IPA INSTITUTIONAL PROPERTY ADVISORS

2019 INDUSTRIAL

Investment Forecast

TO OUR VALUED CLIENTS

Institutional office investments continue to make slow-but-steady headway as the extended but moderate-paced economic expansion approaches its 10th year. This growth cycle has not generated the surge of office absorption most investors expected, but it has restrained development and oversupply risks. This combination has fueled sustained momentum, with the national average office vacancy rate falling on a year-over-year basis every quarter for eight consecutive years. Though the pace of tightening has generally been modest, the durability of the trend has been steady. Annual rent growth has likewise been on a positive track, delivering moderate gains each quarter since 2011. As investors look ahead, the top questions are whether the cycle will continue and where opportunities can be found.

While the macro trends have supported a moderate pace, unique nuances have emerged in the office sector. At the start of the recovery, central business districts carried the momentum, but over the course of the last few years office space demand has shifted to favor suburban locations and smaller metros. Class A assets have been favored by the tight labor market amid strong absorption over the last two years and this should hold true in 2019, particularly in smaller cities. New tax rules, technology, demographics, and the ultra-competitive recruiting landscape will continue to shape where companies locate their offices, the kinds of amenities they need, and how they configure their space. This will create new, unique opportunities for investors as the market adapts.

Evolving market trends and elevated liquidity are creating opportunities for sellers and buyers alike, making this an opportune time for investors to reevaluate their investment strategies and portfolio composition. Considering the volatility in financial markets, and some of the headwinds that are beginning to emerge, investors must carefully define their plans for the next several years. We hope this report provides useful insights to help you define your strategies and navigate the emerging landscape. As you recalibrate and adapt to the emerging trends, our investment professionals look forward to assisting you in meeting your goals.

Sincerely,

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National Index

- Southern California markets dominate the top 10 in this year's Index. Twin Ports Los Angeles is one of the busiest ports in the world and the metro also has an expansive manufacturing base, underpinning a robust industrial sector.
- Milwaukee (#13) registered the greatest improvement in the 2019 NIPI, leaping six rungs. Strong manufacturing hiring and minimal new inventory will fill existing space, dropping vacancy and boosting rents. Cleveland (#7) and Atlanta (#14) followed, each climbing four spots.

National Economy

- Economic growth will extend into 2019 as employers add 2 million workers to payrolls this year, keeping the nation's unemployment rate near 4 percent. Though many are eager to expand employment bases, a lack of qualified workers may inhibit them from filling open positions.
- The U.S. economy will remain fundamentally stable in 2019 despite consumer confidence dipping from last year's historically high levels. All-time highs of U.S. household wealth and disposable income will keep consumers optimistic, particularly as several factors could threaten domestic growth moving forward.

National Industrial Overview

- The transformation of the industrial sector has accelerated to an unheard of pace as online shopping blurs the lines between retail and industrial properties. Shifting consumer habits are rewiring the sector in the digital age as e-commerce sales grew by 13.5 percent last year, to now account for roughly 10 percent of overall retail sales.
- Demand for industrial space climbed past supply growth for the ninth straight year in 2018 as e-commerce and last-mile delivery motivate companies to locate closer to the end consumer.
- Tenant demand pushes past supply growth for the tenth consecutive year, compressing the national industrial vacancy rate to 4.5 percent, the lowest on record. Supply constraints support another year of healthy rent growth, climbing 4 percent this year to $7.27 per square foot after recording a 5.4 percent increase last year.

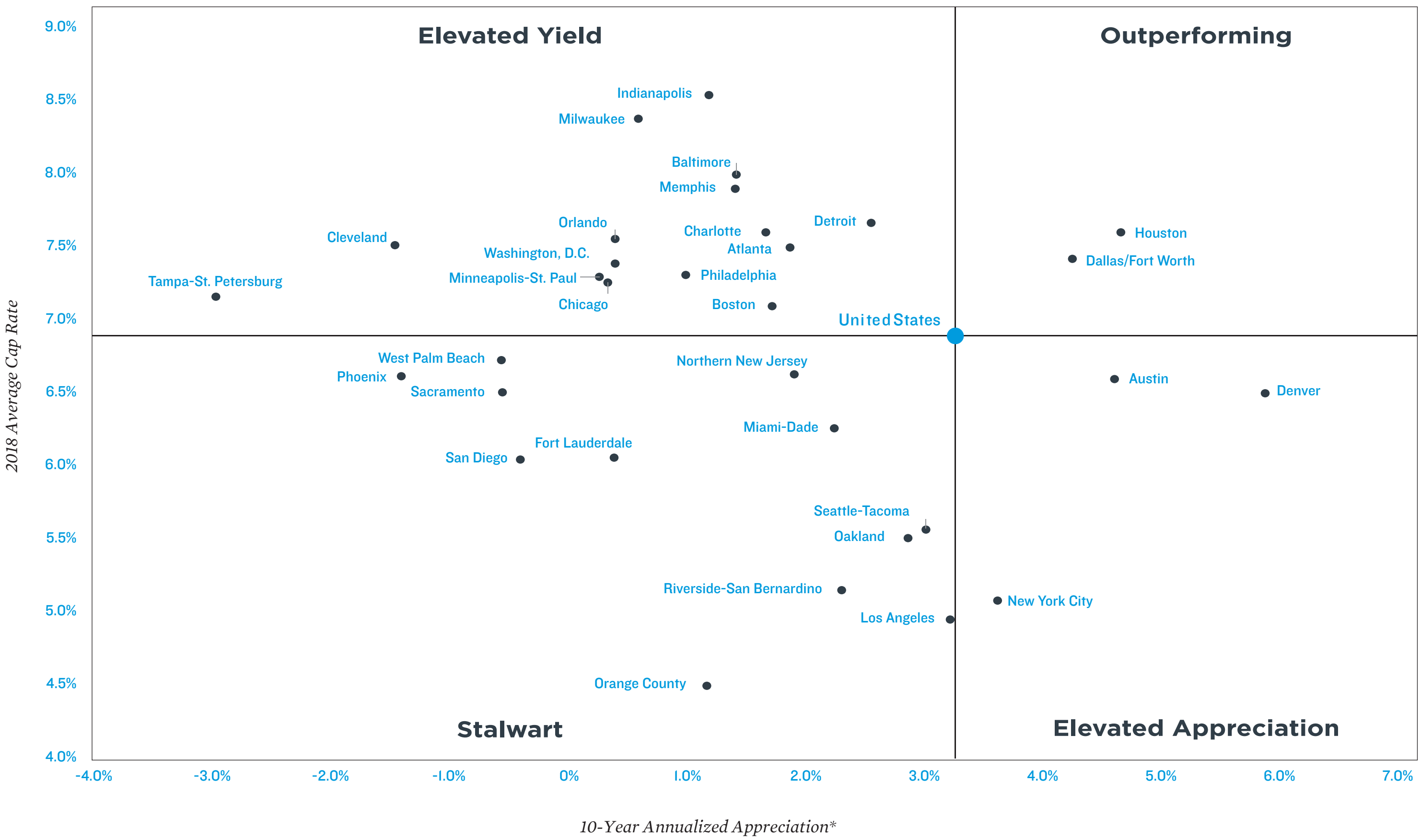
Capital Markets

- High-profile distribution facilities and warehouses in urban areas remain a portfolio staple, with loan-to-value (LTV) ratios in the 55 to 75 percent range, depending on borrower, asset and location factors. Non-core locations and use cases typically require more nuanced financing such as mezzanine and bridge loans to undertake capital improvements.
- Following the implementation of tariffs on several key trading partners, core inflation has remained just above 2 percent, showing little impetus for an uncontrolled surge. Muted inflationary pressure has given the Fed more maneuvering room, particularly as international pressures weigh on sentiment.

Industrial Investment Outlook

- An abundance of equity capital was ready to establish or expand into the industrial property market last year, intensifying investor competition and placing upward pressure on asset values. Pricing across the country remains near or above all-time highs, while gateway markets like Los Angeles are recording the tightest first-year yields and the highest prices.
- Urban infill properties will remain a top target among investors as e-commerce and last-mile demand push tenants closer to the end consumer. Challenges faced in retail are presenting investors with opportunities to convert vacated big-box stores into smaller distribution centers that can serve the local market, particularly with minimal supply growth for infill space.
- The average cap rate compressed to the upper-6 percent territory, a record low, as demand continues to outpace new supply. Class A properties in some of the nation's primary markets have achieved a cap rate closer to 4 percent, motivating buyers to seek higher yields in secondary and tertiary markets.

Yield Range Offers Compelling Options For Investors; Most Metros Demonstrate Strong Elevated Yields



Pricing and Valuation Trends Summary

Ten-year appreciation favors high-growth markets. Benchmarked from the end of 2008 as the U.S. economy began its rapid tumble into recession, many markets' industrial prices declined several years more before recovering. Dallas/Fort Worth and Houston are two markets that experienced a much softer downturn, allowing strong price appreciation during the growth cycle while maintaining first-year yields higher than the national rate. Denver leads all markets in appreciation while the nation's two largest cities, New York City and Los Angeles, have also posted robust value gains, reflecting substantive economic growth. Midwestern metros registered marginal appreciation in industrial prices as their recovery began later in the growth cycle than coastal or gateway markets.

Smaller metros boast elevated returns. Competitive bidding in secondary and tertiary markets has pushed up prices above their pre-recession levels, yet many still have the opportunity to rise at a similar pace as large port markets and major interior distribution hub metros. As prices climb, these markets' industrial assets trade with cap rates higher than the U.S. rate. Comparatively, many primary coastal metros and gateway cities offer lower first-year returns that have witnessed strong appreciation over the past 10 years, including Seattle-Tacoma and Oakland.

Average Price per Square Foot

(Alphabetical order within each segment)

Under $50	$51-$100	$101-$150	$151-$200	$200-$450
Cleveland	Atlanta	Austin	Denver	Los Angeles
Indianapolis	Charlotte	Baltimore	Miami-Dade	New York City
Memphis	Chicago	Boston	Riverside-San Bernardino	Oakland
	Dallas/Fort Worth	Fort Lauderdale	San Diego	Orange County
	Detroit	Northern New Jersey	Washington, D.C.	Seattle-Tacoma
	Houston	Orlando		
	Milwaukee	Phoenix		
	Minneapolis-St. Paul	Sacramento		
	Philadelphia	West Palm Beach		
	Tampa-St. Petersburg			

** 2008-2018 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

Regional Distribution Centers and Ports Head Index; Elevated Vacancy Keeps Metros From Moving Up

Los Angeles retains top spot, reshuffling ensues. Southern California markets dominate the top 10 in this year's Index. Twin Ports Los Angeles is one of the busiest ports in the world and the metro also has an expansive manufacturing base, underpinning a robust industrial sector. Solid absorption of space has kept vacancy in Los Angeles the lowest in the nation for five consecutive years. The movement of goods from the ports to markets throughout the world as well as expanding e-commerce demand have produced a vibrant distribution and logistics sector in neighboring Orange County (#4) and Riverside-San Bernardino (#8). Tightening vacancy and the greatest rent growth among metros in the Index propelled Northern New Jersey (#2) onto the second rung. Detroit (#3) benefits from new autonomous vehicle technology that is spurring additional space needs for automobile manufacturers and their suppliers. Newcomer to the index, Minneapolis-St. Paul (#5) debuts in the fifth position, as the metro's diverse economy and position as a distribution hub for the Upper Midwest produce steady absorption and rent growth. Rounding out the top 10 slots are Seattle-Tacoma (#6), Cleveland (#7), Oakland (#9) and Tampa-St. Petersburg (#10).

Biggest Index movers. Milwaukee (#13) registered the greatest improvement in the 2019 NIPI, leaping six rungs. Strong manufacturing hiring and minimal new inventory will fill existing space, dropping vacancy and boosting rents. Cleveland (#7) and Atlanta (#14) followed, each climbing four spots. A slow delivery pipeline in Cleveland will keep vacancy well below the national level, moving rents higher, while the growth in e-commerce demand and steady absorption in Atlanta will produce outsized rent advances. Elevated vacancy that is stifling rent growth is a trend in markets with the largest declines and those sitting near the bottom of the NIPI. Dallas/Fort Worth (#23) and New York City (#24) each fell seven rungs to remain in the bottom half of the Index, while Baltimore lost two notches to land at the bottom of this year's rankings.

Index Methodology

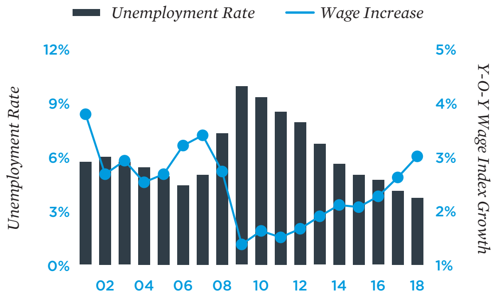
The NIPI ranks 32 major industrial markets based upon a series of 12-month, forward-looking economic and supply-and-demand variables. Markets are ranked based on their cumulative weighted-average scores for various indicators, including projected employment growth, vacancy level and change, construction, 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.

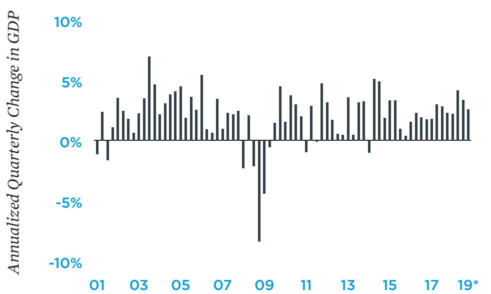
Market Name	Rank 2019	Rank 2018[1]	18-19 Change
Los Angeles	1	1	■ 0
Northern New Jersey	2	4	↗ 2
Detroit	3	3	■ 0
Orange County	4	5	↗ 1
Minneapolis-St. Paul	5	New	■ NA
Seattle-Tacoma	6	2	↙ -4
Cleveland	7	11	↗ 4
Riverside-San Bernardino	8	8	■ 0
Oakland	9	7	↙ -2
Tampa-St. Petersburg	10	6	↙ -4
Boston	11	New	■ NA
Miami-Dade	12	10	↙ -2
Milwaukee	13	19	↗ 6
Atlanta	14	18	↗ 4
Chicago	15	9	↙ -6
Philadelphia	16	12	↙ -4
Fort Lauderdale	17	13	↙ -4
Houston	18	15	↙ -3
Orlando	19	22	↗ 3
West Palm Beach	20	20	■ 0
Sacramento	21	21	■ 0
Indianapolis	22	23	↗ 1
Dallas/Fort Worth	23	16	↙ -7
New York City	24	17	↙ -7
Denver	25	28	↗ 3
Austin	26	24	↙ -2
San Diego	27	25	↙ -2
Charlotte	28	New	■ NA
Phoenix	29	27	↙ -2
Washington, D.C.	30	26	↙ -4
Memphis	31	New	■ NA
Baltimore	32	30	↙ -2

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

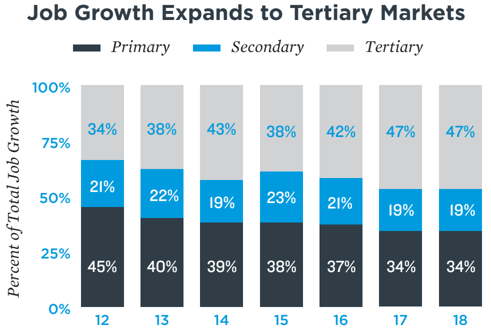
Tight Labor Market Pressures Wages



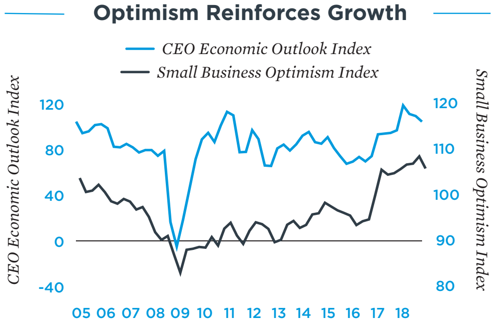
U.S. GDP



Job Growth Expands to Tertiary Markets



Optimism Reinforces Growth



* Forecast

Rising Wages Sustain Consumption in 2019; Growth Solid Despite Moderating Momentum

Wages continue to climb as firms compete for talent. With help from a tight labor market, economic growth will extend into 2019. Organizations will add 2 million workers to payrolls this year, keeping the nation's unemployment rate near 4 percent. Though many companies are eager to expand employment bases, a lack of qualified workers may inhibit them from filling open positions. In an effort to attract quality talent, firms will bolster compensation packages, supporting an uptick in wage growth after annual increases in the mid-2 percent band were witnessed regularly during the past few years. Rising wages should become more prevalent as the year progresses, translating to relatively active spending habits and encouraging retailers to keep inventories elevated. Additionally, many companies are aiming to beat potential tariffs by bringing spring merchandise into the country early, putting pressure on warehouses and other storage facilities to maintain heightened levels of imports.

Economy to stay on solid footing as momentum begins to ebb. The U.S. economy will remain fundamentally stable in 2019 despite consumer confidence dipping from last year's historically high levels. All-time highs of U.S. household wealth and disposable income will keep consumers optimistic, particularly as several factors could threaten domestic growth moving forward. The longer-term effects of a government shutdown remain unclear in addition to any implications from still-unresolved trade tensions. Also, weakening international economies will weigh on U.S. economic expansion. Accounting for these factors, momentum will ease this year, moderating GDP growth into the low- to mid-2 percent range annually. Steady growth will help maintain positive levels of consumption, boosting property performance as retailers increase inventories to keep pace with spending.

2019 National Economic Outlook

- **Organizations sustain accelerated pace of hiring.** After reaching 3 percent at the end of 2018 for the first time in more than 10 years, wage growth is expected to remain above historical averages this year. An exceptionally tight job market will be the primary driver of wage gains as job creation reaches 2 million for the for the ninth year in a row. Positions in the professional and business services sector as well as education and health services will be abundant in 2019.
- **Coastal warehouses impacted by trade war.** Many of the nation's major seaports are experiencing the effects of ongoing trade tensions. Imports are coming in larger quantities as retailers order products in advance, attempting to beat a potential hike in tariffs on goods from China in March, ultimately crowding nearby storage facilities. U.S. tariffs of 10 percent on $200 billion worth of Chinese goods that took effect in September 2018 are scheduled to increase to 25 percent this spring barring successful negotiations prior to that.
- **Steady retail spending expected in 2019.** Last year, core retail sales averaged 4.7 percent growth, reaching peak levels last summer when expansion hit 6.0 percent. While December posted a yearly increase of just 2.2 percent, spending is expected to stabilize this year amid a solid economic climate. Online sales should continue to rapidly rise, further benefiting the industrial sector.

Changing Consumer Expectations Motivating New Strategies in the Industrial Property Sector

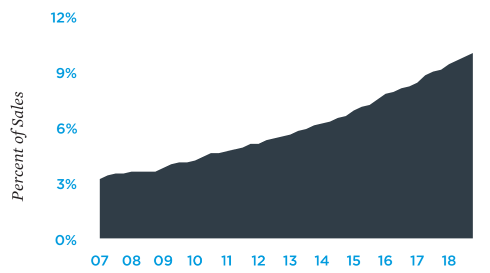
Last-mile delivery costs push demand toward urban industrial. The transformation of the industrial sector has accelerated to an unheard of pace as online shopping has blurred the lines between retail and industrial properties. Shifting consumer habits are rewiring the sector in the digital age as e-commerce sales grew by 13.5 percent last year to now account for roughly 10 percent of overall retail sales. Most retailers are implementing omnichannel strategies to meet customer needs, bolstering demand for warehouse and distribution space across the nation. Rising shipping and transportation costs, driven by trucking shortages, are encouraging more companies to find space within population centers to limit distribution expenses. With consumers expecting shorter delivery windows, companies are turning to vacated retail space in dense residential areas while some developers are making a move toward multistory warehouses to combat logistical challenges in the urban core.

Leasing demand driven by retailers building their online presence. Demand for industrial space climbed past supply growth for the ninth straight year in 2018 as e-commerce and last-mile delivery motivated companies to locate closer to the end consumer. This year, e-commerce and the related functions of the business will once again fuel space demand, with companies like Home Depot, Kroger and Walmart substantially growing their footprint. Home Depot is investing $1.2 billion into its supply-chain network, intermingling online and physical retail with a greater emphasis on same-day pickup, a strategy followed by Walmart as well. Kroger recently partnered with online supermarket Ocado as consumers increasingly purchase their groceries online, fueling the need for grocers to expand their customer fulfillment capabilities. With Amazon accounting for nearly half of all e-commerce sales last year, other retailers are moving quickly to streamline their supply chain to catch up, pushing the national industrial vacancy rate to its lowest point on record.

2019 National Industrial Outlook

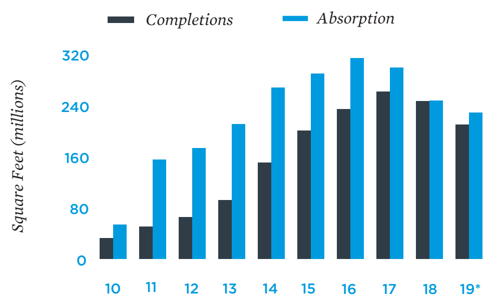
- **Developers tackle logistical hurdles with taller warehouses.** Supply constraints amid exceptional space demand in the urban center have influenced developers to bring multistory warehouses to the U.S. for the first time, with the first of its kind rising in Seattle last year. Common in dense urban areas of Europe and Asia, these types of warehouses allow trucks to be loaded on multiple levels, which can be accessed by ramp. Similar projects are underway in New York City and the Bay Area as strong rental rate growth and low vacancy in the core justify the higher construction costs. As more retailers make efforts to close the gap between the last mile of the supply chain and the end consumer, demand for taller warehouses in the tightest markets will grow.
- **Vacancy tightens further as construction eases.** Developers are starting to respond to higher costs, helping to slow deliveries this year to 210 million square feet following the completion of more than 246 million square feet in 2018. Tenant demand pushes past supply growth for the 10th consecutive year, compressing the national industrial vacancy rate to 4.5 percent, the lowest on record. Supply constraints support another year of healthy rent growth, climbing 4 percent this year to $7.27 per square foot after recording a 5.4 percent increase last year.
- **Growing production pushes gauges higher.** Expansion of the 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, maintained 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 this year.

E-Commerce Share of Retail

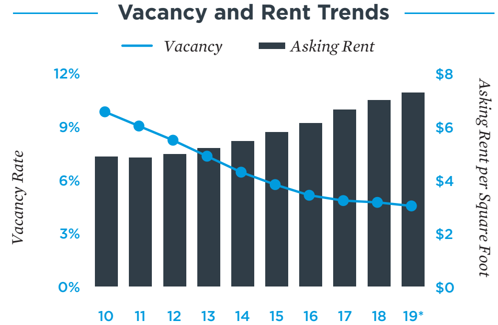


Excludes auto and gas sales

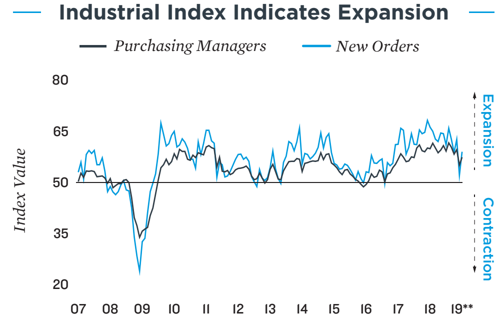
Industrial Supply and Demand



Vacancy and Rent Trends



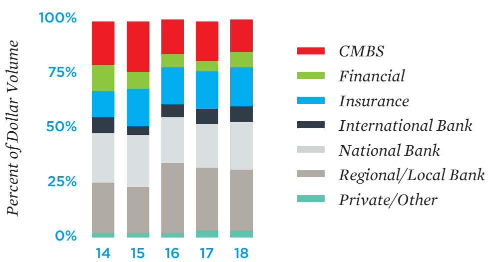
Industrial Index Indicates Expansion



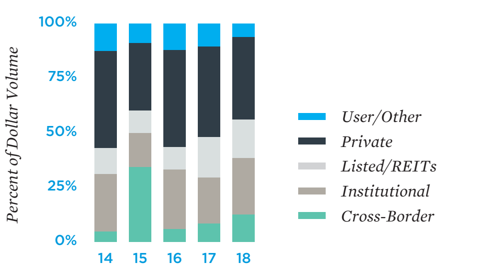
* Forecast
** Through January 2019
Sources: CoStar Group, Inc.; Real Capital Analytics

10-Year Treasury vs. 2-Year Treasury Yield Spread Tightens

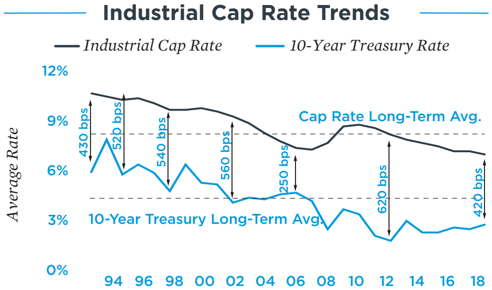
Industrial Mortgage Originations by Lender



Industrial Buyer Composition



Industrial Cap Rate Trends



Note: Sales $1 million and greater

Fed Eyes Slowing International Economies; Shifting Consumer Preferences Support Acquisitions

Fed adopts cautious stance. Ongoing trade disputes between the U.S. and China together with slowing growth throughout Europe have begun to weigh on the global economy. Financial market volatility and elevated caution have sponsored a flight to the safety of Treasurys, pushing the 10-year yield to the mid-2 percent range. While domestic economic output has moderated in recent months, the government shutdown and waning impact of the tax cut stimulus are likely to trim forward estimates. As a result, Chairman Jerome Powell stated that the Fed is considering an adjustment to ongoing balance sheet runoffs through quantitative tightening and put further interest rate hikes on hold as the central bank takes a wait-and-see approach to monetary policy. The bond market has begun to price in a much more dovish Fed, with flattening interest rates reflecting this more cautious stance. Fed officials will likely focus on the intersection of a global growth slowdown and continued labor market strength as they define their plans. Barring a significant economic or political event, investors can expect interest rates to be a bit more stable this year.

