U.S. Industrial & Logistics, Q3 2016

U.S. industrial market on pace for strongest demand since 2005; rents near all-time high

Arrows indicate change from previous quarter.

- With an impressive 204.3 million sq. ft. of total net absorption year-to-date, 2016 is on pace to be the strongest year for industrial leasing demand since 2005. Net absorption of 77.4 million sq. ft. in Q3 2016 marked the 26th consecutive quarter of positive user demand—the longest such streak in more than 20 years.
- Development growth has been steady in response to the robust user demand, particularly in the Class A segment. The third quarter had 54.5 million sq. ft. of new development completed—the most since Q4 2008—with an additional 184 million sq. ft. under construction.
- Tight supply pushed rents up in many core markets, with growth averaging 1.8% for the quarter and 6.9% year-over-year to $6.06 per sq. ft. —surpassing the previous high set in 2008. An additional 1.3% is forecast for the balance 2016, which would mark a fifth consecutive year of rent growth and would push net rents to an all-time high.
- Industrial investment in Q3 2016 totalled $14 billion, exceeding the year-earlier level by 3.4% and rising modestly from earlier quarters in 2016.

The U.S. industrial market had its best quarter in more than a decade, with supply-chain-driven user demand helping to lower the nation's availability rate by 20 basis points (bps) in Q3 to 8.4%. With new construction failing to keep pace with demand, the industrial market overall has seen availability fall steadily to a Q3 2016 rate of 8.4%—its lowest point since Q1 2001. This Q3 availability rate represents a 20-bps drop from the prior quarter and an 80-bps drop from a year earlier.

The national vacancy rate has also fallen to 5%—down 10 bps over the previous quarter and at its lowest point since CBRE Econometric Advisors began tracking the metric in 2002. The gap

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between availability and vacancy is due to the difference in the metrics' definitions and to the data collection methodology. Vacancy is a subset of availability and, as such, will always be lower. Availability reflects space being marketed for occupancy and vacancy is available space that is not currently occupied.

The declines in availability and vacancy are driven by a persistent gap between supply and demand; the 54.5 million sq. ft. of space delivered during Q3 2016 was well short of the 77.4 million sq. ft. absorbed. That net absorption figure was the highest single-quarter total since 2005. Net absorption has now outpaced new supply for 25 consecutive quarters, continuing the longest such streak in the market's history.

Falling availability rates and strong leasing demand have resulted in sustained national rent growth. Quarterly rental-rate figures can be volatile, but industrial rents have now grown for 15 consecutive quarters. In Q3 2016, CBRE's Net Rent Index surpassed the previous 2008 high at $6.06 per sq. ft. —up 1.8% over the previous quarter and 6.9% year-over-year. Rents should continue their upward trajectory with a projected gain of 1.3% over the balance of 2016.

With vacancy rates extremely tight and rents rising in most markets, the supply side is responding: 54.5 million sq. ft. was delivered in Q3 2016 and another 184 million sq. ft. is under construction. Deliveries were up 33% over Q2 2016 and 37% year-over-year—the strongest quarter since 2008.

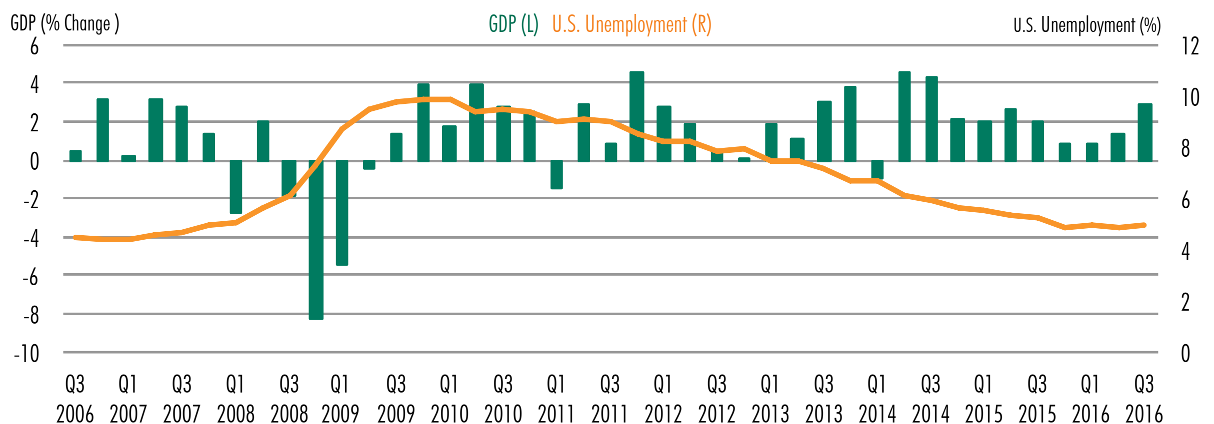
ECONOMIC TRENDS

CONSUMER CONFIDENCE AND SPENDING BOLSTERING U.S. ECONOMY

The U.S. economy has added more than 15 million new jobs over the past eight years, averaging 190,000 per month. Most recently, October's jobs gain of 161,000 is solid given that the unemployment rate is below 5% and wage growth is accelerating.

