

NATIONAL FLEX/R&D MARKET-SELECT SURVEY RESPONSES

First Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		UNDERLYING PER		REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	VACANCY & CREDIT LOSS	SQUARE FOOT	MONTHS		
PRIVATE EQUITY INVESTOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization, in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes market conditions favor sellers; does not use rent spikes	3.0% Years 1 to 3	3.0%	3.0%	7.00% to 7.50%	1.5% to 3.0%	7.00% to 8.00%	6.25% to 7.00%	6.25% to 7.00%	6.25% to 7.00%	6 to 12	65.0% to 70.0%	2.0% to 5.0%	\$0.15 to \$0.40	2 to 5		
PRIVATE EQUITY INVESTOR ♦ Forecast Period: 2 to 7 years Uses mainly DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; uses face rents and reflects concessions when they are scheduled to occur.	0.0% Year 1, 0.0% to 2.0% Year 2	0.0% to 3.0%	3.0%	8.00% to 9.00%	1.0% to 2.5%	9.00% to 11.00%	8.00% to 9.00%	8.00% to 9.00%	8.00% to 9.00%	9 to 18	50.0% to 75.0%	5.0% to 10.0%	\$0.15 to \$0.50	4 to 8		
REAL ESTATE SERVICES FIRM ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; may use a rent spike of 5.0% in year 1, 7.0% in year 2, and 5.0% in year 3.	3.0% Year 1, 3.0% to 7.0% Year 2	3.0%	3.0%	6.75% to 7.50%	2.0% to 3.0%	7.50% to 9.00%	6.50% to 7.50%	6.50% to 7.50%	6.50% to 7.50%	6 to 12	65.0% to 75.0%	5.0% to 7.5%	\$0.20 to \$0.30	6 to 9		
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 4.0% in years 2 and 3 and 4.5% in year 4.	1.0% Year 1, 2.0% to 7.0% Year 2	3.0%	3.0%	6.00% to 7.25%	1.0% to 4.0%	7.00% to 7.75%	5.75% to 6.50%	5.75% to 6.50%	5.75% to 6.50%	9 to 15	50.0% to 65.0%	3.0% to 8.0%	\$0.15 to \$0.50	6 to 12		
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization, in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur, may use rent spikes.	2.0% Year 1, 3.0% to 7.0% Year 2	3.0%	3.0%	7.00% to 8.00%	4.0% to 6.0%	8.50% to 9.00%	7.00% to 8.00%	7.00% to 8.00%	7.00% to 8.00%	6 to 9	70.0% to 80.0%	5.0% to 7.0%	\$0.10 to \$0.20	6 to 12		

Source: Personal survey conducted by PwC during January 2016

NATIONAL WAREHOUSE MARKET-SELECT SURVEY RESPONSES

First Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		UNDERLYING VACANCY & CREDIT LOSS		REPLACEMENT RESERVE		MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	PER SQUARE FOOT	MONTHS						
REIT ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; may use a rent spike of 7.0% in year 2 and 8.0% in year 3	3.0% to 7.0%	3.0%	2.5% to 3.0%	5.25% to 8.50%	1.0% to 3.0%	6.00% to 9.25%	3.00% to 7.00%	3 to 10	65.0% to 75.0%	2.0% to 5.0%	\$0.05 to \$0.20	3 to 6						
DOMESTIC PENSION FUND ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use a rent spike of 5.0% in years 1 and 2; data refers to the national warehouse sector; expects overall cap rates to hold steady over the next six months.	3.0% to 5.0%	3.0%	3.0%	5.50% to 7.25%	1.0% to 3.0%	6.00% to 8.25%	4.50% to 6.50%	6 to 12	65.0% to 75.0%	0.5% to 2.0%	\$0.10 to \$0.25	6 to 12						
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 5 to 10 years Relies mainly on direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; data refers to the U.S. Southwest region	2.0% to 3.0%	3.0%	3.0%	6.00% to 7.00%	1.0% to 3.0%	6.75% to 7.75%	5.50% to 6.75%	6 to 12	50.0% to 65.0%	3.0% to 6.0%	\$0.10 to \$0.35	3 to 6						
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; data refers to the national warehouse sector	0.0% Year 1; 3.0% to 4.0% Year 2	3.0%	3.0%	4.75% to 7.00%	1.0% to 3.0%	5.50% to 7.00%	4.25% to 7.00%	6 to 12	60.0% to 75.0%	5.0% to 7.0%	\$0.05 to \$0.15	3 to 6						
PENSION FUND ADVISOR ♦ Forecast Period: 5 to 10 years Mainly uses DCF; in direct capitalization, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; data refers to the U.S. Southeast region, expects overall cap rates to hold steady over the next six months	3.0% to 4.0%	3.0%	2.5% to 3.0%	6.50% to 7.25%	1.0% to 2.0%	7.00% to 7.75%	4.00% to 7.00%	4 to 10	65.0% to 75.0%	1.0% to 2.0%	\$0.05 to \$0.15	4 to 8						
INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Relies on DCF; also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; data refers to the U.S. Southeast region.	3.0%	3.0%	3.0%	6.00% to 6.50%	2.0% to 3.0%	6.50% to 6.75%	5.25% to 5.75%	4 to 6	65.0% to 70.0%	1.0% to 2.0%	\$0.10 to \$0.20	3 to 4						

Source: Personal survey conducted by PwC during January 2016

EAST NORTH CENTRAL (ENC) REGION WAREHOUSE MARKET-SELECT SURVEY RESPONSES

First Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		REPLACEMENT, MARKETING RESERVE		MONTHS
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING PER SQUARE FOOT	UNDERLYING PER SQUARE FOOT	MONTHS	
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; expects overall cap rates to hold steady over the next six months; may use rent spikes.	0.0% to 3.0%	3.0%	3.0%	5.50% to 6.50%	1.0% to 2.0%	5.75% to 7.00%	4.50% to 5.50%	6.0% to 7.5%	6.0% to 7.5%	6 to 8	60.0% to 75.0%	4.0% to 7.0%	\$0.05 to \$0.15	2 to 6	
INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; expects overall cap rates to hold steady over the next six months, no longer uses rent spikes.	2.0% to 3.0%	3.0%	2.5% to 3.0%	6.25% to 6.75%	2.0% to 3.0%	6.75% to 7.25%	5.75% to 6.25%	6.0% to 7.0%	6.0% to 7.0%	6 to 9	60.0% to 70.0%	2.0% to 4.0%	\$0.10 to \$0.20	3 to 6	
REAL ESTATE SERVICES FIRM ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; believes market conditions currently favor sellers; expects overall cap rates to hold steady over the next six months; may use a rent spike of 5.0% in year 1, 7.0% in year 2, and 6.0% in year 3.	2.0% to 5.0%	2.0% to 3.0%	2.0% to 3.0%	6.00% to 7.00%	1.0% to 2.0%	6.00% to 7.00%	4.75% to 5.50%	6.0% to 7.0%	6.0% to 7.0%	4 to 6	65.0% to 75.0%	0.0% to 5.0%	\$0.05 to \$0.15	6 to 9	
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; believes market conditions favor sellers; expects overall cap rates to hold steady over the next six months	3.0%	3.0%	3.0%	5.75% to 6.75%	1.0% to 4.0%	6.25% to 7.00%	5.00% to 5.50%	6.0% to 7.0%	6.0% to 7.0%	6 to 12	50.0% to 65.0%	3.0%	\$0.10 to \$0.35	3 to 6	
PRIVATE EQUITY INVESTOR ♦ Forecast Period: 3 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; expects overall cap rates to decrease 25 to 50 basis points over the next six months	3.0% to 5.0%	3.0% to 4.0%	2.0% to 4.0%	7.00%	2.0% to 5.0%	6.75% to 7.50%	6.00% to 7.00%	6.0% to 7.0%	6.0% to 7.0%	6 to 12	60.0% to 70.0%	8.0%	\$0.10 to \$0.15	3 to 6	

Source: Personal survey conducted by PwC during January 2016.



PACIFIC REGION WAREHOUSE MARKET -SELECT SURVEY RESPONSES

First Quarter 2016

INITIAL-YEAR CHANGE RATES		RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		UNDERLYING VACANCY & RETENTION CREDIT LOSS		REPLACEMENT RESERVE	MARKETING TIME
MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	PER SQUARE FOOT	MONTHS		
PRIVATE ASSET MANAGER ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap. capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes market conditions equally favor buyers and sellers; may use a rent spike of 5.0% in years 1 and 2.	0.0%	3.0%	4.75% to 6.00%	1.0% to 5.8%	5.50% to 6.25%	4.00% to 5.25%	6.00% to 75.0%	6 to 12	60.0% to 75.0%	5.0% to 7.0%		\$0.05 to \$0.15	2 to 4
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 5 to 10 years Mainly uses direct capitalization; in direct cap. capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; believes market conditions favor sellers; does not use rent spikes.	3.0% Years 1 to 3	3.0%	6.00% to 6.50%	3.0% to 4.0%	6.50% to 7.50%	5.00% to 6.25%	6.00% to 70.0%	6 to 9	60.0% to 70.0%	5.0% to 7.0%		Does not use	1 to 2
INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Relies on DCF; also uses direct capitalization; in direct cap. capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; no longer uses rent spikes	3.0% Years 1 to 3	3.0%	5.50% to 6.00%	2.0% to 3.0%	6.25% to 6.50%	4.50% to 5.25%	65.0% to 75.0%	4 to 8	65.0% to 75.0%	2.0% to 4.0%		\$0.10 to \$0.20	2 to 4
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 5 to 10 years Relies mainly on direct capitalization; in direct cap. capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes	5.0% Year 1, 4.0% Year 2	3.0%	4.75% to 6.00%	0.7% to 3.0%	5.75% to 6.75%	3.75% to 5.75%	50.0% to 65.0%	6 to 12	50.0% to 65.0%	3.0% to 4.0%		\$0.10 to \$0.35	3 to 6
REAL ESTATE FIRM ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap. capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 2.0% Year 1, 2.0% to 3.0% Year 2	2.0% to 2.5%	6.00% to 7.50%	2.0% to 3.0%	8.00% to 9.00%	6.00% to 7.00%	50.0% to 75.0%	4 to 8	50.0% to 75.0%	3.0% to 5.0%		\$0.10 to \$0.15	3 to 5

Source: Personal survey conducted by PwC during January 2016.

NATIONAL APARTMENT MARKET-SELECT SURVEY RESPONSES

First Quarter 2016

	INITIAL-YEAR CHANGE RATES			VACANCY	RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)		STRUCTURAL REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	TOTAL VACANCY		CAP RATE	SELLING EXPENSE		FREE & CLEAR	FREE & CLEAR		
INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; does not use a separate FF&E replacement reserve.	2.0% to 6.0%	2.0% to 4.0%	3.0% to 7.0%		4.50% to 7.00%	0.5% to 2.5%	5.00% to 7.00%	3.50% to 6.50%		\$200 to \$500	3 to 6
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; does not deduct FF&E reserve from NOI before capitalization; does not use a separate FF&E replacement reserve.	0.0% to 3.0%	3.0%	4.0% to 10.0%		4.00% to 6.75%	2.0% to 3.0%	5.50% to 7.75%	4.00% to 6.50%		\$150 to \$350	2 to 3
DOMESTIC PENSION FUND ♦ Forecast Period: 1 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; reflects concessions as they occur, may burn off on new property during lease-up period in strong market; does not use a separate FF&E replacement reserve.	3.0% to 6.0%	3.0%	3.0% to 15.0%		4.25% to 6.50%	1.0% to 3.0%	6.00% to 7.25%	3.50% to 5.50%		\$200 to \$500	6 to 9
INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Relies on DCF; in direct cap, capitalizes NOI after capital replacement reserve; uses a separate FF&E reserve; believes current market conditions equally favor sellers and buyers.	3.0% to 4.0%	3.0%	4.0% to 6.0%		4.50% to 5.50%	2.0% to 3.0%	6.00% to 6.50%	4.00% to 5.00%		\$200 to \$250	2 to 3
PRIVATE INVESTMENT FIRM ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; sees overall cap rates holding steady; does not use a separate FF&E reserve.	0.0% to 3.5%	2.8% to 3.0%	3.5% to 7.5%		5.00% to 6.00%	1.0% to 4.0%	5.75% to 7.00%	3.50% to 5.00%		\$200 to \$350	1 to 3
PENSION FUND ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; buys 150- to 400-unit apartment complexes in first- and second-tier markets nationwide; does not use a separate FF&E reserve.	3.0%	2.5%	7.0%		6.50% to 7.00%	1.0% to 2.0%	8.25% to 9.00%	6.00% to 7.00%		\$250 to \$350	1 to 2

Source: Personal survey conducted by PwC during January 2016

MID-ATLANTIC REGION APARTMENT MARKET-SELECT SURVEY RESPONSES

First Quarter 2016

	INITIAL-YEAR CHANGE RATES			VACANCY	RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)		STRUCTURAL REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	TOTAL VACANCY	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	PER UNIT	MONTHS		
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 3 to 6 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve, does use a separate FF&E replacement reserve; believes market conditions currently favor sellers; expects overall cap rates to hold steady over the next six months.	0.0%	1.0% to 3.0%	2.0% to 7.0%	5.50% to 7.50%	1.0% to 2.5%	7.00% to 10.00%	5.50% to 7.50%	\$100 to \$400	3 to 5		
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years Prefers DCF analysis, also uses direct capitalization, in direct cap, capitalizes NOI after capital replacement reserve; deducts FF&E reserves from NOI before capitalization; uses a separate FF&E replacement reserve of \$200 to \$300 per unit.	3.0% to 4.0% Years 1 & 2, 3.0% Year 3	3.0%	4.0% to 7.0%	4.25% to 6.25%	2.0% to 4.0%	5.75% to 7.50%	4.00% to 5.25%	\$200 to \$300	3 to 6		
PENSION FUND INVESTOR ♦ Forecast Period: 4 to 7 years Uses all three approaches to value, in direct capitalization, capitalizes NOI after capital replacement reserve; uses a separate FF&E replacement reserve of \$350 per unit; believes market conditions favor sellers.	2.0% to 3.0% Year 1	3.0%	5.0% to 7.0%	5.25% to 6.75%	2.0% to 3.0%	8.00% to 10.00%	5.25% to 6.75%	\$1,000 to \$1,500	2 to 6		
PRIVATE INVESTOR ♦ Forecast Period: 5 to 10 years Mainly uses direct capitalization, in direct cap, capitalizes NOI after capital replacement reserve; also uses a separate FF&E replacement reserve of \$15 to \$75 per unit; expects overall cap rates to hold steady over the next six months.	3.0% to 4.0% Years 1 & 2	3.0%	3.0% to 7.0%	4.25% to 7.00%	1.5% to 3.0%	7.00% to 10.00%	4.25% to 7.00%	\$250 to \$350	4 to 6		
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 5 to 8 years Mainly uses direct capitalization analysis; in direct cap, capitalizes NOI after capital replacement reserve, believes that market conditions currently favor sellers; uses an FF&E replacement reserve of \$200 to \$300 per unit.	1.0% to 2.0% Year 1, 2.0% to 4.0% Year 2	3.0%	5.0% to 6.0%	5.00% to 6.25%	1.0% to 2.0%	6.50% to 9.00%	5.00% to 6.00%	Does not use	3 to 9		

Source: Personal survey conducted by PwC during January 2016

PACIFIC REGION APARTMENT MARKET—SELECT SURVEY RESPONSES

First Quarter 2016

	INITIAL-YEAR CHANGE RATES			VACANCY		RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		STRUCTURAL REPLACEMENT RESERVE		MARKETING TIME
	MARKET RENT	EXPENSES	TOTAL VACANCY	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	PER UNIT	MONTHS					
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 3 to 8 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve, uses a separate FF&E replacement reserve of \$250 to \$350 per unit, FF&E is deducted from NOI before capitalization; expects overall cap rates to hold steady over the next six months.	2.0% to 5.0% Years 1 & 2	2.5% to 3.0%	5.0%	3.75% to 6.00%	0.5% to 1.5%	7.00% to 9.00%	3.50% to 6.00%	\$250 to \$350	3 to 6					
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years Prefers DCF analysis; also uses direct capitalization, in direct cap, capitalizes NOI after capital replacement reserve; does not deduct FF&E reserve from NOI before capitalization; uses a separate FF&E replacement reserve of \$200 to \$300 per unit.	3.0% to 5.0% Year 1; 3.0% to 4.0% Years 2 & 3	3.0%	4.0% to 7.0%	4.75% to 5.75%	1.5% to 3.0%	5.75% to 7.00%	3.70% to 5.00%	\$200 to \$300	3 to 6					
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 5 to 8 years Mainly uses direct capitalization analysis; in direct cap, capitalizes NOI after capital replacement reserve; believes market conditions favor sellers, uses a separate FF&E reserve of \$200 to \$300 per unit.	3.0% to 5.0%	3.0%	4.0% to 6.0%	4.50% to 6.00%	1.0% to 2.5%	6.00% to 9.00%	4.50% to 5.50%	Does not use	3 to 9					
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before capital replacement reserve, does not use a separate FF&E replacement reserve; FF&E is not deducted from NOI before capitalization.	5.0%	3.0%	3.0% to 5.0%	4.25% to 5.50%	1.0% to 3.0%	5.50% to 6.75%	3.50% to 4.75%	\$200 to \$300	3 to 9					
PRIVATE INVESTMENT FIRM ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; uses a separate FF&E replacement reserve of \$250 to \$375 per unit; FF&E is not deducted from NOI before capitalization; believes market conditions favor sellers; expects overall cap rates to hold steady over the next six months	3.0% to 6.0% Years 1 & 2	2.0% to 2.8%	3.0% to 6.0%	4.75% to 5.25%	0.5% to 1.8%	5.50% to 6.75%	3.75% to 4.75%	\$200 to \$350	1 to 2					

Source: Personal survey conducted by PwC during January 2016

SOUTHEAST REGION APARTMENT MARKET-SELECT SURVEY RESPONSES

First Quarter 2016

	INITIAL-YEAR CHANGE RATES			VACANCY		RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		STRUCTURAL REPLACEMENT RESERVE		MARKETING TIME	
	MARKET RENT	EXPENSES	TOTAL VACANCY	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	PER UNIT	MONTHS						
PENSION FUND INVESTOR ♦ Forecast Period: 4 to 7 years Uses all three approaches to value; in direct capitalization, capitalizes NOI after capital replacement reserve; uses a separate FF&E replacement reserve of \$350 per unit; does not deduct FF&E reserves from NOI before capitalization.	3.0% to 4.0% Years 1 & 2	3.0%	5.0% to 7.0%	5.75% to 7.00%	2.0% to 3.0%	8.00% to 10.00%	5.25% to 6.50%	\$1,200 to \$1,500	2 to 4						
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 3 to 4 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; uses a separate FF&E replacement reserve of \$250 to \$300 per unit; expects overall cap rates to hold steady over the next six months; does not deduct FF&E reserves from NOI before capitalization.	2.0% to 3.5% Years 1 to 3	2.0% to 3.0%	4.0% to 7.0%	6.50% to 7.00%	1.3% to 1.5%	8.00% to 10.00%	5.50% to 7.00%	\$250 to \$300	3 to 5						
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before capital replacement reserve; does not use a separate FF&E replacement reserve, expects overall cap rates to hold steady over the next six months; does not deduct FF&E reserves from NOI before capitalization.	4.0% Year 1, 3.0% Year 2	3.0%	5.0%	4.50% to 5.25%	1.0% to 4.0%	6.00% to 7.00%	3.75% to 5.00%	\$200 to \$300	3 to 6						
PENSION FUND ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve; buys 150- to 400-unit apartment complexes; uses a separate FF&E reserve of \$250 to \$350 per unit; does not deduct FF&E reserves from NOI before capitalization.	1.0% to 3.0% Years 1 & 2	2.0% to 3.0%	4.5% to 7.0%	5.50% to 6.25%	0.8% to 1.5%	6.50% to 7.25%	4.50% to 5.75%	\$200 to \$350	1 to 3						
REAL ESTATE ADVISOR ♦ Forecast Period: 1 to 5 years Prefers DCF analysis; also uses direct capitalization, in direct cap, capitalizes NOI after capital replacement reserve, does not deduct FF&E reserves from NOI before capitalization, uses a separate FF&E replacement reserve of \$300 per unit.	3.0% Years 1 to 3	3.0%	5.0%	4.75% to 5.25%	1.0% to 1.5%	6.00% to 7.00%	4.50% to 5.25%	\$300							

Source: Personal survey conducted by PwC during January 2016

NATIONAL NET LEASE MARKET-SELECT SURVEY RESPONSES First Quarter 2016

PREFERRED PROPERTY TYPE	CHANGE RATES	PREFERRED CREDIT RATING	RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	UNDERLYING VACANCY & CREDIT LOSS	REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CAP RATE	SELLING EXPENSES	FREE & CLEAR	FREE & CLEAR	PER SQUARE FOOT	MONTH
INVESTOR/BROKERS ♦ Forecast Period: 3 to 10 years								
Primary valuation method is direct capitalization; also uses sales comparison approach; underlying credit rating of tenant is more important than real estate value; capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.								
Commodity retail, office, medical	1.0% to 3.0%	1.0% to 3.0%	BBB- to AAA	6.00% to 9.00%	3.0% to 5.0%	8.00% to 10.00%	5.50% to 7.50%	Does not use 3 to 6
PRIVATE INVESTMENT FIRM ♦ Forecast Period: 1 to 5 years								
Primary valuation method is direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; also uses DCF analysis; mainly focuses on net lease transactions; includes reimbursements paid by tenants as both revenues and expenses.								
Office, health care, industrial, government	1.5% to 3.0%	1.0% to 2.0%	B- to A	7.00% to 9.00%	2.0% to 4.0%	8.00% to 10.00%	6.50% to 9.00%	Does not use \$0.10 to \$0.25 3 to 6
PRIVATE INVESTMENT FIRM ♦ Forecast Period: 3 to 8 years								
Primary valuation method is sales comparison approach; also uses DCF analysis; mainly completes net lease sales; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; excludes reimbursements paid by tenants as both revenues and expenses.								
Retail (restaurants)	1.0% to 2.0% Years 1 to 3	1.0% to 2.0%	B- to AA	7.50% to 7.75%	3.0%	6.00% to 7.00%	5.25% to 6.50%	Does not use 1 to 4
INVESTMENT ADVISOR ♦ Forecast Period: 3 to 10 years								
Primary valuation method is direct capitalization; also uses DCF analysis; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; mainly focuses on net lease sales; excludes reimbursements paid by tenants as both revenues and expenses.								
General-purpose office	1.0% to 2.5%	1.0% to 3.0%	BBB- to A	7.00% to 7.75%	4.0% to 5.0%	7.00% to 8.00%	5.50% to 7.00%	Does not use \$0.10 to \$0.25 3 to 4
MANAGEMENT COMPANY ♦ Forecast Period: 10 to 20 years								
Mainly focuses on sale-leaseback deals and net lease sales; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; expects overall cap rates to decrease 25 to 50 basis points over the next six months; excludes reimbursements paid by tenants as both revenues and expenses.								
All varieties	0.0% to 3.0% Years 1 to 3	0.0% to 3.0%	B- to AAA	Does not use	Does not use	Does not use	6.25% to 8.50%	Does not use 2 to 12

Source: Personal survey conducted by PwC during January 2016

NATIONAL MEDICAL OFFICE BUILDINGS MARKET—SELECT SURVEY RESPONSES

First Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		TENANT RETENTION		UNDERLYING VACANCY & CREDIT LOSS		REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	RATE	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	MONTHS VACANT	PER SQUARE FOOT	PER SQUARE FOOT	PER SQUARE FOOT	PER SQUARE FOOT	PER SQUARE FOOT		
REAL ESTATE ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct cap; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; may use rent spikes.	2.0%	2.0%	2.0%	7.00% to 7.50% (on campus); 7.50% to 8.00% (off campus)	0.8% to 1.0%	7.00% to 7.75% (on campus); 7.75% to 8.00% (off campus)	5.75% to 6.75% (on campus); 6.75% to 7.75% (off campus)	4 to 6	70.0% to 80.0%	5.0% to 7.0%	\$0.25 to \$0.50	3 to 5						
REIT ♦ Forecast Period: 1 to 10 years Uses both DCF analysis and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve. expects overall cap rates to hold steady over the next six months; does not use rent spikes.	2.0% to 3.0% Years 1 to 3	2.0% to 3.0%	2.0% to 3.0%	5.50% to 6.50% (on campus); 6.00% to 7.50% (off campus)	1.0% to 2.0%	7.00% to 8.00% (on campus); 8.00% to 9.50% (off campus)	5.50% to 6.50% (on campus); 6.00% to 7.50% (off campus)	9 to 12	75.0% to 90.0%	5.0% to 10.0%	\$0.15 to \$0.60	4 to 6						
REIT ♦ Forecast Period: 1 to 10 years Mainly uses DCF analysis, in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects overall cap rates to hold steady over the next six months; believes market conditions favor sellers, expects overall cap rates to decrease 50 basis points over the next six months.	1.0% to 3.0% Years 1 to 3	1.5% to 3.0%	0.0% to 3.0%	6.00% to 7.50% (on campus); 6.50% to 8.50% (off campus)	1.5% to 2.5%	7.00% to 9.00% (on campus); 8.00% to 10.00% (off campus)	6.25% to 7.25% (on campus); 6.50% to 8.25% (off campus)	6 to 15	60.0% to 85.0%	3.0% to 8.0%	\$0.25 to \$0.50	2 to 6						
REAL ESTATE SERVICE FIRM ♦ Forecast Period: 8 to 11 years Uses all approaches to value, in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; expects overall cap rates to hold steady over the next six months; does not use rent spikes.	2.0% to 3.0% Years 1 & 2	2.0% to 3.0%	2.0% to 3.0%	5.75% to 7.50% (on campus); 7.50% to 8.50% (off campus)	1.0% to 2.0%	6.50% to 8.00% (on campus); 8.00% to 9.00% (off campus)	5.00% to 6.00% (on campus); 6.00% to 7.00% (off campus)	4 to 6	70.0% to 90.0%	3.0% to 5.0%	\$0.15 to \$0.25	1 to 3						
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 3 to 7 years Uses all approaches to value; indirect cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects overall cap rates to hold steady over the next six months.	0.0% to 3.0% Years 1 to 3	2.0% to 3.0%	2.0% to 3.0%	7.00% to 8.50% (on campus); 8.00% to 10.25% (off campus)	1.0% to 3.0%	7.00% to 9.00% (on campus); 8.00% to 11.00% (off campus)	6.75% to 8.50% (on campus); 7.75% to 10.00% (off campus)	6 to 18	70.0% to 80.0%	5.0% to 10.0%	\$0.10 to \$0.30	4 to 6						

Source: Personal survey conducted by PwC during January 2016

NATIONAL FULL-SERVICE LODGING SEGMENT-SELECT SURVEY RESPONSES

First Quarter 2016

	INITIAL-YEAR CHANGE RATES	RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	IS FEE DEDUCTED FROM NOI PRIOR TO CAPITALIZATION?	BASE MANAGEMENT FEE	RESERVE FOR REPLACEMENT OF FIXED ASSETS	MARKETING TIME		
	AVERAGE DAILY RATE	OPERATING EXPENSES	'CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	PERCENT OF TOTAL REVENUE	PERCENT OF TOTAL REVENUE	MONTHS	
OWNER/OPERATOR ♦ Forecast Period: 4 to 6 years Uses both DCF and direct capitalization; in direct cap, capitalizes next 12 months of income; believes market conditions favor sellers; expects overall cap rates to hold steady over the next six months.	3.0% to 4.0% Years 1 to 3	3.0% to 4.0%	7.50% to 9.00%	2.5% to 3.5%	10.00% to 13.00%	6.50% to 8.00%	No	1.0% to 1.5%	2.5% to 4.5%	6 to 9
OWNER/PRIVATE ♦ Forecast Period: 4 to 8 years Uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months of income; believes market conditions favor sellers; expects overall cap rates to increase 25 to 50 basis points over the next six months	2.0% to 5.0%	3.0%	17.50% to 19.00%	0.5% to 3.0%	8.50% to 10.00%	6.50% to 9.00%	Yes	2.0% to 3.5%	3.0% to 5.0%	3 to 7
PRIVATE COMPANY ♦ Forecast Period: 3 years Uses both DCF and direct capitalization; in direct cap, capitalizes both prior 12 months of income and next 12 months of income; believes that market conditions currently favor sellers	5.0%	2.0% to 3.0%	7.00% to 8.00%	2.0% to 3.0%	11.00% to 7.50%	6.50% to 7.50%	Yes	2.5% to 3.5%	Does not use	9
REAL ESTATE ADVISER ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes next 12 months income; expects overall cap rates to hold steady over the next six months; believes market conditions favor sellers.	3.0% to 5.0%	3.0%	7.25% to 9.50%	2.0% to 3.0%	8.75% to 10.50%	6.00% to 8.50%	Yes	2.5% to 3.5%	4.0% to 5.0%	8
PRIVATE INVESTOR ♦ Forecast Period: 3 to 6 years Uses both DCF and direct capitalization; in direct cap, capitalizes both prior 12 months and next 12 months income; believes that overall cap rates will hold steady over the next six months and that market conditions are neutral.	0.0% to 3.0%	1.0% to 2.0%	9.00% to 10.00%	1.0% to 4.0%	11.00% to 10.00%	9.00% to 10.00%	Yes	3.0% to 5.0%	3.0% to 5.0%	3 to 7

Source: Personal survey conducted by PwC during January 2016.

NATIONAL LIMITED-SERVICE MIDSACLE & ECONOMY LODGING SEGMENT-SELECT SURVEY RESPONSES

First Quarter 2016

	INITIAL-YEAR CHANGE RATES		RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		IS FREE DEDUCTED FROM NOI PRIOR TO CAPITALIZATION?		BASE MANAGEMENT FEE		RESERVE FOR REPLACEMENT OF FIXED ASSETS		MARKETING TIME	
	AVERAGE DAILY RATE	OPERATING EXPENSES	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	YES/NO	PERCENT OF TOTAL REVENUE		PERCENT OF TOTAL REVENUE		PERCENT OF TOTAL REVENUE		MONTHS	
REAL ESTATE ADVISER ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes next 12 months of income; expects overall cap rates to hold steady over the next six months.	3.0%	3.0%	7.75% to 9.50%	3.0% to 4.0%	8.50% to 11.50%	7.50% to 10.00%	Yes	4.0% to 5.0%	4.0% to 5.0%	4.0% to 5.0%	4.0% to 5.0%	4.0% to 5.0%	4.0% to 5.0%	4.0% to 5.0%	8 to 12	
	4.0%															
PRIVATE OWNER ♦ Forecast Period: 5 years Focuses on direct capitalization; in direct cap, capitalizes prior 12 months of income; expects ADRs and occupancy to hold steady over the next six months; current breakeven occupancy rate is estimated at 55.0%; sees occupancy holding steady over the next six months.	3.0%	3.0%	9.75%	2.0%	11.00% to 11.50%	8.75% to 9.50%	Yes	3.0% to 4.0%	3.0% to 5.0%	3.0% to 5.0%	3.0% to 5.0%	3.0% to 5.0%	3.0% to 5.0%	3.0% to 5.0%	9	
PRIVATE HOTEL COMPANY ♦ Forecast Period: 10 years Prefers Northeast, Southeast, and Southwest; uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months of income, expects occupancy to hold steady and ADRs to increase over the next six months; believes market conditions currently are neutral.	3.0%	3.0%	10.00% to 10.50%	3.0%	11.00%	9.00% to 9.50%	Yes	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	4 to 8	
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes next 12 months of income, believes that market conditions favor sellers; expects occupancy to increase 100 to 300 basis points over the next six months.	2.0% to 3.5%	2.5% to 3.0%	9.00% to 10.00%	2.0% to 3.0%	10.00% to 12.00%	8.00% to 9.00%	Yes	2.0% to 3.5%	4.0% to 5.0%	4.0% to 5.0%	4.0% to 5.0%	4.0% to 5.0%	4.0% to 5.0%	4.0% to 5.0%	4 to 8	
OWNER/OPERATOR ♦ Forecast Period: 3 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months of income; believes overall cap rates will increase 10 to 25 basis points over the next six months; believes market conditions equally favor buyers and sellers.	3.0% to 4.0%	3.0%	8.50% to 10.00%	0.5% to 1.5%	9.50% to 11.00%	8.00% to 10.25%	Yes	3.0% to 5.0%	2.0% to 4.0%	2.0% to 4.0%	2.0% to 4.0%	2.0% to 4.0%	2.0% to 4.0%	2.0% to 4.0%	2 to 5	

Source: Personal survey conducted by PwC during January 2016



NATIONAL LUXURY/UPPER-UPSCALE LODGING SEGMENT-SELECT SURVEY RESPONSES

First Quarter 2016

	INITIAL-YEAR CHANGE RATES	RESIDUAL	SELLING EXPENSE	FREE & CLEAR	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	IS FREE DEDUCTED FROM PRIOR TO CAPITALIZATION?	BASE MANAGEMENT FEE	RESERVE FOR REPLACEMENT OF FIXED ASSETS	MARKETING TIME
	AVERAGE DAILY RATE	OPERATING EXPENSES	CAP RATE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	YES/NO	PERCENT OF TOTAL REVENUE	PERCENT OF TOTAL REVENUE	MONTHS
INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes next 12 months of income; expects overall cap rates to hold steady over the next six months.	0.0% to 5.0%	2.0% to 4.0%	5.50% to 8.00%	0.5% to 2.5%	6.50% to 9.00%	4.00% to 6.50%	Yes	3.0% to 5.0%	Did not disclose	6 to 12
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes next 12 months of income; believes that market conditions currently favor sellers; expects overall cap rates to hold steady over the next six months.	3.0% to 4.0%	3.0% to 4.0%	6.75% to 8.50%	2.0% to 3.0%	7.75% to 10.00%	5.25% to 8.00%	Yes	3.0% to 5.0%	4.0% to 5.0%	6 to 8
PRIVATE INVESTOR ♦ Forecast Period: 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes both prior 12 months of income and next 12 months income; expects occupancy to hold steady over the next six months, but sees ADR increasing.	6.0% to 9.0%	3.0% to 5.0%	7.00% to 8.00%	1.0% to 2.0%	9.00% to 11.00%	4.500% to 8.00%	Yes	2.5% to 3.5%	4.0% to 5.0%	3 to 5
PRIVATE INVESTOR ♦ Forecast Period: 5 to 8 years Uses both DCF and direct capitalization; in direct cap, capitalizes both next 12 months of income and prior 12 months of income; believes overall cap rates will decrease up to 50 basis points over the next six months.	0.0% to 3.0%	0.0% to 2.0%	6.50% to 10.00%	1.0% to 3.0%	8.00% to 10.00%	7.000% to 19.00%	Yes	2.5% to 3.0%	4.0% to 6.0%	4 to 7
OWNER/OPERATOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes both next 12 months of income and prior 12 months of income; market conditions currently favor sellers.	2.0% to 6.0%	3.0% to 4.0%	6.00% to 7.00%	2.0% to 4.0%	10.00% to 12.00%	6.00% to 8.00%	Yes	3.0% to 5.0%	4.0% to 6.0%	3 to 6
PRIVATE INVESTOR ♦ Forecast Period: 3 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes both prior 12 months income and next 12 months of income; believes that overall cap rates will hold steady over the next six months and that market conditions currently favor sellers.	2.0% to 6.0%	2.0% to 4.0%	5.50% to 8.50%	3.0% to 4.0%	10.00% to 12.00%	7.000% to 9.00%	Yes	2.5% to 3.5%	4.0% to 6.0%	3 to 6

Source: Personal survey conducted by PwC during January 2016

NATIONAL SELECT-SERVICE LODGING SEGMENT-SELECT SURVEY RESPONSES

First Quarter 2016

	INITIAL-YEAR CHANGE RATES		RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		IS FF&E DEDUCTED FROM NOI PRIOR TO CAPITALIZATION?	BASE MANAGEMENT FEE		RESERVE FOR REPLACEMENT OF FIXED ASSETS		MARKETING TIME
	AVERAGE DAILY RATE	OPERATING EXPENSES	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	PERCENT OF TOTAL REVENUE	PERCENT OF TOTAL REVENUE		PERCENT OF TOTAL REVENUE	MONTHS			
OWNER/MANAGER ♦ Forecast Period: 4 to 6 years Uses both DCF and direct capitalization; in direct cap, capitalizes both prior 12 months of income and the next 12 months of income; expects overall cap rates to increase 10 to 25 basis points over the next six months; believes that market conditions are currently neutral.	3.0% to 5.0%	2.0% to 3.0%	7.50% to 9.00%	0.3% to 3.0%	9.00% to 12.00%	6.50% to 9.00%		Yes	2.5% to 4.0%	2.0% to 4.0%		3 to 6		
REAL ESTATE ADVISER ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months of income; expects overall cap rates to hold steady over the next six months; believes market conditions currently favor sellers	3.0% to 4.0%	2.0% to 3.0%	9.00% to 10.00%	1.0% to 2.0%	11.00% to 11.00%	8.50% to 9.50%		Yes	2.5% to 6.0%	1.0% to 5.0%		4 to 6		
REIT ♦ Forecast Period: 1 to 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes both prior 12 months of income and the next 12 months of income; expects overall cap rates to hold steady over the next six months; believes that market conditions currently favor sellers.	4.0% to 5.0%	3.0% to 4.0%	8.00% to 9.00%	1.5% to 3.0%	10.00% to 11.00%	7.00% to 8.00%		Yes	3.0% to 4.0%	3.0% to 5.0%		2 to 8		
OWNER/MANAGER ♦ Forecast Period: 1 to 4 years Uses both DCF and direct capitalization; in direct cap, capitalizes prior 12 months of income; deducts both FF&E and structural reserve from NOI before capitalization; expects overall cap rates to decrease 30 to 100 basis points over the next six months.	2.0% to 4.0%	2.0% to 4.0%	9.00% to 11.00%	5.0% to 7.0%	11.50% to 12.00%	8.00% to 10.75%		Yes	3.0% to 4.0%	3.0% to 5.0%		9 to 12		
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes the next 12 months of income; expects overall cap rates to hold steady over the next six months; believes that market conditions favor sellers	2.0% to 4.0%	2.5% to 3.0%	8.00% to 10.00%	2.0% to 3.0%	9.00% to 12.00%	8.00% to 10.00%		Yes	2.5% to 3.5%	3.0% to 5.0%		4 to 6		

