Marcus & Millichap

2016 U.S. RETAIL INVESTMENT FORECAST

NYSE: MMI

To Our Valued Clients:

The rugged durability of the U.S. economy once again surmounted numerous headwinds that challenged its growth. The harsh winter in the first quarter of 2015 slowed hiring, and weakening international economies, together with China's currency devaluation, sent shock waves through Wall Street. Some of the headwinds, however, worked to the advantage of the retail sector. Dramatically lower oil prices boosted households' discretionary income while the stronger dollar increased American purchasing power, and both placed downward pressure on inflation. These factors, along with steady job growth and modest wage gains, supported a tempered pace of growth in retail spending.

A limited supply pipeline and consistent economic momentum have bolstered retail assets. Vacancy rates have tightened consistently to recapture pre-recession levels while rents have risen modestly in each of the last three years. Though new hurdles undoubtedly await investors in 2016, strengthening consumer balance sheets and escalating retailer profits appear to favor a continuation of moderate performance gains.

The emergence of millennials as a dominant consumer segment with purchasing power approaching that of the vaunted baby boom generation will continue to reshape the retail landscape. Frequent visits to restaurants are becoming commonplace, supporting the spread of casual dining, while online shopping and purchases on mobile devices are forcing retailers to integrate omnichannel retail strategies. These trends will dramatically transform the retail landscape in coming years, but retailers have repeatedly demonstrated innovative thinking and an ability to adapt to changing behavior.

Investor demand for retail assets, spurred by a positive economic climate, favorable performance trends, limited supply additions and exceptional capital liquidity, has escalated to a new peak. Transaction activity last year surpassed prior records in both the single-tenant and multi-tenant segments, igniting price gains and further tightening cap rates. This trend will likely continue in 2016 as the broader outlook points to a year of steady, though moderate, advancement in property performance.

The new opportunities brought by the coming year will be reinforced by the extension of positive dynamics beyond core markets, offering investors more options. We hope this report provides useful insights on a variety of trends, markets and investment strategies. Our investment professionals look forward to helping you meet your goals.

Sincerely,

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National Retail Index (NRI)

- Tech markets San Francisco, Austin, Seattle-Tacoma and San Jose continue to dominate the upper rungs of the 2016 National Retail Index. Limited new supply and rising sales lifted Los Angeles five spots to complete the top five markets, while supply growth hastened a decline of four spots for New York City. The top ten also includes other tight California markets Orange County and San Diego and East Coast newcomers Miami-Dade and Boston.
- Technology growth in other markets also moved up Nashville, Oakland, Portland and Salt Lake City in the top 20. Two Texas markets, San Antonio and Dallas/Fort Worth, slipped in the NRI from one year ago but remain in the upper tier. While a decreasing rate of job creation demoted Pittsburgh, Orlando advanced three positions to capture the final spot in the top 20.
- Southwestern Las Vegas interrupts a run of Midwest markets in the bottom five of the NRI after the metro was pushed down one slot due to high vacancy. Cleveland, Kansas City and St. Louis follow. Relatively soft demand growth and a subdued rise in rents pushed Milwaukee down to the bottom spot in this year's NRI.

National Economy

- Following the addition of 2.7 million jobs in 2015, employers will maintain the steady pace of growth by creating another 2.5 million positions this year. Job creation will be broad-based, with only natural resources and mining and some segments of manufacturing likely to lag the overall trend. Secondary and tertiary metros were late to join the economic recovery but will record solid hiring gains in 2016.
- The combination of moderate economic expansion offset by a variety of setbacks reiterated the uneven growth pattern experienced over the last six years. This trend will likely carry into 2016 as international headwinds continue to hamper expansion.
- Led by the highly digital millennials, online and mobile shopping has emerged as the leader in retail sales growth. Electronic shopping rose 10.2 percent in 2015, easily outpacing the 3.3 percent bump in core retail sales.

National Retail Overview

- Space demand will once again exceed additions to supply this year, supporting a 30-basis-point decline in vacancy to 5.9 percent, the lowest year-end level in 16 years. Tighter vacancy will underpin rent gains of 2.8 percent, the largest rent appreciation since 2007.
- This year, developers will complete 46 million square feet, representing a modest decline from last year's total, but the pipeline of planned projects is increasing.
- Although online sales continue to make inroads, traditional inline retailers and anchors posted respectable growth in sales last year and are well-positioned for 2016.

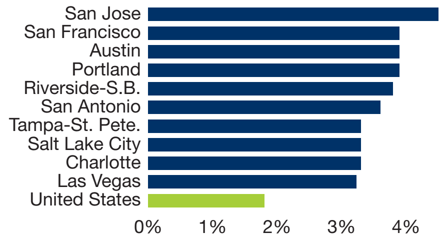
Capital Markets

- The Federal Reserve's rate hike in the fourth quarter last year was anticipated for some time and offers the most unequivocal expression to date of the central bank's confidence in the U.S. economy. The central bank has stated its intent to raise its short-term rate to 1 percent in 2016, but the risk of contagion from soft overseas economies and U.S. economic trends may require a reconsideration of current plans.
- The 10-year U.S. Treasury held well below the long-term average throughout last year. The long-term bond will reside near those levels again in 2016 as slowing economic growth globally sustains demand for U.S. government debt. China remains a potential variable, however, as additional cutbacks in purchases of the 10-year Treasury resulting from the country's softening economy could pressure long-term interest rates and property-financing benchmarks.
- Changes are coming to the CMBS market in December 2016. A rule will be imposed requiring the issuer of a CMBS deal to either keep a slice equal to 5 percent of the market value for five years or designate a subordinate bond buyer to assume that risk.

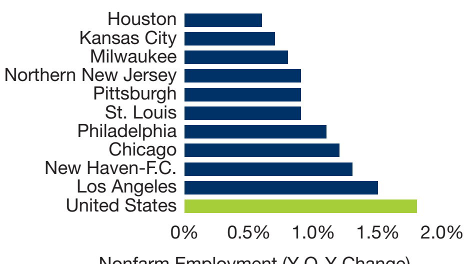
Retail Investment Outlook

- While disparities between cap rates in primary, secondary and tertiary markets persist, they may be too narrow to support a widespread capital migration from one type of market to another to capture appreciably higher yields.
- Retail investors will continue to take in the changing retail landscape, wherein many retailers continue to pursue multi-channel strategies combining actual stores and an online presence.

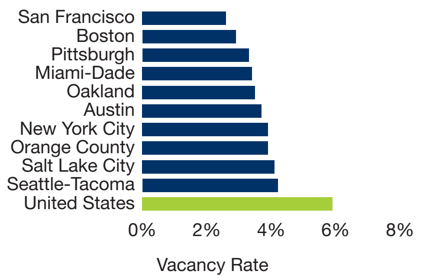
Markets with the Highest Expected 2016 Employment Growth



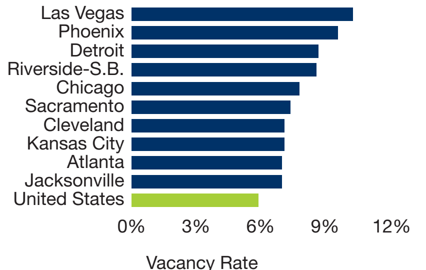
Markets with the Lowest Expected 2016 Employment Growth



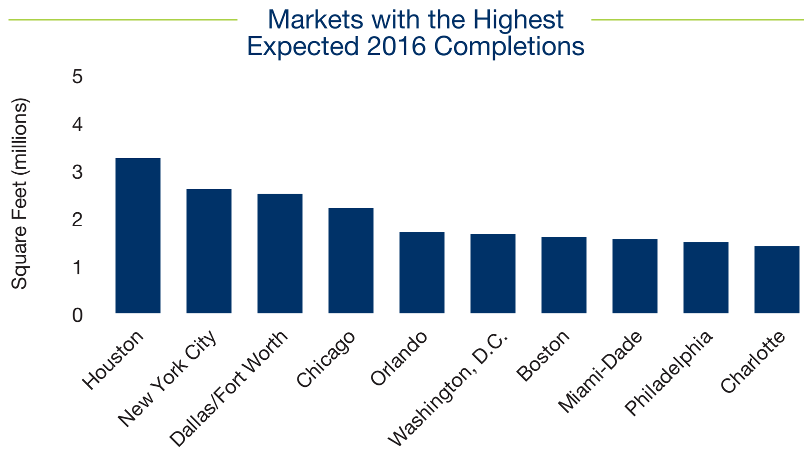
Markets with the Lowest Expected 2016 Vacancy Rates



Markets with the Highest Expected 2016 Vacancy Rates



Markets with the Highest Expected 2016 Completions

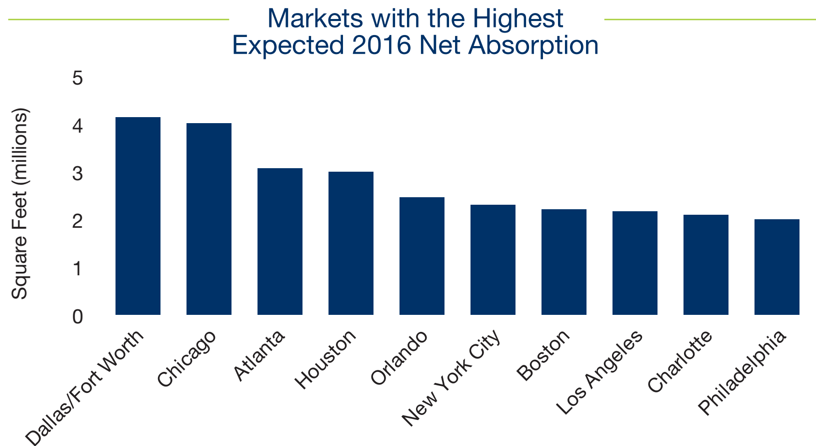


Tech Markets Assert Dominance, Command Rankings

Robust job growth is driving meaningful increases in income and spending in metros with heavy concentrations of tech-sector workers and supporting vibrant retail-property operations. Accordingly, tech markets dominate the upper rungs of the 2016 National Retail Index. San Francisco reprises its role of one year ago as the top market in this year's Index, followed by Austin (#2), Seattle-Tacoma (#3) and San Jose (#4). Los Angeles climbs five spots to complete the top five markets, while supply growth hastened a decline of four spots for New York City (#6). Another of the tight California markets, Orange County (#7), reclaims a spot in the upper echelon, while Miami-Dade (#8) is the top-placed Florida market and the highest-rated of two markets new to the top 10. Following San Diego (#9), low vacancy, high incomes and significant spending growth vaulted Boston (#10) four places from last year's ranking. Meanwhile, a projected rise in completions deprived Denver (#14) of retaining last year's place in the top 10, while an imbalance of supply to demand downgraded Houston (#17), which declined 11 places.

Eclectic Mix of Markets Fill Middle Third of Index; Florida, Western Metros Well-Represented

Elevated job growth and declining vacancy supported an eight-place rise in the NRI for Nashville (#11), a market that continues to gain wider acceptance with investors. Salt Lake City (up six spots to #12) is also a beneficiary of the tech sector's fortunes, while Oakland (#13) moved up due to the vibrancy of the Bay Area economy. Two Texas markets, San Antonio (#15) and Dallas/Fort Worth (#16), slipped in the NRI from one year ago, but Portland (#18) posted the largest jump in this year's Index, scaling nine rungs. A projected increase in retail sales, lower vacancy and higher rents highlight the market's rosy prospects for 2016. A decreasing rate of job creation demoted Pittsburgh (#19), but Orlando (#20) advanced three positions to capture the final spot in the top 20. Meanwhile, Tampa-St. Petersburg (#21) and Chicago (#22) retained their rankings from last year. The remainder of markets in the first 30, spanning Atlanta (#23) to Columbus (#30), cover different regions and most recorded modest shifts in their standings from last year. Baltimore (#25) tumbled 10 spots from 2015, however, as lackluster net absorption will restrain rent growth. Phoenix (#26) also retreated in this year's ranking based on substantial completions and high vacancy.



Midwest Retains Hold on Lower Third of Index, A Segment Marked by More-Modest Growth

Lower rates of economic growth and generally modest improvements in property operations combined to populate Midwest markets in the lower third of this year's Index. Sacramento (#31), however, kicks off the group, rising two places, and high incomes and a nominal expansion of supply sparked the six-spot climb of Northern New Jersey (#32). Both markets checked in ahead of Minneapolis-St. Paul (#33), where flat incomes and nominal rent growth precipitated a fall of eight places. Jacksonville (#35) moved down one notch based on moderating job growth, while Philadelphia (#36) and New Haven-Fairfield County (#38) lost four and two places, respectively, due to moderate job creation and elevated completions. Only Las Vegas (#41) interrupts a run of Midwest markets at the bottom of the NRI that starts with Indianapolis (#39), where a sizable projected climb in retail sales underpinned a two-place climb. Cleveland (#43) also advances two places and is preceded by Kansas City. St. Louis (#45) retreated one place, but relatively soft demand growth and a subdued rise in rents pushed down Milwaukee (#46) to complete this year's NRI.

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 timeframe. 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.

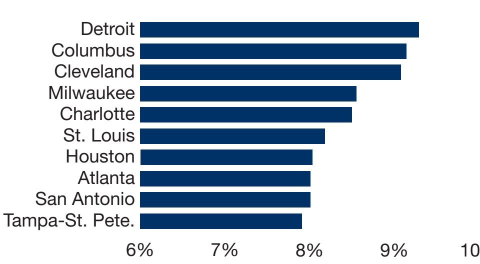
Market Name	Rank 2016	Rank 2015[1]	15-16 Change
San Francisco	1	1	0
Austin	2	4	2
Seattle-Tacoma	3	9	6
San Jose	4	3	-1
Los Angeles	5	10	5
New York City	6	2	-4
Orange County	7	8	1
Miami-Dade	8	11	3
San Diego	9	5	-4
Boston	10	14	4
Nashville	11	19	8
Salt Lake City	12	18	6
Oakland	13	17	4
Denver	14	7	-7
San Antonio	15	13	-2
Dallas/Fort Worth	16	12	-4
Houston	17	6	-11
Portland	18	27	9
Pittsburgh	19	16	-3
Orlando	20	23	3
Tampa-St. Petersburg	21	21	0
Chicago	22	22	0
Atlanta	23	26	3
Washington, D.C.	24	24	0
Baltimore	25	15	-10
Phoenix	26	20	-6
West Palm Beach	27	29	2
Charlotte	28	30	2
Fort Lauderdale	29	28	-1
Columbus	30	31	1
Sacramento	31	33	2
Northern New Jersey	32	38	6
Minneapolis-St. Paul	33	25	-8
Riverside-San Bernardino	34	35	1
Jacksonville	35	34	-1
Philadelphia	36	32	-4
Louisville	37	39	2
New Haven-Fairfield County	38	36	-2
Indianapolis	39	41	2
Cincinnati	40	37	-3
Las Vegas	41	40	-1
Kansas City	42	42	0
Cleveland	43	45	2
Detroit	44	46	2
St. Louis	45	44	-1
Milwaukee	46	43	-3

1 See National Retail Index Note on page 64.

High-Yield Index

Market Name	Rank 2016
Detroit	1
Columbus	2
Cleveland	3
Milwaukee	4
Charlotte	5
St. Louis	6
Houston	7
Atlanta	8
San Antonio	9
Tampa-St. Petersburg	10

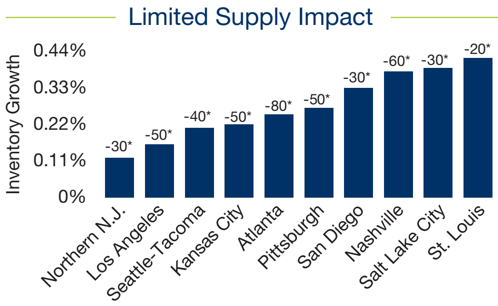
High-Yield Markets



Competitive Environment Index

Market Name	Rank 2016
Northern New Jersey	1
Los Angeles	2
Seattle-Tacoma	3
Kansas City	4
Atlanta	5
Pittsburgh	6
San Diego	7
Nashville	8
Salt Lake City	9
St. Louis	10

Limited Supply Impact



* Vacancy Basis Point Drop

Midwestern Markets Dominate High-Yield Index

Positive market sentiment and affordable financing have bolstered buyer demand, putting downward pressure on cap rates. Nationally, first-year returns for retail properties have fallen below the prior cycle's trough, further intensifying the search for yield. In premier metros, aggressive bidding for single-tenant properties has cut margins to razor-thin levels, causing many investors to broaden portfolio parameters in an attempt to capture additional yield. These buyers may target multi-tenant assets or properties in secondary and tertiary markets that can offer stronger returns and value-add potential. The High-Yield Index highlights those metros that have the greatest multi-tenant cap rates, based on a trailing three-year average. Although these markets face lower liquidity over the course of economic cycles, they do offer higher yield and cash-flow potential that will draw substantial investor interest in 2016. Risk factors include limited appreciation potential and exit-strategy complications when economic performance does not align with investment horizons.

The top four markets in our High-Yield Index come from the Midwest this year, as a slower pace of economic recovery and limited appreciation prospects keep cap rates elevated relative to coastal primary markets. While other metros may have reached maturity, yields in these areas still have room to compress. Detroit tops the list this year as the automotive industry continues to build momentum, spurring occupancy and rent increases and boosting NOIs. Ohio markets are well-represented, with strong upside potential and consistent performance drawing investors to Columbus and Cleveland. Another metro along the Great Lakes, Milwaukee, also makes the ranking with strong tenant demand that has helped drive down vacancy to the lowest level of the current expansion. Rounding out the top five is Charlotte, where expanding financial-sector activity and robust demographics position the metro well for yield opportunities.

Limited Competition Will Benefit Existing Space

Markets vary widely in their placement in the construction cycle. While tight vacancy has developers in some metros ramping up building, other metros are pulling back as growth pressures ease. Still, in other markets rents have not yet caught up with the cost of new construction, limiting supply additions to build-to-suit projects. Existing shopping centers are most likely to benefit in markets with limited supply growth and where above-average tenant demand will put downward pressure on vacancy, generating increased competition for available space. The Competitive Environment Index is a forward-looking ranking of markets where this year's construction output as a percentage of total inventory is lowest, while the year-over-year vacancy drop is equal to or above the national decrease.

Northern New Jersey fills the first position in this year's Competitive Environment Index. Vacancy here is already below average and supply gains are expected to reach a 10-year low. More affordable-housing options than can be found in nearby New York City are boosting the area's household formation and will generate increased demand for goods and services, creating competition for available retail space. The next two positions are occupied by Los Angeles and Seattle-Tacoma. Both of these metros have sizable employment growth, fueled by higher-paying tech-sector jobs. Young professionals' desire to live in an urban environment is helping to drive the need for expanded goods and services in downtown cores. Development constraints, meanwhile, limit much of the building to mixed-use apartment or office projects with ground-floor retail, restraining inventory growth. Kansas City and Atlanta occupy the fourth and fifth places. Both of these metros have vacancy rates above the national rate, although vacancy is rapidly contracting and subdued supply additions this year will drop the vacancy rate even further.

Strong Sales, Limited Construction Bolster Efficiency

Steady gains in retail sales are expected again this year. Nationally, retail spending currently sits nearly 18 percent above the previous peak while additions to inventory have remained less than one-third of pre-recession levels. Some markets will fare better than others in 2016 in terms of retail spending, and combined with other factors such as inventory growth, these metros offer potential for superior retail-asset performance gains. The Retail Efficiency Index highlights those markets that will have the highest increase in retail sales this year per square foot of inventory. All of these markets will realize outsize retail sales growth, reaching well above the national average, while also factoring in limited supply-side pressure. Strong employment growth, favorable demographics and median household incomes that are at or above the U.S. median are among traits of the top 10 markets in this specialized index.

Minimal inventory expansion, a strengthening technology sector that typically provides high-wage jobs and a growing population of high-spending millennials will help boost retail sales in Salt Lake City this year. The market tops our index with the highest metro retail sales per square foot of retail space inventory. Portland claims our next spot, with vacancy constricting to its lowest level this year as retailers flock to the market. Favorable demographics and well-paying jobs are fostering heightened retail spending and spurring retailers to expand in the area. Moving to the East Coast, Boston ranks third on our list. Widespread demand and space under construction coming online mostly pre-leased in the market will drive vacancy down to the second-lowest rate in the country. The employment outlook remains positive for the metro, helping push up retail spending and boosting inventory efficiency. West Palm Beach and Phoenix round out our list. Both markets benefit from tourism-related travel and spending, and while construction will surge in Phoenix this year, strong retail demand and elevated retail sales growth helped lift the market close to the top.

Investors Eye Higher Returns, Rent-Growth Potential

Seven years into the recovery, rents and asset pricing have increased far above the trough, providing owners with sizable returns. Job creation has spurred household formation, necessitating more shopping options and encouraging retailer expansions in many metros. As a result, heightened competition for well-placed assets is advancing valuations in many primary markets, leading buyers to consider higher-yield metros or value-add opportunities to generate elevated returns. The Total Return Index compares expected rent growth in 2016 to average initial yields. Emphasis is placed on those markets with greater rates of rent growth and relatively higher cap rates, providing sizable current income at a reasonable price. This dynamic, combined with supply increases of 1 percent or less this year, provides a robust margin of safety for investment.

Columbus tops the index with an average cap rate of 8 percent and vacancy that has fallen dramatically for six consecutive years. These conditions will support rent growth of nearly 4 percent this year and provide prime opportunities for investors seeking affordability and steadily rising NOIs. Next on our list, retail assets in the Louisville metro pack a big punch in returns. A fourth consecutive year of rent gains and demand growth will raise the average rent 5.3 percent this year, exceeding the prior peak for the first time since the recession. Charlotte's third-place ranking is underpinned by its stature as hub for financial services, which has contributed to a 10 percent employment gain from the pre-recession high. Elevated space demand is raising rents and providing returns of 7.7 percent initially. Next in line, Nashville's growing demand will outpace supply growth. Combined with a 4.5 percent rent increase this year, the metro stands out for higher-than-average yields. Minneapolis-St. Paul rounds out our top five with a 7.3 percent average cap rate and projected 3.5 percent rent growth, making it a destination for retail-property investment this year.

Retail Efficiency Index

Market Name	Rank 2016
Salt Lake City	1
Portland	2
Boston	3
West Palm Beach	4
Phoenix	5
Denver	6
Pittsburgh	7
Nashville	8
Charlotte	9
New Haven-Fairfield County	10

Spending Power

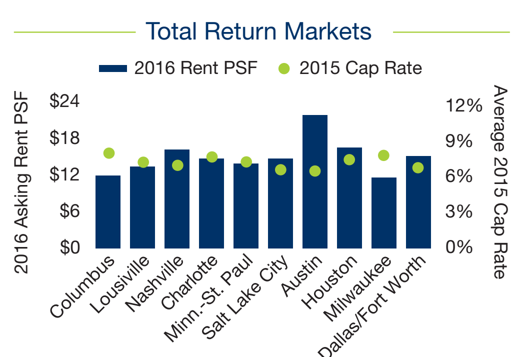
Inventory Change ● PSF Spending Growth

Inventory Growth: 0%, 0.3%, 0.6%, 0.9%, 1.2%
Spending Growth: 0%, 3%, 6%, 9%, 12%

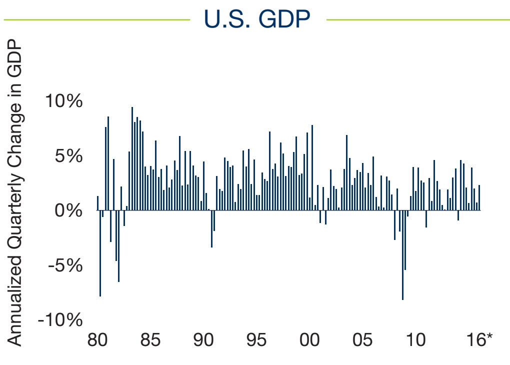
Salt Lake City, Portland, Boston, West Palm Beach, Phoenix, Denver, Pittsburgh, Nashville, Charlotte, New Haven-F.C.

Total Return Index

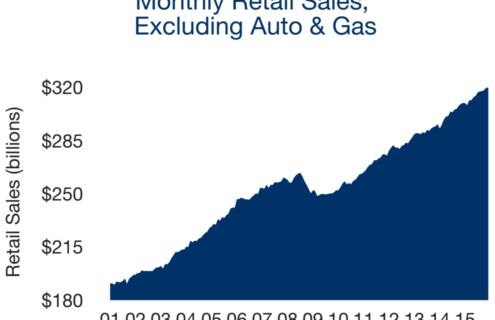
Market Name	Rank 2016
Columbus	1
Louisville	2
Nashville	3
Charlotte	4
Minneapolis-St. Paul	5
Salt Lake City	6
Austin	7
Houston	8
Milwaukee	9
Dallas/Fort Worth	10



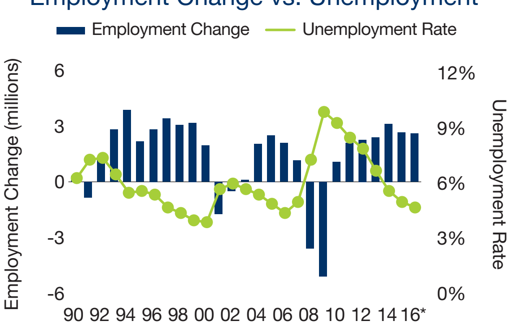
Economy to Maintain Choppy Gains, Extending Cycle into Seventh Year of Growth in 2016



The U.S. economy maintained its steady pace of growth last year, overcoming a variety of headwinds that sought to impede advancement. The strengthening dollar weighed on exports, but it joined falling energy prices to restrain inflationary pressure. Weakening international economies and China's currency devaluation also presented risks, leading to bouts of turbulence on Wall Street, but despite these challenges, the Federal Reserve signaled its confidence in U.S. growth by modestly raising its overnight rate in December. Throughout the year, consumption made consistent gains, lifting core retail sales by 3.3 percent for the year. Much of the advancement reflected the emerging influence of millennials. Internet commerce and rising sales at restaurants combined with sporting goods to lead the gains, but every retail subsector participated in the growth.

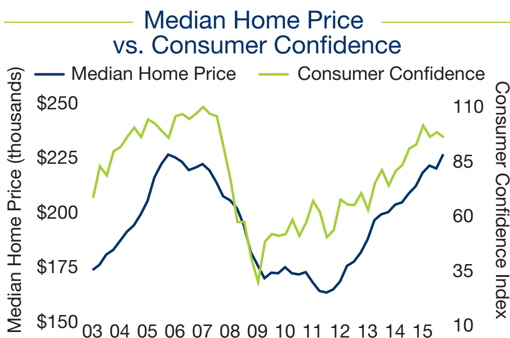


The combination of moderate economic expansion offset by a variety of setbacks reiterated the uneven growth pattern experienced over the last six years. This trend will likely carry into 2016 as international headwinds continue to hamper expansion. Modest breathers have tamed risks of economic overheating, and they have already extended the current expansion cycle beyond the typical five-year duration. This combination has led to 63 months of continuous positive employment growth through year-end 2015, adding a cumulative 13.4 million jobs since the end of the recession. Considering that total job openings remain near record levels, the unemployment rate will remain under pressure with a high probability of dipping well below the 2015 year-end 5.0 percent. This will in turn support upward pressure on wage growth, which has lagged this cycle, joining low gas prices to boost discretionary income and hopefully consumption. Should wage pressure advance rapidly, it would be a mixed blessing as it would also place upward pressure on inflation, forcing the Federal Reserve to consider its monetary policies carefully.



2016 National Economic Outlook

- **U.S. Payrolls to Swell:** Following the addition of 2.7 million jobs in 2015, employers will maintain the gradual pace of growth by creating another 2.0 to 2.5 million positions this year. Job creation will be broad-based, with only natural resources and mining and some segments of manufacturing likely to lag the overall trend. Secondary and tertiary metros were late to join the economic recovery but will record solid hiring gains in 2016.
- **Consumers to Steer the Expansion of the U.S. Economy:** Anticipated stable hiring and moderate wage growth together with low gas prices and comparatively inexpensive imports position consumers to lead the economy into a seventh year of expansion. These gains will be partially offset by weaker corporate expansion as the strong dollar burdens international revenue. Risks of more-severe-than-anticipated slowing of international economies would place an additional drag on the pace of growth.
- **Consumers Increasingly Turning to Online Shopping:** Led by the highly digital millennials, online and mobile shopping has emerged as the leader in retail sales growth. Electronic shopping rose 10.2 percent in 2015, easily outpacing the 3.3 percent bump in core retail sales. While e-commerce represents just 11 percent of total retail spending, numerous retailer categories remain susceptible to inroads from Web-based competitors. Traditional retailers have bolstered their online and mobile retail presence to challenge pure-play Internet stores, and the coming year may bring additional emphasis to omnichannel strategies that blend the strengths of brick-and-mortar with e-commerce.



* Forecast

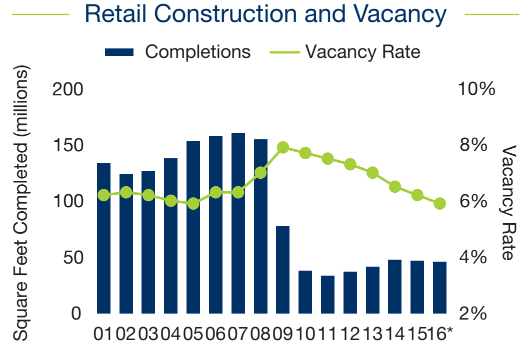
Limited Construction Buoys Retail Property Performance; Rent Growth Advancing Steadily

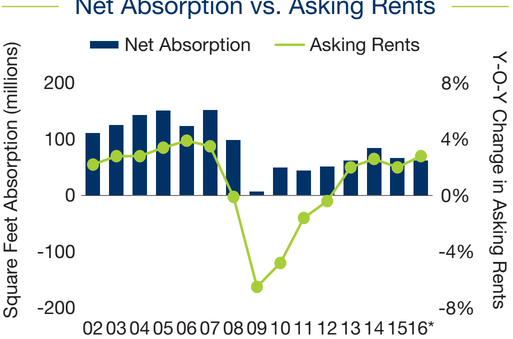
The U.S. retail-property sector rode positive trends in employment, income and retail spending to a modest reduction in the vacancy rate for a sixth consecutive year during 2015. Space demand eased from 2014 levels but remained ahead of the post-recession trends, supporting stronger performance as new property openings remained subdued. The limited completions delivered last year were heavily concentrated in single-tenant concepts, a distinguishing difference from past cycles. Amid limited shopping center development, national and regional brands continued to expand into existing properties, pushing down multi-tenant vacancy to a post-recession low. Small local retailers also contributed, tapping government financing and greater access to bank credit to start new retail businesses and occupy space in strip centers. New retail-business formations will likely remain a potent driver of space demand in 2016, while national and regional brands could encounter greater challenges matching space specifications with availability. Many of these retailers will continue to refine growth strategies that mix both physical locations and an online presence.

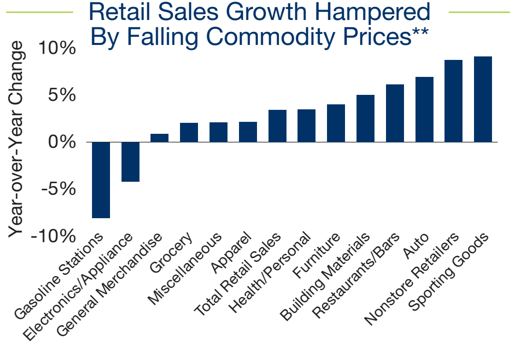
Steady space demand will further strengthen property performance in the coming months as projected completions edge lower from last year's total. The surge in multifamily construction has made it more difficult for retail developers to find quality locations that pencil, limiting construction. Still, the pipeline of planned projects has increased significantly, raising the prospects of a surge of completions beginning in 2017 should the supply-and-demand trends push rental rates sufficiently. Over the near term, retail-property operators will take advantage of muted competitions and tightened vacancies to push rents, though the projected year-end rates will remain below their pre-recession peak. In the five years before the recession, rent growth averaged 3.3 percent, but since rent increases advanced into positive territory in 2013, rents have only grown at an average 2.2 percent pace. The outlook for rising rents in 2016 appears brighter, with a 2.8 percent gain forecast nationally, but rents will still be 4.3 percent below their pre-recession peak set in 2007. With vacancies compressing, operators may increasingly accept higher near-term vacancy to secure tenants willing to pay higher rents than those on expired leases.

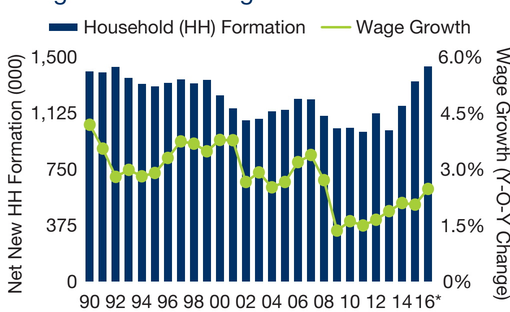
2016 National Retail Outlook

- New Store Openings to Trim Vacancy: Retailers moved into an additional 66 million square feet of space nationwide in 2015, slicing the vacancy rate 30 basis points to 6.2 percent. Growth in space demand will once again exceed additions to supply this year, supporting a 30-basis-point decline in vacancy to 5.9 percent, the lowest year-end level in 16 years. Tighter vacancy will underpin rent gains of 2.8 percent, the strongest rent appreciation since 2007.
- Subdued Construction to Linger Another Year: Restrained retail-property development has characterized the post-recession period and supported a steady drop in vacancy, a trend that will persist in 2016. This year, developers will complete 46 million square feet, representing a modest decline from last year's total, but the pipeline of planned projects is increasing. Nearly 30 percent of this year's projected square footage will come online in five markets: Houston, New York City, Dallas/Fort Worth, Chicago and Orlando.
- Sales at Inline, Anchor Retailers Rise: Although online sales continues to make inroads, traditional inline retailers and anchors posted respectable growth in sales last year and are well-positioned for 2016. Sporting-goods and building-materials stores fared well, registering growth in receipts of 9.1 and 5.0 percent respectively, while sales at apparel and furniture stores also grew more than 2.0 percent.









