U.S. COMMERCIAL REAL ESTATE OUTLOOK

TD Economics

February 3, 2016

U.S. CRE VALUATIONS LARGELY IN LINE WITH FUNDAMENTALS, BUT POCKETS OF FROTH EXIST

Commercial real estate (CRE) prices tumbled in line with home values during the Great Recession, but the recoveries have followed very different trajectories. CRE prices have risen more than two-thirds from the trough and are well above the peak level hit in 2007, even after adjusting for inflation. This gain is more than twice that of residential prices, which remain below their 2006 zenith. The rapid climb in CRE prices has increasingly gained the attention of analysts, the media, and the Federal Reserve. In December of last year, Fed Chair Janet Yellen expressed that holding interest rates too low for too long could lead to excessive risk taking in financial markets. Other members, including Boston and San Francisco Fed Presidents Rosengren and Williams, have made similar comments, noting that investors were seeking out higher yielding opportunities, and CRE has been a beneficiary.

There are several geographic markets accounting for the bulk of the movement in the national CRE price index. In the past six years, commercial real estate prices have more than doubled in San Francisco, and nearly doubled in New York. In other main coastal markets, including Washington D.C., Boston, San Jose, Seattle and Miami, prices are up nearly 80% from their nadir. The recent appreciation has been just as acute in a number of interior economies, with prices in Austin, Houston, Dallas and Denver are nearly 25% higher than their pre-recession peaks. Outside of these geographic markets, CRE price movements have been more even keel. This is because much of the rebound has been cyclical in nature, making for a sound foundation. An improving economy typically drives up leasing activity and rents, with expectations of rising future operating incomes supportive of higher property prices. But, the most highly sought after markets subsequently embedded an extra layer of demand stemming from an ultra-low interest rate environment that led investors – both domestic and international – to bid up prices in their quest for yield.

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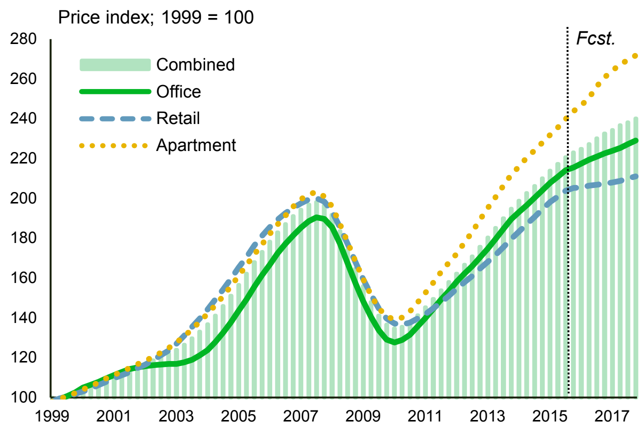
CRE PRICES SURGE PAST PREVIOUS PEAKS



Source: CoStar, TD Economics

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At this point, capitalization (cap) rates across these major U.S. markets are either below, or are flirting with, all-time lows. While this is not a concern in and of itself, the cap rates are also very low relative to the long-term risk free rate – the yield on the 10-year Treasury bond. This is particularly the case in the office segment across the key gateway markets of San Francisco, Boston, New York, and Washington. It also appears to be the case within the New York multifamily segment, as well as retail segments in New York, Seattle, and Dallas. A comprehensive comparison of this risk metric can be found in a heatmap on page 19.

The very low premia that investors demand across these market segments indicates only a thin cushion is available should an unanticipated downside event occur. And, while risks are always present, we feel that the CRE market is exposed to two in particular. The first is related to the supply pipeline, with a number of markets experiencing a building boom, especially for multifamily properties. Overbuilding could give rise to higher vacancies and lead to more subdued rent growth after years of blockbuster gains. The second risk encompasses a potential demand shock. While we expect the U.S. economy to continue to grow at a moderate clip, some regions face different realities. The Washington D.C. office segment is currently dealing with falling demand related to past cuts to federal government spending. More recently, the oil price slump has also exacerbated market conditions in oil-producing regions by a manifestation of dramatically weaker demand for commercial real estate relative to when projects were put in place two or three years ago. Lastly, demand for retail space could surprise to the downside should e-commerce sales continue to surge or the high U.S. dollar hit sales across tourist-dependent markets. In addition to these risks, there's also the reality that the Federal Reserve has clearly indicated an intention to raise interest rates. While the process is expected to be gradual, these moves will likely pressure longer term yields higher, automatically eroding capitalization rate spreads over the coming years. The degree to which this occurs could be exacerbated should either of the other risks above materialize, or if yields adjust in a fashion that's more abrupt than expected.

Just like the housing market, the economic fundamentals underlying the CRE market vary from region to region. The forthcoming pages offer a deeper dive into eight major markets across the East Coast.

U.S. COMMERCIAL REAL ESTATE FORECAST					
Metric	Segment	History	Current	Forecast	
		1991-2015 Avg.	2015Q4	2016 Avg.	2017 Avg.
Vacancy rate (%)	Office	11.1	10.8	10.6	10.3
	Retail	7.0	5.8	5.7	5.6
	Apartment	5.5	3.9	4.1	4.5
	Combined	7.7	6.6	6.6	6.6
Rent growth (y/y % chng.)	Office	3.4	4.4	4.0	3.4
	Retail	2.3	2.4	2.8	3.3
	Apartment	4.3	6.0	3.9	3.2
	Combined	3.5	4.6	3.7	3.3
Price growth (y/y % chng.)	Office	6.7	5.6	3.8	2.9
	Retail	5.5	5.5	2.2	1.4
	Apartment	7.6	7.0	6.6	5.8
	Combined	6.7	6.2	4.6	3.8
Cap rate spread* (percentage points)	Office	4.4	3.4	3.2	3.1
	Retail	3.6	3.6	3.4	3.2
	Apartment	2.9	2.7	2.5	2.2
	Combined	3.6	3.2	3.0	2.8

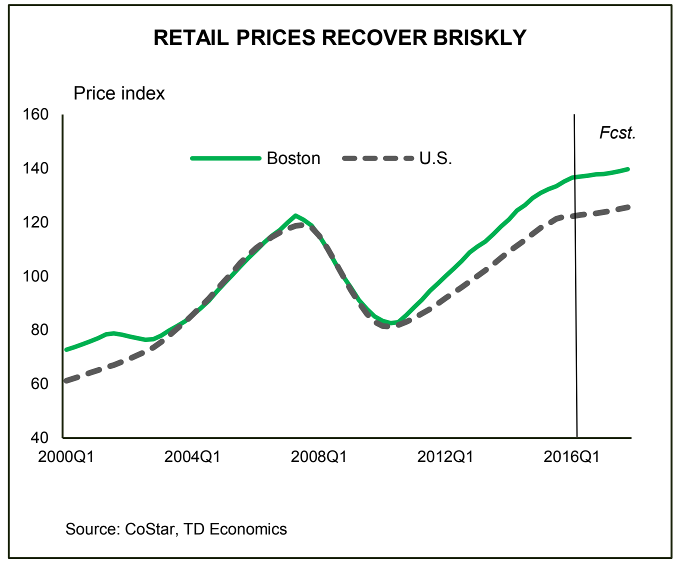
* Capitalization rate minus the 10-year U.S. Treasury yield.
Note: National figures are comprised of 54 main metropolitan markets.
Source: CoStar, TD Economics

BOSTON, MA

Retail

Boston's quick employment recovery and brisk job creation within higher-paying occupations have set up a solid foundation for retailers. As a result, demand for retail space has been outpacing supply, leading to twelve consecutive quarters of positive net absorption. This has resulted in a substantial decline in available inventory, with the vacancy rate falling to 3.4% at the end of last year – the lowest since data collection began in 1982. Much of the recent demand came from grocery stores and gyms, which face less competition from the ever-expanding online sales segment. Healthy growth of office jobs and increasing population density due to rising multi-family construction also creates a critical mass capable of supporting more retail. This is encouraging traditional big-box suburban retailers – such as Target – to set up smaller stores in urban locations.

Fueled by strong demand from retailers and investors, price and rent recovery in the retail segment has been swift. Rents are just 3% below their pre-recession peak, while at the national level they remain 7% below. Prices, meanwhile, were 10% above their pre-recession level at the end of 2015, compared to just 2.6% nationally. The metro's favorable economic outlook should support demand for retail space over the next two years. However, given the late stage of the recovery and increasing pressure from e-commerce, prices and rents will likely only advance at a moderate pace over the coming quarters.

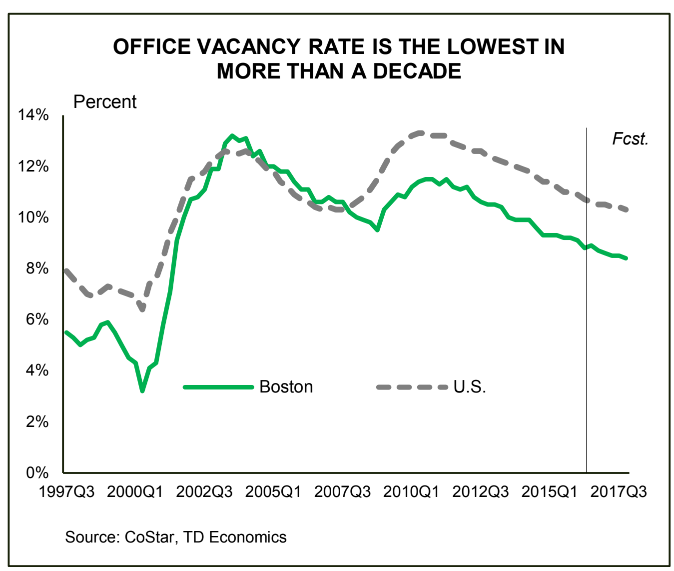


Office

Boston's office market fundamentals are the strongest in more than a decade. A combination of robust job creation in office-using occupations and a rapid expansion of software and biotech firms is boosting demand. Payrolls in professional & technical services grew at twice the overall job pace. Although many high-tech jobs require less floor space per employee than in the past, demand is outpacing supply. Positive net absorption is paralleled with a vacancy rate that sits below the trough of the previous cycle. Ongoing expansion within Boston's knowledge-based industries will maintain downward pressure on vacancy rates over the next two years, even amidst substantial new supply.