Source: Personal survey conducted by PwC during January 2016



INVESTMENT AND PROPERTY CHARACTERISTICS: OFFICE MARKETS

First Quarter 2016

MARKET	FORECAST VALUE CHANGE NEXT 12 MONTHS		PRICE AS % OF REPLACEMENT COST		STRUCTURAL VACANCY		YEARS TO REACH STRUCTURAL VACANCY		TENANT IMPROVEMENT ALLOWANCE (PSF) NEW DEALS (1)		AVERAGE	
	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE		
National CBD	(5.0%) - 15.0%	4.7%	65.0% - 120.0%	98.1%	2.0% - 15.0%	6.3%	1 - 4	2.2	\$20.00 - \$75.00	\$40.25	\$5.00 - \$35.00	\$17.00
National Suburban	(5.0%) - 10.0%	3.6%	70.0% - 115.0%	90.0%	5.0% - 15.0%	9.8%	0 - 5	1.9	\$0.00 - \$80.00	\$30.89	\$0.00 - \$25.00	\$13.93
Atlanta	0.0% - 10.0%	3.7%	50.0% - 100.0%	82.8%	4.0% - 12.0%	8.0%	0 - 4	1.6	\$5.00 - \$60.00	\$28.63	\$0.00 - \$20.00	\$10.40
Boston	(5.0%) - 10.0%	3.6%	50.0% - 110.0%	88.8%	1.8% - 12.0%	7.5%	0 - 5	1.1	\$10.00 - \$90.00	\$46.04	\$5.00 - \$30.00	\$18.33
Charlotte	0.0% - 15.0%	5.1%	70.0% - 110.0%	91.5%	2.0% - 12.0%	7.2%	0 - 3	1.8	\$10.00 - \$30.00	\$29.50	\$5.00 - \$10.00	\$13.00
Chicago	0.0% - 5.0%	2.3%	50.0% - 120.0%	81.1%	5.0% - 13.0%	9.5%	0 - 5	2.5	\$7.50 - \$125.00	\$50.09	\$5.00 - \$40.00	\$19.52
Dallas	(2.0%) - 20.0%	3.6%	50.0% - 110.0%	89.6%	0.0% - 20.0%	7.8%	0 - 10	3.0	\$5.00 - \$60.00	\$32.45	\$5.00 - \$25.00	\$12.88
Denver	0.0% - 10.0%	4.0%	50.0% - 150.0%	100.5%	5.0% - 12.0%	7.4%	0 - 4	1.6	\$12.00 - \$60.00	\$33.88	\$3.00 - \$20.00	\$10.69
Houston	(25.0%) - 10.0%	(4.9%)	50.0% - 110.0%	91.3%	5.0% - 15.0%	9.4%	0 - 15	4.7	\$8.00 - \$55.00	\$29.29	\$0.00 - \$25.00	\$11.50
Los Angeles	0.0% - 10.0%	4.1%	80.0% - 125.0%	101.5%	3.0% - 15.0%	8.5%	0 - 4	1.1	\$10.00 - \$125.00	\$41.25	\$0.00 - \$50.00	\$17.00
Manhattan	(2.5%) - 12.0%	4.6%	50.0% - 120.0%	88.0%	0.0% - 12.0%	6.5%	0 - 4	1.4	\$10.00 - \$120.00	\$52.29	\$10.00 - \$35.00	\$24.17
Northern Virginia	(10.0%) - 5.0%	0.2%	80.0% - 105.0%	94.9%	5.0% - 10.0%	7.3%	0 - 5	2.8	\$20.00 - \$100.00	\$49.75	\$10.00 - \$80.00	\$26.50
Pacific Northwest	(10.0%) - 10.0%	2.2%	50.0% - 120.0%	99.2%	3.0% - 15.0%	7.6%	0 - 5	1.4	\$10.00 - \$85.00	\$45.34	\$0.00 - \$50.00	\$16.59
Philadelphia	(5.0%) - 10.0%	1.6%	55.0% - 100.0%	81.5%	5.0% - 12.0%	7.2%	1 - 4	1.7	\$5.00 - \$65.00	\$29.00	\$5.00 - \$20.00	\$9.00
Phoenix	0.0% - 25.0%	7.4%	50.0% - 110.0%	86.9%	5.0% - 12.0%	7.6%	0 - 4	1.2	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses
San Diego	0.0% - 10.0%	3.8%	85.0% - 110.0%	98.3%	5.0% - 12.0%	7.3%	0 - 3	1.4	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses
San Francisco	(10.0%) - 20.0%	2.1%	85.0% - 130.0%	98.5%	3.0% - 10.0%	6.8%	0 - 3	1.0	\$10.00 - \$80.00	\$43.25	\$0.00 - \$25.00	\$13.50
Seattle	0.0% - 10.0%	4.1%	50.0% - 120.0%	95.9%	3.0% - 15.0%	7.9%	0.5 - 5	1.9	\$10.00 - \$85.00	\$47.29	\$0.00 - \$50.00	\$16.67
Southeast Florida	(25.0%) - 15.0%	1.4%	50.0% - 100.0%	79.4%	4.0% - 25.0%	8.3%	1 - 5	2.1	\$0.00 - \$75.00	\$30.46	\$5.00 - \$40.00	\$13.50
Suburban Maryland	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses	Insufficient number of responses
Washington, DC	(5.0%) - 10.0%	1.5%	90.0% - 115.0%	102.7%	2.0% - 8.0%	5.6%	0 - 3	1.2	\$25.00 - \$125.00	\$65.21	\$10.00 - \$115.00	\$32.50

(1) Includes both second-generation and new space, a breakout of TI allowances is included in each fourth quarter issue of the Survey.
Source: Personal survey conducted by PwC during January 2016



First Quarter 2016

(1) Includes both second-generation and new space, a breakout of TI allowances is included in each fourth quarter issue of the Survey

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YIELD COMPARISONS

January 1, 2016

	2011 AVERAGE	2012 AVERAGE	2013 AVERAGE	2014 AVERAGE	2015 AVERAGE	2015 OCTOBER	2016 JANUARY
PwC Yield Indicator (PYI) ^a	9.05%	8.77%	8.39%	8.11%	7.82%	7.75%	7.73%
Long-Term Mortgages ^b	5.21%	4.48%	4.16%	4.48%	4.31%	4.31%	4.49%
10-Year Treasuries ^c	2.96%	1.86%	2.22%	2.69%	2.34%	2.05%	2.24%
Consumer Price Index Change ^d	3.49%	2.16%	0.97%	1.66%	0.19%	(1.37%)	(1.55%)
SPREAD TO PYI (Basis Points)							
Long-Term Mortgages	384	429	423	363	351	344	324
10-Year Treasuries	609	691	617	542	548	570	549
Consumer Price Index Change	556	661	742	645	763	912	928

a A composite IRR average of all markets surveyed (excluding hotels, development land, and student housing)

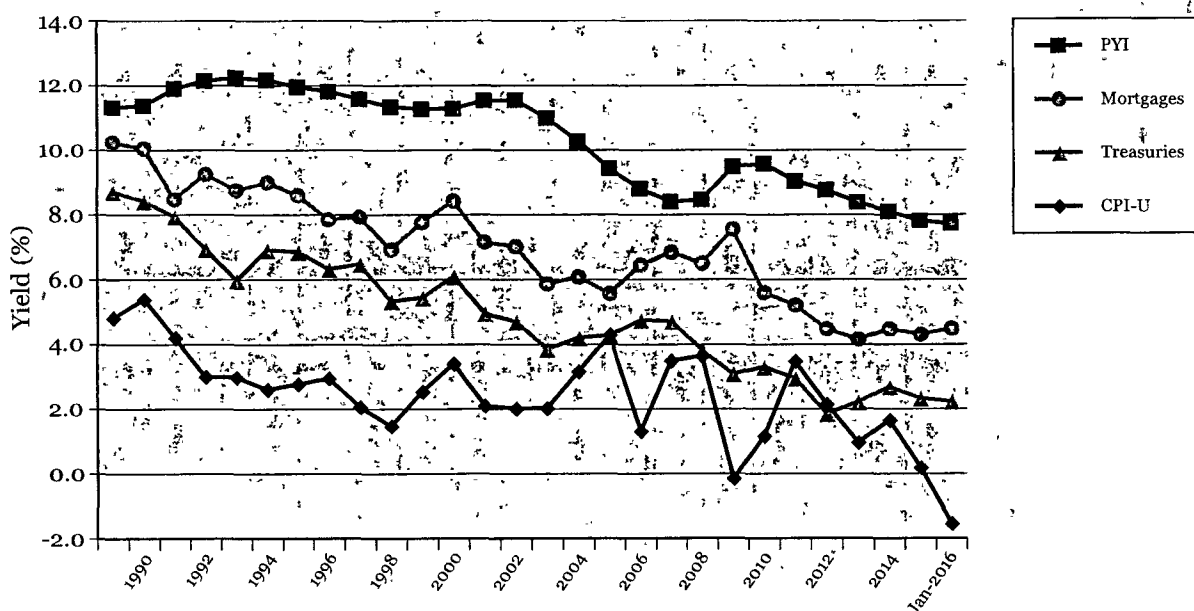
b Source: CB Richard Ellis/L.J. Melody Capital Markets, Global Commercial Banc, Commercial Loan Direct; reflects conventional funding, 60% to 80% LTV commercial loans, fixed rates; 6- to 30-year terms

c Source: Federal Reserve, the annual average change is the mean of the four corresponding quarters

d Source: U.S. Department of Labor, quarterly changes are annualized based on the index change from the prior quarter; the annual average change is the mean of the four corresponding quarters

COMPARATIVE YIELDS

January 1, 2016



DIVIDEND COMPARISONS

January 1, 2016

	2011 AVERAGE	2012 AVERAGE	2013 AVERAGE	2014 AVERAGE	2015 AVERAGE	2015 OCTOBER	2016 JANUARY
PwC Dividend Indicator (PDI) ^a	7.60%	7.27%	6.92%	6.66%	6.38%	6.31%	6.31%
Equity REITs ^b	3.65%	3.59%	3.68%	3.80%	3.64%	3.82%	4.07%
S&P 500 ^c	1.91%	2.04%	2.09%	1.92%	2.03%	2.21%	2.12%
SPREAD TO PDI (Basis Points)							
Equity REITs	395	368	324	286	274	249	224
S&P 500	569	523	483	474	435	410	419

a A composite OAR (initial rate of return in an all-cash transaction) average of all markets surveyed (excluding hotels, development land, and student housing)

b Source: National Association of Real Estate Investment Trusts; dividend yields are as of the last day of the prior quarter until April 2013, then, starting month of quarter

c Source: Standard & Poors; dividend yields are quarterly yields as of the last day of the prior quarter

INSTITUTIONAL-GRADE VS. NONINSTITUTIONAL-GRADE PROPERTY RATES: OFFICE MARKETS First Quarter 2016									
MARKET	INSTITUTIONAL IRR _s			OAR _s			NONINSTITUTIONAL (BASIS-POINT SPREAD TO INSTITUTIONAL RATES) IRR _s		
	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE	RANGE
National CBD Office	5.50% – 10.00%	6.88%	3.50% – 7.50%	5.58%	(a)	(a)	(a)	(a)	(a)
National Suburban Office	5.75% – 10.00%	7.52%	4.50% – 9.50%	6.38%	(a)	(a)	(a)	(a)	(a)
Atlanta Office	6.00% – 10.00%	8.34%	5.25% – 9.25%	7.33%	(a)	(a)	(a)	(a)	(a)
Boston Office	6.00% – 10.00%	7.76%	4.00% – 8.00%	6.15%	50 – 500	213	50 – 250	169	
Charlotte Office	6.50% – 11.00%	8.53%	5.50% – 9.00%	7.14%	150 – 400	258	75 – 250	146	
Chicago Office	6.00% – 12.00%	8.58%	5.00% – 10.00%	7.34%	100 – 600	320	50 – 400	178	
Dallas Office	6.00% – 11.00%	8.18%	5.00% – 9.00%	7.00%	(a)	(a)	(a)	(a)	(a)
Denver Office	6.75% – 11.00%	7.88%	5.00% – 9.00%	6.49%	(a)	(a)	(a)	(a)	(a)
Houston Office	6.50% – 12.00%	8.68%	5.50% – 10.00%	7.13%	75 – 1,000	329	50 – 200	104	
Los Angeles Office	5.00% – 9.00%	6.90%	4.50% – 7.25%	5.69%	(a)	(a)	(a)	(a)	(a)
Manhattan Office	5.50% – 9.00%	6.85%	3.75% – 8.00%	5.15%	50 – 150	96	50 – 200	113	
Northern Virginia Office	6.00% – 9.50%	7.75%	5.00% – 8.50%	6.88%	(a)	(a)	(a)	(a)	(a)
Pacific Northwest Office	5.50% – 11.00%	7.50%	4.00% – 9.00%	6.11%	75 – 500	225	50 – 300	121	
Philadelphia Office	7.00% – 10.00%	8.55%	6.00% – 9.00%	7.53%	50 – 200	108	50 – 150	79	
Phoenix Office	7.00% – 12.00%	8.48%	5.00% – 8.50%	6.84%	(a)	(a)	(a)	(a)	(a)
San Diego Office	6.25% – 10.50%	7.83%	5.25% – 8.50%	6.81%	(a)	(a)	(a)	(a)	(a)
San Francisco Office	5.75% – 10.00%	6.89%	3.50% – 9.00%	5.70%	(a)	(a)	(a)	(a)	(a)
Seattle Office	5.50% – 11.00%	7.47%	4.00% – 9.00%	6.10%	(a)	(a)	(a)	(a)	(a)
Southeast Florida Office	6.00% – 11.50%	8.33%	4.50% – 10.00%	7.18%	(a)	(a)	(a)	(a)	(a)
Suburban Maryland Office	7.25% – 10.00%	8.88%	5.50% – 9.00%	7.28%	(a)	(a)	(a)	(a)	(a)
Washington, DC Office	5.50% – 8.00%	6.81%	4.25% – 6.50%	5.40%	75 – 200	113	50 – 200	125	

(a) Participants are not currently pursuing noninstitutional investments in this market

Source: Personal survey conducted by PwC during January 2016

INSTITUTIONAL-GRADE VS. NONINSTITUTIONAL-GRADE PROPERTY RATES: NATIONAL AND REGIONAL MARKETS First Quarter 2016

MARKET	INSTITUTIONAL IRRs			NONINSTITUTIONAL (BASIS-POINT SPREAD TO INSTITUTIONAL RATES) IRRs		
	RANGE	AVERAGE	RANGE	AVERAGE	RANGE	AVERAGE
National Regional Mall	5.00% - 12.00%	7.63%	4.00% - 9.00%	6.00%	(a)	(a)
National Power Center	6.00% - 10.00%	7.75%	5.00% - 8.00%	6.33%	50 - 300	131
National Strip Shopping Center	6.00% - 10.75%	7.66%	4.75% - 9.50%	6.41%	50 - 800	200
National Flex/R&D	7.00% - 11.00%	8.33%	5.75% - 9.00%	7.15%	(a)	(a)
Warehouse (National)	5.50% - 9.25%	6.94%	3.00% - 7.00%	5.52%	50 - 400	225
Warehouse (ENC Region)	5.75% - 7.50%	6.73%	4.50% - 6.25%	5.48%	100 - 500	233
Warehouse (Pacific Region)	5.50% - 9.00%	6.80%	3.75% - 7.00%	5.28%	(a)	(a)
National Apartment	5.00% - 10.00%	7.28%	3.50% - 8.00%	5.35%	25 - 400	169
Apartment (Mid-Atlantic Region)	5.50% - 10.00%	7.75%	4.00% - 7.50%	5.46%	25 - 400	204
Apartment (Pacific Region)	5.50% - 9.00%	6.83%	3.50% - 6.00%	4.50%	(a)	(a)
Apartment (Southeast Region)	6.00% - 10.00%	7.58%	3.75% - 7.00%	5.30%	(a)	(a)
National Medical Office Buildings	5.50% - 11.00%	7.96%	4.75% - 10.00%	6.83%	100 - 400	217
National Secondary Office	5.75% - 12.50%	8.78%	4.50% - 10.00%	7.39%	150 - 400	188

(a) Participants are not currently pursuing noninstitutional investments in this market
Source: Personal survey conducted by PwC during January 2016



INCOME CAPITALIZED IN DIRECT CAPITALIZATION						
First Quarter 2016						
PERCENTAGE OF SURVEY RESPONDENTS USING:						
MARKET	METHOD 1 (a)		METHOD 2 (a)		METHOD 3 (a)	
	CURRENT	YEAR AGO	CURRENT	YEAR AGO	CURRENT	YEAR AGO
National Retail						
Regional Mall	40.0%	33.0%	60.0%	67.0%	0.0%	0.0%
Power Center	33.0%	33.0%	67.0%	67.0%	0.0%	0.0%
Strip Shopping Center	13.0%	13.0%	88.0%	88.0%	0.0%	0.0%
Office						
National CBD	17.0%	14.0%	83.0%	86.0%	0.0%	0.0%
National Suburban	25.0%	25.0%	63.0%	63.0%	13.0%	13.0%
National Secondary	10.0%	10.0%	90.0%	90.0%	0.0%	0.0%
Atlanta	0.0%	0.0%	80.0%	83.0%	20.0%	17.0%
Boston	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%
Charlotte	0.0%	0.0%	100.0%	100.0%	0.0%	17.0%
Chicago	29.0%	29.0%	71.0%	71.0%	0.0%	0.0%
Dallas	13.0%	17.0%	88.0%	83.0%	0.0%	0.0%
Denver	40.0%	20.0%	60.0%	80.0%	0.0%	0.0%
Houston	29.0%	17.0%	57.0%	67.0%	14.0%	17.0%
Los Angeles	20.0%	20.0%	80.0%	80.0%	0.0%	0.0%
Manhattan	17.0%	14.0%	83.0%	86.0%	0.0%	0.0%
Northern Virginia	40.0%	40.0%	60.0%	60.0%	0.0%	0.0%
Pacific Northwest	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%
Philadelphia	20.0%	20.0%	80.0%	80.0%	0.0%	0.0%
Phoenix	40.0%	33.0%	60.0%	67.0%	0.0%	0.0%
San Diego	60.0%	40.0%	40.0%	60.0%	0.0%	0.0%
San Francisco	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%
Seattle	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%
Southeast Florida	33.0%	20.0%	50.0%	60.0%	17.0%	20.0%
Suburban Maryland	40.0%	20.0%	60.0%	80.0%	0.0%	0.0%
Washington, DC	33.0%	20.0%	67.0%	80.0%	0.0%	0.0%
Industrial						
National Flex/R&D	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%
National Warehouse	20.0%	20.0%	80.0%	80.0%	0.0%	0.0%
ENC Region Warehouse	20.0%	17.0%	80.0%	83.0%	0.0%	0.0%
Pacific Region Warehouse	40.0%	33.0%	60.0%	67.0%	0.0%	0.0%
Apartments^b						
National	90.0%	70.0%	10.0%	30.0%		
Mid-Atlantic Region	100.0%	100.0%	0.0%	0.0%		
Pacific Region	80.0%	83.0%	20.0%	17.0%		
Southeast Region	80.0%	80.0%	20.0%	20.0%		
National Net Lease	40.0%	20.0%	20.0%	40.0%	40.0%	40.0%
National Medical Office Buildings	25.0%	33.0%	75.0%	67.0%	0.0%	0.0%
Note: Lines may not add to up to 100% due to rounding. ^a Method 1: NOI after deducting capital replacement reserve but before deducting TIs (tenant improvements) and leasing commissions Method 2: NOI before deducting capital replacement reserve, TIs, and leasing commissions Method 3: Cash flow after deducting capital replacement reserve, TIs, and leasing commissions ^b Method 1: NOI after deducting capital replacement reserve Method 2: NOI before deducting capital replacement reserve.						

LODGING INCOME CAPITALIZED IN DIRECT CAPITALIZATION						
First Quarter 2016						
SEGMENT	PRIOR 12 MONTHS ^a		FORECAST 12 MONTHS ^b		BOTH ^c	
	CURRENT	YEAR AGO	CURRENT	YEAR AGO	CURRENT	YEAR AGO
Full Service	0.0%	17.0%	40.0%	33.0%	60.0%	50.0%
Limited-Service Midscale & Economy	60.0%	60.0%	40.0%	40.0%	0.0%	0.0%
Luxury/Upper Upscale	0.0%	17.0%	33.0%	29.0%	67.0%	43.0%
Select Service	40.0%	40.0%	20.0%	20.0%	40.0%	40.0%
Note: Lines may not add to up to 100% due to rounding. ^a Percentage of our lodging participants who capitalize the prior 12 months of income in direct capitalization ^b Percentage of our lodging participants who capitalize the next 12 months of income in direct capitalization ^c Percentage of our lodging participants who analyze both the prior 12 months of income and the next 12 months of income in direct capitalization						

FORECAST PERIODS AND CHANGE RATES: OFFICE MARKETS

First Quarter 2016

MARKET	FORECAST PERIOD			MARKET RENT CHANGE RATES INITIAL YEAR			EXPENSE CHANGE RATES INITIAL YEAR			FORECAST PERIOD AVERAGE			FORECAST PERIOD AVERAGE		
	RANGE	AVERAGE		RANGE	AVERAGE		RANGE	AVERAGE		RANGE	AVERAGE		RANGE	AVERAGE	
National CBD Office	5 - 15	10		0.00% - 7.00%	2.92%		0.00% - 5.00%	3.07%		2.00% - 4.00%	2.75%		2.00% - 4.00%	2.75%	
National Suburban Office	5 - 12	9		0.00% - 5.00%	2.75%		1.00% - 4.00%	2.68%		2.00% - 4.00%	2.91%		2.00% - 4.00%	2.93%	
Atlanta Office	3 - 10	8		0.00% - 7.00%	3.60%		0.00% - 5.00%	2.88%		0.00% - 3.50%	2.28%		1.50% - 3.50%	2.73%	
Boston Office	3 - 12	9		0.00% - 7.00%	3.83%		2.00% - 4.50%	3.19%		2.50% - 4.00%	3.04%		2.50% - 4.50%	3.08%	
Charlotte Office	3 - 10	6		0.00% - 6.00%	3.30%		2.00% - 5.00%	3.35%		1.80% - 3.00%	2.59%		1.75% - 3.00%	2.63%	
Chicago Office	3 - 10	8		0.00% - 4.50%	2.00%		2.00% - 4.00%	3.13%		2.00% - 5.00%	3.14%		2.00% - 5.00%	3.37%	
Dallas Office	3 - 10	7		0.00% - 6.00%	3.41%		2.00% - 6.00%	3.61%		2.00% - 3.00%	2.91%		2.50% - 6.00%	3.34%	
Denver Office	1 - 11	8		2.00% - 4.00%	3.20%		2.00% - 4.00%	3.00%		2.00% - 3.00%	2.80%		2.00% - 3.00%	2.75%	
Houston Office	3 - 10	6		(8.00%) - 5.00%	(0.43%)		(3.00%) - 10.00%	2.51%		2.00% - 3.00%	2.79%		2.50% - 9.00%	3.61%	
Los Angeles Office	3 - 15	9		0.00% - 7.00%	3.90%		2.00% - 6.00%	3.70%		2.00% - 3.00%	2.80%		2.00% - 3.00%	2.86%	
Manhattan Office	3 - 12	10		0.00% - 7.00%	3.92%		0.00% - 5.00%	3.58%		1.00% - 3.00%	2.75%		1.00% - 5.00%	2.92%	
Northern Virginia Office	3 - 10	8		0.00% - 3.00%	1.30%		1.00% - 3.00%	2.14%		1.00% - 3.00%	2.40%		1.00% - 3.00%	2.45%	
Pacific Northwest Office	3 - 10	8		2.50% - 10.00%	3.86%		3.00% - 5.00%	3.40%		2.00% - 3.00%	2.91%		2.00% - 3.00%	2.91%	
Philadelphia Office	4 - 10	7		0.00% - 3.00%	1.85%		2.00% - 3.50%	2.80%		0.00% - 3.00%	2.30%		0.00% - 3.00%	2.38%	
Phoenix Office	2 - 12	7		2.00% - 7.00%	4.00%		2.00% - 8.00%	3.88%		1.00% - 3.00%	2.70%		1.00% - 3.00%	2.70%	
San Diego Office	1 - 10	9		2.00% - 6.00%	3.80%		2.00% - 5.00%	3.31%		2.00% - 3.00%	2.80%		2.00% - 3.00%	2.75%	
San Francisco Office	5 - 10	9		2.00% - 6.00%	4.10%		1.00% - 5.00%	3.36%		0.00% - 3.00%	2.60%		2.00% - 3.00%	2.90%	
Seattle Office	5 - 10	8		2.50% - 5.00%	3.75%		3.00% - 5.00%	3.46%		2.00% - 3.00%	2.88%		2.00% - 3.00%	2.88%	
Southeast Florida Office	3 - 10	8		0.00% - 6.00%	2.50%		0.00% - 5.00%	2.88%		1.00% - 3.00%	2.75%		1.00% - 3.00%	2.79%	
Suburban Maryland Office	1 - 10	7		(2.00%) - 1.00%	(0.10%)		(1.00%) - 4.00%	1.98%		1.00% - 3.00%	2.00%		1.00% - 3.00%	2.30%	
Washington, DC Office	5 - 10	9		0.00% - 4.00%	1.42%		1.50% - 5.00%	3.13%		2.00% - 3.00%	2.75%		2.00% - 3.00%	2.79%	

Source: Personal survey conducted by PwC during January 2016.



FORECAST PERIODS AND CHANGE RATES: NATIONAL AND REGIONAL MARKETS First Quarter 2016

MARKET	FORECAST PERIOD			MARKET RENT CHANGE RATES			EXPENSE CHANGE RATES		
	RANGE	AVERAGE	INITIAL YEAR	RANGE	AVERAGE	INITIAL YEAR	RANGE	AVERAGE	INITIAL YEAR
National Regional Mall	1 - 10	7	0.00% - 5.00%	2.73%	1.00% - 5.00%	2.95%	2.00% - 5.00%	3.00%	2.00% - 5.00%
National Power Center	1 - 15	8	0.00% - 5.00%	2.00%	0.00% - 5.00%	2.60%	2.00% - 3.00%	2.8%	2.00% - 4.00%
National Strip Shopping Center	1 - 10	8	0.00% - 3.00%	1.94%	0.00% - 6.00%	2.86%	0.00% - 3.00%	2.72%	1.00% - 4.00%
National Flex/R&D	2 - 10	7	0.00% - 5.00%	2.20%	0.00% - 5.00%	2.75%	0.00% - 3.00%	2.70%	0.00% - 3.00%
Warehouse (National)	3 - 15	9	0.00% - 7.00%	3.05%	2.00% - 6.00%	3.22%	3.00% - 3.00%	3.00%	0.00% - 3.00%
Warehouse (East North Central Region)	3 - 10	8	0.00% - 5.00%	2.90%	2.00% - 6.00%	3.25%	2.00% - 4.00%	3.00%	0.00% - 4.00%
Warehouse (Pacific Region)	5 - 10	9	0.00% - 5.00%	2.40%	2.00% - 4.00%	3.02%	2.00% - 3.00%	2.80%	0.00% - 3.00%
Apartment (National)	1 - 10	7	0.00% - 6.00%	3.18%	0.00% - 5.00%	3.01%	2.00% - 4.00%	2.91%	2.00% - 4.50%
Apartment (Mid-Atlantic Region)	3 - 10	7	0.00% - 4.00%	2.83%	1.00% - 4.50%	3.13%	1.00% - 3.00%	2.75%	1.00% - 3.00%
Apartment (Pacific Region)	3 - 10	7	2.00% - 6.00%	4.20%	2.00% - 5.00%	3.60%	2.00% - 3.00%	2.83%	2.50% - 3.00%
Apartment (Southeast Region)	1 - 10	5	1.00% - 4.00%	3.05%	1.00% - 4.00%	2.90%	2.00% - 3.00%	2.80%	2.00% - 3.00%
National Net Lease	1 - 20	7	0.00% - 3.00%	1.80%	1.00% - 5.00%	2.63%	0.00% - 3.00%	1.70%	1.00% - 6.00%
National Medical Office Buildings	1 - 11	7	0.00% - 4.00%	2.31%	0.00% - 4.00%	2.38%	1.00% - 4.00%	2.34%	2.00% - 5.00%
National Secondary Office	1 - 15	7	0.00% - 10.00%	3.65%	2.00% - 10.00%	3.85%	1.50% - 3.00%	2.45%	1.50% - 3.00%

Source: Personal survey conducted by PwC during January 2016



Definitions

GENERAL

BASIS POINT

1/100th of a percentage point (0.01%).

CHANGE RATE

Annual compound rate of change.

DISCOUNT RATE (IRR)

Internal rate of return in an all-cash transaction, based on annual year-end compounding. All-cash refers to either all cash or market financing; unleveraged return.

EAST NORTH CENTRAL (ENC) REGION

As per NCREIF, includes Illinois, Indiana, Kentucky, Michigan, Ohio, and Wisconsin.

EXCESSIVE TENANT IMPROVEMENT ALLOWANCE³

The amount by which an awarded tenant improvement allowance exceeds that which is typical for the market.

INSTITUTIONAL-GRADE REAL ESTATE

Real property investments that are sought out by institutional buyers and have the capacity to meet generally prevalent institutional investment criteria.

MARKETING TIME

The period of time between the initial offering of a property for sale and the closing date of the sale.

MEDICAL OFFICE BUILDING (MOB)

A multitenant office building containing physicians' offices and exam rooms, and in some cases pharmacies and ancillary hospital-service space to conduct outpatient services, such as diagnostic testing, rehabilitation, and day-surgery operating procedures. MOBs are different from general office buildings since they typically require more plumbing and electrical and mechanical systems to accommodate equipment unique to medical practices.

MID-ATLANTIC REGION

As per NCREIF, includes Delaware, Maryland, Virginia, North Carolina, and South Carolina, as well as Washington, DC.

NET OPERATING INCOME (NOI)

Income remaining after deduction of all property expenses (including real estate taxes). In direct capitalization, investors capitalize one of the following:

1. NOI after capital replacement reserve deduction but before TIs and leasing commissions
2. NOI before capital replacement reserve

- deduction, TIs, and leasing commissions
-
3. Cash flow after capital replacement reserve deduction, TIs, and leasing commissions

OVERALL CAPITALIZATION (CAP) RATE

Initial rate of return in an all-cash transaction; the overall cap rates reported in this Survey reflect investors' expectations of property performance and are applied to one of the three net operating income levels noted above. All-cash refers to either all cash or market financing; unleveraged return.

PACIFIC REGION

As per NCREIF, includes Washington, Oregon, and California.

PROJECTION PERIOD¹

A presumed period of ownership; a period of time over which expected net operating income is projected for purposes of analysis and valuation; also referred to as "forecast" period by Survey participants

PwC DIVIDEND INDICATOR (PDI)

A composite OAR average of the surveyed markets excluding lodging.

PwC YIELD INDICATOR (PYI)

A composite IRR average of the surveyed markets excluding lodging and development land

QUARTILE

One of the three points that divide a range of data or population into four equal parts. The first quartile (also called the lower quartile) is the number below which sits 25.0% of the bottom data. The second quartile (the median) divides the range in the middle and has 50.0% of the data below it. The third quartile (also called the upper quartile) has 75.0% of the data below it and the top 25.0% of the data above it.

RENT SPIKE

An increase in market rent that is markedly higher than the general rate of inflation.

REPLACEMENT COST¹

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.

REPLACEMENT RESERVE

Amount allocated for periodic replacement of building components during a property's economic life

RESIDUAL

Estimated total price at conclusion of forecast period.

Cap Rate

Overall capitalization rate used in calculation of residual price; typically applied to the NOI in the year following the forecast.

Selling Expense

Transaction expenses (legal, brokerage, marketing, etc.) paid by the seller.

SHADOW SPACE³

Space within an occupied office suite that is not currently utilized by a tenant and is also not being marketed for subleasing

SOUTHEAST REGION

As per NCREIF, includes Alabama, Arkansas, Florida, Georgia, Mississippi, and Tennessee.

STRUCTURAL VACANCY³

Normal vacancy rate in a balanced market.

VACANCY ASSUMPTIONS

Months Vacant

The number of months a space remains unleased at the expiration of a vacating tenant lease.

Tenant Retention

Percentage of leased rentable area that is expected to be released by the existing tenants at lease expiration.

Underlying Vacancy/Credit Loss

Percentage of total revenue uncollected due to unexpected vacancy or credit loss (in addition to any rent loss from vacancies at lease expirations).

APARTMENT

NET OPERATING INCOME (APARTMENT NOI)

Income remaining after deduction of all property expenses (which includes leasing commissions); in direct capitalization, investors capitalize one of the following:

1. NOI after capital replacement reserve
2. NOI before capital replacement reserve
3. Cash flow after capital replacement reserve

GARDEN APARTMENT¹

Development consisting of two- or three-story, walk-up structures built in a garden-like setting; customarily a suburban or rural-urban fringe development.

HIGH-RISE APARTMENT⁵

Multifamily housing development consisting of at least four stories.

Various sources for these definitions include ¹The Dictionary of Real Estate Appraisal, Fifth Edition, published by the Appraisal Institute,

²International Council of Shopping Centers, ³investor interviews and PwC, ⁴Smith Travel Research, and ⁵National Multi Housing Council.

DEVELOPMENT LAND

DEVELOPMENT LAND

Land that has been purchased, readied for subdivision development (i.e. entitlements and infrastructure), and subsequently sold to builders

DEVELOPER'S PROFIT^{1,3}

A market-derived figure that reflects the amount a developer expects to receive for his or her contribution to a project and risk

INDUSTRIAL

FLEX/R&D³

An industrial property with 14- to 20-foot clear ceiling heights, up to 100.0% finished office space including lab and clean-room space (up to 60.0% finished office space excluding lab and clean-room space), and dock-high and/or grade-level loading used for minimal distribution, research and development, and specialized office space.

WAREHOUSE³

An industrial property with 16- to 30-foot clear ceiling heights, up to 15.0% finished office space, and dock-high loading facilities used for the storage and distribution of goods.

LODGING

AVERAGE DAILY RATE (ADR)⁴

Room revenue divided by rooms sold.

LIMITED-SERVICE MIDSACLE & ECONOMY^{3,4}

Midscale lodging with "rooms only" and no food or beverage except possible continental breakfast; includes all economy lodging; lower-tier pricing; corresponds to STR's limited-service hotels in the mid-scale chain scale and all hotels in the economy chain scale; includes brands such as Howard Johnson, Sleep Inn, and Motel 6.

FULL SERVICE^{3,4}

Lodging with restaurant and lounge facilities, meeting space, and a minimum service and amenities level; moderate to lower upper-tier pricing; corresponds to STR's full-service hotels in the upscale, upper midscale, and midscale chain scales; includes brands such as Doubletree, Radisson, and Ramada.

LUXURY/UPPER UPSACLE^{3,4}

High-quality lodging offering personalized guest services, typically with extensive amenities, and upper-tier pricing; corresponds to STR's luxury and upper-upscale chain scales; includes brands such as Ritz Carlton, Four Seasons, and Hyatt.

MANAGEMENT FEE

An expense item representing the sum paid for or the value of management serv-

ice, including incentives, expressed as a percentage of total revenues.

NET OPERATING INCOME (LODGING NOI)

Income remaining after deduction of all property expenses: in direct capitalization, investors capitalize one of the following:

1. Prior 12 months
2. Forecast next 12 months
3. Both of the above

OCCUPANCY⁴

Rooms sold divided by rooms available.

OPERATING EXPENSES

The ongoing expenditures incurred during the ordinary course of business necessary to maintain and continue the production of gross revenues, not including reserves, debt service, and capital costs.

PROPERTY EXPENSES

Includes all necessary operating expenses and a reserve for replacement of building components and FF&E.

RESERVE FOR REPLACEMENT

An allowance that provides for the periodic replacement of building components, and furniture, fixtures, and equipment, which deteriorate and must be replaced during the building's economic life.

REVPAR

Revenue per available room.

SELECT SERVICE^{3,4}

Upscale and upper-midscale lodging with "rooms only" and no or minimal food and beverage; moderate pricing; excludes economy properties; corresponds to STR's select-service hotels in the upscale chain scale and limited-service hotels in the upper-midscale chain scale; includes brands such as Hampton Inn, Residence Inn, and Comfort Inn.

NET LEASE

PROVISION 1031

A tax code that allows the seller of an investment property to defer capital gains taxes by exchanging the sale proceeds for an investment in a similar property or properties within 180 days of the original closing.

SALE LEASEBACK

A transaction in which an owner sells a property that it fully occupies to a third party and then leases the space back from the new owner.

SECONDARY OFFICE³

INCLUDED MARKETS

Austin, Baltimore, Cincinnati, Cleveland, Detroit, Indianapolis, Jacksonville,

Kansas City, Las Vegas, Minneapolis, Nashville, Orlando, Pittsburgh, Raleigh, Riverside, Sacramento, San Antonio, San Jose, St. Louis, and Tampa

RETAIL

FORTRESS MALL

The dominant performing Class-A+ malls in the country whose inline stores generate at least \$650 per square foot in retail sales; they contain inline and anchor stores that are both well established and unmatched in the trade area.

LIFESTYLE CENTER²

Most often located near affluent residential neighborhoods, this center type caters to the retail needs and "lifestyle" pursuits of consumers in its trading area. It has an open-air configuration and typically includes at least 50,000 square feet of space occupied by upscale national chain specialty stores. Other elements, such as restaurants and entertainment, design ambience and amenities like fountains and street furniture, make the lifestyle center serve as a multi purpose leisure-time destination. One or more conventional or fashion specialty department stores often act as anchors.

OUTLET CENTER²

Consist mostly of manufacturers' outlet stores selling their own brands at a discount. Usually located in rural or occasionally in tourist locations. A strip configuration is most common, although some are enclosed or arranged in a "village" format.

POWER CENTER^{2,3}

An open center dominated by at least 75.0% large big-box anchors, including discount stores, warehouse clubs, and value-oriented category stores, and a minimal amount of inline store space

REGIONAL MALL^{2,3}

An enclosed shopping center that contains at least two department stores and has climate-controlled walkways that are lined with smaller retail shops

REGIONAL MALL CLASSIFICATIONS³

Class	Inline Retail Sales ³ (Per Sq. Ft.)
A+	\$650 and up
A	\$500 to \$649
B+	\$400 to \$499
B	\$300 to \$399
C+/C	Less than \$300

STRIP SHOPPING CENTER^{2,3}

An open row of stores either with or without anchor stores that offer convenience (neighborhood centers) and general merchandise (community centers).

Various sources include ¹The Dictionary of Real Estate Appraisal, Fifth Edition, published by the Appraisal Institute; ²ICSC; ³investor interviews and PwC, inline sales exclude anchor stores, movie theaters, and large drug stores; ⁴Smith Travel Research; and ⁵National Multi Housing Council.

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Survey Process: Survey participants represent a cross section of major institutional equity real estate investors who invest primarily in institutional-grade property. As such, the information presented is not generally applicable to noninstitutional-grade investments. In addition, the information represents investors' investment expectations and does not reflect actual property performances.

The information in this survey is gathered through on-line questionnaires and telephone interviews. As such, the findings and opinions expressed reflect those of our investor participants and do not necessarily reflect those of PwC. Although we do not represent that the survey is statistically accurate, its results provide important insight into the thinking of a significant portion of the equity real estate marketplace.

Investor Survey Responses: The individual investor responses contained in the large tables in the back of each issue are a representative sample. Due to space constraints, not all responses are included.

