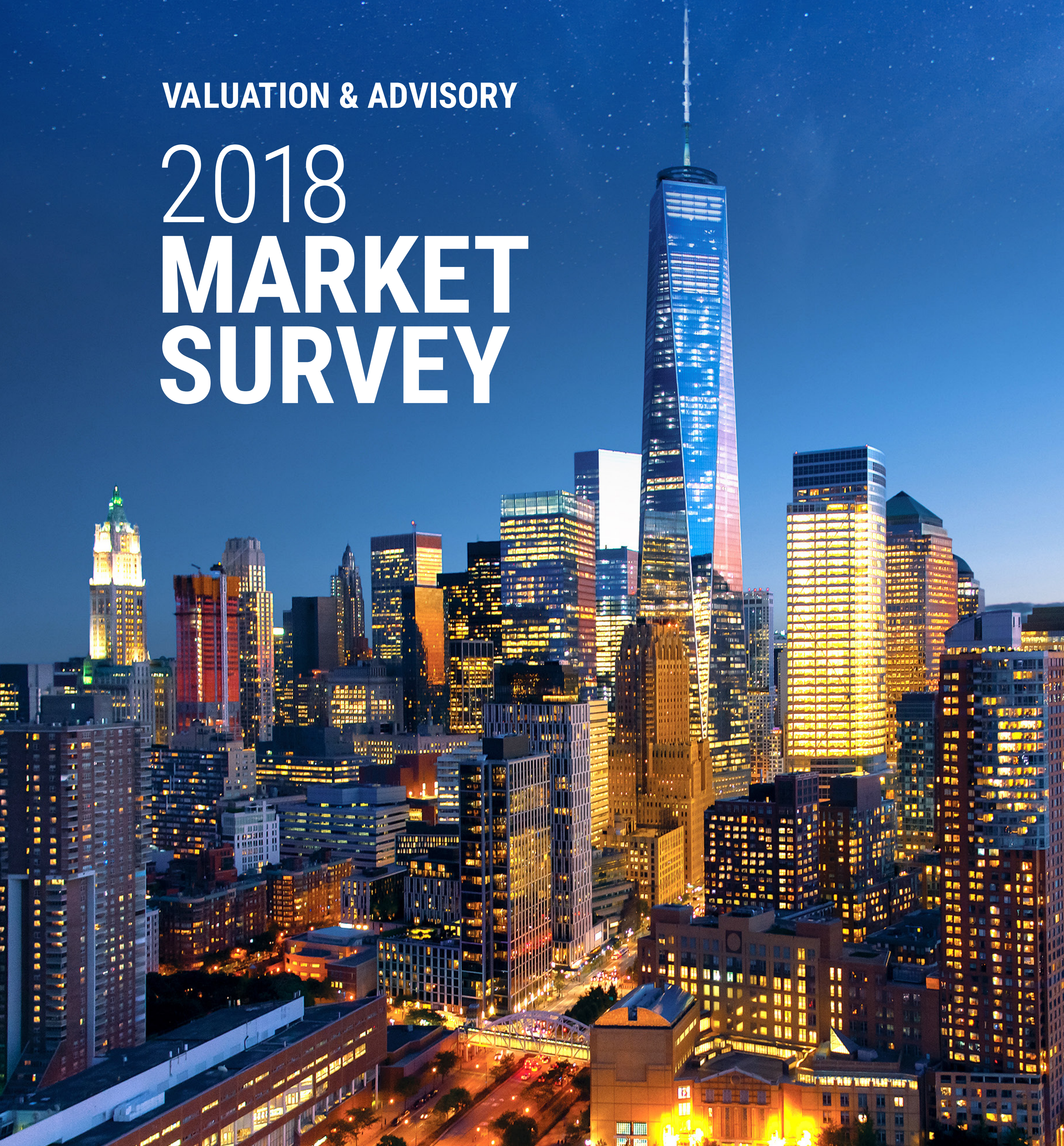
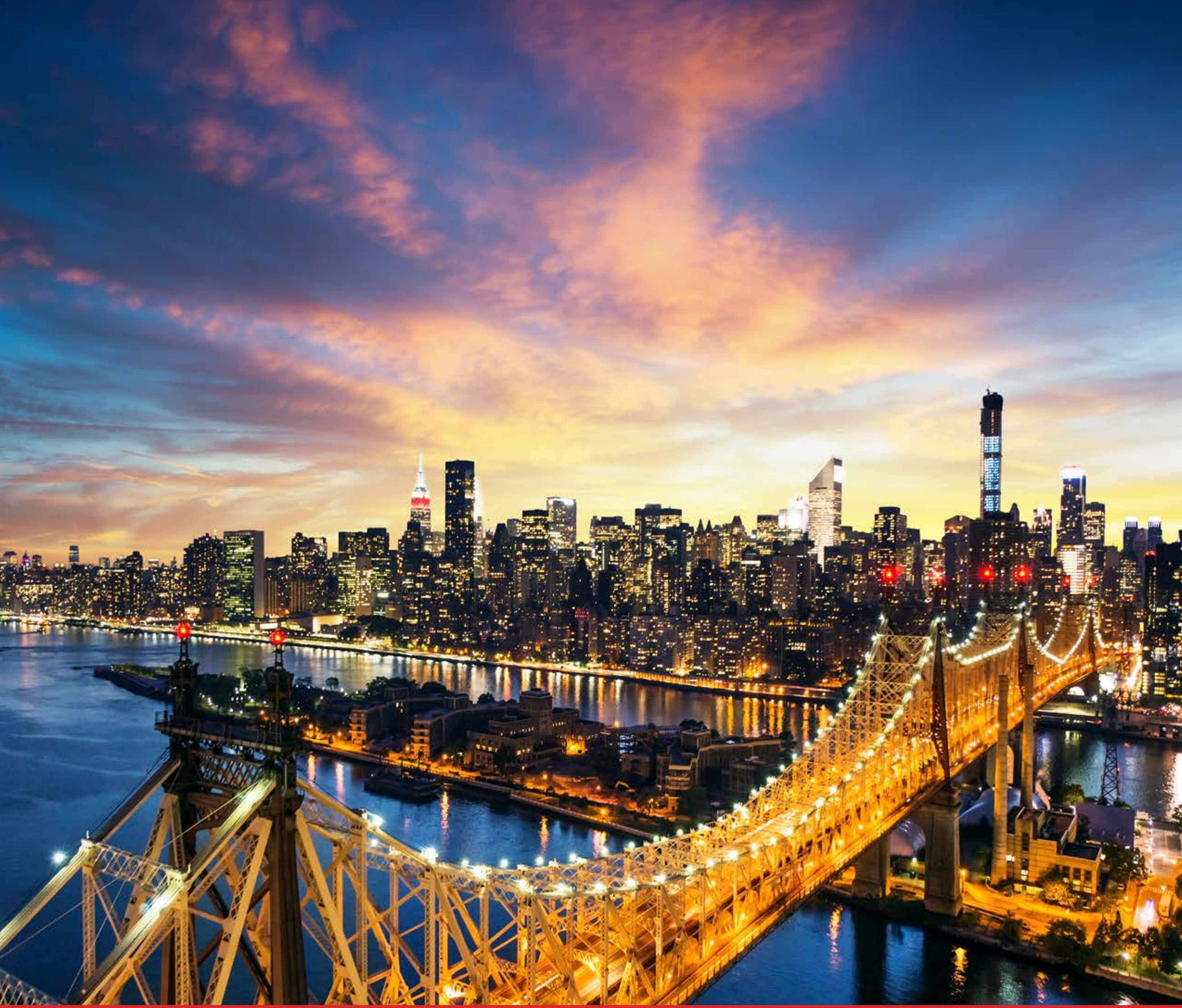
Newmark Knight Frank

VALUATION & ADVISORY

2018 MARKET SURVEY





ABOUT NEWMARK KNIGHT FRANK **VALUATION & ADVISORY**

Newmark Knight Frank Valuation & Advisory (V&A) is a leading industry innovator, comprising an extensive team of the most trusted and recognized names in the valuation sector.

Headquartered in New York and Houston, Newmark Knight Frank V&A professionals serve clients from more than 60 offices throughout the Americas. Our practice is tightly integrated with London-headquartered Knight Frank's Valuation & Advisory organization—a premier service provider with a highly respected professional staff covering Europe, the Middle East, Africa, Asia and Australia. This global platform enables us to effectively serve owners, investors, developers and financial institutions worldwide.

The V&A team possesses a deep understanding of local markets and trends, coupled with access to extensive proprietary and third-party market data. We have real-time access to market transaction activity through a close alignment with Newmark Knight Frank's capital markets practice—one of the most prevalent and fastest-growing capital markets platforms in the industry.

Welcome to the first edition of the Newmark Knight Frank Valuation & Advisory Market Survey, an in-depth, city-by-city report featuring capitalization rates, discount rates and several additional metrics reflective of current market activity.

INTRODUCTION BY

JOSEPH D. PASQUARELLA, MAI, CRE, FRICS

Senior Managing Director | Valuation & Advisory
Market Leader – East PA, DE

The four traditional property types of Office, Retail, Multifamily and Industrial/Logistics are included, as are national specialty reports from Healthcare & Seniors Housing; Hospitality, Gaming & Leisure; Regional Malls and Lifestyle Centers; and Self Storage.

Some highlights of our report include the following:

- **Sales volumes remain strong** but are below the peak period established 4Q2015. The current wave of investment is led by industrial/logistics and several multi-billion-dollar office portfolio transactions (especially through mergers and acquisitions) as well as continued frothy multifamily investments.
- **Cap rates have been relatively resilient** in the face of interest rate increases, partly because investors anticipated the increased cost of debt, and partly because investor demand for real estate remains strong. Among the main reasons for this demand are the overall healthy economic fundamentals of a robust national economy.
- **Investment activity in secondary areas has increased** markedly, as investors are seeking higher yields.
- **Key variables to watch:** Pace of interest rate increases; leading economic indicators; and new construction

