VIEWPOINT

2018 COMMERCIAL REAL ESTATE TRENDS REPORT

An Integra Realty Resources Publication

Comprehensive Commercial Real Estate Market Research, Valuation and Advisory Services

About IRR

Over the past 18 years, Integra Realty Resources, Inc. (IRR) has grown to become North America's largest independent CRE market research, valuation, and counseling firm. Our clients tell us that our 580+ professionals in 49 offices deliver extraordinary insight, unbiased advice, and excellent service. In 2017, IRR valued over $257 billion in real estate assets across more than 60 metro markets comprising over 25,000 assignments.

Every IRR office is supervised by one of our more than 158 MAI-designated professionals, industry leaders who have over 25 years, on average, of experience in their local markets. Having more MAI-designated experts than any other firm is just one testament to the high levels of training and experience which we put at our clients' disposal: as of January 2018, IRR's senior management team also includes: 23 FRICS; 15 MRICS; 16 CREs; 25 SRAs; 15 CCIMs; 5 ASAs.

These designations from the most prestigious real estate organizations in the world mean that from a culture of quality and ongoing professional development, we can offer unparalleled expertise in appraisals, feasibility and market studies, expert testimony, and related property consulting services across all local and national markets. IRR stands ready to serve you with unmatched Local Expertise…Nationally.

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CHAIRMAN'S LETTER

This year was one of tremendous change and growth for Integra Realty Resources (IRR). Our operational prowess and entrepreneurial culture positioned our local offices across the country as attractive investment opportunities. By the end of 2017, about a dozen local IRR offices across the country had been acquired by national platform real estate players trying to grow their valuation practices. But obstacles do not block the path, they are the path.

I've been pleased to learn how highly valued our entrepreneurial culture is to our clients, and to our many talented new professionals. By mid-year, we solidified outstanding new partners in San Francisco, Sacramento, Chicago, DFW, Houston, Austin, San Antonio and Puerto Rico. Expansion back into the northeastern U.S. is well underway, as is our second international expansion, this time northward into Canada. We reorganized IRR's business-line teams nationally within IRR Hotels and IRR Senior Housing in 2017, with the most dynamic professionals in those specialties. We look forward to announcing more new specialty business lines in 2018. We also welcomed back about 15% of our workforce who got carried away in the wave of local acquisitions this past year, because they missed what IRR offers—a collaborative, creative network in which to grow and expand professionally.

As IRR charts its course into 2018, continuing to innovate at an unprecedented pace, I am inspired by Apple's "Think Different" campaign from 1997: *Here's to the misfits. The rebels. The troublemakers. The round pegs in the square holes. The ones who see things differently. They're not fond of rules. And they have no respect for the status quo. You can quote them, disagree with them, glorify or vilify them. About the only thing you cannot do is ignore them. Because they change things. They push the human race forward. While some may see them as the crazy ones, we see genius. Because the people who are crazy enough to think they can change the world, are the ones who do.*

Our processes, analytics and proprietary technology platform stand alone in our field. In fact, IRR's innovations are so valuable that the major real estate companies that acquired some of our local offices this past year actually licensed them from us to get their start as our new competition. Why would we help our competitors? Because we think differently. We don't try to control great ideas, because we are confident in our ability to create more. We don't seek to own our people, because free-thinkers can never be bought.

IRR is not afraid technology will take away our business opportunities. We embrace technology to provide new, and better services and fresh insights to our clients at the speed of business. For all the talk in 2017 about the rise of Artificial Intelligence (AI), I have yet to see anyone point to a computer or system that has conceived an original thought. When experience, originality, creativity, and perspective are needed, IRR professionals will be there. The machines don't see what we see. I predict they never will.

IRR serves its clients by delivering original thoughts, ideas, and forecasts. We observe, and we learn. We are confident and fearless, honest and humble. We have an unwavering commitment to doing things the right way. We don't strive to be everything to everyone. We strive to serve our clients and make a difference in the world. When we do that, everything else takes care of itself.

I hope you enjoy our 25th anniversary edition of our annual Viewpoint report. It was born in a crucible of change, much like all great achievements. May 2018 be as prosperous as 2017 was challenging.

Respectfully,
Anthony M. Graziano, MAI, CRE
Integra Realty Resources (IRR)
Chairman of the Board

CRE TRENDS

Viewpoint begins its 2018 national overview and outlook with a glance at the U.S. economy. We will explore the major factors impacting continued economic expansion and a few of the key challenges and opportunities that face the CRE marketplace.

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ECONOMY 2018

Business is always executing a balancing act between opportunity and risk. Failure to grasp opportunity can mean ceding advantage to competitors and diminishing the future of the enterprise. Risk cannot be avoided, but must be appropriately compensated – a lesson that was hopefully learned a decade ago in the global financial crisis. In 2018, the U.S. economy is advancing gingerly along a tightrope strung between those two poles. The ability to achieve balance and maintain forward motion is the defining question for the year ahead.

As we reach the end of 2017, it may seem unduly cautious to frame our economic overview in such terms. After all, GDP has, as we forecast a year ago, moved in the direction of three percent real growth (surpassing that level in both 2Q and 3Q of the year). A decent 4Q could produce the strongest year since 2014. Unemployment, at 4.1%, is at its lowest point since September-December 2000's 3.9% bottom, and might soon breach the four percent barrier – fitting most definitions of "full employment." Inflation remains low, especially by the standards of an extended economic expansion. And, of course, the stock market has enjoyed a stunning upward movement – a bull market that is deep into its ninth year, with a YTD advance of more than 15% for the first eleven months of 2017.

The consensus is that 2018 will see an extension of economic growth, with the Blue Chip forecasters predicting 2.5% real GDP growth and unemployment ticking down even further, with corporate profits edging higher. Nevertheless, this upcycle is pushing against some formidable limits, and signs of the excesses that trigger corrections are starting to accumulate in a worrisome way. While a "soft landing" is possible, there is ample reason to strategize against downside risk and to avoid extrapolating 2017's strength into the mid-range future.

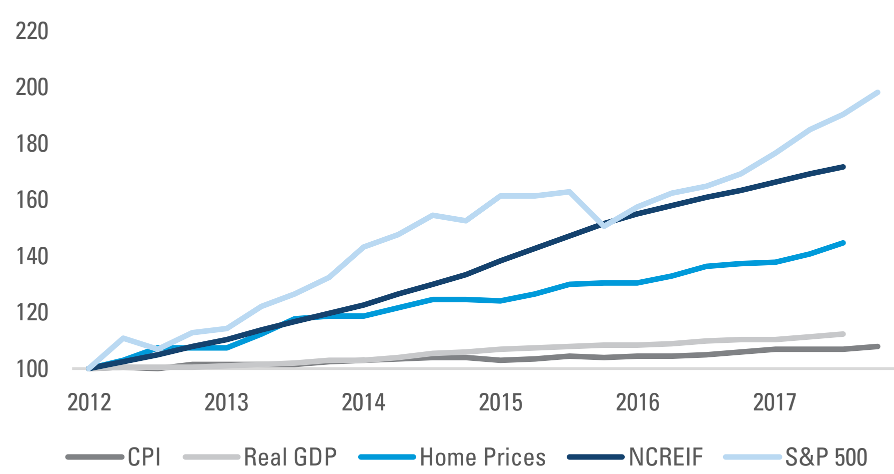
What specific limits are on the horizon? We have to start with "final demand" across the economy. That points us at jobs, incomes, and spending – in other words, the basics. Annual job growth has dropped from 2.3% in early 2015 to 1.4% in October 2017, and tight labor market conditions will be constraining growth further going forward. Despite some indication of recent progress on wages, the big picture on personal earnings is discouraging. Real weekly incomes rose only 0.4% for the twelve months ending October 2017, and even less (0.3%) for production and non-supervisory workers. That's not enough to spur consumption significantly: personal consumption expenditures (69.4% of GDP) in 3Q was up just 2.3% from the prior year. With a deceleration in job creation expected in 2018, the end market for goods and services does not look strong. Hence the Blue Chip forecast for slower economic growth.

There is another emergent issue to consider: asset pricing has been growing at a furious pace – too quickly to continue, in all probability, to continue and liable to reversal, especially in the stock market. The S&P 500 is about double its 2012 level. Commercial real estate is up about 72% as measured by the NCREIF Property Index. Home prices, as tracked by the Case-Shiller Index, have risen about 45% and real GDP is up 12.2%, both over the same period. Of all those asset measures, commercial real estate seems to have the greatest prospect for stability, as most of the total return is now derived from income. Stocks are significantly overvalued at a price-earnings ratio above 25 for the S&P 500, compared to a historical mean of 15.7, while home prices face the impact of rising interest rates and adverse changes in the tax code.

At 101 months (as of November 2017), this current expansion is the third longest in U.S. history, and will take second place from the 1960s upswing if growth continues through the spring. That seems pretty likely. However, growth will have to continue until July 2019 to surpass the upcycle of the 1990s. That is a much more risky bet.

Asset pricing poses risk of correction

ASSET PRICING INDICES: JANUARY 2012 = 100



3 "Final Demand" Predictors

Jobs

Annual job growth has dropped from 2.3% in early 2015 to 1.4% in October 2017

Income

Real weekly incomes rose only 0.4% for the twelve months ending October 2017, and even less (0.3%) for production and non-supervisory workers

Spending

Personal consumption expenditures (69.4% of GDP) in 3Q increased only 2.3% over the prior year

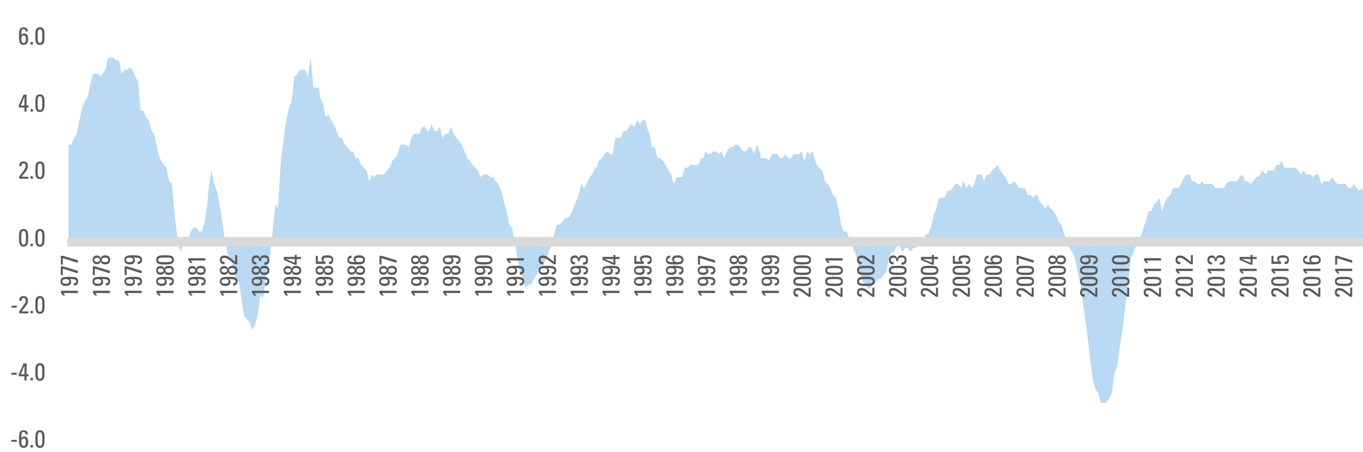
EMPLOYMENT

The national jobs engine has been shifting into lower gear for quite some time in response to the combined impacts of demography, technology, and structural economic change. Over the past 40 years, job growth peaks have been successively lower: topping 5% in both 1978 and 1984; then peaking at just above 3% in 1988 and 1994, at 2.5% during the 1997-99 period; then at a lower 2% high water mark in 2006 and 2014-15. The deceleration to 1.5% employment growth in 2017 is part of this pattern, and 2018 should be anticipated to be a continuation rather than a reversal of trend.

As is the case with all economic figures reported at the national level, the headline figures disguise important cross-currents at work beneath the surface of the "net" composite statistics. Undoubtedly, the gains in the professional and business services industries and more recently in construction show significant strength, but are offset by major losses in the retail sector (65,400 jobs in virtually all store segments) and in the traditional media industries (print publishing, broadcasting, and telecom were down an aggregate 64,000 jobs) grouped in the Information sector. Because of this complexity, the impact of job change on cities and property types will vary widely as each metropolitan economic base sorts out the gains and losses for its workforce.

Employment change in the U.S. has been decelerating over time

PERCENTAGE CHANGE IN JOBS, YEAR OVER YEAR: 1977 - OCT 2017



Manufacturing posted a gratifying gain of 189,000 jobs (up 1.5%) in the twelve months ending November 2017, although many of these were in front office jobs rather than in production. Construction jobs were also up, by 184,000 (up 2.7%) with all segments – residential, commercial, and infrastructure – advancing. But it was the broad-based services sector that accounted for most new employment, 1,587,000 jobs (up 1.5%). Professional services accounted for more than one-third of those jobs (548,000, up 2.7%), led by computer services (52,000) and management consulting (62,000).

Finance was also strong with 91,000 jobs (up 1.5%), led by 33,000 in banking and credit and 22,000 in securities and commodities firms. Such gains are positive for the office sector. The transitional nature of the economy is illustrated by the 3.7% growth in temporary agencies payroll, which expanded by 116,000. Blue-collar non-manufacturing jobs were up significantly, too, led by couriers and messengers (a function of online shopping fulfillment), which was up by 16,000 jobs (2.3%). Ecommerce also spurred warehousing employment, up by 35,000 (3.6%) in the November 2016-November 2017 period.

Cross-currents at work beneath the surface will lead to varying job shifts across each metropolitan base

CAPITAL MARKETS

Insiders have, for years, spoken about "smart money" as being what the savvy professional investor brings to the table, as opposed to the putative naiveté of smaller players in asset markets. The global financial crisis inflicted pain on institutional capital quite as much as it did on Main Street participants, and those hard lessons have apparently made everyone smarter this time around. At least that seems to be the case in commercial real estate, if not in the go-go equities market on Wall Street.

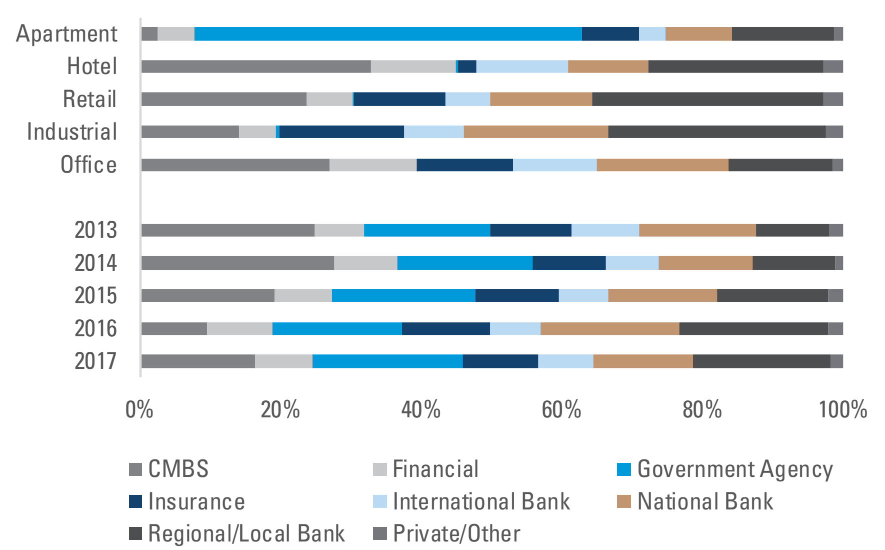
As we remarked in Viewpoint a year ago, the pullback in real estate investment volume is a "good news/bad news" story. The decline in volume continues, with Real Capital Analytics (RCA) reporting a drop in transaction activity (measured in dollars) of 23% YOY as of October 2017, for a YTD total of $105.9 billion. Portfolio and entity-level transactions retreated 38%, while individual asset sales dropped a more modest 18%.

But even with a slower market, prices rose 8.4%, suggesting that more careful selection rather than any withdrawal of capital is what is shaping the real estate investment marketplace

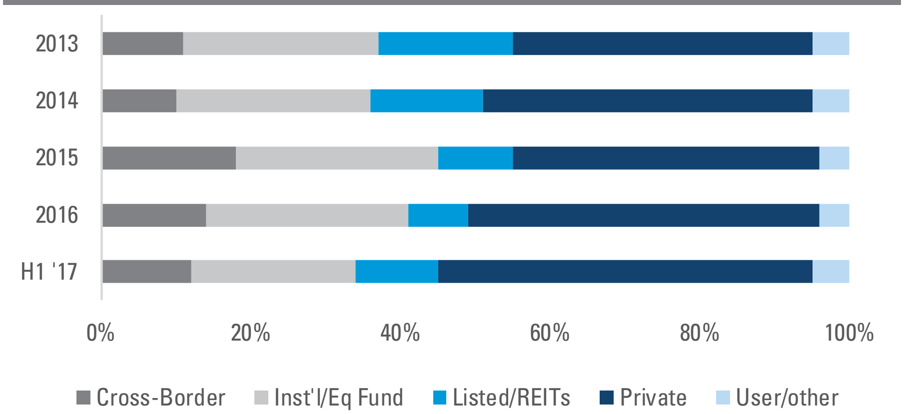
Emerging Trends in Real Estate, the annual ULI/PwC publication, indicates there is a more than ample supply of debt and equity capital for real estate in 2018, based upon its survey of more than 1,600 real estate professionals. Lenders are flush with funds, but continue to be conservative in their commitments. In fact, among debt capital sources, only the GSEs (primarily housing lenders) look to have lesser activity in 2018 than in 2017. All other lender groups (commercial banks, life companies, CMBS, mortgage REITS, and non-bank debt funds) are expected to have greater capacity for deals in the year ahead. The Fed's Senior Loan Officer Survey for October 2017 indicated that loan standards were holding steady, but that commercial property lending demand was easing. That slippage in borrower demand is a direct result of the falling transaction volume noted by RCA.

