Market Summary – March, 2015

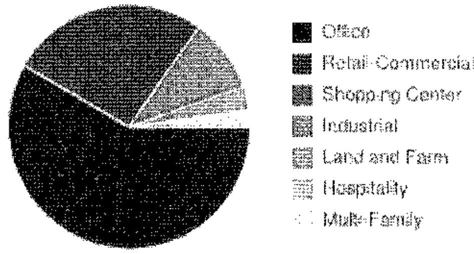
Portsmouth, NH

182,799 SF
Commercial Space For Sale

474,367 SF
Commercial Space For Lease

6 Acres
Land & Farm For Sale

$34.4 million
Total Sale Price



Current Statistics for Portsmouth, NH

Property Type	Listings	Asking Lease Rate	Asking Sale Price	Below List	Days on Market	Total Available
Industrial	13	$9.68 PSF	$91.93 PSF	16.1%	763	180,433 SF
Office	77	$18.34 PSF	$150.27 PSF	-	-	355,330 SF
Retail-Commercial	35	$21.13 PSF	$263.31 PSF	-	-	103,453 SF
Vacant Land	4	$10 PSF	$10.51 PSF	-	-	349,785 SF
Multi-Family	3	-	$255.99 PSF	-	-	17,950 SF

- **Frequency**: Statistics are compiled at the beginning of each month.
- **Reliability**: The quality of the data will vary based on many factors, including whether or not your CIE verifies the data on an ongoing basis. Statistics based on larger numbers of listings (as indicated by the "Listings" column) are generally more trustworthy.
- **Accuracy**: We make all attempts to normalize these stats, but make no guarantees about their accuracy. Outliers (extremely high or low values) are excluded from calculations.
- **Counts**: Listing and Transaction counts reflect the number of records with price and size information within valid ranges. The actual counts of all records in the CIE are larger.
- **Weighted Averages**: Price averages are weighed using the square footage available.
- **Direct**: Lease statistics are direct (exclude subleases).
- **Lease Types**: Because of discrepancies in how lease types (NNN, Gross, etc) are reported, we ignore differences in type – all types are folded together into the lease rate stats.
- **Below List**: Reflects the average percent difference between the original listed price and the final transaction price.
- **Net Absorption**: We calculate absorption using a 90 day period.
- **Locations**: We only allow filters for locations with at least 100 active listings.
- **Asking vs. Reported**: "Asking" prices are based on active listings for the chosen locale, while "Reported" prices are calculated using completed transactions as reported by CIE members.

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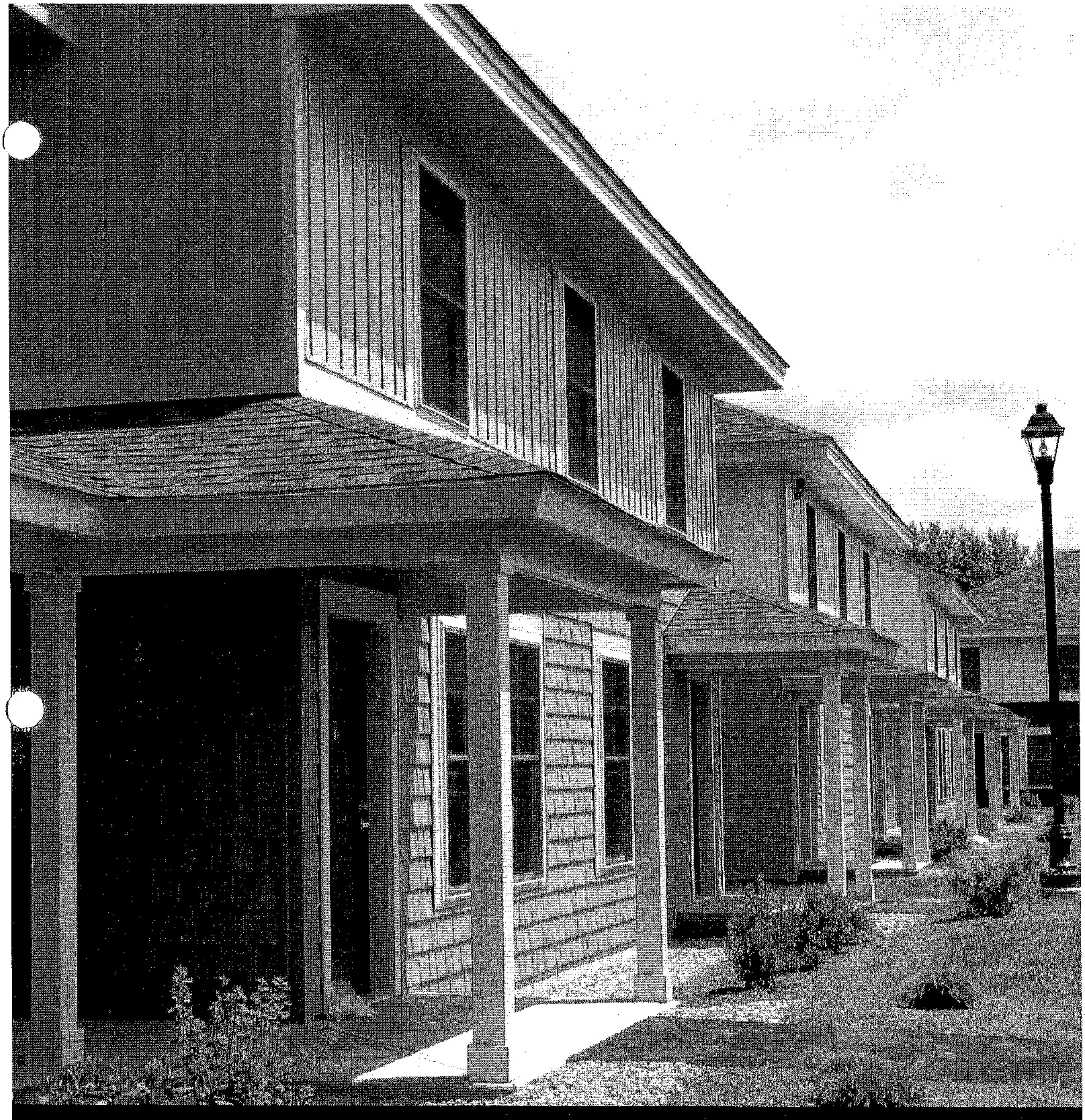
Statistics courtesy of:
New England Commercial Property Exchange

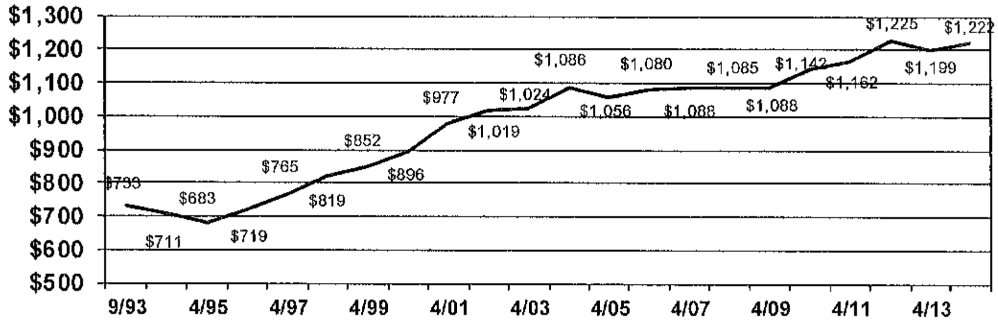


New Hampshire Housing
Bringing You Home

2014 Residential Rental Cost Survey

CITY OF NASHUA

Median Monthly Gross Rent* for Two-Bedroom Units



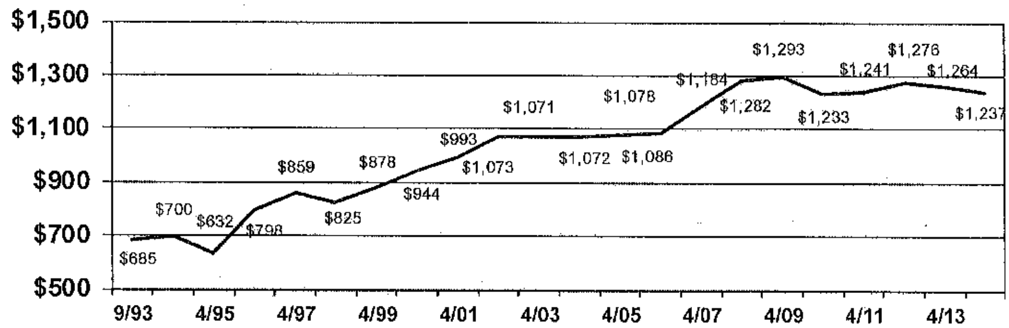
* Includes Utilities

2014 Gross Rent (Includes Utilities)

Unit Size (Bedrooms)	Sample Size	Rent Range			Median
0	92	$542	-	$975	$672
1	705	$567	-	$1,513	$1,027
2	1,016	$712	-	$2,528	$1,222
3	235	$800	-	$2,167	$1,461
4+	25	$1,087	-	$2,363	$1,505
All	2,073	$542	-	$2,528	$1,132

CITY OF PORTSMOUTH

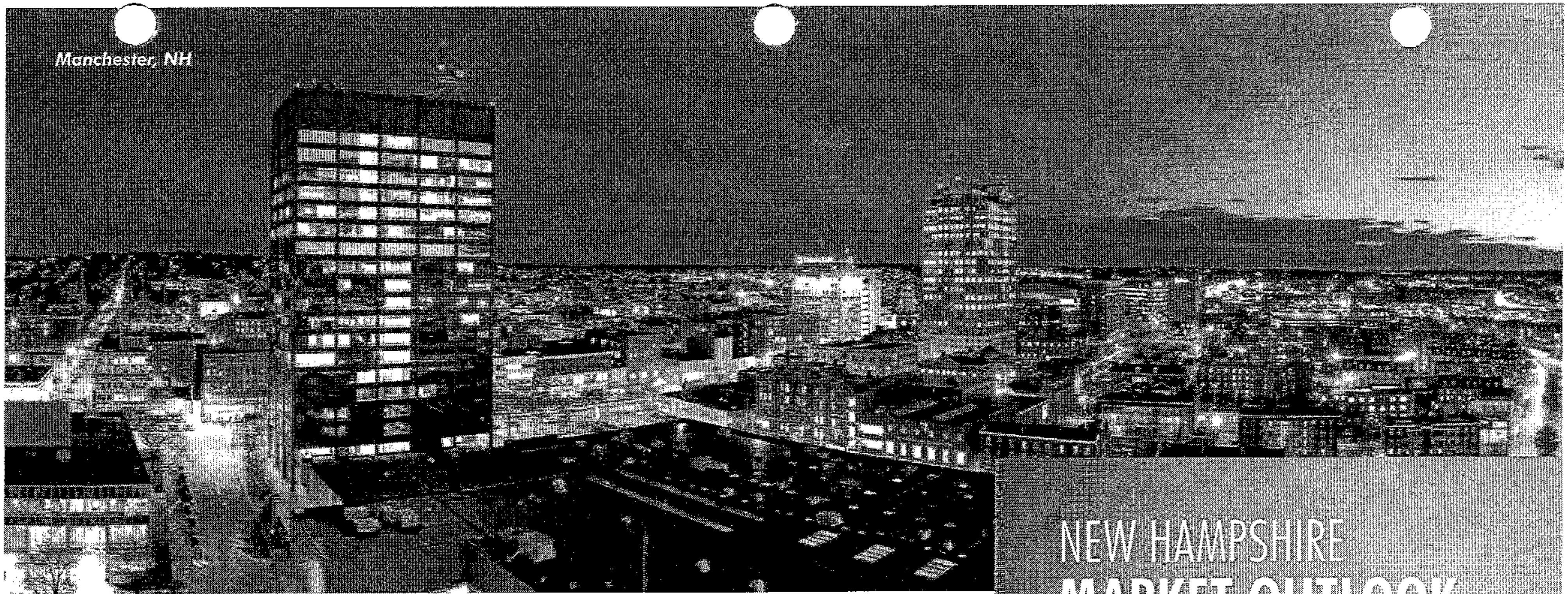
Median Monthly Gross Rent* for Two-Bedroom Units



* Includes Utilities

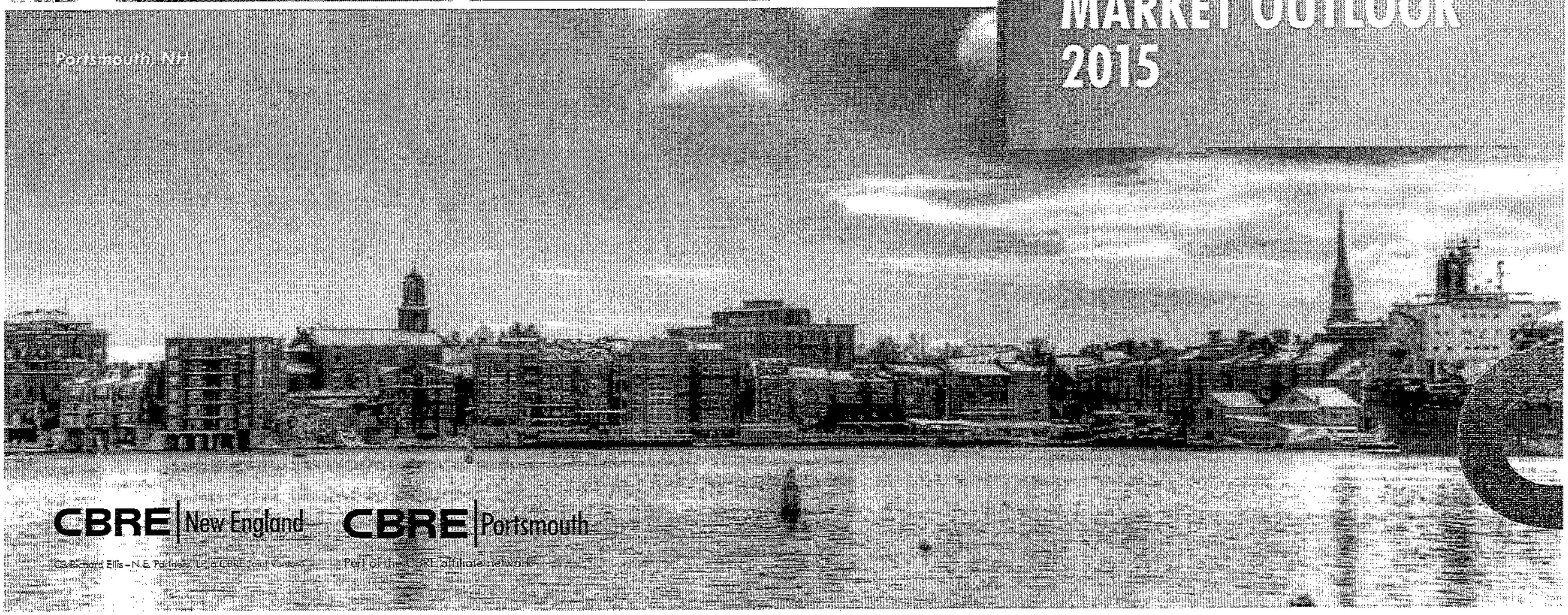
2014 Gross Rent (Includes Utilities)

Unit Size (Bedrooms)	Sample Size	Rent Range			Median
0	18	$729	-	$1,344	****
1	99	$500	-	$2,128	$1,092
2	291	$1,000	-	$2,460	$1,237
3	76	$929	-	$2,266	$1,526
4+	10	$1,828	-	$2,627	****
All	494	$500	-	$2,627	$1,237



Manchester, NH

NEW HAMPSHIRE
MARKET OUTLOOK
2015



Portsmouth, NH

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A MESSAGE FROM CBRE/NEW ENGLAND

Welcome to CBRE/New England's 2015 New Hampshire Market Outlook. In this publication we have compiled pertinent information including available square footage, vacancy rates and average asking lease rates for cities and towns throughout Southern New Hampshire. We have divided the state into two primary sectors, the I-93/Route 3 Corridor and the Seacoast to provide a clear understanding of these two distinct market areas.

Our Manchester office services the I-93/Route 3 Corridor and our Portsmouth office services the Seacoast. With this dual approach, and our ability to leverage CBRE's fully integrated global service platform, we are ready to assist with all of your commercial real estate needs.

We hope that you find this information useful and we look forward to assisting with your key real estate decisions in 2015.

Kent White
Principal Broker/Partner
CBRE|Portsmouth

Roger Dieker
First Vice President
CBRE|Manchester

MEET THE TEAM

Michael Tamposi
Vice President
CBRE|Manchester

Chris Healey
Associate
CBRE|Manchester

Karen Gazzara
Client Services Coordinator
CBRE|Manchester

Christian Stallkamp
Associate
CBRE|Portsmouth

Martha Baroody
Broker
CBRE|Portsmouth

Lisa Kurdt
Office Manager
CBRE|Portsmouth

I-93/ROUTE 3 CORRIDOR OFFICE MARKET

by Roger Dieker, roger.dieker@cbre-ne.com

The I-93/Route 3 Office market took a small step backwards in 2014 as the overall vacancy rate increased to 12.5%, up slightly from 11.6% in 2013. 2014 marks the first year of negative absorption since the 2008/2009 recession. Despite smaller office growth, users were unable to overcome the continued downsizing of larger firms throughout the year. Anthem Health Plans of New Hampshire and Citizens Bank are two examples of large Manchester office users that downsized in 2014. Anthem Health Plans shrank by 176,000 sq. ft. and Citizens Bank reduced its office footprint by 90,000 sq. ft. in a move from 875 Elm Street to 900 Elm Street. This 266,000 sq. ft. new vacancy, that was brought back into the market in 2014, created too much headwind for the market to absorb as the overall vacancy increased by 188,000 sq. ft. over the past year.

I-93/ROUTE 3 CORRIDOR OFFICE MARKET CONDITIONS

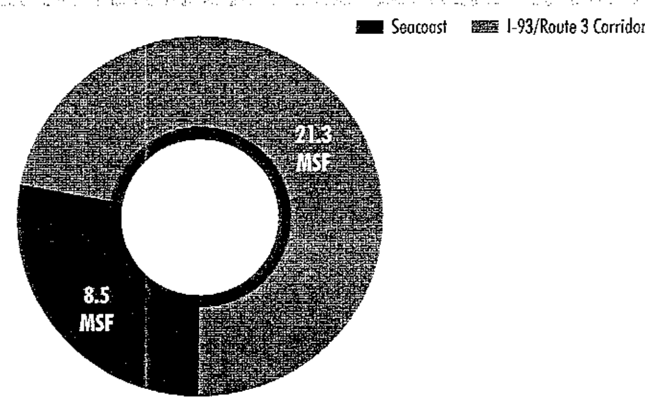
- Merrimack's 150,000 sq. ft. Heron Cove Office Park sold to Bradstreet Chandler and Novaya Real Estate Ventures for $8.5 million. The new ownership team quickly leased the 15,000 sq. ft. of vacant space to Navico, a marine electronics company, in one of the three buildings within the park. Navico moved into the space after occupying 9,600 sq. ft. at Birch Bond Office Park in Nashua.
- Brady Sullivan remained bullish in the New Hampshire Office market. The developer purchased 3000 Goffs Falls in Manchester, the 100% vacant, 210,000 sq. ft. former Anthem Health Plans building, in addition to City Hall Plaza at 900 Elm Street in Manchester, an 85% occupied, and 219,000-sq.-ft. property.
- The $800 million widening of Interstate 93 at the Massachusetts border continues to drive demand for office space in Salem with Brooks Properties commencing construction on the new 48,000-sq.-ft. office building at 23 Keewaydin Drive. This new, four-story, Class A office building is on track to be delivered in late 2015.
- GT Advanced Technologies, a diversified technology company specializing in crystal growth equipment and solutions, filed for bankruptcy in October. This ultimately allowed the company to vacate 24,000 sq. ft. at 20 Trafalgar, a building consisting of 100,000 sq. ft. of Class A office space in Nashua.

