

Q2 2018 Market Reports



REGIONAL OVERVIEWS

LOCAL EXPERTISE.
INTERNATIONAL
REACH.
WORLD CLASS.

WEST

CALIFORNIA

- City of Industry
- Investment Services Group
- Irvine
- LA North - Antelope Valley
- LA North - Calabasas
- LA North - Sherman Oaks
- LA North - Ventura County
- Long Beach
- Los Angeles - Central
- Los Angeles - Long Beach
- Los Angeles - West
- Los Olivos
- Newport Beach
- Oakland
- Ontario
- Orange
- Palm Desert
- Pasadena
- Pleasanton
- Riverside
- San Diego
- San Diego - North
- San Luis Obispo
- Santa Barbara
- Stockton
- Temecula Valley
- Victorville
- Walnut Creek

COLORADO

- Denver

IDAHO

- Boise

NEVADA

- Reno

WASHINGTON

- Seattle
- Tacoma

SOUTHWEST

ARIZONA

- Arizona

TEXAS

- Dallas/Fort Worth
- Houston

MIDWEST

ILLINOIS

- Chicago
- Chicago Asset Management Group
- Chicago Valuation and Consulting

INDIANA

- Greenwood
- Indianapolis

MICHIGAN

- Detroit

MINNESOTA

- Minneapolis

MISSOURI

- St. Louis

OHIO

- Cleveland
- Columbus

WISCONSIN

- Madison

NORTHEAST

MARYLAND

- Maryland
- Maryland Lee Chesapeake Property Management

NEW JERSEY

- New Jersey - North & Central

NEW YORK

- Long Island/Queens
- New York

PENNSYLVANIA

- Eastern Pennsylvania - Central PA
- Eastern Pennsylvania - Suburban Philadelphia

SOUTHEAST

FLORIDA

- Naples - Ft. Myers
- Orlando

GEORGIA

- Atlanta
- Atlanta Valuation and Consulting
- Corporate Solutions - Tenant Advisory

SOUTH CAROLINA

- Charleston
- Greenville

CANADA

BRITISH COLOMBIA

- Vancouver

Q2 2018 FEATURED MARKETS

INDUSTRIAL

- Inland Empire East
- Inland Empire West
- Los Angeles-Central
- Los Angeles-North
- Seattle/Puget Sound
- Denver
- Metro Vancouver
- Phoenix
- Dallas/Ft Worth
- Houston
- Chicago
- Columbus
- Detroit
- Atlanta
- Charleston
- Greenville/Spartanburg
- New York City
- Northern New Jersey
- Pennsylvania

OFFICE:

- Seattle/Puget Sound
- Denver
- Metro Vancouver
- Phoenix
- Dallas/Ft Worth
- Houston
- Atlanta
- Greenville/Spartanburg
- New York City
- Northern New Jersey
- Baltimore

RETAIL:

- San Diego
- Chicago
- Indianapolis
- Atlanta
- Greenville/Spartanburg

Healthy Demand Spurs Construction

Strong demand returned to the market in the second quarter as absorption of industrial space - flex and warehouse - was up 28% from the lackluster first quarter and gained 6.4% compared to the same period last year.

New construction volume rose 19% from a year ago along with improvement in the rate of pre-leased space. Stronger year-to-date completion totals were running 4.8% ahead of the same period a year ago. Average asking rents were up 2% from Q1 and 10% year over year.

The nationwide vacancy rate for warehouse space, which accounts for about 90% of all industrial buildings, settled at 4.5% in Q2, down 10 basis points from Q1 and 40 basis points from a year ago. The vacancy rate for flex buildings, also designed for R&D and other uses, was 6.6% at the end of Q2 and down 30 basis points from a year ago.

Southern California's Inland Empire led the nation in first-half net absorption with 14.2 million SF. The biggest absorption loss was 3 million SF in Long Island, New York. The tightest market was in Bremerton/Silverton near Seattle, with a 0.6% vacancy rate.



76.3 **NET ABSORPTION**
Million SF



4.7% **VACANCY**
1.1 Million SF vacant industrial space



1.8% **AVG. ASKING RATE**
\$6.67 Avg Asking Rate PSF



72.4 **DELIVERIES**
Million SF



325 **UNDER CONSTRUCTION**
Million SF

Vacancy was highest in Shreveport/Bossier City, LA., at 13.2%.

The Inland Empire was No. 1 in first-half deliveries with 11.1 million SF, but Atlanta posted the most in Q2 with 5.6 million SF.

Dallas/Ft. Worth topped all metros with 27.9 million SF under construction at the end of the first half, followed by the Inland Empire's 24.3 million SF and 22.3 million SF in the Philadelphia market.

San Francisco industrial space had the nation's highest lease rates, averaging \$21.06 per-SF.

Final sales figures for Q1 show that, although the volume of space sold declined 26% from the previous quarter and total trades were down 13%, the average price per-SF was \$82.18, up 7.7%.

SIGNIFICANT LEASE DEALS

Lease Name	SF	Location
Brady Industries Aluminum Mill	2,5M	Huntington/Ashland, WV
UPS	1.0M	Inland Empire, CA
Amazon	1.0M	Philadelphia, PA

LARGEST DELIVERIES

Building Name	City	SF	Developed By
Walmart Dist Center	Mobile, AL	2.5M	Walmart
Davenport/Moline	Rock Island IL	2.5M	NAI Ruhl
Sofidel America Corp	Columbus, OH	1.6M	Gray Construction

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

Market	SF	Project Name
Reno, NV	3.8M	Tesla
Washington, DC	3.5M	Proctor & Gamble Plant
Albuquerque, NM	2.8M	Facebook Data Center
Denver, CO	2.4M	Amazon

SIGNIFICANT BUILDING SALES

Address	Market	SF	Price/SF	Cap Rate	Buyer	Seller
15 Commerce Pkwy	Columbus, OH	3.8M	\$61.08	6.0%	Granite REIT	Duke Realty
Bridge Pt South Bay	Los Angeles, CA	512,490	\$200.00	5.1%	Morgan Stanley	Bridge Dev Ptnrs
2380-2388 Williams	E Bay/Oakland, CA	583,021	\$172.38	4.5%	Colony NorthStar	Comstock Rlty Ptn


SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF / Lease Rate	Tenant
255 Waterman Ave	San Bernardino	414,020 / \$0.54 Grs	Mattel Corp
6971 Central Ave	Riverside	69,600 / \$0.76 NNN	Manheim
4085 Flat Rock Dr	Riverside	20,550 / \$0.85 Grs	Corodata

SIGNIFICANT BUILDING SALES

Address City	Sale Value Type of Sale	PPSF Cap Rate	SF Class	Buyer Seller
1543 Alder Ave Rialto	\$52,008,844 Investment	\$122.00 -	426,302 -	Liberty Property Tr Panattoni Dev
1089 E. Mill St San Bernardino	\$45,000,000 User	\$111.00 -	404,725 -	Corp Service Co. Exeter Prop Grp
1898 Rustin Ave Riverside	\$2,285,250 User	\$165.00 -	13,850 -	American Koryo, Inc. Silagi Development

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
17350 Perris Blvd.	Moreno Valley	1,109,378	Alere Prop Grp
20801 Krameria Ave	Riverside	1,000,000	Lewis/Waypoint JV
24100 Nandina Ave	Moreno Valley	739,903	First Industrial

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Developer
24385 Nandina Ave	Moreno Valley	1,387,899	First Industrial
4100 Webster Ave	Perris	1,039,898	Rockefeller Grp
1494 S. Waterman Ave	San Bernardino	1,032,072	Hillwood

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Gross SF Absorption	SF Inventory	SF Under Construction
Q2 2018	5.09%	\$8.22	6,830,974	220,826,265	17,307,247
Q1 2018	6.04%	\$8.26	5,849,999	216,182,812	16,460,544
Q4 2017	5.72%	\$8.33	3,599,322	210,908,636	15,457,239
Q3 2017	4.92%	\$8.08	6,436,721	209,825,355	18,697,989
Q2 2017	5.52%	\$7.46	3,951,024	202,832,974	15,158,165


6,830,974 GROSS
ABSORPTION
SF


5.09% VACANCY
11,245,395 SF


\$8.22 AVG. ASKING
RATE PSF


4,055,618 DELIVERIES
13 Buildings


17,307,247 UNDER
CONSTRUCTION
59 Buildings

TOBY TEWELL

Vice President

The Inland Empire experienced more tightening with record-high lease rates and prices helped by anxious investors searching to park 1031 down-leg funds. Growth-minded tenants and buyers are finding it increasingly difficult to find quality building options anywhere. Land prices are also setting records. However, fearing a market correction, spec developers are increasingly wary of coming out of the ground on projects with a long time horizon.



 **GROSS ABSORPTION SF**
10,978,291

 **VACANCY**
4,211,671 SF
1.37%

 **AVG. ASKING RATE PSF**
\$7.764

 **DELIVERIES**
24 Buildings
4,209,284

 **UNDER CONSTRUCTION**
39 Buildings
6,028,198

ANGELICA GUZMAN

Director Marketing & Research

The Inland Empire market produced another quarter of strong growth with the IE West delivering about 20 million SF of new product since the second half of 2015 when total inventory reached a half-billion square feet. The IE West led the way in 2Q with about 11 million SF in gross activity in several notable deals with tenants CJ Logistics, Performance Team, Ingram Micro, Timberland, Winsight and others. The West submarket had 4,209,284 SF delivered in 2Q. Thirty-nine buildings totaling 6 million SF are under construction.

SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
10825 Productin Ave	Fontana	753,170	CJ Logistics
11905 Landon Dr	Mira Loma	645,311	Performance Team Freight
9050 Hermosa Ave	Rancho Cucamonga	468,682	Ingram Micro

SIGNIFICANT BUILDING SALES

Address City	Sale Value Type of Sale	PPSF Cap Rate	SF Class	Buyer Seller
9150 Hermosa Ave Rancho Cucamonga	\$36,849,897 User	\$90.77 -	405,970 Class B	General Motors ICG Real Estate Adv
701 Malaga Pl Ontario	\$30,769,000 Investment	\$123.43 4.0%	249,283 Class B	Black Creek Group Stockbridge Capital
9000 Rochester Ave Rancho Cucamonga	\$18,000,572 Investment	\$132.98 -	135,363 Class C	Thomson Logistics Exeter Prop Grp

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
6720 Kimball Ave	Chino	1,412,000	Majestic Realty
6101 Sierra Ave	Fontana	597,818	Trammell Crow Co
15640 Cantu Galleano	Mira Loma	450,438	AEW

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Developer
Santa Anita	Rancho Cucamonga	329,000	Oakmont
Serrano Bus Pk Bldg 1	Mira Loma	179,030	Cap Rock
9678 Utica Ave	Rancho Cucamonga	146,273	Panattoni

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Gross SF Absorption	SF Inventory	SF Under Construction
Q2 2018	1.37%	\$7.764	10,978,291	308,416,088	6,028,198
Q1 2018	1.22%	\$7.656	8,997,264	307,224,537	8,833,887
Q4 2017	2.08%	\$7.248	10,167,165	304,489,275	8,067,276
Q3 2017	1.70%	\$7.152	13,132,901	303,503,315	8,778,657
Q2 2017	1.20%	\$7.020	11,625,973	303,201,782	12,404,923


SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
5804-5874 E. Slauson	Commerce	322,808	Four Seasons Gnrl Merch
2800-2900 Sierra Pine	Vernon	129,509	-
2254 E. 49th St	Vernon	71,180	-

SIGNIFICANT BUILDING SALES

Address City	Sale Value Type of Sale	PPSF Cap Rate	SF Class	Buyer Seller
5300 Sheila St Commerce	\$121,000,000 Investment	\$174.07 -	695,120 Class A	Rexford Fortress Inv Group
2652 Long Beach Los Angeles	\$57,821,000 Investment	\$216.59 -	266,960 Class A	LBA Realty Dedeaux Properties
2340 S. Eastern Ave Commerce	\$22,400,000 Investment	\$135.36 -	165,480 Class A	Easter Luxury Inv Mass Transit Prop

