

US CAPITAL MARKETS REPORT: CAPITALIZATION RATES BY ASSET TYPE

MAY 2013

O V E R V I E W

With the firming of the US economy, C&W has seen investors start to gradually move up the risk-reward spectrum. After having been focused primarily on core assets in gateway cities for several years, many institutional investors are showing renewed interest in secondary markets and assets.

This appetite is due to a combination of low core yields versus historically wide secondary market spreads, renewed CMBS lending in secondary markets, and firming fundamentals.

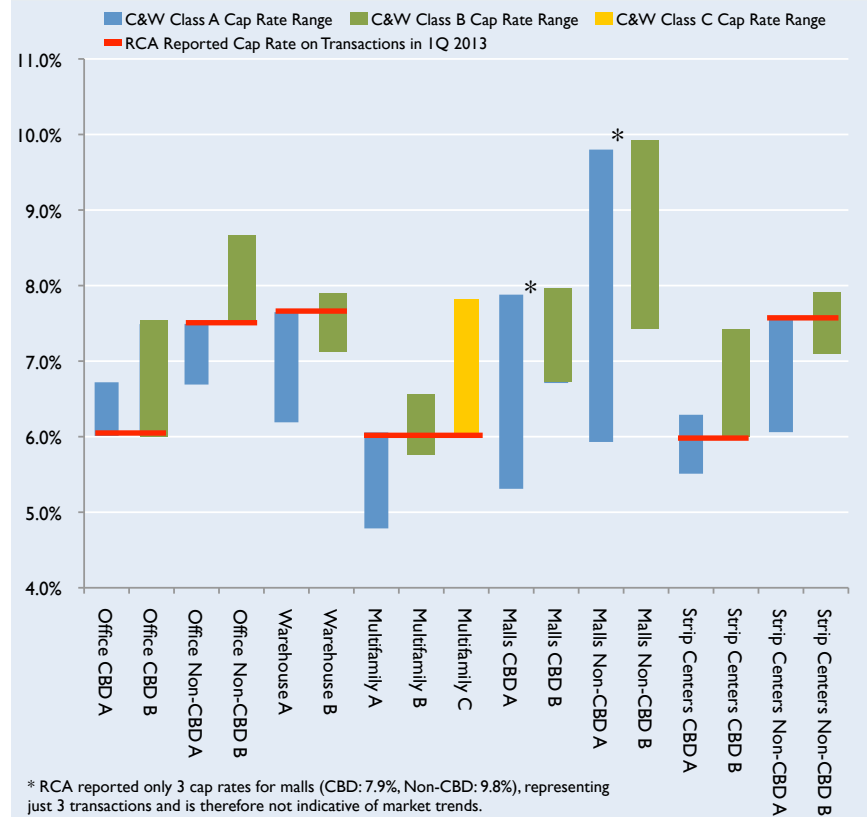
In an effort to help investors evaluate this move to the secondary markets, C&W is presenting the first of a two part series. This first paper "Market Observations" will help identify the current yield spread between class A and class B assets across property types and geographic markets. The second paper "Market Insights" will evaluate geographic markets relative to their historical performance and potential (rent performance and volatility, current fundamentals and expected growth).

Taken together we hope that these papers are a useful tool in assisting investors in their evaluation of primary versus secondary market investment potential.

MARKET OBSERVATIONS

While published cap rate series currently exist, commonly used indices generally do not distinguish between class "A" and "B" assets, resulting in index volatility as the product quality mix of traded assets (RCA) and owned assets (NCREIF) changes. This is particularly apparent when, like today, investors start to move up the risk/reward spectrum. The cap rate ranges provided herein are today's executable cap rate ranges provided by local C&W brokers, together with our brokers' assessment of market momentum for the next 6 months in light of investor appetite and transaction pipelines. The following are some overall observations by property type.

CAPITALIZATION RATES BY PROPERTY TYPE



Source: Real Capital Analytics, C&W Capital Markets

OFFICE

OFFICE FUNDAMENTALS

Fundamentals are firming for national office markets. Private payroll employment has recovered to 98% of its peak 2007 levels, with unemployment falling 250 bp from 2009 highs to the current 7.5% level. Corporate profits have surpassed prior peak levels, and layoffs are abating. However, economic uncertainty has delayed hiring; there were on average 180,500 private payroll jobs added per month for the 12 months ending April 2013. Despite sluggish job creation, the acceleration in 2013 together with historically low average construction levels have contributed to national CBD vacancy rates tightening by 50bp to 13.0% and suburban market vacancy falling by 100bp to 17.5% for the four quarters ending 1Q 2013.

Given the recovering office market fundamentals and strong capital flows, investors are focused on office acquisitions. Appetite for acquisitions is bifurcated into the top assets and markets and other commodity type acquisitions, as investors are keenly aware of the widely divergent performance between gateway markets and secondary markets—clearly reflected in historically wide cap rate spreads between these sectors.

CBD gateway markets have outperformed the overall market, with the lowest vacancy rates in the country in San Francisco (8.9%), Manhattan (9.1%), and Boston (10.3%). Unsurprisingly, CBD office values in these top six markets have recovered on average to prior peak levels, while suburban appreciation has lagged, having recovered only 17% of peak/trough losses. As a result, many institutional investors and off-shore buyers are focused on the gateway office markets: NY, Washington DC, San Francisco, Boston, Chicago and Los Angeles. But as the CMBS market revives, debt is returning to the secondary markets at very accretive levels (in part because CMBS debt pricing is not materially more expensive in such secondary markets); this has caused investors to increasingly reach for yield in top assets in secondary markets.

CAP RATE SURVEY RESULTS

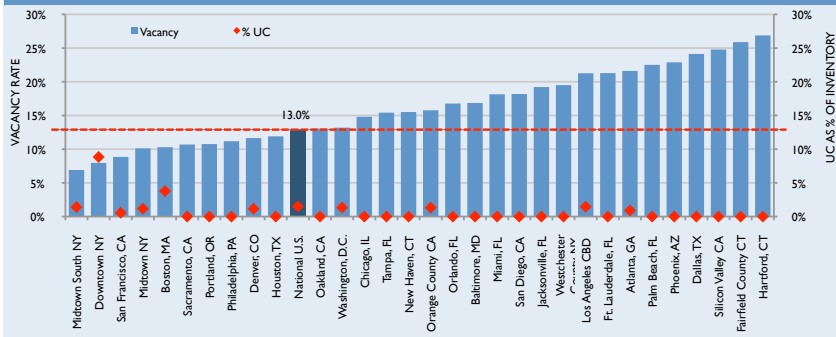
For current acquisitions, average class A CBD cap rates are between 6.0-6.7% nationally. Unsurprisingly, the lowest cap rates (Manhattan) coincide with the lowest vacancy rates (Midtown South is the tightest office market in the US). Within primary markets, CBD cap rates are in the 4% range and secondary market cap rates average in the 6% range, with tertiary markets in the 7% range.