However, the experience is unlikely to repeat that of the late-1990s tech-boom. Across the metro, rents are rising in line with the national pace, and are 15% above the recent trough. Hot spots do exist, particularly in sub-markets that are close to talent pools, such as Cambridge. East Cambridge/Kendall Square recorded 60% cumulative rent growth since the trough and asking rents are nearly double the metro average. This is prompting upward pressure on rents in nearby areas, as tenants seek out affordable options.

Price growth is outstripping rent growth by a wide margin. Similar to other gateway markets, Boston's office real estate has been sought after by international investors, whose demand helped buoy prices 82% since the trough. The lofty valuations have pushed cap rates to 4.6%. At 1 pp below the national, it is the lowest spread on record. The premium being generated relative to long-term Treasuries is the lowest in 25 years, leaving very little cushion should rent growth slow or long-term interest rates rise. It also poses a downside risk to prices should demand from international investors cool off on the back of the strong U.S. dollar.



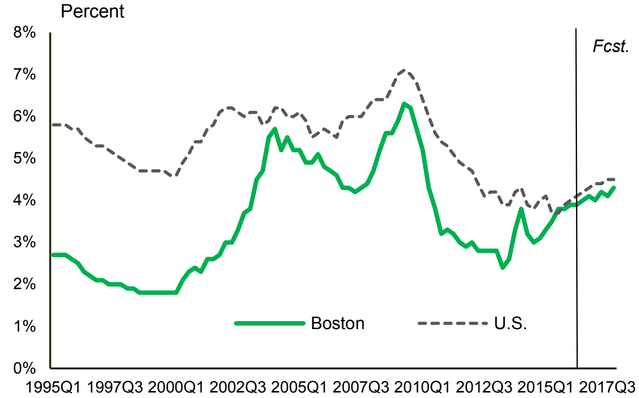
Apartment

The fundamentals for Boston's apartment market remain strong. There is ample rental demand from professionals, students and recent graduates of the metro's 50 universities. The rental market also gets a boost from a relatively high cost of homeownership and a desirable urban core that appeals to Millennials and retiring baby-boomers alike. Last year's rental vacancy rate averaged 3.4% – down nearly 2 percentage points from a year earlier and half of the national average.

Strong demand from renters and investors, spurred a large wave of new construction in the Boston metro with the supply pipeline busting at the seams. Over 8k new units were delivered to the market last year – four times greater than the average seen over the past 25 years. While deliveries will begin to subside, the inventory pipeline will remain full over the next two years, with another 4.8k units expected in 2016, followed by 4.1k in 2017.

Boston's tight housing market warranted new construction, but the significant increase in inventory over a short period of time is expected to push up the vacancy rate from currently 3.8% to 4.4% by the end of 2017. That being said, vacancies will be rising from a very low base and at a moderate pace, thanks to robust job creation that will keep demand humming.

Rising vacancies will dampen rent and price growth, which have been risen briskly over the past several years. However, high valuations and relatively low cap rates does represent a risk for investors entering the apartment market at this stage of the recovery. While the spread between the cap rate and 10-year Treasury yield is not as compressed in Boston as it is in New York, it is already slightly below its 25-year average.



Source: CoStar, TD Economics

BOSTON COMMERCIAL REAL ESTATE FORECAST						
Metric	Segment	History	Current	Forecast	
		1991-2015 Avg.	2015Q4	2016 Avg.	2017 Avg.
Vacancy rate (%)	Office	9.2	8.9	8.8	8.7
	Retail	4.9	3.4	3.5	3.6
	Apartment	3.6	4.1	4.1	4.5
	Combined	6.7	6.1	6.1	6.1
Rent growth (y/y % chng.)	Office	3.4	3.8	4.8	4.4
	Retail	0.3	2.2	2.5	3.0
	Apartment	4.7	5.7	3.9	3.2
	Combined	2.6	3.9	4.1	4.4
Price growth (y/y % chng.)	Office	6.9	6.5	2.8	1.3
	Retail	4.5	4.8	3.2	1.1
	Apartment	10.2	7.0	5.8	5.9
	Combined	6.8	6.3	3.7	2.6
Cap rate spread* (percentage points)	Office	4.1	2.3	2.2	2.1
	Retail	2.9	3.1	2.8	2.7
	Apartment	2.5	2.3	2.1	1.9
	Combined	3.4	2.6	2.3	2.2

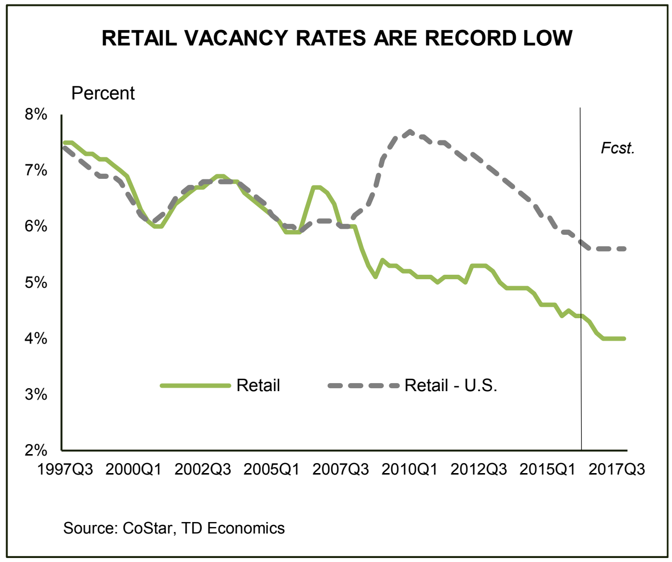
* Capitalization rate minus the 10-year U.S. Treasury yield.
Source: CoStar, TD Economics

NEW YORK-JERSEY CITY-WHITE PLAINS, NY-NJ

Retail

New York's premier tourism and shopping destination created more insulation during the recession and led to a stronger recovery than the nation. Retail payrolls expanded by 16% since the trough, compared with 10% for the U.S. This led to strong retail space demand, with net absorption outpacing net deliveries since mid-2013. A considerable reduction in already low inventory has pushed vacancy rates to a record low. Market conditions will remain tight, with little new supply on the way. As a result, vacancy rates are likely to edge lower over the next two years.

Robust demand and low inventory have been boosting rent growth. While national rents are still 7% below pre-recession, they have already surpassed their previous peak in the New York metro. However, retailers appear to be reaching a limit of what they are prepared to pay with rents expected to grow slightly below national pace. Similar to other asset classes, investor appetite for New York's retail real estate has been strong, leading to high valuations and low cap rates. The cap rate spread is only 2.1pp, below the average premium over the past 25 years. Given tight inventory, retail fundamentals are solid. However, both rent and price growth could come under pressure if the sharp greenback appreciation leads to a significant slowdown in international tourism spending in the Big Apple.

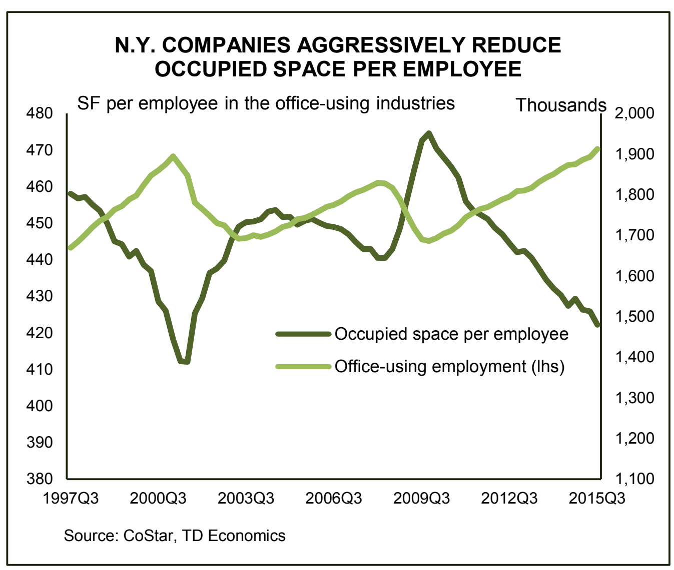


Office

New York's office market fundamentals are relatively soft – perhaps surprising given its brisk labor market recovery within office-using payrolls. Led by a rapid expansion of technology, advertising, media and information, employment in office-using occupations is at a record level. But, higher head-count has not fully translated into absorption, as companies aggressively reduce their office footprint. This is further exacerbated by the rise of shared co-working spaces, such as WeWork. Square footage per worker is approaching an all-time low. Further weighing on demand is the ongoing adjustment from the financial crisis of the city's largest tenants – the finance & insurance industry. Contrary to the national trend, NYC's vacancy rates have not improved, hovering at slightly over 9% since 2011.

A temporary reprieve is in sight for 2016-17, with little new supply in the pipeline expected to modestly reduce vacancy rates. However, by 2018 and 2019, deliveries will rise substantially with construction concluding on several major projects, such as 3 World Trade Center, 1 Manhattan West and Hudson Yards mega-development.

Coming off a low base following the effects of the recession, rent growth is now rising at a solid clip. But, this pales in comparison to price growth for office towers, where demand is fueled by strong international investor interest. National prices for office real estate are 12% above their pre-recession level, compared to 30% for NYC. High valuations and increased risk appetite have led to a substantial decline in the cap rate and a compression of the spread to the 10-year Treasury yield, which is currently 1.3 percentage point below its 25-year average. As with other gateway markets, high valuations and low spreads pose a risk, particularly with significant inventory coming to market in 2018-19.

