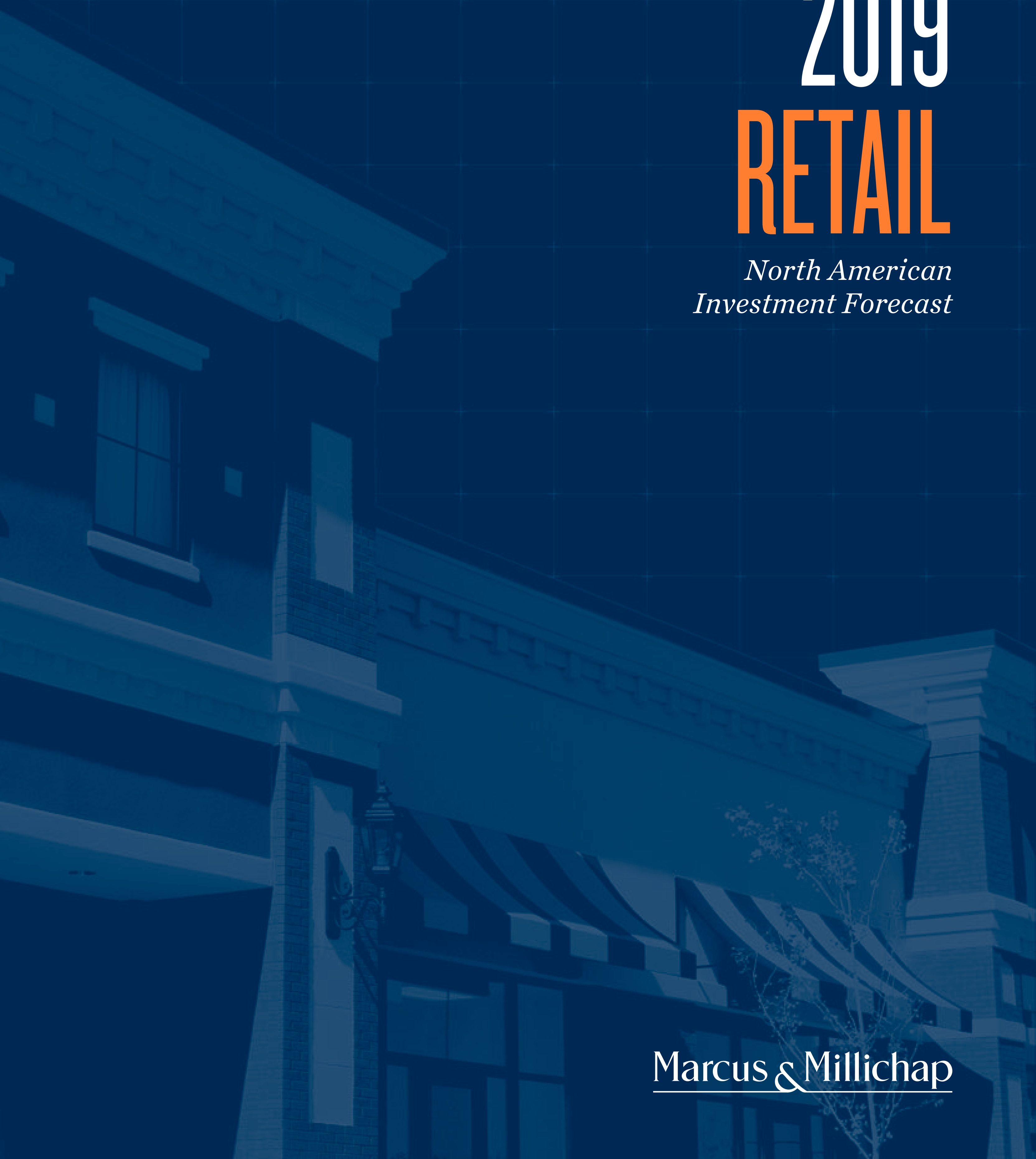
# 2019 RETAIL

*North American Investment Forecast*



Marcus & Millichap

# TO OUR VALUED CLIENTS

The transformation of the retail sector into destinations featuring a blend of entertainment, experiences and services is now well underway. Omnichannel retail, which was once little more than a buzzword, has come to fruition, with online retailers adding physical store locations just as traditional retailers refine their online presence. Despite headlines declaring the demise of the retail sector, space demand remains robust and rents have reclaimed their pre-recession levels. Limited new construction, together with the extended growth cycle that has seen the addition of more than 20 million jobs and exceptionally tight unemployment, has given rise to the reinvigorated retail sector, inspiring investors to show increased interest in the opportunities these assets offer for both current yield and appreciation.

The coming year holds the prospect of many positive dynamics for retail investors. Household wealth and disposable income are at record levels, consumer confidence remains elevated, and retail sales grew by nearly 5 percent last year, well ahead of the long-term average. These trends should carry into 2019, supporting retail sales for a wide range of retailers. There will assuredly be headwinds, particularly for retailers and shopping malls that have failed to adapt, but as these icons of days gone by finally surrender their spaces, new opportunities will arise. Some properties will face adaptive reuse, transforming into office space, residential units or community centers, but others will revive with the addition of food halls, health clubs and entertainment facilities. Well-funded investors with a sharp eye for opportunity will lead these transformations.

Retail investment activity is on the rise, with unique options emerging in metros across the country. As you define your plans in this rapidly evolving climate, our investment professionals stand ready to help you evaluate your options and implement your strategies.

Sincerely,

**SCOTT M. HOLMES**
Senior Vice President/National Director
National Retail Group

**JOHN CHANG**
Senior Vice President/National Director
Research Services

## National Perspective



## Market Overviews



## Canada



## Client Services



*Developed by Marcus & Millichap Research Services. The Capital Markets section was co-authored by David Shillington, President, Marcus & Millichap Capital Corporation. Additional contributions were made by Marcus & Millichap investment brokerage professionals nationwide.*

## National Retail Index (NRI)

- Robust employment growth in the tech sector has brought new residents and higher salaries to markets with a large tech presence. As a result, the median household income in many of these areas is well above the U.S. level, generating more discretionary spending power that benefits retailers. The top two spots in the Index are held by Seattle-Tacoma and San Francisco, which each maintained last year's standing.
- Orlando (#7), Phoenix (#20) and Columbus (#24) recorded the largest improvement in this year's Index, each vaulting nine places. Orlando and Phoenix are expected to register the highest rate of employment growth in the U.S. during 2019, which they both had last year.
- Rising deliveries and higher vacancy combined with slower rent growth were dominant themes in this year's markets with the largest declines. Los Angeles (#18) and San Antonio (#25) fell eight and seven notches, respectively, while Riverside-San Bernardino (#37) and Louisville (#42) each slipped six rungs.

## National Economy

- The U.S. economy enters the year on a high note following a stretch of tax-induced growth. A tight labor market will help carry momentum into 2019 as job creation is expected to reach 2 million for the ninth consecutive year.
- Several categories including food, fashion and entertainment will witness pronounced spending this year as retailers across these sectors have found ways to gain competitive advantages. Sales among fitness centers and home furnishings vendors should also log substantial growth.
- Though the horizon is relatively clear, some challenges still exist, including uncertainty regarding the longer-term effects of the government shutdown as well as ongoing trade tensions. In addition, the weakening international economy could hamper domestic growth. These matters may weigh on confidence as the year progresses, moderating economic expansion relative to last year and producing GDP growth in the low- to mid-2 percent range.

## National Retail Overview

- This year, retail completions are expected to remain on par with 2018, still at just a quarter of last cycle's high. Though developers' confidence is rising, many of them still remain cautious after overbuilding in the last cycle. This year, half of completions will occur in 10 markets.
- Omnichannel customer engagement is taking hold with more online retailers discovering the need for a physical presence as it can substantially impact sales. Because of this, many digital brands are rapidly expanding their brick-and-mortar footprints.
- Multi-tenant vacancy will continue to fall this year, dropping to 5.6 percent while moving the overall retail rate down to 4.7 percent. Net store openings should far outnumber closures again in 2019, boosting demand and asking rents.

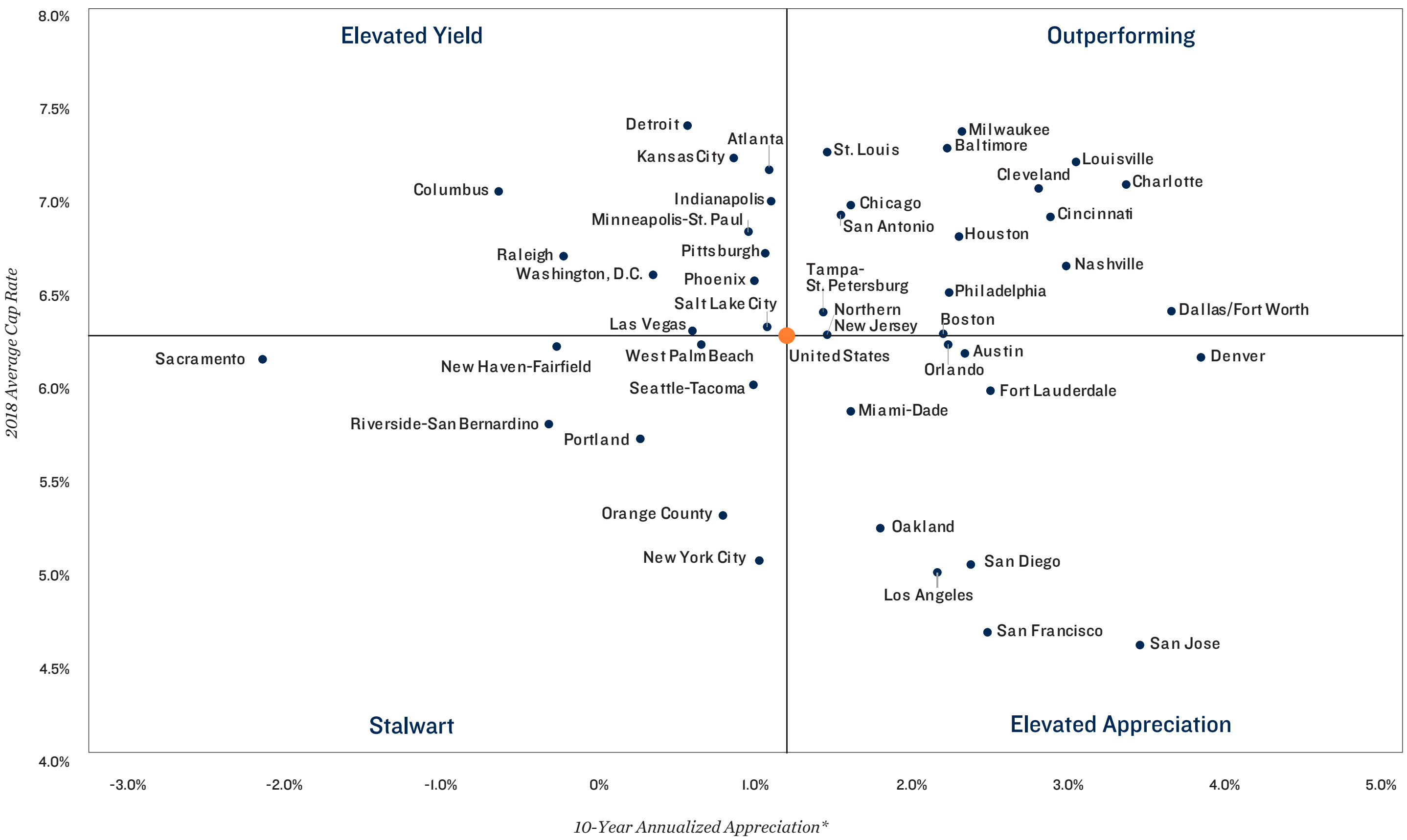
## Capital Markets

- Amid ongoing trade disputes between the U.S. and China and the slowing European economy, global growth has begun to lose momentum. Financial market volatility, combined with elevated caution, has sponsored a flight to the safety of Treasurys, pushing the 10-year yield below 2.8 percent to start 2019.
- Volatility in the broader market has begun to seep into the underwriting environment, with lenders being more cautious and conservative than in prior years of the cycle.

## Retail Investment Outlook

- Despite continued store closures and the erosion of product-based retail by online competition, retail center owners have repopulated storefronts with a variety of service-oriented businesses, from healthcare to fitness to dining to a variety of entertainment venues. As this transformation has gathered momentum, properties have stabilized and values have gathered momentum.
- Buyers are broadening their searches to bolster portfolio yields. Private investors consider smaller metros as an opportunity to acquire assets while increasing the spread between returns and the cost of capital. The limited construction of new retail space in many secondary and tertiary markets has funneled space demand into existing properties.

## Yield Range Offers Compelling Options for Investors; Most Metros Demonstrate Strong First-Year Return Rates




## Pricing and Valuation Trends Summary

**Ten-year appreciation favors high-growth markets.** Benchmarked from the end of 2008 as the U.S. economy began its rapid tumble into recession, price appreciation has generally been strongest in tech-dominated and Texas major metros. Interestingly, secondary and tertiary markets like Charlotte, Milwaukee, Louisville and Baltimore generated stronger-than-average value gains that reflect substantive economic and employment growth. In fact, several Midwestern markets, which were trading at cycle lows in late 2008, had significant gains over the past 10 years.

**Capital pursues yield to smaller metros.** Competitive bidding in Midwestern markets has pushed up prices, yet they still remain relatively low compared with coastal markets and gateway cities. These markets continue to offer investors particularly high yields. Comparatively, the Bay Area, Southern California and southeast Florida provide lower yields but have higher-than-average appreciation. The most favored primary markets — New York City, Seattle-Tacoma and Southern California markets Orange County and Riverside-San Bernardino — have generated lower-than-average appreciation over the last 10 years. This reflects the flight to safety in late 2008 that kept pricing in these markets stronger than many others.

## Average Price per Square Foot

### (Alphabetical order within each segment)

| $200-$249 | $250-$299 | $300-$349 | $350-$399 | $400-$599 |
|---|---|---|---|---|
| Cleveland | Cincinnati | Atlanta | Austin | Los Angeles |
| Columbus | Houston | Baltimore | Denver | Miami-Dade |
| Detroit | Indianapolis | Boston | Fort Lauderdale | New York City |
| Milwaukee | Kansas City | Charlotte | Las Vegas | Orange County |
| St. Louis | Louisville | Chicago | Oakland | San Diego |
| | Minneapolis-St. Paul | Dallas/Fort Worth | Orlando | San Francisco |
| | Pittsburgh | Nashville | Seattle-Tacoma | San Jose |
| | Raleigh | New Haven-Fairfield County | | Washington, D.C. |
| | Sacramento | Northern New Jersey | | |
| | Salt Lake City | Philadelphia | | |
| | San Antonio | Phoenix | | |
| | | Portland | | |
| | | Riverside-San Bernardino | | |
| | | Tampa-St. Petersburg | | |
| | | West Palm Beach | | |

** 2008-2018 Average annualized appreciations in price per square foot.*

*Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics*

## Tech-Dominated Economies Rise to Top; Employment Gains Produce Major Moves

**Metros with large tech sectors are heavily represented in top 10.** Robust employment growth in the tech sector has brought new residents and higher salaries to markets with large tech presence. As a result, the median household income in many of these areas is well above the U.S. level, generating more discretionary spending power that benefits retailers. The top two spots in the Index are held by Seattle-Tacoma and San Francisco, each maintaining last year's standing. Restrained construction and steady demand have kept vacancy in these markets below 4 percent for several years, boosting rents. Persistently tight vacancy and strong rent gains moved Raleigh (#3) up two slots to pass Boston (#4), which continues to post heightened rent growth. One of the lowest vacancy rates in the nation propelled Portland (#5) three places. Orlando (#7) and Salt Lake City (#8) are expected to have among the strongest retail sales gains in 2019. Rounding out the top 10 slots are Austin (#9) and Dallas/Fort Worth (#10).

**Biggest movers shake up the Index.** Orlando, Phoenix and Columbus recorded the largest improvement in this year's Index, each vaulting nine places. Orlando (#7) and Phoenix (#20) are expected to register the highest rate of employment growth in the U.S. during 2019, which they both held last year. The added jobs will bring a surge in population and an increased need for goods and services, underpinning a hike in retail sales. These markets also benefit from robust tourism, which supports local retailers. Minimal new inventory amid strong demand for space will tighten vacancy in Columbus (#24) to the lowest nationwide, underpinning robust rent growth and accounting for the metro's strong showing in the Index this year. Rising deliveries and higher vacancy combined with slower rent growth were dominant themes in this year's markets with the largest declines. Los Angeles (#18) and San Antonio (#25) fell eight and seven notches, respectively, while Riverside-San Bernardino (#37) and Louisville (#42) each slipped six rungs.

## Index Methodology

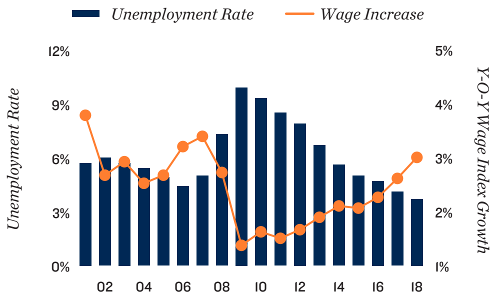
The National Retail Index ranks 46 major retail markets on a series of 12-month, forward-looking economic and supply-and-demand variables. Markets are ranked based on their cumulative weighted-average scores for various indicators, including forecast employment growth, vacancy, construction and rents. Weighing both the forecasts and incremental change over the next year, the Index is designed to indicate relative supply-and-demand conditions at the market level.

Users of the NRI are advised to keep several important points in mind. First, the Index is not designed to predict the performance of individual investments. A carefully chosen property in a bottom-ranked market could easily outperform a poor choice in a top-ranked market. Second, the NRI is a snapshot of a one-year time frame. A market facing difficulties in the near term may provide excellent long-term prospects, and vice versa. Third, a market's ranking may fall from one year to the next even if its fundamentals are improving. The NRI is also an ordinal index and differences in ranking should be carefully interpreted. A top-ranked market is not necessarily twice as good as the second-ranked market, nor is it 10 times better than the 10th-ranked market.

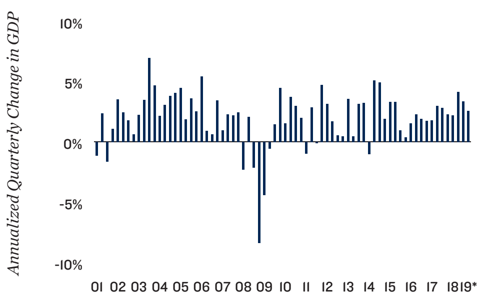
| Market Name | Rank 2019 | Rank 2018 | 18-19 Change |
|---|---|---|---|
| Seattle-Tacoma | 1 | 1 | 0 |
| San Francisco | 2 | 2 | 0 |
| Raleigh | 3 | 5 | 2 |
| Boston | 4 | 3 | -1 |
| Portland | 5 | 8 | 3 |
| Nashville | 6 | 4 | -2 |
| Orlando | 7 | 16 | 9 |
| Salt Lake City | 8 | 7 | -1 |
| Austin | 9 | 6 | -3 |
| Dallas/Fort Worth | 10 | 12 | 2 |
| New York City | 11 | 9 | -2 |
| San Diego | 12 | 13 | 1 |
| Denver | 13 | 11 | -2 |
| San Jose | 14 | 15 | 1 |
| Oakland | 15 | 21 | 6 |
| Orange County | 16 | 20 | 4 |
| Tampa-St. Petersburg | 17 | 19 | 2 |
| Los Angeles | 18 | 10 | -8 |
| West Palm Beach | 19 | 14 | -5 |
| Phoenix | 20 | 29 | 9 |
| Atlanta | 21 | 22 | 1 |
| Miami-Dade | 22 | 17 | -5 |
| Minneapolis-St. Paul | 23 | 24 | 1 |
| Columbus | 24 | 33 | 9 |
| San Antonio | 25 | 18 | -7 |
| Fort Lauderdale | 26 | 23 | -3 |
| Houston | 27 | 30 | 3 |
| Washington, D.C. | 28 | 25 | -3 |
| Pittsburgh | 29 | 26 | -3 |
| Sacramento | 30 | 28 | -2 |
| Charlotte | 31 | 27 | -4 |
| Cincinnati | 32 | 35 | 3 |
| Philadelphia | 33 | 40 | 7 |
| Indianapolis | 34 | 34 | 0 |
| Chicago | 35 | 32 | -3 |
| Las Vegas | 36 | 37 | 1 |
| Riverside-San Bernardino | 37 | 31 | -6 |
| Northern New Jersey | 38 | 39 | 1 |
| Cleveland | 39 | 44 | 5 |
| Baltimore | 40 | 38 | -2 |
| Milwaukee | 41 | 42 | 1 |
| Louisville | 42 | 36 | -6 |
| Kansas City | 43 | 45 | 2 |
| New Haven-Fairfield County | 44 | 43 | -1 |
| Detroit | 45 | 41 | -4 |
| St. Louis | 46 | 46 | 0 |

[1] *See National Retail Index Note on page 64.*

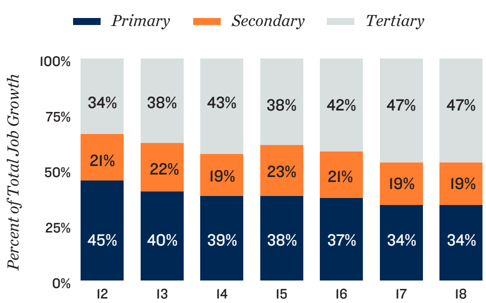
Tightening Labor Market Impact on Wages



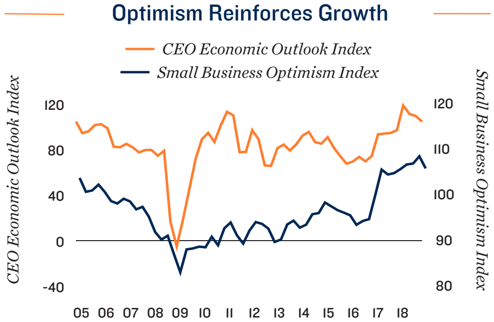

U.S. GDP




Tightening Labor Market Impact on Wages




Optimism Reinforces Growth




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

# Rising Wages Pave the Way for Steady Growth in 2019; Consumer Confidence Stands Strong

**Robust job market pushes wages higher, proliferating discretionary spending.** The U.S. economy enters the year on a high note following a stretch of tax-induced growth. A tight labor market will help carry momentum into 2019 as job creation is expected to reach 2 million for the ninth consecutive year. However, many companies will still have difficulty filling new positions amid a highly competitive recruiting environment. This will cause wages to rise, benefiting retail sales as consumers use the extra income to make more discretionary purchases on both goods and services. Several categories including food, fashion and entertainment will witness pronounced spending this year as retailers across these sectors have found ways to gain competitive advantages. Sales among fitness centers and home furnishings vendors should also log substantial growth. With retailers coming off a strong holiday season in which spending was up 5.1 percent annually, consumption is positioned for continued growth.

**Economy stable as pace of growth softens.** An encouraging economic outlook will sustain elevated consumer confidence this year, yet the consumer outlook has begun to recede from peak levels. All-time highs of U.S. household wealth and disposable income are underpinning optimism in the economy. Though the horizon is relatively clear, some challenges still exist, including uncertainty regarding the longer-term effects of the government shutdown as well as ongoing trade tensions. In addition, the weakening international economy could hamper domestic growth. These matters may weigh on confidence as the year progresses, moderating economic expansion relative to last year and producing GDP growth in the low- to mid-2 percent range. Though momentum is likely to ease, the economy still remains on solid footing, benefiting the retail sector in the process.

## 2019 National Economic Outlook

- **Employers explore ways to entice prospective hires.** With the unemployment rate near 4 percent, job creation will likely moderate in 2019 as organizations add 2 million new positions. A tight labor market will prompt many firms to apply creative recruiting, going above and beyond to attract top talent. This may include locating offices near retail amenities or opening satellite locations in new cities.
- **Transformed retail sector gets boost from uptick in discretionary purchases.** Wage growth will help propel the retail sector this year as consumers use additional earnings to increase discretionary spending. Modern retail concepts will benefit as consumer preferences evolve; consumers continually seek memorable experiences over traditional shopping and dining outings. Builders will capitalize on this notion through redevelopment opportunities, converting outdated retail centers into entertainment hubs.
- **Outlook encouraging for retailers as consumers maintain optimism.** Confidence in the economy remains near record levels, though it has begun to ease in recent months. Even with the consumer index expected to moderate, optimism will stay strong by historical standards, driving consumption and boosting retail sales. Last year, core retail spending witnessed exceptional momentum, averaging 4.9 percent growth.

## Retail Sector Transformation Coming to Fruition; Retailers Strike Balance Between Locations and Online

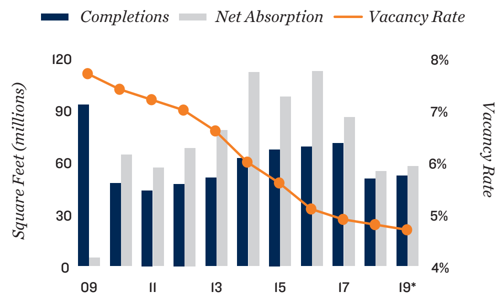
**Retail on the rise as positive trends signal continued improvement.** The retail sector is making massive strides as companies re-engineer their selling platforms to match a digitally oriented environment. As a result, multi-tenant construction is rising in conjunction with developer confidence, while total retail construction stays subdued. This year, retail completions are expected to remain on par with 2018, still at just a quarter of last cycle's high. Investors will continue to benefit from restrained supply growth as multi-tenant availability falls well below 6 percent. Digital brands transitioning from online into physical locations will keep pressure on the vacancy rate. Furthermore, empty big boxes being converted to other property types like office space or industrial distribution centers will also squeeze vacancy tighter. Multi-tenant rents will realign with their pre-recession peak this year as space demand climbs higher.

**Omnichannel concept embodies revolutionized retail sector.** Following several years of transformation, the new age of retail is finally coming into focus. Omnichannel customer engagement is taking hold with more online retailers discovering the need for a physical presence as it can substantially impact sales. Because of this, many digital brands are rapidly expanding their brick-and-mortar footprints, with Casper, UNTUCKit and Warby Parker spearheading these efforts. Physical vendors are also adapting by establishing online shopping places, broadening their customer reach in response to evolving consumer preferences. Showroom-style layouts have derived from this shift to an omnichannel platform, giving customers the option to a test a product in store and have it delivered to their home. Though numerous retailers have begun to transition to this approach, Best Buy has firmly embraced it, giving customers a true multi-dimensional platform. Home delivery has also found its way into the grocery sector in addition to the ability to make an online purchase with in-store pickup — trends that should increase in popularity moving forward. While the internet has historically struggled to find its place within physical retail, new omnichannel concepts are helping them mesh, stabilizing the sector.

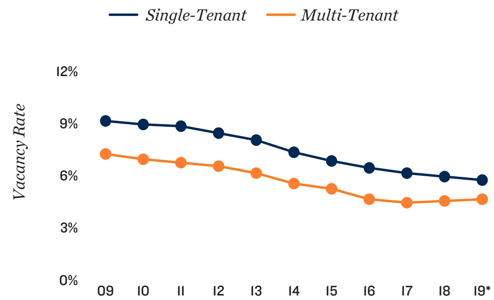
## 2019 National Retail Outlook

- **Development concentrated in select markets.** Supply growth will remain limited in 2019 as 52 million square feet is slated for delivery. Though developers' confidence is rising, many of them still remain cautious after overbuilding in the last cycle. This year, half of completions will occur in 10 markets, highlighted by New York City and Houston.
- **Rents benefit from receding vacancy.** Multi-tenant vacancy will continue to fall this year, dropping to 5.6 percent while moving the overall retail rate down to 4.7 percent. Net store openings should far outnumber closures again in 2019, boosting demand and asking rents. This year, multi-tenant rents will reach $18.19 per square foot.
- **Brick-and-mortar retail a bonus to marketing efforts.** Establishing a physical presence remains vital to the success of most retailers as doing so has proved to significantly impact sales. Opening a first location within a market translates to a 37 percent increase in website traffic within the area, prompting more digital brands to transition to physical retail. This allows companies to market their products to a broader audience while providing a dynamic purchasing platform.

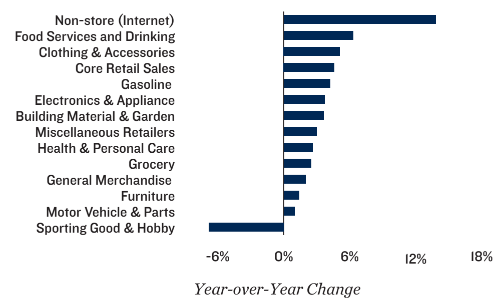
### Retail Supply and Demand



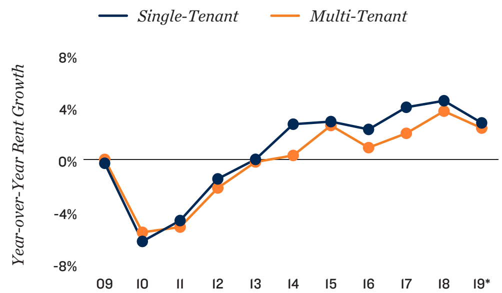

### Vacancy by Property Type




### Retail Sales Growth **




### Rent Growth by Property Type




** Forecast*

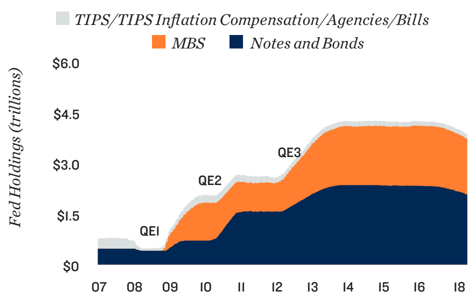
*** November 2018*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

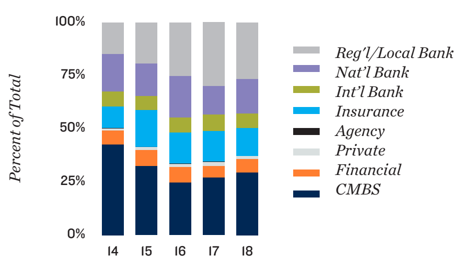
## Fed Shifting Gears as International Economies Soften; Elevated Liquidity Supports Transaction Flow

10-Year Treasury vs. 2-Year Treasury Yield Spread Tightens

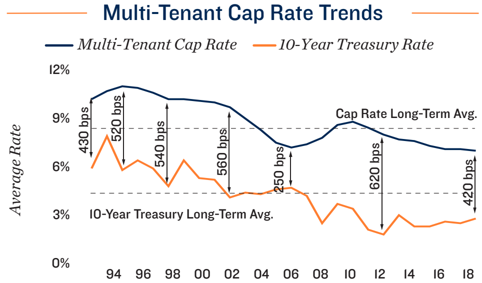

Fed to Begin Balance Sheet Normalization




Retail Mortgage Originations By Lender




Multi-Tenant Cap Rate Trends




*Note: Sales $1 million and greater*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

**Slowing international growth weighs on outlook; Fed takes cautious approach.** Amid ongoing trade disputes between the U.S. and China and the slowing European economy, global growth has begun to lose momentum. Financial market volatility, combined with elevated caution, has sponsored a flight to the safety of Treasurys, pushing the 10-year yield below 2.8 percent to start 2019. While domestic economic output has proved resilient in recent months, the government shutdown and the waning impact of the tax cut stimulus are likely to trim forward estimates. As a result, Chairman Jerome Powell recently commented that the Fed is considering an adjustment to ongoing balance sheet runoffs through quantitative tightening and it put further interest rate hikes on hold as the central bank takes a wait and see approach to monetary policy. The bond market has begun to price in a much more dovish Fed, with flattening interest rates reflecting this more cautious stance. Fed officials will likely focus on the intersection of a global growth slowdown and continued labor market strength as they define their plans. Barring a major economic or political event, investors can expect interest rates to be a bit more stable this year.

**Malls, legacy big-box players cloud otherwise optimistic retail landscape; underwriting remains conservative.** Volatility in the broader market has begun to seep into the underwriting environment, with lenders being more cautious and conservative than in prior years of the cycle. Active lenders include local, regional and national banks and insurance companies, with sentiment driven by the high-profile decline of several big-box retailers. As a result, lending on tertiary assets and locations remains tighter, while net-leased assets and premier mixed-use structures are highly desired by lenders. This has created a two-tier market structure, with loan-to-value (LTV) ratios in the 55 to 75 percent range depending on borrower, asset and location factors. Mezzanine and bridge loan structures have been more frequently used in this environment, with owners undertaking capital improvements at higher-leverage ratios on the short-term debt before seeking long-term financing options once their operations have been proved.

## 2019 Capital Markets Outlook

- **Inflationary pressures benign despite upbeat wage growth.** Following the implementation of tariffs on several key trading partners, core inflation has remained just above 2 percent, showing little impetus for an uncontrolled surge. Muted inflationary pressure has given the Fed more maneuvering room, particularly as international pressures weigh on sentiment. Meanwhile, extremely low unemployment near 4 percent has sponsored steady wage growth gains, expanding by 2.9 percent over the last year, which is boosting consumption and retail sales.

- **Monetary policy allows flexibility into potential downturn.** While other central banks have maintained ultra-low interest rates, the Federal Reserve has undertaken a much more prudent policy stance, embarking on a series of rate increases since the fourth quarter of 2015. The current fed funds rate of 2.5 percent offers the Federal Reserve sufficient ammunition to combat potential headwinds to domestic growth, helping to boost sentiment.

- **Treasurys offer arbitrage opportunities for global investors.** Offering a premium of up to 200 basis points compared with other countries, the 10-Year Treasury provides a significantly higher yield to international investors, particularly on a risk-adjusted basis. This arbitrage has sponsored tremendous capital inflows into U.S.-based assets, with an emphasis on Treasurys, which has acted as a suppressant on interest rates.

## Secondary/Tertiary Markets Increasingly Attractive As Retail Properties Adapt to New Normal

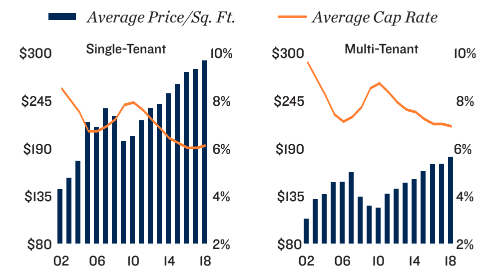
**Retail investors recalibrate strategies in the digital shopping age.** The adaptation of the retail sector into service- and experience-centric destinations has reached a turning point. Despite continued store closures and the erosion of product-based retail by online competition, retail center owners have repopulated storefronts with a variety of service-oriented businesses, including healthcare, fitness, dining and a variety of entertainment venues. As this transformation has gathered momentum, properties have stabilized and values have gathered steam. Retail investment strategies have begun to change as well. In previous cycles, buyers chased rooftops to capitalize on household growth, but today investors are more aggressively following employers. The tight labor market has inspired companies to open offices in smaller cities across the nation as they pursue workforce talent. Job gains in secondary and tertiary metros are attracting investors as value-add properties offer upside potential. Retail properties proximate to revitalized business centers provide opportunities through retenanting that caters to local workers and the addition of apartments in the vicinity. The highly publicized challenge of dealing with big-box closures is somewhat overblown when considering the retail market as a whole. Most retailers are not candidates for large blocks of space, so demand for small footprints stays consistent when several stores shutter. Additionally, the creative use of big-box space has proved effective. Data centers, office conversion, healthcare, fulfillment centers and even self-storage are alternatives that backfill dark space.

**Secondary and tertiary markets attracting yield-seeking capital.** Buyers are broadening their searches to bolster portfolio yields. Private investors consider smaller metros as an opportunity to acquire assets while increasing the spread between returns and the cost of capital. The limited construction of new retail space in many secondary and tertiary markets has funneled space demand into existing properties. Investors are taking advantage of strong underlying fundamentals to expand their portfolios into properties that many consider undervalued relative to performance. Multi-tenant cap rates in primary markets averaged in the low-6 percent range over the past 12 months, whereas tertiary metro first-year returns averaged in the low-7 percent area. Well-located lower-tier assets can provide an even greater opportunity as the yield spread for multi-tenant properties climbs to 150 basis points between markets.

## 2019 Investment Outlook

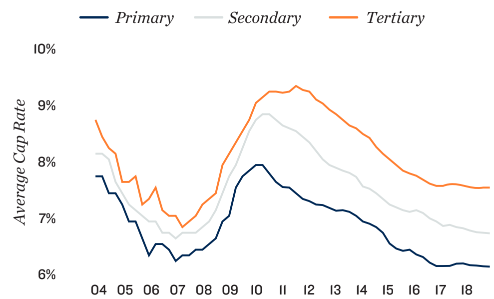
- **Fed eases pressure on interest rates.** Following a volatile fourth quarter featuring highly contested midterms, equity market volatility, and rising international trade barriers, the Fed signaled a data-driven approach to rate hikes. As a result, the spread between the 10-year Treasury and average cap rates for multi-tenant properties increased 50 basis points over the four months following October last year.
- **Arbitrage deals remain a key strategy for single-tenant investors.** Average cap rates in primary markets appear to have found a floor, particularly in the multifamily space. Utilizing a 1031 exchange, investors trade into single-tenant properties in secondary and tertiary markets, where cap rates for single-tenant properties average in the low-6 percent and mid-6 percent range, respectively. In preferred metros, first-year returns for single-tenant properties hover near 5 percent.
- **Smaller multi-tenant assets underappreciated opportunity for investors.** As headlines proclaiming a retail apocalypse wore on confidence, investors retrenched their retail strategies. However, as concerns have dissipated and investors have given more credence to the metrics rather than headlines, many have reengaged retail assets. Strip and neighborhood centers with a proven tenant roster should entice attention from investors.