4Q2018 **GOING-IN CAP RATE CLASS A**

	PROPERTY TYPE	Austin, TX	Baltimore, MD	Boston, MA	Central US (AR, OK, KS, MO)	Chicago, IL	Dallas, TX	Denver, CO	Houston, TX	Las Vegas, NV	Los Angeles, CA
REGIONAL RATES	CBD Office	5.50%	6.75%	5.00%	7.00%	6.50%	7.25%	5.75%	7.50%	6.00%	5.00%
	Suburban Office	6.50%	7.25%	6.50%	6.50%	7.00%	8.00%	6.50%	8.25%	6.25%	5.25%
	Power Centers	7.00%	6.00%	6.50%	6.50%	6.50%	7.00%	6.50%	7.00%	6.50%	
	Lifestyle Centers	6.50%		7.00%	6.50%	6.50%	6.50%	6.25%	6.50%	7.00%	5.00%
	Grocery Anchor Retail	6.00%	6.00%	5.50%	6.50%	6.00%	6.00%	5.50%	6.50%	6.50%	5.25%
	Unanchored Strip	7.25%	6.50%	7.50%	7.00%	7.00%	6.75%	6.00%	7.00%	6.00%	5.50%
	High Street Retail	6.00%				5.00%	5.75%	6.00%	6.00%		
	Single Tenant - Drug Store	5.75%	5.00%	5.00%	5.50%	6.00%	5.50%	5.50%	6.00%	6.00%	5.00%
	Single Tenant - Casual Dining	7.00%	6.00%		6.00%	5.75%	5.75%	6.50%	6.00%	6.00%	5.75%
	Single Tenant - Bank Branch	7.00%	5.50%	5.00%	6.00%	5.00%	7.25%	6.00%	7.50%	6.00%	5.00%
	Single Tenant - Auto Parts	7.25%		5.75%	6.00%	5.75%	6.75%	6.00%	7.00%	6.75%	
	Single Tenant - Medical	7.00%			5.75%	6.25%	6.75%	6.00%	7.00%	5.50%	
	Single Tenant - Quick Service Restaurant	6.00%	6.00%		6.00%	5.50%	5.75%	5.75%	6.00%	5.00%	5.75%
	Single Tenant - Dollar Stores	7.50%	5.50%	6.25%	6.00%	6.75%	6.25%	6.50%	6.50%	6.50%	5.00%
	CBD Multifamily	4.75%	5.00%	4.25%	6.00%	4.25%	4.75%	4.50%	5.00%	5.00%	4.00%
	Suburban Multifamily	5.75%	5.00%	5.00%	6.00%	5.00%	5.25%	4.75%	5.50%	4.75%	4.25%
	Student Housing (Tier 1/Tier 2)	6.50%			6.00%	5.50%	5.50%		5.75%		
	Warehouse/Logistics	5.50%	5.50%	5.00%	6.50%	5.00%	6.25%	5.50%	6.50%	5.50%	4.75%
	R&D/Flex	7.50%	7.50%	6.50%		7.50%	6.75%	6.50%	7.00%	5.50%	5.25%
	General Industrial	7.00%	7.50%	6.00%		6.00%	7.00%	6.00%	7.25%	5.50%	5.00%
	Self Storage	7.00%	6.00%	5.00%	6.50%	6.50%	6.00%	5.75%	6.00%	5.50%	
NATIONAL RATES	Sr. Housing - 55+ Apartments										
	Sr. Housing - Independent Living										
	Sr. Housing - Assisted Living Memory Care										
	Skillled Nursing										
	Sr. Housing - CCRC										
	Hotel - Luxury										
	Hotel - Resort										
	Hotel - Full Service										
	Hotel - Select Service										
	Hotel - Limited Service										
	Hotel - Extended Stay										
	Hotel - Airport/Highway										
	Regional Malls										
	Lifestyle Centers										

Source: These rates were compiled and submitted by NKF V&A Market Leaders and Specialty Directors based on current market activity including recent sales and discussions with market participants and service professionals.

Minneapolis, MN	Northern New Jersey	New York City, NY	Ohio	Philadelphia, PA	Phoenix, AZ	Pittsburgh, PA	San Francisco, CA	Seattle, WA	South Florida	Washington, DC	Wilmington, DE	Seniors Housing	Hospitality	Regional Malls / Lifestyle Centers
6.50%	6.25%	4.25%	7.00%	6.50%	6.00%	7.25%	4.50%	4.75%	6.00%	4.50%	8.00%			
7.00%	6.25%	6.25%	7.50%	7.50%	6.25%	7.25%	6.50%	5.25%	7.50%	6.00%	7.00%			
8.00%	7.00%	4.50%		6.25%	6.50%	7.75%	5.00%	6.50%		6.00%	8.00%			
8.00%	7.00%	7.00%	6.50%	8.00%	7.00%	7.50%		5.25%	6.00%		7.50%			
6.50%	6.50%	6.50%	6.50%	6.00%	6.50%	7.25%	4.50%	5.50%	6.00%	6.00%	7.00%			
8.00%	8.00%	8.00%	7.50%	7.50%	6.00%	7.25%		6.25%	6.50%	6.50%	8.00%			
	6.00%	6.00%		5.50%		7.25%		5.00%	5.50%					
6.00%	5.00%	4.75%	6.50%	5.50%	6.00%	6.00%		6.00%	5.00%		6.50%			
7.00%		4.75%	6.00%	6.50%	6.50%	5.75%		6.25%	5.50%	6.00%	7.50%			
7.50%	5.00%	4.00%	6.00%	5.50%	6.50%	4.50%		5.50%		5.50%	6.50%			
7.00%	5.75%	5.00%	6.00%	6.00%	5.75%	5.75%		6.00%			6.50%			
6.50%	6.25%	4.75%	7.00%	6.00%	5.50%	6.25%		5.50%			7.00%			
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6.75%	5.75%	4.75%	6.75%	7.00%		6.50%		6.50%			6.50%			
4.50%	4.75%	3.75%	5.50%	4.75%	5.00%	5.50%	4.00%	4.00%	5.00%	4.25%	6.25%			
5.00%	5.00%	4.00%	6.00%	5.00%	5.00%	5.50%	4.25%	4.50%	5.25%	5.00%	5.75%			
5.00%		4.00%		5.25%	4.75%	5.50%	4.50%				6.00%			
6.50%	4.75%	3.75%	5.75%	5.00%	5.00%	6.50%	4.50%	4.50%	4.50%	5.00%	6.00%			
7.50%		4.00%	7.50%	7.00%	5.50%	7.25%	5.00%	4.50%	5.50%	6.50%	8.00%			
7.50%		4.00%	7.50%	6.00%	5.50%	7.25%	5.50%	4.50%	4.50%	5.50%	7.50%			
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Note: The above indicators are reflective of typical investment parameters for each property type, which can vary depending upon specific property, financial and submarket characteristics. Please contact regional offices for more information.

*Note: Additional information for Class B and other investment metrics is available by contacting your local V&A office, or **Amy Collier** at **amy.collier@ngkf.com**.*

4Q2018 **DISCOUNT RATE CLASS A**

	PROPERTY TYPE	Austin, TX	Baltimore, MD	Boston, MA	Central US (AR, OK, KS, MO)	Chicago, IL	Dallas, TX	Denver, CO	Houston, TX	Las Vegas, NV	Los Angeles, CA
REGIONAL RATES	CBD Office	7.00%	7.75%	6.50%	9.00%	8.00%	8.50%	6.75%	8.75%	7.75%	7.25%
	Suburban Office	8.00%	8.25%	8.00%	8.50%	8.50%	9.25%	7.50%	9.50%	7.50%	7.25%
	Power Centers	8.50%	7.00%	7.00%	8.50%	8.00%	8.00%	7.50%	8.00%	7.50%	
	Lifestyle Centers	8.00%		7.25%	8.50%	8.00%	7.50%	7.25%	7.50%	7.50%	6.50%
	Grocery Anchor Retail	7.00%	7.00%	6.50%	8.50%	7.00%	7.25%	6.50%	7.50%	7.25%	7.00%
	Unanchored Strip	8.75%	7.50%	7.75%	9.00%	8.00%	7.75%	7.00%	8.00%	7.00%	7.00%
	High Street Retail	7.00%				6.00%	6.75%	7.00%	7.00%		
	Single Tenant - Drug Store	6.50%	6.00%	6.00%		7.00%	6.75%	6.00%	7.00%	7.00%	6.50%
	Single Tenant - Casual Dining	8.50%	7.00%			7.00%	6.75%	7.00%	7.00%	7.00%	7.25%
	Single Tenant - Bank Branch	8.50%	6.50%	6.00%		6.00%	8.25%	6.50%	8.50%	7.00%	6.50%
	Single Tenant - Auto Parts	8.50%		6.50%		7.00%	7.75%	6.50%	8.00%	7.75%	
	Single Tenant - Medical	8.25%				7.00%	7.75%	6.50%	8.00%	6.50%	
	Single Tenant - Quick Service Restaurant	7.00%	7.00%			7.00%	6.75%	6.25%	7.00%	6.50%	7.25%
	Single Tenant - Dollar Stores	8.50%	6.50%	7.25%		7.50%	7.25%	7.00%	7.50%	7.50%	6.50%
	CBD Multifamily	6.50%	6.00%	5.50%		6.00%	5.75%	6.50%	6.00%	6.00%	6.00%
	Suburban Multifamily	7.00%	6.00%	6.50%		6.75%	6.25%	6.75%	6.50%	5.75%	
	Student Housing (Tier 1/Tier 2)	8.00%				7.00%	6.50%		6.75%		
	Warehouse/Logistics	7.00%	6.50%	6.00%		6.00%	7.25%	6.75%	7.50%	6.50%	6.75%
	R&D/Flex	8.50%	8.50%	8.00%		8.50%	7.75%	7.75%	8.00%	6.50%	7.25%
	General Industrial	8.00%	8.50%	7.50%		7.00%	8.00%	7.25%	8.25%	6.50%	7.00%
	Self Storage	8.50%	7.00%	6.00%		8.00%	7.00%		7.00%	7.00%	
NATIONAL RATES	Sr. Housing - 55+ Apartments										
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	Sr. Housing - CCRC										
	Hotel - Luxury										
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	Hotel - Airport/Highway										
	Regional Malls										
	Lifestyle Centers										

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Minneapolis, MN	Northern New Jersey	New York City, NY	Ohio	Philadelphia, PA	Phoenix, AZ	Pittsburgh, PA	San Francisco, CA	Seattle, WA	South Florida	Washington, DC	Wilmington, DE	Seniors Housing	Hospitality	Regional Malls / Lifestyle Centers
7.50%	7.00%	5.50%	8.00%	7.50%	7.75%	8.00%	5.75%	6.00%	6.50%	5.50%	9.50%			
8.00%	7.00%	7.00%	8.50%	8.50%	7.50%	8.00%	7.50%	6.50%	8.50%	7.50%	8.50%			
9.00%	8.00%	5.50%		7.25%	7.50%	9.00%	7.00%	7.50%		7.00%	9.00%			
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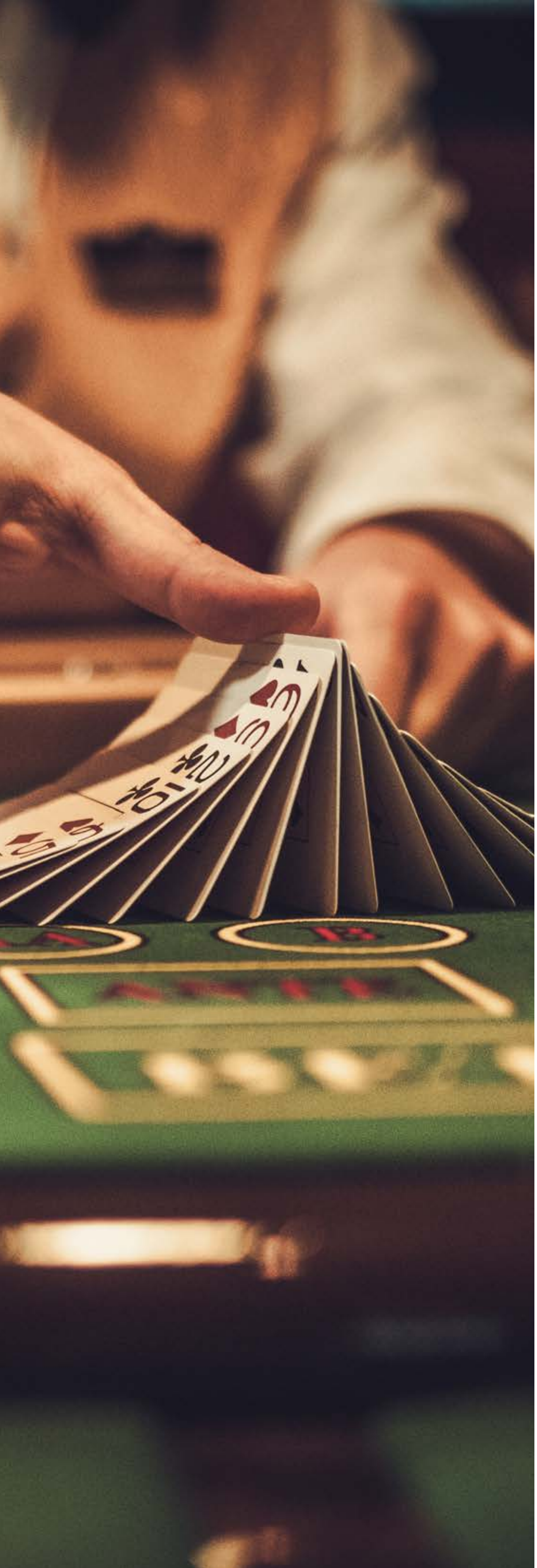


HOSPITALITY, GAMING & LEISURE

BY BRYAN YOUNGE, MAI, ASA, FRICS
Executive Vice President | Valuation & Advisory
Specialty Practice Leader - Hospitality, Gaming & Leisure

Default rates are near historic lows, while fundamentals are at record highs.