Moving from class A CBD to class A suburban properties on average provides an incremental 65 bp of yield (to 6.7-7.4%), while moving from class A to class B CBD assets provides approximately 75 bp of incremental yield (to 6.8-7.5%).

A more major move from Class A CBD to Class B suburban properties provides approximately a 175 bp increase in going in cap rate on average, but this can be as high as 450 bp depending upon the markets being traded. This incremental yield comes with occupancy challenges, as average suburban vacancy rates are 4.5% higher than in the CBD (17.5% versus 13.0% on average in Q1 2013).

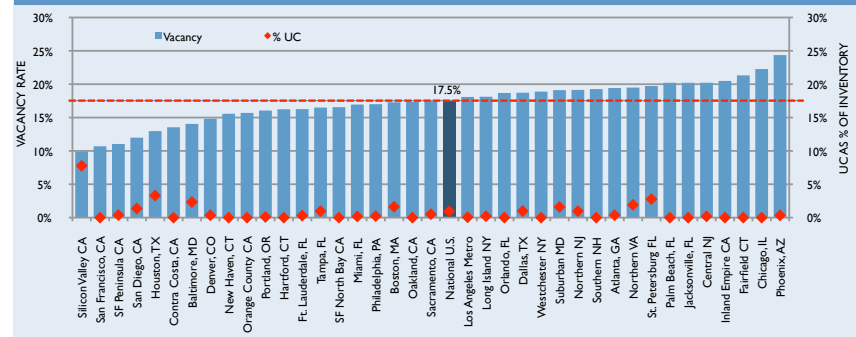
Overall, market indicators point towards gateway markets (which recovered first) remaining in high demand with flattening but very low cap rates, barring a sustained spike in interest rates. Second tier markets are poised to experience increasing cap rate compression over the next six months as financing becomes increasingly available. Cap rate compression is expected in the Texas markets driven by strong employment from the energy sector, as well as the secondary markets, particularly those with a tech component: Denver, San Jose and Seattle all show strong momentum. Primarily suburban markets (Atlanta, Phoenix, Dallas) and West/Southwestern suburban markets also have strong opportunity for cap rate compression. These include class B assets in suburban markets, many of which have going in cap rates in excess of 8.5% and are trading at

NATIONAL VACANCY RATES ACROSS CBD MARKETS



Source: C&W Research, C&W Capital Markets

NATIONAL VACANCY RATES ACROSS NON-CBD MARKETS



CUSHMAN & WAKEFIELD

OFFICE

US CAPITAL
MARKETS REPORT:
CAPITALIZATION
RATES BY ASSET
TYPE

	CBD						SUBURBS					
	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders
Atlanta, GA	6.50% - 7.25%	↓	Public REITs, Equity Fund, Operators	7.50% - 8.25%	↓	Equity Fund, Operators, Private	7.50% - 8.25%	↓	Equity Fund, Operators, Private	8.50% - 9.25%	↓	Private, Operators
Baltimore, MD	7.50% - 8.00%	↓	N/A (Nothing has traded in a few years)	N/A (Illiquid Market)	↓	Opportunistic, Redevelopment	7.25% - 8.00%	↔	Private Equity, Value Add Buyers	8.50% - 9.25%	↓	Private Equity, Value Add Buyers
Boston, MA	4.50% - 5.25%	↔	Pension Fund Advisors, Foreign, Public REITs	5.00% - 5.75%	↔	Funds, Foreign, Local Operators	5.75% - 6.50%	↔	Private REITs, Pension Fund Advisors	8.50% - 9.25%	↔	Funds, Local Operators
Charlotte, NC	6.75% - 7.50%	↓	Public REITs, Private REITs	7.25% - 8.00%	↓	Equity Fund, Operators, Private	7.75% - 8.50%	↓	Equity Fund, Operators, Private	N/A	N/A	N/A
Chicago, IL	5.50% - 6.25%	↔	Institutional, Foreign	6.50% - 7.25%	↔	Equity Fund, Operators, Private	7.00% - 7.75%	↔	Private REITs, Pension Fund Advisors	7.75% - 8.50%	↔	Private Equity, Value Add Buyers
Minneapolis, MN	6.25% - 7.00%	↔	Private REITs, Private Equity	7.50% - 8.00%	↔	Private Equity	7.50% - 8.25%	↔	Private Equity	8.25% - 9.00%	↔	Private, Local
Northern New Jersey	6.50% - 7.00%	↔	Institutional, Foreign	7.50% - 8.25%	↔	Opportunity Funds, Private	7.50% - 8.00%	↔	Private, Raised Funds	8.75% - 9.50%	↔	Private, Raised Funds
New York (NYC)	4.00% - 4.50%	↔	Institutional, Foreign, REITs	4.75% - 5.50%	↔	Private Capital, Local Operators	N/A	N/A	N/A	N/A	N/A	N/A
Orlando, FL	6.50% - 7.00%	↔	Private Equity Funds and Advisors	7.50% - 8.00%	↔	Private Equity Funds	7.00% - 7.50%	↔	Private Equity and REITs	8.00% - 8.50%	↔	Private Equity Funds
Philadelphia, PA	7.00% - 7.50%	↔	Equity Funds, Private, REITs	8.00% - 8.50%	↔	Equity Funds, Private, REITs	6.50% - 7.25%	↔	Pension Funds, Equity Funds, REITs	10.00% - 11.00%	↔	Equity Funds, Private
Miami, FL	5.75% - 6.25%	↔	Pension Funds, Private Equity Funds and Foreign	6.25% - 6.75%	↔	Private Equity Funds, Foreign	6.50% - 7.50%	↔	Advisors, Private Equity Funds, Foreign	7.00% - 8.00%	↔	Private Equity Funds
Tampa, FL	7.00% - 7.50%	↔	Private Equity Funds	8.00% - 8.50%	↔	Private Equity Funds	7.00% - 7.50%	↔	Private Equity, REITs	8.00% - 8.50%	↔	Private Equity Funds
Washington DC	4.75% - 5.50%	↔	Institutional, Foreign, REITs	5.50% - 6.25%	↔	Funds, Private, Advisors	5.75% - 6.50%	↔	REITs, Funds, Advisors, Pension	7.50% - 8.50%	↔	Pension Fund Advisors, Local Operators, Funds
WESTERN MARKETS	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders
Austin, TX	6.00% - 6.75%	↓	Institutional	6.50% - 7.25%	↓	Private	6.00% - 6.75%	↓	Institutional	6.50% - 7.25%	↓	Private
Dallas, TX	6.25% - 7.75%*	↓	Private, Funds	7.25% - 8.75%*	↓	Private	6.00% - 6.75%	↓	Institutional	8.50% - 9.25%	↓	Private
Denver, CO	5.75% - 6.75%	↓	Institutional	7.00% - 7.75%	↓	Private, Institutional	6.75% - 7.25%	↓	Private, Institutional	7.50% - 8.25%	↔	High Net, Private
Houston, TX	5.75% - 6.50%	↓	Institutional, Foreign	6.50% - 7.25%	↓	Private	6.00% - 6.75%	↓	Institutional	7.50% - 8.25%	↓	Private
Los Angeles, CA	5.00% - 5.75%	↔	Institutional	5.75% - 6.50%	↔	Opportunity Funds	6.25% - 7.00%	↓	Opportunity Funds			
Phoenix, AZ	6.25% - 7.00%	↓	Foreign, Public and Private REITs	7.25% - 8.00%	↓	Value Add and Opportunistic	6.50% - 7.25%	↓	Foreign, Public and Private REITs	7.00% - 7.75%	↓	Value Add and Opportunistic
Portland, OR	6.50% - 7.00%	↔	Pension Fund Advisors	7.50% - 8.00%	↔	Private Equity	7.50% - 8.00%	↔	Private Equity	8.00% - 8.50%	↔	Private Equity
Riverside, CA	6.00% - 7.25%	↔	Institutional	7.00% - 7.75%	↔	Private	7.00% - 7.75%	↓	Private			
Sacramento, CA	7.50% - 8.25%	↔	Institutional	8.00% - 8.75%	↔	Operators with JV	8.00% - 8.75%	↓	Operators with JV	8.25% - 9.00%	↔	Operators with JV
San Antonio, TX	7.00% - 7.75%	↓	Private	8.00% - 8.75%	↓	Private	7.75% - 8.50%	↓	Private	8.50% - 9.25%	↓	Private
San Diego, CA	6.00% - 6.75%	↔	Institutional	7.00% - 7.75%	↔	Private Capital	5.75% - 6.50%	↔	Institutional, Private Equity	7.50% - 8.25%	↓	Private Capital, Institutional, REITs
San Francisco, CA	4.75% - 5.50%	↔	Institutional, Foreign, REITs	4.75% - 5.50%	↔	Institutional	6.25% - 7.00%	↓	Institutional	7.00% - 7.75%	↔	Operators with JV
San Jose, CA	6.50% - 7.25%	↓	Institutional	7.50% - 8.25%	↓	Institutional	6.25% - 7.00%	↓	Institutional	7.00% - 7.75%	↓	Institutional
Seattle, WA	5.00% - 5.75%	↔	Institutional	5.00% - 5.75%	↔	Institutional	5.00% - 5.75%	↓	Institutional	6.00% - 6.75%	↔	Operators with JV
AVERAGE	6.02% - 6.86%			6.79% - 7.57%			6.50% - 7.21%			7.44% - 8.17%		
OVERALL CBD MARKETS							OVERALL SUBURBAN MARKETS					
CLASS A				CLASS B			CLASS A			CLASS B		
6.03% - 6.73%				6.78% - 7.50%			6.69% - 7.40%			7.83% - 8.58%		

