Fall 2018

Avison Young Commercial Real Estate Investment Review

North America and Europe

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Contents

Canada

Investment Market Overview

Investor enthusiasm fuelled by sound economic and property fundamentals

Investors remain enthusiastic about Canada's commercial property market, despite uncertainty surrounding rising interest rates, the lateness of the investment cycle and – in particular – scarcity of available product to meet insatiable demand. Against a backdrop of geopolitical tensions and financial volatility, Canada is still viewed globally as a safe haven given the country's stable economic and political climate and sound property market fundamentals.

Toronto and Vancouver remain the primary destinations for investor capital, but investment was relatively evenly distributed among the asset classes nationwide in first-half 2018. Office product is attracting its share of capital as the influx of technology and co-working firms adds to demand from traditional sectors. Ongoing urban intensification is not only impacting the office sector, but rising population density and the strong links between the industrial and retail sectors – resulting from the growth of e-commerce and last-mile logistics – mean that both asset types are garnering investors' attention. Meanwhile, tight housing supply is driving multi-family investment, yielding the lowest cap rates. With development robust in all sectors, the scarcity of developable land has put land sales on pace for a record year.

The first half of 2018 was notable not only for direct investment in commercial real estate assets, but also multi-billion-dollar M&A activity in the industry with headline transactions, including Choice Properties REIT's purchase of CREIT and Blackstone's acquisition of PIRET. At the same time, Canadian capital continued to flow into the U.S. as trade-agreement negotiations and political uncertainty did not dampen investors' interest in assets south of the border.

In a world of moderating returns, investors are looking to capitalize on landlord-favouring markets and sectors offering significant rental-rate growth – pushing beyond pure-play acquisitions to redevelopment and upgrade opportunities – while debt reduction and geographic diversification continue. For the near term, asset values will remain elevated and cap rates low.

Notable First-Half 2018 Canadian Investment Market Highlights

- After pouring a record $36.2 billion into commercial real estate assets across Canada's six major markets in 2017, investors placed another $17.7 billion in first-half 2018 – down a modest $1.3 billion, or 7%, from the first half of 2017. Though office was the most sought-after asset type among investors, retail, ICI land and industrial were not far behind.
- Toronto, the top investment location, ($8.2 billion/46% share) outstripped Vancouver ($5.1 billion/29% share) from one year earlier as the two markets combined for three-quarters of total first-half 2018 dollar volume. Toronto attracted the most capital in four of the five sectors, placing second to Vancouver only in retail asset sales. Apart from in Toronto and Ottawa, property sales in all markets declined by varying degrees year-over-year.
- Office was the most desired asset class, securing one quarter, or $4.5 billion, of investor capital, but sales declined 16% year-over-year. Toronto was the only market to register year-over-year sales growth (+35%) as it garnered $2.7 billion (60% of first-half 2018 office dollar volume) in sales – more than the other five markets combined and almost triple Vancouver's $1.1-billion performance.
- Coming off a record $9.1-billion performance in 2017, retail posted $3.9 billion (22% share) in first-half 2018 sales – a decrease of 25% year-over-year. As in first-half 2017, investors favoured retail properties mostly in Vancouver ($1.7 billion) and Toronto ($1.3 billion) as these two markets combined for 78% of total retail investment in the first half of 2018.
- Given robust construction activity across the country, ICI land was in high demand. In all, $3.8 billion worth of land parcels changed hands in the first half of the year – the only sector to post notable year-over-year growth in sales (+82%). The land sector was exceptionally hot in Toronto and Vancouver as annual sales in each market nearly doubled to $1.8 billion and $1 billion, respectively.
- The value of industrial acquisitions inched up 1% year-over-year to $3.3 billion at the midway point of 2018, while cap rates compressed in nearly every market. Buyers continued to seek product in one of North America's biggest and tightest industrial markets, Toronto – which accounted for almost half of overall investment in the sector. Meanwhile, more capital flowed into Ottawa, Montreal and Edmonton compared with one year earlier.
- Accounting for only 13% of the total first-half 2018 investment tally, multi-family property sales dropped 28% to $2.3 billion from $3.2 billion one year earlier. Blackstone's foray into the Canadian multi-family sector (a joint-venture with Starlight Investments) propelled Toronto ($848 million/+46%) ahead of Vancouver ($698 million/-55%) from one year earlier.
- Multi-family assets commanded the lowest capitalization (cap) rates – closely followed by retail. On a market-by-market basis, overall average rates showed the greatest compression year-over-year in Montreal and Ottawa, while the lowest yields were found in Vancouver and Toronto. The overall average cap rate across the six markets and five asset types was 5.1% at mid-year 2018, down 20 bps year-over-year.

Canadian Investment Market Snapshot

4.3% CAP RATE

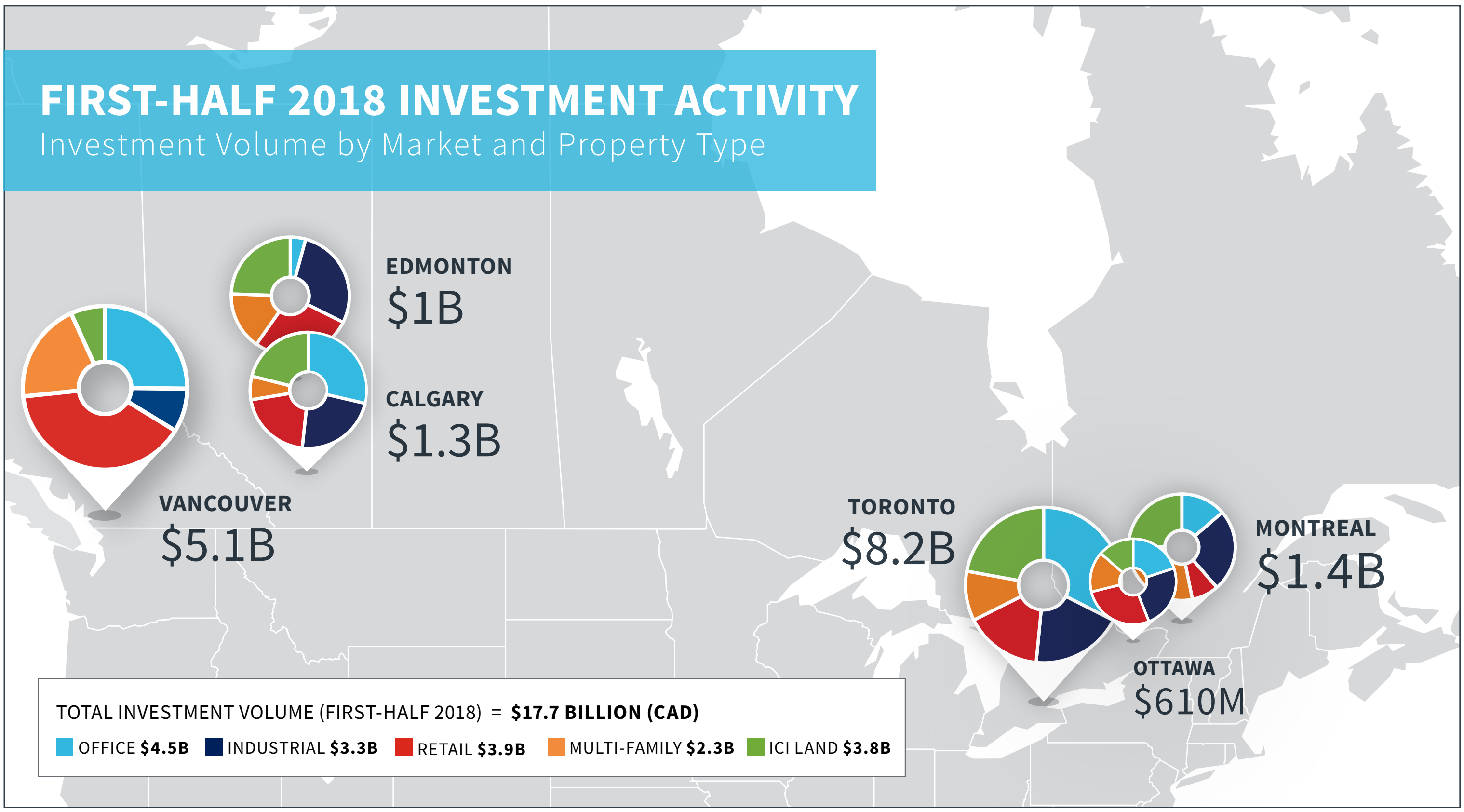
Average for Vancouver vs. Canada average of 5.1%

$17.7 BILLION

Total investment volume in Canada during first-half 2018 vs. $19 billion in first-half 2017 and $36.2 billion in all of 2017

FIRST-HALF 2018 INVESTMENT ACTIVITY

Investment Volume by Market and Property Type



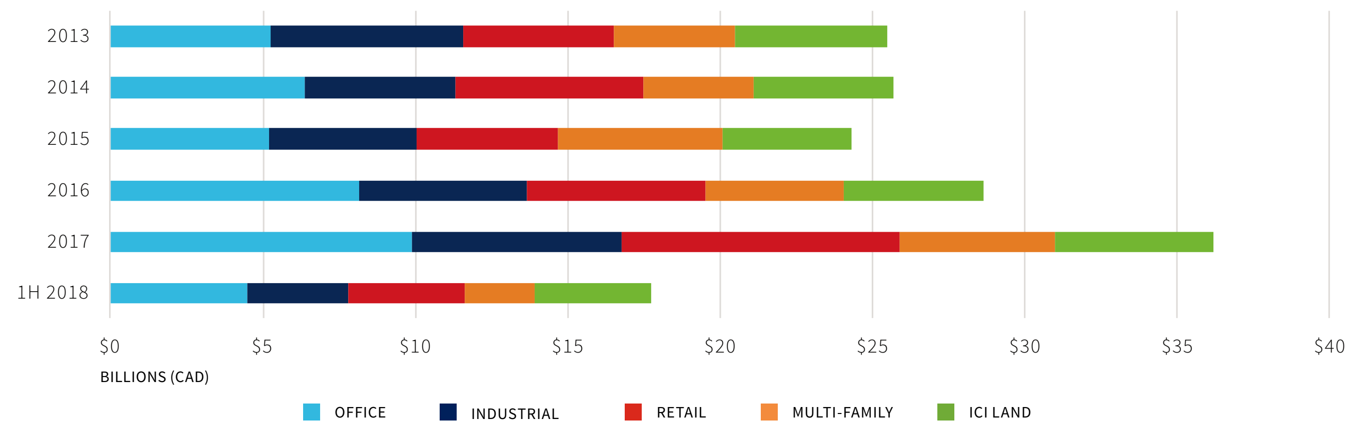
75%

Toronto's (46%) and Vancouver's (29%) share of total investment volume in Canada in first-half 2018

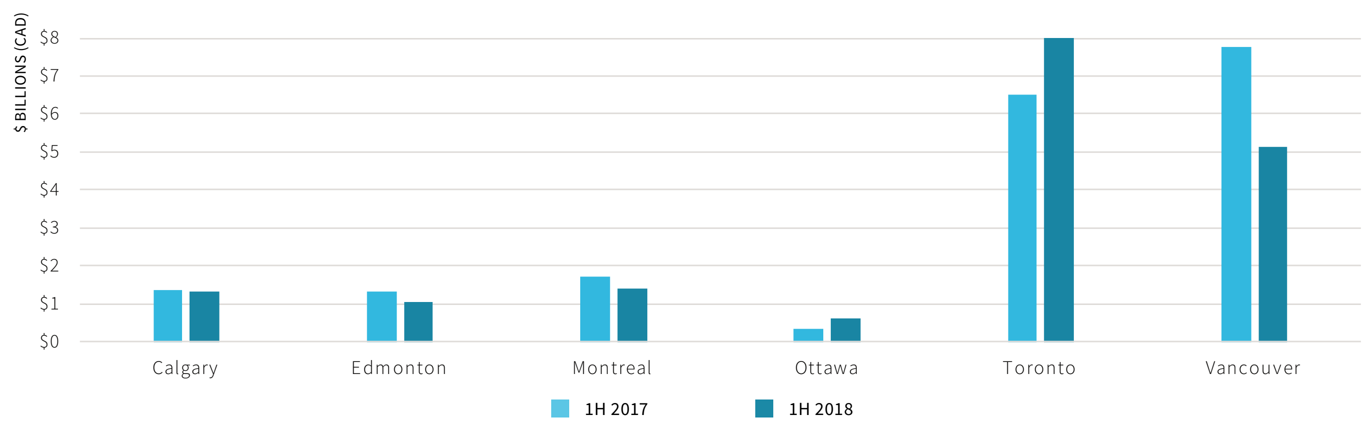
$4.5 BILLION

First-half 2018 total investment in office product across Canada – the most of any asset class – led by Toronto with $2.7 billion in trades

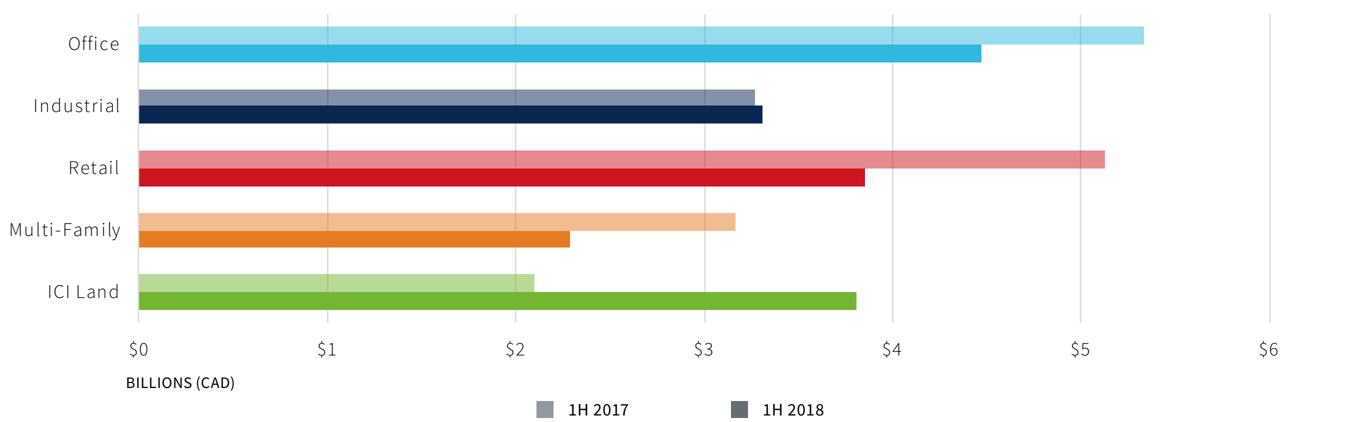
Canada Commercial Real Estate Investment Volume By Property Type



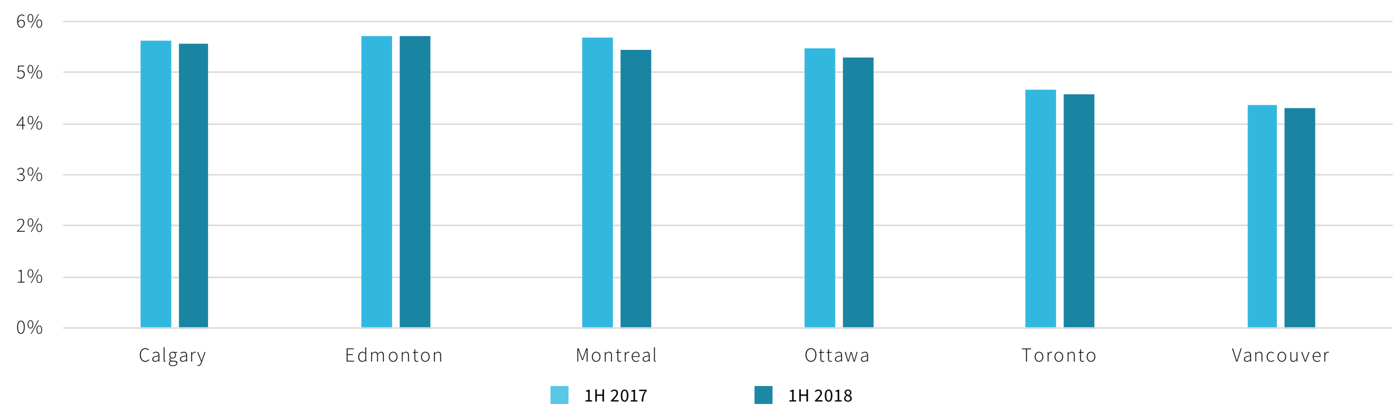
Canada Commercial Real Estate Investment Volume By Market



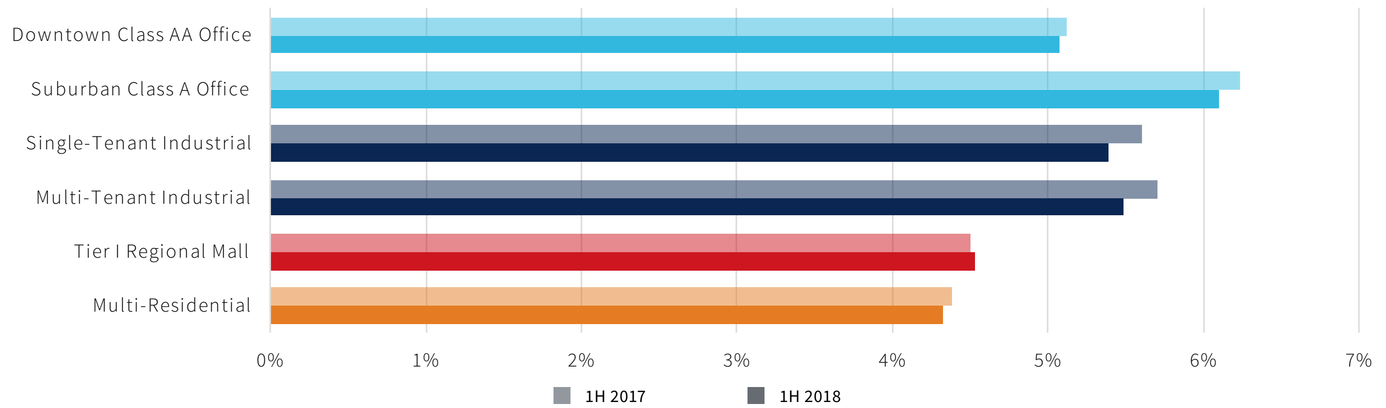
Canada Commercial Real Estate Investment Volume By Property Type



Canada Average Capitalization Rates By Market
(All Property Types)



Canada Average Capitalization Rates By Property Type
(All Markets)




ONE WAY

United States

Investment Market Overview

U.S. investment sales volume increases, multi-family dominates

Despite investor concerns over interest-rate hikes, the economy and the country's political landscape heading into 2018, overall U.S. investment sales volume in the first half of the year increased 4% year-over-year to approximately $137 billion in markets in which Avison Young has an office. Industrial, retail and multi-family investment sales volume increases contributed to this growth, while office investment decreased slightly. Multi-family investment sales volume represented the largest portion of overall investment sales volume at $48 billion and was followed closely by office investment sales at $46 billion.

Foreign investors continued to demonstrate interest in the U.S. in first-half 2018, even in the face of rising U.S. protectionism and global trade uncertainty. Foreign capital flow focused on high-profile and high-priced assets and was concentrated in the New York, Los Angeles and Washington, DC metro markets. Canada led foreign investment in the U.S. once again although the composition of cross-border investors changed. Investment from Chinese investors, who had been particularly active in the U.S. in 2015 ($16 billion) and 2016 ($17 billion), fell off. Chinese investment in U.S. assets had reached approximately $4.9 billion by mid-year 2018.

Private investors, REITs and institutional investors were all active in first-half 2018, fueled by the availability of debt and commercial-loan increases. Private and institutional investors have persistently been more active than foreign investors and REITs in recent years. The abundance of accessible debt has created a competitive lending market, specifically for higher-quality assets.

The U.S. economy posted an unemployment rate of 4% and GDP growth of 4.2% in June 2018, and these figures support the continued bullish outlook of many investors. Looking ahead to the rest of 2018, investment will likely be on par with the $300 billion of overall investment achieved in 2017.

Notable First-Half 2018 U.S. Investment Market Highlights

- Multi-family investment sales volume in the U.S. accounted for a whopping 35% of total investment volume and totaled $48 billion – a 12% increase compared with the same period in 2017. This prominent increase was supported by an abundance of recent development across the U.S.

- U.S. office investment in the first half of 2018 demonstrated a slight decline compared with the same period in 2017, falling 9% to $45.6 billion. The decline in individual asset values year-over-year likely accounts for this decrease. Additionally, investors in the office market have displayed a preference toward newer and higher-quality office buildings. These trends in the office market are expected to continue through the rest of 2018.

- U.S. industrial investment volume increased by 19% year-over-year to $23.6 billion in the first half of 2018. The majority of this performance increase was due to megadeals, largely because of high demand for industrial assets in light of the growth in online retail and need for distribution centers. Industrial investors have displayed increased interest in smaller markets where they predict greater yields.

- Cap rates have remained stable year-over-year even as interest rates have risen. The average cap rate across all sectors dipped slightly to 6.4% at mid-year 2018 from 6.5% at mid-year 2017. The most compressed cap rates in the U.S. were recorded in the multi-family markets of Manhattan and San Mateo, both at 3.6%. Overall, the U.S. office market had the highest cap rate at 7% and the multi-family sector had the lowest at 5.6%.

- Los Angeles was the top market performer overall for the second year in a row with total investment ($11.2 billion) constituting 8% of all U.S. investment sales. Although office and industrial volume in the first six months of 2018 lagged what was achieved in first-half 2017 due to limited inventory and a decrease in Chinese investment, the retail and multi-family sectors increased by 200 bps and 460 bps, respectively.

- Washington, DC continued to be a favored investment target as its volume increased 22% to $9.8 billion year-over-year. Although office sales decreased slightly, significant growth in the multi-family and industrial sectors drove the overall volume higher.

- Manhattan also remained one of the top performers, achieving $8.7 billion in investment volume in the first half of 2018 and a 5% increase in investment volume year-over-year, partly due to increases in cross-border investment. The retail and multi-family sectors exhibited increases in sales volume – 50% and 19%, respectively – while Manhattan's office sales market remains the strongest in the U.S. at $6.7 billion.

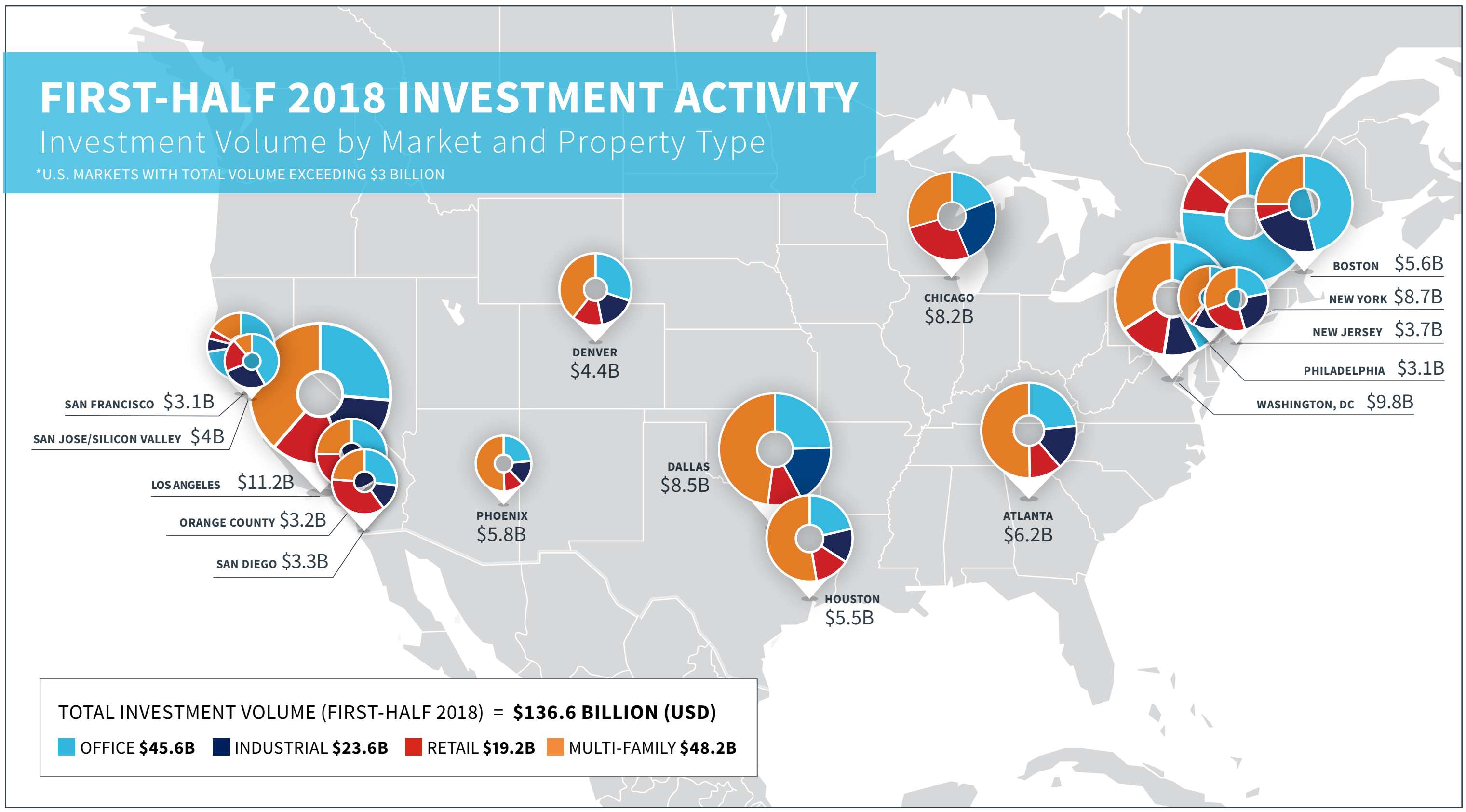
U.S. Investment Market Snapshot

$136.6 BILLION

U.S. investment sales volume through June 30, 2018

$48.2 BILLION

Multi-family sales accounted for a whopping 35% of all U.S. investment volume in first-half 2018



8%

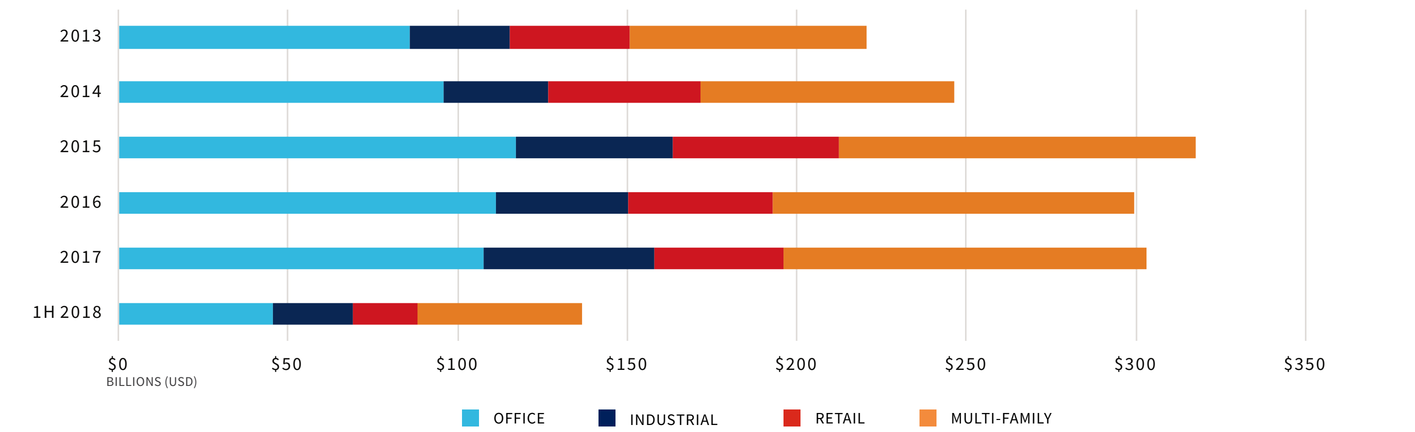
TOTAL U.S. VOLUME

Los Angeles again takes U.S. top investment location with $11.2 billion in sales

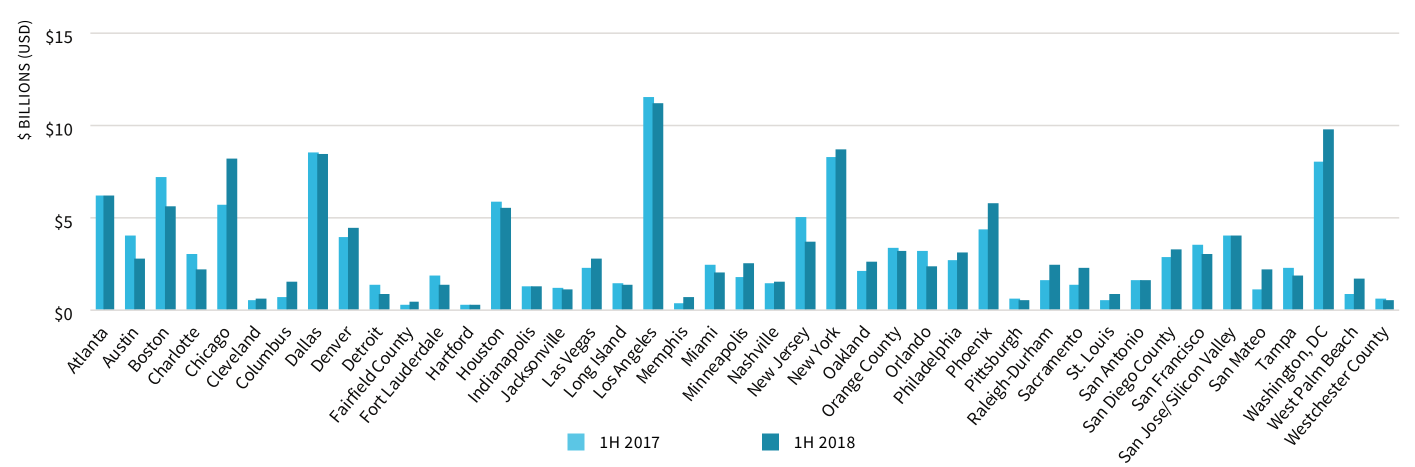
6.4% CAP RATE

Average cap rate at mid-year 2018 dips after averaging 6.5% at mid-year for prior two years

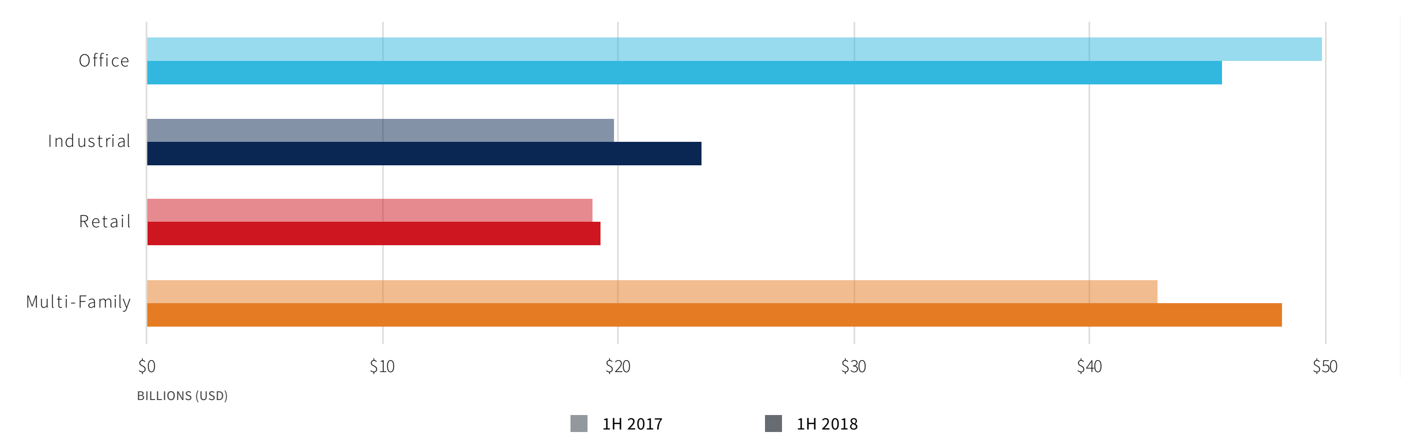
U.S. Commercial Real Estate Investment Volume By Property Type



