Commercial Construction Index (CCI) Shines Optimistic Notes While Fed Frets

The real estate sector has become a focus of Fed concern since at least the fall of 2016. Full employment in the labor sector and the persistent hunt for possible bubbles has the Fed focused on the durability of what has been a strong performing sector of the economy with prices rising and activity high. The newly created CCI, an effort of USG, DD&A and the U.S. Chamber of Commerce, provides some comfort regarding the risk of over-heating along with ample assurance that conditions remain favorable.

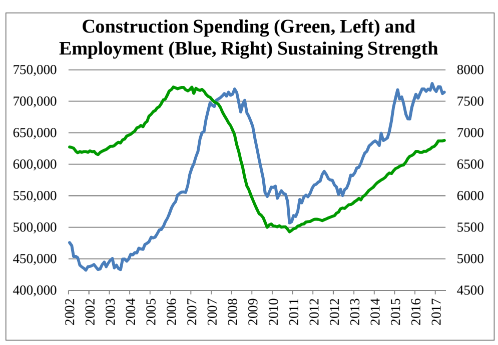
In this Issue

Using a survey based approach drawing on a list of 2700 "decision makers" spread across construction managers, design-builder and trade contractors, the CCI provides a quarterly assessment that is geographically representative and spans firms of the full range of size. The survey group is close to evenly divided between prime contractors and trade contractors. Commercial and industrial sectors, which include coverage of multi-family activity, are covered and provide a broad view of the current state of sentiment in the commercial real estate sector. DD&A joins the Chamber of Commerce and USG in providing analytical support.

Soundings for 2Q 2017, which were culled from responses to survey questions gathered from April 12th to 20th, focus on three primary areas: backlog levels, new business opportunities, and revenue forecasts. Answers are consolidated into an overall assessment, which were at an index level of 76, reflecting "healthy" contractor sentiment.

This quarter's Index value of 76 is up two notches from the first quarter. A substantial 82% of contractors reported stable or increased backlogs. Most contractors ideally prefer a backlog of 12 months, and the high score indicate that business conditions are currently close to this preferred level of backlogs. Perhaps more significantly, 98% reported high or moderate confidence in the demand for commercial construction. Revenue growth evoked a similarly positive tone with 96% expecting revenues to grow or remain stable this year over last year.

The favorable results of the survey follow the pattern established since the beginning of the year with "soft" data—surveys and sentiment indicators—reflecting somewhat greater strength than "hard" economic data. The relative importance of optimism cannot be understated and is no doubt responsible for driving the S&P 500 to its recent highs. Masco Corporation (MAS), which manufactures home improvement and building products to builders and retail, reflects some of the "end use" strength of construction activity. Paccar (PCAR), the light, medium, and heavy truck manufacturer, has also shown strength by seeing its share price rise 10% over the last 2 months. Fluor and USG, however, reflect sagging stock market fortunes. Indeed, the commercial construction industry is large, and disparate corners of the industry are facing vastly different prospects, notwithstanding the overall strength in commercial construction.



The sterling index values form the three components do not signify a lack of concerns in the industry overall. Nationwide there is a concern about both the availability of ample labor for upcoming projects as well as the quality, or appropriate skillsets, of those workers that are available. This concern reflects the low 4.3% unemployment rate reported for June, and highlights emerging problems likely to show up in other sectors of the economy as the economy continues to operate with a labor market that is clearly at levels beyond full employment. Increasingly, lack of available labor is being cited as a factor in the slowing of business investment. Despite these concerns, two-thirds of survey respondents expected to hire more workers over the next six months. Skilled laborers with interior finishes/millwork, plastering/drywall, and HVAC experience demonstrated an increase in shortages over the last measurement period.

In an eerie reflection of macroeconomic conditions, a substantial, but lower percentage (58%) of respondents indicated that higher tool and equipment prices were a concern. In construction, as in the overall economy, price inflation is taking a backseat to the strength in labor market conditions.