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
6901 S. Alameda St	Los Angeles	65,000	Public Storage
-	-	-	-
-	-	-	-

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
2651 E. 45th St	Los Angeles	90,000	August 2018
6901 S. Alameda Bldg B	Los Angeles	52,500	July, 2018
2716 E. Vernon Ave	Vernon	30,000	October 2018

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	2.42%	\$11.60	526,874	241,784,124	252,785
Q1 2018	2.79%	\$10.80	(784,036)	240,186,086	237,500
Q4 2017	2.10%	\$10.20	(39,030)	239,934,632	368,954
Q3 2017	2.26%	\$10.32	1,088,997	239,934,632	368,954
Q2 2017	2.04%	\$10.08	(74,208)	240,802,632	382,156


**NET
ABSORPTION SF**
526,874

VACANCY
5,851,175 SF
2.42%

**AVG. ASKING
RATE PSF**
\$11.60

DELIVERIES
1 Building
65,000

**UNDER
CONSTRUCTION**
5 Buildings
252,785
LEJO MAMMEN

Director Technology & Research

Historically low vacancies and rising rents are the story in the Los Angeles market. The Central market's 2.42% vacancy rate is the lowest of any major U.S. market. Squeezed by increases in starting rents and declining concessions, tenants simply have few options to choose and take what they can. Second-quarter leasing activity was down year over year, but strong demand continues to pressure in-fill markets where available space and land are in severely short supply.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
9401 DeSoto Ave	Chatsworth	84,261	-
3700-3750 Cohasset St	Burbank	37,935	-
514 Riverdale Dr	Glendale	28,695	-

SIGNIFICANT BUILDING SALES

Address City	Sale Value Type of Sale	PPSF Cap Rate	SF Class	Buyer Seller
1120 Scott Rd Burbank	\$12,000,000 -	\$456.00 -	26,320 Class B	Electronic Theatre Cnt deLeon Family Ptnrshp
6130-6140 Variel Ave Woodland Hills	\$6,706,206 -	\$246.00 -	27,246 Class C	Shawn Evenhaim David Shoshan/Erwin
14002 Balboa Blvd. Sylmar	\$5,900,000 -	\$488.00 -	12,088 Class C	LDAR Properties LLC H&S Cascades LLC

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
-	-	-	-
-	-	-	-
-	-	-	-

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
Center at Needham Ranch	Santa Clarita	869,000	Q3 2018
Avenue O @ Legacy Lane	Palmdale	166,113	Q1 2019
-	-	-	-

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	2.4%	\$10.44	(340,202)	135,244,901	928,830
Q1 2018	2.2%	\$10.56	178,399	135,023,704	1,094,943
Q4 2017	2.3%	\$10.44	293,495	135,074,842	869,760
Q3 2017	2.3%	\$10.20	(18,579)	134,680,325	1,230,798
Q2 2017	1.7%	\$10.20	(85,010)	134,191,151	1,104,333


(340,202) NET ABSORPTION SF


2.40% VACANCY
3,301,044 SF


\$10.44 AVG. ASKING RATE PSF


0 DELIVERIES
0 Buildings


928,830 UNDER CONSTRUCTION
8 Buildings

SHELLY GARCIA

Director of Marketing

After dipping in the first quarter, leasing activity again resumed its brisk pace and 1,120,993 SF of industrial space was leased in Q2. The vacancy rate inched up 20 basis points. The uptick has not created more options for tenants in any meaningful way. Asking rates appear to be moderating after jumping ahead by as much as 8% over the past year. The average rate slipped \$0.01 PSF per month versus Q1 and is just \$0.02 ahead of the year-ago period.


SIGNIFICANT LEASE DEALS

Property	Submarket/City	SF	Tenant
IPT Tacoma Logistics Center	Tacoma	444,428	SBS Transportation
Lakewood-Tacoma Gtwy A	Lakewood	258,000	Geodis Logistics
Lakewood-Tacoma Gtwy B	Lakewood	209,000	Damco

SIGNIFICANT BUILDING SALES

Address City	Sale Value Type of Sale	PPSF Cap Rate	SF Class	Buyer Seller
2502 Freeman Rd East Fife	\$37,300,000 Investment	\$149.00 4.32%	250,490 Class A	BlackRock Trammell Crow Co
3003 W. Valley Hwy E Sumner	\$19,750,000 Sale/Lseback	\$160.57 -	123,000 Class A	DCT Industrial Tr Sound Sleep
200 SW 34th St Renton	\$19,500,000 Investment	\$139.00 -	140,340 Class B	LBA Realty Private

LARGEST DELIVERIES

Property	Submarket/City	SF	Developer
IPT Tacoma Logistics Center	Tacoma	828,620	Black Creek Grp
Lakewood-Tacoma Gateway	Tacoma	467,526	Panattoni
Seattle Gateway Center 1	Seattle	325,290	Panattoni

LARGEST UNDER CONSTRUCTION

Property	Submarket/City	SF	Developer
Georgetown Crossroads	Seattle	589,615	Prologis
Blair Dist Center, Bldg A	Tacoma	542,750	DCT
Blair Dist Center, Bldg B	Tacoma	428,228	DCT

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	3.10%	\$10.25	1,493,514	319,939,272	6,249,989
Q1 2018	3.00%	\$10.19	(119,808)	318,122,139	6,199,559
Q4 2017	2.90%	\$9.88	2,137,982	317,901,339	5,713,312
Q3 2017	3.50%	\$9.11	182,873	317,597,157	5,584,315
Q2 2017	3.30%	\$8.80	1,159,701	316,624,273	3,323,653


**NET
ABSORPTION SF**
1,493,514

VACANCY
 10,020,275 SF
3.10%

**AVG. ASKING
RATE PSF**
\$10.25

DELIVERIES
 8 Buildings
1,840,133

**UNDER
CONSTRUCTION**
 33 Buildings
6,249,989
SEATTLE INDUSTRIAL GROUP

Vacancy crept up slightly to 3.1% in Q2, largely due to construction deliveries finally hitting the market. Absorption continues to increase so despite new buildings coming online, the vacancy rate should remain steady. Due to the high cost of property in the close-in Seattle area, most construction activity continues to be in the South Sound region in Pierce and Thurston counties. As prices continue to rise and land is absorbed, developers are moving further south and into other tertiary industrial areas. Rents increased about one half of a percent from the previous quarter.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
4210 Carson St	Stapleton	102,035	Stone Collection
Enterprise Park, Bldg 5	Denver	176,902	Architectural Lighting
16200 Table Mtn Pkwy	Golden	227,500	Rocky Mountain Btlg Co

SIGNIFICANT BUILDING SALES

Address City	Sale Value Type of Sale	PPSF Cap Rate	SF Class	Buyer Seller
15100 E. 40th Ave Aurora	\$15,000,000 Investment	\$143.00 -	105,670 Class A	LBA Confluent Dev
201 E. 64th Denver	\$17,600,000 Investment	\$175.00 4.4%	421,499 Class A	JP Morgan Westfield Inv
-	-	-	-	-

LARGEST DELIVERIES

Property	Submarket/City	SF	Developer
89 W. 144th Ave	Thornton	2,400,000	Trammell Crow Co
620 E. 52nd Ave	Denver	60,000	Trammell Crow Co
1699 Cherry St	Louisville	41,626	Comunale Properties

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Developer
6030 Washington	Denver	624,829	Prologis
8251 Quintero St	Denver	540,800	Becknell Ind
18100 E. 40th Ave	Aurora	419,060	Pauls RE Inv LLC

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	5.1%	\$9.22	231,916	310,175,070	7,487,707
Q1 2018	4.7%	\$9.08	400,591	308,580,655	7,235,815
Q4 2017	4.7%	\$9.12	2,638,760	308,073,763	6,020,721
Q3 2017	4.9%	\$8.43	1,664,010	306,053,481	7,605,647
Q2 2017	5.0%	\$8.42	1,506,186	304,353,581	5,052,542

 **NET ABSORPTION SF**
231,916

 **VACANCY**
15,953,767 SF
5.1%

 **AVG. ASKING RATE PSF**
\$9.22

 **DELIVERIES**
15 Buildings
1,526,253

 **UNDER CONSTRUCTION**
65 Buildings
7,487,707

MATT BURGNER

Senior Associate

Our market saw two major investment sales purchases by out-of-state investors. Both projects were 100% leased and new Class A buildings constructed within a year of the sale. We are also seeing record high lease rates, price per square foot rates, and record low cap rates - down one half of one percent from the previous quarter. In addition, Q2 2018 was Denver's 33rd straight quarter of positive net absorption, although down from Q2 2018.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
7979 Vantage Wy #103	Delta	79,117	Inteplast Bags & Films Cor
2751 Production Way	Burnaby	52,000	GPS Logistics & Whsg Svc
3960 Jacombs Rd	Richmond	48,000	-

SIGNIFICANT BUILDING SALES

Address City	Sale Value Type of Sale	PPSF Cap Rate	SF Class	Buyer Seller
1771 Savage Rd Richmond	\$57,380,000 Investor	- 6.5%	- Class B	Nexus Richmond GP 104 Investments Ltd
175 Golden Dr Coquitlam	\$51,000,000 Owner/User	\$310.00 -	164,577 Class A	MVP Properties, Inc. Invesors Grp Trust Co
9311 River Dr Richmond	\$27,800,000 Owner/User	\$135.00 -	206,610 Class C	1051033 B.C. Ltd 1016138B.C. Ltd

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
7939 Huston Rd	Delta	161,510	Beedie
8288 N. Fraser Way	Burnaby	116,569	Beedie
7857 Huston Rd	Delta	58,426	Beedie

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Developer
2650 Pitt River Rd	Port Coquitlam	520,000	KFN Enterprises
4515 27B Ave	TFN Lands	453,620	Delta iPort
2650 Pitt River Rd	Port Coquitlam	403,000	KFN Enterprises

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	1.40%	\$11.81	602,532	208,830,908	2,036,992
Q1 2018	1.47%	\$11.59	719,899	208,349,342	2,223,847
Q4 2017	1.48%	\$11.44	956,926	207,659,507	4,148,011
Q3 2017	1.49%	\$11.22	902,824	206,699,965	5,378,873
Q2 2017	1.50%	\$10.76	348,621	205,802,692	1,500,000

 **NET ABSORPTION SF**
602,532

 **VACANCY**
2,932,219 SF
1.40%

 **AVG. ASKING RATE PSF**
\$11.81

 **DELIVERIES**
9 Buildings
481,566

 **UNDER CONSTRUCTION**
66 Buildings
2,036,992

RYAN WALMSLEY

VP, Marketing & Research

Healthy demand pushed the vacancy rate down seven basis points from Q1, the largest quarterly drop in a year. Despite the expected 1.5 million SF of new supply coming to the market over the next six months, vacancies are expected to continue to decline as the demand for space shows no sign of letting up. This high demand has driven the average price per SF for sales transaction upward, surpassing \$330 per SF. These trends are expected to continue as investors move from the competitive residential market to the commercial sector.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
255 S. 143rd Ave	Southwest	800,000	Chewy.com
16811 W Commerce Dr	Southwest	540,349	Blue Buffalo
9180 W. Buckeye Rd	Southwest	197,526	Big O Tire (renewal)

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
100-180 W Pinnacle Peak	\$30,300,000	\$97.17	311,825	Exeter Property
Southwest	Investment	-	Class A	Jackson-Shaw Co
2625-2675 S. 16th St	\$23,700,000	\$119.23	198,771	Meritex Enterprises
Airport	Investment	6.1%	Class A	Evergreen Industrial
11690 N. 132nd Ave	\$15,035,000	\$89.87	167,291	Pacific Acquisitions
Northwest	Sale/Leasebck	7.5%	Class A	Southwest Products

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
255 S 143rd Av (chewy.com)	Southwest	800,000	Northpoint Dev
16560 W. Sells Dr	Goodyear	640,000	Merit Partners, Inc.
4455 N. Cotton Ln	Goodyear	490,000	Ball Manufacturing

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
8181 W. Roosevelt St	Phoenix	1,100,000	Q4 2018
575 S. 143rd Ave	Goodyear	901,700	Q4 2018
6000 W. Van Buren St	Phoenix	568,340	Q4 2018