### Retail Property Sales Trends

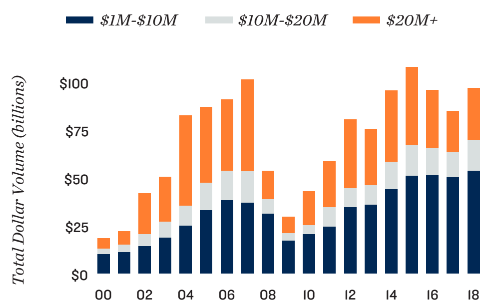



*Sales figures represent transactions of $1 million+*

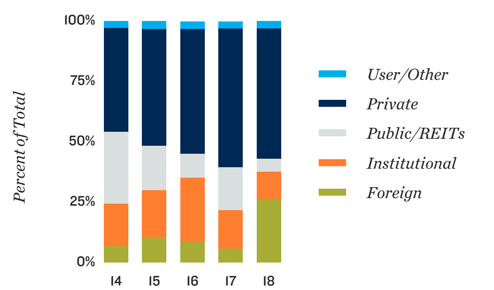
### Retail Cap Rate Trends by Market Type




### Retail Sales Volume by Price

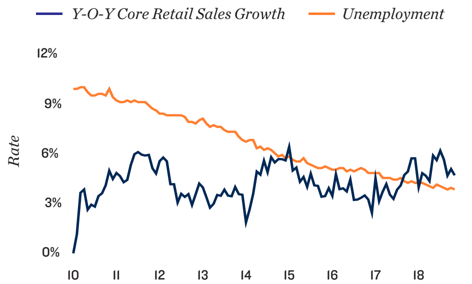



### Retail Buyer Composition

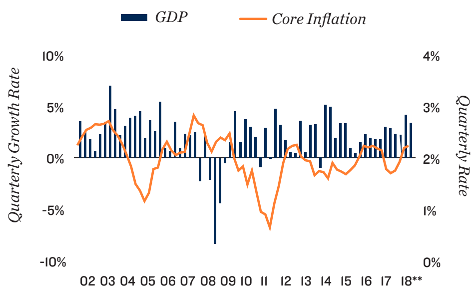



*Sources: CoStar Group, Inc.; Real Capital Analytics*

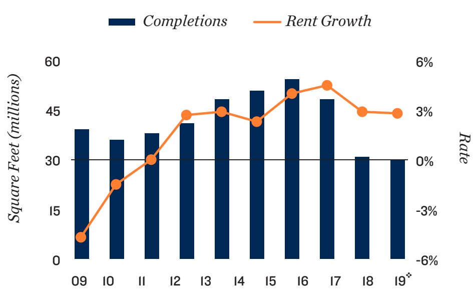
Tight Job Market Driving Consumption



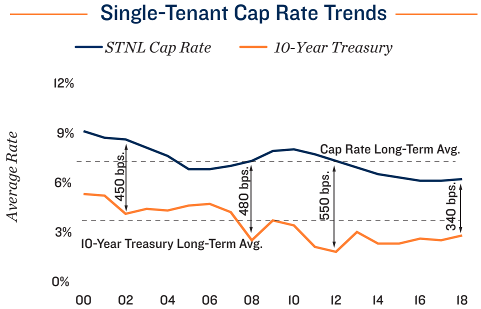

Growth Moderating Amid Rising Inflation




Limited Supply Growth Keeps Rents Steady




Single-Tenant Cap Rate Trends




* Through November
** Through 3Q
❖ Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

## Climbing Wages Benefiting Retail Spending; Stock Market Volatility Urges Single-Tenant Investment

**Consumption on track for another stable year.** Momentum will carry into 2019 as the economic foundation remains solid. Tight labor markets nationally are driving wage growth, pushing it to 3 percent at the end of 2018 for the first time this cycle. As a result, more discretionary spending should follow, benefiting retailers as consumption stays relatively strong. Last year, core retail sales averaged 4.9 percent growth; however, several factors could soften gains moving forward. Implications from trade tensions as well as the longer-term effects of a government shutdown remain unclear, keeping some consumers and retailers on their toes. With several potentially offsetting forces, GDP growth will moderate to the low- to mid-2 percent range annually.

**Stability still primary driver of single-tenant retail demand.** Single-tenant net-leased retail assets will remain highly sought after in 2019. A volatile stock market to start the year should help buoy demand for these properties, attracting investors to this sector of commercial real estate largely due to its generally stable returns. Additionally, investors seeking a more dependable stream of income may swap out riskier investments for single-tenant properties. While these assets require less maintenance, investors hoping to boost their after-tax returns through the 20 percent pass-through deduction will need to qualify as active operators as defined by the IRS. Overall demand should remain steady given the financial market volatility and large number of investors trading out of more management-intensive assets. Tenants offering experiences such as restaurants, entertainment retailers and fitness centers may be particular in demand as they are capable of providing customers with an experiential setting unable to be mirrored by the internet.

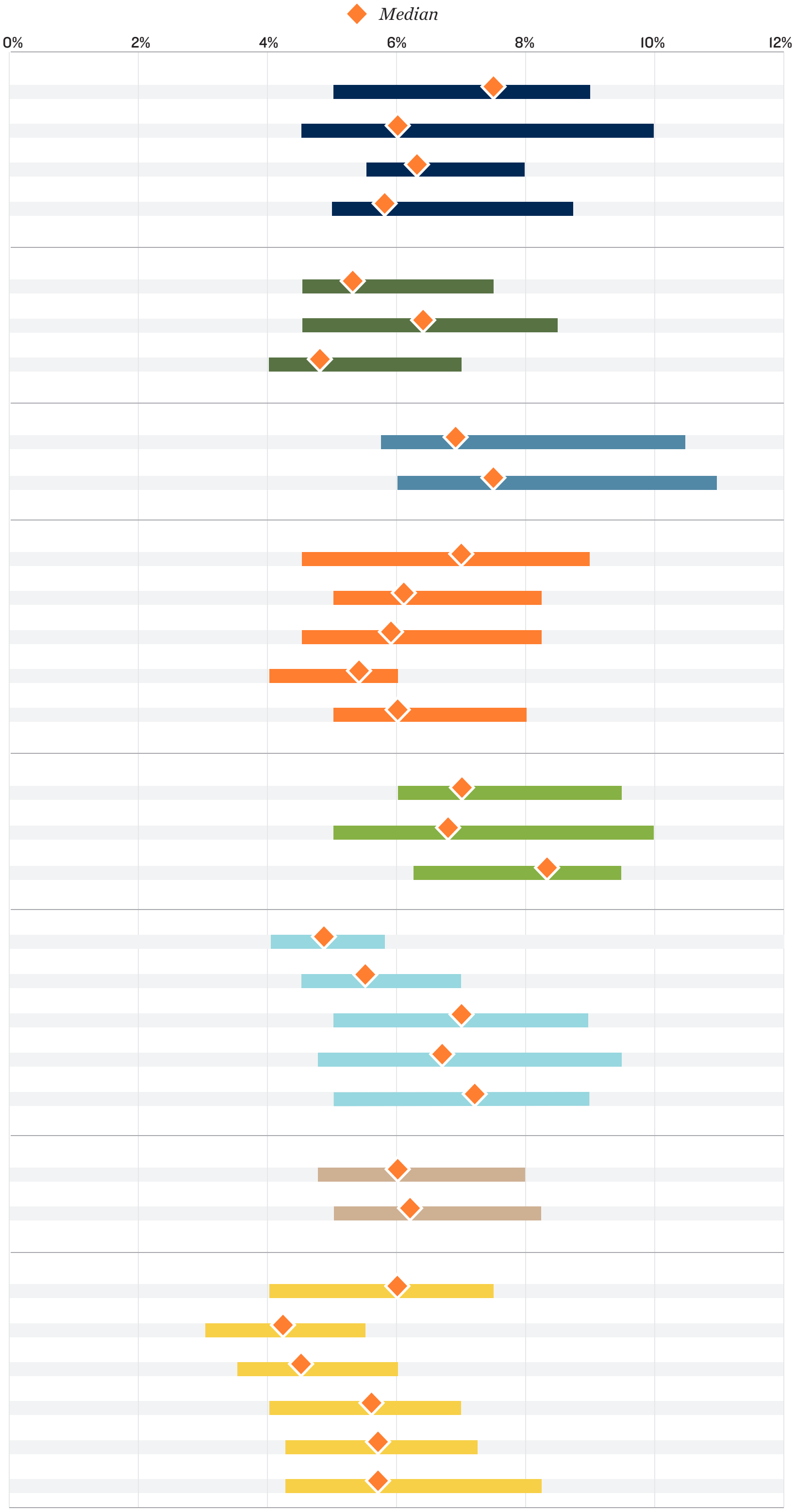
## Retailers Focus on Remodels as Consumers Evolve

**Asking rents continue steady climb as development remains tempered.** Retail construction will again be limited this year, further contracting the single-tenant pipeline. In 2018, single-tenant development tallied just 30 million square feet, roughly 60 percent of total retail construction — much lower than the previous 10-year average share of almost 80 percent. Though increased development costs will certainly weigh on construction volume in 2019, developers and lenders are still cautious after vastly overbuilding last cycle. Sparse construction should allow rents to advance steadily this year as retailers vie for the limited remaining space. Rents should progress at a pace similar to 2018, driving average asking rates roughly $2 above last cycle's high of $19.78 per square foot.

**Retailers making changes to account for modern consumers.** With development costs rising, many retailers are focusing on reinventing layouts in response to evolving consumer preferences. For pharmacies, this includes expanding offerings to include dental services as well as refining product assortment to incorporate grocery items. Dollar stores are also including grocery sections at some locations, creating competitors to local grocery stores in many financially struggling and rural areas. Conversely, other dollar store locations are implementing a convenience-oriented design, with the goal of broadening their customer base. These changes continue to improve the sector, while at the same time boosting property performance for many investors.

| Brand | Locations* |
|---|---|
| **Auto Parts** | |
| Advance Auto Parts | 4,348 |
| AutoZone | 5,633 |
| Caliber Collision | 650 |
| O'Reilly Auto Parts | 5,239 |
| **Convenience Stores** | |
| 7-Eleven | 8,415 |
| Circle K | 5,756 |
| Wawa | 833 |
| **Dollar Stores** | |
| Dollar General | 15,184 |
| Dollar Tree/Family Dollar | 15,309 |
| **Fast Casual Restaurants** | |
| Applebee's | 1,717 |
| Bloomin' Brands | 1,234 |
| Chili's | 1,238 |
| Darden Restaurants | 1,788 |
| Red Lobster | 705 |
| **Fitness Centers** | |
| 24 Hour Fitness | 437 |
| LA Fitness | 709 |
| Planet Fitness | 1,610 |
| **Grocery & General Retail** | |
| Aldi | 1,865 |
| Safeway | 1,093 |
| Sherwin-Williams | 4,620 |
| Verizon Wireless | 2,330 |
| Walmart | 9,785 |
| **Pharmacies** | |
| CVS | 9,865 |
| Walgreens | 7,578 |
| **Quick Service Restaurants** | |
| Burger King | 7,515 |
| Chick-fil-A | 2,350 |
| McDonald's | 15,380 |
| Starbucks | 16,217 |
| Wendy's | 6,209 |
| Yum! Brands | 18,595 |

## Closed STNL Cap Rate Range by Brand**




*Cap rates shown above are representative of transactions that closed in 2018. Actual yields will vary by locations, tenant, lease terms and other considerations. Locations sourced from CreditNtell for public companies and company websites for private companies.*

** U.S. and Canadian locations*
*** For transactions closed in 2018*
*Sources: Marcus & Millichap MNET; CoStar Group, Inc.; CreditNtell; company sources*

# Atlanta's Vacancy to Decline in 2019; Attractive Yields Drawing Investors Nationwide

**The metro's retail market poised to tighten for eighth consecutive year.** Although growth in the local job market is beginning to cool, broad-based payroll expansion will support the retail market. Tech firms remain a healthy source of new positions as both large and small companies expand or move to the area. BioIQ, for example, is bringing 500 positions to Cobb County and investing $5 million into the community. New jobs are expected to equate to approximately 1,000 households forming each week in the metro this year, supporting strong demand for big-ticket items. Overall, retail sales growth is projected in the low-5 percent range, modestly above the post-recession average. On the supply side, a small uptick in construction will have little impact on vacancy due to pre-leasing commitments. Nearly 80 percent of retail space underway at the beginning of the year had secured tenants prior to completion. The balance of supply and demand favors healthy, albeit measured, rent gains in 2019.

**Investors cautiously optimistic about Atlanta's retail market.** Although buyers slowed activity in the single- and multi-tenant sectors last year, deal flow remained robust and higher than during 2016. In the multi-tenant arena, elevated first-year returns are attracting out-of-state capital from low-cap rate regions. New York and California investors, in particular, have a large presence in the market. Buyers that can find similar cap rates in their home markets, however, have pulled back on acquisitions. Some investors will consider smaller strip centers with proven tenants in an effort to chase higher cap rates. Strip centers recorded average cap rates in the high-8 percent range last year, providing buyers more attractive spreads. Single-tenant properties will garner plenty of attention this year while investors increase due diligence and hunt for higher yields. Convenience stores and restaurants should change hands at average cap rates in the low- to mid-6 percent range.

## 2019 Market Forecast

**NRI Rank**
21, up 1 place
Lower vacancy and stronger rent growth bump Atlanta up in this year's ranking.

**Employment**
up 1.7%
Following the addition of 69,900 jobs last year, employers will add 49,000 spots in 2019.

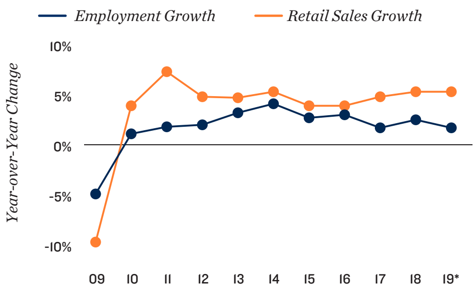
**Construction**
1.6 million sq. ft.
Builders increase supply this year, though pre-leasing remains strong. Developers will expand inventory 0.5 percent, up from 0.4 percent in 2018.

**Vacancy**
down 20 bps
Marketwide vacancy decreases to 5.0 percent by year end, following a 50-basis-point improvement last year.

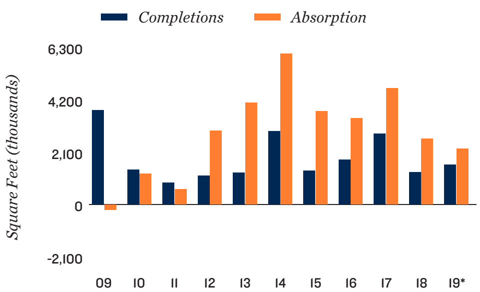
**Rent**
up 2.5%
Rent growth should accelerate from last year's pace, when asking rents ticked up 1.2 percent. Asking rents are projected to reach $15.32 per square foot this year.

**Investment**
Cash-heavy investors who can meet lower loan-to-value ratios will place capital into drugstores and fast-food restaurants, limiting the amount of upward pressure on cap rates in the initial months of the year.

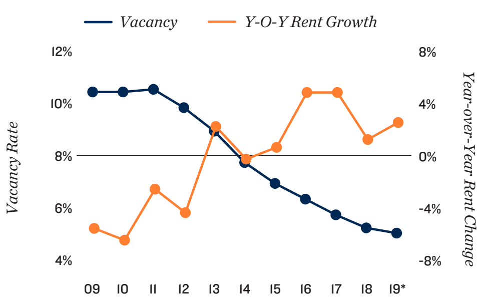
### Employment vs. Retail Sales Trends



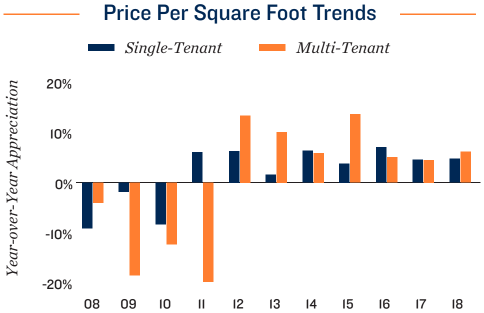

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends




* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

# Investors Focus on Austin Single-Tenant Properties as Hedge Against Volatility

**High-paying tech jobs supporting retail sales.** Buoyed by a growing tech sector, the local job market has been one of the strongest in the nation through the current expansion, only slowing recently due to a dearth of available workers. The unemployment rate has hovered near 3 percent for nearly two years, which has hamstrung companies from expanding payrolls at a brisker pace. However, the relatively affordable cost of living compared with other tech strongholds will draw workers from more expensive metros. One company that will be in the market for employees is Apple, which recently announced a $1 billion campus in Austin that could eventually house 15,000 positions. While strong job and household growth will drive demand for retail goods, new supply also remains measured. No major projects are scheduled for delivery this year and most of the small, multi-tenant properties have some leasing commitments in place. As a result, vacancy will remain low again this year.

**Single-tenant properties piquing investor interest.** A competitive climate will persist surrounding the single-tenant sector this year as the asset class remains one of the most attractive alternatives to bonds. At the same time, investors are hedging against a downturn in leasing activity by targeting an increasing number of restaurants and convenience stores. These properties also trade at slightly higher cap rates than fast-food restaurants and drugstores, which is an indication that investors are shifting their focus to higher yields. Marketwide, single-tenant cap rates are in the high-5 percent range. Multi-tenant sales, meanwhile, are focused on the population-serving sector. Grocery-anchored neighborhood centers that can attract sufficient traffic to support in-line retailers will be at the top of investors' wish lists in 2019. Small strip centers may draw some crossover single-tenant investors, particularly when leased by fast-food or service-based retailers. Multi-tenant cap rates are in the high-6 percent range.

## 2019 Market Forecast

**NRI Rank**
9, down 3 places

Slower employment growth and a flattening in retail sales growth this year lower Austin in the 2019 NRI.

**Employment**
up 2.6%

Employers will add 28,000 jobs in the market this year, building on last year's 36,200 position gain.

**Construction**
700,000 sq. ft.

Retail inventory will increase 0.7 percent this year, down from the 1.9 percent rise in 2018.

**Vacancy**
down 10 bps

Healthy space demand will support a 10-basis-point decline in vacancy to 4.1 percent. Last year, vacancy ticked up 30 basis points due to new construction.

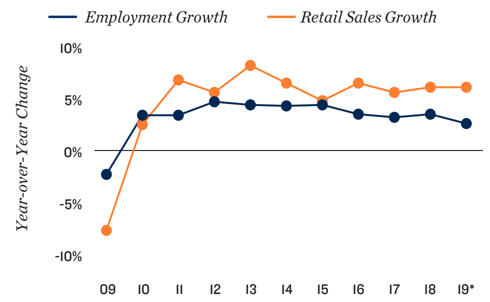
**Rent**
up 2.5%

Retail rents are pushing against a ceiling, which limited an increase in asking rents last year to 0.4 percent. By year end, asking rents will reach $23.11 per square foot.

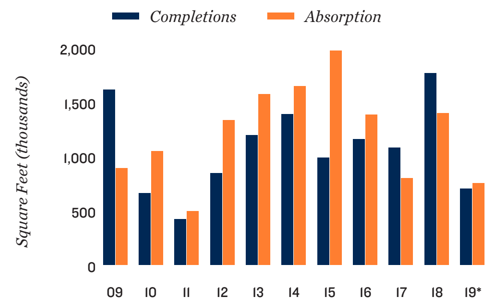
**Investment**

Investors will pursue recently constructed retail properties that have followed rooftops into suburban communities. Cedar Park, Georgetown and Round Rock will receive aggressive bids.

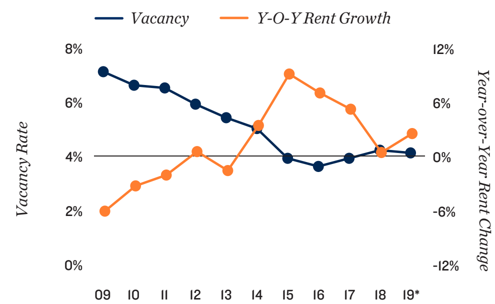
### Employment vs. Retail Sales Trends



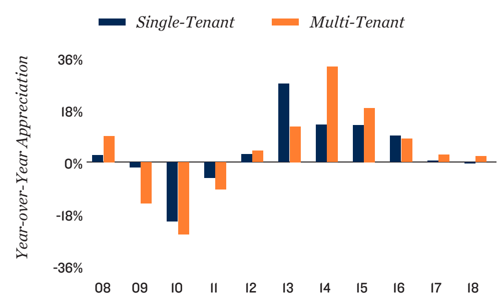

### Retail Completions




### Asking Rent and Vacancy Trends

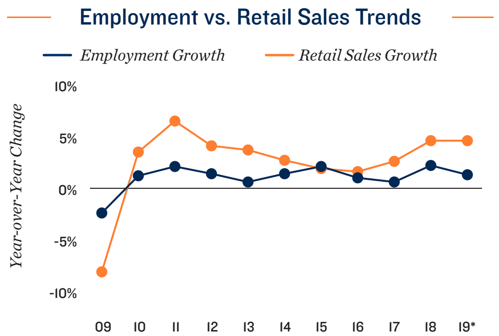


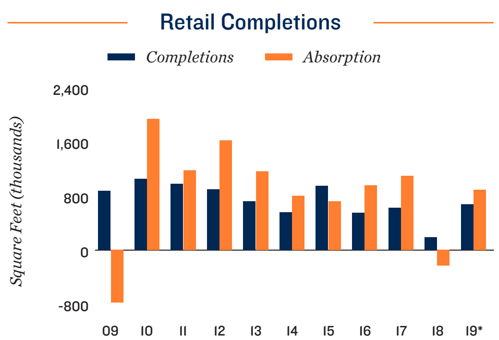

### Price Per Square Foot Trends

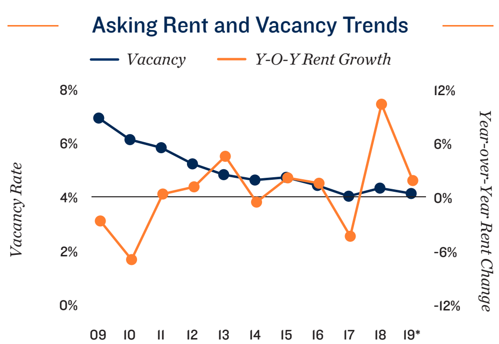


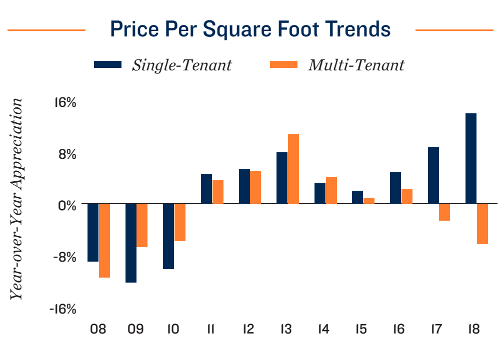

** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

## Strong Demand Further Limits Availability Despite Elevated Construction

**Job growth drawing new retail tenants, sustaining minimal vacancy.** Demographic factors continue to benefit the local economy. A fifth of all Baltimore jobs are in educational and health services, a segment that will become increasingly important as the baby boomer generation ages and more young people attend college. Positive job creation improves the underlying demand for retailers in the metro, emphasized by the growing number of tenants moving into the area the past few years. More operators locating in the market in 2019 will keep availability at a historically low level, even as the construction pipeline expands. Completions for this year are largely located outside the core, led by a pair of big-box stores in Owings Mills and two shopping centers in southeast Baltimore City. These buildings are already fully pre-leased, supporting a rise in asking rents at existing facilities. Monthly rates will appreciate at a pace consistent with the previous five-year annual average following a growth surge in 2018.

**Pockets of household growth and rising yields bolster investor demand.** Few deliveries in 2018 and favorable consumption trends enhanced the competition for listings. While sales prices are rising, entry costs remain below those of other Mid-Atlantic markets, propelling investment activity in Baltimore. The recent influx of multifamily arrivals downtown is changing the retail dynamic in the metro's core, contributing to buyer interest. Residential growth is also supporting elevated sales velocity near Aberdeen, with investors pursuing opportunities in areas near ingress/egress ramps along I-95 and Route 40. Greater initial returns are also bolstering investment interest. Uncertainty over lending rates is motivating some buyers to seek wider financing margins, to which the market's rising average cap rate is an advantage. The retail cap rate average begins 2019 near the mid-7 percent zone, its highest level in six years.

### 2019 Market Forecast

**NRI Rank**
40, down 2 places
A return to trend in the annual rent growth forecast moves Baltimore down in this year's Index.

**Employment**
up 1.3%
Metro employers will expand staffs by 18,000 personnel this year following a 2.2 percent increase in 2018.

**Construction**
680,000 sq. ft.
Last year development fell to the lowest level in over a decade as less than 190,000 square feet of retail space was delivered. For 2019 the pace of completions advances to a four-year high.

**Vacancy**
down 20 bps
Improved demand supports a drop in the vacancy rate to 4.1 percent, its second-lowest value in more than eleven years. In 2018 vacancy rose 30 basis points.

**Rent**
up 1.8%
The average asking rent advances to $20.94 per square foot after rates appreciated by multiple times that pace in 2018.

**Investment**
Recently established opportunity zones in the city of Baltimore have already begun attracting new investment into the area, and could incite new transaction activity as both private parties and funds seek existing assets for redevelopment.

## Boston Retail Space Scarce for Tenants and Investors; Prices Push to New Peak

**Boston retail space is among the most efficient in nation.** The local employment market has recorded an influx in high-paying, white-collar jobs in core locations. Last year, the professional and business services sector accounted for approximately half of the new positions created in the market. Many of these new jobs are in densely populated communities that are flush with recently constructed apartments and mixed-used properties. Vacant space in these areas is attracting population-serving retailers attempting to capture a piece of the elevated wages and lifestyle enjoyed by well-compensated workers. Outside of core areas, space demand remains consistently strong. Only the Wilmington/Redding area entered the year with a vacancy rate north of 8 percent, and no other portion of the metro reported availability above 6 percent. Although construction will nearly double this year, deliveries are below the five-year average and pre-leasing is approaching 80 percent. Retail vacancy will remain sufficiently low to support healthy rent gains.

**The lack of listings is largest impediment to deal flow.** Prices are near record highs, which typically encourages owners to list properties and redistribute equity into secondary markets where first-year returns are higher. However, volatility in the equities markets during the fourth quarter of last year lifted recession concerns and potentially moved some investors to the sideline. Nonetheless, job growth in core locations, such as Back Bay, has served to reinforce buyers' and sellers' confidence in the market, which could catalyze deal flow. Multi-tenant opportunities are generally strip and neighborhood centers, which have more private owners. Larger properties are generally owned by REITs and institutions that are mostly retaining ownership at this stage in the cycle. Single-tenant properties have maintained their appeal year over year. Average cap rates for these properties are in the low-6 percent range, where it has been for the past four years.

### 2019 Market Forecast

**NRI Rank**
4, down 1 place

Despite robust rent growth, Boston inches down in the Index as an increase in deliveries moves vacancy higher.

**Employment**
up 1.2%

Employment growth slows this year as 35,000 jobs are generated, following the creation of 50,000 spots last year.

**Construction**
1.3 million sq. ft.

The pace of construction nearly doubles this year after 680,000 square feet of space was delivered in 2018.

**Vacancy**
up 40 bps

At year end, vacancy is expected to be 3.6 percent after the rate rises 40 basis points for the second consecutive year.

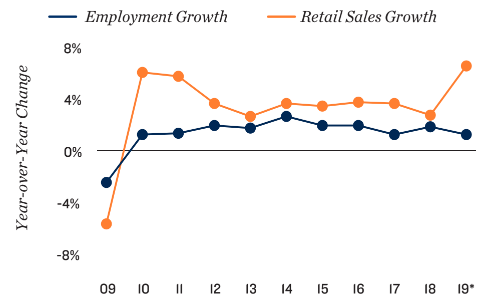
**Rent**
up 6.4%

Consistently tight conditions will support strong rent growth again in 2019. Building on a 6.8 percent jump last year, asking rents will climb to $23.51 per square foot.

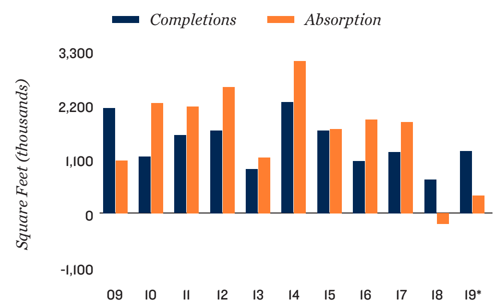
**Investment**

Multi-tenant cap rates have tightened into mid-6 percent range and held steady for the past three years. Investors considering rebalancing their portfolios are unlikely to see cap rates compress much further.

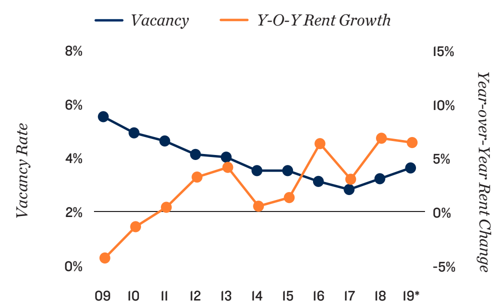
#### Employment vs. Retail Sales Trends



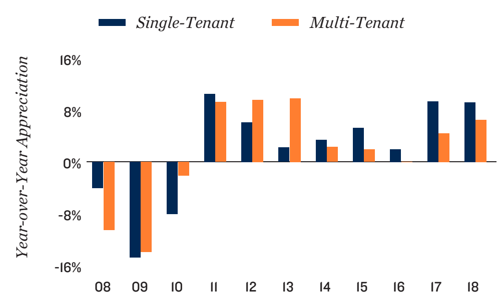

#### Retail Completions




#### Asking Rent and Vacancy Trends




#### Price Per Square Foot Trends




* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

## Grocery Stores and Fitness Centers Drive Retail Demand; Transit-Oriented Assets Lure New Investors

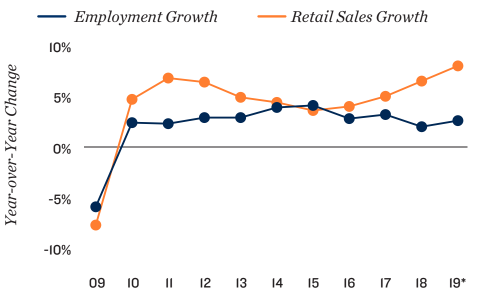
**Steady employment growth fuels demand for Charlotte retail.** More than 280,000 jobs have been created since 2010 as the metro has been a hub of corporate relocations and expansions. Recent announcements were made by Honeywell and LendingTree, which combined will add close to 1,000 positions over the next few years. The increase in employment opportunities is attracting new residents and nearly 50,000 additional people are expected to call the region home in 2019. The market ranks among the top 10 nationally in terms of percentage of growth, generating demand for goods and services. Grocery stores and fitness centers have been large occupiers of space in recent years and this trend will continue in 2019, with Harris Teeter among the grocers adding locations. The largest development due this year is Riverbend Village in Northwest Charlotte at 200,000 square feet. The mixed-use project will also house the headquarters of Corning Optical Communications and 370 residential units in 2019, with a hotel and additional office space due next year. Metrowide, the vacancy rate will remain below 5 percent for a third consecutive year, inching the average asking rent higher.

**Strong economic drivers draw investors to Charlotte.** The market's population growth and expanding corporate presence are gaining the attention of investors. Mixed-use buildings in transit-oriented walkable neighborhoods are enticing new buyers to the region. Construction along the LYNX Blue Line extension, which connects uptown with UNC-Charlotte in the northeast portion of the metro, is providing additional buying opportunities. Many of these properties will trade below the market's average cap rate, which compressed 40 basis points in the past year into the low-7 percent span. After being outbid by outside investors in past years, local buyers are more willing to pay pricing premiums for quality locations. Some sites near the downtown core or transit stations are being purchased for redevelopment opportunities.

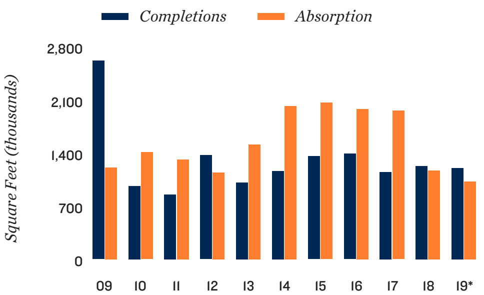
### 2019 Market Forecast

| | |
|---|---|
| **NRI Rank**<br>31, down 4 places | Minimal rent growth and a rise in vacancy contribute to Charlotte's decline in the Index this year. |
| **Employment**<br>up 2.6% | Roughly 32,000 workers will be added to staffs during 2019, up from 24,500 last year. |
| **Construction**<br>1.2 million sq. ft. | Deliveries are on par with last year's 1.2 million square feet, the eighth consecutive year that completions top 1 million square feet. |
| **Vacancy**<br>up 10 bps | More speculative inventory will nudge vacancy up to 4.4 percent in 2019, after holding steady last year. |
| **Rent**<br>up 0.7% | The average asking rent inches up to $15.39 per square foot during 2019, just shy of the peak reached in 2009. Last year, a nominal dip was registered. |
| **Investment** | Investors in search of yield will find a greater potential for higher returns outside of the 485 Loop. Older multi-tenant assets with local tenants in Gastonia or Mooresville can trade at cap rates above 8 percent. |

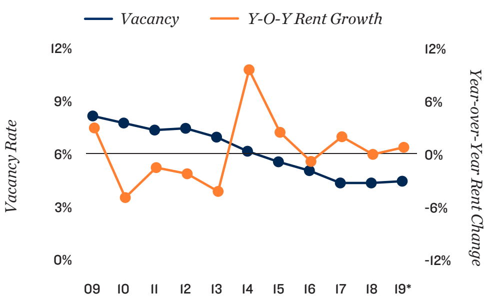
### Employment vs. Retail Sales Trends



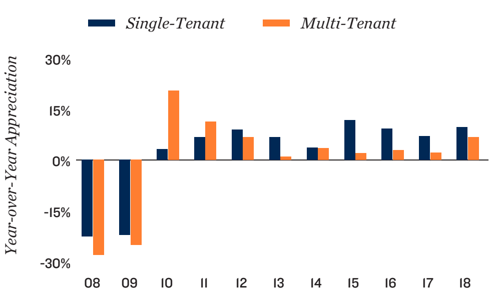

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

# Chicagoland Retail Properties Attract Yield-Driven Investors

**Windy City holding fast in the face of structural hurdles in the retail sector.** One of the largest downside risks to the Chicago market is the prevalence of big-box and mall anchors that are struggling against online retailers. The market got a reprieve in early 2019 when a plan for Sears to remain open was approved, though as many as 40 percent of the stores across the nation could go dark. Poorly performing Sears properties in Chicago will likely be shuttered over the next several months, but a gradual increase in dark space will keep fundamentals stable. The metro's malls and power centers reported significant jumps in vacancy last year due to the closure of Bon-Ton and Toys R Us stores. Nonetheless, vacancy remained relatively steady across Chicago's retail sector last year, a testament to the healthy space demand from smaller retailers. A similar performance is anticipated in 2019.

**Higher yields keep investors active in Chicago.** As a disconnect between buyers and sellers occurs in low cap rate markets, investors are turning to the metro to achieve the spreads they desire when considering new acquisitions. Activity across the single-tenant sector remains robust, though deal flow will likely remain below the high watermark set in 2017. Storefronts and restaurants are providing investors with above-average returns, while fast-food restaurants and drugstores trade at a premium. Weakness in buyer demand may emerge in lower cap rate properties if sellers outside of Chicago quickly react to the bid/ask gap. Multi-tenant investors are shifting into more defensive positions, which is a common strategy in mature economic cycles. Community centers have recorded the lowest slowdown among frequently traded multi-tenant properties, while strip centers are more difficult to move. The southern suburbs and northwestern regions of the market should be popular destinations for multi-tenant capital this year, particularly for centers featuring a grocery anchor.

## 2019 Market Forecast

**NRI Rank** 35, down 3 places — Vacancy sitting well above the national level and slower employment growth move Chicago down in the NRI.

**Employment** up 0.6% — The pace of job growth slows this year as 30,000 new positions are created. Last year, 59,000 spots were added to payrolls.

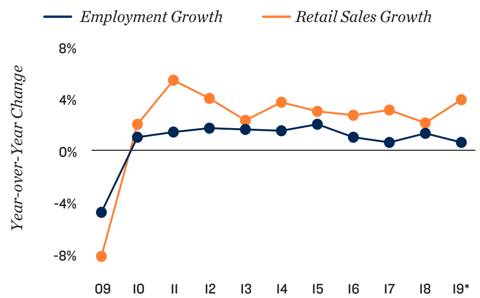
**Construction** 1.8 million sq. ft. — New construction will remain relatively on par with the 1.9 million square feet delivered in 2018. Inventory will tick up a paltry 0.3 percent.

**Vacancy** down 10 bps — Vacancy is expected to recoup the 10 basis points surrendered last year, declining to 6.4 percent.

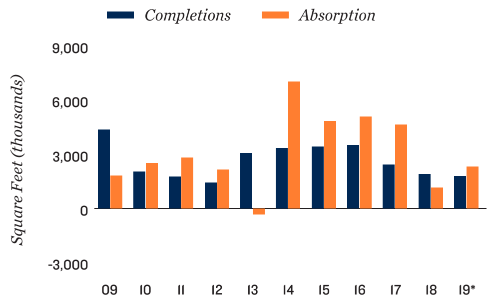
**Rent** up 2.1% — Average rents have grown or declined in a narrow range over the past few years. In 2019, asking rents will climb to $17.74 per square foot.

**Investment** — Local sellers will need to react quickly to changes in pricing trends in low-cap rate markets to continue to attract nationally focused investors.

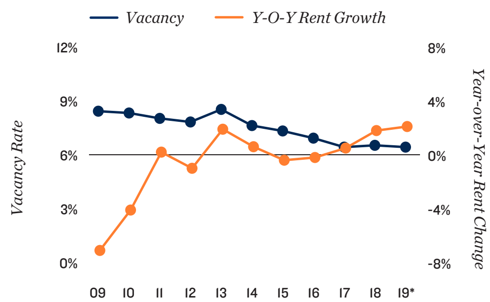
### Employment vs. Retail Sales Trends



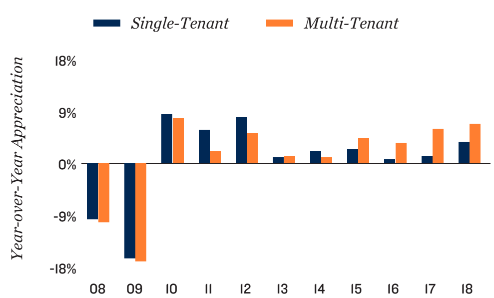

### Retail Completions




### Asking Rent and Vacancy Trends

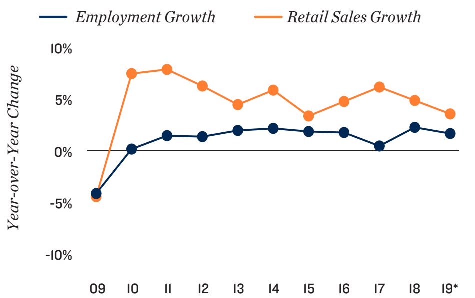



### Price Per Square Foot Trends

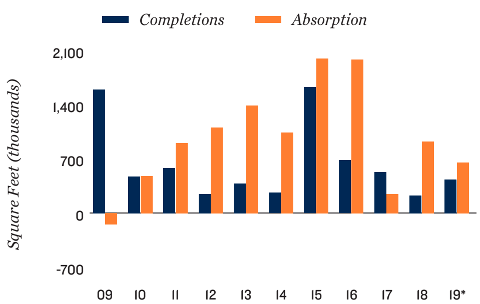



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

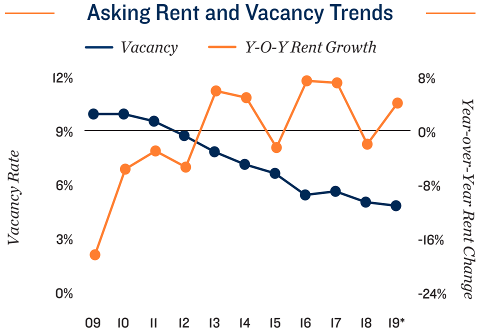
### Employment vs. Retail Sales Trends



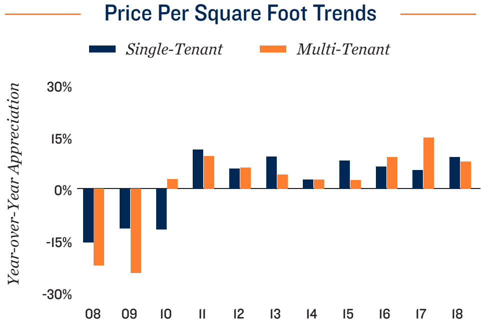

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

## Rent Growth Remains Pronounced in Neighboring Kentucky; Local Investors Driving Market Activity

**Tightening conditions headlined by several low-vacancy pockets.** Steady household formation will underpin another year of strong retail space demand as market vacancy decreases for the eighth time in nine years. Demand is particularly robust in the urban core where vacancy sits in the mid-2 percent band. First-floor retail space in several recently completed apartment projects in Over-the-Rhine should help alleviate some of this pressure, opening up opportunities for retailers struggling to find space near the city center. Furthermore, space availability in North Kentucky will remain limited this year despite the infusion of nearly 400,000 square feet over the past three years. This submarket is expected to receive a sparse amount of construction in 2019, so vacancy will likely stay contracted. Here, tight conditions have prompted substantial rent gains in recent quarters, bringing this area's average asking rent to the highest in the metro and almost $3 per square foot above the market rate.