I-93/ROUTE 3 CORRIDOR OFFICE MARKET FORECAST

The Southern New Hampshire Office market will remain steady in 2015 as office employment continues to stabilize. The remaining vacant spaces left by consolidating tenants will slowly be absorbed in the strengthening economy. Lease rates are projected to stabilize across the market with pockets of increasing rates in Salem and Manchester CBD. Lease terms are anticipated to lengthen as companies gain confidence to lock in attractive rates that will surely rise within the improving economy.

NEW HAMPSHIRE OFFICE SUBMARKET SIZE

Source: CBRE Research



SEACOAST OFFICE MARKET

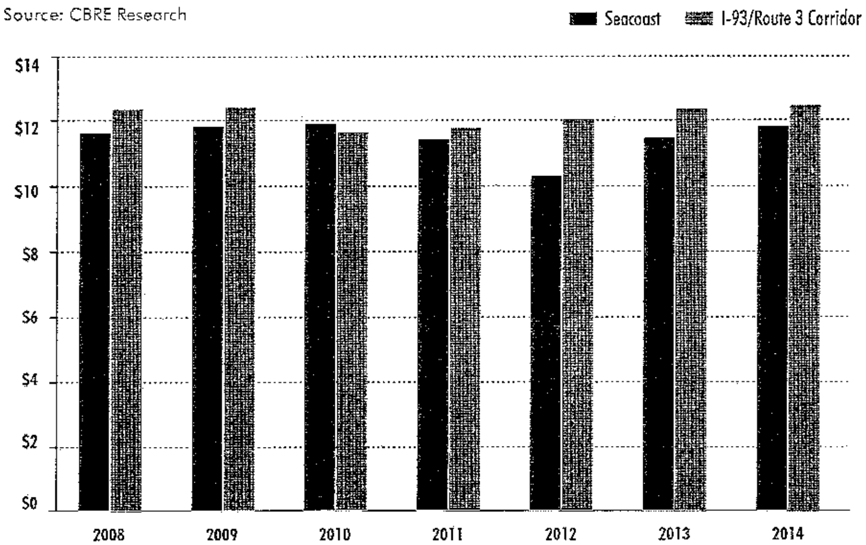
by Kent White, kwhite@cbre-portsmouth.com

Walgreens is not the only one "At the Corner of Happy and Healthy." Entering 2015, the Seacoast office market can now be classified as strong and healthy! The Portsmouth area has turned the corner, moving past the recovery stages from the effects of the 2008-2011 recession years. There are some submarkets, including Rochester, that continue to be stagnant with limited demand, but overall the Seacoast market continues to see positive absorption with vacancy rates declining. To illustrate this point, vacancy rates have decreased from 11.1% at year-end 2013 to 10.7% at year-end 2014. As expected, average asking lease rates on the Seacoast increased from $11.39 per sq. ft., triple net to $11.73 per sq. ft., triple net.

As in the past, Portsmouth, and specifically the Pease Tradeport, continues to be the heart of the Seacoast's strength. These submarkets have been spurred by new construction throughout 2014 with current levels projected to continue into 2015 and beyond.

NEW HAMPSHIRE HISTORICAL OFFICE AVERAGE ASKING RENT (NNN)

Source: CBRE Research



NEW HAMPSHIRE OFFICE MARKET SNAPSHOT

SUBMARKET	TOTAL SF	VACANT (SF)	VACANCY (%)	AVERAGE ASKING RENT (NNN)
Amherst	267,263	43,120	16.1	$9.50
Auburn	60,000	5,000	8.3	$7.50
Bedford	1,862,799	219,555	11.8	$12.50
Bow	47,155	6,305	13.4	$11.25
Concord	2,422,613	348,755	14.4	$14.00
Derry	228,162	37,935	16.6	$10.50
Hooksett	307,282	14,698	4.8	$8.25
Hudson	41,091	3,500	8.5	$8.50
Londonderry	619,217	44,052	7.1	$12.50
Manchester	7,687,104	1,055,286	13.7	$12.00
Merrimack	2,185,814	142,894	6.5	$12.00
Nashua	3,927,437	542,494	13.8	$12.50
Salem	1,507,545	172,078	11.4	$13.00
Windham	202,579	29,054	14.3	$11.50
Total I-93/Route 3	**21,366,061**	**2,664,726**	**12.5**	**$12.37**
Dover	1,772,482	167,811	9.5	$9.25
Durham	184,688	72,500	39.3	$6.50
Exeter	505,602	88,209	17.4	$11.00
Greenland	71,026	3,438	4.8	$9.00
Hampton	444,926	33,657	7.6	$10.50
Newington	93,487	1,800	1.9	$14.00
Newmarket	40,064	-	0.0	$8.00
North Hampton	93,459	3,452	3.7	$10.00
Pease	1,939,841	260,134	13.4	$16.00
Portsmouth	2,134,922	95,939	4.5	$17.00
Rochester	609,689	146,266	24.0	$7.50
Seabrook	76,774	1,500	2.0	$8.00
Somersworth	213,370	19,200	9.0	$8.50
Stratham	318,818	15,939	5.0	$10.50
Total Seacoast/I-95	**8,499,148**	**909,845**	**10.7**	**$11.73**
Overall NH Office	**29,865,209**	**3,574,571**	**12.0**	**$12.21**

SEACOAST MARKET CONDITIONS

- The continued low interest rate environment is spurring new development, while cheaper money has allowed landlords to refinance existing debt. However, if interest rates start to increase, it will negatively affect the growth of the office market.
- Out-of-state companies continue to relocate or seriously consider the Seacoast as home to their businesses. Companies such as High Liner Foods, Hub Spot and Andover Healthcare decided to make this move. There are several companies that are in current negotiations to relocate corporate offices to the Seacoast. One of these companies will be "front page news" when the deal is completed in 2015!
- Although Seacoast companies are generally doing well, there continues to be uncertainty regarding the health of the overall economy and governmental influences, which could make long-term lease commitments difficult.
- During 2009-2012 available sublease space was at an all-time high due to businesses downsizing to reduce overhead costs. In 2014 there is limited sublease space available and according to one prominent landlord, tenant delinquencies are at an all-time low, which is another positive sign that office tenants are thriving on the Seacoast.

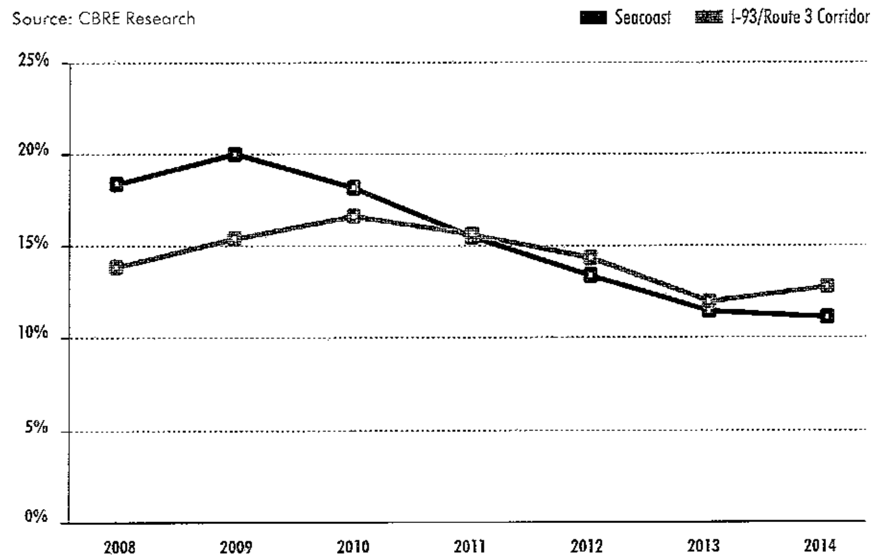
SEACOAST NEW DEVELOPMENT

New construction in the Seacoast is indicative of low vacancy rates, increasing rents and a low interest rate environment. In 2013 five new office buildings were either delivered or under construction. In 2014 saw a total of four new freestanding office buildings added to the market totaling 135,000 sq. ft. This does not include the additional small mixed-use developments like 19 Nimble Hill Road in Newington and 750 Lafayette Road in Portsmouth. Some examples of projects currently under construction, or that came to market in 2014 include:

- 249 Corporate Drive, Pease Tradeport
- 183 & 185 International Drive, Pease Tradeport
- 120 Washington Place, Rochester

NEW HAMPSHIRE HISTORICAL OFFICE VACANCY RATE

Source: CBRE Research



Downtown Portsmouth was a hot spot for new construction throughout 2014. Residential apartment/condominium buildings and hotels drove most of this development. Many of the projects, however, offer Class A office space options worth discussion.

Detailed information regarding these projects will be discussed later in the *New Construction Throughout the State of New Hampshire* section of this publication.

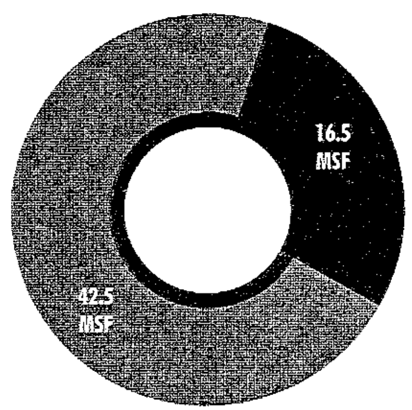
SEACOAST OFFICE MARKET FORECAST

All signs indicate the Seacoast office market will remain stable with vacancy rates declining throughout 2015. Although this is welcome news for existing landlords, the lack of available space will become problematic for tenants in the market for space. With limited office supply, tenants may want to start site searches and evaluate the market well in advance, up to 12 months prior to lease terminations. This will allow plenty of time to understand the market and react to opportunities quickly. As the Seacoast market continues to tighten, some companies may be forced to consider markets or towns that may not be their primary choice.

NEW HAMPSHIRE

NEW HAMPSHIRE INDUSTRIAL SUBMARKET SIZE

Source: CBRE Research



I-93/ROUTE 3 CORRIDOR INDUSTRIAL MARKET

by Mike Tamposi; mike.tamposi@cbre-ne.com

2014 saw a continuation of slight decreases in vacancy throughout the I-93/Route 3 Industrial market. A major positive highlight across the market in 2014 was strong demand for newly constructed, modern high-bay warehouse facilities over the older, less-efficient inventory. Much of the new construction is the result of an influx of new businesses, as well as current occupier expansions, taking initiative to create the additional space needs that do not currently exist in the market. Outside of new construction, the lack of modern facilities leaves few options for buyers and prospective tenants, slowly driving up the demand of the older product. The net result has led to a slight decrease in vacancy in 2014, also continuing on the recent trend of slight positive absorption. The I-93/Route 3 Industrial market's vacancy rate continues to decrease, down 120 basis points year-over-year to 9.7% in 2014 and down 240 basis points since the end of 2012. New and ongoing construction will add over 1.2 million sq. ft. of industrial product to the New Hampshire market.

NEW HAMPSHIRE INDUSTRIAL MARKET SNAPSHOT

SUBMARKET	TOTAL SF	VACANT (SF)	VACANCY (%)	AVERAGE ASKING RENT (NNN)
Amherst	1,143,846	49,977	4.4	$6.20
Auburn	247,019	16,790	6.8	$5.75
Bedford	936,037	182,536	19.5	$6.00
Bow	390,533	8,300	2.1	$6.10
Concord	2,639,088	465,726	17.6	$6.15
Derry	1,233,117	163,240	13.2	$5.60
Hooksett	1,372,617	43,783	3.2	$6.25
Hudson	3,817,127	361,235	9.5	$6.40
Londonderry	4,561,425	131,414	2.9	$6.30
Manchester	8,827,538	681,531	7.7	$6.00
Merrimack	3,742,026	291,112	7.8	$5.50
Nashua	9,848,866	1,353,197	13.7	$5.90
Salem	3,355,830	443,159	13.2	$6.25
Windham	348,200	0	0.0	$6.15
Total I-93/Route 3	**42,463,269**	**4,192,000**	**9.9**	**$6.01**
Dover	2,109,954	267,903	12.7	$4.00
Durham	240,312	-	0.0	$5.25
Exeter	911,071	-	0.0	$5.25
Greenland	820,145	59,250	7.2	$5.50
Hampton	906,315	32,587	3.6	$5.25
Newington	1,234,535	115,756	9.4	$5.00
Newmarket	140,404	16,800	12.0	$5.25
North Hampton	173,452	22,500	13.0	$5.25
Pease	1,605,332	34,253	2.1	$6.00
Portsmouth	2,034,852	77,937	3.8	$6.00
Rochester	2,077,273	250,891	12.1	$4.50
Seabrook	1,570,266	68,700	4.4	$4.75
Somersworth	1,861,841	102,008	5.5	$4.50
Stratham	868,510	4,725	0.5	$5.75
Total Seacoast/I-95	**16,554,262**	**1,053,310**	**6.4**	**$4.72**
Overall NH Industrial	**59,017,531**	**5,245,310**	**8.9**	**$5.75**

I-93/ROUTE 3 CORRIDOR NEW DEVELOPMENT

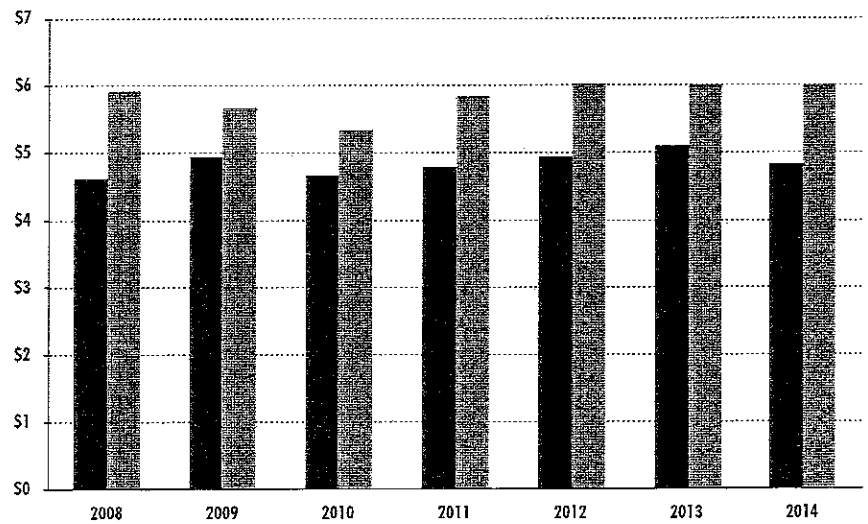
- UPS is building a 614,000 sq. ft. high-bay warehouse on Pettengill Road in Londonderry. Currently under construction, the facility is being built to handle shipments for Pratt & Whitney, an aerospace manufacturer headquartered in East Hartford, Connecticut.
- FedEx's new 340,000 sq. ft. high-bay warehouse is under construction at 44 Industrial Drive in Londonderry.
- Comcast is leasing 127,000 sq. ft. at 55 Executive Drive in Hudson. The facility will serve as a customer service center for the company's Greater Boston operations and can facilitate 600 seats.
- Airmar Technology Corp, a designer and manufacturer of ultrasonic sensor technology, is constructing 73,000 sq. ft. of high-tech manufacturing in Milford.

I-93/ROUTE 3 CORRIDOR INDUSTRIAL MARKET FORECAST

As confidence in the economy grows and the unemployment rate continues to drop in the coming year, ongoing positive absorption in the Southern New Hampshire Industrial market is expected. Demand will stay strong in and around Greater Nashua (Hudson and Merrimack), Bedford and Manchester, as well as Salem and Londonderry. Access to highways and employee talent is a major factor when businesses consider relocating to a new space. Energy costs will play a large role in the decision-making process in 2015, and southern New Hampshire's access to a skilled labor force, combined with the tax advantages over surrounding states, should keep things progressing in a positive direction. With the vacancy rate slowly improving, slight increases in rental rates will be seen as well as a reduction in landlord concessions.

NEW HAMPSHIRE HISTORICAL INDUSTRIAL AVERAGE ASKING RENT ($/SF), NNN

Source: CBRE Research



Source: Dacon Corporation

SEACOAST NEW HAMPSHIRE INDUSTRIAL MARKET

by Christian Stallkamp, cstallkamp@cbre-portsmouth.com

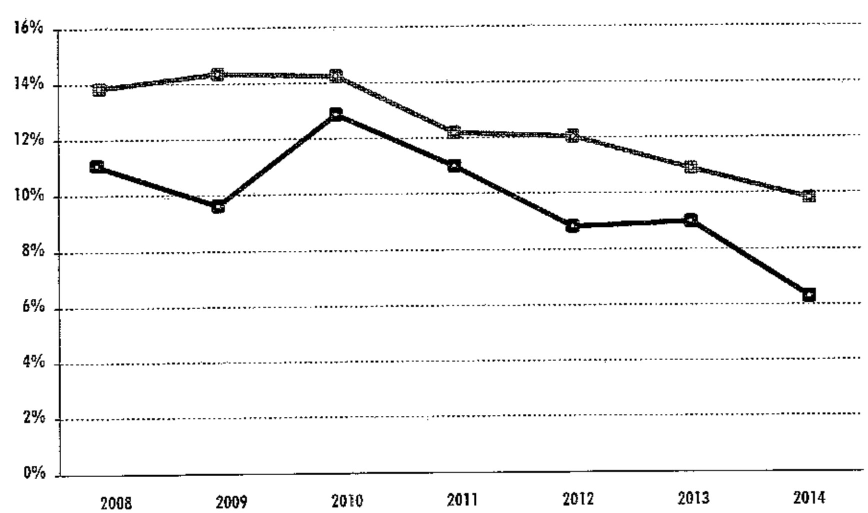
Strong industrial sales and leasing activity on the Seacoast in 2014 was a direct result of the strengthening economy and a rise in business confidence. This healthy transaction volume has diminished the availability of quality industrial product within the Seacoast market. Further, the recent lease of the former 500,000-sq.-ft. Poland Spring facility in Seabrook to US Foods left the Seacoast void of any large industrial options north of 150,000 sq. ft. Currently, the highest demand comes from businesses seeking 15,000 to 30,000 sq. ft. of high bay space with convenient access to major highways. Market lease rates for these quality spaces are increasing and landlords are offering fewer concessions. However, the data collected in the industrial market reflects the inverse. Overall average asking lease rates for the Seacoast are down. The lower asking lease rates are influenced by the functionally obsolete available space in the Seacoast market. Older buildings that have not been maintained, those with lower ceiling heights and those that were built for a specific use, continue to remain vacant. Due to the limited available space, companies are now widening searches and exploring on-site expansion opportunities and new construction. As a result, the submarkets of Dover, Newmarket, Rochester, Somersworth and Epping should benefit and see increased activity throughout 2015.

SEACOAST MARKET CONDITIONS

- New Hampshire's potential legalization of medical marijuana has generously-funded groups clamoring to decipher the rules and zoning within a number of cities and towns in New Hampshire. These groups are seeking spaces ranging from 20,000 to 50,000 sq. ft. The state has until January 2015 to decide on locations for the first two "alternative treatment" centers.

