

A CBRE RESEARCH PUBLICATION

CBRE NORTH AMERICA  
**CAP RATE SURVEY** | SECOND HALF 2018

**CBRE**

## U.S. OVERVIEW

- Capitalization rates for U.S. commercial real estate assets were broadly unchanged in H2 2018. Industrial cap rates tightened marginally across all segments, while office, multifamily and hotel cap rates were generally stable.
- CBRE expects cap-rate stability in the first half of 2019. The sentiment of CBRE professionals varied by property type, segment, class and market tier, with the multifamily and retail sectors experiencing the most mixed sentiment.

### Office

- CBD cap rates increased more than suburban cap rates in H2 2018, especially in Tier I markets. Suburban cap rates were relatively flat across all classes and investment strategies.
- Cap rates are expected to remain unchanged in approximately three-quarters of CBD markets and two-thirds of suburban markets in H1 2019. Increases are anticipated in a larger percentage of suburban markets (33%) than CBD markets (25%), although cap rate movements are expected to be modest in both.
- Approximately 70% of surveyed CBRE professionals expect no change in CBD and suburban cap rates in H1 2019. Most others expect modest increases of less than 25 basis points (bps).

### Industrial

- Strong market fundamentals—tightening vacancy, robust tenant demand and rent growth—continue to attract investors to industrial assets, putting upward pressure on values and leading to sustained cap rate compression.
- Industrial cap rates declined by 7 bps to 6.34% for acquisitions of stabilized assets in H2 2018. Cap rates for stabilized properties of all classes fell, with Class A industrial properties declining 7 bps to 5.07%, Class B falling 13 bps to 5.98% and Class C down 2 bps to 8.02%. Expected returns on cost for value-add assets decreased 2 bps overall to 7.45%.

### Retail

- Cap rates for both stabilized and value-add properties increased for all retail segments in H2 2018. Recent store closure announcements have disproportionately affected the power center segment, the average cap rate for which increased by 13 bps to 8.42% in H2.
- Demand for high-quality assets was strong. Stabilized cap rates for Class A product in all three retail sectors were the lowest, ranging from 4.79% to 7.84%.
- Expectations for cap rate movement across retail segments is relatively uniform. Over the next six months, 49% of CBRE professionals expect that cap rates will remain unchanged for both power and neighborhood/community center stabilized properties, while 41% and 44%, respectively, anticipate slight increases of under 25 bps in H1 2019.

### Multifamily

- Multifamily cap rates and returns on cost remained at historically low levels in H2 2018.
- Cap rates for infill stabilized assets averaged 5.26% and expected returns on cost for infill value-add acquisitions averaged 6.00%.
- Suburban stabilized assets priced at 5.56% on average, while expected returns on costs averaged 6.30%.
- Cap rates and returns on cost edged up slightly from H1 2018. The changes were not particularly significant (5 bps or less across class segments) and the rates still reflected a largely stable and attractive pricing environment.
- Spreads between Class A and Class B cap rates and between Tier I and Tier II rates reflected either tight or tightening trends, indicating that many investors are seeing better opportunities in Class B and/or Tier II markets.

## OVERVIEW CONT.

- The outlook on pricing over the next six months is positive but not as strong as in recent surveys. A majority of survey respondents (55%) expect infill and suburban cap rates and returns on cost to remain stable in H1 2019.

## Hotel

- Hotel cap rates were mostly stable in H2 2018, with increases of only 3 bps or less on average for all CBD and suburban submarkets. The CBD hotel cap rate remained below 8% (7.97%) and was under the long-run average. Suburban cap rates moved up 1 bp to 8.49%.
- Most market segments and geographic areas had quite modest, single-digit upticks or downticks in cap rates ranging from minus 2 to plus 9 bps. The economy segment had the biggest increase.

## SURVEY METHODOLOGY

CBRE's North America Cap Rate Survey reflects the knowledge and collaboration of CBRE Research, Capital Markets and Valuation & Advisory Services professionals, who provided their estimation of cap rate ranges based on recent transactions and interactions with active investors in their markets.

At the heart of the survey are current cap rates for stabilized acquisitions, expected returns on cost for value-add acquisitions, cap rate trends since the previous survey and expectations of cap rate movements over the next six months. This survey also includes a dynamic map tool for all classes and segments of stabilized assets. Use the links at the top of each page to access this feature.

OVERVIEW CONT.

**FIGURE 1: U.S. NATIONAL-LEVEL CAP RATES AND EXPECTED RETURNS ON COST BY PROPERTY TYPE, SECTOR, CLASS AND/OR SEGMENT**

PROPERTY TYPE	SECTOR	CLASS/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)	
			H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)	H2 2018 (% EOP)	H1 2018 (% EOP)	H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)	H2 2018 (% EOP)	H1 2018 (% EOP)
						2.69	2.85				2.69	2.85
OFFICE	CBD	ALL	6.71	6.63	8	402	378	8.44	8.38	6	575	553
		AA	5.28	5.21	7	259	236	-	-	-	-	-
		A	6.10	6.01	8	341	316	7.40	7.30	10	471	445
		B	6.94	6.88	6	425	403	8.25	8.20	5	556	535
		C	8.68	8.60	8	599	575	9.93	9.90	3	724	705
	SUBURBAN	ALL	7.91	7.91	1	522	506	9.54	9.52	2	685	667
		AA	6.36	6.37	-1	367	352	-	-	-	-	-
		A	7.11	7.11	0	442	426	8.28	8.29	-1	559	544
		B	8.33	8.30	2	564	545	9.52	9.49	2	683	664
		C	9.75	9.76	-1	706	691	10.90	10.85	5	821	800
INDUSTRIAL	ALL	ALL	6.34	6.41	-7	365	356	7.45	7.47	-2	476	462
		A	5.07	5.14	-7	238	229	6.05	6.09	-4	336	324
		B	5.98	6.10	-13	329	325	7.12	7.19	-7	443	434
		C	8.02	8.04	-2	533	519	9.23	9.17	6	654	632
RETAIL	NEIGHBORHOOD/COMMUNITY CENTER	ALL	7.50	7.40	10	481	455	9.32	9.28	4	663	643
		A	5.95	5.86	9	326	301	-	-	-	-	-
		B	7.41	7.32	9	472	447	8.55	8.46	9	586	561
	POWER	C	9.19	9.09	10	650	624	10.13	10.13	0	744	728
		ALL	8.42	8.29	13	573	544	10.13	10.00	13	744	715
		A	7.13	7.05	9	444	420	-	-	-	-	-
HIGH STREET	A	B	8.31	8.19	12	562	534	9.39	9.21	18	670	636
		C	9.82	9.63	19	713	678	10.90	10.79	11	821	794

(FIGURE 1: continues on next page)

Source: CBRE Research Q4 2018, U.S. Department of the Treasury. EOP = end of period.  
 Notes: H2 Treasury yield as of December 31, 2018. Some numbers may not total due to rounding.  
 Retail Class A, return on cost for value add was not reported for this survey due to the limited properties represented by this category.

OVERVIEW CONT.

FIGURE 1: U.S. NATIONAL-LEVEL CAP RATES AND EXPECTED RETURNS ON COST BY PROPERTY TYPE, SECTOR, CLASS AND/OR SEGMENT CONT.

PROPERTY TYPE	SECTOR	CLASS/ 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)	
			H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)	H2 2018 (%) EOP	H1 2018 (%) EOP	H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)	H2 2018 (%) EOP	H1 2018 (%) EOP
MULTIFAMILY	INFILL	ALL	5.26	5.21	4	257	236	6.00	5.95	5	331	310
		A	4.70	4.65	4	201	180	5.40	5.35	5	271	250
		B	5.19	5.13	5	250	228	5.92	5.87	6	323	302
		C	5.91	5.88	3	322	303	6.68	6.64	3	399	379
	SUBURBAN	ALL	5.56	5.53	3	287	268	6.30	6.27	3	361	342
		A	5.02	4.94	7	233	209	5.69	5.64	5	300	279
		B	5.44	5.41	3	275	256	6.16	6.13	3	347	328
		C	6.22	6.24	-2	353	339	7.04	7.04	1	435	419
		ALL	7.97	7.94	3	528	509	-	-	-	-	-
HOTEL	CBD	LUXURY	7.04	7.02	2	435	417	-	-	-	-	-
		FULL SERVICE	7.68	7.67	1	499	482	-	-	-	-	-
		SELECT SERVICE	8.01	7.98	2	532	513	-	-	-	-	-
		ECONOMY	9.16	9.07	9	647	622	-	-	-	-	-
	SUBURBAN	ALL	8.49	8.48	1	580	563	-	-	-	-	-
		LUXURY	7.60	7.58	1	491	473	-	-	-	-	-
		FULL SERVICE	8.17	8.17	0	548	532	-	-	-	-	-
		SELECT SERVICE	8.49	8.50	-2	580	565	-	-	-	-	-
		ECONOMY	9.68	9.63	5	699	678	-	-	-	-	-

Source: CBRE Research Q4 2018, U.S. Department of the Treasury. EOP = end of period.  
 Notes: H2 Treasury yield as of December 31, 2018. Some numbers may not total due to rounding.  
 Retail Class A, return on cost for value add was not reported for this survey due to the limited properties represented by this category.

U.S. OFFICE | OVERVIEW

**CBD**

Cap rates for stabilized CBD office properties increased by 8 bps in H2 2018 to 6.71%, reversing a slight downward trend over the previous year. While all classes registered roughly the same increases (6-8 bps), movement varied significantly by market tier. Tier I markets registered by far the largest increase of 17 bps to 5.93%. Tier II and Tier III cap rates increased by a more modest 1 and 4 bps to 7.07% and 8.08%, respectively.

The largest cap rate increases occurred in all classes of office properties in Tier I markets, with Class AA, Class A and Class C properties posting 12-to-17-bps increases. The only categories that registered cap rate decreases were Tier II Class B assets (-2 bps) and Tier III Class AA assets (-7 bps). Cap rates were relatively stable for the other classes in Tier II and Tier III markets.

Among Tier I markets, the greatest cap rate compression occurred in Oakland, where cap rates decreased for multiple building classes and investment strategies. Cap rates declined for multiple classes and investment strategies in Atlanta, Denver and Phoenix as well. Cap rates increased by 25-to-50 bps for most or all building classes in Tier I markets Chicago, Dallas/Ft. Worth and New York City, contributing to the increase in the overall Tier I cap rate. Austin, Baltimore, Minneapolis/St. Paul and St. Louis also had cap rate increases in multiple categories.

Relative cap rate stability is anticipated over the next six months. Survey respondents expect no change in 73% of markets and an increase of less than 25 bps in 22% of markets. Cap rates are not expected to increase by more than 50 bps or decrease by more than 25 bps in any market.

Cap rates are expected to increase for all classes and investment strategies in Dallas/Ft. Worth, Detroit, Jacksonville, Las Vegas, Philadelphia, Salt Lake City and St. Louis. Only modest increases of less than 25 bps are anticipated in these markets except for Philadelphia, where increases of 25-to-49 bps are expected across all categories. Broad-based cap rate declines are not expected to occur in any market in H1 2019.

**SUBURBAN**

Suburban office cap rates were stable in H2 2018. The average cap rate for stabilized suburban properties increased by 1 bp to 7.91%, the seventh consecutive and smallest increase since a recent low of 7.44% in H1 2015. Changes in cap rates for stabilized suburban properties ranged from -1 bp (Class AA and Class C properties) to +2 bps (Class B properties). The expected return on cost for value-add properties also exhibited little movement, rising by 2 bps to 9.54%. This also was the eighth straight increase since reaching a recent low of 9.01% in H2 2014. The largest increase occurred for Class C value-add properties, up 5 bps to 10.90%.

Changes in suburban cap rates were relatively modest across nearly all market tiers and classes, especially compared with CBD assets. Other than Tier II Class C properties,

**FIGURE 2: U.S. OFFICE CBD - CAP RATES FOR STABILIZED PROPERTIES**

METRO TIER	CLASS	H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)
ALL	ALL	6.71	6.63	8
	AA	5.28	5.21	7
	A	6.10	6.01	8
	B	6.94	6.88	6
	C	8.68	8.60	8
I	AA	4.77	4.61	17
	A	5.41	5.26	16
	B	6.18	6.06	12
	C	7.88	7.71	17
II	AA	5.77	5.76	0
	A	6.34	6.34	0
	B	7.40	7.43	-2
III	C	8.76	8.71	5
	AA	6.36	6.43	-7
	A	7.36	7.32	4
	B	8.25	8.17	7
	C	9.76	9.73	3

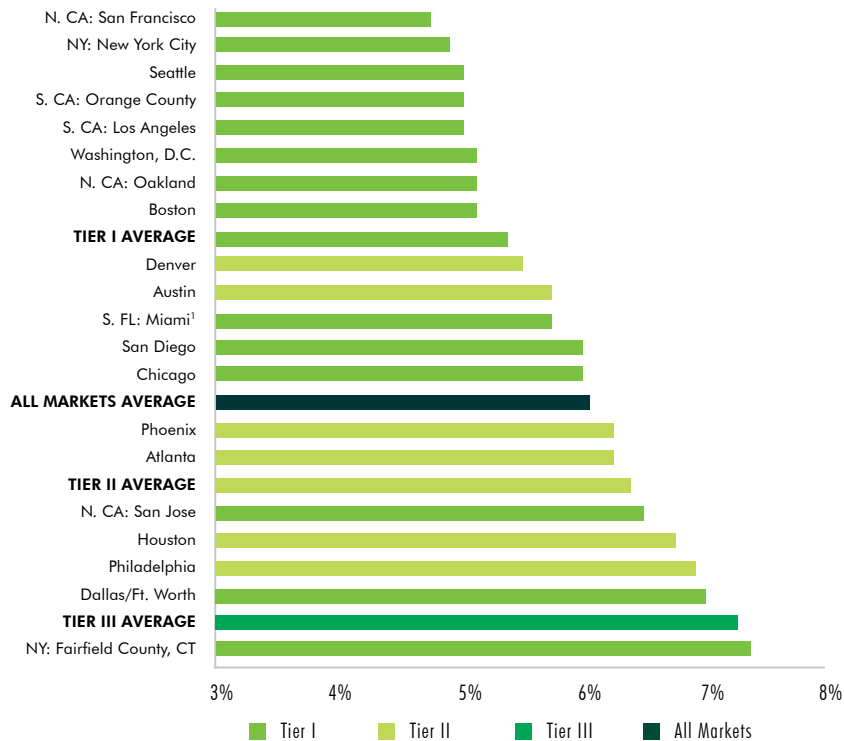
Source: CBRE Research, Q4 2018. Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

U.S. OFFICE | OVERVIEW CONT.

which recorded a 14-bps decrease, cap rate movements ranged from -2 bps (Tier II Class AA and Tier III Class AA assets) to +7 bps (Tier II Class B properties).

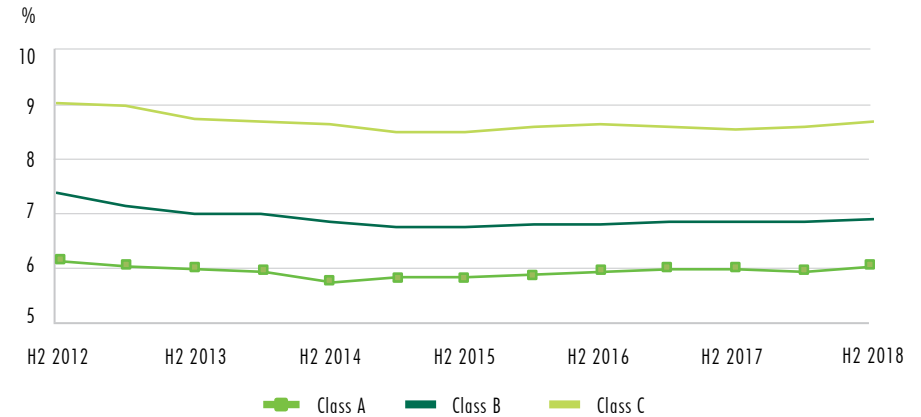
Cap rates increased for multiple classes and/or investment strategies in Austin, Baltimore, Dallas/Ft. Worth, Los Angeles and Minneapolis/St. Paul. Increases were generally small (approximately 25 bps). Los Angeles also had multiple categories with the largest cap

FIGURE 3: U.S. OFFICE CBD - CLASS A CAP RATES, H2 2018 - TIER I & II METROS



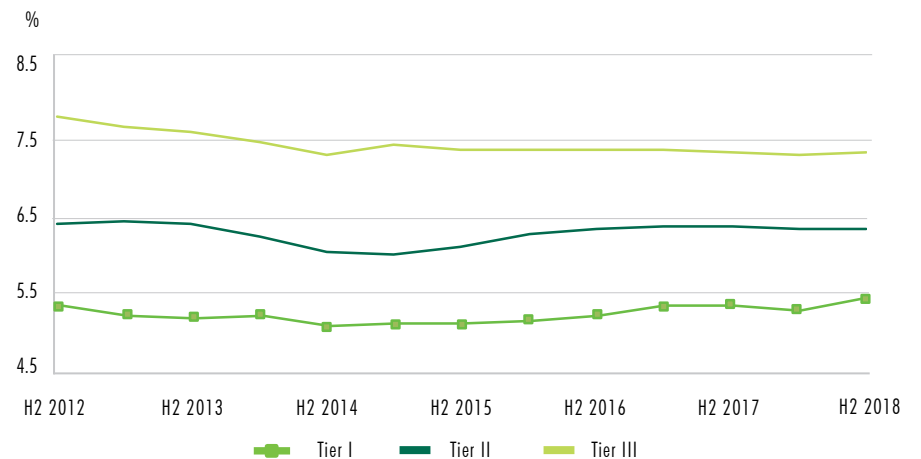
<sup>1</sup>Covers the three-county Miami area. Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Notes: data is subject to historical revisions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

FIGURE 4: U.S. OFFICE CBD - HISTORICAL CAP RATES BY CLASS



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

FIGURE 5: U.S. OFFICE CBD - HISTORICAL CLASS A CAP RATES BY TIER



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

**U.S. OFFICE | OVERVIEW CONT.**

rate decreases, along with Oakland, Atlanta, Raleigh-Durham and Sacramento. Most cap rate decreases were between 25 and 50 bps.

In H1 2019, cap rates are expected to remain unchanged in about two-thirds of markets. Increases are anticipated in a slightly larger percentage of markets than in the CBD office sector; increases of 1 to 24 bps are anticipated in 28% of suburban markets and increases of 25 to 49 bps are expected in 5% of markets. Like the CBD markets, decreases of 25 bps or more and increases of 50 bps or more are not expected in any suburban market.

Cap rate increases are expected for both stabilized and value-add properties in all classes in Dallas, Detroit, Jacksonville, Las Vegas, Minneapolis/St. Paul, Philadelphia

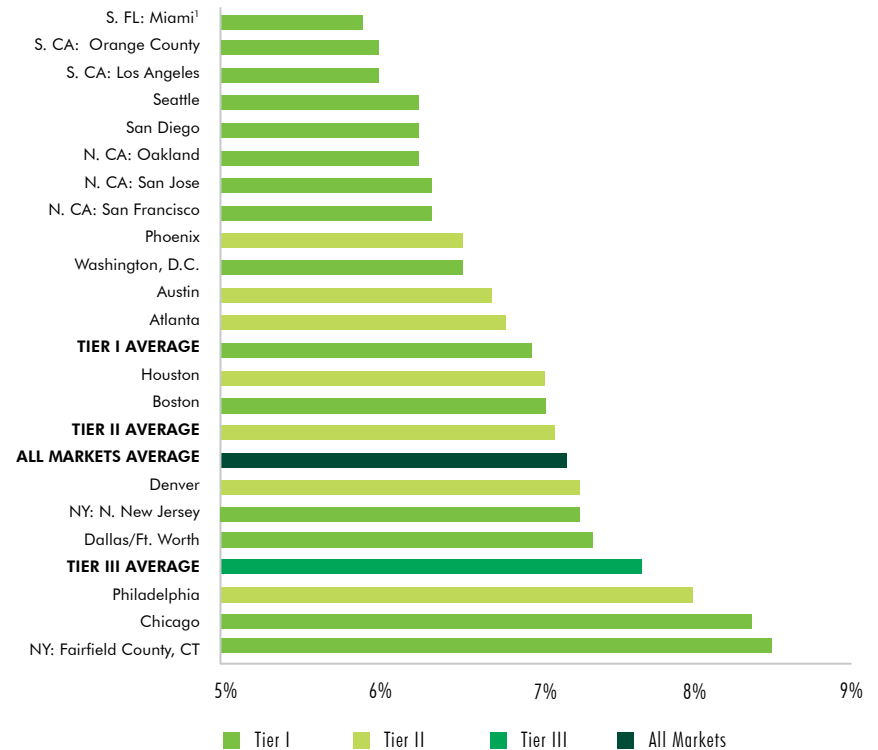
**FIGURE 6: U.S. OFFICE SUBURBAN - CAP RATES FOR STABILIZED PROPERTIES**

METRO TIER	CLASS	H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)
ALL	ALL	7.91	7.91	1
	AA	6.36	6.37	-1
	A	7.11	7.11	0
	B	8.33	8.30	2
	C	9.75	9.76	-1
I	AA	6.19	6.18	1
	A	6.82	6.81	1
	B	8.19	8.17	3
	C	9.69	9.64	5
II	AA	6.25	6.27	-2
	A	7.06	7.05	2
	B	8.33	8.27	7
III	C	9.65	9.79	-14
	AA	6.86	6.88	-2
	A	7.63	7.63	-1
	B	8.55	8.54	1
	C	9.91	9.91	1

Source: CBRE Research, Q4 2018. Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

and Salt Lake City in H1 2019, with most increases expected to be less than 25 bps. Washington, D.C. is the only market with cap rate decreases expected across multiple classes and investment strategies; cap rates are expected to decrease by less than 25 bps for Class B and C value-add and stabilized properties in the Washington, D.C. suburbs.

**FIGURE 7: U.S. OFFICE SUBURBAN - CLASS A CAP RATES, H2 2018 - TIER I & II METROS**

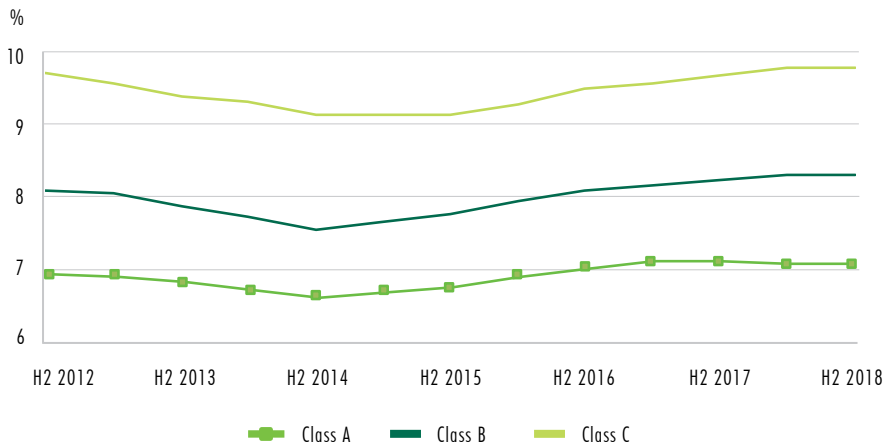


<sup>1</sup>Covers the three-county Miami area. Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Notes: data is subject to historical revisions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.



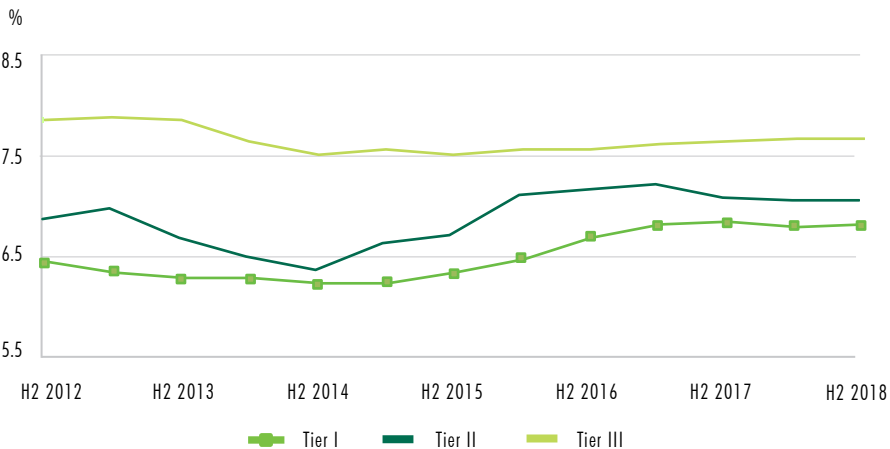
U.S. OFFICE | OVERVIEW CONT.

FIGURE 8: U.S. OFFICE SUBURBAN - HISTORICAL CAP RATES BY CLASS



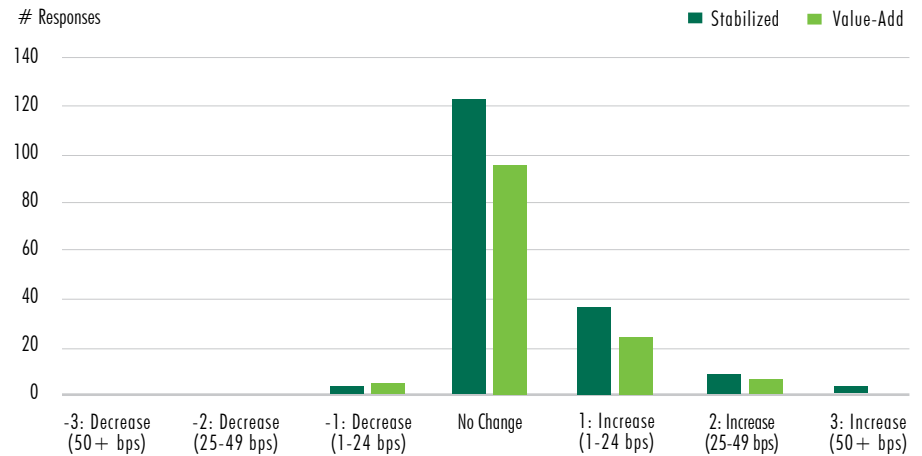
Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

FIGURE 9: U.S. OFFICE SUBURBAN - HISTORICAL CLASS A CAP RATES BY TIER



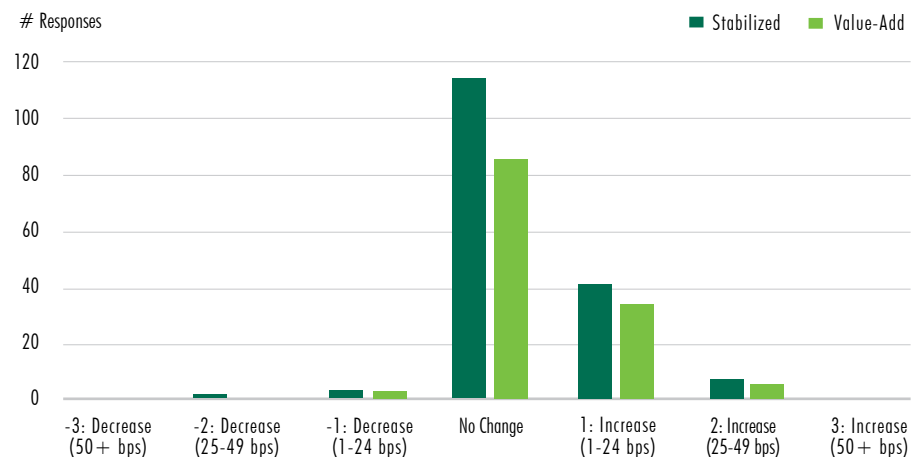
Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

FIGURE 10: U.S. OFFICE CBD RATE TRENDS - SIX MONTH OUTLOOK



Source: CBRE Research, Q4 2018.

FIGURE 11: U.S. OFFICE SUBURBAN RATE TRENDS - SIX MONTH OUTLOOK



Source: CBRE Research, Q4 2018.