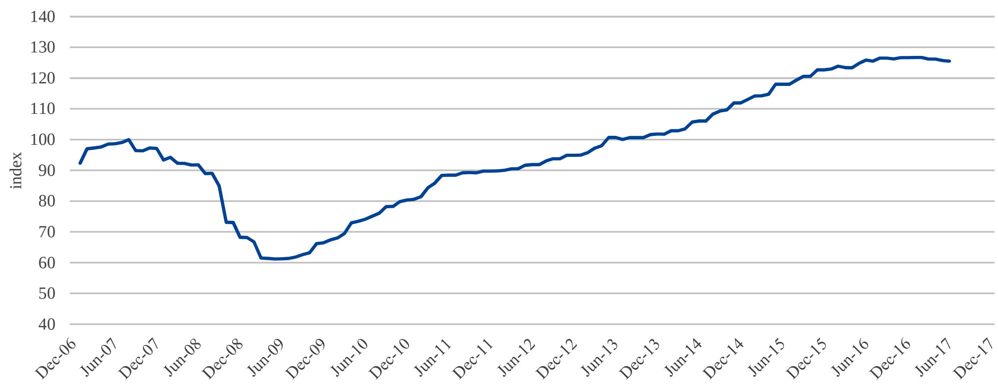
A major finding of the survey results was the expectation that contractors were optimistic that they would see revenue growth over the next year. Almost one-quarter expected revenue increases of 10% or more. A full 95% expected to see profit margins stay the same or grow in the next 12 months. This finding suggests that labor demand will continue, despite labor market concerns, since revenue growth is expected to be available to absorb incremental labor and materials costs, with profit margins maintained or even expanded.

Interesting regional variations appeared in the results. Optimism about new business in the West and Midwest was stronger than in the South and the Northeast. These two regions were also more optimistic regarding plans to hire more workers. The Northeast expected to see the greatest difficulty in hiring qualified workers.

We expect to see continuing strong activity across the whole of the commercial construction sector, although pockets of slowing may appear in certain geographic and industry subsectors. We acknowledge the wisdom of the Fed in directing more resources in monitoring conditions in commercial construction. We do not see any indications that the sector is sufficiently “hot” as to represent a risk to the economy as of yet.

Real Estate Statistics

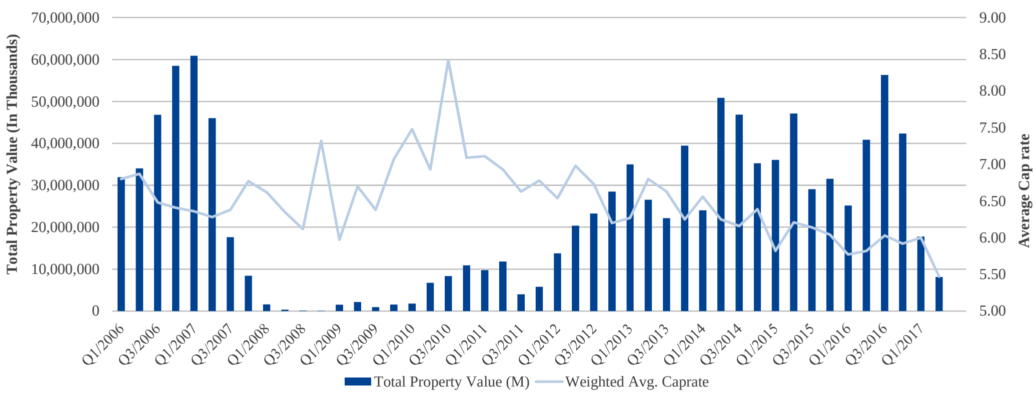
Figure 1 **U.S. Commercial Property Price Index**



Source: Green Street Advisors

U.S Commercial Property Price index flattened peaked in November 2016 and has since declined slightly.

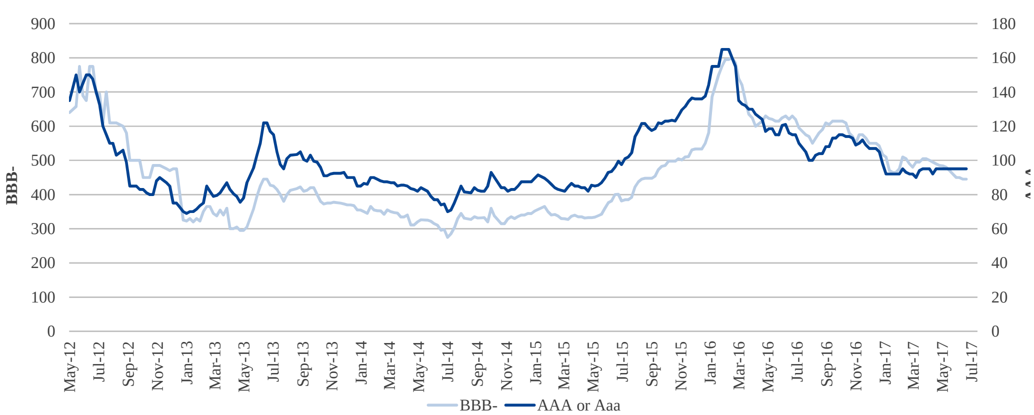
Figure 2 **Total Property Value vs. Average Cap Rate**



