
VALUATION & ADVISORY

North American Market Survey 1Q 2023

NEWMARK





Welcome to the fourth edition of the **Newmark Valuation & Advisory Market Survey**, an in-depth, city-by-city report featuring capitalization rates, discount rates and industry metrics reflective of current market activity.

ABOUT NEWMARK VALUATION & ADVISORY

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

The power of information and experience is our strength and your advantage. Newmark Valuation & Advisory combines cross-division capabilities with a centralized approach to strategic valuation. Armed with extensive geographic reach, unique and specialized expertise, and the most advanced technology in the industry, delivery of consistent, objective and credible reporting is assured.

From local market insight to proprietary and third-party data, we tap into a deep well of information to advise our clients. Our robust propriety software, Ngage and Nform, gives us—and in turn, our clients—a competitive edge. Working closely with Newmark Capital Markets platform we access real-time market activity to make smarter, faster assessments.

Our team members provide forward-thinking advice and industry-leading insight built on broad and deep knowledge of a range of asset class sectors, including Hospitality, Industrial & Logistics, Multifamily, Office, Retail & Regional Malls, plus other specialty practices like Retail Petroleum, Self Storage, and Seniors Housing. Our team is renowned for our collaborative approach, focused reports, and commitment to clients.

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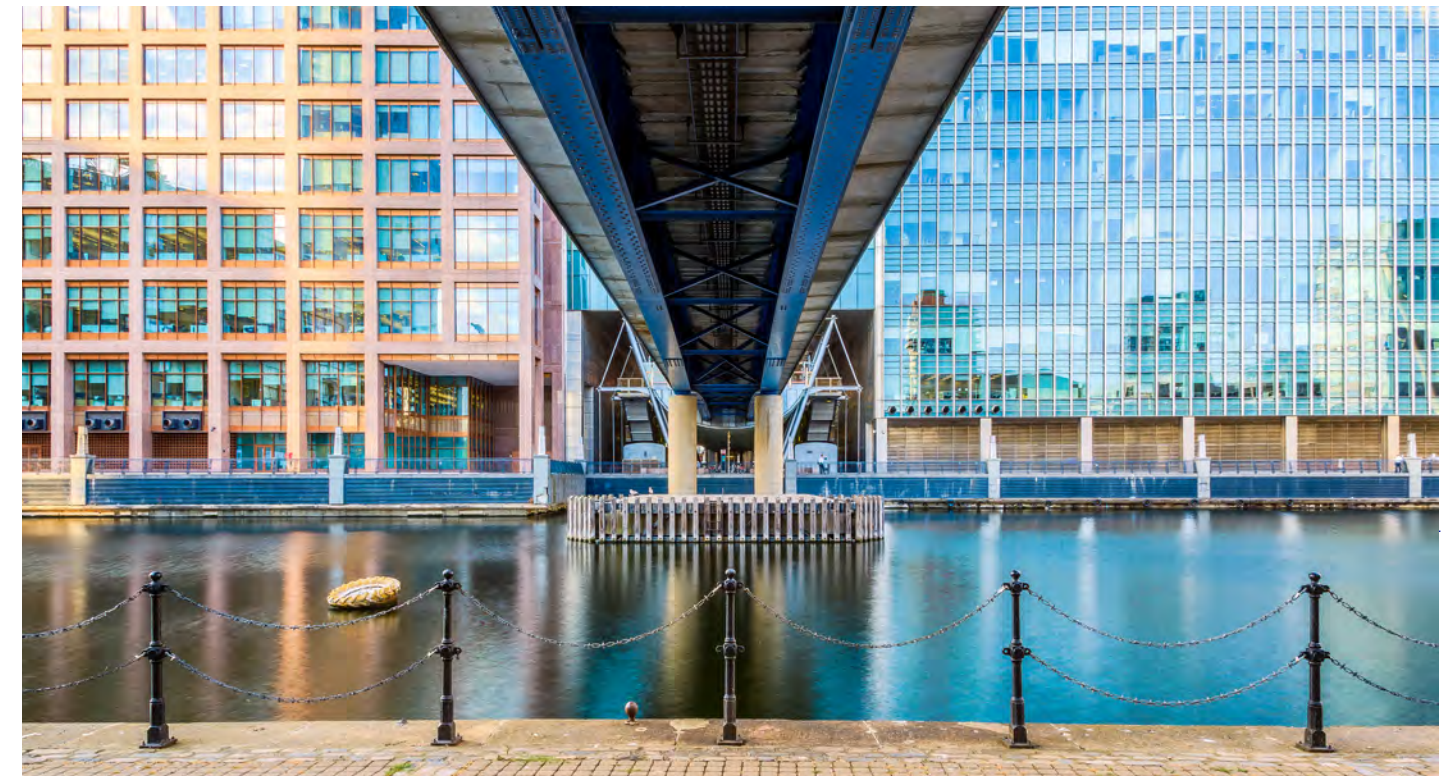
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John D. Busi, MAI, FRICS
President
Newmark Valuation & Advisory

Welcome to the Spring 2023 edition of the Newmark Valuation & Advisory North American Market Survey.

In 1687, when Isaac Newton was ruminating about gravity and the laws of motion, he postulated “that for every action, there is an equal and opposite reaction.” If he were alive today, he would have found a kindred spirit in Joe Pesci’s iconic “Cousin Vinny,” who channeled Newton and reasoned that physics does factor into the cooking time of a bowl of grits. And they both could have admonished the Federal Reserve and asked rhetorically, “Do the laws of physics not apply at the Federal Reserve?”

After a consecutive string of six rate hikes, we entered the 2023 CRE market with caution and apprehension at the prospect of a transaction environment trying to find its footing and gain traction on a slippery slope. As observers, we stand at the ready, watching for signs and waiting for signals and will endeavor to chart these observations in the challenging year ahead.

Time is a powerful force of nature, and in time, the laws of physics will prevail. The Sun’s gravitational pull will keep the planets in orbit, what was out of balance will rebalance again, and Isaac and Vinny can take heart.

Joseph D. Pasquarella, MAI, CRE
Senior Managing Director
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Market Survey Editor

To John's point, the future is seldom *known* but often "*knowable*." As I enter my 50th year in commercial real estate valuation, I reflect on the many cycles I've experienced. Those highs and lows and ups and downs provide an unpredictable future. Experience coupled with instinct allows us to interpret the signals projected by the economy and capital markets. When read correctly, many opportunities and potential rewards will arise for those willing to act.

As I look back over these past 50 years, those investors and lenders that leaned into ambiguity often had success. Those that seized uncertainty did so armed with market facts, uncovering the knowable, and having the guts and determination to decide to invest. Even the most uncertain business environments provide strategically relevant information, which is the case today – many market factors currently unknown are knowable when the right research and analyses are performed.

Newmark Valuation and Advisory's team of best-in-class specialists and market leaders who live and work in over 60 markets around the globe will offer you candid communication to help your strategic decisions. We will assist you with sorting market ambiguity, quantifying the opaque market metrics, and building interpretive models with our highly specialized information systems to narrow the range of optimal outcomes from a broad band of initial decisions. Our Market Survey 1Q 2023 is our first step in delivering insights as to what we expect to see in a year of potential opportunity.





Hospitality, Gaming & Leisure

By Bryan Younge, MAI, ASA, FRICS
*Executive Vice President
 Valuation & Advisory
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 Hospitality, Gaming & Leisure*

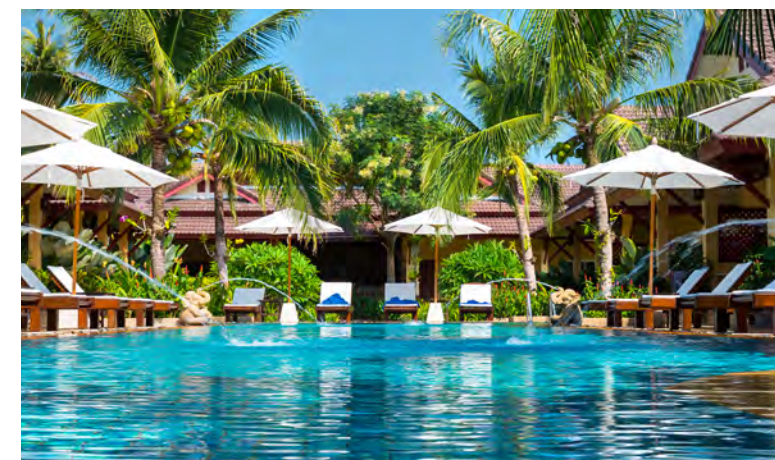
The lodging industry's carom off the pandemic is ongoing, managing the impacts of inflation with some success. However, the U.S. personal savings rate is near an all-time low which will likely cause strain on discretionary leisure travel in 2023.

- Inflation has generated an upward heave underneath Average Daily Rate (ADR). With strong occupancy gains in the last six months of 2022 compared to the same period in 2021, Revenue Per Available Room (RevPAR) eclipsed the all-time record for the U.S. overall within many of the major urban markets. In December, RevPAR reached a level 13% higher than 2019's pre-pandemic December, and after factoring in inflation, RevPAR still edged out the nominal record.
- Operating results data lags top-line metrics. Profitability for hotels will be challenged, especially if we head into a recession. As a result, investment in technology and asset management will likely accelerate.

1Q 2023 National Rates Comparison Hospitality	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
Hotel - Luxury Class A	5.75%	6.25%	10	↓	4.00%	5.00%
Hotel - Luxury Class B	6.75%	7.25%	15	↔	2.50%	4.00%
Hotel - Resort Class A	6.00%	6.50%	10	↓	4.00%	5.00%
Hotel - Resort Class B	6.75%	7.25%	25	↔	1.50%	4.00%
Hotel - Full Service Class A	6.50%	7.00%	25	↓	2.50%	3.50%
Hotel - Full Service Class B	7.00%	7.50%	25	↔	1.50%	3.50%
Hotel - Select Service Class A	7.50%	8.00%	25	↓	4.50%	4.00%
Hotel - Select Service Class B	8.00%	8.50%	25	↔	4.00%	3.50%
Hotel - Limited Service Class A	8.00%	8.50%	35	↓	4.00%	4.00%
Hotel - Limited Service Class B	8.75%	9.25%	40	↔	3.50%	3.50%
Hotel - Extended Stay Class A	7.00%	7.50%	35	↓	4.00%	4.00%
Hotel - Extended Stay Class B	7.50%	8.00%	40	↔	3.50%	4.00%
Hotel - Airport/Highway Class A	7.75%	8.25%	35	↓	4.00%	4.00%
Hotel - Airport/Highway Class B	8.50%	9.00%	50	↔	3.50%	4.00%

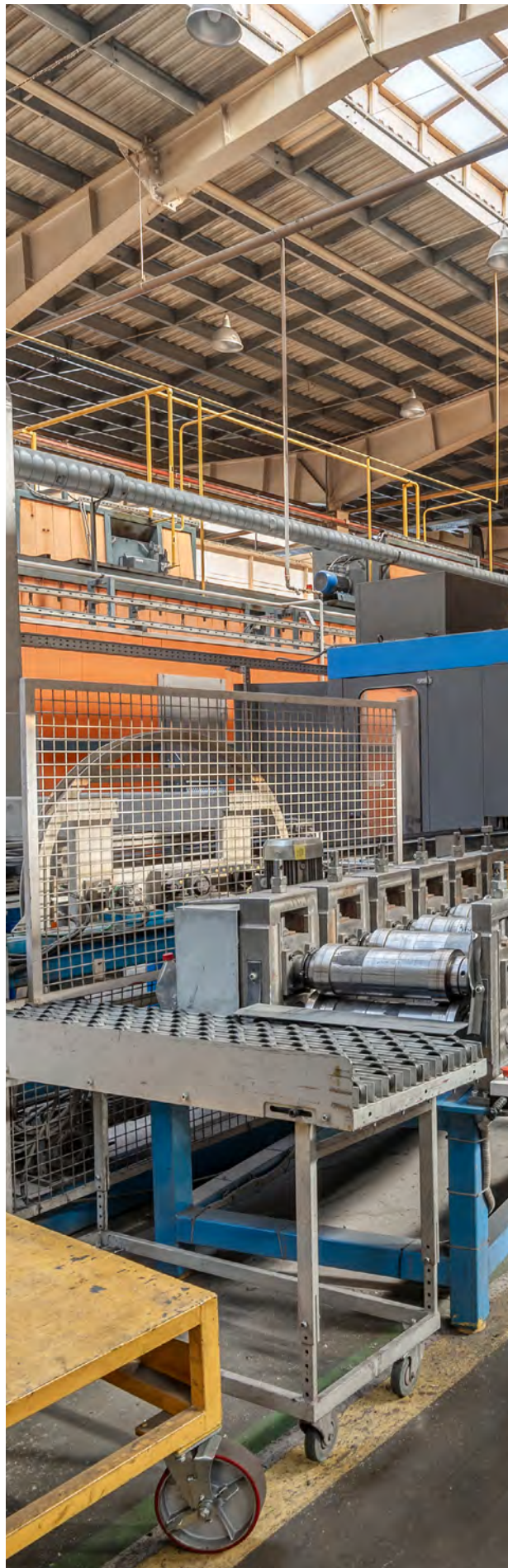
Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

- The debt market is pricing at levels higher than we have seen in over a decade. Spreads will narrow later in 2023 as FED movements subside and borrowers re-enter the market. On top of this, the U.S. personal savings rate has dipped well below 3% following very high spending behavior after the nadir of the pandemic.
- Of all the booking channels, the most distinctive performer is FIT/Wholesale, which is a bellwether-like indicator for leisure and group travel. This channel took the hardest hit initially during the pandemic and rebounded exceptionally strong in the spring months of 2022. At this point, it achieved a level that was 70% higher than in the same period in 2019. Cavitation in this channel was instigated by rapid back-to-back FED increases in the summer and fall months. Still, FIT/Wholesale managed to re-emerge above pre-pandemic levels again by the end of the year.
- Sarasota, Florida, remained the top contender in lodging performance index for the second consecutive quarter. In fact, Florida claims five of the top 10 top-performing markets. Portland, Maine, is the only cold-weather metro in the top ten.
- New York City ranked highest in occupancy level at 81.5% in the fourth quarter, though it has not returned to its pre-pandemic level of 86.5%. The city boasted an astounding ADR of \$338 and a RevPAR of \$276—the highest Q4 RevPAR for any market.
- While San Francisco, like many Pacific Rim markets, experienced a decline in occupancy, its ADR has largely rebounded. The city ranked fifth in ADR this quarter and 10th in RevPAR at \$136. This represents a substantial recovery from the pandemic low when it ranked near the bottom of the list.