U.S. OFFICE CBD | FIGURE 12: KEY RATES

		CLASS AA			CLASS A			CLASS B			CLASS C				
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>		
TIER I	Boston	4.50 - 5.25	◄	4.75 - 5.50	◄	6.25 - 7.00	◄	4.75 - 5.75	◄	7.25 - 8.25	▲	—	—		
	Chicago	4.75 - 5.50	◄	5.50 - 6.50	◄	7.25 - 7.75	▲	6.50 - 7.50	▲	8.00 - 9.00	▲	7.75 - 8.75	▲	8.50 - 10.50	▲
	Dallas/Ft. Worth	5.75 - 6.75	▲	6.50 - 7.50	▲	8.50 - 10.25	▲	8.50 - 10.25	▲	9.75 - 11.25	▲	9.75 - 12.25	▲	11.00 - 14.25	◄
	N. CA: Oakland	4.50 - 5.75	▲	4.50 - 5.75	▼	6.25 - 7.25	▼	6.00 - 7.00	▼	8.00 - 9.00	◄	8.00 - 9.00	◄	9.00 - 10.00	▼
	N. CA: San Francisco	4.00 - 4.75	◄	4.50 - 5.00	◄	6.00 - 6.50	◄	5.00 - 6.00	◄	6.50 - 7.00	◄	6.00 - 6.50	◄	7.00 - 8.50	◄
	N. CA: San Jose	4.50 - 5.25	◄	6.00 - 7.00	◄	7.00 - 8.00	◄	6.25 - 7.25	◄	7.75 - 8.75	◄	7.50 - 8.50	◄	8.75 - 9.75	◄
	NY: Fairfield County, CT	—		7.00 - 7.75	◄	8.75 - 9.25	◄	8.00 - 8.50	◄	9.75 - 10.25	◄	9.25 - 9.75	◄	10.75 - 11.25	◄
	NY: New York City	4.50 - 4.75	▲	4.75 - 5.00	▲	6.00 - 6.50	▲	5.00 - 5.50	◄	6.00 - 6.50	◄	—	—		
	S. CA: Los Angeles	3.50 - 4.50	◄	4.50 - 5.50	◄	5.00 - 6.00	◄	5.50 - 6.50	◄	6.50 - 7.50	◄	6.50 - 7.50	◄	7.50 - 8.50	◄
	S. CA: Orange County	3.50 - 4.50	◄	4.50 - 5.50	◄	6.00 - 7.00	◄	5.50 - 6.50	◄	7.00 - 8.00	◄	7.00 - 7.50	◄	8.00 - 9.00	◄
	S. FL: Miami <sup>2</sup>	—		5.00 - 6.50	◄	6.00 - 7.50	◄	6.00 - 7.00	◄	7.00 - 8.00	◄	7.25 - 8.25	◄	8.25 - 9.25	◄
	San Diego	5.50 - 6.00	◄	5.75 - 6.25	◄	6.25 - 7.25	◄	6.50 - 7.50	◄	7.50 - 8.50	◄	7.25 - 7.75	◄	8.25 - 9.25	◄
	Seattle	4.25 - 4.75	◄	4.75 - 5.25	◄	6.00 - 7.25	◄	5.50 - 6.50	◄	6.75 - 7.75	◄	6.75 - 8.50	◄	7.75 - 9.25	◄
Washington, D.C.	4.25 - 4.50	◄	4.75 - 5.50	◄	6.00 - 7.00	◄	5.00 - 5.75	◄	7.00 - 8.00	◄	6.25 - 7.25	◄	7.50 - 8.75	◄	

		CLASS AA			CLASS A			CLASS B			CLASS C				
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>		
TIER II	Atlanta	5.25 - 6.00	◄	5.75 - 6.75	◄	6.50 - 7.25	▼	7.25 - 8.25	◄	7.50 - 8.50	▼	8.50 - 9.75	◄	8.75 - 10.75	◄
	Austin	5.00 - 5.50	◄	5.50 - 6.00	◄	7.50 - 8.50	◄	6.25 - 7.25	▲	8.25 - 9.25	▲	7.25 - 7.75	▲	9.75 - 10.25	▲
	Denver	4.75 - 5.25	◄	5.25 - 5.75	◄	6.25 - 7.25	◄	6.25 - 7.25	▼	6.75 - 7.75	▼	7.50 - 9.50	◄	8.00 - 9.50	◄
	Houston	6.00 - 6.50	◄	6.50 - 7.00	◄	8.00 - 9.00	◄	7.50 - 8.00	◄	9.00 - 10.00	◄	9.00 - 9.50	▲	11.25 - 12.25	◄
	Philadelphia	6.00 - 6.25	◄	6.50 - 7.25	▲	8.00 - 9.00	▲	7.25 - 7.75	◄	8.50 - 9.50	◄	7.50 - 8.00	◄	9.00 - 10.00	◄
	Phoenix	5.25 - 6.25	◄	5.75 - 6.75	◄	7.50 - 8.25	◄	6.75 - 7.50	◄	8.50 - 9.00	◄	9.00 - 10.00	◄	12.00 - 13.00	◄

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable.

<sup>2</sup>Covers the three-county Miami area.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. OFFICE CBD | FIGURE 12: KEY RATES CONT.

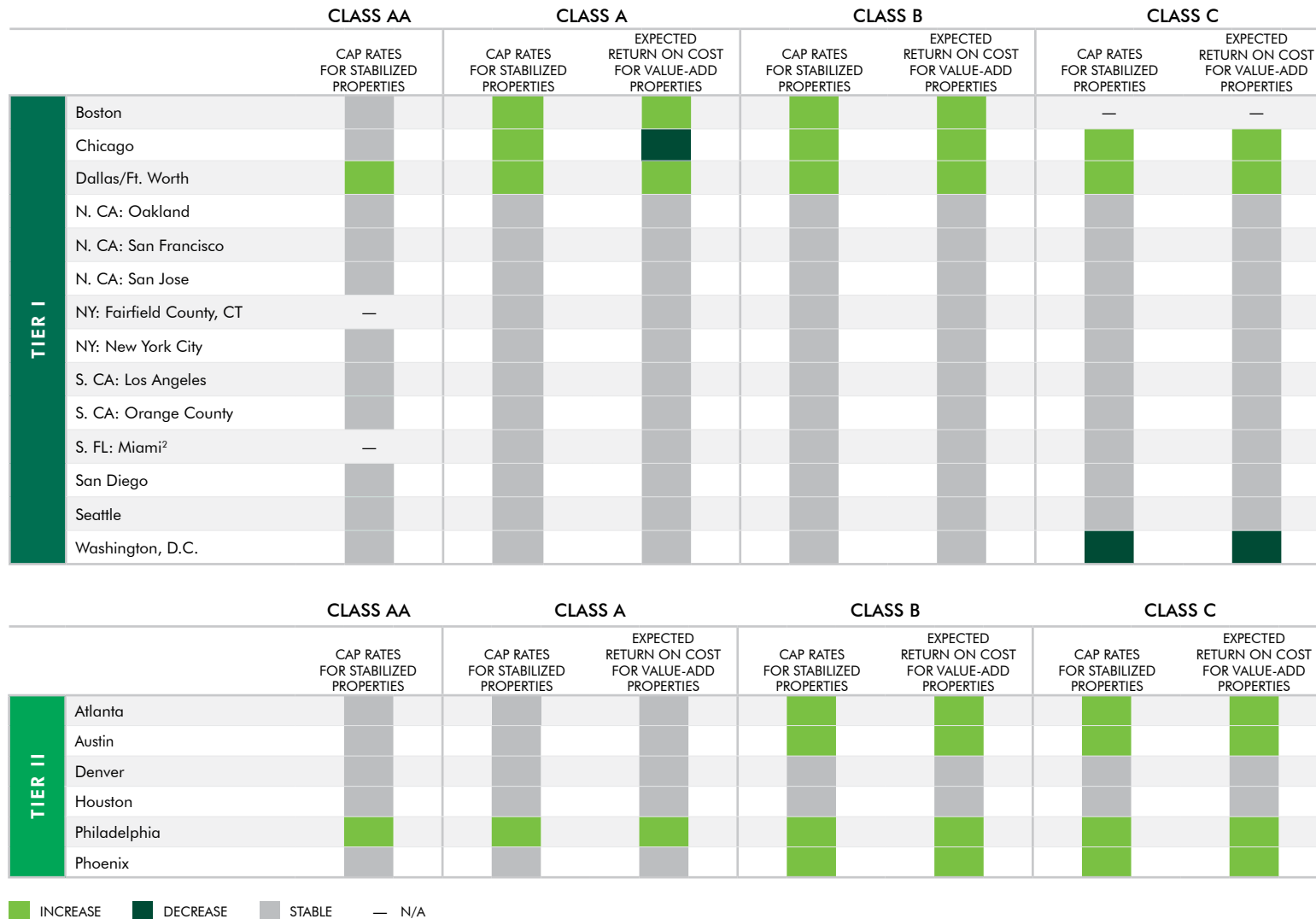
		CLASS AA			CLASS A			CLASS B			CLASS C				
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Albuquerque	8.50 - 9.00	◄	8.50 - 9.25	◄	9.25 - 10.00	◄	8.75 - 9.75	◄	10.25 - 12.25	◄	10.00 - 12.00	◄	11.25 - 13.50	◄
	Baltimore	6.75 - 7.50	◄	7.50 - 8.50	▲	8.50 - 9.25	▲	8.25 - 9.50	◄	8.75 - 10.00	◄	9.75 - 10.50	◄	9.50 - 10.25	◄
	Charlotte	5.50 - 6.25	◄	6.25 - 7.00	◄	8.00 - 8.75	◄	6.75 - 8.00	◄	8.75 - 9.25	◄	8.25 - 9.00	◄	10.00 - 11.00	◄
	Cincinnati	5.75 - 6.25	◄	7.75 - 8.25	◄	8.25 - 9.00	◄	8.00 - 9.00	◄	9.00 - 9.50	◄	9.00 - 10.00	◄	9.50 - 10.50	◄
	Cleveland	7.75 - 8.25	◄	8.00 - 8.75	◄	8.75 - 9.75	◄	8.50 - 9.50	▲	9.75 - 10.75	◄	9.75 - 11.75	◄	10.75 - 12.75	◄
	Columbus	—		7.50 - 8.50	◄	8.25 - 9.75	◄	8.50 - 9.50	◄	9.75 - 10.75	◄	10.00 - 11.50	◄	11.00 - 12.00	◄
	Detroit	—		8.75 - 9.50	◄	9.00 - 9.75	◄	9.00 - 10.00	◄	9.25 - 10.25	◄	11.75 - 12.50	◄	12.00 - 13.00	◄
	Indianapolis	—		7.50 - 8.50	◄	8.25 - 9.25	◄	8.25 - 9.00	◄	9.25 - 10.25	▼	9.50 - 11.00	◄	10.00 - 11.00	◄
	Jacksonville	—		7.75 - 8.75	◄	8.75 - 9.75	◄	8.75 - 9.50	◄	10.50 - 11.00	◄	10.00 - 11.00	◄	10.50 - 13.00	◄
	Kansas City	—		7.25 - 7.75	◄	8.50 - 9.00	◄	8.75 - 9.75	◄	9.75 - 10.75	◄	10.50 - 11.50	◄	11.00 - 12.00	◄
	Las Vegas	7.00 - 7.50	◄	7.00 - 7.50	◄	7.75 - 8.75	◄	7.25 - 8.25	◄	9.00 - 10.00	◄	9.00 - 11.00	◄	10.00 - 12.00	◄
	Memphis	—		8.50 - 9.00	▼	9.50 - 10.50	◄	9.00 - 10.00	◄	10.50 - 11.50	◄	11.00 - 13.00	◄	10.00 - 14.00	◄
	Minneapolis/St. Paul	5.00 - 5.50	◄	5.75 - 6.75	▲	7.25 - 8.25	▲	7.75 - 8.50	◄	9.25 - 10.00	◄	9.00 - 10.00	◄	11.00 - 12.00	◄
	Nashville	6.00 - 6.50	◄	6.25 - 6.75	◄	8.00 - 8.75	◄	7.25 - 7.50	◄	8.50 - 9.00	◄	8.25 - 8.75	◄	9.00 - 10.00	◄
	Oklahoma City	—		7.25 - 8.00	◄	8.25 - 9.25	◄	7.75 - 10.00	▲	8.25 - 9.25	◄	9.00 - 10.00	◄	9.75 - 11.00	◄
	Orlando	6.50 - 6.75	◄	6.50 - 6.75	◄	6.50 - 7.00	◄	7.00 - 7.50	◄	7.50 - 8.00	◄	8.00 - 8.50	◄	8.50 - 9.00	◄
	Pittsburgh	6.50 - 7.00	◄	6.75 - 7.25	◄	8.25 - 9.25	◄	8.00 - 8.50	◄	9.75 - 11.75	◄	10.00 - 12.00	◄	12.00 - 14.00	◄
	Portland	4.75 - 5.25	◄	5.00 - 6.00	◄	6.25 - 7.00	◄	6.00 - 7.00	◄	7.25 - 8.00	◄	7.00 - 8.00	◄	8.00 - 10.00	◄
	Raleigh-Durham	5.50 - 6.00	◄	6.00 - 6.50	◄	7.00 - 8.00	◄	6.50 - 7.00	◄	7.50 - 8.00	◄	7.00 - 8.00	◄	8.75 - 10.00	◄
	Richmond	—		6.50 - 8.00	◄	8.00 - 9.00	◄	7.50 - 9.00	◄	8.50 - 10.25	◄	9.00 - 10.25	◄	10.00 - 11.00	◄
Sacramento	5.75 - 6.75	▲	5.75 - 7.00	◄	6.75 - 7.75	◄	6.75 - 7.50	◄	7.75 - 8.50	◄	7.50 - 8.75	◄	8.50 - 9.75	◄	
Salt Lake City	5.50 - 6.00	◄	6.25 - 6.50	◄	6.50 - 7.00	◄	6.50 - 7.00	◄	6.75 - 7.25	◄	7.50 - 8.50	◄	7.50 - 8.50	◄	
San Antonio	6.25 - 6.75	◄	6.50 - 7.50	◄	8.00 - 9.00	◄	8.00 - 9.00	◄	9.00 - 11.00	◄	9.00 - 11.00	◄	9.50 - 12.00	◄	
St. Louis	—		9.25 - 9.75	▲	9.75 - 10.25	▲	9.75 - 10.25	▲	10.00 - 10.50	▲	10.50 - 11.50	▲	11.25 - 12.00	▲	
Tampa	—		6.50 - 7.00	◄	7.00 - 8.00	◄	7.25 - 8.00	◄	7.75 - 9.00	◄	8.25 - 8.75	◄	8.75 - 9.75	◄	

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable. Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. OFFICE CBD | FIGURE 13: FORECAST TRENDS - SIX MONTH OUTLOOK



<sup>2</sup>Covers the three-county Miami area.

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. OFFICE CBD | FIGURE 13: FORECAST TRENDS - SIX MONTH OUTLOOK 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								
	Baltimore								
	Charlotte	INCREASE		INCREASE		INCREASE		INCREASE	
	Cincinnati								
	Cleveland					INCREASE			
	Columbus	—							
	Detroit	—		INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	Indianapolis	—			DECREASE				
	Jacksonville	INCREASE		INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	Kansas City	—							
	Las Vegas	INCREASE		INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	Memphis	—							
	Minneapolis/St. Paul								
	Nashville								
	Oklahoma City	—							
	Orlando								
	Pittsburgh								
	Portland								
	Raleigh-Durham								
	Richmond	—							
Sacramento									
Salt Lake City	INCREASE		INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
San Antonio									
St. Louis	INCREASE		INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Tampa	—								

INCREASE    DECREASE    STABLE    — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.  
Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. OFFICE SUBURBAN | FIGURE 14: KEY RATES

	CLASS AA			CLASS A			CLASS B			CLASS C					
	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>			
TIER I	Boston	6.75 - 7.25	◄	6.75 - 7.25	◄	7.50 - 8.50	◄	8.50 - 9.50	◄	10.00 - 11.00	◄	—	—		
	Chicago	7.00 - 7.50	▼	7.75 - 9.00	◄	9.25 - 11.00	◄	8.75 - 10.50	◄	10.75 - 12.75	◄	11.00 - 13.25	◄	12.25 - 14.00	▲
	Dallas/Ft. Worth	6.25 - 7.75	▲	7.00 - 7.75	▲	7.25 - 8.75	▲	8.25 - 10.25	▲	9.75 - 10.25	▲	10.25 - 13.25	▲	10.25 - 15.25	▲
	N. CA: Oakland	5.50 - 6.50	◄	6.00 - 6.50	◄	7.00 - 8.00	◄	6.00 - 7.00	▼	8.00 - 9.00	◄	8.00 - 9.00	▼	9.00 - 10.00	▼
	N. CA: San Francisco	5.25 - 6.25	◄	6.00 - 6.75	◄	7.00 - 7.75	◄	6.50 - 7.75	◄	7.75 - 8.75	◄	8.00 - 9.00	◄	9.50 - 10.50	◄
	N. CA: San Jose	5.25 - 6.50	◄	6.00 - 6.75	◄	7.00 - 7.75	◄	6.50 - 7.75	◄	7.75 - 9.00	◄	8.00 - 9.00	◄	9.50 - 10.50	◄
	NY: Fairfield County, CT	—		8.25 - 8.75	◄	10.25 - 10.75	◄	9.00 - 9.50	◄	11.25 - 11.75	◄	10.00 - 10.50	◄	12.75 - 13.25	◄
	NY: N. New Jersey	6.00 - 6.50	▲	7.00 - 7.50	▲	7.75 - 8.25	◄	8.25 - 8.75	◄	9.25 - 9.75	◄	9.50 - 10.00	◄	10.50 - 11.00	◄
	S. CA: Los Angeles	4.75 - 6.25	◄	5.25 - 6.75	◄	6.25 - 7.75	◄	6.75 - 8.25	◄	7.25 - 8.75	◄	7.25 - 8.75	◄	8.25 - 9.75	◄
	S. CA: Orange County	5.00 - 5.50	◄	5.50 - 6.50	◄	6.50 - 7.50	◄	6.75 - 7.75	◄	7.75 - 8.75	◄	7.75 - 8.75	◄	8.75 - 9.75	◄
	S. FL: Miami <sup>2</sup>	—		5.50 - 6.25	◄	6.50 - 7.25	◄	7.50 - 8.50	◄	8.50 - 9.50	◄	8.50 - 9.50	◄	9.50 - 10.50	◄
	San Diego	5.50 - 6.25	◄	6.00 - 6.50	◄	6.75 - 7.75	◄	7.00 - 7.50	◄	7.75 - 8.25	◄	7.50 - 8.25	◄	8.50 - 9.25	◄
Seattle	5.25 - 5.75	◄	6.00 - 6.50	◄	6.50 - 7.50	◄	7.00 - 7.50	◄	7.50 - 8.50	◄	7.50 - 8.25	◄	8.00 - 9.00	◄	
Washington, D.C.	5.00 - 6.00	◄	6.00 - 7.00	◄	7.25 - 8.75	◄	7.25 - 8.25	◄	8.75 - 10.00	◄	9.25 - 10.25	◄	10.00 - 11.25	◄	

	CLASS AA			CLASS A			CLASS B			CLASS C					
	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>			
TIER II	Atlanta	5.75 - 6.75	◄	6.25 - 7.25	◄	7.00 - 8.00	◄	7.25 - 8.50	◄	8.00 - 9.00	◄	8.50 - 10.25	◄	9.25 - 11.75	◄
	Austin	6.00 - 7.00	◄	6.25 - 7.00	◄	7.50 - 8.25	◄	7.50 - 8.50	▲	8.50 - 9.75	▲	8.25 - 9.50	▲	9.75 - 10.75	▲
	Denver	5.50 - 6.25	◄	7.00 - 7.50	◄	7.50 - 8.50	▲	7.75 - 8.50	◄	8.00 - 9.25	◄	8.75 - 9.75	◄	9.50 - 10.75	◄
	Houston	6.00 - 6.50	◄	6.75 - 7.25	◄	8.00 - 9.00	◄	7.75 - 8.50	◄	9.00 - 10.00	◄	9.00 - 10.00	▼	11.00 - 12.00	◄
	Philadelphia	6.50 - 7.00	◄	7.50 - 8.50	▲	9.00 - 10.00	◄	9.50 - 10.50	◄	11.00 - 12.50	▲	10.50 - 11.50	◄	11.50 - 13.00	▲
	Phoenix	5.50 - 6.25	◄	6.00 - 7.00	◄	7.50 - 8.25	◄	7.25 - 8.25	◄	8.50 - 9.00	◄	9.00 - 10.00	◄	12.00 - 13.00	◄

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable.

<sup>2</sup>Covers the three-county Miami area.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. OFFICE SUBURBAN | FIGURE 14: KEY RATES CONT.

		CLASS AA			CLASS A			CLASS B			CLASS C				
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Albuquerque	8.00 - 8.75	◄	8.25 - 9.00	◄	9.75 - 10.50	◄	9.00 - 9.75	◄	10.25 - 11.75	◄	10.25 - 12.00	◄	11.50 - 13.50	◄
	Baltimore	6.75 - 7.50	◄	7.50 - 8.50	◄	8.50 - 9.25	◄	8.25 - 9.50	◄	8.75 - 10.00	◄	9.75 - 10.50	◄	9.50 - 10.25	◄
	Charlotte	6.00 - 6.75	◄	6.25 - 7.00	◄	8.50 - 9.00	◄	7.50 - 8.75	◄	9.00 - 10.00	◄	8.50 - 9.75	◄	10.00 - 11.00	◄
	Cincinnati	5.75 - 6.25	◄	7.75 - 8.25	◄	9.00 - 9.75	◄	8.25 - 9.25	◄	9.25 - 10.25	◄	9.25 - 10.00	◄	11.00 - 12.00	◄
	Cleveland	—		8.00 - 9.00	◄	9.00 - 9.50	◄	8.50 - 9.50	◄	10.00 - 11.00	◄	9.50 - 11.50	◄	11.50 - 12.50	◄
	Columbus	—		7.00 - 8.50	▼	8.25 - 9.25	◄	8.50 - 10.00	◄	9.25 - 10.50	◄	10.00 - 12.00	◄	10.50 - 13.50	◄
	Detroit	—		8.50 - 9.50	◄	8.75 - 9.50	◄	9.00 - 10.00	◄	9.50 - 10.00	◄	10.00 - 12.00	◄	11.00 - 12.00	◄
	Indianapolis	—		8.00 - 9.00	◄	9.50 - 10.50	◄	9.00 - 10.00	◄	10.00 - 12.00	◄	10.00 - 11.00	▲	12.00 - 14.00	▲
	Jacksonville	—		7.25 - 8.25	◄	9.50 - 10.00	◄	8.00 - 9.00	▼	9.50 - 10.50	▼	9.50 - 11.00	◄	11.00 - 13.00	◄
	Kansas City	6.25 - 7.00	◄	7.25 - 7.50	◄	7.75 - 8.25	◄	8.50 - 9.00	◄	9.25 - 9.75	◄	9.25 - 10.25	◄	10.25 - 12.00	◄
	Las Vegas	7.00 - 7.50	◄	7.00 - 7.50	◄	7.75 - 8.75	◄	7.25 - 8.00	◄	9.00 - 10.00	◄	9.00 - 11.00	◄	10.00 - 12.00	◄
	Memphis	7.00 - 7.50	◄	7.25 - 7.75	◄	8.50 - 9.00	◄	8.50 - 9.00	▼	10.25 - 10.75	◄	10.00 - 11.00	◄	11.50 - 13.00	◄
	Minneapolis/St. Paul	—		6.50 - 7.50	▲	8.75 - 9.75	▲	8.00 - 9.00	▲	9.75 - 10.75	▲	10.00 - 11.00	◄	12.00 - 13.00	◄
	Nashville	6.25 - 6.75	◄	6.50 - 7.00	◄	8.25 - 9.00	◄	7.25 - 8.00	◄	8.75 - 9.25	◄	8.75 - 9.25	◄	9.50 - 10.50	◄
	Oklahoma City	—		7.25 - 8.25	◄	8.25 - 9.25	◄	7.75 - 8.75	◄	8.25 - 9.25	◄	9.00 - 10.00	◄	9.75 - 11.00	◄
	Orlando	6.75 - 7.25	▼	7.25 - 7.50	▼	7.50 - 8.00	◄	8.00 - 8.50	◄	8.50 - 9.00	◄	8.50 - 9.00	◄	9.00 - 9.50	◄
	Pittsburgh	7.00 - 8.00	◄	7.75 - 8.50	◄	9.25 - 10.25	◄	8.50 - 9.50	◄	10.00 - 12.00	◄	11.00 - 13.00	◄	11.00 - 13.00	▲
	Portland	6.00 - 6.75	◄	6.50 - 7.50	◄	8.00 - 9.00	◄	7.25 - 8.25	◄	8.00 - 9.50	◄	8.00 - 8.75	◄	9.50 - 10.50	◄
	Raleigh-Durham	6.25 - 6.75	▼	6.75 - 7.25	▼	8.00 - 8.50	◄	7.50 - 8.00	◄	8.50 - 9.00	◄	8.00 - 9.50	◄	9.50 - 10.00	◄
	Richmond	—		7.25 - 8.25	◄	8.00 - 9.50	◄	8.00 - 9.00	◄	9.00 - 10.00	◄	8.50 - 10.50	◄	9.50 - 12.00	◄
Sacramento	6.00 - 7.00	◄	6.50 - 7.50	◄	7.50 - 8.25	◄	7.50 - 8.00	▼	8.50 - 9.00	▼	8.00 - 9.00	▼	9.50 - 10.00	▼	
Salt Lake City	6.25 - 6.75	◄	6.75 - 7.00	◄	7.00 - 7.50	◄	7.50 - 8.00	◄	7.50 - 8.50	◄	8.00 - 8.75	◄	8.50 - 9.00	◄	
San Antonio	6.50 - 7.00	◄	6.75 - 7.75	◄	8.00 - 9.00	◄	8.00 - 9.50	◄	9.50 - 11.00	◄	9.25 - 11.00	◄	9.75 - 11.00	◄	
St. Louis	7.50 - 8.00	◄	7.75 - 8.50	◄	9.00 - 9.50	◄	8.50 - 9.25	◄	9.50 - 10.50	◄	9.50 - 10.25	◄	10.50 - 12.00	◄	
Tampa	6.50 - 7.00	◄	7.25 - 7.75	◄	8.00 - 8.75	◄	8.25 - 9.00	◄	8.75 - 9.50	◄	9.00 - 10.00	◄	9.50 - 10.25	◄	

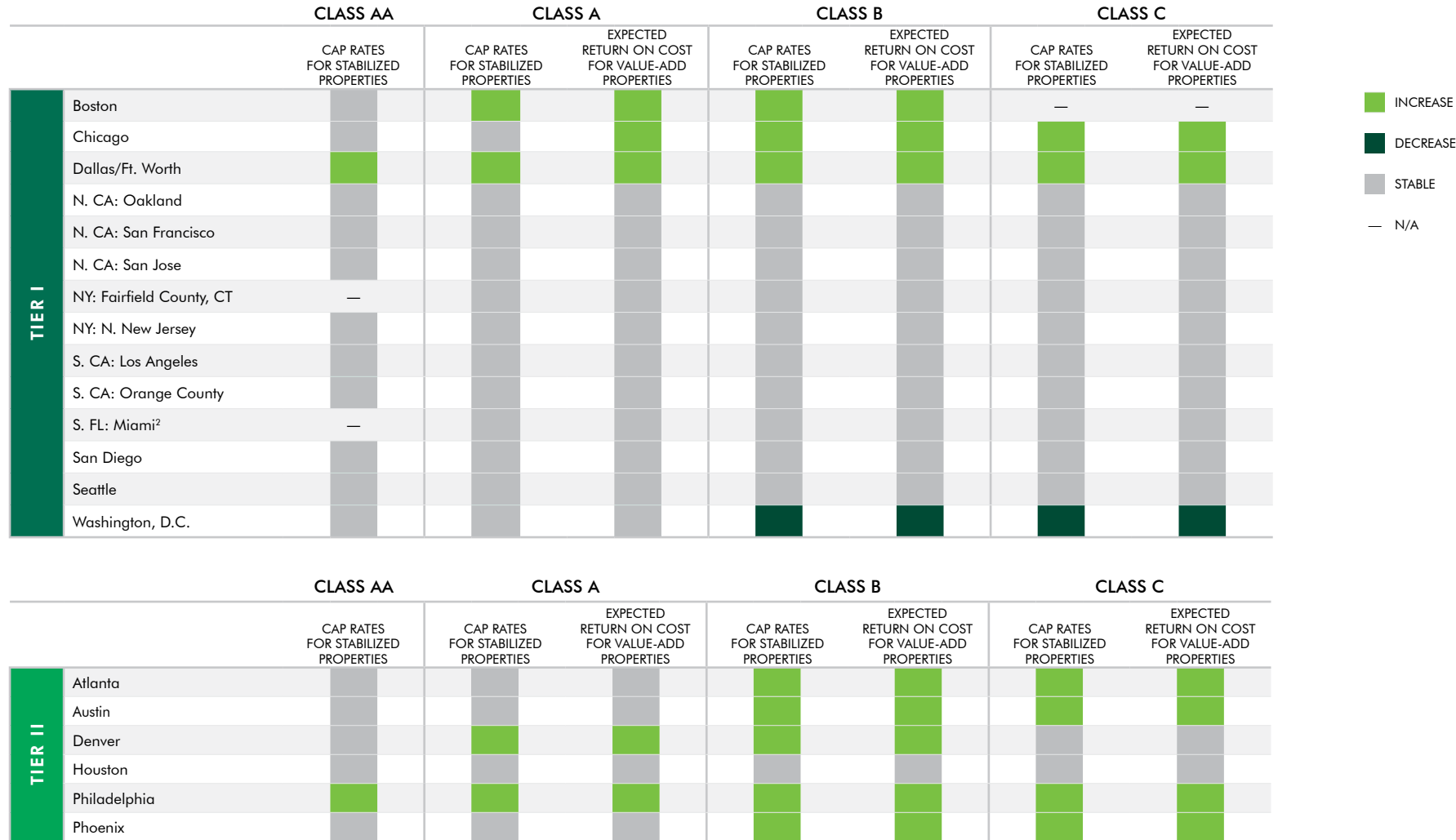
▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. OFFICE SUBURBAN | FIGURE 15: FORECAST TRENDS - SIX MONTH OUTLOOK



Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.  
<sup>2</sup>Covers the three-county Miami area.  
 Source: CBRE Research, Q4 2018.  
 Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.



U.S. OFFICE SUBURBAN | FIGURE 15: FORECAST TRENDS - SIX MONTH OUTLOOK 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		CAP RATES FOR STABILIZED PROPERTIES	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES
TIER III	Albuquerque								
	Baltimore								
	Charlotte	INCREASE		INCREASE		INCREASE		INCREASE	
	Cincinnati								
	Cleveland	—							
	Columbus	—		DECREASE					
	Detroit	—		INCREASE	INCREASE	INCREASE		INCREASE	INCREASE
	Indianapolis	—							
	Jacksonville	—		INCREASE	INCREASE	INCREASE		INCREASE	INCREASE
	Kansas City								
	Las Vegas	INCREASE		INCREASE	INCREASE	INCREASE		INCREASE	INCREASE
	Memphis								
	Minneapolis/St. Paul	—		INCREASE	INCREASE	INCREASE		INCREASE	INCREASE
	Nashville								
	Oklahoma City	—							
	Orlando								
	Pittsburgh								
	Portland								
	Raleigh-Durham								
	Richmond	—							
Sacramento									
Salt Lake City	INCREASE		INCREASE	INCREASE	INCREASE		INCREASE	INCREASE	
San Antonio									
St. Louis									
Tampa			INCREASE	INCREASE	INCREASE		INCREASE	INCREASE	

INCREASE    DECREASE    STABLE    — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.  
Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

**U.S. INDUSTRIAL | OVERVIEW**

Overall, industrial rates compressed in H2 2018, albeit at a slower pace than in H1. Industrial cap rates for acquisitions of stabilized assets declined to 6.34%. Every class of industrial property saw falling cap rates. Class B industrial space again had the largest decrease, dropping 13 bps to 5.98%, followed by Class A declining 7 bps to 5.07% and Class C falling 2 bps to 8.02%. Survey results showed stabilized cap rates in Tier I and II markets averaged 5.82% (down 6 bps) and 6.33% (down 5 bps), respectively, while Tier III markets were at 7.27% (down 11 bps).

Of the 54 markets tracked, 20 had cap rates at or below 5.00% for stabilized Class A properties—as many as in H1 2018. Gateway coastal markets continued to generate the lowest cap rates, such as New York/Northern New Jersey, Oakland, Inland Empire, Los Angeles, Orange County, San Jose and Seattle—all of which had cap rates below 4.50%.

