

A CBRE RESEARCH PUBLICATION

# CBRE NORTH AMERICA CAP RATE SURVEY

SECOND HALF 2019

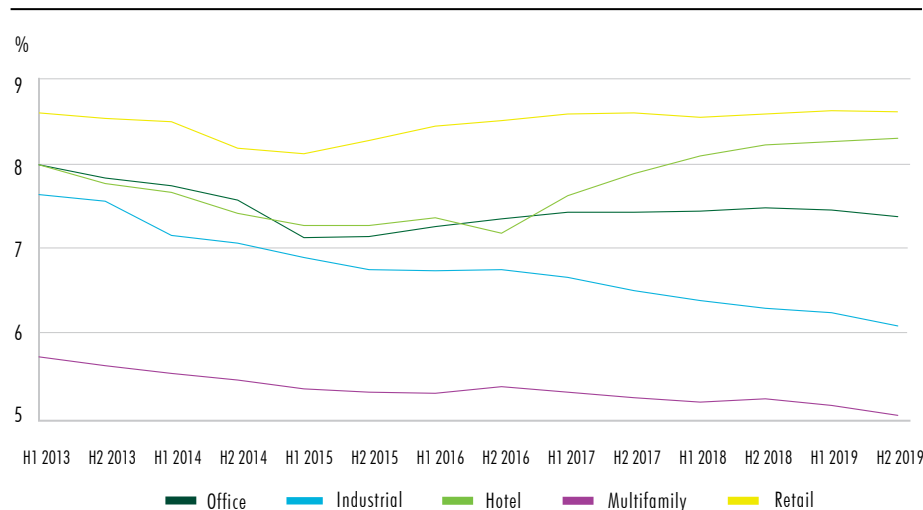
**CBRE**



## U.S. OVERVIEW

- Capitalization rates for U.S. commercial real estate assets were broadly unchanged in H2 2019. All property types across nearly all classes and segments changed by less than 15 basis points (bps). Industrial and multifamily cap rates tightened the most.
- Cap rates for retail and hotel properties remained essentially flat except for a negligible increase for retail power centers. Industrial and multifamily cap rates fell slightly, as did suburban office rates.
- CBRE expects cap-rate stability in H1 2020 across property types, segments, classes and market tiers, except for a slight increase in the hotel sector.

**FIGURE 1A: U.S. STABILIZED CAP RATES BY PROPERTY TYPE**



Source: CBRE Research, Q4 2019. Note: Retail excludes High Street.

## Office

- Strong market fundamentals in H2 2019 supported ongoing, competitive pricing for office properties.
- There were minimal changes in office cap rates in H2, continuing a pattern of stability over the past three years with cap rates remaining near record-lows for this cycle.
- Tier II markets, particularly in the suburbs, were one of the few categories with noticeable downward movement in cap rates.
- No change in office cap rates is expected in H1 2020 by the majority of survey respondents.
- Ten years of virtually uninterrupted demand and stable employment growth continued to underpin a favorable and competitive environment for U.S. office properties. Cap rates remained near record lows, supported by cyclically high levels of investment capital seeking office assets.

## Industrial

- The thriving industrial sector continues to draw investors. Soaring values led to sustained cap rate compression in H2 2019. Some moderate tightening should continue in 2020 but cap rates largely should remain stable.
- Cap rates for acquisitions of stabilized assets averaged 6.13% for all tiers and classes, falling by 13 bps in H2. Rates for value-add acquisitions fell by 17 bps to 7.18%. Class A cap rates declined 10 bps to 4.89%, their lowest level since the Cap Rate Survey began in H1 2009.

## OVERVIEW CONT.

## Retail

- Retail cap rates were relatively stable in H2 2019, especially across Tier I and II markets and Class A and B properties, with few sales of core assets.
- Tier III markets and Class C assets attracted increased investment activity among private buyers due to higher risk tolerance and opportunities for redevelopment.
- Grocery-anchored neighborhood/community centers remained the favorite retail asset class for investors because of perceived resilience in a recession and relatively low e-commerce penetration. Store formats that incorporate technology to attract consumers and create demand were particularly attractive.
- Power center cap rates remained high in Tier III markets, as values eroded due to big-box closures and bankruptcies with fewer tenant options to backfill vacant space in existing configurations.
- High-street cap rates were unchanged, with continued demand for quality assets in premier locations.

## Multifamily

- Multifamily cap rates and expected returns on cost remained at historically low levels in H2 2019.
- Average cap rates edged down 9 bps to 5.11% for infill stabilized assets and by 11 bps to 5.37% for suburban assets. Expected returns on cost also were relatively stable with more modest downward changes.
- Cap rate spreads between Class A and Class C assets and between Tier I and Tier III markets continued to tighten, indicating that many investors are finding better opportunities in lower-quality assets and in secondary and tertiary markets.
- Most survey respondents anticipate cap rates and expected returns on cost to remain stable in H2 2020. A minority of respondents expect modest tightening.

## Hotel

- The overall hotel cap rate was essentially unchanged in H2 2019, down by just 1 bp to 8.27%. Cap rates for both CBD and suburban properties were stable.
- A long-term trend of shrinking cap-rate spreads between market tiers continued in 2019. Spreads between CBD and suburban full- and select-service hotels remained slightly elevated compared with 2018.
- The spread between Tier I and III markets fell most noticeably for full-service hotels, shrinking by 9 bps for CBD hotels and 14 bps for suburban. Only suburban economy hotels had a widened spread between Tier I and III, albeit marginally.

## 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 1B: U.S. NATIONAL-LEVEL CAP RATES AND EXPECTED RETURNS ON COST BY PROPERTY TYPE, SEGMENT AND CLASS**

PROPERTY TYPE	SEGMENT	CLASS	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 2019 (%)	H1 2019 (%)	CHANGE (BPS)	H2 2019 (%) EOP	H1 2019 (%) EOP	H2 2019 (%)	H1 2019 (%)	CHANGE (BPS)	H2 2019 (%) EOP	H1 2019 (%) EOP
						1.92	2.00				1.92	2.00
OFFICE	CBD	ALL	6.65	6.67	-3	473	467	8.37	8.43	-6	645	643
		AA	5.21	5.24	-3	329	324	-	-	-	-	-
		A	5.99	6.05	-6	407	405	7.36	7.41	-5	544	541
		B	6.89	6.91	-2	497	491	8.18	8.23	-5	626	623
		C	8.66	8.66	0	674	666	9.84	9.91	-7	792	791
	SUBURBAN	ALL	7.80	7.91	-11	588	591	9.47	9.56	-9	755	756
		AA	6.24	6.34	-10	432	434	-	-	-	-	-
		A	7.00	7.11	-10	508	511	8.25	8.29	-4	633	629
		B	8.21	8.31	-10	629	631	9.42	9.53	-11	750	753
		C	9.62	9.75	-13	770	775	10.81	10.92	-11	889	892
INDUSTRIAL	ALL	ALL	6.13	6.27	-13	421	427	7.18	7.36	-17	526	536
		A	4.89	5.00	-10	297	300	5.80	5.97	-17	388	397
		B	5.80	5.86	-6	388	386	6.80	6.95	-15	488	495
		C	7.87	7.99	-12	594	599	9.13	9.20	-7	721	720
		ALL	7.47	7.47	0	555	547	9.46	9.45	1	754	745
RETAIL	NEIGHBORHOOD/ COMMUNITY CENTER	A	5.94	5.94	0	402	394	-	-	-	-	-
		B	7.37	7.38	-1	545	538	8.68	8.67	1	676	667
		C	9.19	9.18	1	727	718	10.29	10.27	2	837	827
		ALL	8.54	8.46	8	662	646	10.43	10.25	18	851	825
	POWER CENTER	A	7.21	7.18	3	529	518	-	-	-	-	-
		B	8.43	8.35	8	651	635	9.57	9.49	8	765	749
		C	9.98	9.86	12	806	786	11.32	11.04	28	940	904
		ALL	8.54	8.46	8	662	646	10.43	10.25	18	851	825
	HIGH STREET	A	4.78	4.76	2	286	276	-	-	-	-	-
		ALL	4.78	4.76	2	286	276	-	-	-	-	-

(FIGURE 1B: continues on next page)

Source: CBRE Research Q4 2019, U.S. Department of the Treasury. EOP = end of period.

Notes: H1 Treasury yield as of December 31, 2019. 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.

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

PROPERTY TYPE	SEGMENT	CLASS	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 2019 (%)	H1 2019 (%)	CHANGE (BPS)	H2 2019 (%) EOP	H1 2019 (%) EOP	H2 2019 (%)	H1 2019 (%)	CHANGE (BPS)	H2 2019 (%) EOP	H1 2019 (%) EOP
						1.92	2.00				1.92	2.00
MULTIFAMILY	INFILL	ALL	5.11	5.19	-9	319	319	5.90	5.94	-4	398	394
		A	4.64	4.69	-5	272	269	5.40	5.37	3	348	337
		B	5.02	5.11	-8	310	311	5.84	5.86	-2	392	386
		C	5.68	5.80	-12	376	380	6.47	6.59	-12	455	459
	SUBURBAN	ALL	5.37	5.48	-11	345	348	6.10	6.19	-9	418	419
		A	4.89	4.99	-10	297	299	5.56	5.62	-6	364	362
		B	5.26	5.37	-10	334	337	5.95	6.04	-9	403	404
		C	5.96	6.10	-14	404	410	6.79	6.91	-12	487	491
HOTEL	CBD	ALL	7.99	8.01	-1	607	601	-	-	-	-	-
		LUXURY	7.01	7.05	-4	509	505	-	-	-	-	-
		FULL SERVICE	7.76	7.75	0	584	575	-	-	-	-	-
		SELECT SERVICE	8.00	8.04	-3	608	604	-	-	-	-	-
		ECONOMY	9.22	9.20	1	730	720	-	-	-	-	-
	SUBURBAN	ALL	8.55	8.55	0	663	655	-	-	-	-	-
		LUXURY	7.61	7.61	0	569	561	-	-	-	-	-
		FULL SERVICE	8.28	8.26	2	636	626	-	-	-	-	-
		SELECT SERVICE	8.50	8.53	-2	658	653	-	-	-	-	-
		ECONOMY	9.76	9.74	2	784	774	-	-	-	-	-

Source: CBRE Research Q4 2019, U.S. Department of the Treasury. EOP = end of period.

Notes: H1 Treasury yield as of December 31, 2019. 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 most stabilized CBD office properties, regardless of market tier or asset class, remained essentially unchanged in H2 2019, continuing a pattern of remarkable stability over the past three years.

Nevertheless, there have been subtle shifts, particularly for higher-quality properties in Tier II markets, where cap rate compression has been slightly stronger. Since H2 2018, cap rates for Class AA and A properties in Tier II markets have decreased by roughly 20 bps. Markets with the largest decreases in Class A rates over the past year include Dallas/Ft. Worth, Atlanta and, to a lesser extent, Charlotte. These markets are characterized by favorable fundamentals that provide relatively high yields and less risk for higher-quality assets.

Cap rates in Tier I markets for all segments except Class C were stable over the past year and remained the lowest of any office subtype, although they are higher than three years ago. At the other end of the spectrum in Tier I markets, Class C cap rates tightened modestly in H2 but, like the other segments, have increased over the past few years. In addition to rising interest rates in 2017 and 2018, upward pressure also stems from an abundant supply of new CBD office properties in Tier I markets, which may threaten demand for lower-quality Class C properties.

Returns on cost for value-add CBD office properties remained relatively stable, but subtle shifts did occur. Notably, returns on cost for Class A and B properties in Tier I markets remained elevated from three years ago, having increased alongside rising interest rates and widening their spreads to risk-free rates. However, returns on cost decreased for every class segment and market tier in H2 2019, with the most significant change for Class C value-add assets in Tier I markets (down 18 bps to 8.43%).

The H1 2020 outlook for CBD cap rates is for continued stability. Approximately 90% of survey respondents expect no change in stabilized rates, while 8% foresee a

slight change of 25 bps or less in either direction. Respondents had a similar outlook for value-add returns on cost.

## SUBURBAN

Suburban office cap rates declined by 11 bps in H2 2019, the first measurable drop since H1 2015. Improvement in suburban office market fundamentals due to limited new supply and lower interest rates appeared to assuage investor concerns over the somewhat sluggish momentum in many suburban markets during this cycle. Although the spread between CBD and suburban cap rates remained elevated in H2 2019 relative to levels earlier in this cycle, it has steadily narrowed since reaching a high of 127 bps in H1 2018.

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

METRO TIER	CLASS	H2 2019 (%)	H1 2019 (%)	CHANGE (BPS)
ALL	ALL	6.65	6.67	-3
	AA	5.21	5.24	-3
	A	5.99	6.05	-6
	B	6.89	6.91	-2
	C	8.66	8.66	0
I	AA	4.58	4.59	-1
	A	5.17	5.20	-3
	B	5.75	5.76	-1
	C	7.33	7.38	-5
II	AA	5.60	5.67	-7
	A	6.17	6.28	-11
	B	7.54	7.58	-3
	C	8.96	8.90	6
III	AA	6.81	6.83	-2
	A	7.59	7.64	-5
	B	8.48	8.51	-3
	C	10.09	10.11	-2

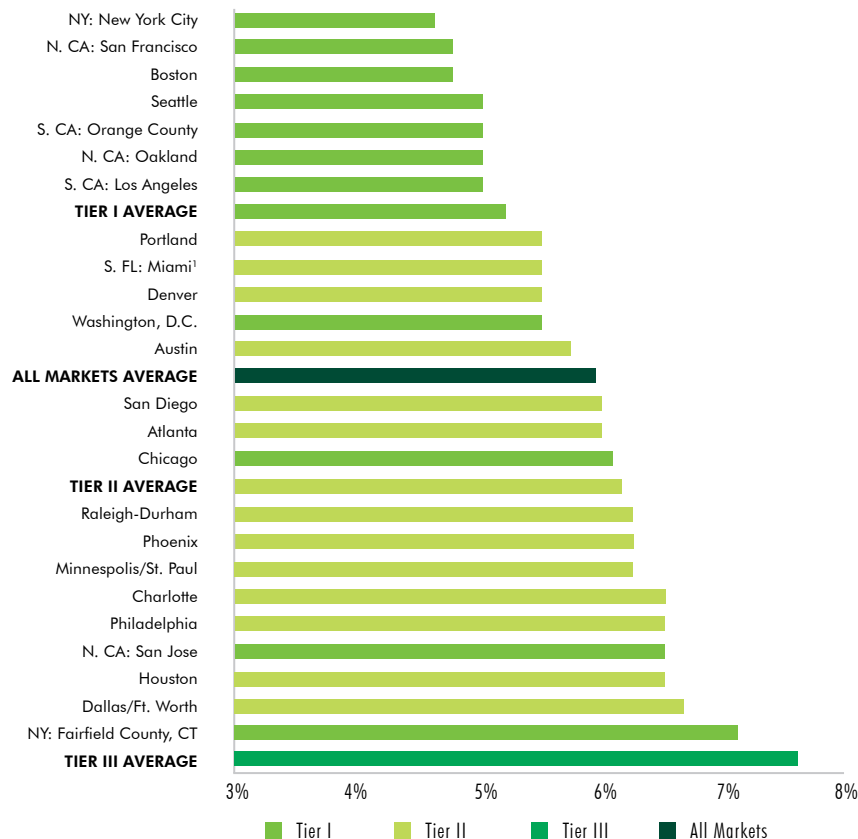
Source: CBRE Research, Q4 2019. Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.



## U.S. OFFICE | OVERVIEW CONT.

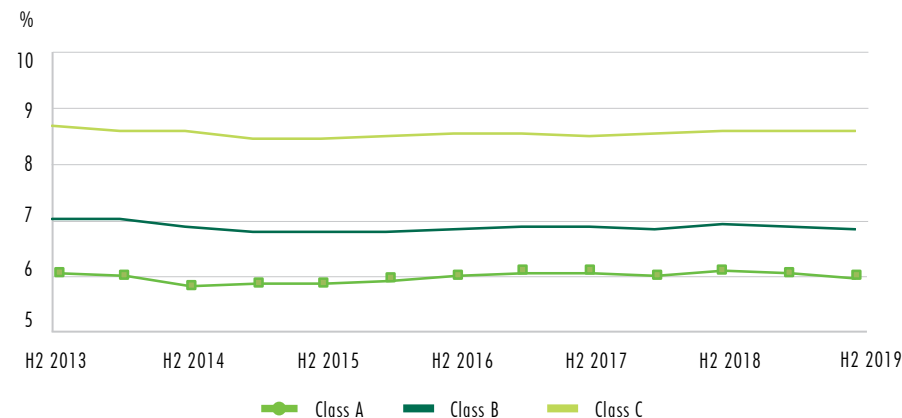
Suburban cap rate compression was much stronger than that of the CBD in H2 2019, with the largest decreases for higher-quality properties in Tier II markets. Philadelphia and Dallas/Ft. Worth were the primary drivers of the downward trend in Tier II cap rates, with increased liquidity and more optimistic investor sentiment spurring lower cap rates in H2.

**FIGURE 3: U.S. OFFICE CBD - CLASS A CAP RATES, H2 2019 - TIER I & II METROS**



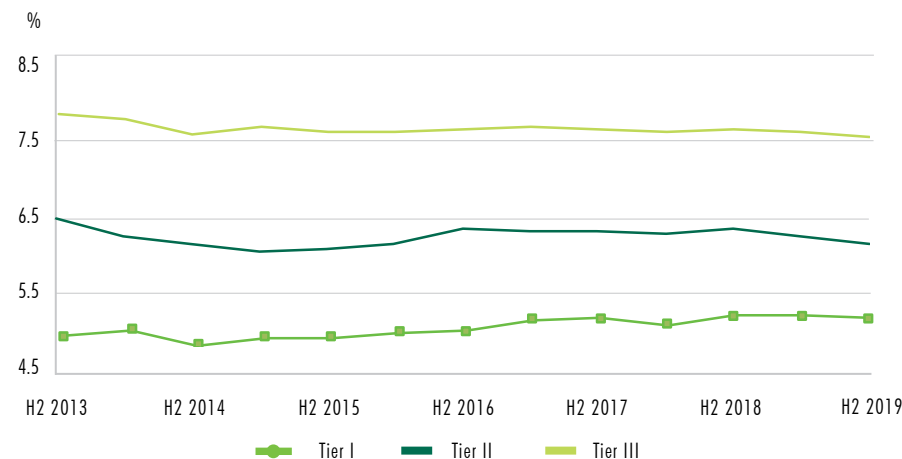
<sup>1</sup>Covers the three-county Miami area.  
Source: CBRE Research, Q4 2019. Data for stabilized acquisitions. Notes: data is subject to historical revisions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (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 2019. 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 2019. Data for stabilized acquisitions. Note: data is subject to historical revisions.

## U.S. OFFICE | OVERVIEW CONT.

The spread between stabilized and value-add suburban properties reached 167 bps in H2, the widest since CBRE began tracking cap rates in H1 2009. After hovering near an average of 160 bps between H1 2015 and H1 2018, the spread increased in each of the past three surveys as value-add returns rose from a low of 9.01% in H2 2014 and stabilized cap rates plateaued. Although both value-add and stabilized rates decreased in H2, tightening was more significant for stabilized assets, further widening the spread.

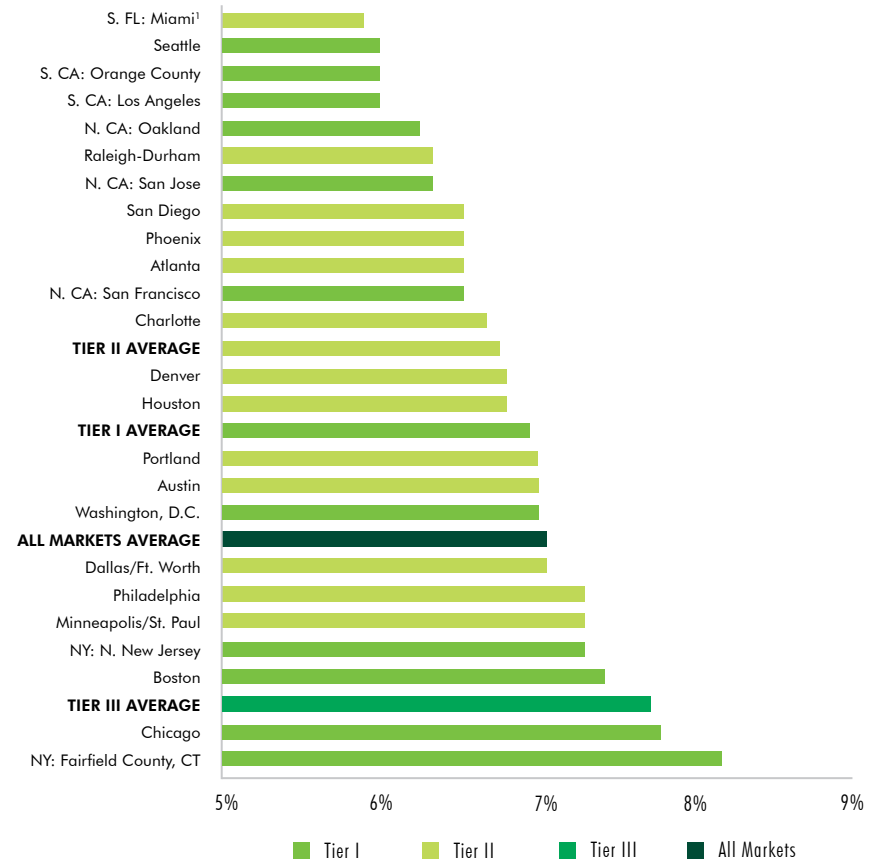
Most survey respondents (92%) expect no change in suburban stabilized cap rates in H1 2020, while 5% expect decreases of less than 25 bps. 93% of respondents expect no change in value-add assets and 4% expect increases of 25 bps or less.

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

METRO TIER	CLASS	H2 2019 (%)	H1 2019 (%)	CHANGE (BPS)
ALL	ALL	7.80	7.91	-11
	AA	6.24	6.34	-10
	A	7.00	7.11	-10
	B	8.21	8.31	-10
	C	9.62	9.75	-13
I	AA	6.04	6.07	-3
	A	6.84	6.92	-7
	B	8.07	8.15	-8
	C	9.39	9.56	-17
II	AA	6.13	6.36	-23
	A	6.72	6.89	-16
	B	8.10	8.24	-14
	C	9.58	9.73	-15
III	AA	7.02	7.03	-1
	A	7.72	7.79	-7
	B	8.61	8.68	-7
	C	10.03	10.08	-5

Source: CBRE Research, Q4 2019. Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

**FIGURE 7: U.S. OFFICE SUBURBAN - CLASS A CAP RATES, H2 2019 - TIER I & II METROS**



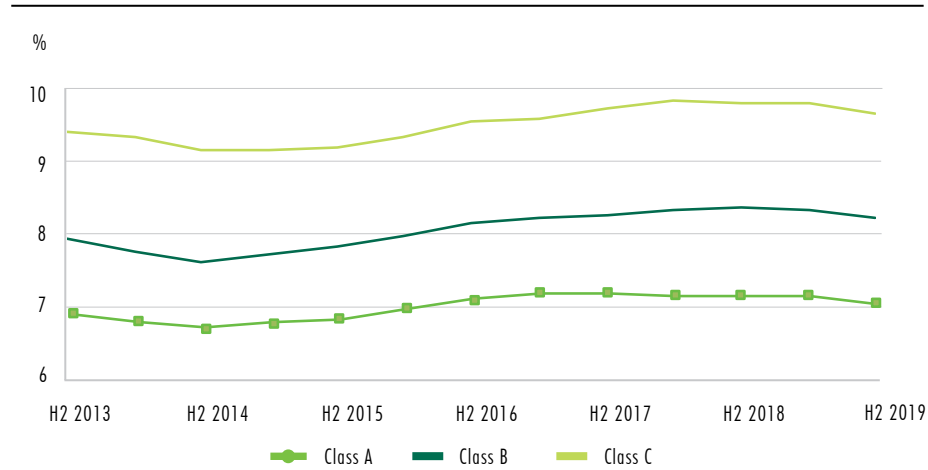
<sup>1</sup>Covers the three-county Miami area.

Source: CBRE Research, Q4 2019. 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.



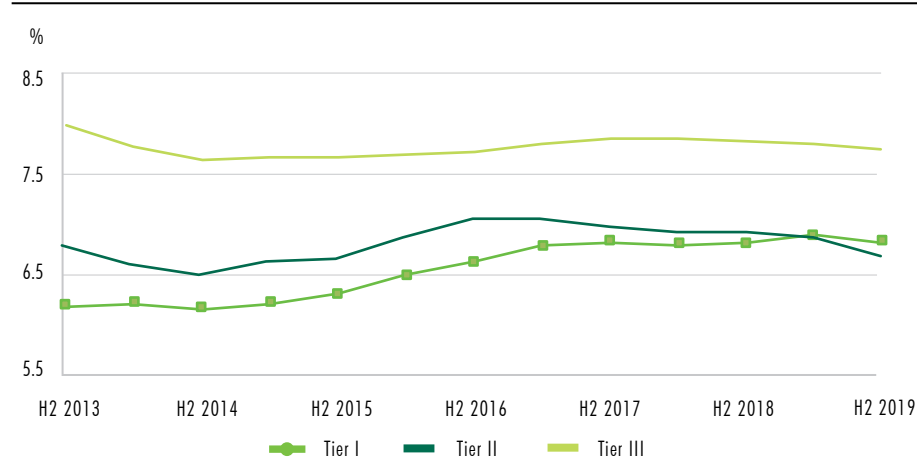
## U.S. OFFICE | OVERVIEW CONT.

