



**CUSHMAN &
WAKEFIELD**

CUSHMAN & WAKEFIELD RESEARCH
U.S. Macro Forecast
September 2018

Entering the Boom Phase



At the midpoint of 2018, U.S. GDP growth hit **4.2%** in Q2—one of the strongest growth rates in the current cycle. However, global growth is showing signs of desynchronizing.

A strong wave of office development is hitting in 2018—**70 msf**—creating downward pressure on effective rents in certain markets.



Industrial continues to boom. Net absorption forecast to surpass **250 msf** in 2018 and remain well above 200 msf in 2019/2020.

Secular shifts continue, but certain pockets of retail continue to thrive. Overall vacancy set to rise from **6.6%** in 2018 to **6.8%** in 2020.



Record levels of dry powder are aimed at North American commercial properties. As of August 2018, there was **\$186 billion** targeting North American assets by closed-end funds.

Executive Summary

Entering the Boom Phase

By nearly every relevant metric, the economic backdrop pertaining to the property markets is in excellent shape. Real GDP growth has averaged approximately 2% per annum throughout most of this 9-year expansion, but it cranked up to over 4% in the second quarter of 2018, and the momentum will continue through this year and well into next. Helping to bolster growth are massive tax cuts and government spending increases. The tax cuts, enacted when the economy was already solid, are doing wonders for consumers and businesses, both of whom are confident as ever and are spending with zest. The labor markets are also humming along, continuing to demonstrate strength beyond their years. With unemployment sub-4%, job growth should be downshifting at this stage, but it isn't. The U.S. economy is on track to create 2.3 million net new jobs in 2018, up there with some of the strongest years of job creation in this cycle.

The naysayers continue to point to the downside scenarios: wage pressures are mounting as labor shortages show up in more markets; inflation is clearly heating up, which may prompt the Fed to move more aggressively in raising rates; the yield curve has flattened to an uncomfortable level and is flirting with inversion; the trade situation with the U.S. and China and a number of other countries remains unresolved and tense; the stock market is on its best run in history, but that must come to an end at some point; the labor markets cannot sustain strong job growth rates forever.

However, many of these same arguments have been made year after year, and the U.S. economy has kept chugging along. Given its strong momentum, it would take a major shock to derail the U.S. expansion, which remains firmly on track to be the longest on record.



OFFICE

- Office absorption to hit 45 msf in 2018, led by gateway cities.
- Strong wave of development hitting in 2018—70 msf—effects already emerging in transaction rents.
- Rent growth decelerating as concessions in heavy construction markets rise.

	2018	2019
Vacancy Rate	13.5%	13.7%
Asking Rent Yr/Yr % Chg.	2.0%	1.7%



INDUSTRIAL

- Hottest wave of demand on record continues, with absorption set to surpass 250 msf for the fourth year in a row.
- Rent growth finds new momentum as secondary/tertiary markets and Class B/C inventory performance improves.
- High utilization rates and demand will continue to bolster development and rent pressure.

	2018	2019
Vacancy Rate	5.0%	5.0%
Asking Rent Yr/Yr % Chg.	6.5%	5.1%



RETAIL

- Demand drivers reaching saturation for some key concepts—opportunities for strategic players will arise.
- Flow of tenants from power centers to shake up the economics of retail leasing and give new 'discounter' flavor to Class B malls.
- Drop-off in pipeline will temper the upward movement in vacancy rates.

	2018	2019
Vacancy Rate	6.6%	6.6%
Asking Rent Yr/Yr % Chg.	2.8%	1.6%



CAPITAL MARKETS

- A globe that is flush with cash finds no shortage of fundraising for North American CRE, which hit a cyclical high in August 2018 at \$186 billion.
- Sales, pricing and returns to moderate as investment cycle matures.
- Rising cost of capital means investor playbook will become more nuanced.