Meanwhile there is plenty of "dry powder" for equity investors. Although international investment volume may be cutting back in the year ahead, it will remain a potent source of acquisitions as foreign buyers increase their penetration into secondary markets across the U.S. The reduction of entity and portfolio-level transactions in 2017 is a harbinger of more careful buying activity among pension funds, insurance companies, and publicly-traded REITs. However, this is creating more opportunity for investors with higher-risk/higher-yield profiles, such as hedge funds and private REITs. And local market knowledge may offer an edge to small investors, particularly in the so-called 'secondary' markets and for properties that typically fall below the size threshold preferred by institutions and off-shore purchasers.

REAL ESTATE CAPITAL SOURCE COMPARISON



REAL ESTATE INVESTOR COMPOSITION



HOUSING

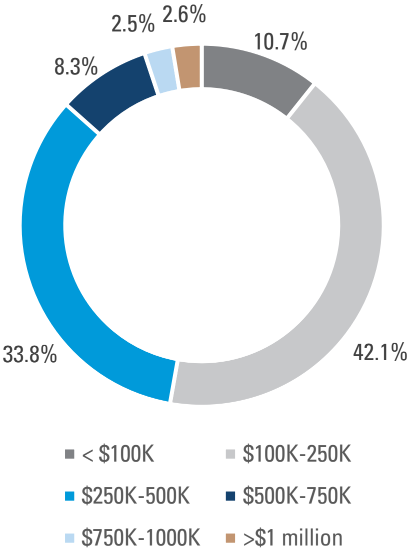
Limiting Federal deductions for state and local taxes - including property taxes - to $10,000 affects the 63.9% of U.S. households that own their own home. So does capping mortgage interest, a factor that has long influenced home-buying and may alter the balance of the rent-own decision in the future. National Association of Realtors (NAR) economists have noted that such tax changes could cause a 10% to 15% drop in housing prices from state to state.

Most homeowners belong to the middle class. The median sales price for American homes was $247,000 in October 2017, up 5.5% from a year earlier. According NAR's report on Existing Home Sales, 76% of all transactions fall within the price range of $100,000 to $500,000. NAR calculates that the qualifying income needed to purchase the median price home is just $46,080. Since the housing collapse in the wake of the subprime lending scandals, the residential sector has sustained a lengthy recovery. Prices have risen for 68 consecutive months. There is just a 3.8 month inventory of housing supply on the market, significantly less than the 4.3 months of supply that was registered a year ago. The average time on market for a house is now just 34 days. Things look pretty good, as of now.

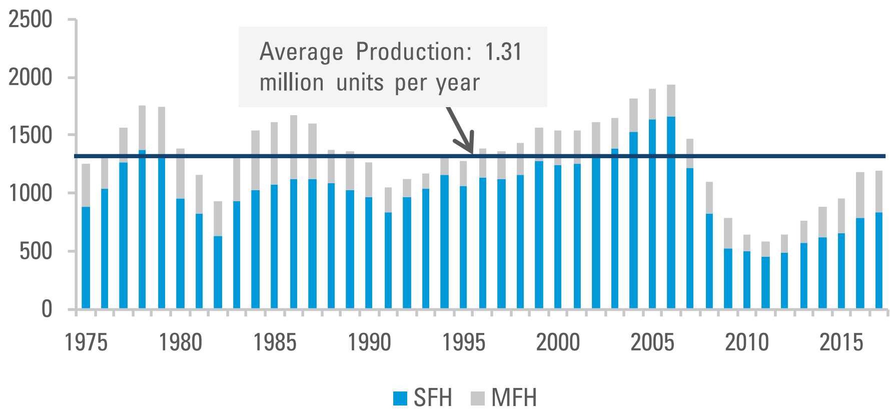
The Tax Act of 2017 may change that, although the degree is far from certain and impacts will vary from place to place. Pressure on affordability is growing from other sources, though. Prices are rising at 5.5% while the median income across the country grew just 3.1%. And mortgage interest rates are up 37 basis points over the past year. While interest rates are still very low, the direction has been moving against borrowers recently.

U.S. home sales are moderately priced with more than half under $250K

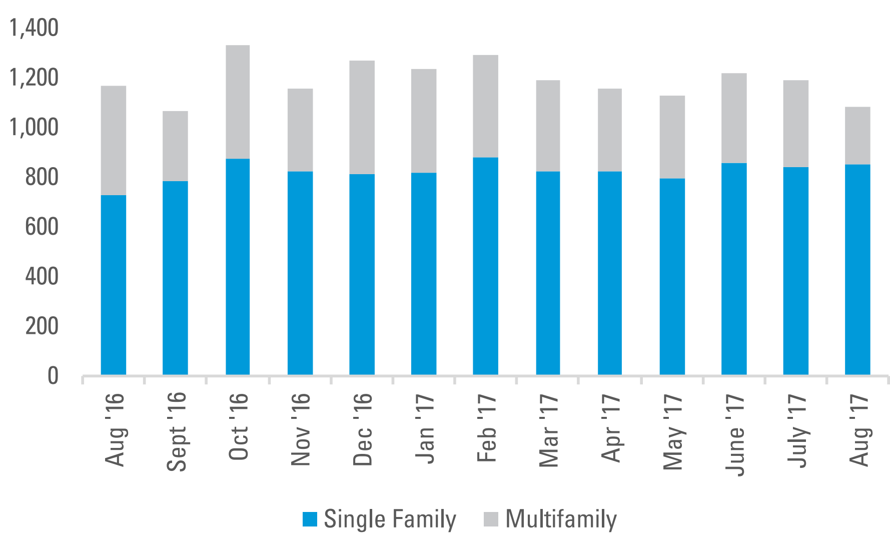
U.S. HOME SALES DISTRIBUTION



HOUSING CONSTRUCTION CYCLE



HOUSING STARTS (IN THOUSANDS)



After the global financial crisis, of course, the multifamily sector has picked up the slack in housing demand as the homeownership rate slipped from 69% to the present rate of about 64%. Median rent has risen 8.8% over the past year to $938 per unit, according to the Census Bureau's Third Quarter 2017 Housing and Vacancy Survey. So, affordability in rental housing is also under pressure, even as multifamily residential starts have been sliding during 2017.

Multifamily housing starts have declined while single family housing starts have remained fairly constant

Like so many other segments of the economy, housing is in a transitional state entering 2018, with the impacts of several "disruptors" still to be sorted out. Stay tuned!

INTEREST RATES

The price of money obeys the law of supply and demand – more or less. Economic laws fall somewhere in between the scientific laws of nature, which are virtually inviolable, and the laws of human society, which are flaunted more often than we care to admit. Any sound commentary on interest rates needs to take into account the fuzzy logic of human economic behavior, so much more complicated than the rational self-interest long posited for homo economicus.

The existing trend of slow but systematically rising interest rates will be the norm in 2018

We start with a world awash in capital. A 2016 study from BNY Mellon estimated the global stock of financial capital at more than $400 trillion. Such a huge supply of capital requires placement that is both safe (return of capital) and productive (return on capital), and interest rates are the pricing mechanism whereby those requirements are expressed. The enormous size of this capital stock has been swollen by soaring equity markets in the post-financial crisis bull market, and this is a potent force driving down interest rates in the U.S. and around the world.

Again, on a global basis (which is the crucial context in an interconnected economic world), inflation has been low and stable in the advanced economies since 1980, and increasingly in the emerging economies since 1998, according to data from the International Monetary Fund. Inflation, of course, must be priced into interest rates as borrowed money is paid in future dollars of potentially lesser purchasing power. In the U.S., and most other economies, inflation is running at 2% or less, commanding only a modest premium in estimating required capital returns. There are exceptions, to be sure. The U.K.'s CPI is up to 3.0%, and has been rising steadily since the Brexit vote. And Latin American nations like Brazil, Venezuela, and (to a lesser degree) Mexico face significant price volatility.

As the Federal Reserve executes monetary policy, it keeps a sharp eye on global capital conditions as well as on domestic issues such as GDP growth and the employment situation. With Jerome Powell taking the reins at the Fed from Janet

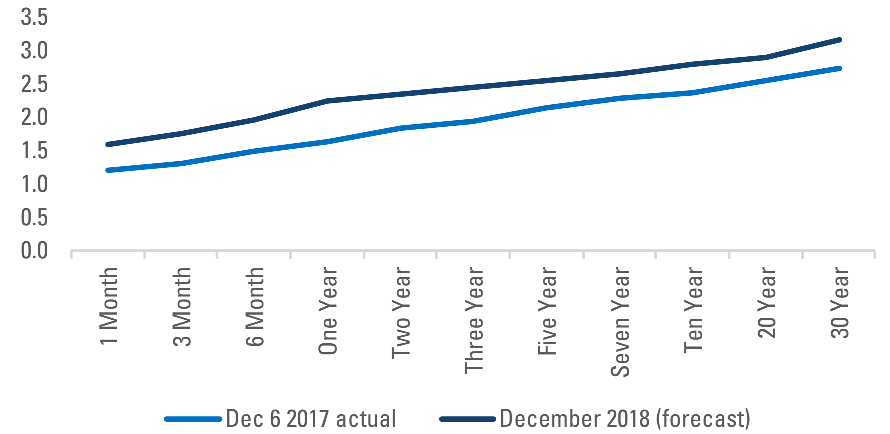
Yellen, he has indicated that continuity with the existing trend of slow but systematically rising interest rates will be the policy norm. This is consistent with normalizing rates after nearly a decade of near-zero interest and aggressive quantitative easing to help grow the economy and stabilize the banking system after 2009. Demand for longer-term debt instruments remains strong, and so the yield curve will likely be flattening during 2018. This is often a signal of an oncoming recession 18 to 24 months out.

For real estate (and other interest rate sensitive assets) there is a special issue currently on the radar screen: the replacement of LIBOR (the London Interbank Offer Rate) by a more robust reference rate less exposed to the insider manipulation that sank LIBOR. This is key, since $350 trillion in financial instruments use LIBOR as a benchmark rate. Its replacement is the Broad Treasury Financing Rate (BTFR), and real estate investments with adjustable rates based on LIBOR will be shifting to BTFR from 2018 until 2022. For the many commercial and residential assets with floating rate financing, there are re-benchmarking issues that must be addressed in the transitional period.

Thinking about interest rates, and associated real estate measures such as cap rates, discount rates, and expected internal rates of return must reflect both the macro laws of capital supply and demand, and the more nuanced areas of policy change and adjustments in positive law occasioned by human behavior and misbehavior. It is about the pricing of risk, and is as much an art as a science.

Yield curve should trend upward and flatten modestly in 2018

TREASURY YIELD TO MATURITY (IN PERCENT)



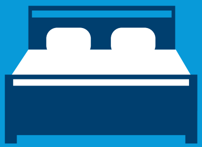
CRE SECTOR EXPECTATIONS

Office

The shift from downtown office properties to suburban assets reflects a realization that CBDs have "for the most part" become fully priced, whereas suburban assets still represent opportunities for income growth and appreciation.

Retail

Successful retail investment strategies need to focus on aggressive asset management vs. portfolio growth, as it becomes critical to find retailers with sustainable sales per square foot at levels of rent that support profitable investment.



Multifamily

Rental apartments are now faced with the challenges of success: rich pricing, increasing levels of new product, and a potential re-alignment of renter preferences in the trade-off of urban vitality versus costs of downtown living.

Industrial

In part propelled by ecommerce and global trade, industrials continue to be a capital magnet based upon performance characteristics and solid user-market fundamentals.

Hospitality

Major brands are tailoring their products to increasingly targeted visitor segments. This is all taking place as the hospitality industry expands and modernizes, with technology as an ally rather than an enemy, on the back of one of the longest economic expansions in U.S. history.

PROPERTY REPORTS

Five core property types form the backbone of the commercial real estate industry – office, multifamily, retail, industrial, and hospitality. Each sector is unique, requiring both global trend interpretations, as well as a local perspective.

IRR closely tracks these primary sectors in order to provide independent analysis and help shape your outlook. We examine transaction volume, market cycles and cap rate insights, so that you can make informed decisions in 2018.

OFFICE

The office sector posted another year of solid absorption. For all the popular chatter about "disruptors," the U.S. workplace continues to see demand from finance, professional and business services, as well as from start-ups utilizing co-working spaces. Unemployment for those with at least a bachelor's degree is now down to two percent, and the motivation for those carrying student debt to take jobs with solid income potential is particularly high. In most places, that means office work.

Future demand, however, may be attenuated. In the short run, 2018 must face the constraints of a 4.1% unemployment rate and an employment-to-population ratio of 60.1%, the highest since 2010. Beyond this year, offices are vulnerable if the finance and tech sectors face a down-cycle. Now is a good time for defensive planning.

Transaction Volume

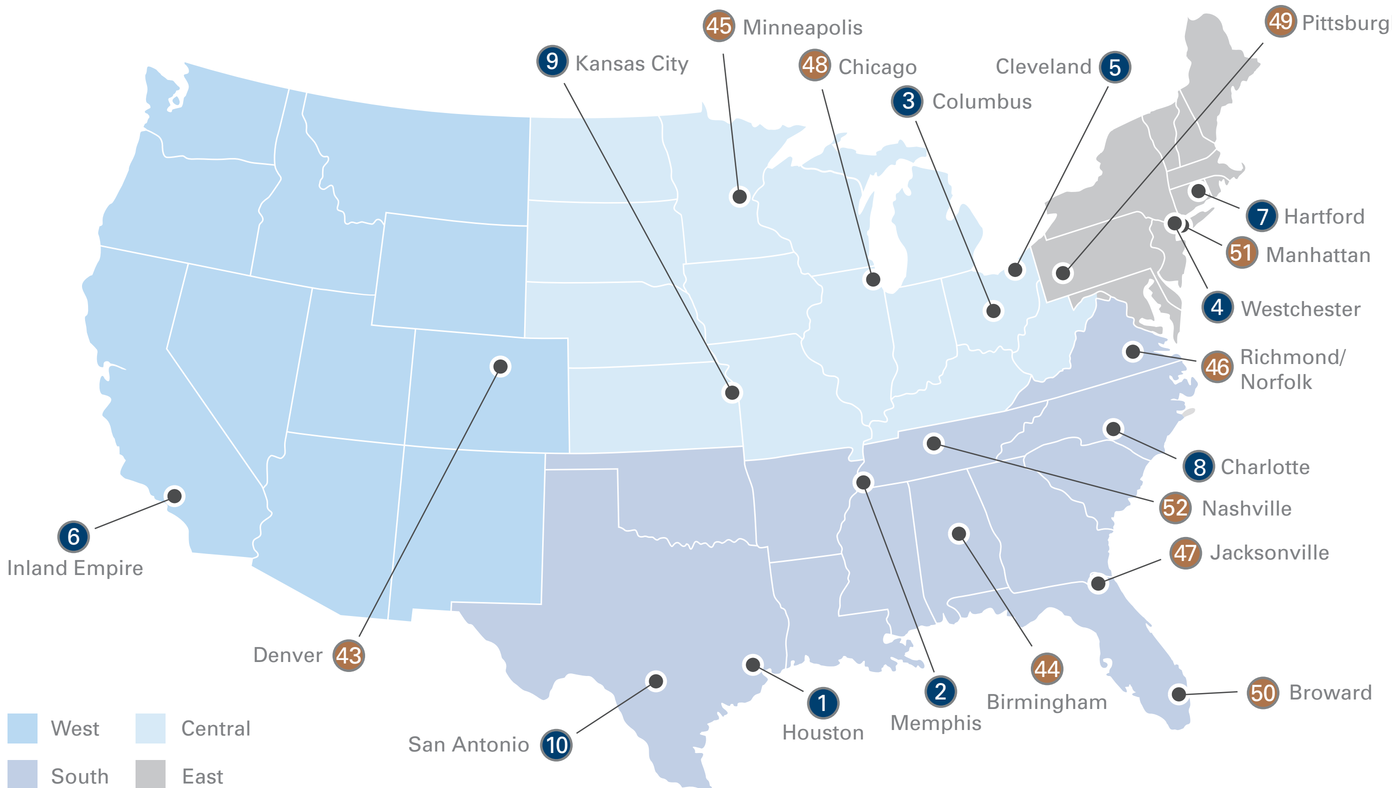
The investment surge peaked in 2015, as buyer enthusiasm for office got out in front of the user markets, anticipating improvements in occupancy and in rent. Acquisitions made to capture future supply-demand tightening have largely found the properties fulfilling most reasonable projections. User-market fundamentals are generally solid as we turn into 2018, but transaction volumes have pulled back significantly.