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



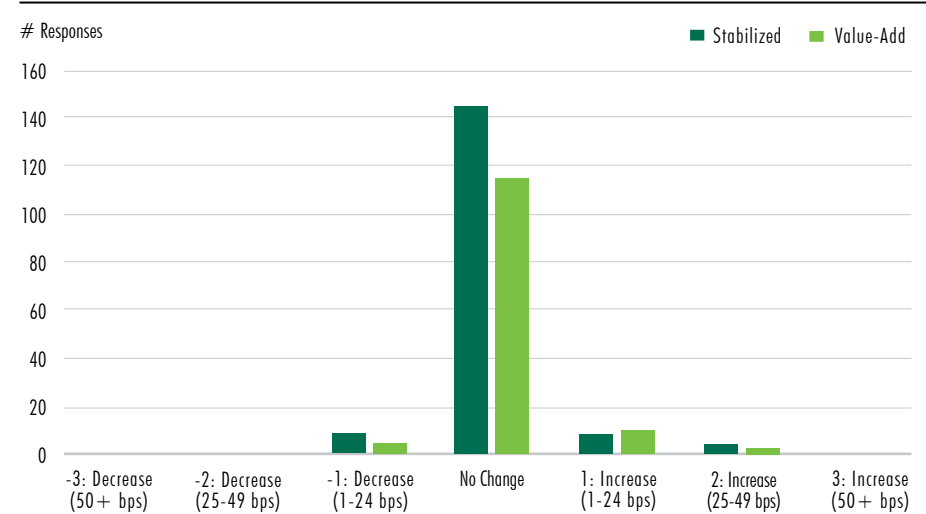
Source: CBRE Research, Q4 2019. Data for stabilized acquisitions. Note: data is subject to historical revisions.

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



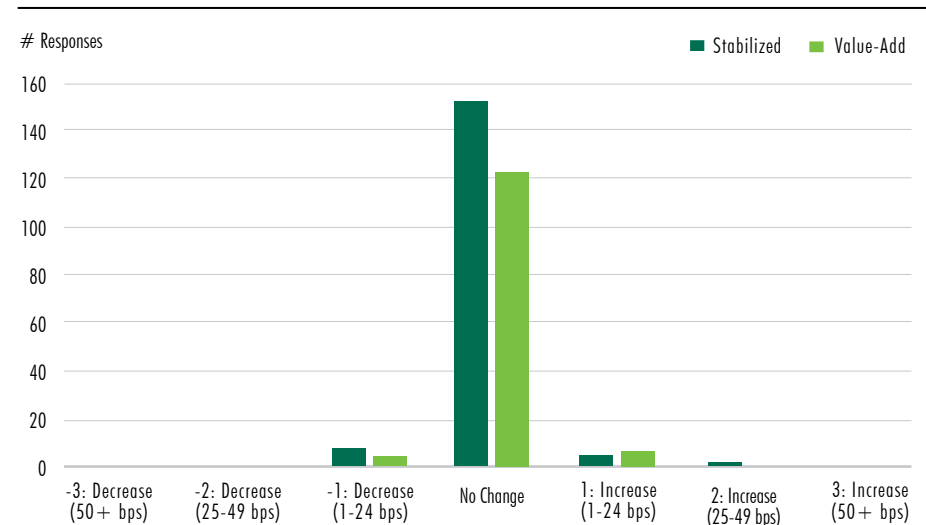
Source: CBRE Research, Q4 2019. Data for stabilized acquisitions. Note: data is subject to historical revisions.

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



Source: CBRE Research, Q4 2019.

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



Source: CBRE Research, Q4 2019.

## 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>		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	4.00 - 5.00	◄		4.25 - 5.25	◄	6.00 - 6.75	◄	4.75 - 5.75	◄	7.00 - 8.00	◄	—
	Chicago	4.75 - 5.50	◄		5.50 - 6.75	◄	7.25 - 8.00	◄	6.50 - 7.50	◄	7.75 - 8.75	▼	7.50 - 8.50
	N. CA: Oakland	4.50 - 5.50	◄		4.50 - 5.50	◄	6.25 - 7.25	◄	6.00 - 7.00	◄	8.00 - 9.00	◄	8.00 - 9.00
	N. CA: San Francisco	4.00 - 4.50	◄		4.50 - 5.00	◄	6.00 - 6.50	◄	5.00 - 6.00	◄	6.50 - 7.00	◄	6.00 - 6.50
	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
	NY: Fairfield County, CT	—			6.75 - 7.50	◄	8.75 - 9.50	◄	7.75 - 8.50	◄	9.75 - 10.50	◄	9.25 - 9.75
	NY: New York City	4.50 - 4.50	◄		4.50 - 4.75	▼	6.00 - 6.25	▼	4.75 - 5.00	▼	6.25 - 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
	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
	Seattle	4.25 - 4.75	◄		4.75 - 5.25	◄	5.50 - 6.75	▼	5.50 - 6.50	◄	6.50 - 7.75	◄	6.75 - 8.50
	Washington, D.C.	4.75 - 5.00	▲		5.25 - 5.75	▲	6.50 - 7.25	◄	5.50 - 6.00	▲	6.75 - 7.75	▼	6.25 - 7.25
		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>	
TIER II	Atlanta	5.00 - 5.75	▼		5.50 - 6.50	▼	6.50 - 7.25	◄	7.25 - 8.25	◄	7.50 - 8.50	◄	8.50 - 10.00
	Austin	5.25 - 5.75	▲		5.50 - 6.00	◄	7.50 - 8.50	◄	6.50 - 7.50	▲	8.50 - 9.00	◄	7.50 - 8.00
	Charlotte	5.50 - 6.00	◄		6.00 - 7.00	◄	7.75 - 8.50	▼	6.75 - 8.00	◄	8.50 - 9.50	◄	8.25 - 9.00
	Dallas/Ft. Worth	5.25 - 6.25	▼		6.00 - 7.25	▼	8.00 - 10.25	▼	8.25 - 10.25	◄	9.50 - 11.00	▼	9.75 - 12.25
	Denver	4.75 - 5.25	◄		5.25 - 5.75	◄	6.00 - 6.75	◄	6.25 - 6.75	▼	6.75 - 7.25	▼	7.50 - 9.50
	Houston	5.50 - 6.00	◄		6.25 - 6.75	◄	8.00 - 9.00	◄	7.50 - 8.00	◄	9.00 - 10.00	◄	9.00 - 9.50
	Minneapolis/St. Paul	5.00 - 5.50	◄		5.75 - 6.75	◄	7.50 - 8.50	◄	7.75 - 8.50	◄	9.25 - 10.00	◄	9.00 - 10.00
	Philadelphia	6.00 - 6.25	◄		6.25 - 6.75	◄	8.00 - 9.00	◄	7.00 - 7.50	◄	8.50 - 9.50	◄	8.00 - 8.50
	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
	Portland	4.75 - 5.25	◄		5.00 - 6.00	◄	6.00 - 7.00	◄	6.00 - 7.00	◄	7.00 - 8.00	◄	6.75 - 7.75
	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
	S. FL: Miami <sup>2</sup>	—			4.75 - 6.25	▼	6.00 - 7.50	◄	6.00 - 7.00	◄	7.00 - 8.00	◄	7.25 - 8.25
	San Diego	5.50 - 6.00	◄		5.75 - 6.25	◄	6.25 - 7.25	◄	6.50 - 7.50	◄	7.25 - 8.50	◄	7.25 - 7.75

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with H1 2019. Changes less than 15 bps considered stable. <sup>2</sup>Covers the three-county Miami area. Source: CBRE Research, Q4 2019. 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>	
TIER III	Albuquerque	8.50 - 9.00	◄►		8.25 - 9.00	◄►	9.25 - 10.00	◄►	8.75 - 9.75	◄►	10.25 - 12.25	◄►	
	Baltimore	6.75 - 7.25	◄►		7.50 - 8.50	◄►	8.50 - 9.25	◄►	8.25 - 9.50	◄►	8.75 - 10.00	◄►	
	Cincinnati	—			7.00 - 8.50	◄►	8.00 - 9.00	◄►	8.00 - 9.00	◄►	8.00 - 9.50	▼	
	Cleveland	7.75 - 8.25	◄►		8.00 - 8.75	◄►	8.75 - 9.75	◄►	8.50 - 9.50	◄►	9.75 - 10.75	◄►	
	Columbus	—			7.50 - 8.50	◄►	8.25 - 9.75	◄►	8.50 - 9.50	◄►	9.75 - 10.75	◄►	
	Detroit	—			8.50 - 9.25	◄►	9.00 - 9.75	◄►	9.00 - 10.00	◄►	9.25 - 10.25	◄►	
	Indianapolis	—			7.50 - 8.50	◄►	8.50 - 9.25	◄►	8.25 - 9.00	◄►	9.25 - 10.25	◄►	
	Jacksonville	—			7.25 - 7.25	▼	8.50 - 9.50	◄►	8.50 - 8.50	▼	10.50 - 11.00	◄►	
	Kansas City	—			7.25 - 7.75	◄►	8.50 - 9.00	◄►	8.75 - 9.75	◄►	9.75 - 10.75	◄►	
	Las Vegas	7.00 - 7.50	◄►		7.00 - 7.50	◄►	7.75 - 8.75	◄►	7.25 - 8.25	◄►	9.00 - 10.00	◄►	
	Memphis	—			8.50 - 9.00	◄►	9.50 - 10.50	◄►	9.00 - 10.00	◄►	10.50 - 11.50	◄►	
	Nashville	5.75 - 6.25	▼		6.00 - 6.50	▼	7.75 - 8.75	▼	6.75 - 7.75	▼	8.25 - 8.75	▼	
	Oklahoma City	—			7.00 - 8.00	◄►	8.00 - 9.25	◄►	7.75 - 10.00	◄►	8.25 - 9.50	◄►	
	Orlando	6.50 - 6.75	◄►		6.50 - 6.75	◄►	6.50 - 7.00	◄►	7.00 - 7.50	◄►	7.25 - 7.75	◄►	
	Pittsburgh	6.50 - 7.00	◄►		6.75 - 7.25	◄►	8.25 - 9.25	◄►	8.00 - 8.50	◄►	9.75 - 11.75	◄►	
	Sacramento	5.75 - 7.00	◄►		6.00 - 7.00	◄►	7.00 - 8.00	◄►	6.75 - 7.50	◄►	7.75 - 8.50	◄►	
	Salt Lake City	5.25 - 6.00	◄►		5.50 - 6.25	▼	5.50 - 6.75	▼	6.25 - 7.00	◄►	6.50 - 7.25	◄►	
	San Antonio	6.25 - 6.75	◄►		6.50 - 7.50	◄►	8.00 - 9.00	◄►	8.00 - 9.00	◄►	9.00 - 11.00	◄►	
	St. Louis	—			9.25 - 9.75	◄►	9.75 - 10.25	◄►	9.75 - 10.00	◄►	10.00 - 10.50	◄►	
	Tampa	—			6.50 - 7.00	◄►	7.00 - 8.00	◄►	7.25 - 8.00	◄►	7.75 - 9.00	◄►	

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with H1 2019. Changes less than 15 bps considered stable.

Source: CBRE Research, Q4 2019.

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

		CLASS AA		CLASS A		CLASS B		CLASS C	
		CAP RATES FOR STABILIZED PROPERTIES		CAP RATES FOR STABILIZED PROPERTIES	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES	CAP RATES FOR STABILIZED PROPERTIES	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES	CAP RATES FOR STABILIZED PROPERTIES	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES
TIER I	Boston							—	—
	Chicago								
	N. CA: Oakland								
	N. CA: San Francisco								
	N. CA: San Jose								
	NY: Fairfield County, CT	—							
	NY: New York City							—	—
	S. CA: Los Angeles								
	S. CA: Orange County								
	Seattle								
	Washington, D.C.								

■ INCREASE  
■ DECREASE  
■ STABLE  
— N/A

<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 2020.  
 Source: CBRE Research, Q4 2019.  
 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 AA		CLASS A		CLASS B		CLASS C	
		CAP RATES FOR STABILIZED PROPERTIES		CAP RATES FOR STABILIZED PROPERTIES	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES	CAP RATES FOR STABILIZED PROPERTIES	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES	CAP RATES FOR STABILIZED PROPERTIES	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES
TIER II	Atlanta								
	Austin								
	Charlotte								
	Dallas/Ft. Worth								
	Denver								
	Houston								
	Minneapolis/St. Paul								
	Philadelphia								
	Phoenix								
	Portland								
	Raleigh-Durham								
	S. FL: Miami <sup>2</sup>	—							
	San Diego								

## 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	INCREASE		INCREASE		INCREASE		INCREASE	
	Cincinnati	—							
	Cleveland	STABLE							
	Columbus	—							
	Detroit	—			INCREASE				
	Indianapolis	—							
	Jacksonville	—							
	Kansas City	—							
	Las Vegas	STABLE							
	Memphis	—							
	Nashville	DECREASE							
	Oklahoma City	—							
	Orlando	STABLE							
	Pittsburgh								
	Sacramento							DECREASE	DECREASE
	Salt Lake City								
	San Antonio	STABLE							
	St. Louis	—							
	Tampa	—							

INCREASE DECREASE STABLE — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.

Source: CBRE Research, Q4 2019.

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>	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	6.50 - 7.00	▼	6.75 - 8.00	◄	7.50 - 8.50	◄	8.50 - 9.50	◄	10.00 - 11.00	◄	—		—	
	Chicago	6.75 - 7.25	◄	7.25 - 8.25	▼	9.00 - 10.50	◄	8.50 - 10.00	▼	10.25 - 12.25	▼	10.50 - 12.00	▼	11.25 - 13.25	▼
	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 - 7.00	◄	7.00 - 8.00	◄	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	—		7.75 - 8.50	▼	10.00 - 10.50	▼	8.75 - 9.50	◄	10.75 - 11.50	▼	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	◄
	Seattle	5.25 - 5.75	◄	5.75 - 6.25	▼	6.25 - 7.25	▼	6.75 - 7.25	▼	7.25 - 8.25	▼	7.50 - 8.25	◄	8.00 - 9.00	◄
Washington, D.C.	5.25 - 6.00	◄	6.50 - 7.25	◄	8.00 - 9.00	◄	7.50 - 8.50	◄	9.00 - 10.25	◄	9.50 - 10.50	◄	10.25 - 11.50	◄	

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with H1 2019. Changes less than 15 bps considered stable.

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

Source: CBRE Research, Q4 2019.

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 II	Atlanta	5.75 - 6.75	◄◄	6.00 - 7.00	▼	7.00 - 8.00	◄◄	7.25 - 9.00	▲	8.00 - 9.00	◄◄	9.00 - 11.00	▲	9.50 - 12.00	▲
	Austin	6.00 - 7.00	◄◄	6.50 - 7.25	▲	7.50 - 8.50	◄◄	7.50 - 8.50	◄◄	8.50 - 9.75	◄◄	8.50 - 9.50	◄◄	9.75 - 10.75	◄◄
	Charlotte	6.00 - 6.75	◄◄	6.25 - 7.00	◄◄	8.00 - 9.00	▼	7.50 - 8.75	◄◄	9.00 - 10.00	◄◄	8.50 - 9.75	◄◄	10.00 - 11.00	◄◄
	Dallas/Ft. Worth	5.50 - 6.75	▼	6.50 - 7.50	▼	7.25 - 8.75	◄◄	7.75 - 10.00	▼	9.75 - 10.00	◄◄	9.00 - 13.00	▼	10.00 - 15.00	▼
	Denver	5.50 - 6.00	▼	6.50 - 7.00	▼	7.00 - 8.00	▼	7.25 - 8.00	▼	7.75 - 8.50	▼	8.75 - 9.75	◄◄	9.50 - 10.75	◄◄
	Houston	5.75 - 6.25	◄◄	6.50 - 7.00	◄◄	8.00 - 9.00	◄◄	7.75 - 8.50	◄◄	9.00 - 10.00	◄◄	9.00 - 10.00	◄◄	11.00 - 12.00	◄◄
	Minneapolis/St. Paul	—		6.75 - 7.75	◄◄	9.00 - 10.00	◄◄	8.25 - 9.25	◄◄	10.00 - 11.00	◄◄	10.00 - 11.00	◄◄	12.00 - 13.00	◄◄
	Philadelphia	6.50 - 7.00	◄◄	7.00 - 7.50	▼	8.50 - 9.50	▼	8.00 - 8.50	▼	10.00 - 11.50	▼	9.00 - 10.00	▼	11.00 - 12.00	▼
	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	◄◄
	Portland	6.00 - 6.50	◄◄	6.25 - 7.50	◄◄	8.00 - 9.00	◄◄	7.00 - 8.25	◄◄	8.00 - 9.50	◄◄	7.75 - 8.75	◄◄	9.50 - 10.50	◄◄
	Raleigh-Durham	5.50 - 6.00	▼	6.25 - 6.50	▼	8.00 - 8.50	◄◄	7.00 - 8.00	◄◄	8.50 - 9.00	◄◄	8.00 - 9.50	◄◄	9.50 - 10.00	◄◄
	S. FL: Miami <sup>2</sup>	—		5.50 - 6.25	◄◄	6.50 - 7.25	◄◄	7.25 - 8.25	▼	8.25 - 9.25	▼	8.25 - 9.25	▼	9.25 - 10.25	▼
	San Diego	5.50 - 6.25	◄◄	6.25 - 6.75	▲	7.00 - 7.75	◄◄	7.00 - 7.50	◄◄	7.75 - 8.50	◄◄	7.50 - 8.25	◄◄	8.50 - 9.25	◄◄

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with H1 2019. Changes less than 15 bps considered stable.

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

Source: CBRE Research, Q4 2019.

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 (%)	CHANGE¹	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE¹	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE¹	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE¹	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE¹	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE¹	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE¹
TIER III	Albuquerque	8.00 - 8.75	◄◄	8.00 - 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	◄◄
	Cincinnati	—		7.75 - 8.75	◄◄	9.00 - 9.75	◄◄	8.25 - 9.25	◄◄	9.25 - 10.25	◄◄	9.00 - 10.00	◄◄	11.00 - 12.00	◄◄
	Cleveland	—		7.50 - 8.50	▼	8.75 - 9.25	▼	8.00 - 9.00	▼	9.75 - 10.25	▼	9.00 - 11.00	▼	11.25 - 12.25	▼
	Columbus	—		6.50 - 8.50	◄◄	8.00 - 9.25	◄◄	8.50 - 10.00	◄◄	9.25 - 10.50	◄◄	10.00 - 12.00	◄◄	10.50 - 13.50	◄◄
	Detroit	—		8.25 - 9.50	◄◄	8.50 - 9.50	◄◄	9.00 - 10.00	◄◄	9.25 - 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	—		6.75 - 7.75	▼	9.50 - 10.00	◄◄	7.50 - 8.75	▼	9.50 - 10.50	◄◄	9.25 - 10.75	▼	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 - 8.25	◄◄	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	◄◄
	Nashville	6.00 - 6.75	◄◄	6.25 - 7.00	◄◄	8.25 - 9.00	◄◄	7.00 - 8.25	◄◄	8.50 - 9.25	◄◄	8.50 - 9.25	◄◄	9.50 - 10.50	◄◄
	Oklahoma City	—		7.00 - 8.75	◄◄	8.25 - 9.75	◄◄	7.50 - 9.25	◄◄	8.00 - 9.50	◄◄	9.00 - 10.00	◄◄	9.75 - 11.00	◄◄
	Orlando	6.75 - 7.00	◄◄	7.00 - 7.50	◄◄	7.50 - 8.00	◄◄	7.75 - 8.25	▼	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	◄◄
	Sacramento	6.00 - 7.00	◄◄	6.50 - 7.00	◄◄	7.50 - 8.00	◄◄	7.00 - 7.50	▼	8.25 - 8.75	◄◄	7.50 - 8.50	▼	8.50 - 9.25	▼
	Salt Lake City	6.25 - 6.50	◄◄	6.50 - 6.75	▼	7.00 - 7.50	◄◄	7.00 - 8.00	◄◄	7.50 - 8.00	▼	8.00 - 9.00	◄◄	8.50 - 9.00	◄◄
	San Antonio	6.50 - 7.25	◄◄	6.75 - 7.75	◄◄	8.00 - 9.00	◄◄	8.00 - 9.50	◄◄	9.50 - 11.00	◄◄	9.00 - 11.00	◄◄	9.75 - 11.00	◄◄
	St. Louis	7.50 - 8.00	◄◄	7.75 - 8.25	◄◄	9.00 - 9.50	◄◄	8.75 - 9.50	◄◄	9.50 - 10.50	◄◄	9.50 - 10.50	◄◄	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 2019. Changes less than 15 bps considered stable.

Source: CBRE Research, Q4 2019.

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

		CLASS AA		CLASS A		CLASS B		CLASS C	
		CAP RATES FOR STABILIZED PROPERTIES		CAP RATES FOR STABILIZED PROPERTIES	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES	CAP RATES FOR STABILIZED PROPERTIES	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES	CAP RATES FOR STABILIZED PROPERTIES	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES
TIER I	Boston							—	—
	Chicago								
	N. CA: Oakland								
	N. CA: San Francisco								
	N. CA: San Jose								
	NY: Fairfield County, CT	—							
	NY: N. New Jersey								
	S. CA: Los Angeles								
	S. CA: Orange County								
	Seattle								
	Washington, D.C.								

■ INCREASE  
■ DECREASE  
■ STABLE  
— N/A

<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 2020. Source: CBRE Research, Q4 2019. 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 AA		CLASS A		CLASS B		CLASS C	
		CAP RATES FOR STABILIZED PROPERTIES		CAP RATES FOR STABILIZED PROPERTIES	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES	CAP RATES FOR STABILIZED PROPERTIES	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES	CAP RATES FOR STABILIZED PROPERTIES	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES
TIER II	Atlanta								
	Austin								
	Charlotte								
	Dallas/Ft. Worth								
	Denver								
	Houston								
	Minneapolis/St. Paul	—							
	Philadelphia								
	Phoenix								
	Portland								
	Raleigh-Durham								
	S. FL: Miami <sup>2</sup>	—							
	San Diego								

## 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	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								
	Cincinnati	—							
	Cleveland	—							
	Columbus	—							
	Detroit	—							
	Indianapolis	—							
	Jacksonville	—							
	Kansas City								
	Las Vegas								
	Memphis								
	Nashville								
	Oklahoma City	—							
	Orlando								
	Pittsburgh								
	Sacramento								
	Salt Lake City								
	San Antonio								
	St. Louis								
	Tampa								

INCREASE

DECREASE

STABLE

— N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020www.

Source: CBRE Research, Q4 2019.

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

Industrial assets remain the most sought-after, dynamic commercial property type in the U.S. Strong demand from e-commerce, third-party logistics operators (3PLs) and the food & beverage industry have led to rising asking rents and near all-time low vacancy rates. The long-term outlook for industrial real estate is solid due to strong economic fundamentals and clearer trade policy. Continued economic growth will drive supply chain activity across the country and spur demand for logistics real estate in an already supply-constrained environment. In short, industrial real estate should remain attractive to both U.S. and international capital.

Large portfolio sales and a pickup in single-asset sales led to record investment activity in 2019. Despite increased sales, overall industrial cap rates were relatively stable in 2019, finishing at 6.13%—down just 18 bps from 2018. Long-term leases signed by high-credit, large e-commerce retailers in trophy Class A distribution and fulfillment centers drove institutional capital to these facilities and lowered Class A cap rates to 4.89%. Tier I markets finished 2019 with a decade-low cap rate of 4.42%. The lowest Class A cap rates were in markets near U.S. seaports, with the Inland Empire, Los Angeles, Miami, Northern New Jersey, Oakland, Orange County, San Francisco, San Jose and Seattle all at 4.25% or less.

The spread between Class A and B cap rates finished 2019 at nearly 100 bps. Despite the difference, interest in Class B product continued to rise, particularly in highly populated urban areas with low vacancy rates where these facilities are used for last-mile and reverse logistics centers. Class B cap rates were lower in Tier 1 markets at 5.31% than Class A rates in Tier III markets at 5.78%. Overall Class B cap rates finished 2019 at 5.80%, 13 bps lower than in 2018 and the lowest in more than a decade.

While cap rates continue to fall and remain extremely low in core markets, there still are emerging industrial markets that provide greater yield potential across the U.S. Demand for these markets is growing because of a shift in many occupiers' supply chain strategy to a regional distribution model, adding more warehouse locations to

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

METRO TIER	CLASS	H2 2019 (%)	H1 2019 (%)	CHANGE (BPS)
ALL	ALL	6.13	6.27	-13
	A	4.89	5.00	-10
	B	5.80	5.86	-6
	C	7.87	7.99	-12
I	A	4.42	4.45	-3
	B	5.31	5.34	-3
	C	7.40	7.57	-17
II	A	5.06	5.21	-15
	B	6.02	6.05	-3
	C	8.16	8.10	6
III	A	5.78	5.97	-19
	B	6.66	6.80	-13
	C	8.68	8.80	-11

Source: CBRE Research, Q4 2019.

Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

cut down on rising transportation costs. Markets that have posted significant industrial activity growth and provide greater-than-average yield opportunities include Memphis, Louisville and Savannah.

Expected overall returns on cost for value-add industrial acquisitions declined by 17 bps to 7.18%. For stabilized assets returns fell 13 bps to 6.13%. The bigger movement in value-add rates indicates a continued interest in properties with a higher risk profile, coupled with strong competition for stabilized properties. For Class A value-add acquisitions, the average expected return on cost fell by 17 bps to 5.80%, while Class B returns fell 15 bps to 6.80%. Class C returns dropped just 7 bps to 9.13%. By comparison, cap rates for all classes of stabilized properties were relatively unchanged, dropping only slightly to 4.89%, 5.80% and 7.87% for Class A, B and C, respectively.

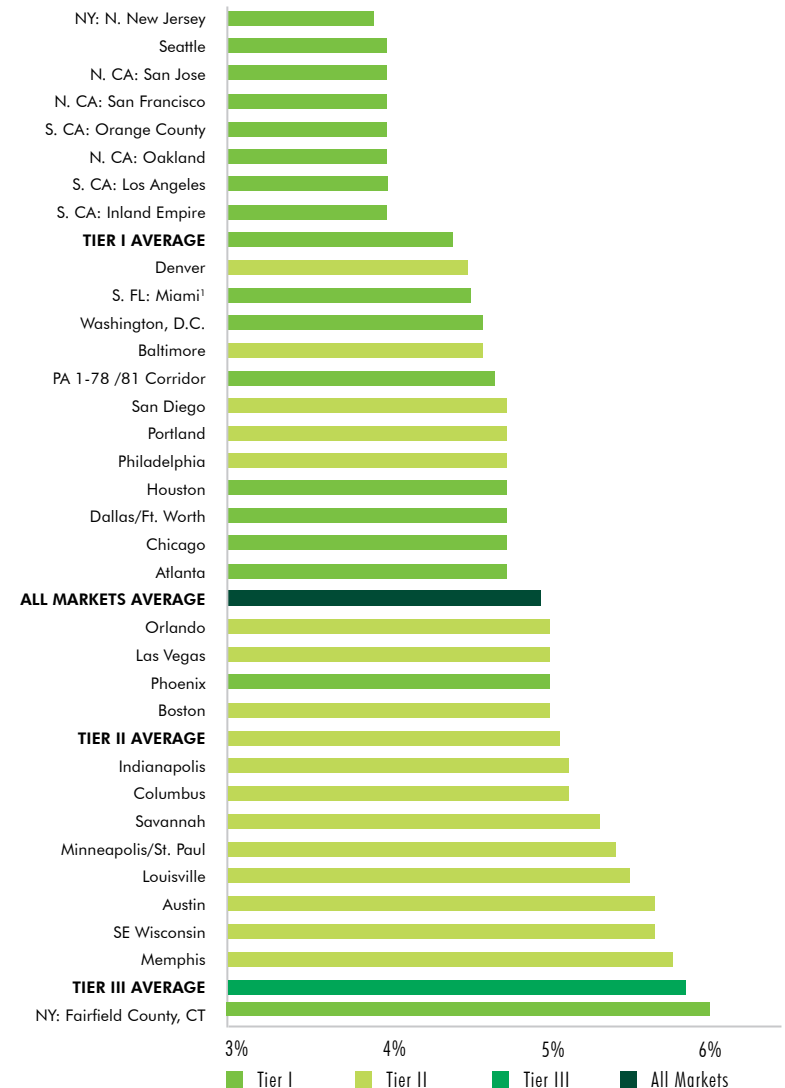
## U.S. INDUSTRIAL | OVERVIEW CONT.

Industrial cap rate spreads over the 10-year U.S. Treasury rate decreased 5 bps to 421 bps in H2. For Class A stabilized acquisitions, the spread averaged approximately 297 bps compared with 300 in H1. The spread for value-add acquisitions also decreased, dropping 9 bps to 526 bps in H2. For Class A value-add expected returns on cost, the spread averaged 388 bps in H2 2019, compared with 397 in H1.

Nearly 90% of survey respondents expect no change in cap rates for either stabilized or value-add properties in H1 2020, while 9% expect modest tightening.

Although industrial cap rates should remain stable, the underlying market drivers that make this property sector so desirable should persist in 2020, with continued e-commerce growth, rising demand from food & beverage users, near record-low vacancy rates and additional rent growth. Thus, industrial asset pricing should stay competitive through the first half of 2020.

**FIGURE 17: U.S. INDUSTRIAL - CLASS A CAP RATES, H2 2019 - TIER I & II METROS**

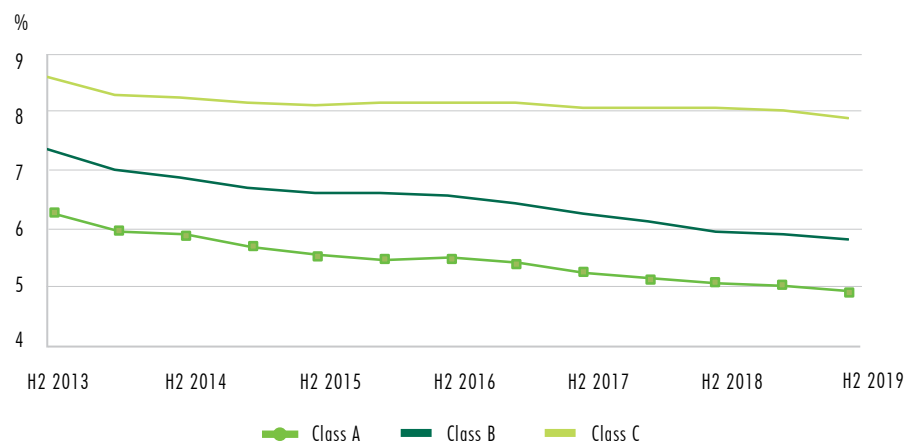


<sup>1</sup>Covers the three-county Miami area.  
Source: CBRE Research, Q4 2019. Data for stabilized acquisitions. Notes: data is subject to historical revisions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.



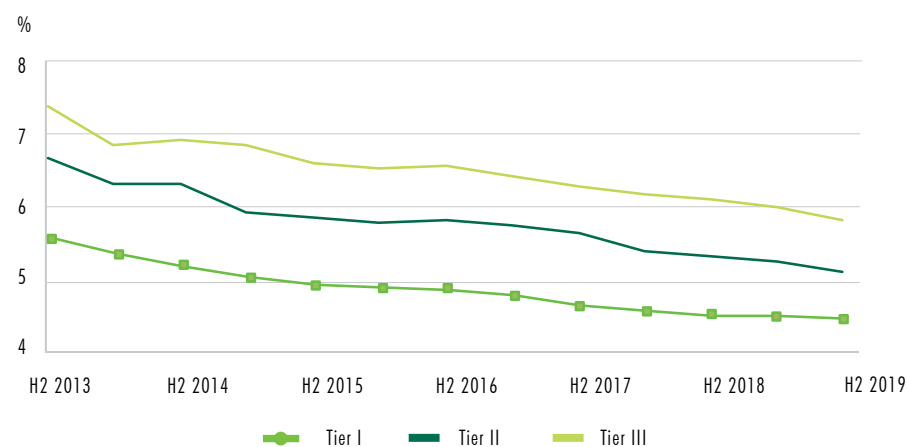
## U.S. INDUSTRIAL | OVERVIEW CONT.

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



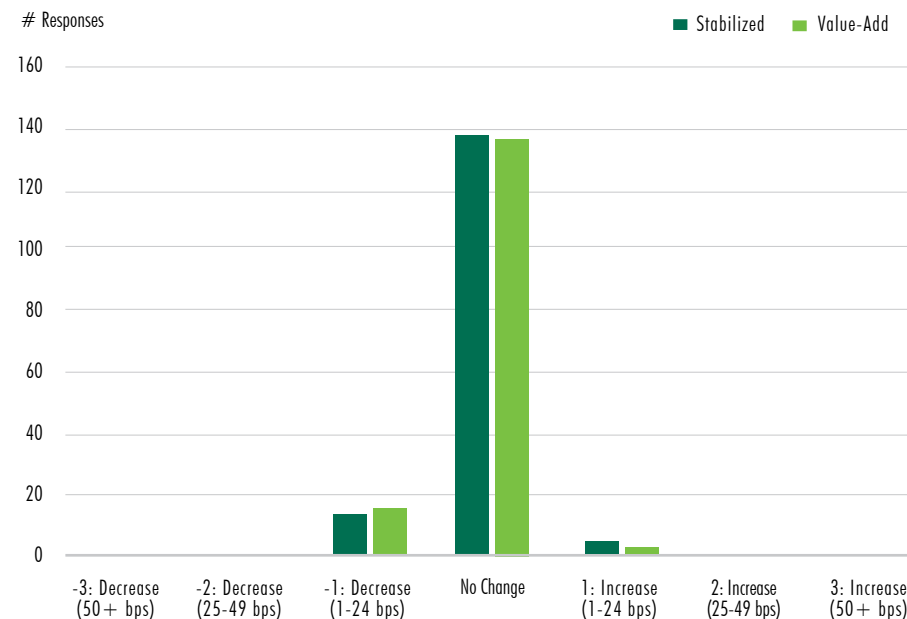
Source: CBRE Research, Q4 2019. Data for stabilized acquisitions. Note: data is subject to historical revisions.

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



Source: CBRE Research, Q4 2019. Data for stabilized acquisitions. Note: data is subject to historical revisions.

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



Source: CBRE Research, Q4 2019.

## 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	◀▶	5.00 - 5.50	▼	5.50 - 6.00	◀▶	6.00 - 6.50	▼	7.00 - 8.00	▼	9.00 - 11.00	▼
	Chicago	4.50 - 5.00	◀▶	6.00 - 6.25	◀▶	5.75 - 6.00	◀▶	7.00 - 8.00	◀▶	8.25 - 10.00	◀▶	9.00 - 12.00	◀▶
	Dallas/Ft. Worth	4.50 - 5.00	◀▶	5.00 - 5.75	◀▶	5.25 - 6.25	◀▶	6.00 - 6.75	◀▶	7.00 - 8.25	◀▶	8.00 - 11.00	◀▶
	Houston	4.50 - 5.00	◀▶	5.00 - 5.75	◀▶	5.25 - 6.00	▼	5.75 - 6.50	▼	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 - 4.25	◀▶	4.50 - 5.00	◀▶	4.50 - 5.00	◀▶	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	5.75 - 6.25	◀▶	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	◀▶	4.50 - 5.00	◀▶	4.25 - 5.00	◀▶	5.50 - 6.50	◀▶	6.75 - 7.75	▼	8.25 - 9.25	▼
	PA I-87/81 Corridor	4.25 - 5.00	▼	5.00 - 5.75	▼	5.50 - 6.25	◀▶	6.25 - 6.75	◀▶	—	—	—	—
	Phoenix	4.75 - 5.25	▼	5.75 - 6.25	◀▶	5.50 - 6.25	◀▶	6.50 - 7.25	◀▶	7.00 - 8.00	◀▶	8.00 - 10.00	◀▶
	S. CA: Inland Empire	3.75 - 4.25	◀▶	4.50 - 5.00	◀▶	4.50 - 5.00	◀▶	4.50 - 5.25	◀▶	5.50 - 7.25	▼	6.50 - 7.50	◀▶
	S. CA: Los Angeles	3.75 - 4.25	◀▶	4.50 - 5.00	◀▶	4.50 - 5.00	◀▶	4.50 - 5.25	◀▶	5.50 - 7.25	▼	6.50 - 7.50	◀▶
	S. CA: Orange County	3.75 - 4.25	◀▶	4.50 - 5.00	◀▶	4.50 - 5.00	◀▶	4.50 - 5.25	◀▶	5.50 - 7.25	▼	6.50 - 7.50	◀▶
	S. FL: Miami <sup>2</sup>	4.25 - 4.75	◀▶	4.75 - 5.25	▼	5.00 - 5.50	◀▶	5.50 - 6.00	▼	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	◀▶	5.50 - 6.25	◀▶	6.25 - 7.25	◀▶
	Washington, D.C.	4.50 - 4.65	◀▶	5.25 - 5.75	◀▶	5.00 - 5.50	◀▶	6.00 - 6.75	◀▶	7.00 - 7.75	◀▶	7.75 - 9.00	◀▶

▲ INCREASE ▼ DECREASE ◀▶ STABLE — N/A

<sup>1</sup>Compared with H1 2019. Changes less than 15 bps considered stable. <sup>2</sup>Covers the three-county Miami area.

Source: CBRE Research, Q4 2019.

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

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 - 4.65	◄►	5.25 - 5.75	◄►	5.00 - 5.50	◄►	6.00 - 6.75	◄►	7.50 - 8.00	◄►	8.50 - 9.00	◄►	
	Boston	4.75 - 5.25	▼	5.75 - 6.50	▼	5.50 - 6.25	▼	6.25 - 7.00	▼	—		—		
	Columbus	5.00 - 5.25	▼	6.25 - 6.75	▼	6.25 - 6.50	◄►	7.75 - 8.75	◄►	8.50 - 9.50	◄►	9.00 - 9.50	◄►	
	Denver	4.25 - 4.75	◄►	5.00 - 5.50	◄►	5.00 - 5.50	▼	6.00 - 6.50	▼	6.50 - 7.75	▼	8.00 - 8.75	◄►	
	Indianapolis	5.00 - 5.25	▼	6.25 - 6.75	▼	6.25 - 6.50	◄►	8.00 - 9.00	◄►	8.50 - 9.00	◄►	9.00 - 11.00	◄►	
	Las Vegas	4.75 - 5.25	◄►	5.75 - 6.25	◄►	5.25 - 5.75	◄►	6.50 - 7.50	◄►	6.50 - 7.25	◄►	7.50 - 8.50	◄►	
	Louisville	5.25 - 5.75	◄►	5.75 - 6.25	▼	6.00 - 6.50	◄►	6.50 - 7.00	▼	8.00 - 9.00	◄►	10.00 - 11.00	◄►	
	Memphis	5.50 - 6.00	▼	6.00 - 6.50	▼	7.00 - 7.75	▲	7.50 - 8.25	◄►	9.00 - 10.00	◄►	10.00 - 11.00	◄►	
	Minneapolis/St. Paul	5.25 - 5.50	▼	6.25 - 6.75	◄►	6.50 - 6.75	◄►	7.50 - 8.00	◄►	7.75 - 8.50	◄►	9.00 - 10.00	◄►	
	Orlando	4.75 - 5.25	◄►	5.25 - 5.75	▼	5.75 - 6.25	◄►	6.25 - 6.75	▼	8.00 - 9.00	◄►	10.00 - 11.00	◄►	
	Philadelphia	4.50 - 5.00	◄►	5.50 - 6.00	◄►	5.50 - 6.00	◄►	6.00 - 6.75	▼	—		—		
	Portland	4.50 - 5.00	◄►	5.00 - 5.75	◄►	4.75 - 5.25	◄►	6.00 - 6.75	◄►	6.25 - 7.00	◄►	7.00 - 8.00	◄►	
	San Diego	4.50 - 5.00	◄►	5.50 - 6.50	◄►	5.00 - 6.00	◄►	6.00 - 7.00	◄►	6.25 - 7.25	▲	6.50 - 7.50	◄►	
	Savannah	5.15 - 5.50	▼	5.65 - 6.00	▼	6.25 - 6.75	◄►	6.75 - 7.25	▼	9.00 - 11.00	◄►	10.00 - 11.00	◄►	
	SE Wisconsin	5.50 - 5.75	▼	6.75 - 7.00	▼	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 2019. Changes less than 15 bps considered stable.

Source: CBRE Research, Q4 2019.

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 (%)		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	8.00 - 8.25	◄►	8.25 - 8.75	◄►	8.50 - 9.00	◄►	8.75 - 9.25	◄►	9.50 - 10.50	◄►	9.75 - 10.75	◄►
	Charlotte	4.90 - 5.25	▼	5.40 - 5.75	▼	5.75 - 6.25	◄►	6.25 - 6.75	▼	8.00 - 9.00	◄►	10.00 - 11.00	◄►
	Cincinnati	4.95 - 5.25	▼	6.25 - 6.75	◄►	6.00 - 6.25	◄►	7.75 - 8.75	◄►	8.50 - 9.50	◄►	9.75 - 11.25	◄►
	Cleveland	6.25 - 6.75	▼	7.00 - 7.25	▼	7.00 - 7.25	◄►	8.75 - 9.75	◄►	7.75 - 9.25	◄►	9.75 - 11.75	◄►
	Detroit	6.00 - 6.25	◄►	7.25 - 8.00	▼	7.25 - 7.50	◄►	9.00 - 10.00	◄►	9.00 - 10.00	◄►	10.50 - 12.00	◄►
	El Paso	6.50 - 7.25	◄►	7.50 - 8.50	◄►	7.75 - 8.75	◄►	9.50 - 10.00	◄►	9.50 - 10.00	◄►	11.50 - 12.00	◄►
	Honolulu	5.00 - 6.00	◄►	4.50 - 5.75	▼	5.00 - 6.00	◄►	5.25 - 6.25	◄►	6.25 - 7.00	▲	6.50 - 8.00	▲
	Jacksonville	5.25 - 5.75	▼	5.75 - 6.25	▼	6.00 - 6.50	◄►	6.50 - 7.00	▼	8.00 - 9.00	▼	10.00 - 11.00	▼
	Kansas City	5.75 - 6.00	▼	7.25 - 7.75	◄►	6.50 - 7.00	▼	8.00 - 9.00	◄►	8.25 - 9.00	◄►	9.50 - 10.50	◄►
	Nashville	5.00 - 5.50	◄►	5.50 - 6.00	▼	5.75 - 6.25	◄►	6.25 - 6.75	▼	8.00 - 9.00	◄►	10.00 - 11.00	◄►
	Oklahoma City	6.00 - 7.00	▼	6.75 - 7.50	◄►	7.25 - 7.75	◄►	8.00 - 8.75	◄►	9.00 - 9.50	◄►	9.50 - 10.50	◄►
	Pittsburgh	5.00 - 5.75	▼	6.00 - 6.75	▼	6.50 - 7.00	◄►	7.25 - 7.75	▼	—	—	—	—
	Raleigh-Durham	5.50 - 6.00	▼	6.00 - 6.50	▼	6.00 - 6.50	▼	6.50 - 7.00	▼	8.25 - 9.25	◄►	10.00 - 11.00	◄►
	Reno	4.75 - 5.50	◄►	6.00 - 6.75	◄►	5.50 - 6.25	◄►	6.50 - 7.50	◄►	6.50 - 7.25	◄►	7.50 - 8.50	◄►
	Sacramento	5.00 - 5.50	▼	6.00 - 6.75	◄►	5.50 - 6.25	▼	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 - 6.75	◄►	7.25 - 8.25	◄►	8.50 - 9.50	◄►	9.00 - 12.00	◄►
	St. Louis	5.75 - 6.00	▼	7.25 - 7.75	◄►	6.50 - 7.00	▼	8.25 - 9.50	◄►	8.50 - 9.50	◄►	9.00 - 10.50	◄►
	Tampa	5.25 - 5.75	◄►	5.75 - 6.25	▼	6.00 - 6.50	◄►	6.50 - 7.00	▼	8.00 - 9.50	◄►	10.00 - 11.00	◄►
	Tulsa	6.25 - 7.00	◄►	7.00 - 7.75	◄►	7.75 - 8.25	◄►	8.50 - 8.75	◄►	9.00 - 9.50	◄►	9.50 - 10.25	▲

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with H1 2019. Changes less than 15 bps considered stable.

Source: CBRE Research, Q4 2019.

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						
	N. CA: Oakland						
	N. CA: San Francisco						
	N. CA: San Jose						
	NY: Fairfield County, CT						
	NY: N. New Jersey						
	PA I-87/81 Corridor					—	—
	Phoenix						
	S. CA: Inland Empire						
	S. CA: Los Angeles						
	S. CA: Orange County						
	S. FL: Miami <sup>2</sup>						
	Seattle						
	Washington, D.C.						

INCREASE

DECREASE

STABLE

— N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.

Source: CBRE Research, Q4 2019.

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 II	Austin						
	Baltimore						
	Boston					—	—
	Columbus						
	Denver						
	Indianapolis						
	Las Vegas						
	Louisville						
	Memphis						
	Minneapolis/St. Paul						
	Orlando						
	Philadelphia					—	—
	Portland						
	San Diego						
	Savannah						
	SE Wisconsin						

INCREASE

DECREASE

STABLE

— N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.

Source: CBRE Research, Q4 2019.

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						
	Charlotte						
	Cincinnati						
	Cleveland						
	Detroit						
	El Paso						
	Honolulu						
	Jacksonville						
	Kansas City						
	Nashville						
	Oklahoma City						
	Pittsburgh						
	Raleigh-Durham						
	Reno						
	Richmond						
	Sacramento						
	Salt Lake City						
	San Antonio						
	San Diego						
	St. Louis						
	Tampa						
	Tulsa						

INCREASE

DECREASE

STABLE

N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020. Source: CBRE Research, Q4 2019.  
 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 CENTERS

Cap rates for grocery-anchored neighborhood/community assets remained at 7.47% in H2 2019. These assets generally benefit from low e-commerce penetration, strong anchor-tenant creditworthiness and increasing competition for grocery market share. Inline tenants predominantly cater to daily and weekly needs across growing retail categories, including services, food & beverage, fitness and health & well-being.

Orange County, Los Angeles, San Jose, San Francisco and San Diego had the lowest cap rates in H2 2019 at 4.88%. Continued job and economic growth in these affluent suburban markets are driving demand from consumers.

The spread between stabilized Tier I and II, Class A and B assets widened against Tier III Class C assets. Tier I Class A assets in affluent communities posted cap rates as low as 4.88% versus Tier III Class C assets as high as 11.25% in Pittsburgh and 10.25% in Cleveland. In response to a wide variation in property values, many institutional owners pulled back from secondary and tertiary markets, driving up cap rates and increasing opportunities for private buyers.

Cap rates for value-add neighborhood/community centers remained at an average of 9.46%. Class C value-add cap rates in Tier III markets were the highest at 10.51%, dropping slightly from 10.59% in H1 2019.

CBRE professionals expect cap rates to remain unchanged in H1 2020. Nearly 80% of CBRE survey respondents expect stabilized cap rates to remain the same, while 11% expect a slight increase of up to 24 bps.

## POWER CENTERS

Average cap rates for stabilized power centers rose 8 bps to 8.54% in H2 2019, signaling that big-box and other retail store closures continue to impact the perceived risk and projected cap rates for power centers.

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

METRO TIER	CLASS	H2 2019 (%)	H1 2019 (%)	CHANGE (BPS)
ALL	ALL	7.47	7.47	0
	A	5.94	5.94	0
	B	7.37	7.38	-1
	C	9.19	9.18	1
I	A	5.50	5.50	0
	B	7.00	7.00	1
	C	8.96	8.86	10
II	A	5.95	5.90	5
	B	7.43	7.38	5
	C	9.20	9.18	2
III	A	6.64	6.73	-9
	B	7.88	8.03	-15
	C	9.51	9.62	-12

Source: CBRE Research, Q4 2019.

Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

The Tier I average cap rate of 8.09% ticked up 5 bps while Tier II rose 9 bps to 8.56%. Tier III assets were up 11 bps to 9.16%, continuing to show vulnerability from recent store closures. Tier III Class C assets had the highest average cap rate across all property types at 10.69%.

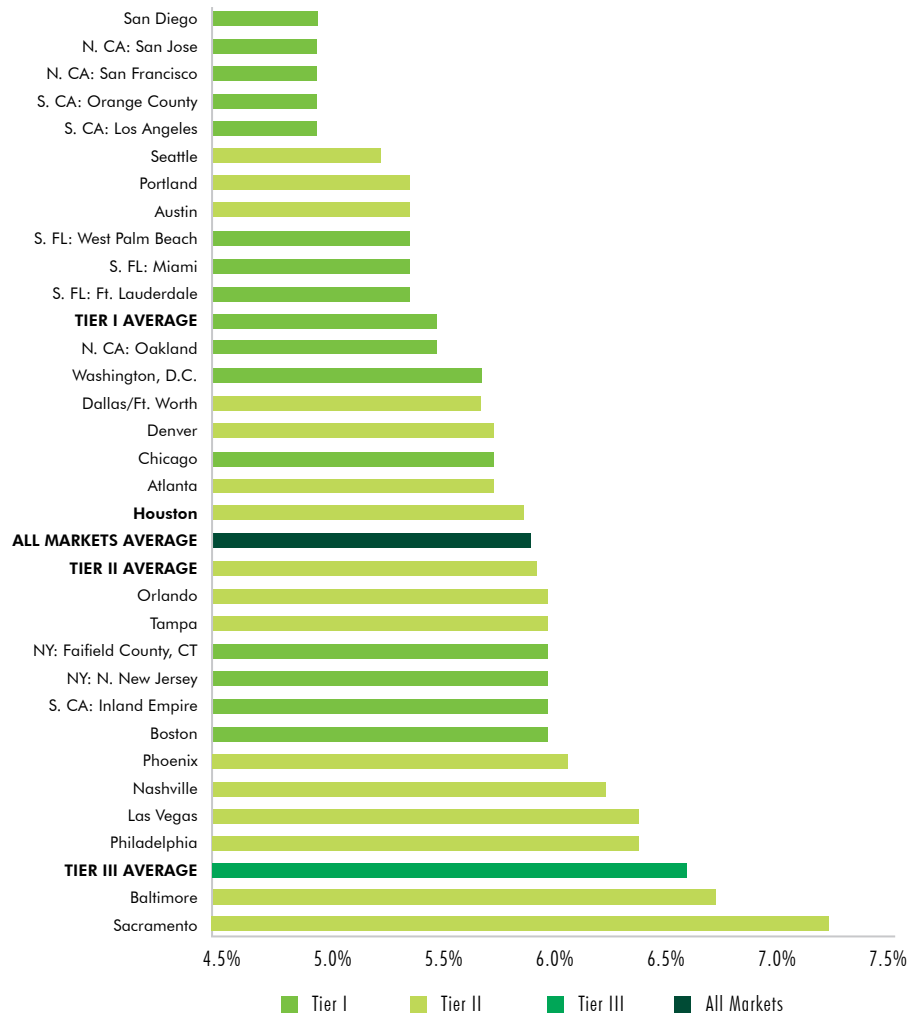
The spread between stabilized Class A (7.21%) and Class B (8.43%) cap rates increased by 122 bps, while the spread between Class A (7.21%) and Class C assets (9.98%) was much higher at 277 bps.