	2018	2019
Total Investment Sales (\$ Bil.)	\$502.6	\$460.3
NCREIF Unlevered Returns (AR%)	7.2%	6.9%



Economy

Firing on All Cylinders

It is hard to imagine how the economic picture could be rosier than it is right now. Real GDP has registered growth rates not seen since 2014, and the economy is creating jobs at a pace it has rarely done. In what will be the seventh consecutive year of nonfarm payroll growth in excess of 2 million new jobs per year, 2018 is poised to generate another 2.3 million—or possibly more—nonfarm jobs, making this remarkable run one of the longest and strongest on record.

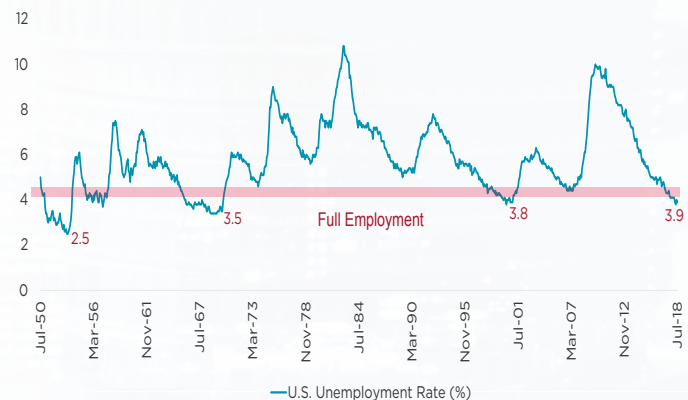
Tight labor market conditions and the dynamic undercurrents accompanying them will increasingly be the story *du jour*. The U.S. unemployment rate declined to a cyclical low of 3.9% in July 2018 and is well below estimates of full employment that range from 4.5% to 5.5%. If our forecast plays out, we could see an unemployment rate nearing 3% in 2019—a rate the country hasn't seen in 65 years. In certain markets such as the Bay Area, Denver and Nashville, unemployment is already firmly in the 2% range. Two important developments are likely to intensify with this. First, overall job growth will decelerate, not because the labor market is not healthy, but because the labor force is only so big. Worker shortages—already impacting select industries like construction and transportation—will become more common.

The second development over the coming years is increasing inflation. Perhaps not responding as it has in the past to comparably tight conditions, momentum in wage growth is expected to follow shortages as firms compete for workers. This has already begun. In the second quarter of 2018, the ECI Wages/Salary Index—the most reputable measure of actual wage pressure—rose 2.9% from a year ago. The current upward trajectory suggests growth in the index will at least remain around 3% by the end of 2019, but possibly hit 4%, which would be the strongest rate of wage growth in 15 years. The latest (July) CPI reading was 2.9%. Core inflation, which excludes the volatile food and energy components, is also trending upward and is currently above the Fed's target rate of 2%.

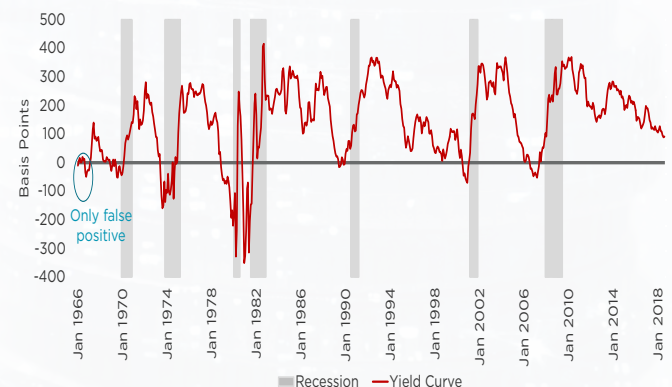
In addition, tariff implementation is taking effect, which will reduce the benefits of free trade and increase prices. It is notable that since the 20% tariffs were placed on washing machines, the price of laundry equipment has shot up by 15%. Washing machines, however, represent a small share of spending, muting the impact on consumers. Perhaps this is a harbinger of things to come with steel and aluminum and maybe a host of other goods; tariffs on those goods are likely to result in