E-commerce strength powering broad industrial demand. As consumer preferences shift toward more spending online, lenders including local, regional and national banks and insurance companies have been active. Sentiment remains upbeat, with tightening lending standards apparent only in the riskiest proposals. High-profile distribution facilities and warehouses in urban areas remain a portfolio staple, with loan-to-value (LTV) ratios in the 55 to 75 percent range, depending on borrower, asset and location factors. Non-core locations and use cases typically require more nuanced financing such as mezzanine and bridge loans to undertake capital improvements. Elevated construction in some markets has also caused a slight pullback in willingness to lend toward additional developments, particularly in tertiary locations without a signed tenant in place.

2019 Capital Markets Outlook

- **Inflationary pressures benign despite upbeat wage growth.** Following the implementation of tariffs on several key trading partners, core inflation has remained just above 2 percent, showing little impetus for an uncontrolled surge. Muted inflationary pressure has given the Fed more maneuvering room, particularly as international pressures weigh on sentiment. Meanwhile, low unemployment has sponsored steady wage growth gains, expanding by 3.0 percent over the last year.

- **Monetary policy allows flexibility into potential downturn.** While other central banks have maintained ultra-low interest rates, the Federal Reserve has undertaken a much more prudent policy stance, embarking on a series of rate increases since the fourth quarter of 2015. The current fed funds rate of 2.5 percent offers the Federal Reserve sufficient ammunition to combat potential headwinds to domestic growth, helping to boost sentiment.

- **Treasurys offer arbitrage opportunities for global investors.** Offering a premium of up to 200 basis points compared with other countries, the 10-Year Treasury provides a significantly higher yield to international investors, particularly on a risk-adjusted basis. This arbitrage has sponsored tremendous capital inflows into U.S.-based assets, with an emphasis on Treasurys, which has suppressed interest rates.

Strong Growth Prospects and Elevated Returns Expand Pool of Industrial Investors

Crowded market lifts competition for industrial properties. An abundance of equity capital expanded into the industrial property market last year, intensifying investor competition and placing upward pressure on asset values. Pricing across the country remains near or above all-time highs, while gateway markets like Los Angeles are recording the tightest first-year yields and the highest prices. Robust competition among buyers and the opportunity for higher yields are motivating institutional and private groups to enter secondary and tertiary markets, though superior liquidity characteristics will keep most institutional buyers focused on primary markets. Strong NOI growth will be a major focus among investors this year, lifted by sizable rent gains across most markets. Prospects of a rising interest rate climate could also be a significant factor affecting investor decisions, though pressures appear to be alleviated for now.

Deep pool of investors presented with an abundance of opportunities. Urban infill properties will remain a top target among investors as e-commerce and last-mile demand push tenants closer to the end consumer. Challenges faced in retail are providing investors with opportunities to convert vacated big-box stores into smaller distribution centers that can serve the local market, particularly with minimal supply growth for infill space. Port markets on the West Coast, Southeast and the New Jersey port markets will also drive deal volume as a strong U.S. consumer and trade tensions fuel space demand. Investment activity for data centers will remain aggressive as Microsoft, Google, Amazon and other firms rapidly grow their server farms, boosting liquidity in key markets such as Northern Virginia, Dallas, Chicago, New York and Northern California. Many corporations have also been motivated to sell these assets, utilizing a sale-leaseback strategy that has become increasingly popular under recent tax reform.

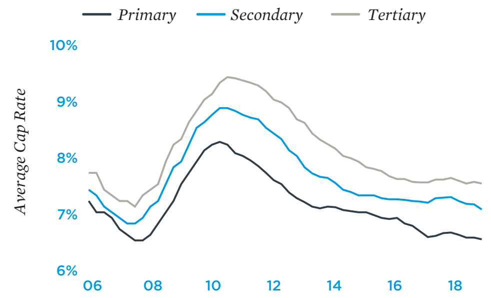
2019 Investment Outlook

- **Aggressive investment activity compresses cap rates further.** Higher returns in the industrial sector spur investors to place a premium on Class A and Class B properties over replacement costs, though a robust construction pipeline could lead sellers to be more competitive with pricing this year. The average cap rate compressed to the upper-6 percent territory, a record low, as demand continues to outpace new supply. Class A properties in some of the nation's primary markets have achieved a cap rate closer to 4 percent, motivating buyers to seek higher yields in secondary and tertiary markets.

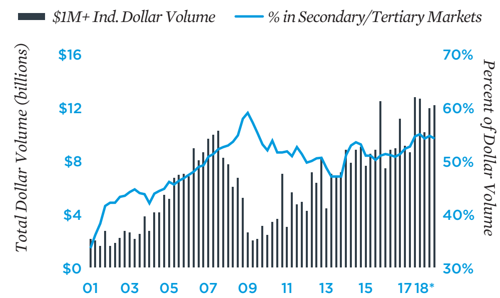
- **Cross-border acquisitions climb past $15.5 billion.** An attractive yield alternative when compared with a broad range of investment options has foreign investors acquiring more industrial portfolios, diversifying away from office and multifamily assets. A combination of low-risk and growth characteristics pushed capital inflows by foreign entities to a record high last year, expanding into major gateway markets such as Dallas, Los Angeles, Chicago and Atlanta.

- **New opportunity arises from migration to online shopping.** Adaptive reuse of outdated properties is expected to grow this year as e-commerce lifts demand for logistics space. Freestanding big-box stores and some Class B office buildings are prime candidates for conversion due to centralized locations, clear heights and presence of a loading dock. Investors have been active in secondary markets when looking at conversions, realizing higher returns than are typical in primary markets.

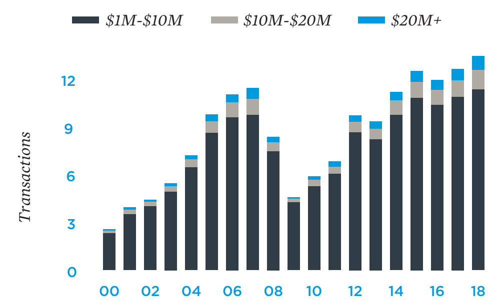
Industrial Cap Rate Trends by Market Type



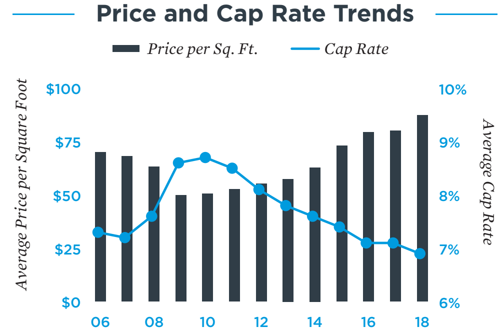
Percent of Dollar Volume



Industrial Transactions by Price Tranche

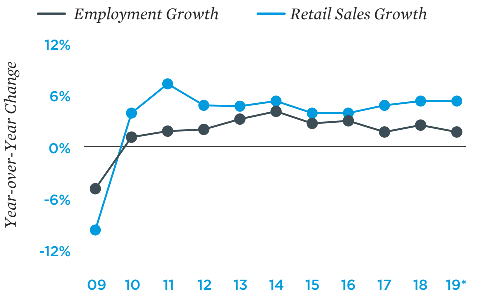


Price and Cap Rate Trends

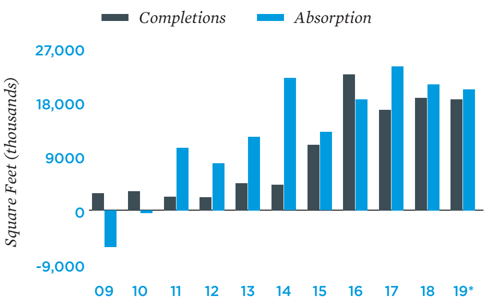


* Through 3Q

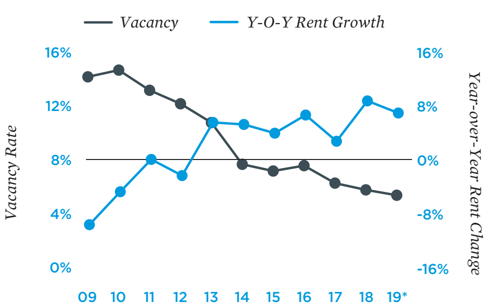
Employment vs. Retail Sales Trends



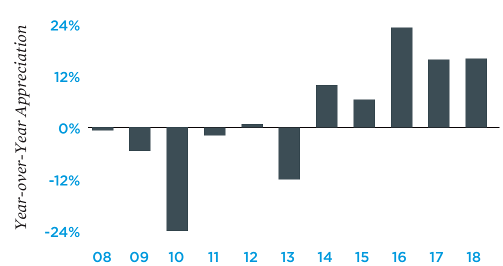
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



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

Broad Array of Industries Power Atlanta Industrial Performance, Elevating Investment Demand

Consistent absorption pushes vacancy to new cycle low; rent growth remains robust. A wide scope of industries, including automotive manufacturers and suppliers, have underpinned rapid absorption of industrial assets in Atlanta. Net absorption has averaged nearly 20 million square feet annually for the past five years, pushing vacancy below 6 percent. Locations in South Atlanta near the airport and the far northern suburbs have proved to be the most popular locales, leading to a consistent slate of new supply. This year's pipeline will fall slightly below the three-year average of 19.5 million square feet, while containing seven office parks in excess of 1 million square feet each, underscoring the size and scale of industrial properties currently underway. Sites near the airport remain the most popular for development, with roughly half of this year's injections expected to come online within 5 miles of the logistics hub. As a result, the average asking rent will remain on an upward trajectory, recording the seventh straight annual increase.

Prices push higher as investment capital pours in from coastal metros. Amid steady improvement in operating conditions metrowide, an array of investors remain consistent buyers of Atlanta industrial assets. Institutions are targeting warehouses and distribution facilities surrounding the airport and in the northern suburbs near manufacturing plants. Meanwhile, private investors have typically sought out flex and light manufacturing opportunities, where smaller price points and a more specialized opportunity set enhance prospective yields. Metrowide, cap rates will begin in the mid-7 percent range, supporting prices per square foot in the high-$80s. Premier locations will extend pricing into the high-$90s to low-$100s, particularly sites along transportation arteries. Consistent market strength will prompt active bidding, pushing capital flows toward $3 billion.

2019 Market Forecast

NIPI Rank 14, up 4 places	Tightening vacancy and rent growth above the national level lift Atlanta in this year's ranking.
Employment up 1.7%	Atlanta employers will hire 49,000 workers this year, building on the 69,900 jobs that were created in 2018.
Construction 18.5 million sq. ft.	Developers will complete 18.5 million square feet of industrial space this year, down moderately from the 18.8 million square feet brought online in 2018.
Vacancy down 40 bps	Net absorption of more than 20 million square feet will lower vacancy to 5.3 percent this year, building on the 50-basis-point drop recorded in the previous year.
Rent up 6.9%	The average asking rent rises to $4.80 per square foot, a slightly lower growth rate than last year when the average asking rent vaulted 8.7 percent.
Investment	Heavy development near the airport will give investors the opportunity to acquire new builds at competitive price points.

Consistency Defines Austin in 2019; More Investors Target Bulk Acquisitions

Two-pronged industry expansion supports reduction in vacancy. Austin enters 2019 following four years in which industrial tenants absorbed a combined 6.3 million square feet of space. The local retail trade and tech manufacturing industries were largely to credit for this leasing velocity, as sizable growth by companies within these sectors constricted the market's stock of vacant properties. Moving forward, the tech manufacturing sector is on solid ground, with Oracle recently opening a new campus and Apple slated to construct a new $1 billion campus. These moves should motivate smaller firms that support these heavy hitters to also grow, maintaining a need for smaller to midsize flex space. An inflow of higher-paying jobs in 2019 will again bolster consumer spending, encouraging further expansions on the part of retailers, some of which will consolidate storage and distribution operations into one larger warehouse to maximize efficiencies. The metro's currently limited inventory of available space suggests any recently vacated floor plans or newly delivered speculative projects should be filled quickly, supporting a level of absorption that lowers metro vacancy below 5 percent.

Buyer competition heats in northern submarkets. Solid economic growth projections and historically high asking rents have investors eager to quickly enlarge or establish a footprint in Austin, evident by the number of recently closed portfolio or multi-property transactions. Class B and C warehouses that can be divided into several smaller spaces or upgraded to fit specific industrial users' needs represent an attractive investment play. Warehouses of various vintages north of the core, near the Highway 1 Loop and Interstate 35, frequently trade between $2 million and $10 million, with assets providing average first-year returns in the high-6 to low-7 percent range.

2019 Market Forecast

NIPI Rank 26, down 2 places — Slower absorption and rent growth result in Austin moving down two rungs in the NIPI this year.

Employment up 2.6% — Austin's annual rate of employment growth is twice the national rate of increase in 2019, yet the addition of 28,000 positions marks a moderation in local hiring following the creation of 36,200 jobs last year.

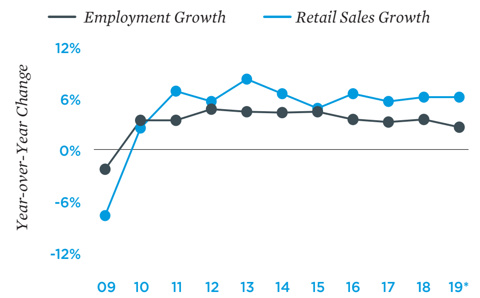
Construction 270,000 sq. ft. — After 6.5 million square feet of space was delivered over the past four years, completions drop off in 2019.

Vacancy down 120 bps — Net absorption exceeds new supply by nearly 1 million square feet, lowering vacancy to 4.7 percent. Last year, a decline of 50 basis points was noted.

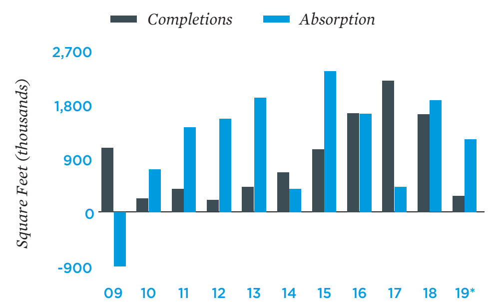
Rent up 2.0% — The metro's average asking rent climbs at a subdued pace for a second straight year, reaching $10.24 per square foot.

Investment — Canada-based buyers maintain a presence in Austin, targeting larger, newer-built warehouses in Pflugerville and Round Rock that warrant capital deployments of $10 million to $20 million.

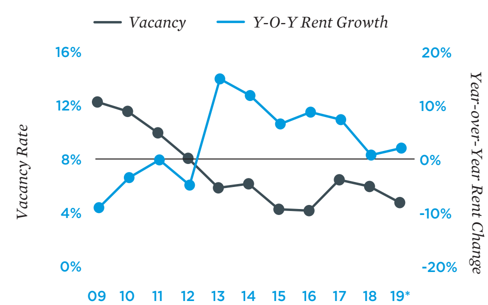
Employment vs. Retail Sales Trends



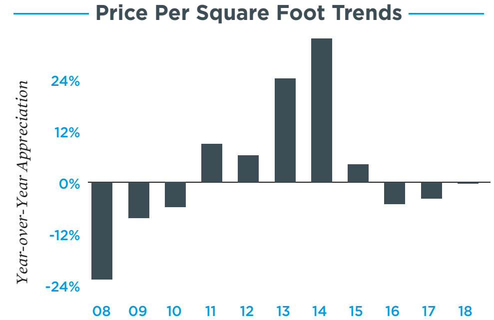
Industrial Completions



Asking Rent and Vacancy Trends



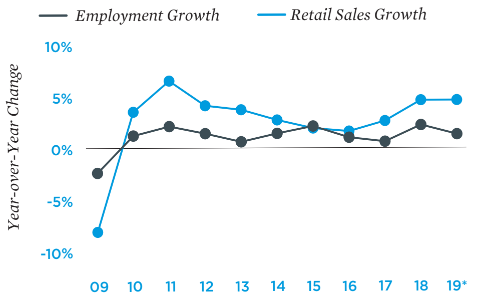
Price Per Square Foot Trends



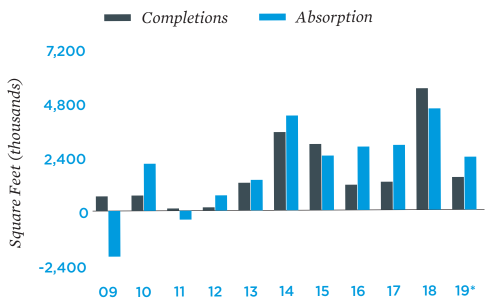
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Employment vs. Retail Sales Trends



Industrial Completions



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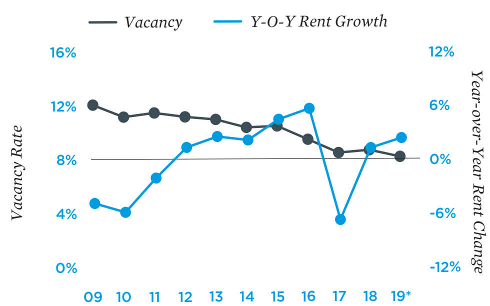
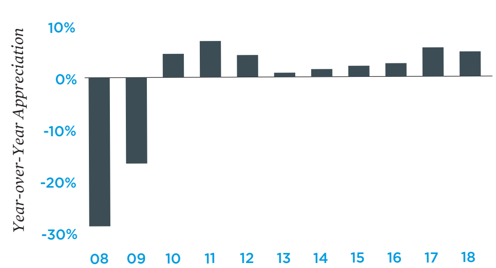


Price Per Square Foot Trends



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

More Distributors Move to Baltimore County as Fewer Completions Lower Vacancy and Lift Rents

Reduced construction pipeline paves way for vacancy and rent improvements. The opening of new Amazon and Under Armour distribution centers in Sparrows Point last year contributed to the swell in development activity. Fewer projects are underway in 2019, the largest of which totals 500,000 square feet and is located in Aberdeen. The area offers convenient access to Baltimore and Philadelphia via Route 40 and is situated inside an opportunity zone. Similar reasons are behind the finalization of 350,000 square feet in close-by Edgewood. Nearly as much space will open in Glen Burnie, about 6 miles from BWI airport. Minimal completions elsewhere support a drop in the metro vacancy rate for the sixth time in eight years. Availability near 3 percent aids rent growth along the I-83 Corridor and in Southern Anne Arundel. New biotechnology businesses drive demand for research and development space in Columbia, supporting above-market appreciation here as well.

Connectivity to broader East Coast region remains a priority. The metro's strategic position between Washington, D.C., and New York continues to draw industrial investment, with trading focused on assets along the I-95 and Route 1 highways. Several of these properties south of Elkridge changed hands. Closer access to the nation's capital appeals to some tenants, including food processors. The proximity to the seaport and newer residential hubs keep buyers' attention in eastern Baltimore County. More e-commerce organizations are migrating here, attracting institutional investors. Any available listings within the city of Baltimore are readily pursued as well due to the growing need for last-mile distributors. In recent months, there has also been an increase in sales velocity within Carroll County. U.S. 97 provides transit access for facilities that are typically under 20,000 square feet and house local or regional businesses.

2019 Market Forecast

NIPI Rank 32, down 2 places	Vacancy well above the national level contributes to Baltimore's decline in this year's Index.
Employment up 1.3%	After a 2.2 percent gain last year, job growth in 2019 follows the trailing five-year annual average as 18,000 new roles are filled.
Construction 1.4 million sq. ft.	Routes connecting Baltimore to Washington, D.C., and Philadelphia will draw most of the development this year as the construction pipeline contracts 73 percent from 2018's cycle high.
Vacancy down 50 bps	The need for additional regional and last-mile distribution centers supports a decline in the vacancy rate to 8.1 percent. Last year, vacancy rose 20 basis points.
Rent up 2.3%	The average asking rent will increase to $5.28 per square foot, almost doubling last year's 1.2 percent growth rate.
Investment	An average cap rate in the 8 percent zone exceeds that of several nearby metros, attracting out-of-state investors who want to connect to major East Coast distribution channels.

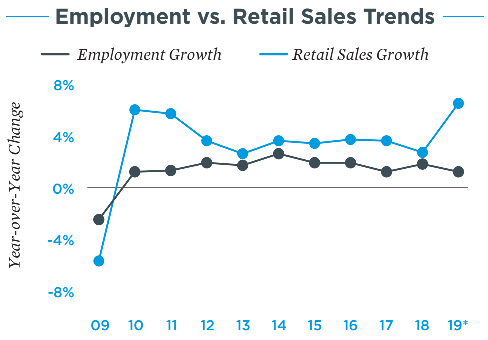
Drop-Off in Construction Activity Heightens Competition Among Renters and Investors

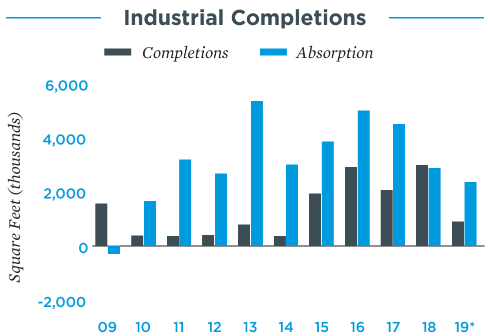
Logistics providers lease more space amid few completions, bolstering rents. A growing consumer base that expects rapid delivery of goods has increased the demand for distribution services, driving a greater need for industrial space. This trend has helped drop the market's vacancy to half its recession-era rate, and as availability declined, development expanded. Over the past four years, almost 10 million square feet of industrial space was added in the metro, five times the additions in the preceding four years. In 2019, the pace of construction slows considerably, with fewer than a million square feet to be completed. Most of those deliveries are concentrated south of Boston near I-495. The city of Norton alone will welcome 500,000 square feet as part of the mixed-use Bluestar Business Park. A lack of supply additions in other parts of the metro supports a retraction in vacancy this year, while the demand for last-mile delivery lifts asking rents in Suffolk County and surrounding areas.

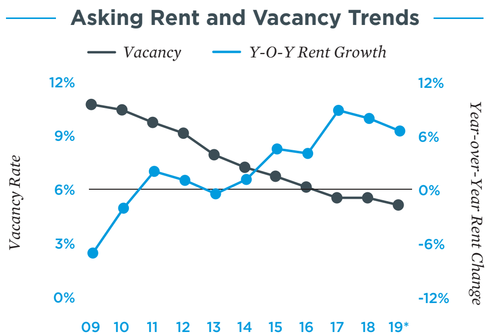
Property fundamentals maintain investor interest. Consistent price appreciation along with reduced vacancy and continued rent growth pave the way for another year of elevated transaction velocity. Buyers have shown more interest in recent months for assets located north and south of Boston and along the I-495 corridor. Sales prices are lower here while transit options remain robust due to its interstate access. Some investors are willing to incur greater entry costs for improved proximity to the urban core. These properties attract high-quality tenants, including the last-mile delivery operations of nationally recognized distributors, contributing to cap rates in the 5 percent range. More remote facilities that require modification to meet the needs of logistic firms can trade with initial yields as high as the mid-7 to mid-8 percent zone.

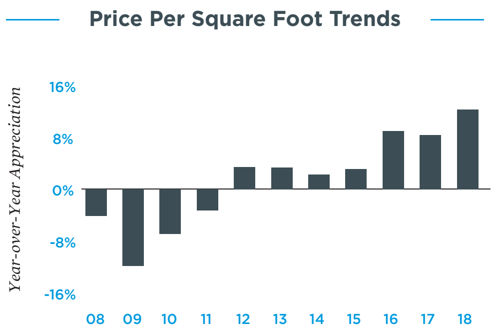
2019 Market Forecast

NIPI Rank 11, new	Boston enters the 2019 Index in the top 15 for its tightening vacancy and robust rent growth.
Employment up 1.2%	The pace of hiring will ease this year as 35,000 positions are added. In 2018 employment growth reached 1.8 percent.
Construction 890,000 sq. ft.	The development pipeline will contract by roughly two-thirds as less space is added to the metro in 2019 than in any year since 2014 when 370,000 square feet was completed.
Vacancy down 40 bps	A notably reduced completions schedule falls well below the anticipated level of absorptions, supporting a drop in the vacancy rate to 5.1 percent after the metric remained flat in 2018.
Rent up 6.5%	Rent growth will moderate from 2018's pace of 7.9 percent, but it remains well above the trailing five-year annual average as the average asking rate advances to $8.48 per square foot.
Investment	Private capital is pursuing low-entry-cost opportunities with pre-1990, Class C warehouse and manufacturing space close to the New Hampshire boarder as well as some post-2000-built options in Norfolk, Franklin, and Middleborough.