Real Capital Analytics has noted falling deal volumes, especially for CBD properties, "at a pace reminiscent of the start of the downturn a decade ago." But we may advisedly bear in mind the observation of the 17th century polymath Leibnitz, "Nature has established patterns originating in the return of events, but only for the most part." Every cycle is distinct. Right now we do not see the over-leverage and bubble-inflating enthusiasms of a decade ago.

Indeed, the decline in volume, an overall drop of 6% to $94.5 billion through the first three quarters of 2017, can be taken as evidence of greater buyer discipline this time around. The shift from downtown office properties to suburban assets reflects a realization that CBDs have "for the most part" become fully priced, whereas suburban assets still represent opportunities for income growth and appreciation. In an important counter-trend, the number of properties traded is up 5%, to 4,129 assets, through the first three quarters of 2017, hardly a sign of a sclerotic market.

Suburban Office markets in Memphis, Westchester, and the Inland Empire have seen significant investor demand in 2017

TOP MARKETS BY OFFICE TRANSACTION VOLUME BASED ON YOY PERCENTAGE CHANGE



Bulls (Top 10)

YOY Rank	City	YOY Change	Total 4Q16-3Q17	Vol. Rank*
1	Houston	140.5%	$3,832.1 M	10
2	Memphis	118.6%	$269.6 M	51
3	Columbus	107.0%	$472.7 M	44
4	Westchester	104.1%	$603.3 M	40
5	Cleveland	90.5%	$457.0 M	46
6	Inland Empire	87.3%	$671.7 M	35
7	Hartford	83.9%	$159.9 M	52
8	Charlotte	79.7%	$2,375.0 M	16
9	Kansas City	78.7%	$962.4 M	29
10	San Antonio	76.7%	$719.7 M	34

Bears (Bottom 10)

YOY Rank	City	YOY Change	Total 4Q16-3Q17	Vol. Rank*
43	Denver	-27.4%	$1,730.1 M	21
44	Birmingham	-28.7%	$342.3 M	49
45	Minneapolis	-30.1%	$1,035.4 M	28
46	Richmond/Norfolk	-37.4%	$628.6 M	38
47	Jacksonville	-41.7%	$287.4 M	50
48	Chicago	-46.5%	$3,802.7 M	11
49	Pittsburgh	-46.9%	$347.3 M	48
50	Broward	-49.1%	$639.7 M	37
51	Manhattan	-51.9%	$12,773.8 M	1
52	Nashville	-53.6%	$468.7 M	45

* Volume Ranking is based on the overall transaction volume among 52 markets nationally

48.4%

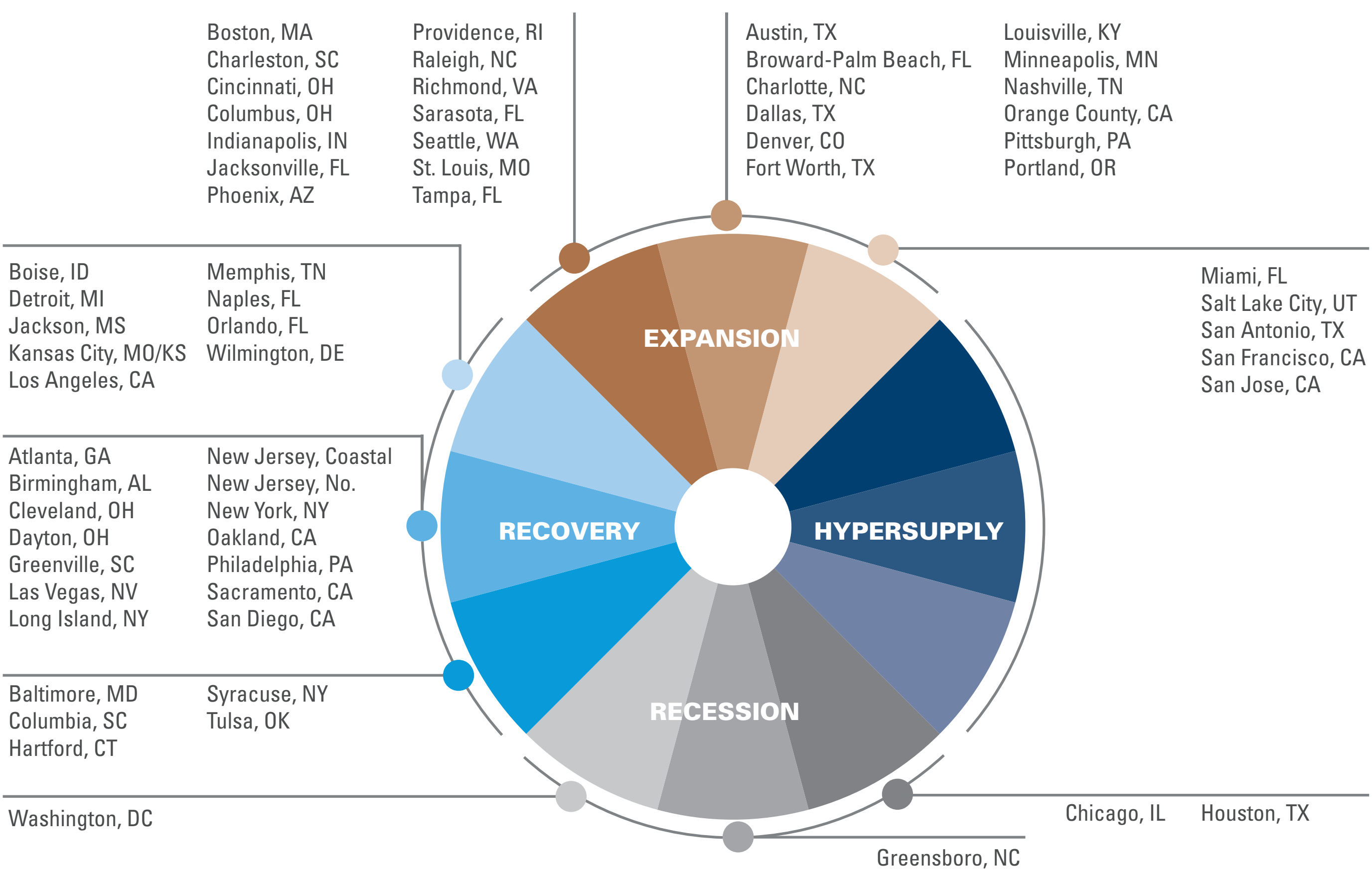
Heading into 2018, 48.4% of Suburban markets are in expansion, the highest since the financial crisis

Market Cycle

Relatively few markets are experiencing cyclical extremes. IRR's survey shows 51% of CBD markets in the expansion phase, and 44% in the upward movement of recovery. Only Houston and Jackson report downtown office recessions, while Denver is the sole market witnessing hypersupply. As shown in the chart below, the rebound in suburbs is significant. Just over 48% of suburban office markets are in expansion, while 45% find themselves in the recovery phase. A few markets, though, have local suburban market recessions: Chicago, Houston, Washington DC, and Greensboro.

Rents and construction volume are more important and sensitive indicators of cycles. Regionally, the West looks particularly strong, with CBD rental increases of 2.9% forecast for Class A office buildings, and a nearly-as-impressive 2.7% for Class B downtown properties. These gains are on top of some of the

SUBURBAN OFFICE MARKET CYCLE



EXPANSION

Decreasing Vacancy Rates
Moderate/High New Construction
High Absorption
Moderate/High Employment Growth
Med/High Rental Rate Growth

HYPERSUPPLY

Increasing Vacancy Rates
Moderate/High New Construction
Low/Negative Absorption
Moderate/Low Employment Growth
Med/Low Rental Rate Growth

RECESSION

Increasing Vacancy Rates
Moderate/Low New Construction
Low Absorption
Low/Negative Employment Growth
Low/Neg Rental Rate Growth

RECOVERY

Decreasing Vacancy Rates
Low New Construction
Moderate Absorption
Low/Moderate Employment Growth
Neg/Low Rental Rate Growth

country's highest rents. As for development, Denver is expanding its CBD inventory at 8.7% of its existing base, likely to benefit tenants looking for deals. Salt Lake City's suburbs are also seeing a 4.8% increase in its existing base, outrunning probable near-term demand.

Eastern metros present the unusual picture of higher anticipated rent growth in the suburbs than in the CBD. Downtown rents in cities like Boston, Manhattan, and Washington DC are so high that further upward movement is hard to achieve. So CBD rents are projected to grow 1.7%-1.8% for downtown properties, but about 2% for suburban assets whether they are Class A or B buildings. Philadelphia is forecasting the largest downtown increase in inventory, 2.8%. While Manhattan's skyline continues to add millions of square feet of offices, its installed base is enormous at 359 million square feet.

The Central region remains somewhat hobbled by high vacancy, in all office sub-sectors. Suburban rents are anticipated to grow sluggishly – 1.4% for Class A buildings and 1.3% for Class B offices. The prospects for CBD rents roughly track the Consumer Price Index at 2.0%-2.1%. While some construction is occurring in spots like downtown Dayton and suburban Indianapolis, additions to supply are unlikely to accelerate in 2018.

The South boasts many of the fastest growing metro areas in the country, many of which (like Nashville and Austin) are among the highly regarded "18-hour cities" and others (like Miami and Atlanta) are large established markets for investors. Despite having affordable rents vis-à-vis the major cities of the East and West, 2018 rental growth

REGIONAL RATES COMPARISON - OFFICE

	Cap Rate	Discount Rate	Market Rent ($/SF)	Vacancy Rate	4Q16 - 4Q17 Cap Rate
South Region					
CBD Class A	6.67%	7.97%	$27.76	13.32%	▼ -2 bps
CBD Class B	7.62%	8.89%	$20.67	16.13%	▲ 1 bps
Suburban Class A	7.13%	8.43%	$24.90	12.22%	▼ -5 bps
Suburban Class B	7.94%	9.10%	$18.99	14.08%	▲ 2 bps
East Region					
CBD Class A	6.53%	7.56%	$37.95	11.67%	▼ -2 bps
CBD Class B	7.62%	8.65%	$28.16	15.14%	▼ -3 bps
Suburban Class A	7.13%	8.09%	$27.35	14.16%	▲ 5 bps
Suburban Class B	8.08%	9.05%	$21.17	14.88%	▲ 3 bps
Central Region					
CBD Class A	7.95%	9.14%	$23.08	15.73%	▼ -9 bps
CBD Class B	8.59%	9.64%	$17.38	14.50%	▼ -9 bps
Suburban Class A	7.66%	8.82%	$22.85	14.75%	▼ -11 bps
Suburban Class B	8.48%	9.55%	$17.56	16.82%	▼ -2 bps
West Region					
CBD Class A	5.83%	7.59%	$39.98	13.11%	▼ -6 bps
CBD Class B	6.49%	8.05%	$30.35	12.65%	▼ -7 bps
Suburban Class A	6.31%	7.88%	$34.26	13.20%	▼ -3 bps
Suburban Class B	6.87%	8.48%	$26.86	14.00%	▲ 1 bps
National Averages/Spreads					
CBD Class A	6.68%	8.01%	$31.79	13.38%	▼ -4 bps
CBD Class B	7.53%	8.78%	$23.83	14.82%	▼ -4 bps
Suburban Class A	7.04%	8.30%	$27.13	13.28%	▼ -3 bps
Suburban Class B	7.83%	9.03%	$20.94	14.70%	▲ 1 bps

across submarkets/classes only range a projected 1.7%-2.0%. Markets with above-average outlooks include Miami and Dallas. Raleigh, Richmond, and Charlotte expect an active year for office development ahead.

Cap Rates & Values

With some local variation, cap rates should be reaching stability in the coming year. Very few office markets are believed to have further cap rate compression ahead. Such markets are either in the high-growth South, or are outliers with high cap rates (Orlando, Greensboro, Hartford, Indianapolis).

Cap rates in the major coastal cities are persistently the lowest both for downtown and suburban properties. This may be due to a "conservation of capital" emphasis for major investors who prefer to hold assets across cycles, yet like to know there is a reservoir of buyers available if and when they decide to sell. Higher cap rate markets tend to be smaller, with more volatile rents, where market timing is the investment key.

This does not seem to be a time where investors are willing to settle for "the best available building," but are determined to find properties that fit their own investment strategy.

MULTIFAMILY

The rental apartment sector continues to push forward. Momentum, however, is slowing as displaced demand from the single-family housing sector has now been accommodated, and as the pace of employment growth decelerates. After a half-dozen years as the darling of investors, rental apartments now are faced with the challenges of success: rich pricing, increasing levels of new product, and a potential re-alignment of renter preferences in the trade-off of urban vitality versus costs of downtown living.

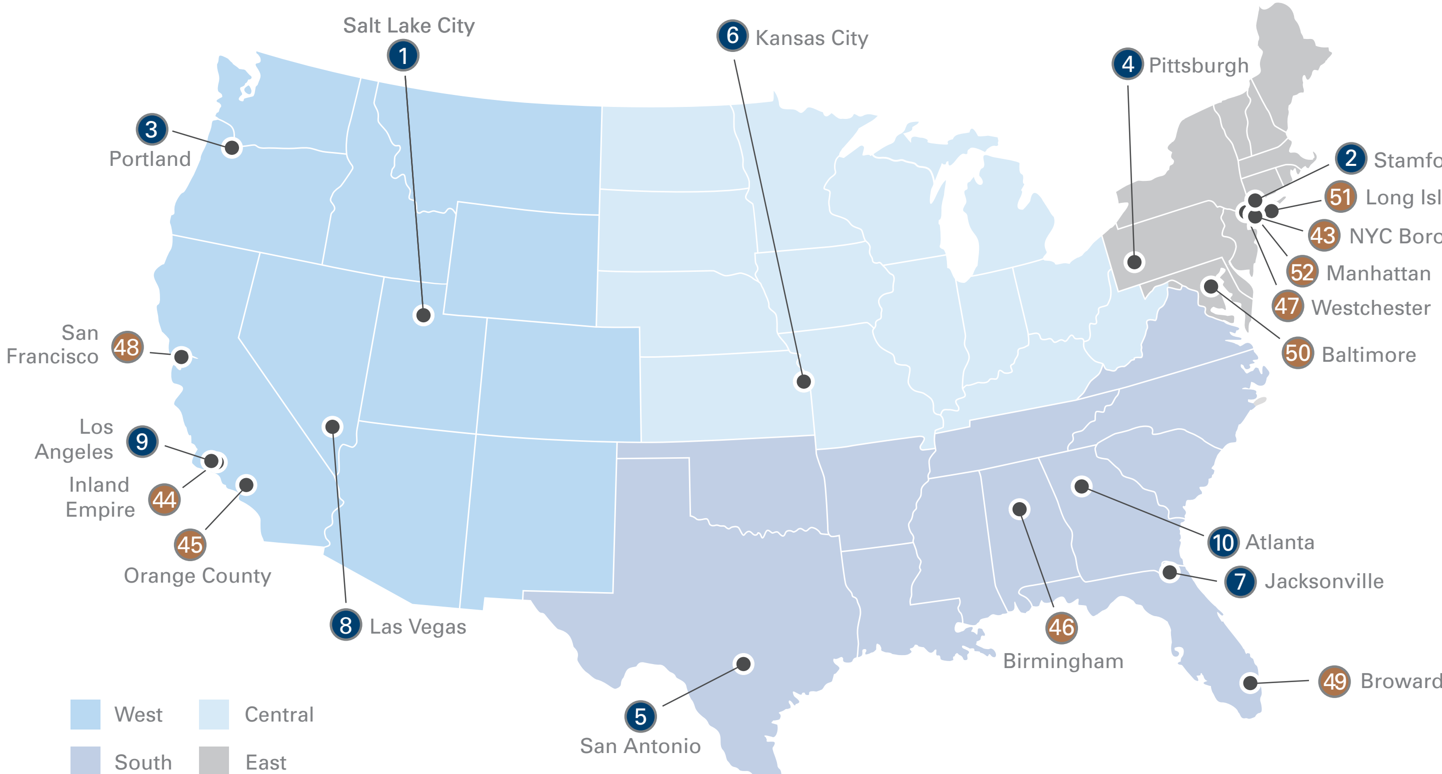
Transaction Volume & Rental Property Economics

As with other major property types, multifamily transaction volume was down in the first three quarters of 2017, as reported by Real Capital Analytics (RCA), which tallied 5,641 deals (down 4%) aggregating to $103.9 billion (down 9%) from the same period in 2016. Such a slowdown – and the volume figures remain robust in historical context – should not be greeted with alarm. Investors concerned about risk-adjusted returns are being careful in underwriting multifamily acquisitions. Buyers are simply not inclined to "pay any price" just to bid successfully on assets at this point. There is a fairly large set of properties to choose from, but the particular earning potential of each apartment property has to pass the hurdle-rate test. Sellers, meanwhile, are not at all forced to dispose of assets at a discount – and face the question of "how can I re-invest the proceeds?" once a deal is concluded. It has apparently become somewhat more difficult to satisfy motivations on both the sell and the buy side of deals.