Source: Bloomberg

During the 11-year period, the Total Property showed mixed values, with lowest levels during 2008 and 2009. The Total Property Value decreased during the second quarter of 2017, dipping below $10 billion for the first time since Q4 2011. The Cap Rate has gradually declined since Q3 2010, with most recent rate coming at 5.47%.

Figure 3 **Commercial Mortgage Bond Spread AAA vs BBB-**

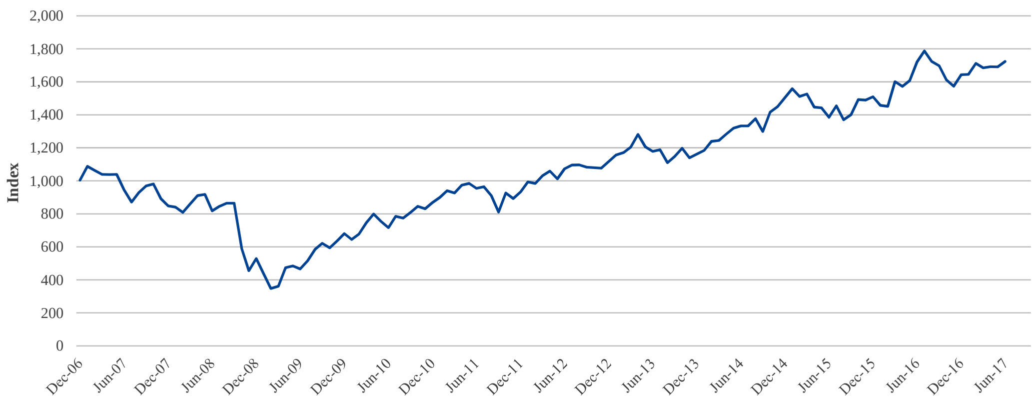


Source: Bloomberg

Weekly Mortgage Bond Spreads for both AAA and BBB- have tightened significantly in the last 5 quarters.

Real Estate Statistics (continued)

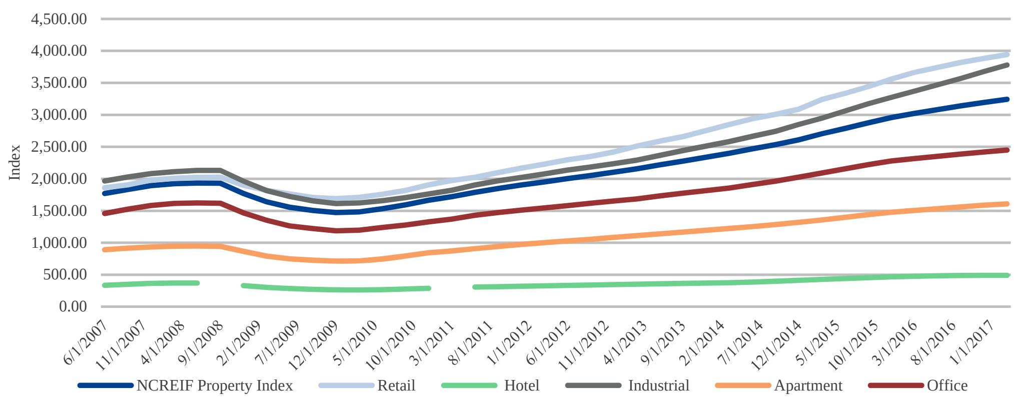
Figure 4 **Dow Jones Equity REIT Total Return Index**



Source: Bloomberg

REIT Total Return Index, which has more than quadrupled since the lows of 2008-09, ticked up slightly in June.

Figure 5 **NCREIF Property Index**



Source: Bloomberg

All property type indices increased since the 2008-09 crises. Among those, retail property index increased the fastest, while hotel property index increased at the slowest pace.