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*16-page supplement following 9/11

GVSUD 002815

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GVSUD 002816

Second Quarter 2016

Stabilizing Values May Signal End of Expansion

PwC Real Estate Investor Survey™





Dear Reader:

I believe commercial real estate investors are an optimistic group. With so many variables to analyze and forecast with regard to investments, I think most of them tend to look at the glass half full when presented with less-than-rosy data – economic growth is slowing, but it's still positive; leasing trends are down, but additions to supply are muted; sales volumes have declined year over year, but are up from the prior quarter – you see my point. I also tend to believe that these “but” statements are mostly made at inflection points of the cycle (on the way up and on the way down) rather than at other times, which could be why I heard many of them this quarter.

Our lead story, “Stabilizing Values May Signal End of Expansion,” highlights how investors remain positive with regard to near-term fundamentals and values, *but* they also sense that a shift is coming – one that will likely turn fundamentals and pricing in favor of tenants and buyers as the current expansion comes to an end. *But*, we will have to wait and see how the cycle unfolds.

This quarter the Survey also includes commentary and data for two niche markets that we include semiannually. The first is our *National Development Land Market*, which can be found on page 53, and the second is our *National Student Housing Market*. Investors see opportunities in both of these sectors over the near term, especially in student housing, where sales activity has surged over the past year.

As always, I thank you for subscribing to our quarterly publication. And remember, you can receive more timely findings relating to the Survey during its three-month production process by following senior editor Amy Olson on Twitter @amyolsonatl.

Sincerely,

A handwritten signature in cursive script that reads "Susan Smith".

Susan M. Smith
Editor-in-Chief

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PwC Real Estate Investor Survey

National Highlights

STABILIZING VALUES MAY SIGNAL END OF EXPANSION

One certainty that investors express this quarter is that the commercial real estate (CRE) industry is closer to the end of the current expansion phase of the cycle than at the beginning of it. From there, opinions vary with regard to how much longer the current expansion will continue, which property types and geographies will be better isolated from an impending downturn, and what factors will markedly impact property values and pricing going forward. For the most part, our investors remain upbeat about CRE fundamentals and expect them to stay positive through 2016 into 2017, especially with new supply growth so limited in many sectors and individual cities. In addition, both domestic and international investors remain aggressive in their pursuit of quality CRE assets. Although these trends suggest it may be “too soon to declare the end of this expansion,” some buyers are noticing for-sale inventory lingering on the market a bit longer, which typically suggests that downward price adjustments are to come.

While there have been recent reports from a few sources stating that CRE sales either “are dropping” or “declined in the first quarter,” our investors caution that many of these reports tend to relate to volume and not unit pricing for assets, which they feel are mostly holding firm and even elevated somewhat for the best assets up for sale. As a whole, investor sentiment remains positive from both buyers and sellers amid what many describe as “a stabilizing pricing environment.” At the same time, however, our investors are closely monitoring interest rate trends and the cost and availability of debt, which some feel are the two catalysts that will influence future CRE values the most. “Higher interest rates open up more investment options for investors, who may remove funds from CRE, lessening the industry’s appeal and weakening prices,” comments a participant.

In the office sector, some investors are sensing a “leveling off” of CBD values as fewer tenants vie for available space and the ability to aggressively push up rental rates has diminished. Unlike this time last year, one investor feels that “there is more uncertainty associated with CBD office building acquisitions in the near term,” which is being reflected in their use of lower market rent growth rate assumptions. In the suburban office sector, one investor senses that healthy fundamentals should continue to push up property values over the next 12 months, but at a slower pace. This quarter, our investors forecast property values in the national suburban office market to increase an average of 3.6%. Two years ago, the forecast was 4.4%.

Overall, most individual office markets are expected to stay in the expansion phase of the real estate cycle through year-end 2018, according to our PwC real estate barometer. Nevertheless, investors are watching job growth, supply pipelines, and leasing trends, which some feel could have more of an impact on property values than interest rate changes. “A drop off in employment growth and leasing demand can have a significant and lasting effect,” says a participant. “All investors need to adjust to changes in interest rates, but when your market hurts from a lack of job growth and tenant demand, it can be isolating,” adds another.

Until clear signs emerge that the current expansion has run its course, CRE sales activity may continue to decline or be stagnant compared to prior years as more buyers, sensing the industry is entering a period of downward price adjustments, pause and wait for both fundamentals and pricing parameters to lean in their favor. ♦

GVSUD 002820

Overall Cap Rate Analysis

In the second quarter of 2016, the average overall capitalization (cap) rate decreases in 17 Survey markets, holds steady in ten, and increases in 7. The quarterly shifts remain very diverse like they have been in the past few quarters with a higher number of markets now reporting declines and a

smaller number posting increases in their average cap rates. In addition, the magnitude of the shifts has widened this quarter, ranging from -29 to +6 basis points (see Exhibit 1). These trends are very similar to what was reported a year ago.

This quarter's average overall cap

rate shifts suggest varied viewpoints by investors across the industry. In the office sector, for example, some investors are showing optimism for Seattle, the Pacific Northwest, Charlotte, and Dallas, but appear more cautious with regard to the Washington, DC metro office markets. Cap rate shifts for the

Exhibit 1

OVERALL CAPITALIZATION RATES

Second Quarter 2016

National Markets	Average	Quarterly Change*
Apartment	5.29%	-6
Warehouse	5.38%	-14
CBD Office	5.55%	-3
Regional Mall	6.00%	0
Strip Shopping Center	6.26%	-15
Power Center	6.35%	2
Suburban Office	6.43%	5
Net Lease	6.75%	0
MOB**	6.81%	-2
Flex/R&D	7.15%	0
Regional Warehouse		
Pacific Region	5.20%	-8
ENC*** Region	5.48%	0
Apartment Markets		
Pacific Region	4.52%	2
Southeast Region	5.15%	-15
Mid-Atlantic Region	5.23%	-23
Office Markets		
Manhattan	5.15%	0
Washington, DC	5.40%	0
San Francisco	5.71%	1
Los Angeles	5.75%	6
Seattle	5.81%	-29
Pacific Northwest	5.99%	-12
Boston	6.19%	4
Denver	6.45%	-4
San Diego	6.81%	0
Phoenix	6.84%	0
Dallas	6.84%	-16
Northern Virginia	6.88%	0
Charlotte	6.99%	-15
Houston	7.05%	-8
Atlanta	7.10%	-23
Southeast Florida	7.13%	-5
Suburban Maryland	7.28%	0
Chicago	7.36%	2
Philadelphia	7.50%	-3

* Basis points; ** Medical office buildings, *** East North Central
Source: PwC Real Estate Investor Survey

Exhibit 2

OVERALL CAPITALIZATION RATE FORECASTS

Second Quarter 2016

	OVERALL CAP RATE	SIX-MONTH EXPECTATIONS		
MARKET	2Q 2016	INCREASE	DECREASE	HOLD STEADY
National				
Regional Mall	6.00%	0%	0%	100%
Power Center	6.35%	0%	17%	83%
Strip Shopping Center	6.26%	33%	0%	67%
CBD Office	5.55%	14%	14%	71%
Suburban Office	6.43%	0%	0%	100%
Net Lease	6.75%	20%	20%	60%
Medical Office Buildings	6.81%	13%	13%	75%
Industrial				
National Flex/R&D	7.15%	0%	20%	80%
National Warehouse	5.38%	0%	18%	82%
ENC Region Warehouse	5.48%	0%	20%	80%
Pacific Region Warehouse	5.20%	0%	0%	100%
Apartment				
National	5.29%	20%	0%	80%
Mid-Atlantic Region	5.23%	0%	0%	100%
Pacific Region	4.52%	0%	0%	100%
Southeast Region	5.15%	20%	0%	80%
Office				
Atlanta	7.10%	0%	0%	100%
Boston	6.19%	17%	17%	67%
Charlotte	6.99%	20%	20%	60%
Chicago	7.36%	14%	0%	86%
Dallas	6.84%	13%	25%	63%
Denver	6.45%	17%	0%	83%
Houston	7.05%	57%	0%	43%
Los Angeles	5.75%	0%	0%	100%
Manhattan	5.15%	0%	0%	100%
Northern Virginia	6.88%	0%	20%	80%
Pacific Northwest	5.99%	18%	9%	73%
Philadelphia	7.50%	20%	20%	60%
Phoenix	6.84%	0%	0%	100%
San Diego	6.81%	0%	0%	100%
San Francisco	5.71%	40%	0%	60%
Seattle	5.81%	17%	17%	67%
Southeast Florida	7.13%	0%	17%	83%
Suburban Maryland	7.28%	0%	0%	100%
Washington, DC	5.40%	0%	0%	100%

Source: PwC Real Estate Investor Survey

Survey's warehouse markets reveal a positive outlook despite growing levels of new supply. The same sentiment is shown for the Survey's apartment markets, where average cap rates decline in three of the four Survey markets.

LOOKING FORWARD

Even though surveyed investors hold a positive outlook for the commercial real estate industry for the near term, they are mindful of the potential for interest rate increases, market corrections, and the need for caution.

While overall cap rates are expect-

ed to hold steady in most Survey markets over the next six months, a greater portion of investors foresee cap rates rising over that time period (10.0% of them) compared to last quarter (3.0% of them).

KEY INDICATOR BREAKOUT

Overall cap rates, discount rates, and residual cap rates for the CBD and suburban submarkets of each individual office market are presented in Exhibit 3. As shown, average overall cap rates remain lower for most CBD submarkets than for their suburban

counterparts since higher barriers to entry and a lack of land for new development tend to keep supply and demand a bit more balanced in a market's CBD. As a result, CBD assets typically achieve higher rental rates.

In addition, downtown cores tend to provide better forms of mass transportation and embody 18- or 24-hour, live-work lifestyles that appeals to many individuals and firms. As a result, CBD assets are generally perceived as providing less investment risk to the owner – less risk, lower overall cap rate. ♦

Exhibit 3 BREAKOUT OF KEY INDICATORS Second Quarter 2016						
CBD OF:	DISCOUNT RATE RANGE	AVERAGE	OVERALL CAPITALIZATION RATE RANGE	AVERAGE	RESIDUAL CAPITALIZATION RATE RANGE	AVERAGE
Atlanta	6.00% – 9.00%	7.80%	5.25% – 8.75%	6.78%	6.00% – 8.50%	7.18%
Boston	6.00% – 8.00%	6.85%	4.00% – 8.00%	5.44%	5.00% – 8.00%	6.21%
Charlotte	6.50% – 9.75%	8.05%	5.50% – 7.50%	6.65%	5.50% – 7.75%	6.70%
Chicago	6.00% – 10.00%	7.59%	5.00% – 8.00%	6.04%	5.50% – 9.00%	6.55%
Dallas	6.00% – 11.00%	7.89%	5.00% – 9.00%	6.63%	6.00% – 9.00%	7.17%
Denver	6.50% – 10.00%	7.73%	5.00% – 7.00%	5.93%	5.75% – 8.50%	6.85%
Houston	6.50% – 10.00%	8.20%	5.50% – 8.00%	6.63%	6.00% – 9.50%	7.16%
Los Angeles	5.50% – 9.00%	6.95%	4.50% – 7.00%	5.55%	5.00% – 8.00%	6.58%
Manhattan	5.50% – 9.00%	6.85%	3.75% – 8.00%	5.15%	4.75% – 8.00%	5.94%
Pacific Northwest	5.50% – 9.00%	7.00%	4.50% – 8.00%	5.58%	5.00% – 9.00%	6.28%
Philadelphia	7.00% – 9.00%	7.88%	6.00% – 8.00%	6.90%	6.00% – 8.00%	7.23%
Phoenix	7.00% – 10.00%	8.17%	5.00% – 8.00%	6.58%	5.50% – 7.50%	6.67%
San Diego	6.50% – 10.50%	7.94%	5.50% – 8.50%	6.81%	6.25% – 8.75%	7.25%
San Francisco	5.75% – 8.00%	6.48%	3.50% – 7.00%	4.93%	5.00% – 8.00%	5.78%
Seattle	5.50% – 9.00%	6.96%	4.50% – 8.00%	5.50%	5.00% – 9.00%	6.21%
Southeast Florida	6.00% – 10.00%	7.80%	4.50% – 9.50%	6.55%	4.50% – 10.00%	6.65%
Washington, DC	5.50% – 8.00%	6.81%	4.25% – 6.50%	5.40%	5.00% – 6.50%	5.81%
SUBURBS OF:	DISCOUNT RATE RANGE	AVERAGE	OVERALL CAPITALIZATION RATE RANGE	AVERAGE	RESIDUAL CAPITALIZATION RATE RANGE	AVERAGE
Atlanta	7.00% – 9.50%	8.15%	6.00% – 9.00%	7.43%	6.50% – 9.00%	7.65%
Boston	7.00% – 10.00%	8.13%	5.00% – 9.00%	6.94%	6.50% – 9.00%	7.35%
Charlotte	7.00% – 11.00%	8.90%	6.00% – 8.75%	7.33%	6.00% – 8.50%	7.53%
Chicago	7.50% – 12.00%	9.63%	7.00% – 10.00%	8.68%	7.50% – 11.00%	8.89%
Dallas	7.00% – 11.00%	8.39%	5.75% – 9.00%	7.05%	6.00% – 9.00%	7.57%
Denver	7.00% – 11.00%	8.23%	6.00% – 9.00%	6.98%	6.50% – 9.50%	7.58%
Houston	7.50% – 12.00%	9.17%	6.25% – 10.00%	7.48%	6.25% – 10.00%	7.79%
Los Angeles	5.00% – 9.00%	6.90%	4.50% – 7.50%	5.95%	5.50% – 8.00%	6.83%
Northern Virginia	6.00% – 9.50%	7.75%	5.00% – 8.50%	6.88%	5.75% – 8.50%	7.25%
Pacific Northwest	6.00% – 10.50%	7.92%	5.00% – 7.75%	6.41%	5.50% – 8.00%	6.81%
Philadelphia	7.50% – 10.00%	9.15%	7.00% – 9.00%	8.10%	7.00% – 9.00%	8.48%
Phoenix	7.00% – 11.00%	8.70%	6.00% – 8.50%	7.10%	6.50% – 9.00%	7.63%
San Diego	6.25% – 10.50%	7.73%	5.25% – 8.50%	6.80%	5.75% – 8.75%	7.15%
San Francisco	6.00% – 10.00%	7.33%	4.50% – 9.00%	6.50%	5.50% – 9.00%	6.73%
Seattle	6.00% – 10.50%	7.78%	5.00% – 7.00%	6.13%	5.50% – 8.00%	6.66%
Southeast Florida	7.00% – 10.75%	8.69%	5.00% – 10.00%	7.71%	6.00% – 10.00%	7.79%
Suburban Maryland	7.25% – 10.00%	8.78%	5.50% – 9.00%	7.28%	6.50% – 9.75%	7.88%
Source: PwC Real Estate Investor Survey						

PwC Real Estate Barometer

Real estate cycles vary across markets and geographic areas, as well as within markets and geographic locations based on property type – office, retail, industrial, and multifamily. This observation means that national cycles differ for the same property type across individual markets. It also means that within a specific location, the cycle for each property type can be in a different phase at any given time.

Real estate markets are dynamic over time and influenced by a host of factors. An in-depth analysis of historical and forecast stock data provided by CBRE Economic Advisors and Reis allows us to gauge each sector's likely shifts over the near term. The results of our PwC real estate barometer research are shown in Charts REB-1 through Chart REB-4.

These charts represent the cumulative number of U.S. metro areas analyzed for each property type and the aggregate positions in our barometer analysis. Individual barometer readings for U.S. regions, as well as various metro areas, are shown for each sector in Forecast-1 through Forecast-4.

OFFICE

The U.S. office sector is forecast to remain fundamentally strong through 2016 and 2017 with most metros in the expansion phase of the real estate cycle (64.9% and 61.4%, respectively). By year-end 2018, office markets in a growing number of cities will segue into contraction, realizing softer market conditions, a shift in supply-demand balance, and rising overall cap rates. Interestingly, the barometer estimates that the fewest number of office markets will be in either recession or recovery over the next four years.

RETAIL

The U.S. retail sector is projected to remain on the upswing over the next two years with 74 metros in either recovery or expansion by year-end 2016 and 75 cities in these two categories through year-end 2017. The national retail sector is expected to benefit from a combination of a stronger single-family housing market and rising income levels.

Of course, a few metros will move into either contraction or recession by the end of 2019, including Charlotte, Philadelphia, and San Diego (see Forecast-2).

INDUSTRIAL

As new supply is delivered, most of the U.S. industrial sector is projected to move into contraction through 2017 and 2018 (see Chart REB-3). At the end of 2015, 46 industrial areas stood in either recovery or expansion. This count is expected to change quickly by year-end 2016 with only 27 metros projected to be in either of these cycle positions. On the other hand, 27 metros are forecast to be in contraction at that time – up significantly from seven metros at year-end 2015.

MULTIFAMILY

Despite steady leasing demand, a number of metros are dealing with the delivery of a significant amount of new supply that is leading to rising vacancy rates and pushing most of the U.S. multifamily sector toward contraction (see Chart REB-4). By year-end 2016, 47 metros are forecast to be in the contraction phase while only 21 of them will be in expansion. This disparity is expected to continue through 2017. By year-end 2018, this sector could hit bottom when 21 metros are projected to be in recession. ♦

DEFINITIONS

Contraction: The phase following the market peak, characterized by softening market conditions and a shift in the supply/demand balance leading to increasing vacancy rates, slowing rental growth, and rising overall cap rates.

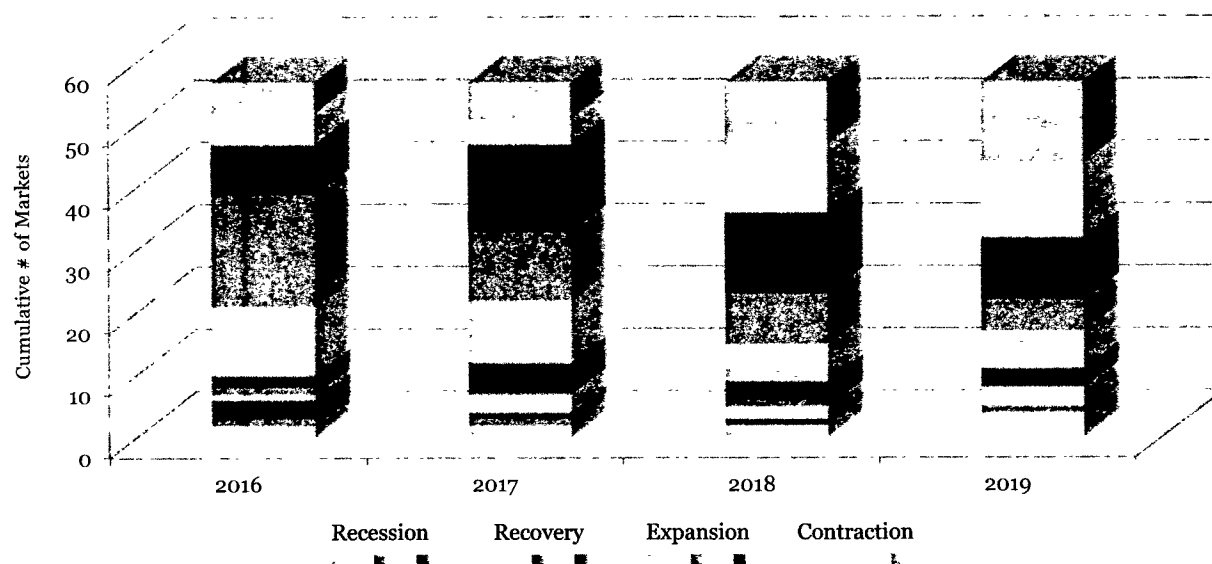
Expansion: The phase following recovery, characterized by strong demand and increasingly tight market conditions leading to low vacancy rates, robust rental growth, and decreasing overall cap rates.

Recession: The phase following contraction, characterized by very low demand and high levels of supply that were added during the previous two phases. Typically involves high vacancies, negative rental growth, and high overall cap rates.

Recovery: The phase following the market bottom, characterized by tightening market conditions and a shift in supply/demand balance leading to reduced vacancy rates, more balanced rental growth, and a stabilization of overall cap rates.

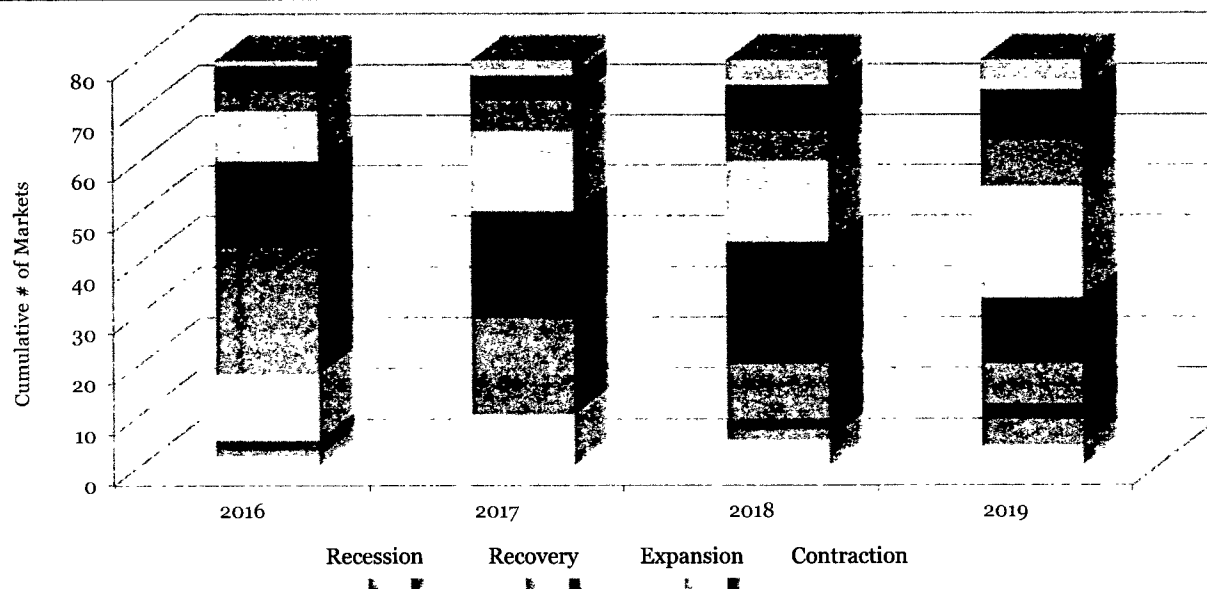
Stock: The total inventory of space, in square feet or units, in a given market.

Chart REB-1
PwC REAL ESTATE BAROMETER
 U.S. Office Markets – 2016 to 2019



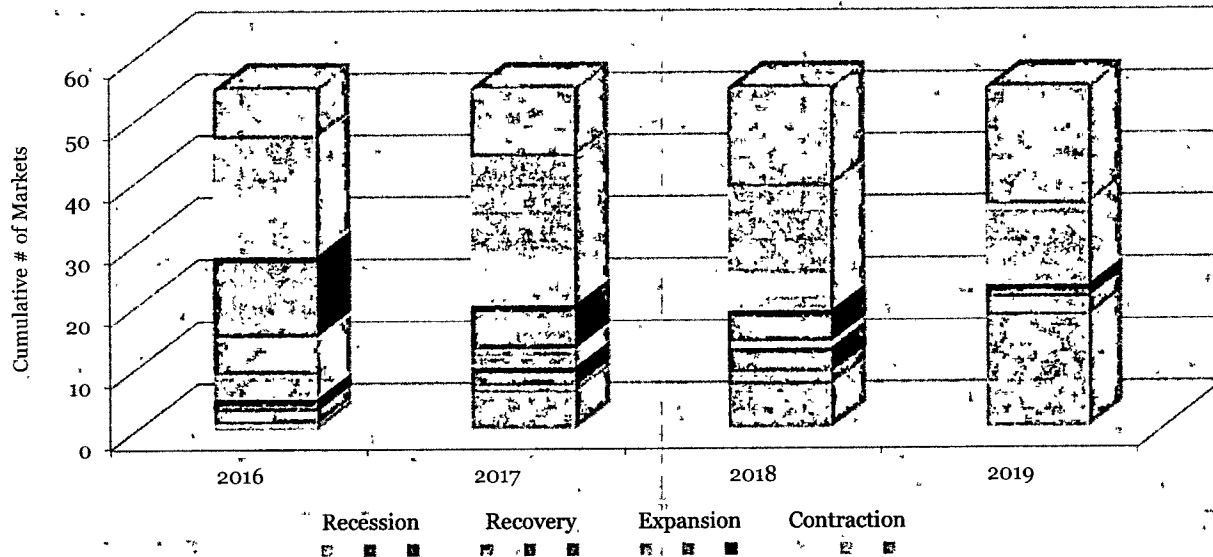
Source: Data provided by CBRE; compiled and analyzed by PwC

Chart REB-2
PwC REAL ESTATE BAROMETER
 U.S. Retail Markets – 2016 to 2019



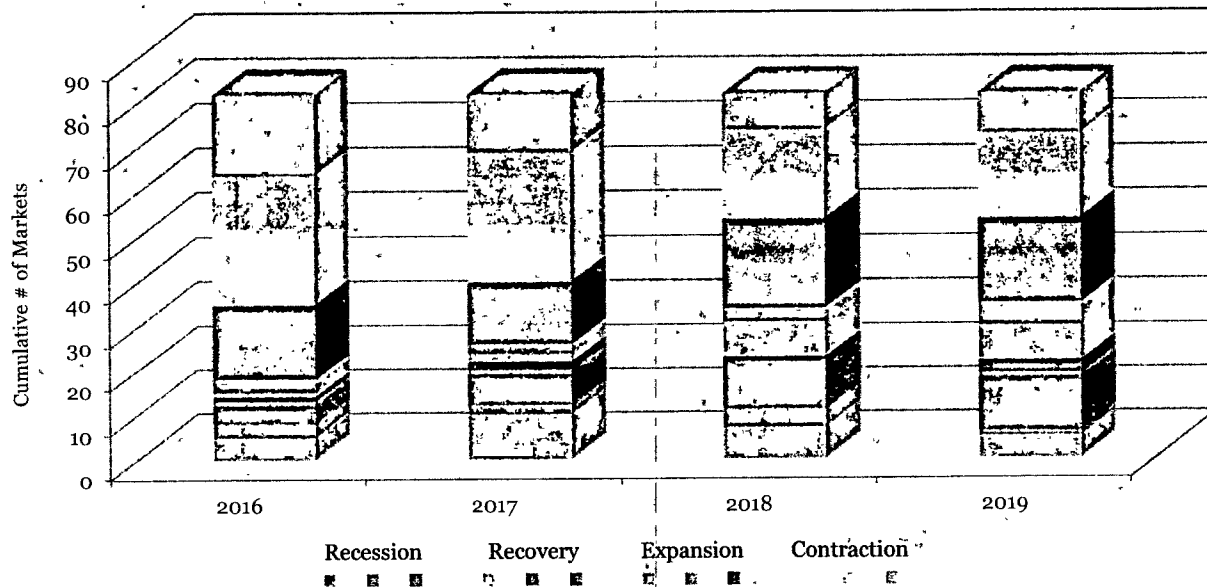
Source: Data provided by Reis; compiled and analyzed by PwC

Chart REB-3
PwC REAL ESTATE BAROMETER
 U.S. Industrial Markets – 2016 to 2019



Source: Data provided by CBRE; compiled and analyzed by PwC

Chart REB-4
PwC REAL ESTATE BAROMETER
 U.S. Multifamily Markets – 2016 to 2019



Source: Data provided by Reis; compiled and analyzed by PwC

United States

2016	2017	2018	2019
○	○	○	○

NORTHEAST REGION

MSA Name	2016	2017	2018	2019
Boston	○	○	○	○
Hartford	○	●	●	●
Long Island	○	○	○	○
New York	○	○	○	○
Newark	●	○	○	○
Philadelphia	○	●	○	○
Pittsburgh	●	●	●	●
Stamford	○	○	○	○
Trenton	○	○	○	○

MIDWEST REGION

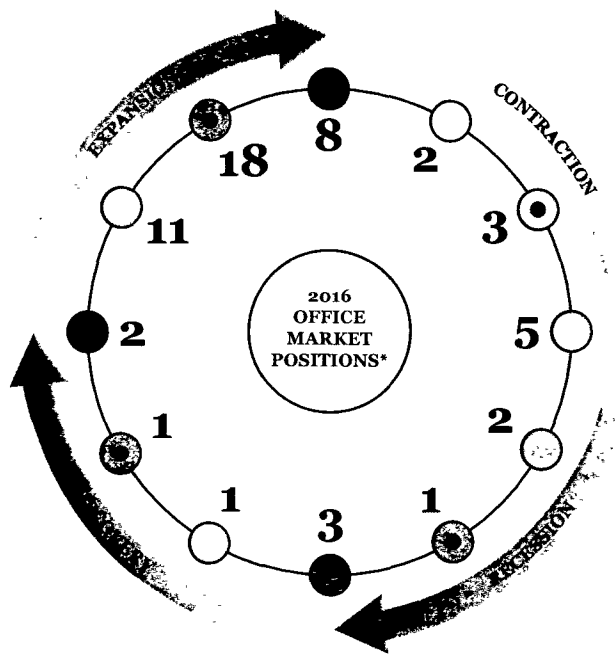
MSA Name	2016	2017	2018	2019
Chicago	○	○	○	○
Cincinnati	○	○	○	○
Cleveland	○	○	○	○
Columbus	●	●	●	●
Detroit	○	○	○	○
Indianapolis	○	○	○	○
Kansas City	○	○	○	○
Minneapolis	○	○	○	○
St. Louis	○	○	○	○
Toledo	○	○	○	○

WEST REGION

MSA Name	2016	2017	2018	2019
Albuquerque	○	○	○	○
Denver	○	○	○	○
Honolulu	○	○	○	○
Las Vegas	○	○	○	○
Los Angeles	○	○	○	○
Oakland	○	○	○	○
Orange County	○	○	○	○
Phoenix	○	○	○	○
Portland	○	○	○	○
Riverside	○	○	○	○
Sacramento	○	○	○	○
Salt Lake City	○	○	○	○
San Diego	○	○	○	○
San Francisco	○	○	○	○
San Jose	○	○	○	○
Seattle	○	○	○	○
Tucson	○	○	○	○
Ventura	○	○	○	○

SOUTH REGION

MSA Name	2016	2017	2018	2019
Atlanta	○	○	○	○
Austin	○	○	○	○
Baltimore	○	○	○	○
Charlotte	○	○	○	○
Dallas	○	○	○	○
Fort Lauderdale	○	○	○	○
Fort Worth	○	○	○	○
Houston	○	○	○	○
Jacksonville	○	○	○	○
Memphis	○	○	○	○
Miami	○	○	○	○
Nashville	○	○	○	○
Orlando	○	○	○	○
Raleigh	○	○	○	○
Richmond	○	○	○	○
San Antonio	○	○	○	○
Tampa	○	○	○	○
Washington, DC	○	○	○	○
West Palm Beach	○	○	○	○
Wilmington	○	○	○	○



*=Number of MSAs in position in 2016

Forecast-2

PWC REAL ESTATE BAROMETER

U.S. Retail Market Forecasts (2016 to 2019)

United States

2016	2017	2018	2019
○	○	○	○

NORTHEAST REGION

MSA Name	2016	2017	2018	2019
Boston	○	○	○	○
Buffalo	○	○	○	○
Central New Jersey	○	○	○	○
Fairfield County	○	○	○	○
Hartford	○	○	○	○
Long Island	○	○	○	○
New Haven	○	○	○	○
Northern New Jersey	○	○	○	○
Philadelphia	○	○	○	○
Pittsburgh	○	○	○	○
Rochester	○	○	○	○
Syracuse	○	○	○	○
Westchester	○	○	○	○

MIDWEST REGION

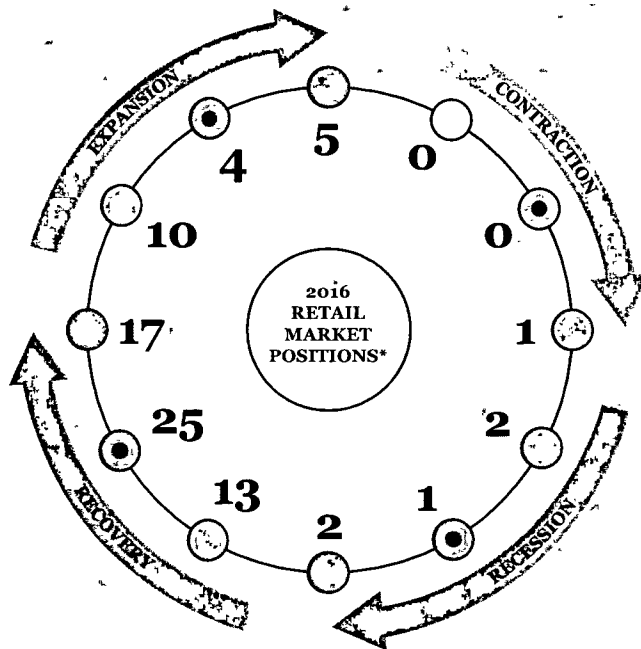
MSA Name	2016	2017	2018	2019
Chicago	○	○	○	○
Cincinnati	○	○	○	○
Cleveland	○	○	○	○
Columbus	○	○	○	○
Dayton	○	○	○	○
Detroit	○	○	○	○
Indianapolis	○	○	○	○
Kansas City	○	○	○	○
Milwaukee	○	○	○	○
Minneapolis	○	○	○	○
Omaha	○	○	○	○
St. Louis	○	○	○	○
Wichita	○	○	○	○

WEST REGION

MSA Name	2016	2017	2018	2019
Albuquerque	○	○	○	○
Colorado Springs	○	○	○	○
Denver	○	○	○	○
Las Vegas	○	○	○	○
Los Angeles	○	○	○	○
Oakland-East Bay	○	○	○	○
Orange County	○	○	○	○
Phoenix	○	○	○	○
Portland	○	○	○	○
Sacramento	○	○	○	○
Salt Lake City	○	○	○	○
San Bernardino	○	○	○	○
San Diego	○	○	○	○
San Francisco	○	○	○	○
San Jose	○	○	○	○
Seattle	○	○	○	○
Tacoma	○	○	○	○
Tucson	○	○	○	○
Ventura	○	○	○	○

SOUTH REGION

MSA Name	2016	2017	2018	2019
Atlanta	○	○	○	○
Austin	○	○	○	○
Baltimore	○	○	○	○
Birmingham	○	○	○	○
Charleston	○	○	○	○
Charlotte	○	○	○	○
Chattanooga	○	○	○	○
Columbia	○	○	○	○
Dallas	○	○	○	○
Fort Lauderdale	○	○	○	○
Fort Worth	○	○	○	○
Greensboro/Winston-Salem	○	○	○	○
Greenville	○	○	○	○
Houston	○	○	○	○
Jacksonville	○	○	○	○
Knoxville	○	○	○	○
Lexington	○	○	○	○
Little Rock	○	○	○	○
Louisville	○	○	○	○
Memphis	○	○	○	○
Miami	○	○	○	○
Nashville	○	○	○	○
New Orleans	○	○	○	○
Norfolk	○	○	○	○
Oklahoma City	○	○	○	○
Orlando	○	○	○	○
Palm Beach County	○	○	○	○
Providence	○	○	○	○
Raleigh	○	○	○	○
Richmond	○	○	○	○
San Antonio	○	○	○	○
Suburban Maryland	○	○	○	○
Suburban Virginia	○	○	○	○
Tampa	○	○	○	○
Tulsa	○	○	○	○



* = Number of MSAs in position in 2016

United States

2016	2017	2018	2019
○	○	⊙	○

NORTHEAST REGION

MSA Name	2016	2017	2018	2019
Allentown	⊙	●	●	○
Boston	⊙	⊙	○	○
Hartford	○	○	○	○
Long Island	○	○	⊙	⊙
New York	●	○	⊙	⊙
Newark	○	●	●	●
Philadelphia	○	⊙	⊙	⊙
Pittsburgh	●	○	⊙	○
Stamford	●	●	●	⊙
Trenton	●	○	○	⊙

MIDWEST REGION

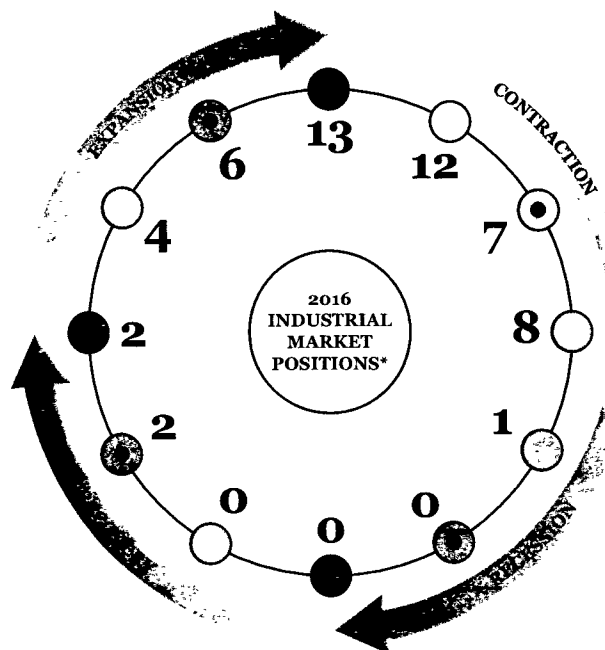
MSA Name	2016	2017	2018	2019
Chicago	●	○	⊙	⊙
Cincinnati	⊙	⊙	●	⊙
Cleveland	⊙	⊙	○	○
Columbus	●	○	⊙	⊙
Detroit	○	○	⊙	⊙
Indianapolis	⊙	⊙	⊙	⊙
Kansas City	⊙	●	●	●
Minneapolis	●	●	●	○
St. Louis	⊙	⊙	●	⊙

WEST REGION

MSA Name	2016	2017	2018	2019
Albuquerque	⊙	⊙	⊙	○
Denver	○	⊙	⊙	○
Las Vegas	⊙	⊙	○	○
Los Angeles	●	●	○	⊙
Oakland	○	○	⊙	○
Orange County	○	⊙	⊙	○
Phoenix	○	○	○	○
Portland	●	⊙	⊙	⊙
Riverside	●	⊙	○	⊙
Sacramento	●	○	○	○
Salt Lake City	⊙	○	○	⊙
San Diego	○	○	○	⊙
San Francisco	○	○	○	⊙
San Jose	○	○	○	⊙
Seattle	○	⊙	○	⊙
Tucson	●	●	●	⊙
Vallejo	●	●	●	●
Ventura	⊙	○	○	●

SOUTH REGION

MSA Name	2016	2017	2018	2019
Atlanta	○	⊙	○	⊙
Austin	●	○	⊙	⊙
Baltimore	○	⊙	○	⊙
Charlotte	○	⊙	⊙	⊙
Dallas	○	⊙	⊙	⊙
Fort Lauderdale	●	○	⊙	⊙
Fort Worth	⊙	⊙	●	⊙
Houston	⊙	⊙	●	⊙
Jacksonville	○	⊙	⊙	⊙
Memphis	●	●	○	○
Miami	⊙	⊙	⊙	⊙
Nashville	●	●	○	⊙
Orlando	○	○	○	⊙
Raleigh	○	○	⊙	⊙
Tampa	●	⊙	⊙	⊙
Washington, DC	○	⊙	⊙	⊙
West Palm Beach	○	⊙	●	⊙
Wilmington	●	●	○	⊙



*=Number of MSAs in position in 2016

United States

2016	2017	2018	2019
○	○	○	○

NORTHEAST REGION

MSA Name	2016	2017	2018	2019
Boston	○	○	○	○
Buffalo	○	○	○	○
Central New Jersey	○	○	○	○
Fairfield County	○	○	○	○
Hartford	○	○	○	○
Long Island	○	○	○	○
New Haven	○	○	○	○
New York	○	○	○	○
Northern New Jersey	○	○	○	○
Philadelphia	○	○	○	○
Pittsburgh	○	○	○	○
Providence	○	○	○	○
Rochester	○	○	○	○
Syracuse	○	○	○	○
Westchester	○	○	○	○

MIDWEST REGION

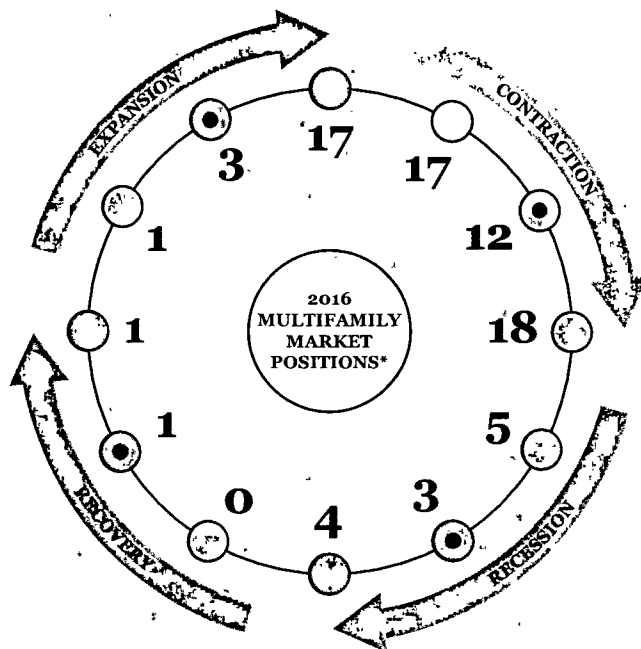
MSA Name	2016	2017	2018	2019
Chicago	○	○	○	○
Cincinnati	○	○	○	○
Cleveland	○	○	○	○
Columbus	○	○	○	○
Dayton	○	○	○	○
Detroit	○	○	○	○
Indianapolis	○	○	○	○
Kansas City	○	○	○	○
Milwaukee	○	○	○	○
Minneapolis	○	○	○	○
Omaha	○	○	○	○
St. Louis	○	○	○	○
Wichita	○	○	○	○

WEST REGION

MSA Name	2016	2017	2018	2019
Albuquerque	○	○	○	○
Colorado Springs	○	○	○	○
Denver	○	○	○	○
Las Vegas	○	○	○	○
Los Angeles	○	○	○	○
Oakland-East Bay	○	○	○	○
Orange County	○	○	○	○
Phoenix	○	○	○	○
Portland	○	○	○	○
Sacramento	○	○	○	○
Salt Lake City	○	○	○	○
San Bernardino	○	○	○	○
San Diego	○	○	○	○
San Francisco	○	○	○	○
San Jose	○	○	○	○
Seattle	○	○	○	○
Tacoma	○	○	○	○
Tucson	○	○	○	○
Ventura County	○	○	○	○

SOUTH REGION

MSA Name	2016	2017	2018	2019
Atlanta	○	○	○	○
Austin	○	○	○	○
Baltimore	○	○	○	○
Birmingham	○	○	○	○
Charleston	○	○	○	○
Charlotte	○	○	○	○
Chattanooga	○	○	○	○
Columbia	○	○	○	○
Dallas	○	○	○	○
District of Columbia	○	○	○	○
Fort Lauderdale	○	○	○	○
Fort Worth	○	○	○	○
Greensboro/Winston-Salem	○	○	○	○
Greenville	○	○	○	○
Houston	○	○	○	○
Jacksonville	○	○	○	○
Knoxville	○	○	○	○
Lexington	○	○	○	○
Little Rock	○	○	○	○
Louisville	○	○	○	○
Memphis	○	○	○	○
Miami	○	○	○	○
Nashville	○	○	○	○
New Orleans	○	○	○	○
Norfolk	○	○	○	○
Oklahoma City	○	○	○	○
Orlando	○	○	○	○
Palm Beach County	○	○	○	○
Raleigh	○	○	○	○
Richmond	○	○	○	○
San Antonio	○	○	○	○
Suburban Maryland	○	○	○	○
Suburban Virginia	○	○	○	○
Tampa	○	○	○	○
Tulsa	○	○	○	○



*=Number of MSAs in position in 2016

U.S. CRE Stock Acquisition Trends

Editor's Note: This quarterly feature investigates CRE acquisition trends for the four major property sectors of the commercial real estate (CRE) industry – office, retail, industrial, and apartments. This analysis is unique in that trends are analyzed based on stock transaction volume as a percent of total stock, not dollar volume.