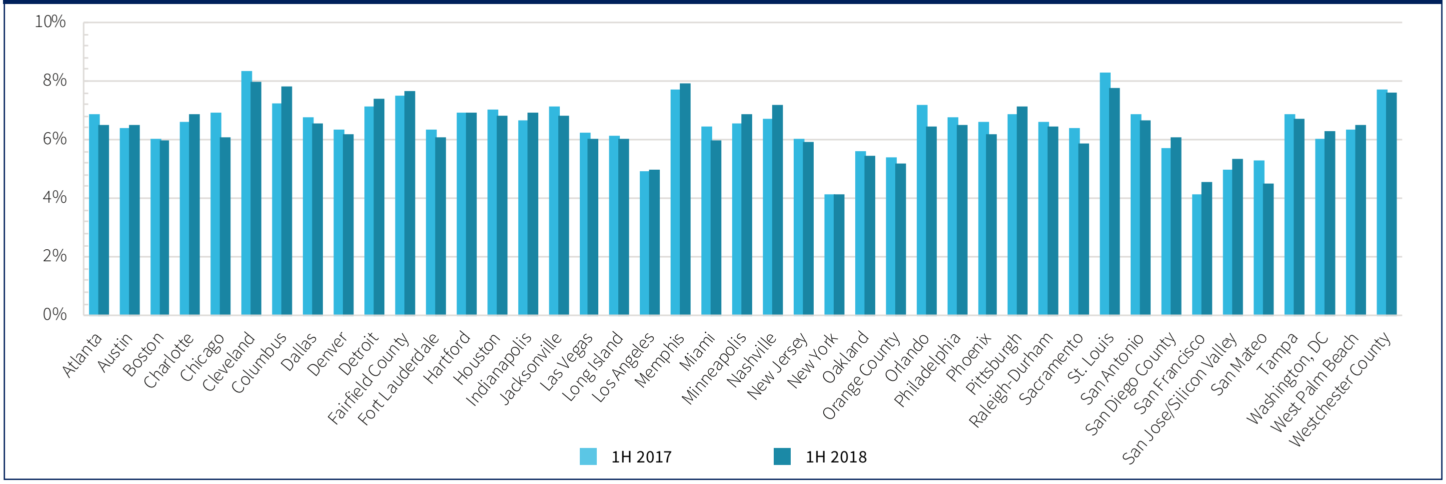
U.S. Commercial Real Estate Investment Volume By Market



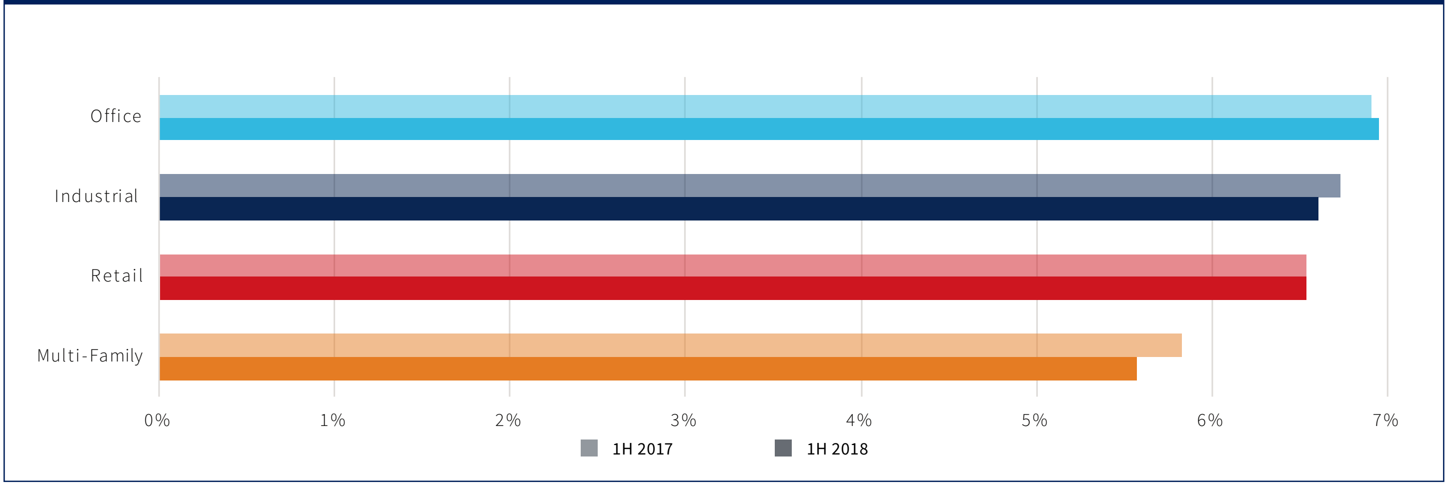
U.S. Commercial Real Estate Investment Volume By Property Type



U.S. Average Capitalization Rates By Market
(All Property Types)



U.S. Average Capitalization Rates By Property Type
(All Markets)



Canada

Calgary Investment Market

Industrial and retail markets growing, office remains challenged

Overall first-half 2018 investment dollar volume in Calgary's commercial real estate market ($1.3 billion) nearly matched first-half 2017 ($1.4 billion). However, a divergence in the market's perception of the office asset class and other investment sectors is occurring.

Calgary's industrial market is posting strong signs of recovery. After five consecutive quarters of positive absorption (2.1 msf in the last 12 months), there is currently more than 2.7 msf under construction with 73% of that forthcoming space being developed on a speculative basis. New supply totalled less than 700,000 sf in the previous 24 months. Industrial assets continue to be sought-after, particularly by Vancouver- and Toronto-based investors, as yields on Alberta properties are noticeably higher than in their home markets.

Calgary's retail real estate sector remains steady – with the exception of the central business district, which is directly influenced by lagging vacancy in the office market. Resiliency and evolution continue to push retailers to reinvest in their businesses as they try to understand and keep up with changing consumer behaviours. Alberta's full embrace of private recreational-cannabis sales is adding to the demand for retail locations and pushing vacancy rates lower.

Calgary's office market appears to have found bottom. Vacancy has moved within a narrow 40-bps range over the last five quarters. The overall vacancy rate increased marginally to 23.5% during the second quarter of 2018 from 23.2% in first-quarter 2018, and remains even with the vacancy rate at mid-year 2017.

A large proportion of recent investment in Calgary has been completed by purchasers who did not previously have a presence in the local market. These groups underwrote Calgary as a market with opportunity and purchased assets at prices not seen in more than a decade. A steady number of transactions throughout the remainder of 2018 is expected to keep investment dollar volume consistent with 2017.

Select Avg. Cap Rates

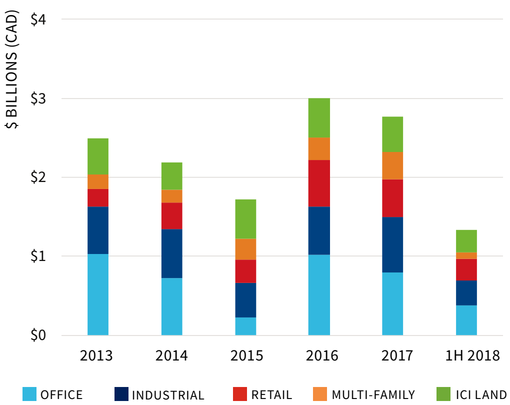
	1H 2017	1H 2018
Downtown Class AA Office	5.8%	**5.9%**
Suburban Class A Office	6.9%	**6.4%**
Single-Tenant Industrial	5.8%	**5.7%**
Multi-Tenant Industrial	5.9%	**5.8%**
Tier I Regional Mall	4.6%	**4.7%**
Multi-Family	4.8%	**4.9%**

Investment Activity

	1H 2017	1H 2018
Office	41%	**29%**
Industrial	25%	**23%**
Retail	9%	**21%**
Multi-Family	11%	**7%**
ICI Land	13%	**21%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY ICI LAND

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	First Tower	Office	$107,000,000 $147 psf	H&R REIT / Dream Office REIT	Hines / Oaktree Capital Management
2	Scotia Centre	Office	$95,121,000 $152 psf	Cominar REIT	Slate Asset Management
3	Cominar Industrial Portfolio	Industrial	$47,460,000 $143 psf	Cominar REIT	Slate Asset Management
4	Green Line LRT Lands	Land	$39,000,000 $977,199 per acre	Canadian National Railway	The City of Calgary
5	Mountain View Business Campus	Office & Land	$32,005,000 $253 psf	Cominar REIT	Slate Asset Management

Edmonton Investment Market

Investment volume continues its rebound

Edmonton's first-half 2018 commercial real estate market investment volume remained on pace for a full-year result consistent with 2017 totals as $1 billion was transacted in the first six months of 2018 (relative to nearly $2 billion during the 2017 calendar year).

Retail investment profoundly reversed course in 2017 – increasing fivefold compared with 2016 – as investor confidence was supported by an 8.7% increase in consumer spending in the region during the year. The first half of 2018 followed a similar trend with several shopping centres transacting in Edmonton and surrounding markets.

After several downtown office buildings were purchased with the intention of redevelopment in 2017, the trend continued in first-half 2018 with the sale of Enbridge Tower at 10201 Jasper Avenue for $22 million. The buyer plans to convert the property to a hotel. The second half is already off to a great start as Alberta Investment Management Corporation (AIMCo) purchased Edmonton Tower from the Katz Group and One Properties for $400 million, marking the largest office transaction in the city's history.

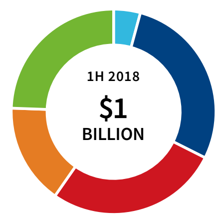
The ICI land sector recorded the largest dollar volume declines during the past three years relative to the early part of the decade. However, investment dollar volume is on pace to surpass the 2017 total and, as large parcels become increasingly scarce inside Anthony Henday Drive, investment volume is being driven by industrial land in surrounding markets.

While cap rates are generally expected to remain stable until the cost of borrowing substantially increases, each asset class will be affected differently as interest rates rise. Older office investment properties will see the greatest increase in cap rates versus interest rates due to a 15% office vacancy rate and lenders' reduced willingness to accept office properties as collateral relative to other asset classes. Retail properties are anticipated to see the smallest increase in cap rates, as there is a deep pool of local investors for this asset class, providing higher liquidity to vendors.

Select Avg. Cap Rates

	1H 2017	1H 2018
Downtown Class AA Office	6.0%	**6.1%**
Suburban Class A Office	6.7%	**6.6%**
Single-Tenant Industrial	5.9%	**6.0%**
Multi-Tenant Industrial	6.0%	**5.9%**
Tier I Regional Mall	4.7%	**4.8%**
Multi-Family	5.0%	**4.9%**

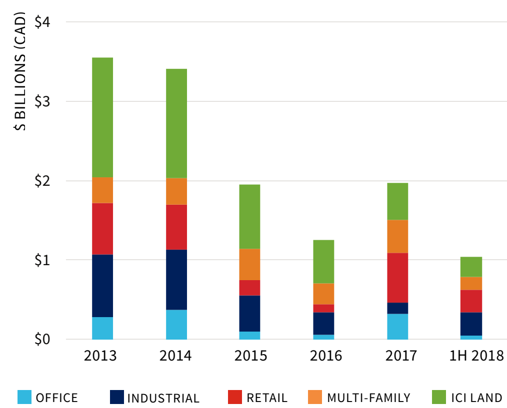
Investment Activity



	1H 2017	1H 2018
Office	12%	**4%**
Industrial	16%	**28%**
Retail	27%	**27%**
Multi-Family	28%	**16%**
ICI Land	17%	**24%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY ICI LAND

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Westland Market Mall	Retail	$35,493,730 $273 psf	SRF2 Westland Market Mall Inc.	CCP Westland GP Ltd.
2	Westgate Shopping Centre	Retail	$26,000,000 $507 psf	Rexall (C&H Properties Inc.)	Crestpoint Real Estate Investments
3	Parsons Business Centre	Industrial	$25,000,000 $144 psf	Jaylor Realty Management Inc.	York Realty Inc.
4	Enbridge Tower	Office	$22,000,000 $121 psf	Bentall Kennedy LP	Lighthouse Hospitality Management Inc.
5	Windsor Arms	Multi-Family	$21,350,000 $234,615 per unit	S.M.C. Holdings LLC	Timbercreek Communities

Montreal Investment Market

Industrial and land sectors post significant improvement

Montreal commercial real estate investment sales totalled $1.4 billion in the first half of 2018, down 18% year-over-year. The decline was mainly due to weak activity in the office and multi-family segments. Despite an overall drop in investment dollar volume, investors remain very active and interested in all asset classes in the Greater Montreal Area. The market is more aggressive in terms of pricing in the industrial and land sectors as a result of the scarcity of investment opportunities.

The office sector recorded the largest deterioration in first-half sales volume, down 57% year-over-year. The downtown market has historically been favoured by investors; however, the most significant transaction of the first half of 2018 occurred in the midtown submarket. Bentall Kennedy, acting on behalf of Sun Life Financial, acquired 7250 and 7450 Rue du Mile End for $155 million. The office buildings will add 400,000 sf to Sun Life Financial's Quebec portfolio. Office investment dollar volume could climb back up by year-end, considering that 600 and 700 de la Gauchetiere – two linked class A buildings – are on the market.

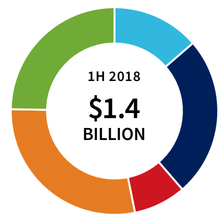
The industrial investment market posted a significant year-over-year improvement during the first half of 2018. Total dollar volume was up by 26% compared with the first half of 2017 with an additional $72 million invested. The top transaction was the sale of the ABB Montreal Campus to Crestpoint Real Estate Investments. The 300,814-sf, LEED-Silver facility was built in 2018 and is fully leased by ABB. The developer, Broccolini Construction, sold the property for $250 psf.

The land market registered the most significant increase (73%) in dollar volume year-over-year, bringing the investment total to $346 million in first-half 2018. The most notable land transaction was a 3.1-acre mixed-use development site in downtown Montreal, acquired by Broccolini Construction in a partnership with National Bank for $32.3 million per acre.

Select Avg. Cap Rates

	1H 2017	1H 2018
Downtown Class AA Office	5.2%	**5.1%**
Suburban Class A Office	6.5%	**6.0%**
Single-Tenant Industrial	6.2%	**6.0%**
Multi-Tenant Industrial	6.5%	**6.1%**
Tier I Regional Mall	4.9%	**4.7%**
Multi-Family	4.8%	**4.7%**

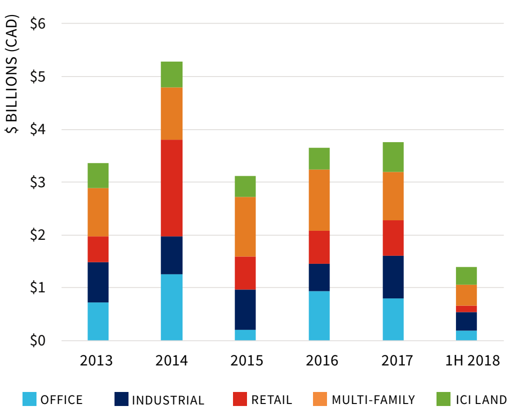
Investment Activity



1H 2016	1H 2017
26%	**14%**
16%	**25%**
16%	**8%**
30%	**28%**
12%	**25%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY ICI LAND

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	7250 & 7450 Du Mile End Street	Office	$155,500,000 $374 psf	Mile-End Investments Inc.	Sun Life Assurance Company of Canada
2	Robert-Bourassa Boulevard	Land	$100,000,000 $32,266,667 per acre	Magil Laurentian Realty Investments Inc. / Laurentian Weloga LP / Desjardins	Broccolini Construction / Banque Nationale
3	3460 Peel Street	Multi-Family	$79,650,000 $298,315 per unit	Placements des appartements de la Place Peel Ltée	Akelius Montreal Ltd.
4	800 Hymus Street	Industrial	$82,300,000 $250 psf	Broccolini Limited Partnership	Crestpoint Real Estate Investments
5	1975 de Maisonneuve Boulevard West	Multi-Family	$48,000,000 $200,000 per unit	9275-2146 Québec Inc.	Akelius Montreal Ltd.

Ottawa Investment Market

Opportunities attract outside investors

Ottawa's investment market continued to attract outside investors in the first half of 2018 as they sought better value than is typically found in other major Canadian centres. The trend started in March 2017 when the sale of Minto Place set a benchmark price for trophy assets in the downtown core and continued in the latter half of 2017 when Oxford and its partner, the Canada Pension Plan Investment Board, sold their interest in Constitution Square for $480 million. These trophy office assets garnered a great deal of attention.

While investment dollar volume in 2017 was skewed by the sales noted above, the pace of investment activity in first-half 2018 was greater year-over-year across almost all asset classes. The retail, office and industrial markets had significant assets change hands in the first half of 2018 with the sale of a portfolio of automobile dealerships by Ogilvie Realty to Toronto-based Alpha Auto Group topping the list at $76.6 million. This transaction was one of three portfolio sales to rank in the top five deals of first-half 2018, and is further evidence of Ottawa's attractiveness to outside investors.

Looking to the second half of the year, the pending sale of Jean Edmonds Towers in the downtown core by Brookfield Properties is expected to close before year-end, and would likely be the largest single-asset sale in Ottawa in 2018, boosting the full-year result.

Development opportunities, particularly those with proximity to Ottawa's soon-to-be-opened (early 2019) light-rail-transit line, have certainly moved the investment bar upward in terms of asset values. Prices have topped $40 per buildable foot for in-place development density with current asking prices for key locations far exceeding that threshold.

Select Avg. Cap Rates

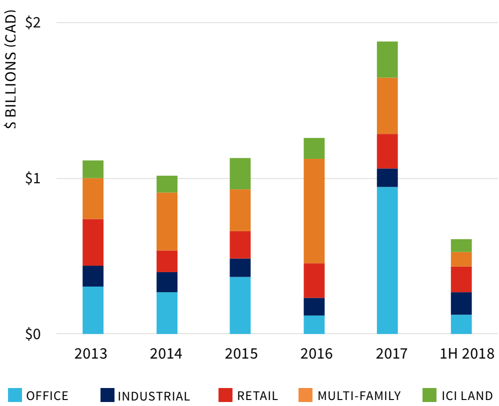
	1H 2017	1H 2018
Downtown Class AA Office	5.3%	**5.0%**
Suburban Class A Office	6.4%	**6.3%**
Single-Tenant Industrial	5.9%	**5.6%**
Multi-Tenant Industrial	6.0%	**5.7%**
Tier I Regional Mall	4.7%	**4.8%**
Multi-Family	4.5%	**4.3%**

Investment Activity

	1H 2017	1H 2018
Office	70%	**20%**
Industrial	15%	**24%**
Retail	6%	**27%**
Multi-Family	8%	**15%**
ICI Land	1%	**14%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY ICI LAND

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Ogilvie Realty - Alpha Auto Group Portfolio	Retail	$76,640,000 $358 psf	Ogilvie Realty Ltd.	Alpha Auto Group
2	3000 & 3001 Solandt Road / 450 March Road / 1001 Farrar Road	Office	$74,173,000 $216 psf	Morguard Investments Ltd. / HOOPP Realty Inc.	Fiera Properties
3	Investors Group - Desjardins Portfolio	Industrial	$68,150,000 $125 psf	Investors Group Trust	Desjardins
4	1100 & 1101 Polytek Street	Industrial	$42,500,000 $175 psf	HOOPP Realty Inc.	Morguard Investments Ltd.
5	236 Richmond Road	Multi-Family	$36,250,000 $510,563 per unit	Main and Main	InterRent REIT

Toronto Investment Market

Sound property fundamentals position market for another record year

Buoyed by solid property fundamentals, sellers capitalized on record-high asset values and buyers' abundant capital in the first half of 2018, trading $8.2 billion worth of Greater Toronto Area (GTA) commercial real estate. That total represented a 26% year-over-year increase, and the market is on pace to break the record $14.5 billion sold in all of 2017, as four of the five asset types recorded year-over-year sales growth.

The GTA office leasing market is one of North America's hottest, prompting investors to pour $2.7 billion into the sector during first-half 2018 – more than any other asset class and up 35% year-over-year. Office trades ranked among the region's largest first-half sales – including a 50% non-managing interest in Brookfield Properties' 2.2-msf Bay Adelaide Centre complex in Toronto's Financial Core to foreign buyer Dadco Investments for $850 million.

Boosted by a record $1.3-billion second quarter, ICI land sales volume almost doubled year-over-year to $1.8 billion in first-half 2018 – on pace to surpass 2017's record $2.2-billion result. Bombardier's $825-million sale of its Downsview Airport site to the Public Sector Pension Investment Board was the GTA's second-largest transaction in first-half 2018 – and Canada's largest-ever ICI land sale.

Following a record $3.5 billion in sales in 2017, industrial was the only sector to decline year-over-year, falling a modest 9% to $1.6 billion at mid-year 2018 – due to product scarcity rather than lack of investor demand. Historically low vacancy, new supply struggling to meet demand and a very active owner-user market defined the sector, while Mississauga and Peel Region have attracted strong investor interest.

Ongoing retail landscape changes have not dampened investors' enthusiasm for the sector. Coming off a near-record $2.9 billion result in 2017, retail posted $1.3 billion in first-half 2018 sales, inching above 2017's first-half tally.

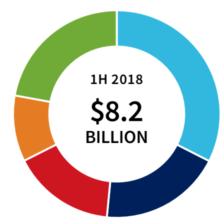
Meanwhile, Blackstone's foray into Canadian multi-family property ownership, through a joint-venture with Starlight Investments, lifted the sector's first-half 2018 sales to $848 million – within striking distance of the $1.6 billion sold in all of 2017.

A supply-demand imbalance will keep cap rates for most asset types historically low as eager investors seek new ways to direct capital into hard assets – despite the lateness of the investment cycle, higher interest rates and, potentially, declining returns.

Select Avg. Cap Rates

	1H 2017	1H 2018
Downtown Class AA Office	4.3%	**4.2%**
Suburban Class A Office	5.6%	**5.8%**
Single-Tenant Industrial	5.0%	**4.7%**
Multi-Tenant Industrial	5.1%	**4.9%**
Tier I Regional Mall	4.1%	**4.1%**
Multi-Family	3.9%	**3.8%**

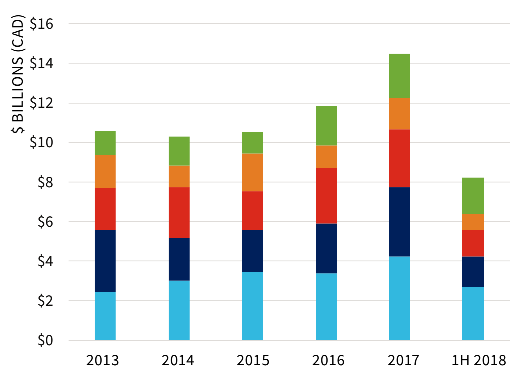
Investment Activity



1H 2016	1H 2017
30%	**32%**
26%	**19%**
20%	**16%**
9%	**10%**
15%	**22%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY ICI LAND

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Bay Adelaide Centre (50% interest)	Office	$850,000,000 $767 psf	Brookfield Properties	Dadco Investments
2	Downsview Airport	Land	$825,000,000 $2,261,823 per acre	Parc Downsview Park Inc. / Bombardier Inc.	Public Sector Pension Investment Board
3	Parkway Place	Office	$256,250,000 $296 psf	Agellan Commercial REIT	Tigra Vista Inc.
4	483 Bay Street (50% interest)	Office	$226,250,000 $480 psf	Northam Realty Advisors	German investment fund
5	55 University Avenue	Office	$195,100,000 $742 psf	Cominar REIT	Investors Group

Vancouver Investment Market

Private investors spur near-record investment

Demand for BC investment properties remained robust in the face of heightened global trade uncertainty and increased government regulation with $5.1 billion in proceeds in the first half of 2018 – a 34% decrease when compared with the record-setting first half of 2017. The absence of billion-dollar transactions in the first half of 2018 was the primary reason for the decline. (Two noteworthy transactions totalling approximately $2.9 billion closed in the first half of 2017.) Transactions in the first half of 2018 generated the second-most dollar volume on record (after 2017) and, in a historical context, eclipsed the full-year investment totals of both 2013 and 2014. The number of deals recorded in the first six months of 2018 moderated compared with the first half of 2017, but, as with dollar volume, remained elevated in comparison with years prior to 2017.

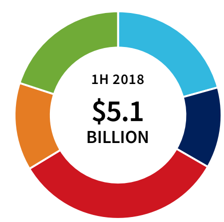
By asset class, office investment dropped to $1.1 billion by the midway point of 2018 compared with nearly $2 billion during the same period in 2017. Retail investment declined by 45% to $1.7 billion from $3.1 billion in the first half of 2017. Multi-family investment dropped 55% to $698 million from more than $1.5 billion in the first half of 2017. Industrial investment dipped 3% to $645 million in the first half of 2018 from $668 million in the same period in 2017. The value of ICI land acquisitions surged year-over-year, jumping 94% to more than $1 billion in the first half of 2018 from $527 million 12 months earlier.

Private investors resumed their leadership position in terms of disposition values in the first half of 2018 after institutions had surged to the top in 2017 by selling off several trophy retail and office assets. Land values continue to exert downward pressure on already highly compressed cap rates, but land pricing appears to be stabilizing after years of rapid increases. A rising interest-rate environment and heightened political uncertainty have resulted in slowing sales activity due to a return to more typical periods of due diligence and more cautious underwriting.

Select Avg. Cap Rates

	1H 2017	1H 2018
Downtown Class AA Office	4.1%	**4.1%**
Suburban Class A Office	5.3%	**5.5%**
Single-Tenant Industrial	4.8%	**4.3%**
Multi-Tenant Industrial	4.7%	**4.5%**
Tier I Regional Mall	4.0%	**4.1%**
Multi-Family	3.3%	**3.3%**

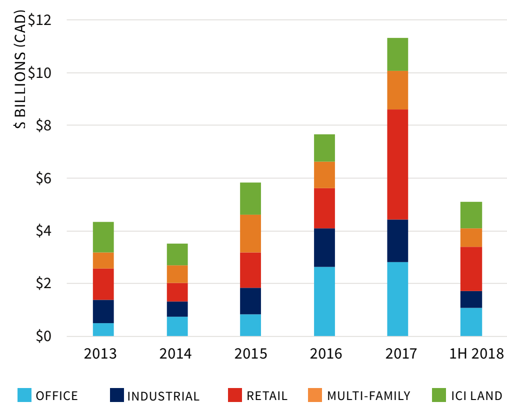
Investment Activity



1H 2017	1H 2018
25%	**21%**
9%	**13%**
40%	**33%**
20%	**14%**
7%	**20%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY ICI LAND

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Gateway Casinos portfolio, Burnaby/ New Westminster/Langley	Retail	$501,000,000 n/a	Gateway Casinos & Entertainment	Meisrow Financial
2	CF Richmond Centre (50% interest), Richmond	Retail	$392,000,000 $992 psf*	Ivanhoé Cambridge	AIMCo
3	Ottmann Properties portfolio, Vancouver/North Vancouver	Multi-Family	$248,000,000 $543,859 per unit	Ottmann Properties	Starlight Investments
4	Willingdon Park (buildings 1,2,5,6 and 7), Burnaby	Office	$179,000,000 $366 psf	HOOPP Realty Inc.	Spear Street Capital
5	443 Seymour Street, Vancouver	Land	$131,460,000 $305,770,930 per acre	VMB Inc.	Reliance Properties

*based on 100% value

United States

Atlanta Investment Market

Multi-family property sales lead market

Atlanta office, industrial, retail and multi-family property sales totaled $6.2 billion during the first half of 2018, slightly trailing the 2017 pace of activity. Multi-family sales were the largest, totaling $3.1 billion, followed by office sales at $1.5 billion. Office sales registered a slight decrease in activity, primarily due to fewer CBD properties trading. The largest office transaction was the $267.5-million sale of Three Alliance Center in the Buckhead submarket. The 506,000-sf office building was 93% leased when purchased by the State of Florida Retirement Fund in January and recorded a 6.35% cap rate.

Multi-family sales continue to make the metro Atlanta investment market one of the best performing markets in the U.S. Southeast. Multi-family sales activity was up 8% from the same time in 2017 and comprised 50% of activity during the first half of 2018. In the largest multi-family sale during the first six months of 2018, Carter-Haston Real Estate Services purchased the Juncture, a 560-unit class A property, for $141.7 million.

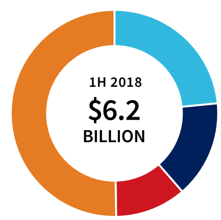
Industrial sales totaled $941 million during the first six months of the year, down 14% year-over-year. This result followed a trend that is being seen across the country as there is currently a lack of industrial properties on the market. However, demand is still present for core properties as well as value-add opportunities, so investment sales activity should increase in the second half of 2018. The largest industrial transaction was the $58-million sale of the 1-msf Metropolitan industrial park, which Carter USA purchased in May from Candler Warehouses.

Retail sales totaled $687 million during the first half of 2018, down from the same period in 2017. This drop was due in large part to investors waiting for cap rates to compress, as retail cap rates are currently the highest in Metro Atlanta, averaging 7%. The largest retail transaction was the sale of Kennesaw Marketplace for $64.3 million. The 114,000-sf shopping center is anchored by Whole Foods and was purchased by InvenTrust Properties.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.9%	**6.5%**
Industrial	7.4%	**6.7%**
Retail	7.2%	**7.0%**
Multi-Family	6.0%	**5.9%**

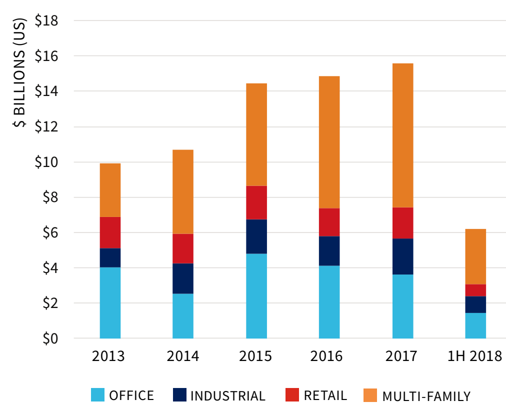
Investment Activity



	1H 2017	1H 2018
Office	24%	**23%**
Industrial	18%	**15%**
Retail	12%	**11%**
Multi-Family	46%	**50%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Three Alliance	Office	$267,500,000 $534 psf	Tishman Speyer	State of Florida Retirement Fund
2	The Juncture	Multi-Family	$141,700,000 $253,036 per unit	JLB Partners	Carter-Haston Real Estate Services
3	Royal Centre II, III, IV	Office	$107,000,000 $172 psf	Dilweg Companies / New York Life	Bridge Investment Group
4	Modera Morningside	Multi-Family	$106,750,000 $328,461 per unit	Mill Creek Residential Trust	GID Investment Advisors
5	Jefferson at Perimeter	Multi-Family	$102,800,000 $203,968 per unit	The Blackstone Group	Steadfast Apartment REIT

Austin Investment Market

Office prices maintain upward trajectory

Low unemployment, rising property valuations and persistent population growth are just some of the many factors that have driven investors to the Austin market in recent cycles. The metro's continued economic success powered competition for commercial assets during the first half of 2018, meaning that willing buyers were often unable to find willing sellers. Accordingly, overall transaction volume for Austin's commercial assets through the first half of 2018 was roughly 70% of the first-half 2017 total.