Affluent Tier 1 communities such as San Diego, Orange County and Los Angeles had the nation's lowest cap rates for stabilized power center assets at 6.25%. Conversely, Tier III markets had cap rates as high as 13.75% in Cleveland and 13.63% in Detroit.

The expected average return on cost for power center value-add acquisitions has been steadily increasing since the recent low of 8.27% in H2 2016 and was up 18 bps to 10.43%

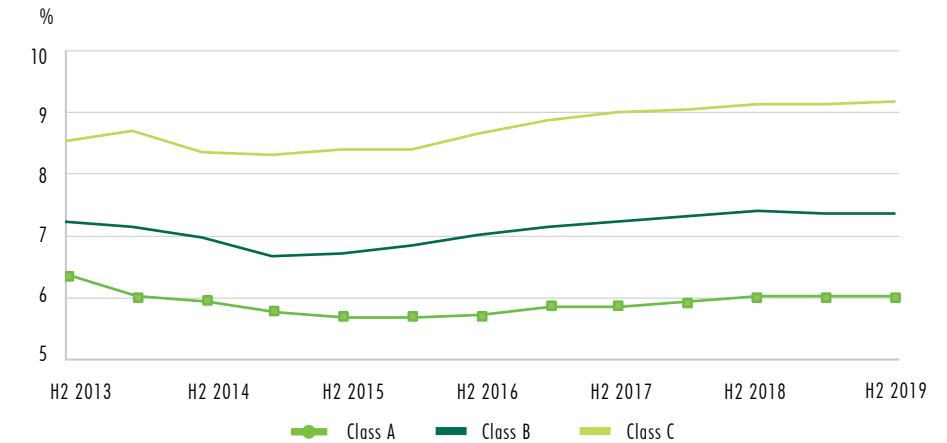
## U.S. RETAIL | OVERVIEW CONT.

**FIGURE 24: U.S. RETAIL NEIGHBORHOOD/COMMUNITY CENTER - CLASS A CAP RATES, H2 2019 - TIER I & II METROS**



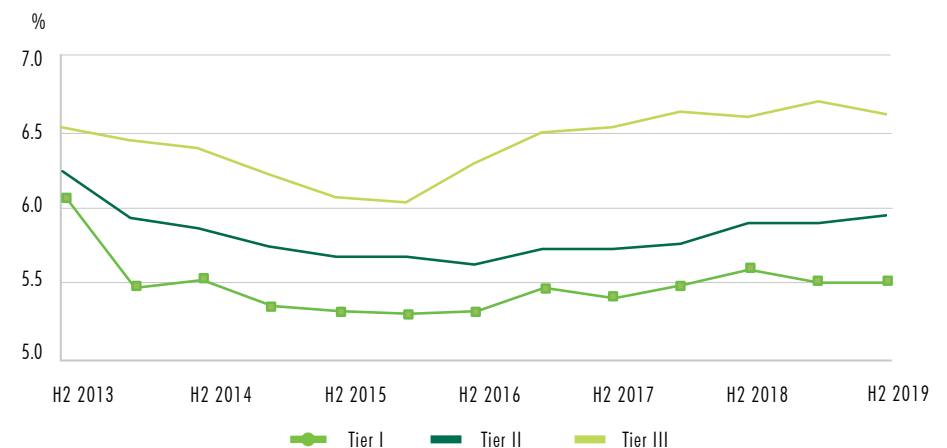
Source: CBRE Research, Q4 2019. Data for acquisition of stabilized grocery-anchored neighborhood/community centers. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same 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 2019. 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 2019. Data for stabilized acquisitions. Note: data is subject to historical revisions.

## U.S. RETAIL | OVERVIEW CONT.

in H2 2019. The increase was primarily driven by lower-tier markets and assets, especially Tier III Class B and C properties (up by 13 and 43 bps, respectively, in H2 2019).

Approximately 83% of survey respondents expect no change in cap rates for both stabilized and value-add power center assets in H1 2020. Stabilized Class A centers likely will fare well due to demand for prime box space by discount retailers and mass merchandisers.

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

METRO TIER	CLASS	H2 2019 (%)	H1 2019 (%)	CHANGE (BPS)
ALL	ALL	8.54	8.46	8
	A	7.21	7.18	3
	B	8.43	8.35	8
	C	9.98	9.86	12
I	A	6.65	6.64	1
	B	8.02	7.98	4
	C	9.61	9.52	8
II	A	7.34	7.24	10
	B	8.47	8.34	13
	C	9.87	9.84	4
III	A	7.83	7.86	-3
	B	8.96	8.92	4
	C	10.69	10.38	31

Source: CBRE Research, Q4 2019.

Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

## HIGH STREET

High-street cap rates were unchanged in H2 2019 and remained the lowest of all retail property categories. Rates increased 2 bps to 4.78% overall, driven by an 8-bp increase in Tier II markets. Since H2 2015, Tier I rates have ranged from 4.08% to 4.70%, while Tier II rates have ranged from 4.83% to 5.08%. The slight uptick in rates is partially attributable to rent correction and shifting of retailers among top high-street locations.

San Francisco and Los Angeles had the lowest high-street cap rates at 4.00% and 4.13%, respectively, both unchanged from H1 2019. Chicago had the highest average rate of 5.50%, also unchanged.

Nine of the 10 markets surveyed recorded no cap rate changes in H2 2019 and survey respondents expect no changes in H1 2020.

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

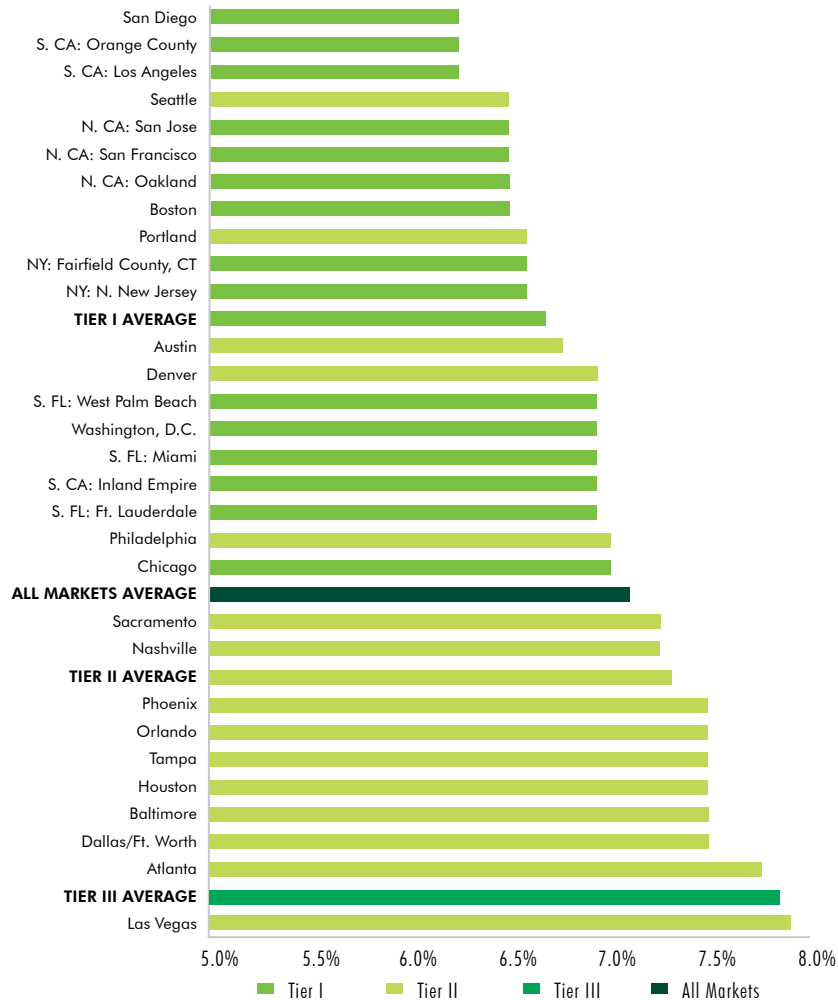
METRO TIER	H2 2019 (%)	H1 2019 (%)	CHANGE (BPS)
ALL	4.78	4.76	2
I	4.70	4.70	0
II	5.08	5.00	8

Source: CBRE Research, Q4 2019.

Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

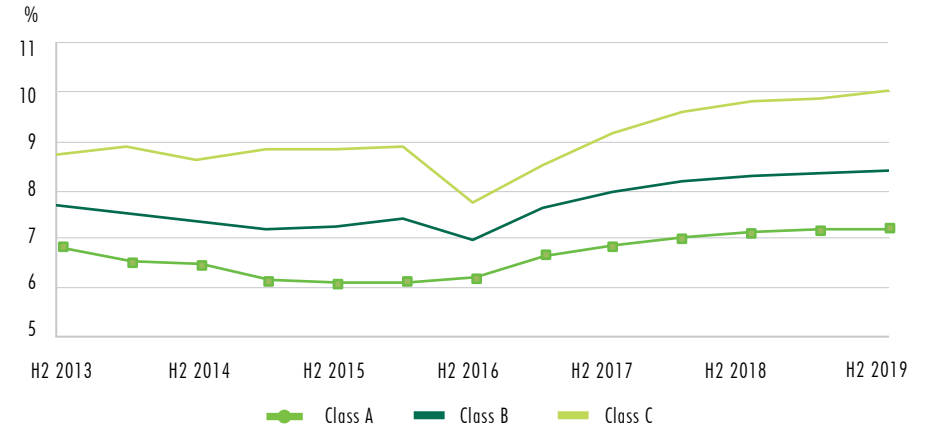
## U.S. RETAIL | OVERVIEW CONT.

**FIGURE 29: U.S. RETAIL POWER - CLASS A CAP RATES, H2 2019 - TIER I & II METROS**



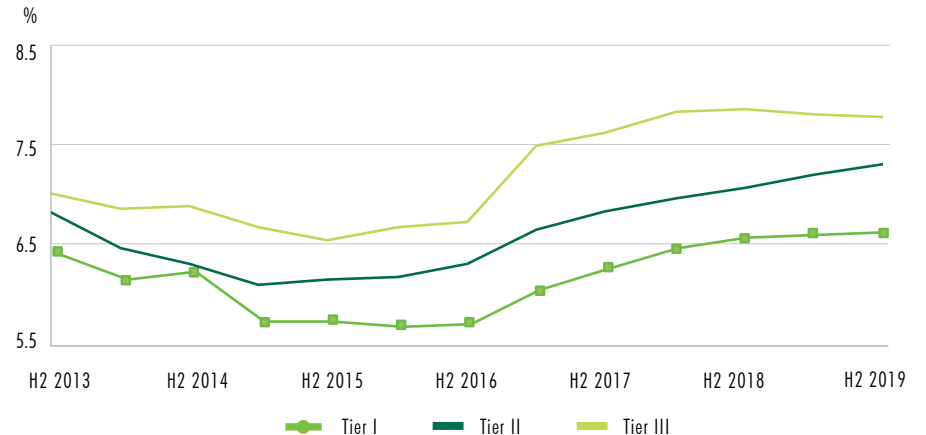
Source: CBRE Research, Q4 2019. Data for stabilized acquisitions. Notes: data is subject to historical revisions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same 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 2019. Data for stabilized acquisitions. Note: data is subject to historical revisions.

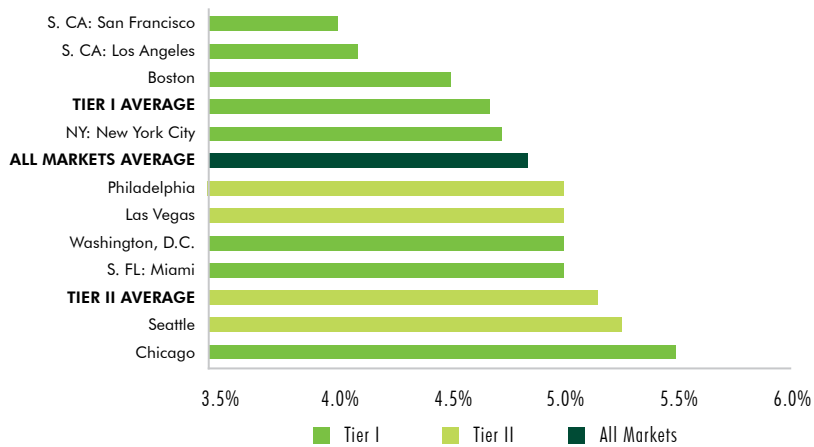
**FIGURE 31: U.S. RETAIL POWER - HISTORICAL CLASS A CAP RATES BY TIER**



Source: CBRE Research, Q4 2019. Data for stabilized acquisitions. Note: data is subject to historical revisions.

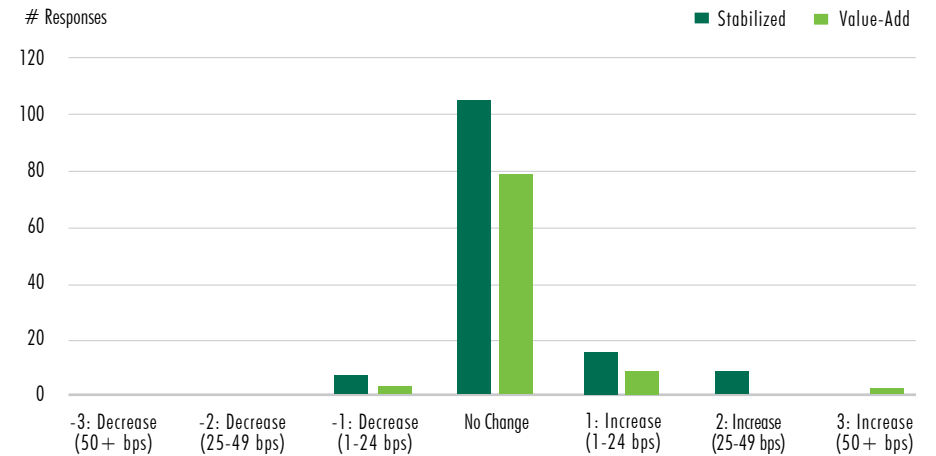
## U.S. RETAIL | OVERVIEW CONT.

**FIGURE 32: U.S. RETAIL HIGH STREET - CLASS A CAP RATES H2 2019 - TIER I & II METROS**



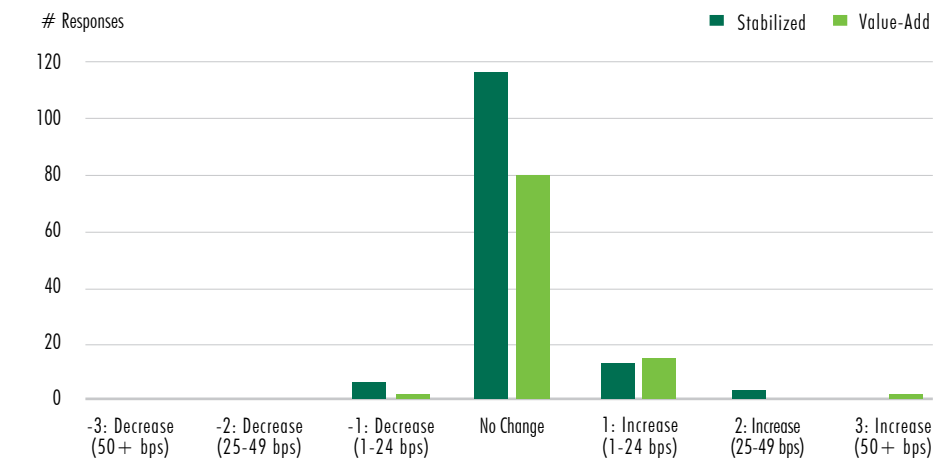
Source: CBRE Research, Q4 2019. Data for stabilized acquisitions. Notes: data is subject to historical revisions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same tier designation as the CSA to which they belong. See tier methodology for further explanation.

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



Source: CBRE Research, Q4 2019.

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



Source: CBRE Research, Q4 2019.



## 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	Boston	5.50 - 6.50	◄	7.00 - 8.00	◄	8.00 - 9.25	◄	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	5.00 - 6.00	◄	6.50 - 7.25	◄	7.50 - 8.50	◄	8.00 - 9.00	◄	8.50 - 10.50	▼
	N. CA: San Francisco	4.50 - 5.25	◄	5.50 - 7.00	▼	7.50 - 8.00	▼	8.00 - 9.00	◄	9.00 - 10.00	◄
	N. CA: San Jose	4.25 - 5.50	◄	6.00 - 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	5.50 - 6.50	◄	6.75 - 7.75	◄	7.50 - 8.50	◄	8.25 - 9.00	▲	8.75 - 9.75	▲
	S. CA: Los Angeles	4.50 - 5.25	◄	6.00 - 6.75	◄	7.00 - 8.00	◄	8.25 - 9.25	▲	8.25 - 9.75	▲
	S. CA: Orange County	4.50 - 5.25	◄	6.00 - 6.75	◄	7.00 - 8.00	◄	8.25 - 9.25	▲	8.25 - 9.75	▲
	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 - 5.75	◄	6.50 - 7.50	◄	7.50 - 9.00	◄	8.00 - 9.50	◄	8.50 - 9.75	◄
	San Diego	4.50 - 5.25	◄	6.00 - 6.75	◄	7.00 - 8.00	◄	8.25 - 9.25	▲	8.25 - 9.75	▲
	Washington, D.C.	5.25 - 6.00	◄	7.00 - 9.00	◄	9.00 - 11.00	◄	9.00 - 11.00	◄	13.00 - 15.00	◄

▲ INCREASE  
▼ DECREASE  
◄ STABLE  
— N/A

<sup>1</sup>Compared with H1 2019. Changes less than 15 bps considered stable. Source: CBRE Research, Q4 2019.

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	Atlanta	5.25 - 6.25	◄	6.75 - 8.25	▲	7.50 - 8.50	◄	8.50 - 11.00	◄	8.75 - 11.00	◄
	Austin	5.00 - 5.75	◄	6.25 - 7.25	◄	7.00 - 8.00	◄	7.00 - 8.50	▼	8.50 - 10.00	◄
	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	◄	6.25 - 7.75	◄	7.50 - 9.00	◄	8.50 - 9.75	◄	9.25 - 10.50	◄
	Denver	5.25 - 6.25	◄	6.50 - 7.50	◄	7.50 - 8.50	◄	8.25 - 9.25	▼	9.00 - 10.00	◄
	Houston	5.00 - 6.75	◄	7.00 - 8.50	◄	10.00 - 11.50	◄	9.00 - 11.00	◄	12.00 - 14.00	◄
	Las Vegas	6.00 - 6.75	▼	7.00 - 7.75	◄	7.50 - 9.00	◄	8.00 - 9.00	◄	8.75 - 10.00	◄
	Nashville	6.00 - 6.50	◄	6.50 - 7.00	◄	8.00 - 9.00	◄	8.25 - 9.25	▲	12.00 - 15.00	◄
	Orlando	5.50 - 6.50	◄	7.50 - 8.25	◄	8.25 - 9.00	◄	8.50 - 10.50	◄	9.00 - 11.00	◄
	Philadelphia	5.75 - 7.00	▲	7.00 - 8.25	◄	8.75 - 10.00	◄	8.75 - 10.00	◄	9.75 - 11.00	◄
	Phoenix	5.75 - 6.50	◄	7.00 - 8.00	▼	9.00 - 9.50	◄	8.25 - 9.00	▼	9.00 - 10.00	◄
	Portland	5.00 - 5.75	◄	6.50 - 7.50	▼	8.00 - 9.00	◄	7.50 - 9.00	▼	9.00 - 10.00	◄
	Sacramento	7.00 - 7.50	▲	7.25 - 8.00	▲	8.00 - 8.75	◄	8.50 - 9.00	▲	8.50 - 9.50	◄
	Seattle	4.50 - 6.00	◄	5.50 - 7.50	◄	7.50 - 10.00	▲	7.50 - 9.00	◄	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	◄

## 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	7.50 - 7.75	◄►	8.25 - 8.75	◄►	9.50 - 10.00	◄►	9.50 - 10.00	◄►	9.50 - 10.00	◄►
	Charlotte	5.75 - 6.25	◄►	7.25 - 7.75	◄►	8.00 - 9.00	◄►	8.25 - 9.25	▼	9.00 - 10.00	◄►
	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	◄►	8.00 - 8.50	◄►	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	6.75 - 7.25	▼	8.00 - 8.50	▼	9.00 - 10.00	▼	9.50 - 10.50	▼	10.50 - 12.00	▼
	Honolulu	4.50 - 6.50	◄►	5.75 - 7.00	◄►	7.25 - 8.00	◄►	6.25 - 7.50	◄►	6.50 - 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	5.50 - 6.25	◄►	7.50 - 8.25	◄►	8.50 - 9.50	◄►	9.00 - 9.75	▲	9.75 - 11.00	◄►
	Pittsburgh	6.75 - 7.75	◄►	8.00 - 8.75	◄►	10.75 - 13.75	◄►	10.75 - 11.75	◄►	12.75 - 13.00	◄►
	Salt Lake City	6.00 - 6.75	◄►	6.75 - 7.50	◄►	7.25 - 8.25	◄►	7.75 - 8.50	◄►	8.25 - 9.00	◄►
	San Antonio	5.25 - 6.75	◄►	7.00 - 8.75	◄►	7.00 - 8.75	◄►	8.75 - 10.25	◄►	9.25 - 10.50	◄►
	St. Louis	6.50 - 7.25	◄►	7.50 - 8.25	◄►	8.50 - 9.50	◄►	9.00 - 10.00	◄►	10.00 - 11.25	◄►

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with H1 2019. Changes less than 15 bps considered stable.  
Source: CBRE Research, Q4 2019.

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	
TIER I	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.						

INCREASE DECREASE STABLE — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.  
Source: CBRE Research, Q4 2019.

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 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 II	Atlanta						
	Austin						
	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 2020.

Source: CBRE Research, Q4 2019.

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 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			CAP RATES FOR STABILIZED PROPERTIES		
					EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES			EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES		
TIER III	Albuquerque									
	Charlotte									
	Cincinnati									
	Cleveland									
	Columbus									
	Detroit									
	Honolulu									
	Indianapolis									
	Jacksonville									
	Kansas City									
	Memphis									
	Minneapolis/St. Paul									
	Pittsburgh									
	Salt Lake City									
	San Antonio									
	St. Louis									

INCREASE

DECREASE

STABLE

N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.  
Source: CBRE Research, Q4 2019.

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 (%)	CHANGE¹	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE¹	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE¹	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE¹	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE¹
TIER I	Boston	6.00 - 7.00	▲	7.00 - 8.00	▲	8.00 - 9.00	▲	8.00 - 9.00	▲	8.50 - 10.00	◄►
	Chicago	6.50 - 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	◄►	7.25 - 8.25	▼	9.00 - 11.00	◄►	9.25 - 10.50	◄►	10.00 - 12.00	◄►
	N. CA: San Francisco	6.00 - 7.00	◄►	7.25 - 8.25	◄►	9.00 - 11.00	◄►	9.25 - 11.00	▲	10.00 - 12.00	◄►
	N. CA: San Jose	6.00 - 7.00	◄►	7.25 - 8.25	◄►	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	◄►	9.25 - 11.25	▲	10.00 - 12.25	◄►
	S. CA: Los Angeles	5.75 - 6.75	◄►	7.50 - 8.50	◄►	8.25 - 9.25	▲	9.00 - 10.00	◄►	9.25 - 12.00	◄►
	S. CA: Orange County	5.75 - 6.75	◄►	7.50 - 8.50	◄►	8.25 - 9.25	▲	9.00 - 10.00	◄►	9.25 - 11.00	◄►
	S. FL: Ft. Lauderdale	6.50 - 7.25	◄►	7.50 - 8.50	◄►	9.00 - 11.50	◄►	8.50 - 10.50	◄►	8.75 - 11.25	◄►
	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	5.75 - 6.75	◄►	7.50 - 8.50	◄►	8.50 - 10.00	▲	9.00 - 10.00	◄►	9.25 - 11.00	◄►
	Washington, D.C.	6.25 - 7.50	◄►	7.50 - 9.00	◄►	9.50 - 11.00	◄►	10.00 - 12.00	◄►	13.00 - 15.00	◄►

▲ INCREASE  
▼ DECREASE  
◄► STABLE  
— N/A

<sup>1</sup>Compared with end of H1 2019. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps. Source: CBRE Research, Q4 2019.