ABOUT HOSPITALITY, GAMING & LEISURE

Our Hospitality, Gaming and Leisure practice excels at valuation and consulting services for a vast range of complex assets, from bed-and-breakfasts to Las Vegas casinos, bowling alleys to waterpark resorts. Our senior appraisers look beyond the physical asset to identify all areas of value for owners and investors, uncovering untapped potential. Our team leverages on-the-ground knowledge and comprehensive analysis of a property's business and real estate operations to craft forward-thinking solutions with a collaborative, personalized approach.



Industrial & Logistics

By Robert J. Vodinelic, MAI, MRICS
Senior Managing Director
Valuation & Advisory
Specialty Practice Leader - Industrial & Logistics

The national industrial market saw a precipitous drop in sales activity across all U.S. markets through the fourth quarter of 2022. Inflation, rising interest rates and economic outlook concerns were an anchor on industrial capital markets activity, even though industrial fundamentals remained solid. Looking forward, the keyword for industrial will be “normalization” after the surge of industrial activity post-pandemic.

- The final quarter of 2022 had over 87 million square feet of positive industrial absorption, as indicated by Newmark Research. Primary industrial markets in California, Georgia, Illinois, New Jersey, Pennsylvania and Texas led the way, but strong leasing was also evident in next-tier markets such as Cincinnati, Kansas City, Memphis, Nashville and Phoenix. This widespread absorption success will be tested through 2023.
- After surging to a national increase of over 17% in 2022, the growth in rental rates will moderate in 2023. Between the slowdown in overall economic activity, the rise in industrial sublease space and the onrush of new deliveries, rent growth is expected to ease up. However, it still will likely remain above general inflation rates and long-term historical trends.
- Sectors such as E-commerce are continuing to be drivers of industrial demand, albeit at a more moderate pace. The transition and significant investment towards more advanced manufacturing businesses, especially from the electric vehicle and semiconductor industries, will buttress tight industrial employment conditions and create hotbeds of industrial activity in markets such as Phoenix, Atlanta, Austin, Nashville and Columbus, Ohio.

1Q 2023 National Rates Comparison Industrial	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Market Rent Growth Rate	Expense Growth Rate
WEST					
Industrial - Warehouse/Logistics Class A	4.35%	6.04%	46	3.15%	3.00%
Industrial - Warehouse/Logistics Class B	4.85%	6.54%	46	3.15%	3.00%
CENTRAL					
Industrial - Warehouse/Logistics Class A	5.43%	6.53%	50	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.08%	7.18%	50	3.00%	3.00%
SOUTH					
Industrial - Warehouse/Logistics Class A	5.38%	6.33%	48	3.27%	3.08%
Industrial - Warehouse/Logistics Class B	6.02%	7.10%	48	3.27%	3.08%
EAST					
Industrial - Warehouse/Logistics Class A	5.11%	6.25%	48	3.36%	3.09%
Industrial - Warehouse/Logistics Class B	5.86%	6.98%	48	3.36%	3.09%
UNITED STATES					
Industrial - Warehouse/Logistics Class A	5.11%	6.31%	48	3.21%	3.04%
Industrial - Warehouse/Logistics Class B	5.74%	6.97%	48	3.21%	3.04%
CANADA					
Industrial - Warehouse/Logistics Class A	5.00%	5.85%	25	4.00%	2.50%
Industrial - Warehouse/Logistics Class B	5.55%	6.40%	25	4.00%	2.50%
MEXICO					
Industrial - Warehouse/Logistics Class A	7.00%	10.00%	0	4.50%*	4.50%
Industrial - Warehouse/Logistics Class B	8.00%	11.00%	0	4.50%*	4.50%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

*Note: Mexico rate increases dependent if USD or Peso were used in transaction. Peso denominated lease rental rate increased 4.5%; USD denominated lease rental rate increased 2.5%.

1Q 2023 International Rates Comparison Industrial	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
CALGARY, AB, CANADA						
Industrial - Warehouse/Logistics Class A	6.00%	7.00%	25	↔	4.00%	2.50%
Industrial - Warehouse/Logistics Class B	6.50%	7.25%	25	↔	4.00%	2.50%
EDMONTON, AB, CANADA						
Industrial - Warehouse/Logistics Class A	5.75%	6.50%	25	↔	4.00%	2.50%
Industrial - Warehouse/Logistics Class B	6.50%	7.25%	25	↔	4.00%	2.50%
MONTREAL, QC, CANADA						
Industrial - Warehouse/Logistics Class A	5.00%	5.75%	25	↑	4.00%	2.50%
Industrial - Warehouse/Logistics Class B	5.50%	6.25%	25	↑	4.00%	2.50%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

- The drastic decline in industrial vacancy over the past dozen years leveled off at the end of 2022, although the vacancy rate (3.8%) was just 10 basis points above the record low set earlier in 2022. With the new supply of industrial product exceeding demand for the first time in two years, forecasts predict an uptick in vacancy in the near term. New construction starts, which exploded over the last several quarters, are showing a pullback as of year-end 2022 and into 2023, capping a significant rise in vacancy levels, especially in the regions most deprived of available space, such as Southern California.
- As with most property sectors, the rise in interest rates is placing upward pressure on capitalization rates. A record level of debt maturities are expected for 2023 through 2025. Timed against the current sharp rise in interest rates, there is anticipated refinancing stress in near-term forecasts. The risks from an extended period of negative leverage are real, but, fortunately, industrial rent growth during the post-pandemic period has contributed to sharp escalations in NOI, allowing for the mitigation of some loan maturity angst.

1Q 2023 National Rates Comparison Industrial - International	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
TORONTO, ON, CANADA						
Industrial - Warehouse/Logistics Class A	4.25%	5.00%	25	↑	4.00%	2.50%
Industrial - Warehouse/Logistics Class B	5.00%	5.75%	25	↑	4.00%	2.50%
VANCOUVER, BC, CANADA						
Industrial - Warehouse/Logistics Class A	4.00%	5.00%	25	↑	4.00%	2.50%
Industrial - Warehouse/Logistics Class B	4.25%	5.50%	25	↑	4.00%	2.50%
MEXICO CITY, MEXICO						
Industrial - Warehouse/Logistics Class A	7.00%	10.00%	0	↑	4.50%*	4.50%
Industrial - Warehouse/Logistics Class B	8.00%	11.00%	0	↑	4.50%*	4.50%

*Note: Mexico rate increases dependent if USD or Peso were used in transaction. Peso denominated lease rental rate increased 4.5%; USD denominated lease rental rate increased 2.5%.

1Q 2023 National Rates Comparison Industrial - West	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
DENVER, CO						
Industrial - Warehouse/Logistics Class A	4.50%	5.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.50%	6.50%	50	↑	3.00%	3.00%
IRVINE/ORANGE, CA						
Industrial - Warehouse/Logistics Class A	4.25%	6.00%	25	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	4.75%	6.50%	25	↑	3.00%	3.00%
LAS VEGAS, NV						
Industrial - Warehouse/Logistics Class A	4.25%	6.00%	50	↑	4.00%	3.00%
Industrial - Warehouse/Logistics Class B	4.50%	6.25%	50	↑	4.00%	3.00%
LOS ANGELES, CA						
Industrial - Warehouse/Logistics Class A	4.25%	6.00%	25	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	4.75%	6.25%	25	↑	3.00%	3.00%
PHOENIX, AZ						
Industrial - Warehouse/Logistics Class A	5.00%	6.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.75%	7.00%	50	↑	3.00%	3.00%
PORTLAND, OR						
Industrial - Warehouse/Logistics Class A	5.00%	6.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.50%	7.25%	50	↑	3.00%	3.00%
RENO, NV						
Industrial - Warehouse/Logistics Class A	5.00%	6.75%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.50%	7.25%	50	↑	3.00%	3.00%
SACRAMENTO, CA						
Industrial - Warehouse/Logistics Class A	4.50%	6.00%	50	↔	4.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.00%	6.50%	50	↔	4.00%	3.00%
SALT LAKE CITY, UT						
Industrial - Warehouse/Logistics Class A	4.25%	5.75%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	4.50%	6.00%	50	↑	3.00%	3.00%
SEATTLE, WA						
Industrial - Warehouse/Logistics Class A	4.50%	6.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	4.75%	7.00%	50	↑	3.00%	3.00%
SILICON VALLEY/SAN JOSE, CA						
Industrial - Warehouse/Logistics Class A	4.00%	6.00%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	4.50%	6.50%	50	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

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1Q 2023 National Rates Comparison Industrial - Central	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
CHICAGO, IL						
Industrial - Warehouse/Logistics Class A	5.00%	6.00%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.75%	6.75%	50	↑	3.00%	3.00%
CINCINNATI, OH						
Industrial - Warehouse/Logistics Class A	5.50%	6.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.00%	7.00%	50	↑	3.00%	3.00%
CLEVELAND, OH						
Industrial - Warehouse/Logistics Class A	5.75%	6.75%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.25%	7.25%	50	↑	3.00%	3.00%
COLUMBUS, OH						
Industrial - Warehouse/Logistics Class A	5.50%	6.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.00%	7.00%	50	↑	3.00%	3.00%
DETROIT, MI						
Industrial - Warehouse/Logistics Class A	5.50%	7.00%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.00%	7.50%	50	↑	3.00%	3.00%
GRAND RAPIDS, MI						
Industrial - Warehouse/Logistics Class A	5.50%	7.00%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.00%	7.50%	50	↑	3.00%	3.00%
INDIANAPOLIS, IN						
Industrial - Warehouse/Logistics Class A	5.50%	6.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.00%	7.00%	50	↑	3.00%	3.00%
KANSAS CITY, MO						
Industrial - Warehouse/Logistics Class A	5.50%	6.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.50%	7.50%	50	↑	3.00%	3.00%
MINNEAPOLIS, MN						
Industrial - Warehouse/Logistics Class A	5.00%	6.00%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.75%	6.75%	50	↑	3.00%	3.00%
ST. LOUIS, MO						
Industrial - Warehouse/Logistics Class A	5.50%	6.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.50%	7.50%	50	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 National Rates Comparison Industrial - South	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
ARKANSAS						
Industrial - Warehouse/Logistics Class A	6.00%	7.00%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.50%	8.00%	50	↑	3.00%	3.00%
ATLANTA, GA						
Industrial - Warehouse/Logistics Class A	4.75%	6.00%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.25%	6.50%	50	↑	3.00%	3.00%
AUSTIN, TX						
Industrial - Warehouse/Logistics Class A	5.75%	6.25%	50	↑	2.50%	4.00%
Industrial - Warehouse/Logistics Class B	6.00%	7.00%	50	↑	2.50%	4.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 National Rates Comparison Industrial - South	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
CHARLOTTE, NC						
Industrial - Warehouse/Logistics Class A	5.00%	6.00%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.25%	6.50%	50	↑	3.00%	3.00%
DALLAS, TX						
Industrial - Warehouse/Logistics Class A	5.50%	6.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.00%	7.00%	50	↑	3.00%	3.00%
FORT WORTH, TX						
Industrial - Warehouse/Logistics Class A	5.50%	6.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.00%	7.00%	50	↑	3.00%	3.00%
HOUSTON, TX						
Industrial - Warehouse/Logistics Class A	5.50%	6.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.00%	7.00%	50	↑	3.00%	3.00%
MIAMI, FL						
Industrial - Warehouse/Logistics Class A	5.00%	6.00%	50	↑	4.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.75%	6.75%	50	↑	4.00%	3.00%
NEW ORLEANS, LA						
Industrial - Warehouse/Logistics Class A	5.00%	6.00%	50	↑	5.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.00%	7.00%	50	↑	5.00%	3.00%
ORLANDO, FL						
Industrial - Warehouse/Logistics Class A	5.75%	6.50%	50	↑	4.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.25%	7.00%	50	↑	4.00%	3.00%
SAN ANTONIO, TX						
Industrial - Warehouse/Logistics Class A	5.50%	6.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.50%	7.50%	50	↑	3.00%	3.00%
TAMPA, FL						
Industrial - Warehouse/Logistics Class A	5.75%	6.50%	25	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.25%	7.00%	25	↑	3.00%	3.00%
TULSA/OKLAHOMA CITY, OK						
Industrial - Warehouse/Logistics Class A	5.00%	6.00%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.50%	8.00%	50	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 National Rates Comparison Industrial - East	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
BALTIMORE, MD						
Industrial - Warehouse/Logistics Class A	5.00%	6.00%	50	↑	5.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.00%	7.00%	50	↑	5.00%	3.00%
BOSTON, MA						
Industrial - Warehouse/Logistics Class A	5.00%	6.50%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.00%	7.50%	50	↑	3.00%	3.00%
LEHIGH VALLEY, PA						
Industrial - Warehouse/Logistics Class A	5.25%	6.00%	50	↔	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.00%	6.75%	50	↔	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 National Rates Comparison Industrial - East	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
NEW YORK CITY BOROUGHES						
Industrial - Warehouse/Logistics Class A	N/A	N/A	N/A	↑	N/A	N/A
Industrial - Warehouse/Logistics Class B	N/A	N/A	N/A	↑	N/A	N/A
NEW YORK CITY SUBURBS						
Industrial - Warehouse/Logistics Class A	4.25%	5.75%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.00%	6.75%	50	↑	3.00%	3.00%
NORTHERN NEW JERSEY						
Industrial - Warehouse/Logistics Class A	4.25%	5.25%	25	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	4.75%	5.75%	25	↑	3.00%	3.00%
PHILADELPHIA, PA						
Industrial - Warehouse/Logistics Class A	5.00%	6.25%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.75%	6.75%	50	↑	3.00%	3.00%
PITTSBURGH, PA						
Industrial - Warehouse/Logistics Class A	6.50%	8.00%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	7.50%	9.00%	50	↑	3.00%	3.00%
SOUTHERN NEW JERSEY						
Industrial - Warehouse/Logistics Class A	4.75%	5.75%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.25%	6.25%	50	↑	3.00%	3.00%
UPSTATE NEW YORK						
Industrial - Warehouse/Logistics Class A	6.00%	7.00%	50	↔	3.00%	4.00%
Industrial - Warehouse/Logistics Class B	6.50%	7.25%	50	↔	3.00%	4.00%
WASHINGTON, DC						
Industrial - Warehouse/Logistics Class A	5.00%	6.00%	50	↑	3.00%	3.00%
Industrial - Warehouse/Logistics Class B	6.00%	7.00%	50	↑	3.00%	3.00%
WILMINGTON, DE						
Industrial - Warehouse/Logistics Class A	5.25%	6.25%	50	↑	5.00%	3.00%
Industrial - Warehouse/Logistics Class B	5.75%	6.75%	50	↑	5.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

ABOUT INDUSTRIAL & LOGISTICS

Newmark 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 and 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 Newmark platform. With our unsurpassed, proprietary market knowledge, we provide clients with optimal solutions for managing their industrial and logistics properties.