Perceived risks have dissipated relative to earlier in the year, when a global economic downturn and Brexit squarely affected the U.S. outlook. Recession fears have all but dissipated, thanks to stabilization in commodity markets and resilient growth both in the U.S. and abroad. The industrial sector handled the early-year slowdown in trade and manufacturing without a hitch, thanks to unwavering consumer demand. Confidence and spending by households remains near post-recession highs, so an abrupt reversal is unlikely. This bodes well for both traditional retailers and distributors, as well as those focused on e-commerce. It is encouraging that industrial demand has remained robust during an inventory

Figure 1: U.S. GDP and Unemployment



Source: Bureau of Economic Analysis, Q3 2016.

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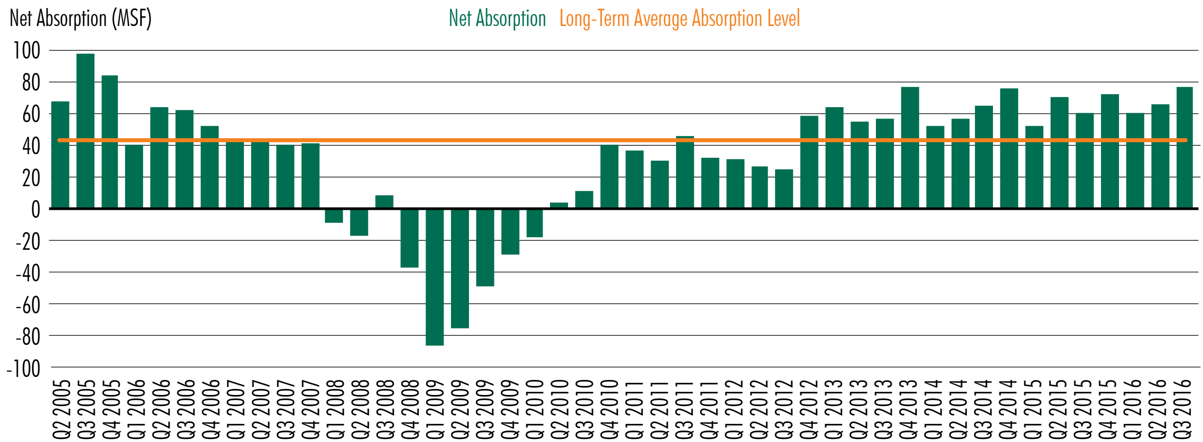
Figure 2: Trade-Weighted U.S. Dollar Index

Source: U.S. Federal Reserve, October 2016.

Figure 3: U.S. Net Absorption Runs Above Average



Source: CBRE Econometric Advisors, Q3 2016.

drawdown in recent months; tenants must expect warehouses to remain full for the foreseeable future.

The U.S. presidential election has had little to no impact on the economy or financial market performance. Additionally, the Federal Reserve helped quell markets by adopting a more accommodative stance this year than it had previously laid out. Monetary policy may be more active this time next year, when unemployment and inflation could be closer to their desired levels. Wall Street will likely become more volatile as interest rates rise, something which would contribute to slower economic growth over the next few years.

DEMAND TRENDS

STRONGEST LEASING DEMAND IN MORE THAN A DECADE

Demand was strong during Q3 2016, with positive net absorption of 77.4 million sq. ft. —up 18% from the previous quarter and 28% from Q3 2015. This marked the 26th consecutive quarter of positive net absorption—the longest such streak in more than 20 years—and the largest quarterly absorption figure since 2005. This strong absorption is a testament to the remarkable and persistent supply-chain-driven user demand that has become a hallmark of the U.S. industrial market.

Leasing activity was broad-based in Q3 2016, with all but four of the 53 markets tracked by CBRE Research showing positive demand and 21 markets posting net absorption in excess of 1 million sq. ft. Holding to the trend during this cycle, the large core distribution markets were strongest in Q3, led by Dallas/Ft. Worth and Chicago, each absorbing more than 8 million sq. ft. Other major markets that exhibited strong demand were Houston (4.8 million sq. ft.), Philadelphia (4.4 million sq. ft.) and the Inland Empire (4.1 million sq. ft.).