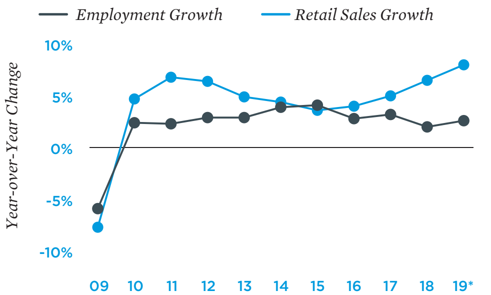




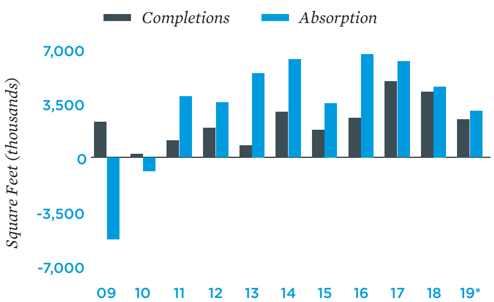
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

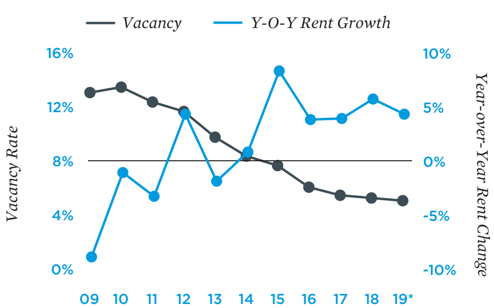
Employment vs. Retail Sales Trends



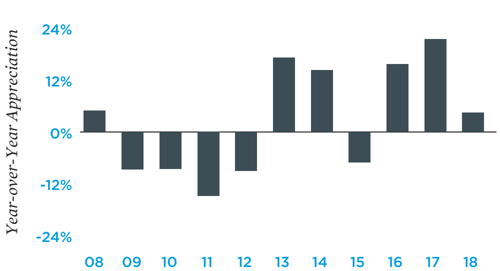
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



** Forecast;*

Sources: CoStar Group, Inc.; Real Capital Analytics

Carolina's Central Hub Draws Industrial Interest; Investors Seek to Capitalize on Low Vacancies

Robust population growth and access to key distribution channels strengthen demand for warehouse space. The metro provides distribution advantages to tenants with easy access to Charlotte International Airport, Interstate 77, Interstate 85 and a population that is growing at triple the national rate. The area has seen an influx of e-commerce companies searching for opportunities to grow a footprint near their consumer base in response to the emphasis on last-mile shipping. After two years of heightened construction levels, expected deliveries are closer to the previous five-year average, with 2.5 million square feet scheduled to be finalized in 2019. The decline in new inventory and Amazon's recent move into 1 million square feet of existing space will result in absorption levels outpacing completions, compressing the vacancy rate to the lowest level of the current cycle. The Queen City's demand for leasable space is going to push rents up for the sixth consecutive year.

Outdated warehouses are enticing investors through value-add opportunity. Charlotte industrial market posted increased trading activity in 2018 as more out-of-state buyers entered the market hoping to capitalize on the high tenant demand and compressed vacancy rates. The majority of the activity is focused around the Interstate 77 and 485 interchange, and in Catawba County situated northwest of Charlotte near Interstate 40. Metrowide, buyers are seeking warehouses built before 2000 and ranging from 10,000 square feet to 100,000 square feet. Many of these older properties near population centers are being renovated and may be targeted for lease by last-mile distributors. First-year returns in the market are typically in the 7 to 8 percent range, but they can dip below that for well-located assets.

2019 Market Forecast

NIPI Rank 28, new — Charlotte debuts in 28th place as a slowing absorption keeps vacancy above the national level.

Employment up 2.6% — Charlotte employers will hire 32,000 workers this year, expanding payrolls by 2.6 percent. A portion of this growth is due to Amazon's move into an existing 1 million-square-foot facility.

Construction 2.5 million sq. ft. — The square footage delivered in 2018 was much greater than what is expected for 2019. The largest development to be finalized is Campbell's Soup's 500,000-square-foot facility.

Vacancy down 20 bps — Net absorption outpaces construction, contracting vacancy to 5.0 percent after posting 5.2 percent vacancy in 2018.

Rent up 4.3% — The average asking rent rises to $4.66 per square foot, building on last year's 5.7 percent gain.

Investment — Investors looking for steady cash flows can find opportunity in Union County where centers support the metro's growing southeast suburbs. The average vacancy here is below 3 percent.

Last-Mile Delivery a Focus in Inner-Ring Suburbs as High Population Density Trickles From the Core

Many companies seek proximity to O'Hare. Chicago continues to serve as one of the nation's primary industrial hubs with its multiple large-scale airports as well as an extensive railroad system. The Windy City is frequently used as an interchange point for cross-country shipments, driving demand for industrial space, particularly around the metro's modes of freight transportation. Neighborhoods surrounding O'Hare International Airport will see significant development activity this year, accelerating rent growth in conjunction with rising demand. Also, as population density percolates from the urban core, the need for distribution centers and warehouses will increase in inner-ring suburbs to aid last-mile delivery. Cicero, for example, is slated to receive nearly 600,000 square feet of space, which should also help alleviate relatively low vacancy in the area. Additionally, tight conditions in Orland Park and Tinley Park should persist this year amid limited supply growth, keeping their vacancy rates in the high-3 percent band and rents steadily climbing.

Entry-level investors find opportunities near highly desired industrial district. This year, Chicago will remain a popular target for industrial investors, providing them with a variety of value-add options. A plethora of assets in the $2 million to $3 million range can be found near O'Hare International Airport, particularly in Bensenville and Elk Grove Village. While these affordable price points attract buyers, the proximity to the airport also encourages acquisitions. For investors working with larger sums of capital, communities just north of downtown contain properties with potential for significant NOI growth. Here, a bevy of 1930s- and 40s-built warehouses exist, netting first-year yields across the 8 percent expanse, up to 100 basis points above the metro average.

2019 Market Forecast

NIPI Rank
15, down 6 places
An elevated level of new inventory and slower rent gains move Chicago down in this year's ranking.

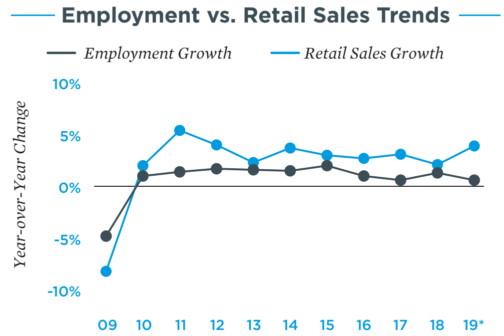
Employment
up 0.6%
The lowest unemployment rate in more than 30 years will weigh on job creation as 30,000 new workers are staffed in 2019. Last year, organizations hired 59,000 employees.

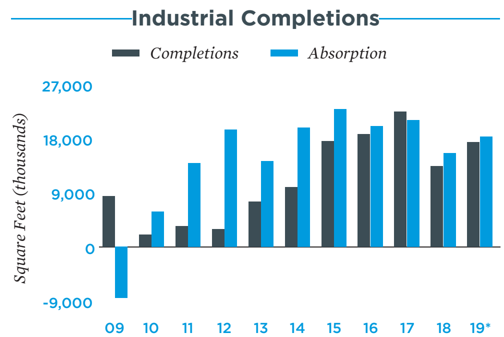
Construction
17.4 million sq. ft.
Construction exceeds the prior five-year average of 16.4 million square feet while areas around O'Hare International Airport register significant development activity.

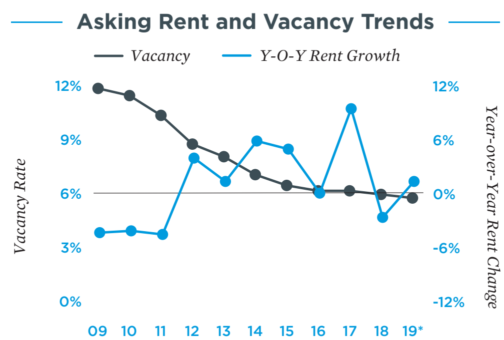
Vacancy
down 20 bps
Market vacancy will fall 20 basis points for the second year in row, moving to 5.7 percent, still well above the national rate.

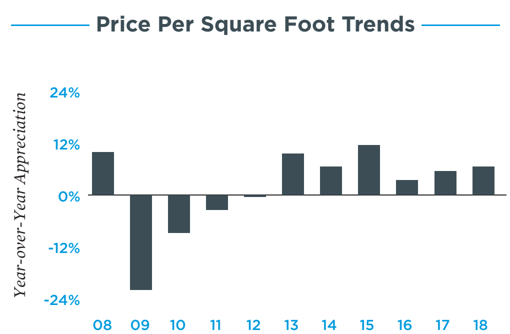
Rent
up 1.3%
Rent growth will continue its irregular trend, posting a small gain this year and pushing the average asking rent to $5.53 per square foot.

Investment
Assets in the I-90 corridor between downtown and O'Hare International airport should log strong NOI growth this year, maintaining investor interest in this area.





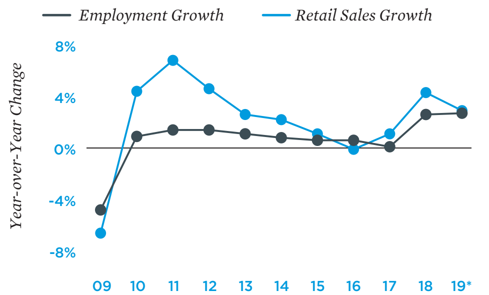




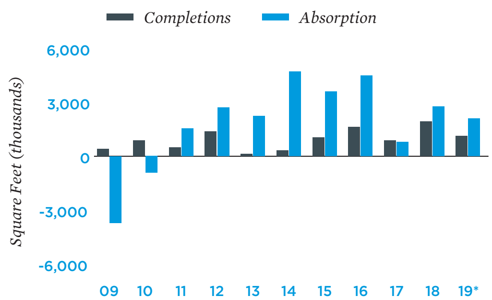
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

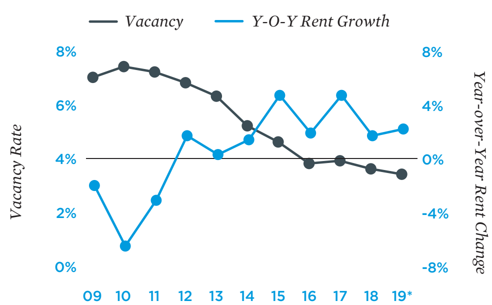
Employment vs. Retail Sales Trends



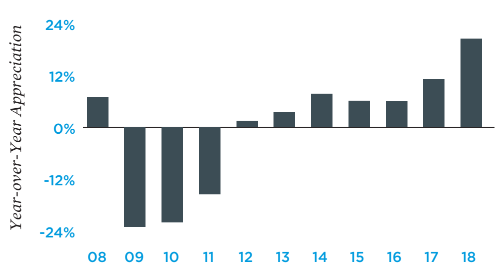
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



** Forecast;*

Sources: CoStar Group, Inc.; Real Capital Analytics

Improving Economy Fosters More Spending; Private Investors Find Plenty of Options in Cleveland

Development maintains strong clip as builders focus on southeastern part of the metro. Surging job creation continues to boost economic growth in Cleveland, which in turn is increasing consumption. As a result, industrial development will remain elevated in Northeast Ohio this year as more than 1 million square feet of space is finalized for the fourth time in the past five years. The I-480 corridor between Oakwood and Twinsburg will receive much of the new space, potentially threatening the area's already-heightened vacancy rate. Since 2014, this section has logged more than 3.5 million square feet of development, keeping rents well below the market average as supply outpaced demand. Conversely, several areas around the metro hold significantly low vacancy rates including neighborhoods around Buckeye-Shaker and University Circle. Here, elevated demand has propelled rents far above most other communities in the market as tenants vie for the limited available space with proximity to the lake in addition to nearby railroad access.

Growing manufacturing presence headlines industrial market. Cleveland will remain an active investment market in 2019 as buyers are enticed by relatively low entry costs in a major Great Lakes industrial hub. Lower-tier assets near the core will continue to attract a plethora of private buyers to the high upside many of these buildings offer. Proximity to the Port of Cleveland drives interest in this area; however, the potential for strong NOI growth will fuel purchase decisions as well. Additionally, suburban manufacturing facilities will garner attention from a broad pool of investors. Many of these assets net initial yields in the mid-8 to 9 percent realm, up to 100 basis points above the metro average. Cleveland added roughly 4,200 manufacturing jobs during 2018, signaling the industry's growing strength within the metro.

2019 Market Forecast

NIPI Rank
7, up 4 places

Cleveland breaks into the top 10 of the NIPI due to strong employment gains and vacancy below the U.S. level.

Employment
up 2.7%

Cleveland businesses continue their hastened pace of job creation, staffing 29,000 workers this year. This follows the addition of 27,700 hires one year earlier.

Construction
1.1 million sq. ft.

Development declines roughly 40 percent this year after 2018's cyclical high of 1.9 million square feet.

Vacancy
down 20 bps

Market vacancy remains on a downward trend this year as net absorption tallies nearly 2.1 million square feet, pushing the rate down to 3.4 percent.

Rent
up 2.2%

In 2019, rent growth will outpace last year's 1.7 percent increase as the average asking rent rises to $4.18 per square foot.

Investment

Strong household growth in the metro's southernmost sections will support more deliveries in these areas moving forward, expanding many firms' distribution networks.

Metroplex Benefiting From Booming Logistics Sector; Investors Keen on Acquiring Assets

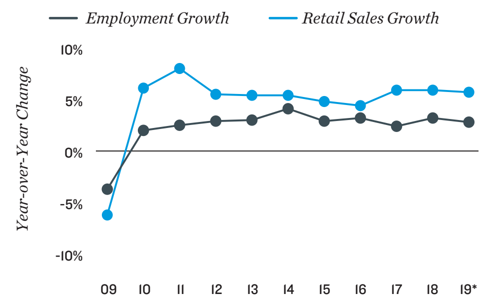
Rapid in-migration, job growth supporting above-average economic growth. Fueled by its central location and massive land area, the Metroplex is supporting rapid improvement in the industrial sector. While vacancy has remained steady near the mid-6 percent range since 2014, the average rental rate has surged. The roughly 20 percent rise in prices per square foot over this time frame has occurred despite an average influx of more than 22 million square feet of new space per annum. In 2019, construction will tick up moderately above the four-year average, yet leading Fortune 500 firms including Home Depot, General Motors and PPG Industries highlight the incredible demand for space in the market. As a result, vacancy will decline marginally, led by locations to the southwest of the core, where already-tight conditions will remain in place. This will allow rent growth to expand at a mid-single-digit rate.

Broad pipeline, diverse industries keep investors active. Amid interest from national, regional and local capital sources, the Dallas/Fort Worth metro holds appeal for a multitude of investors with different strategies and location preferences. While Dallas and Fort Worth combine for nearly half of all activity, smaller distribution hubs and manufacturing centers allow for dollar volume to exceed $3.5 billion, providing ample opportunity for buyers of all sizes. Cap rates range from the low-6 percent area for premier product near the airport to the low-8 spectrum for older assets in non-core locations, allowing income and capital appreciation strategies to flourish. Buyers seeking new builds will be especially keen on Arlington and North Fort Worth, where more than 9 million square feet of new space will come online, potentially allowing investors to capture prices below normal market value as participants worry about oversupply.

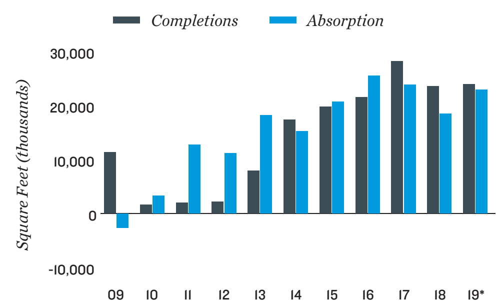
2019 Market Forecast

NIPI Rank 23, down 7 places	Elevated deliveries and still-high vacancy result in Dallas/Fort Worth slipping in the 2019 Index.
Employment up 2.8%	Hiring will remain exceptional as firms add 105,000 new jobs this year, building on the 117,900 positions created last year.
Construction 23.9 million sq. ft.	Development will pick up moderately as 23.9 million square feet comes online, just above the previous year's total of 23.6 million square feet.
Vacancy down 10 bps	Vacancy dips slightly to 6.4 percent as supply and demand remain roughly balanced. In the prior year, vacancy rose 50 basis points as net absorption fell short of deliveries.
Rent up 4.5%	Rent growth will ease from last year's 8.5 percent gain as operators focus on filling space amid a continued steady pace of construction. The average asking rent will climb to $5.62 per square foot.
Investment	Lower valuations in North Fort Worth and East Dallas will draw buyers seeking relatively higher cap rates, which can reach the mid-8 percent range.

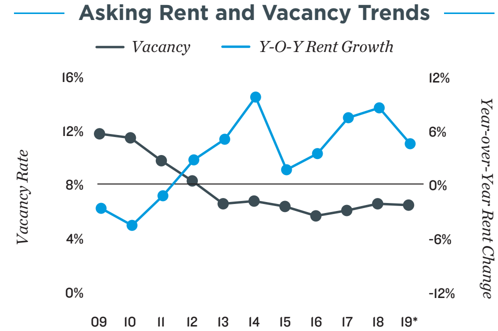
Employment vs. Retail Sales Trends



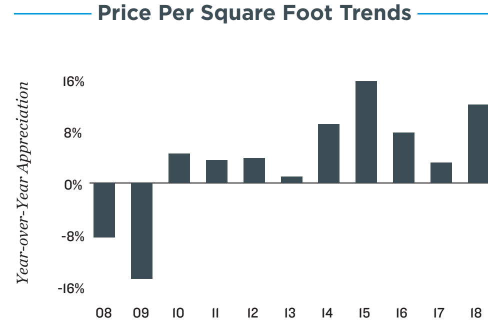
Industrial Completions



Asking Rent and Vacancy Trends



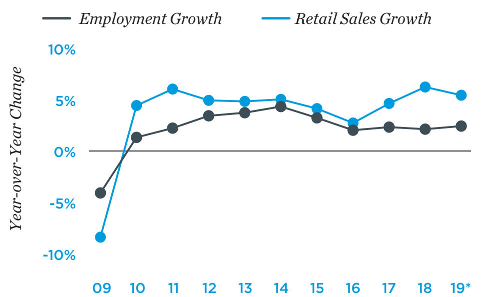
Price Per Square Foot Trends



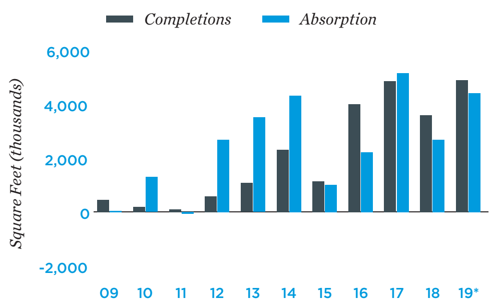
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

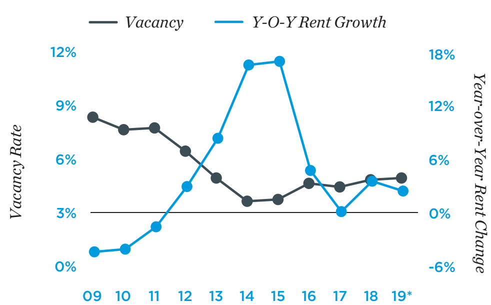
Employment vs. Retail Sales Trends



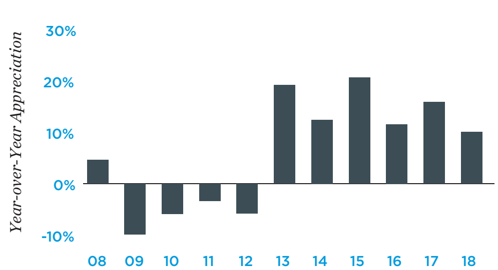
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



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

Surging Population Fosters More Deliveries; Transitioning Areas Provide Investors With Options

Influx of space pushes vacancy up; Denver still adjusting to large supply additions of recent years. The population boom on Colorado's Front Range has heightened the metro's status as a prominent logistics hub. In addition to serving the immediate area, Denver-based distributors cater to surrounding regions in Kansas, Nebraska and Wyoming. With an expansive radius, companies are realizing a need for a Denver footprint as they attempt to minimize the distance between their products and consumer base. As a result, industrial development will exceed 3.5 million square feet for the fourth year in a row with significant supply infusions in the Peña Boulevard corridor, Dove Valley and parts of North Washington. Though this will cause the average market vacancy to rise for the second time in as many years, space demand in the metro remains strong, especially around Commerce City and communities near Denver International Airport. With solid demand in place metrowide, the average asking rent should advance at a steady clip in 2019, moving roughly $1 per square foot above the national average.

Value-add at forefront of investors' minds. Denver will remain a primary target for private capital this year, driving deal flow in several transitioning areas near the core. Investors continue to focus on the RiNo District where numerous redevelopment opportunities exist, giving buyers the option to convert old warehouses to other property types including apartments or office space. In addition, plans to transform the Sun Valley neighborhood into a cultural and entertainment hub have created investment opportunities, luring buyers to the community who are looking to be a part of the revitalization. Assets here can produce first-year yields in the mid-to upper-6 percent band, similar to the metro average.

2019 Market Forecast

NIPI Rank 25, up 3 places	Strong demand drivers and robust rent gains raise Denver three spots in this year's Index.
Employment up 2.4%	Hiring activity will increase this year as 36,000 workers are added to payrolls. White-collar positions will account for nearly one-third of total job creation.
Construction 4.9 million sq. ft.	Deliveries increase roughly 36 percent this year with construction efforts concentrated in several pockets around the metro.
Vacancy up 10 bps	Heightened development will outmatch leasing activity in 2019, pushing market vacancy up to 4.9 percent; this sits slightly above the national rate.
Rent up 2.4%	Rent growth will soften from a 3.5 percent gain last year. The average asking rent increases to $8.24 per square foot in 2019.
Investment	The Peña Boulevard corridor will continue to evolve into an industrial hub as development follows strong household formation in the metro's most easterly sections.

Auto Suppliers, E-Commerce Boost Demand; Rent Escalation Captures Investor Attention

Slower construction pipeline keeps vacancy low and rent advancing. Inventory growth will retreat this year after Amazon's rapid expansion during 2018 elevated construction to a cyclical high. Automobile manufacturers and their suppliers continue to generate robust demand for industrial space as electric and autonomous driving technology bring additional firms to the metro and others expand. New facilities for Autoliv and Tenneco are among the deliveries due in 2019. Oakland County will account for the largest portion of the deliveries this year as the need for smaller warehouses capable of last-mile e-commerce delivery grows. The reduction in deliveries amid strong demand for industrial space and the redevelopment of many obsolete properties will contribute to the vacancy rate remaining tight in 2019 and encouraging healthy rent gains. The average rent has soared more than 40 percent from the cyclical trough in 2012, with growth above 5 percent in each of the past four years, a trend that should continue this year.

Healthy operations and yield potential driving investors into Detroit. Buyers are becoming more confident in Detroit industrial assets. Over the past year, the average cap rate decreased 30 basis points into the mid-7 percent range, roughly 40 basis points higher than nearby Chicago and more than 200 basis points above major coastal industrial centers. During the same period, fewer available quality properties increased competition and pushed the average price to within 4 percent of the 2007 peak. A more favorable outlook is drawing more exchange buyers. Suburban Class C buildings of less than 60,000 square feet were most often targeted by these investors. Local buyers remain active in the less than $5 million price tranche searching for assets along the Interstate 75 corridor in Oakland County.

2019 Market Forecast

NIPI Rank 3, no change — Detroit maintains its position near the top of the NIPI as vacancy continues to tighten, boosting rent growth.

Employment up 0.5% — A total of 10,000 workers will be added to metro payrolls in 2019, down from last year's 0.7 percent advance.

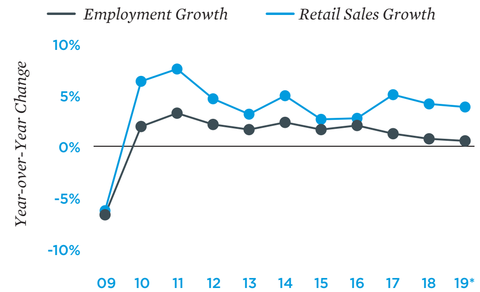
Construction 5 million sq. ft. — Construction reached a cyclical peak of 7.2 million square feet last year, mainly in three Amazon facilities. Deliveries will recede by more than 2 million square feet in 2019.

Vacancy down 10 bps — Following a 20-basis-point decline in the vacancy rate during 2018, absorption will outpace new inventory again this year, tightening vacancy to 2.8 percent.

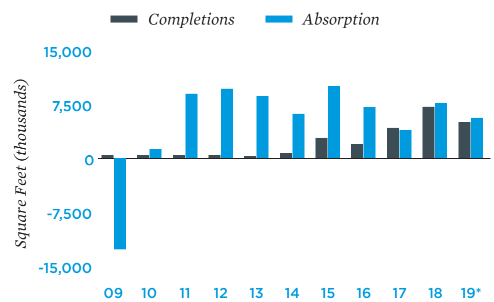
Rent up 6.4% — Asking rent will establish a new high, advancing to an average of $6.13 per square foot in 2019, building on a gain of 8.1 percent last year.

Investment — Investors searching for a growing cash-flow position may find opportunities along major arterials in Macomb County. In this area vacancy started the year below 2 percent and the average rent rests beneath that of the metro.