Newmark 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.





Multifamily

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The multifamily market is expected to continue to outperform many other sectors of real estate. Investment metrics for multifamily properties may be slow over the near term, but long-term prospects remain bright.

The multifamily market continues to be one of the more preferred real estate asset classes. Investor demand is expected to continue in 2023, although slow during the 1st half. Cap rates increased from a year ago, but they still remain towards the low end of most property types. A leading contributing factor to the low-end cap rates is that multifamily properties with lease terms of typically 12 months have historically provided strong risk-adjusted returns compared with inflation. More specifically, multifamily properties have functioned to be one of the best asset types to be a hedge against inflation. Due to the relatively short terms of the leases, the rent levels can be increased more frequently than most property types and at levels that more closely reflect the actual levels of inflation.

Single-family development is another growing component of the rental housing market, with a large investor appetite amongst institutions and other major investor types.

1Q 2023 National Rates Comparison Multifamily	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Market Rent Growth Rate	Expense Growth Rate
WEST					
Multifamily - CBD Class A	4.42%	6.15%	44	2.75%	3.08%
Multifamily - CBD Class B	4.77%	6.48%	44	2.75%	3.08%
Multifamily - Suburban Class A	4.55%	6.18%	45	2.73%	3.00%
Multifamily - Suburban Class B	4.93%	6.57%	45	2.73%	3.00%
CENTRAL					
Multifamily - CBD Class A	5.28%	6.90%	55	3.10%	3.10%
Multifamily - CBD Class B	6.03%	7.55%	55	3.10%	3.10%
Multifamily - Suburban Class A	5.50%	6.98%	55	3.10%	3.10%
Multifamily - Suburban Class B	6.20%	7.70%	55	3.10%	3.10%
SOUTH					
Multifamily - CBD Class A	4.87%	6.25%	39	2.96%	2.87%
Multifamily - CBD Class B	5.35%	6.98%	39	2.96%	2.87%
Multifamily - Suburban Class A	5.04%	6.42%	39	2.88%	2.87%
Multifamily - Suburban Class B	5.44%	7.12%	39	2.88%	2.87%
EAST					
Multifamily - CBD Class A	4.93%	6.30%	45	2.55%	3.10%
Multifamily - CBD Class B	5.63%	6.93%	45	2.55%	3.10%
Multifamily - Suburban Class A	5.06%	6.44%	46	2.88%	3.08%
Multifamily - Suburban Class B	5.75%	7.02%	46	2.88%	3.08%
UNITED STATES					
Multifamily - CBD Class A	4.85%	6.38%	45	2.84%	3.03%
Multifamily - CBD Class B	5.41%	6.96%	45	2.84%	3.03%
Multifamily - Suburban Class A	5.03%	6.49%	46	2.89%	3.01%
Multifamily - Suburban Class B	5.57%	7.09%	46	2.89%	3.01%
CANADA					
Multifamily - CBD Class A	3.90%	4.65%	25	2.50%	2.50%
Multifamily - CBD Class B	4.45%	5.15%	25	2.50%	2.50%
Multifamily - Suburban Class A	4.55%	5.35%	25	2.50%	2.50%
Multifamily - Suburban Class B	5.10%	5.70%	25	2.50%	2.50%
MEXICO					
Multifamily - CBD Class A	6.50%	10.00%	50	4.50%*	4.50%
Multifamily - CBD Class B	N/A	N/A	50	4.50%*	4.50%
Multifamily - Suburban Class A	8.00%	11.00%	50	4.50%*	4.50%
Multifamily - Suburban Class B	N/A	N/A	50	4.50%*	4.50%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

*Note: Mexico rate increases dependent if USD or Peso were used in transaction. Peso denominated lease rental rate increased 4.5%; USD denominated lease rental rate increased 2.5%.

These are particularly favorable given the dynamics of the high cost of single-family homes, the significant increase in mortgage interest rates during the last year, the lack of “for sale” inventory, and other constraints on home buyers, especially first-time home buyers (aka entry-level housing). It is now frequently common for single-family subdivisions to be purchased with the expectation of renting as opposed to offering the homes for sale. In addition to these items, we have identified other points that are relevant to multifamily properties, as follows:

- Increasing mortgage rates continue to hinder the affordability of home ownership, benefiting demand for multifamily.
- Future Federal Reserve interest rate increases and attendant effects on mortgage and investment rates. However, multifamily has the benefits of the GSEs, which helps liquidity for multifamily.

1Q 2023 National Rates Comparison Multifamily - West	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
DENVER, CO						
Multifamily - CBD Class A	4.50%	5.75%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	5.00%	6.25%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.00%	6.00%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.50%	6.25%	50	↑	3.00%	3.00%
IRVINE/ORANGE, CA						
Multifamily - CBD Class A	4.25%	6.25%	25	↑	3.00%	3.00%
Multifamily - CBD Class B	4.75%	6.25%	25	↑	3.00%	3.00%
Multifamily - Suburban Class A	4.25%	5.75%	25	↑	3.00%	3.00%
Multifamily - Suburban Class B	4.75%	6.25%	25	↑	3.00%	3.00%
LAS VEGAS, NV						
Multifamily - CBD Class A	4.75%	7.00%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	5.00%	7.50%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	4.75%	7.00%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.00%	7.50%	50	↑	3.00%	3.00%
LOS ANGELES, CA						
Multifamily - CBD Class A	4.25%	6.00%	25	↑	3.00%	3.00%
Multifamily - CBD Class B	4.75%	6.50%	25	↑	3.00%	3.00%
Multifamily - Suburban Class A	4.25%	6.00%	25	↑	3.00%	3.00%
Multifamily - Suburban Class B	4.75%	6.50%	25	↑	3.00%	3.00%
PHOENIX, AZ						
Multifamily - CBD Class A	4.50%	6.00%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	5.00%	6.50%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	4.75%	6.25%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.25%	6.75%	50	↑	3.00%	3.00%
PORTLAND, OR						
Multifamily - CBD Class A	4.50%	6.00%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	4.75%	6.25%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	4.75%	6.00%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.00%	6.25%	50	↑	3.00%	3.00%
RENO, NV						
Multifamily - CBD Class A	5.00%	6.75%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	5.25%	7.25%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.00%	6.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.25%	7.25%	50	↑	3.00%	3.00%
SACRAMENTO, CA						
Multifamily - CBD Class A	5.00%	6.50%	50	↑	0.00%	4.00%
Multifamily - CBD Class B	5.50%	7.00%	50	↑	0.00%	4.00%
Multifamily - Suburban Class A	4.50%	6.00%	50	↑	0.00%	3.00%
Multifamily - Suburban Class B	5.00%	6.50%	50	↑	0.00%	3.00%
SALT LAKE CITY, UT						
Multifamily - CBD Class A	4.25%	6.00%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	4.50%	6.25%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	4.50%	6.25%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	4.75%	6.50%	50	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.



1Q 2023 National Rates Comparison Multifamily - West	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
SAN FRANCISCO, CA						
Multifamily - CBD Class A	4.00%	5.50%	25	↑	3.00%	3.00%
Multifamily - CBD Class B	4.00%	5.50%	25	↑	3.00%	3.00%
SEATTLE, WA						
Multifamily - CBD Class A	4.00%	6.00%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	4.25%	6.50%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	4.25%	6.00%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	4.50%	6.50%	50	↑	3.00%	3.00%
SILICON VALLEY/SAN JOSE, CA						
Multifamily - CBD Class A	4.00%	6.00%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	4.50%	6.00%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	4.00%	6.00%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	4.50%	6.00%	50	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 National Rates Comparison Multifamily - Central	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
CHICAGO, IL						
Multifamily - CBD Class A	4.75%	5.75%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	5.75%	6.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.25%	6.25%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.75%	6.75%	50	↑	3.00%	3.00%
CINCINNATI, OH						
Multifamily - CBD Class A	5.50%	7.75%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	6.50%	8.50%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.50%	7.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	6.50%	8.50%	50	↑	3.00%	3.00%
CLEVELAND, OH						
Multifamily - CBD Class A	5.75%	8.00%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	6.75%	8.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.50%	7.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	6.50%	8.50%	50	↑	3.00%	3.00%
COLUMBUS, OH						
Multifamily - CBD Class A	5.50%	7.75%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	6.50%	8.50%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.50%	7.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	6.50%	8.50%	50	↑	3.00%	3.00%
DETROIT, MI						
Multifamily - CBD Class A	5.25%	6.75%	75	↑	3.50%	3.50%
Multifamily - CBD Class B	5.75%	7.25%	75	↑	3.50%	3.50%
Multifamily - Suburban Class A	5.00%	6.50%	75	↑	3.50%	3.50%
Multifamily - Suburban Class B	5.50%	7.00%	75	↑	3.50%	3.50%
GRAND RAPIDS, MI						
Multifamily - CBD Class A	5.25%	6.75%	75	↑	3.50%	3.50%
Multifamily - CBD Class B	5.75%	7.25%	75	↑	3.50%	3.50%
Multifamily - Suburban Class A	5.00%	6.50%	75	↑	3.50%	3.50%
Multifamily - Suburban Class B	5.50%	7.00%	75	↑	3.50%	3.50%
INDIANAPOLIS, IN						
Multifamily - CBD Class A	5.50%	7.75%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	6.50%	8.50%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.50%	7.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	6.50%	8.50%	50	↑	3.00%	3.00%
KANSAS CITY, MO						
Multifamily - CBD Class A	5.25%	6.25%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	5.75%	6.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	6.25%	6.00%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	6.75%	7.75%	50	↑	3.00%	3.00%
MINNEAPOLIS, MN						
Multifamily - CBD Class A	4.75%	5.75%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	5.25%	6.25%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.25%	6.25%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.75%	6.75%	50	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 National Rates Comparison Multifamily - Central	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
ST. LOUIS, MO						
Multifamily - CBD Class A	5.25%	6.50%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	5.75%	7.00%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	6.25%	7.25%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	6.75%	7.75%	50	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 National Rates Comparison Multifamily - South	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
ARKANSAS						
Multifamily - CBD Class A	5.50%	6.50%	25	↑	2.00%	3.00%
Multifamily - CBD Class B	6.00%	7.50%	25	↑	2.00%	3.00%
Multifamily - Suburban Class A	5.50%	6.50%	25	↑	3.00%	3.00%
Multifamily - Suburban Class B	6.00%	7.50%	25	↑	3.00%	3.00%
ATLANTA, GA						
Multifamily - CBD Class A	4.50%	6.25%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	5.00%	6.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	4.75%	6.50%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.25%	7.00%	50	↑	3.00%	3.00%
AUSTIN, TX						
Multifamily - CBD Class A	5.00%	5.50%	50	↑	2.50%	2.50%
Multifamily - CBD Class B	5.25%	7.00%	50	↑	2.50%	2.50%
Multifamily - Suburban Class A	5.00%	5.50%	50	↑	2.50%	2.50%
Multifamily - Suburban Class B	5.25%	7.00%	50	↑	2.50%	2.50%
CHARLOTTE, NC						
Multifamily - CBD Class A	4.50%	6.25%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	5.00%	6.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	4.75%	6.50%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.25%	7.00%	50	↑	3.00%	3.00%
DALLAS, TX						
Multifamily - CBD Class A	4.75%	6.00%	50	↑	5.00%	3.00%
Multifamily - CBD Class B	5.25%	7.00%	50	↑	5.00%	3.00%
Multifamily - Suburban Class A	5.00%	6.50%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.50%	7.50%	50	↑	3.00%	3.00%
FORT WORTH, TX						
Multifamily - CBD Class A	4.75%	6.00%	50	↑	3.50%	3.00%
Multifamily - CBD Class B	5.25%	7.00%	50	↑	3.50%	3.00%
Multifamily - Suburban Class A	5.00%	6.50%	50	↑	3.50%	3.00%
Multifamily - Suburban Class B	5.50%	7.50%	50	↑	3.50%	3.00%
HOUSTON, TX						
Multifamily - CBD Class A	4.75%	6.00%	35	↑	3.00%	3.00%
Multifamily - CBD Class B	5.25%	7.00%	35	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.00%	6.50%	30	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.50%	7.50%	30	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 National Rates Comparison Multifamily - South	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
MIAMI, FL						
Multifamily - CBD Class A	4.50%	7.00%	25	↑	3.00%	2.75%
Multifamily - CBD Class B	5.00%	7.25%	25	↑	3.00%	2.75%
Multifamily - Suburban Class A	4.75%	7.00%	25	↑	3.00%	2.75%
Multifamily - Suburban Class B	5.25%	7.25%	25	↑	3.00%	2.75%
NEW ORLEANS, LA						
Multifamily - CBD Class A	5.50%	6.50%	50	↑	2.00%	3.00%
Multifamily - CBD Class B	6.50%	7.50%	50	↑	2.00%	3.00%
Multifamily - Suburban Class A	5.50%	6.50%	50	↑	2.00%	3.00%
Multifamily - Suburban Class B	6.00%	7.00%	50	↑	2.00%	3.00%
ORLANDO, FL						
Multifamily - CBD Class A	4.50%	6.50%	25	↑	3.00%	2.75%
Multifamily - CBD Class B	5.00%	7.00%	25	↑	3.00%	2.75%
Multifamily - Suburban Class A	4.75%	6.50%	25	↑	3.00%	2.75%
Multifamily - Suburban Class B	5.00%	7.00%	25	↑	3.00%	2.75%
SAN ANTONIO, TX						
Multifamily - CBD Class A	5.00%	5.75%	50	↔	2.50%	2.50%
Multifamily - CBD Class B	5.25%	5.75%	50	↔	2.50%	2.50%
Multifamily - Suburban Class A	5.25%	6.00%	50	↔	2.50%	2.50%
Multifamily - Suburban Class B	5.50%	6.00%	50	↔	2.50%	2.50%
TAMPA, FL						
Multifamily - CBD Class A	4.50%	6.50%	25	↑	3.00%	2.75%
Multifamily - CBD Class B	5.00%	7.00%	25	↑	3.00%	2.75%
Multifamily - Suburban Class A	4.75%	6.50%	25	↑	3.00%	2.75%
Multifamily - Suburban Class B	5.00%	7.00%	25	↑	3.00%	2.75%
TULSA/OKLAHOMA CITY, OK						
Multifamily - CBD Class A	5.50%	6.50%	25	↑	3.00%	3.00%
Multifamily - CBD Class B	5.75%	7.25%	25	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.50%	6.50%	25	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.75%	7.25%	25	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.



