

The background of the slide features a stylized silhouette of a city skyline, including the Statue of Liberty and the US Capitol building, set against a backdrop of a world map and a grid pattern. The skyline is reflected in a dark blue area at the bottom.

1Q17 UNITED STATES
CAPITAL MARKETS REPORT

3 Market Summary

- 4 Executive Overview
- 5 Yield Spread
- 6 Global Capital
- 7 Sales Volume - Primary Markets
- 8 Sales Volume - Secondary Markets
- 9 Buyer Distribution
- 10 Top Regional Buyers
- 11 Offshore Capital Comparison
- 12 International Capital Distribution
- 13 International Capital Investment
- 14 International Capital Market Share
- 15 International Investment Sales by Property Type
- 16 Debt Market Update
- 17 Mortgage Maturities

18 Analysis by Asset Type

- 19 Most Active Buyers by Asset Type
- 20 Office Pricing Heat Map
- 21 Office Trends - Average Cap Rates
- 22 Multihousing Trends - Primary vs. Secondary Markets
- 23 Multihousing Pricing Matrix
- 24 Multihousing Rent Growth
- 25 Multihousing Absorption
- 26 Retail Trends - Primary vs. Secondary Markets
- 27 Retail Trends - Volume by Type
- 28 Industrial Trends
- 29 Hospitality Trends
- 30 Development Site Trends

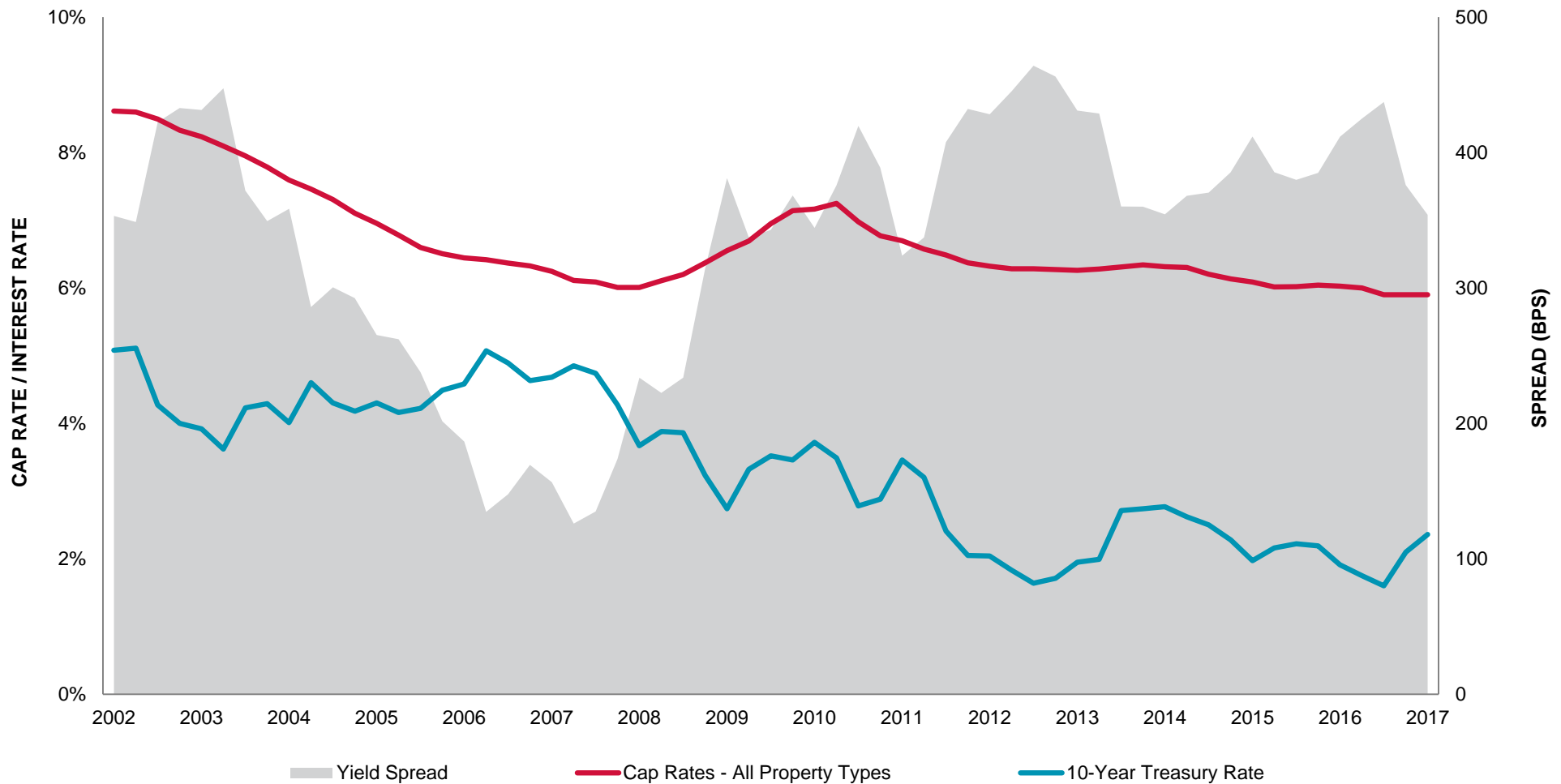
The background of the slide is a stylized graphic. At the top, there is a faint world map. Below it is a silhouette of a city skyline, including the Statue of Liberty, the US Capitol building, and various skyscrapers. The entire scene is overlaid with a grid of thin, diagonal lines. A dark horizontal band at the bottom contains the text 'MARKET SUMMARY' in white, bold, uppercase letters.

MARKET SUMMARY

Sales Volume	Investment activity closely matched last year's first-quarter totals in secondary markets, but declined noticeably in primary markets such as Manhattan. Overall activity was at its lowest since 2013.
Cap Rates	Industrial cap rates continued to compress further due to sustained investor demand for warehouse and distribution centers tied to e-commerce, while retail yields rose as further store closures have been announced.
Rent Growth	In the past year, Atlanta, Dallas, Los Angeles, Phoenix, Sacramento and Tampa have all experienced multihousing rent growth of 5% or greater.
Supply and Demand	Demand for quality multihousing product has outpaced new supply in many Western markets, as well as throughout Texas, Florida and the Carolinas.
International Capital	Foreign firms invested \$12.6B in U.S. assets during the first quarter, 70% of which went to office product, primarily in gateway cities.
Debt Markets	Mortgage maturities are set to rise to \$399 billion in 2017, simultaneously regional and local banks have expanded their lending over the past 12 months.

YIELD SPREAD

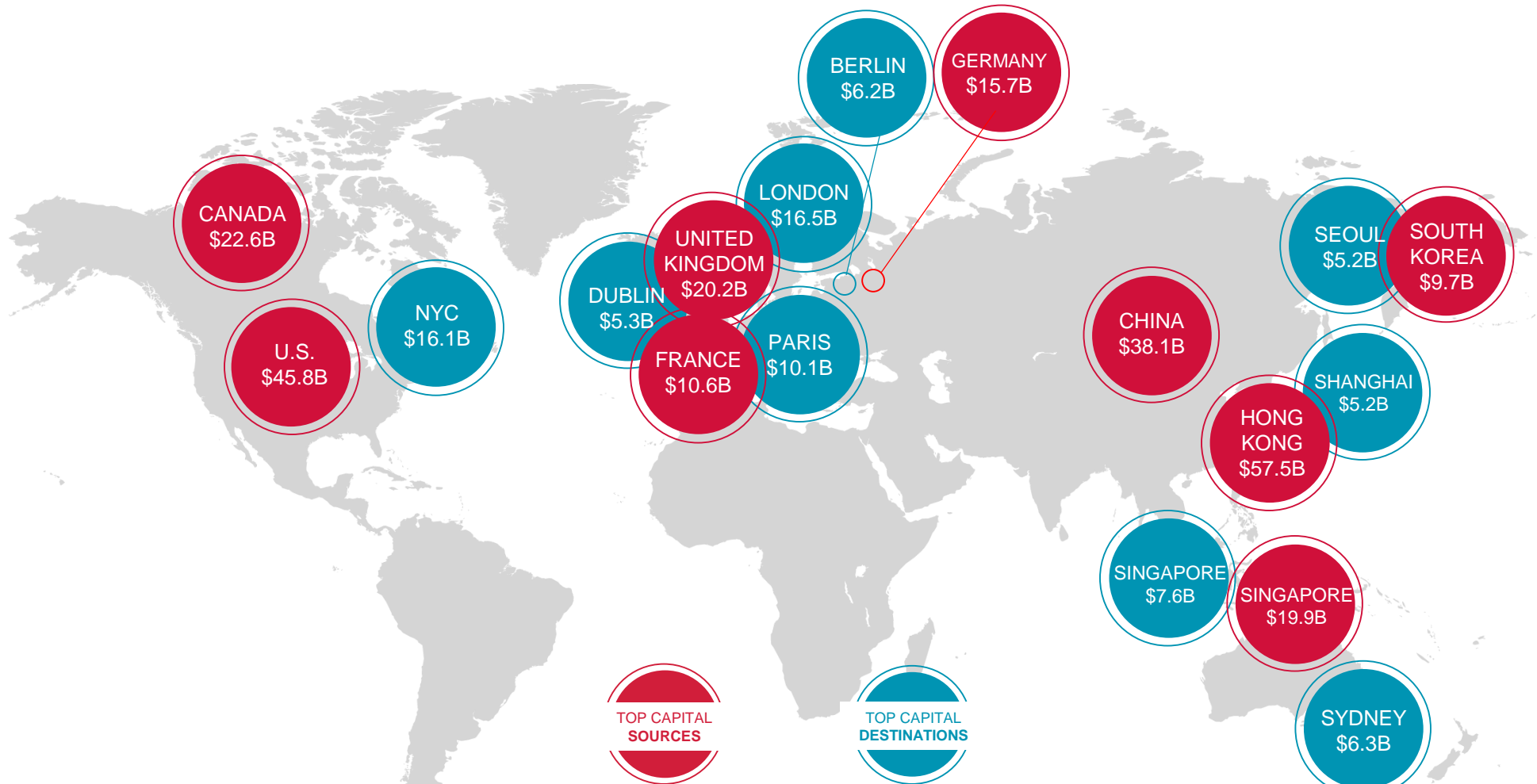
Real estate yields remained flat, while the 10-year treasury note rose to 2.4%, representing the lowest spread between the two asset classes since 1Q14.



Source: Newmark Grubb Knight Frank Research, Real Capital Analytics, Federal Reserve Bank of St. Louis

GLOBAL CAPITAL

12-Month Totals; All Property Types



TOP CAPITAL SOURCES

TOP CAPITAL DESTINATIONS

HONG KONG	\$57.5B
UNITED STATES	\$45.8B
CHINA	\$38.1B
CANADA	\$22.6B
UNITED KINGDOM	\$20.2B
SINGAPORE	\$19.9B
GERMANY	\$15.7B
FRANCE	\$10.6B
SOUTH KOREA	\$9.7B

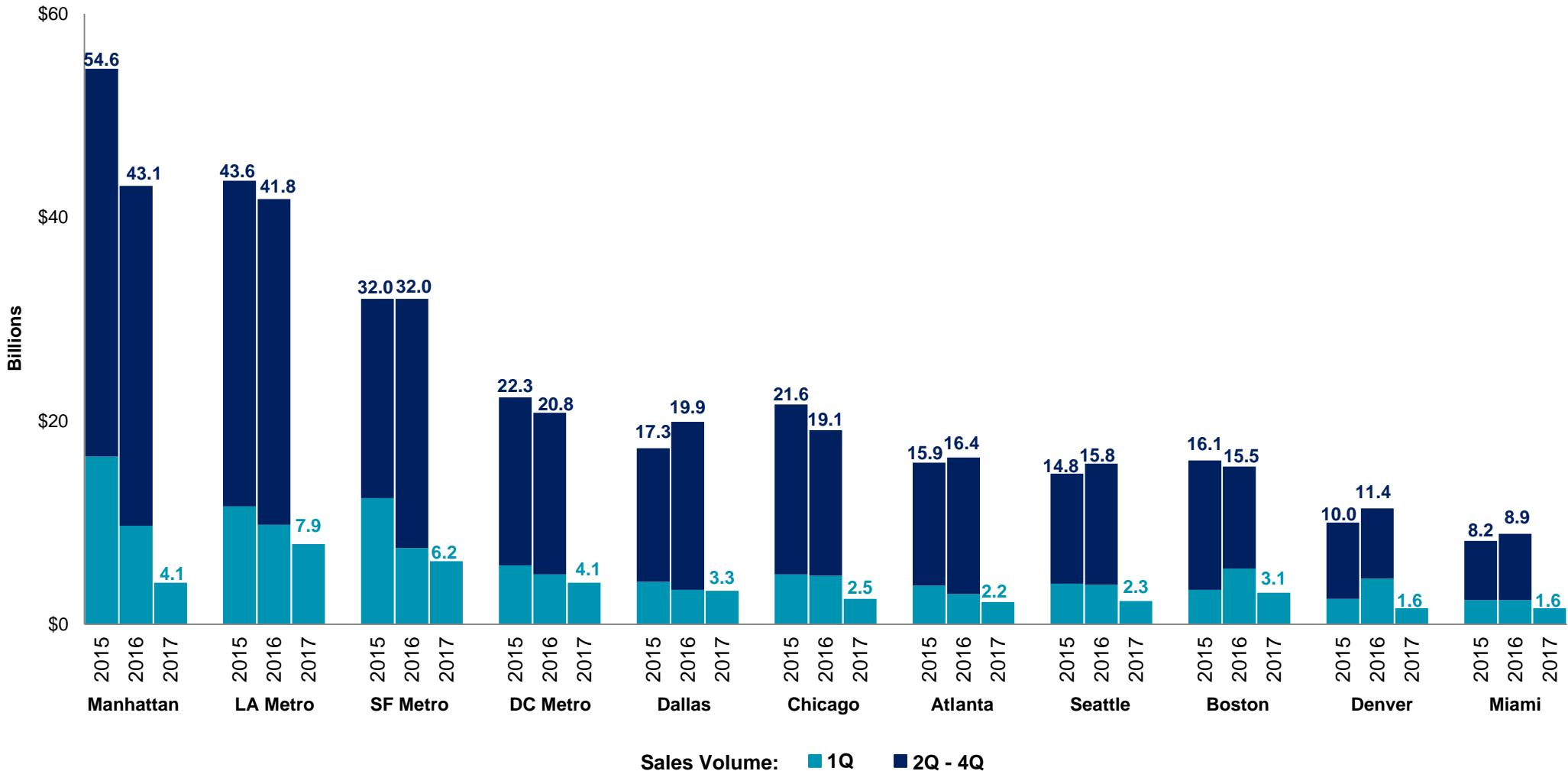
LONDON	\$16.5B
NEW YORK CITY	\$16.1B
PARIS	\$10.1B
SINGAPORE	\$7.6B
SYDNEY	\$6.3B
BERLIN	\$6.2B
DUBLIN	\$5.3B
SEOUL	\$5.2B
SHANGHAI	\$5.2B

Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

SALES VOLUME

Primary Markets; Yearly Totals; All Property Types

Sales volume suffered a slow start to 2017 across primary markets, but was bolstered by robust office sales in LA, SF, and DC.