NEW HAMPSHIRE HISTORICAL INDUSTRIAL VACANCY RATE

Source: CBRE Research



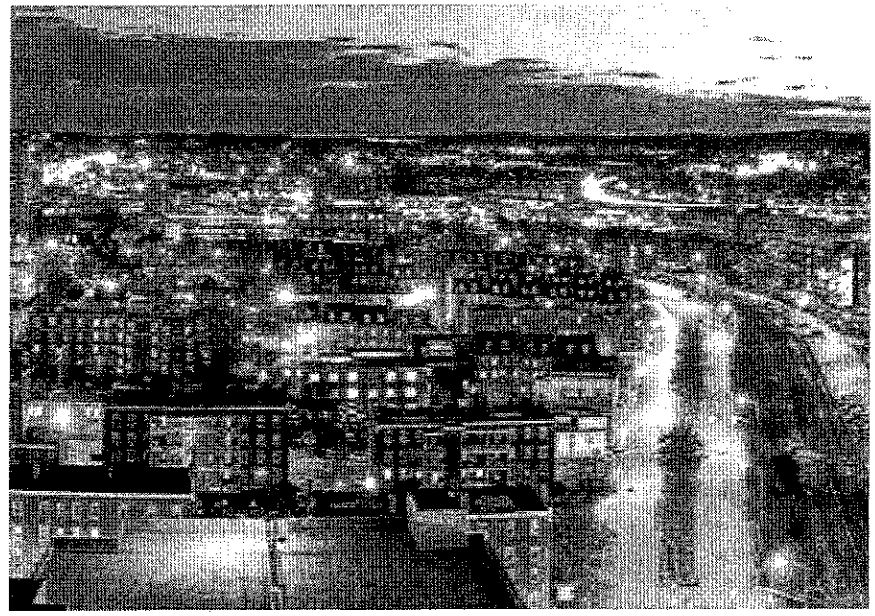
- The Seacoast has seen an increase in nano-breweries (smaller versions of micro-breweries) and distilleries scattered throughout smaller industrial parks following New Hampshire's legislation granting nano-brewing licenses to any business producing less than 2,000 barrels annually of specialty beer per year. Typically, these specialty brewers occupy between 2,500 and 10,000 sq. ft., with the goal of expanding into larger space such as the Smuttynose Brewery. Sumttynose is considered the Seacoast's micro-brewery success story with the opening of its new state-of-the-art, LEED-certified, 34,425 sq. ft. facility in Hampton. The Smuttynose Pub (restaurant and bar) section of the brewery is slated to open in February 2015.

SIGNIFICANT LEASE TRANSACTIONS ON THE SEACOAST

- US Foods expanded into the 500,000-sq.-ft., former Poland Spring distribution center in Seabrook after completing approximately $40 million in renovations.
- Andover Health Care secured the entirety of 130 International Drive, totaling 50,687 sq. ft., in the Pease Tradeport, Portsmouth. The facility will house all of Andover Health Care's manufacturing operations and executive offices as well as its customer service, sales and marketing departments.
- SMC Aerospace, a precision tool company formerly in Ipswich, Massachusetts, relocated to a new Seabrook location. The company purchased and renovated a 43,000-sq.-ft. building at 1 Chase Park Road, which formerly housed Teledyne. With its tube-bending facility at 10 Primrose Drive in Laconia, this marks SMC Aerospace's second New Hampshire location.

SEACOAST NEW HAMPSHIRE INDUSTRIAL MARKET FORECAST

With growing confidence in the economy, the 2015 forecast will stay consistent with that of 2014. The continued lack of inventory and available land surrounding the exits on the I-95 corridor will remain a challenge for companies seeking to remain or expand in the Seacoast. Companies will be forced to look outside of the more desirable Portsmouth/Pease market, expanding searches into areas such as Dover, Newmarket, Rochester, Epping and Brentwood. Much of the available product in these submarkets is older and will require retro-fitting and improvements. This, combined with increasing lease rates on quality space, has the potential to make build-to-suit options an attractive alternative for incoming industrial tenants in 2015.



Source: iStockphoto, www.istockphoto.com

NEW CONSTRUCTION THROUGHOUT THE STATE OF NEW HAMPSHIRE

by Martha Baroody, mbaroody@cbre-portsmouth.com

As always, good indicators of a healthy commercial real estate market are signs of new construction, and in this regard, the Granite State is solid. At year-end 2014, positive and steady growth of new construction continues to be seen. Some factors having an impact on this trend are low vacancy rates, low interest rates, heightened market demand, lenders making money more assessable and the loosening of lending guidelines.

On a macro level, the national vacancy rate has decreased 40 basis points in Q3 2014, making the vacancy rate the lowest seen since 2010. Vacancy rates are predicted to continue to decline over the next five years and rents are expected to increase by 3.7% percent over the same time frame. On a micro level, many economical factors have had a direct impact on the steady improvements in the New Hampshire commercial market. These include lower

NEW HAMPSHIRE

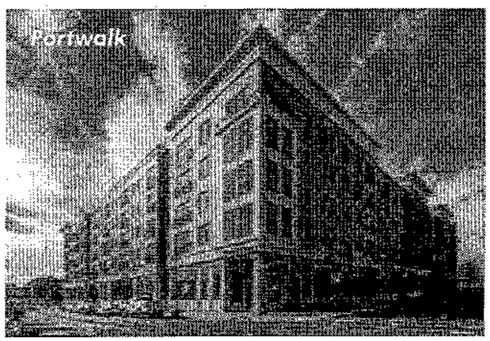
unemployment rates coupled with the previously mentioned lower interest rates and looser lending guidelines, which make it easier to borrow money. The increase in the housing market and improvements in the manufacturing industry were also strong contributing factors to an improved New Hampshire economy.

The I-93/Route 3 corridor saw an increase in new construction and development. Some notable highlights are:

- The new Manchester-Boston Regional Airport entrance opened the Pettengill Road area of Londonderry for new development in the future.
- The 614,000-sq. ft. UPS Logistics warehouse currently under construction is slated to open in 2015, bringing 250 new jobs to the area as the facility becomes the New England logistics center for Pratt Whitney.
- Just east of the UPS warehouse, FedEx Ground will open a 340,000-sq. ft. facility, bringing an additional 500 jobs to the region.

On the Seacoast, new construction increases are being seen in all market sectors. Some noteworthy examples are:

- Portwalk Place in downtown Portsmouth completed its final phase and consists of 10,000 sq. ft. of office, 11,000 sq. ft. of retail, a 120-room Hampton Hotel and 133 luxury apartments.



Source: Portwalk Place

- 111 Maplewood Avenue in Portsmouth will start construction in the spring of 2015. This building consists primarily of residential space with 13,000 sq. ft. of Class A office space.
- 30 Maplewood in Portsmouth is a mixed-use building, which is primarily residential with 16,000 sq. ft. of first-floor office space.
- 233 Vaughn Street in Portsmouth is a unique development in the Northern Tier of Portsmouth that includes 9,000 sq. ft. of first-floor commercial space. The balance of the building is designed to be residential supported by an underground parking garage.
- 249 Corporate Drive in Pease Tradeport will be home to a two-story Class A office building. It is currently under construction and is expected to be ready for occupancy during the first or second quarter of 2015. The project does not have a current tenant, an indicator that banks have relaxed guidelines and have confidence in the improving market.
- 183 & 185 International Drive in Pease Tradeport consists of two office building built for Highliner Foods and Sprague Energy respectively.
- 120 Washington Place: One of the most promising signs that the office market is healthy in the Seacoast was the construction this 21,000-s.-ft., three-story office building. While Granite State Express Care and Granit State Lab, LLC are both occupying approximately 1,600 sq.ft. each, the building was essentially built on speculation and remains largely vacant. Rochester has historically been a depressed office market with low lease rates, but this development marks another example of the growing confidence in the Seacoast Office market.

The above examples show healthy markets result in healthy construction. New Hampshire witnessed this in 2014 and this trend is expected to continue into 2015 and over the next several years.

ABOUT CBRE/NEW ENGLAND

NEW ENGLAND PLATFORM

Headquartered in Boston, CBRE/New England covers all of New England's major markets: Boston, Hartford, Manchester, New Haven, Portsmouth, Portland and Providence. The CBRE/New England entity, which has existed in Boston since 1900 with the founding of C.W. Whittier Bro., has evolved and grown by acquisition throughout the New England region. This joint venture with the internationally recognized CBRE, Inc. combines national resources with regional control and ownership to offer our clients a balanced service platform and superior client service.

Today, CBRE/New England sets a new performance benchmark for the commercial real estate industry by offering a complete spectrum of real estate services to our clients. Service lines include Capital Markets, Asset Services, Brokerage Services, Loan Sales, Facilities Management and Development. This full complement of services allows our firm to work with our clients through the full life cycle of their real estate needs, adding value at each new phase.

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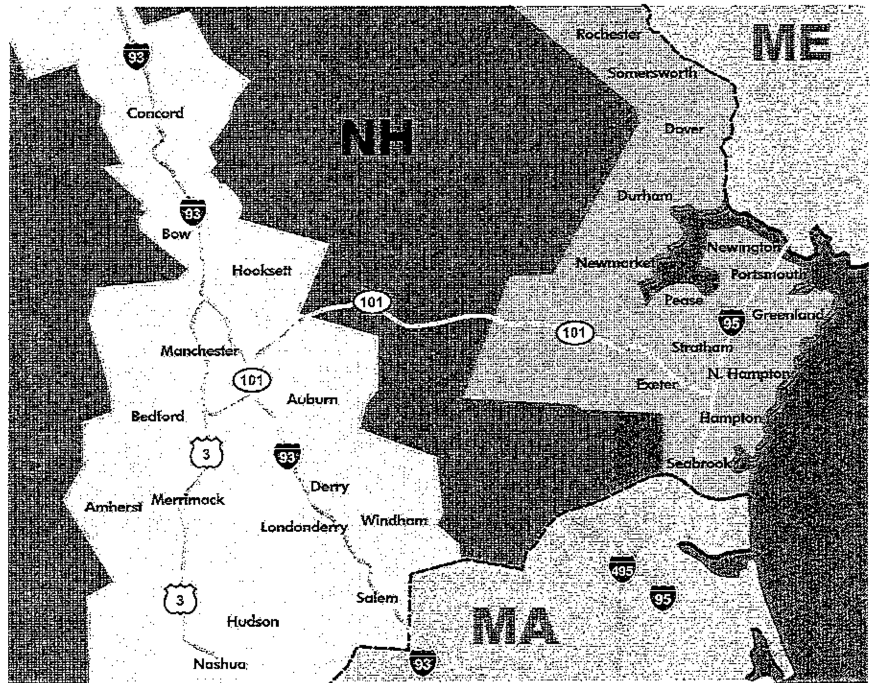


METHODOLOGY

To the best of our knowledge we have included all Class A and B office and industrial properties that are greater than 10,000 SF and are considered investment-grade quality. We do not include retail, hotels, car dealers, churches, municipal buildings or schools in our survey. The total average asking NNN lease rate is the weighted average of the submarket average asking NNN lease rate to the total square footage within each submarket. This survey was completed on December 31, 2014. For additional information, please contact one of our New Hampshire offices:

Portsmouth Office
603.427.1333, www.cbre.com/portsmouth

Manchester Office
603.626.0036, www.cbre.com/manchester

Retail Real Estate Trends & Analysis 2014
Southern New Hampshire

New This Year: 10-Year Grocery Report

The KeyPoint Report

GRID
Unrivalled Retail Market Knowledge

KeyPoint Partners, LLC
One Burlington Woods Drive, Burlington, MA 01803
Tel 781.273.5555 Fax 781.272.8408
KeyPointPartners.com
Info@KeyPointPartners.com

KEYPOINT PARTNERS
unlocking value

About this Report:

This KeyPoint Report examines changes in supply, vacancy and absorption, retailer activity, and market composition by store size and retail categories during the year ending July 2014.

The Southern New Hampshire market includes 39 cities and towns representing more than 836 square miles and approximately 554,200 people (42.0% of the state population).

KeyPoint Partners' GRIID™ database maintains detailed information on virtually all retail properties in three key regions: Eastern Massachusetts, Southern New Hampshire and Greater Hartford, Connecticut. These markets encompass approximately 44% of all retail space in New England. GRIID™ has information on more than 256 million square feet of retail space and approximately 39,600 retail establishments.

The KeyPoint Reports contain a detailed summary and analysis of market trends and activity for each studied area.

GRIID

Highlights:

Supply:
30M SF
2013: 29.7M

Absorption:
-91,400 SF
2013: 1.0M SF

Vacancy Rate:
10.7%
2013: 9.6%

City/Town Ranks:
#1 Space SF: Nashua
#1 High Occupancy: Bedford
#1 High Vacancy: Manchester

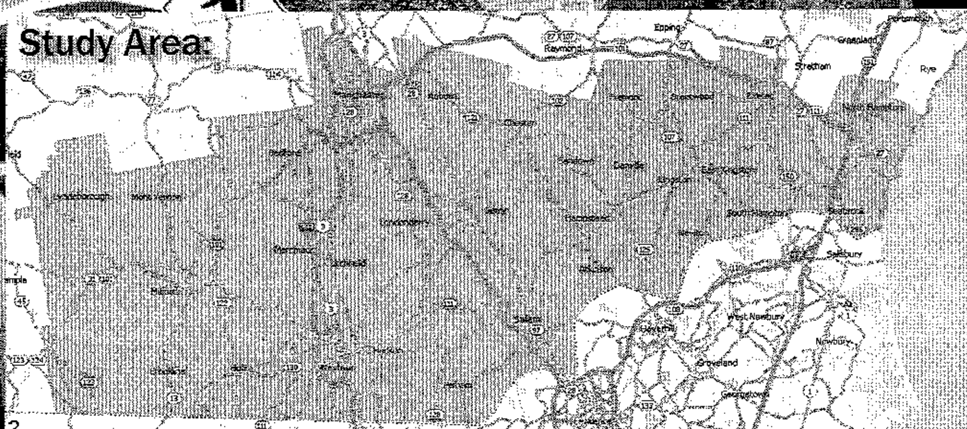
Category Expansion by Square Feet:
#1 Sporting Goods (+63,300)

Category Expansion by Number of Stores:
#1 Beauty Salons/ Services (+11)

Retailer Expansion by Square Feet:
#1 Walmart (+98,700)

Retailer Expansion by Number of Stores:
#1 Party City (+4)

Study Area:



Cities & Towns in the Study Area: Amherst, Atkinson, Auburn, Bedford, Brentwood, Brookline, Chester, Danville, Derry, East Kingston, Exeter, Fremont, Greenville, Hampstead, Hampton, Hampton Falls, Hollis, Hudson, Kensington, Kingston, Litchfield, Londonderry, Lyndeborough, Manchester, Mason, Merrimack, Milford, Mont Vernon, Nashua, Newton, North Hampton, Pelham, Plaistow, Salem, Sandown, Seabrook, South Hampton, Wilton, Windham

Figure 1: Summary

Retail inventory grew to 30.0 million square feet in 2014, a significant gain of 1.0% versus last year when the level stood at 29.7 million square feet, largely the result of the opening of the 380,000 square foot Seabrook Commons.

Category	2014	2013	% Change
Total Market Size (Square Feet)	29,997,600	29,714,100	1.0%
Total Number of Retail Properties	2,100	2,100	0.0%
Total Number of Retail Establishments	5,400	5,300	1.9%
Total Market Vacancy Square Feet	3,216,100	2,841,200	13.2%
Vacant Stores	731	730	-0.5%
Vacancy Rate	10.7%	9.6%	12.1%
Total Retail Space Per Capita	54.1	53.6	1.0%
Retail Store Average Size	5,600	5,600	0.0%

Vacancy & Absorption:

The vacancy rate in Southern New Hampshire ended the year at 10.7%. Unoccupied space increased by approximately 375,000 square feet, equating to a 13.2% increase in vacant square footage, although there was a nominal decrease in the number of vacant units. With incremental vacancy outweighing the growth in retail inventory, negative absorption of 91,400 square feet resulted.

Observations:

Special Feature: This year's Report, in addition to our usual detailed summary of market activity for the last year, includes a special feature: an analysis of the marked changes that have occurred in relative square footage in the grocery category over the last ten years. Here are our comments and observations on activity during the last year:

Supply, Occupancy, & Absorption (*Figure 1, Page 4*): The region continued its upward trend in retail inventory, reaching a level of 30.0 million square feet by the end of the year. This represents a gain of 283,500 square feet, or 1.0%, thanks in large part to Seabrook Commons, DDR's first ground up development in New Hampshire. This 380,000-square-foot power center saw its initial tenant openings in June, highlighted by a new 189,567 square foot Walmart Supercenter (a relocation of its traditional format store in Seabrook). There was a bump in the road, however, with a sizeable increase in the vacancy rate during the year from 9.6% to 10.7%. Before you get too discouraged, there is a reasonable explanation for this increase. Stop & Shop's decision to close all six stores it operated in Southern New Hampshire, creating 411,800 square feet of retail vacancy, reflects the lion's share of incremental vacancy. While one of these locations was filled by Hannaford, the closing of two Shaw's stores and a single Building 19 unit exacerbated the vacancy issue in the region. Hypothetically removing this vacant space from the region actually lowers the vacancy rate in Southern New Hampshire to 9.1%. Nevertheless, the reality is that this vacancy does exist and may present a lingering concern in the region for a considerable period. This is particularly disheartening following three strong years of positive absorption in the region. At the same time, given the toll these vacancies have had on overall occupancy rates, the negative absorption rate in Southern New Hampshire of only 91,400 square feet is somewhat surprising.


Nashua retains number 1 rank in retail supply

Individual Town Rankings (*Figure 3, Page 6*): There has been no change in the top ten largest regional markets, although Seabrook jumped ahead of Bedford during the year, also a Seabrook Commons effect. Nashua continues to rank first with 6.2 million square feet of inventory. Manchester follows at 5.4 million square feet and Salem is a distant third at 3.9 million square feet. The aggregate retail space in these three communities represent 51.8% of the total inventory within the region. These are the only cities or towns with inventory in excess of 2.0 million square feet, although Seabrook is edging closer to that threshold.

Among communities with at least 500,000 square feet of retail space, the year ended with Milford representing the sole newcomer to the list of five towns with the highest vacancy rates. A Stop & Shop closing was the cause. While Manchester still leads the pack with a 22% vacancy rate, this figure skyrocketed from a 15.6% level last year. Two Stop & Shop closings, two Shaw's closings, and a Building 19 closing during the year added approximately 344,000 square feet of vacant space to the city inventory, representing 30% of the retail space currently unoccupied. Seabrook, somewhat surprisingly, jumped into second place, largely a result of the vacant Walmart unit left behind by the relocation to Seabrook Commons. Nashua moved up three spots and is now among the five healthiest markets in the region. Bedford remains the top performer, followed now by Salem, Nashua, Amherst, and North Hampton.

Vacancy by Tenant Size (*Figure 4, Page 6*): In assessing vacancy rates by store size, it was encouraging to see that other than the 50,000-99,999 square foot category, only one other size range experienced an increase in the vacancy rate. In fact, among the eight size classifications, four showed a decrease in the rate while two others remained stable. Stores between 5,000 and 24,999 square feet experienced the most improvement with the 5,000-9,999 square foot segment declining by 140 basis points and nearly a 200 basis point decline in the 10,000-24,999 square foot range. The new Seabrook Commons development contributed significantly to this improvement, as a number of new retailers at the shopping center fit into this range. However, the 50,000-99,999 square foot category was clobbered by the aforementioned big box store closings, increasing the vacancy rate in that size range from 11.4% to 22.7%. The 2,500-4,999 square foot bracket was the only other grouping that showed an increase in vacancy, edging up from 11.4% to 12.2%.