* Forecast
** Through January 2016

Multi-Tenant Retail Cap Rate Trends

Multi-Tenant Retail Cap Rate — 10-Year Treasury Rate

Average Rate: 12%, 9%, 6%, 3%, 0%

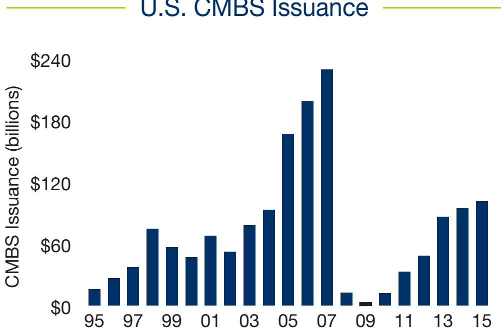
Cap Rate Long-Term Avg.

10-Year Treasury Long-Term Avg.

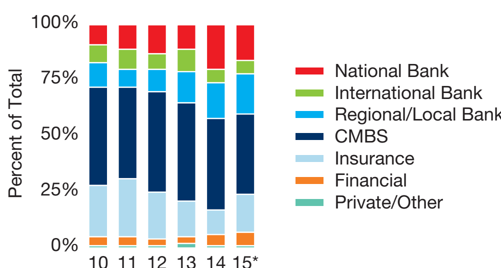
90 92 94 95 98 00 02 04 06 08 10 12 14 15

Note: Sales $1M and above

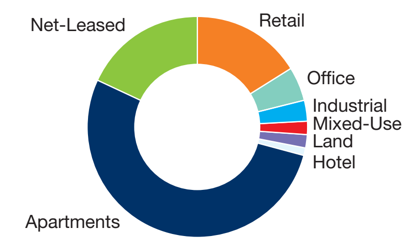
U.S. CMBS Issuance



Retail Mortgage Originations by Lender



1031-Exchange Sales Trends By Down-Leg Property Migration



* Estimate

Debt Capital Widely Available As Lenders Vie for Market Share

The strong performance of retail properties in many markets throughout 2015 maintained a steady flow of equity into the sector and opened up new opportunities for debt providers to participate. CMBS accounted for more than 30 percent of debt-issuance volume last year to claim a larger market share than all other lenders. Spreads on CMBS loans widened in the third quarter, raising costs for borrowers, and did not narrow in the closing months of the year as subordinate bond investors demanded higher yields. CMBS leverage in multi-tenant deals typically ran in the 65 percent to 70 percent range, where it will likely remain in 2016. Greater discretion may be applied in the coming year on loans involving unanchored or shadow-anchored shopping centers, however, as the maturing economic cycle could slow the pace of retail sales growth. Life companies, meanwhile, captured a greater piece of the market last year and came into 2016 with new capital to place. This group of lenders remains highly selective, focusing on large, well-located anchored assets in major markets and offering leverage lower than other debt sources.

Lending capacity should remain healthy in 2016, although low oil prices could impose additional stress on low-rated energy-sector bonds that translates into higher yields in the entire bond market. Bank lenders, who have shored up balance sheets in recent years, remain positioned and capitalized to compete for market share in 2016, perhaps gaining business that CMBS cannot fill. The Federal Reserve's accommodative monetary policy conferred a low cost of capital to these lenders, an advantage that could wane if the central bank raises its benchmark rate more aggressively than anticipated during 2016. In the single-tenant segment, banks and CMBS remain active and the credit standing of many highly sought single-tenant retailers remains stable. Walgreen's announced acquisition of Rite-Aid, though, may trigger a review by credit-ratings agencies that affects asset pricing and targeted investment returns, in addition to prompting a re-appraisal of risk by lenders. Consolidations of retailers typically raise the potential for a revision of credit ratings.

2016 Capital Markets Outlook

- **Central Bank Remains Vigilant:** The Federal Reserve's rate hike in the fourth quarter last year was anticipated for some time and reiterates the central bank's confidence in the U.S. economy. The central bank has stated its intent to raise its short-term rate to 1 percent in 2016, but the risk of contagion from soft overseas economies and U.S. economic trends will likely require a reconsideration of its plans.
- **U.S. Treasury Yield Stable; Subject to Foreign Demand:** The 10-year U.S. Treasury held well below the long-term average throughout last year. The long-term bond will reside near those levels again in 2016 as slowing economic growth globally sustains demand for U.S. government debt. China remains a potential variable, however, as additional cutbacks in purchases of the 10-year Treasury resulting from the country's softening economy could pressure long-term interest rates and property-financing benchmarks.
- **New Rule to Govern CMBS Market:** Changes are coming to the CMBS market in December 2016. A rule will be imposed requiring the issuer of a CMBS deal to either keep a slice equal to 5 percent of the market value for five years or designate a subordinate bond buyer to assume that risk. The so-called risk retention rule may potentially result in wider spreads in the event that designated subordinate bond buyer require higher yields.

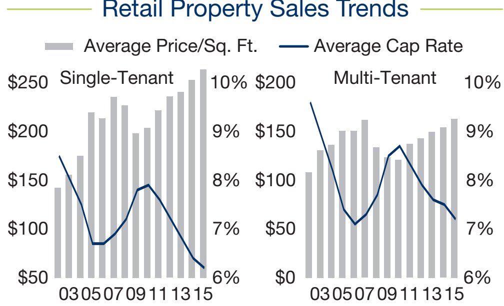
Yield-Seeking Investors Consider Wider Range Of Assets and Markets in 2016

Strengthening property performance, steady equity flows and competitive debt markets combined to generate a modest increase in transaction velocity last year and provide a stiff tailwind riding into 2016. Sales of single-tenant assets accounted for more than half of all transactions for the eighth consecutive year in 2015, but the proportion of multi-tenant deals rose, indicating greater acceptance of operational and re-leasing risk among investors. The average cap rate in all deals contracted about 20 basis points to roughly 6.5 percent as competition for assets intensified. Initial yields dipped to less than 6 percent in markets where lower returns are customary, including the more-vibrant California markets and supply-constrained Miami-Dade. With long-term interest rates projected to remain low in 2016, additional positive leverage opportunities will emerge for multi-tenant property investors. Private capital, specifically, was active in 2015 and will continue to target opportunities to enhance value, employing strategies that include turning over tenants and refreshing property appearance.

Heightened investor confidence, along with limited construction that will support strategies to raise rents to augment NOIs, will sustain a liquid investment market in 2016. Many investors seeking assured returns or trading out of management-intensive properties will continue to focus on single-tenant properties net leased to highly rated tenants, especially in the event that turmoil in global markets persists. Institutions will also maintain a conservative stance, targeting returns in the 6 percent range offered by anchored shopping centers with long-term leases in place in major metros. In addition, retail assets will continue to attract the attention of redevelopment-oriented groups. Obsolete or underperforming regional malls that can be reconfigured as mixed-use concepts, for example, could find buyers among this contingent. In general, retail investors will continue to take in the changing retail landscape, wherein many retailers continue to pursue multi-channel strategies combining actual stores and an online presence. In addition, millennials continue to come of age and form households, often in urban settings that will require new retail concepts.

2016 Investment Outlook

- **All Market Types Seeing Action:** Transaction velocity for all property types rose at a slower rate in 2015 than in the prior year, though primary markets bucked the trend and recorded a faster pace of deals. While disparities between cap rates in primary, secondary and tertiary markets persist, the risk premium has narrowed in recent years, though the spread remains significantly greater than the last cycle. Investment in secondary and tertiary markets will continue to grow as debt providers keep competing for market share and investors pursue yield.
- **Subdued Construction Could Promote Expansions:** Spending on multi-tenant retail-property construction nationally remains substantially below the levels recorded before the recession, partly reflecting much lower single-family homebuilding. With lagging construction greatly limiting space options for retailers seeking new locations, property owners and investors may increasingly look to expand shopping centers to relieve unfulfilled space demand, thus enhancing property values.
- **Ownerships Shift in Grocery Space:** Kroger's recent acquisition of Midwest chain Roundy's leaves unresolved questions regarding whether Roundy's will undergo changes or be left to operate semi-autonomously. Separately, private-equity firm Cerberus Capital continues to look to spin off Safeway from Albertsons, but an initial public offering late last year was postponed due to unsettled market conditions.



Sales figures represent transactions of $1 million+.

Retail Cap Rate Trends by Market Type

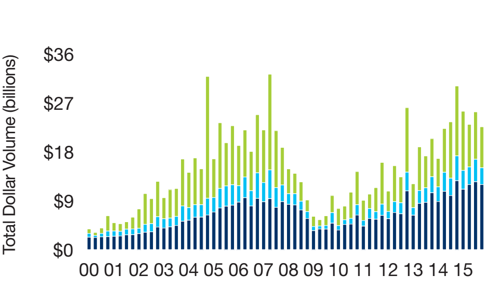
Primary — Secondary — Tertiary

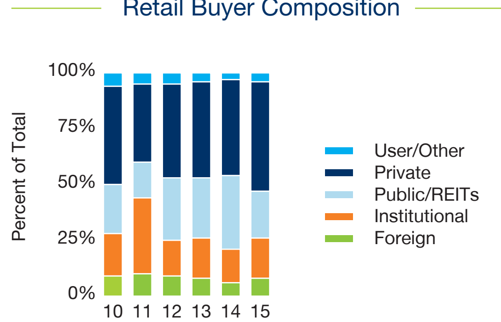
Average Cap Rate: 10%, 9%, 8%, 7%, 6%

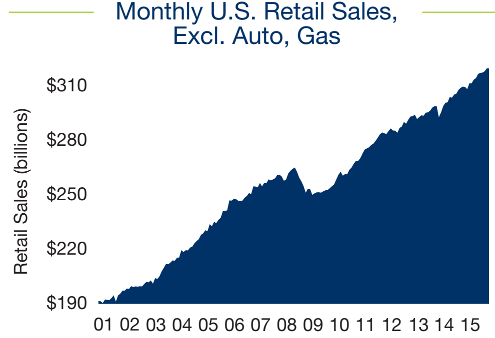
04 05 06 07 08 09 10 11 12 13 14 15

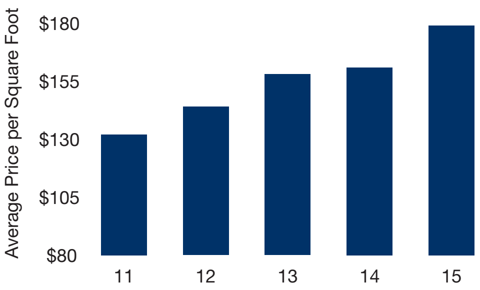
Retail Sales Volume by Price

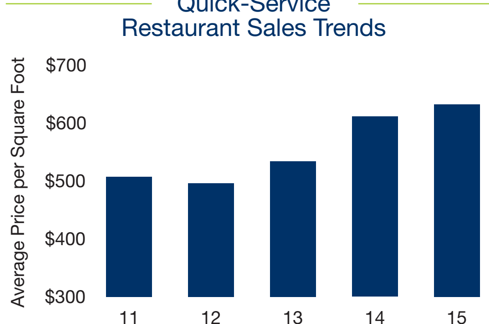
$1M-$10M | $10M-$20M | $20M+











Net-Lease Investors Continue Allocation Strategies Amid Equity-Market Volatility

Heading into 2016, the U.S. economy is presenting a mixed picture, with a strong consumer benefiting from low gas prices being offset by weakness in the manufacturing sector and oil-producing states. While oil producers have been pinched by lower prices, the consumers have benefited greatly from the sharp drop in gasoline prices. Although the extra spending power has yet to filter into the real economy, consumer confidence remains high and jobless claims hover just above a 30-year low. Wage pressures are also starting to percolate in several sectors, including construction and skilled labor, indicating further improvement is likely over the near term. This bodes well for additional gains in discretionary spending categories such as auto sales and eating establishments as consumers feel more comfortable with the outlook for the coming months. In addition, an aging population, along with a rising number of insured due to the individual insurance mandate of the Affordable Care Act, is fostering strength at drugstores. Meanwhile, the strong dollar is shrinking the cost of foreign goods, prompting weakness in the manufacturing sector as the consumer shifts purchasing power abroad. Oil-producing states are also likely to diverge as lower revenues and payrolls crimp growth rates. As a result, economic results are likely to vary widely by location, supporting a more measured approach to capital allocation in the net-leased space over the coming months.

In a search for yield amid a world of historically low interest rates, investors are seeking net-leased assets. Baby boomers, in particular, are exchanging out of apartments and other commercial real estate assets and into net-lease properties, seeking to reduce or remove the need for active management. Assets in primary markets are highly sought after, although the ease of capital migration has also boosted the prospects of secondary and tertiary markets. The most aggressive bidding will occur for nationally accredited tenants with new leases as investors attempt to avoid the renewal risk associated with shorter-term structures. Opportunities are likely to expand in this area over the coming year as developers ramp up expected construction, led by pre-leased single-tenant pads. In addition, stock-market volatility has shifted the focus among investors toward safe, secure yields in the net-leased space. Tax-free states will receive the bulk of the increased demand as buyers look to purchase assets at greater rates of return.

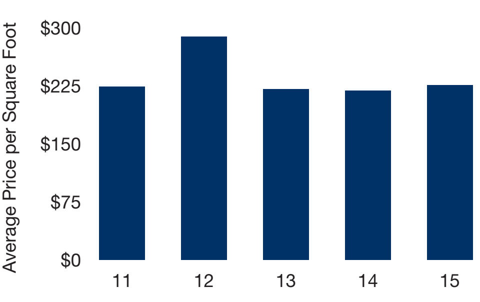
Auto-Parts Retailers

- Auto sales surpassed the 2000 record this year as more than 17.47 million vehicles were sold. Despite the sales record, the average age of vehicles on the road in the United States is still 11.5 years old, supporting future growth in vehicle sales. As a result, auto-parts retailer sales will benefit from the maintenance required to keep older vehicles on the road.
- During the most recent 12-month period, deal flow flourished as additional investors deployed capital into the asset class. Closed transactions exchanged ownership at average prices per square foot between $250 and $600, with an average in the high-$300 per square foot range, depending on the remaining lease structure, tenant and location.
- In 2015, average cap rates for auto-parts retailers compressed 30 basis points due to heightened demand. New corporate leases for AutoZone will begin in the mid-5 percent band, while O'Reilly locations will price at slightly higher yields in the high-5 percent area. Advanced Auto Parts stores will drift into the low-6 percent range.

Casual Dining

- For the first time ever, consumers spent more at food and beverage establishments than grocery stores in 2015, highlighting a shift in consumer behavior toward eating out more frequently. When combined with lower gas prices, casual-dining establishments will likely prosper in the coming year.
- Transaction velocity for restaurants swelled 7 percent over the past year, as investors continue to position themselves in established restaurant chains. Average prices per square foot vary widely by concept, with closed transactions between $150 and $300 per square foot, depending on location.
- While tenant and lease structure will dictate the terms of each transaction, average first-year yields in the casual-dining sector slipped 10 basis points to the mid-6 percent range.

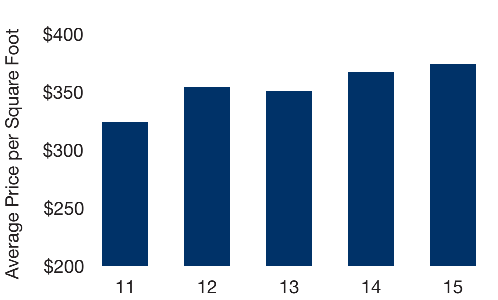
Auto-Parts Retailer Sales Trends



Dollar Stores

- As part of approval for the merger, the combined Family Dollar and Dollar Tree entity will begin the process of selling 330 locations to a private-equity firm in order to meet anti-trust agreements. However, the impact to other expansion plans will be minimal.
- Concerns over the fate of the pending Family Dollar/Dollar Tree merger reduced trading in the dollar-store segment in 2015. This concern did not impact prices, however, as closed transaction prices were roughly unchanged from the prior year in the mid- to high-$100 per square foot range.
- New corporate leases in the segment will offer first-year yields in the high-6 to low-7 percent area, depending on credit, tenant and location. Yields can drift into the mid-8 percent range for shorter leases.

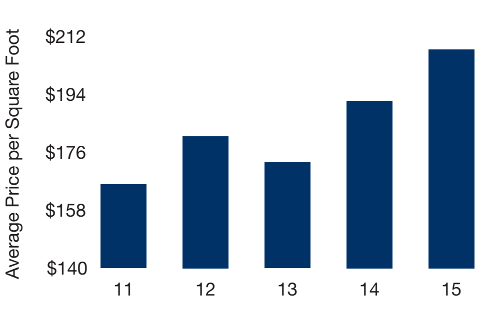
Drugstore Sales Trends



Drugstores

- The Affordable Care Act has greatly increased the number of people insured, prompting vigorous activity at drugstores. Additionally, Walgreens has offered to purchase Rite Aid, although the merger is still pending approval from numerous regulatory agencies.
- Market tailwinds encouraged investors to bid aggressively for drugstores, with prices per square foot firmly above $500 for the national average. In addition, the bulk of net-leased deals were in the space, underscoring the robust interest in the asset class.
- Cap rates in the segment can sink into the low- to mid-5 percent range for new leases, while shorter leases will still trade in the low-6 percent area.

Casual Dining Sales Trends



Quick-Service Restaurants

- Despite health concerns at quick-service restaurant stalwart Chipotle, the segment will still strengthen considerably as consumers shift toward healthier eating alternatives and rapid service.
- Transaction velocity was largely unchanged in 2015, with deal flow dependent on availability of leases. Prices per square foot will extend past $600 on average, depending on tenant and lease structure.
- Average cap rates in the segment will begin in the mid-6 percent range, while corporate ground leases from Starbucks and McDonald's can sink into the 4 percent span.

Employment vs. Retail Sales

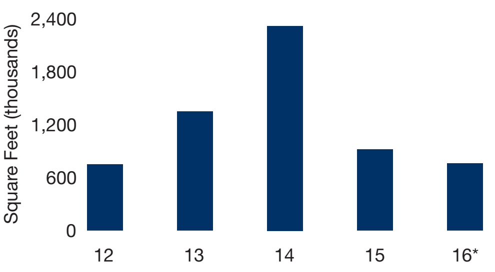
Employment — Retail Sales

Year-over-Year Change

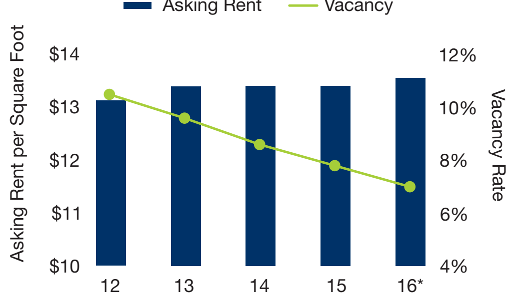
8%
6%
4%
2%
0%

12 13 14 15 16*

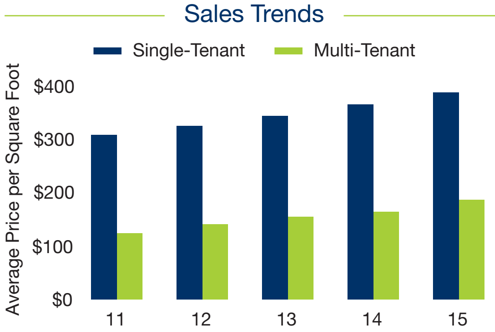
Retail Completions



Asking Rent and Vacancy Trends



Sales Trends



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

Surging Atlanta Economy Supports Retail Spending, Driving Vacancy Rates to New Lows

Increasing consumer spending coupled with a slowdown in retail construction will further tighten the strong Atlanta retail market. Demand for retail space has risen due to favorable demographic trends. In addition, several high-profile projects are in the works that will create new retail and trade areas, including new NFL and MLB stadiums expected to open in 2017. These projects will provide substantial economic lift to surrounding retailers and enhance the opportunity to attract marquee events to Atlanta. The warm climate, ample job opportunities and affordable cost of living are also having a positive impact on demographic trends. Population growth, particularly among the high-spending cohort of 20- to 34-year-olds, is nearly triple the national rate, underpinning the strongest period of retail sales growth in three years. Despite robust optimism, construction will slow in 2016 with annual completions stalling to well below the five-year average. A decline in metro development will allow the metrowide vacancy rate to fall to a 10-year low in 2016. Tight market conditions will encourage a rent uptick, with the average asking rate reaching the highest point since mid-2011.

Investor demand for Atlanta retail assets will remain intense in 2016 with high occupancy rates and a strong economic outlook holding interest. Buyers outnumber sellers in the metro, forcing highly motivated investors to bid aggressively on available assets. This competitive buying environment has helped push valuations to a 15-year high, led primarily by gains in single-tenant pricing. Deal flow is overwhelmingly centered on transactions in the $1 million to $10 million price tranche, although some activity occurs for more expensive properties by out-of-state buyers. Cap rates for fast-food properties with a nationally recognized tenant will trade in the 4 percent range with drugstore assets hovering in the 6 percent area. On the multi-tenant side rates average in the 7 percent area depending on asset quality, location, tenant mix and lease structure.

2016 Market Forecast

NRI Rank 23, up 3 places — A steep decline in vacancy and strong employment growth pushed Atlanta up three spots.

Employment up 3.2% — Metro employers will hire 84,000 new workers in 2016, an increase of 3.2 percent. Last year, Atlanta organizations added 77,000 jobs, led by gains in the professional and business services sector.

Construction 760,000 sq. ft. — The pace of construction will slow this year as developers bring 760,000 square feet of retail space to market. In 2015, builders completed 922,000 square feet.

Vacancy down 80 bps — Following an 80-basis-point drop last year, the metro's vacancy rate will fall 80 basis points in 2016, landing at a 10-year low of 7 percent by year end.

Rent up 1.1% — The average asking rent will reach $13.55 per square foot this year, an increase of 1.1 percent. Last year, metro rent remained flat at $13.40 per square foot.

Investment — In-town properties and assets in the northern suburbs will draw heavy investor interest. Specialty grocers with some health component will also attract attention.

Texas-Size Consumer Spending Attracts Retailers And Investors to Austin

Austin's economy is firing on all cylinders, and employment growth along with favorable demographic trends will further advance the area's retail market this year. Employers in the metro will outpace the nation for the seventh consecutive year as they increase payrolls, drawing a number of new residents to the market in search of jobs. As a result, retailers are expanding their presence in the metro and developers are following the path of residential growth. Nordstrom and Restoration Hardware will anchor the Domain's final phase of retail, opening this year in the northern portion of the metro. The project will also feature local shops and restaurants. In addition, new centers will be delivered in Pflugerville and Lakeway by year end as developers pick up the pace of multi-tenant retail construction. Single-tenant projects will account for the bulk of deliveries again this year as several restaurants and larger retailers add new locations through the market. This heightened demand for space will put downward pressure on vacancy, and the rate will tumble below 4 percent by year end.

Continued improvement in the metro's retail market will lure investors to Austin this year. Strong buyer demand has increased competition for available assets, and the stabilization of properties across the market has resulted in limited value-add opportunities. As a result, investors in search of upside potential will seek assets in need of repositioning through capital infusions and bringing rents up to market. Heightened demand for these properties through the year will further limit opportunities, and these assets typically trade for premium yields, sometimes below 7 percent. High-quality stabilized centers draw initial returns in the low- to mid-7 percent area, while Class B and C properties generate first-year yields in the high-7 to low-8 percent range. Single-tenant cap rates vary widely based on tenant credit and user type, starting in the low-4 percent area for national fast food chains and trending upward.

2016 Market Forecast

NRI Rank
2, up 2 places
Austin climbed two spots this year as rents are set to rise at the fastest pace in the nation.

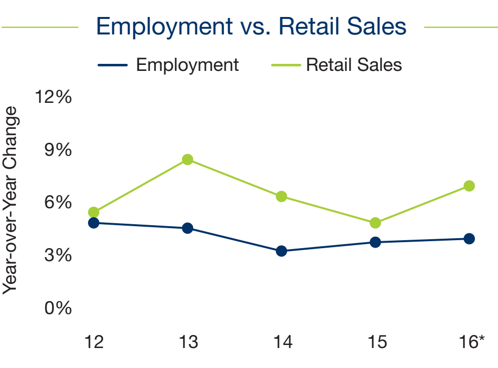
Employment
up 3.9%
Austin employers will add 37,500 workers to payrolls this year, an annual increase of 3.9 percent. In 2015, companies grew staffs 3.7 percent with the creation of 34,600 positions.

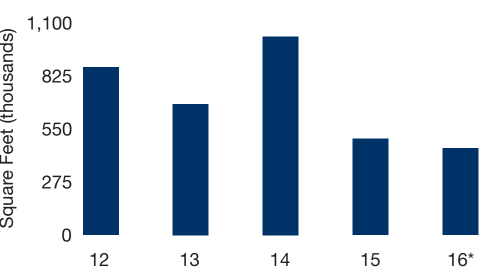
Construction
450,000 sq. ft.
Builders will deliver 450,000 square feet of retail space in 2016. Last year, developers completed just over 500,000 square feet.

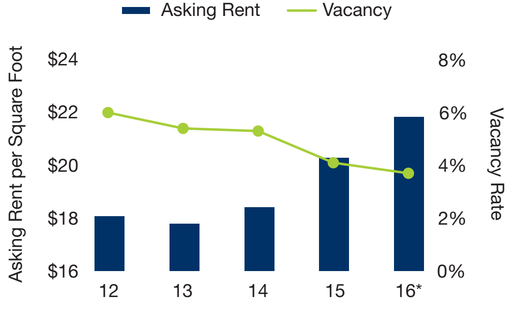
Vacancy
down 40 bps
Following a 120-basis-point decline in 2015, vacancy will fall 40 basis points year over year to 3.7 percent, the lowest rate in almost 10 years.

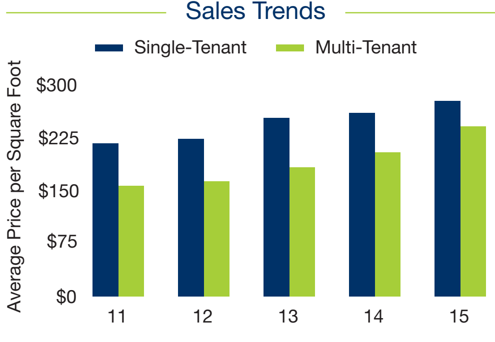
Rent
up 7.6%
The average asking rent will grow 7.6 percent annually to $21.81 per square foot by year end. The average asking rent rose 10.2 percent last year to $20.27 per square foot.

Investment
Construction remains limited to mostly single-tenant assets, providing additional opportunities for investment this year as these properties are completed and sold.









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

Mixed-Use Developments Highlight Baltimore Of Tomorrow; Investors Focus on Safety of Returns

Broad-based employment gains are fostering an expansionary atmosphere toward Baltimore retail properties as job growth reaches the best pace since the late ’90s. Since the recovery began, additions in the professional and healthcare fields have led the way, boosting disposable incomes and encouraging retailers to open new locations. Builders have responded to tightening conditions, with construction set to surpass 2015 levels. The slate of deliveries will be highlighted by several large mixed-use offerings such as Foundry Row and Metro Centre in Owings Mills and Rotunda in northwest Baltimore. Together, the three projects account for more than three-quarters of this year’s development, with the rest made up of smaller single-tenant spaces that are mostly pre-leased. While the long-term outlook remains bright, the accelerating pace of construction will pressure the metro vacancy rate as retailers shift out of older space and into new offerings. As a result of turnover into higher rent spaces, average asking rent gains will be marginally positive.

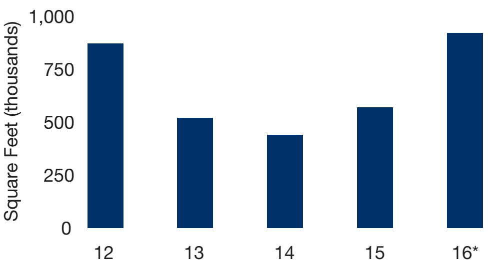
As operations have slowed over the past year, investors have taken a more measured approach to deploying capital in the metro. Favoring stabilized assets in the urban core, buyers are seeking mixed-use properties near employment hubs with long tenant leases, helping to mitigate potential risks from the investment. Meanwhile, private buyers are transitioning toward value-add assets in the eastern portions of Baltimore County where additional upside to NOIs can be achieved through re-tenanting or building improvements. Single-tenant assets with national credit are also popular choices due to the larger pool of investors willing to take the risk on them. Metro cap rates will begin in the mid-6 percent range, with the vast majority of assets exchanging ownership in the mid-7 percent area due to the distance from the urban core.

Employment vs. Retail Sales

Employment — Retail Sales

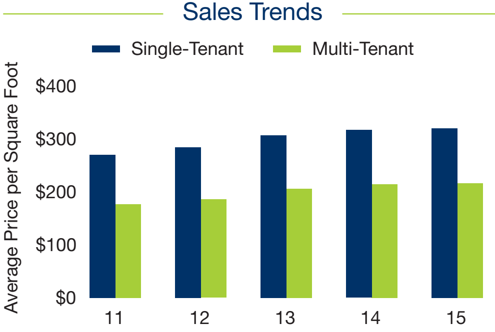
Year-over-Year Change: 0%, 2%, 4%, 6%, 8%; 12, 13, 14, 15, 16*

Retail Completions



Asking Rent and Vacancy Trends

Sales Trends



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

2016 Market Forecast

NRI Rank 25, down 10 places — Baltimore fell 10 places as vacancy rises and rent advances declined to one of the slowest paces in the nation.

Employment up 2.3% — Baltimore organizations will create 32,000 new jobs this year, expanding payrolls 2.3 percent. In the previous year, more than 30,800 workers were hired.

Construction 920,000 sq. ft. — Development will accelerate this year as 920,000 square feet is completed, with the bulk of the space combined in three projects. Last year, builders finished 570,000 square feet.

Vacancy up 20 bps — Although net absorption will more than double this year, supply growth will outpace demand, fostering a 20-basis-point rise in vacancy to 5.6 percent. In the prior 12 months, vacancy rose 30 basis points.

Rent up 0.8% — As retailers shift toward updated spaces, vacancy and turnover will increase, limiting average asking rent growth to just 0.8 percent to $18.35 per square foot.

Investment — Stable assets near transportation and employment hubs will see interest rise over the coming year as investors seek out stable properties.

Vacancies to Tighten Significantly As Rising Construction Readily Absorbed

Overall tenant demand for retail-center space remains ahead of supply and Boston developers are keen to optimize on this opportunity. Density limitations in the core encourage street-level development of retail space in apartment and office towers, allowing consumers to shop with ease. Steps away from these sites, other developers are repositioning older, well-located assets to attract national retail brands and local chains. Build-to-suit construction for credit tenants is also filling up empty lots and storefronts. Farther from the core, where density is less of a concern, builders are renovating older regional malls and completing new suburban retail centers consisting of 100,000 to 300,000 square feet to meet the needs of retailers adding locations. This year's widespread demand will tighten vacancy to the second-lowest rate in the U.S. and elevate rent for existing and speculative space brought to market.

Institutional investors will flock to the stability of Boston's retail assets and a growing number of upper-tier urban properties. Average cap rates are lower than other East Coast metros, though a variety of yield objectives can be met here. Rising rents in prime locations, now above pre-recession highs, have contributed to a doubling of transaction activity in the past five years. Opportunities for stability are sought near large urban towers and new buildings adjacent to long-standing suburban lifestyle centers being redeveloped. Price appreciation in these properties has created competition for individual buyers, who are now targeting many of the same assets as syndicates and smaller institutions. Cap rates for retail buildings in the core are in the 4 to 5 percent range, whereas suburban properties can trade 100 to 200 basis points upward. Those seeking higher initial yields will look toward the periphery of Route 128 and along other transportation corridors farther out. Demand from residential and office development will support operations in these areas going forward.

2016 Market Forecast

NRI Rank 10, up 4 places — Strengthening rent growth and steady demand for retail space propelled Boston four spots in this year's NRI.

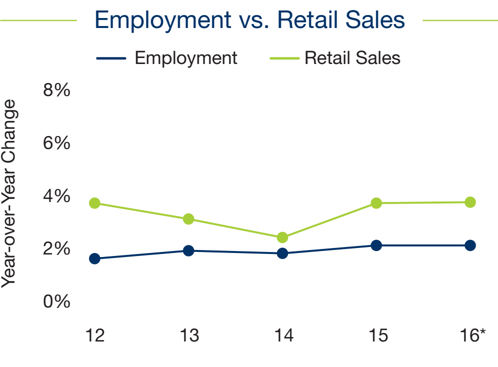
Employment up 2.1% — Employers will add 55,000 workers to payrolls this year, expanding employment by 2.1 percent. This follows the creation of nearly 54,000 positions in 2015.

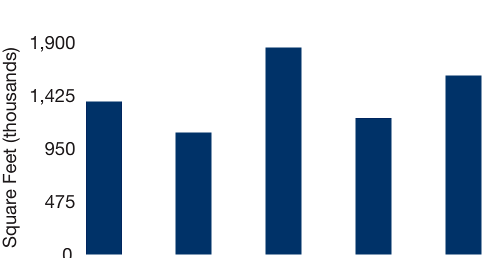
Construction 1.6 million sq. ft. — Builders will deliver 1.6 million square feet of retail space in 2016, adding 0.9 percent to local supply. Overall net absorption will expand to nearly 2.2 million square feet. In 2015, 1.2 million square feet was completed.