A big part of the conundrum is that the run-up in value has priced many assets "to perfection." That is, very little upside is left on the table by sellers. Buyers, meanwhile, see average rent increases now being anticipated as marginally lower than expected expense inflation – meaning that operating economics will be squeezed, at least in 2018. IRR's survey shows the following troubling spreads: Urban Class A rents growing at 2.52% with expenses growing at 2.66%; Urban Class B rents growth at 2.31%, and expense inflation at 2.63%; Suburban Class A rents up 2.54%, and expenses up 2.63%; Suburban Class B rents rising 2.42% against that same expense growth of 2.63%. Against such an erosion on the bottom line, no wonder there is a demand for higher risk premiums on the part of buyers.

Overall transaction volume from 4Q '16 - 3Q '17 was $150.6 billion, down YOY by 9.8%

TOP MARKETS BY MULTIFAMILY TRANSACTION VOLUME BASED ON YOY PERCENTAGE CHANGE



Bulls (Top 10)

YOY Rank	City	YOY Change	Total 4Q16-3Q17	Vol. Rank*
1	Salt Lake City	77.7%	$1,065.1 M	39
2	Stamford	65.2%	$644.1 M	41
3	Portland	46.5%	$2,650.0 M	18
4	Pittsburgh	44.2%	$277.2 M	51
5	San Antonio	35.9%	$2,055.1 M	21
6	Kansas City	25.2%	$1,094.8 M	38
7	Jacksonville	23.5%	$1,307.6 M	35
8	Las Vegas	20.5%	$2,651.1 M	17
9	Los Angeles	19.6%	$7,813.4 M	3
10	Atlanta	19.0%	$8,460.1 M	2

Bears (Bottom 10)

YOY Rank	City	YOY Change	Total 4Q16-3Q17	Vol. Rank*
43	NYC Boroughs	-34.7%	$3,851.7 M	12
44	Inland Empire	-35.0%	$1,586.1 M	26
45	Orange County	-35.5%	$1,476.1 M	29
46	Birmingham	-36.5%	$436.6 M	45
47	Westchester	-45.6%	$386.6 M	48
48	San Francisco	-48.8%	$1,354.9 M	34
49	Broward	-50.1%	$1,499.3 M	28
50	Baltimore	-54.2%	$1,640.9 M	25
51	Long Island	-62.8%	$520.6 M	43
52	Manhattan	-63.3%	$5,175.3 M	7

* Volume Ranking is based on the overall transaction volume among 52 markets nationally

Cycle Characteristics

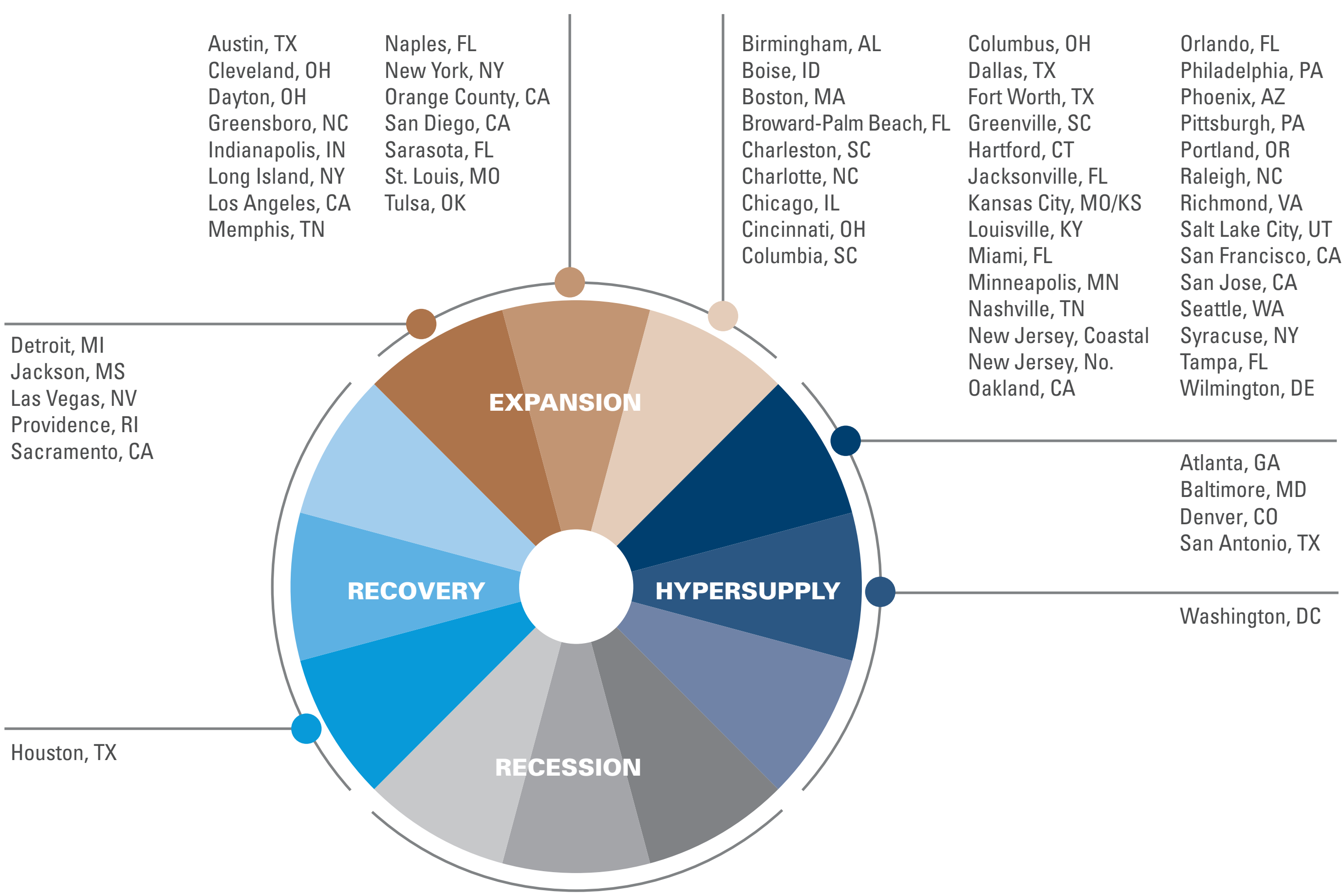
The vast majority of markets are in the expansion phase (91.9%). A shift to hypersupply is being seen in East and South regions, where markets such as Baltimore, Washington DC, and Atlanta are seeing strong development volume. New York, while rated in expansion, has seen its luxury market impacted by an excess of "fingerling" skyscrapers.

Denver, too, is rated in hypersupply. Houston finds itself in Recovery cycle after Hurricane Harvey. Such a profile, on a national basis, suggests a significantly aging market cycle, one in which the risk of a downturn should be considered noteworthy.

For all the subsectors (Urban/Suburban; Class A/B) vacancy rates have been rising, another late-cycle indicator. This is another

A shift to hypersupply is being seen in East and South regions, where markets such as Baltimore, Washington DC, and Atlanta are seeing strong development volume

MULTIFAMILY MARKET CYCLE



EXPANSION

Decreasing Vacancy Rates
Moderate/High New Construction
High Absorption
Moderate/High Employment Growth
Med/High Rental Rate Growth

HYPERSUPPLY

Increasing Vacancy Rates
Moderate/High New Construction
Low/Negative Absorption
Moderate/Low Employment Growth
Med/Low Rental Rate Growth

RECESSION

Increasing Vacancy Rates
Moderate/Low New Construction
Low Absorption
Low/Negative Employment Growth
Low/Neg Rental Rate Growth

RECOVERY

Decreasing Vacancy Rates
Low New Construction
Moderate Absorption
Low/Moderate Employment Growth
Neg/Low Rental Rate Growth

consequence of success, as high prices have prompted robust development interest. Risks of overbuilding are most acute in some Southern markets: Naples is seeing inventory growth of 14.4%; Charleston, 14.1%, and Nashville 11.1%. In the West, Denver's supply expansion is slated to be 8.4%, Seattle at 5.5%, and Salt Lake City at 5.0%. No East markets breach the 5% growth level, and no Central market foresees even 3% supply additions. Investors will be recognizing that supply/demand risk is asymmetrically distributed across the country.

Cap Rate & Value Trends

Cap rates stabilized in 2017, which can be interpreted as a function of declining volume. Urban Class A cap rates are 5.3%, Urban Class B cap rates are 6.1%, Suburban Class A cap rates are 5.5%, and Suburban Class B cap rates are 6.3%. 24.3% of markets call for a slight increase in cap rates of no more than 50 bps through 2018.

Overall, 71.6% of Multifamily markets predict cap rates to be stable throughout 2018

There is a decided bicoastal pattern to the most aggressive multifamily cap rates, with sub-four percent rates prevailing in New York, Boston, and San Diego, with Los Angeles and San Francisco right at 4%. Between 4% and 5%, coastal cities dominate, but are joined by Atlanta, Charlotte, Chicago, Denver, Minneapolis, Sacramento, Phoenix, and Austin.

REGIONAL RATES COMPARISON - MULTIFAMILY

	Cap Rate	Discount Rate	Market Rent ($/Unit)	Vacancy Rate	4Q16 - 4Q17 Cap Rate
South Region					
Urban Class A	5.41%	7.08%	$1,621	8.38%	-6 bps
Urban Class B	6.27%	7.69%	$998	5.13%	5 bps
Suburban Class A	5.61%	7.31%	$1,196	6.22%	-4 bps
Suburban Class B	6.50%	7.98%	$847	4.79%	-4 bps
East Region					
Urban Class A	5.19%	6.68%	$2,159	7.09%	0 bps
Urban Class B	6.28%	7.60%	$1,377	4.05%	2 bps
Suburban Class A	5.44%	7.03%	$1,623	5.76%	2 bps
Suburban Class B	6.56%	7.80%	$1,176	3.76%	-2 bps
Central Region					
Urban Class A	5.99%	7.29%	$1,530	8.08%	2 bps
Urban Class B	6.85%	8.10%	$850	4.93%	-6 bps
Suburban Class A	6.04%	7.33%	$1,108	4.51%	11 bps
Suburban Class B	6.88%	8.04%	$759	3.18%	2 bps
West Region					
Urban Class A	4.52%	6.63%	$2,124	6.90%	-4 bps
Urban Class B	5.15%	7.28%	$1,408	3.76%	-2 bps
Suburban Class A	4.71%	6.83%	$1,860	4.68%	-2 bps
Suburban Class B	5.34%	7.42%	$1,341	2.95%	0 bps
National Averages/Spreads					
Urban Class A	5.27%	6.93%	$1,830	7.72%	-3 bps
Urban Class B	6.14%	7.66%	$1,144	4.56%	1 bps
Suburban Class A	5.45%	7.15%	$1,413	5.48%	0 bps
Suburban Class B	6.31%	7.83%	$1,012	3.86%	-1 bps

A plurality of markets (39%) reviewed by Integra predict an increase between 2% and 4% for asset values in 2018. An additional 10% of markets predict an increase of greater than 4% (Austin, Boise, Dallas, Fort Worth, Los Angeles, Portland, Nashville). Markets calling for a slight valuation reversal include New York (Urban Class B), Columbus (all asset classes), and Philadelphia (except for Suburban Class B properties).

On balance, then, the moderation in the Multifamily sector should probably be interpreted in positive terms, rather than a cause for alarm. A high-flying property type is on a glide-path, not spiraling toward a crash. It is as though market participants heard a call to "curb your enthusiasm" in time to forestall overheating before irrational exuberance took over. That should be considered a good thing.

RETAIL

A reality check has come to the retail property sector. It has come in the form of an upward shift in cap rates, in the form of stark expectations of property expenses rising faster than rents, in the form of sorting out the dilution of demand by oversupply as much as by ecommerce. Aggressive asset management is trumping portfolio growth as the key to success for investors in America's store properties.

The critical segmentation of the shopping center industry means that broad-brush depictions of trends must give way to a more pointillist perspective. Detail matters. Averages mask a wide range of opportunities and risks – from markets poised to see value appreciation even in the short run versus markets where value erosion is likely.

Transaction Volume & Rental Growth

Trading velocity continues to slow in the retail sector. Real Capital Analytics (RCA) data for the first three quarters of 2017 tallied $46.9 billion in shopping property transactions, down 19% from the same period in 2016 (which was, in turn, lower than 2015). And, in contrast to offices, the number of assets transacted was down as well, declining 9% to 4,620.

Volume, YTD is down across all major sectors and regions of the country. RCA data registered drops in entity-level, portfolio, and individual asset sales, all at double-digit rates compared to a year ago. Los Angeles ascended to RCA's number one retail volume ranking by being "least worst" in the annual trend data.

Buyers are always acquiring "futures" – anticipated gains in rental income and value change. The West is leading in expectations for 2018 rental increases, with San Francisco being the only market forecasted to see 4% rental gains (for neighborhood and community centers). Four markets (Los Angeles, Denver, Seattle, and Oakland) are projected to see 3% rental growth across the three main shopping center categories (regional malls, community, and neighborhood centers).

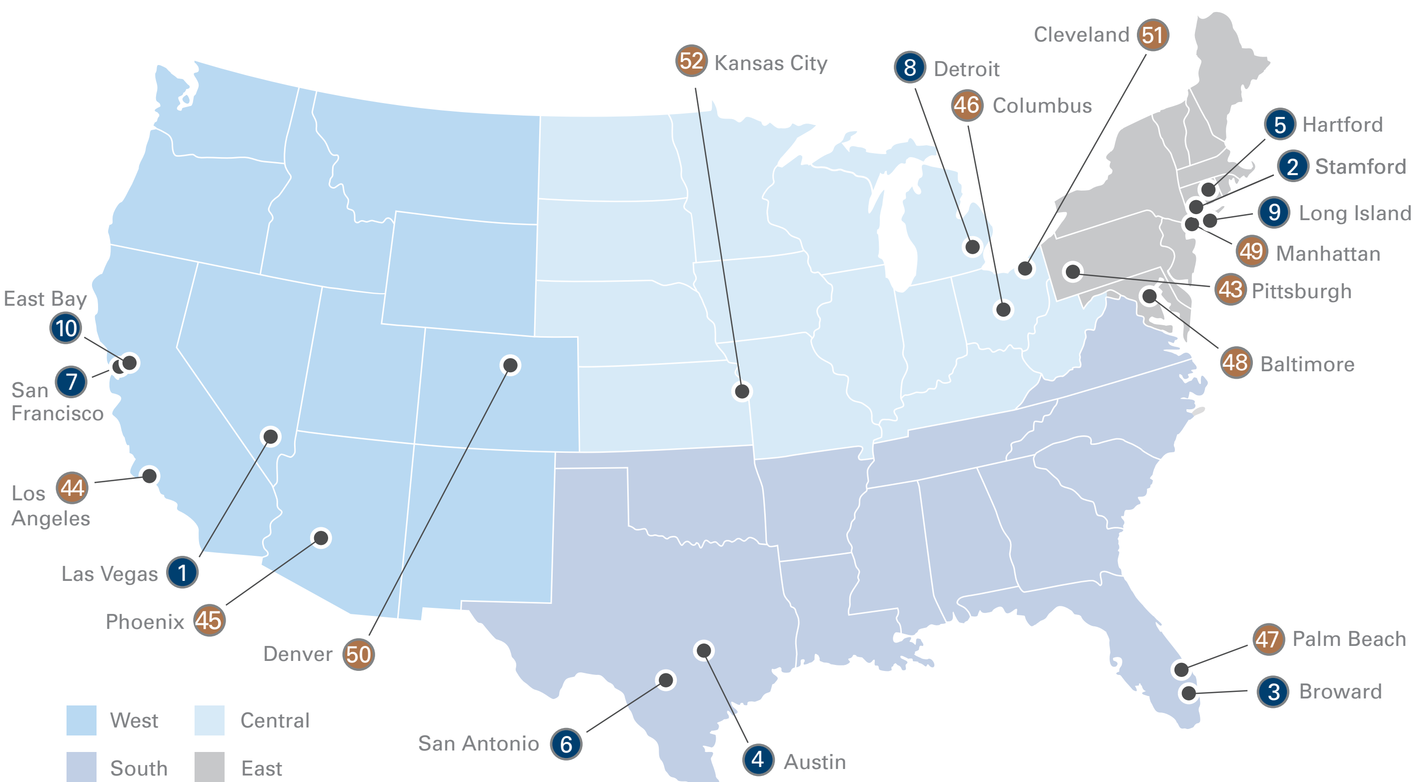
The Central states have meager expectations of rent growth, with no individual markets achieving a 3% growth expectation. Dayton and Cleveland are projected with 1% rent growth or lower in all subsectors, with Louisville and Detroit also sluggish.

New York stands out in the East in the three retail subcategories, the recently well-publicized struggles of Manhattan's storefront occupancy notwithstanding. Smaller and less-expensive markets, like Wilmington and Providence, are projected to see 3% rent growth, from a lower starting point.

In the South, Austin and Charleston anticipate 3% rent growth across the full retail spectrum, with Orlando joining them in the community and neighborhood center categories.