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	7.30%	\$7.20 NNN	2,403,760	306,423,024	4,844,891
Q1 2018	7.50%	\$7.20 NNN	1,359,837	303,015,540	7,498,082
Q4 2017	7.90%	\$7.08 NNN	1,930,399	300,495,997	7,108,502
Q3 2017	9.10%	\$6.96 NNN	2,321,585	301,235,822	5,568,873
Q2 2017	9.40%	\$6.96 NNN	1,019,682	299,334,022	3,344,584


**NET
ABSORPTION SF**
2,403,760

VACANCY
22,500,000 SF
7.30%

**AVG. ASKING
RATE PSF**
\$7.20

DELIVERIES
12 Buildings
2,922,454

**UNDER
CONSTRUCTION**
20 Buildings
4,844,891

CHRIS MCCHESENEY

Research Director

The market continued its positive momentum with 2.4 million SF of net absorption in the quarter. Although lease rates have been climbing for 10 years, the average quoted rental rate in Q2 held steady at \$0.60 NNN. There are 4.8 million SF of space under construction. The largest are TEN, a 1.1-million-SF distribution warehouse, and Lincoln 40 Logistics, a 901,700-SF facility. Top Q2 deliveries included chewy.com Distribution Center, an 800,000-SF facility, and speculative PV/303, a 640,000-SF development. The 7.3% vacancy rate is at its lowest in more than 15 years for the metro area.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
1001 Lakeside Pkwy	Lewisville	449,200	PPG Industries
Wintergreen Road	Hutchins	416,891	VM Innovations
2701 S. Valley Pkwy	Lewisville	329,060	Vira Insight

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
4800 N. Sylvania Rd	\$61,400,000	\$93.45	657,043	Pure Industrial RE Tr
Ft Worth	Investment	5.2%	Class A	Hunt Southwest
2020 Singleton Blvd.	\$24,400,000	\$51.67	472,234	Mohr Capital
Dallas	-	-	Class C	Keller Logistics
4801 Westport Pkwy	\$25,100,000	\$62.75	400,000	Exeter
Ft Worth Alliance Gtwy 8	-	-	Class A	Transpacific Dev Co

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
Crossroads Trace Center	South Dallas	948,380	Hillwood Properties
Cedardale Road Bldg 1	South Dallas	1,776,630	Trammell Crow Co
I-45 e/o Wintergreen Rd	South Dallas	556,600	Duke Realty

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Developer
5 Eagale Phase II	North Ft Worth	1,089,642	Trammell Crow Co
Southlink 1, Cleavland Rd	South Dallas	1,044,647	Hines
DFW Commerce Bldg 1	Irving	1,000,584	Copeland Comm

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	5.8%	\$5.99	5,333,299	892,537,306	27,973,422
Q1 2018	5.9%	\$5.82	2,456,759	887,873,989	26,097,499
Q4 2017	6.4%	\$5.60	8,612,576	889,673,686	22,805,087
Q3 2017	6.4%	\$5.28	5,713,191	881,112,830	23,843,718
Q2 2017	6.4%	\$5.33	5,178,074	875,053,272	24,819,891

 **NET ABSORPTION SF**
5,333,299

 **VACANCY**
5.8% 51,451,669 SF

 **AVG. ASKING RATE PSF**
\$5.99

 **DELIVERIES**
4,722,132 34 Buildings

 **UNDER CONSTRUCTION**
27,973,422 122 Buildings

BRETT LEWIS

Principal

DFW continues to have over 20 million SF under construction yet maintains record low vacancy rates. At the end of Q2 2018, the market had over 27 million SF under construction and a vacancy rate of 5.8%. Vacancy rates were 5.9% at the end of Q1 2018 and 6.4% at the end of 2017. The market continues to see strong tenant growth with a good balance of existing companies expanding and new companies coming to the market.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
2240 N. Mason Rd	Northwest Outliers	282,280	Thomsons Logistics Asset
10535 Red Bluff Rd	East Southeast Far In	257,835	Unis, LLC
12101 McLain Rd	Hwy 59/Hwy 90 (Alt)	217,440	Lowe's

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
10131 Mills Rd	\$9,350,000	\$82.40	1113,475	Allied Power Grp
Houston NW Hwy 6 Ind	Owner/User	-	Class B	ARCP-ID Mesa Ptflo
1617 E. Richey Rd	\$3,830,000	\$79.10	48,415	SLC Realty
Houston	Owner/User	-	Class C	Stewart & Stevenson
10643 W. Airport Blvd	\$37,500,000	\$106.55	351,960	Black Creek Group
Southwst Corridor In	Investment	5.0%	Class A	Crow Holdings

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
22533 Northwest Lake Dr	Houston	231,839	Carson Companies
850 Sens Rd	La Porte	89,440	DCT
350 Century Plaza Dr	Houston	125,000	Avera

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
18710 Highway 59 N	Humble	160,000	12/2018
6511 Thompson Rd	Baytown	294,323	07/2018
9800 Derrington Rd	Houston	291,606	07/2018

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	5.6%	\$7.23	(290,969)	609,179,265	12,678,385
Q1 2018	5.4%	\$6.92	1,526,532	604,972,549	8,166,968
Q4 2017	5.5%	\$7.01	186,349	592,789,071	6,276,897
Q3 2017	5.5%	\$6.74	2,932,994	591,019,076	5,009,213
Q2 2017	5.6%	\$6.74	718	586,162,279	4,440,619

NET ABSORPTION SF
(290,969)

VACANCY
5.6%
33,824,975 SF

AVG. ASKING RATE PSF
\$7.23

DELIVERIES
1,713,288
32 Buildings

UNDER CONSTRUCTION
12,678,385
137 Buildings

STEPHEN HAZEN, CCIM
Director

Net absorption of warehouse and distribution buildings - which dominate the market - gained 108,702 SF in Q2, down from 943,720 SF absorbed in Q2 last year. Absorption of flex space, which makes up about 9% of total industrial inventory, was negative 399,671 SF, the fourth loss in the last six quarters. Overall lease rates are up 7.7% year over year. Land sales have increased in velocity in the southwest market near the medical center. Developers are providing much-needed housing and retail for the area's growing work force.



 **NET ABSORPTION SF**
6,084,959

 **VACANCY**
6.13%
79,322,855 SF

 **AVG. ASKING RATE PSF**
\$5.21

 **DELIVERIES**
5,389,725
12 Buildings

 **UNDER CONSTRUCTION**
8,813,635
42 Buildings

DIANA PEREZ
Director of Research

Continued demand for space resulted in a net absorption gain of 6 million SF in the second quarter, a 9.2% improvement from the 5.5 million SF posted in the first quarter. Six big-box developments, starting at 300,000 SF and totaling 4.5 million SF, were completed in the second quarter, raising first-half total deliveries to nine. The I-80/Joliet Corridor captured the majority of second-quarter construction deliveries, totaling 4 million SF or 74% of completions.

SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
800 Bilter Rd	Aurora-I-88 Corridor	592,539	DSV Air & Sea Inc.
525 Northwest Ave	Northlake-W Chicago	588,284	HD Supply-Home Depot
333 Gibraltar Dr	Bolingbrook-I-55 Corr	579,900	Sony Entertainment

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
704 W. Washington St	\$4,498,000	\$5.20	865,000	Frain Industries
W Chicago-Fox Valley	User	-	Class C	General Mills Inc.
3355 W. 31st St	\$2,800,038	\$12.64	221,522	Cinespace Film Studio
Chicago-Chicago South	User	-	Class B	Crown Steel Sales
515 Crossroads Pky	\$9,352,500	\$64.50	145,000	Neuco
Bolingbrook-I-55 Corr	User	-	Class B	Duke Realty

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
24101 S. Frontage Rd	Channahon	1,000,110	Venture One/USAA
650 Emerald Ave	Joliet	1,250,000	Ryan Companies
3300 Channahon Rd	Joliet	1,220,140	Opus Group

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
2074 W. 43rd St	Chicago	632,700	Q4 2018
Bluff Rd, Bldg A	Romeoville	657,540	Q4 2018
Bluff Rd, Bldg B	Romeoville	684,320	Q4 2018

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	6.13%	\$5.21	6,084,959	1,294,226,395	8,813,635
Q1 2018	6.21%	\$5.49	5,570,360	1,288,824,670	11,039,615
Q4 2017	6.38%	\$5.33	5,551,567	1,285,301,574	12,077,842
Q3 2017	6.55%	\$5.39	4,053,938	1,282,888,170	10,151,117
Q2 2017	6.46%	\$5.49	9,888,399	1,277,302,383	16,192,986



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
10 Enterprise Pkwy	Madison County	300,000	Ace Hardware
4531 Industrial Ctr Dr	Southeast	213,486	Coty, Inc.
2353 Global Dr	Southeast	101,156	Twin Med

SIGNIFICANT BUILDING SALES

Address Submarket	Sale Value Type of Sale	PPSF Cap Rate	SF Class	Buyer Seller
Duke Realty Portfolio Madison County	\$232,500,000 Investment	\$75.00 6.0%	3,806,420 Class A	Granite REIT Duke Realty
Exeter Portfolio Southeast/Southwest	\$133,200,000 Investment	\$53.00 -	3,997,983 Class A	Mapletree Exeter
FST Logistics Portfolio West	\$13,600,000 Investment	\$38.00 7.1%	356,000 Class B	Weston FST Logistics

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
254 Pittsburgh Rd	Pickaway County	1,608,655	Sofidel
3780 Tradeport Ct	Pickaway County	1,020,255	Hillwood
3555 Gantz Rd	Southwest	223,750	Pizzuti

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
9565 Logistics Ct	Southeast	1,200,000	Q2 2019
1550 W. Main St	Madison County	855,000	Q2 2019
1827 Begrow Rd	Southeast	802,390	Q3 2018

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	4.1%	\$3.97	2,429,669	289,668,9794	6,120,114
Q1 2018	3.5%	\$3.97	2,282,994	285,376,659	6,063,905
Q4 2017	4.3%	\$3.91	2,149,613	285,112,734	6,307,630
Q3 2017	4.6%	\$3.77	1,665,312	283,868,740	6,164,549
Q2 2017	4.7%	\$3.80	3,297,526	282,344,009	7,155,480

 **NET ABSORPTION SF**
2,429,669

 **VACANCY**
4.1% 11,984,421 SF

 **AVG. ASKING RATE PSF**
\$3.97

 **DELIVERIES**
3,813,315 5 Buildings

 **UNDER CONSTRUCTION**
6,120,114 15 Buildings

MIKE SPENCER, SIOR
Principal

Strong tenant demand is on track to produce the most annual absorption since the recession, but the addition of new product under construction will test the market's strength. The previously underserved market of buildings smaller than 200,000 SF will have additional options. E-commerce and the "last mile" concept continue to be a driver. Even with additional spec development hitting the market, rents are being pushed by demand and construction costs. The 2018 industrial outlook remains bullish based on the user activity analyzing the market.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
28201 Schoolcraft	Livonia	590,000	Penske Logistics
28101 Schoolcraft	Livonia	182,000	Expiri-Metal, Inc.
11969 Shelby Tech Dr	Shelby Township	70,595	Polymer Processes Dev

SIGNIFICANT BUILDING SALES

Address Submarket	Sale Value Type of Sale	PPSF Cap Rate	SF Class	Buyer Seller
9800 Inkster Rd Romulus	\$19,250,000 -	\$111.77 -	172,225 Class B	Stag Romulus 2 LLC Bridgeway Dev Corp
7566 Metropolitan Pkwy Sterling Heights	\$18,200,000 Inv -Sale/Lsbk	\$142.22 -	127,974 Class B	ARG FCSTHM1001 Manchester-Sterling Ht
426 Pacific Dr Auburn Hills	\$9,750,000 Inv-Triple Net	\$81.27 8.47%	119,964 Class B	Core Bkg 1426 Pacific 294 Holding, LLC

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
50500 Mound Rd	Shelby Township	1,000,000	Sterling Group
32801 Ecorse Rd	Romulus	850,000	Kojaian Mgmt Corp
46200 W. 12 Mile Rd	Novi	65,000	Dembs Dev

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
33650 Mound Rd	Sterling Heights	570,000	Q1 2019
1410 E. 10 Mile Rd	Hazel Park	651,670	Q1 2019
28415 Automation Dr	Wixom	94,570	Aug 2018

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	3.1%	\$5.94	1,672,738	646,055,607	5,466,218
Q1 2018	3.2%	\$5.83	(880,278)	644,920,772	6,304,689
Q4 2017	3.0%	\$5.77	3,700,428	644,100,865	5,487,718
Q3 2017	3.1%	\$5.52	1,133,082	641,486,402	6,261,563
Q2 2017	3.2%	\$5.46	(57,197)	640,477,772	6,606,613

 **NET ABSORPTION SF**
1,672,738

 **VACANCY**
3.1% 20,161,489 SF

 **AVG. ASKING RATE PSF**
\$5.94

 **DELIVERIES**
1,275,285 10 Buildings

 **UNDER CONSTRUCTION**
5,466,218 44 Buildings

JON SAVOY, CCIM, SIOR
President

Second-quarter net absorption was positive 1,672,738 SF, driving down the vacancy rate to 3.1%. Absorption was negative 880,278 SF in the first quarter 2018 after posting gains of 3,700,428 SF in the fourth quarter 2017 and 1,133,082 SF in the third quarter. Vacant sublease space increased, ending the second quarter at 799,677 SF. Rental rates were up. Ten buildings totaling 1,275,285 SF were delivered in the quarter and there was 5,466,218 SF under construction at the end of the quarter.



