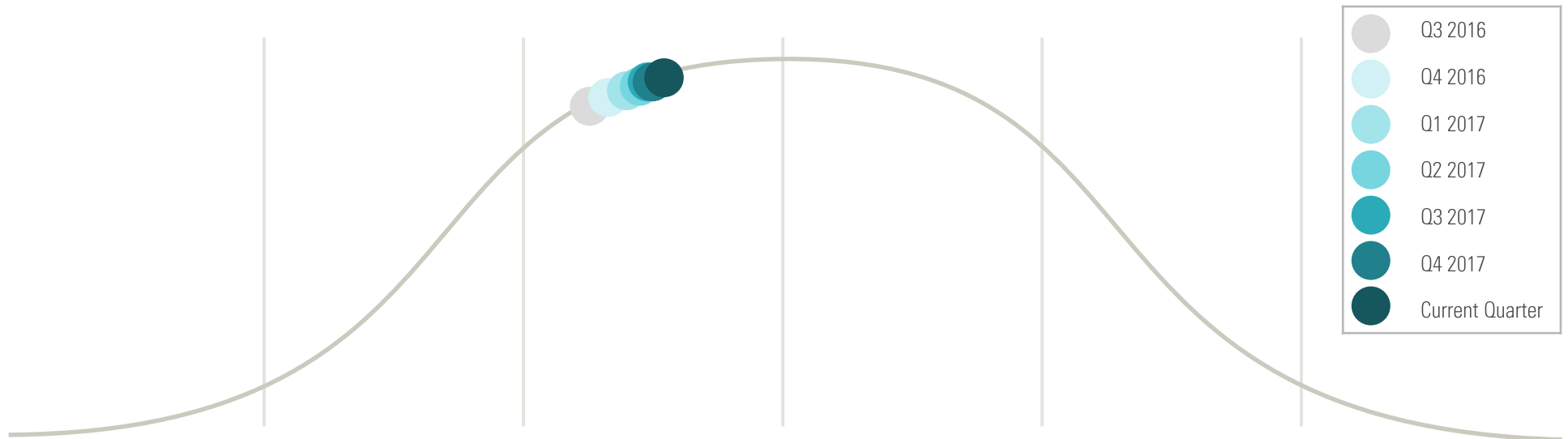
Power Center cap rates have fallen over the past two quarters

Retail Cap Rates by Sector
2002-Q1 2018



INDUSTRIAL MARKET OVERVIEW

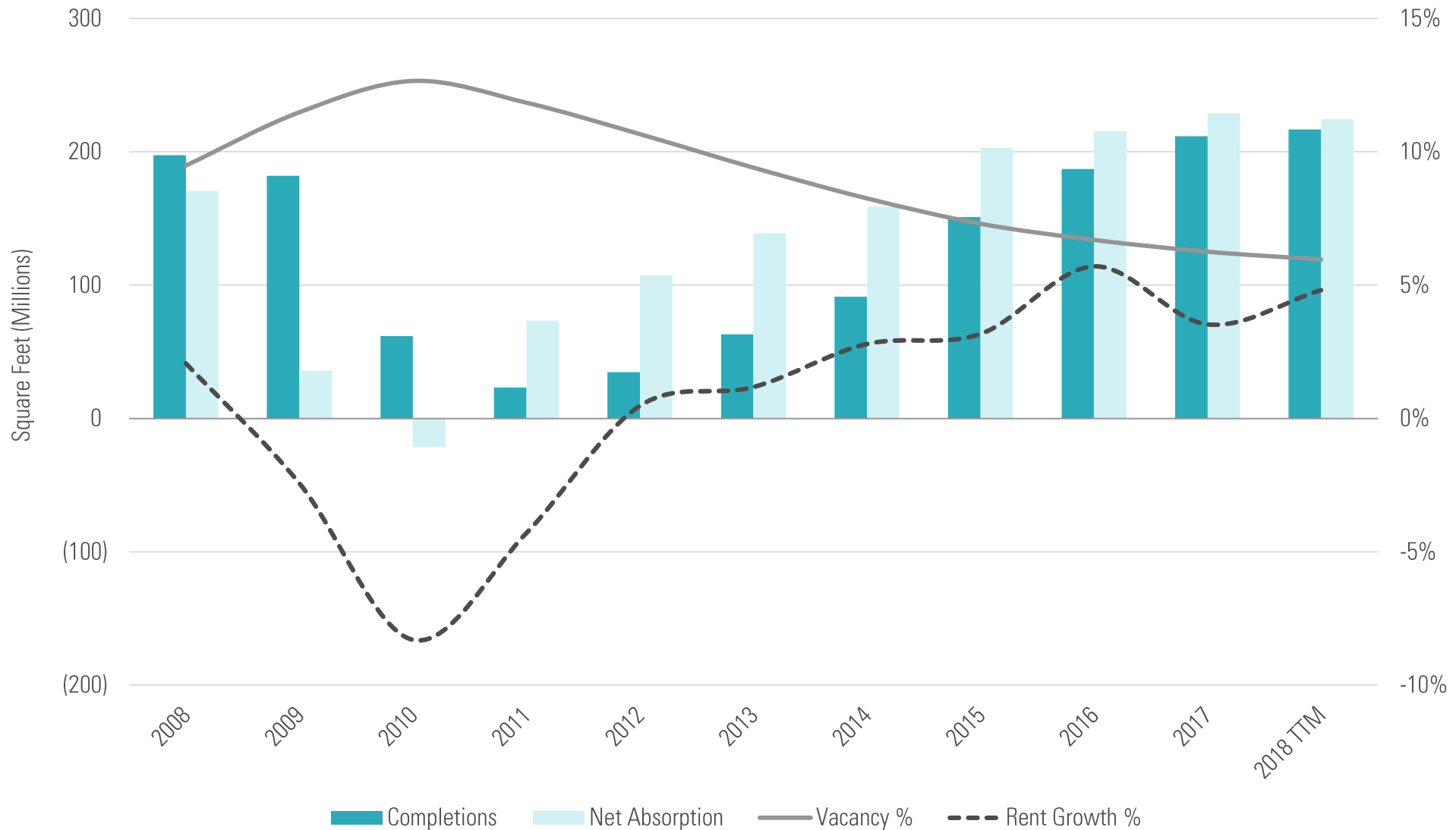
- ▶ Construction activity is catching up to demand
- ▶ Vacancy rates still remain below average in all major markets nationwide
- ▶ Industrial construction activity continues to slow, but remains at peak levels
- ▶ Industrial transaction volume has increased by 25.5% YoY, representing the fifth straight quarter than industrial volume has exceeded retail transaction volume
- ▶ Cap rates remain at all-time lows



