

Q4 2018 Market Reports



INDUSTRIAL



REGIONAL OVERVIEWS

LOCAL EXPERTISE.
INTERNATIONAL
REACH.
WORLD CLASS.

WEST

CALIFORNIA

City of Industry
 Investment Services Group
 Irvine
 LA North - Antelope Valley
 LA North - Calabasas
 LA North - Sherman Oaks
 LA North - Ventura County
 Long Beach
 Los Angeles - Central
 Los Angeles - Long Beach
 Los Angeles - West
 Los Olivos
 Newport Beach
 Oakland
 Ontario
 Orange
 Palm Desert
 Pasadena
 Pleasanton
 Riverside
 San Diego
 San Diego - North
 San Luis Obispo
 Santa Barbara
 Stockton
 Temecula Valley
 Victorville
 Walnut Creek

COLORADO

Denver

IDAHO

Boise

NEVADA

Reno

WASHINGTON

Seattle
 Tacoma

SOUTHWEST

ARIZONA

Arizona

TEXAS

Dallas/Fort Worth
 Houston

MIDWEST

ILLINOIS

Chicago
 Chicago Asset Management Group
 Chicago Valuation and Consulting

INDIANA

Greenwood
 Indianapolis

MICHIGAN

Detroit

MINNESOTA

Minneapolis

MISSOURI

St. Louis

OHIO

Cincinnati
 Cleveland
 Columbus

WISCONSIN

Madison

NORTHEAST

MARYLAND

Maryland
 Maryland Lee Chesapeake Property Management

NEW JERSEY

New Jersey - North & Central

NEW YORK

Long Island/Queens
 New York

PENNSYLVANIA

Eastern Pennsylvania - Central PA
 Eastern Pennsylvania - Suburban Philadelphia

SOUTHEAST

FLORIDA

Miami
 Naples - Ft. Myers
 Orlando

GEORGIA

Atlanta
 Atlanta Valuation and Consulting
 Corporate Solutions - Tenant Advisory

NORTH CAROLINA

Raleigh-Durham

SOUTH CAROLINA

Charleston
 Greenville

CANADA

BRITISH COLUMBIA

Vancouver

Q4 2018 FEATURED MARKETS

INDUSTRIAL

- Inland Empire East
- Inland Empire West
- Los Angeles South Bay
- Los Angeles-North
- Orange County
- Seattle - Puget Sound
- Denver
- Metro Vancouver
- Metro Phoenix
- Dallas/Ft Worth
- Houston
- Chicago
- Columbus
- Detroit
- Atlanta
- Charleston
- Greenville/Spartanburg
- New York City
- Northern New Jersey

OFFICE:

- Los Angeles San Gabriel Valley
- Los Angeles Tri-Cities
- LA North

- Orange County
- Seattle - Puget Sound
- Denver
- Metro Vancouver
- Metro Phoenix
- Dallas/Ft Worth
- Houston
- Indianapolis
- Atlanta
- Charleston
- Greenville/Spartanburg
- New York
- Northern New Jersey

RETAIL:

- Los Angeles San Gabriel Valley
- Los Angeles Tri-Cities
- Chicago
- Indianapolis
- Atlanta
- Charleston
- Greenville/Spartanburg

E-Commerce Fuels Record Construction


Accommodating the ever-growing e-commerce sector, new construction of industrial space surged to a post-recession high in 2018. Rents posted another year of robust growth as tenant demand outpaced deliveries.


The vacancy rate fell 40 basis points year over year, settling at 4.5% at the end of 2018, a record low. Sale prices set all-time highs in 2018, as the average price per square foot gained nearly 6% over the previous four quarters.


Tenant demand pushed net absorption to 334.7 million SF, a 13.4% gain over 2017, and deliveries totaled 313.3 million SF, up 13.3%.


The spike in new construction occurred for both flex space and warehouse-and-distribution buildings. Warehouse space makes up 90% of the 23.8-billion-SF industrial inventory. Nearly 25 million SF of flex space was underway at the end of Q4, nearly doubling the total of new construction of the previous two years.

At the end of the fourth quarter, 371.8 million SF of industrial space was under construction, a 32% jump from 2017 and 45% more than at the close of 2016. But in the five markets with the most new space underway - Philadelphia, Southern California's


79.9
Q4 NET
ABSORPTION
Million SF


4.5%
VACANCY
1.1 Billion SF


2.2%
AVG. ASKING
RATE
\$6.79 PER SF


73.9
Q4 DELIVERIES
Million SF


371.8
UNDER
CONSTRUCTION
Million SF

Inland Empire, Atlanta, Chicago and Dallas/Ft.Worth – the percentage of pre-leased space was 25% in 2018, down from 33% in 2017 and 36% at the end of 2016.

Eighty-one percent of the new construction is slated for delivery in the first half of 2019. Investors were pricing added risk into big-boxes larger than 250,000 SF as falling cap rates turned upward in the second half, closing at 4.73%. Average cap rates on trades of buildings from 25,000 SF to 99,000 SF closed down slightly for the year at 7.18%.

Overall asking rents gained 7.4% year over year, but rent growth slowed slightly for warehouse space, advancing 6.1% in 2018 compared to an average 7.3% gain in 2016. Asking rents were up an average of 8% in 2018 compared to increasing 4.9% in 2017.

SIGNIFICANT LEASE DEALS

| Lease Name | SF | Location |
|------------------|---------|----------------------|
| Kellogg's | 705,661 | Chicago, IL |
| Thirty-One Gifts | 651,518 | Dallas/Ft. Worth, TX |
| XPO Logistics | 643,798 | Phoenix, AZ |

LARGEST DELIVERIES

| Building Name | City | SF | Developed By |
|----------------------|----------------------|-------|----------------------------|
| Nandina Logistics Ct | Inland Empire, CA | 1.4M | First Industrial Realty Tr |
| Kohler-9500 Polk St | Dallas/Ft. Worth, TX | 1.3M | Prologis |
| 650 Emerald Dr. | Chicago, IL | 1.25M | Gray Construction |

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

| Market | SF | Project Name |
|----------------|------|------------------------|
| Chicago, IL | 1.8M | 3217 136th Avenue |
| Columbus, OH | 1.5M | 5160 US Highway 40 |
| Washington, DC | 1.5M | I-81 Industrial Center |

SIGNIFICANT BUILDING SALES

| Address | Market | SF | Price/SF | Cap Rate | Buyer | Seller |
|-----------------------|----------------|-----------|----------|----------|------------------|--------------|
| Cranbury Station Park | No. New Jersey | 1,240,967 | \$135.78 | 4.27% | Clarion Partners | Alfieri |
| 120 Moon Acres Rd | Greenville, SC | 852,288 | \$185.39 | 6.87% | Oak St. RE Cap | Granite REIT |
| 15520 Wayne Rd | Detroit, MI | 606,000 | \$208.91 | 6.18% | Global Net Lease | Penske Corp |



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF / Lease Rate | Tenant |
|--------------------|----------------|-----------------|-------------------------|
| 24385 Nandina Ave | Moreno Valley | 1,387,899 | Lowe's Home Improvement |
| 24400 Krameria Ave | Moreno Valley | 1,331,763 | Keeco, LLC |
| 1010 W. 4th St | Beaumont | 1,074,628 | Amazon |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|---------------------|----------------|----------|---------|-----------------------|
| City | Type of Sale | Cap Rate | Class | Seller |
| 6207 Cajon Blvd. | \$96,638,001 | \$116.00 | 830,750 | GLP US Mgmt, LLC |
| San Bernardino | Investment | - | - | Exel Logistics, Inc. |
| 1651 Interchange Dr | \$73,000,000 | \$109.00 | 667,024 | Cabot Industrial Prop |
| San Bernardino | Investment | - | - | TA Realty |
| 450 S. Cactus Ave | \$66,360,500 | \$132.00 | 501,771 | LBA Realty Fund |
| Rialto | Sale/Leaseback | - | - | Staples, Inc. |

LARGEST DELIVERIES

| Address | Submarket/City | SF | Developer |
|----------------------|----------------|-----------|-------------------------|
| 24385 Nandina Ave | Moreno Valley | 1,387,899 | First Industrial Realty |
| 28020 Eucalyptus Ave | Moreno Valley | 779,236 | Prologis Trust |
| 11260 Cedar Ave | Bloomington | 677,383 | Crow Holdings Ind |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|----------------------|----------------|-----------|---------------|
| 3520 S. Cactus Ave | Rialto | 1,264,102 | Q4 2019 |
| 1010 W. 4th St | Beaumont | 1,074,628 | Q3 2019 |
| 1494 S. Waterman Ave | San Bernardino | 1,032,072 | Q1 2019 |

TOTAL INDUSTRIAL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates GRS | Gross SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|--------------------------|---------------------|--------------|-----------------------|
| Q4 2018 | 5.50% | \$8.81 | 8,363,013 | 229,308,545 | 15,205,970 |
| Q3 2018 | 5.29% | \$8.64 | 6,244,653 | 224,108,619 | 14,994,108 |
| Q2 2018 | 5.09% | \$8.22 | 6,830,974 | 220,826,264 | 17,307,247 |
| Q1 2018 | 6.04% | \$8.26 | 5,849,999 | 216,182,812 | 16,460,544 |
| Q4 2017 | 5.72% | \$8.33 | 3,599,322 | 210,908,636 | 15,457,239 |

 **8,363,013** GROSS ABSORPTION SF

 **5.50%** VACANCY 12,610,224 SF

 **\$8.81** AVG. ASKING RATE PSF GRS

 **5,168,701** DELIVERIES 13 Buildings

 **15,205,970** UNDER CONSTRUCTION 53 Buildings

TOBY TEWELL, Vice President
CAROLINE PAYAN, Dir. Mktg & Research

In 4Q2018, the market experienced continued tightening with sale prices/lease rates continuing to rise. Trends indicate only the most bullish investors, most working with 1031 exchange money, and motivated users/tenants will take the leap of buying or leasing new facilities going into the first part of 2019. Users are beginning to accept higher prices and are deciding to stay in their current facilities. Activity remained strong through the end of 2018, however, will be kept in-check by interest rates, uncertainty surrounding foreign trade, the stock market and recent and potential future government shutdowns in 2019.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|------------------------|----------------|-----------|---------------------------|
| Goodman Ind Pk Bldg 2 | Fontana | 1,068,372 | Undisclosed |
| Jurupa Bus Pk Bldg 1 | Fontana | 827,559 | Jarden Consumer Solutions |
| Watson Ind Pk, Bldg 84 | Chino | 605,735 | Caleres, Inc. |

SIGNIFICANT BUILDING SALES

| Address City | Sale Value Type of Sale | PPSF Cap Rate | SF Class | Buyer Seller |
|-------------------------------------|----------------------------|-------------------|--------------------|---|
| 400 Mission Blvd. Ontario | \$75,306,000 User | \$81.58 - | 923,083 Class B | Bridgestone Americas SMBC Leasing & Finc |
| 9050 Hermos Ave Rancho Cucamonga | \$68,950,000 Investment | \$147.11 3.79% | 468,682 Class B | DWS-Deutsche Bank TH Real Estate |
| 14605 Miller Ave Fontana | \$33,217,000 Investment | \$125.11 - | 265,500 Class B | Dermody Properties Terreno Realty Corp |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|---------------------|------------------|---------|----------------------|
| 12400 Arrow Route | Rancho Cucamonga | 611,573 | IPT & Black Creek Gr |
| 15245 Van Vilet Ave | Chino | 605,735 | Watson Land Co |
| 8721 Merrill Ave | Chino | 315,236 | Watson Land Co |


LARGEST UNDER CONSTRUCTION

| Address | Submarket/City | SF | Delivery Date |
|--------------------|----------------|---------|---------------|
| 2221 Remington Ave | Ontario | 700,280 | Q3 2019 |
| 5331 Carpenter Ave | Ontario | 589,012 | Q3 2019 |
| 13100 Loop Rd | Fontana | 309,500 | Q3 2019 |


TOTAL INDUSTRIAL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 1.45% | \$8.160 | 1,624,090 | 312,310,181 | 6,004,339 |
| Q3 2018 | 1.44% | \$7.884 | 1,977,152 | 311,034,499 | 6,121,130 |
| Q2 2018 | 1.37% | \$7.764 | 3,934,735 | 308,416,088 | 6,028,198 |
| Q1 2018 | 1.22% | \$7.656 | 4,255,287 | 307,224,537 | 8,833,887 |
| Q4 2017 | 2.08% | \$7.248 | 568,21 | 304,489,275 | 8,067,276 |

 **1,624,090** NET ABSORPTION SF

 **1.45%** VACANCY 4,526,009 SF

 **\$8.160** AVG. ASKING RATE PSF

 **1,684,224** DELIVERIES 5 Buildings

 **6,004,339** UNDER CONSTRUCTION 38 Buildings

ANGELICA GUZMAN

Director Marketing & Research

The IEW has delivered a record high ± 9.9 million square feet of new product this year due to the fast-moving market, record low vacancies, and continue growth from e-commerce. Continued demand has pushed asking rates to the highest at \$0.680 NNN, an increase of 12.6% from the 4th quarter of 2017. Net absorption for the quarter stood at ± 1.6 million square feet.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|----------------------------|----------------|---------|----------------|
| 1452 Knox/19400 Harborgate | Torrance | 258,000 | JR286, Inc. |
| 18120 Bishop Ave | Carson | 290,034 | Trademango USA |
| 175 E. Manville St | Compton | 172,000 | Weber Metals |

SIGNIFICANT BUILDING SALES

| Address City | Sale Value Type of Sale | PPSF Cap Rate | SF Class | Buyer Seller |
|--------------------------------------|----------------------------|------------------|--------------------|---|
| 12910 Mulberry Dr Whittier | \$21,300,000 Investment | \$139.14 - | 153,080 Class C | TH Realty Rexford |
| 13100 & 13130 Yukon Ave Hawthorne | \$10,000,115 Investment | \$191.72 9.5% | 52,160 Class C | VE Equities, LLC Kenneth R Thompson Tr |
| 710 S. Epperson Dr Industry | \$14,299,780 Owner/User | \$235.56 - | 58,939 Class B | BY International Tr The Guardian Life Ins Co |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|---------|----------------|----|-----------|
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|---------------------------|----------------|-------------------|---------------|
| 21900 Wilmington | Carson | 412,000 | Q2 2019 |
| 2300 Redondo/3200 Burnett | Long Beach | 105,004 - 421,692 | Q2 2019 |
| 3861 & 4001 Worsham Ave | Long Beach | 213,136 | Q2 2019 |

TOTAL INDUSTRIAL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 1.4% | \$12.00 | (254,943) | 194,205,463 | 1,048,875 |
| Q3 2018 | 1.5% | \$11.28 | 47,238 | 194,205,463 | 653,609 |
| Q2 2018 | 1.2% | \$11.52 | 375,396 | 194,240,453 | 558,734 |
| Q1 2018 | 1.2% | \$11.04 | (200,614) | 193,598,476 | 845,469 |
| Q4 2017 | 1.3% | \$10.68 | 745,483 | 193,429,764 | 979,447 |


(254,943) NET ABSORPTION SF


1.4% VACANCY 2,685,091 SF


\$12.00 AVG. ASKING RATE PSF


0 DELIVERIES 0 Buildings


1,048,875 UNDER CONSTRUCTION 8 Buildings

DAVID BALES Principal

After three years of 1% vacancy and few new deliveries, tenants are facing renewal rates 30% higher than their previous leases. Rent growth has averaged 8% or more annually for the last 3 years in a row. Additionally, land rates for container parking have almost doubled over 5 years as well. Tenants seeking lower rents are forced to move further and further east into the Inland Empire market as the infill markets by the ports seem to be merging in terms of pricing.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|-------------------------|-----------------|---------|---------------------------|
| 28901-03 N Avenue Paine | Valencia | 111,935 | Lief Organics |
| 20525 Nordhoff St | Chatsworth | 105,984 | - |
| 11501 Hart St | North Hollywood | 89,452 | Faux Library Studio Props |

SIGNIFICANT BUILDING SALES

| Address City | Sale Value Type of Sale | PPSF Cap Rate | SF Class | Buyer Seller |
|--|-------------------------------|------------------|--------------------|---|
| 9200, 9230, 9250 Mason & 9171 Oso Ave, Chatsworth | \$29,500,000 Investment | \$115.00 - | 256,202 Class C | Rexford Industrial Allegretti & Company |
| 6265 San Fernando Rd Glendale | \$14,364,290 Owner/User | \$237.00 - | 60,656 Class C | 37 SFR Owner, LLC ACCO Engineered Sys |
| 21200 Oxnard St Woodland Hills | \$14,000,000 Redevelopment | \$266.00 - | 52,581 Class C | Bolour Associates, Inc. One Lambda, Inc. |

LARGEST DELIVERIES

| Address | Submarket/City | SF | Developer |
|---------|----------------|----|-----------|
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |

LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|----------------------------|----------------|---------|---------------|
| The Center @ Needham Ranch | Santa Clarita | 869,000 | Q1 2019 |
| - | - | - | - |
| - | - | - | - |

TOTAL INDUSTRIAL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 2.4% | \$11.40 | 223,044 | 134,806,723 | 927,500 |
| Q3 2018 | 2.5% | \$10.44 | 69,885 | 134,808,215 | 912,000 |
| Q2 2018 | 2.6% | \$10.44 | (459,073) | 135,244,901 | 928,830 |
| Q1 2018 | 2.2% | \$10.56 | 171,043 | 135,023,704 | 1,094,943 |
| Q4 2017 | 2.4% | \$10.44 | 293,495 | 135,074,842 | 869,760 |

 NET ABSORPTION SF
223,044

 VACANCY
3,209,995 SF
2.4%

 AVG. ASKING RATE PSF
\$11.40

 DELIVERIES
0 Buildings
0

 UNDER CONSTRUCTION
8 Buildings
927,500

SHELLY GARCIA

Director of Marketing

With conditions remaining exceedingly tight, the Los Angeles North industrial market remained static in the fourth quarter. Leasing activity picked up a bit to 1,133,441 square feet compared to 879,919 square feet in Q3. While the bump pushed vacancy levels down another 10 basis points compared to Q3, the vacancy rate was unchanged compared to the year-ago period and has remained in the 2 percent range for six consecutive quarters now.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|---------------------|----------------|-------------------|-------------------|
| 1211 N. Miller St | Anaheim | 200,646 (renewal) | Targus, Inc. |
| 7366 Orangewood Ave | Garden Grove | 130,291 | Rexel USA |
| 3300 Birch St | Brea | 111,679 | Amore Pacific USA |