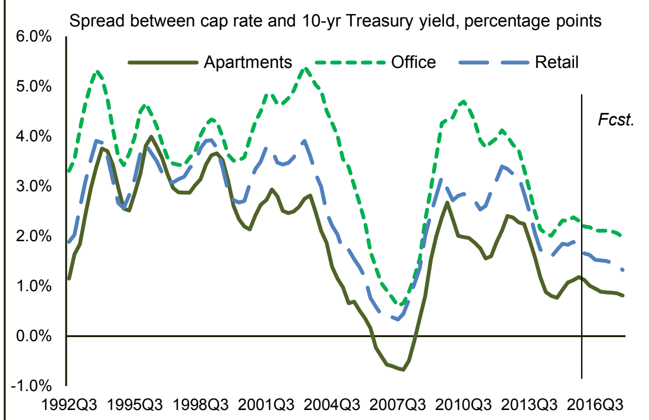


Apartment

New York's apartment market remains tight, however, significant increases in inventory will test market fundamentals. Encouraged by strong demand from renters and investors, alongside uncertainty around the continuation of the 421-a tax exemption program, homebuilders have ramped up construction, and there's more strength in the pipeline. Last year, completions soared 30% y/y to surpass their pre-recession peak, while multi-family permits nearly doubled. Net deliveries are projected to rise by another 22% y/y this year. Although we are projecting strong demand, we believe it will still trail supply over the next two years.

The large prevalence of rent-stabilized apartments, which account for over 45% of NYC's rental stock, have constrained rent growth. Meanwhile, prices for multifamily real estate assets have nearly doubled since the trough and are already 30% above their pre-recession peak. The net effect has led to very low cap rates by all measures – in absolute terms, relative to the national average, and relative to the 10-year Treasury benchmark. Putting the pieces together, the multifamily NYC market is sending up a red flare, due to inventory buildup, significant dollar appreciation that could squeeze out international investor demand, and increased federal oversight over "all cash" high-end Manhattan real estate purchases.

SPREADS COMPRESS IN N.Y.'S APARTMENT MARKET



Source: CoStar, TD Economics

NEW YORK COMMERCIAL REAL ESTATE FORECAST					
Metric	Segment	History	Current	Forecast	
		1991-2015 Avg.	2015Q4	2016 Avg.	2017 Avg.
Vacancy rate (%)	Office	9.3	8.8	8.5	8.1
	Retail	6.4	4.3	4.3	4.2
	Apartment	3.0	3.0	3.3	3.8
	Combined	5.9	5.3	5.3	5.3
Rent growth (y/y % chng.)	Office	6.1	5.3	5.6	4.7
	Retail	2.3	2.0	2.1	3.1
	Apartment	3.2	3.9	3.4	3.5
	Combined	3.9	4.0	3.9	3.9
Price growth (y/y % chng.)	Office	10.7	6.8	4.1	2.5
	Retail	8.0	6.2	3.9	2.5
	Apartment	10.0	7.7	3.0	2.4
	Combined	9.9	7.1	3.5	2.5
Cap rate spread* (percentage points)	Office	3.5	2.2	2.0	1.9
	Retail	3.2	2.1	1.9	1.8
	Apartment	2.8	1.4	1.2	1.1
	Combined	3.1	1.8	1.6	1.5

* Capitalization rate minus the 10-year U.S. Treasury yield.

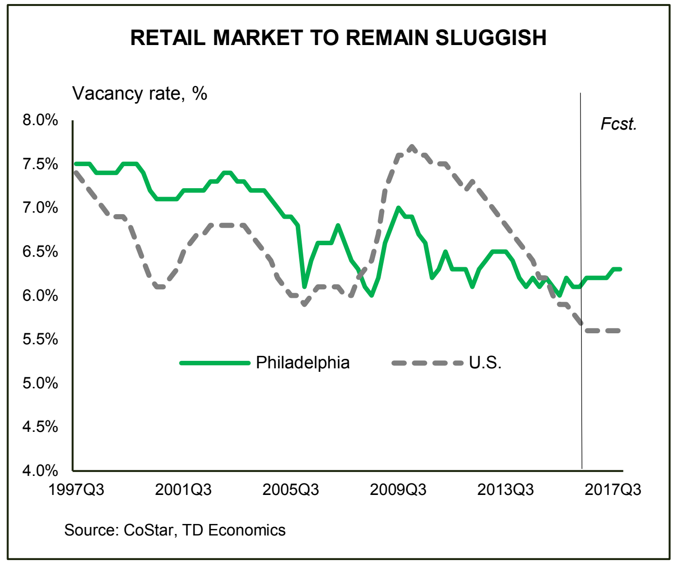
Source: CoStar, TD Economics

PHILADELPHIA, PA

Retail

Philadelphia's retail fundamentals remain quite sluggish, weighed down by an unfavorable demographic backdrop, above-average unemployment and disappointing wage growth. While the market was less impacted by the recession, the subsequent recovery has also been tepid. Both absorptions and deliveries are running substantially below historical levels, and the vacancy rate has remained relatively flat over the past year, in contrast to the improving national trend. The labor market should see signs of further improvement, but Philadelphia's demographic headwinds will not dissipate. The key spending age group of those aged 35-54 has contracted by 3.5% over the past five years, and is projected to fall another 2.5% in the next five years. In the near-term, a modest increase in supply, as well as the bankruptcy of the A&P grocery chain, will prevent any meaningful decline in the vacancy rate, which will eclipse the national over the next two years. One notable exception is Center City, where population growth has been robust, particularly within the 25-34 age group. As such, leasing activity is reaching levels not seen in years.

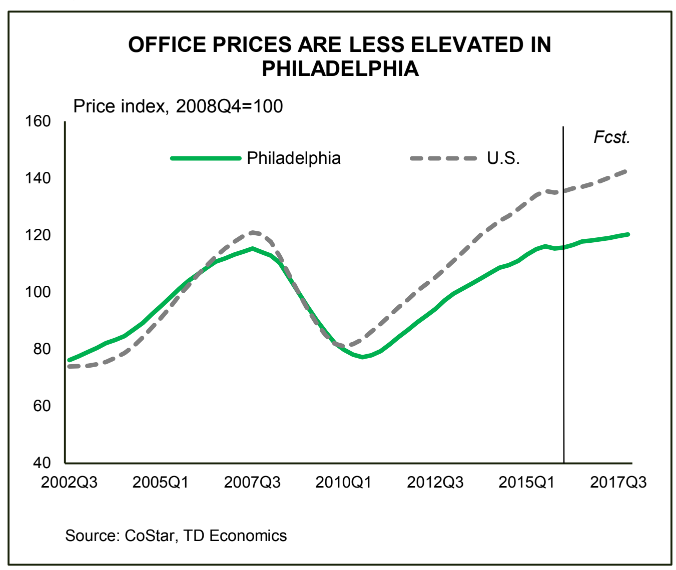
Across the broader metro division, however, pricing and rent pressures remain relatively subdued. Prices of retail assets have grown by 44% since the trough, but this is a fraction of the gains seen in New York and Boston. At 6%, Philadelphia's cap rate is above its Middle Atlantic peers. In addition, the spread between the cap rate and the 10-year Treasury yield (3.8%) is also quite wide at 0.5 percentage points above its long-term average.



Office

Philadelphia's office market is chugging along at a slow pace, reflecting a subdued pace of economic expansion. The recovery in office-using employment has been relatively weak, with payrolls growing at two-thirds the national pace. As a result, demand remains relatively modest. However, the dearth of new supply has helped push vacancy rates down. Office stock actually declined last year, and net deliveries are expected to run below the historical average of 2.1 million square feet (SF) over the next two years. With only two major projects on the way, the supply pipeline is not likely to expand substantially in the near term. The FMC Tower is slated to be completed this year, while the Comcast's 1.3 million SF Innovation and Technology Center will not be ready until 2018. As a result, vacancy rates are expected to decline by another 0.4pp to 10.1% by the end of 2017.

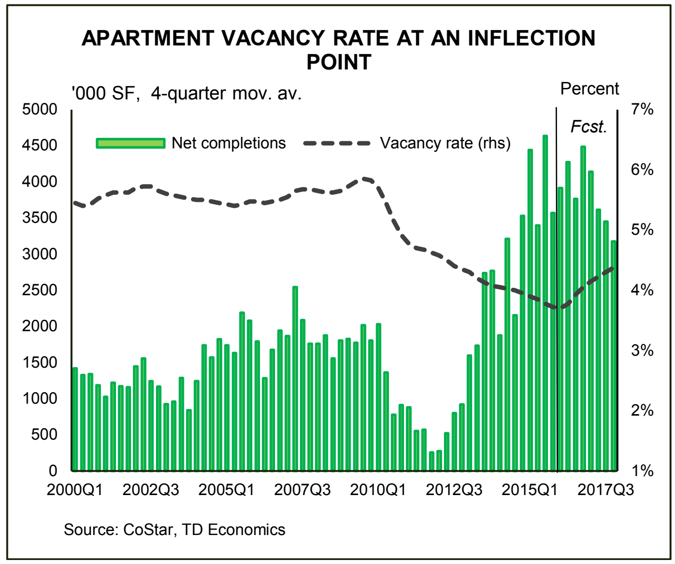
Historically, rent growth has been relatively steady in Philadelphia – a testament to the metro's slow but stable economic drivers, anchored by an outsized presence of the healthcare and education sectors. Rent growth will continue to be modest going forward, but prices are also less elevated than in other core markets. As a result, the metro's office market cap rate is more attractive and less compressed. Currently at 6.4%, the cap rate is nearly 1pp above the national average, and the spread between the cap rate and 10-year Treasury yields is at 4.1%, still a hair above its historical average.



Apartment

Philadelphia's apartment market is the epicenter of activity, with both absorptions and completions running at twice the pace seen over the past 15-years. The downtown's renaissance along with a significant decline in homeownership rates are jointly responsible for the pickup in demand. While Philadelphia's homeownership rate remains above the national, it declined by 6.1 percentage points between 2007 and 2014 – the second largest drop among the nation's 30 largest metro areas. As a result, demand has been outpacing supply for several years, pushing the vacancy rate to a record low. However, the market appears to be at an inflection point, with supply finally catching up to demand. A record number of apartments was delivered last year, and the supply pipeline will remain full through 2017. As a result, the vacancy rate will begin to edge higher, climbing by 0.7pp to 4.4% by the end of 2017 - still more than 1pp below the historical average.