SUPPLY AND DEMAND GAP NARROWS

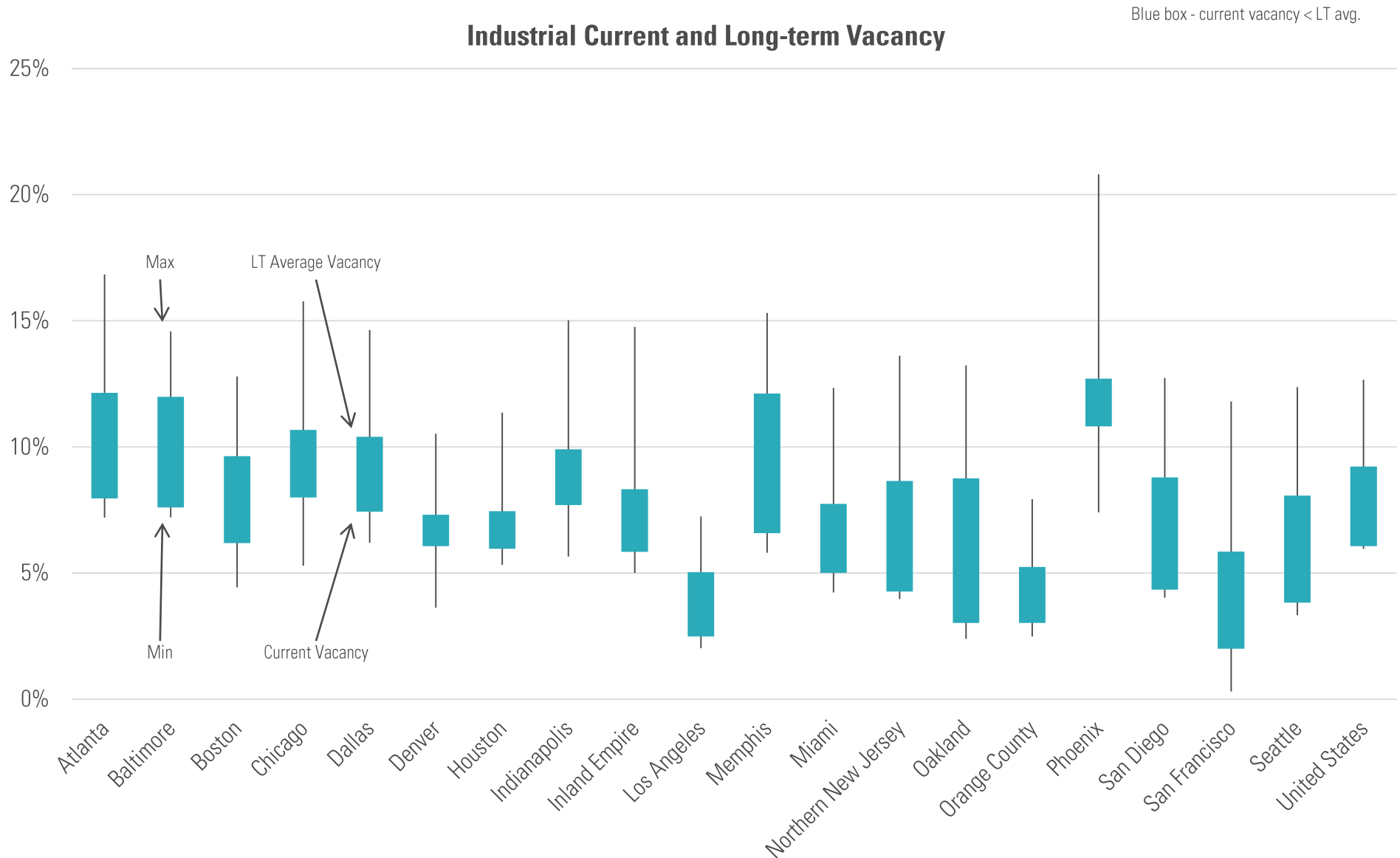
Occupancy and rent growth remain strong and above historical averages