SIGNIFICANT BUILDING SALES

| Address City | Sale Value Type of Sale | PPSF Cap Rate | SF Class | Buyer Seller |
|----------------------------------|---------------------------------|------------------|----------------------|--|
| 200 N. Puente St Brea | \$201,000,000 Sale/Leaseback | \$162.00 - | 1,237,000 Class C | Deutsche Albertsons Distribution |
| 2020 E. Howell Ave Anaheim | \$22,650,000 Investment | \$185.00 - | 122,722 Class C | Pacific Industrial Seligman Western Ent |
| 2152 & 2182 Alton Pkwy Irvine | \$28,620,000 Redevelopment | \$235.00 - | 121,650 Class C | KB Homes Dynasty Real Property |

LARGEST DELIVERIES

| Address | Submarket/City | SF | Developer |
|----------------------|----------------|---------|----------------|
| 210 E. Lambert Rd | North County | 309,439 | Western Realco |
| 4278 N. Harbor Blvd. | North County | 212,202 | Western Realco |
| 4260 N. Harbor Blvd | North County | 141,616 | Western Realco |

LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|----------------------|----------------|---------|---------------|
| 1585 MacArthur Blvd. | Airport Area | 100,276 | Q2 2019 |
| 9453 Toledo Way | South County | 90,000 | Q1 2019 |
| 721 S. Van Buren St | North County | 69,882 | Q1 2019 |


TOTAL INDUSTRIAL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 3.0% | \$12.98 | 3,387 | 300,670,240 | 368,780 |
| Q3 2018 | 2.7% | \$12.76 | (862,970) | 299,687,049 | 1,557,384 |
| Q2 2018 | 2.4% | \$12.54 | (64,292) | 299,682,090 | 1,457,108 |
| Q1 2018 | 2.4% | \$12.40 | 550,359 | 299,725,413 | 1,134,754 |
| Q4 2017 | 2.5% | \$12.14 | 222,710 | 299,621,339 | 1,083,684 |


3,387 NET
ABSORPTION SF


3.0% VACANCY
9,028,761 SF


\$12.98 AVG. ASKING
RATE PSF


1,134,754 DELIVERIES
9 Buildings


368,780 UNDER
CONSTRUCTION
5 Buildings

JACK HALEY Principal

The industrial real estate market has provided consistency even in a period of turmoil in the stock markets and in the Federal government. The vacancy rate increased slightly in Q4. Leasing and sales activity are strong. At the end of 2018, annual rent growth sat above 5% for every submarket in OC. The US and local economies should remain healthy for the first half of 2019 which should result in consistent demand for space. Lease rates and values will be at record levels until the vacancy rate climbs significantly.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|----------------------------|---------------------|---------|--------------------|
| DCT Blair Distribution Ctr | Port of Tacoma/Fife | 340,000 | Samsung |
| DCT Hudson | Auburn | 287,832 | Young's Market |
| Medline Building | Puyallup | 228,256 | East Bay Logistics |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|--------------------------|--------------------|----------|-----------|------------------------|
| City | Type of Sale | Cap Rate | Class | Seller |
| Safeway Distribution Ctr | \$144,537,063 | \$125.67 | 1,150,127 | Deutsche Wlth Asset Mg |
| Auburn | Inv/Sale Lsebk | TBD | Class A | Safeway |
| Des Moines Creek Bus Prk | \$111,000,000 | \$216.74 | 512,141 | Duke Realty |
| Phase IV, SeaTac | Fully Lsd/Inst Inv | 3.7% | Class A | Panattoni |
| Lakewood Tacoma Log Ctr | \$65,575,000 | \$140.26 | 467,526 | TA Realty |
| Lakewood | Fully Lsd/Inst Inv | 4.25% | Class A | Panattoni |

LARGEST DELIVERIES


| Property | Submarket/City | SF | Developer |
|-----------------------------|---------------------|---------|-----------|
| Prologis Georgetown Crsg | Seattle/Georgetown | 589,615 | Prologis |
| DCT Blair Dist Ctr Bldg A | Port of Tacoma/Fife | 542,750 | DCT |
| IPT Sumner Distribution Ctr | Sumner | 229,016 | IPT |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|-------------------------------|-----------------------|-----------|---------------|
| DuPont Corporate Center | Tacoma Industrial Mkt | 1,000,000 | Q2 2019 |
| Northwest Logistics Ctr Ph II | Tacoma Industrial Mkt | 628,640 | Q3 2019 |
| IAC Commercial Center | SeaTac/Burien | 457,211 | Q1 2019 |


TOTAL INDUSTRIAL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 3.6% | \$10.31 | 459,282 | 324,316,265 | 5,124,702 |
| Q3 2018 | 3.2% | \$10.15 | 1,536,909 | 322,256,607 | 4,943,675 |
| Q2 2018 | 3.3% | \$10.18 | 1,016,448 | 321,090,451 | 5,538,517 |
| Q1 2018 | 2.8% | \$10.16 | 189,595 | 318,598,371 | 6,460,778 |
| Q4 2017 | 2.8% | \$9.79 | 1,920,180 | 318,293,612 | 6,133,308 |

 **459,282** NET ABSORPTION SF

 **3.6%** VACANCY 11,756,049 SF

 **\$10.31** AVG. ASKING RATE PSF

 **2,059,658** DELIVERIES 7 Buildings

 **5,124,702** UNDER CONSTRUCTION 32 Buildings

CHRISTIAN MATTSON
Principal

The industrial market finished the year strong. Vacancy did trend up slightly due to construction supply outpacing demand, but the additional space is quickly being absorbed. Construction activity remains strong with more than 5 million SF underway. Rent growth has slowed somewhat but still on the rise. A shortage of infill land has driven up prices in close-in Seattle and Kent Valley, causing our 50-yard line to push south. Areas once considered tertiary are becoming prime targets. For example Logistics Property Group purchased 210 acres in Frederickson and plans 2.5 million SF of distribution space.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|------------------------|-----------------------|---------|-----------------------------|
| 19700 E. 23rd Ave | SW DIA/Pena Blvd Ind | 147,747 | UPS |
| 22700 I-76 Frontage Rd | Brighton | 81,629 | Great Plains Moving & Strge |
| 120 NE Frontage Rd | Fort Collins/Loveland | 61,309 | SCA Performance |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|---------------------|--------------|----------|-----------|-----------------------|
| City | Type of Sale | Cap Rate | Class | Seller |
| 18875 E. Bromley Ln | \$40,750,000 | \$31.21 | 1,305,700 | Starboard Realty Svcs |
| Brighton | Investment | 10.0% | Class B | Morris James LLP |
| 12900 E. Smith Rd | \$28,000,000 | \$96.50 | 290,149 | LIT Industrial |
| Aurora | Investment | - | Class A | BCP Aurora, LLC |
| 435-495 E. 62nd Ave | \$21,325,000 | \$171.98 | 124,000 | J.P. Morgan |
| Denver | Investment | 4.44% | Class A | RREEF Property Trust |

LARGEST DELIVERIES


| Property | Submarket/City | SF | Developer |
|-------------------------|----------------------|---------|----------------------|
| 14601 Grant St (Amazon) | North Denver Ind | 855,000 | Tramell Crow Company |
| 2889 Himalaya Rd | East I-17/Monebello | 701,900 | Majestic Realty |
| 8251 Quintero St | Northeast Denver Ind | 540,931 | Becknell Industrial |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|--------------------------|-----------------------|---------|---------------|
| SEC Picadilly Rd/E. 26th | East I-17/Montebello | 555,840 | Q3 2019 |
| First Aurora Comm Ctr | East I-17/Montebello | 555,840 | Q3 2019 |
| Prologis Park 70 Bldg 15 | East I-170/Montebello | 508,428 | Q2 2019 |

TOTAL INDUSTRIAL MARKET STATISTICS


| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 4.5% | \$9.34 | 2,647,889 | 312,911,150 | 6,442,785 |
| Q3 2018 | 4.6% | \$9.15 | 790,160 | 310,436,471 | 7,356,620 |
| Q2 2018 | 4.6% | \$9.33 | 477,314 | 309,527,274 | 6,364,137 |
| Q1 2018 | 4.3% | \$9.06 | 515,796 | 307,929,416 | 6,531,399 |
| Q4 2017 | 4.3% | \$9.10 | 3,619,399 | 307,485,437 | 4,743,734 |

 **NET ABSORPTION SF**
2,647,889

 **VACANCY**
4.5% 14,197,100 SF

 **AVG. ASKING RATE PSF**
\$9.34

 **DELIVERIES**
1,687,901 14 Buildings

 **UNDER CONSTRUCTION**
6,442,785 69 Buildings

MATTHEW BURGNER
Senior Associate

The 4th Quarter of 2018 was another strong quarter for the Denver market. Another quarter of positive net absorption, an increase of deliveries, and an overall decrease in vacancy signifies a healthy market. Although we have begun to notice that leasing deal volume is beginning to slow, rates have steadily been rising and investors continue to see opportunity to build in Denver.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|------------------------|----------------|---------|--------------------------------|
| 32923 Mission Way | Mission | 233,886 | Owens Corning |
| 1488 Coast Meridian Rd | Port Coquitlam | 96,137 | Direct Ltd Ptn/Direct Gen Ptnr |
| 2945 190th St | Surrey | 94,500 | Green Line Hose & Fittings Ltd |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|-------------------|--------------|----------|---------|-------------------------|
| City | Type of Sale | Cap Rate | Class | Seller |
| 8417-8447 Main St | \$43,170,000 | \$360.00 | 118,500 | Value Property Group |
| Vancouver | Owner/User | - | Class B | Morguard Investments |
| 7939 Huston Rd | \$42,500,000 | \$263.00 | 161,312 | YM Inc. |
| Delta | Owner/User | - | Class A | Ocean Ridge Holdings |
| 8651 Eastlake Dr | \$30,125,000 | \$271.00 | 111,152 | Pure Industrial R.E. Tr |
| Burnaby | Owner/User | - | Class B | Canadian Urban Ltd |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|-----------------|----------------|---------|-----------|
| 7727 Beedie Way | Delta | 133,765 | Beedie |
| 7717 Beedie Way | Delta | 115,234 | Beedie |
| 4825 275th St | Langley | 105,868 | Beedie |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|-------------------|----------------|---------|---------------|
| 15111 Williams Rd | Richmond | 500,000 | Q4 2019 |
| 45640 Kerr Ave | Chilliwack | 400,000 | Q2 2019 |
| 11111 Twigg Pl | Richmond | 256,000 | Q4 2019 |


TOTAL INDUSTRIAL MARKET STATISTICS


| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 1.46% | \$12.56 | 907,240 | 211,339,441 | 3,805,649 |
| Q3 2018 | 1.46% | \$12.15 | 1,439,307 | 210,572,470 | 3,536,060 |
| Q2 2018 | 1.40% | \$11.81 | 602,532 | 208,830,908 | 2,036,992 |
| Q1 2018 | 1.47% | \$11.59 | 719,899 | 208,349,342 | 2,223,847 |
| Q4 2017 | 1.48% | \$11.44 | 956,926 | 207,659,507 | 4,148,011 |

 **907,240** NET ABSORPTION SF

 **1.46%** VACANCY 3,094,205 SF

 **\$12.56** AVG. ASKING RATE PSF

 **921,778** DELIVERIES 18 Buildings

 **3,805,649** UNDER CONSTRUCTION 41 Buildings

RYAN WALMSLEY
VP, Marketing & Research

Despite over 900,000 SF coming to the Metro Vancouver industrial market through new builds the vacancy rate for the end of 2018 stayed at 1.46% this is only a 2 basis point drop compared to this time last year. By the end of 2018 rental rates continued their surge, rising to an average of \$12.56 per SF. With over 3.5 million sq ft of new supply expected in the next 6 months the Metro Vancouver market will continue to experience a shortage of industrial land which will continue to put upward pressure on sale prices and rental rates.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|--------------------|-------------------|---------|--------------------|
| 4747 W. Buckeye Rd | SW Valley/Phoenix | 376,760 | Tesla Motors |
| 4450 N. 45th Ave | NW/Phoenix | 117,048 | Freeport Logistics |
| 225 S. 51st St | Airport/Phoenix | 110,710 | Caraster |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|--------------------------|--------------|----------|-----------|------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| Westside Bus Prk 4 Bldgs | \$92,552,000 | \$83.67 | 1,069,167 | Prologis |
| Southwest/Phoenix | Investment | 6.5% | Class A | The Blackstone Group |
| 16811 W. Commerce Dr | \$42,700,000 | \$79.02 | 540,349 | Lexington Realty Trust |
| Southwest/Goodyear | Investment | 5.10% | Class A | Opus Group |
| 145 S. 79th St | \$22,750,000 | \$176.10 | 127,187 | Held Properties |
| Southeast | Investment | 6.76% | Class B | ViaWest Properties |

LARGEST DELIVERIES

| Address | Submarket/City | SF | Developer |
|--------------------|----------------|-----------|---------------------|
| 8282 W. Buckeye Rd | Tolleson | 1,100,000 | Irwin Pasternack |
| 575 S. 143rd Ave | Goodyear | 901,700 | Lincoln Property Tr |
| 8175 W. Buckeye Rd | Phoenix | 359,400 | Exeter Property |


LARGEST UNDER CONSTRUCTION

| Address | Submarket/City | SF | Delivery Date |
|--------------------|----------------|---------|---------------|
| South Price Rd | Chandler | 617,000 | Q2 2019 |
| 8001 W. Buckeye Rd | Phoenix | 379,828 | Q2 2019 |
| 100 N. 61st Ave | Phoenix | 330,842 | Q2 2019 |


TOTAL INDUSTRIAL MARKET STATISTICS


| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 7.50% | \$7.32 NNN | 2,419,344 | 311,459,551 | 5,424,724 |
| Q3 2018 | 7.40% | \$7.20 NNN | 688,445 | 307,968,137 | 7,004,491 |
| Q2 2018 | 7.30% | \$7.20 NNN | 2,403,760 | 306,423,024 | 4,844,891 |
| Q1 2018 | 7.50% | \$7.20 NNN | 1,359,837 | 303,015,540 | 7,498,082 |
| Q4 2017 | 7.90% | \$7.08 NNN | 1,930,399 | 300,495,997 | 5,196,802 |

 **2,419,344** NET ABSORPTION SF

 **7.50%** VACANCY 23,283,392 SF

 **\$7.32** AVG. ASKING RATE PSF

 **3,333,271** DELIVERIES 10 Buildings

 **5,424,724** UNDER CONSTRUCTION 45 Buildings

CHRIS MCCHESENEY

Research Director

Net absorption posted its strongest quarter of the year. About 2.4 million SF were underway at the end of Q4 in the Southeast Valley submarket. In the Southwest Valley submarket, two spec buildings totaling 2 million SF were delivered. Tesla's lease of a 376,760-SF building in the Cactus Distribution Center was the largest deal of the quarter. There were 156 sales transactions in Q4 totaling \$444 million. Buildings traded at an average \$90.33 per SF, off 8% from Q3.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|-------------------|-------------------|---------|-------------------------|
| 3350 Altamooore | SE Dallas/I-45 | 920,275 | Amazon |
| 1303 W. Pioneer | GSW Grand Prairie | 858,000 | Living Spaces |
| 4101 Research Dr. | Arlington | 722,733 | Tellworks Communication |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|-----------------------------|--------------|----------|-----------|-----------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 1100 & 1150 E. Cleveland St | \$81,450,000 | \$54.32 | 1,499,570 | Brookfield |
| SE Dallas/I-45 Hutchins | Inv Portolio | 5.0% | Class A | LaSalle |
| 4800 N. Sylvania | \$61,400,000 | \$93.45 | 657,043 | Industrial R.E. Trust |
| Meacham Fiels/Fossil Crk | Investment | - | Class A | Hunt Southwest |
| 7243 Grady Niblo Rd | \$59,300,000 | \$89.44 | 663,000 | TA Realty |
| Redbird Airport Dallas | Investment | - | Class A | Crow Holdings |

LARGEST DELIVERIES

| Address | Submarket/City | SF | Developer |
|--------------------------|----------------|-----------|---------------------|
| 9500 S. Polk St | Dallas | 1,300,000 | Prologis for Kohler |
| 15245 Heritage Pkwy | Forth Worth | 1,089,642 | Trammell Crow Co |
| SouthLink I Cleveland Rd | Dallas | 1,044,647 | Hines |

LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|----------------------------|----------------|-----------|----------------|
| Intchnge 20/45 E Cleveland | Hutchins | 1,138,787 | September 2019 |
| 2525 E. Abram St | Arlington | 1,000,000 | February 2019 |
| 400 Scyene Rd | mesquite | 877,230 | January 2019 |

TOTAL INDUSTRIAL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 6.2% | \$6.42 | 6,403,820 | 912,158,498 | 19,618,095 |
| Q3 2018 | 6.1% | \$6.33 | 4,354,242 | 905,075,601 | 22,847,455 |
| Q2 2018 | 5.8% | \$6.00 | 7,382,520 | 896,749,279 | 25,001,289 |
| Q1 2018 | 5.8% | \$5.82 | 2,084,937 | 889,060,836 | 27,449,365 |
| Q4 2017 | 6.3% | \$5.60 | 8,680,220 | 891,623,846 | 24,851,970 |