- **The U.S. economy is entering a boom phase; real GDP is a solid 3% in 2018 and could go higher.**
- **With stronger growth comes higher inflation; the Fed will be forced to respond.**
- **A higher interest rate environment creates more nuances for the capital markets, but in general, the outlook signals that CRE values will continue to rise.**
- **Trade tensions, the yield curve, labor shortages—plenty of downside risks, but it would take a lot to derail the U.S. expansion, which is gaining more momentum by the day.**

UNEMPLOYMENT RARELY LOWER, UPWARD PRESSURE ON WAGES FORMING



YIELD CURVE: KEEP YOUR EYE ON IT



Source: U.S. Bureau of Labor Statistics, Federal Reserve
Cushman & Wakefield Research



Economy

higher prices and construction costs. It's safe to say that inflation is not only here to stay, it's revving up.

As Inflation Goes, So Do Interest Rates

These forming inflationary pressure points are not lost on the Federal Open Market Committee (FOMC). Two more rate hikes are likely this year before another four in 2019. And although the yield curve—the spread between the 10-year Treasury note and the 3-month Treasury bill—has compressed and will continue to, we anticipate it will float in a range considered historically tight without inverting. Remember the curve was below 100 bps in the 1990s without inverting; for 18 of those months, the spread was below 50 bps. That spread widened before inverting prior to the 2001 recession. The recent compression is likely due more to the market's view of monetary policy come September. Still, the curve is dangerously close to inverting, and with inflationary pressures mounting, inversion could very well occur in 2019. An inverted yield curve does not guarantee a recession; however, there has only been one false positive which occurred in December 1965. It is the single most reliable indicator of a coming recession, so it does bear close watching.

Investor Landscape Becomes More Nuanced

The temptation is to say that if interest rates rise, then cap rates will rise—implying that values must fall. Although the higher cost of capital will put pressure on certain assets, the very fact that interest rates are rising signals that CRE values should go up, not down. Interest rates are rising because the economy is getting stronger. That means that all of the factors that drive net operating income (NOI)—those that lower vacancy, put pressure on rents, induce greater appetite for risk and debt—will support CRE values even in a rising interest rate environment. It is also worth noting

that nationally, CRE values have never fall outside of a recession. So if GDP is growing, so too are CRE values.

Steam Left from Confident Consumers

Further, it does appear there is some steam left from the permeating confidence that has hit consumers and businesses. Consumer confidence is at a cyclical high—the index has been at least in the high 120s for 11 straight months now and hit 133 in August 2018—and consumers are particularly optimistic about current conditions. (That is not unusual, as confidence about future expectations tends to sit under the index during expansions.) The National Federation of Independent Businesses (NFIB) also reports small companies are confident, and the National Association of Manufacturers reports the same for manufacturers. Their biggest problem is not necessarily labor costs—only 7% of small businesses report labor costs are their biggest business issue—whereas 23% report labor *quality* as their single biggest problem.

As a result, many businesses opt to invest in capital and productivity-enhancing capabilities. The NFIB has reported for 20 consecutive months that about 30% of small businesses plan to increase capital expenditures over the near-term. Industrial production has surged to a 4.2% year-over-year growth rate as of July 2018, and the ISM reports more is on the way as the Overall and New Orders Indices climb slowly on a year-over-year basis. The recent, broader measures in the GDP accounts reveal inflation-adjusted fixed investment is rising at an annualized rate in the 5%-to-6% range and investment in nonresidential structures is growing at a comparably strong rate. Our view is that this driver of economic growth will also remain strong through 2019. Some of the oomph derived from a rebound in global growth will lessen as the global economic picture evolves too.

Risks are More Political

Trade policy is clearly a stand-out risk to our outlook. Currently the breadth of the imposed tariffs is contained, but multiple negotiations (e.g., NAFTA, China) of importance to the U.S. economy are underway. They have not only downside risks to them—if terms change by enough—but the air of uncertainty which is growing over time is also a factor. Should the U.S. implement tariffs on another \$200 billion in Chinese goods, and should China respond with its threat of another \$60 billion in tariffs, then 85% of all U.S. exports to China will face tariffs as will about 50% of Chinese imports to the U.S. This would be a negative development for the forecast.

