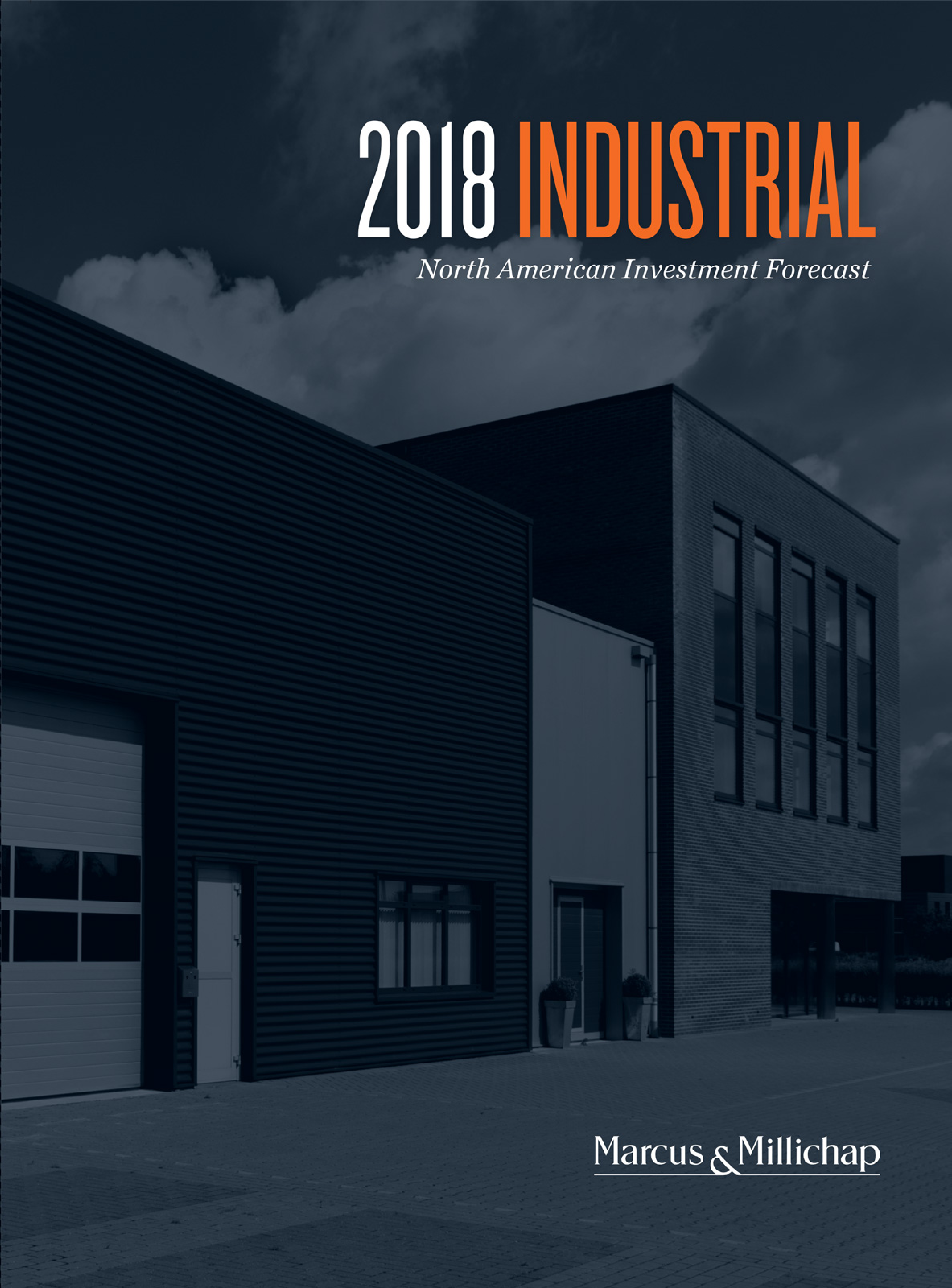
2018 INDUSTRIAL

North American Investment Forecast



Marcus & Millichap

To Our Valued Clients:

The convergence of a variety of positive factors has invigorated the outlook for industrial investments to a level unseen in past years. The prospects of accelerated economic growth and increased corporate investment under the new tax law will likely bolster demand, while the ongoing e-commerce inspired structural shift benefiting the sector remains on course for expansion. These forces have pushed vacancy rates to record-low levels despite rising construction and the momentum can be felt in every aspect of the sector, from ports to shipping hubs to local last-mile distribution facilities.

The strong, steady gains in fundamental performance through this cycle have pushed industrial prices aggressively, though cap rates have generally remained stable over the past year. Some investors have expanded their pursuit of yield to secondary and tertiary markets, lifting velocity in smaller metros and boosting liquidity. Lending from a wide range of sources remains liquid, but underwriting standards continue to demonstrate sound principles. As the pace of economic growth accelerates, it is likely it will be met with rising interest rates, which could modestly restrain investor activity.

The outlook for industrial investments in 2018 is particularly exciting. The modest uncertainty surrounding the tax law has begun to abate, and because key provisions such as the 1031 tax-deferred exchange, mortgage interest deductibility and real estate depreciation are changing little, investors will be well positioned to continue their strategies. The conjunction of these positive forces could revitalize investor sentiment, strengthen decision making and increase market liquidity.

Undoubtedly, new challenges will emerge in 2018, but numerous forward-looking metrics still point to continued vigor in the industrial investment sector. As you calibrate your investment plans in this dynamic climate, our investment professionals stand ready to help you evaluate your options and implement your strategies.

Sincerely,

Alan Pontius
Senior Vice President, National Director

John Chang
First Vice President, National Director | Research Services

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Developed by Research Services. The Capital Markets section was co-authored by William E. Hughes, Senior Vice President, Marcus & Millichap Capital Corporation. Additional contributions were made by Marcus & Millichap market analysts and investment brokerage professionals nationwide.

National Index

- The rise of online shopping and faster delivery times are fostering significant demand for industrial properties near ports with the capability to handle today's most cutting-edge distribution strategies.
- Tampa-St. Petersburg (#6) registered the greatest leap in the Index, jumping seven places as booming rents and benign construction push vacancy to one of the lowest levels in the country.

National Economy

- The tight national labor market and surging confidence are invigorating consumption, spurring increased demand for goods and distribution. Heightened wages this year should continue to energize consumer spending, placing additional pressure on supply-chain logistics and encouraging higher inventory levels for retailers.
- The rapid expansion of online shopping is driving a structural shift in the industrial sector, leading to an adjustment of space requirements and property locations for retailers and third-party logistics providers. Businesses are increasingly demanding to be nearer to their final customer, turning some vacated big boxes into last-mile fulfillment centers.

National Industrial Overview

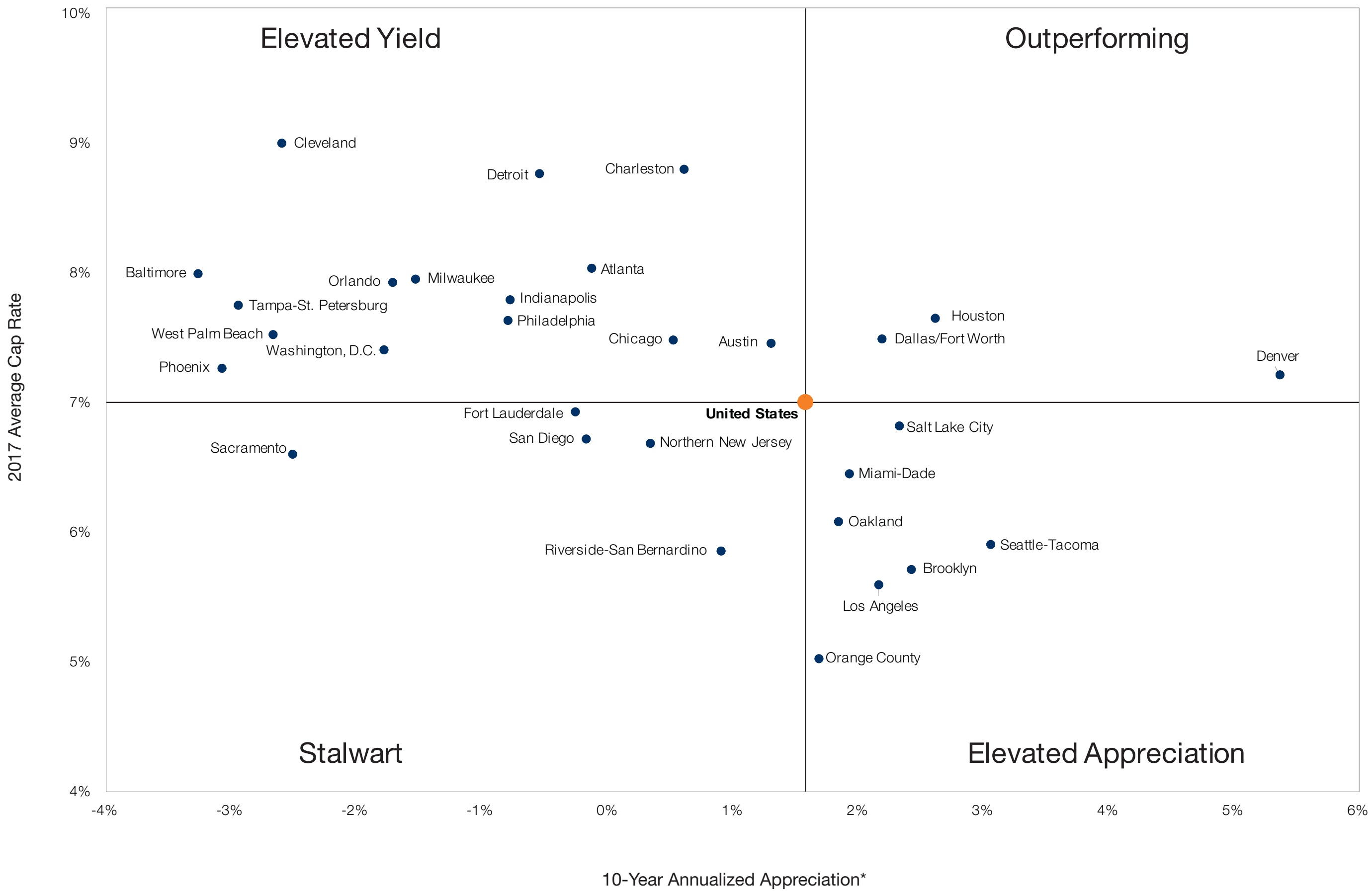
- Record-low vacancy and new demand drivers pushed development activity to a cycle high in 2017 with the completion of more than 240 million square feet.
- This year, construction has been concentrated in a handful of shipping and logistics hubs with Riverside-San Bernardino leading the way, followed by Dallas/Fort Worth, Atlanta, Chicago, Phoenix and Houston.
- The national vacancy rate compresses 20 basis points to 4.9 percent by year end on net absorption of just over 200 million square feet. A tightening market is forecast to boost the average asking rent 6.6 percent this year, down slightly from the 8 percent acceleration recorded in 2017.

Capital Markets

- Debt availability for industrial properties remains elevated, with a range of lenders catering to the sector. National banks will continue to serve a significant portion of larger industrial deals while local and regional banks target smaller transactions in secondary and tertiary markets.
- Average industrial cap rates have dropped to the low-7 percent range over the last three years, with a yield spread above the 10-year Treasury between 430 and 470 basis points. Many investors believe cap rates will rise in tandem with interest rates, but that has not been the case historically.
- The 10-year Treasury note yield neared 3 percent in February to mark the highest rate in years, pointing to strong economic data and diminished investor fears over the strength of the post-crisis recovery.

Industrial Investment Outlook

- Continued economic growth drove the expansion of the industrial sector in 2017, leading to a rise in deal flow for the year. In 2018, demand from the growing e-commerce segment and adjustments among retailers and manufacturers to improve supply chains have elevated investor sentiment.
- The desire to diversify portfolios and obtain higher yields will be a substantial driver of property sales. As vacancy and rent growth remain robust in industrial strongholds such as the Inland Empire and Dallas/Fort Worth, other markets will stand out for their robust economic fundamentals and greater affordability.
- The stabilization of cap rates across many regions along with a rising interest rate environment are anticipated to narrow spreads, though investment sales are not likely to be largely impacted as investor demand remains high.



Average Price Per Square Foot**

(Alphabetical order within each segment)

$46-$75	$76-$100	$101-$130	$131-$200	$201-$429
Atlanta	Baltimore	Austin	Denver	Brooklyn
Cleveland	Chicago	Charleston	Miami-Dade	Los Angeles
Dallas/Fort Worth	Houston	Fort Lauderdale	Oakland	Orange County
Detroit	Orlando	Northern New Jersey	Riverside-San Bernardino	Seattle-Tacoma
Indianapolis	Phoenix	West Palm Beach	San Diego	
Milwaukee	Sacramento		Washington, D.C.	
Philadelphia	Salt Lake City			
	Tampa-St. Petersburg			

* 2007-2017 Average annualized appreciation in prices per square foot
** Price per square foot for industrial properties $1 million and greater
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics

Ports, Distribution Hubs Capture Top of Index; Rising Land Prices Weigh on Larger Metros

Modest shuffling keeps e-commerce distribution-centric metros near top of Index. The rise of online shopping and faster delivery times are fostering significant demand for industrial properties near ports with the capability to handle today's most cutting-edge distribution strategies. Los Angeles' twin ports and related strength pushed it to the top of the Index this year, passing Seattle-Tacoma as higher construction could potentially weigh on the latter metro's net absorption this year. Major manufacturing hub Detroit (#3) and distribution centers Northern New Jersey (#4) and Orange County (#5) make up the next three spots, with limited development and tight vacancy boosting prospects for 2018. The port cities of Tampa-St. Petersburg (#6) and Oakland (#7) fill the next two positions, underpinned by active harbors and foreign imports. The sprawling industrial strongholds of Riverside-San Bernardino (#8) and Chicago (#9) feature short commutes to dense populations and abundant land for affordable space. Miami-Dade (#10) rounds out the top 10, as a rise in construction weighed on the 2018 outlook.

Biggest Index movers. Tampa-St. Petersburg (#6) registered the greatest leap in the Index, jumping seven places as booming rents and benign construction push vacancy to one of the lowest levels in the country. A reprieve in development and net absorption of more than 19 million square feet pushed Chicago (#9) up six places this year. Houston (#15) elevated five places in the Index as rent growth turns positive and net absorption continues to rise following the oil price shock in 2016. The emergence of Amazon and Foxconn in Milwaukee (#19) drove a six-spot increase as meager development and consistent absorption have contracted vacancy to a rate on par with top-tier coastal metros. A slowdown in net absorption and rising vacancy pressured Indianapolis (#23), pushing the metro down six places this year.

Index Methodology

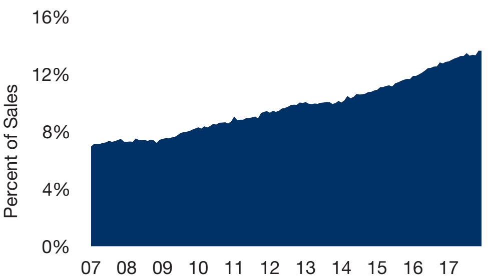
The NIPI ranks 30 major industrial markets based upon a series of 12-month, forward-looking economic and supply-and-demand variables. Markets are ranked based on their cumulative weighted-average scores for various indicators, including projected employment growth, vacancy level and change, construction, and rents. Weighing both the forecasts and incremental change over the next year, the Index is designed to indicate relative supply-and-demand conditions at the market level.

Users of the Index are cautioned to be aware of several important considerations. First, the NIPI is not designed to predict the performance of individual investments. A carefully chosen property in a bottom-ranked market could easily outperform a poor choice in a top-ranked market. Second, the NIPI is a snapshot of a one-year time horizon. A market facing difficulties in the near term may provide excellent long-term prospects, and vice versa. Third, a market's ranking may fall from one year to the next even if its fundamentals are improving. Also, the NIPI is an ordinal index, and differences in rankings should be carefully interpreted. A top-ranked market is not necessarily twice as good as the second-ranked market, nor is it 10 times better than the 10th-ranked market.

MSA Name	Rank 2018	Rank 2017[1]	18-17 Change
Los Angeles	1	3	2
Seattle-Tacoma	2	1	-1
Detroit	3	6	3
Northern New Jersey	4	4	0
Orange County	5	2	-3
Tampa-St. Petersburg	6	13	7
Oakland	7	5	-2
Riverside-San Bernardino	8	7	-1
Chicago	9	15	6
Miami-Dade	10	8	-2
Cleveland	11	9	-2
Philadelphia	12	10	-2
Fort Lauderdale	13	12	-1
Salt Lake City	14	11	-3
Houston	15	20	5
Dallas/Fort Worth	16	14	-2
New York City	17	18	1
Atlanta	18	16	-2
Milwaukee	19	25	6
West Palm Beach	20	21	1
Sacramento	21	19	-2
Orlando	22	22	0
Indianapolis	23	17	-6
Austin	24	New	NA
San Diego	25	24	-1
Washington, D.C.	26	23	-3
Phoenix	27	27	0
Denver	28	26	-2
Charleston	29	29	0
Baltimore	30	28	-2

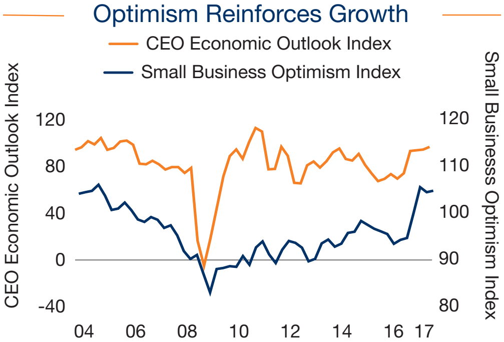
[1] See National Industrial Property Index Note on page 48.

E-Commerce Sales Growth

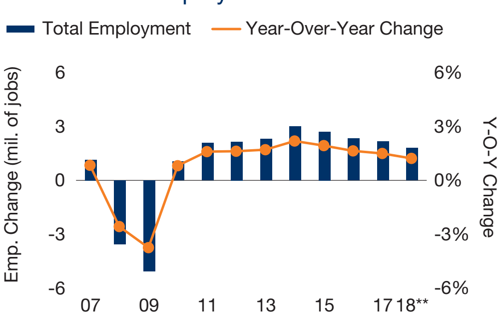


Excludes auto and gas sales

Optimism Reinforces Growth



Employment Trends



Employment Gains
Accelerate Wage Growth

* Forecast

Economic Tailwinds Drive Growth Into 2018; Consumer Spending Spurs Industrial Demand

Tight labor market and surging confidence invigorate consumption, spurring increased demand for goods and distribution. The U.S. economy strengthened further in 2017 with job gains averaging roughly 180,000 per month, a slightly slower pace from the prior year as the labor market tightened. The unemployment rate remains at 4.1 percent entering 2018, the lowest it has been since 2000, adding to the likelihood of average hourly earnings growth above 3.0 percent this year. Competitive compensation packages will be necessary to secure quality talent and the construction, professional services and hospitality sectors have been leading gains. Heightened wages should invigorate consumer spending, placing additional pressure on supply-chain logistics and encouraging higher inventory levels for retailers. CEO confidence has increased over the past year, boosting corporate infrastructure expenditures by more than 6 percent, which will continue to stimulate economic growth. The steady economic tailwind over the course of the recovery has pushed consumer confidence to its highest point since 2000 while advancing small-business sentiment to a 31-year record level, reinforcing both consumption and hiring this year.

Tax reform may bolster industrial space demand. The new tax law could play a significant role in shaping both the economy and industrial demand in 2018. A reduction in the corporate tax rate will be a windfall for corporations, encouraging several companies to raise investment in hiring, infrastructure and wages. Significant changes in the tax law that offer temporary accelerated depreciation could factor into rising corporate investment. Lower personal taxes may also provide consumers with additional discretionary income and increase demand for products and the distribution of these throughout the nation. While actual tax savings will vary depending on a number of variables, the consensus is that most people will receive additional take-home pay, growing discretionary income and accelerating consumption.

2018 National Economic Outlook

- **Job creation, low unemployment drive wage growth.** With the economy operating near full employment, job growth will moderate slightly to 1.8 million new hires this year, a 1.2 percent increase in jobs. In December there were openings for 5.8 million positions and limited prospects for finding qualified talent to fill them with the jobless rate so low, pushing companies to get creative and use hiring incentives. As a result, average hourly earnings began to show more meaningful growth last year, leading to a 2.9 percent year-over-year rise at the end of 2017. Larger paychecks will bolster the economy through the additional consumption of goods and services.
- **Tax laws boost corporate growth.** The most extensive overhaul of the tax law in three decades will lead to more corporate investment in fixed equipment this year, reinforcing the industrial sector. Temporary accelerated depreciation will allow some businesses to depreciate 100 percent of certain assets over one year, driving more companies to consider improvements to non-residential real property and spurring greater economic growth.
- **Online shopping grows demand for last-mile distribution.** Rapid expansion of online shopping drives a structural shift in the industrial sector, leading to an adjustment of space requirements and property location for retailers and third-party logistics providers. Businesses are increasingly demanding to be nearer to their final customer, leading companies such as Sam's Club to turn underperforming stores into last-mile fulfillment centers.

E-Commerce Triggering a Transformation Of the Industrial Property Market

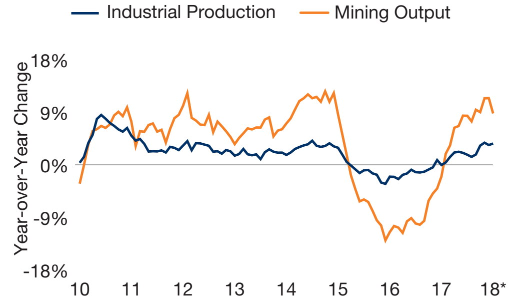
Structural shifts underway in industrial demand reshaping the market. The industrial sector remains on a robust growth trajectory this year, aided by a healthy economy and increased consumer spending. The speedy expansion of online shopping continued to make substantial impacts on this sector in 2017 as e-commerce sales grew by 16.8 percent, contributing to the strongest rent growth and the tightest vacancy in more than a decade. E-commerce companies accounted for 10 percent of industrial leasing last year, with the related functions of logistics and distribution making up 20 to 30 percent of leasing activity. Traditional space users have also driven exceptional performance as industries are producing goods and services at greater levels, boosting industrial production 3.7 percent in January from a year earlier. Manufacturing production climbed 1.8 percent during that period, while utility production increased 10.8 percent and mining output rose 8.8 percent. Continued economic strength will push vacancy lower once again this year and raise asking rent growth above 5 percent for the fifth straight year.

Industrial space demand surpasses new supply for ninth straight year. Record-low vacancy and new demand drivers pushed development activity to a cycle high in 2017 with the completion of more than 240 million square feet. Construction has been concentrated on a handful of shipping and logistics hubs with Riverside-San Bernardino leading the way this year, followed by Dallas/Fort Worth, Atlanta, Chicago, Phoenix and Houston. Industrial site selection has shifted toward a greater focus on the availability and cost of labor as well as taxes, utilities costs and building expenses. Demand for last-mile facilities has increased the redevelopment and replacement of older industrial space in urban markets, with users willing to cover the greater expenses to be closer to their customers. The need to put distribution centers near consumers along with expanding industries will sustain demand for heightened property development, bringing supply growth this year to 190 million square feet. With vacancy so low, absorption will likely slow as modern space that meets use requirements becomes limited.

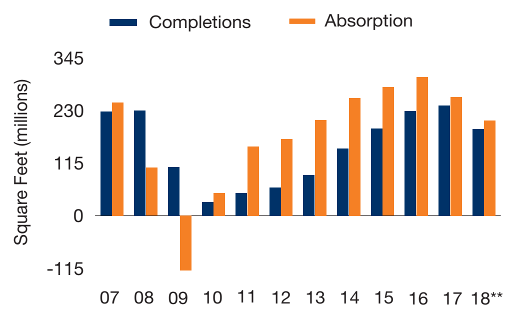
2018 National Industrial Outlook

- **New orders, growing production push gauges higher.** An expanding manufacturing sector raised a leading index of activity to signal steady growth. The subsidiary gauge of new orders, a leading indicator of future manufacturing activity, attained a strong level, indicating a positive outlook. With a healthy outlook on all fronts, the manufacturing sector is positioned to make contributions to the industrial property sector in 2018.
- **Vacancy hits lowest point in recent history.** The national vacancy rate compresses to 4.9 percent by year end on net absorption of just over 200 million square feet. A tightening market is forecast to boost the average asking rent 6.6 percent this year, down slightly from the 8 percent acceleration recorded in 2017. Numerous markets will post rent gains between 8 and 14 percent, including the large port markets of Los Angeles, Seattle-Tacoma and Northern New Jersey. Inland markets of Sacramento, Orlando and Detroit are also included.
- **Retailers developing creative strategies.** Big retailers are growing their logistics networks to remain competitive in the e-commerce marketplace. Walmart announced plans to redevelop 10 Sam's Clubs into last-mile distribution centers while Nordstrom is opening smaller stores with no inventory, allowing for a customers order to be delivered next day from a warehouse.