To analyze each sector peer to peer, the metro data is first divided into quartiles, defined as "one of the three points that divide a range of data or population into four equal parts."

Charts CAT-1 through CAT-4 display the stock acquisition trends for the four main property types divided into their appropriate quartiles. Our analysis covers the rolling 12-month period ending with the first quarter of 2016.

Analyzing CRE acquisitions is a common practice among industry professionals as it reflects the health of the industry, each property type, and geographic areas. During cyclical downturns and times of uncertainty, CRE transaction volume usually slows as investors are more indecisive about the future and pricing can be more difficult to determine. The opposite typically occurs during cyclical recoveries as investors look to "buy low" and capitalize on a recovering industry.

Most CRE reports focus on dollar volumes, giving accolades to U.S. metros that report the highest levels of capital sales. Not surprisingly, high-priced U.S. metros, like Manhattan and San Francisco, generally rise to the "top" of these sales volume reports not only because they tend to be more preferred by investors, but because they are pricier compared to most other markets on a dollar-per-square-foot basis. On the other hand, U.S. cities like Dallas and Charlotte tend to be viewed as "less preferred" because their dollar volumes and price-per-square-foot achievements are generally lower.

Many factors drive pricing, such as local economic performances, tenancy, building amenities, and supply-demand dynamics. These variables are often reflected in a property's price per square foot, lending support to why most assets in "top" markets, like Manhattan and San Francisco, garner the prices they do. But sales volume can sometimes tell only one side of the CRE capital story.

STOCK ACQUISITION ANALYSIS

Our analysis reveals the following trends.

- ◆ The retail sector posted the largest increase in its average stock acquisition percentage since last quarter's analysis, rising 40 basis points from 15.7% to 16.1% (see Chart CAT-2). This increase reflects growing investor interest for the retail sector as it moves through the late stages of recovery into expansion.
- ◆ Compared to figures posted in the first quarter of 2016, the office and apartment sectors each revealed increases in their stock acquisition percentages of 30 and 10 basis points, respectively (see Charts CAT-1 and CAT-4).
- ◆ The industrial sector revealed a 60-basis-point decrease in its stock acquisition percentage compared to last quarter (see Chart CAT-3). Due to the large amount of new supply entering this sector, a growing number of cities are expected to move into the contraction phase of the real estate cycle over the next two years.
- ◆ At 52.0% (22 out of 42 metros), the industrial sector had the most of its metros analyzed post stock acquisition percentages above their sector's average. Retail was second with 51.0% (23 out of 45 metros) followed by office with 50.0% (22 out of 44 metros) and apartment with 48.0% (23 out of 48 metros).
- ◆ Five metros posted above-average stock acquisition percentages in each property sector this quarter. These cities are Atlanta, Dallas, Nashville, Phoenix, and Seattle, which each have growing local economies. Only Atlanta and Dallas held this distinction last quarter.

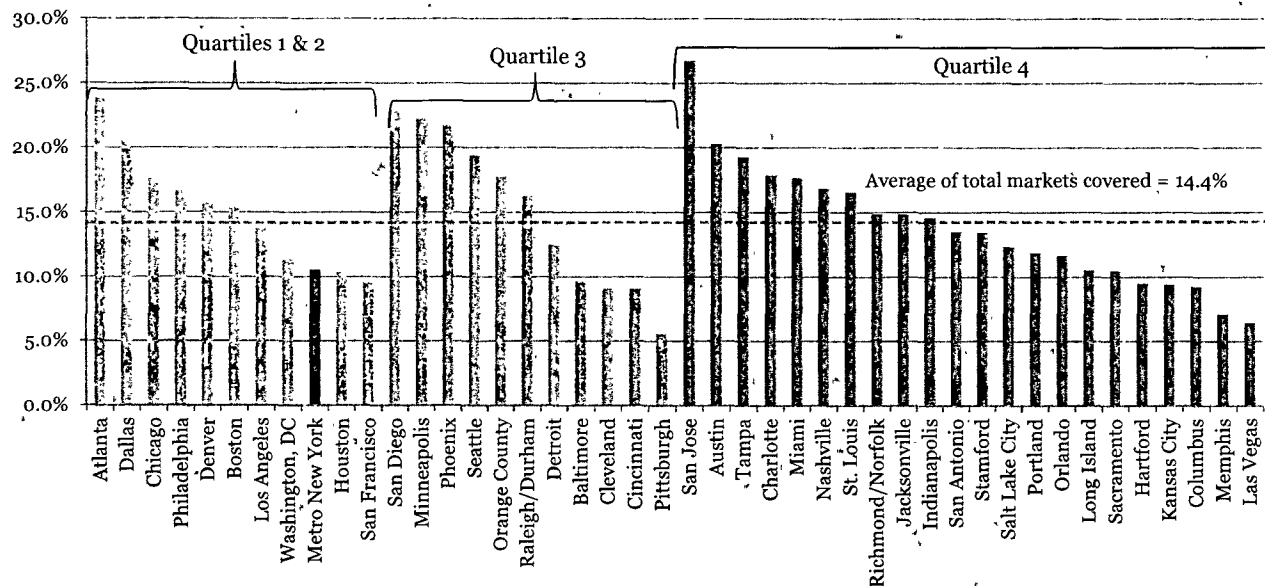
LOCATIONAL DIFFERENCES

While the economic and demographic trends in a specific metro may pique buyer interest for a certain property type, those same trends may not have a similar impact on other property types in that metro. In our analysis, cities with the highest amounts of stock sold were diverse in each specific property with the exception of the five cities previously noted as outperforming each sector. Such diversity opens up broad investment options for investors not just in terms of geography, but property type as well. ◆

Chart CAT-1

OFFICE CRE TRANSACTIONS TO TOTAL STOCK

4-Quarter Rolling Percentages through 1Q 2016



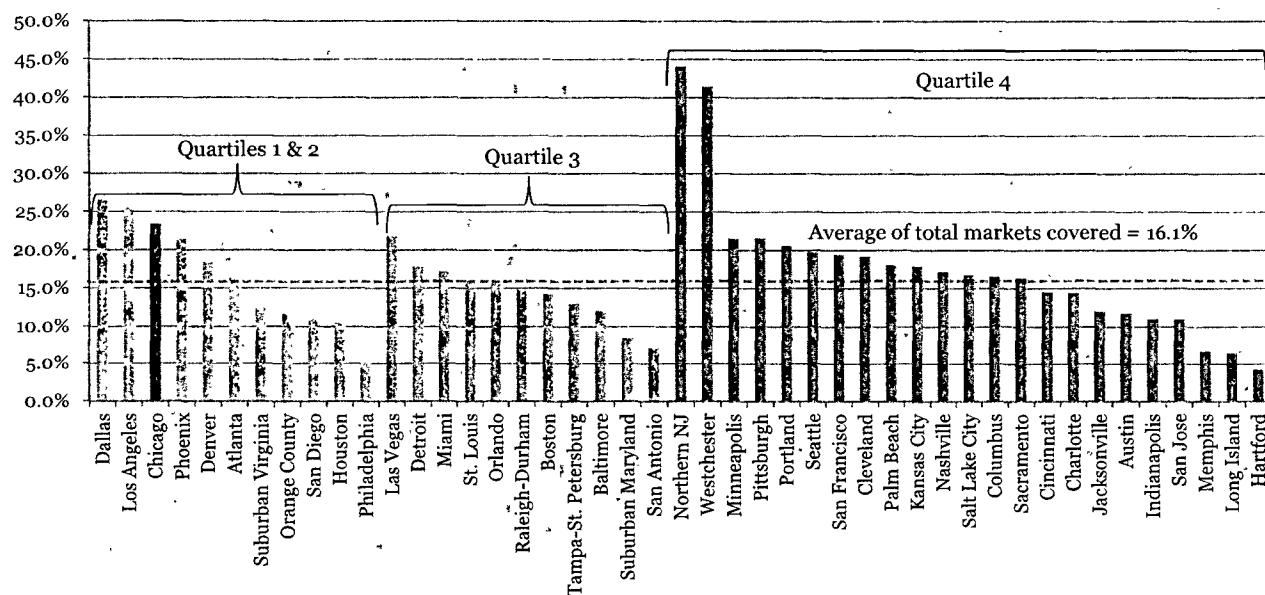
Source: Data provided by Real Capital Analytics and CBRE; compiled and analyzed by PwC

Note: Quartiles are based on markets' total CRE stock

Chart CAT-2

RETAIL CRE TRANSACTIONS TO TOTAL STOCK

4-Quarter Rolling Percentages through 1Q 2016



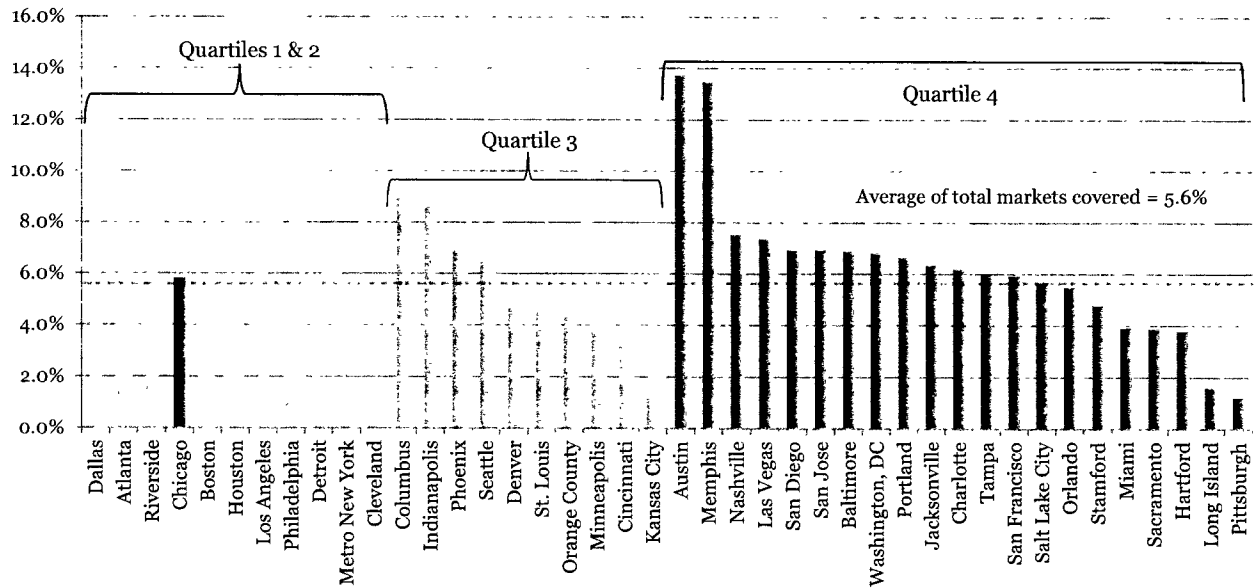
Source: Data provided by Real Capital Analytics and Reis; compiled and analyzed by PwC

Note: Quartiles are based on markets' total CRE stock

Chart CAT-3

INDUSTRIAL CRE TRANSACTIONS TO TOTAL STOCK

4-Quarter Rolling Percentages through 1Q 2016

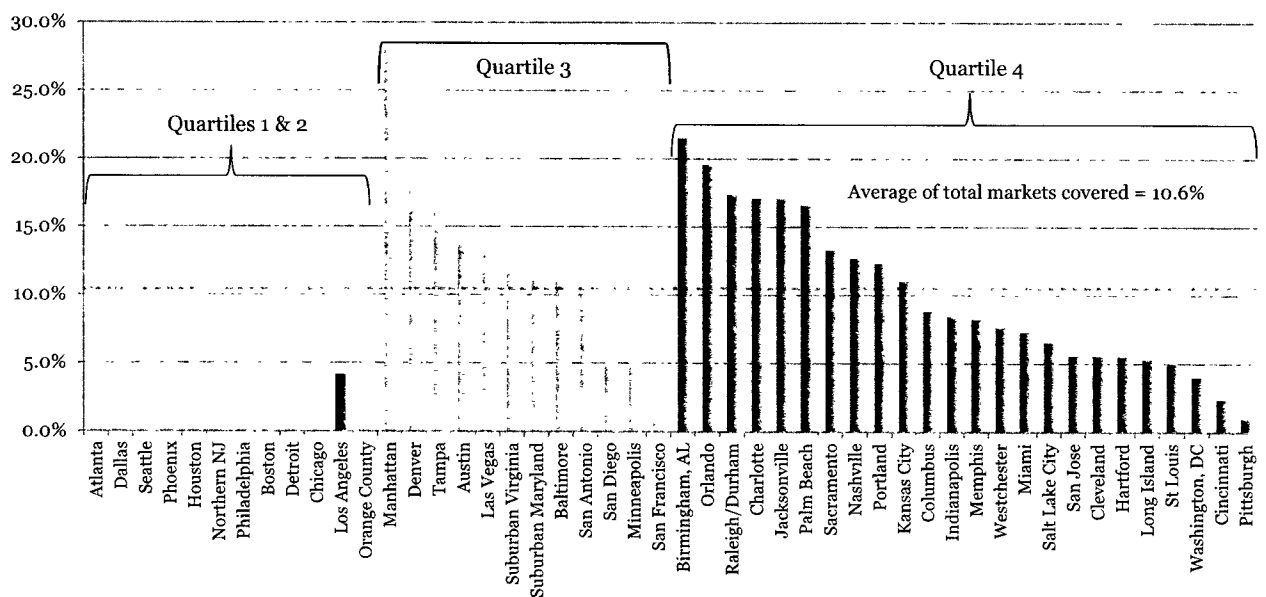


Source: Data provided by Real Capital Analytics and CBRE; compiled and analyzed by PwC Note: Quartiles are based on markets' total CRE stock

Chart CAT-4

APARTMENT CRE TRANSACTIONS TO TOTAL STOCK

4-Quarter Rolling Percentages through 1Q 2016



Source: Data provided by Real Capital Analytics and Reis; compiled and analyzed by PwC Note: Quartiles are based on markets' total CRE stock

National Student Housing Market

Although investment criteria for the national student housing market reveals little movement this quarter, properties in this niche sector are highly sought after by investors because they are viewed as “needs-based” assets and regarded as more resilient to economic downturns than various other property types. “A significant amount of capital is looking to enter this emerging sector through acquisitions,” comments a participant.

In the first quarter of 2016, total sales of student housing properties rose 62.0% over the prior quarter, according to Real Capital Analytics. In addition, the average price per bed was up 2.6% during that time period while the year-over-year price increase was 16.1%. The three primary sources of capital for transactions during the first five months of 2016 were institutional capital at 47.0%, cross-border capital at 32.0%, and private sources at 17.0%. This makeup is different from 2015 when most capital was represented by private buyers (54.0%) and institutional sources (31.0%).

While the overall outlook for student housing is bright, Survey participants highlight key factors that may have a detrimental impact on property

values in the future. First, as high-quality offerings are increasingly harder to come by, investors are concerned about overall pricing trends. “Many low-quality portfolios will trade this year and their overall cap rates and prices per bed may not be reflective of their subpar quality,” explains an investor. Second, an investor notes, “There are many new investors and inexperienced operators in the student housing space – a combination that can lead to properties unjustifiably trading at elevated prices and underperforming pro forma assumptions.” Third, continued levels of new construction in certain markets could

inhibit owners’ abilities to raise rents.

For now, this market reveals no change in its outlook for future rent growth and only a modest increase in its average overall cap rate. As a result, some surveyed investors are confident with regard to value increases over the next 12 months. Anticipated property value changes range from 0.0% to 15.0% and average 4.1%.

As shown in Table STH-2, this market’s average forecasted value change falls short of the Pacific region apartment market, but is higher than the other three traditional apartment markets surveyed. ♦

Table STH-2

AVERAGE EXPECTED VALUE CHANGE*

Survey Market	Average
Pacific Region Apts.	5.5%
Student Housing	4.1%
National Apartment	3.1%
Southeast Region Apts.	2.1%
Mid-Atlantic Region Apts.	2.1%
All Survey Markets*	2.6%

*Next 12 months; excluding development land
Source: 2Q 2016 PwC Real Estate Investor Survey

Table STH-1

NATIONAL STUDENT HOUSING MARKET* Second Quarter 2016

	CURRENT	4Q 2015	YEAR AGO
DISCOUNT RATE (IRR)*			
Range	6.00% – 10.00%	6.00% – 11.00%	7.00% – 10.00%
Average	8.24%	8.31%	8.64%
Change (Basis Points)		- 7	- 40
OVERALL CAP RATE (OAR)*			
Range	4.50% – 7.50%	4.50% – 7.50%	4.50% – 7.75%
Average	6.08%	6.02%	6.32%
Change (Basis Points)		+ 6	- 24
RESIDUAL CAP RATE			
Range	4.75% – 7.75%	4.75% – 7.75%	4.75% – 8.00%
Average	6.38%	6.23%	6.75%
Change (Basis Points)		+ 15	- 37
MARKET RENT CHANGE^b			
Range	0.00% – 5.00%	0.00% – 5.00%	0.00% – 5.00%
Average	2.38%	2.38%	2.50%
Change (Basis Points)		0	- 12
EXPENSE CHANGE^b			
Range	0.00% – 11.00%	0.00% – 12.00%	0.00% – 12.00%
Average	3.09%	3.06%	2.90%
Change (Basis Points)		+ 3	+ 19
MARKETING TIME^c			
Range	0 – 6	0 – 6	2 – 8
Average	3.1	2.9	3.9
Change (▼, ▲, =)		▲	▼

* Off-campus assets

a Rate on unleveraged, all-cash transactions b Initial rate of change c In months

NATIONAL STUDENT HOUSING MARKET—SELECT SURVEY RESPONSES*

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				VACANCY		RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		REPLACEMENT RESERVE		PREFERRED LEASE TERM		MARKETING
	MARKET RENT	EXPENSES	TOTAL VACANCY	CAP RATE	SELLING	FREE & CLEAR	FREE & CLEAR	PER BED	MONTHS	MONTHS							
PRIVATE INVESTMENT FIRM ♦ Forecast Period: 1 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve is deducted; doesn't use a separate structural replacement reserve; sees overall cap rates holding steady over the next six months	2.5% to	2.0% to	4.0% to	4.75% to	0.8% to	7.00% to	4.50% to	\$125 to	12	up to							
	4.0%	2.5%	5.0%	5.50%	1.0%	9.00%	5.50%	\$150	4	4							
PRIVATE INVESTMENT FIRM ♦ Forecast Period: 3 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve is deducted; uses a separate structural replacement reserve of up to \$300 per bed, sees overall cap rates holding steady over the next six months	0.0% to	0.0% to	4.0% to	5.75% to	1.5% to	7.00% to	5.25% to	\$150 to	12	2 to							
	4.0%	11.0%	10.0%	6.50%	2.0%	8.50%	7.00%	\$300	6	6							
PRIVATE INVESTOR ♦ Forecast Period: 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before capital replacement reserve is deducted; uses a separate structural replacement reserve; sees overall cap rates increasing over the next six months.	2.0% to	2.0% to	4.0% to	5.75% to	1.0% to	9.00% to	5.50% to	\$100 to	12	2 to							
	3.0%	3.0%	10.0%	7.50%	10.00%	10.00%	7.50%	\$175	4	4							
PRIVATE INVESTMENT FIRM ♦ Forecast Period: 3 to 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve is deducted; uses a separate structural replacement reserve, sees overall cap rates holding steady over the next six months; invests in the southwest region of the country.	2.5% to	2.0% to	4.0% to	5.75% to	0.8% to	8.00% to	5.00% to	\$100 to	12	2 to							
	3.0%	3.0%	8.0%	7.75%	1.3%	10.00%	7.50%	\$125	4	4							
PRIVATE INVESTOR ♦ Forecast Period: 1 to 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve is deducted; does not use a separate structural replacement reserve, sees overall cap rates holding steady over the next six months	2.5% to	2.0% to	4.0% to	5.75% to	0.8% to	7.50% to	5.50% to	\$150 to	12	up to							
	3.5%	2.5%	5.0%	6.50%	1.0%	9.00%	6.25%	\$150	4	4							
PRIVATE INVESTMENT FIRM ♦ Forecast Period: 3 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve is deducted; uses a separate structural replacement reserve of up to \$100 per bed, sees overall cap rates holding steady over the next six months.	0.0% to	0.0% to	5.0% to	5.50% to	1.0% to	6.90% to	4.75% to	\$150 to	12	2 to							
	5.0%	10.0%	10.0%	7.00%	2.0%	8.50%	6.50%	\$350	6	6							

*off-campus assets only

Source: Personal survey conducted by PwC during April 2016



National Secondary Office Market

Investor sentiment about future rent growth in the national secondary office market holds steady this quarter, but half of our Survey participants report the use of rent spikes in their cash flow forecasts. For those using spikes, the first one occurs in either year one, four, or five, and averages 5.0%. The second spike, if used, occurs in year two or five and also averages 5.0%.

While this market's average overall cap rate also holds steady this quarter, a lower average overall cap rate in its CBD suggests a more aggressive pursuit by investors for these properties than for suburban ones. "A lack of absorption in certain sub-

urbs contributes to higher cap rates and value declines, but better leasing trends in CBD assets will generally result in higher price points and lower overall cap rates," explains a participant. This quarter, however, the OAR spread between the CBD and suburban averages is 55 basis points – a bit lower than the spread of 61 basis points a year ago.

Investors' concerns about what will impact property values the most in the national secondary office market over the near term mirror those noted for many of the Survey's primary markets: economic growth; unforeseen global events, and the cost and availability of capital. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	72.0%	=
Range	60.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	6.0	=
Range	1 to 12	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	7.39%	=
CBD	7.11%	=
Suburbs	7.66%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table SEC-1

NATIONAL SECONDARY OFFICE MARKET Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO
DISCOUNT RATE (IRR)^a				
Range	5.75% – 13.00%	5.75% – 12.50%	5.75% – 12.00%	6.75% – 14.00%
Average	8.79%	8.78%	8.66%	9.63%
Change (Basis Points)		+ 1	+ 13	– 71
OVERALL CAP RATE (OAR)^a				
Range	4.50% – 10.00%	4.50% – 10.00%	4.50% – 10.00%	4.00% – 11.00%
Average	7.39%	7.39%	7.54%	8.01%
Change (Basis Points)		0	– 15	– 67
RESIDUAL CAP RATE				
Range	6.00% – 10.00%	6.00% – 10.00%	6.00% – 10.00%	6.00% – 10.00%
Average	7.69%	7.71%	7.74%	8.17%
Change (Basis Points)		– 2	– 5	– 53
MARKET RENT CHANGE^b				
Range	0.00% – 10.00%	0.00% – 10.00%	0.00% – 10.00%	0.00% – 10.00%
Average	3.65%	3.65%	3.93%	3.24%
Change (Basis Points)		0	– 28	+ 61
EXPENSE CHANGE^b				
Range	1.50% – 3.00%	1.50% – 3.00%	2.00% – 3.00%	2.00% – 3.00%
Average	2.48%	2.45%	2.53%	2.52%
Change (Basis Points)		+ 3	– 5	– 6
MARKETING TIME^c				
Range	2 – 9	2 – 9	2 – 9	2 – 12
Average	5.8	5.8	5.8	6.3
Change (▼, ▲, =)		=	=	▼

a Rate on unleveraged, all-cash transactions

b Initial rate of change

c In months

Table SOM-1
NATIONAL SECONDARY OFFICE MARKET—SELECT SURVEY RESPONSES
 Second Quarter 2016

	GEOGRAPHY	INITIAL-YEAR CHANGE RATES		RESIDUAL	DISCOUNT RATE (IRR)		OVERALL CAP VACANCY RATE (OAR) ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME
		MARKET RENT	EXPENSES		FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	TENANT RETENTION		
REGION/ CITY				CAP RATE	SELLING EXPENSE		MONTHS VACANT		UNDERLYING PER VACANCY & CREDIT LOSS FOOT	MONTHS
FULL-SERVICE ADVISORY FIRM ♦ Forecast Period: 10 years										
Uses both DCF and direct capitalization, in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; expects overall cap rates to decrease 50 to 100 basis points over the next six months; does not use rent spikes										
West/ Sacramento		0.0%	2.5%	6.75% to 7.00% (CBD), 8.00% to 8.50% (suburbs)	2.5% to 5.0%	9.00% to 11.00% (CBD); 11.00% to 13.00% (suburbs)	6.50% to 7.25% (CBD); 7.75% to 8.25% (suburbs)	75.0%	\$0.15 to \$0.20	6 to 9
REAL ESTATE FIRM ♦ Forecast Period: 1 to 3 years										
Uses both DCF and direct capitalization, in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve, expects overall cap rates to hold steady over the next six months, may use a rent spike of 6.0% in years 4 and 5.										
Mountain/ Las Vegas		4.0% to 5.0%	2.0% to 2.5%	7.50% to 8.25% in both CBD & suburbs	2.0% to 3.0%	8.00% to 9.00% in both CBD & suburbs	7.00% to 7.75% in both CBD & suburbs	75.0%	\$0.10 to \$0.15	2 to 4
REAL ESTATE ADVISOR ♦ Forecast Period: 3 to 10 years										
Uses both DCF and direct capitalization, in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve, expects overall cap rates to hold steady over the next six months; does not use rent spikes.										
Southeast/ Tampa		3.0% to 5.0%	3.0%	7.25% to 8.00% (CBD), 8.00% to 9.00% (suburbs)	1.0% to 3.0%	7.75% to 8.50% (CBD), 8.50% to 9.50% (suburbs)	6.25% to 7.25% (CBD); 7.00% to 8.75% (suburbs)	70.0% to 75.0%	\$0.15 to \$0.25	4 to 6
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years										
Uses both DCF and direct capitalization, in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; believes market conditions currently favor sellers; expects cap rates to decrease 5 to 15 basis points over the next six months.										
South/ Orlando		1.0% to 3.0%	2.0% to 3.0%	6.75% to 7.00% (CBD); 7.75% to 8.00% (suburbs)	2.0% to 3.0%	7.75% to 9.00% (CBD); 9.00% to 10.00% (suburbs)	6.00% to 7.25% (CBD); 7.25% to 8.50% (suburbs)	60.0% to 75.0%	\$0.10 to \$0.25	6 to 9
REAL ESTATE FIRM ♦ Forecast Period: 5 to 10 years										
Uses both DCF and direct capitalization, in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; believes market conditions equally favor buyers and sellers; uses face rents and reflects concessions when they are scheduled to occur										
Southwest/ San Antonio		3.0% to 5.0%	2.0% to 3.0%	6.50% to 8.50% (CBD); 9.00% to 9.00% (suburbs)	1.0% to 5.0%	7.25% to 9.25% (CBD); 8.25% to 10.75% (suburbs)	6.00% to 8.00% (CBD); 9.00% to 9.00% (suburbs)	70.0% to 75.0%	\$0.10 to \$0.25	5 to 8

Source: Personal survey conducted by PwC during April 2016

Table SOM-2
NATIONAL SECONDARY OFFICE MARKET-SELECT SURVEY RESPONSES
 Second Quarter 2016

	GEOGRAPHY	INITIAL-YEAR CHANGE RATES		RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP VACANCY RATE (OAR) ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME
		MARKET RENT	EXPENSES RATE			FREE & CLEAR	TENANT RETENTION		
REGION/ CITY	SELLING EXPENSE	CAP RATE	FREE & CLEAR	MONTHS VACANT	UNDERLYING PER VACANCY & CREDIT LOSS	SQUARE FOOT	MONTHS		
REAL ESTATE COMPANY ♦ Forecast Period: 5 to 10 years									
West/ San Jose	4.0% to	2.0% to	6.50% to 7.00% (CBD); 6.00% to 7.00% (suburbs)	1.0% to	6.25% to 6.75% (CBD); 5.75% to 6.50% (suburbs)	5.00% to 7.00% (CBD); 4.50% to 7.00% (suburbs)	60.0% to	Does not use	3 to 6
	6.0%	3.0%		1.5%			70.0%		
REAL ESTATE INVESTOR ♦ Forecast Period: 5 to 10 years									
East North Central/ Indianapolis	3.0% to	2.0% to	8.00% to 9.00% (CBD); 8.00% to 10.00% (suburbs)	1.5% to	7.00% to 10.00% (CBD); 8.00% to 12.00% (suburbs)	7.50% to 10.00% (CBD); 8.00% to 10.00% (suburbs)	60.0% to	\$0.20 to \$0.25	3 to 4
	5.0%	3.0%		3.0%			75.0%		
REAL ESTATE SERVICE FIRM ♦ Forecast Period: 5 to 10 years									
Northeast/ Pittsburgh	2.0% to	1.5% to	6.75% to 7.50% (CBD); 7.50% to 7.75% (suburbs)	2.0% to	8.25% to 8.50% (CBD); 7.25% to 8.25% (suburbs)	6.75% to 8.00% (CBD); 7.25% to 8.25% (suburbs)	70.0% to	\$0.15 to \$0.25	6 to 9
		2.0%					80.0%		
REAL ESTATE ADVISOR ♦ Forecast Period: 3 to 15 years									
Southwest/ Austin	6.0% to	2.0% to	6.00% to 7.00% (CBD); 7.50% to 8.50% (suburbs)	0.5% to	6.00% to 9.00% (CBD); 7.00% to 10.00% (suburbs)	4.50% to 7.75% (CBD); 5.50% to 8.50% (suburbs)	70.0% to	\$0.10 to \$0.20	5 to 8
	10.0%	3.0%		6.0%			75.0%		
INVESTMENT FIRM ♦ Forecast Period: 5 to 7 years									
Southeast/ Jacksonville	3.0% to	2.5% to	8.00% to 8.50% (CBD); 8.00% to 9.00% (suburbs)	2.0% to	8.50% to 11.00% (CBD); 9.00% to 11.00% (suburbs)	7.50% to 9.00% (CBD); 8.50% to 10.00% (suburbs)	70.0% to	\$0.20 to \$0.30	5 to 8
		3.0%		3.5%			75.0%		

Source: Personal survey conducted by PwC during April 2016

National Regional Mall Market

Investment activity remains quite segregated in the national regional mall market with most buyers focused on acquiring Class-A+ through Class-B+ product and navigating away from lesser categorized malls. One reason for their partiality is that vacancy issues generally continue to plague weaker malls. Another reason is that the “availability of debt capital for Class-B and Class-C malls is essentially nonexistent, leading to a dearth of meaningful sale transactions for low-quality regional malls,” notes a participant.

Sales volume for regional malls totaled \$2.1 billion in the first quarter of 2016 – down from \$3.1 billion in

the prior quarter and well below the \$5.4-billion total in the first quarter of 2015, as per Real Capital Analytics. Although a few more regional mall sales closed in April and May of 2016 and a couple more are under contract, most surveyed investors anticipate 2016’s sales volume to be below that of 2015 due to difficulties tied to financing availability, a lack of quality offerings, and continued trepidation in the sector’s overall performance.

Over the next 12 months, Survey participants expect property values in the national regional mall market to dip as much as 10.0% and increase as much as 8.0% – the average forecasted change is an increase of 1.8%. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	72.0%	=
Range	50.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	(2)	
Range	(2)	
% of participants using	(2)	

Average Overall Cap Rates:

Class A+	4.58%	=
Class A	5.20%	=
Class B+	6.25%	=

* ▼, ▲, = change from prior quarter

(1) on a ten-year lease

(2) 80% are not using free rent

Table 1
NATIONAL REGIONAL MALL MARKET^(d)
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	5.50% – 11.50%	5.00% – 12.00%	5.50% – 12.00%	5.50% – 12.00%	5.75% – 14.00%
Average	7.65%	7.63%	7.83%	8.75%	9.71%
Change (Basis Points)		+ 2	– 18	– 110	– 206
OVERALL CAP RATE (OAR)^a					
Range	4.00% – 9.00%	4.00% – 9.00%	4.00% – 9.00%	4.50% – 9.00%	5.00% – 11.00%
Average	6.00%	6.00%	6.13%	6.52%	7.48%
Change (Basis Points)		0	– 13	– 52	– 148
RESIDUAL CAP RATE					
Range	4.00% – 9.00%	4.00% – 9.00%	4.25% – 9.00%	4.50% – 12.00%	5.75% – 12.00%
Average	6.50%	6.50%	6.65%	7.06%	8.19%
Change (Basis Points)		0	– 15	– 56	– 169
MARKET RENT CHANGE^b					
Range	0.00% – 5.00%	0.00% – 5.00%	1.00% – 5.00%	1.00% – 6.00%	(3.00%) – 3.00%
Average	2.65%	2.73%	2.90%	3.08%	1.58%
Change (Basis Points)		– 8	– 25	– 43	+ 107
EXPENSE CHANGE^b					
Range	2.00% – 5.00%	2.00% – 5.00%	1.00% – 5.00%	0.00% – 3.00%	0.00% – 3.00%
Average	3.00%	3.00%	2.80%	2.17%	2.17%
Change (Basis Points)		0	+ 20	+ 83	+ 83
MARKETING TIME^c					
Range	3 – 24	3 – 24	3 – 24	3 – 24	3 – 18
Average	9.0	9.0	9.0	9.7	7.1
Change (▼, ▲, =)		=	=	▼	▲

a Rate on unleveraged, all-cash transactions

b. Initial rate of change

c. In months

d. relates to Class A+, A, B+, and B malls

National Power Center Market

Changes in interest rates and how they will affect the availability of capital are likely to have a greater impact on values in the national power center market than the sector's underlying fundamentals, according to our Survey participants. "I don't expect any real changes in the intrinsic metrics for power centers, so I would expect property values to be most affected by changes in interest rates over the next 12 months," shares an investor.

While the anticipation of higher interest rates would likely negatively impact property values, a shortage of quality offerings could boost values. "With a growing number of buyers

vying to acquire a limited number of quality offerings, values could remain at a standstill," says another. Over the next 12 months, Survey participants believe that property values in the national power center market could fall as much as 5.0% and rise as much as 5.0% – the average expected change is an increase of 1.1%.