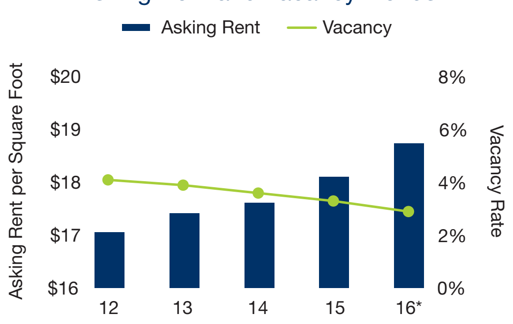
Vacancy down 40 bps — Market vacancy will drop 40 basis points this year to 2.9 percent, one of the lowest rates nationally. This builds on the 30-basis-point decline last year.

Rent up 3.5% — Average asking rent will rise at the fastest annual pace in a decade, gaining 3.5 percent in 2016 to $18.73 per square foot, while urban rents can be more than double this amount. Last year, metro rent grew 2.8 percent.

Investment — Retail investors will seek Boston assets for stable returns. Compressing cap rates will provide for appreciation opportunities in this segment of retail properties.







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

Employment vs. Retail Sales

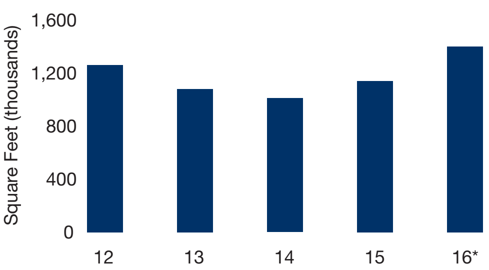
Employment — Retail Sales

Year-over-Year Change

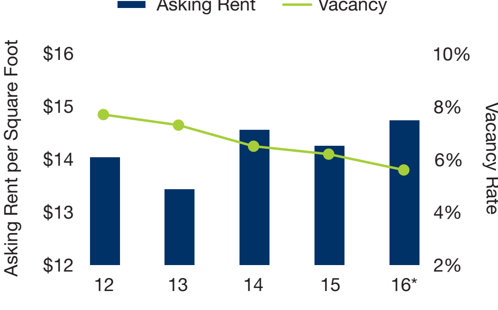
8% 6% 4% 2% 0%

12 13 14 15 16*

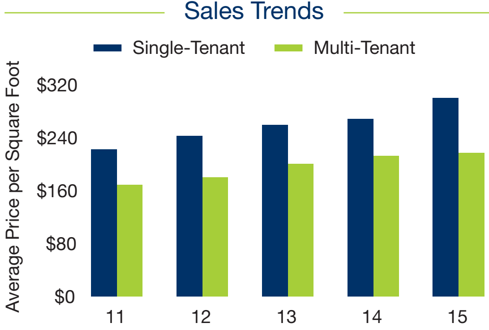
Retail Completions



Asking Rent and Vacancy Trends



Sales Trends



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

Jobs and Retail-Property Operations Draw Investors to the Queen City

Disposable income from newly formed households is generating greater demand for shopping options in Charlotte, where nearly 2 million square feet of retail space will be absorbed this year, the highest amount in nearly a decade. Households are forming as corporate headquarters expand in the metro and boost employment levels. By year end, employment will exceed the 2007 peak by 125,000 positions, including high-paying financial and business roles in this banking hub. This economic strengthening will tip the metro's retail vacancy below 6 percent for the first time since 2008 and places it on a trajectory for further tightening. The improvement has made developers confident in the metro's supply-and-demand dynamics, as they lift local retail stock by more than 1 million square feet this year following a four-year trend of similar growth. New infill projects are taking priority both in Uptown and in suburban areas located within a 1-mile radius of major thoroughfares. While many developers are meeting pro-forma objectives through these ground-up construction projects, others are bypassing rezoning and impact-fee requirements by renovating older buildings in pockets to the south and east of Uptown.

Value-add deals combined with overall increasing tenant demand will raise the metro's average rent. Elevated buyer interest for higher returns has fostered triple the trading activity since the 2010 trough. Competitive bidding compressed cap rates nearly 200 basis points in the same period. This trend is likely to continue as more buyers enter the market for yields that remain 20 to 170 basis points above those in other large East Coast markets. Local cap rates generally range between 6 and 9 percent, with an average of 8 percent. Ground-leased assets with corporate backed tenants can obtain yields in the 4 to 5 percent span both in the core and on well-trafficked suburban corners circling Interstate 485 as far out as Stallings and Kannapolis.

2016 Market Forecast

NRI Rank 28, up 2 places — Charlotte jumped two places in the NRI this year as demand outpaces supply additions.

Employment up 3.3% — Employers will generate 3.3 percent more positions as they create 37,000 jobs in 2016, edging slightly higher than the 36,000 headcounts added in the prior year.

Construction 1.4 million sq. ft. — Strong tenant demand will spur developers to add 1.1 percent to local retail stock this year, or 1.4 million square feet of space, up from 1.1 million square feet constructed in 2015.

Vacancy down 60 bps — Average metro vacancy will fall 60 basis points in 2016, to 5.6 percent as retailers absorb nearly 2.1 million square feet of space. This is an acceleration from the 30-basis-point dip a year earlier.

Rent up 3.4% — Asking rent will rise 3.4 percent this year to $14.73 per square foot as demand for shopping-center space increases. This follows a 2.1 percent loss last year.

Investment — A low-interest rate environment coupled with higher than average yields for the metro will draw new buyers to local retail assets.

Vacancy Drops Amid Retailers Absorbing Space; Smaller Multi-Tenant Strips Catching Investors' Eye

Employment growth, population gains and higher incomes will contribute to rising retail sales in 2016, propelling Chicagoland's retail market. Increased tenant demand coupled with a slight decline in new inventory, meanwhile, will bolster operations. In the city, retail space in infill apartment and office projects proliferates. City Hyde Park is the most significant of these projects with Whole Foods anchoring the 110,000 square feet of retail space. Metrowide, grocers will account for a sizable portion of new construction and absorption of larger blocks of inventory this year, while furniture-store expansions will boost occupancy in the 20,000- to 45,000-square-foot range. Bob's Discount Furniture will open six stores in existing space this year and Art Van will occupy three more locations. These leasing efforts will contribute to vacancy throughout the metro dropping below 8 percent at year end, the lowest level in seven years, supporting rent growth and lifting NOI.

Chicago's strong consumer spending is resulting in higher retail-asset revenues, attracting a wide range of capital to this Gateway Market. Single-tenant net-leased properties will remain the primary target of many investors and while new construction will provide added buying opportunities, demand will still outpace available listings. This will motivate some investors to expand investment parameters to consider multi-tenant properties with fewer than five tenants. These assets can trade at cap rates that start in the 6 percent area. National and regional retailers moving into urban neighborhoods will likely lure additional retail nearby, generating interest in older office or apartment buildings that can be reconfigured to include ground-floor retail space. Buildings where ownership can be subdivided in the expanded transit-oriented development zones in Chicago will be sought after. The upper portion of these properties could be sold while keeping the retail portion for cash flow.

2016 Market Forecast

NRI Rank 22, no change — Steady fundamentals kept Chicago in the middle of the NRI this year.

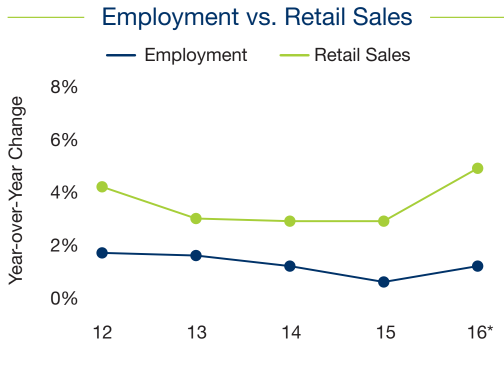
Employment up 1.2% — Roughly 54,000 jobs will be created throughout Chicagoland this year, a 1.2 percent gain. This is up from a 0.6 percent climb last year.

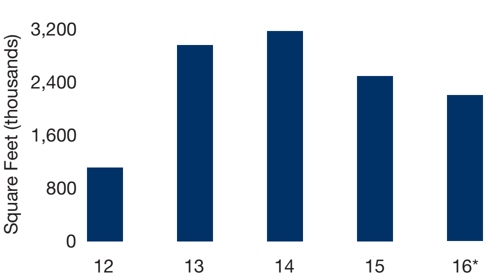
Construction 2.2 million sq. ft. — Following the completion of 2.5 million square feet last year, builders will deliver 2.2 million square feet in 2016 a 0.5 percent increase in stock.

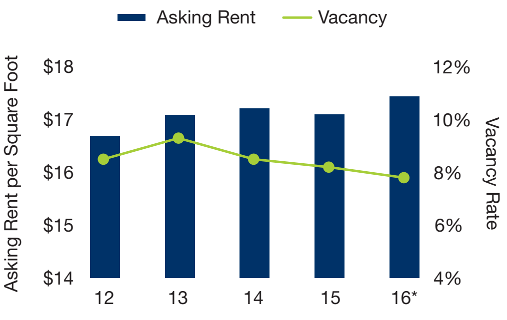
Vacancy down 40 bps — Vacancy will decrease 40 basis points year over year to 7.8 percent, the lowest level since 2008. A 30-basis-point drop was recorded last year.

Rent up 2.0% — Asking rents will rise an average of 2.0 percent to $17.43 per square foot in 2016, up from a 0.6 percent decrease registered last year. Rents along North Michigan Avenue average more than $70.00 per square foot.

Investment — Yield-seeking investors will find cap rates for multi-tenant properties roughly 75 basis points higher outside of Cook County.







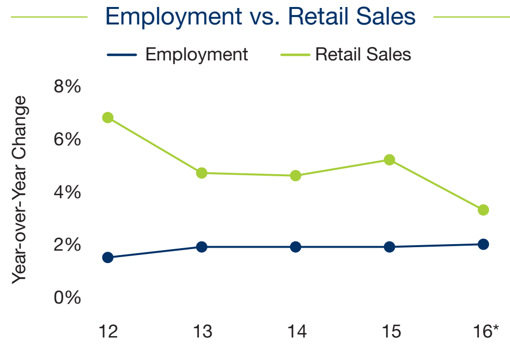
* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Strengthening Economy and Stability Raise Profile of Cincinnati Market

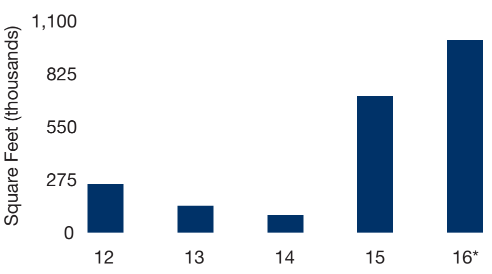
An additional year of job gains will raise payrolls in Cincinnati to a new high this year, enhancing incomes and spending, and lifting the performance of retail properties throughout the metro. The pace of household formation remains steady while residential construction has picked up, especially in the multifamily segment. Retailers continue to follow new rooftops, seeking a dwindling supply of available spaces to open new locations. Grocers are especially active, with Aldi slated to complete multiple locations and hometown merchant Kroger also expanding. Home-improvement stalwart Menards is also responding to a stronger single-family home market and will open a 170,000-square-foot store in the metro this year. In addition to Menards, a considerable portion of projects slated for completion in 2016 are single-tenant formats, which will have a muted effect on metro-level vacancy. Notably, vacancy will fall this year in smaller strip and neighborhood centers adjacent to new retail developments, including Liberty Center and Streets of West Chester.

Retail-property investors in the metro remain motivated. Solid job growth over the past five years has lifted retail sales, stoked space demand and raised NOIs throughout the metro. Higher yields are bringing additional buyers to the metro, supporting a sizable gain in transaction velocity last year. The competitive climate has placed upward pressure on prices and driven down the average cap rate to the low- to mid-7 percent territory. In the single-tenant segment, undiminished demand for drugstores and fast-food establishments has pushed down initial yields to the 5 to 6 percent band, depending on credit rating and remaining lease term. Investors seeking initial returns in the 7 to 8 percent range will focus on smaller shopping centers in the center of the metro. Cap rates will increase for properties in secondary or tertiary submarkets or locations off major transportation routes.

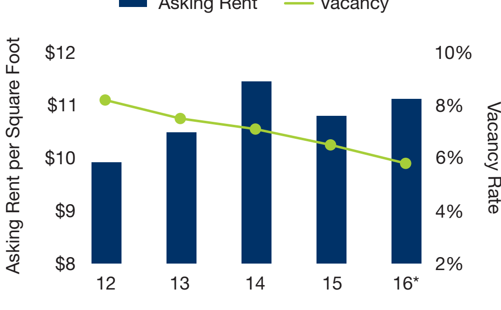
Employment vs. Retail Sales



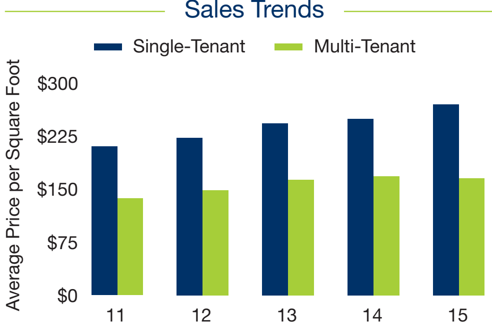
Retail Completions



Asking Rent and Vacancy Trends



Sales Trends



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

2016 Market Forecast

NRI Rank 40, down 3 places — Cincinnati dropped three slots in the NRI this year as other metropolitans nudged up over it.

Employment up 2.0% — Metro employers will expand headcounts by 21,000 workers, a 2.0 percent gain. Payrolls expanded 1.9 percent in 2015.

Construction 1 million sq. ft. — Developers will deliver 1 million square feet in 2016, increasing local inventory by 1.6 percent; 700,000 square feet was completed a year ago.

Vacancy down 70 bps — Net absorption of 1.4 million square feet will outpace additions to supply in 2016, pushing down vacancy 70 basis points to 5.8 percent for the first time in nearly a decade. New store openings sliced vacancy 60 basis points last year.

Rent up 3.0% — The reduction in vacancy will support rent growth of 3.0 percent in 2016, to $11.11 per square foot, following a 5.7 percent decline the year before.

Investment — Buyers will seek assets offering opportunities to add value through physical upgrades and re-tenanting near new residential development.

Active Investment Capital Points to Confidence In Expanding Cleveland

The strength of the local economy is palpable, with steady job growth and heavy metro investment supporting Cleveland's retail market. The unemployment rate has fallen to the lowest level since mid-2001, led by hiring from construction, education and health services employers. Development is broad-based as major construction activity happens in many different areas throughout the metro. In Westlake, west of Cleveland, the mixed-use development Crocker Park is undergoing a $400 million expansion that will include the new American Greetings tower, drawing further need for high-end retailers and restaurants. Downtown Cleveland is experiencing a revitalization of multifamily development in addition to a new hotel that will lure new residents and travelers to retailers in the area. In University Circle to the east, metro builders have new high-rise apartments in the works, spurring increased retail development. Although the pace of construction will accelerate in 2016, expanding retailers will absorb the new space, helping push the metrowide vacancy rate to the lowest level of the current cycle. These tighter market conditions will incite another year of modest rent growth as lease rates approach pre-recession levels.

High yields are the primary driver of investor interest for Cleveland real estate; however, positive market sentiment has also been a contributing factor. As cap rates continue to compress in their home markets, buyers from New York City to Florida enter the metro seeking higher returns. These investors are able to leverage their deep pockets to bid heavily on properties, supporting robust price increases, especially in the single-tenant segment. Sellers have taken advantage of strong valuations as single-tenant properties approach peak pricing. These assets trade with cap rates in the high-6 percent area. As the single-tenant market nears maturity, some buyers may expand their portfolio to include multi-tenant assets trading at cap rates that have room for further compression.

2016 Market Forecast

NRI Rank 43, up 2 places — Demand will outpace supply this year, bumping Cleveland up two places in the NRI.

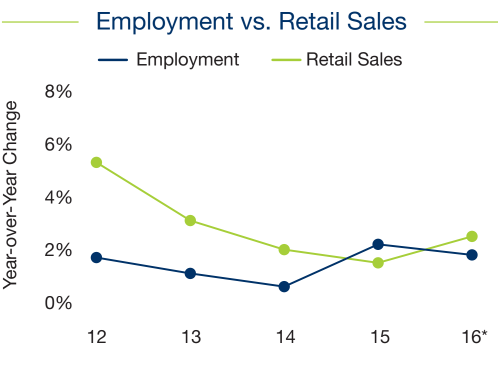
Employment up 1.8% — Cleveland employers will hire 19,000 workers in 2016, an increase of 1.8 percent. Metro organizations added 23,100 jobs last year, led by gains in the leisure and hospitality sector.

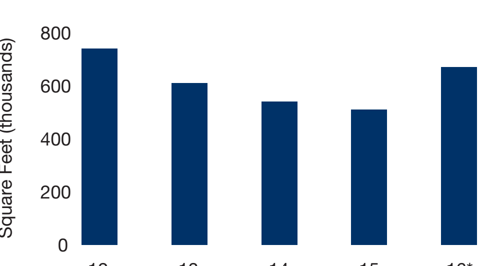
Construction 667,000 sq. ft. — Developers will bring 667,000 square feet of retail space to market this year, growing total inventory by 0.4 percent. In 2015, 512,000 square feet was delivered.

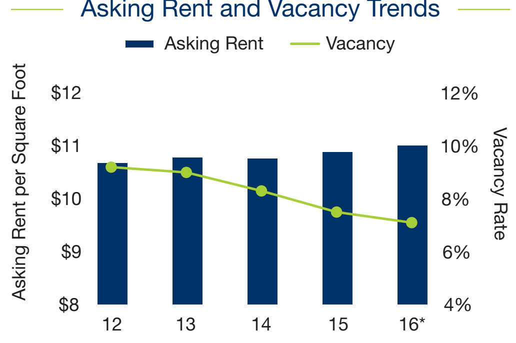
Vacancy down 40 bps — The metrowide vacancy rate will fall 40 basis points to 7.1 percent in 2016. Cleveland registered an 80-basis-point drop last year.

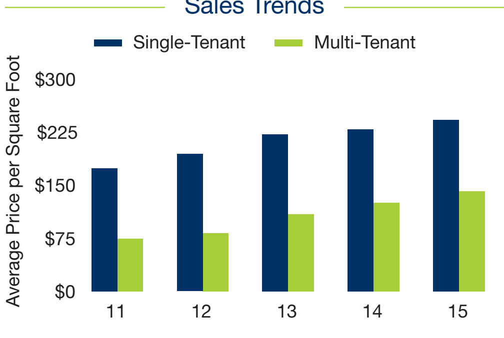
Rent up 1.1% — Rent growth will hit 1.1 percent this year with the average asking rate reaching $10.99 per square foot. An increase of 1.1 percent was also realized in 2015.

Investment — Areas on the edge of the metro like Avon, Concord and Medina are gaining momentum with robust population growth indicating potential for future NOI improvements.









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

Marcus & Millichap

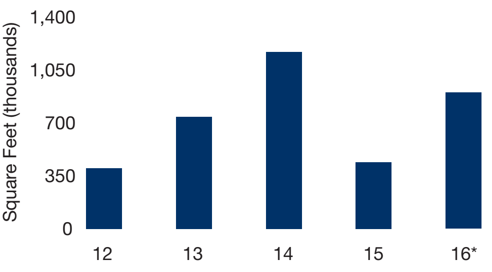
Employment vs. Retail Sales

Employment — Retail Sales

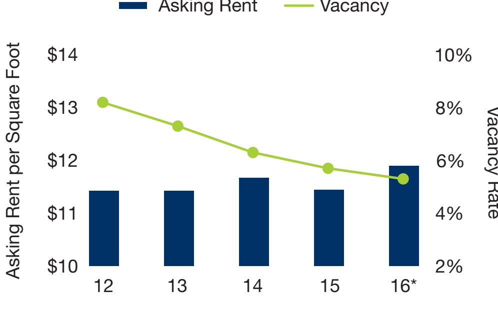
Year-over-Year Change: 8%, 6%, 4%, 2%, 0%

12 13 14 15 16*

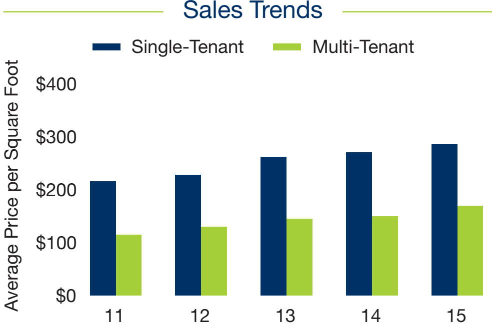
Retail Completions



Asking Rent and Vacancy Trends



Sales Trends



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

Retailers Expand in Columbus; Investors Traverse Local Streets to Higher Yields

Strong and consistent job growth in the state capital has elevated household formation and sales of goods and services, motivating retail developers to build metrowide. Positions in legal, accounting, education and health services are significantly higher than pre-recession peak levels, supporting the establishment of more than 50,000 households since 2009. Following these rooftops, build-to-suit construction for necessity-based retailers is moving forward with multiple sites planned for Kroger, Dollar General and Family Dollar this year. In outlying suburbs, developers are accelerating construction in growing retail corridors to the north and east of the Interstate 270 loop. The largest project slated for delivery this year is the 350,000-square-foot Tanger Outlet to the north. To the east, the Shoppes at East Broad, a 200,000-square-foot site that was temporarily stalled due to the downturn, will be completed this summer. Robust tenant demand will push the vacancy rate to a new low this year. Elevated rent for available space will follow.

Steady NOIs and high first-year yields will encourage investors to seek Columbus retail assets. Initial returns register far above coastal markets and other large Ohio metros. In-state buyers will find that first-year returns in Columbus are 50 to 120 basis points above cap rates in their home metros. This will bring more of these in-state investors to the Columbus market, where they will have to compete with regional and local buyers for first-year yields averaging in the mid-7 to mid-8 percent span. In particular, stabilized strip centers with some credit can provide initial returns starting in the low-7 percent range. These opportunities are currently available as many buyers still seek stable incomes in single-tenant properties. This trend will shift as competition for these freestanding assets pushes prices higher and listings diminish.

2016 Market Forecast

NRI Rank 30, up 1 place — A strengthened pace of rent growth pushed Columbus up one position in this year's ranking.

Employment up 2.4% — Columbus employers will add 25,000 positions in 2016, expanding local employment by 2.4 percent, an acceleration from the 20,000 jobs created last year.

Construction 900,000 sq. ft. — Builders will deliver 900,000 square feet of retail space in 2016, elevating inventory by 1 percent. The majority of this year's construction is multi-tenant space. Last year developers completed more than 400,000 square feet.

Vacancy down 40 bps — Metro vacancy will tighten 40 basis points to 5.3 percent in 2016, as 1.2 million square feet is absorbed. This follows a 60-basis-point compression a year earlier.

Rent up 3.9% — Average asking rent will rise 3.9 percent to $11.89 per square foot, the highest rent since 2009. This follows a 1.9 percent decrease in 2015 when older space was marketed at year end.

Investment — This year's completion of outlets in Sunbury and Reynoldsburg will boost valuations of surrounding properties, attracting investors and developers.

Corporate Expansion Drives Development in Metroplex; Out-of-State Investors Growing Retail Portfolios

Large corporate expansions and relocations to the Dallas/Fort Worth Metroplex will bode well for retail properties this year as vacancy constricts and rents spring upward. Employment gains through the year will be diverse as both white- and blue-collar industries create jobs in the region. Several large companies are expanding or relocating operations to the North Dallas area, contributing to heightened real estate activity as new households are formed nearby. Wade Park, a 600,000-square-foot luxury retail center, is underway in Frisco; the first phase will be delivered later this year. In Fort Worth, strong demographics have encouraged the development of 200,000 square feet of retail space along the Trinity River. Though builders have scaled back from last year, more than 2 million square feet of retail space will come online by year end, one of the highest completion rates in the country. Strong pre-leasing and heightened retailer demand will contribute to vacancy reaching a historic low, and rents should rise above the prior peak.

Out-of-state investors are growing portfolios in the North Texas region, greatly increasing competition for multi-tenant assets. As this new capital moves in, including international investment, the buyer pool is expanding as these investors target stable, well-located assets for safety plays. These properties are trading at initial yields in the low- to mid-6 percent range, while Class B assets yield returns 50 to 100 basis points higher. Local buyers will remain focused on value-add plays this year, though opportunities are diminishing in select submarkets as conditions tighten. Investors who have had difficulty leasing up properties are beginning to divest, providing additional opportunities for buyers. New owners will seek to infuse capital and make management improvements to create value at newly acquired properties. Rents and vacancy will weigh heavily on the price per square foot and investors should expect a wide range of pricing.

2016 Market Forecast

NRI Rank 16, down 4 places — A slower pace of job additions contributed to the Metroplex falling four places in the NRI this year.

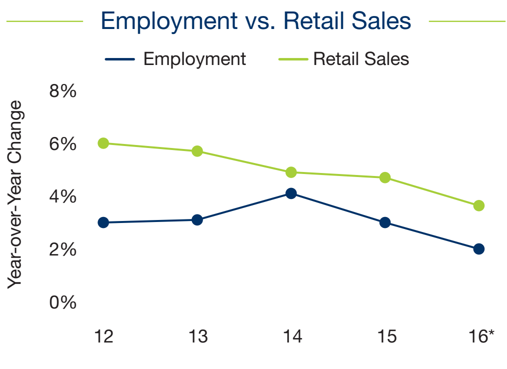
Employment up 2.0% — Metroplex employers will create 70,000 positions in 2016, expanding payrolls 2.0 percent. In 2015, companies increased staffs 3.0 percent with the addition of 99,000 workers.

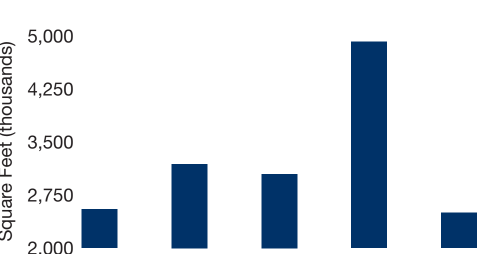
Construction 2.5 million sq. ft. — After completing nearly 4.9 million square feet of retail space last year, builders will bring 2.5 million square feet of space online in 2016.

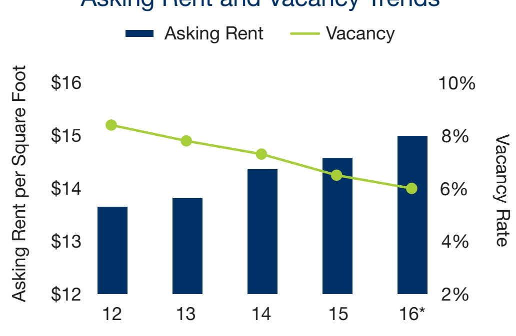
Vacancy down 50 bps — Vacancy will fall 50 basis points this year to 6.0 percent. Last year, the vacancy rate declined 80 basis points year over year.

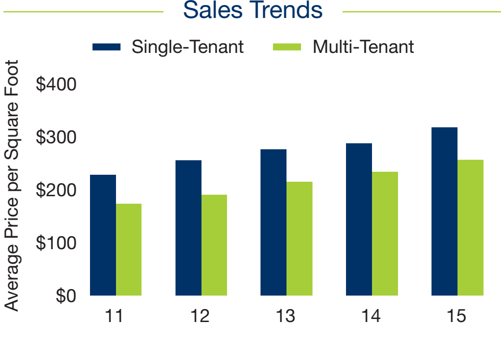
Rent up 2.8% — The average asking rent will climb 2.8 percent annually to $14.98 per square foot by year end. In 2015, the average rent increased 1.5 percent.

Investment — International investment is heating up as foreign buyers plan to inject millions of dollars into the local real estate market. These buyers will focus on stable, well-located shopping centers for safety plays.









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

Solid Employment Growth and Positive Demographic Trends Attract Investors to Denver Retail Assets

Steady hiring across many of Denver's major employment sectors will benefit retail operations this year as vacancy constricts and rents rise. Job growth over the past few years has pushed employment nearly 10 percent above the pre-recession peak. As the market continues to progress economically, consumer confidence is building and retail sales will increase 7 percent this year, the fastest pace in more than a decade. National retailers such as Sam's Club, Wal-Mart and Gander Mountain are expressing more confidence in the market as they open new stores this year. This bright outlook is driving retail development of 1 million square feet of space in 2016. This includes the 140,000-square-foot Stanley Marketplace, which will come online in Aurora fully leased. Six restaurants, a deli and boutique grocery store were selected from applicants seeking space in the new center. This strong demand for space has contributed to vacancy tightening across the metro and just three submarkets recorded a rate above 6 percent at the end of last year.

Tight conditions and solid retailer demand have buyers seeking multi-tenant properties throughout the Denver metro this year, with cap rates averaging in the low- to mid-7 percent range. Institutional grade buyers are also expanding portfolios in the region, targeting high-quality centers trading at initial yields beginning near 6 percent. Private investors, however, will remain the main buyer segment, and competition for assets priced below $10 million will rise this year as out-of-state buyers seek properties in the market. Investors in search of upside may find opportunities along future light-rail stops. These properties stand to benefit from increased foot traffic as rail extensions are opened over the next few years. Single-tenant product receives the bulk of investor attention, with demand most robust for auto repair, restaurant and fast-food establishments.

2016 Market Forecast

NRI Rank 14, down 7 places — A slower pace of rent growth and job additions drove Denver out of the top ten this year.

Employment up 1.9% — Denver employment will expand 1.9 percent this year, or by 26,000 positions. In 2015, companies created 24,200 jobs for a staff expansion of 1.8 percent.

Construction 1 million sq. ft. — Builders will deliver 1 million square feet of retail space in 2016, an annual stock expansion of 0.8 percent. Developers brought 700,000 square feet online last year.

Vacancy down 40 bps — Vacancy will retreat 40 basis points in the coming months to 5.3 percent by year end. The rate declined 10 basis points in 2015.

Rent up 1.8% — Asking-rent growth will gain steam this year, rising 1.8 percent annually to $16.36 per square foot. Last year, the average asking rent dipped 0.3 percent.

Investment — Out-of-state investors are increasing competition for metro assets, resulting in many local buyers being priced out of the metro area. Local investors are beginning to target secondary and tertiary markets nearby, such as Colorado Springs, Fort Collins and Pueblo.

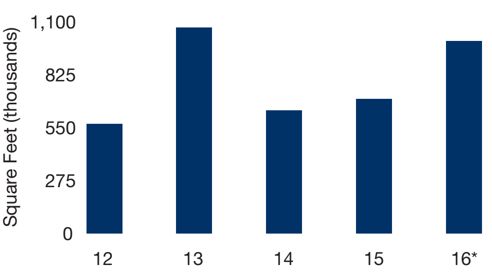
Employment vs. Retail Sales

Employment — Retail Sales

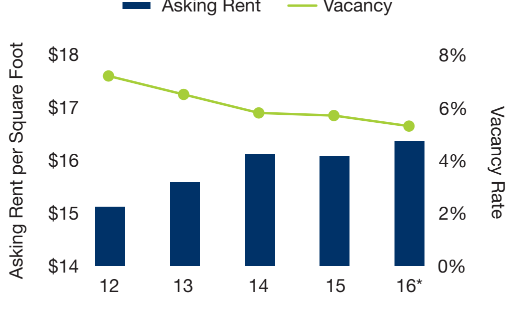
Year-over-Year Change: 0%, 2%, 4%, 6%, 8%

12, 13, 14, 15, 16*

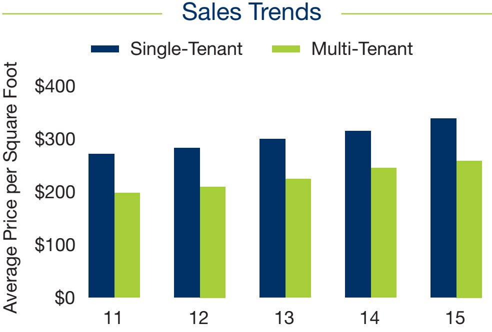
Retail Completions



Asking Rent and Vacancy Trends



Sales Trends



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

Revitalization is Changing Retail Landscape As Retailers and Investors Rediscover Detroit

Detroit's resurgence is attracting retailers to the metro and spurring construction. As revitalization in the city extends outward from downtown, retailers are following, particularly near the M-1 Rail, which will begin service later this year. Along the route, five neighborhoods are being developed within the 50-block Detroit District; all will include shops, restaurants and bars. The Detroit Events Center, the future home of the Detroit Red Wings, is the centerpiece for the surrounding mixture of retail, apartments, offices and hotels. The grocery landscape is also evolving. Kroger made inroads into the market with last year's purchase of Hiller's stores and has two marketplace formats scheduled for delivery in 2016. Other expanding grocers include Fresh Thyme, Meijer and Save-A-Lot. Head-to-head competition between Walgreens and Rite Aid could result in some vacancies this year if Walgreens sells stores to smooth regulatory approval ahead of the pending merger. Stronger tenant demand through the market, however, will contract vacancy and support rent growth this year.

The strengthening local economy and improving demographic trends are drawing buyers to the metro and increasing competition for available retail assets. Many investors expecting significant discounts will be disappointed as stronger operations have widened the pricing gap between buyers and sellers. With vigorous competition for single-tenant net-lease properties, more investors are considering small strip centers. Initial yields for these assets will begin in the mid-6 percent range for a new building with credit tenants and can start 200 basis points higher for existing properties with local retailers. Strip centers with a Rite Aid not located within the trade area of an existing Walgreens will likely benefit from the sturdier corporate backing, when the merger of Walgreens and Rite Aid is approved.

2016 Market Forecast

NRI Rank 44, up 2 places — Heightened demand will facilitate a strong dip in vacancy this year, lifting Detroit two spots in the NRI.

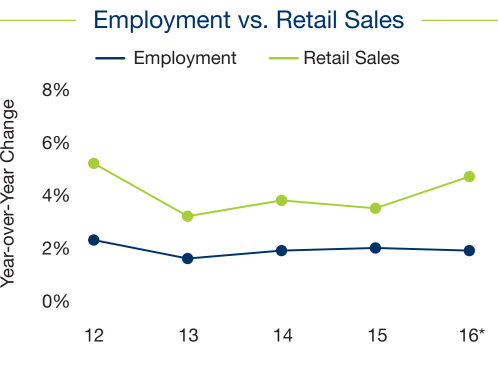
Employment up 1.9% — Roughly 38,000 workers will be added to payrolls in 2016, a 1.9 percent gain. In 2015, job growth registered 2.0 percent.