 **NET ABSORPTION SF**
3,644,733

 **VACANCY**
6.8% 47,400,108 SF

 **AVG. ASKING RATE PSF**
\$4.93

 **DELIVERIES**
1,977,636 7 Buildings

 **UNDER CONSTRUCTION**
20,701,208 44 Buildings

SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
Steve Reynolds Blvd.	Northeast	1,081,280	Haier
237 Greenwood Ind Ct	South Atlanta	455,000	XPO Logistics
3495 Highway 92	Northwest	312,500	Atlanta Bonded Whrse

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
1440-60 Johns Creek Pk	\$83,700,000	\$112.91	741,306	AVG Partners
North Central	Investment	-	Class A	MetLife RE Invest
3475 International Pk Dr	\$22,673,755	\$55.41	409,214	Blackstone RE Inc Tr
Snappinger	Investment	-	Class B	Highridge Provender
1265 Terminus Dr	\$22,000,480	\$47.75	527,000	Exeter Property Grp
I-20W Douglasville	Investment	-	Class B	Satwood Capital Grp

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
Preston Blvd.	Lithia Springs	499,320	IDI Gazeley
350 King Mill Rd	McDonough	400,000	Double Eagle
3625 Royal South Pkwy	Atlanta	304,320	Crow Holdings Ind

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
590 Coweta Industrial Pkw	Newnan	1,208,301	Q3 2018
Fulton Industrial Blvd. NW	Atlanta	1,200,000	Q3 2018
King Mill Rd	McDonough	1,104,320	Q2 2019

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	6.8%	\$4.93	3,644,733	682,864,165	20,701,208
Q1 2018	7.0%	\$4.86	3,273,269	680,406,214	14,403,354
Q4 2017	6.6%	\$4.79	6,738,721	673,717,366	21,032,913
Q3 2017	7.3%	\$4.50	5,190,808	671,642,017	18,736,900
Q2 2017	7.2%	\$4.49	6,063,415	665,173,657	16,963,258

CRAIG VIERGEVER

Executive Vice President

Overall vacancy fell 20 basis points in Q2 to 6.8% with net absorption at positive 3.64 million SF. In the first half, the market added 3.5 million SF of build-to-suit space and 8.18 million SF of speculative space. Of the 20.7 million SF under construction, 82% is speculative. The Northeast and South Atlanta submarkets dominate development activity. Atlanta is the economic engine of the Southeast. As population, job growth and e-commerce continues to surge, the metro Atlanta region will remain one of the top industrial markets in the country.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
180 Trade Center Pk	Outlying Berkeley	307,353	RPM Whrse/Transport
4500 Leeds Ave	No Charleston	165,000	Mahle Behr USA
4500 Leeds Ave	No Charleston	120,238	Gear Design & Mfg LLC

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer	Seller
Submarket	Type of Sale	Cap Rate	Class		
4401 Piggly Wiggly Dr	\$11,437,179	\$47.20	242,314	Greenville Retail LLC	Jrc Southfield Piggly
1023-25 Northpointe Ind	\$30,500,000	\$86.93	350,856	SCG 1023 No Pte Ind	North Pte Ind Ptnrs
1770 Hock Ave	\$6,000,000	\$67.96	88,288	1770 Hock Avenue LLC	Commerce Ind LLC

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
330 Omni Industrial	Outlying Berkeley	260,000	WestRock Co
4136 Carollina Comm Pkwy	No Charleston Ind	117,000	CCP Industrial LLC
635 Omni Industrial	Outlying Berkeley	117,000	Samet Corporation

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
Ryfield Ln	Outlying Berkeley	2,300,000	Q4 2018
8501 Palmetto Comm Pk	No Charleston Ind	1,000,000	Q2 2019
1334 Drop Off Dr	Outlying Berkeley	562,544	Q3 2018

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	7.7%	\$6.06	630,440	76,240,968	4,514,260
Q1 2018	7.6%	\$6.01	1,042,453	75,499,062	5,237,566
Q4 2017	7.9%	\$5.99	(71,269)	74,614,768	5,808,821
Q3 2017	7.5%	\$5.75	(652,754)	74,338,585	4,978,093
Q2 2017	5.9%	\$5.80	(261,164)	73,825,668	5,324,858

 **630,440** NET ABSORPTION SF

 **7.7%** VACANCY
5,842,541 SF

 **\$6.06** AVG. ASKING RATE PSF

 **568,906** DELIVERIES
7 Buildings

 **4,514,260** UNDER CONSTRUCTION
20 Buildings

THOMAS BUIST, SIOR

Thirteen buildings totaling nearly 1.5 million SF were delivered through the first half, and the market saw more speculative development announced in the second quarter. Exeter Property Group said it would build 800,000 SF on the new Volvo manufacturing plant. The Silverman Group broke ground on a 562,544-SF building. Charleston has more spec product available and under construction than ever due to population growth, automotive and aeronautical manufacturing and expectations that "last mile" and just-in-time distributors will absorb this space as well.


SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
122 Hidden Lake Cir	Rte 290 Corridor Ind	313,380	Undisclosed
901 Victor Hill Rd	Rte 101 Corridor Ind	297,607	BMW
769 Flatwood Ind Dr	Upper Spartanburg	181,334	Contec

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
2721 White Horse Rd	\$50,520,000	\$93.56	540,000	Mapletree Inv Ltd
West Greenville Ind	Investment	-	Class A	Exeter Prop Group
201 Forrester Dr	\$14,429,816	\$60.94	236,800	SunCap Property Grp
I-85/Wenwood/CAR Ind	Investment	-	Class A	Boyett Properties
8 Shelter Dr	\$5,569,600	\$42.84	130,000	STAG Industrial Hldgs
I-385/Woodruff Rd	Investment	-	Class C	Coats & Clark, Inc.

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
901 Victor Hill Rd	Greer	297,607	Childress Klein
220 GSP Logistics Pkwy	Greer	271,890	CentrPoint Prop
301 Hyatt St	Gaffney	200,000	BMW Contracting

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
310 Genoble Rd	Greer	500,280	Q4 2018
70 Tyger River Dr	Duncan	408,000	Q3 2018
Old Grove Rd	Piedmont	300,645	Q2 2019

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	5.1%	\$3.77	1,190,867	212,676,118	3,690,044
Q1 2018	5.3%	\$3.75	1,157,156	211,968,621	3,274,460
Q4 2017	5.5%	\$3.70	651,822	211,087,138	3,882,943
Q3 2017	5.5%	\$3.68	737,792	210,390,537	4,074,148
Q2 2017	5.5%	\$3.64	683,126	209,569,151	4,762,421


**NET
ABSORPTION SF**
1,190,867

VACANCY
 10,855,958 SF
5.1%

**AVG. ASKING
RATE PSF**
\$3.77

DELIVERIES
 5 Buildings
707,497

**UNDER
CONSTRUCTION**
 18 Buildings
3,690,044
RANDALL BENTLEY
 President

Quarterly absorption has been consistently positive for two years. Demand is running well ahead of supply in all size ranges. The vacancy rate is down 20 basis points from Q1. Landlords, taking full advantage of short supply and rising rents, are showing little interest in selling. New projects have been leasing up within six months of vacancy or completion, regardless of higher rents. There was 3.6 million SF of spec underway at the end of Q2. Strong demand and extremely low inventory has attracted national developers to the area.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
1055 Bronx River Avenue	Bronx	205,409	Jet.com
2485 Second Avenue	Manhattan	136,818	Unknown
3075 Richmond Terrace	Staten Island	59,000	Unknown

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
46-06 57th Avenue	\$262,500,000	\$725.00	362,000	American Rlty Advisors
Queens	Fee	-	Warehouse	Zirinsky Family
7-10 Hunters Point	\$12,000,000	\$361.00	33,266	David Friedman
Queens	Fee	-	Warehouse	Kinlock Co
333 Irving Avenue	\$11,500,000	\$920.00	12,500	CW Realty
Brooklyn	Fee	-	Warehouse	Joel Fishkind

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
46-06 57th Avenue	Queens	362,000	Parkwill Mgmt Corp
535 Zerega Avenue	Bronx	70,000	CJSA Realty

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
586 Gulf Avenue	Staten Island	975,000	Q3 2018
0 Gulf Avenue	Staten Island	450,000	Q4 2018
2 St. Anns Avenue	Bronx	423,530	Q3 2018

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	5.5%	\$21.72	(864,042)	224,292,330	2,546,347
Q1 2018	5.1%	\$20.98	(1,864,143)	224,273,330	2,502,347
Q4 2017	4.2%	\$20.67	(716,293)	224,231,554	2,539,623
Q3 2017	3.9%	\$20.26	35,008	224,218,254	977,923
Q2 2017	3.8%	\$20.18	(226,777)	223,806,623	1,374,102

NET ABSORPTION SF
(864,042)

VACANCY
5.5% 12,302,252 SF

AVG. ASKING RATE PSF
\$21.72

DELIVERIES
485,707
10 Buildings
Past Four Quarters

UNDER CONSTRUCTION
2,546,347
17 Buildings

HENRY ABRAMOV
Director of Research

The vacancy rate rose to 5.5%, the highest in more than a decade. There are about 12.3 million SF vacant and 18.7 million SF available with an 8.3% availability rate. Direct asking rents increased 3.5% to \$21.72 from last quarter. Although leasing is down 23.7% year-over-year, it increased 48.6% from Q1. Confidence in the market has grown as approximately 2.5 million SF is under construction, up 85.3% since last year. Jet.com leased 205,409 SF in the Bronx, while American Realty Advisors purchased a 362,000 SF warehouse for \$725 per SF.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
1065 Cranbury S River	South Brunswick	453,030	Clutter
83 Stults Rd	South Brunswick	369,000	One Stop Logistics LLC
473 Ridge Rd	Monmouth Junction	318,389	Freeze

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
200 Riser Rd	\$40,500,000	\$139.86	289,575	Dassault Falcon Jet
Little Ferry/Teterboro	Owner/User	-	Class B	LaSalle Inv Mgmt
1200 Valley Brook Ave	\$33,000,000	\$194.24	169,890	Colony NorthStar
Lyndhurst/Harrison	Leasehold	-	Class B	Sitex Group
234 Moonachie Rd	\$23,500,000	\$136.62	172,016	Liberty Property Trust
Moonachie/Teterboro	Sale/Leasebck	-	Class C	Avanti Linens, Inc.