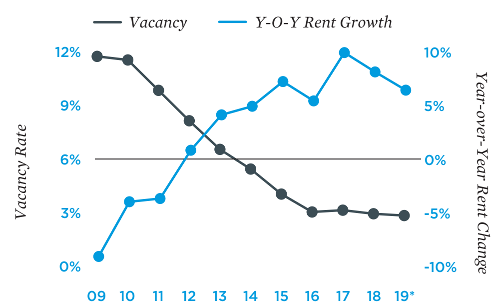
Employment vs. Retail Sales Trends



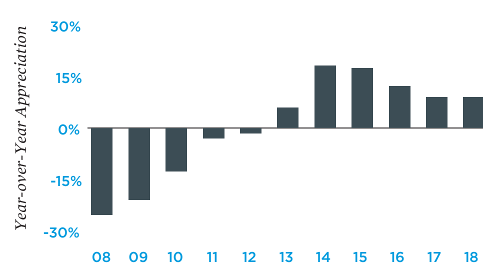
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends

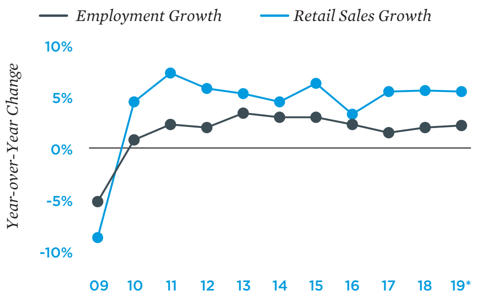


* Forecast

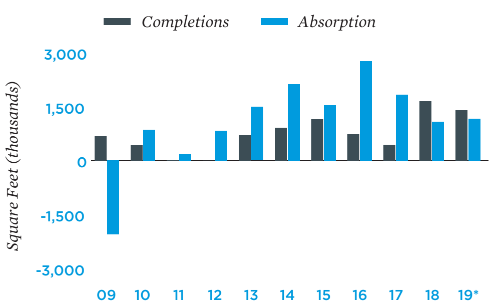
Sources: CoStar Group, Inc.; Real Capital Analytics

Investors Entertain Wide Variety of Industrial Opportunities in Broward County

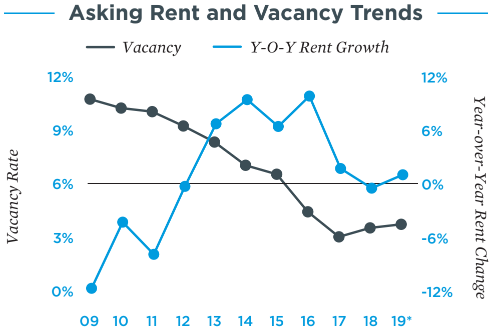
Employment vs. Retail Sales Trends



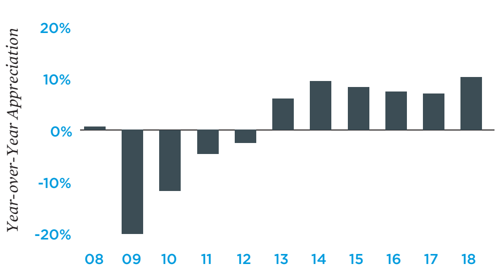
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



** Forecast;*

Sources: CoStar Group, Inc.; Real Capital Analytics

Rising population facilitating industrial space demand. Broward County is adding residents at more than twice the national average, generating significant household growth. As new households are formed, the industrial space that supports building and filling homes is in high demand. Spillover demand from the housing market in nearby Miami-Dade County is also generating leasing activity as homebuilders and retailers seek more affordable options. As a result, vacancy remains tight across the industrial spectrum. Beyond warehousing and distribution, flex building operations will remain strong this year as healthcare companies expand their presence. For example, the education and health services employment sector added more jobs last year than all but trade, transportation and utilities. On the supply side, two industrial parks account for a sizable share of the new development. The Bridge Point Powerline Road park and Davie Business Center will come online over the summer. Neither park has significant pre-leasing commitments, contributing to a modest countywide uptick in vacancy.

Investors targeting broad array of industrial properties. Last year, buyers were active across the industrial market as the attractiveness of Broward County assets remained healthy. The largest impediment to deal flow is a lack of listings that meet the goals of capital, a trend that may persist through this year. Tenants facing significantly higher rents as leases roll over are likely to consider owner-user acquisitions in the coming months. Rents have climbed 38 percent since 2012, creating sticker shock. These prospective buyers compete with capital scouring the county after trading out of other assets. Pompano Beach and areas in northeast Broward County are on top of investors' wish lists, though well-priced properties throughout the county should garner interest.

2019 Market Forecast

NIPI Rank 17, down 4 places	Rising vacancy and slower rent gains contribute to Fort Lauderdale's decline in this year's ranking.
Employment up 2.2%	Following the addition of 16,500 positions in 2018, employers will accelerate hiring efforts, creating 19,000 jobs.
Construction 1.4 million sq. ft.	Builders will increase industrial supply by 1.4 percent this year, down from the 1.6 percent gain in 2018 when nearly 1.7 million square feet came online.
Vacancy up 20 bps	Marketwide vacancy will inch up to 3.7 percent by year end as the market absorbs near space. Last year, vacancy jumped 50 basis points.
Rent up 1.0%	Average asking rents will climb 1.0 percent this year to $8.80 per square foot, erasing the 0.5 percent decline in 2018.
Investment	Out-of-market buyers will be active this year as competition in nearby Miami-Dade County sends capital searching for deals in Fort Lauderdale. Entering 2019, the average cap rate in Broward County was in the low-6 percent range.

Houston's Growing Economy Diversifies Space Demand; Assets North of Metro Attract Private Investors

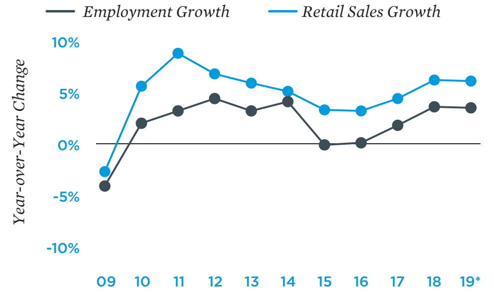
Rapidly expanding economy driving industrial market. Companies are leasing new distribution and logistics space across the metro as employment and population growth support consumer demand. Developers have responded to elevated absorption by maintaining heightened construction levels, though supply growth is below the cyclical peak in 2015. Many of the metro's largest projects are build-to-suit facilities along Interstate 10 and Northwest Houston. The energy sector, meanwhile, utilizes a significant share of the metro's industrial space, though new demand from energy companies is not expected this year. Oil prices have largely flattened and fluctuations are met with pressure both internally and externally. The number of operating rotary rigs in the U.S. has hovered slightly above 1,000 for the past year, providing little motivation to increase current footprints. Even without a growing energy sector, supply will meet demand in 2019, facilitating healthy rent gains.

Industrial investment market firing on all cylinders. Houston's large supply of industrial properties are attracting both large and small buyers. As institutional investors increase their holdings to include a larger share of industrial assets, several properties have changed hands in large portfolio transactions. Smaller investors also remain active, particularly in the warehouse segment. Class C properties are appealing for these buyers and accounted for more than half of warehouse deals last year. Access to the rapidly growing neighborhoods in the north and northwest corridors motivate many of these buyers. Assets near the Port of Houston, which welcomed three new Super Post-Panamax cranes last year, also draw investors.

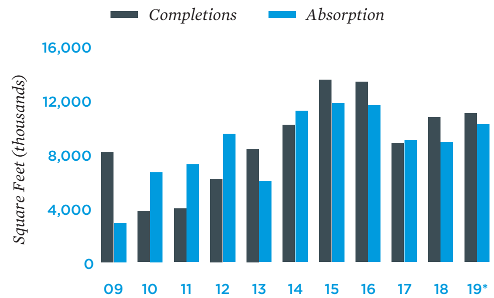
2019 Market Forecast

NIPI Rank 18, down 3 places	Deliveries will surpass net absorption, keeping vacancy above the national level this year and moving Houston down in the Index.
Employment up 3.5%	The pace of job growth will remain elevated this year as 110,000 positions are created. Last year, 111,000 spots were generated.
Construction 11 million sq. ft.	After 10.7 million square feet of industrial space was completed in 2018, developers are projected to expand inventory by 2.1 percent this year.
Vacancy no change	Supply and demand will remain balanced this year as vacancy stays at 5.4 percent. The rate inched up 30 basis points last year.
Rent up 4.4%	Asking rents soared 9.5 percent in 2018 following two lackluster years in gains. Strong growth is anticipated over the course of 2019 and asking rents will climb to $7.58 per square foot.
Investment	An influx of capital into the local industrial sector has tightened cap rates into the mid-7 percent range over the past years. Nonetheless, current yields are enticing and should keep Houston industrial listings in high demand again this year.

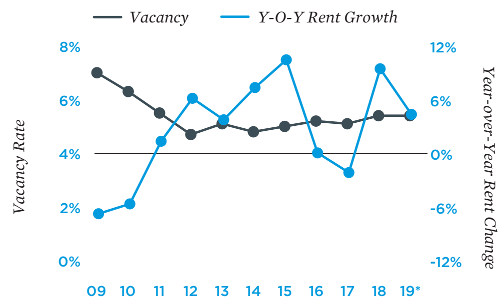
Employment vs. Retail Sales Trends



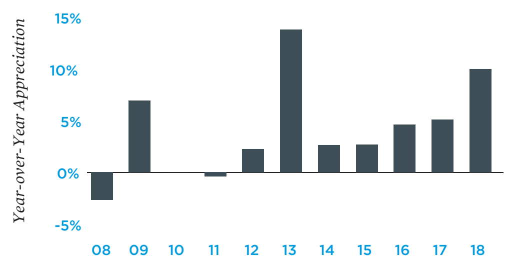
Industrial Completions



Asking Rent and Vacancy Trends



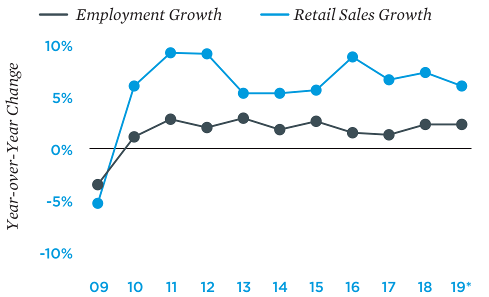
Price Per Square Foot Trends



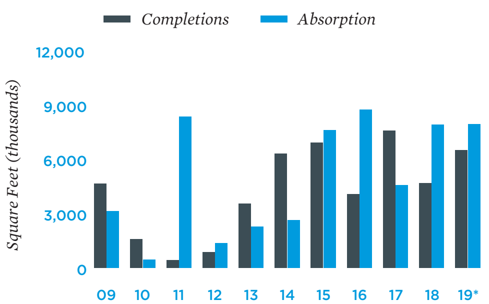
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

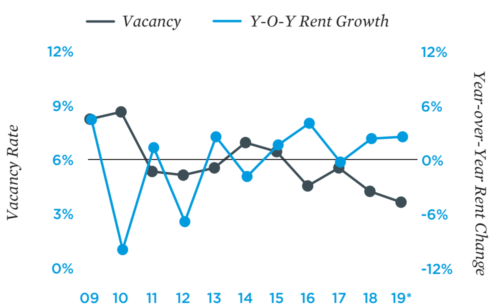
Employment vs. Retail Sales Trends



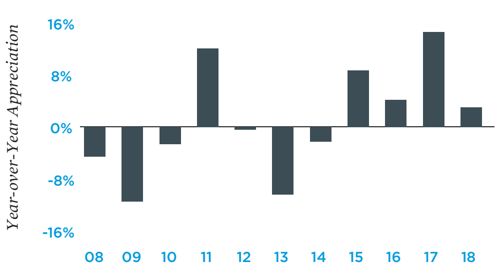
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



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

Development Focused on Western Metro; Buyers Revise Investment Strategies as Prices Rise

Expanding distribution and logistics segment underpins industrial demand. A centralized U.S. location, well-developed interstate system, intermodal capability and the growth of e-commerce create a flourishing industrial market in Indianapolis. The robust absorption of warehouse and distribution space by the growing logistics sector contributed to the vacancy rate starting 2019 at the lowest level in more than 12 years. Availability is especially tight near the core of Indianapolis and extending to the northeast where minimal supply additions, the repurposing of older industrial buildings and the need for last-mile warehouse space have lowered vacancy below 3 percent. Development remains active on the west side of the metro with Boone and Hendricks counties accounting for the bulk of new inventory this year. Marketwide, the dwindling supply of available space has boosted rents. The average asking rent has jumped 8 percent over the previous five years but remains roughly 7 percent below the 2010 peak, providing a runway for further gains.

Tight inventory stirs competition for industrial assets. Improving operations and the potential for higher yields are drawing a wider range of investors to Indianapolis. Due to the heightened interest, many listings are receiving multiple offers and prices are rising. As a result, more buyers are willing to expand their portfolio parameters to include smaller properties or move farther from the metro core. A large supply of new Class A distribution and warehouse facilities in the west metro are attracting institutional buyers at cap rates that are typically in the 6-percent span. Throughout the market, many older Class C assets along major arterials are being sought after for their redevelopment potential at cap rates that are generally above the metro average, which is in mid-8 percent range.

2019 Market Forecast

NIPI Rank 2, up 1 place	Robust demand for industrial space tightens vacancy and raises Indianapolis a notch in the Index this year.
Employment up 2.3%	Roughly 25,000 workers will be added to metro payrolls in 2019, on par with last year's rate of growth.
Construction 6.5 million sq. ft.	Deliveries will increase from the 4.7 million square feet finalized in 2018 with developers most active along the Interstate 65 Corridor in Boone County and in Plainfield.
Vacancy down 60 bps	Net absorption surpasses new inventory during 2019, reducing vacancy to 3.6 percent, the lowest level of the cycle. Last year, a 130-basis-point decline was registered.
Rent up 2.5%	After a 2.3 percent hike last year, the average asking rent will climb to $4.04 per square foot in 2019, the highest rate since 2010.
Investment	The planned development of Interstate 69 between Martinsville and I-465 is drawing increased interest to assets in the southwestern portion of the metro.

Sizable Manufacturing Sector, Minimal Vacant Stock Intensify Buyer Competition

Consistent job growth limits space availability. Los Angeles County is home to the nation's second-largest manufacturing workforce thanks to a diverse base of expanding manufacturers, including a collection of tech producers and a consortium of logistics firms. Growth by these companies supported strong market demand for industrial space over the past four years. The result was robust leasing velocity that sustained the metro's vacancy rate at an extremely low level amid the delivery of more than 19 million square feet of new supply. Industrial users' ability to quickly occupy speculative buildings and recently vacated properties over an extended span should warrant another stretch of elevated development moving forward, yet construction will slow in 2019 when compared to the previous two years. Warehouse projects account for most of the 2.6 million square feet of space slated for finalization this year, with roughly half of the supply concentrated in the Santa Clarita and San Gabriel valleys. This tempering of deliveries teamed with a positive outlook for manufacturing job creation maintains stout market demand for space, holding vacancy below 3 percent for a fifth consecutive year.

Strong NOI growth heightens competition, value of strategically located buildings and higher-yielding properties. Unwavering investor demand for industrial assets continues to drive up property values throughout the market. Locally based and out-of-state institutional investors that deploy more than $20 million per deal actively pursue mid-sized to larger warehouses at mid-4 percent minimum returns. Buyers eyeing post-2000-built properties scan the San Gabriel Valley, while those willing to accept higher prices comb South Bay markets. Industrial-heavy locales near Interstate 5 provide yields in the 5 percent range for Class B and C manufacturing facilities.

2019 Market Forecast

NIPI Rank 1, no change — The lowest vacancy rate among metros in the Index helps Los Angeles maintain the top spot in the 2019 NIPI.

Employment up 1.1% — Organizations expand payrolls by 50,000 workers in 2019 after the metro's employment base grew by 1.2 percent last year.

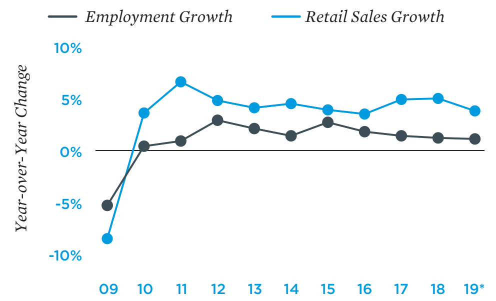
Construction 2.6 million sq. ft. — Delivery volume declines by more than 2.4 million square feet on a year-over-year basis. The city of Long Beach welcomes four properties totaling nearly 400,000 square feet.

Vacancy up 20 bps — The county's vacancy rate adjusts marginally this year, reaching 2.7 percent. In 2018, an increase of 50 basis points was noted.

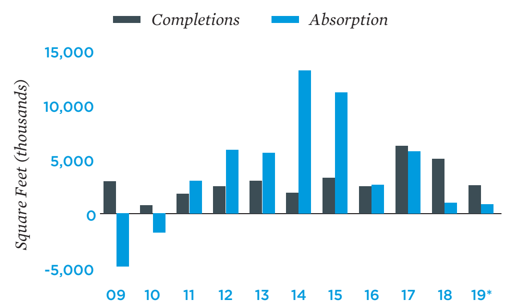
Rent up 3.5% — The average asking rent climbs to $11.64 per square foot, a moderate uptick following a five-year span of sizable gains.

Investment — Distribution centers south of Downtown Los Angeles near Interstate 5 remain an attractive investment play for out-of-state buyers seeking centrally located properties at $20 million-plus. These larger, pre-1990s-built assets are typically available at pricing below the metro's average.

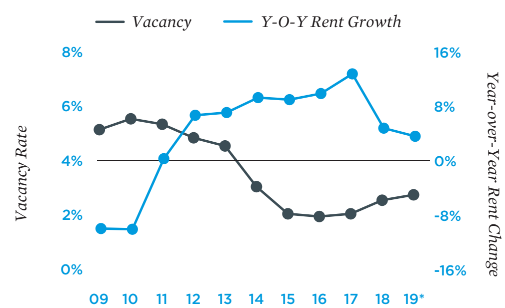
Employment vs. Retail Sales Trends



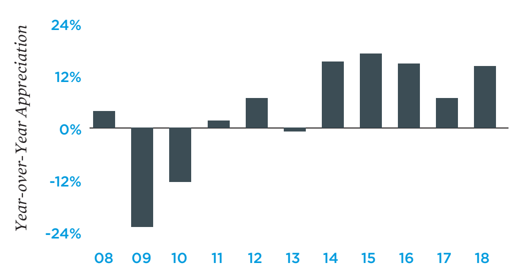
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast

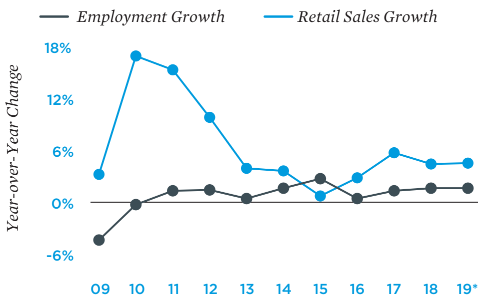
Sources: CoStar Group, Inc.; Real Capital Analytics

Shipping Advantages of Memphis Create Buyer Interest Amid E-Commerce Era

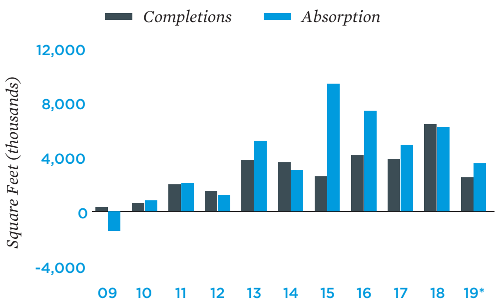
Infrastructure improvements demonstrate distribution importance. The city's unique distribution advantages drive the Memphis industrial sector. The "Four R's" — runway, rail, river, and road — contribute to the metro's intermodal distribution capabilities. The city is investing in solidifying its position as a national nucleus for cargo transportation, demonstrated recently by the railroad expansion at the Memphis International Port and the completion of the Memphis Beltway, Interstate 269. FedEx's largest distribution hub, located at the Memphis International Airport, is a catalyst for additional area demand. Warehouse and distribution space in the vicinity is desirable as e-commerce companies are realizing the impact close proximity to FedEx has on their supply chains. The positive market factors will bolster absorption again this year, as demand continues to outpace supply, helping vacancy tighten 50 basis points. The area's high absorption levels will keep rental rates on the rise in 2019.

Investors are targeting properties near the metro's distribution hubs. The positive economic trends and strategic advantages specific to the e-commerce and distribution industries are attractive to investors looking to deploy capital. Opportunistic buyers will seek older value-add properties near the International Port of Memphis. These assets may be more labor intensive from a management perspective, but they can provide high upside potential due to their location near the population core. Passive investors seeking lower risk assets may find net-leased properties with five to 10 years remaining on the current lease in south east Memphis and Olive Branch, Mississippi. These areas have registered most of the metro's recent transactions and buyers are finding yields as high as 8.5 percent on warehouse and distribution space.

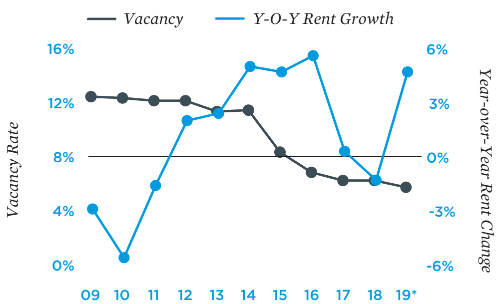
Employment vs. Retail Sales Trends



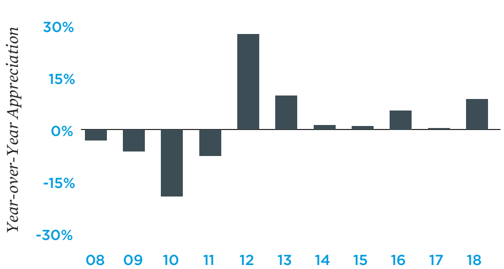
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



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

2019 Market Forecast

NIPI Rank 31, new	A newcomer to the NIPI, Memphis places in the bottom half of the 2019 Index as it has one of the highest vacancy rates in the nation.
Employment up 1.6%	Memphis employers will again hire 10,500 additional workers, matching last year's growth.
Construction 2.5 million sq. ft.	Development is down this year, following the cyclical high construction levels posted in 2018. The final piece of Stateline Industrial Park is set to deliver later this year. .
Vacancy down 50 bps	Net absorption will outpace completions, contracting vacancy to 5.7 percent. In 2018, the vacancy rate held flat during a period of high construction.
Rent up 4.7%	The average asking rent increases to $3.14 per square foot, rebounding from last year's 1.3 percent slip.
Investment	Limited deliveries are compressing vacancy rates along I-40 between Bartlett and Cordova. Investors can achieve rent $3.00 per square foot higher than anywhere else in the metro.

Logistics Companies to Keep Miami Industrial Market Operating Near Cyclical Peak

Port and expanding economy propping up Miami industrial. The largely logistics-based local industrial market will benefit from improvements to PortMiami. A deep-dredge project to accommodate Panamax ships has already been completed, and a new plan to widen the port could move forward after overcoming legal challenges. PortMiami is the closest port to the Panama Canal for container ships arriving from Asia, making the port an attractive first stop before container ships continue up the coast. Construction in the market remains near a cyclical high due to several large projects. Amazon completed an 800,000-square-foot fulfillment center last year, accounting for 25 percent of new space in 2018 and creating 1,000 jobs. This year, the Bridge Point Commerce Center will add over 1 million square feet to the market, which will test space demand midyear. Nonetheless, vacancy should finish the year below the 4 percent threshold for the fourth consecutive year.

Investors fawn over Miami industrial assets. Buyers have remained active in the metro, lifting deal flow over the past few years. After manufacturing, light distribution will remain an attractive choice among local and international investors as smaller fulfillment centers in core locations change hands. Flex space is also trading in increasing numbers, a testament to the rise in tech companies in the market. Single-tenant properties with a triple-net lease draw investors executing a 1031 exchange from outside the industrial sector, and oftentimes out of state. Owner-users tend to occupy a significant portion of the rest of the single-tenant arena. Multi-tenant deals face higher scrutiny from investors while construction is elevated. Pre-leasing for the metro's largest speculative project is soft, which may give investors pause when considering assets in highly competitive areas.

2019 Market Forecast

NIPI Rank 12, down 2 places — A slowdown in rent growth contributes to Miami-Dade slipping out of the top 10 in the Index this year.

Employment up 2.0% — Employers will repeat their performance from last year as 24,000 new jobs are created in 2019.

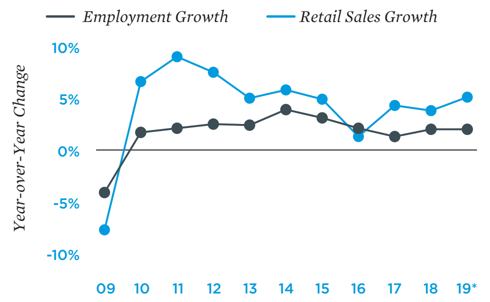
Construction 2.8 million sq. ft. — Construction remains robust again this year as 2.8 million square feet is delivered, down modestly from the pace set in 2018, when 3.3 million square feet was completed.

Vacancy down 10 bps — Although speculative industrial space may test vacancy in some areas, the overall rate will dip to 3.8 percent by year end, reversing the 10-basis-point increase set in 2018.