Among the three property segments, Philadelphia's apartment market has benefitted the most from investor demand. Last year, prices per unit and total sales volumes have both breached the previous peak reached in 2007. Prices gained 67% since the trough and are now 18% above their pre-recession level. This increase closely matches the national performance, but is considerably more modest relative to gains seen in Boston and New York, leading to relatively higher cap rate. However, the spread between the cap rate and the risk free rate has already declined to its historical average. This suggests that the upside potential for prices may be limited, particularly in light of rising supply and relative affordability of single-family housing.



PHILADELPHIA COMMERCIAL REAL ESTATE FORECAST						
Metric	Segment	History	Current	Forecast	
		1991-2015 Avg.	2015Q4	2016 Avg.	2017 Avg.
Vacancy rate (%)	Office	10.8	10.4	10.5	10.1
	Retail	6.9	6.3	6.3	6.3
	Apartment	5.6	3.7	4.1	4.4
	Combined	7.8	6.9	7.0	7.0
Rent growth (y/y % chng.)	Office	0.7	2.0	2.0	2.2
	Retail	1.9	-0.3	1.0	1.5
	Apartment	2.9	4.6	2.8	2.4
	Combined	1.8	2.2	1.8	2.5
Price growth (y/y % chng.)	Office	4.3	5.8	3.8	2.2
	Retail	5.7	2.8	1.0	0.0
	Apartment	9.6	5.4	4.6	4.9
	Combined	6.3	4.8	3.3	2.5
Cap rate spread* (percentage points)	Office	4.0	4.1	3.8	3.6
	Retail	3.3	3.8	3.6	3.4
	Apartment	3.3	3.2	2.9	2.6
	Combined	3.6	3.7	3.4	3.2

* Capitalization rate minus the 10-year U.S. Treasury yield.
Source: CoStar, TD Economics

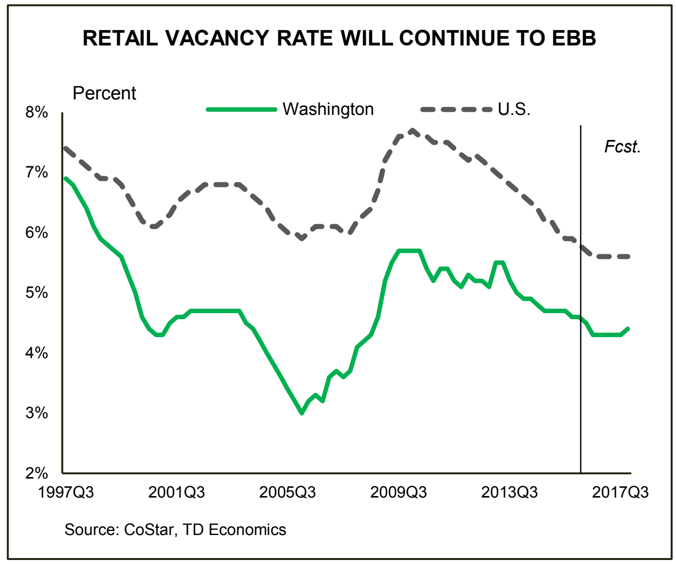
WASHINGTON-ARLINGTON-ALEXANDRIA, DC-VA-MD-WV

Retail

Retail has been the most consistent performer among the metro's property types. It is the only real estate class where the vacancy rate has been on a steady downward trend, with demand outpacing supply since the end of 2013. Demand for retail space will continue to grow moderately over the next two years, as Washington's younger and wealthier demographic continues to draw in retailers. Similar to other major metros, convenience, grocery and general merchandize stores have actively expanded in the region, favoring high-density locations with easy access to transit, at the expense of suburban areas.

Available inventory should continue to shrink over the next two years, but at relatively slow pace due to rising construction. By extension, vacancy rates will only edge down by 0.2 percentage points to 4.4% by the end of 2017 – above the pre-recession trough of 3%. Rents grew marginally ahead of the national pace during the recovery, but a repeat performance is unlikely. Growth is expected to average 2.5%, with rents returning to their pre-recession peak by the end of 2017.

Meanwhile, prices are already 21% above their previous high. While this pushed down cap rates, the spread compression to 10-year Treasury yields has been less dramatic than in other segments, and remains in line with its 25-year average.

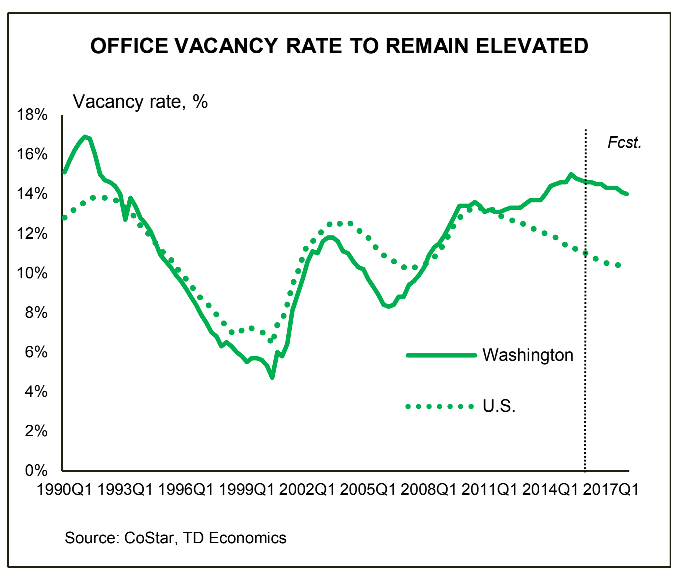


Office

The office market continues to feel the effects of past federal government budget cuts. The vacancy rate has climbed 1.6 percentage points (pp) since 2011Q3, overshooting the national average by 3.7 pp. But, the worst is likely in the rear view mirror, with the economy showing nascent signs of improvement. The hard-hit professional & business service sector is making a notable comeback, and government sector payrolls have also begun adding jobs.

Improvement has set it, but the turnaround in the office market dynamic will not be swift. The federal government remains the metro's largest tenant and it continues to implement a new mandate for space efficiency. During the last two fiscal years, the federal government reduced its nationwide footprint by over 800k square feet. This will continue to resonate in Washington's office market, permitting only a modest reduction in the vacancy rate. As a result, rent growth is expected to underperform the national metric.

The weak fundamentals have manifested on office property prices which recently decelerated to about 3.5% y/y, or about half the national metric. But, the slowdown comes atop of outsized gains earlier during the recovery. Investors had flocked to the segment, attracted by the metro's highly educated workforce, relatively quick recovery and extensive office-using employment. International investors have been particularly active, accounting for 40% of sales greater than $50 million in 2014 – double the share prior to the recession. As such, prices are now twice their trough and 26% above their pre-recession peak, while cap rates are down sharply. The spread to the risk-free rate, at 2.6 pp, is now well below the 25-year average of 3.9 pp, with high valuations alongside significant inventory overhang will limit the upside for near-term asset appreciation.

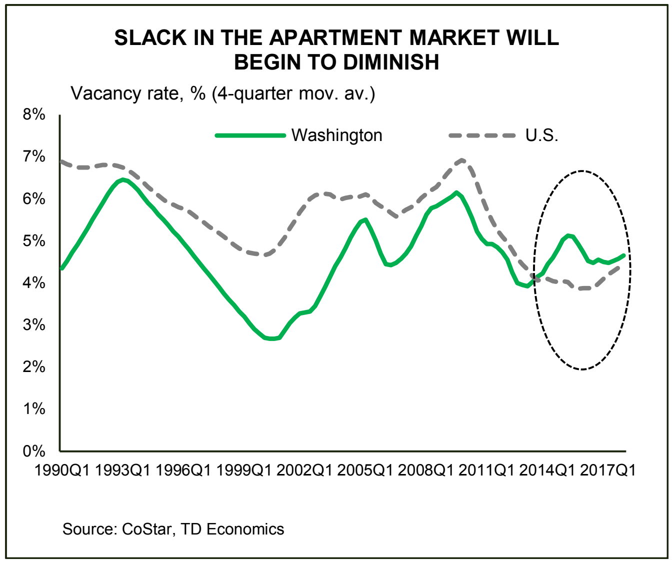


Apartment

Developers are out in full force. Coming on the heels of a record-setting construction pace in 2014, an additional 13k units – double the 15-year average – were delivered to the market in 2015. Absorption has also been considerably stronger than the historical average, but is not keeping up with the runaway pace of homebuilding. This wave of new supply hit the market when the labor market was slowing from federal cutbacks. As a result, the vacancy rate rose by 1.7 percentage points between 2012Q3 and 2015Q1, overshooting the national average for the first time since data collection began in 1982. The buildup in inventory has cut into rent growth and after several years of underperformance, apartments in the metro are now renting for 20% above the national average, compared to the 30% premium seen at the end of 2011.

Fortunately, construction appears to have peaked, the job creation engine is humming again and the vacancy rate began to edged lower last year. Rental demand also has favorable dynamics stemming from the high cost of homeownership and a large base of potential renters from students and young professionals. This will keep demand solid over the next two years and prevent a buildup in inventory, with vacancy rate expected to remain relatively flat over the forecast horizon.

Investor zeal for assets has been strong, with large price gains occurring early in the recovery. Sales volumes remain high, but the pace of price gains has tapered with prices already 27% above pre-recession levels. High valuations have led cap rates to decline to 4.4%, however, the spread relative to the 10-year Treasury yields remains in line with its 25-year average of 2.2%. Both the cap rate and the spreads could see further declines going forward.