The national lodging market continues to be propelled by strong demand, improving macroeconomic conditions and stability in rate performance. Default rates are near historic lows, while fundamentals are at record highs. According to STR, Inc., national lodging demand outpaced supply growth (2.5 percent and 2.0 percent, respectively) prompting occupancy to breach the 66 percent mark for the first time since the company began tracking this metric in 1988. Furthermore, all 28 segments tracked by STR, Inc. posted positive gains in terms of RevPAR, which is a rare occurrence. Room rate growth has stagnated slightly, improving by near-inflationary gains in 2018, primarily due to stronger supply growth increasing the competitiveness in most markets, namely central business districts and core markets such as Dallas, Denver, Boston, Seattle, Nashville and New York City. Transaction volume accelerated 247 percent in 2018 compared to the previous year, namely due to portfolio sales and the Pebblebrook Hotel Trust acquisition of Lasalle Hotel Properties. Price growth was also strong, thanks to continued cap rate compression and favorable financing terms.

However, headwinds continue to gain strength, as increases in the Fed rate are putting upward pressure on investment parameters, which could stymie transaction activity. Furthermore, considerable new supply continues to enter core markets, and although demand growth in the near-term is expected to be healthy, the influx of hotel rooms will challenge rate integrity.

4Q2018 NATIONAL RATES COMPARISON - HOSPITALITY	Going-In Cap Rate	Discount Rate	Reversion Rate (bps over Going In Cap)	Market Rent Growth Rate	Expense Growth Rate	Marketing Time (Months)	Liquidation Value % Discount
Hotel - Luxury Class A	6.50%	9.00%	25	3.50%	3.25%	9.0	15.00%
Hotel - Luxury Class B	7.50%	10.00%	25	3.50%	3.25%	9.0	15.00%
Hotel - Resort Class A	7.00%	9.50%	50	3.25%	3.00%	9.0	20.00%
Hotel - Resort Class B	8.00%	10.50%	50	3.25%	3.00%	9.0	20.00%
Hotel - Full Service Class A	7.25%	9.75%	50	3.00%	3.00%	6.0	30.00%
Hotel - Full Service Class B	8.25%	10.75%	50	3.00%	3.00%	6.0	30.00%
Hotel - Select Service Class A	7.75%	10.25%	50	3.00%	3.00%	6.0	30.00%
Hotel - Select Service Class B	8.75%	11.25%	50	3.00%	3.00%	6.0	30.00%
Hotel - Limited Service Class A	8.00%	10.50%	50	3.00%	3.00%	6.0	40.00%
Hotel - Limited Service Class B	9.00%	11.50%	50	3.00%	3.00%	6.0	40.00%
Hotel - Extended Stay Class A	8.00%	10.50%	50	3.00%	3.00%	6.0	40.00%
Hotel - Extended Stay Class B	9.25%	11.75%	50	3.00%	3.00%	6.0	40.00%
Hotel - Airport/Highway Class A	8.25%	10.75%	75	3.00%	3.00%	6.0	50.00%
Hotel - Airport/Highway Class B	9.50%	12.00%	75	3.00%	3.00%	6.0	50.00%

Source: These rates were compiled and submitted by NKF V&A Market Leaders and Specialty Directors based on current market activity including recent sales and discussions with market participants and service professionals.

ABOUT HOSPITALITY, GAMING & LEISURE

Newmark Knight Frank Valuation & Advisory's Hospitality, Gaming & Leisure practice is focused exclusively on providing superior valuation and consulting services for a broad range of hotels, casinos and leisure properties. Our team differentiates itself through a holistic, consulting-driven approach that goes far beyond the physical asset; by analyzing every aspect of a property's business and real estate operations, we identify all components of value for owners and investors.

Newmark Knight Frank V&A's Hospitality, Gaming & Leisure group completes assignments nationwide for a vast range of complex assets—from bed-and-breakfasts to luxury hotels, off-track betting facilities to Las Vegas casinos, bowling alleys to mega sports complexes, and municipal aquatic centers to indoor waterpark resorts. Our senior appraisers, each of whom possesses more than 15 years of dedicated experience, are hands-on throughout every phase of the process and actively involved with all reports and client deliverables.

INDUSTRIAL/ LOGISTICS

BY ROB VODINELIC, MAI, MRICS
Senior Managing Director | Valuation & Advisory
Specialty Practice Leader – Industrial/Logistics

Vacancy rates are at all-time lows. Core industrial assets should continue to be the most desirable.

The industrial/logistics market continues to be the most sought-after by the institutional investor class. Transaction volume, driven largely by mega-sized portfolio acquisitions, remains significant. While going-in capitalization rate compression has steadied, market fundamentals for the industrial sector, particularly for highly functional assets in core markets, are very strong, with e-commerce demand driving positive absorption. Vacancy rates are at all-time lows, and the corresponding increases in rental rates have resulted in continued pricing appreciation. Trade policies will need to be watched throughout the rest of 2018 and into 2019 for their impact on industrial demand, but core industrial assets should continue to be the most desirable.

ABOUT INDUSTRIAL/LOGISTICS

Newmark Knight Frank Valuation & Advisory's Industrial/Logistics team is dedicated to providing best-in-class valuation and consulting services for all properties belonging to the rapidly evolving industrial/logistics asset class. The Industrial/Logistics team takes an innovative, consulting-driven approach to valuation that bolsters the expertise of our professionals with insight from across the NKF platform. With our unsurpassed, proprietary market knowledge, we provide clients with optimal solutions for managing their industrial and logistics properties.

Newmark Knight Frank V&A's Industrial/Logistics team provides solutions for every type of industrial owner—from traditional investors, such as local developers and owner/operators, to some of the world's largest institutional investors, including industrial REITs and pension funds. We handle transactions of every size, from single-property assignments to multibillion-dollar portfolios, and we have the knowledge and experience required to ensure these assignments are executed accurately and efficiently.

4Q2018 REGIONAL RATES COMPARISON - INDUSTRIAL/LOGISTICS	Going-In Cap Rate	Discount Rate	Reversion Rate (bps over Going In Cap)	Market Rent Growth Rate	Expense Growth Rate	Marketing Time (Months)	Liquidation Value % Discount
Central							
Warehouse/Logistics Class A	6.04%	7.05%	45	2.83%	2.67%	5.8	18.00%
Warehouse/Logistics Class B	6.63%	7.65%	45	2.83%	2.67%	5.8	18.00%
R&D/Flex Class A	7.25%	8.25%	45	2.58%	2.67%	6.6	21.25%
R&D/Flex Class B	7.80%	8.85%	45	2.58%	2.67%	6.6	21.25%
General Industrial Class A	6.95%	7.95%	45	2.67%	2.67%	6.5	22.00%
General Industrial Class B	7.54%	8.55%	45	2.67%	2.67%	6.5	22.00%
East							
Warehouse/Logistics Class A	5.18%	6.33%	39	3.13%	2.88%	5.1	15.00%
Warehouse/Logistics Class B	6.15%	7.28%	39	3.13%	2.88%	5.1	15.00%
R&D/Flex Class A	6.64%	7.75%	47	2.81%	2.81%	6.0	22.50%
R&D/Flex Class B	7.58%	8.58%	47	2.81%	2.81%	6.0	22.50%
General Industrial Class A	6.19%	7.36%	47	2.81%	2.81%	6.0	20.83%
General Industrial Class B	7.14%	8.22%	47	2.81%	2.81%	6.0	20.83%
West							
Warehouse/Logistics Class A	4.96%	6.55%	55	2.90%	2.80%	4.2	10.00%
Warehouse/Logistics Class B	5.54%	7.10%	55	2.90%	2.80%	4.2	10.00%
R&D/Flex Class A	5.38%	7.00%	60	2.80%	2.80%	4.6	11.25%
R&D/Flex Class B	5.96%	7.60%	60	2.80%	2.80%	4.6	11.25%
General Industrial Class A	5.33%	6.85%	55	2.80%	2.80%	3.8	10.00%
General Industrial Class B	5.92%	7.45%	55	2.80%	2.80%	3.8	10.00%
National							
Warehouse/Logistics Class A	5.35%	6.56%	45	2.99%	2.80%	5.1	14.69%
Warehouse/Logistics Class B	6.11%	7.33%	45	2.99%	2.80%	5.1	14.69%
R&D/Flex Class A	6.41%	7.68%	50	2.74%	2.76%	5.8	18.93%
R&D/Flex Class B	7.15%	8.39%	50	2.74%	2.76%	5.8	18.93%
General Industrial Class A	6.13%	7.38%	49	2.76%	2.76%	5.7	18.33%
General Industrial Class B	6.90%	8.11%	49	2.76%	2.76%	5.7	18.33%

Source: These rates were compiled and submitted by NKF V&A Market Leaders and Specialty Directors based on current market activity including recent sales and discussions with market participants and service professionals.