*Dallas low end of CBD ranges reflect the uptown submarket.

INDUSTRIAL - WAREHOUSE

INDUSTRIAL FUNDAMENTALS

The industrial sector is firming rapidly, at a current 8.2% vacancy rate (down 70 bp YOY) with 78.5% capacity utilization. Rents are up 2.6% YOY through 1Q 2013 and construction remains significantly below long term averages at 0.5% of total inventory.

These firming conditions are expected to continue, buoyed by a firming economy and m-commerce and e-commerce trends stimulating industrial demand for “pick and pack” facilities. This has led some investors to refer to industrial as “the new multifamily” sector.

Industrial demand is expected to accelerate in late 2013-2014 as the global slowdown abates and the emergent rent recovery accelerates as we approach equilibrium vacancy rates.

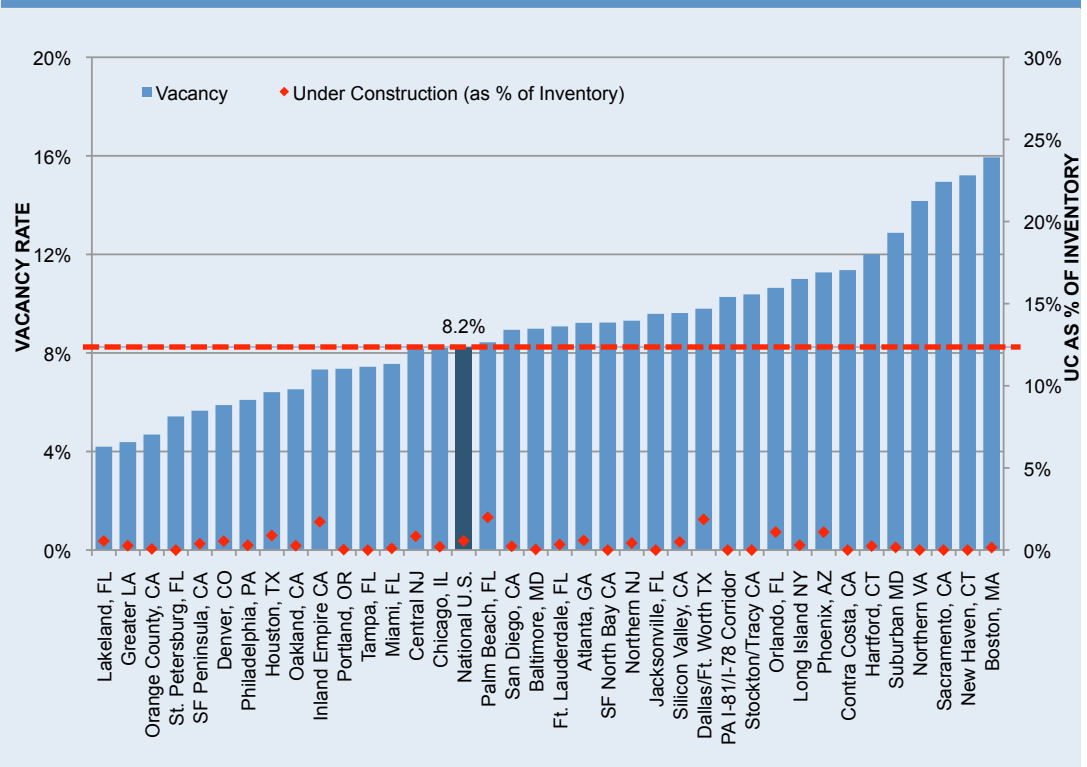
INDUSTRIAL CAP RATE SURVEY RESULTS

Industrial cap rates for class A assets ranged between 6.2-6.9% nationally, the highest across all major property sectors, as industrial lagged the multifamily and office recovery. Unsurprisingly, some of the lowest cap rates are in the key industrial markets of Southern California: LA, Orange County and Riverside (4.5-5.0% for class A), Miami (5.0-5.5%) and Northern NJ (5.3-6.0%), all markets with vacancy rates below US averages.

Moving from class A to class B industrial assets provided approximately 100 bp of incremental yield nationally to cap rates of 7.2-7.9%.