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
1 Brick Yard Rd, Bldg 1	Cranbury	1,346,088	Viridlan Partners
171 River Rd	Piscataway	725,400	Rockefeller Group
58 Station Rd, Bldg 2	Cranbury	504,428	Prologis

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
942 Memorial Pkwy	Phillipsburg	1,000,200	Jan 2019
67-71 Blanchard St	Newark	706,000	Aug 2018
152 Route 206	Hillsborough	700,000	July 2018

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	4.4%	\$8.30	5,169,602	828,967,602	8,612,268
Q1 2018	4.6%	\$8.21	4,363,137	824,777,599	12,325,407
Q4 2017	4.9%	\$7.83	6,151,657	822,912,138	14,159,768
Q3 2017	5.2%	\$7.24	2,831,147	819,459,052	14,989,982
Q2 2017	5.4%	\$7.14	1,749,537	817,546,160	10,647,645

 **NET ABSORPTION SF**
5,169,602

 **VACANCY**
4.4% 36,595,276 SF

 **AVG. ASKING RATE PSF**
\$8.30

 **DELIVERIES**
4,190,003 12 Buildings

 **UNDER CONSTRUCTION**
8,612,268 41 Buildings

MICHAEL MALMSTONE

Real Estate Analyst

Amid record fundamentals again in Q2, demand continued to outpace supply, accelerating rent growth and compressing vacancies. Users are being outbid for vacant buildings by investor-buyers. They're being priced out of core markets and are moving westward from the Meadowlands, Ports and NJ Turnpike Corridor. Industrial sales pricing is eclipsing office pricing. New construction is focused on Class A big box space around Exit 8A and Exit 9 in the Brunswicks and Piscataway. Cap rates now average 5.97%.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
1620 Van Buren Rd	Lehigh Valley	1,015,740	UPS
100 Carolina Way	Central PA	805,000	XPO Logistics
201 Fulling Mill Rd	Central PA	650,000	Schneider Electric

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
395 Pedricktown Rd	\$53,800,000	\$111.67	481,758	RREEF Mgmt
Southern New Jersey	Investment	4.67%	Class A	Dermody
181 Antrim Commons Dr	\$34,812,500	\$80.58	432,000	Granite REIT
Central PA	Investment	5.70%	Class A	Chesapeake RE Grp
6345 Brackbill Blvd	\$33,100,000	\$65.20	507,634	Pennwood
Central PA	Investment	6.15%	Class B	Abu Dhabi Inv Auth

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
1620 Van Buren Rd	Lehigh Valley	1,015,740	Duke
100 Carolina Way	Central PA	805,000	Liberty Property Trust
62B Green Mountain Rd	I-81 Corridor	201,500	Mericle

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
200 Logistics Dr	Lehigh Valley/Hamburg	1,240,000	Q1 2019
801 Centerville Rd	Central PA/Newville	1,138,000	Q1 2019
398 Antrim Commons Dr	Central PA/Greencastle	1,100,000	Q3 2018

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	5.09%	\$5.29	3,745,296	1,121,925,214	25,498,521
Q1 2018	5.54%	\$5.17	2,684,203	1,120,074,077	22,180,647
Q4 2017	5.69%	\$5.05	6,732,699	1,104,866,708	20,365,857
Q3 2017	5.71%	\$4.91	4,275,110	1,097,228,690	22,977,107
Q2 2017	5.85%	\$4.90	4,610,727	1,089,388,733	18,391,927

 **NET ABSORPTION SF**
3,745,296

 **VACANCY**
5.09%
22,551,374 SF

 **AVG. ASKING RATE PSF**
\$5.29

 **DELIVERIES**
2,022,340
3 Buildings

 **UNDER CONSTRUCTION**
25,498,521
47 Buildings

MICHAEL HANES
Real Estate Analyst

Vacancy dropped 8% from Q1 to a new low of 5.09%. Class A vacancy dropped 16% to 5.89%. Net positive absorption increased by 40% from Q1, and the market is on pace to eclipse 11 million SF of positive absorption for 2018. 3PLs providers XPO Logistics, UPS, and NFI accounted for 2 million SF of absorption in Q2. Nearly 26 million SF was under construction at quarter end, a record for the market.

Downtown Districts Get The Business

Tenant demand for premium space in central business districts shifted back into high gear as second-quarter absorption posted the most three-month growth since late 2016.

Year-to-date absorption totaled 36 million SF and was up nearly 15% over the same period last year. Although Class A space makes up 32% of the total market, it accounted for 82% of first-half growth with 29.6 million SF of top-tier space absorbed through Q2. Rent growth in Class A and Class B space was 2.3% year over year. Year-to-date deliveries totaled 43.8 million SF, up 4.3% year over year.

Office space in central business districts accounts for about one quarter of the total inventory with the remaining space tracked in suburban markets. But in the first half, CBD's accounted for 38% of total absorption and 55% of space under construction, which was up 10.4% compared to the same period last year.

New York City is the nation's costliest metro, but at the end of Q2 San Francisco was the nation's hottest, posting 3.7 million SF of net absorption. New York City was second in absorption with 2.7 million SF at an average \$60.26 annual asking rents, 74 cents per-SF more than San Francisco.



19.1

**NET
ABSORPTION**
Million SF



9.2%

VACANCY
1.0 Billion SF vacant
office space



0.9%

**AVG. ASKING
RATE**
\$25.19 Avg Asking
Rate PSF



20.7

DELIVERIES
Million SF



155.8

**UNDER
CONSTRUCTION**
Million SF

The South Bay/San Jose market led the nation in completions with more than 3.4 million SF delivered in the first half, followed by 3 million SF in San Francisco. New York City has 14.3 million SF under construction, the most of any metro and just ahead of Dallas/Ft. Worth with 9.1 million SF underway.

Net absorption in CBD's totaled more than 12.5 million SF, outpacing the 10.2-million-SF first-half deliveries. The vacancy rate fell in downtown districts to 10.2%.

Suburban markets gave ground in the first half. Absorption totaled 23.4 million SF but year-over-year demand is off nearly a third. Deliveries checked in at 33.6 million SF, down 6.6% from a year ago. Total space under construction declined 7.7%.

SIGNIFICANT LEASE DEALS

Lease Name	SF	Location
Pfizer, Inc.	792,000	New York City, NY
Facebook	763,102	San Francisco, CA
Macron Technology	603,666	South Bay/San Jose, CA

LARGEST DELIVERIES

Building Name	City	SF	Developed By
3 World Trade Ctr	New York City, NY	2,800,000	Silverstein Prop
151 N. Franklin St	Chicago, IL	807,355	The John Buck Co
222 N. Wolfe Rd	So Bay/San Jose, CA	777,170	Landbank Invest

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

Market	SF	Project
Chicago, IL	2,700,000	433 W. Van Buren St
New York City, NY	2,600,000	Hudson Yards
Dallas/Ft Worth, TX	1,700,000	American Airlines Corp Campus
Philadelphia, PA	1,336,682	1800 Arch St

SIGNIFICANT BUILDING SALES

Address	Market	SF	Price/SF	Cap Rate	Buyer	Seller
180 N. Stetson Avenue	Chicago	2,200,000	\$308.78	6.0%	Sterling Bay	The 601 W Co's
Random House Tower	New York City	674,000	\$939.17	6.5%	Invesco	SL Green Rlty Co
451 D Street	Boston	477,132	\$578.46	4.2%	Related Beal	GE Asset Mgmt


SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
1730 Minor Ave	Met Park E/Seattle CBD	106,991	WeWork
1301 2nd Ave	Russell Inv/Seattle CBD	78,824	-
2200 1st Ave	South Seattle	75,313	Porch

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
1007 Stewart St	\$330,200,000	\$884.17	373,500	Union Inv RE GmbH
Seattle CBD	Investment	4.35%	Class A	Trammell Crow Co
425 106th Ave NE	\$313,000,000	\$876.97	362,800	Tristar Capital
Bellevue CBD	Investment	4.68%	Class A	Schnitzer West
1101 Dexter Ave N	\$286,000,000	\$826.61	335,000	Tristar Capital
Belltown/Denny Regrade	Investment	4.4%	Class A	Stockbridge Cap Grp

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
2200 S. 216th St	Des Moines, WA	483,930	Panattoni Dev Co
255 S. King St	Seattle, WA	208,840	American Life Inc.
5700 172nd St NE	Arlington, WA	41,837	Stillaguamish Tribe

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
1234 Westlake Ave	Block 20/Seattle	1,100,000	Q2 2019
411 Union St	Rainier Square/Seattle	994,567	Q1 2020
1201 2nd Ave	Seattle	683,030	Q2 2019

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	7.0%	\$32.74	412,182	202,227,210	6,918,652
Q1 2018	7.1%	\$32.05	1,722,504	202,170,893	6,797,333
Q4 2017	7.8%	\$32.19	613,923	201,696,926	7,259,726
Q3 2017	7.4%	\$31.15	1,663,348	200,268,315	5,543,975
Q2 2017	8.0%	\$31.09	189,602	199,796,228	6,079,562

 **NET ABSORPTION SF**
412,182

 **VACANCY**
7.0% 14,067,113 SF

 **AVG. ASKING RATE PSF**
\$32.74

 **DELIVERIES**
80,477 2 Buildings

 **UNDER CONSTRUCTION**
6,918,652 31 Buildings

SEATTLE OFFICE GROUP

Downtown Seattle, the largest of Seattle/Puget Sound's five markets, has nearly 43% of the total inventory but captured 70% of first-half net absorption with 1.49 million SF. Downtown also dominates the market with 84% of space under construction and nearly half the space completed through Q2. The Eastside market checked in with 272,373 SF of first-half absorption followed by Northend's 201,807 SF, Southend's 114,148 SF and Tacoma's 55,394 SF.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
Tabor Cener, Denver	CBD	84,000	WeWork
5500 S Quebec, Englewood	SES	74,000	Pax8
3060 Brighton, Denver	RiNo	60,000	Highpoint Resources

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
1801 California	\$285,000,000	\$407.00	1,372,071	AFL-CIO Bldg Inv Tr
CBD	Investment	-	Class A	Office Properties, Inc.
LoDo Towers	\$189,000,000	\$459.00	462,288	CIM Group LP
LoDo	Investment	-	Class B	Zeller Realty Group
3300 E. 1st Ave	\$37,500,000	\$402.00	93,306	GEM OPS, LLC
Cherry Creek	Investment	-	Class B	Oglive Properties, Inc.

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
6380 S. Fiddlers Green Cir	SES	335,000	Charter BTS
1700 Platte	Platte River	210,000	Trammell Crow Co
Flight	Platte River	140,000	Zeppelin

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
16 Chestnut	LoDo	428,000	Q4 2019
HUB	RiNo	245,000	Q4 2019
Platte Fifteen	Platte River	136,000	Q4 2019

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	10.5%	\$26.88	1,236,318	206,538,974	3,886,173
Q1 2018	10.5%	\$26.42	936,100	205,205,474	4,296,333
Q4 2017	10.3%	\$26.19	95,371	203,653,332	5,416,371
Q3 2017	10.1%	\$25.88	426,426	203,184,327	5,503,652
Q2 2017	10.2%	\$25.78	1,160,699	202,935,229	4,408,005


1,236,318 NET ABSORPTION SF


10.5% VACANCY
21,682,070 SF


\$26.88 AVG. ASKING RATE PSF


1,331,212 DELIVERIES
12 Buildings


3,886,173 UNDER CONSTRUCTION
44 Buildings

JR BITZER

Principal

Fueled by corporate expansions, Class A absorption in Q2 totaled nearly 1.3 million SF, the biggest quarterly gain since 2015. Demand slightly outpaced the deliveries of nine premium buildings totaling 1,267,515 SF in the second quarter. Twenty-six buildings totaling 3.4 million SF were underway. About 70% of the metro's 72.3 million SF of Class A space almost is split equally between the Downtown and Southeast Denver markets, but they combined to capture about 80% of the absorption in the first half.


SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
2015 Main St	Vancouver	43,180	WeWork
666 Burrard St	Vancouver	17,052	Ascenda School
10334 152A St	Surrey	14,927	Immigrant Serv Soc of BC

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
10470 152nd St	\$51,000,000	\$412.00	123,885	Pacific Reach Prop
Surrey	Freehold	-	Class A	Investors Group
4585-95 Canada Way	\$24,000,000	\$243.00	98,802	Crestpoint Real Estate
Burnaby	Freehold	-	Class B	Investors Group
-	-	-	-	-

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
475 Howe St-The Exchange	Vancouver	243,712	Credit Suisse
9639 137A St-city Centre 2	Surrey	149,000	Lark Group
204 W. 6th Ave	Vancouver	28,433	Rendition Dev

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
753 Seymour St	Vancouver	370,000	2021
601 W. Hastings St	Vancouver	212,000	2020
402 Dunsmuir St	Vancouver	147,000	2020

TOTAL INDUSTRIAL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	7.2%	\$26.47	551,523	57,271,000	2,833,329
Q1 2018	7.4%	\$25.10	540,838	56,774,000	1,660,199
Q4 2017	8.3%	\$24.57	467,353	56,730,000	1,573,613
Q3 2017	9.3%	\$23.16	202,626	56,829,000	1,116,818
Q2 2017	9.4%	\$24.15	74,749	56,675,000	1,300,818


551,523 **NET ABSORPTION SF**

7.2% **VACANCY**
4,103,100 SF


\$26.47 **AVG. ASKING RATE PSF**

504,244 **DELIVERIES**
5 Buildings


2,833,329 **UNDER CONSTRUCTION**
17 Buildings

JASON MARRIOTT

VP, Office Properties

Demand for space is intense. Rapid tech sector expansion has been dominated by Amazon. WeWork leads growth in the co-working dynamic. Lack of supply has driven western Canada's largest city to record the lowest vacancy rate and largest occupancy cost increase in North America this year. Needed major office projects are more than a year from completion. Tenants will face increased rents and competition for the best available corporate and creative spaces. Investor enthusiasm shows no signs of waning despite increased costs of capital and foreign ownership transparency requirements.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
2411 W. Peoria Ave	Northwest	149,511	General Dynamics
1665 W. Alameda St	Airport	90,000	Lennar Homes
432 N. 44th St	Airport	81,306	WellCare Health

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
9400 W. Hanna Dr Glendale	\$133,000,000 Investment	\$211.85 -	627,811 Class A	YAM Properties Istar Financial, Inc.
2375 E. Camelback Rd Camelback Corridor	\$100,000,000 Investment	\$330.90 -	302,209 Class A	New York Life RE Inv Hines
5601 N. Pima Rd Scottsdale	\$67,000,000 Investment	\$247.15 -	271,782 Class A	Griffin Cap Essential Ryan Companies US

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
2100 E. Rio Salado Pkwy	Tempe	150,000	Boyer Co
2355 W. Chandler Blvd.	Chandler	70,000	Microchip
161 E. Rivulon Blvd.	Gilbert	60,769	Rivulon

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
1127 N. Papago Drive	Tempe	352,481	Q2 2019
410 N. Scottsdale Road	Tempe	284,000	Q3 2019
1650-1700 S. Price Road	Chandler	270,000	Q2 2019

TOTAL OFFICE MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	18.60%	\$25.84	689,970	99,906,844	2,565,874
Q1 2018	19.39%	\$25.74	686,469	99,626,075	2,839,908
Q4 2017	19.66%	\$24.88	958,100	99,108,710	2,284,970
Q3 2017	19.60%	\$24.71	216,037	99,067,032	2,089,096
Q2 2017	18.80%	\$24.86	353,628	88,078,030	1,402,067

 **NET ABSORPTION SF**
689,970

 **VACANCY**
17,163,591 SF
18.6%

 **AVG. ASKING RATE PSF**
\$25.84

 **DELIVERIES**
3 Buildings
280,769

 **UNDER CONSTRUCTION**
16 Buildings
2,565,874

CHRIS MCCHESENEY
Research Director

The Phoenix office market is on its eighth consecutive year of positive rental growth after this past quarter. Vacancy continues to decline and the office market continues to have positive absorption, 689,970 SF. There were 2,565,874 SF of office space under construction in Q2 with the largest being The Grand at Papago, a 352,481 SF mixed-use space. 85% of construction in Q2 has come from spec. The largest delivery of the quarter is RIO 2100, an office building in the Tempe submarket, at 150,000 SF.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
Legacy Central 4	Plano	216,000	Samsung Telecomm
Galatyn Commons B	Richardson	165,300	Steward Health Care Sys
Browning Place I	DFW Freeport	115,036	-

SIGNIFICANT BUILDING SALES

Address Submarket	Sale Value Type of Sale	PPSF Cap Rate	SF Class	Buyer Seller
Infomart Dallas	\$800,000,000 Investment	\$500.00 -	1,600,000 Class A	Equinix, Inc. ASB Capital Mgmt
Legacy District One Plano	\$123,300,000 Investment	\$387.03 4.62%	318,582 Class A	TIER REIT, Inc. VEREIT Services, LLC
8750 N Park Central Dallas	\$120,500,000 Investment	\$237.16 5.7%	508,102 Class A	CBRE Global Inv Barrings RE Advisors

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
Liberty Mutual Campus	Far North Dallas	1,100,000	KDC RE Dev & Inv
WINGS Southwest Airlines	Stemmons Frwy	414,000	McCarthy Bldg Co's
Hall Park - T2	Far North Dallas	300,000	Hall Financial Group

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
American Airlines Campus	Mid-Cities	1,700,000	Q4 2019
Pioneer Natural Resources	Las Colinas	1,125,000	Q3 2019
Charles Schwab Campus	Mid-Cities	500,000	Q2 2019

TOTAL OFFICE MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	15.0%	\$25.44	321,275	378,490,083	9,148,214
Q1 2018	14.7%	\$25.17	1,847,142	377,040,439	9,742,711
Q4 2017	14.7%	\$25.00	1,557,290	374,683,968	11,274,112
Q3 2017	14.5%	\$25.03	1,137,494	371,975,174	13,237,438
Q2 2017	14.4%	\$24.60	2,172,117	370,478,369	10,526,037

 **321,275** NET ABSORPTION SF

 **15.0%** VACANCY 56,679,185 SF

 **\$25.44** AVG. ASKING RATE PSF

 **1,398,164** DELIVERIES 35 Buildings

 **9,148,214** UNDER CONSTRUCTION 101 Buildings

MIKE EBBITT Associate

Asking rents experienced upward momentum. According to the Bureau of Labor Statistics, DFW maintained its robust job growth, adding 122,000 non-farming jobs since 2017. DFW is the strongest among the 12 largest U.S. metros. With a 3.4% annualized gain, it is essentially more than double the U.S. average of 1.6%. DFW's durable job market continues to keep pressure on unemployment, settling at a low of 3.7%. The pipeline of new office properties has slowed, resulting in a healthy balance of supply and demand.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
11750 Katy Fwy	Energy Corridor	53,000	Kiewitt
10713 N Sam Houston	N. Belt	60,000	Acclara
5718 Westheimer	Galleria	43,000	KHOU

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
Marathon Oil Tower Houston	\$176,500,000 Investment	\$147.42 7.4%	1,197,300 Class A	Baupost Group, LLC CBRE Global Inv
The Offices @ Pin Oak Bellaire	\$110,000,000 Investment	\$217.94 7.75%	504,721 Class B	Norvin Healthcare Prop Griffin Partners, Inc.
Loop Central Houston	\$72,900,000 Investment	\$126.79 7.5%	574,944 Class B	Griffin Partners Inc. TIER REIT, Inc.

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
The Post Oak	West Loop	104,579	Tellepsen Builders
4450 Harrisburg Blvd.	Gulf Fwy/Pasadena	83,076	-
Grandway West Bldg 4	Katy/Grand Pkwy W	72,045	-

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
Capitol Tower	Downtown	778,334	Q2 2019
CityPlace2	The Woodlands	326,800	Q4 2018
HP Building 1	The Woodlands	189,000	Q1 2019

TOTAL OFFICE MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	16.5%	\$27.60	202,720	326,424,477	2,659,246
Q1 2018	16.7%	\$27.73	(1,105,254)	325,901,554	2,137,904
Q4 2017	16.3%	\$27.76	769,331	306,857,949	2,479,402
Q3 2017	16.4%	\$27.60	(758,963)	306,029,167	3,139,455
Q2 2017	16.1%	\$27.70	(609,626)	305,191,135	3,096,080

 **202,720** NET ABSORPTION SF

 **16.5%** VACANCY 53,957,204 SF

 **\$27.60** AVG. ASKING RATE PSF

 **290,599** DELIVERIES 19 Buildings

 **2,659,246** UNDER CONSTRUCTION 50 Buildings

RYAN YOUNG

Associate

The second quarter experienced an increase in new construction as ground was broken for two spec suburban office buildings, CityPlace Plaza 2 in Springwoods Village and Chasewood Crossing Three in Spring. Direct gross rents remain stagnant, averaging \$27.60 per SF. There was a jump in sublease space available in the Central Business District with two energy companies offering 150,000 SF. Transactions are closing at a more aggressive rate with greater concession packages of free rent and build-out allowances.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
1130 Sanctuary Pkwy	North Fulton	167,379	Delta Dental
100 Southcrest Dr	South Atlanta	120,276	Conduent
1950 Spectrum Cir SE	Northwest	68,023	BlueLinx Corp

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
100 Cumberland Blvd SE	\$68,250,000	\$162.71	419,456	PCCP LLC
Northwest	Investment	7.75%	Class A	Crocker Partners, LLC
1718 NW Peachtree St	\$62,200,000	\$169.84	366,232	Noro Management Inc
Buckhead	Investment	-	Class B	Atlanta Property Group
2300 Defoor Hills Rd NW	\$22,358,844	\$367.99	60,760	Nuveen Global Cities
Midtown	Investment	-	Class A	Wyatt Realty Co LLC

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
3400 SE Cumberland Blvd.	Atlanta	222,000	Greenstone Prop
5170 Peachtree Rd	Atlanta	60,000	Parkside Partners
2500 Old Milton Pkwy	Alpharetta	26,600	SRS Real Estate Ptnrs

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
771 Spring St	Atlanta	760,000	Q1 2019
240 Perimeter Ctr Pkwy NE	Atlanta	670,000	Q4 2019
740 W. Peachtree St	Atlanta	351,981	Q1 2020

TOTAL OFFICE MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	14.8%	\$24.95	315,028	216,499,337	3,455,810
Q1 2018	14.7%	\$24.86	1,016,847	216,029,980	3,591,285
Q4 2017	14.8%	\$24.26	609,955	214,935,249	4,351,016
Q3 2017	14.8%	\$24.02	65,724	214,408,860	4,601,435
Q2 2017	14.7%	\$23.77	823,460	214,021,956	4,930,739

 **NET ABSORPTION SF**
315,028

 **VACANCY**
31,972,478 SF
14.8%

 **AVG. ASKING RATE PSF**
\$24.95

 **DELIVERIES**
7 Buildings
469,357

 **UNDER CONSTRUCTION**
25 Buildings
3,455,810

JOHN DECOUTO, CCIM, MCR.H
Senior Managing Director

Of the 3.5 million SF under construction, seven buildings are larger than 100,000 SF and are 72% preleased. In the first half, net absorption totaled more than 1.3 million SF, nearly double the total of the previous six months. Vacancy has been flat for the last eight quarters due to consolidation, new workplace strategies and a growing sublease inventory. In the last two quarters, more than 2,500 new office jobs were reported in Atlanta with technology fueling most of the growth.



16,150 **NET ABSORPTION SF**

7.7% **VACANCY**
2,917,942 SF


\$17.70 **AVG. ASKING RATE PSF**

4,954 **DELIVERIES**
1 Building


155,244 **UNDER CONSTRUCTION**
8 Buildings

DARATH A. MACKIE
Associate

Overall net absorption was up 16,150 SF in Q2, a turnaround from the negative 74,978 SF in the first quarter. Asking rents gained 1.5% from Q1 across all class types with average rents for premium space up slightly to \$23.67 per SF. Average asking rent in Greenville/Spartanburg's CBD was \$22.79 per SF and \$16.49 per SF in the suburban markets. Three buildings totaling 15,281 SF were delivered in the first half, and there are eight buildings underway totaling 155,244 SF in the Upstate.

SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
1041 E. Butler Rd	Woodruff/I-385 Corr	210,126	Jacobs Engineering
535 N. Pleasantburg Dr	Pelham Rd	46,011	OBHG Management Svc
32 E. Broad St	Greenville CBD	20,732	Gannett

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
Jacobs Building Greenville	\$24,300,000 Investment	\$115.64 -	210,126 Class B	Elm Tree Funds The Simpson Org
The Ogletree Bldg Greenville	\$11,420,000 Investment	\$187.07 -	61,047 Class B	Dominion Rlty Ptnrs The Furman Co
Legacy Sq Hollingswrth Greenville	\$4,600,000 Investment	\$225.92 7.5%	20,361 Class A	Brett H Swanson Hollingsworth Funds

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
1030 E. Butler Rd	Greenville	10,500	East Butler Group
129 Broadbent Way	Anderson	4,954	-
8318 Augusta Rd	Greenville	4,781	BTS - Randall Prop

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
Maraue Dr	Greenville	60,000	Q4 2018
615 Congaree Rd	Greenville	26,567	Q4 2018
485 N. Main St	Greenville	18,333	Q3 2018

TOTAL OFFICE MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	7.7%	\$17.70	16,150	39,653,008	155,244
Q1 2018	7.7%	\$17.43	(74,978)	39,654,871	133,631
Q4 2017	7.6%	\$17.26	160,950	39,658,090	110,008
Q3 2017	7.6%	\$16.33	(27,463)	39,498,361	223,843
Q2 2017	7.5%	\$16.36	221,123	39,494,166	208,910



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
66 Hudson Blvd.	Hudson Yards	792,000	Pfizer, Inc.
1271 Ave of the Americas	Rockefeller	407,000	Latham & Watkins LLP
230 Park Ave South	Flatiron	360,000	Discover Comm

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
5 Bryant Park	\$640,000,000	\$939.00	681,575	Savanna
Times Square	Fee	-	Class A	Blackstone Group
1745 Broadway	\$633,000,000	\$939.00	674,000	QSuper
Midtown West	Condo Block	6.5%	Class A	SL Green Realty Corp
10 Hudson Yards	\$431,900,000	\$1,191.00	1,813,159	STRS Ohio
Hudson Yards	20% Interest	-	Class A	Oxford Prop Group

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
3 World Trade Center	Downtown	2,861,400	Silverstein Properties
540 W. 26th Street	Chelsea	157,409	Savanna
61-63 Crosby Street	SoHo	32,400	L3 Capital

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
30 Hudson Yards	Hudson Yards	2,600,000	Q2 2019
One Manhattan West	Hudson Yards	2,216,609	Q4 2019
Two Manhattan West	Hudson Yards	1,950,140	2023

TOTAL OFFICE MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	8.0%	\$74.05	1,601,415	482,720,418	13,750,024
Q1 2018	7.8%	\$71.03	1,134,522	479,859,016	16,628,133
Q4 2017	8.0%	\$74.32	1,579,253	479,701,607	14,714,438
Q3 2017	8.3%	\$74.24	(554,937)	479,523,657	14,192,388
Q2 2017	8.2%	\$72.08	722,451	479,379,384	13,280,659

▲
1,601,415 NET ABSORPTION SF

▲
8.0% VACANCY
38,686,651 SF

▲
\$74.05 AVG. ASKING RATE PSF

▲
3,499,351 DELIVERIES
8 Buildings Last 4 Quarters

▼
13,750,024 UNDER CONSTRUCTION
24 Buildings

HENRY ABRAMOV
Director of Research

The vacancy rate was up 20 basis points from the first quarter. Direct asking rents ended the quarter up \$3.02 to \$74.05. Delivery of 3 World Trade Center added 1.6 million SF to the available supply. Not since 2000 has the market posted growth of more than 1 million SF in both the first and second quarters. Class A properties saw the only quarterly vacancy increase, ticking up 50 basis points to 8.8%. Q2 leasing activity was up 18.3% and year-to-date volume was about 15 million SF.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
100 Metro Blvd.	Nutley, Bloomfield/GSP	255,018	Ralph Lauren Corp
1100 Campus Rd	Princeton, Brunswick W	166,991	Integra Life Sciences
110 Edison Place	Newark	148,460	Mars Wrigley Confect

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
40 Cragwood Rd	\$15,592,500	\$111.60	139,719	Saadia Group LLC
S Plainfield Route 287 E	Auction	7.94%	Class B	Normandy RE Partners
395 W. Passaic St	\$10,500,000	\$97.25	107,969	Ramaa Management
Rochelle Pk, Route 4/17	Leasehold	-	Class A	Onyx Equities, LLC
1 Corporate Pl South	\$10,000,000	\$112.64	88,780	Norden Realty Inv
Piscataway Route 287 E	Leasehold	-	Class A	Marlabs, Inc.

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
46-56 E. Main Street	Somerville	68,000	DeSapio Properties
25 U.S. Highway 22	Springfield	22,961	Pop Realty Corp
17 Main Street	Monsey, NY	18,000	Akiba Rand, LLC

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
110 Edison Place	Newark	402,532	Nov 2018
111 Sylvan Avenue	Englewood Cliffs	360,000	Sept 2018
31 Eastern Rd, Bldg 100	Kearny	250,000	Dec 2019

TOTAL OFFICE MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	11.9%	\$25.59	248,865	372,238,954	2,053,191
Q1 2018	12.0%	\$25.13	303,278	372,234,854	1,865,291
Q4 2017	12.1%	\$25.02	191,234	372,283,944	2,012,025
Q3 2017	12.1%	\$25.37	118,397	372,132,453	2,029,461
Q2 2017	12.1%	\$25.20	65,511	372,031,410	2,300,354

 **NET ABSORPTION SF**
248,865

 **VACANCY**
11.9% 44,387,262 SF

 **AVG. ASKING RATE PSF**
\$25.59

 **DELIVERIES**
94,600 3 Buildings

 **UNDER CONSTRUCTION**
2,053,191 27 Buildings

MICHAEL MALMSTONE

Real Estate Analyst

Despite modest net absorption since 2013, tenant demand is soft, particularly in the suburbs. Most activity is in the Gold Coast, Newark and greater Princeton markets. In Q2 there were seven 100,000-plus SF leases, volume not seen since before the recession. Office is still the least favored asset class among lenders. Few construction loans are funded unless product is in a core market and there is history between developer and lender. The true Class A building with full amenity packages and near transit hubs remains the poster child of this asset class.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
6514 Meadowridge Rd	Columbia North	69,000	XL Health
100 E. Pratt Street	CBD Baltimore	37,539	Price Waterhse Coopers
100 E. Pratt St.	CBD Baltimore	31,942	T. Rowe Price

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
1 E. Pratt Street Baltimore	\$80,100,000 Investment	\$224.99 6.9%	356,016 Class A	Banyan Street Capital Vanbarton Group
849 Fairmount Ave Towson	\$65,410,145 Investment	\$213.06 8.04%	307,000 Class A	Ten Capital Mgmt Guardian Realty Inv
500 E. Pratt Street Baltimore	\$60,000,000 Investment	\$214.51 8.25%	279,712 Class A	Morning Calm Mgmt TIER REIT, Inc.

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
10960 Grantchester Way	Downtown Columbia	128,000	Howard Hughes Corp
10175 Little Patuxent	Downtown Columbia	155,900	Costello Construction
8110 Maple Lawn Blvd.	Columbia South	104,412	SJP/Greenbaum Ent

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
6100 Merriweather Dr	Ellicott City/Columbia	320,964	Q3 2019
1 Light St	Downtown Baltimore City	234,891	Q3 2018
187 Harry S Truman Pky	Southern Anne Arundel	128,957	Q1 2019

TOTAL OFFICE MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	9.7%	\$22.74	163,869	144,839,876	1,244,901
Q1 2018	9.8%	\$22.68	(215)	144,839,876	923,937
Q4 2017	9.8%	\$22.96	89,296	144,839,876	775,623
Q3 2017	9.6%	\$22.55	240,286	144,426,704	1,084,656
Q2 2017	9.7%	\$22.49	715,096	144,297,682	1,142,576



163,869 NET ABSORPTION SF



9.7% VACANCY
14,072,296 SF



\$22.74 AVG. ASKING RATE PSF



0 DELIVERIES
0 Buildings



1,244,901 UNDER CONSTRUCTION
12 Buildings

BILL HARRISON
Senior Vice President

Continued job growth coupled with the metro region's 4.7% unemployment rate, down from nearly 9% in 2010, are giving developers the confidence to construct speculative office buildings in select submarkets statewide. More than 1 million SF of space was recently delivered in Baltimore and an added 1.6 million SF is underway downtown. Baltimore's close proximity to Washington, D.C., is a major attraction to companies in all industries whose executives require access to the nation's capital less than 40 miles away.

Absorption Slows; Property Prices Swoon

Net absorption slowed for the second straight quarter due in part to more softness in mall space and easing demand for power centers. Overall average prices of properties sold across the category have been falling and were down 11% year over year as buyers moved to the sidelines.

First-half demand totaled 27.4 million SF, which was off 13.8% compared to the same period last year. Deliveries of new space in the first two quarters were down 17.4% from a year ago, and the volume of space under construction fell 1.5%.

There was about 2.1 million SF of negative absorption in the nation's malls in the first half, a turnaround from the 6.9-million-SF gain over the first two quarters last year. The Q2 vacancy rate settled at 4.2%. Mall space accounts for about 10% of the 14.1-billion-SF total retail inventory.

Following power centers' Q1 absorption of 1.4 million SF, which outpaced deliveries, demand in the second quarter weakened with 465,000 SF of net absorption. The vacancy rate in power centers was 4.8%.

SIGNIFICANT LEASE DEALS

Lease Name	SF	Location
College of the Desert	188,590	Inland Empire, CA
Lowe's	165,000	Kansas City, KS
Sears	141,130	Colorado Springs, CO

LARGEST DELIVERIES

Building Name	City	SF	% Occupied
Living Spaces	Austin, TX	530,794	100% Occupied
13400 S Mountain Vw	Salt Lake City, UT	394,581	87% Occupied
15525 Racho Blvd.	Taylor, MI	300,000	100% Occupied

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
American Dream Meadowlands Mall	Northern NJ	2,000,000	Q1 2019
Veterans Parkway & Town Center Blvd.	Louisville, KY	1,000,000	Q3 2019
Shops & Restaurants at Hudson Yards	New York City, NY	1,000,000	Q3 2018

SIGNIFICANT BUILDING SALES

Address	Market	SF	Price/SF	Cap Rate	Buyer	Seller
Silver Spring Square	Philadelphia, PA	342,600	\$235.87	7.0%	The Wilder Co's	DDR Corp
Rivertowns Square	Westchester, CT	116,422	\$591.81	-	Regency Ctrs	Saber RE Adv
Hamilton Plaza	Long Island, NY	108,625	\$570.77	-	Two Trees Mgmt	Meral Prop Grp

 **8.70%**
NET ABSORPTION
Million SF

 **4.5%**
VACANCY
630 Million SF vacant retail space

 **1.3%**
AVG. ASKING RATE
\$16.71 Avg Asking Rate PSF

 **16.4**
DELIVERIES
Million SF

 **85.7**
UNDER CONSTRUCTION
Million SF

There are 4.1 billion SF of shopping center space, which is 7.1% vacant and down from 7.7% vacant a year ago. The 7.4 billion SF of general retail space is 2.9% vacant, unchanged from the Q2 last year.

Average sale prices per square foot have fallen from \$191 in Q3 2016, their recent peak, to \$139 at the end of Q2. A year ago, sale prices averaged \$157 per SF. Average cap rates over the period moved up from 7.06% to 7.24%. Quoted rents were up 4.67% in the last four quarters.