MERGER & ACQUISITION ACTIVITY

BY JOHN CORBETT, MAI, ASA, FRICS
Senior Managing Director | Valuation & Advisory
Specialty Practice Leader – Financial Reporting

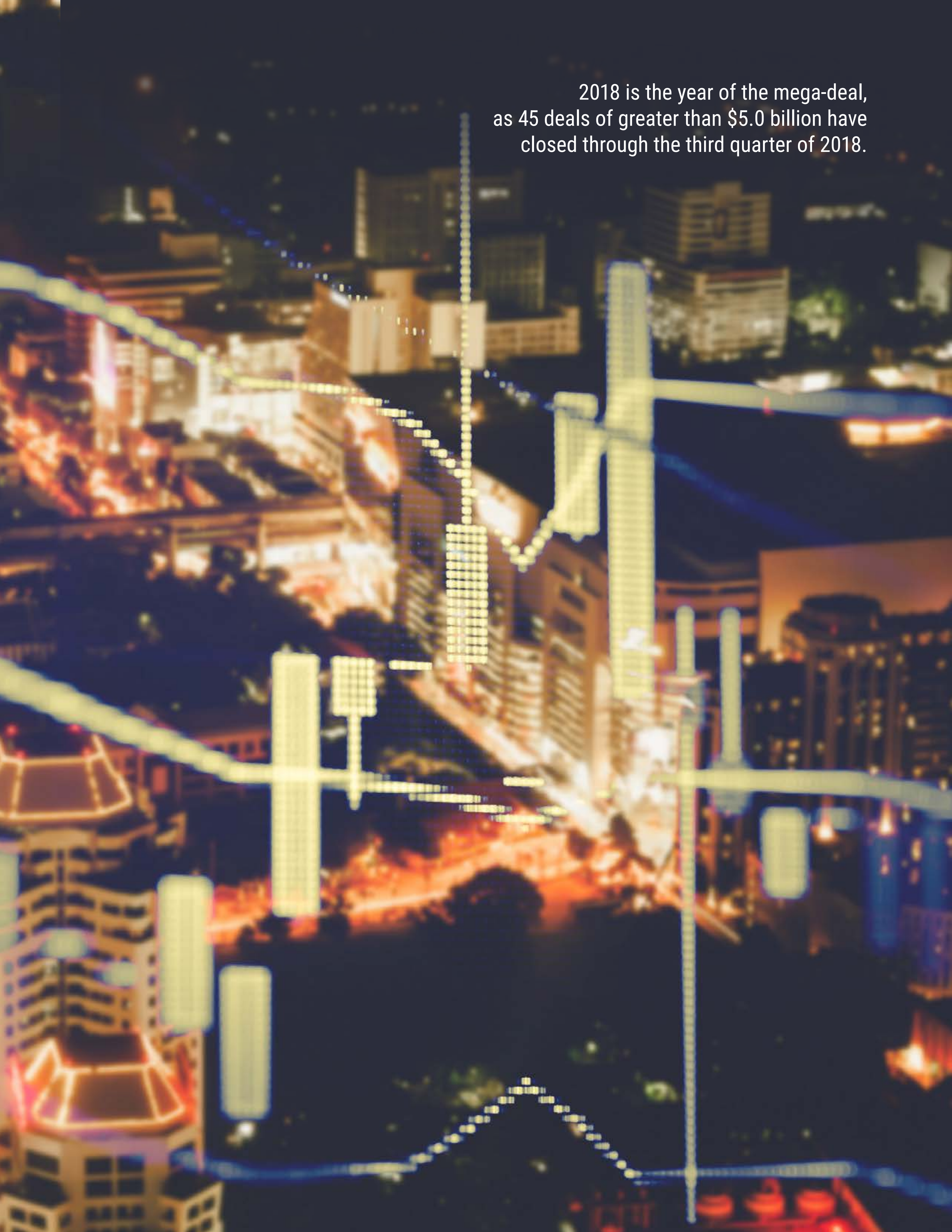
Thus far, 2018 M&A activity has progressed at a relatively steady pace over the prior period with respect to deal value, while transaction volume has decreased. This is attributable to 2018 being the year of the mega-deal, as 45 deals of greater than $5.0 billion have closed through the third quarter of 2018 according to statistics provided by PitchBook Data, Inc. Looking ahead, there are few conditions that could alter these M&A trends. These headwinds include global trade tensions and the Fed's stated desire to continue raising short-term interest rates. Nonetheless, there appear to be few signs of a slowdown, as private market participants continue to post record-setting fundraising figures, corporations are increasingly willing to spend on M&A in the face of increasing transaction multiples, and access to credit remains relatively cheap.

ABOUT FINANCIAL REPORTING

Newmark Knight Frank Valuation & Advisory's Financial Reporting group is a premier provider of financial reporting services. Our professionals bring a comprehensive awareness of financial reporting standards coupled with property-specific insights to deliver strategic guidance to multi-national corporations, public and private REITs, private equity groups and funds.

Led by a team of expert regional managers, each of whom offers at least 15 years of relevant experience, Newmark Knight Frank V&A's Financial Reporting practice takes a holistic, consultative approach to meeting the needs of its clients. The team's focus extends beyond real estate to include financial reporting for other tangible assets, such as machinery, technical equipment and personal property, as well as intangible assets, including non-compete clauses, patents, contracts and customer loyalty programs. This comprehensive methodology is refined and customized for each client and is scalable on a regional, national or international basis.

2018 is the year of the mega-deal, as 45 deals of greater than $5.0 billion have closed through the third quarter of 2018.



MULTIFAMILY

RAYMOND HIGGINS
Senior Managing Director | Valuation & Advisory
Specialty Practice Leader – Multifamily

The slowdown in building is reducing the possibility of an oversupply and will most likely allow owners to continue to raise rents.

Apartment properties continue to experience strong demand from purchasers, but many permanent lenders fear a slowdown in 2019. No one is expressing major concerns, however, and the multifamily machine will continue at perhaps a slightly slower pace. The long wave of new supply is expected to continue in 2019, with nearly 320,000 units expected to be delivered nationally. With that said, the majority of new construction is concentrated in the largest urban core markets. One developer recently remarked there is a finite number of 30-year-olds making $100,000 to $130,000 a year who want to live in an 800-square-foot unit. Multifamily building permits have fallen every month since March. Despite high levels of new supply, the U.S. multifamily sector continues to showcase resilient fundamentals based on strong long-term demand. While owners are frustrated their projects are taking longer to construct, rental growth is expected to tick up nationally, with the strongest gains projected on the West Coast. Investors in multifamily properties remain aggressive in their desire to buy more product.

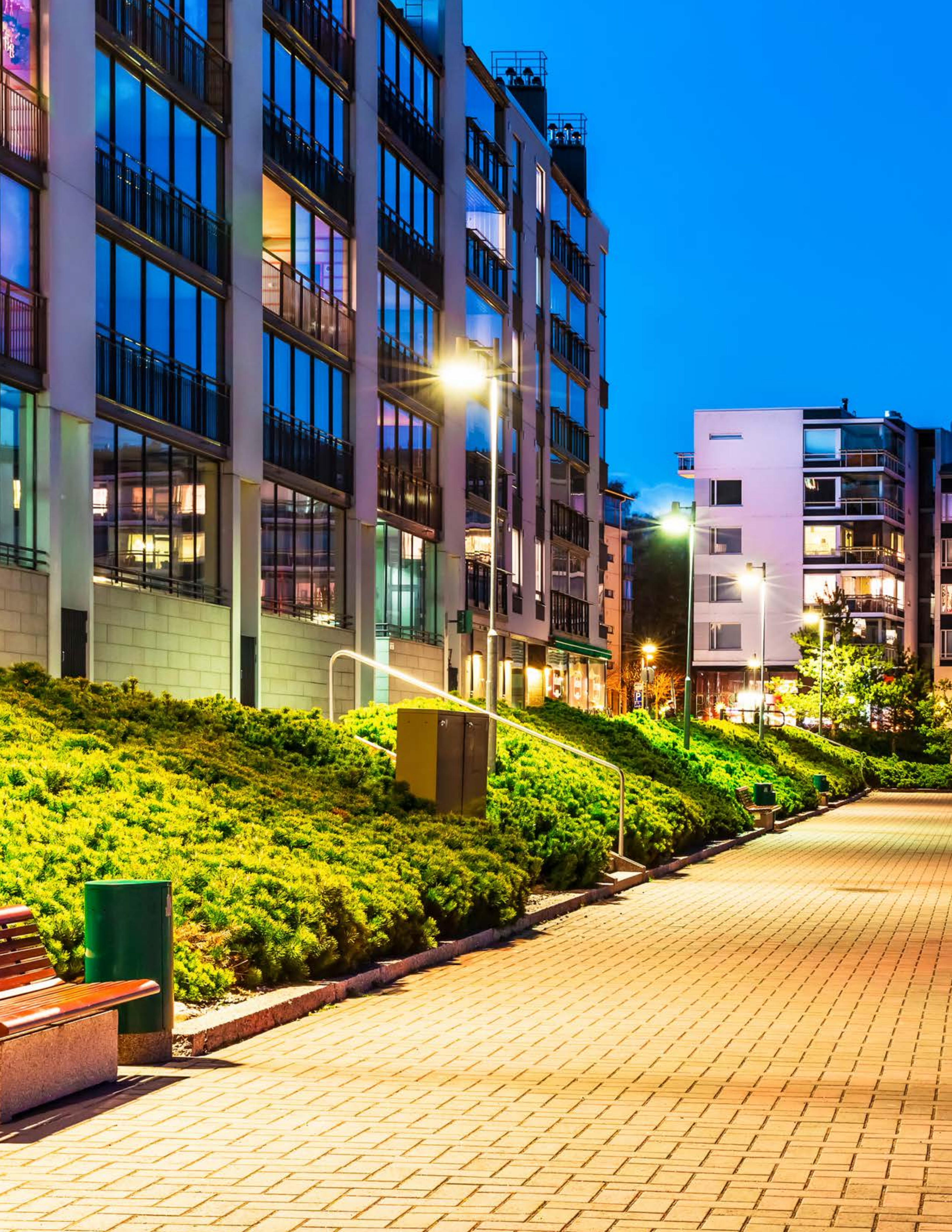
ABOUT MULTIFAMILY

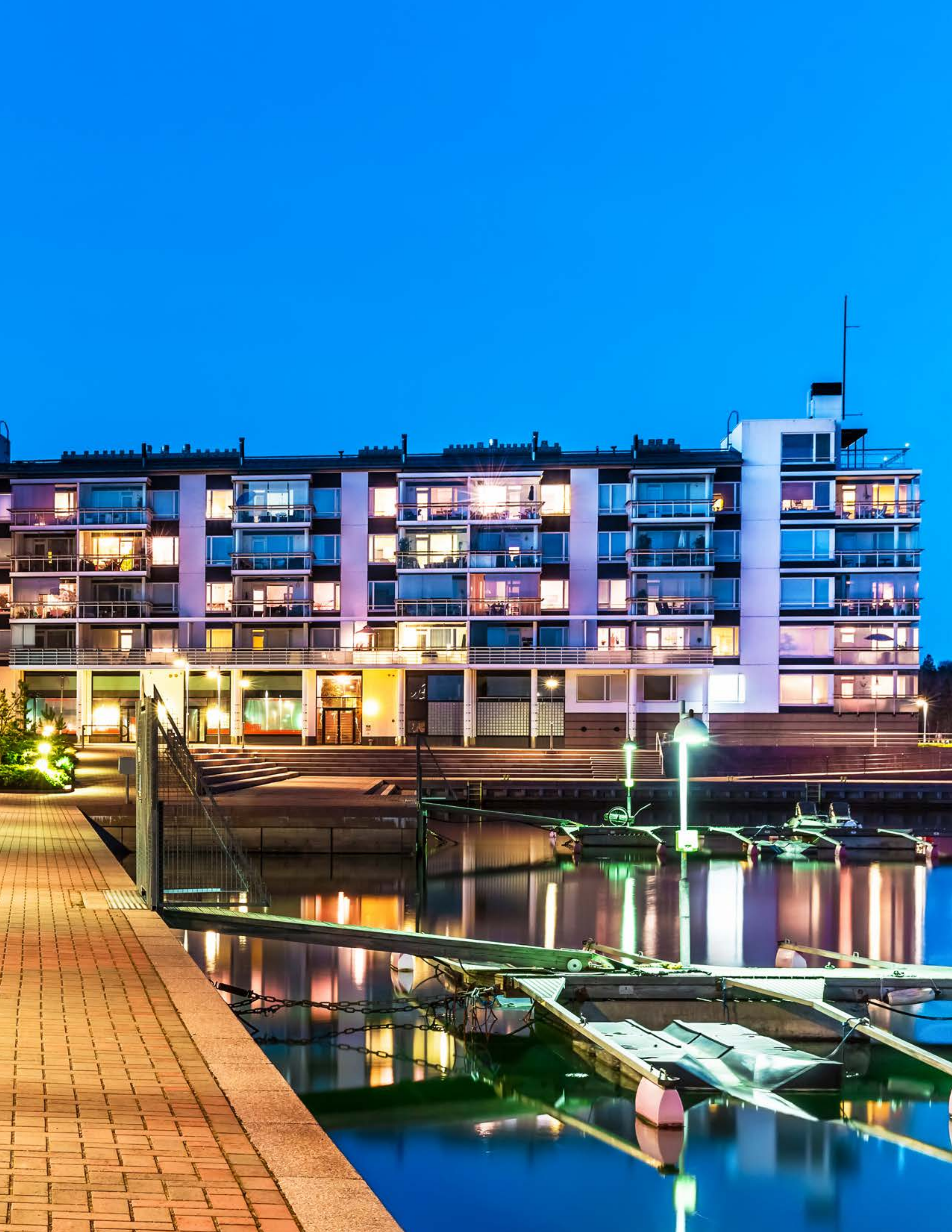
Newmark Knight Frank Valuation & Advisory's Multifamily group is dedicated exclusively to providing best-in-class valuation and consulting services for a wide array of multifamily types, including garden-style, mid-rise and high-rise apartments, condominiums, student housing, lifestyle centers and affordable housing. We take a consultative approach to valuation, evaluating multifamily properties from a holistic perspective that considers their rental income streams in concert with the real estate assets. The V&A team's core offerings also include financial reporting and property tax services.