Construction 1 million sq. ft. — Metro developers remain active and will complete 1 million square feet in 2016, a 0.4 percent expansion. This is on par with last year's deliveries.

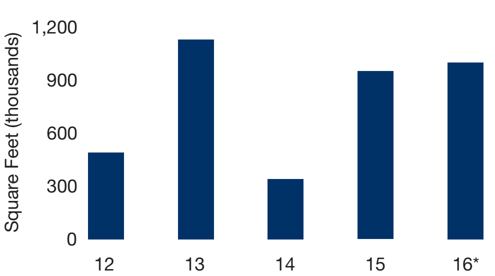
Vacancy down 50 bps — Strong tenant demand will drop vacancy to the lowest level in almost 10 years. Vacancy will be at 8.7 percent by year end, down 50 basis points year over year, following a 50-basis-point decrease in 2015.

Rent up 1.4% — The average asking rent will rise 1.4 percent to $12.10 per square foot in 2016, after a 0.4 percent dip last year.

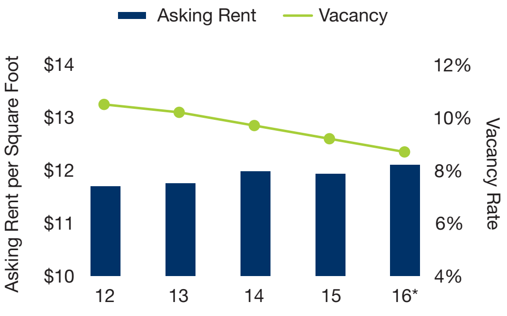
Investment — As revitalization spreads from downtown along major thoroughfares, mixed-use properties with ground-floor retail space in the Corktown and New Center neighborhoods will garner additional investor attention.

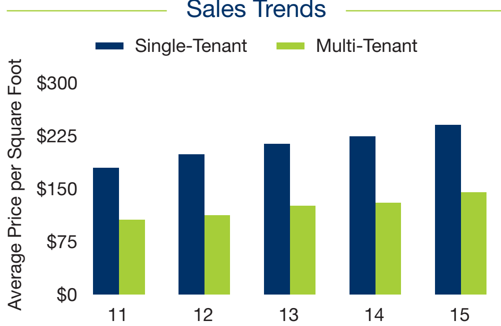


Retail Completions



Asking Rent and Vacancy Trends





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

Tourism, Job Growth Driving Retail Gains; Investors Position Near Tourist Destinations and Stable Centers

Rising tourist spending coupled with an expanding local economy is encouraging household formation and job creation. Although the pace of job creation has slowed, payrolls continue to grow, supporting retailers at nearby establishments. Local retail operations have benefited greatly from the upswing, tightening vacancy more than 200 basis points since 2009. However, despite a marked improvement, builders seem uninterested in expanding the project pipeline as retail deliveries are set to slide in 2016. The largest construction effort of the coming year is the Millennium Mall redevelopment in Hollywood, where signed tenants include Wal-Mart Super Center, Pollo Tropical and TD Bank. Beyond the redevelopment efforts, the construction pipeline consists of pre-leased single-tenant spaces near major employment and residential hubs, further reducing additions to supply. As a result, net absorption will further reduce dark space in the metro as firms compete for leases. In addition, the average asking rent will climb in the low-single digits.

Encouraged by improving retail operations, investors are seeking out Fort Lauderdale assets with proximity to major tourist destinations. Properties in the metro will average in the mid-6 percent for first-year yields, motivating buyers to deploy capital outside of primary markets. Additionally, the spectacular rise in the U.S. dollar has prompted a greater number of foreign investors to seek retail buildings with low or no management needs. While the urban core of Fort Lauderdale will make up the majority of closed transactions, additional listings can be found in nearby Pompano Beach and Hollywood, where yields can trade above the metro average by 50 basis points. Greater initial returns can be generated by seeking value-add strip and neighborhood centers in the western portions of the metro where operations are less stable. However, the general tightening in retail operations should benefit these assets greatly over the coming year.

Employment vs. Retail Sales

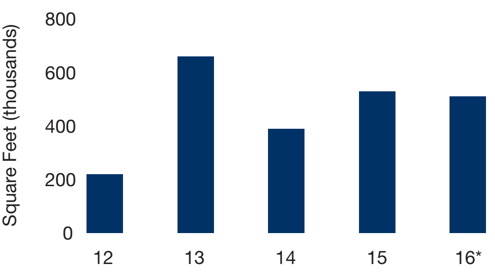
Employment — Retail Sales

Year-over-Year Change

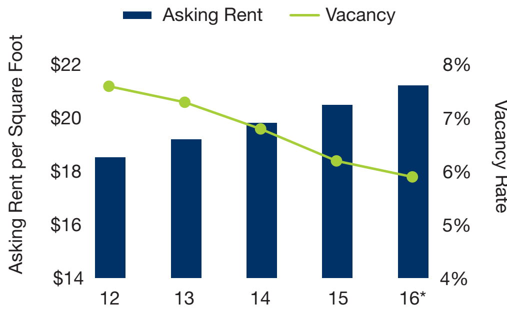
8% 6% 4% 2% 0%

12 13 14 15 16*

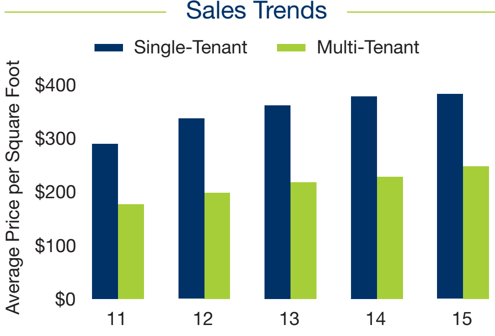
Retail Completions



Asking Rent and Vacancy Trends



Sales Trends



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

2016 Market Forecast

NRI Rank 29, down 1 place Fort Lauderdale dropped one slot this year despite above-average rent growth.

Employment up 2.6% Local organizations will add 21,000 staffers this year, expanding payrolls by 2.6 percent. In the prior four quarters, 24,500 jobs were created.

Construction 510,000 sq. ft. Development activity will slow to 510,000 square feet this year as builders focus on the Millennium Mall redevelopment and smaller single-tenant projects. Last year, 530,000 square feet was completed.

Vacancy down 30 bps Limited increases to supply, coupled with robust pre-leasing, will trim the metro vacancy rate to 5.9 percent, down 30 basis points year over year. In the previous year, a 60-basis-point drop was recorded.

Rent up 3.5% Tightening market conditions will prompt greater interest in dark spaces, fostering a 3.5 percent rise in the average asking rent to $21.19 per square foot.

Investment Value-add assets, where available, will see increasing competition. Secondary submarkets are likely to outperform primary submarkets on a relative basis.

Developers Busy in Houston; Regional Buyers Remain Confident in Retail Market

Developers are bullish in the Houston retail market, planning to bring more than 3 million square feet of retail space online this year and leading the nation in deliveries. While the metro stands to face significant headwinds as the energy sector remains a concern, growth in other industries such as the local medical community and downstream oil-and-gas operations is propelling the market. Several large projects are underway, including Valley Ranch Town Center in northeast Houston. The center will comprise more than 1 million square feet of shops, restaurants and entertainment space when completed later this year, making it a regional shopping destination as the Grand Parkway expansion in this area nears completion. The 450,000-square-foot Shoppes at Parkwest in Katy will also be delivered this year, anchored by Bed Bath and Beyond, Buy-Buy Baby and Kirkland's. Retail space coming online is largely pre-leased, and as a result vacancy will remain flat this year, hovering near historic lows.

Strong property operations will draw investors to the metro this year and regional buyers will remain extremely active in the coming months. Institutional investors continue to scale back portfolios in the market, allowing high-net-worth individuals the opportunity to compete for quality assets they were priced out of one year ago. Properties inside the loop remain in high demand and first-year returns begin near 6 percent. Throughout the metro, newer properties with credit tenants trade at initial yields in the mid-6 percent to 7 percent range, and trend upward 150 to 200 basis points moving farther from high-traffic areas and down the quality scale. The eastern portion of the metro is gaining steam as petrochemical companies expand and the Grand Parkway is well underway, drawing investors to properties nearby. In addition, single-tenant retail properties are in high demand as investors from all over the country target the market for quality deals, with cap rates starting near 5 percent.

2016 Market Forecast

NRI Rank 17, down 11 places — Slowed employment and flat vacancy pulled Houston back 11 places this year.

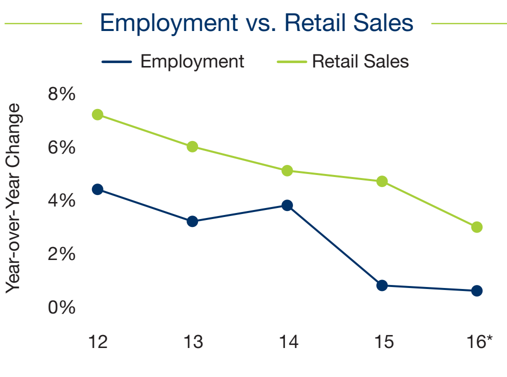
Employment up 0.6% — Houston employers will add 17,000 workers to staffs this year, expanding payrolls 0.6 percent. This is down slightly from the 0.8 percent rise achieved last year when companies created 23,600 jobs.

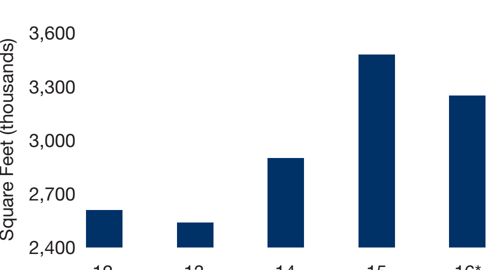
Construction 3.3 million sq. ft. — Builders will deliver nearly 3.3 million square feet of retail space this year, increasing stock 1.0 percent. Last year, developers completed 3.5 million square feet.

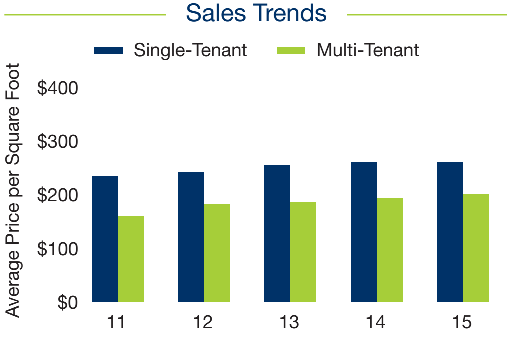
Vacancy no change — Vacancy will rest at 5.6 percent by year end, remaining flat from 2015. Last year, the rate dipped 30 basis points year over year.

Rent up 3.1% — The average asking rent will reach $16.52 per square foot, increasing 3.1 percent year over year. A 3.5 percent growth rate was recorded in 2015.

Investment — Confidence in the long-term growth of The Woodlands submarket has builders investing in new projects. Buyers will seek retail assets nearby to capitalized on increased traffic and tenant demand.







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

Employment vs. Retail Sales

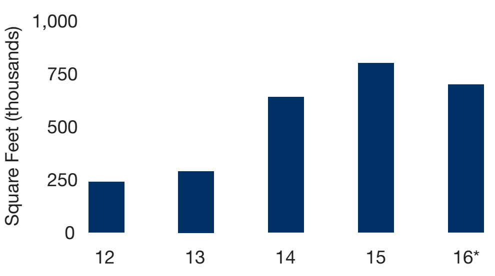
Employment — Retail Sales

Year-over-Year Change

12%
9%
6%
3%
0%

12 13 14 15 16*

Retail Completions

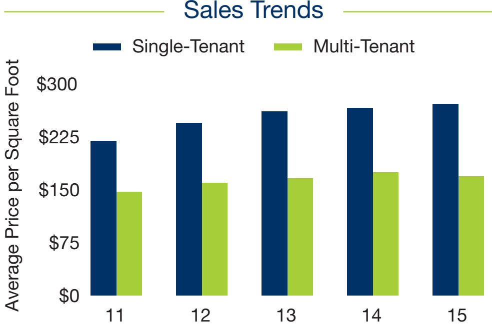


Asking Rent and Vacancy Trends

Asking Rent — Vacancy

Sales Trends

Single-Tenant — Multi-Tenant



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

Stream of Investors Seek Higher Cash Flows In Indianapolis Retail Assets

Steady employment growth is drawing job seekers to the metro, supporting Indianapolis' retail sector. Strong hiring has dropped the unemployment rate below 5 percent, attracting new residents with more than 10,500 additional households expected in 2016. This growth coupled with rising incomes will drive retail sales up, benefiting existing stores as well as luring new ones. In Fishers, Ikea will begin construction of its first store in the state and in Greenwood, work is slated to begin on the first buildings in the 700,000-square-foot Greenwood Town Center. Both projects have 2017 openings scheduled. Throughout the metro, inline retailers of some shopping centers anchored by Kroger or Marsh should benefit as these companies remodel stores in an effort to retain market share. This year, Giant Eagle, Wal-Mart and Save-A-Lot join the list of grocers adding locations. Sizable tenant demand will contribute to overall vacancy tightening to the lowest rate in more than 10 years, pushing rents above the 2008 peak.

The metro's stability and the potential for higher cash flows are drawing investors from the coasts and other asset classes to retail properties. Buildings in Plainfield, Noblesville or Carmel will especially be desired for their strong population gains or desirable retail demographics. Buyers are getting more aggressive, particularly for net-leased single-tenant assets, at cap rates that are generally in the 5 to 6 percent range. Grocery-anchored centers are also in demand and will receive multiple offers at initial yields in the 7 percent span. As competition for the limited supply of quality assets intensifies, buyers will broaden their investment parameters and move down the quality scale or into secondary areas. Value-add investors can still find double-digit yields in redeveloping neighborhoods like Speedway. As investor interest and valuations rise, more owners will re-evaluate holdings, which may provide additional buying opportunities this year.

2016 Market Forecast

NRI Rank 39, up 2 places — Indianapolis moved up two places amid strengthening demand and low supply-side pressure.

Employment up 2.4% — During 2016, Indianapolis employers will create 25,000 positions, a 2.4 percent gain. This follows a 2.7 percent increase last year.

Construction 700,000 sq. ft. — Construction activity will dip slightly this year as builders complete 700,000 square feet, a 0.7 percent expansion in stock. Last year 800,000 square feet was delivered.

Vacancy down 50 bps — A slower development pipeline amid stronger tenant demand will lower vacancy 50 basis points to 6.4 percent in 2016. A 10-basis-point drop was recorded in 2015.

Rent up 1.7% — In 2015, rent jumped 4.2 percent to the highest level in more than seven years. Less available space will push rent even higher this year as the average asking rent climbs 1.7 percent to $14.49 per square foot.

Investment — Redeveloping urban neighborhoods such as Broad Ripple in Indianapolis are attracting mixed-use developments that will boost surrounding property valuations and provide value-add opportunities nearby.

Retail Vacancy Constricts to Nine-Year Low As Recovery Continues in Jacksonville

Strong job growth and a healthy overall economy will propel the Jacksonville retail market in 2016, and vacancy will decline for a fourth straight year. Advancement in the area's local medical community, as well as other high-paying professional industries, is encouraging to both consumers and retailers. As buyer confidence is heightened this year, retail sales are anticipated to grow more than 6 percent for a second consecutive year. In the coming months, Wal-Mart, Winn-Dixie and Publix will open new stores in the metro, as will smaller necessities-based retailers, CVS and multiple dollar stores. Construction in the metro remains limited to single-tenant projects and small strip centers. As this space comes online mostly pre-leased, the overall vacancy rate in the market will retreat to a level not realized since 2008. These tightening conditions will foster stout rent growth in the months to come.

Retail investors will target the Jacksonville metro for assets this year, in search of higher yields than those found in other Florida markets. Out-of-state buyers, especially those from California and the Northeast, are scouring the metro for stabilized deals, selling at cap rates between 8 and 9 percent. Local buyers, meanwhile, continue to seek value-add listings. These deals are becoming more limited as conditions tighten in areas of the metro, and investors will seek to create upside through capital infusions or bringing rents up to market. Competition for properties where the potential to add value is present will rise this year. Regional buyers will turn to this metro as nearby markets offer fewer of these opportunities. Single-tenant assets, meanwhile, remain in high demand. Auto-repair shops, restaurants and fast-food establishments draw the strongest interest and cap rates vary widely depending on tenant credit and lease terms. National fast-food retailers can draw initial yields near 5 percent.

2016 Market Forecast

NRI Rank
35, down 1 place

Jacksonville fell one place in the NRI this year as other markets will outperform the metro.

Employment
up 2.9%

Jacksonville employers will create 19,000 jobs this year, expanding staffs 2.9 percent in 2016. Last year, companies added 17,200 workers, a 2.7 percent rise.

Construction
350,000 sq. ft.

After bringing 300,000 square feet of retail space online in 2015, builders will deliver 350,000 square feet of space to the market this year.

Vacancy
down 50 bps

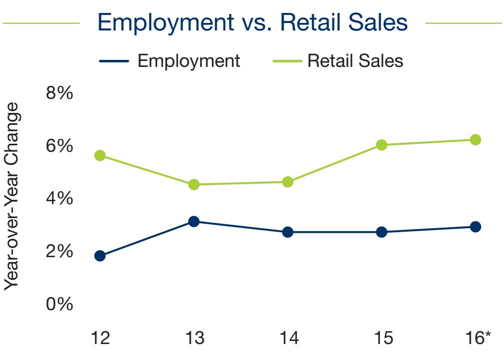
Vacancy will fall 50 basis points annually, reaching 7 percent by year-end 2016. The rate declined 70 basis points last year.

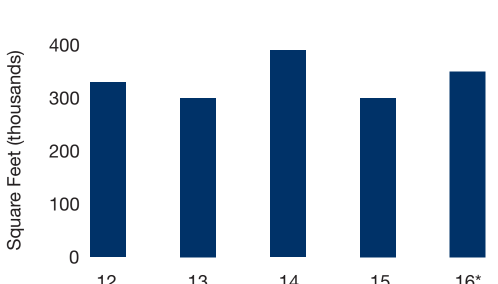
Rent
up 3.1%

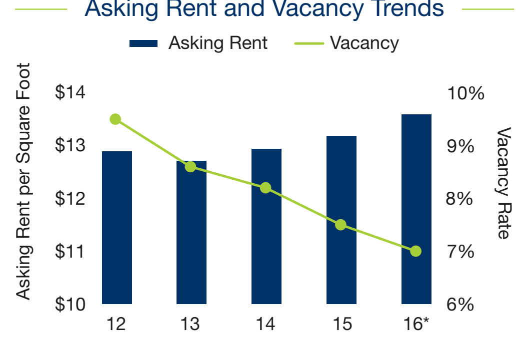
The average asking rent will advance 3.1 percent year over year to $13.58 per square foot. Last year, the average grew 1.9 percent.

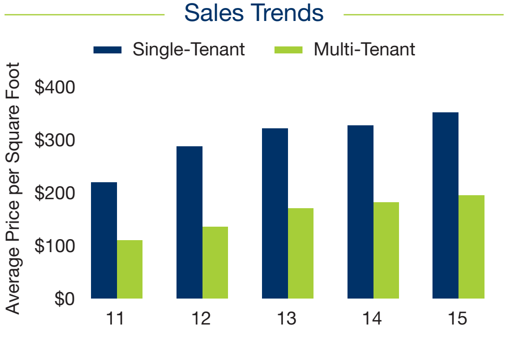
Investment

Strip and neighborhood centers near St. Johns Town Center are in high demand and typically trade at premiums. Investors holding on to retail assets nearby may choose to divest as buyer interest remains elevated.









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

Transformation of Older Centers Reignites Retailer and Investor Interest in Kansas City

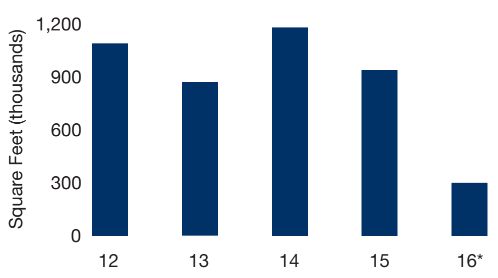
Employment vs. Retail Sales

Employment — Retail Sales

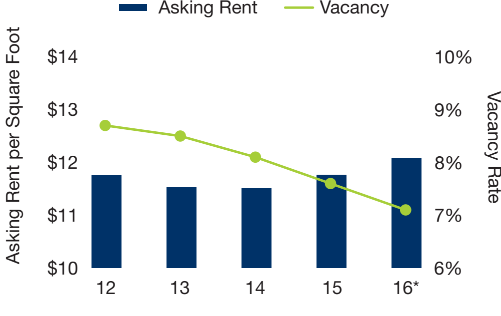
Year-over-Year Change: 8%, 6%, 4%, 2%, 0%

12 13 14 15 16*

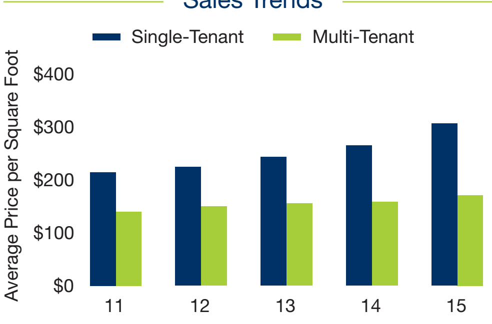
Retail Completions



Asking Rent and Vacancy Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Kansas City retail operations will improve this year, fostered by employment and household gains. Increased hiring at local companies including Garmin and Burns & McDonnell will contribute to the formation of more than 10,000 households in the metro, generating additional demand for goods and services. In downtown Kansas City, retailers will benefit from revitalization efforts that are bringing residents and office workers back into the city. Also, the Kansas City Streetcar will begin service this year, offering free rides along a 2-mile route connecting Union Station and River Market, which will increase foot traffic nearby. Throughout the metro, older shopping centers including Metro North Mall, Truman Corners Shopping Center, Red Bridge Shopping Center and Ward Parkway Center are being renovated or redeveloped. These transformations are attracting new tenants. Vacancy finished 2015 at the lowest level in almost 10 years, though the rate is still near the highest among major metros nationwide. A slowdown in deliveries will allow vacancy to tighten further in 2016, resulting in a second consecutive year of asking-rent gains.

Improving operations will keep investors interested in retail assets in Kansas City. Throughout the metro, highly vacant older centers provide knowledgeable buyers with value-add opportunities. Assets along major transportation corridors or near large mixed-use infill redevelopment projects will especially be targeted. Once these strip centers are revitalized, these properties can bring in some traditional office-using tenants as lower rents and easy customer access draw medical, insurance and financial businesses. Single-tenant net-leased assets remain in strong demand and lure a wide range of capital to the metro. These assets will quickly trade at cap rates that begin in the low-5 percent range for well-located buildings with long-term credit tenants and move up to 200 basis points higher for secondary tenants and locations.

2016 Market Forecast

NRI Rank 42, no change — Kansas City held firm in the NRI this year amid reduced completions and a decline in vacancy.

Employment up 0.7% — Employment growth slowed to 0.2 percent in 2015 as layoffs mounted. This year job gains of 0.7 percent are expected with the generation of 7,000 positions.

Construction 300,000 sq. ft. — A total of 300,000 square feet will be completed this year, a 0.2 percent increase in inventory. This is down from the 936,100 square feet delivered in 2015.

Vacancy down 50 bps — A slowing construction pipeline amid strong tenant demand will culminate in vacancy declining 50 basis points to 7.1 percent in 2016. This follows a 50-basis-point drop last year, when net absorption topped 1.5 million square feet.

Rent up 2.7% — Tightening vacancy will contribute to the average asking rent advancing 2.7 percent to $12.08 per square foot in 2016. Last year, a 2.3 percent gain was registered.

Investment — Buyers seeking cash flow may find opportunities in strip centers near infill apartment projects, especially near downtown Kansas City.

Investors Bet on Recovery of Las Vegas Retail; Occupancy and Rent Continue Steady Rise

Increased spending by both tourists and the expanding number of households indicates another solid year for the Las Vegas retail real estate market. Expanding casino, resort and convention operations have spurred hiring for the construction, leisure and hospitality industries. Growth by these employers helped push the metrowide unemployment rate down to 6.5 percent by the end of 2015, the lowest level since early 2008. Increased consumer confidence by metro shoppers in addition to strong spending by visitors will help annual retail sales volume exceed $40 billion by year end. Developers have taken notice and will ramp up construction efforts in 2016. The metro has a number of marquee developments in the works, most notably T-Mobile Arena located on the Vegas Strip. The new venue, expected to open in April of this year, will house concerts, conventions and sporting events, feeding the hospitality and retail markets in the surrounding area. Despite growing strength, Vegas is a late-recovery market with vacancy rates that typically trend higher than other Western metros. That being said, rising demand will encourage incremental tightening in 2016. Rent growth will follow suit as the average asking lease rate climbs this year.

Buyer motivation is highly yield-driven as out-of-state investors, particularly those from California, move into the metro seeking higher returns. A cap rate differential of about 150 to 250 basis points exists between Las Vegas and major California markets for comparable properties. As these California markets approach maturity, strong upside potential in the Las Vegas metro has drawn investor capital to local retail assets, pushing valuations higher. Although many property owners employ a wait-and-hold strategy, deal flow has ignited in the metro as sellers look to capitalize on growing demand. Heightened interest in metro assets has compressed first-year returns to the high-7 percent range.

2016 Market Forecast

NRI Rank
41, down 1 place
Las Vegas fell one spot in the NRI as vacancy remains the highest in the nation.

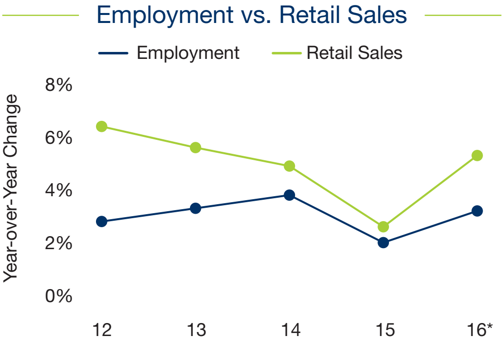
Employment
up 3.2%
Las Vegas employers will hire 29,500 workers in 2016, a jump of 3.2 percent. A gain of 2.0 percent was registered last year led by additions in the leisure and hospitality and construction sectors.

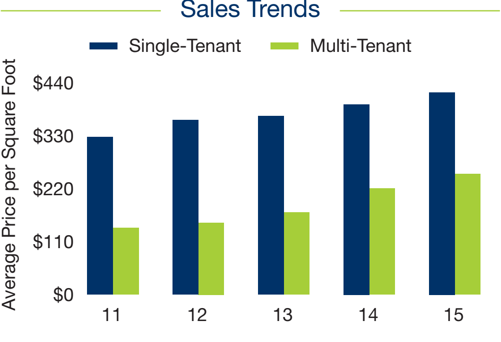
Construction
800,000 sq. ft.
Construction activity will accelerate in 2016 as developers add 800,000 square feet of retail space. Last year, 287,000 square feet was brought to market.

Vacancy
down 30 bps
Following a 40-basis-point increase in 2015, the metrowide vacancy rate will fall 30 basis points to 10.3 percent on net absorption of nearly 1 million square feet.

Rent
up 2.5%
The average asking rent will climb 2.5 percent to $16.77 per square foot this year. This is on pace with 2015 when rent growth also hit 2.5 percent.

Investment
The Summerlin and Henderson areas will remain metro hot spots this year. Marketed properties will receive multiple bids due to a lack of available listings.





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

MSA Name	Employment Growth[2]				Household Income[2]				Retail Sales Growth[2]			
	2013	2014	2015	2016*	2013	2014	2015	2016*	2013	2014	2015	2016*
Atlanta	3.2%	4.0%	3.0%	3.2%	$54,900	$57,100	$59,000	$61,000	4.5%	4.7%	5.7%	5.4%
Austin	4.5%	3.2%	3.7%	3.9%	$61,800	$65,000	$65,600	$67,200	8.4%	6.3%	4.8%	6.9%
Baltimore	0.8%	1.6%	2.3%	2.3%	$69,300	$72,900	$75,100	$77,300	3.5%	2.3%	2.5%	2.8%
Boston	1.9%	1.8%	2.1%	2.1%	$73,600	$77,200	$79,600	$82,700	3.1%	2.4%	3.7%	3.7%
Charlotte	3.0%	3.5%	3.3%	3.3%	$51,400	$55,000	$56,400	$58,500	5.3%	4.2%	4.0%	3.6%
Chicago	1.6%	1.2%	0.6%	1.2%	$60,700	$62,900	$64,900	$67,500	3.0%	2.9%	2.9%	4.9%
Cincinnati	1.9%	1.9%	1.9%	2.0%	$54,700	$56,500	$57,300	$59,400	4.7%	4.6%	5.2%	3.3%
Cleveland	1.1%	0.6%	2.2%	1.8%	$48,900	$50,700	$51,600	$53,600	3.1%	2.0%	1.5%	2.5%
Columbus	2.4%	2.2%	1.9%	2.4%	$54,100	$57,900	$58,700	$60,900	4.5%	2.5%	1.5%	3.3%
Dallas/Fort Worth	3.1%	4.1%	3.0%	2.0%	$57,700	$60,700	$61,600	$63,000	5.7%	4.9%	4.7%	3.6%
Denver	3.7%	4.0%	1.8%	1.9%	$64,300	$68,700	$71,100	$73,700	5.3%	4.1%	3.4%	3.5%
Detroit	1.6%	1.9%	2.0%	1.9%	$52,200	$54,200	$56,700	$59,500	3.2%	3.8%	3.5%	4.7%
Fort Lauderdale	3.4%	4.0%	3.1%	2.6%	$50,000	$52,600	$54,600	$56,500	5.4%	4.0%	5.2%	5.0%
Houston	3.2%	3.8%	0.8%	0.6%	$58,100	$61,300	$61,500	$62,800	6.0%	5.1%	4.7%	3.0%
Indianapolis	2.9%	2.0%	2.7%	2.4%	$50,600	$53,600	$56,100	$59,000	6.6%	4.8%	5.4%	3.7%
Jacksonville	3.1%	2.7%	2.7%	2.9%	$50,100	$51,400	$53,700	$56,000	4.5%	4.6%	6.0%	6.2%
Kansas City	1.5%	2.8%	0.2%	0.7%	$56,400	$57,600	$59,300	$61,600	3.0%	4.1%	1.7%	2.6%
Las Vegas	3.3%	3.8%	2.0%	3.2%	$50,600	$51,600	$53,400	$54,700	5.6%	4.9%	2.6%	5.3%
Los Angeles	2.7%	2.3%	2.2%	1.5%	$54,900	$56,300	$57,900	$60,400	4.3%	4.2%	3.5%	3.4%
Louisville	1.6%	3.8%	2.4%	2.6%	$50,300	$51,500	$52,400	$54,100	5.2%	3.9%	2.7%	3.6%
Miami-Dade	2.4%	3.4%	1.4%	2.1%	$42,400	$43,300	$45,100	$46,800	5.4%	5.1%	4.7%	4.4%
Milwaukee	1.6%	1.1%	0.8%	0.8%	$52,500	$54,000	$55,800	$57,900	3.2%	2.2%	0.6%	1.0%
Minneapolis-St. Paul	2.2%	1.8%	1.8%	1.8%	$68,200	$70,000	$70,500	$71,600	3.9%	3.4%	2.5%	2.7%
Nashville	3.7%	3.4%	3.2%	2.9%	$51,600	$53,400	$55,100	$57,500	3.1%	4.2%	3.6%	3.3%
New Haven-Fairfield County	0.8%	1.7%	1.3%	1.3%	$70,300	$75,200	$77,300	$80,700	3.0%	2.7%	4.0%	3.0%
New York City	3.0%	3.0%	2.1%	2.1%	$59,400	$62,700	$64,700	$67,100	4.8%	5.0%	3.8%	3.5%
Northern New Jersey	0.8%	1.0%	1.2%	0.9%	$68,900	$69,700	$71,700	$74,700	4.1%	4.2%	4.8%	4.0%
Oakland	2.5%	3.0%	2.0%	2.5%	$75,800	$80,100	$82,700	$86,300	6.2%	5.3%	3.5%	3.2%
Orange County	2.0%	3.0%	2.7%	2.9%	$75,700	$76,800	$78,700	$81,500	3.4%	4.8%	3.7%	3.8%
Orlando	3.6%	4.5%	3.3%	3.1%	$47,100	$49,000	$50,900	$52,800	6.0%	6.7%	6.1%	6.5%
Philadelphia	0.7%	1.6%	1.3%	1.1%	$62,300	$65,000	$66,900	$69,700	3.0%	2.0%	2.4%	2.9%
Phoenix	2.9%	2.7%	2.9%	2.9%	$52,300	$54,000	$55,300	$57,100	4.7%	6.8%	4.8%	4.8%
Pittsburgh	-0.1%	0.8%	1.2%	0.9%	$51,400	$53,200	$55,000	$57,800	1.6%	2.1%	4.1%	3.4%
Portland	3.0%	2.9%	3.8%	3.9%	$58,900	$61,400	$63,700	$66,000	5.3%	4.6%	3.8%	4.5%
Riverside-San Bernardino	4.8%	3.7%	3.6%	3.8%	$53,400	$55,300	$56,100	$57,300	4.5%	4.2%	2.6%	3.8%
Sacramento	3.0%	2.6%	2.5%	2.9%	$58,400	$61,300	$63,000	$65,400	5.3%	4.1%	5.1%	5.3%
Salt Lake City	3.2%	2.9%	3.1%	3.3%	$61,900	$63,200	$65,700	$68,800	7.4%	3.3%	5.0%	4.6%
San Antonio	2.9%	3.3%	3.5%	3.6%	$51,900	$53,400	$53,900	$55,200	4.9%	4.4%	2.6%	2.9%
San Diego	2.6%	2.7%	2.7%	2.8%	$62,800	$68,400	$70,300	$72,900	5.7%	5.2%	4.2%	4.5%
San Francisco	4.3%	4.6%	3.7%	3.9%	$83,300	$97,300	$101,100	$107,800	6.9%	7.6%	7.0%	6.1%
San Jose	4.2%	5.0%	4.4%	4.5%	$93,800	$98,900	$102,800	$108,200	4.9%	3.7%	3.8%	4.5%
Seattle-Tacoma	3.0%	3.3%	3.0%	3.0%	$68,500	$74,100	$77,500	$81,700	10.3%	9.8%	8.4%	6.5%
St. Louis	0.8%	0.8%	1.2%	0.9%	$54,100	$56,500	$58,200	$60,700	2.7%	2.8%	-0.1%	0.9%
Tampa-St. Petersburg	2.5%	2.9%	3.1%	3.3%	$45,700	$47,800	$49,900	$52,000	3.7%	5.1%	6.5%	5.8%
Washington, D.C.	0.3%	1.4%	2.1%	2.0%	$88,600	$93,400	$95,200	$97,700	3.4%	3.5%	3.8%	3.0%
West Palm Beach	4.0%	3.6%	2.4%	2.6%	$51,800	$52,500	$55,100	$57,800	5.0%	6.3%	4.1%	4.5%
U.S. Total	1.8%	2.3%	1.9%	1.8%	$52,400	$54,600	$56,100	$58,000	2.9%	4.7%	3.2%	4.1%

* Forecast [2] See Statistical Summary Note on page 64.