Amongst all property types, industrial exhibited some of the greatest expected cap rate compression in our survey, with lower cap rates forecasted for the majority of markets across both “A” and “B” sectors, and cap rates in 41 of 66 discrete markets expected to compress over the next six months.

NATIONAL WAREHOUSE VACANCY RATES ACROSS INDUSTRIAL MARKETS



Source: C&W Research, C&W Capital Markets

WAREHOUSE

US CAPITAL
MARKETS REPORT:
CAPITALIZATION
RATES BY ASSET
TYPE

EASTERN MARKETS						
	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders
Atlanta	6.00% - 6.75%	↓	Institutional, Equity Fund, Private REITs	7.00% - 7.75%	↓	Operator, Private
Baltimore	5.80% - 6.90%	↔	Institutional, Pension Advisors, Private Equity, Private REITs	5.85% - 7.80%	↔	Institutional Pension Advisors, Private Equity, Private REITs
Boston	7.50% - 8.25%	↔	Funds, Private REITs	9.00% - 9.75%	↔	Local Operators
Central PA	6.00% - 6.75%	↓	REITs, Private Investors, Fund Managers, Financial Institutions	7.25% - 8.00%	↓	REITs, Local Fund Managers, Privately Held Investors
Charlotte	6.75% - 7.50%	↓	Private REITs, Equity Fund, Operator	8.00% - 8.25%	↓	Operator, Private
Chicago	6.00% - 6.50%	↓	Pension Funds, REITs, Investment Fund Managers	7.25% - 7.75%	↓	Private Equity Industrial Funds, Leveraged Private Investors
Cincinnati	7.50% - 8.00%	↓	Private Equity Industrial Funds, Fund Managers, REITs	8.25% - 9.00%	↓	Private Equity Industrial Funds, Leveraged Private Investors
Columbus	7.50% - 8.00%	↓	Private Equity Industrial Funds, Fund Managers, REITs	8.50% - 9.25%	↓	Private Equity Industrial Funds, Leveraged Private Investors
Indianapolis	6.50% - 7.25%	↓	Pension Funds, Private Equity Industrial Funds, Investment Fund Managers, REITs	7.50% - 8.25%	↓	Private Equity Industrial Funds, Leveraged Private Investors
Lehigh Valley	5.75% - 6.50%	↓	REITs, Private Investors, Fund Managers, Financial Institutions	7.00% - 7.75%	↓	REITs, Local Fund Managers, Privately Held Investors
Memphis	7.00% - 7.75%	↔	Equity Fund, Operator, Private	8.00% - 8.75%	↔	Operator, Private
Miami	5.00% - 5.50%	↓	Pension Funds, Private Equity Industrial Funds, Investment Fund Managers, REITs	5.50% - 6.25%	↓	Pension Funds, Private Equity Industrial Funds, Investment Fund Managers, REITs
Minneapolis	6.75% - 7.50%	↓	REITs, Private Equity	8.00% - 8.75%	↓	REITs, Private Equity
Nashville	7.00% - 7.75%	↓	Private, Operator	7.50% - 8.25%	↓	Operator, Private
Northeastern PA	6.75% - 7.50%	↔	Private Investors, Fund Managers, Financial Institutions	8.00% - 8.75%	↔	Local Fund Managers, Privately Held Investors
Northern New Jersey	5.25% - 6.00%	↓	Institutional, REITs	6.25% - 6.75%	↓	Institutional, REITs, Private
Orlando	6.00% - 6.50%	↔	REITs, Advisors, Private Equity Funds	6.75% - 7.75%	↔	REITs and Private Equity Funds
Philadelphia Metro	6.25% - 7.00%	↓	Fund Managers, REITs	7.50% - 8.25%	↔	Local Fund Managers, Privately Held Investors
Tampa	6.25% - 6.75%	↔	REITs and Private Equity Funds	7.00% - 7.75%	↔	Private Equity Funds
WESTERN MARKETS						
	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders
Austin	6.50% - 7.00%	↓	Institutional	7.50% - 8.25%	↓	Private
Dallas	5.50% - 6.25%	↓	Pension Funds, Private Equity Industrial Funds, Investment Fund Managers, REITs	7.00% - 7.75%	↓	Pension Funds, Private Equity Industrial Funds, Investment Fund Managers, REITs
Denver	6.25% - 6.75%	↓	Institutional	7.25% - 7.75%	↓	Private
Houston	5.50% - 6.25%	↓	Pension Funds, Private Equity Industrial Funds, Investment Fund Managers, REITs	7.00% - 7.75%	↓	Pension Funds, Private Equity Industrial Funds, Investment Fund Managers, REITs
Los Angeles	4.50% - 5.00%	↔	REITs, Pension Funds	5.25% - 6.00%	↔	REITs, Pension Funds, Opportunity Funds
Orange County	4.50% - 5.00%	↔	REITs, Pension Funds	5.25% - 6.00%	↔	REITs, Pension Funds, Opportunity Funds
Portland	6.75% - 7.25%	↔	Pension Fund Advisors	7.50% - 8.00%	↔	Private Equity
Riverside	4.50% - 5.00%	↔	REITs, Pension Funds	5.75% - 6.50%	↔	REITs, Pension Funds, Opportunity Funds
Sacramento	7.00% - 7.75%	↓	Institutional	8.00% - 8.75%	↓	Operator w JV Equity
San Antonio	6.50% - 7.25%	↔	Private	8.00% - 8.75%	↔	Private
San Diego	6.00% - 6.75%	↔	Institutional, REITs, Private Capital	7.00% - 7.75%	↔	Institutional, REITs, Private Capital
San Francisco	5.50% - 6.25%	↓	Institutional	6.00% - 6.75%	↓	Institutional
San Jose	7.00% - 7.75%	↓	Institutional	7.00% - 7.75%	↓	Institutional
St. Louis	6.75% - 7.50%	↓	Pension Funds, Private Equity Industrial Funds, Investment Fund Managers, REITs	7.75% - 8.50%	↓	Private Equity Industrial Funds, Leveraged Private Investors
AVERAGE	6.91% - 6.55%			6.88% - 7.59%		
OVERALL						
CLASS A	6.19% - 6.86%			CLASS B	7.16% - 7.91%	