Another political snafu could alter the outlook, but it's less clear whether it would tilt it up or down: in November 2018, the U.S. holds mid-term elections and there may be some market volatility depending on the outcome. All members of the House are up for re-election as are 35 senators. Of them, 23 are Democrats, eight are Republicans, two are Independents and there will be special elections for two Senate seats (to replace vacant ones). There are also other elections, including multiple gubernatorial ones. The consensus view suggests the House will flip (to Democratic control) and the Senate to remain in Republican hands—it is usual for the Congress to lose its existing majority in a mid-term election following a change of party in presidential administrations. With the possible use of shutdowns, a more divided Congress may then upend the likelihood that trillion dollar deficits be sustained.


Office
Pendulum Is Shifting to Occupiers

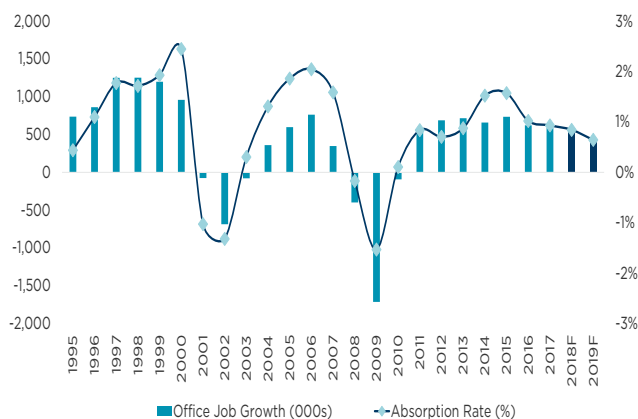
The commercial office property markets have benefited from the prolonged run in office-using job growth during this economic expansion. Employment in office-using industries has increased by more than 5.3 million jobs, including five straight years from 2011 to 2015 of more than 600,000 jobs added, peaking at more than 775,000 in 2014. In 2016 and 2017, these industries have created more than 550,000 new jobs each year and are on track to do so again in 2018. In 2019, we expect another 400,000-500,000 new office-using jobs to be created, with the bulk of them (80%) in financial services, professional and technical services, and in administrative industries. However, in addition to the impact of slowing job growth, densification trends are dampening the effect of new jobs on absorption rates.

Demand for office space is forecast to hold up reasonably well as job growth continues through 2019; however, it will not be able to keep pace with supply. Class A space will hold the limelight because the construction pipeline is mounting and the largest wave of deliveries for this cycle is coming to the market (with just under 70.0 msf of new space slated for completion this year). The impacts will differ, as the CBD pipeline is anticipated to be nominally lower than that of suburbs, and it will taper off more quickly. In 2018, CBDs will account for about half of new supply, but by 2020 only one-third. A similar shift in demand will result in a roughly comparable upward movement in vacancy rates in CBDs and suburbs. Because preleasing activity has remained healthy—the deliveries slated for this year average

between 55% and 65%—the national vacancy rate will not rise sharply, but will gradually soften from 13.5% in 2018 to 13.7% by 2019.

What are the implications for asking rents? In the first half of 2018, year-over-year growth in national asking rents decelerated from 4.3% the second quarter of 2017 to 2.1% in the second quarter of 2018. National asking rents are forecast to rise by 2.0% in 2018 and by 1.7% in 2019. In addition to slower rent growth, about four-fifths of markets expect free rent and tenant improvement allowances to increase over the next three years, particularly those with large pipelines.

Thus far in 2018, the demand side of the equation is doing just fine. But performance varies greatly from one market to another. In fact, in about half of the U.S. cities tracked by Cushman & Wakefield, absorption rates are showing signs of reacceleration—New York City (4.3 msf), San Francisco (3.6 msf), Phoenix (1.7 msf), Seattle (1.6 msf) and Boston (1.3 msf) came in the strongest through mid-year—but elsewhere demand has been lower. Net demand has been flat or negative in 30 markets, while the six gateway cities have accounted for more than 55% of all demand in the first half of the year. Between 2018 and 2020, gateways are expected to account for just over 30% of all demand, helping to hold up headline numbers. Class A space continues to punch above its weight, garnering a large share of demand—a trend we also expect to continue.