Surveyed investors also feel that property values will be impacted by the retail sales performances of anchor tenants in the near term, as well as the ability of property owners to maintain occupancy since many large-scale retail tenants continue to redefine marketing strategies and store formats. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	69.0%	=
Range	55.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	5	=
Range	0 to 12	
% of participants using	50.0%	=

Average Overall Cap Rates:

75.0% big-box space	6.27%	=
85.0% big-box space	6.44%	=
100.0% big-box space	6.56%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 2
NATIONAL POWER CENTER MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	6.00% – 10.00%	6.00% – 10.00%	6.00% – 10.00%	6.00% – 10.00%	7.00% – 12.00%
Average	7.79%	7.75%	7.90%	8.17%	8.73%
Change (Basis Points)		+ 4	- 11	- 38	- 94
OVERALL CAP RATE (OAR)^a					
Range	5.00% – 8.00%	5.00% – 8.00%	5.50% – 8.00%	5.00% – 8.00%	6.00% – 9.50%
Average	6.35%	6.33%	6.54%	6.67%	7.48%
Change (Basis Points)		+ 2	- 19	- 32	- 113
RESIDUAL CAP RATE					
Range	5.00% – 9.00%	5.00% – 9.00%	5.75% – 9.00%	6.00% – 9.00%	6.50% – 9.00%
Average	6.81%	6.79%	6.96%	7.19%	7.80%
Change (Basis Points)		+ 2	- 15	- 38	- 99
MARKET RENT CHANGE^b					
Range	0.00% – 5.00%	0.00% – 5.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%
Average	2.00%	2.00%	1.75%	1.17%	0.80%
Change (Basis Points)		0	+ 25	+ 83	+ 120
EXPENSE CHANGE^b					
Range	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	0.00% – 3.00%	2.00% – 3.00%
Average	2.75%	2.83%	2.83%	2.46%	2.80%
Change (Basis Points)		- 8	- 8	+ 29	- 5
MARKETING TIME^c					
Range	2 – 18	2 – 18	2 – 18	2 – 18	3 – 12
Average	6.1	6.1	6.0	6.5	7.5
Change (▼, ▲, =)		=	▲	▼	▼

^a Rate on unleveraged, all-cash transactions ^b Initial rate of change ^c In months

National Strip Shopping Center Market

The cost of capital, the ability to maintain properties in Class-A condition, and constant store closings are a few of the key factors that surveyed investors feel will influence values in the national strip shopping center market over the next 12 months. “Interest rates will grow, presenting investors with alternative investment options outside of commercial real estate ownership,” says a participant. “Store closings continue to burden many trade areas and retail assets,” states another.

Over the next 12 months, Survey participants expect values in this retail category to dip as much as 5.0% and rise as much as 10.0%. The aver-

age forecasted change is an increase of 1.2% – below the 2.1% average from last quarter. While some investors tie their weakened outlook for property values to this market’s “stalled recovery” or “continuous transformation,” others point to above-market rental rates and “aggressive bidding that needs to come to an end.”

Despite these challenges, certain investors believe that property values in this retail category will be the least affected within the retail sector over the next 12 months and anticipate strongly pursuing the best assets in the best metros, which they note as including Austin, Charleston, Miami, and San Jose. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	72.0%	■
Range	50.0% to 100.0%	

Months of Free Rent⁽¹⁾:

Average	2	■
Range	0 to 6	
% of participants using	55.0%	▼

Market Conditions Favor:

Buyers	11.0%	▲
Sellers	44.0%	▼
Neither	45.0%	▲

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 3
NATIONAL STRIP SHOPPING CENTER MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*					
Range	6.00% – 10.75%	6.00% – 10.75%	6.00% – 10.75%	6.50% – 11.50%	6.75% – 12.50%
Average	7.54%	7.66%	7.86%	8.19%	8.85%
Change (Basis Points)		– 12	– 32	– 65	– 131
OVERALL CAP RATE (OAR)*					
Range	4.50% – 9.50%	4.75% – 9.50%	4.50% – 10.00%	5.50% – 9.50%	5.50% – 9.50%
Average	6.26%	6.41%	6.91%	6.95%	7.33%
Change (Basis Points)		– 15	– 65	– 69	– 107
RESIDUAL CAP RATE					
Range	4.75% – 9.75%	4.75% – 9.75%	5.00% – 9.75%	6.00% – 11.00%	6.50% – 12.00%
Average	6.50%	6.59%	7.13%	7.53%	7.97%
Change (Basis Points)		– 9	– 63	– 103	– 147
MARKET RENT CHANGE^b					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 4.00%	0.00% – 4.00%
Average	1.89%	1.94%	1.84%	1.72%	1.32%
Change (Basis Points)		– 5	+ 5	+ 17	+ 57
EXPENSE CHANGE^b					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	2.50% – 3.00%	2.00% – 4.00%
Average	2.69%	2.72%	2.72%	2.94%	2.98%
Change (Basis Points)		– 3	– 3	– 25	– 29
MARKETING TIME^c					
Range	2 – 12	2 – 12	2 – 12	3 – 18	2 – 18
Average	5.8	5.6	6.2	7.4	8.1
Change (▼, ▲, =)		▲	▼	▼	▼
a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months					

National CBD Office Market

Surveyed investors remain pleased with the fundamental side of the national CBD office market highlighted by a still-declining overall vacancy rate, limited additions of new supply, and continuous growth in office-space-using employment sectors. In the first quarter of 2016, the overall vacancy rate was 11.8% – down from 11.9% a year ago and down from 13.5% three years earlier. “Absorption trends are still favorable to landlords, but the velocity of leasing has slowed a bit,” says a participant.

With fewer tenants vying for space and the cost of capital anticipated to rise, some investors are sensing a plateau in valuations and

are factoring in less aggressive market rent growth rate assumptions in their cash flow projections. “There is more uncertainty associated with CBD office building acquisitions in the near term,” comments an investor. One exception may be trophy CBD office buildings, which participants note are still being aggressively pursued by both domestic and international investors.

As a whole, the average overall cap rate for this market slips three basis points this quarter to 5.55%, becoming the lowest average cap rate ever posted for this market in the Survey since its debut 22 years ago in 1994 when the average was 9.73%. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	69.0% ▲
Range	50.0% to 85.0%

Months of Free Rent⁽¹⁾:

Average	6 =
Range	0 to 15
% of participants using	86.0% ▼

Market Conditions Favor:

Buyers	0.0% =
Sellers	71.0% ▲
Neither	29.0% ▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 4
NATIONAL CBD OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*					
Range	5.50% – 10.00%	5.50% – 10.00%	5.50% – 11.00%	5.25% – 11.00%	5.50% – 11.00%
Average	7.16%	6.88%	7.34%	8.16%	8.49%
Change (Basis Points)		+ 28	- 18	- 100	- 133
OVERALL CAP RATE (OAR)*					
Range	3.50% – 7.50%	3.50% – 7.50%	3.50% – 9.00%	4.25% – 10.00%	5.00% – 10.00%
Average	5.55%	5.58%	6.07%	6.63%	6.95%
Change (Basis Points)		- 3	- 52	- 108	- 140
RESIDUAL CAP RATE					
Range	4.75% – 7.50%	4.75% – 7.50%	4.50% – 9.00%	5.25% – 11.00%	5.50% – 10.50%
Average	6.02%	6.02%	6.48%	7.23%	7.35%
Change (Basis Points)		0	- 46	- 121	- 133
MARKET RENT CHANGE^b					
Range	0.00% – 7.00%	0.00% – 7.00%	0.00% – 7.00%	0.00% – 7.00%	(5.00%) – 5.00%
Average	2.86%	2.92%	2.43%	2.36%	1.39%
Change (Basis Points)		- 6	+ 43	+ 50	+ 147
EXPENSE CHANGE^b					
Range	2.00% – 4.00%	2.00% – 4.00%	1.00% – 3.00%	1.00% – 3.00%	2.00% – 4.00%
Average	2.79%	2.75%	2.61%	2.64%	2.78%
Change (Basis Points)		+ 4	+ 18	+ 15	+ 1
MARKETING TIME^c					
Range	2 – 15	2 – 15	2 – 15	2 – 18	2 – 12
Average	6.6	6.7	6.4	7.9	7.8
Change (▼, ▲, =)		▼	▲	▼	▼

a Rate on unleveraged, all-cash transactions

b Initial rate of change

c In months

National Suburban Office Market

Even though the national suburban office market continues to perform well from a fundamental standpoint, a few investors expect a slowdown in value appreciation over the near term due to an expected rise in interest rates and a deceleration of U.S. economic growth. "While the large amount of capital pursuing commercial real estate continues to uphold pricing, it is offset by investor uncertainty with regard to the anticipation of rising interest rates," comments a participant.

Investors' outlook for slower value growth is reflected in a few key cash flow assumptions this quarter. First, this market's average overall

cap rate moves up slightly to 6.43% – its highest quarterly average in the past year. Second, this market's average initial-year market rent change rate falls 50 basis points to 2.25% – its lowest quarterly average since midyear 2014. "It's getting tougher to maintain rent growth in some suburban office areas with speculative new construction," remarks an investor.

Lastly, the average amount of free rent offered on ten-year leases increases from 5 months to 6 months this quarter with 100.0% of surveyed investors now incorporating free rent in lease negotiations – up from 88.0% last quarter. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	64.0%	=
Range	50.0% to 75.0%	

Months of Free Rent⁽¹⁾:

Average	6	▲
Range	0 to 12	
% of participants using	100.0%	▲

Market Conditions Favor:

Buyers	14.0%	▲
Sellers	15.0%	▼
Neither	71.0%	▲

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 5
NATIONAL SUBURBAN OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*					
Range	5.75% – 10.00%	5.75% – 10.00%	6.00% – 10.00%	6.00% – 12.50%	6.00% – 12.50%
Average	7.59%	7.52%	7.69%	8.75%	8.73%
Change (Basis Points)		+ 7	- 10	- 116	- 114
OVERALL CAP RATE (OAR)*					
Range	4.50% – 9.00%	4.50% – 9.50%	5.00% – 9.00%	5.00% – 11.00%	5.50% – 11.00%
Average	6.43%	6.38%	6.50%	7.55%	7.60%
Change (Basis Points)		+ 5	- 7	- 112	- 117
RESIDUAL CAP RATE					
Range	5.50% – 10.00%	5.50% – 10.25%	5.50% – 9.50%	6.00% – 11.00%	6.00% – 11.50%
Average	7.28%	7.23%	7.28%	8.04%	8.00%
Change (Basis Points)		+ 5	0	- 76	- 72
MARKET RENT CHANGE^b					
Range	0.00% – 5.00%	0.00% – 5.00%	0.00% – 5.00%	(3.00%) – 4.00%	(5.00%) – 4.00%
Average	2.25%	2.75%	2.56%	1.55%	0.55%
Change (Basis Points)		- 50	- 31	+ 70	+ 170
EXPENSE CHANGE^b					
Range	2.00% – 4.00%	2.00% – 4.00%	1.00% – 3.50%	1.00% – 4.00%	2.00% – 4.00%
Average	2.91%	2.91%	2.75%	2.65%	2.77%
Change (Basis Points)		0	+ 16	+ 26	+ 14
MARKETING TIME^c					
Range	3 – 12	3 – 12	3 – 12	2 – 18	2 – 24
Average	6.1	6.3	6.3	8.8	8.8
Change (▼, ▲, =)		▼	▼	▼	▼

a. Rate on unleveraged, all-cash transactions

b. Initial rate of change

c. In months

Atlanta Office Market

Our PwC real estate barometer places the Atlanta office market in the expansion phase of the real estate cycle given its steady demand trends, controlled supply, declining vacancy rates, and positive rental rate growth (see Forecast-1 on page 8). Based on data from Cushman & Wakefield, its first quarter 2016 overall vacancy rate fell 100 basis points year over year while its average asking rental rate grew 2.4%.

Even though investment sales in the first three months of 2016 were significantly below the heated pace of the prior quarter, this market's average overall cap rate falls for the tenth consecutive quarter to 7.10% (see

Table 6). Still, this figure remains above the composite quarterly average of 6.54% for the Survey's 19 city-specific office markets. Over the next six months, investors unanimously foresee overall cap rates holding steady in Atlanta.

While investor sentiment is quite positive with respect to underlying fundamentals in this market, Survey participants do draw attention to issues that may negatively impact market values in the near term. Top concerns include the ability of Atlanta to sustain its recent high level of job growth; unpredictable external events that could hinder economic growth; and the availability and cost of debt. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	67.0% ▼
Range	50.0% to 80.0%

Months of Free Rent⁽¹⁾:

Average	6 =
Range	1 to 10
% of participants using	100.0% =

Average Overall Cap Rates:

Market (as a whole)	7.10% ▼
CBD	6.78% ▼
Suburbs	7.43% ▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 6
ATLANTA OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	6.00% - 9.50%	6.00% - 10.00%	6.00% - 10.00%	7.50% - 10.50%	7.75% - 15.00%
Average	7.98%	8.34%	8.42%	8.95%	9.95%
Change (Basis Points)		-36	-44	-97	-197
OVERALL CAP RATE (OAR)^a					
Range	5.25% - 9.00%	5.25% - 9.25%	5.75% - 9.25%	6.75% - 9.25%	7.00% - 11.00%
Average	7.10%	7.33%	7.56%	8.01%	8.63%
Change (Basis Points)		-23	-46	-91	-153
RESIDUAL CAP RATE					
Range	6.00% - 9.00%	6.00% - 9.25%	6.00% - 9.25%	7.00% - 9.25%	7.00% - 11.00%
Average	7.41%	7.38%	7.39%	7.91%	8.80%
Change (Basis Points)		+3	+2	-50	-139
MARKET RENT CHANGE^b					
Range	0.00% - 7.00%	0.00% - 7.00%	0.00% - 6.00%	(1.00%) - 3.00%	(3.00%) - 3.00%
Average	3.50%	3.60%	3.08%	1.04%	0.07%
Change (Basis Points)		-10	+42	+246	+343
EXPENSE CHANGE^b					
Range	0.00% - 3.50%	0.00% - 3.50%	0.00% - 3.50%	0.00% - 3.00%	0.00% - 3.00%
Average	2.28%	2.28%	2.31%	2.25%	2.32%
Change (Basis Points)		0	-3	+3	-4
MARKETING TIME^c					
Range	1 - 12	2 - 12	1 - 12	1 - 12	2 - 15
Average	4.5	4.6	4.3	5.5	8.3
Change (▼, ▲, =)		▼	▲	▼	▼

^a Rate on unleveraged, all-cash transactions

^b Initial rate of change

^c In months

Boston Office Market

While solid tenant demand and a lack of new supply have been positive trends in the Boston office market for a few years now, our surveyed investors note that new supply is being delivered at a time when some tenants are also returning unneeded space to the market. The end result could be a rise in vacancy. “An upward change in vacancy could impact rental rates in an unfavorable way for many landlords,” says a participant. For now, our Survey reveals that investors are holding steady with regard to initial-year market rent change rate assumptions, which range from 0.00% to 7.00% and average 3.83% this quarter (see Table 7).

Investors are drawn to this office market due to its growing economic focus on technology and life sciences. Increasing tenant demand from these innovative sectors, particularly in Boston’s suburbs, is helping to offset consolidations by traditional office-space users. From a buyer’s standpoint, our investors report that prices range from 80.0% to 110.0% of replacement cost and average 88.0% – below the average of 91.8% for the Survey’s 19 city-specific office markets.

As in other gateway office markets, investors here continue to monitor changes in interest rates, capital flows, and U.S. labor markets. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	68.0%	=
Range	50.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	5	=
Range	0 to 10	
% of participants using	83.0%	▼

Average Overall Cap Rates:

Market (as a whole)	6.19%	▲
CBD	5.44%	▲
Suburbs	6.94%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 7
BOSTON OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*					
Range	6.00% – 10.00%	6.00% – 10.00%	6.25% – 10.00%	6.50% – 13.00%	7.50% – 15.00%
Average	7.49%	7.76%	7.85%	8.57%	9.48%
Change (Basis Points)		– 27	– 36	– 108	– 199
OVERALL CAP RATE (OAR)*					
Range	4.00% – 9.00%	4.00% – 8.00%	4.00% – 9.00%	4.75% – 11.00%	5.75% – 12.00%
Average	6.19%	6.15%	6.40%	7.04%	8.00%
Change (Basis Points)		+ 4	– 21	– 85	– 181
RESIDUAL CAP RATE					
Range	5.00% – 9.00%	5.00% – 8.25%	5.25% – 10.00%	6.00% – 11.00%	6.00% – 12.00%
Average	6.78%	6.76%	7.03%	7.52%	8.22%
Change (Basis Points)		+ 2	– 25	– 74	– 144
MARKET RENT CHANGE^b					
Range	0.00% – 7.00%	0.00% – 7.00%	0.00% – 5.50%	0.00% – 10.00%	0.00% – 4.00%
Average	3.83%	3.83%	3.50%	3.92%	1.00%
Change (Basis Points)		0	+ 33	– 9	+ 283
EXPENSE CHANGE^b					
Range	0.00% – 3.00%	2.50% – 4.00%	2.50% – 4.00%	3.00% – 4.50%	0.00% – 4.50%
Average	2.71%	3.04%	3.04%	3.13%	2.81%
Change (Basis Points)		– 33	– 33	– 42	– 10
MARKETING TIME^c					
Range	2 – 12	2 – 12	2 – 12	2 – 12	2 – 12
Average	6.2	6.2	6.2	5.9	6.7
Change (▼, ▲, =)		=	=	▲	▼
a Rate on unleveraged, all-cash transactions b Initial rate of change c In months					

Charlotte Office Market

Charlotte's suburban office sector is seeing an abundance of new supply, as well as compelling levels of absorption. In the first quarter of 2016, the suburbs accounted for all of the new product deliveries and 74.0% of the total net absorption, as per Cushman & Wakefield. In addition, there are close to 1.6 million square feet of new space underway in the suburbs, most of which are due for completion this year.

In addition to robust construction levels, steady sales activity in the suburbs led to a 15-basis-point decline in its average overall cap rate this quarter. As shown in the Key 2Q16 Survey Stats table, the suburban cap

rate of 7.33% remains above the CBD average of 6.65%. The average cap rate for the overall Charlotte office market slips 15 basis points this quarter to 6.99% – dipping below 7.00% for the first time since the fourth quarter of 2007.

While this market continues to see cap rate compression, the number of investors seeking high-quality urban assets here may be limited. “We’re observing that prices for trophy properties are holding steady, but the size of the buyer pool is shrinking,” says a participant. The most recent trophy asset sale was One Wells Fargo Center, which sold in March 2016 for \$285.00 per square foot. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	71.0%	=
Range	65.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	7	=
Range	1 to 10	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	6.99%	▼
CBD	6.65%	▼
Suburbs	7.33%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 8
CHARLOTTE OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	6.50% – 11.00%	6.50% – 11.00%	7.00% – 11.50%	7.00% – 12.00%	8.00% – 12.00%
Average	8.48%	8.53%	8.70%	9.27%	9.51%
Change (Basis Points)		- 5	- 22	- 79	- 103
OVERALL CAP RATE (OAR)^a					
Range	5.50% – 8.75%	5.50% – 9.00%	5.50% – 9.00%	6.00% – 9.50%	6.50% – 10.00%
Average	6.99%	7.14%	7.21%	7.78%	8.41%
Change (Basis Points)		- 15	- 22	- 79	- 142
RESIDUAL CAP RATE					
Range	5.50% – 8.50%	5.50% – 8.50%	5.50% – 8.75%	6.00% – 9.00%	7.00% – 10.00%
Average	7.11%	7.24%	7.29%	7.66%	8.69%
Change (Basis Points)		- 13	- 18	- 55	- 158
MARKET RENT CHANGE^b					
Range	0.00% – 6.00%	0.00% – 6.00%	0.00% – 6.00%	0.00% – 5.00%	0.00% – 2.00%
Average	3.20%	3.30%	3.31%	2.25%	0.50%
Change (Basis Points)		- 10	- 11	+ 95	+ 270
EXPENSE CHANGE^b					
Range	1.80% – 3.00%	1.80% – 3.00%	1.75% – 3.00%	2.00% – 4.00%	2.00% – 3.00%
Average	2.49%	2.59%	2.58%	2.94%	2.79%
Change (Basis Points)		- 10	- 9	- 45	- 30
MARKETING TIME^c					
Range	1 – 12	1 – 12	1 – 12	2 – 12	2 – 12
Average	4.5	4.5	4.2	5.1	6.2
Change (▼, ▲, =)		=	▲	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Chicago Office Market

A recent slowdown in leasing velocity and net absorption in the Chicago office market's CBD has investors carefully monitoring the new supply entering its core by year-end 2017. "My greatest concern here is oversupply," says an investor. While downtown tenants in immediate need of quality office space are finding few opportunities, this situation should reverse itself when the 2.2 million square feet of new space are delivered by year-end 2017. "As tenants move about the CBD, shuffling into new space, increases in vacancy are on the horizon," remarks another.

In Chicago's suburban office sector, positive absorption trends and a

lack of new supply have helped to keep overall vacancy below its long-term average. Nevertheless, "very few investors are looking to acquire suburban office assets in Chicago." Overall, sales activity was down on both a rolling 12-month and quarterly basis in the Chicago office market as of the first quarter of 2016. Over the near term, it is expected that investor sentiment and foreign capital flows will guide this market's pricing and sales volume. While certain Class-A office buildings with stabilized rent rolls could see cap rate compression, Class-B properties will most likely need very strong rent rolls in order to trade once the new supply is delivered. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	69.0% ▼
Range	60.0% to 85.0%

Months of Free Rent⁽¹⁾:

Average	11 =
Range	6 to 18
% of participants using	100.0% =

Average Overall Cap Rates:

Market (as a whole)	7.36% ▲
CBD	6.04% ▼
Suburbs	8.68% ▲

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 9
CHICAGO OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*					
Range	6.00% – 12.00%	6.00% – 12.00%	6.00% – 12.00%	6.50% – 13.00%	6.50% – 13.00%
Average	8.61%	8.58%	8.68%	9.09%	9.39%
Change (Basis Points)		+ 3	- 7	- 48	- 78
OVERALL CAP RATE (OAR)*					
Range	5.00% – 10.00%	5.00% – 10.00%	5.00% – 11.00%	5.75% – 11.00%	6.00% – 11.00%
Average	7.36%	7.34%	7.43%	8.04%	8.27%
Change (Basis Points)		+ 2	- 7	- 68	- 91
RESIDUAL CAP RATE					
Range	5.50% – 11.00%	5.50% – 10.00%	5.50% – 10.00%	6.00% – 11.00%	7.00% – 11.00%
Average	7.72%	7.65%	7.64%	8.01%	8.32%
Change (Basis Points)		+ 7	+ 8	- 29	- 60
MARKET RENT CHANGE^b					
Range	0.00% – 4.50%	0.00% – 4.50%	0.00% – 4.00%	0.00% – 3.00%	(10.00%) – 3.00%
Average	2.00%	2.00%	2.07%	1.44%	0.06%
Change (Basis Points)		0	- 7	+ 56	+ 194
EXPENSE CHANGE^b					
Range	2.00% – 5.00%	2.00% – 5.00%	2.00% – 4.00%	1.00% – 3.00%	1.50% – 3.00%
Average	3.14%	3.14%	2.93%	2.78%	2.83%
Change (Basis Points)		0	+ 21	+ 36	+ 31
MARKETING TIME^c					
Range	2 – 8	2 – 8	2 – 8	3 – 9	2 – 15
Average	4.2	4.2	4.1	4.9	7.2
Change (▼, ▲, =)		=	▲	▼	▼

a Rate on unleveraged, all-cash transactions b Initial rate of change c In months

Dallas Office Market

This quarter's Survey results reveal that most investors believe that current market conditions in the Dallas office market favor sellers. As a result of strong investment demand, Dallas had a 20.6% office stock acquisition percentage compared to the 44-metro composite average of 14.4% for the four quarters leading up to first quarter 2016 (see Chart CAT-1 on page 13).

Investors are attracted to Dallas for its expanding and diverse economy, as well as its favorable cost of doing business. These attributes are underscored by the quarterly shifts in key investment criteria. First, this market's average overall cap rate slips

16 basis points to 6.84% while its average initial-year market rent change rate rises to 3.47% (see Table 10).

While its average cap rate is above the aggregate average of 6.54% for the 19 city-specific office markets surveyed, the average market rent change rate exceeds the collective average of 2.81%.

Amid a bright outlook, survey participants are monitoring the potential impact that new supply and interest rate increases could have on future property values here. Investors expect property value changes ranging from a decrease of 2.0% to an increase of 20.0% with an average expected value change of +3.6% in the coming year. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	69.0%	=
Range	60.0% to 75.0%	

Months of Free Rent⁽¹⁾:

Average	7	=
Range	2 to 12	
% of participants using	75.0%	=

Average Overall Cap Rates:

Market (as a whole)	6.84%	▼
CBD	6.63%	▼
Suburbs	7.05%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 10
DALLAS OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	6.00% - 11.00%	6.00% - 11.00%	6.00% - 11.00%	6.00% - 11.00%	7.75% - 13.00%
Average	8.14%	8.18%	8.23%	8.49%	9.35%
Change (Basis Points)		- 4	- 9	- 35	- 121
OVERALL CAP RATE (OAR)^a					
Range	5.00% - 9.00%	5.00% - 9.00%	5.00% - 9.00%	5.50% - 10.00%	6.50% - 11.00%
Average	6.84%	7.00%	7.09%	7.76%	8.24%
Change (Basis Points)		- 16	- 25	- 92	- 140
RESIDUAL CAP RATE					
Range	6.00% - 9.00%	5.75% - 9.00%	6.00% - 9.00%	6.50% - 10.00%	7.00% - 10.00%
Average	7.37%	7.28%	7.41%	7.96%	8.48%
Change (Basis Points)		+ 9	- 4	- 59	- 111
MARKET RENT CHANGE^b					
Range	0.00% - 6.00%	0.00% - 6.00%	1.00% - 10.00%	0.00% - 6.00%	0.00% - 3.00%
Average	3.47%	3.41%	4.00%	2.63%	1.08%
Change (Basis Points)		+ 6	- 53	+ 84	+ 239
EXPENSE CHANGE^b					
Range	2.00% - 3.00%	2.00% - 3.00%	2.00% - 3.00%	1.00% - 3.00%	1.00% - 3.00%
Average	2.91%	2.91%	2.88%	2.75%	2.67%
Change (Basis Points)		0	+ 3	+ 16	+ 24
MARKETING TIME^c					
Range	1 - 12	1 - 12	1 - 12	1 - 24	3 - 12
Average	4.6	4.6	4.5	7.0	6.2
Change (▼, ▲, =)		=	▲	▼	▼

^a Rate on unleveraged, all-cash transactions

^b Initial rate of change

^c In months

Denver Office Market

This quarter, the average overall cap rate for the Denver office market slips four basis points to 6.45% – the lowest level seen in this market since the fourth quarter of 2007. While the average cap rate for the suburbs holds steady, the average for the CBD falls to 5.93% – below the aggregate average overall cap rate of 6.06% for the CBDs in the Survey's 19 city-specific office markets.

Although the CBD's lower cap rate average reveals investors' preference for downtown assets, growing sublease space is a concern. "Sublease space in the CBD is holding steady, but values will drop quickly if it increases significantly," states an investor. Survey

participants also highlight CMBS debt availability, the presidential election, job growth, and the ability of landlords to maintain flexibility to accommodate the needs of growing tenants as key concerns for this office market in the coming months.

Our PwC real estate barometer places the Denver office market in the late stage of the expansion phase by the end of 2016 (see Forecast-1 on page 8). With more than two million square feet of new supply entering this market over the next 18 months, this metro is expected to see downward pressure on both occupancy rates and rent growth as it enters the contraction phase. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	68.0% ▲
Range	50.0% to 75.0%

Months of Free Rent⁽¹⁾:

Average	4 =
Range	0 to 10
% of participants using	100.0% =

Average Overall Cap Rates:

Market (as a whole)	6.45% ▼
CBD	5.93% ▼
Suburbs	6.98% =

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 11
DENVER OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*					
Range	6.50% – 11.00%	6.75% – 11.00%	6.50% – 11.00%	6.50% – 14.00%	7.75% – 15.00%
Average	7.98%	7.88%	7.93%	8.90%	9.80%
Change (Basis Points)		+ 10	+ 5	– 92	– 182
OVERALL CAP RATE (OAR)*					
Range	5.00% – 9.00%	5.00% – 9.00%	4.50% – 9.00%	4.50% – 9.00%	6.50% – 11.00%
Average	6.45%	6.49%	6.57%	6.93%	8.16%
Change (Basis Points)		– 4	– 12	– 48	– 171
RESIDUAL CAP RATE					
Range	5.75% – 9.50%	5.75% – 9.50%	6.00% – 9.50%	5.00% – 10.00%	7.00% – 11.00%
Average	7.22%	7.18%	7.33%	7.64%	8.42%
Change (Basis Points)		+ 4	– 11	– 42	– 120
MARKET RENT CHANGE^b					
Range	3.00% – 5.00%	2.00% – 4.00%	2.00% – 5.00%	(10.00%) – 10.00%	(20.00%) – 5.00%
Average	3.67%	3.20%	3.60%	2.80%	(1.10%)
Change (Basis Points)		+ 47	+ 7	+ 87	+ 477
EXPENSE CHANGE^b					
Range	2.00% – 5.00%	2.00% – 3.00%	2.00% – 3.00%	3.00% – 5.00%	3.00% – 3.00%
Average	3.00%	2.80%	2.80%	3.30%	3.00%
Change (Basis Points)		+ 20	+ 20	– 30	0
MARKETING TIME^c					
Range	1 – 6	1 – 6	1 – 6	2 – 12	2 – 12
Average	4.1	4.0	3.9	5.0	6.3
Change (▼, ▲, =)		▲	▲	▼	▼
a Rate on unleveraged, all-cash transactions b Initial rate of change c In months					

Houston Office Market

Lingering low oil prices are stalling economic growth and weakening the underlying fundamentals of the Houston office market. In the first quarter of 2016, overall vacancy rose to 16.8% from 13.7% a year ago. Over that time, Houston had the fifth largest increase in CBD vacancy and the third largest rise in suburban vacancy among the 74 markets tracked by Cushman & Wakefield. In addition, investors are uneasy about the growing amount of vacant sublease space in both the CBD and suburbs.

With year-over-year total leasing activity down 16.7% through the first three months of 2016, tenants here have a wide variety of space options.

As a result, our participants agree that free rent concessions exist in this market and average ten months on a ten-year lease (see Key 2Q16 Survey Stats table.) This figure is an increase from eight months last quarter and above the average of 6.4 months among the 19 city-specific office markets in our Survey.

Taking into account the economic pressures in Houston, 83.0% of investors believe that local market conditions favor buyers while the balance view the market as neutral – equally favoring buyers and sellers. Despite such sentiment, local sales activity has halted abruptly as investors adopt a wait-and-see attitude. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	65.0%	=
Range	50.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	10	▲
Range	1 to 24	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	7.05%	▼
CBD	6.63%	▼
Suburbs	7.48%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 12
HOUSTON OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	6.50% – 12.00%	6.50% – 12.00%	6.50% – 11.50%	7.00% – 14.00%	7.50% – 15.00%
Average	8.68%	8.68%	8.44%	9.17%	9.54%
Change (Basis Points)		0	+ 24	- 49	- 86
OVERALL CAP RATE (OAR)^a					
Range	5.50% – 10.00%	5.50% – 10.00%	5.50% – 10.00%	5.00% – 11.00%	6.50% – 11.00%
Average	7.05%	7.13%	6.71%	7.68%	8.22%
Change (Basis Points)		- 8	+ 34	- 63	- 117
RESIDUAL CAP RATE					
Range	6.00% – 10.00%	5.50% – 10.75%	5.50% – 10.75%	5.00% – 11.00%	7.00% – 11.00%
Average	7.48%	7.35%	7.23%	7.90%	8.29%
Change (Basis Points)		+ 13	+ 25	- 42	- 81
MARKET RENT CHANGE^b					
Range	(8.00%) – 3.00%	(8.00%) – 5.00%	(4.00%) – 5.00%	2.00% – 5.00%	0.00% – 3.00%
Average	(0.64%)	(0.43%)	1.08%	3.08%	0.83%
Change (Basis Points)		- 21	- 172	- 372	- 147
EXPENSE CHANGE^b					
Range	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%
Average	2.79%	2.79%	2.83%	2.67%	2.83%
Change (Basis Points)		0	- 4	+ 12	- 4
MARKETING TIME^c					
Range	1 – 12	1 – 13	2 – 12	3 – 12	3 – 12
Average	7.5	7.5	7.1	6.7	7.2
Change (▼, ▲, =)		=	▲	▲	▲

a Rate on unleveraged, all-cash transactions

b. Initial rate of change

c In months

Los Angeles Office Market

Three key factors that will influence property value changes in the Los Angeles office market over the next 12 months are interest rate changes, the availability of competitive CMBS capital, and the cost of debt, according to Survey participants. “Trends in capital flows will be critical to the performance of this market and its value trends,” attests an investor. Even though investors’ forecast for value appreciation here has slipped slightly over the past three months, its average of 3.6% is still above the aggregate average of 2.4% for the Survey’s 19 city-specific office markets.

In downtown Los Angeles, investors are keeping an eye on “all

the new product being delivered over the next 24 months that could have a negative impact on its fundamentals and values.” At the same time, many investors applaud the revitalization occurring in the CBD, which includes creative conversions and new residential/mixed-use projects. One of the largest ones is The Bloc, which will bring a 498-room hotel, a renovated Macy’s, and additional creative office space to the financial district.

Sensing an approaching market peak, Survey participants emphasize the importance for “disciplined underwriting and realistic cash flow assumptions” when pricing assets in this market now. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	69.0% ▼
Range	60.0% to 80.0%

Months of Free Rent⁽¹⁾:

Average	5 =
Range	0 to 10
% of participants using	100.0% =

Average Overall Cap Rates:

Market (as a whole)	5.75% ▲
CBD	5.55% ▲
Suburbs	5.95% ▲

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 13
LOS ANGELES OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	5.00% – 9.00%	5.00% – 9.00%	5.75% – 10.00%	5.75% – 10.00%	7.00% – 12.00%
Average	6.93%	6.90%	7.34%	7.82%	8.86%
Change (Basis Points)		+ 3	– 41	– 89	– 193
OVERALL CAP RATE (OAR)^a					
Range	4.50% – 7.50%	4.50% – 7.25%	4.50% – 7.25%	4.50% – 8.50%	5.00% – 9.00%
Average	5.75%	5.69%	5.79%	6.61%	7.25%
Change (Basis Points)		+ 6	– 4	– 86	– 150
RESIDUAL CAP RATE					
Range	5.00% – 8.00%	5.00% – 8.00%	5.00% – 8.00%	6.00% – 9.00%	6.50% – 9.00%
Average	6.70%	6.70%	6.70%	7.10%	7.96%
Change (Basis Points)		0	0	– 40	– 126
MARKET RENT CHANGE^b					
Range	2.00% – 7.00%	0.00% – 7.00%	0.00% – 7.00%	0.00% – 7.50%	(1.00%) – 4.00%
Average	4.00%	3.90%	4.00%	3.13%	1.00%
Change (Basis Points)		+ 10	0	+ 87	+ 300
EXPENSE CHANGE^b					
Range	2.00% – 3.00%	2.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%
Average	2.70%	2.80%	2.70%	2.75%	2.75%
Change (Basis Points)		– 10	0	– 5	– 5
MARKETING TIME^c					
Range	1 – 12	1 – 12	1 – 12	1 – 12	1 – 12
Average	4.7	4.7	4.7	5.2	5.8
Change (▼, ▲, =)		=	=	▼	▼

a. Rate on unleveraged, all-cash transactions

b. Initial rate of change

c. In months

Manhattan Office Market

Although our PwC real estate barometer places the Manhattan office market in the latter stages of expansion, heading into contraction by year-end 2018, a variety of concerns linger in the minds of investors. Some are concerned about international factors, like terrorism and China's uncertain economy, while others are closely watching interest rate trends and their impact on the cost of capital, yields, and property values. "You can't hide from these things, but you can try to minimize your exposure to them," says a participant.

Concerns about asset pricing and value trends, as well as the thought that this market is at or close to

peaking, are reflected in this market's quarterly cash flow assumptions. First, its average overall cap rate holds steady at 5.15% for the fifth straight quarter (see Table 14). Second, its average initial-year market rent change rate declines 38 basis points to 3.54% – the third quarterly decline for this assumption. And third, concessions remain an integral part of lease negotiations.

For investors looking to acquire assets here, a lack of quality offerings is another noted concern. "The scarcity of quality assets for sale could keep pricing elevated even as this office market slips past its peak," comments an investor. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average 68.0% =
Range 50.0% to 75.0%

Months of Free Rent⁽¹⁾:

Average 7 =
Range 0 to 12
% of participants using 100.0% =

Market Conditions Favor:

Buyers 0.0% =
Sellers 67.0% =
Neither 33.0% =

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 14
MANHATTAN OFFICE MARKET
Second Quarter 2016

	CURRENT ^a	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	5.50% – 9.00%	5.50% – 9.00%	6.00% – 9.00%	6.00% – 8.50%	6.75% – 10.00%
Average	6.85%	6.85%	7.00%	7.25%	7.83%
Change (Basis Points)		0	-15	-40	-98
OVERALL CAP RATE (OAR)^a					
Range	3.75% – 8.00%	3.75% – 8.00%	3.75% – 8.00%	4.00% – 6.00%	4.00% – 8.00%
Average	5.15%	5.15%	5.15%	4.96%	5.83%
Change (Basis Points)		0	0	+19	-68
RESIDUAL CAP RATE					
Range	4.75% – 8.00%	5.00% – 8.00%	5.00% – 8.00%	5.00% – 7.00%	5.00% – 8.50%
Average	5.94%	5.98%	6.02%	5.79%	6.50%
Change (Basis Points)		-4	-8	+15	-56
MARKET RENT CHANGE^b					
Range	0.00% – 6.50%	0.00% – 7.00%	0.00% – 7.00%	0.00% – 10.00%	0.00% – 10.00%
Average	3.54%	3.92%	4.00%	4.65%	3.50%
Change (Basis Points)		-38	-46	-111	+4
EXPENSE CHANGE^b					
Range	1.00% – 3.00%	1.00% – 3.00%	1.00% – 4.00%	0.00% – 3.00%	2.00% – 3.00%
Average	2.75%	2.75%	2.83%	2.67%	2.92%
Change (Basis Points)		0	-8	+8	-17
MARKETING TIME^c					
Range	1 – 6	1 – 6	1 – 9	3 – 6	3 – 6
Average	4.3	4.3	4.8	4.1	4.2
Change (▼, ▲, =)		=	▼	▲	▲

a. Rate on unleveraged, all-cash transactions

b. Initial rate of change

c. In months

Northern Virginia Office Market

The overall vacancy rate for the Northern Virginia office market remains well above its long-term historical average since 2010, giving investors reason to reflect on their strategies and future plans. “It’s hard to properly assess this market with so many pockets of weakness,” remarks a participant. As a whole, the Northern Virginia office market registered negative 479,000 square feet of net absorption in the first quarter of 2016 as several large exits by federal contractors hit the market, as per Cushman & Wakefield. In the first quarter, its overall vacancy rate stood at 21.4%, up from 21.2% at year-end 2015 – and well above its long-term average

of 15.9% since 2010.