U.S. Industrial Absorption, Vacancy, Rent Growth



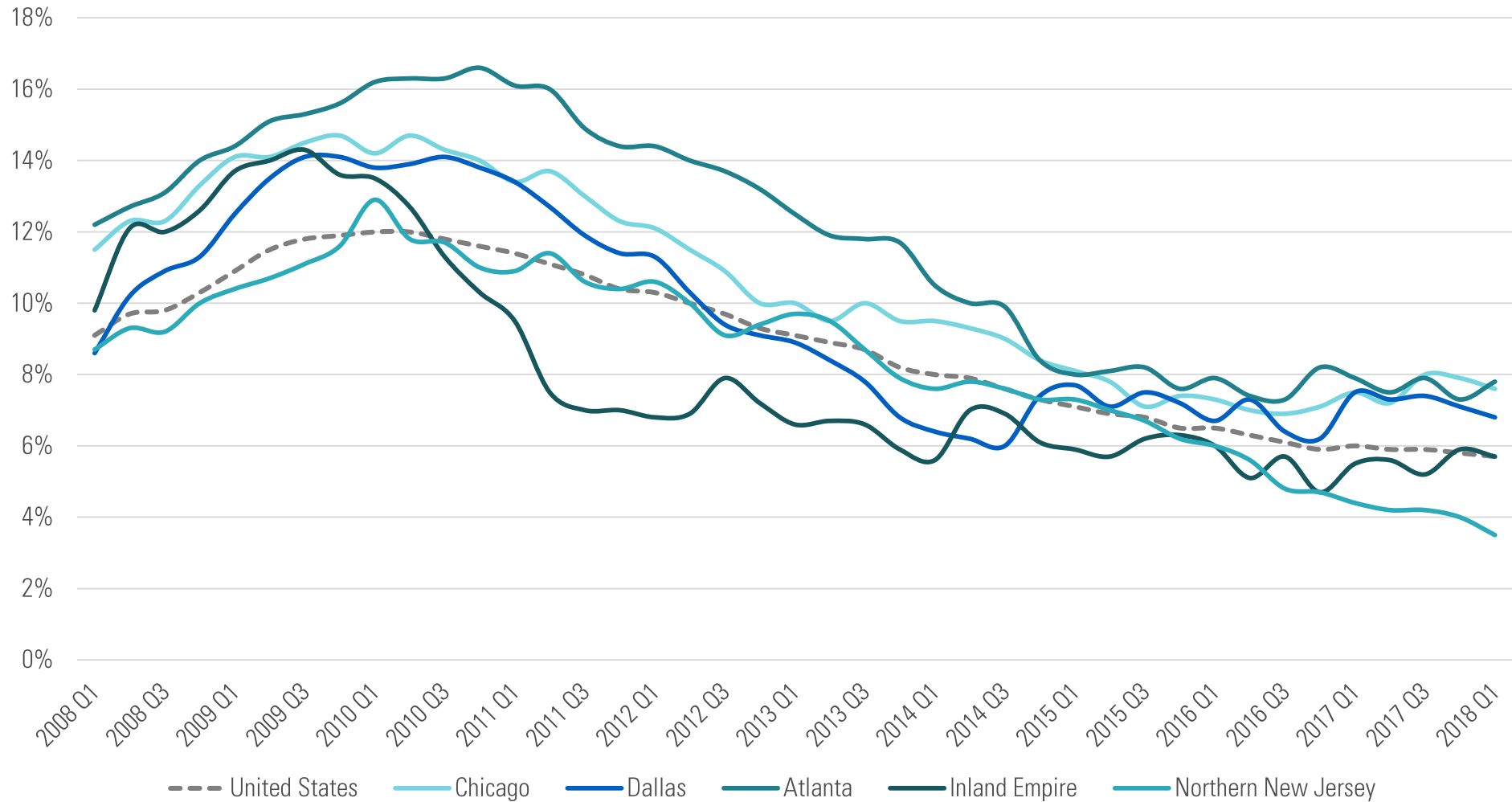
U.S. VACANCY STILL AT ALL-TIME LOW

Industrial vacancy remains below average in all markets



LOW VACANCIES HOLDING STEADY IN THE LARGEST MARKETS

Vacancy in Five Largest Industrial Markets, 2008-2018



Notes: Industrial criteria filtered as follows: industrial property (secondary type is either distribution or warehouse), 30,000+ SF, and a 3-star or greater CoStar rating; The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets

Source: CoStar; RCLCO

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U.S. INDUSTRIAL MARKET RISK INDICATORS

Strong rent growth continues while construction activity continues to slow slightly