MULTIFAMILY

MULTIFAMILY FUNDAMENTALS

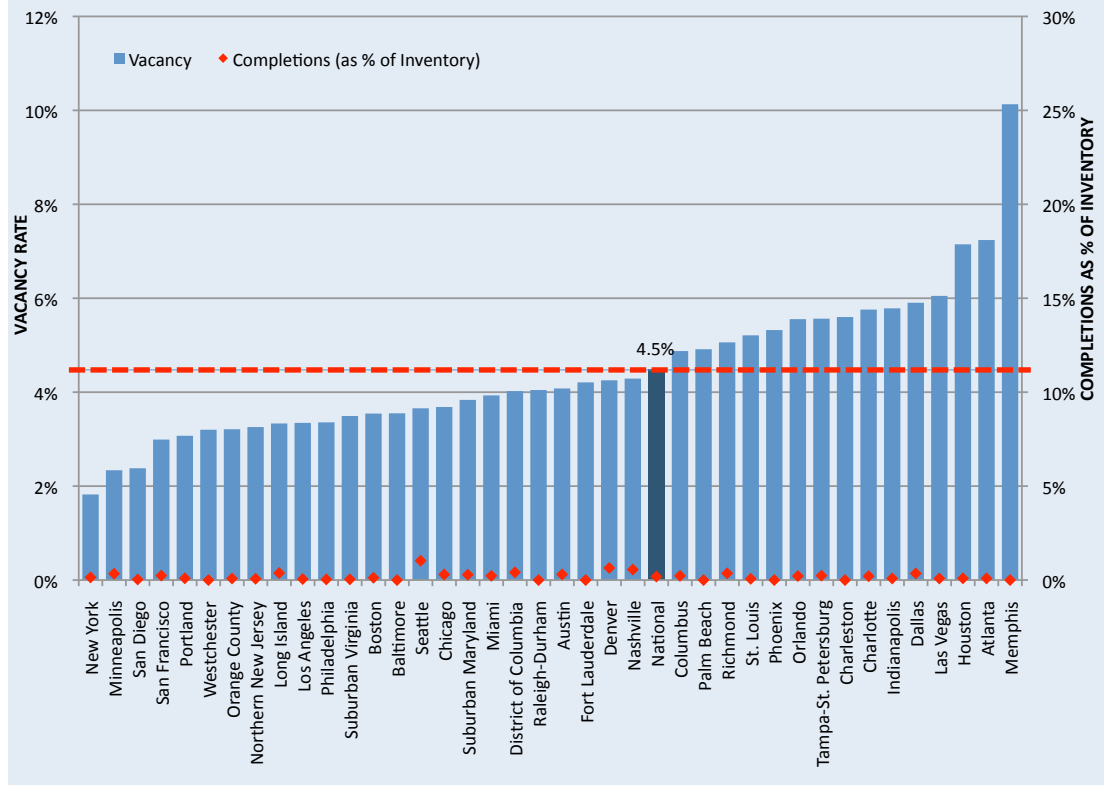
The national multifamily vacancy rate of 4.65% is below its 2007 level, making it the first property sector to reach pre-recession levels in terms of pricing and vacancy rates. According to Moody's May Commercial Property Price Index, major multifamily markets have surpassed their January 2008 peak pricing by 6.9%. Market momentum is strong with vacancy rates falling 79 bp YOY and rents increasing 13%. Despite a move towards "building to core" returns, construction doubled over the year, but remained near historically low levels at 0.27% of total inventory. Strong fundamentals, spurred on by pent up household formations from the boomerang generation, are expected to continue to propel rent growth in this sector throughout 2013.

MULTIFAMILY CAP RATE SURVEY

Multifamily pricing recovered ahead of the other property sectors and has outperformed them in terms of total return as well as rent growth. As a result of these factors and continued supply of GSE financing, cap rates are the lowest of all property sectors. Cap rates average 4.8-5.5% for Class A assets, with an incremental 100 bp for class B assets and about 200 bp for class C assets. Despite the low levels of Class A cap rates, investors are applying a material risk premium in B and C quality assets. Class A assets in the tightest markets are trading at 3.75% (LA, Orange County, San Diego, SF, NYC, and Washington DC) while secondary Class B assets are trading at 7.50-7.75% (St. Louis and Indianapolis), making the risk spread a substantial 375+ basis points.

The movement by multifamily investors beyond exclusively primary markets to secondary markets in a search for yield began in 2012, and future appreciation is expected to come primarily from income growth in these markets as opposed to cap rate compression. Secondary assets and markets, however, are expected to experience continued cap rate compression due to limited availability of product and strong appetite from investors. Market momentum points towards 50 bp of cap rate compression in 2013 in secondary markets and assets in markets such as Charlotte, Las Vegas, and Raleigh-Durham.

NATIONAL VACANCY RATES ACROSS MULTIFAMILY MARKETS



Source: Reis, C&W Capital Markets

MULTIFAMILY

US CAPITAL
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CAPITALIZATION
RATES BY ASSET
TYPE

EASTERN MARKETS	Class A	Trend Next 6 Mo.	Class B	Trend Next 6 Mo.	Class C	Trend Next 6 Mo.
Atlanta	4.75% - 5.50%	↔	5.75% - 6.50%	↓	6.75% - 7.75%	↔
Baltimore	4.00% - 4.50%	↔	5.50% - 6.00%	↔	6.50% - 7.00%	↔
Boston	4.00% - 4.50%	↔	5.00% - 6.00%	↔	7.00% - 8.00%+	↓
Charlotte	4.50% - 5.50%	↔	5.75% - 6.50%	↓	7.00% - 8.00%	↔
Chicago	4.75% - 5.50%	↔	5.50% - 6.50%	↔	6.50% - 8.00%	↔
Columbus	6.00% - 7.00%	↔	7.00% - 8.00%	↔	8.00% - 9.00%	↔
Indianapolis	6.25% - 7.50%	↔	7.75% - 8.50%	↓	9.00% - 11.00%	↓
Jacksonville	5.00% - 5.50%	↔	6.00% - 6.50%	↔	7.00%+	↔
Minneapolis	5.00% - 5.50%	↔	6.00% - 7.00%	↔	7.00% - 8.50%	↔
Nashville	5.00% - 5.50%	↔	6.00% - 7.00%	↓	7.00% - 8.00%	↔
Northern New Jersey	4.50% - 5.00%	↔	5.50% - 6.00%	↔	6.50% - 7.50%	↔
New York (NYC)	3.75% - 4.00%	↔	4.50% - 5.00%	↔	5.50% - 6.50%	↔
Orlando	5.50% - 6.00%	↓	6.00% - 6.75%	↓	6.75%+	↔
Philadelphia	5.00% - 5.75%	↔	6.00% - 6.75%	↔	6.75% - 7.50%	↔
Raleigh-Durham	4.50% - 5.25%	↓	5.50% - 6.00%	↓	6.75% - 7.50%	↓
South Florida	4.50% - 5.00%	↓	5.50% - 6.25%	↔	7.00%+	↔
Tampa	5.50% - 6.00%	↓	5.90% - 6.75%	↓	6.75%+	↔
Washington	3.75% - 4.25%	↑	5.25% - 5.75%	↔	6.00% - 7.00%	↔
AVERAGE	4.79% - 5.43%		5.80% - 6.54%		6.88% - 7.93%	