Expected overall returns on cost for value-add industrial acquisitions were stable with just a 2-bp decrease to 7.45%. For Class A value-add acquisitions, the average expected return on cost fell 4 bps to 6.05%, while that for Class B fell 7 bps to 7.12%; conversely, Class C ticked up 6 bps to 9.23%. The overall decline in value-add rates indicates a continued interest in properties with a higher risk profile, largely driven by the intense competition for stabilized properties.

The gradual decline of industrial cap rates resumed for all classes in H2. The spread between the classes has also changed minimally since CBRE began conducting its semiannual survey in 2009. The spread between Class A and Class C assets increased by 5 bps in H2 2018 to 295 bps. Class A vs. Class B had a narrower spread of 90 bps, declining by 6 bps. This divergence of classes is reflective of continued appetite for high-quality assets, along with the growing strength of Class B assets, driven by strong underlying fundamentals of the industrial sector—user demand, stable supply, low vacancies and growing rents in most industrial hubs.

Historically, cap rate averages by metro tier show a clear, sustained pricing premium for Class A assets in Tier I markets. Tier I, Class A assets have been priced at an average of 69 bps under Tier II and 152 bps under Tier III. The H2 2018 survey

**FIGURE 16: U.S. INDUSTRIAL - CAP RATES FOR STABILIZED PROPERTIES**

METRO TIER	CLASS	H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)
ALL	ALL	6.34	6.41	-7
	A	5.07	5.14	-7
	B	5.98	6.10	-13
	C	8.02	8.04	-2
I	A	4.50	4.55	-6
	B	5.38	5.48	-9
	C	7.58	7.62	-4
II	A	5.18	5.25	-7
	B	6.09	6.21	-12
	C	7.96	7.94	2
III	A	6.02	6.12	-10
	B	6.95	7.17	-21
	C	8.84	8.85	-1

Source: CBRE Research, Q4 2018.  
Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

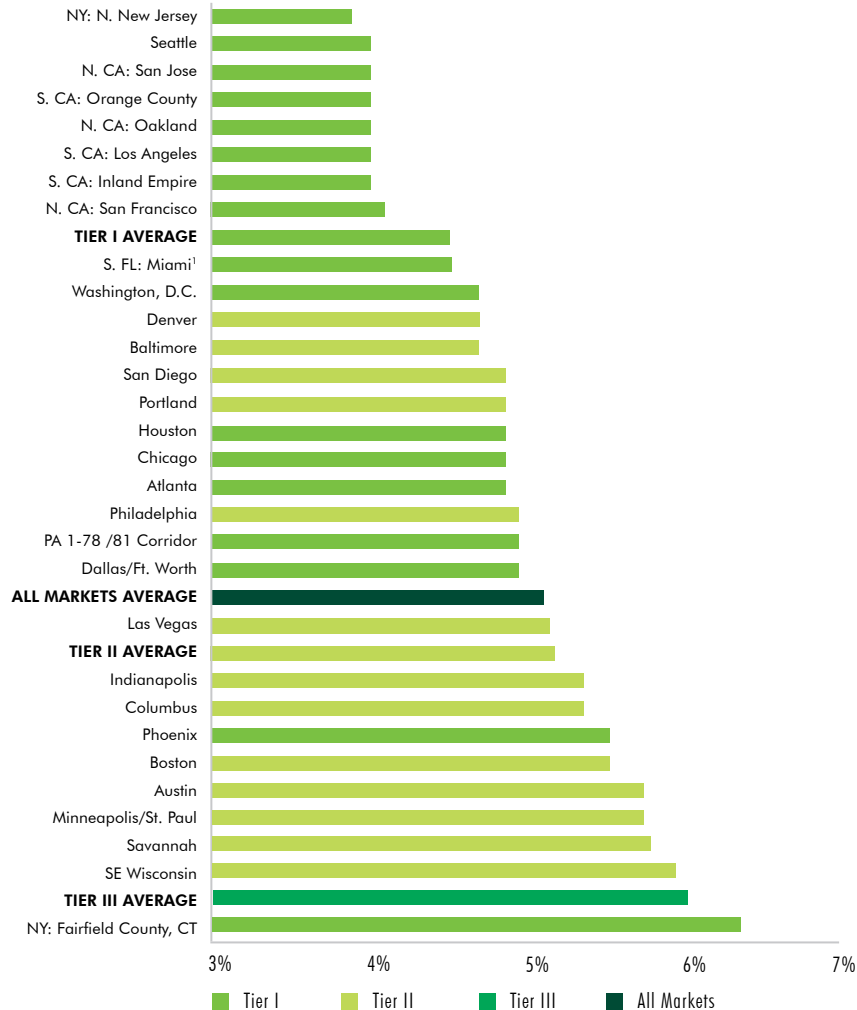
revealed that the spread between Tier I and Tier II markets was stable, while lower against Tier III.

Industrial cap rate spreads over the 10-year U.S. Treasury rate increased to 365 bps in H2 from 356 bps in H1, as the benchmark interest rate fell. For Class A stabilized acquisitions, the spread averaged approximately 238 bps in H2 compared to 229 bps in H1. The spread for value-add acquisitions also declined to 476 bps in H2—down 14 bps from H1. For Class A, value-add expected returns on cost, the spread averaged 336 bps in H2 compared to 324 bps in H1.

A large majority of survey respondents (85%) expect no change in cap rates for either stabilized or value-add properties in H1 2019, while 6% expect a small (1- to 24-bp) decrease. Although cap rates will remain stable, continued strong underlying market fundamentals—including tenant demand, tight market conditions and rent growth—should keep industrial asset pricing competitive.

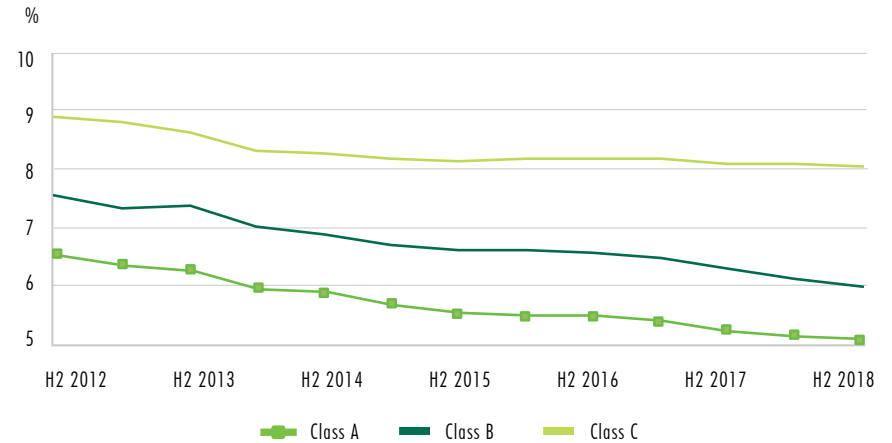
U.S. INDUSTRIAL | OVERVIEW CONT.

FIGURE 17: U.S. INDUSTRIAL - CLASS A CAP RATES, H2 2018 - TIER I & II METROS



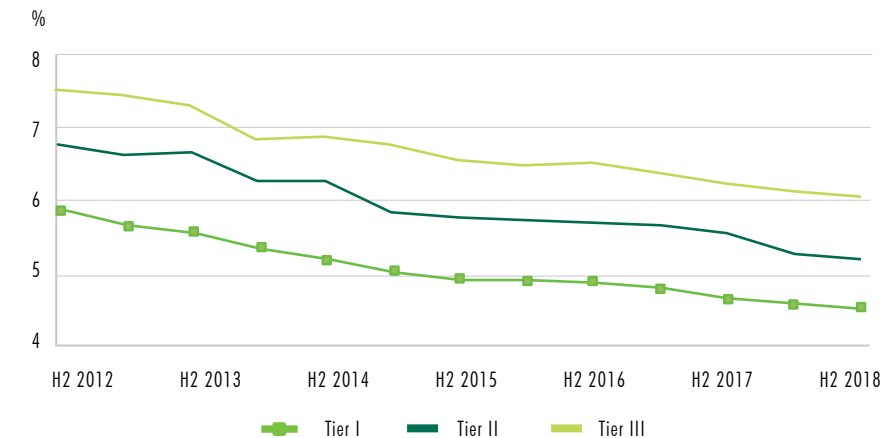
<sup>1</sup>Covers the three-county Miami area. Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Notes: data is subject to historical revisions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

FIGURE 18: U.S. INDUSTRIAL - HISTORICAL CAP RATES BY CLASS



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

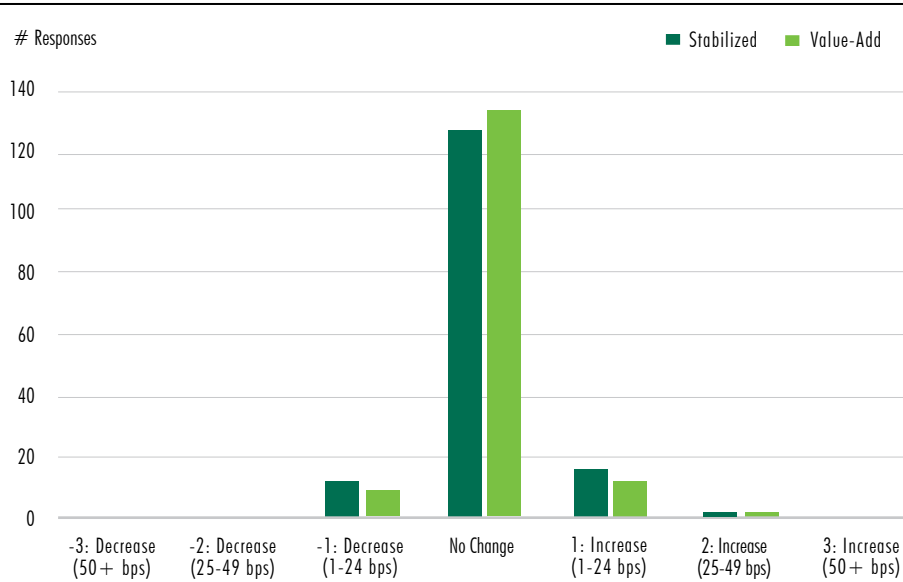
FIGURE 19: U.S. INDUSTRIAL - HISTORICAL CLASS A CAP RATES BY TIER



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

U.S. INDUSTRIAL | OVERVIEW CONT.

FIGURE 20: U.S. INDUSTRIAL RATE TRENDS - SIX MONTH OUTLOOK



Source: CBRE Research, Q4 2018.

U.S. INDUSTRIAL | FIGURE 21: KEY RATES

		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 (%)	
			CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>
TIER I	Atlanta	4.50 - 5.00	▼	5.25 - 6.25	▲	5.50 - 6.00	▼	6.50 - 7.50	◄	8.00 - 9.00	◄	10.00 - 11.00	▲
	Chicago	4.50 - 5.00	▼	6.00 - 6.50	◄	5.75 - 6.00	▼	7.00 - 8.00	◄	8.25 - 10.00	◄	9.00 - 12.00	◄
	Dallas/Ft. Worth	4.50 - 5.25	◄	5.00 - 5.75	◄	5.50 - 6.25	◄	6.00 - 6.75	◄	7.00 - 8.25	◄	8.00 - 11.00	◄
	Houston	4.50 - 5.00	◄	5.25 - 6.00	◄	5.50 - 6.50	◄	6.25 - 6.25	▼	7.75 - 8.75	◄	8.75 - 9.25	◄
	N. CA: Oakland	3.75 - 4.25	◄	4.50 - 5.00	◄	4.50 - 5.00	◄	5.00 - 6.00	◄	6.00 - 7.25	◄	6.50 - 7.50	◄
	N. CA: San Francisco	3.75 - 4.50	◄	4.50 - 5.00	◄	4.50 - 5.25	◄	5.00 - 6.00	◄	6.00 - 7.25	◄	6.50 - 7.50	◄
	N. CA: San Jose	3.75 - 4.25	◄	4.50 - 5.00	◄	4.50 - 5.00	◄	5.00 - 6.00	◄	6.00 - 7.25	◄	6.50 - 7.50	◄
	NY: Fairfield County, CT	6.00 - 6.75	◄	8.00 - 8.50	◄	7.00 - 7.75	◄	9.00 - 9.50	◄	8.50 - 9.00	◄	9.75 - 10.50	◄
	NY: N. New Jersey	3.75 - 4.00	◄	4.00 - 4.75	▼	4.25 - 5.00	◄	5.50 - 6.50	◄	7.00 - 8.00	◄	8.50 - 9.50	▲
	PA I-87/81 Corridor	4.75 - 5.00	◄	5.50 - 6.25	◄	5.50 - 6.25	◄	6.25 - 6.75	◄	7.00 - 7.75	▼	8.25 - 9.75	▼
	Phoenix	5.25 - 5.75	◄	5.75 - 6.25	◄	5.50 - 6.25	▼	6.75 - 7.50	▼	7.00 - 8.00	▼	8.00 - 10.00	▼
	S. CA: Inland Empire	3.75 - 4.25	◄	4.50 - 5.00	◄	4.50 - 5.00	◄	5.00 - 6.00	◄	6.00 - 7.25	◄	6.50 - 7.50	◄
	S. CA: Los Angeles	3.75 - 4.25	◄	4.50 - 5.00	◄	4.50 - 5.00	◄	5.00 - 6.00	◄	6.00 - 7.25	◄	6.50 - 7.50	◄
	S. CA: Orange County	3.75 - 4.25	◄	4.50 - 5.00	◄	4.50 - 5.00	◄	5.00 - 6.00	◄	6.00 - 7.25	◄	6.50 - 7.50	◄
	S. FL: Miami <sup>2</sup>	4.25 - 4.75	◄	5.00 - 5.50	◄	5.00 - 5.50	▼	6.00 - 6.50	◄	6.50 - 7.25	◄	7.00 - 7.75	◄
Seattle	3.75 - 4.25	◄	4.50 - 5.00	◄	4.25 - 4.75	▼	5.00 - 6.00	◄	5.75 - 6.50	▼	6.50 - 7.50	◄	
Washington, D.C.	4.50 - 4.75	◄	5.50 - 6.00	◄	5.00 - 5.75	◄	6.00 - 6.75	▼	7.00 - 7.75	◄	7.75 - 9.00	◄	
		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 (%)	
			CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>
TIER II	Austin	5.25 - 6.00	◄	6.00 - 7.25	◄	6.00 - 7.00	◄	6.25 - 7.75	◄	7.25 - 8.25	◄	8.25 - 9.50	◄
	Baltimore	4.50 - 4.75	◄	5.50 - 6.00	◄	5.00 - 5.75	▼	6.00 - 6.75	◄	7.50 - 8.00	◄	8.50 - 9.00	◄
	Boston	5.25 - 5.75	◄	7.00 - 8.00	◄	6.25 - 7.00	◄	7.50 - 9.00	◄	—	—	—	—
	Columbus	5.25 - 5.50	▼	6.75 - 7.50	◄	6.25 - 6.50	▼	7.75 - 8.75	▼	8.50 - 9.50	◄	9.00 - 9.50	◄
	Denver	4.25 - 5.00	▼	5.00 - 5.50	◄	5.25 - 5.75	◄	6.25 - 6.75	◄	7.00 - 8.00	◄	8.00 - 8.75	◄
	Indianapolis	5.25 - 5.50	◄	6.50 - 7.25	◄	6.25 - 6.50	▼	8.00 - 9.00	▼	8.50 - 9.00	◄	9.00 - 11.00	◄
	Las Vegas	4.75 - 5.50	◄	5.75 - 6.25	◄	5.50 - 6.00	◄	6.50 - 7.50	◄	6.50 - 7.25	◄	7.50 - 8.50	◄
	Minneapolis/St. Paul	5.50 - 5.75	▼	6.25 - 7.00	▼	6.50 - 6.75	◄	7.50 - 8.00	▼	7.75 - 8.50	▼	9.00 - 10.00	▼
	Philadelphia	4.50 - 5.25	◄	5.75 - 6.25	◄	5.75 - 6.25	◄	6.50 - 7.00	◄	7.25 - 8.00	▼	8.50 - 10.00	▼
	Portland	4.50 - 5.00	◄	5.50 - 6.25	▼	4.75 - 5.25	◄	6.25 - 7.00	◄	6.50 - 7.25	◄	7.00 - 8.00	◄
	San Diego	4.50 - 5.00	◄	5.75 - 6.25	◄	5.25 - 5.75	◄	5.75 - 6.50	◄	6.25 - 7.25	◄	7.00 - 8.00	◄
	Savannah	5.50 - 6.00	◄	6.25 - 6.75	◄	6.25 - 6.75	◄	7.50 - 8.50	◄	9.00 - 11.00	◄	10.00 - 11.00	◄
SE Wisconsin	5.75 - 6.00	▼	7.00 - 7.25	▼	6.50 - 6.75	▼	7.75 - 8.25	▼	8.50 - 10.00	◄	10.00 - 11.50	◄	

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable.

<sup>2</sup>Covers the three-county Miami area.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. INDUSTRIAL | FIGURE 21: KEY RATES CONT.

	CLASS A				CLASS B				CLASS C				
	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	
TIER III	Albuquerque	6.50 - 8.00	◄	8.25 - 8.75	◄	8.50 - 9.00	◄	8.75 - 9.25	◄	9.50 - 10.50	◄	9.75 - 10.75	◄
	Charlotte	5.25 - 5.75	▼	5.75 - 6.25	▼	6.00 - 6.50	▼	7.00 - 7.50	◄	8.00 - 9.00	▲	10.00 - 11.00	▲
	Cincinnati	5.50 - 5.75	◄	6.25 - 6.75	▼	6.00 - 6.25	▼	7.75 - 8.75	▼	8.50 - 9.50	◄	9.75 - 11.25	▼
	Cleveland	6.75 - 7.00	◄	7.25 - 7.75	◄	7.25 - 7.75	◄	8.75 - 9.75	◄	7.75 - 9.25	◄	9.75 - 11.75	◄
	Detroit	6.00 - 6.50	◄	7.50 - 8.50	◄	7.50 - 8.00	▼	9.00 - 10.00	◄	9.00 - 10.00	◄	10.50 - 12.00	◄
	El Paso	6.75 - 7.50	◄	7.50 - 8.50	◄	7.75 - 8.75	◄	9.50 - 10.00	◄	9.50 - 10.00	◄	11.50 - 12.00	◄
	Honolulu	5.00 - 6.50	◄	5.00 - 6.50	◄	5.00 - 6.25	◄	5.00 - 6.25	◄	4.25 - 5.00	▼	4.25 - 5.00	▼
	Jacksonville	5.50 - 6.00	◄	6.00 - 6.75	◄	6.00 - 6.75	◄	7.50 - 8.50	▼	9.25 - 11.75	◄	10.50 - 13.00	◄
	Kansas City	6.00 - 6.25	◄	7.25 - 7.75	◄	7.00 - 7.50	◄	8.00 - 9.00	◄	8.25 - 9.00	◄	9.50 - 10.50	◄
	Louisville	5.75 - 6.25	▼	6.00 - 6.75	▼	6.25 - 6.75	▼	7.75 - 8.50	◄	8.75 - 9.75	◄	10.50 - 11.50	▲
	Memphis	5.75 - 6.25	◄	6.25 - 7.00	◄	6.75 - 7.25	▼	7.75 - 8.25	▼	9.00 - 10.00	◄	10.00 - 11.00	▼
	Nashville	5.25 - 5.75	▼	5.75 - 6.25	▼	6.00 - 6.50	▼	7.00 - 7.50	▼	8.00 - 9.00	▲	10.00 - 11.00	◄
	Oklahoma City	6.00 - 7.50	▼	6.75 - 7.50	▼	7.50 - 7.75	▼	8.00 - 8.75	▼	9.00 - 9.25	▼	9.50 - 10.50	▼
	Orlando	5.00 - 5.50	▼	5.75 - 6.25	▼	6.00 - 6.50	◄	6.75 - 7.75	◄	8.00 - 9.00	◄	10.00 - 11.00	▲
	Pittsburgh	5.75 - 6.50	▼	7.25 - 8.25	◄	7.75 - 9.25	◄	8.75 - 9.75	◄	9.50 - 10.50	◄	10.50 - 12.00	◄
	Raleigh-Durham	5.75 - 6.50	◄	6.25 - 6.75	▼	6.25 - 6.75	▼	7.00 - 8.00	◄	8.25 - 9.25	◄	10.00 - 11.00	▲
	Reno	5.00 - 5.50	◄	6.00 - 6.75	◄	5.50 - 6.00	◄	6.50 - 7.50	◄	6.50 - 7.25	◄	7.50 - 8.50	◄
	Richmond	6.00 - 7.00	◄	6.75 - 8.00	◄	6.75 - 8.25	◄	7.50 - 9.00	◄	8.50 - 9.50	◄	9.00 - 12.00	◄
	Sacramento	5.25 - 5.75	◄	6.00 - 6.75	▼	5.75 - 6.50	▼	6.75 - 7.75	▼	6.50 - 8.00	▼	7.50 - 8.50	▼
	Salt Lake City	5.25 - 5.75	▼	6.00 - 6.50	◄	5.75 - 6.25	◄	6.50 - 7.25	▼	6.50 - 7.50	▼	7.00 - 8.00	▼
San Antonio	5.25 - 6.00	◄	6.00 - 6.75	◄	6.00 - 7.00	◄	7.25 - 8.25	◄	8.50 - 9.50	◄	9.00 - 12.00	◄	
St. Louis	6.00 - 6.25	◄	7.25 - 7.75	◄	7.00 - 7.50	◄	8.25 - 9.50	◄	8.50 - 9.50	◄	9.00 - 10.50	◄	
Tampa	5.50 - 6.00	◄	6.00 - 6.75	▲	6.00 - 6.75	▼	7.50 - 8.50	▲	8.00 - 9.50	◄	10.00 - 11.00	▲	
Tulsa	6.50 - 6.75	◄	7.25 - 7.50	◄	8.00 - 8.25	◄	8.50 - 8.75	◄	9.00 - 9.25	◄	9.50 - 9.75	◄	

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable. Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. INDUSTRIAL | FIGURE 22: FORECAST TRENDS - SIX MONTH OUTLOOK

		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						
	Chicago						
	Dallas / Ft. Worth						
	Houston	INCREASE	INCREASE	INCREASE	INCREASE		
	N. CA: Oakland						
	N. CA: San Francisco						
	N. CA: San Jose						
	NY: Fairfield County, CT	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	NY: N. New Jersey	DECREASE	DECREASE	DECREASE	DECREASE		
	PA I-87/81 Corridor	DECREASE	DECREASE	DECREASE	DECREASE		
	Phoenix						
	S. CA: Inland Empire						
	S. CA: Los Angeles						
	S. CA: Orange County						
	S. FL: Miami <sup>2</sup>						
Seattle							
Washington, D.C.							
		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						
	Baltimore						
	Boston		DECREASE	DECREASE		—	—
	Columbus						
	Denver						
	Indianapolis						
	Las Vegas						
	Minneapolis/St. Paul			DECREASE			
	Philadelphia	DECREASE	DECREASE	DECREASE	DECREASE		
	Portland						
	San Diego						
	Savannah	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	SE Wisconsin						

■ INCREASE  
■ DECREASE  
■ STABLE  
 — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.  
<sup>2</sup>Covers the three-county Miami area.  
 Source: CBRE Research, Q4 2018.  
 Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. INDUSTRIAL | FIGURE 22: FORECAST TRENDS - SIX MONTH OUTLOOK 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	
	Charlotte	Stable	Stable	Increase	Increase	Increase	Increase	
	Cincinnati	Stable	Stable	Increase	Increase	Increase	Increase	
	Cleveland	Stable	Stable	Stable	Stable	Stable	Stable	
	Detroit	Stable	Stable	Stable	Stable	Stable	Stable	
	El Paso	Stable	Stable	Stable	Stable	Stable	Stable	
	Honolulu	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	
	Jacksonville	Decrease	Decrease	Decrease	Decrease	Stable	Stable	
	Kansas City	Stable	Stable	Stable	Stable	Stable	Stable	
	Las Vegas	Stable	Stable	Stable	Stable	Stable	Stable	
	Louisville	Increase	Stable	Increase	Stable	Stable	Stable	
	Memphis	Stable	Stable	Stable	Stable	Stable	Stable	
	Nashville	Stable	Stable	Stable	Stable	Stable	Stable	
	Oklahoma City	Stable	Stable	Stable	Stable	Stable	Stable	
	Orlando	Stable	Stable	Stable	Stable	Stable	Stable	
	Pittsburgh	Decrease	Stable	Stable	Stable	Stable	Stable	
	Raleigh-Durham	Stable	Stable	Stable	Stable	Stable	Stable	
	Reno	Stable	Stable	Stable	Stable	Stable	Stable	
	Richmond	Stable	Stable	Stable	Stable	Stable	Stable	
	Sacramento	Stable	Stable	Stable	Stable	Stable	Stable	
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		
St. Louis	Stable	Stable	Stable	Stable	Stable	Stable		
Tampa	Stable	Stable	Stable	Stable	Stable	Stable		
Tulsa	Stable	Stable	Increase	Increase	Increase	Increase		

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019. Source: CBRE Research, Q4 2018. Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.



**U.S. RETAIL | OVERVIEW**

**NEIGHBORHOOD/COMMUNITY**

Stabilized grocery-anchored neighborhood/community center assets recorded a 10-bp increase in cap rates, ending H2 2018 at an average of 7.50%. The increase was driven by lower-quality assets in Tier II and III markets. Class B product in Tier II markets had the largest increase in cap rates (17bps).

Affluent suburban communities continue to support well-maintained shopping centers. Orange County and Los Angeles had the lowest stabilized Class A cap rates at 4.88%, followed by San Jose and San Francisco at 5.00%.

Value-add acquisitions of neighborhood/community centers averaged 9.32%, up by 4 bps from H1 2018. Rising vacancies and soft income growth led to steady cap rates across all market tiers. Class C cap rates in Tier III markets remained the highest at 10.45%, an increase of 11 bps from H1, while Class B cap rates in Tier III markets increased to 8.86%.

CBRE professionals expect cap rates to remain stable in H1 2019, with investors attracted to the return potential of neighborhood/community centers in secondary and tertiary markets. Nearly half of CBRE survey respondents expect stabilized cap rates to remain unchanged, while 44% predict a small increase (less than 25 bps) and 6% anticipate larger increases of up to 49 bps.

**POWER CENTERS**

Big-box and other retailer closures continued to influence the perceived risk profile and projected cap rates for power centers. Average cap rates for stabilized power centers rose 13 bps to 8.42%. Every asset class recorded increases in cap rates, with the largest widening in Class C product (19 bps).

**FIGURE 23: U.S. RETAIL NEIGHBORHOOD/COMMUNITY CENTER - CAP RATES FOR STABILIZED PROPERTIES**

METRO TIER	CLASS	H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)
ALL	ALL	7.50	7.40	10
	A	5.95	5.86	9
	B	7.41	7.32	9
	C	9.19	9.09	10
I	A	5.55	5.44	11
	B	7.01	6.98	3
	C	8.93	8.85	8
II	A	5.97	5.82	15
	B	7.53	7.36	17
	C	9.12	8.97	15
III	A	6.47	6.47	0
	B	7.80	7.71	9
	C	9.60	9.52	7

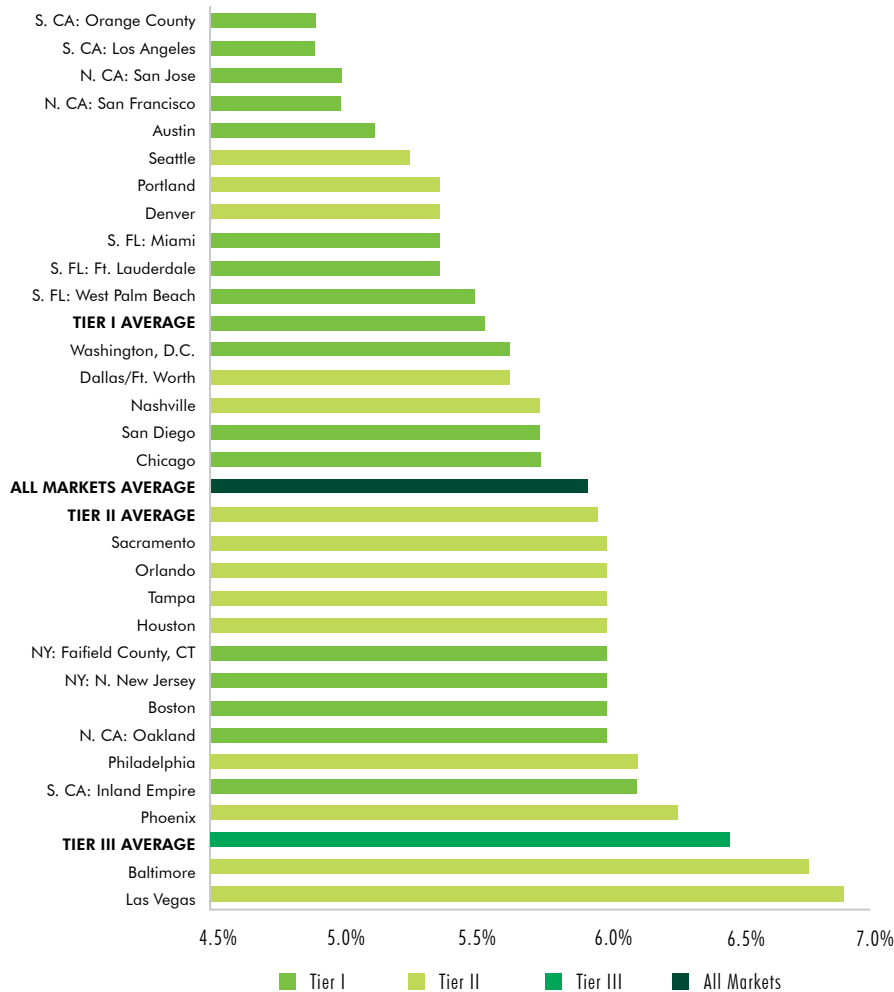
Source: CBRE Research, Q4 2018.  
Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

Across tiers, assets in Tier II markets recorded the largest increase (23 bps). Tier II Class B and C assets have been disproportionately affected by recent store closures and, as such, have increased by 22 and 40 bps respectively. Tier III markets recorded slightly smaller cap rate increases across assets; however, they have the highest cap rates ranging from 7.84% to 10.40%.