**Northern submarkets garner heightened investor attention.** Local buyers remain a dominant force in Cincinnati, accounting for the majority of deal flow while capitalizing on relatively affordable entry costs. Kenwood, Mason and Montgomery were popular targets for these investors, who focused on several strip malls and grocery-anchored strip centers. Here, cap rates reached the upper-7 percent band, 40 to 50 basis points higher than the market average. Buyers with similar criteria yet willing to accept slightly lower yields looked in neighborhoods around Glendale and Springdale, where consumers are drawn to the Tri-County Mall as well as other retail establishments like Costco and Lowe's. Moving farther south, a variety of private investors will remain focused on the urban core. The continued revitalization of the central business district and adjacent neighborhoods presents many value-add opportunities to investors willing to make necessary space and operational improvements.

### 2019 Market Forecast

**NRI Rank**
32, up 3 places
A decrease in the vacancy rate and a rise in rents produce a higher placement for Cincinnati in this year's Index.

**Employment**
up 1.6%
Employment growth remains stable in 2019 as 17,500 new workers are staffed. Last year, organizations hired 19,600 employees with an emphasis on retail trade additions.

**Construction**
436,000 sq. ft.
Outer-ring submarkets witness most of this year's retail development as builders accelerate efforts by almost 65 percent relative to last year.

**Vacancy**
down 20 bps
An uptick in construction is outpaced by substantial absorption, driving market vacancy down to 4.8 percent.

**Rent**
up 4.1%
The average asking rent will rise 4.1 percent in 2019, moving to $12.60 per square foot. Last year, Cincinnati's asking rents receded 2.0 percent.

**Investment**
The continued transformation of Over-the-Rhine should spark considerably more retail development in the area during the coming years.

# Developers Increasingly Confident As Economy Sustains Momentum

**Vacancy remains tight despite soaring construction.** Retail developers will capitalize on Cleveland's strengthening economy this year, accelerating construction efforts amid the metro's boost in overall spending power. Home-improvement retailer Menard's is adding two locations in Northeast Ohio this year in Avon and Mentor. In addition, the Pinecrest project in Beachwood will receive the finishing touches on its retail space, while several grocery stores and strip centers account for much of the remaining retail property being constructed in the market. Despite the influx of available space, absorption is expected to remain strong, pushing vacancy into the low-5 percent area. Though the infusion of space will not weigh on vacancy, it may ease rent growth after a nearly 10 percent increase was recorded last year. Downtown Cleveland will remain the submarket with the highest asking rent by a considerable margin with more room for growth as vacancy is stationed under 4 percent and the area's revitalization is beginning to attract businesses and residents from the suburbs.

**Affordable entry costs capture investor attention.** Retail investment in Cleveland remains steady, highlighted by a mix of in-state and out-of-state private buyers. Eastern suburbs, in particular, will be highly regarded by these investors. Numerous small shopping centers provide favorable cap rates reaching the low- to mid-9 percent range. The I-90 corridor will also be targeted by local buyers as this heavily trafficked thoroughfare encourages strong tenant demand for retail space in the area. Moving westward, retail assets near I-480 around Brooklyn and Parma garner the attention of investors seeking relatively more affordable entry costs. Here, first-year yields across the 9 percent band are common, especially for community centers and strip centers in need of improvements. Price tags under $1 million may derive capital from some entry-level investors, boosting competition for these properties.

## 2019 Market Forecast

**NRI Rank**
39, up 5 places

Rising employment growth and tightening vacancy move Cleveland up five rungs in the NRI.

**Employment**
up 2.7%

After adding 33,600 workers last year, organizations will create 29,000 new jobs in 2019. This two-year span is on track to produce as many positions as the prior seven years combined.

**Construction**
1.0 million sq. ft.

Development nearly doubles this year while reaching its highest level since 2008 when 1.8 million square feet was finished.

**Vacancy**
down 20 bps

Vacancy will dip to 4.8 percent this year amid strong absorption. This is spearheaded by tight conditions in West Cleveland as well as downtown.

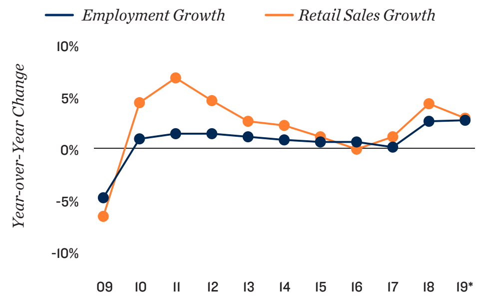
**Rent**
up 4.8%

Rent growth will ease this year, though it will still remain strong, moving the average asking rent to $12.29 per square foot. In 2018, rents climbed 9.5 percent.

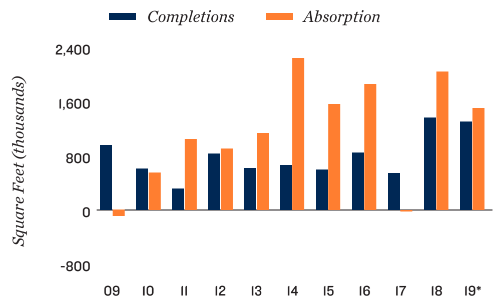
**Investment**

High-yield investors will remain interested in Cleveland in this year, particularly as substantial job creation continues to bolster the economy.

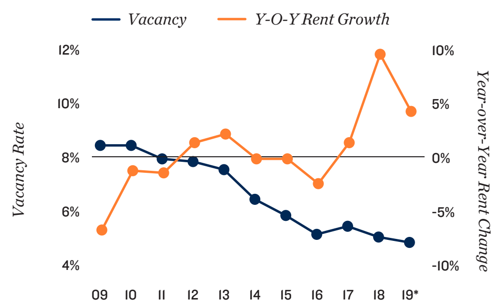
### Employment vs. Retail Sales Trends



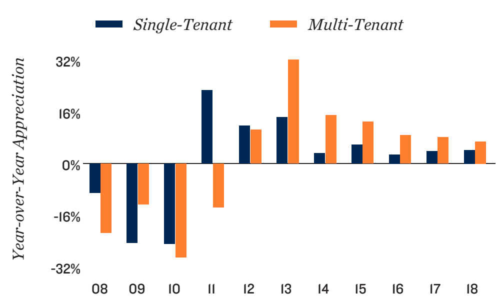

### Retail Completions




### Asking Rent and Vacancy Trends



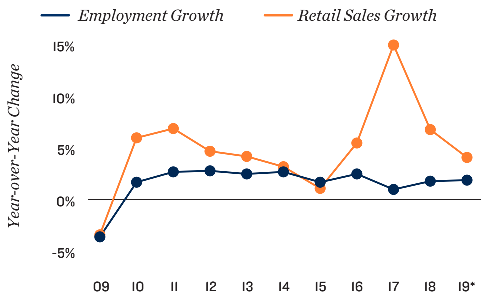

### Price Per Square Foot Trends



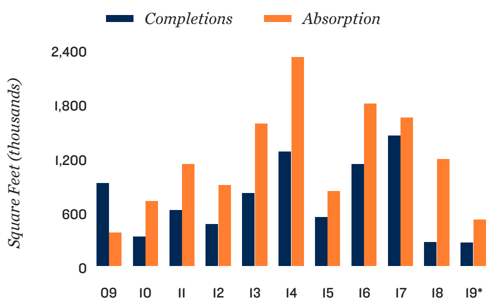

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

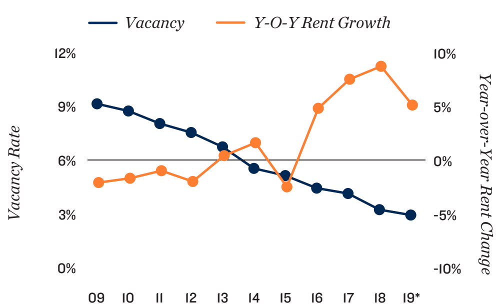
### Employment vs. Retail Sales Trends



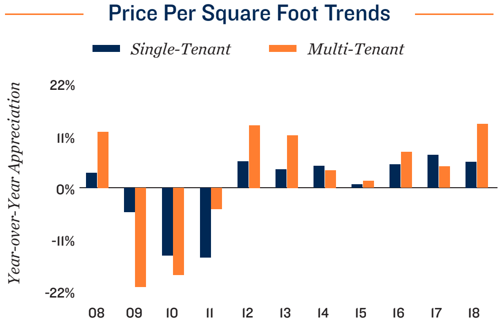

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

## Columbus on Track for Substantial Rental Gains As Construction Pipeline Remains Thin

**Vacancy sits among lowest in the nation, powering considerable rent growth.** Tight conditions in the Columbus retail market will persist this year, as market vacancy is set to contract yet again, this time dipping below 3 percent. Vacancy rates nearing 2 percent can be found in a variety of suburbs, headlined by neighborhoods in Dublin and Grove City. Sparse retail development will fail to relieve this pressure, as overall deliveries sit in the mid-200,000-square-foot range for a second consecutive year. Much of this year's construction consists of quick-service and fast-casual dining options as well as first-floor storefronts in recently completed luxury apartment buildings. The pairing of limited construction and low vacancy will result in another year of solid rent growth, building on a previous three-year average of 7 percent. Until the market witnesses a significant amount of development, rental gains should remain rather strong, especially in downtown Columbus and the adjacent Short North District. Communities slightly west of downtown may also post substantial rent growth in the coming months, highlighted by the up-and-coming Franklinton neighborhood.

**Private investors find plentiful opportunities in Columbus.** Steady retail sales growth will continue to support investment into Columbus retail assets this year. Eastern Franklin County including parts of Blacklick and Reynoldsburg house a plethora of small shopping centers, attracting many private buyers. Cap rates for these properties are largely dependent on tenant blend; however, the average is similar to the overall market average, roughly 8 percent. Additionally, northern sections of the metro entice investors, particularly the Bethel Road corridor where numerous entry-level investment options exist. Several small strip centers in the $1 million to $2 million range include first-year yields around 8 to 9 percent that are attractive to investors seeking more affordable assets.

## 2019 Market Forecast

**NRI Rank**
24, up 9 places
One of the lowest vacancy rates in the nation vaults Columbus nine places in the Index this year.

**Employment**
up 1.9%
Job growth in Columbus will remain solid with the creation of 21,400 new employees. Bankers, financial advisors and government workers will be in high demand.

**Construction**
260,000 sq. ft.
Construction activity will decrease slightly this year after roughly 270,000 square feet was delivered in 2018.

**Vacancy**
down 30 bps
Limited supply growth will continue to compress market vacancy, lowering the rate to 2.9 percent in 2019. This follows a 90-basis-point drop one year earlier.

**Rent**
up 5.1%
Rent growth is expected to ease after last year's 8.7 percent advance; however, gains will stay strong, pushing the average asking rent up to $14.75 per square foot.

**Investment**
Large-scale employers coming to Franklinton should ignite investor interest in the area in the months ahead. This older neighborhood provides value-add plays to many buyers.

# New-Home Construction Boosting Retail Sales in Dallas/Fort Worth; Vacancy Marches Lower

**Retailers enjoy injection of new households in the Metroplex.** Last year, Dallas/Fort Worth was one of just two markets that recorded six-figure employment gains, joining the other Texas economic powerhouse, Houston. Job growth projections remain in the same range this year as expanding companies turn to the area for its attractive business climate. Many of the new jobs are in the northern suburbs, where large office parks and master-planned communities are attracting workers. Pecan Square, for example, is an $1.5 billion mixed-use community in Northlake that will add 3,000 homes when completed and represents the scope of some of the developments in the pipeline. As new households are created, consumers will fill those homes with big-ticket items, supporting retail sales growth above 5 percent this year and more than 4 million square feet of absorption. Additionally, construction will slow in 2019, supporting the ninth consecutive year of declining vacancy.

**Out-of-state capital competing with local buyers.** West Coast buyers have elevated their presence in the Metroplex as 1031-exchange activity remains attractive. Higher interest rates over the past year have tightened the spread in low-cap-rate markets, encouraging owners to redistribute their portfolios in search of higher returns. Much of the interest is in the single-tenant sector, where average cap rates are in the low-6 percent range. By comparison, first-year returns for single-tenant properties in coastal California metros can be 100 to 150 basis points lower than in the Metroplex. In the multi-tenant arena, average cap rates are in the high-6 percent range and have the narrowest gap with single-tenant properties since the recovery began. At least some of the cap rate compression can be derived by investor behavior. Buyers are shying further away from high-risk assets, including strip centers, and focusing their efforts on grocery-anchored neighborhood centers.

## 2019 Market Forecast

**NRI Rank** 10, up 2 places — A slower delivery pace tightens vacancy and produces sizable rent growth moving the metro up in the NRI.

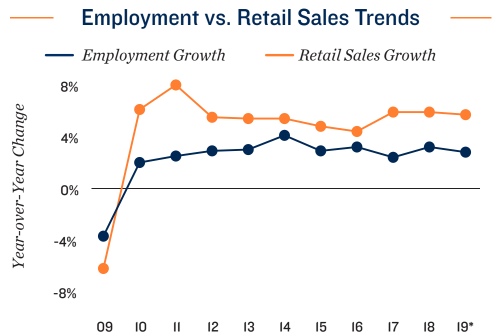
**Employment** up 2.8% — Employers will add 105,000 jobs this year, down modestly from the 117,900 created last year.

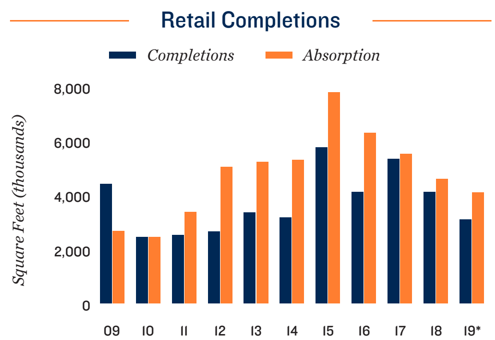
**Construction** 3.1 million sq. ft. — Developers are slowing their pace of construction this year after 4.1 million square feet was completed in 2018. Pre-leasing for underway projects sits at a healthy 70 percent.

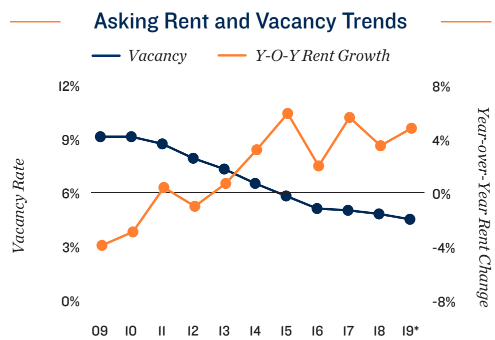
**Vacancy** down 30 bps — Strong absorption will facilitate a year-end vacancy rate of 4.5 percent, down from 4.8 percent in 2018. Last year, vacancy tightened 20 basis points.

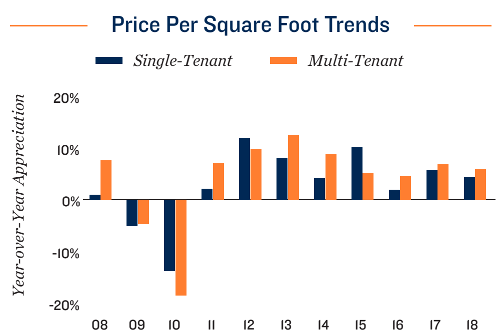
**Rent** up 4.8% — Building on a 3.5 percent increase last year, asking rents are projected to reach $17.74 per square foot in 2019.

**Investment** — Buyers may consider small multi-tenant properties on pad sites or hard corners as an alternative to the competitive single-tenant sector.



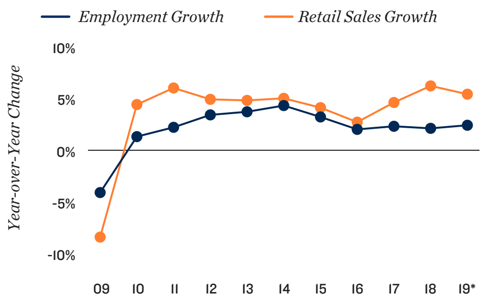



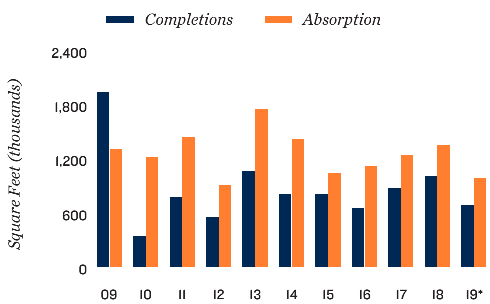

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

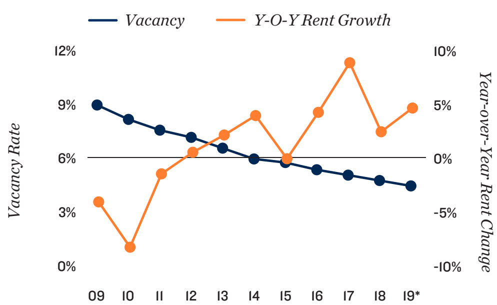
## Employment vs. Retail Sales Trends



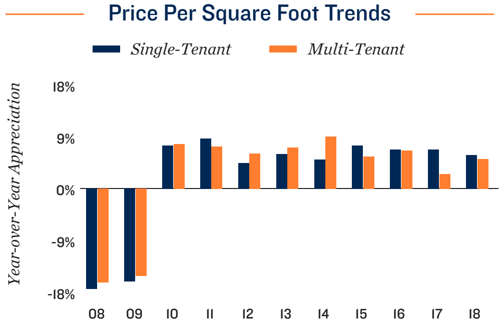

## Retail Completions




## Asking Rent and Vacancy Trends




## Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

# Softened Construction Keeps Vacancy on Downward Trajectory; Buyers Keep Options Open

**Tight conditions persist in urban core.** For the 10th consecutive year, the average market vacancy will contract, retreating below 5 percent for the first time in more than a decade. The urban core and adjacent neighborhoods carry the lowest rates in the metro around 3 percent. Areas farther from the core are witnessing vacancy measures above the market rate as supply growth in these areas is more substantial. However, on a metro level, development will decrease in 2019, dropping roughly 40 percent in relation to last year. Shopping centers make up a sizable portion of this year's construction volume, headlined by Vista Highlands in Broomfield. The metro's largest completion will be Phase II of the 9th and Colorado mixed-use project, which adds roughly 185,000 square feet of retail space. This development is projected to create more demand for neighboring retail locations as vendors seek the proximity to a prominent social hub, building on the area's already-strong rent growth. Parts of Aurora may also log significant rent advances as household formation strengthens, especially in the suburb's most easterly sections.

**Turnkey and value-add assets on investors' radars.** Denver's healthy demographics and still-favorable cap rates continue to lure out-of-state investors as well as local buyers. With its rapidly growing population, Castle Rock is becoming a highly targeted area for many of these investors. Though cap rates are relatively low in the 5 to 6 percent range, investors see considerable upside in many of the retail properties here. In addition, interest surrounding North Lakewood continues to rise as well, fueled by a recent light-rail expansion. Numerous assets in this area require significant space and operational upgrades, attracting opportunistic investors seeking initial returns in the high-7 to low-8 percent realm, up to 100 basis points above the market average. Buyers seeking similar yields will also scour Aurora as the suburb continues to mature and expand farther eastward.

## 2019 Market Forecast

**NRI Rank**
13, down 2 places
Larger improvements in other markets move them ahead of Denver, lowering the metro two spots in this year's Index.

**Employment**
up 2.4%
Job creation in Denver will remain on par with the previous two years as employers staff 36,000 new workers.

**Construction**
690,000 sq. ft.
Development slows following nearly 1 million square feet delivered in 2018. Outer-ring suburbs receive much of the new supply amid robust household formation.

**Vacancy**
down 30 bps
Absorption thoroughly outpaces development in 2019, pushing market vacancy down to 4.4 percent. By year end, the rate will have fallen 150 basis points during the past five years.

**Rent**
up 3.9%
Limited available space may encourage some owners to raise rents in response to market conditions, bumping the average asking rent up to $19.54 per square foot.

**Investment**
Retailers are following new households to the Northwest Corridor, which comprises Highway 36 between Denver and Boulder. Here, strip centers trade in the mid- to upper-8 percent range.

# Expanding Retailers Boost Demand for Space; Higher Yields Capture Investor Attention

**Vacancy drops as empty storefronts fill.** For a fifth consecutive year, delivery volume exceeds more than 1 million square feet as new stores enter the market and others open additional locations. Retailers filling junior- and big-box space will tighten vacancy to the lowest level of the cycle. Bob's Discount Furniture is one new firm with aggressive expansion plans. The company will debut six suburban stores this year, filling floor plates once occupied by T.J. Maxx, Toys R Us and Babies R Us. Fitness centers are also moving into empty space. Crunch Fitness and LA Fitness are among those opening new sites this year. In the city of Detroit, the surge in office users and residences is generating demand for more goods and services. As neighborhoods in and around downtown are revitalized, buildings are being renovated for retail users, especially those along Woodward Avenue. Throughout the metro, increased demand for retail inventory will nudge rents higher in 2019, although the average asking rent will remain 3 percent below the 2008 peak, allowing room for further upside opportunities.

**Stable economic outlook and the potential for higher returns keep investors active.** Initial yields above those in most markets of its size capture the attention of a wide range of buyers. Many are targeting single-tenant net-leased buildings throughout the region, although competition for available quality assets and higher cap rates are motivating some buyers to consider strip centers with fewer than five national and regional tenants. Favorable retail demographics direct many investors to Oakland County or to areas with population growth including the Interstate 94 corridor in Macomb County. Metrowide, new small strip centers will trade at cap rates that can start in the 5 percent range depending on location and lease terms, while malls older than 15 years will provide initial yields closer to the metro average in the low-8 percent span. Rising valuations should provide more buying opportunities and a diverse investor pool this year.

## 2019 Market Forecast

**NRI Rank**
45, down 4 places

Slower employment growth and vacancy above the national rate reduce Detroit's standing in the NRI.

**Employment**
up 0.5%

Employers will add 10,000 workers to payrolls in 2019, down minimally from a 0.7 percent gain registered last year.

**Construction**
1.1 million sq. ft.

Completions ease minimally in 2019, yet annual deliveries exceed 1 million square feet for the fifth consecutive year.

**Vacancy**
down 20 bps

A slight downturn in construction and healthy net absorption reduce vacancy to 5.7 percent in 2019, Last year, vacancy inched up 10 basis points.

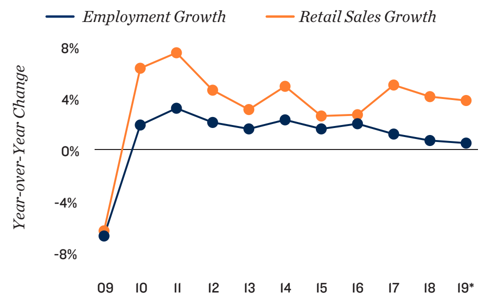
**Rent**
up 1.3%

The average asking rent will climb to $13.92 per square foot in 2019. A gain of 1.9 percent was recorded last year. In 2019, the average rent will have risen 14 percent from the cyclical low.

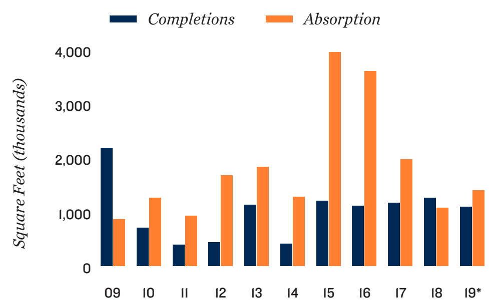
**Investment**

Investors searching for higher yields may find opportunities in junior-box anchored centers that can trade at cap rates beginning in the mid-8 percent territory. Vacant space in many of these centers is being subdivided to attract new tenants.

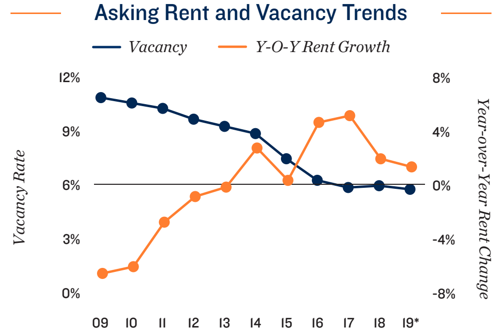
### Employment vs. Retail Sales Trends



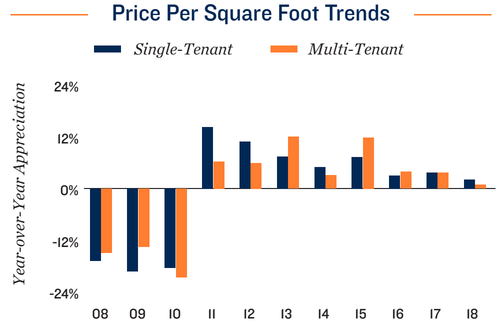

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends



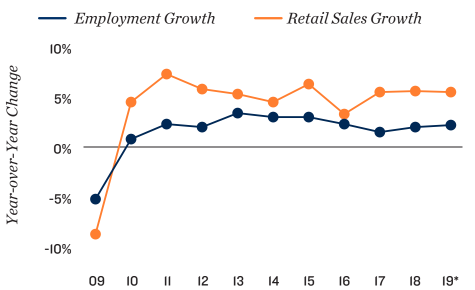

* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

# Broward County Construction Reaches Cyclical High; Investors Find Greater Options

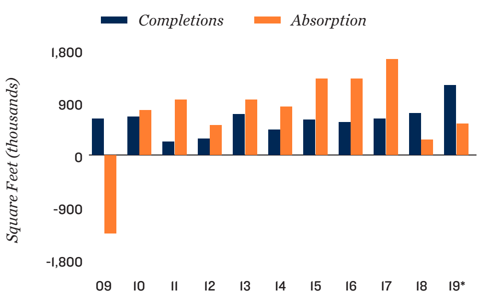
**Favorable demographic trends support Broward County retail market.** Population growth in Fort Lauderdale, particularly from retirees that have discretionary income, is boosting retail sales. Net migration is forecast at nearly 450 people weekly, and 300 households are expected to form each week. In addition to retirees, the local employment market remains a driving force behind retail sales. The thriving healthcare field supported the creation of nearly 3,000 education and health services jobs last year, performance that should be repeated in 2019. Despite the favorable demand metrics, new supply will put upward pressure on marketwide vacancy. Construction will reach a cyclical high, surpassing last year's pace by nearly 70 percent. Although pre-leasing is higher than the national average at 80 percent, existing properties will have to compete for retailers searching for space. Shopping centers in Coral Springs and Pompano Beach, where vacancy is nearly double the metro average, could see more modest rent gains.

**Local investment climate pulls back to historical levels.** Retail properties traded at a lower rate last year as the market searched for a cap rate floor. After several quarters of a buyer/seller disconnect, sellers have a better understanding of local pricing dynamics. As a result, properties should trade more quickly this year, particularly those with ideal tenants. Neighborhood centers on high-traffic corners are in demand within the city of Fort Lauderdale. Buyers' preference for strip centers is well balanced across the county, indicative of the importance of tenant rosters. Cap rates for multi-tenant properties are in the low-6 percent range, only a few basis points higher than the single-tenant sector. The tight spread between the two property types shows risk aversion by multi-tenant investors. Buyers willing to chase properties with a more significant vacancy component may find outsized gains due to a dearth of competitive bids.

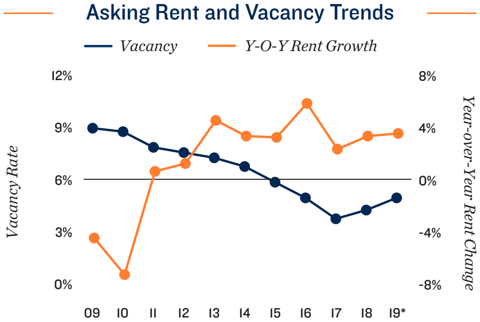
### Employment vs. Retail Sales Trends



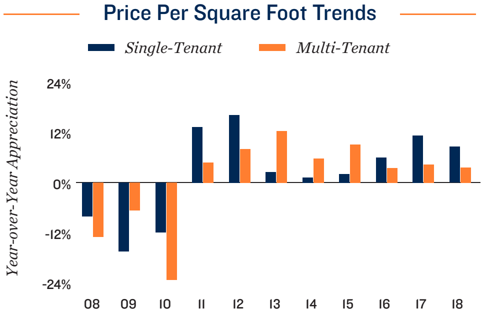

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

## 2019 Market Forecast

**NRI Rank** 26, down 3 places — A surge in deliveries and a rising vacancy rate contribute to Fort Lauderdale's drop in this year's ranking.

**Employment** up 2.2% — Employers will hasten the pace of job creation this year as 19,000 positions are created, besting last year's 16,500 spots.

**Construction** 1.2 million sq. ft. — After 710,000 square feet was delivered in 2018, a handful of large projects will expand inventory 1.3 percent in 2019.

**Vacancy** up 70 bps — The sharp rise in new stock will put upward pressure on vacancy for the second consecutive year, moving the rate to 4.9 percent. Last year, vacancy jumped 50 basis points.

**Rent** up 3.5% — Following a 3.3 percent advance in 2018, rent gains are poised to outpace inflation as asking rents reach $23.76 per square foot in 2019.

**Investment** — Average cap rates for single-tenant properties have remained in the low-6 percent range since 2015. Buyers appear to be holding firm at first-year returns close to 6 percent, opting to be more flexible on property type and tenant than price.

## Houston's Robust Job Market Attracting Workers, Generating Retail Sales

**Robust population and employment growth boosting retail space demand.** Relatively stable energy prices have provided more consistent job growth in Houston over the past year, a trend that is expected to continue again in 2019. Payrolls expanded by more than 100,000 spots in 2018 and those were largely outside of the energy sector. In fact, the manufacturing and natural resources and mining sectors, which are closely tied to the energy industry, are approximately 60,000 jobs short of recent peak levels. Strong employment increases are indicative of diversification outside of the bellwether industry, a trend that bodes well for the local retail industry. Population growth is another retail demand driver for the metro as more than 350 people are added each day, resulting in 1,000 new households every week. New construction, meanwhile, has a sizable amount of unleased space coming online in the first half of the year. As that space is absorbed, vacancy will tighten in the final two quarters of 2019.

**Investors find opportunities for long-term holds.** A degree of caution is prevalent in purchase patterns for investors. Single-tenant deal flow hastened last year as arbitrage and capital preservation influenced decision-making for retail investors. Cap rate compression in alternative commercial property sectors may have ended for the current cycle. As a result, 1031-exchange buyers from outside of Houston are trading out of apartments and reallocating the capital into the metro. Single-tenant properties with a national-credit tenant secured under a long lease are a primary target for these buyers, which has lifted the popularity of drugstores and convenience stores. Multi-tenant acquisitions persist; however, investors are shying away from strip centers, particularly those that have tenant rosters with significant rollover in the next two years. Interest in neighborhood centers that rely on grocery anchors will continue to receive sufficient interest.

### 2019 Market Forecast

**NRI Rank** 27, up 3 places — Robust employment gains and a tightening in vacancy rate move Houston up in the 2019 NRI.

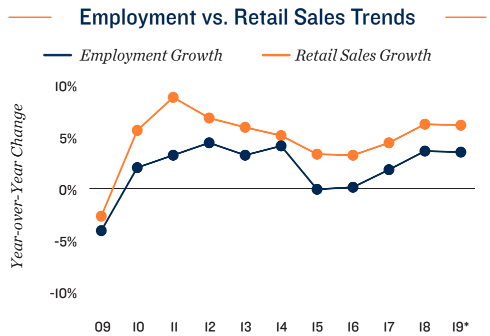
**Employment** up 3.5% — After 111,100 jobs were created in 2018, employers are anticipated to generate 110,000 positions this year.

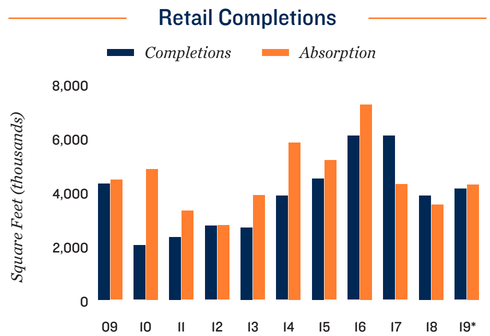
**Construction** 4.1 million sq. ft. — The retail pipeline will thin after the first half, though the pace of construction remains elevated. Inventory increases 1.0 percent in 2019.

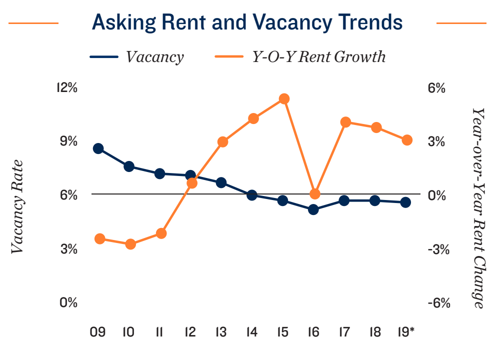
**Vacancy** down 10 bps — After a modest increase in the first quarter, retail vacancy is projected to finish the year at 5.5 percent, down from 5.6 percent at year-end 2018.

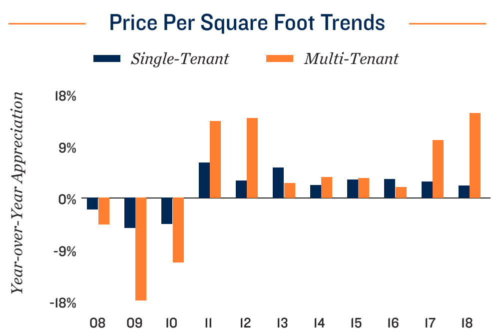
**Rent** up 3.0% — The average asking rent will grow to $18.03 per square foot in 2019, building on an increase of 3.7 percent last year.

**Investment** — The high-population-growth areas in the northern suburbs provide investors with a penchant for value-add turnarounds to acquire multi-tenant properties with a vacancy factor.



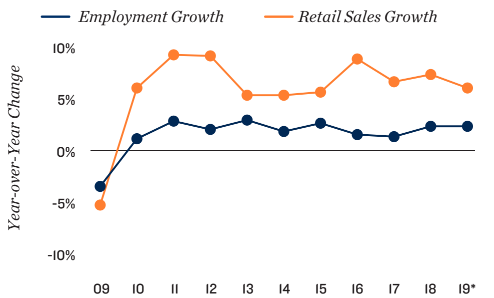



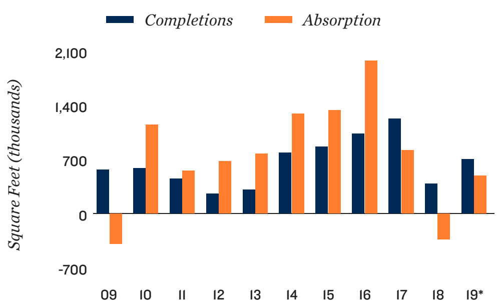




* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

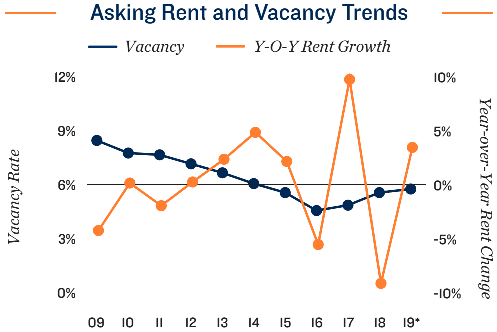
## Employment vs. Retail Sales Trends



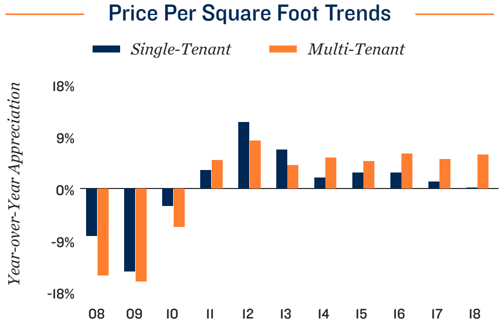

## Retail Completions




## Asking Rent and Vacancy Trends




## Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

# Job Gains Draw Residents and Retailers; Higher Returns Bring Investors to Indianapolis

**Favorable demographic trends encourage retailer expansions.** Employment growth above the national rate of increase will attract approximately 18,000 additional residents to the market in 2019. A number of the new positions will be higher-paying office-using slots at the growing list of tech firms that are hiring. The added jobs will help boost household income 4.2 percent in 2019, providing consumers with more spending power and supporting a jump in retail sales well above the rate for the U.S. These trends are encouraging retailers to add locations throughout the region. One of the largest projects underway is MarketPlace at Saxony in Fishers. The 120,000-square-foot center will include Marshalls, Burlington and Michaels, among others. Retail space will also be delivered in the many mixed-use apartment and office buildings underway and in major redevelopment projects including the Bottleworks District on the former Coca-Cola bottling site on Massachusetts Avenue in Indianapolis. Marketwide, an escalation in deliveries this year will inch vacancy up restraining rent growth.

**Growing economy and potential for larger returns lure buyers.** The market's economic expansion and higher cap rates are attracting more regional and coastal investors to Indianapolis. Many are private exchange buyers searching for assets in the less than $5 million price tranche. Heightened competition for the available single-tenant net-leased properties is pushing valuations up, while the average cap rate compressed 10 basis points year over year into the high-6 percent span. These factors are encouraging more buyers to search for multi-tenant assets, which trade at initial yields that average 100 basis points higher. Strip centers with less than 20,000 square feet are most often targeted. Yield-seeking buyers may find higher returns in older neighborhood centers within Marian County, or properties with some local tenants farther from the metro core in Johnson or Hendricks counties.

## 2019 Market Forecast

**NRI Rank** 34, no change — Steady employment growth and a rise in vacancy hold Indianapolis in 34th place this year.

**Employment** up 2.3% — Roughly 25,000 workers will be added to payrolls in 2019, matching last year's 2.3 percent gain. Nearly 100,000 jobs were created over the previous five years.

**Construction** 700,000 sq. ft. — Deliveries tick up from the 380,000 square feet completed in 2018 but remain well below the five-year average.

**Vacancy** up 20 bps — An increase in inventory amid store closures nudges vacancy up to 5.7 percent in 2019, after a 70-basis-point jump last year.

**Rent** up 3.4% — Older inventory being marketed resulted in the average asking rent falling 9.2 percent last year. Rent will climb to $13.88 per square foot in 2019.

**Investment** — New mixed-use buildings with ground-level retail space should attract the attention of institutional buyers. Properties in trendy transit-oriented neighborhoods with national tenants will be targeted.