JOBS VS. ABSORPTION


Source: U.S. Bureau of Labor Statistics, Cushman & Wakefield Research

FORECAST SNAPSHOT

	2018	2019
Net Absorption msf	45.3	35.0
Deliveries msf	69.9	55.7
Vacancy Rate	13.5%	13.7%
Asking Rent \$ psf	\$31.03	\$31.56



Industrial

Despite Blustery Trade Winds, Industrial Remains on Course

Domestic and global factors driving industrial absorption are likely to remain intact. The outlook for consumer spending and retail sales is positive, and that for eCommerce even more so: online sales are forecast to grow by double-digits throughout the next three years. And despite concerns over trade rhetoric and tariffs, the uptick in global economic growth has led to sustained increases in trading volumes, with the value of imports 9% higher in the second quarter of 2018 from a year ago and exports up 11% over that same period. A portion of the surge was due to firms rushing to build inventories before the tariffs took effect, but solid global growth and a strengthening U.S. economy were also catalysts.

Inflation remains the greatest near-term risk. Eventually, higher input and production costs—as measured by the producer price index (PPI)—could result in higher consumer prices which may stifle consumption and demand for industrial real estate. Recently, the PPI has been picking up steam, and not just from tariff-related price effects. Transportation and storage costs are rising rapidly. July 2018 figures reveal that the PPI for moving and storing goods has more than tripled in the past year to 7.2%. The headline index that reflects the prices that firms pay when selling to consumers, businesses or the government rose 3.2% year-over-year, less than doubling.

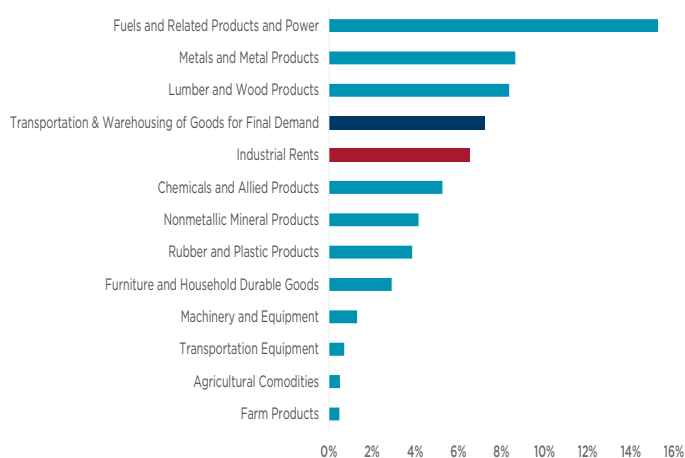
Despite the inflationary headwinds, this cycle has registered five years of net absorption in excess of 200 msf. This is expected to continue, with net absorption forecast to surpass 250 msf in 2018 and remain well above 200 msf in 2019/2020. Demand

for the five-year period from 2015 to 2020 is expected to reach 1.5 billion square feet (bsf)—well above the 1.3 bsf that will have delivered. Despite a pipeline of 769.5 msf forecast to deliver through 2020, the national vacancy rate is expected to bottom out in 2018, edging up only modestly to track at 5.1% over the next two years.

Much of the new supply brought online during the current expansion has been concentrated in the peripheral submarkets of primary industrial markets, with development occurring more slowly in secondary/tertiary markets. From 2015 to 2017, primary markets have seen development that is more than 1.5 times greater than that of secondary/tertiary markets. The disconnect between supply and demand is becoming particularly apparent in smaller markets where an uptick in leasing activity has spurred increased competition for limited space. This has resulted in tighter market conditions and stronger rent growth within secondary/tertiary than in primary markets where supply and demand have become more balanced.

Demand for industrial space has become increasingly broad-based in terms of geography and class of space. In many markets, the combination of limited new product and high utilization rates of existing footprints has resulted in historically strong performance for Class A product, where asking rents are at nominal highs, and improved fundamentals for Class B and C product. Looking forward, our forecast for overall industrial asking rents calls for a strong year in 2018, with a 6.5% growth rate and continued growth in 2019/20.