For value-add acquisitions, the average cap rate increased 13 bps to 10.13% in H2, largely driven by lower-tier markets. Washington, D.C. and Baltimore recorded the highest value-add cap rates at 16.00% and 15.00%, respectively.

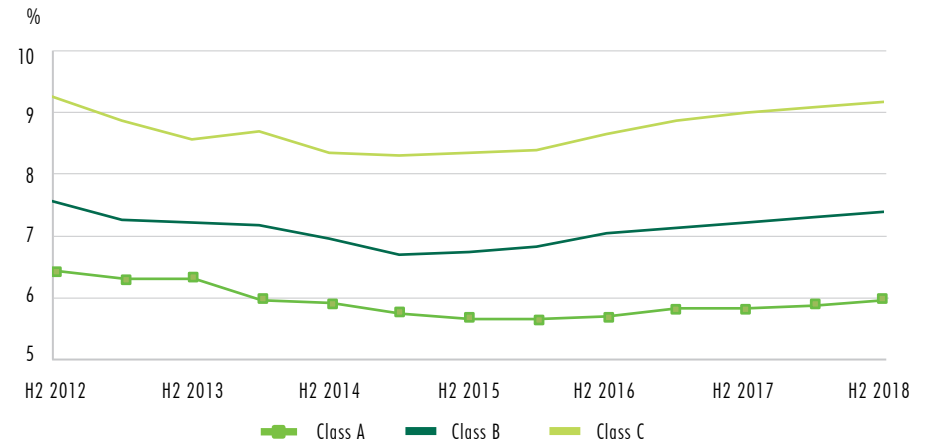
U.S. RETAIL | OVERVIEW CONT.

**FIGURE 24: U.S. RETAIL NEIGHBORHOOD/COMMUNITY CENTER - CLASS A CAP RATES, H2 2018 - TIER I & II METROS**



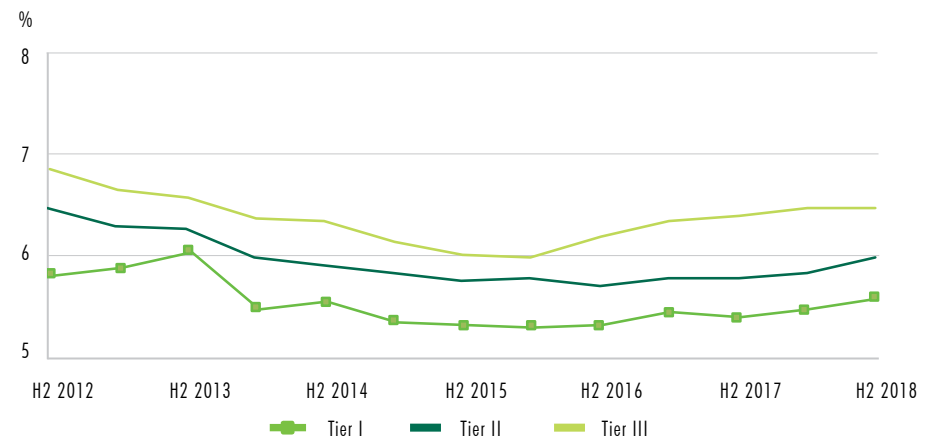
Source: CBRE Research, Q4 2018. Data for acquisition of stabilized grocery-anchored neighborhood/community centers. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

**FIGURE 25: U.S. RETAIL NEIGHBORHOOD/COMMUNITY CENTER - HISTORICAL CAP RATES BY CLASS**



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

**FIGURE 26: U.S. RETAIL NEIGHBORHOOD/COMMUNITY CENTER - HISTORICAL CLASS A CAP RATES BY TIER**



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

**U.S. RETAIL | OVERVIEW CONT.**

CBRE professionals expect cap rates to remain stable in H1 2019, as investors are attracted by the return potential of power centers in secondary and tertiary markets. Nearly half of survey respondents expect cap rates for stabilized properties to remain unchanged, while 41% anticipate a small increase of less than 25 bps and 5% anticipate an increase of between 25 and 49 bps.

Due to continued demand for prime box space driven by discount retailers and mass merchandizers, CBRE professionals expect Class A centers to fare well across markets. Overall investor sentiment toward power centers is expected to improve in 2019 due to positive news about retailers, strong consumer spending and tax reform that offers retailers significant benefits.

**FIGURE 27: U.S. RETAIL POWER CENTER - CAP RATES FOR STABILIZED PROPERTIES**

METRO TIER	CLASS	H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)
ALL	ALL	8.42	8.29	13
	A	7.13	7.05	9
	B	8.31	8.19	12
	C	9.82	9.63	19
I	A	6.58	6.46	12
	B	7.93	7.92	0
	C	9.57	9.51	6
II	A	7.08	7.00	8
	B	8.26	8.04	22
	C	9.55	9.15	40
III	A	7.84	7.79	5
	B	8.83	8.68	15
	C	10.40	10.27	13

Source: CBRE Research, Q4 2018.  
Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

**HIGH STREET**

High-street cap rates, which generally are the lowest of all property categories in this survey, increased 7 bps to 4.83% in H2. Tier I cap rates increased by 6 bps to 4.79%, while Tier II increased by 8 bps to 5.00%. San Francisco had the lowest average cap rate at 4.00%, followed by Los Angeles at 4.13%. Chicago recorded the highest rates at 5.50%. Cap rates for high-street assets remained stable for the fifth consecutive year; of the 10 markets tracked, seven recorded no change in cap rates from H1.

CBRE professionals expect no further increases in most markets in H1 2019; however, small cap rate increases (less than 25 bps) are expected in Los Angeles, Miami and Seattle.

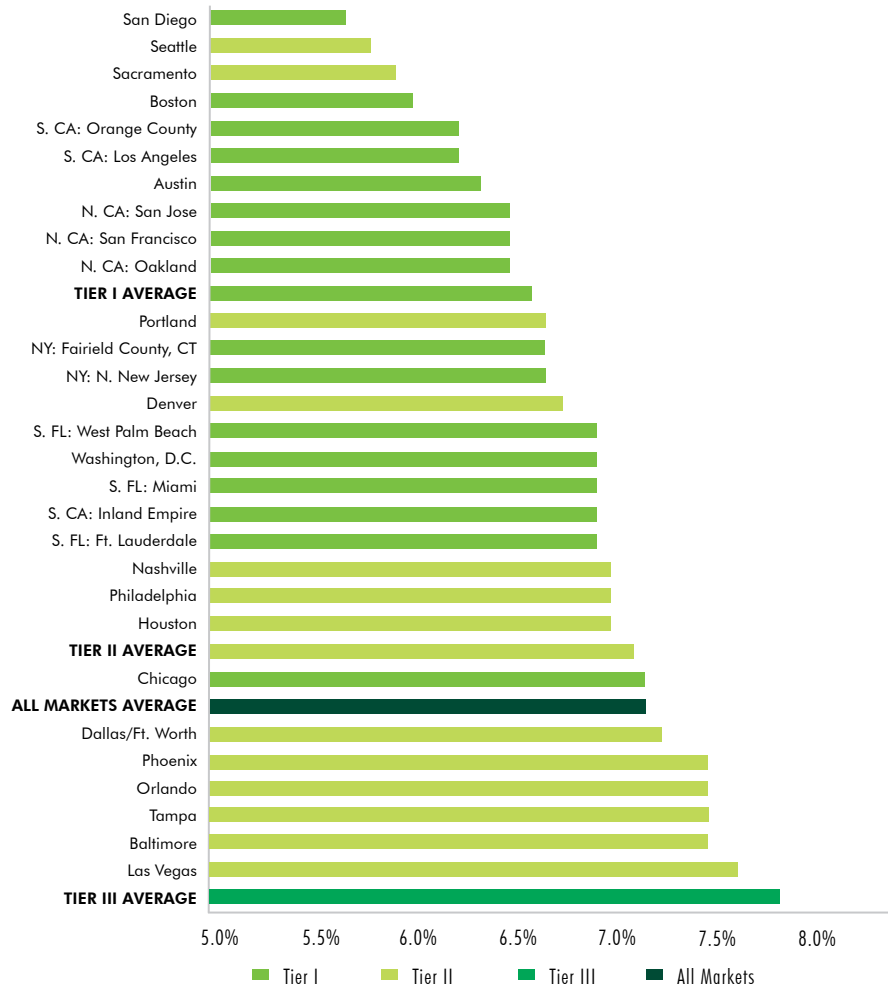
**FIGURE 28: U.S. RETAIL HIGH STREET - CAP RATES FOR STABILIZED PROPERTIES**

METRO TIER	H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)
ALL	4.83	4.77	7
I	4.79	4.73	6
II	5.00	4.92	8

Source: CBRE Research, Q4 2018.  
Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

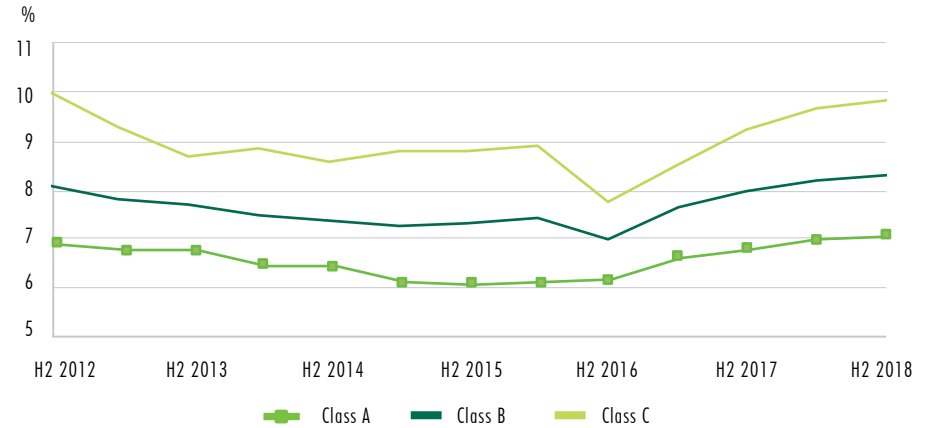
U.S. RETAIL | OVERVIEW CONT.

FIGURE 29: U.S. RETAIL POWER - CLASS A CAP RATES, H2 2018 - TIER I & II METROS



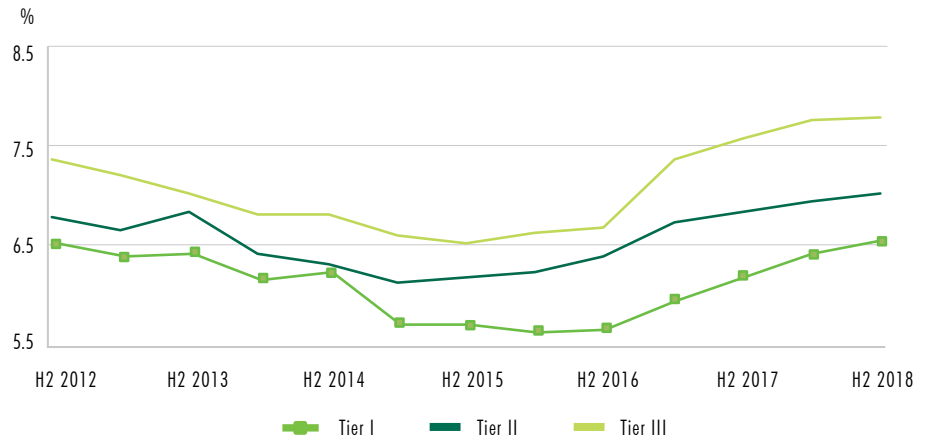
Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Notes: data is subject to historical revisions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

FIGURE 30: U.S. RETAIL POWER - HISTORICAL CAP RATES BY CLASS



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

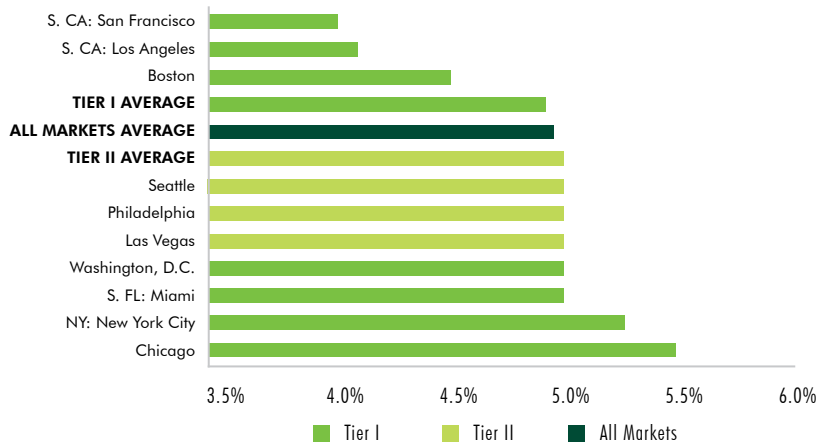
FIGURE 31: U.S. RETAIL POWER - HISTORICAL CLASS A CAP RATES BY TIER



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

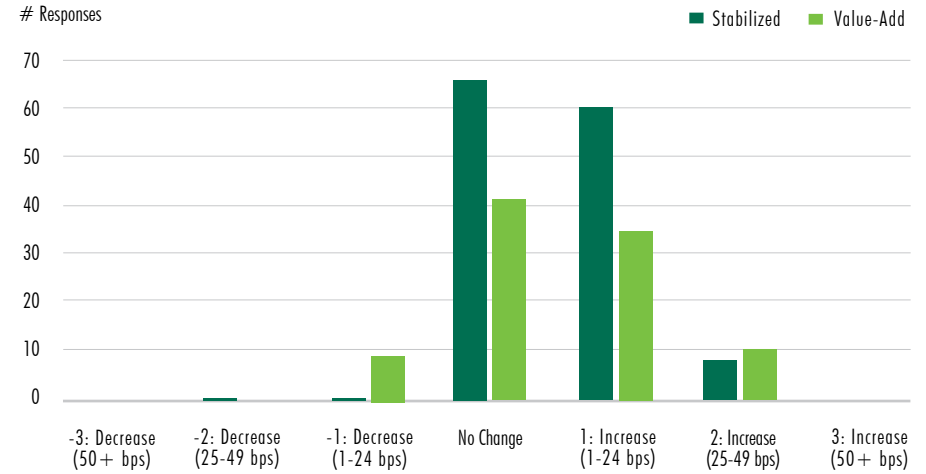
U.S. RETAIL | OVERVIEW CONT.

FIGURE 32: U.S. RETAIL HIGH STREET - CLASS A CAP RATES H2 2018 - TIER I & II METROS



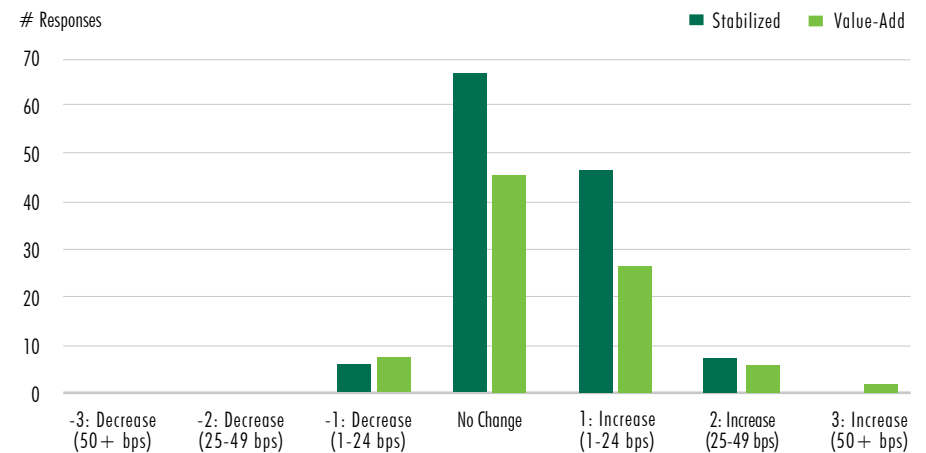
Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Notes: data is subject to historical revisions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

FIGURE 33: U.S. RETAIL NEIGHBORHOOD/COMMUNITY RATE TRENDS - SIX MONTH OUTLOOK



Source: CBRE Research, Q4 2018.

FIGURE 34: U.S. RETAIL POWER CENTER RATE TRENDS - SIX MONTH OUTLOOK



Source: CBRE Research, Q4 2018.

U.S. RETAIL NEIGHBORHOOD/COMMUNITY CENTER | FIGURE 35: KEY RATES

		CLASS A			CLASS B			CLASS C			
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>
TIER I	Austin	4.75 - 5.50	◄	6.25 - 7.25	▼	6.75 - 7.75	◄	8.00 - 10.00	◄	8.25 - 10.00	◄
	Boston	5.50 - 6.50	◄	7.00 - 8.00	◄	8.00 - 9.00	◄	8.50 - 10.00	◄	9.00 - 10.00	◄
	Chicago	5.50 - 6.00	◄	7.00 - 7.50	◄	8.00 - 9.00	◄	8.75 - 9.50	◄	9.75 - 11.00	◄
	N. CA: Oakland	5.50 - 6.50	▲	6.50 - 7.25	◄	7.50 - 8.50	▲	8.25 - 9.25	▲	9.25 - 10.25	▲
	N. CA: San Francisco	4.50 - 5.50	◄	6.25 - 7.25	◄	7.50 - 8.50	▲	8.00 - 9.00	◄	9.00 - 10.00	◄
	N. CA: San Jose	4.50 - 5.50	◄	6.25 - 7.25	◄	7.50 - 8.50	▲	8.00 - 9.00	◄	9.00 - 10.00	◄
	NY: Fairfield County, CT	5.75 - 6.25	◄	6.75 - 7.25	◄	7.75 - 8.25	◄	—	—	—	—
	NY: N. New Jersey	5.75 - 6.25	◄	6.75 - 7.25	◄	7.75 - 8.25	◄	—	—	—	—
	S. CA: Inland Empire	5.75 - 6.50	◄	6.75 - 7.50	◄	7.50 - 8.50	◄	8.00 - 8.75	◄	8.50 - 9.50	▲
	S. CA: Los Angeles	4.50 - 5.25	▲	6.00 - 6.75	◄	7.00 - 7.75	◄	8.00 - 9.00	▲	8.00 - 9.50	◄
	S. CA: Orange County	4.50 - 5.25	▲	6.00 - 6.75	◄	7.00 - 7.75	◄	8.00 - 9.00	▲	8.00 - 9.50	◄
	S. FL: Ft. Lauderdale	5.00 - 5.75	◄	6.50 - 7.50	▲	7.50 - 9.00	▲	8.00 - 9.50	◄	8.50 - 9.75	▲
	S. FL: Miami	5.00 - 5.75	◄	6.50 - 7.50	▲	7.50 - 9.00	▲	8.00 - 9.50	◄	8.50 - 9.75	▲
	S. FL: West Palm Beach	5.00 - 6.00	◄	6.50 - 7.50	▲	7.50 - 9.00	▲	8.00 - 9.50	◄	8.50 - 9.75	◄
San Diego	5.50 - 6.00	▲	6.25 - 7.00	◄	6.75 - 7.75	◄	8.50 - 10.00	◄	8.75 - 10.25	◄	
Washington, D.C.	5.25 - 6.00	◄	7.00 - 9.00	◄	9.00 - 11.00	◄	9.00 - 11.00	◄	13.00 - 15.00	◄	

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable. Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong. Rates are for grocery-anchored neighborhood and community centers.

Retail Class A, return on cost for value add was not reported for this survey due to the limited properties represented by this category.

		CLASS A			CLASS B			CLASS C			
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>
TIER II	Baltimore	6.25 - 7.25	▲	8.00 - 10.00	◄	10.00 - 12.00	◄	9.50 - 11.50	◄	13.00 - 15.00	◄
	Dallas/Ft. Worth	5.00 - 6.25	◄	6.50 - 8.00	▼	7.75 - 9.25	▼	8.50 - 10.00	◄	9.75 - 12.00	◄
	Denver	5.00 - 5.75	◄	6.00 - 7.50	◄	7.00 - 8.00	◄	8.00 - 9.00	◄	9.00 - 10.00	◄
	Houston	5.50 - 6.50	◄	7.00 - 8.50	▲	—	—	8.50 - 11.00	▲	—	—
	Las Vegas	6.50 - 7.25	▲	7.00 - 7.50	◄	7.50 - 9.00	◄	7.75 - 9.00	◄	8.50 - 10.00	◄
	Nashville	5.50 - 6.00	◄	7.50 - 8.00	◄	9.00 - 9.50	◄	9.00 - 9.50	▲	9.50 - 11.00	◄
	Orlando	5.50 - 6.50	▲	7.50 - 8.25	▲	8.25 - 9.00	▲	8.50 - 10.50	◄	9.00 - 11.00	▲
	Philadelphia	5.50 - 6.75	▲	7.00 - 8.25	▲	8.50 - 10.00	▲	8.50 - 10.00	▲	9.75 - 11.00	◄
	Phoenix	6.00 - 6.50	▲	7.50 - 8.50	▲	9.00 - 9.50	▲	8.50 - 9.25	◄	9.00 - 10.00	◄
	Portland	5.00 - 5.75	◄	6.75 - 7.75	◄	8.00 - 9.00	◄	8.00 - 9.00	◄	9.00 - 10.00	◄
	Sacramento	5.75 - 6.25	◄	6.25 - 7.25	◄	8.00 - 9.00	◄	7.75 - 8.25	◄	8.50 - 9.50	◄
	Seattle	4.50 - 6.00	◄	5.50 - 7.25	◄	7.50 - 9.25	▲	7.50 - 8.75	◄	8.00 - 11.00	◄
Tampa	5.50 - 6.50	◄	7.25 - 8.25	◄	8.25 - 9.00	▲	8.50 - 10.50	◄	9.00 - 11.00	▲	

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

U.S. RETAIL NEIGHBORHOOD/COMMUNITY CENTER | FIGURE 35: KEY RATES CONT.

		CLASS A			CLASS B			CLASS C			
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Albuquerque	7.00 - 7.25	◄	8.25 - 8.75	◄	9.50 - 10.00	▲	9.50 - 10.00	◄	9.50 - 10.00	◄
	Atlanta	5.25 - 6.25	◄	6.25 - 8.25	◄	7.50 - 8.50	▲	8.25 - 11.00	◄	8.75 - 11.00	▲
	Charlotte	5.50 - 6.00	◄	7.00 - 7.50	▲	8.00 - 9.00	▲	9.00 - 10.00	◄	9.50 - 10.50	◄
	Cincinnati	6.50 - 7.00	◄	7.50 - 8.00	◄	8.50 - 9.50	◄	9.00 - 9.75	◄	10.00 - 11.25	◄
	Cleveland	6.75 - 7.25	▼	8.25 - 8.75	◄	9.25 - 10.25	◄	9.75 - 10.75	◄	10.75 - 12.25	◄
	Columbus	6.50 - 7.00	◄	7.50 - 8.00	◄	8.50 - 9.50	◄	9.00 - 9.75	◄	10.00 - 11.25	◄
	Detroit	7.00 - 7.75	◄	8.50 - 9.75	◄	9.00 - 10.25	◄	10.00 - 11.50	◄	10.75 - 12.50	◄
	Honolulu	5.00 - 6.50	◄	6.00 - 7.00	◄	7.00 - 8.00	◄	6.50 - 7.50	◄	6.75 - 8.50	◄
	Indianapolis	6.50 - 7.00	◄	7.50 - 8.00	◄	8.50 - 9.50	◄	9.00 - 9.75	◄	10.00 - 11.25	◄
	Jacksonville	5.50 - 6.50	◄	7.50 - 8.25	▲	8.25 - 9.00	▲	8.50 - 10.50	▲	9.00 - 11.00	▲
	Kansas City	6.50 - 7.00	◄	7.50 - 8.00	◄	8.50 - 9.50	◄	9.00 - 9.75	◄	10.00 - 11.25	◄
	Memphis	7.25 - 7.75	▼	8.00 - 8.50	◄	9.00 - 9.50	◄	9.75 - 10.25	◄	10.75 - 11.25	◄
	Minneapolis/St. Paul	5.75 - 6.25	◄	7.50 - 8.00	▲	8.50 - 9.50	▲	8.75 - 9.50	◄	10.00 - 11.25	▲
	Pittsburgh	6.50 - 7.50	▲	7.75 - 8.50	▲	10.50 - 13.50	▲	10.50 - 11.50	▲	12.50 - 12.75	▲
	Salt Lake City	6.00 - 6.50	◄	6.50 - 7.00	◄	7.00 - 8.00	◄	7.50 - 8.00	◄	8.00 - 8.50	◄
	San Antonio	5.00 - 6.50	▼	6.75 - 8.25	◄	7.00 - 8.50	◄	8.75 - 10.25	▲	9.25 - 10.50	▲
St. Louis	6.50 - 7.00	◄	7.50 - 8.00	◄	8.50 - 9.50	◄	9.00 - 9.75	◄	10.00 - 11.25	◄	

▲ INCREASE    ▼ DECREASE    ◄ STABLE    — N/A

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable. Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong. Rates are for grocery-anchored neighborhood and community centers. Retail Class A, returns on cost for value add were not reported for this survey due to the limited properties represented by this category.

U.S. RETAIL NEIGHBORHOOD/COMMUNITY CENTER | FIGURE 36: FORECAST TRENDS - SIX MONTH OUTLOOK

		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	
TIER I	Austin	Stable	Stable	Stable	Stable	Stable	
	Boston	Stable	Stable	Stable	Stable	Stable	
	Chicago	Stable	Stable	Decrease	Increase	Stable	
	N. CA: Oakland	Increase	Stable	Increase	Increase	Increase	
	N. CA: San Francisco	Stable	Stable	Increase	Stable	Stable	
	N. CA: San Jose	Stable	Stable	Increase	Stable	Stable	
	NY: Fairfield County, CT	Stable	Stable	Stable	N/A	N/A	
	NY: N. New Jersey	Stable	Stable	Stable	N/A	N/A	
	S. CA: Inland Empire	Increase	Increase	Increase	Increase	Increase	
	S. CA: Los Angeles	Increase	Increase	Increase	Increase	Stable	
	S. CA: Orange County	Increase	Increase	Increase	Increase	Increase	
	S. FL: Ft. Lauderdale	Increase	Increase	Increase	Increase	Increase	
	S. FL: Miami	Stable	Increase	Stable	Stable	Stable	
	S. FL: West Palm Beach	Increase	Increase	Increase	Increase	Increase	
San Diego	Stable	Increase	Increase	Increase	Increase		
Washington, D.C.	Stable	Increase	Increase	Increase	Increase		
		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	
TIER II	Baltimore	Increase	Increase	Increase	Increase	Increase	
	Dallas/Ft. Worth	Stable	Stable	Stable	Stable	Stable	
	Denver	Stable	Stable	Stable	Stable	Stable	
	Houston	Increase	Increase	N/A	Increase	N/A	
	Las Vegas	Stable	Stable	Stable	Stable	Stable	
	Nashville	Stable	Increase	Increase	Increase	Increase	
	Orlando	Increase	Increase	Increase	Increase	Increase	
	Philadelphia	Stable	Stable	Increase	Increase	Increase	
	Phoenix	Increase	Increase	Increase	Increase	Increase	
	Portland	Stable	Increase	Increase	Increase	Increase	
	Sacramento	Stable	Stable	Stable	Stable	Stable	
	Seattle	Increase	Increase	Increase	Increase	Increase	
	Tampa	Increase	Increase	Increase	Increase	Increase	

■ INCREASE  
■ DECREASE  
■ STABLE  
 — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.

Source: CBRE Research, Q4 2018.  
 Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.



U.S. RETAIL NEIGHBORHOOD/COMMUNITY CENTER | FIGURE 36: FORECAST TRENDS - SIX MONTH OUTLOOK CONT.

		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
TIER III	Albuquerque	INCREASE		INCREASE		INCREASE	
	Atlanta	STABLE		STABLE		STABLE	
	Charlotte						
	Cincinnati				DECREASE	INCREASE	
	Cleveland	DECREASE					
	Columbus				DECREASE	INCREASE	
	Detroit						
	Honolulu	INCREASE		INCREASE		INCREASE	
	Indianapolis				DECREASE	INCREASE	
	Jacksonville	INCREASE		INCREASE		INCREASE	
	Kansas City				DECREASE	INCREASE	
	Memphis						
	Minneapolis/St. Paul				DECREASE	INCREASE	
	Pittsburgh	INCREASE		INCREASE		INCREASE	
	Salt Lake City	INCREASE		INCREASE		INCREASE	
	San Antonio					DECREASE	
St. Louis				DECREASE	INCREASE		

■ INCREASE    ■ DECREASE    ■ STABLE    — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019. Source: CBRE Research, Q4 2018. Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong. Retail Class A, returns on cost for value add were not reported for this survey due to the limited properties represented by this category.