WASHINGTON D.C. COMMERCIAL REAL ESTATE FORECAST					
Metric	Segment	History	Current	Forecast	
		1991-2015 Avg.	2015Q4	2016 Avg.	2017 Avg.
Vacancy rate (%)	Office	10.9	14.2	14.3	13.9
	Retail	5.5	4.6	4.5	4.4
	Apartment	4.7	4.6	4.5	4.7
	Combined	7.4	8.5	8.5	8.3
Rent growth (y/y % chng.)	Office	3.1	1.2	1.2	1.5
	Retail	1.7	1.2	2.0	3.0
	Apartment	3.1	4.2	1.8	1.3
	Combined	2.8	2.4	1.7	1.8
Price growth (y/y % chng.)	Office	7.5	3.5	0.1	-1.0
	Retail	7.9	7.4	2.6	1.9
	Apartment	7.1	4.2	4.2	4.0
	Combined	7.4	4.5	2.1	1.5
Cap rate spread* (percentage points)	Office	3.9	2.6	2.4	2.3
	Retail	2.7	2.5	2.3	2.1
	Apartment	2.2	2.2	1.9	1.7
	Combined	3.0	2.4	2.2	2.0

* Capitalization rate minus the 10-year U.S. Treasury yield.
Source: CoStar, TD Economics

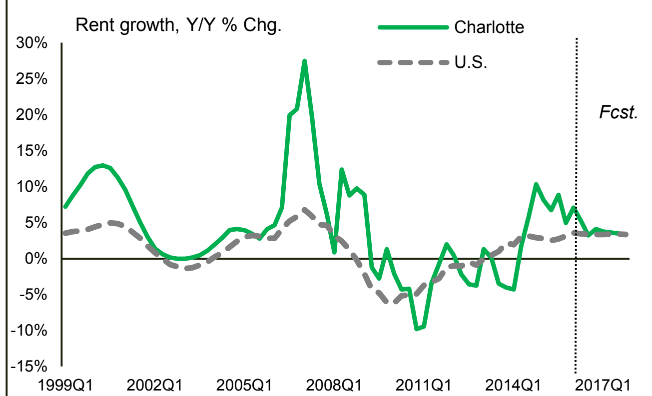
CHARLOTTE-CONCORD-GASTONIA, NC-SC

Retail

Charlotte's favorable outlook for employment coupled with rising household incomes bodes well for retailers. Strong labor market dynamics have boosted retail sales, currently growing at over 4% y/y. As a result, retail space around the Queen City will likely see stronger demand over the coming quarters. Recovering demand alongside conservative supply additions have resulted in improved fundamentals, ultimately leading to lower vacancy rates. Vacancies are currently well below the previous cycle's trough and a further decline is likely. As a result, rents have finally started to trend higher, after years of declines. The pace of growth is now outperforming the national average and will likely continue to do so over the forecast horizon.

On the other hand, prices have kept up with the national average. Investment demand was robust with the foresight of Charlotte's strong economic recovery and noteworthy population growth. More recently, price growth has decelerated, converging with that of rent. As a result, cap rates are very high relative to the risk free rate. The spread is 130 basis points above its long-term average and 70 basis points above that of the nation, leaving investors with plenty of cushion for the future.

STRONG FUNDAMENTALS HAVE RENT GROWING FASTER THAN THAT OF THE NATION



Source: CoStar, TD Economics.

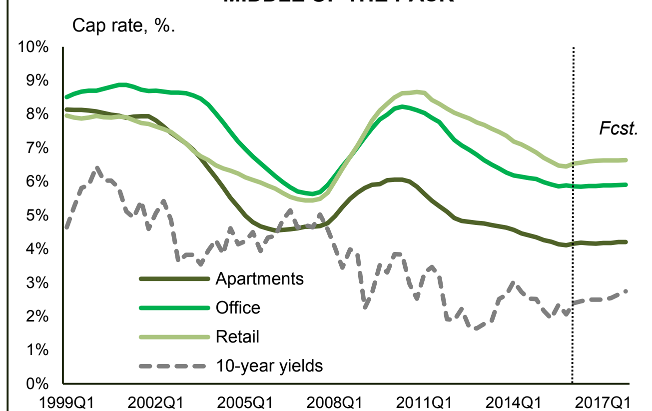
Office

In addition to the city's business-friendly government policies, the relatively low cost of doing business continues to attract new companies to the Queen City. In 2015, a number of firms previously based in neighboring states relocated to the metro for these reasons. As a result, demand for office space remains strong; December's 3.4% y/y rise in office using employment further corroborates this notion. Coupled with a relatively muted supply pipeline, vacancies have declined well below pre-recession lows and will likely continue to fall further this year.

The combination of these factors makes for a favorable rent and price outlook. After breaking out of contractionary territory at the end of 2012, rent growth has gradually accelerated to above 4% and will likely remain around this level through the forecast period. The segment's relatively strong fundamentals have motivated developers to resume construction, but given the lags in the process, significant supply will not materialize for several quarters. For now, rent growth will remain steady and prices should converge towards this pace after recording stronger-than-national growth for much of the past few years.

Prior to the recession, office market cap rates were higher than those for the metro's apartment and retail markets, but rising prices for office properties have pushed the segment to the middle of the pack. Still, consistent income and price growth will likely keep cap rates well supported. At this point, the spread between the segment's cap rate and the 10-year Treasury yield is still roughly 50 basis points above its historical average, providing a fair bit of cushion for the market during a tightening cycle.

RISING OFFICE PRICES PUSH CAP RATE TO MIDDLE OF THE PACK



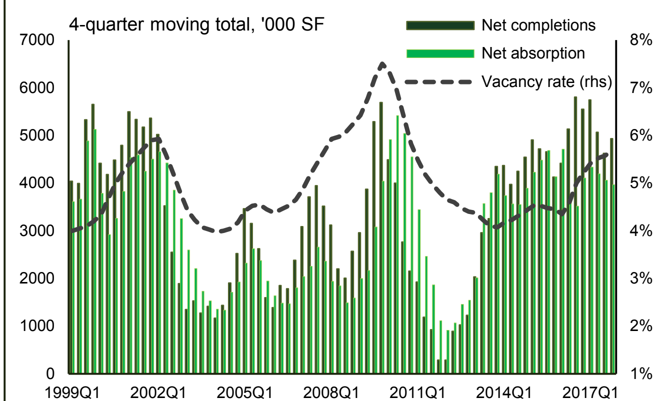
Source: CoStar, TD Economics

Apartment

Relentless demand for apartment units in Charlotte has not let up, driven by strong employment growth (+3% y/y) that continues to attract a large number of new residents to the metro. Charlotte's lower cost of living is particularly attractive for the 20-34 year-old cohort, made up of new graduates looking for work and individuals that have a higher propensity to contribute to household formation. This cohort currently makes up over a fifth of the metro's population and has been driving absorptions higher since 2010. As a result, vacancies have undergone a speedy recovery and are currently hovering only slightly above the previous cyclical trough.

This is about to change as developers and investors have rushed to take advantage of the market's core strengths. Supply will soon begin flooding into the market, easing absorption from still-strong levels and placing upward pressure on vacancies. As a result, the outsized 8% y/y rent growth is likely a thing of the past and will likely fall to half that clip by the end of the forecast period. Rapid price growth should decelerate accordingly, but show more resilience for high quality assets that are closer to the urban core. This is particularly true for product located near the LYNX Blue Line Extension, which connects the UNC Charlotte campus to the city center. Strong price growth has already pushed cap rate spreads 10 basis points below its long-term average, leaving little spare cushion should vacancies tick higher amidst a rising rate environment.

RISING APARTMENT SUPPLY WILL CAUSE VACANCIES TO RISE



Source: CoStar, TD Economics

CHARLOTTE COMMERCIAL REAL ESTATE FORECAST					
Metric	Segment	History	Current	Forecast	
		1991-2015 Avg.	2015Q4	2016 Avg.	2017 Avg.
Vacancy rate (%)	Office	9.9	8.9	8.8	8.7
	Retail	6.5	5.2	5.2	5.3
	Apartment	4.8	4.5	5.2	5.7
	Combined	7.0	6.0	6.3	6.4
Rent growth (y/y % chng.)	Office	4.1	4.1	4.2	3.8
	Retail	6.1	4.9	4.9	3.5
	Apartment	3.9	8.0	4.9	3.2
	Combined	4.6	6.0	4.8	3.6
Price growth (y/y % chng.)	Office	6.4	6.9	5.0	3.2
	Retail	6.2	9.0	2.3	2.7
	Apartment	5.9	8.1	5.1	4.9
	Combined	6.2	8.1	4.3	3.8
Cap rate spread to 10-year UST yield (percentage points)	Office	3.2	3.7	3.4	3.2
	Retail	2.9	4.2	4.1	4.0
	Apartment	2.0	1.9	1.7	1.5
	Combined	2.6	3.2	3.0	2.8

* Capitalization rate minus the 10-year U.S. Treasury yield.
Source: CoStar, TD Economics

TAMPA-ST. PETERSBURG-CLEARWATER, FL

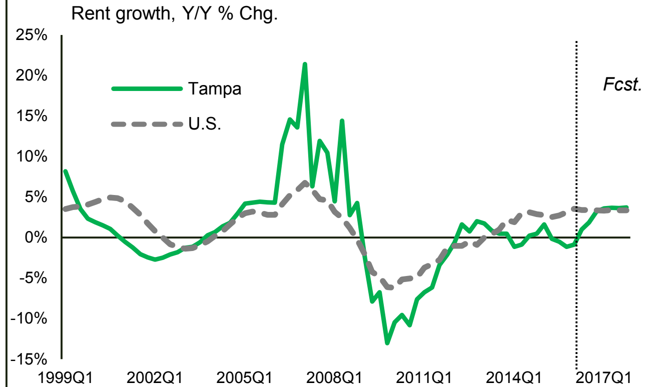
Retail

Since the recession, Tampa's retail market has underperformed the metro's apartment and office segments. And, some near-term weakness in demand may manifest, with retail payrolls exhibiting severe cuts in recent months. This is compounded by retailers demanding less additional space, leading to volatile absorption.