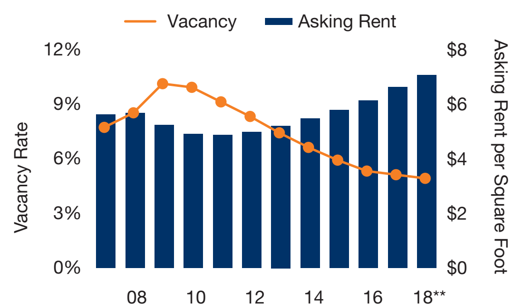
Industrial Production



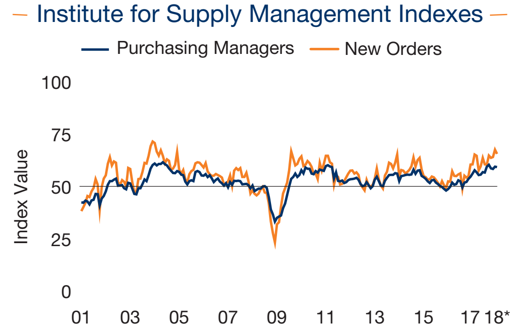
Industrial Supply and Demand



Vacancy and Rent Trends

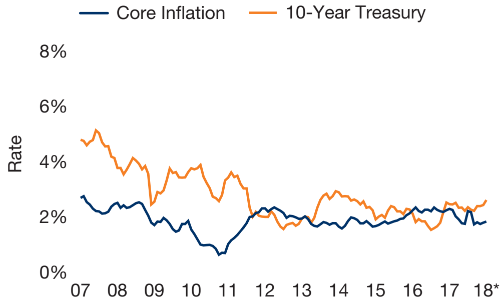


Institute for Supply Management Indexes

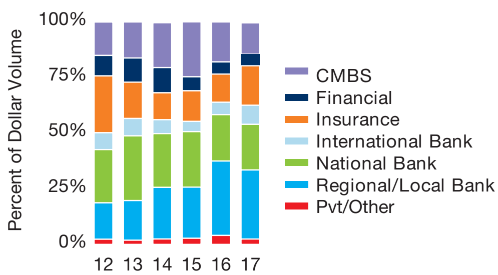


* Through January
** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

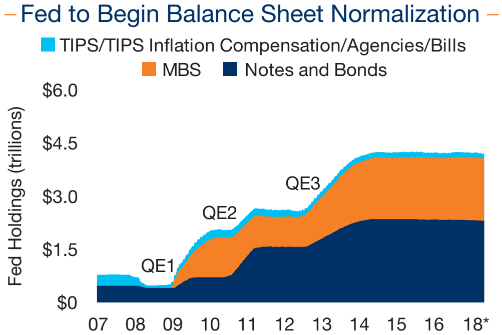
Treasury Yield Ticks Up



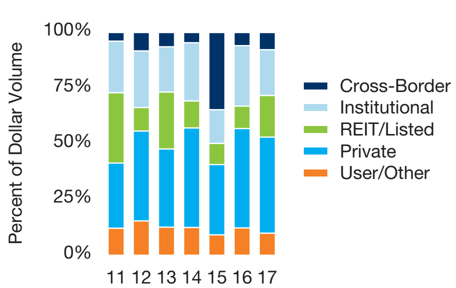
Industrial Mortgage Originations By Lender



Fed to Begin Balance Sheet Normalization



Industrial Buyer Composition



* Through January

Financial Markets Keep an Eye on Firming Inflation; Debt Market Maintains Elevated Liquidity

Fed walking tightrope to keep economy balanced. A robust economic growth outlook was the wide consensus among Federal Reserve officials at their January meeting, reinforcing their agenda to continue raising short-term rates this year. Federal tax law changes that will stimulate growth along with stock market volatility amid elevated pricing remain a central focus for the Fed. Bond yields jumped to their highest level in years on inflationary concerns, sending equity markets into a correction in early 2018 as overheating risks could lead the central bank to increase rates faster than anticipated. The Fed may choose to act more aggressively with rate movement this year to alleviate price pressures, alluding to the possibility of four increases, a main focus of investors. Adding to inflationary concerns and the potential for faster action from Fed officials is the larger-than-expected fiscal stimulus plan. These factors have given rise to greater volatility in equity markets, emphasizing the compelling alternative that commercial real estate investment presents with relatively less volatility and competitive yields.

Lenders look for upswing in 2018. Debt availability for industrial properties remains elevated, with a range of lenders catering to the sector. National banks will continue to serve a significant portion of larger industrial deals while local and regional banks target smaller transactions in secondary and tertiary markets. In general, credit standards have held steady and the trend should continue into 2018 as lenders search for deals. Industrial construction lending will remain conservative as above-average development works its way through the pipeline. Overall, weaker demand for construction loans has been reported, reinforcing trends for moderating deliveries and benefiting property fundamentals as tenants turn to existing properties.

2018 Capital Markets Outlook

- **Long-missed inflation now a leading concern of investors and the Fed.** Inflationary pressures are mounting after being nominal throughout the current growth cycle. Core consumer prices were up an annualized 1.8 percent in January, rising faster than expected and affirming the bank's decision to gradually raise interest rates. The U.S. dollar reached its lowest point in more than three years in February, impacting import prices, which can raise inflation and affect business costs.

- **Bond market sees inflation pressures, creating additional pressure on the Fed.** The 10-year Treasury note yield neared 3 percent in February, pointing to strong economic data and diminished investor fears over the strength of the post-crisis recovery. The sharp rise in long-term rates this year is an indicator that will influence borrowing costs for consumers, corporations and governments, having the ability to restrain investment activity, particularly for those applying more leverage.

- **Tighter yield spreads in other asset types benefit industrial demand.** Average industrial cap rates have dropped to the low-7 percent range over the last three years, with a yield spread above the 10-year Treasury between 430 and 470 basis points. Many investors believe cap rates will rise in tandem with interest rates, but that has not been the case historically. Competitive bidding will place increased pressure on cap rates, particularly as the sector outperforms and achieves higher visibility.

Investors See Wide Array of Opportunities; Capital Flowing to Secondary Markets

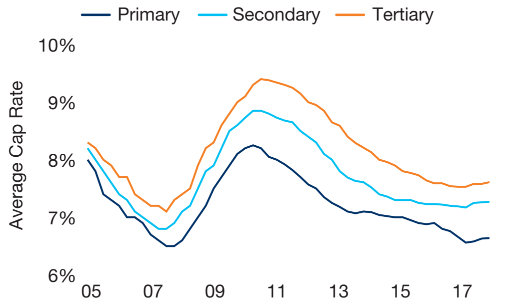
Industrial properties offering outsize value. Continued economic growth drove the expansion of the industrial sector in 2017, resulting in a rise in deal flow for the year. Demand from the growing e-commerce segment and adjustments among retailers and manufacturers to improve supply chains have elevated investor sentiment this year. Investors are capitalizing on this strong expansion, largely focusing on warehouse and distribution properties in traditional industrial locations near airports, sea ports and rail lines. Last-mile warehouse and distribution space closely follow in investor appeal as e-commerce companies and third-party logistics companies like UPS and FedEx aim to align with population centers. The potential of these assets also expanded investors' search into secondary and tertiary markets, evidenced by the outsize deal pace in these areas compared with major markets last year. The ability to locate assets with national tenants in these midsize cities that feature long-term leases and stronger yields than primary metros will continue to attract investors.

Yield premium, upside potential grow investor interest for secondary markets. Buyers are increasingly modifying strategies, widening their search criteria for investment opportunities with remaining upside. The desire to diversify portfolios and obtain higher yields will be a substantial driver of property sales. As vacancy and rent growth remain robust in industrial strongholds such as the Inland Empire and Dallas/Fort Worth, other markets will stand out for their robust economic fundamentals and greater affordability, such as Sacramento, Phoenix and Tampa-St. Petersburg. These secondary logistics markets are in demand among industrial users for their lower relative rents and land prices along with their quick access to large population centers. Large inventories of value-add opportunities outside of primary metros will continue to preserve investor appetite for greater upside in 2018, contributing to another year of elevated transaction velocity.

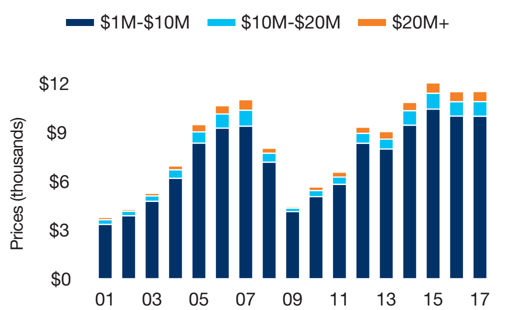
2018 Investment Outlook

- **Tax cuts bolster industrial demand.** Recent tax reform provides broad-base growth to the economy in 2018, which will benefit the industrial sector. Tax reform will likely accelerate economic growth by spurring increased discretionary spending, likely speeding absorption and improving fundamentals. Tax reform will also boost business investment, which could spark additional demand for industrial space.
- **Appeal of sale-leasebacks on the rise among investors, occupants.** The strength of the market has encouraged some companies to move capital out of real estate and invest it into growing their business, spurring more owner-operators to undertake sale-leaseback transactions. These assets can offer investors steady long-term returns without a management-intensive requirement. Investors must carefully evaluate the lease terms to ensure values are set appropriately, along with the company's financial standing. Yields on these types of properties can offer a premium but merit a close consideration of the ability to lease the property should the current tenant close.
- **Compression of yield spread as interest rates rise.** On a national basis, the average cap rate remained steady during 2017 at 7 percent, a roughly 430 to 470-basis-point spread against the risk-free rate at year end. The stabilization of cap rates across many regions along with a rising interest rate environment are anticipated to narrow spreads, though investment sales are not likely to be largely impacted as investor demand remains high.

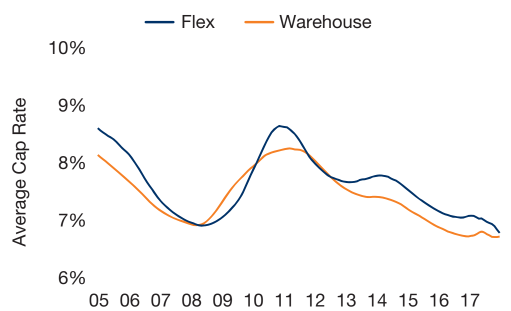
Industrial Cap Rate Trends by Market Type



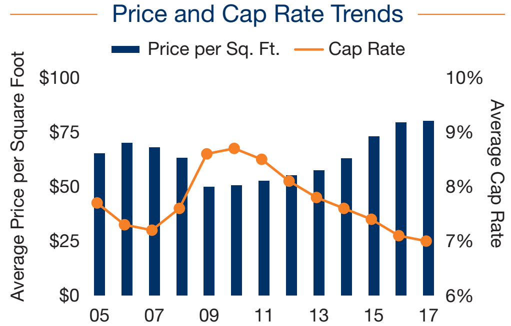
Industrial Transactions by Price Tranche



Cap Rated Trends by Industrial Type



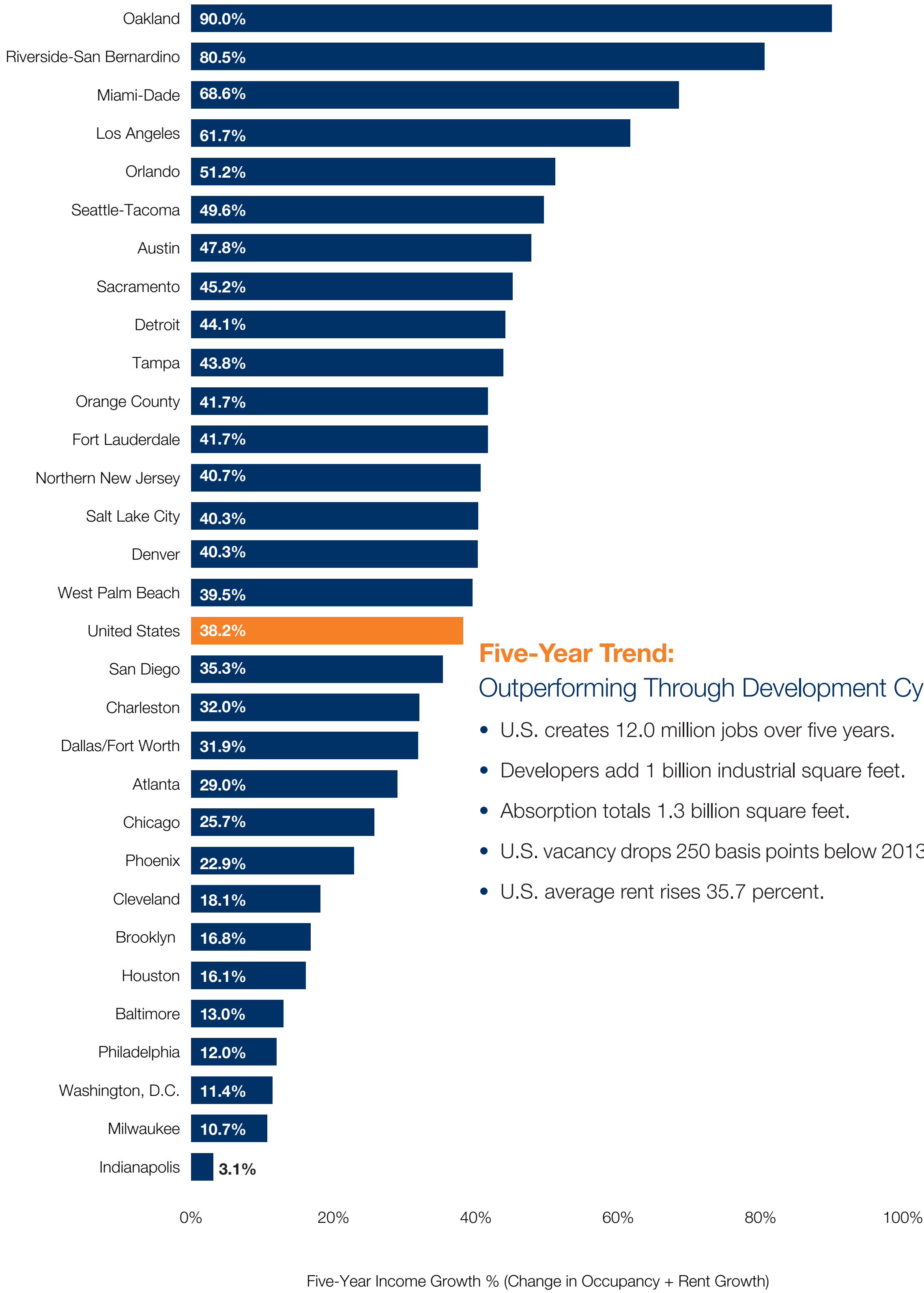
Price and Cap Rate Trends



Sources: CoStar Group, Inc.; Real Capital Analytics

Five-Year Industrial Income Growth by Metro

Percent Change 2013-2018*



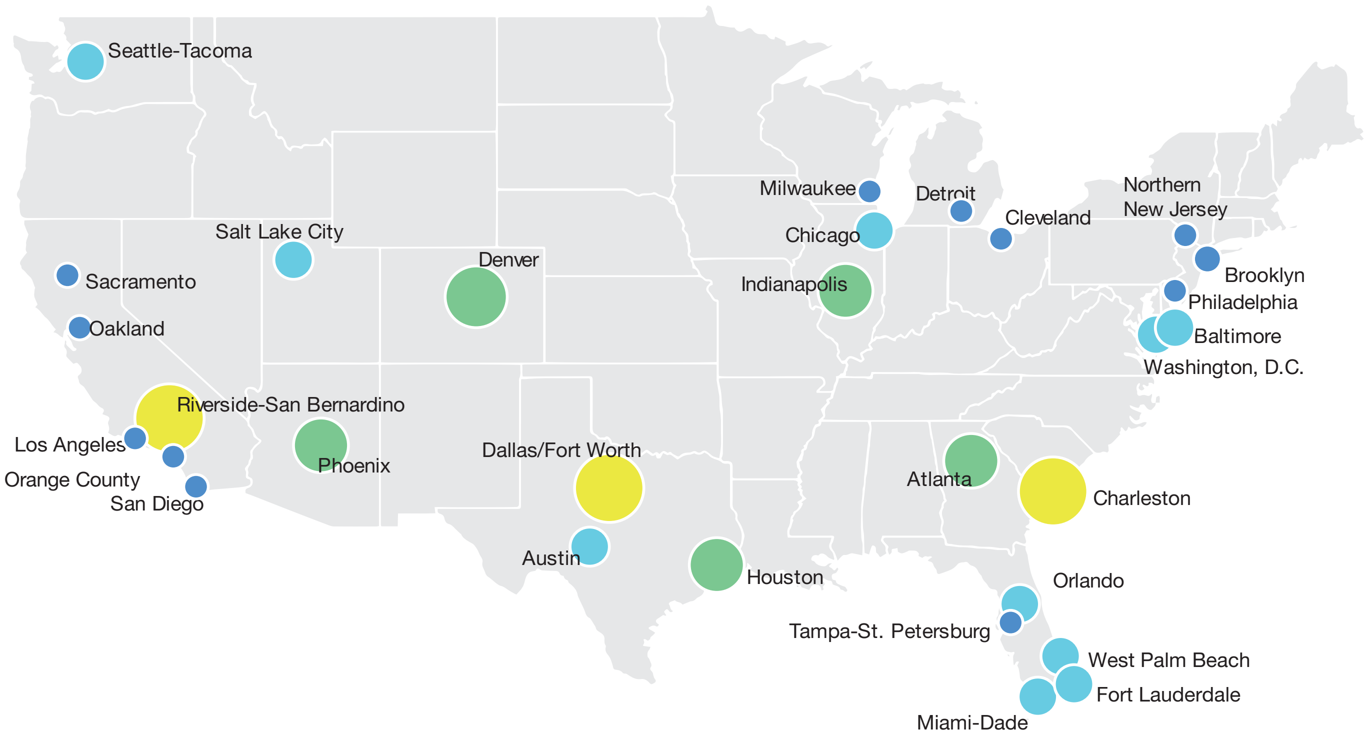
Five-Year Trend:

Outperforming Through Development Cycle 2013-2018*

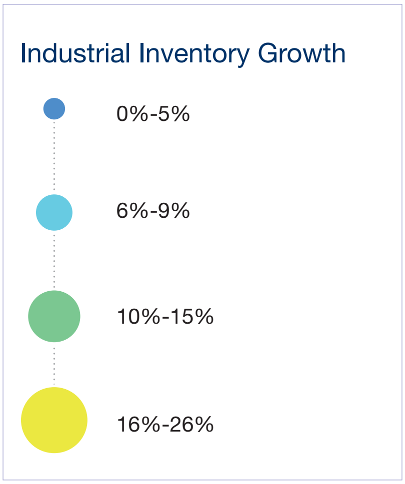
- U.S. creates 12.0 million jobs over five years.
- Developers add 1 billion industrial square feet.
- Absorption totals 1.3 billion square feet.
- U.S. vacancy drops 250 basis points below 2013's rate to 4.9 percent.
- U.S. average rent rises 35.7 percent.

* Forecast

Five-Year Development Wave Transforms Industrial Landscape
Inventory Growth 2013-2018



Inventory Change by Market 2013 to 2018



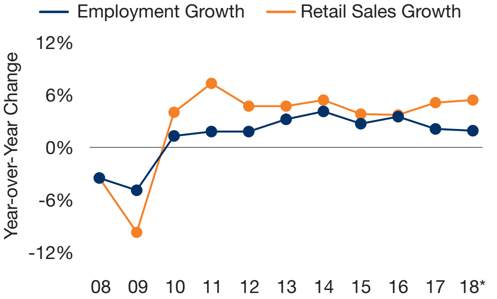
Top 10 Markets by Inventory Change

Largest Growth	Five-Year Inventory Change	Five-Year Rent Growth
Riverside-San Bernardino	25.2%	81.1%
Charleston	23.2%	32.5%
Dallas/Fort Worth	16.4%	31.5%
Denver	12.2%	40.9%
Atlanta	12.1%	24.3%
Phoenix	11.8%	19.1%
Houston	11.4%	16.6%
Indianapolis	11.4%	4.0%
Austin	9.9%	48.5%
Salt Lake City	8.5%	40.3%
U.S.	**7.0%**	**35.7%**

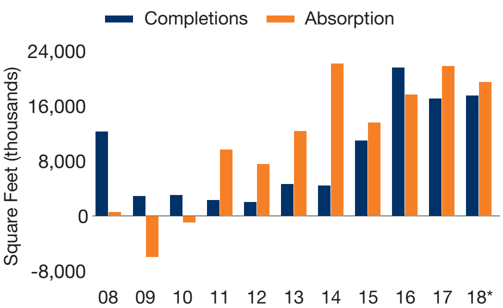
Smallest Growth	Five-Year Inventory Change	Five-Year Rent Growth
Tampa-St. Petersburg	4.1%	39.8%
San Diego	3.2%	31.0%
Sacramento	3.1%	37.4%
Detroit	3.0%	40.9%
Northern New Jersey	2.6%	38.3%
Los Angeles	2.4%	59.2%
Milwaukee	2.3%	7.9%
Orange County	1.9%	40.2%
Cleveland	1.1%	16.3%
Brooklyn	0.5%	16.3%

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.

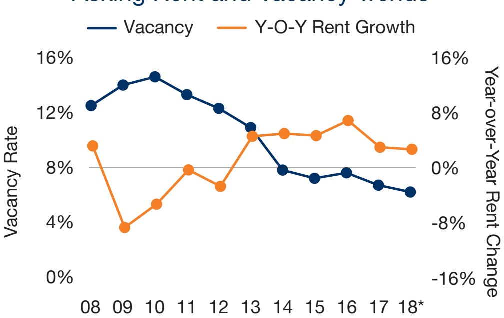
Employment vs. Retail Sales Trends



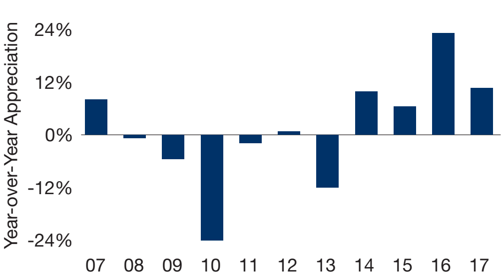
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Broad Economic Strength Boosting Appeal Of Atlanta Industrial Assets

Sustained job growth, robust industrial demand keep market on positive footing. An expanding slate of industrial tenants, underpinned by an influx of automotive manufacturers and suppliers, have created a substantial need for industrial assets in Atlanta. Job creation in specialized manufacturing has far exceeded the national average, supported by net absorption that has averaged of 18.7 million square feet over the past four years. As a result, vacancy has fallen nearly 800 basis points since peaking at 14.6 percent in 2010. Logistics and distribution facilities near the airport, south of downtown, will lead a pipeline that is slightly above the five-year average, with the largest project the Lambert Farms Logistics Park at more than 1.5 million square feet. Net absorption above development will contribute to additional tightening in the market this year, yet a low amount of pre-leasing will keep vacancy from recording the sharp drops of previous years. Meanwhile, the average asking rent will move higher, yet older products in southern parts of Atlanta will limit marketwide rent growth.

Rising prices garner investor attention amid attractive return profiles. Amid declining vacancy and cap rates that remain in the mid- to high-7 percent range, Atlanta industrial properties have received strong demand from a variety of capital sources. Institutional investors will typically stick to larger assets near major transportation routes and the airport, while private investors and syndicates are generally focused on smaller industrial parks and suburban locations where cash returns can be up to 100 basis points above the metro average. Outlying assets where vacancy is higher and facilities that need improvements in order to meet the latest distribution strategies can provide opportunities for value-add upgrades where available, while stable properties near I-285 and north of downtown will see the fastest NOI growth.

2018 Market Forecast

NIPI Rank
18, down 2 places
Development higher than the five-year average and subdued rent growth drop Atlanta's rank in the Index.

Employment
up 1.9%
Atlanta employers will hire 53,000 workers this year, expanding payrolls by 1.9 percent. In 2017, 56,000 jobs were created.

Construction
17.5 million sq. ft.
Developers will complete 17.5 million square feet of space this year, marginally increasing supply from the previous year when 17 million square feet was brought online. Southern Atlanta will receive roughly two-thirds of the new space.

Vacancy
down 50 bps
Strong net absorption will contract vacancy by 50 basis points to 6.2 percent. Last year, vacancy declined 90 basis points.

Rent
up 2.7%
The average asking rent increases 2.7 percent to $4.25 per square foot, building on last year's 3.0 percent gain.

Investment
The influx of properties in southern sections of Atlanta will provide buyers the opportunity to pick up new-build assets in a highly sought-after area.

Cash-Heavy Technology Giants Utilizing Austin's Industrial Space

Strong finish to 2017 a bellwether for 2018 industrial performance. Tech manufacturing is buoying Austin industrial demand, and developers are remaining active in both the warehouse and flex arenas. Builders are seeking to balance local companies' need for commerce, while also supporting a population that grows by more than 100 people per day. As a result, speculative construction is proceeding across a broad range of projects and locations. In Buda, for example, the first phase of 600,000 square feet of industrial and distribution space will break ground this year. Also in the southern sections of Austin, the initial phase of Park 183, which could reach 1 million square feet, are set for delivery this year. On the demand side of the equation, hiring by major tech firms is creating a high-paid workforce. One in four CIOs plan to add to headcounts in the first half of the year, according to a recent survey. The combination of an educated workforce and availability of new Class A industrial space will keep Austin among the most attractive markets for expanding companies seeking to relocate or manage the high overhead on the coasts.

Austin offers buyers opportunity to enter tech industrial space. Investors remain keen on the state capital across all property types. Buyers who typically target office assets are likely to also explore deals in the industrial-flex sector due to the limited availability of office properties. Assets tend to move quickly in the market, and so much capital is chasing Austin real estate that industrial assets remain attractive despite negative absorption in the first three quarters of 2017. During 2018, investors could see the industrial market resume a broader recovery that began at the end of 2009. Buyers with a tenant in tow may find some success purchasing new construction. Smaller investors, meanwhile, will target deals within the core of the city, where permitting is stringent and competition from new space is mitigated.

2018 Market Forecast

NIPI Rank 24, new — Elevated deliveries and nominal vacancy decline place Austin in the 24th spot this year.

Employment up 2.4% — Hiring will ease to 25,000 new positions this year, though the pace of additions will double the national rate. Last year, payrolls expanded by 2.7 percent.

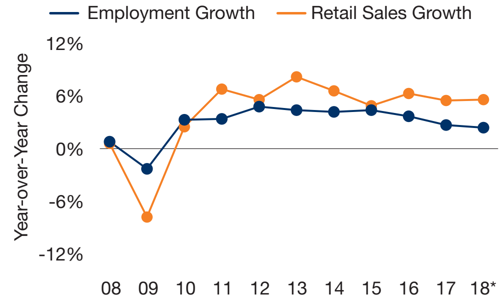
Construction 1.8 million sq. ft. — Although several speculative projects will come online this year, robust absorption at the end of 2017 suggests demand is sufficient to absorb the space. Last year was the peak of the construction cycle.

Vacancy down 50 bps — Vacancy will dip to 6.4 percent this year, down 50 basis points from year-end 2017. Last year, the rate jumped 300 basis points as the market did not begin to meaningfully absorb new space until the fourth quarter.