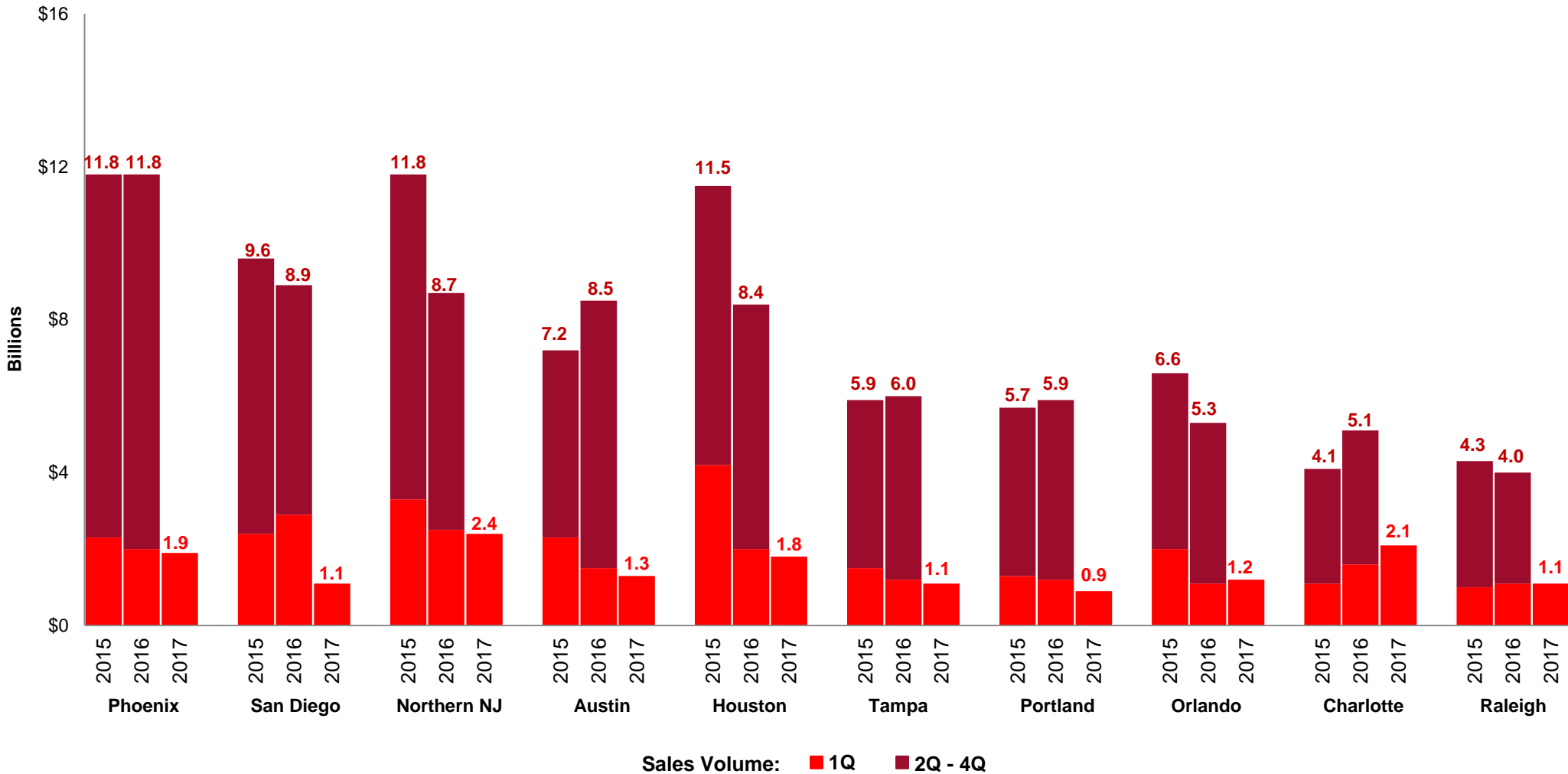


Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

SALES VOLUME

Secondary Markets; Yearly Totals; All Property Types

Thriving cities throughout the southeast and southwest U.S. continue to attract investors looking for secure multihousing assets.

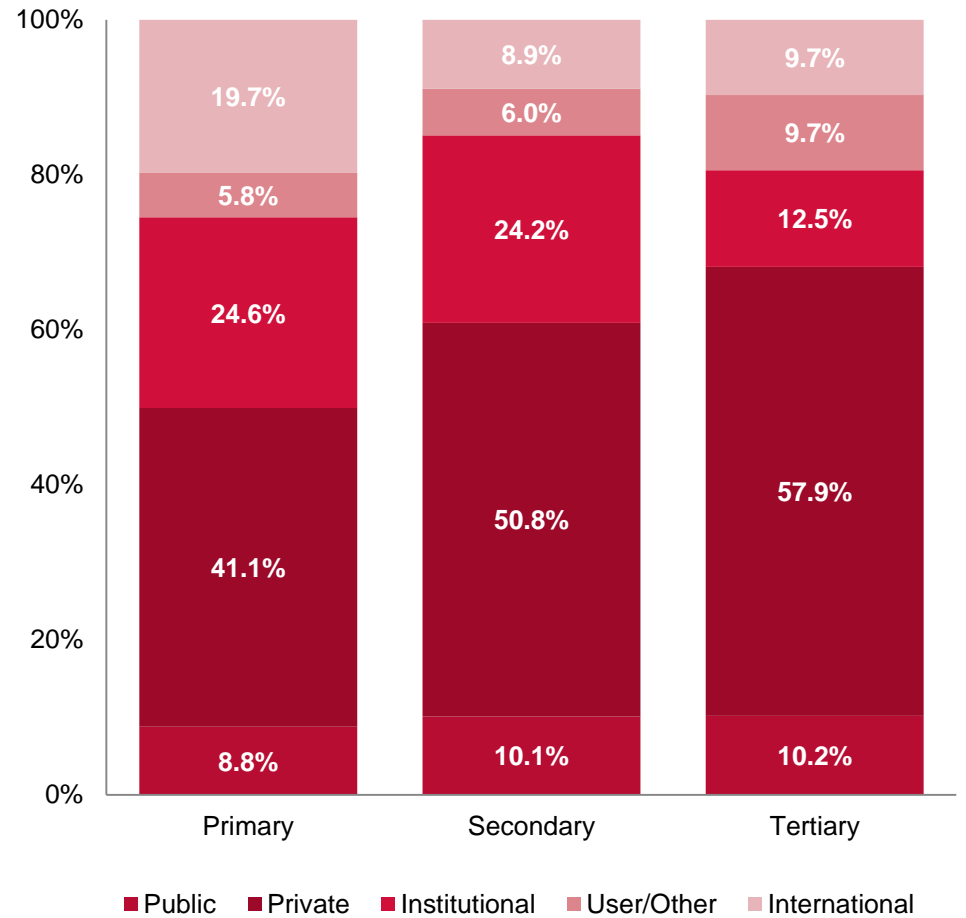
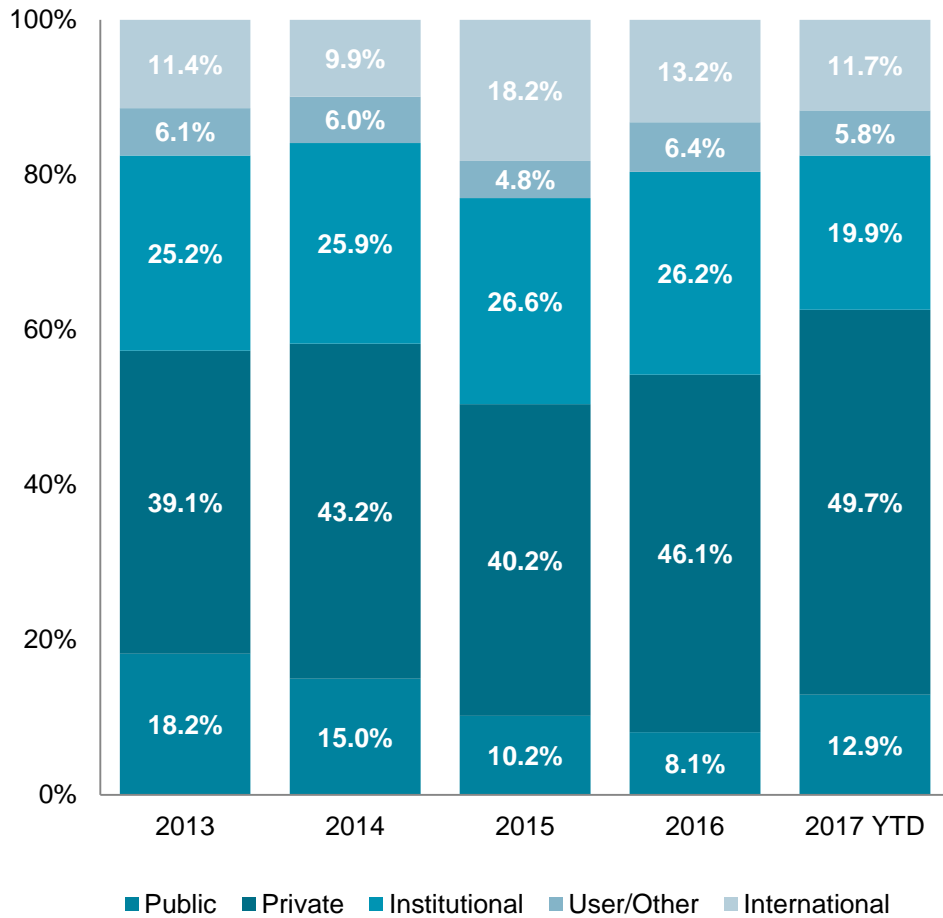


Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

BUYER DISTRIBUTION

United States; by Year and Market Tier (12-Month Totals)

Public investment in primary markets has nearly tripled year-over-year, rising from 3.5% to 8.8%, lead by increased REIT spending.



Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

TOP REGIONAL BUYERS

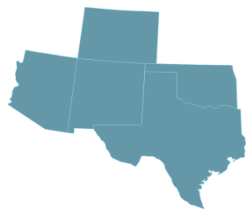
All Property Types; 12-Month Totals

While portfolio and entity-level transactions have slowed, foreign capital has filled the void by acquiring trophy assets throughout the U.S.