1Q 2023 National Rates Comparison Multifamily - East	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
BALTIMORE, MD						
Multifamily - CBD Class A	5.50%	6.50%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	6.00%	7.00%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.00%	6.00%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	6.25%	7.25%	50	↑	3.00%	3.00%
BOSTON, MA						
Multifamily - CBD Class A	4.50%	6.00%	25	↑	3.00%	3.00%
Multifamily - CBD Class B	5.00%	6.50%	25	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.00%	6.50%	25	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.50%	7.00%	25	↑	3.00%	3.00%
LEHIGH VALLEY, PA						
Multifamily - CBD Class A	5.50%	6.25%	50	↔	2.00%	3.00%
Multifamily - CBD Class B	6.25%	7.00%	50	↔	2.00%	3.00%
Multifamily - Suburban Class A	5.50%	6.25%	50	↔	2.00%	3.00%
Multifamily - Suburban Class B	6.25%	7.00%	50	↔	2.00%	3.00%
NEW YORK CITY (MANHATTAN & SUBURBS)						
Multifamily - CBD Class A	4.50%	6.00%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	4.75%	6.25%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.00%	6.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.50%	7.25%	50	↑	3.00%	3.00%
NEW YORK CITY BOROUGHS						
Multifamily - Suburban Class A	5.00%	6.25%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.25%	6.50%	50	↑	3.00%	3.00%
NORTHERN NEW JERSEY						
Multifamily - CBD Class A	4.50%	6.00%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	5.25%	6.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	4.75%	6.00%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.00%	6.50%	50	↑	3.00%	3.00%
PHILADELPHIA, PA						
Multifamily - CBD Class A	5.00%	6.25%	50	↑	0.00%	3.00%
Multifamily - CBD Class B	6.00%	6.75%	50	↑	0.00%	3.00%
Multifamily - Suburban Class A	5.25%	6.50%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	6.25%	6.75%	50	↑	3.00%	3.00%
PITTSBURGH, PA						
Multifamily - CBD Class A	5.25%	7.75%	50	↑	2.50%	3.00%
Multifamily - CBD Class B	6.25%	8.75%	50	↑	2.50%	3.00%
Multifamily - Suburban Class A	5.25%	7.75%	50	↑	2.50%	3.00%
Multifamily - Suburban Class B	6.25%	8.75%	50	↑	2.50%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 National Rates Comparison Multifamily - East	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
SOUTHERN NEW JERSEY						
Multifamily - Suburban Class A	5.25%	6.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	6.25%	7.25%	50	↑	3.00%	3.00%
UPSTATE NEW YORK						
Multifamily - CBD Class A	4.50%	5.50%	25	↔	3.00%	4.00%
Multifamily - CBD Class B	5.50%	5.50%	25	↔	3.00%	4.00%
Multifamily - Suburban Class A	4.50%	5.50%	25	↔	3.00%	4.00%
Multifamily - Suburban Class B	5.50%	5.50%	25	↔	3.00%	4.00%
WASHINGTON, DC						
Multifamily - CBD Class A	4.75%	6.25%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	5.25%	6.75%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.00%	6.50%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.25%	7.00%	50	↑	3.00%	3.00%
WILMINGTON, DE						
Multifamily - CBD Class A	5.25%	6.50%	50	↑	3.00%	3.00%
Multifamily - CBD Class B	6.00%	8.00%	50	↑	3.00%	3.00%
Multifamily - Suburban Class A	5.25%	6.50%	50	↑	3.00%	3.00%
Multifamily - Suburban Class B	5.75%	7.50%	50	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 National Rates Comparison Specialty Multifamily	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
55+ Active Adult Multihousing, Class A	5.25%	7.00%	50	↔	2.00%	3.00%
55+ Active Adult Multihousing, Class B	5.75%	9.00%	50	↔	2.00%	3.00%
Student Housing - Tier 1	5.00%	7.00%	50	↔	4.00%	3.00%
Student Housing - Tier 2	5.50%	9.00%	50	↔	4.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.



1Q 2023 International Rates Comparison Multifamily	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
CALGARY, AB, CANADA						
Multifamily - CBD Class A	4.50%	5.25%	25	↔	2.50%	2.50%
Multifamily - CBD Class B	4.75%	5.50%	25	↔	2.50%	2.50%
Multifamily - Suburban Class A	5.50%	6.25%	25	↔	2.50%	2.50%
Multifamily - Suburban Class B	5.75%	6.50%	25	↔	2.50%	2.50%
EDMONTON, AB, CANADA						
Multifamily - CBD Class A	4.50%	5.50%	25	↔	2.50%	2.50%
Multifamily - CBD Class B	5.50%	6.00%	25	↔	2.50%	2.50%
Multifamily - Suburban Class A	5.00%	6.00%	25	↔	2.50%	2.50%
Multifamily - Suburban Class B	6.00%	6.25%	25	↔	2.50%	2.50%
MONTREAL, QC, CANADA						
Multifamily - CBD Class A	4.00%	4.75%	25	↑	2.50%	2.50%
Multifamily - CBD Class B	4.50%	5.25%	25	↑	2.50%	2.50%
Multifamily - Suburban Class A	4.50%	5.25%	25	↑	2.50%	2.50%
Multifamily - Suburban Class B	5.25%	5.75%	25	↑	2.50%	2.50%
TORONTO, ON, CANADA						
Multifamily - CBD Class A	3.50%	4.25%	25	↑	2.50%	2.50%
Multifamily - CBD Class B	4.00%	4.75%	25	↑	2.50%	2.50%
Multifamily - Suburban Class A	4.00%	4.75%	25	↑	2.50%	2.50%
Multifamily - Suburban Class B	4.25%	5.00%	25	↑	2.50%	2.50%
VANCOUVER, BC, CANADA						
Multifamily - CBD Class A	3.00%	3.50%	25	↑	2.50%	2.50%
Multifamily - CBD Class B	3.50%	4.25%	25	↑	2.50%	2.50%
Multifamily - Suburban Class A	3.75%	4.50%	25	↑	2.50%	2.50%
Multifamily - Suburban Class B	4.25%	5.00%	25	↑	2.50%	2.50%
MEXICO CITY, MEXICO						
Multifamily - CBD Class A	6.50%	10.00%	50	↑	4.50%*	4.50%
Multifamily - CBD Class B	N/A	N/A	50	↑	4.50%*	4.50%
Multifamily - Suburban Class A	8.00%	11.00%	50	↑	4.50%*	4.50%
Multifamily - Suburban Class B	N/A	N/A	50	↑	4.50%*	4.50%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

*Note: Mexico rate increases dependent if USD or Peso were used in transaction. Peso denominated lease rental rate increased 4.5%; USD denominated lease rental rate increased 2.5%.

ABOUT MULTIFAMILY

Newmark 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 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.



Office

By Douglas H. Larson, MRICS
Executive Vice President
Valuation & Advisory
Office

Quality office assets continue to lead the national office market’s activity, as soft market conditions and limited demand provide challenges for levered assets.

Leasing activity slowed sharply in the fourth quarter of 2022, reversing the gains made in 2021. Class A leasing activity was down in the fourth quarter but exceeded the national average by 30 basis points. Downtown Central Business District (CBD) office markets continue to struggle despite the flight-to-quality.

Net absorption contracted in the fourth quarter, resulting in year-end net occupancy of negative 30.6 million square feet. Since the first quarter of 2020, net absorption has totaled negative 186.2 million square feet, which is more drastic than prior market downturns. While the national construction pipeline has slowed, the reduction in demand has driven vacancy to its highest levels in the cycle, reaching 18.0%. Net absorption was negative in 36 out of 56 markets tracked by Newmark, a number which includes a diverse set of markets – large and small from every region of the country.

Notwithstanding the above, occupied space fell particularly strongly in the Western region. Gateway and secondary markets continued to shed occupancy. The South and Sun Belt continue to perform well relative to the nation, though occupancy losses increased in the fourth quarter within this region as well.

Sublease availability steadily increased across the national office market in 2022, which increased by 7.7% between the third and fourth quarters of 2022. National sublease availability is at an all-time high of 201.3 million square feet. Sublease availability rates could continue to rise in 2023, along with a potentially slowing economy, particularly in technology markets. The spread between average sublet and direct asking rents has been increasing and is at an all-time high.

Office space under construction has slowed as the pandemic influenced office demand. Although the pipeline increased modestly in the fourth quarter, it is expected to remain stable in the near term due to decreased overall demand for office space, increased construction costs and uncertainty in the economy. Although most markets have seen a slowdown in construction activity, some developers are optimistic about long-term demand for high-quality space, although some metro areas may still be overbuilding. Commodity-grade Class A space is generally the most oversupplied segment of the market.

1Q 2023 National Rates Comparison Office	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Market Rent Growth Rate	Expense Growth Rate
WEST					
Office - CBD Class A	5.75%	7.42%	50	1.83%	3.00%
Office - CBD Class B	6.73%	8.38%	50	1.83%	3.00%
Office - Suburban Class A	6.14%	7.84%	52	1.82%	3.00%
Office - Suburban Class B	7.11%	8.70%	52	1.82%	3.00%
CENTRAL					
Office - CBD Class A	7.60%	8.60%	50	1.00%	2.80%
Office - CBD Class B	8.40%	9.45%	50	1.00%	2.80%
Office - Suburban Class A	7.85%	8.75%	50	1.20%	2.80%
Office - Suburban Class B	8.65%	9.50%	50	1.20%	2.80%
SOUTH					
Office - CBD Class A	6.50%	7.58%	44	2.19%	3.08%
Office - CBD Class B	7.19%	8.23%	44	2.19%	3.08%
Office - Suburban Class A	6.90%	7.96%	44	2.19%	3.08%
Office - Suburban Class B	7.54%	8.62%	44	2.19%	3.08%
EAST					
Office - CBD Class A	6.43%	7.55%	45	0.90%	2.98%
Office - CBD Class B	7.40%	8.50%	45	0.90%	2.98%
Office - Suburban Class A	7.09%	8.05%	48	1.45%	2.98%
Office - Suburban Class B	7.91%	8.84%	48	1.45%	2.98%
UNITED STATES					
Office - CBD Class A	6.53%	7.76%	47	1.54%	2.97%
Office - CBD Class B	7.38%	8.60%	47	1.54%	2.97%
Office - Suburban Class A	6.97%	8.13%	48	1.70%	2.97%
Office - Suburban Class B	7.77%	8.89%	48	1.70%	2.97%
CANADA					
Office - CBD Class A	6.00%	6.90%	25	2.00%	2.50%
Office - CBD Class B	6.40%	7.35%	25	2.00%	2.50%
Office - Suburban Class A	6.35%	7.35%	25	2.00%	2.50%
Office - Suburban Class B	6.95%	7.90%	25	2.00%	2.50%
MEXICO					
Office - CBD Class A	8.00%	11.00%	50	4.50%*	4.50%
Office - CBD Class B	9.00%	12.00%	50	4.50%*	4.50%
Office - Suburban Class A	8.50%	12.00%	50	4.50%*	4.50%
Office - Suburban Class B	9.50%	12.50%	50	4.50%*	4.50%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

*Note: Mexico rate increases dependent if USD or Peso were used in transaction. Peso denominated lease rental rate increased 4.5%; USD denominated lease rental rate increased 2.5%.

The return-to-office momentum is expected to continue to slowly improve, but the impact of hybrid work may have a long-term impact on firms’ return to the office and the need for office space. Hybrid work has put downward pressure on office demand, exhibited by the increasing sublease availability rate. Firms continue to reconsider their real estate requirements as remote working and hybrid schedules continue. Office occupancy continued to increase in mid to late 2022 and is expected to continue into 2023, with the top 10 cities averaging 50% of pre-pandemic occupancy levels.

Flight-to-quality for the urban core and in the suburbs is expected to continue to drive tenancy in the near future. Oversupply in the Class A market and relatively high nationwide availability have been putting pressure on Class A rents, providing opportunities for companies looking to upgrade office space. Leasing activity is expected to remain modest, and further occupancy losses are likely in early 2023.

1Q 2023 National Rates Comparison Office - West	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
DENVER, CO						
Office - CBD Class A	6.50%	7.50%	50	↑	2.00%	3.00%
Office - CBD Class B	7.50%	8.50%	50	↑	2.00%	3.00%
Office - Suburban Class A	7.00%	8.00%	50	↑	2.00%	3.00%
Office - Suburban Class B	8.00%	8.50%	50	↑	2.00%	3.00%
IRVINE/ORANGE, CA						
Office - CBD Class A	5.50%	7.25%	25	↑	3.00%	3.00%
Office - CBD Class B	6.00%	7.75%	25	↑	3.00%	3.00%
Office - Suburban Class A	5.75%	7.50%	25	↑	3.00%	3.00%
Office - Suburban Class B	6.25%	8.00%	25	↑	3.00%	3.00%
LAS VEGAS, NV						
Office - CBD Class A	6.00%	7.50%	50	↑	0.00%	3.00%
Office - CBD Class B	6.50%	8.00%	50	↑	0.00%	3.00%
Office - Suburban Class A	6.50%	8.00%	50	↑	0.00%	3.00%
Office - Suburban Class B	7.00%	8.50%	50	↑	0.00%	3.00%
LOS ANGELES, CA						
Office - CBD Class A	5.50%	7.25%	25	↑	0.00%	3.00%
Office - CBD Class B	6.00%	7.75%	25	↑	0.00%	3.00%
Office - Suburban Class A	5.75%	7.50%	25	↑	0.00%	3.00%
Office - Suburban Class B	6.25%	8.00%	25	↑	0.00%	3.00%
PHOENIX, AZ						
Office - CBD Class A	6.00%	7.50%	50	↑	3.00%	3.00%
Office - CBD Class B	6.50%	8.00%	50	↑	3.00%	3.00%
Office - Suburban Class A	6.50%	8.00%	50	↑	3.00%	3.00%
Office - Suburban Class B	7.00%	8.50%	50	↑	3.00%	3.00%
PORTLAND, OR						
Office - CBD Class A	5.00%	7.00%	50	↑	2.00%	3.00%
Office - CBD Class B	8.00%	9.50%	50	↑	2.00%	3.00%
Office - Suburban Class A	5.50%	7.50%	50	↑	2.00%	3.00%
Office - Suburban Class B	8.50%	9.50%	50	↑	2.00%	3.00%
RENO, NV						
Office - CBD Class A	6.75%	8.50%	75	↑	3.00%	3.00%
Office - CBD Class B	7.00%	9.25%	75	↑	3.00%	3.00%
Office - Suburban Class A	6.75%	8.50%	75	↑	3.00%	3.00%
Office - Suburban Class B	7.00%	9.25%	75	↑	3.00%	3.00%
SACRAMENTO, CA						
Office - CBD Class A	7.00%	9.50%	100	↑	0.00%	3.00%
Office - CBD Class B	7.50%	10.50%	100	↑	0.00%	3.00%
Office - Suburban Class A	7.00%	9.50%	100	↑	0.00%	3.00%
Office - Suburban Class B	7.50%	10.50%	100	↑	0.00%	3.00%
SALT LAKE CITY, UT						
Office - CBD Class A	6.00%	7.50%	50	↑	2.00%	3.00%
Office - CBD Class B	6.25%	7.75%	50	↑	2.00%	3.00%
Office - Suburban Class A	6.50%	7.75%	50	↑	2.00%	3.00%
Office - Suburban Class B	6.75%	8.00%	50	↑	2.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

Investment sales activity began the year at a strong pace; however, the market has lost momentum in each successive quarter. In the fourth quarter, \$18 billion in sales closed, which was the lowest performance since 2009. Overall office sales volume was down 60% compared to pre-pandemic levels. Softer economic conditions and limited demand for office space could provide opportunities for investors to acquire underperforming assets with plans to modernize or convert office space to other uses. Building values could compress enough to fall below the debt, requiring lenders to renegotiate terms or foreclose. Based on current uncertainty surrounding inflation, risk aversion has risen sharply, as reflected by the widening spreads between risk-free rates and lack of investment sales. As a result of rising debt costs, the office market is expected to continue to see upward pressure on cap rates and lower pricing, until reduced volatility encourages price discovery and the return of liquidity.