 **6,403,820** NET ABSORPTION SF

 **6.2%** VACANCY 56,313,783 SF

 **\$6.42** AVG. ASKING RATE PSF

 **7,037,754** DELIVERIES 36 Buildings

 **19,618,095** UNDER CONSTRUCTION 91 Buildings

PHILLIP ROSENFELD Director

Construction activity and deliveries continued at its current pace of 7-8 million square feet delivered per quarter. Even with the significant amount of product delivered, we still absorbed over 6 million square feet on a net basis. Vacancy increased ever so slightly, but asking rental rates jumped significantly to \$6.42/SF as quality available spaces in in-fill areas became difficult to find. South Dallas continues to construct product at an increased rate, but absorption in this area is not quite as fast as the rest of the market. Concessions and reduced rates continue to flourish in this submarket as developers seek to lease the big boxes.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|------------------------|------------------------|---------|--------------|
| 1302 Wharton Weems | East-Southeast Far Ind | 472,000 | Valvoline |
| 10565 Red Bluff Rd | East-Southeast Far Ind | 248,240 | UNIS Company |
| 5411 Ameriport Bldg 11 | East-Southeast Far Ind | 225,500 | NT Logistics |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|-------------------------------|-------------------------------|-------------------|----------------------|---------------------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 7909 Northcourt Rd Houston | \$99,900,000 Institutional | \$95.34 6.1% | 1,047,797 Class A | ASB R.E. Investments Barings, LLC |
| 1654 E. Donwick Conroe | \$27,170,000 Institutional | \$116.11 6.75% | 234,000 Class B | Stag Industrial Donwick, Inc. |
| 9197 Winkler Dr Houston | \$10,125,000 Institutional | \$65.74 7.5% | 154,020 Class B | Nitya Capital Tarantino Properties |

LARGEST DELIVERIES

| Address | Submarket/City | SF | Developer |
|----------------------|--------------------|-----------|------------------------|
| 31819 Highway 90 E | Northwest Corridor | 1,016,000 | Duke Realty Corp |
| 7777 Sutton Rd | Southeast Corridor | 712,740 | National Prop Holdings |
| 525 Cane Island Pkwy | Northwest Corridor | 673,785 | Oakmont Ind Grp |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|-------------------------|--------------------|---------|---------------|
| 14803 Woodham Dr. | North Corridor | 727,600 | Q2 2019 |
| 1401 N. Rankin Rd | North Corridor | 656,658 | Q2 2019 |
| 1302 Wharton Weems Blvd | Southeast Corridor | 600,360 | Q1 2019 |


TOTAL INDUSTRIAL MARKET STATISTICS


| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 5.5% | \$7.46 | 2,577,450 | 620,406,250 | 11,940,852 |
| Q3 2018 | 5.7% | \$7.34 | 2,774,980 | 618,646,861 | 11,606,089 |
| Q2 2018 | 5.4% | \$7.21 | 916,332 | 613,931,558 | 13,373,484 |
| Q1 2018 | 5.2% | \$6.94 | 3,155,738 | 611,930,096 | 11,458,284 |
| Q4 2017 | 5.3% | \$7.03 | 1,148,093 | 608,911,193 | 10,487,932 |

 **2,577,450** NET ABSORPTION SF

 **5.5%** VACANCY 34,144,628 SF

 **\$7.46** AVG. ASKING RATE PSF

 **1,668,189** DELIVERIES 41 Buildings

 **11,940,852** UNDER CONSTRUCTION 129 Buildings

TREY ERWIN
Senior Director

Net absorption in 2018 totaled 9.4 million as tenant demand was strong throughout 2018. Vacancy rates have hovered around 5.5% for 20 straight quarters. Lease rates increased slightly in nearly every submarket. Land sales are up. Investment capital demand is strong, especially in the Port (SE Far) and Southwest submarkets. Cap rates were in the 5% range. Fluctuating oil prices have had little impact on industrial property. Optimism is high that the healthy supply-demand balance will continue into 2019.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|--------------------|-------------------------|---------|----------------|
| 14667 135th Ave | I-55 Corridor/Lockport | 750,314 | S&S Activewear |
| 260 Enterprise Dr | SE Wisconsin/Sturtevant | 432,000 | SC Johnson |
| 1151 E. Laraway Rd | I-80/Joliet | 420,520 | Exel Logistics |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|-------------------------|--------------|----------|---------|-----------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 9201 W. Belmont Ave | \$26,800,000 | \$49.92 | 536,800 | WPT Capital Advisors |
| West Cook/Franklin Park | Investment | - | Class C | Guggenheim R.E. |
| 2700 E. 5th Ave | \$4,050,000 | \$14.21 | 285,000 | Alliance Steel Corp |
| Northwest Indiana/Gary | Owner/User | - | Class B | Global Sustainability |
| 2525 Armitage Ave | \$4,300,000 | \$18.81 | 228,586 | Edsal Mfg Company |
| West Cook/Melrose Park | Owner/User | - | Class B | Reich Brothers |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|-------------------|----------------|---------|----------------------|
| 2075 W. 43rd St | Chicago | 632,700 | Marina Cartage, Inc. |
| 2101 E. Route 173 | Antioch | 558,550 | IDI Gazeley |
| 24300 US Route 6 | Channahon | 442,000 | Ridgeline/Clarion Pt |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|------------------|----------------|---------|---------------|
| Ridgeland Ave | Monee | 879,040 | Q2 2019 |
| 3901 Brandon Rd | Elwood | 826,755 | Q2 2019 |
| 805 Discovery Dr | West Chicago | 782,000 | Q2 2019 |


TOTAL INDUSTRIAL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|---------------|-----------------------|
| Q4 2018 | 5.86% | \$5.70 | 3,154,364 | 1,298,817,068 | 19,198,878 |
| Q3 2018 | 5.84% | \$5.60 | 4,898,667 | 1,295,224,449 | 15,370,601 |
| Q2 2018 | 6.13% | \$5.55 | 6,084,959 | 1,294,226,395 | 8,813,635 |
| Q1 2018 | 6.21% | \$5.49 | 5,570,360 | 1,288,824,670 | 11,039,615 |
| Q4 2017 | 6.38% | \$5.33 | 5,551,567 | 1,285,301,574 | 12,077,842 |

 **3,154,364** NET ABSORPTION SF

 **5.86%** VACANCY 76,113,178 SF

 **\$5.70** AVG. ASKING RATE PSF

 **3,871,762** DELIVERIES 17 Buildings

 **19,198,878** UNDER CONSTRUCTION 59 Buildings

DIANA PEREZ

Director of Research

The Chicago industrial market continues to post healthy activity despite the overhang of speculative vacancies. The overall vacancy rate remained at 5.8 percent at the end of 2018, 52 basis points below the rate recorded at the end of 2017. Continued demand for industrial space resulted in net absorption of 3.1 million square feet during the fourth quarter, bringing the total for 2018 to 19.7 million square feet.



SIGNIFICANT LEASE DEALS

| Address | Submarket | SF | Tenant |
|-------------------|-----------|---------|---------------------|
| 1901 Beggrow St | Southeast | 802,390 | Quaker |
| 3780 Tradeport Ct | Southeast | 511,430 | Plantation Products |
| 3280 Southpark Pl | Southwest | 324,000 | FST Logistics |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PSF | SF | Buyer |
|---------------------|--------------|----------|-----------|----------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 6600 Alum Creek Dr | \$50,000,000 | \$24.13 | 2,071,908 | LCN Capital |
| Southeast | Investment | 7.2% | Class A | Trilogy/Eddie Bauer |
| 2221 John Glenn Ave | \$9,400,000 | \$32.47 | 289,491 | Westmount Realty |
| Southeast | Investment | - | Class A | Evergreen Industrial |
| 3287 Southwest Blvd | \$10,150,000 | \$47.79 | 212,400 | Exeter |
| Southwest | Investment | - | Class A | Kansas City Life Ins |

LARGEST DELIVERIES

| Address | Submarket | SF | Developer |
|------------------------|-----------|-----------|-------------|
| 9799 Logistics Ct | Southeast | 1,200,000 | Duke Realty |
| 6198 Green Pointe Dr S | Southeast | 758,160 | VanTrust |
| 2850 Rohr Rd | Southeast | 229,333 | VanTrust |


LARGEST UNDER CONSTRUCTION


| Address | Submarket | SF | Delivery Date |
|---------------------|----------------|-----------|---------------|
| Hazelton-Etna Rd SW | Licking County | 1,200,000 | Q3 2019 |
| 9570 Logistics Ct | Southeast | 972,000 | Q2 2019 |
| 1550 W. Main St | Madison County | 855,000 | Q1 2019 |


TOTAL INDUSTRIAL MARKET STATISTICS


| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 4.7% | \$3.98 | 2,221,356 | 291,414,390 | 5,014,066 |
| Q3 2018 | 4.3% | \$4.01 | 1,320,743 | 290,128,082 | 4,945,241 |
| Q2 2018 | 4.1% | \$3.97 | 2,429,669 | 289,668,974 | 6,120,114 |
| Q1 2018 | 3.6% | \$3.97 | 2,486,695 | 286,091,903 | 4,124,480 |
| Q4 2017 | 4.5% | \$3.93 | 1,663,446 | 268,795,433 | 4,424,782 |

 **2,221,356** NET ABSORPTION SF

 **4.7%** VACANCY 13,831,138 SF

 **\$3.98** AVG. ASKING RATE PSF

 **3,094,883** DELIVERIES 6 Buildings

 **5,014,066** UNDER CONSTRUCTION 11 Buildings

MIKE SPENCER, SIOR Principal

In Central Ohio, the market has remained on a roll - with high occupancy and demand. Occupier activity continues to be robust, providing for optimism on the coming year from market stakeholders. A strong diverse economy and the need to expand supply chains to feed the growing Ecommerce sector are driving demand in the market. Investors are taking note of the logistical and operational advantages that Central Ohio has to offer and the success stories we have seen thus far. We look for this positive momentum to continue throughout 2019.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|--------------------|----------------|---------|--------------------------|
| 4815 Cabot St | Detroit | 324,545 | The Salvation Army |
| 30240 Oak Creek Dr | Wixom | 202,500 | Thai Summit America Corp |
| 41873 Ecorse Rd | Van Buren Twp | 276,346 | Ford Motor Company |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|------------------------------|----------------|----------|---------|------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 15520 Wayne Rd | \$126,600,000 | \$208.91 | 606,000 | Global Net Lease, Inc. |
| Romulus | Sale/Leaseback | 6.18% | Class A | Penske Corporation |
| 4400 N Atlantic Blvd | \$21,300,000 | \$97.39 | 144,000 | Gladstone Commercial |
| Auburn Hills (portfolio) | Investment | 7.5% | Class B | Means Industries, Inc. |
| 7026 Sterling Ponds Ct | \$21,300,000 | \$97.39 | 74,303 | Gladstone Commercial |
| Sterling Heights (portfolio) | Investment | 7.5% | Class B | Means Industries, Inc. |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|---------------------|-----------------|-----------|----------------|
| Mound Rd | Shelby Township | 1,000,035 | Amazon |
| 2238 W. Bristol Rd. | Flint | 883,000 | General Motors |
| - | - | - | - |

LARGEST UNDER CONSTRUCTION

| Address | Submarket/City | SF | Delivery Date |
|----------------------------|----------------|-----------|---------------|
| 4514 Davison Rd | Burton | 1,000,000 | July 2019 |
| 1400 E. Ten Mile Rd Bldg 2 | Hazel Park | 651,610 | July 2019 |
| - | - | - | - |


TOTAL INDUSTRIAL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 3.0% | \$6.13 | 4,325,124 | 653,299,892 | 5,237,569 |
| Q3 2018 | 3.2% | \$6.07 | 1,615,599 | 649,832,976 | 8,296,152 |
| Q2 2018 | 3.1% | \$5.93 | 1,592,495 | 647,512,448 | 7,021,834 |
| Q1 2018 | 3.2% | \$5.82 | (635,891) | 646,306,161 | 7,684,278 |
| Q4 2017 | 3.0% | \$5.75 | 3,673,135 | 645,548,743 | 7,311,962 |

 **4,325,124** NET ABSORPTION SF

 **3.0%** VACANCY 19,736,289 SF

 **\$6.13** AVG. ASKING RATE PSF

 **3,543,549** DELIVERIES 21 Buildings

 **5,237,569** UNDER CONSTRUCTION 52 Buildings

JON SAVOY, CCIM, SIOR
President

Fourth Quarter demand continued to be healthy. Rising cost of new construction is creating greater value for existing assets. The Detroit Industrial market ended Q4 2018 with a vacancy rate of 3.0%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 4,325,124 SF in the Q4. Vacant sublease space increased in the quarter, ending the quarter at 876,456 square feet. Rental rates ended Q4 at \$6.13, an increase over the previous quarter. A total of 21 buildings delivered to the market in the quarter totaling 3,543,549 square feet, with 5,237,569 square feet still under construction at the end of the quarter.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|-------------------|---------------------|---------|----------------------|
| 159 Westridge Pky | South Atlanta | 408,195 | Blue Buffalo |
| 425 Hartman Rd | I-20 W Douglasville | 354,620 | Global Beauty Supply |
| 7225 Goodson Rd | South Atlanta | 370,000 | Interface |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|------------------------|--------------|----------|-----------|-------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 705 Braselton Ind Blvd | \$70,000,000 | \$70.00 | 1,000,821 | Uline |
| Northeast | Lease Option | - | Class A | Ackerman & Co |
| 95 Innovation Way | \$53,000,000 | \$28.00 | 1,917,084 | Agellan Comm REIT |
| South Atlanta | Investment | 5.5% | Class B | LCR Properties |
| 1040 W. Marietta St | \$48,000,000 | \$66.00 | 724,454 | QTS Realty Trust |
| Chattahoochee | Investment | - | Class C | WestRock Co |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|----------------------|----------------|-----------|---------------------|
| 1015 Collinsworth Rd | South Atlanta | 1,000,200 | TPA Group |
| 8500 Tatum Rd | South Atlanta | 982,777 | Red Rock |
| 120 Midway Rd | South Atlanta | 840,000 | Liberty Property Tr |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|-------------------------------|----------------|-----------|---------------|
| King Mill Rd | South Atlanta | 1,104,320 | Q1 2019 |
| Steve Reynolds Industrial Pky | Northeast | 1,099,880 | Q2 2019 |
| 421-429 Toy Wright Rd. | Northeast | 1,053,360 | Q4 2018 |


TOTAL INDUSTRIAL MARKET STATISTICS


| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 5.9% | \$5.08 | 5,648,663 | 689,880,435 | 17,357,431 |
| Q3 2018 | 6.0% | \$5.07 | 7,764,938 | 684,177,874 | 20,649,068 |
| Q2 2018 | 6.4% | \$4.93 | 3,737,838 | 679,656,805 | 20,701,208 |
| Q1 2018 | 6.7% | \$4.86 | 3,532,049 | 677,192,848 | 14,403,354 |
| Q4 2017 | 6.3% | \$4.79 | 6,723,133 | 671,102,750 | 21,032,913 |

 **5,648,663** NET ABSORPTION SF

 **5.9%** VACANCY 40,598,032 SF

 **\$5.08** AVG. ASKING RATE PSF

 **4,905,636** DELIVERIES 14 Buildings

 **17,357,431** UNDER CONSTRUCTION 37 Buildings

CRAIG VIERGEVER

President/Principal

History was made in Q4 as overall vacancy hit the lowest percentage the Atlanta industrial market has ever seen at 5.9%. Total industrial inventory is just shy of 700 million SF and in 2018 alone, the Atlanta market added 20.63 million SF of new industrial product (100,000 SF plus) to the marketplace. Of the 17.36 million SF under construction, 88% is speculative development, with the Northeast and South Atlanta submarkets dominating development market activity.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|-------------------------|--------------------|---------|---------------------|
| 175 McQueen Blvd | Dorchester County | 281,000 | - |
| 2310 Charleston Reg Pky | Greater Charleston | 60,320 | - |
| 2440 Clements Ferry Rd | Greater Charleston | 60,000 | Moulton Fulfillment |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|---------------------------|--------------|----------|----------|-------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 7391 Pepperdam Ave | \$5,150,000 | \$50.74 | 101,500 | BCB Development |
| North Charleston | Investment | 7.0% | Class C | Moonshine Buttress |
| 215 Varnfield Dr (3 prop) | \$4,300,000 | \$123.56 | 34,800 | Summerville Ind Ptnrs |
| North Charleston | Investment | - | Class C | Matan-rcb Varnfield LLC |
| 210 Cember Wy (4 prop) | \$3,785,000 | \$92.22 | \$41,045 | The Tarrant Company |
| North Charleston | Investment | - | Class C | Garrison Reed Brownell |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|--------------------------|-------------------|-----------|------------------|
| 1801 Volvo Car Dr | Outlying Berkeley | 2,300,000 | RSCVOLVO |
| 8501 Palmetto Comm Pkwy | No. Charleston | 1,000,000 | Mercedes-Benz |
| 537 Omni Industrial Blvd | Outlying Berkeley | 587,720 | Clarius Partners |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|------------------|-------------------|---------|---------------|
| Highway 78 | No. Charleston | 841,776 | Q2 2019 |
| 1334 Drop Off Dr | Outlying Berkeley | 561,600 | Q1 2019 |
| Patriot Blvd | No. Charleston | 262,080 | Q1 2019 |

TOTAL INDUSTRIAL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 6.8% | \$6.15 | 983,563 | 81,338,259 | 2,378,848 |
| Q3 2018 | 7.2% | \$6.01 | 1,319,326 | 80,563,291 | 2,535,576 |
| Q2 2018 | 7.1% | \$5.98 | 3,404,771 | 79,087,541 | 3,111,950 |
| Q1 2018 | 7.6% | \$6.00 | 1,047,753 | 75,815,907 | 5,799,884 |
| Q4 2017 | 7.9% | \$5.99 | (86,683) | 74,931,613 | 6,371,139 |

 **983,563** NET ABSORPTION SF

 **6.8%** VACANCY 5,566,602 SF

 **\$6.15** AVG. ASKING RATE PSF

 **774,968** DELIVERIES 8 Buildings

 **2,378,848** UNDER CONSTRUCTION 14 Buildings

THOMAS BUIST, JR, SIOR
Broker

The Port of Charleston continues to grow at a record pace driving more new industrial speculative buildings. The Panama Canal expansion is directly contributing to this growth. Business is good for the foreseeable future as we see companies divide the country in half for import distribution of western products.


SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|--------------------|---------------------|---------|---------------|
| 70 Tyger River Rd | Hwy 290 Corr/Duncan | 408,000 | BMW |
| 901 Victor Hill Rd | Rte 101/Greer | 297,607 | BMW |
| 1 Tungsten Way | Rte 101 Corr/Dunca | 121,801 | TNT Fireworks |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|--------------------|---------------|----------|---------|---------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 120 Moon Acres Rd | \$158,003,000 | \$185.39 | 852,288 | Oak St R.E. Capital |
| Piedmont | Investment | 6.87% | Class A | Granite REIT |
| 570-572 Gilliam Rd | \$9,500,000 | \$31.56 | 301,000 | Roe Cassidy Coates, et al |
| Rt 290 Corr/Duncan | Owner/User | - | Class B | JTB of Greenville |
| 136 Leader Dr | \$1,863,000 | \$27.40 | 68,000 | 136 Leader Drive LLC |
| Rt 153/Rt 123 Corr | Owner/User | - | Class C | DKS Partners, LLC |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|-------------------------|----------------|---------|-----------------|
| 2010 Nazareth Church Rd | Spartanburg | 273,000 | Rooker |
| 131 Corporate Dr | Gaffney | 80,000 | Owner Expansion |
| - | - | - | - |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|-----------------------|----------------|-----------|---------------|
| Genoble Road | Greer | 1,300,000 | Q1 2019 |
| 3601 Highway 101 | Woodruff | 1,100,000 | Q1 2019 |
| 6135 Anderson Mill Rd | Moore | 708,067 | Q3 2019 |

TOTAL INDUSTRIAL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 4.7% | \$3.94 | 661,486 | 216,318,840 | 5,755,634 |
| Q3 2018 | 5.0% | \$3.85 | 1,482,406 | 215,426,181 | 4,128,211 |
| Q2 2018 | 5.1% | \$3.77 | 1,036,659 | 212,678,118 | 3,690,044 |
| Q1 2018 | 5.3% | \$3.75 | 1,327,781 | 212,009,954 | 3,414,460 |
| Q4 2017 | 5.5% | \$3.67 | 651,101 | 209,674,047 | 5,429,327 |

 **661,486** NET ABSORPTION SF

 **4.7%** VACANCY 10,150,827 SF

 **\$3.94** AVG. ASKING RATE PSF

 **374,939** DELIVERIES 3 Buildings

 **5,755,634** UNDER CONSTRUCTION 20 Buildings

RANDALL BENTLEY, SIOR, CCIM
President

As a result of the rapidly expanding business base in the Greenville/Spartanburg Market, net absorption of industrial space has been consistently positive for the past two years. Demand is still running well ahead of supply in all size ranges as vacancy decreased from 5.0% at end of Q3 to 4.7% at end of Q4. Greenville/Spartanburg's industrial market continues to experience increased interest from both national developers and major tenants in Q4. Recent growth is the result of the market's positive attributes including access to major ports, proximity to major metros in the southeast, and availability of development-ready land. Greenville/Spartanburg is well positioned with easy access to Atlanta, Charlotte, and the Port of Charleston.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|------------------|--------------------|---------|---------------|
| 1500 Bassett Ave | Belham Bay/Bronx | 366,000 | Modell's |
| 652 Kent Ave | Navy Yard/Brooklyn | 92,000 | Brink's, Inc. |
| 1 Bulova Ave | Woodside/Queens | 83,000 | Amazon |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|-------------------------|-----------------|----------|-----------|---------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 68 Ferris St | \$233,100,000 | \$863.00 | 270,000 | UPS |
| Red Hook/Brooklyn | Fee (portfolio) | - | Warehouse | Sitex Group |
| 1500 Bassett Ave | \$115,000,000 | \$314.00 | 366,000 | Realterm Global |
| Pelham Bay/Bronx | Sale/Leaseback | - | Warehouse | Modell's |
| 30-02 48th Ave | \$75,000,000 | \$529.00 | 141,800 | Alexandria |
| Long Island City/Queens | Conv to Flex | - | Warehouse | Brickman Associates |

LARGEST DELIVERIES

| Address | Submarket/City | SF | Developer |
|-----------------|----------------|---------|-------------|
| 2 St. Ann's Ave | Staten Island | 423,530 | FreshDirect |
| - | - | - | - |
| - | - | - | - |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|------------------------|----------------|---------|---------------|
| 586 Gulf Avemie | Staten Island | 450,000 | Q1 2019 |
| 660 Twelfth Avenue | New York | 267,800 | Q3 2019 |
| 37-11 Vernon Boulevard | Queens | 150,000 | Q1 2019 |


TOTAL INDUSTRIAL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 5.0% | \$21.94 | 1,162,548 | 225,505,689 | 1,105,342 |
| Q3 2018 | 5.3% | \$21.49 | 547,758 | 225,082,159 | 1,528,872 |
| Q2 2018 | 5.2% | \$21.65 | (688,004) | 224,081,359 | 2,509,672 |
| Q1 2018 | 4.8% | \$20.89 | (1,502,385) | 224,034,184 | 2,477,847 |
| Q4 2017 | 4.1% | \$20.58 | (663,442) | 223,996,908 | 2,507,298 |

 **1,162,548** NET ABSORPTION SF

 **5.0%** VACANCY 11,283,471 SF

 **\$21.94** AVG. ASKING RATE PSF

 **423,530** DELIVERIES
1 Building Past Four Quarters

 **1,105,342** UNDER CONSTRUCTION
14 Buildings

HENRY ABRAMOV
Director of Research

New York City's industrial net absorption had a consecutive quarter of positive output and increase of 47% since last quarter. Though the vacancy rate remains high at 5%, leasing activity remained stable at approximately 1.1 million square feet leased. Asking rents increased 2.1% quarter-to-quarter to \$21.94 from \$21.49 and are up 6.6% year-over-year. The quarter had major industrial activity by Amazon, FreshDirect, Modell's and more. The outer boroughs will continue delivering new construction going into 2019, with over one million square feet under construction.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|----------------------|----------------|---------|------------------------|
| 150 Totowa Rd | Upper Rt 46/23 | 437,500 | Gucci |
| 1203 Cranbury So Riv | Exit 8A | 208,899 | Melissa & Doug LLC |
| 60 Distribution Blvd | Exit 10 | 208,391 | Concordance Healthcare |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|------------------|---------------|----------|---------|------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 300 Ridge Rd | \$123,125,000 | \$169.73 | 725,400 | DWS |
| Western Rt 287 | Investment | - | Class A | Rockefeller Group |
| 549 Mill Rd | \$83,000,000 | \$145.59 | 570,100 | Cohen Asset Mgmt |
| Exit 10 | Investment | 4.60% | Class A | J.P. Morgan Asset Mgmt |
| 100 Jefferson Rd | \$60,200,000 | \$108.78 | 553,436 | Harbor Group Intn'l |
| Eastern Morris | Investment | - | Class B | PNY Technologies |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|--------------------|----------------|---------|-----------------|
| 152 Rt 206 | Hillsborough | 761,000 | US GSA |
| 425 Rising Sun Rd | Bordentown | 440,440 | Prologis |
| 1501 Cottontail Ln | Somerset | 200,000 | Nissan Motor Co |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|--------------------------|----------------|-----------|---------------|
| 1101 E. Pearl St | Burlington | 1,016,000 | February 2019 |
| 942 Memorial Pkwy Bld 7 | Phillipsburg | 975,761 | December 2019 |
| 1800 N. Route 130 Bldg 1 | Burlington | 913,466 | July 2019 |

TOTAL INDUSTRIAL MARKET STATISTICS


| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 4.1% | \$8.68 | 498,120 | 836,643,238 | 8,719,660 |
| Q3 2018 | 4.0% | \$8.43 | 5,824,352 | 835,565,988 | 9,714,410 |
| Q2 2018 | 4.2% | \$8.30 | 4,679,232 | 831,624,835 | 8,628,430 |
| Q1 2018 | 4.3% | \$8.21 | 5,203,142 | 827,296,173 | 11,736,319 |
| Q4 2017 | 4.7% | \$7.89 | 6,569,232 | 825,055,338 | 13,755,414 |

 **498,120** NET ABSORPTION SF

 **4.1%** VACANCY 33,972,699 SF

 **\$8.68** AVG. ASKING RATE PSF

 **1,077,250** DELIVERIES 6 Buildings

 **8,719,660** UNDER CONSTRUCTION 57 Buildings

MICHAEL MALMSTONE
Real Estate Analyst

Net absorption has decelerated tenfold to not even 500k SF compared to the year's first 3 quarters' historic 14.7MM SF. Rental rates are still growing, with Class A slowing down while still at record highs. Class B users are being priced down to Class C space. Asking rates for some first-gen Class A spaces are \$15+ PSF NNN with 4% bumps. Availability is 5.8%, just higher than vacancy, but still a record low. Continued western momentum from core markets like the Ports, Meadowlands and other Turnpike Corridor sub-markets to cheaper secondary markets like Somerset and Piscataway is driving tax incentives and the respective new construction of 3.3MM SF alone that follows.

Tenant Demand, New Construction Surge


Healthy demand returned to the office market in 2018 with strong tenant growth across downtown and suburban office developments, triggering a surge in new construction.


Net absorption totaled 96.3 million SF in 2018, reducing the vacancy rate 50 basis points year over year, and was helped by strong tenant expansion in central business districts. This came after absorption slowed to 76.8 million SF in 2017, falling short of the 89 million SF of new space that landed on the market.


Despite the 25% hike in overall demand, rent growth eased in 2018, gaining an average 2.7%, down from 3.5% in 2017.


Demand for Class A space totaled 63.7 million SF in 2018, up from 48.3 million SF in 2017. Overall vacancy rates settled at 10.5% for premium buildings in downtown neighborhoods and 12.7% for prime space in suburban markets.

New construction underway at the end of the year totaled 169,705,657 SF, a 12.6% year-over-year increase. Nearly 64% of the space under construction was pre-leased, compared to 60% at the end of 2017. Net absorption in suburban markets in 2018 was up 8.9% to 74.4 million SF. Tenant expansion in central business districts totaled 21.8 million SF in 2018, more than the total for the previous two years

 **23.2**
Q4 NET ABSORPTION
Million SF

 **8.9%**
VACANCY
1.0 Billion SF

 **1.4%**
AVG. ASKING RATE
\$25.84 PER SF

 **15.9**
Q4 DELIVERIES
Million SF

 **169.7**
UNDER CONSTRUCTION
Million SF

Average asking rents were up 2.7% in 2018, down slightly from rent growth of 3.5% in 2017.

Prices for properties sold in 2018 gained an average 3.5% after the sale price per square foot slipped 5% in 2017. Cap rates were down in 2018, averaging 7.21% compared to 7.41% in 2017.

Leading the nation in tenant expansion in 2018 was San Francisco, posting 5.16 million SF of net absorption, followed by Dallas/Ft. Worth with 4.96 million SF, Denver's 4.37 million SF, Seattle's 4.3 million SF and 4.13 million SF and New York City's 4.13 million SF.

New York City ranked first in new construction at the close of 2018 with 17.26 million SF underway, followed by 9 million SF in Long Island, N.Y., 8.95 million SF in Washington, D.C., 8.38 million SF in Seattle and 8 million SF in Dallas/Ft. Worth.

SIGNIFICANT LEASE DEALS

| Lease Name | SF | Location |
|-------------------------|---------|-------------------|
| Deutsche Financial Svcs | 1.2M | New York City, NY |
| Facebook | 770,927 | San Francisco, CA |
| BMO Financial Group | 500,000 | Houston, TX |

LARGEST DELIVERIES

| Building Name | City | SF | Developed By |
|-----------------------|------------------|---------|-------------------|
| 500 S. Main St | Charlotte, NC | 1.1M | N/A |
| Liberty Mutual Campus | Dallas/Ft. Worth | 1.1M | KDC Real Estate |
| 151 N. Franklin St | Chicago, IL | 975,000 | The John Buck Co. |

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

| Market | SF | Project |
|----------------------|------|-------------------|
| New York City, NY | 2.8M | The Spiral |
| New York City, NY | 2.6M | 30 Hudson Yards |
| Dallas/Ft. Worth, TX | 1.7M | American Airlines |
| Houston, TX | 1.1M | 801 Texas Ave |

SIGNIFICANT BUILDING SALES

| Address | Market | SF | Price/SF | Cap Rate | Buyer | Seller |
|-----------------|-----------------|---------|------------|----------|------------------|--------------------|
| 245 Park Ave | New York City | 874,395 | \$1,160.56 | 5.1% | Commerz Real AG | The Wolcott Grp |
| 125 S. Clark St | Chicago, IL | 577,000 | \$340.73 | 5.9% | SL Green Realty | HNA Grp No America |
| 1600 Utica Ave | Minneapolis, MN | 497,000 | \$232.39 | 6.4% | Accesso Partners | DRA Advisors, LLC |



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|------------------------|----------------|--------|-------------------------|
| 100 N. Barranca Ave | West Covina | 28,445 | - |
| 1041-1049 W. Gladstone | San Dimas | 11,757 | Christopher Foterek |
| 1509 W. Cameron Ave | West Covina | 5,877 | Foothill Family Service |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|-----------------------|--------------|----------|-----------|-------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 1333 S. Mayflower Ave | \$18,500,000 | \$218.70 | 84,589 | Chase Partners, Ltd |
| Monrovia | Investment | - | Class B | Kare Foundation |
| 825 E. Broadway | \$11,200,000 | \$978.17 | 11,450 SF | Triangle Traders, Inc. |
| San Gabriel | Corp User | 5.25% | Class B | B Squared Partners, LLC |
| 641 W. Las Tunas Dr | \$3,700,000 | \$358.01 | 10,335 | Thomas Canterbury, LLC |
| San Gabriel | Owner/User | - | Class C | Hampton Properties, LLC |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|----------------------|----------------|--------|------------------------|
| 552 W. Foothill Blvd | Glendora | 15,200 | RPO Investment Co |
| 825 W. Broadway | San Gabriel | 11,450 | Markdev-DV San Gabriel |
| - | - | - | - |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|--------------------|----------------|--------|---------------|
| 9133 Garvey Ave | Rosemead | 62,000 | June 2019 |
| 120 W. Hellman Ave | Monterey Park | 26,960 | February 2019 |
| 22040 Valley Blvd | Walnut | 10,000 | January 2019 |

TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 7.4% | \$24.48 | 432,770 | 32,608,472 | 98,960 |
| Q3 2018 | 8.7% | \$24.12 | (38,433) | 32,608,472 | 98,960 |
| Q2 2018 | 8.5% | \$24.36 | 289,043 | 32,596,271 | 113,619 |
| Q1 2018 | 9.2% | \$24.24 | (75,028) | 32,519,021 | 190,869 |
| Q4 2017 | 8.9% | \$23.88 | 83,344 | 32,507,571 | 202,319 |

 **432,770** NET ABSORPTION SF

 **7.4%** VACANCY 2,398,264 SF

 **\$24.48** AVG. ASKING RATE PSF

 **0** DELIVERIES 0 Buildings

 **98,960** UNDER CONSTRUCTION 3 Buildings

CHRISTOPHER LARIMORE President

The San Gabriel Valley office market witnessed another positive performance this past quarter with overall vacancy rate dropping to 7.4%. Rental rates steadily increased, and landlords felt confident in the direction of the market. Office tenants maintained smaller footprints utilizing co-working options and experienced high confidence in the market. Smaller medical space remained challenging to lease out as private practices are consolidating into large medical groups and requiring larger space to lease or buy. Office sales were strong with majority of Owner-User buyers. The cap rate for investment sales averaged 4.6%.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|----------------------|----------------|--------|-----------------|
| 680 E. Colorado Blvd | Pasadena | 48,831 | - |
| 500 N. Brand Ave | Glendale | 26,363 | Industrious |
| 80 S. Lake Ave | Pasadena | 4,610 | Alan B. Snitzer |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|-------------------|---------------|----------|---------|-------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 800 N. Brand Blvd | \$160,000,000 | \$303.41 | 527,336 | Beacon Capital Partners |
| Glendale | Investment | - | Class A | Piedmont Office Rlty Tr |
| 301 N. Lake Ave | \$82,000,000 | \$361.13 | 227,067 | Parker Pac Grp/Rockwood |
| Pasadena | Investment | - | Class A | Washington Cap Mgmt |
| 70 S. Lake Ave | \$44,000,000 | \$377.82 | 116,458 | Jade Enterprises |
| Pasadena | Investment | - | Class A | Prospect Ridge Advisors |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|---------|----------------|----|-----------|
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|--------------------|----------------|--------|----------------|
| 380 E. Union St | Pasadena | 82,000 | December 2019 |
| 500 E. Colorado St | Glendale | 39,067 | September 2019 |
| - | - | - | - |

TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 12.2% | \$37.56 | 154,617 | 19,503,386 | 121,067 |
| Q3 2018 | 13.0% | \$35.88 | 34,379 | 19,503,386 | 121,067 |
| Q2 2018 | 13.2% | \$35.40 | (16,630) | 19,503,386 | 121,067 |
| Q1 2018 | 13.1% | \$35.16 | (101,027) | 19,503,386 | 0 |
| Q4 2017 | 12.6% | \$35.40 | (125,776) | 19,503,386 | 0 |

 **154,617** NET ABSORPTION SF

 **12.2%** VACANCY 2,380,065 SF

 **\$37.56** AVG. ASKING RATE PSF

 **0** DELIVERIES 0 Buildings

 **121,067** UNDER CONSTRUCTION 2 Buildings

RENE SOTO
Principal

Tenant demand has recorded negative for the 3rd time in the past 4 quarters. While demand for large blocks of space remained stagnate, the investment market continued to trade at a high velocity, with Glendale as the most active area. Glendale sustained the largest vacancy increase due to Nestle, Disney and Yellow Pages giving back over 500,000 SF, however overall vacancy in the Tri-Cities remained relatively flat. Lack of new construction continues to stabilize rents, with Pasadena & Burbank posting highest rates. This market remains attractive to investors interested in core assets & value add opportunities.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|--------------------|----------------|--------|-------------------------------|
| 16650 Sherman Way | Van Nuys | 41,595 | San Fern Vly Comm Mental Hlth |
| 2350 Empire Ave | Burbank | 27,122 | - |
| 500 N. Brand Blvd. | Glendale | 26,363 | Industrious |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|--------------------|---------------|----------|---------|-------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 800 N. Brand Blvd | \$160,000,000 | \$303.00 | 527,336 | Beacon Capital Ptnrs |
| Glendale | Investment | - | Class A | Piedmont Office Rlty Tr |
| 700 N. Central Ave | \$28,000,000 | \$206.00 | 136,253 | Belay Investment Grp |
| Glendale | Investment | - | Class A | CBRE Global Investors |
| 425 W. Broadway | \$19,750,000 | \$274.00 | 72,000 | Sharp Capital |
| Glendale | Investment | - | Class A | Equity Office |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|---------|----------------|----|-----------|
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |

LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|---------------------------|-----------------|---------|---------------|
| "24" 2000 Prairie St | Chatsworth | 255,815 | Q2 2020 |
| NOHO West 6150 Laurel Cyn | North Hollywood | 229,067 | Q2 2019 |
| 5411 Etiwanda Ave | Tarzana | 89,158 | Q3 2019 |

TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 9.4% | \$32.88 | 493,288 | 73,612,222 | 613,107 |
| Q3 2018 | 10.1% | \$31.92 | 63,603 | 73,412,887 | 346,492 |
| Q2 2018 | 10.2% | \$31.20 | 117,264 | 73,376,782 | 346,492 |
| Q1 2018 | 10.4% | \$30.96 | (202,537) | 79,436,104 | 364,604 |
| Q4 2017 | 10.2% | \$30.60 | (170,185) | 79,609,228 | 0 |

 **493,288** NET ABSORPTION SF

 **9.4%** VACANCY 6,931,694 SF

 **\$32.88** AVG. ASKING RATE PSF

 **0** DELIVERIES 0 Buildings

 **613,107** UNDER CONSTRUCTION 4 Buildings

SHELLY GARCIA

Director of Marketing

The Los Angeles North office market saw nearly 5 million SF of leasing and 471,618 SF of absorption in FY 2018, nearly double the volume of net leasing in 2017. Gains are coming from tech and entertainment companies, which received \$357 million in tax credits the most recent fiscal period. LA North has not seen the same impact from tax credits as have Hollywood or Culver City where Amazon, Google, Netflix and others are leasing hundreds of thousands of square feet, but the market is getting a trickle-down from below-the-line companies.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|----------------------------|-----------------|---------|---------------------|
| 26600-700 Aliso Viejo Pkwy | Laguna Hills | 165,028 | Glaukos Corporation |
| 2722 Michelson Dr | Irvine | 155,000 | Anduril |
| 2 MacArthur Pl | South Santa Ana | 140,704 | State of California |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|------------------------------|----------------------------|------------------|--------------------|--|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 2300 Main St Irvine | \$46,600,000 Investment | \$348.42 - | 133,745 Class A | GLL Real Estate Ptnrs Hines Securities |
| 3851 Katella Los Alamitos | \$32,500,000 Investment | \$464.29 5.6% | 70,000 Class B | Ventas, Inc. PMB Real Estate Svcs |
| 999 Town & Country Orange | \$32,000,000 Investment | \$323.54 6.0% | 98,907 Class B | EverWest R.E. Investors Westcore Properties |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|-------------------|----------------|---------|--------------------|
| 15101 Alton Pkwy | South County | 287,726 | DPR Construction |
| 15131 Alton Pkwy | South County | 189,500 | DPR Construction |
| 500 Technology Dr | South County | 105,643 | The Irvine Company |

LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|------------------------|----------------|---------|---------------|
| 2722 Michelson | Airport Area | 155,000 | Q1 2019 |
| 1700 Flight Way | Central County | 145,417 | Q1 2019 |
| 17100 Laguna Canyon Rd | Airport Area | 120,000 | Q3 2019 |

TOTAL OFFICE MARKET STATISTICS


| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 9.8% | \$31.59 | 391,008 | 157,400,201 | 1,291,628 |
| Q3 2018 | 10.0% | \$31.34 | (144,886) | 157,358,348 | 1,254,281 |
| Q2 2018 | 9.7% | \$30.97 | 83,095 | 156,993,393 | 1,171,786 |
| Q1 2018 | 9.7% | \$30.89 | (65,148) | 156,853,393 | 1,030,525 |
| Q4 2017 | 9.4% | \$29.97 | 213,620 | 156,360,358 | 1,544,028 |

 **391,008** NET ABSORPTION SF

 **9.8%** VACANCY 15,457,702 SF

 **\$31.59** AVG. ASKING RATE PSF

 **41,853** DELIVERIES 2 Buildings

 **1,291,628** UNDER CONSTRUCTION 17 Buildings

MARSHAL VOGT Principal

Class A activity lead the market. Although tenant demand was down, Class A landlords eased their rent requirements to stay active. New construction is spec and attracting the tenant base of tired buildings. On the investment front, Orange County offers investors affordable alternatives with upside compared to the other larger markets throughout the country.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|-------------------|----------------|---------|--------|
| 320 108th Ave NE | Bellevue CBD | 377,000 | Amazon |
| 1201 2nd Ave, 2+U | Seattle CBD | 200,000 | Indeed |
| 1201 2nd Ave 2+U | Seattle CBD | 91,000 | Spaces |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|----------------------------|---------------|----------|---------|-------------------------|
| City | Type of Sale | Cap Rate | Class | Seller |
| 10220 NE Points Dr | \$134,500,000 | \$473.00 | 284,313 | Clarion Partners |
| Plaza Yarrow Bay, Kirkland | Fee | - | Class A | Kilroy Realty |
| 500 Yale Ave N | \$52,350,000 | \$699.00 | 71,400 | Clarion Partners |
| Seattle-South Lake Union | Fee | 4.5% | Class A | Stars R.E. Investments |
| 110 110th Ave NE | \$111,200,000 | \$468.00 | 231,600 | ScanlonKemperBard |
| 110 Atrium, Bellevue CBD | Fee | - | Class A | Talon (private capital) |

LARGEST DELIVERIES


| Property | Submarket/City | SF | Developer |
|----------|----------------|----|-----------|
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |


LARGEST UNDER CONSTRUCTION

| Address | Submarket/City | SF | Delivery Date |
|-----------------------------|-----------------------|-----------|---------------|
| 1234 Westlake Ave Block 20 | S. Lake Union/Seattle | 1,100,000 | Q2 2019 |
| Rainier Square 401 Union St | CBD/Seattle | 994,567 | Q1 2020 |
| 1201 wnd Ave 2+U | CBD/Seattle | 686,908 | Q3 2019 |

TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 6.1% | \$32.63 | 1,366,972 | 203,351,002 | 8,386,009 |
| Q3 2018 | 6.8% | \$32.99 | 712,546 | 203,351,002 | 7,659,803 |
| Q2 2018 | 7.1% | \$32.72 | 305,997 | 203,254,035 | 7,424,059 |
| Q1 2018 | 7.2% | \$32.01 | 1,942,535 | 203,187,718 | 7,345,736 |
| Q4 2017 | 7.8% | \$32.12 | 641,782 | 202,513,796 | 8,023,336 |

 **NET ABSORPTION SF**
1,366,972

 **VACANCY**
6.1% 12,397,976 SF

 **AVG. ASKING RATE PSF**
\$32.63

 **DELIVERIES**
0 Buildings

 **UNDER CONSTRUCTION**
8,386,009 35 Buildings

MACGREGOR MILLER

Senior Managing Director, Partner

Technology tenants including Amazon, Facebook and Google continue to drive the exceptionally strong Seattle and Eastside office markets to low vacancy rates of 5.7% and 4.6% respectively. Absorption totaled 1.366 MM SF for the Puget Sound market area in the 4th quarter taking YTD absorption to 4.3 MM SF. Most remarkably, of the 7.88 MM SF of space that is announced or under construction, nearly 70% is pre-leased or rumored to be pre-leased. This continuing demand will undoubtedly launch several new projects that have been on the drawing board.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|---------------|----------------|---------|---------------|
| 1099 18th St | CBD | 295,743 | Anadarko |
| 1600 Broadway | CBD | 138,675 | BOK Financial |
| 1515 Wynkoop | LoDo | 97,000 | Amazon |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|----------------------|---------------|----------|-----------|-------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 1601 Wewatta | \$222,262,390 | \$742.00 | 299,127 | Morgan Stanley & Co |
| Denver | Investment | - | Class A | Jordan Perlmutter & Co |
| US Bank Tower | \$194,227,500 | \$365.36 | 531,608 | Hines |
| Denver | Investment | - | Class B | Ivanhoe Cambridge, Inc. |
| Denver West Bus Park | \$143,750,000 | \$97.92 | 1,468,106 | Bridge Inv Grp Ptnrs |
| Lakewood | Investment | - | Class B | Highbrook Investors |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|--------------------|----------------|---------|--------------------|
| 2001 16th St | Downtown | 428,219 | East West Partners |
| 2744 W. Colfax Ave | West Denver | 175,000 | - |


LARGEST UNDER CONSTRUCTION

| Address | Submarket/City | SF | Delivery Date |
|-------------------------|------------------|---------|---------------|
| 675 15th St - Block 162 | Downtown | 566,050 | Q1 2021 |
| 4120 Brighton - Bldg 3 | Downtown | 385,000 | Q4 2019 |
| 6900 Layton Ave | Southeast Denver | 381,742 | Q3 2020 |

TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 9.4% | \$26.95 | 1,160,514 | 208,760,044 | 4,540,282 |
| Q3 2018 | 9.7% | \$26.87 | 1,279,356 | 208,111,030 | 4,811,635 |
| Q2 2018 | 10.3% | \$26.86 | 1,155,133 | 207,992,330 | 4,491,883 |
| Q1 2018 | 10.3% | \$26.39 | 776,052 | 206,711,022 | 4,779,835 |
| Q4 2017 | 10.0% | \$26.17 | 759,567 | 205,143,381 | 5,813,209 |

 **1,160,514** NET ABSORPTION SF

 **9.4%** VACANCY 19,688,478 SF

 **\$26.95** AVG. ASKING RATE PSF

 **649,014** DELIVERIES 7 Buildings

 **4,540,282** UNDER CONSTRUCTION 58 Buildings

JR BITZER
Principal

WeWork continues to lease more space and is the biggest tenant in downtown Denver. Highest net absorption in 10 years. CBD/LoDo continue to lead the market. Strong demand for new construction.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|---------------------|----------------|---------|----------------------|
| 1138 Melville St | Vancouver | 155,000 | Government of Canada |
| 2025 Willingdon Ave | Burnaby | 53,000 | Parkland Fuels |
| 355 Burrard St | Vancouver | 19,000 | Methanex |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|------------------------|--------------|------------|---------|-----------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 151-155 W. Hastings St | \$40,000,000 | \$1,039.00 | 38,511 | Allied Properties |
| Vancouver | Share Sale | - | Class B | Century Group |
| 1220 Homer St | \$17,500,000 | \$806.00 | 21,708 | Allied Properties |
| Vancouver | Freehold | 3.4% | Class C | O'Connor Gateway Inv. |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|---------------------------------|----------------|---------|----------------------|
| 565 Great Northern Way | Vancouver | 162,554 | PCI Developments |
| 988 W. Broadway | Vancouver | 80,814 | Bluesky Properties |
| 22 E. 5th Ave (Lightworks Bldg) | Vancouver | 54,275 | PC Urban Development |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|--------------------------|----------------|-----------|---------------|
| 349 W Georgia "The Post" | Vancouver | 1,100,000 | 2023 |
| 753 Seymour St. | Vancouver | 370,000 | 2021 |
| 400 W. Georgia St | Vancouver | 345,846 | 2020 |

TOTAL OFFICE MARKET STATISTICS


| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 5.2% | \$27.08 | 889,529 | 57,648,673 | 3,250,030 |
| Q3 2018 | 6.2% | \$26.11 | 287,531 | 57,231,588 | 3,452,223 |
| Q2 2018 | 7.2% | \$26.47 | 551,523 | 57,166,353 | 2,833,329 |
| Q1 2018 | 7.4% | \$25.10 | 540,838 | 56,646,109 | 1,660,199 |
| Q4 2017 | 8.3% | \$24.57 | 467,353 | 56,601,652 | 1,573,613 |

 **889,529** NET ABSORPTION SF

 **5.2%** VACANCY 3,023,306 SF

 **\$27.08** AVG. ASKING RATE PSF

 **297,643** DELIVERIES 3 Buildings

 **3,250,030** UNDER CONSTRUCTION 20 Buildings

JASON MARRIOTT

VP, Office Properties

Close to 1M SF of office leasing absorption was achieved in Q4 as a handful of new periphery office buildings were occupied and equally strong take-up in the Downtown and Suburban markets was recorded. Investment activity was subdued in Q4 ending up with cap rates at 4.1% as municipal elections resulted in some uncertainty in governing policies for B.C. investors and financial markets tumbled over the last 90 days of 2018. Nevertheless, recent moderation in borrowing costs, federally announced sustained immigration levels and B.C. leading the nation in non-residential building permits at year-end bode well for 2019.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|-------------------------|-------------------|---------|------------------------|
| 350 N. McClintock Dr | S Tempe-Ahwatukee | 117,394 | Allstate Insurance |
| 4811 E. Thistle Landing | S Tempe-Ahwatukee | 74,500 | Dish Network (renewal) |
| 4350 E. Cotton Center | Sky Harbor | 57,108 | Konica Minolta |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|------------------------|--------------|----------|---------|------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 201 N. Central Ave | \$96,598,425 | \$133.43 | 723,922 | Vincent Viola |
| Downtown/Phoenix | Investment | - | Class A | Taconic Capital Adv |
| 880-888 E. Raintree Dr | \$91,700,000 | \$273.82 | 334,889 | Cypress Office Prop |
| Scottsdale Airpark | Investment | - | Class A | Equus Capital Partners |
| 645 E. Missouri Ave | \$41,400,000 | \$217.41 | 190,419 | El Dorado Holdings |
| Midtown Piestewa Peak | Investment | 6.75% | Class A | ICIC Commercial Inv |

LARGEST DELIVERIES

| Address | Submarket/City | SF | Developer |
|----------------------------|--------------------|---------|-----------------------|
| Viridian - 3133 W. Frye Rd | S Tempe/Ahwatukee | 250,000 | Hines |
| Aetna - 4755 S. 44th Pl | Sky Harbor Airport | 160,910 | Workplace Prop Trust |
| 2801 E. Camelback Rd | Camelback Corridor | 118,500 | LaPour Ptnrs/Holualoa |

LARGEST UNDER CONSTRUCTION

| Address | Submarket/City | SF | Delivery Date |
|----------------------------|----------------|---------|---------------|
| The Grand 1127 . Papago Dr | Tempe | 352,481 | Q2 2019 |
| 410 N. Scottsdale Road | Tempe | 284,000 | Q3 2019 |
| 1650-1700 S. Price Road | Chandler | 270,000 | Q2 2019 |

TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 17.57% | \$24.09 | (33,135) | 99,495,850 | 2,569,439 |
| Q3 2018 | 17.25% | \$25.44 | 999,900 | 99,937,230 | 2,785,849 |
| Q2 2018 | 18.61% | \$25.22 | 732,248 | 99,855,467 | 2,715,874 |
| Q1 2018 | 19.39% | \$25.74 | 686,469 | 99,626,075 | 2,839,908 |
| Q4 2017 | 19.66% | \$24.88 | 958,100 | 99,108,710 | 2,284,970 |

▼
(33,135)
NET
ABSORPTION SF

▲
17.57%
VACANCY
16,472,943 SF

▼
\$24.09
AVG. ASKING
RATE PSF

▲
824,092
DELIVERIES
7 Buildings

▼
2,569,439
UNDER
CONSTRUCTION
16 Buildings

CHRIS MCCHESENEY
Research Director

The Valley Office Market closed 2018 on a modest level as vacancy rates remain steady. Average asking rates hover in the mid \$20's at \$24.09 PSF and total sales for the quarter sit right at \$660M. Net absorption for the quarter saw a decline from Q3 due to over 800,000 square feet of office space being delivered. Despite slower absorption, this quarter has been highlighted by the continuance of strong vacancy rates, asking rates, and sales volume.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|-----------------------|----------------|---------|-------------------------|
| 2375-B Performance Dr | Richardson | 319,040 | Stewart Health Care Sys |
| 3201 Olympus Blvd | Coppell | 250,000 | Nokia Siemens Networks |
| 6625 Declaration Blvd | Plano | 216,000 | Samsung Telecom |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|-----------------------|---------------|----------|-----------|--------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 1950 N. Stemmons Fwy | \$800,000,000 | \$500.00 | 1,600,000 | Equinix, Inc. |
| Stemmons Freeway | Investment | - | Class A | ASB Capital Mgmt |
| 2711 N. Haskell Ave | \$202,540,050 | \$150.00 | 1,350,267 | Highland Capital Mgm |
| Central Expressway | Investment | 6.5% | Class A | Parmenter, LLC |
| 5600 Granite Pkwy | \$164,654,000 | \$509.90 | 322,917 | Union Investment R.E. |
| Upper Tollway/W Plano | Investment | - | Class A | Granite Properties, Inc. |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|-------------------|-------------------|-----------|----------------------|
| 7900 Windrose Ave | Far North Dallas | 1,100,000 | KDC Real Estate |
| 2121 Pearl St | Uptown/Turtle Crk | 494,300 | Trammell Crow Co |
| 2300 N. Field St | Uptown/Turtle Crk | 420,688 | RED Development, LLC |

LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|---------------------------|------------------------|-----------|---------------|
| American Airlines Campus | HEB/Mid-Cities | 1,700,000 | Q4 2019 |
| Pioneer Natural Resources | Office Cr/West LBJ Ext | 1,125,000 | Q3 2019 |
| Charles Schwab Campus | Westlake/Grapevine | 500,000 | Q2 2019 |


TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 14.6% | \$25.61 | 1,132,166 | 383,559,579 | 8,047,611 |
| Q3 2018 | 14.9% | \$25.51 | 1,667,502 | 381,728,949 | 8,744,430 |
| Q2 2018 | 15.0% | \$25.42 | 379,181 | 380,359,973 | 9,085,022 |
| Q1 2018 | 14.6% | \$25.15 | 2,199,059 | 378,375,587 | 9,871,348 |
| Q4 2017 | 14.6% | \$24.99 | 1,596,204 | 375,765,677 | 11,600,405 |