Unfortunately for office building owners, several large developments either continued or entered into construction in the first quarter – Capital One’s one-million-square-foot headquarters expansion; Comstock Partners 350,000-square-foot speculative office building at Wiehle-Reston East Metro Station; and Lerner Enterprises’ speculative 475,000-square-foot building at 1775 Tysons Boulevard. At a time when some tenants are returning office space to the market and the majority of leasing activity consists of renewals, the addition of new supply presents additional challenges to property owners. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	66.0%	=
Range	50.0% to 75.0%	

Months of Free Rent⁽¹⁾:

Average	7	=
Range	2 to 12	
% of participants using	100.0%	=

Market Conditions Favor:

Buyers	20.0%	=
Sellers	20.0%	=
Neither	60.0%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 15
NORTHERN VIRGINIA OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*					
Range	6.00% – 9.50%	6.00% – 9.50%	6.25% – 9.50%	7.00% – 10.00%	7.50% – 10.00%
Average	7.75%	7.75%	7.83%	8.30%	8.75%
Change (Basis Points)		0	- 8	- 55	- 100
OVERALL CAP RATE (OAR)*					
Range	5.00% – 8.50%	5.00% – 8.50%	5.00% – 8.50%	5.75% – 9.00%	5.75% – 9.00%
Average	6.88%	6.88%	6.93%	7.15%	7.65%
Change (Basis Points)		0	- 5	- 27	- 77
RESIDUAL CAP RATE					
Range	5.75% – 8.50%	5.75% – 8.50%	5.75% – 8.50%	6.00% – 9.00%	7.00% – 9.00%
Average	7.25%	7.25%	7.25%	7.55%	7.90%
Change (Basis Points)		0	0	- 30	- 65
MARKET RENT CHANGE^b					
Range	0.00% – 3.00%	0.00% – 3.00%	(5.00%) – 3.00%	(5.00%) – 3.00%	0.00% – 3.50%
Average	1.30%	1.30%	0.80%	1.00%	1.58%
Change (Basis Points)		0	+ 50	+ 30	- 28
EXPENSE CHANGE^b					
Range	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	1.50% – 3.00%
Average	2.40%	2.40%	2.40%	2.54%	2.83%
Change (Basis Points)		0	0	- 14	- 43
MARKETING TIME^c					
Range	3 – 9	3 – 9	3 – 9	3 – 9	1 – 9
Average	4.7	4.7	4.9	5.5	5.3
Change (▼, ▲, =)		=	▼	▼	▼
a Rate on unleveraged, all-cash transactions b Initial rate of change c In months					

Pacific Northwest Office Market

Known as a top technology hub in the country, the Pacific Northwest office market continues to impress investors with strong job growth in both its high-tech and STEM (science, technology, engineering, and math) sectors. While many view Seattle's esteemed tech-scene performance comparable to that of Silicon Valley, Portland has started to come up more and more in favorable conversations as its tech sector continues to expand. "Portland hasn't received as much attention for what is happening in its tech sector, but it is quite healthy," comments a participant.

In Bellevue, an upcoming wave of new speculative development has

some investors a bit nervous. "Buyers are being more conservative with underwriting in Bellevue than in Seattle," reveals an investor. "New supply could cause a downward shift in rental rates," says another. As a whole, this market's average initial-year market rent change rate assumption slips 20 basis points this quarter – its third consecutive quarterly decline. In addition, the high end of the range for this assumption drops from 10.00% to 7.00% (see Table 16).

Over the near term, investors may pause acquisitions until they see how this market performs amid new supply, tenant relocations, and a general decrease in tenant space needs. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average 68.0% =

Range 50.0% to 80.0%

Months of Free Rent⁽¹⁾:

Average 6 ▲

Range 0 to 12

% of participants using 100.0% =

Average Overall Cap Rates:

Market (as a whole) 5.99% ▼

CBD 5.58% ▼

Suburbs 6.41% ▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 16
PACIFIC NORTHWEST OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	5.50% – 10.50%	5.50% – 11.00%	5.75% – 10.50%	6.25% – 11.00%	7.00% – 14.00%
Average	7.46%	7.50%	7.74%	8.08%	9.71%
Change (Basis Points)		- 4	- 28	- 62	- 225
OVERALL CAP RATE (OAR)^a					
Range	4.50% – 8.00%	4.00% – 9.00%	4.00% – 9.00%	4.50% – 9.00%	5.50% – 12.00%
Average	5.99%	6.11%	6.20%	6.66%	8.01%
Change (Basis Points)		- 12	- 21	- 67	- 202
RESIDUAL CAP RATE					
Range	5.00% – 9.00%	5.00% – 9.00%	5.00% – 9.00%	5.00% – 9.00%	6.50% – 10.00%
Average	6.55%	6.56%	6.67%	7.03%	8.19%
Change (Basis Points)		- 1	- 12	- 48	- 164
MARKET RENT CHANGE^b					
Range	2.00% – 7.00%	2.50% – 10.00%	2.50% – 10.00%	0.00% – 8.00%	0.00% – 3.00%
Average	3.66%	3.86%	4.41%	3.69%	1.17%
Change (Basis Points)		- 20	- 75	- 3	+ 249
EXPENSE CHANGE^b					
Range	2.00% – 3.00%	2.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%
Average	2.86%	2.91%	2.86%	2.83%	2.75%
Change (Basis Points)		- 5	0	+ 3	+ 11
MARKETING TIME^c					
Range	1 – 12	1 – 12	1 – 12	1 – 12	1 – 12
Average	4.7	4.7	4.7	5.0	5.8
Change (▼, ▲, =)		=	=	▼	▼

a. Rate on unleveraged, all-cash transactions

b. Initial rate of change

c. In months

Philadelphia Office Market

First quarter sales activity in the Philadelphia office market was nearly triple the level seen in the prior quarter as Philly's CBD and suburbs both boasted lower vacancy rates, higher absorption levels, and greater average asking rental rates in the first quarter of 2016 than a year earlier.

Sales volume in the first three months of 2016 totaled \$1.18 billion, the highest level seen in two years, as per Real Capital Analytics. At the same time, the average price surged 19.4% to \$172.00 per square foot, but lagged the national average of \$245.00 per square foot.

Looking ahead, investors have varied views on the drivers of local

property value changes. "If positive net absorption continues, vacancy also goes down, resulting in less tenant rollover risk and additional property value," explains a participant.

Another investor remarks, "The cost of debt will be the main factor changing values in this market as tenant demand and supply seem to be constant over the near term."

Over the next 12 months, investors foresee property value changes in the local office market ranging from a decrease of 5.0% to an increase of 10.0% with an average of +1.5% – below the aggregate average of 2.4% for the Survey's 19 city-specific office markets. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	66.0%	=
Range	50.0% to 75.0%	

Months of Free Rent⁽¹⁾:

Average	5	=
Range	3 to 9	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	7.50%	▼
CBD	6.90%	=
Suburbs	8.10%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 17
PHILADELPHIA OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*					
Range	7.00% – 10.00%	7.00% – 10.00%	7.00% – 10.00%	7.00% – 12.00%	8.00% – 11.00%
Average	8.51%	8.55%	8.63%	9.18%	9.37%
Change (Basis Points)		- 4	- 12	- 67	- 86
OVERALL CAP RATE (OAR)*					
Range	6.00% – 9.00%	6.00% – 9.00%	6.00% – 10.00%	7.00% – 10.00%	7.50% – 10.00%
Average	7.50%	7.53%	7.71%	8.49%	8.63%
Change (Basis Points)		- 3	- 21	- 99	- 113
RESIDUAL CAP RATE					
Range	6.00% – 9.00%	6.00% – 9.00%	6.25% – 10.00%	7.00% – 11.00%	7.00% – 11.00%
Average	7.85%	7.85%	8.04%	8.33%	8.78%
Change (Basis Points)		0	- 19	- 48	- 93
MARKET RENT CHANGE^b					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%
Average	1.85%	1.85%	1.85%	0.92%	0.75%
Change (Basis Points)		0	0	+ 93	+ 110
EXPENSE CHANGE^b					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	2.75% – 3.00%
Average	2.30%	2.30%	2.30%	2.54%	2.96%
Change (Basis Points)		0	0	- 24	- 66
MARKETING TIME^c					
Range	3 – 12	3 – 12	3 – 12	3 – 18	2 – 18
Average	5.4	5.4	5.4	7.8	7.3
Change (▼, ▲, =)		=	=	▼	▼
a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months					

Phoenix Office Market

Key characteristics of the Phoenix office market highlight its momentum as it moves through the expansion phase of the real estate cycle. First, underlying office fundamentals are improving as the local economy adds more office-space-using jobs. Specifically, its overall vacancy rate fell from 19.4% to 18.2% between the first quarters of 2015 and 2016, as per Cushman & Wakefield.

Simultaneously, the average asking rental rate for this market rose 7.3% to \$23.29 per square foot, and investors' outlook for near-term growth remains positive. This quarter, the market's average initial-year market rent change rate continues its

seven-year upward trend increasing to 4.10% (see Table 18). Phoenix's average is tied with San Francisco for the highest average initial-year market rent change rate among the Survey's 19 city-specific office markets.

Investors foresee property values rising here in the next 12 months even though they are attentive to the potential negative effects of capital market liquidity and U.S. and global economic trends. With an average expected value increase of 5.1%, Phoenix claims the second-highest estimate for value appreciation in our Survey – behind the Pacific region apartment market at 5.5%. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	68.0%	=
Range	60.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	7	=
Range	2 to 10	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	6.84%	=
CBD	6.58%	=
Suburbs	7.10%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 18
PHOENIX OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	7.00% – 11.00%	7.00% – 12.00%	7.00% – 13.00%	7.00% – 15.00%	8.00% – 16.00%
Average	8.43%	8.48%	9.01%	9.39%	10.47%
Change (Basis Points)		- 5	- 58	- 96	- 204
OVERALL CAP RATE (OAR)^a					
Range	5.00% – 8.50%	5.00% – 8.50%	5.50% – 9.00%	5.50% – 10.50%	8.00% – 11.00%
Average	6.84%	6.84%	7.08%	7.34%	9.40%
Change (Basis Points)		0	- 24	- 50	- 256
RESIDUAL CAP RATE					
Range	5.50% – 9.00%	5.50% – 9.00%	5.50% – 9.00%	6.00% – 10.00%	7.75% – 11.00%
Average	7.15%	7.12%	7.26%	7.55%	9.03%
Change (Basis Points)		+ 3	- 11	- 40	- 188
MARKET RENT CHANGE^b					
Range	2.00% – 7.00%	2.00% – 7.00%	0.00% – 7.00%	0.00% – 3.00%	(15.00%) – 2.00%
Average	4.10%	4.00%	2.46%	0.88%	(1.40%)
Change (Basis Points)		+ 10	+ 164	+ 322	+ 550
EXPENSE CHANGE^b					
Range	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	0.00% – 3.00%
Average	2.70%	2.70%	2.75%	2.70%	2.65%
Change (Basis Points)		0	- 5	0	+ 5
MARKETING TIME^c					
Range	1 – 12	1 – 9	1 – 9	2 – 12	3 – 12
Average	5.1	4.7	5.4	5.9	6.7
Change (▼, ▲, =)		▲	▼	▼	▼

a Rate on unleveraged, all-cash transactions b Initial rate of change c In months

San Diego Office Market

Our PwC real estate barometer places the San Diego office market in the expansion phase of the real estate cycle through 2016 and 2017. The attributes of this phase include strong demand, robust rental rate growth, decreasing overall cap rates, and lower vacancy rates all of which are seen in San Diego. As of the first quarter of 2016, this market's overall vacancy rate stood at 15.6% – down from 15.9% a year earlier, according to Cushman & Wakefield. The average vacancy in the suburbs was 15.2% while it was 18.4% in the CBD.

Amid these positive trends, zealous rent growth over the last several years has some investors worried. “The issue

will be to maintain occupancy as tenants receive sticker shock on market rents at lease expiration,” comments a participant. Between the first quarter of 2014 and the first quarter of 2016, the overall weighted average rental rate increased 9.5% in the CBD while it surged 25.8% in the suburbs.

This quarter, this market's average initial-year market rent change rate assumption holds steady, suggesting that rental rates may have peaked here. Likewise, its average overall cap rate is unchanged. Regardless, investors anticipate property value appreciation of up to 10.0% for this market in the coming year – the average expected increase is 3.8%. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	68.0%	=
Range	60.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	4	=
Range	1 to 12	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	6.81%	=
CBD	6.81%	=
Suburbs	6.80%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 19
SAN DIEGO OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*					
Range	6.25% – 10.50%	6.25% – 10.50%	6.25% – 10.50%	6.75% – 12.50%	7.50% – 12.50%
Average	7.83%	7.83%	7.89%	9.14%	9.63%
Change (Basis Points)		0	– 6	– 131	– 180
OVERALL CAP RATE (OAR)*					
Range	5.25% – 8.50%	5.25% – 8.50%	4.75% – 8.50%	6.00% – 9.50%	6.50% – 10.00%
Average	6.81%	6.81%	6.89%	7.73%	8.04%
Change (Basis Points)		0	– 8	– 92	– 123
RESIDUAL CAP RATE					
Range	5.75% – 8.75%	5.75% – 8.75%	5.75% – 8.00%	6.75% – 9.00%	7.00% – 10.00%
Average	7.20%	7.20%	6.98%	7.78%	8.29%
Change (Basis Points)		0	+ 22	– 58	– 109
MARKET RENT CHANGE^b					
Range	2.00% – 6.00%	2.00% – 6.00%	0.00% – 6.00%	(10.00%) – 5.00%	(10.00%) – 6.00%
Average	3.80%	3.80%	3.60%	0.60%	0.20%
Change (Basis Points)		0	+ 20	+ 320	+ 360
EXPENSE CHANGE^b					
Range	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%
Average	2.80%	2.80%	2.90%	2.90%	2.90%
Change (Basis Points)		0	– 10	– 10	– 10
MARKETING TIME^c					
Range	1 – 6	1 – 6	1 – 6	1 – 9	1 – 9
Average	4.3	4.3	4.3	4.5	5.4
Change (▼, ▲, =)		=	=	▼	▼
a Rate on unleveraged, all-cash transactions b Initial rate of change c In months					

San Francisco Office Market

In the San Francisco office market, several investors are keeping a watch on trends in the venture capital (VC) market as a downturn there “will probably ripple through San Francisco’s leasing market and taint local investor sentiment.” As the heart of U.S. technology development and home base for numerous VC investors, the Bay Area is known to consume the bulk of venture funding. In the fourth quarter of 2015, the U.S. tech sector saw a broad pullback in venture capital funding, particularly Silicon Valley and San Francisco, where VC financing was down 40.0% for the region compared to the third quarter, according to CB Insights. In the first quar-

ter of 2016, VC dollars and deals were down 11.0% compared with first quarter 2015, as per the MoneyTree Report from PwC and NVCA.

While total VC activity didn’t rise as quickly as last year in the first quarter of 2016, it was still a strong first quarter compared to recent years, according to the report. Most of the decline in VC activity is attributed to nontraditional investors scaling back investment activity and refocusing on core businesses. While it remains to be seen if these VC trends continue through 2016, investors in this office market will be monitoring these trends, as well as watching interest rate changes and shifts in capital flows. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	71.0%	=
Range	60.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	4	=
Range	0 to 9	
% of participants using	80.0%	=

Average Overall Cap Rates:

Market (as a whole)	5.71%	▲
CBD	4.93%	▲
Suburbs	6.50%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 20
SAN FRANCISCO OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	5.75% – 10.00%	5.75% – 10.00%	5.75% – 10.00%	6.00% – 11.00%	7.00% – 11.00%
Average	6.90%	6.89%	7.05%	7.91%	8.59%
Change (Basis Points)		+ 1	- 15	- 101	- 169
OVERALL CAP RATE (OAR)^a					
Range	3.50% – 9.00%	3.50% – 9.00%	3.50% – 9.00%	4.00% – 9.00%	5.00% – 9.50%
Average	5.71%	5.70%	5.77%	6.38%	7.11%
Change (Basis Points)		+ 1	- 6	- 67	- 140
RESIDUAL CAP RATE					
Range	5.00% – 9.00%	5.00% – 9.00%	5.00% – 9.00%	5.00% – 10.00%	6.00% – 10.00%
Average	6.25%	6.21%	6.36%	7.02%	7.49%
Change (Basis Points)		+ 4	- 11	- 77	- 124
MARKET RENT CHANGE^b					
Range	2.00% – 6.00%	2.00% – 6.00%	2.00% – 10.00%	2.00% – 10.00%	0.00% – 5.00%
Average	4.10%	4.10%	5.92%	6.25%	2.71%
Change (Basis Points)		0	- 182	- 215	+ 139
EXPENSE CHANGE^b					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 4.00%	0.00% – 4.00%	0.00% – 3.00%
Average	2.60%	2.60%	2.75%	2.69%	2.56%
Change (Basis Points)		0	- 15	- 9	+ 4
MARKETING TIME^c					
Range	1 – 6	1 – 6	1 – 8	1 – 8	1 – 12
Average	3.9	3.9	4.1	4.3	5.8
Change (▼, ▲, =)		=	▼	▼	▼

a Rate on unleveraged, all-cash transactions

b Initial rate of change

c In months

Seattle Office Market

With overall vacancy well below historical levels and average asking rental rates trending upward, the outlook remains quite favorable for the Seattle office market from a landlord's point of view. However, current office building owners and prospective buyers are keeping an eye on "the substantial amount of supply entering this market coupled with caution in the investment sales market, which could result in either stagnant or declining asset pricing."

Investors are also closely monitoring the local labor market, where job growth has been strong. "Can Seattle keep up its 2.0% annual job growth as it did in 2015?" questions

a participant – developers, landlords, and many investors are counting on it. This quarter, optimism for Seattle's performance is reflected in its average overall cap rate, which tumbles 29 basis points to 5.81% – the first time its average has fallen below 6.00% since it debuted in the Survey in 2013.

Even though interest rate increases could negatively impact values here, most investors believe that growing market rents, increased interest from both foreign and domestic buyers, a healthy tech sector, and sound long-term economic strength should help to counterbalance their impact on local office building values. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	68.0%	=
Range	50.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	6	=
Range	1 to 12	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	5.81%	▼
CBD	5.50%	▼
Suburbs	6.13%	▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 21
SEATTLE OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO
DISCOUNT RATE (IRR)*				
Range	5.50% – 10.50%	5.50% – 11.00%	5.75% – 11.00%	6.25% – 11.00%
Average	7.37%	7.47%	7.77%	8.16%
Change (Basis Points)		- 10	- 40	- 79
OVERALL CAP RATE (OAR)*				
Range	4.50% – 8.00%	4.00% – 9.00%	4.00% – 9.00%	4.50% – 9.00%
Average	5.81%	6.10%	6.18%	6.73%
Change (Basis Points)		- 29	- 37	- 92
RESIDUAL CAP RATE				
Range	5.00% – 9.00%	5.00% – 9.00%	5.00% – 9.00%	5.00% – 9.00%
Average	6.43%	6.41%	6.50%	6.92%
Change (Basis Points)		+ 2	- 7	- 49
MARKET RENT CHANGE^b				
Range	2.50% – 5.00%	2.50% – 5.00%	2.50% – 8.00%	2.00% – 8.00%
Average	3.71%	3.75%	4.25%	4.13%
Change (Basis Points)		- 4	- 54	- 42
EXPENSE CHANGE^b				
Range	2.00% – 3.00%	2.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%
Average	2.79%	2.88%	2.79%	2.75%
Change (Basis Points)		- 9	0	+ 4
MARKETING TIME^c				
Range	1 – 12	1 – 12	1 – 12	1 – 12
Average	5.0	5.0	5.0	5.0
Change (▼, ▲, =)		=	=	=
a Rate on unleveraged, all-cash transactions b Initial rate of change c In months				

Southeast Florida Office Market

Increasing tenant demand for office space and a lack of quality available options continue to create a favorable environment for owners in the Southeast Florida office market, particularly in Miami, where direct vacancy ended the first quarter of 2016 at 13.7%, as per Cushman & Wakefield. Within Miami, the Brickell Avenue, Coral Gables, and Airport West submarkets accounted for 66.4% of all new or expansion leases signed in the first three months of the year. Even though direct absorption was negative in the first quarter, it was more a reflection of an influx of new vacant office space rather than a decrease in tenant demand.

In Palm Beach County, leasing demand remained positive in the first quarter with Class-A space continuing to be the most desirable among tenants. Developers have proposed approximately 546,000 square feet of office and mixed-use space in the suburbs of Palm Beach County, but no new projects have been announced in its CBD. The Class-A office market also remained healthy in Broward County in the first quarter with many tenants searching for large blocks of space.

Going forward, our participants feel that values will be most influenced by capital market trends, local macro-economic factors, and the outcome of the U.S. presidential election: ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	65.0%	=
Range	40.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	6	=
Range	2 to 12	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	7.13%	▼
CBD	6.55%	▼
Suburbs	7.71%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 22

SOUTHEAST FLORIDA OFFICE MARKET Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	6.00% - 10.75%	6.00% - 11.50%	6.50% - 11.50%	7.00% - 12.00%	7.00% - 16.00%
Average	8.24%	8.33%	8.43%	8.91%	10.38%
Change (Basis Points)		-9	-19	-67	-214
OVERALL CAP RATE (OAR)^a					
Range	4.50% - 10.00%	4.50% - 10.00%	4.50% - 10.00%	6.00% - 12.00%	7.00% - 15.00%
Average	7.13%	7.18%	7.23%	8.24%	9.52%
Change (Basis Points)		-5	-10	-111	-239
RESIDUAL CAP RATE					
Range	4.50% - 10.00%	4.50% - 10.50%	4.50% - 10.50%	6.00% - 10.50%	7.00% - 12.00%
Average	7.22%	7.34%	7.34%	8.18%	9.17%
Change (Basis Points)		-12	-12	-96	-195
MARKET RENT CHANGE^b					
Range	0.00% - 7.00%	0.00% - 6.00%	0.00% - 6.00%	(10.00%) - 4.00%	(10.00%) - 3.00%
Average	2.83%	2.50%	2.08%	0.08%	(0.92%)
Change (Basis Points)		+33	+75	+275	+375
EXPENSE CHANGE^b					
Range	1.00% - 3.00%	1.00% - 3.00%	1.00% - 3.00%	1.00% - 3.00%	1.00% - 3.00%
Average	2.75%	2.75%	2.75%	2.58%	2.75%
Change (Basis Points)		0	0	+17	0
MARKETING TIME^c					
Range	2 - 12	2 - 12	2 - 12	2 - 18	2 - 18
Average	5.2	5.2	5.4	7.1	6.8
Change (▼, ▲, =)		=	▼	▼	▼

a Rate on unleveraged, all-cash transactions

b Initial rate of change

c In months

Suburban Maryland Office Market

Leasing activity has been slow to pick up steam in the Suburban Maryland office market, but some improvement was shown in the first quarter of 2016 as new leasing activity totaled just over 550,000 square feet – a year-over-year increase of 7.9%, as per Cushman & Wakefield. Much of this activity was in the I-270 Rockville submarket due to significant move-ins by Shady Grove Fertility and The SK&A Group. Bethesda/Chevy Chase also reported two large lease renewals in the first quarter as Development Alternatives renewed for 50,000 square feet and the National Opinion Research Council renewed 42,000 square feet.

Bethesda/Chevy Chase should continue to attract investor attention as it boasts one of the tightest vacancy rates in this market and has no new supply in its pipeline. “The vacancy rate is very low in Class-A office properties in Bethesda/Chevy Chase and rents are quite high,” affirms a participant. Even though some developers are contemplating new supply for this submarket as Class-A space becomes scarce, it will likely be some time before new projects break ground.

In the meantime, certain property owners are being a bit more aggressive with rental growth assumptions as leasing activity has picked up and space options have diminished. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	67.0%	=
Range	50.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	8	=
Range	5 to 12	
% of participants using	100.0%	=

Market Conditions Favor:

Buyers	0.0%	▼
Sellers	20.0%	=
Neither	80.0%	▲

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 23
SUBURBAN MARYLAND OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*					
Range	7.25% – 10.00%	7.25% – 10.00%	7.25% – 10.00%	7.25% – 11.00%	7.25% – 9.50%
Average	8.78%	8.88%	8.68%	8.88%	8.41%
Change (Basis Points)		- 10	+ 10	- 10	+ 37
OVERALL CAP RATE (OAR)*					
Range	5.50% – 9.00%	5.50% – 9.00%	5.50% – 9.00%	5.50% – 9.00%	6.50% – 9.00%
Average	7.28%	7.28%	7.23%	7.63%	7.50%
Change (Basis Points)		0	+ 5	- 35	- 22
RESIDUAL CAP RATE					
Range	6.50% – 9.75%	6.50% – 9.75%	6.50% – 9.75%	6.50% – 9.75%	7.50% – 10.00%
Average	7.88%	7.88%	7.93%	8.18%	8.19%
Change (Basis Points)		0	- 5	- 30	- 31
MARKET RENT CHANGE^b					
Range	0.00% – 1.00%	(2.00%) – 1.00%	(2.00%) – 3.00%	(2.00%) – 3.00%	(2.00%) – 3.00%
Average	0.10%	(0.10%)	0.30%	0.75%	0.70%
Change (Basis Points)		+ 20	- 20	- 65	- 60
EXPENSE CHANGE^b					
Range	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	0.00% – 3.00%
Average	2.00%	2.00%	2.40%	2.67%	2.60%
Change (Basis Points)		0	- 40	- 67	- 60
MARKETING TIME^c					
Range	3 – 9	3 – 9	3 – 9	3 – 9	1 – 9
Average	5.7	5.7	6.2	5.9	4.9
Change (▼, ▲, =)		=	▼	▼	▲
a Rate on unleveraged, all-cash transactions b Initial rate of change c In months					

Washington, DC Office Market

The Washington, DC office market elicits mixed opinions from investors due to its “choppy” performance over the past several months and its inability to “pick up much consistent steam.” After a robust year of leasing activity in 2015, leasing stats for the first quarter of 2016 disappointed with year-over-year new leasing activity down 32.2%, as per Cushman & Wakefield.

A large impact on first-quarter absorption was the result of several GSA tenants vacating a combined 248,400 square feet from various buildings across the District and relocating to federally owned space as part of the government’s initiative

to reduce federal real estate expenses.

Despite these consolidations and a slight increase in the District’s overall vacancy, some investors believe that “this market is leveling off” and even tightening in certain areas.

“Office assets here should begin to see increases in rental rates soon, so investors may want to get in now to benefit from the growth,” says a participant.

By year-end 2017, the PwC real estate barometer places the Washington, DC office market in recovery – the cycle phase following the market bottom, characterized by tightening vacancy rates and more balanced rent growth. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average 69.0% =

Range 60.0% to 75.0%

Months of Free Rent⁽¹⁾:

Average 7 ▲

Range 0 to 12

% of participants using 100.0% =

Market Conditions Favor:

Buyers 20.0% ▲

Sellers 50.0% ▼

Neither 30.0% ▲

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 24
WASHINGTON, DC OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	5.50% – 8.00%	5.50% – 8.00%	5.50% – 8.00%	6.25% – 8.75%	6.50% – 9.00%
Average	6.81%	6.81%	6.94%	7.33%	7.77%
Change (Basis Points)		0	-13	-52	-96
OVERALL CAP RATE (OAR)^a					
Range	4.25% – 6.50%	4.25% – 6.50%	4.25% – 6.50%	4.25% – 6.50%	4.75% – 8.00%
Average	5.40%	5.40%	5.50%	5.40%	6.13%
Change (Basis Points)		0	-10	0	-73
RESIDUAL CAP RATE					
Range	5.00% – 6.50%	5.00% – 6.50%	5.00% – 6.50%	5.25% – 8.25%	5.75% – 8.25%
Average	5.81%	5.85%	5.90%	6.38%	6.60%
Change (Basis Points)		-4	-9	-57	-79
MARKET RENT CHANGE^b					
Range	0.00% – 4.00%	0.00% – 4.00%	0.00% – 4.00%	0.00% – 6.00%	0.00% – 4.00%
Average	1.42%	1.42%	1.42%	1.75%	2.21%
Change (Basis Points)		0	0	-33	-79
EXPENSE CHANGE^b					
Range	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	2.50% – 3.00%	1.50% – 3.00%
Average	2.75%	2.75%	2.75%	2.96%	2.82%
Change (Basis Points)		0	0	-21	-7
MARKETING TIME^c					
Range	2 – 6	2 – 6	2 – 6	2 – 9	2 – 12
Average	4.0	4.0	4.0	5.0	5.6
Change (▼, ▲, =)		=	=	▼	▼
a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months					

National Flex/R&D Market

Certain investors continue to seek ownership opportunities in the national flex/R&D market due to limited additions to supply, a stable overall vacancy rate, and an increase in average asking rental rates. According to Reis, the vacancy rate for the U.S. flex/R&D sector held virtually unchanged at 11.7% in the first quarter of 2016 while new supply amounted to just 594,000 square feet and average asking rental rates inched up to \$9.22 per square foot.

A growing interest in flex/R&D acquisitions is apparent when looking at sales activity in the industrial sector over the past few years. In the first quarter of 2016, sales volume for

flex/R&D assets accounted for 43.0% of the sales volume in the industrial sector. Warehouses captured the remaining 57.0% of sales volume. In the first quarter of 2015, these percentages were 20.0% and 80.0%, respectively. Moreover, the averages have been roughly a 25.0% - 75.0% split, respectively, between 2013 and 2015, as per Real Capital Analytics.

Interest in flex/R&D ownership typically grows among investors when either the warehouse sector or suburban office sector heats up in terms of pricing for both tenants and investors. Currently, these two sectors are both healthy, which bodes well for the flex/R&D sector. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	67.0%	=
Range	50.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	4	=
Range	1 to 12	
% of participants using	100.0%	=

Market Conditions Favor:

Buyers	0.0%	=
Sellers	60.0%	=
Neither	40.0%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 25
NATIONAL FLEX/R&D MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	7.00% – 11.00%	7.00% – 11.00%	7.00% – 11.00%	7.50% – 12.00%	8.00% – 13.00%
Average	8.23%	8.33%	8.38%	9.21%	9.79%
Change (Basis Points)		- 10	- 15	- 98	- 156
OVERALL CAP RATE (OAR)^a					
Range	5.75% – 9.00%	5.75% – 9.00%	6.00% – 9.00%	6.50% – 10.00%	6.50% – 12.00%
Average	7.15%	7.15%	7.23%	8.15%	8.75%
Change (Basis Points)		0	- 8	- 100	- 160
RESIDUAL CAP RATE					
Range	6.00% – 9.00%	6.00% – 9.00%	6.50% – 9.00%	7.00% – 10.00%	7.25% – 10.50%
Average	7.40%	7.40%	7.50%	8.21%	8.75%
Change (Basis Points)		0	- 10	- 81	- 135
MARKET RENT CHANGE^b					
Range	0.00% – 4.00%	0.00% – 5.00%	0.00% – 5.00%	0.00% – 3.00%	0.00% – 3.00%
Average	2.30%	2.20%	2.40%	1.67%	0.67%
Change (Basis Points)		+ 10	- 10	+ 63	+ 163
EXPENSE CHANGE^b					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	2.00% – 3.00%	1.00% – 3.00%
Average	2.70%	2.70%	2.70%	2.92%	2.83%
Change (Basis Points)		0	0	- 22	- 13
MARKETING TIME^c					
Range	2 – 12	2 – 12	2 – 12	2 – 12	2 – 18
Average	7.0	7.0	7.0	6.8	8.3
Change (▼, ▲, =)		=	=	▲	▼

^a Rate on unleveraged, all-cash transactions

^b Initial rate of change

^c In months

National Warehouse Market

Over the next 12 months, surveyed investors will be keeping a watchful eye on expected increases in interest rates and the resulting impact on overall cap rates and values in the national warehouse market. "A good amount of uncertainty exists with regard to interest rate increases, and it is making investors cautious about prices," says an investor. A more vigilant investment attitude is revealed in the 64-basis-point drop in this market's average initial-year market rent change rate assumption this quarter.

Counterbalancing the decline in market rent growth expectations is a decline in this market's average overall cap rate – which slips to 5.38%

this quarter and represents the lowest quarterly average posted for this market since its Survey debut in 2002.

"The vast amount of capital focused on warehouse acquisitions continues to elevate prices and keep overall cap rates low for the best assets in this sector," confirms a participant.

Overall, our surveyed investors expect values of Class-A, well-leased warehouse assets to weather interest rate increases better than Class-B and Class-C properties. However, maintaining both occupancy and rental rates through consistent absorption could prove difficult for existing quality assets in metros with newly completed supply. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	68.0%	▲
Range	50.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	3	=
Range	0 to 6	
% of participants using	90.0%	=

Market Conditions Favor:

Buyers	0.0%	=
Sellers	82.0%	=
Neither	18.0%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 26
NATIONAL WAREHOUSE MARKET
Second Quarter 2016

	CURRENT	* LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	5.50% – 9.25%	5.50% – 9.25%	5.25% – 9.00%	5.75% – 9.50%	6.80% – 12.50%
Average	6.90%	6.94%	7.08%	7.49%	8.64%
Change (Basis Points)		- 4	- 18	- 59	- 174
OVERALL CAP RATE (OAR)^a					
Range	3.00% – 7.00%	3.00% – 7.00%	4.00% – 7.00%	5.00% – 8.25%	6.00% – 12.00%
Average	5.38%	5.52%	5.65%	6.40%	7.49%
Change (Basis Points)		- 14	- 27	- 102	- 211
RESIDUAL CAP RATE					
Range	4.75% – 8.50%	4.75% – 8.50%	5.25% – 7.25%	5.50% – 9.00%	6.50% – 12.00%
Average	6.28%	6.28%	6.33%	6.93%	7.98%
Change (Basis Points)		0	- 5	- 65	- 170
MARKET RENT CHANGE^b					
Range	0.00% – 5.00%	0.00% – 7.00%	0.00% – 6.00%	0.00% – 5.00%	(5.00%) – 3.00%
Average	2.41%	3.05%	2.75%	2.40%	0.90%
Change (Basis Points)		- 64	- 34	+ 1	+ 151
* EXPENSE CHANGE^b					
Range	3.00% – 3.00%	3.00% – 3.00%	2.50% – 3.00%	2.00% – 3.00%	(2.00%) – 3.00%
Average	3.00%	3.00%	2.98%	2.85%	2.62%
Change (Basis Points)		0	+ 2	+ 15	+ 38
MARKETING TIME^c					
Range	1 – 12	1 – 12	1 – 12	2 – 12	2 – 18
Average	4.4	4.5	4.7	5.9	7.7
Change (▼, ▲, =)		▼	▼	▼	▼

a Rate on unleveraged, all-cash transactions

b Initial rate of change

c In months

ENC Region Warehouse Market

Investors in the East North Central (ENC) region warehouse market, which includes the states of Ohio, Wisconsin, Michigan, Indiana, and Illinois, hold cash flow assumptions steady this quarter as concerns about new speculative additions to supply, the prospect of cap rate increases, and not wanting to overpay for assets appear on their radar. For now, however, several of the major industrial areas in this market, including Chicago, Cincinnati, Indianapolis, and Milwaukee, post availability rates below the country's average as a whole.

When looking to acquire warehouse properties in this market, investors note that prices are 80.0% to

120.0% of replacement cost and average 96.9% of replacement cost – below both the Survey's national warehouse market (103.6%) and Pacific region warehouse market (99.6%). In terms of value expectations over the next 12 months, this market has a higher forecasted average (4.0%) than the Survey's national warehouse market (2.6%) and Pacific region (2.8%).

While rising overall cap rates is one concern among investors, most participants believe that cap rates will hold steady over the next six months as the region attempts to absorb the new supply entering the market without too much disruption to its fundamentals. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average 65.0% =

Range 50.0% to 75.0%

Months of Free Rent⁽¹⁾:

Average 3 =

Range 0 to 5

% of participants using 100.0% =

Market Conditions Favor:

Buyers 0.0% =

Sellers 100.0% =

Neither 0.0% =

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 27

EAST NORTH CENTRAL (ENC) REGION WAREHOUSE MARKET Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO
DISCOUNT RATE (IRR)^a				
Range	5.75% – 7.50%	5.75% – 7.50%	6.25% – 8.00%	6.00% – 8.50%
Average	6.73%	6.73%	7.05%	7.30%
Change (Basis Points)		0	- 32	- 57
OVERALL CAP RATE (OAR)^a				
Range	4.50% – 6.25%	4.50% – 6.25%	5.00% – 7.00%	5.50% – 7.50%
Average	5.48%	5.48%	5.98%	6.48%
Change (Basis Points)		0	- 50	- 100
RESIDUAL CAP RATE				
Range	5.50% – 7.00%	5.50% – 7.00%	5.50% – 7.75%	6.00% – 8.25%
Average	6.45%	6.45%	6.63%	7.08%
Change (Basis Points)		0	- 18	- 63
MARKET RENT CHANGE^b				
Range	0.00% – 5.00%	0.00% – 5.00%	0.00% – 5.00%	0.00% – 5.00%
Average	2.90%	2.90%	3.08%	2.33%
Change (Basis Points)		0	- 18	+ 57
EXPENSE CHANGE^b				
Range	2.00% – 4.00%	2.00% – 4.00%	2.00% – 4.00%	2.50% – 5.00%
Average	3.00%	3.00%	2.92%	3.13%
Change (Basis Points)		0	+ 8	- 13
MARKETING TIME^c				
Range	2 – 9	2 – 9	2 – 9	2 – 12
Average	5.0	5.0	4.8	5.8
Change (▼, ▲, =)		=	▲	▼
a Rate on unleveraged, all-cash transactions b Initial rate of change c In months				

Pacific Region Warehouse Market

In spite of a growing level of new supply, the Pacific warehouse region continues to perform well, maintaining an overall industrial availability rate below that of the nation as a whole. Specifically, the western portion of the United States posted an availability rate of 6.7% in the first quarter of 2016 while the U.S. average was 9.2%, as per CBRE. A year ago, these figures were 7.4% and 10.0%, respectively. The three West Coast cities that reported the lowest availability rates in the first quarter were the San Francisco Peninsula at 3.1%, Oakland at 3.8%, and Orange County at 3.9%.