1Q 2023 National Rates Comparison Office - West	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
SAN FRANCISCO, CA						
Office - CBD Class A	5.00%	6.00%	25	↑	2.00%	3.00%
Office - CBD Class B	5.50%	6.50%	25	↑	2.00%	3.00%
SEATTLE, WA						
Office - CBD Class A	4.75%	6.50%	50	↑	2.00%	3.00%
Office - CBD Class B	8.00%	9.50%	50	↑	2.00%	3.00%
Office - Suburban Class A	5.25%	7.00%	50	↑	2.00%	3.00%
Office - Suburban Class B	8.00%	9.50%	50	↑	2.00%	3.00%
SILICON VALLEY/SAN JOSE, CA						
Office - CBD Class A	5.00%	7.00%	50	↑	3.00%	3.00%
Office - CBD Class B	6.00%	7.50%	50	↑	3.00%	3.00%
Office - Suburban Class A	5.00%	7.00%	50	↑	3.00%	3.00%
Office - Suburban Class B	6.00%	7.50%	50	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 National Rates Comparison Office - Central	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
CHICAGO, IL						
Office - CBD Class A	6.50%	7.50%	50	↑	1.50%	3.00%
Office - CBD Class B	7.50%	8.50%	50	↑	1.50%	3.00%
Office - Suburban Class A	7.00%	7.50%	50	↑	2.00%	3.00%
Office - Suburban Class B	8.00%	8.50%	50	↑	2.00%	3.00%
CINCINNATI, OH						
Office - CBD Class A	8.50%	9.50%	50	↑	0.00%	3.00%
Office - CBD Class B	9.50%	10.50%	50	↑	0.00%	3.00%
Office - Suburban Class A	8.50%	9.50%	50	↑	0.00%	3.00%
Office - Suburban Class B	9.50%	10.50%	50	↑	0.00%	3.00%
CLEVELAND, OH						
Office - CBD Class A	8.50%	9.50%	50	↑	0.00%	3.00%
Office - CBD Class B	9.50%	10.50%	50	↑	0.00%	3.00%
Office - Suburban Class A	8.50%	9.50%	50	↑	0.00%	3.00%
Office - Suburban Class B	9.50%	10.50%	50	↑	0.00%	3.00%
COLUMBUS, OH						
Office - CBD Class A	8.00%	9.00%	50	↑	0.00%	3.00%
Office - CBD Class B	9.00%	10.00%	50	↑	0.00%	3.00%
Office - Suburban Class A	8.00%	9.00%	50	↑	0.00%	3.00%
Office - Suburban Class B	9.00%	10.00%	50	↑	0.00%	3.00%
DETROIT, MI						
Office - CBD Class A	7.50%	8.50%	50	↑	2.00%	2.00%
Office - CBD Class B	8.00%	9.00%	50	↑	2.00%	2.00%
Office - Suburban Class A	8.00%	9.50%	50	↑	2.00%	2.00%
Office - Suburban Class B	8.50%	10.00%	50	↑	2.00%	2.00%
GRAND RAPIDS, MI						
Office - CBD Class A	7.50%	8.50%	50	↑	2.00%	2.00%
Office - CBD Class B	8.00%	9.00%	50	↑	2.00%	2.00%
Office - Suburban Class A	8.00%	9.50%	50	↑	2.00%	2.00%
Office - Suburban Class B	8.50%	10.00%	50	↑	2.00%	2.00%
INDIANAPOLIS, IN						
Office - CBD Class A	8.00%	9.00%	50	↑	0.00%	3.00%
Office - CBD Class B	9.00%	10.00%	50	↑	0.00%	3.00%
Office - Suburban Class A	8.00%	9.00%	50	↑	0.00%	3.00%
Office - Suburban Class B	9.00%	10.00%	50	↑	0.00%	3.00%
KANSAS CITY, MO						
Office - CBD Class A	7.00%	8.00%	50	↔	2.00%	3.00%
Office - CBD Class B	7.50%	8.50%	50	↔	2.00%	3.00%
Office - Suburban Class A	8.00%	8.50%	50	↑	2.00%	3.00%
Office - Suburban Class B	8.50%	9.00%	50	↑	2.00%	3.00%
MINNEAPOLIS, MN						
Office - CBD Class A	7.50%	8.50%	50	↑	1.50%	3.00%
Office - CBD Class B	8.50%	9.50%	50	↑	1.50%	3.00%
Office - Suburban Class A	7.00%	7.50%	50	↑	2.00%	3.00%
Office - Suburban Class B	8.00%	8.00%	50	↑	2.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 National Rates Comparison Office - Central	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
ST. LOUIS, MO						
Office - CBD Class A	7.00%	8.00%	50	↑	1.00%	3.00%
Office - CBD Class B	7.50%	9.00%	50	↑	1.00%	3.00%
Office - Suburban Class A	7.50%	8.00%	50	↑	2.00%	3.00%
Office - Suburban Class B	8.00%	8.50%	50	↑	2.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.



ABOUT OFFICE

Newmark 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.

1Q 2023 National Rates Comparison Office - South	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
ARKANSAS						
Office - CBD Class A	7.50%	8.50%	50	↑	1.00%	3.00%
Office - CBD Class B	8.00%	9.50%	50	↑	1.00%	3.00%
Office - Suburban Class A	7.00%	8.00%	50	↑	1.00%	3.00%
Office - Suburban Class B	7.50%	9.00%	50	↑	1.00%	3.00%
ATLANTA, GA						
Office - CBD Class A	6.25%	7.25%	25	↑	3.00%	3.00%
Office - CBD Class B	7.50%	7.50%	25	↑	3.00%	3.00%
Office - Suburban Class A	6.75%	7.75%	25	↑	3.00%	3.00%
Office - Suburban Class B	7.75%	8.00%	25	↑	3.00%	3.00%
AUSTIN, TX						
Office - CBD Class A	5.75%	6.25%	50	↑	2.50%	4.00%
Office - CBD Class B	6.00%	7.00%	50	↑	2.50%	4.00%
Office - Suburban Class A	6.75%	7.25%	50	↑	2.50%	4.00%
Office - Suburban Class B	7.00%	8.00%	50	↑	2.50%	4.00%
CHARLOTTE, NC						
Office - CBD Class A	6.25%	7.25%	25	↑	3.00%	3.00%
Office - CBD Class B	7.50%	7.50%	25	↑	3.00%	3.00%
Office - Suburban Class A	6.75%	7.75%	25	↑	3.00%	3.00%
Office - Suburban Class B	7.75%	8.00%	25	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.



1Q 2023 National Rates Comparison Office - South	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
DALLAS, TX						
Office - CBD Class A	6.25%	7.75%	50	↑	3.00%	3.00%
Office - CBD Class B	7.00%	8.50%	50	↑	3.00%	3.00%
Office - Suburban Class A	7.00%	8.50%	50	↑	3.00%	3.00%
Office - Suburban Class B	7.75%	9.25%	50	↑	3.00%	3.00%
FORT WORTH, TX						
Office - CBD Class A	6.75%	8.25%	50	↑	3.00%	3.00%
Office - CBD Class B	7.50%	9.00%	50	↑	3.00%	3.00%
Office - Suburban Class A	7.25%	8.75%	50	↑	3.00%	3.00%
Office - Suburban Class B	8.00%	9.50%	50	↑	3.00%	3.00%
HOUSTON, TX						
Office - CBD Class A	5.75%	7.00%	50	↑	1.00%	3.00%
Office - CBD Class B	6.25%	7.50%	50	↑	1.00%	3.00%
Office - Suburban Class A	6.50%	7.75%	50	↑	1.00%	3.00%
Office - Suburban Class B	7.00%	8.25%	50	↑	1.00%	3.00%
MIAMI, FL						
Office - CBD Class A	6.00%	7.25%	50	↑	3.00%	3.00%
Office - CBD Class B	6.75%	8.00%	50	↑	3.00%	3.00%
Office - Suburban Class A	6.75%	7.75%	50	↑	2.00%	3.00%
Office - Suburban Class B	7.50%	8.75%	50	↑	2.00%	3.00%
NEW ORLEANS, LA						
Office - CBD Class A	7.00%	8.00%	50	↑	0.00%	3.00%
Office - CBD Class B	8.00%	9.00%	50	↑	0.00%	3.00%
Office - Suburban Class A	7.00%	8.00%	50	↑	0.00%	3.00%
Office - Suburban Class B	8.00%	9.00%	50	↑	0.00%	3.00%
ORLANDO, FL						
Office - CBD Class A	6.00%	7.00%	50	↑	3.00%	3.00%
Office - CBD Class B	6.50%	7.50%	50	↑	3.00%	3.00%
Office - Suburban Class A	6.50%	7.50%	50	↑	3.00%	3.00%
Office - Suburban Class B	7.00%	8.00%	50	↑	3.00%	3.00%
SAN ANTONIO, TX						
Office - CBD Class A	7.00%	8.00%	50	↑	2.00%	3.00%
Office - CBD Class B	7.50%	8.50%	50	↑	2.00%	3.00%
Office - Suburban Class A	7.25%	8.25%	50	↑	2.00%	3.00%
Office - Suburban Class B	7.75%	8.75%	50	↑	2.00%	3.00%
TAMPA, FL						
Office - CBD Class A	6.00%	7.00%	25	↑	3.00%	3.00%
Office - CBD Class B	6.50%	7.50%	25	↑	3.00%	3.00%
Office - Suburban Class A	7.00%	8.00%	25	↑	3.00%	3.00%
Office - Suburban Class B	7.50%	8.50%	25	↑	3.00%	3.00%
TULSA/OKLAHOMA CITY, OK						
Office - CBD Class A	8.00%	9.00%	50	↑	1.00%	3.00%
Office - CBD Class B	8.50%	10.00%	50	↑	1.00%	3.00%
Office - Suburban Class A	7.25%	8.25%	50	↑	2.00%	3.00%
Office - Suburban Class B	7.50%	9.00%	50	↑	2.00%	3.00%

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1Q 2023 National Rates Comparison Office - East	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
BALTIMORE, MD						
Office - CBD Class A	8.00%	9.00%	50	↑	0.00%	3.00%
Office - CBD Class B	10.00%	11.00%	50	↑	0.00%	3.00%
Office - Suburban Class A	7.75%	8.75%	50	↑	2.00%	3.00%
Office - Suburban Class B	9.25%	10.25%	50	↑	2.00%	3.00%
BOSTON, MA						
Office - CBD Class A	5.00%	6.50%	50	↑	0.00%	3.00%
Office - CBD Class B	6.00%	7.50%	50	↑	0.00%	3.00%
Office - Suburban Class A	6.00%	7.50%	50	↑	0.00%	3.00%
Office - Suburban Class B	7.00%	8.50%	50	↑	0.00%	3.00%
LEHIGH VALLEY, PA						
Office - CBD Class A	7.50%	8.25%	50	↔	2.00%	3.00%
Office - CBD Class B	8.00%	8.75%	50	↔	2.00%	3.00%
Office - Suburban Class A	7.50%	8.25%	50	↔	2.00%	3.00%
Office - Suburban Class B	8.00%	8.75%	50	↔	2.00%	3.00%
NEW YORK CITY (MANHATTAN & SUBURBS)						
Office - CBD Class A	5.00%	6.50%	25	↑	3.00%	3.00%
Office - CBD Class B	5.50%	7.00%	25	↑	3.00%	3.00%
Office - Suburban Class A	6.75%	7.50%	50	↑	3.00%	3.00%
Office - Suburban Class B	7.75%	8.50%	50	↑	3.00%	3.00%
NEW YORK CITY BOROUGHES						
Office - CBD Class A	5.50%	6.50%	50	↑	0.00%	3.00%
Office - CBD Class B	6.00%	6.75%	50	↑	0.00%	3.00%
Office - Suburban Class A	5.50%	6.50%	50	↑	0.00%	3.00%
Office - Suburban Class B	5.75%	6.75%	50	↑	0.00%	3.00%
NORTHERN NEW JERSEY						
Office - CBD Class A	6.25%	7.00%	25	↑	1.50%	2.75%
Office - CBD Class B	8.00%	8.50%	25	↑	1.50%	2.75%
Office - Suburban Class A	7.25%	7.25%	25	↑	1.50%	2.75%
Office - Suburban Class B	8.25%	8.50%	25	↑	1.50%	2.75%
PHILADELPHIA, PA						
Office - CBD Class A	6.75%	7.75%	50	↑	0.00%	3.00%
Office - CBD Class B	7.75%	8.50%	50	↑	0.00%	3.00%
Office - Suburban Class A	7.75%	8.25%	50	↑	2.00%	3.00%
Office - Suburban Class B	8.50%	9.00%	50	↑	2.00%	3.00%
PITTSBURGH, PA						
Office - CBD Class A	7.25%	8.50%	50	↑	2.50%	3.00%
Office - CBD Class B	8.25%	9.50%	50	↑	2.50%	3.00%
Office - Suburban Class A	7.25%	8.50%	50	↑	2.50%	3.00%
Office - Suburban Class B	8.25%	9.50%	50	↑	2.50%	3.00%
SOUTHERN NEW JERSEY						
Office - Suburban Class A	7.00%	8.50%	50	↑	3.00%	3.00%
Office - Suburban Class B	7.50%	9.00%	50	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 National Rates Comparison Office - East	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
WASHINGTON, DC						
Office - CBD Class A	5.00%	6.00%	50	↑	0.00%	3.00%
Office - CBD Class B	5.50%	6.50%	50	↑	0.00%	3.00%
Office - Suburban Class A	7.50%	8.50%	50	↑	0.00%	3.00%
Office - Suburban Class B	8.00%	9.00%	50	↑	0.00%	3.00%
WILMINGTON, DE						
Office - CBD Class A	8.00%	9.50%	50	↑	0.00%	3.00%
Office - CBD Class B	9.00%	11.00%	50	↑	0.00%	3.00%
Office - Suburban Class A	7.75%	9.00%	50	↑	0.00%	3.00%
Office - Suburban Class B	8.75%	9.50%	50	↑	0.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