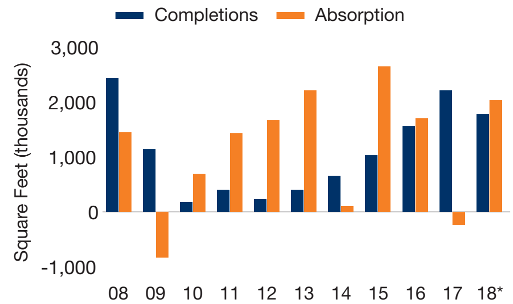
Rent up 5.3% — Rent growth will ease from last year's pace, when asking rent ticked up 6.6 percent. Average asking rents are projected to finish 2018 at $10.60 per square foot.

Investment — Investors attempting to avoid competition from new construction can target industrial strongholds in the southeast and northern Austin areas.

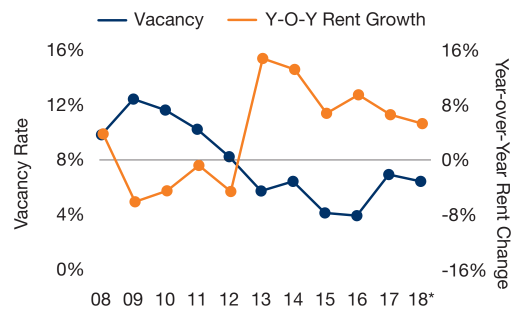
Employment vs. Retail Sales Trends



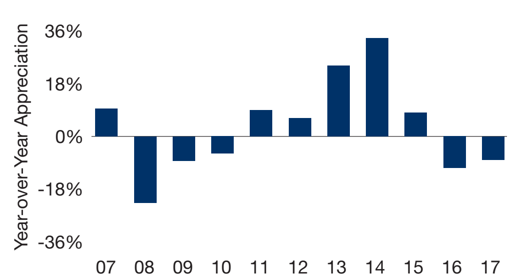
Industrial Completions



Asking Rent and Vacancy Trends

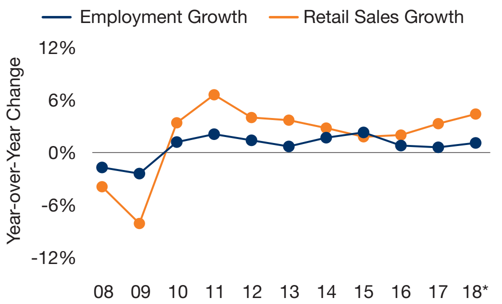


Price Per Square Foot Trends

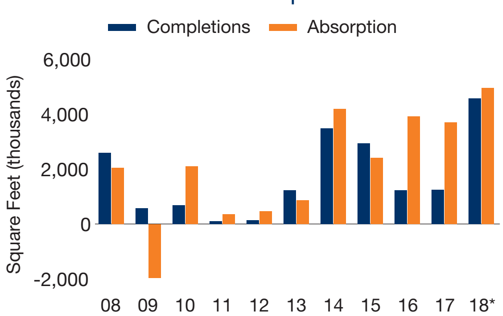


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

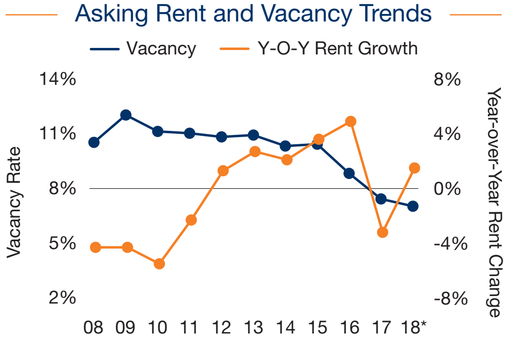
Employment vs. Retail Sales Trends



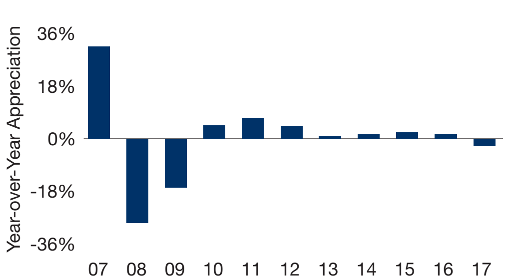
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Surge in Large Projects Underpins Industrial Demand in Baltimore

Under Armour fulfillment center and industrial parks fill active pipeline. Driven by the proximity to several major East Coast metros and a robust port, industrial assets in Baltimore are in high demand. Net absorption has exceeded 3.5 million square feet for three of the past four years, bringing vacancy down more than 450 basis points since the cycle high in 2009. While construction remained relatively benign in previous years, reaching above 2 million square feet only twice this business cycle, development will pick up considerably this year as multiple marquee projects come online throughout the metro. Besides a 1.3 million-square-foot fulfillment center for Under Armour, other major completions include the Port Logistics Center and speculative offerings catering to distribution firms targeting to operate near the port facilities along the East Coast. The sheer volume of space hitting the market will slow the overall pace of improvement this year, yet it will be unable to shift the positive momentum, allowing marginal improvement in the average asking rent.

Value buyers deploying capital at elevated yields; wide array of properties allow for multiple strategies. Offering returns that generally outpace other East Coast metros, investors have actively pursued Baltimore industrial assets, particularly those near the port facilities and along Route 1. Cap rates in these locations average in the high-7 to low-8 percent band, while strong trends in occupancy are boosting NOIs as well. Meanwhile, owner-users are also pursuing properties for local expansion, typically deploying capital for modern distribution and warehousing spaces with quick access to transportation routes. The large increase in development this year could drive a more active market, reinforced by the higher prices placed on new assets in quality locations.

2018 Market Forecast

NIPI Rank 30, down 2 places — Baltimore slips to the bottom spot in the NIPI as employment growth and rent gains were minimal.

Employment up 1.1% — Baltimore employers will create 15,000 jobs this year, boosting total employment by 1.1 percent. In the previous year, 8,500 positions were added to payrolls.

Construction 4.6 million sq. ft. — Developers complete a cycle-high 4.6 million square feet this year as several large projects come online. In the prior 12 months, 1.2 million square feet was completed.

Vacancy down 40 bps — Higher construction slows vacancy compression to 40 basis points this year, reaching 7 percent by year end. Last year, vacancy tumbled 140 basis points.

Rent up 1.5% — The average asking rent partially reverses last year's 3.2 percent decline, tacking on 1.5 percent to $5.30 per square foot.

Investment — Large facilities with modern amenities and office space just outside the city limits offer tremendous value through NOI growth and cap rate compression.

Value-Add Buyers Reimagining Industrial Assets; Owner-Users Raise Bids for Preferred Spaces

Elevated costs pressuring overall industrial market amid redevelopment surge along the East River. Fueled by surging demand for apartments, retail and office space at rates below similar offerings in Manhattan, Brooklyn industrial properties are in high demand among developers and a core contingency of owner-users. As rental rates have jumped significantly throughout the current business cycle, industrial tenants have begun to be displaced by elevated rents and higher-value redevelopment options. New industrial projects will total less than 65,000 square feet for the second straight year, highlighting the prohibitive costs of substantial industrial development as costs move higher overall. Despite the lack of meaningful construction, vacancy has trended higher for roughly 18 months as net absorption turned decisively negative. Zoning changes in redeveloping neighborhoods such as Greenpoint and Williamsburg will allow many of the vacated assets to be repositioned into higher-density uses such as apartments or retail.

Redevelopment uses steering costs upward; owner-users bidding aggressively to procure necessary spaces. Following the rezoning of several neighborhoods along the East River in the early 2000s, the Brooklyn industrial market has transformed substantially, with owner-users being displaced by larger apartment, retail and office projects. Due to this phenomenon, assets in the metro have begun to move toward pricing based on end-use development purposes, particularly as multiple neighborhoods throughout the borough are zoned for greater density. Pricing can reach the mid-$450 per square foot range, with cap rates averaging in the mid-5 percent area. Owner-users remain active in the market yet have been forced to raise bids and look at more outlying locations to procure needed spaces. The shutdown of the L Train remains a major consideration for investors, and it will impact short- to midterm performance trends.

2018 Market Forecast

NIPI Rank 17, up 1 place — Due to a lean construction pipeline and strong rent gains, Brooklyn ascends one rung.

Employment up 1.2% — Low unemployment will weigh on overall hiring as 30,000 jobs are created this year. In the previous yearlong period, 56,000 positions were added to payrolls.

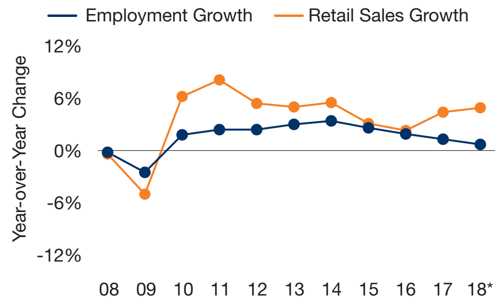
Construction 60,000 sq. ft. — Developers are on track to complete 60,000 square feet this year as part of two projects. Last year, 40,000 square feet was brought online.

Vacancy up 20 bps — After rising 50 basis points in 2017, vacancy will edge higher to 5.7 percent this year as industrial tenants migrate to more affordable locations in the borough as well as outlying areas.

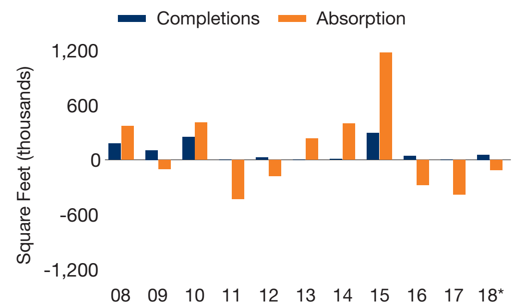
Rent up 7.0% — The average asking rent jumps to $24.30 per square foot as tight overall conditions and the urge to redevelop existing spaces impact overall pricing.

Investment — Zoning rights will remain a prime consideration among investors looking to deploy capital, with residential and office uses most prized.

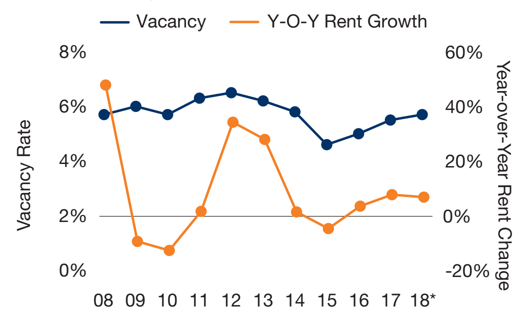
Employment vs. Retail Sales Trends♦



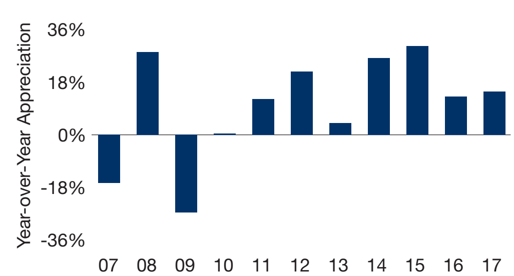
Industrial Completions



Asking Rent and Vacancy Trends

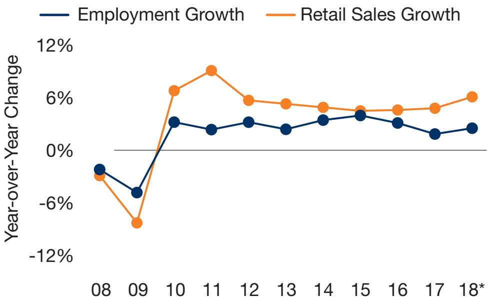


Price Per Square Foot Trends

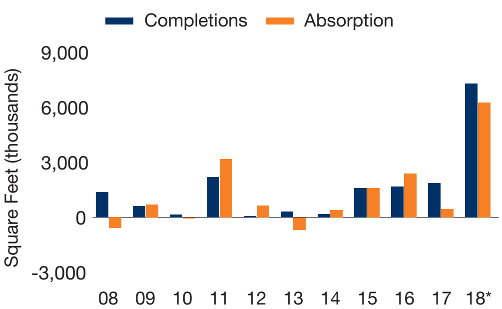


♦ New York City Metro
* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

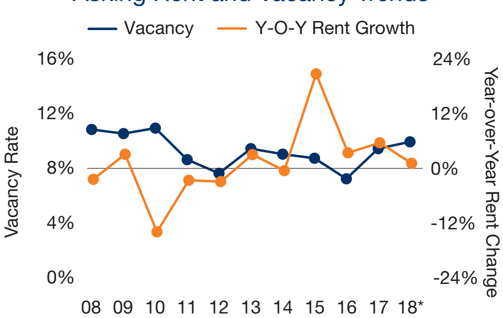
Employment vs. Retail Sales Trends



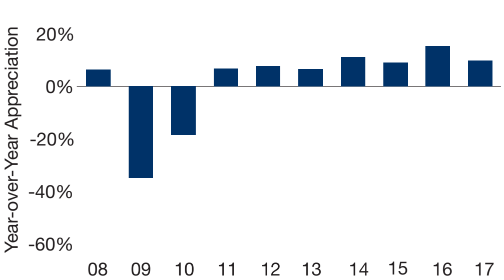
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Favorable Initial Yields in Primary East Coast Container Hub Entice Investors

Development elevated in metro's main thoroughfare. The Port of Charleston's accelerated growth since the recession and the ongoing dredging process aimed at improving shipping access and allowing utility for larger vessels make the metro's industrial market attractive. The deepened harbor will increase foreign exposure and incite developer interest. This year, Charleston registers one the largest completion sums among Southeastern metros while nearly quadrupling its 2017 total. The vast majority of 2018's construction activity takes place in the I-26 corridor extending from North Charleston to Ridgeville. The auto industry leads this year's industrial development as Mercedes Benz and Volvo add facilities in the metro's northern sections. Volvo takes on the larger of the two manufacturing projects at 2.3 million square feet while the new Mercedes Benz plant will occupy 1 million square feet. Elevated deliveries result in vacancy jumping for the second consecutive year, although this year's increase will be slightly less significant as 78 percent of new space is owner-occupied or already pre-leased.

North parts of metro offer extensive options. As the port's efficiency has improved in recent years, Charleston has evolved into a prominent industrial metro on the Eastern Seaboard, capturing an increasing amount of out-of-state capital. Historically, buyers from the Northeast and those arriving from California have primarily focused on properties in the Yellow House Landing neighborhood. These assets typically include upgraded amenities and sale prices upward of $12 million, along with initial yields in the lower-6 percent band. Class B/C warehouses near Limestone College attract a number of local investors at cap rates in the high-8 percent range. Facilities in this area generally represent 1980s construction, presenting buyers with viable value-add opportunities.

2018 Market Forecast

NIPI Rank 29, no change — Intensified development activity contributes to Charleston's retention of the 29th spot.

Employment up 2.5% — Charleston organizations will create 9,000 positions in 2018, up from 6,500 jobs last year. Expansion of the market's car manufacturing capacity will boost industrial-related employment in coming years.

Construction 7.3 million sq. ft. — Industrial supply registers a noteworthy boost this year as completions reach a cyclical high. Last year, 1.9 million square feet was delivered.

Vacancy up 50 bps — The surge in development activity spurs a rise in vacancy, pushing the figure to 9.9 percent in 2018. In the prior year, vacancy posted a 220-basis-point increase.

Rent up 1.1% — Following a year of 5.6 percent growth, rising vacancy contributes to a tempered pace this year, driving the average asking rent to $5.54 per square foot.

Investment — Anticipate investor interest to intensify as port improvements drive up the valuations of existing industrial space.

New Construction Replacing Outdated Inventory; Investors Finding Healthy Returns

Late recovery taking shape in Chicago. The metro struggled to find its footing following the Great Recession, though signs of economic stability have emerged that are benefiting the industrial sector. Payrolls finished last year nearly 3 percent above the pre-recession peak, which is an encouraging sign for a metro that took longer than most to recoup its losses. The trade, transportation and utilities sector, which is the largest user of industrial space, is less than 1 percent above the previous high watermark, suggesting even further upside potential for industrial operations. Chicago's 1 billion-plus square-foot inventory, meanwhile, is reinventing itself. While more than 30 million square feet of new space is slated for completion between 2017 and 2018, older stock is being converted. The former Chicago Tribune distribution center in Streeterville is being transitioned to office and apartment space. Nearby, R2 Cos. is repurposing Morton Salt's old warehouse into apartment, office and entertainment space. Overall, the late recovery is providing Chicago an above-average year in operational improvement.

Elevated returns attractive to out-of-state buyers. Investors seeking upside potential are searching Chicago for higher yields and appreciation that has already been realized in most other markets. Warehouses are in particularly high demand, accounting for a greater number of sales for each of the past two years. Buyers are also more confident in the market's outlook and have purchased larger warehouse buildings last year. International exports, which make up 10 percent of Chicago's economy, have been growing at a slower pace than most other major metros. Amazon, which is positioning itself to compete with the major delivery companies, signed the second largest lease last year, cementing itself in the market. Overall, cap rates for smaller buildings were above 8 percent last year, more than 250 basis points higher than many coastal metros.

2018 Market Forecast

NIPI Rank 9, up 6 places — A reduced level of completions is met with strong demand, lifting Chicago into the top 10 in this year's ranking.

Employment up 0.9% — The pace of job growth will approach 1 percent this year as 40,000 positions are created, surpassing the 26,100 spots generated in 2017.

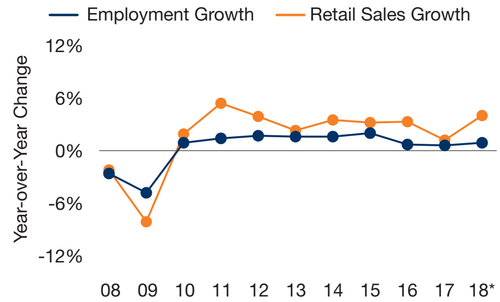
Construction 13 million sq. ft. — Developers are scheduled to add 13 million square feet of industrial space this year. All of the construction is in the warehouse segment.

Vacancy down 60 bps — After remaining flat in 2017, industrial vacancy will fall to 5.8 percent this year. The O'Hare area will boast the lowest rate in the market.

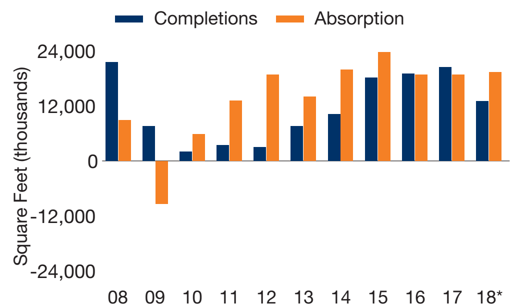
Rent up 5.5% — Average asking rents will rise to $5.74 per square foot by the end of 2018, up 5.5 percent annually. Last year, average rents soared 6.9 percent.

Investment — This year, many investors will focus on last-mile distribution assets near densely populated areas adjacent to the Tri-State Tollway.

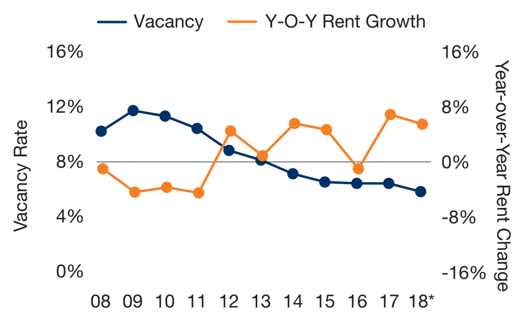
Employment vs. Retail Sales Trends



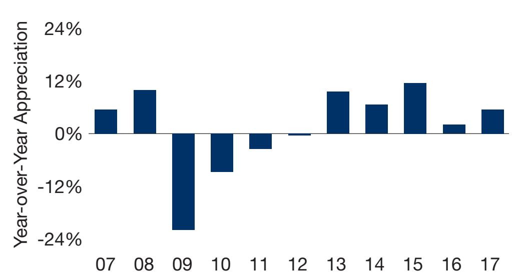
Industrial Completions



Asking Rent and Vacancy Trends



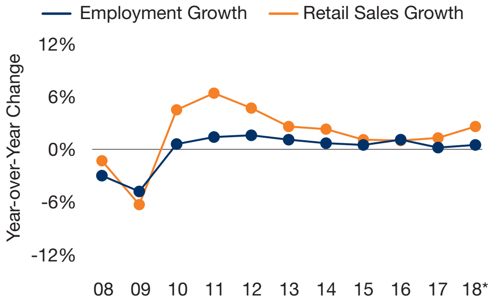
Price Per Square Foot Trends



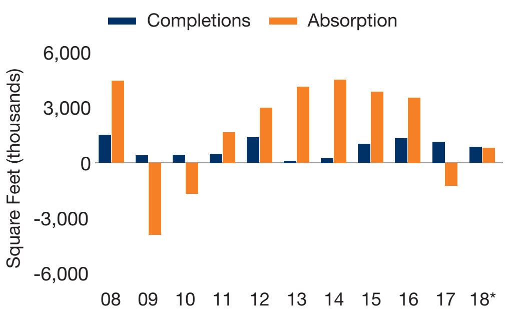
* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Cleveland

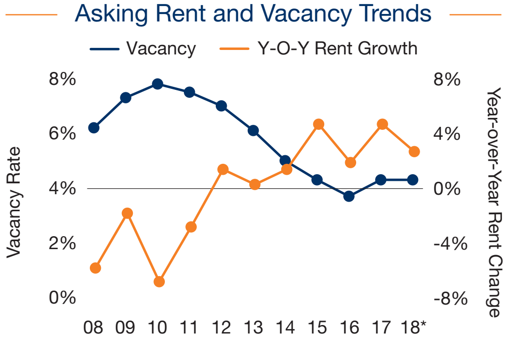
Employment vs. Retail Sales Trends



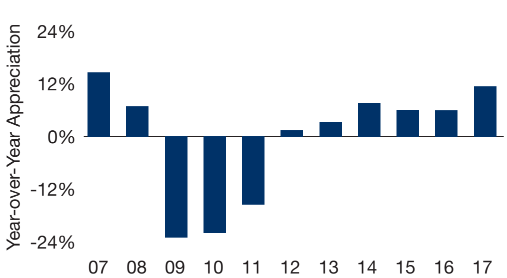
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Limited Development Supports Tight Vacancy; Favorable Yields Generate Investor Interest

Limited completions result in rents jumping to a cycle-high figure this year. Cleveland remains a prominent industrial hub this year as existing inventory is far above most Upper Midwest metros and vacancy stays compressed below the national measure. Manufacturing is the driving force behind the market's strong industrial presence thanks in large part to the Port of Cleveland's status as a primary Great Lakes haven for bulk shipments of raw materials. Although manufacturing facilities comprise a sizable portion of the metro's industrial supply, warehouses account for the majority of 2018's lean construction pipeline. Southwestern suburbs receive more than half of this year's forecast total, which includes the metro's biggest project slated for completion, a 197,000-square-foot warehouse in Strongsville. Suburbs northeast of downtown in the I-90 corridor, specifically Euclid and Mentor, also record substantial construction activity in 2018. These market trends allow the average asking rent to climb to the highest level since the start of the economic expansion.

Value-add options preserve local interest. High yields and a strengthening investment environment will lure buyers to Cleveland in 2018. In recent years, local investors were involved in the majority of trades, a trend that should continue this year as Class B/C space along I-90 extending from the CBD to Painesville becomes available. Here, manufacturing space typically sold above $30 per square foot and netted cap rates in the low-9 percent span. Warehouses in this corridor near the city center present buyers with renovation opportunities as many of the properties are older than 50 years. Class A warehouses, which are generally located in the metro's southwestern sections, are sought after by institutional investors. These buildings capture prices that may eclipse $15 million and initial yields in the low-8 percent band.

2018 Market Forecast

NIPI Rank 11, down 2 places — Sparse hiring and eased rent growth move Cleveland down two ranks.

Employment up 0.5% — Cleveland employers continue their slow yet steady pace of hiring as 5,500 positions are created this year, up from 2017's total of 1,600 jobs.

Construction 870,000 sq. ft. — Following the delivery of 1.1 million square feet of industrial space, the metro registers a slight downturn in development. This marks the first year since 2014 that completions fall short of 1.0 million square feet.

Vacancy no change — Amid a downturn in construction activity, vacancy remains at 4.3 percent in 2018. Last year, the rate rose 60 basis points.

Rent up 2.7% — Following a year of 4.7 percent growth, the average asking rent will ascend to $4.13 per square foot, roughly $3 below the national average.

Investment — Expect investors to take advantage of the low entry costs of warehouses in neighborhoods adjacent to downtown as they seek value-add opportunities.

Booming National Economy Cements Metroplex Logistics Industry; Manufacturers Eyeing Space

The Metroplex boasts the nation's most powerful job engine, which is supporting a robust industrial sector. Vacancy has hovered around its equilibrium level since the end of 2013, enabling the market to support aggressive rent increases over the past few years. This year, rents nearly double the inflation rate, improving NOI for existing owners. Logistics and online retailers are some of the largest space users in the Metroplex, accounting for several large leases last year. Amazon signed two deals amounting to 1.5 million square feet, while UPS and FedEx took 1.7 million square feet of industrial space combined. Amazon's foray into the shipping industry could create immediate demand in the nation's major distribution centers, including Dallas/Fort Worth. For the year, absorption will outpace slowing construction, resulting in vacancy dipping into the mid-6 percent area. Low vacancy is enabling operators to require NNN leases to maximize ROI and hedge against pending inflationary pressure.

A diverse mix of investment opportunities exist throughout the Metroplex, keeping buyers active in 2018. Although construction is regionally balanced this year, warehouse investors interested in South Dallas will want to ensure existing tenants have long enough leases to overcome the current construction cycle. Vacancy in the area is over 10 percent, and the area has the largest construction pipeline. In the near term, buyers may find more operationally sound opportunities in Collin County, north of the President George Bush Turnpike, and in Northwest Fort Worth. The region's proximity to the Metroplex's other intermodal transfer facility and a sub-5 percent warehouse vacancy rate suggests pent-up demand exists. Marketwide, cap rates range from the low-6 percent area for large, new warehouses and into the low-8 spectrum for smaller, existing properties.

2018 Market Forecast

NIPI Rank 16, down 2 places — Dallas/Fort Worth drops two places as markets with stronger employment and rent growth advance.