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	Atlanta	7.25 - 8.25	◄◄	8.50 - 9.50	◄◄	8.50 - 9.50	◄◄	9.50 - 12.25	◄◄	9.50 - 12.00	◄◄
	Austin	6.25 - 7.25	◄◄	7.25 - 8.50	▲	7.50 - 9.00	▲	8.25 - 9.25	▲	8.50 - 10.25	▲
	Baltimore	7.00 - 8.00	◄◄	8.00 - 10.00	◄◄	10.00 - 12.00	◄◄	10.00 - 12.00	◄◄	13.00 - 15.00	◄◄
	Dallas/Ft. Worth	7.00 - 8.00	◄◄	7.75 - 9.25	▲	8.00 - 9.25	▲	9.25 - 10.00	▼	9.50 - 12.00	▲
	Denver	6.50 - 7.25	▼	7.50 - 8.50	▼	8.75 - 9.75	▼	9.00 - 12.00	▼	12.00 - 18.00	▲
	Houston	7.00 - 8.00	◄◄	8.25 - 8.75	◄◄	11.25 - 11.75	◄◄	9.00 - 11.00	◄◄	12.00 - 14.00	◄◄
	Las Vegas	7.50 - 8.25	◄◄	8.25 - 9.25	▲	8.50 - 9.50	▲	9.00 - 10.00	▲	9.25 - 11.25	▲
	Nashville	7.00 - 7.50	◄◄	8.50 - 9.00	◄◄	12.00 - 15.00	◄◄	10.00 - 12.00	◄◄	12.00 - 15.00	◄◄
	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 - 9.50	◄◄	9.50 - 11.00	◄◄	10.00 - 11.00	◄◄	—	
	Phoenix	7.25 - 7.75	◄◄	7.75 - 8.75	◄◄	8.75 - 9.75	◄◄	9.00 - 10.00	◄◄	10.00 - 11.00	◄◄
	Portland	6.25 - 7.00	◄◄	7.00 - 8.25	◄◄	7.25 - 9.25	◄◄	8.00 - 9.25	◄◄	9.00 - 11.00	◄◄
	Sacramento	7.00 - 7.50	▲	8.00 - 8.50	▲	8.00 - 9.00	◄◄	8.50 - 9.00	▲	8.50 - 10.00	◄◄
	Seattle	6.00 - 7.00	▲	6.50 - 8.00	◄◄	7.50 - 9.00	◄◄	7.50 - 10.00	▲	8.00 - 12.00	▲
	Tampa	7.00 - 8.00	◄◄	7.75 - 9.00	◄◄	8.25 - 10.00	◄◄	8.75 - 10.00	◄◄	9.50 - 11.50	◄◄

## 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	◄►
	Charlotte	7.50 - 8.25	◄►	8.25 - 9.00	◄►	8.50 - 9.50	◄►	9.00 - 10.00	◄►	9.50 - 11.00	◄►
	Cincinnati	7.50 - 8.25	◄►	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 - 8.25	◄►	8.75 - 9.50	◄►	9.75 - 12.00	◄►	10.75 - 11.75	◄►	11.75 - 13.25	◄►
	Detroit	8.00 - 8.75	▼	9.25 - 10.00	◄►	10.25 - 11.50	▲	11.25 - 12.75	▲	12.50 - 14.50	▲
	Honolulu	4.75 - 5.75	◄►	4.75 - 7.25	◄►	5.00 - 7.00	◄►	5.50 - 6.00	◄►	6.50 - 8.50	◄►
	Indianapolis	7.50 - 8.25	▼	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	7.50 - 8.25	▼	8.75 - 9.50	◄►	9.75 - 12.00	◄►	10.75 - 11.75	◄►	11.75 - 13.25	◄►
	Memphis	7.00 - 7.50	◄►	8.25 - 9.00	◄►	8.75 - 10.00	◄►	9.25 - 10.25	◄►	11.00 - 12.00	◄►
	Minneapolis/St. Paul	7.00 - 7.50	◄►	8.25 - 9.25	◄►	9.25 - 10.50	◄►	10.25 - 11.25	◄►	11.25 - 12.75	◄►
	Pittsburgh	7.50 - 8.50	◄►	8.00 - 9.50	◄►	9.25 - 11.00	◄►	9.00 - 10.00	◄►	10.50 - 12.50	◄►
	Salt Lake City	6.75 - 7.25	◄►	7.50 - 8.25	◄►	8.50 - 9.00	◄►	7.75 - 8.75	▲	8.50 - 9.50	◄►
	San Antonio	7.00 - 8.25	▲	8.25 - 9.50	▲	8.75 - 10.00	▲	9.25 - 11.00	▲	9.50 - 12.00	▲
	St. Louis	7.50 - 8.25	▼	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 2019. Changes less than 15 bps considered stable.  
Source: CBRE Research, Q4 2019.

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	
TIER I	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.						

INCREASE

DECREASE

STABLE

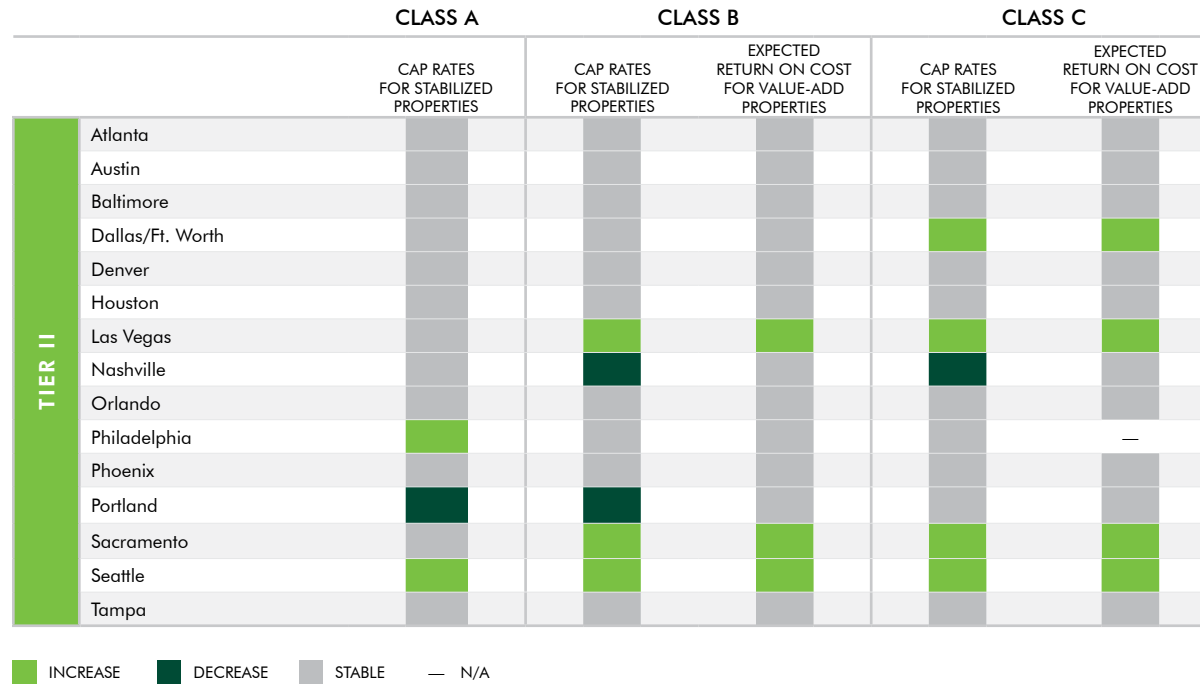
N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.  
Source: CBRE Research, Q4 2019.

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 38: FORECAST TRENDS - SIX MONTH OUTLOOK CONT.



Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.  
Source: CBRE Research, Q4 2019.

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 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						
	Charlotte						
	Cincinnati						
	Cleveland						
	Columbus						
	Detroit						
	Honolulu						
	Indianapolis						
	Jacksonville						
	Kansas City						
	Memphis						
	Minneapolis/St. Paul						
	Pittsburgh						
	Salt Lake City						
	San Antonio						
	St. Louis						

INCREASE

DECREASE

STABLE

N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.  
Source: CBRE Research, Q4 2019.

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	4.50 - 5.00	◄►
	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 - 6.00	▲

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with H1 2019. 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 2019.

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	
TIER I	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	
TIER II	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 2020.

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

Source: CBRE Research, Q4 2019.

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, indicating firm pricing trends and sustained investor interest in the multifamily sector.

Continued healthy market fundamentals—particularly low vacancies and steady rent growth—contributed significantly to multifamily’s appeal and sustained high levels of investment at low cap rates. Low interest rates contributed to a favorable view of the sector and influenced pricing decisions. This led to slightly lower cap rates and more optimism for continued solid pricing in H1 2020 for both infill and suburban assets and expected returns on cost for value-add acquisitions.

The average cap rate for all stabilized infill assets fell by 9 bps in H2 to 5.11%—the lowest among all commercial real estate sectors and the lowest rate since CBRE began conducting the survey in 2009. The lower rate reflected high levels of investment capital coming into the sector and sustained confidence in its performance.

Cap rate spreads between market tiers tightened. Rates in Tier II and III markets continued merging down toward Tier I, reflecting investors’ search for yield in secondary and tertiary markets. Tier I’s average cap rate ticked down by 3 bps to 4.88% in H2. Tier II and Tier III averages fell by 13 bps and 17 bps, respectively.

Cap rate spreads between asset classes also narrowed. Spread tightening was modest but confirmed investor preferences and buying activity for lower-quality assets and in secondary and tertiary markets. For stabilized assets, the average Class A cap rate declined marginally by 5 bps to 4.64%, Class B was down 8 bps to 5.02% and Class C fell by 12 bps to 5.68%. Rate decreases were more pronounced in Class B and C assets in Tier II and III markets at approximately 15 bps.

San Francisco and Austin had the nation’s lowest average cap rate of 4.00% for stabilized Class A assets, unchanged in H2. While San Francisco’s rate was unchanged

in H2, Austin’s rate dropped from 4.25%. Sub-5% cap rates were recorded in all California markets, as well as all Tier I and Tier II markets with the exception of New York City (5.00%), which moved up from 4.75%—likely a result of changing investor sentiment related to rent control. Pittsburgh had the largest cap rate decline, followed by Portland and San Antonio.

Approximately 78% of survey respondents expect infill multifamily cap rates and expected returns on cost will remain stable in H1 2020. Another 18% expect further tightening for both stabilized asset cap rates and value-add expected return on costs. Markets where respondents expect decreases across all class segments include Albuquerque, Indianapolis, Jacksonville, Phoenix and Portland.

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

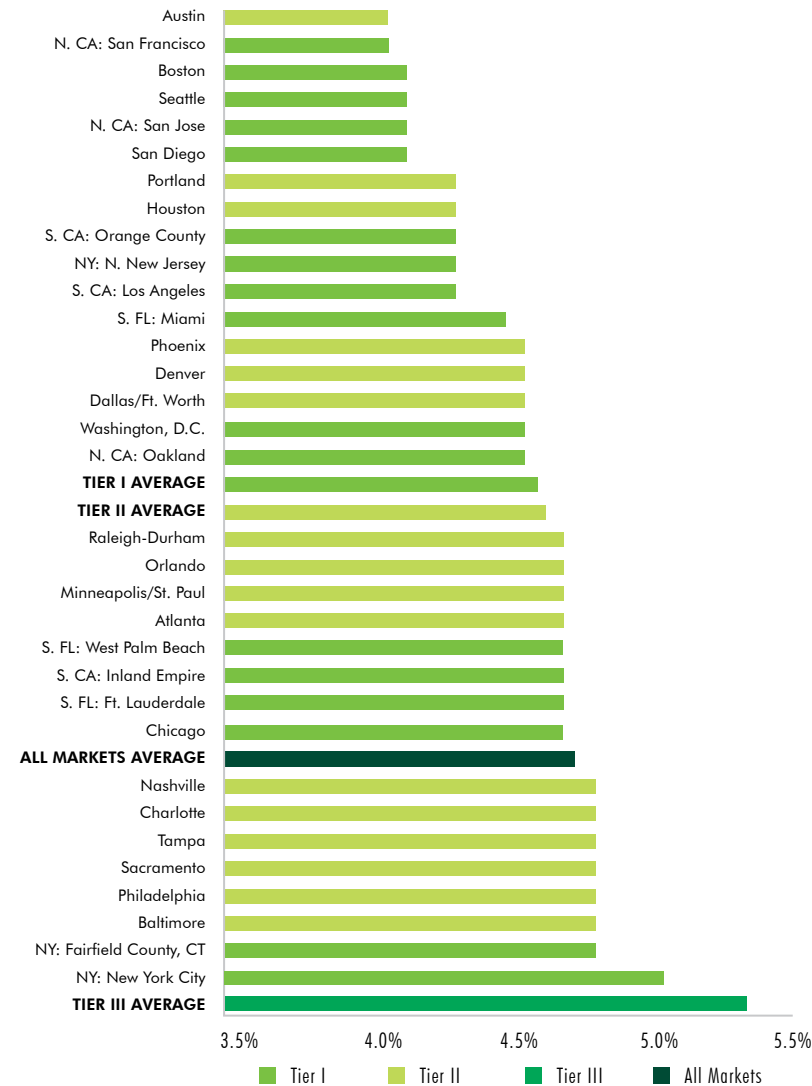
METRO TIER	CLASS	H2 2019 (%)	H1 2019 (%)	CHANGE (BPS)
ALL	ALL	5.11	5.19	-9
	A	4.64	4.69	-5
	B	5.02	5.11	-8
	C	5.68	5.80	-12
I	A	4.52	4.49	3
	B	4.81	4.84	-3
	C	5.36	5.45	-10
II	A	4.53	4.63	-10
	B	5.01	5.15	-14
	C	5.51	5.67	-15
III	A	5.30	5.51	-21
	B	5.82	5.97	-15
	C	7.10	7.25	-15

Source: CBRE Research, Q4 2019.

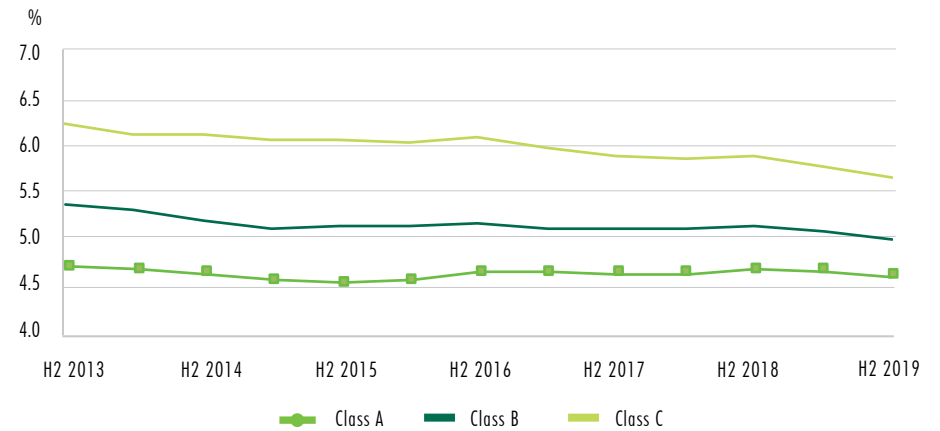
Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

## U.S. MULTIFAMILY | OVERVIEW CONT.

**FIGURE 42: U.S. MULTIFAMILY INFILL - CLASS A CAP RATES, H2 2019 - TIER I & II METROS**

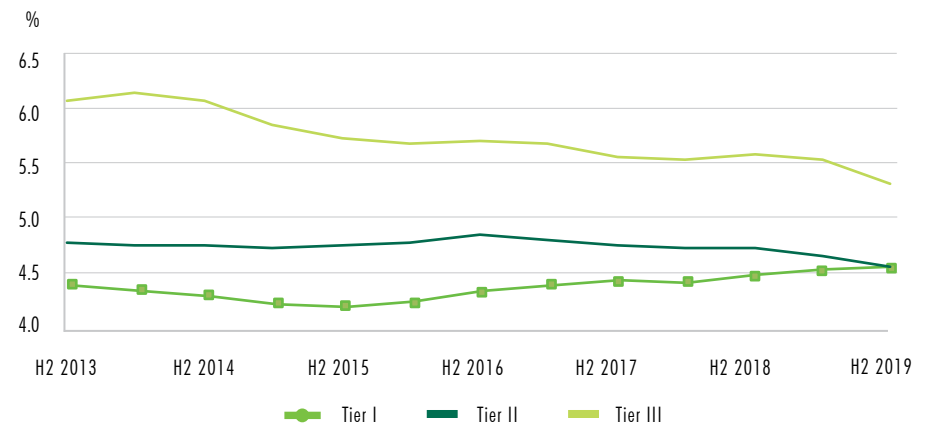


**FIGURE 43: U.S. MULTIFAMILY INFILL - HISTORICAL CAP RATES BY CLASS**



Source: CBRE Research, Q4 2019. 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 2019. 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 cap rates fell slightly more than infill rates in H2. The average cap rate for stabilized suburban assets fell by 11 bps to 5.37%—the lowest in survey history. Return on cost for value-add acquisitions decreased by 9 bps to 6.10%.

Cap rate spreads between tier groupings were stable. While there is still a distinction between Tier I and II cap rates, the difference is small. Investors are not pricing Tier II suburban assets much differently than Tier I. The spread between Tier I and Tier II markets compressed to a very tight 21 bps, largely attributable to the high-growth dynamics of Tier II markets and strong suburban market fundamentals.

Investor buying activity also indicates a preference for lower-quality suburban assets; cap rates for Class A and B properties each fell by 10 bps and Class C dropped by 14 bps.

Value-add acquisitions, especially garden assets, reflected preferred investor interest for secondary and tertiary markets, as well as lower-quality properties that can provide significant rent increases if renovated.

San Diego had the nation's lowest average cap rate for stabilized Class A assets at 4.13%, followed by San Francisco and San Jose at 4.25%. Of the 49 markets surveyed, 23 had declining cap rates. The balance showed little to no movement. Jacksonville and San Diego tightened the most.

Cap rates for suburban acquisitions are expected to remain stable in H1 2020 by 80% of survey respondents. Another 15% expect further tightening of less than 25 bps. Expected tightening is more pronounced than in the previous survey, reflecting sustained demand and high investor interest in multifamily product. Markets that reported cap rate compression across all class segments include Albuquerque, Jacksonville, Phoenix and Portland.

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

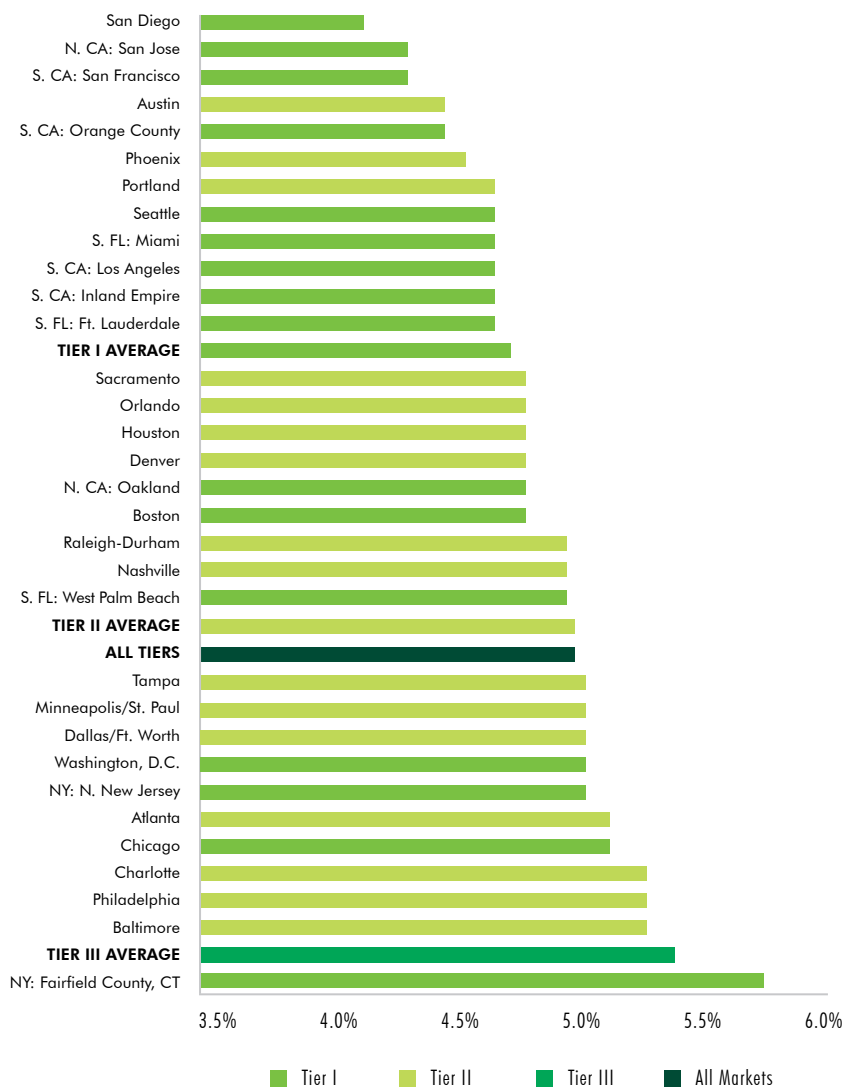
METRO TIER	CLASS	H2 2019 (%)	H1 2019 (%)	CHANGE (BPS)
ALL	ALL	5.37	5.48	-11
	A	4.89	4.99	-10
	B	5.26	5.37	-10
	C	5.96	6.10	-14
I	A	4.71	4.81	-10
	B	5.02	5.14	-11
	C	5.69	5.86	-17
II	A	4.89	4.98	-9
	B	5.26	5.33	-6
	C	5.89	6.00	-12
III	A	5.34	5.44	-10
	B	5.85	5.99	-14
	C	6.75	6.85	-11

Source: CBRE Research, Q4 2019.

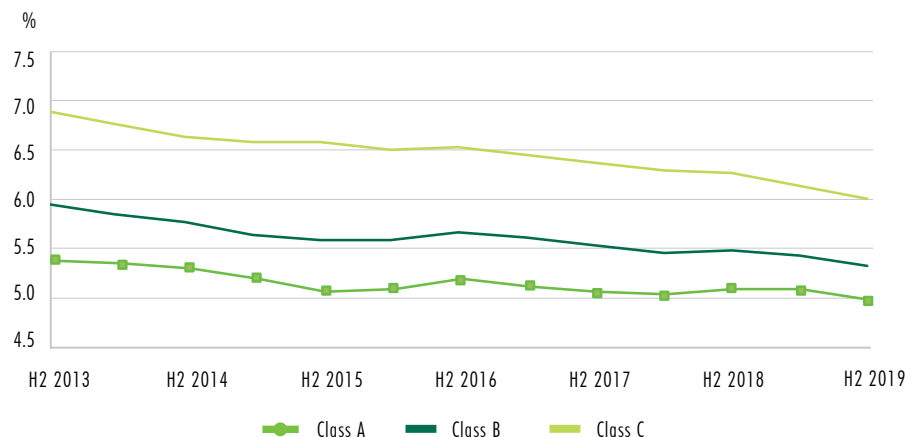
Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

## U.S. MULTIFAMILY | OVERVIEW CONT.

**FIGURE 46: U.S. MULTIFAMILY SUBURBAN - CLASS A CAP RATES, H2 2019 - TIER I & II METROS**

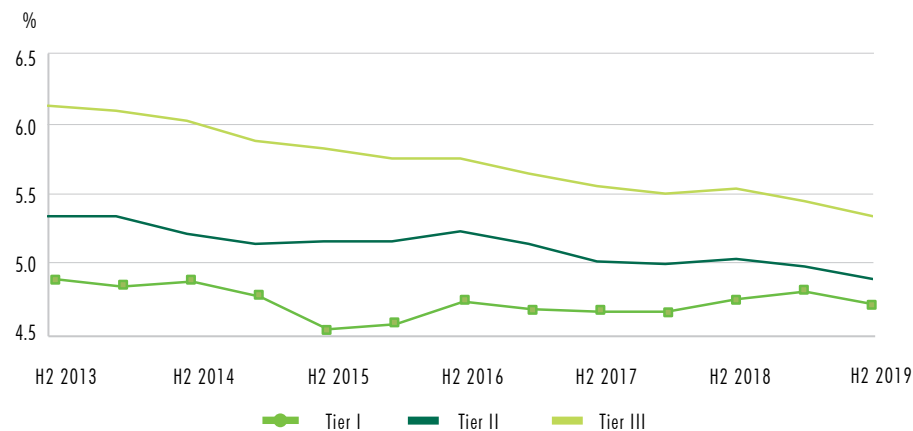


**FIGURE 47: U.S. MULTIFAMILY SUBURBAN - HISTORICAL CAP RATES BY CLASS**



Source: CBRE Research, Q4 2019. Data for stabilized acquisitions. Note: data is subject to historical revisions.