	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking Rent Growth	Y-o-Y Asking Rent Growth
2012 Q2	0.4%	0.1%	0.9%	89.2%	0.3%	1.2%	0.2%	(0.1%)
2012 Q3	0.5%	0.2%	1.0%	89.5%	0.3%	1.2%	0.2%	0.4%
2012 Q4	0.7%	0.4%	0.9%	89.8%	0.3%	1.2%	0.2%	0.7%
2013 Q1	0.5%	0.2%	1.2%	90.1%	0.3%	1.2%	0.3%	0.9%
2013 Q2	0.4%	0.3%	1.3%	90.4%	0.3%	1.2%	0.5%	1.2%
2013 Q3	0.6%	0.4%	1.4%	90.7%	0.3%	1.1%	0.6%	1.6%
2013 Q4	0.8%	0.3%	1.7%	91.0%	0.3%	1.1%	0.6%	2.1%
2014 Q1	0.6%	0.4%	1.8%	91.3%	0.3%	1.1%	0.7%	2.5%
2014 Q2	0.6%	0.5%	2.0%	91.5%	0.3%	1.1%	0.7%	2.7%
2014 Q3	0.8%	0.6%	2.2%	91.8%	0.3%	1.2%	0.6%	2.7%
2014 Q4	0.9%	0.7%	2.2%	92.1%	0.2%	1.1%	0.6%	2.6%
2015 Q1	0.7%	0.5%	2.1%	92.3%	0.2%	1.1%	0.8%	2.7%
2015 Q2	0.7%	0.6%	2.2%	92.5%	0.2%	1.0%	0.9%	3.0%
2015 Q3	0.8%	0.7%	2.4%	92.7%	0.2%	0.9%	1.2%	3.5%
2015 Q4	0.9%	0.7%	2.5%	92.9%	0.2%	0.9%	1.4%	4.3%
2016 Q1	0.7%	0.7%	2.6%	93.1%	0.2%	0.8%	1.4%	4.9%
2016 Q2	0.7%	0.6%	2.8%	93.2%	0.1%	0.7%	1.2%	5.2%
2016 Q3	1.1%	0.9%	2.9%	93.4%	0.2%	0.7%	1.1%	5.1%
2016 Q4	0.9%	0.8%	3.2%	93.6%	0.1%	0.6%	0.9%	4.7%
2017 Q1	0.6%	0.8%	3.2%	93.7%	0.1%	0.6%	0.9%	4.1%
2017 Q2	0.8%	0.7%	3.2%	93.8%	0.1%	0.5%	1.1%	4.1%
2017 Q3	0.9%	0.9%	3.2%	93.8%	0.0%	0.4%	1.1%	4.1%
2017 Q4	0.8%	0.8%	3.0%	93.9%	0.0%	0.3%	1.3%	4.5%
2018 Q1	0.6%	0.6%	2.9%	93.9%	0.1%	0.2%	1.0%	4.6%

*Current quarter defined as Q1 2018; **Completions highlighted in Red if above 0.25% of Stock; ***Under Construction highlighted in Red if above 1% of Stock; ****Green if above city's historical average since 2008

Notes: Above data includes only warehouses and distribution centers; does NOT include other industrial buildings; Rent and occupancy are based on a rolling 4-quarter average. Rent growth numbers utilize asking rent data; The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets; Industrial criteria filtered as follows: industrial property (secondary type is either distribution or warehouse), 30,000+ SF, and a 3-star or greater CoStar rating