WESTERN MARKETS	Class A	Trend Next 6 Mo.	Class B	Trend Next 6 Mo.	Class C	Trend Next 6 Mo.
Austin	4.50% - 6.00%	↔	6.00% - 7.00%	↓	7.00% - 8.00%	↔
Dallas	5.00% - 6.25%	↔	6.50% - 8.25%	↓	8.00% - 10.00%	↔
Denver	4.50% - 5.00%	↔	5.50% - 6.00%	↔	6.25% - 6.75%	↔
Houston	5.00% - 6.25%	↔	6.25% - 8.00%	↓	7.25% - 9.00%	↔
Inland Empire	5.00% - 5.50%	↔	5.50% - 6.00%	↓	6.00% - 7.00%	↔
Las Vegas	5.50% - 6.00%	↓	6.00% - 6.50%	↔	7.00%+	↔
Los Angeles	3.75% - 4.25%	↔	4.75% - 5.50%	↔	5.50% - 6.50%	↔
Orange County	3.75% - 4.25%	↔	4.75% - 5.25%	↔	5.25% - 6.00%	↔
Phoenix	4.75% - 5.50%	↔	5.75% - 6.50%	↔	6.50% - 7.50%	↑
Portland	4.75% - 5.25%	↔	5.50% - 6.00%	↔	6.00% - 7.00%	↔
Sacramento	5.00% - 5.50%	↔	5.75% - 6.50%	↔	6.50% - 7.50%	↔
Salt Lake City	5.50% - 6.00%	↔	6.00% - 6.75%	↔	7.00%+	↔
San Antonio	5.50% - 6.50%	↓	6.00% - 6.75%	↓	7.50% - 8.50%	↔
San Diego	3.75% - 4.50%	↔	4.50% - 5.00%	↔	5.50% - 6.00%	↔
San Francisco	3.75% - 4.50%	↔	4.90% - 5.50%	↔	5.50% - 6.50%	↔
Seattle	4.00% - 4.50%	↔	5.00% - 6.00%	↔	6.00% - 7.00%	↔
St. Louis	6.50% - 7.50%	↔	7.50% - 8.50%	↔	8.50% - 9.50%	↔
AVERAGE	4.74% - 5.49%		5.66% - 6.47%		6.54% - 7.57%	

OVERALL NATION

CLASS A
4.76% - 5.46%

CLASS B
5.73% - 6.51%

CLASS C
6.71% - 7.75%

RETAIL

RETAIL FUNDAMENTALS

Retail was the last property sector to demonstrate rental growth, however, it too has turned the corner. Retail sales grew by 0.6% in the first quarter of 2013 despite a March drop attributable to tax increases and a spike in fuel prices which slowed consumer spending. The US consumer has remained resilient despite the 2% Social Security payroll tax increase and fiscal cliff concerns, and consumer sentiment rose in March reflecting a stabilizing job environment.

The national vacancy rate for retail properties fell 27 bp YOY to 10.7%, and retail rents turned the corner in 2012, increasing by 0.6% YOY.

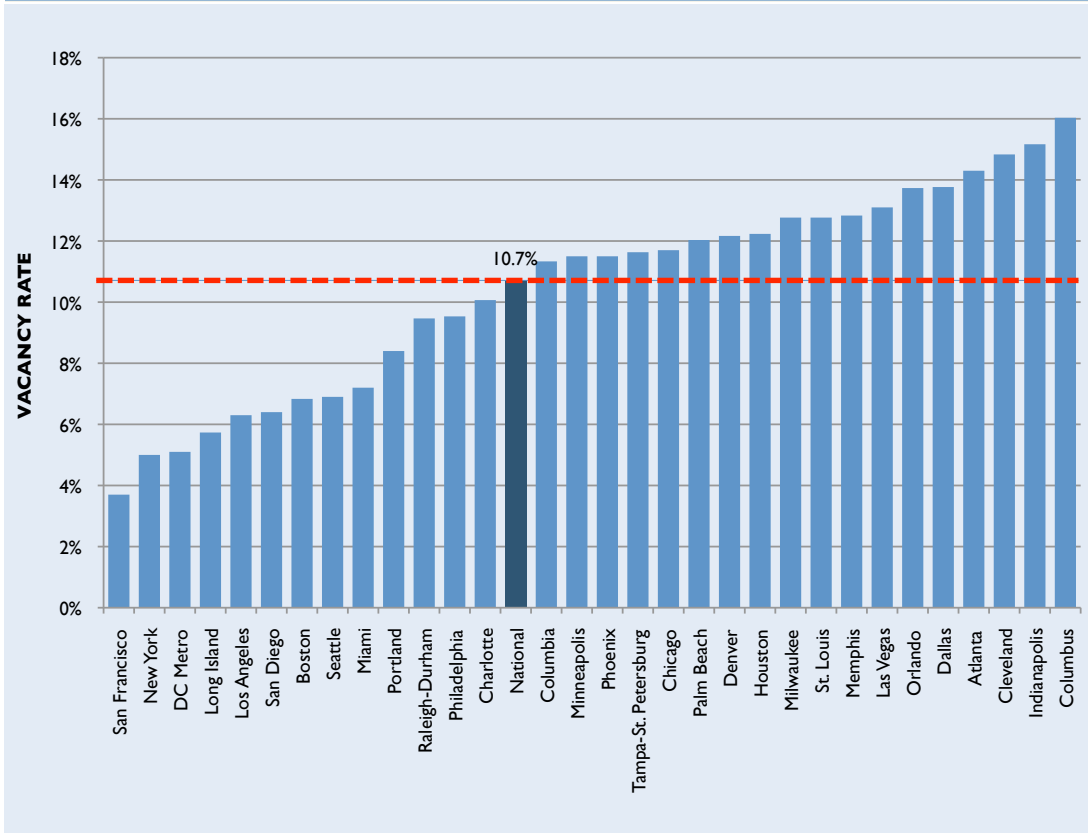
RETAIL CAP RATE SURVEY

Cap rates for strip centers are compressing with Class A properties trading at going in cap rates of 5.5-6.3%, with an incremental 50 bp for secondary market assets of similar quality and 100 bp of incremental yield on class B properties. Class A malls are trading at 5.3-6.0% on average, with cap rates in the mid 4% range in markets such as Los Angeles. High street retail in luxury corridors in NYC are in high demand, trading in the sub-4% range. Cap rates for class B malls in the secondary markets are trading at a wider range of 7.4-8.3%.

Retail represents the widest trading band of all property types, reflecting the bifurcated nature of retail, which is either highly occupied, or highly vacant (once an anchor is lost).

Looking forward over the next six months, retail cap rates are expected to compress modestly, particularly in the secondary markets which have not rallied to the same extent as the top primary markets to date. Texas, Denver, and Southern California are all expected to experience material cap rate compression in the second half of 2013.