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

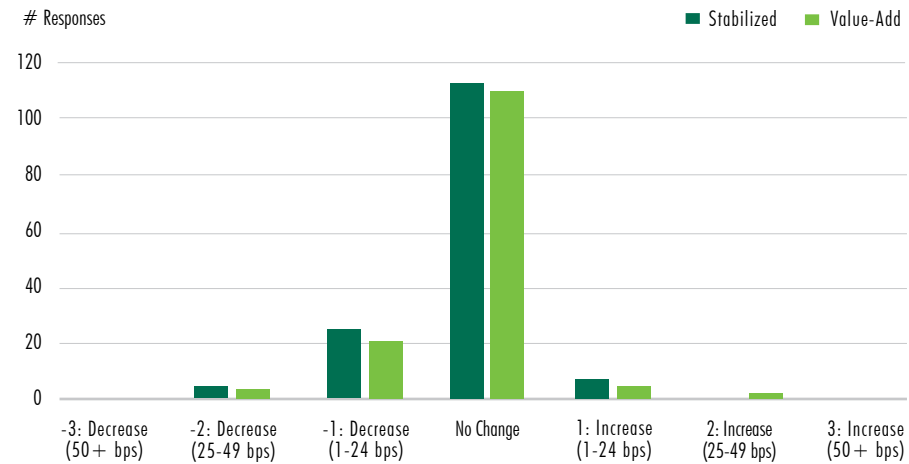


Source(s): (chart above) CBRE Research, Q4 2019. Data for stabilized acquisitions. Note: data is subject to historical revisions. (chart left) CBRE Research, Q4 2019. Data for stabilized acquisitions. Notes: data is subject to historical revisions. Markets represent metropolitan areas. For larger metros, 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.



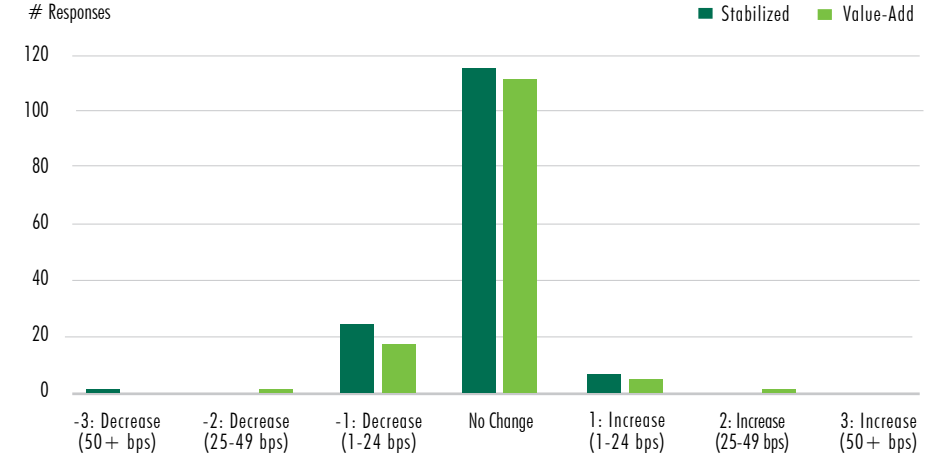
## U.S. MULTIFAMILY | OVERVIEW CONT.

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



Source: CBRE Research, Q4 2019.

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



Source: CBRE Research, Q4 2019.

## U.S. MULTIFAMILY INFILL | FIGURE 51: 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	3.75 - 4.50	◄	4.75 - 5.50	▼	4.25 - 5.00	◄	5.50 - 6.25	◄	—		6.00 - 6.50	▼	
	Chicago	4.50 - 4.75	▼	5.00 - 5.25	▼	5.00 - 5.25	◄	5.50 - 5.75	◄	5.50 - 6.00	▼	6.00 - 6.50	▼	
	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	4.00 - 4.25	◄	4.00 - 4.25	◄	4.00 - 4.50	◄	4.00 - 4.50	◄	4.25 - 4.75	◄	4.25 - 4.75	◄	
	NY: Fairfield County, CT	4.50 - 5.00	▼	5.50 - 6.00	▼	5.75 - 6.00	◄	6.25 - 6.75	◄	—		—		
	NY: N. New Jersey	4.00 - 4.50	◄	4.75 - 5.25	▼	4.25 - 4.75	▼	5.25 - 5.75	▼	5.25 - 5.75	▼	—		
	NY: New York City	4.50 - 5.50	▲	5.50 - 6.50	▲	4.50 - 5.75	◄	5.50 - 6.50	▲	5.00 - 5.50	◄	6.00 - 6.50	◄	
	S. CA: Inland Empire	4.50 - 4.75	◄	5.00 - 5.25	◄	5.00 - 5.50	◄	5.25 - 6.00	◄	5.25 - 6.00	◄	5.50 - 6.25	▼	
	S. CA: Los Angeles	4.00 - 4.50	◄	4.50 - 5.25	▲	4.25 - 5.00	◄	5.00 - 6.00	▲	5.00 - 6.00	◄	5.75 - 6.75	▲	
	S. CA: Orange County	4.00 - 4.50	◄	5.25 - 6.75	◄	4.25 - 4.75	◄	6.00 - 7.25	◄	4.75 - 5.25	◄	6.75 - 7.75	◄	
	S. FL: Ft. Lauderdale	4.50 - 4.75	◄	5.50 - 5.75	◄	4.25 - 4.75	◄	5.50 - 5.75	◄	5.25 - 5.75	◄	6.50 - 6.75	◄	
	S. FL: Miami	4.25 - 4.50	◄	5.25 - 5.50	◄	4.25 - 4.75	◄	5.50 - 5.75	◄	5.25 - 5.75	◄	6.50 - 6.75	◄	
	S. FL: West Palm Beach	4.50 - 4.75	◄	5.75 - 6.00	◄	4.50 - 5.00	◄	5.75 - 6.00	◄	5.25 - 5.75	◄	6.50 - 7.00	◄	
	San Diego	4.00 - 4.25	◄	4.25 - 4.50	◄	4.25 - 4.50	▼	4.50 - 4.75	▼	4.50 - 4.75	▼	4.75 - 5.00	▼	
	Seattle	4.00 - 4.25	◄	4.50 - 5.00	▼	4.25 - 4.75	◄	5.00 - 5.50	▲	5.00 - 5.50	▼	5.50 - 6.25	▲	
	Washington, D.C.	4.25 - 4.75	◄	5.25 - 5.75	◄	4.75 - 5.25	▼	5.25 - 5.75	▼	5.75 - 6.25	▼	6.75 - 7.25	▼	

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with H1 2019. Changes less than 15 bps considered stable.

Source: CBRE Research, Q4 2019.

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 (%)		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	4.25 - 5.00	◄	5.50 - 6.25	◄	5.00 - 5.75	◄	6.25 - 6.75	◄	5.75 - 6.50	◄	6.50 - 7.25	◄	
	Austin	3.75 - 4.25	▼	3.75 - 4.25	▼	4.00 - 4.50	▼	4.00 - 4.50	▼	4.50 - 5.00	◄	4.25 - 4.75	▼	
	Baltimore	4.50 - 5.00	◄	5.25 - 5.75	◄	5.00 - 5.75	◄	6.00 - 6.75	◄	5.75 - 6.50	▼	6.75 - 7.25	▼	
	Charlotte	4.50 - 5.00	◄	4.75 - 5.25	◄	4.50 - 5.00	◄	4.75 - 5.25	◄	4.50 - 5.00	◄	4.75 - 5.25	◄	
	Dallas/Ft. Worth	4.25 - 4.75	▼	5.00 - 5.50	◄	4.75 - 5.75	▼	6.00 - 7.00	◄	5.50 - 6.00	▼	6.75 - 7.25	◄	
	Denver	4.25 - 4.75	◄	5.50 - 6.00	▼	4.75 - 5.25	▼	6.00 - 7.00	◄	5.00 - 5.50	▼	6.50 - 7.00	▼	
	Houston	4.00 - 4.50	◄	4.50 - 5.00	▼	4.50 - 5.00	▼	5.00 - 5.50	▼	5.25 - 5.75	▼	6.00 - 6.50	▼	
	Minneapolis/St. Paul	4.50 - 4.75	◄	5.00 - 5.25	◄	4.75 - 5.00	▼	5.25 - 5.75	▼	5.00 - 5.50	◄	5.75 - 6.25	◄	
	Nashville	4.50 - 5.00	◄	4.00 - 5.50	▼	5.00 - 5.50	◄	5.25 - 5.75	◄	5.25 - 6.00	◄	6.00 - 6.50	◄	
	Orlando	4.50 - 4.75	◄	—		4.50 - 4.75	◄	5.25 - 5.50	◄	4.75 - 5.25	▼	5.50 - 6.00	▼	
	Philadelphia	4.50 - 5.00	◄	5.75 - 6.75	◄	5.50 - 6.00	◄	6.75 - 7.75	◄	6.00 - 6.75	◄	7.00 - 7.75	◄	
	Phoenix	4.25 - 4.75	◄	5.25 - 5.75	▼	4.25 - 4.75	◄	5.25 - 5.75	▼	4.50 - 5.00	▼	5.50 - 6.25	▼	
	Portland	4.00 - 4.50	▼	4.75 - 5.00	◄	4.75 - 5.00	◄	5.00 - 5.25	◄	5.00 - 5.25	◄	5.25 - 5.50	◄	
	Raleigh-Durham	4.25 - 5.00	◄	5.25 - 5.75	◄	4.75 - 5.50	▼	6.00 - 6.50	◄	5.50 - 6.00	◄	6.00 - 6.50	◄	

▲ INCREASE  
 ▼ DECREASE  
 ◄ STABLE  
 — N/A

<sup>1</sup>Compared with H1 2019. Changes less than 15 bps considered stable. Source: CBRE Research, Q4 2019. 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 III	Albuquerque	5.00 - 5.25	▼	5.75 - 6.25	▼	5.25 - 5.50	▼	6.25 - 6.75	▼	6.50 - 7.00	▼	7.50 - 8.50	▼	
	Cincinnati	4.75 - 5.50	▼	5.50 - 7.00	▼	5.25 - 6.25	◄	6.00 - 7.00	▼	6.00 - 7.50	◄	7.00 - 8.00	▼	
	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	5.00 - 5.50	▼	5.50 - 6.00	▼	5.25 - 5.50	▼	6.00 - 7.25	▼	6.50 - 8.50	▼	7.50 - 8.00	▼	
	Detroit	5.75 - 6.75	▼	6.50 - 7.25	▼	6.25 - 7.25	▼	7.25 - 8.00	▼	8.75 - 10.25	▼	9.25 - 10.75	▼	
	Honolulu	4.25 - 6.00	◄	—		4.50 - 6.00	▲	—		4.50 - 6.00	◄	—		
	Indianapolis	5.00 - 5.25	▼	5.75 - 6.00	▼	5.00 - 5.25	▼	5.75 - 6.00	▼	5.50 - 6.00	▼	6.25 - 9.00	▼	
	Jacksonville	4.50 - 5.00	▼	5.50 - 6.25	◄	5.00 - 5.75	▼	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	◄	
	Oklahoma City	5.00 - 5.50	◄	6.75 - 7.00	◄	5.75 - 6.75	◄	7.50 - 8.25	◄	6.75 - 7.50	◄	8.75 - 9.50	◄	
	Pittsburgh	4.75 - 5.50	▼	6.50 - 7.00	◄	6.00 - 7.00	▼	7.00 - 7.50	◄	7.50 - 8.00	◄	8.50 - 9.00	◄	
	Salt Lake City	4.50 - 5.00	◄	5.25 - 5.50	◄	4.75 - 5.25	▼	6.00 - 6.25	◄	5.50 - 6.00	▼	6.25 - 6.75	▼	
	San Antonio	4.25 - 4.75	▼	4.25 - 4.75	▼	4.50 - 5.00	▼	4.25 - 5.00	▼	4.50 - 5.25	▼	4.50 - 5.00	▼	
	St. Louis	5.25 - 5.50	▼	—		5.75 - 6.50	▼	—		7.25 - 8.25	▼	—		

## 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						
	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						
	Seattle						
	Washington, D.C.						

INCREASE

DECREASE

STABLE

— N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.

Source: CBRE Research, Q4 2019.

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 II	Atlanta						
	Austin						
	Baltimore						
	Charlotte						
	Dallas/Ft. Worth						
	Denver						
	Houston						
	Minneapolis/St. Paul						
	Nashville						
	Orlando		—				
	Philadelphia						
	Phoenix						
	Portland						
	Raleigh-Durham						
	Sacramento						
	San Antonio						
	Tampa						

INCREASE

DECREASE

STABLE

— N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.

Source: CBRE Research, Q4 2019.

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	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
	Cincinnati	STABLE	STABLE	DECREASE	DECREASE	DECREASE	DECREASE
	Cleveland	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	Columbus	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	Detroit	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	Honolulu	STABLE	—	STABLE	—	STABLE	—
	Indianapolis	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
	Jacksonville	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
	Kansas City	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	Memphis	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	Milwaukee	STABLE	STABLE	DECREASE	STABLE	STABLE	STABLE
	Nashville	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	Oklahoma City	INCREASE	INCREASE	STABLE	STABLE	STABLE	STABLE
	Pittsburgh	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	Salt Lake City	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	San Antonio	STABLE	STABLE	STABLE	STABLE	STABLE	STABLE
	St. Louis	DECREASE	—	DECREASE	—	DECREASE	—

INCREASE
DECREASE
STABLE
— N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.

Source: CBRE Research, Q4 2019.

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 (%)	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 - 5.00	◄	5.50 - 6.00	▼	4.50 - 5.25	▼	5.75 - 6.25	▼	5.50 - 6.50	▼	6.50 - 7.50	▼
	Chicago	5.00 - 5.25	▼	5.50 - 5.75	▼	5.25 - 5.50	▼	5.75 - 6.00	▼	5.75 - 6.00	▼	6.25 - 6.50	▼
	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 - 6.50	▼	—	—	—	—
	NY: N. New Jersey	4.75 - 5.25	▼	5.50 - 6.00	▼	5.00 - 5.50	▼	6.00 - 6.50	▼	5.50 - 6.00	▼	—	—
	S. CA: Inland Empire	4.50 - 4.75	◄	5.00 - 5.25	◄	5.00 - 5.50	◄	5.25 - 6.00	◄	5.25 - 6.00	◄	5.50 - 6.00	▼
	S. CA: Los Angeles	4.25 - 5.00	◄	5.00 - 5.75	▲	4.75 - 5.75	◄	5.50 - 6.50	▲	5.50 - 7.00	◄	6.25 - 7.75	▲
	S. CA: Orange County	4.00 - 4.75	◄	5.25 - 6.75	◄	4.25 - 5.00	◄	6.00 - 7.50	◄	4.75 - 5.25	◄	6.75 - 8.00	◄
	S. FL: Ft. Lauderdale	4.50 - 4.75	◄	5.50 - 5.75	◄	4.25 - 4.75	◄	5.50 - 5.75	◄	5.00 - 5.50	◄	6.25 - 6.50	◄
	S. FL: Miami	4.50 - 4.75	◄	5.50 - 5.75	◄	4.25 - 4.75	◄	5.50 - 5.75	◄	5.00 - 5.50	◄	6.25 - 6.50	◄
	S. FL: West Palm Beach	4.75 - 5.00	◄	5.75 - 6.00	◄	4.50 - 5.25	◄	5.25 - 6.25	◄	5.25 - 5.75	◄	6.50 - 6.75	◄
	San Diego	4.00 - 4.25	▼	4.25 - 4.50	▼	4.25 - 4.50	▼	4.50 - 4.75	▼	4.50 - 4.75	▼	4.75 - 5.00	▼
	Seattle	4.50 - 4.75	◄	4.75 - 5.25	▲	4.75 - 5.25	◄	5.25 - 5.75	▲	5.00 - 5.75	◄	5.50 - 6.25	▲
	Washington, D.C.	4.75 - 5.25	▼	5.25 - 5.75	◄	5.00 - 5.50	▼	5.50 - 6.00	▼	5.75 - 6.50	▼	6.50 - 7.25	▼
		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	4.75 - 5.50	◄	5.75 - 6.50	◄	5.25 - 5.75	◄	6.00 - 6.75	◄	6.00 - 6.75	◄	6.50 - 7.25	◄
	Austin	4.00 - 4.75	◄	3.75 - 4.50	▼	4.25 - 4.75	▼	4.00 - 4.50	▼	4.50 - 5.00	▼	4.25 - 5.00	▼
	Baltimore	5.00 - 5.50	▼	5.25 - 5.75	▼	5.25 - 5.75	◄	6.00 - 6.75	◄	5.75 - 6.50	▼	6.75 - 7.50	▼
	Charlotte	5.00 - 5.50	◄	4.75 - 5.25	◄	5.25 - 5.75	◄	5.00 - 5.50	◄	6.00 - 6.50	◄	6.00 - 6.50	◄
	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	4.50 - 5.00	▼	5.75 - 6.50	▼	4.50 - 5.50	◄	6.00 - 7.00	◄	5.00 - 5.75	◄	6.50 - 7.50	◄
	Houston	4.50 - 5.00	◄	5.00 - 5.50	◄	5.00 - 5.50	◄	5.25 - 5.75	▼	6.00 - 6.50	▼	7.75 - 8.25	▼
	Minneapolis/St. Paul	4.75 - 5.25	▼	5.25 - 5.75	▼	5.00 - 5.50	▼	5.75 - 6.00	▼	5.25 - 5.75	◄	5.75 - 6.25	▼
	Nashville	4.50 - 5.25	◄	5.50 - 6.00	◄	5.25 - 5.75	◄	5.75 - 6.25	◄	6.00 - 6.50	◄	6.50 - 7.25	◄
	Orlando	4.50 - 5.00	◄	—	—	4.50 - 5.00	◄	5.25 - 5.75	▼	5.00 - 5.50	▼	6.00 - 6.50	▼
	Philadelphia	5.00 - 5.50	◄	6.00 - 6.50	◄	5.50 - 6.00	◄	6.50 - 7.00	◄	6.00 - 6.75	◄	7.00 - 7.75	◄
	Phoenix	4.25 - 4.75	▼	5.25 - 5.75	▼	4.25 - 4.75	◄	5.25 - 5.75	▼	4.50 - 5.00	▼	5.50 - 6.25	▼
	Portland	4.50 - 4.75	◄	4.75 - 5.00	◄	4.75 - 5.00	▼	5.25 - 5.50	◄	5.00 - 5.25	◄	6.25 - 6.75	◄
	Raleigh-Durham	4.50 - 5.25	▼	5.50 - 6.00	◄	4.75 - 5.50	▼	5.50 - 6.00	◄	5.25 - 6.00	▼	6.00 - 6.50	◄
	Sacramento	4.50 - 5.00	▼	5.00 - 5.75	▼	5.00 - 5.75	◄	5.75 - 6.50	◄	5.25 - 6.00	◄	6.00 - 6.75	▲
	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	◄

▲ INCREASE

▼ DECREASE

◄ STABLE

— N/A

<sup>1</sup>Compared with H1 2019. Changes less than 15 bps considered stable. Source: CBRE Research, Q4 2019. 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 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	5.00 - 5.25	▼	5.75 - 6.25	▼	5.25 - 5.50	▼	6.25 - 6.75	▼	6.50 - 7.00	▼	7.50 - 8.50	▼	
	Cincinnati	5.00 - 5.75	◄	6.00 - 7.00	▼	5.00 - 6.00	◄	6.50 - 7.50	▼	6.00 - 7.50	▲	7.50 - 8.50	◄	
	Cleveland	5.50 - 6.00	◄	7.00 - 8.00	◄	6.50 - 7.50	◄	7.50 - 8.50	◄	7.25 - 8.25	▼	8.75 - 10.75	▼	
	Columbus	5.25 - 5.75	▼	5.25 - 5.75	▼	5.75 - 6.25	▼	6.25 - 6.50	▼	6.50 - 7.25	▼	8.00 - 8.25	▼	
	Detroit	5.75 - 6.75	◄	6.50 - 7.50	◄	6.25 - 7.25	◄	7.00 - 7.50	◄	7.50 - 8.50	◄	8.50 - 10.00	◄	
	Honolulu	4.25 - 6.00	▲	—		4.50 - 6.50	◄	—		5.00 - 6.75	◄	—		
	Indianapolis	5.00 - 5.50	◄	6.00 - 6.25	▼	5.00 - 5.50	◄	6.50 - 6.75	◄	6.00 - 7.50	◄	7.50 - 9.00	▼	
	Jacksonville	4.50 - 5.00	▼	5.25 - 5.75	◄	4.75 - 5.25	▼	6.50 - 7.00	◄	5.00 - 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	◄	
	Las Vegas	4.25 - 4.50	▼	4.50 - 4.75	▼	4.50 - 5.00	▼	4.75 - 5.25	▼	4.50 - 5.00	▼	4.75 - 5.25	▼	
	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	5.25 - 6.25	◄	6.00 - 6.75	◄	5.50 - 6.50	▼	6.25 - 7.00	▼	7.25 - 8.50	◄	8.00 - 9.00	◄	
	Oklahoma City	5.25 - 6.00	◄	7.00 - 7.50	◄	6.00 - 6.75	◄	7.50 - 8.25	◄	6.75 - 7.50	◄	8.75 - 9.50	◄	
	Pittsburgh	5.00 - 5.75	▼	6.50 - 7.00	▲	6.50 - 7.00	◄	7.00 - 7.50	◄	7.50 - 8.00	◄	8.50 - 9.00	◄	
	Salt Lake City	4.50 - 4.75	▼	5.00 - 5.25	◄	4.75 - 5.25	▼	6.00 - 6.25	▲	5.50 - 6.00	◄	6.25 - 6.75	▲	
	San Antonio	4.50 - 5.00	◄	4.50 - 5.00	◄	4.50 - 5.25	▼	4.50 - 5.00	◄	4.75 - 5.50	▼	4.75 - 5.25	▼	
	St. Louis	5.25 - 5.50	▼	—		5.75 - 6.50	▼	—		7.00 - 8.00	▼	—		

▲ INCREASE ▼ DECREASE ◄ STABLE — N/A

<sup>1</sup>Compared with H1 2019. Changes less than 15 bps considered stable.

Source: CBRE Research, Q4 2019.

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						
	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						
	Seattle						
	Washington, D.C.						

INCREASE DECREASE STABLE — N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.

Source: CBRE Research, Q4 2019.

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						
	Austin						
	Baltimore						
	Charlotte						
	Dallas/Ft. Worth						
	Denver						
	Houston						
	Minneapolis/St. Paul						
	Nashville						
	Orlando		—				
	Philadelphia						
	Phoenix						
	Portland						
	Raleigh-Durham						
	Sacramento						
	San Antonio						
	Tampa						

INCREASE

DECREASE

STABLE

— N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.

Source: CBRE Research, Q4 2019.

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						
	Cincinnati						
	Cleveland						
	Columbus						
	Detroit						
	Honolulu		—		—		—
	Indianapolis						
	Jacksonville						
	Kansas City						
	Las Vegas						
	Memphis						
	Milwaukee						
	Oklahoma City						
	Pittsburgh						
	Salt Lake City						
	San Antonio						
	St. Louis		—		—		—

INCREASE

DECREASE

STABLE

— N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.

Source: CBRE Research, Q4 2019.

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 overall hotel cap rate was essentially unchanged in H2, down by just 1 bp. This constancy belies a continued long-term trend of lower spreads since the CBRE Cap Rate survey began in 2009. The average spread between Tier I and Tier III CBDs was 173 bps in H1 2011. Since then, it has trended down each year with few exceptions. In H2 2019, the spread stood at 87 bps.

Among CBD asset classes, this trend is most apparent for select-service and economy hotels, each with spreads between Tier I and Tier III markets falling to 56 and 59 bps, respectively—a third of their H1 2011 levels. Luxury is the only class that preserved most of its premium in upper tier markets, with the spread between Tier I and Tier III falling by only 20 bps since H1 2011 to 127 bps.

The decreasing spread in H2 was the result of increases in Tier I full-service and economy cap rates and small decreases in all segments of Tier II and III hotel rates except Tier III economy. Notably, Tier II CBD luxury and select-service cap rates decreased by 9 bps and 8 bps, respectively.

The pattern of converging cap rate spreads in tiers may be the result of changing performance expectations as the cycle progresses. Tier I markets could reasonably have been expected to achieve superior performance post-recession. In fact, revenue per available room (RevPAR) grew by 4.7% year-over-year on average in Tier I markets from 2009-2015, according to STR historical data. This was relatively high compared with 3.6% in Tier II and III markets over the same period. The positions changed after 2015 as RevPAR grew in Tier I cities by 2.0% and in Tier II and III cities by 2.1%.

Cap rates across markets remained remarkably consistent throughout 2019 with a few exceptions. Cap rates for New York luxury hotels fell by 50 bps to 4.5% in H2 as a result of decreased Treasury rates. New York City luxury hotels often are acquired as an alternative to government securities, and their going-in yields can track rate

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

METRO TIER	CLASS	H2 2019 (%)	H1 2019 (%)	CHANGE (BPS)
ALL	ALL	7.99	8.01	-1
	LUXURY	7.01	7.05	-4
	FULL-SERVICE	7.76	7.75	0
	SELECT-SERVICE	8.00	8.04	-3
	ECONOMY	9.22	9.20	1
I	LUXURY	6.45	6.44	1
	FULL-SERVICE	7.36	7.30	6
	SELECT-SERVICE	7.72	7.70	2
	ECONOMY	8.96	8.90	6
II	LUXURY	7.20	7.29	-9
	FULL-SERVICE	7.86	7.89	-3
	SELECT-SERVICE	8.14	8.22	-8
	ECONOMY	9.28	9.33	-4
III	LUXURY	7.72	7.75	-4
	FULL-SERVICE	8.31	8.34	-3
	SELECT-SERVICE	8.28	8.33	-6
	ECONOMY	9.55	9.51	4

Source: CBRE Research, Q4 2019.

Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

fluctuations. Anecdotal evidence suggests that due to the decrease of cashflow at many luxury hotels in New York, pricing has decreased to a point where investors are weighing the intrinsic value of the real estate beyond the yield of in-place operations.

In Orlando, CBD full- and select-service cap rates fell by 13 bps and 25 bps, respectively, to 7.25% and 8.13%. Denver luxury and select-service dropped by approximately 50 bps after the sales of the Denver Ritz Carlton and the Hampton Inn/Homewood Suites downtown.

## U.S. HOTEL | OVERVIEW CONT.

Cap rates in Chicago increased across all hotel classes. CBRE's local researchers report that these changes stemmed from significant real estate tax increases, which could impact cash flows from hotels.

Peak cyclical conditions and slowing economic fundamentals could produce steady or slightly increased cap rates in H1 2020. Only 15% of survey respondents expect CBD cap rate decreases, while almost 60% expect cap rates will remain the same. A quarter of respondents said cap rates would increase; however, only 5% of them expect increases of more than 24 bps.

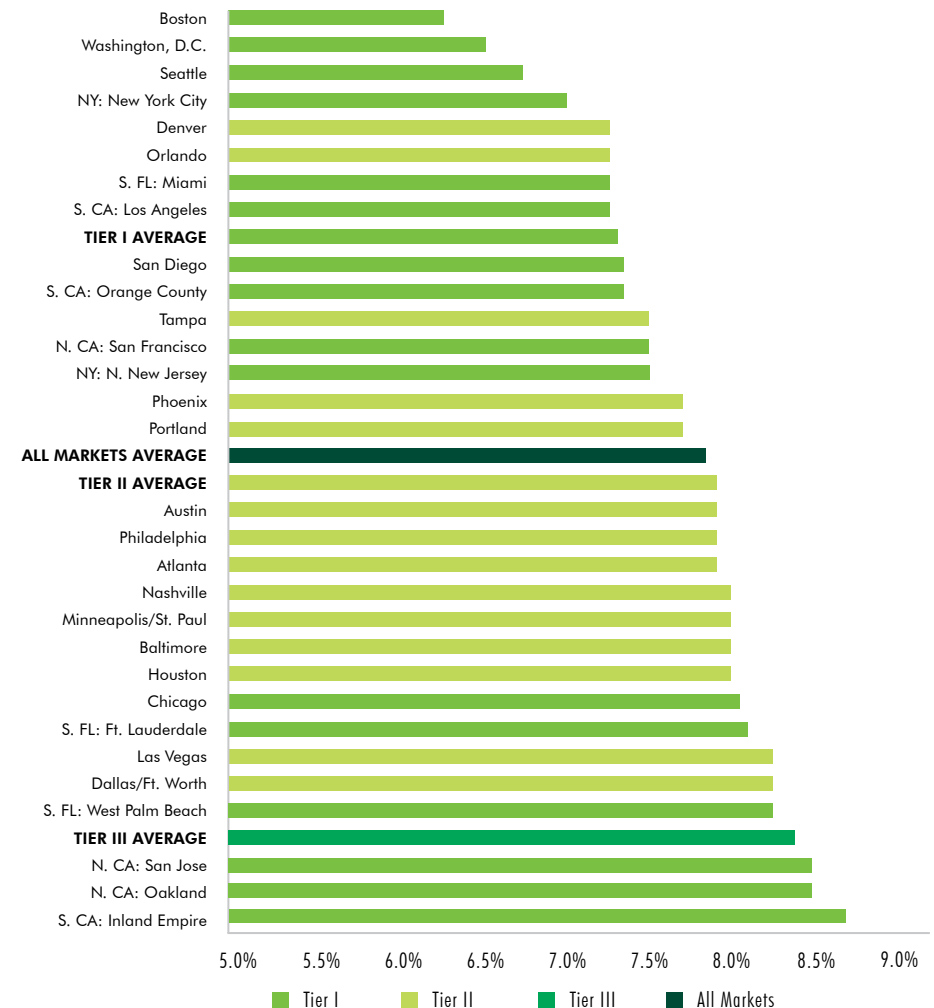
### SUBURBAN

The long-running trend of narrowing spreads between market tiers is even more pronounced in suburban markets, with Tier I and Tier III spreads falling to about a fourth of the 205-bp high in 2011 to 52 bps in H2 2019. Suburban luxury hotels had the biggest spread in H2 at 79 bps. The spread between Tier I and III select-service hotels narrowed to 16 bps from more than 200 bps since 2011.

Cap rates in suburban Chicago increased across all segments except for select-service. In suburban Salt Lake City, cap rates for select-service and economy hotels rose to 8.00% and 9.00%, respectively. Detroit, Orlando and Seattle had small decreases in suburban cap rates.

These examples stand in contrast to the majority of market cap rates, which were largely unchanged in H2. Most survey respondents expect further cap-rate stability, along with tighter spreads across markets. This pattern reflects underlying hotel performance. On the other hand, pipeline data and industry reports indicate that supply growth is accelerating, particularly in Tier II and III markets. Correspondingly, CBRE forecasts that RevPAR growth, although decelerating, will be slightly stronger in Tier I cities, potentially reversing or at least halting the spread trend over the next few years.

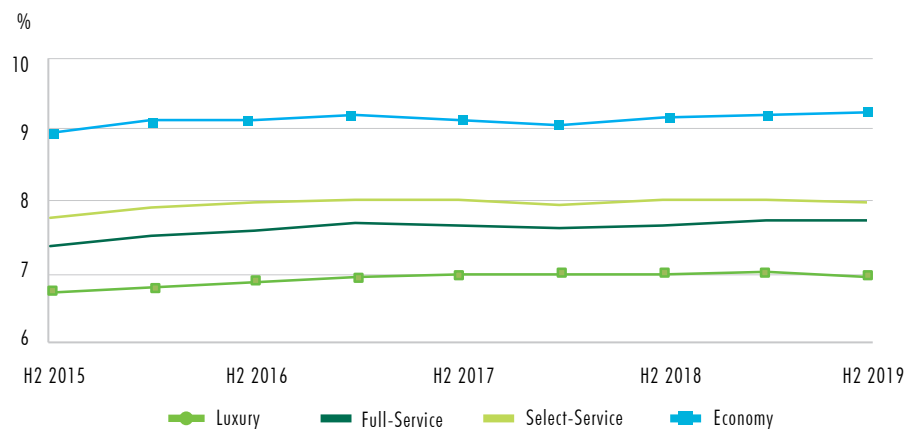
**FIGURE 56: U.S. HOTEL CBD - FULL SERVICE CAP RATES, H2 2019 - TIER I & II METROS**



Source: CBRE Research, Q4 2019. 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.

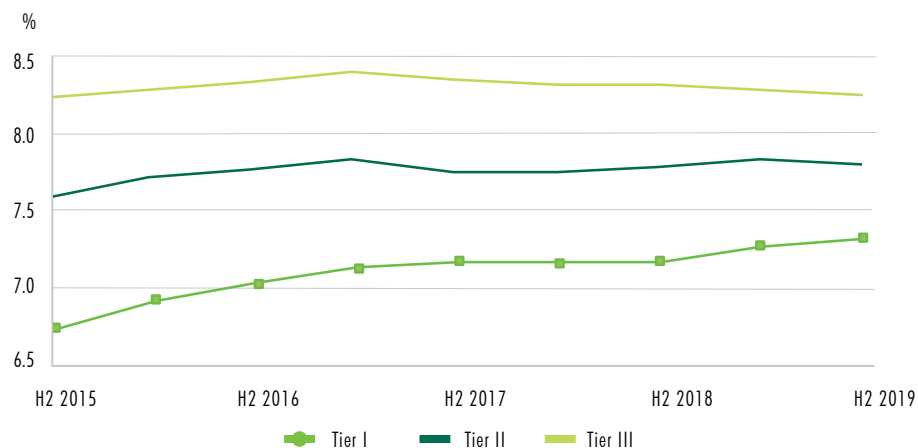
## U.S. HOTEL | OVERVIEW CONT.

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



Source: CBRE Research, Q4 2019. 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 2019. Data for stabilized acquisitions. Note: data is subject to historical revisions.

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

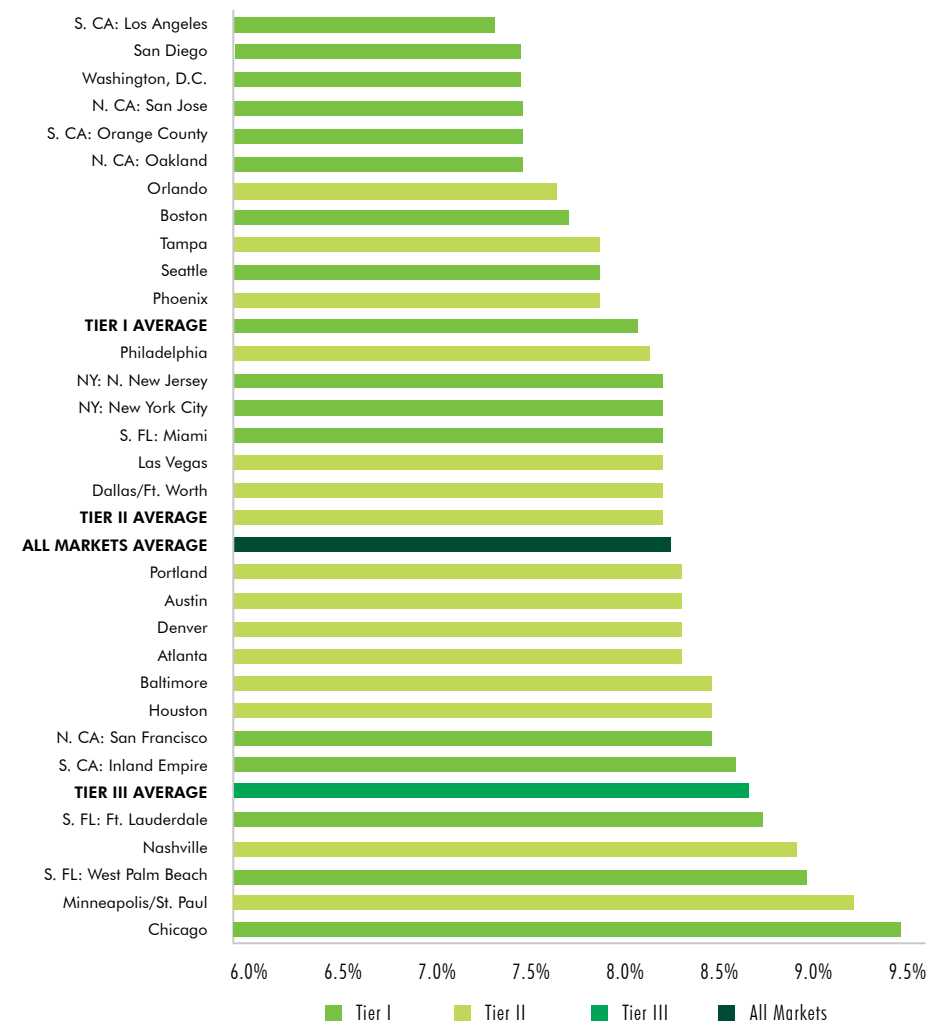
METRO TIER	CLASS	H2 2019 (%)	H1 2019 (%)	CHANGE (BPS)
ALL	ALL	8.55	8.55	0
	LUXURY	7.61	7.61	0
	FULL-SERVICE	8.28	8.26	2
	SELECT-SERVICE	8.50	8.53	-2
	ECONOMY	9.76	9.74	2
I	LUXURY	7.38	7.38	0
	FULL-SERVICE	8.09	8.02	8
	SELECT-SERVICE	8.42	8.40	2
	ECONOMY	9.60	9.56	3
II	LUXURY	7.60	7.60	0
	FULL-SERVICE	8.25	8.25	0
	SELECT-SERVICE	8.55	8.60	-6
	ECONOMY	9.77	9.77	0
III	LUXURY	8.17	8.18	-1
	FULL-SERVICE	8.65	8.72	-6
	SELECT-SERVICE	8.58	8.62	-4
	ECONOMY	10.05	10.00	5

Source: CBRE Research, Q4 2019.

Notes: Some numbers may not total due to rounding. Data is subject to historical revisions.

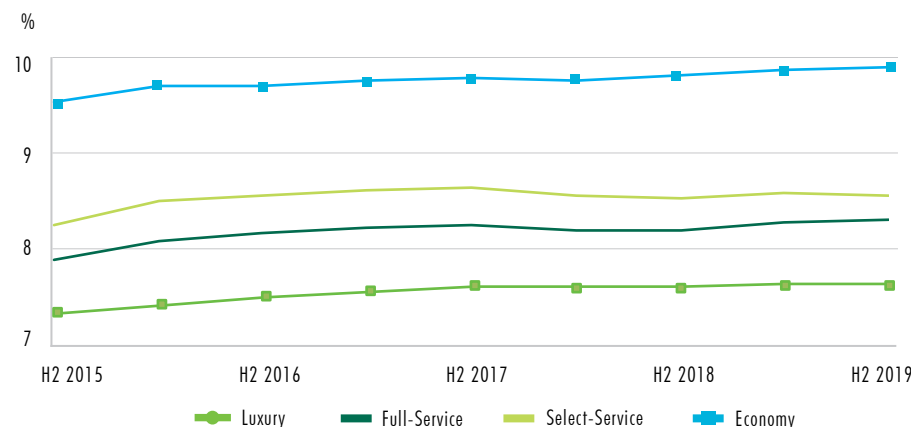
## U.S. HOTEL | OVERVIEW CONT.

**FIGURE 60: U.S. HOTEL SUBURBAN - FULL-SERVICE CAP RATES, H2 2019 TIER I & II METROS**



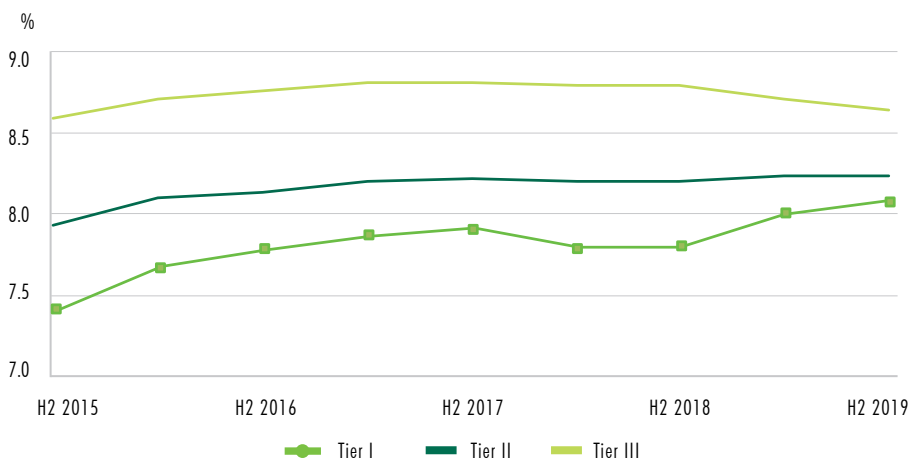
Source: CBRE Research, Q4 2019. Data for stabilized acquisitions. Notes: data is subject to historical revisions. Markets represent metropolitan areas. For larger metros, tier designation is based on the U.S. Census Bureau's combined statistical area (CSA) definitions. Note that MSAs retain the same 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 2019. Data for stabilized acquisitions. Note: data is subject to historical revisions.

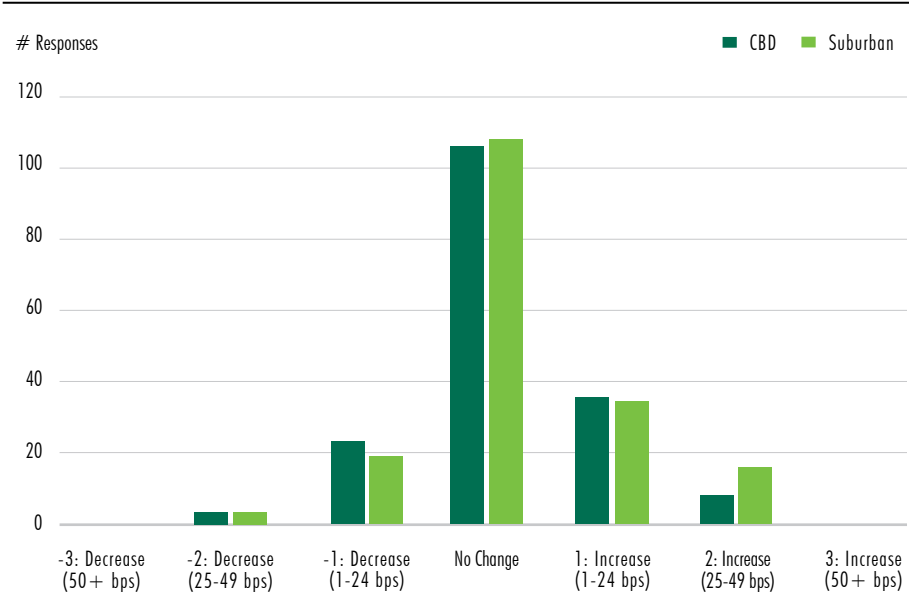
**FIGURE 62: U.S. HOTEL SUBURBAN - HISTORICAL FULL-SERVICE CAP RATES BY TIER**



Source: CBRE Research, Q4 2019. 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 2019.



## 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	◄►	6.50 - 7.50	◄►	5.50 - 7.00	◄►	7.50 - 8.00	◄►	▲ INCREASE
	Chicago	7.00 - 7.75	▲	7.75 - 9.00	▲	7.25 - 9.00	▲	8.50 - 10.50	▲	▼ DECREASE
	N. CA: Oakland	7.50 - 8.50	◄►	7.50 - 8.50	◄►	8.00 - 9.00	◄►	7.00 - 8.00	◄►	◄► STABLE
	N. CA: San Francisco	6.00 - 7.00	◄►	7.00 - 8.00	◄►	7.00 - 8.00	◄►	8.00 - 9.00	◄►	— N/A
	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	4.00 - 5.00	▼	6.25 - 7.50	▼	6.50 - 7.50	◄►	7.50 - 9.00	◄►	
	S. CA: Inland Empire	7.25 - 9.00	◄►	7.25 - 9.00	◄►	7.75 - 9.50	▲	7.75 - 9.50	▲	
	S. CA: Los Angeles	5.75 - 8.00	◄►	6.25 - 8.00	◄►	6.50 - 8.00	◄►	6.75 - 8.00	◄►	
	S. CA: Orange County	6.00 - 8.00	▲	6.25 - 8.00	◄►	6.75 - 8.00	◄►	6.75 - 8.25	◄►	
	S. FL: Ft. Lauderdale	7.00 - 8.00	◄►	7.50 - 8.50	◄►	7.75 - 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 - 8.50	◄►	8.50 - 9.50	◄►	
	San Diego	6.00 - 8.00	▲	6.25 - 8.00	◄►	6.75 - 8.00	◄►	6.75 - 8.25	◄►	
TIER II	Seattle	6.00 - 6.50	◄►	6.50 - 7.50	▼	6.25 - 7.00	◄►	7.50 - 8.25	▼	
	Washington, D.C.	4.50 - 6.00	◄►	6.00 - 7.50	◄►	6.00 - 7.00	◄►	6.50 - 8.50	◄►	
		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	◄►	
	Austin	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	◄►	7.75 - 8.75	◄►	7.75 - 8.75	◄►	
	Denver	5.50 - 6.00	▼	7.00 - 7.50	◄►	7.00 - 7.50	◄►	8.00 - 8.75	◄►	
	Houston	7.50 - 8.50	◄►	7.50 - 8.50	◄►	7.50 - 8.50	◄►	8.00 - 9.00	◄►	
	Las Vegas	7.00 - 8.00	◄►	7.25 - 8.25	◄►	7.75 - 8.75	◄►	7.75 - 8.75	◄►	
	Minneapolis/St. Paul	7.25 - 8.00	◄►	7.50 - 8.50	◄►	7.50 - 8.50	◄►	8.50 - 10.00	▲	
	Nashville	7.25 - 8.00	◄►	7.75 - 8.25	◄►	7.75 - 8.25	◄►	8.25 - 9.50	◄►	
	Orlando	6.00 - 7.25	◄►	6.50 - 7.75	◄►	6.75 - 7.75	◄►	7.00 - 8.25	◄►	
	Philadelphia	6.00 - 6.50	◄►	6.50 - 7.00	◄►	7.50 - 8.25	◄►	7.75 - 8.50	◄►	
	Phoenix	6.00 - 6.50	▼	6.50 - 6.75	◄►	7.50 - 7.75	◄►	7.75 - 8.00	◄►	
	Portland	7.00 - 8.25	◄►	8.25 - 8.50	◄►	7.00 - 8.25	▼	8.00 - 8.75	◄►	
	Tampa	6.25 - 7.50	◄►	6.50 - 7.75	◄►	7.00 - 8.00	◄►	7.25 - 8.50	◄►	

<sup>1</sup>Compared with end of H1 2019  
Changes less than 15 bps  
considered stable. All rates are  
rounded to the nearest 25 bps.

Source: CBRE Research, Q4 2019.  
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 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	◄◄	7.75 - 9.00	▼
	Charlotte	6.00 - 8.00	◄◄	6.50 - 8.00	◄◄	7.00 - 8.00	◄◄	7.50 - 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	7.75 - 8.50	◄◄	8.00 - 8.75	◄◄	8.00 - 8.75	▼	9.00 - 10.00	▼
	Honolulu	5.00 - 7.00	◄◄	—		—		6.75 - 9.00	◄◄
	Indianapolis	7.00 - 8.50	◄◄	8.00 - 8.75	◄◄	8.00 - 9.00	▲	8.25 - 9.50	◄◄
	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	◄◄
	New Orleans	7.25 - 7.75	◄◄	7.50 - 8.50	◄◄	7.50 - 8.50	◄◄	8.00 - 9.00	◄◄
	Oklahoma City	7.75 - 9.00	◄◄	8.00 - 9.00	◄◄	8.00 - 9.50	◄◄	8.25 - 9.50	▼
	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	◄◄
	Salt Lake City	6.25 - 7.25	◄◄	6.75 - 7.75	◄◄	8.00 - 8.75	◄◄	8.25 - 9.00	◄◄
	San Antonio	—		—		7.00 - 8.00	◄◄	7.50 - 8.50	◄◄
	St. Louis	7.50 - 9.00	▼	8.00 - 9.00	◄◄	8.00 - 9.50	▼	8.25 - 9.50	▼

▲ INCREASE▼ DECREASE◄◄ STABLE— N/A

<sup>1</sup>Compared with end of H1 2019. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps.

Source: CBRE Research, Q4 2019.

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 (%)		SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)		CBD CAP RATES FOR STABILIZED PROPERTIES (%)		SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	
			CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>
TIER I	Boston	6.50 - 7.50	◄	7.50 - 8.50	◄	—		8.00 - 9.00	◄
	Chicago	7.50 - 8.50	▲	8.50 - 9.50	◄	9.75 - 11.00	▲	10.25 - 12.25	▲
	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	7.50 - 9.25	◄	7.50 - 9.25	◄	8.25 - 10.50	▲	8.25 - 10.50	▲
	S. CA: Los Angeles	6.75 - 8.00	◄	7.00 - 8.25	◄	7.75 - 9.00	◄	7.75 - 9.00	◄
	S. CA: Orange County	6.75 - 8.00	◄	7.00 - 8.50	▲	7.75 - 9.00	◄	7.75 - 9.00	◄
	S. FL: Ft. Lauderdale	8.25 - 9.00	◄	8.50 - 9.50	◄	9.25 - 10.25	▲	9.50 - 10.50	◄
	S. FL: Miami	8.00 - 8.25	◄	8.50 - 9.00	▼	9.00 - 10.00	◄	9.50 - 10.25	◄
	S. FL: West Palm Beach	8.25 - 9.00	▼	8.75 - 9.75	▼	9.00 - 10.00	◄	9.50 - 10.50	◄
	San Diego	7.00 - 8.00	◄	7.00 - 8.50	▲	7.75 - 9.00	◄	8.00 - 9.25	◄
	Seattle	6.50 - 7.00	▼	7.50 - 8.25	▼	8.50 - 9.25	◄	9.50 - 10.50	◄
	Washington, D.C.	6.50 - 7.50	◄	7.50 - 9.00	◄	7.00 - 8.00	◄	8.50 - 9.50	◄

▲ INCREASE  
▼ DECREASE  
◄ STABLE  
— N/A

<sup>1</sup>Compared with end of H1 2019. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps.