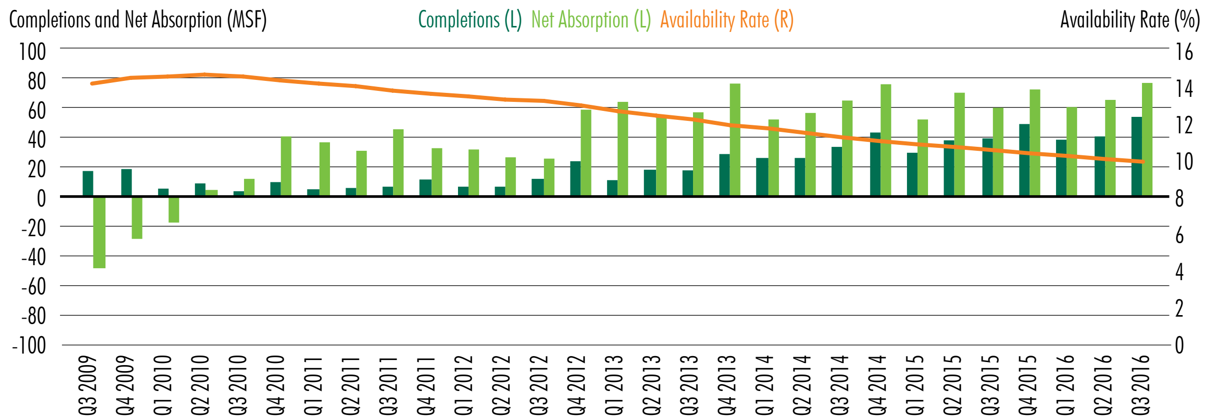
SUPPLY TRENDS

NEW CONSTRUCTION LAGS LEASING DEMAND FOR 25TH CONSECUTIVE QUARTER

One interesting aspect of the current industrial real estate cycle has been the persistent gap between supply and demand. With users entering the market and absorbing space at record rates across the country, availability rates have plummeted and rents have rapidly grown—the exact environment that should result in higher levels of new construction. However, for the 25th consecutive quarter, supply failed to keep up with demand. Granted, the 54.5 million sq. ft. of new construction delivered in Q3 is the most since Q4 2008 but still trails leasing demand by approximately 40%. A number of factors contribute to this shortfall, including lack of land sites, financing and entitlement difficulties that have generated significant obstacles to new supply entering the market. The construction pipeline remained somewhat static with 184 million sq. ft. under construction in Q3, down from 185.8 million sq. ft. in the previous quarter. Dallas/Ft. Worth led the nation's construction pipeline with 19.2 million sq. ft., followed by the Inland Empire with 15.7 million and Chicago with 14.8 million. Atlanta and Philadelphia closed the quarter with 13.7 million sq. ft. and 13 million sq. ft. under construction, respectively. These are key regional distribution markets, where construction is mostly focused on large, big-box distribution space.

New construction ran slightly counter to the leasing demand trend in Q3: While the large, core markets led in the amount of new construction, a mix of Tier I and Tier II markets recorded the highest growth rates. Inland Empire and Houston had the most space completed at 8.3 million and 6.4 million sq. ft., respectively. Walnut Creek/I-680 Corridor and Greenville led in new construction as a percentage of total stock at 3.7% and 2.2%, respectively. Inland Empire, Louisville, Houston and Cincinnati followed, each growing at an average rate of 1.5%.

Figure 4: U.S. Industrial Supply and Demand



Source: CBRE Econometric Advisors, Q3 2016.

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RENTS

NATIONAL NET RENTS AT ALL-TIME HIGH

Increasingly tight supply and healthy demand from supply-chain and distribution users have helped drive strong rent growth across most of the nation's industrial markets. The Q3 2016 CBRE Net Rent Index of $6.06 per sq. ft. is up 1.8% quarter-over-quarter and 6.9% year-over-year. Rents have grown for 15 consecutive quarters and have averaged 1.2% quarterly growth over this time. With this sustained period of growth, the CBRE Net Rent Index has finally surpassed the previous high point of $6.04 per sq. ft. set in Q3 2008. During the third quarter, 74% of the markets tracked by CBRE Research saw growth, with markets along the West Coast—the San Francisco Peninsula, Seattle and Orange County—leading the way.

CAPITAL MARKETS

BUYERS' SUSTAINED OPTIMISM REVEALED IN CBRE UNDERWRITING SURVEY

CBRE Research's latest quarterly survey of buyers' underwriting criteria for Class A industrial assets showed sustained optimism about future property performance. Target IRRs fell 8 bps in Q3 2016 to 6.45%, indicating that investors remain willing to compete even with fairly moderate return expectations. The average going-in cap rate also remained low at 5.35% and fell a modest 6 bps from Q2 2016. However, the exit cap rate rose slightly to 6.08%, thereby widening the spread between the two cap rates to 73 basis points—still fairly narrow.

Annual rent growth expectations used in underwriting were somewhat more conservative in Q3 2016, relative to the prior quarter, at 3.6% for year one (-10 bps), 3.3% for year two (-8 bps) and 2.9% for year three and beyond (unchanged).