West



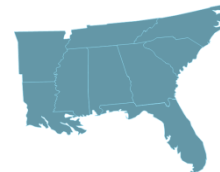
Southwest



Midwest



Southeast



Mid-Atlantic



Northeast



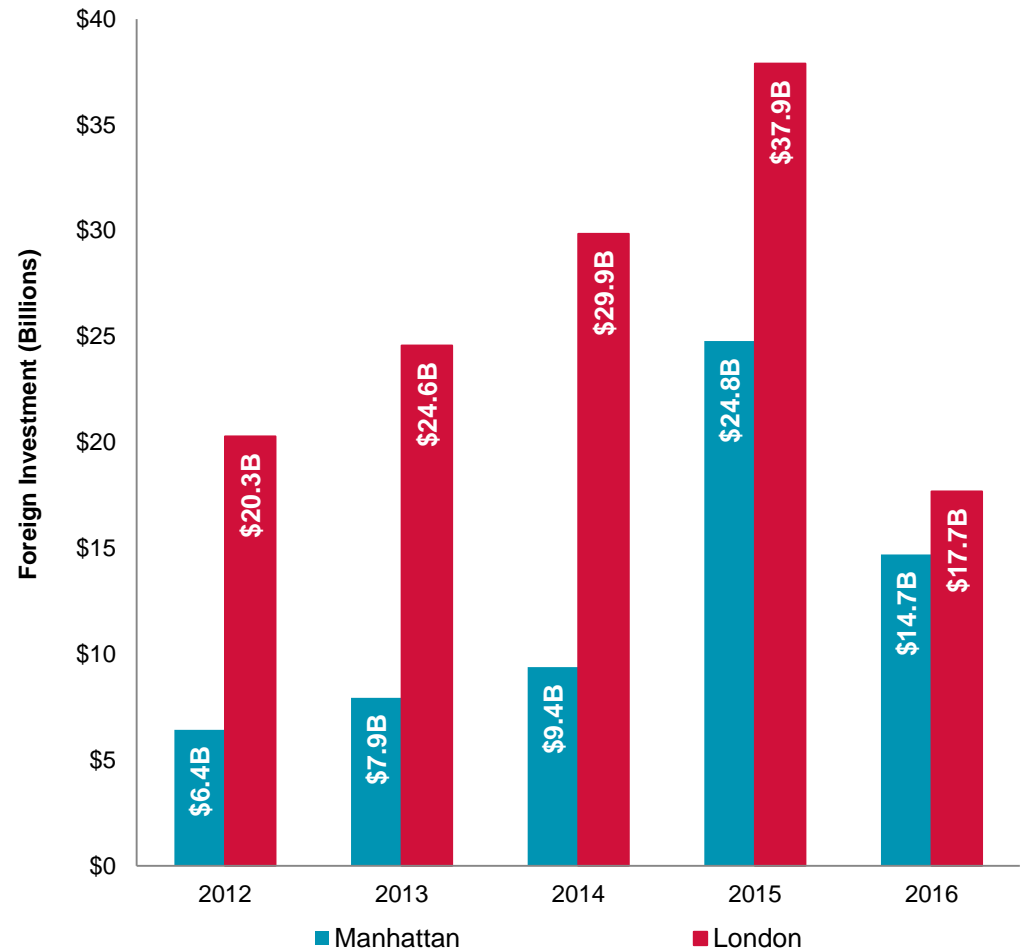
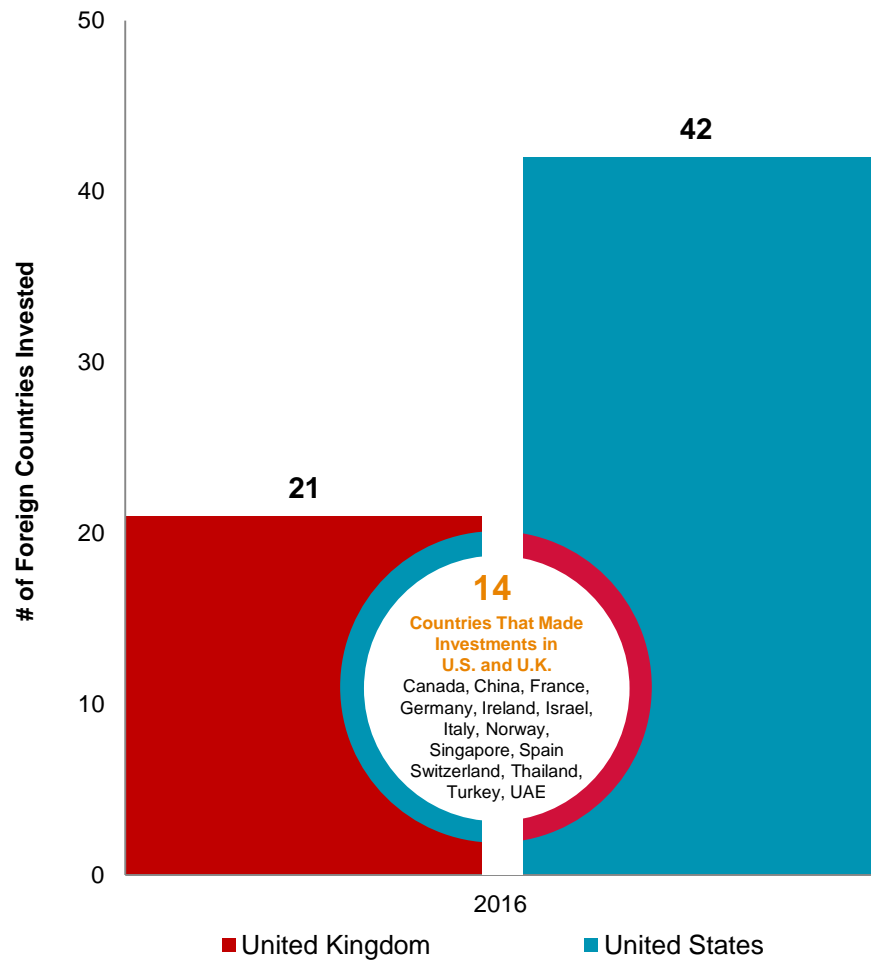
Company	Volume	Company	Volume	Company	Volume	Company	Volume	Company	Volume	Company	Volume
Blackstone	\$4.8B	Blackstone	\$2.0B	Anbang Insurance	\$952M	Regency Centers	\$2.1B	GIC	\$1.1B	Citigroup	\$1.9B
Anbang Insurance	\$2.5B	Cousins Properties	\$1.4B	American Realty Advisors	\$743M	MAA REIT	\$2.0B	Blackstone	\$1.0B	Allianz	\$1.8B
TIAA	\$2.2B	MAA REIT	\$1.4B	HNA Group	\$674M	Cousins Properties	\$1.4B	Korea Investment Corp	\$966M	China Investment Corp	\$1.7B
Invesco	\$1.8B	Transwestern	\$964M	Brookfield	\$610M	Northwood Investors	\$1.2B	MGM Resorts International	\$904M	RXR Realty	\$1.7B
CalPERS	\$1.3B	Mirae Asset Financial	\$822M	Davidson Kempner	\$490M	Preferred Apartments	\$805M	Unizo	\$844M	China Life	\$1.7B

Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

OFFSHORE CAPITAL COMPARISON

United States vs. United Kingdom; Manhattan vs. London

Twice as many countries invested in the U.S. than in the U.K. in 2016, while the difference in total capital deployed narrowed significantly.

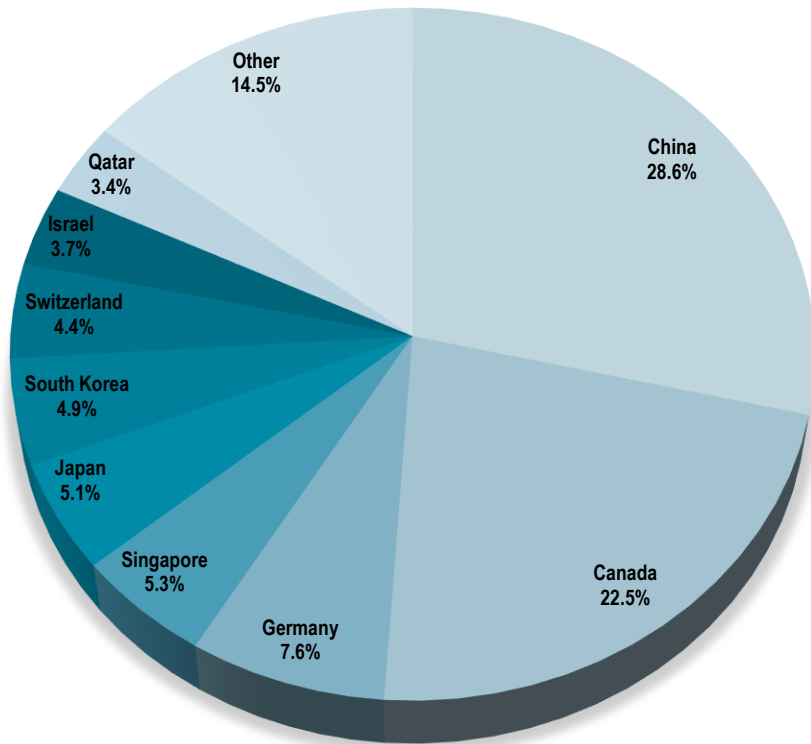


Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

INTERNATIONAL CAPITAL DISTRIBUTION

United States; 12-Month Totals; All Property Types

China and Canada accounted for more than half of all offshore investment into the U.S. in the past year, along with significant growth from Japan via strong trophy investments.



INVESTED CAPITAL | \$500+ MILLION

\$1.0B+

- CANADA
Brookfield
CPP Investment Board
- CHINA
Anbang Insurance Group
HNA Group
China Investment Corp
China Life Insurance
HKMA
- GERMANY
Union Investment
Allianz
- JAPAN
Unizo Holdings Co Ltd
- QATAR
Qatar Investment Authority
- SINGAPORE
GIC
- SOUTH KOREA
Mirae Asset

\$500M – \$999M

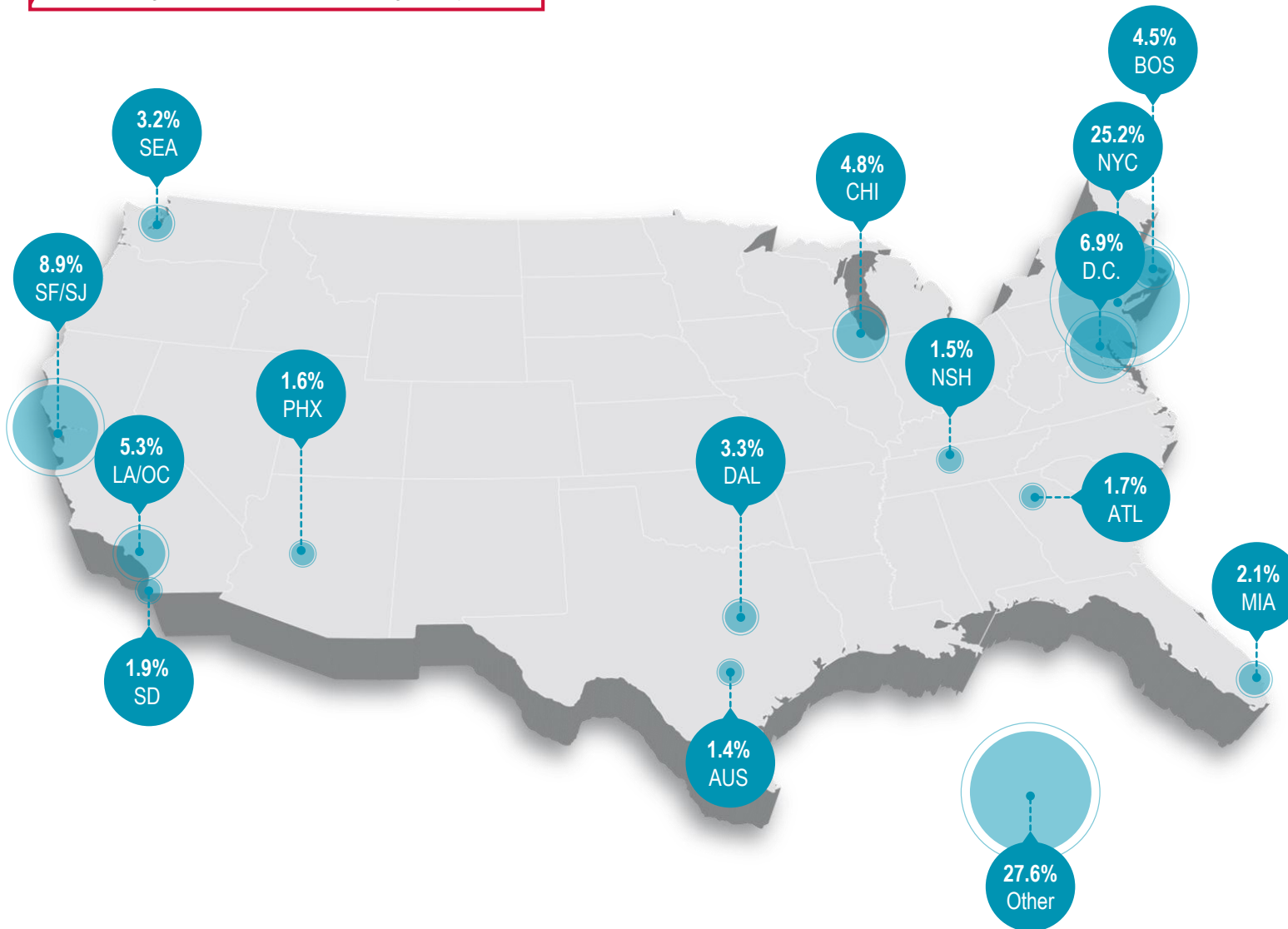
- CANADA
Ivanhoe Cambridge
- CHINA
Taikang AMC
Cindat Capital Management
- FRANCE
Fimalac
- ISRAEL
Global Holdings
- JAPAN
Mori Trust
- SOUTH KOREA
National Pension Service
- SINGAPORE
Mapletree Investments
- SAUDI ARABIA
Olyan Group
- UNITED KINGDOM
Chelsfield
TH Real Estate
- SPAIN
Ponte Gadea

Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

INTERNATIONAL CAPITAL INVESTMENT

United States; 12-Month Totals; All Property Types

Foreign investors have pulled back from secondary markets in recent months, and now make up a larger percentage of transaction volume in gateway cities.



ORIGIN OF CAPITAL

WASHINGTON, DC **56.0%** | 44.0%

NEW YORK CITY **47.0%** | 53.0%

SAN FRANCISCO **33.0%** | 67.0%

BOSTON **22.0%** | 78.0%

CHICAGO **17.0%** | 83.0%

SEATTLE **15.0%** | 85.0%

LOS ANGELES **8.0%** | 92.0%

■ International ■ Domestic

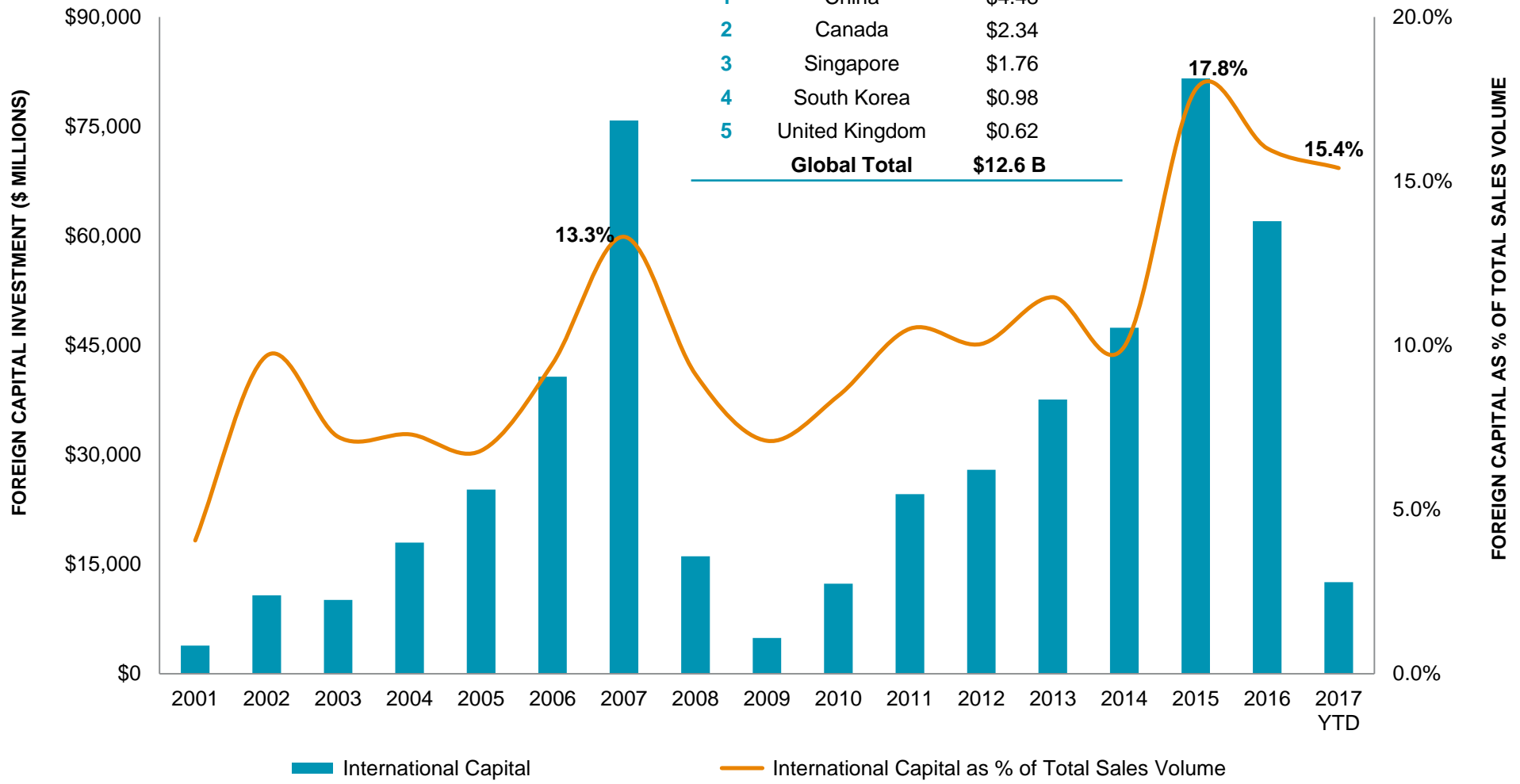
Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

INTERNATIONAL CAPITAL MARKET SHARE

United States; All Property Types

Despite a slowdown in overall U.S. sales volume, the proportion of international capital invested remains well above the 15-year average.