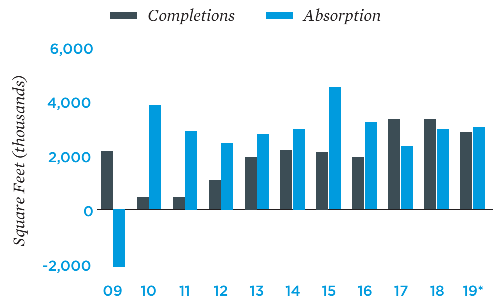
Rent up 1.7% — Following a 1.3 percent decline in rents last year, the addition of new space will support an increase to $10.92 per square foot in average asking rents.

Investment — Average cap rates dipped into the low-6 percent range last year, falling below the pre-recession trough for the first time. Low first-year returns are a testament to investors' keen outlook.

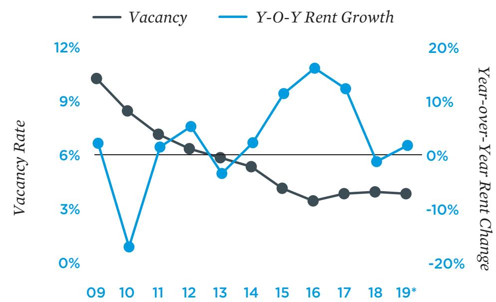
Employment vs. Retail Sales Trends



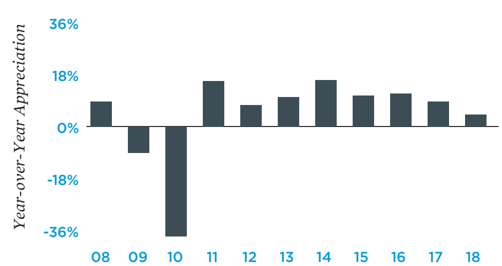
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Vacancy Dwindles Amid Consistent Absorption; Investors Target Western Suburbs

Sector expansion warrants speculative projects. Job creation by manufacturing firms reached a seven-year high in 2018, with the 3,500 positions added driving overall employment growth in the metro. Entering this year, one of every seven Milwaukee jobs was manufacturing related, a ratio that will persist as Komatsu, A.O. Smith, Generac and other producers expand plants or construct new facilities, boosting payrolls in the process. Another stout year of hiring velocity within the sector maintains strong market demand for available space at a time when vacancy rests around 4 percent. A limited vacant stock warrants the delivery of nearly 700,000 square feet of speculative completions this year. Based on current market conditions, this space should be leased prior to or shortly after finalization, allowing net absorption to outpace deliveries by more than 1 million square feet. As vacancy reaches a cyclically low rate this year, further highlighting the strength of the market, the number of proposed speculative projects is likely to escalate.

Yield-hungry investors strike. Historically tight vacancy and a strong economic outlook reinforce investors' confidence in Milwaukee. Competition between in-state private buyers is robust for well-located Class B and C properties at sub-$5 million prices. Investors from neighboring states are also active, attracted by the metro's mid-8 percent average cap rate, which exceeds Chicago and Minneapolis' average yields by 100 basis points. Entering this year with a vacancy rate around 2 percent, Waukesha County represents the top locale for deal flow. Here, manufacturing shops and warehouses off Interstates 94 and 43 provide buyers with minimum first-year returns in the high-7 percent band, with 9 percent-plus yields not uncommon. In adjacent Milwaukee County, comparable cap rates are obtainable for pre-1990s-built assets at pricing below the metro's average.

2019 Market Forecast

NIPI Rank
13, up 6 places
Milwaukee makes a leap in the 2019 Index as fewer deliveries and strong demand for space tighten vacancy and boosts rents.

Employment
up 0.8%
After bolstering staffs by at least 6,000 positions during each of the past two years, metro employers create 7,000 jobs in 2019.

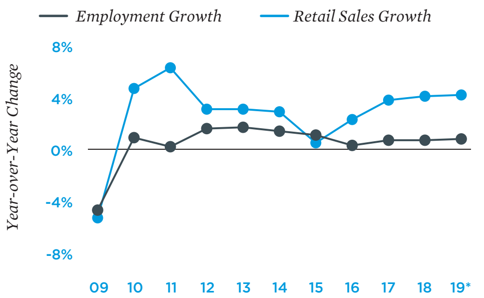
Construction
680,000 sq. ft.
Annual delivery volume falls below 1 million square feet this year after 1.5 million square feet of new supply was finalized in 2018.

Vacancy
down 40 bps
Approximately 1.7 million square feet of space is absorbed this year, lowering metro vacancy to 3.7 percent.

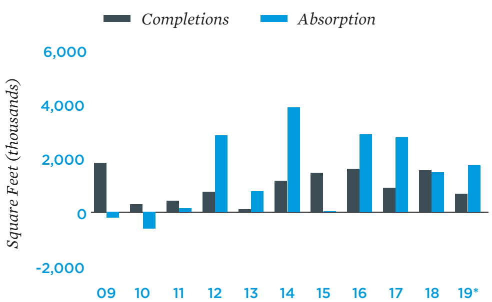
Rent
up 3.2%
The metro's average asking rent climbs to $4.80 per square foot in 2019, healthy growth following last year's 3.6 percent uptick.

Investment
Out-of-state buyers that pursue larger manufacturing facilities and warehouses in Milwaukee and Waukesha counties are finding minimal listings to pursue, forcing these investors to consider nearby distribution and flex space at slightly lower sales prices.

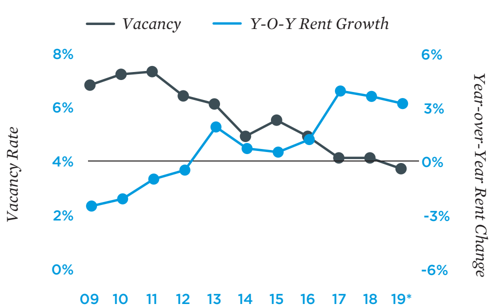
Employment vs. Retail Sales Trends



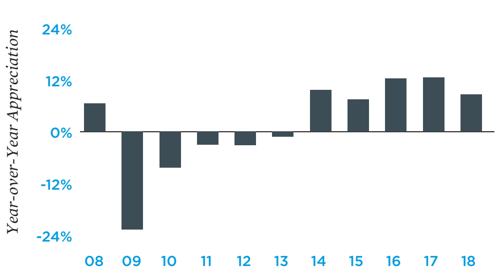
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



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

Robust Economy, Low Vacancy Generate Demand for Industrial Space; Investor Interest Heats Up

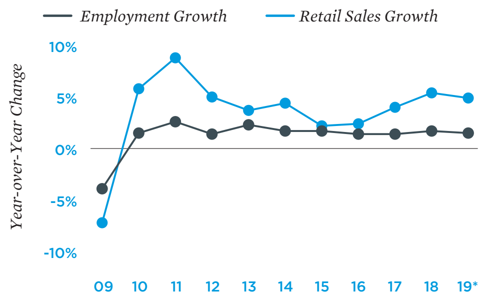
Vacancy tightens to cyclical low as rent reaches new high. The Minneapolis-St. Paul market began 2019 with one of the tightest vacancy rates among Midwest metros, a trend that will be maintained throughout the year as the pace of deliveries slows. Warehouses less than 250,000 square feet will account for the majority of the projects in 2019. The largest portion of new inventory will be located along the Interstate 94 corridor in the northern suburbs and near Interstates 35E and 35W in the south metro. The escalation of e-commerce is generating demand for large suburban distribution space as well as smaller warehouse space close to the urban core for last-mile delivery. As available space gets harder to find, developers are poised to increase production with a number of warehouse and distribution projects waiting for a tenant to get underway. The tight vacancy rate will drive the average rent above $7.00 per square foot for the first time this year.

Investors moving to suburbs for higher yields. The market's vibrant economy, strong operations and potential for greater returns are drawing a wider range of investors to the metro with more buyers coming from larger Northeast markets. Assets close to the downtown cores and nearby suburbs are especially sought after. A rise in competition and a desire for higher yields have increased investment activity in Washington and Dakota counties. Exchange buyers are also more active, many targeting Class B/C multi-tenant buildings with less than 100,000 square feet. Older suburban assets built during the 1980s can produce outsized returns for these investors. The average metro cap rate climbed 10 basis points during 2018 but remains in the low-7 percent range after dropping to a 17-year low in the prior year.

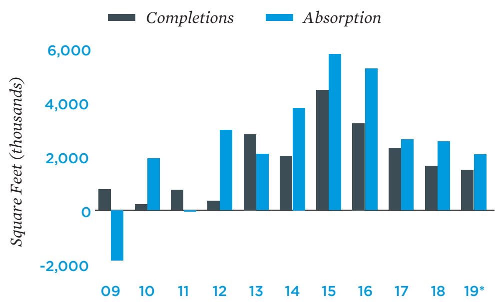
2019 Market Forecast

NIPI Rank 5, new	Minneapolis-St. Paul enters the Index in fifth place due to a slowing construction pipeline that will keep vacancy tight.
Employment up 1.5%	A lack of available workers will slow hiring in 2019, as 30,000 new positions are created, down from a 1.7 percent hike last year.
Construction 1.5 million sq. ft.	After the finalization of 1.6 million square feet last year, deliveries in 2019 remain below the previous five-year average, although more speculative projects are underway.
Vacancy down 20 bps	A slower construction pace will tighten vacancy to 3 percent in 2019, following a 30-basis-point decline last year. Vacancy in all but two submarkets begin 2019 resting below 4 percent.
Rent up 3.8%	The average asking rent has jumped more than 16 percent since 2015 and this year will reach a cyclical high of $7.14 per square foot. During 2018, a 6.8 percent gain was posted.
Investment	Investors with a steady cash-flow strategy may find opportunity in the southwestern suburbs. Vacancy in the area is less than 2 percent and asking rent sits above the metro average.

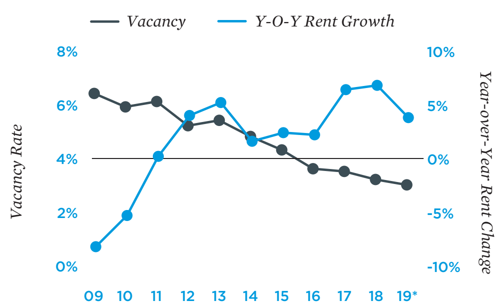
Employment vs. Retail Sales Trends



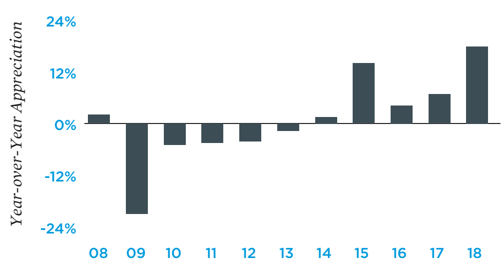
Industrial Completions



Asking Rent and Vacancy Trends



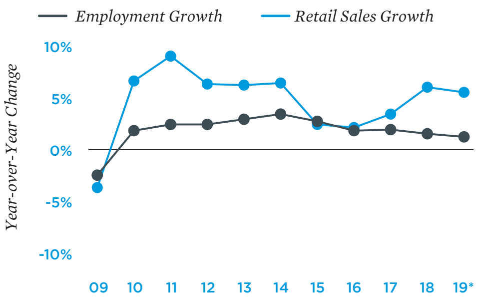
Price Per Square Foot Trends



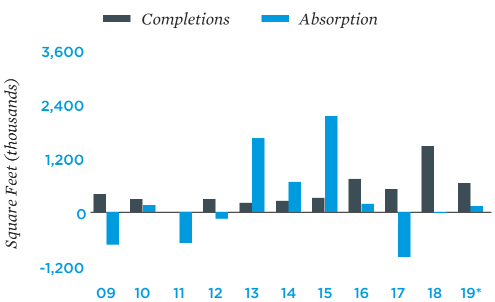
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

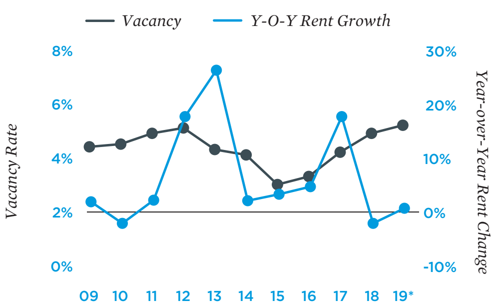
Employment vs. Retail Sales Trends



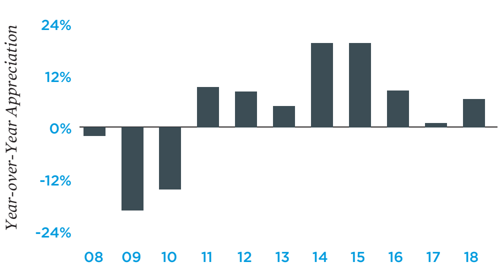
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



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

Redevelopment Opportunities Underpin Elevated Industrial Asset Pricing in Big Apple

Demand falters amid rapidly escalating prices; industrial tenants eye greater affordability. Fueled by consistent demand for housing, retail and office space in the outer boroughs, industrial demand is evolving in New York City. As rental rates on existing properties along the East River in Brooklyn and Queens are priced to reflect their redevelopment potential, existing industrial tenants have been prompted to relocate to more affordable locations further from the metro core. As traditional industrial tenants have migrated outward, developers have been slow to engage in additional supply growth, prompting extremely tight vacancy in key industrial hubs in eastern Queens and Brooklyn, as well as the Bronx. Construction will fall more than 50 percent this year, with the largest expected delivery located on Staten Island, where the first portions of a 1.42 million-square-foot warehouse complex will come online. Despite a slower pace of completions, vacancy will tick up as rising rental rates deter significant lease signings.

Zoning changes, planned redevelopment drive bids higher; owner-users scour outer boroughs for suitable spaces. As the city rezones several key neighborhoods along the eastern coast of the East River, the Brooklyn industrial market has undergone significant changes. Properties typically price almost exclusively off redevelopment potential, prompting owner-users still seeking spaces to venture to more suburban locations. This phenomenon has pushed prices per square foot to the mid-$480 range, with cap rates that will approach the low-5 percent area. However, premium locations can extend pricing much higher, particularly for sites that are near subway stops. Outer borough locations in Staten Island and the Bronx are beginning to undergo substantial price gains as industrial tenants seek refuge from the higher prices of Brooklyn and Queens.

2019 Market Forecast

NIPI Rank 24, down 7 places	An increase in vacancy and tepid rent gains lower the metro's standing in the NIPI this year.
Employment up 1.2%	New York City employers will add 55,000 workers this year, slowing the pace of hiring from the 67,100 positions added to payrolls in 2018.
Construction 640,000 sq. ft.	Developers trim the pace of construction by more than half as supply growth slows from 1.5 million square feet. The largest completion will be located on Staten Island.
Vacancy up 30 bps	Tenant outflows keep net absorption below supply growth, pushing vacancy up to 5.2 percent. Last year, vacancy rose 70 basis points.
Rent up 0.7%	The average asking rent rises to $21.80 per square foot, bouncing back from the 2.1 percent decline recorded in 2018.
Investment	Owner-users are increasingly likely to seek out properties in the northern and western portions of Queens where rents are most affordable.

Affordability, Customer Proximity Boost Industrial Prospects in Northern New Jersey

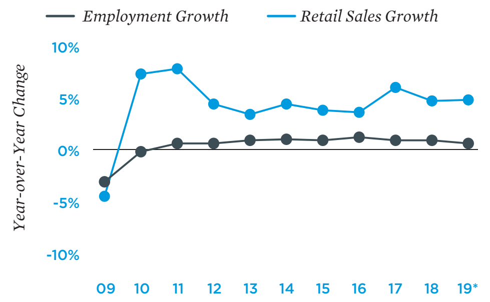
Access to tri-state area residents draws e-commerce, distribution operations. Industrial tenants across numerous sub-industries have rapidly leased properties in Northern New Jersey, underpinned by more than 20 million residents in the tri-state area. Surging demand among consumers for same-day delivery, coupled with proximity to the ports, has encouraged healthy demand, particularly as rental rates remain less than half the price of similar spaces in New York City. Despite this strength, new supply growth has been marginal, averaging just over 1 million square feet annually over the past four years. Meanwhile, net absorption has more than tripled supply growth during this time, prompting a vacancy rate nearly 200 basis points below the previous cycle low. As a result, prospective tenants have rapidly pushed the average asking rent dramatically higher, with the typical rate up more than 40 percent over the past five years. A sharp slowdown in construction activity will foster similar circumstances in 2019, with vacancy poised to fall under 4 percent.

Pricing moves higher amid dwindling space availability. As vacancy rapidly tightens and rental rates soar, investment allocations in Northern New Jersey are on the rise. More than $1.5 billion flowed into the market in 2018, underpinned by stable demand for warehouse and distribution facilities. Bergen County locations led the pack, with average cap rates metrowide in the mid-6 percent range. However, the best locations will post cap rates in the low-4 percent range, highlighting the disparity between the best locations and the broader market. As construction slows, both institutions and private investors will be forced to focus on existing stock, accelerating prices per square foot that reached the mid-$140 range by the end of 2018.

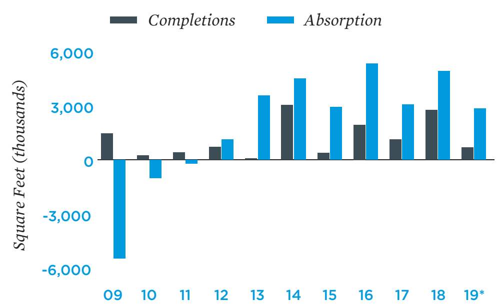
2019 Market Forecast

NIPI Rank 2, up 2 places	Tight vacancy is producing robust rent growth, moving the metro into the second spot of the Index.
Employment up 0.6%	Hiring will ease somewhat as 13,000 positions are created this year. In 2018, organizations hired 18,900 new workers.
Construction 680,000 sq. ft.	Development will slow considerably from the previous year-long period when 2.8 million square feet was brought online. This year will be the slowest pace of supply growth since 2015.
Vacancy down 50 bps	Dwindling available supply and continued strength in net absorption will lower vacancy to 3.8 percent. Last year, vacancy declined 60 basis points.
Rent up 7.8%	The average asking rent will soar to $9.45 per square foot, building on the previous year's 12.3 percent gain. Growth is being led by assets in Bergen and Hudson Counties due to their proximity to Manhattan, as well as the broader tri-state area.
Investment	Undervalued assets in Passaic and Morris Counties are likely to play catch-up due to their discounts to the broader market. Cap rates can be up to 100 basis points above the metro average.

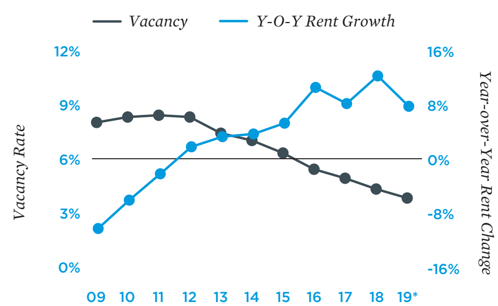
Employment vs. Retail Sales Trends



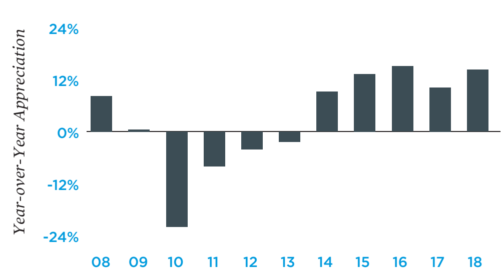
Industrial Completions



Asking Rent and Vacancy Trends



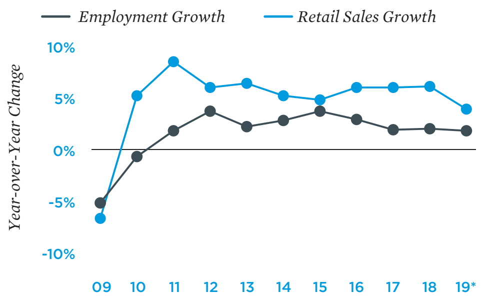
Price Per Square Foot Trends



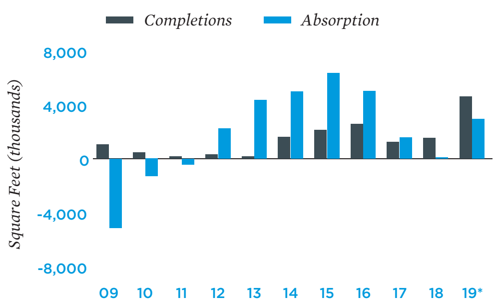
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

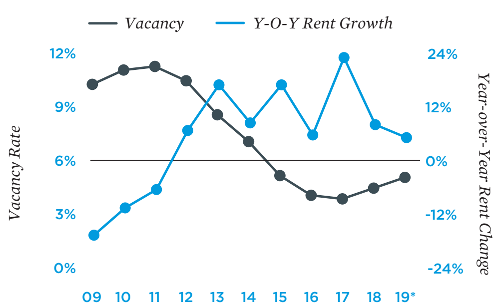
Employment vs. Retail Sales Trends



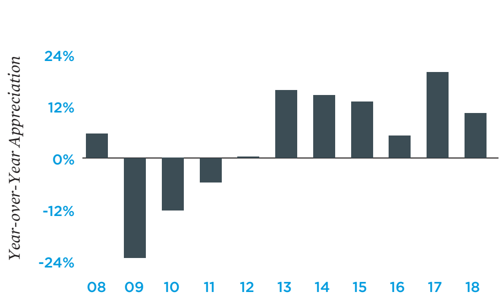
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast;

Sources: CoStar Group, Inc.; Real Capital Analytics

Bay Area Strength Ushers In Cycle-High Supply Growth; I-880 Corridor Draws Developers, Investors

After years of limited construction, influx set to reach market. The broad strength of the Bay Area has propelled years of job creation, boosting standards of living and spending power. These gains have raised the profile of East Bay industrial assets, which offer significant discounts to similar properties in other portions of the region. As a result, consistent net absorption and minimal supply growth pushed vacancy below 4 percent as recently as mid-2018. Rent growth has also rapidly advanced, vaulting more than 120 percent since bottoming in 2011. These gains will be challenged moving forward, with supply injections set to reach a new cycle high above 4.5 million square feet this year as developers target sites primarily along the I-880 Corridor. More than two-thirds of this year's additions will be located between Hayward and Milpitas, highlighted by the Pacific Commons and Pacific Commons South projects in Fremont, which contain more than 1.7 million square feet collectively in Fremont. Rent growth will be heavily determined by the incentives deployed by developers to fill a pipeline that skews mostly speculative, with less than 600,000 square feet currently pre-leased.

Manufacturing and warehouse assets draw diverse group of investors. The secular shift toward e-commerce fulfillment and customized manufacturing is drawing buyers to industrial assets in the East Bay, where cap rates will begin in the low-5 percent range. Manufacturing facilities and warehouses along the I-880 Corridor south of Oakland will draw the most interest, pushing metrowide prices per square foot to the low-$200s. This spread is encouraging a swath of 1031-exchange buyers, motivated by a yield premium that can exceed local apartments by up to 150 basis points depending on location and asset quality. As a result, bidding remains intensive, supporting inbound capital flows of nearly $2 billion last year.

2019 Market Forecast

NIPI Rank 9, down 2 places	A rise in vacancy lowers Oakland's standing but the metro remains in the top 10 of the 2019 NIPI.
Employment up 1.8%	Oakland employers will hire 22,000 workers this year, a moderate slowdown from 2018 when 23,300 positions were created.
Construction 4.6 million sq. ft.	Developers push deliveries to a new cycle high, with sites centered mostly on the I-880 Corridor. Last year, 1.5 million square feet was brought online.
Vacancy up 60 bps	An elevated, speculative pipeline will push vacancy up to 5 percent, repeating the 60-basis-point increase of the previous year, as net absorption falls short of supply growth.
Rent up 5%	The average asking rent increases to $15.16 per square foot, tacking onto the 7.9 percent gain recorded in 2018.
Investment	Distribution facilities inside the city of Oakland will continue to see robust investment demand as e-commerce usage in the city rises in lockstep with boosted apartment construction.

Sharp Slowdown in Development Buoys Orange County Industrial Assets

Housing strength, limited availability underpin significant pricing power. Fueled by an exceptionally strong housing market, Orange County industrial assets remain in high demand. Although supply has averaged nearly 900,000 square feet over the past six years, vacancy has hardly breached 3 percent. Housing-related distribution facilities, coupled with consumer-facing warehouse operators, have been rapidly adding to space, boosting rent growth to the high single digits for the past several years straight. Despite the consistent strength, development is set to fall to the lowest level since 2012. The two offerings slated to come online this year are both near the airport and pre-leased. As a result, additional demand will be prompted to backfill existing spaces, which remain extremely limited with only modest availability in non-core locations in southern portions of the county. Rent growth will reach the mid-single digits for the seventh straight year.

Investors position near airport and Los Angeles County border. Amid exceptional rent growth and limited vacant stock, both institutional and private investors remain active participants in Orange County. Dollar volume reached nearly $3.5 billion in 2018 as buyers sought out assets in locations throughout the county, with a specific interest in properties near the airport or along the Los Angeles County border. Options located along I-5 hold particular value, allowing rapid inventory distribution to endpoint delivery locations. Cap rates will begin in the low-4 percent range while extending to the high-4 to low-5 percent area for non-core locations and older buildings. The tight market has given way to rapid increases in prices per square foot, now approaching the $230 range and nearly a 50 percent increase over the current business cycle.