ACQUISITIONS OF INDIVIDUAL INDUSTRIAL ASSETS YEAR-TO-DATE RISE 7.5%

Q3 2016 investment volume reached $14.2 billion, up 3.4% over Q3 2015, according to Real Capital Analytics (RCA). Despite a stronger third quarter, year-to-date investment is 19.6% lower than a year ago. The decline is almost entirely attributable to the absence of entity-level transactions this year in

Figure 5: Lowest and Highest Availability Rates (%)

Lowest Availability Rates	
San Francisco Peninsula	2.8
Orange County	3.1
Los Angeles	3.4
Oakland	3.8
Walnut Creek/I-680 Corridor	3.9

Highest Availability Rates	
Baltimore	13.4
Boston	12.4
Jacksonville	12.3
Northern Virginia	12.2
Memphis	12.1

Source: CBRE Research, Q3 2016.

Figure 6: Largest Quarterly Changes in Availability Rates (Percentage Point Change)

Largest Decreases in Availability	
St. Louis	-1.1
Sacramento	-1.0
Columbus, Indianapolis, Palm Beach & Seattle	-0.9
Phoenix	-0.8
Austin	-0.7

Largest Increases in Availability	
Louisville	1.0
Greenville	0.9
Cincinnati	0.7
Inland Empire & San Jose	0.6
Kansas City & Miami	0.5

Source: CBRE Research, Q3 2016.

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Figure 7: Buyer Valuation Underwriting Survey: Class A Industrial Assets (Markets Ranked by IRR Target)

Market	Q3 2016 Market Taking Rent ($) <100K	100K-300K	>300K	Future Rent Growth Underwriting (%) Year 1	Year 2	Year 3+	Unlevered IRR Target (%)	Going-In Cap Rate (%)	Reversion Cap Rate (%)	Holding Period (Years)
Inland Empire	6.00	5.00	4.80	6.0	5.0	3.0	5.50 - 6.00	4.00 - 4.50	5.50	10
Los Angeles	8.40	7.80	7.40	6.0	6.0	3.0	5.50 - 6.00	4.00 - 4.50	5.50	10
Northern New Jersey	8.31	7.85	8.75	3.0	3.0	3.0	5.50 - 6.00	4.00 - 4.50	4.75 - 5.25	10
Seattle	6.12	5.76	5.52	5.0	4.0	3.0	5.60 - 5.75	4.25 - 4.75	5.00	7 - 10
Central New Jersey	6.87	5.38	5.90	3.0	3.0	3.0	5.50 - 6.00	4.25 - 4.75	5.00 -5.50	10
Oakland	8.00 - 9.75	7.25 - 13.00	9.00 - 9.50	3.0	2.0	2.0	5.50 - 6.50	3.90 - 4.50	5.50 - 6.00	10
Dallas/Ft. Worth	5.00	4.50	3.85	5.0	4.0	3.0	6.00	5.00	5.50	10
Pennsylvania Corridor*	5.30	5.15	4.85	4.0	3.5	3.0	5.50 - 6.50	5.00 - 5.50	5.75	10
Chicago	5.25	4.25	3.50	5.0	5.0	3.0	6.00 - 6.50	4.75 - 5.25	5.50 - 6.00	10
Baltimore	6.25	5.35	4.60	3.0	3.0	3.0	6.50	4.50 - 5.00	6.00 - 6.50	10
Miami	7.00	6.50	6.25	4.0	3.0	3.0	6.50	4.75 - 6.00	5.00 - 7.00	10
Houston	4.86	4.62	4.38	2.0	2.0	3.0	6.50	5.25 - 5.50	5.75	10
Philadelphia	6.25	5.75	5.25	3.0	3.0	3.0	6.25 - 6.75	5.25 - 5.75	6.00	10
Indianapolis	4.20	3.50	3.30	3.0	3.0	3.0	6.25 - 6.75	5.50 - 6.00	6.25 - 6.75	10
Minneapolis	5.50	4.50	4.00	3.0	3.0	3.0	6.25 - 6.75	5.75 - 6.25	6.50 - 7.00	10
Cincinnati	3.95	3.75	3.50	4.0	4.0	3.0	6.25 - 6.75	5.75 - 6.25	6.25 - 6.75	10
Columbus	3.75	3.50	3.35	3.0	3.0	3.0	6.50 - 7.00	5.75 - 6.25	6.50 - 7.00	10
Phoenix	4.20	4.08	4.08	3.0	3.0	3.0	6.50 - 7.00	5.75 - 6.25	6.25 - 6.75	10
Kansas City	3.95 - 4.95	3.50 - 4.50	3.25 - 3.95	2.0	2.0	2.0	6.50 - 7.00	5.75 - 6.25	6.50 - 7.00	10
St. Louis	3.75 - 4.50	3.25 - 4.00	3.00 - 3.75	2.0	2.0	2.0	6.50 - 7.00	6.00 - 6.50	6.50 - 7.00	10
Atlanta	4.00 - 4.50	3.50 - 4.00	3.25 - 3.50	4.0	3.0	3.0	7.00	5.00 - 5.50	5.50 -6.00	10
Denver	6.00	5.25	5.00	5.0	4.0	3.0	7.00 - 7.50	5.50	5.75	10
Nashville	4.75	4.50	3.75	3.0	3.0	3.0	7.25 - 8.00	6.00 - 7.00	7.25 - 7.75	10
Memphis	3.45	3.20	2.95	3.0	3.0	3.0	7.50	6.50 - 7.00	7.25 - 7.75	10
Averages	5.55	5.07	4.77	3.63	3.31	2.88	6.45	5.35	6.08	9.9