U.S. INDUSTRIAL MARKET RISK INDICATORS

Very strong annual rent growth in West Coast markets

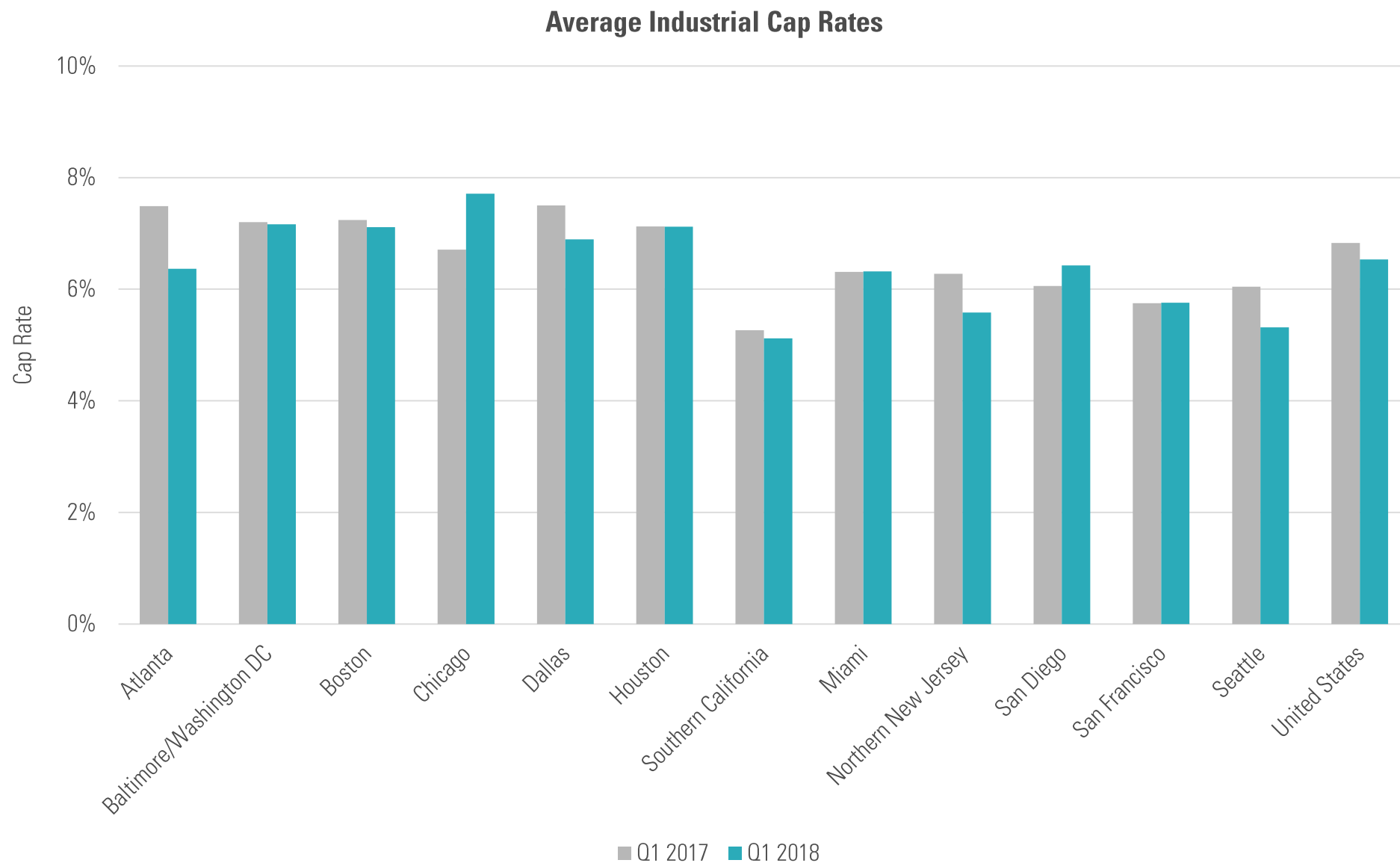
	Net Absorption % of Stock Current* Quarter	Completions % of Stock Current* Quarter**	Under Constr % of Stock Current* Quarter***	Occupancy****	Q-o-Q Occupancy Change	Y-o-Y Occupancy Change	Q-o-Q Asking NNN Rent Growth	Y-o-Y Asking NNN Rent Growth
Atlanta	1.0%	1.5%	3.5%	92.0%	0.1%	0.1%	0.5%	1.7%
Baltimore	0.1%	0.7%	6.2%	92.4%	0.2%	2.0%	0.4%	(1.2%)
Boston	0.3%	0.6%	0.7%	93.8%	0.2%	1.4%	0.4%	7.4%
Chicago	0.5%	0.4%	1.7%	92.0%	(0.0%)	(0.6%)	0.4%	1.4%
Dallas	0.5%	0.5%	4.5%	92.6%	0.1%	(0.4%)	0.3%	1.4%
Denver	0.8%	0.3%	5.9%	93.9%	0.2%	(0.4%)	2.4%	10.7%
Houston	1.1%	0.7%	2.8%	94.0%	0.2%	0.5%	(2.1%)	(2.2%)
Indianapolis	0.8%	0.3%	2.1%	92.3%	(0.4%)	(1.5%)	0.7%	0.2%
Inland Empire	1.6%	1.5%	4.9%	94.2%	0.0%	(0.2%)	5.8%	21.0%
Los Angeles	(0.1%)	0.5%	0.8%	97.5%	(0.1%)	(0.2%)	0.4%	7.9%
Memphis	0.0%	0.2%	3.1%	93.4%	0.4%	0.7%	1.3%	5.2%
Miami	0.4%	0.9%	2.9%	95.0%	(0.2%)	0.2%	0.0%	2.7%
Northern New Jersey	0.6%	0.4%	3.6%	95.7%	0.2%	0.9%	3.0%	10.9%
Oakland	(0.5%)	0.2%	2.4%	97.0%	(0.1%)	1.2%	3.8%	14.1%
Orange County	0.9%	0.2%	1.0%	97.0%	0.2%	0.1%	2.0%	6.8%
Phoenix	0.9%	0.5%	3.8%	89.2%	0.5%	1.8%	0.5%	0.8%
San Diego	0.8%	0.8%	5.1%	95.7%	0.2%	0.7%	1.4%	4.3%
San Francisco	0.0%	0.0%	0.0%	98.0%	(0.1%)	(1.1%)	2.3%	15.5%
Seattle	(0.1%)	0.2%	4.2%	96.2%	0.1%	1.0%	3.2%	19.5%
United States	0.6%	0.6%	2.9%	93.9%	0.1%	0.3%	1.2%	4.8%

*Current quarter defined as Q1 2018; **Completions highlighted in Red if above 0.25% of Stock; ***Under Construction highlighted in Red if above 1% of Stock; ****Green if above city's historical average since 2008