RANK	2017 YTD	VOLUME (B)
1	China	\$4.48
2	Canada	\$2.34
3	Singapore	\$1.76
4	South Korea	\$0.98
5	United Kingdom	\$0.62
Global Total		\$12.6 B



Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

INTERNATIONAL INVESTMENT SALES

United States; 1Q17; All Property Types

NOTABLE DEALS



Office
\$8B INVESTED **70%** ALL INVESTMENTS

Address: 60 Wall St (New York)
Buyer: GIC
Country: Singapore
Price: \$988 Million
% Ownership Interest: 95%

1120 20th St NW (DC)
Korea Investment Corp JV GIC
South Korea/Singapore
\$390 Million
95%



Hospitality
\$609M INVESTED **5%** ALL INVESTMENTS

Address: 1 Nob Hill (San Francisco)
Buyer: General Nice
Country: China
Price: \$173 Million
% Ownership Interest: 100%

1821 Boren Ave (Seattle)
Union Investment
Germany
\$90 Million
100%



Multihousing
\$2B INVESTED **17%** ALL INVESTMENTS

Address: 9702 Universal Blvd (Orlando)
Buyer: Venterra Realty
Country: Canada
Price: \$79 Million
% Ownership Interest: 100%

475 Kent Ave (New York)
Gaia Investment Corp
Israel
\$56 Million
100%



Retail
\$549M INVESTED **5%** ALL INVESTMENTS

Address: 6601 S Las Vegas Blvd (Las Vegas)
Buyer: TH Real Estate
Country: United Kingdom
Price: \$331 Million
% Ownership Interest: 85%

314 East 86th St (New York)
Izaki Group Investments
Israel
\$35 Million
100%



Industrial
\$372M INVESTED **3%** ALL INVESTMENTS

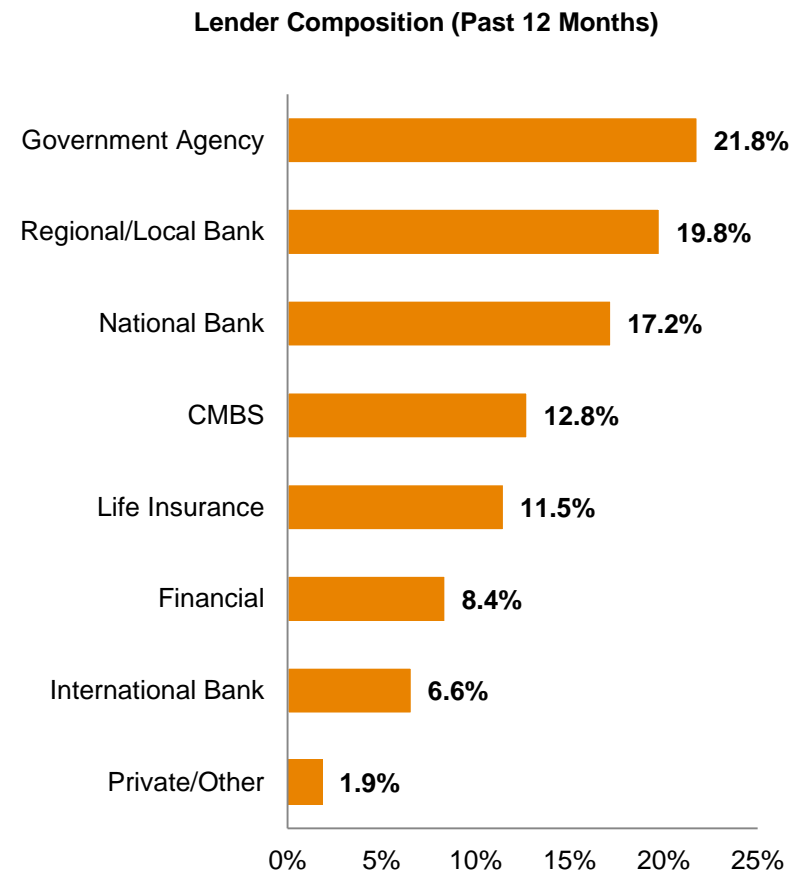
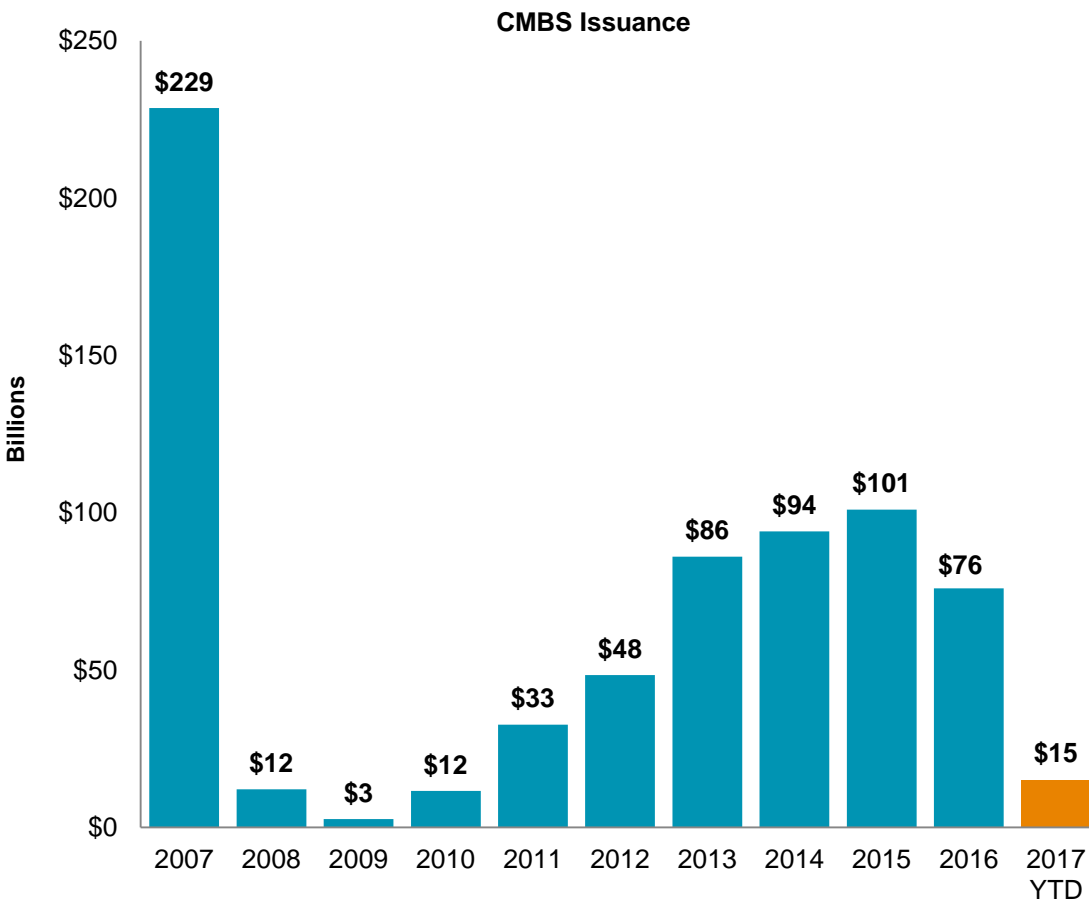
Address: 350 Starke Rd (Carlstadt, NJ)
Buyer: Bentall Kennedy
Country: Canada
Price: \$73 Million
% Ownership Interest: 100%

2701 W Bethel Rd (Dallas, TX)
GLC
Singapore
\$67 Million
100%

DEBT MARKET UPDATE

CMBS Issuance and Lender Composition

CMBS issuance declined 21.2% year-over-year, while regional/local banks surpassed national banks as the second most prominent lender.

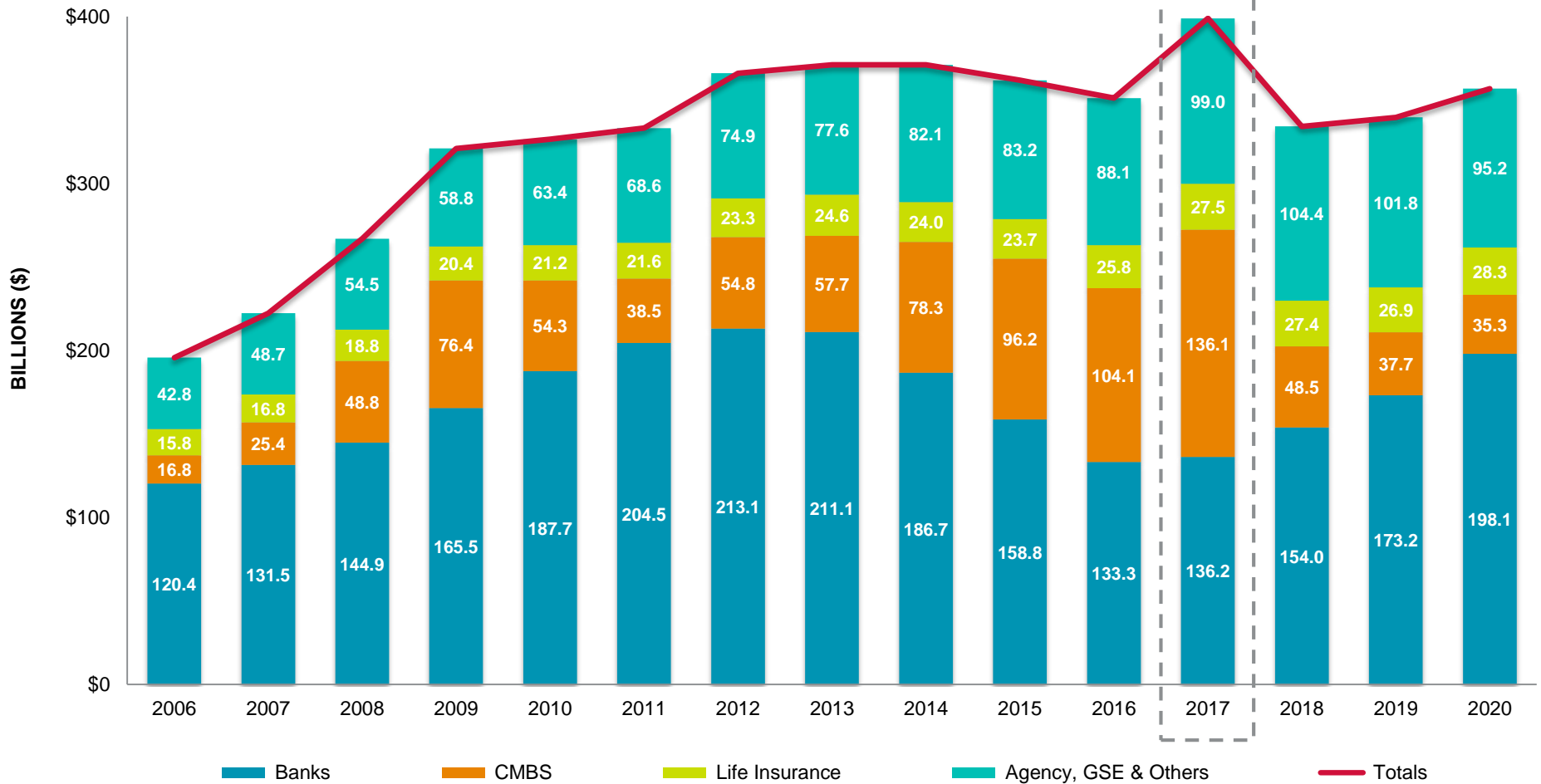


Source: Newmark Grubb Knight Frank Research, Mortgage Bankers Association, Real Capital Analytics

MORTGAGE MATURITIES

By Lender Group

Maturities are expected to rise to \$399 billion in 2017, which represents a 13.6% year-over-year increase.