# Development Slows Amid Robust Employment, Retail Environment; Coastal Capital Flows Into Kansas City

**Cycle-low construction at odds with tightening retail vacancy.** As unemployment reached the low-3 percent range by the end of 2018, the retail environment in Kansas City remains well positioned for future advancement. Consistent job gains and steady construction have sponsored a dramatically tighter vacancy rate; it reached a cycle low as net absorption averaged 1.5 million square feet over the past eight years. Despite the strong performance, development over the coming year will reach the lowest point in over a decade, with the pipeline skewed heavily toward net-leased projects in suburban locations. The largest slated completion will be the retail portion of the Village South mixed-use project just south of the Legends Outlets and Kansas Speedway in Edwardsville. The 27-acre development will include two hotels, a 22,000-square-foot conference center and more than 60,000 square feet of retail space. The diminished pipeline will allow for a further contraction in the metro vacancy rate, with average asking rents posting a second year of a low-single-digit gain.

**Yield-oriented investors raise allocations to Kansas City metro as prices, cap rates remain highly attractive.** Dwindling cap rates in larger metros have underpinned a transfer of capital from coastal markets to Kansas City, where first-year returns will begin in the low-7 percent range. Core assets in Overland Park and Eastern Jackson County draw the majority of dollar volume due to their high-quality demographics and property values, while many institutions remain focused on assets in Downtown Kansas City along the Streetcar line between Union Station and the Plaza. Rental rates in downtown and midtown suburbs have surged in recent quarters amid a rapidly expanding local population due to the increased density from new apartments. However, years of deferred maintenance in many locations will motivate additional investors to deploy capital in order to recognize internal rates of return well above the broader metro average.

## 2019 Market Forecast

**NRI Rank**
43, up 2 places
A drop in deliveries lowers vacancy and advances Kansas City two rungs in the 2019 Index.

**Employment**
up 1.4%
Unemployment in the low-3 percent range trims hiring from 16,000 jobs last year to 15,000 positions in 2019.

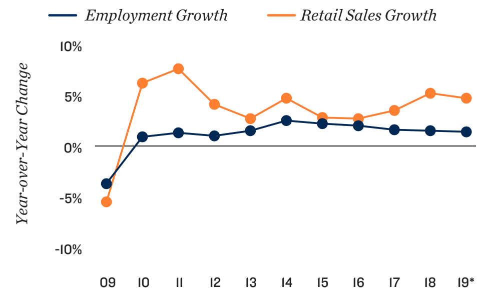
**Construction**
170,000 sq. ft.
Development falls to a cycle low as completions slide sharply from the 830,000 square feet delivered in 2018. Floor plates are concentrated in Johnson and Wyandotte counties.

**Vacancy**
down 40 bps
After treading water last year, strong net absorption will push vacancy down 40 basis points to 5.4 percent.

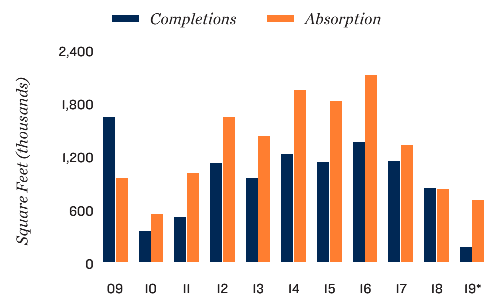
**Rent**
up 2.7%
Following a 3.9 percent gain in 2018, the average asking rent climbs to $13.10 per square foot, powered by strength in midtown and downtown Kansas City.

**Investment**
Properties in Leawood and Eastern Overland Park are drawing buyers seeking stable cash flows amid extremely tight vacancy rates. Limited to negligible construction in these areas will boost sales prices of these assets.

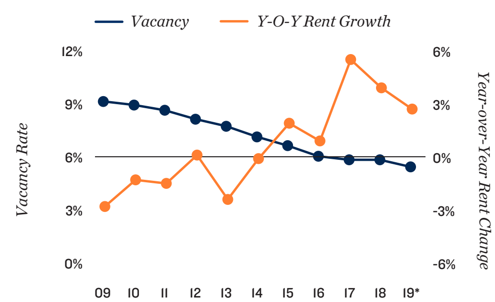
### Employment vs. Retail Sales Trends



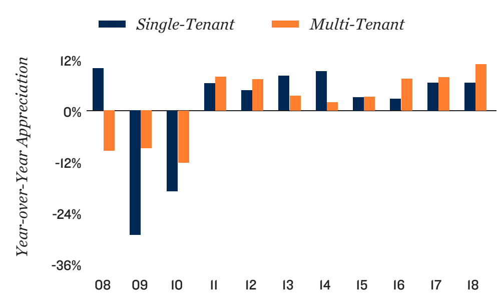

### Retail Completions




### Asking Rent and Vacancy Trends

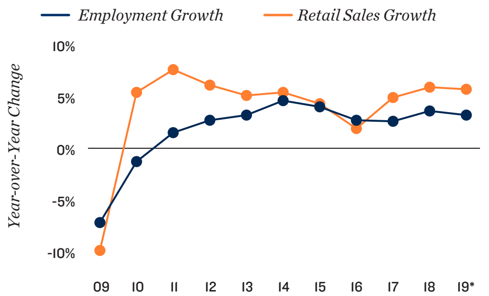



### Price Per Square Foot Trends

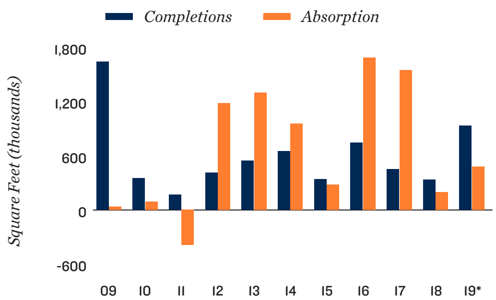



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

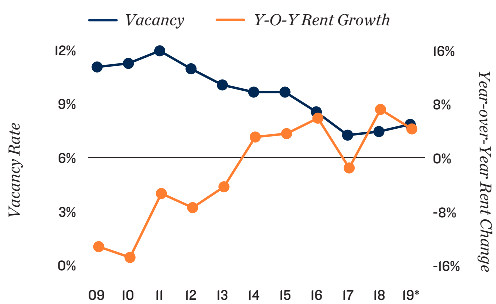
### Employment vs. Retail Sales Trends



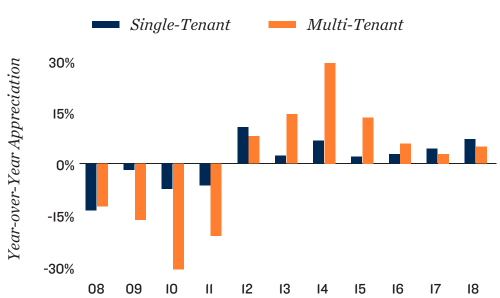

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

# Investors Chasing Returns Flock to Las Vegas; Supply Pressures Elevated

**Cycle-high development overshadows robust job growth in Las Vegas.** The late-cycle recovery in Las Vegas is firing on all cylinders as the hospitality, construction and government sectors expand payrolls. Fueled by more than 40 million visitors, tourist spending remains upbeat, propelling retail vacancy to just above the lowest levels of the current business cycle. Three years of job growth averaging 3 percent fostered considerable demand for necessity retail and housing, underscored by this year's delivery of the Mountain's Edge Master Planned Community and associated retail offerings. The 25-acre project will feature more than 225,000 square feet of retail space. Additionally, Area 15, a bazaar marketplace containing more than 125,000 square feet of retail and event-oriented space, will come online just minutes from the Strip. These projects will help push overall supply growth to a new cycle high while putting supply and demand closer to balance following several years of sharp declines in vacancy. Rent growth will remain exceptional, underpinned by the commuter suburbs to the south and west of the urban core.

**Rising prices, cash flows draw abundant interest from broad slate of investors.** Las Vegas remains a key market for regional and national capital sources in 2019, boosted by a yield spread that can exceed that of coastal metros by more than 200 basis points. Cap rates will typically begin in the low- to mid-6 percent range, piquing the interest of California buyers targeting both capital appreciation and robust NOI growth. Average rental rates have risen roughly 3.5 percent per annum, encouraging an active bidding environment, particularly for assets to the south and west of the urban core near the population centers of Henderson, Paradise and Summerlin. Multiple mixed-use developments will come online in these areas this year, prompting additional buyers to seek assets nearby that will likely see traffic counts increase as the new projects are completed.

## 2019 Market Forecast

**NRI Rank**
36, up 1 place
Strong gains projected in Las Vegas retail sales contribute to a one-spot rise in the Index.

**Employment**
up 3.2%
Las Vegas employers will create 33,000 positions this year, slightly below the 35,000 jobs added in 2018, as low unemployment weighs on headline growth.

**Construction**
935,000 sq. ft.
Development nearly triples this year as construction firms rapidly expand the pipeline. Last year, 340,000 square feet was brought online.

**Vacancy**
up 40 bps
Robust supply additions will push the metro vacancy rate up to 7.8 percent following a 20-basis-point increase in 2018.

**Rent**
up 4.2%
Following a 7.1 percent gain last year, the average asking rent will climb to $19.00 per square foot.

**Investment**
West Las Vegas assets remain attractive relative to the broader metro as average asking rents sit well below the market average despite increased interest from both renters and homeowners for its relative affordability.

# Rapid Expansion Boosts Retail Demand; Buyer Competition Heats Across Multiple Price Spectrums

**Overall development activity, steady job growth preserve market demand.** The Los Angeles metro witnessed a robust volume of multifamily and office construction over the past two years, increasing consumer demand for retail near new apartments and burgeoning employment hubs. A growing need for conveniently located shops prompted retailers to fill vacated spaces and recently delivered floor plans, holding metro retail vacancy below 5 percent. In 2019, both multifamily and office development will remain elevated as nearly 15,000 units and more than 3 million square feet are finalized. These completions coupled with a second year of above-average household income growth, supported by higher-paying job creation, warrant increased competition among retailers for available space as consumer demand intensifies. Merchants seeking high-quality footprints should have more options to choose from than last year as retail construction volume rises. Of the 1.4 million square feet of space slated for delivery in 2019, roughly half is available for lease. The absorption of this new supply and consistent demand for older floor plans with below-average rents support a slight uptick in leasing activity this year, maintaining sub-5 percent availability.

**Submarkets on both ends of the price range drive sales velocity.** Tight vacancy throughout Los Angeles County has private, yield-focused investors and institutional buyers eager to expand their local footprints. Large in-metro firms and out-of-state REITs that target properties near high-paying employment hubs and tourist destinations are most active in Westside Cities and Mid-Wilshire, where minimum cap rates rarely reach 4 percent for storefronts and mixed-use assets. In-state, high-net-worth buyers who prefer listings priced below the metro's average eye opportunities in the San Gabriel Valley and cities south of Downtown Los Angeles. In both locales, a variety of assets provide investors with returns in the 5 to 7 percent range.

## 2019 Market Forecast

**NRI Rank**
18, down 8 places

Los Angeles falls out of the top 10 in 2019, due to an increase in construction and higher vacancy.

**Employment**
up 1.1%

Job creation will remain consistent on a year-over-year basis as metro employers expand payrolls by 50,000 positions in 2019.

**Construction**
1.4 million sq. ft.

Completions in South Bay and the San Fernando Valley account for half of this year's supply additions, driving an uptick in overall delivery volume. In 2018, nearly 1.1 million square feet of space was finalized.

**Vacancy**
up 20 bps

Market demand marginally trails construction activity in 2019, lifting the metro's vacancy rate to 4.5 percent.

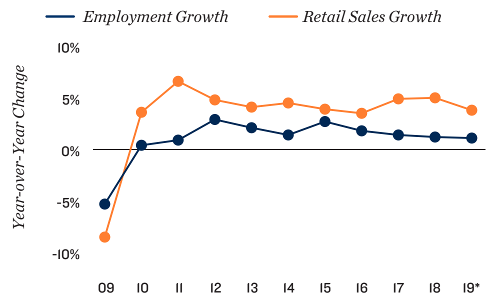
**Rent**
up 3.1%

The average asking rent will reach $32.50 per square foot, rising at a slightly accelerated pace compared with last year.

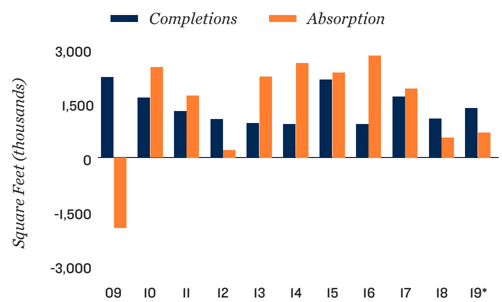
**Investment**

Home to the lowest vacancy in the metro and a significant residential pipeline, the San Fernando Valley warrants increased investment. Here, retail properties often provide investors with first-year yields in the 6 to 7 percent range.

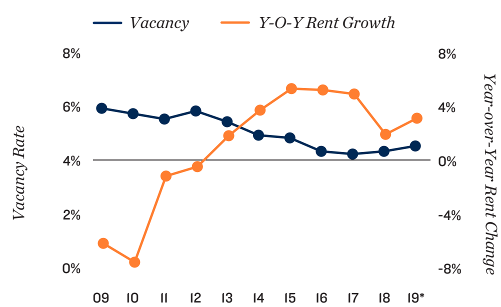
### Employment vs. Retail Sales Trends



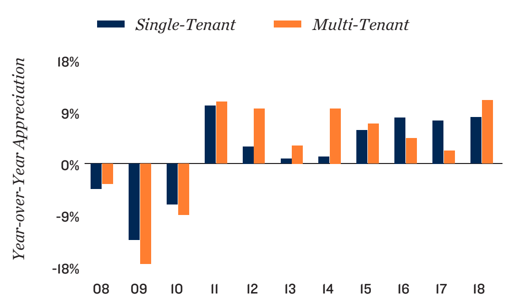

### Retail Completions




### Asking Rent and Vacancy Trends



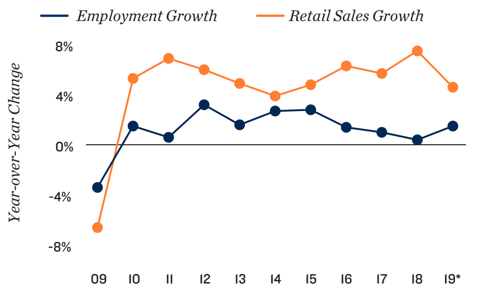

### Price Per Square Foot Trends



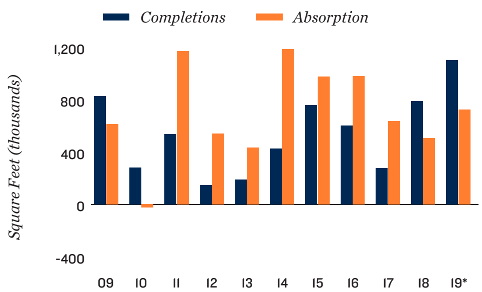

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

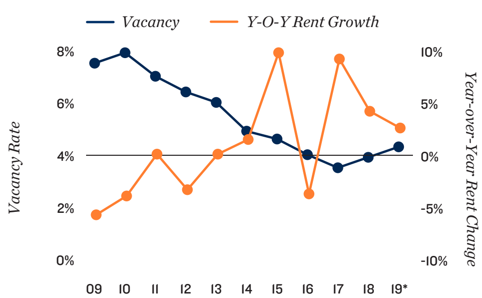
## Employment vs. Retail Sales Trends



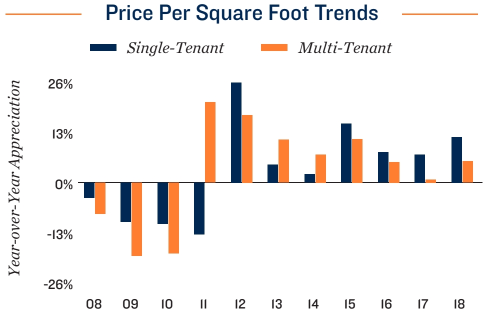

## Retail Completions




## Asking Rent and Vacancy Trends




## Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

# Investors Deploying Capital in Louisville to Achieve Higher Returns

**Retail market in Louisville moving toward long-term stability.** Employment growth in Louisville slowed over the past two years, but payrolls should expand closer to the national average this year. Some of the 10,000 new jobs added in the metro will be at the Jeffersonville Towne Center. The 1 million-square-foot super regional mall is expected to open before the holiday shopping season. The project also constitutes nearly all of the new supply scheduled for completion. Beyond this year, the pipeline dwindles, which should remove threats from construction. Nonetheless, vacancy will tick higher due to low pre-leasing. Nearly 90 percent of the space underway does not have commitments, though much of that includes the new super regional mall, which should fill up quickly as ribbon-cutting approaches. Rents, meanwhile, should have a strong year as new supply pulls up asking rates.

**Above-average cap rates keep investors active in the market.** The single-tenant market is approximately five times busier than multi-tenant as out-of-state and local buyers expand their portfolios. Furthermore, 1031-exchange deals remain popular in the market as commercial real estate owners take advantage of elevated cap rates in the metro. First-year returns for single-tenant assets average in the mid-6 percent range, 150 basis points higher than those in gateway markets, increasing the attractiveness of available properties. Buyers are targeting storefronts in core locations where population or employment density supports consumer spending. Restaurants and other tenants with less exposure to online retailing are also popular with single-tenant buyers. Multi-tenant assets trade infrequently in the market but still represent an opportunity for buyers seeking to expand their portfolios. Average cap rates in the multi-tenant sector are in the low-8 percent range, well above the national average.

## 2019 Market Forecast

**NRI Rank** 42, down 6 places — New inventory raises vacancy in 2019, lowering rent growth and moving Louisville down in the NRI.

**Employment** up 1.5% — Job growth accelerates this year as 10,000 positions are added, building on the 3,000 spots generated last year.

**Construction** 1.1 million sq. ft. — Retail inventory jumps 1.5 percent this year as new construction reaches a cyclical high. In 2018, nearly 790,000 square feet came online.

**Vacancy** up 40 bps — Two consecutive years of elevated construction are slowing absorption rates. As a result, vacancy will rise to 4.3 percent this year, matching last year's 40-basis-point rise.

**Rent** up 2.6% — Asking rents will reach $14.28 per square foot by year end. Last year, rents jumped 4.2 percent.

**Investment** — Investors will consider available multi-tenant strip centers with a mix of local and national credit tenants to achieve higher returns than those in the single-tenant sector.

# Construction Reaches Cyclical Peak; South Florida Buyers Undeterred

**Miami's high-end retail market faces short-term pressure from new supply and global economics.** However, the underlying fundamentals support a healthy long-term outlook. Supply additions reach a cyclical high this year as several large projects are slated for completion. Miami Worldcenter is the most prominent development underway. When completed by midyear, the 450,000-square-foot project will increase inventory in downtown Miami by more than 10 percent. The largest development in the metro is the 630,000-square-foot SoLe Mia center in North Miami Beach. Beyond new supply, the strong U.S. dollar could discourage overseas tourism, which is a significant component of local retail sales. Long term, the local economy is well positioned as employment growth is led by education and health services, construction, and leisure and hospitality. Retail jobs will also be a significant contributor this year as hundreds of workers will be hired at new stores.

**Investor enthusiasm for local retail properties holds relatively strong in the face of rising interest rates.** Single-tenant deals were relatively flat in 2018, and multi-tenant transactions dipped modestly. In the multi-tenant segment, buyers are targeting anchored properties as a sign of risk aversion. The strip centers that trade tend to be in more densely populated areas of the county, a further indication that buyers are retrenching in the retail sector. The trend could prevail during the first few months of the year as more clarity on the direction of interest rates and the economy emerges. Average cap rates for multi-tenant assets are in the high-5 percent range and holding steady. Core single-tenant properties should attract capital regardless of headwinds, including storefronts. Other stalwarts of the sector, including fast food and drugstores, will draw the most competitive bidding. First-year returns have ticked higher in recent months as elevated rates are impacting the most expensive properties in the sector.

## 2019 Market Forecast

**NRI Rank**
22, down 5 places
The surge in deliveries pushes vacancy higher and decreases Miami-Dade's standing in the Index this year.

**Employment**
up 2.0%
Employers will add 24,000 jobs in Miami this year, fairly aligned with the gain in 2018.

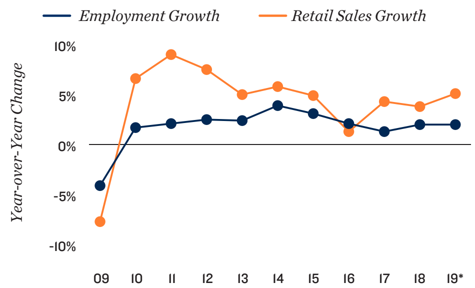
**Construction**
2.9 million sq. ft.
After 1.1 million square feet of space was completed last year, builders will ramp up development to 2.9 million square feet this year.

**Vacancy**
up 100 bps
Despite an increase in space demand, the 2.5 percent jump in new supply will result in an increase in vacancy to 5.1 percent. In 2018, vacancy inched up 40 basis points.

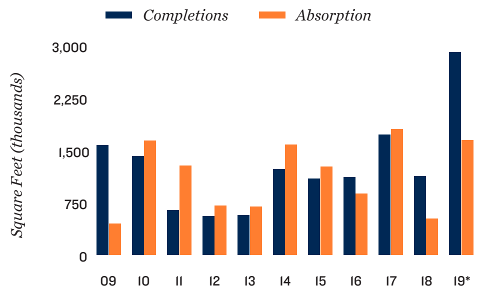
**Rent**
up 3.1%
By year-end, asking rents are expected to reach $34.58 per square foot.

**Investment**
Unfavorable exchange rates could limit the desire of foreign capital to target local retail properties. Other investors, however, could see Miami as a safe haven from weakness overseas.

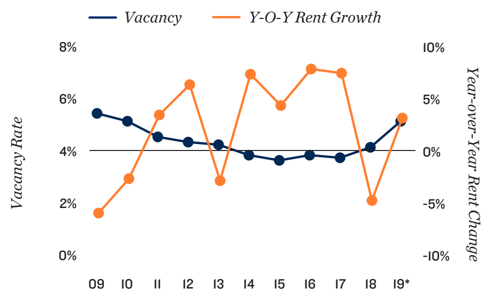
### Employment vs. Retail Sales Trends



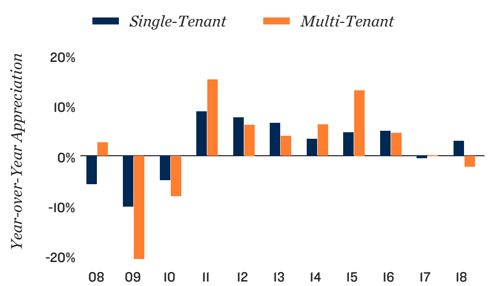

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends




* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

# Above-Average Income Growth Aids Consumer Spending; Retailers, Investors Magnify Footprints

**Vacancy further constricts as retail development drops off.** Milwaukee enters 2019 on a high note, having witnessed robust retailer demand over the past four years that translated to the absorption of 7.4 million square feet of space. A streak of strong median income growth that exceeded the national rate of increase fueled many retailers' decision to expand or establish a local footprint. Growth by these retailers negated the combined delivery of 5.5 million square feet of new supply during the four-year window, lowering overall vacancy by 200 basis points. The metro's ability to handle a significant wave of construction activity would seem to warrant future retail development, yet less than 100,000 square feet of space is slated for delivery this year. As incomes continue to grow at a pace that surpasses the national average, households' discretionary incomes will rise, influencing more retailers to seek additional locations this year. Another period of strong market demand further drives average asking rents, albeit at a subdued pace compared with last year, while the metro's vacancy rate reaches a cycle-low level.

**Investors target assets near major interstates.** Offering buyers lower price points than most primary and secondary metros and a mid-7 percent average cap rate, Milwaukee remains home to a diverse investor pool, a trend likely to continue as vacancy further tightens and corporate growth lies on the horizon. Competition between local private buyers and out-of-state capital is significant for smaller $1 million to $5 million properties, with mixed-use properties highly pursued in Milwaukee County. Buildings in neighborhoods north of downtown or between Interstates 41 and 43 provide investors with mid-6 to high-7 percent returns. Buyers eyeing below-average pricing focus on opportunities in cities just west of Interstate 41 in Waukesha County. Here, first-year returns above 8 percent are obtainable for older centers.

## 2019 Market Forecast

**NRI Rank**
41, up 1 place
Milwaukee inches up one rung in the 2019 index as vacancy falls below the national level.

**Employment**
up 0.8%
Milwaukee's employee base will grow by 7,000 workers in 2019, marking a four-year-high level of job creation.

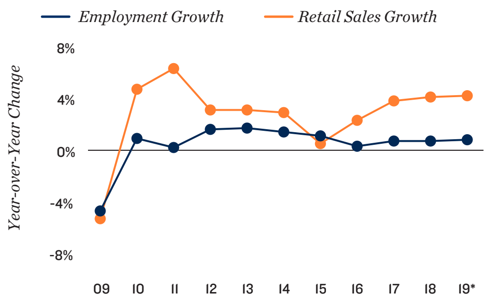
**Construction**
63,500 sq. ft.
Delivery volume drops by more than 700,000 square feet on a year-over-year basis.

**Vacancy**
down 80 bps
A dearth of development coupled with retailer expansions support the absorption of 1 million square feet of space in 2019, reducing vacancy to 4.2 percent.

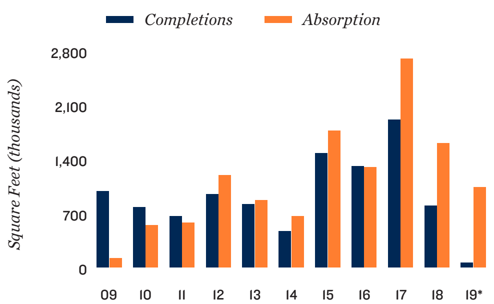
**Rent**
up 2.4%
Demand amid low vacancy allows the average asking rent to reach $12.90 per square foot.

**Investment**
The metro's minimal development pipeline motivates some buyers to target conversion opportunities throughout the city of Milwaukee, where industrial buildings can be repurposed into properties with ground-floor retail.

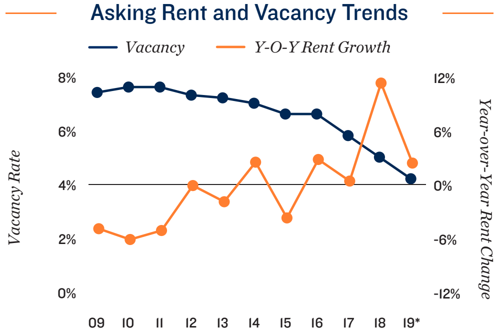
### Employment vs. Retail Sales Trends



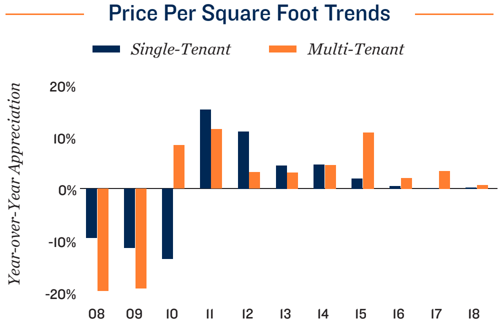

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

# Vibrant Economy, Strong Demographic Trends Bring Retailers, Investors to Minneapolis-St. Paul

**Vacancy remains near a 12-year low as retailers expand, new inventory contracts.** In recent years newcomer Hy-Vee has been rapidly expanding in the market. The grocer will account for the largest portion of this year's completions with stores opening in Maple Grove and Spring Lake Park during 2019 and sites in Blaine and Farmington due next. Retailers wanting to expand in the market will find opportunities in recently shuttered junior and big-box locations. These sites provide an opportunity to subdivide or redevelop properties to accommodate new tenants. Hobby Lobby and Life Time Fitness are among the many retailers moving into vacated space this year. One of the largest development projects underway is the 25-acre site surrounding the new stadium for professional soccer's Minnesota United in the Midway area of St. Paul. The spring 2019 opening of Allianz Field is projected to be a catalyst for the mixed-use development that is expected to include 421,000 square feet of retail, 1 million square feet of office space, 620 residences and a hotel.

**Exchange buyers active in market.** The metro's robust economy and a median income well above the national level are attracting new investors. More are trading from multifamily assets in larger markets and seeking less-management-intensive properties at higher rates of return than are available in their home market. Single-tenant buildings in areas with large population gains including Elk River and Eden Prairie are especially desired. A lack of available quality inventory, however, has more buyers considering strip centers with fewer than five service-oriented tenants signed to long-term leases. Cap rates for these centers are typically in the mid-7 percent range but will dip below that for premium assets. Strong property performance in most submarkets has more investors willing to move into secondary and tertiary locations or farther outside the metro for buildings that meet their portfolio objectives.

## 2019 Market Forecast

**NRI Rank**
23, up 1 place
Fewer deliveries will keep vacancy tight, moving the metro up one slot in the NRI.

**Employment**
up 1.5%
Employers will create 30,000 jobs during 2019, following the addition of 33,700 positions last year.

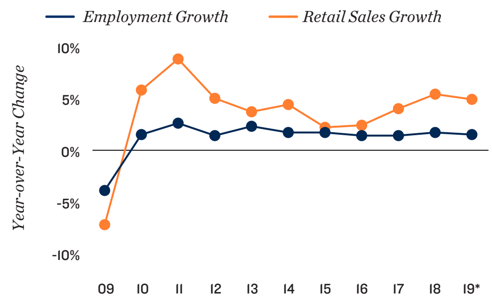
**Construction**
600,000 sq. ft.
During 2019, deliveries will be reduced by roughly 200,000 square feet from last year's 800,000 square feet. Hy-Vee will account for almost a third of this year's total.

**Vacancy**
no change
Less new inventory and healthy leasing activity hold vacancy steady at 3.5 percent. The rate has remained below 4 percent for four consecutive years.

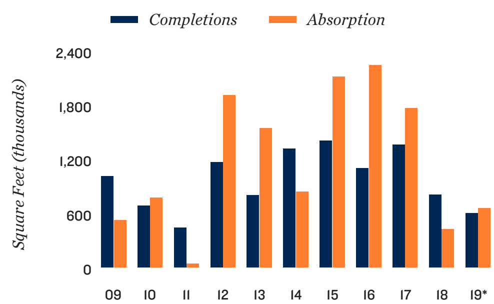
**Rent**
up 1.6%
The average asking rent will advance to $15.48 per square foot this year after a cut of 5.3 percent in 2018.

**Investment**
Favorable demographics, population growth and new inventory are luring more investors to Washington County. Assets with easy access to Interstate 94 in Woodbury or in downtown Stillwater are most often targeted

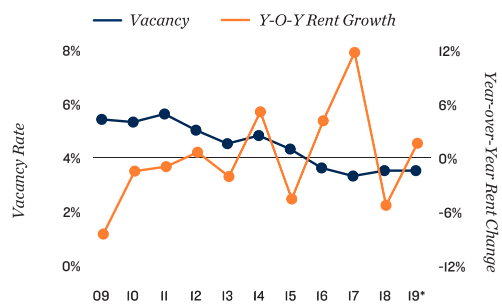
### Employment vs. Retail Sales Trends



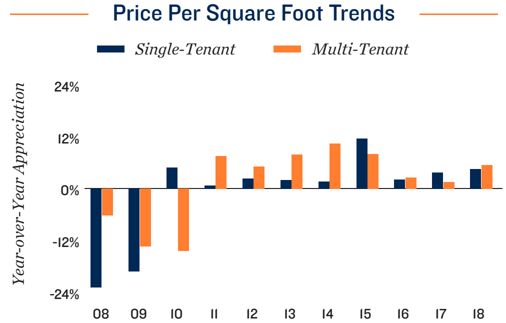

### Retail Completions




### Asking Rent and Vacancy Trends

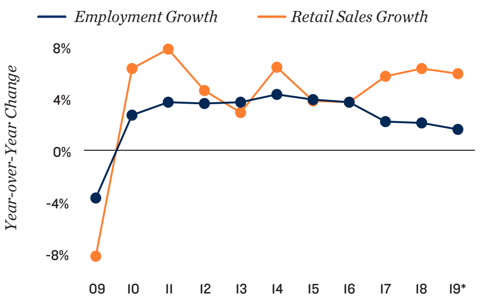



### Price Per Square Foot Trends

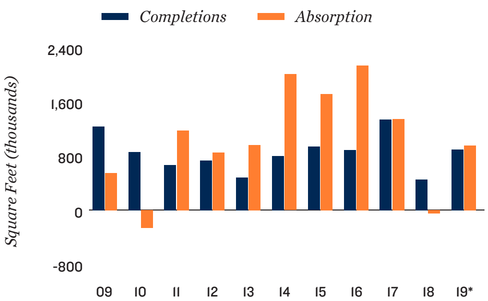



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

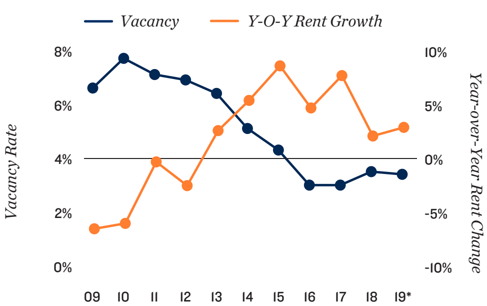
## Employment vs. Retail Sales Trends



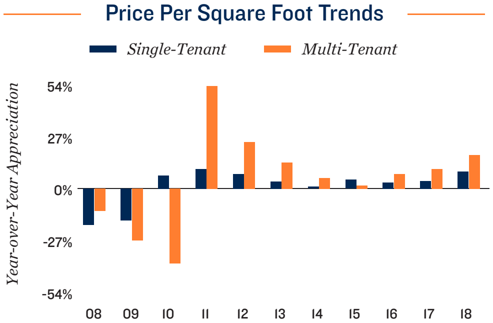

## Retail Completions




## Asking Rent and Vacancy Trends




## Price Per Square Foot Trends




** Forecast*
*Sources: CoStar Group, Inc.; Real Capital Analytics*

# Music City Among Most Desired Destinations for Out-of-State Capital

**Nashville retail market poised for another strong year.** Although new construction is approximately double last year's pace, supply additions are in line with the average during the last five years of the cycle. Fifth + Broadway is the largest development underway and is indicative of the commuter-friendly, mixed-use properties builders are favoring in downtown Nashville. The $400 million project contains apartments, Class A office space and 180,000 square feet of retail. High-paying tech jobs will help support retailers in the vibrant core of the city. Amazon, for example, will hire 5,000 workers at its Operation Center of Excellence while EY, formerly Ernst & Young, adds 600 employees. Nashville's sub-3 percent unemployment rate will make filling these spots a challenge and attract workers from outside the metro. Net migration to the market is already strong, and nearly 25,000 people are expected to move to the market this year, supporting a healthy retail climate.

**Buyers keen on local retail assets.** Investors have a more optimistic outlook about the local retail market despite an economic cycle that is aging nationally. High-paying job growth, healthy rent gains, and low vacancy are lending confidence to investors that continue to scour the market for value-add deals. Contrary to trends seen in many primary markets, multi-tenant investors are searching for properties with a vacancy factor in an effort to fill dark space at new, higher rents. Larger assets are also trading, illustrating the risk-taking of active multi-tenant buyers. With average cap rates in the mid-7 percent range, buyers are finding attractive spreads. Single-tenant properties, meanwhile, saw a jump in activity during 2018 as outside capital continue to flow into Nashville. Restaurants, in particular, garner a lot of attention as investors see online retailers as a greater threat to vacancy than a recession.

## 2019 Market Forecast

**NRI Rank**
6, down 2 places
Nashville stays in the top 10 of the 2019 Index as tight vacancy encourages rent growth.

**Employment**
up 1.6%
Building on last year's 20,900 new jobs, employers will add 16,000 positions in 2019.

**Construction**
900,000 sq. ft.
Construction doubles this year as new supply expands by 0.9 percent. Approximately 70 percent of the underway space has leasing commitments.

**Vacancy**
down 10 bps
Vacancy will reverse course this year, finishing 2019 at 3.4 percent. Last year, vacancy climbed 50 basis points.

**Rent**
up 2.9%
After rent growth slowed to 2.1 percent in 2018, the pace of gains will accelerate this year. Asking rents will climb to $19.12 per square foot by year end.

**Investment**
Investors may find an opportunity to acquire strip centers in the metro this year. Vacancy for these smaller properties is near the metrowide level for all retail space, suggesting strong demand from local retailers.

# Reduced Construction Removes Hurdles to Improved Retail Performance in Areas Near Residential Growth

**Less retail development, more households contribute to tighter vacancy and rent gains.** The greater prevalence of multifamily construction in southern Connecticut over the past five years has introduced new residents into certain areas of the market, creating demand for conveniently accessible retail. That in turn has spurred new tenant leases, tightening vacancy at the start of 2019 to as low as 3.3 percent in Fairfield County. Available space will remain sparse this year as retail deliveries decline to just over 200,000 square feet in the county. About half of those openings will be in Stamford, including the redevelopment of a multi-tenant building directly accessible off Route 1. Arrivals in New Haven County are fewer than in Fairfield County, emphasizing the value of existing facilities to perspective tenants and contributing to above-market-average rent growth.

**Investors broaden acquisition criteria; transit proximity remains a priority.** New Haven and Fairfield counties continue to provide multiple opportunities for buyers to enter the densely populated Northeast region at a low cost, with initial yields that average in the low-6 percent zone. Overall transaction velocity remains slightly higher in Fairfield County than in New Haven County, as more properties change hands in Greenwich and Bridgeport than has been the case in recent months. Assets located near the Greenwich train station, heavily utilized by New York City commuters, command above-market pricing, contributing to first-year returns under 6 percent for buildings with nationally recognized tenants. Cap rates 50 basis points or higher can be found among Bridgeport retail facilities, where entry costs are much lower for more suburban properties that are nevertheless close to major roadways. In New Haven County, Hamden has shown increased trading activity through the end of 2018. Buyers here have acquired post-2000 built assets that rent to restaurant and drugstore tenants at cap rates near the low-6 percent market average.

## 2019 Market Forecast

**NRI Rank** 44, down 1 place — The metro dips one spot in the NRI this year due to diminished employment gains.

**Employment** up 0.6% — Area employers will contribute to a second straight year of job growth by creating 4,500 new positions in 2019.

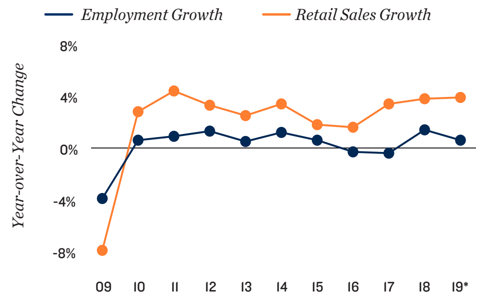
**Construction** 290,000 sq. ft. — Development drops to its lowest level in four years as multiple smaller projects will be completed, predominantly in Fairfield County. In 2018, about 340,000 square feet was delivered.

**Vacancy** down 20 bps — Fewer deliveries support a reduction in the vacancy rate to 4.0 percent, 70 basis points below the national measure.

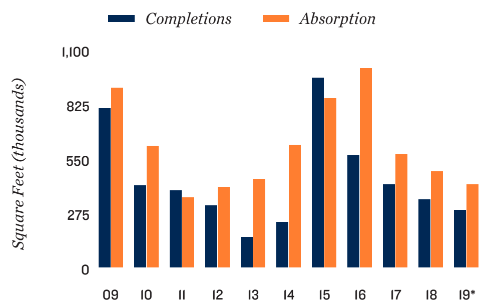
**Rent** up 2.2% — The average asking rent climbs to $23.23 per square foot in 2019 following a 2.6 percent increase last year. Few completions in New Haven County support high rates of appreciation here.