2019 Market Forecast

NIPI Rank 4 , up 1 place — Fewer deliveries amid an already-tight vacancy rate keep Orange County in the top five of this year's Index.

Employment up 1.0% — Hiring bounces back from the mild contraction witnessed in 2018 as 17,000 jobs are created.

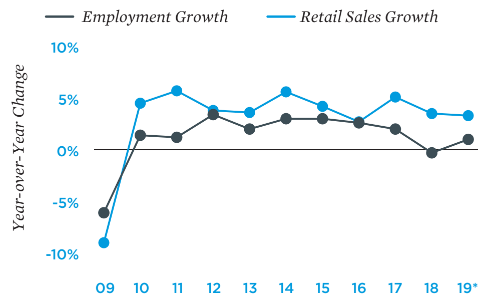
Construction 100,000 sq. ft. — Development will fall more than 90 percent year over year as 100,000 square feet comes online. Last year, builders completed 1.1 million square feet.

Vacancy down 20 bps — Vacancy will dip to 2.8 percent as limited development and steady net absorption bolster the market. In the previous year, vacancy ticked up 40 basis points.

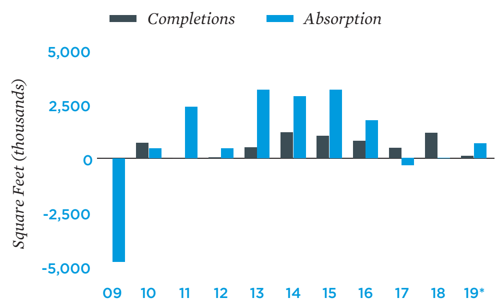
Rent up 5.0% — Rent growth moderates from last year as new demand faces a limited selection of older, outdated buildings at lower price points. The average asking rent rises to $11.80 per square foot.

Investment — Owner-users seeking space should target assets in Buena Park and Fullerton, where more affordable spaces can be obtained relative to the more expensive markets of Anaheim and Irvine.

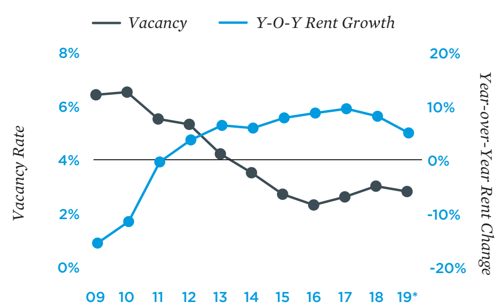
Employment vs. Retail Sales Trends



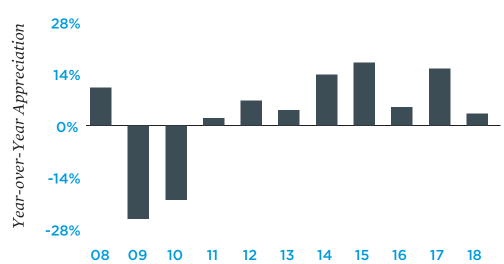
Industrial Completions



Asking Rent and Vacancy Trends

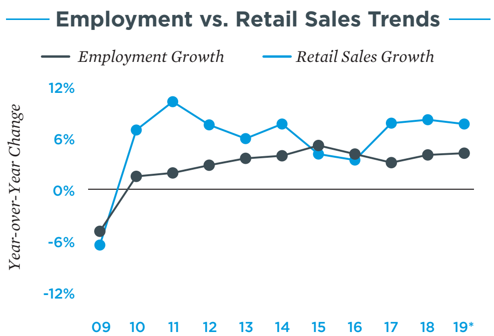


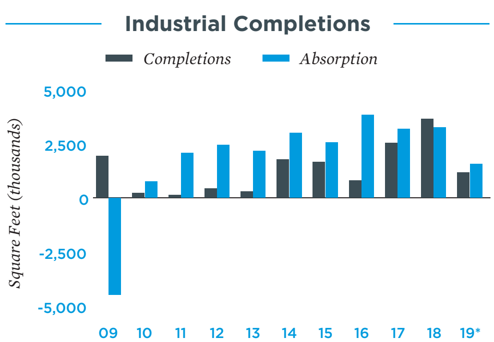
Price Per Square Foot Trends

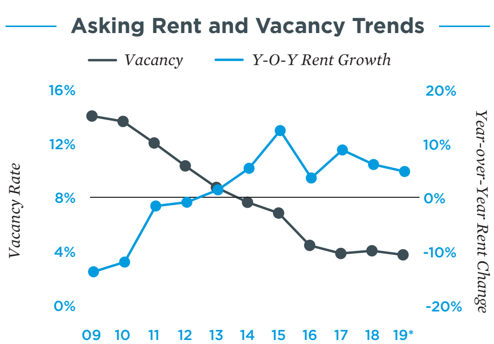


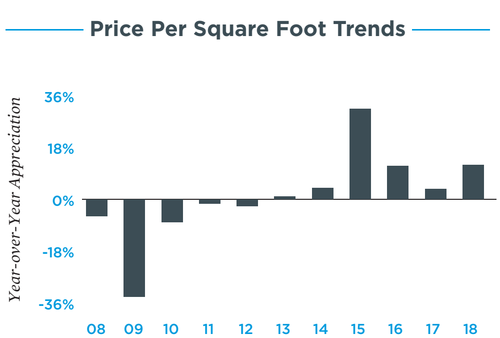
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics









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

Population Growth Bolsters Demand for Range of Industrial Services, Drawing Investor Attention

Slowdown in development adds to substantial vacancy contraction. Orlando is one of the fastest-growing metros in the country, having added an average of 950 people per week to the community since 2010. The rapid population expansion has in turn increased the demand for transportation and distribution services, enhancing the need for industrial space also utilized by manufacturers. The vacancy rate has plummeted as a result, down from a high of 14.1 percent in 2010 to 4.0 percent in 2018. A reduced construction pipeline this year, with few-to-no completions in the submarkets with the least availability, will lower the rate further. The largest delivery in 2019 will be a 561,750-square-foot warehouse located near Orlando International Airport, roughly the same size as the rest of the arrivals combined. A smaller number of supply additions adds upward pressure to asking rents, with above-market appreciation anticipated in Seminole and Osceola counties to the north and south of Orlando proper.

A trio of international airports are focus of investment. Since 2015 the market has experienced considerably more sales activity, a trend that is unlikely to change this year given improving property fundamentals. The bulk of transactions are concentrated along major transit paths that cross the city, including Routes 441 and 527. Interest is also spreading out to southeast Orange County, where buyers can find assets located near Florida's Turnpike east of the Orlando International Airport. Cap rates on these trades generally range from mid-6 to mid-7 percent, just below the market average. Seminole County is also recording higher transaction velocity, with investors acquiring properties situated between the Sanford airport and I-4 with initial yields in the 8-to-9 percent zone. A third international airport in Leesburg supports the exchange of several assets here each year.

2019 Market Forecast

NIPI Rank 19, up 3 places	A slowdown in deliveries, lower vacancy and strong rent gains assist in moving Orlando up in the 2019 Index.
Employment up 4.2%	About 55,000 jobs will be created this year, producing the fastest employment growth rate of any major U.S. market.
Construction 1.2 million sq. ft.	Development activity slackens this year following the 3.7 million square feet delivered in 2018, a cycle high. Openings are expected in Lake and Orange counties.
Vacancy down 30 bps	Vacancy achieved a cycle-low 3.8 percent in 2017 before a completions surge pushed availability up 20 basis points in 2018. A reduced construction pipeline this year will undo that increase.
Rent up 4.8%	The average asking rent advances to $6.57 per square foot after appreciating by 6.1 percent in 2018.
Investment	Out-of-state buyers are becoming more common in the market, involved in more than a quarter of trades last year, as higher yields draw investors from the Midwest and West Coast.

Span of Robust Absorption Extends; Investors Target Warehouses Along Major Transportation Routes

Stout market demand for strategically located space exists throughout the metro. Philadelphia's extensive transportation network and proximity to other major East Coast markets makes it a prime locale for retailers and logistics firms focused on optimizing supply chains in order to provide same- or next-day deliveries. Recent expansions by these industrial users supported the absorption of 34 million square feet over the past four years, negating the delivery of 20 million square feet of space and reducing metro vacancy to the low-5 percent band. Facilities along the New Jersey Turnpike have been coveted of late, with more than 5 million square feet absorbed last year in Southern New Jersey counties. Declining availability within these markets during 2019 will force more industrial users to look across the Delaware River to Philadelphia and Montgomery counties, where vacancy rates rest just above the metro's average. A boost in leasing velocity in these areas allows metro vacancy to reach a cyclically low level, prompting additional speculative construction proposals.

Areas of below-average pricing steer deal flow. Tight vacancy, a central location and the lowest price points among major Mid-Atlantic markets have buyers competing for sub-$5 million Class B and C warehouses. These assets, which will have notable NOI growth potential moving forward, are obtainable at 7 to mid-8 percent first-year returns. Various-sized warehouses near Roosevelt Boulevard and Interstate 95 in North Philadelphia and Bucks County are in high demand while lower price points persist in these locales. Low availability and strong asking rent growth along the New Jersey Turnpike has heightened competition for larger properties in Burlington and Camden counties, with below-average pricing prevalent in the latter locale.

2019 Market Forecast

NIPI Rank 16, down 4 places — Vacancy above the national level and slower rent growth result in Philadelphia moving down in the Index.

Employment up 1.2% — Metro employers create 35,000 positions in 2019 after bolstering staffs by 54,400 workers last year.

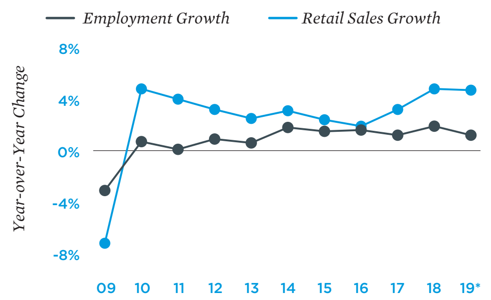
Construction 2.6 million sq. ft. — Delivery volume mirrors 2018. Bucks County represents a top spot for completions this year.

Vacancy down 10 bps — Metro vacancy compresses for a seventh straight year, falling to 5.0 percent. Last year, a decline of 10 basis points was recorded.

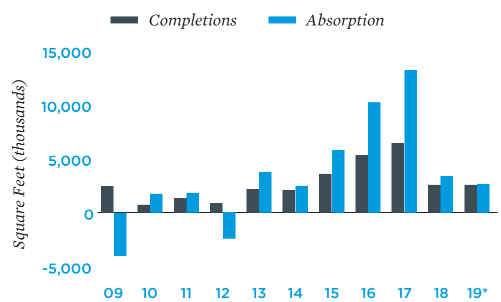
Rent up 2.4% — Positive asking rent growth persists in 2019 albeit at a more subdued pace than las year, when an uptick of 7.6 percent was noted. At $5.59 per square foot, the metro's year-end rent sits 5 percent above the previous cycle's peak.

Investment — The recent wealth of sub-$5 million transactions in core Philadelphia and Southern New Jersey forces some buyers to outlying Lehigh and Lancaster counties when looking to deploy more than $10 million for larger properties.

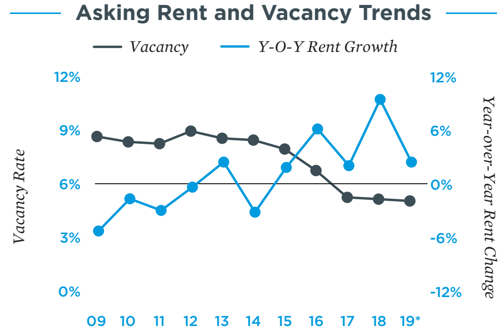
Employment vs. Retail Sales Trends



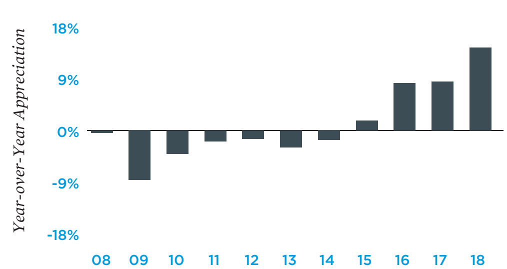
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast

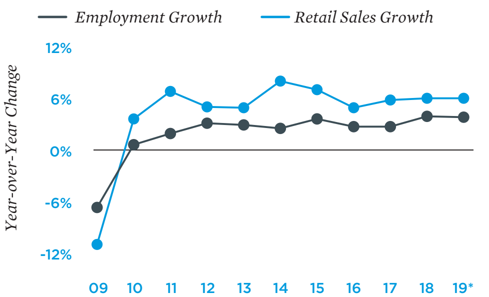
Sources: CoStar Group, Inc.; Real Capital Analytics

Transit Network, Relative Affordability Propelling Sector; Speculative Space More Prevalent as Demand Rises

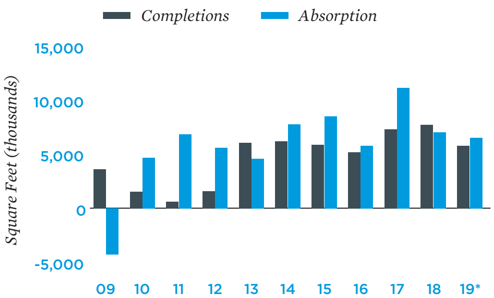
Phoenix emerging as a reputable Southwestern industrial hub. With several major interstates, a recently expanded highway system and a quickly growing populace, demand for Valley industrial space is rising. Considerably lower asking rents than found in Southern California are also fueling demand as some companies bring shipments from Los Angeles area ports to Phoenix for regional distribution to capitalize on affordability. As demand strengthens, market vacancy will dip into the low-7 percent band this year, prompting the development of more spec space. Land along I-10 in the Southwest Valley remains highly targeted by builders due to proximity to major thoroughfares. Vacancy in this part of the metro will continue to rise as supply and demand attempts to rebalance. Additionally, the area surrounding Phoenix-Mesa Gateway Airport is a burgeoning industrial center, headlined by the forthcoming SkyBridge Arizona, the nation's first international air cargo hub to house both Mexican and United States Customs operations.

Deal flow stays concentrated in select areas. More industrial investors are targeting Phoenix as many of them see significant upside in the market. Investment activity will remain strong in several parts of the metro this year, particularly in Estrella Village and neighborhoods surrounding the Interstate 17/Loop 101 interchange. Proximity to primary transit networks will drive interest in these areas, attracting a wide range of prospective buyers and intensifying the bidding environment. Though competition can be intense for these assets, initial yields remain relatively favorable in the upper-6 to mid-7 percent realm. In addition, assets near Sky Harbor International Airport will continue to garner attention, attracting numerous national investors as sale prices exceed $10 million for many properties here.

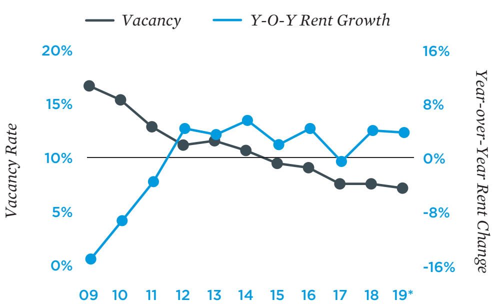
Employment vs. Retail Sales Trends



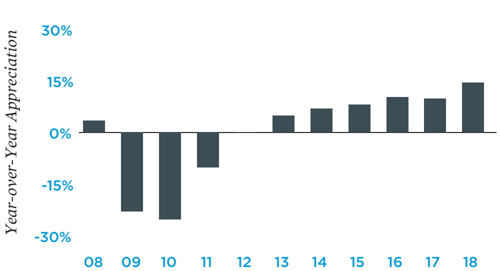
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



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

2019 Market Forecast

NIPI Rank 29, down 2 places — Lessoning absorption and one of the highest vacancy rates in the nation lower Phoenix's placement in the 2019 Index.

Employment up 3.8% — Metro employment growth will remain among the strongest in the nation with the addition of 80,800 employees this year. In 2018, organizations staffed 79,700 new workers.

Construction 5.8 million sq. ft. — Building on the completion of nearly 40 million square feet during the past six years, development levels remain elevated in 2019.

Vacancy down 40 bps — Strong net absorption pushes market vacancy down to 7.1 percent, still well above the national rate.

Rent up 3.7% — Rent growth maintains its steady incline, moving the average asking rent to $7.22 per square foot.

Investment — Rapidly growing inventories in Glendale and Goodyear over the past several years should boost investment activity in these cities moving forward.

Exceptional Industrial Demand Underpins Operational Strength in the Inland Empire

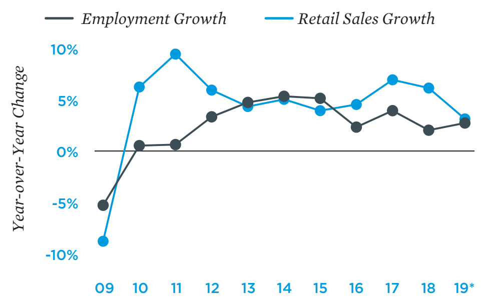
Net absorption tops 20 million square feet for second straight year. Supported by the twin ports of Los Angeles, Riverside-San Bernardino industrial assets maintain incredible demand in the premier logistics and distribution center in the Southwest United States. Average construction of more than 21 million square feet in five of the last six years has done little to vacancy, while the average asking rent has more than doubled since 2012. The consumer shift toward e-commerce has only raised the profile of local assets, driving the metro vacancy below the 5 percent range. This year, development will be concentrated at locations along the I-215 south of San Bernardino in Riverside, the Moreno Valley and Perris, containing roughly half the total new supply. While there is little pre-leasing this year, the tight state of the market, coupled with much lower relative rental rates than Los Angeles County offers, will generate net absorption in excess of 20 million square feet for the second straight year. Rent growth will also reach the mid-single digits.

Investment demand driven by local investors seeking higher relative returns. While other property types in Southern California carry cap rates in the mid-4 percent range, industrial properties in the Inland Empire offer potential buyers a relatively higher yield. First-year returns will begin in the low-5 percent range, with investment demand underpinned by locations around the Ontario airport, as well as more affordable options in Corona, Chino and Fontana. Here, cap rates can extend up to 50 basis points above the metro average, encouraging investors to deploy capital. Institutional investors will be drawn to assets along the I-10 east of Ontario, where distribution and logistics facilities can easily exceed 1 million square feet with extended leases still in place.

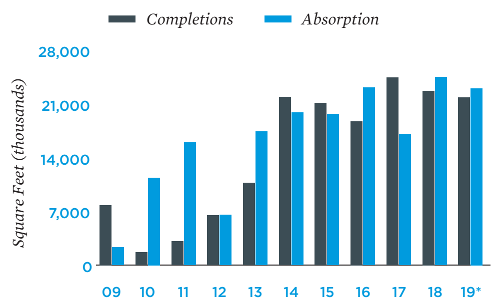
2019 Market Forecast

NIPI Rank 8, no change	Vacancy above the U.S. level holds Riverside-San Bernardino in the eighth spot in the 2019 Index.
Employment up 2.7%	Hiring will tick up moderately as 40,000 jobs are created, compared with 29,500 positions added to payrolls in 2018.
Construction 21.8 million sq. ft.	Development dips to a three-year low as 21.8 million square feet comes online. Last year, more than 22 million square feet was brought to market.
Vacancy down 40 bps	Vacancy falls to 4.6 percent as net absorption reaches 23 million square feet. Last year, roughly 24.5 million square feet was absorbed as vacancy fell 60 basis points.
Rent up 5.6%	The average asking rent advances to $8.98 per square foot, continuing a run of exceptional rent growth. Last year, the average asking rent advanced 7.7 percent.
Investment	Assets east of San Bernardino on the I-10 remain in high demand by industrial tenants, yet draw fewer buyers due to their distance from the ports, creating opportunities to obtain slightly higher yields.

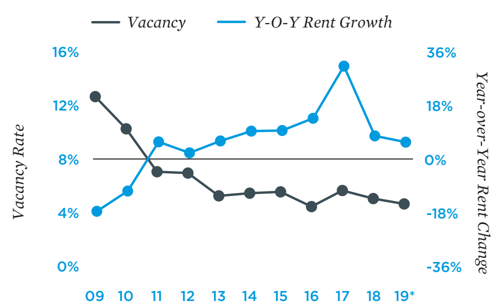
Employment vs. Retail Sales Trends



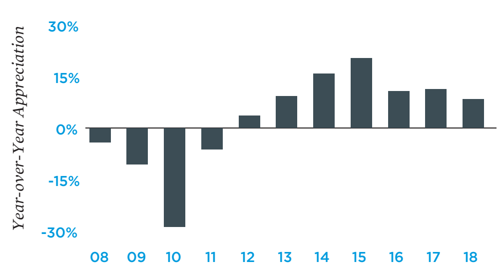
Industrial Completions



Asking Rent and Vacancy Trends



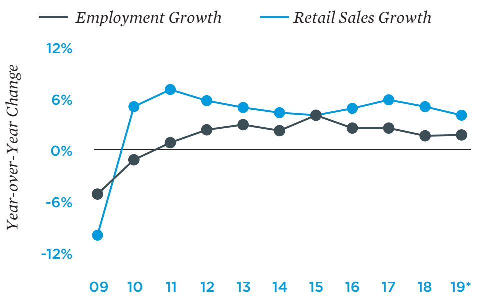
Price Per Square Foot Trends



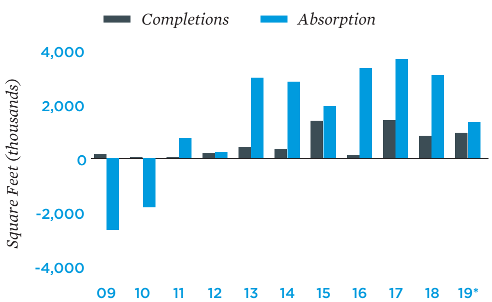
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

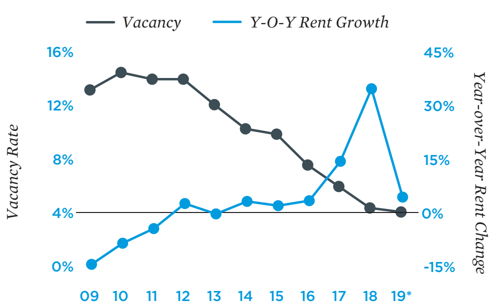
Employment vs. Retail Sales Trends



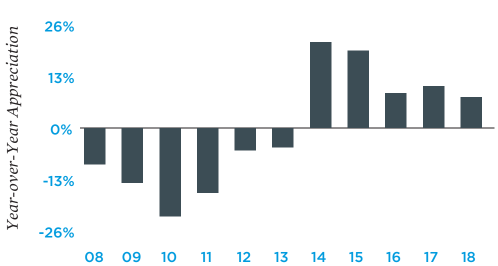
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



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

Vacancy Reaches Historical Low; Investors Throughout California Attracted to Listings

Expanding populace warrants industrial expansion. Sacramento witnessed the net migration of 55,000 individuals over the past three years, largely driven by job creation and the metro's regionally low cost of living. Resident growth generated an increased need for consumer products, heightening demand for industrial space among companies that store and distribute these goods. Those combined market conditions equated to the absorption of 10 million square feet over the three-year span, lowering metro vacancy more than 500 basis points to the low-4 percent band. Leasing activity was widespread as more than 2 million square feet was filled in each Sacramento, Yolo and Placer counties. Amid the lack of available space, more than 1 million square feet will be absorbed in 2019, an indication that the speculative supply slated for delivery will be occupied and users with expiring contracts renew their leases. As vacancy reaches 4 percent this year, the high cost of construction will continue to limit new supply growth.

Warehouses of various vintages dictate transaction velocity. A solid economic outlook coupled with continued net migration bolster local and in-state buyers' confidence in Sacramento while price points remain well below other primary and secondary California metros. As vacancy further compresses, Class B and C warehouses priced between $1 million and $5 million remain in high demand, including listings with upcoming lease expirations. . These properties trade at mid-5 percent minimum returns, yet opportunities to obtain 6 to mid-7 percent cap rates can be implied through rising rates. The Power Inn Road market represents a top locale for late 1970s- to early-1990s-built assets, with most listed at below-average pricing. Buyers with an eye for newer warehouses pay a premium for properties near primary transportation routes in Roseville and West Sacramento.

2019 Market Forecast

NIPI Rank 21, no change	Slower improvement in vacancy and rent growth holds Sacramento steady in this year's NIPI.
Employment up 1.7%	Hiring velocity rises slightly in 2019 as employers create 17,000 positions after adding 15,900 jobs last year.
Construction 940,000 sq. ft.	Annual delivery volume increases by more than 100,000 square feet this year. Completions in West Sacramento and a large distribution center at McClellan Park account for most of the new supply.
Vacancy down 30 bps	Metro vacancy will fall for a seventh straight year, reaching 4 percent on net absorption of 1.3 million square feet.
Rent up 4.3%	After rising by nearly 50 percent over the past two years, the average asking rent growth will rise at a more subdued pace, reaching $7.95 per square foot this year.
Investment	The proximity to the Bay Area and Central Valley has regional and out-of-state investors eyeing large distribution centers that warrant capital commitments of more than $10 million.