Newmark Knight Frank V&A's Multifamily group serves some of the nation's leading mortgage lenders and institutional property owners. We also meet the requirements of government agencies and government-sponsored entities (GSEs) that provide financing for multifamily properties, including the top multifamily lenders, Fannie Mae and Freddie Mac. In recent years, our team has become one of the largest providers of appraisals to both Fannie and Freddie.

4Q2018 REGIONAL RATES COMPARISON - MULTIFAMILY	Going-In Cap Rate	Discount Rate	Reversion Rate (bps over Going In Cap)	Market Rent Growth Rate	Expense Growth Rate	Marketing Time (Months)	Liquidation Value % Discount
Central							
CBD Multifamily Class A	4.88%	5.95%	45	2.50%	2.75%	4.3	23.75%
CBD Multifamily Class B	5.46%	6.60%	45	2.50%	2.75%	4.3	23.75%
Suburban Multifamily Class A	5.42%	6.50%	45	2.67%	2.67%	4.3	21.00%
Suburban Multifamily Class B	6.13%	7.20%	45	2.67%	2.67%	4.3	21.00%
Student Housing (Tier 1/Tier 2) Class A	5.71%	6.85%	45	2.67%	2.67%	5.5	23.00%
Student Housing (Tier 1/Tier 2) Class B	6.46%	7.55%	45	2.67%	2.67%	5.5	23.00%
East							
CBD Multifamily Class A	4.90%	6.41%	33	3.10%	2.93%	5.2	15.63%
CBD Multifamily Class B	5.65%	7.25%	33	3.10%	2.93%	5.2	15.63%
Suburban Multifamily Class A	5.15%	6.63%	33	3.10%	2.93%	5.2	15.00%
Suburban Multifamily Class B	5.80%	7.53%	33	3.10%	2.93%	5.2	15.00%
Student Housing (Tier 1/Tier 2) Class A	5.19%	6.81%	38	2.88%	2.81%	5.5	17.50%
Student Housing (Tier 1/Tier 2) Class B	6.13%	7.63%	38	2.88%	2.81%	5.5	17.50%
West							
CBD Multifamily Class A	4.42%	6.13%	46	3.17%	3.00%	4.2	10.00%
CBD Multifamily Class B	4.92%	6.58%	46	3.17%	3.00%	4.2	10.00%
Suburban Multifamily Class A	4.58%	6.25%	50	3.17%	3.00%	4.4	10.00%
Suburban Multifamily Class B	4.96%	6.80%	50	3.17%	3.00%	4.4	10.00%
Student Housing (Tier 1/Tier 2) Class A	4.63%	6.50%	50	3.67%	3.00%	4.3	10.00%
Student Housing (Tier 1/Tier 2) Class B	5.13%	7.00%	50	3.67%	3.00%	4.3	10.00%
National							
CBD Multifamily Class A	4.76%	6.20%	40	2.95%	2.90%	4.7	17.69%
CBD Multifamily Class B	5.40%	6.87%	40	2.95%	2.90%	4.7	17.69%
Suburban Multifamily Class A	5.07%	6.49%	41	3.00%	2.88%	4.8	16.79%
Suburban Multifamily Class B	5.66%	7.24%	41	3.00%	2.88%	4.8	16.79%
Student Housing (Tier 1/Tier 2) Class A	5.35%	6.77%	44	2.96%	2.79%	5.2	19.50%
Student Housing (Tier 1/Tier 2) Class B	6.13%	7.48%	44	2.96%	2.79%	5.2	19.50%

Source: These rates were compiled and submitted by NKF V&A Market Leaders and Specialty Directors based on current market activity including recent sales and discussions with market participants and service professionals.





OFFICE

DOUGLAS LARSON
Executive Vice President | Valuation & Advisory

Nationally, investment sales volume has recorded the highest quarterly total since 4Q15. Cap rates, meanwhile, have been remarkably resistant to upward pressure from rising interest rates and have benefited from strong investor demand for real estate. While office rental growth has been the highest in supply-constrained primary markets such as New York City, San Francisco and Seattle, various secondary markets with high levels of employment growth and Class A construction have seen a healthy expansion of both PSF and rental rates. The combination of record levels of dry powder with near-record levels of investment underlines the robust demand for alternative investments. Value-add opportunities, often outside of coastal gateway cities, continue to attract greater interest. Entity and portfolio level transactions have represented the bulk of international investment in 2018, with groups from Canada, Germany, China and Singapore.

In New York City, 2018 is on pace to be one of the stronger years for sales of trophy assets, which continue to be a large component of Manhattan office sales volume. Just under $6 billion of trophy office building sales have closed so far in 2018, and another $5 billion in pending deals is expected to close before year-end. While mainland China investors have largely left the market, becoming net sellers in 2018, international capital investment has picked up among European and Canadian groups. The average price per square foot for office properties in New York City has moderated, with the exception of Midtown South, which has recorded growth resulting from favorable office leasing fundamentals and limited supply. With interest rates expected to rise gradually as the Fed targets additional hikes in 2018, cap rates have remained relatively flat, as demand for product remains strong.

Various secondary markets with high levels of employment growth and Class A construction have seen a healthy expansion of both PSF and rental rates.

ABOUT OFFICE

Newmark Knight Frank Valuation & Advisory's Office practice is the premier appraisal group focused on executing valuation and consulting services for office owners, investors, developers and financial institutions nationwide and across the globe. We offer the strategic expertise—consulting, analysis and resources—clients need in order to assign value and make informed decisions that enhance financial outcomes and corporate performance, for purposes of acquisition, disposition, potential use, retention, redevelopment, mortgage, income tax, financing, certiorari and litigation.

Our experts possess an average of more than 25 years of valuation experience in major CBD markets. Expansive geographic coverage enables us to support clients with individual office assets as well as with diverse office portfolios dispersed throughout the country.

4Q2018 REGIONAL RATES COMPARISON - OFFICE	Going-In Cap Rate	Discount Rate	Reversion Rate (bps over Going In Cap)	Market Rent Growth Rate	Expense Growth Rate	Marketing Time (Months)	Liquidation Value % Discount
Central							
CBD Office Class A	6.71%	8.13%	54	1.92%	2.67%	8.8	31.25%
CBD Office Class B	7.63%	9.04%	54	1.92%	2.67%	8.8	31.25%
Suburban Office Class A	7.21%	8.63%	54	2.00%	2.67%	8.5	27.00%
Suburban Office Class B	8.13%	9.33%	54	2.00%	2.67%	8.5	27.00%
East							
CBD Office Class A	6.15%	7.18%	42	2.88%	2.83%	5.4	18.75%
CBD Office Class B	7.18%	8.33%	42	2.88%	2.83%	5.4	18.75%
Suburban Office Class A	6.90%	7.98%	45	2.83%	2.83%	5.6	20.00%
Suburban Office Class B	7.98%	9.13%	45	2.83%	2.83%	5.6	20.00%
West							
CBD Office Class A	5.33%	6.88%	58	3.00%	2.92%	5.4	21.25%
CBD Office Class B	6.13%	8.08%	58	3.00%	2.92%	5.4	21.25%
Suburban Office Class A	6.00%	7.29%	58	3.00%	2.92%	5.4	21.25%
Suburban Office Class B	6.63%	8.42%	58	3.00%	2.92%	5.4	21.25%
National							
CBD Office Class A	6.08%	7.35%	50	2.63%	2.81%	6.5	22.50%
CBD Office Class B	7.01%	8.45%	50	2.63%	2.81%	6.5	22.50%
Suburban Office Class A	6.74%	7.97%	51	2.63%	2.81%	6.5	22.35%
Suburban Office Class B	7.65%	8.99%	51	2.63%	2.81%	6.5	22.35%

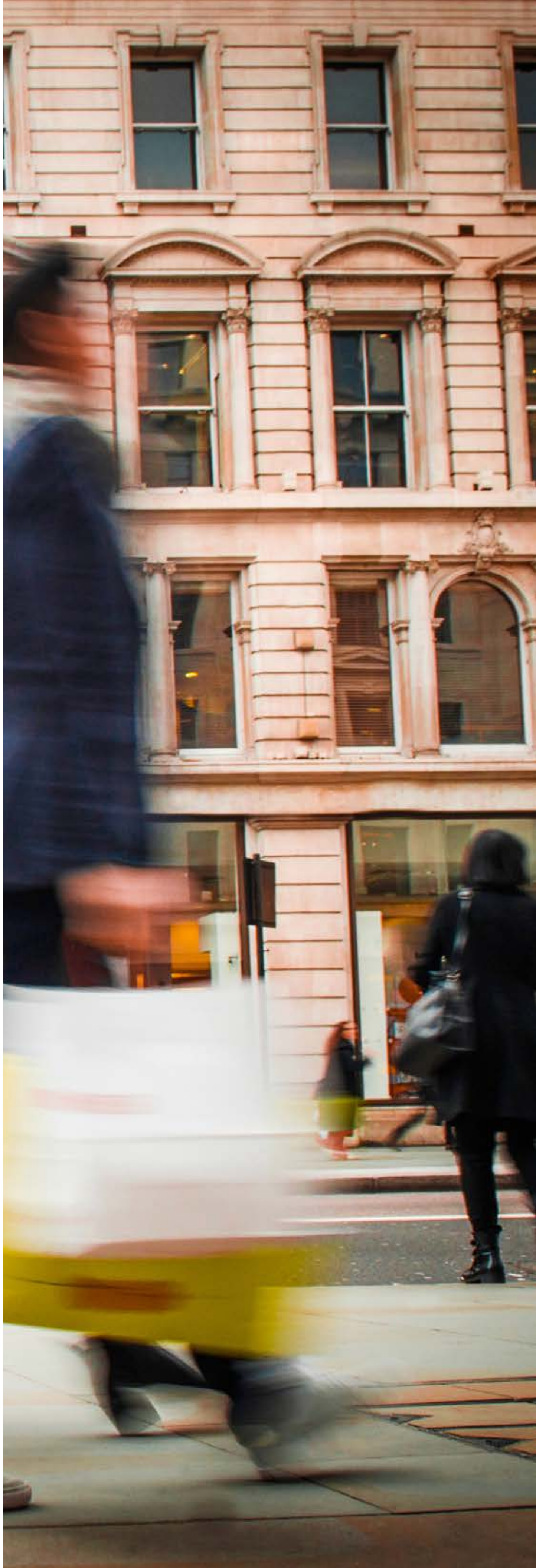
Source: These rates were compiled and submitted by NKF V&A Market Leaders and Specialty Directors based on current market activity including recent sales and discussions with market participants and service professionals.