1Q 2023 International Rates Comparison Office	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
CALGARY, AB, CANADA						
Office - CBD Class A	6.50%	7.50%	25	↔	2.50%	2.50%
Office - CBD Class B	7.00%	8.25%	25	↔	2.50%	2.50%
Office - Suburban Class A	7.00%	8.25%	25	↔	2.50%	2.50%
Office - Suburban Class B	7.50%	8.75%	25	↔	2.50%	2.50%
EDMONTON, AB, CANADA						
Office - CBD Class A	6.75%	7.50%	25	↔	2.50%	2.50%
Office - CBD Class B	7.75%	8.50%	25	↔	2.50%	2.50%
Office - Suburban Class A	7.25%	8.00%	25	↔	2.50%	2.50%
Office - Suburban Class B	7.75%	8.50%	25	↔	2.50%	2.50%
MONTREAL, QC, CANADA						
Office - CBD Class A	5.75%	6.50%	25	↑	2.50%	2.50%
Office - CBD Class B	6.25%	7.00%	25	↑	2.50%	2.50%
Office - Suburban Class A	6.25%	7.00%	25	↑	2.50%	2.50%
Office - Suburban Class B	6.75%	7.50%	25	↑	2.50%	2.50%
TORONTO, ON, CANADA						
Office - CBD Class A	6.50%	7.50%	25	↑	2.50%	2.50%
Office - CBD Class B	6.00%	7.00%	25	↑	2.50%	2.50%
Office - Suburban Class A	6.50%	7.50%	25	↑	2.50%	2.50%
Office - Suburban Class B	7.50%	8.50%	25	↑	2.50%	2.50%
VANCOUVER, BC, CANADA						
Office - CBD Class A	4.50%	5.50%	25	↑	0.00%	2.50%
Office - CBD Class B	5.00%	6.00%	25	↑	0.00%	2.50%
Office - Suburban Class A	4.75%	6.00%	25	↑	0.00%	2.50%
Office - Suburban Class B	5.25%	6.25%	25	↑	0.00%	2.50%
MEXICO CITY, MEXICO						
Office - CBD Class A	8.00%	11.00%	50	↑	4.50%*	4.50%
Office - CBD Class B	9.00%	12.00%	50	↑	4.50%*	4.50%
Office - Suburban Class A	8.50%	12.00%	50	↑	4.50%*	4.50%
Office - Suburban Class B	9.50%	12.50%	50	↑	4.50%*	4.50%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

*Note: Mexico rate increases dependent if USD or Peso were used in transaction. Peso denominated lease rental rate increased 4.5%; USD denominated lease rental rate increased 2.5%.

Retail & Regional Malls

By John Mackris, MAI, MRICS, CCIM

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Retail & Regional Malls

2022 was another year of strong consumer demand, resulting in retail tenant growth and expansion across the country. Strong leasing activity coupled with a scarcity of new development brought vacancy levels down and asking rental rates up. However, growth moderated over the second half of the year as consumer concerns over further interest rate hikes, a potential recession and depleted personal savings took a toll.

- Aggregate U.S. retail store sales increased by 4.3% in 2022 over the prior year, from \$7.44 to \$8.12 trillion, with e-commerce comprising 14.8% of total sales, down from its pandemic peak of 15.7%.
- Investor activity was most prominent in the first half of the year with \$85.7 billion in transaction activity, equating to a 4.0% increase over 2021 and more than double that of 2020. Transaction activity is anticipated to stagnate going forward as increased borrowing costs are beginning to push investment rates higher, resulting in a higher frequency of buyer-seller price disconnects.
- As a result, the retail sector has reached a crossroads. Will the efforts of the Federal Reserve to moderate inflation end in a soft landing with further growth for retail, or is additional tightening still necessary to bring inflation down and, with it, a less desirable path for retail? The jury is still out, and the uncertainty perceived by the market is availing itself in a myriad of factors, most notably via increased investment rates.



1Q 2023 National Rates Comparison Retail	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Market Rent Growth Rate	Expense Growth Rate
WEST					
Retail - Grocery Anchor Strip Class A	5.96%	7.44%	44	2.67%	3.00%
Retail - Grocery Anchor Strip Class B	6.60%	7.98%	44	2.67%	3.00%
Retail - Unanchored Strip Class A	6.67%	8.10%	44	2.67%	3.00%
Retail - Unanchored Strip Class B	7.21%	8.58%	44	2.67%	3.00%
CENTRAL					
Retail - Grocery Anchor Strip Class A	6.68%	7.68%	60	2.40%	3.00%
Retail - Grocery Anchor Strip Class B	7.68%	8.68%	60	2.40%	3.00%
Retail - Unanchored Strip Class A	7.48%	8.63%	60	2.40%	3.00%
Retail - Unanchored Strip Class B	8.08%	9.23%	60	2.40%	3.00%
SOUTH					
Retail - Grocery Anchor Strip Class A	6.35%	7.29%	48	2.73%	3.08%
Retail - Grocery Anchor Strip Class B	6.81%	7.87%	48	2.73%	3.08%
Retail - Unanchored Strip Class A	6.88%	7.83%	48	2.81%	3.08%
Retail - Unanchored Strip Class B	7.42%	8.46%	48	2.81%	3.08%
EAST					
Retail - Grocery Anchor Strip Class A	6.39%	7.45%	41	2.68%	2.98%
Retail - Grocery Anchor Strip Class B	6.98%	8.14%	41	2.68%	2.98%
Retail - Unanchored Strip Class A	7.14%	8.16%	43	2.66%	2.98%
Retail - Unanchored Strip Class B	7.82%	8.91%	43	2.66%	2.98%
UNITED STATES					
Retail - Grocery Anchor Strip Class A	6.33%	7.45%	48	2.63%	3.02%
Retail - Grocery Anchor Strip Class B	6.98%	8.14%	48	2.63%	3.02%
Retail - Unanchored Strip Class A	7.02%	8.15%	48	2.65%	3.02%
Retail - Unanchored Strip Class B	7.60%	8.77%	48	2.65%	3.02%
CANADA					
Retail - Grocery Anchor Strip Class A	5.70%	6.69%	25	2.50%	2.50%
Retail - Grocery Anchor Strip Class B	6.20%	7.06%	25	2.50%	2.50%
Retail - Unanchored Strip Class A	6.25%	7.05%	25	2.50%	2.50%
Retail - Unanchored Strip Class B	6.75%	7.60%	25	2.50%	2.50%
MEXICO					
Retail - Grocery Anchor Strip Class A	8.00%	11.00%	50	4.50%*	4.50%
Retail - Grocery Anchor Strip Class B	9.50%	12.50%	50	4.50%*	4.50%
Retail - Unanchored Strip Class A	8.50%	12.00%	50	4.50%*	4.50%
Retail - Unanchored Strip Class B	9.50%	12.50%	50	4.50%*	4.50%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

*Note: Mexico rate increases dependent if USD or Peso were used in transaction. Peso denominated lease rental rate increased 4.5%; USD denominated lease rental rate increased 2.5%.

ABOUT RETAIL & REGIONAL MALLS

Newmark 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 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.

1Q 2023 National Rates Comparison Retail - West	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
DENVER, CO						
Retail - Grocery Anchor Strip Class A	5.50%	6.50%	25	↑	2.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.25%	7.25%	25	↑	2.00%	3.00%
Retail - Unanchored Strip Class A	6.00%	7.25%	25	↑	2.00%	3.00%
Retail - Unanchored Strip Class B	6.50%	7.50%	25	↑	2.00%	3.00%
IRVINE/ORANGE, CA						
Retail - Grocery Anchor Strip Class A	5.75%	7.00%	25	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.25%	7.50%	25	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	6.00%	7.50%	25	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	6.50%	8.25%	25	↑	3.00%	3.00%
LAS VEGAS, NV						
Retail - Grocery Anchor Strip Class A	6.00%	7.50%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.50%	8.00%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.00%	8.00%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.50%	8.50%	50	↑	3.00%	3.00%
LOS ANGELES, CA						
Retail - Grocery Anchor Strip Class A	5.75%	7.00%	25	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.00%	7.50%	25	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	6.00%	7.50%	25	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	6.75%	8.25%	25	↑	3.00%	3.00%
PHOENIX, AZ						
Retail - Grocery Anchor Strip Class A	6.00%	7.00%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.50%	7.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.00%	8.00%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.50%	8.50%	50	↑	3.00%	3.00%
PORTLAND, OR						
Retail - Grocery Anchor Strip Class A	6.00%	7.50%	50	↑	2.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.50%	8.25%	50	↑	2.00%	3.00%
Retail - Unanchored Strip Class A	7.00%	8.50%	50	↑	2.00%	3.00%
Retail - Unanchored Strip Class B	7.25%	8.75%	50	↑	2.00%	3.00%

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1Q 2023 National Rates Comparison Retail - West	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
RENO, NV						
Retail - Grocery Anchor Strip Class A	7.00%	8.75%	75	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.25%	9.50%	75	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.25%	9.00%	75	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.25%	9.25%	75	↑	3.00%	3.00%
SACRAMENTO, CA						
Retail - Grocery Anchor Strip Class A	7.00%	10.00%	50	↔	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	9.00%	10.50%	50	↔	3.00%	3.00%
Retail - Unanchored Strip Class A	8.00%	10.50%	50	↔	3.00%	3.00%
Retail - Unanchored Strip Class B	9.50%	11.00%	50	↔	3.00%	3.00%
SALT LAKE CITY, UT						
Retail - Grocery Anchor Strip Class A	6.50%	8.00%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.00%	8.25%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.25%	8.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.50%	8.50%	50	↑	3.00%	3.00%
SAN FRANCISCO, CA						
Retail - Grocery Anchor Strip Class A	5.50%	6.50%	25	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.00%	7.00%	25	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.00%	8.00%	25	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.50%	8.50%	25	↑	3.00%	3.00%
SEATTLE, WA						
Retail - Grocery Anchor Strip Class A	5.50%	7.50%	50	↑	2.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.00%	7.50%	50	↑	2.00%	3.00%
Retail - Unanchored Strip Class A	6.00%	8.00%	50	↑	2.00%	3.00%
Retail - Unanchored Strip Class B	6.25%	8.50%	50	↑	2.00%	3.00%
SILICON VALLEY/SAN JOSE, CA						
Retail - Grocery Anchor Strip Class A	5.00%	6.00%	50	↑	2.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.00%	7.00%	50	↑	2.00%	3.00%
Retail - Unanchored Strip Class A	5.50%	6.50%	50	↑	2.00%	3.00%
Retail - Unanchored Strip Class B	6.50%	7.50%	50	↑	2.00%	3.00%

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1Q 2023 National Rates Comparison Retail - Central	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
CHICAGO, IL						
Retail - Grocery Anchor Strip Class A	6.25%	7.25%	50	↔	2.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.25%	8.25%	50	↔	2.00%	3.00%
Retail - Unanchored Strip Class A	7.00%	8.00%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.50%	8.50%	50	↑	3.00%	3.00%
CINCINNATI, OH						
Retail - Grocery Anchor Strip Class A	7.00%	8.00%	50	↑	2.50%	3.00%
Retail - Grocery Anchor Strip Class B	8.00%	9.00%	50	↑	2.50%	3.00%
Retail - Unanchored Strip Class A	8.00%	9.50%	50	↑	1.50%	3.00%
Retail - Unanchored Strip Class B	8.50%	10.00%	50	↑	1.50%	3.00%
CLEVELAND, OH						
Retail - Grocery Anchor Strip Class A	7.00%	8.00%	50	↑	2.50%	3.00%
Retail - Grocery Anchor Strip Class B	8.00%	9.00%	50	↑	2.50%	3.00%
Retail - Unanchored Strip Class A	8.00%	9.50%	50	↑	1.50%	3.00%
Retail - Unanchored Strip Class B	8.50%	10.00%	50	↑	1.50%	3.00%
COLUMBUS, OH						
Retail - Grocery Anchor Strip Class A	7.00%	8.00%	50	↑	2.50%	3.00%
Retail - Grocery Anchor Strip Class B	8.00%	9.00%	50	↑	2.50%	3.00%
Retail - Unanchored Strip Class A	8.00%	9.50%	50	↑	1.50%	3.00%
Retail - Unanchored Strip Class B	8.50%	10.00%	50	↑	1.50%	3.00%
DETROIT, MI						
Retail - Grocery Anchor Strip Class A	6.50%	7.50%	100	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.50%	8.50%	100	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.00%	8.00%	100	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	8.00%	9.00%	100	↑	3.00%	3.00%

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1Q 2023 National Rates Comparison Retail - Central	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
GRAND RAPIDS, MI						
Retail - Grocery Anchor Strip Class A	6.50%	7.50%	100	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.50%	8.50%	100	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	6.75%	7.75%	100	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.75%	8.75%	100	↑	3.00%	3.00%
INDIANAPOLIS, IN						
Retail - Grocery Anchor Strip Class A	7.00%	8.00%	50	↑	2.50%	3.00%
Retail - Grocery Anchor Strip Class B	8.00%	9.00%	50	↑	2.50%	3.00%
Retail - Unanchored Strip Class A	8.00%	9.50%	50	↑	1.50%	3.00%
Retail - Unanchored Strip Class B	8.50%	10.00%	50	↑	1.50%	3.00%
KANSAS CITY, MO						
Retail - Grocery Anchor Strip Class A	6.50%	7.50%	50	↔	2.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.50%	8.50%	50	↔	2.00%	3.00%
Retail - Unanchored Strip Class A	7.50%	8.00%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	8.00%	8.50%	50	↑	3.00%	3.00%
MINNEAPOLIS, MN						
Retail - Grocery Anchor Strip Class A	6.25%	7.25%	50	↔	2.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.25%	8.25%	50	↔	2.00%	3.00%
Retail - Unanchored Strip Class A	7.00%	8.00%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.50%	8.50%	50	↑	3.00%	3.00%
ST. LOUIS, MO						
Retail - Grocery Anchor Strip Class A	6.75%	7.75%	50	↔	2.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.75%	8.75%	50	↔	2.00%	3.00%
Retail - Unanchored Strip Class A	7.50%	8.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	8.00%	9.00%	50	↑	3.00%	3.00%