"I'm Not Feeling Too 'Wellmark'": Doubts Shroud Valuation Holding

By Joseph J. Calvanico | Managing Director

Many people have said that real estate valuation is an "art," not a "science." It is reasonable to believe that five appraisers would offer five different opinions of value on the same property. That is most certainly the "art" portion, as everyone has an opinion when it comes to art. However, crafting an appraisal is not art. In fact, appraisal work truly is science: It has protocol, it is formulaic, and it is not without process. Moreover, the design of any given valuation is embedded in a foundation that depends on thoughtful construction.

It is unfortunate that the Supreme Court of Iowa failed to recognize this in *Wellmark, Inc. v. Polk Cnty. Bd. of Review*.[1] In what should have been a fairly simple analysis based on the application of pure appraisal process, the court based its decision, not unlike those who constructed the tower of Pisa, on an inadequate foundation. This article explores the case in depth.

Background

A proprietary business information firm describes Wellmark, Inc. as "[a] Blue Cross and Blue Shield Association licensee, the mutual insurance company provides health care to more than 2 million people through Wellmark Blue Cross and Blue Shield of Iowa and Wellmark Blue Cross and Blue Shield of South Dakota. Individual and group products include HMO, PPO, POS, and indemnity plans, as well as vision care, dental, life, managed drug plan, and disability insurance. Headquartered in Des Moines, Iowa – the western edge of the central business district of Des Moines."[2]

At issue in the instant case is the January 1, 2011 "Actual Value"[3] of the newly constructed corporate headquarters of Wellmark, Inc.

Completed in 2010, the Wellmark Headquarters contains nearly 600,000 square feet, and according to the assessor's property record, is situated on just under five acres. In addition, it has five stories that are framed with steel and its exterior walls are glass and steel. The architects were HOK and RDK – both well-known for their aesthetic designs.

In 2011 the Polk County Assessor set the valuation at $99 million. Wellmark protested to the Polk County Board of Review (the Board), which denied the protest. Wellmark appealed to the district court and was granted relief, as the valuation was set at $78 million.

[1] 875 N.W. 2d 667 (Iowa 2016)
[2] Hoovers, Inc. (Dun & Bradstreet Corporation)
[3] See Iowa Code § 441.21

The Board then appealed, asserting that the district court improperly relied upon expert testimony based not upon the current use of the building, namely as a headquarters for a single owner-occupant, but as a multi-tenant office building. The Court of Appeals affirmed the judgment of the district court. The Board was granted review at the Supreme Court of Iowa.[4]

Iowa Supreme Court Justice Brent Appel stated, "The fundamental issue coursing through this case is whether the Wellmark property should have been valued as if it were a multi-tenant office building – the most likely use that would result if the property were sold in the limited Des Moines market – or whether the Wellmark property should have been valued according to its current use – a single-tenant headquarters building – even thought there was some question whether a buyer for that use could be found in response to a hypothetical "For Sale" sign."[5]

Market value "represents the concept of value in exchange."[6] Further, market value is based on highest and best use. "In stark contrast to market value..., use value is the value a specific property has for a specific use... rather than opinions of value based on highest and best use."[7] In other words, Value In Exchange based on Highest and Best Use necessarily relies on market data and the consideration of all three approaches to value. Value In Use often relies on replacement cost, less physical deterioration only; no other forms of obsolescence are considered. Moreover, it is emphasized that the intended use of the appraisal dictates the **definition of value** that is applicable to a specific assignment.[8]

In Iowa, "Actual Value" means "the fair and reasonable market value of such property."[9] "Market Value" means "... the fair and reasonable exchange in the year in which the property is listed and valued between a willing buyer and willing seller, neither being under an compulsion to buy or sell and each being familiar with the facts relating to a particular property."[10]

As alluded to earlier, the simple answer is that Actual Value is, in fact, Market Value, which necessarily means value-in-exchange. Moreover, market value is predicated on highest and best use. This puts the question of "Single Tenant v. Multi-tenant" into a different light. In other words, while the question before the court within the

[4] Wellmark, Inc. v. Polk Cnty. Bd. of Review, 875 N.W.2d 667 (Iowa 2016)
[5] Wellmark, at 668
[6] The Appraisal of Real Estate, 14th edition (p.58)
[7] Id.
[8] Id.
[9] Iowa Code § 441.21(b)
[10] Iowa Code § 441.21(b)

context of single versus multi-tenant is the correct question, the analysis is not necessarily driven by case law, but rather by market data.