The multi-family sector once again outperformed other commercial asset classes – in terms of both sales totals and prices – during the first half of 2018. Austin's population growth and demographic makeup continued to fuel investors' affinity for multi-family assets, resulting in multi-family making up nearly 50% of the total first-half 2018 sales volume. Though first-half 2018 office transaction volume appeared to lag the first-half 2017 level, office prices remained on an upward trajectory and cap rates registered no year-over-year change. Growth in trophy-class inventory and high occupancy rates from credit tenants suggest promising returns for investors, thus furthering their desire to participate in this, now, secondary market.

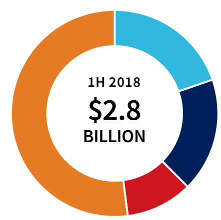
Despite rising cap rates, industrial sales volume at mid-year 2018 had already surpassed the full-year total for 2017 by nearly $151 million. Upticks in manufacturing jobs, and the inclusion of Austin's product in larger national and international portfolio sales, have helped stimulate local industrial investment activity. Retail investment activity abounds in Austin's suburban submarkets, where much of the proposed office product is set to break ground. As new projects are delivered, investment in surrounding retail assets is expected to increase, keeping the volume in 2018 on pace with recent years.

Market-wide low vacancy, rising rents, job growth and a robust construction pipeline signal that new investment opportunities are soon to come, keeping the outlook for Austin's commercial real estate investment market positive.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.8%	**6.8%**
Industrial	6.6%	**7.4%**
Retail	6.6%	**6.5%**
Multi-Family	5.6%	**5.4%**

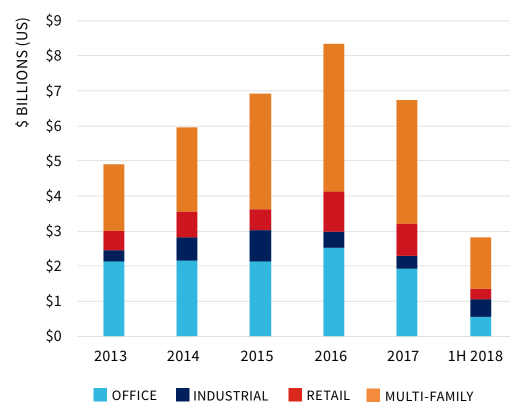
Investment Activity



	1H 2017	1H 2018
OFFICE	26%	**20%**
INDUSTRIAL	5%	**18%**
RETAIL	13%	**10%**
MULTI-FAMILY	55%	**52%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	The Block	Multi-Family	$294,478,520 $440,177 per unit	American Campus Communities	Allianz of America
2	2400 Neuces	Multi-Family	$185,827,278 $611,274 per unit	EdR	Greystar
3	The Castilian	Multi-Family	$163,305,727 $440,177 per unit	American Campus Communities	Allianz of America
4	26 West	Multi-Family	$161,545,018 $440,177 per unit	American Campus Communities	Allianz of America
5	Domain 8	Office	$137,700,000 $473 psf	Shorenstein / Endeavor RE Group	TIER REIT

Boston Investment Market

Industrial investment volume surges

Greater Boston investment sales dollar volume was down $1.6 billion year-over-year in first-half 2018 at $5.6 billion. Downward pressure on cap rates remains a theme with the overall market average sinking to 6% at mid-year thanks to a continuing robust economy and growing residential base.

Office trades have achieved record-high prices during the last couple of years – particularly in downtown Boston and Cambridge, where some class A building prices exceed $1,200 psf. However, office investment dollar volume was down compared with first-half 2017. This reduction was mainly due to a significant amount of long-term institutional capital having entered the market during the past several years. This situation has the effect of driving down sales frequency and keeping cap rates low for deals that come to the market.

Industrial sales volume posted the largest year-over-year increase among all four primary asset types. In first-half 2018, industrial sales in Greater Boston totaled nearly $1.3 billion – up more than 100% compared with the first six months of 2017. Mainly driven by warehousing and distribution assets, the market has benefited from strong demand from companies looking to get closer to the end consumer in densely populated areas of Boston and Cambridge as strategic supply-chain operations seek to reach these bustling population cohorts.

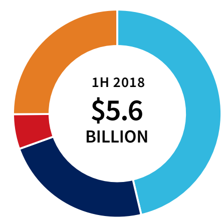
As Greater Boston's labor pool increases, so does the need for housing, especially near Boston and Cambridge, where demand for office, lab and industrial space is highest. Despite an increase in multi-family supply year-over-year since 2014, demand for apartment space has not slowed. Thanks to a variety of companies migrating to, and starting up in, the Greater Boston market, the region's rising population is pushing cap rates down and boosting trade volume.

Looking ahead, overall investment sales volume is expected to rise in the second half of 2018, as several trophy office towers with a combined value exceeding $2 billion are either on the market or have a sale pending in downtown Boston.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	5.6%	**5.6%**
Industrial	6.8%	**6.8%**
Retail	6.3%	**6.4%**
Multi-Family	5.5%	**5.1%**

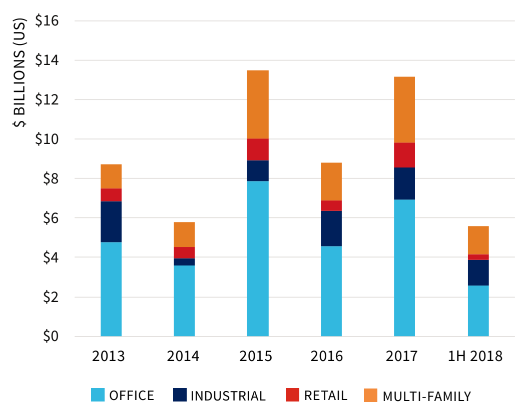
Investment Activity



	1H 2017	1H 2018
Office	71%	**46%**
Industrial	8%	**23%**
Retail	8%	**5%**
Multi-Family	13%	**25%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	28 State Street	Office	$417,600,000 $730 psf	The Rockefeller Group	Heitman
2	451 D Street	Office	$276,000,000 $578 psf	GE Asset Management	Related Beal
3	4 Blackfan Circle	Office (Lab)	$273,030,940 $1,421 psf	Harvard Real Estate	Intercontinental Real Estate Corporation
4	85 Seaport Boulevard	Multi-Family	$238,750,000 $690,000 per unit	Skanska Development	Clarion Partners
5	177 Huntington Avenue	Office	$137,500,000 $665 psf	Beacon Capital Partners	AFL-CIO Building Investment Trust

Charlotte Investment Market

Investor demand remains strong despite volume decline

Charlotte investment sales totaled $2.2 billion in the first half of 2018, down 26% compared with the first half of 2017. The decline in volume is not indicative of waning investor demand, but instead represents a return to more typical activity levels following the blockbuster sale of Ballantyne Corporate Center – the largest transaction in Charlotte's history – in early 2017.

Multi-family sales surged to $1.1 billion in the first half of 2018, rising 45% from the same period in 2017 and representing 49% of overall dollar volume. Demand for multi-family assets remains resilient despite a flood of new supply as occupancy and rental rates are supported by Charlotte's robust job growth and rapidly expanding population. Demand also remains strong for office properties with investors seeking both trophy assets and value-add opportunities as rental rates rise to record highs. Office sales totaled $687 million in the first half of 2018, representing 31% of total investment. The sale of 615 South College for $222 million ($598 psf) set a record for per-square-foot pricing for a Charlotte office building.

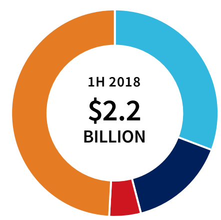
Sales of industrial and retail properties declined in the first half of 2018 following an extraordinarily active year for both asset classes in 2017. Industrial sales totaled $338 million, down 33% year-over-year, and retail sales totaled $110 million, down 67% year-over-year. Industrial sales are likely to pick up in the second half of 2018 as vacancy remains tight and more than 5.7 msf in construction delivered in the past year offers investors new opportunities to acquire modern, well-leased facilities. In the face of an ongoing wave of store closures, investors are cautious with regard to retail properties, but grocery-anchored centers and single-tenant net-leased assets remain in demand.

Charlotte continues to offer a significant value proposition versus tier-one markets. While 2018 volume is likely to fall short of the more than $5 billion recorded in 2017, sales activity through the remainder of the year is expected to be steady.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.5%	**6.9%**
Industrial	7.0%	**7.3%**
Retail	6.8%	**7.1%**
Multi-Family	6.1%	**6.1%**

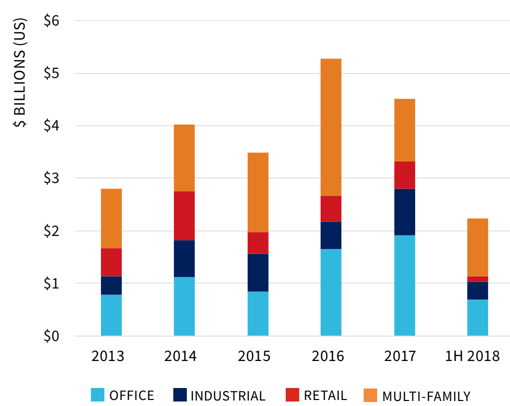
Investment Activity



	1H 2017	1H 2018
Office	48%	**31%**
Industrial	17%	**15%**
Retail	11%	**5%**
Multi-Family	25%	**49%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	615 South College	Office	$222,000,000 $598 psf	Portman Holdings	CBRE Global Investors
2	400 South Tryon	Office	$133,500,000 $229 psf	DRA Advisors / Trinity Capital	Oaktree Capital Group
3	2901 Lakemont Blvd. & 3725 Westinghouse Blvd.	Industrial	$70,500,000 $92 psf	GLP	The Keith Corporation
4	Centric Gateway	Multi-Family	$69,000,000 $232,323 per unit	Dominion Realty Partners	TH Real Estate
5	Avant at Steele Creek	Multi-Family	$67,825,000 $148,739 per unit	LivCor	American Landmark

Chicago Investment Market

Industrial investors keen about portfolios

Chicago's first-half 2018 commercial real estate investment volume rose 44% across all asset classes year-over-year, totaling $8.2 billion. This increase can largely be attributed to the rise in sales volume in the office sector, up 225% to $3.5 billion in first-half 2018 from $1.1 billion at mid-2017. Foreign capital represented 15% of total sales dollar volume with the majority allocated towards office product.

The office sector accounted for 43% of total sales dollar volume. Institutional and private investors were major purchasers of CBD office product, primarily of highly occupied class A buildings. Four of the top five sale transactions were located in the CBD. The largest transaction in the first half was the sale of Prudential Plaza, which traded from the 601W Company to a joint-venture between Wanxiang America Real Estate and Sterling Bay for $680 million, or $309 psf. The two-building, 2.2-msf East Loop property was 85% leased at the time of sale.

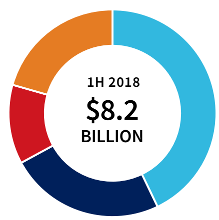
Multi-family investments recorded little change in transaction volume when compared with first-half 2017. North Harbor Tower traded between Crescent Heights and Waterton Residential for $240 million, or $402,684 per unit. The new owner plans to invest $9 million in upgrades. While assets within Chicago's city limits continued to attract high prices, investors have increased their appetite for quality suburban assets. Retail investment lagged year-over-year, accounting for only 12% of overall investment sales dollar volume. As the retail landscape restructures itself, investors will continue to focus on well-leased properties with more amenities in densely populated urban areas.

Following the national trend of strong industrial investment, local industrial transaction dollar volume increased 41% year-over-year to almost $2 billion. With an increased volume of capital focused on securing industrial product, investors have been more inclined to acquire portfolios. Notable examples include Blackstone's acquisition of a 120-building, last-mile distribution portfolio from Cabot Properties for $1.8 billion with 19% – an allocation of $303.7 million on 23 properties – located in the Chicago market.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	8.0%	**6.4%**
Industrial	6.6%	**6.5%**
Retail	6.6%	**6.4%**
Multi-Family	6.5%	**5.1%**

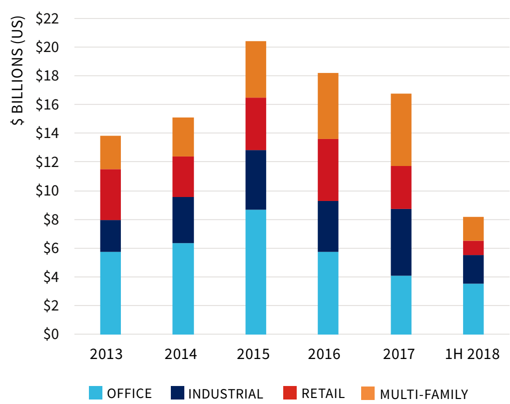
Investment Activity



	1H 2017	1H 2018
Office	19%	**43%**
Industrial	25%	**24%**
Retail	27%	**12%**
Multi-Family	29%	**21%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Prudential Plaza	Office	$680,000,000 $309 psf	601W Companies	Wanxiang America Real Estate Corp. / Sterling Bay
2	600 W. Chicago Avenue	Office	$510,000,000 $310 psf	Equity Commonwealth	Sterling Bay
3	One South Dearborn	Office	$360,250,000 $435 psf	Olen Commercial	Starwood Capital Group
4	175 W. Jackson Boulevard	Office	$305,000,000 $210 psf	Extell Development Company	Brookfield Asset Management
5	North Harbor Tower	Multi-Family	$240,000,000 $402,684 per unit	Crescent Heights	Waterton Residential

Cleveland Investment Market

Investors target stabilized multi-family assets

Overall first-half 2018 investment in Cleveland's commercial real estate market registered a 23% increase compared with the same period in 2017, while individual property sectors displayed volatility year-over-year. Office and industrial markets had the greatest amount of investment activity in 2017. However, due to diminished availability of quality assets, both asset classes recorded significant decreases in total investment dollar volume and, ultimately, fell behind the retail and multi-family performances in first-half 2018.

Investors saw the greatest opportunity in the multi-family sector during the first half of 2018, resulting in a staggering $239 million in transfers compared with $35.5 million in first-half 2017 – a 574% increase year-over-year. Due to high demand and the perceived stability in the sector, the average cap rate dropped from 7.2% to 6.7%. Several prominent CBD assets traded, including the 407-unit Sphere building and 295-unit Statler Arms complex, which sold for $114,251 per unit and $142,938 per unit, respectively. Both sellers were institutional owners looking to liquidate at the top of the market cycle.

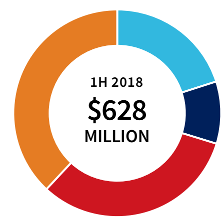
The retail sector followed suit with $202 million in first-half sales, up considerably from a modest $59 million in first-half 2017. In conjunction with this 240% increase in total volume, cap rates compressed to an average 7.2% at mid-year 2018 from 8.2% at mid-year 2017. Meanwhile, industrial investment dollar volume dropped 47% year-over-year, primarily due to the lack of modern, single-tenant net-leased properties available on the market.

Office sales dropped to $126 million in the first two quarters of 2018 from $328 million in first-half 2017, a 62% decrease in total dollar volume. The scrapped sale of one of Cleveland's core assets, 55 Public Square, contributed to the decline. Prospective purchaser K&D had planned to convert some of the office space to apartments but ultimately found the economics of the proposed deal unworkable. The most notable office transfer involved 925 Euclid Avenue, a largely vacant 1.4-msf downtown building, which traded at $29 psf to local landlord Millennia Companies.

Select Avg. Cap Rates

	1H 2016	1H 2017
Office	9.6%	**9.4%**
Industrial	8.3%	**8.6%**
Retail	8.2%	**7.2%**
Multi-Family	7.2%	**6.7%**

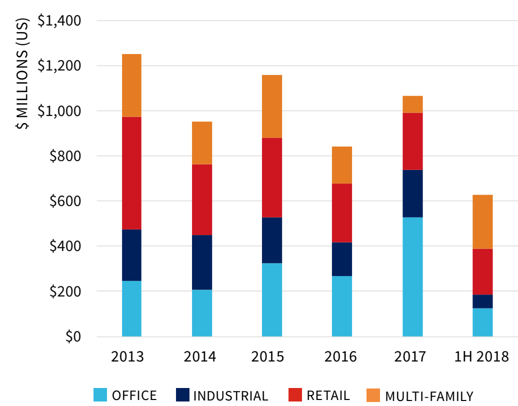
Investment Activity



	1H 2016	1H 2017
Office	64%	**20%**
Industrial	17%	**10%**
Retail	12%	**32%**
Multi-Family	7%	**38%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2017

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Marketplace at Four Corners	Retail	$55,700,000 $106 psf	McGill Property Group	Mark Rubin
2	Sphere	Multi-Family	$46,500,000 $114,251 per unit	Metropolitan Properties of America	Marlin Spring
3	Statler Arms Apartments	Multi-Family	$42,200,000 $142,938 per unit	LCOR	Millennia Companies
4	Richmond Park	Multi-Family	$41,400,000 $56,201 per unit	BEK Developers	444 Richmond Park Apartments LLC
5	925 Euclid Avenue	Office	$40,000,000 $29 psf	Hudson Holdings	Millennia Companies

Columbus Investment Market

Investment up in all sectors

Central Ohio's business opportunities, well-educated workforce and strategic location continue to attract investment. According to the U.S. Census Bureau, the state capital is the fourth-fastest-growing big city in the nation with a 1.79% year-over-year population increase. At 3.5%, local unemployment is well below the national and state averages – and Columbus continues to add new jobs. As the economy continues to boom, consumer spending is expected to increase by more than 3% in 2018. In the first half of the year, investment dollar volume was up year-over-year in all sectors as investors looked to make acquisitions in advance of anticipated further interest-rate increases.

The industrial sector remains strong with more than 5.5 msf of space under construction and nearly 27 msf completed in 2018 to date. The completions include new class A buildings for Sofidel America, Amazon and Goodyear. Industrial vacancy declined to 3.9% at mid-year 2018 from 4.6% at year-end 2017. As a result, the sector attracted $648 million in investment during first-half 2018 – up 103% year-over-year.

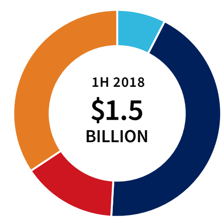
In second-quarter 2018, the office leasing market recorded positive net absorption for the first time in four quarters. Rental rates continue to rise and class A space, in particular, is registering historic lows in vacancy and historic highs in rents. Further rental-rate growth is expected during the second half of 2018. After office investment in 2017 started slowly, $113 million worth of trades were recorded in first-half 2018 – exceeding 2017's full-year result and putting the sector on pace for an annual result in 2018 more in line with the five-year average.

Average sale pricing and asking rental rates per square foot continue to rise, and vacancy dipped to 3.5% in first-half 2018. Retail investment dollar volume in first-half 2018 doubled the first-half 2017 total – and was already higher than the full-year results for both 2016 and 2017.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.2%	**10.0%**
Industrial	7.4%	**6.7%**
Retail	7.1%	**7.1%**
Multi-Family	7.3%	**7.5%**

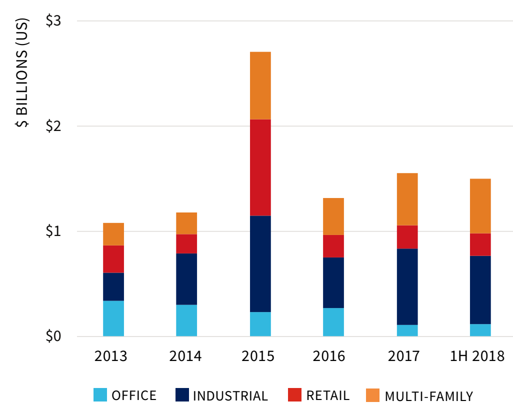
Investment Activity



	1H 2017	1H 2018
Office	15%	**8%**
Industrial	45%	**43%**
Retail	16%	**15%**
Multi-Family	25%	**34%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	The Quarry	Multi-Family	$118,700,000 $166 psf	The Connor Group	The Solomon Organization
2	The Commons at Olentangy	Multi-Family	$111,645,000 $106 psf	Crawford Hoying	GoldOller Real Estate Investments
3	The Chelsea	Multi-Family	$36,800,000 $122 psf	The Wolff Company	Independence Realty Trust, Inc.
4	6606 Pontius Road	Industrial	$51,723,888 $52 psf	Cabot Properties, Inc.	Blackstone Real Estate Income Trust, Inc.
5	Avalon Oaks	Multi-Family	$23,000,000 $99 psf	Treplus Communities	Independence Realty Trust, Inc.

Dallas Investment Market

Strong cyclical growth to continue through 2018

The Dallas-Fort Worth (DFW) commercial real estate investment market produced a record total of nearly $20 billion in transactions in 2017. Solid absorption rates, strong construction pipelines, steady vacancy and a booming economy have helped DFW gain international recognition as one of the strongest and most stable markets available. Positive market fundamentals and international buzz have investors competing to own every type of commercial property in Dallas, increasing the amount of capital flowing into the market and pushing prices to record highs. With $8.5 billion in sales during first-half 2018 (nearly identical to first-half 2017), the market is on pace to match the full-year 2016 and 2017 sales numbers.

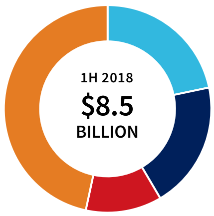
Industrial and retail investment dollar volumes surpassed their first-half 2017 levels, posting 12% and 18% increases, respectively. The office and multi-family sectors were slightly behind their first-half 2017 results with respective totals of $1.8 billion and almost $4 billion in first-half 2018 – but remained among the strongest-performing markets in the country. Despite the slight declines, the office and multi-family sectors accounted for the largest transactions in the metro during the first half of 2018. In the office sector, the Infomart building's record $800-million sale accounted for almost half of the total sales volume, while the multi-family sector recorded two transactions worth more than $100 million apiece.

Industrial has increasingly become a preferred asset class for investors due to the continued growth of online retail. Multi-family properties will remain attractive as single-family housing remains scarce across the metro, leaving more than 60% of the population to rent. Rental-rate growth for all assets has slowed, but rates are still climbing – a situation that translates to continued demand for product. Investment activity in DFW shows no signs of slowing and is projected to remain strong through the rest of 2018.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.8%	**7.5%**
Industrial	7.5%	**6.8%**
Retail	6.7%	**6.7%**
Multi-Family	6.0%	**5.3%**

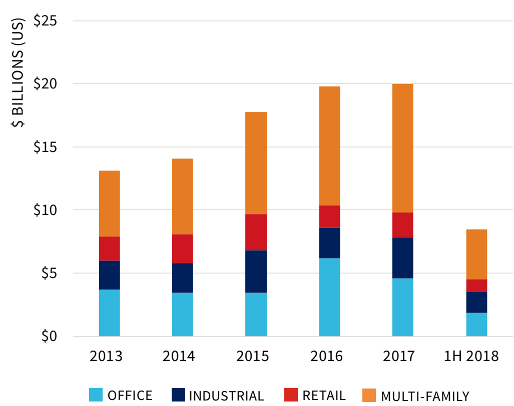
Investment Activity



	1H 2017	1H 2018
OFFICE	24%	**22%**
INDUSTRIAL	18%	**20%**
RETAIL	10%	**12%**
MULTI-FAMILY	48%	**47%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Infomart	Office	$800,000,000 $500 psf	ASB Capital Management LLC	Equinix
2	Centrum Tower	Office	$134,564,815 $342 psf	Quadrant Investment Properties / Angelo, Gordon & Co.	Cawley Partners / Oaktree
3	Armstrong at Knox	Multi-Family	$108,913,643 $660,083 per unit	Sarofim Realty Advisors	MSD Capital / Retail Connection
4	Gramercy on the Park	Multi-Family	$99,474,529 $185,934 per unit	CBRE Global Investors	Waterton Associates
5	Logistics Center II	Industrial	$85,251,083 $85 psf	Hillwood Development Company	Gramercy Property Trust, Inc.

Denver Investment Market

Dollar volume increases with office, retail and industrial prices

Transaction volume in the Denver market totaled $4.4 billion in the first half of 2018, a 12% increase compared with the first half of 2017. A 25% year-over-year decline in multi-family dollar volume was offset by increases in other sectors – particularly retail, which registered a 105% boost to $606 million. Denver's multi-family market remains tight, and the lack of transactions is due to record prices driving apartment investors to seek markets with higher returns. Nevertheless, multi-family is still the largest sector by dollar volume. Capital is also being diverted to the industrial sector with Denver's healthy consumer base supporting record rents and continued development thanks to high demand for warehouse space.

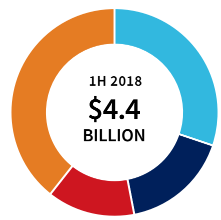
Downtown office buildings accounted for the two largest sales in the first half of 2018. A 51% interest in 1801 California Street was sold to PNC Realty Advisors by Brookfield Property Partners for $408 psf. Ramrock Real Estate purchased One Belleview Station for $478 psf from Prime West Development. First-half 2018 office transaction dollar volume increased 51% year-over-year, and office cap rates increased 10 bps to 6.7% – the highest level in the Denver market by sector. Cap rates remain low by historic local standards but are more in line with other large metros nationally. Smaller office transactions are increasingly attractive replacement properties, or uplegs, in 1031 exchanges, as the sector offers more value-add opportunities when compared with multi-family or industrial.

Industrial product saw the largest year-over-year drop in cap rates as the average price per square foot increased 23% between second-quarter 2017 and second-quarter 2018, to $108 psf. Denver's status as a logistics hub at the intersection of Interstates 70 and 25, and the affluent consumer base in the metro area, will ensure that e-commerce spending continues to drive demand for local industrial space into the foreseeable future.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.6%	**6.7%**
Industrial	6.7%	**6.2%**
Retail	6.7%	**6.5%**
Multi-Family	5.4%	**5.4%**

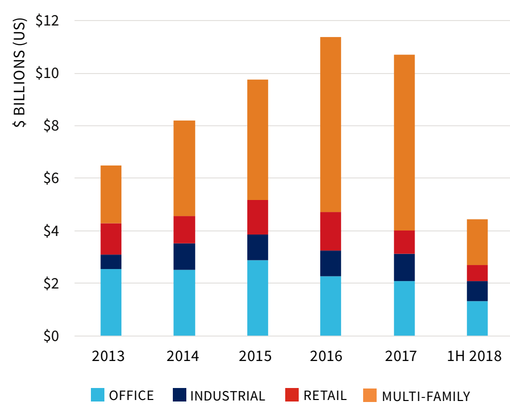
Investment Activity



	1H 2017	1H 2018
Office	22%	**30%**
Industrial	11%	**17%**
Retail	7%	**14%**
Multi-Family	59%	**39%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	1801 California Avenue	Office	$285,000,000 $408 psf	Brookfield Property Partners	PNC Realty Advisors Inc.
2	One Belleview Station	Office	$152,000,000 $478 psf	Prime West Development	Ramrock Real Estate
3	Southlands Town Center	Retail	$141,995,000 $155 psf	Northwood Investors	M&J Wilkow Ltd.
4	Westend	Multi-Family	$128,700,000 $330,000 per unit	Carmel Partners	Investors RE Trust
5	Pearl at DTC	Multi-Family	$122,750,000 $300,858 per unit	Carmel Partners	Goldman Sachs

Detroit Investment Market

Office and retail investors focus on downtown market

Detroit's commercial real estate investment dollar volume decreased 36% year-over-year to $900 million in the first half of 2018. The downtown market remains a focal point for office and retail investors as millennials and businesses migrate to the CBD and the resurgence of the city continues. However, most of the major transactions in the first half of the year occurred in the suburbs.

Office investment dollar volume decreased 61% year-over-year to $187 million in the first half of 2018. Notable activity included the sale of Franklin Pointe Medical Center in Southfield. Griffin-American Healthcare REIT acquired the medical center from Universal Properties LLC for $16.2 million. Retail investment decreased 36% from mid-year 2017.

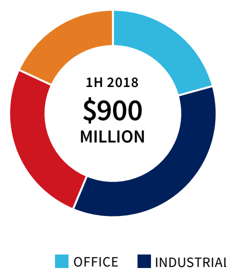
The largest transaction in first-half 2018 was the sale of Northville Woods Apartments in Northville. The multi-family building sold for $35.2 million in January. It was bought by Andover Real Estate Partners from Innsbrook LLC. The second-largest transaction of the first half of 2018 also involved a multi-family property as The Village Green of Waterford was purchased for $29 million by RESSCO from Village Green. Total multi-family investment volume decreased to $163 million in the first half of 2018 from $214 million at mid-year 2017.

Industrial volume also decreased, falling to $320 million in first-half 2018 from $347 million a year earlier. The most significant industrial transaction was in Livonia, where 12025 Tech Center Drive was purchased by TR Livonia Property II LLC from Lexington Realty Trust for $21 million.

The average cap rate for all asset classes at mid-year 2018 was 7.4% – an increase of 20 bps year-over-year.

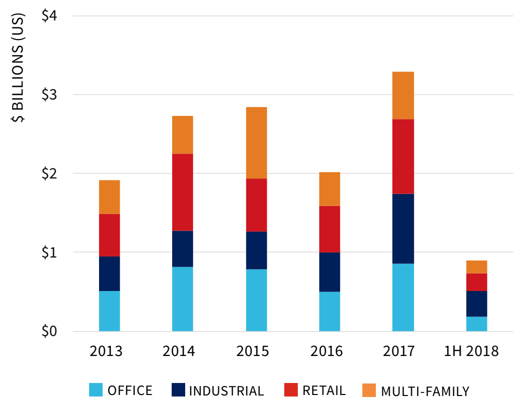
Select Avg. Cap Rates	1H 2017	1H 2018
Office	6.4%	**7.8%**
Industrial	7.0%	**7.4%**
Retail	7.8%	**7.5%**
Multi-Family	7.4%	**6.9%**

Investment Activity



	1H 2017	1H 2018
Office	34%	**21%**
Industrial	25%	**36%**
Retail	26%	**26%**
Multi-Family	15%	**18%**

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Northville Woods Apartments	Multi-Family	$35,200,000 $128,285 per unit	Innsbrook LLC	Andover Real Estate Partners
2	Village Green of Waterford	Multi-Family	$29,000,000 $71,605 per unit	Village Green	RESSCO
3	Village on the Park Southgate	Multi-Family	$23,500,000 $65,642 per unit	Village Green	RESSCO
4	12025 Tech Center Drive	Industrial	$21,000,000 $117 psf	Lexington Realty Trust	TR Livonia Property II LLC
5	Franklin Pointe Medical Center	Office	$16,200,000 $191 psf	Universal Properties LLC	Griffin-American Healthcare REIT

Fairfield County Investment Market

Bucking the trend, institutional investment on the rise

First-half 2018 total sales volume in Fairfield County, CT was $420 million, up 36% year-over-year. All property sectors performed well relative to first-half 2017 – except the industrial property market, with dollar volume down 71%.