The largest drop in transaction volume ($15.8 billion) was in the East region

TOP MARKETS BY RETAIL TRANSACTION VOLUME BASED ON YOY PERCENTAGE CHANGE



Bulls (Top 10)

YOY Rank	City	YOY Change	Total 4Q16-3Q17	Vol. Rank*
1	Las Vegas	245.5%	$4,757.8 M	1
2	Stamford	120.8%	$546.3 M	36
3	Broward	113.2%	$1,655.5 M	12
4	Austin	109.7%	$1,227.8 M	16
5	Hartford	105.7%	$184.1 M	51
6	San Antonio	97.4%	$779.3 M	25
7	San Francisco	87.7%	$1,973.1 M	7
8	Detroit	58.7%	$796.1 M	24
9	Long Island	43.9%	$695.1 M	29
10	East Bay	34.4%	$1,215.8 M	17

Bears (Bottom 10)

YOY Rank	City	YOY Change	Total 4Q16-3Q17	Vol. Rank*
43	Pittsburgh	-35.7%	$254.3 M	49
44	Los Angeles	-35.7%	$3,740.9 M	2
45	Phoenix	-38.2%	$1,571.0 M	13
46	Columbus	-39.9%	$311.9 M	45
47	Palm Beach	-43.8%	$713.8 M	28
48	Baltimore	-44.5%	$299.1 M	46
49	Manhattan	-46.2%	$2,863.7 M	4
50	Denver	-63.0%	$724.3 M	27
51	Cleveland	-64.8%	$144.0 M	52
52	Kansas City	-68.0%	$439.2 M	42

* Volume Ranking is based on the overall transaction volume among 52 markets nationally

78.6%

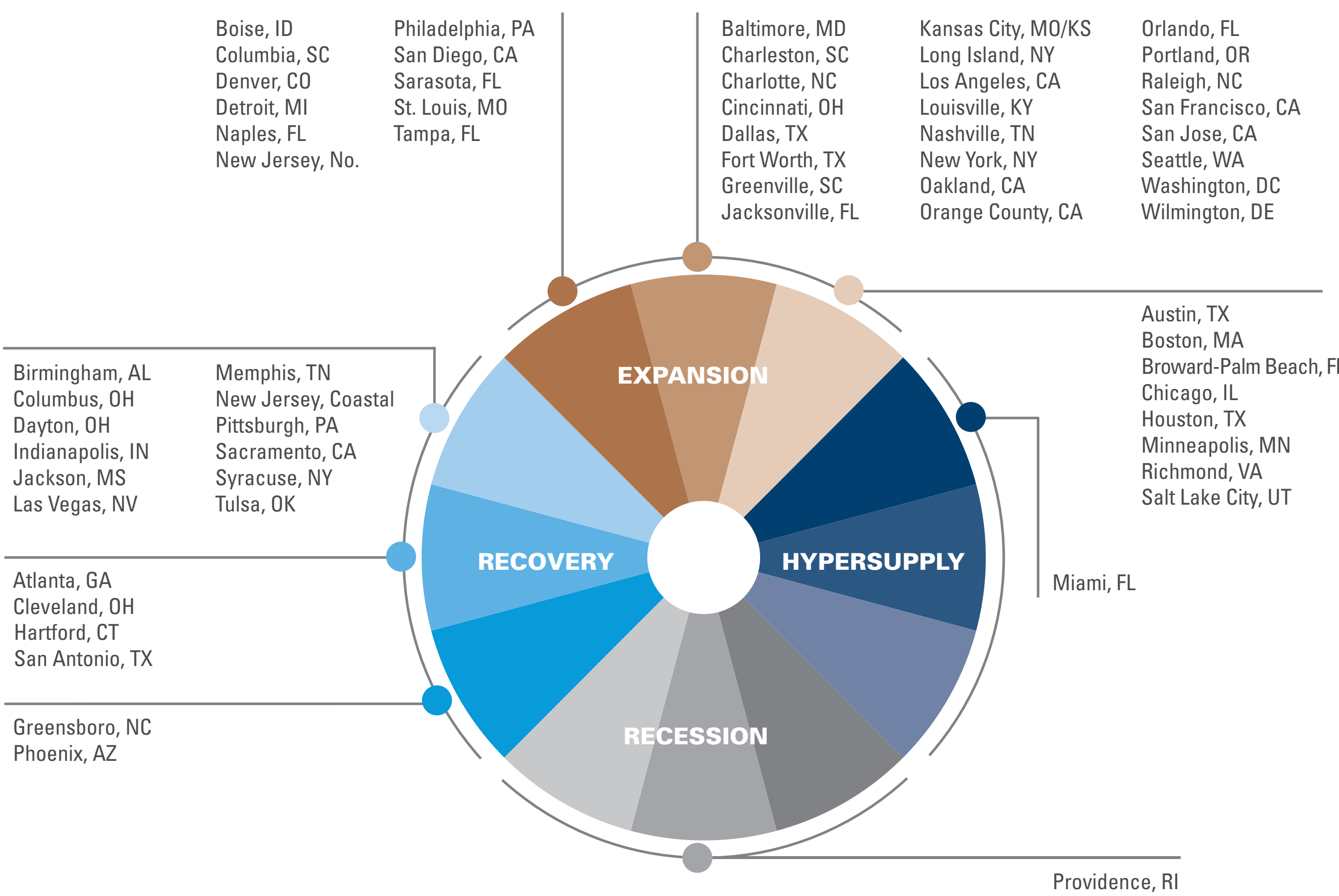
of markets in the West region are in the expansionary market cycle phase

Cyclical Conditions

IRR's evaluation of the retail sector sees just a couple of markets at cyclical extremes in 2018: Providence in recession, and Miami in hypersupply. The solid majority (69.4%) of markets are in the expansion phase of the cycle, with the rest in recovery mode. Those figures are nearly identical to a year ago.

The West leads in percentage of markets in Expansion, at 78.6%. The East is lowest at just 61.5%. The Central states have boosted their ratio of markets in expansion from 55% last year to 63.6%, while the South remains slightly above average with 70.8% in expansion, although this is down from 75% last year.

RETAIL MARKET CYCLE



EXPANSION

Decreasing Vacancy Rates
Moderate/High New Construction
High Absorption
Moderate/High Employment Growth
Med/High Rental Rate Growth

HYPERSUPPLY

Increasing Vacancy Rates
Moderate/High New Construction
Low/Negative Absorption
Moderate/Low Employment Growth
Med/Low Rental Rate Growth

RECESSION

Increasing Vacancy Rates
Moderate/Low New Construction
Low Absorption
Low/Negative Employment Growth
Low/Neg Rental Rate Growth

RECOVERY

Decreasing Vacancy Rates
Low New Construction
Moderate Absorption
Low/Moderate Employment Growth
Neg/Low Rental Rate Growth

Current vacancy is highest for Central region community and neighborhood centers, at approximately 10.5%. Community retail in the West has the lowest vacancy in that retail segment at 6.4%. Regional malls across the country are posting an average 6.3% vacancy, with the East the tightest area at 5.2%.

In all regions, expense growth is projected to exceed rent growth. The highest increases in expenses are anticipated in the East, at 2.67%.

Both the Central and South tie for the lowest exposure to expense increases, at a rate of 2.36%. A generally slow economy may account for favorable expense increases in the Central, but strong metros like Orange County and Nashville are also among the lowest expense-increase markets this year.

Cap Rates & Values

Cap rate compression is starting to give way to cap rate expansion in the retail sector, with approximately a quarter of all markets anticipating higher rates in 2018. There is a combination of reasons for this trend. Both institutional and non-institutional investors point to property income as a concern requiring a higher risk premium in the cap rate, and uncertainty related to a decelerating economic and employment outlook. Oversupply (including the rise of the e-tailer alternative) and the prospects for higher interest rates also factor into the equation.

REGIONAL RATES COMPARISON - RETAIL

	Cap Rate	Discount Rate	Market Rent ($/SF)	Vacancy Rate	4Q16 - 4Q17 Cap Rate
South Region					
Community Retail	6.99%	8.27%	$17.91	8.39%	▲ 1 bps
Neighborhood Retail	7.09%	8.29%	$16.21	9.26%	▲ 2 bps
Regional Mall	6.91%	8.35%	$25.43	6.61%	▲ 2 bps
East Region					
Community Retail	6.72%	7.75%	$24.82	7.85%	▲ 13 bps
Neighborhood Retail	6.77%	7.82%	$23.24	7.73%	▲ 4 bps
Regional Mall	6.46%	7.63%	$36.85	5.24%	▲ 15 bps
Central Region					
Community Retail	7.41%	8.41%	$16.23	10.55%	▲ 5 bps
Neighborhood Retail	7.75%	8.64%	$15.38	10.61%	▲ 2 bps
Regional Mall	6.89%	7.91%	$24.64	6.38%	▲ 7 bps
West Region					
Community Retail	6.16%	7.63%	$28.01	6.43%	▲ 5 bps
Neighborhood Retail	6.30%	7.75%	$24.11	7.31%	▲ 1 bps
Regional Mall	6.22%	7.60%	$31.06	6.54%	▲ 24 bps
National Averages/Spreads					
Community Retail	6.82%	8.04%	$21.29	8.22%	▲ 5 bps
Neighborhood Retail	6.96%	8.13%	$19.27	8.75%	▲ 3 bps
Regional Mall	6.67%	7.96%	$28.77	6.30%	▲ 10 bps

27%

of markets expect an increase of up to 25 bps for Community Retail cap rates

That move toward higher cap rates is already off to a modest start, with increases of 7 basis points for community shopping centers, 3 basis points for neighborhood centers, and 10 basis points for regional malls. Looking geographically, there remains something of a large-market advantage. Taking the South as an example, cap rates of 6.25% are the standard for Dallas, Ft. Worth, and Orlando, while Tulsa and Greensboro are at 7.75% and Jackson is at 8.5%. Similarly, in the East, community retail cap rates are 5.5% in New York City and Washington DC, while Hartford stands at 8.5% and Providence at 8.45%. Size matters, both for reasons of market density but also for liquidity considerations.

INDUSTRIAL

Over the past eight years, industrial properties have produced double-digit total returns, the only property type tracked by NCREIF that can make that claim. Over the 12 months ending September 2017, industrials registered a total return of 12.8%, of which the appreciation component was 7.4%. In part propelled by ecommerce, and in part by global trade, warehouse and distribution facilities have been high on the buy list for a wide variety of investors, including REITs, international investors, private equity firms, and even owner-users. Nothing succeeds like success, they say, and as other property types see greater caution in acquisition activities, industrials continue to be a capital magnet based upon performance characteristics and solid user-market fundamentals.

Transaction Volume & Operating Economics

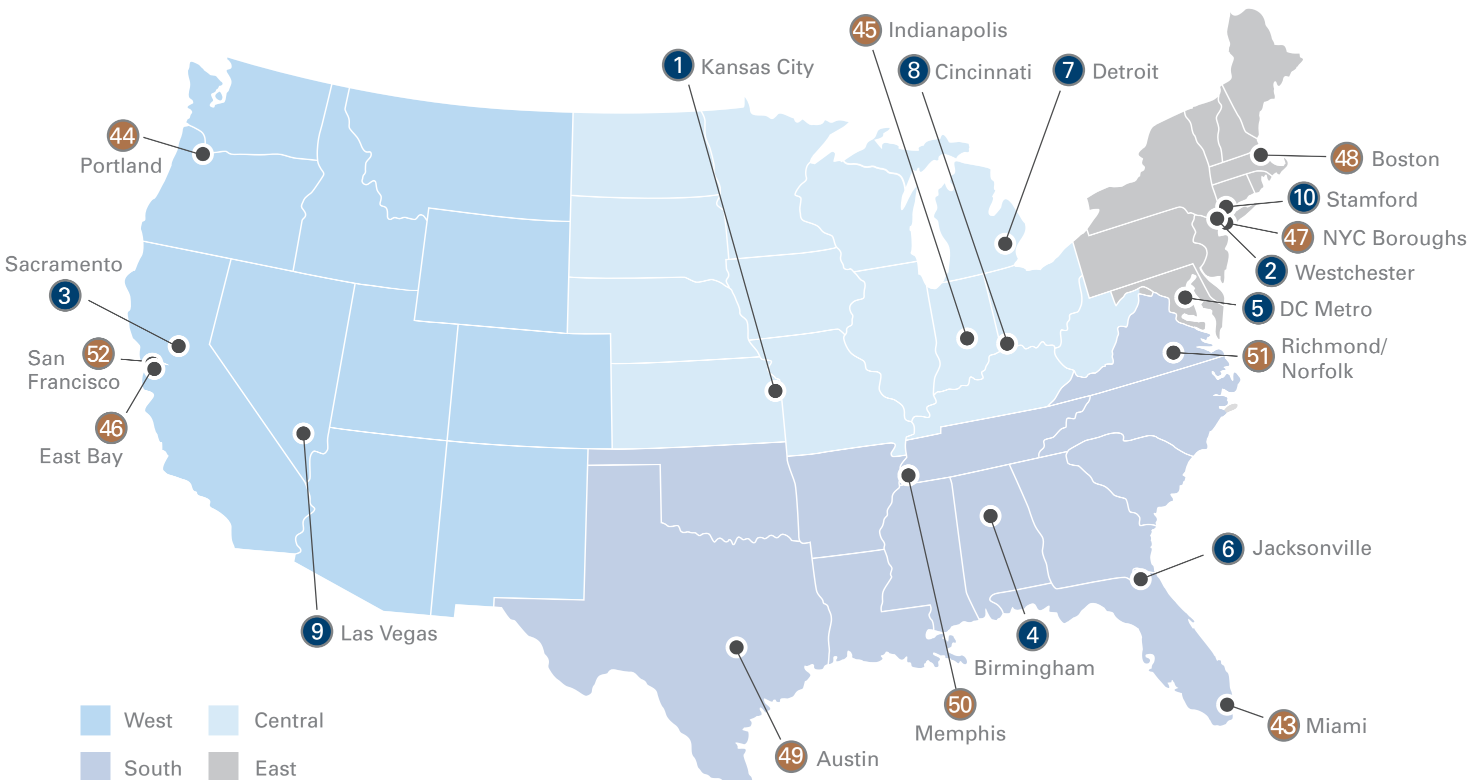
It almost seems like a misprint: RCA's tally of industrial transactions through the first three quarters of 2017 was up 23% over 2016 measured by dollar volume ($51.8 billion), and up 18% in deal count (4,866). Here is one instance where a counter-trend is more than a case of divergent patterns "netting out" positive. Every single region in RCA's analysis was up in industrial transaction volume, which set a national record for any January – September period in RCA's database. Contributing to this were no fewer than 17 individual markets which also set first-three-quarters records. These included some of the nation's largest industrial markets (Los Angeles, Chicago, Dallas, and Atlanta). But also included were some formerly struggling cities (Detroit, Hartford, St. Louis) as well as some hot "new economy" markets (Denver, Charlotte, Nashville). And, presumably riding the wave of ecommerce distribution in large urban markets, some suburban markets adjacent to the big cities (Northern Virginia and Westchester) were also included.

Looking ahead, investors seem to be concluding that the operating economics of basic industrial real estate are good now and will be getting better. On average, Warehouse/Manufacturing markets are calling for a 2.64% increase in market rents and an increase of 2.55% in expense growth rates through 2018.

Four markets are expecting 5%+ market rent growth: Cleveland, Hartford, Naples, and Seattle

By contrast, flex industrial markets are calling for a 2.25% increase in market rents and an increase of 2.54% in expense growth rates through 2018. This helps us understand why tech-heavy markets like San Jose, Raleigh, Austin, and Boston do not appear on the list of record-setters for January-September 2017.