Diverse Industrial Users Maintain Tight Conditions; High Returns, Variety of Listings Attract Mix of Investors

Northern and southern submarkets benefit from limited availability elsewhere. Home to one of the largest biotech sectors in the nation, San Diego County witnessed an uptick in vacancy for the first time this cycle during 2018, largely driven by the delivery of 2.8 million square feet of space and a collection of larger move outs. Despite this increase, availability in the metro held below 6 percent for a fourth consecutive year. Moving forward, vacancy is slated to adjust marginally amid another strong year for manufacturing-related job creation and continued growth by pharmaceutical, life science, and logistical/warehouse companies. Expansion among these firms will bolster demand for the already limited stock of vacant R&D and flex buildings in the La Jolla and Torrey Pines areas as well as along Miramar Road. Tight vacancy in these locales and central San Diego County requires tenants looking for lower-cost warehouses and distribution facilities to occupy floor plans in South Bay and the SR-78 Corridor, benefiting leasing velocity and asking rent growth in these submarkets.

Buyers seek strategically located Southern California assets at regionally above-average returns. San Diego County's variety of available industrial assets maintains its diverse buyer pool, as numerous opportunities exist for both $3 million to $10 million and $15 million-plus capital deployments. Local and in-state private investors with an eye for Class B and C warehouses and manufacturing facilities target South Bay and the SR 78 Corridor. In both locales, post-2000-built properties are obtainable at mid-5 to 6 percent first-year cap rates. R&D space in the biotech hub of North San Diego remains coveted by institutional investors willing to pay a premium for 1980s- to 1990s-built Class B buildings that provide high-5 to high-6 percent yields. Buyers seeking slightly higher returns in the same submarket acquire light manufacturing facilities in Miramar and Sorrento Valley.

2019 Market Forecast

NIPI Rank 27, down 2 places — An uptick in vacancy will stifle rent growth in San Diego this year, moving the metro down in the Index.

Employment up 1.5% — Organizations create 23,000 positions in 2019. Last year, employers added 28,800 jobs.

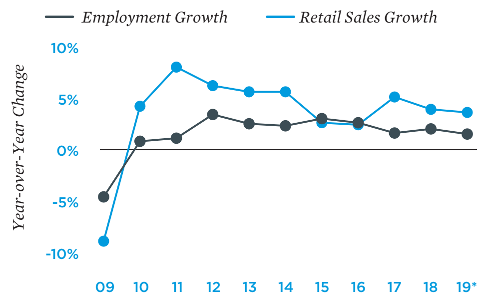
Construction 1 million sq. ft. — Completions fall by 1.8 million square feet this year. The SR-78 Corridor is home to the majority of speculative warehouse space slated for finalization in 2019.

Vacancy up 10 bps — On net absorption of 760,000 square feet, metro vacancy inches up to 5.4 percent this year following an increase of 80 basis points in 2018.

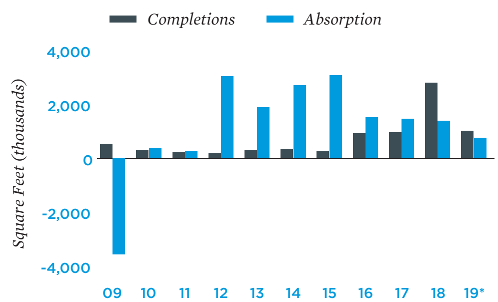
Rent up 5.4% — After rising by more than 19 percent last year, the metro's average asking rent will climb to a historically high $15.95 per square foot in 2019.

Investment — The number of multi-property transactions over the past year should create opportunities for private investors to acquire multi-tenant properties on a one-off basis, as institutional owners trim down their newly-acquired portfolios.

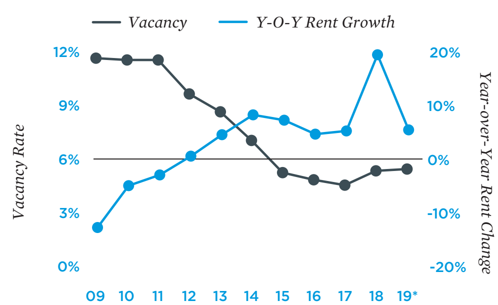
Employment vs. Retail Sales Trends



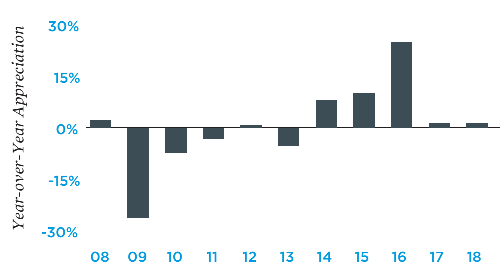
Industrial Completions



Asking Rent and Vacancy Trends



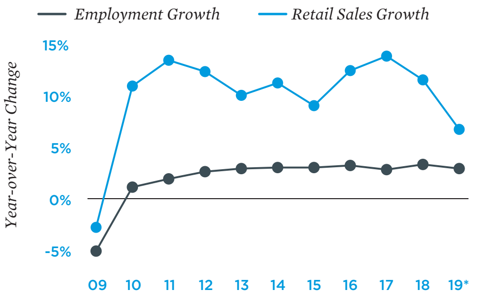
Price Per Square Foot Trends



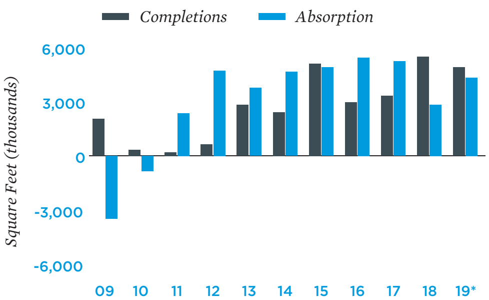
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

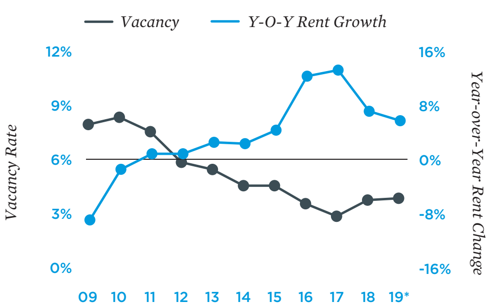
Employment vs. Retail Sales Trends



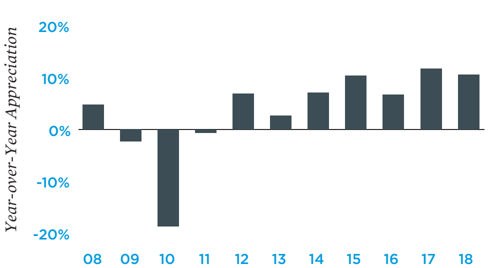
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* *Forecast;*

Sources: CoStar Group, Inc.; Real Capital Analytics

Developers Get Creative in Seattle With First Multistory Warehouse in the United States

Healthy consumer spending driving tenants to grow their regional footprint. The massive growth of e-commerce, two of the busiest ports on the West Coast and one of the nation's largest biotech and life science clusters are rapidly changing Seattle's industrial sector. Exceptional space demand amid tight availability now justify the high costs associated with the construction of multistory warehouses, leading to the first in the nation being built just south of downtown Seattle last year. Home Depot will take nearly 100,000 square feet at the almost 600,000-square-foot three-story building as the company adjusts its supply chain network in the changing retail climate. Farther south to Tacoma, Samsung signed a deal for 340,000 square feet at the Port of Tacoma, while Best Buy will occupy even more space nearby in Spanaway as it places greater focus on distribution channel efficiencies this year, like other firms. Throughout the Puget Sound region, industrial demand will also be driven by a large and growing life-science sector, converging on flex and R&D space on the Eastside and in Seattle.

Superior liquidity characteristics boost investor focus on Seattle and Tacoma. Industrial sales volume in 2018 surged as institutional and foreign capital poured into the Puget Sound region, lifting pricing and compressing the average cap rate to the upper-5 percent territory. Transaction velocity was greatest in Tacoma and South King County as investors recognize the long-term value in one of the nation's most vital port regions, with the same sentiment powering deal volume through 2019. Higher cap rates for properties in Pierce and South King counties will motivate yield-driven investors to boost liquidity in the region, while tight vacancies and robust rent growth closer to the urban core of Seattle attract investor attention as well.

2019 Market Forecast

NIPI Rank
6, down 4 places
The metro slips out of the top five of the 2019 Index as vacancy rises for a second consecutive year.

Employment
up 2.9%
Following the greatest year of employment growth in two decades with the creation of 67,200 jobs, 60,000 staffers will be added to payrolls in 2019.

Construction
4 million sq. ft.
Industrial construction will drop from the cycle high recorded last year when nearly 5.5 million square feet was completed.

Vacancy
up 10 bps
Net absorption is narrowly eclipsed by supply growth, lifting the vacancy rate to 3.8 percent at year-end after a 90-basis-point climb was posted last year.

Rent
up 5.7%
The average asking rent will rise to $10.18 per square foot this year following a 7.1 percent increase in 2018.

Investment
Minimal threats from new supply on the Eastside and in Snohomish County will motivate investors to consider properties here, which often achieve a first-year yield above 6 percent.

A Linchpin of Florida's Distribution Network, Tampa Industrial Space Remains in High Demand

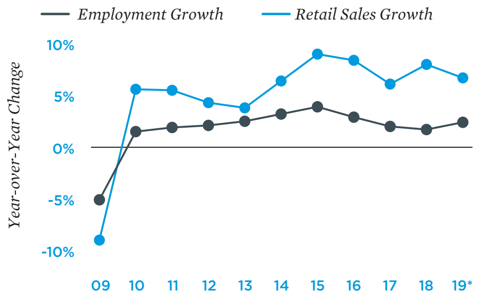
A growing populace and advantageous geography underpin industrial demand. Tampa's population has been expanding at over twice the national pace for multiple years, improving the need for industrial space, especially by logistical servicer providers. This trend is further supported by the market's key position midway along I-75 and at the western end of the I-4 corridor, which grants access to the rest of Florida. The increase in demand is reducing availability, prompting elevated development. This year will welcome the most new deliveries since 2008, with most completions arriving in East Hillsborough County. Notable arrivals in the area include the I-4 Logistics Center in Seffner and a multi-building industrial park near I-75 and Route 574. Less construction in other parts of the metro emphasize the value of existing space, adding upward pressure to asking rents. Above-average appreciation is expected in North Hillsborough, Pinellas and Hernando counties, where vacancy falls as much as 100 basis points below the overall level.

Investors look south for newer assets; central Tampa and St. Petersburg still heavily traded. As Tampa expands, more investors are looking into Sarasota and Bradenton to support distribution efforts north into Tampa or south into Fort Myers. Sales activity has increased notably in the Manatee area of Bradenton. Several pre-1990 constructed warehouses near Route 301 changed hands in recent months at cap rates in the low-7 to high-8 percent range. Post-2000 built properties are also targeted here at sales prices about double the market average. Buyers interested in lower entry costs may focus on central Hillsborough County, where multiple deals were completed just north of the Tampa International Airport. Investors prioritizing higher yields have found opportunities in Pinellas County, where initial returns fall into the 8-to-9 percent zone.

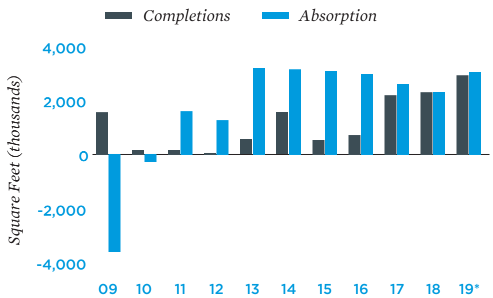
2019 Market Forecast

NIPI Rank 10, down 4 places	Other markets with stronger improvement move ahead of Tampa-St. Petersburg, lowering the metro in this year's NIPI.
Employment up 2.4%	Job creation will accelerate to 32,000 positions this year following a 1.7 percent growth rate in 2018.
Construction 2.9 million sq. ft.	Total deliveries approach 3 million square feet for the first time in over a decade. About two-thirds of those arrivals will be in east Hillsborough County, while another 529,000 square feet will open in south Hillsborough County.
Vacancy down 10 bps	The market has demonstrated a consistent ability to absorb the new space coming online despite the increase in volume, suggesting that vacancy will dip again this year to 3.8 percent.
Rent up 3.8%	Sub-2 percent availability in select submarkets will help advance rents by a greater margin than last year to a monthly rate of $6.35 per square foot.
Investment	Growing residential demand in central Tampa may be motivating some buyers to acquire Class C downtown industrial assets for conversions into other uses, including housing.

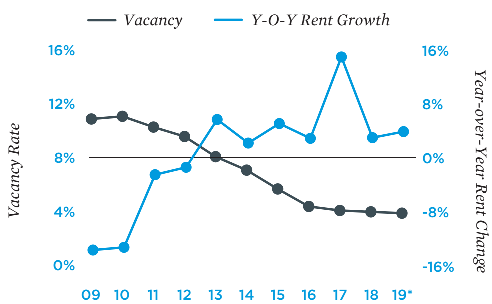
Employment vs. Retail Sales Trends



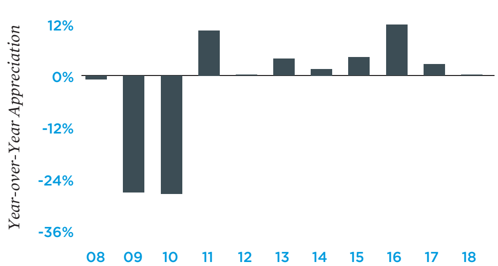
Industrial Completions



Asking Rent and Vacancy Trends



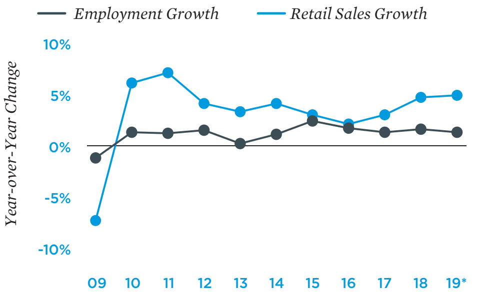
Price Per Square Foot Trends



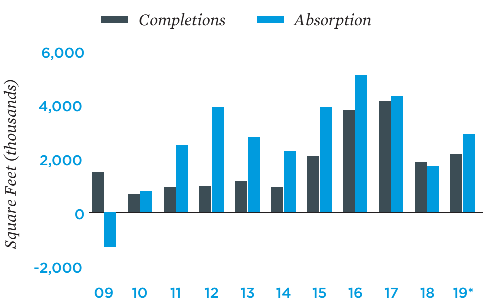
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

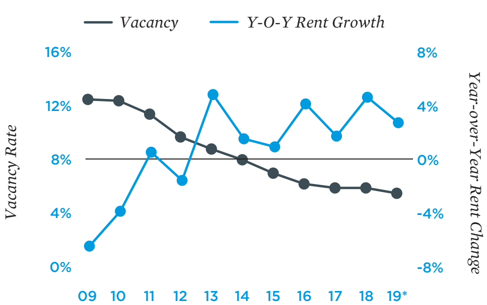
Employment vs. Retail Sales Trends



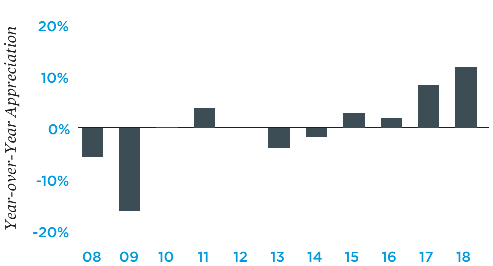
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



** Forecast;*

Sources: CoStar Group, Inc.; Real Capital Analytics

Major Operations Land on Market Perimeter; Fewer Infill Deliveries Foster Vacancy Decline

Construction expands outward as low availability pervades central areas. The market has grown by an average of 5,300 people per month since 2010, increasing demand for distribution space to meet rising consumer needs, contributing to a 650-basis-point drop in vacancy over that time span. Less availability has spurred development, predominantly outside the urban core. The I-81 Corridor will receive much of 2019's construction pipeline, with the 1.2 million-square-foot I-81 Industrial Center underway in Hagerstown, Maryland. The toll-free highway offers a less-trafficked alternative to I-95 for transit into Philadelphia and New York, while a local average asking rent under $5 per square foot appeals to tenants. Elsewhere in the market, there are fewer deliveries, facilitating lower vacancy in submarkets including the Dulles Corridor and Manassas/I-66. Urban density caps new supply inside the District to 16,000 square feet this year.

Properties change hands along major thoroughfares; adaptive reuse sometimes considered. The rising need for industrial services supports another year of active investment following the cycle-high level of transaction velocity achieved in 2018. Industrial assets located along the I-95 south of Arlington remain in high demand, but more trades are occurring in Prince George's County as sales activity picks up notably in Largo. Some buyers are looking here for redevelopment opportunities to support the expanding local population. Investors interested in repositioning space in Northern Virginia generally look inside the Beltway, where private capital is also seeking smaller floor plates. These buildings can house industrial tenants with embedded retail operations to support higher rents. Smaller facilities also appeal to life science businesses, who typically look for space closer to Bethesda, including in Rockville.

2019 Market Forecast

NIPI Rank 30, down 4 places	A curtail in rent growth constrains Washington, D.C., in this year's Index, holding the metro in the bottom half.
Employment up 1.3%	Employers will hire 42,000 workers this year, building on the 54,300 jobs that were created in 2018.
Construction 2.1 million sq. ft.	The market's development pipeline expands moderately from last year due to the arrival of the I-81 Industrial Center. Other projects underway include deliveries in Frederick County, Maryland and the Virginia cities of Springfield and Newington.
Vacancy down 40 bps	Fewer deliveries in most submarkets enable the vacancy rate to drop to 5.4 percent after remaining flat last year.
Rent up 2.7%	The average asking rent increases to $8.83 per square foot, building on last year's 4.6 percent gain.
Investment	Institutional investors seeking long-term stability are looking outside the Beltway more frequently, where a greater stock of large facilities exist, including recent arrivals.

Rising Construction Fails to Provide Relief for Low Vacancy in West Palm Beach

Palm Beach County among tightest industrial markets in the country. A bevy of demographic trends come to together to support the local industrial market. First, the county boasts the fastest rate of population growth among the South Florida markets, which is supporting household growth that nearly triples the national average. Many of these households are formed by retirees moving from colder climates or acquiring a winter retreat. Retirees also have a disproportionate level of discretionary income, which encourages spending and ultimately demand for industrial space. The local workforce also continues to grow, including the construction sector, which is building homes in the market to keep pace with household growth. Construction companies use a significant amount of industrial space and play a key role in generating the low vacancy Palm Beach County enjoys. New development of industrial space will accelerate this year, though sufficient pent-up demand will keep vacancy trending lower.

Transaction market favors light industrial sector. Investors are targeting light distribution and manufacturing facilities, largely due to demand generated by the makeup of the local economy. Buildings that cater to tourism, healthcare and construction firms have significant leasing interest when space becomes dark. Furthermore, rents that were deeply discounted during the early stages of the recovery are 28 percent higher, offering new owners an opportunity to elevate rents to the market rate. Risk aversion has also moved to the forefront of purchase motivations. Some investors view local industrial properties as an avenue to retain real estate through a potential downturn. Deal flow, meanwhile, can ebb and flow due to the relatively small inventory.

2019 Market Forecast

NIPI Rank 20, no change — A restrained delivery pace will keep vacancy tight and hold West Palm Beach steady in the ranking this year.

Employment up 1.9% — Local firms add 12,000 jobs this year, building on a payroll increase of 16,500 spots in 2018.

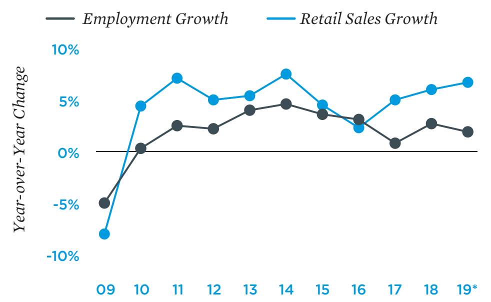
Construction 470,000 sq. ft. — Developers have 470,000 square feet slated for delivery this year, significantly higher than the paltry 10,000 square feet completed last year.

Vacancy down 20 bps — Despite a jump in new construction, vacancy will decline to 2.9 percent by year end as pent-up demand exists. The rate was flat in 2018.

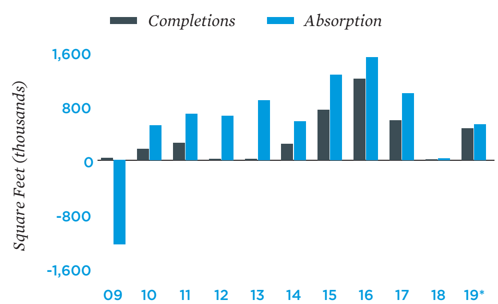
Rent up 3.1% — Asking rents will climb to $10.57 per square foot in 2019 as rent growth accelerates. Last year, operators lifted average asking rents 2.7 percent.

Investment — In today's market, the rate at which properties change hands is largely due to seller motivation rather than a lack of interested capital. As cap rates have dipped into the high-6 percent range, more sellers will consider a disposition.

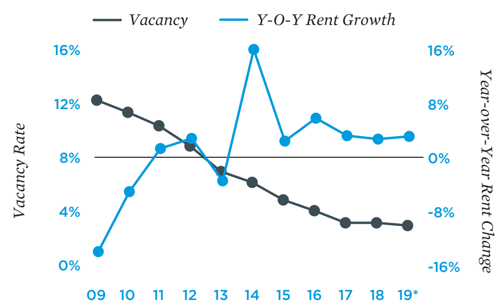
Employment vs. Retail Sales Trends



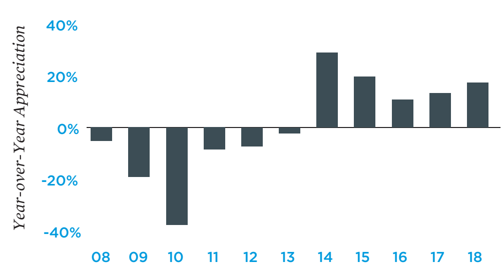
Industrial Completions



Asking Rent and Vacancy Trends



Price Per Square Foot Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Healthy Job Market and Elevated Immigration to Power Canadian Economy Through 2019

Positive hiring intentions persist among Canadian firms. Labour shortages intensified in 2018 with the unemployment rate falling to a 44-year low of 5.6 percent to end the year, creating challenges for employers to staff open positions with qualified talent. Firms remain optimistic entering 2019, with widespread plans to increase investment into machinery and equipment and boost payrolls. Companies are finding that they need to take creative measures in the more competitive hiring climate, expanding recruiting efforts that target new graduates and immigrants or offering enhanced incentive packages. On top of a healthy job market, businesses welcomed clarity on trade policy at the end of 2018 in the form of the Canada-United States-Mexico Agreement, an update to the 24-year-old trade rules in NAFTA that will be phased in over several years starting in 2020.

Dovish tone struck with pared-back outlook. The Bank of Canada has taken heed of the economic developments that could soften the nation's expansion, holding the overnight benchmark rate at 1.75 percent at the onset of 2019. After raising the policy interest rate by a quarter percent three times last year, the bank is still expressing a desire to bring the neutral rate up to the 2.5 to 3.5 percent range. The bank worries that higher interest rates will negatively impact debt-laden Canadians and that slumping oil prices will weigh on the economic outlook, resulting in a cautious approach this year. After output numbers for the last three years were revised down at the end of 2018, the central bank suggested there may be more capacity for the economy to expand than previously indicated. This could lead to less tightening through monetary policy this year even as core inflation has remained in the 2 percent range, implying the economy is operating near capacity.

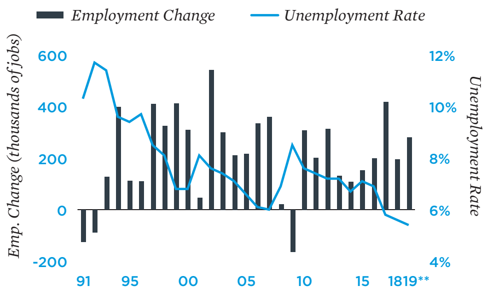
2019 Canadian Economic Outlook

- **Canada's automakers face rising costs under new trade policy.** The auto industry must meet a new threshold on the share of parts and raw materials sourced from North America, which will weigh on its international competitiveness. Additional requirements call for 40 percent of components coming from workers that average U.S. $16 or more per hour, increasing costs for Canada's automakers. Challenges for exporting from North America could rise as a result, especially with tariffs on aluminum and steel remaining in place under CUSMA.

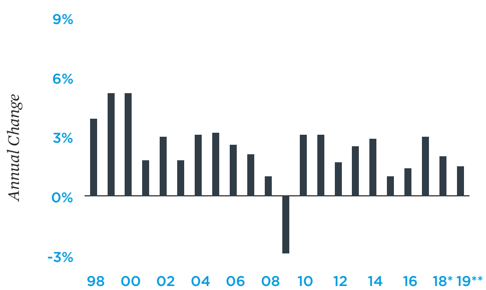
- **Cuts to oil production trim GDP growth expectations.** At the end of last year, Alberta ordered a major reduction to oil production as bloated inventories weighed on the price of Western Canadian heavy oil. Alberta's oil production began to be cut by 325,000 barrels a day beginning January 1, down nearly 9 percent. Just under 3 percent of Canada's GDP is directly tied to oil extraction, temporarily lowering the nation's economic out- look. As these cuts are not anticipated to last through the year, the potential for acceleration in the latter part of the year remains.

- **Canada boosts immigration to fuel labour market.** Canada's immigration targets are climbing from 300,000 to 350,000 people per year over the next several years to support elevated labour demands as the economy faces half a million openings. Companies such as Microsoft, SAP, Google and Amazon are adding more tech jobs across the nation, and they are in stiff competition for talent. The tight job market will invigorate wage growth, supporting broader economic gains.