U.S. RETAIL POWER | FIGURE 37: KEY RATES

		CLASS A			CLASS B			CLASS C			
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>
TIER I	Austin	5.75 - 7.00	▲	7.25 - 8.25	▲	7.25 - 8.75	◄	7.75 - 9.00	▲	7.75 - 9.75	◄
	Boston	5.50 - 6.50	◄	6.50 - 7.50	◄	7.50 - 8.50	◄	7.50 - 8.50	◄	8.50 - 10.00	◄
	Chicago	6.75 - 7.50	◄	8.00 - 8.75	◄	9.00 - 10.25	◄	10.00 - 11.00	◄	11.00 - 12.50	◄
	N. CA: Oakland	6.00 - 7.00	◄	7.00 - 8.00	◄	9.00 - 11.00	◄	9.25 - 10.50	▲	10.00 - 12.00	◄
	N. CA: San Francisco	6.00 - 7.00	◄	7.00 - 8.00	◄	9.00 - 11.00	◄	9.25 - 10.50	▲	10.00 - 12.00	◄
	N. CA: San Jose	6.00 - 7.00	◄	7.00 - 8.00	◄	9.00 - 11.00	◄	9.25 - 10.50	▲	10.00 - 12.00	◄
	NY: Fairfield County, CT	6.25 - 7.00	◄	7.00 - 8.25	◄	7.50 - 9.50	◄	8.00 - 9.00	◄	9.00 - 11.00	◄
	NY: N. New Jersey	6.25 - 7.00	◄	7.50 - 8.25	◄	7.50 - 9.50	◄	8.00 - 9.00	◄	9.00 - 11.00	◄
	S. CA: Inland Empire	6.50 - 7.25	▲	8.00 - 9.00	◄	8.50 - 10.00	▲	9.00 - 11.00	◄	10.00 - 12.00	◄
	S. CA: Los Angeles	5.75 - 6.75	▲	7.50 - 8.50	◄	8.00 - 9.00	▲	8.75 - 10.00	◄	9.00 - 12.00	▲
	S. CA: Orange County	5.75 - 6.75	▲	7.50 - 8.50	◄	8.00 - 9.00	▲	8.75 - 10.00	◄	9.00 - 11.00	◄
	S. FL: Ft. Lauderdale	6.50 - 7.25	▲	7.25 - 8.25	▲	8.75 - 11.25	▲	8.25 - 10.25	▲	8.50 - 11.00	▲
	S. FL: Miami	6.50 - 7.25	▲	7.25 - 8.25	▲	8.75 - 11.25	▲	8.25 - 10.25	▲	8.50 - 11.00	▲
	S. FL: West Palm Beach	6.50 - 7.25	▲	7.25 - 8.25	▲	8.75 - 11.25	▲	8.25 - 10.25	◄	8.50 - 11.00	◄
San Diego	5.50 - 5.75	◄	7.00 - 7.75	▼	9.50 - 10.00	◄	8.75 - 10.00	◄	9.00 - 11.00	◄	
Washington, D.C.	6.25 - 7.50	▲	7.50 - 9.00	◄	9.50 - 11.50	◄	10.00 - 12.00	◄	13.00 - 15.00	◄	

<sup>1</sup>Compared with end of H1 2018. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps. Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

Retail Class A, return on cost for value add was not reported for this survey due to the limited properties represented by this category.

		CLASS A			CLASS B			CLASS C			
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>
TIER II	Baltimore	7.00 - 8.00	◄	8.00 - 10.00	▲	10.00 - 12.00	◄	10.00 - 12.00	◄	13.00 - 15.00	◄
	Dallas/Ft. Worth	6.75 - 7.75	▲	7.25 - 9.00	▲	7.75 - 9.25	◄	9.00 - 10.25	▲	9.25 - 11.50	◄
	Denver	6.50 - 7.00	◄	8.50 - 9.00	◄	9.00 - 10.00	◄	10.00 - 11.00	◄	10.00 - 11.00	◄
	Houston	6.50 - 7.50	◄	7.50 - 8.50	▲	—	—	8.50 - 10.00	▲	—	—
	Las Vegas	7.25 - 8.00	◄	7.75 - 9.00	◄	8.00 - 9.00	◄	8.50 - 9.50	◄	9.00 - 11.00	◄
	Nashville	6.50 - 7.50	◄	8.50 - 9.50	▲	9.00 - 10.00	▲	9.00 - 10.00	▲	9.00 - 11.00	▲
	Orlando	7.00 - 8.00	◄	7.75 - 9.00	◄	8.25 - 10.00	▲	8.75 - 10.00	▲	9.50 - 11.00	▲
	Philadelphia	6.50 - 7.50	◄	8.50 - 9.25	▲	9.25 - 11.00	◄	10.00 - 11.00	▲	—	—
	Phoenix	7.25 - 7.75	▲	7.75 - 8.75	▲	7.75 - 9.75	▲	9.00 - 10.00	▲	9.00 - 11.00	◄
	Portland	6.25 - 7.00	▲	7.00 - 8.25	▲	7.25 - 9.25	▲	8.25 - 9.25	▲	9.00 - 11.00	▲
	Sacramento	5.50 - 6.25	◄	6.25 - 7.00	◄	8.00 - 9.00	◄	7.00 - 8.00	◄	8.50 - 10.00	◄
Seattle	5.50 - 6.00	◄	6.25 - 8.00	▲	7.25 - 9.00	▲	7.50 - 9.50	▲	7.75 - 10.25	▲	
Tampa	7.00 - 8.00	◄	7.75 - 9.00	◄	8.25 - 10.00	▲	8.75 - 10.00	◄	9.50 - 11.50	▲	

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

U.S. RETAIL POWER | FIGURE 37: KEY RATES CONT.

		CLASS A		CLASS B		CLASS C					
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Albuquerque	8.00 - 8.50	▲	8.50 - 9.25	▲	8.75 - 9.50	◄	9.50 - 10.00	▲	9.50 - 10.50	◄
	Atlanta	7.25 - 8.00	▲	8.00 - 9.25	▲	8.50 - 9.50	▲	9.25 - 12.00	▲	9.50 - 12.00	▲
	Charlotte	7.50 - 8.25	◄	8.25 - 9.00	◄	8.50 - 9.50	◄	9.00 - 10.00	◄	9.50 - 11.00	◄
	Cincinnati	7.75 - 8.50	◄	8.75 - 9.50	◄	9.75 - 12.00	◄	10.75 - 11.75	◄	11.75 - 13.25	◄
	Cleveland	8.25 - 9.00	◄	9.25 - 10.00	◄	10.25 - 11.50	◄	11.50 - 13.00	◄	12.50 - 14.50	◄
	Columbus	7.50 - 8.50	◄	8.75 - 9.50	◄	9.75 - 12.00	◄	10.75 - 11.75	◄	11.75 - 13.25	◄
	Detroit	8.00 - 9.00	◄	8.75 - 10.00	◄	9.25 - 10.25	▲	9.50 - 10.50	◄	9.75 - 11.75	▲
	Honolulu	4.00 - 6.25	◄	4.50 - 7.25	◄	5.00 - 7.00	◄	5.50 - 6.50	◄	6.50 - 8.50	◄
	Indianapolis	7.75 - 8.50	◄	8.75 - 9.50	◄	9.75 - 12.00	◄	10.75 - 11.75	◄	11.75 - 13.25	◄
	Jacksonville	7.00 - 8.00	◄	7.75 - 9.00	◄	8.25 - 10.00	▲	8.75 - 10.00	▲	9.50 - 11.50	▲
	Kansas City	7.75 - 8.50	◄	8.75 - 9.50	◄	9.75 - 12.00	◄	10.75 - 11.75	◄	11.75 - 13.25	◄
	Memphis	7.00 - 7.50	▼	8.25 - 9.25	◄	8.75 - 10.25	◄	9.25 - 10.25	◄	10.00 - 12.00	◄
	Minneapolis/St. Paul	6.75 - 7.50	◄	8.25 - 9.00	◄	9.25 - 10.50	◄	10.25 - 11.25	◄	11.25 - 12.75	◄
	Pittsburgh	7.25 - 8.25	▲	7.75 - 9.25	▲	9.00 - 10.75	▲	8.75 - 9.75	▲	10.25 - 12.25	▲
	Salt Lake City	6.25 - 7.25	▼	7.00 - 8.00	▼	8.00 - 9.00	◄	7.25 - 8.25	▼	8.25 - 9.25	▲
	San Antonio	7.00 - 8.25	▲	7.75 - 9.25	▲	8.75 - 9.50	▲	8.75 - 10.00	▲	8.50 - 10.25	◄
St. Louis	7.75 - 8.50	◄	8.75 - 9.50	◄	9.75 - 12.00	◄	10.75 - 11.75	◄	11.75 - 13.25	◄	

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable. Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong. Retail Class A, return on cost for value add was not reported for this survey due to the limited properties represented by this category.

U.S. RETAIL POWER | FIGURE 38: FORECAST TRENDS - SIX MONTH OUTLOOK

		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	
TIER I	Austin						
	Boston						
	Chicago						
	N. CA: Oakland						
	N. CA: San Francisco						
	N. CA: San Jose						
	NY: Fairfield County, CT						
	NY: N. New Jersey						
	S. CA: Inland Empire						
	S. CA: Los Angeles						
	S. CA: Orange County						
	S. FL: Ft. Lauderdale						
	S. FL: Miami						
	S. FL: West Palm Beach						
San Diego							
Washington, D.C.							
		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	
TIER II	Baltimore						
	Dallas/Ft. Worth						
	Denver						
	Houston						
	Las Vegas						
	Nashville						
	Orlando						
	Philadelphia						
	Phoenix						
	Portland						
	Sacramento						
	Seattle						
	Tampa						

■ INCREASE  
■ DECREASE  
■ STABLE  
 — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.

Source: CBRE Research, Q4 2018.  
 Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. RETAIL POWER | FIGURE 38: FORECAST TRENDS - SIX MONTH OUTLOOK CONT.

		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
TIER III	Albuquerque	INCREASE		INCREASE		INCREASE	
	Atlanta	STABLE		DECREASE		DECREASE	
	Charlotte	STABLE		STABLE		STABLE	
	Cincinnati	STABLE		STABLE		STABLE	
	Cleveland	STABLE		STABLE		STABLE	
	Columbus	STABLE		STABLE		STABLE	
	Detroit	INCREASE		INCREASE		INCREASE	
	Honolulu	INCREASE		INCREASE		INCREASE	
	Indianapolis	STABLE		STABLE		STABLE	
	Jacksonville	INCREASE		INCREASE		INCREASE	
	Kansas City	STABLE		STABLE		STABLE	
	Memphis	STABLE		STABLE		STABLE	
	Minneapolis/St. Paul	STABLE		STABLE		STABLE	
	Pittsburgh	INCREASE		INCREASE		INCREASE	
	Salt Lake City	INCREASE		INCREASE		INCREASE	
	San Antonio	STABLE		DECREASE		DECREASE	
	St. Louis	STABLE		STABLE		STABLE	

■ INCREASE   
 ■ DECREASE   
 ■ STABLE   
 — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong. Retail Class A, returns on cost for value add were not reported for this survey due to the limited properties represented by this category.

U.S. RETAIL HIGH STREET | FIGURE 39: KEY RATES

CLASS A

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER I	Boston	4.00 - 5.00	◄◄
	Chicago	5.00 - 6.00	◄◄
	N. CA: San Francisco	3.00 - 5.00	◄◄
	NY: New York City	5.00 - 5.50	▲
	S. CA: Los Angeles	3.25 - 5.00	◄◄
	S. FL: Miami	4.50 - 5.50	◄◄
	Washington, D.C.	4.50 - 5.50	◄◄

CLASS A

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER II	Las Vegas <sup>2</sup>	4.75 - 5.25	◄◄
	Philadelphia	4.75 - 5.25	▲
	Seattle	4.50 - 5.50	◄◄

▲ INCREASE    ▼ DECREASE    ◄◄ STABLE    — N/A

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable.

<sup>2</sup>For the purposes of high-street retail, Las Vegas is considered a Tier II market.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

**U.S. RETAIL HIGH STREET | FIGURE 40: FORECAST TRENDS**

		CLASS A	
		CAP RATES FOR STABILIZED PROPERTIES	
<b>TIER I</b>	Boston		
	Chicago		
	S. CA: Los Angeles		
	S. FL: Miami		
	NY: New York City		
	N. CA: San Francisco		
	Washington, D.C.		

		CLASS A	
		CAP RATES FOR STABILIZED PROPERTIES	
<b>TIER II</b>	Las Vegas <sup>1</sup>		
	Philadelphia		
	Seattle		

INCREASE
  DECREASE
  STABLE
 — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.

<sup>1</sup>For the purposes of high-street retail, Las Vegas is considered a Tier II market.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

**U.S. MULTIFAMILY | OVERVIEW**

**INFILL**

Infill cap rates remained at historically low levels, confirming firm pricing trends, sustained investor interest in the multifamily sector and investors’ willingness to buy assets at low cap rates. The average for all classes and market tiers was 5.26% in H2 2018—the lowest among all commercial real estate sectors.

The average cap rate for stabilized infill multifamily assets edged up 4 bps in H2. While this upward movement was relatively insignificant, it was only the second time in the Cap Rate Survey’s history since 2009 that the infill multifamily cap rate widened.

Larger cap rate increases occurred for Class A and B assets in Tier I markets. Even with Tier I’s 7-bp rise in Class A to 4.45% and Class B’s 6-bp increase to 4.91%, cap rates are still very low on a historical basis.

The spread between Class A and Class B remained tight at 49 bps, essentially unchanged for the past two years. The spread between Tier I and Tier II markets compressed to 29 bps in H2, the lowest level since the Cap Rate Survey began. Investor interest has been sustained by the high-growth dynamics of most Tier II markets.

As in previous surveys, San Francisco and San Jose had the nation’s lowest cap rates for stabilized Class A assets—both stable at 4.0%. The survey also found sub-5% cap rates for Class A infill assets in most other California markets (Los Angeles, Orange County, Oakland and San Diego), as well as Boston, Miami and Northern New Jersey.

Of the 52 multifamily markets surveyed, more than one-quarter had average cap rates for Class B infill assets under 5%. San Jose and San Francisco had the lowest rates (4.25%), followed by Oakland and Orange County. Ten other markets with sub-5% cap rates were Austin, Boston, Ft. Lauderdale, Los Angeles, Miami, Northern New Jersey, Phoenix, Portland, San Diego and Seattle. Markets with the highest Class B cap rates were Detroit, Pittsburgh and Cleveland.

The expected average return on cost for multifamily infill value-add acquisitions remained low at 6.00%. The average edged up 5 bps from H1 2018, but this change was not particularly significant. The rate has been surprisingly steady for several years, ranging between 5.85% and 6.06% since H2 2011. In H2 2018, the differences in the return on cost rate movement from H1 by class and tier groupings were very small.

Most survey respondents anticipate infill multifamily cap rates and expected returns on cost to remain stable in H1 2019 (55% and 57% for the two categories). A significant portion of respondents expect modest widening: 41% for stabilized asset cap rates and 37% for value-add returns on costs. Both figures are up substantially from the prior survey.

**FIGURE 41: U.S. MULTIFAMILY INFILL - CAP RATES FOR STABILIZED PROPERTIES**

METRO TIER	CLASS	H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)
ALL	ALL	5.26	5.21	4
	A	4.70	4.65	4
	B	5.19	5.13	5
I	C	5.91	5.88	3
	A	4.45	4.38	7
	B	4.91	4.84	6
II	C	5.52	5.48	4
	A	4.70	4.70	0
	B	5.22	5.19	4
III	C	5.78	5.76	1
	A	5.52	5.52	0
	B	6.05	6.04	0
	C	7.40	7.40	-1

Source: CBRE Research, Q4 2018.  
Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

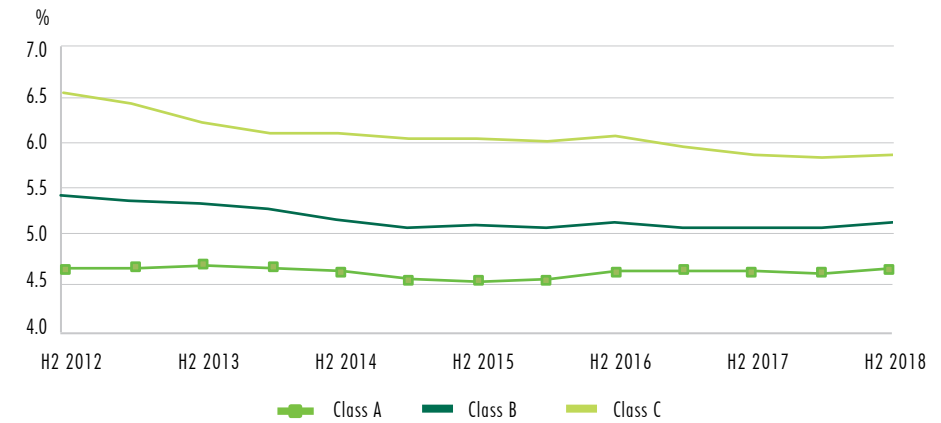


U.S. MULTIFAMILY | OVERVIEW CONT.

FIGURE 42: U.S. MULTIFAMILY INFILL - CLASS A CAP RATES, H2 2018 - TIER I & II METROS

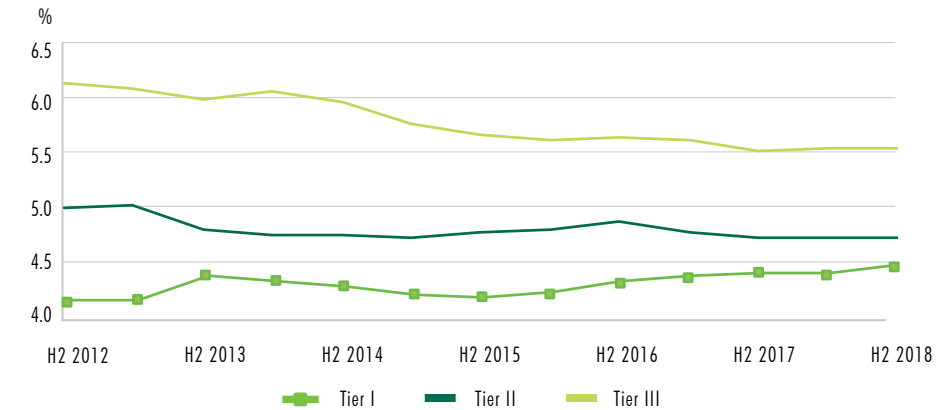


FIGURE 43: U.S. MULTIFAMILY INFILL - HISTORICAL CAP RATES BY CLASS



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

FIGURE 44: U.S. MULTIFAMILY INFILL - HISTORICAL CLASS A CAP RATES BY TIER



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Notes: data is subject to historical revisions. 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.

U.S. MULTIFAMILY | OVERVIEW CONT.

SUBURBAN

Suburban multifamily pricing was stable in H2. The average cap rate for suburban assets was 5.56%, only marginally higher (3 bps) than H1’s 5.53%—the lowest level in survey history. The cap rate spread between Tier I and Tier II maintained a very low level of only 25 bps, the lowest in survey history.

The Tier I and Tier II cap rate averages of 5.27% and 5.52% were each up 2 bps in H2. The Tier III average was unchanged at 6.28%. There remains a clear yield advantage for Tier III markets given the higher cap rate.

The cap rate spread between Class A and Class B markets narrowed to 42 bps, the lowest level in survey history. The spread had ranged between the high 40s and mid 50s since 2014.

Cap-rate changes by class were quite small, but confirm investor preferences and buying activity. The average Class A cap rate rose 7 bps to 5.02%; Class B edged up 3 bps to 5.44% and Class C fell by 2 bps to 6.22%. The Tier I Class A average moved up 9 bps to 4.75%. Tier III Class C cap rates fell the most in H2 (6 bps) to 7.15%.

San Jose and San Francisco had the lowest suburban cap rates for stabilized Class A assets, followed by Los Angeles and Orange County—consistent with previous surveys.

For Class B assets, the markets with the lowest average cap rates were San Jose and San Francisco (4.5%). Miami, Ft. Lauderdale, Orange County and San Diego had the next lowest rates (4.75%). Class B assets traded around 5% in Austin, Los Angeles, Phoenix and Sacramento. Cleveland, Detroit, Milwaukee and Pittsburgh had the highest Class B cap rates—all at 6.5% or more.

Houston’s average Class B cap rate fell 50 bps in H2, and six markets—Ft. Lauderdale, Miami, Northern New Jersey, Portland, Cincinnati and Richmond—had smaller decreases.

FIGURE 45: U.S. MULTIFAMILY SUBURBAN - CAP RATES FOR STABILIZED PROPERTIES

METRO TIER	CLASS	H2 2018(%)	H1 2018 (%)	CHANGE (BPS)
ALL	ALL	5.56	5.53	3
	A	5.02	4.94	7
	B	5.44	5.41	3
	C	6.22	6.24	-2
I	A	4.75	4.66	9
	B	5.17	5.15	3
	C	5.89	5.95	-5
II	A	5.02	4.97	5
	B	5.41	5.42	0
	C	6.12	6.11	1
III	A	5.61	5.59	2
	B	6.09	6.06	3
	C	7.15	7.21	-6

Source: CBRE Research, Q4 2018.  
Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

Investors’ strong appetite for suburban value-add assets and a willingness to accept lower returns to stay competitive in the marketplace are reflected in low expected returns on cost for value-add acquisitions. The average return was 6.3% for all classes in H2. For Class A assets, the return was 5.69%.

During the early years of both the market recovery and CBRE’s Cap Rate Survey, expected returns on cost fell steadily. Since H1 2014, however, the returns have stayed within a tight range of 6.23% to 6.42%.

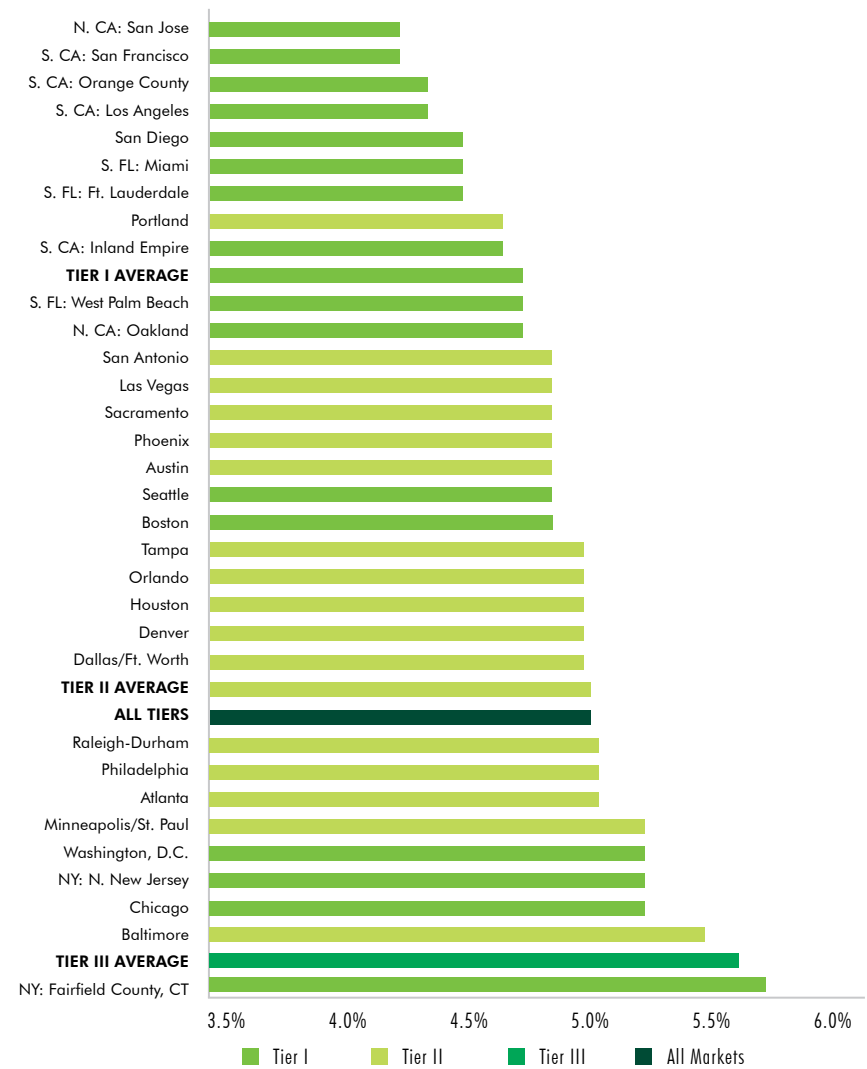
Variations in the H2 2018 changes in returns on cost by tier grouping and class were minimal. Class A had a 5-bp increase to 5.69% compared with Class C’s 1-bp increase to 7.04%. There was even less difference in return on cost movement by tier grouping.

**U.S. MULTIFAMILY | OVERVIEW CONT.**

Suburban stabilized multifamily pricing is expected to remain stable in H1 2019 by about half (52%) of survey respondents (down from 77% in H2 2018). Another 41% expect modest widening (1 to 25 bps) in H1 2019.

For suburban value-add acquisitions, pricing also should remain stable in H1 2019. For all classes and tiers, 56% of respondents expect stable returns on cost. A significant minority of respondents (36%) expect modest widening.

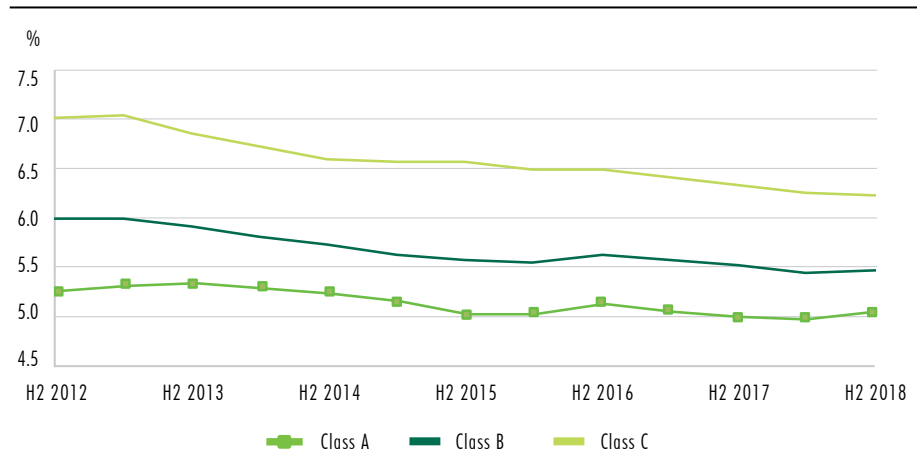
**FIGURE 46: U.S. MULTIFAMILY SUBURBAN - CLASS A CAP RATES, H2 2018 - TIER I & II METROS**



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Notes: data is subject to historical revisions. 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.

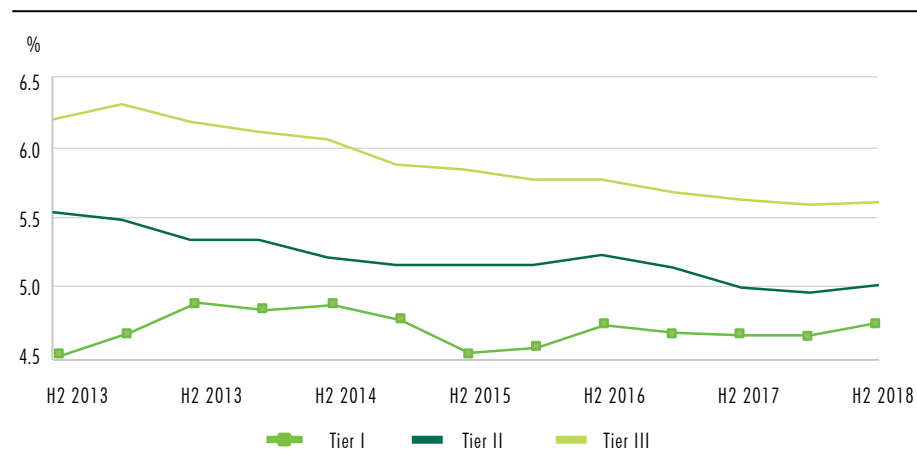
U.S. MULTIFAMILY | OVERVIEW CONT.

FIGURE 47: U.S. MULTIFAMILY SUBURBAN - HISTORICAL CAP RATES BY CLASS



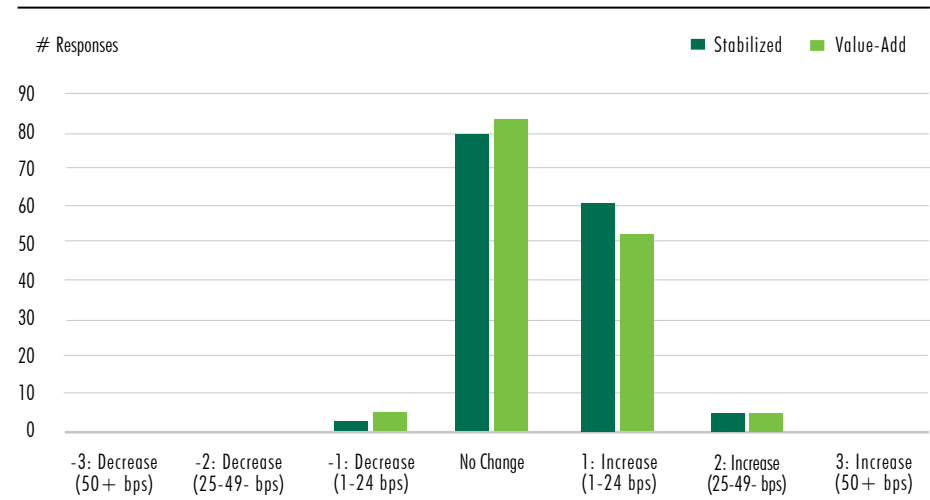
Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

FIGURE 48: U.S. MULTIFAMILY SUBURBAN - HISTORICAL CLASS A CAP RATES BY TIER



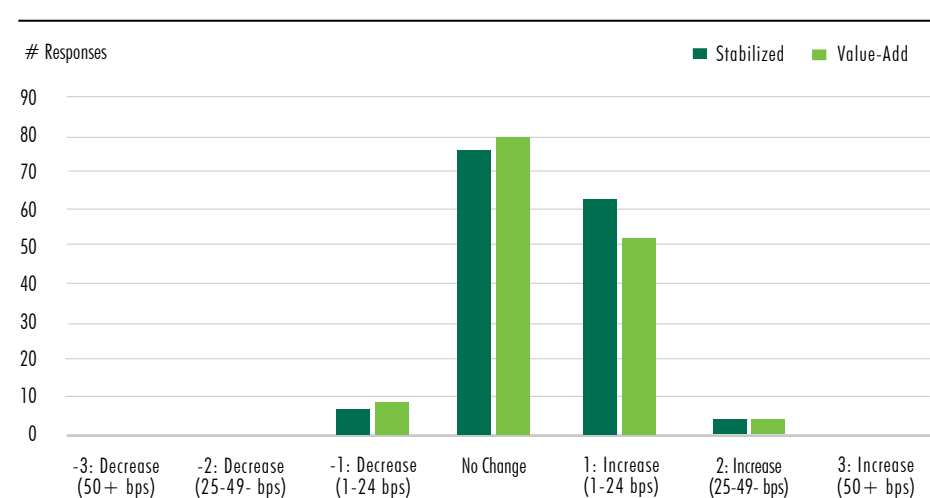
Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions

FIGURE 49: U.S. MULTIFAMILY INFILL RATE TRENDS - SIX MONTH OUTLOOK



Source: CBRE Research, Q4 2018.

FIGURE 50: U.S. MULTIFAMILY SUBURBAN RATE TRENDS - SIX MONTH OUTLOOK



Source: CBRE Research, Q4 2018.