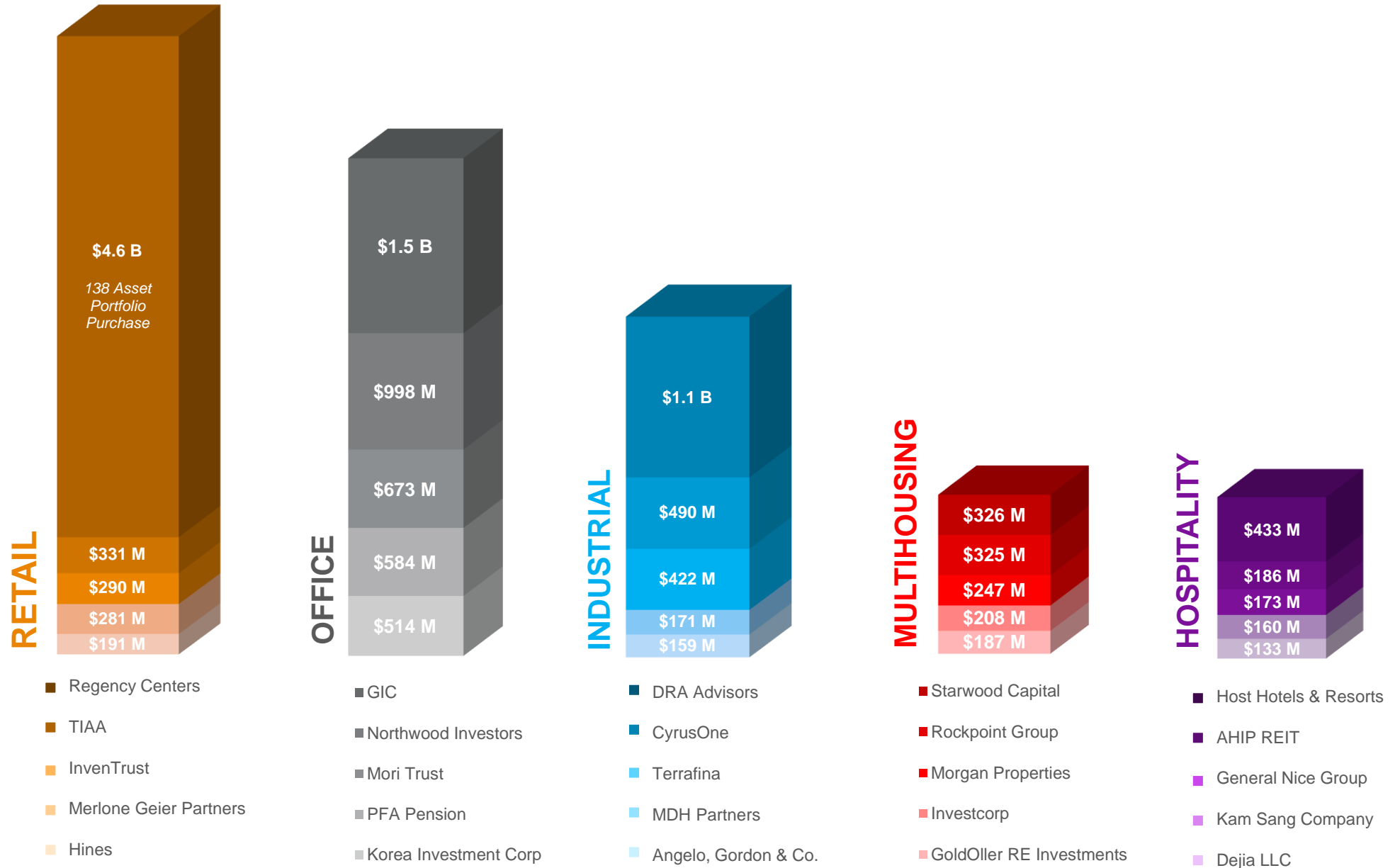
Source: Newmark Grubb Knight Frank Research, Trepp

The background of the slide is a stylized silhouette of a city skyline, including the Statue of Liberty, the Chrysler Building, and the US Capitol building. The skyline is set against a background of a world map and a grid of diagonal lines. The colors transition from a light blue at the top to a dark blue at the bottom.

ANALYSIS BY ASSET TYPE

MOST ACTIVE BUYERS BY ASSET TYPE

1Q17

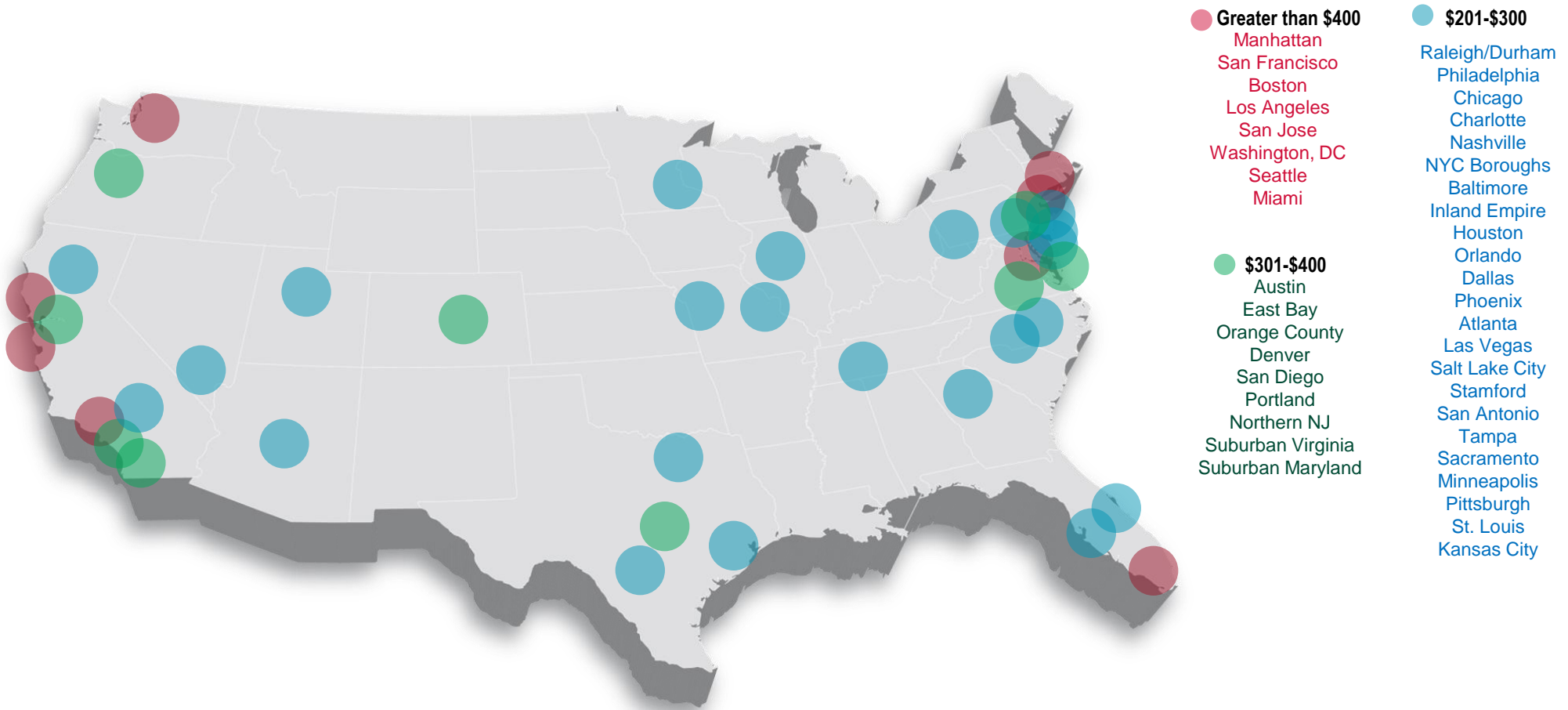


Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

PRICING HEAT MAP – OFFICE

Price Per Square Foot

There are currently 40 markets averaging more than \$200 per square foot for institutional quality office buildings.

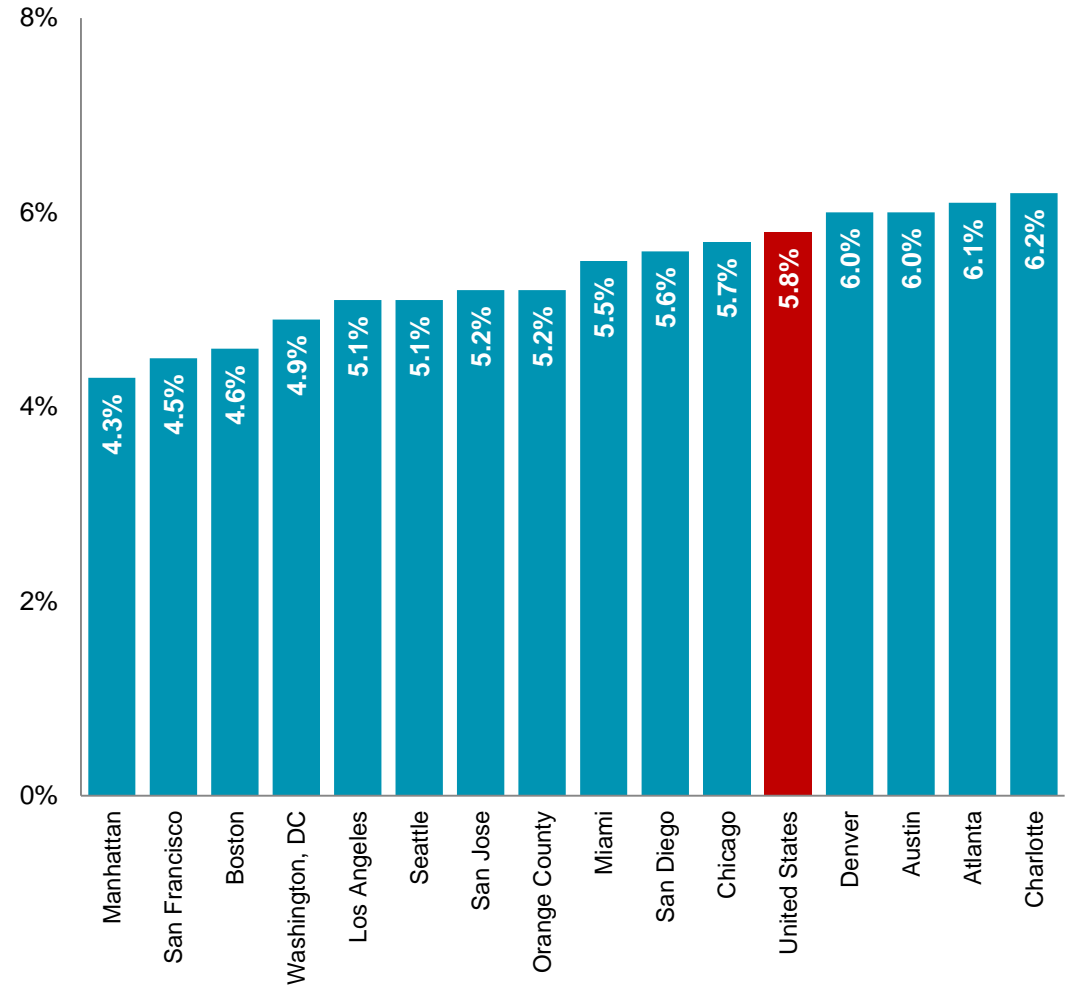
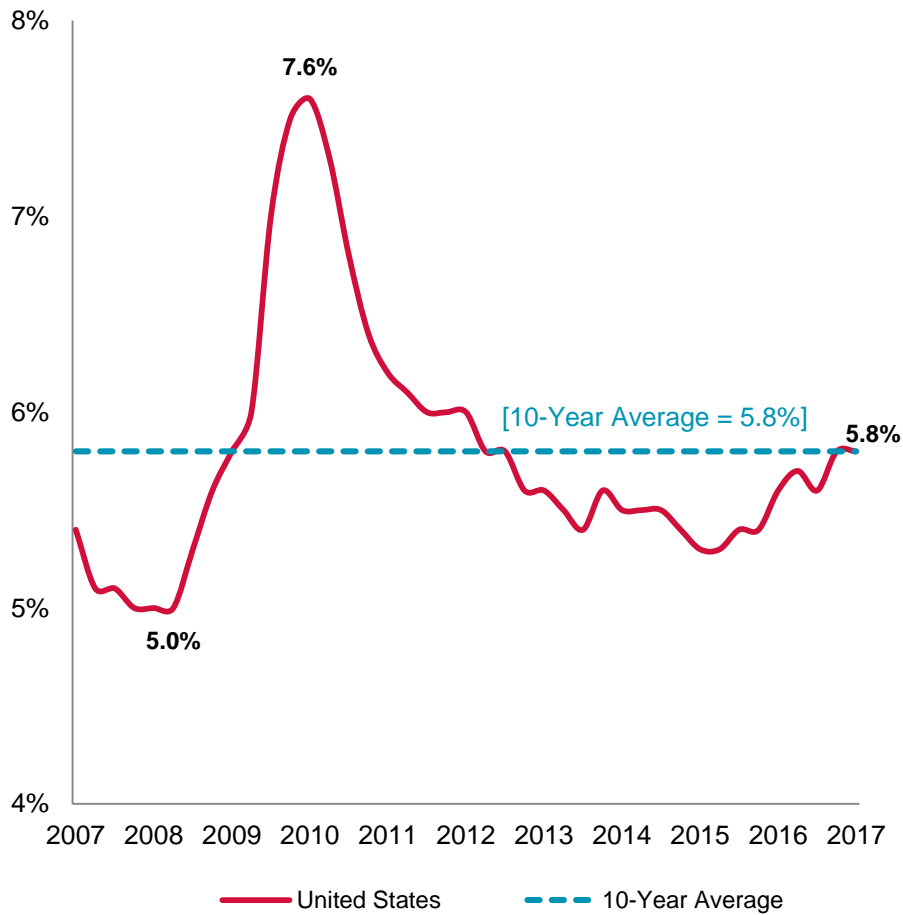


Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

OFFICE TRENDS

Average Cap Rate; Institutional Quality

Office cap rate compression during the current cycle has likely ended, jumping 40 basis points over the past five quarters.