Nevertheless, the court instead focused on the merits of Use Value based on case law out of jurisdictions marginally persuasive in Iowa. In addition, the court assigned the greatest weight to an Iowa case,[11] but one that was decided based on a statutory definition of actual value that subsequently changed in 1959, and again in 1967. The application of *Zirbel*, and reliance on *stare decisis*, is questionable in view of the current statutory definition of actual value.

A review of basics that appraisers must consider when valuing corporate campuses is in order.

Corporate Campus Valuation

Insights provided at the November 2016 *IPT Property Tax Symposium* focus on the valuation of corporate campuses,[12] noting that they have some unique physical characteristics, including heavy central HVAC and power that caters to central utilities. Often, they have parking that can accommodate every employee in a location that is "drive only." Further, the floorplates can be up to five times larger than multi-tenant designs. Finally, these buildings have no more than five stories and include some unique internal and external design features.

Several high-profile corporate experiences illustrate substantially reduced demand for corporate campuses, such as Kmart in Michigan, Union Carbide in Connecticut, Lucent in New Jersey, and Northwest Airlines in Minnesota. All no longer have the named companies as tenants. In fact, all are no longer in existence. Each was put on the market and most became multi-tenant environments, and took on the economic characteristics of their respective markets and became statistics within them.[13]

The favored valuation approach is the sales comparison approach. Adjustments can be made for location, size, design, and other physical characteristics. The analysis, in other words, takes its direction from the market and the data that is available.[14] As an example, the subject property would best be valued using information directly from the market. For instance, in the Des Moines office market there were nine office buildings that sold between 2008 and 2011. These transactions involved a variety of well designed, single tenant and multi-tenant buildings with varying degrees of occupancy; the range was under $5 per square foot to approximately $70 per square foot.

This data, in its most simple form, represents the prudent office building buyer in the Des Moines area at the time of the assessment, January 1, 2011. This is Market Value In Exchange, which is the cornerstone of the Iowa property tax statutes. It is the kind of data from which Actual Value can be derived.

Appraisers may consider the foregoing data in a particular market for a particular property category. There are many other factors that an appraiser must consider, but certainly the raw data represent an important element. The fact that there are data is an important consideration as well. The court, however, concluded that no market data applied, implying that market value is impossible to derive, although renowned appraisers on both sides presented excellent appraisal reports. Even in the face of scarce data an appraiser can estimate market value.[15]

Discussion

Addressing the value of a new corporate headquarters, and Actual Value, the court noted that "Under the 1967 legislation, then, market analysis is the preferred method of determining actual value. If market analysis can provide a reliable estimation of value, **the process is at an end** *(emphasis added)*."[16] The court then assumed a tax revenue protection posture, supporting the assessor's value: "As with all tax statutes, this provision must be read carefully. The legislature did not prohibit consideration of all special value or all good will or value of a business 'distinguished from the value of the property value 'to its present owner,'..."[17] In doing so, the court set the stage to use Value In Use instead of the statutorily mandated Value In Exchange.

The *Wellmark* opinion relies on just one case Iowa case.[18] In *Zirbel*, the court relied solely on the 1897 definition of "Actual Value". The definition at that time (subsequently changed in 1959 and 1967) included language which allowed for the consideration of Value In Use. As seen above the latest iteration mandated in 1967 is clearly Value In Exchange.

Building on its foundation using the 1897 definition, the court relied on cases that supported Value In Use. However, these cases were inappropriate and not on point.[19] The most notable contrast to the instant case is that both Maytag and Nestle involved manufacturing buildings with equipment and completely dissimilar issues from an

[11] Bankers Life Co. v. Zirbel, 239 Iowa 275 (Iowa 1948)
[12] See "Valuation of Corporate Campuses," by Michael J. Kelly (MAI, SRPA) and Elizabeth Gracie (Partner, O'Keefe, Lyons &
Hynes, LLC), Institute for Professionals in Taxation Property Tax Symposium, November 2016.
[13] Id.
[14] Id.
[15] See Calvanico, Joseph, "Modified Expected Value," The Appraisal Journal (1991)
[16] Wellmark, Inc. v. Polk Cnty. Bd. of Review, 875 N.W. 2d 667, 669 (Iowa 2016)
[17] 875 N.W. 2d 667, 679
[18] Bankers Life Co. v. Zirbel, 239 Iowa 275 (Iowa 1948)
[19] e.g., Maytag v. Partridge, 210 N.W.2d 584 (Iowa 1973); Nestlé USA, Inc. v. Wis. Dep't of Revenue, 2011 WI 4 (Wis. 2011)

appraisal perspective. Several other cases involving properties with issues not present in the instant case are also cited in *Wellmark*.[20]