U.S. MULTIFAMILY INFILL | FIGURE 51: KEY RATES

		CLASS A				CLASS B				CLASS C			
TIER I		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE <sup>1</sup>
		Boston	3.75 - 4.75	◄	5.00 - 5.75	◄	4.50 - 5.00	◄	5.75 - 6.25	◄	—		6.25 - 6.75
	Chicago	4.50 - 5.00	◄	5.00 - 5.50	▲	5.00 - 5.25	▲	5.25 - 6.00	◄	5.50 - 6.25	◄	6.25 - 7.25	◄
	N. CA: Oakland	4.25 - 4.75	▲	4.25 - 4.75	▲	4.50 - 4.75	◄	4.50 - 4.75	◄	4.75 - 5.25	◄	4.75 - 5.25	◄
	N. CA: San Francisco	3.75 - 4.25	◄	3.75 - 4.25	◄	4.00 - 4.50	◄	4.00 - 4.50	◄	4.25 - 4.75	◄	4.25 - 4.75	◄
	N. CA: San Jose	3.75 - 4.25	◄	3.75 - 4.25	◄	4.00 - 4.50	◄	4.00 - 4.50	▲	4.25 - 4.75	◄	4.25 - 4.75	◄
	NY: Fairfield County, CT	4.75 - 5.25	◄	5.75 - 6.25	◄	5.75 - 6.25	◄	6.25 - 6.75	◄	—		—	
	NY: N. New Jersey	4.00 - 4.50	◄	5.00 - 5.50	◄	4.50 - 5.00	◄	5.50 - 6.00	◄	5.50 - 6.00	◄	—	
	NY: New York City	4.25 - 5.00	◄	5.00 - 5.50	◄	4.50 - 5.50	◄	5.25 - 6.00	◄	4.75 - 5.75	◄	5.50 - 6.25	◄
	S. CA: Inland Empire	4.50 - 4.75	▲	5.00 - 5.25	▲	5.50 - 5.75	▲	5.50 - 5.75	▲	5.75 - 6.00	▲	6.00 - 6.25	▲
	S. CA: Los Angeles	4.00 - 4.50	◄	4.25 - 5.00	◄	4.25 - 5.25	◄	4.75 - 5.75	◄	5.00 - 6.50	◄	5.50 - 7.25	◄
	S. CA: Orange County	4.00 - 4.50	◄	5.25 - 6.75	◄	4.25 - 5.00	◄	6.00 - 7.25	◄	4.75 - 5.25	◄	6.75 - 7.75	◄
	S. FL: Ft. Lauderdale	4.25 - 4.75	◄	5.50 - 5.75	◄	4.50 - 5.00	◄	5.75 - 6.00	◄	5.50 - 6.00	◄	6.75 - 7.00	◄
	S. FL: Miami	4.00 - 4.50	◄	5.25 - 5.50	◄	4.50 - 5.00	◄	5.75 - 6.00	◄	5.50 - 6.00	◄	6.75 - 7.00	◄
	S. FL: West Palm Beach	4.25 - 4.75	◄	5.50 - 6.00	◄	4.75 - 5.25	◄	6.00 - 6.25	◄	5.50 - 6.00	◄	6.75 - 7.25	◄
	San Diego	4.00 - 4.50	◄	4.25 - 4.75	◄	4.50 - 5.25	▲	5.00 - 5.50	▲	4.75 - 5.25	◄	5.50 - 6.00	◄
	Seattle	4.25 - 4.75	◄	4.50 - 5.00	◄	4.75 - 5.00	◄	5.00 - 5.50	◄	5.50 - 6.00	◄	5.50 - 6.25	◄
	Washington, D.C.	4.25 - 4.75	▲	5.25 - 5.75	▲	5.00 - 5.50	◄	5.50 - 6.00	◄	6.00 - 6.75	◄	7.25 - 8.00	◄

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. MULTIFAMILY INFILL | FIGURE 51: KEY RATES CONT.

	CLASS A					CLASS B					CLASS C							
	CAP RATES FOR STABILIZED PROPERTIES (%)		EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)		CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)		EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)		CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)		EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)		CHANGE <sup>1</sup>			
	MIN	MAX	MIN	MAX		MIN	MAX	MIN	MAX		MIN	MAX	MIN	MAX				
TIER II	Atlanta	4.25	5.00	5.50	6.25	◄	5.00	5.50	◄	6.25	6.75	▲	5.75	6.50	◄	6.50	7.25	◄
	Austin	4.25	4.75	4.00	4.75	◄	4.50	5.00	◄	4.50	5.00	◄	5.00	5.50	◄	4.75	5.50	◄
	Baltimore	4.50	5.00	5.25	5.75	◄	5.25	5.75	◄	6.25	6.75	◄	6.25	6.75	◄	7.25	8.00	◄
	Dallas/Ft. Worth	4.50	5.00	5.00	5.50	◄	5.00	6.00	◄	6.00	7.00	◄	5.75	6.25	◄	6.75	7.25	◄
	Denver	4.25	5.00	6.00	6.50	◄	5.00	5.50	▲	6.50	7.00	◄	5.25	5.75	▲	7.00	7.50	◄
	Houston	4.25	4.75	5.00	5.50	▼	5.00	5.50	◄	5.50	6.00	◄	5.75	6.25	◄	6.50	7.00	◄
	Minneapolis/St. Paul	4.50	5.00	5.00	5.50	◄	5.00	5.25	◄	5.50	6.00	▲	5.00	5.50	◄	5.75	6.25	◄
	Orlando	4.50	5.25	—	—	◄	4.75	5.25	◄	5.50	6.00	◄	5.50	6.00	◄	6.25	7.25	◄
	Philadelphia	4.75	5.25	6.00	7.00	◄	5.50	6.00	◄	7.00	7.75	◄	6.25	6.75	◄	7.50	8.00	◄
	Phoenix	4.50	5.00	5.50	6.00	◄	4.50	5.25	◄	5.50	6.50	◄	5.00	5.50	◄	6.00	7.00	◄
	Portland	4.50	4.75	4.75	5.00	▲	4.75	5.00	◄	5.00	5.25	◄	4.75	5.00	◄	5.00	5.25	▼
	Raleigh-Durham	4.25	5.00	5.25	5.75	◄	5.00	5.75	◄	6.00	6.50	◄	5.50	6.00	◄	6.00	6.50	◄
	Sacramento	4.50	5.00	5.00	6.00	◄	4.75	5.25	◄	5.50	6.50	▲	5.00	5.75	◄	5.50	6.50	◄
	San Antonio	4.50	5.25	4.50	5.25	◄	4.75	5.50	◄	4.75	5.50	◄	5.25	5.75	◄	5.25	5.75	◄
Tampa	4.50	5.00	5.00	5.50	◄	4.75	5.25	◄	5.50	6.00	◄	5.50	6.00	◄	6.25	7.25	◄	

▲ INCREASE  
▼ DECREASE  
◄ STABLE  
— N/A

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable. Source: CBRE Research, Q4 2018. Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

	CLASS A					CLASS B					CLASS C							
	CAP RATES FOR STABILIZED PROPERTIES (%)		EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)		CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)		EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)		CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)		EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)		CHANGE <sup>1</sup>			
	MIN	MAX	MIN	MAX		MIN	MAX	MIN	MAX		MIN	MAX	MIN	MAX				
TIER III	Albuquerque	5.25	5.50	6.00	6.50	◄	5.50	6.00	◄	6.50	7.00	◄	6.75	7.25	◄	7.75	8.75	◄
	Charlotte	4.50	5.00	4.75	5.25	▼	5.00	5.50	◄	4.75	5.25	▼	5.75	6.25	▲	5.75	6.25	▲
	Cincinnati	5.25	5.75	6.00	7.50	◄	5.25	5.75	▼	6.50	7.50	◄	6.50	7.50	◄	7.00	8.50	◄
	Cleveland	5.50	6.25	7.00	8.00	◄	6.00	7.00	◄	8.50	8.75	◄	8.00	9.00	◄	9.00	11.00	◄
	Columbus	5.25	5.75	5.75	6.25	▲	5.75	6.00	◄	6.50	7.75	▲	7.00	9.00	◄	8.00	8.50	▼
	Detroit	6.25	7.25	7.00	8.00	◄	6.75	7.75	◄	7.75	8.50	◄	9.00	10.50	◄	9.50	11.00	◄
	Honolulu	4.00	5.00	—	—	◄	3.00	6.00	▼	—	—	◄	4.50	5.00	▼	—	—	◄
	Indianapolis	5.25	5.50	6.50	6.75	▲	5.75	6.00	▲	6.50	6.75	◄	6.25	7.00	◄	7.25	10.00	◄
	Jacksonville	4.75	5.25	5.50	6.25	◄	5.25	6.25	▼	6.00	7.00	◄	6.00	6.50	▼	7.00	7.50	◄
	Kansas City	4.75	5.25	5.25	5.75	◄	5.25	5.75	▲	5.75	6.25	▲	5.75	6.25	▲	6.50	7.00	▲
	Memphis	5.25	5.75	5.50	6.00	▲	6.00	6.50	◄	6.25	6.75	▲	6.75	7.25	◄	7.00	7.50	▲
	Milwaukee	5.00	5.75	5.50	6.25	◄	5.75	6.50	◄	6.25	7.00	◄	7.00	8.00	◄	7.50	8.50	◄
	Nashville	4.50	5.00	4.25	5.75	▼	5.00	5.50	◄	5.25	5.75	◄	5.75	6.25	◄	6.00	6.50	◄
	Oklahoma City	5.50	5.75	7.75	8.25	◄	6.00	6.75	◄	8.00	8.75	▼	7.50	8.50	◄	8.50	9.50	◄
	Pittsburgh	5.50	6.50	6.50	7.00	◄	6.50	7.00	◄	7.00	7.50	◄	7.50	8.00	◄	8.50	9.00	◄
	Richmond	5.50	6.00	6.00	7.00	◄	5.50	6.00	◄	7.00	8.00	◄	6.50	7.50	▼	9.00	10.00	▲
	Salt Lake City	4.50	5.00	5.25	5.50	◄	5.25	5.50	◄	5.75	6.00	◄	5.75	6.25	▼	6.50	7.00	▼
St. Louis	5.50	5.75	—	—	◄	6.00	6.75	◄	—	—	◄	7.50	8.50	◄	—	—	◄	

U.S. MULTIFAMILY INFILL | FIGURE 52: FORECAST TRENDS - SIX MONTH OUTLOOK

		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	Boston						
	Chicago	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	N. CA: Oakland						
	N. CA: San Francisco						
	N. CA: San Jose						
	NY: Fairfield County, CT					—	—
	NY: N. New Jersey						—
	NY: New York City						
	S. CA: Inland Empire						
	S. CA: Los Angeles						
	S. CA: Orange County						
	S. FL: Ft. Lauderdale						
	S. FL: Miami						
	S. FL: West Palm Beach						
	San Diego			INCREASE	INCREASE	INCREASE	INCREASE
	Seattle		DECREASE		DECREASE	INCREASE	
	Washington, D.C.						

■ INCREASE
 ■ DECREASE
 ■ STABLE
 — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019. Source: CBRE Research, Q4 2018. Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

**U.S. MULTIFAMILY INFILL | FIGURE 52: FORECAST TRENDS - SIX MONTH OUTLOOK 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
<b>TIER II</b>	Atlanta	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	Austin	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	Baltimore	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	Dallas/Ft. Worth	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	Denver	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	Houston	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	Minneapolis/St. Paul	INCREASE	STABLE	STABLE	STABLE	STABLE	STABLE
	Orlando	STABLE	—	STABLE	STABLE	STABLE	STABLE
	Philadelphia	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	Phoenix	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	Portland	STABLE	STABLE	INCREASE	INCREASE	INCREASE	INCREASE
	Raleigh-Durham	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	Sacramento	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	San Antonio	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	Tampa	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE

INCREASE
DECREASE
STABLE
— N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.



U.S. MULTIFAMILY INFILL | FIGURE 52: FORECAST TRENDS - SIX MONTH OUTLOOK 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
	Charlotte	Stable	Stable	Stable	Stable	Stable	Stable
	Cincinnati	Increase	Stable	Increase	Stable	Increase	Stable
	Cleveland	Stable	Stable	Stable	Stable	Stable	Stable
	Columbus	Stable	Increase	Decrease	Decrease	Decrease	Decrease
	Detroit	Increase	Increase	Increase	Increase	Increase	Increase
	Honolulu	Stable	Stable	Stable	Stable	Stable	Stable
	Indianapolis	Stable	Stable	Increase	Increase	Increase	Increase
	Jacksonville	Increase	Increase	Increase	Increase	Increase	Increase
	Kansas City	Stable	Stable	Stable	Stable	Stable	Stable
	Memphis	Stable	Stable	Stable	Stable	Stable	Stable
	Milwaukee	Stable	Stable	Increase	Increase	Increase	Increase
	Nashville	Stable	Stable	Stable	Stable	Stable	Stable
	Oklahoma City	Increase	Increase	Increase	Increase	Increase	Increase
	Pittsburgh	Stable	Stable	Stable	Stable	Stable	Stable
	Richmond	Increase	Increase	Increase	Increase	Increase	Increase
	Salt Lake City	Increase	Increase	Increase	Increase	Increase	Increase
San Antonio	Increase	Increase	Increase	Increase	Increase	Increase	
St. Louis	Stable	N/A	Stable	N/A	Stable	N/A	

■ INCREASE
 ■ DECREASE
 ■ STABLE
 — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. MULTIFAMILY SUBURBAN | FIGURE 53: KEY RATES

	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 (%)		
		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>	
TIER I	Boston	4.50 - 5.25	◄	5.75 - 6.25	◄	5.00 - 6.00	◄	6.50 - 7.00	◄	6.00 - 6.75	◄	7.00 - 7.50	◄
	Chicago	5.00 - 5.50	◄	5.75 - 6.25	◄	5.50 - 5.75	◄	6.50 - 7.00	◄	6.00 - 6.75	◄	7.25 - 7.75	◄
	N. CA: Oakland	4.50 - 5.00	◄	4.75 - 5.25	◄	5.00 - 5.50	◄	5.00 - 5.50	◄	5.25 - 5.75	◄	5.25 - 5.75	◄
	N. CA: San Francisco	4.00 - 4.50	◄	4.25 - 4.75	◄	4.25 - 4.75	◄	4.50 - 5.00	◄	5.00 - 5.50	◄	4.75 - 5.25	◄
	N. CA: San Jose	4.00 - 4.50	▲	4.00 - 4.75	▲	4.25 - 4.75	▲	4.25 - 4.75	◄	4.25 - 5.00	◄	4.25 - 5.25	◄
	NY: Fairfield County, CT	5.50 - 6.00	◄	6.00 - 6.50	◄	6.00 - 6.50	◄	6.50 - 7.00	◄	—		—	
	NY: N. New Jersey	5.00 - 5.50	◄	5.75 - 6.25	◄	5.25 - 5.75	▼	6.25 - 6.75	▼	5.75 - 6.50	▼	—	
	S. CA: Inland Empire	4.50 - 4.75	▲	5.00 - 5.25	▲	5.50 - 5.75	▲	5.50 - 5.75	▲	5.75 - 6.00	▲	6.00 - 6.25	▲
	S. CA: Los Angeles	4.00 - 4.75	◄	4.50 - 5.25	◄	4.50 - 5.50	◄	5.00 - 6.00	◄	5.25 - 6.75	◄	5.75 - 7.25	◄
	S. CA: Orange County	4.00 - 4.75	◄	5.25 - 6.75	◄	4.25 - 5.25	◄	6.00 - 7.50	◄	4.75 - 5.25	◄	6.75 - 8.00	◄
	S. FL: Ft. Lauderdale	4.25 - 4.75	◄	5.50 - 5.75	◄	4.50 - 5.00	◄	5.75 - 6.00	▼	5.25 - 5.75	▼	6.50 - 6.75	▼
	S. FL: Miami	4.25 - 4.75	◄	5.50 - 5.75	◄	4.50 - 5.00	◄	5.75 - 6.00	▼	5.25 - 5.75	▼	6.50 - 6.75	▼
	S. FL: West Palm Beach	4.50 - 5.00	◄	5.50 - 6.00	◄	4.75 - 5.50	◄	5.50 - 6.50	◄	5.50 - 6.00	▼	6.75 - 7.00	▼
	San Diego	4.25 - 4.75	◄	4.50 - 4.75	◄	4.50 - 5.00	◄	5.00 - 5.50	◄	5.25 - 5.75	▲	5.75 - 6.25	▲
Seattle	4.75 - 5.00	◄	4.75 - 5.25	◄	5.00 - 5.25	◄	5.00 - 5.50	▼	5.50 - 6.00	▼	5.50 - 6.25	▼	
Washington, D.C.	5.00 - 5.50	▲	5.25 - 6.00	▲	5.25 - 5.75	◄	5.75 - 6.25	◄	6.00 - 6.75	◄	6.75 - 7.50	◄	

▲ INCREASE  
▼ DECREASE  
◄ STABLE  
— N/A

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable. Source: CBRE Research, Q4 2018. Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

	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 (%)		
		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>	
TIER II	Atlanta	4.75 - 5.50	◄	6.00 - 6.75	◄	5.00 - 5.75	◄	6.00 - 6.75	◄	6.00 - 6.50	◄	6.50 - 7.25	◄
	Austin	4.50 - 5.25	◄	4.25 - 5.00	◄	4.75 - 5.25	◄	4.50 - 5.25	◄	5.00 - 5.75	◄	4.75 - 5.50	◄
	Baltimore	5.25 - 5.75	▲	5.50 - 6.00	▲	5.50 - 5.75	◄	6.25 - 6.75	◄	6.25 - 6.75	▲	7.25 - 8.00	◄
	Dallas/Ft. Worth	4.75 - 5.25	◄	5.50 - 6.00	◄	5.50 - 6.00	◄	6.25 - 6.75	◄	6.25 - 6.75	◄	7.00 - 7.50	◄
	Denver	4.75 - 5.25	◄	6.00 - 7.00	◄	5.00 - 5.50	▲	6.50 - 7.00	◄	5.50 - 5.75	▲	6.75 - 7.50	◄
	Houston	4.75 - 5.25	◄	5.25 - 5.75	▼	5.25 - 5.75	▼	5.75 - 6.25	▼	6.50 - 7.00	▼	8.25 - 8.75	▼
	Las Vegas	4.75 - 5.00	▲	5.00 - 5.25	▲	5.00 - 5.50	▲	5.25 - 5.75	▲	6.00 - 6.25	▲	6.25 - 6.50	▲
	Minneapolis/St. Paul	5.00 - 5.50	◄	5.50 - 6.00	◄	5.50 - 6.00	▲	6.00 - 6.25	◄	5.50 - 6.25	◄	6.00 - 6.75	◄
	Orlando	4.75 - 5.25	◄	—		5.00 - 5.50	◄	5.75 - 6.25	◄	5.75 - 6.25	◄	7.25 - 7.75	◄
	Philadelphia	5.00 - 5.25	◄	6.25 - 6.50	◄	5.50 - 6.25	▲	6.75 - 7.50	▲	6.00 - 6.75	◄	7.25 - 8.00	◄
	Phoenix	4.75 - 5.00	◄	5.75 - 6.25	◄	4.75 - 5.25	◄	5.75 - 6.50	◄	5.00 - 6.50	◄	6.00 - 7.00	◄
	Portland	4.50 - 4.75	▼	4.75 - 5.00	◄	5.00 - 5.25	▼	5.50 - 5.75	◄	5.25 - 5.50	◄	6.25 - 6.75	◄
	Raleigh-Durham	4.75 - 5.50	◄	5.50 - 6.00	◄	5.00 - 5.75	◄	5.50 - 6.00	◄	5.50 - 6.25	◄	6.00 - 6.50	◄
	Sacramento	4.75 - 5.00	◄	5.00 - 6.00	◄	4.75 - 5.25	◄	5.50 - 6.00	◄	5.00 - 5.75	◄	5.25 - 6.50	◄
	San Antonio	4.50 - 5.25	◄	4.50 - 5.25	◄	4.75 - 5.50	◄	4.75 - 5.50	◄	5.25 - 6.00	◄	5.25 - 6.00	◄
	Tampa	4.75 - 5.25	◄	5.25 - 5.75	◄	5.00 - 5.50	◄	5.75 - 6.25	◄	6.00 - 6.50	◄	6.75 - 7.50	◄

U.S. MULTIFAMILY SUBURBAN | FIGURE 53: KEY RATES 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 (%)	
			CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>
TIER III	Albuquerque	5.25 - 5.50	◄	6.00 - 6.50	◄	5.50 - 6.00	◄	6.50 - 7.00	◄	6.75 - 7.25	◄	7.75 - 8.75	◄
	Charlotte	5.00 - 5.50	◄	5.00 - 5.50	◄	5.25 - 5.75	◄	5.25 - 5.75	◄	6.00 - 6.50	◄	6.00 - 6.50	◄
	Cincinnati	5.25 - 5.75	◄	6.50 - 7.50	◄	5.00 - 5.75	◄	7.00 - 8.00	◄	6.25 - 6.75	▼	7.50 - 8.50	◄
	Cleveland	5.50 - 6.00	◄	7.00 - 8.00	◄	6.50 - 7.50	◄	7.50 - 8.50	◄	8.00 - 9.00	◄	9.00 - 11.00	◄
	Columbus	5.75 - 6.25	▲	5.75 - 6.25	▼	6.00 - 6.50	◄	6.50 - 6.75	▼	7.00 - 7.50	◄	8.25 - 8.50	◄
	Detroit	5.75 - 6.75	◄	6.50 - 7.75	◄	6.25 - 7.25	◄	7.00 - 7.50	◄	7.50 - 8.50	◄	8.50 - 10.00	◄
	Honolulu	4.25 - 5.50	◄	—		4.75 - 6.50	◄	—		5.25 - 6.75	◄	—	
	Indianapolis	5.50 - 5.75	◄	6.50 - 6.75	▲	5.50 - 5.75	◄	6.50 - 6.75	◄	6.75 - 8.00	◄	8.00 - 10.00	◄
	Jacksonville	4.75 - 5.50	◄	5.25 - 5.75	▼	5.00 - 6.25	◄	6.50 - 7.00	◄	5.50 - 7.00	▼	7.00 - 8.00	▼
	Kansas City	5.00 - 5.50	◄	5.25 - 5.75	▼	5.50 - 6.00	▲	6.00 - 6.50	▲	6.00 - 6.50	▲	6.75 - 7.25	▲
	Memphis	5.50 - 6.00	◄	6.00 - 6.50	▲	6.25 - 6.50	◄	6.50 - 7.00	▲	6.75 - 7.25	◄	7.25 - 7.50	▲
	Milwaukee	5.50 - 6.25		6.00 - 6.75		6.25 - 7.00		6.75 - 7.50		7.50 - 8.50		8.00 - 9.00	
	Nashville	5.00 - 5.50	◄	5.50 - 6.00	◄	5.25 - 5.75	◄	5.75 - 6.25	◄	6.00 - 6.50	◄	6.50 - 7.25	◄
	Norfolk	5.50 - 6.00		6.50 - 7.00		5.50 - 6.25		6.75 - 7.50		6.25 - 7.00		7.00 - 8.00	
	Oklahoma City	5.50 - 5.75	◄	7.75 - 8.25	◄	6.00 - 6.75	◄	8.00 - 8.75	◄	7.50 - 8.50	◄	8.50 - 9.50	◄
	Pittsburgh	5.75 - 6.25	▼	6.50 - 7.00	◄	6.50 - 7.00	◄	7.00 - 7.50	◄	7.50 - 8.00	◄	8.50 - 9.00	◄
	Richmond	5.50 - 6.00	▼	6.00 - 7.00	◄	5.75 - 6.50	◄	6.75 - 7.50	▼	6.50 - 8.00	▼	8.00 - 10.00	◄
Salt Lake City	4.75 - 5.00	◄	5.00 - 5.25	◄	5.00 - 5.50	◄	5.50 - 6.00	▲	5.75 - 6.25	◄	6.00 - 6.50	◄	
St. Louis	5.50 - 5.75	◄	—		6.00 - 6.75	◄	—		7.25 - 8.25	◄	—		

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with H1 2018. Changes less than 15 bps considered stable. Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. MULTIFAMILY SUBURBAN | FIGURE 54: FORECAST TRENDS - SIX MONTH OUTLOOK

		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	Boston	Stable	Stable	Stable	Stable	Stable	Stable
	Chicago	Increase	Increase	Increase	Increase	Increase	Increase
	N. CA: Oakland	Increase	Increase	Increase	Increase	Increase	Increase
	N. CA: San Francisco	Increase	Increase	Increase	Increase	Increase	Increase
	N. CA: San Jose	Increase	Increase	Increase	Increase	Increase	Increase
	NY: Fairfield County, CT	Stable	Stable	Stable	Stable	N/A	N/A
	NY: N. New Jersey	Stable	Stable	Stable	Stable	Stable	Stable
	S. CA: Inland Empire	Increase	Increase	Increase	Increase	Increase	Increase
	S. CA: Los Angeles	Stable	Stable	Stable	Stable	Stable	Stable
	S. CA: Orange County	Stable	Stable	Stable	Stable	Stable	Stable
	S. FL: Ft. Lauderdale	Increase	Stable	Stable	Stable	Stable	Stable
	S. FL: Miami	Increase	Stable	Stable	Stable	Stable	Stable
	S. FL: West Palm Beach	Increase	Stable	Stable	Stable	Stable	Stable
	San Diego	Stable	Stable	Increase	Increase	Increase	Increase
	Seattle	Stable	Decrease	Increase	Decrease	Increase	Increase
Washington, D.C.	Stable	Stable	Stable	Stable	Stable	Stable	

■ INCREASE   
 ■ DECREASE   
 ■ STABLE   
 — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. MULTIFAMILY SUBURBAN | FIGURE 54: FORECAST TRENDS - SIX MONTH OUTLOOK 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 II	Atlanta	Stable	Increase	Stable	Increase	Stable	Increase
	Austin	Increase	Increase	Increase	Increase	Increase	Increase
	Baltimore	Stable	Stable	Stable	Stable	Stable	Stable
	Dallas/Ft. Worth	Stable	Stable	Stable	Stable	Stable	Stable
	Denver	Increase	Increase	Increase	Increase	Increase	Increase
	Houston	Stable	Stable	Stable	Stable	Stable	Stable
	Las Vegas	Stable	Stable	Stable	Stable	Stable	Stable
	Minneapolis/St. Paul	Increase	Increase	Increase	Increase	Increase	Increase
	Orlando	Stable	—	Stable	Stable	Stable	Stable
	Philadelphia	Increase	Increase	Increase	Increase	Increase	Increase
	Phoenix	Stable	Stable	Stable	Stable	Stable	Stable
	Portland	Decrease	Stable	Decrease	Decrease	Stable	Decrease
	Raleigh-Durham	Stable	Stable	Stable	Stable	Stable	Stable
	Sacramento	Stable	Stable	Stable	Stable	Stable	Stable
	San Antonio	Increase	Increase	Increase	Increase	Increase	Increase
Tampa	Stable	Stable	Stable	Stable	Stable	Stable	

■ INCREASE   
 ■ DECREASE   
 ■ STABLE   
 — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. MULTIFAMILY SUBURBAN | FIGURE 54: FORECAST TRENDS - SIX MONTH OUTLOOK 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
	Charlotte	Increase	Stable	Stable	Stable	Stable	Stable
	Cincinnati	Increase	Stable	Increase	Stable	Increase	Stable
	Cleveland	Stable	Stable	Stable	Stable	Stable	Stable
	Columbus	Stable	Increase	Increase	Increase	Increase	Increase
	Detroit	Increase	Increase	Increase	Increase	Increase	Increase
	Honolulu	Stable	Stable	Stable	Stable	Stable	Stable
	Indianapolis	Stable	Stable	Stable	Stable	Increase	Increase
	Jacksonville	Increase	Increase	Increase	Increase	Stable	Increase
	Kansas City	Stable	Stable	Stable	Stable	Stable	Stable
	Memphis	Stable	Stable	Stable	Stable	Stable	Stable
	Milwaukee	Increase	Increase	Increase	Increase	Increase	Increase
	Nashville	Stable	Stable	Increase	Increase	Increase	Increase
	Norfolk	Stable	Stable	Increase	Increase	Increase	Increase
	Oklahoma City	Increase	Increase	Stable	Stable	Increase	Increase
	Pittsburgh	Increase	Stable	Stable	Stable	Stable	Stable
	Richmond	Increase	Increase	Increase	Increase	Increase	Increase
Salt Lake City	Increase	Increase	Increase	Increase	Increase	Increase	
St. Louis	Stable	N/A	Stable	N/A	Stable	N/A	

■ INCREASE
 ■ DECREASE
 ■ STABLE
 — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. HOTEL | OVERVIEW

CBD

The H2 2018 CBRE Cap Rate Survey showed small increases in cap rates for downtown hotels. Notably, CBD hotel cap rates were the most stable of all property types covered in this survey. Nearly every hotel market segment in the CBDs (i.e., luxury, full service, select service and economy) recorded single-digit increases in cap rates ranging from 1 to 9 bps (CBD economy cap rates were the outlier, increasing by 9 bps). The spread between suburban and CBD hotels has not changed much during the past two years. It stood at 52 bps in H2 2018 (8.49% vs. 7.97%), 56 bps in H1 2018, 55 bps in H2 2017 and 53 bps in H1 2017. Fears seem to have dissipated that the hotel supply surge in some major metropolitan CBDs over the past few years would show up in property pricing relative to suburban.

CBD hotel cap rates across Tier I, Tier II and Tier III cities and corresponding market segments were consistently flat relative to recent surveys. Cap rates remain well-ordered by tier and market segment. The lowest cap rate is 6.39% for Tier I luxury and the highest rate is 9.60% for Tier III economy. By far the biggest move occurred within the Tier I economy segment with a 21-bp increase. This change may be due to increasing supply in the economy segment across larger city CBDs as visitors trade down to avoid steadily increasing room rates in those locations.

Hotel cap rates differ across city submarkets based on different expectations about local income growth and idiosyncratic risk factors, such as construction activity, that add to or alleviate uncertainty. Cap rates were below 6% among CBD luxury properties in Boston (75-bp decline), New York City and Washington, D.C. In general, cap rates ranged between 6.26% and 8.50% across CBDs, tiers and segments (except economy in several city CBDs). These rates were largely unchanged from H1 2018.