NATIONAL VACANCY RATES ACROSS RETAIL MARKETS



Source: Reis, C&W Capital Markets

RETAIL: MALLS

EASTERN MARKETS	PRIMARY						SECONDARY					
	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders
Atlanta	5.00% - 6.00%	↘	Public, Institutional	7.00% - 7.75%	↔	Public, Institutional, Private	5.50% - 6.50%	↘	Public, Institutional	7.00% - 7.75%	↔	Public, Institutional, Private
Boston	4.25% - 5.00%	↔	Institutional	6.25% - 7.00%	↔	Institutional	5.75% - 6.50%	↔	Institutional, Private	7.00% - 7.75%	↔	Institutional, Private
Charlotte	6.00% - 7.00%	↔	Public, Institutional, Private	7.00% - 8.00%	↔	Private	6.00% - 7.00%	↔	Public, Institutional, Private	7.00% - 8.00%	↔	Private
Chicago	5.00% - 5.75%	↘	REITs, Private REITs, Private Equity	6.50% - 7.25%	↔	REITs, Private	6.25% - 7.00%	↘	REITs, Private REITs, Private	7.50% - 8.25%	↔	Private REITs, Private
Miami	4.50% - 5.50%	↘	Public, Institutional	6.50% - 7.50%	↘	Public, Institutional, Private	5.00% - 6.00%	↘	Public, Institutional	6.50% - 7.50%	↘	Public, Institutional, Private
Minneapolis	N/A	N/A	N/A	N/A	N/A	N/A	7.50% - 8.00%	↔	Institutional	N/A	N/A	N/A
Northern NJ	N/A	N/A	N/A	N/A	N/A	N/A	5.00% - 5.75%	↔	Institutional Investors	6.25% - 7.00%	↘	Institutional, REITs
Orlando	5.75% - 6.50%	↔	Public, Institutional	7.00% - 8.00%	↔	Private	5.75% - 6.50%	↔	Public, Institutional	7.00% - 8.00%	↔	Private
Philadelphia	6.00% - 6.75%	↔	REITs, Private, Funds	6.75% - 7.5%	↔	Private, Funds	7.50% - 8.25%	↔	REITs	8.25% - 9.00%	↔	Private, Fund Operators
Tampa	5.75% - 6.50%	↔	Public, Institutional	7.00% - 8.00%	↔	Private	5.75% - 6.50%	↔	Public, Institutional	7.00% - 8.00%	↔	Private
AVERAGE	5.28% - 6.13%			6.75% - 7.63%			6.00% - 6.80%			7.06% - 7.92%		
WESTERN MARKETS	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders
Austin	N/A	N/A	N/A	N/A	N/A	N/A	6.25% - 7.00%	↘	Pension Funds, Institutional	8.50% - 9.00%	↘	Private, Local Buyers, Private REITs, Public REITs
Dallas	N/A	N/A	N/A	N/A	N/A	N/A	6.25% - 7.00%	↘	Pension Funds, Institutional	8.50% - 9.00%	↘	Private, Local Buyers, Private REITs, Public REITs
Denver	N/A	N/A	N/A	N/A	N/A	N/A	5.00% +/-	↘	Public REITs	7.00% - 9.00%	↔	Private
Houston	N/A	N/A	N/A	N/A	N/A	N/A	6.25% - 7.00%	↘	Pension Funds, Institutional	8.50% - 9.00%	↘	Private, Local Buyers, Private REITs, Public REITs
Las Vegas	4.75% - 5.25%	↔	Pension Funds	6.25% - 7.00%	↔	Institutional, Regional	5.50% - 6.25%	↔	Regional, Private	8.00% - 8.75%	↔	Regional, Private
Los Angeles	4.50% - 5.00%	↔	Pension Funds	5.75% - 6.50%	↔	Institutional, Regional	5.00% - 5.50%	↘	Pension Funds, Advisors, Regional	6.75% - 7.25%	↘	Regional, Private REITs, Public REITs
Portland	6.50% - 7.00%	↔	Pension Fund Advisors	7.25% - 7.75%	↔	Private Equity	6.50% - 7.00%	↔	Pension Fund Advisors	7.50% - 8.00%	↘	Private Equity
Riverside	6.25% - 7.00%	↔	Regional, Private REIT	7.25% - 8.00%	↔	Regional	6.50% - 7.00%	↘	Pension Funds	8.00% - 8.75%	↔	Regional, Private
San Antonio	N/A	N/A	N/A	N/A	N/A	N/A	6.25% - 7.00%	↘	Pension Funds, Institutional	8.50% - 9.00%	↘	Private, Local Buyers, Private REITs, Public REITs
San Diego	4.75% - 5.25%	↔	Pension Funds	N/A	N/A	N/A	5.00%	↘	Pension Funds	6.50% - 8.00%	↔	Regional, Private REITs, Public REITs
AVERAGE	5.35% - 5.90%			6.63% - 7.31%			5.85% - 6.72%			7.78% - 8.85%		