PPI INDICES: INFLATION ON THE WAY



Source: U.S. Census Bureau, Cushman & Wakefield Research

FORECAST SNAPSHOT

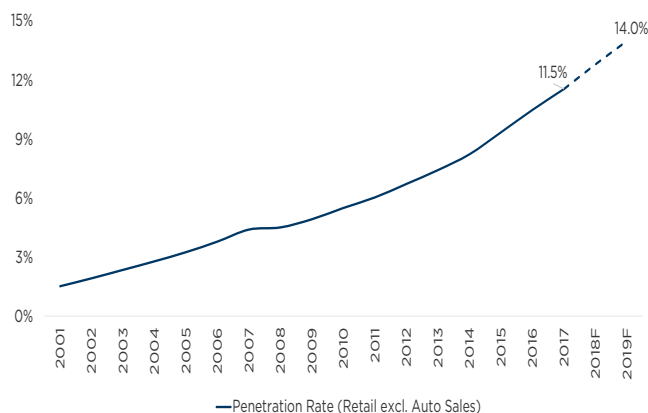
	2018	2019
Net Absorption msf	254.4	235.9
Deliveries msf	272.6	263.4
Vacancy Rate	5.0%	5.0%
Asking Rent \$ psf	\$6.12	\$6.43


Retail
**Clouds Mire the Outlook, but
Bright Spots Still Out There**

The divergence between consumer health and that of bricks-and-mortar retail continues to become more nuanced as eCommerce grabs an increasing share of the American wallet. U.S. consumers have not really had a better year than 2018: the stock market's longest bull-run is underway, debt obligations are low, balance sheets are healthy, labor markets are extremely tight and wage growth is rising and spreading across income levels. And confidence is extremely high.

Consumers have responded to this backdrop. The past year and a half has registered steady and solid spending. In fact, inflation-adjusted consumer expenditures reveal a steady 2.5-3% year-over-year growth pattern since the beginning of 2016. This is a good sign, as it shows that the largest segment of the U.S. economy has been remarkably stable and consistent through all of the news and developments over the last two and a half years.

Healthy consumers are beneficial for retail real estate, despite structural shifts continuing to deepen the divide among different types of retail space. Some dark clouds remain ahead as the wave of retailer bankruptcies continues—there have been 13 major ones so far this year with more on the horizon. An important developing theme is a result of department stores leaving large footprints behind in malls. While Class A properties are positioned to backfill such space (albeit usually with varying levels of investment in reconfiguring space), it is a greater challenge for Class B landlords who are increasingly attempting to fill these vacancies with tenants that historically have focused on power centers. The situation is

**ECOMMERCE PENETRATION
TO CONTINUE**


Source: U.S. Bureau of Economic Analysis, Cushman & Wakefield Research

increasingly dire for Class C properties, for many of which death spirals appear to be ramping up. The increasing migration of power center tenants to Class B mall space will likely soften the blow to this segment of the marketplace; however, it will increasingly give a 'discounter' flavor to Class B malls.

Saturation of certain retail concepts will increasingly put pressure on demand over the coming years. Restaurants—including fast casual—are starting to slow expansion plans after eight years of robust growth across the sector. Most other concepts, like dollar stores, fitness brands and auto retailers, are still driving demand but are no longer the powerhouses they were just a few years ago. Services that are eCommerce-resistant are also buttressing demand. One of the only retail segments significantly ramping up is off-price apparel—and it will be a race for these companies to get to the market.

As demand slows, the upward path of vacancy will begin, but a pullback in development will moderate it. The forecast for shopping centers—which excludes urban, stand-alone and mall retail properties—calls for net absorption to taper off over the coming years, with vacancy rising from 6.6% in 2018, a low point, to 6.8% in 2020. That increase might have been higher were it not for the more-than-halving of the development pipeline, which is slated to come in at 34.4 msf through 2018 and 2020. It also reflects the musical chairs tenants will play as some opt to move into more economical space in Class B malls leaving power centers with space to fill. The national asking rent will respond to the fundamentals, with growth forecast to be stable the rest of this year.