All of this has translated into unstable rent growth that dips in and out of contractionary territory. Currently, rents in the segment are declining, compared to 3% growth across the rest of the nation. Prices have outperformed rents, but are likely to decelerate and potentially flatline given the likely profile for net operating income. The net effect has left the spread between the segment's cap rate and 10-year treasuries roughly 60 basis points above its 25 year average.

The medium-term outlook offers some promise due to broader labor market and income growth in the metro. Stability for the segment will be further provided by the minimal pipeline of new projects, which has remained muted during the current recovery. This dynamic should help the vacancy rate decline further, which remains elevated relative to the previous cycle's trough, and is also higher than the national average.

VOLATILE RENTS CONTINUE REMAIN IN CONTRACTIONARY TERRITORY



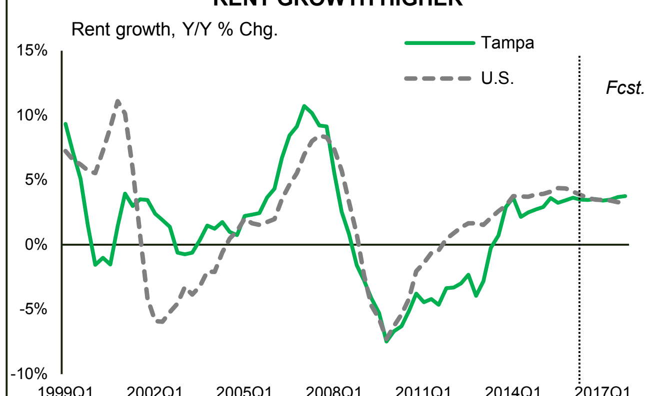
Source: CoStar , TD Ecomomics.

Office

The fundamentals for the Tampa office market are strong alongside the local economy's ties to the recovering financial sector, as well as strength in professional and business services – both significant lessees of office space. A robust 4% y/y rise in professional and business services employment has driven demand for new office space to an 8-year high. Meanwhile, supply has thus far remained muted, as very elevated vacancies in recent years have kept developers at bay. This combination has helped improve the vacancy rate by nearly 4 percentage points over the past three years. At 10.5%, it still remains well above the previous cyclical lows, but should continue to improve over the forecast horizon. Most projects currently in the pipeline are largely of the build-to-suit variety, rather than the more risky speculative construction.

The tightening market is beginning to have meaningful impacts on rent. Rent growth broke into positive territory in the latter half of 2013 and has been accelerating ever since, with more likely to come. Prices have experienced a more rapid recovery and are already growing in line with the pace of the national average, but still remain below their pre-recession peak. Over the forecast horizon, income growth should grow largely in line with price growth, supporting high cap rates near their current levels. Relative to long-term risk free returns, the cap rate spread remains healthy at 40 basis points above its long-run average.

FAVOURABLE FUNDAMENTALS ARE DRIVING RENT GROWTH HIGHER



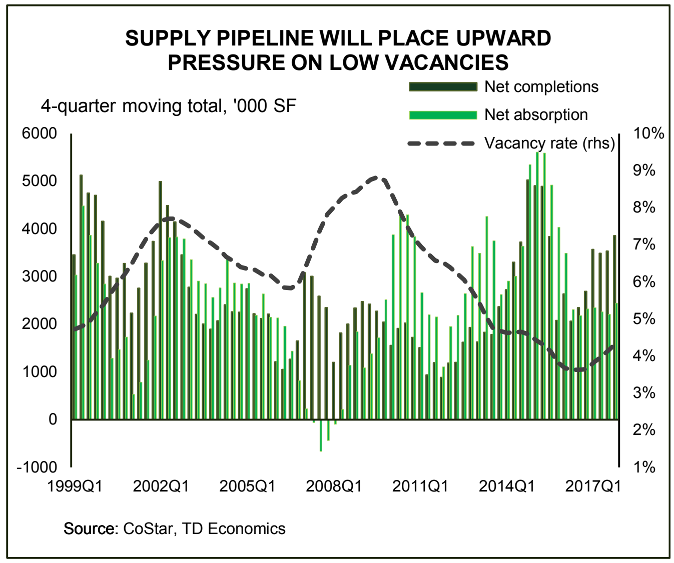
Source: CoStar, TD Economics.

Apartment

Ongoing labor market improvements and the rise in household formations have resulted in a surge in demand for apartment units in the Tampa metro. After rising steadily over the past few years, absorption is hovering near all-time highs. Job gains, at 3.3% y/y remain strong, particularly in the education and healthcare sector, which is recording close to double the pace of nonfarm payrolls. The level of absorptions, though declining somewhat in recent quarters, should remain well-above historical averages and trend only slightly lower toward more sustainable levels by the end of the forecast period.

Supply, as measured by the level of net completions, has lagged demand for the last few years causing vacancy rates to drop well below the previous cycle's trough. This dynamic is starting to change, as developers rush to take advantage of the resulting favorable fundamentals that have materialized in the metro. The growing supply pipeline should push completions above absorptions starting in the second half of 2016, placing some upward pressure on vacancy rates. Nonetheless, vacancies are expected to remain well-below pre-recession levels, resulting in reasonably robust rent growth, which should outpace the national average over the forecast horizon.

Prices have rebounded faster than rents in recent years, but have lagged behind the national pace of growth and still remain below the previous cycle's peak. But, prices in the segment have been accelerating more recently, with cap rates expected to decline over the forecast period and touch pre-recession lows. Still, relative to the risk free rate, the cap rate spread is some 60 basis points above its long-term average, providing significant cushion for investors as long-runs begin to tick up, and/or the metro's relatively affordable housing market results in decreasing absorptions as would-be renters purchase homes instead.



TAMPA COMMERCIAL REAL ESTATE FORECAST					
Metric	Segment	History	Current	Forecast	
		1991-2015 Avg.	2015Q4	2016 Avg.	2017 Avg.
Vacancy rate (%)	Office	10.9	10.5	9.9	9.0
	Retail	6.9	6.1	6.0	6.1
	Apartment	6.6	3.6	3.7	4.3
	Combined	7.9	6.3	6.1	6.1
Rent growth (y/y % chng.)	Office	3.3	3.4	3.5	3.6
	Retail	4.0	-1.1	1.3	3.6
	Apartment	4.8	7.7	5.3	3.9
	Combined	4.1	4.0	3.8	3.8
Price growth (y/y % chng.)	Office	5.8	5.1	4.0	3.8
	Retail	7.3	5.8	1.3	0.4
	Apartment	8.0	8.6	10.6	8.9
	Combined	7.2	6.8	6.0	5.1
Cap rate spread* (percentage points)	Office	3.5	3.9	3.6	3.5
	Retail	3.0	3.6	3.4	3.2
	Apartment	2.6	3.2	2.9	2.6
	Combined	3.0	3.5	3.3	3.0

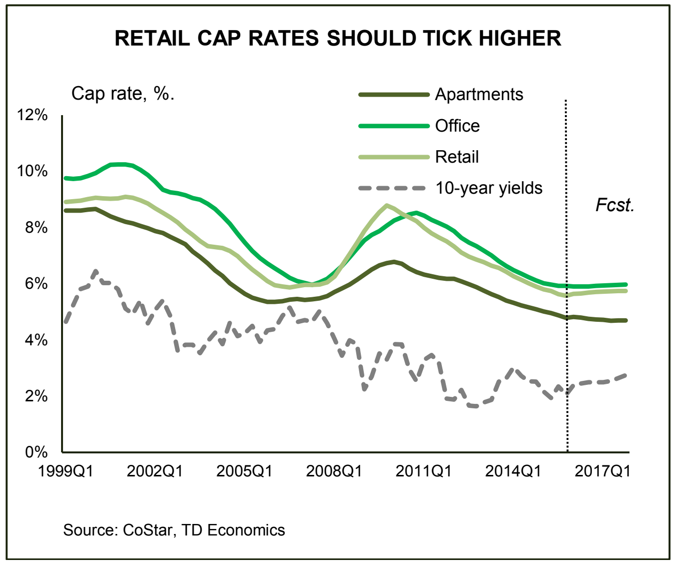
* Capitalization rate minus the 10-year U.S. Treasury yield.
Source: CoStar, TD Economics

ORLANDO-KISSIMMEE-SANFORD, FL

Retail

Retail sales in the Orlando metro are growing above a 5% clip on the back of strong employment gains, robust population growth, and a resurgence of tourism. As a result, retailers have started to expand and the recovery is underway. After several years of modest gains, demand for new retail space has been making considerable headway in recent quarters, with net absorptions at their highest level since 2008. Meanwhile, supply has been slower to come online, with net completions relatively flat. This has manifested in a sharp decline in the vacancy rate over the past year, with further improvement likely through the forecast period.

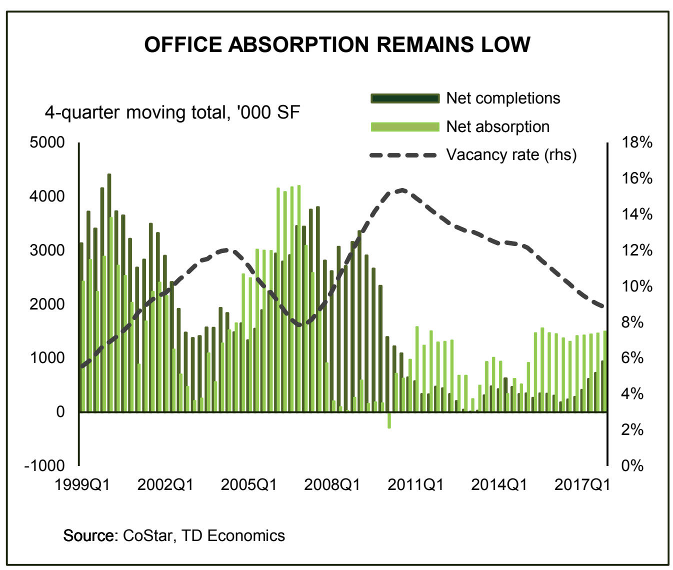
Responding to the improving vacancy rates, developers are starting to outline plans for new supply, particularly in areas with high tourist concentration, such as the Tourist Corridor and Kissimmee. Much of what has been planned includes renovations and re-development rather than greenfield projects, lifting net stock by less given the inherent depreciation that tear downs result in. Alongside declining vacancies, rents are beginning to increase after nearly seven years of contraction, with both combining to boost net operating incomes. In light of decelerating price growth, the segment's cap rate should tick higher. In turn, this should shield the cap rate spread relative to the U.S. 10-year yield from deteriorating during the tightening cycle. The retail segment has a small premium above the historical average.