RETAIL/ REGIONAL MALLS

BY JOHN MACKRIS, MAI, MRICS
Senior Managing Director | Valuation & Advisory
Specialty Practice Leader – Retail/Regional Malls

The highest growth rate among retail sectors unsurprisingly belonged to e-commerce.

Largely because of the strong U.S. economic performance in 2017 and through the third quarter of 2018, American consumer spending has produced further retail sales growth nationwide. The highest growth rate among retail sectors unsurprisingly belonged to e-commerce, which made further inroads in overall market share, while some traditional brick-and-mortar retailers learned their lesson from prior years and pursued an omni-channel approach (physical stores plus online offerings) to achieve success. However, growth in store sales was not enough to steady the nerves of investors, as transaction activity was down, notably for Class B and Class C regional malls, which have become the least favored retail asset sector. Grocery and urban retail continue to maintain their popularity among investors who are seeking properties in dense population centers that have access to transportation and are e-commerce resistant. Retail property pricing has been generally flat compared with pricing in other real estate sectors, with regional malls showing declining prices, mostly because of a lack of Class A product hitting the market. Capitalization rates continue to hover at all-time lows, although they are beginning to signal increases as interest rates have moved upward. While construction activity has remained nominal since the Great Recession, national department store closings have significantly increased the level of retail space availabilities. As Sears, Bon Ton, Toys R Us, JC Penney's and Macy's represent a large swath of shuttered space, the impact on Class B and Class C malls over the next few years will be severe.

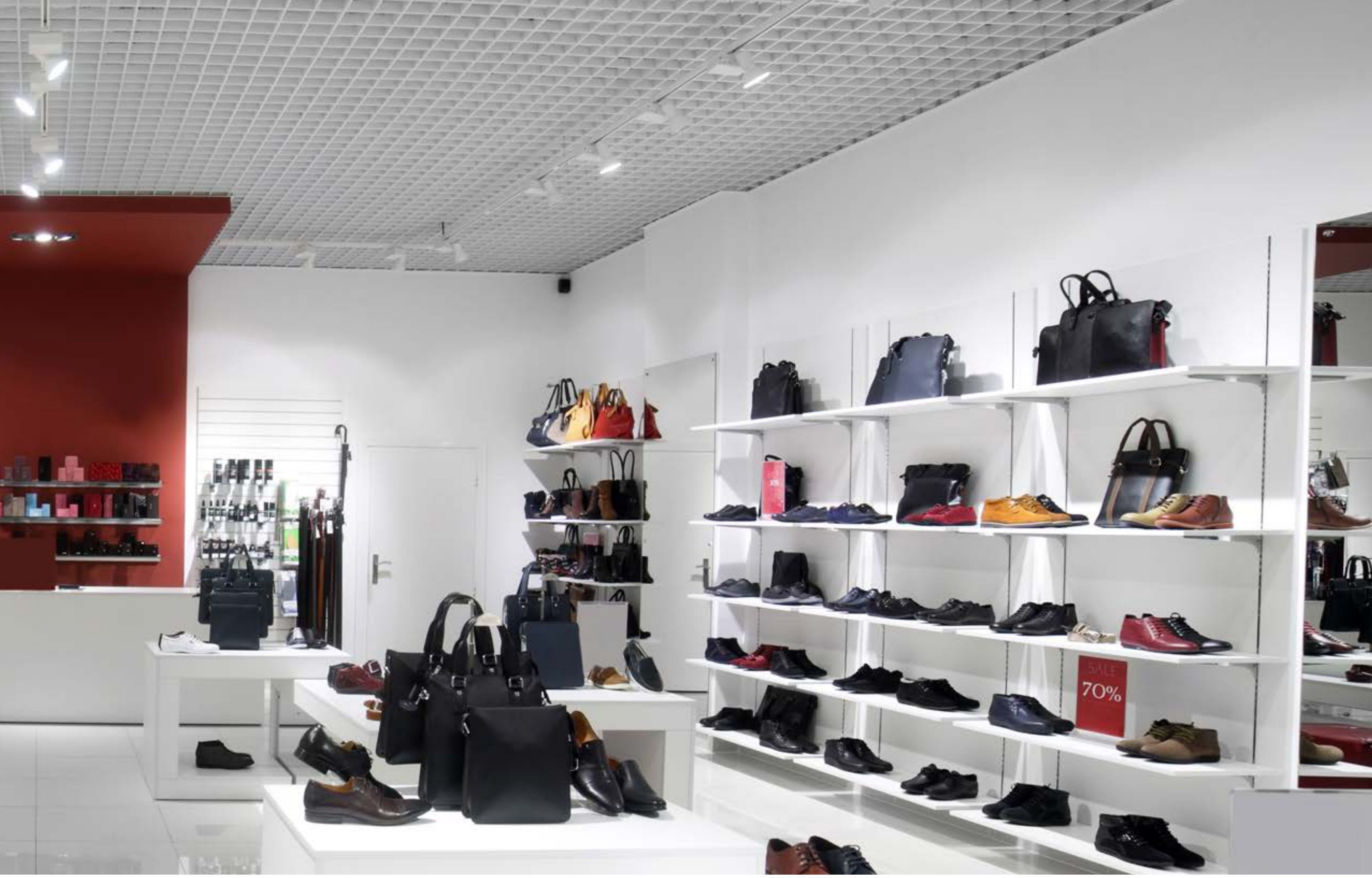


4Q2018 REGIONAL RATES COMPARISON - RETAIL SHOPPING CENTERS	Going-In Cap Rate	Discount Rate	Reversion Rate (bps over Going In Cap)	Market Rent Growth Rate	Expense Growth Rate	Marketing Time (Months)	Liquidation Value % Discount
Central							
Power Centers Class A	7.00%	8.33%	58	1.75%	2.67%	9.2	26.00%
Power Centers Class B	7.63%	9.04%	58	1.75%	2.67%	9.2	26.00%
Lifestyle Centers Class A	6.75%	8.08%	50	1.92%	2.67%	8.8	24.00%
Lifestyle Centers Class B	7.38%	8.79%	50	1.92%	2.67%	8.8	24.00%
Grocery Anchor Retail Class A	6.25%	7.46%	50	2.25%	2.67%	7.8	25.00%
Grocery Anchor Retail Class B	6.79%	8.08%	50	2.25%	2.67%	7.8	25.00%
Unanchored Strip Class A	7.17%	8.42%	50	1.92%	2.67%	8.5	24.00%
Unanchored Strip Class B	7.75%	8.92%	50	1.92%	2.67%	8.5	24.00%
High Street Retail Class A	5.69%	6.69%	50	2.88%	2.75%	7.3	23.33%
High Street Retail Class B	6.19%	7.19%	50	2.88%	2.75%	7.3	23.33%
East							
Power Centers Class A	6.50%	7.47%	39	2.53%	2.78%	5.9	20.00%
Power Centers Class B	7.44%	8.47%	39	2.53%	2.78%	5.9	20.00%
Lifestyle Centers Class A	7.06%	8.07%	54	2.29%	2.68%	6.7	22.50%
Lifestyle Centers Class B	8.70%	9.50%	54	2.29%	2.68%	6.7	22.50%
Grocery Anchor Retail Class A	6.33%	7.19%	38	2.69%	2.86%	5.9	19.29%
Grocery Anchor Retail Class B	7.20%	8.14%	38	2.69%	2.86%	5.9	19.29%
Unanchored Strip Class A	7.33%	8.08%	56	2.56%	2.83%	6.8	25.71%
Unanchored Strip Class B	8.20%	9.14%	56	2.56%	2.83%	6.8	25.71%
High Street Retail Class A	6.05%	6.90%	44	2.40%	2.80%	5.2	15.00%
High Street Retail Class B	6.85%	8.00%	44	2.40%	2.80%	5.2	15.00%
West							
Power Centers Class A	6.20%	7.40%	70	2.80%	3.00%	6.5	11.67%
Power Centers Class B	7.10%	8.15%	70	2.80%	3.00%	6.5	11.67%
Lifestyle Centers Class A	6.10%	7.05%	70	3.00%	3.00%	8.0	17.50%
Lifestyle Centers Class B	6.80%	7.90%	70	3.00%	3.00%	8.0	17.50%
Grocery Anchor Retail Class A	5.63%	6.88%	50	3.00%	3.00%	4.8	10.00%
Grocery Anchor Retail Class B	6.75%	7.75%	50	3.00%	3.00%	4.8	10.00%
Unanchored Strip Class A	5.95%	7.10%	50	3.00%	3.00%	4.5	10.00%
Unanchored Strip Class B	6.90%	8.05%	50	3.00%	3.00%	4.5	10.00%
High Street Retail Class A	5.50%	6.50%	50	3.00%	3.00%	3.0	-
High Street Retail Class B	6.00%	7.00%	50	3.00%	3.00%	3.0	-
National							
Power Centers Class A	6.58%	7.72%	53	2.36%	2.80%	7.2	20.33%
Power Centers Class B	7.41%	8.57%	53	2.36%	2.80%	7.2	20.33%
Lifestyle Centers Class A	6.71%	7.79%	57	2.36%	2.76%	7.8	22.31%
Lifestyle Centers Class B	7.61%	8.73%	57	2.36%	2.76%	7.8	22.31%
Grocery Anchor Retail Class A	6.11%	7.18%	45	2.65%	2.85%	6.2	18.93%
Grocery Anchor Retail Class B	6.97%	8.01%	45	2.65%	2.85%	6.2	18.93%
Unanchored Strip Class A	6.95%	7.94%	53	2.48%	2.83%	6.8	22.86%
Unanchored Strip Class B	7.76%	8.80%	53	2.48%	2.83%	6.8	22.86%
High Street Retail Class A	5.82%	6.75%	48	2.68%	2.82%	5.8	18.57%
High Street Retail Class B	6.45%	7.52%	48	2.68%	2.82%	5.8	18.57%

Source: These rates were compiled and submitted by NKF V&A Market Leaders and Specialty Directors based on current market activity including recent sales and discussions with market participants and service professionals.