SUBURBAN

Suburban hotel cap rates remained nominally higher than CBD cap rates as has been the case since this survey began in 2009. Suburban cap rates were nearly identical in

FIGURE 55: U.S. HOTEL CBD - CAP RATES FOR STABILIZED PROPERTIES

METRO TIER	CLASS	H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)
ALL	ALL	7.97	7.94	3
	LUXURY	7.04	7.02	2
	FULL-SERVICE	7.68	7.67	1
	SELECT-SERVICE	8.01	7.98	2
	ECONOMY	9.16	9.07	9
I	LUXURY	6.39	6.40	-1
	FULL-SERVICE	7.20	7.19	1
	SELECT-SERVICE	7.69	7.63	6
	ECONOMY	8.78	8.57	21
II	LUXURY	7.26	7.22	4
	FULL-SERVICE	7.77	7.74	2
	SELECT-SERVICE	8.09	8.08	1
III	ECONOMY	9.20	9.19	1
	LUXURY	7.71	7.68	3
	FULL-SERVICE	8.25	8.25	0
	SELECT-SERVICE	8.36	8.37	-2
	ECONOMY	9.60	9.62	-2

Source: CBRE Research, Q4 2018.  
Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

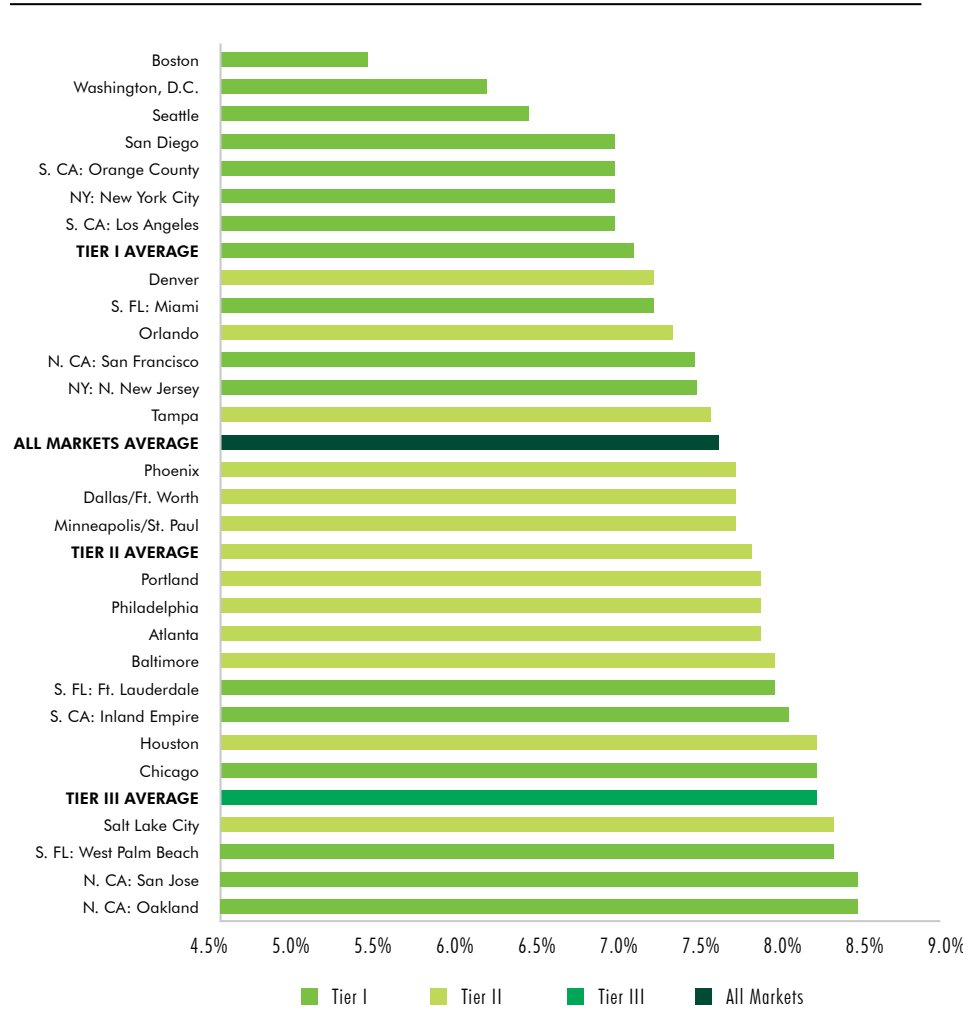
H2 2018 and H1 2018. The only meaningful change took place within the economy segment, largely driven by a 5-bp increase across suburban markets, like what occurred for CBD hotels.

The biggest change in suburban hotel cap rates in H2 was a 12-bps increase for the economy segment among Tier I markets. Overall, very minor changes were reported for the three tiers and four market segments.

Many of the nation’s lowest suburban hotel cap rates in H2 were for the luxury segment in Tier I and II cities, although the number of luxury properties in these locations is

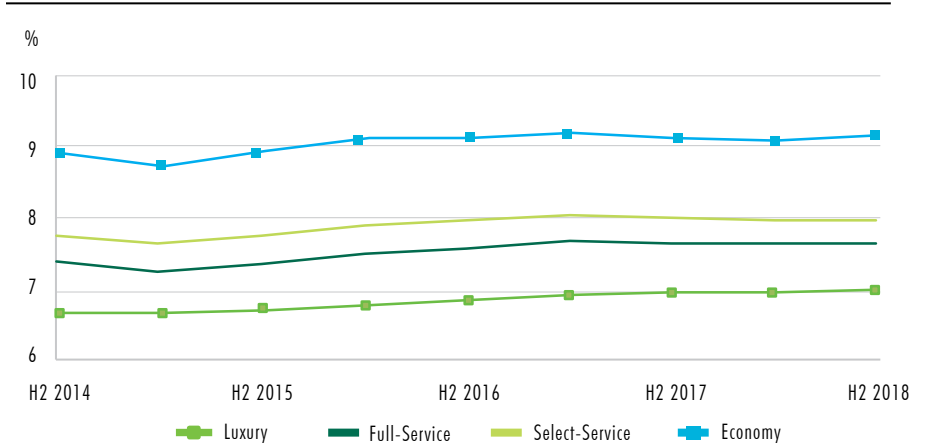
U.S. HOTEL | OVERVIEW CONT.

FIGURE 56: U.S. HOTEL CBD - FULL SERVICE CAP RATES, H2 2018 - TIER I & II METROS



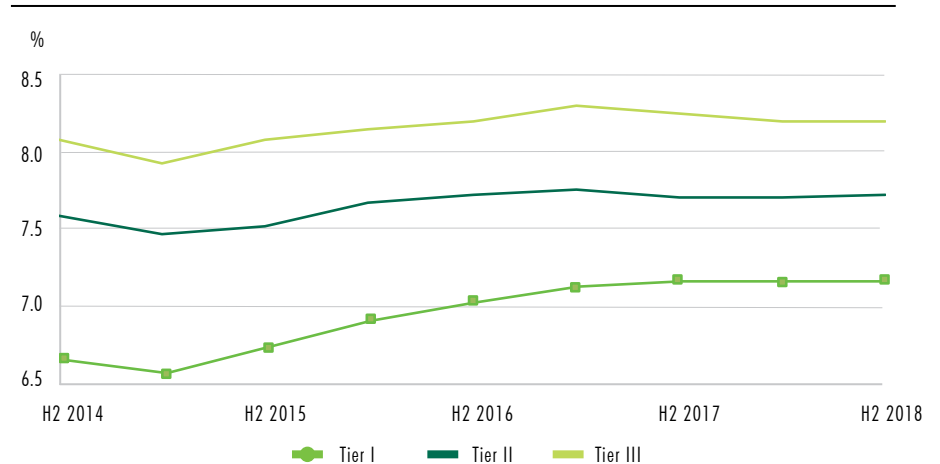
Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Notes: data is subject to historical revisions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

FIGURE 57: U.S. HOTEL CBD - HISTORICAL CAP RATES BY HOTEL TYPE



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

FIGURE 58: U.S. HOTEL CBD - HISTORICAL CLASS A FULL-SERVICE CAP RATES BY TIER



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.



**U.S. HOTEL | OVERVIEW CONT.**

relatively small. While other segments tend to dominate the suburbs, luxury hotels had the lowest cap rates, including Boston at 6.50% and Los Angeles, Orange County, Washington, D.C., Philadelphia and Phoenix all at 6.75%.

Many of the nation’s highest (>10%) suburban hotel cap rates in H2 were recorded for the economy segment across all tiers and geographies. In a small set of local suburban markets, cap rates in the 10%-to-11.75% range were reported for full-service and select-service hotels.

The historical charts reveal a flattening of hotel cap rates since 2017. Because cap rates are the arithmetic result of NOI divided by asset pricing, the prevailing pattern reflects marginal changes in both components. The sometimes-variable nature of hotel income streams has been absent of late with the steady pace of the economy. Exogenous factors, such as political events, have not impacted the hotel business or property pricing. Finally, the once feared “supply surge” has leveled off to a long-run average growth rate that closely matches the recent growth rate in lodging demand.

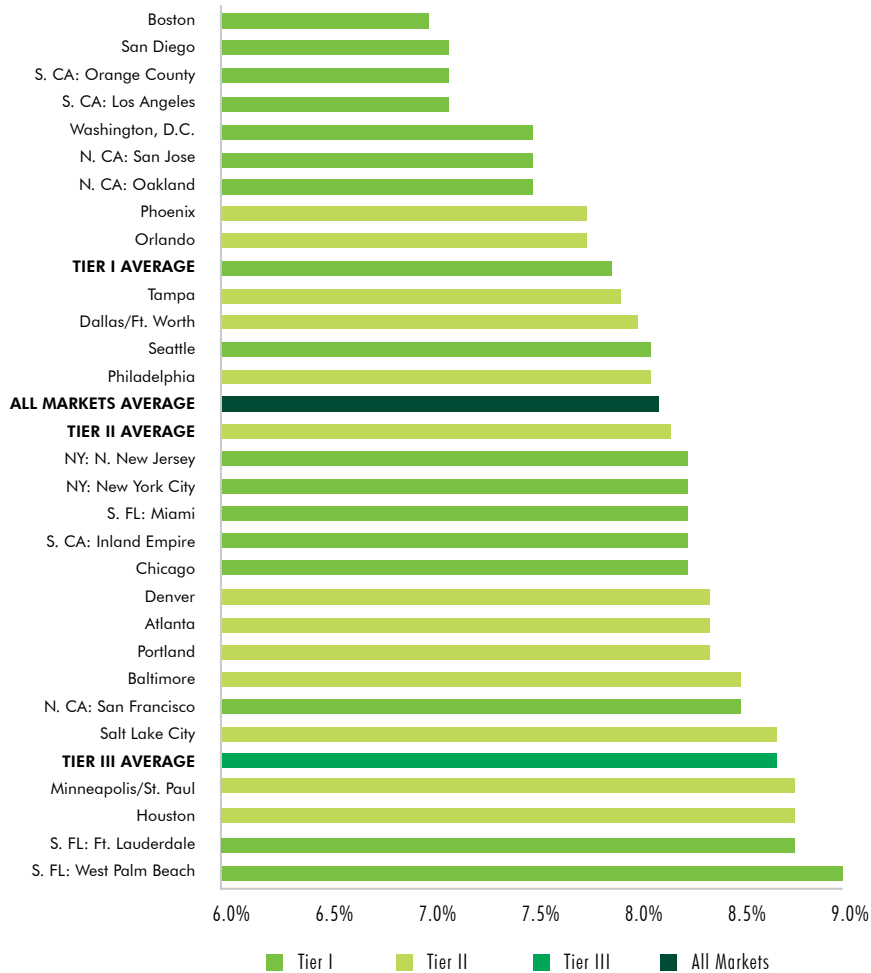
**FIGURE 59: U.S. HOTEL SUBURBAN - CAP RATES FOR STABILIZED PROPERTIES**

METRO TIER	CLASS	H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)
ALL	ALL	8.49	8.48	1
	LUXURY	7.60	7.58	1
	FULL-SERVICE	8.17	8.17	0
	SELECT-SERVICE	8.49	8.50	-2
I	ECONOMY	9.68	9.63	5
	LUXURY	7.32	7.31	1
	FULL-SERVICE	7.82	7.81	1
	SELECT-SERVICE	8.31	8.32	-1
II	ECONOMY	9.43	9.31	12
	LUXURY	7.56	7.53	3
	FULL-SERVICE	8.19	8.20	0
	SELECT-SERVICE	8.51	8.53	-2
III	ECONOMY	9.69	9.67	2
	LUXURY	8.08	8.08	0
	FULL-SERVICE	8.63	8.63	0
	SELECT-SERVICE	8.69	8.72	-3
	ECONOMY	10.00	10.02	-2

Source: CBRE Research, Q4 2018.  
Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

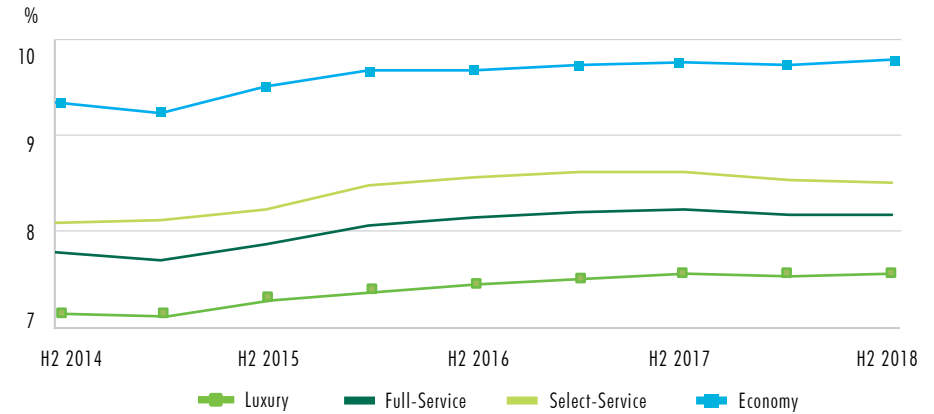
U.S. HOTEL | OVERVIEW CONT.

FIGURE 60: U.S. HOTEL SUBURBAN - FULL-SERVICE CAP RATES, H2 2018 TIER I & II METROS



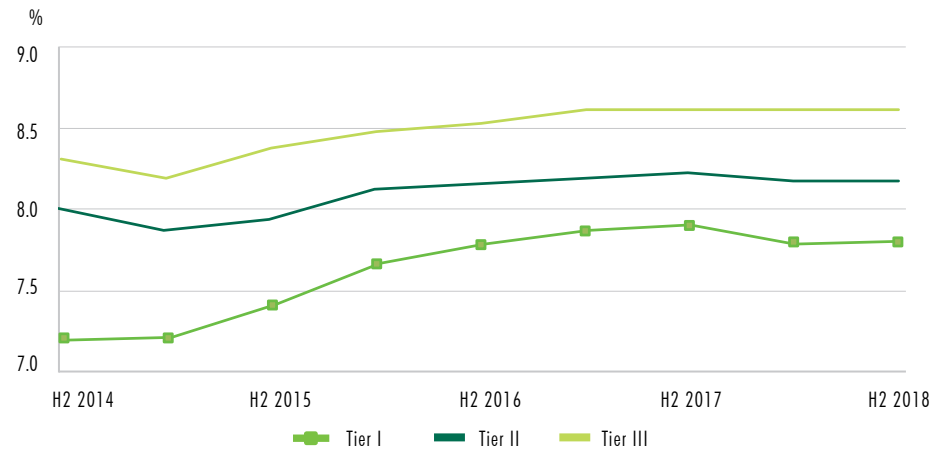
Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Notes: data is subject to historical revisions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

FIGURE 61: U.S. HOTEL SUBURBAN - HISTORICAL CAP RATES BY HOTEL TYPE



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

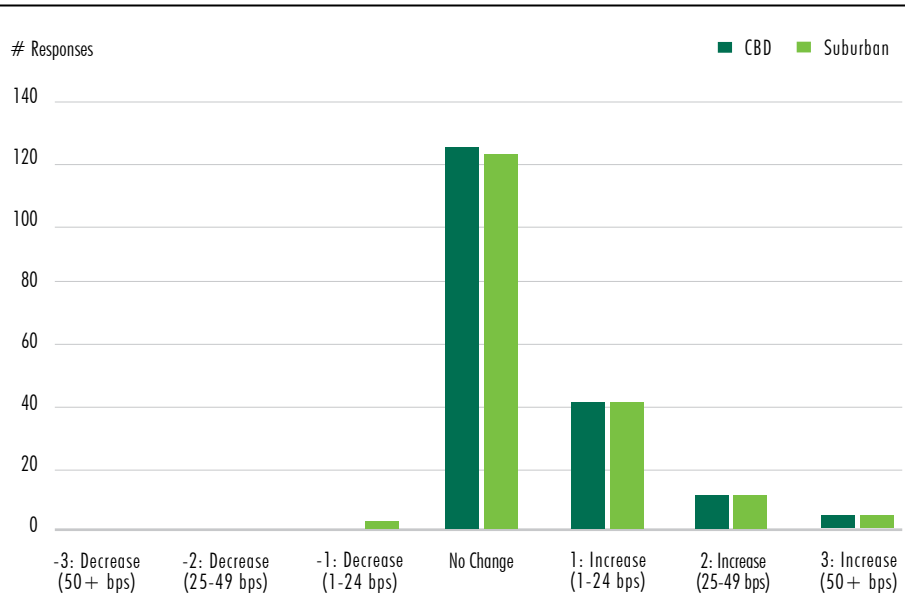
FIGURE 62: U.S. HOTEL SUBURBAN - HISTORICAL FULL-SERVICE CAP RATES BY TIER



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revisions.

U.S. HOTEL | OVERVIEW CONT.

FIGURE 63: U.S. HOTEL RATE TRENDS - SIX MONTH OUTLOOK



Source: CBRE Research, Q4 2018.

U.S. HOTEL LUXURY/FULL SERVICE | FIGURE 64: KEY RATES

		LUXURY				FULL-SERVICE			
		CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER I	Boston	4.00 - 6.50	▼	6.00 - 7.00	▼	4.50 - 6.50	▼	6.50 - 7.50	◄
	Chicago	7.00 - 7.50	◄	7.75 - 8.50	◄	7.25 - 9.25	◄	7.75 - 8.75	◄
	N. CA: Oakland	7.50 - 8.50	◄	7.50 - 8.50	◄	8.00 - 9.00	◄	7.00 - 8.00	◄
	N. CA: San Francisco	6.00 - 7.00	◄	7.00 - 8.00	◄	7.00 - 8.00	◄	8.00 - 9.00	◄
	N. CA: San Jose	7.50 - 8.50	◄	7.50 - 8.50	◄	8.00 - 9.00	◄	7.00 - 8.00	◄
	NY: N. New Jersey	6.25 - 6.75	◄	7.00 - 7.75	◄	6.75 - 8.25	◄	7.50 - 9.00	◄
	NY: New York City	4.50 - 5.50	◄	6.50 - 8.00	◄	6.50 - 7.50	◄	7.50 - 9.00	◄
	S. CA: Inland Empire	7.00 - 8.75	◄	7.25 - 9.00	◄	7.25 - 9.00	◄	7.25 - 9.25	◄
	S. CA: Los Angeles	5.50 - 7.50	◄	6.00 - 7.50	◄	6.25 - 7.75	◄	6.50 - 7.75	◄
	S. CA: Orange County	5.50 - 7.50	◄	6.00 - 7.50	◄	6.25 - 7.75	◄	6.50 - 7.75	◄
	S. FL: Ft. Lauderdale	7.00 - 8.00	◄	7.50 - 8.50	▲	7.50 - 8.50	▲	8.25 - 9.25	▲
	S. FL: Miami	6.25 - 7.00	◄	7.00 - 7.75	▲	6.75 - 7.75	◄	7.75 - 8.75	◄
	S. FL: West Palm Beach	8.00 - 8.50	▲	8.25 - 9.00	▲	8.00 - 8.75	◄	8.50 - 9.50	◄
	San Diego	5.50 - 7.50	◄	6.50 - 7.75	◄	6.25 - 7.75	◄	6.50 - 7.75	◄
Seattle	6.00 - 6.50	◄	6.75 - 7.75	◄	6.25 - 6.75	◄	7.75 - 8.50	◄	
Washington, D.C.	4.50 - 6.00	◄	6.00 - 7.50	◄	5.75 - 6.75	▲	6.50 - 8.50	◄	

▲ INCREASE  
▼ DECREASE  
◄ STABLE  
— N/A

<sup>1</sup>Compared with end of H1 2018. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps.

Source: CBRE Research, Q4 2018. Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

		LUXURY				FULL-SERVICE			
		CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER II	Atlanta	6.50 - 8.00	◄	7.00 - 8.25	◄	7.25 - 8.50	◄	7.75 - 9.00	◄
	Baltimore	6.50 - 7.50	◄	8.00 - 9.00	◄	7.50 - 8.50	▲	8.00 - 9.00	◄
	Dallas/Ft. Worth	7.50 - 8.50	◄	7.50 - 8.50	◄	7.50 - 8.00	◄	7.50 - 8.50	◄
	Denver	6.75 - 7.25	◄	7.00 - 7.50	◄	7.00 - 7.50	◄	8.00 - 8.75	◄
	Houston	7.75 - 8.75	◄	7.75 - 8.75	◄	7.75 - 8.75	◄	8.25 - 9.25	◄
	Minneapolis/St. Paul	7.00 - 8.00	◄	7.50 - 8.25	◄	7.00 - 8.50	◄	8.00 - 9.50	◄
	Orlando	6.00 - 7.50	◄	6.50 - 7.75	◄	6.75 - 8.00	◄	7.00 - 8.50	◄
	Philadelphia	6.00 - 6.50	◄	6.50 - 7.00	◄	7.50 - 8.25	◄	7.75 - 8.50	◄
	Phoenix	6.75 - 6.75	◄	6.75 - 6.75	◄	7.75 - 7.75	◄	7.75 - 7.75	◄
	Portland	7.25 - 8.25	◄	8.25 - 8.50	◄	7.50 - 8.25	◄	8.25 - 8.50	◄
	Salt Lake City	6.25 - 7.25	▲	6.75 - 7.75	▲	8.00 - 8.75	◄	8.25 - 9.00	◄
	Tampa	6.25 - 7.50	◄	6.50 - 7.75	◄	7.00 - 8.25	◄	7.25 - 8.50	◄

U.S. HOTEL LUXURY/FULL SERVICE | FIGURE 64: KEY RATE CONT.

		LUXURY				FULL-SERVICE			
		CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Albuquerque	7.25 - 8.25	◄	7.75 - 8.50	◄	7.75 - 9.00	◄	8.25 - 9.25	◄
	Austin	6.50 - 8.00	◄	7.00 - 8.50	◄	7.00 - 7.50	◄	7.50 - 8.50	◄
	Charlotte	6.00 - 8.00	◄	6.50 - 8.00	◄	6.75 - 8.00	◄	7.25 - 9.00	◄
	Cincinnati	8.00 - 8.50	◄	8.25 - 8.75	◄	8.50 - 9.00	◄	8.50 - 9.00	◄
	Cleveland	8.00 - 8.50	◄	8.25 - 8.75	◄	8.50 - 9.00	◄	8.50 - 9.00	◄
	Columbus	8.00 - 8.50	◄	8.25 - 8.75	◄	8.50 - 9.00	◄	8.50 - 9.00	◄
	Detroit	8.00 - 8.50	◄	8.00 - 8.75	◄	8.25 - 9.00	◄	9.25 - 10.25	◄
	Honolulu	5.00 - 7.00	◄	—	—	—	—	6.75 - 9.00	◄
	Indianapolis	7.00 - 8.50	◄	8.00 - 9.00	◄	7.50 - 9.00	◄	8.75 - 10.75	◄
	Jacksonville	6.25 - 7.50	◄	7.00 - 8.00	◄	7.00 - 8.00	◄	7.50 - 8.50	◄
	Kansas City	7.50 - 8.50	◄	8.00 - 8.75	◄	8.00 - 9.25	◄	8.25 - 9.50	◄
	Las Vegas	7.00 - 8.00	◄	7.25 - 8.25	◄	7.75 - 8.75	◄	7.75 - 8.75	◄
	Nashville	7.50 - 8.00	◄	7.75 - 8.25	◄	7.50 - 8.00	◄	8.25 - 9.25	◄
	Oklahoma City	8.00 - 9.00	◄	8.00 - 9.00	◄	8.25 - 9.50	◄	8.50 - 9.75	◄
	Pittsburgh	7.50 - 8.50	◄	8.25 - 8.75	◄	8.50 - 9.00	◄	8.50 - 9.00	◄
	Sacramento	7.50 - 9.00	◄	—	—	8.00 - 9.00	◄	9.00 - 10.00	◄
	San Antonio	—	—	—	—	7.00 - 8.00	◄	7.50 - 8.50	◄
St. Louis	7.50 - 9.50	▲	7.50 - 9.75	◄	7.50 - 11.00	◄	8.00 - 10.75	◄	

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with end of H1 2018. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. HOTEL SELECT/ECONOMY | FIGURE 64: KEY RATES CONT.

		SELECT-SERVICE				ECONOMY			
		CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER I	Boston	5.00 - 7.00	▲	7.00 - 8.25	◄	—		8.00 - 10.00	▲
	Chicago	8.00 - 9.25	◄	8.00 - 9.25	◄	9.00 - 10.50	▲	9.00 - 11.00	◄
	N. CA: Oakland	8.50 - 10.50	◄	8.00 - 9.00	◄	9.50 - 11.50	◄	9.50 - 11.50	◄
	N. CA: San Francisco	8.00 - 9.00	◄	9.50 - 10.50	◄	8.50 - 10.50	◄	9.50 - 11.50	◄
	N. CA: San Jose	8.50 - 10.50	◄	8.00 - 9.00	◄	9.50 - 11.50	◄	9.50 - 11.50	◄
	NY: N. New Jersey	7.75 - 8.75	◄	7.75 - 9.00	◄	8.00 - 9.00	◄	9.00 - 10.50	◄
	NY: New York City	6.75 - 8.00	◄	7.75 - 9.50	◄	8.00 - 9.00	◄	9.00 - 11.00	◄
	S. CA: Inland Empire	7.25 - 9.25	◄	7.25 - 9.25	◄	8.00 - 10.00	◄	8.00 - 10.25	◄
	S. CA: Los Angeles	6.50 - 8.00	◄	6.75 - 8.25	◄	7.50 - 8.75	◄	7.50 - 9.00	◄
	S. CA: Orange County	6.50 - 8.00	◄	6.75 - 7.75	◄	7.50 - 8.75	◄	7.50 - 9.00	◄
	S. FL: Ft. Lauderdale	8.00 - 9.00	◄	8.50 - 9.50	◄	9.00 - 10.00	▲	9.50 - 10.50	▲
	S. FL: Miami	8.00 - 8.50	▲	8.75 - 9.25	◄	9.00 - 10.00	▲	9.50 - 10.25	▲
	S. FL: West Palm Beach	8.50 - 9.50	◄	9.00 - 10.00	◄	9.00 - 10.00	◄	9.50 - 10.50	◄
	San Diego	6.50 - 8.00	◄	6.75 - 8.25	◄	7.50 - 9.00	◄	8.50 - 9.25	◄
Seattle	6.75 - 7.25	◄	7.75 - 8.50	◄	8.25 - 9.00	◄	9.25 - 10.25	◄	
Washington, D.C.	6.25 - 7.25	▲	7.50 - 9.00	◄	7.00 - 8.00	◄	8.50 - 9.25	◄	

- ▲ INCREASE
- ▼ DECREASE
- ◄ STABLE
- N/A

<sup>1</sup>Compared with end of H12018. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps

Source: CBRE Research, Q4 2018. Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

		SELECT-SERVICE				ECONOMY			
		CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER II	Atlanta	7.75 - 9.00	◄	8.25 - 9.50	◄	8.50 - 9.75	◄	9.50 - 11.00	◄
	Baltimore	7.50 - 8.50	▲	8.25 - 9.25	▼	8.00 - 9.50	▲	8.50 - 10.00	▲
	Dallas/Ft. Worth	7.25 - 8.00	◄	7.50 - 9.00	◄	7.75 - 10.00	◄	8.25 - 11.00	◄
	Denver	7.50 - 8.25	◄	8.00 - 8.75	◄	8.25 - 9.00	◄	8.50 - 9.50	◄
	Houston	7.75 - 8.75	◄	8.25 - 9.25	◄	8.75 - 11.00	◄	9.25 - 11.00	◄
	Minneapolis/St. Paul	8.00 - 9.00	◄	8.50 - 10.00	◄	8.00 - 10.00	◄	9.00 - 10.50	◄
	Orlando	8.00 - 8.75	◄	8.25 - 9.00	◄	9.25 - 10.00	◄	9.25 - 10.00	◄
	Philadelphia	7.50 - 8.50	◄	7.75 - 8.50	◄	8.75 - 9.25	◄	10.00 - 10.50	◄
	Phoenix	7.50 - 7.50	◄	7.75 - 7.75	◄	9.00 - 9.00	◄	9.25 - 9.25	◄
	Portland	7.75 - 8.75	◄	8.25 - 9.25	◄	9.00 - 9.75	◄	9.25 - 10.25	◄
	Salt Lake City	7.25 - 8.25	▲	7.25 - 8.25	▲	8.00 - 9.00	◄	8.00 - 9.00	◄
	Tampa	8.00 - 9.00	◄	8.25 - 9.00	◄	9.25 - 10.00	◄	9.25 - 10.00	◄

U.S. HOTEL SELECT/ECONOMY | FIGURE 64: KEY RATES CONT.