TOP MARKETS BY INDUSTRIAL TRANSACTION VOLUME BASED ON YOY PERCENTAGE CHANGE



Bulls (Top 10)

YOY Rank	City	YOY Change	Total 4Q16-3Q17	Vol. Rank*
1	Kansas City	183.5%	$635.8 M	30
2	Westchester	170.8%	$1,275.0 M	14
3	Sacramento	162.3%	$873.7 M	22
4	Birmingham	134.4%	$89.6 M	51
5	DC Metro	119.0%	$3,190.6 M	3
6	Jacksonville	79.6%	$309.5 M	44
7	Detroit	78.7%	$815.8 M	23
8	Cincinnati	77.5%	$745.0 M	27
9	Las Vegas	65.2%	$735.2 M	28
10	Stamford	52.8%	$191.2 M	48

Bears (Bottom 10)

YOY Rank	City	YOY Change	Total 4Q16-3Q17	Vol. Rank*
43	Miami	-31.9%	$1,016.9 M	19
44	Portland	-33.9%	$654.6 M	29
45	Indianapolis	-34.2%	$628.3 M	32
46	East Bay	-36.5%	$1,407.1 M	12
47	NYC Boroughs	-37.0%	$1,354.5 M	13
48	Boston	-40.0%	$1,173.8 M	17
49	Austin	-44.1%	$388.7 M	41
50	Memphis	-54.0%	$425.6 M	39
51	Richmond/Norfolk	-54.6%	$222.7 M	47
52	San Francisco	-59.6%	$535.4 M	36

* Volume Ranking is based on the overall transaction volume among 52 markets nationally

2.64%

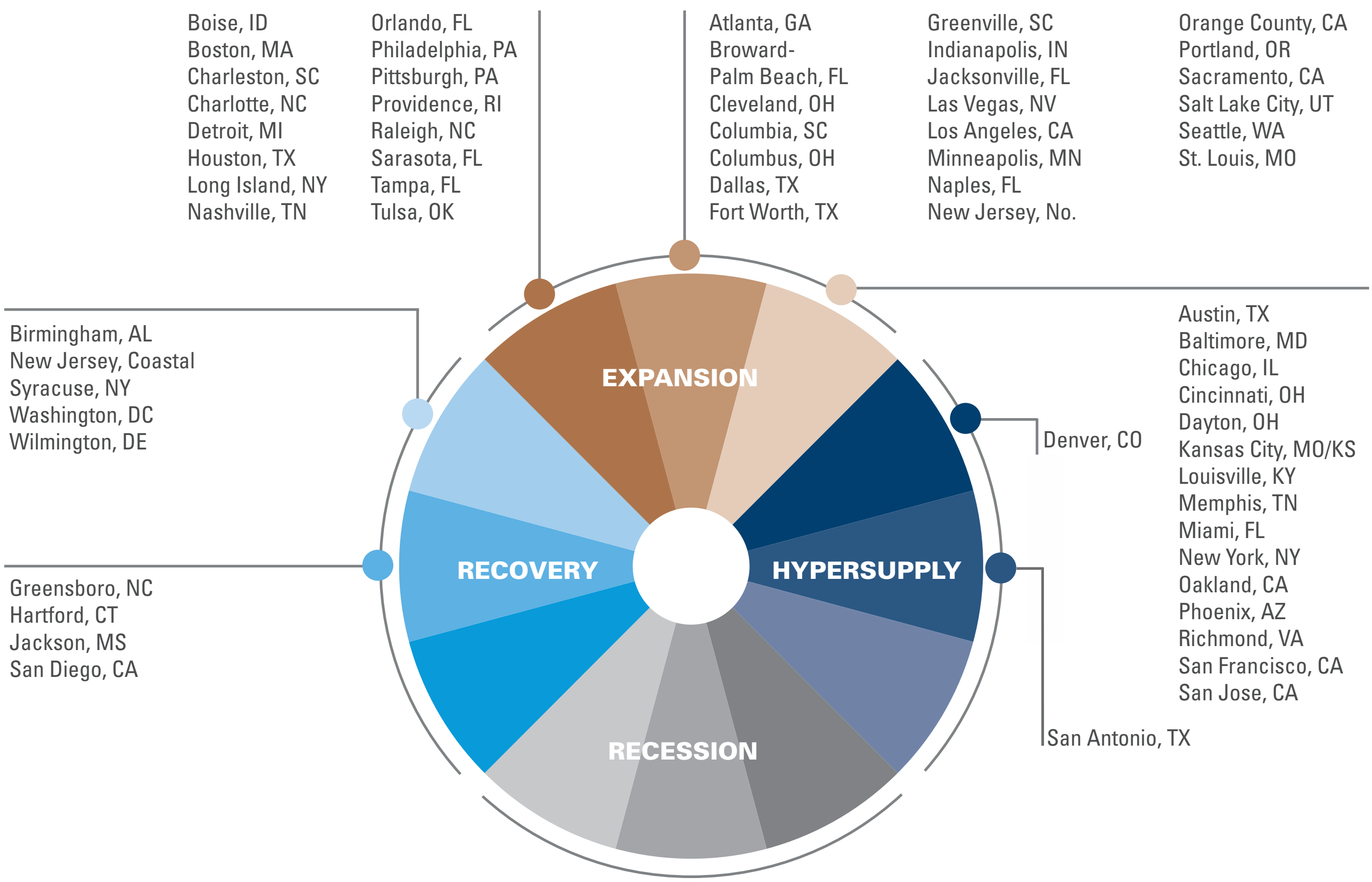
Increase in market rents anticipated for traditional industrial properties in 2018

Cyclical Conditions

Perhaps unsurprisingly, given the foregoing data, 83.8% of all industrial markets (52 out of 62 in Integra's tally) are considered to be in the Expansion phase of the market cycle. Nine of the remaining 10 are categorized as in recovery (which means falling vacancy that has not yet spurred much new construction or robust rental growth). Denver, which is characterized as being in hypersupply, is labeled as being out of balance to any significant degree.

Breaking things down by region, all 11 markets in the Central states are deemed to be in expansion. In the West, only San Diego ranks as being in the recovery phase. The South finds three markets in recovery: Birmingham, Jackson, and

INDUSTRIAL MARKET CYCLE



EXPANSION	HYPERSUPPLY	RECESSION	RECOVERY
Decreasing Vacancy Rates	Increasing Vacancy Rates	Increasing Vacancy Rates	Decreasing Vacancy Rates
Moderate/High New Construction	Moderate/High New Construction	Moderate/Low New Construction	Low New Construction
High Absorption	Low/Negative Absorption	Low Absorption	Moderate Absorption
Moderate/High Employment Growth	Moderate/Low Employment Growth	Low/Negative Employment Growth	Low/Moderate Employment Growth
Med/High Rental Rate Growth	Med/Low Rental Rate Growth	Low/Neg Rental Rate Growth	Neg/Low Rental Rate Growth

Greensboro. The East has the greatest number of such markets, five of 13 (38.5%): Syracuse, Wilmington, Hartford, Coastal New Jersey, and Washington DC.

Taken as a whole, industrials appear to have the opportunity to sustain strong cyclical momentum through 2018, and even beyond

As a sector, this property type seems to be more in a mid-cycle than a late-cycle stage. This, perhaps, helps explain why industrials are running contrary to the trend of diminishing investment volume afflicting the other major property types. Everyone, it seems, loves a winner..

Cap Rates & Value Outlook

The strength of industrial investment property is its ability to produce relatively stable income returns, especially in the core warehousing/ distribution segment. This is a function of the norm in leasing: long-term, triple-net contracts inked with high-credit tenants. The trade-off is that there is usually not much in the way of appreciation expected during the investment holding period. So, cap rates tend to be high. And, indeed, that is the case for the major regional averages revealed in this year's IRR survey: from a low 5.9% in the West to a high of 7.3% in the Central region. The range for Flex properties – which have more volatile income streams and less stable demand characteristics – extends from a low in the West of 6.6% to a high of 8.0% in the Central. Such high cap rates go a long way to explaining the multi-year streak of double-digit returns in the NCREIF data.

What is the outlook? IRR's respondents think it is favorable.

Virtually all (92%) of the core industrial markets expect values to increase in 2018. For many of these, the value increase is significant: 62% are predicting an increase in asset value growth of greater than 2% over the next 12 months. The West leads in anticipated value growth, and several warehouse markets (Los Angeles, Portland, and Seattle) expect appreciation of 4% or more in 2018.

Meanwhile, 41.3% of flex industrial markets anticipate asset value growth of greater than 2% over the upcoming 12-month period, while 17.5% of flex industrial markets do not expect any increase in values next year. Las Vegas is the sole flex market predicting value growth above 4%. So it is natural that going-in cap rates are higher for the flex product.

REGIONAL RATES COMPARISON - INDUSTRIAL

	Cap Rate	Discount Rate	Market Rent ($/SF)	Vacancy Rate	4Q16 - 4Q17 Cap Rate
South Region					
Flex Industrial	7.70%	8.76%	$8.82	8.15%	▼ -8 bps
Industrial	6.99%	8.11%	$5.08	6.86%	▼ -6 bps
East Region					
Flex Industrial	7.40%	8.47%	$10.32	9.02%	▲ 2 bps
Industrial	6.48%	7.62%	$6.58	8.24%	▼ -10 bps
Central Region					
Flex Industrial	8.01%	9.01%	$7.57	9.86%	— 0 bps
Industrial	7.30%	8.35%	$4.24	8.28%	▼ -3 bps
West Region					
Flex Industrial	6.57%	7.89%	$12.25	8.54%	▼ -4 bps
Industrial	5.89%	7.25%	$7.36	5.73%	▼ -4 bps
National Averages/Spreads					
Flex Industrial	7.44%	8.55%	$9.67	8.71%	▼ -3 bps
Industrial	6.69%	7.86%	$5.75	7.14%	▼ -5 bps

62%

of industrial markets predict an increase in asset value growth of +2% over the next 12 months

HOSPITALITY

The most remarkable thing about the hospitality market's performance going into 2018 is that there is nothing overly remarkable going on. Industry consolidations are expected to continue as brands are clear that a larger system can lower reservation costs and expenses. After several years of increases in ADR, occupancy and RevPar, the market experienced a flattening during 2016, and 2017 was identified as a "year of change." While the hotel market continues to lose momentum from an eight-year bull market, fundamentals are still strong enough to forecast stable, but slow, growth through 2018. According to STR, there have been 91 consecutive months of RevPar growth but following hurricane-adjusted data, only modest RevPar growth is expected into 2018; thus, "slow is the new normal".

Many economists expect the economy to grow by 2-3% over the next two years. Economic fundamentals are solid going into 2018, giving operators reason to be optimistic about demand for all types of hotel product.

According to STR, demand continues to outpace supply, as the supply development cycle has been growing at a much slower pace than prior cycles; still below 2% new supply growth on a trailing 12-month basis. The market is at a peak occupancy level, with over 65% occupancy for the past 28 months. Despite these peak occupancies, rate growth would normally be expected to be higher, but rate growth has slowed from 4% to 2% on the trailing 12-month basis over the past 36 months.

The U.S. hotel industry is projected to end 2017 stronger than originally projected, primarily due to stronger demand as a result of the disruptions of hurricanes in Texas and Florida. STR and Tourism Economics predict the U.S. hotel industry will report relatively flat occupancy for full-year 2017, with a 2.3% increase in both ADR and RevPAR.

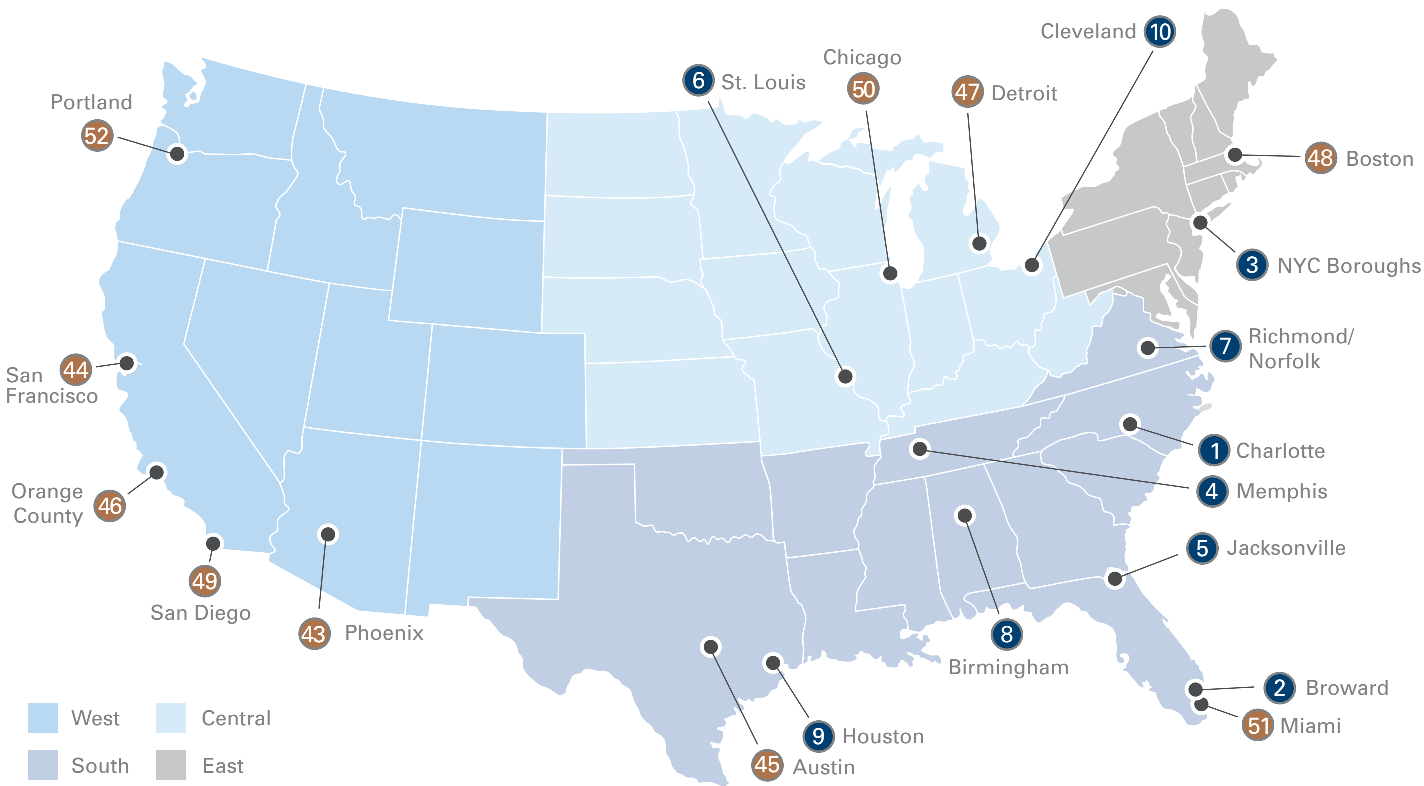
In 2018, a 2.1% supply increase will outpace demand (+1.9%), causing occupancy to decline by 0.2%

For 2018, STR and Tourism Economics project a 0.2% decrease in occupancy to 65.6%, but increases in ADR (+2.4% to $129.64) and RevPAR (+2.2% to $85.06). The Independent segment is likely to report flat occupancy as well as the largest increase in ADR (+2.7%) and

$31 Billion

in hotel properties changed hands, a 25.1% YOY decrease

TOP MARKETS BY HOSPITALITY TRANSACTION VOLUME BASED ON YOY PERCENTAGE CHANGE



Bulls (Top 10)

YOY Rank	City	YOY Change	Total 4Q16-3Q17	Vol. Rank*
1	Charlotte	547.4%	$593.9 M	9
2	Broward	418.2%	$505.7 M	13
3	NYC Boroughs	269.1%	$350.3 M	20
4	Memphis	269.0%	$153.5 M	35
5	Jacksonville	226.3%	$287.5 M	25
6	St Louis	174.8%	$223.4 M	30
7	Richmond/Norfolk	170.1%	$208.5 M	31
8	Birmingham	135.4%	$131.9 M	40
9	Houston	132.4%	$574.1 M	10
10	Cleveland	116.4%	$135.5 M	38

Bears (Bottom 10)

YOY Rank	City	YOY Change	Total 4Q16-3Q17	Vol. Rank*
43	Phoenix	-65.4%	$444.8 M	16
44	San Francisco	-66.0%	$1,302.4 M	4
45	Austin	-67.3%	$281.6 M	26
46	Orange County	-70.4%	$460.4 M	14
47	Detroit	-73.2%	$60.9 M	47
48	Boston	-75.3%	$457.2 M	15
49	San Diego	-77.2%	$253.7 M	29
50	Chicago	-77.9%	$644.3 M	8
51	Miami	-81.7%	$346.4 M	21
52	Portland	-91.7%	$32.3 M	51

* Volume Ranking is based on the overall transaction volume among 52 markets nationally

RevPAR (+2.6%). All other segments are forecasted to see a dip in occupancy.

PwC believes that the future is much brighter, forecasting ADR, occupancy, and demand growth will increase at slightly higher levels than expected as of 3Q 2017. Demand is anticipated to continue to outpace supply, resulting in the highest occupancy level since 1981 at 65.9%. Supply is expected to increase by 1.9%; (+11.1% YOY); ADR at $129.51 (+2.2% YOY), and RevPar at $85.39 (+ 2.5% YOY).

Transaction Volume

Transaction volumes, as measured by Real Capital Analytics (RCA), peaked in 2015 at $50.2 billion. From 3Q 2016 to 3Q 2017, $31 billion in hotel properties changed hands, a 25.1% YOY decrease. The largest transaction decrease was observed in the Central Region, at 35.5%. The East Region and West regions both experienced a decrease in transaction volume in excess of 30%. The South Region's shifts were mild with a drop of only 2.1%.

Notable Transactions

There were fewer major transactions in 2017 than in 2016. KSL Capital Partners and Aspen Skiing Company announced in April 2017 that they would acquire Intrawest Resort Holdings for $1.5 billion. In June 2017, Aimbridge Hospitality announced that it had acquired TMI and its portfolio of 188 hotels.

Hyatt announced a major strategy shift to focus on fee-based business, and its intent to sell off $1.5 billion in owned hotels over the next three years. The first two sales under this plan were the Hyatt Regency Scottsdale Resort & Spa and the Royal Palms Resort & Spa in Phoenix to Xenia Hotels & Resorts for $315 million.