Strong office sales volume ($216 million) was driven by the landmark sale of Shippan Landing in Stamford. This deal boosted first-half 2018 overall sales dollar volume to more than three times the amount recorded at mid-year 2017. Multi-family and retail dollar volumes also grew – by 12% and 86%, respectively.

For many years, private investors have accounted for the majority of total sales dollar volume in Fairfield County. However, institutional investors increased their contributions in first half-2018 as both the office and retail sectors recorded rebounds in institutional investment. This institutional investment upswing included the sale of the Shippan Landing office complex in Stamford to Philadelphia-based Rubenstein Partners for $151 million – the largest transaction in the first half of 2018.

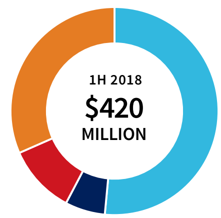
In terms of average price per square foot, the office and multi-family sectors experienced increases, while industrial properties recorded the steepest decline, falling 66% year-over-year. The overall average cap rate of 7.6% remained fairly flat at mid-year 2018, posting a modest 10-bps increase since mid-year 2017.

Looking ahead, Fairfield County's total sales dollar volume in 2018 may very well exceed the full-year 2017 total. Fairfield residents' high average household income and vibrant spending patterns will whet buyer appetites for retail properties, particularly those of out-of-state investors looking for higher yields. In the office sector, institutional investment in well-located properties with extended lease terms, and discounted prices on properties that present excellent redevelopment or adaptive-reuse opportunities, will continue. Similarly, strong rental demand will drive buyer interest in multi-family properties, most notably in the Stamford and Norwalk markets.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	9.0%	**8.8%**
Industrial	7.5%	**7.5%**
Retail	7.4%	**7.8%**
Multi-Family	6.2%	**6.5%**

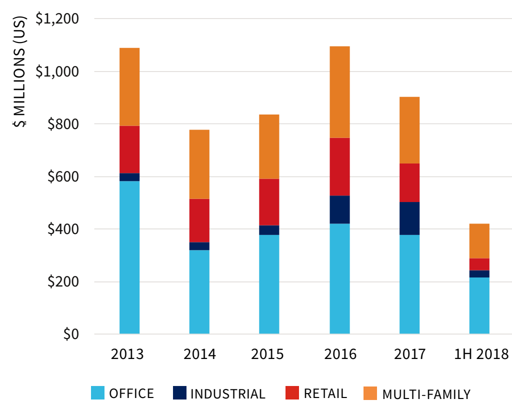
Investment Activity



	1H 2017	1H 2018
Office	24%	**51%**
Industrial	29%	**6%**
Retail	3%	**11%**
Multi-Family	44%	**32%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Shippan Landing	Office	$151,000,000 $196 psf	Angelo, Gordon & Co. / George Comfort & Sons	Rubenstein Partners
2	1 Kennedy Flats	Multi-Family	$86,250,000	Greystar Management / Eagle Realty	Lowe Enterprises / Global Securitization Services
3	1385-1391 Post Road	Retail	$28,000,000 $816 psf	Forstone Capital / Caprok Capital	Asana Partners
4	Pine Hill Apartments	Multi-Family	$25,500,000	Pine Hill Apartments LLC	K5 Equities
5	One Gorham Island	Office	$23,250,000 $528 psf	Maplewood Gorham Island LLC	Maplewood Healthcare

Fort Lauderdale Investment Market

Investors seizing opportunity in suburban submarkets

Investment sales activity lagged during the first half of 2018 with total transaction volume recorded at $1.4 billion, a 26% decrease from the $1.9 billion recorded during the first half of 2017. Investors are continuing to take a wait-and-see approach in response to the growing concern over rising interest rates and international trade relations. Despite recent uncertainty, deal volume remains strong as investors look for value-add opportunities in high-growth submarkets outside of the city's urban core.

Economic fundamentals remained strong in Broward County as the unemployment rate declined to 3.7% in June 2018 – a 30-bps drop year-over-year. In the trailing 12 months ending with June 2018, non-agricultural employment increased by 14,100 jobs. Interest-rate hikes have not yet had a significant impact on cap rates; however, it is likely that there will be another increase later this year, leading to a slight rise in cap rates.

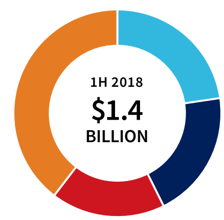
The multi-family sector led the way in investment sales volume, accounting for 40% of overall dollar volume in first-half 2018. Investors continue to target suburban markets, where new development has been largely underserved, for mixed-use and multi-family projects. Coral Springs produced the two largest transactions with the $88.5-million sale of Promenade at Wyndham Lakes, a 332-unit multi-family community purchased by AEW Capital Management; and The Morris Companies' $72.7-million purchase of Marquis Coral Springs. Both trades signal investor confidence in suburban submarkets as the availability of developable land near the urban core becomes more scarce.

Industrial sales volume during the first half of 2018 increased by a solid 10% compared with the first half of 2017. The rise of e-commerce is fueling robust demand for industrial assets. Land constraints, paired with a lack of available industrial product, have pushed rental rates to new highs while vacancy rates remain low. The largest industrial trade in first-half 2018 was the $67-million sale of the SuperValu Distribution Center in Pompano. The 721,948-sf distribution facility was part of a portfolio acquired by the Fortress Investment Group.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.7%	**6.6%**
Industrial	6.6%	**5.4%**
Retail	6.6%	**6.9%**
Multi-Family	5.5%	**5.4%**

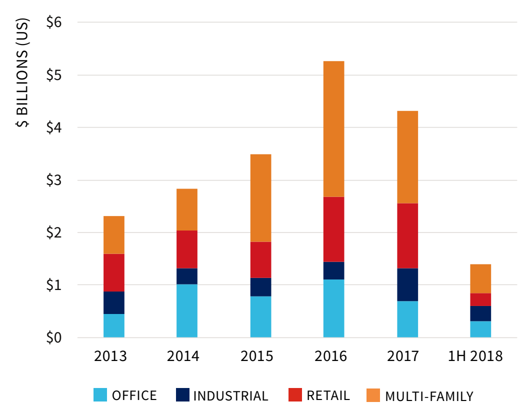
Investment Activity



1H 2017	1H 2018
14%	**23%**
13%	**20%**
33%	**18%**
39%	**40%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Promenade at Wyndham Lakes	Multi-Family	$88,500,000 $266,566 per unit	Starwood Capital	AEW Capital
2	Marquis Coral Springs	Multi-Family	$72,700,000 $290,719 per unit	Bainbridge Companies	The Morris Companies
3	SuperValu Distribution Center	Industrial	$67,410,000 $86 psf	SuperValu Inc.	Fortress Investment Group
4	Centro at Davie	Multi-Family	$63,947,124 $157,085 per unit	Goldman Sachs / Greystar / Ivanhoé Cambridge	Carroll Organization / PGIM Real Estate
5	Sawgrass Lake Center	Office	$57,400,000 $240 psf	Long Wharf Real Estate Partners	American Realty Advisors

Hartford Investment Market

Downtown development wave helps spur investment

The Greater Hartford investment sales market is on pace for another robust year thanks to strong industrial and multi-family fundamentals. The market was off to a slower start in the first half of 2018 in terms of total investment volume when compared with the first half of 2017, although the number of trades increased year-over-year. The market recorded a 10-year high in terms of full-year investment dollar volume in 2017 with approximately $683 million of transactions completed. With $241 million transacting during the first half of 2018, overall investment is not expected to exceed 2017 levels, but the market is anticipated to remain active.

Office investment was minimal in the first half of 2018 with only $14 million in sales – down from $43 million in first-half 2017 – due to the limited number of assets available in the market. Given the scarcity of deals, upward pressure is being placed on sale prices – particularly in downtown Hartford, where urban migration trends and a newly improved public-transit system are luring more investors and office users to the region.

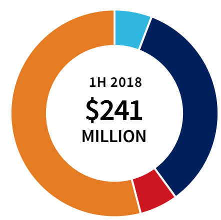
Centrally located between the major economic hubs of Boston and New York City, the Greater Hartford market has always been well-positioned to meet the needs of industrial users who have supply-chain-oriented operations. Investment in the industrial sector never surpassed $100 million on an annual basis before 2016. In 2016 and 2017, industrial dollar volume was greater than $190 million in each year. The sector's dollar volume is expected to remain elevated through 2018 with several large sales slated to close in the second half of the year.

A slight year-over-year increase in retail investment took place during the first half of 2018 thanks to the area's growing residential sector. Driven by downtown Hartford, where more than 950 apartment units have been added since 2015, the city is beginning to experience a live-work-play lifestyle. In line with the first half of 2017, multi-family sales are driving total investment volume for Greater Hartford with more than $130 million in deals transacted during first-half 2018.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.5%	**7.5%**
Industrial	8.5%	**8.3%**
Retail	5.7%	**6.0%**
Multi-Family	5.9%	**6.0%**

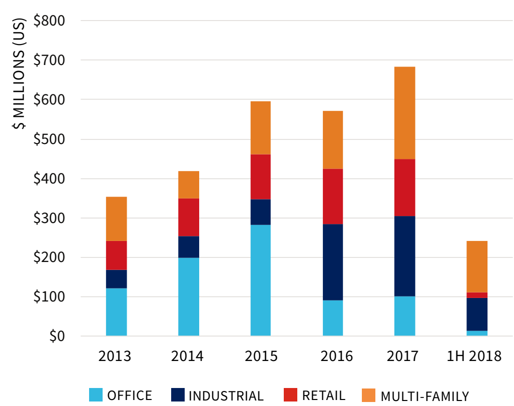
Investment Activity



1H 2017	1H 2018
14%	**6%**
34%	**34%**
3%	**6%**
49%	**54%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	1339 Tolland Turnpike	Industrial	$70,000,000 $36 psf	Winstanley Enterprises LLC	JCPenney Company, Inc.
2	100 Town Ridge Road (Part of Multi-Property Sale)	Multi-Family	$31,500,000 $111,250 per unit	Hamilton Zanze & Company	Fairfield Residential
3	100 Town Brooke (Part of Multi-Property Sale)	Multi-Family	$31,150,000 $132,352 per unit	Hamilton Zanze & Company	Fairfield Residential
4	627 Brighton Park Way	Multi-Family	$26,850,000 $203,409 per unit	Paredim Partners	Rohdie Group
5	162-182 Homestead Street (Part of Portfolio)	Multi-Family	$11,520,000 $720,000 per unit	Up Realty LLC	Estate of Raymond F Damato

Houston Investment Market

Multi-family sales keep overall investments on track

Houston is experiencing healthy commercial real estate investment thanks to the continued recovery of the energy industry. Reported sales during the first half of 2018 were strong – only 6% behind the first half of 2017, which turned out to be a record year. The investment market got off to a fast start in 2018 with 57% of total investments occurring in the first quarter, including the largest office sale of the first half: Marathon Oil Tower, a 1.1-msf property in the Galleria area.

Multi-family was the lone asset type to show higher sales at mid-year 2018 compared with mid-year 2017 with more than 10,000 additional units sold in first-half 2018. Retail also reported an increase in the number of property sales closed, although not in investment dollar volume, while fewer office and industrial properties changed hands in first-half 2018 compared with first-half 2017.

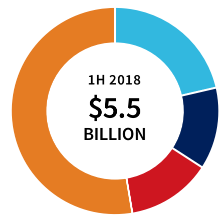
The full-year 2017 investment total was the highest level recorded during the last five years, surpassing the five-year average by 14.3%. The blockbuster year recorded a 40% jump in sales from 2016 when investor interest in office and industrial product was low and few significant deals were completed. Several large office transactions closed during the second half of 2017 as investment volume in the sector nearly tripled year-over-year. Among the significant properties sold were the CBD's Houston Center, which comprises a four-building complex totaling 4.2 msf; Energy Center IV and Helios Plaza, both class A office properties in the Energy Corridor; and several large retail properties including LaCenterra at Cinco Ranch, a 413,000-sf property in west Houston.

Consistent sales growth is expected to continue even though the overall sales pace has slowed slightly in 2018. Houston has established itself as a gateway city because of its global presence as the center for the world's energy industry. The area's steady growth in both employment and population, in conjunction with strong trade through the Port of Houston, is keeping the investment market on track.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.5%	**8.0%**
Industrial	7.3%	**6.6%**
Retail	7.2%	**7.0%**
Multi-Family	6.2%	**5.6%**

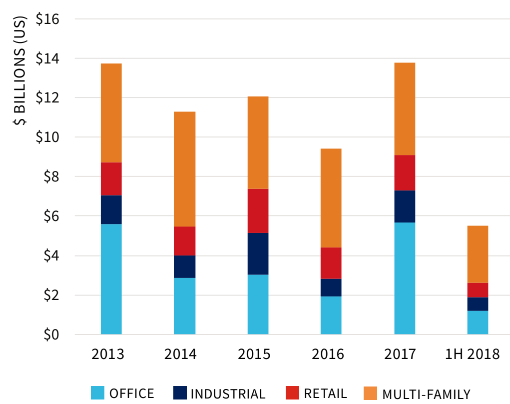
Investment Activity



	1H 2017	1H 2018
Office	35%	**21%**
Industrial	16%	**13%**
Retail	14%	**13%**
Multi-Family	35%	**53%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Marathon Oil Tower	Office	$176,500,000 $147 psf	CBRE Global Investors Ltd.	M-M Properties / Baupost Group LLC
2	Loop Central I, II, III	Office	$72,982,000 $127 psf	TIER REIT	Griffin Partners / Wheelock Street Capital
3	Vue Kingsland	Multi-Family	$64,400,000 $151,887 per unit	Davis Development	Cortland Partners
4	Grand at LaCenterra	Multi-Family	$58,265,000 $215,000 per unit	Martin Fein Interests	Carlyle Group / Roscoe Properties
5	Vista on Gessner	Multi-Family	$51,000,000 $63,354 per unit	John Quinlan	Dalcor Companies

Indianapolis Investment Market

Investment activity slightly outpacing historical norms

Investment activity in all property sectors continued to be steady in the first half of 2018 with dollar volume up slightly year-over-year. The industrial sector led the way with a $72.8-million (29%) increase in total sales volume compared with first-half 2017. A key transaction in this sector was Browning Investments' disposition of its 600,000-sf building located at 3870 Ronald Reagan Parkway.

Retail investment started to show some signs of life as the total volume was up 24% year-over-year, but this property type remains the smallest sector by total sales dollar volume among the four major property types. Total retail investment volume was up $36 million compared with first-half 2017. At the current pace, the retail sector is poised for its best full-year result since 2014.

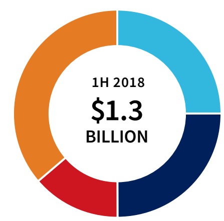
Multi-family assets offered the lowest average going-in cap rate, at 6%, as of mid-year 2018. This figure represented a decrease of 20 bps year-over-year. Total multi-family sales volume is on pace to reach $1 billion for the calendar year. The sector's first-half 2018 sales volume was up $88 million, or 22%, compared with the same period in 2018. Local investment firm Barrett & Stokely remains bullish on the apartment market, as demonstrated by its two-property acquisition from Bluestone Properties totaling $70 million with an average per-unit price of $112,000.

Office investment was down 30% year-over-year in the first half of 2018. This decline was not alarming after several high-profile CBD buildings and suburban office parks traded in recent years, skewing the results. The most notable office transaction included the quick exit of the Hearn Company from its 2016 acquisition of BMO Plaza, which was sold to Redico out of Ann Arbor, MI after an 18-month hold. Office capitalization rates continued to hover at an average of 7.6% – on par with mid-year 2017.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.6%	**7.6%**
Industrial	5.5%	**6.9%**
Retail	7.4%	**7.2%**
Multi-Family	6.2%	**6.0%**

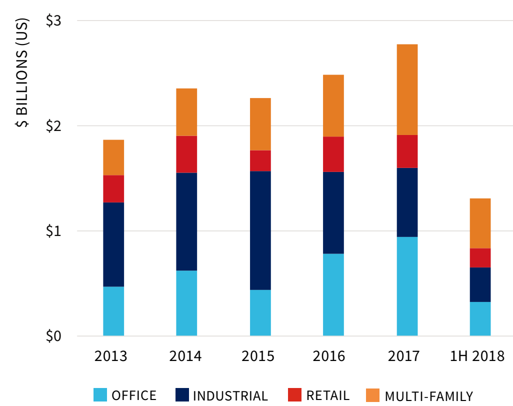
Investment Activity



	1H 2017	1H 2018
Office	37%	**25%**
Industrial	20%	**25%**
Retail	12%	**14%**
Multi-Family	31%	**36%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	BMO Plaza	Office	$65,000,000 $146 psf	The Hearn Company	REDICO
2	3870 S. Ronald Reagan Parkway	Industrial	$39,300,000 $66 psf	Browning Investments	Granite REIT
3	Overlook at Valley Ridge	Multi-Family	$36,000,000 $111,111 per unit	Bluestone Properties	Barrett & Stokely
4	Summerwood on Towne Line	Multi-Family	$34,000,000 $113,333 per unit	Bluestone Properties	Barrett & Stokely
5	Double Creek Flats	Multi-Family	$31,500,000 $131,250 per unit	Flaherty & Collins Properties	Steadfast Income REIT

Jacksonville Investment Market

Multi-family and industrial sectors earn most transaction volume

Investors largely perceive Jacksonville as a tertiary market that does not provide the same scale of opportunity as larger cities. However, investors are still eager to place capital in the market. Companies considering relocation continue to view the area positively, noting its overall quality of life, healthy job growth and limited new construction. There is a lot of money chasing deals in Florida right now, and Jacksonville is becoming increasingly attractive to investors who cannot achieve desired yields in higher-profile markets such as Miami, Orlando and Tampa.

Jacksonville's investment sales dollar volume during the first half of 2018 was $1.1 billion – a 6% decrease year-over-year. In the first half, 54% of transaction volume involved private capital with institutional investors accounting for 28% and publicly listed/REIT buyers comprising 16%. More than 80% of the total square footage sold was in multi-family and industrial, two asset classes that have consistently exhibited declining vacancy rates, strong demand, and compressing cap rates.

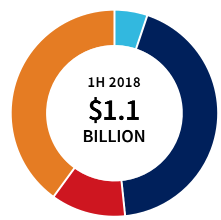
Local industrial investment activity has gained significant ground in 2018 as Amazon grows its regional presence and investors continue to view the metro area as a more affordable alternative to other primary and secondary markets in the U.S. Southeast, where the bid-ask spread is too high and competition is too fierce. In fact, local year-over-year industrial transaction volume for the 12-month period ending in June 2018 grew by 341% as $479 million in assets traded.

The largest sale during first-half 2018 was Farallon Capital Partners' purchase of Flagler Center, a 12-building, 1.4-msf industrial portfolio, for $136 million – or $97 psf. The portfolio was sold by a joint-venture between Investcorp and Crocker Partners. Other significant transactions included Gramercy's purchase of an Amazon fulfillment center at 13333 103rd Street for $95.4 million, or $94 psf, and Colony NorthStar's acquisition of Pattillo Industrial's Westside Industrial Park for $77.5 million.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.6%	**7.6%**
Industrial	7.0%	**6.8%**
Retail	7.0%	**6.9%**
Multi-Family	6.9%	**5.9%**

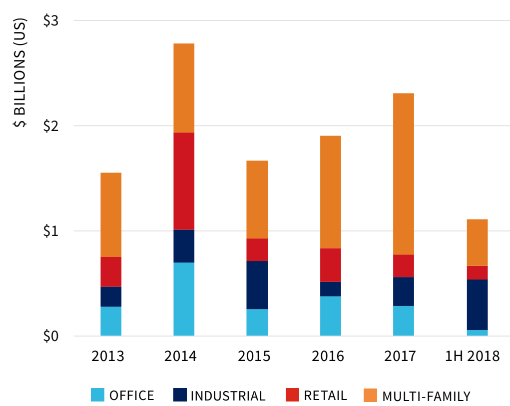
Investment Activity



	1H 2017	1H 2018
Office	15%	**5%**
Industrial	9%	**43%**
Retail	18%	**12%**
Multi-Family	58%	**40%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Flagler Center	Industrial	$136,000,000 $97 psf	Investcorp / Crocker Partners	Farallon Capital Partners
2	Amazon Fulfillment Center - 13333 103rd Street	Industrial	$95,456,810 $94 psf	Hillwood	Gramercy
3	Westside Industrial Park	Industrial	$77,500,000 $60 psf	Pattillo Industrial	Colony NorthStar
4	Sola Apartments	Multi-Family	$59,616,667 $180,657 per unit	Flournoy Companies	Beachwold Residential LLC
5	Lux at Sorrel	Multi-Family	$48,495,000 $183,000 per unit	Davis Development	Preferred Apartment Communities

Las Vegas Investment Market

Industrial market is valley's hottest sector

Activity in the Southern Nevada investment sales market was robust in the first half of 2018. Investors are deploying more capital in secondary markets like Las Vegas as primary markets become less affordable. Unemployment is on the decline, and the economy continues to show signs of improvement. Overall vacancy has declined across all property types, and properties are selling with higher occupancy. Institutional-grade and lower-grade properties are attracting new buyers to the market.

The industrial market is currently the hottest real estate sector in the Las Vegas Valley. The overall average capitalization rate was 5.5% at mid-year 2018, while institutional-level investments were trading at 4.5%. Van Trust, Prologis and Panattoni are the most active developers of the newest state-of-the-art industrial facilities, which have attracted tenants such as Amazon, Fanatics, Sephora and Bed Bath & Beyond. E-commerce and logistics tenants are the primary occupants of the newest big-box construction. The outlook remains strong as a nationally recognized developer has recently acquired 40 acres as well as other sites for industrial development.

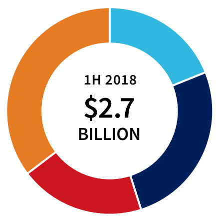
The office investment market is picking up steam with several notable recent sales. American Nevada unloaded the bulk of its local portfolio. New office investors are coming to Las Vegas from California, as local investment activity has also picked up. With new construction becoming more expensive, investors are turning their attention to repurposing under-utilized assets. One major office demand driver has been accessibility to nearby retail that creates strong leasing of new mixed-use projects incorporating office, retail and, sometimes, residential space.

Investors continue to speculate on the future growth of all real estate sectors. The population increased by nearly 43,000 new residents in 2017, and this growth is projected to escalate 2% in 2018. The city will need more retail amenities to serve the growing population, while office and industrial demand are likely to increase to support these new brands. Given the existing construction trends and projected growth, the Las Vegas investment market is anticipated to remain strong into the foreseeable future.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.2%	**6.5%**
Industrial	6.3%	**5.5%**
Retail	6.5%	**6.6%**
Multi-Family	6.0%	**5.5%**

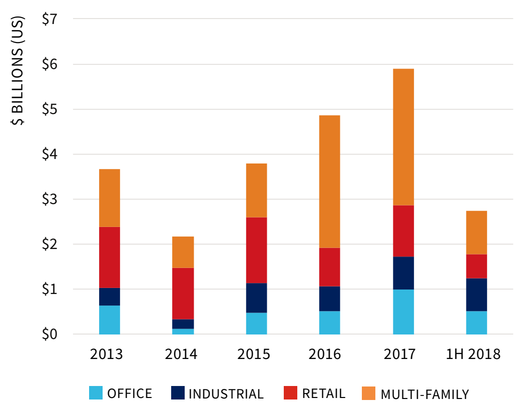
Investment Activity



	1H 2017	1H 2018
Office	10%	**19%**
Industrial	10%	**26%**
Retail	28%	**20%**
Multi-Family	51%	**35%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	1505 Wigwam Parkway	Multi-Family	$99,600,000 $200,000 per unit	Wolff Company	TM Equities, Inc.
2	6592 West Lake Mead Boulevard	Retail	$87,000,000 $187 psf	Weingarten Realty	Vestar Development
3	3275 East Flamingo Road	Multi-Family	$72,000,000 $137,405 per unit	TruAmerica Multifamily	Blackstone / The ConAm Group of Companies
4	2121 East Warm Springs Road	Multi-Family	$67,000,000 $146,930 per unit	Heers Family Trust	Guardian Life Insurance / Oaktree / TruAmerica Multifamily
5	9550 West Sahara Avenue	Multi-Family	$66,400,000 $200,000 per unit	Griffis Residential	NNC Apartment Ventures

Long Island Investment Market

Investment market slowing in some sectors

A total of $1.4 billion in sales volume was recorded across all sectors on Long Island during the first half of 2018, representing a 4% decline year-over-year. The market remains stable as sellers look to monetize their assets before cap rates increase further as expected.

The retail sector once again led all asset classes with $856 million in sales during the first half of 2018, representing 61% of overall dollar volume. The office sector, while still active, posted $240 million in sales – down 34% year-over-year. Two of the largest office trades (1111 Franklin Avenue in Garden City and 1 Marcus Avenue in Lake Success) were driven by users' specific needs as the former was bought by a developer with a tenant already lined up and the latter was purchased directly by a user. Below-market replacement costs in both the office and retail sectors continue to offer opportunities for value-add acquisitions.

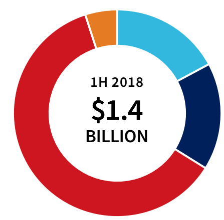
The industrial sector recorded a year-over-year increase in sales volume, which rose 56% to $234 million in first-half 2018 as some quality assets came to the market. There was still a lack of large-scale, multi-asset industrial trades due to continuing rental-rate increases, which are causing some landlords to retain their assets. In the multi-family sector, sales volume continued to decrease, falling sharply (82%) year-over-year to just $69.7 million in the first half of 2018.

Cap rates declined across all sectors between mid-year 2017 and mid-year 2018 – except multi-family cap rates, which remained flat at 5.5%. The market's overall average cap rate fell 20 bps year-over-year to 6% at mid-year 2018. This trend is not expected to continue as interest rates rise and investors strive for higher returns. Steady investment activity is anticipated through the remainder of 2018 with some larger trades occurring as investors pursue some high-priced assets in the market.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.9%	**6.8%**
Industrial	6.2%	**6.1%**
Retail	6.0%	**5.7%**
Multi-Family	5.5%	**5.5%**

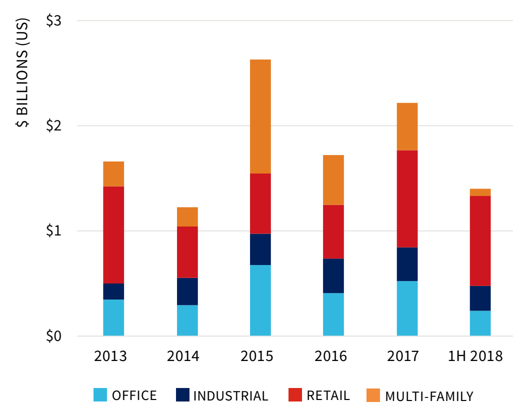
Investment Activity



	1H 2017	1H 2018
Office	25%	**17%**
Industrial	10%	**17%**
Retail	39%	**61%**
Multi-Family	26%	**5%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	One & Two Jericho Plaza	Office	$117,400,000 $185 psf	SL Green	Taconic Capital / Triangle Capital Group / Onyx Equities LLC / Credit Suisse
2	New Hyde Park Plaza	Retail	$74,500,000 $569 psf	Blackstone	Clarion Partners / IPERS
3	1 Marcus Avenue	Office	$36,000,000 $350 psf	Sterling National Bank	Northwell Health
4	1111 Franklin Avenue	Office	$30,500,000 $173 psf	Sears Holdings Corp.	Steel Equities
5	100 Merrick Road	Office	$22,100,000 $160 psf	Lincoln Equities Group / Investcorp	Valley East Properties

Los Angeles Investment Market

Office sales dip as multi-family and retail post increases

Los Angeles' first-half 2018 overall commercial real estate investment volume was relatively consistent, falling only 3% year-over-year to $11.2 billion. By contrast, office building sales alone were down 38% year-over-year. Even though fundamentals continue to improve, this reduction was most likely driven by a confluence of reasons, including limited inventory for sale, a drawdown in investment from China and low investment returns. Rents have not kept pace with the pricing of assets in most sectors. Many investors believe that the office market is morphing into a communal-type work environment and is micro-submarket-oriented. This investor viewpoint makes it difficult to justify current office sale prices for product other than core assets in strong markets with heavy demand and limited competition.

Multi-family and retail investment sales grew 46% and 20%, respectively, year-over-year. Industrial volume decreased 10% in the first half of 2018 from the first half of 2017.

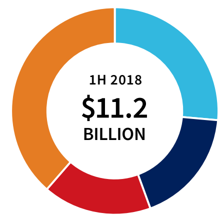
Cap-rate compression continued only in the multi-family sector as its average cap rate dropped 10 bps year-over-year to 4.1% at mid-year 2018. Demand for multi-family assets intensified as investment dollar volume increased 40% year-over-year. An example of this intensity was the purchase of IMT Gallery 421, a 291-unit multi-family building in Long Beach that sold for $427,000 per unit at a 3.5% cap rate. The buyer was Los Angeles-based IMT Residential.

Trading activity and cap rates are expected to continue to moderate, as investors and lenders are becoming increasingly selective. In the next 12 months, multi-family cap-rate compression will test investors. Investment returns will face pressure from the inevitability of higher interest rates, higher treasury-bill rates and the slow rate of inflation. It is a great time to be selling, provided that buyers can find their 1031 downlegs, or highest and best uses for capital.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	5.3%	**5.5%**
Industrial	4.9%	**5.0%**
Retail	5.3%	**5.3%**
Multi-Family	4.2%	**4.1%**

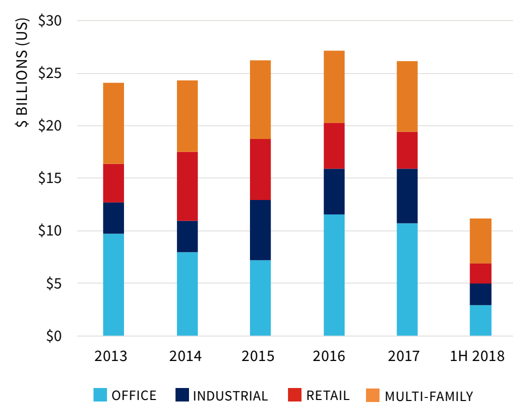
Investment Activity



	1H 2017	1H 2018
Office	41%	**26%**
Industrial	19%	**18%**
Retail	14%	**17%**
Multi-Family	26%	**39%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Project Europa	Multi-Family	$1,023,000,000 $536,164 per unit	Carmel Partners	Brookfield Property Group
2	Corporate Center Pasadena	Office	$254,000,000 $397 psf	UBS Realty Investors LLC	Coretrust Capital Partners, LLC
3	The Wedbush Center	Office	$196,000,000 $411 psf	Lincoln Property Company	Cerberus Capital Management, LP
4	Water's Edge	Office	$190,000,000 $657 psf	DivcoWest	Rockwood Capital LLC
5	The AirFlyte	Office	$167,500,000 $293 psf	CalPERS	Swift Real Estate Partners

Memphis Investment Market

Industrial and multi-family deals surge

The Memphis investment market started strongly in the first half of 2018 with total investment volume for all property types reaching $686 million, a 70% increase compared with the same period in 2017. Strong market fundamentals, including low vacancies and competitive rental rates, have attracted new investors to Memphis and also prompted existing owners in the market to expand their holdings.