Source: CBRE Research, Q4 2019. 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 (%)		SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)		CBD CAP RATES FOR STABILIZED PROPERTIES (%)		SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	
			CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>
TIER II	Atlanta	7.75 - 9.00	◄	8.25 - 9.50	◄	8.50 - 9.75	◄	9.50 - 11.00	◄
	Austin	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	7.50 - 8.25	◄	7.75 - 9.00	◄	8.00 - 10.00	◄	8.50 - 11.00	◄
	Denver	7.00 - 7.75	▼	7.75 - 8.25	▼	8.25 - 9.00	◄	8.50 - 9.50	◄
	Houston	7.50 - 8.50	◄	8.00 - 9.00	◄	8.50 - 10.75	◄	9.00 - 10.75	◄
	Las Vegas	8.00 - 9.50	◄	8.00 - 9.50	◄	9.00 - 10.00	◄	9.00 - 10.00	◄
	Minneapolis/St. Paul	7.75 - 9.00	◄	8.50 - 10.00	◄	8.50 - 10.50	▲	9.50 - 11.00	▲
	Nashville	7.75 - 8.50	◄	8.75 - 9.50	◄	9.50 - 10.50	◄	10.00 - 10.75	◄
	Orlando	7.75 - 8.50	▼	8.00 - 8.75	▼	9.00 - 10.00	◄	9.25 - 10.00	◄
	Philadelphia	7.50 - 8.50	◄	7.75 - 8.50	◄	8.75 - 9.25	◄	10.00 - 10.50	◄
	Phoenix	7.25 - 7.75	◄	7.50 - 8.00	◄	8.75 - 9.00	◄	9.25 - 9.50	◄
	Portland	6.75 - 8.25	▼	8.00 - 9.00	▼	9.00 - 9.75	◄	9.50 - 10.50	◄
	Tampa	8.00 - 8.75	◄	8.25 - 9.00	◄	9.00 - 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 (%)		SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)		CBD CAP RATES FOR STABILIZED PROPERTIES (%)		SUBURBAN CAP RATES FOR STABILIZED PROPERTIES (%)	
			CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>		CHANGE <sup>1</sup>
TIER III	Albuquerque	8.25 - 9.00	◄►	8.25 - 9.25	◄►	9.25 - 10.50	◄►	9.25 - 10.50	◄►
	Charlotte	7.00 - 8.50	◄►	7.00 - 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	◄►	10.50 - 11.50	▼
	Honolulu	—		7.25 - 10.25	◄►	—		8.25 - 11.25	◄►
	Indianapolis	7.50 - 8.50	◄►	8.25 - 9.25	◄►	9.50 - 11.00	◄►	9.75 - 11.00	◄►
	Jacksonville	8.00 - 8.75	◄►	8.25 - 9.00	◄►	9.25 - 10.00	◄►	9.50 - 10.00	◄►
	Kansas City	7.75 - 8.75	◄►	8.00 - 9.00	◄►	9.00 - 11.00	◄►	9.25 - 11.50	◄►
	New Orleans	7.50 - 8.50	◄►	8.00 - 9.00	◄►	8.00 - 9.00	◄►	8.50 - 9.50	◄►
	Oklahoma City	7.75 - 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	◄►
	Salt Lake City	7.25 - 8.25	◄►	7.50 - 8.50	▲	8.00 - 9.00	◄►	8.50 - 9.50	▲
	San Antonio	7.00 - 8.00	◄►	7.50 - 9.00	◄►	7.50 - 10.00	◄►	8.00 - 11.00	◄►
	St. Louis	8.00 - 9.25	▼	8.25 - 9.50	▼	9.25 - 11.00	▲	9.50 - 11.00	▲

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with end of H1 2019. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps.

Source: CBRE Research, Q4 2019.

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



## 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								
	Charlotte								
	Cincinnati								
	Cleveland								
	Columbus								
	Detroit								
	Honolulu		—	—		—		—	
	Indianapolis								
	Jacksonville								
	Kansas City								
	New Orleans								
	Oklahoma City								
	Pittsburgh								
	Sacramento		—						
	Salt Lake City								
	San Antonio	—	—						
	St. Louis								

INCREASE
  DECREASE
  STABLE
 

—

 N/A

Forecasts represent the opinions of CBRE professionals of where rates are likely to trend in H1 2020.

Source: CBRE Research, Q4 2019.

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

- Canadian cap rates moved in line with asset-class fundamentals in H2 2019. The greatest average cap rate decreases of between 5 and 10 bps were in the industrial and multifamily sectors, with record-low vacancy rates and rising rents.
- After falling to a low of 1.09% in August, Canada's 10-year benchmark bond yield ended 2019 at 1.70%, down by 26 bps from 2018. Despite continued cap rate compression, the pullback in bond yields ensured that spreads to real estate remained healthy and supported elevated liquidity.
- Global capital continues to view Canada favorably and the increased demand coupled with advantageous market conditions resulted in national commercial real estate investment volumes reaching their second highest level on record over the final quarter of 2019. This momentum is expected to continue into 2020.

**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 2019 (%)	H1 2019 (%)	CHANGE (BPS)	H2 2019 (%) EOP	H1 2019 (%) EOP
						1.70	1.47
OFFICE	CBD	ALL	5.63	5.68	-5	393	421
		AA	4.85	4.85	0	315	338
		A	5.59	5.63	-4	389	416
	SUBURBAN	B	6.45	6.55	-10	475	508
		ALL	6.81	6.80	1	511	533
		AA	6.41	6.39	2	471	492
INDUSTRIAL	ALL	B	7.22	7.22	0	552	575
		ALL	5.56	5.63	-7	386	416
		AA	5.06	5.11	-5	336	364
	NEIGHBORHOOD/ COMMUNITY CENTER	B	6.06	6.14	-8	436	467
		ALL	6.25	6.28	-3	455	481
RETAIL	POWER CENTER	ALL	6.23	6.23	0	453	476
	HIGH STREET	ALL	3.81	3.81	0	211	234
MULTI-FAMILY	INFILL	A	3.79	3.86	-7	209	239
	SUBURBAN	B	4.81	4.91	-10	311	344
HOTEL	CBD	FULL SERVICE	7.08	7.08	0	538	561
	SUBURBAN	SELECT SERVICE	8.20	8.20	0	650	673

Source: CBRE Research Q4 2019, Bank of Canada. EOP = end of period.

Notes: H2 Government of Canada 10-year Bond Yield as of December 31, 2019. Some numbers may not total due to rounding.

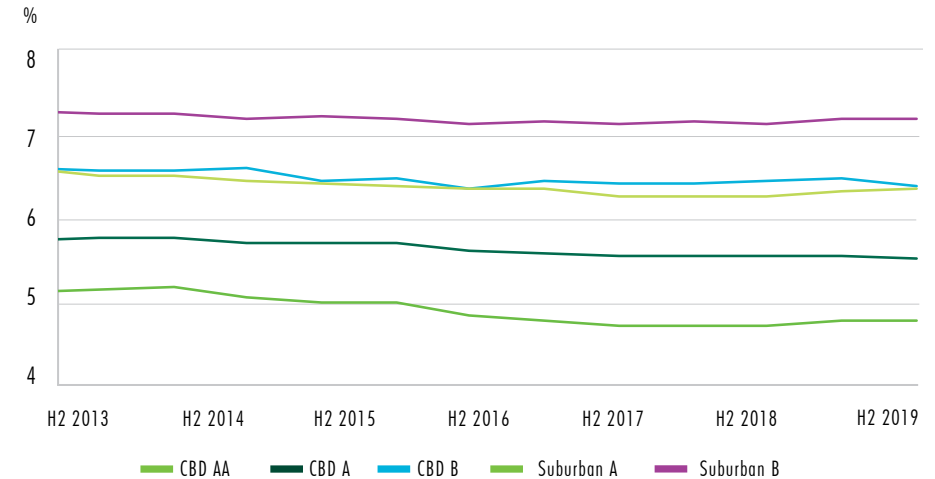
## CANADA OFFICE | OVERVIEW

## CBD &amp; SUBURBAN

Canadian office cap rates held relatively steady in H2. The national average cap rate for CBD Class A and Class B assets fell by 4 bps and 10 bps, respectively, while suburban Class A rates increased by 2 bps. While demand for CBD Class AA office assets remains high, cap rates for this property type have remained essentially unchanged since 2016.

Four markets had office cap rate changes in H2. Montreal recorded a 25-bp drop in CBD Class A rates, a 75-bp decline in CBD Class B and a 25-bp increase in suburban Class A. Waterloo region CBD Class A rates fell by 37 bps and by 25 bps for all other office subcategories. London-Windsor region rates tightened by 25 bps for CBD Class A and Class B assets. In Saskatoon, CBD Class B rates rose by 50 bps.

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



Source: CBRE Research, Q4 2019. 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	4.50 - 5.00	◄►	4.75 - 5.25	▼	5.00 - 5.50	▼

		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 III	Halifax	—		6.25 - 6.75	◄►	7.00 - 7.50	◄►
	Kitchener - Waterloo	—		5.75 - 6.50	▼	6.25 - 7.00	▼
	London - Windsor	—		6.25 - 8.25	▼	7.75 - 8.75	▼
	Ottawa	4.75 - 5.25	◄►	5.00 - 5.50	◄►	5.75 - 6.25	◄►
	Quebec City	—		6.00 - 6.75	◄►	6.25 - 7.50	◄►
	Saskatoon	—		6.75 - 7.25	◄►	7.75 - 8.75	▲
	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 2019. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps.  
Source: CBRE Research, Q4 2019.

## 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	5.75 - 6.50	◄►	6.75 - 7.50	◄►
	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	6.00 - 6.75	◄►	7.50 - 8.25	◄►
	Edmonton	6.75 - 7.50	◄►	7.50 - 8.00	◄►
	Montreal	6.00 - 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	5.75 - 6.75	▼	6.25 - 7.00	▼
	London - Windsor	7.50 - 8.00	◄►	8.00 - 8.50	◄►
	Ottawa	6.25 - 6.75	◄►	7.00 - 7.50	◄►
	Quebec City	6.25 - 7.00	◄►	6.50 - 7.25	◄►
	Saskatoon	6.75 - 7.25	◄►	7.50 - 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

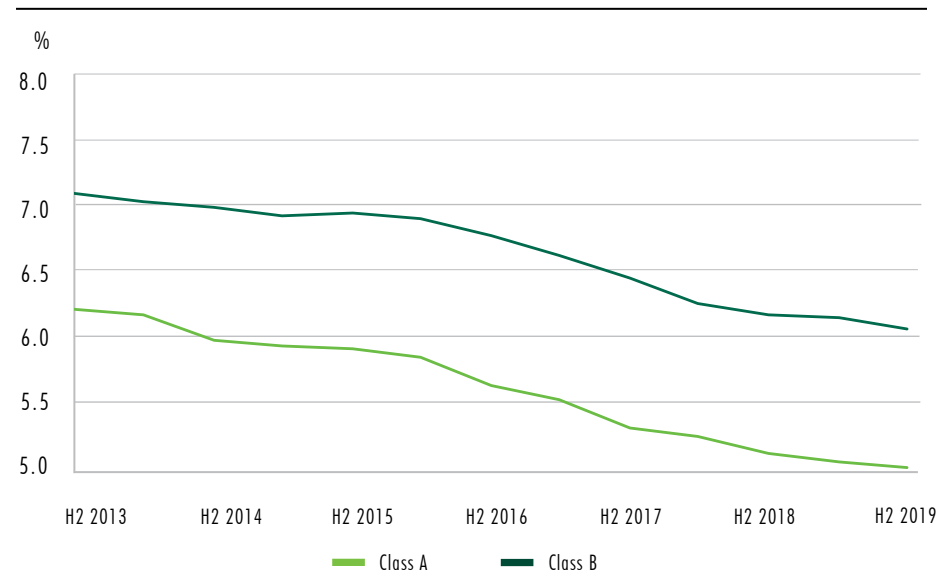
<sup>1</sup>Compared with Q2 2019. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps. Source: CBRE Research, Q4 2019.

## CANADA INDUSTRIAL | OVERVIEW

Driven by a continued demand for distribution and logistics space, positive economic tailwinds and a conservative development pipeline, Canadian industrial cap rates tightened in H2. The national average cap rate for industrial Class A assets fell by 5 bps to 5.06% and industrial Class B fell by 8 bps to 6.06%. This marked the 12th and ninth consecutive halves of cap-rate compression, respectively, for these asset classes.

While investor demand has increased over recent years, a lack of supply in Canada's largest industrial hubs has placed significant downward pressure on cap rates. Toronto had a 25-bp decline in Class A rates and a 50-bp decline in Class B rates in H2, while Montreal also recorded declines. Investors remain attracted to Tier II and III markets as well. Quebec City, Halifax and the Waterloo region all had declines in industrial cap rates. The only market with an increase in rates was Saskatoon.

FIGURE 70: CANADIAN INDUSTRIAL - HISTORICAL CAP RATES BY CLASS



Source: CBRE Research, Q4 2019. 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	3.75 - 4.25 ▼	4.50 - 5.50 ▼		
	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 ◄►	6.75 - 7.25 ◄►		
	Montreal	4.50 - 5.00 ◄►	5.50 - 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 - 6.50 ◄►	6.75 - 7.50 ◄►		
	Kitchener - Waterloo	4.75 - 5.50 ▼	5.50 - 6.25 ▼		
	London - Windsor	6.25 - 7.50 ◄►	7.50 - 8.50 ◄►		
	Ottawa	4.50 - 5.00 ◄►	5.50 - 6.50 ◄►		
	Quebec City	5.75 - 6.75 ▼	7.00 - 8.50 ◄►		
	Saskatoon	6.50 - 7.00 ◄►	7.00 - 7.50 ▲		
	Victoria	4.75 - 5.25 ◄►	4.75 - 5.25 ◄►		
	Winnipeg	6.00 - 6.50 ◄►	6.50 - 7.25 ◄►		

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with Q2 2019. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps.  
Source: CBRE Research, Q4 2019.

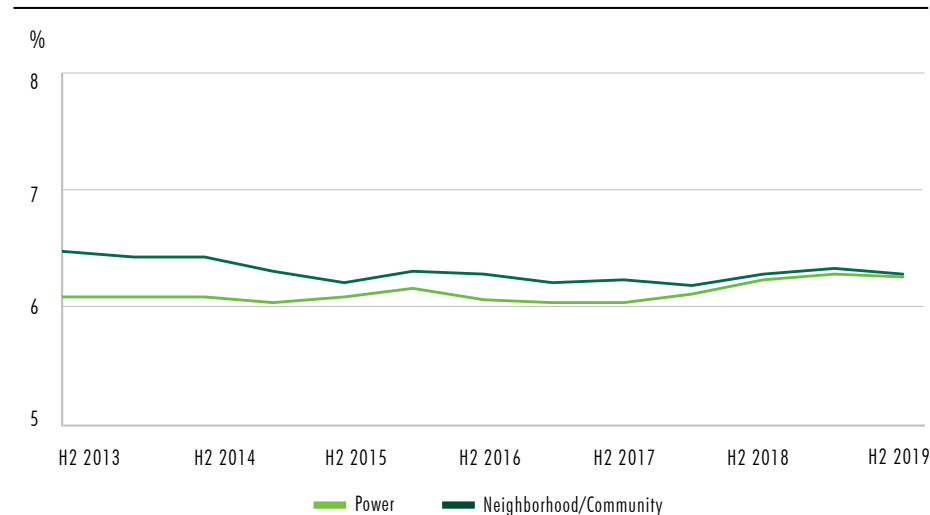
## CANADA RETAIL | OVERVIEW

### NEIGHBORHOOD/COMMUNITY & POWER CENTER

Movement in Canadian retail cap rates was fairly limited in H2. National average cap rates for power centers and high-street retail were unchanged at 6.23% and 3.81%, respectively, while neighborhood/community center rates fell by a marginal 3 bps to 6.25%. Liquidity for retail assets continues to vary drastically based on both asset class and location, with the most sought-after formats being regional malls, anchored strip centers and urban properties. Assets in core geographies are seeing premium pricing based on density upside and redevelopment potential.

Three markets saw movement in retail rates in H2. Kitchener-Waterloo had a 25-bp drop in power center cap rates, Montreal recorded a 25-bp decrease in neighborhood/community center rates and Saskatoon had a 25-bp increase in neighborhood/community center rates.

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



Source: CBRE Research, Q4 2019. Data for acquisition of stabilized grocery-anchored neighborhood/community and power centers.

## CANADA NEIGHBORHOOD/COMMUNITY CENTER |

**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	5.50 - 6.00	◄►
	Edmonton	6.25 - 6.75	◄►
	Montreal	6.25 - 6.75	▼

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	6.50 - 7.00	▲
	Victoria	5.00 - 5.50	◄►
	Winnipeg	6.50 - 7.00	◄►

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with Q2 2019. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps.  
Source: CBRE Research, Q4 2019.

## CANADA RETAIL POWER CENTER | 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	5.75 - 6.25	◄►
	Edmonton	6.25 - 6.75	◄►
	Montreal	6.25 - 6.75	◄►

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

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with Q2 2019. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps.  
Source: CBRE Research, Q4 2019.

## CANADA HIGH STREET | FIGURE 75: KEY RATES

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

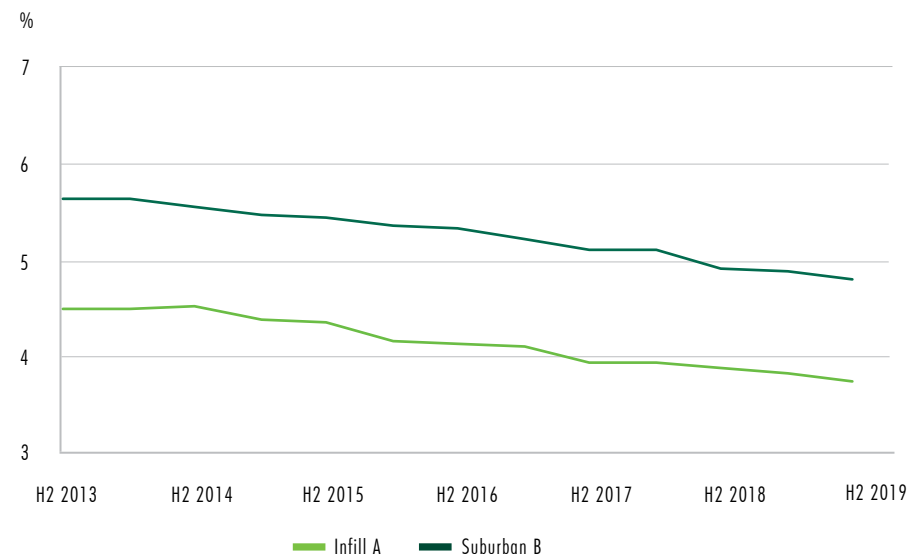
## CANADA MULTIFAMILY | OVERVIEW

## INFILL &amp; SUBURBAN

Canadian multifamily cap rates reached record lows in H2. The national average infill Class A rate fell by 7 bps to 3.79%, while the suburban Class B rate dropped 10 bps to 4.81%. The sector continues to benefit from economic tailwinds, supply shortages and rising homeownership costs.

Liquidity for multifamily assets remained robust in 2019 and three markets recorded cap rate movements in H2. Toronto suburban Class B rates fell by 25 bps, Halifax infill Class A and suburban Class B rates fell by 50 bps, and Kitchener-Waterloo infill Class A and suburban Class B rates dropped by 25 and 13 bps, respectively. As rates continue to fall in Tier I markets, investors have shown a willingness to invest in secondary markets like Halifax and Kitchener-Waterloo.

**FIGURE 76: CANADIAN MULTIFAMILY INFILL AND SUBURBAN - HISTORICAL RATES BY CLASS**



Source: CBRE Research, Q4 2019. Data for stabilized acquisitions. Note: data is subject to historical revision.

## CANADA MULTIFAMILY INFILL | FIGURE 77: KEY RATES

### INFILL CLASS A (HIGH-RISE A)

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER I	Toronto	2.75 - 3.75	◄►
	Vancouver	2.50 - 3.00	◄►

### INFILL CLASS A (HIGH-RISE A)

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER II	Calgary	4.00 - 4.50	◄►
	Edmonton	4.00 - 4.50	◄►
	Montreal	3.75 - 4.25	◄►

### INFILL CLASS A (HIGH-RISE A)

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Halifax	4.00 - 4.50	▼
	Kitchener - Waterloo	4.00 - 4.25	▼
	London - Windsor	4.75 - 5.50	◄►
	Ottawa	3.50 - 4.00	◄►
	Quebec City	4.25 - 5.25	◄►
	Saskatoon	—	—
	Victoria	—	—
	Winnipeg	—	—

▲ INCREASE ▼ DECREASE ◄► STABLE — N/A

<sup>1</sup>Compared with Q2 2019. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps.  
Source: CBRE Research, Q4 2019.

## CANADA MULTIFAMILY SUBURBAN | FIGURE 78: KEY RATES

### SUBURBAN CLASS B (LOW-RISE B)

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER I	Toronto	3.00 - 4.00	▼
	Vancouver	3.25 - 4.25	◄►

### SUBURBAN CLASS B (LOW-RISE B)

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

### SUBURBAN CLASS B (LOW-RISE B)

		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE <sup>1</sup>
TIER III	Halifax	4.75 - 5.25	▼
	Kitchener - Waterloo	4.50 - 5.00	◄►
	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 2019. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps.  
Source: CBRE Research, Q4 2019.



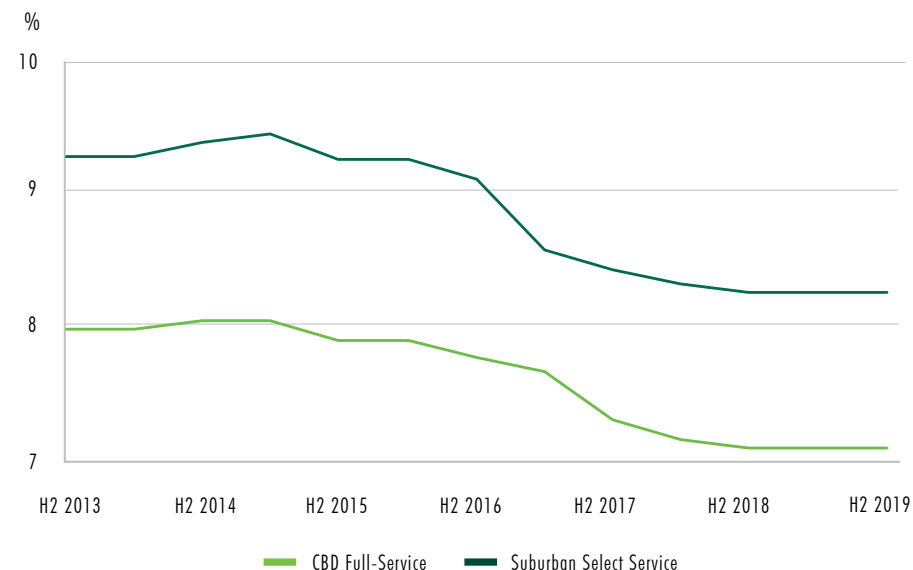
## CANADA HOTEL | OVERVIEW

## CBD &amp; SUBURBAN

The Canadian hotel sector moderated in H2 and operational performance metrics for the asset class finished the year below expectations. Despite the slowing performance, transaction volume remained healthy and liquidity remained relatively strong. Against this backdrop, hotel cap rates remained unchanged in H2, with the national average for both CBD full-service and suburban select-service at 7.08% and 8.20%, respectively.

Interest from new entrants contributed to new supply growth and demand for acquisitions; however, some existing owners appear reluctant to bring product to market given uncertainty over current market conditions and near-term economic drivers. Major urban centers in British Columbia, Ontario and Quebec remain the most attractive destinations for capital within this sector.

**FIGURE 79: CANADIAN HOTEL CBD AND SUBURBAN - HISTORICAL RATES BY CLASS**



Source: CBRE Research, Q4 2019. Data for stabilized acquisitions. Note: data is subject to historical revision.

## CANADA HOTEL | FIGURE 80: 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 2019. Changes less than 15 bps considered stable. All rates are rounded to the nearest 25 bps.  
Source: CBRE Research, Q4 2019.

## APPENDIX | DEFINITIONS

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

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

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

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

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

	\$/SQ. FT./YEAR	TOTAL
PURCHASE PRICE	\$200	\$20,000,000
NET OPERATING INCOME (NOI)		
INCOME		
Potential Rental Income (Year 1 of holding period)	21.00	2,100,000
Vacancy	8.00% (1.68)	(168,000)
Credit Loss	1.00% (0.21)	(21,000)
NET RENTAL INCOME	19.11	1,911,000
OTHER INCOME		
Parking	0.67	67,000
Other Income	0.08	8,000
Expense Reimbursements	2.44	244,000
EFFECTIVE GROSS INCOME	22.30	2,230,000
OPERATING EXPENSES (Estimated year 1 of holding period)	9.62	962,000
NET OPERATING INCOME (NOI)	\$12.68	\$1,268,000
CAP RATE (NOI divided by purchase price)		6.3%

Source: CBRE 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.

## SURVEY NOMENCLATURE

Property type or sector refers to office, industrial, retail, multifamily and hotel. Segment refers to CBD and suburban for office; neighborhood/community center and power center for retail; infill and suburban for multifamily. Class refers to AA, A, B and C for office, industrial, retail and multifamily sectors; luxury, full-service, select-service and economy for the hotel sector.

## 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.

## APPENDIX | DEFINITIONS CONT.

**Value Add**

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

**RETAIL SEGMENT 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 SEGMENT 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 CLASS 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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