Note. The survey provides a general picture of current underwriting pricing. It does not suggest that the underwriting for every transaction is at exactly these levels or should be since each asset and investor is unique.
Source: CBRE Research, Q3 2016. *The Pennsylvania Corridor includes the I-81 Corridor and Lehigh Valley markets. The statistics displayed above represent estimates of current buyer underwriting assumptions for Class A assets in the primary industrial submarkets. The "taking rents" reflect the level at which top-tier relevant transactions are being completed. Estimates are based on the expert opinion of CBRE brokers that handle deals in these particular markets. Averages are not weighted by market size.

contrast to last year's record-level pace. The year-to-date total for individual asset purchases—the best benchmark for investment momentum—represented a 7.5% year-over-year gain.

Cross-border buying activity has been slow this year, relative to the record volume in 2015, due to several large portfolio and company purchases by global buyers. Yet with $1.8 billion year-to-date, the pace of acquisitions by foreign investors is on track to end 2016 on par with levels achieved in 2013 and 2014. Year-to-date and including pending sales, Canada is the largest country source, followed by Switzerland and China.

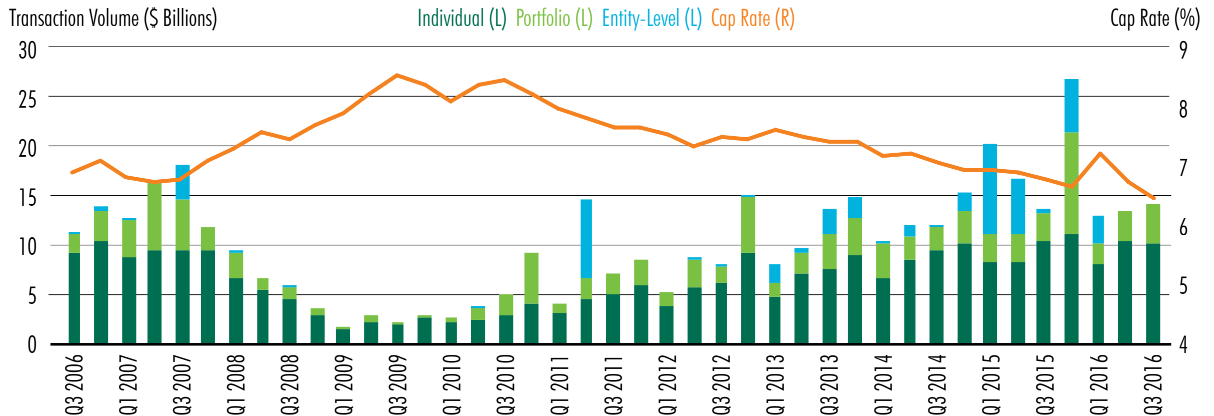
Nearly 60% of all industrial investment year-to-date was represented by assets in 10 metropolitan areas. Three of the five leading metros experienced large declines from 2015—Los Angeles (-25.1%), New

Figure 8: U.S. Industrial Acquisitions Volume

Most Recent Quarter	Total ($ billions) Q3 2015	Q3 2016	Change (%)
Individual Assets	10.5	10.4	-0.2
Portfolios	2.9	3.8	30.7
Entity-Level	0.4	0.0	-100.0
Total	13.7	14.2	3.4
Year-to-Date – Q3	2015	2016	
Individual Assets	27.3	29.4	7.5
Portfolios	8.7	8.6	-0.1
Entity-Level	15.0	3.0	-80.2
Total	51.0	41.0	-19.6

Note: Some numbers may not total due to rounding.
Source: CBRE Research, Real Capital Analytics, Q3 2016.

Figure 9: U.S. Industrial Investment Sales Volume and Cap Rates



Source: CBRE Research, Real Capital Analytics, Q3 2016.

Figure 10: Leading Metros for Industrial Investment, Year-to-Date 2016

Rank	Metro	Acquisitions ($ billions)	Market Share (%) Metro	Market Share (%) Cumulative
1	Los Angeles	5.8	14	14
2	San Francisco Bay Area	4.2	10	24
3	New York City Metro	3.2	8	32
4	Chicago	2.0	5	37
5	Miami/South Florida	1.7	4	41
6	Dallas/Ft. Worth	1.7	4	45
7	Boston	1.3	3	48
8	Atlanta	1.2	3	51
9	Seattle	1.2	3	54
10	Washington, D.C.	1.0	2	57

Source: CBRE Research, Real Capital Analytics, Q3 2016. All metros with $900+ million investment.

York (-32.5%) and Chicago (-59.2%). Industrial acquisitions in San Francisco and Miami/South Florida were both up 5%.