FORECAST SNAPSHOT

	2018	2019
Net Absorption msf	18.1	5.3
Deliveries msf	17.9	10.3
Vacancy Rate	6.6%	6.6%
Asking Rent \$ psf	\$16.91	\$17.19



Capital Markets

Rising Cost of Capital on the Horizon

The U.S. remains an attractive destination for many reasons even though a more mature phase of the investment cycle is underway. The U.S. has the deepest and most liquid capital markets and, due to a breadth of opportunities, attracts both capital looking for stability and capital seeking higher returns in the pockets of value that remain. The FOMC has continued to hike rates and, in the beginning of 2018, markets repriced growth and inflation expectations in the form of a rising 10-year Treasury yield. Market participants have been increasingly focused on the path of rates and the potential pressure they could place on valuations across markets.

At this time, however, the 10-year Treasury yield seems to fluctuate within a 20-bps range, 2.9%-3.1%, depending on the global news and this has reduced immediate valuation concerns. So has the fact that real GDP growth has been accelerating—momentum that is expected to sustain through 2019—which buttresses all of the factors supporting valuations. However, a number of forces are building that could upset the current equilibrium, including mounting inflationary pressure, the cessation of QE in Europe, the Fed balance sheet unwinding and increased deficit spending (Treasury supply). Our forecast calls for the 10-year yield to end the year at 3.0%, and to continue its upward march towards 3.5% between 2018 and 2020—still exceptionally low rates by any historical standard.

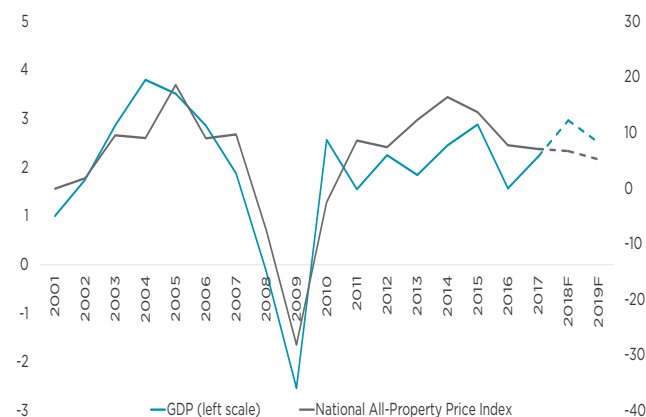
There is still a tremendous amount of capital in the system which will keep demand for real estate assets robust. Dry powder at closed-end funds targeting North American CRE hit \$186 billion in

August 2018 according to Preqin. This is not only the highest amount of the cycle so far, but as a share of global fundraising, the 62% targeting North America is also the highest share since 2004.

Make no mistake though—interest rates and the cost of capital will rise, making the outlook for CRE capital markets more nuanced than at any other point in the cycle so far. The forecast for pricing, measured by the RCA All Property Price Index, is a moderate deceleration in growth over the coming years. Partially a result of the composition of properties that are actually trading, this in no way reflects a lack of investor demand. Indeed, sales volume should remain on par with 2017 levels; the expected \$502.6 billion called for in 2018 is slightly higher than last year's at \$490.0 billion, but is buttressed by M&A and buyout volumes that transacted in the first half of the year. From 2018 through 2020, sales activity is likely to decline from the historic highs of recent years to a more sustainable path of transaction activity.

As has been the case for the last year or more, investors are increasingly expanding into secondary and tertiary markets and niche product categories. Additionally, activity in retail, suburban markets and industrial has reflected a more potent appetite from opportunistic and value-add players. However, deploying capital will remain a key challenge over coming years. Returns in the U.S. are expected to temper. The forecast for total returns across all property types is 7.2% for 2018—with the latter half of the year performing as it did in the first half. From there, returns will moderate towards the 6% mark as the end of the decade nears.