Completions (000 of Sq. Ft.)[2]				Vacancy (Year-End)[2]				Rent ($/Sq. Ft., NNN)[2]				MSA Name
2013	2014	2015	2016*	2013	2014	2015	2016*	2013	2014	2015	2016*	
1,350	2,320	920	760	9.6%	8.6%	7.8%	7.0%	$13.39	$13.40	$13.40	$13.55	Atlanta
680	1,030	500	450	5.4%	5.3%	4.1%	3.7%	$17.78	$18.40	$20.27	$21.81	Austin
520	440	570	920	5.4%	5.1%	5.4%	5.6%	$18.42	$17.99	$18.20	$18.35	Baltimore
1,090	1,850	1,220	1,600	3.9%	3.6%	3.3%	2.9%	$17.41	$17.61	$18.10	$18.73	Boston
1,080	1,010	1,140	1,400	7.3%	6.5%	6.2%	5.6%	$13.43	$14.55	$14.25	$14.73	Charlotte
2,960	3,170	2,490	2,200	9.3%	8.5%	8.2%	7.8%	$17.08	$17.20	$17.09	$17.43	Chicago
140	90	710	1,000	7.5%	7.1%	6.5%	5.8%	$10.48	$11.44	$10.79	$11.11	Cincinnati
610	540	510	670	9.0%	8.3%	7.5%	7.1%	$10.77	$10.75	$10.87	$10.99	Cleveland
740	1,170	440	900	7.3%	6.3%	5.7%	5.3%	$11.42	$11.66	$11.44	$11.89	Columbus
3,190	3,050	4,920	2,500	7.8%	7.3%	6.5%	6.0%	$13.81	$14.35	$14.57	$14.98	Dallas/Fort Worth
1,070	640	700	1,000	6.5%	5.8%	5.7%	5.3%	$15.58	$16.12	$16.07	$16.36	Denver
1,130	340	950	1,000	10.2%	9.7%	9.2%	8.7%	$11.75	$11.98	$11.93	$12.10	Detroit
660	390	530	510	7.3%	6.8%	6.2%	5.9%	$19.19	$19.80	$20.47	$21.19	Fort Lauderdale
2,540	2,900	3,480	3,250	6.5%	5.9%	5.6%	5.6%	$14.79	$15.48	$16.02	$16.52	Houston
290	640	800	700	7.4%	7.0%	6.9%	6.4%	$13.16	$13.67	$14.25	$14.49	Indianapolis
300	390	300	350	8.6%	8.2%	7.5%	7.0%	$12.70	$12.93	$13.17	$13.58	Jacksonville
870	1,180	940	300	8.5%	8.1%	7.6%	7.1%	$11.52	$11.50	$11.76	$12.08	Kansas City
460	2,040	290	800	10.8%	10.2%	10.6%	10.3%	$15.54	$15.96	$16.36	$16.77	Las Vegas
660	1,070	1,780	580	5.2%	4.8%	4.8%	4.3%	$25.41	$26.42	$27.66	$28.55	Los Angeles
150	660	590	680	6.6%	5.5%	5.3%	5.0%	$11.77	$11.81	$12.75	$13.43	Louisville
500	1,030	1,000	1,550	4.2%	3.9%	3.6%	3.4%	$27.53	$29.37	$30.99	$32.35	Miami-Dade
710	370	1,240	800	7.6%	7.3%	7.1%	6.9%	$11.63	$11.63	$11.26	$11.56	Milwaukee
770	1,280	1,030	1,000	5.2%	5.5%	5.3%	5.4%	$13.59	$14.11	$13.45	$13.92	Minneapolis-St. Paul
460	660	480	370	7.0%	5.9%	5.5%	4.9%	$14.03	$14.62	$15.51	$16.21	Nashville
120	200	430	620	5.6%	5.4%	5.6%	5.9%	$19.19	$19.71	$20.19	$20.59	New Haven-Fairfield County
820	2,220	1,370	2,600	4.3%	4.2%	3.8%	3.9%	$52.47	$52.46	$53.80	$55.09	New York City
410	780	930	200	5.5%	5.0%	5.0%	4.7%	$22.27	$23.05	$23.16	$23.85	Northern New Jersey
370	180	450	750	4.8%	3.9%	3.7%	3.5%	$21.92	$22.86	$24.03	$24.99	Oakland
170	260	640	570	5.3%	4.7%	4.3%	3.9%	$22.85	$24.46	$26.01	$27.26	Orange County
760	570	1,130	1,700	7.3%	6.8%	6.0%	5.3%	$15.46	$15.56	$15.96	$16.58	Orlando
1,340	540	1,600	1,490	6.6%	6.4%	6.4%	6.2%	$15.33	$16.12	$16.14	$16.62	Philadelphia
1,010	760	660	1,200	11.4%	10.4%	10.0%	9.6%	$14.40	$14.54	$14.80	$15.13	Phoenix
720	930	320	340	4.4%	4.2%	3.8%	3.3%	$12.26	$12.45	$12.30	$12.44	Pittsburgh
410	980	730	500	5.3%	4.9%	4.9%	4.3%	$16.60	$17.08	$17.45	$18.04	Portland
910	990	710	1,200	9.7%	9.2%	9.1%	8.6%	$15.85	$15.86	$15.99	$16.44	Riverside-San Bernardino
620	640	560	500	10.2%	9.1%	8.3%	7.4%	$15.84	$16.22	$15.99	$16.57	Sacramento
440	750	690	410	4.8%	4.5%	4.4%	4.1%	$12.77	$13.05	$13.91	$14.73	Salt Lake City
1,230	1,730	530	600	6.1%	5.8%	5.5%	5.1%	$14.80	$15.05	$14.97	$15.34	San Antonio
420	380	650	380	4.9%	4.3%	5.1%	4.8%	$21.83	$22.96	$23.04	$23.62	San Diego
80	100	10	260	2.5%	2.3%	2.4%	2.6%	$31.04	$34.72	$38.05	$40.10	San Francisco
440	790	510	540	4.6%	3.8%	4.6%	4.5%	$28.85	$30.10	$32.48	$33.81	San Jose
790	600	400	300	6.1%	5.1%	4.6%	4.2%	$18.10	$18.42	$18.59	$18.83	Seattle-Tacoma
950	330	1,060	600	8.0%	7.4%	6.9%	6.7%	$12.26	$12.23	$12.44	$12.53	St. Louis
780	920	1,970	700	7.9%	7.1%	6.5%	6.0%	$14.00	$13.90	$13.84	$13.96	Tampa-St. Petersburg
1,960	1,910	1,590	1,670	5.2%	5.0%	4.8%	4.7%	$24.34	$25.16	$25.47	$26.03	Washington, D.C.
310	1,040	280	480	6.5%	6.6%	5.8%	5.4%	$17.85	$18.39	$19.84	$20.71	West Palm Beach
1,440	47,910	7,040	46,000	7.0%	6.5%	6.2%	5.9%	$17.62	$18.08	$18.45	$18.97	U.S. Total

* Forecast [2] See Statistical Summary Note on page 64.

Expanding Multifamily Sector, Surging Silicon Beach Underpin Retail-Asset Demand in Urban Core

Broad-based, steady economic growth in Los Angeles County is strengthening the outlook for the retail sector in 2016. Corporations continue to pen leases along the coasts, providing retailers with incentives to take on new spaces as workers pour into the region, particularly in the Westside Cities and downtown Los Angeles areas. Additionally, the vast number of multifamily projects throughout the city has encouraged retail expansion ahead of residential construction, leading to falling vacancy rates as builders struggle to keep up with demand. This year's offerings will be highlighted by the Runway at Playa Vista, a mixed-use project situated along Silicon Beach in the South Bay; the development accounts for more than a third of completions slated for delivery. Collectively, the pace of construction will slow considerably in 2016, allowing demand to overtake new supply increases by a wide margin. The resulting environment will trigger a sharp contraction in vacancy, accompanied by a mid-single-digit asking-rent ascension.

Tightening operations and robust credit markets, amid a historically low interest rate foundation, have motivated investors to seek properties with improving prospects. Institutional buyers are funneling money into downtown Los Angeles and the Westside Cities, where high-end assets provide a strong margin of safety, while smaller pools of capital focus on the San Fernando Valley and South Bay. Repositionings and changing demographics in these locales, along with more affordable assets for sale, allow more attractive returns through rising rents and sale price appreciation. Average first-year yields in the county will begin in the mid-4 percent range, with suburban locales pushing into the mid-5 percent area. Outdated industrial assets in quality urban locations will see interest accelerate as investors place increasing value on the sparse amounts of space available for larger mixed-use projects with ground-floor retail.

2016 Market Forecast

NRI Rank 5, up 5 places — Limited supply additions will facilitate a strong dip in vacancy this year, lifting Los Angeles five places.

Employment up 1.5% — Los Angeles County employers will create 65,000 new jobs this year, down modestly from the 93,000 positions added in 2015.

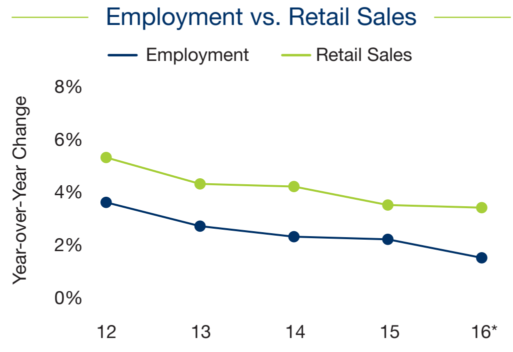
Construction 575,000 sq. ft. — The pace of development will contract sharply in 2016, as 575,000 square feet comes online, with the majority of the space to be delivered in downtown Los Angeles and the South Bay. Last year, builders completed 1.7 million square feet.

Vacancy down 50 bps — Falling construction and robust net absorption will lead vacancy to contract 50 basis points to 4.3 percent. Last year, vacancy was unchanged.

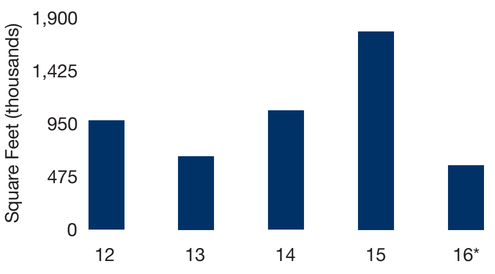
Rent up 3.2% — As the market tightens, the asking rent for available space will expand 3.2 percent to $28.55 per square foot. In the previous year, the average rent vaulted 4.7 percent.

Investment — Buyers seeking higher relative yields will target well-located assets in the San Fernando Valley, particularly as property values continue to improve.

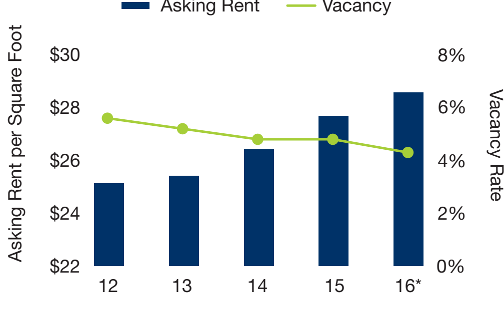
Employment vs. Retail Sales



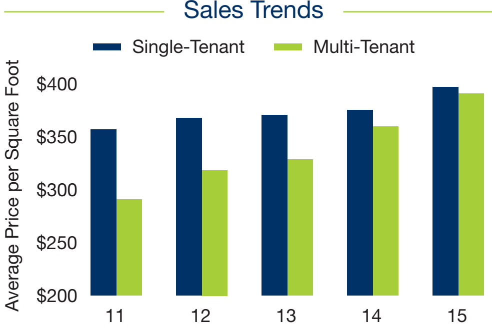
Retail Completions



Asking Rent and Vacancy Trends



Sales Trends



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

Louisville's Brightening Economic Outlook Encourages Retail Expansion, Attracts Investors

Steady economic growth in Louisville will bode well for retail-property operations this year, pushing vacancy to a 10-year low and encouraging the strongest rent growth in nearly a decade. Employment in the metro has surpassed the pre-recession peak by 5 percent, and companies will continue to fill new positions as business conditions improve. Google is exploring the opportunity to bring its Fiber network to the city, and officials hope to establish the area as a technology hub in the Midwest, boosting hiring in IT-related fields. This positive outlook is advancing retail sales and tenant demand for the market as both consumers and retailers display greater confidence. Necessities-based retailers are leading development efforts in the region; Wal-Mart will open four Supercenters this year and Kroger will add one store. Dollar stores will also add locations in the coming months as retail development remains mostly limited to single-tenant space. As vacancy at multi-tenant centers tightens further this year, the construction pipeline will begin to fill.

Strengthening property operations will draw investors to the Louisville retail market, boosting transaction velocity this year. Local buyers will continue to dominate the multi-tenant segment, targeting assets between $1 million and $5 million trading at initial yields in the low- to mid-8 percent range. Competitive lending will support buyers as they make investments in the market through the year. As cap rates compress in coastal markets, these buyers will look to exchange into metro assets in search of higher yields than those found in their home markets. Assets north of Interstate 64 and on the eastern side of town will be in highest demand. Sales velocity for single-tenant properties in the metro will remain strong, and cap rates start in the mid-5 percent area for best-in-class assets.

2016 Market Forecast

NRI Rank
37, up 2 places

Louisville rose two places in the NRI this year as rent growth is one of the strongest in the nation.

Employment
up 2.6%

Employment will rise 2.6 percent annually in 2016 as companies add 17,000 workers to payrolls. Last year, a 2.4 percent expansion was realized as 15,100 positions were created.

Construction
680,000 sq. ft.

Builders will complete 680,000 square feet of retail space this year, up from the 590,000 square feet of space delivered in 2015.

Vacancy
down 30 bps

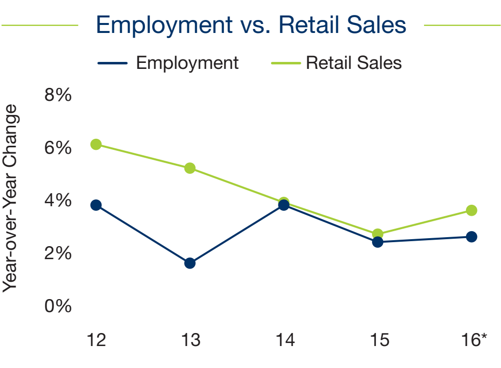
Following a 20-basis-point decline last year, vacancy will retreat 30 basis point in 2016, reaching 5.0 percent by year end.

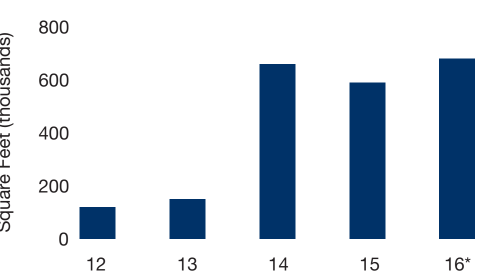
Rent
up 5.3%

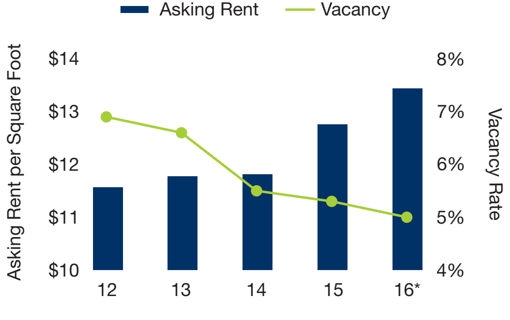
After rising 8.0 percent in 2015, the average asking rent will realize a second year of strong growth, increasing 5.3 percent this year to $13.43 per square foot.

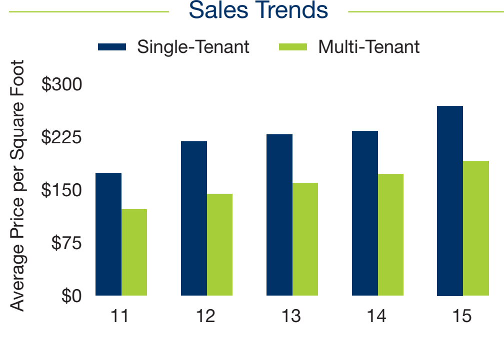
Investment

Heightened demand and cap rates that have compressed over the past few years will draw sellers from the sidelines in the coming months, contributing to an increase in sales activity.





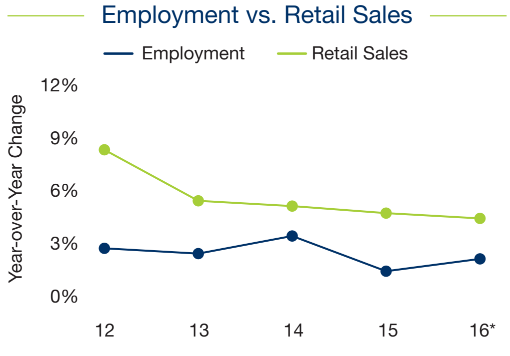




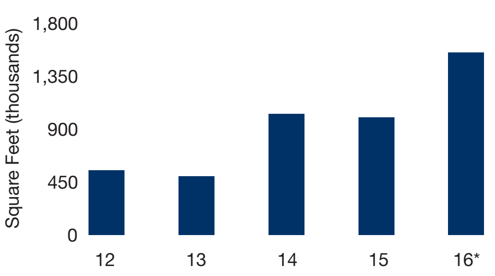
* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

International Influence Felt in Miami Retail Market; Vacancy Rates Reach Post-Recession Low

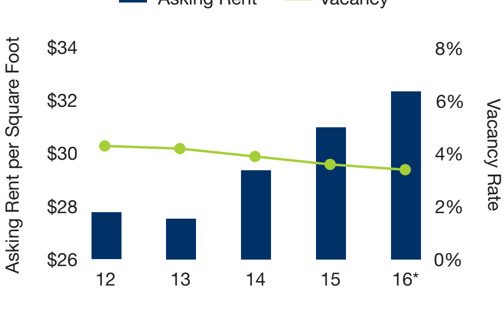
Employment vs. Retail Sales



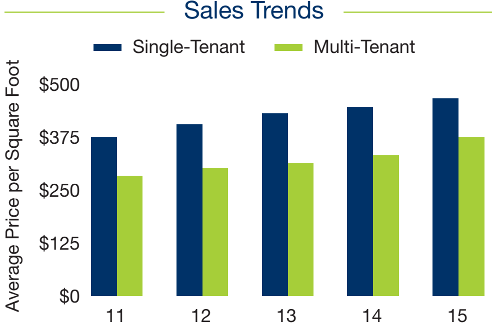
Retail Completions



Asking Rent and Vacancy Trends



Sales Trends



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

Tight market conditions and continued growth in the metro's robust tourism industry leave developers feeling bullish in the Miami-Dade retail market. New completions will reach the greatest level of the current expansion as builders move to capitalize on elevated demand. Despite record development activity, over construction has not been a concern as net absorption of more than 1.7 million square feet will encourage further vacancy compression this year. Miami-Dade will remain in the top five of the nation's tightest metros, further emboldening market participants. The area is known for its luxury shopping and dining offerings, with both domestic and international tourism dollars flowing into the metro. This, combined with strong employment numbers, has underpinned another year of solid retail-sales growth. Scarcity of available retail space amid heightened demand will spur steady rent increases this year.

The Miami investment market is flush with liquidity as consistent yields and improving fundamentals keep investor sentiment optimistic in 2016. The impact of increased volatility in the global financial markets can be felt in Southern Florida with foreign investors looking to Miami-Dade real estate as a store of wealth. Although there are some European and Asian influences in the metro, South American buyers have been the main overseas player. These well-funded buyers are willing to bid heavily on available product, helping drive valuations up to a 15-year high. Investors have begun showing some resistance to outsize pricing, however, which may cause exceptional cap-rate compression to level off this year, particularly for single-tenant properties. Multi-tenant assets, on the other hand, may have some room to grow as less risk-adverse investors continue to look to value-add and distressed properties to further bolster returns. First-year yields for these properties can average in the high-6 to mid-7 percent range, while well-located, unanchored assets reach the 5 percent territory.

2016 Market Forecast

NRI Rank 8, up 3 places — Miami rose three places as vacancy continues to constrict and asking-rent growth soars.

Employment up 2.1% — Miami-Dade employers will add 23,700 workers to the market in 2016, a 2.1 percent year-over-year jump. This is an acceleration from last year when metro job growth was 1.4 percent.

Construction 1.5 million sq. ft. — Developers will complete 1.5 million square feet of retail space this year, growing metro inventory by 1.4 percent. Last year, nearly 1 million square feet was delivered.

Vacancy down 20 bps — Following a 30-basis-point decrease in 2015, the vacancy rate will fall 20 basis points to 3.4 percent this year on more than 1.7 million square feet of net absorption.

Rent up 4.4% — Rent growth will hit 4.0 percent for three straight years as the average asking rate reaches $32.35 per square foot, up 4.4 percent year over year.

Investment — Institutional buyers focus on high street retail in the South Beach area, leveraging their deep pockets to aggressively pursue available assets.

Retail-Hub Expansions Draw New Retailers, Investors to Milwaukee

Job growth and rising household incomes in Milwaukee will contribute to a brighter outlook for area retailers this year. Strong tenant demand pushed completions to a seven-year high in 2015, largely due to Meijer's rapid expansion. This year, marketwide deliveries will slow but remain slightly above the five-year average. The majority of the development is centered in the suburbs. In Wauwatosa, the second phase of Mayfair Collection is underway. The success of the first phase has spurred additional retail and residential construction, which is improving the density and walkability of the Burleigh Triangle neighborhood, benefiting nearby stores. In Brookfield, the first Corners of Brookfield retailers will open in the final quarter. Also, Meijer's new location along Sunset Drive in Waukesha is encouraging further retail activity, including a Kohl's Off/Aisle at the former Kmart site. Rising tenant demand in 2016 will drop vacancy to the lowest point of this cycle, driving rents higher.

Milwaukee retail assets will draw a wider pool of investors as improving operations and the availability of capital entice more buyers to the market. Single-tenant net-lease assets will remain the focus of many investors, although competition for available properties will move some buyers to consider small strip centers with credit tenants. Cap rates for these assets typically start in the upper-6 percent area. Kroger's recent purchase of Roundy's has some owners of Pick 'n Save-anchored centers considering listing to capitalize on investor interest in shopping centers with a strong corporate lease guarantee. This should provide additional buying opportunities of grocery-anchored centers at initial yields starting in the mid-6 percent range, depending on quality, lease term and location. Heightened investor interest is intensifying competition in local retail properties and pushing prices higher. Aggressive valuations, however, are generating more resistance from buyers and lenders.

2016 Market Forecast

NRI Rank
46, down 3 places

Milwaukee occupies the final spot in the NRI due to slowing job growth.

Employment
up 0.8%

Milwaukee employers will generate 7,000 jobs in 2016, a 0.8 percent expansion. Last year, headcounts also increased 0.8 percent metrowide.

Construction
800,000 sq. ft.

Deliveries reached a seven-year high of 1.2 million square feet during 2015. Completions will slow to roughly 800,000 square feet this year, a 0.9 percent increase in inventory.

Vacancy
down 20 bps

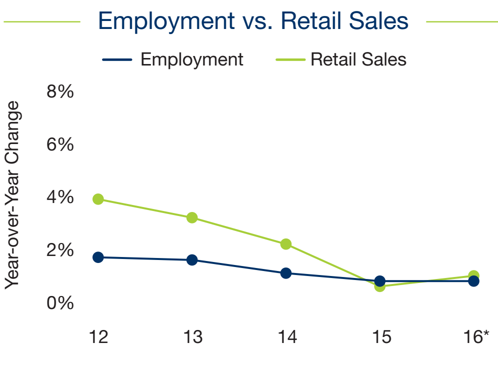
Strong tenant demand will contract vacancy to the lowest point of this business cycle. Vacancy will tighten 20 basis points to 6.9 percent in 2016, matching a 20-basis-point decline last year.

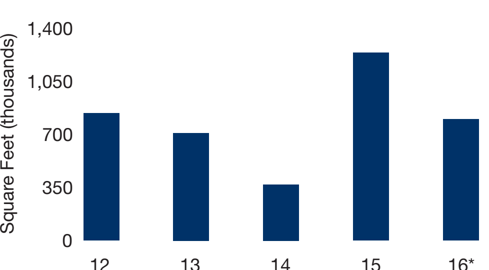
Rent
up 2.7%

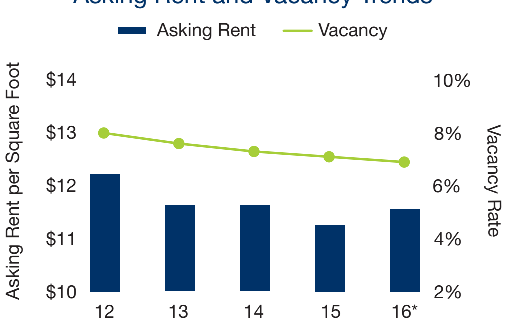
The average asking rent will rise 2.7 percent to $11.56 per square foot in 2016, after posting a 3.2 percent drop last year.

Investment

Construction is expected to begin this year on the new downtown arena for the Milwaukee Bucks. The 2018 delivery will likely spur demand for retail nearby.







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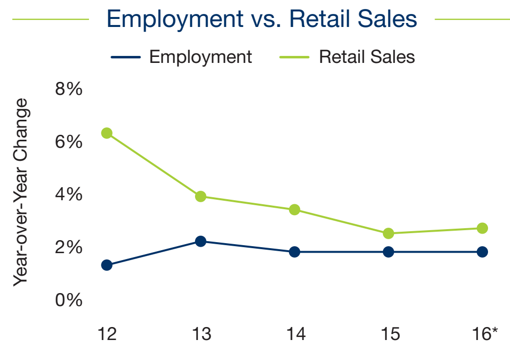
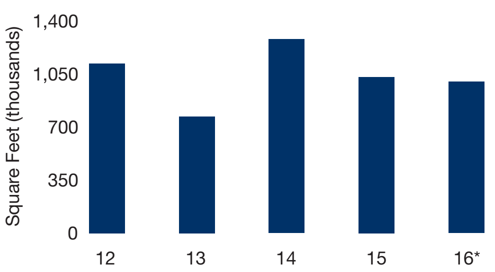
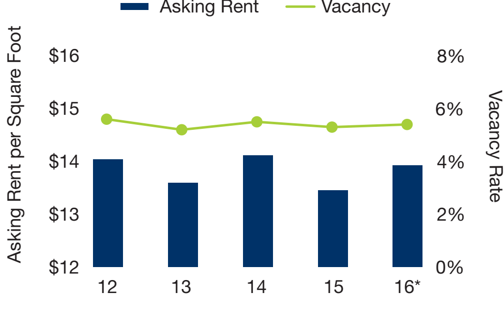
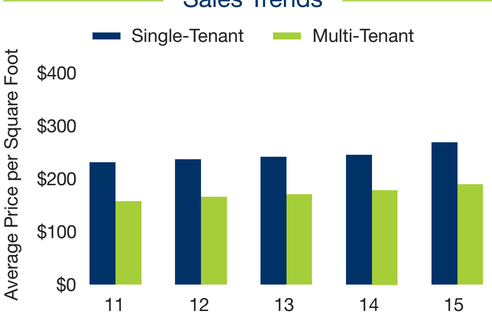








* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Demand for Empty Big-Box Space In Minneapolis-St. Paul Keeps Vacancy in Check

Another year of solid job growth and favorable demographic trends will attract retailers to the Minneapolis-St. Paul retail market. Healthy tenant demand will hold marketwide vacancy below 6 percent for the fifth consecutive year, despite the delivery of more than 5.1 million square feet during this time. Brooklyn Park will receive nearly a third of this year's 1 million square feet of new inventory with Menards and Hy-Vee opening stores. The latter will anchor the retail portion of the 98-acre 610 Zane development. Throughout the metro, large vacancies left behind by Kmart, Wal-Mart and Rainbow Foods are quickly being absorbed as retailers such as At Home, Hobby Lobby and Gordmans add locations. In downtown St. Paul, vacancy will tighten this year as the former 510,000-square-foot store vacated by Macy's is transformed into mixed-use space, including a practice rink for the Minnesota Wild hockey team. During 2016, the tight vacancy rate will push rents higher, although they will remain 13 percent below the 10-year peak.

The metro's vibrant economy is also drawing investors to local retail assets. Available listings remain well below buyer demand as steady cash flows provide little incentive for many owners to market properties. This is creating a competitive marketplace, which is driving prices higher. Unsuccessful bidding for single-tenant net-lease properties will motivate some buyers to consider less management-intensive multi-tenant buildings. New strip centers with fewer than five national tenants in the shadow of a strong anchor will receive heightened investor attention at cap rates beginning in the low-6 percent area. Investors searching for value-add opportunities should look for assets near retail hubs outside the metro core, where initial yields generally start in the 7 percent range. Properties that can be readily upgraded and retenanted at market-rate rents will be particularly desired.

2016 Market Forecast

NRI Rank 33, down 8 places — Minneapolis-St. Paul fell back eight places this year as supply-side pressure puts strain on the vacancy rate.

Employment up 1.8% — Metro employers will create 35,000 jobs in 2016, a 1.8 percent rise and matching last year's gain.

Construction 1 million sq. ft. — Developers will complete 1 million square feet of space this year, a 0.6 percent increase in inventory. This is on par with last year's deliveries.

Vacancy up 10 bps — A 20-basis-point drop in vacancy was recorded in 2015 as net absorption topped 1.3 million square feet. This year, vacancy will inch up 10 basis points to 5.4 percent.

Rent up 3.5% — Asking rents have been fluctuating as tenants seek to improve locations and vacate older space. This year, the average asking rent will climb 3.5 percent to $13.92 per square foot, up from a 4.7 percent decline last year.

Investment — Mixed-use apartment and office buildings proliferating around the outer edges of downtown Minneapolis will contain ground-floor retail space, which should provide investors with additional buying opportunities.

Burgeoning Millennial Base Drives Occupancy And Rent Rates to Current Cycle Highs

Healthy demographics and property performance are at a 10-year high, indicating a bright future for the Nashville retail market. Job opportunities for young professionals and the hip, bohemian feel of the metro has led to heavy levels of net migration, especially among millennials. Population growth for those ages 20 to 34, an incredibly important cohort to retailers, is triple the national average, supporting annual retail-sales volume that will exceed $32 billion by year end. The influx of new residents has ignited multi- and single-family development, which has in turn fed the retail market. Mixed-use construction is highly prevalent as office and apartment developers look to supplement traditional space with some retail component. Capitol View in the North Gulch is a prime example; once completed, the project will offer both stand-alone and ground-floor retail, as well as office, multifamily and hospitality space. Although mixed-use development is heating up, pure retail construction has faltered and will reach the lowest level since the recession. A slowdown in new development amid robust demand will encourage metrowide tightening with vacancy reaching the lowest point since the downturn. Rent growth will follow suit as operators lift rents past the prior cycle's peak.

The Nashville retail investment market is locally driven with in-state buyers dominating sales activity. Institutional and national money, however, have begun testing the market, especially for properties with long-term leases or corporate guarantees. Sale-lease activity among single-tenant franchisee assets has become increasingly popular, as owners look to raise capital for reimaging or expansion efforts. Seller motivation is primarily driven by pricing as cap rates for multi-tenant space compress to unprecedented levels. First-year yields for these assets in premier locations average in the low- to mid-5 percent range.

2016 Market Forecast

NRI Rank 11, up 8 places — Nashville jumped eight spots this year amid tight conditions and strengthening rent gains.

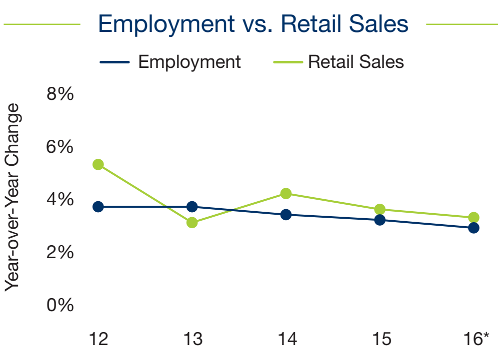
Employment up 2.9% — Employers will hire 27,000 new workers in 2016, an increase of 2.9 percent. This is on pace with last year, when the metro added 28,900 jobs.