CAP RATES COMPRESS SLIGHTLY IN Q3

Echoing the favorable expectations for industrial properties revealed in the CBRE underwriting survey, Q3 2016 RCA data showed modest cap rate compression. Cap rates averaged 6.51% in Q3 2016, down 28 bps from the prior quarter and 30 bps from the prior year. This cap rate is the lowest in the 16 years of historical RCA data.

Compression was particularly strong for flex properties, with the average cap rate decreasing from 7% in Q3 2015 to 6.64% in Q3 2016.

Another useful picture of pricing comes from the Moody's/RCA Commercial Property Price Index, which is based on repeat sales transactions. The August index value of 178 reflects a solid 6.4% gain year-to-date (December 2015 to August 2016 being the most recent available). Among property types, industrial had the second-highest value increase this year after multifamily.

NCREIF RETURNS MODERATE BUT REMAIN HEALTHY AT 12.5%

The industrial sector continues to have the strongest investment performance among the five major property types, as measured by NCREIF returns for institutionally owned properties. The total return was 12.5% for the year ending Q3 2016 (appreciation 6.9%, income 5.3%)—the highest among the five major property types.

The annual return of 12.5% is down from last quarter's 13.7% (year ending Q2 2016). However, it remains above the 20-year average of 10.2%.

Within the sector, annual returns remained the highest for warehouse properties at 12.7%, but this segment also cooled the most over the past year. While the annual return for warehouse is down nearly 350 bps from the return for the year ending Q3 2015, the decrease in industrial flex returns was much more modest (-170 bps). Industrial R&D returns increased 200 bps over this period.

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For Q3 2016 alone, the return was 2.9% (1.6% appreciation, 1.3% income) —unchanged from the prior quarter, but down from 3.7% in Q3 2015.

Returns vary considerably by metropolitan region. The seven best markets in the U.S.—all with annual returns higher than 15%—are Portland, Oakland, Charlotte, Seattle, San Diego, Los Angeles and Orlando.

CMBS AND LIFE COMPANY LENDING BOTH DECLINE IN 2016

For industrial asset acquisitions and refinancings, mortgage capital comes primarily from banks, life companies and CMBS. New mortgage activity data are unavailable for banks—possibly the largest source of capital for industrial asset financing. However, Federal Reserve Bank and FDIC data on total outstanding loan balances provide indisputable evidence that bank lending for all types of commercial real estate has risen substantially in recent years, including 2016.

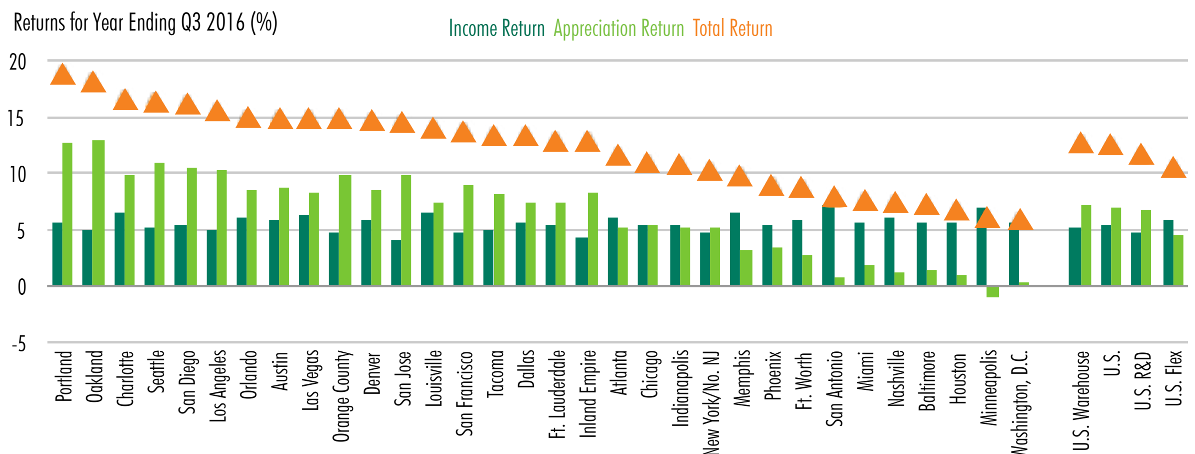
Life insurance company lending on industrial assets reached $3.6 billion in H1 2016, or 10.9% of all life company loans, according to the American Council of Life Insurers. The H1 2016 total was down 17.7% from the prior year, despite the fact that life company lending for all property types rose. The increase was predominantly due to the large mortgage production increase of multifamily (+62.3% in the same period).

CMBS issuance for industrial assets totaled $5.3 billion year-to-date through Q3, down 40.8% from the same period in 2015, according to Commercial Mortgage Alert. The CMBS volume is down across the board, but the drop-off in the industrial sector has been more pronounced than for most other major property types.