4Q2018 NATIONAL RATES COMPARISON - RETAIL	Going-In Cap Rate	Discount Rate	Reversion Rate (bps over Going In Cap)	Market Rent Growth Rate	Expense Growth Rate	Marketing Time (Months)	Liquidation Value % Discount
Regional Malls Class A	5.25%	6.50%	75	3.00%	3.00%	-	35.00%
Regional Malls Class B	7.75%	8.25%	75	3.00%	3.00%	-	35.00%
Regional Malls Class C	15.00%	16.00%	75	3.00%	3.00%	-	35.00%
Lifestyle Centers Class A	5.00%	6.50%	50	3.00%	3.00%	-	25.00%
Lifestyle Centers Class B	7.25%	7.75%	50	3.00%	3.00%	-	25.00%
Lifestyle Centers Class C	12.00%	12.50%	50	3.00%	3.00%	-	25.00%

Source: These rates were compiled and submitted by NKF V&A Market Leaders and Specialty Directors based on current market activity including recent sales and discussions with market participants and service professionals.



ABOUT RETAIL/REGIONAL MALLS

Newmark Knight Frank Valuation & Advisory's Retail/Regional Malls practice is the premier appraisal group focused exclusively on retail properties. The team offers a comprehensive breadth of expertise in super-regional malls, regional malls, lifestyle centers, power centers, community centers, neighborhood centers and single-tenant properties that is unrivaled in the industry.

Newmark Knight Frank V&A's Retail/Regional Malls group performs valuations, feasibility studies and market studies as well as rent, expense and leasehold analyses for a broad range of existing and proposed retail properties. These include department stores, big box stores, shopping centers, theme/festival centers and mixed-use developments. In addition to investors and owners, we have completed valuation assignments for developers, corporations and public agencies.

SENIORS HOUSING

BY NORM LEZOTTE, MAI

Senior Managing Director | Valuation & Advisory
Specialty Practice Leader – Healthcare & Seniors Housing

The market will continue to tighten, as the significant amount of construction planned for 2019 has convinced some mainline lenders to take a cautious approach over the next year or two. Buyers and owners have indicated that some prime lenders are concerned about oversupply and therefore have either reduced their lending or increased their lending parameters. As a result, secondary lenders and hard moneylenders are moving into the arena. This draws concern, as individual investors enter the market with a lack of knowledge of the product type or operational skills. Over the next 12 months, rental rates will continue to push upward and absorption will be positive, but some markets will continue to struggle with over-bedded product.

ABOUT HEALTHCARE & SENIORS HOUSING

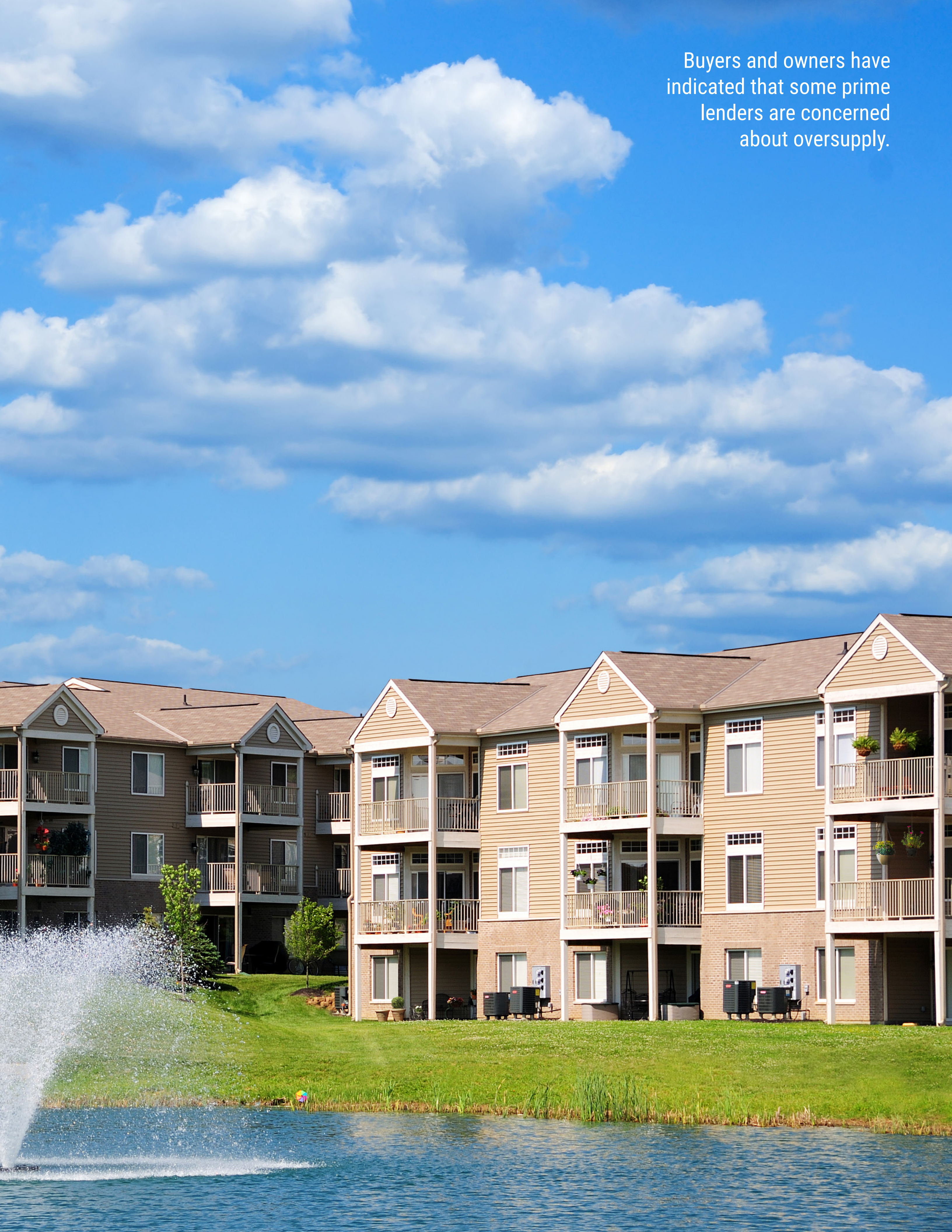
Newmark Knight Frank Valuation & Advisory's Healthcare & Seniors Housing practice is a premier group of real estate professionals focused on the unique requirements and objectives of healthcare providers and senior housing operators. Utilizing extensive interviews and market observations, we provide expert advice to investors, property owners and operators on assets ranging from large, 300-bed hospitals and entrance fee CCRC's to small clinics and free-standing senior housing facilities. Our specialized insight enables our team to align the business operations and real estate functions of a healthcare or senior living facility in order to deliver maximum value to investors and property owners.

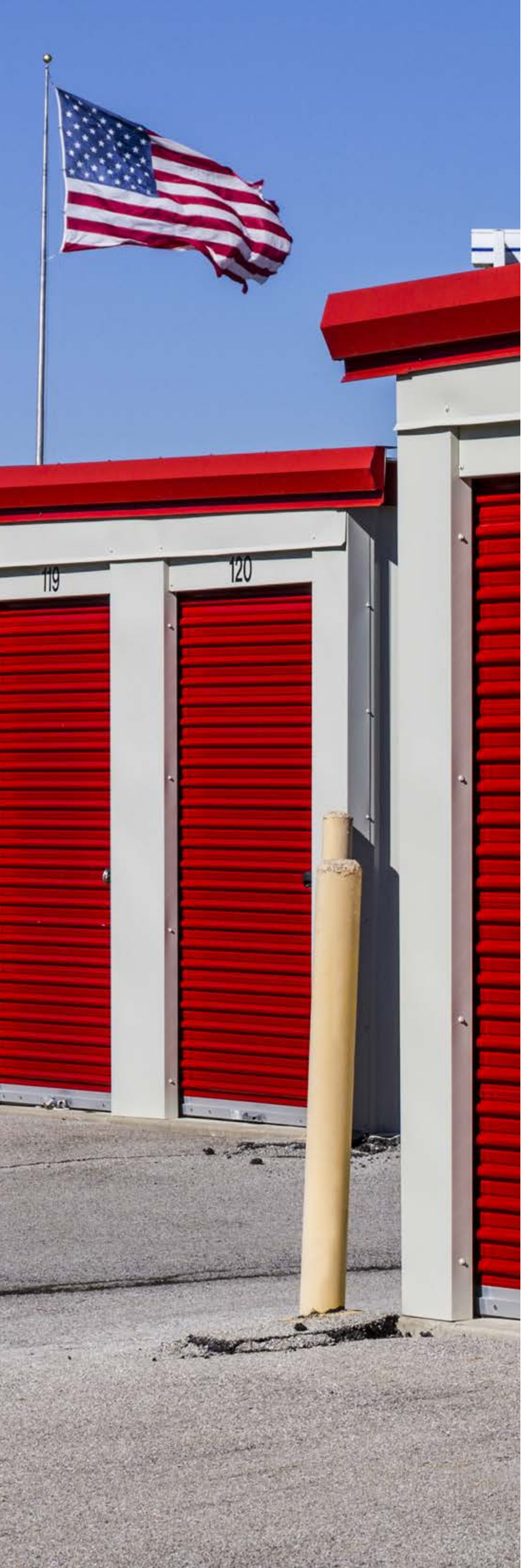
Assignments have included valuations, market and feasibility studies, and fair market rent surveys for Stark Law compliance. We provide appraisal services to lenders, hospital and senior housing operators, healthcare REITs and private equity firms.

4Q2018 NATIONAL RATES COMPARISON - SENIORS HOUSING	Going-In Cap Rate	Discount Rate	Reversion Rate (bps over Going In Cap)	Market Rent Growth Rate	Expense Growth Rate	Marketing Time (Months)	Liquidation Value % Discount
Seniors Housing - 55+ Apartments Class A	4.00%	7.00%	50	3.00%	3.00%	6.0	40.00%
Seniors Housing - 55+ Apartments Class B	5.25%	8.50%	50	3.00%	3.00%	6.0	40.00%
Seniors Housing - Independent Living Class A	6.00%	9.25%	50	3.00%	3.00%	6.0	40.00%
Seniors Housing - Independent Living Class B	7.00%	10.00%	50	3.00%	3.00%	6.0	40.00%
Seniors Housing - Assisted Living Memory Care Class A	6.75%	10.00%	50	3.00%	3.00%	6.0	40.00%
Seniors Housing - Assisted Living Memory Care Class B	7.50%	10.50%	50	3.00%	3.00%	6.0	40.00%
Skillled Nursing Class A	12.00%	15.00%	50	3.00%	3.00%	6.0	40.00%
Skillled Nursing Class B	13.00%	16.00%	50	3.00%	3.00%	6.0	40.00%
Seniors Housing - CCRC Class A	8.00%	11.00%	50	3.00%	3.00%	6.0	40.00%
Seniors Housing - CCRC Class B	9.00%	12.00%	50	3.00%	3.00%	6.0	40.00%

Source: These rates were compiled and submitted by NKF V&A Market Leaders and Specialty Directors based on current market activity including recent sales and discussions with market participants and service professionals.

Buyers and owners have indicated that some prime lenders are concerned about oversupply.





SELF STORAGE

BY STEVE JOHNSON, MAI
Executive Vice President | Valuation & Advisory
Specialty Practice Co-Leader – Self Storage

Self storage has a reputation as a recession-resistant property type.