While the Pacific region continues to enjoy strong leasing demand and

steady net absorption trends, certain investors question whether such trends will continue over the next 12 to 18 months. "New construction has the ability to quickly slowdown this sector's momentum," comments a participant. Of the 18 metros analyzed in our PwC real estate barometer for the industrial sector, 13 of them are forecast to enter the contraction phase of the cycle by year-end 2017, characterized by rising vacancy rates and slower rent growth, primarily due to expected high levels of new supply. "The ability to continue to achieve significant rent growth is a concern for us and many other warehouse owners in this region," shares an investor. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	65.0%	=
Range	50.0% to 75.0%	

Months of Free Rent⁽¹⁾:

Average	3	=
Range	1 to 6	
% of participants using	100.0%	=

Market Conditions Favor:

Buyers	0.0%	=
Sellers	80.0%	=
Neither	20.0%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 28
PACIFIC REGION WAREHOUSE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO
DISCOUNT RATE (IRR)^a				
Range	5.50% - 9.00%	5.50% - 9.00%	6.00% - 9.00%	6.50% - 8.50%
Average	6.65%	6.80%	7.08%	7.44%
Change (Basis Points)		- 15	- 43	- 79
OVERALL CAP RATE (OAR)^a				
Range	3.75% - 7.00%	3.75% - 7.00%	4.00% - 7.00%	5.00% - 7.25%
Average	5.20%	5.28%	5.46%	6.06%
Change (Basis Points)		- 8	- 26	- 86
RESIDUAL CAP RATE				
Range	4.50% - 7.50%	4.75% - 7.50%	5.00% - 7.50%	5.50% - 7.50%
Average	5.80%	5.90%	6.13%	6.48%
Change (Basis Points)		- 10	- 33	- 68
MARKET RENT CHANGE^b				
Range	0.00% - 5.00%	0.00% - 5.00%	0.00% - 6.00%	0.00% - 5.00%
Average	2.40%	2.40%	3.25%	2.42%
Change (Basis Points)		0	- 85	- 2
EXPENSE CHANGE^b				
Range	2.00% - 3.00%	2.00% - 3.00%	2.00% - 3.00%	2.00% - 3.00%
Average	2.80%	2.80%	2.92%	2.88%
Change (Basis Points)		0	- 12	- 8
MARKETING TIME^c				
Range	1 - 6	1 - 6	1 - 6	1 - 12
Average	3.2	3.2	3.3	3.9
Change (▼, ▲, =)		=	▼	▼

a Rate on unleveraged, all-cash transactions b Initial rate of change c In months

National Apartment Market

The outlook for future rent growth in the national apartment market steadily improved following the great recession until one year ago when it began to gradually decline. While still above 3.00%, its average initial-year market rent change rate slips ten basis points this quarter to 3.08% (see Table 29). Although demand trends appear steady, Survey participants point to “too much inventory,” particularly in the Class-A apartment sector, putting downward pressure on rental rates and negatively impacting tenant retention.

According to Reis, a total of 258,071 apartment units will be delivered in 2016, followed by 163,722 units next year. As a result of all this

new apartment supply, the overall vacancy rate for the 82 markets Reis covers is expected to rise from 4.4% in 2015 to 5.1% by the end of 2017. At the same time, annual effective rent growth is estimated to decline from 5.0% to 3.4%.

These softening market fundamentals and the shift in the demand-supply balance are pushing the national apartment market further toward the contraction phase of the real estate cycle. As shown in Forecast-4 on page 11, our PwC real estate barometer shows 47 metros in the contraction phase by year-end 2016, compared with only 21 metros in various stages of expansion. ♦

KEY 2Q16 SURVEY STATS*

Total Vacancy Assumption:

Average	5.8% ▼
Range	2.0% to 10.0%

Months of Free Rent⁽¹⁾:

Average	0.8 =
Range	0 to 2
% of participants using	50.0% ▼

Market Conditions Favor:

Buyers	0.0% =
Sellers	50.0% ▼
Neither	50.0% ▲

* ▼, ▲, = change from prior quarter
(1) on a one-year lease

Table 29
NATIONAL APARTMENT MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*					
Range	5.50% – 10.00%	5.00% – 10.00%	5.00% – 10.00%	5.00% – 14.00%	5.25% – 14.00%
Average	7.28%	7.28%	7.24%	8.04%	8.63%
Change (Basis Points)		0	+ 4	- 76	- 135
OVERALL CAP RATE (OAR)*					
Range	3.50% – 8.00%	3.50% – 8.00%	3.50% – 8.00%	3.50% – 10.00%	4.00% – 10.00%
Average	5.29%	5.35%	5.30%	5.70%	6.10%
Change (Basis Points)		- 6	- 1	- 41	- 81
RESIDUAL CAP RATE					
Range	4.25% – 7.50%	4.25% – 8.50%	4.25% – 8.50%	4.25% – 9.75%	4.75% – 9.75%
Average	5.76%	5.86%	5.93%	6.18%	6.35%
Change (Basis Points)		- 10	- 17	- 42	- 59
MARKET RENT CHANGE^b					
Range	0.00% – 7.00%	0.00% – 6.00%	0.00% – 8.00%	(2.00%) – 7.00%	(2.00%) – 5.00%
Average	3.08%	3.18%	2.98%	2.60%	1.70%
Change (Basis Points)		- 10	+ 10	+ 48	+ 138
EXPENSE CHANGE^b					
Range	2.00% – 4.00%	2.00% – 4.00%	1.00% – 4.00%	1.00% – 3.50%	0.00% – 4.00%
Average	2.81%	2.91%	2.74%	2.67%	2.49%
Change (Basis Points)		- 10	+ 7	+ 14	+ 32
MARKETING TIME^c					
Range	1 – 9	1 – 9	1 – 9	0 – 18	0 – 18
Average	3.6	3.8	4.2	5.1	5.5
Change (▼, ▲, =)		▼	▼	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

Regional Apartment Markets

Most investors in the Survey's three regional apartment markets – Mid-Atlantic, Pacific, and Southeast – believe that current market conditions favor sellers. However, some are still watching trends that could have a detrimental effect on apartment values during the balance of this year. "One of the key factors behind property value changes will be the availability of investment capital," remarks an investor focused on the Mid-Atlantic region. A participant primarily investing in the Pacific region explains, "We are watching renovations of 1990s product, where owners are investing substantially and turning over a large number of units." In the Southeast

region, concerns include "weakening investor confidence" and "rent concessions in cities with high levels of new supply."

Quarterly shifts in the average initial-year market rent change rates for two of the three regional apartment markets underscore investors' concerns. The most dramatic decline occurs in the Pacific region, where this key average plunges 110 basis points, falling below 4.00% for the first time since the third quarter of 2013. In the Mid-Atlantic region, the first-year market rent change rate average dips 73 basis points (see Table 31).

Even though the outlook for rent growth has dimmed, investors are still

actively acquiring apartment assets with total sales volume in the first quarter of 2016 18.8% higher than a year ago, as per Real Capital Analytics. As a result of ongoing trades, the average overall cap rate falls 23 and 15 basis points this quarter in the Mid-Atlantic and Southeast regions, respectively. The Pacific region reveals a two-basis-point increase in its average overall cap rate this quarter.

Regardless of investors' increased watchfulness and certain shifts in key investment criteria for these apartment regions this quarter, the outlook for property value increases in the coming year remain positive for each Survey apartment region. ♦

Table 30
SOUTHEAST REGION APARTMENT MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	5.75% – 10.00%	6.00% – 10.00%	6.00% – 10.00%	7.00% – 10.00%	6.50% – 11.00%
Average	7.53%	7.58%	7.60%	8.10%	7.98%
Change (Basis Points)		- 5	- 7	- 57	- 45
OVERALL CAP RATE (OAR)^a					
Range	3.50% – 6.50%	3.75% – 7.00%	3.75% – 7.00%	4.50% – 7.25%	5.00% – 7.50%
Average	5.15%	5.30%	5.30%	5.80%	6.10%
Change (Basis Points)		- 15	- 15	- 65	- 95
RESIDUAL CAP RATE					
Range	4.50% – 7.00%	4.50% – 7.00%	4.75% – 7.00%	5.25% – 7.50%	5.50% – 9.75%
Average	5.75%	5.78%	6.05%	6.35%	6.85%
Change (Basis Points)		- 3	- 30	- 60	- 110
MARKET RENT CHANGE^b					
Range	1.00% – 4.00%	1.00% – 4.00%	1.00% – 4.00%	2.00% – 5.00%	(10.00%) – 3.00%
Average	3.05%	3.05%	2.95%	3.35%	0.38%
Change (Basis Points)		0	+ 10	- 30	+ 267
EXPENSE CHANGE^b					
Range	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	2.00% – 4.00%	0.00% – 3.00%
Average	2.80%	2.80%	2.80%	3.00%	2.25%
Change (Basis Points)		0	0	- 20	+ 55
MARKETING TIME^c					
Range	1 – 6	1 – 6	1 – 6	1 – 12	1 – 18
Average	3.1	3.1	3.0	4.3	6.8
Change (▼, ▲, =)		=	▲	▼	▼

a. Rate on unleveraged, all-cash transactions

b. Initial rate of change

c. In months

Table 31

REGIONAL APARTMENT MARKETS

Second Quarter 2016

	MID-ATLANTIC REGION					PACIFIC REGION				
	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a										
Range	5.50% - 10.00%	5.50% - 10.00%	5.75% - 10.00%	5.00% - 14.00%	5.80% - 14.00%	5.50% - 9.00%	5.50% - 9.00%	5.50% - 10.00%	5.25% - 12.00%	6.00% - 12.50%
Average	7.50%	7.75%	7.92%	8.69%	9.40%	6.80%	6.83%	7.29%	8.00%	8.81%
Change (Basis Points)	-25	-25	-42	-119	-190	-3	-3	-49	-120	-201
OVERALL CAP RATE (OAR)^a										
Range	3.00% - 7.50%	4.00% - 7.50%	4.00% - 7.50%	4.00% - 7.50%	4.00% - 8.00%	3.50% - 6.00%	3.50% - 6.00%	3.50% - 6.50%	3.50% - 7.00%	4.00% - 7.50%
Average	5.23%	5.46%	5.46%	5.67%	6.10%	4.52%	4.50%	4.77%	4.92%	5.60%
Change (Basis Points)	-23	-23	-23	-44	-87	+2	+2	-25	-40	-108
RESIDUAL CAP RATE										
Range	4.25% - 7.00%	4.25% - 7.50%	4.25% - 7.50%	4.50% - 9.75%	4.50% - 9.75%	4.00% - 6.00%	3.75% - 6.00%	4.00% - 7.00%	4.00% - 7.50%	4.00% - 8.50%
Average	5.53%	5.69%	5.77%	6.31%	6.73%	5.05%	5.05%	5.48%	5.65%	6.19%
Change (Basis Points)	-16	-16	-24	-78	-120	0	0	-43	-60	-114
MARKET RENT CHANGE^b										
Range	0.00% - 4.00%	0.00% - 4.00%	0.00% - 4.00%	(5.00%) - 6.00%	(5.00%) - 6.00%	0.00% - 5.00%	2.00% - 6.00%	1.00% - 7.00%	0.00% - 10.00%	0.00% - 5.00%
Average	2.10%	2.83%	2.67%	2.63%	1.83%	3.10%	4.20%	4.04%	3.71%	2.58%
Change (Basis Points)	-73	-73	-57	-53	+27	-110	-110	-94	-61	+52
EXPENSE CHANGE^b										
Range	1.00% - 3.00%	1.00% - 3.00%	1.00% - 3.00%	1.00% - 3.00%	1.00% - 3.00%	2.00% - 3.00%	2.00% - 3.00%	2.00% - 3.00%	2.00% - 3.00%	2.00% - 3.00%
Average	2.70%	2.75%	2.75%	2.75%	2.58%	2.83%	2.83%	2.88%	2.79%	2.79%
Change (Basis Points)	-5	-5	-5	-5	+12	0	0	-5	+4	+4
MARKETING TIME^c										
Range	2 - 9	2 - 9	2 - 9	1 - 18	1 - 18	1 - 9	1 - 9	1 - 9	1 - 12	1 - 12
Average	4.2	4.3	4.6	5.4	6.2	4.5	4.5	4.5	4.9	5.8
Change (▼, ▲, =)		▼	▼	▼	▼	=	=	=	▼	▼

a Rate on unlevered, all-cash transactions

b Initial rate of change

c In months

National Net Lease Market

The investment arena is highly competitive for the three types of net lease deals – sale leasebacks, net lease sales, and 1031 exchanges. However, the pace of sales in the first three months of 2016 cooled relative to the end of 2015. Specifically, industrial net lease sales dropped 52.0% over that time period, followed by the retail sector (a 34.0% decline) and the office sector (a 4.5% decrease), according to Real Capital Analytics. Over the past two years, the top three buyers in the retail and office sectors were U.S.-based firms while foreign institutions dominated sales in the industrial sector.

Despite a quarterly decline in

sales activity, the outlook for net lease property values remains optimistic. Our Survey results reveal that investors foresee increases of as much as 15.0% with an average property value increase of 4.7% – the fourth highest among all of the markets surveyed.

In the net lease market, the demand for 1031 exchanges has rebounded after a precipitous drop during the recession. “Newly built assets have the highest demand among 1031-exchange investors as they typically have the longest lease terms,” remarks an investor. However, investors are keeping close tabs on proposed tax code changes that would make 1031-exchanges less attractive for buyers. ♦

KEY 2Q16 SURVEY STATS*

Market Conditions Favor:

Buyers	0.0%	=
Sellers	80.0%	▼

Months of Free Rent:

Average	(1)
Range	(1)
% of participants using	(1)

Portfolio Allocation:

Sale leasebacks	24.0%	=
Net lease sales	35.0%	▼
1031 exchanges	19.0%	▲
Build to suit	22.0%	▼

* ▼, ▲, = change from prior quarter

(1) 60.0% of participants are not using free rent.

Table 32
NATIONAL NET LEASE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	6.00% – 10.00%	6.00% – 10.00%	6.00% – 10.00%	7.00% – 9.00%	7.00% – 9.00%
Average	8.00%	8.00%	7.92%	7.94%	8.13%
Change (Basis Points)		0	+ 8	+ 6	- 13
OVERALL CAP RATE (OAR)^a					
Range	5.25% – 9.00%	5.25% – 9.00%	5.50% – 9.00%	6.00% – 8.50%	6.00% – 10.25%
Average	6.75%	6.75%	6.83%	7.03%	8.34%
Change (Basis Points)		0	- 8	- 28	- 159
RESIDUAL CAP RATE					
Range	6.00% – 9.00%	6.00% – 9.00%	7.00% – 9.00%	7.00% – 9.00%	7.00% – 12.00%
Average	7.63%	7.63%	7.88%	8.06%	9.00%
Change (Basis Points)		0	- 25	- 43	- 137
MARKET RENT CHANGE^b					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	(3.00%) – 4.00%
Average	1.80%	1.80%	1.80%	1.35%	1.07%
Change (Basis Points)		0	0	+ 45	+ 73
EXPENSE CHANGE^b					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%
Average	1.70%	1.70%	1.70%	1.90%	1.82%
Change (Basis Points)		0	0	- 20	- 12
MARKETING TIME^c					
Range	2 – 12	1 – 12	1 – 12	2 – 12	1 – 18
Average	4.8	4.4	4.3	4.8	5.9
Change (▼, ▲, =)		▲	▲	=	▼

a Rate on unleveraged, all-cash transactions

b Initial rate of change

c In months

National Medical Office Buildings Market

While surveyed investors unanimously believe current market conditions favor sellers in the national medical office buildings (MOB) market, they do not foresee dramatic property value increases in the coming year. "Cap rates and values are expected to remain stable for good quality on-campus MOB product," states an investor. Specifically, the average expected change in property values is an increase of 1.3% in the next 12 months, down from an average of 1.9% a year ago.

Investors allude to the potential increase in the cost of capital, as well as a likely decrease in the availability of debt, as factors that could nega-

tively impact values. On the upside, an abundance of overseas money flowing into U.S. commercial real estate, limited quality MOB offerings, and still low interest rates should continue to have a positive impact on property values.

Although this market's average overall cap rate holds nearly steady this quarter, investor optimism is reflected in its average initial-year market rent change rate, which rises to 2.41% this quarter (see Table 33). This average is higher than that of the national suburban office market (2.25%), but lower than the aggregate average for the 19 city-specific office markets surveyed (2.81%). ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	79.0%	▲
Range	60.0% to 90.0%	

Months of Free Rent⁽¹⁾:

Average	3	=
Range	1 to 6	
% of participants using	75.0%	▲

Average Overall Cap Rates:

Market (as a whole)	6.81%	▼
On campus	6.42%	▼
Off campus	7.20%	▲

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 33
NATIONAL MEDICAL OFFICE BUILDINGS MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)*					
Range	5.50% – 11.00%	5.50% – 11.00%	6.00% – 11.00%	6.00% – 13.00%	7.50% – 13.00%
Average	8.13%	7.96%	8.02%	8.84%	9.47%
Change (Basis Points)		+ 17	+ 11	- 71	- 134
OVERALL CAP RATE (OAR)*					
Range	4.50% – 10.00%	4.75% – 10.00%	4.75% – 10.00%	5.50% – 11.00%	6.00% – 11.50%
Average	6.81%	6.83%	6.93%	7.82%	8.28%
Change (Basis Points)		- 2	- 12	- 101	- 147
RESIDUAL CAP RATE					
Range	5.25% – 10.25%	5.50% – 10.50%	5.50% – 10.50%	6.00% – 11.00%	7.00% – 12.00%
Average	7.09%	7.13%	7.38%	8.04%	8.50%
Change (Basis Points)		- 4	- 29	- 95	- 141
MARKET RENT CHANGE^b					
Range	0.00% – 4.00%	0.00% – 4.00%	0.00% – 3.00%	(5.00%) – 3.00%	0.00% – 3.00%
Average	2.41%	2.31%	1.92%	1.09%	1.15%
Change (Basis Points)		+ 10	+ 49	+ 132	+ 126
EXPENSE CHANGE^b					
Range	1.00% – 4.00%	1.00% – 4.00%	1.00% – 4.00%	1.00% – 4.00%	0.00% – 4.00%
Average	2.41%	2.34%	2.46%	2.41%	2.33%
Change (Basis Points)		+ 7	- 5	0	+ 8
MARKETING TIME^c					
Range	1 – 12	1 – 12	1 – 9	1 – 12	1 – 12
Average	4.4	4.4	4.3	4.8	5.9
Change (▼, ▲, =)		=	▲	▼	▼
a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months					

National Development Land Market

Surveyed investors remain divided when asked which property sector presents the best opportunity for development land investing in the near term. While some believe that undeveloped residential land represents the best prospects for investing, a few others feel that land readied for retail development stands as the best opportunity for investors. "Getting land ready for retail development could turn out to be a good play as that sector is mostly in recovery," says an investor. Lastly, one participant feels that light-industrial land ownership is best now.

While investors may be divided when it comes to which land type to pursue, they unanimously see positive opportunities for this sector over the near term and are eager to partake. Their exuberant viewpoint is quite a change from three years ago when the key word among them was "patience." Within the CRE industry, Reis reports that construction activity across all major property types continues to increase fueled by the ongoing recovery in the economy and CRE fundamentals.

Total spending on U.S. private construction was up 8.5% on a year-over-year basis in March 2016, according to the U.S. Census Bureau (see Table DVL-1). When looking more closely at spending, private residential construction was up 7.8% while pri-

vate nonresidential spending was up 9.3%. In the nonresidential sector, amusement & recreation, lodging, and office reported the highest year-over-year gains in spending as of March 2016. Moreover, all nonresidential categories reported an annual increase over that time period with the exception of manufacturing, which dipped 2.0%.

DISCOUNT RATES

Free-and-clear discount rates including developer's profit range from 10.0% to 20.0% and average 15.50% this quarter (see Exhibit DL-1). This average is unchanged from the fourth quarter of 2015 and assumes that entitlements are in place. Without entitlements in place, certain investors increase the discount rate between 100 and 1,000 basis points (an average increase of 470 basis points).

GROWTH RATE ASSUMPTIONS

Growth rates for development expenses, such as amenities, real estate taxes, advertising, and administration, typically range from 1.0% to 5.0% and average 3.3%. For lot pricing, investors indicate a range up to 8.0%; the average growth rate for lot pricing is 4.0%.

ABSORPTION PERIOD

The absorption period required to sell an entire project varies significantly

depending on such factors as location, size, and property type. This quarter, preferred absorption periods for participants range from one to 20 years. The mean absorption period is 8.4 years, a bit lower than the absorption period reported six months ago.

FORECAST VALUE CHANGE

Over the next 12 months, all investor participants except one foresee development land values to increase. Appreciation ranges from 2.0% to 10.0% and averages 5.9% – up quite a bit from six months (5.2%) and well above the average a year ago (3.6%). None of our surveyed investors expect property value declines in the national development land market over the next 12 months.

MARKETING PERIOD

The typical time that a property is on the market prior to selling ranges from three to 36 months and averages 16 months. ♦

Exhibit DL-1 DISCOUNT RATES (IRRS)* Second Quarter 2016		
	CURRENT QUARTER	FOURTH QUARTER 2015
FREE & CLEAR		
Range	10.00% – 20.00%	10.00% – 20.00%
Average	15.50%	15.50%
Change		0

* Rate on unleveraged, all-cash transactions; including developer's profit

Table DVL-1
U.S. CONSTRUCTION SPENDING*
March 2015 to March 2016

Nonresidential	Year-Over-Year Change
Amusement & Recreation	+ 29.5%
Lodging	+ 28.8%
Office	+ 23.9%
Educational	+ 21.6%
Commercial	+ 13.2%
Transportation	+ 10.9%
Communication	+ 10.8%
Health Care	+ 5.9%
Religious	+ 6.7%
Power	+ 2.0%
Manufacturing	- 2.0%
Total	+ 9.3%
Residential	+ 7.8%
Total Private	+ 8.5%

* Private construction
Source: U.S. Census Bureau, seasonally adjusted

NATIONAL REGIONAL MALL MARKET—SELECT SURVEY RESPONSES ⁽¹⁾

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		TENANT RETENTION		UNDERLYING VACANCY & CREDIT LOSS		REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	PER SQUARE FOOT	MONTHS							
PUBLIC REAL ESTATE COMPANY ♦ Forecast Period: 4 to 7 years Mainly uses DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; expects overall cap rates to hold steady over the next six months, does not use rent spikes.	3.0% to 5.0% Year 1: 2.0% to 5.0% Year 2	2.0% to 5.0%	2.0% to 4.0%	4.00% to 9.00%	2.0% to 3.0%	6.00% to 11.50%	4.00% to 9.00%	9 to 24	60.0% to 80.0%	3.0% to 8.0%	6 to 24	\$0.10 to \$0.25						
INVESTMENT BANKER ♦ Forecast Period: 1 to 10 years Relies on DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; retail sales based on historical and market analysis; typical sales growth per market per year is at the inflation rate (CPI); expects overall cap rates to hold steady over the next six months.	3.0% to 3.0% Years 1 to 3	3.0%	5.00% to 7.25%	0.8% to 1.0%	5.50% to 7.50%	4.00% to 6.50%	4 to 6	70.0% to 75.0%	1.0% to 2.0%		6	\$0.15 to \$0.30						
REIT ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; no longer uses rent spikes; expects overall cap rates to hold steady over the next six months.	0.0% to 1.0% Year 1: 1.0% to 2.0% Year 2	1.0% to 3.0%	1.0% to 3.0%	5.00% to 9.00%	0.5% to 1.0%	6.00% to 10.00%	4.50% to 9.00%	6 to 12	75.0% to 80.0%	3.0% to 8.0%	6 to 12	\$0.25						
PUBLIC C CORP ♦ Forecast Period: 7 to 10 years Mainly uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; free rent is no longer awarded; does not use rent spikes, expects overall cap rates to hold steady over the next six months	3.0% to 3.0% Years 1 to 3	3.0%	4.25% to 9.00%	1.0% to 3.0%	6.00% to 11.00%	4.00% to 9.00%	6 to 9	70.0% to 80.0%	5.0% to 7.0%		6 to 9	\$0.25 to \$0.50						
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses mainly DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, uses face rents and reflects concessions when they are scheduled to occur.	2.0% to 3.5% Years 1 & 2	2.0% to 3.5%	2.0% to 3.5%	5.00% to 7.50%	0.5% to 2.5%	5.50% to 7.50%	4.00% to 6.00%	6 to 12	50.0% to 75.0%	4.0% to 7.0%	3 to 12	\$0.20 to \$0.50						

Source: Personal survey conducted by PwC during April 2016. (1) relates to Class A+, A, B+, and B malls

NATIONAL POWER CENTER MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE		MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
REALTY ADVISOR ♦ Forecast Period: 3 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use rent spikes, expects overall cap rates to decrease 25 to 50 basis points over the next six months	0.0% Year 1, 0.0% to 1.0% Year 2, 1.0% to 1.5% Year 3	3.0%	3.0%	6.00% to 8.00%	1.5% to 2.5%	6.00% to 10.00%	5.50% to 7.50%	3 to 10	60.0% to 80.0%	5.0% to 10.0%	\$0.20 to \$0.35	3 to 9
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization, in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	0.0% to 3.0% Year 1, 3.0% Year 2	3.0%	3.0%	5.50% to 6.75%	1.0% to 2.0%	6.00% to 7.00%	5.00% to 6.50%	6 to 12	65.0% to 75.0%	5.0% to 8.0%	Does not use	2 to 4
INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Primarily interested in high-credit deals, uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions, sees overall cap rates holding steady over the next six months; no longer uses rent spikes.	3.0% Years 1 to 3	3.0%	3.0%	6.25% to 6.50%	1.5% to 2.0%	6.50% to 6.75%	5.50% to 6.25%	6 to 12	65.0% to 70.0%	5.0% to 8.0%	\$0.20 to \$0.30	2 to 4
INVESTMENT BANKER ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; prefers urban areas with easy access and good anchor tenancy, credit is key; may use a rent spike of 5.0% in year 5.	0.0% to 5.0% Years 1 & 2	2.0%	2.0%	7.00% to 9.00%	2.0%	8.00% to 10.00%	6.00% to 7.00%	4 to 8	60.0% to 75.0%	5.0% to 10.0%	\$0.20	4 to 6
PENSION FUND ♦ Forecast Period: 10 to 15 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur.	1.0% to 3.0%	2.0% to 3.0%	1.0% to 3.0%	5.00% to 8.00%	2.0% to 3.0%	9.00% to 10.00%	6.00% to 8.00%	6 to 12	55.0% to 80.0%	1.0% to 2.0%	\$0.15 to \$0.25	9 to 18

Source: Personal survey conducted by PwC during April 2016

NATIONAL STRIP SHOPPING CENTER MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		UNDERLYING VACANCY & TENANT RETENTION		REPLACEMENT RESERVE		MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	PER SQUARE FOOT	MONTHS					
INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before deducting TIs, leasing commissions and capital replacement reserve; does not use rent spikes	2.0% to 3.0%	3.0%	3.0%	6.00% to 7.00%	1.0% to 3.0%	6.75% to 7.50%	5.00% to 7.50%	65.0% to 80.0%	6 to 12	1.0% to 3.0%	\$0.20 to \$0.50	3 to 6					
INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Invests primarily in 200,000- to 400,000-square-foot, well-anchored community centers and good credit quality anchored power centers; relies on DCF; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	3.0%	3.0%	3.0%	6.00% to 6.50%	2.0% to 2.5%	7.00% to 7.25%	5.25% to 6.00%	65.0% to 70.0%	6 to 8	5.0% to 10.0%	\$0.15 to \$0.25	3 to 6					
REIT ♦ Forecast Period: 1 to 3 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before deducting TIs, leasing commissions and capital replacement reserve; does not use rent spikes.	0.0% to 1.0%	3.0%	3.0%	6.00% to 9.75%	1.0% to 2.0%	8.00% to 10.75%	7.00% to 9.50%	70.0% to 75.0%	9 to 15	2.5% to 5.0%	\$0.15 to \$0.25	9 to 12					
REIT ♦ Forecast Period: 10 years Primarily uses direct capitalization in valuing assets; also uses yield capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects overall cap rates to increase 25 to 50 basis points over the next six months.	2.0% to 3.0%	3.0%	3.0%	6.25% to 7.00%	4.0% to 5.0%	6.25% to 7.75%	5.00% to 9.00%	65.0% to 75.0%	9 to 18	3.0% to 7.0%	\$0.25 to \$0.50	3 to 6					
DOMESTIC PENSION FUND ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, uses face rents and reflects concessions when they are scheduled to occur.	3.0%	3.0%	3.0%	4.75% to 7.00%	1.0% to 3.0%	6.00% to 8.25%	4.50% to 6.50%	60.0% to 75.0%	6 to 15	1.0% to 5.0%	\$0.10 to \$0.25	6 to 12					
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur	0.0%	3.0%	3.0%	5.75% to 6.25%	1.0% to 3.0%	6.00% to 6.75%	4.75% to 5.75%	65.0% to 75.0%	6 to 9	4.0% to 7.0%	Does not use	2 to 3					

Source: Personal survey conducted by PwC during April 2016

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NATIONAL CBD OFFICE MARKET-SELECT SURVEY RESPONSES Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL	DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		TENANT RETENTION		UNDERLYING VACANCY & CREDIT LOSS		REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS			
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses mainly DCF analysis; in direct cap, capitalizes NOI before tenant improvements, leasing commissions, and capital replacement reserve; may use a rent spike of 7.0% in year 1, 6.0% in year 2, and 5.0% in year 3.	0.0% to 7.0%	2.0% to 4.0%	1.0% to 3.0%	4.75% to 6.50%	0.5% to 2.5%	5.75% to 7.00%	3.50% to 6.50%	6 to 18	50.0% to 75.0%	4.0% to 9.0%	\$0.20 to \$0.50	3 to 9				
PENSION FUND ♦ Forecast Period: 10 to 15 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur.	1.0% to 2.0%	2.0% to 3.0%	1.0% to 3.0%	5.00% to 7.00%	2.0% to 3.0%	8.00% to 10.00%	5.00% to 7.00%	6 to 12	60.0% to 75.0%	1.0% to 2.0%	\$0.10 to \$0.20	9 to 15				
PUBLIC REAL ESTATE FIRM ♦ Forecast Period: 5 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use a rent spike of 6.0% in years 2 and 3.	2.0% to 6.0% Years 1 & 2	2.0% to 3.0%	2.0% to 3.0%	6.00% to 7.00%	1.0% to 1.5%	5.75% to 7.00%	4.50% to 7.50%	6 to 12	60.0% to 70.0%	5.0% to 8.0%	Does not use	2 to 6				
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Prefers DCF analysis; also uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 4.0% in year 3 and 5.0% in year 4.	0.0% to 3.0%	3.0%	3.0%	5.00% to 6.00%	1.0% to 4.0%	5.75% to 6.50%	4.50% to 5.75%	6 to 8	65.0% to 75.0%	3.0% to 7.0%	\$0.15 to \$0.30	2 to 4				
REIT ♦ Forecast Period: 5 to 10 years Uses direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, believes that overall cap rates will decline 50 to 100 basis points over the next six months.	0.0% to 4.0%	2.0% to 3.0%	2.0% to 3.0%	5.50% to 7.50%	1.0% to 2.0%	5.50% to 7.00%	5.50% to 7.00%	6 to 9	65.0% to 85.0%	1.0% to 5.0%	\$0.25 to \$0.50	3 to 9				
PRIVATE REAL ESTATE ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization, in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur, does not use rent spikes.	2.0% to 3.0%	3.0%	2.0% to 3.0%	5.50% to 6.50%	1.0% to 3.0%	8.00% to 10.00%	5.50% to 6.50%	6 to 12	70.0% to 75.0%	2.0% to 5.0%	\$0.25 to \$0.50	3 to 9				

Source: Personal survey conducted by PwC during April 2016

NATIONAL SUBURBAN OFFICE MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		UNDERLYING VACANCY & CREDIT LOSS		REPLACEMENT RESERVE		MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	PER SQUARE FOOT	MONTHS					
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years Uses DCF and face rents; prefers 24-hour cities across the country, uses a rent spike of 6.0% in years 2 and 3; uses effective rents in DCF analysis.	0.0% Year 1, 3.0% to 6.0% Year 2	3.0%	2.0% to 3.0%	5.50% to 7.50%	1.0% to 4.0%	6.00% to 9.00%	Not disclosed	6 to 18	65.0% to 75.0%	1.0% to 9.0%	\$0.15 to \$0.40	3 to 6					
LIFE INSURANCE COMPANY ♦ Forecast Period: 8 to 12 years Uses both DCF and direct capitalization; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; no longer uses rent spikes.	0.0% to 3.0%	2.0% to 3.0%	1.5% to 3.0%	6.50% to 9.50%	1.0% to 2.5%	6.00% to 9.00%	5.00% to 8.50%	6 to 12	50.0% to 67.0%	7.0% to 15.0%	\$0.20 to \$0.50	3 to 6					
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; uses a rent spike of 6.0% in year 4.	3.0% Years 1 to 3	3.0%	3.0%	6.00% to 7.00%	1.0% to 3.0%	6.50% to 7.50%	5.50% to 6.50%	6 to 12	50.0% to 65.0%	3.0% to 6.0%	\$0.25 to \$0.50	3 to 6					
PUBLIC REAL ESTATE FIRM ♦ Forecast Period: 5 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, does not use rent spikes; prefers coastal markets.	1.0% to 5.0%	2.0% to 3.0%	2.0% to 3.0%	6.50% to 8.00%	1.0% to 1.0%	5.75% to 7.00%	5.00% to 7.50%	9 to 12	55.0% to 70.0%	5.0% to 9.0%	Does not use	3 to 6					
DOMESTIC PENSION FUND ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur	3.0%	3.0%	3.0%	6.50% to 7.50%	1.0% to 3.0%	7.50% to 8.25%	5.50% to 7.00%	9 to 12	65.0% to 75.0%	0.0% to 3.0%	\$0.10 to \$0.25	6 to 12					
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses mainly DCF analysis; in direct cap, capitalizes NOI before tenant improvements, leasing commissions, and capital replacement reserve, does not use rent spikes	0.0% to 5.0%	2.0% to 4.0%	1.0% to 3.0%	6.00% to 8.50%	0.5% to 2.5%	6.50% to 9.00%	4.50% to 7.50%	6 to 24	50.0% to 75.0%	5.0% to 10.0%	\$0.20 to \$0.50	6 to 9					

Source: Personal survey conducted by PwC during April 2016



ATLANTA OFFICE MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		UNDERLYING PER		REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	VACANCY	UNDERLYING PER	UNDERLYING PER		
INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; uses effective rent after all concessions are extracted, expects overall cap rates to hold steady over the next six months.	3.0%	2.8%	2.5%	6.00% to 7.00% (CBD); 7.00% to 8.00% (suburbs)	1.5% to 3.0%	6.00% to 8.00% (CBD); 7.00% to 8.50% (suburbs)	6.00% to 8.00% (CBD); 7.00% to 8.50% (suburbs)	5.75% to 7.00% (CBD); 7.00% to 8.25% (suburbs)	50.0% to 75.0%	9	50.0% to 75.0%	4.0% to 6.0%	\$0.15 to \$0.25	1 to 3		
	5.0%	3.5%	3.5%													
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; uses face rents and reflects concessions when they are scheduled to occur, does not use rent spikes, in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	3.0% Year 1, 3.0% Year 2	3.0%	3.0%	6.75% to 8.00% (CBD); 7.50% to 9.00% (suburbs)	2.0% to 3.0%	7.50% to 8.75% (CBD); 8.00% to 9.50% (suburbs)	7.50% to 8.75% (CBD); 8.00% to 9.50% (suburbs)	5.25% to 7.50% (CBD); 6.00% to 8.50% (suburbs)	60.0% to 65.0%	6 to 10	60.0% to 65.0%	8.0% to 10.0%	\$0.20 to \$0.25	8 to 12		
INVESTMENT BANKER ♦ Forecast Period: 5 to 10 years Prefers DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use a rent spike of 7.5% in year 5; expects overall cap rates to hold steady over the next six months.	4.0% to 7.0%	1.5% to 2.5%	1.5% to 2.5%	6.75% to 7.25% (CBD); 7.25% to 7.50% (suburbs)	1.0% to 2.0%	7.00% to 8.75% (CBD); 7.50% to 9.00% (suburbs)	7.00% to 8.75% (CBD); 7.50% to 9.00% (suburbs)	6.00% to 7.50% (CBD); 6.50% to 8.00% (suburbs)	75.0% to 80.0%	5 to 8	75.0% to 80.0%	5.0% to 7.0%	\$0.10 to \$0.25	2 to 3		
PRIVATE INVESTMENT FIRM ♦ Forecast Period: 3 to 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur.	3.0% to 4.0% Years 1 & 2	0.0% to 1.0%	2.0% to 3.0%	7.00% to 8.50% (CBD); 8.50% to 9.00% (suburbs)	1.0% to 1.5%	7.00% to 9.00% (CBD); 8.00% to 9.00% (suburbs)	7.00% to 9.00% (CBD); 8.00% to 9.00% (suburbs)	6.00% to 8.00% (CBD); 8.00% to 8.00% (suburbs)	65.0% to 70.0%	6 to 10	65.0% to 70.0%	10.0%	\$0.20 to \$0.40	3 to 4		
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses DCF, direct capitalization, and sales comparison approach; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve, does not use rent spikes, expects overall cap rates to hold steady over the next six months.	0.0% to 3.0% Years 1 & 2	2.5% to 3.0%	3.0%	6.00% to 8.50% (CBD); 6.50% to 8.75% (suburbs)	0.7% to 1.5%	7.00% to 9.00% (CBD); 7.50% to 9.25% (suburbs)	7.00% to 9.00% (CBD); 7.50% to 9.25% (suburbs)	6.00% to 8.75% (CBD); 8.00% to 9.00% (suburbs)	60.0% to 70.0%	4 to 12	60.0% to 70.0%	6.0% to 10.0%	\$0.20 to \$0.35	3 to 6		

Source: Personal survey conducted by PwC during April 2016.