The industrial sector accounted for 52% ($357 million) of total investment sales in first-half 2018, a notable rebound from the first half of 2017. Sales were primarily concentrated in the Southeast and DeSoto County submarkets with much of the activity comprising several large portfolio transactions. Multi-family property investment made up the second-largest share (38%) of total first-half sales volume. The fact that the rental market in Memphis is growing in terms of number of renters as well as rental-rate increases is not lost on investors: nearly $263 million worth of multi-family assets traded in the first half of 2018. If the current pace continues, multi-family sales in 2018 are poised to meet, or exceed, the $503-million cyclical high set in 2015.

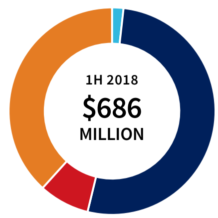
Meanwhile, the office market lost significant ground in first-half 2018 with only $12 million in sales completed, although some potentially large deals in the second half of the year could make up for the sector's sluggish start. Similarly, local retail investment activity slowed down, echoing a broader national trend, due in part to the shift of consumer preferences to online shopping.

Overall, strong economic growth, coupled with the expanded search for yield positively impacting secondary markets, is expected to sustain cross-border investment in the industrial and office markets. With fundamentals strengthening across product types and the economy continuing to grow, investment levels should remain consistent, and sources of capital should continue to change as new investors enter the market.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	8.3%	**8.5%**
Industrial	7.1%	**6.8%**
Retail	7.4%	**7.8%**
Multi-Family	8.0%	**8.5%**

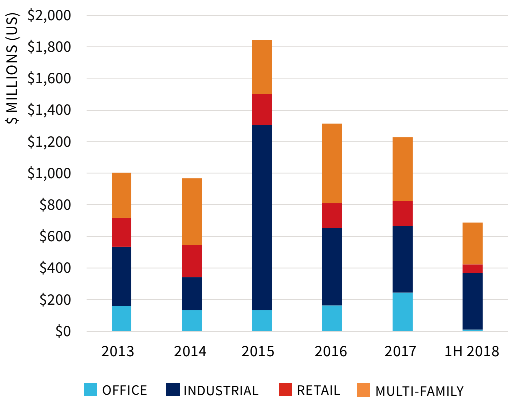
Investment Activity



	1H 2017	1H 2018
Office	22%	**2%**
Industrial	22%	**52%**
Retail	24%	**8%**
Multi-Family	32%	**38%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Prologis MS Industrial Portfolio	Industrial	$92,700,000 $62 psf	Prologis	Lexington Realty
2	Exeter Mapletree U.S. Industrial Portfolio	Industrial	$68,500,000 $44 psf	Exeter Property Group	Mapletree Commercial
3	Country Squire Apartments	Multi-Family	$62,000,000 $63,786 per unit	CLK Properties / Colony NorthStar	Birge & Held
4	Arium Shelby Farms	Multi-Family	$52,600,000 $50,723 per unit	Carroll Organization	Asden Properties
5	Memphis Depot Business Park	Industrial	$50,000,000 $12 psf	Mayfield Properties	Ares Capital / Diamond Properties

Miami Investment Market

Industrial vacancy rates fall to record lows

Investment sales volume remained strong during the first half of 2018, approaching $2 billion – a 17% dip from the $2.4 billion recorded in the first half of 2017. The largest transaction was the sale of the Sabadell Financial Center in the Brickell submarket for an impressive $248.5 million, or $475 psf. The 522,892-sf office building was purchased from PGIM by a joint-venture between KKR and Parkway Properties. PGIM posted a lucrative profit of 35% after purchasing the property in 2013 for $184 million.

Economic growth continued to bolster investor demand as the unemployment rate declined to 3.9% as of June 2018, a 60-bps drop year-over-year. During the trailing 12 months ending in June 2018, total non-farm employment also grew by 34,100 jobs. Following the opening of the Brightline express train service connection at MiamiCentral in May 2018, it is expected that employment will continue to rise as new talent begins to enter the market.

Industrial demand from the growing e-commerce sector shows no sign of slowing down. Despite new construction deliveries, robust demand for industrial assets has driven the sector's vacancy rates to record lows with Miami's overall vacancy rate recorded as 2.8% during the second quarter of 2018. The largest industrial trade during the first half of 2018 was Duke Realty Corporation's purchase of Countyline Corporate Park in the Miami Lakes submarket for $180 million, or $180 psf.

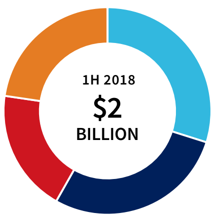
The Wynwood area continues to thrive as an investment hot spot after it was rezoned to mixed-use three years ago. With eight mixed-use projects already under construction, the transforming arts district is also attracting new class A office development as evident with projects like CUBE Wynwd, which includes a 90,000-sf office component featuring a rooftop terrace and 11,400 sf of ground-floor retail.

Miami's employment and economy are expected in grow in 2018, especially with the recent approval of American Dream Miami, a $4-billion megamall featuring 6.2 msf of retail and entertainment space.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.7%	**7.1%**
Industrial	6.6%	**6.0%**
Retail	6.6%	**5.4%**
Multi-Family	6.0%	**5.4%**

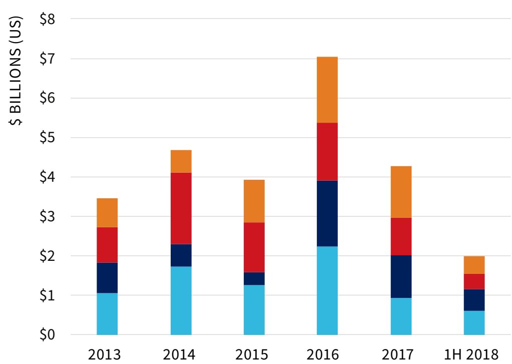
Investment Activity



1H 2017	1H 2018
30%	**30%**
25%	**28%**
13%	**19%**
32%	**23%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Sabadell Financial Center	Office	$248,500,000 $475 psf	PGIM	KKR / Parkway Properties
2	Countyline Corporate Park	Industrial	$180,000,000 $180 psf	Florida East Coast Industries	Duke Realty Corporation
3	Gables Aventura	Multi-Family	$149,000,000 $372,500 per unit	Gables Residential	RREEF Property Trust
4	SunTrust International Center	Office	$127,000,000 $299 psf	Crocker Partners	PCCP LLC
5	Doral Commons	Retail	$71,560,000 $477 psf	Terra Group	Jamestown, LP

Minneapolis Investment Market

First-half volume reaches $2.5 billion

Minneapolis-St. Paul investment sales activity remains strong as investors continue to pursue high-quality assets. First-half 2018 sales volume was up 41% year-over-year, totaling just shy of $2.5 billion compared with $1.8 billion in first-half 2017. The average capitalization rate through mid-year 2018 was 6.9%, up 30 bps from the same period in 2017. Investor interest is expected to persist as sales activity is well ahead of the pace in first-half 2017.

Office sales totaled slightly more than $1 billion in the first half of 2018, up 137% from one year earlier. Fueling the rise in overall dollar volume, multiple marquee office buildings in the Minneapolis CBD changed hands. The largest office sale was Samsung Life Insurance's purchase of City Center. The 51-story, class A property sold for $320 million ($198 psf). Other notable office transactions in the Minneapolis CBD were Shorenstein's purchase of Capella Tower for $255 million ($182 psf) and LaSalle Investment Management's acquisition of T3 for $86.8 million ($388 psf).

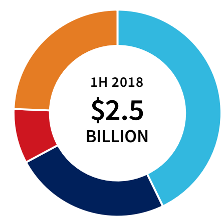
Industrial dollar volume came in at $607 million in the first half of 2018 as the sector's dollar volume increased more than 70% year-over-year, representing 24% of the overall total. The average industrial sale price was $80 psf, while the sector's average cap rate dropped 30 bps year-over-year to 7.4%. The largest industrial transaction was the $68-million sale of a 625,700-sf industrial portfolio in Greenfield.

In contrast, the retail sector recorded a decrease year-over-year in dollar volume as $213 million worth of assets traded in the first half of 2018. The decline can be attributed to nationwide store closures announced by such big-box chains as Gander Mountain, Herberger's, Toys 'R' Us and Babies 'R' Us. In addition, several Sears, Kmart and JCPenney locations have announced closures locally. Strip centers and single-tenant properties look to be the preferred product types for investors.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.1%	**6.7%**
Industrial	7.7%	**7.4%**
Retail	6.8%	**7.0%**
Multi-Family	5.6%	**6.3%**

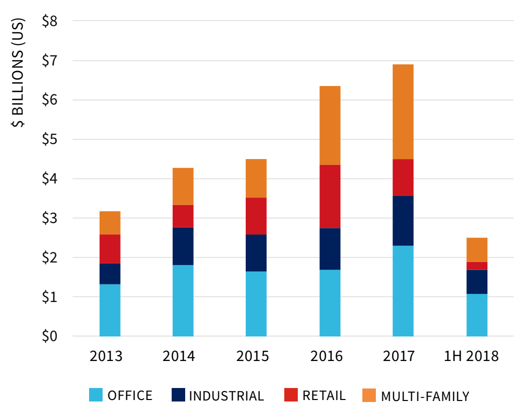
Investment Activity



1H 2017	1H 2018
26%	**43%**
20%	**24%**
20%	**9%**
34%	**24%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	City Center	Office	$320,000,000 $198 psf	HNA Group	Samsung Life Insurance
2	Capella Tower	Office	$255,000,000 $182 psf	ASB Real Estate	Shorenstein
3	Marquette Plaza	Office	$88,400,000 $169 psf	FRM Associates	KBS Growth & Income REIT
4	T3	Office	$86,800,000 $388 psf	Hines	LaSalle Investment Management
5	Greenfield MN Industrial Portfolio	Industrial	$68,235,997 $76 psf	LSOP 3C II, LLC	Eagle Ridge Partners

Nashville Investment Market

Three sectors drive market as industrial sales dip

Nashville deal flow was robust in the first half of 2018 with total investment volume up 8% from the same period in 2017 due primarily to strong office and multi-family activity. Multi-family sales led the way with $622 million in dollar volume, followed by office sales at $442 million. The office sector registered a significant increase in dollar volume, up 106% from the same period in 2017. The largest transaction during the first six months of 2018 was the owner-user sale of the mid-rise office building that houses Caterpillar Financial's headquarters for $90.9 million.

Multi-family sales continued to outpace all other sectors through the first half of 2018. While a lack of affordable housing remains a concern to many Nashville residents, swelling per-unit rents and rapid population growth have translated to higher yields for multi-family investors. In the largest multi-family sale during the first six months, Investors Management purchased IMT 8th South, a 330-unit class A property, for $76.7 million.

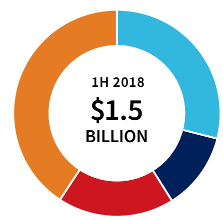
Industrial sales volume decreased drastically during the first half of 2018 following a record-setting 2017. While the number of industrial transactions increased slightly when compared with first-half 2017, a lack of available large single-asset and portfolio sales prompted dollar volume to dip.

Despite several nationwide store closures and e-commerce growth, local retail investment has already outpaced the full-year 2017 total due to numerous large grocery-anchored shopping centers trading in the first half of 2018. The largest retail transaction was the sale of the high-profile urban building 305-311 Broadway for $32 million. The 40,000-sf building, which is currently 100% leased to Tequila Cowboy, WannaB's Karaoke Bar and multiple restaurants, was purchased by the owners of TC Restaurant Group. Many country music celebrities have begun opening bars and restaurants on Lower Broadway; as a result, the building's new owners are planning a 23,000-sf expansion that will create two new multi-level entertainment destinations.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.4%	**7.3%**
Industrial	7.2%	**8.2%**
Retail	6.4%	**7.7%**
Multi-Family	5.8%	**5.5%**

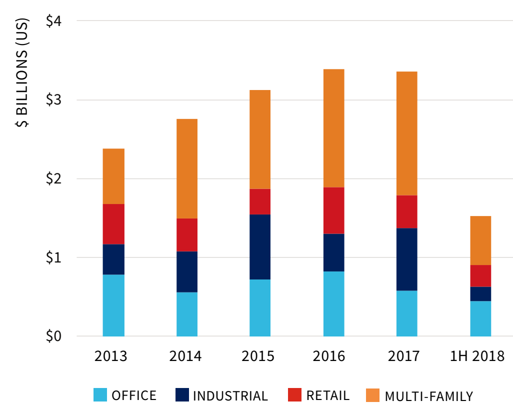
Investment Activity



	1H 2017	1H 2018
Office	15%	**29%**
Industrial	27%	**12%**
Retail	16%	**18%**
Multi-Family	42%	**41%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Caterpillar Financial Center	Office	$90,900,000 $291 psf	Piedmont REIT	Caterpillar
2	IMT 8 South	Multi-Family	$76,725,000 $232,500 per unit	Alliance Residential	Investors Management
3	Eight and Nine Corporate Center	Office	$73,000,000 $234 psf	JP Morgan / Hall Emery	KBS Strategic Opportunity REIT
4	The Cleo Apartments	Multi-Family	$66,989,000 $230,203 per unit	Liv Development	Mautner-Glick Corp. / Spyglass Capital Partners
5	Peyton Stakes	Multi-Family	$62,250,000 $250,000 per unit	Proffitt Dixon Partners	Mount Auburn Capital Group LLC

New Jersey Investment Market

Investors struggle to identify new opportunities

New Jersey commercial real estate investment volume dropped almost 27% year-over-year in the first half of 2018 as three of the four major asset classes recorded sales dollar volume reductions – with retail being the lone exception.

One of the largest office sale transactions in the first half of 2018 was Signature Acquisitions' purchase of The Offices at Liberty Corner in Basking Ridge. The three-property office park was sold by the Silverman Group for $74.6 million ($142 psf). The 526,784-sf complex was approximately 95% leased at the time of sale and is home to several quality tenants, including Ipsen Biopharmaceuticals, Major, Lidsey & Africa, Hess Corporation and Regeneron Pharmaceuticals. Meanwhile, a significant industrial transaction during the first half of the year was Blackstone REIT's purchase of a national 146-property portfolio from Cabot Properties. Of the 21.6 msf acquired in the deal, more than 750,000 sf is located in northern New Jersey.

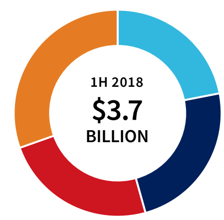
The multi-family sector posted one of its largest transactions of the year in Hoboken. The Rivington, a four-building, 240-unit residential complex, was sold for $146 million to Equity Residential. The amenity-filled site, built in 1999, was sold by JP Morgan Asset Management, which held the property for about four years.

During the balance of 2018, deal volume is not expected to pick up, as investors are struggling to identify new investment opportunities due to low availability. This factor has essentially created a catch-22 situation that may only be solved by New Jersey investors redeploying their acquired assets into other real estate markets or withdrawing their capital from real estate entirely. An interesting phenomenon worthy of attention is the effect of the federal government's newly created Opportunity Zones program. The tax-incentive provision has the potential to attract capital from stockholders and bondholders looking to invest in real estate and defer capital gains. While the program is best suited for ground-up development, it can still aid renovation projects.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.1%	**6.6%**
Industrial	5.4%	**5.5%**
Retail	6.2%	**6.3%**
Multi-Family	5.5%	**5.3%**

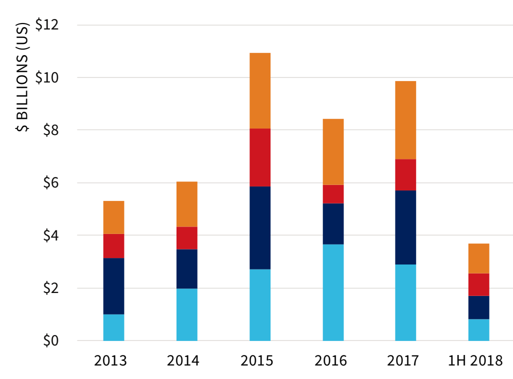
Investment Activity



1H 2017	1H 2018
28%	**22%**
27%	**24%**
12%	**24%**
33%	**30%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Orca Capital Apartment Portfolio	Multi-Family	$190,400,000 $183,961 per unit	Orca Capital Partners	JCP Group
2	The Rivington	Multi-Family	$146,000,000 $608,333 per unit	JP Morgan Asset Management	Equity Residential
3	300 Prospect Avenue, Hackensack	Multi-Family	$102,500,000 $284,722 per unit	Goldman Sachs / Greystar / Ivanhoé Cambridge	Kushner Companies
4	Teterboro Landing	Retail	$93,500,000 $245 psf	PNC Realty Investors	Catellus
5	Cabot Canyon Industrial Portfolio	Industrial	$85,200,000 $114 psf	Cabot Properties	Blackstone REIT

New York Investment Market

Investors not rattled by tariff policies

Manhattan investment dollar volume was up slightly (5%) year-over-year during the first half of 2018. This increase, an improvement compared with the past few years, resulted from investors coming off the sidelines, Chinese capital returning to the market after a slight hiatus and significant investment from foreign players – most notably Canadian investors.

While there has been rising concern about the Trump administration's tariffs, which could cause a momentary rise in development and conversion costs and scare away foreign capital, the policies seem not to have rattled New York investors.

First-half 2018 overall sales volume rose to $8.7 billion from $8.3 billion in first-half 2017. Additionally, the first quarter of 2018 witnessed quarter-over-quarter gains in total sales and transaction dollar volume, supported by Google parent company Alphabet's purchase of the Chelsea Market at 75 9th Avenue – a $2.4-billion ($2,017 psf) trade – from Jamestown. That deal ranked as the largest in first-half 2018.

Other top transactions included Fortress Investment Group's $1.53-billion purchase of 701 7th Avenue, and Oxford Properties Group's $700-million purchase of the historic St. John's Terminal site. These deals provide further evidence of investors' attraction to mainly high-quality Manhattan office assets.

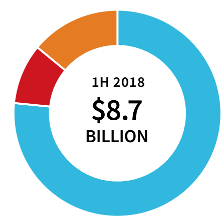
Cap rates for office product dropped 70 bps year-over-year to an average 4%, while the retail average increased to 4.9% from 4.2%. Multi-family cap rates stayed consistent with the first-half 2018 average of 3.6%. Office product accounted for nearly three-quarters of all volume in Manhattan in first-half 2018, a factor that is consistent with the full-year result in 2017. However, the multi-family sector's percentage of overall Manhattan dollar volume dropped to 14% during second-quarter 2018. If this trend continues, full-year multi-family investment will be down compared with 2017.

While full-year 2018 sales volume is not expected to reach the record high of 2015, the continuation of large transactions and an overall healthy investment sales market suggest that volume and pricing will remain stable throughout the rest of the year.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	4.7%	**4.0%**
Retail	4.2%	**4.9%**
Multi-Family	3.5%	**3.6%**

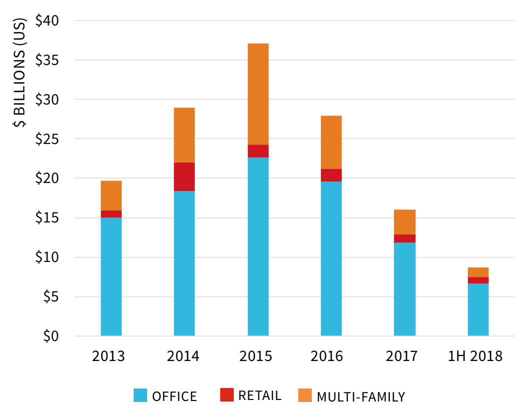
Investment Activity



	1H 2017	1H 2018
Office	81%	**77%**
Retail	7%	**9%**
Multi-Family	12%	**14%**

OFFICE RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	75 9th Avenue	Office	$2,397,501,899 $2,017 psf	Jamestown	Alphabet, Inc.
2	701 7th Avenue	Mixed Use	$1,530,000,000 $4,371 psf	Winthrop Realty Liquidating Trust	Maefield Development / Fortress Investment Group
3	St. John's Terminal	Office	$700,000,000 $3,593 psf	Westbrook Partners / Atlas Capital Group	Oxford Properties Group
4	5 Bryant Park	Office	$640,000,000 $939 psf	The Blackstone Group	Savanna
5	1745 Broadway	Office	$633,000,000 $939 psf	Ivanhoé Cambridge / SL Green	Invesco

Oakland Investment Market

Multi-family investment narrowly tops office and industrial

As a gateway to the greater East Bay, the Oakland market continues to attract strong levels of both foreign and domestic investment. Population growth and increases in new housing – together with proximity to transportation, the port and shipping – encourage investors to explore and invest in this region. Employment is still growing and is forecasted to remain positive during the remainder of 2018.

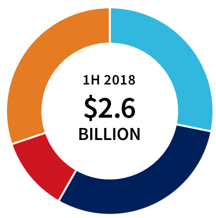
Yield-seeking investors, searching for high cash flow and stable returns over the long term, are taxing the supply of product for sale. To that end, tenant demand for all property types will positively affect asking rents over the remainder of 2018 and into 2019. Office and industrial rents are at historic highs, while new multi-family units coming online keep rental rates elevated. In the first half of 2018, multi-family investment narrowly topped the industrial and office sectors. This situation will likely change in favor of office assets by year-end as the CIM Group listed five of its Oakland CBD properties in a new portfolio for sale. The sale will likely achieve a value of more than $1 billion. All of the properties are well-leased with strong potential for rental-rate appreciation that will attract major interest among institutional investors looking for a long-term hold. Available land is scarce in the Oakland region as well as in the greater Bay Area. As a result, sales of raw land and sites designed for teardown redevelopment will continue to set pricing records.

The supply-demand balance is starting to shift as new product comes online to alleviate growing tenant demand for all property types. This new supply will also offer investors new opportunities to deploy capital. Demand is still strong and will likely be the best indicator of the market's strength going forward. There is still a lot of capital chasing properties as investors look to strike deals ahead of a possible rise in interest rates later in 2018.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.9%	**5.8%**
Industrial	5.3%	**5.3%**
Retail	6.0%	**5.7%**
Multi-Family	4.3%	**5.0%**

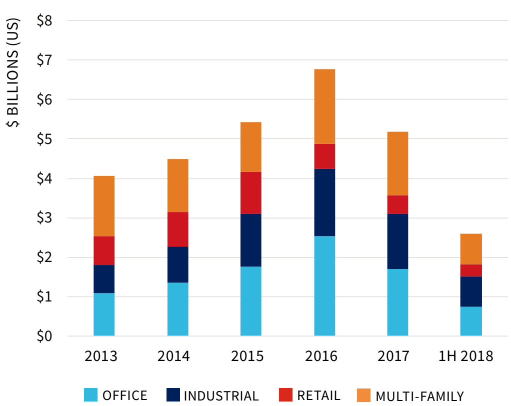
Investment Activity



	1H 2017	1H 2018
Office	38%	**28%**
Industrial	25%	**30%**
Retail	11%	**12%**
Multi-Family	26%	**30%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	2100 Powell Street	Office	$170,900,000 $494 psf	The Blackstone Group	CBRE Global Investors
2	Domain Oakland Apartments	Multi-Family	$140,000,000 $530,303 per unit	Land and Houses U.S.A.	Magnolia Capital
3	1717-1739 Doolittle Drive & 2380-2388 Williams Street	Industrial	$100,500,000 $172 psf	Comstock Realty Partners	Colony NorthStar
4	3596 Baumberg Avenue	Industrial	$93,500,000 $395 psf	The McShane Companies	Deutsche Asset Management
5	The Streets of Brentwood	Retail	$85,800,000 $236 psf	DRA Advisors	Harbert Management Corporation

Orange County Investment Market

Little sway from investors in first half of 2018

Investment sales volume maintained an even keel in Southern California's Orange County market during the first half of 2018. The county is on track to achieve sales volumes similar to those of 2017, indicating that record-high volumes will likely continue for a fourth consecutive year. Total sales volume in the first half of 2018 approached $3.2 billion, decreasing a mere 6% from the first half of 2017. Investor demand has waned slightly across each of the four sectors tracked although all sectors continue to achieve premium lease rates amid low vacancy.

For the sixth straight year, the office sector emerged with the largest first-half trading volume with just under $1.1 billion in sales, nearly matching the mid-year 2017 total. However, the average office price decreased to $253 psf at mid-year 2018 from $279 psf one year earlier. Office investors may become more reserved as vacancy continues to grow and an uptick of speculative development is added to the market.

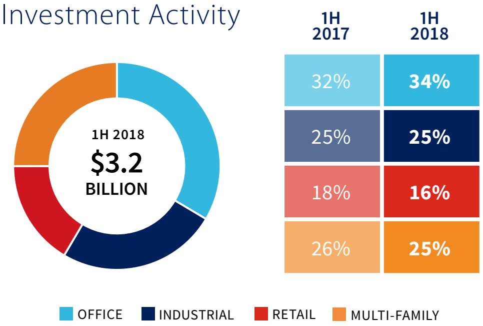
Multi-family sales narrowly achieved the next-largest volume with $793 million invested in first-half 2018, down from $862 million in first-half 2017. Investor interest in multi-family has yet to be exhausted as record-high rental rates persist in a market that has one of the lowest home-ownership rates in the U.S., according to the U.S. Census Bureau. A lack of affordable rental options persuaded investors to spend a record average of $324,000 per unit in the first half of 2018. Slight expansion of cap rates, incurred over the past year, is expected to be short-lived as rental-rate growth begins to decelerate and interest rates rise.

The county's industrial product generated $791 million in first-half 2018 sales, down from $834 million one year earlier. A record-high average price ($199 psf) in the constricted industrial sector may escalate as demand for last-mile warehousing increases. Meanwhile, investor recognition of Orange County retail remained strong, albeit cautious, with $522 million worth of sales volume in first-half 2018, down from $608 million in first-half 2017.

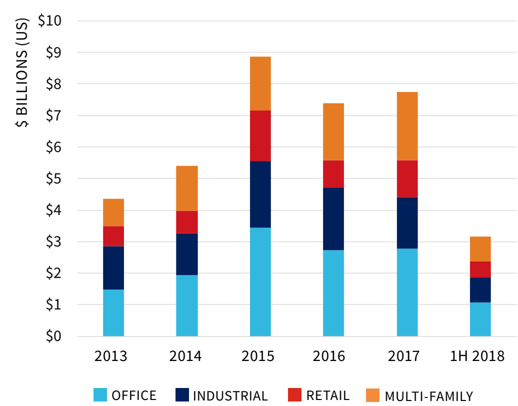
Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.4%	**6.0%**
Industrial	6.1%	**4.9%**
Retail	4.9%	**5.3%**
Multi-Family	4.1%	**4.6%**

Investment Activity



Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Summit Office Campus, Aliso Viejo	Office	$157,000,000 $326 psf	RREEF America, LLC	Rockpoint Group
2	City Tower, Orange	Office	$147,300,000 $342 psf	Torchlight Investors	KBS Strategic Opportunity REIT
3	Surf at 39 Apartments, Huntington Beach	Multi-Family	$134,000,000 $335,000 per unit	Lone Star Funds	Interstate Equities Corporation
4	Alexan Aspect, Fullerton	Multi-Family	$131,000,000 $404,320 per unit	Columbus Pacific Properties / Crow Holdings	JPMorgan Chase & Co.
5	Beckman Coulter Campus, Brea	Industrial	$115,250,000 $200 psf	NPDC-EY / NPDC-RI Brea Trust	Hines

Orlando Investment Market

Multi-family transaction volume continues to exceed expectations

Economic fundamentals in Orlando remain solid with demand for quality properties largely outstripping the availability of investment opportunities, particularly in high-demand areas. Investment sales activity during the first half of 2018 was strong with more than $2.3 billion in total transaction volume. Interest rates are beginning to creep up and debt remains readily available as private-equity investors actively seek strong investment opportunities.

The Orlando industrial market has been on fire for the last couple of years, fueled in large part by the surging e-commerce and logistics industries, a strong increase in total construction activity and broad-based industrial demand. In fact, the industrial sector was the only one that recorded a year-over-year increase (11%) in investment sales dollar volume in first-half 2018.

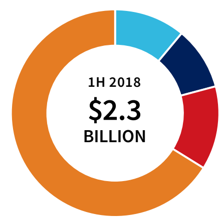
Total investment sales dollar volume for the first six months of 2018 was down 26% compared with the same period one year earlier. The multi-family sector exceeded expectations as its share of overall volume rose to 65%, compared with 38% recorded during first-half 2017. Multi-family investment volume is expected to remain robust in the second half of 2018 as rising employment, slow wage growth and strong in-migration are expected to continue to drive demand for apartments.

Major sales in the first half of 2018 included Preferred Apartment Communities' acquisition of the 221-unit Retreat at Orlando for $81.7 million, or $370,000 per unit, and Camden Property Trust's purchase of Camden North Quarter, a 333-unit mid-rise apartment property in downtown Orlando for $81 million, or $243,000 per unit. Retail investment sales dollar volume in first-half 2018 was 41% below the first-half 2017 level. Investors continue to target value-add opportunities with solid upside potential near expanding retail centers. All in all, the capital pool in Orlando remains relatively deep and is expected to stay healthy over the next couple of years.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.2%	**7.0%**
Industrial	7.9%	**6.9%**
Retail	7.2%	**6.4%**
Multi-Family	6.5%	**5.6%**

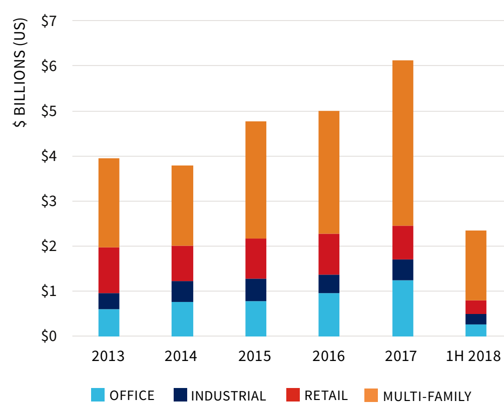
Investment Activity



	1H 2017	1H 2018
OFFICE	17%	**11%**
INDUSTRIAL	7%	**10%**
RETAIL	16%	**13%**
MULTI-FAMILY	60%	**66%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Retreat at Orlando	Multi-Family	$81,721,250 $369,779 per unit	Inland Real Estate Group	Preferred Apartment Communities
2	Camden North Quarter	Multi-Family	$80,966,667 $243,143 per unit	Pizzuti Companies	Camden Property Trust
3	Sole at Casselberry	Multi-Family	$72,250,000 $215,030 per unit	Bainbridge Companies	TH Real Estate
4	The Avenue Apartments	Multi-Family	$71,300,000 $136,590 per unit	Starwood Capital	BRT Apartments
5	Lofts at Uptown Altamonte	Multi-Family	$68,830,000 $212,438 per unit	Epoch Properties	Wafra Real Estate

Philadelphia Investment Market

Retail sector drops following successful year

Philadelphia's overall first-half 2018 investment volume posted a 16% year-over-year increase, rising $420 million above the mid-2017 total. Total investment volume reached $3.1 billion during the first half of 2018. Industrial, retail and multi-family average cap rates all dipped from mid-year 2017 to mid-year 2018 with only the office average seeing a rise of 10 bps. The overall average cap rate in Philadelphia fell 30 bps year-over-year to 6.5%.

In both the multi-family and industrial sectors, transaction dollar volumes were above first-half 2017 levels, increasing 108% and 110%, respectively. Philadelphia's multi-family sector continued to perform well in terms of occupancy and demand, grabbing the largest share of sales with volume totaling close to $1.2 billion through the mid-year mark. That figure represented a $620-million increase from the mid-year 2017 level.