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1Q 2023 National Rates Comparison Retail - South	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
ARKANSAS						
Retail - Grocery Anchor Strip Class A	6.50%	7.50%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.00%	8.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.00%	8.00%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.50%	9.00%	50	↑	3.00%	3.00%
ATLANTA, GA						
Retail - Grocery Anchor Strip Class A	5.50%	6.25%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.00%	6.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	6.00%	6.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	6.50%	7.00%	50	↑	3.00%	3.00%
AUSTIN, TX						
Retail - Grocery Anchor Strip Class A	6.75%	7.25%	50	↑	2.50%	4.00%
Retail - Grocery Anchor Strip Class B	7.00%	8.00%	50	↑	2.50%	4.00%
Retail - Unanchored Strip Class A	7.25%	7.75%	50	↑	2.50%	4.00%
Retail - Unanchored Strip Class B	7.50%	8.50%	50	↑	2.50%	4.00%
CHARLOTTE, NC						
Retail - Grocery Anchor Strip Class A	5.50%	6.25%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.00%	6.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	6.00%	6.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	6.50%	7.00%	50	↑	3.00%	3.00%
DALLAS, TX						
Retail - Grocery Anchor Strip Class A	6.25%	7.75%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.00%	8.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.00%	8.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.75%	9.25%	50	↑	3.00%	3.00%
FORT WORTH, TX						
Retail - Grocery Anchor Strip Class A	6.75%	8.25%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.50%	9.00%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.25%	8.75%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	8.00%	9.50%	50	↑	3.00%	3.00%
HOUSTON, TX						
Retail - Grocery Anchor Strip Class A	6.00%	7.00%	50	↑	2.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.50%	7.50%	50	↑	2.00%	3.00%
Retail - Unanchored Strip Class A	6.50%	7.50%	50	↑	2.00%	3.00%
Retail - Unanchored Strip Class B	7.00%	8.00%	50	↑	2.00%	3.00%

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1Q 2023 National Rates Comparison Retail - South	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
MIAMI, FL						
Retail - Grocery Anchor Strip Class A	5.75%	6.50%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.25%	7.00%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	6.50%	7.75%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.00%	8.00%	50	↑	3.00%	3.00%
NEW ORLEANS, LA						
Retail - Grocery Anchor Strip Class A	6.50%	7.50%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.50%	8.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.50%	8.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	8.50%	9.50%	50	↑	3.00%	3.00%
ORLANDO, FL						
Retail - Grocery Anchor Strip Class A	6.25%	7.00%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.50%	7.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	6.75%	7.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.25%	8.00%	50	↑	3.00%	3.00%
SAN ANTONIO, TX						
Retail - Grocery Anchor Strip Class A	7.00%	8.00%	50	↑	2.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.25%	8.25%	50	↑	2.00%	3.00%
Retail - Unanchored Strip Class A	7.50%	8.50%	50	↑	2.00%	3.00%
Retail - Unanchored Strip Class B	7.75%	8.75%	50	↑	2.00%	3.00%
TAMPA, FL						
Retail - Grocery Anchor Strip Class A	6.25%	7.00%	25	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.50%	7.50%	25	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	6.75%	7.50%	25	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.25%	8.00%	25	↑	3.00%	3.00%
TULSA/OKLAHOMA CITY, OK						
Retail - Grocery Anchor Strip Class A	7.50%	8.50%	50	↑	2.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.50%	9.00%	50	↑	2.00%	3.00%
Retail - Unanchored Strip Class A	7.50%	8.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	8.00%	9.50%	50	↑	3.00%	3.00%

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1Q 2023 National Rates Comparison Retail - East	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
BALTIMORE, MD						
Retail - Grocery Anchor Strip Class A	6.75%	8.00%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.50%	9.00%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.25%	8.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	8.00%	9.50%	50	↑	3.00%	3.00%
BOSTON, MA						
Retail - Grocery Anchor Strip Class A	6.50%	7.00%	25	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.75%	7.50%	25	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	8.00%	8.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	8.25%	9.00%	50	↑	3.00%	3.00%
LEHIGH VALLEY, PA						
Retail - Grocery Anchor Strip Class A	6.50%	7.25%	50	↔	2.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.00%	7.75%	50	↔	2.00%	3.00%
Retail - Unanchored Strip Class A	7.25%	8.25%	50	↔	2.00%	3.00%
Retail - Unanchored Strip Class B	8.00%	8.75%	50	↔	2.00%	3.00%
NEW YORK CITY BOROUGHES						
Retail - Grocery Anchor Strip Class A	5.50%	6.50%	50	↑	2.00%	3.00%
Retail - Grocery Anchor Strip Class B	5.75%	6.75%	50	↑	2.00%	3.00%
Retail - Unanchored Strip Class A	5.75%	6.75%	50	↑	2.00%	3.00%
Retail - Unanchored Strip Class B	6.00%	7.00%	50	↑	2.00%	3.00%
NEW YORK CITY SUBURBS						
Retail - Grocery Anchor Strip Class A	6.75%	7.50%	0	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.25%	8.50%	0	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.50%	8.00%	0	↑	2.75%	3.00%
Retail - Unanchored Strip Class B	8.00%	9.00%	0	↑	2.75%	3.00%
NORTHERN NEW JERSEY						
Retail - Grocery Anchor Strip Class A	6.25%	6.75%	25	↑	1.50%	2.75%
Retail - Grocery Anchor Strip Class B	6.50%	7.25%	25	↑	1.50%	2.75%
Retail - Unanchored Strip Class A	7.75%	8.50%	25	↑	1.50%	2.75%
Retail - Unanchored Strip Class B	8.50%	9.00%	25	↑	1.50%	2.75%
PHILADELPHIA, PA						
Retail - Grocery Anchor Strip Class A	6.50%	7.75%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.25%	8.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.00%	8.25%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.75%	9.25%	50	↑	3.00%	3.00%
PITTSBURGH, PA						
Retail - Grocery Anchor Strip Class A	7.00%	8.00%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	8.25%	9.25%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.50%	8.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	8.75%	9.75%	50	↑	3.00%	3.00%
SOUTHERN NEW JERSEY						
Retail - Grocery Anchor Strip Class A	6.00%	7.50%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.50%	7.75%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.00%	8.25%	50	N/A	3.00%	3.00%
Retail - Unanchored Strip Class B	7.25%	8.50%	50	N/A	3.00%	3.00%

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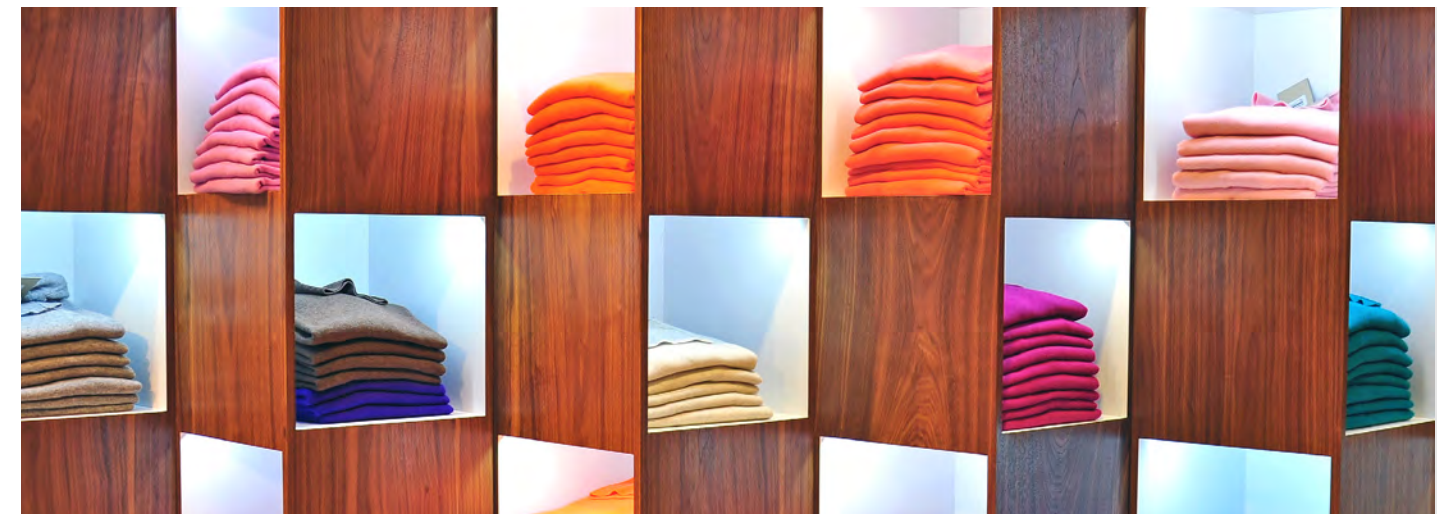
1Q 2023 National Rates Comparison Retail - East	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
WASHINGTON, DC						
Retail - Grocery Anchor Strip Class A	5.50%	6.75%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	6.50%	7.75%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	6.00%	7.25%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	7.00%	8.25%	50	↑	3.00%	3.00%
WILMINGTON, DE						
Retail - Grocery Anchor Strip Class A	7.00%	9.00%	50	↑	3.00%	3.00%
Retail - Grocery Anchor Strip Class B	7.50%	9.50%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class A	7.50%	9.00%	50	↑	3.00%	3.00%
Retail - Unanchored Strip Class B	8.50%	10.00%	50	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.



1Q 2023 National Rates Comparison Regional Malls & Specialty Retail	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
Retail - Regional Malls Class A	6.00%	7.00%	75	↑	2.00%	3.00%
Retail - Regional Malls Class B	8.00%	9.00%	75	↔	1.00%	3.00%
Retail - Regional Malls Class C	17.00%	18.00%	75	↓	0.00%	3.00%
Retail - Power Centers Tier 1	7.00%	8.00%	50	↑	1.50%	3.00%
Retail - Power Centers Tier 2	7.50%	8.50%	50	↑	1.00%	3.00%
Retail - Power Centers Tier 3	9.50%	10.50%	50	↑	0.00%	3.00%
Retail - Lifestyle Centers Tier 1	6.25%	7.25%	75	↑	1.50%	3.00%
Retail - Lifestyle Centers Tier 2	8.00%	9.00%	75	↑	1.00%	3.00%
Retail - Lifestyle Centers Tier 3	13.00%	14.00%	75	↑	0.00%	3.00%
Retail - Single Tenant Retail Tier 1	6.00%	7.00%	50	↑	3.00%	3.00%
Retail - Single Tenant Retail Tier 2	6.50%	7.50%	50	↑	3.00%	3.00%
Retail - Single Tenant Retail Tier 3	7.50%	8.50%	50	↑	2.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.



1Q 2023 International Rates Comparison Retail	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
CALGARY, AB, CANADA						
Retail - Grocery Anchor Strip Class A	6.00%	6.75%	25	↔	2.50%	2.50%
Retail - Grocery Anchor Strip Class B	6.50%	7.25%	25	↔	2.50%	2.50%
Retail - Unanchored Strip Class A	6.50%	7.50%	25	↔	2.50%	2.50%
Retail - Unanchored Strip Class B	7.00%	8.00%	25	↔	2.50%	2.50%
EDMONTON, AB, CANADA						
Retail - Grocery Anchor Strip Class A	6.00%	6.75%	25	↔	2.50%	2.50%
Retail - Grocery Anchor Strip Class B	6.50%	7.25%	25	↔	2.50%	2.50%
Retail - Unanchored Strip Class A	6.50%	7.25%	25	↔	2.50%	2.50%
Retail - Unanchored Strip Class B	7.00%	7.75%	25	↔	2.50%	2.50%
MONTREAL, QC, CANADA						
Retail - Grocery Anchor Strip Class A	6.50%	7.75%	25	↑	2.50%	2.50%
Retail - Grocery Anchor Strip Class B	7.25%	8.00%	25	↑	2.50%	2.50%
Retail - Unanchored Strip Class A	7.25%	8.00%	25	↑	2.50%	2.50%
Retail - Unanchored Strip Class B	7.75%	8.50%	25	↑	2.50%	2.50%
TORONTO, ON, CANADA						
Retail - Grocery Anchor Strip Class A	4.75%	5.50%	25	↑	2.50%	2.50%
Retail - Grocery Anchor Strip Class B	5.00%	5.75%	25	↑	2.50%	2.50%
Retail - Unanchored Strip Class A	5.25%	6.00%	25	↑	2.50%	2.50%
Retail - Unanchored Strip Class B	5.75%	6.50%	25	↑	2.50%	2.50%
VANCOUVER, BC, CANADA						
Retail - Grocery Anchor Strip Class A	5.25%	N/A	25	↑	2.50%	2.50%
Retail - Grocery Anchor Strip Class B	5.75%	N/A	25	↑	2.50%	2.50%
Retail - Unanchored Strip Class A	5.75%	6.50%	25	↑	2.50%	2.50%
Retail - Unanchored Strip Class B	6.25%	7.25%	25	↑	2.50%	2.50%
MEXICO CITY, MEXICO						
Retail - Grocery Anchor Strip Class A	8.00%	11.00%	50	↑	4.50%*	4.50%
Retail - Grocery Anchor Strip Class B	9.50%	12.50%	50	↑	4.50%*	4.50%
Retail - Unanchored Strip Class A	8.50%	12.00%	50	↑	4.50%*	4.50%
Retail - Unanchored Strip Class B	9.50%	12.50%	50	↑	4.50%*	4.50%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

*Note: Mexico rate increases dependent if USD or Peso were used in transaction. Peso denominated lease rental rate increased 4.5%; USD denominated lease rental rate increased 2.5%.