GROWTH IN REAL GDP VS. CRE VALUES (%)



Source: Real Capital Analytics, Cushman & Wakefield Research

FORECAST SNAPSHOT

	2018	2019
Investment Sales	\$502.6	\$460.3
NCREIF Returns	7.2%	6.9%
All Property CPPI Price Index	6.0%	4.0%

Forecast Statistics

U.S. MACRO FORECAST TABLE

	2015	2016	2017	2018	2019
U.S. Economy					
Real GDP, AR%	2.9	1.5	2.3	3.0	2.5
Nonfarm Employment Change, Ths.	2,882	2,530	2,275	2,350	1,796
Office-using Employment Change, Ths.	736	624	587	589	445
Unemployment Rate, %*	5.3	4.9	4.4	3.9	3.3
CPI-U Inflation, Yr/Yr%*	0.1	1.3	2.1	2.6	2.4
Core PCE Inflation, Yr/Yr%*	1.3	1.8	1.5	1.9	2.0
ECI Total Wages & Salaries Index, Yr/Yr%*	2.2	2.3	2.5	2.8	2.9
Fed Funds Rate, % (Year-end, Q4)	0.2	0.4	1.2	2.2	3.2
10-year Treasury Rate, % (Year-end, Q4)	2.2	1.6	2.2	3.0	3.3
Retail Sales & Food Services, Yr/Yr%*	2.6	2.9	4.7	5.3	4.0
Consumer Confidence Index, 1985=100	98.0	99.8	120.5	124.2	115.4
eCommerce Sales, Yr/Yr %*	14.0	14.9	15.9	17.1	13.0
Manufacturing Industrial Production, Yr/Yr %*	-0.4	-0.7	1.5	2.2	1.9
Office Sector¹					
Deliveries, msf	51.8	52.4	54.7	69.9	55.7
Net Absorption, msf	82.0	53.2	49.3	45.3	35.0
Vacancy Rate	13.8%	13.2%	13.2%	13.5%	13.7%
Asking Rents	\$27.68	\$29.16	\$30.41	\$31.03	\$31.56
Growth in Asking Rents, Yr/Yr %	3.3%	5.3%	4.3%	2.0%	1.7%
Industrial Sector¹					
Deliveries, msf	149.1	178.5	230.8	272.6	263.4
Net Absorption, msf	272.3	270.3	281.7	254.4	235.9
Vacancy Rate	6.5%	5.8%	5.2%	5.0%	5.0%
Asking Rents	\$5.31	\$5.54	\$5.75	\$6.12	\$6.43
Growth in Asking Rents, Yr/Yr %	6.0%	4.2%	3.9%	6.5%	5.1%
Retail Sector^{1/2}					
Deliveries, msf	27.5	25.0	21.8	17.9	10.3
Net Absorption, msf	41.7	38.3	34.1	18.1	5.3
Vacancy Rate	7.9%	7.5%	6.9%	6.6%	6.6%
Asking Rents	\$15.69	\$15.98	\$16.45	\$16.91	\$17.19
Growth in Asking Rents, Yr/Yr %	1.1%	1.9%	2.9%	2.8%	1.6%
Capital Markets³					
Total Investment Sales, \$ Bil.	\$569.3	\$511.4	\$490.0	\$502.6	\$460.3
NCREIF Unlevered Returns, AR%	13.3%	8.0%	7.0%	7.2%	6.9%
Moody's/RCA CPPI (All Property Types), % (Year-end, Q4)	11.0%	7.7%	6.7%	6.0%	4.0%

1. Annual asking rents and vacancy rates are averages, not year-end

2. Historical series based on CoStar; Shopping Centers Only (excludes stand-alone and urban retail)

3. Total investment sales includes office, industrial, retail, multifamily, hotel, and land sales

* Annual Average

Sources: Moody's Analytics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Reserve,

U.S. Census Bureau, U.S. Board of Governors of the Federal Reserve System, The Conference Board, Costar (retail only),

Real Capital Analytics NCREIF, Cushman & Wakefield Research



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