The *Wellmar*k court did cite one case that contained important language it should have relied on.[21] But the court instead used language in the case to fit its purpose. In fact, the court highlighted language where the taxpayer was arguing for reliance on market data by indicating that the building was designed specifically for Equitable and thus would result in a Value In Use versus Value in Exchange. The *Wellmark* court dismissed this by saying that "was a question of fact to be determined by the fact finder."

This contradicted the most salient point in *Equitable*: "The space occupied by Equitable is office space which could readily be used by any large enterprise desiring to house its home office under one roof. It is not tailored only to use by an insurance company. We believe it is likely it would continue to be used in similar fashion.[22] ... "Giving full consideration to the results under all three appraisal methods, we believe the district court was correct in upholding the valuation."[23]

The rationale in *Equitable* directly conflicts with the *Wellmark* court's findings, synthesized in a short two paragraph analysis dismissing the sales comparison approach undertaken by experts from both sides.[24]

While the *Equitable* court upheld the assessor's value, it correctly relied on the fact that the Board's appraisers used all three approaches to value and necessarily included the market data appropriately thereby removing any specific value to the user. In other words, they properly developed Value In Exchange by considering all three approaches – that "Market Value Was Readily Established." Value In Use by virtue of its definition cannot fully consider market data – only data that reflects the value of the current use to the current user.

[20] e.g., Merle Hay Mall v. City of Des Moines Bd. of Review, 564 N.W.2d 419 (Iowa 1997) (business value included in Actual Value)
[21] Equitable Life Ins. Co. v. Board of Review, 281 N.W.2d 821 (Iowa 1979)
[22] 281 N.W.2d 821, 825
[23] 281 N.W.2d 821, 826
[24] 875 N.W. 2d 667, 682

Are the Chicago Cubs really worth $2.5 billion? Some back-of-the-napkin math says so

By Rachel Koning Beals | MarketWatch | May 20, 2017

The defending World Series champion Chicago Cubs are just two games over .500 in this still-early 2017 season, far from the start that the formerly lovable losers had at this point in their historic run last year. Their middling record simply means that assessing the Cubs' "value" right now depends largely on who you ask.

Three professionals, however, brought together by a global real estate and land management trade group called the Royal Institution of Chartered Surveyors, or RICS, have this month engaged in a largely for-fun valuation exercise for the Cubs.

The appraisers considered revenue stream but other tangible and intangible assets, too. Using public documents, trawling Major League Baseball's records and leaning on hypothetical extrapolations, they landed at a sum of about $2.5 billion for the Cubs after the team snapped a 108-year championship drought with a Game 7 win over the Cleveland Indians last November.

That's a lot of ballpark peanuts (and a couple of the micro brews that took over the Old Style taps at Wrigley Field).

The same group last year assigned an estimated value to the White House and is aspiring to do more hypothetical valuations over the next few years, including the Statue of Liberty and the Grand Canyon.

The Cubs breakdown looks like this:

M. Barden Prisant, president and founder of International Art Advisors in New York, considered Cubs' memorabilia for his part of the exercise. Prisant examined recent pricing trends and collector values for baseball cards, bases, bats, balls and apparel. After the World Series win, a pair of stadium seats, for example, were auctioned for $1,000 and a base sold for $101,237.

Not everything goes up in price, Prisant noted. A baseball card of Ernie Banks — the beloved "Mr. Cub" who played from the 1950s to '70s and died in 2015 — could be worth more before the Cubs' win than after, depending on peak interest. And that, Prisant said, is because "sports memorabilia has two markets: collectors and fans. It's the fans that drive up the prices." Determining the value is not just about items from the actual World Series win. Any collectible, such as a Javier Baez bat from 2014 that sold for $23,000, was included in the valuation.

Prisant's estimated value for total known Cubs' memorabilia: $144 million.

Bruce Bingham, who handles business valuation as a managing director at Berkeley Research Group, took a look at the Chicago Cubs franchise. Bingham, a New York Yankees fan, no cheap franchise itself, employed these traditional methodologies to value the Cubs: the cost, market and income approach.