1,132,166
NET ABSORPTION SF


14.6%
VACANCY
56,015,714 SF


\$25.61
AVG. ASKING
RATE PSF


20,000
DELIVERIES
29 Buildings


8,047,611
UNDER
CONSTRUCTION
138 Buildings

MIKE EBBITT
Associate

Office-using employment growth, although at a slower rate due to labor market constraints, will drive further office market expansion in 2019. New office product will help meet strong tenant demand for modern, efficient, highly amenitized space to attract and retain employees in an increasingly competitive labor market. Occupiers will continue to seek flexible space offerings and lease structures that keep them adaptable to changes in the economy and their organizational needs. Overall the outlook is generally positive as we head into 2019.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|---------------------|----------------|---------|-------------------------|
| Springwoods Village | Spring | 568,000 | Hewlett Packard Ent |
| 915 Eldridge Pkwy | Houston | 524,397 | McDermott International |
| 1414 Enclave | Houston | 300,906 | Transocean |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|--------------------|----------------|----------|---------|------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 3303 Wesleyan St | - | - | 415,188 | Crow Holdings |
| Houston | Redevelopment | - | Class C | Southwestern Bell Corp |
| 11777 Katy Freeway | - | \$83.86 | 122,715 | Next Investments |
| Houston | Value Add | - | Class B | Dornin Inv Grp |
| 1919 North Loop | - | - | 143,400 | Simpkins Group |
| Houston | Owner/Occupier | - | Class C | Weingarten Realty Inv |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|--------------------|---------------------|---------|------------------------|
| 1701 City Plaza Dr | The Woodlands | 326,800 | Barker Patrinely Group |
| 11400 Energy Dr | Springwoods Village | 189,201 | Patrinely Group |
| - | - | - | - |

LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|-------------------------|------------------|-----------|---------------|
| 801 Texas | Downtown Houston | 1,106,581 | Q4 2021 |
| 800 Capitol St | Downtown Houston | 780,593 | Q2 2019 |
| 19350 State Highway 249 | Chasewood / 249 | 156,000 | Q3 2019 |

TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 16.5% | \$28.56 | 2,004,576 | 328,175,609 | 3,141,781 |
| Q3 2018 | 16.9% | \$28.52 | 908,622 | 327,505,246 | 3,810,309 |
| Q2 2018 | 17.1% | \$27.83 | (423,309) | 327,201,591 | 2,892,910 |
| Q1 2018 | 16.9% | \$27.73 | (1,162,110) | 327,013,093 | 2,757,797 |
| Q4 2017 | 16.5% | \$27.65 | 241,153 | 326,441,638 | 2,869,437 |

 **NET ABSORPTION SF**
2,004,576

 **VACANCY**
16.5%
54,091,306 SF

 **AVG. ASKING RATE PSF**
\$28.56

 **DELIVERIES**
814,151
17 Buildings

 **UNDER CONSTRUCTION**
3,141,781
59 Buildings

TRAVIS TAYLOR

Principal

Conditions are starting to improve on paper as a handful of large corporate leases were signed in recent months, propping up the market statistics to a slight positive net absorption in the 4th quarter. Their consolidation into large suburban campuses are changing the landscape of the modern office space and how it is utilized. Demand for traditional office space is still plodding along in a market that laid waste to 20% of its inventory over the last 3 years. There is anticipated growth in the energy industry and cautious optimism in the health of the local economy, which is hopefully the precursor to a solid year in 2019.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|--------------------------|-----------------|---------|--------------------------|
| 101-115 W. Washington St | Downtown/Indpls | 108,697 | PNC Bank Renewal |
| 16 Tech Bldg 1 | Downtown/Indpls | 72,534 | Indiana Bio-Sciences Res |
| 211 N. Pennsylvania | Downtown/Indpls | 59,864 | Regions Bank |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|------------------------|--------------|----------|-------------|-----------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| Lake Pointe III & IV | \$17,268,750 | \$102.00 | 168,957 | DRA Advisors |
| Northeast | Arms Length | 8.5% | Class B+ | USAA Real Estate |
| Greenwood Comm Ctr 1/3 | \$4,800,000 | \$60.00 | 79,190 | Universal Health Svcs |
| South | Arms Length | - | Flex/Office | TDH Investments |
| 8777 Purdue Rd | \$3,850,000 | \$46.00 | 83,000 | First City Servicing |
| Northwest | Arms Length | - | Class C+ | CW Capital |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|-------------------------|---------------------|---------|------------------|
| 571 Monon Blvd | North County/Carmel | 264,000 | Ambrose |
| 800-900 S. Rangeline Rd | North County/Carmel | 201,000 | Pedcor Companies |
| 211 W. Main St | North County/Carmel | 36,387 | Garmon |

LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|------------------------|-------------------------|---------|---------------|
| 11299 Illinois St | North County/Carmel | 250,000 | Q3 2019 |
| 2500 S. High School Rd | Southwest County/Indpls | 125,000 | Q2 2019 |
| 8711 River North | Northeast County/Indpls | 78,000 | Q4 2019 |

TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 15.4% | \$19.75 | 142,120 | 37,187,000 | 637,470 |
| Q3 2018 | 16.4% | \$19.61 | 52,570 | 37,295,800 | 602,070 |
| Q2 2018 | 16.7% | \$19.28 | 80,090 | 37,154,214 | 567,600 |
| Q1 2018 | 14.0% | \$19.53 | 18,257 | 31,728,100 | 317,600 |
| Q4 2017 | 14.0% | \$19.35 | 106,407 | 31,648,100 | 347,600 |

 **142,120** NET ABSORPTION SF

 **15.4%** VACANCY 5,742,800 SF

 **\$19.75** AVG. ASKING RATE PSF

 **0** DELIVERIES 0 Buildings

 **637,470** UNDER CONSTRUCTION 4 Buildings

RICHARD KING, III Senior Vice President

The Indianapolis overall office market continues to attract tenants, delivering the 19th consecutive quarter of positive net absorption totaling just below 143,000 square feet. Leasing activity was headed up by the Carmel and Downtown submarkets achieving 75% of the overall square footage leased in the 4th quarter. Asking rental rates increased across the board with a \$0.14 SF bump from last quarter. There were no office construction projects completed in the 4th quarter. However, there are four buildings under construction totaling just over 464,000 SF that will be delivered in 2019.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|------------------------|----------------|---------|----------|
| 1115 Howell Mill Rd NW | Midtown | 112,500 | WeWork |
| 1110 Sanctuary Pkwy | North Fulton | 104,821 | McKesson |
| 2550 Northwinds Pkwy | North Fulton | 80,986 | Veeam |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|----------------------------|---------------|----------|---------|-------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 3475 Piedmont Rd, NE | \$166,000,000 | \$383.00 | 430,000 | New York Life Ins Co |
| Buckhead | Investment | 4.95% | Class A | Crocker Partners |
| 3445 Peachtree Rd NE | \$82,573,500 | \$288.00 | 286,648 | Barings, LLC |
| Buckhead | Investment | - | Class A | The Brookdale Group |
| 391-351 Peachtree Hills Av | \$67,500,000 | \$158.00 | 427,351 | Blackstone RE Advisors |
| Buckhead | Investment | - | Class B | Atlanta Decorative Arts |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|---------------------------------|-------------------|---------|---------------------|
| 864 Spring St (NCR Corp HQ Ph1) | Midtown | 485,000 | Cousins Properties |
| 4004 Perimeter Summit | Central Perimeter | 355,250 | State St Global Inv |
| 864 Spring St (NCR Corp HQ Ph2) | Midtown | 277,000 | Cousins Properties |


LARGEST UNDER CONSTRUCTION

| Address | Submarket/City | SF | Delivery Date |
|---------------------------|-------------------|---------|---------------|
| 756 W. Peachtree St | Midtown | 760,000 | Q1 2019 |
| 240 Perimeter Center Pkwy | Central Perimeter | 670,000 | Q4 2019 |
| 725 Ponce de Leon NE | Midtown | 370,931 | Q1 2019 |

TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 14.7% | \$25.96 | 992,983 | 219,723,027 | 4,327,208 |
| Q3 2018 | 14.9% | \$25.62 | (174,556) | 219,154,851 | 4,400,900 |
| Q2 2018 | 14.8% | \$24.89 | (151,360) | 219,086,907 | 3,210,074 |
| Q1 2018 | 14.5% | \$24.68 | 982,420 | 218,545,722 | 3,415,236 |
| Q4 2017 | 14.5% | \$24.08 | 749,317 | 217,449,928 | 4,176,030 |

 **NET ABSORPTION SF**
992,983

 **VACANCY**
14.7% 32,804,765 SF

 **AVG. ASKING RATE PSF**
\$25.96

 **DELIVERIES**
568,176 6 Buildings

 **UNDER CONSTRUCTION**
4,327,208 21 Buildings

JOHN DECOUTO, CCIM, MCR.H
Senior Managing Director

Overall vacancy decreased 20 basis points in Q4 to 14.7% with a strong positive net absorption of 992,983 SF due to larger tenants moving into new space. Average asking rents for all classes rose to \$25.96 PSF. There was 4.3 M SF under construction at the end of Q4 and a total of 2.2M SF of delivered office product in the year 2018. Atlanta is the 3rd fastest growing metro area in the nation by the US Census Bureau. Even with delivered available speculative product, developers are still pursuing new office projects to accommodate corporate expansions and relocations.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|-----------------------|--------------------|--------|--------------------------|
| 2120 Noisette Blvd | North Charleston | 20,164 | - |
| 2000 Daniel Island Dr | Greater Charleston | 16,633 | Cambridge Intr'l Systems |
| 1 S. Park Circle | Greater Charleston | 14,800 | MUSC Comm Training Ctr |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|------------------------|--------------|----------|-----------|--------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 1 S Park Cir Portfolio | \$25,000,000 | \$179.78 | \$139,060 | JEMA LLC |
| Greater Charleston | Investment | 7.0% | Class B | South Park Ventures LLC |
| 85-87 Broad St | \$24,000,000 | \$482.98 | 49,692 | Easterly Govt Properties |
| Downtown | Investment | - | Class B | Saban Capital Grp Inc |
| 4390 Belle Oaks Dr | \$21,000,000 | \$200.75 | 104,610 | LRC Properties |
| North Charleston | Investment | - | Class A | NNN Ashley Overlook |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|------------------------|--------------------------|--------|----------------------|
| 300 Callen Blvd | Outlying Berkeley Cnty | 80,422 | - |
| 235 Magrath Darby Blvd | East Islands/Mt Pleasant | 65,000 | Landmark Enterprises |
| 1501 Belle Isle Ave | East Islands/Mt Pleasant | 39,400 | Scott and Associates |

LARGEST UNDER CONSTRUCTION

| Address | Submarket/City | SF | Delivery Date |
|----------------------|--------------------------|---------|---------------|
| 22 Westedge St. | Downtown Charleston | 154,998 | Q4 2019 |
| 75 Port City Landing | East Islands/Mt Pleasant | 125,000 | Q2 2019 |
| 320 Broad St. | Downtown Charleston | 93,000 | Q4 2021 |


TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 6.3% | \$23.40 | 9,915 | 30,151,934 | 723,904 |
| Q3 2018 | 5.7% | \$25.13 | (206,685) | 29,951,391 | 837,279 |
| Q2 2018 | 4.9% | \$23.08 | 368,457 | 29,910,279 | 464,120 |
| Q1 2018 | 5.1% | \$21.91 | 110,281 | 29,597,735 | 720,672 |
| Q4 2017 | 4.4% | \$21.77 | 7,780 | 29,245,034 | 908,682 |




9,915

NET
ABSORPTION SF



6.3%

VACANCY
1,899,918 SF




\$23.40

AVG. ASKING
RATE PSF



199,693

DELIVERIES
4 Buildings



723,904

UNDER
CONSTRUCTION
25 Buildings

PETER HARPER, CCIM
Principal

The Charleston office market continues to see new development, mostly in the downtown CBD, as the suburban submarkets rise in occupancy. New developments that have delivered recently in the CBD equate to 105,000 SF while 2019 will yield another 350,000 SF of class A new construction. The negative 4Q absorption in the CBD was because of the added unleased inventory which balanced out the positive absorption in the suburban submarkets to create a flat quarter of overall absorption. Average rental rates in the market continued to rise primarily because of the positive



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|----------------------------|-------------------------|--------|-----------------------------|
| 651 Brookfield Pkwy | Woodruff/I-385 Corridor | 25,720 | MetLife |
| 201 Riverplace, 4th Fl | Greenville CBD | 17,985 | RealtyLink |
| 750 Brookfield Pkwy 1st Fl | Woodruff/I-385 Corridor | 10,500 | WG Yates & Son Construction |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|-------------------------|--------------|----------|---------|---------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 777 Lowdes Hill Rd | \$22,000,000 | \$135.00 | 162,962 | Continental Capital Ptnrs |
| Pelham Road | Investment | 7.41% | Class B | TWO Capital Partners |
| 2000 Wade Hampton | \$17,000,000 | \$49.05 | 346,611 | Two Pop, LLC |
| Greer/Taylor/Greenville | Investment | - | Class B | Wade Hampton Blvd. Hld |
| 1050 Grove Rd | \$6,981,000 | \$396.65 | 17,600 | Brushy Grove LLC |
| Medical/Greenville | Investment | - | Class B | Pocpa Properties Grove |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|--------------|----------------------|--------|------------------|
| 5 Stevens St | West Side Greenville | 60,000 | Jervey Eye Group |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|-----------------|-------------------------|--------|---------------|
| 651 Congaree Rd | Woodruff/I-385 Corridor | 26,567 | Q2 2019 |
| 433 SE Main St | Mauldin/Fountain | 11,000 | 2019 |
| 763 E. Main St | East Side/Spartanburg | 7,511 | Q1 2019 |

TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 8.0% | \$17.72 | (106,847) | 40,078,368 | 96,802 |
| Q3 2018 | 7.8% | \$17.52 | (12,525) | 39,659,149 | 130,425 |
| Q2 2018 | 7.7% | \$17.64 | 3,191 | 39,631,640 | 160,198 |
| Q1 2018 | 7.7% | \$17.12 | (66,198) | 39,638,457 | 133,631 |
| Q4 2017 | 7.6% | \$16.67 | 169,783 | 39,641,676 | 105,054 |


(106,847) NET ABSORPTION SF


8.0% VACANCY
3,202,678 SF


\$17.72 AVG. ASKING RATE PSF


60,000 DELIVERIES
1 Building


96,802 UNDER CONSTRUCTION
9 Buildings

DARATH A. MACKIE
Associate

Easing tenant demand plus added space to the Upstate SC inventory pushed the overall vacancy rate up slightly to 8%. Average asking rents gained 6.3% year over year. Overall net absorption was more than 183,000 SF for the year with 106,847 SF of negative absorption in Q4. Nine buildings totaling 96,802 SF are slated for 2019 delivery. Class A vacancy increased to 10.7% from 9.8% in Q3. Nearly 90,000 SF of space was delivered in the second half, including 60,000 SF in Q4.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|------------------|----------------------|-----------|---------------------------|
| One Columbus Cir | Midtown West | 1,213,998 | Deutsche Financial |
| 120 Park Ave | Grand Central | 391,248 | Bloomberg L.P. |
| 441 Ninth Ave | Penn Station-Garment | 299,260 | Peloton Interactive, Inc. |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|---|--------------------------------|---------------------|----------------------|--|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 224 Twelfth Ave Chelsea | \$880,000,000 Fee | \$834.00 - | 1,054,982 Class C | Normandy RE Ptnrs/L&L Hlds Waterfront Prop/Greenoak |
| 425 Lexington Ave Grand Central | \$701,000,000 Fee | \$935.00 +/-4.5% | 750,000 Class A | Vanbarton Grp JP Morgan Chase |
| 620 Eighth Ave (Flrs 29-52) Times Square | \$548,780,009 Condo/Lsehold | \$746.00 - | 736,000 Class A | Brookfield AM Forest City |

RECENT DELIVERIES


| Address | Submarket/City | SF | Developer |
|---------------|----------------|---------|-----------------------|
| 61 Ninth Ave | Chelsea | 167,170 | Aurora Capital Assoc. |
| 165 Mercer St | SoHo-NoHo | 30,964 | Sumaida & Khurana |
| - | - | - | - |

LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|-----------------------------|----------------|-----------|---------------|
| 66 Hudson Blvd (The Spiral) | Hudson Yards | 2,850,000 | Q4 2022 |
| 30 Hudson Blvd. | Hudson Yards | 2,600,000 | Q2 2019 |
| One Manhattan West | Hudson Yards | 2,216,609 | Q3 2019 |


TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 8.2% | \$73.82 | (629,948) | 485,597,130 | 16,344,444 |
| Q3 2018 | 7.7% | \$73.42 | 2,220,253 | 485,429,960 | 16,317,928 |
| Q2 2018 | 8.1% | \$74.05 | 2,029,393 | 485,187,960 | 13,742,530 |
| Q1 2018 | 8.0% | \$71.03 | 1,172,530 | 482,326,558 | 14,981,876 |
| Q4 2017 | 8.2% | \$74.32 | 1,582,984 | 482,159,748 | 15,403,104 |

 **NET ABSORPTION SF**
(629,948)

 **VACANCY**
8.2%
39,818,231 SF

 **AVG. ASKING RATE PSF**
\$73.82

 **DELIVERIES**
198,134
2 Buildings Last 4 Quarters

 **UNDER CONSTRUCTION**
16,344,444
24 Buildings

HENRY ABRAMOV
Director of Research

Manhattan office vacancy is up in seven submarkets, increasing the overall vacancy rate 50 basis points to 8.2% from 7.7% quarter-to-quarter. Net absorption finished the fourth quarter with a negative output of -629,948, ending a positive trend going back to 2017Q4. Overall Manhattan had a strong year with an annual net absorption of approximately 4.8 million positive. Though the number of office lease signings decreased year-over-year by 9.1%, tenants have leased more square footage in 2018 than they did in 2017. Construction activity will continue to affect the scope of office lease strategies in 2019, just as they did in 2018 with 3.5 million square feet delivered.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|----------------------|----------------|---------|--------------------|
| 70 Hudson St | Jersey City | 207,296 | TD Ameritrade |
| 425 Meadowlands Pkwy | Secaucus | 57,272 | - |
| 412 Mt. Kimble Ave | Morristown | 43,005 | Jacobs Engineering |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|-----------------------|---------------|----------|-----------|--------------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 1-3 Merck Dr | \$25,000,000 | \$20.56 | 1,215,824 | UNICOM Global |
| Route 78 West | Leasehold | - | Class A | Merck & Co, Inc. |
| 300-500 Atrium Dr | \$33,500,000 | \$50.25 | 666,722 | Bakertown Realty Grp |
| Route 287 West | REO Sale | 9.0% | Class A | Trimont Real Estate Adv. |
| 115-117 W. Century Rd | \$74,000,000 | \$243.60 | 303,777 | Onyx Equities, LLC |
| Route 4/17 | Portfolio Inv | 7.3% | Class A | Premium Capital Resrcs |

LARGEST DELIVERIES

| Address | Submarket/City | SF | Developer |
|--------------------------|----------------|--------|-----------------------|
| 300 Blvd of the Americas | Ocean County | 50,000 | Regency Development |
| 231 W. Parkway | Eastern Morris | 33,000 | Evolution Properties |
| 980 Sylvan Ave | GW Bridge | 31,833 | The Orback Group, LLC |

LARGEST UNDER CONSTRUCTION

| Address | Submarket/City | SF | Delivery Date |
|------------------|--------------------|---------|---------------|
| 110 Edison Place | Newark/Urban Essex | 402,532 | Q1 2019 |
| 31 Eastern Rd | Meadowlands | 250,000 | Q4 2020 |
| 1000 Maxwell | Hudson Waterfront | 125,000 | Q1 2020 |

TOTAL OFFICE MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 11.3% | \$25.56 | 949,886 | 373,560,769 | 2,280,848 |
| Q3 2018 | 11.5% | \$25.60 | 1,968,445 | 373,414,640 | 2,335,769 |
| Q2 2018 | 12.0% | \$24.86 | 171,558 | 373,555,176 | 2,228,409 |
| Q1 2018 | 12.1% | \$24.47 | 466,218 | 373,499,577 | 2,271,008 |
| Q4 2017 | 12.2% | \$24.36 | (139,994) | 373,545,471 | 2,186,100 |

▼
949,886
NET
ABSORPTION SF

▼
11.3%
VACANCY
42,055,712 SF

▼
\$25.56
AVG. ASKING
RATE PSF

▲
116,000
DELIVERIES
5 Buildings

▼
2,280,848
UNDER
CONSTRUCTION
25 Buildings

MICHAEL MALMSTONE
Real Estate Analyst

Rental and vacancy rates slowly encroaching to 2007 levels. Only one 100k+ SF lease was signed this quarter and 11 for the year. This is a healthier market when compared to a year ago with an uptick in leasing of smaller units due in-part to freed up cash-flow from a much lower corporate tax rate. Net absorption finished 2018 at a 3-year high of positive 3.56MM SF. Medical office continues to bolster this market as the state's aging Baby Boom populace require more medical-services users. Ambulatory care centers continue to strengthen this part of the market. Although a soft market, much momentum in leasing of fully amenitized space.