IRR's Viewpoint Survey reveals 75% of markets anticipate asset value growth in 2018

Wyndham Hotel Group completed a deal with American Hotel Income Properties REIT to convert 44 of the REIT's hotels to Baymont Inn & Suites, Travelodge and Super 8 brands. Wyndham also completed its acquisition of AmericInn, adding 200 branded hotels. Like other brands, in an attempt to remain thin and gear towards management, Wyndham immediately spun off AmericInn's owned portfolio of 10 hotels to Champion Hotels. Lastly, Wyndham completed its acquisition of Buenos Aires-based Fen Hotels, and its management contracts.

Major Disruptors

Since inception, 115 million travelers have stayed in three million Airbnb listings in 191 countries. Airbnb is now rated No. 1 on the 2017 CNBC Disruptor 50 list, and was valued at

$31 billion last year, with only Marriott's $39 billion value being greater in the lodging industry. Airbnb turned its first profit in 2016 and believes that its core homes business will only account for half of its future revenue, as the company expands products and services like Airbnb's Trips, where hosts take guests on local tours.

Boutique and Lifestyle lodging hotels continue to attract the Millennials

These hotels are much more agile than their chain counterparts, with greater creative freedom and the ability to focus their resources and attention on one hotel and succeed in offering outstanding personal service, unique travel experiences steeped in local character, and cutting-edge technology. The big chains have taken note and have launched their own versions, such as Marriott's Autograph Collection and Hilton's Curio Collection.

Online Travel Agencies ("OTAs"), such as Priceline and TripAdvisor, are encountering increased competition from sites such as Airbnb and others that offer alternatives to traditional hotels. Hotel chains are also putting up a tougher fight for the online sites' business by offering discounts if travelers book directly. While solo travelers were booking on home-sharing platforms, it is now believed that up to 33% of group rooms look at options beyond hotels. Sensing increased competition from home-sharing companies, Accor, Hyatt and Wyndham hotels have started investing in home sharing companies and are looking for ways to work in association with them.

U.S. Hotel Construction Pipeline

STR reported that as of October 2017, 584,052 hotel projects were under contract in the U.S., an increase of 5.4% YOY. "Under contract" includes projects in construction, final planning and planning stages. Under construction are 183,187 rooms in 1,407 projects, a 0.1% YOY decrease, the first such decrease since October 2011.

Emerging 2018 Trends

The most important industry trends are personalization, service, consistency and quality. There is an ever-increasing shift in the market, where the transient visitor wants and expects individualized service. The market will begin to focus on "experiences" in the local market, including cultural influences and immersion into the destination that they are visiting. We expect to see hotels and their community becoming totally connected. Micro rooms and big, integrated public spaces are hot and food halls and grab and go will become more common, with hotels featuring outlets from local restaurants. Technology continues to advance, with Marriott moving towards integration of the Internet of Things ("IoT"), leveraging mobile and voice-enabled room controls, bringing advanced power and connectivity to elevate the guest experience.

Market Rank Based on Full Service Cap Rates

1

San Francisco
5.25%

2

New York
6.00%

3

Miami
6.65%

4

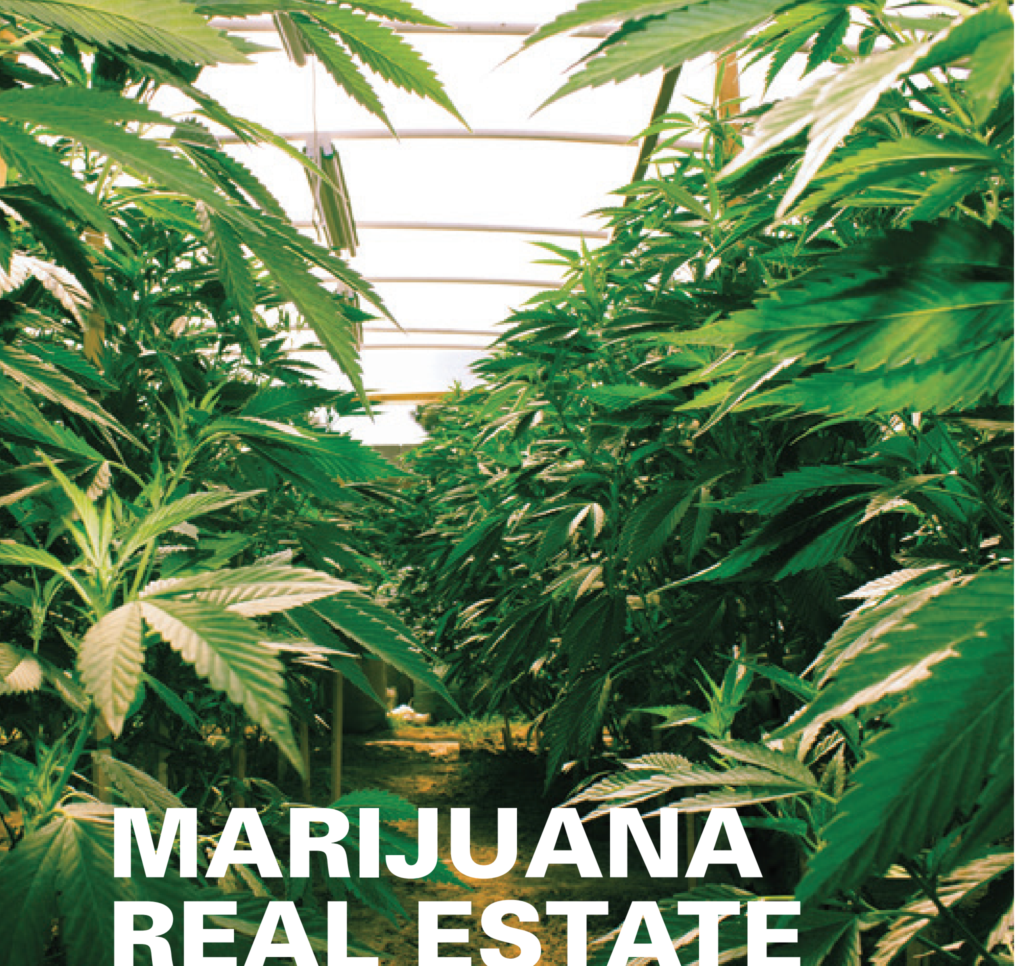
Boston
6.75%

5

Seattle
6.75%

SPECIALTY REPORTS

IRR’s depth and national footprint allow us to dig beyond the five core commercial real estate property sectors. In Viewpoint 2018, we offer overviews of four specialty property sectors including marijuana real estate, senior housing, golf courses and Caribbean hospitality. These outlooks provide independent analysis of trends that shape each sector and provide interpretations of where we see them heading in 2018.



MARIJUANA REAL ESTATE

The advent of legalized marijuana, for both medical and recreational purposes, has begun to impact the real estate industry in markets where the U.S. Marijuana Industry (MI) has taken root. The demand for MI-related real estate in the years ahead will be substantial and likely to exceed what most real estate industry veterans projected even a few short years ago.

Demand, Employment, Demographics in the Marijuana Industry (MI)

The demand for space from the MI is directly related to its sales and employment levels, and reveals where the market currently is and where it is likely to go in upcoming years. The opening of the recreational markets in Maine, Massachusetts, and Washington DC by the end of 2018 is anticipated to spike both sales and employment levels in the MI, but the biggest impact will come on January 1, 2018, when California begins recreational sales.

Polling over the past decade has witnessed a flip in public opinion towards the use of marijuana, with more than half of respondents now supporting legalization.

Various MI publications expect substantial employment growth ranging from 14% to 25% compounded annually through 2021, which should translate to increased real estate demand from the MI sector.

Physical Characteristics of MI Real Property

Among the various property types associated with the MI, it is the cultivation/grow facilities that demand the most space and require major building components such as large drainage and plumbing systems for hydroponic irrigation, large heating, cooling, and ventilation systems as the lights utilized to grow cannabis indoors can generate significant levels of heat, with some HVAC installations having design specifications for 14 tons of cooling capacity in a 1,000-square foot space, while 2 to 3 tons of capacity would normally suffice for a standard office buildout in an industrial building. Concerns about odor management from local planning and zoning authorities also need to be addressed, usually with specialized negative pressure ventilation systems with external exhaust CO_2 filters that prevent offensive odors from seeping into the surrounding neighborhood, all of which boost building costs significantly.

Legal Environment

There are local, state, and federal laws that impact the MI throughout the production and sales cycle.

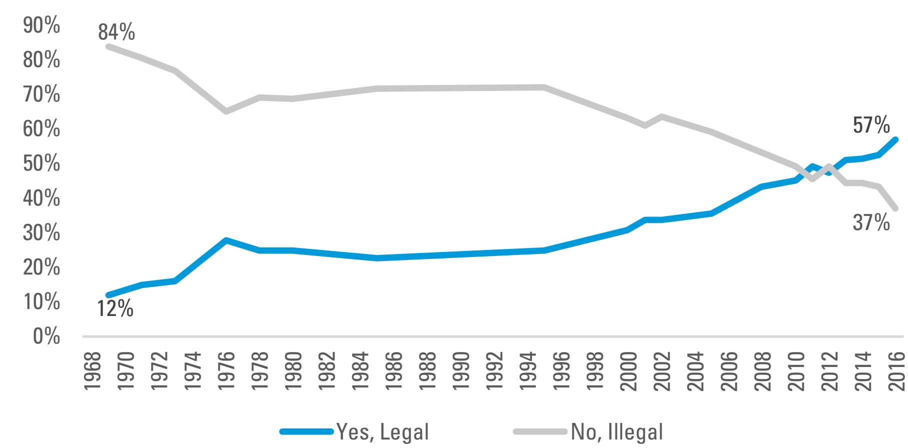
Regulations pertaining to business licensing, locational preferences, and nuisance (noise/odor) and security prerequisites are handled at the local level.

State law has the broadest impact as it typically regulates employee and ownership licensing, background checks, accounting/reporting for taxes, inventory control, chain of custody, distribution, and financial fitness.

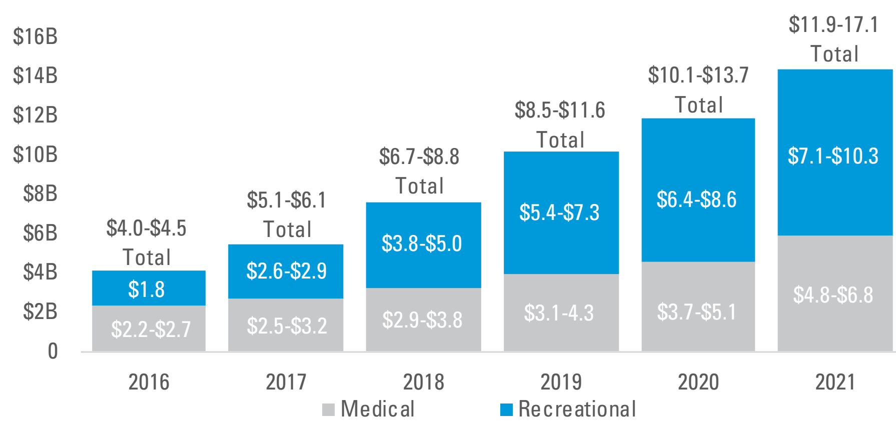
Federal law has not been a factor in recent years, but should still be considered a material risk for the

U.S. support for legalizing marijuana hits all-time high

SHOULD THE USE OF MARIJUANA BE MADE LEGAL OR NOT?



U.S. CANNABIS RETAIL SALES ESTIMATES: 2016-2021 (IN BILLIONS)



Source: Marijuana Business Daily

aspiring marijuana entrepreneur, as federal law has not changed, and still considers all state-endorsed medical and recreational marijuana programs to be in violation of federal drug laws.

Additionally, federal cash transaction reporting requirements and banking guidelines make the financial services industry reluctant to service the banking needs of the MI.

Financial Profile / Valuation Considerations

Presently, the MI is highly competitive and largely fragmented with no major corporate players dominating the landscape based on our research, indicating a startup/ growth industry with very low concentration. The typical marijuana business is established with an investment by a local owner, or ownership group, that provides equity and working capital.

An interesting point to consider is that most federally insured lenders involved in industrial and retail lending will not allow a "plant-touching" company as a tenant in a building they are lending on, or as a borrower for a building they are financing. Lenders fear running afoul of federal laws and guidelines given that cannabis remains illegal at the federal level.

A CBRE industrial market study for Denver indicated that the average effective lease rate for grow facilities was $14.19 per square foot per annum, two to three times higher than the average warehouse lease rates in the four top cultivation submarkets. Local observations have seen properties listed or sold from 40% to 100% higher than what would otherwise be considered similar industrial warehouse/ distribution space in the same submarket. These much higher lease and sale rates are due to the massive electrical, plumbing, HVAC, drainage and security upgrades made to an industrial property converted to a major indoor cultivation operation.

Conclusion

Given that California is the most populous state in the nation, its 2018 entrance into the recreational marijuana market is certain to have a major and immediate impact on demand for marijuana-related real estate. This increased demand for real estate space will be immediate since the planning, zoning, and construction of a property can begin while state and local regulations are ironed-out after legislative approval is gained. Once legislation passes, full regulatory implementation can take another 6 to 24 months before full recreational cannabis sales can begin.

SENIOR HOUSING

With the population aged 65+ forecasted to grow at an annual rate of 3.28% over the next five years, demand for senior housing should continue to accelerate. Because of increasing demand, senior housing has been one of the strongest asset classes over the past 10 years and this should continue for the foreseeable future.

Industry Performance

With the delivery of approximately 45,000 senior housing units during the past 12 months, National Investment Center for Senior Housing and Care (NIC MAP) data service reports occupancy for senior housing has declined slightly during this period, while absorption rates are increasing. As these new units are being absorbed, YOY average rent and occupancy rates should increase and there does not appear to be a risk of market-wide overbuilding.

Assisted Living

Delivery of new inventory has been the key factor affecting the performance of the assisted living segment, and has led to a decline in average occupancy over the past four quarters to 86.4% in 3Q ‘17.

Construction versus inventory, according to NIC MAP, has been decelerating over the past 12 months to 7.6% in 3Q ‘17, while annual rent growth rates have remained stable at 2.8% to 3.1%, and average rental rates for assisted living is $4,565 per unit.

Independent Living

The independent living market segment has also been affected by deliveries of new supply, with new inventory accelerating at an average rate of 2.3% of total inventory over the past 12 months, while absorption during this period has averaged 1.9%. Occupancy has declined for the past four quarters, ending at 90.6% for 3Q ‘17. Construction versus inventory decelerated over the past 12 months to 4.0% in 3Q ‘17, and annual rent growth rates slowed to 2.4%, and average rates were $3,093 per unit.

Nursing Homes

In contrast to independent and assisted living segments, the nursing home sector is not adding a significant number of new beds. Occupancy rates have declined over the past two years, which is the result of Centers for Medicare and Medicaid Services (CMS) encouraging shorter lengths of stay for Medicare patients, to control spending. Because of these policies, Medicare/managed care census is declining while Medicaid utilization is rising.

Transactions

According to Real Capital Analytics, transaction volume for senior housing accelerated over the past 12 months, with transaction volume over the past four quarters at $15.2 billion.

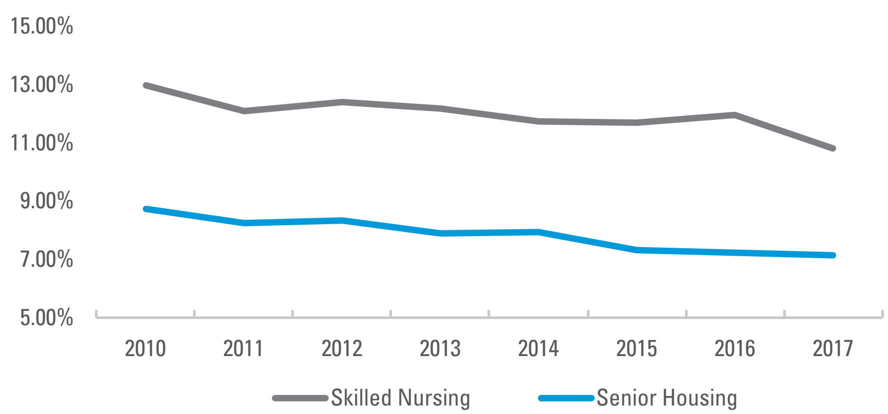
Capitalization rates for senior housing properties compiled by IRR have trended downward since 2010, and reflects the continued acceptance by investors and strong long-range market fundamentals.