**Investment** — Opportunity zones have been established in downtown Stamford, Norwalk, Bridgeport, and New Haven, which could entice new transaction activity of existing assets for redevelopment.

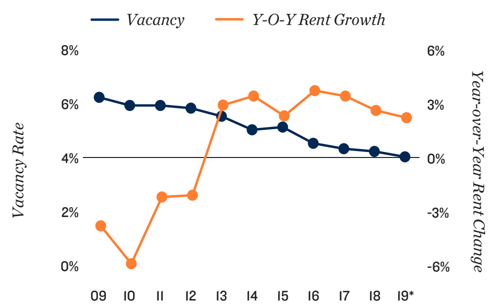
### Employment vs. Retail Sales Trends



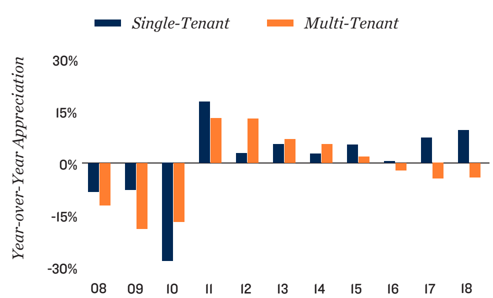

### Retail Completions




### Asking Rent and Vacancy Trends



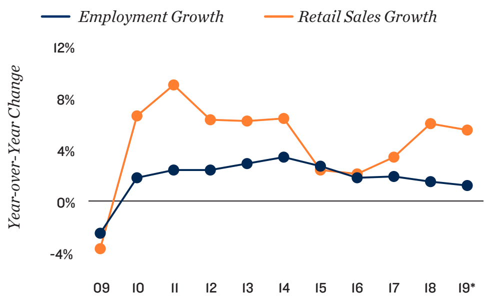

### Price Per Square Foot Trends



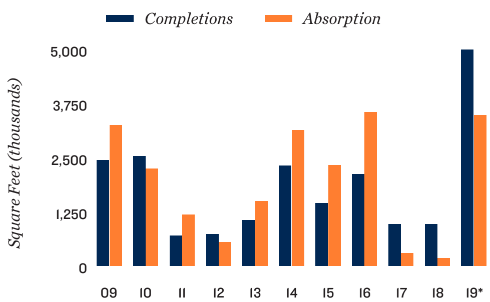

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

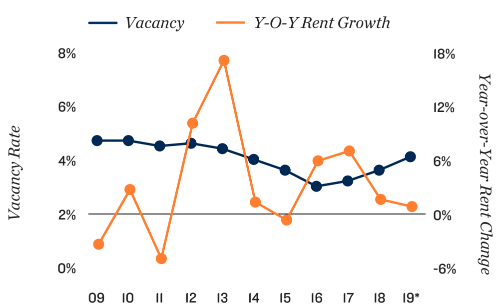
Employment vs. Retail Sales Trends



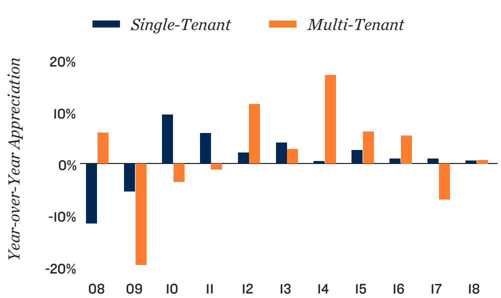

Retail Completions




Asking Rent and Vacancy Trends




Price Per Square Foot Trends




* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

## Supply Growth Reaches Cycle High as Marquee Offerings Come Online Throughout New York City

**Tenant shuffling lifts vacancy moderately higher amid surging rent prices in core submarkets.** Amid the resilient New York City economy, the largest annual delivery of retail space within the current cycle will occur in 2019. Headlined by the long-awaited delivery of The Shops & Restaurants at Hudson Yards, the pipeline will contain nearly 1 million square feet of retail space on Staten Island. Other notable projects include the retail portion of Essex Crossing in Soho and Tangram Tower in Flushing, with a combined square footage of nearly three-quarters of a million square feet. Due to the sheer volume of projects coming online — roughly 5 million square feet is expected by year end — vacancy will push higher as retailers rush to take new space, leaving older floor plates to be slowly filled over time. The high-quality offerings coming online will pressure the average asking rent higher in nearby locations, particularly in Midtown Manhattan where vacant floor plates are likely to price well above the metro average.

**Price, yield differential draw incremental capital to outer boroughs; deal flow focused on high-quality locations.** Amid ongoing robust appreciation in the market, buyers have maintained an active acquisition pace, fueled by higher cap rates and lower price tags in the outer boroughs. While institutions still focus their attention on high-quality assets in Manhattan and portions of Brooklyn with cap rates in the low-4 percent area, private investors have shifted their allocations to more speculative neighborhoods in Queens and eastern Brooklyn. Here, cap rates are up to 50 basis points higher than more premier locations, encouraging deal flow and dollar volume that nearly reached $1 billion in 2018. The rezoning of several submarkets, combined with multiple opportunity zones throughout the outer boroughs, has accelerated this trend in recent months, particularly following the announcement of Amazon's intention to take space in Long Island City. Locations near mass-transit stations in the area remain especially attractive.

### 2019 Market Forecast

**NRI Rank**
11, down 2 places
New York City slips out of the top 10 this year as a surge in construction elevates vacancy and slows rent growth.

**Employment**
up 1.2%
After creating 67,100 jobs in 2018, New York City organizations will hire 55,000 people this year.

**Construction**
5 million sq. ft.
Development will more than quintuple this year as major deliveries are brought online in Manhattan and Staten Island, reaching a new cycle high.

**Vacancy**
up 50 bps
Considerable net absorption fails to keep up with accelerating construction, pushing vacancy up to 4.1 percent. Last year, vacancy rose 40 basis points.

**Rent**
up 0.8%
The average asking rent ticks up to $61.90 per square foot, adding to last year's advance of 1.6 percent.

**Investment**
The western coast of the East River remains a favorable location for acquisitions due to the dramatically growing renter base and acceptance of corporate giants such as Amazon.

## Completions Add Inventory to In-Demand Areas, Supporting Lower Vacancy and Higher Rents

**Household growth boosts property performance.** Several years of elevated multifamily development in Northern New Jersey have in turn raised the demand for retail, pushing vacancy down to cycle lows. Areas with the greatest residential density feature the lowest availability, exemplified by a sub-2 percent vacancy rate in Hudson County. An increase in total completions for 2019 will go a long way toward meeting this acute need for space, although the marketwide vacancy rate will still drop this year. Some of the major deliveries include a trio of buildings in Linden off Route 9 totaling about 230,000 square feet, and a 150,000-square-foot Costco in Hudson County. The Morristown area also welcomed a 117,000-square-foot facility at the start of the year. As much of the upcoming space is already pre-leased, there is added upward pressure on asking rents for existing space. As such, the average monthly rate is expected to appreciate at a higher pace than last year.

**Trade velocity stays high in Hudson County while improving in select western cities.** The Hudson Waterfront remains on the forefront of many investors' minds, attracting nearly a third of all transactions every year. Existing urban density combined with new luxury residential options support continued demand for retail services in this area, appealing to buyers interested in stabilized assets for longer-term holds. Some of the highest sales prices in the region contribute to cap rates 100 basis points or more below the low-6 percent market average. Investors priced out of that range or seeking greater initial returns move farther inland. Union and Passaic counties, in particular, are exhibiting improved sales velocity. In Union County, the general Elizabeth area is often targeted, while in Passaic County buyers are looking more frequently toward the cities of Paterson and Passaic. Properties here feature some of the lowest entry-costs in the region with first-year yields that reach into the 8 percent zone.

### 2019 Market Forecast

**NRI Rank**
38, up 1 place

A stronger rent increase and vacancy below the national rate improve the metro's NRI standing in 2019.

**Employment**
up 0.6%

Job growth in Northern New Jersey remains positive despite an unemployment rate near 1.5 percent as 13,000 new positions are added. Last year, 18,900 workers were hired.

**Construction**
3.1 million sq. ft.

Excluding the American Dream Meadowlands mega-mall, completions total about 1 million square feet, about 25 percent above the trailing five-year annual average.

**Vacancy**
down 10 bps

Few deliveries arriving without tenants enable vacancy to slip to 4.1 percent. In 2018 vacancy fell 40 basis points.

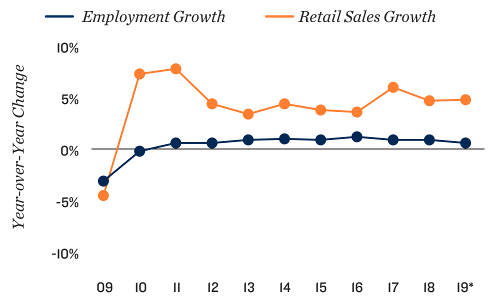
**Rent**
up 2.1%

Following a 1.7 percent gain in 2018, the average asking rent climbs to $26.30 per square foot this year.

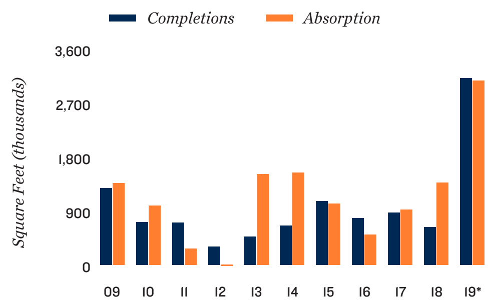
**Investment**

Investment demand from New York City will continue to support trading activity in the market, as moving across the Hudson can have an immediate impact on entry costs and improve cap rates by an average of 100 basis points.

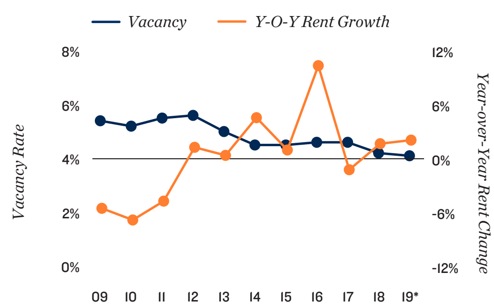
Employment vs. Retail Sales Trends



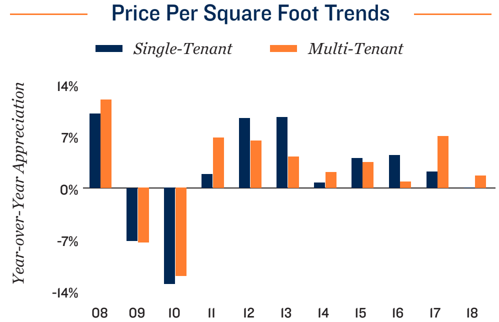

Retail Completions




Asking Rent and Vacancy Trends




Price Per Square Foot Trends

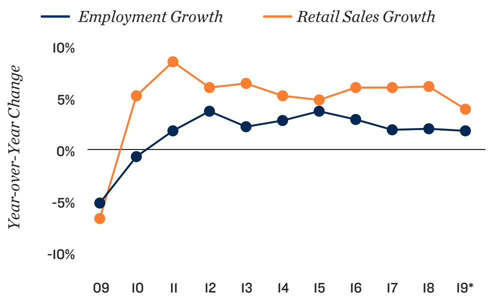



* Forecast

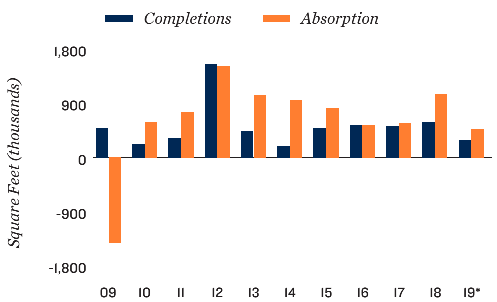
Sources: CoStar Group, Inc.; Real Capital Analytics

# Affordability Draws Retailers, Investors to East Bay; Pricing Arbitrage Underpins Economic Strength

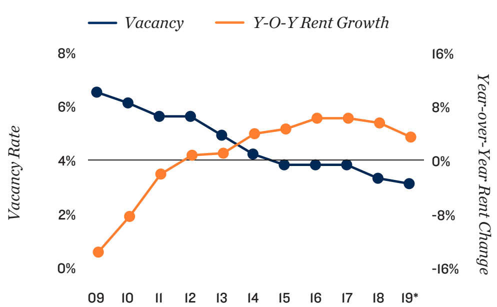
Employment vs. Retail Sales Trends



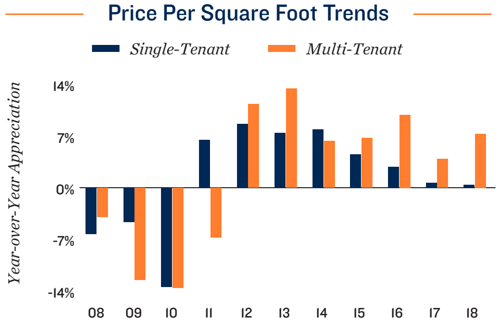

Retail Completions




Asking Rent and Vacancy Trends




Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

**Development falls to five-year low amid consistent space absorption.** Robust employment growth throughout the Bay Area has triggered exceptional housing demand in Oakland. As residents seek out affordable rentals, they are drawn to Oakland, where accommodations can be found below the broader regional average. Retailers have followed suit, pushing vacancy to the lowest point in over a decade. Despite the tightening conditions, construction activity is on pace to slow to a five-year low, even as net absorption has consistently surpassed completions annually in five of the past six years. The diminishing pipeline will be underpinned by the Shoppes at Livermore and Sciortino Ranch in Brentwood. While the former represents more than 120,000 square feet of retail space near the existing Livermore Premium Outlet Center, the latter highlights the retail portion of a massive 60-acre mixed-use development that will include roughly 85,000 square feet of retail space and more than 325 single-family homes. These projects will do little to slow the pace of absorption, fueling a moderate drop in vacancy and continued rent growth.

**National and regional capital competes with local investors for assets.** Fueled by relatively higher cap rates and lower rents than the rest of the Bay Area, buyers from throughout the nation have flocked to Oakland assets in search of robust returns. Initial returns that can reach the low- to mid-5 percent range offer investors a significant premium to the other Bay Area metros. While institutions will typically target the urban core of Oakland and Berkeley, private investors have ventured farther into the suburbs, where competition for assets is typically less heated. As a result, deal flow has broadly reflected this shift, with average transaction prices falling as dollar volume surges. Properties along the I-880 and southern stretches of the I-680 have drawn considerable attention from investors due to the rapidly expanding population bases and consistent commuter traffic, boosting rates of return in the near future.

## 2019 Market Forecast

**NRI Rank** 15, up 6 places — One of the lowest vacancy rates in the U.S. supports Oakland's leap in the Index this year.

**Employment** up 1.8% — Oakland organizations will create 22,000 jobs this year, boosting total employment. Last year, 23,300 positions were added, mostly led by office-using firms.

**Construction** 290,000 sq. ft. — Development will fall by roughly 50 percent, with builders primarily focused on southern portions of the I-680 corridor.

**Vacancy** down 20 bps — Slowing development and strong absorption will contract vacancy to 3.1 percent. Last year, vacancy fell 50 basis points.

**Rent** up 3.4% — Following a 5.5 percent climb in 2018, rent growth remains robust this year, rising to $29.50 per square foot.

**Investment** — Properties located off exits along Highway 4 are drawing greater interest from buyers seeking assets that have yet to undergo significant rent growth or price appreciation despite robust operational performance, particularly in Antioch and Brentwood.

# Consistent Absorption Shrinks Already-Limited Stock Of Vacant Space; Multi-Tenant Sales Dictate Deal Flow

**Consumer spending improves, encouraging vendor expansions in a tight environment.** Orange County's vacancy rate has hovered in the high-3 to low-4 percent range throughout the last five years, an indication of strong retailer demand and the market's ability to backfill spaces left by big-box retailers. This prolonged span of limited availability would appear to warrant a rise in construction activity, yet deliveries remain subdued for a second straight year. Of the square footage slated for finalization, most is pre-leased, requiring expanding retailers and those at the end of their leases to comb the metro's minimal stock of available floor plans for new locations. The number of vendors wishing to maintain or expand their local footprints should be substantial as a bounce-back year for employment growth increases median earnings at a larger rate than last year, supporting an uptick in retail spending. The continuation of strong market demand equates to solid absorption in 2019, lowering vacancy to a cycle-low level while also elevating the average asking rent to a more than 10-year high.

**Market conditions spur robust demand for shopping centers.** Multi-tenant vacancy in Orange County sits at its lowest level since early 2008, intensifying competition among local and Los Angeles-based investors for neighborhood and strip centers. While minimum first-year returns for these sub-$10 million properties can reach the high-3 to low-4 percent range, many smaller assets of older vintages trade with mid-5 to mid-6 percent yields. Amid a lack of retail development, Santa Ana, Anaheim and the county's other larger cities are prime targets for these acquisitions, with investors confident in their abilities to fill vacant shops. Buyers with an eye for sub-$5 million listings and a willingness to pay above-average pricing for assets also target restaurants near tourist destinations off California 22 and Highway 1. In these locales, buildings of various age are obtainable at cap rates in the 4 percent range.

## 2019 Market Forecast

**NRI Rank** 16, up 4 places — Minimal new inventory and already-tight vacancy boost Orange County's placement in the NRI.

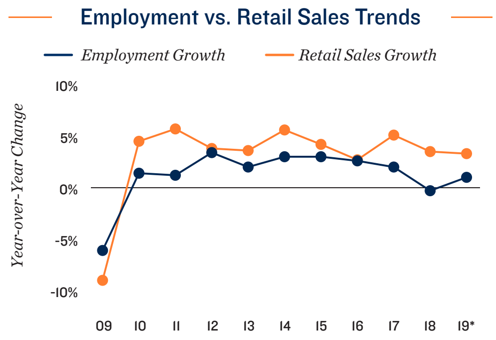
**Employment** up 1.0% — Organizations bolster payrolls by 17,000 positions in 2019 after Orange County's employment base shrank by 4,300 workers last year.

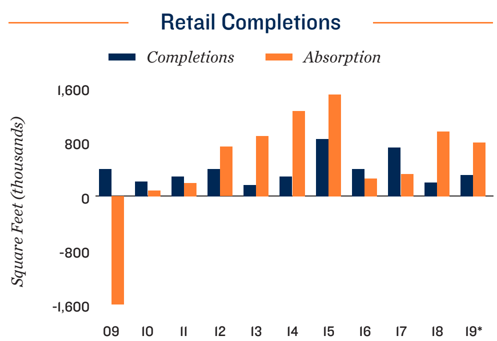
**Construction** 313,000 sq. ft. — Delivery volume rises by roughly 100,000 square feet on a year-over-year basis. A 220,000-square-foot extension of the Village at Tustin Legacy highlights the list of upcoming completions.

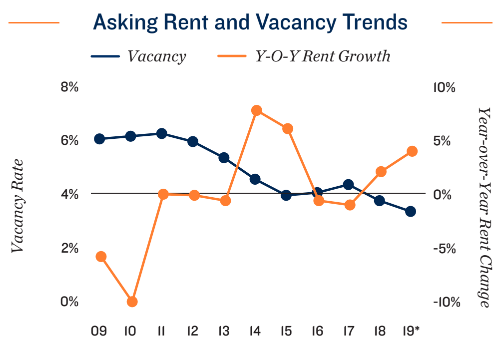
**Vacancy** down 40 bps — Vacancy dips to 3.3 percent aided by strong pre-leasing and a high volume of renewals.

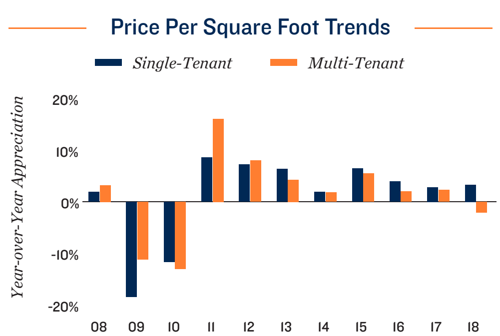
**Rent** up 3.9% — Market demand for the metro's limited stock of vacant space allows the average asking rent to reach $27.54 per square foot.

**Investment** — Investors remain eager to acquire older properties adjacent to John Wayne Airport, where vacancy sits around 2 percent. Yet, a lack of listings in these locales move buyers to target similar opportunities in nearby Huntington Beach and Tustin.



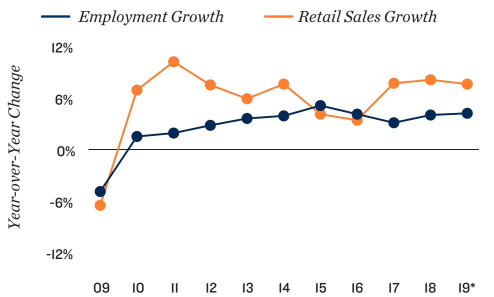



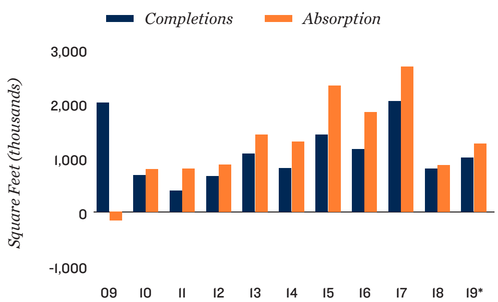

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

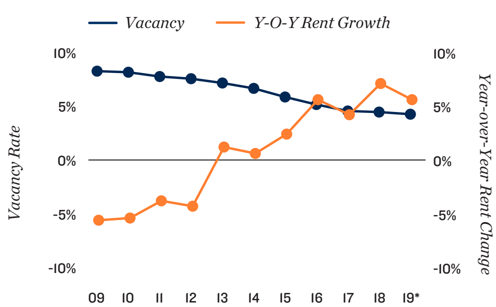
Employment vs. Retail Sales Trends



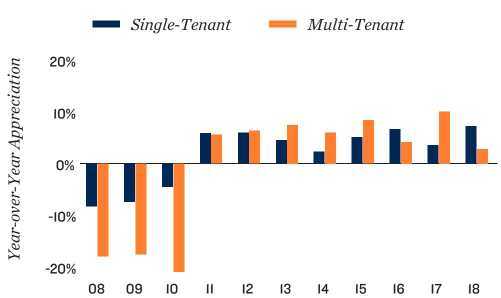

Retail Completions




Asking Rent and Vacancy Trends




Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

# Growth Sets Stage for Robust Retail Market As Vacancy Tightens and Rents Soar

**Vibrant employment and population gains propel retail demand.** Last year Orlando registered one of the highest rates of employment growth in the nation, a trend that will continue into 2019. Job opportunities are attracting new residents to the area. During 2018 the metro's population surged by roughly 76,000 people and slightly more are expected to be added this year, supporting one of the strongest population rate increases in the nation. These robust gains are generating the need for additional retail options. The largest developments due this year are Creative Village in downtown Orlando and Griffin Farms at Midtown in Lake Mary. Each of these ventures offers roughly 150,000 square feet of retail space and is part of a larger mixed-use development that also contains residential units. The majority of new space, however, will be in small strip malls or outlot buildings of larger retail centers scattered throughout the metro. Heavy pre-leasing of new inventory will tighten vacancy to the lowest level in 12 years, placing Orlando's rent growth among the top 10 metros this year.

**Investor interest in Orlando sparked by strengthening operations and favorable demographic trends.** Vacancy is low amid a surge in residential construction, which is garnering the attention of buyers. Many investors are coming from outside the metro, especially California and New York, lured by multi-tenant cap rates that average in the low-7 percent area, up to 200 basis points above gateway markets and 50 to 150 basis points higher than South Florida metros. Competition for quality assets in desired locations is pushing prices higher, resulting in buyers taking longer to complete due diligence. Properties in the city of Orlando are most often targeted, although buildings in Kissimmee, Oviedo and Sanford are receiving increased attention. Many buyers are searching for small strip centers on well-trafficked corners with internet-proof retailers. For older buildings, first-year returns are typically in the 6 to 8 percent range.

## 2019 Market Forecast

**NRI Rank** 7, up 9 places — Orlando leaps into the top 10 of the 2019 Index thanks to robust employment and rent increases.

**Employment** up 4.2% — Orlando has one of the highest job growth rates in the nation again this year as employers create 55,000 positions, up from 50,800 last year.

**Construction** 1 million sq. ft. — This year, completions tick up 200,000 square feet above last year's delivery of 800,000 square feet.

**Vacancy** down 20 bps — Robust tenant demand pushes net absorption above deliveries, moving vacancy down to 4.2 percent in 2019.

**Rent** up 5.6% — Tightening vacancy is driving rent growth. After a 7.1 percent surge last year, the average asking rent will leap to $19.87 per square foot.

**Investment** — Robust employment and residential growth along the Interstate 4 corridor and the Central Florida GreeneWay (SR 417) are drawing investors farther from the metro core to cities such as Lake Mary and Lake Nona.

# Declining Retail Construction Paves Way for Continued Vacancy Declines

**Downtown vacancy approaches zero as deliveries pervade New Jersey.** Consistently positive job growth, averaging 45,000 new positions a year since 2014, has bolstered the population of young professionals in the market's urban core. More people under the age of 35 live in Center City and the surrounding neighborhoods, which has improved the demand for retail in the area, especially among health-food and fitness-related businesses. This has driven vacancy below 2 percent. Availability is similarly limited in King of Prussia, where a popular regional mall and its surrounding restaurants offer luxury brands for higher-income suburban residents. Vacancy in these areas will remain tight this year as most development is located elsewhere. Several mixed-use shopping centers and storefronts are opening in southern New Jersey, improving foot traffic and attracting tenants. Across the metro, a high level of pre-leasing supports a decline in the average vacancy rate for the fourth straight year.

**Opportunities for greater returns pursued in southern suburbs.** Falling vacancy and positive rent growth aid investment activity in Philadelphia. Buyers seeking higher yields are targeting assets in the Wilmington area, improving transaction velocity in New Castle County. Here, restaurants and mixed-use storefronts trade in the general vicinity of the New Castle Airport with cap rates in the 8 to 9 percent band. First-year returns above the metro average are also available in Delaware County, Pennsylvania. Properties along major roadways such as I-95 and Baltimore Pike are changing hands at yields exceeding 8 percent. Investors more interested in stabilized assets for longer-term holds often look toward the city of Philadelphia. Assets on and near Market Street are highly coveted, but listings are limited. More often buyers seek buildings in neighborhoods just outside the CBD, including South Philadelphia. Recent trades in the area exhibit yields in the low-6 percent zone and under.

## 2019 Market Forecast

**NRI Rank**
33, up 7 places

Philadelphia showed marked improvement in the Index this year but remains in the bottom half.

**Employment**
up 1.2%

Employers will bolster staffs by 35,000 positions in 2019. Last year, 54,400 jobs were created.

**Construction**
1.6 million sq. ft.

Development activity contracts by a moderate amount year over year as 2019's construction pipeline dips to the lowest level in half a decade.

**Vacancy**
down 30 bps

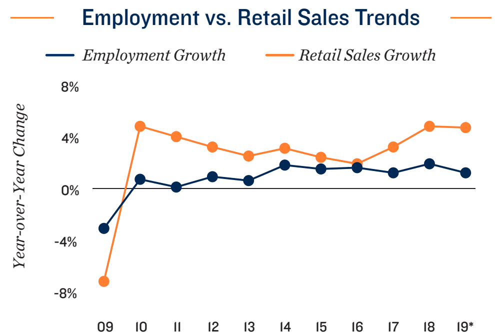
Consistent market demand enables vacancy to fall to 4.6 percent this year, and even lower within the city of Philadelphia. In 2018 availability dipped 20 basis points.

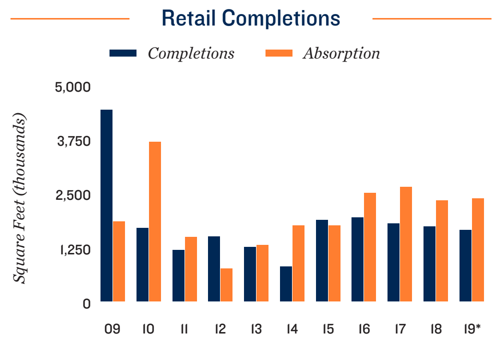
**Rent**
up 3.8%

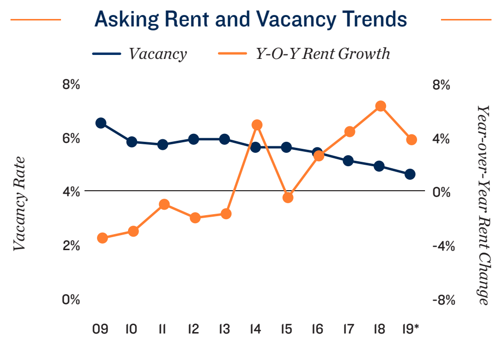
Following a 6.3 percent gain in 2018, the average asking rent will climb to $18.73 per square foot this year.

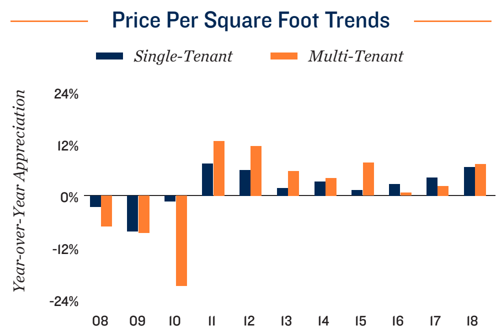
**Investment**

Improving household incomes in several northeast Philadelphia neighborhoods create value-add potential for investors among a supply of 60- to 120-year-old storefronts. These properties could be repositioned to meet the needs of new residents.



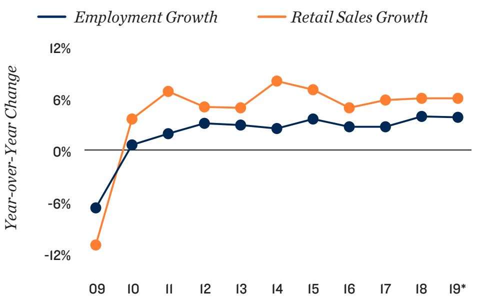



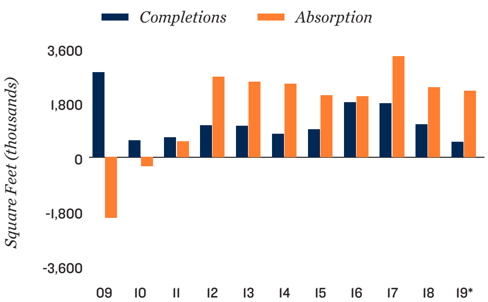

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

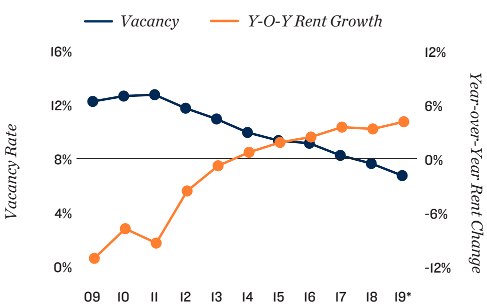
### Employment vs. Retail Sales Trends



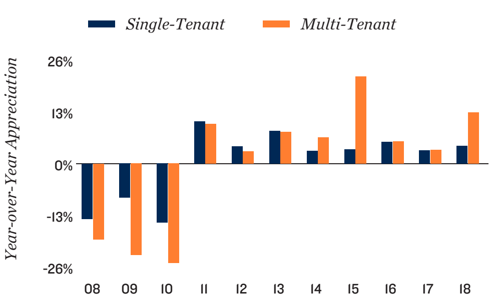

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

## Retailers Eye Phoenix for Expansion Amid Favorable Demographics; West Coast Investors Seek Valley Assets

**Urban core retail posting notable improvement.** White-collar job creation continues to benefit the Phoenix retail market, boosting spending power in a metro historically anchored by back-office positions. As households and income levels rise, many retailers are absorbing space, which in turn will drop the average vacancy below 7 percent. Heightened demand for retail locations in the metro's northwestern sections, particularly Arrowhead Ranch and Surprise, support this tightening vacancy rate. Downtown Phoenix is also witnessing strong demand as the area is seeing accelerated household formation amid a number of new housing developments. Consequently, robust rent growth has followed, propelling downtown rents ahead of the overall market average by a considerable margin. The urban core has witnessed an uptick in construction in recent years; however, this will decelerate in 2019. On a market level, development is expected to decline as well after roughly 1.1 million square feet was delivered in 2018. East Valley will once again dominate construction headlines as Gilbert and Mesa witness a variety of completions.

**Investor interest in West Valley picking up.** With a rapidly expanding population, Phoenix is beginning to gain traction among retail's multi-tenant investors. Several pockets around the metro will continue attracting strong buyer interest, including North Glendale. Here, value-add plays draw a diverse pool of investors as cap rates can extend into the lower-9 percent realm. Though many of these properties require substantial space and operational improvements, highly visible locations in heavily trafficked corridors increase their upside. For buyers with larger sums of capital, the cities of Goodyear and Avondale present a number of opportunities, particularly as this part of the metro should continue to witness accelerated household formation. Deals involving power centers and other large shopping centers in these communities are especially prevalent among West Coast investors, producing cap rates in the low- to mid-8 percent realm.

### 2019 Market Forecast

**NRI Rank** 20, up 9 places — Significant employment growth and a decline in deliveries support Phoenix's big jump in the 2019 Index.

**Employment** up 3.8% — Phoenix should maintain one of the highest job growth rates in the nation as 80,800 new workers are staffed this year. White-collar jobs will continue to quickly proliferate.

**Construction** 514,000 sq. ft. — Retail construction decreases by more than 50 percent on an yearly basis with development focused heavily in East Valley.

**Vacancy** down 90 bps — Limited supply growth coupled with substantial net absorption will help drive market vacancy down to 6.7 percent, the lowest level since year-end 2007.

**Rent** up 4.1% — Tighter conditions prompt some landlords to raise rents in reaction to market circumstances, moving the average asking rent up to $16.83 per square foot.

**Investment** — Urban renewal efforts in downtown Phoenix and adjacent neighborhoods should draw more retail investors as the local resident base expands.

# Ultra-Low Vacancy Attracts Investors; Buyers Expand Search Parameters to Obtain Greater Yields

**Moderated development helps normalize rent gains.** Pittsburgh's household income growth should remain above the national rate in 2019, improving spending power and enticing more retailers to western Pennsylvania. Because of this, market vacancy is expected to drop, keeping the rate one of the lowest in the nation. Contributing to the tightening conditions is sparse construction as roughly 230,000 square feet will come to market, the lowest volume in more than a decade. Approximately two-thirds of this year's completion total are single-tenant structures including numerous convenience stores and quick-service and fast-casual dining options. However, there are several small strip centers to be finalized across the metro in 2019; most of them are located in outer-lying submarkets like Fayette County and Westmoreland County. Limited supply growth should give rents a chance to stabilize after several consecutive years without an identifiable trend. Areas near downtown Pittsburgh headline the market's solid rental gains this year, particularly the Carson Street corridor and the Strip District, where revitalization efforts have boosted consumer interest.

**Pittsburgh supportive of high-yield strategies for many investors.** Improving fundamentals continue to drive retail investment in the Steel City. Though local buyers are involved in the majority of deals, regional investors are making their presence known, specifically those coming from large coastal markets like New York City and Philadelphia. These investors often come for more favorable yields as some suburban shopping centers can be acquired with cap rates reaching the mid-9 percent band. Small strip centers closer to the core produce yields in the mid-7 percent realm, still considerably higher than the primary metros where a number a regional buyers originate. Meanwhile, local investors will stay focused on assets in far outer-ring submarkets where returns can exceed 10 percent, contingent upon location, tenant mix and a variety of other factors.

## 2019 Market Forecast

**NRI Rank**
29, down 3 places

Pittsburgh slips three places in this year's Index as other markets move ahead.

**Employment**
up 1.2%

Employers will accelerate their pace of hiring in 2019 as 14,000 workers are staffed. New jobs in tech-related fields will remain abundant this year.

**Construction**
230,000 sq. ft.

Construction is nearly cut in half this year with single-tenant completions accounting for the majority of deliveries.

**Vacancy**
down 30 bps

With limited supply growth, vacancy squeezes tighter, contracting to 3.4 percent. In 2018, the rate remained stagnant.

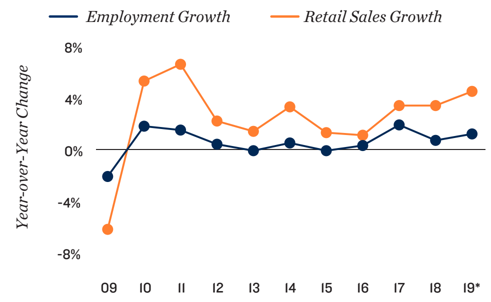
**Rent**
up 5.2%

Rents rise to $15.01 per square foot in 2019 after a substantial decrease last year. Rental changes have been rather sporadic, including a 19.5 percent increase two years ago and an 11.2 percent reduction in 2018.

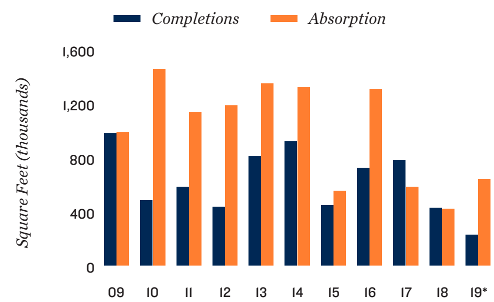
**Investment**

Significantly tight vacancy should lure more developers to Pittsburgh moving forward as they look to alleviate pressure and provide space to retailers struggling to find locations.