Continued on page 7

Figure 3: City & Town Rankings

Nashua, Manchester, and Salem continue to dominate the retail scene in Southern New Hampshire. These three cities encompass 52% of the retail space in a region comprised of 39 cities and towns. The top ten communities represent 84% of the retail inventory in Southern New Hampshire. Among jurisdictions with 500,000 square feet, Bedford and Salem are the only towns with a vacancy rate less than 5%. Manchester has the highest vacancy rate at 22%.

Most Space SF		Highest Vacancy*		Prior Rank	Lowest Vacancy*		Prior Rank
Nashua	6,236,100	Manchester	22.0%	1	Bedford	4.2%	1
Manchester	5,434,900	Seabrook	16.6%	5	Salem	4.4%	3
Salem	3,885,800						
Seabrook	1,819,700	Milford	14.6%	8	Nashua	5.3%	6
Bedford	1,653,000	Londonderry	14.6%	2	Amherst	7.3%	2
Merrimack	1,491,400						
Plaistow	1,312,700	Derry	12.7%	3	North Hampton	7.5%	4
Derry	1,222,000						
Londonderry	1,102,500						
Hudson	919,800						

*For cities and towns with 500,000 square feet or more of retail space. Municipalities not meeting this threshold in prior year are denoted by N.

Figure 4: Market Composition & Vacancy by Tenant Size

Although still quite high, vacancy rates in the smaller store classification showed significant improvement this year. After experiencing a moderate increase in 2013, the vacancy rate in the 50,000-99,999 square foot category dramatically spiked this year to 22.7%. This was attributable to the closing of all six Stop & Shop stores, two Shaw's stores, as well as the only Building 19 store in the region. Only one other category was adversely impacted last year, the 2,500-4,999 square foot bracket.

Tenant Size	Market SF	Vacancy SF	Vacancy Rate	Share of Total
Less Than 2,500 SF	4,430,900	663,900	15.0%	14.9%
2,500 to 4,999 SF	4,383,300	536,500	12.2%	14.7%
5,000 to 9,999 SF	3,702,000	525,600	14.2%	12.0%
10,000 to 24,999 SF	4,110,600	238,600	5.8%	13.9%
25,000 to 49,999 SF	3,195,200	223,600	7.0%	10.6%
50,000 to 99,999 SF	3,979,500	903,300	22.7%	13.3%
100,000 to 199,999 SF	5,795,500	124,500	2.1%	19.3%
200,000 SF and above	400,600	0	0.0%	1.3%


Seabrook Commons


Daniel Webster Plaza, Nashua

Observations Continued

Retailer Activity (*Figure 5, Page 8*): Walmart is the largest contributor to new retail inventory in Southern New Hampshire this year, adding 98,700 square feet, the net change between its vacant traditional store and its relocated Supercenter store. Finding a replacement for a 91,900 square foot vacant Walmart space may be challenging, however, particularly considering a vacant Shaw's unit at the same property. Hannaford acquired the former Stop & Shop in Exeter, adding 65,200 square feet to its inventory in the region. Party City ranked third by acquiring four iParty stores, resulting in an additional 40,000 square feet.

Walmart led expansion in the region

Stop & Shop closed all six Southern New Hampshire locations, reducing its footprint by 411,800 square feet. The Exeter store is the only unit that has been replaced thus far. Shaw's closed stores in Seabrook and Manchester, contracting by 124,300 square feet while the Building 19 liquidation resulted in the closing of its 72,300 square foot store in Manchester. Likewise Shaw's and Building 19 vacancies remain unoccupied. While two of the vacant big box units are freestanding, the remainder have significant cotenancy which is causing increased vacancy among small store units as well. The challenge typically associated with finding prospects to fill these large format stores likely will exacerbate vacancy rates, at least in the near term.

Among retailers adding the most stores in Southern New Hampshire, Party City, Orange Leaf, and Subway led the way, each adding four new locations. Party City was the one retailer that grew via acquisition. NBT Bank, Metro PCS, and Triangle Federal Credit Union follow with three new stores apiece. NBT acquired Hampshire First Bank during 2012 but branches weren't rebranded until this past year.

Stop & Shop ranks on top in the region by largest number of store closings, with six units. iParty and Hampshire First

Continued on page 9

Figure 5: Retailer Activity

The region encompasses more than 5,300 retail establishments, representing approximately 3,300 unique retailers. The following summarizes these by the degree of expansion or contraction.

Expansion by SF

Retailer	New	Total
Wal-Mart	98,700	1,201,300
Hannaford	65,200	652,800
Party City	40,000	40,000
Seacoast Sports Club	35,000	35,000
Dick's Sporting Goods	35,000	130,200
Harbor Freight Tools	16,300	36,600
Ulta	15,100	27,200
Walgreens	14,800	231,600
Forever 21	14,500	24,900
NBT Bank	13,400	13,400

Contraction by SF

Retailer	Contracted	Total
Stop & Shop	411,800	0
Shaw's	124,300	681,500
Building 19	72,300	0
C A Hoitt Furniture Co	40,000	0
iParty	40,000	0
Genetix Fitness & Nutrition	35,000	0
Ulta Beauty	15,100	0
Hampshire First Bank	13,400	0
Uncle Hildes Lumber Outlet	10,000	0
Staples	9,700	211,800

Expansion by # Stores

Retailer	New	Total
Party City	4	4
Orange Leaf Frozen Yogurt	4	5
Subway Sandwiches & Salads	4	23
NBT Bank	3	3
Metro PCS	3	5
Triangle Federal Credit Union	3	6
Capital Title Loans	2	2
Great Clips	2	9
Sound Lion	2	2

Contraction by # Stores

Retailer	Contracted	Total
Stop & Shop	6	0
iParty	4	0
Hampshire First Bank	3	0
Shaw's	2	11
7-Eleven Food Store	2	14
The Meat House	2	0
Quizno's Subs	2	1
Sprint	2	7
D'Angelo's Sandwich Shop	2	11
Radio Shack	2	13

NOTE: Figures shown in the charts above reflect net changes.

Figure 6: Retail Category Activity

Tenants in GRIID™ represent nearly 600 unique business classifications; we have aggregated similar business types into larger retail categories, and summarized these by the degree of expansion or contraction.

Expansion by SF

Category	New	Total
Sporting Goods	63,300	671,700
Department Stores	26,300	4,150,300
Banks/Savings Institutions	25,700	560,200
Drug Stores	24,800	803,200
Medical & Dental Services	20,800	200,000
Apparel - Women's	17,600	372,200
Shoe Stores	16,000	305,100
Hardware	15,700	171,400
Lawn & Garden Supply	13,900	114,500
Food Stores - Dairy Products	13,800	33,200

Contraction by SF

Category	Contracted	Total
Food Stores - Grocery	-436,600	2,782,800
Furniture Stores	-50,000	807,200
Health & Fitness Services	-46,500	921,600
Auto & Home Supply	-24,600	648,900
Amusement & Recreation	-15,700	440,700
Musical Instrument Stores	-15,200	38,100
Homefurnishings	-11,800	470,700
Office & Stationery Supplies	-11,000	219,500
Video Rental	-10,700	8,900
Gift, Novelty, Souvenir Shops	-10,400	412,400

Expansion by # Stores

Category	New	Total
Beauty Salons and Services	11	468
Sporting Goods	8	95
Banks and Savings Institutions	7	179
Food Stores - Dairy Products	7	19
Lawn & Garden Supply	7	37
Telephone Equipment	5	66
Tobacco Stores and Stands	5	33
Apparel & Accessory	4	50
Eating Places	4	921
Apparel - Women's	3	91

Contraction by # Stores

Category	Contracted	Total
Health & Fitness Services	-11	147
Furniture Stores	-6	61
Gift, Novelty, Souvenir Shops	-5	96
Hobby, Toy and Game Shops	-4	56
Video Rental	-4	5
Amusement & Recreation	-3	29
Auto & Home Supply	-3	86
Beauty Supplies and Cosmetics	-3	35
Food Stores - Bakery, Bagel & Doughnut	-3	92
Food Stores - Grocery	-3	207

Observations Continued

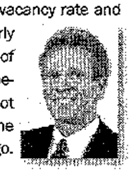
Bank follow with four and three units, respectively, although all are now occupied by the acquiring firms Party City and NBT Bank. Several retailers finish out the top ten, all with two store closings.

Retail Categories (*Figure 6, Page 9*): Sporting Goods finished the year ranked on top among all merchandise categories with respect to square footage growth in the region. The new Dick's store at Seabrook Commons is largely responsible. Department Stores end the year in second place, a result of the Walmart relocation to the new Supercenter in Seabrook, which was offset considerably by the Building 19 closing. Banks and Savings Institutions ranked third, mainly attributable to several credit unions and smaller regional banks opening in the region.

Food Stores-Grocery clearly showed the largest loss of space, clearly a result of Stop & Shop and Shaw's closings in the region. Furniture Stores followed with several independent operators going out of business.

With respect to store count, Beauty Salons and Services led the way, adding 11 locations. Sporting Goods ranked second. In addition to Dick's, a number of smaller operators opened offering a varying array of merchandise from bikes, to skis, to fitness equipment. Three categories tied for third place including Food Stores - Dairy Products, which was impacted by several "fro-yo" shops, led by Orange Leaf with four units. Ranked on top by declining store counts was Health and Fitness Services, which had a net loss of 11 units even though 12 new locations opened in this category. Next were Furniture Stores and Gift, Novelty and Souvenir Shops, losing six and five locations respectively.

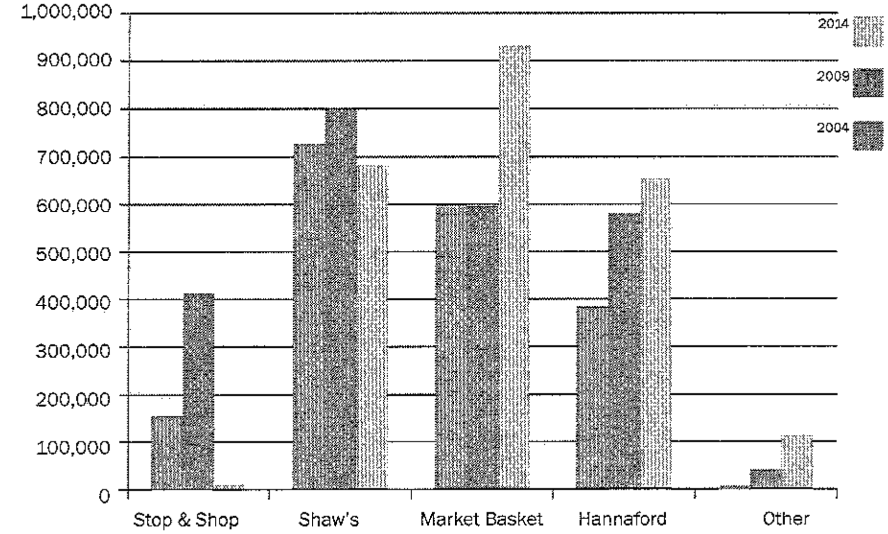
Conclusions: Although the vacancy rate in the region increased this past year, we can attribute the bulk of the change to Stop & Shop's strategic decision to discontinue operations in the region, in which its sales performance was not meeting expectations. Together with Shaw's and Building 19 closings, these vacancies alone meant the difference between an annual increase in the vacancy rate and a decrease. But we still find this particularly disappointing following three strong years of positive absorption. We're cautiously hopeful that this year was an anomaly, and not the beginning of another downtrend like the one the region experienced a few years ago.



Bob Sheehan
Vice President of Research
BSheehan@KeyPointPartners.com

Special Section: A Ten-Year Look at the Southern NH Grocery Landscape

Figure 1: Grocery Store Square Footage

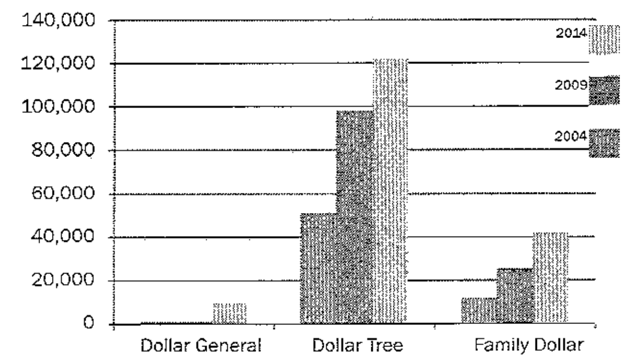


Significant Changes in Grocery Options

The last decade has seen significant changes in grocery shopping options- and therefore in the grocery real estate landscape in Southern New Hampshire. The proliferation of dollar stores and their reallocations of floor space toward grocery items have made these value retailers an increasingly popular alternative to traditional grocers. At the opposite end of the scale, however, wholesale clubs have remained stable with none of the big three retailers-BJ's, Costco, and Sam's Club-adding stores within the last 10 years. The lack of the required population density necessary to justify further unit growth in the region has limited the geographic coverage of wholesale clubs to retail hubs along the Massachusetts border, which do have adequate population density when augmented by out-of-state shoppers attracted to tax-free New Hampshire. With respect to grocery stores, the most significant changes include the rise and fall of Stop & Shop in the region and the substantial growth of Market Basket stores, which continue to divert market share from traditional Shaw's and Hannaford locations.

Grocery Store Square Footage: For most of the decade, four major grocers competed in Southern New Hampshire: Market Basket, Shaw's, Hannaford, and Stop & Shop. In 2013, Stop & Shop made the strategic decision to close its New Hampshire stores and focus on its more established markets to the south. Shaw's had its share of problems as well, and ended the decade with less space and fewer stores than it operated in 2004. Its total space today is approximately 682,000 square feet, about 6% less than a decade ago. Market Basket made the greatest advancement in the region during this time frame, but Hannaford increased its coverage substantially as well. Market Basket added 332,000 square feet while Hannaford gained 269,000 square feet. Strikingly, however, Market Basket gains occurred all in the past five years while Hannaford has added only 72,000 square feet in the back half of the decade. Also, at the beginning of the decade, the four aforementioned grocers were the only grocers in the region. During the past ten years, other significant operators have entered the region including Trader Joe's, The Fresh Market, Philbrick's Fresh Market, On the Vine, Harvest Market, and as of this writing, the region's first Whole Foods Market (not included in the 2014 data).

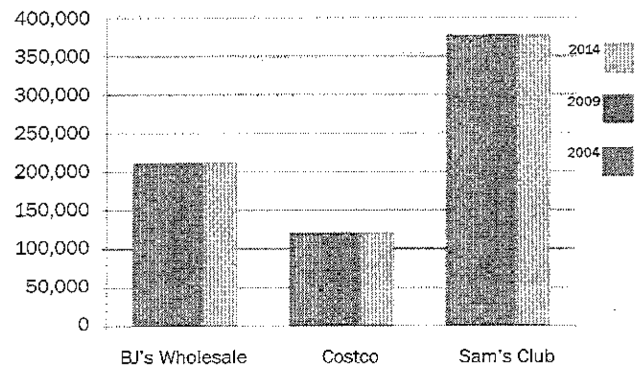
Figure 2: Dollar Store Square Footage



Total Region Grocery Square Footage:
2014: 2.41 Million
2009: 2.19 Million
2004: 2.02 Million

Dollar Store Square Footage: Among dollar stores, Dollar Tree growth during the decade far surpassed its two main rivals, Dollar General and Family Dollar. With its jump from five to 12 units, Dollar Tree added more than 70,000 square feet to the region, a gain of 137%. Family Dollar increased its footprint by a distant 30,000 square feet, increasing its store count from two to five stores. Dollar General is a relatively new player in the region, opening its first and only store in 2011, a 9,800 square foot unit.

Figure 3: Wholesale Club Square Footage



Wholesale Club Square Footage: There has been no change in retail space among wholesale clubs in the region. While shopping at these big box stores has never been more popular, none of the "Big Three" saw the opportunity to add stores to the region during the past ten years, deciding instead to focus on existing locations. The likely cause for this stability is the lack of adequate population density necessary to support these high volume retailers outside their existing geographic coverage in Southern New Hampshire.

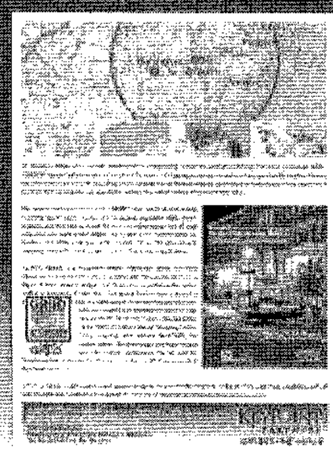
The KeyPoint Report

On the Covers & Inside: Seabrook Commons, Seabrook, NH
(Photos courtesy DDR)

Methodology: The data for this study includes all public retail space in the study area except for a few exclusions discussed below. The information in our database has been compiled from a variety of sources. A member of KeyPoint Partners' research staff has visited each store/shopping center in order to verify and/or acquire the necessary information. The area for each space is obtained from sources deemed reliable, such as the owner or leasing agent, is paced off by our researchers or otherwise measured. Retail categories and SIC Codes are obtained from a leading business database, InfoUSA, when available. Each entry is field verified or determined by our research staff. In general, public retail space is characterized as all space currently, or most recently, utilized in selling or renting retail goods and/or services to the public. There are no size restrictions for stores or shopping centers. Certain retail classifications are excluded, including automobile dealerships, gasoline service stations, automobile repair shops and quasi-retail services, such as stock brokers, real estate agents, insurance agents, etc., unless such establishments are located in shopping centers containing typical retail tenants. In some cases wholesale or quasi-retail establishments have been included in the database if information from InfoUSA or our field research indicates that goods and/or services are being offered to the public from the location. Some establishments available to the public but typically serving primarily the needs of other users of a facility, such as a cafeteria in an office building or a beauty salon located inside a hotel, may also be excluded. Demographic information used in this study was provided by Scan/US.

Custom Retail Market Research

KeyPoint Partners provides retail research consulting services ranging from preliminary desktop assessments to comprehensive evaluations which integrate field investigation and quantitative analysis for a variety of retail location and store types. The heart of our research superiority is our powerful, proprietary GRIID™. Is there a custom retail market research project we can do for you? Call Bob Sheehan, Vice President of Research at 781.418.6248, or email him at BSheehan@KeyPointPartners.com.



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KeyPoint Partners, LLC
One Burlington Woods Drive, Burlington, MA 01803
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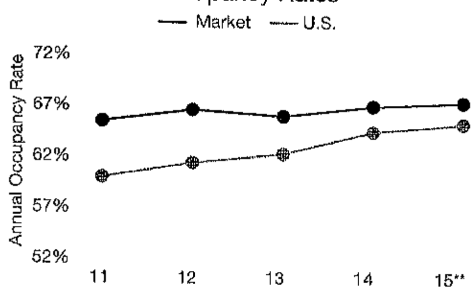
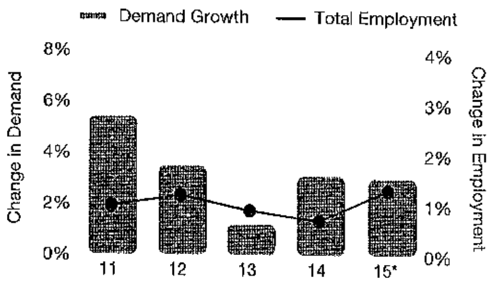
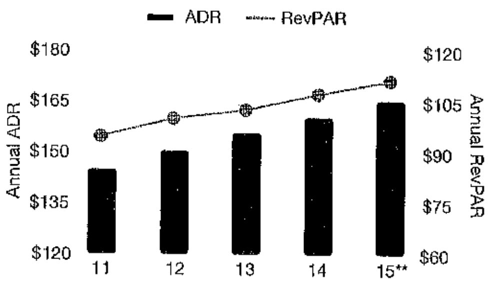
Occupancy Rates



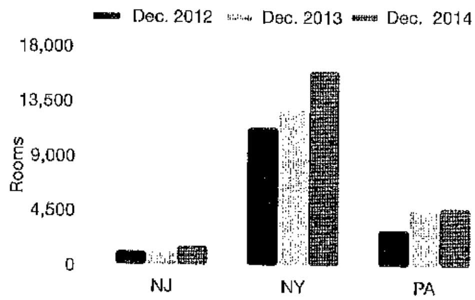
Change in Occupied Rooms



Revenue Measures



Rooms Underway & Planned



* Estimate
** Forecast
Sources: Marcus & Millichap Research Services, BLS, CoStar Group, Inc., Economy.com, Real Capital Analytics, STR Inc.