The distance between buyer and seller expectations appears to be growing, as occupancy and rental rates are growing more slowly than in the past. Sales volume is also slowing in many markets. New inventory entering major MSAs is impacting operations of facilities around them, as they lower rental rates during their absorption periods. As interest rates continue to increase and transaction volume decreases, capitalization rates are likely to trend upward as facilities are sold. In contrast, appetite for self storage remains historically high, and more "money" is chasing storage now than at any other time in history. Self storage has a reputation as a recession-resistant property type, and it fared well during the last recession. Therefore, it has become a choice investment for many given the unknown economic conditions that will exist in the year or two ahead.

ABOUT SELF STORAGE

Newmark Knight Frank Valuation & Advisory's Self Storage practice is dedicated to providing best-in-class valuation and consulting services for all self storage property types. We complete assignments for a wide variety of complex assets, ranging from individually owned non-climate-controlled facilities to large Class A properties in urban core locations. The Self Storage team is adept at managing projects for single properties as well as large portfolios in markets across the United States, Canada and Latin America.

The team's core disciplines far surpass those of traditional valuation services, and all services are implemented from start to finish by our subject experts–each of whom possess significant experience valuing and analyzing self storage properties.

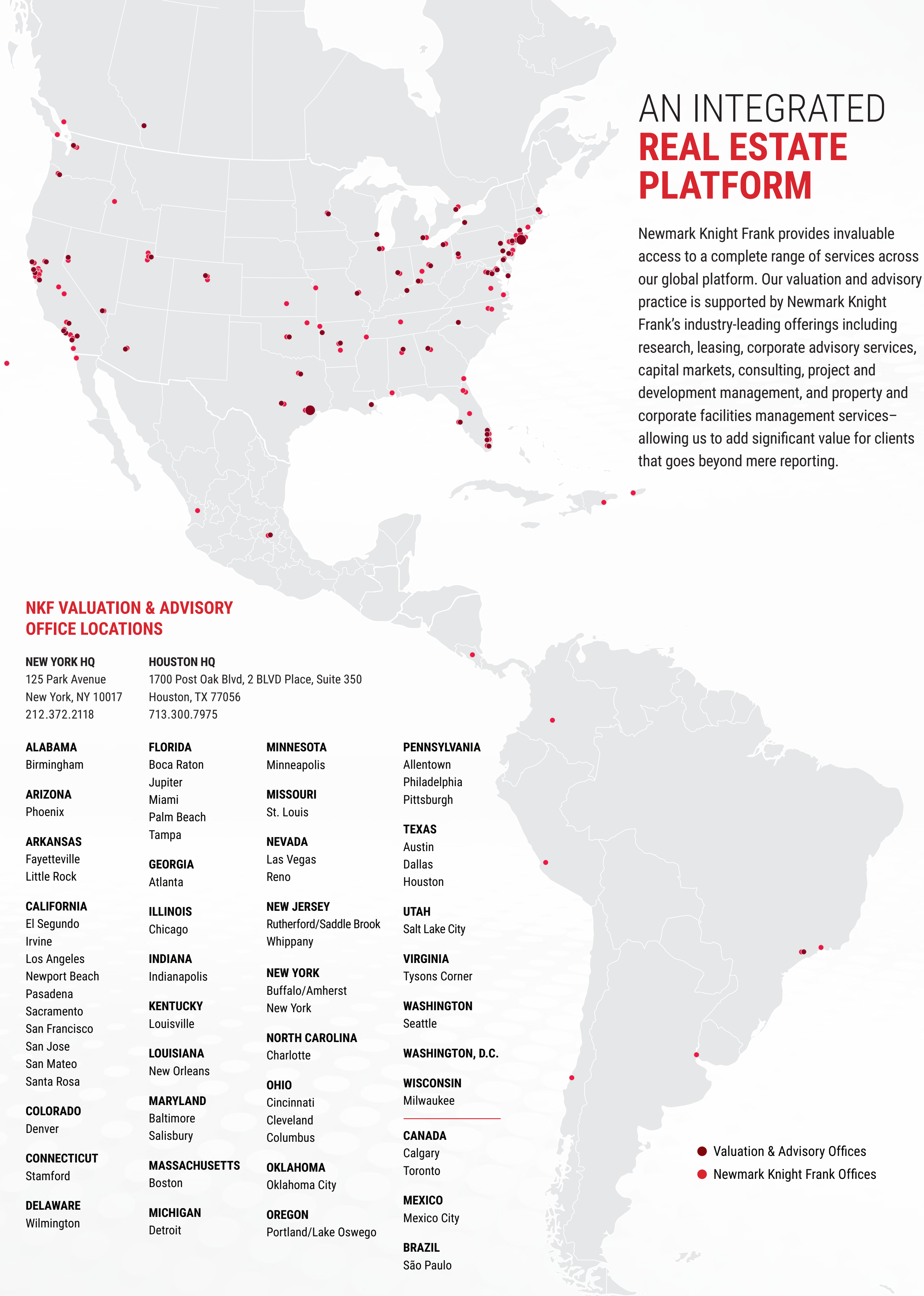
Appetite for self storage remains historically high and more "money" is chasing storage now than at any other time in history.

4Q2018 REGIONAL RATES COMPARISON - SELF STORAGE	Going-In Cap Rate	Discount Rate	Reversion Rate (bps over Going In Cap)	Market Rent Growth Rate	Expense Growth Rate	Marketing Time (Months)	Liquidation Value % Discount
Central							
Self Storage Class A	6.25%	7.60%	50	2.83%	2.67%	5.8	22.00%
Self Storage Class B	6.83%	8.25%	50	2.83%	2.67%	5.8	22.00%
East							
Self Storage Class A	5.44%	6.88%	47	2.86%	2.86%	4.8	19.29%
Self Storage Class B	6.22%	7.69%	47	2.86%	2.86%	4.8	19.29%
West							
Self Storage Class A	5.44%	7.42%	42	3.38%	3.00%	4.3	10.00%
Self Storage Class B	5.88%	8.25%	42	3.38%	3.00%	4.3	10.00%
National							
Self Storage Class A	5.70%	7.20%	47	2.96%	2.83%	5.1	18.33%
Self Storage Class B	6.34%	7.97%	47	2.96%	2.83%	5.1	18.33%

Source: These rates were compiled and submitted by NKF V&A Market Leaders and Specialty Directors based on current market activity including recent sales and discussions with market participants and service professionals.

AN INTEGRATED **REAL ESTATE PLATFORM**

Newmark Knight Frank provides invaluable access to a complete range of services across our global platform. Our valuation and advisory practice is supported by Newmark Knight Frank's industry-leading offerings including research, leasing, corporate advisory services, capital markets, consulting, project and development management, and property and corporate facilities management services–allowing us to add significant value for clients that goes beyond mere reporting.



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Fayetteville
Little Rock

CALIFORNIA
El Segundo
Irvine
Los Angeles
Newport Beach
Pasadena
Sacramento
San Francisco
San Jose
San Mateo
Santa Rosa

COLORADO
Denver

CONNECTICUT
Stamford

DELAWARE
Wilmington

FLORIDA
Boca Raton
Jupiter
Miami
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Tampa

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St. Louis

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Las Vegas
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NEW JERSEY
Rutherford/Saddle Brook
Whippany

NEW YORK
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New York

NORTH CAROLINA
Charlotte

OHIO
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OKLAHOMA
Oklahoma City

OREGON
Portland/Lake Oswego

PENNSYLVANIA
Allentown
Philadelphia
Pittsburgh

TEXAS
Austin
Dallas
Houston

UTAH
Salt Lake City

VIRGINIA
Tysons Corner

WASHINGTON
Seattle

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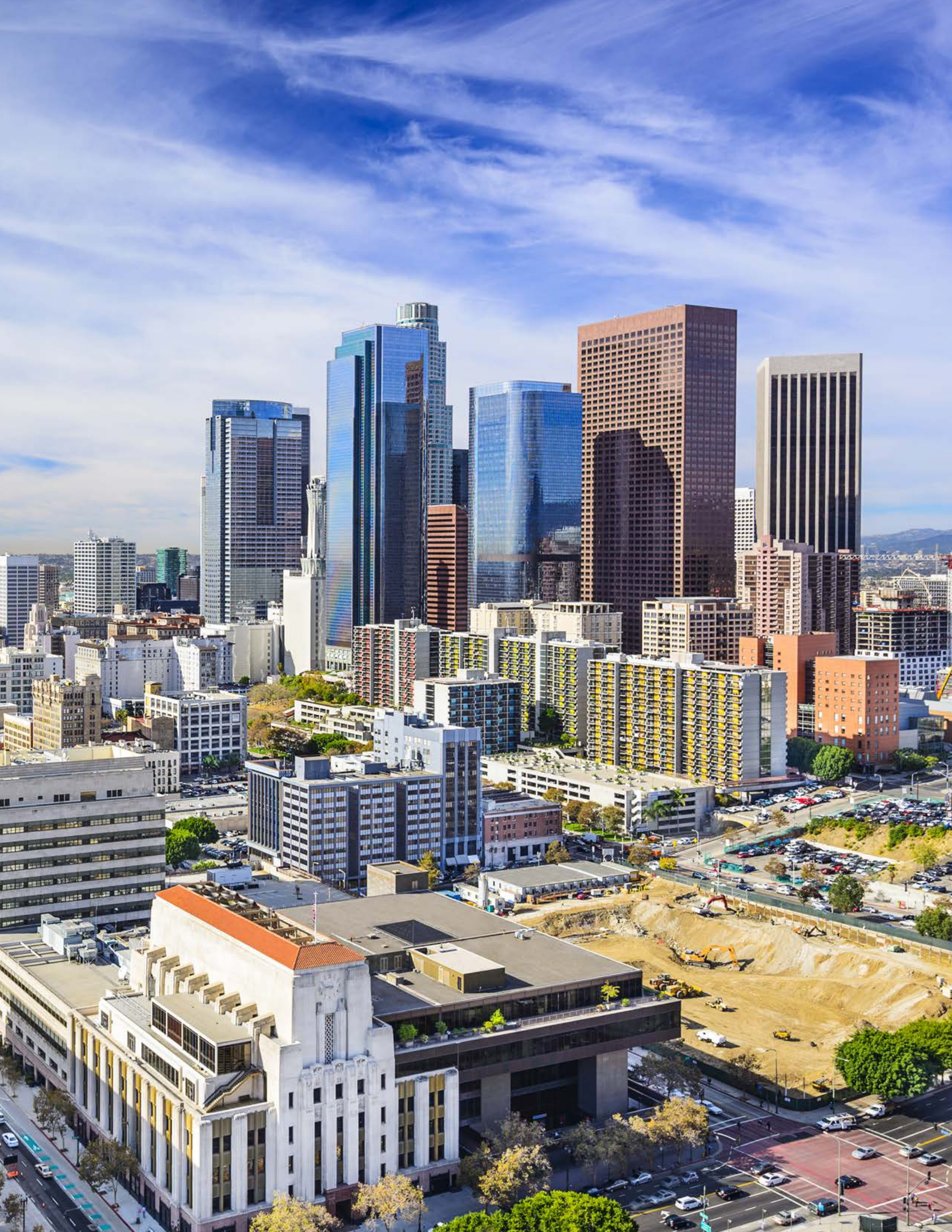

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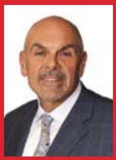

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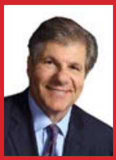

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