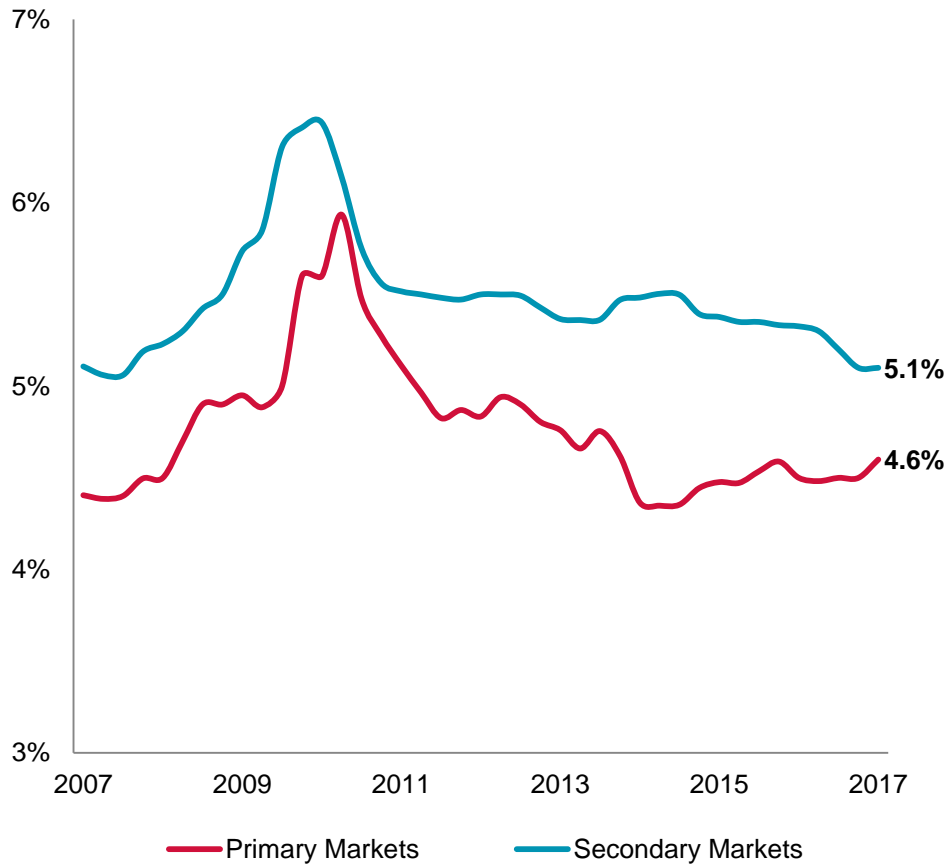
Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

MULTIHOUSING TRENDS

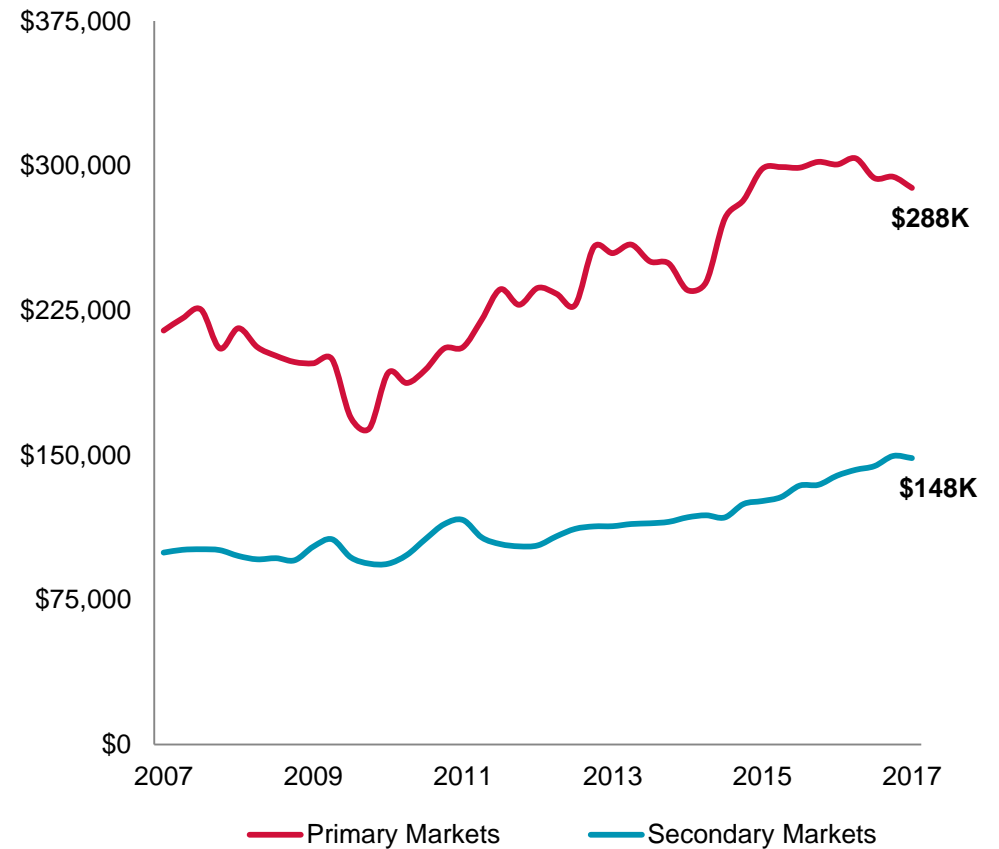
United States: Primary Markets vs. Secondary Markets

Yields in primary markets rose 10 basis points quarter-over-quarter, while price per unit in secondary markets rose 6.5% year-over-year.

Cap Rates



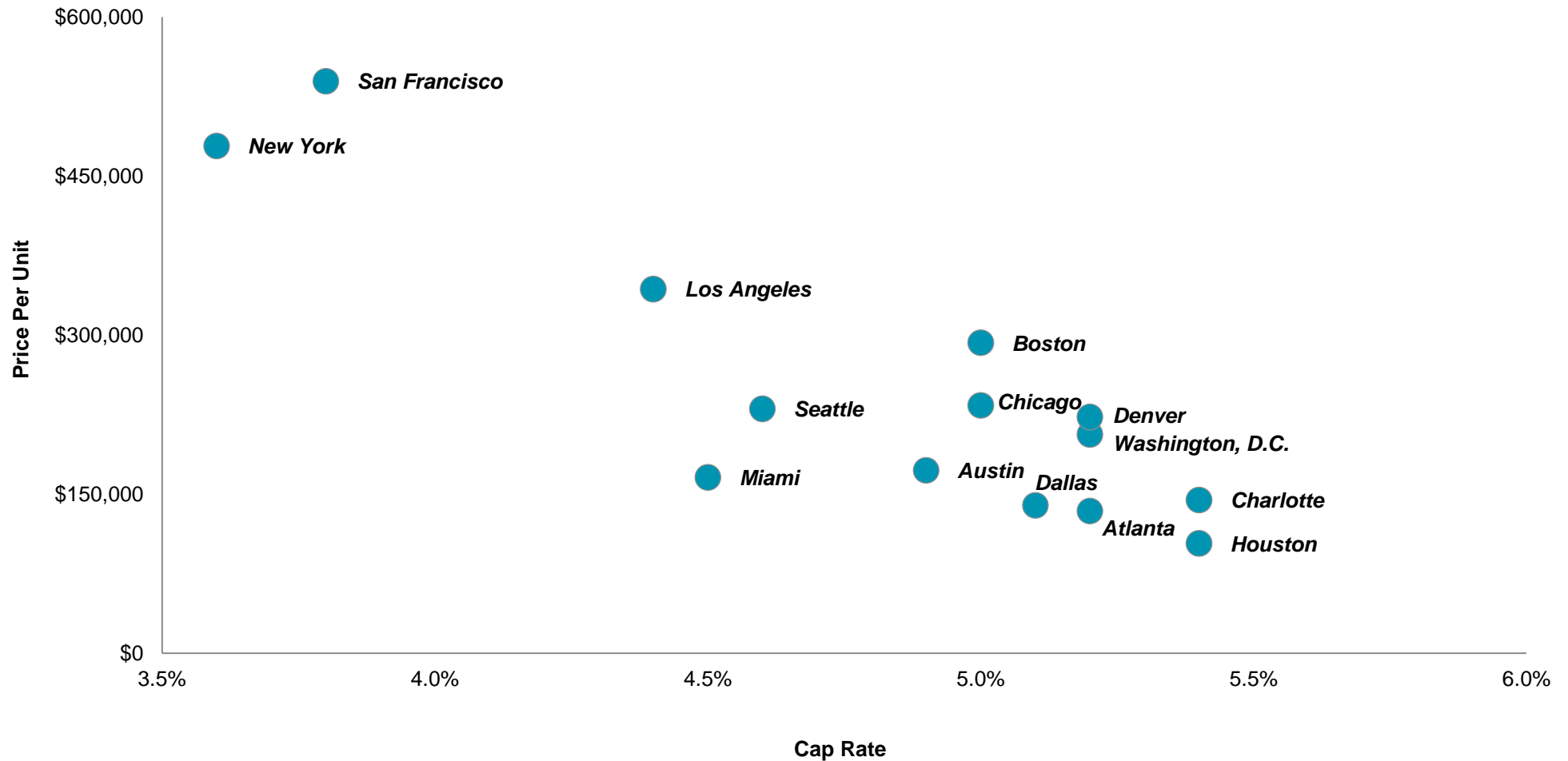
Price Per Unit



Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

MULTIHOUSING PRICING MATRIX

Emerging gateway markets such as Atlanta, Dallas and Denver offer cap rates that are comparable to those in more established primary metros.

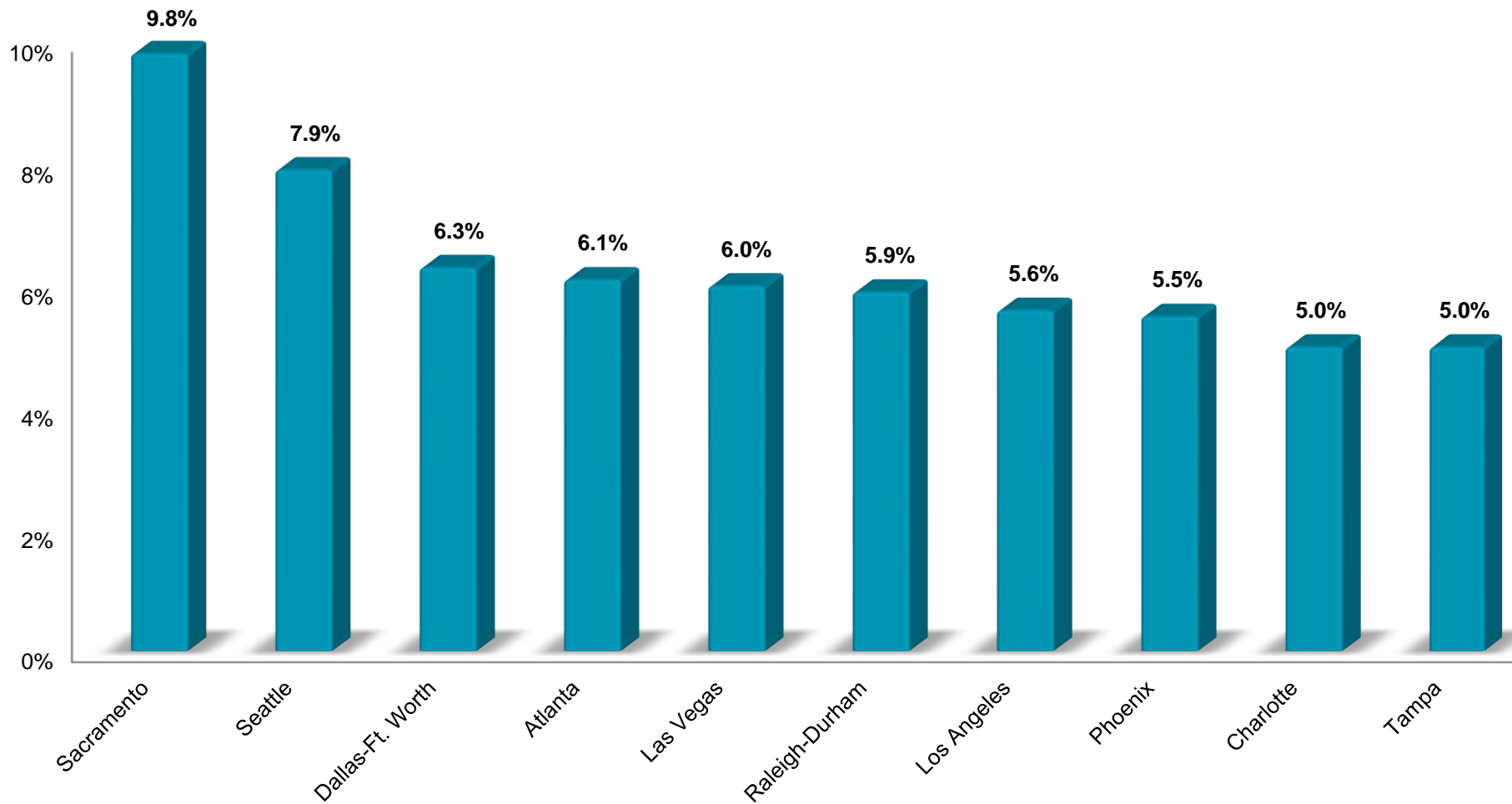


Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

MULTIHOUSING RENT GROWTH

Year-over-Year % Change

Technology and healthcare-driven metros continue to experience above-average rental growth.