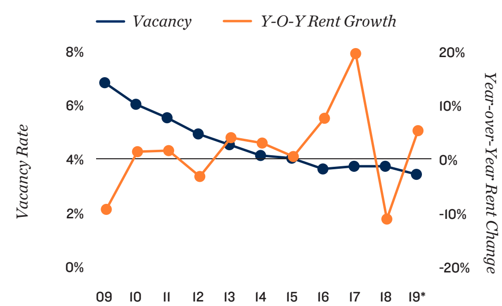
### Employment vs. Retail Sales Trends



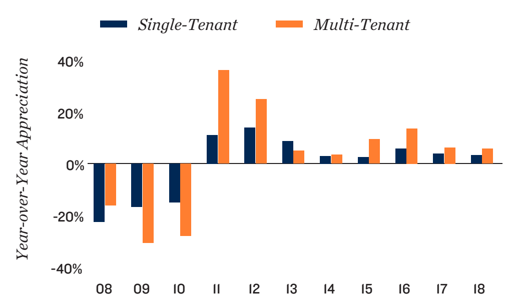

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends

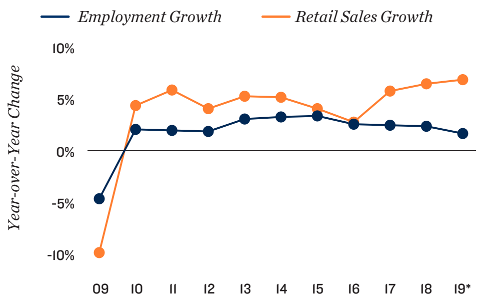



* Forecast

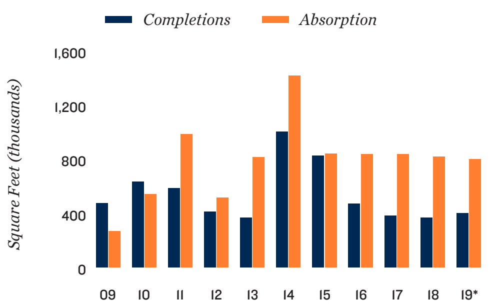
Sources: CoStar Group, Inc.; Real Capital Analytics

## Out-of-State Buyers Chase Yield in Portland's Single-Tenant Sector

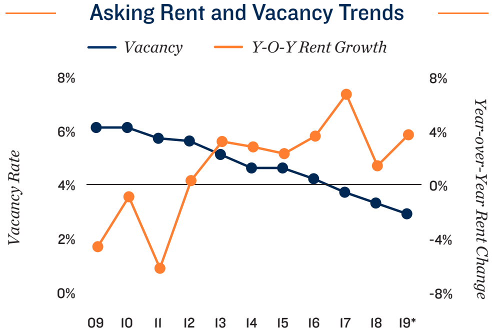
### Employment vs. Retail Sales Trends



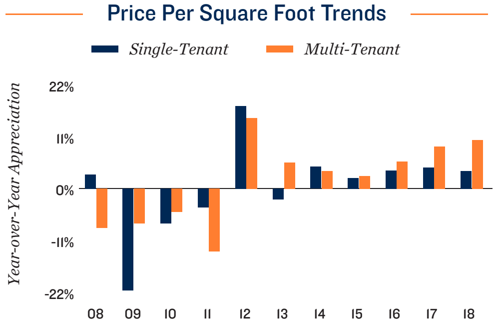

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends




* *Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

**Portland's supply constraints deepen as vacancy dips below 3 percent.** The underlying market fundamentals in the metro paint an attractive picture for retail operators. Job growth, retail sales and most other indicators of space demand are healthy, though improvement has fallen into a sustainable range. Payrolls, for example, will expand at close to the national rate this year as healthcare and the leisure and hospitality sector provide the market's foundation. While space demand continues to expand, developers have few projects coming out of the ground. In fact, the largest property slated for completion this year is just 25,000 square feet. Furthermore, new construction is well distributed, limiting any localized impact on retail operations. As a result, operators will have significant leverage when setting rents for available space across the market.

**Out-of-state capital staying in single-tenant sector while local investors increase multi-tenant holdings.** Arbitrage deals by out-of-state buyers, and in some cases international buyers, will keep the single-tenant sector busy again this year. Compressed cap rates in coastal California markets and Puget Sound has buyers targeting single-tenant, net-leased properties when available. First-year returns in Portland can average 100 basis points higher than their West Coast counterparts, and the price discount reaches more than 25 percent on a per square foot basis. As out-of-state buyers push capital into the single-tenant sector, some local buyers are shifting their focus to multi-tenant properties. Unlike many other markets, the extremely tight conditions in the metro are encouraging more risk taking from local operators. Year over year, local investors increased multi-tenant deal flow by nearly 75 percent. Another indicator of buyer optimism is the increase in the size of properties that changed hands. The average size of multi-tenant assets that traded in the past year soared by approximately 50 percent.

### 2019 Market Forecast

**NRI Rank**
5, up 3 places
One of the tightest vacancy rates in the nation moves Portland up three notches in the NRI.

**Employment**
up 1.6%
After 20,900 jobs were created in 2018, employers are expected to add 19,000 positions this year.

**Construction**
400,000 sq. ft.
Builders are increasing deliveries from the 370,000 square feet completed last year, though no major developments come will online. New supply will increase inventory 0.4 percent.

**Vacancy**
down 40 bps
Marketwide vacancy will contract to 2.9 percent this year following a 40-basis-point decline in 2018.

**Rent**
up 3.7%
Healthy space demand and limited development support a 3.7 percent increase in asking rents to $20.25 per square foot. Last year, rents inched up 1.4 percent.

**Investment**
The spread in cap rates between single-tenant and multi-tenant properties have narrowed considerably. First-year returns for single-tenant deals are in the high-5 percent range, while multi-tenant assets trade at an average in the low-6 percent area.

# Dynamic Demographic Trends Underpin Raleigh's Retail Performance; New Buyers Entering Market

**Residential growth bolsters robust retail sector.** Raleigh ranks among the top five metros nationwide in terms of the percentage of population gain this year. Many people are moving into the region for employment opportunities and roughly 30,000 additional workers will be hired during 2019. Many of the jobs will be higher wage positions at tech companies such as Pendo, which has committed to creating nearly 600 jobs in downtown Raleigh over the next several years. The median household income is also forecast to rise at a faster pace than the U.S., contributing to the largest jump in retail sales in 20 years and benefiting local retailers. Even with deliveries ticking up in 2019, heavy pre-leasing activity will lessen the impact on vacancy. The largest development due is a 120,000-square-foot Wegmans in Raleigh, although the majority of projects are small multi-tenant centers with less than 15,000 square feet. Metrowide, the vacancy rate has remained below 4 percent for the past four years and it is expected to dip to a 12-year low by year end, producing a seventh consecutive year of rent growth.

**Favorable economic outlook and strong operations draw wider range of buyers.** Improving property performance is enticing new investors to the market, increasing competition for available buildings. Many buyers are searching for single-tenant assets that exchange hands at an average cap rate that has hovered in the mid-6 percent range for the past four years. Initial yields for newer dollar stores will start below the average in the high-5 percent span. After being outbid in recent years, more local buyers are willing to pay current pricing and are becoming more active. Many have been focusing on assets in high-growth cities in Southwest Wake County, including Apex and Fuquay Varina. Older multi-tenant assets in this area are frequently sought after and can trade at cap rates above the metro average, which has compressed 20 basis points into the high-6 percent range during the past 12 months.

## 2019 Market Forecast

**NRI Rank** 3, up 2 places — Strong demand drivers will bolster retail sales, keeping Raleigh among the Index's top five metros this year.

**Employment** up 3.1% — Roughly 30,000 workers will be added to payrolls during 2019, up from 27,200 last year.

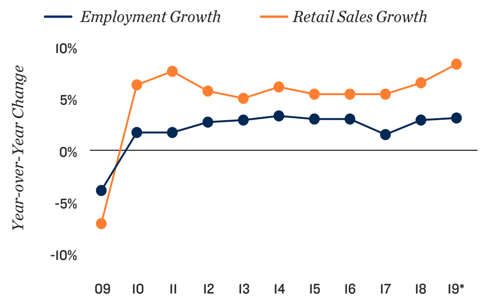
**Construction** 600,000 sq. ft. — During 2019, deliveries will rise by 240,000 square feet above last year's 360,000 square feet. North Raleigh will receive the largest portions of this year's total.

**Vacancy** down 10 bps — Net absorption surpasses deliveries, tightening vacancy to 3 percent in 2019, the lowest annual rate of the cycle.

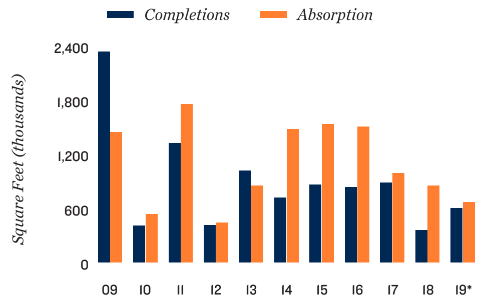
**Rent** up 2.7% — Building on a 2 percent gain in 2018, the average asking rent will climb to $18.43 per square foot this year, 30 percent above the 2012 trough.

**Investment** — This year's completion of a number of small strip centers and single-tenant buildings should provide investors with additional buying opportunities as developers sell projects to fund future endeavors.

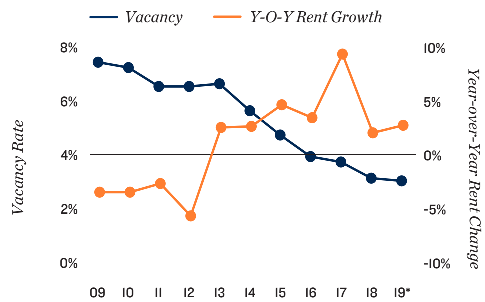
### Employment vs. Retail Sales Trends



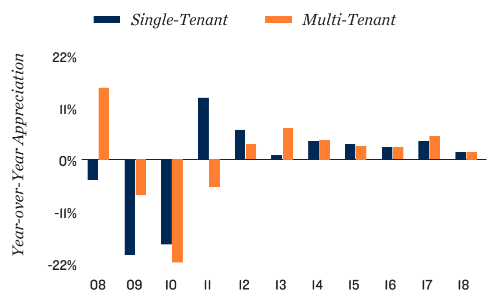

### Retail Completions




### Asking Rent and Vacancy Trends



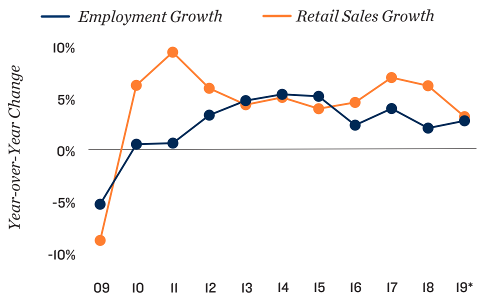

### Price Per Square Foot Trends



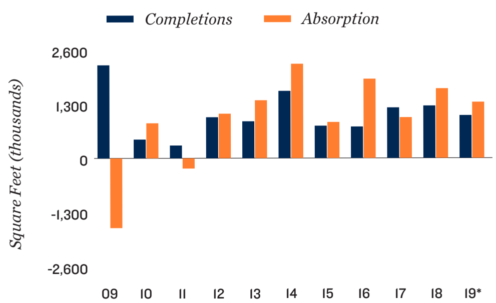

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

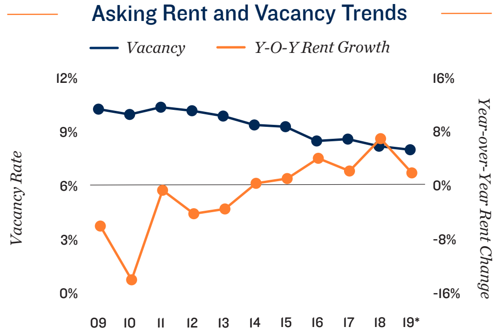
## Employment vs. Retail Sales Trends



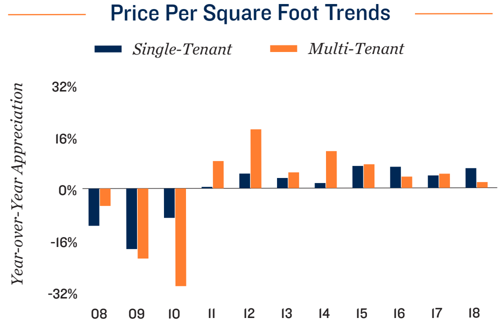

## Retail Completions




## Asking Rent and Vacancy Trends




## Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

# Stream of New Residents Prompts Retailer Growth; Investors Covet Higher-Quality Assets

**Stretch of positive net migration warrants retailer expansions.** The Inland Empire underwent significant population gains during the past five years, growing by 250,000 residents. An inflow of individuals and households to the area in search of jobs and lower housing costs were largely to credit for this spike in resident count. This strong rate of migration heightened demand for both necessity and specialty stores, translating to stout annual increases in consumer spending. Retailers responded by occupying additional spaces, supporting a 170-basis-point decline in overall vacancy. In 2019, the Riverside-San Bernardino metro remains Southern California's fastest-growing economy, supporting the strongest rate of net migration among the state's major metros. Continual population growth should further bolster consumer demand, influencing more retailers to enlarge local footprints. Many of these businesses will browse the area's stock of vacant existing spaces as more than half of the 1 million square feet of new supply slated for delivery this year is pre-leased. These market conditions will aid overall absorption, lowering the region's vacancy rate to a cycle-low level.

**Eager to capitalize on the rapid growth of the Inland Empire, Southern California-based investors focus on areas near residential expansion or major freeways.** Many active buyers in the region currently maintain portfolios of local assets and are looking to grow their collection of properties in a quick time frame, often via multiproperty sales. Post-2000-built freestanding buildings and centers are pursued by these investors, with demand highest in cities south of Riverside off Interstates 15 and 215. Here, properties trade at low-4 percent minimum cap rates, yet yields in 6 percent range are also obtainable for assets with vacancy issues or those in sub-par locations. Larger cities near the confluence of Interstates 10 and 15 provide additional opportunities for buyers targeting assets of relatively newer vintage at similar returns.

## 2019 Market Forecast

**NRI Rank**
37, down 6 places

Vacancy well above the U.S. level drops Riverside-San Bernardino in the 2019 Index.

**Employment**
up 2.7%

After adding 29,500 jobs last year, employers are on pace to create 40,000 additional positions in 2019.

**Construction**
1 million sq. ft.

Delivery volume will moderate following the completion of more than 1.3 million square feet of space in 2018. South Riverside County is home to 40 percent of this year's new supply.

**Vacancy**
down 20 bps

Vacancy will fall to 7.9 percent on net absorption of 1.3 million square feet of space, matching last year's rate of compression.

**Rent**
up 1.7%

The region's average asking rent reaches $18.47 per square foot this year, after rising 6.8 percent in 2018.

**Investment**

Robust competition for post-2000-built retail motivates some investors to target late 1980s- to 1990s-built assets with renovation potential. These assets often provide buyers with first-year returns in 6 percent range.

# Nominal Vacancy Shifts Warrant Cycle-High Asking Rents; Value-Add Investors' Confidence Swells

**Household formations bolster consumer spending, preserving retailer demand.** The past five years represented a span of notable expansion for Sacramento as the metro's populace climbed by 120,000 total residents. Relocations in search of well-paying jobs and a lower cost of living were largely to credit for this period of strong in-migration, which elevated consumer demand. Responding to these conditions, retailers entered the marketplace, while existing businesses renewed leases or expanded their local footprints. This activity supported vigorous leasing that reduced overall vacancy to a cyclically low rate. Favorable retailer conditions persist in 2019 as job creation and steady income growth endure, encouraging the formation of 11,000 households. This positive outlook for retail spending coupled with a seven-year-low volume of new retail space should allow any recently vacated spaces to be filled, preserving tight vacancy while helping the metro's average asking rent rise to a nine-year high.

**Suburban transactions dictate deal flow.** Offering buyers the highest average cap rate and lowest average price per square foot among California major metros, Sacramento remains a prime target for upside-seeking investors willing to acquire properties with expiring leases or vacancy issues. These buyers are confident in their ability to quickly upgrade and fill these empty spaces at higher rents, as tight vacancy and subdued retail construction are forecast for 2019. Overall, $1 million to $5 million transactions in suburban locales with growing populations continue to dominate the sales landscape, with first-year returns bottoming out at 5 percent for smaller neighborhood centers. Closer-in suburban assets off Business 80 and Interstate 5 provide buyers with maximum yields in the high-6 percent range, while investors seeking higher cap rates pursue listings in farther-out cities off Interstate 80. Here, high-6 to high-7 percent returns are obtainable for 1980s- and 1990s-built properties.

## 2019 Market Forecast

**NRI Rank** 30, down 2 places — Higher vacancy than most other markets moves Sacramento down two slots in this year's Index.

**Employment** up 1.7% — Payroll expansions by medical providers and insurers coupled with government hiring support the creation of 17,000 jobs in 2019. Last year, employment grew by 1.6 percent.

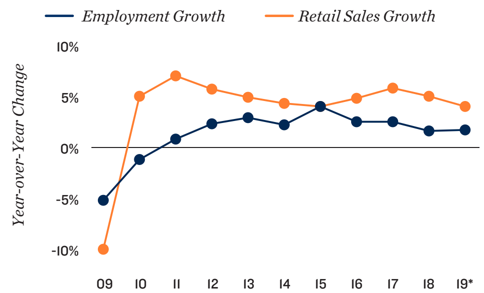
**Construction** 340,000 sq. ft. — Delivery volume will decline by more than 200,000 square feet on a year-over-year basis in 2019. A completion near Elk Grove accounts for nearly half of this year's new supply.

**Vacancy** no change — After declining 50 basis points last year, metro vacancy holds at 6.4 percent in 2019.

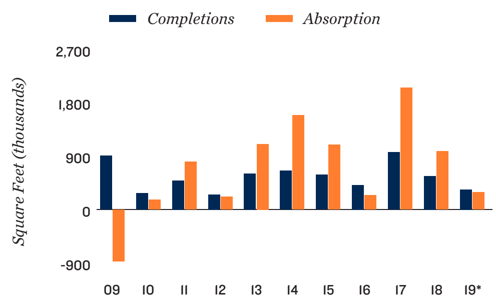
**Rent** up 5.2% — Unchanged vacancy allows asking rents to raise for a second year. At $17.98 per square foot, the year-end average rate trails the previous cycle's peak by $7 per square foot.

**Investment** — Buyers eager to quickly expand local portfolios target multi-property listings that feature 1980s- and post-2000-built properties located in areas of residential expansion and employment growth.

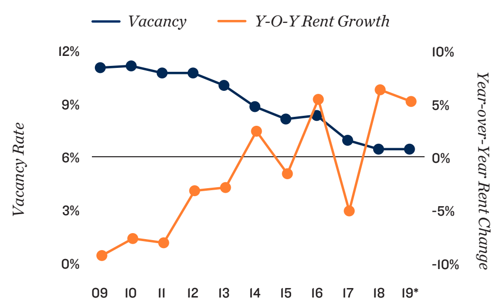
### Employment vs. Retail Sales Trends



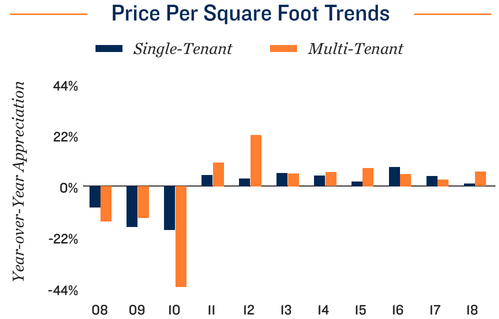

### Retail Completions




### Asking Rent and Vacancy Trends



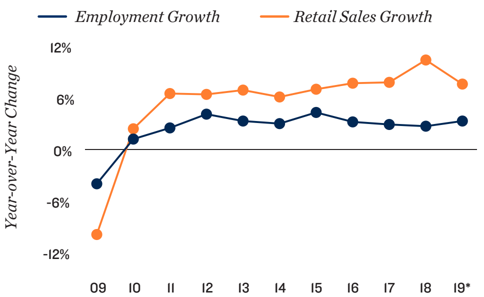

### Price Per Square Foot Trends



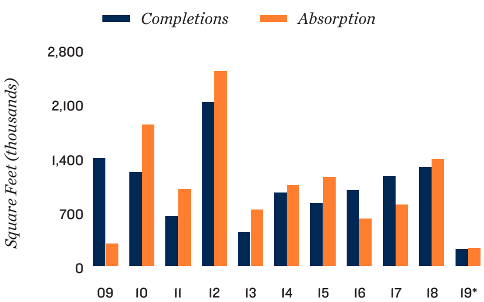

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

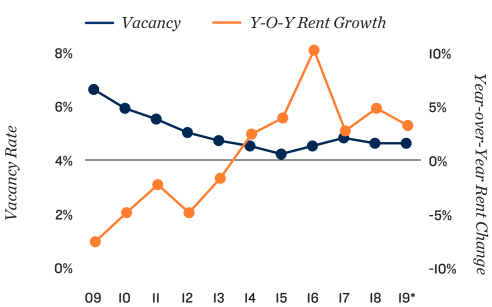
### Employment vs. Retail Sales Trends



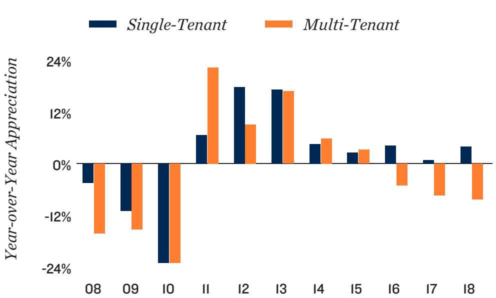

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

## New Development Plunges in Wasatch Front; Investor Interest Outsized Relative to Similar Metros

**Construction falls off as demand stays firm.** Development reached the highest level since 2012 last year and will decline to the lowest rate during the current economic expansion. No major developments are on the horizon, so the likelihood that construction picks up again this cycle is low. In fact, the largest project slated for completion in 2019 is the 55,000-square-foot Herriman Towne Center. While the supply side of the equation is improving, retail sales demand drivers are also attractive. Household income and household formation are both well above the national average, trends that bode well for retail sales. Employment gains are driving both of these segments as nearly every sector adds jobs. The trade, transportation and utilities sector was the largest contributor to additions last year as companies like Amazon and UPS created thousands of positions. Vacancy will remain under the 5 percent threshold, supporting another year of strong rent growth.

**Salt Lake City retail sales velocity bucking national trend.** Both single- and multi-tenant properties changed hands in greater numbers last year. Higher interest rates and prices will create headwinds to repeating those gains in 2019, though listings across the Wasatch Front will attract significant attention. Multi-tenant assets, in particular, should draw coastal capital in arbitrage plays. Average cap rates for these properties are in the low-7 percent range, well above the yields available in gateway markets and modestly better than metros with similar underlying economic and demographic trends. The average vacancy rate at multi-tenant properties that traded has been cut in half over the past two years as investors avoid risk. Single-tenant buyers will need to scour the market to find existing assets available. Fast-food restaurants with national franchises and storefronts in core locations should remain in high demand.

### 2019 Market Forecast

**NRI Rank**
8, down 1 place

Salt Lake City remains in the Index's top 10 due to slowing deliveries and strong retail sales growth.

**Employment**
up 3.3%

Last year, payrolls expanded by 33,700 jobs, representing a 2.7 percent gain. This year, 41,300 spots are forecast.

**Construction**
220,000 sq. ft.

New development will plummet this year after reaching a cyclical peak in 2018 when 1.3 million square feet came online.

**Vacancy**
no change

Supply and demand fundamentals will remain balanced in 2019, keeping vacancy at 4.6 percent.

**Rent**
up 3.2%

Asking rents soared 4.8 percent in 2018 as tight conditions pushed growth. This year, the pace will remain strong as asking rents climb to $16.75 per square foot.

**Investment**

Sales activity will hinge on the prevalence of out-of-state capital entering the market. A slowdown in construction could limit single-tenant deal flow due to some investors' focus on new properties. Other buyers may shift their attention to older properties with recently signed leases.

# Wider Spreads Draw Out-of-Market Capital to Alamo City; Anchored Centers Attractive

**Development surges this year as builders rush to meet space demand.** A handful of large projects will more than double last year's construction level, though vacancy should remain relatively tight. The largest project underway is the Live Oak Town Center at the intersection of Interstate 35 and Loop 1604. The 770,000-square-foot center is anchored by the metro's first Ikea and will come online in the second quarter fully leased. Excluding the Live Oak Town Center, less than half of the space under construction has leasing commitments, which will test space demand during the first half of the year. Most of the available space is concentrated in community, neighborhood and strip centers in all of the northern suburbs. Nonetheless, vacancy has hovered between 4 percent and 5 percent since early 2016 and will finish the year below the 5 percent threshold. Healthy vacancy will support higher rents by year end.

**Attractive yields drawing out-of-state capital searching for larger spreads.** Buyers elevated purchases in both the single- and multi-tenant sectors last year, and activity should remain strong again in 2019. Much of the increase in single-tenant deals came from sales of convenience stores, restaurants and storefronts. Investors are targeting these properties due to modestly higher yields, which helps improve spreads. The rise in construction this year should provide more opportunities to target single-tenant assets on pad sites, and properties with tenants secured under attractive leases will receive several bids. Multi-tenant deal flow approximately doubled last year, though reaching that level again in 2019 may prove to be challenging. Investors have largely moved away from strip centers and poured capital into anchored centers, where shopper traffic is higher. Buyers willing to scour the market for smaller strip centers with good tenant rosters may be rewarded with a less-aggressive bidding climate.

## 2019 Market Forecast

**NRI Rank** 25, down 7 places — A surge in construction pushes vacancy higher, moving the San Antonio down in the 2019 NRI.

**Employment** up 0.8% — Employers are expected to add 9,000 jobs in the metro this year, up modestly from last year when payrolls expanded by 8,500 new spots.

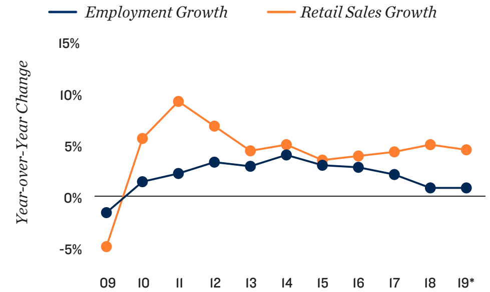
**Construction** 1.9 million sq. ft. — Development will more than double this year as inventory increase by 1.7 percent. In 2018, 760,000 square feet came online.

**Vacancy** up 30 bps — The marketwide vacancy rate will jump 30 basis points to 4.9 percent in 2019. Last year, the rate increased 50 basis points.

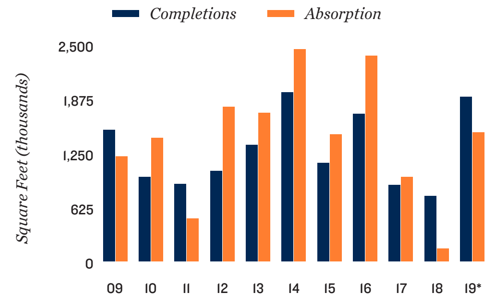
**Rent** up 2.1% — After a 4.4 percent increase in 2018, asking rents are projected to reach $16.55 per square foot this year.

**Investment** — Average cap rates in the single-tenant sector are in the low-6 percent area and holding relatively steady. Multi-tenant cap rates have climbed 20 basis points over the past year into the high-7 percent area.

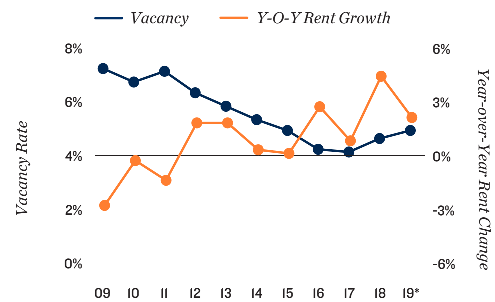
### Employment vs. Retail Sales Trends



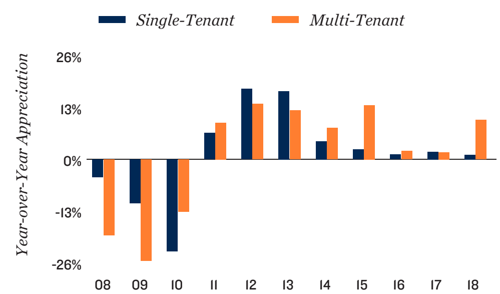

### Retail Completions




### Asking Rent and Vacancy Trends



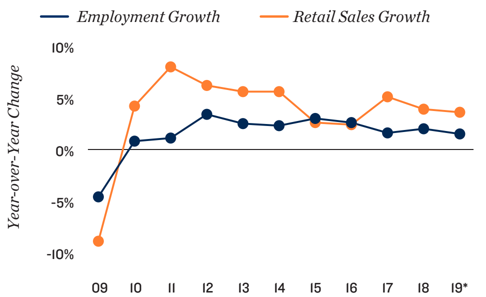

### Price Per Square Foot Trends



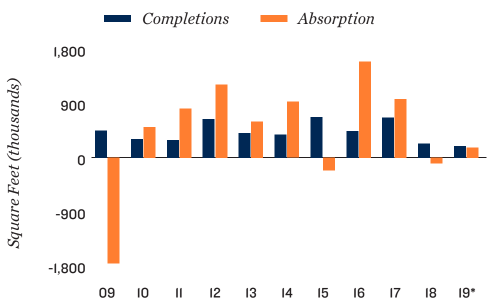

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

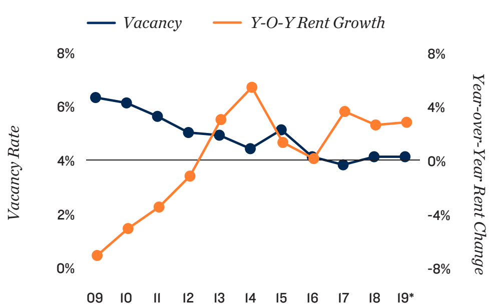
## Employment vs. Retail Sales Trends



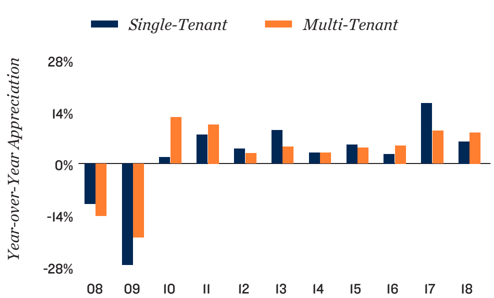

## Retail Completions




## Asking Rent and Vacancy Trends




## Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

# Out-of-Towners Bolster Retail Demand; Comparable Yields Support Even Distribution of Deals

**Prolonged span of limited vacancy continues.** San Diego County welcomed a record number of visitors last year, a factor that drove overall consumer demand. Heightened retail spending at necessity and specialty shops encouraged vendors to renew existing leases or expand their local footprints, holding metro vacancy in the high-3 to low-4 percent range for a third straight year. In 2019, retail spending is slated to climb at a slightly larger clip than last year, buoyed by a consistent inflow of tourists and an uptick in higher-paying job creation. The upcoming rise in biotech, life science and tech-related positions translates to increased earnings, influencing a six-year-strong rate of household formation. Limited vacancy and robust market demand would appear to warrant new construction, yet roughly 200,000 square feet of space will be completed this year, the lowest annual total since at least 2007. Most of the new supply is pre-leased, forcing space-seeking vendors to browse the metro's limited stock of vacant floor plans and preserving tight vacancy throughout the year.

**Market stability boosts Southern California investors' confidence.** Tight vacancy coupled with a plethora of low-4 to low-5 percent yielding opportunities has in-market buyers and those from neighboring metros eager to bolster their local portfolios. These investors face minimal competition from out-of-state firms as sub-$7 million transactions dictate overall deal flow. Downtown San Diego is a top spot for these trades, as an influx of recent residential deliveries coupled with an upcoming wave of new apartments stoke buyer demand for older storefronts and smaller mixed-use buildings featuring ground-floor retail. Regional investors seeking post-2000-built properties at a slight discount to their home markets target buildings and centers throughout East County and the 78 Corridor. Those with a long-term hold strategy and willingness to pay above the metro's average pricing home in on listings north of downtown off Interstate 5.

## 2019 Market Forecast

**NRI Rank**
12, up 1 place
San Diego inches up in the Index as little new inventory keeps vacancy below the national level, boosting rent growth.

**Employment**
up 1.5%
Following the addition of 28,800 positions last year, San Diego County's employment base will expand by 23,000 workers in 2019.

**Construction**
200,000 sq. ft.
Delivery volume remains subdued for a second year, with half of this year's new supply completed in Chula Vista.

**Vacancy**
no change
Absorption matches delivery volume in 2019, holding metro vacancy at 4.1 percent. Last year, an increase of 30 basis points was recorded.

**Rent**
up 2.8%
The metro's average asking rent will elevate at a similar pace to last year, reaching $25.65 per square foot in 2019.

**Investment**
The recently high volume of portfolio or multi-property deals has the potential to influence similar listings moving forward while a notable contingent of in-state buyers remain eager to rapidly expand their local footprints.

# Development Moderates for Third Straight Year; Investors Remain Active in San Francisco

**Construction contracts for third straight year; performance most robust in San Mateo County.** Fueled by the lowest unemployment rate since the Dot Com era, San Francisco retail assets have undergone a dramatic upswing. Rising incomes and wages have supported a broad scope of retail assets, underpinning a metro vacancy rate below 3.5 percent since 2011. Meanwhile, development has been mostly nonexistent this cycle, with annual deliveries averaging less than 130,000 square feet per annum since the cycle lows in 2010. This year, overall supply growth will fall once more, with minimal space injections outside of the planned repairs and the eventual opening of the Salesforce Transit Center in downtown San Francisco. As a result, average asking rents have pushed higher, particularly in San Mateo County, where extremely limited availability and more affordable prices than the urban core have sponsored dramatic gains that reached the double digits in 2018. Similar conditions will remain in place this year, prompting additional growth, albeit with more dispersion than previous years exhibited.

**National and regional capital sources dominate investment landscape amid rapid appreciation in asset prices.** A combination of rising rental rates and limited competition from new developments is spurring robust competition among investors for the few attractive listings in the market. Due to the size of the majority of the floor space in the metro, institutional buyers have largely focused on massive mixed-use projects with retail on the ground floor. Meanwhile, private investors have been primarily bidding for properties in Marin and San Mateo counties, where lower price points and smaller asset sizes allow them to use local knowledge to outmaneuver more well-capitalized peers. As little new construction comes online, opportunities for increased density through redevelopment are becoming more popular as cap rates sink to the low-4 percent range and prices per square foot begin to support more ambitious plans for greater scale.

## 2019 Market Forecast

**NRI Rank**
2, no change
San Francisco maintains its second-place standing in the Index this year as minimal deliveries keep vacancy tight.

**Employment**
up 1.9%
Job growth in San Francisco remains elevated as 22,000 positions are created, slightly below the 23,000 added in 2018.

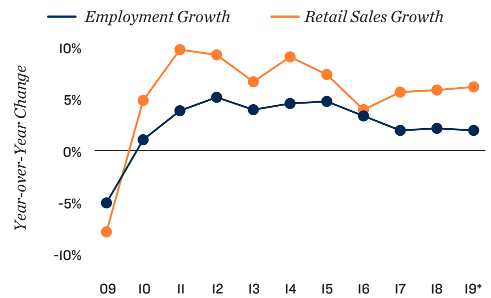
**Construction**
120,000 sq. ft.
Development will slide to a three-year low following the delivery of 140,000 square feet in 2018.

**Vacancy**
up 10 bps
Tenant outflows will push vacancy up to 3.1 percent. Last year, vacancy rose 20 basis points.

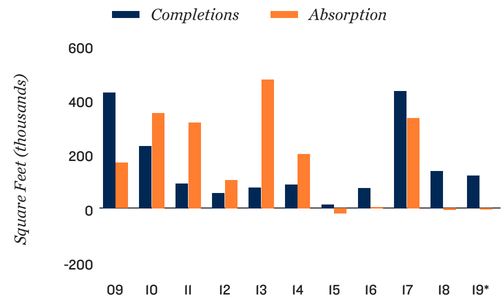
**Rent**
up 2.1%
Following a 2.7 percent gain in 2018, the average asking rent will rise to $40.75 per square foot, with considerable dispersion between urban and suburban locations.

**Investment**
Locations between I-280 and Highway 101 will be highly sought out by investors seeking cap rates up to 50 basis points above the metro average as values continue to move upward due to corporate development in the area.

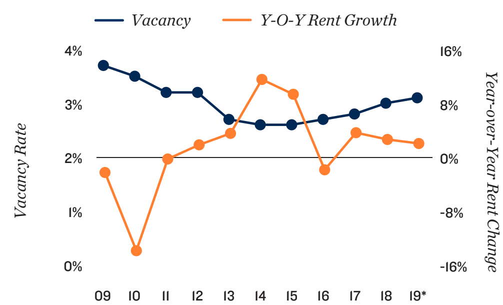
### Employment vs. Retail Sales Trends



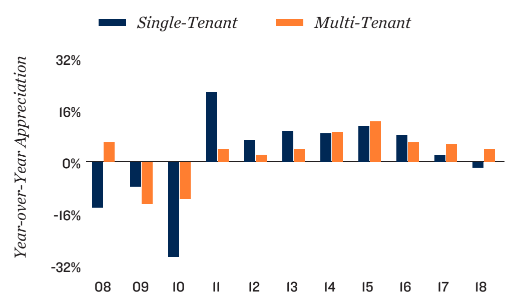

### Retail Completions




### Asking Rent and Vacancy Trends



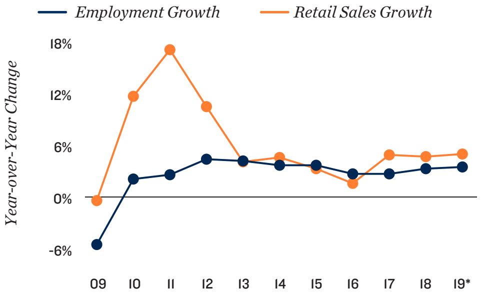

### Price Per Square Foot Trends



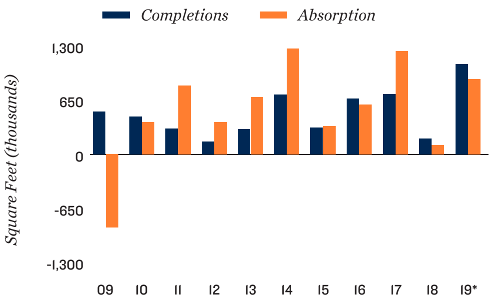

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

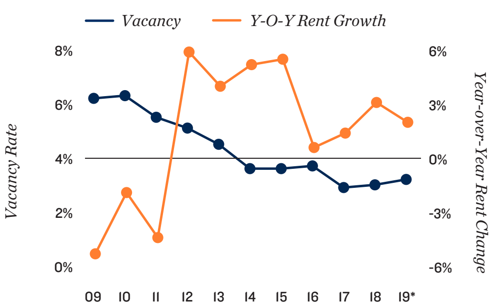
### Employment vs. Retail Sales Trends



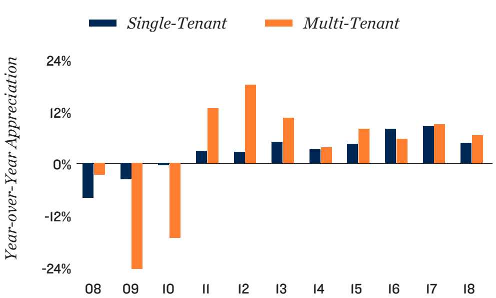

### Retail Completions




### Asking Rent and Vacancy Trends




### Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

## Revitalizing Mixed-Use Projects Highlight Booming Silicon Valley Economy

**Massive jump in development pushes supply growth to cycle high amid extremely tight environment.** Underpinned by some of the world's largest companies, the San Jose metro holds the highest median household income in the nation. The resulting strength has sponsored extremely robust retail demand, supporting a metrowide vacancy rate well below 5 percent. Tight conditions are beginning to filter into an elevated completions schedule, with construction set to reach a new cycle high in 2018 as developers focus on transformative, mixed-use projects. A $1.1 billion expansion to the Valley Fair mall in Santa Clara will add a new wing and outdoor spaces, while the retail portion of the 36-acre Sunnyvale Town Center will come online in central Sunnyvale. Meanwhile, the Village at San Antonio Center in Mountain View will be redeveloped into a modern mixed-use hub offering essential retail, office and apartments with a community park. The resulting rise in development will likely cause intermittent upticks in vacancy as the new space is leased, yet rent growth will remain elevated as retailers vie for the new high-quality space.

**Buyers seek value near large-scale developments.** A virtuous cycle of higher prices has continually compelled investors to deploy capital into the San Jose metro. Amid cap rates that will typically begin in the mid-4 percent range, buyers have focused primarily on how they can realize outsized returns by locating near new mixed-use projects where traffic counts will rapidly increase following completion. Seeking out these assets has led investment activity to be concentrated in Downtown and South San Jose and the Sunnyvale/Cupertino stretch to the west. Higher initial cap rates of up to 50 basis points can be achieved by seeking assets farther away from the metro core such as North San Jose and Los Gatos, where higher incomes are raising consumer preferences to levels more in line with the broader metro.