OVERALL PRIMARY MARKETS

CLASS A
5.31% - 6.04%

CLASS B
6.71% - 7.52%

OVERALL SECONDARY MARKETS

CLASS A
5.93% - 6.76%

CLASS B
7.43% - 8.26%

RETAIL: STRIP CENTERS

US CAPITAL
MARKETS REPORT:
CAPITALIZATION
RATES BY ASSET
TYPE

EASTERN MARKETS	PRIMARY						SECONDARY					
	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders
Atlanta, GA	5.75% - 6.50%	↘	Public, Institutional, Private	6.75% - 7.50%	↔	Public, Institutional, Private	6.00% - 6.75%	↘	Public, Institutional, Private	7.25% - 8.00%	↔	Private, Public
Boston, MA	4.25% - 5.00%	↔	Private, International	5.25% - 6.00%	↔	Institutional, Private	6.50% - 7.25%	↘	Institutional, REITs	7.25% - 8.00%	↘	Private, Institutional, REITs
Charlotte, NC	6.25% - 7.00%	↔	Public, Institutional, Private	7.00% - 8.00%	↗	Private	6.50% - 7.25%	↔	Public, Institutional, Private	7.50% - 8.25%	↗	Private
Chicago, IL	4.25% - 5.00%	↘	Institutions, Public REITs, Private REITs	5.50% - 6.25%	↘	Institutions, Private REITs	5.75% - 6.50%	↘	Institutional, Sovereign, Private	6.75% - 7.50%	↔	Institutions, Private REITs, Public REITs
Miami, FL	5.25% - 6.00%	↘	Public, Institutional	6.00% - 7.00%	↘	Public, Institutional, Private	5.25% - 6.00%	↘	Public, Institutional	6.25% - 7.25%	↘	Public, Institutional, Private
Minneapolis, MN	N/A	N/A	N/A	N/A	N/A	N/A	6.00% - 6.50%	↔	All types	7.50% - 8.00%	↔	Non-institutional
Northern NJ							5.50% - 6.00%	↔	Institutional	6.25% - 7.00%	↘	Institutional, REITs
New York (NYC)	4.25% - 5.00%	↔	Private, Local Capital	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Orlando, FL	6.00% - 6.75%	↘	Public, Institutional, Private	7.00% - 7.75%	↘	Public, Institutional, Private	6.00% - 6.75%	↘	Public, Institutional, Private	7.00% - 7.75%	↘	Public, Institutional, Private
Tampa, FL	6.00% - 6.75%	↘	Public, Institutional, Private	7.00% - 7.75%	↘	Public, Institutional, Private	6.00% - 6.75%	↘	Public, Institutional, Private	7.00% - 7.75%	↘	Public, Institutional, Private
AVERAGE	5.25% - 6.00%			6.36% - 7.18%			5.94% - 6.64%			6.97% - 7.72%		
WESTERN MARKETS	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders	Class A	Trend Next 6 Mo.	Top Bidders	Class B	Trend Next 6 Mo.	Top Bidders
Austin, TX	6.75% - 7.50%	↔	Public & Private REITs	7.50% - 8.25%	↔	Private REITs, Private Investors	7.00% - 7.75%	↔	Public REITs, Private REITs, Institutional, Pension Funds	7.75% - 8.75%	↔	Public REITs, Private REITs, Private Investors
Dallas, TX	5.50% - 6.25%	↘	Public REITs, Private REITs, Institutional, Pension Funds	7.25% - 8.00%	↘	Private REITs, Private Investors	5.75% - 6.50%	↘	Public REITs, Private REITs, Institutional, Pension Funds	7.50% - 8.25%	↘	Public REITs, Private REITs, Private Investors
Denver, CO	N/A	N/A	N/A	N/A	N/A	N/A	6.00% - 7.00%	↘	Public REIT	7.50% - 8.50%	↔	High net
Houston, TX	5.75% - 6.75%	↔	Public REITs, Private REITs	7.50% - 8.25%	↔	Private REITs, Private Investors	6.00% - 6.75%	↔	Public REITs, Private REITs, Institutional, Pension Funds	7.75% - 8.50%	↔	Public REITs, Private REITs, Private Investors
Las Vegas, NV	4.00% - 5.00%	↔	Institutional	5.25% - 6.00%	↔	Regional	6.25% - 6.75%	↔	Institutional	7.00% - 7.50%	↔	Regional, Local
Los Angeles, CA	4.75% - 5.50%	↔	Institutional	5.25% - 6.00%	↔	Various	5.25% - 5.75%	↔	Institutional	6.00% - 6.75%	↔	Regional, Local
Phoenix, TX	6.00% - 6.75%	↔	Institutional, Regional	7.25% - 8.50%	↔	Regional, Private Investors	6.00% - 6.75%	↔	Institutional, Regional	7.25% - 8.50%	↔	Regional, Private Investors
Portland, OR	6.50% - 7.00%	↔	Pension Fund Advisors	7.25% - 7.75%	↔	Private Equity	7.00% - 7.5%	↔	Private Equity	7.75% - 8.25%	↘	Private Equity
Riverside, CA	6.50% - 7.25%	↔	Regional	7.25% - 7.75%	↔	Regional	6.50% - 7.00%	↔	Various	6.75% - 7.50%	↔	Regional, Local
San Antonio, TX	6.75% - 7.75%	↔	Public REITs, Private REITs	7.75% - 8.75%	↔	Private REITs, Private Investors	7.25% - 7.75%	↔	Public REITs, Private REITs, Institutional, Pension Funds	8.00% - 8.75%	↔	Public REITs, Private REITs, Private Investors
San Diego, CA	4.75% - 5.50%	↔	Institutional	5.75% - 6.50%	↔	Various	5.25% - 5.75%	↔	Institutional	6.50% - 7.25%	↔	Regional, Local
San Jose, CA	N/A	N/A	N/A	N/A	N/A	N/A	5.50% - 6.25%	↔	Mixed	6.50% - 7.25%	↔	Mixed
AVERAGE	5.73% - 6.53%			6.80% - 7.58%			6.15% - 6.79%			7.19% - 7.98%		

OVERALL PRIMARY MARKETS

CLASS A
5.51% - 6.29%

CLASS B
6.62% - 7.41%

OVERALL SECONDARY MARKETS

CLASS A
6.06% - 6.73%

CLASS B
7.10% - 7.87%

CONCLUSION

Investor capital flows remain quite strong for real estate, and most investors are increasing acquisitions targets on a year-over-year basis. This strong equity and debt appetite together with solid fundamentals point to flat to lower cap rates across property sectors barring an economic setback-either a downturn in the economy or materially higher interest rates.

As a result, the C&W survey points to lower to flattening cap rates across property sectors with only isolated pockets of upward cap rate pressure (in DC for example given the fiscal cliff cutbacks).

While multifamily has the overall lowest cap rates across property sectors, further cap rate compression is expected in the secondary multifamily markets in 2013 as investor appetite remains quite strong. The industrial sector has the most momentum and is expected to sustain significant cap rate compression in 2013 with the majority of markets/sectors expecting lower cap rates. And while suburban office product has the highest cap rates for Class A assets, cap rates are expected to compress for prime suburban office product as CMBS lending revives in 2013.

OFFICE

Class A CBD cap rates are between 6.0-6.7%, Class A suburban properties on average provide an incremental 65 bp of yield (to 6.7-7.4%), and Class B CBD assets provide approximately 75 bp of incremental yield over Class A CBD assets (to 6.8-7.5%). And Class B suburban assets trade at a premium of 100 bp to Class B CBD assets (7.8-8.6%).

Overall, market indicators point towards gateway markets remaining in high demand with flattening but very low cap rates, and second tier markets poised to experience increasing cap rate compression over the next six months as they are trading at historically wide levels.

INDUSTRIAL – WAREHOUSE

Class A assets ranged between 6.2-6.9% nationally, with some of the lowest cap rates in the key industrial markets of Southern California. Class B industrial assets provided approximately 100 bp of incremental yield nationally to cap rates of 7.2-7.9%.

Industrial exhibited some of the greatest expected cap rate compression in our survey, with falling cap rates forecasted for the majority of markets across both “A” and “B” sectors, and cap rates in 41 of 66 discrete markets expected to compress over the next six months.

MULTIFAMILY

Class A cap rates average 4.8-5.5%, with an incremental 100 bp for class B assets and 200 bp for class C assets.

As multifamily investors moved to secondary markets in 2012, future appreciation in 2013 is expected to come primarily from income growth in the primary markets. Secondary assets and markets are expected to experience 50 bp of further cap rate compression due to limited availability of product and strong appetite from investors.

RETAIL

High street retail in luxury corridors in NYC is trading in the sub-4% range. Class A malls are trading at 5.3-6.0% on average, with cap rates in the mid-4% range in markets such as Los Angeles. Cap rates for Class B malls in the secondary markets are trading at a wider range of 7.8-8.9%. Strip Centers are trading in a tighter band. Class A properties are trading at going in cap rates of 5.5-6.3%. Secondary market assets trade at an incremental 50 bp for similar quality assets, and Class B assets trade at 100 bp of incremental yield.

Retail cap rates are expected to compress modestly, particularly in the secondary markets which have not yet rallied to the same extent as the top primary markets to date. Texas, Denver and Southern California are all expected to experience material cap rate compression in the second half of 2013.

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