Occupancy to Edge Up in Northeast; Recently Completed Hotels May Offer Opportunities

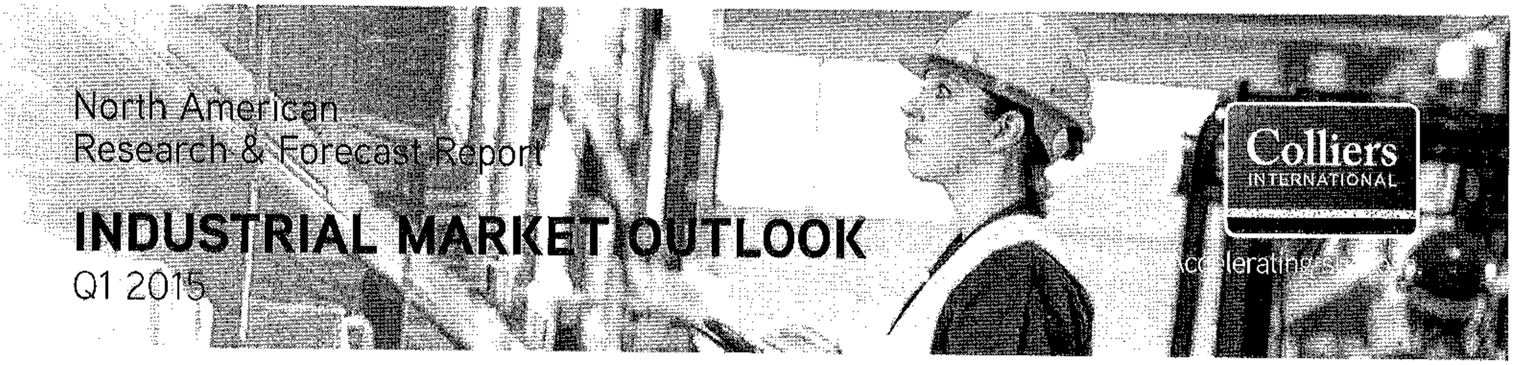
Occupancy in the Northeast region, consisting of New Jersey, New York and Pennsylvania, will rise in 2015 in step with a strengthening U.S. economy, and revenue measures will improve slightly. Despite strong occupancy in New York City, efforts to push up rates have been hampered by a spate of new construction, weighing on ADR growth in the entire state. Approximately 30,000 rooms have been added to stock in the city over the past seven years. Foreign and domestic visitor volume continues to rise, however, which will provide a foundation for somewhat stronger rate growth in 2015. Elsewhere, hotels in New Jersey posted modest gains in ADR and RevPAR in 2014, though room nights declined. Statewide statistics may be somewhat misleading, however, due to the closures of Atlantic City casinos. Potential investors will want to dig deeper into the performance of individual hotels and specific trade areas in the state to gain a better understanding of operating trends in those areas.

Across the region, deal flow and dollar volume grew substantially in 2014. More transactions occurred in each state, and some of the largest gains among specific property types involved upper midscale and upscale hotels with strong flags. Sales of assets in New York City also increased and established pricing benchmarks not seen elsewhere in the country. The resurgence of CMBS funding will drive additional deals in the city this year, while foreign capital seeking a safe haven will also enlarge the pool of potential buyers. Also, a thin construction pipeline will continue to whet interest in hotels in the Philadelphia metro, and properties in Pittsburgh will also garner interest due to that market's multiple demand drivers. Interest in hotels serving the Marcellus Shale may waver, although the decommissioning of drilling rigs there has not been as extensive as other areas of the country due to a considerable focus on natural gas extraction. The performance of hotels in the region may withstand the most adverse effects of plunging oil prices.

2015 Market Outlook

- Supply Pipeline: Completions in the region will expand available rooms 2.4 percent this year, eclipsing the 1.5 percent pace in 2014. More than 22,000 rooms are under construction in the three states.
- Occupancy Outlook: An increase in completions will partly offset demand growth of 3.0 percent, resulting in a subdued 40-basis point rise in annual occupancy to 67.3 percent. A gain of 100 basis points occurred in 2014.
- ADR Outlook: Competition from new hotels will limit ADR growth to 3.1 percent in 2015, to $165.43. ADR rose nominally last year.
- RevPAR Outlook: RevPAR in the Northeast will advance 3.7 percent this year to $111.40, down from a 4.5 percent increase in 2014 as deliveries of new hotels accelerates.
- Investment Outlook: Many recently built properties in New York City have stabilized and may be positioned for sale during 2015 by owners seeking to recycle capital for new projects.

Market Forecast Occupancy: 40 bps ▲ ADR: 3.1% ▲ RevPAR: 3.7% ▲ Supply: 2.4% ▲ Demand: 3.0% ▲



North American Research & Forecast Report

INDUSTRIAL MARKET OUTLOOK

Q1 2015

Industrial Market Shrugs Off Economic Slowdown to Post Strong Quarter

Pete Culliney Director of Research | Global Thomas Galvin Regional Research Analyst | Research Services

Key Takeaways

- The North American industrial vacancy rate declined by 15 basis points (bps) to 6.7% in Q1 2015. In the U.S., the vacancy rate fell for the 21st straight quarter, down 15 bps to 7.0%. In Canada, the vacancy rate decreased by 10 bps to 3.8%.
- Net absorption in North America was strong once again in Q1, totaling 63.1 million square feet (MSF), among the highest levels of quarterly absorption post-recession. U.S. absorption in the quarter was 58.6 MSF, up 21.4% year-over-year.
- Healthy occupier demand and the need for modern industrial space led to an upswing in construction in both the U.S. and Canada. 52.0 MSF was added to the industrial base in the first quarter, comprising 49.7 MSF in the U.S. and 2.3 MSF in Canada. In many markets, a growing supply is needed given the rate of expansion in the economy, pent-up industrial demand and tightening market conditions.
- The positive absorption and tightening market conditions in several key markets are pushing up industrial rents. The average U.S. asking rent for warehouse buildings rose to $5.16/SF NNN in Q1, up 2.2% quarter-over-quarter. Currently, average asking rents are 13.9% higher than the market bottom reached in Q3 2011.
- Some markets are seeing outsized increases in asking rents. For example, the average asking rent for warehouse space in Q1 was up significantly year-over-year in the following markets: Oakland (25.6%), San Jose – Silicon Valley (24.6%), Denver (19.2%) and Detroit (16.9%). Bulk asking rents were up year-over-year in Waterloo Region, Ontario (24.3%); Miami (23.6%), Denver (18.5%) and Nashville (16.0%). Markets where flex/service asking rents were up year-over-year in Q1 include: San Francisco Peninsula (43.3%), Miami (20.7%), Ottawa (17.6%), Chicago (16.1%), San Diego (15.6%) and Cincinnati (15.5%).
- The results of Colliers' North American Q1 survey were decidedly optimistic, particularly in the U.S. More than three times as many markets said they expected tenants in their markets to expand as opposed to contract in the upcoming quarter. The U.S. results were even more buoyant, as 39.1% expected to see expansion while only 10.1% expected contraction in Q2. Along those lines, 66.7% of U.S. respondents forecast declining vacancy rates and 59.4% forecast rent increases, as opposed to 8.7% that see vacancy rates increasing and zero percent that forecast rents to decline.
- Led by a handful of large portfolio sales, including Blackstone's $8.1 billion sale of its IndCor Properties unit to the Government of Singapore, North American transaction volume hit a record high of $17.5 billion in Q1 2015. The bulk of the volume, $17.2 billion, came from the U.S. while volume in Canada was $329.1 million.

Market Indicators
Relative to prior period

	U.S. Q1 2015	U.S. Q2 2015*	CANADA Q1 2015	CANADA Q2 2015*
VACANCY	↓	↓	↓	↔
NET ABSORPTION	+	+	+	+
CONSTRUCTION	↑	↑	↑	↔
RENTAL RATE**	↓	↑	↓	↔

* Projected, relative to prior period
** Warehouse rents

Summary Statistics, Q1 2015
North America Industrial Market

	U.S.	CANADA	NORTH AMERICA
Vacancy Rate	7.0%	3.8%	6.7%
Change from Q4 2014 (Basis Points)	-15	-10	-15
Absorption (Million Square Feet)	58.6	4.5	63.1
New Supply (Million Square Feet)	49.7	2.3	52.0
Under Construction (Million Square Feet)	147.9	18.4	166.3
ASKING RENTS (USD/CAD) PER SQUARE FOOT PER YEAR			
Average Warehouse/ Distribution Center	$5.16	$8.10	$5.61
Change from Q4 2014	2.2%	2.5%	2.2%

United States | Industrial Survey | Inventory, New Supply, Under Construction

MARKET	EXISTING INVENTORY (SF) MAR 31, 2015	SPECULATIVE NEW SUPPLY Q1 2015 (SF)	TOTAL NEW SUPPLY Q1 2015 (SF)	SPECULATIVE CURRENTLY UNDER CONSTRUCTION (SF)	TOTAL CURRENTLY UNDER CONSTRUCTION (SF)
NORTHEAST					
Baltimore, MD	228,860,908	0	1,340,886	0	0
Boston, MA	171,920,380	0	386,000	0	1,061,855
Hartford, CT	95,613,351	0	0	0	0
Long Island, NY	156,509,325	70,000	70,000	52,000	52,000
New Hampshire	61,542,042	0	0	0	0
New Jersey - Central	316,057,362	0	0	1,961,732	2,217,307
New Jersey - Northern	369,591,579	144,000	144,000	1,040,846	1,380,846
Philadelphia, PA	419,380,533	1,541,724	2,208,016	3,975,372	6,456,525
Pittsburgh, PA	176,181,726	246,522	691,522	85,000	85,000
Washington, DC	272,845,343	223,949	347,949	2,923,316	3,408,007
Northeast Total	**2,268,502,549**	**2,226,195**	**5,188,373**	**10,038,266**	**14,661,540**
SOUTH					
Atlanta, GA	624,137,665	195,180	1,588,172	10,178,744	18,099,209
Birmingham, AL	106,954,299	0	0	0	190,000
Charleston, SC	33,369,960	273,000	273,000	500,720	500,720
Charlotte, NC	335,057,782	0	230,300	0	3,073,410
Columbia, SC	76,720,876	0	0	252,500	327,500
Dallas-Ft. Worth, TX	751,978,986	4,181,300	6,266,211	2,758,348	14,463,093
Ft. Lauderdale-Broward, FL	110,459,916	116,667	116,667	0	0
Greenville/Spartanburg, SC	185,296,080	716,000	716,000	156,000	156,000
Houston, TX	502,022,060	3,127,949	3,970,949	5,032,858	5,982,858
Huntsville, AL	54,828,183	0	0	62,366	62,366
Jacksonville, FL	122,834,104	5,000	5,000	70,300	878,312
Little Rock, AR	45,275,910	0	0	0	0
Louisville, KY	175,967,398	0	1,095,336	0	1,437,162
Memphis, TN	227,548,638	0	342,144	1,651,956	2,951,956
Miami, FL	211,486,198	757,034	757,034	0	0
Nashville, TN	187,815,622	0	92,000	595,000	2,317,817
Norfolk, VA	100,435,468	24,300	24,300	0	605,000
Orlando, FL	134,278,233	135,675	135,675	233,720	233,720
Raleigh, NC	111,765,172	0	14,000	0	533,172
Richmond, VA	113,219,652	129,660	379,660	23,000	64,000
Savannah, GA	45,579,700	232,000	267,400	645,185	1,670,585
Tampa Bay, FL	201,000,509	0	0	0	281,000
West Palm Beach, FL	50,311,978	745,634	745,634	0	0
South Total	**4,508,344,389**	**10,639,399**	**17,019,482**	**22,160,697**	**53,827,880**

United States | Industrial Survey | Absorption, Vacancy

MARKET	ABSORPTION Q1 2015 (SF)	VACANCY RATE DEC 31, 2014	VACANCY RATE MAR 31, 2015	QUARTERLY CHANGE IN VACANCY
NORTHEAST				
Baltimore, MD	1,168,895	9.1%	9.1%	0.0%
Boston, MA	-26,972	17.8%	18.0%	0.2%
Hartford, CT	-552,006	8.4%	8.9%	0.6%
Long Island, NY	43,189	4.8%	4.8%	0.0%
New Hampshire	-263,432	8.4%	8.8%	0.4%
New Jersey - Central	1,438,368	8.1%	7.6%	-0.5%
New Jersey - Northern	3,461,022	8.0%	7.1%	-0.9%
Philadelphia, PA	1,260,623	8.6%	8.8%	0.2%
Pittsburgh, PA	755,183	7.5%	7.4%	-0.1%
Washington, DC	68,462	9.8%	9.8%	0.0%
Northeast Total	**7,353,332**	**8.9%**	**8.8%**	**-0.1%**
SOUTH				
Atlanta, GA	3,731,664	9.0%	8.6%	-0.4%
Birmingham, AL	275,423	10.2%	10.0%	-0.3%
Charleston, SC	601,627	7.3%	6.2%	-1.0%
Charlotte, NC	970,950	10.6%	10.4%	-0.2%
Columbia, SC	214,010	9.1%	8.9%	-0.3%
Dallas-Ft. Worth, TX	3,027,905	7.8%	8.0%	0.2%
Ft. Lauderdale-Broward, FL	297,181	7.4%	7.2%	-0.2%
Greenville/Spartanburg, SC	-353,063	7.3%	7.8%	0.5%
Houston, TX	3,773,225	4.9%	4.8%	-0.1%
Huntsville, AL	-258,250	8.0%	8.5%	0.5%
Jacksonville, FL	-281,551	7.8%	8.1%	0.2%
Little Rock, AR	393,161	11.8%	10.8%	-0.9%
Louisville, KY	-289,517	6.3%	6.8%	0.5%
Memphis, TN	602,115	12.1%	11.8%	-0.3%
Miami, FL	1,551,039	5.7%	5.4%	-0.3%
Nashville, TN	1,097,009	7.3%	6.8%	-0.5%
Norfolk, VA	347,547	8.2%	7.8%	-0.3%
Orlando, FL	939,440	8.9%	8.4%	-0.5%
Raleigh, NC	273,319	8.4%	8.2%	-0.2%
Richmond, VA	407,395	8.0%	7.9%	-0.1%
Savannah, GA	355,762	5.5%	5.2%	-0.2%
Tampa Bay, FL	1,027,398	8.6%	8.0%	-0.6%
West Palm Beach, FL	445,908	5.4%	5.9%	0.5%
South Total	**19,149,697**	**8.0%**	**7.9%**	**-0.1%**

United States | Industrial Survey | Average Asking NNN Rents As Of Mar 2015

MARKET	WAREHOUSE / DISTRIBUTION SPACE (USD/SF/YR)	BULK SPACE (USD/SF/YR)	FLEX SERVICE SPACE (USD/SF/YR)	TECH / R&D SPACE (USD/SF/YR)
NORTHEAST				
Baltimore, MD	$4.69	$4.69	$10.59	N/A
Boston, MA	$6.23	$5.90	$7.57	$12.28
Hartford, CT	$3.89	$5.88	$7.89	$6.50
Long Island, NY	$9.46	$9.46	$15.89	N/A
New Hampshire	$5.18	N/A	$5.56	$8.31
New Jersey - Central	$4.95	$4.39	$11.73	N/A
New Jersey - Northern	$6.06	$5.55	$9.68	N/A
Philadelphia, PA	$4.35	$4.26	$7.50	$11.25
Pittsburgh, PA	$4.74	$4.74	$12.21	$12.21
Washington, DC	$7.08	$6.04	$11.86	$13.49
Northeast Average*	**$5.66**	**$5.66**	**$10.05**	**$10.67**
SOUTH				
Atlanta, GA	$3.44	$3.15	$7.84	$11.04
Birmingham, AL	$4.12	$3.45	$6.47	N/A
Charleston, SC	$4.19	$4.53	$9.65	N/A
Charlotte, NC	$3.69	$3.63	$8.06	N/A
Columbia, SC	$3.16	$3.21	$8.24	N/A
Dallas-Ft. Worth, TX	$3.45	$2.90	$7.50	$8.95
Ft. Lauderdale-Broward, FL	$7.46	$6.40	$11.30	$6.77
Greenville/Spartanburg, SC	$3.39	$3.52	$7.75	N/A
Houston, TX	$6.15	$4.65	$11.57	$12.16
Huntsville, AL	$4.67	$5.36	$5.71	N/A
Jacksonville, FL	$3.84	$3.96	$9.20	N/A
Little Rock, AR	$3.71	$3.12	$6.41	N/A
Louisville, KY	$3.64	$3.68	$6.36	N/A
Memphis, TN	$2.51	$2.72	$5.08	$9.75
Miami, FL	$9.07	$8.23	$13.32	$14.89
Nashville, TN	$4.61	$3.27	$8.13	$7.53
Norfolk, VA	$4.66	$4.28	$8.09	$10.35
Orlando, FL	$4.83	$4.64	$9.39	$9.10
Raleigh, NC	$4.29	$4.89	$10.51	N/A
Richmond, VA	$3.93	$3.81	$8.10	$9.98
Savannah, GA	$3.95	$3.75	$7.00	$10.00
Tampa Bay, FL	$4.33	$4.28	$8.03	$6.17
West Palm Beach, FL	$8.75	$7.14	$12.02	N/A
South Average*	**$4.60**	**$4.29**	**$8.51**	**$9.72**

* Straight averages used

Despite Q1 Slowdown, Office Market Still on Pace for Strong 2015

Andrea Cross National Office Research Manager | USA

Key Takeaways

> U.S. economic and job growth slowed in Q1 2015 due to poor weather conditions, weakness in the energy industry, and reduced exports. However, we believe that, similar to 2014, growth will strengthen during the rest of 2015, sustaining the office market's recovery.

> The North American vacancy rate was essentially flat, at 12.9% in Q1 2015, as the Canadian vacancy rate was up by a modest 19 basis points (bps) to 8.5%, while the vacancy rate in the much larger U.S. market was unchanged at 13.2%.

> North American office absorption slowed to 10.2 million square feet (MSF) in Q1 2015, with 10.3 MSF of positive absorption in the U.S. and slightly negative absorption in Canada. However, the real story this quarter was the virtual halt in U.S. CBD absorption, while nearly 10 MSF of absorption registered in the suburban market, in which the recovery has been gaining traction after lagging the CBD market coming out of the recession.

> The amount of office space under construction ticked down slightly in Q1 2015, as construction activity decreased in the U.S. for only the second time during the recovery. The 16.0 MSF of space that came online in the U.S. during the quarter was the largest amount since late 2009.