Employment up 2.2% — Employers will match last year's pace of job growth in 2018 with the addition of 80,000 new positions. After sputtering last year, the trade, transportation and utilities sector could get a boost from Amazon this year.

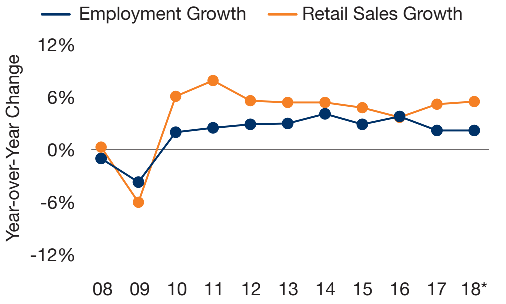
Construction 19.8 million sq. ft. — Development is well distributed across the Metroplex, which will gain nearly 20 million square feet this year, representing a 2.7 percent lift in inventory.

Vacancy down 30 bps — As construction dips from last year's pace and demand remains healthy, vacancy is projected to finish the year at 6.4 percent.

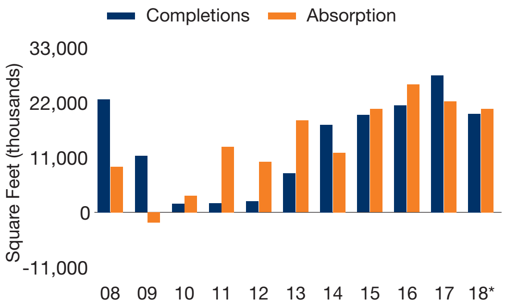
Rent up 6.6.% — Tight conditions support another year of aggressive rent growth as asking rates jump to $5.30 per square foot. Last year, rents soared 6.9 percent.

Investment — Investors may want to consider manufacturing facilities in Fort Worth, where several firms are expanding. For example, Lockheed Martin and Louis Vuitton recently announced plans to hire a collective 2,300 workers.

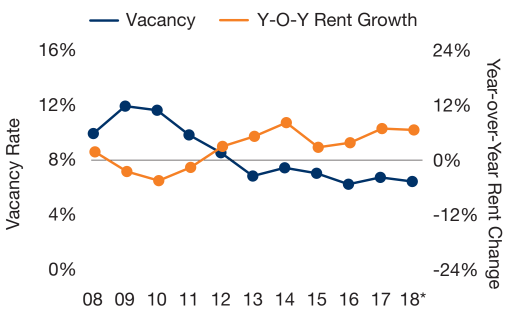
Employment vs. Retail Sales Trends



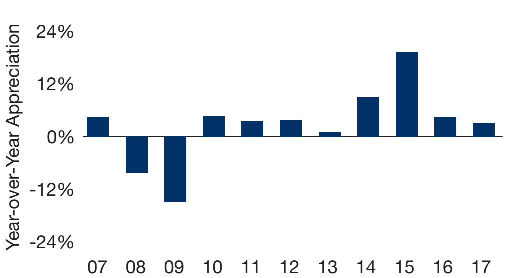
Industrial Completions



Asking Rent and Vacancy Trends

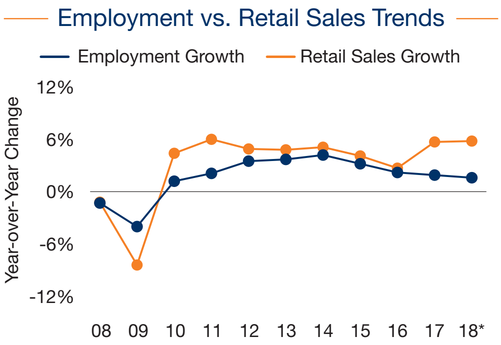


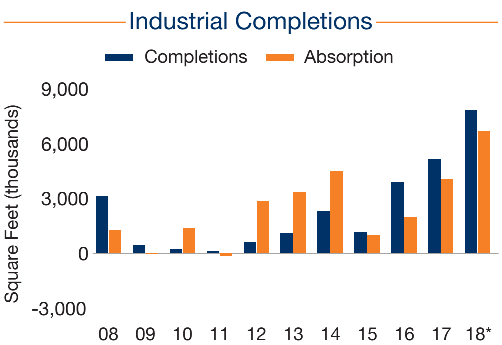
Price Per Square Foot Trends

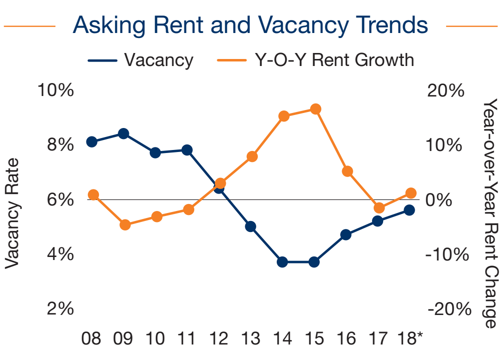


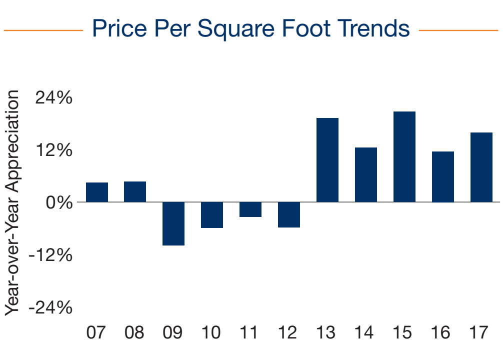
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics









* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Strong Household Formation Sparks Investor Interest in the Mile High City

Population growth drives speculative development. Strong demographic trends result in robust demand for consumer goods and ultimately increased nonstore sales in 2018. The need for e-commerce companies to have their products on the Colorado Front Range near the region's most populous area has intensified recently, prompting developers to add roughly 9 million square feet of space in the past two years, along with producing a cyclical high figure this year. Spearheaded by Amazon's 2.4 million-square-foot facility at the I-25 and East 144th Avenue intersection, the suburb of Thornton logs the most construction activity in 2018. Farther south in the I-25 corridor near West 120th Avenue, a considerable amount of speculative space will be constructed this year to help alleviate tight vacancy that some northern submarkets are experiencing. Metrowide, vacancy posts a slight uptick in 2018 due in large part to amplified development, which in turn, contributes to a marginal boost in rent growth.

Value-add opportunities lure buyers to the metro. As rents begin to increase following a year of decline, investors' expectation for stronger revenue growth rises in 2018. In recent years, Class C assets garnered elevated investor interest as warehouses in the northern parts of Aurora near I-70 and areas around the Elyria Swanson neighborhood just northeast of Downtown Denver became available. Typically, these spaces include 1950s to '70s construction with cap rates that may extend into low-6 percent range. For buyers seeking more upgraded assets, warehouses in Centennial and Commerce City provide investors with first-year returns in the high-5 to low-7 percent band, similar to the metro average. Historically, local high-net-worth investors have been attracted to these properties, along with a handful from the West Coast seeking to escape the elevated entry costs of their local markets.

2018 Market Forecast

NIPI Rank 28, down 2 places — Due to climbing vacancy, Denver drops two spots in the ranking this year.

Employment up 1.6% — Denver businesses will staff 24,000 additional employees in 2018, slightly down from last year's total of 27,300 hires added to payrolls.

Construction 7.8 million sq. ft. — Development accelerates its brisk pace as demand for industrial space continues to strengthen. This year's elevated completion total follows the 5.1 million square feet brought to market last year.

Vacancy up 40 bps — Amid an influx of deliveries, vacancy registers an increase, pushing the rate to 5.6 percent. Last year, vacancy rose 50 basis points.

Rent up 1.2% — With an ample amount of space becoming available this year, average asking rent logs a modest expansion, putting the rate at $7.72 per square foot.

Investment — As the suburbs of Broomfield and Thornton add residents at a rapid pace and apply more pressure on existing distribution centers, expect investors to seek new industrial assets in those areas.

Vacancy Remains Tight and Rents Climb Amid Rise in Speculative Construction

Tight vacancy produces another year of robust rent gains. Deliveries in the Detroit market will reach the highest point in more than 10 years with Amazon accounting for almost a third of the new inventory. The company opened a warehouse in Livonia last fall and has a fulfillment center in Romulus, as well as a distribution center in Shelby Township due for completion in 2018. While many of this year's projects are build-to-suit, speculative construction will escalate to 1.5 million square feet in 2018, as persistently low vacancy provides few options for tenants in need of large, modern space. A sizable portion of the new inventory will be delivered near the Detroit Metropolitan Wayne County Airport and northward along the Interstate 275 corridor into Livonia. Marketwide, the rise in speculative deliveries will nudge vacancy up by year end, although the rate will still be one of the tightest among major U.S. metros, keeping rent growth above the national level for the second consecutive year.

Detroit's solid industrial performance and yield potential keep investors active. Cap rates that average in the high-8 percent area and lower entry costs than other markets of its size are luring yield-seeking investors. Although costs are rising, the average price last year remained 5 percent below the 2007 peak. Many buyers are drawn to assets in the northeastern portion of the region, which has the metro's tightest vacancy rate. Here, buildings along the Highway 97 corridor from Warren to Chesterfield and near Mound Road are favored. Many local and regional investors search for Class C assets constructed in the 1980s to 1990s with less than 50,000 square feet that trade at first-year returns in the 8 percent to 9 percent span. Properties in Troy are also receiving heightened buyer interest. In this area, a lack of new inventory is holding vacancy at one of the lowest levels metrowide and driving rent growth.

2018 Market Forecast

NIPI Rank 3, up 3 places — Detroit climbs three positions this year due to tight vacancy and strong rent growth.

Employment up 1.7% — After 30,200 jobs were created last year, payrolls expand by 35,000 workers in 2018. This year's total includes the addition of roughly 4,300 manufacturing jobs.

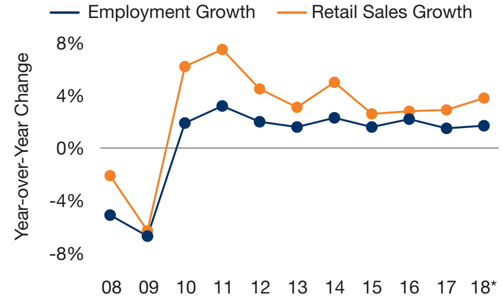
Construction 6 million sq. ft. — Developers will finalize 6 million square feet of industrial inventory during 2018, ramping up from 4 million square feet last year.

Vacancy up 20 bps — A rise in speculative deliveries will inch vacancy up to a still tight 3.3 percent at year end. The vacancy rate has stayed below 4 percent since the beginning of 2016.

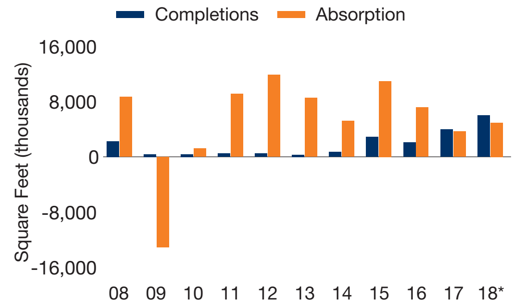
Rent up 8.5% — Building on a 9.5 percent surge last year, the average asking rent will soar 8.5 percent to $5.75 per square foot in 2018. Rents have jumped 34 percent since the beginning of 2015 but remain below the national average.

Investment — An increase in new inventory over the last several years should attract more out-of-state buyers at cap rates that are generally in the 7 percent range.

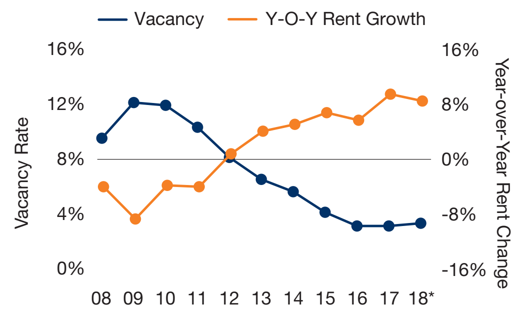
Employment vs. Retail Sales Trends



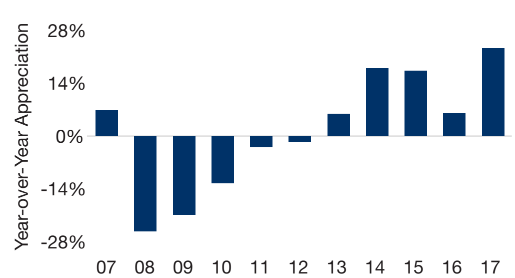
Industrial Completions



Asking Rent and Vacancy Trends

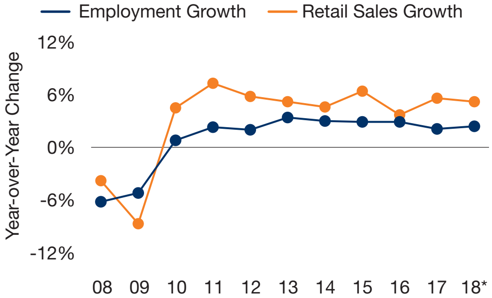


Price Per Square Foot Trends

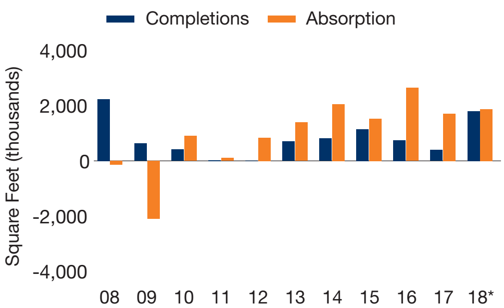


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

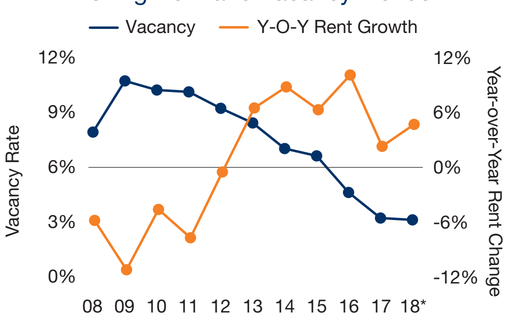
Employment vs. Retail Sales Trends



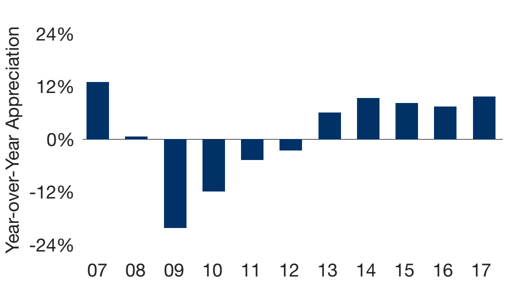
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Attractive South Florida Returns Drawing Buyers to Broward County

Industrial leasing activity to remain healthy in Broward County. Although the largest part of the economy is centered around the tourism sector, healthcare and marine companies also account for a significant share of industrial space demand. Warehouses that cater to the tourism sector, such as those housing hotel supplies and food distributors, should perform well again in 2018. The Fort Lauderdale-Hollywood International Airport recently reported an 11.5 percent increase in year-over-year traffic, a sign that the local tourism sector is expanding during the current prolonged economic expansion. Healthcare, meanwhile, benefits from the market's influx of retirees. From 2011 to 2016, the 55-plus cohort expanded by 18 percent compared with the marketwide average rate of 7.3 percent. Many of the area's healthcare facilities require off-site space to maintain inventory for patient needs. As these stalwart industries expand through the current economic upturn, absorption will remain healthy.

Highest returns in South Florida attracting local investors. After declining in 2016, the pace of warehouse deal flow soared back to levels on par with 2015 last year as buyers moved into the market to take advantage of higher yields. Most of the transactions were smaller properties where average cap rates were close to 8 percent, approximately 20 basis points higher than in neighboring Palm Beach County and 120 basis points above Miami rates. That gap is expected to tighten this year as investors move into the area in search of returns. Pompano Beach and Central Broward are both garnering additional attention from investors, while Southeast Broward has recorded a decrease in velocity over the past few years. The prevalence of assets with a vacancy component that could be filled with elevated rents was the driving force for the shift.

2018 Market Forecast

NIPI Rank
13, down 1 place
Despite some improvements, other markets outpaced Fort Lauderdale this year, lowering it one spot in the NIPI.

Employment
up 2.4%
Led by the education and health services, and leisure and hospitality sectors, employers will expand headcounts by 20,000 jobs this year. Last year, 17,300 spots were created in the metro.

Construction
1.8 million sq. ft.
Speculative construction is beginning in earnest this year as 1.8 million square feet of space comes online. Pre-leasing was 30 percent as the year commenced.

Vacancy
down 10 bps
Although leasing commitments are relatively light, strong demand will be sufficient to push down the vacancy rate to 3.1 percent.

Rent
up 4.7%
Average rents will climb to $9.15 per square foot in 2018. Asking rents eclipsed the pre-recession high watermark one year ago.

Investment
Flex space offers investors an alternative to both the warehouse and office sectors and generally attracts Fort Lauderdale's medical device companies. Cap rates for these assets begin in the mid-5 percent area.

Rising Container Traffic Bodes Well For Houston Warehouse Sector

Logistics firms supporting demand in northern suburbs. The Houston industrial market is bifurcated, though the strength of the sector is founded within the much larger warehouse sector, keeping overall conditions healthy. Flex space has struggled in recent quarters as leases by oil-related companies expire and those firms reconsider their long-term space needs. As a result, flex vacancy has drifted close to the 10 percent neighborhood, though conditions have stabilized over the past few quarters, including a downtick in the fourth quarter. The warehouse sector, which is 10 times the size of the flex market, is benefiting from the resumption of growth in Houston. As energy prices settle in a predictable range, hiring forecasts from both upstream and downstream oil companies have stabilized. Overall job growth, meanwhile, is gaining momentum as population growth stays healthy. Amazon, for example, is hiring 1,000 workers at its recently completed distribution center in Katy. Home Depot is also hiring thousands of local workers, serving as a barometer for the health of the housing market. After setting a record in home sales in early 2018, housing-related industrial space appears poised for improvement.

Demand for warehouse properties to stay elevated. Houston is one of the nation's largest manufacturing metros, largely focused on products that support oil extraction and refining. As the pace of shale oil production has slowed, so too has the need for expanding output. This could keep most investors shy when considering local assets. The other two major sectors, distribution and warehousing, however, should keep investors busy this year. More than a year has passed since the widening of the Panama Canal and container traffic soared by 11 percent last year. As a result, investors who purchase assets near the port will drive bidding for properties brought to the market in this area.

2018 Market Forecast

NIPI Rank 15, up 5 places — Houston gained five spots in this year's Index as demand outpaces supply, pushing down vacancy..

Employment up 2.5% — Employers will expand headcounts by 75,000 workers this year, up from 45,500 in 2017.

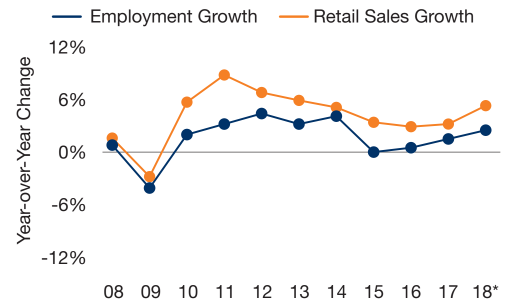
Construction 8.4 million sq. ft. — Inventory will expand 1.7 percent as development remains relatively stable from last year, when 8.1 million square feet was delivered.

Vacancy down 20 bps — Despite an uptick in construction, vacancy will compress 20 basis points this year to 5.2 percent. In 2017, vacancy inched up 10 basis points.

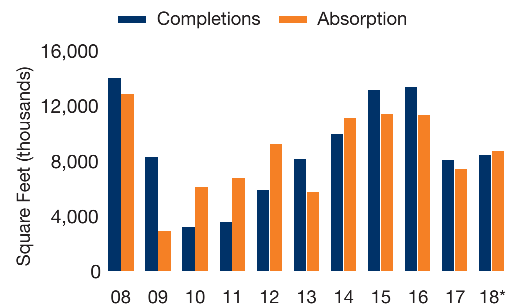
Rent up 2.0% — Average rents are set to climb to $6.64 per square foot this year, up from $6.54 at the end of last year.

Investment — As housing construction and population growth remains focused on areas north and west of Houston's core, warehouses within proximity of these suburbs will be in high demand by both tenants and investors. Small, "last mile" warehouses will garner significant attention from investors attempting to take advantage of online sales.

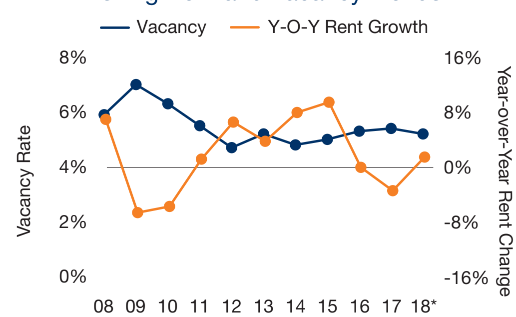
Employment vs. Retail Sales Trends



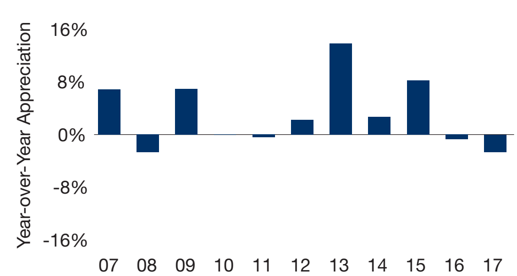
Industrial Completions



Asking Rent and Vacancy Trends



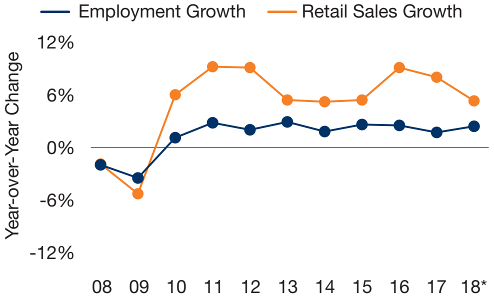
Price Per Square Foot Trends



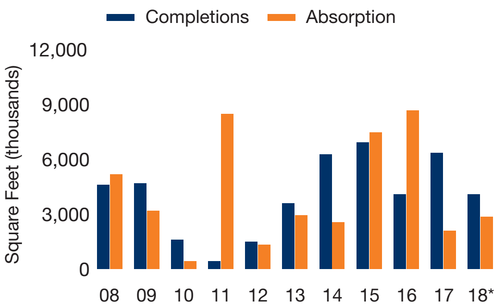
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

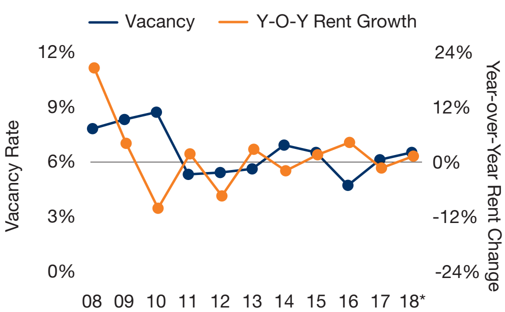
Employment vs. Retail Sales Trends



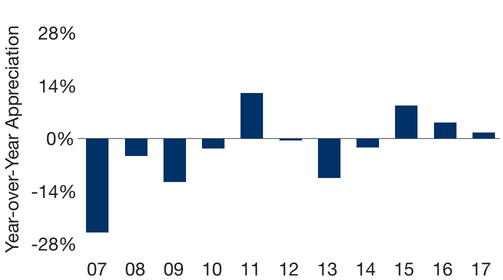
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Speculative Development Draws Yield-Driven Investors to Southwestern Suburbs

Expanding workforce contributes to elevated completions. With lower industrial rents than the majority of Upper Midwest metros, Indianapolis remains an attractive option for companies seeking space in a major Midwestern city. The market's status as a strong regional distribution hub, along with this year's robust household growth, makes the industrial sector enticing as businesses attempt to bring their product closer to the region's most populated centers. Favorable trends encourage developers to record another year of heightened deliveries, half of which will be speculative space. Submarkets adjacent to Indianapolis International Airport gain the most inventory as half of this year's completion total is located in this area, including the metro's largest project slated for delivery. The 708,000-square-foot facility, which is part of bulk distribution park AllPoints Midwest, provides access to air freight and rail service. The suburb of Whitestown also registers notable construction activity, headlined by a 410,000-square-foot expansion at Fishback Creek Business Park. As development remains intensified, the metro posts a vacancy uptick for the second straight year while attempting to adjust to the influx of supply.

Assets close to urban core provide local buyers options. Favorable yields and near-cycle-high rents draw investors searching for value-add investments to central Indiana. Class C warehouses near the city center, particularly those located along Southeastern Avenue, garner interest from buyers seeking space in the $1 million to $5 million price tranche. These properties can net cap rates in the low-8 percent realm and offer investors renovation opportunities to become more competitive with upgraded space in neighboring submarkets. Institutional investors look to deploy capital in newer assets near Indianapolis International Airport where initial yields sit in the high-5 to low-6 percent span.

2018 Market Forecast

NIPI Rank 23, down 6 places — Rising vacancy and tempered rent growth contribute to Indianapolis' six-slot dive.

Employment up 2.4% — Employers will generate 25,500 new positions this year, following last year's sum of 17,500 jobs.

Construction 4.1 million sq. ft. — Although the pace of development slows this year, Indianapolis has reported the completion of at least 3.5 million square feet each year since 2013. In 2017, the metro delivered 6.3 million square feet.

Vacancy up 40 bps — This year vacancy will rise to 6.5 percent. Last year, vacancy ascended 140 basis points.

Rent up 1.3% — The average asking rent will increase in 2018 following a year of rent depreciation. This year's price climbs to $3.87 per square foot.

Investment — Investors will continue to focus capital into value-add opportunities located near downtown and in inner-ring suburbs. Northern, outer-ring suburbs also receive buyer interest as population growth and commercial development intensify in these parts.