Retail Petroleum & Restaurants

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- 2022 saw 4.3% fewer petroleum gallons sold compared to 2021 but margins were higher than ever, more than making up for the drop in gallons sold. In 2021, margins fell about 10% relative to 2020, but volumes were up a similar percentage. According to NACS, the U.S. convenience store count rose 1.5% year-to-year to 150,174, and the number of stores that sell motor fuel increased by 1.7% from the prior year to 118,678. The important conclusion is that the industry is growing, and retailers are exerting pricing power, despite the commodity nature of fuel.
- For the longer run, convenience stores are beginning to position for the electrification of the transportation system. The transition is viewed as inevitable but gradual and manageable. The massive installed base of internal combustion engines (290 million light-duty vehicles), the modest pace of new sales (16 million in a good year) and the small share of electric sales (10% of new sales in 2022, up from 4% two years ago) ensures a long life for liquid fuels. The U.S. has a fraction of the electric vehicle charging stations necessary to meet the Biden administration’s goal of half a million public stations by 2030. According to the Department of Energy, there were fewer than 50,000 at the end of 2022. Still, government mandates can accelerate natural economics. Forward-thinking retailers expect to offer a variety of energy alternatives according to consumer demand.

1Q 2023 National Rates Comparison Retail Petroleum	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
Retail Petroleum - National	5.25%	6.75%	75	↑	2.00%	2.00%
Retail Petroleum - Regional	6.25%	8.00%	75	↑	2.00%	2.00%
Retail Petroleum - Local	7.50%	9.00%	75	↑	2.00%	2.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.



1Q 2023 National Rates Comparison Restaurants	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
Quick Service Restaurant - Franchisor	5.00%	6.50%	75	↑	2.00%	2.00%
Quick Service Restaurant - Franchisee	5.50%	7.00%	75	↑	2.00%	2.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

- Despite a pullback in spending over the final two months, according to the National Restaurant Association, food service sales increased by 17% in 2022, beating the projected 12.4% forecast. Industry sales are running well above pre-pandemic levels. The pandemic caused about 90,000 stores to permanently close, near double the number in a typical year. Closures were heavily concentrated in full-service independents. The survivors have benefited from less competition. Still, some of the sales growth is inflationary—recouping increased food and labor costs.
- Average wholesale food prices jumped 14.7% during 2022. Until wholesale prices start trending lower across a broad range of commodities, food costs will continue to be a headwind for restaurants – particularly when customer traffic remains below pre-pandemic levels for many operations.
- Pre-pandemic, both the retail petroleum and restaurant markets were in a strong and overdue consolidation phase. Consolidation in these markets is not purely financial, as larger companies may have more robust marketing budgets and the capital to execute technological change. After a short pause, consolidation was in full swing until the very end of 2022. Persistent inflation and sharply higher interest rates could decrease M&A volume or pricing, or both.
- The \$15 billion car wash industry is projected to reach \$20.7 billion by 2028, according to Grand View Research. Private equity groups have been flooding the express car wash market, which has led to increased consolidation. Given the sharp increase in acquisition multiples across the car wash space in recent years, many operators have shifted recently to a greenfield growth strategy. Reports found that there were 850-900 new express car wash openings in 2022 alone. Many car wash executives are expecting at least five to six more years at the same pace.



ABOUT RETAIL PETROLEUM & RESTAURANTS

Newmark Valuation & Advisory’s Retail Petroleum & Restaurants practice has its roots in a team that was founded in 1978. Our team has appraised more than 110,000 convenience stores and restaurants, and its members are experts in all elements of value—real estate, equipment and business intangible. Our franchise experts are superior real estate appraisers because of our depth of knowledge of the underlying store economics. From gas stations and car washes to quick service, casual and fine dining restaurants, our experts provide superior industry insight to clients.

Self Storage

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Self storage underwent historic growth in the past two years from both a transactional and operational standpoint. As we have moved now into a higher interest rate environment, the asset class is still very attractive to investors. There is more capital waiting to purchase storage than there are properties available.

However, most investors are in a wait-and-see mentality, as the onset of a recession remains uncertain. Even if a recession occurs, self storage will stand out as a preferred asset type in 2023, given its proven performance through other market disturbances. Rental growth continues, although at a slower pace, due to the return of seasonality. Anticipated performance in 2023 should somewhat offset higher investor rates of return now required with higher interest rates.

1Q 2023 National Rates Comparison Self Storage	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
Self Storage - Class A	4.75%	6.85%	45	↑	3.50%	3.20%
Self Storage - Class B	5.50%	7.55%	45	↑	3.25%	3.15%
Self Storage - Class C	5.75%	8.15%	45	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.



ABOUT SELF STORAGE

Newmark 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.



Seniors Housing

By Benjamin A. Tate
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New construction has been at its lowest level since 2015 due to staffing shortages, rising material costs and higher interest rates. Despite this, demand remains high, and the slowing growth of inventory has had a positive impact on the post-pandemic occupancy rebound.

The senior housing industry is projected to continue its growth trend as the aging population increases the demand for these services. However, various economic factors such as employment, consumer confidence and interest rates can affect the industry's demand. The recent rise in material costs and labor shortages have increased construction costs and delayed project completion. The change in Federal Reserve policy has also made it more challenging for developers to secure funding for their projects due to higher interest rates. As a result, many projects may no longer meet financial viability criteria, making it more difficult for developers to move forward with their plans. In 2023, developers are being advised to closely monitor these factors and adjust their plans accordingly to determine the financial viability of their projects.

In the future, with the current economic uncertainty and rising construction costs, the industry may experience a slowdown in new development, providing opportunities for existing players in the market to re-deploy value and add capital through acquisitions, renovations and other strategies to improve their properties and competitiveness. However, it is important to note that the seniors housing industry is heavily regulated, and various factors such as changes in healthcare policy and reimbursement, shifts in consumer preferences and demand and demographic trends can affect the viability and success of any investment in this sector.

1Q 2023 National Rates Comparison Seniors Housing	Going-In Cap Rate	Discount Rate	Reversion Rate (BPS Over Going In Cap)	Expected Trend for 2Q Cap/Disc. Rates	Market Rent Growth Rate	Expense Growth Rate
Independent Living - Class A	5.50%	8.25%	50	↓	3.00%	3.00%
Independent Living - Class B	5.75%	8.50%	50	↑	3.00%	3.00%
Assisted Living/Dementia - Class A	6.50%	9.25%	50	↔	3.00%	3.00%
Assisted Living/Dementia - Class B	6.75%	9.50%	50	↑	3.00%	3.00%
Skilled Nursing - Class A	11.75%	14.25%	50	↓	3.00%	3.00%
Skilled Nursing - Class B	12.50%	16.00%	50	↔	3.00%	3.00%
CCRC - Class A	9.25%	12.00%	50	↔	3.00%	3.00%
CCRC - Class B	9.75%	12.25%	50	↑	3.00%	3.00%

Source: These rates were compiled and submitted by Newmark V&A Market Leaders and Specialty Directors based on market activity during January and February 2023 including sales and discussions with market participants and service professionals.

ABOUT HEALTHCARE & SENIORS HOUSING

Newmark 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.



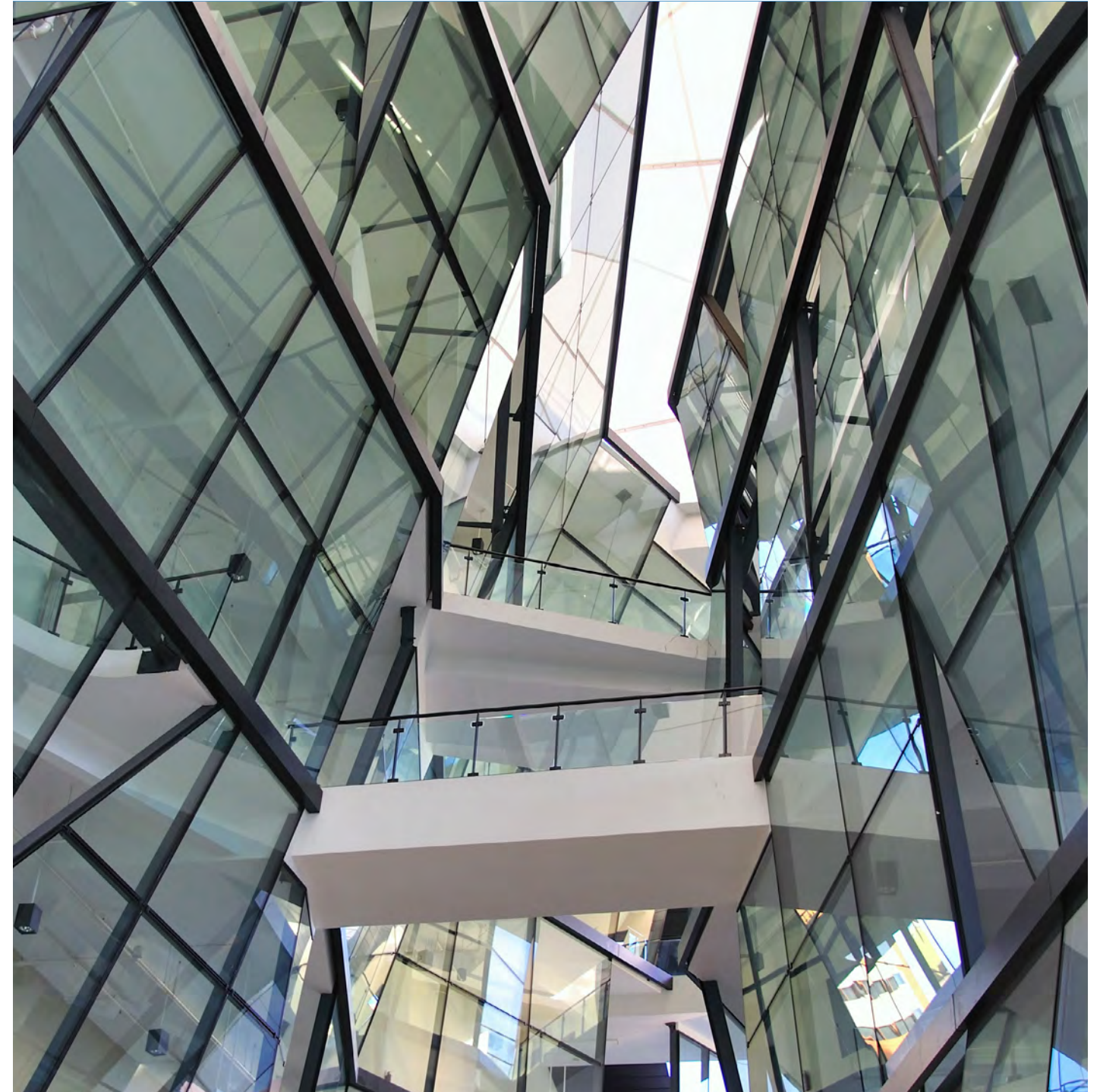


Merger & Acquisition Activity

By John Corbett, MAI
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2022 M&A activity was a tale of two halves; 2023 prospects continue to face headwinds.

- The appetite for M&A activity was robust through the first half of 2022, continuing the record-breaking levels of 2021 as capital remained in abundance via corporate buyers, private equity, venture capital and Special Purpose Acquisition Companies (SPAC). However, deal velocity for the second half of the year was slowed considerably due to high valuations/multiples, inflation, supply chain disruption, antitrust enforcement and increasing interest rates.
- Many suggest that the macroeconomic uncertainty experienced in the latter half of 2022 hampered several potential deals. It was the first time since 2018 that there was no Q4 boost following a low deal volume in Q3 2022.
- While global transaction volume was down approximately 35% over 2021, the percentage of deals incorporating U.S.-based entities remained relatively unchanged at slightly greater than 40 percent or approximately \$1.5 trillion. Similarly, 2022 saw the number of mega-deals diminish from 2021 levels, with only six in excess of \$25 billion and thirty in excess of \$10 billion. Noteworthy of these were Broadcom's \$61 billion acquisition of VMware, Elon Musk's \$44 billion purchase of Twitter, Prologis's \$26 billion merger with Duke Realty and Kroger's \$24.6 billion acquisition of Albertsons.
- Indications suggest the 2023 path to recovery will be slow, given the challenging environment. However, as volatility in valuations/multiples declines, investors become accustomed to the adjusted cost of debt and distance is created from the influence of the pandemic, a resurgence of deals is expected. There is little consensus with respect to the timing of the resurgence, as several expect it to take hold in the latter half of the year while others anticipate a more prolonged period. Several factors favor an earlier recovery; these include the high valuation of the U.S. dollar relative to other major economies, which is expected to spur opportunities for U.S. acquirers of foreign deals. Another contributor is private equity, which is anticipated to be active given the levels of unspent capital available to be deployed and the desire to seek assets at a discount. Regardless of when the 2023 uptick occurs, prospective acquirers will need to plan rigorously, display strategic discipline and view deals through a finer lens in order to create shareholder value.



ABOUT FINANCIAL REPORTING

Newmark 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 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.

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This report is fully interactive, click on leader names to view online profiles and email addresses to send a message.

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Tucson

ARKANSAS
Fayetteville
Little Rock

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El Segundo
Irvine
Los Angeles
Pasadena
Roseville
Sacramento
San Francisco
San Jose
San Mateo

COLORADO
Denver

CONNECTICUT
Stamford

DELAWARE
Wilmington

WASHINGTON, D.C.

FLORIDA
Boca Raton
Jacksonville
Orlando
Tampa
West Palm Beach

GEORGIA
Atlanta

IDAHO
Boise

ILLINOIS
Chicago

INDIANA
Indianapolis

KANSAS
Overland Park

KENTUCKY
Louisville

LOUISIANA
New Orleans

MARYLAND
Baltimore
Salisbury

MASSACHUSETTS
Boston
Grand Rapids

MICHIGAN
Detroit
Grand Rapids

MINNESOTA
Minneapolis

MISSOURI
Kansas City
Springfield
St. Louis

MONTANA
Billings

NEVADA
Las Vegas
Reno

NEW JERSEY
Marlton
Rutherford
Whippany

NEW YORK
Albany
Buffalo/Amherst
Long Island
New York – HQ

NORTH CAROLINA
Charlotte
Raleigh

OHIO
Cincinnati
Cleveland
Columbus
Toledo

OKLAHOMA
Oklahoma City

OREGON
Portland/ Lake
Oswego

PENNSYLVANIA
Philadelphia
Pittsburgh

TEXAS
Austin
Dallas
Houston
San Antonio

UTAH
Salt Lake City

VERMONT
Burlington

VIRGINIA
Charlottesville
Richmond
Tysons Corner

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CHILE
Santiago

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Bogato, Medellin, Cali
Cartagena, Barranquilla

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San José
Guanacaste

MEXICO
Mexico City

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Panama City

PERU
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APAC

INDIA
Delhi
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EMEA

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