Notes: Above data includes only warehouses and distribution centers; does NOT include other industrial buildings; Rent and occupancy are based on a rolling 4-quarter average. Rent growth numbers utilize asking rent data; The markets in the above chart are not necessarily MSAs or central cities, but are CoStar-defined real estate markets; Industrial criteria filtered as follows: industrial property (secondary type is either distribution or warehouse), 30,000+ SF, and a 3-star or greater CoStar rating

INDUSTRIAL CAP RATES LARGELY FLAT

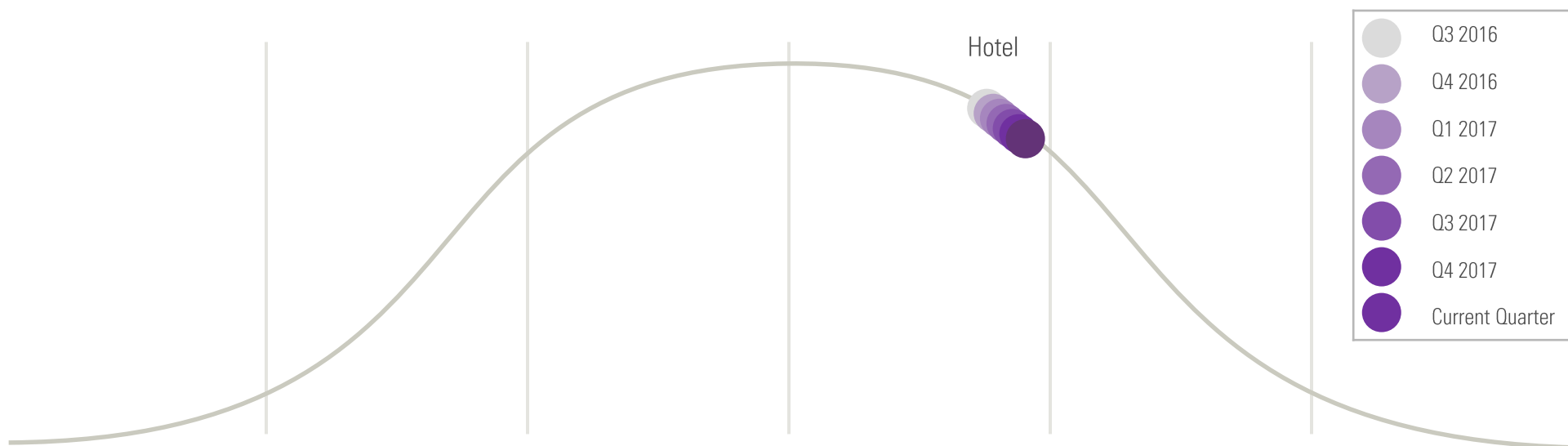
Only Chicago experienced a meaningful increase



HOTEL MARKET OVERVIEW

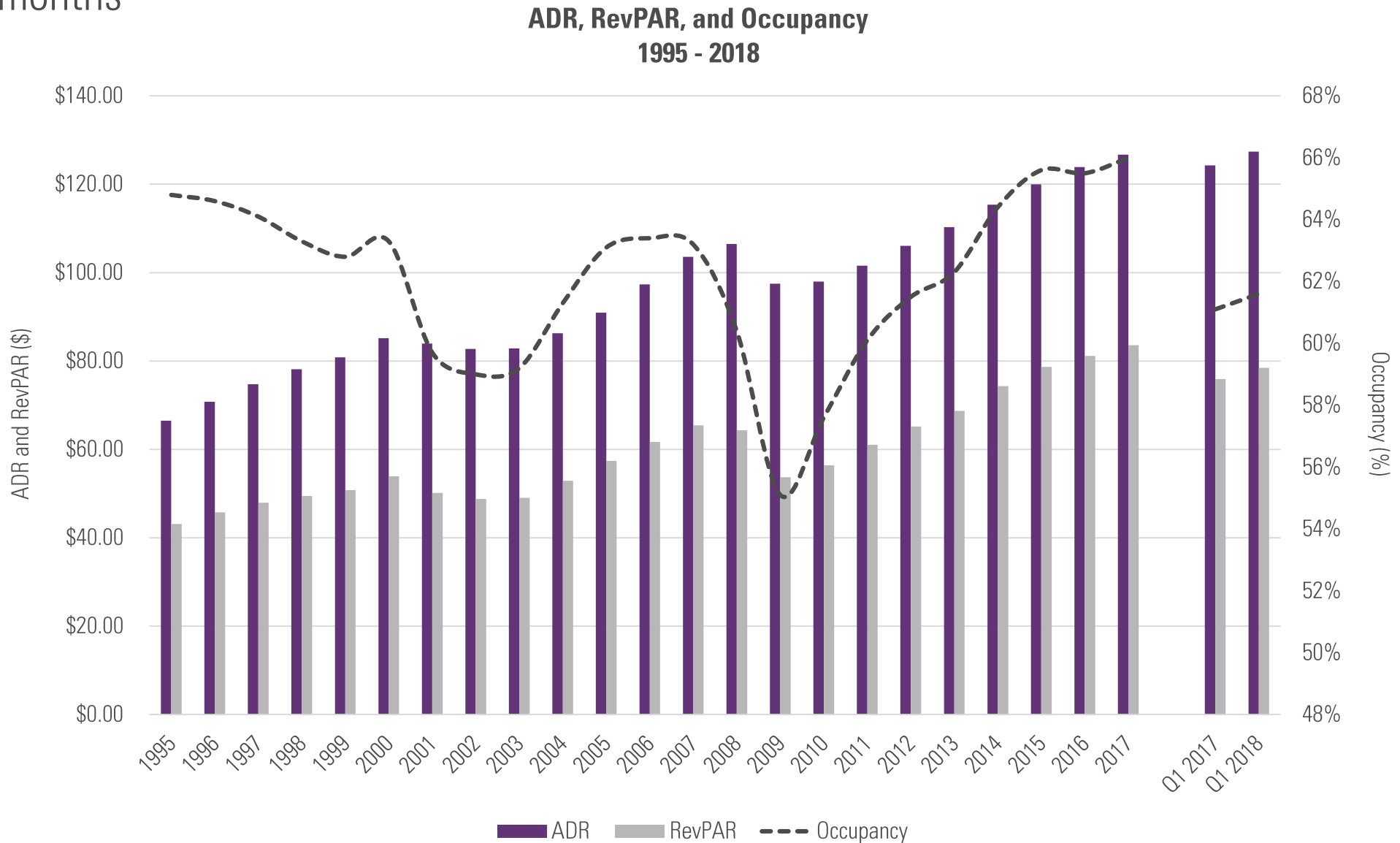
- ▶ Q1 2018 occupancy and RevPAR exceed those of Q1 2017, and ADR remains above peak levels
- ▶ Though YoY transaction volume declined by 12.3% nationwide, QoQ transaction volume grew by 69.7%