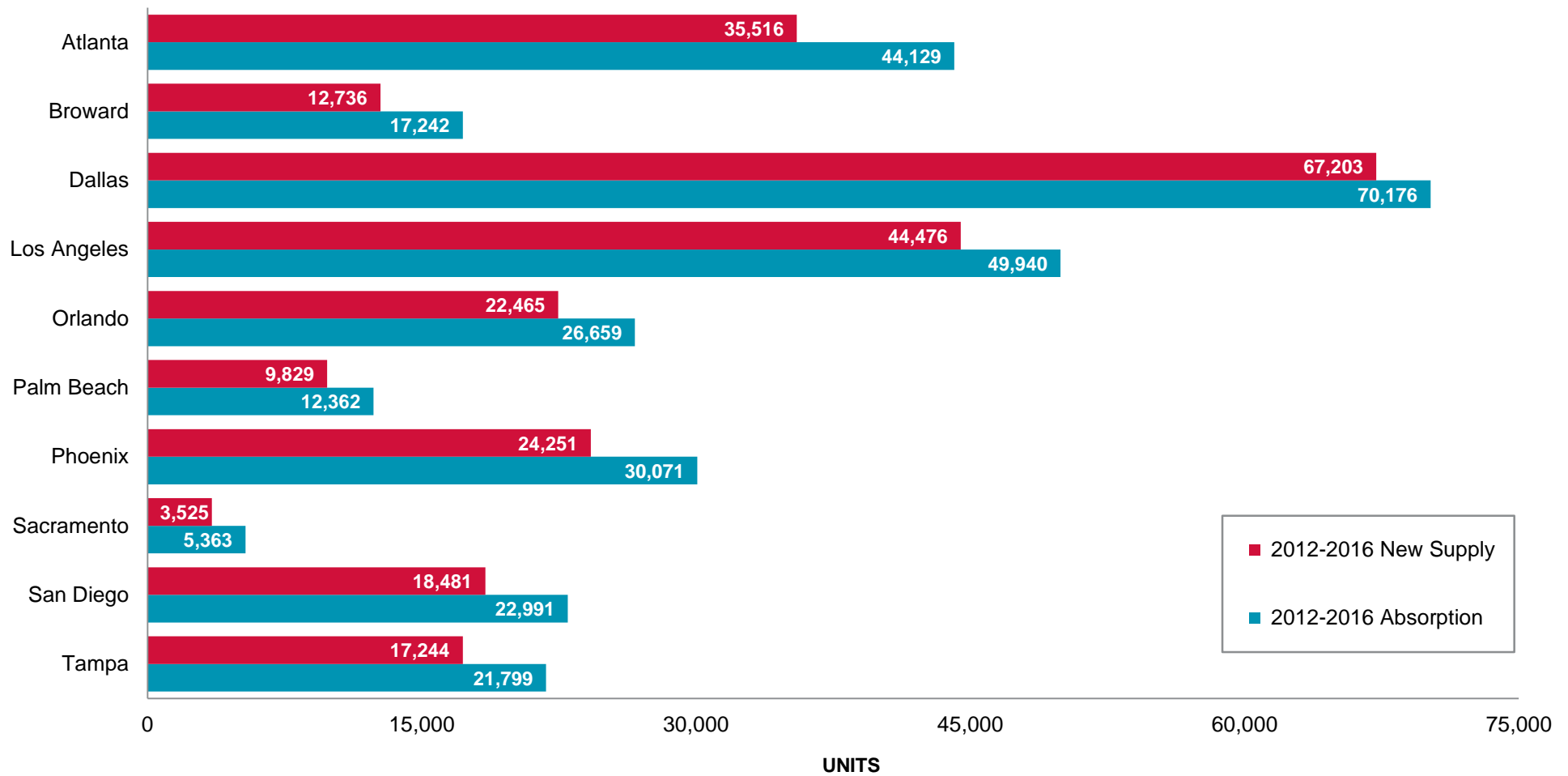


Source: Newmark Grubb Knight Frank Research, Axiometrics

MULTIHOUSING ABSORPTION

Markets Where Demand Exceeds New Supply

Despite concerns that some markets are overbuilt, demand in the Southeast and West continues to outpace new supply.



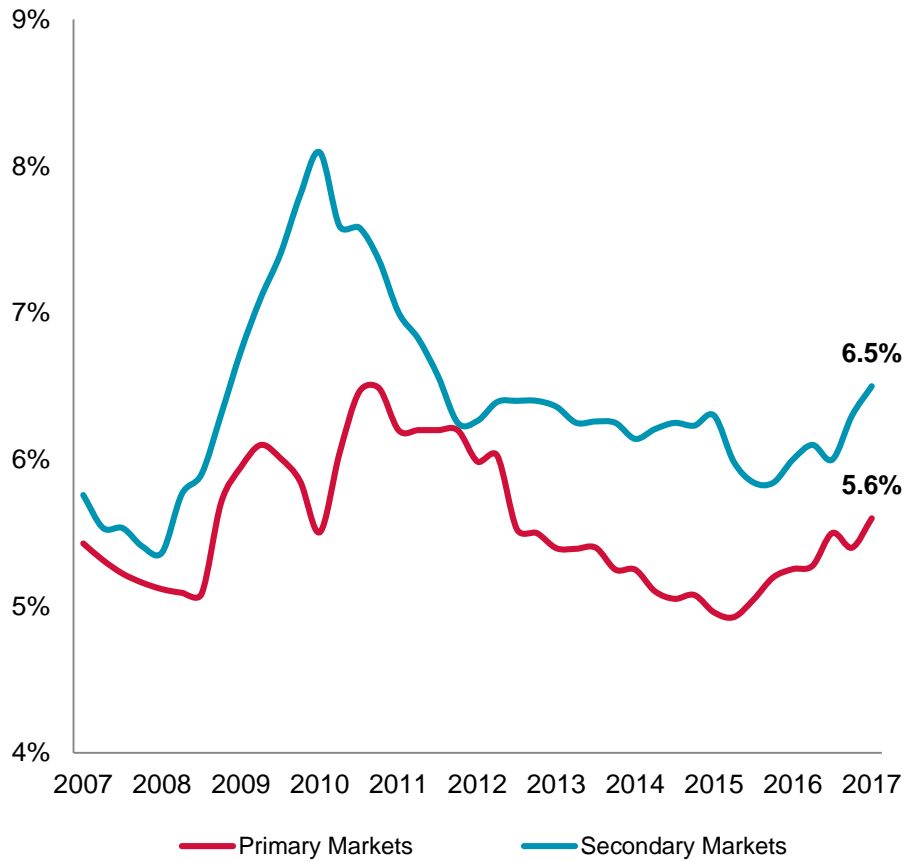
Source: Newmark Grubb Knight Frank Research, Axiometrics

RETAIL TRENDS

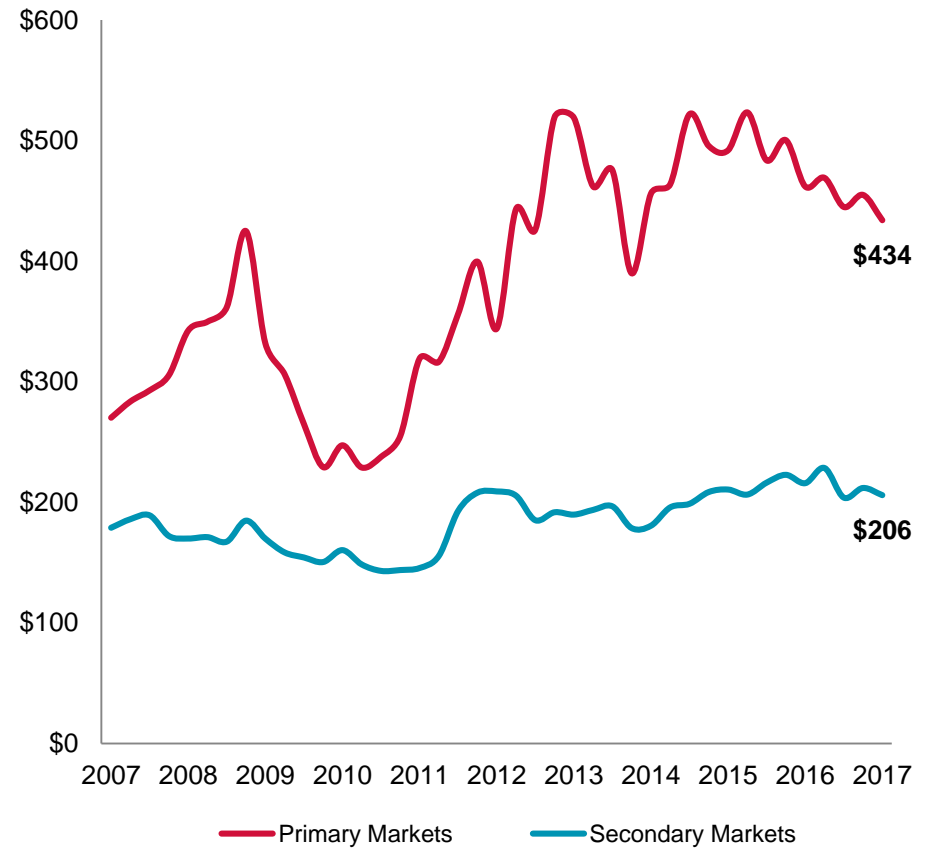
United States: Primary Markets vs. Secondary Markets

Yields rose 20 basis points quarter-over-quarter in both primary and secondary markets, as additional store closures impacted the sector.

Cap Rates



Price Per Square Foot

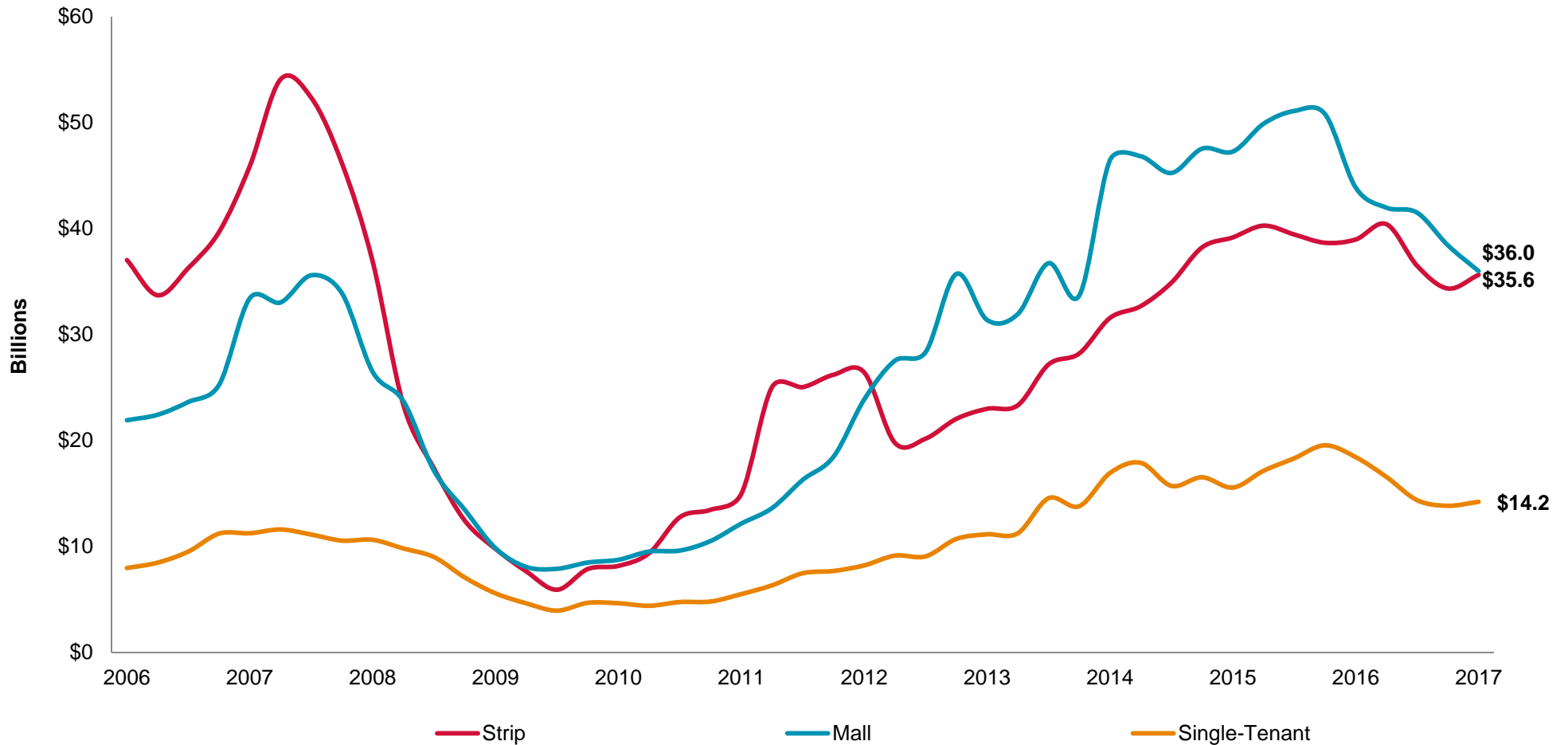


Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

RETAIL TRENDS

Volume by Type

All retail subtypes experienced declines in sales volume, with mall and single-tenant asset volume declining by 19.4%.



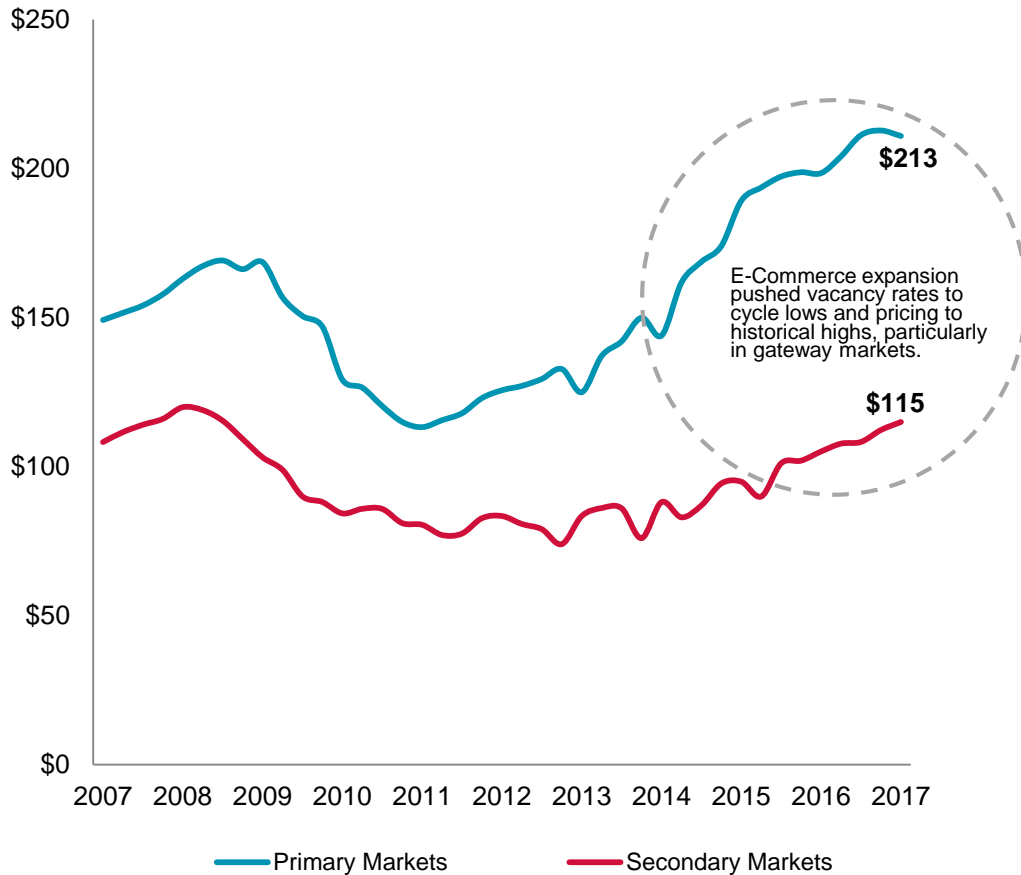
Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