		SELECT-SERVICE				ECONOMY			
		CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CBD CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Albuquerque	8.25 - 9.00	◄►	8.25 - 9.25	◄►	9.25 - 10.50	◄►	9.25 - 10.50	◄►
	Austin	6.75 - 7.00	◄►	7.50 - 9.00	◄►	7.50 - 10.00	◄►	8.00 - 11.00	◄►
	Charlotte	7.00 - 8.50	◄►	7.75 - 9.00	◄►	8.25 - 10.00	◄►	9.00 - 11.00	◄►
	Cincinnati	8.50 - 9.00	◄►	8.50 - 9.00	◄►	9.00 - 10.00	◄►	10.00 - 11.00	◄►
	Cleveland	8.50 - 9.00	◄►	8.50 - 9.00	◄►	9.00 - 10.00	◄►	10.00 - 11.00	◄►
	Columbus	8.50 - 9.00	◄►	8.50 - 9.00	◄►	9.00 - 10.00	◄►	10.00 - 11.00	◄►
	Detroit	8.25 - 9.00	◄►	8.50 - 9.50	◄►	10.00 - 11.00	◄►	10.75 - 11.75	◄►
	Honolulu	—		7.25 - 10.25	◄►	—		8.25 - 11.25	◄►
	Indianapolis	7.50 - 8.50	◄►	8.50 - 9.25	◄►	9.00 - 11.00	◄►	9.50 - 11.50	◄►
	Jacksonville	8.00 - 8.75	◄►	8.25 - 9.00	◄►	9.50 - 10.00	◄►	9.50 - 10.00	◄►
	Kansas City	7.75 - 8.75	◄►	8.00 - 9.00	◄►	9.00 - 11.00	◄►	9.25 - 11.50	◄►
	Las Vegas	8.00 - 9.50	◄►	8.00 - 9.50	◄►	9.00 - 10.25	◄►	9.00 - 10.25	◄►
	Nashville	7.50 - 8.00	◄►	8.75 - 9.25	◄►	9.50 - 10.00	◄►	9.75 - 10.25	◄►
	Oklahoma City	8.00 - 9.25	▲	8.25 - 9.50	◄►	9.50 - 11.50	▲	9.50 - 11.50	◄►
	Pittsburgh	8.50 - 9.00	◄►	8.50 - 9.00	◄►	9.00 - 10.00	◄►	10.00 - 11.00	◄►
	Sacramento	7.50 - 8.50	◄►	7.50 - 8.50	◄►	8.50 - 10.00	◄►	8.50 - 10.00	◄►
	San Antonio	7.00 - 8.00	◄►	7.50 - 9.00	◄►	7.50 - 10.00	◄►	8.00 - 11.00	◄►
St. Louis	8.00 - 10.50	◄►	8.00 - 10.25	◄►	9.00 - 10.50	◄►	9.00 - 10.50	◄►	

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with end of H1 2018. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps.

Source: CBRE Research, Q4 2018.

Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

U.S. HOTEL | FIGURE 65: FORECAST TRENDS - SIX MONTH OUTLOOK

		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							—	
	Chicago	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	N. CA: Oakland								
	N. CA: San Francisco								
	N. CA: San Jose								
	NY: N. New Jersey								
	NY: N. New York City								
	S. CA: Inland Empire	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	S. CA: Los Angeles	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	S. CA: Orange County	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	S. FL: Ft. Lauderdale								
	S. FL: Miami								
	S. FL: West Palm Beach	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
	San Diego	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
Seattle	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Washington, D.C.		DECREASE		DECREASE		DECREASE			

INCREASE  
DECREASE  
STABLE  
— N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019. Source: CBRE Research, Q4 2018. Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

		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				INCREASE		INCREASE		INCREASE
	Baltimore	INCREASE		INCREASE		INCREASE		INCREASE	
	Dallas/Ft. Worth								
	Denver								
	Houston								
	Minneapolis/St. Paul								
	Orlando								
	Philadelphia								
	Phoenix								
	Portland								
	Salt Lake City	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
Tampa									



U.S. HOTEL | FIGURE 65: FORECAST TRENDS - SIX MONTH OUTLOOK 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	Stable	Stable	Stable	Stable
	Austin	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	Charlotte	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	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	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	Honolulu	Stable	N/A	Stable	N/A	Stable	N/A	Stable	N/A
	Indianapolis	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	Jacksonville	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
	Kansas City	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
	Las Vegas	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
	Nashville	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
	Oklahoma City	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	Pittsburgh	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
	Sacramento	Stable	N/A	Stable	N/A	Stable	N/A	Stable	N/A
	San Antonio	N/A	N/A	Stable	N/A	Stable	N/A	Stable	N/A
St. Louis	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	

■ INCREASE    
 ■ DECREASE    
 ■ STABLE    
 — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2019. Source: CBRE Research, Q4 2018. Notes: Data is subject to historical revision. Markets represented by 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 same tier designation as the CSA to which they belong.

CANADA | OVERVIEW

KEY OBSERVATIONS

- Cap rates in Canada flattened in H2 2018 as bond yield fluctuations and global uncertainty around trade weighed on the market. While it was expected that bond yields would increase after peaking at 2.60% in early October, the Government of Canada 10-year benchmark bond yield reversed course rapidly in November and ended 2018 at 1.96%. This was a lower return than the 2.17% recorded at midyear and the cooling removed some of the upward pressure on cap rates caused by shrinking spreads.

FIGURE 66: CANADA NATIONAL-LEVEL CAP RATES BY PROPERTY TYPE, SECTOR, CLASS AND/OR SEGMENT

PROPERTY TYPE	SECTOR	CLASS/ SEGMENT	CAP RATE			SPREAD OVER - 10-YEAR BOND YIELD (BPS)	
			H2 2018 (%)	H1 2018 (%)	CHANGE (BPS)	H2 2018 (%) EOP	H1 2018 (%) EOP
						1.96	2.17
OFFICE	CBD	AA	4.81	4.81	0	285	264
		A	5.63	5.63	0	367	346
		B	6.50	6.47	3	454	430
	SUBURBAN	A	6.33	6.31	2	437	414
		B	7.16	7.19	-3	520	502
INDUSTRIAL	ALL	A	5.17	5.28	-11	321	311
		B	6.16	6.25	-9	420	408
RETAIL	NEIGHBORHOOD/ COMMUNITY CENTER	ALL	6.25	6.16	9	429	399
	POWER	ALL	6.19	6.08	11	423	391
MULTI-FAMILY	INFILL	A	3.91	3.96	-5	195	179
	SUBURBAN	B	4.92	5.13	-21	296	296
HOTEL	CBD	FULL SERVICE	7.08	7.14	-6	512	497
	SUBURBAN	SELECT SERVICE	8.20	8.27	-7	624	610

Source: CBRE Research, Q4 2018, Bank of Canada. EOP = end of period.

Notes: H2 Government of Canada 10-year Bond Yield as of December 31, 2018. Some numbers may not total due to rounding.

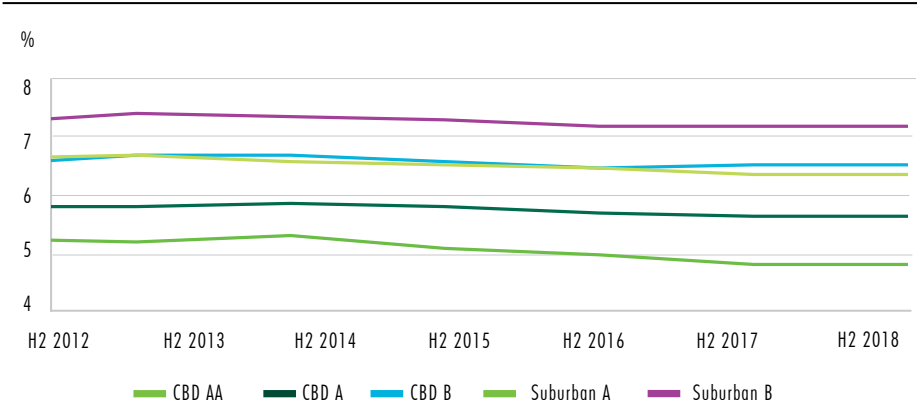
CANADA OFFICE | OVERVIEW

CBD AND SUBURBAN

Office cap rate fluctuations were minimal in H2 2018 with only minor movements occurring in a few markets. The national average cap rate for each of the five office subcategories moved by less than 5 bps in either direction, marking the third consecutive half in which office yields were largely unchanged. While rising interest rates remain of note, the late-year cooling of the bond market seems to have extinguished upward pressures on real estate cap rates for the time being. Spreads between the Government of Canada 10-year benchmark bond yield and the national average CBD Class AA office cap rate reached a low of 215 bps in early October before ending the half at 285 bps.

Overall, outside of energy-dependent markets, there are few pockets of weakness in the Canadian office industry. Strong leasing fundamentals and high rental rate growth expectations over the near-term in Canada’s gateway markets have allowed cap rates to remain at or near record lows despite rising interest rates.

FIGURE 67: CANADIAN OFFICE CBD AND SUBURBAN - HISTORICAL CAP RATES BY CLASS



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revision.

CANADA OFFICE CBD | FIGURE 68: KEY RATES

		CLASS AA		CLASS A		CLASS B	
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER I	Toronto	4.00 - 4.50	◄	4.25 - 4.75	◄	4.75 - 5.25	▲
	Vancouver	3.75 - 4.00	◄	3.75 - 4.25	◄	4.00 - 4.50	◄

		CLASS AA		CLASS A		CLASS B	
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER II	Calgary	5.25 - 5.75	◄	6.25 - 7.00	◄	7.75 - 8.50	◄
	Edmonton	5.50 - 6.00	◄	6.75 - 7.50	◄	8.00 - 10.00	◄
	Montreal	4.25 - 4.75	◄	5.00 - 5.50	◄	5.25 - 6.00	◄

		CLASS AA		CLASS A		CLASS B	
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Halifax	—		6.25 - 6.75	◄	7.00 - 7.50	◄
	Kitchener - Waterloo	—		6.00 - 7.00	◄	6.50 - 7.25	◄
	London - Windsor	—		6.50 - 8.50	◄	8.00 - 9.00	◄
	Ottawa	4.75 - 5.25	◄	5.00 - 5.50	◄	5.75 - 6.25	◄
	Quebec City	—		6.00 - 6.75		6.25 - 7.50	
	Saskatoon	—		6.50 - 7.25		7.25 - 8.25	
	Victoria	—		4.75 - 5.25		5.25 - 5.75	
	Winnipeg	—		5.50 - 6.00	◄	6.50 - 7.00	◄

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with Q2 2018. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps. Source: CBRE Research, Q4 2018.

CANADA OFFICE SUBURBAN | FIGURE 69: KEY RATES

		CLASS A		CLASS B	
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER I	Toronto	5.50 - 6.25	◄►	6.50 - 7.25	◄►
	Vancouver	4.75 - 5.50	◄►	5.25 - 6.00	◄►

		CLASS A		CLASS B	
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER II	Calgary	6.25 - 6.75	◄►	7.50 - 8.25	◄►
	Edmonton	6.75 - 7.50	◄►	7.50 - 8.00	◄►
	Montreal	5.50 - 6.50	◄►	6.75 - 7.50	▼

		CLASS A		CLASS B	
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Halifax	6.50 - 7.50	◄►	7.50 - 8.00	◄►
	Kitchener - Waterloo	6.00 - 7.00	◄►	6.75 - 7.75	◄►
	London - Windsor	7.50 - 8.00	◄►	8.00 - 8.50	◄►
	Ottawa	6.00 - 6.50	◄►	6.75 - 7.25	◄►
	Quebec City	6.25 - 7.00		6.50 - 7.25	
	Saskatoon	6.50 - 7.25		7.25 - 8.00	
	Victoria	5.00 - 5.50		5.25 - 5.75	
	Winnipeg	6.50 - 7.00	◄►	7.00 - 7.50	◄►

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

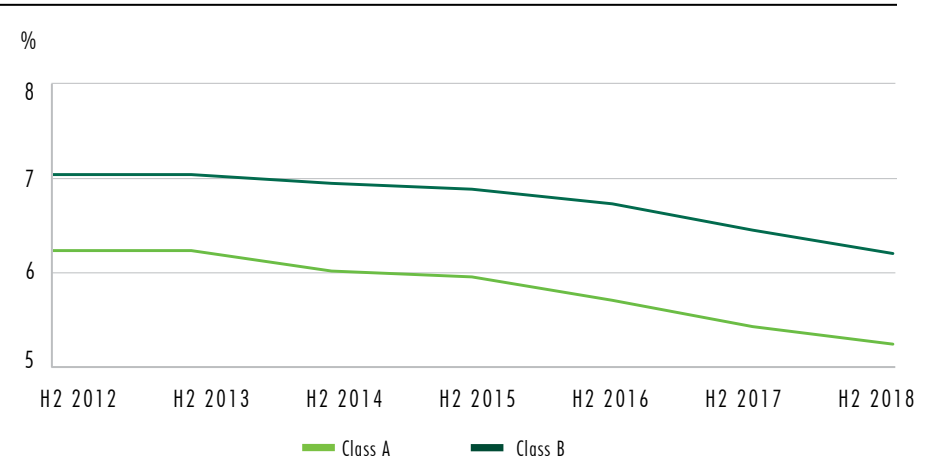
<sup>1</sup>Compared with Q2 2018. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps. Source: CBRE Research, Q4 2018.

CANADA INDUSTRIAL | OVERVIEW

Cap rates for Canadian industrial assets continued to fall in H2 due to a scarcity of properties on the market, stronger fundamentals across virtually all geographies and growing distribution and logistics requirements fueled by increases in e-commerce penetration. The national average cap rate for industrial Class A fell by 11 bps to 5.17% and industrial Class B fell by 9 bps to 6.16%. The national average Class A cap rate has dropped for 11 consecutive halves, while the Class B cap rate has fallen for seven consecutive halves.

Scarcity of Class A assets in the nation’s largest industrial hubs continues to place downward pressure on cap rates in these markets. Industrial Class A yields in Vancouver, Toronto and Montreal fell by 25, 12.5 and 50 bps in H2 2018, respectively, lowering spreads above the Government of Canada 10-year benchmark bond yield to 179, 229 and 317 bps, respectively. As was the case in H1 2018, shrinking yields and lack of product in Tier I markets has forced investors to consider alternate locations and cap rates also dropped in three additional markets in H2.

FIGURE 70: CANADIAN INDUSTRIAL - HISTORICAL CAP RATES BY CLASS



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revision.

CANADA INDUSTRIAL | FIGURE 71: KEY RATES

		CLASS A		CLASS B	
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER I	Toronto	4.00 - 4.50	◄►	5.00 - 6.00	◄►
	Vancouver	3.50 - 4.00	▼	4.25 - 4.75	▼

		CLASS A		CLASS B	
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER II	Calgary	5.00 - 5.50	◄►	5.75 - 6.25	◄►
	Edmonton	5.25 - 5.75	◄►	6.50 - 7.00	▼
	Montreal	4.75 - 5.50	▼	5.75 - 6.50	▼

		CLASS A		CLASS B	
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Halifax	6.00 - 7.00	◄►	7.25 - 7.75	◄►
	Kitchener - Waterloo	5.50 - 6.00	◄►	6.00 - 7.25	◄►
	London - Windsor	6.25 - 7.50	◄►	7.50 - 8.50	◄►
	Ottawa	4.50 - 5.00	◄►	5.50 - 6.50	◄►
	Quebec City	6.25 - 7.00		7.50 - 8.50	
	Saskatoon	6.25 - 7.00		6.75 - 7.25	
	Victoria	5.00 - 5.50		5.25 - 5.75	
	Winnipeg	6.00 - 6.50	◄►	6.50 - 7.25	◄►

▲ INCREASE    ▼ DECREASE    ◄► STABLE    — N/A

<sup>1</sup>Compared with Q2 2018. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps. Source: CBRE Research, Q4 2018.

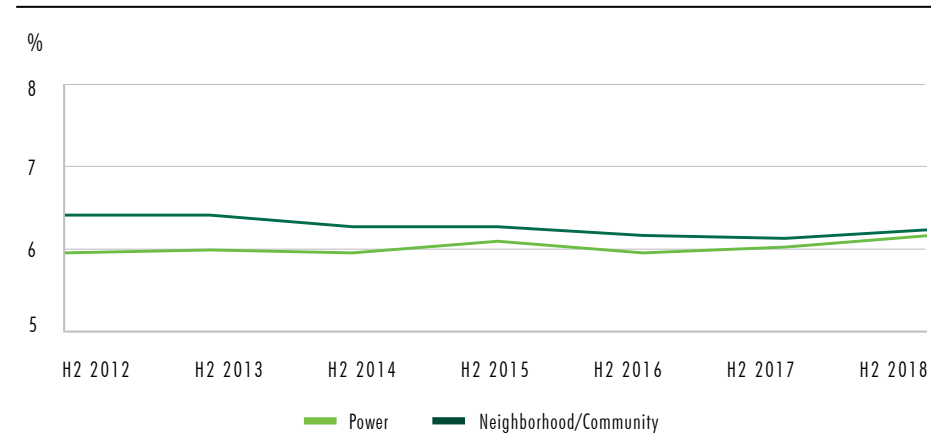
CANADA RETAIL | OVERVIEW

NEIGHBORHOOD/COMMUNITY AND POWER

The retail sector experienced significant changes in H2 2018 with yields becoming increasingly bifurcated across both geography and property types. The most sought-after retail subcategories remained high-performing regional malls, anchored strip centers and well-located urban street-front properties. On the other end of the spectrum, power centers and neighborhood/community centers continued to face significant headwinds and the national average cap rates in these categories rose by 11 and 9 bps, respectively, in H2.

Geographically, investors have rapidly shifted their focus toward Tier I and, in some cases, select Tier II markets withdrawing from other Tier II and Tier III cities. This was reflected in cap rates during H2 as retail yields rose in at least one property subcategory in Edmonton, Ottawa, London-Windsor and Quebec City. Toronto and Vancouver were once again the most desirable markets for retail investment in H2. Cap rates in these two markets remain the lowest in the country across most retail property types.

FIGURE 72: CANADIAN RETAIL NEIGHBORHOOD/COMMUNITY AND POWER - HISTORICAL CAP RATES BY CLASS



Source: CBRE Research, Q4 2018. Data for acquisition of stabilized grocery-anchored neighborhood/community and power centers.



CANADA NEIGHBORHOOD/COMMUNITY | FIGURE 73: KEY RATES

CLASS A

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER I	Toronto	5.00 - 6.25	◄►
	Vancouver	5.00 - 5.50	◄►

CLASS A

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER II	Calgary	5.25 - 5.75	◄►
	Edmonton	6.25 - 6.75	▲
	Montreal	6.50 - 7.00	◄►

CLASS A

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Halifax	7.00 - 8.00	◄►
	Kitchener - Waterloo	5.50 - 6.50	◄►
	London - Windsor	6.25 - 7.75	▲
	Ottawa	5.75 - 6.50	◄►
	Quebec City	7.25 - 8.50	
	Saskatoon	5.75 - 6.50	
	Victoria	5.00 - 5.50	
	Winnipeg	6.50 - 7.00	◄►

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with Q2 2018. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps. Source: CBRE Research, Q4 2018. Data for acquisition of stabilized grocery-anchored neighborhood/community centers.

CANADA RETAIL POWER | FIGURE 74: KEY RATES

CLASS A

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER I	Toronto	6.00 - 7.00	▲
	Vancouver	5.00 - 5.00	◄►

CLASS A

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER II	Calgary	5.50 - 6.00	◄►
	Edmonton	6.25 - 6.75	▲
	Montreal	6.00 - 6.75	◄►

CLASS A

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Halifax	6.25 - 7.25	◄►
	Kitchener - Waterloo	5.75 - 6.50	◄►
	London - Windsor	6.25 - 7.00	◄►
	Ottawa	6.00 - 6.75	▲
	Quebec City	6.50 - 7.50	
	Saskatoon	5.00 - 5.75	
	Victoria	5.00 - 5.50	
	Winnipeg	6.00 - 6.50	◄►

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with Q2 2018. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps. Source: CBRE Research, Q4 2018. Data for acquisition of stabilized retail power centers.

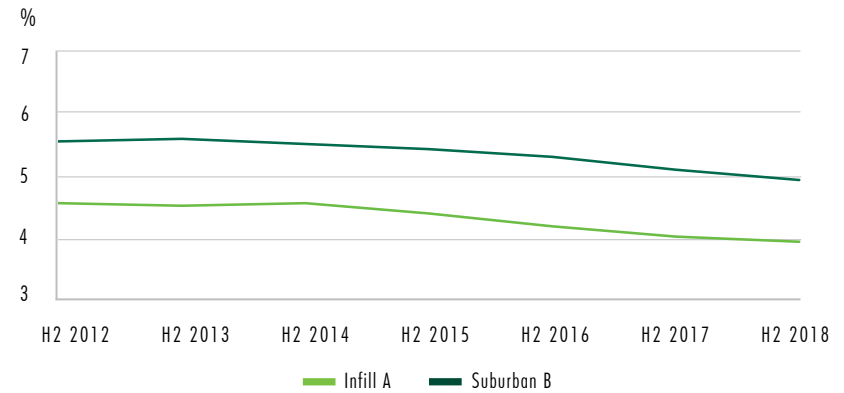
CANADA MULTIFAMILY | OVERVIEW

INFILL AND SUBURBAN

Canadian multifamily cap rates continued to fall in H2 despite already sitting at record lows in the face of thinning spreads to interest rates and bond yields. The sector remains aided by a variety of tailwinds, including strong net immigration totals, ever-rising homeownership costs and a lagging supply of new units. The stability of the sector is increasingly enticing for investors, given recent financial market volatility and economic uncertainty. Increased liquidity has placed significant upward pressure on pricing and downward pressure on cap rates.

The national average cap rate for infill Class A properties fell by 5 bps to 3.91% and suburban Class B properties dropped by 21 bps to 4.92% in H2. Yields in this sector remain the lowest of any asset class in Canada and investors are comfortable to compromise on going-in yields by underwriting sizeable future rent growth. This trend has also not been restricted to a single market: Seven cities—Calgary, Edmonton, Winnipeg, Toronto, London, Montreal and Quebec City—had contractions in multifamily yields over the second half of 2018.

FIGURE 75: CANADIAN MULTIFAMILY INFILL AND SUBURBAN - HISTORICAL RATES BY CLASS



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revision.

CANADA MULTIFAMILY INFILL | FIGURE 76: KEY RATES

INFILL CLASS A (HIGH-RISE A)

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
<b>TIER I</b>	Toronto	3.00 - 3.75	◄►
	Vancouver	2.50 - 3.00	◄►

INFILL CLASS A (HIGH-RISE A)

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
<b>TIER II</b>	Calgary	4.00 - 4.50	▼
	Edmonton	4.00 - 4.50	◄►
	Montreal	3.75 - 4.50	▼

INFILL CLASS A (HIGH-RISE A)

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
<b>TIER III</b>	Halifax	4.75 - 5.25	◄►
	Kitchener - Waterloo	4.25 - 4.75	◄►
	London - Windsor	4.75 - 5.50	◄►
	Ottawa	3.50 - 3.75	◄►
	Quebec City	4.25 - 4.75	◄►
	Saskatoon	—	—
	Victoria	—	—
	Winnipeg	—	—

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with Q2 2018. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps. Source: CBRE Research, Q4 2018.

CANADA MULTIFAMILY SUBURBAN | FIGURE 77: KEY RATES

SUBURBAN CLASS B (LOW-RISE B)

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
<b>TIER I</b>	Toronto	3.50 - 4.00	▼
	Vancouver	3.25 - 4.25	◄►

SUBURBAN CLASS B (LOW-RISE B)

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
<b>TIER II</b>	Calgary	4.75 - 5.25	▼
	Edmonton	5.50 - 6.00	▼
	Montreal	5.00 - 5.75	▼

SUBURBAN CLASS B (LOW-RISE B)

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
<b>TIER III</b>	Halifax	5.25 - 5.75	◄►
	Kitchener - Waterloo	4.75 - 5.50	◄►
	London - Windsor	6.00 - 7.25	◄►
	Ottawa	4.25 - 4.75	◄►
	Quebec City	5.25 - 6.25	◄►
	Saskatoon	6.00 - 6.50	◄►
	Victoria	4.00 - 4.50	◄►
	Winnipeg	5.50 - 6.00	◄►

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with Q2 2018. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps. Source: CBRE Research, Q4 2018.

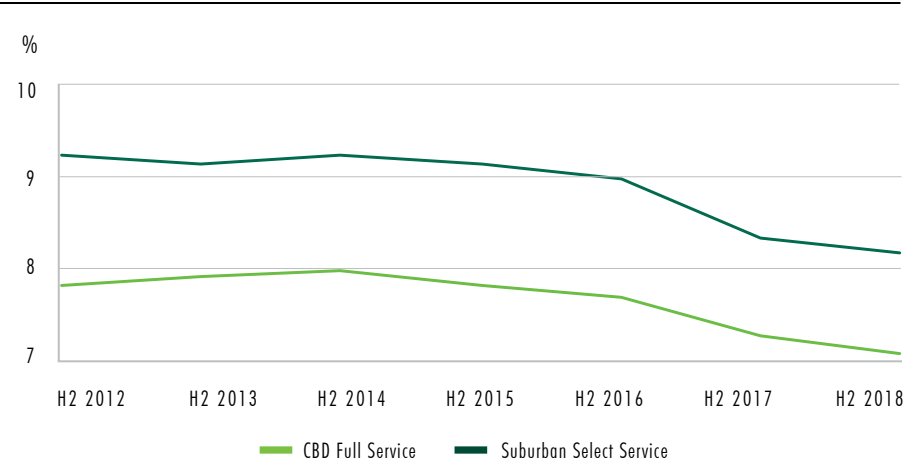
CANADA HOTEL | OVERVIEW

CBD AND SUBURBAN

Building off a very active H1, the Canadian hotel sector continued to exhibit strength in H2. Cap rates for CBD full-service and suburban select-service assets compressed by 6 bps and 7 bps in H2 to 7.08% and 8.20%, respectively. This marked the seventh consecutive quarter in which national average hotel yields have fallen.

While the major urban centers in British Columbia, Ontario and Quebec remain the most desirable destinations for capital, H2 2018 also saw downward pressure on cap rates in the Alberta markets. Both Calgary and Edmonton saw cap rates fall by 25 bps across the two hotel subcategories, a welcome development for two cities recovering from economic downturns that have spanned several years. This development may also signal that a perception of these markets as higher risk than other Tier II Canadian cities may be dissipating. Overall, demand for hotel assets across the country remains healthy and cap rates look stable going into the new year.

FIGURE 78: CANADIAN HOTEL CBD AND SUBURBAN - HISTORICAL RATES BY CLASS



Source: CBRE Research, Q4 2018. Data for stabilized acquisitions. Note: data is subject to historical revision.

CANADA HOTEL | FIGURE 79: KEY RATES

		CBD FULL-SERVICE		SUBURBAN SELECT (LIMITED) SERVICE	
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER I	Toronto	4.50 - 6.00	◄◄	7.00 - 8.50	◄◄
	Vancouver	4.50 - 6.00	◄◄	6.50 - 7.50	◄◄

		CBD FULL-SERVICE		SUBURBAN SELECT (LIMITED) SERVICE	
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER II	Calgary	6.75 - 8.50	▼	7.75 - 9.00	▼
	Edmonton	7.00 - 8.50	▼	8.25 - 9.25	▼
	Montreal	7.00 - 8.00	◄◄	7.75 - 8.75	◄◄

		CBD FULL-SERVICE		SUBURBAN SELECT (LIMITED) SERVICE	
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Halifax	7.25 - 8.75	◄◄	8.00 - 9.00	◄◄
	Kitchener - Waterloo	7.50 - 8.50	◄◄	8.00 - 9.00	◄◄
	London - Windsor	7.50 - 8.75	◄◄	8.00 - 9.00	◄◄
	Ottawa	7.00 - 8.00	◄◄	7.75 - 8.75	◄◄
	Quebec City	7.25 - 8.50		8.00 - 9.00	
	Saskatoon	7.25 - 8.75		8.50 - 9.75	
	Victoria	5.50 - 7.00		7.50 - 8.50	
	Winnipeg	7.00 - 8.50	◄◄	8.00 - 9.50	◄◄

▲ INCREASE ▼ DECREASE ◄◄ STABLE — N/A

<sup>1</sup>Compared with Q2 2018. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps. Source: CBRE Research, Q4 2018.

**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)**

	<b>\$/SQ. FT./YEAR</b>	<b>TOTAL</b>
PURCHASE PRICE	\$200	\$20,000,000
NET OPERATING INCOME (NOI)		
<b>INCOME</b>		
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)
<b>NET RENTAL INCOME</b>	<b>19.11</b>	<b>1,911,000</b>
<b>OTHER INCOME</b>		
Parking	0.67	67,000
Other Income	0.08	8,000
Expense Reimbursements	2.44	244,000
<b>EFFECTIVE GROSS INCOME</b>	<b>22.30</b>	<b>2,230,000</b>
<b>OPERATING EXPENSES</b> (Estimated year 1 of holding period)	<b>9.62</b>	<b>962,000</b>
<b>NET OPERATING INCOME (NOI)</b>	<b>\$12.68</b>	<b>\$1,268,000</b>
<b>CAP RATE</b> (NOI divided by purchase price)		<b>6.3%</b>

Source: CBRE Research.

[Click here for more detailed calculations for each property type.](#)

**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 Research.

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

**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 Research.

**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
Concessions	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 Research.

[Click here for more detailed calculations for each property type.](#)



## APPENDIX | DEFINITIONS CONT.

## METHOD FOR ASSIGNING METROS TO TIERS

Metropolitan areas in the CBRE North America Cap Rate Survey are divided into three peer groups, primary (Tier I), secondary (Tier II) and tertiary (Tier III).

The groups were determined for each property type by ranking all markets according to three metrics: most recent rents, five-year cap rate averages and nine-year investment volumes (to capture the length of the current economic cycle). Weights were then assigned to each fundamental to calculate a weighted average score for each market. The weights depended on how strongly each fundamental was correlated with pricing for each property type—the stronger the correlation, the larger the weight. The weights, as well as the metros that comprise each tier, vary across the five property types monitored in the survey.

The division into tiers was determined by the most significant natural breaks in the list of final scores. In a small minority of cases, markets were assigned to a different tier than that suggested by the final score because idiosyncrasies placed the metro among others that might not normally be considered its peers. An excellent example is Honolulu—while often priced as a Tier I market, it has the fundamentals of a Tier III market. Since our objective is to rank markets based on what we believe are the key drivers of pricing, as opposed to pricing itself, Honolulu lands in Tier III.

The geographical boundaries for U.S. metros are primarily based on the U.S. Census Bureau's definition of the combined statistical area (CSA) for large markets and the metropolitan statistical area (MSA) for other markets. A CSA combines the core MSA with adjacent MSAs that 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 largest 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.

**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.

## APPENDIX | DEFINITIONS CONT.

## RETAIL-SPECIFIC DEFINITIONS

**High Street**

The primary walkable retail shopping thoroughfare in the premier 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 sq. ft.

**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 100,00 sq. ft. to more than 600,000 sq. ft.

## 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.

## 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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