Extremely Tight Vacancy Underscores Substantial Rent Hikes Across Los Angeles Industrial Sector

A national rise in retail sales should support the twin ports. An increase in consumer spending this year could trigger a rebound in container traffic at the Port of Los Angeles in 2018, boosting the local industrial sector. Last year, inbound loaded container traffic declined by 9 million TEUs, though the decline amounted to just 2 percent. Significant tax cuts that will begin to put additional discretionary income into consumers' wallets at the end of the first quarter could ignite additional spending, encouraging retailers to raise inventory heading into the second quarter. Outside of the important trade sector, population-serving industrial is performing well. Firms that cater to the housing sector, particularly in San Gabriel Valley, have pushed vacancy to among the lowest in the nation. Little relief on tight conditions is projected as development remains subdued. Approximately 4 million square feet of speculative space is underway in the county, representing well less than 1 percent of inventory.

Assets in secondary locations offering higher returns. Industrial assets in Los Angeles capture plenty of investor attention, which has pushed average cap rates below the 5 percent threshold. Properties with less than 25,000 square feet make up the bulk of transactions, accounting for nearly 75 percent of all deals. Average first-year returns for these properties were 5 percent last year and are expected to remain in a similar range in 2018. Central Los Angeles, which was most targeted by investors last year, could experience a slowdown in interest from leveraged buyers after average cap rates dipped below 4 percent. El Segundo, which is adjacent to LAX, also remains in high demand. A dearth of available properties could keep yields compressed in this area as well. Buyers seeking higher yields will look for assets in San Gabriel Valley, where returns can average 100 basis points above the metrowide average in some cases.

2018 Market Forecast

NIPI Rank 1, up 2 places — Extremely tight vacancy and robust rent growth vault Los Angeles to the top of this year's Index.

Employment up 1.2% — Employers are expanding headcounts by 53,000 spots in 2018, on the heels of 46,700 additions last year. Unemployment is expected to remain in the low-4 percent range this year.

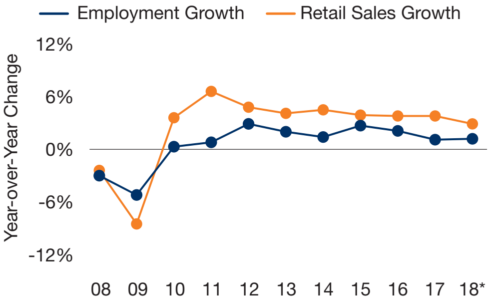
Construction 4.6 million sq. ft. — After adding 6.5 million square feet last year, developers will expand stock 0.6 percent this year. Over the past five years, annual deliveries totaled 17.4 million square feet.

Vacancy down 10 bps — Strong demand will push down the vacancy rate 10 basis points to 1.9 percent this year. The rate has remained close to 2.0 percent for the past 10 quarters.

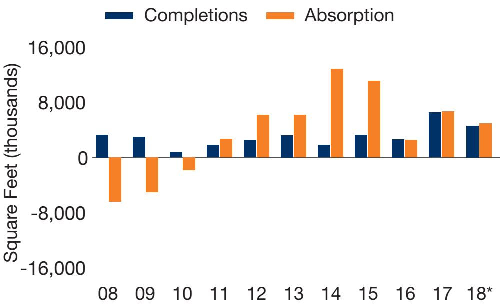
Rent up 9.5% — Extremely tight conditions facilitate a 9.5 percent jump in average asking rents to $11.59 per square foot.

Investment — Many investors will consider properties near the Port of Long Beach. Last year, container throughput increased by 11 percent, bucking the trend at the adjacent Port of Los Angeles.

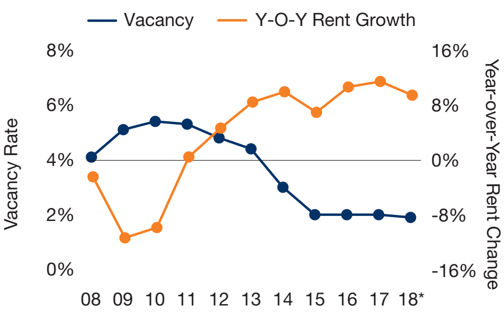
Employment vs. Retail Sales Trends



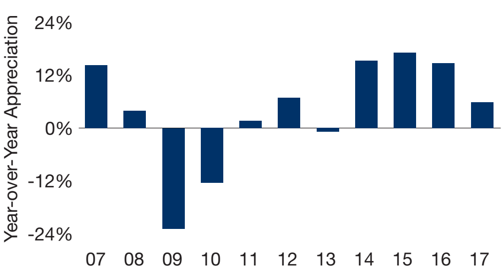
Industrial Completions



Asking Rent and Vacancy Trends

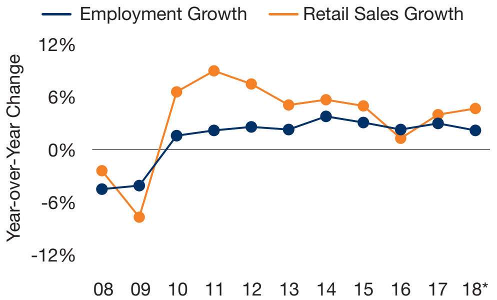


Price Per Square Foot Trends

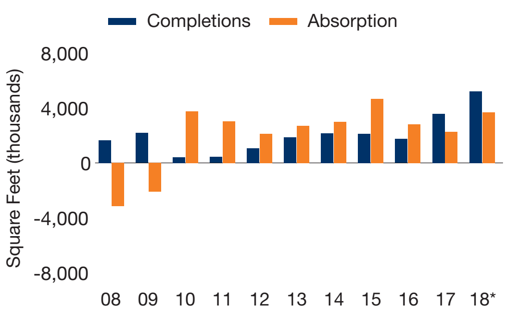


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

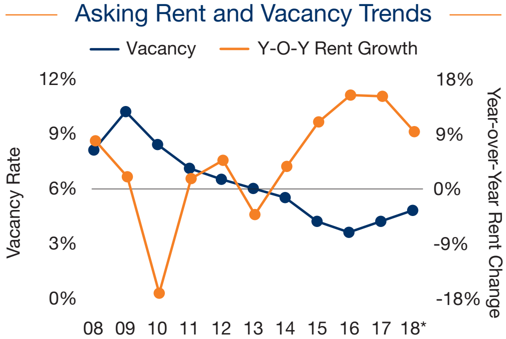
Employment vs. Retail Sales Trends



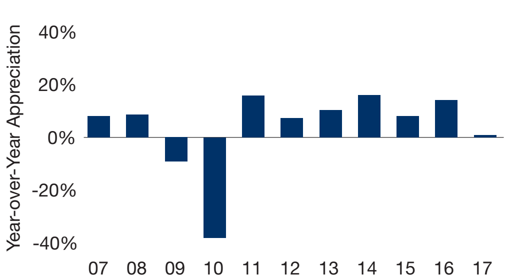
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Investors Attracted to Airport Industrial Area; International Buyers Remain Active

Housing construction buttressing local industrial sector. Developers continue to focus on condo construction in South Florida and in Miami-Dade in particular. More than 5,000 condos have been delivered to downtown Miami since 2012 and another 5,000 are underway. Local industrial assets serve as a staging area for these high-rise developments, and sufficient demand for condos will test the structural demand drivers for the market in the coming years. Additionally, the Miami International Airport is the nation's busiest in terms of international freight, accounting for approximately 2 million tons of cargo in 2017. The increase represents a 2.6 percent rise from the previous year, and further gains will buoy industrial operations in the area. Although demand remains healthy, a jump in construction this year will lift vacancy modestly for the second consecutive year. The city of North Miami Beach and outlying suburbs of Miami-Dade will receive the largest share of industrial completions, accounting for 3.2 million square feet of new warehouse space.

Activity poised to accelerate this year after a late-year slowdown. After Hurricane Irma dampened sales velocity in the second half of last year, buyers could resume the pace of acquisitions recorded in 2016. Last year, deal flow decreased slightly more than 10 percent, mostly due to a 20 percent decrease in sales over the past four months of the year as cleanup efforts were focused. Average cap rates inched up 10 basis points last year to the mid-6 percent range, though weakness in valuations are not the likely cause. Investors targeted older and smaller buildings, which tend to command lower rents. This year, investors will focus their attention near Miami International Airport and the Hialeah submarkets. Average cap rates in these areas are in the low-6 percent range and mid- to high-6 percent area, respectively.

2018 Market Forecast

NIPI Rank 10, down 2 places — Amid increasing vacancy, Miami-Dade retreats two spots in the Index this year.

Employment up 2.2% — Employers will add 26,000 jobs this year, building on last year's increase of 35,300 positions. By year end, payrolls will be 15 percent above the pre-recession peak.

Construction 5.2 million sq. ft. — Builders are ramping up construction in the county, with deliveries expected to lift inventory by 2.5 percent. Approximately 67 percent of the new development was pre-leased at the beginning of the year.

Vacancy up 60 bps — Despite strong pre-leasing activity, vacancy is projected to finish the year at 4.8 percent. In 2017, vacancy also climbed 60 basis points.

Rent up 9.4% — Average asking rents will finish the year at $12.20 per square foot as the pace of growth slows. Last year average rents soared 15.2 percent.

Investment — Smaller properties typically change hands at average cap rates in the high-6 percent range, offering a 40-basis-point premium over the marketwide rate.

Foxconn Excitement Propels Milwaukee Industrial Assets Amid Plunging Vacancy

Strong industrial foundation fueling robust absorption, rent growth. Consistent employment growth and surging demand for e-commerce goods have driven a powerful wave of industrial absorption in Milwaukee. The metro's vacancy rate has fallen more than 300 basis points since peaking in 2012 and there is little evidence of a slowdown for the foreseeable future. Renewed interest from both developers and tenants has been sparked following the announcement of a 20 million-square-foot facility for tech manufacturer Foxconn. Coupled with the presence of a 1.5 million-square-foot Amazon fulfillment and sorting facility, the metro has quickly become a hub for distribution and specialty manufacturing. Despite the persistent growth in asking rents and net absorption, construction will slump to a five-year low in 2018, with four properties averaging roughly 120,000 square feet coming online. The limited supply will do little to slow overall momentum, pushing vacancy to the lowest level of the current cycle, while asking rents will breach the high watermark recorded in 2008.

Prices moderate as buyers broaden search criteria; yield-motivated investors flourish. Elevated cap rates that average in the low-7 percent range coupled with robust gains in NOIs are drawing investors to Milwaukee assets. A confluence of positive headlines from Foxconn and Amazon have reassured would-be buyers of the upside potential in the market. Meanwhile, owner-users continue to scour for quality assets, particularly in Racine and Milwaukee counties. The industrial corridors to the northwest and south of the core will draw particular interest from institutional investors seeking rates of return that are not easily achievable in larger metros. Assets over 250,000 square feet are the most desirable and allow these buyers to deploy a considerable amount of capital quickly.

2018 Market Forecast

NIPI Rank 19, up 6 places — A sizable vacancy reduction catapults Milwaukee into the top 20.

Employment up 1.2% — Employers will create 10,000 jobs this year. In the prior 12 months, 7,700 positions were added to payrolls.

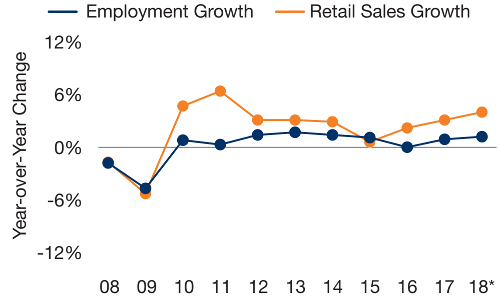
Construction 480,000 sq. ft. — Development will be cut roughly in half this year compared with last year's 930,000 square feet.

Vacancy down 90 bps — After declining 80 basis points in 2017, vacancy will contract 90 basis points to 3.6 percent this year as construction fails to keep up with elevated demand.

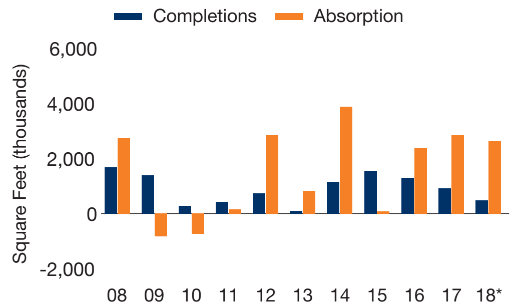
Rent up 3.0% — Intense demand for existing space will pressure the average asking rent 3.0 percent higher this year to $4.53 per square foot. Last year, rents gained 1.4 percent.

Investment — A large inventory and asking rents that lag the market in Milwaukee County will motivate investors to seek properties as tight vacancy elsewhere encourages stronger absorption and asking rents.

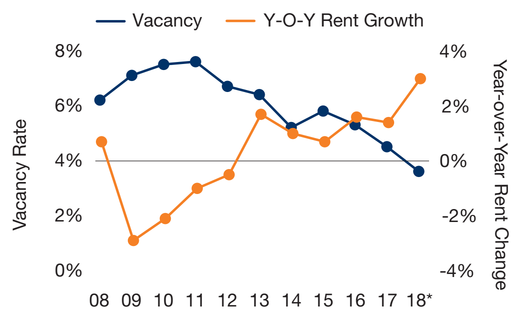
Employment vs. Retail Sales Trends



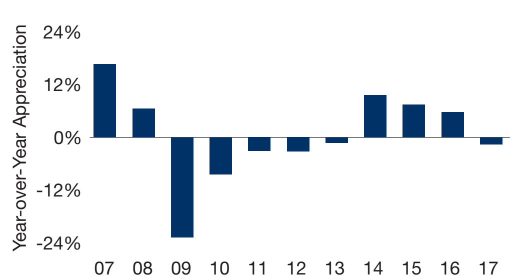
Industrial Completions



Asking Rent and Vacancy Trends

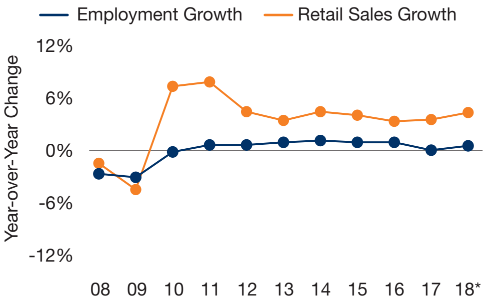


Price Per Square Foot Trends

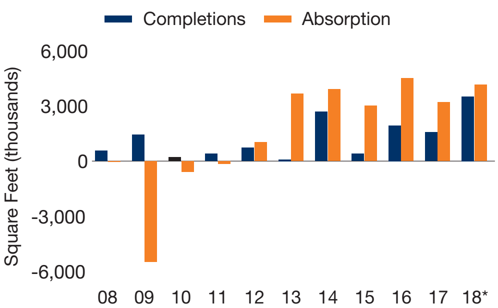


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

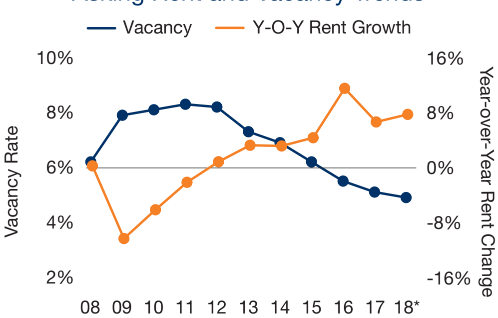
Employment vs. Retail Sales Trends



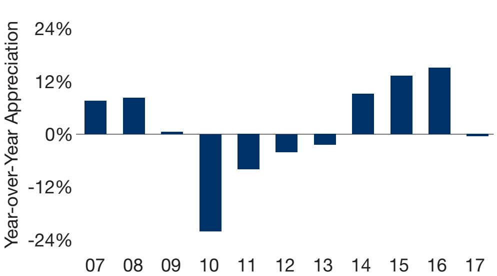
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Last-Mile Distribution Strategies Boost Northern New Jersey Industrial Assets

Affordability and access to customers driving exceptional net absorption. Offering the most moderate rates for industrial space in the tri-state area, properties in Northern New Jersey have undergone significant improvement over the last several years. The advent of same-day delivery models, coupled with surging spending on e-commerce, has encouraged healthy demand throughout the region. Rental rates have lifted past the pre-recession highs, boosted by net absorption that has exceeded 3 million square feet annually for five years straight. Despite the robust decline in vacancy, development has remained relatively benign before this year, averaging less than a million square feet annually since 2010. Combined with strong demand from distribution and warehouse tenants seeking operations near the port and access to more than 20 million residents in the tri-state area, vacancy is set to contract below 5 percent regionwide this year. As a result, average asking rent growth will accelerate as tenants vie for the little remaining space on the market.

Industrial prices tread water amid bifurcating marketplace, rising cost of capital. While the recent uptick in interest rates has raised borrowing costs moderately, both owner-users and investors remain active buyers of Northern New Jersey industrial assets. First-year returns will average in the mid-6 percent range, offering strong motivation to seek well-located properties, particularly those with the modern amenities most sought after by the distribution firms that dominate the metro. However, the most desirable assets can exchange ownership with cap rates in the mid-4 percent range, restraining income-oriented institutions to new build product and larger-scale footprints. Value-add opportunities have remained a staple due to a lack of construction, yet pricing for these assets is beginning to hinder the value proposition from considerable capital outlays.

2018 Market Forecast

NIPI Rank 4, no change — Stout net absorption helps Northern New Jersey retain its spot in this year's Index.

Employment up 0.5% — After creating 800 jobs in 2017, employment growth rebounds to 10,000 positions this year.

Construction 3.5 million sq. ft. — Development more than doubles from 1.6 million square feet last year to above 3.5 million square feet this year as construction reaches the highest point of the current cycle.

Vacancy down 20 bps — Steady net absorption contracts vacancy 20 basis points to 4.9 percent this year. Last year, vacancy slipped 40 basis points.

Rent up 7.8% — After gaining 6.7 percent last year, the average asking rent vaults 7.8 percent in 2018 to $8.20 per square foot as demand for space remains elevated.

Investment — Large floor plates in Bergen and Hudson Counties are becoming exceedingly rare, dramatically raising prices when brought to market.

East Bay Rents and Prices Rise As Vacancy Plumbs Cycle Lows

Broad economic strength, relative affordability boosting industrial market. Buoyed by years of job growth and lower rental rates by Bay Area standards, Oakland industrial properties are in high demand. Despite booming net absorption, which has exceeded 4.5 million square feet in four of the past five years, development has consistently lagged demand, maintaining vacancy below 4 percent metrowide. Construction will reach 2.6 million square feet this year, led by two industrial parks along the I-880 corridor in San Leandro and Hayward, which will generate strong demand from distribution and warehouse tenants. A tick up in speculative space elsewhere in the metro will prompt a more measured improvement in vacancy this year, yet conditions remain extremely tight. A lack of quality space in the market will continue to pressure asking rents, with growth reaching the double digits for the third year out of the last four.

Activity peaked last year and should remain robust again in 2018. Investors are seeking to take advantage of high prices in other property types across the Bay Area by utilizing the 1031 exchange to reposition their portfolios. The surge in 1031-exchange purchases recorded in 2017 should continue as industrial properties offer attractive yields. Average cap rates in the metro are in the high-5 percent range, approximately 120 basis points above apartment cap rates. Warehouses, in particular, are in strong demand as activity soared by 50 percent between 2016 and 2017. Although deal flow accelerated, the size of the warehouses that changed hands declined by 33 percent as buyers focused their efforts in core locations. Furthermore, cap rates for these properties were approximately 75 basis points above those for large properties.

2018 Market Forecast

NIPI Rank 7, down 2 places — Limited hiring activity results in Oakland descending two positions in the NIPI Rank.

Employment up 0.6% — Oakland employers will create 7,000 new jobs this year, hindered by unemployment below 3.6 percent. Last year, 12,900 positions were created.

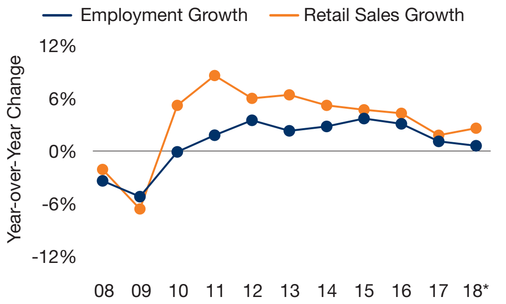
Construction 2.7 million sq. ft. — Developers raise construction to the highest level in more than a decade, doubling the 1.3 million square feet completed in 2017.

Vacancy down 10 bps — The metrowide vacancy rate contracts to 3.8 percent this year as net absorption marginally outpaces deliveries. In 2017, vacancy was unchanged.

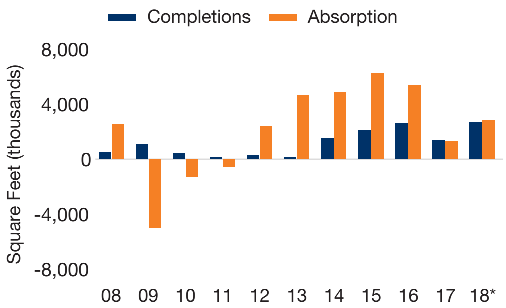
Rent up 13.2% — The average asking rent will vault 13.2 percent higher in 2018 to $15.12 per square foot after soaring 21.2 percent last year.

Investment — Outlying assets in east Contra Costa County will garner broad attention from investors due to their higher yields and prospects for long-term health as home construction in the area ramps up.

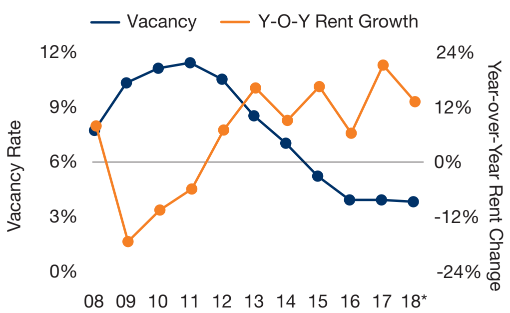
Employment vs. Retail Sales Trends



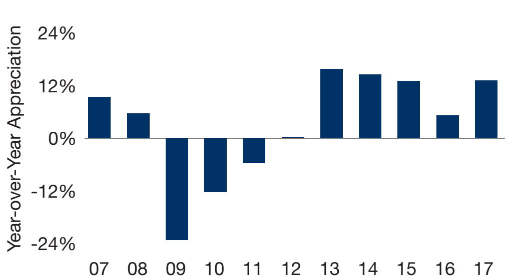
Industrial Completions



Asking Rent and Vacancy Trends

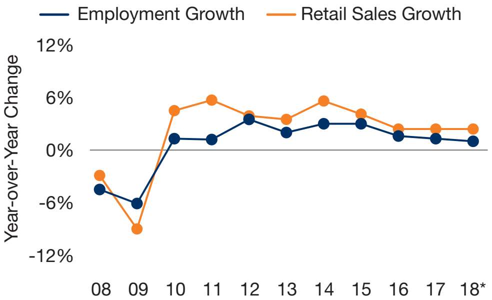


Price Per Square Foot Trends

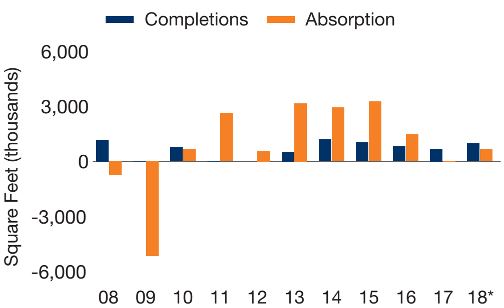


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Employment vs. Retail Sales Trends



Industrial Completions



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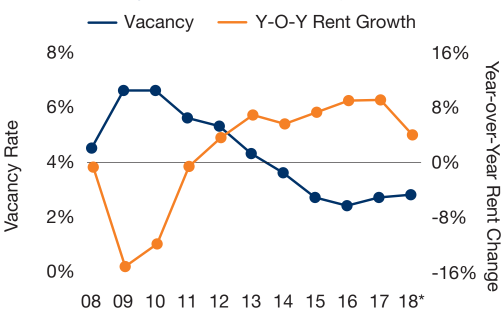
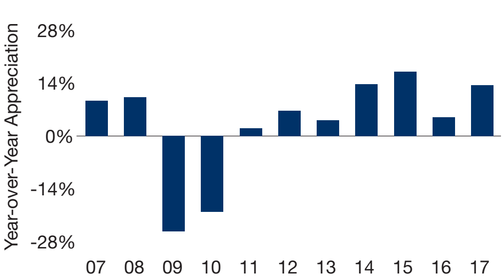


Price Per Square Foot Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Tight Vacancy in Anaheim Encouraging Investors, Tenants to Expand Search Horizon

Orange County vacancy to remain among the lowest in the nation. Unlike neighboring Los Angeles and the Inland Empire, Orange County's industrial market is far more dependent on local economic conditions than national trade. Although local employment growth has started to slow, conditions will remain tighter than the national average, providing operators sufficient leverage to lift rents at a healthy pace. The largest question mark facing the industrial sector this year is the extent that the Tax Cuts and Jobs Act will reprice the housing market. Many of the incentives to owning a home in Orange County, including mortgage deductions and a cap on state tax deductions, have evaporated, and some buyers will wait to see where valuations settle. Although a temporary slowdown in the housing market could hurt warehouse users in the short term, sufficient demand will persist to keep vacancy well below full-occupancy levels. Population-serving firms will cover slack in the leasing sector, similar to Amazon's 240,000-square-foot deal inked in Buena Park last year.

Rising rents have users seeking their own properties. Small buyers and owner-users will dominate the investment landscape this year. Rents have soared by more than 50 percent since the trough following the recession. Tenants that signed leases a few years ago and who are facing much steeper rental rates in today's market will be motivated to consider purchasing their own buildings. Average cap rates for these buildings, which tend to be less than 25,000 square feet, are in the low-5 percent range. In fact, first-year returns do not fluctuate much throughout the various size tranches. Warehouse buyers may need to look outside of the Anaheim, which is the metro's largest submarket. Vacancy here is close to 1 percent, limiting opportunities for owner-users. Traditional investors will likely pay a premium for properties in the attractive submarket.

2018 Market Forecast

NIPI Rank
5, down 3 places
Slowed employment growth and rising vacancy drops Orange County three spots.

Employment
up 1.0%
A dearth of available talent will leave many job openings unfilled this year, limiting payroll expansion to just 1 percent. Entering the year, unemployment in the county was below 3 percent.

Construction
960,000 sq. ft.
Less than 1 million square feet of space will come online this year, a modest uptick from the 680,000 square feet completed in 2017.