He looked at a range of aspects from stadium ownership and its bargain lease, to naming rights, broadcast contracts, advertising, the parking stubs and facilities. He found that payroll was the most significant expense and that the Cubs' salary payments increased approximately 50% over the past year with further escalation likely. His parting shot was that the "ego value" when buying a sports franchise cannot be ignored, especially in the case of the historic Cubs victory.

Acknowledging subjective inputs and that assessments were made on the available public documentation, Bingham offered a possible figure for the Cubs franchise as a whole: $2.3 billion.

During many years languishing in last place and a few postseason runs that came up inches short, it was loyalty to Wrigley Field, the second-oldest MLB stadium after Boston's Fenway Park, that often kept the fans coming to home games. The stadium and its surrounding neighborhood have had a few nips and tucks under the Ricketts' family ownership, drawing mixed reviews from Chicagoans.

Enter **Joseph Calvanico, a managing director at Loop Capital Financial Consulting Services**, for his assessment of the property where the Cubs play their home games. It's increasingly a packed concert venue, too.

Season-ticket-holder **Calvanico** took great delight in returning to his beloved Wrigley Field, not as a fan, but as an appraiser. In assessing the actual structure, he considered the surrounding neighborhood, construction and improvements that occurred in the off-season over the past few years and also researched the land the stadium is built on. An interesting fact about the land: If Wrigley Field were ever demolished and a new structure replaced it, the new building would still have to have "Wrigley" in its title as the name is linked to the land it is built on. He also considered the sale of Dodger Stadium in 2012 as a reference.

Calvanico's estimated value for Wrigley Field: $225 million.

The total of these three components gets close to $2.5 billion.

RICS is attempting to illustrate that value is derived from more than drawing up a ledger of income and expenditures. Asset valuations provide insight to the complexity of what can drive the value of billion-dollar businesses, especially in the world of competitive sports, the group said.

Economic and Interest Rate Forecast — July 2017

Factors Supportive of Lower Rates

Retail sales declined 0.2% in June, the second consecutive month of declines, which suggests that consumer spending has not rebounded after a slow first quarter.

Vehicle sales were 16.4 million (annualized) in June, falling for the fourth consecutive month despite heavy discounts and looser financing terms. The U.S. auto industry is facing a downturn after reaching a record 17.55 million new vehicles sold in 2016.

New home sales rose 2.9% in May, after falling 7.9% in April. The shortage of affordable new homes is keeping entry-level buyers out of the market, causing the decline in housing starts.

Factors Supportive of Higher Rates

The U.S. added 222K jobs in June vs. 178K consensus forecast, while May reading was revised up by 14K. Strong job growth confirms that the economy is in good health. Wage growth was muted, with average hourly earnings up 0.2% in June.

Industrial production rose 0.4% last month, helped by the recovering oil and gas sector, while May reading was revised up. Capacity utilization increased as well, indicating that the recovery in manufacturing sector is well underway.

The Eurozone economy is growing steadily, especially in former laggards such as France and Italy, with factories ramping up production at the fastest pace in 6 years.