Mall Struggles Continue; Values Gain

As retail landlords and merchants continue their efforts to reconcile e-commerce's growing share of sales, there was more malaise in the sector with tenants shedding space in the nation's malls and power centers.

Despite slightly positive tenant demand in Q4, net absorption for the year declined 14.6% to 73.3 million SF. Nevertheless, it was enough growth to outpace the delivery of 71.4 million SF of new space, which was off 13% year-over-year.

Tenant demand for space in the general retail category – which makes up 53% of total inventory along with shopping centers, power centers and mall space – was down fractionally for the year. The 39.4 million SF of absorption in 2018 was less than the 45.9 million SF of space added to inventory. Space under construction totaled 54.8 million SF in 2018, a 13% increase. Rent growth averaged 5.4% for the year.

Shopping center space makes up about 32% of the total inventory. Net absorption totaled 29.8 million SF, off 6% year over year, but well ahead of new supply. About 15.1 million SF of space was completed in 2018, down from 17.6 million SF in 2017. Rental rates increased an average of 1.9% for the year.

SIGNIFICANT LEASE DEALS

| Lease Name | SF | Location |
|------------|---------|------------------|
| RH Outlet | 142,546 | Chicago, IL |
| Costco | 140,814 | Philadelphia, PA |
| At Home | 108,632 | Houston, TX |

SIGNIFICANT DELIVERIES

| Building Name | City | SF | Rate Occupied |
|-------------------------|-------------|---------|---------------|
| City Center Project | Oakland, CA | 350,000 | 100% |
| Denver Premium Outlets | Denver, CO | 330,000 | 100% |
| Aventura Mall Expansion | Miami, FL | 315,000 | 100% |

NOTABLE PROPERTIES UNDER CONSTRUCTION

| Address | Submarket/City | SF | Delivery Date |
|-----------------------|---------------------|-----------|---------------|
| American Dream | Northern New Jersey | 2,000,000 | Q1 2019 |
| Meadowlands Mall | | | |
| 15000 Miscayne Blvd | Miami, FL | 630,950 | Q1 2019 |
| Wade Park-Lebannon Rd | Dallas/Ft Worth, TX | 555,000 | Q3 2020 |
| 362 Main St | Orlando, FL | 500,000 | Q4 2020 |

SIGNIFICANT BUILDING SALES

| Address | Market | SF | Price/SF | Cap Rate | Buyer | Seller |
|-------------------------|-------------------|---------|----------|----------|------------------|-------------------------|
| Downtown Dadeland | Miami, FL | 127,235 | \$614.61 | 4.35% | Midtown Realty | Duncan Hillsley Capital |
| Harbour Pointe Shpg Ctr | Seattle/Puget Snd | 113,000 | \$392.04 | 4.8% | Clarion Partners | BlackRock |
| Shops at Kildeer | Chicago, IL | 171,339 | \$189.68 | 7.75% | Pine Tree LLC | Kimco Realty Corp |



17.8

Q4 NET
ABSORPTION
Million SF



4.3%

VACANCY
623 Million SF



1.4%

AVG. ASKING RATE
\$17.06 Avg Asking



15.5

Q4 DELIVERIES
Million SF



82.3

UNDER
CONSTRUCTION
Million SF

The struggle by mall owners and tenants to increase foot traffic continued. There was 1.1 million SF of positive absorption in 2018, down from the 9.3 million SF of tenant growth in 2017. New space delivered totaled 5.1 million SF, down 24%. Mall space accounts for 8% of total inventory.

Power centers also lost ground in 2018. Net absorption totaled 1.3 million SF, down from 5.4 million SF in 2017. Deliveries of space in the category – which makes up about 7% of total retail inventory – fell more than a third to 3.7 million SF. Average rental rates declined 1.4% for the year.

Sales prices gained 2.6% in 2018. Through the third quarter there were 2,229 sales transactions valued at \$19.4 billion. The trades averaged \$159.62 per SF in 2018.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|-----------------------|----------------|--------|-------------------------|
| 2630 Workman Ave | West Covina | 30,275 | Sprouts Farmers Market |
| 2630 Workman Ave | West Covina | 20,408 | Planet Fitness |
| 133 E. Foothill Blvd. | Arcadia | 15,310 | Quality Dialysis Center |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|-------------------------------------|--------------|------------------|-------------------------|---|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 802-870 W. Arrow Hwy San Dimas | \$46,600,000 | \$302.60 6.4% | 154,000 Power Center | Shin Yen Management Kimco Realty Corporation |
| 10605-10697 Valley Blvd El Monte | \$41,400,000 | \$368.00 6.2% | 112,335 Comm Ctr | TA Realty Festival Companies |
| 1150 W. Colorado Blvd Arcadia | \$15,000,000 | \$1,146.09 - | 13,088 Class C | Artis Senior Living The Youngson Family Tr |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|----------------------|----------------|--------|---------------|
| 3000 Market Place Dr | Monterey Park | 15,000 | October 2018 |
| 9401-9405 Rush St | South El Monte | 5,840 | December 2018 |
| 5500 Market Place Dr | Monterey Park | 4,500 | December 2018 |

LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|-------------------------|----------------|--------|---------------|
| 101-111 W. Valley Blvd. | San Gabriel | 48,126 | May 2019 |
| 8479 Garvey Ave | Rosemead | 35,000 | April 2019 |
| 1360 W. Garvey Ave S | West Covina | 21,943 | February 2019 |

TOTAL RETAIL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 3.6% | \$22.44 | 2,487 | 65,386,123 | 136,150 |
| Q3 2018 | 3.6% | \$22.20 | -137,430 | 65,366,623 | 120,650 |
| Q2 2018 | 3.5% | \$21.96 | 390,156 | 65,447,927 | 144,647 |
| Q1 2018 | 3.7% | \$21.48 | -2,862 | 65,172,427 | 401,704 |
| Q4 2017 | 3.6% | \$21.48 | 54,715 | 65,145,237 | 411,894 |

 NET ABSORPTION SF
2,487

 VACANCY
3.6%
2,348,542 SF

 AVG. ASKING RATE PSF
\$22.44

 DELIVERIES
19,500
2 Buildings

 UNDER CONSTRUCTION
136,150
6 Buildings

DAN BACANI Principal

The San Gabriel Valley (SGV) submarket of Los Angeles consists of 47 neighborhoods in northeastern LA County. The retail market remained stable in 4th quarter 2018 with no change in the 3.6% vacancy overall. Asking rental rates increased slightly from third quarter, ending the year at \$22.80 per SF on a NNN basis. The SGV and Greater Los Angeles retail market continues to benefit from strong retail leasing activity in the fitness, furniture, food and health/beauty categories. The 2018 average cap rate for retail assets in the SGV is 5.4%



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|--------------------------|---------------------------|-------|-----------------|
| 933 N. Brand Blvd | Glendale | 9,449 | Med. Restaurant |
| 2246 Lake Ave | Altadena | 7,300 | Dollar King |
| 300 E. Colorado Blvd #22 | Pasadena (Paseo Colorado) | 3,732 | Panini Grill |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|--------------------------------|----------------------------|--------------------|-------------------|--|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 3500 Colorado Blvd Pasadena | \$16,626,000 Leased Inv | \$979.18 - | 24,000 Hotel | Tri-Lin Holdings, LLC Kao 2009 Family Tr |
| 727 S. Arroyo Pkwy Pasadena | \$11,854,000 Leased Inv | \$870.00 - | 13,625 Retail | Camden Holdings, LLC Realty Bankcorp Equities |
| 200 S. Glenoaks Burbank | \$3,375,000 Leased Inv | \$3,494.00 4.0% | 965 Restaurant | Ellison/North China LK Blue Merced R114 LLC |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|---------|----------------|----|-----------|
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |

LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|-----------------------|---------------------|--------|---------------|
| 3740-3770 E. Foothill | Tri-cities/Pasadena | 19,000 | March 2019 |
| 30 S. Berkeley Ave | Tri Cities/Pasadena | 5,121 | July 2019 |
| 500 S. Glendale Ave | Tri Cities/Glendale | 4,569 | January 2019 |

TOTAL RETAIL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 3.7% | \$35.40 | 37,787 | 25,911,680 | 9,690 |
| Q3 2018 | 3.8% | \$33.72 | -37,278 | 25,911,680 | 9,690 |
| Q2 2018 | 3.6% | \$34.08 | -52,681 | 25,905,680 | 15,690 |
| Q1 2018 | 3.4% | \$33.72 | 29,038 | 25,905,680 | 15,690 |
| Q4 2017 | 3.5% | \$33.12 | 67,275 | 25,905,680 | 6,000 |

 NET ABSORPTION SF
37,787

 VACANCY
3.7%
946,077 SF

 AVG. ASKING RATE PSF
\$35.40

 DELIVERIES
0 Buildings
0

 UNDER CONSTRUCTION
2 Buildings
9,690

JODI SHOEMAKE
Principal

The Tri-Cities submarket of Los Angeles retail market improved overall in the 4th quarter 2018. The vacancy rate decreased 10 basis points to 3.7% and net absorption was up from last quarter. Asking rental rates increased from third quarter 2018, ending the year at \$35.40 per SF per year on a NNN basis. The retail market remains strong and resilient despite growing ecommerce and retailer bankruptcies. The 2018 average cap rate for retail assets was 5.0% and the average sale price for 2018 was \$484 per SF.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|----------------------|-------------------------|---------|-----------------|
| 601 N. Martingale Rd | Schaumburg Area | 142,546 | RH Outlet |
| 1555 W. Lake St | North DuPage/Addison | 74,968 | Marcus Theatres |
| 9700 S. Western Ave | South Cook/Evergreen Pk | 63,000 | Carsons |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|------------------------------|--------------|----------|-------------|-----------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| River Square | \$29,250,000 | \$502.06 | 58,260 | Clarion Partners |
| Western East/West Corr | Investment | - | Class B | North American R.E. |
| Hillside Twn Ctr Prairie Mkt | \$48,250,000 | \$181.21 | 266,268 | Sterling Organization |
| Melrose Park/Hillside | Investment | - | Class B | SITE Centers |
| The Shops at Kildeer | \$32,500,000 | \$189.68 | 171,399 | Pine Tree LLC |
| Central NW/Kildeer | Investment | 7.75% | Classes B,C | Kimco Realty Corp |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|-------------------------|------------------------|---------|-----------------------|
| 1025 Addison St | Lincoln Park | 155,000 | Bucksbaum Retail Prop |
| 625 Bethany Rd | Western East/West Corr | 111,105 | Northwest Medicine |
| 6630 Indianapolis Blvd. | Indiana/Hammond | 85,000 | City of Hammond |


LARGEST UNDER CONSTRUCTION

| Address | Submarket/City | SF | Delivery Date |
|--------------------------|----------------------|---------|---------------|
| SW Route 12 & 120 | Central NW/Lakemoor | 200,000 | July 2019 |
| 2500 N. Milwaukee Ave | NW City/Chicago | 130,705 | August 2019 |
| 711-721 W. Fullerton Ave | Lincoln Park/Chicago | 94,504 | June 2019 |

TOTAL RETAIL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 6.0% | \$16.05 | 100,909 | 591,381,877 | 1,984,856 |
| Q3 2018 | 6.0% | \$16.09 | (22,552) | 588,948,594 | 2,205,392 |
| Q2 2018 | 5.9% | \$16.07 | 679,618 | 588,109,777 | 2,702,614 |
| Q1 2018 | 6.0% | \$15.84 | 477,137 | 588,007,696 | 2,779,134 |
| Q4 2017 | 6.0% | \$15.56 | 1,831,718 | 587,506,198 | 2,744,871 |

 **100,909** NET ABSORPTION SF

 **6.0%** VACANCY 35,608,178 SF

 **\$16.05** AVG. ASKING RATE PSF

 **581,514** DELIVERIES 42 Buildings

 **1,984,856** UNDER CONSTRUCTION 124 Buildings

RYAN REBOT
Research Analyst

The Chicago retail market did not experience much change in the fourth quarter 2018. The vacancy rate improved to 6.0% from the previous quarter's rate of 5.9%. Net absorption was positive 100,909 square feet. Average rental rates decreased to \$16.05 per square foot per year from the previous quarter of \$16.09 per square foot per year. 42 retail buildings completed construction in the fourth quarter, delivering 581,514 square feet of retail space to the market. There are 124 buildings still under construction totaling 1,984,856 square feet.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|-----------------------|------------------|--------|---------------------|
| Honey Creek Plaza | Lafayette Square | 31,112 | Bulldog Liquidators |
| Speedway Super Center | Speedway | 22,029 | Ross Dress for Less |
| 1201 Prospect | Fountain Square | 12,646 | Upland Brewing |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|--------------------------|--------------|----------|-------------|----------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 8796 Michigan Rd | \$8,500,000 | \$68.00 | 125,070 | SWG Acquisitions |
| College Park | Arms Length | - | Regnl Strip | Il Mart, LLC |
| Avon Gateway Shops | \$3,600,000 | \$339.00 | 10,620 | Rosepax, LLC |
| Avon | Arms Length | 7.0% | Regnl Strip | Core Acquisitions |
| Shops at Eagle Highlands | \$3,200,000 | \$458.00 | 6,992 | NGR Financial |
| Lafayette Square | Arms Length | 7.0% | Nbrhd Strip | Edward Schwartz & Co |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|-------------------------|----------------|--------|---------------------|
| 1675 W. Smith Valley Rd | Greenwood | 36,300 | Thomas English R.E. |
| 3300 East SR 32 | Westfield | 30,000 | KennMar Properties |
| 5370 E Thompson Rd | Beech Grove | 12,800 | Sandor Development |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|-----------------------|------------------|---------|---------------|
| Shoppes at Whitestown | Whitestown/Anson | 270,000 | Q2 2019 |
| Bottleworks | Indianapolis CBD | 175,000 | Q4 2019 |
| The Yard | Fishers | 104,035 | Q1 2020 |


TOTAL RETAIL MARKET STATISTICS


| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 5.2% | \$12.41 | (84,633) | 135,746,904 | 712,315 |
| Q3 2018 | 5.1% | \$12.57 | (24,130) | 135,694,100 | 696,414 |
| Q2 2018 | 5.0% | \$12.30 | (246,601) | 135,562,866 | 471,891 |
| Q1 2018 | 4.8% | \$12.44 | 16,995 | 135,465,566 | 405,708 |
| Q4 2017 | 4.7% | \$12.88 | 425,831 | 135,278,139 | 518,561 |

 NET ABSORPTION SF
(84,633)

 VACANCY
5.2%
7,098,210 SF

 AVG. ASKING RATE PSF
\$12.41

 DELIVERIES
97,348
9 Buildings

 UNDER CONSTRUCTION
712,315
27 Buildings

SCOT COURTNEY President

The tale of two retail markets continued in the 4th Quarter, as many submarkets remained active and new construction remained limited; with other submarkets experienced low demand and sustained vacancy. Aggregate leasing activity was strongest in the suburban markets of Keystone at the Crossing, Fishers, Anson, and Greenwood; while the Mass Ave and Fountain Square were the most active in-city neighborhoods.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|-------------------------|-------------------------|--------|---------------------------|
| 6108 Memorial Dr | Dekalb Ret/Stone Mtn | 36,592 | American Car Center |
| 3253-3371 NE Buford Hwy | Buckhead/Atlanta | 32,334 | NCG Cinemas |
| 6175 Old National Hwy | W. Metropolitan/Atlanta | 30,187 | Goodwill of North Georgia |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|-------------------------|--------------|----------|---------|-----------------------|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 5932-5980 Roswell Rd NE | \$54,750,000 | \$310.00 | 176,376 | Jamestown LP |
| Central Perimeter | Investment | - | Class B | Mimms Enterprises |
| 2960 Shallowford Rd | \$44,200,000 | \$356.00 | 124,000 | Iven Trust Properties |
| North Cobb/Marietta | Investment | - | Class B | EDENS, Inc. |
| 5920 Roswell Rd, NE | \$39,150,000 | \$507.00 | 77,182 | Jamestown LP |
| Central Perimeter | Investment | - | Class A | Mimms Enterprises |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|--------------------|-----------------------|---------|----------------------|
| 2249 Cumming Hwy | N. Cobb/Canton | 147,225 | SRS Property Group |
| 5550 Bethelview Rd | Georgia 400/Cumming | 123,552 | The Kroger Co |
| 1039 Grant St SE | South Atlanta/Atlanta | 88,057 | Pellerin Real Estate |


LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|---------------------|-------------------------|---------|---------------|
| 1201 Scenic Hwy | Gwinnett/Snellville | 351,092 | Q1 2019 |
| Georgia 400 Hwy | Georgia 400/Atlanta | 106,822 | Q3 2019 |
| 2250 Marietta Blvd. | Central Atlanta/Atlanta | 100,000 | Q1 2019 |

TOTAL RETAIL MARKET STATISTICS


| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 4.8% | \$14.10 | 925,730 | 369,065,258 | 1,853,137 |
| Q3 2018 | 5.0% | \$14.35 | 921,856 | 368,842,785 | 1,915,101 |
| Q2 2018 | 5.2% | \$14.45 | 248,499 | 368,482,796 | 1,232,516 |
| Q1 2018 | 5.2% | \$14.38 | 754,662 | 368,101,918 | 2,497,235 |
| Q4 2017 | 5.3% | \$13.96 | 694,390 | 367,778,378 | 2,372,729 |

 **NET ABSORPTION SF**
925,730

 **VACANCY**
17,891,672 SF
4.8%

 **AVG. ASKING RATE PSF**
\$14.10

 **DELIVERIES**
22 Buildings
249,504

 **UNDER CONSTRUCTION**
99 Buildings
1,853,137

MICHAEL DAHMER
Senior Director

The Atlanta retail market ended 2018 with slight, but still healthy, improvements in market conditions. Vacancy decreased 20 basis points to 4.8% in Q4, which also results in a 50% decrease since 2009 where vacancy stood at 10%. Net absorption for the 4th quarter alone was just shy of positive 1 million SF. Rental rates remain steady in the mid \$14 range, something the Atlanta retail market has not seen since 2009.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|--------------------------|---------------------|-------------|--------------------|
| 601 Meeting St, Ste 190 | Charleston | 3,400 | Iron Tribe Fitness |
| 1101 N. Main St, 202-203 | Summerville | 3,667 | First Watch |
| 1109-1113 Savannah Hw | Charleston/W Ashley | 1.227 Acres | AAA Car Wash |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|--|----------------------------|--------------------|------------------|--|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 1035 Jockey Ct Summerville, SC | \$16,705,000 Investment | \$190.29 6.75% | 87,788 4-Star | Paum Sales Corp GBT Realty Corp |
| 395 N. Highway 52 Moncks Corner, SC | \$27,544,552 Investment | \$353.58 - | 12,835 3-Star | Broadstone Real Est. Cumbie Realty, Inc. |
| 1777 N. Highway 17 Mount Pleasant, SC | \$4,115,000 Investment | \$1,175.71 6.5% | 3,500 3-Star | Odom Southern Inv. Capview Inc & Val Fund |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|------------------------|-------------------------|---------|------------------------|
| 3525 Park Avenue Blvd | E. Islands/Mt Pleasant | 150,000 | - |
| 3265 N. Highway 17 | E. Islands/Mt Pleasant | 128,600 | Lowe's Companies, Inc. |
| 3600 Meeting Street Rd | North Charleston Retail | 65,000 | Republic Property Co |

LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|-----------------------------|---------------------|---------|---------------|
| 320 Broad St | Downtown Charleston | 336,000 | Q1 2020 |
| 465 Meeting St | Downtown Charleston | 100,000 | Q1 2019 |
| Aviation Sq (Floor & Decor) | North Charleston | 70,000 | Q2 2019 |

TOTAL RETAIL MARKET STATISTICS


| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 2.7% | \$23.69 | (49,030) | 44,874,869 | 942,629 |
| Q3 2018 | 2.6% | \$23.83 | 507,827 | 44,874,869 | 887,619 |
| Q2 2018 | 3.0% | \$23.32 | 57,896 | 44,556,209 | 829,865 |
| Q1 2018 | 2.9% | \$23.37 | 266,144 | 44,447,043 | 780,979 |
| Q4 2017 | 3.2% | \$23.04 | 396,809 | 44,311,728 | 567,677 |


(49,030) NET
ABSORPTION SF


2.7% VACANCY
1,211,626 SF


\$23.69 AVG. ASKING
RATE PSF


0 DELIVERIES
0 Buildings


942,629 UNDER
CONSTRUCTION
46 Buildings

WILLIAM SHERROD, CCIM
Principal

Leasing of existing space within the Charleston market has been robust for 2018. Lease rates have been steady as they seem to have maxed out in certain submarkets. Existing spaces have advantages over new construction due to the high cost of land and construction costs outpacing the realistic lease rates. The local municipalities have clamped down on commercial growth in the area and the entitlement process is taking longer than ever which is impacting developers in the area.



SIGNIFICANT LEASE DEALS

| Address | Submarket/City | SF | Tenant |
|--------------------------|----------------|--------|-----------------------|
| 154 Civic Center Blvd | Anderson | 9,6666 | Score's Jewelers |
| 1133 Woodruff Rd | Greenville | 7,431 | Havana Kitchen |
| 131-141 Dorman Centre Dr | Spartanburg | 6,000 | Juicy Crab Restaurant |

SIGNIFICANT BUILDING SALES

| Address | Sale Value | PPSF | SF | Buyer |
|---|----------------------------|-------------------|-------------------------|---|
| Submarket | Type of Sale | Cap Rate | Class | Seller |
| 3200-3275 N. Pleasantburg Greenville | \$37,000,000 Investment | \$125.70 - | 294,336 Power Center | Ingles Market Kimco Realty Corp |
| 3513 Clemson Blvd Anderson | \$3,750,000 Investment | \$716.47 7.46% | 5,234 Single Tenant | Jessica Sage Pi Holdings II, LLC |
| 2089 E. Main St Spartanburg | \$2,612,000 Investment | \$575.33 6.13% | 4,540 Restaurant | Roddimeyer, LLC Alliance Pancake Ptnrs |

LARGEST DELIVERIES


| Address | Submarket/City | SF | Developer |
|-----------------------|----------------|--------|--------------------------|
| 1200 E. Main St | Spartanburg | 11,700 | Waterstoone Properties |
| 154 Civic Center Blvd | Anderson | 9,666 | Earl Franklin Major |
| 2150 E. Main St | Spartanburg | 9,600 | Spencer Hines Properties |

LARGEST UNDER CONSTRUCTION


| Address | Submarket/City | SF | Delivery Date |
|-------------------------|----------------|--------|---------------|
| 1310 N. Pleasantburg Dr | Greenville | 22,000 | Q1 2019 |
| 905 N. Main St | Spartanburg | 9,993 | Q1 2019 |
| 1 Greenville Dr | Anderson | 9,988 | Q1 2019 |

TOTAL RETAIL MARKET STATISTICS

| | Vacancy Rate | Avg. SF Rental Rates | Net SF Absorption | SF Inventory | SF Under Construction |
|---------|--------------|----------------------|-------------------|--------------|-----------------------|
| Q4 2018 | 3.9% | \$12.33 | 304,289 | 87,626,877 | 94,738 |
| Q3 2018 | 4.2% | \$11.73 | 161,090 | 87,542,294 | 308,377 |
| Q2 2018 | 4.4% | \$11.72 | 86,368 | 87,918,612 | 334,178 |
| Q1 2018 | 4.4% | \$11.82 | 186,663 | 87,533,051 | 421,130 |
| Q4 2017 | 4.4% | \$11.22 | 391,886 | 87,215,456 | 238,631 |

 **NET ABSORPTION SF**
304,289

 **VACANCY**
3.9%
3,416,948 SF

 **AVG. ASKING RATE PSF**
\$12.33

 **DELIVERIES**
7 Buildings
54,332

 **UNDER CONSTRUCTION**
11 Buildings
94,738

JAMES MCKAY Associate

The Greenville/Spartanburg Market remains strong although current properties under construction has decreased. Vacancy rates continue to decrease to a record market low at 3.9% and rental rates are increasing due to a lack of inventory and properties under construction. There are several retail developers expecting to break ground in 2019. Greenville continues to receive regional, national, and international accolades and has consistent population and job growth that makes this market ideal for retailers.

ECONOMIC OVERVIEW



GDP GROWTH

Trending in Q4

The economy was expected to grow at an estimated 2.7% annual rate in the fourth quarter, down from 3.5% in the third quarter as the pace of expansion has slowed.

The total value of goods and services produced increased in Q4 in most of the U.S. with eight of 12 Federal Reserve Districts reporting modest to moderate growth.

Consumers opened their wallets during the holidays, boosting retail sales. Fourth-quarter auto sales were flat, and manufacturing expanded in most districts but growth was slowing, according to the Fed's Beige Book for Q4. In addition to the lost economic activity and disrupted services, the five-week government shutdown through Jan. 25 interrupted normal data collection, forcing agencies to miss reporting deadlines. When government reopened, the Congressional Budget Office reported that during the closure \$11 billion was lost. But economists assert the lost 0.2% of GDP would be recovered in the second quarter.

"Growth in business fixed investment, which contributed almost one-third of the GDP growth in 2018, is expected to slow markedly this year as the effects of the

2017 tax act on investment moderate," the CBO report said, adding that it projected that gross domestic product will grow by an average of 1.7% through 2023.

In its Beige Book, the Fed reported that commercial real estate was little changed from Q3 as were residential construction and existing home sales. All districts said labor markets were tight and firms were "struggling to find workers at any skill level."

Wages grew across the country, according to central bankers, who reported that several districts highlighted rising entry-level wages as firms sought to attract and retain workers as new minimum wage laws came into effect.

There were modest to moderate rise in prices with reports linking the increases to higher materials and freight costs and tariffs.

In its December forecast the central bank said that the economy would grow at a rate of 2.3% in 2019, down from 3% it estimated for 2018.

"Growth in business fixed investment . . . is expected to slow markedly this year as the effects of the 2017 tax act on investment moderate."



Trending in Q4

The U.S. jobless rate ended 2018 at 3.9%, up slightly in December from the previous 49-year low of 3.7% that was reached the month before.

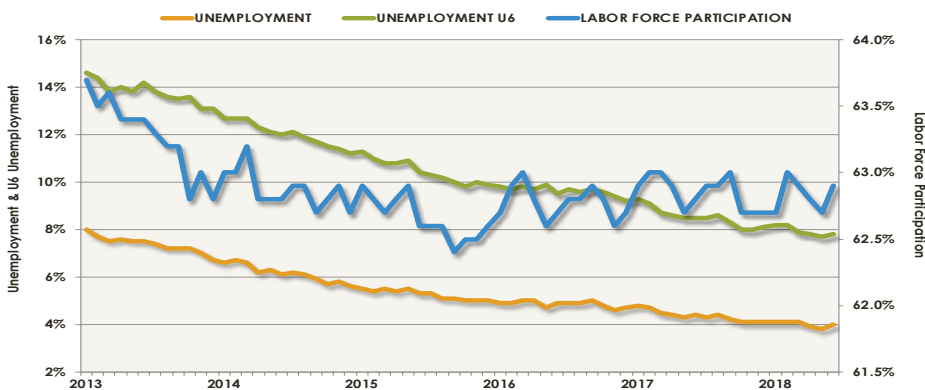
Also, the longest stretch of U.S. job growth since 1939 was expected to continue in January as President Trump signed legislation promising back pay to furloughed federal workers.

The unemployment rate rose by 0.2 percentage point to 3.9% in December. The number of unemployed persons increased by 276,000 to 6.3 million. At the end of 2017, the jobless rate was

in December and more than 346,000 for the year. Most job gains were in ambulatory health care services and hospitals. The sector added 284,000 jobs in 2017.

Jobs in food services and drinking places were up 235,000 in 2018, similar to the previous 12 months, and included 41,000 jobs in December.

Some 38,000 construction jobs were added in December, boosting the increase by 280,000 for 2018 compared to 250,000 in 2017. Most job gains were in heavy and civil engineering construction



“The longest stretch of U.S. job growth since 1939 was expected to continue in January.”

4.1% and 6.6 workers were idle.

Total nonfarm payroll employment increased by 312,000 in December. Payroll employment rose by 2.6 million in 2018, compared with a gain of 2.2 million in 2017.

There were 583,000 added jobs in professional and business services in 2018, including a gain of 43,000 in December, up from 458,000 in 2017. Job growth also occurred in health care, food services, construction, manufacturing and retail trade. Employment in health care rose by 50,000

and nonresidential specialty trade construction.

Manufacturing added 32,000 jobs in December and increased by 284,000 over the year compared to 207,000 jobs in 2017. Most new jobs were in durable goods along with employment gains in fabricated metal products and computer and electronic products.

In December, employment in retail trade rose by 24,000 and by 92,000 in 2018 with most job expansion in general merchandise stores and car dealers.



Trending in Q4

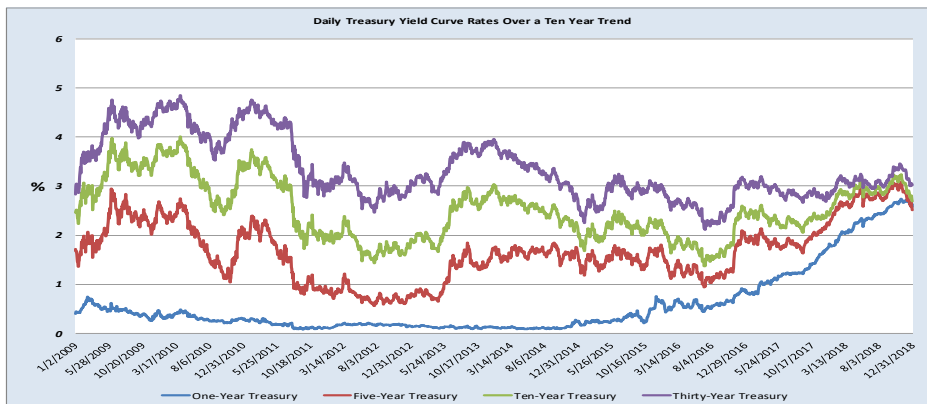
The Federal Reserve unanimously boosted the federal funds rate another quarter point in December, its fourth increase of the year. But the central bank also sought to comfort panicky markets by signaling, because of muted inflation data, it would slow its program of quantitative tightening.

Meanwhile, the eurozone's economic slowdown has taken European Central Bank officials by surprise, potentially disrupting their plans to lift short-term interest rates this year.

2021 to 2% from 2.1%.

It was the ninth time Federal Reserve officials have raised borrowing costs since 2015. In the days prior to the meeting Fed Chairman Jerome Powell became the target of the White House complaints that bank's credit-tightening strategy threatened growth.

There were other influential voices who believed the Fed could calm turbulent markets by keeping rates in check and were disappointed in the rate-hike decision. But in remarks since the meeting Powell has used a



“The U.S. economy is solid. The principal worry I have is global growth”, Fed Chair Jerome Powell.

In the U.S. , The Fed expressed its rising concerns over slowing global growth and continued trade disruptions, adjusting its growth forecast downward for 2019 to 2.3% from 2.5%. The Fed also said it was paring back its forecasts to two rate hikes in 2019 so long as the economy continues growing above the 1.9% trend long term.

Central bankers also trimmed forecasts for core inflation increases for 2019, 2020 and

market friendly tone to explain the rate hike, saying the bank wasn't on a "pre-set" path to push the benchmark rate higher.

“We are in a place where we can be patient and flexible and wait and see what does evolve,” Powell told an Economic Club audience in Washington, D.C. in January. “The U.S. economy is solid. The principal worry I would have is global growth,” which he said was slowing.



Trending in Q4

Global growth remained healthy in 2018 but was recently downgraded slightly for the next two years as tightening credit and lengthy international trade fights darken the outlook.

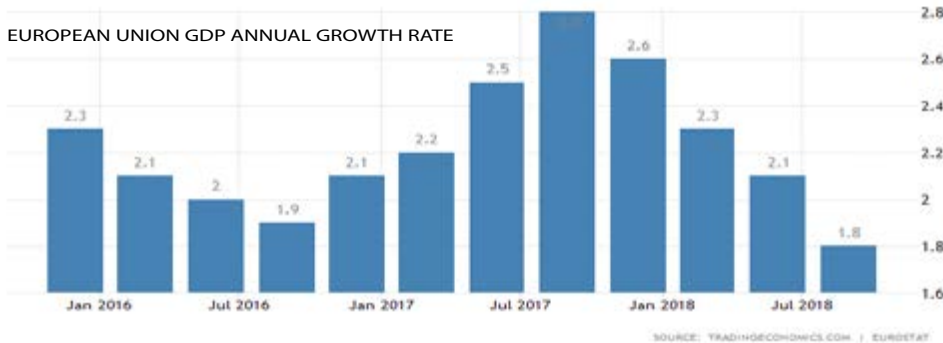
The latest International Monetary Fund report predicts a 3.5% growth rate worldwide for 2019 and 3.6% for 2020.

“After two years of solid expansion, the world economy is growing more slowly than expected and risks are rising,” said IMF Managing Director Christine Lagarde at the recent World Economic Forum in Davos, Switzerland. Even as the economy continues to move ahead, “it is

and other developed nations was adding to growing market turmoil and economic uncertainty. Additionally, the high levels of corporate and sovereign debt built up over years of easy global financial conditions constitute a potential fault line.

China’s efforts to hold down rampant inflation has slowed the nation’s growth and dented the confidence of Chinese consumers that form the nation’s mammoth middle class.

After years of spending, China’s reliable shoppers have shut their wallets. A 7.6% monthly drop in December imports underlines



“The world economy is growing more slowly than expected, and risks are rising”, IMF Managing Director, Christine Lagarde.

facing significantly higher risks,” she said.

IMF previously projected that growth would remain steady in 2019 at 3.7% -- a rate greater than in any of the years between 2012 and 2016. It was noted in the earlier report that many economies have reached or are nearing full employment and earlier deflationary fears have dissipated.

As the year closed, however, changes in economic policies in the United States, China

how government moves to reduce debt was slowing investment and consumer spending. Car sales fell in 2018 for the first time since 1990, rattling markets in Germany whose carmakers count China as a major export market. Germany is among only a few developed counties with access to the second largest car market.

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