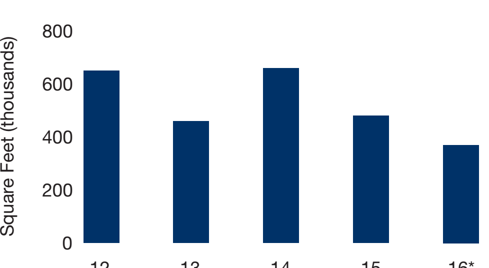
Construction 371,000 sq. ft. — Nashville developers will deliver 371,000 square feet of retail space this year, growing metro inventory 0.4 percent. This is a slowdown from 2015, when 478,000 square feet were completed.

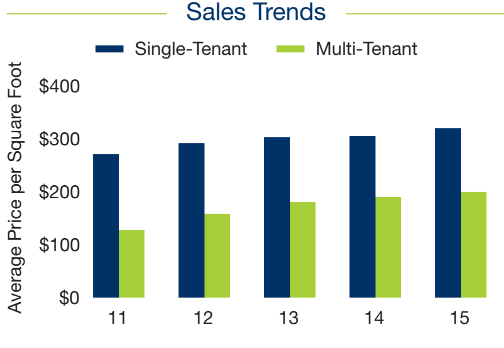
Vacancy down 60 bps — Following a 40-basis-point drop last year, the metrowide vacancy rate will drop 60 basis points to 4.9 percent in 2016 on nearly 1 million square feet of net absorption.

Rent up 4.5% — The average asking rent will climb 4.5 percent to $16.21 per square foot this year. Last year, the metro recorded a jump of 6.1 percent.

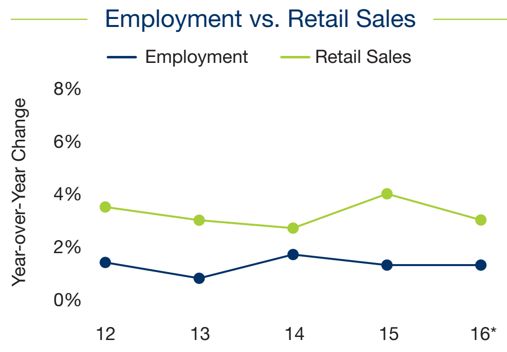
Investment — Attention is focused on areas surrounding the universities, with investment activity heating up in 12 South and Hillsboro Village.

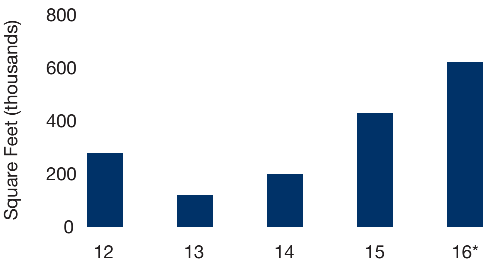


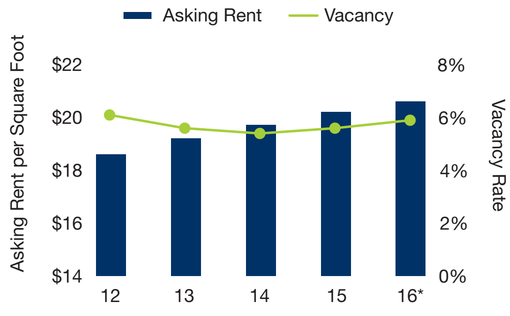


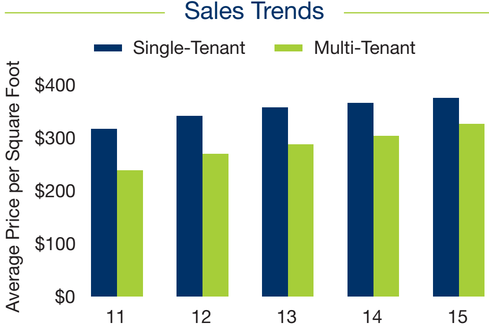


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics









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

Mixed-Use Development Outpaces Retailer Demand; Investors Shift to Favor Stability of Returns

The New Haven employment market is heating up as payrolls reach the highest levels in the past 15 years. Additionally, the flourishing metropolitan housing markets are drawing more residents to the area, supporting the creation of new businesses and retail shops. This upswing has fostered an expansionary attitude among builders, with retail development accelerating since 2013 as vacancy rates dropped. However, the pace of construction has diminished the positive impact of rising demand, particularly over the past year, as completions ramped up dramatically. This year, a number of large projects will come online, highlighted by a mixed-use development at 24 Colony Street in Meriden and the Oxford Towne Center in Naugatuck. As a result, deliveries will reach a cycle high in 2016. Meanwhile, pre-leasing will be inadequate to prevent an upswing in vacancy over the coming months as more than half of the new offerings will come to market without a signed tenant. Although turnover is likely to increase as retailers shift into new spaces, operations remain sufficiently tight to support a low-single-digit rise in average asking rents.

The search for yield amid a low return world is driving investors to consider New Haven assets, particularly institutions and investors from primary markets. The vast majority of first-year yields in the metro will trade in the mid- to high-6 percent range, while suburban properties can exchange ownership more than 100 basis points above the average. Assets along Interstate 95 dominate closed institutional transactions, with buyers placing premiums based on the distance to transit stations and corporate campuses in areas such as Greenwich, Stamford and Bridgeport. Meanwhile, private pools of capital will seek out suburban neighborhood and strip centers with a value-add component or a community anchor, such as a grocery store, benefiting from the influx of new homeowners and rooftops.

2016 Market Forecast

NRI Rank 38, down 2 places — Rising vacancy and slow rent gains pushed the metro back two places in the NRI.

Employment up 1.3% — Payrolls will reach the highest level since the early 2000s as local organizations create 10,500 jobs over the coming year, expanding total employment 1.3 percent. Last year, 10,500 positions were added.

Construction 615,000 sq. ft. — Builders will complete more than 615,000 square feet of retail space this year as mixed-use development activity ramps up. In the prior year, more than 425,000 square feet were delivered.

Vacancy up 30 bps — After rising 20 basis points in 2015, vacancy will climb an additional 30 basis points to 5.9 percent in 2016 as development almost doubles net absorption.

Rent up 2.0% — A shift toward more modern spaces and better locations among retailers will foster a 2 percent rise in the average asking rent to $20.59 per square foot.

Investment — The relative value of Connecticut assets in comparison to larger East Coast markets will continue to attract capital as investors seek more robust cap rates.

Development Hits Highest Level of Current Cycle; Investors Buying Value-Add and Top-Tier Assets

Steady employment growth, combined with rising household formation, will foster greater retail spending in 2016. Years of expansion have encouraged builders to stay active in the retail market, which will culminate in the strongest pace of deliveries of the current cycle. Planned completions will nearly double last year's levels, with Brooklyn slightly outpacing Manhattan as the most active borough. City Point, the 675,000-square-foot mixed-use project in downtown Brooklyn, will be the largest development brought online in 2016, edging out the World Trade Center retail portion in Lower Manhattan. While Manhattan and Brooklyn will each receive in excess of 1 million square feet this year, rising real estate values are encouraging construction in the Bronx and Queens, where development will exceed 215,000 square feet in each borough, highlighting the strength of the market. Over the course of 2016, vacancy is likely to tick up over the medium term as the robust delivery schedule fosters a transition period among local retailers. Strong pre-leasing will soften the impact of new supply and boost asking rents above the rate of inflation.

Seeking a foothold in one of the strongest commercial real estate markets in the world, investors of all sizes have been active bidders. Institutional investors will overwhelmingly favor Manhattan mixed-use and retail properties with barriers to redevelopment and marquee corporate tenants, which provide an excellent margin of safety. Meanwhile, private pools of capital are focusing on mixed-use retail assets with residential spaces on top, with a greater portion of closed transactions centered on more affordable properties in the outer boroughs. Brooklyn and Queens are becoming especially popular, particularly as cap rates can reach 50 basis points or more above the metro average in the low-5 percent range. In these areas, outdated industrial offerings are options for repositioning into mixed-use and retail assets.

2016 Market Forecast

NRI Rank 6, down 4 places — New York fell four places this year amid rising inventory, vacancy and slowed rent growth.

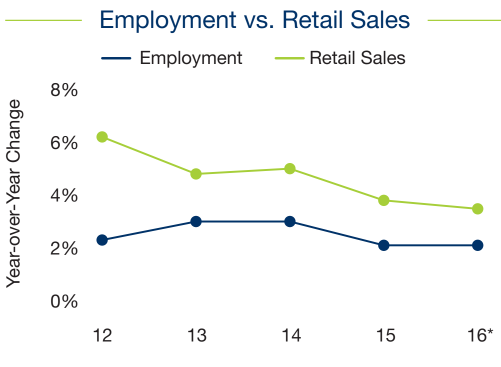
Employment up 2.1% — After adding 86,000 new workers last year, local organizations will create 90,000 jobs in 2016, raising headcounts by 2.1 percent year over year.

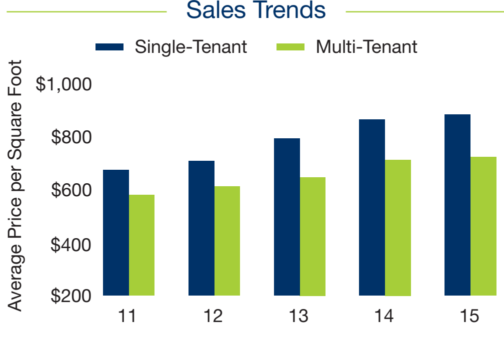
Construction 2.6 million sq. ft. — An expanding retail pipeline will foster the delivery of 2.6 million square feet of space in 2016, nearly doubling last year's total.

Vacancy up 10 bps — The pace of construction will surpass demand from retailers despite net absorption of more than 2.2 million square feet, fostering a 10-basis-point rise in vacancy to 3.9 percent.

Rent up 2.4% — Strong pre-leasing and tight metro vacancy will support a 2.4 percent rise in the average asking rent to $55.09 per square foot.

Investment — Assets with expiring leases or opportunities for capital improvements in order to boost NOIs will receive the most interest from new buyers.





* Forecast
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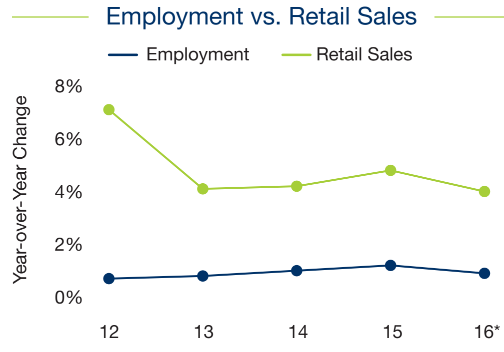
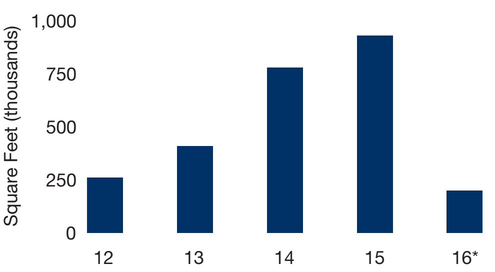
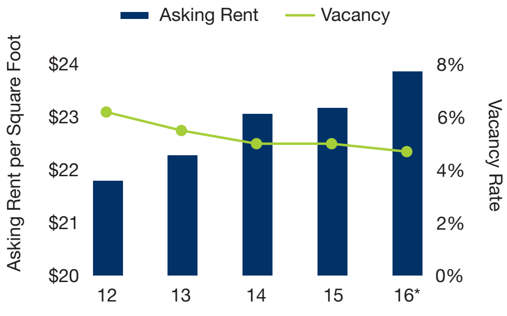
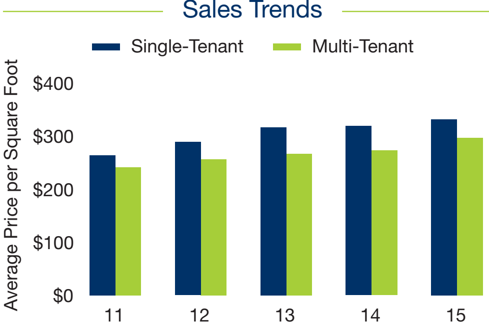








* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Slowing Construction Boosts Local Operations; Buyers Cross the Hudson for Yield, Upside Potential

Benefiting from the strength of the tristate area, the Northern New Jersey retail market is making substantial gains. Fueled by more affordable housing options compared with New York City rentals, the multifamily sector is recording substantial gains as vacancy tightens below 3 percent. This improvement has motivated retailers to scoop up spaces in local mixed-use buildings that make up the majority of retail spaces in the market, with vacancy rates adding steady improvements every year since 2013. Although builders have been active over the course of the current cycle, completions will slow dramatically this year, accounting for less than 25 percent of the prior year's totals. In addition, the bulk of the deliveries are smaller, single-tenant spaces that have largely been pre-leased, further reducing availability in 2016 and fostering fierce competition among retailers for additional floor plans. The resulting environment will sponsor a modest contraction in vacancy rates as demand outpaces supply, while the average asking rent records a low-single-digit advancement.

Seeking more appealing first-year returns, investors of all sizes are increasingly crossing the Hudson River into New Jersey from all over the tristate area. Initial cap rates can be more than 300 basis points above Manhattan, leading many investors to forgo greater upside appreciation in order to capture more attractive cash returns. The Hudson Waterfront area will be the most actively traded, with investors placing a premium on the densely populated urban environment. Additionally, assets in Newark and the Meadowlands area will see greater interest, yet deal flow is likely to be limited by the availability of listings. Mixed-use assets with value-add components, either through retenanting or cosmetic updates, will receive the bulk of private buyer interest. However, several years of appreciation and the abundance of capital in the metro have acted to limit the availability of these offerings.

2016 Market Forecast

NRI Rank 32, up 6 places — This metro jumped six places as inventory additions are scant and retailers fill existing space.

Employment up 0.9% — After adding 24,400 new positions in 2015, employers will hire 18,000 workers this year, expanding total payrolls by 0.9 percent.

Construction 200,000 sq. ft. — Builders will complete just 200,000 square feet of space in 2016, less than a quarter of the prior year's deliveries. The vast majority of the space is pre-leased, single-tenant net-lease construction.

Vacancy down 30 bps — A lack of new supply, along with strong net absorption, will trim vacancy 30 basis points to 4.7 percent. In the previous 12 months, vacancy was unchanged.

Rent up 3.0% — Tightening operations will foster greater demand for existing spaces, propelling the average asking rent 3.0 percent higher to $23.85 per square foot. In the previous year, the asking rent rose 0.5 percent.

Investment — Assets located near metro stations and other mass-transit systems will receive particular interest from buyers wishing to deploy capital.

Tech Growth Keeps East Bay Surging; Vacancy Drops Despite Elevated Construction

As expanding employers become priced out of other parts of the Bay Area, many have turned to Oakland as a lower-cost alternative, helping drive the local economy. Uber's announcement to move its corporate headquarters to Oakland will have a transformative impact in the metro with future growth among top-tier technology firms expected in the years to come. Tech relocations and the prevalence of venture-capital money will lift the high-wage professional and business services sector, contributing to another year of solid job growth. As metro employment reaches a cycle high, the median household income and consumer spending on retail goods will increase in 2016, indicating strength in the retail market. Annual completions will more than double the five-year average as developers move to capitalize on pent-up demand. Growing demand in select submarkets has encouraged retail builders to move out of the metro core into places farther inland, including Walnut Creek and the Tri-Valley area. Heightened development efforts, however, will not slow down metrowide tightening; vacancy rates will fall to the lowest level since the recession. Market tightness amid strong demand will underpin another year of healthy rent growth with the average rate reaching the highest level since 2009.

Demand for Oakland real estate will remain elevated with high yields and general market optimism prompting investor activity. First-year returns in the East Bay for retail properties are between 75 and 100 basis points higher than their San Francisco and San Jose counterparts. Buyers outnumber sellers in the metro as a lack of available listings remains the main hindrance to stronger deal flow. Exchange activity is highly prevalent as buyers utilize aggressive capital redeployment strategies, aiming to capture market momentum on the upside. This, combined with access to affordable debt, has pushed valuations past the pre-recession peak, led primarily by price gains for multi-tenant properties.

2016 Market Forecast

NRI Rank 13, up 4 places — Vacancy will constrict further this year, boosting Oakland four places in this year's NRI.

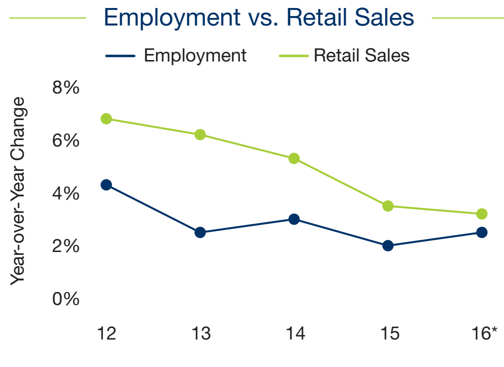
Employment up 2.5% — Oakland employers will add 27,600 workers in 2016, a 2.5 percent boost. Last year, metro businesses created 21,100 jobs, with the largest gains occurring in the professional and business services sector.

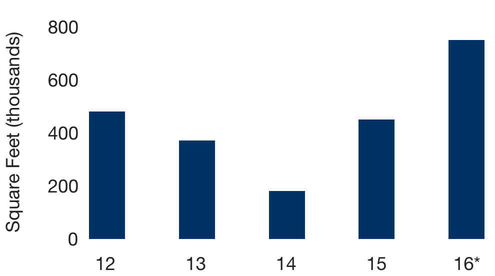
Construction 750,000 sq. ft. — Construction activity will intensify this year as developers bring 750,000 square feet of retail space to market. In 2015, more than 445,000 square feet were completed.

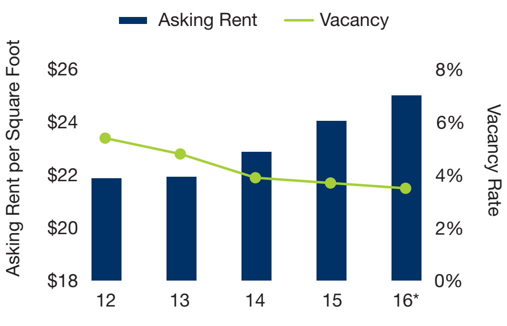
Vacancy down 20 bps — The metrowide vacancy rate will fall 20 basis points to 3.5 percent in 2016. A 20-basis-point decline was registered last year.

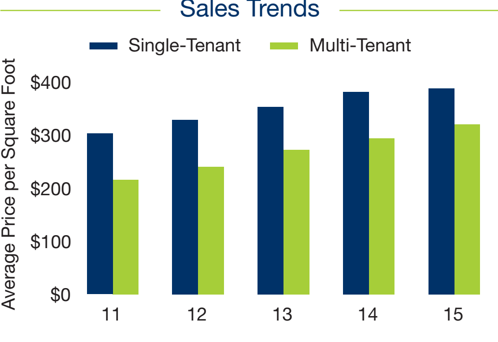
Rent up 4.0% — This year, tight market conditions will lift the average asking rent 4.0 percent to $24.99 per square foot. In 2015, the metro recorded a 5.1 percent jump.

Investment — Investors still primarily target assets along the western waterfront near BART stations, most notably the Berkeley, Richmond/San Pablo and West Oakland areas.



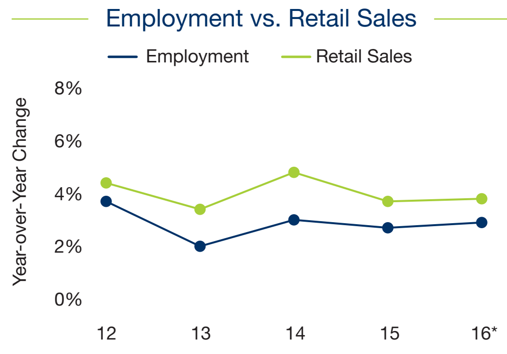




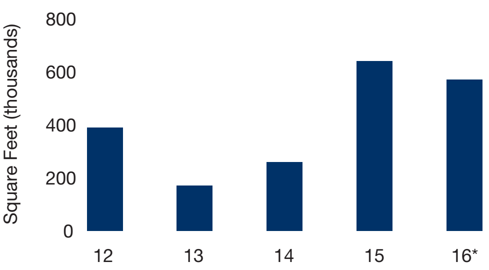


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

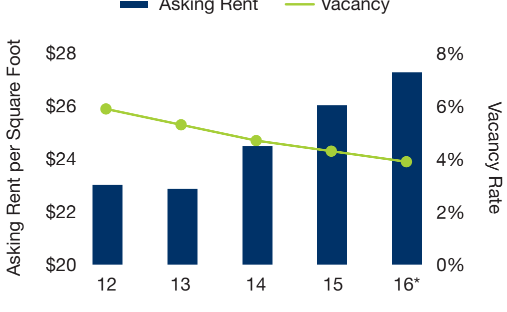
Employment vs. Retail Sales



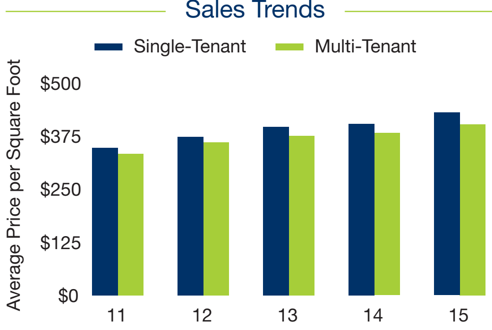
Retail Completions



Asking Rent and Vacancy Trends



Sales Trends



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

Retail Spending Points To Tighter Orange County Vacancies

The Orange County retail market is poised for another strong year as the robust tourism industry and low unemployment rate push occupancy and rent levels higher in 2016. The quality of life and availability of job opportunities attract well-educated workers to the metro, helping foster a healthy and affluent demographic base. The median household income is well above that of the rest of the nation; that, when coupled with high consumption from metro visitors, supports heavy spending on retail goods. Orange County builders will remain bullish in the metro with annual completions staying well above the five-year average. The largest retail project this year is the Source at Beach, a mixed-use development in Buena Park. Once completed, the site will include a 400,000-square-foot retail center, Class A office space and a movie theater. Despite another year of strong construction activity, vacancy will contract to a post-recession low with 2016 marking the third consecutive year of net absorption in excess of 1 million square feet. Metrowide rent levels will achieve similar heights as the average asking rate reaches the greatest point since 2008.

Low vacancy rates and vigorous rent growth have kept investor interest fixated on Orange County retail properties. Increased volatility in global financial markets is drawing foreign capital to American real estate, with many keying in on the county as a way to preserve wealth. Although investor demand is intense, there has been some resistance by local buyers to outsize pricing. Exchange activity is the primary driver of deal flow in Orange County with a majority of down-leg transactions coming out of apartment assets as owners look to find a less-management intensive source of income. Cap-rate compression may begin to ease in 2016 as investors monitor Fed activity closely. First-year returns average in the 5 percent range. Well-located, net-leased deals reach the low-4 percent area.

2016 Market Forecast

NRI Rank 7, up 1 place — Orange County rose one spot in the NRI as gains in fundamentals remain steady.

Employment up 2.9% — The pace of employment will accelerate this year through the creation of 45,200 jobs, an increase of 2.9 percent. In 2015, employers hired 40,800 new workers, led by gains in the education and health services sector.

Construction 573,000 sq. ft. — Developers will complete 573,000 square feet in 2016, expanding metro inventory 0.5 percent. Last year, builders brought 640,000 square feet to market.

Vacancy down 40 bps — The metrowide vacancy rate will fall 40 basis points to 3.9 percent this year. A 40-basis-point contraction was registered in 2015.

Rent up 4.8% — Following a jump of 6.3 percent last year, the average asking rent will grow 4.8 percent to $27.26 per square foot in 2016.

Investment — High population density and a lack of available land have led to increased urbanization in many municipal cores. Downtown areas in Fullerton, San Clemente and Santa Ana will continue to benefit from this trend in 2016.

Orlando Shopping-Center Investments Show Strength; Out-of-Town Buyers Invest in the City

Retailers are hastening the pace of construction to meet buyers' demand for goods and services in Orlando. The most deliveries since 2009 are taking place this year, with largely pre-leased projects slated for completion near exits along Interstate 4 and other major thoroughfares. Whole Foods, Wal-Mart and Costco are adding locations in well-trafficked centers. Other retail concepts are being built in lifestyle retail centers and mixed-use spaces such as Lake Nona and Gardens on Millenia, where adjacent residential components will generate street traffic to local shops. Nearby existing retail buildings are also benefiting as retailers expand in these areas near new growth. This year, overall tenant demand will push the metro's vacancy below 6 percent for the first time since 2008, as approximately 2 million square feet are absorbed for a second year in a row. Rising space needs and limited availability will accelerate this year's average rent gain to the fastest pace in a decade.

A thriving retail sector is driving trades of local assets, especially quality shopping centers, drawing out-of-area investors. South American buyers are increasingly targeting assets in the state, specifically turning to Orlando as availability of stable properties diminishes in Southern Florida. This dynamic is also spurring an influx of investors from that portion of the state. In particular, bidding for single-tenant net-leased properties has compressed cap rates and pushed some buyers to consider other asset types. Many of these investors are transitioning to two- to four-tenant strip centers with credit occupants and long-term leases. These less-management-intensive properties can yield 6 to 7 percent in the first year of occupancy. Those buyers seeking higher returns will target older anchored or second-generation anchored centers that were once big-box shops and have been repurposed to house national discount stores, which generate cap rates of 8 to 9 percent.

2016 Market Forecast

NRI Rank
20, up 3 places
Steep vacancy declines and rent gains pushed Orlando up three places this year in the NRI.

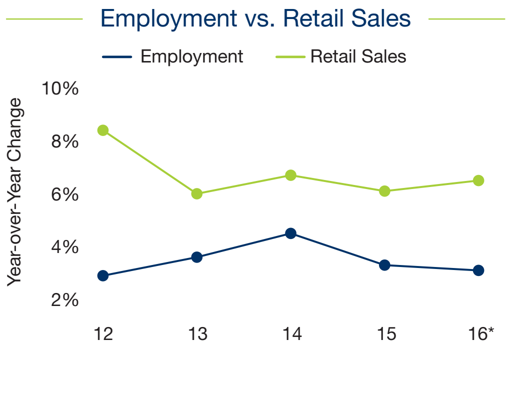
Employment
up 3.1%
Employers will expand hiring by 36,000 positions in 2016, adding 3.1 percent to the workforce. In 2015, 38,000 jobs were created.

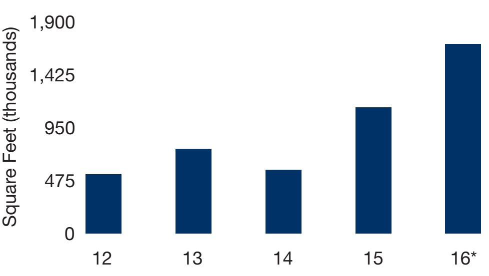
Construction
1.7 million sq. ft.
Builders will complete 1.7 million square feet of retail space in 2016, an acceleration from the 1.1 million square feet delivered in the previous year.

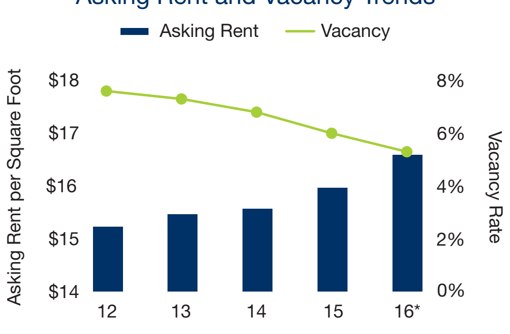
Vacancy
down 70 bps
Metro vacancy will compress 70 basis points this year to 5.3 percent, based on absorption reaching a 10-year peak. This is down slightly from the 80-basis-point drop in the prior year.

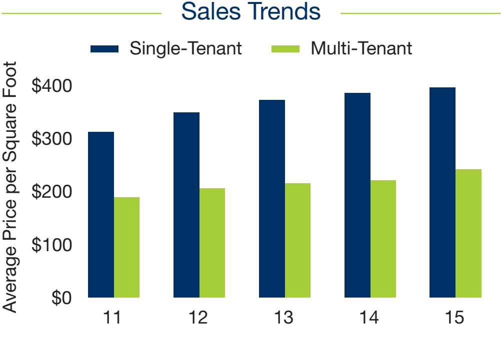
Rent
up 3.9%
Rising space requirements by retailers will elevate the average rent 3.9 percent in 2016 to $16.58 per square foot by year end following a 2.6 percent climb in 2015.

Investment
A favorable local lending environment and strong yields in smaller shopping centers are building investors' confidence in the metro. Out-of-town buyers will compete with locals, amplifying transaction velocity for another year.









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

Employment vs. Retail Sales

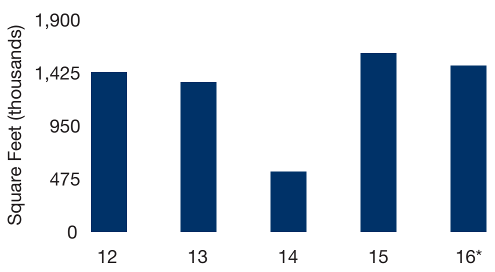
Employment — Retail Sales

Year-over-Year Change

8%
6%
4%
2%
0%

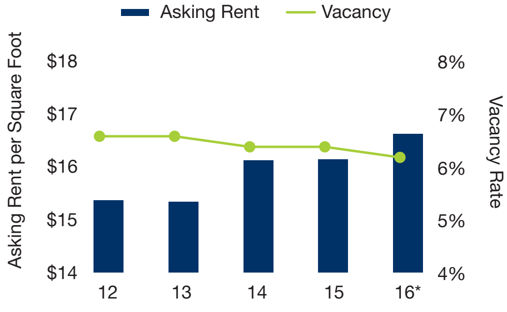
12 13 14 15 16*

Retail Completions



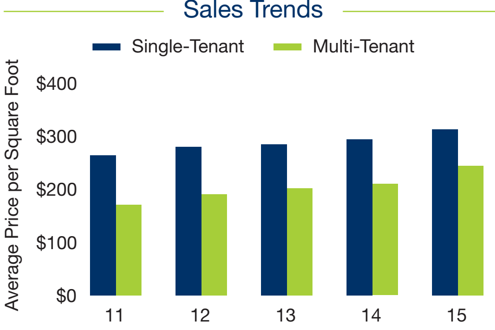
Asking Rent and Vacancy Trends

Asking Rent — Vacancy



Sales Trends

Single-Tenant — Multi-Tenant



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

Occupancy Rates Rise as Strong Economic Activity Lifts Philadelphia Retail Sales

Steady job growth will place downward pressure on metro vacancy rates, bolstering the healthy Philadelphia retail market. Both the healthcare and education industries, led by numerous universities and medical facilities, have supported employment growth. Job gains in these areas as well as the strong trade sector helped push the metro unemployment rate to the lowest level since the recession. Demographically, Philadelphia has seen outsize growth in median household income, which now sits at more than 20 percent above the national level. As the metro population's disposable income increases, annual retail sales growth will reach the highest point since 2006. Although new development will post a slight decline from last year's pace, builders will remain active with annual completions staying well above the five-year average. Uptown Worthington in Malvern is the marquee retail development of the year. Once completed, the mixed-use project will have allocations for Class A office space, luxury apartments and 725,000 square feet of gross lease area retail. Despite another year of consistent construction, overwhelming tenant demand will push vacancy rates to unprecedented levels, spurring a sizable rent hike.

Market optimism will keep demand for Philadelphia retail assets elevated in 2016, accelerating the pace of deal flow. Intense investor demand has driven valuations past pre-recession levels as buyers bid aggressively to acquire quality properties. Transactions are a healthy mix of both multi- and single-tenant properties, usually trading in the $1 million to $10 million price tranche. Cap rates for single-tenant assets average in the low-6 percent range with well-located properties dipping 100 basis points lower. Multi-tenant properties have first-year returns in the high-6 percent area, although investors with a greater risk profile may pursue properties with sub-optimal tenant mixes or struggling occupancy rates, hoping to increase values for a yield play.

2016 Market Forecast

NRI Rank 36, down 4 places — Philadelphia declined four spots in the NRI as employment remains subdued.

Employment up 1.1% — Philadelphia organizations will hire 30,000 workers in 2016, increasing total employment 1.1 percent. Last year the metro workforce grew 1.3 percent through the addition of 35,100 jobs.

Construction 1.5 million sq. ft. — Metro builders will complete 1.5 million square feet this year, growing inventory 0.5 percent. Developers brought 1.6 million square feet to market in 2015.

Vacancy down 20 bps — The metrowide vacancy rate will fall 20 basis points to 6.2 percent in 2016. Last year, vacancy showed no movement, remaining at 6.4 percent.

Rent up 3.0% — The average asking rent will grow 3.0 percent this year with rates reaching $16.62 per square foot. The metro registered rent growth of 0.1 percent in 2015.

Investment — The Philadelphia suburbs have garnered heavy investor interest, particularly in Bucks County. Yield-chasing buyers may turn to Southern New Jersey where cap rates typically trend higher.

Phoenix Retail Market Shines Bright; Buyers Search for Hidden Gems in Suburbs

Heavily pre-leased retail construction will bode well for asset operations in the coming year as developers jump-start completions to the highest level since 2009. Builders have been strategic, primarily breaking ground once leases are in hand. Retail expansions will be situated in historically high-demand locations along the Camelback corridor and in growing outlying suburbs where significant residential development is creating the need for additional shopping options. Large floor-plate grocers are proliferating, accounting for nearly half a million square feet of space underway in suburbs as far outward as Goodyear, Litchfield Park and Gilbert. Retail sites are also being developed at the 20-acre QC District mixed-use project in the heart of the Queen Creek Town Center. The initial phase will include retail and dining selections, and subsequent phases will entail a multifamily portion, generating further consumer demand. Overall, the metro's retail operations will remain strong this year as vacancy tightens further and rents increase for a third consecutive year.