> Construction activity remains highly concentrated in a small number of markets, primarily those that have been leading the national economic and office market recoveries. The top ten markets accounted for 66.2 MSF, or 58%, of the 113.8 MSF of office space under way in the U.S. and Canada in Q1 2015, more than double these markets' 27% share of existing office inventory.

> Investor demand for U.S. and Canadian office properties from both domestic and foreign buyers is expected to remain robust through 2015. Relatively strong, improving market fundamentals, coupled with attractive yields compared with other investments should drive transaction volume in both gateway cities as well as the resurging secondary and suburban markets.

Market Indicators
Relative to prior period

	U.S. Q1 2015	U.S. Q2 2015*	CANADA Q1 2015	CANADA Q2 2015*
VACANCY	↔	↓	↑	↔
NET ABSORPTION	+	+	−	+
CONSTRUCTION	↓	↔	↓	↔
RENTAL RATE**	↑	↑	↑	↓

Note: Construction is the change in Under Construction.
*Projected
**Rental rates for current quarter are for CBD. Rent forecast is for metrowide rents.

Summary Statistics, Q1 2015
North America Office Market

	U.S.	CANADA	NORTH AMERICA
Vacancy Rate	13.2%	8.5%	12.9%
Change From Q4 2014 (Basis Points)	0.1%	0.2%	1.0%
Absorption (Million Square Feet)	10.3	0.0	10.2
New Construction (Million Square Feet)	16.0	1.0	17.0
Under Construction (Million Square Feet)	95.2	18.5	113.8
ASKING RENTS (USD/CAD) PER SQUARE FOOT PER YEAR			
Downtown Class A	$46.77	$50.65	
Change From Q4 2014	1.9%	1.8%	
Suburban Class A	$27.58	$32.29	
Change From Q4 2014	1.1%	-2.0%	

United States - Suburban - All Classes

MARKET	EXISTING INVENTORY (SF) MAR 31, 2015	NEW SUPPLY (SF) Q1 2015	UNDER CONSTRUCTION (SF)	VACANCY RATE DEC 31, 2014	VACANCY RATE MAR 31, 2015	ABSORPTION (SF) Q1 2015
NORTHEAST						
Baltimore, MD	89,395,621	123,170	0	11.8%	11.7%	244,249
Boston, MA	112,656,344	0	2,327,469	17.6%	16.7%	1,015,100
Fairfield County, CT	45,238,301	0	0	12.6%	13.6%	-449,046
Hartford, CT	12,784,662	0	0	12.1%	11.9%	23,031
Long Island, NY	74,180,761	0	20,000	10.3%	10.4%	-107,388
New Hampshire Markets	17,760,017	47,750	118,684	14.6%	15.2%	-179,732
New Jersey - Central	85,007,062	137,600	1,442,000	14.0%	13.8%	293,666
New Jersey - Northern	120,651,442	0	750,000	17.6%	18.2%	-700,323
Philadelphia, PA	102,796,968	0	576,400	14.6%	14.2%	374,800
Pittsburgh, PA	92,442,609	298,256	732,743	7.7%	7.8%	107,843
Washington, DC	289,600,131	183,000	4,395,955	17.5%	17.7%	-531,007
Westchester County, NY	41,752,438	85,000	0	13.5%	13.8%	-123,156
Northeast Total	**1,084,266,356**	**874,776**	**10,363,251**	**14.7%**	**14.8%**	**-31,963**
SOUTH						
Atlanta, GA	171,528,774	200,000	1,690,604	15.7%	15.5%	466,896
Austin, TX	58,971,855	381,973	2,054,315	9.6%	9.6%	294,454
Birmingham, AL	14,677,294	0	0	13.9%	14.8%	-126,480
Charleston, SC	9,964,419	80,000	135,000	12.1%	10.3%	247,864
Charlotte, NC	62,735,957	51,000	445,850	11.3%	11.0%	207,893
Columbia, SC	4,968,691	0	0	23.7%	23.4%	12,974
Dallas, TX	243,741,853	2,231,946	5,361,545	14.8%	15.0%	1,524,466
Ft. Lauderdale-Broward, FL	44,517,878	53,888	0	12.5%	13.0%	-183,486
Ft. Worth, TX	22,175,364	134,856	642,630	13.9%	13.8%	127,660
Greenville, SC	4,783,806	0	80,000	18.1%	17.8%	12,356
Houston, TX	175,947,118	3,513,131	12,991,246	12.0%	13.1%	1,345,140
Huntsville, AL	19,124,908	0	0	13.5%	13.1%	86,254
Jacksonville, FL	46,194,984	24,041	214,552	10.3%	10.1%	138,635
Little Rock, AR	7,560,738	0	0	11.8%	11.3%	2,691
Memphis, TN	27,595,311	248,464	610,000	14.2%	13.8%	306,630
Miami-Dade, FL	63,570,017	56,942	0	11.0%	11.1%	-53,784
Nashville, TN	15,460,159	0	0	3.7%	2.9%	30,488
Norfolk, VA	34,268,719	19,115	114,360	12.0%	12.1%	-32,688
Orlando, FL	54,619,255	0	60,000	13.4%	13.2%	148,879
Raleigh/Durham/ Chapel Hill, NC	67,768,631	250,000	1,246,254	10.8%	10.9%	274,744
Richmond, VA	35,215,863	129,000	253,658	10.4%	10.5%	19,457
Savannah, GA	1,394,498	0	0	20.4%	17.1%	60,052
Tampa Bay, FL	57,628,000	26,000	215,103	16.5%	15.9%	347,189
West Palm Beach/ Palm Beach County, FL	25,359,131	15,000	0	17.2%	17.0%	41,831
South Total	**1,269,773,223**	**7,415,356**	**26,115,117**	**13.2%**	**13.3%**	**5,300,115**

Marcus & Millichap

HospitalityResearch

National Report Quarterly Update

2015 Outlook

After Stellar 2014, U.S. Hotels Aiming for Encore in 2015

The U.S. hotel sector surges into 2015 riding robust economic growth that will raise occupancy, ADR and RevPAR above the lofty levels established last year. Room inventory will also rise through the rollout of new brands and expansions of existing flags, though supply growth is not yet a significant hindrance to achieving greater industrywide performance. Few signs have yet emerged of the indiscriminate and undisciplined development that characterized previous boom cycles and ultimately precipitated downturns in the industry. Despite an acceleration in completions, demand will continue to grow, and many economic indicators signal a continuing large contribution from business travelers. Elevated new orders for goods and services and a high level of manufactured goods shipments signal further growth and additional spending on travel. Consumers will continue to enjoy the benefits of inexpensive gas during 2015 and spend more freely on discretionary items, including trips that include a hotel stay. By one estimate, lower gas prices will save the average household $750 per year to spend on other items. An acceleration in wage growth from a subdued pace will also support additional spending.

The outperformance of the U.S. hotels relative to long-term trends will sustain a substantial infusion of debt and equity into the sector during 2015. For many hotel owners, the combination of climbing occupancy and vigorous daily rate growth will increase RevPARs and enhance prospects for transactions that meet pricing objectives. Select-service brands will likely remain at the top of investors' target lists this year as strong loyalty among travelers maintains elevated occupancy and revenues in these properties. Sourcing deals in primary markets will remain challenging, diverting capital to well-located hotels in secondary and even tertiary areas. In other segments, sales of upper upscale and luxury hotels rose last year, and the performance on the highest rungs of the chain-scale ladder has proved durable. Prospects for further improvements in occupancy and RevPAR loom as group travel strengthens. Additional transactions may occur as a result, led by rising interest among foreign investors. Debt providers, meanwhile, are abundant and motivated to gain marketshare for acquisition funding and refinancing. Generally, borrowing terms are amenable and similar to those in place prior to the downturn, though lenders remain selective regarding sponsorships.

National Outlook

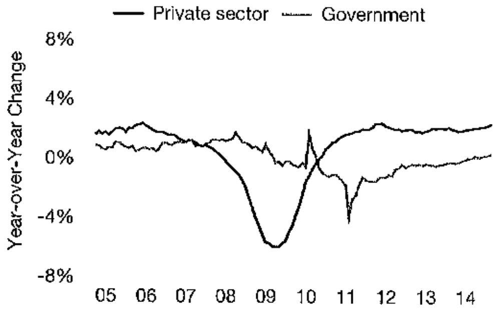
- U.S. Occupancy Rate Rises. Full-year occupancy will rise to one of the highest levels in 2015 since records started being kept. Group demand will gain momentum, supporting a 5.5 percent increase in the ADR. Annual RevPAR growth, meanwhile, will moderate to 6.8 percent this year as supply growth accelerates.
- National Economy Expands. Buoyed by greater optimism, U.S. employers will add more than 3.1 million workers in 2015, topping last year's total. Lower gas prices will lift consumer spending and contribute to robust hiring in many fields, including retail, distribution, food and beverage, and other service-providing businesses. In addition, the opening of new properties will expand hotel employment. Inflation, meanwhile, is moderate but may intensify with a rate increase by the Federal Reserve.
- Liquid Debt Markets. Conventional lenders are competing vigorously to provide debt for acquisitions and refinancing and, increasingly, are following borrowers into secondary and tertiary markets. For first-time buyers, though, the Small Business Administration's 7A and 504 programs remain common funding options.

	2014	2015*
Occupancy	64.4%	65.2%
Demand Growth	4.5%	2.5%
Supply Growth	0.9%	1.3%
Average Daily Rate	$115.32	$121.68
Annual Change	4.6%	5.5%
RevPAR	$74.28	$79.32
Annual Change	8.3%	6.8%
Revenue Growth	9.2%	8.1%

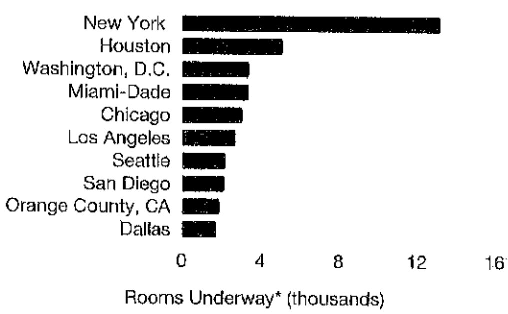
* Forecast

Sources: Marcus & Millichap Research Services, STR Inc.

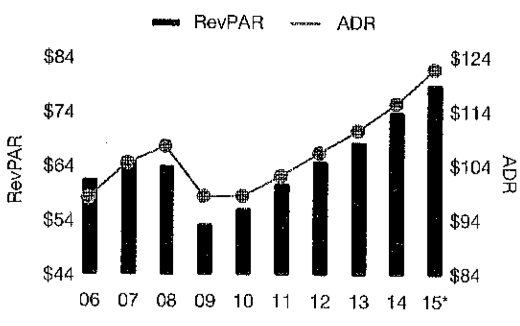
U.S. Employment Trends



Construction in Large Markets



Annual RevPAR & ADR Trends



* Forecast
Sources: Marcus & Millichap Research Services, BLS, Economy.com, STR, Inc.

National Economy

Vigorous economic growth lifted the performance of hotels nationwide in 2014, providing the sector a big push into 2015. Employers added the most jobs in any year since 1999 during 2014 and job growth was widespread, covering several employment sectors. Even government payrolls, which were a drag on the labor market prior to last year, expanded in 2014. Slack in the labor market tightened over the course of 2014 but did not translate into meaningful wage and salary growth. Nevertheless, consumer spending reached an all-time high and grew throughout 2014, and inexpensive gas prices greatly aided the increase. Low-priced gas will persist in 2015, potentially disrupting economic growth in oil-producing regions but providing an immense lift to the overall U.S. economy through greater spending on discretionary items such as travel. In fact, for every dollar that the price of gas drops, an additional $400 million per day flows into the U.S. economy through an increase in consumption. In addition to lower transportation and material costs for businesses related to inexpensive fuel, businesses entered 2015 optimistically. Small business confidence is near a post-recession high, and the number of private-sector job openings, excluding accommodations and food services, is at the highest level during this expansion.

Occupancy Trends

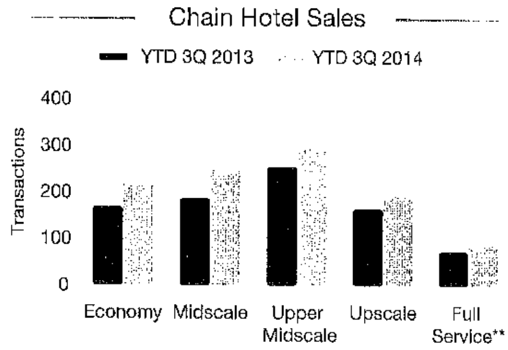
All of the 25 largest markets in the U.S. recorded higher occupancy last year behind demand growth of 4.9 percent, while rising room nights also drove occupancy higher in all other markets during the year. Following a sluggish start, the expanding U.S. economy drove outsize gains in occupied rooms over the second half of the 2014, culminating in a large 5.8 percent jump in December. Occupancy that month reached its highest level this century, nearing 53 percent. Additional growth in room demand will occur in 2015 as the economy expands and spending on travel increases. A rise in occupancy, though, will be muted by higher hotel construction. Nearly 120,000 rooms were rising nationwide at the end of last year, and a considerable portion are concentrated in a few major markets. To date, developers and construction lenders have practiced responsible development, adding stock primarily in those markets where multiple demand drivers exist and where a segment of room demand is unfulfilled. In New York City, for example, the addition of hundreds of rooms recently has liberated demand that was not previously served. Occupancy in the market ticked up last year despite a hefty 5.5 percent rise in available rooms. A continuation of the practice of building rooms in the markets most capable of absorbing them, including New York, will prolong the industry's current upswing.

Revenue Trends

Property owners across the nation leveraged higher daily rates and surging room demand to drive room revenue to a record level in 2014. Nationwide, ADR rose 4.6 percent, while RevPAR jumped 8.3 percent, reflecting substantial gains in the 25 largest markets. Nashville, with a 19 percent surge, was one of 12 of the top 25 markets to register double-digit RevPAR growth in 2014, more than twice the number of markets achieving that distinction in the prior year. Nationally, and in many markets including Nashville, RevPAR growth will moderate in 2015 as new properties are placed in service. Daily rates, however, will increase at a faster pace than in 2014. Similar to last year, when ADR growth accounted for most of the gain in room revenue, property owners will continue to employ greater pricing power, driving higher top-line growth without incurring additional occupancy-driven expenses. Generally, many property owners will enjoy greater leeway to raise rates, and many will gain added momentum in 2015 as corporate travel remains elevated and group demand gathers momentum. Starwood Hotels, for one, projected a double-digit percentage gain in group bookings for 2015, and other hotel companies were also tracking greater group volume during the year.

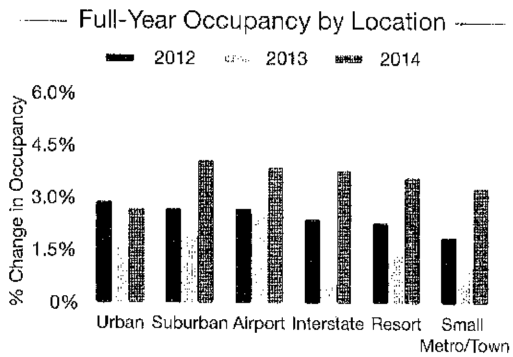
Investment Trends

The hotel investment market continued to expand in 2014 as investors broadened searches to encompass a greater number of properties in a wider array of markets. Flows of debt and equity intensified, fueling sizable gains in deals and dollar volume over the prior year. Collectively, flagged hotels accounted for 66 percent of all U.S. hotel sales in 2014, marking a slight gain from one year earlier. Roughly 45 percent of deals involved economy and midscale brands. In these segments, lower prices provide a convenient entry point for small owners seeking to expand existing portfolios, and capital crossing over from other property types. The percentage of sales attributable to the select service tranche, comprising upper midscale and upscale brands, dipped slightly last year despite a rise in transactions. Investors' interest in this segment of the market remains largely undiminished, and bidding in 2015 in this tier of the market promises to be lively. In addition, the proliferation of third-party online booking and review sites continues to drive new business to independent hotels, lifting bottom lines and enhancing the appeal of these assets to investors. Recent soft-brand initiatives, including the Autograph collection and Curio create a potential avenue for established and well-located independents to become part of a brand's reservation system, potentially elevating a property's performance.



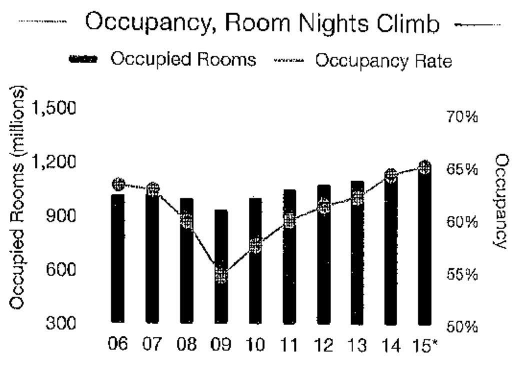
Hotel Sector Spotlight: Property Location

High rates and occupancy, and numerous sold-out nights, continue to drive guests unable to secure rooms in urban centers into suburban and airport locations. As a result, occupancy and RevPAR growth has picked up considerably over the past two years at hotels in these locations. Overall, the performance of properties in each of the industry's location segments improved notably during 2014, led by gains at airport hotels. Last year was the first since the recovery started in 2010 that airport occupancy topped occupancy at urban hotels. RevPAR also grew 9.7 percent, notably exceeding the 7.3 percent gain at urban inns. Airport hotels, while sporting high occupancy, continue to offer guests a significant price differential over urban accommodations and will lure a steady stream of travelers on modest budgets in the year ahead. The performance of lodging in suburban locations is also gaining momentum and will likely encourage greater interest among investors in the year ahead. RevPAR in the suburbs advanced 9.2 percent last year behind higher daily rates and is up 15 percent over the past two years. Hotels on interstates, meanwhile, continue to lag other locations. However, lower gas prices may encourage additional road trips in 2015 and provide a greater lift to the performance of these assets.



2015 National Forecast

Another year of strong occupancy, ADR and RevPAR gains are in store during 2015 for the U.S. hotel market. Business room demand remains a driving force for the industry, and forward-looking booking trends indicate that many businesses will increase travel throughout the year. Business-related group demand also continues to gain traction, and the locking up of room blocks for large gatherings will empower property owners to re-price their remaining rooms more aggressively. In addition to these factors, nearly 3 million Americans gained jobs last year, and many of these recent hires will gain paid vacation benefits during 2015. For the year, occupancy nationwide will rise 80 basis points to 65.2 percent. Room nights will climb 2.5 percent, marking a moderation from the robust 4.5 percent jump posted last year, when economic growth shifted into a higher gear. Available rooms will increase 1.3 percent, primarily through new property openings, but also from the re-openings of refurbished properties. While many secondary and tertiary markets will not be unduly affected by new supply, property re-openings will nonetheless expand available rooms in those markets. Nationwide, revenue measures will also continue to grow. ADR will advance 5.5 percent to $121.68 due to higher transient and group-related room demand and underpin a 6.8 percent jump in RevPAR.



* Forecast
** Upper upscale and luxury
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics, STR, Inc.