- ▶ Hotel cap rates continue to vary by market; nationwide, full-service cap rates continue to compress while limited-service cap rates remain unchanged at post-Recession highs



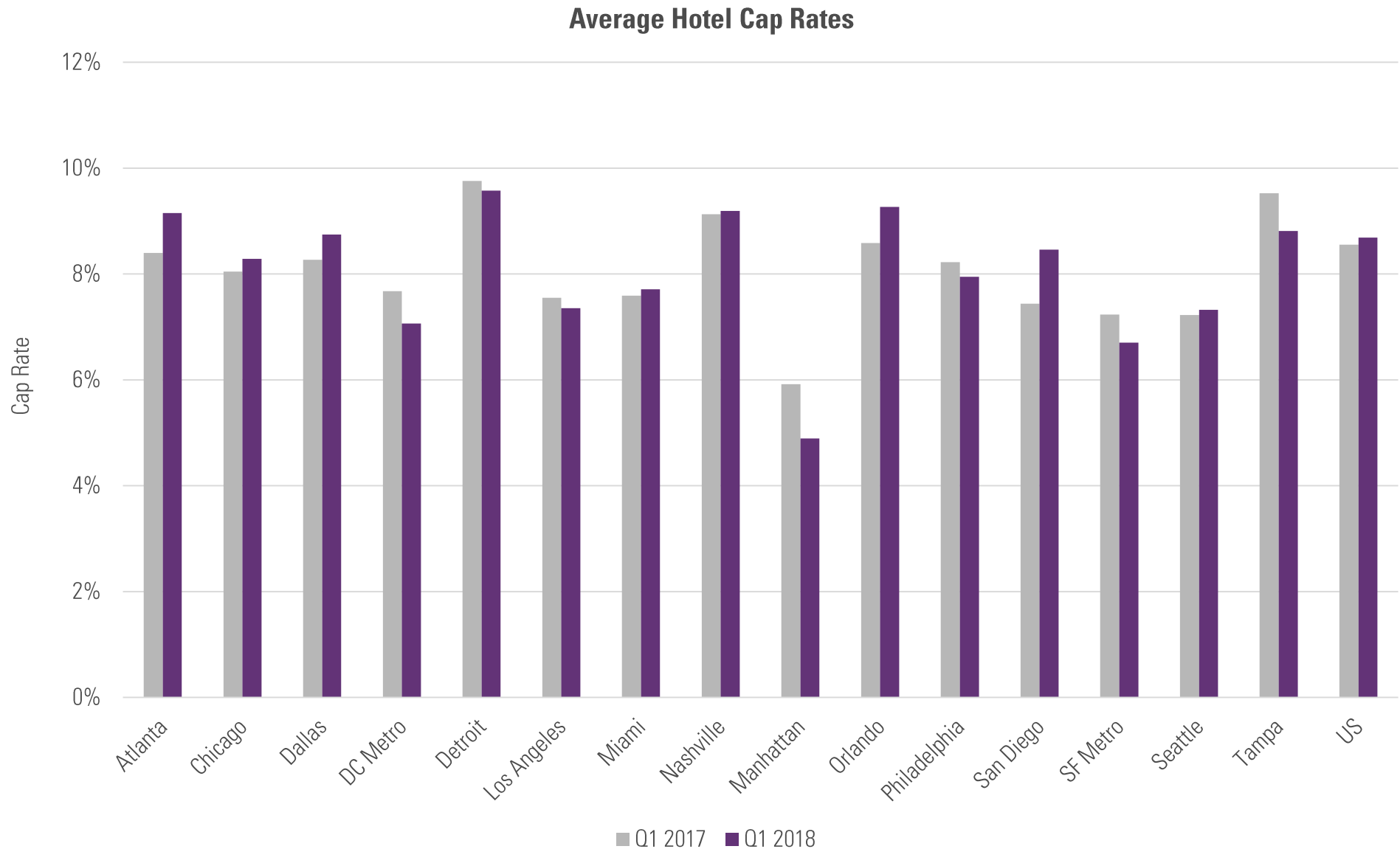
HOTEL OCCUPANCY REMAINS STRONG

ADR and RevPAR have grown by 2.5% and 3.3%, respectively, over the past 12 months