The CMBS delinquency rate for industrial properties increased by a modest 16 bps in Q3 2016 to end the quarter at 4.6% (based on the CMBS 30+ day standard, as reported by Morningstar Credit Ratings). Year-over-year, the delinquent portion of the industrial loan balance decreased by 19.9% to $1.1 billion. This total represents less than 5% of total delinquency in CMBS pools—the lowest among the five major property types.

The industrial sector is not heavily represented among the wave of 2006- and 2007-vintage loans maturing through the remainder of this year and in 2017. Industrial accounted for slightly more than 4% of the unpaid balance of maturing loans at the end of Q3 2016, and a mere 2% of these loans were reported as delinquent (both percentages were the lowest among the property types). Given this, the likelihood of a significant rise in the industrial delinquency rate in coming months is quite low.

Figure 11: Institutional Returns for Major Markets



Source: NCREIF, Q3 2016. All returns are reported on an unlevered basis.

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MARKET OUTLOOK

U.S. INDUSTRIAL MARKET EXPANSION COULD SURPASS PREVIOUS EXPECTATIONS

Entering 2016, the general expectation for the U.S. industrial real estate market was that the best was over and the market would transition into a slower-growth phase. This expectation was driven by a combination of broad economic uncertainty and the inevitable slowdown after such a long period of expansion. While the continued growth in the first half of 2016 showed that the market still had some legs, the remarkable performance in Q3—highlighted by the strongest quarter of net absorption since 2005—has made it clear that the U.S. industrial market is as strong as it has been at any point since this recovery and expansion cycle began in 2010.

Given this outsized and unexpected growth, it's fair to wonder if there is something fundamentally different about the market that is driving the growth and should be considered in any new forecasts. The key differentiating feature of this cycle is the fundamental change in the way supply chains are designed and implemented, largely due to structural changes brought about by e-commerce. These changes have led to increased demand for industrial property in a wide variety of types and locations beyond just the standard big-box warehouse in core distribution markets. This demand, coupled with limited new supply, has resulted in consistent, quarter-over-quarter increases in the national CBRE Net Rent Index. Looking ahead, the CBRE outlook is for much of the same. With 184 million sq. ft. of new product under construction in the third quarter, we forecast that an additional 50.1 million sq. ft. will be delivered by the end of the year and another 87.7 million sq. ft. in the first half of 2017. While the projected 2016 total of 184.2 million sq. ft. of new deliveries would be a high-water mark in this cycle, it will once again fall short of user demand as measured by net absorption. Developers are delivering new supply as quickly as they can, but demand is fierce and has driven rents up at a healthy pace. The outlook for the remainder of 2016 is for an additional 1.3% of rent growth nationally, which would push the CBRE Net Rent Index to its highest point ever.

To this point, the recovery has been driven partially by new growth in the e-commerce space and by the shifting global logistics landscape. Big-box distribution centers in all markets have been the focal point of both new construction and occupier demand over the past few years. As they strive to meet consumer demand for short delivery times, however, supply chain users have begun shifting their focus toward "the last mile." The beneficiary of this evolving trend has been the light-industrial segment, the fundamentals of which have improved. Rents in this segment have risen significantly in some areas, especially in infill submarkets that are well-positioned to serve urban cores. This demand has been most acute in major metropolitan areas that have significant concentrations of e-commerce shoppers living in or near the urban core. Demand has not been limited to those areas, however, as retailers of all types—brick-and-mortar and pure e-commerce—strive to design their supply chain to meet the needs of all customers. This diversity in demand for both light-industrial and big-box product in core and secondary markets should persist, absent any economic issues, and will provide the foundation for a strong industrial market in the near term.

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Figure 12: U.S. Industrial Availability Rates (%)