Marcus & Millichap

NATIONAL HOSPITALITY GROUP

Gregory LaBerge | National Director
National Hospitality Group
Tel: (630) 570-2200
glaberge@marcusmillichap.com

Capital Markets

By WILLIAM E. HUGHES, Senior Vice President, Marcus & Millichap Capital Corporation

- The Federal Reserve is widely expected to hike its short-term lending rate during 2015. An accumulation of positive economic trends during 2014, including an accelerating job market and faster pace of GDP growth, continue to point to an initial increase by the central bank by the middle of 2015. Against the backdrop of a rise in short-term interest rates during the year, lenders continue to warm to the hospitality sector.
- CMBS lenders are claiming a larger piece of marketshare and are competing intently with local, regional and large national banks to extend credit for hotel acquisitions and refinancing. Minimum loan thresholds start at $3 million, with rates beginning at roughly 200 basis points above the 10-year U.S. Treasury swap rate for top brands in the largest markets. Well-sponsored deals involving preferred brands in secondary and tertiary markets are also increasingly gaining favor as investors shift from major markets in search of higher yields. Terms are five or 10 years, and leverage does not exceed 70 percent.
- Local and regional banks will loan a maximum of $15 million for hotel transactions, while large national banks range up to $30 million. For balance sheet lenders, leverage on senior debt can reach 65 percent for the best transactions, though some lenders will stretch to 75 percent for best-in-class assets and top sponsorships. Cash-flowing assets elicit the greatest interest, while loan terms vary from three to seven years at rates generally ranging from 150 to 250 basis points above the corresponding U.S. Treasury yield or U.S. prime rate. Non-recourse financing is available for qualified borrowers and in select circumstances.

Recent Marcus & Millichap Transactions

Hotel Name	State	Rooms
Holiday Inn & Suites	FL	291
Dells Island Resort & Conference Center	WI	228
Ramada Hotel & Conference Center	PA	216
Radisson Hotel	MD	184
Baymont Inn & Suites	FL	162
Hampton Inn	FL	128
Hilton Garden Inn	IN	122
Courtyard by Marriott	AR	114
Holiday Inn	TX	109
Holiday Inn Express	PA	108
Ramada Inn	AZ	89
Holiday Inn Express	OH	81
Best Western Inn & Suites	TX	79
Comfort Inn & Suites	UT	78
Fairfield Inn & Suites	TX	62
TPC Piper Glen	NC	18
TPC Michigan	MI	18
Courtyard by Marriott	AL	92
Holiday Inn Express & Suites	TX	80
Country Inn & Suites	AZ	126
Holiday Inn Express Hotel & Suites	TX	109
Hotel Hermosa	CA	80
Springhill Suites	UT	72
Fairfield Inn & Suites	OH	95

Marcus & Millichap

Prepared and edited by
Art Gering | Senior Hospitality Analyst
Research Services

For information on additional research materials, contact
John Chang | First Vice President
Research Services
Tel: (602) 687-6700
john.chang@marcusmillichap.com

Price: $150

UNITED STATES | OVERVIEW CONT.

NATIONAL LEVEL STABILIZED CAPITALIZATION RATES (BY SECTION, CLASS AND/OR SEGMENT)

SECTION	CLASS/SEGMENT	H1 2014 (%)	H2 2014 (%)	BPS CHANGE	BPS 10-YEAR SPREAD TO TREAS.
OFFICE CBD	A	5.53	5.66	13	349
	B	6.91	7.21	30	504
	C	8.85	9.04	19	687
OFFICE SUBURBAN	A	6.63	6.47	-16	430
	B	7.81	7.67	-14	550
	C	9.30	9.22	-8	705
INDUSTRIAL	A	5.97	5.93	-4	376
	B	7.04	6.94	-10	477
	C	8.33	8.21	-12	604
RETAIL NEIGHBORHOOD/COMMUNITY CENTERS	A	5.93	5.86	-7	369
	B	7.14	6.99	-15	482
	C	8.72	8.42	-30	625
RETAIL POWER CENTERS	A	6.52	6.37	-15	420
	B	7.41	7.29	-12	512
	C	8.44	8.65	21	648
RETAIL HIGH STREET	A	4.64	4.59	-5	242
MULTIFAMILY INFILL	A	4.59	4.55	-4	238
	B	5.18	5.11	-7	294
	C	5.95	6.16	21	399
MULTIFAMILY SUBURBAN	A	5.30	5.23	-7	306
	B	5.82	5.73	-9	356
	C	6.75	6.63	-12	446
HOTELS CBD	ECONOMY	8.69	8.26	-43	609
	FULL SERVICE	7.54	7.32	-22	515
	LUXURY	6.66	6.50	-16	433
	SELECT SERVICE	7.88	7.64	-24	547
HOTELS SUBURBAN	ECONOMY	9.60	9.20	-40	703
	FULL SERVICE	8.14	7.78	-36	561
	LUXURY	7.35	6.66	-69	449
	SELECT SERVICE	8.32	8.04	-28	587

Sources: CBRE Cap Rate Survey; Federal Reserve for Treasury rates.

OFFICE CBD | EASTERN REGION

	CLASS A				CLASS B				CLASS C			
	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*
BALTIMORE	6.75 - 7.25	▲	7.00 - 7.50	▼	7.50 - 8.00	▼	8.00+	▼	8.50+	-	N/A	N/A
BOSTON	4.00 - 4.50	▼	6.00 - 7.00	▼	5.00 - 6.00	▼	7.00 - 9.00	▲	N/A	N/A	N/A	N/A
CHARLOTTE	6.00 - 6.50	▼	8.25 - 9.00	▲	6.75 - 7.25	▼	9.00 - 9.50	▲	8.00 - 8.50	▲	10.00+	-
NEW YORK	4.00 - 4.50	▼	5.00 - 6.00	▼	4.50 - 5.00	▼	5.50 - 6.50	▼	N/A	N/A	N/A	N/A
NORTHERN NEW JERSEY	5.50 - 6.00	N/A	6.50 - 7.00	-	6.50 - 7.00	N/A	7.50 - 8.00	N/A	8.00 - 8.50	N/A	9.00 - 9.50	N/A
PHILADELPHIA	6.50 - 7.00	▼	7.50 - 8.00	▼	7.25 - 7.75	▼	8.50 - 9.00	▼	8.25 - 8.75	▼	9.50 - 10.00	▼
PITTSBURGH	7.00 - 7.50	▼	9.00 - 10.00	▲	8.50 - 9.00	-	10.00 - 11.00	▲	11.00 - 12.00	▲	11.00 - 12.00	-
RALEIGH	6.00 - 7.50	▲	7.50 - 8.50	-	7.00 - 7.75	▼	8.50 - 9.50	-	8.00 - 8.50	▼	10.00 - 12.00	▲
STAMFORD	6.50 - 7.00	N/A	8.00 - 8.50	-	7.25 - 7.75	N/A	9.00 - 9.50	N/A	8.50 - 9.00	N/A	10.00 - 10.50	N/A
WASHINGTON, D.C.	4.50 - 5.50	-	N/A	N/A	5.75 - 6.50	▲	N/A	N/A	N/A	N/A	N/A	N/A

*Compared to H1 2014. Source: CBRE Research.

FORECAST TRENDS**

	CLASS A		CLASS B		CLASS C	
	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD
BALTIMORE	▼	▼	-	-	-	-
BOSTON	-	-	-	-	-	-
CHARLOTTE	▼	▼	▼	▼	-	-
NEW YORK	▼	▼	-	▼	N/A	N/A
NORTHERN NEW JERSEY	▼	▼	-	-	-	-
PHILADELPHIA	▼	▼	▼	▼	▼	▼
PITTSBURGH	-	-	-	-	-	-
RALEIGH	▼	▼	▼	▼	▼	▼
STAMFORD	-	-	-	-	-	-
WASHINGTON, D.C.	▼	-	-	-	-	-

▲ INCREASE ▼ DECREASE - REMAIN FLAT

**Forecast trends represent the CBRE professionals' opinion on where ratios are likely to trend in H1 2015 in their local market.

Source: CBRE Research.

MULTIFAMILY INFILL/URBAN | EASTERN REGION

	CLASS A				CLASS B				CLASS C			
	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*
BALTIMORE	4.50 - 5.00	▲	5.50 - 6.00	▲	5.25 - 5.75	-	6.50 - 7.25	▲	6.25+	▼	7.00 - 8.00	▲
BOSTON	4.00 - 4.50	-	5.50 - 6.00	▲	4.50 - 5.00	-	6.00 - 6.50	▲	N/A	N/A	6.25 - 6.75	▲
CHARLOTTE	4.50 - 5.00	▼	4.50 - 5.00	▼	5.00 - 5.50	▼	5.00 - 5.50	▼	5.50 - 6.00	▼	5.50 - 6.00	▼
NEW YORK	4.00 - 4.50	-	5.00 - 5.50	-	4.50 - 5.00	-	5.50 - 6.00	-	N/A	N/A	6.50 - 7.00	-
NORTHERN NEW JERSEY	4.00 - 4.50	N/A	5.00 - 5.50	N/A	4.50 - 5.00	N/A	5.50 - 6.00	N/A	N/A	N/A	N/A	N/A
PHILADELPHIA	5.00 - 5.50	▲	6.50 - 7.00	-	5.50 - 6.00	-	7.00 - 7.50	-	6.25 - 6.75	▼	7.50 - 8.00	-
PITTSBURGH	6.00 - 6.50	-	6.50 - 7.00	-	6.50 - 7.00	-	7.00 - 7.50	-	7.50 - 8.00	-	8.50 - 9.00	-
RALEIGH	4.50 - 5.25	-	5.00 - 5.25	-	5.25 - 5.50	▼	5.25 - 5.75	-	5.50 - 6.50	▼	5.75 - 6.75	▼
STAMFORD	4.50 - 5.00	N/A	5.50 - 6.00	N/A	5.50 - 6.00	N/A	6.00 - 6.50	N/A	N/A	N/A	N/A	N/A
WASHINGTON, D.C.	4.25 - 4.75	-	4.75 - 5.25	-	5.00 - 5.50	-	5.50 - 6.50	-	6.25 - 7.00	-	6.75 - 7.50	-

*Compared to H1 2014. Source: CBRE Research.

FORECAST TRENDS**

	CLASS A		CLASS B		CLASS C	
	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD
BALTIMORE	▼	▼	▼	▼	▼	▼
BOSTON	-	-	-	-	-	-
CHARLOTTE	-	-	-	-	-	-
NEW YORK	-	-	-	-	-	-
NORTHERN NEW JERSEY	-	-	▼	▼	N/A	N/A
PHILADELPHIA	-	-	-	-	-	-
PITTSBURGH	-	-	-	-	-	-
RALEIGH	-	-	-	-	-	-
STAMFORD	-	-	▼	▼	N/A	N/A
WASHINGTON, D.C.	-	-	-	-	-	-

▲ INCREASE ▼ DECREASE - REMAIN FLAT

** Forecast trends represent the CBRE professionals' opinion on where ratios are likely to trend in H1 2015 in their local market.

Source: CBRE Research.

MULTIFAMILY SUBURBAN | EASTERN REGION

	CLASS A				CLASS B				CLASS C			
	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*
BALTIMORE	5.00 - 5.50	▼	5.75 - 6.00	▼	5.50 - 6.00	▼	6.75 - 7.75	▲	6.25+	▼	7.75 - 8.75	▲
BOSTON	4.50 - 5.00	-	5.75 - 6.25	▲	5.00 - 5.50	-	6.50 - 7.00	▲	6.25 - 6.75	-	7.00 - 7.50	▼
CHARLOTTE	5.00 - 5.25	-	5.00 - 5.25	▼	5.25 - 5.75	-	5.25 - 5.75	▼	6.00 - 6.50	▼	6.00 - 6.50	▼
NORTHERN NEW JERSEY	4.75 - 5.25	N/A	5.75 - 6.25	N/A	5.50 - 6.00	N/A	6.50 - 7.00	N/A	N/A	N/A	N/A	N/A
PHILADELPHIA	5.00 - 5.50	-	6.50 - 7.00	-	5.75 - 6.25	-	7.00 - 7.50	-	6.25 - 7.00	-	7.50 - 8.00	-
PITTSBURGH	6.00 - 6.50	-	6.50 - 7.00	-	6.50 - 7.00	-	7.00 - 7.50	-	7.50 - 8.00	-	8.50 - 9.00	-
RALEIGH	5.00 - 5.25	-	5.25 - 5.50	-	5.25 - 6.00	▲	5.50 - 6.00	-	6.25 - 7.00	▼	6.50 - 7.50	▲
STAMFORD	5.50 - 6.00	N/A	6.25 - 6.75	N/A	6.50 - 7.00	N/A	7.00 - 7.50	N/A	N/A	N/A	N/A	N/A
WASHINGTON, D.C.	4.75 - 5.75	-	5.25 - 5.75	-	5.75 - 6.25	-	6.00 - 6.50	-	6.50 - 7.50	-	6.75 - 7.75	-

*Compared to H1 2014. Source: CBRE Research.

FORECAST TRENDS**

	CLASS A		CLASS B		CLASS C	
	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD
BALTIMORE	▼	▼	▼	▼	▼	▼
BOSTON	-	-	-	-	-	-
CHARLOTTE	-	-	-	-	-	-
NORTHERN NEW JERSEY	▼	▼	▼	▼	N/A	N/A
PHILADELPHIA	-	-	-	-	-	-
PITTSBURGH	-	-	-	-	-	-
RALEIGH	-	-	-	-	-	-
STAMFORD	▼	▼	▼	▼	N/A	N/A
WASHINGTON, D.C.	-	-	-	-	-	-

▲ INCREASE ▼ DECREASE - REMAIN FLAT

** Forecast trends represent the CBRE professionals' opinion on where ratios are likely to trend in H1 2015 in their local market.

Source: CBRE Research.

RETAIL NEIGHBORHOOD/COMMUNITY CENTER (GROCERY ANCHORED) | EASTERN REGION

	CLASS A				CLASS B				CLASS C			
	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*
BALTIMORE	6.00 - 6.50	-	6.50 - 7.00	▼	6.50 - 7.25	▼	7.00 - 7.75	▼	7.25 - 8.50	▼	7.75 - 9.00	▼
BOSTON	5.00 - 6.00	-	6.75 - 7.25	▲	6.25 - 6.75	▼	7.50 - 9.00	▲	7.00 - 7.75	▼	N/A	N/A
CHARLOTTE	5.50 - 6.25	▼	6.75 - 7.50	▼	6.50 - 7.25	▼	7.50 - 8.50	▼	8.00 - 9.00	▼	9.00 - 10.00	-
NORTHERN NEW JERSEY	5.25 - 6.00	N/A	6.50 - 7.00	N/A	6.25 - 7.00	N/A	7.50 - 8.00	N/A	N/A	N/A	N/A	N/A
PHILADELPHIA	5.50 - 6.00	▼	6.50 - 7.25	▼	6.50 - 7.00	▼	7.50 - 8.25	▼	7.00 - 7.50	▼	8.50 - 9.25	▼
PITTSBURGH	6.50 - 7.25	-	8.00 - 8.50	-	6.75 - 7.75	-	9.00 - 10.00	-	9.50 - 10.50	-	11.00 - 12.00	-
RALEIGH	5.50 - 6.25	▼	6.75 - 7.50	▼	6.50 - 7.25	▼	7.50 - 8.50	▼	8.00 - 9.00	▼	9.00 - 10.00	-
STAMFORD	5.25 - 6.00	N/A	6.50 - 7.00	N/A	6.25 - 7.00	N/A	7.50 - 8.00	N/A	N/A	N/A	N/A	N/A
WASHINGTON, D.C.	5.00 - 6.00	-	6.00 - 7.00	▼	6.25 - 7.25	▲	7.50 - 8.50	-	7.50 - 8.50	▲	9.50 - 10.50	▲

*Compared to H1 2014. Source: CBRE Research.

FORECAST TRENDS**

	CLASS A		CLASS B		CLASS C	
	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD
BALTIMORE	-	-	-	-	-	-
BOSTON	-	-	▼	-	-	-
CHARLOTTE	-	-	-	-	▼	▼
NORTHERN NEW JERSEY	▼	▼	▼	▼	-	-
PHILADELPHIA	-	-	▼	▼	▼	▼
PITTSBURGH	-	-	-	-	-	-
RALEIGH	-	-	-	-	▼	▼
STAMFORD	▼	▼	▼	▼	N/A	N/A
WASHINGTON, D.C.	-	▼	▲	▲	▲	▲

▲ INCREASE ▼ DECREASE - REMAIN FLAT

**Forecast trends represent the CBRE professionals' opinion on where ratios are likely to trend in H1 2015 in their local market.

Source: CBRE Research.

RETAIL POWER CENTER | EASTERN REGION

	CLASS A				CLASS B				CLASS C			
	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*
BALTIMORE	6.00 - 6.25	▼	6.50 - 6.75	▼	6.25 - 7.50	▼	6.75 - 8.00	▼	7.50 - 9.00	▼	8.00 - 9.50	▼
BOSTON	6.25 - 6.75	-	7.50 - 8.00	▲	7.25 - 8.25	▲	8.00 - 10.00	▲	8.50 - 9.50	▲	N/A	N/A
CHARLOTTE	6.25 - 6.75	▼	7.50 - 8.00	▼	7.00 - 7.50	▼	8.25 - 8.75	-	7.75 - 8.50	▲	9.00 - 11.00	-
NORTHERN NEW JERSEY	5.75 - 6.25	N/A	6.75 - 7.25	N/A	6.25 - 7.00	N/A	7.50 - 8.00	N/A	N/A	N/A	N/A	N/A
PHILADELPHIA	6.25 - 6.75	▲	7.25 - 7.75	▼	6.75 - 7.25	▼	7.75 - 8.25	▼	7.25 - 7.75	▼	8.75 - 9.25	▼
PITTSBURGH	6.50 - 7.25	-	8.00 - 8.50	-	7.50 - 8.25	-	9.00 - 10.00	-	11.00 - 12.00	-	11.00 - 12.00	▼
RALEIGH	6.25 - 6.75	▼	7.50 - 8.00	▼	7.00 - 7.50	▼	8.25 - 8.75	-	7.75 - 8.50	-	9.00 - 11.00	-
STAMFORD	5.75 - 6.25	N/A	6.75 - 7.25	N/A	6.25 - 7.00	N/A	7.50 - 8.00	N/A	N/A	N/A	N/A	N/A
WASHINGTON, D.C.	5.75 - 6.75	▲	7.25 - 8.25	▼	6.75 - 7.75	▲	8.50 - 9.50	▼	7.50 - 8.50	▲	10.50 - 11.50	▲

*Compared to H1 2014. Source: CBRE Research.

FORECAST TRENDS**

	CLASS A		CLASS B		CLASS C	
	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD
BALTIMORE	-	-	-	-	-	-
BOSTON	-	-	-	-	-	-
CHARLOTTE	-	-	-	-	▼	▼
NORTHERN NEW JERSEY	▼	▼	▼	▼	N/A	N/A
PHILADELPHIA	-	-	▲	▲	▲	▲
PITTSBURGH	▼	-	-	-	-	-
RALEIGH	-	-	-	-	▼	▼
STAMFORD	▼	▼	▼	▼	N/A	N/A
WASHINGTON, D.C.	-	-	▲	▲	▲	▲

▲ INCREASE ▼ DECREASE - REMAIN FLAT

** Forecast trends represent the CBRE professionals' opinion on where ratios are likely to trend in H1 2015 in their local market.

Source: CBRE Research.