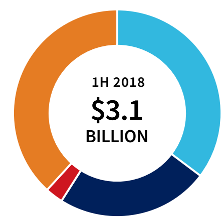
Despite experiencing a marginal (1%) year-over-year decline in transaction dollar volume, the office sector accounted for three of the region's five largest transactions in first-half 2018. Office investment dollar volume decreased by more than $12 million but still accounted for 35% of overall investment volume by the end of the second quarter. Major office deals in the first half of 2018 included American Real Estate Partners Management's purchase of 1600 Market Street for $160 million, Goldman Sachs' $135.6-million acquisition of 2000 Market Street for $135.6 million and Korea Investment Management's purchase of the new GSK North American headquarters.

The retail sector recorded the largest drop in dollar volume. After comprising 25% of total investment dollar volume in first-half 2017, retail accounted for only 3% in first-half 2018. Retail's lower dollar volume resulted from an 87% decline in transactions compared with the same period one year earlier.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.4%	**7.5%**
Industrial	6.9%	**6.6%**
Retail	6.7%	**6.2%**
Multi-Family	6.0%	**5.8%**

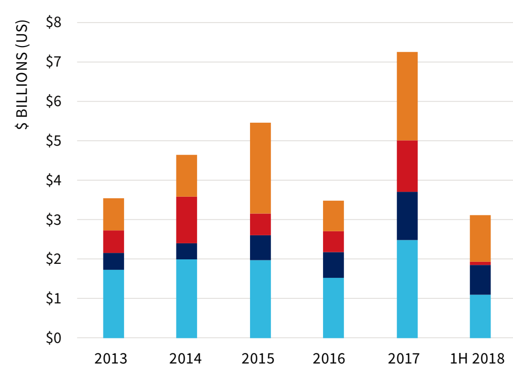
Investment Activity



1H 2017	1H 2018
41%	**35%**
13%	**24%**
25%	**3%**
21%	**38%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Evo at Cira Centre South	Multi-Family	$197,500,000 $569,164 per unit	Brandywine Realty Trust	Mapletree Investments
2	1600 Market Street	Office	$160,000,000 $194 psf	Equity Commonwealth	American Real Estate Partners Management, LLC
3	3601 Market Street	Multi-Family	$140,000,000 $385,675 per unit	Southern Land Company	FPA Multifamily, LLC
4	2000 Market Street	Office	$135,600,000 $204 psf	Gemini Rosemont Commercial Real Estate	Goldman Sachs & Co.
5	GSK North American HQ	Office	$130,500,000 $628 psf	Liberty Property Trust	Korea Investment Management Co.

Phoenix Investment Market

Deal volume increases across all property types

Phoenix attracted more capital from institutional investors in the first half of 2018 compared with the first half of 2017. The market's strong growth is being sustained by favorable demographic and economic trends. Total volume increased 33% across all property types with the highest percentage growth in the industrial sector (73%). Multi-family transactions dominated the market, accounting for approximately 50% of the total dollar volume, due to continued demand in the rental-housing market. As values increased, cap rates contracted in all property types except retail. Industrial cap rates registered the largest reduction from mid-year 2017, dropping 100 bps to an average 6%.

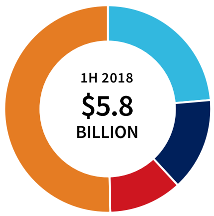
Multi-family accounted for four of the five largest transactions in first-half 2018 although per-unit pricing ranged between $143,229 and $346,453. The average unit price increased 4.9% from the first half of 2017 to the first half of 2018. At the end of second-quarter 2017, nearly 19,000 units were under construction, and the pace remains constant in 2018 with more than 20,400 units underway. Current economic trends indicate rental and vacancy rates will continue on healthy trajectories, encouraging further investment.

Benefitting from the area's lack of natural disasters and lower business costs, data-center demand is influencing the flex market. Data-center growth is viewed as the next important evolution in the Phoenix commercial property market. CyrusOne, a Texas data-center investment firm, is planning a 198-megawatt facility – its second project in Phoenix. EdgeCore Internet Real Estate LLC broke ground on its $150-million data center in Mesa in March 2018, starting its planned $2-billion investment there. In January 2018, I/O Data Centers repurchased two data centers, which it had previously sold to Carter Validus Mission Critical REIT in a sale-leaseback, for $142.5 million. The largest traditional industrial transaction in the first half of 2018 was Lincoln Property Company's $39.7-million purchase of 2500 W. Frye Road for $248 psf.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.2%	**6.8%**
Industrial	7.0%	**6.0%**
Retail	6.4%	**6.5%**
Multi-Family	5.9%	**5.5%**

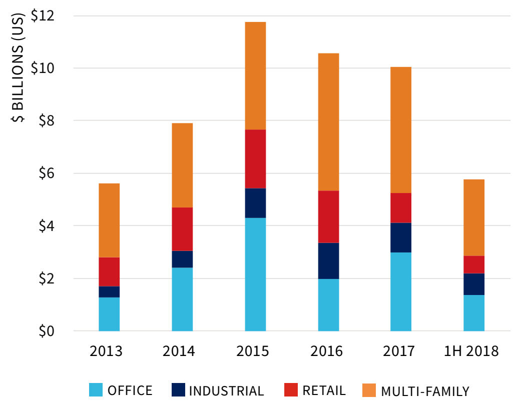
Investment Activity



1H 2017	1H 2018
29%	**24%**
11%	**15%**
11%	**11%**
49%	**50%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Optima Sonoran Village	Multi-Family	$205,100,000 $346,453 per unit	DeBartolo Development	Principal RE Investors
2	Dakota at McDowell Mountain Ranch	Multi-Family	$160,100,000 $217,527 per unit	UBS Realty Advisors	CBRE Global Investors
3	Westgate City Center	Retail	$133,000,000 $262 psf	iStar Financial	YAM Properties
4	Ten 01 on the Lake	Multi-Family	$115,000,000 $219,885 per unit	Picerne Group	PGIM Real Estate
5	Red Mountain Villas	Multi-Family	$110,000,000 $143,229 per unit	Weidner Apartment Homes	Knightvest Capital

Pittsburgh Investment Market

Retail and multi-family sectors drive activity

Total investment activity across the Pittsburgh investment market was down $135 million (22%) year-over-year during the first six months of 2018 as overall dollar volume of $492 million was recorded. The retail sector posted the highest trading volume, followed by the multi-family and office sectors. The trend of out-of-town investors entering the market continued through mid-2018 albeit at a slower pace when compared with recent years.

The sale of Ascent 430, a 320-unit apartment complex in Wexford, PA, was the largest investment transaction recorded in first-half 2018. The property was acquired by Graycliff Capital Partners for $61 million. Also in the multi-family sector, the Eagle Ridge Apartments site comprising 352 units, located in Monroeville, PA, was sold to Merion Partners for $40 million. That price represented a 53% value increase from the asset's previous trade in 2010.

In the retail sector, 111 Siena Drive, a 40,000-sf building occupied by Whole Foods, was sold for $24.4 million. The seller was Pittsburgh-based development firm KGA Partners and the buyer was Spectrum Properties of Dallas. This property's prominent location and excellent anchor tenancy delivered a premium price for KGA, helping to boost retail-sector sales volume by 53% year-over-year to $210 million.

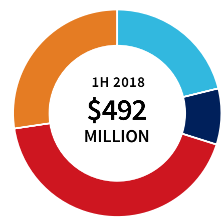
Office investment activity and overall dollar volume were down year-over-year with total sales falling 66% to $104 million. Noteworthy office transactions included the sale of 501 Technology Drive, a fully leased 98,314-sf building in Southpointe, purchased by the Aztec Fund of Mexico for $20.25 million. Pittsburgh-based Walnut Capital closed on a building formerly occupied by the Pittsburgh Athletic Association in Oakland, PA situated on the University of Pittsburgh's uptown urban campus. The sale price for the 90,000-sf building was $12.6 million. The property will be repositioned for a mix of office and retail uses.

Although first-half 2018 investment activity was not as brisk or impressive as the year prior, the Pittsburgh market remained stable. Activity is expected to pick up as 2018 draws to a close.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.9%	**8.9%**
Industrial	5.6%	**5.7%**
Retail	6.9%	**7.2%**
Multi-Family	7.1%	**6.8%**

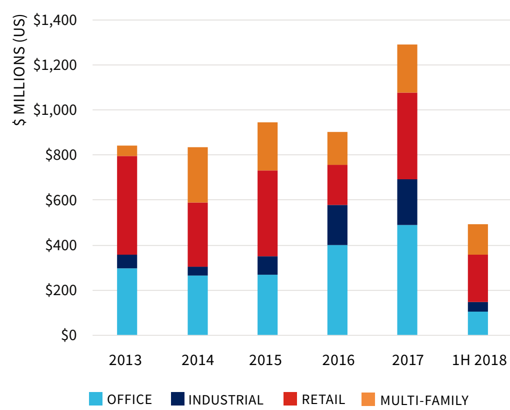
Investment Activity



	1H 2017	1H 2018
Office	48%	**21%**
Industrial	13%	**9%**
Retail	22%	**43%**
Multi-Family	17%	**27%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Ascent 430	Multi-Family	$61,012,500 $191,626 per unit	The NRP Group, LLC	Graycliff Capital Partners
2	Eagle Ridge Apartments	Multi-Family	$40,000,000 $113,636 per unit	Iron River Management	Merion Realty Partners
3	111 Siena Drive	Retail	$24,438,000 $619 psf	Simon Property Group, Inc.	Ross Park S&S LLC
4	501 Technology Drive	Office	$20,250,000 $206 psf	Laurus Corporation	The Aztec Fund
5	4215 5th Avenue	Office	$12,600,000 $140 psf	Pittsburgh Athletic Association	Walnut Capital

Raleigh-Durham Investment Market

Multi-family and office sales dominate activity

While investment activity has slowed in some regions, the Raleigh-Durham region continues to experience robust demand. Office, industrial, retail and multi-family sales totaled $2.4 billion during the first half of 2018, up 46% versus the first half of 2017. Raleigh-Durham's office market, in particular, has drawn increased attention in recent months as class A vacancy remains in the single digits and asking rental rates face sustained upward pressure. Office sales totaled $1.1 billion in the first half of 2018, accounting for 44% of total dollar volume. This figure, up 157% from the first half of 2017, was driven in large part by an increase in portfolio sales.

Multi-family attracted $1.1 billion in investment during the first half of 2018, up 54% versus the first half of 2017. Despite a wave of construction completions in the last two years, investors remain hungry for both core and value-add opportunities. The region's robust population and job growth, combined with a tight housing market, are driving strong occupancy rates and positive rental-rate growth – despite abundant new supply.

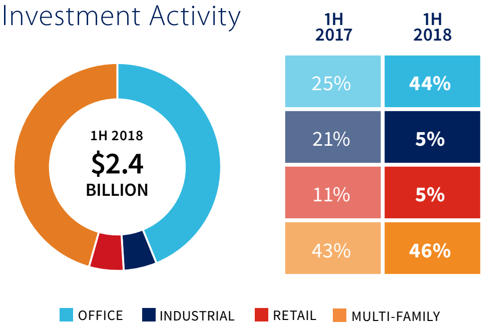
Industrial and retail sales were sparse in the first half of 2018 with each asset class representing just 5% of total volume. Industrial sales totaled $124 million, down 64% compared with the first half of 2017 – when a combination of data center sales and sales of newly constructed product drove volume to an unusually high level. Retail sales totaled $130 million in the first half of 2018, down 27% from the same period in 2017.

Raleigh-Durham investment activity will remain strong over the next 12 months as investors increasingly turn to secondary markets in search of more upside opportunities. Office and multi-family sales will continue to dominate in the near term and likely push overall volume beyond the 2017 level.

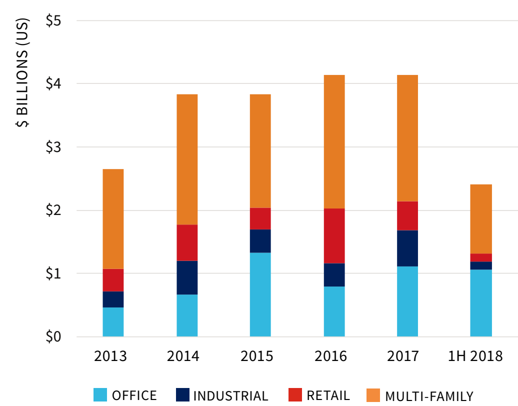
Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.6%	**6.2%**
Industrial	7.4%	**7.4%**
Retail	6.7%	**7.1%**
Multi-Family	5.7%	**5.1%**

Investment Activity



Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Venture Center & Alliance Center	Office	$171,999,903 $277 psf	Heitman	TPG / Parkway Property Investments
2	Lenovo Enterprise Campus	Office	$135,300,000 $279 psf	Arzan Financial Group	Sentinel Real Estate
3	Midtown Plaza	Office	$127,000,000 $385 psf	Kane Realty / KBS Realty Advisors	Lionstone Investments
4	Meridian Business Campus	Office	$95,764,478 $163 psf	Investcorp	Accesso Partners
5	BullHouse	Multi-Family	$76,250,000 $250,000 per unit	Woodfield Investments / The Carlyle Group	Lantower Residential

Sacramento Investment Market

Total investment dollar volume nearly doubles

The Sacramento Valley commercial real estate market registered $2.3 billion in sales during the first half of 2018. This figure was nearly double the investment dollar volume recorded in the first half of 2017, when $1.4 billion in trades occurred. Furthering the performance increase, sales activity in each asset class increased when compared with one year earlier.

The office sector accounted for the largest share of investment volume in the first half of 2018 with $748 million in trades compared with $620 million in first-half 2017. The largest deal by volume in the first half of 2018 was Shorenstein Properties' acquisition of the U.S. Bank Tower in downtown Sacramento. The 336,000-sf office tower traded for $161 million at a 6.75% cap rate. Industrial sales volume was also strong, ending the first half of 2018 with $407 million in trades compared with $132 million during the first half of 2017. The Blackstone Group acquired the Sierra View Business Park, a 712,000-sf industrial project, for $58.25 million. The retail sector measured $491 million in transactions during the first half of 2018, up from $328 million in the first half of 2017. TA Realty paid $25 million to acquire Arden Watt Marketplace, a 138,000-sf shopping center located within Sacramento's city limits. The deal had a 6.6% capitalization rate.

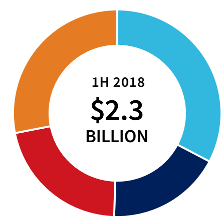
Multi-family investors were active in the Sacramento Valley, recording $642 million in trades during the first half of 2018, a significant increase year-over-year. Sacramento offers a more affordable urban alternative to larger surrounding metros with many Bay Area employees choosing to reside in the valley and commute to work.

Going forward, the Sacramento Valley will continue to measure stable growth in sales volume and investments. Strong employment growth and a more affordable urban lifestyle are contributing to ongoing vacancy declines and rent increases in the market, giving local investors continued confidence.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.8%	**5.6%**
Industrial	6.0%	**6.0%**
Retail	6.9%	**6.6%**
Multi-Family	5.9%	**5.3%**

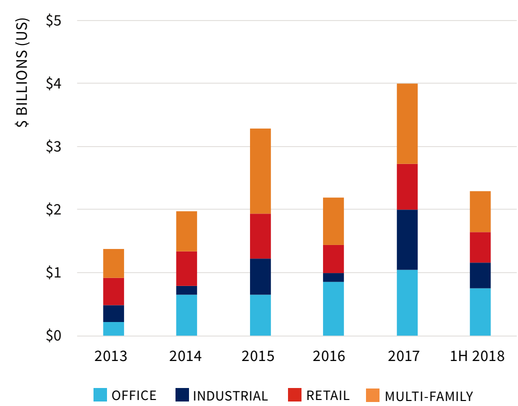
Investment Activity



	1H 2017	1H 2018
Office	45%	**33%**
Industrial	10%	**18%**
Retail	24%	**21%**
Multi-Family	22%	**28%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	U.S. Bank Tower	Office	$161,000,000 $439 psf	Britannia Pacific Properties	Shorenstein Properties, LLC
2	1751 E. Roseville Parkway, Roseville	Multi-Family	$148,700,000 $242,973 per unit	Kennedy-Wilson Properties, Ltd.	Blackstone Real Estate Income Trust, Inc.
3	Depot Park	Industrial	$127,790,000 $47 psf	Fischer Properties	The Blackstone Group LP
4	Roseville Innovation Park	Industrial	$93,500,000 $209 psf	Farallon Capital Management, LLC	Stonemont Financial Group
5	Sierra View Business Park	Industrial	$58,250,000 $82 psf	Longmeadow Development	The Blackstone Group LP

San Antonio Investment Market

Retail and multi-family see the most growth

San Antonio commercial real estate investment sales activity in the first half of 2018 edged slightly higher than in the first half of 2017 thanks to increasing consumer confidence and the continued recovery of the energy industry. The metro is a healthy tertiary market and has become an attractive target for investors and developers who have been squeezed out of primary and secondary markets. The IH-35 corridor between Austin and San Antonio continues to record substantial economic and population growth and urbanization. This trend has helped the market achieve consistent sales growth over the last five years with 2018 also on track to surpass 2017's full-year sales volume. In 2017, full-year total sales were nearly $800 million higher across all property types when compared with 2016. The pace of growth has slowed in 2018, but the market retains its positive momentum.

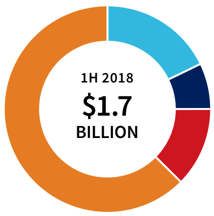
Office sales growth has tended to follow the highways with northern submarkets such as North Central, Northwest and Far Northwest seeing the highest asking prices per rentable square foot. In all asset classes, investors are moving away from pricier core properties and are now seeking value-add opportunities in suburbs or obsolete class B and C buildings, hoping for higher returns. The industrial sector continues its steady streak as more than 5 msf in product has changed hands every year since 2012 – including 2015 and 2017, when more than 10 msf traded.

In 2017, each property type recorded its highest sales dollar volume total since the economic recovery began in 2010 – except retail, which posted its lowest level in four years. However, retail recorded very strong growth in first-half 2018, increasing 108% year-over-year. Sales of all asset types finished first-half 2018 above their year-earlier marks – except industrial, which is coming off its strongest year ever. All in all, this positive momentum is expected to continue through the rest of 2018 and beyond.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.3%	**7.0%**
Industrial	7.5%	**6.9%**
Retail	6.7%	**7.0%**
Multi-Family	6.0%	**5.7%**

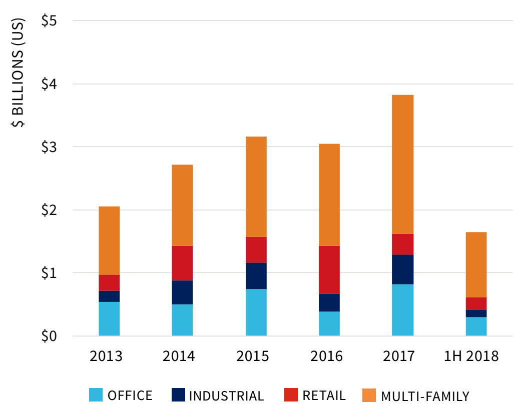
Investment Activity



	1H 2017	1H 2018
Office	11%	18%
Industrial	20%	7%
Retail	6%	12%
Multi-Family	63%	63%

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Elian Luxury Apartments	Multi-Family	$96,625,000 $179,267 per unit	Lone Star Funds	FPA Multifamily
2	The Flats at Big Tex	Multi-Family	$67,000,000 $199,404 per unit	The NRP Group, LLC	The Accend Companies
3	Ridgeline at Rogers Ranch	Multi-Family	$53,625,096 $179,348 per unit	Embrey Partners, Ltd.	Benimax Investment Group, Inc.
4	Landmark Grandview	Multi-Family	$53,400,000 $150,000 per unit	Oden Hughes, LLC	B&M Management Co.
5	Legacy Flats	Multi-Family	$40,621,690 $131,038 per unit	White-Conlee Development	PEM Real Estate Group

San Diego County Investment Market

Investors display renewed enthusiasm for retail

Investment dollar volume in the San Diego County market rose 17% year-over-year to $3.3 billion in the first half of 2018, up from $2.8 billion in first-half 2017. The county's overall average capitalization rate increased 40 bps year-over-year to 6.1%.

The retail sector generated the largest sales volume in San Diego with $1.2 billion in the first half of 2018, surging from $500 million in the first half of 2017. Total retail sales received a significant boost from the refinancing transaction for Parkway Plaza in El Cajon, valued at $405 million, or $307 psf. This was an allocated portion of a larger transaction by Starwood Capital Group involving the procurement of funds from the commercial-mortgage bond market and a loan from Goldman Sachs. However, the retail sector performed extremely well even without this outlier, separately accumulating $791 million in sales dollar volume. Investor interest is expected to increase while San Diego retail adapts to evolving consumer expectations and a growing population, pushing rents higher and keeping vacancy tight.

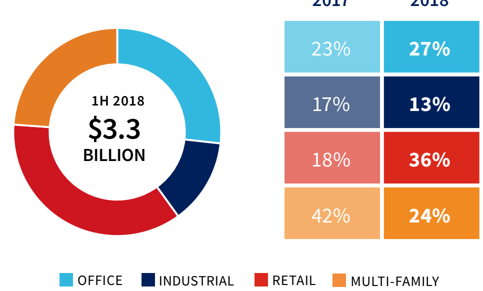
The office sector was the next-highest performing sector, totaling $887 million in the first half of 2018 and exceeding the $656 million recorded by mid-year 2017. Office prices gained momentum, achieving an average of $324 psf at mid-year 2018 – up from $251 psf one year earlier. Meanwhile, the industrial sector generated $440 million in first-half 2018 sales, a slight decrease from $496 million at mid-year 2017.

After leading the way in 2017 with 34% of market share, the multi-family sector registered a deceleration in first-half 2018, generating $790 million. That total was down markedly from $1.2 billion in the first half of 2017. In spite of record occupancy and rental rates, construction starts have slowed in the past year due to regulatory restrictions and increasing construction costs. Additionally, a local government push for more affordable-housing construction is less appealing to developers and investors than the waning trend of luxury housing construction.

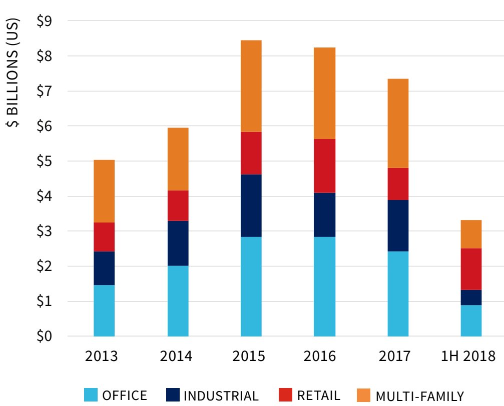
Select Avg. Cap Rates

	1H 2017	1H 2018
Office	5.4%	**7.1%**
Industrial	6.3%	**7.1%**
Retail	6.1%	**5.4%**
Multi-Family	5.0%	**4.8%**

Investment Activity



Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Summers Ridge, Sorrento Mesa	Office	$148,650,000 $469 psf	Quidel Corporation	Alexandria Real Estate Equities
2	Domain San Diego, Kearny Mesa	Multi-Family	$132,500,000 $347,769 per unit	Essex Property Trust	Goldman Sachs
3	Sofi Shadowridge, Vista	Multi-Family	$115,000,000 $366,242 per unit	Invesco	Pacific Urban Residential
4	Gateway at Torrey Hills, Del Mar Heights	Office	$105,000,000 $531 psf	Prudential Financial, Inc.	The Irvine Company
5	Stonecrest, Kearny Mesa	Office	$100,300,000 $307 psf	TIAA	Pendulum Property Partners

San Francisco Investment Market

Tech capital shows signs of downturn

During the first half of 2018, San Francisco investment sales displayed signs of a cooldown. A total of $3.1 billion in transactions was recorded during the first half of 2018, reflecting a 13% decrease from the first half of 2017. This reduction is likely attributable to rising interest rates and investors having less confidence now that the Bay Area's economic expansion has peaked. Despite decreased sales volume, San Francisco continues to demonstrate positive signs of employment growth. With an average cap rate of 4.6% at mid-year 2018, the market continues to be a target for institutional investors – due in part to its expanding tech industry and overall stability.

Office investment volume decreased 13% year-over-year to $2.2 billion in the first half of 2018. Notable activity included the sale of the 657,115-sf Wells Fargo building. In February, Allianz Real Estate purchased the asset from Columbia Property Trust for a record-breaking $607.8 million, or $927 psf.

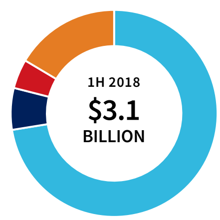
Retail investments dropped 69% to $140 million in the first half of 2018, compared with nearly $866 million in first-half 2017. Notably, the largest retail transaction recorded during the first half of 2018 was the Diamond Heights Shopping Center. In January, Donahue Schriber purchased the property for $48 million.

With limited land availability, rising construction costs and low housing affordability, San Francisco is facing a development problem. On the multi-family front, supply has been lagging behind demand. In the first half of 2018, San Francisco recorded a 23% increase in multi-family investment dollar volume as $504 million in transactions were completed. The deals included the notable sale of the 196-unit Potrero Launch complex. However, larger industrial-market transactions brought that sector's first-half total to nearly $200 million – which represented a record 75% increase from the first half of 2017. The largest industrial sale in the first half of 2018 involved the Lion Building, which was sold for $67.3 million.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	4.9%	**4.8%**
Industrial	3.7%	**4.9%**
Retail	4.4%	**4.9%**
Multi-Family	3.6%	**3.7%**

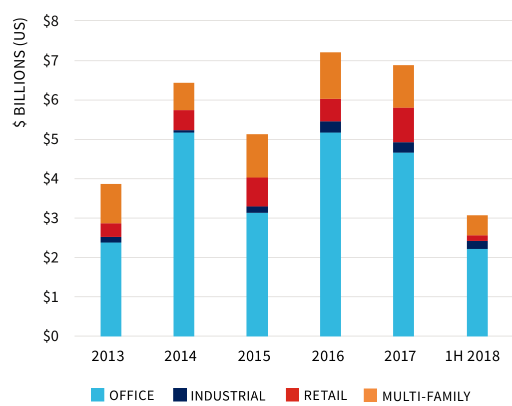
Investment Activity



	1H 2017	1H 2018
Office	72%	**72%**
Industrial	3%	**7%**
Retail	13%	**5%**
Multi-Family	12%	**16%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Wells Fargo Building	Office	$607,786,488 $927 psf	Columbia Property Trust	Allianz Real Estate of America
2	275 Battery Street	Office	$412,500,000 $868 psf	Rockpoint Group	Northwestern Mututal
3	123 Mission Street	Office	$290,000,000 $839 psf	HNA Group	Northwood Investors
4	270 Brannan Street	Office	$202,000,000 $1,115 psf	SKS Investments	Mitsui Fudosan America
5	100 Spear Street	Office	$163,250,000 $804 psf	Prudential Real Estate Investors	Vanbarton Group

San Jose/Silicon Vally Investment Market

Office prices gain momentum

Silicon Valley investment dollar volume was strong during the first half of 2018, totaling more than $4 billion in sales, up slightly from the first half of 2017.

The office sector accounted for 42%, or $1.7 billion, of the market's sales volume in first-half 2018. Office prices gained momentum, commanding an average of $473 psf as of mid-year 2018 – up from $431 psf one year earlier. Meanwhile, the industrial sector generated $1.1 billion in the first half of 2018, declining slightly from mid-year 2017. Industrial product prices average more than $245 psf, as the market has measured increased sales volume over the last few years. It should be noted, however, that many of the largest deals of the last few years have been linked to redevelopment projects, as office construction in the region has skyrocketed and much of the obsolete industrial product has been phased out.

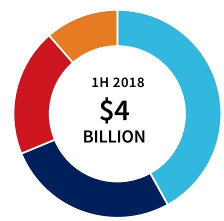
Retail asset sales soared with $797 million in volume in first-half 2018, more than the total volume measured in all of 2017. Notable transactions included the sale of a Macy's department store located in Sunnyvale. A partnership between Sares-Regis Group and Hunter Storm, LLC acquired the property for $95 million. The multi-family sector also generated significant sales volume in Silicon Valley, reaching $458 million in the first half of 2018. Multi-family development in the region has jumped during the past few years as housing has struggled to maintain pace with the demands of a growing population.

The core economic drivers in Silicon Valley give investors a positive outlook on their investment returns. Rental rates across all sectors continue to climb as vacancy remains tight and unemployment stays low at 2.9% as of June 2018. In the biggest shift in investment activity, tech titans have become some of the market's biggest landlords.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	5.8%	**5.7%**
Industrial	5.2%	**6.4%**
Retail	4.6%	**4.8%**
Multi-Family	4.4%	**4.4%**

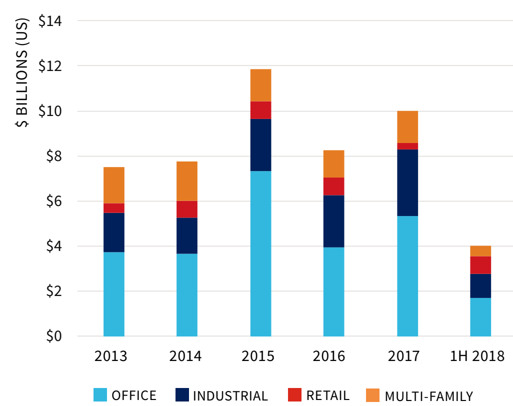
Investment Activity



1H 2017	1H 2018
51%	**42%**
28%	**27%**
4%	**20%**
17%	**11%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	1001 N. Shoreline Boulevard, Mountain View	Office	$169,946,278 $1,377 psf	Carlyle Group / Calvano Development	Stockbridge Capital Group LLC
2	601 California Avenue, Palo Alto	Office	$145,100,000 $1,300 psf	The Blackstone Group LP	Morgan Stanley Services Group Inc.
3	Valley Tech Centre	Office	$144,500,000 $308 psf	DivcoWest	Lincoln Property Company
4	385 Sherman Avenue, Palo Alto	Office	$138,000,000 $2,030 psf	JP Morgan Asset Management	American Realty Advisors
5	Embarcadero Place	Office	$136,000,000 $692 psf	Hudson Pacific Properties, Inc.	Alexandria Real Estate Equities, Inc.

San Mateo Investment Market

Cap rates drop significantly

San Mateo County recorded $2.2 billion worth of commercial property investment sales during the first half of 2018, up 95% from the $1.1 billion registered during the first half of 2017. Capitalization rates dropped significantly year-over-year to an average 4.5%, down from 5.3% at mid-year 2017.

Office assets dominated investment activity during the first half of 2018 with $1.1 billion in sales – accounting for 49% of total deal volume and nearly a twofold increase compared with the first half of 2017. A major contributor to the increase in sales volume was the quality of assets sold. Claiming the highest price per square foot was an asset in the Sand Hill submarket, where Alameda Realty Partners acquired 2180 Sand Hill Road for more than $1,800 psf.

Retail asset sales totaled only $80 million in the first half of 2018. Notable sales included Bearcat Properties' acquisition of Peninsula Infiniti, a car-dealership site in Redwood City, for $18.1 million. Industrial investors were active during the first half of 2018, trading more than $461 million worth of product – more than four times the sector's total volume measured in the first half of 2017.