A low barrier to entry and higher-than-average yields compared with other Western metros are attracting buyers to Phoenix's abundant retail properties. Healthy NOIs in both core and suburban assets have tripled trading activity since the downturn. Vigorous economic growth and residential development in suburban areas are beginning to turn retail investors' gaze to the periphery of the metro, where first-year returns can trail into the high-7 to 8 percent range for unanchored centers. At the other end of the yield spectrum, transaction velocity in grocery and drugstore-anchored centers will continue to accelerate this year, as will restaurants and fast-food assets. Buyers will be motivated by the variety of prospective trades and the metro's higher yields, spurring another year of elevated bidding activity.

2016 Market Forecast

NRI Rank 26, down 6 places — Though falling, vacancy remains one of the highest in the nation, dropping Phoenix six places this year.

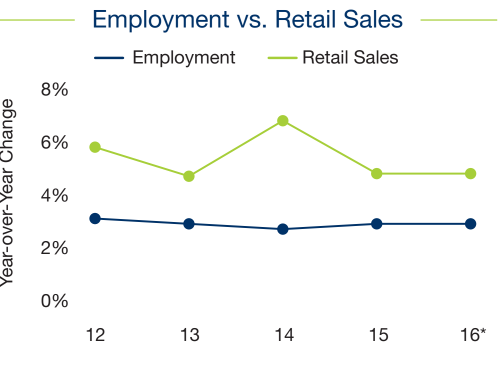
Employment up 2.9% — Employers will elevate payrolls 2.9 percent in 2016, creating 56,000 jobs, slightly higher than the 54,600 positions formed last year.

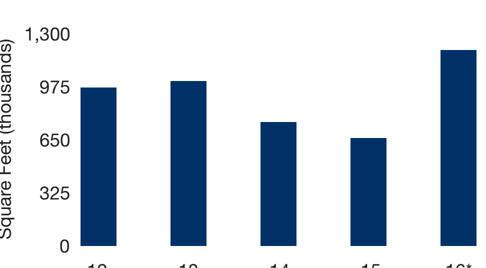
Construction 1.2 million sq. ft. — Retail construction of 1.2 million square feet will supply 0.6 percent inventory to the market in 2016, surpassing annual additions in each of the past six years. In 2015, builders completed 660,000 square feet.

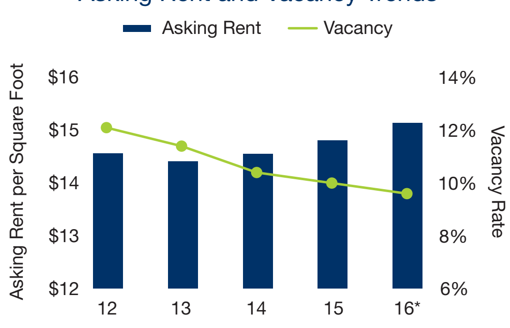
Vacancy down 40 bps — This year's absorption will support a 40-basis-point tightening in vacancy to 9.6 percent for marketed space, matching the 40-basis-point fall a year earlier.

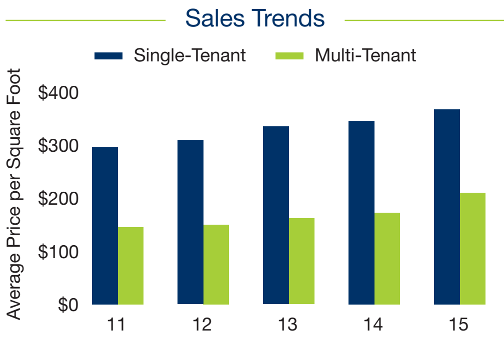
Rent up 2.2% — The average asking rent will rise 2.2 percent in 2016 to $15.13 per square foot, building on last year's 1.8 percent gain. Overall, rent remains far below the prior peak.

Investment — The availability of single-credit tenant anchors and adjacent shopping centers are driving investors to Phoenix's retail properties and to some of the highest yields among Western markets.



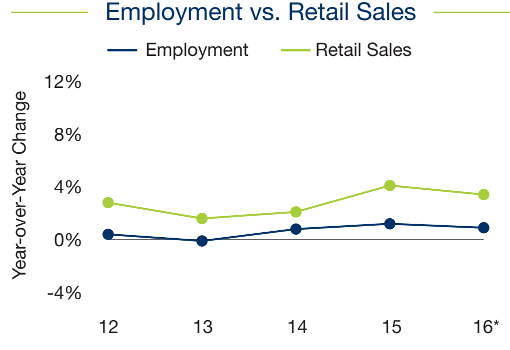




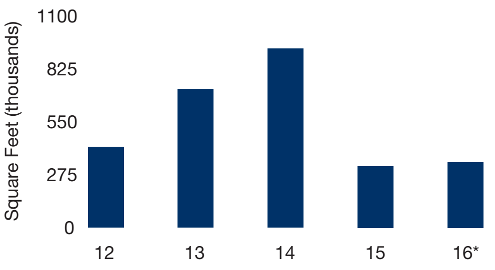


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

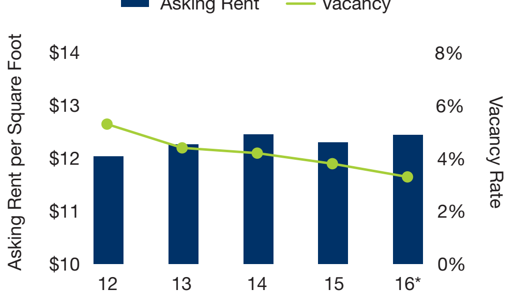
Employment vs. Retail Sales



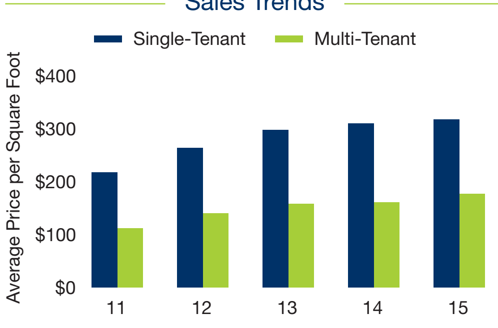
Retail Completions



Asking Rent and Vacancy Trends



Sales Trends



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

Economic Diversification and Low Vacancy Rates Pique Investor Interest for Pittsburgh Retail

The steadfast local economy combined with vacancy rates at a 10-year low will keep demand elevated in Pittsburgh's retail market. Efforts to diversify the Steel City's economy are succeeding with the information technology and advanced manufacturing industries gaining steam in the past few years. Uber announced plans to partner with Carnegie Mellon and open a robotics research facility that explores the possibility of self-driving cars and illustrates Pittsburgh's advancing economy. Investments like this allow Pittsburgh to remain a consistent and stable market, sustaining retail-sales volume. During the last recession the metro was able to remain relatively resilient, helping characterize the city as a safe environment for commercial real estate investments. Market stability has allowed retailers to expand aggressively into existing centers this cycle with vacancy rates constricting to one of the lowest levels in the nation. Tight market conditions will encourage modest rent growth, pushing the average asking rent higher.

The Pittsburgh retail market will continue its stable transaction pace as rent and occupancy rates trend higher in 2016. A slowdown in new development has intensified buyer demand in the metro; however, a lack of available listings has stalled sales velocity. Many property owners are reluctant to list assets, employing long-term hold strategies where they can rely on the cash flow from these steady, income-producing properties. Those who do list are usually motivated by some life change such as a partnership breakup or estate planning instead of traditional market forces. High-end premium properties in good locations, however, will move attention from out-of-state buyers, whose aggressive bidding will draw sellers off the sidelines. Class B/C product, on the other hand, has evidenced a disconnect between buyer and seller expectations, although appropriately priced assets will receive heavy investor interest.

2016 Market Forecast

NRI Rank 19, down 3 places — Pittsburgh fell three spots as rent and employment growth are some of the slowest in the nation.

Employment up 0.9% — Metro employers will add 10,600 workers to payroll in 2016, an increase of 0.9 percent. This is a slight slowdown from last year when the Pittsburgh labor force grew 1.2 percent.

Construction 335,000 sq. ft. — Developers will complete 335,000 square feet of retail space this year, a nominal expansion of metro inventory. In 2015, 320,000 square feet was delivered.

Vacancy down 50 bps — The metrowide vacancy rate will fall 50 basis points to 3.3 percent in 2016. This follows a 40-basis-point drop in the prior year.

Rent up 1.1% — The average asking rent will climb 1.1 percent to $12.44 per square foot this year. In 2015, the metro registered a rent decrease of 1.2 percent.

Investment — Cap rates for multi-tenant assets average in the low-7 percent range with yields for well-located three-unit retail centers with a favorable tenant mix reaching the high-6s.

Growth in Tech Employment and New Households Cultivates Lush Retail Sector in Portland

A dynamic tech scene is elevating retailer demand and lifting occupancy to a new high this year as tenants absorb more than a million square feet of storefronts. Tech startups and Silicon Valley employers with a significant presence in Portland have contributed to the formation of more than 100,000 new households over the past six years. Apartment builders are responding by building the most new units in a decade. Retailers follow these units to optimize on the metro's growing shopping needs by inciting the development of nearly 5 million square feet since 2009. Development may be limited by density in the core and will be largely located at street level in new apartment and office towers for easy pedestrian access. Other builders will look at sites where land is plentiful, following apartment development along major transportation corridor exits and mixed-use development bordering the Willamette River. While shopping centers have been proliferating, the rate of expansion is far exceeded by tenant demand, which will shrink vacancy to one of the lowest rates in the nation. The need for retail space will expand rent for marketed storefronts, which will reach the previous peak level this year.

Local investors face competition from an increasing amount of out-of-state capital seeking the overall strong operations and stable returns in Portland's retail sector. Household formation and retail sales contributed to trading activity rising 30 percent in the last year alone and nearly quadrupling since the trough. Buyers from California and Washington are arriving in the metro with a variety of yield objectives. West Coast investors generally target well-located buildings with diminished returns in the low-6 percent area. Regional investors, especially from Washington state, are slightly less risk-averse trading into yields that were 20 to 50 basis points above this mark. Buyers can obtain higher yields moving into outlying areas, though value-add options are diminishing.

2016 Market Forecast

NRI Rank
18, up 9 places

Portland jumped nine places this year amid overall strengthening retail operations.

Employment
up 3.9%

Metro employers will lift local payrolls 3.9 percent as they bring 44,000 new workers on staff this year, the highest rate of growth in this business cycle to date. Hiring netted an additional 41,600 workers in 2015.

Construction
500,000 sq. ft.

Builders will complete 500,000 square feet of retail space in 2016, down from the 730,000 square feet delivered in the previous year.

Vacancy
down 60 bps

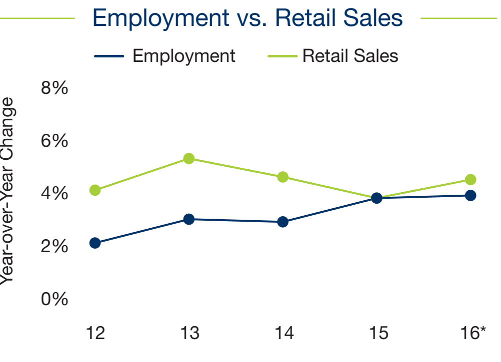
Metro vacancy will tighten 60 basis points this year to 4.3 percent based on heavy pre-leasing. Overall absorption will exceed 1 million square feet. Last year vacancy was flat.

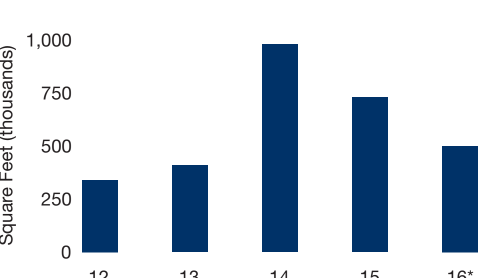
Rent
up 3.4%

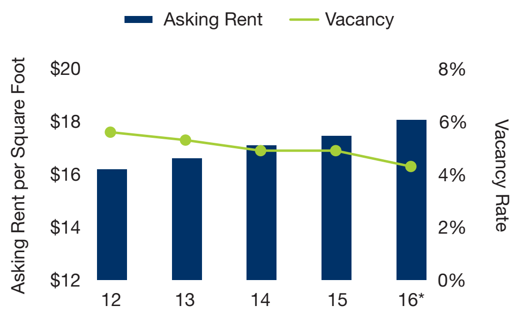
Average asking rent will escalate 3.4 percent in 2016, ending the year at $18.04 per square foot. This follows a 2.2 percent rise a year earlier.

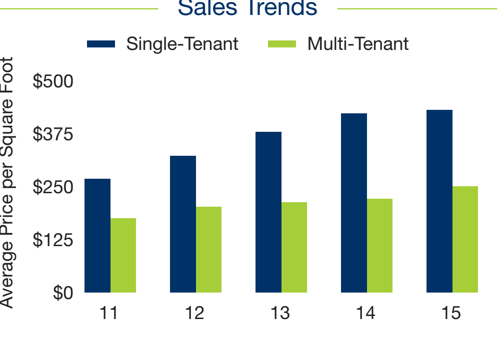
Investment

Assets in Beaverton can provide yields 10 to 40 basis points above the metro average, while properties in Gresham can yield 100 basis points above the average.

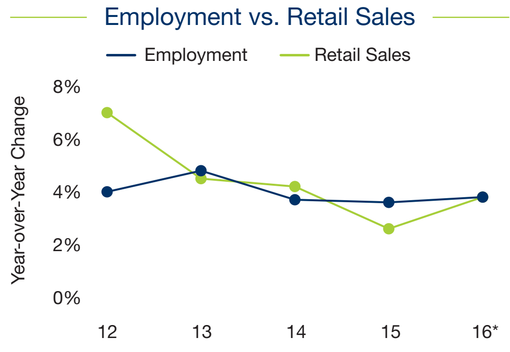


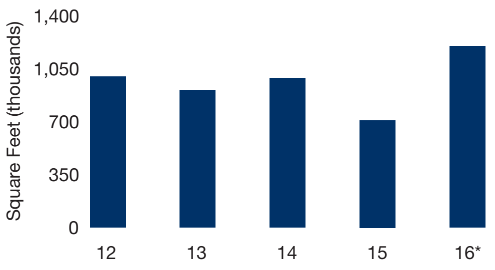


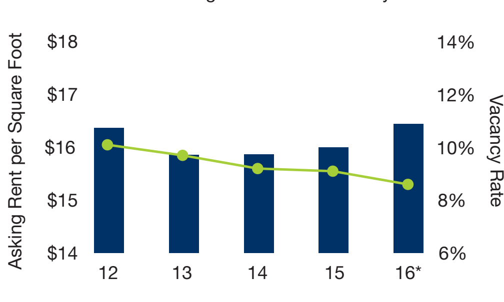


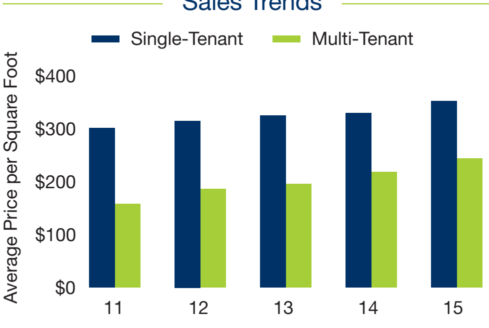


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics









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

Rising Jobs and Population Flow into Inland Empire, Lifting Retail Sales and Asset Occupancy

Riverside-San Bernardino's strong job growth is providing the cornerstone for new households in the market, attracting national retail tenants and tightening asset operations. Job diversification is drawing more business professionals to the metro along with a strengthening industrial employment base, which is garnering additional revenue for retail stores. To accommodate the rising demand for goods and services, retailers are expanding metrowide, occupying existing shopping centers while also inciting development. Large swaths of new space this year will be attributed to discount stores, grocers and drugstores. As long-term leases are penned at these anchor locations, mom-and-pop tenants are snapping up surrounding storefronts and inline space, further tightening metro vacancy. This will mark another year of vacancy compression, pushing the rate below 9 percent for the first time in seven years. Demand for marketed space will elevate rents at the fastest pace in this recovery.

A rise in property revenue is attracting investors to retail properties in this Southern California metro. Buyers from Orange County and Los Angeles are moving inland to obtain assets with an average cap rate in the low-6 percent range, which is 40 to 100 basis points higher than their home markets. In particular, investors will seek properties near new retail projects that are driving traffic and sales in the area. More listings will be available as owners who purchased properties five to six years ago choose to exchange into different assets while interest rates remain historically low. Investors can obtain cap rates in the high-5 to low-6 percent span for new properties with long-term leases and corporate guarantees. Strip centers with either a credit tenant or strong corner location, along with a potential upside to filling vacant inline space, can trade into low-7 percent initial returns. Unanchored, non-credit strip centers will exchange at cap rates in the 8 percent area to renovate and re-tenant.

2016 Market Forecast

NRI Rank 34, up 1 place — Heightened space demand boosted Riverside-San Bernardino one spot in the NRI this year.

Employment up 3.8% — Employers will generate 3.8 percent job growth in 2016, as they bring on board 52,000 additional workers. Last year, 46,800 positions were created.

Construction 1.2 million sq. ft. — Construction will mainly consist of expansions at existing centers with 1.2 million square feet this year, above the 710,000 square feet delivered a year earlier.

Vacancy down 50 bps — Metro vacancy will fall 50 basis points in 2016 to 8.6 percent, after ticking 10 basis points lower previously.

Rent up 2.8% — Average asking rent will rise 2.8 percent this year, to $16.44 per square foot, an acceleration from the 0.8 percent growth in 2015.

Investment — California investors will be drawn to the higher yields and relative availability of assets in the Inland Empire. Out-of-state buyers will find the area's stable workforce and growing population base as a sign of ongoing strength in the retail asset market.

Sacramento Investors Expand Parameters As Slim Construction Pipeline Trims Vacancy

In 2016, employers will create the most new positions in this expansion cycle to date, including government jobs, which will reach prior peak levels. Accelerating employment will support consumer spending in the metro's retail centers, boosting occupancy. Construction has been restrained since 2010, with developers building near prime employment and residential areas that have higher disposable incomes in Roseville, Rocklin, Folsom and downtown. This year's large proportion of speculative space will be delivered in these neighborhoods. The remaining build-to-suit projects are primarily planned for suburban retail centers, as spending in these areas encourages discount retailers, drugstores and tenants to complete new locations. Another year of low inventory growth, along with rising space demand, will support vacancy breaking the 8 percent mark for the first the time since 2008. Sparse availability in existing storefronts and a significant amount of speculative construction in high rent areas will elevate average rent for marketed space at the fastest pace in nearly a decade.

Rising NOIs are driving investors to Sacramento's retail assets. Single-tenant properties with long-term leases to national tenants are in high demand at near 5 percent cap rates. Investors seeking similar returns who are outbid will turn to select strip and neighborhood centers with strong tenant rosters. Buyers opting for higher yields will purchase both freestanding and shopping center assets situated next to building activity downtown and in the first-ring suburbs. Here initial returns are in the low- to mid-6 percent span and 100 basis points upward in outlying secondary areas. There will be robust investor interest for value-add assets with significant upside through repositioning of older spaces or properties with considerably low occupancy available downtown and in higher-income suburbs. Properties in areas of anticipated growth will be targeted, driving up pricing for well-placed assets of various tranches.

2016 Market Forecast

NRI Rank 31, up 2 places — Vacancy will retreat at the fastest pace in the nation this year, lifting Sacramento two positions in the NRI.

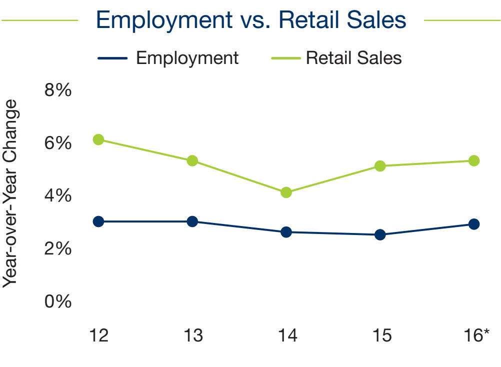
Employment up 2.9% — Sacramento employers will create 27,000 new jobs this year, a 2.9 percent gain, accelerating from 22,700 jobs last year.

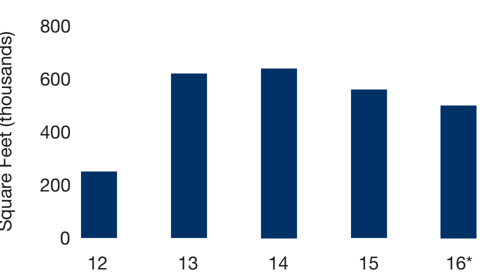
Construction 500,000 sq. ft. — Builders will complete nearly 500,000 square feet of retail space in 2016, tacking on 0.6 percent to local inventory. This is down slightly from the 560,000 square feet delivered previously.

Vacancy down 90 bps — Rising demand and tight supply will shrink vacancy by 90 basis points this year to 7.4 percent, the lowest level since 2007. Last year, vacancy fell 80 basis points.

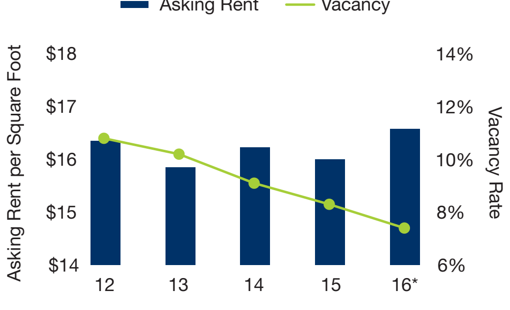
Rent up 3.6% — Average asking rent will expand by 3.6 percent in 2016, ending the year at $16.57 per square foot after decreasing 1.4 percent in 2015.

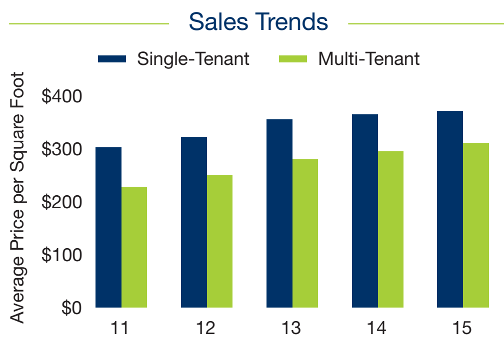
Investment — Bay Area buyers will seek out Sacramento retail assets for lower barriers to entry and rising prospects for growth in tenant demand this year.



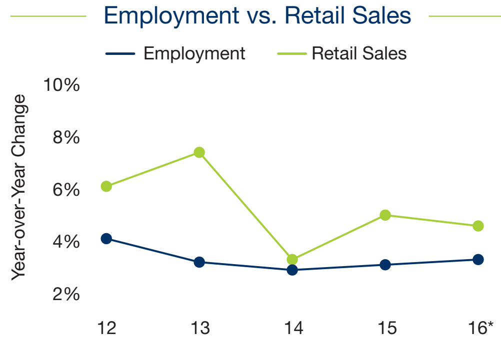


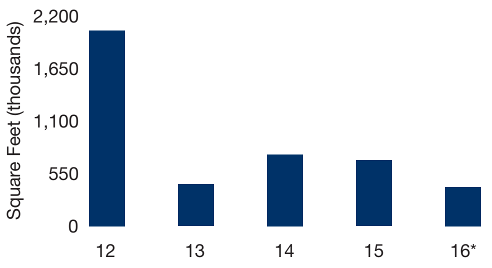
Asking Rent and Vacancy Trends

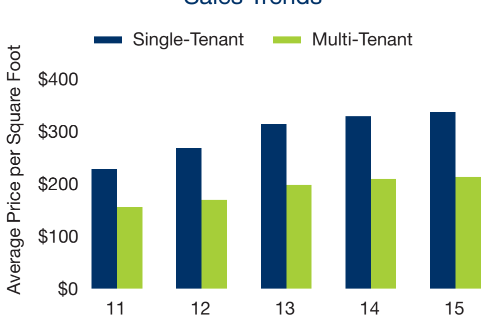




* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics







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

Strong Population Growth Supports Retail Spending, Pushing Metro Vacancy to a 10-Year Low

Healthy demographics and the growing strength of the tech sector signal another robust year for the Salt Lake City retail market. The quality university system and availability of high-wage jobs draw and retain a premium workforce to the metro. The abundance of young professionals coupled with a populace that gravitates toward family life at an earlier age will support vigorous population growth and household formation, particularly among high-spending millennials. This will encourage retail sales to reach its highest level since 2005, with annual consumer spending volume expected to reach $24.7 billion by year end. In light of strong demand, available land is becoming increasingly expensive, contributing to a slowdown in retail development. Annual completions will hit a 10-year low in 2016 with a 256,000-square-foot community center in Clinton headlining construction. The decline of building activity will force expanding retailers to take existing space, putting downward pressure on the already-tight metrowide vacancy rate. Healthy rent growth will continue from last year's remarkable pace with plenty of room for future improvements as lease-rates remain well below pre-recession levels.

Buyers outnumber sellers in the metro as market stability and strong upside potential keep demand elevated for Salt Lake City real estate. Out-of-town investors, particularly those from California, have a heavy influence in the metro, contributing to the steady rise in prices. Exchange activity is highly prevalent as market participants look to redeploy capital quickly, taking advantage of low interest rates and tax benefits. Although transaction velocity is vigorous in the metro core, deal flow is picking up in southern Salt Lake County with new housing and available land drawing investors to the area. First-year returns for multi-tenant properties are in the 7 percent range with single-tenant assets averaging 100 basis points lower.

2016 Market Forecast

NRI Rank 12, up 6 places — The Wasatch Front gained six places this year as operations and the economy strengthen.

Employment up 3.3% — The Salt Lake City workforce will grow 3.3 percent in 2016 through the addition of 38,100 jobs. Last year metro employers hired 34,800 workers led by gains in the professional and business services sector.

Construction 406,000 sq. ft. — Land constraints will contribute to the slowing of construction with builders finishing 406,000 square feet this year. In 2015, developers delivered 689,000 square feet.

Vacancy down 30 bps — Following a 10-basis-point drop last year, the metrowide vacancy rate will fall an additional 30 basis points to 4.1 percent in 2016.

Rent up 5.9% — The average asking rent will climb 5.9 percent to $14.73 per square foot this year. In 2015, rent growth hit a 10-year high of 6.6 percent.

Investment — High land prices and mountain ranges on either side of the Wasatch Front act as a barrier to new development, mitigating investor risk to becoming out-positioned.

Economic and Tourism-Related Growth Bolster San Antonio Retail Market

San Antonio's retail market will receive a boost this year as the local economy propels forward, pushing down vacancy and encouraging rent growth. Broad-based job gains are attracting residents to the metro and increasing consumer confidence, bolstering retail sales. In addition, the metro is strengthening its position as a destination for meetings and conventions. The Henry B. Gonzalez Convention Center in downtown San Antonio recently opened after undergoing a $325 million renovation. This year, the center will host more than 500,000 visitors through a number of meetings, boding well for tourism-related stores nearby. Both developers and retailers have taken notice. The renovated Joske's building at Rivercenter mall will open early in the first quarter this year, anchored by Dave & Buster's, H&M and Battle for Texas: The Experience. Additionally, necessities-based retailers, including Wal-Mart, H-E-B and Walgreens, are expanding through the region, opening stores in the months to come. New retail space coming online remains mostly pre-leased, contributing to a drop in vacancy by year end.

Investment in the San Antonio retail market will rise this year as a bright economic outlook draws buyers to the metro. Regional, private investors targeting properties priced between $1 million and $10 million dominate deal flow, and high-quality, multi-tenant centers draw significant buyer interest. Demand for Class A and B assets in the metro is rising, compressing the spread between cap rates for these properties. As competition for quality rises, investors will begin considering properties with secondary characteristics. Initial yields for Class A centers are in the 7 percent area, while Class B properties trade approximately 50 basis points higher. Buyers will continue to target single-tenant investment opportunities in the market this year, with cap rates averaging in the mid- to high-6 percent area.

2016 Market Forecast

NRI Rank 15, down 2 places — Lackluster rent growth pulled San Antonio back two places in the NRI.

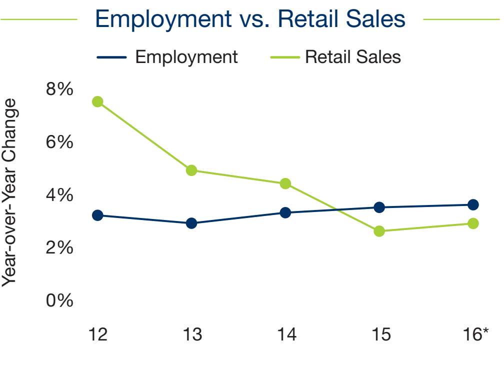
Employment up 3.6% — Companies in San Antonio will create 36,000 positions this year, expanding payrolls 3.6 percent. In 2015, employers increased staffs 3.5 percent with the addition of 33,300 jobs.

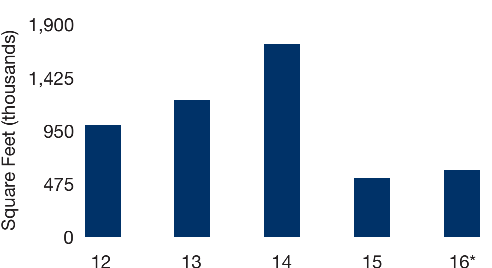
Construction 600,000 sq. ft. — After bringing 530,000 square feet of retail space online last year, builders will deliver 600,000 square feet of space to the metro over the next four quarters.

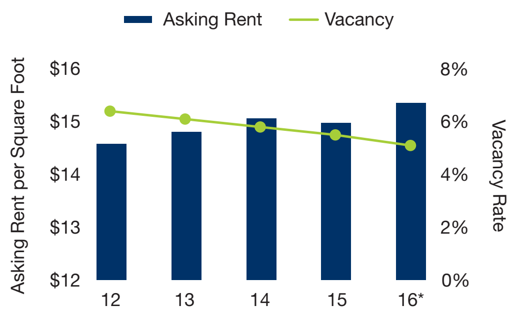
Vacancy down 40 bps — Vacancy will decline 40 basis points annually to 5.1 percent by year end. The rate dipped 30 basis points year over year in 2015.

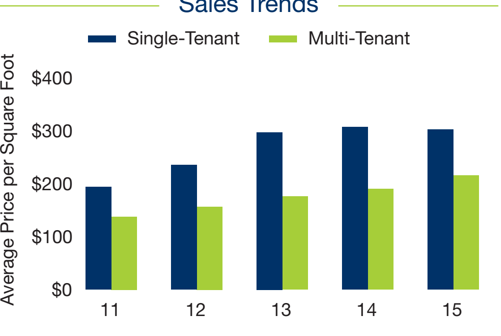
Rent up 2.5% — The average asking rent will rise 2.5 percent year over year in 2016 to $15.34 per square foot. The average rent declined 0.5 percent last year.

Investment — Retail construction will remain mostly limited to single-tenant assets this year, further fueling transaction velocity for this segment in the months to come.

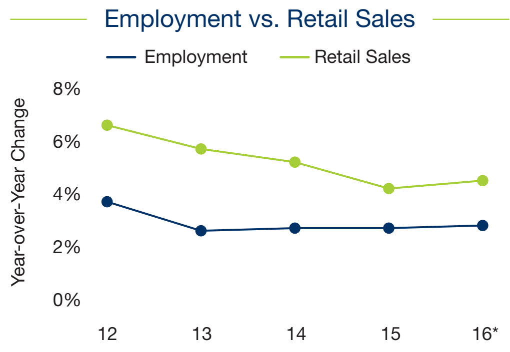


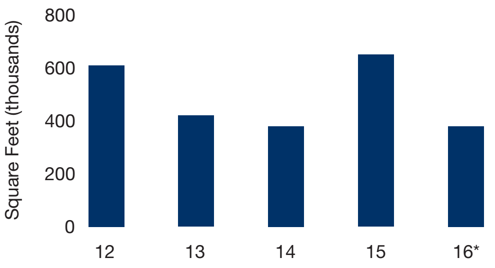


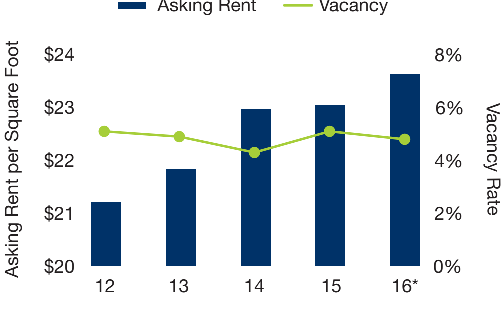


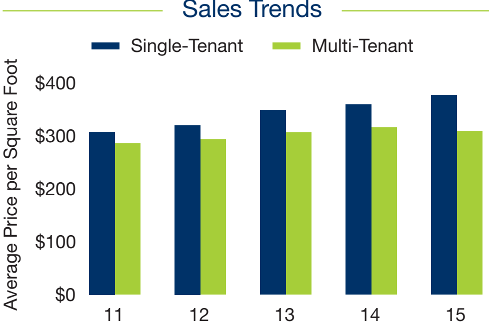


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics









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

Vacancy Constricts Further As Small Businesses Invigorate San Diego Retail Demand

Steady employment gains will continue to fuel consumer spending in San Diego this year, leading to further improvements in the area's retail market. Many of the metro's employment sectors have exceeded prior job peaks, and nearly every segment has added back all positions lost during the recession. This positive outlook on the area's economy is translating to rising retail sales and strengthening tenant demand. Completions will fall this year, further contributing to extremely tight vacancy. In addition, the return of small-business tenants to the market is a boon to multi-tenant centers as they lease in-line space, constricting vacancy and encouraging rent growth. As a result, vacancy will reach the lowest point since the recession this year. The stabilization of properties across the metro should spur retail construction to resume, and several projects loom in the pipeline that would provide some relief to the heightened demand for area retail space.