INDUSTRIAL | MIDWESTERN REGION

	CLASS A				CLASS B				CLASS C			
	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*	STABILIZED CAP RATES (%)	DIRECTION*	RETURN ON COST FOR VALUE-ADD (%)	DIRECTION*
CHICAGO	5.00 - 5.25	▼	6.50 - 7.00	▼	6.75 - 7.25	▼	7.25 - 7.75	▼	8.00 - 9.00	▲	9.00 - 11.00	▼
CINCINNATI	6.25 - 6.75	-	8.00 - 8.50	▲	7.25 - 7.75	▲	8.50 - 9.50	▲	9.00 - 9.50	▼	9.50 - 10.50	▼
CLEVELAND	6.75 - 7.50	▲	N/A	N/A	7.50 - 8.50	-	N/A	N/A	8.50 - 10.00	-	N/A	N/A
COLUMBUS	6.25 - 6.75	-	7.75 - 9.00	-	7.25 - 7.75	-	8.75 - 9.50	-	9.50 - 10.50	-	10.75 - 12.00	-
DETROIT	7.25 - 8.00	▲	7.00 - 8.00	▲	8.00 - 9.00	-	8.00 - 9.00	▲	9.25 - 10.75	▲	10.00 - 12.00	-
INDIANAPOLIS	5.75 - 6.25	-	6.50 - 7.00	▼	7.25 - 7.75	▼	8.50 - 9.00	▲	8.50 - 9.00	▼	9.50 - 10.00	▲
KANSAS CITY	6.50 - 6.75	▲	7.50 - 8.25	▼	7.25 - 7.75	▼	8.50 - 9.25	▼	8.50 - 9.25	▼	9.50 - 11.50	▼
MINNEAPOLIS	6.00 - 6.50	-	6.75 - 7.25	▼	7.25 - 7.75	▼	8.00 - 8.50	▼	9.00 - 9.50	-	9.50 - 10.00	▼
ST. LOUIS	6.25 - 6.75	▲	N/A	N/A	6.50 - 6.75	▼	N/A	N/A	10.00+	▲	N/A	N/A

*Compared to H1 2014. Source: CBRE Research.

FORECAST TRENDS**

	CLASS A		CLASS B		CLASS C	
	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD	STABILIZED CAP RATES	RETURN ON COST FOR VALUE-ADD
CHICAGO	▼	▼	▼	-	-	-
CINCINNATI	-	-	▼	▼	-	-
CLEVELAND	▼	▼	-	-	-	-
COLUMBUS	-	-	-	-	-	-
DETROIT	-	▼	-	▼	-	▼
INDIANAPOLIS	▼	▼	▼	▼	▼	▼
KANSAS CITY	▼	▼	▼	▼	▼	▼
MINNEAPOLIS	-	▼	▼	▼	▼	▼
ST. LOUIS	-	-	▼	-	-	-

▲ INCREASE ▼ DECREASE - REMAIN FLAT

**Forecast trends represent the CBRE professionals' opinion on where ratios are likely to trend in H1 2015 in their local market.

Source: CBRE Research.

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HOTELS | EASTERN REGION

	LUXURY				FULL SERVICE				SELECT				ECONOMY			
	CBD STABILIZED CAP RATES (%)	DIRECTION*	SUBURBAN STABILIZED CAP RATES (%)	DIRECTION*	CBD STABILIZED CAP RATES (%)	DIRECTION*	SUBURBAN STABILIZED CAP RATES (%)	DIRECTION*	CBD STABILIZED CAP RATES (%)	DIRECTION*	SUBURBAN STABILIZED CAP RATES (%)	DIRECTION*	CBD STABILIZED CAP RATES (%)	DIRECTION*	SUBURBAN STABILIZED CAP RATES (%)	DIRECTION*
BALTIMORE	7.00 - 8.00	▼	7.00 - 8.00	▼	7.00 - 8.00	▼	7.50 - 8.50	▼	7.50 - 8.50	▼	8.00 - 9.00	▼	8.00 - 9.00	▼	8.50 - 9.50	▼
BOSTON	5.00 - 6.00	-	N/A	N/A	6.00 - 7.00	-	6.00 - 7.00	▼	7.00 - 7.75	-	7.50 - 8.75	-	N/A	N/A	10.00 - 13.00	-
CHARLOTTE	7.00 - 8.00	-	7.00 - 8.00	-	7.50 - 8.00	▼	8.00 - 9.00	-	7.50 - 8.00	▼	7.50 - 8.00	▼	8.00 - 9.00	▼	8.00 - 9.00	▼
NEW YORK	3.50 - 5.00	▼	5.50 - 7.00	▲	5.00 - 6.00	▼	6.00 - 7.75	▼	5.25 - 7.00	▼	7.00 - 8.50	▲	6.25 - 7.50	▼	8.00 - 10.00	-
PHILADELPHIA	5.75 - 6.25	▼	6.25 - 6.75	-	6.50 - 7.00	-	7.25 - 7.75	-	7.00 - 8.00	-	7.75 - 8.25	-	8.75 - 9.25	-	9.50 - 10.00	-
PITTSBURGH	7.00 - 8.00	▲	7.00 - 8.00	▼	7.50 - 8.50	-	7.50 - 8.50	▼	8.00 - 9.00	▲	7.50 - 8.50	▼	8.50 - 9.50	▼	8.50 - 9.50	▼
WASHINGTON, D.C.	5.25 - 5.75	▼	6.50 - 7.50	▲	6.00 - 7.00	▼	7.00 - 8.00	▼	6.50 - 7.50	▼	7.00 - 8.00	▼	7.50 - 8.50	▼	7.50 - 8.50	▼

*Compared to H1 2014. Source: CBRE Research.

FORECAST TRENDS**

	LUXURY		FULL SERVICE		SELECT		ECONOMY	
	CBD STABILIZED CAP RATES	SUBURBAN STABILIZED CAP RATES	CBD STABILIZED CAP RATES	SUBURBAN STABILIZED CAP RATES	CBD STABILIZED CAP RATES	SUBURBAN STABILIZED CAP RATES	CBD STABILIZED CAP RATES	SUBURBAN STABILIZED CAP RATES
BALTIMORE	-	-	-	-	-	-	-	-
BOSTON	-	-	-	▲	▼	▼	-	-
CHARLOTTE	▼	▼	▼	▼	▼	▼	-	-
NEW YORK	-	-	-	-	-	-	-	-
PHILADELPHIA	-	-	-	-	-	▼	-	▼
PITTSBURGH	-	-	-	-	-	-	-	-
WASHINGTON, D.C.	▼	▼	-	▼	-	-	-	-

▲ INCREASE ▼ DECREASE - REMAIN FLAT

**Forecast trends represent the CBRE professionals' opinion on where ratios are likely to trend in H1 2015 in their local market.
Source: CBRE Research.

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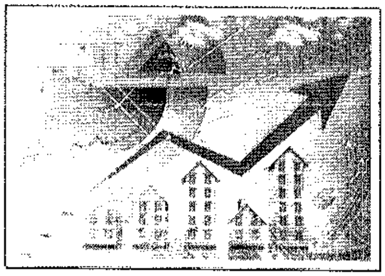
Q2 2014 Cap Rate Trends



Q2 2014 Cap Rate Trends

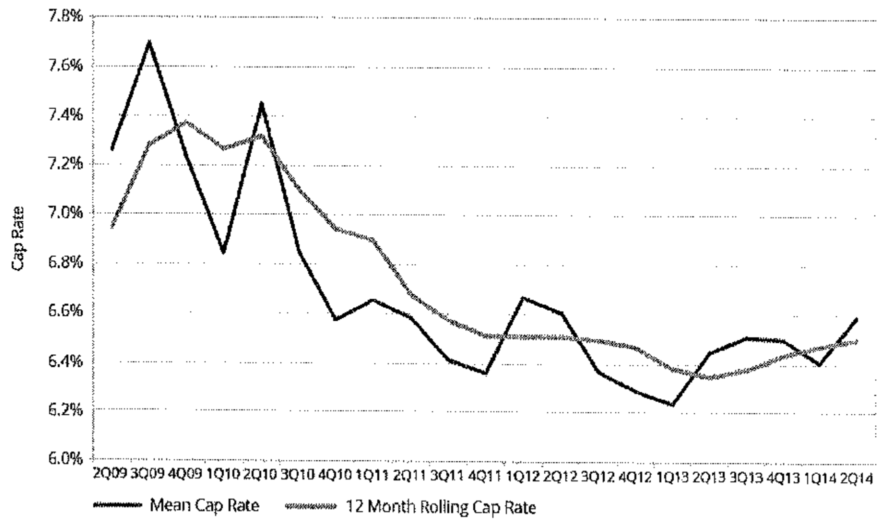
by Ryan Severino on October 10, 2014

Apartment Cap Rate Trends

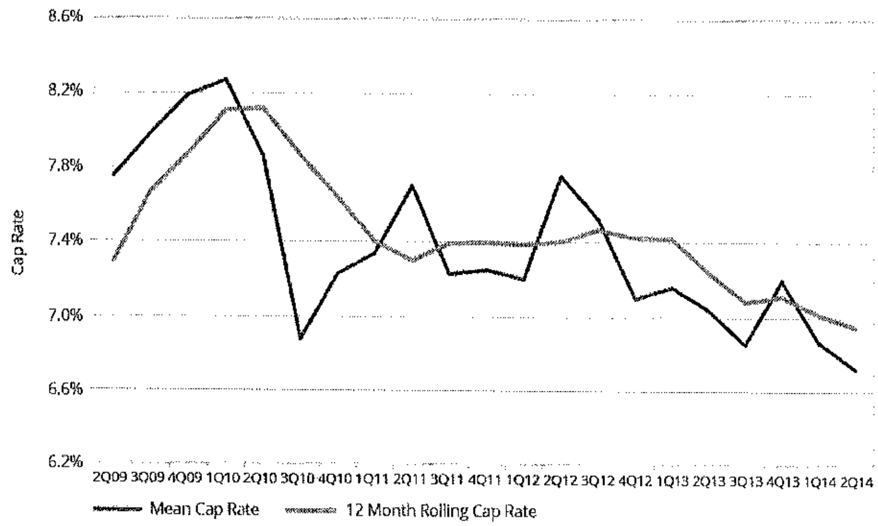
The mean cap rate increased by 20 basis points during the second quarter to 6.6%. The mean cap rate is now on a bit of an upswing after bottoming out at 6.2% during the first quarter of 2013. Although the mean cap rate has fluctuated slightly since that time, an increase of 40 basis points is not insignificant. Moreover, if we look at the 12-month rolling cap rate, this also indicates that cap rates in the market have bottomed out and are trending upward. The 12-month rolling cap rate was virtually unchanged at 6.5%. Does this mean that pricing in the apartment sector is reversing course? Not really. What has occurred over the last year and a half is that the composition of properties that are changing hands has shifted slightly. Over time, a wider swath of the market has been trading hands – more deals of lower quality and more deals in secondary markets are occurring. Because these deals trade at somewhat higher cap rates the affect is to pull up overall market cap rates. However, cap rates on the highest-quality deals are still changing hands at incredibly low cap rates so there is no respite there. So in a counterintuitive way, market cap rates are actually rising because good deals are so heady, forcing investors chasing yield into further reaches of the market. Once this expansion is complete, expect overall market cap rates to drift lower again as pricing for those other deals heats up too.

Office Cap Rate Trends

During the second quarter, the mean office cap rate decreased by roughly 20 basis points to 6.7%. Once again, the office market reached a new post-recession low for cap rates. The mean office cap rate is now roughly 160 basis points below its cyclical high of 8.3% which was attained during the first quarter of 2010 just after the economy began to recover. Unlike the apartment market, transactions in the office market remain rather concentrated in a small number of key markets. As demand for assets in these markets remains robust, pricing continues to increase putting downward pressure on cap rates. There remains relatively little interest in lower-quality deals and secondary markets these days, although some rumblings about those properties occurs from time to time. But it is mostly just chatter and not any meaningful change. Although we ultimately expect transaction activity to spread to a greater number of markets that is going to take some time to occur. For now, with the recovery in office-using employment remaining concentrated in a few key industries, do not expect the composition of office properties that are trading to change much in the near-term. That will

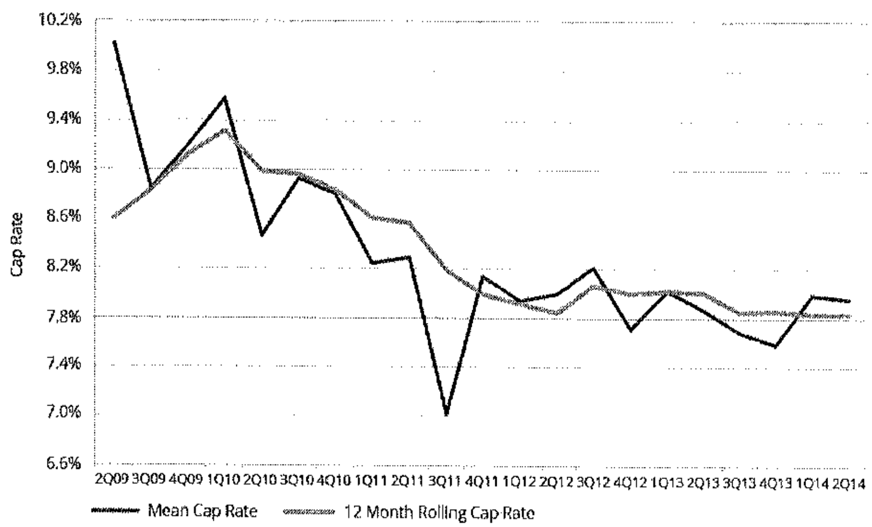


mean continued downward pressure on cap rates over the next few years, at a minimum. And as the economy heats up, the office sector will become a more favored property type by investors.



Retail Cap Rate Trends

The mean retail cap rate during the second quarter was largely unchanged, hovering around 8%. The mean cap rate has skipped off the bottom that it reached during the fourth quarter of last year. This marks a reversal of the trend in retail cap rates since they began recovering in mid-2010. However, a note of caution is necessary – yes cap rates are up a bit but only over the last two quarters and we have seen this story before. There are numerous instances over the last couple of years when cap rates appeared to be heading upward, only to decline once again. Generally speaking, retail remains out of favor. That doesn't mean that investors aren't interested in compelling assets. However, due to the overbuilding that occurred in the decade before the financial crisis, many parts of the country are chronically oversupplied with high vacancy rates. This continues to force investors to be incredibly cautious and selective about doing retail deals. However, we mentioned earlier in this presentation that demand has been recovering, though masked by the overhang in supply. With construction for retail virtually nonexistent, the improvement in fundamentals will spur greater interest in the retail sector over time. An increasing number of properties will trade hands across a wider swath of the market. However, some submarkets and neighborhoods are likely to struggle for a long time, even as the overall market recovers. So be weary of the siren's song of high cap rates – as I am fond of saying, high cap rates exist for reasons. Some of those reasons are cyclical and some are structural so be careful not to confuse the two. Some mistakes were built to last. It's best to avoid those. But for those of you actively chasing yield and looking for diamonds in the rough, the retail sector offers the greatest abundance of those deals at the current juncture. Just be sure to thoroughly do your homework before proceeding. What does the future hold for retail cap rates? Well, they are likely headed downward again over the next few years with the economy and labor markets anticipated to continue their respective recoveries. Again, the environment is conducive to good opportunists, just be careful.



Market Trends

The priciest markets have incredibly low cap rates, with Dallas office registering a scant 3.2% cap rate. Almost all of the markets in the top five across the major sectors were 5% or less, demonstrating the premium that investors are willing to pay for what they feel are good-quality assets, irrespective of the markets. I don't think that Richmond or Charleston is a new epicenter of retail in the United States, but clearly some investors found very compelling opportunities in those markets during the quarter. Markets at the bottom are still contending with very high cap rates, even marginally higher than what we saw last quarter with the 12-month rolling cap rates. One interesting note from the bottom, Detroit retail ranks among the bottom five markets this quarter. During the last couple of quarters, it was bafflingly in the top five markets. Though I mentioned that this was largely due to just a couple of small centers that had changed hands, it is nonetheless interesting to see that based on deals traded during the second quarter it ranks in the bottom five.

Obviously, mean cap rates are somewhat more volatile than the 12-month rolling cap rates, but using either metric we find that markets can frequently rise to the top or fall to the bottom on the backs of just one or two deals because of the shallow trading market. And in many markets the deals are of rather small size and value, which only exacerbates the volatility of which markets are high on the list and which are low on the list. This will abate over time as investors become increasingly more interested in the retail sector – more deals, more markets. For now, we should not expect much stability in these rankings, irrespective of which cap rate we examine, although that itself is useful information.

How do these trends compare to your metro area or specific properties of interest? **Run Sales Comparables** for a benchmark rate of comparison to your market and comparable properties.

BBU

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WHAT IT COSTS TO BUILD AN OUTDOOR BILLBOARD SIGN

Home (http://www.obuniversity.com/index.php) / Articles (http://www.obuniversity.com/outdoor-billboard-investing-articles-and-videos.php) / What It Costs To Build An Outdoor Billboard Sign

WHAT IT COSTS TO BUILD AN OUTDOOR BILLBOARD SIGN

By Frank Rolfe

A frequent question we get at OBUniversity.com is what billboard signs cost to build. That question is a little like asking "how many shingles does it take to cover a roof?" – it completely depends on the type of billboard that you are constructing. And, as in most things in life, you get what you pay for.

The cheapest signs to construct are made of wood

Wooden billboards can be found all over the U.S. The industry began with wooden construction, and much of it has returned to those early roots. To build a wooden sign, all you need are telephone poles, some 2" x 4"s and some plywood. You put the poles in the ground, nail 2"x 4" "stringers" horizontally to connect the telephone poles, and then nail sheets of plywood on top of the stringers, to create the advertising face. Then you wrap the vinyl advertisement over that fact. Traditionally, wooden signs do not contain catwalks (ledges you walk around on), ladders or lights. They are stripped to the bone, to provide the lowest cost possible. Since they are made of 4' x 8' plywood, the signs are normally either 8' or 12' high by a number divisible by 4 wide (maybe 24' to 32' side).

These types of signs can cost between $2,000 and $10,000 to build, based completely on the height and size.

change advertisers every 8 seconds or so, and are highly complicated and require a large amount of electricity. So you are basically taking a monopole structure, and adding the most expensive advertisement delivery system on earth. These types of billboards can run, for two LED faces, up to $1 million.

Now you know the answer

Billboards can range in price from $2,000 to $1 million. That's a pretty big gap. It's 100% based on the type of sign you are building, from the simplistic wooden billboard to the ultra-sophisticated LED. Many billboard companies operate a range of signs, from the cheapest to the most expensive. The important point is to make sure that you select the correct sign structure for your application.

Where can you get more information?

There are sign fabricators that you can find on Google in almost every area of the U.S. There are also national sign manufacturers, such as Keeler Iron Works, that ship to all 50 states. Fabricators are like signs, though – they also range from cheap to expensive. You need to not only make sure you match the sign to the application, but that you match the sign fabricator to your budget, as well.

Conclusion

Billboard construction companies will need direction from you on the type of billboard to build. There are many types on the menu, and you need to make sure that you have a handle on what it costs to put up a billboard so that it meets your budget. Otherwise, you will spend too much, or install a sign that is ineffectual and hard to rent.

By Frank Rolfe
(http://www.obuniversity.com/about-us.php)

Frank Rolfe started his billboard company off of his coffee table, immediately after graduating from college. Although he had no formal training on the industry, he learned as he went, and developed his own unique systems to accomplish things, such as renting advertising space. Frank was formerly the largest private owner of billboards in Dallas/Ft. Worth, as well as a major player in the Los Angeles market.

After a half a century of combined years in the real estate business, OBUniversity.com is the only place that will give you the good, bad and the ugly details on Outdoor Billboard Investing.

Phone: (Phone Number) (855) 879-2738
Email: (Email Address) brandon@creuniversity.com

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Join our mailing list and receive a free book titled "10 Things You Need To Know About Billboards".

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Email Address