Figure 6 **Economic and Interest Rate Forecast—July 2017**

	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17	3Q'17	4Q'17	1Q'18	2Q'18	3Q'18	4Q'18	Avg'16	Avg'17	Avg'18
Economic Forecasts															
Real GDP	0.8	1.4	3.5	2.1	1.4	2.8	2.6	2.4	2.1	2.7	2.3	2.4	1.6	2.3	2.4
Core PCE Deflator	1.6	1.6	1.7	1.7	1.7	1.6	1.6	1.8	2.0	2.1	2.2	2.1	1.7	1.7	2.1
Unemployment Rate*	4.9	4.9	4.9	4.7	4.7	4.4	4.3	4.2	4.2	4.1	4.0	4.1	4.9	4.4	4.1
Nonfarm Payrolls (chg in 1000s)	588	493	716	443	498	581	475	460	450	430	415	400	2,240	2,014	1,695
S&P 500	1,951	2,075	2,162	2,185	2,327	2,398	2,465	2,496	2,527	2,559	2,591	2,623	2,093	2,421	2,575
Short-Term Interest Rates*															
Fed Funds Target (%)	0.37	0.37	0.40	0.45	0.70	0.95	1.16	1.21	1.41	1.46	1.66	1.69	0.40	1.01	1.56
3-Month LIBOR (%)	0.62	0.64	0.79	0.92	1.07	1.21	1.31	1.31	1.51	1.56	1.74	1.74	0.74	1.22	1.64
7-Day SIFMA (%)	0.08	0.40	0.55	0.66	0.69	0.84	0.90	1.00	1.00	1.10	1.15	1.25	0.42	0.86	1.13
Treasury Interest Rates*															
2-Year Treasury (%)	0.83	0.77	0.72	1.00	1.24	1.29	1.40	1.48	1.63	1.67	1.82	1.84	0.83	1.35	1.74
3-Year Treasury (%)	1.02	0.91	0.84	1.23	1.51	1.47	1.60	1.67	1.82	1.86	2.01	2.03	1.00	1.56	1.93
5-Year Treasury (%)	1.36	1.24	1.12	1.61	1.94	1.81	1.92	1.97	2.13	2.17	2.32	2.34	1.33	1.91	2.24
7-Year Treasury (%)	1.68	1.53	1.39	1.93	2.25	2.07	2.14	2.21	2.36	2.40	2.55	2.57	1.63	2.17	2.47
10-Year Treasury (%)	1.91	1.74	1.56	2.13	2.44	2.26	2.38	2.46	2.61	2.65	2.80	2.82	1.84	2.39	2.72
30-Year Treasury (%)	2.72	2.57	2.28	2.83	3.05	2.90	2.95	3.03	3.16	3.19	3.32	3.34	2.60	2.98	3.25
Municipal Interest Rates*															
30-Year MMD (%)	2.76	2.42	2.15	2.86	3.08	2.86	2.89	2.95	3.06	3.07	3.17	3.17	2.55	2.95	3.12
Muni Yield Curve Slope (%)	2.31	1.85	1.60	2.02	2.21	2.02	1.92	1.88	1.99	1.90	1.95	1.85	1.95	2.01	1.92

* 3-month average
Source: Loop Capital Markets' Analytical Services Division and Short-Term Desk. Black Text: Actual Blue Text: Forecast as of July 14, 2017

Exhibit 2

OVERALL CAPITALIZATION RATE FORECASTS

Second Quarter 2017

	OVERALL CAP RATE	SIX-MONTH EXPECTATIONS		
MARKET	2Q 2017	INCREASE	DECREASE	HOLD STEADY
National				
Regional Mall	6.20%	25%	0%	75%
Power Center	6.35%	17%	17%	67%
Strip Shopping Center	6.26%	33%	0%	67%
CBD Office	5.68%	14%	14%	71%
Suburban Office	6.64%	13%	0%	88%
Net Lease	6.88%	100%	0%	0%
Medical Office Buildings	6.76%	20%	0%	80%
Secondary Office	7.40%	20%	0%	80%
Industrial				
National Flex/R&D	7.10%	0%	20%	80%
National Warehouse	5.27%	0%	10%	90%
ENC Region Warehouse	5.43%	0%	0%	100%
Pacific Region Warehouse	4.98%	0%	0%	100%
Apartment				
National	5.40%	44%	0%	56%
Mid-Atlantic Region	5.01%	20%	0%	80%
Pacific Region	4.49%	20%	0%	80%
Southeast Region	5.10%	0%	0%	100%
Office				
Atlanta	7.21%	50%	0%	50%
Boston	6.27%	17%	17%	67%
Charlotte	6.90%	20%	0%	80%
Chicago	7.24%	29%	0%	71%
Dallas	6.50%	17%	0%	83%
Denver	6.56%	40%	0%	60%
Houston	7.31%	57%	14%	29%
Los Angeles	5.84%	17%	17%	67%
Manhattan	4.98%	0%	0%	100%
Northern Virginia	6.63%	0%	20%	80%
Pacific Northwest	6.01%	0%	9%	91%
Philadelphia	7.43%	40%	0%	60%
Phoenix	6.62%	20%	20%	60%
San Diego	6.51%	40%	0%	60%
San Francisco	5.45%	40%	0%	60%
Seattle	5.82%	0%	17%	83%
Southeast Florida	7.26%	20%	0%	80%
Suburban Maryland	7.48%	0%	0%	100%
Washington, DC	5.29%	0%	0%	100%

Source: PwC Real Estate Investor Survey

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