Office

The Orlando office market is showing some signs of recovery, but to a lesser extent relative to other segments. The metro's main economic drivers are not aligning well with demand for office-using employment. The City Beautiful is driven largely by the leisure and hospitality sector, which has benefited from the stronger domestic economy and resultant pick-up in tourism. However, there is only marginal spillover to the office segment. Demand, though higher than during the recession, still remains historically low and net absorption is well below pre-recession levels. Muted supply and a sluggish pipeline will allow for the vacancy rate to trend lower, but it's unlikely to revisit the previous cycle's trough by the end of the forecast horizon. Accordingly, rent growth is running at less than half of the national clip at a meager 2.2% y/y. Prices have fared slightly better, but remain almost 7% below their pre-recession peaks, leaving some room for further appreciation.

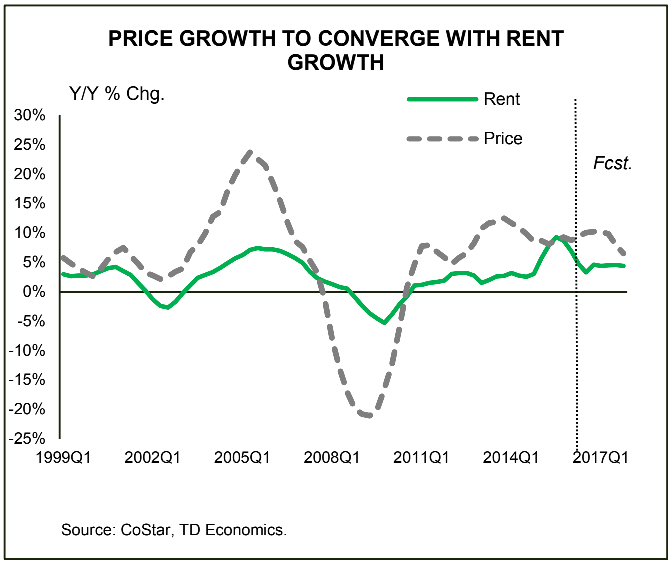
The office segment's cap rate remains higher than the apartment and retail segments'. The spread between the cap rate and the risk free rate has historically been 40 basis points lower in Orlando than nationally, but it is now 30 basis points richer. This premium should persist through the forecast horizon with the segment appearing relatively shielded in light of the tightening cycle. Still, it is important to note that future demand will require strength in the professional and business services sector, which is not the main economic driver in the city.



Apartment

The theme park capital of the world has been reaping the benefits of increased tourism expenditure and the positive spillover effects on the local economy. Leisure and hospitality payrolls have experienced a robust pace of job growth, clocking in at 6% y/y and accounting for over a fifth of new jobs in 2015. Jobs in this sector tend to pay relatively lower wages and hire younger workers. Both are characteristics predominantly exhibited by renters, evidenced by strong demand for apartments with net absorptions rising recently above the previous cycle peak.

Although supply has managed to keep up with demand in recent quarters, this was not the case prior to 2013. A double-digit vacancy rate at the cycle's peak quickly collapsed to a record low of 3.5%. Nevertheless, previously started projects have increasingly manifested into a pick-up in completions. This should rise further over the coming quarters, as developers rush to take advantage of the segment's strong fundamentals. The risks tilt towards modest upward pressure on vacancies in the coming quarters, but the level should remain below the previous cyclical nadir. As such, rent growth will likely decelerate to being more in line with the national average. Likewise, price growth is expected to converge with rent growth by the end of the forecast horizon. The spread between the market cap rate and the 10-year Treasury yield will likely compress with further tightening by the Federal Reserve, but there is some cushion for investors. At its current 2.6 percentage points, it remains slightly above the long-term average.



ORLANDO COMMERCIAL REAL ESTATE FORECAST					
Metric	Segment	History	Current	Forecast	
		1991-2015 Avg.	2015Q4	2016 Avg.	2017 Avg.
Vacancy rate (%)	Office	10.6	10.7	9.8	8.9
	Retail	6.1	5.9	5.8	5.7
	Apartment	7.5	4.4	4.4	4.6
	Combined	7.8	6.5	6.2	6.0
Rent growth (y/y % chng.)	Office	3.1	2.2	3.3	4.2
	Retail	2.6	4.5	5.4	3.3
	Apartment	4.5	8.7	4.9	4.4
	Combined	3.5	6.0	4.8	4.2
Price growth (y/y % chng.)	Office	7.1	5.3	4.0	3.5
	Retail	5.2	6.5	0.8	-0.6
	Apartment	7.8	9.2	9.6	8.6
	Combined	6.6	7.4	5.2	4.4
Cap rate spread* (percentage points)	Office	4.0	3.7	3.4	3.3
	Retail	3.3	3.4	3.2	3.1
	Apartment	2.5	2.6	2.3	2.0
	Combined	3.2	3.1	2.9	2.7

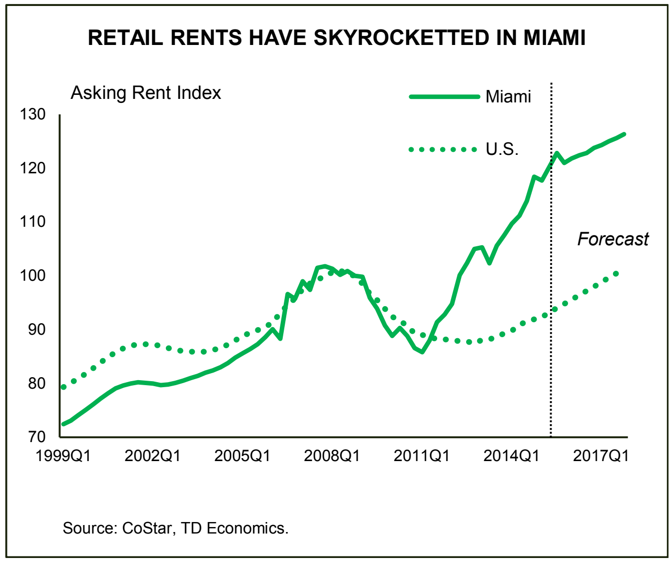
* Capitalization rate minus the 10-year U.S. Treasury yield.
Source: CoStar, TD Economics

MIAMI-MIAMI BEACH-KENDALL, FL

Retail

Arguably the strongest performing segment of the Miami metro is retail. The market continues to benefit from relatively low deliveries and healthy net absorption. Consequently, retail vacancies continue to trend lower and, at 3.4%, are near record lows for the metro. Over the forecast horizon, new construction will not be able to keep up with demand. The vacancy rate is expected to fall closer to 3%, touching the trough of the last cycle by the end of 2017. Unique to the Miami market, retailers have benefited from the surge of wealthy international shoppers from Latin America and Europe, which have helped to fuel overall retail sales and job growth. Retail sales have grown at a healthy 4.5% clip, motivating retailers to take up space, even in this age of increased cyber sales activity. This is particularly true for the Brickell and Downtown Miami submarkets, where retailers will follow the increasing move towards live, work, and play neighborhoods.

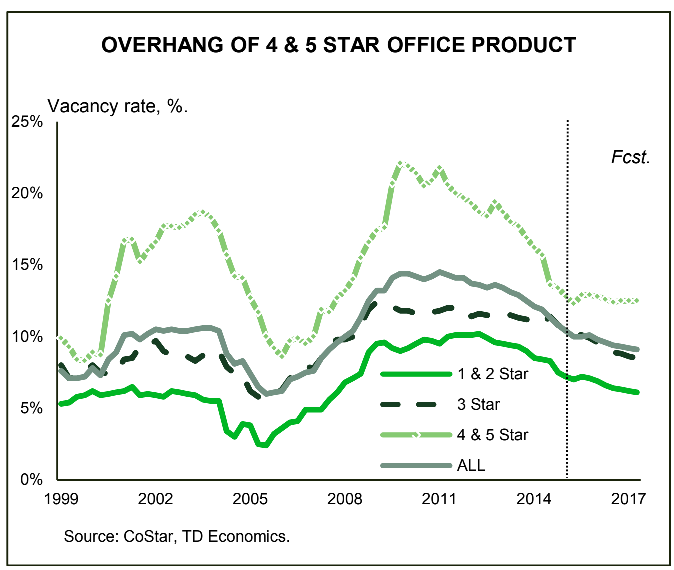
These factors have caused retail rents to skyrocket to nearly 20% above last cycle's peak, with incomes up 15% on improving leasing activity. Price gains have also been strong at more than 20% above last cycle's peak. But, a decelerating trend is in place, with more to come. Exceptionally strong income growth has shielded the retail cap rate spread. At near 3%, it remains above its long-term average relative to the risk free rate. While some compression is likely alongside a tightening cycle, the current cushion should be enough to absorb any deterioration in the spread.



Office

Despite demand for office space picking up in the Magic City, there is an abundance of excess capacity that remains up for grabs across all product classes. Overhang is most apparent in high quality 4 & 5 Star product, with vacancies 2.2% higher than the overall market (10.0%). Nevertheless, the outlook remains encouraging with job creation in office-using occupations continuing to grow at a robust 4% clip. This is particularly true for 4 & 5 Star office products, as demand for financial services related to housing and wealth management ramps up. By extension, it should translate into an expansion in high quality office space. Additionally, the supply pipeline is relatively dry, and developers are expected to stay at bay after undertaking massive projects prior to the recession resulting in overbuilding through to the end of 2010.