Conclusion – Outlook

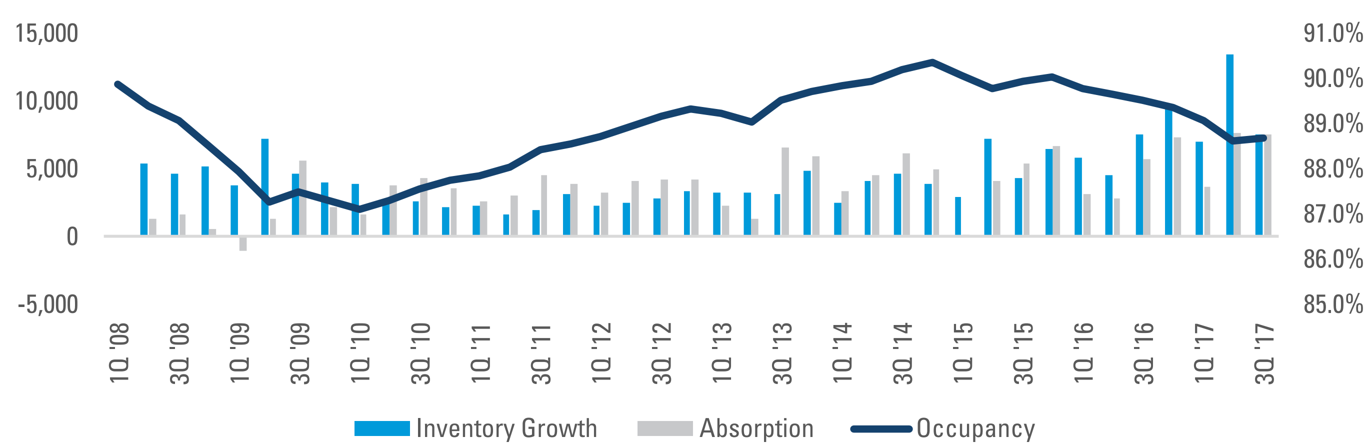
Aging trends will continue to increase the demand for senior housing in the foreseeable future. Delivery of new units is currently driving the market performance for senior housing; however with increasing demand, wide-spread overbuilding is not forecast. The acquisition market is expected to remain active in the senior housing sector. IRR expects 2018 to be another strong year, as the market continues to absorb newly delivered units.

In 3Q '17, price per unit sales for senior housing have remained high at $197,483 and Nursing Care had an average price per bed of $97,171

CAP RATE COMPARISON



INVENTORY, OCCUPANCY AND ABSORPTION RATES



Source: NIC MAP Data Service

GOLF COURSES

Improvements in technology are impacting the golf industry and drawing more participants to the game. TopGolf is exposing a larger number of people to golf, which should benefit the industry long term. Research by the National Golf Foundation (NGF) indicates that TopGolf will expose the game to an estimated 250,000-500,000 new golfers. With more and more people enjoying TopGolf and other simulated golf experiences annually, the potential for increases in on-course participation is positive.

Participation

On the surface, it would appear that the game continues to experience declines in overall participation. According to NGF, a modest decline of 1.2% in on-course participation occurred in 2016, with the total golf participation estimated at 23.8 million.

Much of this decline has come from Millennials who account for the largest segment of the golfer demographics. Many factors account for this decline, but none is more significant than income levels. According to NGF, income levels are down nearly 10% for golfers aged 24-29 since the early 1990's. Also, participation for this age group is down over 40% over this time period and continues to be a challenge for the golf industry.

There are many positives related to golf participation, such as the demographic shift occurring recently with females age 6-17 now making up 33% of this age segment (up from 17% in 1995) and 27% of junior golfers are non-Caucasian (up from 6% in 1995). NGF research also shows that beginning golfers increased to 2.5 million, surpassing the prior record set in 2000 during the Tiger Woods era. Overall, research shows that demand for the game is strong and opportunities are available for golf course operators to attract more on-course play.

ALL U.S. GOLFERS AGE 6+ (IN MILLIONS)

Year	Number
2011	25.7
2012	25.3
2013	24.7
2014	24.7
2015	24.1
2016	23.8

Sales / Investment

From a real estate perspective, the market remains sluggish. According to Leisure Investment Property Group (LIPG) research, sales transactions for the first half of 2017 were down 29% and average and median prices were down 34% and 24% YOY, respectively. The reasons for the declines vary, but include a larger number of smaller deals, lack of available financing, and more selective investors.

Sale prices for golf courses continue to be dominated by two investor criteria, gross revenue multipliers and cap rates on EBITDA. GRMs from IRR sale confirmations, ranged from 0.53 to 1.56 with an overall average of 1.13. Cap rates ranged from 7.8% to 15.89% with an average of 11.26%.

Golf course investors are still active, but their view of golf course real estate as a viable investment opportunity is down. According to the LIPG Golf Investors Sentiment Survey for 2016, the Golf Investment Index is 57.1, down from 63.4 in 2015.

Over the near term, cautious lending, the limited number of value add opportunities and decreases in investor optimism for golf assets are likely to keep golf course transactions down

Conclusion

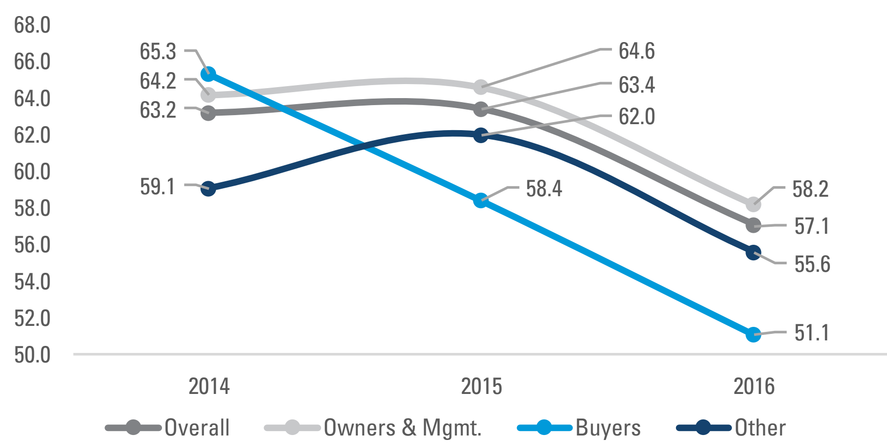
It is clear from IRR's research that the fundamentals impacting the golf industry show both positive and negative trends. Over the near term, it is likely that growth will be slow, as the industry as a whole adapts to changes in participation and investor appetite for golf assets.

Opportunities do exist for the industry, from latent demand by Millennials, and positive changes in the demographics of the average golfer, and draws to the game from TopGolf and other interactive technology. These, among many other factors should help to support the growth of the golf industry for years to come.

NATIONAL GOLF COURSE SALES HISTORY

Year	# of Sales	Average Price	% Change
2006	91	$7,326,883	N/A
2007	97	$6,778,325	-7.49%
2008	108	$5,757,172	-15.06%
2009	97	$5,089,742	-11.59%
2010	144	$4,873,308	-4.25%
2011	110	$4,912,103	0.80%
2012	159	$2,700,215	-45.03%
2013	145	$4,211,889	55.98%
2014	181	$4,661,645	10.68%
2015	132	$5,012,316	7.52%
2016	123	$4,718,947	-5.85%
2017	56	$3,113,982	-34.01%
Total	**1,443**	**$4,838,577**	

GOLF INVESTMENT SENTIMENT



CARIBBEAN HOSPITALITY

The year 2017 was shaping up to be another year of growth for tourist arrivals to the region, though hotel performance was only improving slightly prior to the double whammy of September hurricanes that affected the northern Leeward Islands and Puerto Rico.

Tourism Arrivals Growth Slowing

Even prior to the hurricanes of September, growth in arrivals to most destinations in the Caribbean was slowing according to data from the Caribbean Tourism Organization. Of the top 13 reporting countries, the average rate of growth is flat (0.38%) for the year-to-date 2017, with the largest increase in arrivals noted in St. Lucia (9.2%) and the largest decline being from Curacao (-12.6%).

Hotel Performance Declines from Peak Levels

For the 12 months through October 2017, occupancy in the region is down 0.4%. For same period, the average daily rate increased 1.8% for the Caribbean. As a result, RevPar is up 0.5% for the year to date.

As of September 2017, the total number of rooms in inventory (regardless of closures) in the Caribbean grew by 0.33% to 248,768 in 1,931 projects over the same period in the prior year.

For the 12 months through October 2017, the Cayman Islands is reporting the highest ADR for the reporting countries in the region at $371.34, (up 4.55%) followed by the U.S. Virgin Islands ($367.40, up 10.62%) and St. Lucia ($361.48, down 14.65%).

Pipeline Continues to Increase

As of October 2017, STR reported 76 projects “Under Contract” in the Caribbean (excluding Mexico); totaling 18,063 rooms. This represents a 6.42% increase in rooms “Under Contract” compared with June 2017; and a 31.97% increase in rooms “In Construction.”

2017's hurricane season reduced available rooms and will result in a drop in arrivals

The projects "Under Contract" include those in the "In Construction," "Final Planning" and "Planning" stages, but do not include projects in the "Unconfirmed" stage.

Hurricane Effects

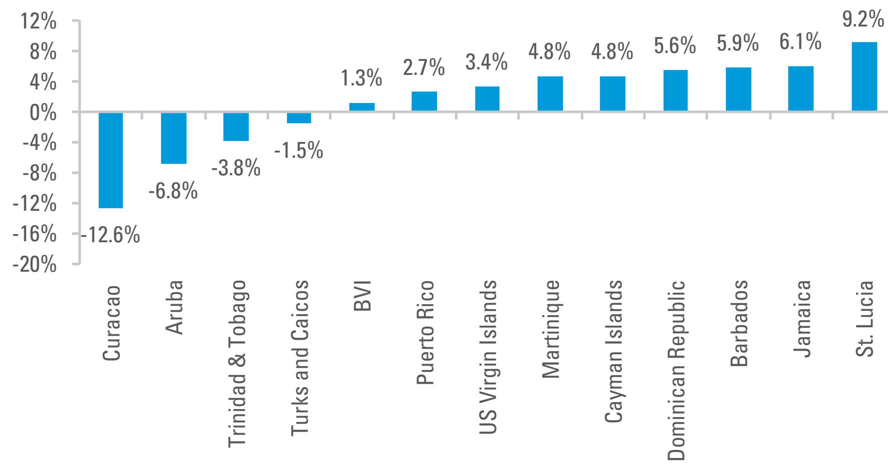
The region and its hotel sector was significantly impacted by two, back-to-back, Category-5 hurricanes that tore through the northern Leeward Islands and Puerto Rico in September. We estimate approximately 5,000 rooms that were previously open will be closed throughout the primary tourist season of 2018 (at least through April) because of hurricane damage.

Conclusions and Forecasts

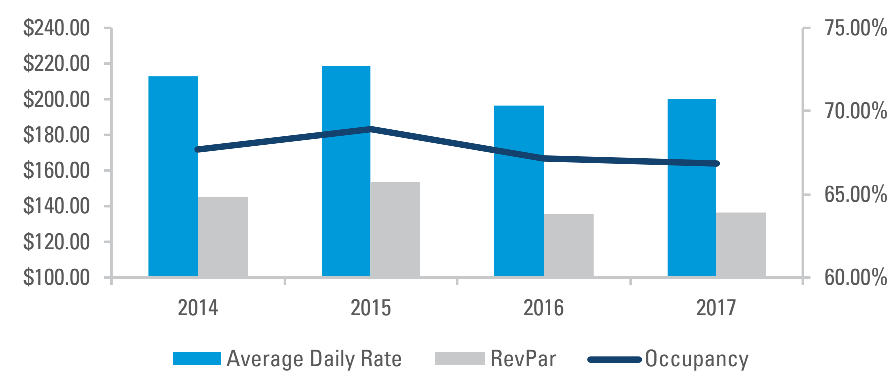
It appears that there will be a significant reduction in available rooms in this part of the Caribbean through the peak of the 2018 tourist season due to hurricane damage, which will likely result in lower arrivals, but will buoy occupancy rates and average daily rates.

Otherwise, the year 2017 was turning out to be relatively consistent with the prior year in terms of hotel statistics. Arrivals were continuing to grow, showing evidence of greater usage of non-traditional lodging options such as Airbnb, VRBO and other villa rental alternatives. There is concern about the upcoming growth in supply, which could result in a longer-term decline in occupancy, especially if growth in arrivals begins to slow.

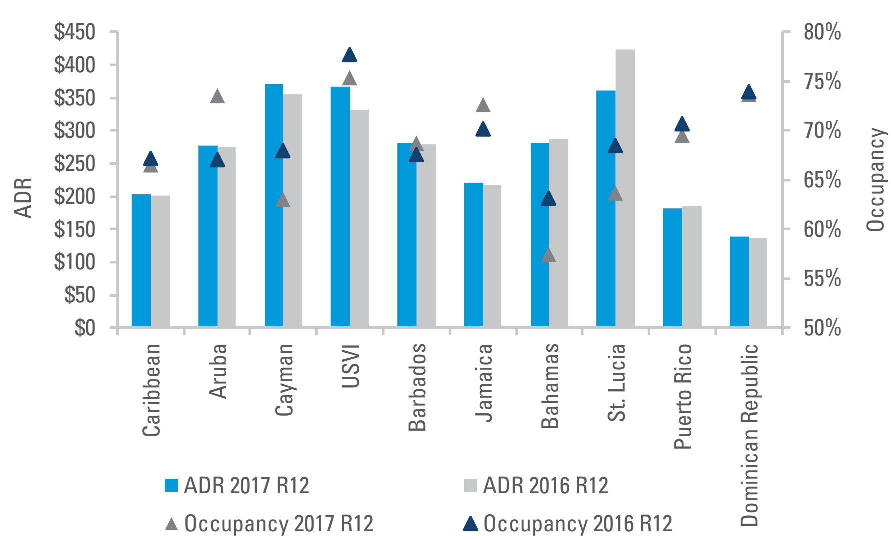
GROWTH IN ARRIVALS YTD 2017



CARIBBEAN HOTEL PERFORMANCE - YTD THROUGH OCT 2017



HOTEL PERFORMANCE 12 MONTHS THROUGH OCT 2017



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Written By: Hugh F. Kelly, PhD, CRE

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Percent Change in Jobs
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Source: U.S. Bureau of the Census,

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Office

Top Markets by Office Transaction Volume Based on YOY Percentage Change
Source: Real Capital Analytics

Market Cycle
Source: Integra Realty Resources

Regional Rates Comparison
Source: Integra Realty Resources

Multifamily

Top Markets by Multifamily Transaction Volume Based on YOY Percentage Change
Source: Real Capital Analytics

Market Cycle
Source: Integra Realty Resources

Regional Rates Comparison
Source: Integra Realty Resources

Retail

Top Markets by Retail Transaction Volume Based on YOY Percentage Change
Source: Real Capital Analytics

Market Cycle
Source: Integra Realty Resources

Regional Rates Comparison
Source: Integra Realty Resources

Industrial

Top Markets by Industrial Transaction Volume Based on YOY Percentage Change
Source: Real Capital Analytics

Market Cycle
Source: Integra Realty Resources

Regional Rates Comparison
Source: Integra Realty Resources

Hospitality

Written By: Jeff A. Greenwald, MAI, SRA, AI-GRS, ASA, FRICS, Senior Managing Director/Principal, IRR - San Diego

Top Markets by Hospitality Transaction Volume Based on YOY Percentage Change
Source: Real Capital Analytics

Specialty Reports

Marijuana Real Estate

Written By: Charles E. Jack IV, MAI, Senior Managing Director, IRR - Las Vegas

Should the Use of Marijuana Be Made Legal or Not?
Sources: Pew Research Center, Gallup

U.S. Cannabis Retail Sales Estimates
Source: Marijuana Business Daily

Senior Housing

Written By: John F. Thigpen, MAI, Managing Director, IRR - Tampa Bay

Cap Rate Comparison
Source: Integra Realty Resources

Inventory, Occupancy and Absorption Rates
Sources: NIC MAP Data Service

Golf Courses

Written By: Christopher D. Starkey, MAI, SGA, Senior Managing Director, IRR - Orlando

All U.S. Golfers Age 6+
Source: National Golf Foundation

National Golf Course Sales History
Source: Leisure Investment Properties Group

Golf Investment Sentiment
Source: Leisure Investment Properties Group

Caribbean Hospitality

Written By: James V. Andrews, MAI, CRE, FRICS, ASA/BV, CVA, Senior Managing Director, IRR - Caribbean

Growth in Arrivals YTD 2017
Source: Caribbean Tourism Organization, Various Govt. Tourism Departments

Caribbean Hotel Performance - YTD Through October 2017
Source: STR

Hotel Performance 12 Months Through October 2017
Source: STR

PHOTOGRAPHY

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About Viewpoint

IRR's Viewpoint represents the compilation and presentation of Commercial Real Estate (CRE) rates, market conditions, and forecast data. The rates, market conditions, and forecast data is generated via IRR's Viewpoint Survey. IRR's Viewpoint Survey requests market experts consisting of Appraisers and Consultants, each of whom have deep CRE expertise, to provide insights on over 60 U.S. markets. Viewpoint data is collected across five asset classes including Multifamily, Office, Retail, Industrial, and Hospitality.

Viewpoint's rates data (Cap Rates, Discount Rates, Reversion Rates, Vacancy Rates, etc.) reflects an expert's opinion based on recent market activity experienced in the past 6 months. Viewpoint forecast data represents a 12-month outlook based on current market conditions. The data in Viewpoint reflects rates data and forecasts based on stabilized properties in the respective U.S. marketplace. Where referenced, all regional and national averages are based on simple average calculations and are not weighted.

IRR's Viewpoint Survey is conducted through a proprietary data survey tool, and all data is checked both manually and by a specially designed computer editing procedure. While we do not guarantee that the survey is statistically accurate, the Viewpoint data provides, what we believe, is the best, clear-sighted insights into the CRE marketplace.

Disclaimer

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