### 2019 Market Forecast

**NRI Rank**
14, up 1 place
Strengthening demand drivers and already-tight vacancy keep San Jose among the Index's top 15 this year.

**Employment**
up 3.5%
San Jose firms hire 40,000 people this year, slightly above the 36,300 positions created in 2018 as economic growth remains exceptional throughout the Bay Area.

**Construction**
1.1 million sq. ft.
This year, development more than quadruples from the 190,000 square feet delivered in the previous year.

**Vacancy**
up 20 bps
A cycle high in supply growth will push up the vacancy rate to 3.2 percent. Last year, vacancy increased 10 basis points.

**Rent**
up 2.0%
Following a 3.1 percent gain in 2018, the average asking rent will climb to $34.50 per square foot this year as high-quality space translates into elevated pricing.

**Investment**
As housing and office development rises inside the city limits of San Jose, retail assets will follow suit. The redevelopment of older mixed-use buildings in this area will be highly sought after.

# Transformation of Seattle Ripples Out to the Suburbs, Attracting More Tenants and Investors

**Repositioning of outdated properties motivated by changing consumer tastes.** Seattle's retail landscape has rapidly evolved in recent years. The metro is one of the nation's top job markets, which has steadily lifted buying power and expanded the population. Grocers, discount retailers, gyms and a variety of other tenants are moving fast to expand footprints across the Puget Sound region, placing a greater focus on Seattle's suburbs this year. Retailers face a competitive leasing climate as construction has been minimal this cycle, encouraging owners to boost renovation efforts as rents rapidly rise. Long-overlooked areas of the metro are being revived by major mixed-use projects as developers push to locate retail space closer to housing and offices, headlined by the Village at Totem Lake, which will be this year's largest delivery at 400,000 square feet. Similar projects include Tacoma Town Center and nearby Point Ruston. They are both breathing new life into Tacoma and illustrate the flow of capital beyond Seattle as investors look to mixed-use and transit-oriented development to maximize returns.

**Tight space availability and steady rent growth sustain positive investment climate.** Investors exhibited continued confidence in Seattle-Tacoma's retail property market last year, maintaining elevated transaction levels. High pricing expectations in Seattle's urban core and on the Eastside will keep investors active in the northern suburbs and south to Tacoma where greater affordability can be found. Institutional buyers are broadening their searches to growing suburban cities as well, compressing cap rates for highly coveted assets to levels almost on par with downtown. For the Puget Sound region, the average cap rate rests in the low-6 percent area and the cap rate can fall in the mid-3 to upper-4 percent band for some of the best properties. Out-of-state capital will remain abundant this year, scouring the metro for neighborhood retail centers as tenant rosters are often more resilient to online shopping trends at these properties.

## 2019 Market Forecast

**NRI Rank**
1, no change

The metro remains at the top of the 2019 Index as tight vacancy produces robust rent gains.

**Employment**
up 2.9%

Payrolls rise by 60,000 staffers in 2019, a moderation from the 67,200 jobs created in 2018, as the labor market tightens.

**Construction**
900,000 sq. ft.

Deliveries will rise from the 700,000 square feet completed last year, though they remain far below the highs posted last cycle. Supply growth is almost entirely concentrated in Seattle's suburbs.

**Vacancy**
down 10 bps

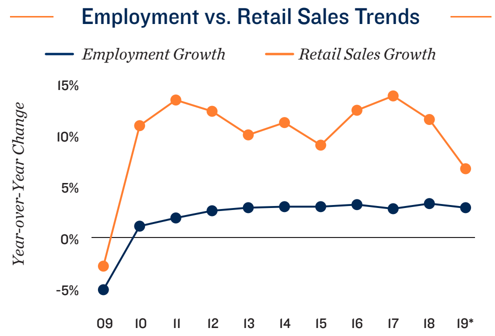
Robust leasing activity will compress the vacancy rate to 3.5 percent this year after a 30-basis-point decline in 2018.

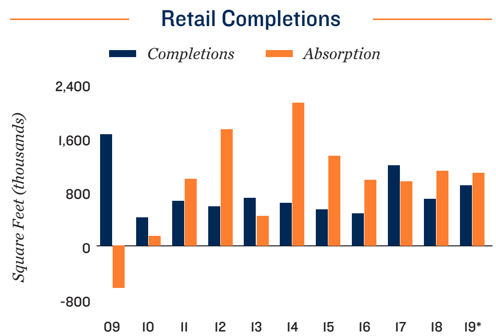
**Rent**
up 5.3%

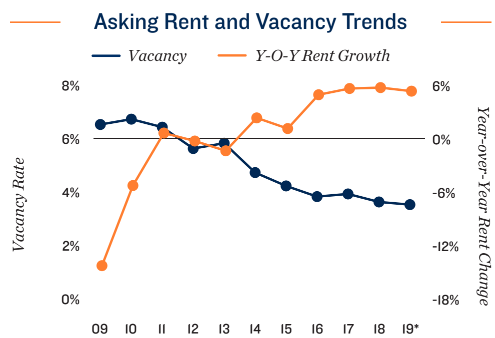
The average asking rent increases by more than 5 percent for the third consecutive year, reaching $23.25 per square foot, building on the 5.7 percent rise recorded last year.

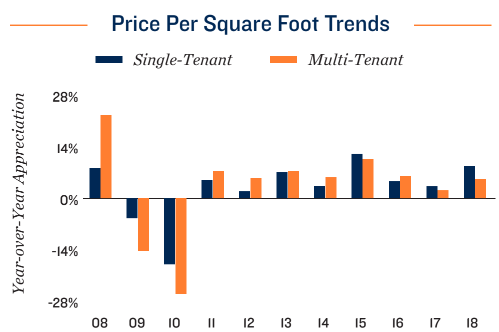
**Investment**

In advance of Sound Transit's Light-Rail expansion, investment focus is being placed on assets in proximity to future stations, particularly as a strained infrastructure fatigues residents and encourages more localized shopping.



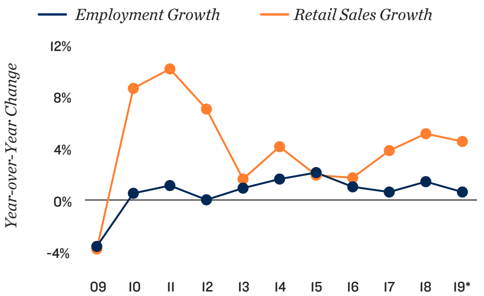



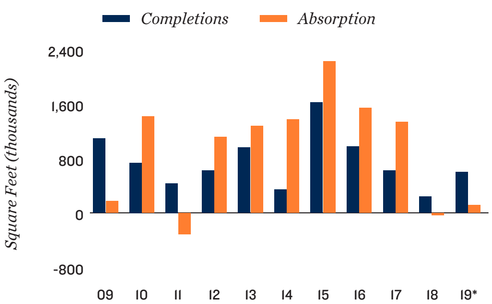

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

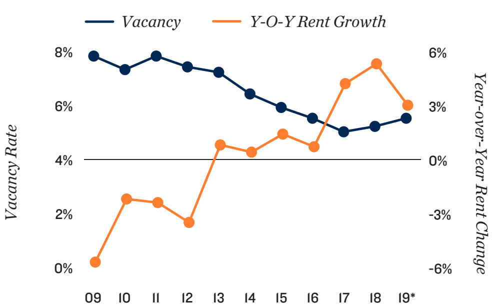
Employment vs. Retail Sales Trends



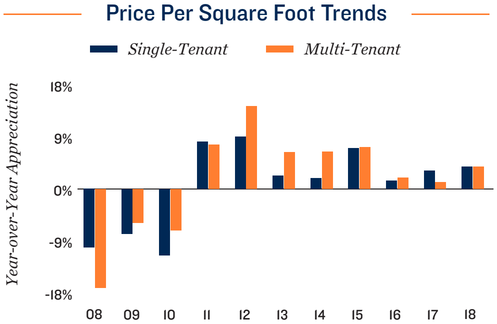

Retail Completions




Asking Rent and Vacancy Trends




Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

## Mature Economic Cycle Encouraging Capital Migration to St. Louis Retail Assets

**The local retail market slowly gaining ground.** The metro outperformed traditional Rust Belt markets during the early stages of the recovery, but the underlying demographic fundamentals are not as strong as those in the high-growth South and West. Modest demographic tailwinds have been a net positive in terms of supply-side pressure. Builders that struggle to find construction workers are diligent when considering new developments within the city. Core mixed-use projects that have been the nationwide hallmark of this economic cycle are coming online, symbolic of the confidence that space demand in densely populated areas will persist. The City Foundry, for example, will add 330,000 square feet to inventory this year. The redevelopment of former industrial space represents the future of large retail projects, though the pace of construction will be measured. Low construction levels combined with modest demand drivers will keep retail fundamentals relatively stable this year.

**Late-cycle economic trends elevate attractiveness of local retail assets.** A jump in deals of both single- and multi-tenant properties last year was largely due to yield-seeking investors. Cap rate compression elsewhere and higher interest rates have left buyers searching for yields, making St. Louis a compelling target for capital. Multi-tenant cap rates average close to 8 percent marketwide, providing ample motivation for investors. Additionally, potential rent growth has been exhausted in many areas of the country, reducing revenue growth as an acquisition factor. Anchored shopping centers, preferably with grocers, receive competitive bidding when correctly priced. Single-tenant deals also capture local and out-of-state buyers. Fast-food restaurants with a large franchisee or corporate-owned chain will spend little time on the market. Average cap rates for these properties are in the low-6 percent range, approximately 80 basis points below the overall single-tenant average.

### 2019 Market Forecast

**NRI Rank**
46, no change
Higher vacancy than most other markets prevents St. Louis from moving up in this year's NRI.

**Employment**
up 0.6%
Employment growth will slow to 0.6 percent this year, or 8,500 jobs. Last year, 18,700 positions were created.

**Construction**
600,000 sq. ft.
After 240,000 square feet came online last year, the pace of development more than doubles.

**Vacancy**
up 30 bps
The vacancy rate will rise to 5.5 percent this year as the metro's largest project enters lease-up and big-box space goes dark. In 2018, vacancy increased 20 basis points.

**Rent**
up 3.0%
After several years of modest rent growth, the pace of gains jumped in 2017 and 2018. This year, asking rents will advance to $13.97 per square foot.

**Investment**
Outside of the core, investors will favor properties in the northern suburbs, where higher incomes support retail sales. Neighborhood centers in the area offer relatively attractive entry prices relative to yield.

# Population Surge Bolsters Retail Demand; More Investors Look Outside Metro Core

**Tampa Bay retail sector thrives on robust residential growth.** Employment opportunities and a favorable quality of life will help to lure 52,000 residents to the metro in 2019, matching the prior year's growth rate and generating the need for additional goods and services. The boom in residential construction to accommodate the influx of people is especially robust in Northern and Southern Hillsborough County as well as Pasco County. In these areas new master-planned communities are taking shape. To the north of Tampa, fast-growing Lutz will receive the largest retail project scheduled for completion this year, the 160,000-square-foot Cypress Creek Town Center. There is also a growing demand for retail options in the cores of Tampa and St. Petersburg where a surge of apartments and condos are being delivered. The Westshore Marina District in South Tampa will add nearly 100,000 square feet of retail space this year, helping to ease vacancy in the area, which has remained below 3 percent since late 2016. Metrowide, vacancy will hover just below equilibrium, encouraging a another rent increase in 2019.

**Wider range of buyers searching for assets in Tampa Bay.** Robust growth and cap rates higher than many other East Coast markets are drawing a wide range of investors to the metro. Single-tenant net-leased buildings and small shopping centers are most frequently targeted. Stabilized properties with good visibility and national service-oriented tenants will receive multiple offers. Single-tenant assets will trade at cap rates that average in the low-6 percent span, while older multi-tenant properties in prime locations will change hands near the metro's average cap rate in the low-7 percent range. As the competition intensifies for assets near the urban core, more investors are following development into high-growth areas such as Land O' Lakes and Lutz. Initial yields for new single-tenant buildings in these cities can dip below 6 percent while older strip centers can trade above 8 percent, depending on tenant mix and location.

## 2019 Market Forecast

**NRI Rank**
17, up 2 places

Robust demand drivers and a slower construction pace raise the metro in the Index this year.

**Employment**
up 2.4%

Job growth will tick up from a 1.7 percent hike last year as employers create 32,000 positions.

**Construction**
1 million sq. ft.

Deliveries will decrease 600,000 square feet from the 1.6 million square feet completed last year. Pasco County will receive the largest portion of the new inventory.

**Vacancy**
down 20 bps

Vacancy declines to 4.8 percent during 2019 after a gain of 50 basis points was posted last year.

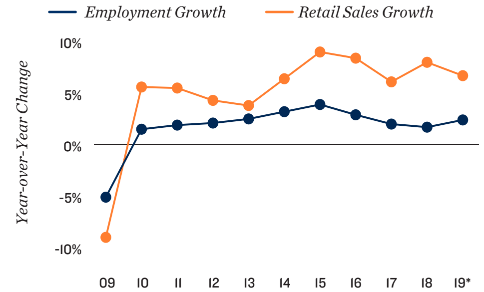
**Rent**
up 5.2%

Building on a 7.9 percent vault registered last year, the average asking rent leaps to $17.55 per square foot in 2019, surpassing the previous high set in 2008.

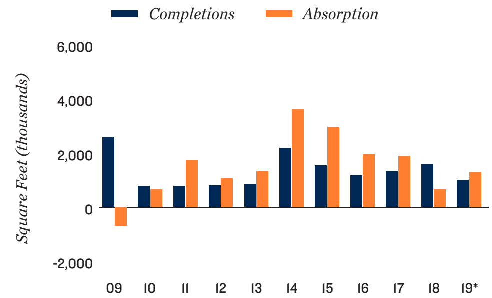
**Investment**

Throughout the metro, mixed-use buildings that contain ground-level retail with residential or office uses above are attracting investors. Assets in redeveloping areas near the cores of Tampa or St. Petersburg are especially desired.

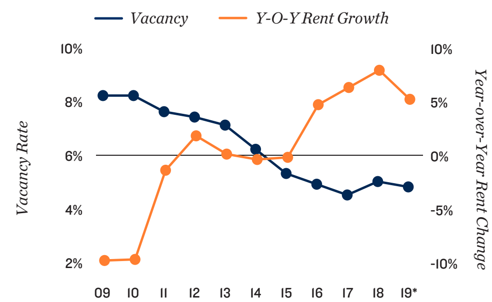
### Employment vs. Retail Sales Trends



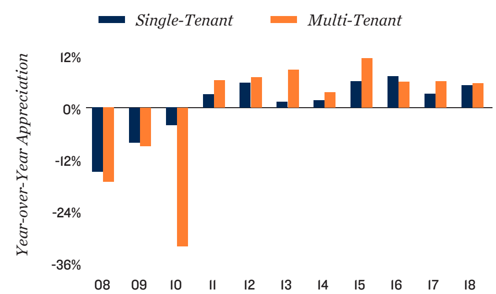

### Retail Completions




### Asking Rent and Vacancy Trends

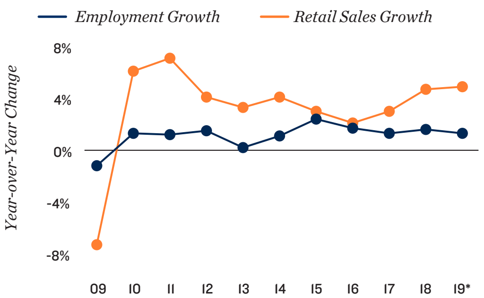



### Price Per Square Foot Trends

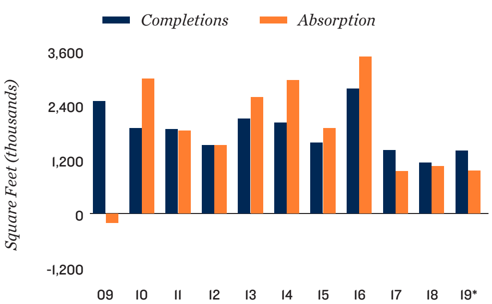



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

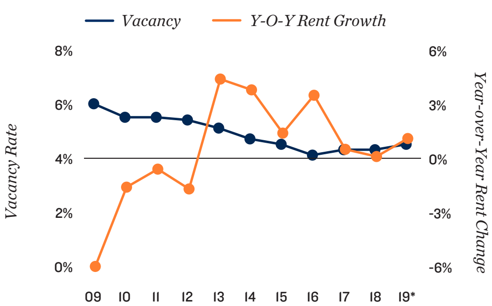
## Employment vs. Retail Sales Trends



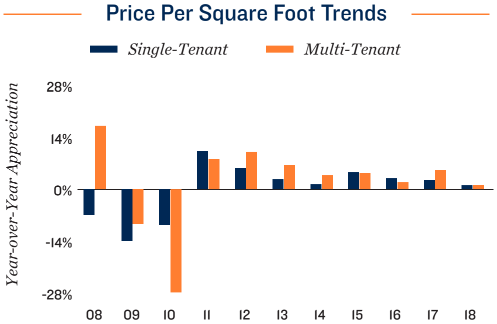

## Retail Completions




## Asking Rent and Vacancy Trends




## Price Per Square Foot Trends




** Forecast*

*Sources: CoStar Group, Inc.; Real Capital Analytics*

# Investors Explore New Areas as Development Does Not Drastically Lift Vacancy, Allowing Rent Growth

**New supply comes to low-vacancy areas, preserving property performance.** Job opportunities are drawing new residents to the metro, growing the consumer base and sustaining demand for retail services, which is limiting the impact of new supply on operations. Many of the larger deliveries are underway in areas with limited availability, including New City DC in Ivy City. Over 300,000 square feet of retail space will open alongside new offices and apartments in this transitioning northeast D.C. neighborhood, where vacancy is currently below 4 percent. In northern Virginia, 2019 completions are concentrated in Loudoun County, although Amazon's recent headquarters announcement has opened new opportunities in Crystal and Pentagon cities. No major arrivals are slated here for this year, but in 2020 a new Alamo Drafthouse-anchored shopping center will open a few blocks from the technology company's new leases. The supply additions will aid a submarket where vacancy hovers near 3 percent.

**Investors broaden selection criteria amid sustained sales activity.** Investor interest in D.C. remains strong as the market enters 2019 following a year with cycle-high transaction velocity. Buyer demand for assets has fueled sales price appreciation that surpasses the previous cycle's peak and motivates some to look toward less-considered parts of the metro. Meanwhile, retail assets along the H-Street Corridor and around Eastern Market will continue to be targeted as numerous dining options drive high levels of foot traffic here. In northern Virginia, more investors are looking in secondary submarkets where entry costs are lower, supporting sales in smaller cities such as Manassas and Fredericksburg. While transaction velocity slowed slightly in Maryland, a higher average cap rate relative to the District or Virginia will keep investors looking in this part of the market. Initial yields in the mid-7 percent zone and higher can be found in smaller Maryland town centers, boosting activity in places such as Frederick.

## 2019 Market Forecast

**NRI Rank**
28, down 3 places

An increase in new inventory pushes vacancy higher, resulting in a lower ranking in the 2019 NRI.

**Employment**
up 1.3%

Employers will add 42,000 positions in 2019 following the addition of 55,000 new jobs last year.

**Construction**
1.4 million sq. ft.

Development expands by roughly 300,000 square feet from 2018, with completions concentrated inside the District and in northern Virginia.

**Vacancy**
up 20 bps

Greater construction in 2019 but healthy net absorption keep vacancy under 5 percent for the sixth consecutive year.

**Rent**
up 1.5%

Following a 0.1 percent adjustment up in 2018, the average asking rent climbs to $27.08 per square foot this year as tight vacancy in certain submarkets encourages rent growth.

**Investment**

Tourism has helped define Old Town Alexandria as the northern Virginia submarket with the most retail trades each year, but Amazon's upcoming expansion may prompt some investors to look at adjacent National Landing instead.

## New Residents Supporting Household Growth and Drawing Retailers to West Palm Beach

**County's retail supported by favorable demographics.** The market boasts several underlying trends that reinforce the retail market. Population and household growth, along with income, are all significantly above the national average, boosting retail sales. Among the three South Florida counties, Palm Beach has the highest rate of population growth, which will result in a nearly 3 percent gain in households this year. Higher sales are generating space demand, reversing the first year of negative net absorption since 2009. Nonetheless, vacancy will tick up as new construction soars. Nearly half of the additional supply will come from the Alton Town Center, which is scheduled for completion at the end of this year. The impact of higher vacancy will slow rent growth, though gains will remain well above the inflation rate.

**Investors remain keen on the West Palm Beach retail market.** Multi-tenant buyers are maintaining a South Florida trend by targeting larger centers that typically perform well through down economic cycles. However, strip centers in some areas of the county also continue to draw attention, bucking most acquisition trends. North Palm Beach and Boca Raton are popular with buyers searching for strip centers, largely attributable to low vacancy and strong rent growth. Due to the bifurcation in investor preference, average multi-tenant cap rates have ticked higher as more high-yield properties have changed hands. In the single-tenant arena, investor interest hovers around returns in the high-5 percent range. First-year returns have held relatively stable across several single-tenant property types, which has kept the purchase mix stable. Assuming the Fed continues along a dovish trajectory, single-tenant deals will remain attractive through the first half of the year.

### 2019 Market Forecast

**NRI Rank**
19, down 5 places
West Palm Beach slips out of the top 15 markets as vacancy moves above the national level and slows rent gains.

**Employment**
up 1.9%
After 16,500 spots were generated in 2018, employers will add 12,000 jobs this year.

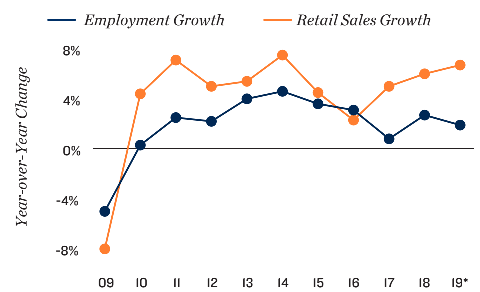
**Construction**
900,000 sq. ft.
Builders are ramping up construction this year as 900,000 square feet comes online, lifting supply by 1.3 percent. In 2018, only 100,000 square feet was completed.

**Vacancy**
up 40 bps
Despite healthy space demand, vacancy will rise 40 basis points to 5.2 percent in 2019, following a similar increase last year.

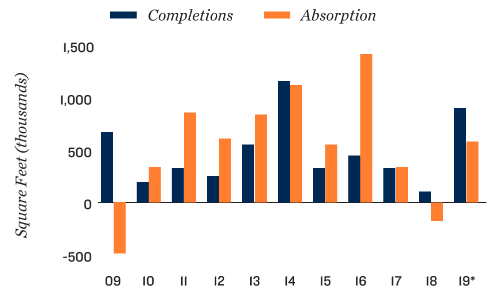
**Rent**
up 3.1%
Average asking rents are forecast to end the year at $25.54 per square foot, building on an 8.4 percent jump in rents in 2018.

**Investment**
Buyers willing to target multi-tenant properties with local and regional tenants could be rewarded with outsized gains as many institutional and out-of-state investors steer their portfolios into risk-averse positions.

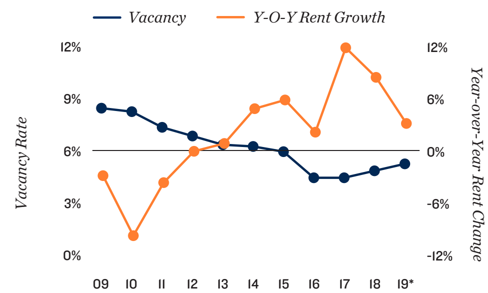
Employment vs. Retail Sales Trends



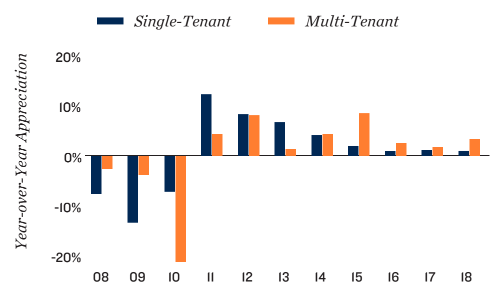

Retail Completions




Asking Rent and Vacancy Trends



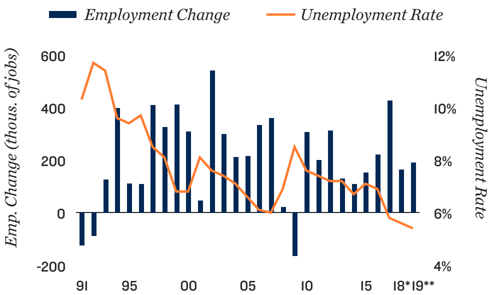

Price Per Square Foot Trends



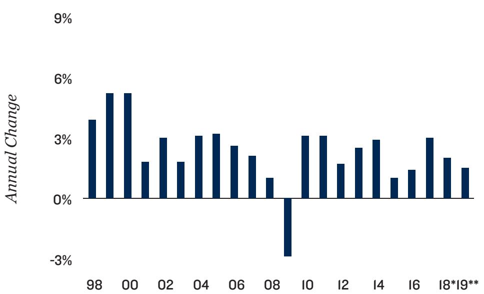

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

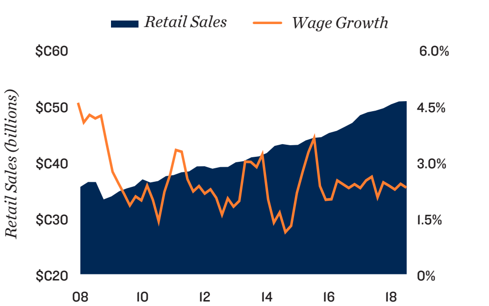
Employment vs. Unemployment



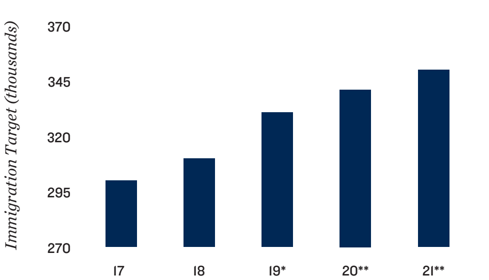

GDP Change




Retail Sales vs. Wage Growth




Canada Lifts Immigration Target




** Estimate*
*** Forecast*
*Sources: Altus Data Solutions*
*Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage*

# Healthy Job Market and Elevated Immigration To Power Canadian Economy Through 2019

**Positive hiring intentions persist among Canadian firms.** Labour shortages intensified in 2018 with the unemployment rate falling to a 44-year low of 5.6 percent to end the year, creating challenges for employers to staff open positions with qualified talent. Firms remain optimistic entering 2019, with widespread plans to increase investment into machinery and equipment and boost payrolls. Companies are finding that they need to take creative measures in the more competitive hiring climate, expanding recruiting efforts that target new graduates and immigrants or offering enhanced incentive packages. On top of a healthy job market, businesses welcomed clarity on trade policy at the end of 2018 in the form of United States Mexico Canada Agreement, an update to the 24-year old trade rules in NAFTA that will be phased in over several years starting in 2020.

**Dovish tone struck with pared-back outlook.** The Bank of Canada has taken heed of the economic developments that could soften the nation's expansion, holding the overnight benchmark rate at 1.75 percent at the onset of 2019. After raising the policy interest rate by a quarter percent three times last year, the bank is still expressing a desire to bring the neutral rate up to the 2.5 to 3.5 percent range. The bank worries that higher interest rates will negatively impact debt-laden Canadians and that slumping oil prices will weigh on the economic outlook, resulting in a cautious approach this year. The central bank suggested there may be more capacity for the economy to expand than previously indicated after output numbers for the last three years were revised down at the end of 2018. This could lead to less tightening through monetary policy this year even as core inflation has remained in the 2 percent range, implying the economy is operating near capacity.

## 2019 Canadian Economic Outlook

- **Record-low unemployment rate placing upward pressure on wage growth.** Minimum wage increases at the beginning of 2018 helped to lift average hourly wage growth past 3 percent for much of the year, though a steady deceleration was posted through the remainder of the year. Scarcity of labour provides an encouraging outlook for wage growth in 2019 as employers will need to offer greater pay packages to attract talent, which will bolster the economy through additional retail spending. Household consumption will be confronted with rising interest rates and elevated debt loads however, potentially offsetting the anticipated rise in wages.
- **Cuts to oil production trim GDP growth expectations.** At the end of last year, Alberta ordered a major reduction to oil production as bloated inventories weighed on the price of Western Canadian heavy oil. Alberta's oil production will be cut by 325,000 barrels a day beginning January 1, down nearly 9 percent. Just under 3 percent of Canada's GDP is directly tied to oil extraction, temporarily lowering the nation's economic outlook. As these cuts are not anticipated to last through the year, the potential for acceleration in the latter part of the year remains.
- **Canada boosts immigration to fuel labour market.** Canada's immigration targets are climbing from 300,000 to 350,000 by 2021 to support elevated labour demands as the economy faces half a million openings. Companies such as Microsoft, SAP, Google and Amazon are adding more tech jobs across the nation, and they are in stiff competition for talent. The tight job market will likely invigorate wage growth this year, supporting broader economic gains.

## Canada Retailers Adapting to Transforming Consumer Shopping Preferences

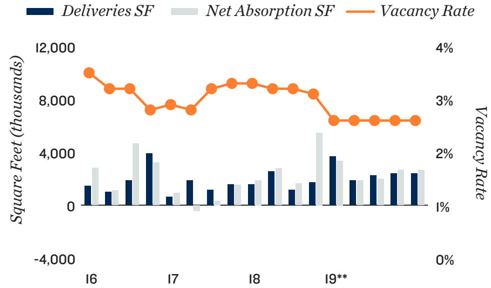
**E-commerce rewiring the Canadian shopping experience.** While the retail sector undergoes a major transformation in the digital age, physical stores in Canada have been quick to adopt new strategies to remain relevant and competitive, supporting broadly positive demand fundamentals. Online shopping increased substantially over the past year as consumer preferences evolved, leading to a 20 percent increase in internet-based retail sales. E-commerce comprises just 4 percent of all retail activity though, a much smaller fraction than the roughly 10 percent in the United States. One factor keeping Canadians more active in brick-and-mortar stores comes from the slower growth of Amazon Prime across the nation; it was not available until 2013, long after many other countries. Nonetheless, retailers are preparing for a wave of change in the sector, enhancing omnichannel approaches and focusing on customer experience to drive sales. The discount and luxury retail segment will remain one of the most active this year, offsetting challenges faced by the mid-market category as recent store closings by Sears, Lowe's, Gymboree and others weigh on vacancy in the near term. A healthy jobs outlook, increased immigration and strong tourism trends will keep retail sales on an upward trajectory through the coming year, maintaining investor confidence.

**Physical retail thriving amid vast changes across the industry.** Balanced construction across the nation supported a declining vacancy rate in 2018, standing at 2.6 percent after falling 70 basis points. Just over 7 million square feet opened, a figure that rises to more than 10 million in 2019 as developers increase construction efforts. Rental growth will moderate as more modern and upgraded space becomes available this year, though strong underlying demand will keep the national vacancy rate unchanged. The average asking rate is forecast to reach $26.26 per square foot, up 2.0 percent from the prior year when a 2.1 percent increase was registered.

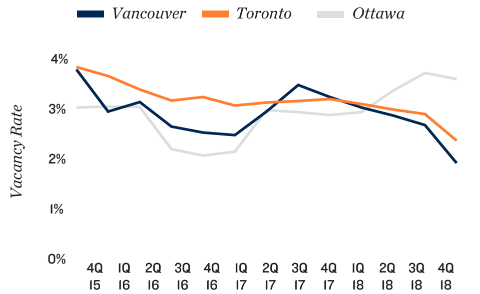
## 2019 Canadian Retail Outlook

- **Arrival of global retailers creates new investment opportunities.** Retail expansions by discounters Dollarama, UNIQLO and Miniso, along with a wave of luxury brands establishing a foothold on Canadian markets, have bolstered property metrics across many metros. Numerous international retail brands have plans to boost Canadian store counts again this year, with new entrants such as Chick-fil-A, Casper, Nordstrom Rack and UNTUCKit filling vacant space with high-credit long-term leases. Strong tenant demand will fuel investor activity across a variety of retail segments in 2019.
- **Strong consumer reshaping downtown shopping districts.** Visitor expenditures rose 2.4 percent in the third quarter of 2018, carried higher by strong domestic demand. Tourism spending has been a substantial driver to luxury brand expansion as visitors comprise a large portion of all high-end sales, lifting investor interest in high street assets as they are often more e-commerce resilient.
- **Investors take calculated plan of attack.** Retail property transaction activity moderated over the past year as investors were challenged with locating assets to match acquisition criteria. Institutional and private groups remained steadfast in their approach to placing capital in the market, however, exhibiting confidence in grocery-anchored plazas, high street properties and Class A shopping centres or malls. Heightened sector risk will keep repositioning efforts elevated as owners look to mixed-use and transit-oriented development to maximize upside. This will be especially true at vacated big-box stores that could be broken up into smaller space, enabling a greater lift to asking rents.

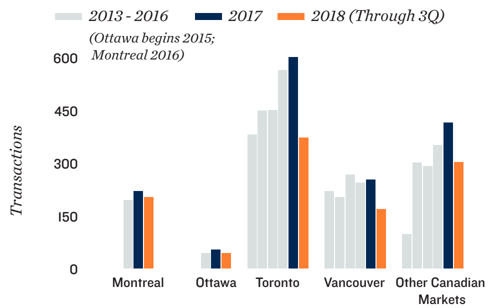
### Retail Supply and Demand



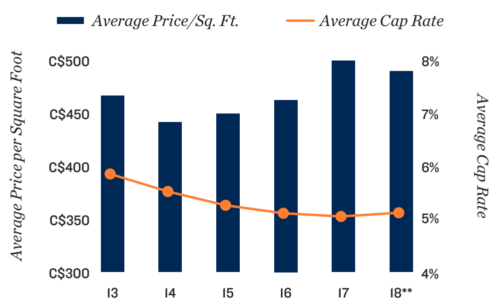

### Vacancy by Metro *




### Canadian Retail Transactions



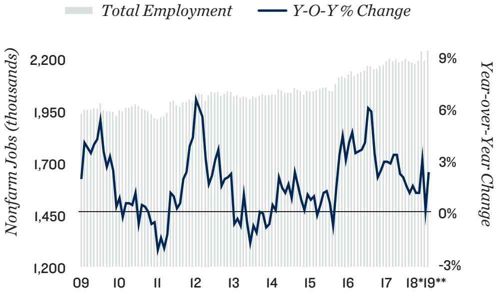

### Price and Cap Rate Trends



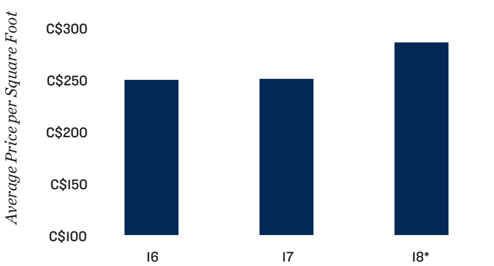

*Forecast
*Vacancy data for Montreal is not available
** Estimate
Sources: Altus Data Solutions; CoStar Group, Inc.
Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

## Greater Montreal Area

Employment Trends




Sales Trends




# Healthy Consumer and Growing Economy Fuel Retail Expansions Across Montreal

**Brands vie for a foothold on nation's second most populated metro.** International and discount retailers are adding locations across Montreal, tapping into a strong economy and robust tourism. Canada Goose recently opened a flagship location in Montreal, complete with the nation's first cold room to test parkas in freezing conditions as retailers shift focus to experiential shopping to attract foot traffic. Ambitious expansion plans are also in the works by discount retailers Miniso and Dollarama with the potential for more locations to pop up this year as Montreal remains a prime target. Motivated by growing tenant demand, developers are underway on massive mixed-use developments, including Solar Uniquartier, which adds 500,000 square feet of retail, along with La Cite Mirabel, comprising 1.2 million square feet of commercial, industrial and office space.

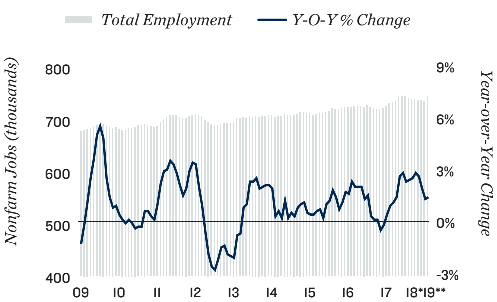
## 2019 Market Forecast

**Rent Growth** Limited new supply this year amid a period of elevated tenant demand will hold the vacancy rate low this year, placing upward pressure on the asking rental rate.

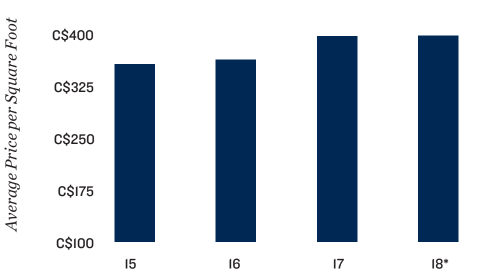
**Investment** Higher first-year yields than other major metros coupled with impressive economic performance will boost market liquidity in the fastest-growing areas of Montreal.

## Greater Ottawa Area

Employment Trends




Sales Trends




** Estimate; ** Forecast;*

*Sources: Altus Data Solutions; CoStar Group Inc.;*

*Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage*

# Excitement Builds Around Light-Rail Improvements and High-Tech Job Growth in Ottawa

**Diversifying workforce, enhanced transit connectivity create retail opportunities.** The expansion of the O-Train system brings renewed growth to Ottawa. It is the largest infrastructure project in the city's history, altering the retail landscape near light-rail stations. Tech sector job growth also strengthens the retail sector, bringing more highly paid residents to Ottawa this year with firms such as Ford adding engineering jobs in Kanata and IBM filling positions in the urban core. Influenced by greater transit connectivity and a healthy workforce, builders are focusing on mixed-use developments near future rail stations, growing the construction pipeline to more than 260,000 square feet. Just under half of that total will be finished this year and much of it has been signed for already, putting the vacancy rate back on a downward trajectory.

## 2019 Market Forecast

**Rent Growth** up 2.8% Rent growth accelerates from the 0.1 percent pace of 2018, reaching $21.45 per square foot. The vacancy rate falls 20 basis points to 3.3 percent after climbing 70 basis points last year.

**Investment** An average cap rate in the low-5 percent to low-6 percent band, rising national tenant rosters and an increase in grocery-anchored plazas will motivate investors to pursue properties across Ottawa this year.

# Major Toronto Malls Still Able to Draw Shoppers and Global Retail Brands as Sector Faces Major Changes

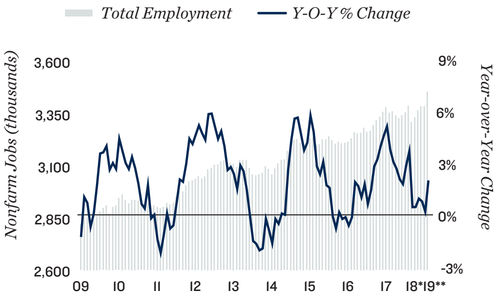
**More retailers using Toronto as a testing ground for their foray into Canada.** In recent years an abundance of international retailers have made a push into Canada, often landing on Toronto when deciding on their first location in the country. L.L. Bean, Peloton, Nordstrom Rack and Apple all have plans to enter the metro or grow their existing footprint this year. Malls remain relevant in Toronto as Yorkdale Shopping Centre attracts numerous new high-end retailers and Eaton Centre remains the busiest mall in North America. Elevated tenant demand and a strong local economy have motivated developers to build roughly 2.8 million square feet this year, more than at anytime of the current cycle. The largest delivery of the year will be a 300,000-square-foot power center in Vaughan.