Bidding will remain intense and keep transaction activity among retail assets vigorous in the San Diego metro this year. As mom-and-pop retailers begin to fill small storefronts and further stabilize multi-tenant centers, owners will be faced with the decision to revisit listing options or to invest additional capital into property improvements. As the potential to add value through marketing efforts diminishes, owners in search of upside will seek centers with short-term leases and the ability to bring rents up to market. Private buyers will remain most active in the market, scouring the metro for these stable multi-tenant deals. An anchored C-plus assets can trade at initial yields in the low-6 percent range, while an unanchored prospect can draw first-year returns approximately 50 basis points higher. Single-tenant assets will remain in high demand and typically trade at cap rates in the mid-5 percent area.

2016 Market Forecast

NRI Rank 9, down 4 places — San Diego fell four spots this year as other markets surpassed this area's performance outlook.

Employment up 2.8% — San Diego employers will add 39,000 workers this year, expanding payrolls 2.8 percent. In 2015, job growth accelerated 2.7 percent with the creation of 37,400 jobs.

Construction 375,000 sq. ft. — Completions will decline when compared with last year as just 375,000 square feet of retail space comes online by year end. Builders added 650,000 square feet to stock in 2015.

Vacancy down 30 bps — Vacancy will retreat 30 basis points annually to 4.8 percent this year. During 2015, an 80-basis-point increase was recorded.

Rent up 2.5% — Tight conditions will encourage rent gains and the average will rise 2.5 percent year over year to $23.62 per square foot. The average grew 0.3 percent last year.

Investment — Strip centers containing two to four national or regional credit tenants are drawing significant buyer interest. Those in prime locations or anchored by larger multi-tenant centers can trade as low as 4 percent.

Robust San Francisco Retail Undergoing Supply Surge; Buyers Positioning for Long-Term Gains

The vibrant San Francisco economy, led by surging growth at technology firms and venture-capital backed startups, is hitting new highs. The influx of workers has led construction firms to focus on apartments and office spaces in order to meet soaring demand, leaving retail completions to sink to a multiyear low in 2015. Plummeting completions were not enough to quell a rise in vacancy, however, as rental-growth fatigue appears to be setting in among some retailers who are opting for smaller floor plans at more modern storefronts. Asking rents have vaulted more than 25 percent over the past three years, forcing retailers to reconsider their space needs amid an environment of rising costs. While retailer demand has been tepid, builders are ramping up their activity over the coming year, highlighted by Market Street Place, a 240,000-square-foot multilevel retail center between Fifth and Sixth streets on Market Street. The uptick in supply is likely to create further weakness over the short term, yet asking rents will still record a mid-single-digit gain as vacancy rates remain near all-time lows.

Although space needs are shifting among retail tenants amid a higher cost environment, investors continue to focus on the long-term supply and demand imbalances in the metro, fostering a desire to deploy capital amid soaring job growth. Institutions are most focused on the urban core of San Francisco, which dominates the bulk of transaction activity in the region. The infill nature of the market removes the risk of large-scale development, as it is costly and complicated. Meanwhile, many private pools of capital have shifted toward San Mateo County, seeking to acquire assets near corporate campuses in order to benefit from increased headcounts at local firms. Properties nearing lease expirations are likely to see above-average demand as buyers seek to profit from the roll-up of rents-to-market rate, providing opportunities for outsized returns relative to risk.

2016 Market Forecast

NRI Rank 1, no change — San Francisco retained the number one spot this year as vacancy remains the lowest in the nation.

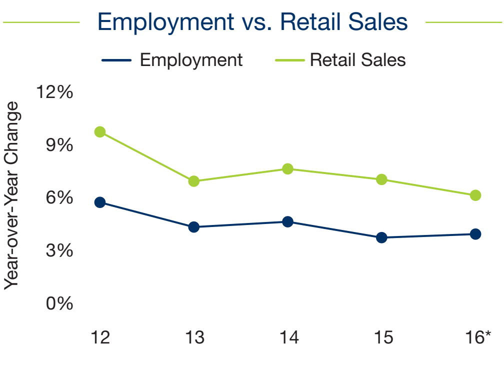
Employment up 3.9% — Local organizations will hire 42,000 workers this year, expanding total employment by 3.9 percent. In the prior year, headcounts rose by 38,000.

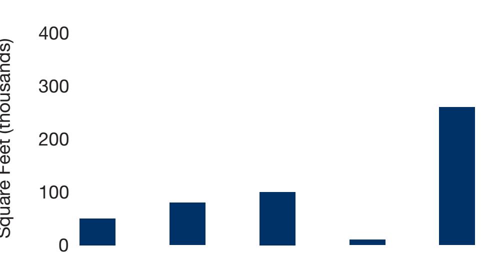
Construction 260,000 sq. ft. — After completing 12,000 square feet of space in 2015, builders will ramp up deliveries to 260,000 square feet. The Market Street Place project will account for 240,000 square feet of the total.

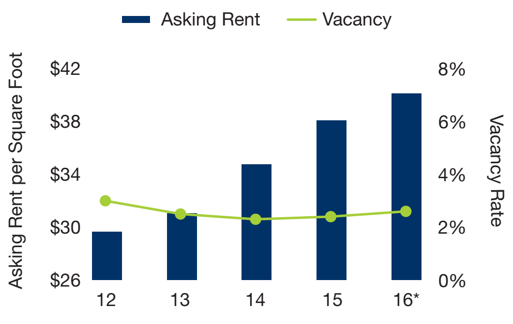
Vacancy up 20 bps — Rising completions will outpace demand for space in 2016, lifting the metro vacancy rate 20 basis points to 2.6 percent. In the previous 12 months, vacancy rose 10 basis points.

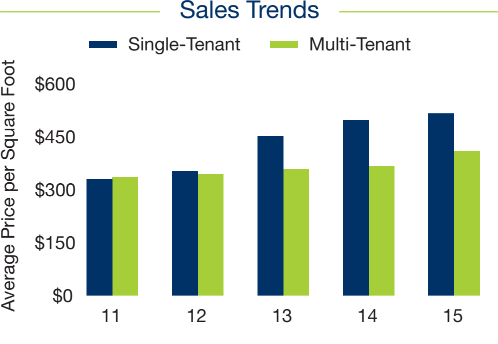
Rent up 5.4% — A lack of available space will allow the average asking rent to gain 5.4 percent to $40.10 per square foot this year. In the prior year, the asking rent climbed 9.6 percent.

Investment — Short-term market weakness may lead current owners to list their assets, providing new opportunities for investors seeking to position for long-term growth.



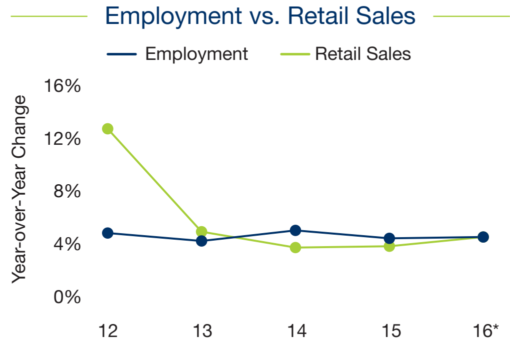


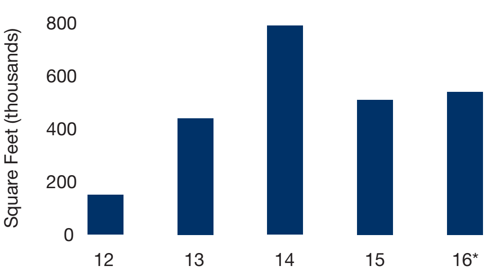


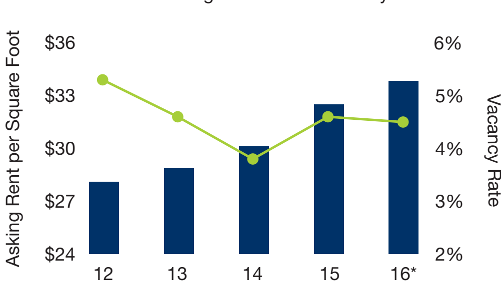


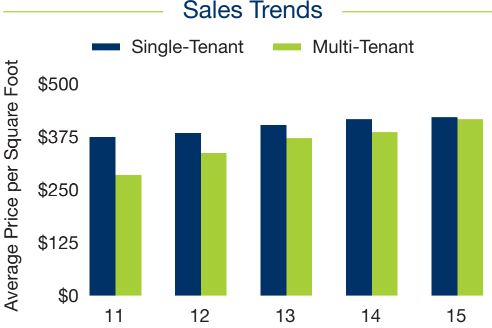
* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

New Opportunities Arise for Silicon Valley Retailers; Investors Gravitate Toward Big Tech









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

The booming San Jose economy is firing on all cylinders as the largest tech firms in the world have been on a hiring binge. Fierce competition for talent has pushed up salaries across the information technology, business and financial services and other office-using sectors, which has translated into rapidly appreciating asking rents at nearby retail shops. Construction firms have recognized the market strength with planned completions set to top 500,000 square feet for the third straight year. While net absorption trended negatively over the past year, more than 95 percent of planned deliveries in 2016 have already been pre-leased, indicating robust demand at new locations. As a result, the small rise in vacancy recorded last year appears to be transitory. This year's deliveries will be highlighted by Almaden Ranch at Highway 85 and Almaden Expressway, a planned 350,000-square-foot shopping center leased entirely in advance of completion. Due to vigorous pre-leasing and a slowdown in overall construction, vacancy will tick down modestly as retailers seeking extra space pen leases. In addition to falling vacancy rates, the average asking rent will record a mid-single-digit advancement.

Amid a search for yield, investors are seeking value by positioning near corporate campuses and freeways, benefiting from the near-constant stream of traffic in these locales. Institutions favor established lease structures in excellent infill locations where development is difficult. Palo Alto, Los Gatos and Mountain View are the most popular destinations for capital, while Santa Clara and San Jose remain options for buyers in search of more-attractive first-year returns. Overall, cap rates will begin in the high-4 to mid-5 percent range, while more suburban locations can reach into the high-5 percent range. Private investors wishing to reposition outdated industrial properties to retail assets will find ample opportunities in the northern portions of San Jose and Santa Clara.

2016 Market Forecast

NRI Rank 4, down 1 place — San Jose fell one spot this year despite strong employment and rent gains.

Employment up 4.5% — San Jose employers will create 48,000 positions this year, expanding total employment by 4.5 percent. In the prior year, 45,300 jobs were added.

Construction 535,000 sq. ft. — Builders will finish 535,000 square feet of retail space in 2016, accounting for a 0.7 percent addition to total inventory. In the previous 12 months, 515,000 square feet was delivered.

Vacancy down 10 bps — Intense retailer demand, coupled with thriving pre-leasing activity, will lead vacancy to drop 10 basis points to 4.5 percent. In the prior four quarters, vacancy jumped 80 basis points.

Rent up 4.1% — Limited available space, combined with a slowdown in development, will sponsor a 4.1 percent rise in the average asking rent to $33.81 per square foot.

Investment — Suburban strip and neighborhood-anchored centers will receive renewed interest as pricing pushes more investors to deploy capital in more affordable assets.

Strong Job Growth Shines Brightly On Seattle-Tacoma Retail Sector

Substantial employment gains are fostering vigorous household growth, underpinning Seattle-Tacoma's retail market. More than 200,000 jobs have been created in the metro over the past four years, and hiring is especially robust among the relatively higher-paying tech, e-commerce and biotech firms. Amazon and Tableau are among companies adding thousands of jobs and attracting residents to the region, which has resulted in the formation of more than 100,000 new households since 2012. Despite the surge in potential customers, retail construction has remained subdued, due in part to a lack of developable land. This restricts much of the new inventory to the numerous redevelopment projects scattered throughout the Puget Sound region. A large portion of inventory additions will be ground-floor stores in mixed-use apartment and office buildings, especially in Seattle and Bellevue. The slow pace of inventory growth coupled with sizable tenant demand will drop vacancy to the lowest rate in 10 years, contributing to higher rents.

The vibrant economy continues to draw a steady stream of investors into Seattle-Tacoma. Many buyers are moving capital from other asset classes, seeking safety in retail properties, while some are lured by higher yields than can be found in other West Coast markets. The surge of mixed-use towers with ground-floor retail space, especially in Seattle and Bellevue, draw institutional investors. These high-rises bring in additional foot traffic and national retailers, boosting property values of other retail buildings nearby. Initial yields for single-tenant net-lease assets in the city will start in the mid-4 percent range for long-term leases, while small strip centers will begin 150-200 basis points higher. Buyers seeking larger yields or a less-competitive bidding environment will look to Pierce and Snohomish counties, where rising valuations have more owners willing to list properties.

2016 Market Forecast

NRI Rank 3, up 6 places — Reduced construction and strong employment growth lifted Seattle-Tacoma six spots this year.

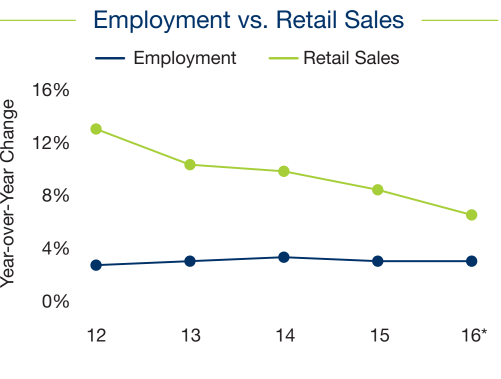
Employment up 3.0% — Job growth will reach 3.0 percent in 2016 with the creation of 57,750 positions. This is on par with last year's 3.0 percent gain.

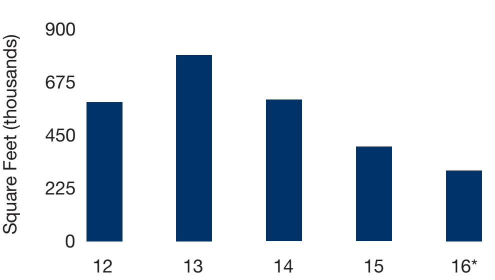
Construction 300,000 sq. ft. — Retail construction is slowing. After the delivery of 400,000 square feet last year, developers will complete 300,000 square feet in 2016.

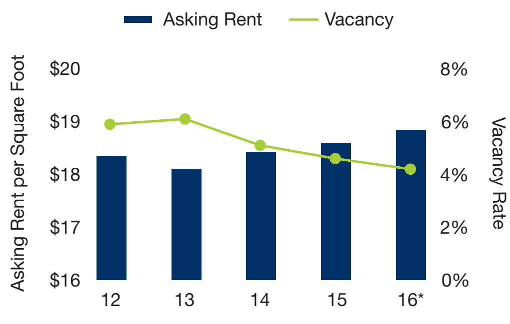
Vacancy down 40 bps — Strong tenant demand amid fewer inventory additions will drop the vacancy rate 40 basis points to 4.2 percent this year, the lowest point in this business cycle. A 50-basis-point decline was recorded in 2015.

Rent up 1.3% — Asking rent in the metro will rise an average of 1.3 percent to $18.83 per square foot in 2016. This follows a rise of 0.9 percent a year ago. Rents remain roughly 17.0 percent below the 10-year high.

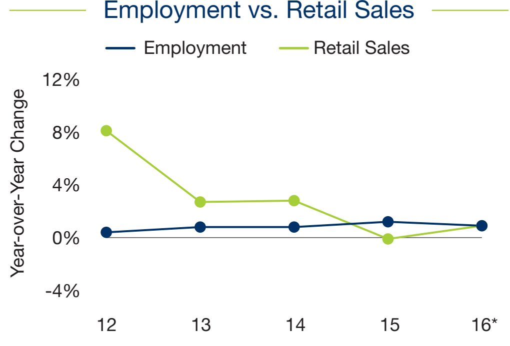
Investment — Older retail buildings with ample parking along major transit routes that can be redeveloped will continue to be highly sought after.

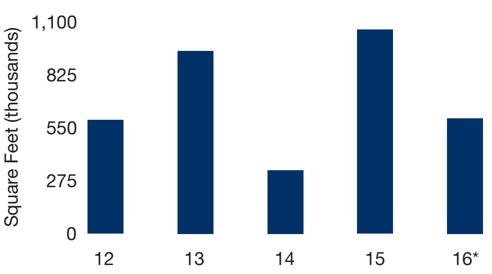


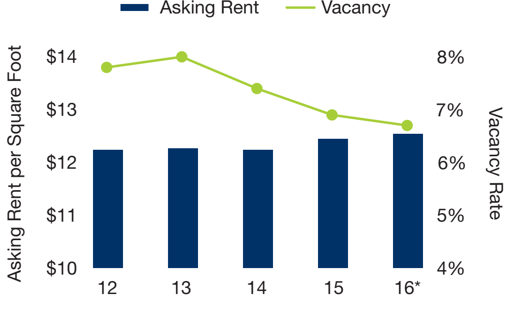


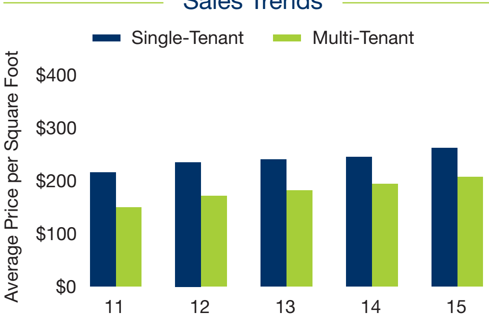


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics









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

New Grocers Coming to Market To Search for Retail Space in St. Louis

St. Louis' retail sector is making steady advances as the local economy improves. Job gains have already dropped the unemployment rate to the lowest level in 15 years, which will contribute to the creation of approximately 10,600 households during 2016. This growth will increase the need for goods and services, bolstering area retailers. Many of the new residents will be filling the numerous apartment buildings being constructed in the core of St. Louis. Also downtown, service will begin this year on the Loop Trolley, providing additional foot traffic for retailers along the 2.2-mile route that connects the Loop entertainment district with Forest Park. Throughout the metro, the grocery scene is evolving as new stores arrive. Kroger's Ruler Foods concept will open several locations this year, joining other recent entrants Fresh Thyme Farmer's Market, Lucky's Market and Fresh Market. These stores will contribute to vacancy tightening to the lowest level in 10 years. The rate still remains among the highest in major U.S. metros, suppressing greater rent gains.

Retail assets in St. Louis garner the attention of investors, many coming from out-of-state, drawn by less-intense competition and higher yields than are available in coastal markets. Properties in St. Charles County or the western portion of St. Louis County are particularly targeted. Here, quality net-leased single-tenant buildings will change hands at cap rates generally beginning in the 6 percent area, but they can dip below that for premium locations with a corporate tenant signed to a long-term lease. Prime multi-tenant assets in these areas will typically start to trade 200 basis points higher. Throughout the market, value-add opportunities remain available in older centers or in secondary neighborhoods where space vacated during the recession has yet to be filled. Properties in locations being sought after by expanding grocery stores or in redeveloping areas such as Midtown will particularly garner investor attention.

2016 Market Forecast

NRI Rank 45, down 1 place — St. Louis lowered one spot as rent and employment gains are much slower than the national average.

Employment up 0.9% — Employers in the St. Louis metro will generate 12,000 jobs during 2016, a 0.9 percent increase. This is down slightly from last year's pace when 15,600 workers were added to payrolls.

Construction 600,000 sq. ft. — Following the completion of 1 million square feet in 2015, builders will finalize 600,000 square feet this year, a 0.4 percent expansion in retail stock.

Vacancy down 20 bps — The reduced pace of deliveries will contribute to the vacancy rate retreating 20 basis points to 6.7 percent in 2016, on net absorption of more than 860,000 square feet. In 2015, vacancy dropped 50 basis points.

Rent up 0.7% — With less space available, the average asking rent will climb 0.7 percent to $12.53 per square foot, building on last year's 1.7 percent advance.

Investment — The recent opening of Ikea in the Cortex District is attracting apartment and office development nearby, generating additional demand for retail goods and services.

Job Gains Bolster Household Growth, Generating Retail Demand in Tampa-St. Petersburg

Tampa-St. Petersburg retailers will benefit from the region's strongest job growth in more than a decade, which is contributing to a large influx of residents. The addition of households has paved the way for housing starts to reach their highest peak in nine years. New residential developments are scattered throughout the metro in both infill and fringe neighborhoods, which will bode well for nearby home-goods and necessity-based retailers. The recent opening of the fully leased Tampa Premium Outlets in Lutz is spurring additional retail and residential development in the vicinity. Costco, Chick-fil-A and Panda Express plan to open stores nearby in 2016. The redevelopment of existing centers is also underway. The first phase of Seminole Mall's transformation into Seminole City Center should open this year, along with the refurbished Twin Oaks Plaza and Hyde Park Village in Seminole and Tampa, respectively. Increased tenant demand will drop vacancy to a seven-year low, inching rents higher.

The more robust economy and strengthening retail demographics are attracting investors to Tampa Bay. Some buyers will come from other Southern Florida markets drawn by lower entry costs and the potential for higher yields. Overall, buyers have been focusing in primary and secondary areas throughout the metro, driving demand above available listings, especially for single-tenant net-leased or grocery-anchored centers. The latter will trade at cap rates beginning in the mid-7 percent range for quality tenants with long-term leases in prime areas. In secondary locations these centers will generally start 100 basis points higher. Increased competition for available assets has more buyers willing to consider unanchored centers. Newer properties with credit tenants will trade at initial yields that can start in the low-6 percent area. More unanchored Class B/C strip centers are available, but slower rent growth has inhibited significant buyer demand.

2016 Market Forecast

NRI Rank 21, no change — This metro held steady in the ranking this year as completions will fall to meet demand.

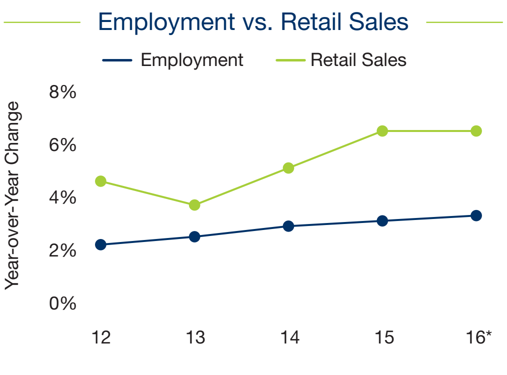
Employment up 3.3% — Job growth reached the highest level in 10 years during 2015 with a 3.1 percent expansion. This year, employment will rise even faster with the creation of 42,000 positions, or 3.3 percent.

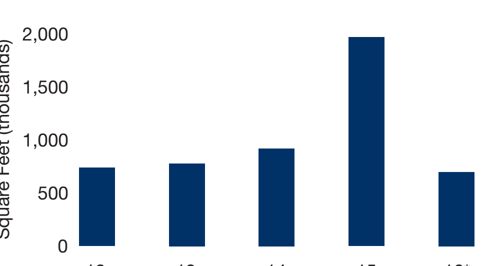
Construction 700,000 sq. ft. — Developers will complete 700,000 square feet of retail space in 2016, a 0.4 percent inventory expansion. Last year, 2 million square feet was delivered.

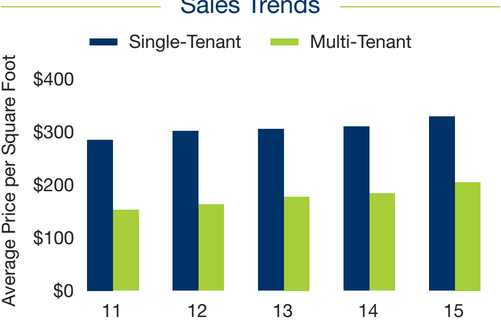
Vacancy down 50 bps — Strong tenant demand will contribute to pushing down vacancy to the lowest rate in more than seven years. In 2016, vacancy will fall 50 basis points to 6 percent after tightening 60 basis points in 2015.

Rent up 0.9% — Asking rent will increase an average of 0.9 percent to $13.96 per square foot in 2016, up from last year's 0.4 percent decline.

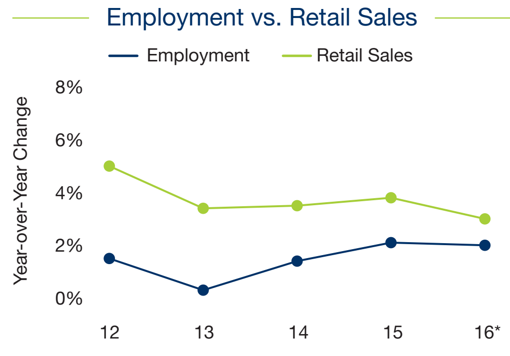
Investment — Investors will seek small strip centers surrounding infill mixed-use developments throughout the metro for value-add opportunities.

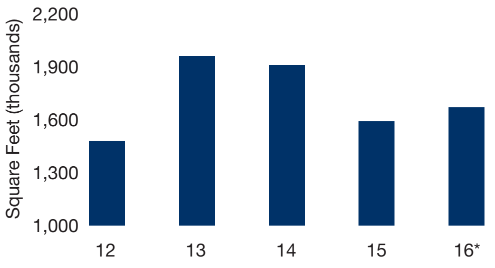


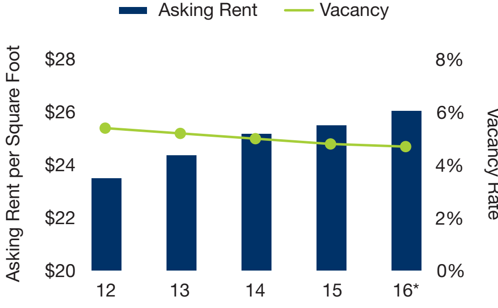


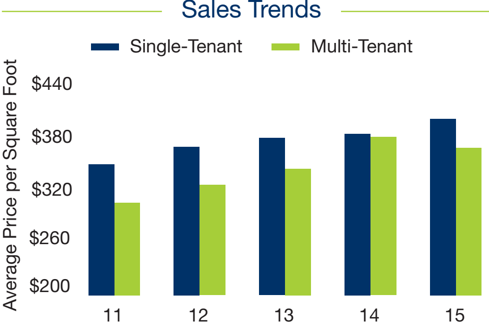


* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics









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

Corporate Growth Driving Demand, Encouraging Market Tightening Despite Construction Takeoff

Following years of underwhelming economic and employment growth, the prospects for improvement are increasing rapidly in the Washington, D.C., metro. Headcount expansion has already doubled the pace seen during the sequester, and will be boosted over the coming months due to the upcoming elections. Benefiting from some of the wealthiest counties in the nation, local retailers have been penning leases for new spaces, particularly along major interstates and the Metro line. The pace of construction will remain unchanged from 2015, yet the vast majority of the space has been pre-leased in advance of delivery, removing the risk of rising vacancy over the coming year. More than half of upcoming construction will come online in Suburban Maryland, where several large shopping centers, such as Cabin Branch and Lovettsville Square, highlight the pipeline. Due to robust pre-leasing, demand will overtake supply increases this year, fostering a small drop in the metro vacancy rate. In addition, tightening operations will sponsor a low-single-digit rise in the average asking rent.

Motivated by the prospects of more vigorous growth in the coming year and the search for yield, investors are flocking to the metro. Institutional buyers seek established assets inside the District and nearby suburbs, such as Bethesda, Alexandria and Arlington. These assets benefit from a strong demographic profile and local employment centers. Meanwhile, private clients are focusing on suburban shopping centers with dark space or in need of renovation, providing options for additional NOI growth beyond the initial yield. Additionally, mixed-use offerings will receive swelling interest as investors place greater value on the optionality of retenanting the apartments. Cap rates will range between the mid-5 to mid-7 percent range, depending on asset quality, lease structure and distance from the urban core. Cap rates and prices per square foot will continue to improve as buyers bid up the few available listings.

2016 Market Forecast

NRI Rank 24, no change — Washington, D.C., held firm in the middle of the pack as other markets outpace it fundamentally.

Employment up 2.0% — After adding 62,000 jobs in 2015, local organizations will create 65,000 new positions this year, a 2.0 percent expansion driven by government, professional and business services and education and health services.

Construction 1.6 million sq. ft. — Builders will complete 1.6 million square feet of retail space this year, slightly more than last year's deliveries. Suburban locations are the most active, with Suburban Maryland accounting for half the projects.

Vacancy down 10 bps — Robust pre-leasing in excess of 70 percent of upcoming construction will foster a 10-basis-point drop in vacancy to 4.7 percent. In the prior year, vacancy was unchanged.

Rent up 2.2% — Greater demand for existing spaces will propel the average asking rent 2.2 percent higher to $26.00 per month. In the previous 12 months, the asking rent rose 1.6 percent.

Investment — Value-add assets with optionality near transportation routes will remain in high demand, while a lack of listings encourages a thriving bidding environment.

Necessities-Based Retailers Expand, Drive Construction in Palm Beach County

A bright economic outlook and strong tourism industry will bode well for retail property operations in Palm Beach County this year. Employment in the area will continue to rise at a vigorous pace, led by hiring in higher-paying industries such as professional and business services and education and health services. Growth in these employment sectors, and a boost in the local tourism industry, will facilitate a nearly 7 percent rise in retail sales this year. In addition, this positive outlook is encouraging several retailers to expand in the county, including necessities-based merchants like ALDI, the Fresh Market and Wal-Mart. Though building activity remains limited compared with years before the recession, the combination of mostly single-tenant space and robust pre-leasing for multi-tenant properties coming online will bode well for retail property operations. These conditions will contribute to vacancy falling to its lowest point in nearly a decade while rents rise to the highest level since 2009.

Private, local buyers will continue to dominate retail sales in West Palm Beach this year, targeting multi-tenant assets priced between $1 million and $5 million. Initial yields for these properties are in the mid- to high-7 percent range, while the market average is closer to the mid-6 percent area. The buyer pool is growing as out-of-state investors, particularly those from New York and other East Coast metros, seek assets in the area. As a result of increased competition, average prices pushed nearly 10 percent above the pre-recession peak last year. Cap rates vary widely throughout the county, from strip centers fetching close to 5 percent in Boca Raton, to shopping centers in Jupiter trading between 7 and 9 percent. While single-tenant listings are limited, drugstore and fast-food chains are in high demand and first-year yields start near 4 percent for national credit tenants with long-term leases.

2016 Market Forecast

NRI Rank 27, up 2 places — Posting some of the strongest rent growth this year, West Palm Beach rose two places in the NRI.

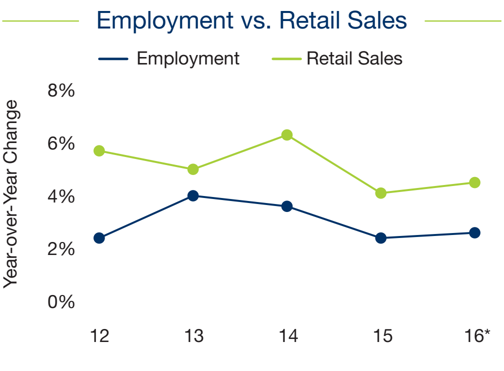
Employment up 2.6% — West Palm Beach employers will expand payrolls 2.6 percent this year with the addition of 15,100 workers. In 2015, companies created 14,500 jobs, increasing staffs 2.4 percent.

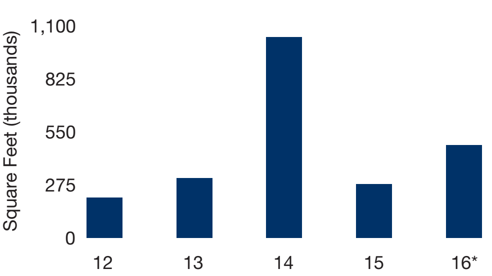
Construction 480,000 sq. ft. — Retail deliveries will reach 480,000 square feet this year, representing a stock expansion of 0.7 percent. Builders brought 280,000 square feet of space online last year.

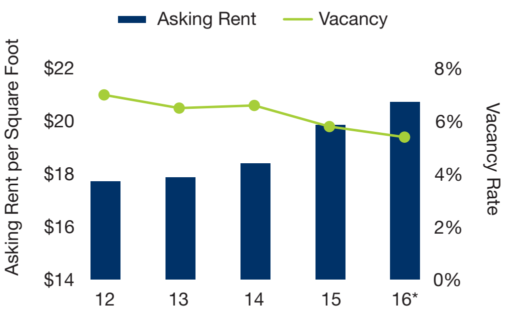
Vacancy down 40 bps — After recording a 80-basis-point decline last year, vacancy will retreat 40 basis points to 5.4 percent in 2016, the lowest level in almost 10 years.

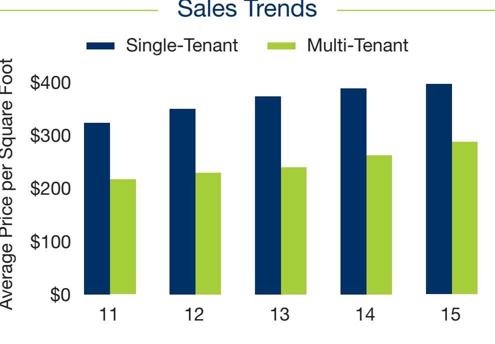
Rent up 4.4% — The average asking rent will advance 4.4 percent annually, reaching $20.71 per square foot by year end. The average increased 5.1 percent in 2015.

Investment — Strip centers assets with national credit tenants in heavy tourist areas will be in high demand this year, and competition for these properties will rise as out-of-state investors seek centers in the county.









* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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National Retail Index Note: Employment and retail data forecasts for 2016 are based on the most up-to-date information available as of January 2016 and are subject to change.

Statistical Summary Note: 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. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein.

Sources: Marcus & Millichap Research Services, American Council of Life Insurers, Blue Chip Economic Indicators, Bureau of Economic Analysis, CoStar Group, Inc., Economy.com, Experian, Federal Reserve, Moody Analytics, Real Capital Analytics, Standard & Poor's, The Conference Board, Trepp, TWR/Dodge Pipeline, U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Securities and Exchange Commission, U.S. Treasury Department.

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