Vacancy
up 10 bps
Healthy demand and modest supply additions will keep vacancy extremely low across the county at 2.8 percent. Last year, vacancy inched up 30 basis points.

Rent
up 4.0%
The pace of rent growth will ease to 4.0 percent in 2018 as average asking rents reach $10.85 per square foot.

Investment
Investors searching for smaller assets will compete with owner-users this year after rents soared by an average of 7.6 percent during the past five years. Low vacancy suggests multi-tenant properties will perform well.

Expanding Economy Incites Amplified Development, Strong Investor Interest

Low vacancy contributes to healthy rent growth. Exceptional household formation and employment growth in recent years has prompted businesses to seek industrial space closer to central Florida's rapidly growing population as the need for additional distribution channels has increased. Robust demand reduced the metro's vacancy rate 280 basis points since 2015, aided by sub-3 percent rates in northeast Orange County and north Osceola County. To help alleviate tight market conditions, construction levels will remain heightened this year, specifically in Orlando's northwestern sections where over 1 million square feet is slated for delivery. A large portion of that development is located along Florida 429 in Ocoee and Winter Garden where speculative space comprises the majority of the new supply. Other notable expansions include two warehouses at Horizon Commerce Park in the Sky Lake area, which will combine for roughly 240,000 square feet of space. Rents post one of the largest increases in the nation this year as vacancy remains low.

Favorable returns attract diverse array of buyers. Tight vacancy and new inventory lured investors to Orlando in past years, sparking escalated transaction velocity. Sales activity should remain strong again this year as local investors seek warehouses in the Seaboard Industrial neighborhood just northwest of downtown. Although assets in this area lack some modern amenities found in facilities in southern parts of the metro, this Class B/C space allows buyers with limited capital to invest in value-add opportunities as cap rates may extend into the upper-8 percent band. Institutional investors look to deploy capital into Class A assets near Orlando International Airport. Here, space sells upward of $50 per square foot and initial returns fluctuate in the low-6 to low-7 percent range.

2018 Market Forecast

NIPI Rank 22, no change — An expanding workforce allows Orlando to retain its 22nd spot in the Index.

Employment up 3.1% — Hiring continues as 40,000 workers are added to payrolls this year. This is the sixth consecutive year employment growth exceeds 3 percent.

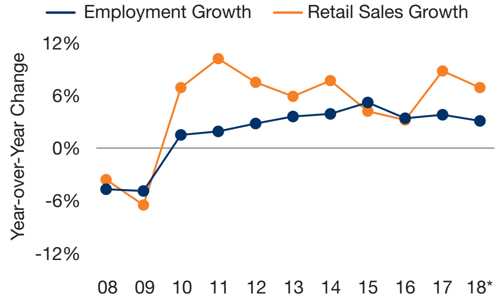
Construction 2.3 million sq. ft. — Following a completion total of 2.6 million square feet last year, Orlando records a minor slowdown in development in 2018.

Vacancy up 10 bps — With much of the new space largely unleased, vacancy logs a slight uptick this year, pushing the rate to 4.4 percent. Last year, vacancy dropped 50 basis points.

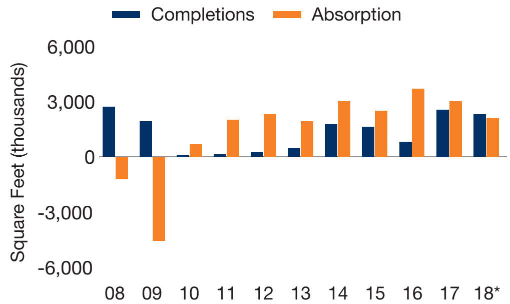
Rent up 8.1% — Consistent demand in the Orlando industrial market results in a notable rise in the average asking rent, pushing the figure to $6.39 per square foot.

Investment — As household formation continues to intensify, investors will seek new space in outer-ring suburbs due to surging demand for consumer goods in these parts.

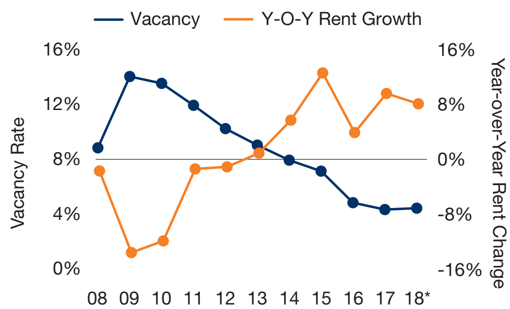
Employment vs. Retail Sales Trends



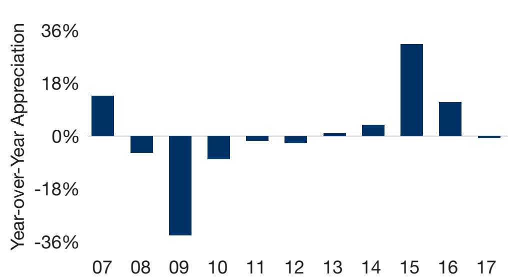
Industrial Completions



Asking Rent and Vacancy Trends



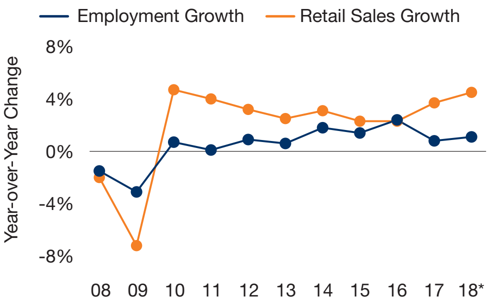
Price Per Square Foot Trends



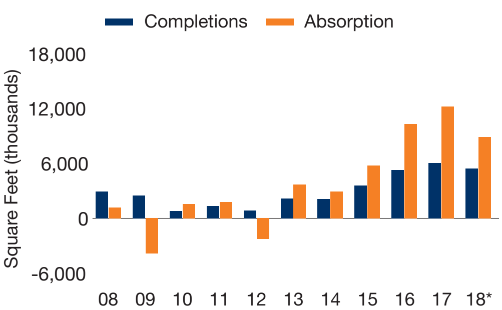
* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Six Years of Absorption Outpacing Supply Strengthens Philadelphia Industrial Assets

Employment vs. Retail Sales Trends



Industrial Completions



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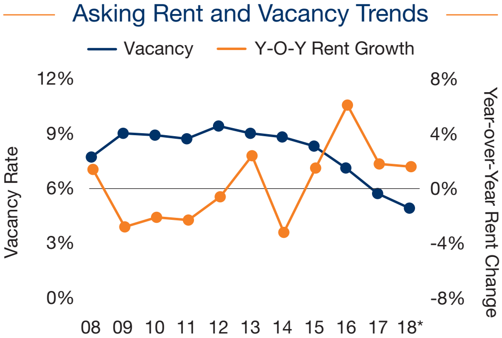
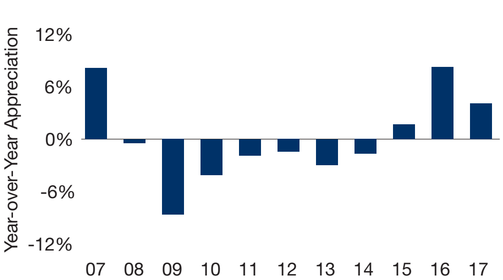


Price Per Square Foot Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Falling construction, consistent demand drive vacancy to cycle lows. Amid steady economic growth throughout the metro, unemployment has fallen below 5 percent as broad-based demand for workers boosted hiring. Industrial assets have helped to fuel the improvement, pushing vacancy in the sector below 6 percent, the lowest level of the current cycle. Meanwhile, construction is beginning to roll over from the cycle high reached in 2017, which should further bolster market prospects over the coming year. The pipeline is fairly spread out, with moderate concentration in southern New Jersey, where nearly half of the new supply will be located this year. Elsewhere, speculative distribution spaces near major interstates throughout the Lehigh Valley will round out new additions. As a result, tight conditions in vacancy will contribute to a sharp decline in vacancy as leasing activity heats up. These factors will drive another year of asking rent growth that passes $5 per square foot for the first time since 2008.

Tri-state area investors and owner-users active amid a multitude of opportunities. Boosted by a wide array of opportunities, buyers have been scouring the metro for industrial properties with cap rates beginning in the mid-7 percent range. Owner-users are scanning the suburbs for quality facilities near transportation routes for distribution and warehouse uses, taking advantage of easy access to multiple large East Coast metros. Meanwhile, investors from the tri-state area are seeking yields that can exceed their home markets by more than 300 basis points. A selection of 1970s- and 1980s-built construction will capture the attention of value-add buyers, allowing quick upgrades to modernize the assets in order to achieve more robust NOIs. Several new builds in Cecil County will encourage more buyers to search for assets in the area.

2018 Market Forecast

NIPI Rank 12, down 2 places — Philadelphia falls two positions in the NIPI ranking as markets with stronger employment and rental increases outpaced it.

Employment up 1.1% — Philadelphia employers will add 33,000 people to staffs this year, growing the workforce 1.1 percent. Last year, 24,100 positions were created.

Construction 5.4 million sq. ft. — Developers will complete 5.4 square feet of industrial space in 2018, representing a moderate decline from the previous yearlong period when more than 6 million square feet was brought online.

Vacancy down 80 bps — The metrowide vacancy rate will contract 80 basis points to 4.9 percent this year. Last year, Philadelphia recorded a 140-basis-point drop.

Rent up 1.6% — Following a 1.8 percent advance in 2017, the average asking rent will climb 1.6 percent to $5.07 per square foot this year.

Investment — Assets in Burlington and Camden Counties will be sought after by investors seeking more robust rent growth over the coming year.

Vibrant Economy Drives Speculative Construction, Pushes Rents to Cycle High

Developers focus on Phoenix as alternative shipping hub. Due to the metro's relative proximity to the ports in LA and considerably lower costs compared with the Inland Empire, construction achieved a high this year with the majority of development taking place in the West Valley. The largest facility slated for delivery is the TEN project; its first phase, which will finish by midyear, contains 1.1 million square feet of speculative space near I-10 in Tolleson. The building is surrounded by other corporate distribution centers, such as those for QT and Target. Pet-related online retailer Chewy.com also established a presence this year with an 800,000-square-foot distribution center in Goodyear. Due to heightened completions, vacancy will log a slight increase this year after noting reductions in the previous four years. Despite the increase, demand remains strong as the metro's vacancy has slid 260 basis points since 2014. Rents report a modest rise this year as a heightened amount of space becomes available, much of which is unleased.

Industrial space near urban core entices in-state buyers. Local and regional investors continue to direct their interest to Phoenix this year, lured by lower entry costs and first-year yields up to 200 basis points higher than nearby markets in Southern California. Warehouses in the East Valley, particularly Chandler and Tempe, serve as viable options to institutional investors looking to deploy capital into Class A space. Initial returns for these assets range in the mid-5 to mid-6 percent realm. Manufacturing facilities around Phoenix Sky Harbor International Airport and in the various industrial districts just south of Grand Canyon University changed hands to become owner-user assets this year due to relatively low entry costs. Cap rates for these spaces typically sit in the upper-7 to lower-8 percent band.

2018 Market Forecast

NIPI Rank 27, no change — Phoenix remains in the 27th position as rents increase by a modest amount and construction accelerates.

Employment up 2.6% — Phoenix organizations are anticipated to add 53,100 employees to payrolls this year. This follows the staffing of 37,300 hires in 2017.

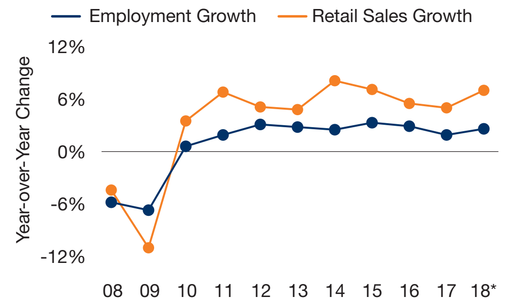
Construction 8.9 million sq. ft. — The pace of development accelerates in 2018 as completions increase 36 percent compared with last year's total of 6.5 million square feet.

Vacancy up 20 bps — Net absorption fails to keep stride with this year's amplified construction activity, allowing vacancy to climb and putting the rate at 8.2 percent.

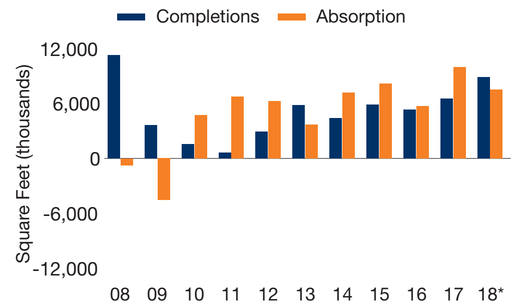
Rent up 2.7% — The metro reports a small rise in average asking rent in 2018, placing the figure at $7.18 per square foot. Last year, rents increased 3.2 percent.

Investment — Expect investors to capitalize on intensified household formation in southwestern parts of Phoenix, as developers construct speculative space to support necessary distribution channels closer to the growing populace.

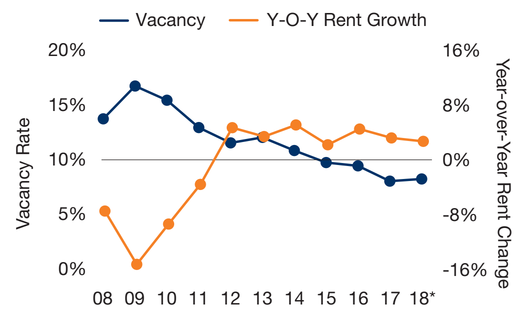
Employment vs. Retail Sales Trends



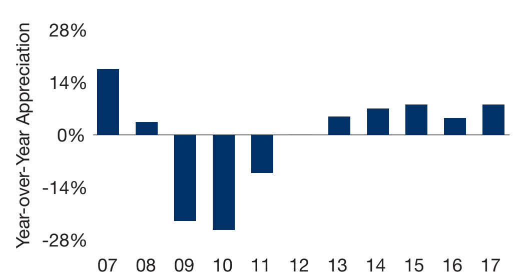
Industrial Completions



Asking Rent and Vacancy Trends

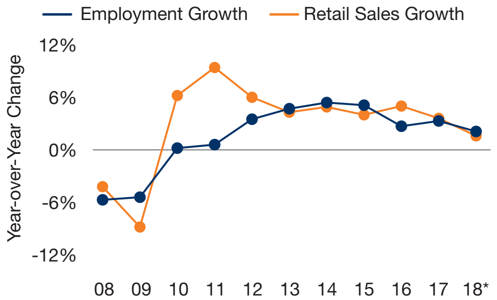


Price Per Square Foot Trends

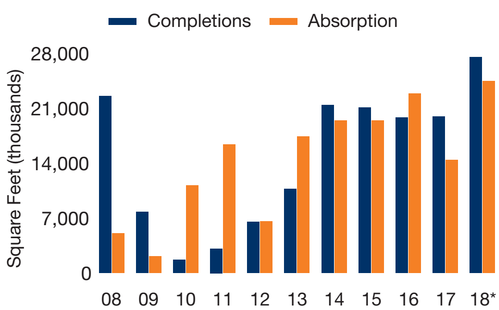


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

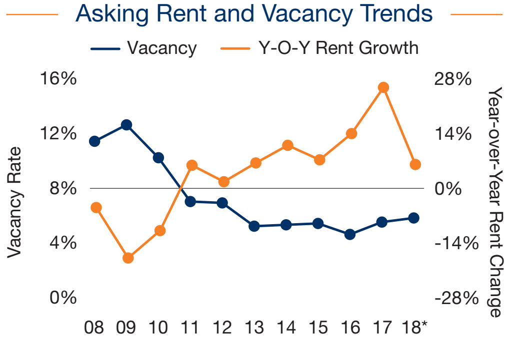
Employment vs. Retail Sales Trends



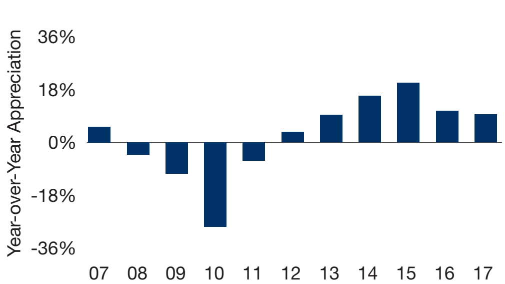
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Fast-Growing Economy Generates Heightened Construction in Metro's Eastern Half

Strong demand results in stout net absorption. With ample room for industrial expansion in the Inland Empire's eastern sections, the metro continues to serve as a leading market for businesses seeking to establish or strengthen international trade based on its proximity to major U.S. ports. Robust demand prompted developers to add over 80 million square feet of industrial space in the past four years, along with pushing the 2018 completion sum to a cyclical high. Amazon and Monster Energy headline this year's new supply with 1 million-plus square-foot facilities in Eastvale and Rialto, respectively. Construction will be most intense in the I-215 corridor through Riverside extending south into Moreno Valley. Considerable amounts of new space that are largely unleased will allow vacancy to climb in 2018, marking the second straight year the metro's rate has eclipsed the national measure. Amid rising vacancy, the market records subdued rent growth compared with last year's exceptional advancement, although the increase still remains similar to the national rate.

Wide array of options keeps local buyers interested. Riverside-San Bernardino's ability to act as a national distribution hub underscored investor activity last year. In-state buyers should account for nearly all transactions this year as industrial assets offer investors opportunities to reposition their portfolios and capitalize on more favorable initial returns than other property types in Southern California. Class B space around the LA/Ontario International Airport remains highly sought after at cap rates in the mid-5 to 6 percent range. Large Class A distribution centers and warehouses along I-10 in Fontana attract a number of institutional investors. These assets typically net first-year yields in the mid-4 to 5 percent span.

2018 Market Forecast

NIPI Rank 8, down 1 place — Inclining vacancy and another year of escalated deliveries cause Riverside-San Bernardino to slip one spot.

Employment up 2.1% — A compressed unemployment rate leads to slowed hiring this year. Inland Empire businesses add 30,700 workers in 2018 compared with 47,300 employees last year.

Construction 27.5 million sq. ft. — Development experiences a sizable boost compared with last year's total of 19.9 million square feet.

Vacancy up 30 bps — Amid a period of heightened completions, vacancy posts an uptick in 2018, putting the rate at 5.8 percent. Last year, vacancy rose 90 basis points.

Rent up 6.1% — Following an advance of 25.8 percent in 2017, rent growth slows this year as the average asking rent ascends to $8.06 per square foot.

Investment — As more corporations establish locations in the Riverside-San Bernardino metro, demand will continue to rise, luring investors seeking lower entry costs and higher yields than areas closer to the sea ports, as well as growing consumer base.

Improving Operations and Upside Potential Drawing Investors to Sacramento Industrial Assets

Late recovery in Sacramento highlighted in industrial sector. The metro benefits from its proximity to the Bay Area and extremely tight vacancy there. Local warehouses serve as a low-cost alternative to high-priced space in Oakland. As the gap in warehouse rents between the East Bay and San Jose continues to tighten, more companies should leverage the market as an overflow destination. In fact, warehouse rents are less than half of those in the East Bay. As a result, vacancy that was close to 10 percent as recently as late 2015 will compress below 5 percent by year-end 2018. Sacramento is also appealing to retirees priced out of the Bay Area. The 55-plus cohort was the fastest-growing segment from 2010 to 2015, largely due to the affordability of the housing market. As a result, healthcare is a growing business in the area. McKesson Corp., for example, is developing a 320,000-square-foot distribution center in Roseville.

Buyers targeting replacement properties in Sacramento's industrial assets. Historically low cap rates across all property sectors in the Bay Area has many owners enthusiastic about arbitrage plays, though identifying the upleg of a 1031 exchange within the prescribed window can be challenging. Investors willing to venture into the Central Valley can acquire industrial properties at first-year returns approaching 7 percent. Several buyers have utilized this strategy in recent years, doubling industrial sales velocity between 2016 and 2017. Strong projected rent growth in Sacramento and stagnating operational performance in many Bay Area submarkets will make this a viable strategy again this year. Buyers can expect cap rates to compress as building size increases due to the popularity of large properties needed to complete exchanges.

2018 Market Forecast

NIPI Rank
21, down 2 places
As other markets outperform Sacramento in 2018, it descends two slots.

Employment
up 2.0%
Employers will add 20,000 positions this year, down modestly from 2017 when 21,800 jobs were created.

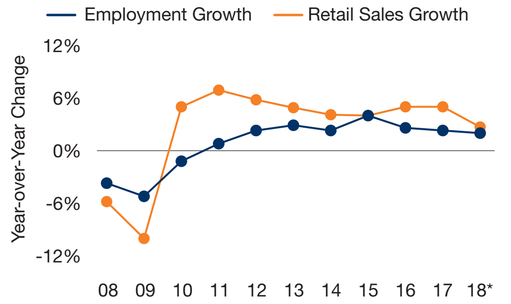
Construction
990,000 sq. ft.
Builders have focused their industrial efforts elsewhere, which has kept the pace of new development light during this recovery. Inventory will grow by less than 1 percent again in 2018.

Vacancy
down 110 bps
Strong demand and limited new supply will facilitate a 110-basis-point decline in vacancy to 4.3 percent. The rate plunged 230 basis points in 2017.

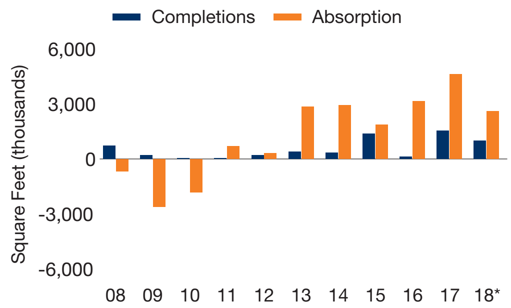
Rent
up 11.0%
Operators will ask for an average rent of $6.25 per square foot by year-end 2018, up 11,0 percent from last year, when rents soared 14.2 percent.

Investment
Investors searching for assets with upside potential through operational improvement will find opportunities in Yolo County, where vacancy is above the metro average and demand is healthy.

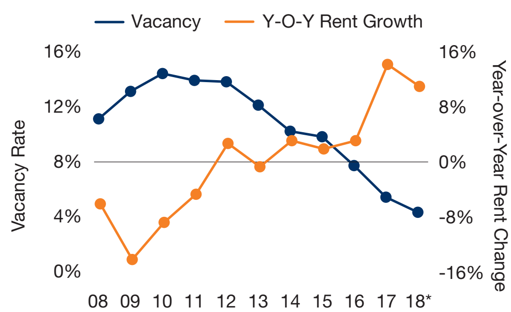
Employment vs. Retail Sales Trends



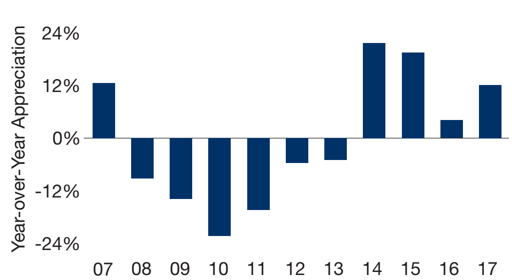
Industrial Completions



Asking Rent and Vacancy Trends

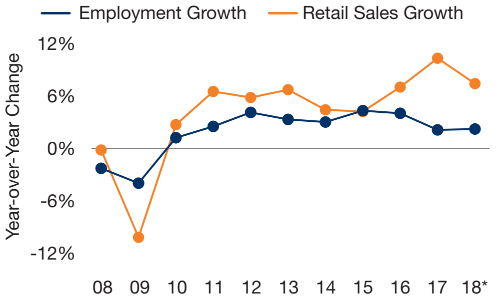


Price Per Square Foot Trends

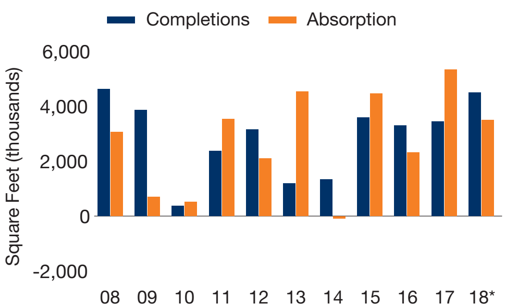


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Employment vs. Retail Sales Trends



Industrial Completions



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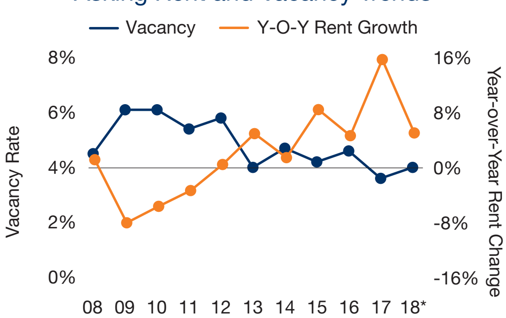
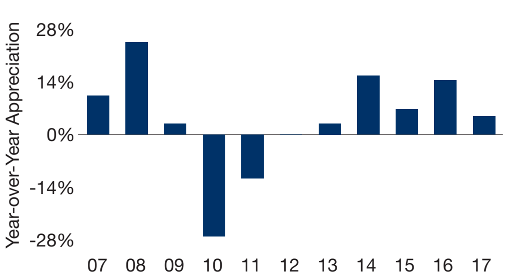


Price Per Square Foot Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Room for Growth in Metro's Western Sections; Yield-Driven Investors Arrive From West Coast

Market retains tight vacancy despite intensified development. As Salt Lake City's reputation as a secondary logistics hub strengthens, builders remain inclined to construct speculative space along with scheduled build-to-suit facilities on the Wasatch Front. In 2018, the metro will register a fourth consecutive year of heightened deliveries, with this year's sum headlined by Amazon's 856,000-square-foot fulfillment center just west of Salt Lake City International Airport. While larger facilities are situated in the city's outskirts, smaller projects are constructed closer to the CBD, aiding the last-mile distribution strategy to the metro's most densely populated areas. Amid rising development levels, vacancy will post an uptick as the metro attempts to regain supply-and-demand equilibrium. Rent gains act in accordance as growth is tempered compared with last year's significant price advancement.