## 2019 Market Forecast

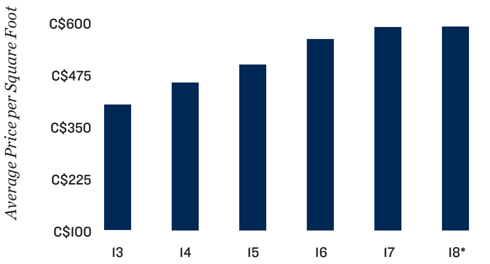
**Rent Growth** up 5.6% — The vacancy rate declines 50 basis points to 1.8 percent after an 80-basis-point drop last year, lifting the average rent to $26.89 per square foot. A 5.8 percent increase was posted in 2018.

**Investment** — Developers are focusing on suburban cities where costs are lower. These areas will also be of interest to investors as cap rates often sit above the metro average in the high-4 percent territory.

Employment Trends




Sales Trends






# Retailers Increase Their Focus on Vancouver as a Gateway to High-Spending Overseas Travelers

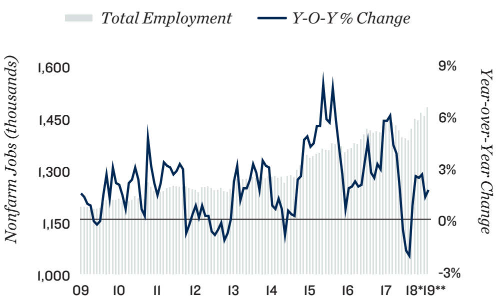
**Rising spending power fuels expansion of global luxury brands.** Growing levels of wealth and a quickly diversifying population motivate international luxury brands to build a presence in Vancouver. Retailers such as Tiffany & Co., Hublot, Van Cleef & Arpels and others are adapting to the rising influence from Chinese residents and tourists, building flagships that enhance the luxury shopping experience. Beyond the luxury segment, Warby Parker and Muji are just some of the retailers adding stores in Vancouver this year, attracted by strong household formation and stable job growth. An exceptionally low vacancy rate, the tightest in North America, has developers building about 1.3 million square feet this year. A substantial amount of redevelopment projects are underway as well, headlined by the 30-acre Oakridge Centre project in Vancouver.

## 2019 Market Forecast

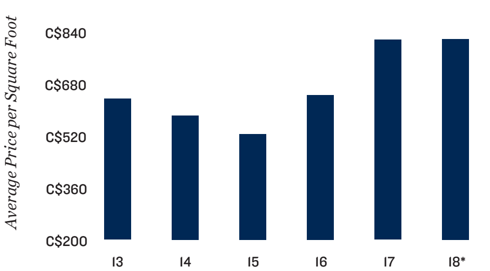
**Rent Growth** up 9.7% — After a 140-basis-point drop in 2018, the vacancy rate falls 70 basis points to 1.1 percent, pushing the average rent up to $32.50 per square foot and building on last year's 9.3 percent rise.

**Investment** — North America's lowest vacancy rate and near double-digit rent growth will lift investor perceptions, though listings will be limited as some owners favor current cash flows over a sale.

Employment Trends




Sales Trends




** Estimate; ** Forecast;*
*Sources: Altus Data Solutions; CoStar Group, Inc.; Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage*

## United States

**Corporate Headquarters**
*Marcus & Millichap*
*23975 Park Sorrento*
*Suite 400*
*Calabasas, CA 91302*
*(818) 212-2250*
*www.MarcusMillichap.com*

**Albuquerque**
*5600 Eubank Boulevard N.E.,*
*Suite 200*
*Albuquerque, NM 87111*
*(505) 445-6333*
***Craig R. Swanson***

**Atlanta**
*1100 Abernathy Road, N.E.*
*Building 500, Suite 600*
*Atlanta, GA 30328*
*(678) 808-2700*
***Michael J. Fasano***

**Austin**
*9600 North Mopac Expressway,*
*Suite 300*
*Austin, TX 78759*
*(512) 338-7800*
***Craig R. Swanson***

**Bakersfield**
*4900 California Avenue*
*Tower B, Second Floor*
*Bakersfield, CA 93309*
*(661) 377-1878*
***James B. Markel***

**Baltimore**
*100 E. Pratt Street, Suite 2114*
*Baltimore, MD 21202*
*(443) 703-5000*
***Matthew Drane***

**Baton Rouge**
*10527 Kentshire Court, Suite B*
*Baton Rouge, LA 70810*
*(225) 376-6800*
***Jody McKibben***

**Birmingham**
*The Steiner Building*
*15 Richard Arrington Jr.*
*Boulevard North, Suite 300*
*Birmingham, AL 35203*
*(205) 510-9200*
***Jody McKibben***

**Boise**
*800 W. Main Street, Suite 1460*
*Boise, ID 83702*
*(208) 401-9321*
***Phil Brierley***

**Boston**
*100 High Street, Suite 1025*
*Boston, MA 02110*
*(617) 896-7200*
***Tim Thompson***

**Brooklyn**
*One MetroTech Center, Suite 2001*
*Brooklyn, NY 11201*
*(718) 475-4300*
***John Horowitz***

**Charleston**
*151 Meeting Street, Suite 450*
*Charleston, SC 29401*
*(843) 952-2222*
***Benjamin Yelm***

**Charlotte**
*201 S. Tryon Street, Suite 1220*
*Charlotte, NC 28202*
*(704) 831-4600*
***Benjamin Yelm***

**Chicago Downtown**
*333 W. Wacker Drive, Suite 200*
*Chicago, IL 60606*
*(312) 327-5400*
***David Bradley***

**Chicago Oak Brook**
*One Mid-America Plaza, Suite 200*
*Oakbrook Terrace, IL 60181*
*(630) 570-2200*
***Steven D. Weinstock***

**Cincinnati**
*600 Vine Street, 10th Floor*
*Cincinnati, OH 45202*
*(513) 878-7700*
***Colby Haugness***

**Cleveland**
*Crown Centre*
*5005 Rockside Road, Suite 1100*
*Independence, OH 44131*
*(216) 264-2000*
***Michael L. Glass***

**Columbia**
*1320 Main Street, Suite 300*
*Columbia, SC 29201*
*(803) 678-4900*
***Benjamin Yelm***

**Columbus**
*230 West Street, Suite 100*
*Columbus, OH 43215*
*(614) 360-9800*
***Michael L. Glass***

**Dallas**
*5001 Spring Valley Road, Suite 100W*
*Dallas, TX 75244*
*(972) 755-5200*
***Tim A. Speck***

**Denver**
*1225 17th Street, Suite 1800*
*Denver, CO 80202*
*(303) 328-2000*
***Skyler Cooper***

**Detroit**
*Two Towne Square, Suite 450*
*Southfield, MI 48076*
*(248) 415-2600*
***Steven R. Chaben***

**Encino**
*First Financial Plaza*
*16830 Ventura Boulevard, Suite 100*
*Encino, CA 91436*
*(818) 212-2700*
***James B. Markel***

**Fort Lauderdale**
*5900 N. Andrews Avenue, Suite 100*
*Fort Lauderdale, FL 33309*
*(954) 245-3400*
***Ryan Nee***

**Fort Worth**
*300 Throckmorton Street, Suite 1500*
*Fort Worth, TX 76102*
*(817) 932-6100*
***Tim Speck***

**Fresno**
*8050 N. Palm Avenue, Suite 108*
*Fresno, CA 93711*
*(559) 476-5600*
***James B. Markel***

**Greensboro**
*200 CentrePort Drive, Suite 160*
*Greensboro, NC 27409*
*(336) 450-4600*
***Benjamin Yelm***

**Hampton Roads**
*999 Waterside Drive, Suite 2525*
*Norfolk, VA 23510*
*(757) 777-3737*
***Benjamin Yelm***

**Houston**
*Three Riverway, Suite 800*
*Houston, TX 77056*
*(713) 452-4200*
***Ford Noe***

**Indianapolis**
*600 E. 96th Street, Suite 500*
*Indianapolis, IN 46240*
*(317) 218-5300*
***Josh Caruana***

**Iowa**
*425 Second Street S.E., Suite 610*
*Cedar Rapids, IA 52401*
*(319) 333-7743*
***Richard Matricaria***

**Jacksonville**
*5220 Belfort Road, Suite 120*
*Jacksonville, FL 32256*
*(904) 672-1400*
***Justin W. West***

**Kansas City**
*7400 College Boulevard, Suite 105*
*Overland Park, KS 66210*
*(816) 410-1010*
***Colby Haugness***

**Knoxville**
*1111 Northshore Drive, Suite S-301*
*Knoxville, TN 37919*
*(865) 299-6300*
***Jody McKibben***

**Las Vegas**
*3800 Howard Hughes Parkway,*
*Suite 1550*
*Las Vegas, NV 89169*
*(702) 215-7100*
***Eric Molfetta***

**Long Beach**
*One World Trade Center, Suite 2100*
*Long Beach, CA 90831*
*(562) 257-1200*
***Damon Wyler***

**Los Angeles**
*515 S. Flower Street , Suite 500*
*Los Angeles, CA 90071*
*(213) 943-1800*
***Enrique Wong***

**Louisville**
*9300 Shelbyville Road, Suite 1012*
*Louisville, KY 40222*
*(502) 329-5900*
***Colby Haugness***

**Manhattan**
*260 Madison Avenue, Fifth Floor*
*New York, NY 10016*
*(212) 430-5100*
***John Krueger***

**Memphis**
*5100 Poplar Avenue, Suite 2505*
*Memphis, TN 38137*
*(901) 620-3600*
***Jody McKibben***

**Miami**
*5201 Blue Lagoon Drive, Suite 100*
*Miami, FL 33126*
*(786) 522-7000*
***Scott Lunine***

**Milwaukee**
*13890 Bishops Drive, Suite 300*
*Brookfield, WI 53005*
*(262) 364-1900*
***Todd Lindblom***

**Minneapolis**
*1350 Lagoon Avenue, Suite 840*
*Minneapolis, MN 55408*
*(952) 852-9700*
***Jon Ruzicka***

**Mobile**
*208 N. Greeno Road, Suite B-2*
*Fairhope, AL 36532*
*(251) 929-7300*
***Jody McKibben***

**Nashville**
*6 Cadillac Drive, Suite 100*
*Brentwood, TN 37027*
*(615) 997-2900*
***Jody McKibben***

**New Haven**
*265 Church Street*
*Suite 210*
*New Haven, CT 06510*
*(203) 672-3300*
***J.D. Parker***

**New Jersey**
*250 Pehle Avenue, Suite 501*
*Saddle Brooke, NJ 07663*
*(201) 742-6100*
***Brian Hosey***

**Newport Beach**
*19800 MacArthur Boulevard,*
*Suite 150*
*Irvine, CA 92612*
*(949) 419-3200*
***Jonathan Giannola***

**Oakland**
*555 12th Street, Suite 1750*
*Oakland, CA 94607*
*(510) 379-1200*
***David Nelson***

**Oklahoma City**
*101 Park Avenue, Suite 1300*
*Oklahoma City, OK 73102*
*(405) 446-8238*
***Tim Speck***

**Ontario**
*One Lakeshore Center*
*3281 E. Guasti Road, Suite 800*
*Ontario, CA 91761*
*(909) 456-3400*
***Matthew Luchs***

**Orlando**
*300 South Orange Avenue, Suite 700*
*Orlando, FL 32801*
*(407) 557-3800*
***Justin W. West***

**Palm Springs**
*777 E. Tahquitz Canyon Way,*
*Suite 200-27*
*Palm Springs, CA 92262*
*(909) 456-3400*
***Adam Chirstofferson***

**Palo Alto**
*2626 Hanover Street*
*Palo Alto, CA 94304*
*(650) 391-1700*
***Steven J. Seligman***

**Philadelphia**
*2005 Market Street, Suite 1510*
*Philadelphia, PA 19103*
*(215) 531-7000*
***Sean Beuche***

**Phoenix**
*2398 E. Camelback Road, Suite 300*
*Phoenix, AZ 85016*
*(602) 687-6700*
***Ryan Sarbinoff***

**Portland**
*111 S.W. Fifth Avenue, Suite 1550*
*Portland, OR 97204*
*(503) 200-2000*
***Adam Lewis***

**Raleigh**
*101 J Morris Commons Lane, Suite 130*
*Morrisville, NC 27560*
*(919) 674-1100*
***Benjamin Yelm***

**Reno**
*241 Ridge Street, Suite 200*
*Reno, NV 89501*
*(775) 348-5200*
***Daniel Kapic***

**Richmond**
*4870 Sadler Road, Suite 300*
*Glen Allen, VA 23060*
*(804) 205-5008*
***Benjamin Yelm***

**Sacramento**
*3741 Douglas Boulevard, Suite 200*
*Roseville, CA 95661*
*(916) 724-1400*
***Daniel Kapic***

**Salt Lake City**
*111 South Main Street, Suite 500*
*Salt Lake City, UT 84111*
*(801) 736-2600*
***Phil Brierley***

**San Antonio**
*8200 IH-10 W, Suite 603*
*San Antonio, TX 78230*
*(210) 343-7800*
***Craig R. Swanson***

**San Diego**
*4660 La Jolla Village Drive, Suite 900*
*San Diego, CA 92122*
*(858) 373-3100*
***Spencer Moyer***

**San Francisco**
*750 Battery Street, Fifth Floor*
*San Francisco, CA 94111*
*(415) 963-3000*
***Ramon Kochavi***

**Seattle**
*601 Union Street, Suite 2710*
*Seattle, WA 98101*
*(206) 826-5700*
***Joel Deis***

**South Bay**
*880 Apollo Street, Suite 101*
*El Segundo, CA 90245*
*(424) 405-3900*
***Damon Wyler***

**St. Louis**
*7800 Forsyth Boulevard, Suite 710*
*St. Louis, MO 63105*
*(314) 889-2500*
***Colby Haugness***

**Tampa**
*201 North Franklin St., Suite 1100*
*Tampa, FL 33602*
*(813) 387-4700*
***Ari Ravi***

**Tulsa**
*7633 East 63rd Place, Suite 300*
*Tulsa, OK 74133*
*(918) 294-6300*
***Tim Speck***

**Ventura**
*2775 N. Ventura Road, Suite 101*
*Oxnard, CA 93036*
*(805) 351-7200*
***James B. Markel***

**Washington, D.C.**
*7200 Wisconsin Avenue, Suite 1101*
*Bethesda, MD 20814*
*(202) 536-3700*
***Matthew Drane***

**West Los Angeles**
*12100 W. Olympic Boulevard,*
*Suite 350*
*Los Angeles, CA 90064*
*(310) 909-5500*
***Tony Solomon***

**Westchester**
*50 Main Street, Suite 925*
*White Plains, NY 10606*
*(914) 220-9730*
***John Krueger***

**The Woodlands**
*1450 Lake Robbins Drive, Suite 300*
*The Woodlands, TX 77380*
*(832) 442-2800*
***Ford Noe***

## Canada

**Calgary**
*602-16 Avenue NW, Suite 211*
*Calgary, AB T2M 0J7*
*(587) 349-1302*
***Rene H. Palsenbarg***

**Montreal**
*245 Victoria Avenue, Suite 605*
*Westmount, Quebec H3Z 2M6*
*(514) 629-6000*
***Thierry Lessoil***

**Ottawa**
*275 Bank Street, Suite 301*
*Ottawa, Ontario K2P 2L6*
***Mark Paterson***

**Toronto**
*20 Queen Street W, Suite 2300*
*Toronto, ON M5H 3R3*
*(416) 585-4646*
***Mark Paterson***

**Vancouver**
*400 Burrard Street, Suite 1020*
*Vancouver, BC V6C 3A6*
*(604) 675-5200*
***Rene H. Palsenbarg***

## National Retail Group

**Scott M. Holmes** | Senior Vice President, National Director
(602) 687-6689 | scott.holmes@marcusmillichap.com

## National Research Team

**John Chang** | *Senior Vice President, Research Services*
**Peter Tindall** | *Vice President, Director of Data & Analytics*
**James Reeves** | *Publications Director*
**Connor Devereux** | *Research Engagement Manager*
**Tamarah Calderon** | *Research Administrator*
**Maria Erofeeva** | *Graphic Designer*
**Marette Flora** | *Senior Copy Editor*
**Luis Flores** | *Research Associate*
**Jonathan Ferrendelli** | *Research Associate*
**Aaron Martens** | *Research Analyst*
**Michael Murphy** | *Research Analyst*
**Chris Ngo** | *Data Analyst*
**Brandon Niesen** | *Research Associate*
**Adam Norbury** | *Data Analyst*
**Nancy Olmsted** | *Senior Market Analyst*
**Spencer Ryan** | *Senior Data Analyst*
**Cody Young** | *Research Associate*

## Contact:

**John Chang** | *Senior Vice President, National Director*
*Research Services*
*4545 East Shea Boulevard, Suite 201*
*Phoenix, Arizona 85028*
*(602) 707-9700 | john.chang@marcusmillichap.com*

## Media Contact:

**Gina Relva** | *Public Relations Director*
*555 12th Street, Suite 1750*
*Oakland, CA 94607*
*(925) 953-1716 | gina.relva@marcusmillichap.com*

## Senior Management Team

**Hessam Nadji** | *President and Chief Executive Officer*
*(818) 212-2250 | hessam.nadji@marcusmillichap.com*

**Mitchell R. LaBar** | *Executive Vice President, Chief Operating Officer*
*(818) 212-2250 | mitchell.labar@marcusmillichap.com*

**Adam P. Christofferson** | *Senior Vice President,*
*Division Manager, Southern California Division*
*(818) 212-2700 | adam.christofferson@marcusmillichap.com*

**Gregory A. LaBerge** | *Senior Vice President, Chief Administrative Officer*
*(818) 212-2250 | gregory.laberge@marcusmillichap.com*

**Martin E. Louie** | *Senior Vice President, Chief Financial Officer*
*(818) 212-2250 | marty.louie@marcusmillichap.com*

**Richard Matricaria** | *Senior Vice President, Division Manager, Midwest Division*
*(312) 327-5400 | richard.matricaria@marcusmillichap.com*

**Bryn Merrey** | *Senior Vice President, Division Manager,*
*Mid-Atlantic/Southeast Division*
*(202) 536-3700 | bryn.merrey@marcusmillichap.com*

**Paul S. Mudrich** | *Senior Vice President, Chief Legal Officer*
*(650) 391-1700 | paul.mudrich@marcusmillichap.com*

**J.D. Parker** | *Senior Vice President, Division Manager, Northeast Division*
*(212) 430-5100 | j.d.parker@marcusmillichap.com*

**Alan L. Pontius** | *Senior Vice President, National Director, Specialty Divisions*
*(415) 963-3000 | alan.pontius@marcusmillichap.com*

**David G. Shillington** | *President of Marcus & Millichap Capital Corporation*
*(678) 808-2700 | david.shillington@marcusmillichap.com*

**John Vorsheck** | *Senior Vice President, Division Manager, Western Division*
*(858) 373-3100 | john.vorsheck@marcusmillichap.com*

*1 National Retail Index Note: Employment and retail data forecasts for 2019 are based on the most up-to-date information available as of January 2019 and are subject to change.*

*2 Statistical Summary Note: Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of January 2019. All rental rates are calculated using triple net (NNN) rental rates. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment, retail sales and retail property data are made during the first quarter and represent estimates of future performance. Sales data includes transactions valued at $1,000,000 and greater unless otherwise noted. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.*

*Sources: Marcus & Millichap Research Services; Altus Group; American Council of Life Insurers; Blue Chip Economic Indicators; Bureau of Economic Analysis; Commercial Mortgage Alert; CoStar Group, Inc.; Emergent Research; Moody's Analytics; Federal Reserve; Foresight Analytics; Mortgage Bankers Association; Real Capital Analytics; RealNet; San Diego Tourism Authority; Standard & Poor's; Statistics Canada; The Conference Board; Trepp; TWR/Dodge Pipeline; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Health and Human Services; U.S. Securities and Exchange Commission; U.S. Treasury Department.*

2019 U.S. Retail Investment Forecast

| Market Name | Employment Growth | | | | Household Income[2] | | | | Retail Sales Growth[2] | | | | Completions (000 of Sq. Ft.)[2] | | | | Vacancy (Year-End)[2] | | | | Rent ($/Sq. Ft., NNN)[2] | | | | Market Name |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019* | 2016 | 2017 | 2018 | 2019* | 2016 | 2017 | 2018 | 2019* | 2016 | 2017 | 2018 | 2019* | 2016 | 2017 | 2018 | 2019* | 2016 | 2017 | 2018 | 2019* | |
| Atlanta | 3.0% | 1.7% | 2.5% | 1.7% | $63,600 | $66,300 | $67,600 | $69,500 | 3.9% | 4.8% | 5.3% | 5.3% | 1,800 | 2,800 | 1,300 | 1,600 | 6.3% | 5.7% | 5.2% | 5.0% | $14.09 | $14.77 | $14.95 | $15.32 | Atlanta |
| Austin | 3.5% | 3.2% | 3.5% | 2.6% | $71,700 | $74,900 | $78,100 | $80,500 | 6.5% | 5.6% | 6.1% | 6.1% | 1,200 | 1,100 | 1,800 | 700 | 3.6% | 3.9% | 4.2% | 4.1% | $21.36 | $22.47 | $22.55 | $23.11 | Austin |
| Baltimore | 1.0% | 0.6% | 2.2% | 1.3% | $76,300 | $77,700 | $80,600 | $83,200 | 1.6% | 2.6% | 4.6% | 4.6% | 550 | 630 | 190 | 680 | 4.4% | 4.0% | 4.3% | 4.1% | $19.50 | $18.65 | $20.57 | $20.94 | Baltimore |
| Boston | 1.9% | 1.2% | 1.8% | 1.2% | $83,500 | $87,300 | $90,100 | $93,600 | 3.7% | 3.6% | 2.7% | 6.5% | 1,100 | 1,200 | 680 | 1,300 | 3.1% | 2.8% | 3.2% | 3.6% | $20.10 | $20.70 | $22.10 | $23.51 | Boston |
| Charlotte | 2.8% | 3.2% | 2.0% | 2.6% | $59,400 | $62,100 | $63,700 | $66,100 | 4.0% | 5.0% | 6.5% | 8.0% | 1,400 | 1,200 | 1,200 | 1,200 | 5.0% | 4.3% | 4.3% | 4.4% | $15.02 | $15.30 | $15.29 | $15.39 | Charlotte |
| Chicago | 1.0% | 0.6% | 1.3% | 0.6% | $66,800 | $69,600 | $71,900 | $74,200 | 2.7% | 3.1% | 2.1% | 3.9% | 3,500 | 2,400 | 1,900 | 1,800 | 6.9% | 6.4% | 6.5% | 6.4% | $16.99 | $17.08 | $17.38 | $17.74 | Chicago |
| Cincinnati | 1.7% | 0.4% | 2.2% | 1.6% | $60,100 | $62,500 | $64,500 | $66,100 | 4.7% | 6.1% | 4.8% | 3.5% | 680 | 530 | 230 | 440 | 5.4% | 5.6% | 5.0% | 4.8% | $11.53 | $12.35 | $12.10 | $12.60 | Cincinnati |
| Cleveland | 0.6% | 0.1% | 2.6% | 2.7% | $52,000 | $52,700 | $54,600 | $56,100 | -0.1% | 1.1% | 4.3% | 2.9% | 850 | 540 | 1,400 | 1,300 | 5.1% | 5.4% | 5.0% | 4.8% | $10.63 | $10.77 | $11.79 | $12.29 | Cleveland |
| Columbus | 2.5% | 1.0% | 1.8% | 1.9% | $61,600 | $64,900 | $66,800 | $68,400 | 5.5% | 15.0% | 6.8% | 4.1% | 1,100 | 1,400 | 260 | 260 | 4.4% | 4.1% | 3.2% | 2.9% | $12.01 | $12.91 | $14.03 | $14.75 | Columbus |
| Dallas/Fort Worth | 3.2% | 2.4% | 3.2% | 2.8% | $65,400 | $68,900 | $72,100 | $74,200 | 4.4% | 5.9% | 5.9% | 5.7% | 4,100 | 5,300 | 4,100 | 3,100 | 5.1% | 5.0% | 4.8% | 4.5% | $15.49 | $16.35 | $16.93 | $17.74 | Dallas/Fort Worth |
| Denver | 2.0% | 2.3% | 2.1% | 2.4% | $74,000 | $78,000 | $81,200 | $84,200 | 2.7% | 4.6% | 6.2% | 5.4% | 660 | 880 | 1,000 | 690 | 5.3% | 5.0% | 4.7% | 4.4% | $16.77 | $18.24 | $18.68 | $19.54 | Denver |
| Detroit | 2.0% | 1.2% | 0.7% | 0.5% | $57,500 | $60,200 | $62,300 | $64,700 | 2.7% | 5.0% | 4.1% | 3.8% | 1,100 | 1,200 | 1,300 | 1,100 | 6.2% | 5.8% | 5.9% | 5.7% | $12.84 | $13.49 | $13.74 | $13.92 | Detroit |
| Fort Lauderdale | 2.3% | 1.5% | 2.0% | 2.2% | $55,600 | $57,500 | $61,200 | $64,500 | 3.3% | 5.5% | 5.6% | 5.5% | 560 | 620 | 710 | 1,200 | 4.9% | 3.7% | 4.2% | 4.9% | $21.73 | $22.23 | $22.96 | $23.76 | Fort Lauderdale |
| Houston | 0.1% | 1.8% | 3.6% | 3.5% | $62,600 | $64,400 | $67,800 | $70,200 | 3.2% | 4.4% | 6.2% | 6.1% | 6,100 | 6,100 | 3,800 | 4,100 | 5.1% | 5.6% | 5.6% | 5.5% | $16.23 | $16.88 | $17.50 | $18.03 | Houston |
| Indianapolis | 1.5% | 1.3% | 2.3% | 2.3% | $57,900 | $60,200 | $63,000 | $65,600 | 8.8% | 6.6% | 7.3% | 6.0% | 1,000 | 1,200 | 380 | 700 | 4.5% | 4.8% | 5.5% | 5.7% | $13.47 | $14.78 | $13.42 | $13.88 | Indianapolis |
| Kansas City | 2.0% | 1.6% | 1.5% | 1.4% | $62,300 | $64,000 | $66,700 | $69,200 | 2.7% | 3.5% | 5.2% | 4.7% | 1,400 | 1,100 | 830 | 170 | 6.0% | 5.8% | 5.8% | 5.4% | $11.64 | $12.28 | $12.76 | $13.10 | Kansas City |
| Las Vegas | 2.7% | 2.6% | 3.6% | 3.2% | $55,300 | $58,200 | $61,200 | $63,100 | 1.9% | 4.9% | 5.9% | 5.7% | 750 | 450 | 340 | 940 | 8.5% | 7.2% | 7.4% | 7.8% | $17.31 | $17.03 | $18.24 | $19.00 | Las Vegas |
| Los Angeles | 1.8% | 1.4% | 1.2% | 1.1% | $63,100 | $66,100 | $68,200 | $70,700 | 3.5% | 4.9% | 5.0% | 3.8% | 940 | 1,700 | 1,100 | 1,400 | 4.3% | 4.2% | 4.3% | 4.5% | $29.48 | $30.92 | $31.51 | $32.50 | Los Angeles |
| Louisville | 1.4% | 1.0% | 0.4% | 1.5% | $55,700 | $58,100 | $60,200 | $61,900 | 6.3% | 5.7% | 7.5% | 4.6% | 600 | 270 | 790 | 1,100 | 4.0% | 3.5% | 3.9% | 4.3% | $12.23 | $13.36 | $13.92 | $14.28 | Louisville |
| Miami-Dade | 2.1% | 1.3% | 2.0% | 2.0% | $47,900 | $51,100 | $54,500 | $57,500 | 1.3% | 4.3% | 3.8% | 5.1% | 1,100 | 1,700 | 1,100 | 2,900 | 3.8% | 3.7% | 4.1% | 5.1% | $32.79 | $35.23 | $33.54 | $34.58 | Miami-Dade |
| Milwaukee | 0.3% | 0.7% | 0.7% | 0.8% | $58,400 | $60,000 | $62,500 | $64,800 | 2.3% | 3.8% | 4.1% | 4.2% | 1,300 | 1,900 | 800 | 64 | 6.6% | 5.8% | 5.0% | 4.2% | $11.28 | $11.32 | $12.60 | $12.90 | Milwaukee |
| Minneapolis-St. Paul | 1.4% | 1.4% | 1.7% | 1.5% | $74,800 | $77,600 | $79,900 | $82,500 | 2.4% | 4.0% | 5.4% | 4.9% | 1,100 | 1,400 | 810 | 600 | 3.6% | 3.3% | 3.5% | 3.5% | $14.42 | $16.10 | $15.24 | $15.48 | Minneapolis-St. Paul |
| Nashville | 3.7% | 2.2% | 2.1% | 1.6% | $61,800 | $65,000 | $67,600 | $70,200 | 3.7% | 5.7% | 6.3% | 5.9% | 890 | 1,300 | 450 | 900 | 3.0% | 3.0% | 3.5% | 3.4% | $16.90 | $18.20 | $18.58 | $19.12 | Nashville |
| New Haven-Fairfield County | -0.3% | -0.4% | 1.4% | 0.6% | $77,700 | $80,100 | $83,100 | $85,700 | 1.6% | 3.4% | 3.8% | 3.9% | 570 | 420 | 340 | 290 | 4.5% | 4.3% | 4.2% | 4.0% | $21.41 | $22.14 | $22.72 | $23.23 | New Haven-Fairfield County |
| New York City | 1.8% | 1.9% | 1.5% | 1.2% | $61,500 | $63,000 | $63,800 | $65,300 | 2.1% | 3.4% | 6.0% | 5.5% | 2,100 | 960 | 970 | 5,000 | 3.0% | 3.2% | 3.6% | 4.1% | $56.54 | $60.47 | $61.42 | $61.90 | New York City |
| Northern New Jersey | 1.2% | 0.9% | 0.9% | 0.6% | $76,100 | $77,000 | $78,600 | $81,300 | 3.6% | 6.0% | 4.7% | 4.8% | 780 | 870 | 630 | 3,100 | 4.6% | 4.6% | 4.2% | 4.1% | $25.63 | $25.32 | $25.76 | $26.30 | Northern New Jersey |
| Oakland | 2.9% | 1.9% | 2.0% | 1.8% | $91,700 | $98,200 | $101,300 | $105,000 | 6.0% | 6.0% | 6.1% | 3.9% | 540 | 520 | 590 | 290 | 3.8% | 3.8% | 3.3% | 3.1% | $25.45 | $27.04 | $28.52 | $29.50 | Oakland |
| Orange County | 2.6% | 2.0% | -0.3% | 1.0% | $83,700 | $87,600 | $90,400 | $93,700 | 2.7% | 5.1% | 3.5% | 3.3% | 400 | 720 | 210 | 310 | 4.0% | 4.3% | 3.7% | 3.3% | $26.30 | $26.00 | $26.51 | $27.54 | Orange County |
| Orlando | 4.1% | 3.1% | 4.0% | 4.2% | $53,700 | $55,800 | $59,300 | $62,900 | 3.4% | 7.7% | 8.1% | 7.6% | 1,200 | 2,000 | 800 | 1,000 | 5.1% | 4.5% | 4.4% | 4.2% | $16.85 | $17.56 | $18.81 | $19.87 | Orlando |
| Philadelphia | 1.6% | 1.2% | 1.9% | 1.2% | $68,300 | $70,200 | $73,100 | $75,700 | 1.9% | 3.2% | 4.8% | 4.7% | 1,900 | 1,800 | 1,700 | 1,600 | 5.4% | 5.1% | 4.9% | 4.6% | $16.27 | $16.98 | $18.05 | $18.73 | Philadelphia |
| Phoenix | 2.7% | 2.7% | 3.9% | 3.8% | $59,400 | $62,600 | $64,900 | $67,000 | 4.9% | 5.8% | 6.0% | 6.0% | 1,800 | 1,800 | 1,100 | 510 | 9.1% | 8.2% | 7.6% | 6.7% | $15.12 | $15.65 | $16.17 | $16.83 | Phoenix |
| Pittsburgh | 0.3% | 1.9% | 0.7% | 1.2% | $57,000 | $59,300 | $62,200 | $64,600 | 1.1% | 3.4% | 3.4% | 4.5% | 730 | 780 | 430 | 230 | 3.6% | 3.7% | 3.7% | 3.4% | $13.45 | $16.07 | $14.27 | $15.01 | Pittsburgh |
| Portland | 2.5% | 2.4% | 2.3% | 1.6% | $69,300 | $73,500 | $78,000 | $81,500 | 2.7% | 5.7% | 6.4% | 6.8% | 470 | 380 | 370 | 400 | 4.2% | 3.7% | 3.3% | 2.9% | $18.05 | $19.26 | $19.53 | $20.25 | Portland |
| Raleigh | 3.0% | 1.5% | 2.9% | 3.1% | $67,000 | $70,100 | $71,900 | $74,500 | 5.4% | 5.4% | 6.5% | 8.3% | 830 | 890 | 360 | 600 | 3.9% | 3.7% | 3.1% | 3.0% | $16.09 | $17.59 | $17.95 | $18.43 | Raleigh |
| Riverside-San Bernardino | 2.3% | 3.9% | 2.0% | 2.7% | $59,800 | $63,300 | $64,800 | $66,400 | 4.5% | 6.9% | 6.1% | 3.1% | 760 | 1,200 | 1,300 | 1,000 | 8.4% | 8.5% | 8.1% | 7.9% | $16.68 | $17.01 | $18.16 | $18.47 | Riverside-San Bernardino |
| Sacramento | 2.5% | 2.5% | 1.6% | 1.7% | $65,900 | $68,800 | $70,600 | $73,100 | 4.8% | 5.8% | 5.0% | 4.0% | 410 | 970 | 570 | 340 | 8.3% | 6.9% | 6.4% | 6.4% | $16.94 | $16.07 | $17.09 | $17.98 | Sacramento |
| Salt Lake City | 3.2% | 2.9% | 2.7% | 3.3% | $69,600 | $72,200 | $74,200 | $76,300 | 7.7% | 7.8% | 10.4% | 7.6% | 980 | 1,200 | 1,300 | 220 | 4.5% | 4.8% | 4.6% | 4.6% | $15.08 | $15.48 | $16.23 | $16.75 | Salt Lake City |
| San Antonio | 2.8% | 2.1% | 0.8% | 0.8% | $56,100 | $57,100 | $59,400 | $60,700 | 3.9% | 4.3% | 5.0% | 4.5% | 1,700 | 880 | 760 | 1,900 | 4.2% | 4.1% | 4.6% | 4.9% | $15.41 | $15.53 | $16.21 | $16.55 | San Antonio |
| San Diego | 2.6% | 1.6% | 2.0% | 1.5% | $73,000 | $78,000 | $80,400 | $83,400 | 2.4% | 5.1% | 3.9% | 3.6% | 440 | 670 | 240 | 200 | 4.1% | 3.8% | 4.1% | 4.1% | $23.46 | $24.31 | $24.95 | $25.65 | San Diego |
| San Francisco | 3.3% | 1.9% | 2.1% | 1.9% | $107,700 | $116,000 | $120,100 | $127,300 | 3.9% | 5.6% | 5.8% | 6.1% | 74 | 430 | 140 | 120 | 2.7% | 2.8% | 3.0% | 3.1% | $37.45 | $38.85 | $39.90 | $40.75 | San Francisco |
| San Jose | 2.7% | 2.7% | 3.3% | 3.5% | $112,400 | $120,400 | $124,700 | $132,000 | 1.6% | 4.9% | 4.7% | 5.0% | 670 | 730 | 190 | 1,100 | 3.7% | 2.9% | 3.0% | 3.2% | $32.37 | $32.81 | $33.83 | $34.50 | San Jose |
| Seattle-Tacoma | 3.2% | 2.8% | 3.3% | 2.9% | $80,800 | $84,400 | $86,200 | $89,400 | 12.4% | 13.8% | 11.5% | 6.7% | 480 | 1,200 | 700 | 900 | 3.8% | 3.9% | 3.6% | 3.5% | $19.78 | $20.89 | $22.08 | $23.25 | Seattle-Tacoma |
| St. Louis | 1.0% | 0.6% | 1.4% | 0.6% | $59,900 | $62,400 | $65,200 | $67,600 | 1.7% | 3.8% | 5.1% | 4.5% | 970 | 620 | 240 | 600 | 5.5% | 5.0% | 5.2% | 5.5% | $12.36 | $12.88 | $13.56 | $13.97 | St. Louis |
| Tampa-St. Petersburg | 2.9% | 2.0% | 1.7% | 2.4% | $51,300 | $52,700 | $56,500 | $60,000 | 8.4% | 6.1% | 8.0% | 6.7% | 1,200 | 1,300 | 1,600 | 1,000 | 4.9% | 4.5% | 5.0% | 4.8% | $14.56 | $15.47 | $16.69 | $17.55 | Tampa-St. Petersburg |
| Washington, D.C. | 1.7% | 1.3% | 1.6% | 1.3% | $97,200 | $100,900 | $103,400 | $105,900 | 2.1% | 3.0% | 4.7% | 4.9% | 2,800 | 1,400 | 1,100 | 1,400 | 4.1% | 4.3% | 4.3% | 4.5% | $26.63 | $26.77 | $26.79 | $27.08 | Washington, D.C. |
| West Palm Beach | 3.1% | 0.8% | 2.7% | 1.9% | $59,000 | $60,600 | $65,000 | $68,600 | 2.3% | 5.0% | 6.0% | 6.7% | 450 | 330 | 100 | 900 | 4.4% | 4.4% | 4.8% | 5.2% | $20.45 | $22.86 | $24.77 | $25.54 | West Palm Beach |
| United States | 1.6% | 1.5% | 1.8% | 1.3% | $58,400 | $61,500 | $63,700 | $65,900 | 2.9% | 4.7% | 5.1% | 4.4% | 68,600 | 70,500 | 50,200 | 52,000 | 5.1% | 4.9% | 4.8% | 4.7% | $18.61 | $19.41 | $19.95 | $20.45 | United States |

* Forecast [2] See Statistical Summary Note on Page 64

* Forecast [2] See Statistical Summary Note on Page 64

# RESEARCH SERVICES


4545 E. Shea Boulevard, Suite 201
Phoenix, AZ 85028
602.707.9700

*Offices Throughout the United States and Canada*

**SCOTT M. HOLMES**
*Senior Vice President/National Director*
*National Retail Group*
602.687.6700
scott.holmes@marcusmillichap.com

**JOHN CHANG**
*Senior Vice President/National Director*
*Research Services*
602.707.9700
john.chang@marcusmillichap.com

**DAVID G. SHILLINGTON**
*President*
*Marcus & Millichap Capital Corporation*
678.808.2700
david.shillington@marcusmillichap.com


Marcus & Millichap

**MarcusMillichap.com**




10260119