		NNN Asking Rate($)**	Vacancy Rate (%)	Availability Rate (%)		
Market	Size Rank	Q3 2016	Q3 2016	Q3 2016	Q2 2016	Q3 2015
Baltimore	32	5.70	8.6	13.4	13.7	14.9
Boston	33	6.85	8.3	12.4	12.8	14.4
Charlotte	31	6.13	4.8	5.4	6.0	6.4
Greenville	30	3.36	7.7	11.3	10.4	10.5
Hartford	45	4.89	10.0	10.2	10.8	12.6
Louisville	37	3.43	5.8	7.8	6.8	6.9
Suburban Maryland*	43	7.97	8.2	11.8	11.7	13.9
Central New Jersey	9	5.29	3.3	6.7	7.1	8.3
Northern New Jersey	10	6.88	4.5	7.2	7.3	7.9
Norfolk	44	4.90	5.8	8.5	8.5	8.9
Philadelphia	8	4.19	6.4	7.8	8.3	8.1
Richmond	39	4.26	5.0	8.4	8.3	8.5
Northern Virginia*	46	10.15	8.0	12.2	12.0	12.1
East			**5.9**	**8.7**	**8.8**	**9.4**
Chicago	1	4.81	3.8	5.9	6.3	6.6
Cincinnati	13	3.79	4.7	5.1	4.4	4.9
Cleveland	14	4.56	6.3	6.8	6.7	7.0
Columbus	20	3.52	5.6	7.7	8.6	9.2
Detroit	5	5.29	2.7	5.1	5.7	8.4
Indianapolis	16	4.19	5.6	6.9	7.8	9.2
Kansas City	17	4.47	5.7	7.9	7.4	7.4
Milwaukee	19	3.95	4.9	7.4	7.2	6.9
Minneapolis/St. Paul	11	5.78	4.8	7.4	7.5	7.5
St. Louis	24	4.24	5.3	7.1	8.2	8.5
Midwest			**4.5**	**6.4**	**6.7**	**7.4**
Atlanta	4	4.13	8.0	10.3	10.9	11.9
Austin	49	10.65	5.7	8.7	9.4	10.5
Dallas/Ft. Worth	3	4.46	5.8	8.9	9.0	10.3
El Paso	48	4.15	8.7	10.0	10.2	12.1
Ft. Lauderdale	42	8.54	5.4	8.1	8.7	8.8
Houston	6	5.88	5.3	8.7	8.3	7.3
Jacksonville	41	4.30	6.8	12.3	12.6	13.0
Memphis	23	2.94	7.0	12.1	12.7	14.0
Miami	25	6.25	3.7	6.5	6.0	5.5
Nashville	28	4.27	6.5	8.9	9.3	10.5
Orlando	38	5.92	7.4	11.3	11.5	13.4
Palm Beach	50	9.32	3.2	5.9	6.8	7.4
Tampa	35	5.62	5.8	10.8	10.8	12.1
South			**6.2**	**9.5**	**9.6**	**10.3**
Albuquerque	51	6.75	6.3	7.5	7.6	8.6
Denver	22	7.17	4.9	8.2	7.9	6.9
Inland Empire	7	6.24	4.3	7.8	7.2	7.0
Las Vegas	40	7.44	4.4	6.0	6.4	6.1
Los Angeles	2	8.76	1.0	3.4	3.7	4.5
Oakland	34	8.88	1.8	3.8	3.4	5.5
Orange County	18	10.08	1.4	3.1	3.4	4.2
Phoenix	12	7.56	8.5	10.7	11.5	12.2
Portland	26	5.16	3.4	4.8	4.9	5.6
Sacramento	29	5.28	8.1	10.4	11.4	12.9
Salt Lake City	36	5.37	4.0	6.8	6.7	7.5
San Diego	27	14.40	4.3	7.4	7.6	7.7
San Francisco Peninsula	47	29.28	1.5	2.8	2.4	4.0
San Jose	21	18.18	5.0	7.9	7.3	8.2
Seattle	15	8.54	4.3	4.9	5.8	6.6
Tucson	52	5.75	8.2	11.7	12.2	12.3
Walnut Creek/I-680 Corridor	53	8.04	1.8	3.9	4.1	8.7
West			**3.7**	**6.0**	**6.2**	**6.8**
U.S.			**5.0**	**8.4**	**8.6**	**9.2**

* Suburban Maryland and Northern Virginia represent Washington, D.C. area.
**NNN asking rates are displayed on a per sq. ft. and per annum basis.
Source: U.S. national figures provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q3 2016.

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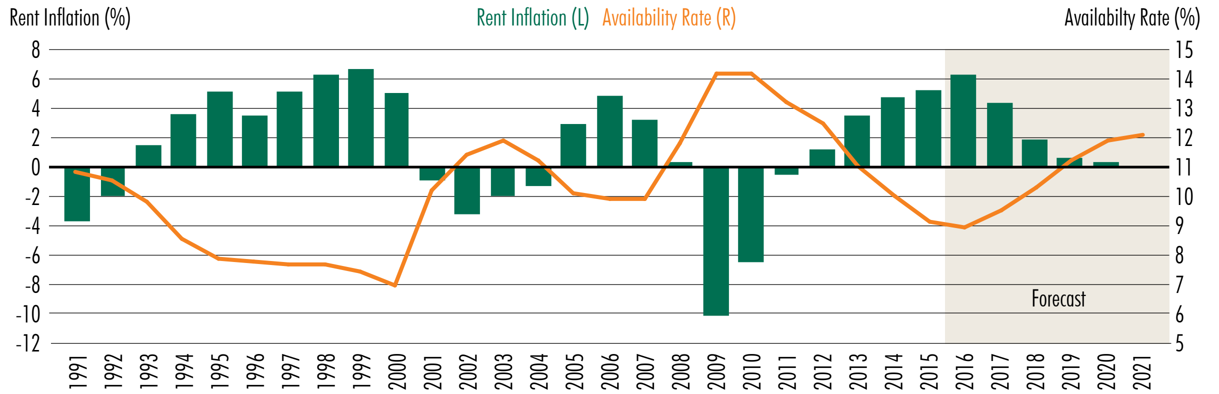
Figure 13: U.S. Rent and Availability Forecast



Source: CBRE Econometric Advisors, Q3 2016.

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