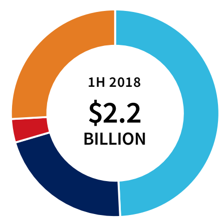
Multi-family investment activity was strong during the first half of 2018, totaling more than $563 million compared with $98 million one year earlier. Tipping the scale were two luxury apartment complex sales. Located in Foster City and Menlo Park, the two properties were part of a portfolio sale and closed with a price tag of more than $340,000 per unit.

Overall investment activity was robust during the first half of 2018 and, if it continues its pace through the second half of the year, dollar volume will surpass totals recorded in the prior two years. Any stall in investment activity throughout the remainder of the year would not result from a lack of investor interest, but rather from limited availability of supply.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	4.2%	**4.8%**
Industrial	6.9%	**4.8%**
Retail	6.1%	**4.8%**
Multi-Family	4.0%	**3.6%**

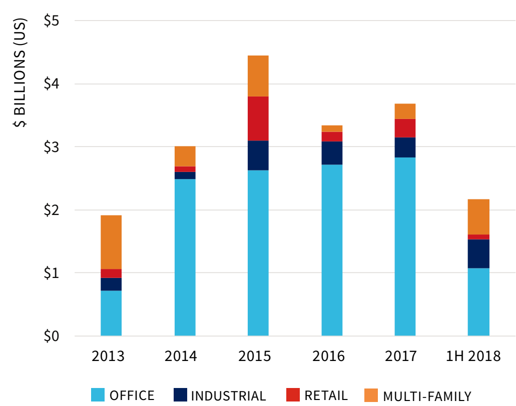
Investment Activity



1H 2017	1H 2018
36%	**49%**
10%	**21%**
45%	**4%**
9%	**26%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Kilroy Oyster Point	Industrial	$308,000,000 $787 psf	Greenland USA	Kilroy Realty Corporation
2	One Hundred Grand Apartments	Multi-Family	$250,000,000 $530 psf	Los Angeles County Employees Retirement Association	PGIM, Inc.
3	Clearview Business Park	Office	$217,000,000 $572 psf	RREEF Management LLC	Goldman Sachs Asset Management LP
4	DC Station	Office	$114,500,000 $299 psf	Global Securitization Service LLC	Cerberus Capital Management / Harvest Properties
5	2180 Sand Hill Road, Menlo Park	Office	$82,500,000 $1,808 psf	Hudson Pacific Properties, Inc.	Alameda Realty Partners, LLC

St. Louis Investment Market

Multi-family sector remains the strongest performer

St. Louis commercial real estate investment volume rose 57% year-over-year in the first half of 2018 as sales were higher in the industrial, retail and multi-family sectors. This large overall increase bodes well for 2018 investment dollar volume to meet, or exceed, the full-year 2017 total. The multi-family sector continued to be the market's strongest performer in first-half 2018. The top five overall sales transactions involved apartment properties, and the multi-family market's investment dollar volume exceeded the combined total for the office, industrial and retail sectors. Multi-family cap rates fell 160 bps year-over-year to an average 7.3%.

Industrial investment activity in the first half of 2018 was on par with first-half 2017. Investors continued to show strong interest in industrial properties as the average cap rate increased 90 bps year-over-year to 8.5%. With cap rates higher than in other markets and speculative properties being leased up, industrial sales are expected to pick up in the second half of the year.

Retail asset sales increased 61% compared with first-half 2017. Meanwhile, the average retail cap rate held steady, posting a marginal 10-bps increase to 7.7%. Retail asset sales continue to involve properties with redevelopment potential and high vacancies located next to highways or major roadways running through population centers.

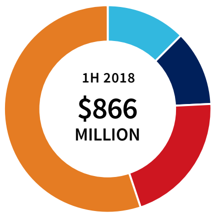
First-half 2018 office sales declined 16% year-over-year, but the sector's average cap rate decreased 140 bps to 7.6%. With no substantial speculative office buildings being built or planned, vacancy rates will continue to decrease while rental rates increase – a trend that should prompt more owners to put their properties up for sale.

It is expected that 2018 will continue to be a good year for investment sales. It will be interesting to see if they reach, or exceed, the volumes achieved in 2017. St. Louis continues to record an increasing number of transactions and interest from out-of-state investors seeking a stable market with better returns than those found in coastal markets.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	9.0%	**7.6%**
Industrial	7.6%	**8.5%**
Retail	7.6%	**7.7%**
Multi-Family	8.9%	**7.3%**

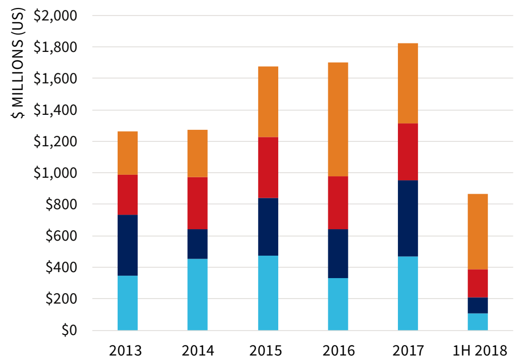
Investment Activity



1H 2017	1H 2018
23%	**12%**
18%	**12%**
20%	**21%**
39%	**55%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	The Orion	Multi-Family	$80,000,000 $451,977 per unit	Mills Properties	Brass Enterprises
2	Sun Valley Lake Apartments	Multi-Family	$64,150,000 $94,338 per unit	Priderock Capital Partners	B&M Management Co.
3	The Villages at General Grant	Multi-Family	$50,253,807 $91,370 per unit	GEM Property Management	Monarch Investment and Management
4	245 Union Boulevard	Multi-Family	$47,800,000 $119,500 per unit	Village Green	Emerald Equity Group
5	The Fields Highland Lofts	Multi-Family	$44,400,000 $222,000 per unit	KBS Legacy Partners Apartment REIT	Rialto Holdings LLC

Tampa Investment Market

Strong economic fundamentals and steady demand fuel activity

The Tampa-St. Petersburg-Clearwater metropolitan statistical area was ranked as one of the top 20 U.S. Markets to Watch for overall real estate prospects in the *Emerging Trends in Real Estate 2018* report published by PwC and the Urban Land Institute. Many investors seeking opportunities in gateway markets are facing fierce competition and being priced out of those markets due to their yield requirements, and are turning their attention to secondary markets like Tampa Bay.

Thanks to strong economic fundamentals and steady demand, investment sales activity during the first half of 2018 was robust with $1.9 billion in total transaction volume. While the industrial and multi-family sectors outperformed the volume recorded through mid-year 2017, total volume for Tampa Bay was down 17% overall. The multi-family sector accounted for significantly more than half of all transaction volume recorded during first-half 2018, followed by the office market with $323.5 million. First-half 2018 industrial and retail volumes totaled $448 million.

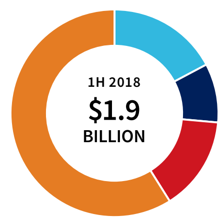
The largest transaction in first-half 2018 was the sale of Urban Centre I & II, a two-building, class A trophy office development in the sought-after Westshore area. Starwood Capital purchased the assets from TIAA-CREF for $143.1 million, or $260 psf. A year-over-year decrease in office transaction volume through June 2018 was largely due to the absence of large-scale activity in the urban core, as most of the key product had already traded hands in recent years. The strong first-half 2018 multi-family sales included Camden Property Trust's purchase of Camden Pier District, a 358-unit project in downtown St. Petersburg, for $126.3 million, or approximately $353,000 per unit.

Tampa's investment market is still flush with capital. Investors are eager to purchase office product based on the sector's strong performance in recent years, shrinking unemployment numbers, limited new supply and relatively high cap rates compared with the industrial, retail, and multi-family asset classes.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.5%	**7.4%**
Industrial	6.9%	**6.8%**
Retail	6.4%	**6.8%**
Multi-Family	6.6%	**5.8%**

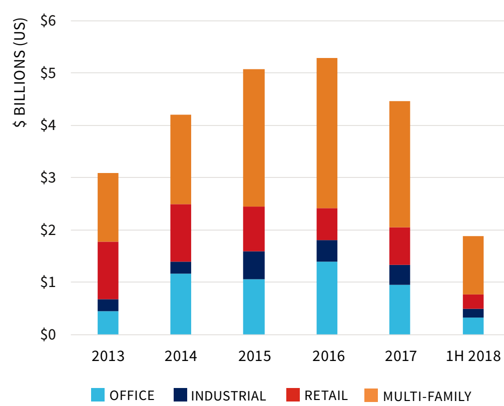
Investment Activity



	1H 2017	1H 2018
Office	26%	**17%**
Industrial	6%	**9%**
Retail	19%	**15%**
Multi-Family	49%	**59%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Urban Centre I & II	Office	$143,100,000 $260 psf	TIAA-CREF	Starwood Capital
2	Camden Pier District	Multi-Family	$126,300,000 $352,793 per unit	American Land Ventures	Camden Property Trust
3	The Cove Apartments	Multi-Family	$96,500,000 $140,058 per unit	Lubert-Adler / Laramar Group	Gamma Real Estate Capital
4	Lexington Park at Westchase	Multi-Family	$82,000,000 $205,000 per unit	Pollack Shores Real Estate Group	Greystar
5	Tuscany Bay	Multi-Family	$66,034,000 $178,470 per unit	IMT Real Estate Group	Starlight U.S. Multi-Family Funds

Washington, DC Investment Market

Multi-family investment doubles, office remains strongest performer

The Washington, DC metro area registered substantial growth in investment volume in the first half of 2018, increasing 22% year-over-year to approximately $9.8 billion. Growth in multi-family property sales activity accounted largely for this increase. The availability of debt will support liquidity and the continuation of recent sales trends.

Office investment in 2018 began with a burst of activity as EXAN Capital's $145-million purchase of 900 G Street, NW set a record for the highest per-square-foot market rate, at $1,278, in January. Total office asset sales decreased 10% year-over-year in the first half of 2018 to $4.2 billion, but the sector still accounted for 42% of all investment sales. The average cap rate for office investment sales increased 50 bps year-over-year to 6.4%. Northern Virginia assets dominated sales activity, covering 50% of office sales dollar volume.

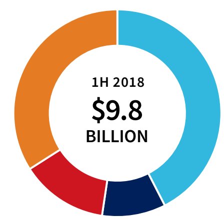
In other sectors, multi-family investment sales volume increased 92% year-over-year to $3.3 billion in the first half of 2018. The average price per apartment unit continues to increase, and multi-family investment sales will likely rise as the year progresses. The average multi-family cap rate, currently at 5%, has sustained a downward trend year-over-year since the second quarter of 2015. Retail investment sales increased 39% year-over-year to $1.3 billion, primarily due to bulk portfolio sales. As many large traditional retail brands closed stores in response to changing consumer trends, the sector's cap rates increased to 6.5% in the second quarter of 2018. Industrial sales totaled $974 million and exhibited a 36% increase year-over-year compared with the first half of 2017. The development of distribution centers and the expansion of the data-center market in the Northern Virginia and Maryland suburbs constituted much of this investment activity.

In contrast to national trends, cross-border investment continues to fuel the DC metro market, alone comprising more than a quarter of buyer composition. Growth in multi-family and industrial sector sales, particularly in the suburban markets, and demand for well-situated office properties will be sustained in the second half of 2018.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	5.9%	**6.4%**
Industrial	7.1%	**7.2%**
Retail	6.0%	**6.5%**
Multi-Family	5.2%	**5.0%**

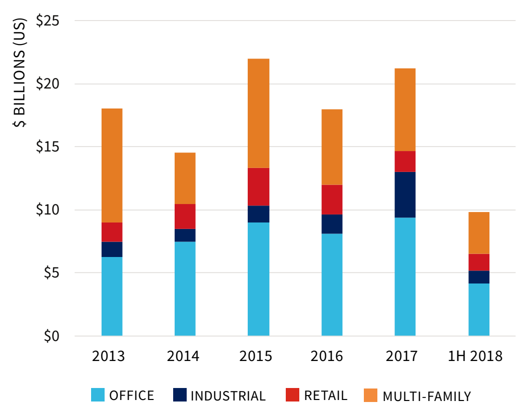
Investment Activity



	1H 2017	1H 2018
Office	57%	**42%**
Industrial	9%	**10%**
Retail	12%	**14%**
Multi-Family	22%	**34%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Washington Building, Washington, DC	Office	$254,500,000 $1,190 psf	Clarion Partners	Eastbanc OBO Meag
2	Arlington Tower, Arlington, VA	Office	$250,000,000 $628 psf	Tishman Speyer	Washington REIT
3	Greensboro Station (95% interest), Tysons, VA	Office	$244,000,000 $385 psf	The Meridian Group	MetLife RE Investors / Mubadala Investment
4	One Dulles Tower, Fairfax, VA	Office	$226,000,000 $560 psf	Federal Capital	Harbor Group International
5	Village at Leesburg, Leesburg, VA	Retail	$226,000,000 $414 psf	Cypress Equities	Rappaport

West Palm Beach Investment Market

Multi-family investment triples due to positive in-migration

Investment sales activity in Palm Beach County soared during the first half of 2018 to an impressive $1.7 billion, already outpacing 2017's full-year sales volume of $1.1 billion. While gains in sales volume were recorded across almost all sectors, multi-family dominated all asset types, contributing 54% of total dollar volume during the first half of 2018. Investor interest remains strong as key economic fundamentals persist in the area. According to the Bureau of Labor Statistics, the non-seasonally adjusted unemployment rate declined to 3.9% as of June 2018, a 30-bps drop year-over-year. Construction demand, due to a rise in multi-family development, boosted employment growth, adding 3,100 new jobs to the market year-over-year as of June 2018.

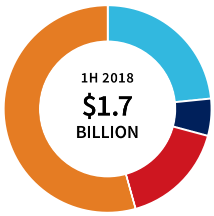
Driven by strong positive in-migration of a younger demographic and retirees, multi-family sales volume more than tripled during the first half of 2018, recording $908 million compared with the $264 million recorded during the first half of 2017. There are nearly 3,000 multi-family units under construction in Palm Beach County with 1,500 expected to deliver by the end of 2018. The largest multi-family transaction was the sale of Quaye at Wellington, a 350-unit class B complex within the Royal Palm Beach submarket. Stockbridge Capital Group purchased the property for $120 million, or $342,857 per unit, and the sale was just one of 24 multi-family transactions completed during the first half of 2018. It is expected that the increase in supply could lead to a slight slowdown as it takes time for the market to absorb the assets.

The largest sale recorded during the first half of 2018 was the $179.3-million ($106 psf) sale of the Boca Raton Innovation Campus. The 1.7-msf office park was purchased by a joint-venture partnership between Crocker Partners and Rialto Capital Management. Investor interest in office assets is likely to persist in Palm Beach County as the sector's strong market fundamentals continue to improve due to positive absorption, rising lease rates and limited new supply.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	6.7%	**7.0%**
Industrial	6.6%	**6.7%**
Retail	6.6%	**6.8%**
Multi-Family	5.5%	**5.6%**

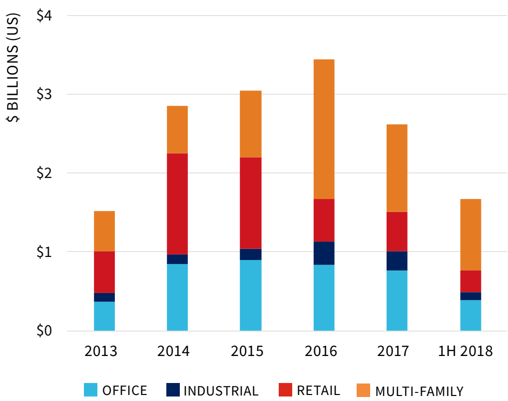
Investment Activity



	1H 2017	1H 2018
Office	30%	**23%**
Industrial	14%	**6%**
Retail	27%	**16%**
Multi-Family	30%	**54%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Boca Raton Innovation Campus	Office	$179,346,744 $106 psf	Farallon Capital Management / Next Tier HD	Crocker Partners / Rialto Capital Management
2	Quaye at Wellington	Multi-Family	$120,000,000 $342,857 per unit	HG Management	Stockbridge Capital Group
3	Gables Marbella	Multi-Family	$112,000,000 $377,104 per unit	Gables Residential	Heitman Capital Management
4	Advenir at PGA	Multi-Family	$97,237,500 $179,405 per unit	Elco Landmark Residential / BRT Apartments / DeBartolo Development	Advenir Inc.
5	Allure Boca Raton	Multi-Family	$92,120,053 $326,667 per unit	Rock Acquisitions / Tate Capital Real Estate Solutions / Danburg Management Corp.	GID

Westchester County Investment Market

Promise of higher yields sustains sales

More than $570 million in total sales volume was registered in Westchester County in first-half 2018, nearly identical to the result achieved in the first half of 2017. The industrial and retail sectors posted decreases in sales volume of 47% and 24%, respectively, while office and multi-family property sales increased by 1% and 15%, respectively.

Figuring prominently in the first half of 2018 was the sale of the 300-unit Talleyrand Apartments in Tarrytown to private real estate firm DSF Group for $91 million. The office sector recorded two of the largest deals with the sales of Westchester Financial Center in White Plains to Ginsburg Development Companies for $83 million and Reckson Executive Park in Rye Brook to George Comfort and Sons for $55 million. Both properties will reportedly be subject to considerable renovation and adaptive reuse in what will likely be mixed-use facilities.

Average per-square-foot pricing in the office and retail sectors increased by 34% and 37% year-over-year, respectively. A notable transaction in the retail sector involved Rivertowns Square, an eight-building retail complex in Dobbs Ferry that sold for $592 psf – 53% higher than the overall average price per square foot in 2017.

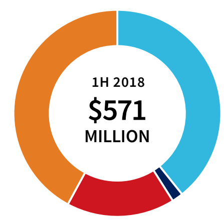
Office and multi-family cap rates trended modestly downward, averaging 8.8% and 5.6%, respectively, while the most recent sales of premium office buildings saw cap rates dip as low as 6.5%.

The outlook for the remainder of 2018 indicates that Westchester County will continue to be fertile ground for value-add investments. The persisting trend of home rental versus home ownership and the tightening apartment rental market in Manhattan bode well for multi-family sales in Westchester. Continued store closings and the effects of e-commerce on bricks-and-mortar sales will put downward price pressure on all retail space classes and present high-yield opportunities to value-add investors. Lastly, a more limited supply and opportunities for repurposing vacant or obsolete business parks should fuel additional value-add investment in the office sector.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	9.0%	**8.8%**
Industrial	7.8%	**7.8%**
Retail	8.0%	**8.3%**
Multi-Family	6.1%	**5.6%**

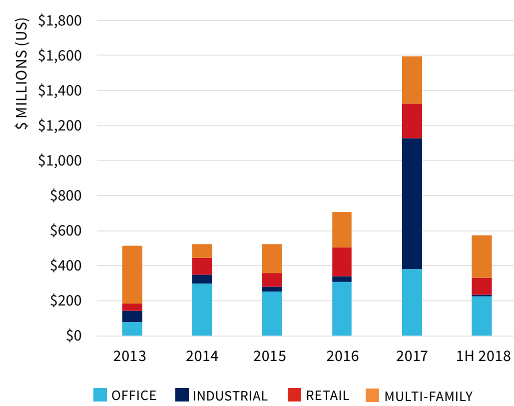
Investment Activity



	1H 2017	1H 2018
OFFICE	38%	**39%**
INDUSTRIAL	3%	**2%**
RETAIL	22%	**17%**
MULTI-FAMILY	36%	**42%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Talleyrand Apartments	Multi-Family	$91,020,436 $324 psf	Equity Residential	DSF Group
2	Westchester Financial Center	Office	$83,000,000 $145 psf	Mack-Cali Realty Corporation	Ginsburg Development Companies
3	Rivertowns Square Retail	Retail	$68,900,000 $528 psf	Saber RE Advisors / Rabin Alexander	Regency Centers
4	Reckson Executive Park	Office	$54,999,935 $101 psf	SL Green Realty Corp LLC	George Comfort & Sons
5	100 Manhattanville Road	Office	$49,800,000 $171 psf	SEB ImmoInvest / Savills Fund Management GmbH	Caceis

Mexico

Mexico City Investment Market

Market benefits from highly skilled and specialized workforce

Mexico's stable and healthy macroeconomic fundamentals have made the country a well-regarded destination for global investment capital. Among emerging markets, Mexico is one of the most open economies for international trade and investment, according to the United Nations Conference on Trade and Development. The country also offers one of the most favourable growth forecasts among emerging markets, just behind China and India (according to the International Monetary Fund's *World Economic Outlook Update*, 2018), empowered by a growing employment trend with a highly skilled and specialized workforce. Unemployment was 3.4% in June 2018. These factors make the country very attractive to global and domestic commercial real estate investors looking for rent-producing properties with solid rental rates and strategic locations. New opportunities for institutional investors include CKDs and FIBRAS (the Mexican equivalent of REITs).

Additional competitive pressure has been put on the Mexican commercial property market as a result of the relatively recent entry of local pension funds (AFORES) into the nation's real estate capital markets. AFORES have more than US$27 billion to invest with 23% of that total designated for commercial real estate investment.

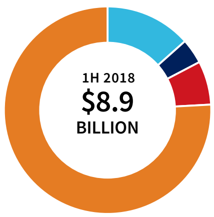
Mexico City recorded almost US$9 billion in overall commercial real estate investment volume in the first half of 2018, up 11% compared with the first half of 2017. Multi-family investments delivered the majority of sales volume with 76% ($6.7 billion). The office sector followed in second place with 13% ($1.2 billion). Meanwhile, retail assets represented 7% of the overall total, and industrial property investment made up 4%. The main demand drivers are a resilient economy, supply-chain modernization, employment growth and increasing consumer spending among a rapidly emerging middle class with rising incomes. Demand for industrial space in Mexico City largely comes from the growing e-commerce, logistics and transportation sectors.

Net initial yields of 8.2% for retail assets remained consistent year-over-year at mid-year 2018. The average multi-family yield registered an increase of 170 bps to 9.3%, while office rates rose 90 bps to an average of 8.3% and the average industrial yield grew 80 bps year-over-year to 8%.

Select Avg. Cap Rates

	1H 2017	1H 2018
Office	7.4%	**8.3%**
Industrial	7.2%	**8.0%**
Retail	8.2%	**8.2%**
Multi-Family	7.6%	**9.3%**

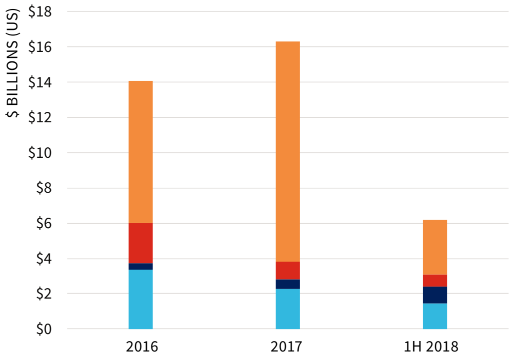
Investment Activity



	1H 2017	1H 2018
Office	13%	**13%**
Industrial	3%	**4%**
Retail	6%	**7%**
Multi-Family	78%	**76%**

OFFICE INDUSTRIAL RETAIL MULTI-FAMILY

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Montes Urales No. 620, Col. Lomas de Chapultepec	Office	$60,000,000 $3,511 per sq. m	BBVA Bancomer	Fibra Uno
2	HD17 Portfolio (La Pilita, CEDIS Heineken, Plaza Vía San Juan)	Retail / Industrial	$26,873,460 $914 per sq. m	Undisclosed	Fibra HD
3	Sentura Tlalnepantla	Retail	$21,800,000 $690 per sq. m	Iurbana	Fibra Shop
4	HD18 Portfolio (Ternium / Corporativo Bosques de las Lomas)	Industrial / Office	$13,400,581 $1,167 per sq. m	Undisclosed	Fibra HD
5	HD18 Portfolio (Corporativo Periférico Sur)	Office	$11,472,181 $2,469 per sq. m	Undisclosed	Fibra HD

United Kingdom

Coventry (Midlands) Investment Market

Industrial sector attracts new investors

All sectors of the Midlands investment market remain robust and there is still fierce competition for prime product. The market is the subject of significant interest from all sectors of the investment community, particularly local authorities and REITs.

The total value of investment transactions in the first half of 2018 was nearly identical to the first-half 2017 mark. The largest deal in the office sector in first-half 2018 was the sale of 55 Colmore Row in Birmingham by IM Properties to European Cities Fund for a price of £98 million and an initial yield of 4.9%. This single deal accounted for 22% of total office investment in the Midlands area.

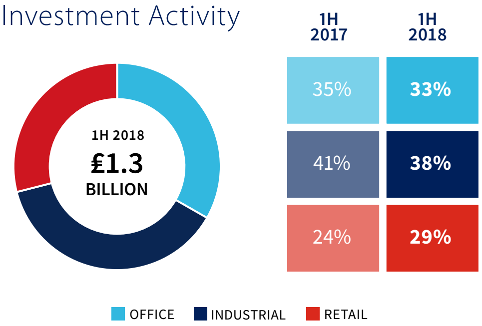
The retail sector recorded an increase in volume year-over-year with capital value rising 24%. The sector's largest deal in first-half 2018 was Selly Oak Retail Park in Birmingham, which was purchased by M&G Real Estate for £95 million and a net initial yield of 5%. This transaction alone accounted for almost one quarter of investment volume by capital value in the retail sector.

The industrial sector continues to be competitive with various new market entrants keen to acquire development sites and investments. The total value of industrial transactions declined 8% year-over-year to £508 million in the first half of 2018. The decline in volume is attributed to a scarcity of product available for sale. Indeed, this shortage has resulted in increased demand for speculative construction of new distribution and warehousing facilities. The largest transaction in this sector was the sale of Midlands Logistics Park in Corby, which produced a capital value of £81.8 million and a net initial yield of 5%. This transaction accounted for nearly 29% of the total value of transactions and the purchaser, Tritax REIT Plc, accounted for more than half of all industrial-asset transactions in the Midlands market.

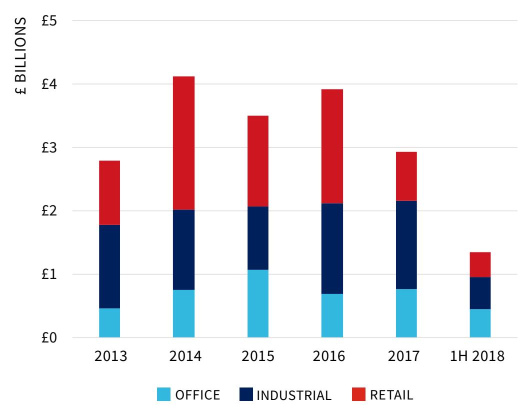
Select Avg. Cap Rates

	1H 2017	1H 2018
Downtown Class AA Office	5.0%	**6.0%**
Suburban Class A Office	6.0%	**7.3%**
Single-Tenant Industrial	4.8%	**4.8%**
Multi-Tenant Industrial	5.8%	**5.5%**
Tier I Regional Mall	5.3%	**6.2%**

Investment Activity



Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	55 Colmore Row	Office	£98,000,000 £622 psf	IM Properties	European Cities Fund
2	Selly Oak Retail Park	Retail	£95,360,000 £515 psf	Landsec Plc / J Sainbury Plc	M&G Real Estate
3	Midlands Logistics Park	Industrial	£81,800,000 £97 psf	Frogmore Development Ltd / Mulberry Property Development	Tritax Big Box REIT
4	Warth Park Raunds	Industrial	£71,200,000 £108 psf	Roxhill Development	Tritax Big Box REIT
5	One Angel Square	Office	£64,000,000 £427 psf	Northamptonshire County Council	Canada Life Assurance

London Investment Market

City continues to show considerable resilience

London's commercial real estate market has continued to show remarkable resilience in the face of stiff headwinds. Over the past two years, the market has endured significant political and economic uncertainty caused by the EU referendum result, the shock result of the snap election and growing tensions between the U.S. and China, which have raised fears of a trade war that could have global economic impacts. Therefore, it would be reasonable to assume that the London property market would be negatively impacted. However, London has retained its global reputation as a safe haven and is still one of the most attractive places to conduct business.

In the first half of 2018, Greater London sales of office, industrial and retail assets totalled £9 billion. Although this figure represents a 10% drop compared with the same period in 2017, it is 9% above the five-year average. Office transactions in Greater London accounted for nearly £7.9 billion of that total – greatly boosted by the number of sales involving large trophy assets, such as CK Asset Holdings' acquisition of 5 Broadgate from British Land for £1 billion.

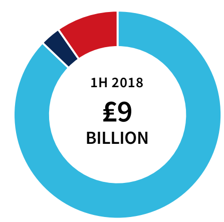
London has retained its safe-haven status, resulting in the continued flow of capital from abroad. Overseas investors accounted for 60% of all office, industrial and retail investment transactions in Greater London during first-half 2018. In terms of office sales within the City of London submarket, overseas investors accounted for 81% of the £4.1 billion transacted. Asian investors continued to lead the charge, accounting for 59% of the overseas investors in Greater London during the first half. It is interesting to note that many U.S. investors are now divesting in the U.K. They represented just 7% of the overseas money invested in first-half 2018, compared with 21% in first-half 2017.

Although many investors believe storm clouds are forming on the horizon for some areas of the U.K. market, London is expected to continue to be resilient despite Brexit uncertainty and potential headwinds in the global economy.

Select Avg. Cap Rates

	1H 2017	1H 2018
Downtown Class AA Office	4.0%	**4.0%**
Suburban Class A Office	5.0%	**5.0%**
Single-Tenant Industrial	4.3%	**4.0%**
Multi-Tenant Industrial	5.0%	**4.3%**
Tier I Regional Mall	5.5%	**5.8%**

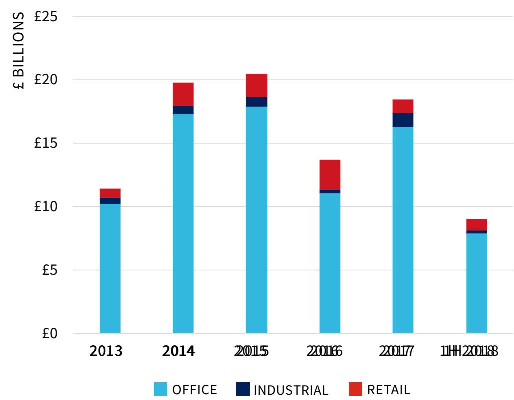
Investment Activity



	1H 2017	1H 2018
Office	87%	**87%**
Industrial	7%	**3%**
Retail	6%	**10%**

OFFICE INDUSTRIAL RETAIL

Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	5 Broadgate	Office	£1,000,000,000 £1,429 psf	British Land / GIC Real Estate	CK Asset Holdings Ltd.
2	Ropemaker Place	Office	£650,000,000 £1,081 psf	Gingko Treet Investment HanWha Life	Ho Bee Land Ltd.
3	Riverbank House, Swan Lane	Office	£400,000,000 £1,250 psf	Evans Randall	Zeno Capital
4	40 Leadenhall Street	Office	£365,000,000 £373 psf	TH Real Estate	CC Lan / CSI Properties / Asia Standard International Group / ITC Properties Group
5	20 Old Bailey	Office	£341,000,000 £1,440 psf	Blackstone Real Estate	Mirae Asset Daewoo

Manchester Investment Market

Strong domestic demand, public sector investment buoy market

In the first half of 2018, Manchester's commercial real estate market registered a marginal 4% year-over-year decrease in investment dollar volume. The fall was the result of a 93% drop in retail investment dollar volume – and masked a 47% increase in city-centre office transaction proceeds.