Class C properties remain foothold behind investor interest. Amid a period of heightened consumer confidence, e-commerce sales continue to rise this year, making industrial projects attractive options for investors looking to reposition their portfolios. Local buyers remain the constant behind the market's strong deal flow, with properties in Salt Lake City proper accounting for the majority of transactions. In-state buyers place emphasis on Class C space typically below the 150,000 square-foot-mark near the I-15 and I-80 intersection. Here, cap rates in the mid-6 to mid-7 percent span are attainable. Manufacturing centers occupying land near Utah 201 in the Glendale neighborhood lure a sizable number of out-of-state buyers, particularly those coming from the West Coast. This space generally trades with initial yields ranging in the low-7 percent realm, in line with the metro average.

2018 Market Forecast

NIPI Rank 14, down 3 places — Despite strong employment growth, Salt Lake City tumbles three slots due to increasing vacancy.

Employment up 2.2% — Salt Lake City employers will create 27,300 positions this year with manufacturing accounting for almost 2,500 of the new jobs.

Construction 4.5 million sq. ft. — Development records a jump this year with the addition of 4.5 million square feet. Last year, 3.4 million square feet was completed.

Vacancy up 40 bps — Heightened construction activity results in vacancy rising to 4 percent. This year marks the third time in five years that vacancy has increased.

Rent up 5.1% — Amid climbing vacancy, rent will log modest growth, putting the average asking rent at $6.74 per square foot. In 2017, rent rose 15.8 percent.

Investment — Yield-driven investors will focus on older properties with ample height ceilings producing favorable first-year returns in the metro's northwest quadrant near Salt Lake City International Airport.

Higher Yields for Industrial Properties Could Prompt Investor Migration From Nearby Metros

Population-serving firms absorbing industrial space. Logistics companies, online retailers and defense contractors are driving demand in San Diego's industrial sector. Overall, employment growth has been healthy in the market and is set to outpace the national average again in 2018. Amazon has been a driving force for absorption, recently opening up its fourth distribution and warehouse facility in San Diego County. The online retailer signed two new leases last year totaling more than 360,000 square feet of space. With the company launching a delivery service to compete with FedEx and UPS, additional distribution space could be acquired in high-density markets, including San Diego. Beyond distribution, technology, defense and life science firms are utilizing a sizable share of local industrial and flex space. The bulk of these companies are in the Sorrento Valley and Mira Mesa area, providing users access to Interstates 5 and 15. Operators in these areas can attract smaller tenants that work closely with some major local companies, including Qualcomm.

First-year returns attractive relative to other coastal markets. Industrial investors in San Diego account for approximately 100 transactions per year, creating a relatively intimate buyer pool. Most investors are well versed in the market, and few new entrants are seen each year, though some California-based buyers consider the metro when expanding their portfolio. The average cap rate in the metro was above 6 percent last year, a full 100 basis points above the first-year returns available in neighboring Orange and Los Angeles counties. Properties with less than 25,000 square feet traded in the mid-6 percent range, well above the cap rates for like buildings within California. Assets adjacent to major thoroughfares, such as the Interstate 15 corridor, will likely receive multiple offers.

2018 Market Forecast

NIPI Rank 25, down 1 place — San Diego falls one slot in the ranking as other markets advance ahead in this year's NIPI.

Employment up 1.6% — The addition of 23,800 jobs in the market represents an acceleration in hiring compared with 2017, when employers created 20,500 spots.

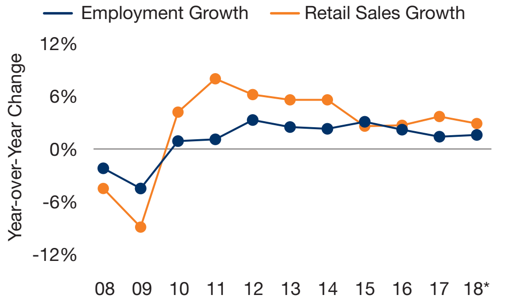
Construction 2.6 million sq. ft. — Builders will increase the pace of construction this year, focusing largely on the warehouse sector. Nearly half of the underway space is pre-leased.

Vacancy down 10 bps — Healthy demand will outpace the rise in construction, resulting in a 10-basis-point decline in vacancy to 4.3 percent. Last year, vacancy dipped 40 basis points in the metro.

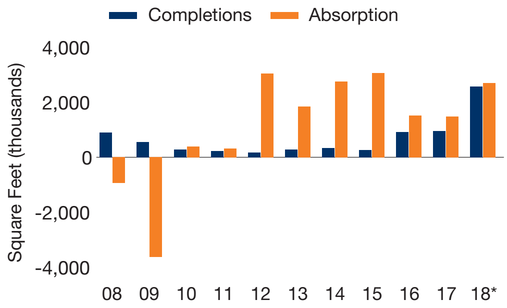
Rent up 2.7% — The average asking rent is anticipated to finish 2018 at $13.00 per square foot. In 2017, operators lifted asking rents 5.7 percent for available space.

Investment — Buyers can find traditional opportunities in the bellwether biotech sector, largely based in North County in La Jolla and Del Mar.

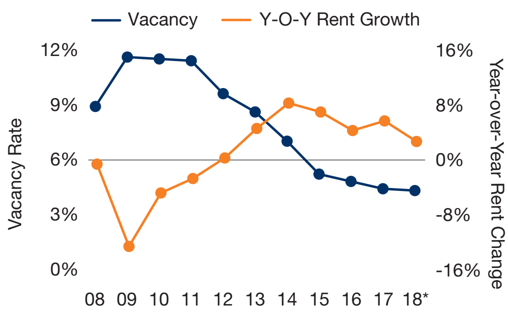
Employment vs. Retail Sales Trends



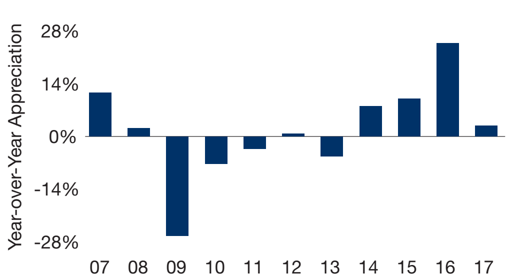
Industrial Completions



Asking Rent and Vacancy Trends

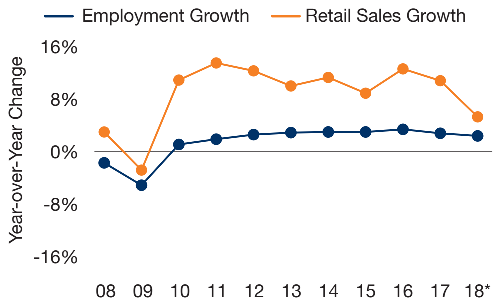


Price Per Square Foot Trends

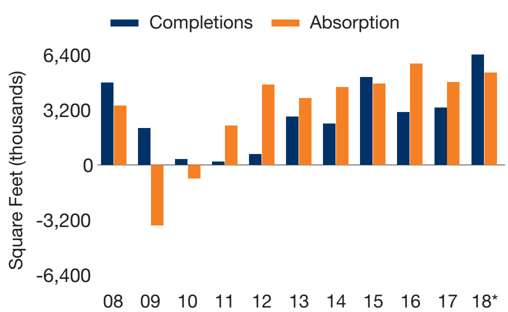


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Employment vs. Retail Sales Trends



Industrial Completions



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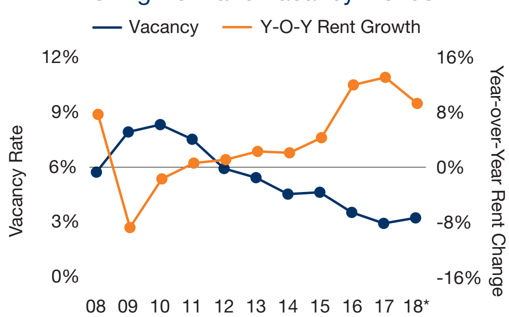
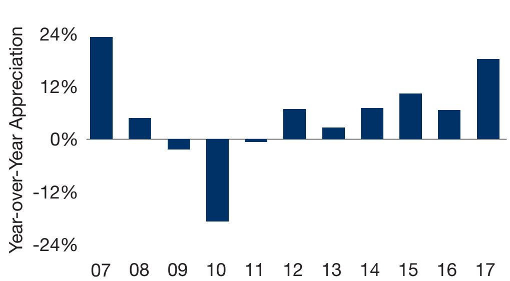


Price Per Square Foot Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

High-Paying Jobs Attracting Workers to Seattle, Creating Demand for Industrial Space

Industrial sector poised to shine in Seattle. The metro's bellwether companies Amazon and Microsoft have aggressive expansion plans, which will create thousands of jobs and attract young workers seeking high-paid positions. Microsoft will spend billions to construct 18 new buildings on its campus. Amazon, meanwhile, recently added nearly 160,000 employees to its rosters, including thousands locally, and will continue hiring efforts in the market. All of these lucrative positions are creating demand in Seattle for housing and consumer goods, which translates to industrial space absorption. Despite healthy demand, vacancy will inch higher this year as new construction reaches a new cyclical high. Furthermore, pre-leasing activity is around 10 percent, far below the national average. The Tacoma submarket accounts for the greatest increase in speculative construction as developers expand inventory in the area by 4.5 percent this year without leasing commitments. Nonetheless, the Seattle economy is a juggernaut and rent growth will reach nearly double digits.

Seattle industrial offers coastal investors higher yields. Transaction activity was consistent in 2017 compared with the previous year, though additional gains in deal flow could be difficult to achieve unless more exchange buyers migrate into the market. Elevated cap rates, meanwhile, are sufficiently higher than in California coastal metros, which lures out-of-state capital to the metro. For properties below 25,000 square feet, first-year returns approach 6 percent and move into the low-6 percent range for properties from 25,000 to 100,000 square feet. The Downtown and South End areas will remain popular among out-of-state investors, and local buyers will explore opportunities in suburbs to achieve yields more aligned with their acquisition criteria.

2018 Market Forecast

NIPI Rank 2, down 1 place — Seattle was pushed out of the top spot as vacancy rose amid heightened deliveries.

Employment up 2.4% — After 54,700 spots were created in 2017, employers add 48,000 jobs this year. The trade, transportation and utilities sector end the year approximately 20 percent above the pre-recession peak.

Construction 6.4 million sq. ft. — Builders complete 6.4 million square feet the year, nearly double the level of construction last year, when 3.3 million square feet was delivered.

Vacancy up 30 bps — Average vacancy ticks up 30 basis points to a still-tight 3.2 percent by year end. Last year, the rate contracted 60 basis points.

Rent up 9.3% — Another year of strong rent growth is forecast as the average asking rent climbs to $9.80 per square foot. This year concludes a three-year run during which rents soared nearly 35 percent.

Investment — Flex space provides an alternative for traditional office investors, particularly buildings catering to the metro's strong tech sector.

Port Facilities Generating Healthy Industrial Market Trends in Tampa-St. Petersburg

Vacancy reaches lowest level in a decade as absorption surges. Steady job growth and demand emanating from the port facilities are producing strong demand for warehouse and distribution space in Tampa-St. Petersburg. Florida's largest cargo port is influencing a host of companies to absorb space, including e-commerce and logistics operators. On the back of these drivers, vacancy has reached the lowest level in over a decade, falling well below 5 percent. Net absorption has averaged more than 2.8 million square feet annually over the past five years, encouraging robust rent growth that reached the double digits in 2017. These favorable conditions have begun to raise the level of speculative construction, with completions set to rise to the highest point in the current cycle. The vast majority of deliveries will be in the eastern portion of the metro along Interstate 4, which allows quick access to major transportation routes. Stable net absorption and low vacancy will trigger a slight decrease in vacancy this year coupled with sharp growth in the average asking rent.

Yield-oriented strategies dominate marketplace; buyers position near the port facilities. Lured by yields that can exceed other Florida metros by more than 100 basis points, investors have been migrating toward industrial assets in Tampa-St. Petersburg. Facilities near the port on either side of the bay will see an active bidding environment, with cap rates reaching the low-7 percent range. Farther out along I-4, investors can deploy capital with yields up to 75 basis points higher than the core, drawing investment from major East Coast metros such as Atlanta and New York City. Owner-users have been increasingly active in these areas as well, seeking more affordable rental rates outside the core industrial locations near the port. An influx of speculative development this year will encourage active bidding as investors look to purchase assets.

2018 Market Forecast

NIPI Rank 6, up 7 places — An expanding employment base and robust rent growth propel Tampa-St. Petersburg into the top 10.

Employment up 2.5% — Tampa-St. Petersburg employers will create 34,000 jobs this year. In the previous 12 months, 29,400 positions were added.

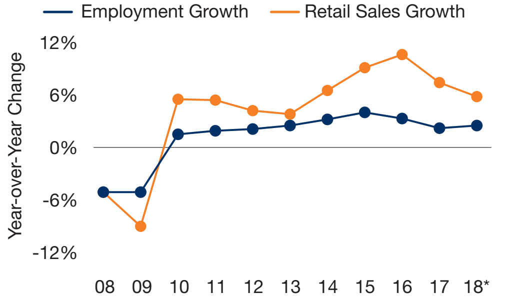
Construction 2.5 million sq. ft. — Developers moderately increase the pace of completions in 2018. In the prior year, 1.7 million square feet was brought online.

Vacancy down 20 bps — Vacancy contracts to 4.3 percent this year as robust net absorption outpaces completions for the eighth year of the last seven.

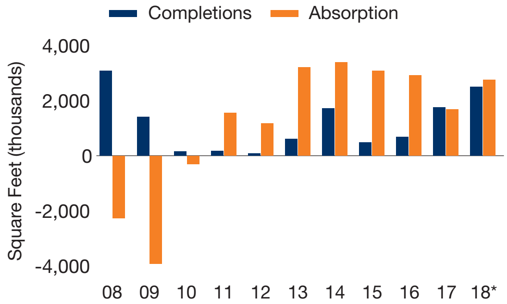
Rent up 10% — The average asking rent will rise to $6.60 per square foot in 2018 as tenants compete for the little remaining available space in the market. Last year, asking rent rose 15.8 percent.

Investment — Declining vacancy will prompt accelerating demand for new-build industrial assets near transportation routes that can be filled at current asking rents.

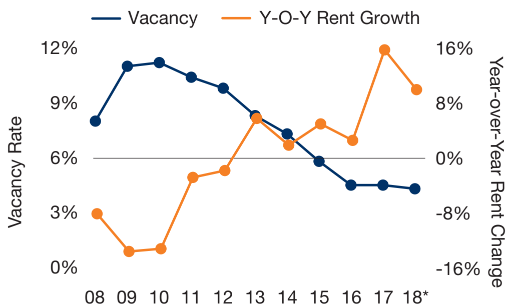
Employment vs. Retail Sales Trends



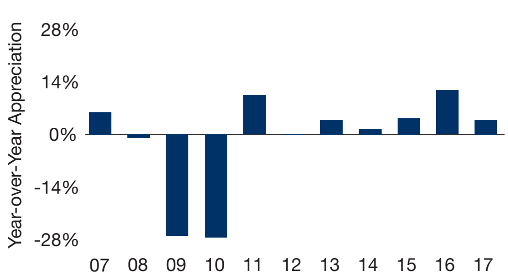
Industrial Completions



Asking Rent and Vacancy Trends

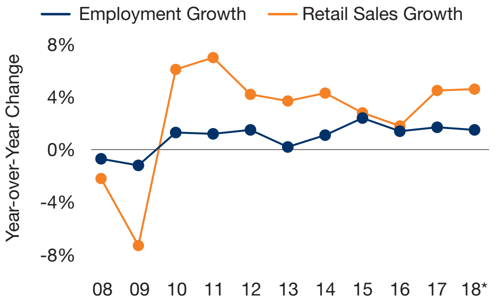


Price Per Square Foot Trends

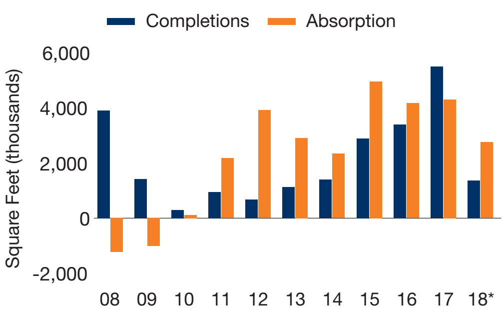


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Employment vs. Retail Sales Trends



Industrial Completions



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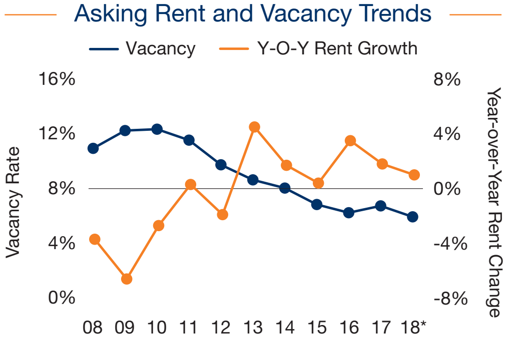

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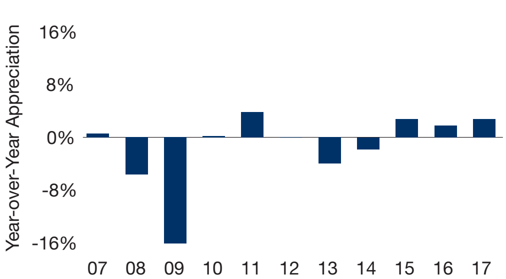


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Slowing Development Stabilizes District Industrial Market; Distribution Assets Targeted

Three-year low in construction to buoy market amid e-commerce boom. Boosted by strong growth in retail sales and elevated Washington, D.C. incomes, industrial space demand remains on solid footing. Net absorption has exceeded 4 million square feet for three consecutive years, enforcing sharp drops in vacancy before the cycle high in completions recorded in 2017. However, builders are dramatically reducing finished product over the coming year, with deliveries set to fall by more than 75 percent. This will revert supply and demand to a more balanced state, particularly with the overwhelming majority of the new space expected in the traditional industrial strongholds near Dulles Airport. Although the rest of the space is more speculative, a wide geographic distribution of the projects should alleviate pressure to discount asking rents to fill the space. As a result, the average asking rent will record a low-single-digit advancement.

Deal flow centers along major transportation routes. Underpinned by a search for attractive returns, buyers have been seeking well-located properties near major distribution hubs or the core where access to end-users is more concentrated. Broadly, cap rates in the metro will average in the mid-7 percent range, although the best locations can exchange ownership with returns in the mid-5 percent band. The I-66 corridor, locations near Dulles Airport, and suburban locations just inside the Beltway are drawing the most attention, pushing prices moderately higher over the past year. Although listings are rare, assets inside the District will draw significant buyer interest, particularly distribution spaces large enough to act as delivery hubs for e-commerce. Over the coming year, a slide in new construction will encourage a more active market as owner-users bid for available spaces that meet their criteria.

2018 Market Forecast

NIPI Rank 26, down 3 places — As rent growth continues to slow and employment gains soften, Washington, D.C., drops three rungs.

Employment up 1.5% — Local organizations will create 50,000 jobs this year, expanding employment by 1.5 percent. Last year, 53,700 positions were created.

Construction 1.4 million sq. ft. — Development contracts more than 75 percent this year as 1.4 million square feet is brought online, down from 5.5 million square feet in 2017.

Vacancy down 80 bps — A sharp drop in completions, coupled with net absorption of 2.8 million square feet, reduces vacancy 80 basis points to 5.9 percent, reversing the 50-basis-point rise recorded last year.

Rent up 1% — In 2018, the average asking rent ticks to $8.12 per square foot. Last year the average asking rent grew by 1.8 percent.

Investment — Modern properties that are able to incorporate the latest distribution strategies and contain office space will trade at an attractive premium to the overall market.

Low Vacancy and Elevated Pre-Leasing Limiting Near-Term Risk in Local Industrial Assets

Population-serving industrial setting standard in West Palm Beach. The relatively small industrial inventory garners attention from local tenants. One of the benefits of having such a compact ecosystem is the lack of speculative construction that occurs in the area. New supply is largely driven by specific space needs, which prevents substantial swings in operations. This year, for example, 200,000 square feet of the 250,000 square feet scheduled for delivery is leased prior to completion. Personal care firms and distribution centers account for most of the leasing activity. Walmart inked two of the six largest deals last year, while Oxygen Development penned the largest lease at 97,000 square feet. Outside of these industries, tourism utilizes some of the local inventory. The county set a record in the first half of last year in terms of tourism, equating to an 8.7 percent increase year over year. Some of the $2.1 billion in personal income generated for local residents will be used to purchase the consumer goods in local warehouses.

Higher yields available in West Palm Beach. Investors seeking to reposition their portfolios are targeting higher returns in Palm Beach County. Although elevated risk provides higher cap rates, extremely low vacancy should alleviate concerns about lease rollovers in the near term. Both flex and warehouse space entered the year with sub-3 percent vacancy, and no submarkets with substantial inventory reported elevated rates. Acquisitions by tenants could escalate this year as interest rates remain relatively low compared with historical standards. First-year returns for smaller properties, which account for nearly two-thirds of transactions, were close to 8 percent at the beginning of the year. Large, Class A buildings, meanwhile, trade at cap rates below 6 percent.

2018 Market Forecast

NIPI Rank 20, up 1 place — West Palm rises one slot this year amid extremely tight vacancy and limited development activity.

Employment up 1.6% — Employment projected to expand by 1.6 percent this year as 10,000 spots are added. Last year, 11,200 jobs were generated.

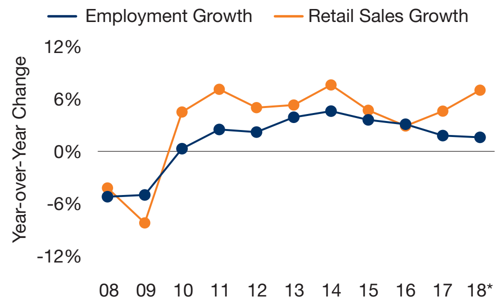
Construction 250,000 sq. ft. — Only 250,000 square feet of space is scheduled for completion this year. The sixth building of Turnpike Crossing accounts for nearly 170,000 square feet.

Vacancy down 140 bps — Industrial vacancy will drop to 1.4 percent this year, one of the lowest rates in the nation. In 2017, vacancy declined 120 basis points.

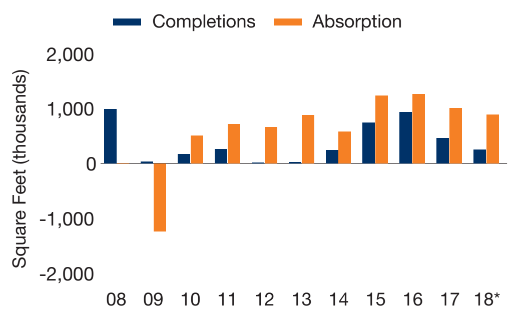
Rent up 3.6% — Operators have significant negotiating power, which will result a rise in asking rents to $10.30 per square foot.

Investment — Thousands of homes are scheduled to come online in north Palm Beach County, which will create tenant and investor demand for local industrial properties.

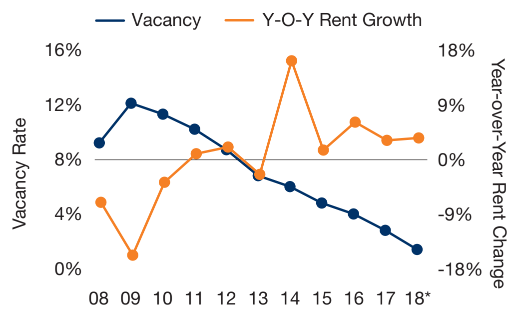
Employment vs. Retail Sales Trends



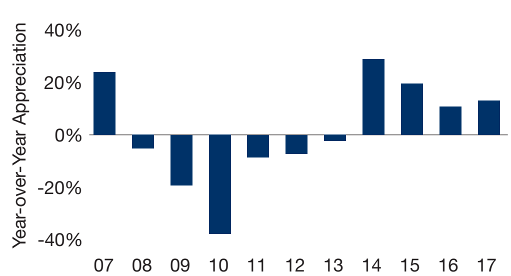
Industrial Completions



Asking Rent and Vacancy Trends

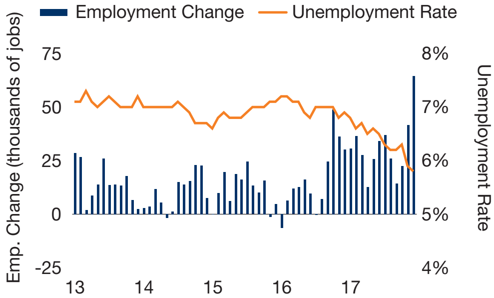


Price Per Square Foot Trends

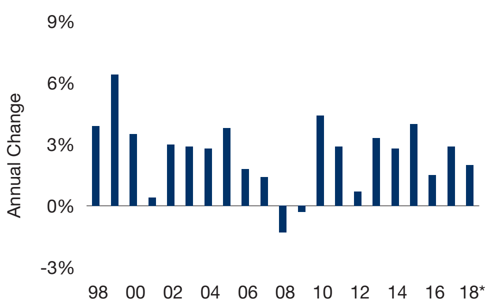


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

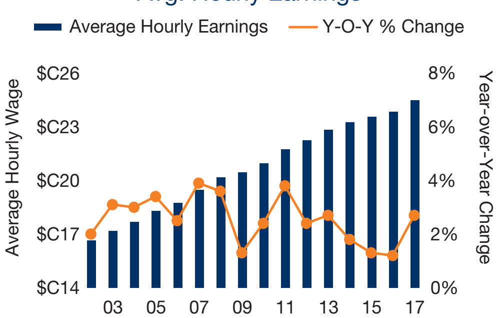
National Labour Force



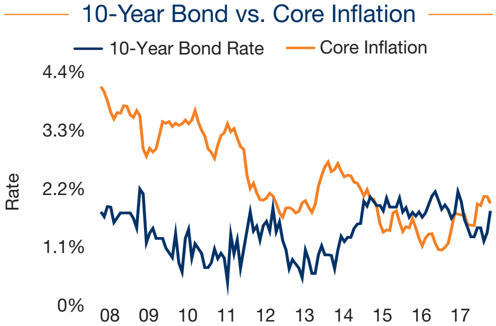
GDP Change



Avg. Hourly Earnings



10-Year Bond vs. Core Inflation



* Forecast
Sources: Altus Data Solutions; Statistics Canada

Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

Steady Economic Momentum to Carry Canada Through Anticipated Headwinds

Robust economy expected to perform well in 2018. A booming labour market brought Canada's jobless rate down to 5.8 percent at the end of 2017, the lowest reading since 2008, underpinning positive sentiment for the durability of the nation's economy. The strength of the economic expansion was heightened last year, fueled by household spending and increased business investment that accelerated GDP to 2.9 percent, up from 1.4 percent a year earlier. Growth was also attributed to rising commodity prices at the end of 2017, boosting confidence in Canada's energy-producing regions. With the Bank of Canada expected to raise interest rates this year, many anticipate economic growth will slow, pushing toward the 2 percent range. Elevated household debt, higher borrowing costs and stricter mortgage regulations will weigh on consumption and housing investment, contributing to the pared down economic outlook.