BOSTON OFFICE MARKET-SELECT SURVEY RESPONSES Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		REPLACEMENT RESERVE		MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS			
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap. capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes	2.0% to 3.0%	3.0%	3.0%	6.00% to 7.50% (CBD); 6.50% to 8.25% (suburbs)	2.0% to 3.0%	6.50% to 7.75% (CBD); 7.00% to 8.50% (suburbs)	4.50% to 7.00% (CBD); 5.00% to 7.25% (suburbs)	65.0% to 70.0%	6 to 8		4.0% to 6.0%	\$0.20 to \$0.25	6 to 12			
PENSION FUND ADVISOR ♦ Forecast Period: 3 to 6 years Uses both DCF and direct capitalization; in direct cap. capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; expects overall cap rates to hold steady over the next six months	0.0% to 3.0%	0.0% to 3.0%	1.0% to 3.0%	7.00% to 8.00% (CBD); 7.00% to 9.00% (suburbs)	1.0% to 3.0%	6.00% to 8.00% (CBD); 8.00% to 10.00% (suburbs)	7.00% to 8.00% (CBD); 7.00% to 9.00% (suburbs)	50.0% to 80.0%	6 to 12		4.0% to 10.0%	\$0.15 to \$0.50	2 to 6			
REAL ESTATE ADVISOR ♦ Forecast Period: 10 to 12 years Uses DCF and direct capitalization; in direct cap. capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use rent spikes of 7.0% in years 1 and 2 and 5.0% in year 3.	4.0% to 7.0%	3.0%		5.00% to 5.50% (CBD); 6.75% to 7.50% (suburbs)	1.0% to 3.0%	6.00% to 7.25% to 7.75% (suburbs)	4.00% to 4.75% (CBD); 6.00% to 6.25% (suburbs)	65.0% to 70.0%	6 to 9		1.5% to 3.0%	\$0.20 to \$0.75	6 to 12			
PRIVATE EQUITY INVESTOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap. capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; no longer uses rent spikes	3.0%	2.5% to 3.0%	2.5% to 3.0%	5.75% to 6.50% (CBD); 7.50% (suburbs)	2.0% to 2.5%	7.00% to 7.50% (CBD); 8.50% (suburbs)	5.50% to 6.50% (CBD); 6.75% to 7.50% (suburbs)	65.0% to 70.0%	5 to 9		5.0%	\$0.15 to \$0.20	3 to 6			
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 10 years Uses mainly direct capitalization; major focus is on the initial cash-on-cash return; in direct cap. capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, uses face rents and reflects concessions when they are scheduled to occur.	5.0%	3.0%	3.0%	5.50% to 6.00% (CBD); 7.50% (suburbs)	1.3%	7.00% to 7.50% (CBD); 8.00% to 10.00% (suburbs)	4.25% to 4.75% (CBD); 6.25% to 7.25% (suburbs)	70.0%	7 to 8		4.0%	Does not use	4 to 6			
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 to 12 years Uses both DCF and direct capitalization; in direct cap. capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes	5.0% to 6.0%	3.0%	3.0%	5.50% to 6.25% (CBD); 6.75% to 8.00% (suburbs)	1.0% to 3.0%	6.00% to 7.00% (CBD); 7.00% to 8.00% (suburbs)	4.00% to 5.00% (CBD); 5.00% to 8.00% (suburbs)	65.0% to 70.0%	7 to 10		5.0% to 8.0%	\$0.20 to \$0.50	4 to 7			

Source: Personal survey conducted by PwC during April 2016



CHARLOTTE OFFICE MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		REPLACEMENT RESERVE		MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	
LIFE INSURANCE COMPANY ♦ Forecast Period: 8 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; expects overall cap rates to hold steady over the next six months	0.0% to 3.0%	3.0%	1.0% to 3.0%	5.50% to 8.00% (suburbs)	0.5% to 1.0%	7.00% to 9.00% (suburbs)	6.00% to 8.50% (suburbs)	5 to 10	65.0% to 75.0%	5.0% to 10.0%	\$0.10 to \$0.25	1 to 12
INSTITUTIONAL INVESTOR ♦ Forecast Period: 5 to 10 years Mainly uses DCF analysis and sales comparison approach; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, prefers the CBD; may use a rent spike of 6.0% in year 4, sees overall cap rates holding steady over the next six months	4.0% to 6.0%	1.8% to 2.8%	2.3% to 2.8%	6.50% to 7.75% (suburbs)	1.0% to 3.0%	7.75% to 10.00% (suburbs)	6.25% to 8.00% (CBD); 6.75% to 8.00% (suburbs)	4.5 to 9	70.0% to 75.0%	5.0% to 7.5%	\$0.10 to \$0.25	2 to 4
VALUE-ADDED INVESTOR ♦ Forecast Period: 3 to 5 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects overall cap rates to increase over the next six months; may use a rent spike in year 2	0.0% to 5.0%	2.8% to 3.0%	2.5% to 2.8%	6.50% to 8.50% (suburbs)	1.0% to 3.0%	7.50% to 11.00% (suburbs)	6.50% to 8.00% (CBD); 7.50% to 8.00% (suburbs)	6 to 18	65.0% to 70.0%	5.0% to 10.0%	\$0.15 to \$0.25	3 to 6
PRIVATE INVESTOR ♦ Forecast Period: 3 to 7 years Mainly uses DCF analysis; in direct capitalization, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, believes that market conditions favor sellers; expects overall cap rates to hold steady over the next six months; may use a rent spike of 5.0% in year 1 and 4.0% in year 2	3.0% to 4.0%	2.0% to 2.5%	2.0% to 2.5%	6.75% to 8.50% (suburbs)	1.5% to 2.5%	8.00% to 10.50% (suburbs)	6.25% to 8.75% (suburbs)	7 to 10	65.0% to 75.0%	7.0% to 10.0%	\$0.25 to \$0.40	4 to 7
INVESTMENT MANAGER ♦ Forecast Period: 3 to 10 years Uses all three approaches to value; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects overall cap rates to decrease 25 to 50 basis points over the next six months; no longer uses a rent spike	2.5% to 4.5%	2.0% to 2.5%	2.0% to 3.0%	5.50% to 8.50% (suburbs)	1.0% to 1.5%	6.50% to 9.50% (suburbs)	5.50% to 7.00% (suburbs)	4 to 9	70.0% to 80.0%	3.0% to 6.0%	\$0.25 to \$0.50	2 to 4

Source: Personal survey conducted by PwC during April 2016

CHICAGO OFFICE MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL	DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		UNDERLYING PER		REPLACEMENT MARKETING RESERVE	TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE		SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	VACANCY & CREDIT LOSS	SQUARE FOOT			
LIFE INSURANCE COMPANY ♦ Forecast Period: 5 to 10 years Relies mainly on DCF analysis, also uses direct capitalization, in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions, uses face rents and reflects concessions when they are scheduled to occur, no longer uses rent spikes.	3.0% Years 1 & 2	3.0%	2.5% to 3.0%	6.50% to 8.00% (CBD); 7.50% to 9.00% (suburbs)	0.8% to 1.5%	7.50% to 8.50% (CBD); 8.00% to 9.00% (suburbs)	5.50% to 8.00% (CBD); 7.50% to 10.00% (suburbs)	6 to 9	65.0% to 70.0%	8.0% to 12.0%	\$0.25 to \$0.50	2 to 4			
REAL ESTATE ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, uses face rents and reflects concessions when they are scheduled to occur, no longer uses a rent spike.	0.0% Years 1 & 2	2.0% to 3.0%	2.0%	6.00% to 9.00% (CBD); 7.50% to 10.00% (suburbs)	1.0% to 2.3%	6.75% to 9.50% (CBD); 8.00% to 11.00% (suburbs)	5.50% to 8.00% (CBD); 7.00% to 10.00% (suburbs)	6 to 9	60.0% to 75.0%	10.0% to 15.0%	\$0.25 to \$0.50	3 to 6			
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 10 years Uses mainly direct capitalization; major focus is on the initial cash-on-cash return; typically extends forecast period to capture impact of all lease expirations; uses face rents and reflects concessions when they are scheduled to occur, does not use rent spikes.	0.0% Year 1, 0.0% to 3.0% Year 2	3.0%	3.0%	6.00% to 6.50% (CBD); 9.00% (suburbs)	1.5%	7.00% to 7.50% (CBD); 10.00% to 11.00% (suburbs)	5.00% to 6.00% (CBD); 8.00% to 9.00% (suburbs)	10 to 12	70.0% to 85.0%	8.0% to 12.0%	Does not use	4 to 8			
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 3 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents; does not use rent spikes	1.0% to 2.0%	3.0%	2.0% to 3.0%	5.50% to 7.50% (CBD); 9.50% (suburbs)	5.0%	9.00% to 10.00% (CBD); 11.00% to 12.00% (suburbs)	5.50% to 7.50% (CBD); 8.50% to 10.00% (suburbs)	6 to 9	60.0% to 70.0%	8.0% to 12.0%	\$0.15 to \$0.25	3 to 6			
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; sees overall cap rates holding steady over the next six months	4.5%	3.0%	3.0%	5.75% to 6.50% (CBD); 7.50% to 10.00% (suburbs)	1.0%	6.00% to 7.50% (CBD); 9.00% (suburbs)	5.00% to 5.75% (CBD); 7.00% to 9.00% (suburbs)	9 to 12	65.0% to 75.0%	5.0% to 8.0%	\$0.25 to \$1.00	2 to 6			
INVESTMENT ADVISOR ♦ Forecast Period: 10 years Relies on DCF; uses face rents and reflects concessions as they are scheduled to occur; prefers the West Loop, does not use a rent spike; sees overall cap rates holding steady over the next six months.	0.0% to 3.0%	3.0% to 4.0%	2.0% to 3.0%	5.50% to 6.00% (CBD); 8.00% to 10.00% (suburbs)	1.0% to 1.5%	6.00% to 7.00% (CBD); 8.25% to 11.00% (suburbs)	5.00% to 6.50% (CBD); 7.50% to 9.00% (suburbs)	6 to 12	60.0% to 75.0%	3.0% to 7.0%	\$0.20 to \$0.30	3 to 6			

Source: Personal survey conducted by PwC during April 2016.



DALLAS OFFICE MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		UNDERLYING PER SQUARE FOOT		REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	VACANCY	UNDERLYING PER SQUARE FOOT	MONTHS				
PRIVATE INVESTOR ♦ Forecast Period: 3 to 7 years Relies on DCF; also uses direct capitalization and sales comparison approach; uses face rents; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; expects overall cap rates to hold steady over the next six months; may use a rent spike of 5.0% in year 2	2.0% to 5.0% Years 1 & 2	2.0% to 3.0%	2.0% to 3.0%	6.00% to 8.00% (CBD), 6.00% to 8.50% (suburbs)	1.0% to 3.0%	6.00% to 9.00% (CBD), 8.00% to (suburbs)	5.00% to 8.00% (CBD), 6.00% to 8.00% (suburbs)	6 to 9	65.0% to 75.0% (suburbs)	2.0% to 5.0%	\$0.10 to \$0.25	3 to 6				
REAL ESTATE ADVISOR ♦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that this market favors sellers; does not use rent spikes; expects overall cap rates to decrease 10 to 20 basis points over the next six months.	2.0% to 2.5% Years 1 & 2	3.0%	2.5%	7.00% (CBD), 7.00% to 8.00% (suburbs)	2.0% to 2.5%	6.50% to 7.00% (CBD), 7.00% to 8.00% (suburbs)	5.90% to 7.00% (CBD), 6.50% to 7.50% (suburbs)	8 to 9	70.0% to 75.0% (suburbs)	3.0% to 5.0%	\$0.25 to \$0.45	3				
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; uses face rents and reflects concessions when they are scheduled to occur; believes market conditions are neutral.	0.0% to 2.0% Year 1, 1.0% to 3.0% Year 2	3.0%	3.0%	6.50% to 7.75% (CBD), 8.50% to (suburbs)	2.0% to 3.0%	7.50% to 8.50% (CBD), 8.00% to 9.00% (suburbs)	5.25% to 7.25% (CBD), 6.00% to 7.75% (suburbs)	6 to 10	65.0% to 70.0% (suburbs)	5.0% to 10.0%	\$0.20 to \$0.25	6 to 12				
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; no longer uses rent spikes.	3.0% Years 1 & 2	3.0%	Did not disclose	6.25% to 7.25% (CBD)	0.5% to 1.0%	7.25% to 8.50% (CBD)	5.50% to 6.00% (CBD)	6 to 9	65.0% to 75.0% (suburbs)	1.0% to 5.0%	\$0.15 to \$0.25	4 to 6				
REAL ESTATE ADVISER ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, expects overall cap rates to hold steady over the next six months	6.0%	3.0%	3.0%	6.50% to 7.00% (CBD), 6.75% to 7.25% (suburbs)	1.0%	7.00% to 8.00% (CBD), 7.50% to 8.00% (suburbs)	5.50% to 5.75% (suburbs)	9	65.0% to 75.0% (suburbs)	3.0%	\$0.50	1 to 6				

Source: Personal survey conducted by PwC during April 2016

DENVER OFFICE MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE		MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS
PRIVATE INVESTMENT FIRM ♦ Forecast Period: 1 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; may use a rent spike of 5.0% in year 1.	3.0% to 4.0% Years 1 & 2	3.0% to 5.0%	3.0%	5.75% to 7.00% (CBD), 7.00% to 8.50% (suburbs)	0.5% to 3.0%	7.00% to 9.00% (suburbs)	5.75% to 7.00% (CBD); 6.75% to 8.00% (suburbs)	9	50.0% to 75.0%	5.0% to 8.0%	\$0.10 to \$0.20	1 to 5
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 3 to 7 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, no longer uses rent spikes, expects overall cap rates to hold steady over the next six months	3.0% to 4.0% Years 1 & 2	2.0% to 3.0%	2.0% to 2.5%	5.75% to 7.00% (CBD); 7.00% to 8.00% (suburbs)	1.0% to 3.0%	6.50% to 8.00% (suburbs)	5.00% to 6.00% (CBD); 6.50% to 7.50% (suburbs)	6 to 9	70.0% to 75.0%	7.0% to 8.0%	\$0.15 to \$0.25	2 to 4
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur; no longer uses rent spikes	3.0% to 4.0% Years 1 & 2	3.0%	3.0%	6.50% to 7.00% (suburbs)	2.0% to 3.0%	7.00% to 7.50% (suburbs)	6.00% to 6.25% (suburbs)	6 to 8	60.0% to 70.0%	1.0% to 2.0%	\$0.20 to \$0.30	3 to 6
PENSION FUND INVESTOR ♦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; believes that current market conditions favor sellers; does not use rent spikes	3.0% to 4.0% Years 1 & 2	2.0% to 3.0%	2.0% to 3.0%	6.00% to 7.00% (suburbs)	1.5% to 2.0%	6.75% to 7.50% (suburbs)	5.50% to 6.00% (CBD); 6.25% to 6.50% (suburbs)	5 to 6	60.0% to 70.0%	5.0%	Does not use	4 to 6
PRIVATE INVESTMENT FIRM ♦ Forecast Period: 5 to 11 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and replacement reserve; expects overall cap rates to increase 10 to 50 basis points over the next six months; does not use rent spikes.	3.0% to 4.0% Years 1 & 2	3.0%	3.0%	7.50% to 8.50% (CBD), 8.50% to 9.50% (suburbs)	3.0% to 5.0%	8.00% to 11.00% (suburbs)	5.00% to 7.00% (CBD); 9.00% to 9.00% (suburbs)	6 to 9	70.0% to 75.0%	5.0% to 10.0%	\$0.10 to \$0.30	3 to 6

Source: Personal survey conducted by PwC during April 2016.

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HOUSTON OFFICE MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	VACANCY ASSUMPTIONS		REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR			MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS PER SQUARE FOOT	
REAL ESTATE ADVISORS ♦ Forecast Period: 3 years Relies on DCF; also uses direct capitalization and sales comparison approach; uses effective rents; in direct cap, capitalizes cash flow after TIs, leasing commissions, and capital replacement reserve; expects overall cap rates to increase 25 to 50 basis points over the next six months.	(8.0%) to (6.0%)	2.5%	1.5%	6.00% to 6.50% (CBD); 6.25% to 6.75% (suburbs)	1.5% to 2.5%	6.50% to 7.00% (CBD); 7.50% to 8.00% (suburbs)	6.00% to 6.25% (CBD); 6.25% to 6.75% (suburbs)	12 to 18	50.0% to 60.0%	5.0% to 10.0%	\$0.25	
	Year 1		1.8%									
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 3 to 7 years Uses both DCF and direct capitalization; also looks at discount to replacement cost, relies on DCF; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur; may use a rent spike.	0.0%	3.0%	3.0%	6.50% to 7.50% (CBD); 7.00% to 8.00% (suburbs)	1.0% to 1.5%	8.00% to 9.00% (CBD); 9.00% to 11.00% (suburbs)	6.00% to 8.00% (CBD); 7.00% to 8.50% (suburbs)	5 to 10	80.0%	5.0% to 10.0%	\$0.15 to \$0.30	3 to 6
	Year 1 to Year 2											
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur; believes market conditions favor buyers.	0.0%	3.0%	3.0%	6.75% to 7.75% (CBD); 7.25% to 8.75% (suburbs)	2.0% to 3.0%	7.25% to 8.75% (CBD); 8.75% to 10.0% (suburbs)	5.75% to 7.25% (CBD); 6.75% to 8.00% (suburbs)	8 to 10	65.0%	8.0% to 10.0%	\$0.20 to \$0.25	10 to 12
	Years 1 & 2											
PENSION FUND ADVISOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	0.0%	3.0%		7.25% to 7.50% (CBD)	1.0% to 2.0%	8.25% to 8.50% (CBD)	6.00% to 6.50% (CBD)	9 to 18	65.0% to 70.0%	1.0% to 5.0%	\$0.15 to \$0.20	6 to 12
	to 3.0%											
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 3 to 7 years Uses both DCF analysis and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that market conditions currently favor sellers; does not use rent spikes.	0.0%	-2.0%	-2.0%	7.00% to 9.50% (CBD); 7.50% to 10.00% (suburbs)	1.0% to 3.0%	8.00% to 10.00% (CBD); 10.00% to 11.50% (suburbs)	6.50% to 8.00% (CBD); 7.00% to 10.00% (suburbs)	6 to 12	65.0% to 75.0%	7.0% to 15.0%	\$0.15 to \$0.30	4 to 6
	to 3.0%											

Source: Personal survey conducted by PwC during April 2016

LOS ANGELES OFFICE MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		REPLACEMENT RESERVE		MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS			
INVESTMENT ADVISOR ♦ Forecast Period: 7 to 10 years Mainly uses DCF analysis. In direct cap. capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that market conditions favor sellers; does not use rent spikes; expects overall cap rates to hold steady over the next six months	3.0% to 5.0% Years 1 & 2	3.0%	3.0%	5.00% to 6.00% (CBD); 5.50% to 6.50% (suburbs)	0.5% to 1.0%	5.50% to 7.00% (CBD); 5.00% to 6.00% (suburbs)	4.50% to 5.50% (CBD); 5.00% to 6.00% (suburbs)	6 to 9	70.0% to 80.0%	5.0% to 7.0%	\$0.15 to \$0.25	1 to 3				
REAL ESTATE COMPANY ♦ Forecast Period: 7 to 10 years Mainly uses DCF analysis. In direct cap. capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use a rent spike of 6.0% in years 2 and 3; believes market conditions equally favor buyers and sellers	3.0% to 7.0% Year 1, 4.0% to 7.0% Year 2	2.0% to 3.0%	2.0% to 3.0%	6.75% to 7.50% (CBD); 6.00% to 7.50% (suburbs)	1.0% to 1.5%	6.50% to 7.00% (CBD); 5.50% to 6.75% (suburbs)	5.50% to 6.50% (CBD); 4.50% to 5.50% (suburbs)	9 to 12	60.0% to 70.0%	5.0% to 8.0%	Does not use	3 to 6				
INVESTMENT BANKER ♦ Forecast Period: 5 to 10 years Prefers DCF analysis; also uses direct cap. in direct cap. capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; may use a rent spike of 5.0% in year 5; expects overall cap rates to hold steady over the next six months.	2.0% to 5.0% Years 1 & 2	2.0% to 3.0%	2.0%	7.00% to 8.00% in both CBD & suburbs	2.0%	6.00% to 9.00% in both CBD & suburbs	5.00% to 7.00% in both CBD & suburbs	4 to 6	65.0% to 75.0%	5.0% to 10.0%	\$0.15 to \$0.25	4 to 6				
LIFE INSURANCE COMPANY ♦ Forecast Period: 3 to 15 years Relies primarily on DCF; also uses direct capitalization; in direct cap. capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; may use rent spikes, expects overall cap rates to hold steady over the next six months	3.0% to 5.0% Year 1, 3.0% to 4.0% Year 2	3.0%	2.5% to 3.5%	5.00% to 7.00% (CBD); 6.00% to 8.00% (suburbs)	1.0% to 2.0%	6.00% to 8.00% (CBD); 7.00% to 8.50% (suburbs)	4.75% to 6.00% (CBD); 6.00% to 7.50% (suburbs)	6 to 10	65.0% to 70.0%	1.0% to 1.5%	\$0.10 to \$0.15	1 to 3				
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 years Uses DCF and direct capitalization; in direct cap. capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; expects overall cap rates to hold steady over the next six months.	3.0% to 4.0% Years 1 & 2	3.0%	2.0% to 3.0%	6.00% to 7.50% (CBD); 6.00% to 7.75% (suburbs)	2.0% to 3.0%	6.50% to 8.00% (CBD); 8.00% to 8.00% (suburbs)	4.50% to 6.25% (CBD); 6.25% to 7.25% (suburbs)	6 to 8	65.0% to 70.0%	4.0% to 6.0%	\$0.20 to \$0.25	8 to 12				

Source: Personal survey conducted by PwC during April 2016

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MANHATTAN OFFICE MARKET—SELECT SURVEY RESPONSES
Second Quarter 2016

	INITIAL-YEAR CHANGE RATES			RESIDUAL	DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		TENANT RETENTION		UNDERLYING PER VACANCY & CREDIT LOSS		REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	MONTHS VACANT	PERCENT	PERCENT	PERCENT	PERCENT	PER SQUARE FOOT	MONTHS
INVESTMENT BANKER ♦ Forecast Period: 11 years Strongest interest is in Midtown; uses both DCF and direct capitalization; does not use rent spikes; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve.	1.0% to 3.0%	1.0% to 3.0%	1.0% to 3.0%	5.50% to 7.00%	4.0%	6.50% to 8.50%	4.50% to 6.00%		3 to 12		65.0% to 75.0%		5.0% to 10.0%		\$0.15 to \$0.25	3 to 6
PRIVATE REAL ESTATE FIRM ♦ Forecast Period: 10 years Uses mainly direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; no longer uses rent spikes.	5.0%	3.0%	3.0%	5.00% to 5.50%	4.0%	6.00% to 7.00%	4.00% to 5.00%		8 to 10		70.0% to 75.0%		2.5% to 3.0%		\$0.35 to \$0.50	3
PENSION FUND ADVISOR ♦ Forecast Period: 10 to 12 years Mainly uses DCF analysis when valuing assets; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use a rent spike of 5.0% in years 1 and 2.	4.0% to 5.0%	3.0%	3.0%	4.75% to 5.25%	3.8% to 4.0%	5.75% to 6.25%	3.75% to 5.25%		6 to 12		60.0% to 70.0%		0.5% to 1.0%		\$0.10 to \$0.25	3 to 6
INVESTMENT ADVISOR ♦ Forecast Period: 3 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commission, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	0.0% to 2.0%	2.0% to 3.0%	1.0% to 3.0%	6.50% to 8.00%	2.0% to 3.0%	8.00% to 9.00%	6.50% to 8.00%		2 to 6		50.0% to 75.0%		2.5% to 7.5%		\$0.15 to \$0.50	1 to 6
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 to 12 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses effective rents in DCF analysis; does not use rent spikes	6.0% to 6.5%	3.0%	3.0% to 4.0%	5.25% to 6.00%	1.0% to 3.0%	5.50% to 6.25%	4.00% to 5.00%		5 to 7		65.0% to 75.0%		5.0% to 7.0%		\$0.25 to \$0.50	4 to 6
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; relies on DCF; uses face rents in DCF model; net effective rents in direct capitalization; prefers Midtown and Times Square; does not use rent spikes.	2.0% to 3.0%	3.0%	3.0%	5.75% to 6.75%	1.5% to 2.0%	6.25% to 7.25%	4.00% to 5.75%		5 to 8		65.0% to 70.0%		3.0% to 6.0%		\$0.20 to \$0.25	4 to 6

Source: Personal survey conducted by PwC during April 2016.

NORTHERN VIRGINIA OFFICE MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		REPLACEMENT RESERVE		MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING VACANCY & CREDIT LOSS	PER SQUARE FOOT	MONTHS			
REIT ♦ Forecast Period: 3 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; expects overall cap rates to decrease 10 to 25 basis points over the next six months; does not use rent spikes	0.0% to 2.0% Year 1, 1.0% to 2.0% Year 2	1.0% to 2.0%	2.0% to 2.5%	7.00% to 8.50%	1.5% to 2.0%	7.50% to 8.50%	6.50% to 8.00%	6.50% to 8.00%	6 to 15	50.0% to 75.0%	5.0% to 7.0%	\$0.25 to \$0.50	3 to 6			
LIFE INSURANCE COMPANY ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes	0.0% to 2.0% Year 1, 1.0% to 2.0% Year 2	2.0% to 3.0%	2.5% to 3.0%	6.75% to 8.50%	1.0% to 3.0%	6.50% to 9.00%	6.75% to 8.00%	6.75% to 8.00%	9 to 12	60.0% to 70.0%	5.0% to 10.0%	\$0.50 to \$0.75	3 to 9			
INSTITUTIONAL INVESTOR ♦ Forecast Period: 10 years Relies on DCF, also uses direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; expects overall cap rates to hold steady over the next six months; does not use rent spikes	3.0% Years 1 & 2	3.0%	3.0%	6.50% to 7.00%	2.0% to 3.0%	7.00% to 7.50%	6.00% to 6.75%	6.00% to 6.75%	6 to 9	60.0% to 70.0%	3.0% to 5.0%	\$0.15 to \$0.25	3 to 5			
PENSION FUND ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; does not use rent spikes; believes market conditions are neutral	0.0% to 3.0% Year 1, 1.5% to 3.0% Year 2	3.0%	3.0%	5.75% to 8.50%	1.0% to 4.0%	6.00% to 9.50%	5.25% to 8.00%	5.25% to 8.00%	6 to 9	70.0%	5.0%	\$0.15 to \$0.25	3 to 6			
REIT ♦ Forecast Period: 10 years Looks at cash-on-cash return and the growth in the return over a ten-year period; does not price properties through DCF, in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve	0.0% Years 1 & 2; 0.0% to 2.0% Year 3	2.0%	0.0%	6.00% to 8.00%	2.0% to 2.5%	6.50% to 9.50%	5.00% to 8.50%	5.00% to 8.50%	8 to 12	65.0%	1.0% to 3.0%	\$0.25	3 to 6			

Source: Personal survey conducted by PwC during April 2016

PACIFIC NORTHWEST OFFICE MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		REPLACEMENT RESERVE		MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	UNDERLYING PER VACANCY & SQUARE FOOT	MONTHS				
INVESTMENT ADVISOR ♦ Forecast Period: 7 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that market conditions favor sellers; does not use rent spikes	3.0%	3.0%	3.0%	5.00% to 6.00% (CBD); 5.50% to 6.50% (suburbs)	0.5% to 1.0%	5.50% to 7.00% (CBD); 6.00% to 7.50% (suburbs)	4.50% to 6.00% (CBD); 5.00% to 6.50% (suburbs)	6 to 9	70.0% to 80.0%	5.0%	\$0.15 to \$0.25	1 to 3				
	5.0%															
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; expects cap rates to hold steady over the next six months; does not use rent spikes	3.0% to 4.0% Years 1 & 2	3.0%	3.0%	5.75% to 6.25% (CBD); 6.25% to 7.25% (suburbs)	3.0% to 4.0%	6.50% to 7.50% (CBD); 7.50% to 8.50% (suburbs)	5.25% to 6.00% (CBD); 6.00% to 7.00% (suburbs)	6 to 9	70.0% to 75.0%	3.0% to 6.0%	\$0.15 to \$0.25	3 to 6				
REAL ESTATE ADVISOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; expects overall cap rates to hold steady over the next six months	2.0% to 3.0%	3.0%	3.0%	5.75% to 6.50% (CBD); 6.50% to 7.25% (suburbs)	3.0% to 4.0%	6.50% to 7.25% (CBD); 7.25% to 8.50% (suburbs)	5.50% to 6.00% (CBD); 6.00% to 7.00% (suburbs)	6 to 9	70.0% to 75.0%	3.0% to 5.0%	\$0.15 to \$0.25	3 to 6				
PRIVATE INVESTOR ♦ Forecast Period: 5 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes	2.5% to 3.0%	2.5% to 3.0%	1.5% to 3.0%	5.00% to 9.00% (CBD)	2.0% to 4.0%	8.00% to 10.50% (CBD); 9.00% to 10.50% (suburbs)	5.00% to 8.00% (CBD)	6 to 12	50.0% to 75.0%	1.0% to 2.0%	\$1.00 to \$2.00	6 to 12				
REAL ESTATE SERVICE FIRM ♦ Forecast Period: 3 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use a rent spike of 6.0% in year 1; expects overall cap rates to hold steady over the next six months	5.0% to 7.0% Years 1 & 2	2.5% to 3.0%	2.5% to 3.0%	6.50% to 7.00% (CBD); 7.00% to 8.00% (suburbs)	1.0% to 3.0%	6.00% to 10.00% (CBD); 8.00% to 10.00% (suburbs)	5.00% to 7.75% (CBD); 6.50% to 7.75% (suburbs)	6 to 9	70.0% to 75.0%	5.0%	\$0.10 to \$0.20	2 to 4				
LIFE INSURANCE COMPANY ♦ Forecast Period: 7 to 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes	3.0%	3.0%	3.0%	6.00% to 7.50% (CBD)	2.5% to 3.0%	6.50% to 8.50% (CBD); 7.50% to 8.50% (suburbs)	5.50% to 6.50% (CBD); 6.50% to 7.50% (suburbs)	6 to 12	65.0% to 70.0%	2.0% to 8.0%	\$0.20 to \$0.50	1 to 3				

Source: Personal survey conducted by PwC during April 2016

PHILADELPHIA OFFICE MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		UNDERLYING PER SQUARE FOOT		REPLACEMENT MARKETING RESERVE		TIME	
MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	VACANCY & CREDIT LOSS	PER SQUARE FOOT	RESERVE	MARKETING	TIME	MONTHS
PRIVATE INVESTOR ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses effective rents, expects overall cap rates to hold steady over the next six months, does not use rent spikes	2.0% Year 1	2.5% to 3.0%	7.25% to 8.75% (CBD), (suburbs)	3.0% to 4.0%	7.50% to 8.50% (CBD); (suburbs)	7.50% to 8.50% (CBD); (suburbs)	6.50% to 7.00% (CBD); (suburbs)	7.50% to 8.50% (CBD); (suburbs)	7.50% to 8.50% (CBD); (suburbs)	7 to 9	65.0% to 70.0%	7.0% to 9.0%	\$0.25				4 to 6
	2.5% Year 2;																
	2.5% to 3.0% Year 3																
REIT ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; focuses on suburban markets; uses effective rents; expects overall cap rates to decrease 20 to 40 basis points over the next six months; does not use rent spikes.	1.0% to 2.0% Year 1;	3.0% to 3.25%	6.00% to 9.00% (CBD), (suburbs)	2.0%	7.00% to 8.50% (CBD); (suburbs)	7.00% to 8.50% (CBD); (suburbs)	6.00% to 7.25% (CBD), (suburbs)	7.00% to 8.50% (CBD); (suburbs)	7.00% to 8.50% (CBD); (suburbs)	6 to 8	65.0%	5.0%	\$0.20				6 to 12
	2.0% Year 2																
	3.0% to 3.0% Year 2																
OPPORTUNITY FUND INVESTOR ♦ Forecast Period: 5 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, uses face rents and reflects concessions when they are scheduled to occur; prefers suburbs; does not use rent spikes.	3.0% Years 1 to 3	3.0%	7.00% to 8.00% (CBD); (suburbs)	3.0%	7.00% to 8.00% (CBD); (suburbs)	7.00% to 8.00% (CBD); (suburbs)	6.00% to 8.00% (CBD); (suburbs)	7.00% to 8.00% (CBD); (suburbs)	7.00% to 8.00% (CBD); (suburbs)	6	65.0%	5.0%	\$0.25				3 to 5
REIT ♦ Forecast Period: 5 to 7 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, does not use rent spikes; expects overall cap rates to hold steady over the next six months	1.0% to 3.0%	2.0% to 2.5%	6.50% to 8.50% (CBD); (suburbs)	2.0% to 2.5%	7.00% to 8.00% (CBD); (suburbs)	7.00% to 8.00% (CBD); (suburbs)	6.00% to 7.50% (CBD); (suburbs)	7.00% to 8.00% (CBD); (suburbs)	7.00% to 8.00% (CBD); (suburbs)	6 to 15	65.0% to 75.0%	5.0% to 7.0%	\$0.25 to \$0.50				3 to 6
PRIVATE EQUITY INVESTOR ♦ Forecast Period: 4 to 6 years Uses mainly DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; uses face rents and reflects concessions when they are scheduled to occur	0.0% to 1.5% Year 1;	0.0% to 3.0%	7.50% to 9.00% (CBD); (suburbs)	1.5% to 3.0%	9.00% to 10.00% (CBD); (suburbs)	9.00% to 10.00% (CBD); (suburbs)	7.50% to 9.00% (CBD); (suburbs)	9.00% to 10.00% (CBD); (suburbs)	9.00% to 10.00% (CBD); (suburbs)	6 to 12	50.0% to 75.0%	5.0% to 10.0%	\$0.15 to \$0.50				3 to 6
	0.0% Year 2																

Source: Personal survey conducted by PwC during April 2016

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PHOENIX OFFICE MARKET-SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		UNDERLYING PER		REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	VACANCY	VACANCY	CREDIT LOSS	PER SQUARE FOOT	
PRIVATE INVESTOR ♦ Forecast Period: 2 to 5 years Mainly uses DCF analysis; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	2.0% to 3.0% Year 1; 3.0% Year 2	3.0%	3.0%	9.00% (suburbs)	1.0% to 3.0%	10.00% to 11.00% (suburbs)	7.50% to 8.50% (suburbs)	60.0% to 70.0%	7.0% to 15.0%	9 to 12	60.0% to 70.0%	60.0% to 70.0%	7.0% to 15.0%		\$0.20 to \$0.35	3 to 6
LIFE INSURANCE COMPANY ♦ Forecast Period: 10 to 12 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve, uses face rents and reflects concessions when they are scheduled to occur; may use a rent spike of 6.0% in years 1 through 3.	4.0% to 6.0%	3.0%	3.0%	6.50% to 7.50% (CBD); 7.00% to 8.00% (suburbs)	1.0% to 2.0%	7.00% to 8.00% (CBD); 8.00% to 8.50% (suburbs)	6.00% to 7.00% (CBD); 7.00% to 8.00% (suburbs)	60.0% to 70.0%	0.0% to 2.0%	6 to 12	60.0% to 70.0%	60.0% to 70.0%	0.0% to 2.0%		\$0.20 to \$0.25	4 to 6
PUBLIC REIT ♦ Forecast Period: 5 to 8 years Uses all approaches to value; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that this market currently favors sellers; expects overall cap rates to hold steady over the next six months.	3.0% to 7.0% Year 1; 3.0% to 6.0% Year 2	1.0% to 3.0%	1.0% to 3.0%	5.50% to 6.50% (CBD); 6.50% to 7.50% (suburbs)	0.5% to 1.0%	7.00% to 9.00% (CBD); 7.00% to 10.00% (suburbs)	5.00% to 6.00% (CBD); 6.00% to 8.00% (suburbs)	60.0% to 75.0%	4.0% to 7.0%	6 to 9	60.0% to 75.0%	60.0% to 75.0%	4.0% to 7.0%		\$0.10 to \$0.25	1 to 12
REAL ESTATE ADVISOR ♦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; believes that market conditions favor buyers; may use a rent spike of 4.0% to 5.0% in year 3.	3.0% to 5.0% Year 1; 3.0% to 4.0% Year 2	3.0%	3.0%	6.75% to 7.50% (suburbs)	1.0% to 3.0%	7.50% to 8.00% (suburbs)	6.00% to 6.50% (suburbs)	65.0% to 70.0%	7.0%	6 to 9	65.0% to 70.0%	65.0% to 70.0%	7.0%		\$0.20 to \$0.25	4 to 6
PRIVATE EQUITY FIRM ♦ Forecast Period: 5 years Mainly uses DCF analysis; in direct capitalization, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; believes that market conditions equally favor buyers and sellers.	3.0% to 5.0% Years 1 to 3	2.0% to 3.0%	2.0% to 3.0%	6.50% to 7.00% (CBD); 6.50% to 8.00% (suburbs)	1.0% to 2.0%	8.00% to 10.00% (CBD & suburbs)	6.00% to 7.00% (both CBD & suburbs)	65.0% to 80.0%	5.0% to 7.0%	6 to 9	65.0% to 80.0%	65.0% to 80.0%	5.0% to 7.0%		\$0.15 to \$0.20	3 to 6

Source: Personal survey conducted by PwC during April 2016.

SAN DIEGO OFFICE MARKET—SELECT SURVEY RESPONSES

Second Quarter 2016

	INITIAL-YEAR CHANGE RATES				RESIDUAL		DISCOUNT RATE (IRR)		OVERALL CAP RATE (OAR)		VACANCY ASSUMPTIONS		UNDERLYING VACANCY & CREDIT LOSS		REPLACEMENT RESERVE		MARKETING TIME	
	MARKET RENT	EXPENSES	CPI	CAP RATE	SELLING EXPENSE	FREE & CLEAR	FREE & CLEAR	FREE & CLEAR	MONTHS VACANT	TENANT RETENTION	PER SQUARE FOOT	MONTHS						
PRIVATE INVESTOR ♦ Forecast Period: 1 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; may use a rent spike of 5.0% in year 3 and 9.0% in year 4 in certain submarkets.	3.0% to 5.0% Year 1, 4.0% to 6.0% Year 2	3.0%	3.0%	7.25% to 8.75% (CBD); 6.75% to 8.75% (suburbs)	1.0% to 3.0%	8.50% to 10.50% in both CBD & suburbs	7.00% to 8.50% (CBD); 6.50% to 8.50% (suburbs)	9 to 12	60.0% to 70.0%	5.0% to 10.0%	\$0.25 to \$0.35	3 to 5						
INVESTMENT ADVISOR ♦ Forecast Period: 7 to 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use rent spikes in certain submarkets; expects overall cap rates to hold steady over the next six months; does not use rent spikes.	3.0% to 5.0% Years 1 to 3	3.0%	3.0%	6.25% to 8.25% (CBD); 6.75% to 8.75% (suburbs)	0.5% to 1.0%	7.00% to 9.00% in both CBD & suburbs	6.00% to 8.00% (CBD); 8.50% to 8.50% (suburbs)	5 to 10	70.0% to 80.0%	0.0% to 5.0%	\$0.00 to \$0.25	1 to 4						
PUBLIC REAL ESTATE COMPANY ♦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; may use a rent spike of 6.0% in year 1, 7.0% in year 2, and 5.0% in year 3; believes market conditions equally favor buyers and sellers	4.0% to 6.0% Year 1, 4.0% to 7.0% Year 2	2.0% to 3.0%	2.0% to 3.0%	6.50% to 7.50% (CBD); 6.50% to 7.50% (suburbs)	1.0% to 1.5%	6.50% to 7.50% (CBD); 6.25% to 7.00% (suburbs)	5.50% to 7.00% in both CBD & suburbs	6 to 12	60.0% to 70.0%	4.0% to 8.0%	Does not use	3 to 6						
PENSION/CORE INVESTOR ♦ Forecast Period: 10 years Mainly uses DCF analysis; in direct cap, capitalizes NOI before TIs, leasing commissions, and capital replacement reserve; does not use rent spikes; expects overall cap rates to hold steady over the next six months.	2.0% to 3.0% Year 1, 3.0% to 4.0% Year 2	2.0% to 3.0%	2.5%	6.50% to 7.00% (CBD); 7.50% to 7.50% (suburbs)	1.5% to 2.0%	7.00% to 8.00% (CBD); 7.50% to 8.00% (suburbs)	6.00% to 7.00% (CBD); 6.50% to 7.50% (suburbs)	9	60.0% to 70.0%	5.0% to 6.0%	Does not use	6						
PRIVATE INVESTMENT FIRM ♦ Forecast Period: 10 years Uses both DCF and direct capitalization; in direct cap, capitalizes NOI after capital replacement reserve but before TIs and leasing commissions; uses face rents and reflects concessions when they are scheduled to occur; does not use rent spikes.	3.0% to 4.0% Years 1 to 3	3.0%		5.75% to 6.25% (suburbs)	1.0% to 2.0%	6.50% to 7.00% (suburbs)	5.25% to 5.75% (suburbs)	6 to 9	65.0% to 75.0%	1.0%	\$0.15 to \$0.20	3 to 6						

Source: Personal survey conducted by PwC during April 2016