These favorable fundamentals bode well for the office space segment in Miami. As absorption continues to outpace deliveries, vacancies are expected to fall further, putting upward pressure on rents and the prospects for income. Prices have already rebounded above previous peaks, but gains have since been moderating. These dynamics should support cap rates leveling off at around the 5% mark. Relative to the long-term risk-free rate, the cap rate spread is expected to narrow, but the degree of expected compression does not appear alarming given the likelihood of a very gradual tightening cycle.

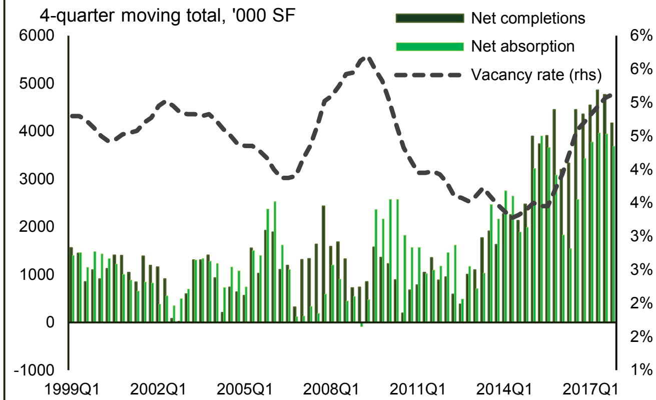


Apartment

Relatively strong fundamentals continue to support the Miami apartment market. The overall strength of the labor market, particularly in lower-wage (renter-oriented) industries such as the leisure and hospitality sector, is contributing to robust demand for apartment units. Net absorption is well above pre-recession levels. Additionally, demand from Millennials who increasingly choose to live, work, and play in core city districts is causing developments to sprout across central Miami districts. The Brickell submarket has fared particularly well in this regard. Overall supply has caught up with demand and is expected to continue to come online at current levels for all of this year before moderating somewhat in 2017, placing some upward pressure on vacancies.

As a result of the rapid rise in supply factors, vacancies have begun to tick up after having fallen to their lowest levels since the early-90s. Still, the tight market has resulted in relatively strong rent pressures, with asking rents 3.6% higher than the national average. Prices have followed suit, albeit at a much faster pace, resulting in a considerable decline in cap rates. Currently, the cap rate remains 2.7% above the long-run risk free rate, a spread consistent with its long-run average. Further narrowing is likely, given the expected tightening in monetary policy, but with price and rent growth beginning to converge recently, the risks of abrupt deterioration and capital flight from this segment remain unlikely.

RISING SUPPLY IS PLACING UPWARD PRESSURE ON VACANCIES



Source: CoStar, TD Economics

MIAMI COMMERCIAL REAL ESTATE FORECAST					
Metric	Segment	History	Current	Forecast	
		1991-2015 Avg.	2015Q4	2016 Avg.	2017 Avg.
Vacancy rate (%)	Office	10.6	10.0	9.9	9.3
	Retail	4.7	3.4	3.3	3.2
	Apartment	4.2	4.4	4.7	5.1
	Combined	6.2	5.6	5.7	5.6
Rent growth (y/y % chng.)	Office	5.3	4.9	4.5	3.7
	Retail	5.0	2.2	1.9	2.1
	Apartment	4.2	6.2	4.2	2.4
	Combined	4.7	4.5	3.5	2.7
Price growth (y/y % chng.)	Office	9.9	5.1	5.2	3.9
	Retail	8.1	7.1	4.8	3.3
	Apartment	7.0	7.9	8.3	5.8
	Combined	8.1	6.9	6.3	4.5
Cap rate spread* (percentage points)	Office	3.4	2.8	2.6	2.5
	Retail	2.6	2.9	2.8	2.7
	Apartment	2.8	2.7	2.4	2.1
	Combined	2.9	2.8	2.6	2.4

* Capitalization rate minus the 10-year U.S. Treasury yield.

Source: CoStar, TD Economics

U.S. COMMERCIAL REAL ESTATE RISK* HEATMAP

Metro	Office	Retail	Apartment	Combined	CRE
New York-Jersey City-White Plains, NY-NJ	-1.54	-1.29	-1.59	-1.52	-1.19
Boston, MA	-1.91	-0.02	-0.42	-1.01	-0.85
Washington-Arlington-Alexandria, DC-VA-MD-WV	-1.51	-0.39	-0.25	-0.79	-0.79
San Francisco-Redwood City-South San Francisco, CA	-2.01	-0.64	0.83	-0.68	-0.56
Seattle-Bellevue-Everett, WA	-1.04	-1.34	-0.47	-0.87	-0.49
United States	**-1.22**	**-0.27**	**-0.43**	**-0.63**	**-0.40**
Atlanta-Sandy Springs-Roswell, GA	-0.12	-0.75	-0.36	-0.41	-0.40
Phoenix-Mesa-Scottsdale, AZ	-1.05	-0.70	0.02	-0.42	-0.39
Los Angeles-Long Beach-Glendale, CA	-0.89	-0.13	-0.29	-0.40	-0.27
Newark, NJ-PA	-1.57	0.54	-0.55	-0.64	-0.23
Oakland-Hayward-Berkeley, CA	-0.63	-0.95	0.15	-0.40	-0.23
Miami-Miami Beach-Kendall, FL	-0.82	0.13	-0.24	-0.28	-0.22
Sacramento--Roseville--Arden-Arcade, CA	-0.81	-0.83	0.22	-0.39	-0.21
Orlando-Kissimmee-Sanford, FL	-0.51	-0.17	-0.16	-0.27	-0.13
Anaheim-Santa Ana-Irvine, CA	-0.90	-0.13	0.12	-0.25	-0.12
Austin-Round Rock, TX	-0.75	-0.06	0.17	-0.15	-0.12
Houston-The Woodlands-Sugar Land, TX	-0.15	-0.89	-0.38	-0.47	-0.10
Dallas-Plano-Irving, TX	-0.23	-1.41	0.30	-0.29	-0.09
Riverside-San Bernardino-Ontario, CA	0.63	-0.75	0.12	-0.16	-0.05
Denver-Aurora-Lakewood, CO	-0.03	-0.46	0.41	0.01	0.02
San Antonio-New Braunfels, TX	-0.76	0.38	0.16	0.01	0.04
San Diego-Carlsbad, CA	-0.45	0.24	0.26	0.12	0.09
Memphis, TN-MS-AR	-0.01	0.05	0.61	0.29	0.17
Las Vegas-Henderson-Paradise, NV	-0.23	-0.26	0.19	-0.01	0.17
Fort Lauderdale-Pompano Beach-Deerfield Beach, FL	0.08	0.29	0.45	0.29	0.19
Philadelphia, PA	-0.14	0.25	-0.33	-0.07	0.20
Richmond, VA	0.10	-0.35	0.80	0.20	0.24
St. Louis, MO-IL	-0.18	0.25	0.92	0.32	0.25
Cincinnati, OH-KY-IN	-0.38	-0.30	1.11	0.18	0.25
Charlotte-Concord-Gastonia, NC-SC	0.27	1.17	-0.28	0.33	0.26
West Palm Beach-Boca Raton-Delray Beach, FL	-0.48	1.11	0.42	0.42	0.26
Chicago-Naperville-Arlington Heights, IL	-0.06	0.37	0.08	0.14	0.26
Minneapolis-St. Paul-Bloomington, MN-WI	0.73	-0.13	-0.05	0.17	0.26
Jacksonville, FL	0.24	0.61	0.51	0.48	0.32
San Jose-Sunnyvale-Santa Clara, CA	-0.42	0.35	0.91	0.34	0.33
Portland-Vancouver-Hillsboro, OR-WA	-0.27	0.65	0.33	0.26	0.37
Tampa-St. Petersburg-Clearwater, FL	0.17	0.42	0.40	0.34	0.40
Hartford-West Hartford-East Hartford, CT	-0.63	0.64	0.87	0.21	0.41
Baltimore-Columbia-Towson, MD	0.51	0.67	-0.02	0.35	0.46
Pittsburgh, PA	0.46	0.98	0.90	0.77	0.53
Milwaukee-Waukesha-West Allis, WI	0.69	0.22	1.54	0.79	0.56
Raleigh, NC	0.29	1.05	0.30	0.50	0.62
Columbus, OH	0.48	0.27	1.06	0.67	0.63
Salt Lake City, UT	0.77	1.01	0.65	0.82	0.64
Bridgeport-Stamford-Norwalk, CT	0.15	1.11	0.39	0.52	0.68
Indianapolis-Carmel-Anderson, IN	0.26	1.65	0.76	0.89	0.68
Cleveland-Elyria, OH	0.24	0.79	1.21	0.79	0.68
Nassau County-Suffolk County, NY	0.60	1.35	0.40	0.95	0.81
Virginia Beach-Norfolk-Newport News, VA-NC	0.46	1.32	1.22	1.13	0.87
Nashville-Davidson--Murfreesboro--Franklin, TN	0.99	0.86	0.48	0.75	0.90
Kansas City, MO-KS	0.81	1.29	1.52	1.20	0.92
Oklahoma City, OK	0.98	0.22	1.01	0.73	0.98
Urban Honolulu, HI	1.17	1.67	1.03	1.31	1.29
New Orleans-Metairie, LA	1.05	1.44	1.50	1.34	1.34
Detroit-Dearborn-Livonia, MI	1.26	0.64	1.93	1.28	1.54

* Risk metric is the spread in percentage points between the current cap rate and the 10-year U.S. Treasury yield relative to its 25-year average. Higher values typically denote less risk.

Note: National figures based on 54 main markets. Combined metric is a SF weighted average of apartment, office and retail segments. CRE metric also includes industrial properties.

Source: CoStar, TD Economics