Future of NAFTA remains in question, raising concerns over trade stagnantation. Despite the acceleration of global economic growth, Canada's trade deficit widened in December to C$3.2 billion, up from C$2.7 billion one month earlier. Rising export values at the end of the year, which were largely attributed to increased oil prices, were outweighed by imports of industrial machinery and equipment as well as energy products. A growing risk to the overall economy remains the uncertainty surrounding the North American Free Trade Agreement. Changes to the agreement, or a full repeal, could cause harm to the industrial and manufacturing sectors of Canada. Numerous outcomes are possible however, keeping the effects purely speculative thus far.

2018 Canadian Economic Outlook

- **Online sales climb to C$1.8 billion in 2017.** Rapid expansion of e-commerce has fueled growth of the nation's logistics and distribution channels, driving demand for industrial space. In 2017, online shopping accelerated substantially from the prior year, spurring owners and operators to reconsider fulfillment space requirements. High-ceiling clearances and large bays remain highly desired, while demand for modern, high-tech facilities is gaining ground as more users are seeking automated warehouses and distribution centers. Small-bay, lower-height industrial space near large populations holds their appeal as a method to boost last-mile deliveries of online goods.
- **Monetary policy gains speed, though bank remains cautious.** With the economy operating near capacity, the central bank has hedged inflation risk by increasing interest rates 25 basis points in January to 1.25 percent, following two increases last year. The bank's stance has been influenced by rising wage pressure and inflation that neared its 2 percent target at the end of 2017. Though additional increases are anticipated, the bank will remain cautious as housing imbalances in Toronto and Vancouver persist and borrowers become increasingly sensitive to higher costs of debt.
- **Meaningful wage growth beginning to show.** Increased economic activity and a tightening jobs market are accelerating the pace of wage growth, recording a 2.7 percent year-over-year rise in December. Quickly dissipating slack in the labour market adds to employers' challenges of matching open positions with qualified talent, leading to an anticipated 3.3 percent rise to employees' average weekly pay this year.

Investors Turn to Canada's Industrial Sector In Search of Superior Returns

Improving fundamentals grows investor optimism. Canada's industrial property market recorded healthy investment performance characteristics last year, boosting deal volume to its highest level of the current cycle and carrying positive investor sentiment into 2018. Roughly 60 percent of sales were concentrated in the major metros of Toronto and Vancouver, but investors are beginning to consider a range of options in secondary markets. Fulfillment and warehousing demand continues to grow across the nation as online commerce expands at a rapid pace, adding to investors' interest in industrial property. This has led to exceptionally strong rent growth following a period of tepid improvement as vacancies are now tight, landing at 3.1 percent in both Greater Toronto and Greater Vancouver at the end of 2017. Land prices will remain on an upward trajectory, particularly near major distribution hubs, adding to the importance of renewed rent growth.

Investors ready to deploy capital beyond core markets. The rise in the average sales price during 2017 coincided with the compression of the average cap rate to the mid-5 percent range nationally and prompted many investors to expand the map to locate higher yields. As 2018 unfolds, activity in secondary and tertiary markets could further intensify as supply-and-demand imbalances arise in the country's largest urban centres. Properties traded in markets such as Calgary and Kitchener recorded going-in cap rates in the mid- to upper-6 percent band last year, roughly 100 basis points above Toronto assets and 200 basis points higher than properties in Vancouver. Scarcity of available assets could arise this year because of the prolonged investment cycle, underscoring investors need to pursue new strategies and increase activity in smaller markets.

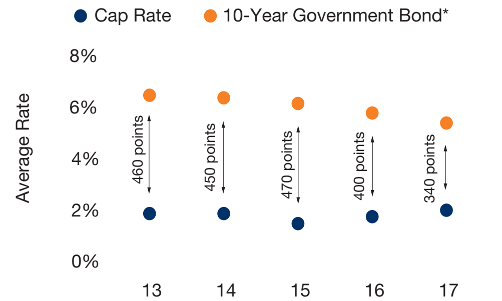
2018 Canadian Investment Outlook

- **Online retail and logistics shaping acquisition strategies.** Industrial investors are favoring e-commerce retailers as the popularity of online shopping surges. The steady migration online has created structural shifts in the industrial sector, particularly as consumers increasingly expect same-day and next-day delivery. Retailers, third-party logistics companies and manufacturers are increasingly searching for warehouse space in dense areas near the final consumer, growing demand for infill light industrial properties.

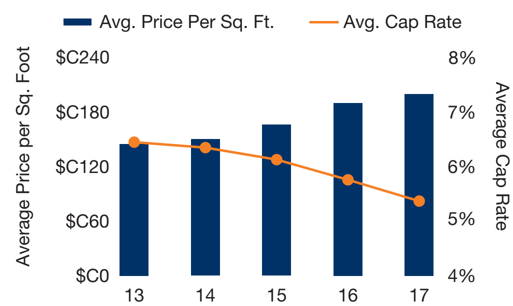
- **Low Canadian dollar a tailwind for exporters, foreign buyers.** The softening value of the Canadian dollar will benefit the manufacturing sector and exporters this year, bolstering industrial property expansion. Manufacturing sales grew 1.9 percent year over year in the fourth quarter, led by increases in the motor-vehicle industry and machinery. Continued strength of Canada's traditional industrial space users will bolster investor sentiment in the sector, which could add to the aggressive bidding environment that has persisted over the past several years. A soft Canadian dollar will not only aid local manufacturers and exporters, but it will continue to attract foreign investors who consider Canada a haven from global instability.

- **Yield spreads narrow as interest rates climb.** Industrial property cap rates compressed at a greater pace in 2017, down roughly 40 basis points to 5.4 percent, narrowing yield spreads as interest rates rise. The risk-free rate at the end of the year was 2.05 percent, marking a spread of 335 basis points. The gap between yield spread and interest rates will likely narrow this year, though elevated investor sentiment due to strong industrial property performance will sustain investor activity.

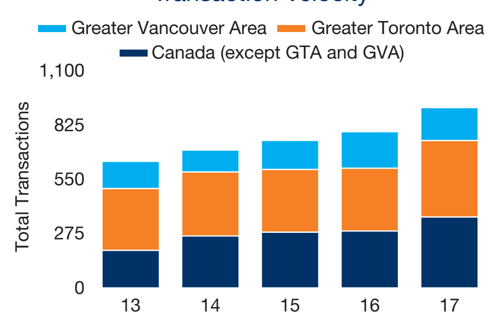
Bond and Cap Rate Trend



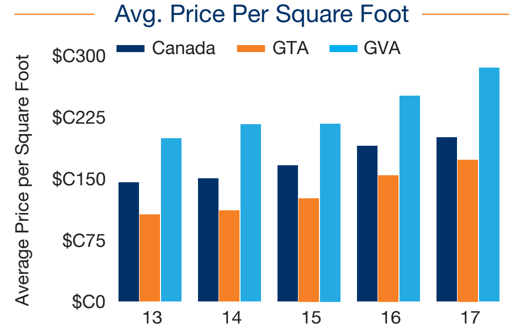
Industrial PSF vs. Cap Rate



Transaction Velocity



Avg. Price Per Square Foot

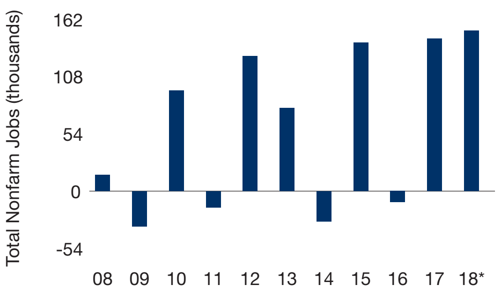


* December of each year

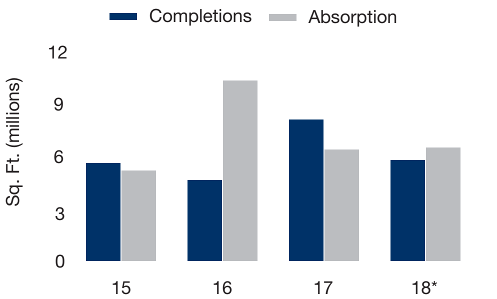
Sources: Altus Data Solutions; Statistics Canada

Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage;

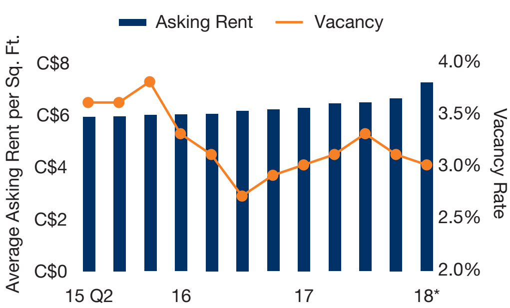
Employment Trends



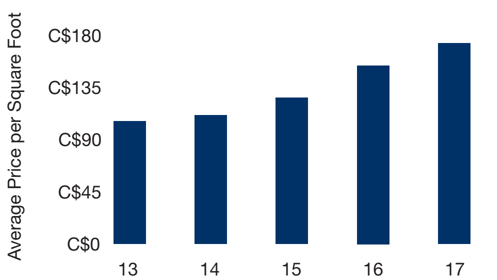
Supply



Asking Rent and Vacancy Trends



Sales Trends



* Forecast
Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

Strengthening Economy, Structural Shifts in Retail Spur Expansion of Toronto Industrial Sector

Rising tenant demand for last-mile fulfillment space. Robust population growth and strong consumer spending are driving an expansion of Toronto's industrial sector, fueling a stout period of construction. The rapid growth of e-commerce has enticed distribution and logistics providers to grow their footprint, along with the addition of online retailers such as Wayfair to the market that are seeking last-mile locations in proximity to their customers. Traditional industrial space users are underpinning healthy industrial property metrics resulting from increases to manufacturing sales and rising residential construction. Development in 2017 was greatest in the areas of Brampton and Mississauga as land prices have become prohibitive to new development closer to Toronto proper. Supply growth will be led by Vaughan this year with the industrial corridors to the west of the Toronto following close behind. Vacancy will remain historically low in the Vaughan and Mississauga areas this year even as new inventory comes online, supporting the largest rental rate increases of the cycle.

Narrowing cap rate spread boosts search for higher yield. Substantial demand from owner-occupiers has been in place in the GTA and will hold strong this year. Demand remains elevated for light industrial buildings between 10,000 and 30,000 square feet in the Vaughan and Mississauga areas, and new space coming online here will witness intensified investor competition. First-year cap rates have compressed to record lows, reaching down to 4 percent in Vaughan and as low as 5 percent in Mississauga, narrowing yield spreads as long-term interest rates have begun to rise. Overall, industrial investment sales recorded the greatest deal flow of the cycle last year as property metrics and demand drivers attracted a broad base of investors to the market. Buyers will search for higher yields this year, looking to areas such as Scarborough and Etobicoke where cap rates are often in the upper-5 percent to low-6 percent range.

2018 Market Forecast

Employment up 4.5% — The Toronto workforce will grow by 150,000 positions this year, up from last year when 143,700 jobs were created.

Construction 5.8 million sq. ft. — Completions slow from the cycle high of 8.1 million square feet reached in 2017 and are balanced between the North and West industrial submarkets.

Vacancy down 10 bps — Strong demand and slowing deliveries bring the vacancy rate down to 3 percent at the end of 2018, reversing a 20-basis-point increase posted last year.

Rent up 9.0% — Tight vacancy supports a robust climb in the average asking rent, which will accelerate from last year's 7.1 percent rise to reach C$7.24 per square foot in 2018.

Investment — A previous shortage of properties under 50,000 square feet coming to market had given rise to a widening bid/ask gap, leaving some investors on the sidelines. More properties in this smaller segment are coming to completion this year, and some merchant builders may decide to list, bringing more investors back into the market.

Canada's Busiest Port, Robust Expansion of E-Commerce Bolster Industrial Real Estate

Online retail driving changes in industrial properties. Strong economic trends are fueling Vancouver's industrial sector, aided by a tightening labor market that has brought the jobless rate to its lowest point since 2008. Retail sales are riding the tailwinds of an improved economy, particularly in the e-commerce segment, which marked substantial growth across Canada in 2017 and will continue to expand through this year. Retailers are moving quickly to grow their logistics and distribution networks to reach the end consumer in less time and reduce transportation costs that have steadily risen. Space demand has also been driven by Port Metro Vancouver, which handles half of all container traffic moving through the nation's busiest ports, contributing to vacancy that has been exceptionally tight across Vancouver; the rate ended 2017 at 3.1 percent. Tenants will be challenged to find suitable space amid low vacancy, especially as more than half of the new space coming online this year has already been leased. This will support another year of strong rent growth.

Activity on the rise beyond the urban core as buyers chase higher yields. Investors remain optimistic over the stability of investment into industrial properties and will continue to deploy capital into the GVA in 2018. Growth in deal volume last year was limited by fewer listings coming to market, spurring strong price increases and the compression of the average cap rate, landing in the low-4 percent band. With interest rates on the rise, yield spreads are narrowing, though demand to place capital into hard assets will maintain an elevated level of trading this year. Sellers will be challenged, however, with finding a replacement asset. This will lead investors to extend their search parameters beyond the urban core, where competition is high, to areas such as Surrey, Langley and Richmond for remaining upside. Property investors will face intense competition from industrial owner-users as e-commerce and logistics companies are willing to pay the higher expenses necessary to be near consumers.

2018 Market Forecast

Employment up 4.0% — The Vancouver jobless rate ended 2017 at 4.1 percent on job gains of 64,700. Employment growth will slow to 57,000 positions this year as the labour market tightens.

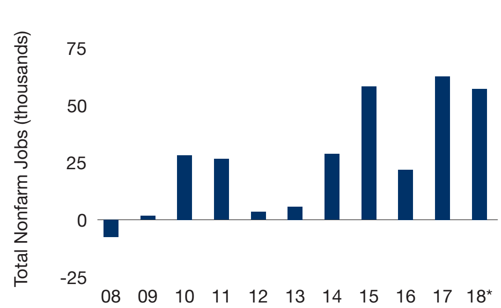
Construction 2.4 million sq. ft. — Completions slow for the second straight year and are down 600,000 square feet from 2017. Surrey will receive the most new inventory at nearly 1 million square feet.

Vacancy down 40 bps — Net absorption of roughly 3 million square feet brings the vacancy rate down to a tight 2.7 percent, erasing a 20-basis-point rise recorded last year.

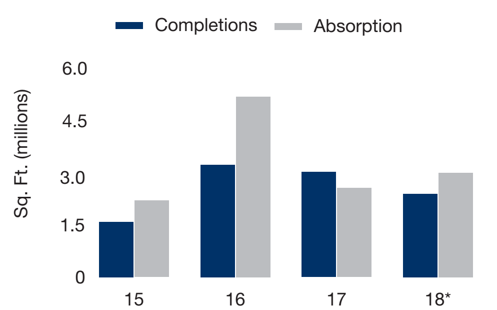
Rent up 9.5% — A tight industrial sector supported an 11.7 percent increase to the average asking rent last year and will push rents up to C$10.84 per square foot in 2018.

Investment — Going-in cap rates in Vancouver proper fall below 3 percent, motivating investors to search for properties along major corridors and within a short drive of the population center. Properties traded in Surrey last year recorded an average cap rate in the low-5 percent territory while assets in Richmond changed hands at a mid-3 percent first-year yield.

Employment Trends

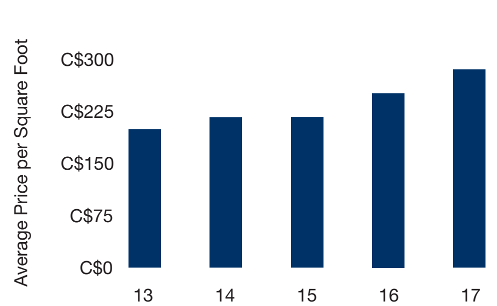


Supply



Asking Rent and Vacancy Trends

Sales Trends



* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

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National Industrial Index Note: Employment and Industrial data forecasts for 2018 are based on the most up-to-date information available as of February 2018 and are subject to change.

2 Statistical Summary Note: Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of February 2018. Asking rent is based on the full-service marketed rental rate. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at $1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guaranty, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services, American Council of Life Insurers, Altus Data Solutions, Blue Chip Economic Indicators, Bureau of Economic Anal-ysis, CoStar Group, Inc., Experian, Federal Reserve, Moody Analytics, Real Capital Analytics, Standard & Poor's, Statistics Canada, The Conference Board, Trepp, TWR/Dodge Pipeline, U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Securities and Exchange Commission, U.S. Treasury Department.

2018 U.S. Industrial Investment Forecast

Market Name	Employment Growth				Completions (000s of Sq. Ft.)[2]				Net Absorption (000s of Sq. Ft.)[2]				Vacancy Rate[2]				Asking Rent per Sq. Ft.[2]				Average Price per Sq. Ft.[2]			Market Name
	2015	2016	2017	2018*	2015	2016	2017	2018*	2015	2016	2017	2018*	2015	2016	2017	2018*	2015	2016	2017	2018*	2015	2016	2017	
Atlanta	2.7%	3.5%	2.1%	1.9%	10,900	21,500	17,000	17,500	13,500	17,600	21,700	19,400	7.2%	7.6%	6.7%	6.2%	$3.76	$4.02	$4.14	$4.25	$53	$65	$72	Atlanta
Austin	4.4%	3.7%	2.7%	2.4%	1,000	1,600	2,200	1,800	2,600	1,700	-240	2,000	4.1%	3.9%	6.9%	6.4%	$8.63	$9.45	$10.07	$10.60	$136	$121	$111	Austin
Baltimore	2.3%	0.8%	0.6%	1.1%	2,900	1,200	1,200	4,600	2,400	3,900	3,700	5,000	10.4%	8.8%	7.4%	7.0%	$5.14	$5.39	$5.22	$5.30	$89	$91	$89	Baltimore
Brooklyn♦	2.6%	1.9%	1.3%	0.7%	290	40	-	60	1,200	-280	-380	-110	4.6%	5.0%	5.5%	5.7%	$20.27	$21.03	$22.70	$24.30	$368	$373	$429	Brooklyn♦
Charleston	4.0%	3.1%	1.9%	2.5%	1,600	1,700	1,900	7,300	1,600	2,400	460	6,300	8.7%	7.2%	9.4%	9.9%	$5.02	$5.19	$5.48	$5.54	$87	$100	$110	Charleston
Chicago	2.0%	0.7%	0.6%	0.9%	18,100	19,000	20,400	13,000	23,700	18,800	18,800	19,300	6.5%	6.4%	6.4%	5.8%	$5.14	$5.09	$5.44	$5.74	$72	$73	$77	Chicago
Cleveland	0.5%	1.1%	0.2%	0.5%	1,000	1,300	1,100	870	3,900	3,500	-1,200	810	4.3%	3.7%	4.3%	4.3%	$3.77	$3.84	$4.02	$4.13	$39	$42	$46	Cleveland
Dallas/Fort Worth	2.9%	3.8%	2.2%	2.2%	19,500	21,400	27,500	19,800	20,700	25,600	22,200	20,700	7.0%	6.2%	6.7%	6.4%	$4.48	$4.65	$4.97	$5.30	$67	$70	$72	Dallas/Fort Worth
Denver	3.2%	2.2%	1.9%	1.6%	1,100	3,900	5,100	7,800	1,000	2,000	4,100	6,700	3.7%	4.7%	5.2%	5.6%	$7.37	$7.75	$7.63	$7.72	$112	$125	$144	Denver
Detroit	1.6%	2.2%	1.5%	1.7%	2,900	2,100	4,000	6,000	11,000	7,100	3,700	4,900	4.1%	3.1%	3.1%	3.3%	$4.58	$4.84	$5.30	$5.75	$49	$52	$64	Detroit
Fort Lauderdale	2.9%	2.9%	2.1%	2.4%	1,100	750	390	1,800	1,500	2,700	1,700	1,900	6.6%	4.6%	3.2%	3.1%	$7.76	$8.54	$8.74	$9.15	$106	$114	$125	Fort Lauderdale
Houston	0.0%	0.5%	1.5%	2.5%	13,200	13,300	8,100	8,400	11,400	11,300	7,400	8,700	5.0%	5.3%	5.4%	5.2%	$6.77	$6.77	$6.54	$6.64	$78	$78	$76	Houston
Indianapolis	2.6%	2.5%	1.7%	2.4%	6,900	4,100	6,300	4,100	7,400	8,600	2,100	2,900	6.5%	4.7%	6.1%	6.5%	$3.71	$3.87	$3.82	$3.87	$48	$50	$50	Indianapolis
Los Angeles	2.7%	2.1%	1.1%	1.2%	3,300	2,600	6,500	4,600	11,100	2,500	6,700	4,900	2.0%	2.0%	2.0%	1.9%	$8.57	$9.49	$10.58	$11.59	$176	$202	$213	Los Angeles
Miami-Dade	3.1%	2.3%	3.0%	2.2%	2,100	1,700	3,600	5,200	4,700	2,800	2,300	3,700	4.2%	3.6%	4.2%	4.8%	$8.39	$9.68	$11.15	$12.20	$125	$142	$143	Miami-Dade
Milwaukee	1.1%	0.0%	0.9%	1.2%	1,500	1,300	930	480	86	2,400	2,800	2,600	5.8%	5.3%	4.5%	3.6%	$4.27	$4.34	$4.40	$4.53	$47	$49	$49	Milwaukee
Northern New Jersey♦	0.9%	0.9%	0.0%	0.5%	410	1,900	1,600	3,500	3,000	4,500	3,200	4,200	6.2%	5.5%	5.1%	4.9%	$6.39	$7.13	$7.61	$8.20	$98	$113	$112	Northern New Jersey♦
Oakland	3.7%	3.1%	1.1%	0.6%	2,100	2,600	1,300	2,700	6,300	5,400	1,300	2,800	5.2%	3.9%	3.9%	3.8%	$10.37	$11.02	$13.36	$15.12	$151	$159	$179	Oakland
Orange County	3.0%	1.6%	1.3%	1.0%	1,000	810	680	960	3,300	1,500	-13	630	2.7%	2.4%	2.7%	2.8%	$8.77	$9.56	$10.43	$10.85	$187	$197	$223	Orange County
Orlando	5.2%	3.4%	3.8%	3.1%	1,600	800	2,600	2,300	2,500	3,700	3,000	2,100	7.1%	4.8%	4.3%	4.4%	$5.19	$5.39	$5.91	$6.39	$77	$86	$86	Orlando
Philadelphia	1.4%	2.4%	0.8%	1.1%	3,600	5,300	6,000	5,400	5,700	10,300	12,200	8,900	8.3%	7.1%	5.7%	4.9%	$4.62	$4.90	$4.99	$5.07	$63	$69	$72	Philadelphia
Phoenix	3.3%	2.9%	1.9%	2.6%	5,900	5,300	6,500	8,900	8,200	5,700	10,000	7,500	9.7%	9.4%	8.0%	8.2%	$6.48	$6.77	$6.99	$7.18	$87	$90	$98	Phoenix
Riverside-San Bernardino	5.1%	2.7%	3.3%	2.1%	21,100	19,800	19,900	27,500	19,400	22,900	14,400	24,400	5.4%	4.6%	5.5%	5.8%	$5.30	$6.04	$7.60	$8.06	$118	$131	$143	Riverside-San Bernardino
Sacramento	4.0%	2.6%	2.3%	2.0%	1,400	120	1,500	990	1,900	3,200	4,600	2,600	9.8%	7.7%	5.4%	4.3%	$4.78	$4.93	$5.63	$6.25	$85	$88	$99	Sacramento
Salt Lake City	4.3%	4.0%	2.1%	2.2%	3,600	3,300	3,400	4,500	4,500	2,300	5,300	3,500	4.2%	4.6%	3.6%	4.0%	$5.13	$5.37	$6.22	$6.54	$81	$93	$97	Salt Lake City
San Diego	3.1%	2.2%	1.4%	1.6%	260	920	960	2,600	3,100	1,500	1,500	2,700	5.2%	4.8%	4.4%	4.3%	$11.49	$11.98	$12.66	$13.00	$150	$187	$192	San Diego
Seattle-Tacoma	3.0%	3.4%	2.8%	2.4%	5,100	3,100	3,300	6,400	4,700	5,900	4,800	5,400	4.6%	3.5%	2.9%	3.2%	$7.08	$7.93	$8.97	$9.80	$159	$170	$201	Seattle-Tacoma
Tampa-St. Petersburg	4.0%	3.3%	2.2%	2.5%	480	690	1,700	2,500	3,100	2,900	1,700	2,800	5.8%	4.5%	4.5%	4.3%	$5.05	$5.18	$6.00	$6.60	$66	$74	$77	Tampa-St. Petersburg
Washington, D.C.	2.4%	1.4%	1.7%	1.5%	2,900	3,400	5,500	1,400	5,000	4,200	4,300	2,800	6.8%	6.2%	6.7%	5.9%	$7.63	$7.90	$8.04	$8.12	$129	$131	$135	Washington, D.C.
West Palm Beach	3.6%	3.1%	1.8%	1.6%	750	930	460	250	1,200	1,300	1,000	890	4.8%	4.0%	2.8%	1.4%	$9.07	$9.63	$9.94	$10.30	$101	$111	$126	West Palm Beach
United States	1.9%	1.6%	1.5%	1.2%	191,000	228,600	241,400	190,000	281,100	303,400	259,300	208,000	5.9%	5.3%	5.1%	4.9%	$5.79	$6.14	$6.63	$7.07	$73	$79	$80	United States

* Forecast; ♦Employment Growth for Brooklyn is NYC Metro; NNJ is Newark Metro

[2] See Statistical Summary Note on Page 48.

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