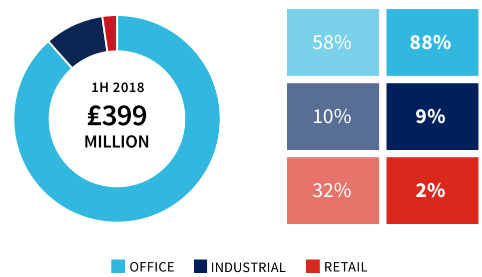
Industrial investment dollar volume fell by 12% compared with first-half 2017. The drop was more a reflection of the lack of available stock rather than sentiment for the industrial-and-logistics sector, which continues to attract strong investor interest. High demand and low supply in the industrial-and-logistics market have resulted in corresponding downward yield pressure, which is expected to continue through the remainder of 2018. Significant Greater Manchester industrial transactions completed during first-half 2018 included the sale of Olympic Court in Salford Quays to the Isle of Wight Council for nearly £10.9 million (4.6% yield).

Investment activity in the city-centre office market reached £353 million in the first half of 2018 – a significant (47%) uplift year-over-year. The increase in demand has been driven largely by U.K. institutions, whose focus on regional offices is reflected in national take-up figures showing the sector accounted for 35% of total investment volume – its highest share since 2009. While the predicted supply of grade A offices in Manchester for the next two years has increased by 20% to 1.5 msf, the level of city-centre take-up has been robust with first-half take-up of 769,400 sf – a substantial (58%) increase compared with first-half 2017. These supply-and-demand dynamics are expected to continue exerting upward pressure on rents.

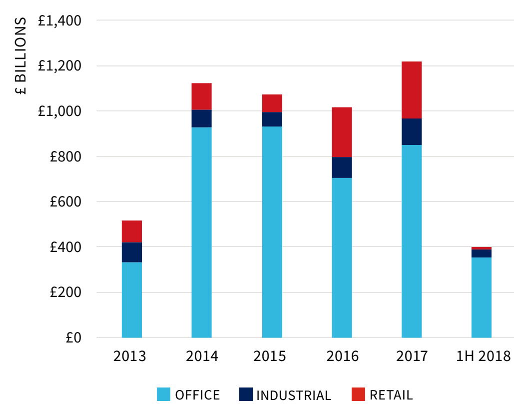
Select Avg. Cap Rates

	1H 2017	1H 2018
Downtown Class AA Office	5.0%	**4.8%**
Suburban Class A Office	6.8%	**6.5%**
Single-Tenant Industrial	4.8%	**4.5%**
Multi-Tenant Industrial	5.8%	**5.5%**
Tier I Regional Mall	5.3%	**5.3%**

Investment Activity



Investment Volume



Top 5 Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Two New Bailey	Office	£113,000,000 £595 psf	English Cities Fund	Aviva Investors Global Services Ltd.
2	3 Hardman Square	Office	£107,250,000 £564 psf	M&G Real Estate Ltd.	Royal London Asset Management
3	Eleven York Street	Office	£50,000,000 £592 psf	Kier Property Developments Ltd.	Aviva Investors Global Services Ltd.
4	Zenith Building	Office	£31,500,000 £424 psf	AM Alpha GmbH	Bet 365 Group Ltd.
5	81 Fountain Street	Office	£22,500,000 £558 psf	Aprirose Ltd.	BlackRock Investment Management (UK) Ltd.

Germany

Berlin Investment Market

Alternative asset types gain popularity with investors

Overall commercial real estate investment in Berlin during the first half of 2018 totalled €3 billion – up slightly from €2.9 billion one year earlier. Among Germany's largest cities, Berlin ranked third behind Munich and Frankfurt. In the first half of 2017, the office, retail and industrial sectors together accounted for 78% (€2.3 billion) of the total commercial investment volume; however, the three established segments only reached 58% (€1.7 billion) during first-half 2018 as hotels, mixed-use assets and development land continued to gain importance. The largest deal during the first six months of 2018 was the purchase of a Hilton-branded hotel, which Aroundtown SA purchased from Park Hotels & Resorts for €297 million.

Development land acquisitions and forward-purchase deals are trends in other major cities, but they do not shape the market as much as they do in the vibrant and growing city of Berlin. Construction activity is elevated in the city as developers increase densification and capitalize on the potential of brownfield-site redevelopments. Developments are often sold to an investor prior to completion. The supply of space cannot meet the growing demand – especially in the office sector as Berlin continues to boast the lowest office vacancy rate in Germany. Increasing rental rates justify investments despite rising purchase prices.

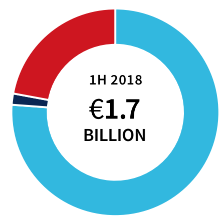
Accordingly, yields continued to fall year-over-year, and the German capital, at least in the office sector, has set the national prime yield at 2.90% (down 20 bps year-over-year). The retail prime yield decreased to 3.00% from 3.30% during the same period. Industrial prime yields registered the strongest compression, dropping 50 bps over the course of the year to 4.50% in June 2018.

While economic uncertainties have increased worldwide, the German market has remained unaffected to date. Berlin will, therefore, continue to be a focus of domestic and international investors, and investment volumes and yields are expected to remain stable.

Select Prime Yields

	1H 2017	1H 2018
Office	3.10%	**2.90%**
Industrial	5.00%	**4.50%**
Retail	3.30%	**3.00%**

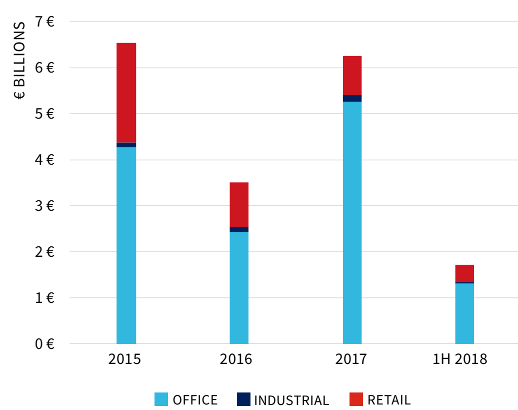
Investment Activity



	1H 2017	1H 2018
Office	81%	**76%**
Industrial	4%	**2%**
Retail	15%	**22%**

OFFICE INDUSTRIAL RETAIL

Investment Volume



Select Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Hilton Berlin	Hotel	297,000,000 € 494,000 € per suite	Park Hotels & Resorts	Aroundtown SA
2	Rocket Tower	Office	160,000,000 € 6,531 € per sq. m	Amundi	Ilmarinen
3	Development Land Portfolio	Land	90,000,000 €	Undisclosed	Centrum
4	Stresemann Campus	Office	71,000,000 € 4,820 € per sq. m	Aerium Group	Undisclosed
5	Stralauer Allee 15-16	Land	65,000,000 € 4,851 € per sq. m	Ideal Versicherung	RFR Holding

Duesseldorf Investment Market

Market builds on strong 2017 results

Duesseldorf, the capital of the federal state of North Rhine-Westphalia, is the smallest among Avison Young's German markets with some 639,000 inhabitants. The city is below the radar of international investors when compared with other major German cities. In the first half of 2018, 36% of investment sales volume in Duesseldorf commercial real estate was international in origin, compared with 43% for Germany as a whole.

Nonetheless, the Duesseldorf investment market achieved an outstanding first-half 2018 result with sales volume of €1.3 billion (up 40% year-over-year) for all commercial real estate assets. The market is building on strong full-year results in 2017, when investment volume was €3 billion. During first-half 2017, the office, retail and industrial sectors together represented 86% of overall investment activity (€818 million). In first-half 2018, their share was 70% (€925 million). In both cases, the largest contribution came from sales of office properties. In the first six months of 2018, the office sector posted transactions totalling €788 million, an increase of 15% year-over-year.

The soon-to-be-completed Fürst & Friedrich office building combines new construction with the façade of a historical building. MGM Real Estate acquired it from Art-Invest for nearly €116 million as a forward deal. Design Offices has already prelet approximately one third of the space. Apart from that, investment volume was mainly driven by single-asset transactions, mostly for less than €25 million.

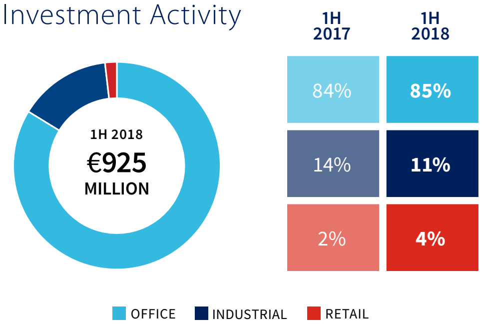
Due to increased demand for assets in prime locations with good rental income, Duesseldorf's prime yields for both office and industrial fell 50 bps over the course of the year. At the end of June 2018, the office prime yield was recorded at 3.40%, and the prime yield for industrial properties was 4.45%. By contrast, retail prime yields have remained stable at 3.50% for nearly 18 months.

Market activity is expected to continue to pick up through 2018. Yields may fall off in individual cases; but the bottom seems to have been reached and yields are expected to remain stable, at least in the short term.

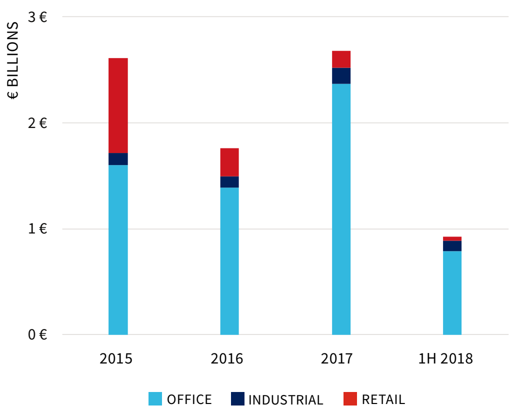
Select Prime Yields

	1H 2017	1H 2018
Office	3.90%	**3.40%**
Industrial	4.95%	**4.45%**
Retail	3.50%	**3.50%**

Investment Activity



Investment Volume



Select Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Fürst & Friedrich	Office	115,900,000 € 7,696 € per sq. m	Art-Invest	M&G Real Estate
2	Toulouser Allee 19A-23A	Office	52,000,000 € 5,825 € per sq. m	Undisclosed	Real IS AG
3	Green Yards	Office	40,500,000 € 1,870 € per sq. m	Curzon Advisors OBO Kildare Partners	Ashtrom Properties
4	Erkrather Straße 345-349	Office	20,000,000 € 2,000 € per sq. m	TBR Immobilien Consulting GmbH	Undisclosed
5	LIOS	Mixed Use	8,100,000 € 931 € per sq. m	Undisclosed	Sirius Real Estate

Frankfurt Investment Market

City poised to benefit from Brexit fallout

Frankfurt, Germany's finance and banking metropolis, remained a popular investment target for investors in the first half of 2018, especially for those seeking trophy assets. Thus, the country's largest single transaction of the first half was signed in Frankfurt as a civic centre was sold to Aroundtown SA by WealthCap for €500 million. In addition, two office high-rise acquisitions (Gallileo for €356 million and TSK1 for €300 million) were among the country's largest deals completed in the first six months.

The market posted a strong full-year result of €6.6 billion in 2017 for all commercial segments. With €5.9 billion worth of office, retail and industrial sales completed, Frankfurt ranked second only to Berlin. That high activity level was maintained through the first half of 2018. By the end of June 2018, Frankfurt was second in the country (behind Munich) with an overall commercial real estate investment volume of €3.3 billion (up 59% year-over-year). The office, retail and industrial sectors generated 83% (€2.7 billion) – an increase of 43% year-over-year. While office contributed the largest share, retail property sales remained limited. Industrial real estate, on the other hand, was in demand – with first-half sales of €45 million.

Office prime yields decreased 35 bps year-over-year to 3.25% at mid-year 2018. Meanwhile, industrial prime yields decreased to 4.45% from 4.95%, and the prime high-street retail yield held relatively firm, falling just five bps to 3.50% in June 2018.

Frankfurt is poised to benefit from Brexit-related fallout, offering a relatively low cost of living and excellent transportation and data infrastructure. (The city is competing with Paris and Dublin to be an alternative for finance firms relocating facilities from the U.K.) Furthermore, important institutions, such as the ECB and Deutsche Börse, are already located in the city, and the banking-and-finance sector has been well-established for decades locally. These factors will continue to support Frankfurt's appeal to investors.

Select Prime Yields

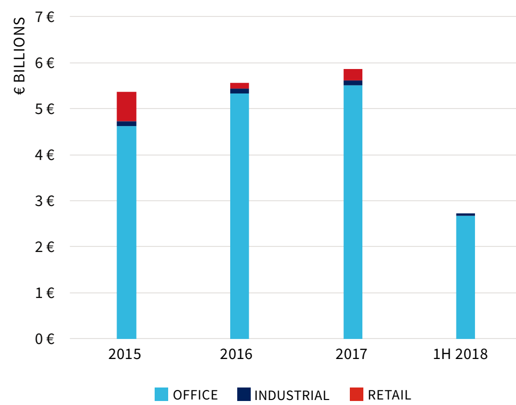
	1H 2017	1H 2018
Office	3.60%	**3.25%**
Industrial	4.95%	**4.45%**
Retail	3.55%	**3.50%**

Investment Activity

	1H 2017	1H 2018
Office	100%	**98%**
Industrial	0%	**2%**
Retail	0%	**0%**

OFFICE INDUSTRIAL RETAIL

Investment Volume



Select Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Civic Center	Office	500,000,000 € 5,671 € per sq. m	WealthCap	Aroundtown
2	Gallileo	Office	356,000,000 € 8,786 € per sq. m	Triuva	Capitaland
3	TSK1	Office	300,000,000 € 4,583 € per sq. m	Officefirst	Credit Suisse
4	Altes Polizeiprasidium Frankfurt	Land	213,000,000 € 13,772 € per sq. m	State of Hesse	Gerchgroup
5	Bockenheimer Warte (BBW)	Office	140,000,000 € 4,018 € per sq. m	Aurec Real Estate Europe / Menora Mivtachim	Aerium Group

Hamburg Investment Market

Investment volume amounts to €2.3 billion

Hamburg's commercial real estate investment market closed 2017 with a sound full-year result of €3.4 billion overall. Thanks to one of the largest-ever registered deals in Hamburg – whereby medical-care pension funds acquired the Springer district from Momeni for €400 million – the investment market had an excellent start to 2018. Investment volume for all sectors in commercial real estate amounted to €2.3 billion in the first half of 2018, an increase of 69% compared with the same period one year earlier. The established sectors – office, retail and industrial – amounted to 71% (€1.6 billion) of total investment.

In particular, office investments drew the focus of investors. The office letting market is quite diversified with vacancy rates the lowest they have been since 2000; consequently, rents are facing upward pressure. Investors want to benefit from this performance. Accordingly, office investments accounted for the lion's share of investment with €1.4 billion in trades (up 71% year-over-year) in first-half 2018.

The investor profile in the first half of 2018 was primarily domestic with 78% of purchasers based in Germany – well above the national average of 57% and even surpassing Duesseldorf.

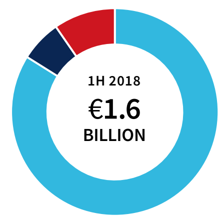
Yields remained relatively stable year-over-year, particularly for core office assets and core retail assets – with both averaging 3.20% at mid-year 2018 (down 10 bps and 20 bps year-over-year, respectively). Only industrial prime yields continued to decline steadily, falling 10 bps since the start of 2018 and 50 bps year-over-year to 4.45%.

Hamburg will remain a sought-after investment location in the second half of the year with investors' focus remaining on the office segment. In retail, the emphasis – as in other regions – is increasingly on big-box stores, supermarkets and local supply centres. The consequences of shifting consumer trends in the high-street segment are becoming more and more visible in the form of shuttered storefronts and rising vacancy – which are also apparent in Hamburg's city centre. However, good retail real estate will continue to find buyers and achieve below-average yields.

Select Prime Yields

	1H 2017	1H 2018
Office	3.30%	**3.20%**
Industrial	4.95%	**4.45%**
Retail	3.40%	**3.20%**

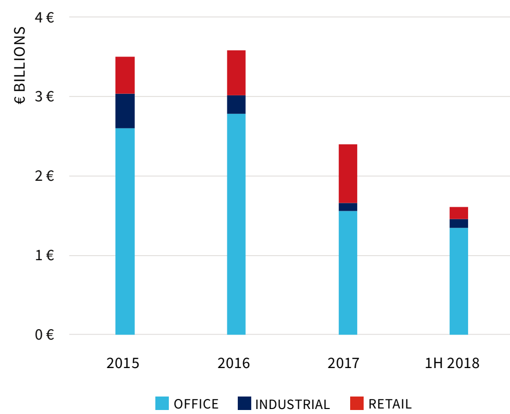
Investment Activity



	1H 2017	1H 2018
Office	85%	**84%**
Industrial	4%	**6%**
Retail	11%	**10%**

OFFICE INDUSTRIAL RETAIL

Investment Volume



Select Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Springer Quartier	Office	400,000,000 € 6,558 € per sq. m	Momeni / Black Horse	Pension funds (joint venture)
2	Olympus	Office	250,000,000 € 5,320 € per sq. m	DIH Deutsche Immobilien Holding	Ärzteversorgung Westfalen-Lippe / Hines
3	Sumatrakontor	Office	180,000,000 € 5,866 € per sq. m	Officefirst	Real IS AG
4	Deichtorcenter	Office	90,000,000 € 4,813 € per sq. m	Standard Life	Westbrook Partners
5	Office 3001	Office	56,000,000 € 2,402 € per sq. m	Orion Capital Managers	TLG Immobilien

Munich Investment Market

Office, retail and industrial investment up 85%

Munich, the capital of Bavaria and the third-largest city in Germany, once again proved its importance as an investment-capital destination in the first half of 2018. With transaction volume of €3.8 billion for all types of assets (including hotel, mixed-use, development and other properties), Munich led Germany’s other major cities by a wide margin. First-half 2018 investment in the office, retail and industrial sectors amounted to €2.9 billion, representing growth of 85% year-over-year.

While some big deals took place in Berlin and Frankfurt in late 2017, some contract negotiations in Munich took a little longer – with the result being that 10 transactions greater than €100 million were recorded in the first six months of 2018. Eight of these large deals took place in the office segment. They included the sale of the centrally located Correo Quartier for €275 million by Deutsche Postbank to Credit Suisse as well as a suburban property occupied by Aviva that was sold by KGAL for more than €245 million to Korea Investment Corporation. The office sector posted a total of €2.5 billion in transactions (up 112% year-over-year) during first-half 2018.

In second place were hotel properties with €430 million in trades, while retail assets ranked third with €267 million. The retail segment, like the office segment, far exceeded the previous year's result. Industrial volume, on the other hand, declined 44%. Industrial product, however, remains highly attractive to investors – particularly logistics assets.

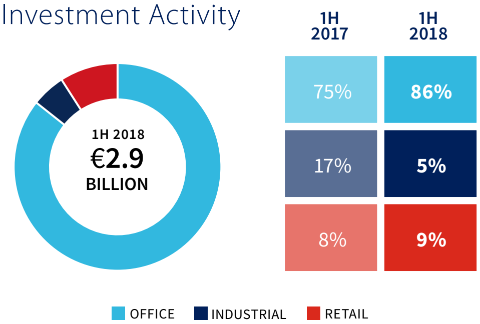
As an economically innovative and liveable city, Munich will continue to be a popular investment location. As a result, yields are still at historic lows and not all potential purchasers are able to execute on acquisitions. The office prime yield fell 10 bps year-over-year to 3.15% at mid-year 2018. Only Berlin's office sector posted a lower rate. Munich’s retail and industrial prime yields continued to lead the country, at 2.90% and 4.40%, respectively.

Munich's real estate market is forecasted to remain a focus of international and domestic investors through 2018 with yields staying low.

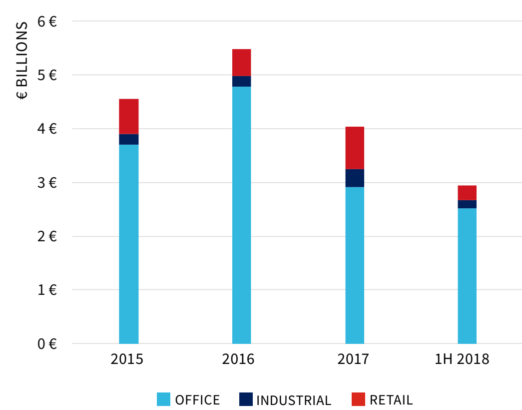
Select Prime Yields

	1H 2017	1H 2018
Office	3.25%	**3.15%**
Industrial	4.90%	**4.40%**
Retail	3.15%	**2.90%**

Investment Activity



Investment Volume



Select Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Correo Quartier	Office	275,000,000 € 6,111 € per sq. m	Deutsche Postbank	Credit Suisse
2	Aviva	Office	245,000,000 € 4,083 € per sq. m	KGAL Group	Kiwoom Asset Management
3	SZ Tower	Office	244,000,000 € 3,921 € per sq. m	AXA IM / Norges Bank	Art-Invest
4	East Side Offices	Office	235,000,000 € 4,094 € per sq. m	Officefirst	InfraRed Capital Partners
5	Atlas	Office	190,000,000 € 7,755 € per sq. m	Art-Invest	Allianz RE Germany

Romania

Bucharest Investment Market

Significant office deals in pipeline

The Romanian investment market shows positive fundamentals and improving liquidity, with the capital city, Bucharest, in top position. Across the country's other regional cities, increasing investor appetite for all types of commercial properties generated deals totalling €520 million in 2017. Bucharest's investment market was very quiet in the first quarter of 2018 but picked up speed in the second quarter, resulting in a first-half total of €309 million for office, industrial and retail assets – more than triple the total from the same period in 2017.

Office remained the most active sector. The purchase of Oregon Park, for an estimated price of €150 million, by Lion's Head Investments was the market's largest deal in the first half of 2018 and the fund's first acquisition in Romania. In second place was the €95-million acquisition of Militari Retail Park by Prime Kapital and MAS Real Estate from Atrium European Real Estate. Additional significant deals – primarily involving office assets – are in the pipeline and expected to close during the second half of the year.

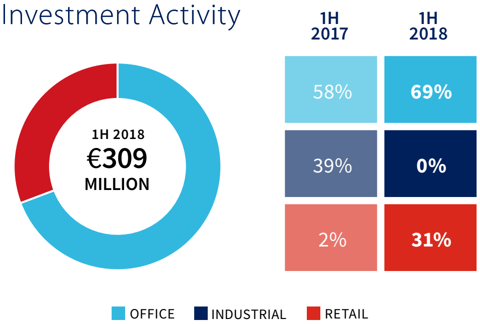
The rapidly developing Romanian economy (with GDP growth of 6.9% in 2017) is stimulating activity in all commercial real estate markets. Economic fundamentals remain sound and national GDP growth is forecasted to be 4.1% in 2018. Despite financing being slightly more expensive in local currency, real estate developers continue to register good profits and to start or announce more commercial projects.

Despite recent yield compression, Romanian assets still offer very favourable returns compared with other countries in the region. Romania's overall average yield decreased 20 bps year-over-year to 7.6% at mid-year 2018. Yields averaged 7% for prime retail properties, 7.3% for prime office properties and 8.5% for prime industrial properties. Along with international funds, local players are drawn to these good returns, not just for secondary-quality assets, but also for expensive prime assets – a factor that will likely lead to further yield compression.

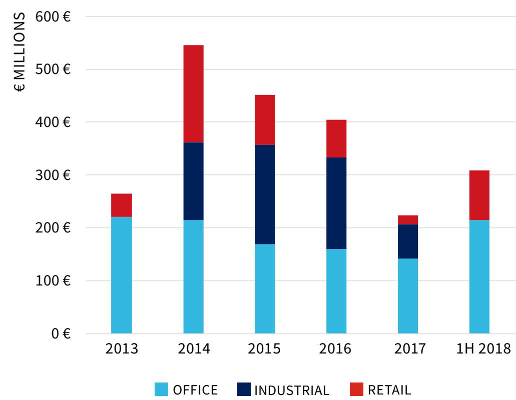
Select Prime Yields

	1H 2017	1H 2018
Office	7.5%	**7.3%**
Industrial	8.8%	**8.5%**
Retail	7.3%	**7.0%**

Investment Activity



Investment Volume



Select Investment Sales by Price - First Half 2018

	Property Name / Address	Property Type	Total Price / Price Per	Vendor	Purchaser
1	Oregon Park	Office	150,000,000 € (est.) 2,100 € per sq. m (est.)	Portland Trust	Lion's Head Investments
2	Militari Retail Park	Retail	95,000,000 € 1,678 € per sq. m	Atrium European Real Estate	MAS Real Estate
3	Campus 6.1	Office	53,000,000 € 2,409 € per sq. m	Skanska	CA Immobilien Anlagen Aktiengesellschaft
4	Green Court	Office	38,000,000 € 2,331 € per sq. m	Skanska	Globalworth
5	North Gate	Office	16,800,000 € 813 € per sq. m	Westdeutsche ImmobilienBank	One United Properties

More from Avison Young

AVISON YOUNG

About Avison Young

Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,600 real estate professionals in 84 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.

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We are an integrated full-service commercial real estate service provider with a unique model, culture and approach. The Avison Young difference translates into intelligent solutions that deliver a better client experience and better results.

Our approach is based on partnership, with our clients and across our company. The firm's equity is in the hands of a broad base of principals, a unique ownership structure that creates the incentive for internal collaboration and aligns our solutions, first and foremost, with client objectives. Our principal-led structure places the priority on relationships, not just transactions; on long-term performance, not just the current quarter.

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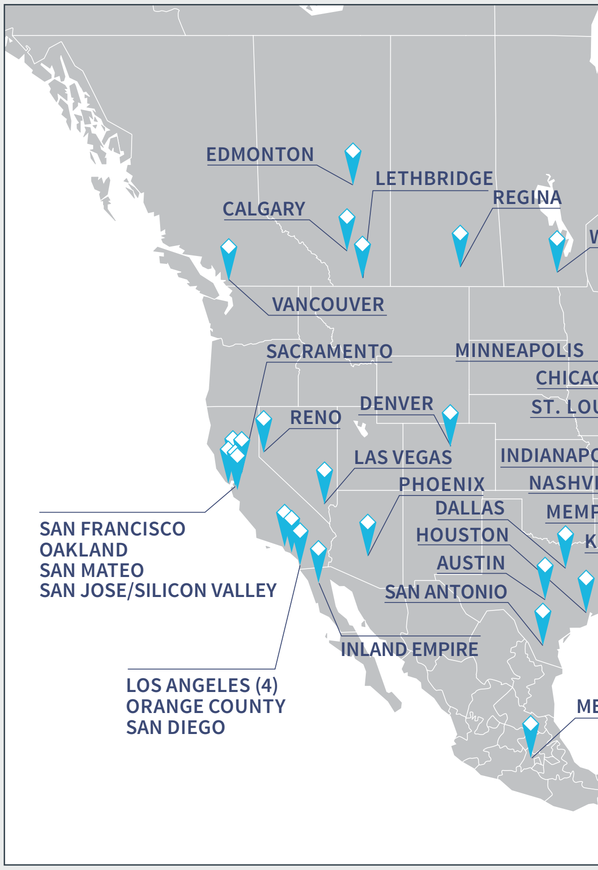
Avison Young is the world's fastest-growing commercial real estate services firm, and we continue to expand globally. The firm's rapid growth is driven by our strategy to build our geographic reach and expertise to improve the value we can offer clients. And this approach, of course, is being rewarded by the growing number of clients who are coming to us for help.



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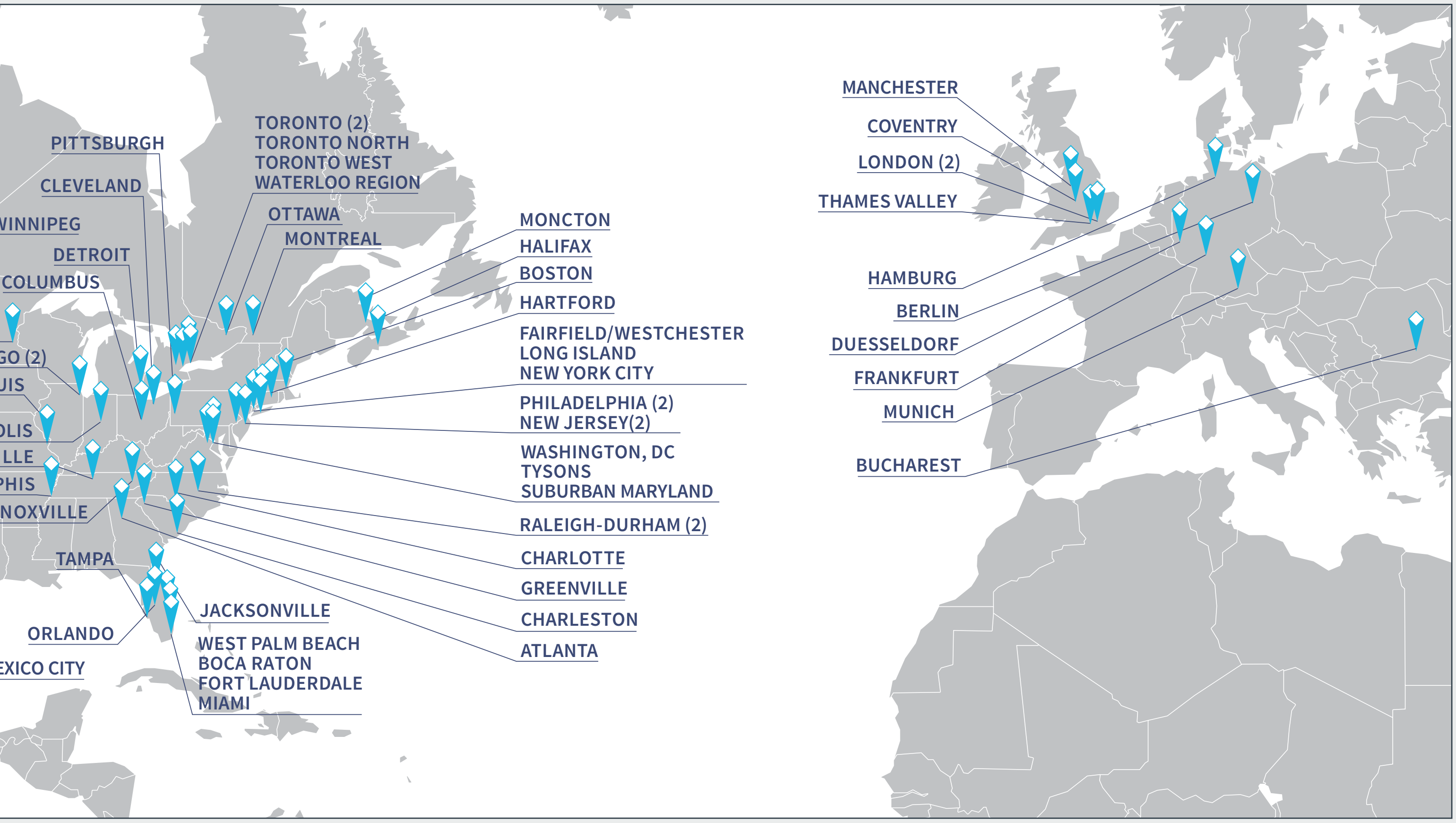

L ESTATE ESSIONALS	AVISON YOUNG OFFICES	BROKERAGE PROFESSIONALS	PROPERTY UNDER MANAGEMENT
600	84	1,100+	110 msf

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and acquisitions
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ions and dispositions
y tax services

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- Asset management
- Portfolio strategy
- Capital repositioning

Debt Capital Services

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- Structured finance
- Portfolio mark to market
- Mezzanine & bridge

Management Services

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- Property/facility management
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