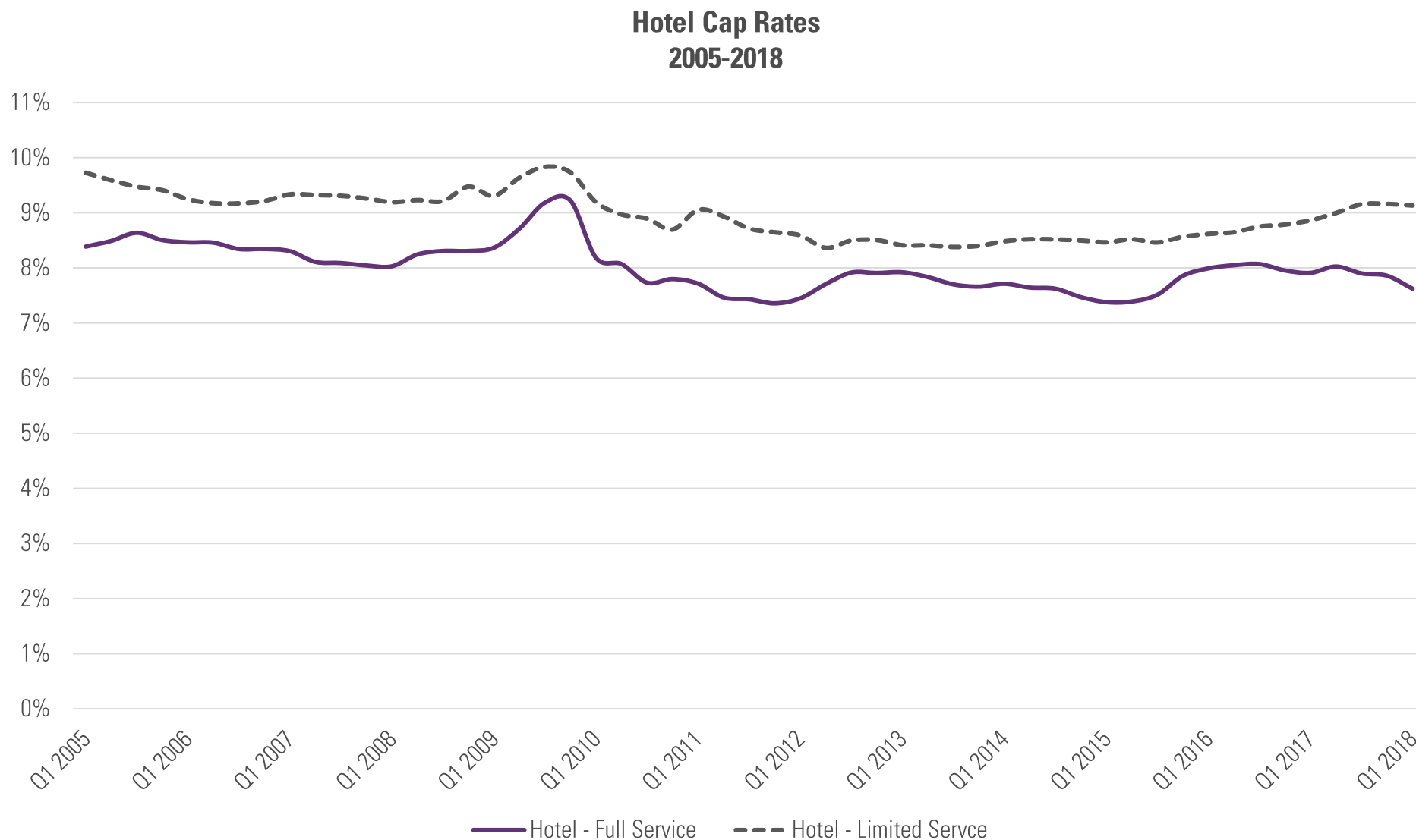
YOY HOTEL CAP RATES EXPAND NATIONWIDE

Atlanta, Orlando, and San Diego see sharpest cap rate expansion



CAP RATES VARY BY LEVEL OF SERVICE

Full-service cap rates have fallen for the fourth straight quarter, while limited-service cap rates remain unchanged



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