INDUSTRIAL TRENDS

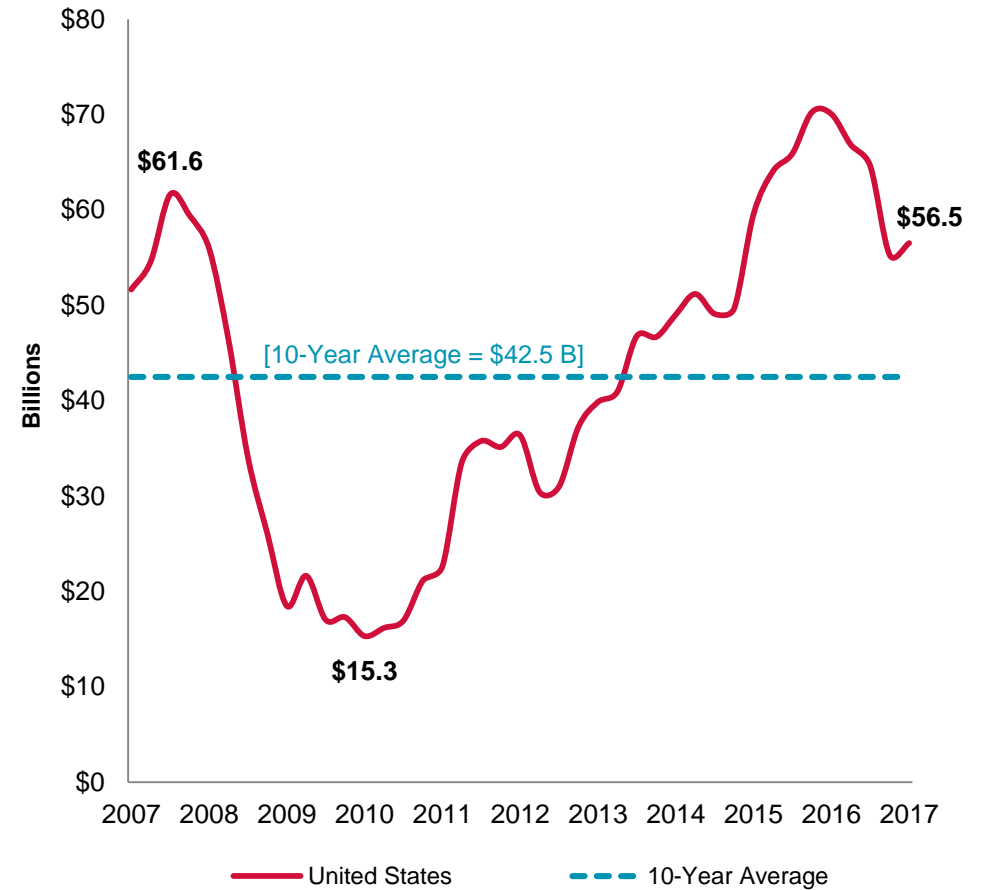
United States

Price per square foot of industrial assets in secondary markets rose 9.4% year-over-year, compared to 6.3% in primary markets.

Price Per Square Foot



Sales Volume

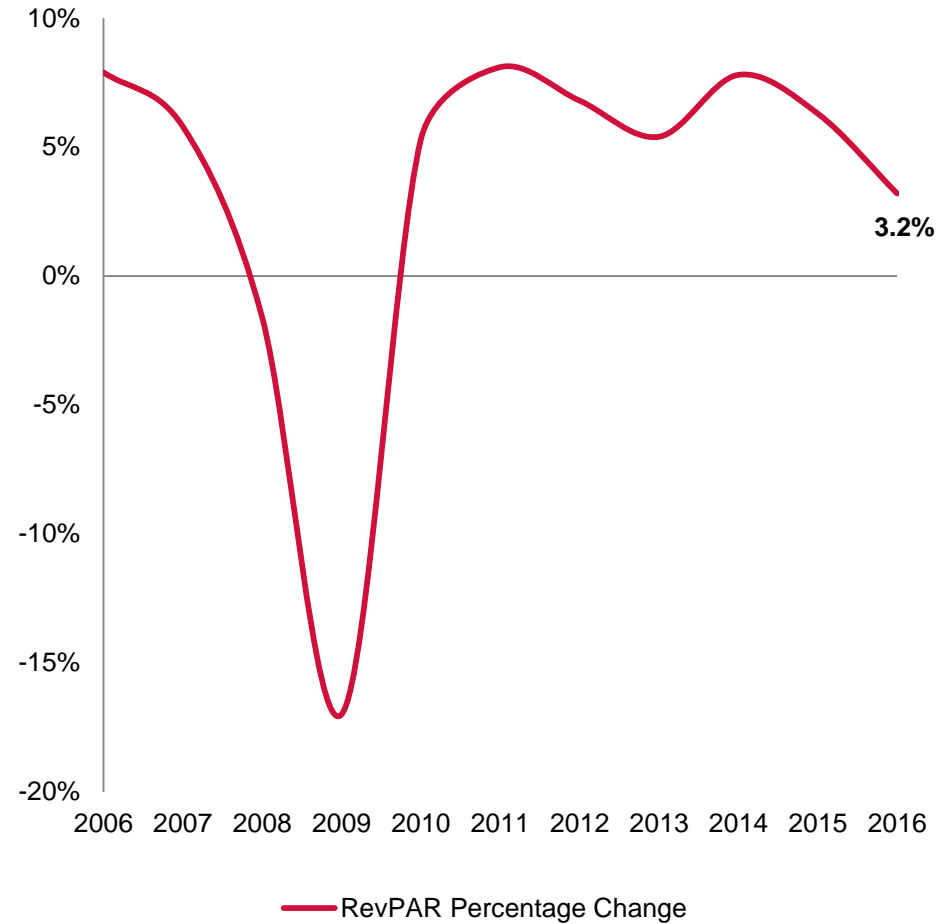
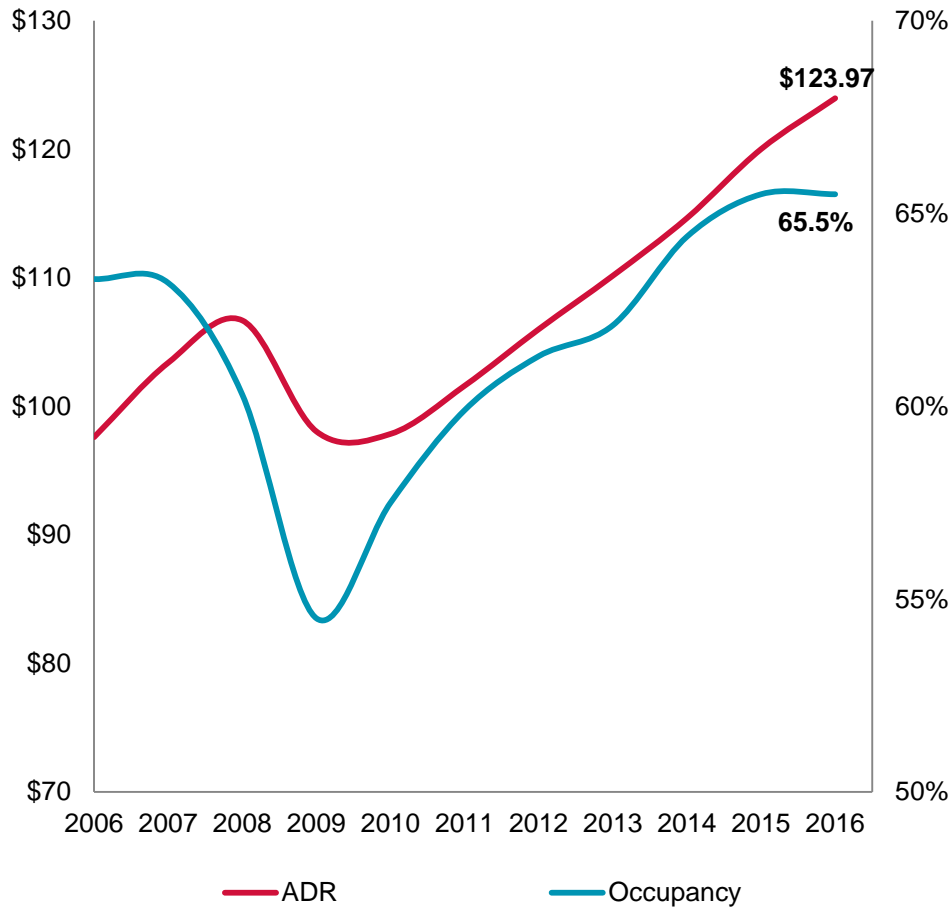


Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

HOSPITALITY TRENDS

United States

RevPAR growth continues for the national lodging market albeit at a slower pace than last year. 2016 RevPAR grew at 3.2% for 2016 as compared to 6.3% for 2015.



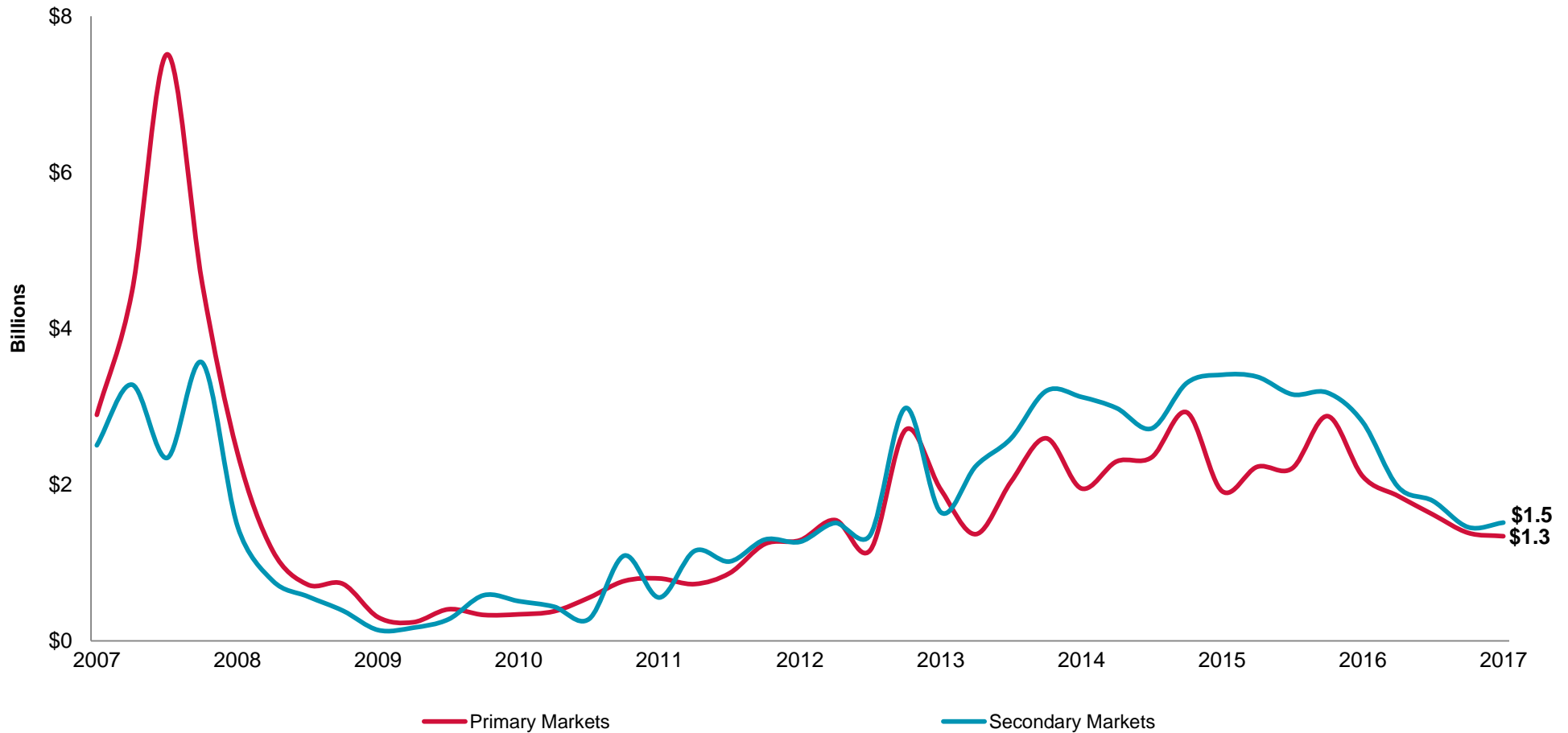
*Data is annualized, 2016 is trailing 12 months as of December.

Source: Newmark Grubb Knight Frank Research, Smith Travel Research

DEVELOPMENT SITE TRENDS

Sales Volume: Primary Markets vs. Secondary Markets

With construction activity at peak levels in this cycle, demand for additional development is limited in many primary and secondary markets.



Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

RESEARCH



New York City
HEADQUARTERS
125 Park Avenue
New York, NY 10017
212.372.2000

Jonathan Mazur
Managing Director, Research
212.372.2154
jmazur@ngkf.com

Michael Wolfson
Senior Research Analyst - Multihousing

Joshua Manning
Research Analyst - Office & Industrial

North America

Canada
United States

Europe

Austria
Belgium
Czech Republic
France
Germany
Ireland
Italy
Netherlands
Poland
Portugal
Romania
Russia
Spain
Switzerland
United Kingdom

Latin America

Argentina
Brazil
Chile
Colombia
Costa Rica
Dominican Republic
Mexico
Peru
Puerto Rico

Asia-Pacific

Australia
Cambodia
China
Hong Kong
India
Indonesia
Japan
Malaysia
New Zealand
Singapore
South Korea
Taiwan
Thailand

Africa

Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Middle East

Saudi Arabia
United Arab Emirates

Newmark Grubb Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents.

Newmark Grubb Knight Frank Research Reports are also available at www.ngkf.com/research

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark Grubb Knight Frank (NGKF) has not verified any such information, and the same constitutes the statements and representations only of the source thereof, and not of NGKF. Any recipient of this publication should independently verify such information and all other information that may be material to any decision that recipient may make in response to this publication, and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial, and tax aspects and implications.

Any recipient of this publication may not, without the prior written approval of NGKF, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains.