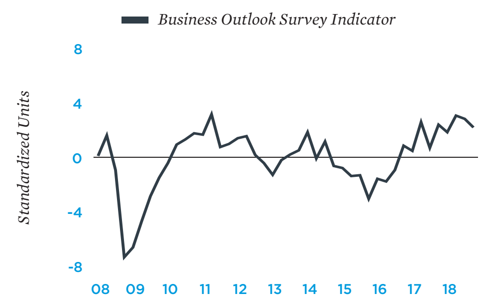
Employment vs. Unemployment



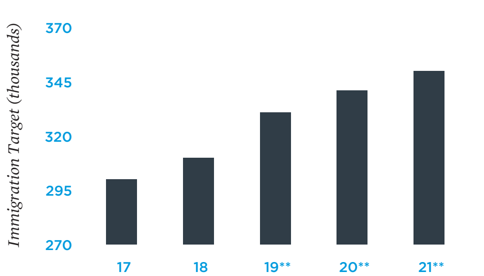
GDP Change



Optimism Reinforces Growth



Canada Lifts Immigration Target



** Estimate*

*** Forecast*

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

Migration to Online Shopping Fuels Industrial Sector Through Period of Substantial Change

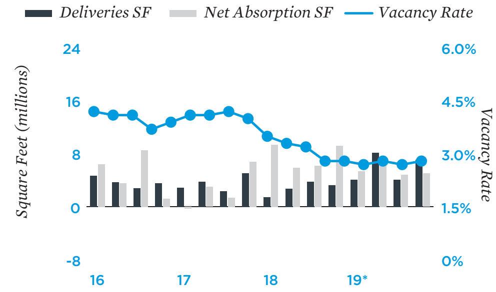
Consumer goods and logistics firms drive leasing demand. A strong economy and elevated business confidence have led to insatiable demand for industrial space across Canada as firms work to handle the flow of inventory and create efficiencies in supply chains. The rapid adoption of e-commerce remains one of the greatest drivers to industrial real estate, with strong demand from tenants like Amazon and other logistics providers pushing rents higher as vacancy rates reach historical lows. New growth opportunities are also coming in the form of cryptocurrency miners as they seek out low energy costs and cold climates, along with cannabis producers that are ramping up operations following legalization last year. Developers are underway on more than 27 million square feet to meet demand, the highest amount so far of the current cycle. In some areas, high construction costs, site availability and legislative challenges prolong the development process, slowing the introduction of new supply on markets like Vancouver and Toronto.

Supply constraints, healthy demand boost property fundamentals. Amid a period of elevated demand, deliveries slowed last year with the completion of just over 11.2 million square feet, down more than 3 million square feet from the prior year. Net absorption climbed past 30 million square feet in an exceptionally tight market, compressing the national vacancy rate to 2.8 percent, a 120-basis-point decline from a year earlier. Upward pressure was placed on the asking rental rate, rising 8.8 percent in 2018 to end the year at $9.80 per square foot. More than 16 million square feet will be built this year, largely in the Greater Toronto Area where nearly 7 million square feet is forecast for delivery. Tenant demand will overshoot supply growth once again, leading to a 10-basis-point decline in the national vacancy rate to 2.7 percent. Asking rent growth will stay on an upward trajectory, though the pace will slow to 7.2 percent, reaching $10.51 per square foot.

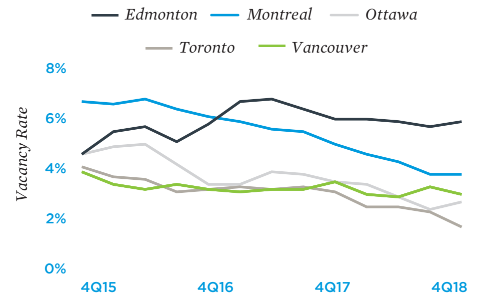
2019 Canadian Industrial Outlook

- **Amazon moving fast to create a Canadian supply-chain network.** Amazon accelerated its Canadian expansion last year, announcing multiple fulfillment centres across the nation as the popularity of e-commerce and Amazon Prime grew. The online retailer has secured locations in Vancouver, Edmonton, Toronto and Ottawa, where a total of four new warehouses of up to 1 million square feet are anticipated for completion this year and next. When the facilities open, Amazon will have 11 fulfillment centres positioned across Canada.
- **Healthy demand and limited supply bolster investor confidence.** Investment activity persisted last year, pushing the average price on a per square foot basis above $200 while first-year yields held in the mid-5 percent territory. Robust leasing fundamentals and strong rent growth keep investor sentiment elevated, while a greater focus will be placed on more suburban assets for elevated yields. High land and construction costs along with local development fees will shrink the construction pipeline, placing greater pressure on an already-tight sector, benefiting owners as leasing competition should rise.
- **Tenants eye older properties in exceptionally tight markets.** A shortage of functional space across most markets boosts interest in well-located older properties that can be easily retrofitted. Demand for outdated assets closer to the urban core will come from consumer goods, logistics and tech firms that are seeking facilities to complete the last mile of the supply chain. The higher cost of locating in and around the urban core is often offset by the savings realized in lower shipping and labour costs.

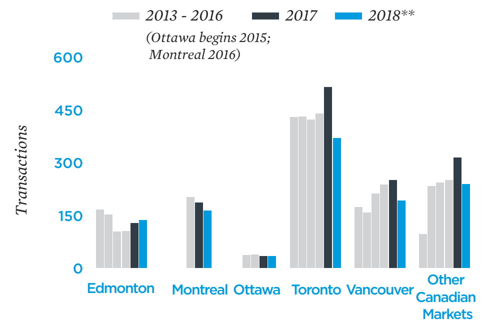
Industrial Supply and Demand



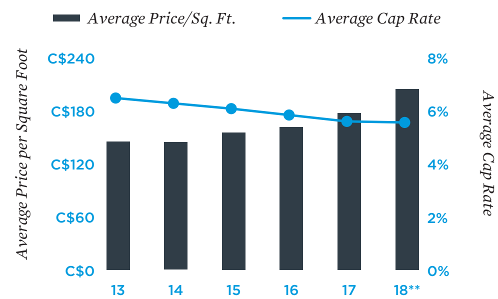
Vacancy by Metro



Industrial Transactions



Price and Cap Rate Trends



* Forecast

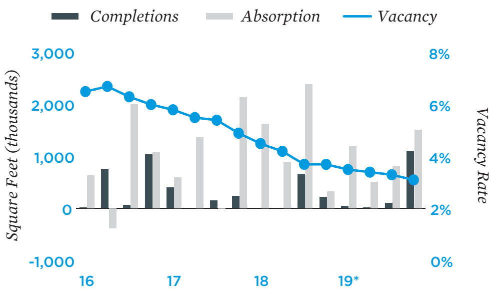
** Through 3Q

Sources: Altus Data Solutions; CoStar Group, Inc.

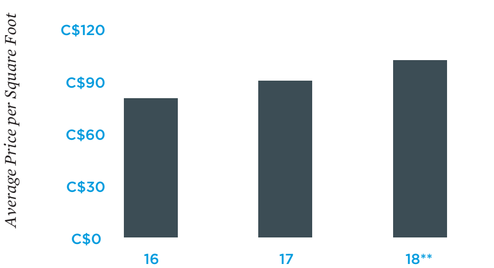
Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

Greater Montreal Area

Supply and Demand



Sales Trends



High Yields and Rising Tenant Demand Keep Investor Sentiment Elevated

Aerospace firms, manufacturers, and transportation and warehousing businesses power Montreal's industrial real estate market through 2019. A healthy local economy has lifted business confidence levels, motivating more companies to increase corporate investments, which will lead to robust space demand this year. Demand has been coming from new sources, including firms seeking data-center storage, due to the metro's low cost of energy and cold climate, attracting Amazon along with cryptocurrency firms. Rising investor sentiment has pushed pricing above the $100 per square foot mark, though values still remain well below those of other metros, providing buyers with low entry-level pricing amid a period of strong leasing momentum. An average cap rate in the mid-5 to upper-7 percent range motivates yield-driven investors to increase acquisitions in Montreal.

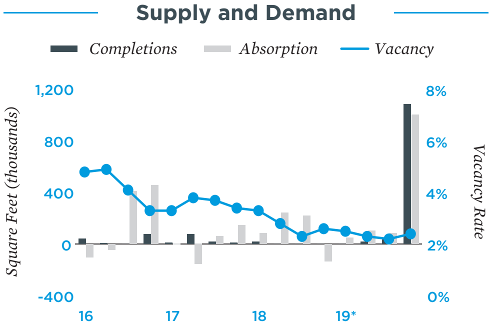
2019 Market Forecast

Rent Growth up 9.8% — Following an 11.9 percent increase last year, the average asking rent will climb to $11.40 per square foot this year.

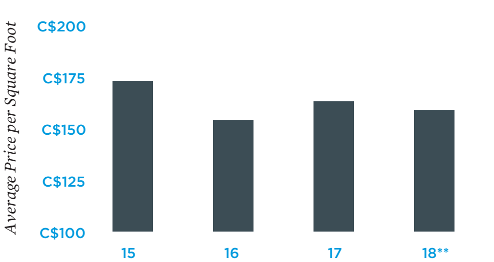
Investment — Exceptional rent growth and tight vacancy will keep investors active in the search for remaining upside, though strong leasing fundamentals may discourage more owners from listing their properties this year.

Greater Ottawa Area

Supply and Demand



Sales Trends



* Forecast; ** Through 3Q

Sources: Altus Data Solutions; CoStar Group, Inc.

Yields Above the National Average and Renewed Space Demand Attract Investors

Employment growth and a diversifying local economy driving demand for logistics operators to seek new and modern facilities. A 1 million-square-foot fulfillment centre for Amazon will be completed this year, allowing the company to fill customers' orders for Eastern Canada cities including Ottawa and Montreal. Third-party logistics providers FedEx and UPS will be occupying footprints of roughly 50,000 square feet as package-handling demand ramps up across the metro. The shrinking availability of spaces greater than 25,000 square feet creates challenges for expanding companies, leading more firms to look to areas such as Kanata where leasing demand has been on the rise. Properties traded recently recorded cap rates between 6 percent and 7 percent, with some of the metro's best assets achieving a first-year yield closer to 5 percent.

2019 Market Forecast

Rent Growth up 7.6% — Rent growth will slow from the 10 percent increase posted in 2018, climbing 7.6 percent to $12.47 per square foot this year.

Investment — Sales activity remains modest in the metro as listings are minimal. The average price recorded over the past year was just under $160 per square foot.

Healthy Manufacturing Sector, Online Shopping Growth Lift Investor Confidence in Toronto

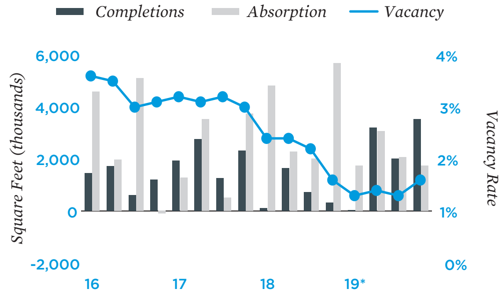
The GTA industrial market remains Canada's powerhouse in 2019 as an epicenter for the country's manufacturing, transportation and warehousing industries. Toronto posts some of the best property metrics of any major North American metro, registering a sub-2 percent vacancy rate at the end of last year. Mars Canada, Ingram Micro and Kimberly Clark are just some of the companies leading the surge in space demand this year as firms work to adjust their supply chains and operations in the changing industrial landscape. Amazon will add its sixth Ontario location next year with a new fulfillment centre in Caledon as the firm works to increase its capacity, filling 1 million square feet. An 850,000-square-foot facility will be built for UPS in Caledon as well as the package handler moves to increase capacity.

2019 Market Forecast

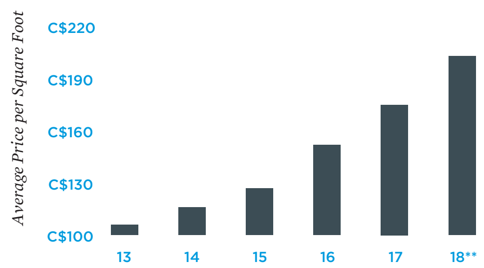
Rent Growth up 10.2% — Exceptional tenant demand and tight vacancy support a strong lift to the average asking rent, rising to $10.22 per square foot after jumping 13.1 percent last year.

Investment — Elevated pricing will lead to a more cautious approach, with some investors waiting on the sidelines to see the effect an influx of new construction will have on metrics.

Supply and Demand



Sales Trends



Supply Challenges Boosting Property Metrics, Bolstering Investor Confidence

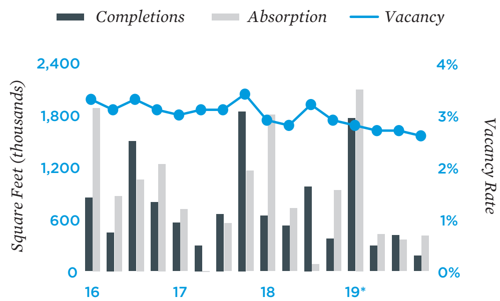
Firms ramp up operations, motivated by a strong and growing economy, though many are finding they need to get creative in this supply-constrained market. Amazon secured 450,000 square feet recently on First Nation's land in the Delta iPort, a first for the e-commerce giant in Canada or the United States. Rising competition among grocers spurred Walmart to make commitments to increase its operations footprint in the metro, though construction will not begin at their proposed facility until 2021. A shortage of available industrial sites, high land and construction costs along with challenges on the municipal level limit supply growth and have hindered tenant expansions. Going into 2019, developers were underway on less than 3 million square feet, with most of the construction occurring in Richmond.

2019 Market Forecast

Rent Growth up 8.6% — Building on the 10.2 percent increase in 2018, the average asking rent will rise to $13.05 per square foot this year.

Investment — Robust investor demand and elevated pricing compressed the average cap rate to the upper-3 to mid-4 percent territory. This year more investors will eye areas farther out from Vancouver that can provide elevated yields.

Supply and Demand



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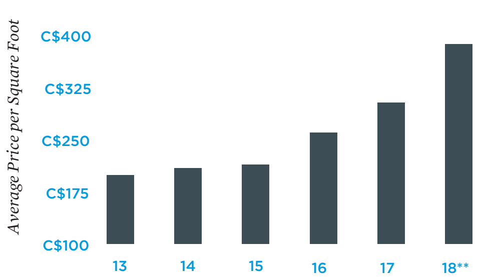

** Forecast; ** Through 3Q*

Sources: Altus Data Solutions; CoStar Group, Inc.

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[1] *National Industrial Index Note: Employment and office data forecasts for 2019 are based on the most up-to-date information available as of January 2019 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 January 2019. 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; Altus Group; American Council of Life Insurers; Blue Chip Economic Indicators; Bureau of Economic Analysis; Commercial Mortgage Alert; CoStar Group, Inc.; Emergent Research; Irving Levin Associates; Moody's Analytics; Federal Reserve; Foresight Analytics; Mortgage Bankers Association; Real Capital Analytics; RealNet; Standard & Poor's; Statistics Canada; PNC Healthcare; The Conference Board; Trepp; TWR/Dodge Pipeline; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Health and Human Services; U.S. Securities and Exchange Commission; U.S. Treasury Department.

Institutional Property Advisors Overview

Institutional Property Advisors is a boutique brokerage platform dedicated to serving the needs of institutional and major private investors.

- A distinct national network of institutionally qualified, senior-level advisors
- Relationships between our agents and clients managed to the preference of the client
- Acquisition opportunities, information and market research delivered through a state-of-the-art marketing and communications platform
- Access to the largest pool of private and institutional capital sources in the industry facilitated through an extensive national database
- Capital markets services provided by senior advisors with IPA Capital Markets

Our Mission

At Institutional Property Advisors, our mission is to develop a long-term advisory relationship with major private and institutional investors to help them maximize total returns and meet their broader objectives.

2019 U.S. Industrial Investment Forecast

Market Name	Employment Growth				Completions (000s of Sq. Ft)				Net Absorption (000s of Sq. Ft.)				Vacancy (Year-End)				Rent ($/Sq. Ft., NNN)				Average Price per Sq. Ft.			Market Name
	2016	2017	2018	2019*	2016	2017	2018	2019*	2016	2017	2018	2019*	2016	2017	2018	2019*	2016	2017	2018	2019*	2016	2017	2018	
Atlanta	3.0%	1.7%	2.5%	1.7%	22,700	16,800	18,800	18,500	18,500	24,000	21,000	20,200	7.5%	6.2%	5.7%	5.3%	$4.02	$4.13	$4.49	$4.80	$65	$76	$88	Atlanta
Austin	3.5%	3.2%	3.5%	2.6%	1,600	2,200	1,600	270	1,600	420	1,900	1,200	4.1%	6.4%	5.9%	4.7%	$9.29	$9.97	$10.04	$10.24	$124	$119	$119	Austin
Baltimore	1.0%	0.6%	2.2%	1.3%	1,100	1,200	5,400	1,400	2,800	2,900	4,500	2,300	9.4%	8.4%	8.6%	8.1%	$5.47	$5.10	$5.16	$5.28	$92	$97	$102	Baltimore
Boston	1.9%	1.2%	1.8%	1.2%	2,900	2,100	3,000	890	5,000	4,500	2,900	2,400	6.1%	5.5%	5.5%	5.1%	$6.78	$7.38	$7.96	$8.48	$110	$119	$133	Boston
Charlotte	2.8%	3.2%	2.0%	2.6%	2,500	4,900	4,200	2,500	6,700	6,200	4,600	3,000	6.0%	5.4%	5.2%	5.0%	$4.07	$4.23	$4.47	$4.66	$53	$65	$68	Charlotte
Chicago	1.0%	0.6%	1.3%	0.6%	18,700	22,400	13,400	17,400	20,100	21,100	15,500	18,300	6.1%	6.1%	5.9%	5.7%	$5.13	$5.61	$5.46	$5.53	$74	$79	$84	Chicago
Cleveland	0.6%	0.1%	2.6%	2.7%	1,600	870	1,900	1,100	4,500	780	2,700	2,100	3.8%	3.9%	3.6%	3.4%	$3.84	$4.02	$4.09	$4.18	$42	$46	$56	Cleveland
Dallas/Fort Worth	3.2%	2.4%	3.2%	2.8%	21,600	28,200	23,600	23,900	25,500	23,800	18,500	22,900	5.6%	6.0%	6.5%	6.4%	$4.62	$4.96	$5.38	$5.62	$70	$72	$81	Dallas/Fort Worth
Denver	2.0%	2.3%	2.1%	2.4%	4,000	4,900	3,600	4,900	2,200	5,100	2,700	4,400	4.6%	4.4%	4.8%	4.9%	$7.77	$7.78	$8.05	$8.24	$125	$144	$159	Denver
Detroit	2.0%	1.2%	0.7%	0.5%	1,900	4,200	7,200	5,000	7,000	3,800	7,600	5,600	3.0%	3.1%	2.9%	2.8%	$4.85	$5.33	$5.76	$6.13	$55	$60	$65	Detroit
Fort Lauderdale	2.3%	1.5%	2.0%	2.2%	730	440	1,700	1,400	2,800	1,800	1,100	1,200	4.4%	3.0%	3.5%	3.7%	$8.60	$8.75	$8.71	$8.80	$114	$122	$135	Fort Lauderdale
Houston	0.1%	1.8%	3.6%	3.5%	13,300	8,800	10,700	11,000	11,600	9,000	8,800	10,200	5.2%	5.1%	5.4%	5.4%	$6.77	$6.63	$7.26	$7.58	$78	$82	$90	Houston
Indianapolis	1.5%	1.3%	2.3%	2.3%	4,100	7,600	4,700	6,500	8,700	4,600	7,900	7,900	4.5%	5.5%	4.2%	3.6%	$3.86	$3.85	$3.94	$4.04	$50	$57	$59	Indianapolis
Los Angeles	1.8%	1.4%	1.2%	1.1%	2,500	6,200	5,000	2,600	2,600	5,700	990	870	1.9%	2.0%	2.5%	2.7%	$9.54	$10.75	$11.25	$11.64	$202	$215	$246	Los Angeles
Memphis	0.4%	1.3%	1.6%	1.6%	4,100	3,800	6,400	2,500	7,400	4,900	6,200	3,500	6.8%	6.2%	6.2%	5.7%	$3.03	$3.04	$3.00	$3.14	$27	$27	$29	Memphis
Miami-Dade	2.1%	1.3%	2.0%	2.0%	1,900	3,300	3,300	2,800	3,200	2,300	3,000	3,000	3.4%	3.8%	3.9%	3.8%	$9.70	$10.88	$10.74	$10.92	$142	$154	$161	Miam-Dadei
Milwaukee	0.3%	0.7%	0.7%	0.8%	1,600	890	1,500	680	2,900	2,800	1,500	1,700	4.9%	4.1%	4.1%	3.7%	$4.32	$4.49	$4.65	$4.80	$53	$59	$64	Milwaukee
Minneapolis-St. Paul	1.4%	1.4%	1.7%	1.5%	3,200	2,300	1,600	1,500	5,200	2,600	2,500	2,100	3.6%	3.5%	3.2%	3.0%	$6.05	$6.44	$6.88	$7.14	$64	$68	$80	Minneapolis-St. Paul
New York City	1.8%	1.9%	1.5%	1.2%	740	500	1,500	640	180	-1,000	-27	130	3.3%	4.2%	4.9%	5.2%	$18.78	$22.10	$21.64	$21.80	$379	$383	$408	New York City
Northern New Jersey	1.2%	0.9%	0.9%	0.6%	1,900	1,100	2,800	680	5,300	3,000	4,900	2,800	5.4%	4.9%	4.3%	3.8%	$7.22	$7.81	$8.77	$9.45	$113	$124	$142	Northern New Jersey
Oakland	2.9%	1.9%	2.0%	1.8%	2,600	1,300	1,500	4,600	5,000	1,600	90	3,000	4.0%	3.8%	4.4%	5.0%	$10.89	$13.38	$14.44	$15.16	$159	$190	$210	Oakland
Orange County	2.6%	2.0%	-0.3%	1.0%	800	470	1,200	100	1,700	-330	20	690	2.3%	2.6%	3.0%	2.8%	$9.50	$10.40	$11.24	$11.80	$197	$227	$234	Orange County
Orlando	4.1%	3.1%	4.0%	4.2%	810	2,500	3,700	1,200	3,800	3,200	3,200	1,600	4.4%	3.8%	4.0%	3.7%	$5.43	$5.91	$6.27	$6.57	$86	$89	$100	Orlando
Philadelphia	1.6%	1.2%	1.9%	1.2%	5,300	6,500	2,600	2,600	10,200	13,200	3,400	2,700	6.7%	5.2%	5.1%	5.0%	$4.89	$4.99	$5.46	$5.59	$69	$75	$85	Philadelphia
Phoenix	2.7%	2.7%	3.9%	3.8%	5,200	7,400	7,800	5,800	5,800	11,200	7,100	6,600	9.0%	7.5%	7.5%	7.1%	$6.73	$6.69	$6.96	$7.22	$95	$105	$120	Phoenix
Riverside-San Bernardino	2.3%	3.9%	2.0%	2.7%	18,700	24,400	22,700	21,800	23,100	17,100	24,500	23,000	4.4%	5.6%	5.0%	4.6%	$6.02	$7.89	$8.50	$8.98	$131	$145	$158	Riverside-San Bernardino
Sacramento	2.5%	2.5%	1.6%	1.7%	120	1,400	830	940	3,300	3,700	3,100	1,300	7.5%	5.9%	4.3%	4.0%	$4.95	$5.66	$7.62	$7.95	$92	$102	$110	Sacramento
San Diego	2.6%	1.6%	2.0%	1.5%	920	960	2,800	1,000	1,500	1,500	1,400	760	4.8%	4.5%	5.3%	5.4%	$12.04	$12.67	$15.13	$15.95	$187	$189	$192	San Diego
Seattle-Tacoma	3.2%	2.8%	3.3%	2.9%	3,000	3,300	5,500	4,000	5,400	5,200	2,800	3,500	3.5%	2.8%	3.7%	3.8%	$7.94	$8.99	$9.63	$10.18	$170	$190	$210	Seattle-Tacoma
Tampa-St. Petersburg	2.9%	2.0%	1.7%	2.4%	710	2,200	2,300	2,900	3,000	2,600	2,300	3,100	4.3%	4.0%	3.9%	3.8%	$5.18	$5.95	$6.12	$6.35	$74	$76	$76	Tampa-St. Petersburg
Washington, D.C.	1.7%	1.3%	1.6%	1.3%	3,800	4,100	1,900	2,100	5,100	4,300	1,700	2,900	6.1%	5.8%	5.8%	5.4%	$8.08	$8.22	$8.60	$8.83	$131	$142	$159	Washington, D.C.
West Palm Beach	3.1%	0.8%	2.7%	1.9%	1,200	590	10	470	1,500	990	30	530	4.0%	3.1%	3.1%	2.9%	$9.67	$9.98	$10.25	$10.57	$111	$126	$148	West Palm Beach
United States	1.6%	1.5%	1.8%	1.3%	234,100	261,100	246,700	210,000	313,900	299,000	247,200	228,500	5.1%	4.8%	4.7%	4.5%	$6.12	$6.63	$6.99	$7.27	$79	$80	$87	United States

* Forecast Note: See Statistical Summary Note on Page 46

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