The volume of space delivered in the first half totaled 33.6 million SF, down from 40.7 million SF a year ago, and space under construction was off 1.5% year over year.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
San Carlos Village	La Mesa	38,000	24-Hour Fitness
333 N. El Camino Real	Cardiff/Encinitas	33,338	ALDI Grocery
Rosecrans Shopping Ctr	Pt Loma/Sports Arena	24,950	Big Lots

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
Pacific Station Encinitas	\$24,000,000 Investment	\$618.11 -	38,828 Class A	RAF Pacifica Grp Loja Real Estate
643-665 5th Ave San Diego	\$19,850,000 Investment	\$1,136.75 -	17,462 Class A	Asana Partners ASB Capital Mgmt
-	-	-	-	-

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
3301 Mission Ave	North County	9,840	-
2217 S. El Camino Real	North County	8,607	-
2251 W. El Camino Real	North County	8,434	-

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
Millenia Town Ctr A-D	South Bay	80,304	Q3 2018
6800 Avenida Encinas	North County	71,614	Q4 2018
The Square at Bressi Ranch	North County	44,454	Q4 2018

TOTAL RETAIL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	3.7%	\$24.04	(140,394)	140,203,109	500,727
Q1 2018	3.6%	\$22.65	(84,121)	140,174,305	444,831
Q4 2017	3.5%	\$22.90	444,016	140,169,551	436,314
Q3 2017	3.5%	\$23.16	230,977	139,655,841	863,244
Q2 2017	3.6%	\$22.84	271,214	139,556,155	811,868


(140,394) NET ABSORPTION SF


3.7% VACANCY
14,072,296 SF


\$24.04 AVG. ASKING RATE PSF


24,835 DELIVERIES
4 Buildings


500,727 UNDER CONSTRUCTION
12 Buildings

ERIK FAUCETT
Vice President

Vacancy ticked up slightly from 3.6% in Q1, but the lack of new construction will frustrate new and growth-minded tenants, especially for those looking for space downtown and in coastal neighborhoods. Restaurants, grocers, fitness, and personal services are driving demand. Food halls are a new concept to the area and have gained traction as a way to backfill larger and tough-to-lease spaces. Recent closings of Toys R Us, Aaron Brothers, Sears, and Macy's are forcing landlords to find creative ways to re-use anchor space.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
265 S. Route 83	Grayslake	103,266	At Home
1522-1580 W. Lane Rd	Machesney Park	60,040	Hobby Lobby
1401-1455 W. Lake St	Addison	31,942	XSport Fitness

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
Fox Run Square	\$78,000,000	\$525.84	148,335	First Washington Rlty
Western East/West Corr	Investment	-	3-Star	Bradford Real Estate
South Elgin Crossings	\$34,000,000	\$135.06	252,478	Equity Investment Grp
Western East/West Corr	Investment	8.18%	4-Star	VEREIT Services LLC
The Shops at Fox River	\$32,000,000	\$95.39	335,452	Time Equities, Inc.
Far Northwest	Investment	9.0%	3-Star	DDR Corp

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
6040-6060 N. Western Ave	Chicago	228,000	The Missner Group
105 Northwest Hwy	Crystal Lake	74,800	Continental Prop
2747 N. Clark St	Chicago	30,583	Mid-America RE

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
Milwaukee Ave & Deerfield Rd	Buffalo Grove	236,000	Q3 2018
1422 N. Kingsbury St	Chicago	210,000	Q1 2019
Addison St & Clark St	Chicago	155,000	Q3 2018

TOTAL RETAIL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	6.0%	\$16.10	567,677	586,970,390	2,641,109
Q1 2018	6.1%	\$15.85	592,637	586,873,440	2,440,634
Q4 2017	6.1%	\$15.57	1,806,996	586,424,451	2,594,507
Q3 2017	6.3%	\$15.28	449,201	585,979,977	2,890,112
Q2 2017	6.3%	\$15.34	1,086,706	585,141,247	2,966,958

 **NET ABSORPTION SF**
567,677

 **VACANCY**
35,049,816 SF
6.0%

 **AVG. ASKING RATE PSF**
\$16.10

 **DELIVERIES**
15 Buildings
448,683

 **UNDER CONSTRUCTION**
109 Buildings
2,641,109

MICHAEL ELAM

Associate

The conditions of the Chicago retail market have stayed steady in the second quarter of 2018. The vacancy rate this quarter decreased by 0.1%. Net absorption was positive by more than 560,000 SF and vacant retail space increased by over 50,000 SF. Quoted rental rates continue to fluctuate slightly each quarter and have now ended at \$16.10 per SF, per year. Fifteen retail buildings with a total of nearly 450,000 SF of space were delivered this quarter and more than 2,640,000 SF of retail space is still under construction.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
3960 E. 82nd Street	Keystone Crossing	36,000	PGA Tour Superstore
435 N. Town Center St	Morgan County	31,500	Ollie's Bargain Outlet
Centre at Smith Valley	Greenwood	13,435	Today's Furniture One

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
Stonycreek Marketplace	\$32,800,000	\$160.00	204,929	Rainer Companies
Noblesville	Arms Length	7.8%	Power Ctr	Retail Prop of America
1420 W. Main St	\$4,500,000	\$367.00	12,245	West Carmel Pointe
Carmel	Arms Length	7.3%	Nbrhd Strip	Crown Liquors
Speedway Shoppes	\$3,190,000	\$199.00	16,000	Speedway Cap Appr
Speedway	Arms Length	-	Rgnl Strip	Speedway Shoppes LP

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
6192 Whitestown Pkwy	Whitestown/Anson	22,801	Midland Atlantic
6537 SRS 334	Whitestown/Anson	14,000	Midland Atlantic
7149 Whitestown Pkwy	Whitestown/Anson	14,000	Key Realty Partners

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
Shoppes at Whitestown	Whitestown/Anson	270,000	Q2 2019
Bottleworks	Indianapolis CBD	175,000	Q4 2019
The Yard	Fishers	104,035	Q1 2020

TOTAL RETAIL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	5.2%	\$12.30	(255,006)	134,875,679	731,023
Q1 2018	5.0%	\$12.41	(3,785)	134,806,117	323,657
Q4 2017	4.9%	\$12.77	394,139	134,653,632	393,098
Q3 2017	4.8%	\$12.59	341,037	134,196,562	740,079
Q2 2017	4.9%	\$12.28	46,915	133,939,894	898,256

 **NET ABSORPTION SF**
(255,006)

 **VACANCY**
7,013,207 SF
5.2%

 **AVG. ASKING RATE PSF**
\$12.30

 **DELIVERIES**
6 Buildings
116,734

 **UNDER CONSTRUCTION**
23 Buildings
731,023

SCOT COURTNEY President

The Indianapolis metro area saw vacancy increase based on a negative net absorption. In sought-after submarkets, where activity was strong, rental rates continued to escalate. Increasingly, it's a tale of the have's and the have-nots, as many submarkets are struggling. Leasing activity in the stronger markets prompted significant new construction activity with deliveries planned for late 2019 and into 2020. Aggregate leasing activity was strongest in the areas of Fishers, Whitestown (Anson), Carmel, Greenwood, and the Mass Ave area of the CBD.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
Bellemeade Shp Ctr	Powder Spring	64,930	City Farmer's Market
3875 Venture Dr	Gwinnett	52,400	-
2091 Metropolitan	College Park	24,000	-

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
1650 Cobb Pkwy NW	\$64,300,000	\$566.04	113,597	Inven Trust Prop
Kennesaw	Investment	5.4%	Class A	Fuqua Develop
688 Johnson Ferry Rd	\$42,100,000	\$245.46	171,514	Jamestown LP
Marietta	Investment	4.8%	Class B	Sun Life Assurance
1065-85 Buckhead Xing	\$29,700,000	\$292.54	101,526	Lincoln Property Co
Woodstock	Investment	6.5%	Class B	Retail Planning Corp

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
1039 Grant St SE	South Atlanta	88,057	Pellerin Real Estate
195 Athens Hwy	Gwinnett	55,000	Garrad Development
6131 Peachtree Pkwy	Gwinnett	37,000	JBL Assessment Mgmt

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
1201 Scenic Hwy	Gwinnett	351,092	Q3 2018
5874-5950 Steeplechase	Georgia 400	123,552	Q3 2018
14th St & Peachtree St	Central Atlanta	72,000	Q4 2018

TOTAL RETAIL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	5.2%	\$14.45	380,517	369,013,451	1,732,912
Q1 2018	5.3%	\$14.36	611,875	368,845,045	1,753,265
Q4 2017	5.4%	\$13.94	746,282	368,582,131	1,857,382
Q3 2017	5.5%	\$13.53	1,052,768	368,205,085	1,857,944

 **380,517** NET ABSORPTION SF

 **5.2%** VACANCY
19,352,923 SF

 **\$14.45** AVG. ASKING RATE PSF

 **165,236** DELIVERIES
20 Buildings

 **1,732,912** UNDER CONSTRUCTION
87 Buildings

KATE HUNT

Research Director

The Atlanta retail market did not experience much change in market conditions in the second quarter of 2018. The vacancy rate decreased 10 basis points to 5.2% and net absorption remained positive at 380,517 SF. Quoted rental rates increased from first quarter 2018 levels, ending at \$14.45 per SF per year. A total of 20 retail buildings were delivered to the market in the second-quarter, bringing year-to-date deliveries to 505,015 SF.



SIGNIFICANT LEASE DEALS

Address	Submarket/City	SF	Tenant
2081 E. Main St	Spartanburg	25,682	Fallas Discount Stores
635 Wade Hampton Blv	Greer	20,929	Harris Auto Body
1420-50 W. Wo Ezell Blv	Spartanburg	10,733	Top Beauty

SIGNIFICANT BUILDING SALES

Address	Sale Value	PPSF	SF	Buyer
Submarket	Type of Sale	Cap Rate	Class	Seller
489 W. Main St Spartanburg	\$15,250,000 Investment	\$889.97 6.3%	217,145 Class A	Quik Trip Corp -
680 Old Greenville Hwy Clemson	\$13,080,000 Investment	\$318.00 5.55%	41,117 Class B	McKinley, Inc. Pebb Capital
128 Rolling Hills Cir Easley	\$7,720,000 Investment	\$363.44 7.57%	21,300 Class B	Mill Creek/Cooper Bond Street Advisors

LARGEST DELIVERIES

Address	Submarket/City	SF	Developer
2200 Woodruff Rd	Greenville	43,096	RealtyLink
101 Market St	Pickens	12,000	Patrick Square LLC
112 Old Race Track Rd	Cherokee	9,100	The Kase Group

LARGEST UNDER CONSTRUCTION

Address	Submarket/City	SF	Delivery Date
Liberty Street Development	Spartanburg	89,500	Q1 2019
10903 Anderson Rd	Anderson	71,973	Q3 2018
2940 Fork Shoals Rd	Greenville	40,000	Q3 2018

TOTAL RETAIL MARKET STATISTICS

	Vacancy Rate	Avg. SF Rental Rates	Net SF Absorption	SF Inventory	SF Under Construction
Q2 2018	4.4%	\$11.72	86,369	87,918,612	334,178
Q1 2018	4.4%	\$11.86	157,591	87,822,971	398,218
Q4 2017	4.5%	\$11.25	334,914	87,718,750	477,645
Q3 2017	4.7%	\$11.27	(51,860)	87,537,706	478,113
Q2 2017	4.6%	\$10.71	155,590	87,490,908	409,790

 **NET ABSORPTION SF**
86,369

 **VACANCY**
3,898,763 SF
4.4%

 **AVG. ASKING RATE PSF**
\$11.72

 **DELIVERIES**
8 Buildings
99,596

 **UNDER CONSTRUCTION**
22 Buildings
334,178

JAMES MCKAY

Associate

The market remains at a consistent vacancy rate but rental rates have decreased slightly to entice retailers to continue to lease new space. There were eight retail buildings delivered during the second quarter totaling 99,596 SF including a new neighborhood center anchored by Sprouts. Developers are continuing to announce new mixed use projects including a redevelopment of a 37-acre site near downtown Greenville and a mixed-use development of a 94-acre site in the Greenville suburb of Mauldin.

ECONOMIC OVERVIEW



Trending in Q2

The U.S. economy spiked in the second quarter with gross domestic product hitting a seasonal- and inflation-adjusted annual rate of 4.1%, the strongest growth since GDP hit 5.2% in Q3 2014.

It was a big improvement from the first quarter's 2.2% rate, which was affected by weak consumer spending. But solid consumer spending, robust business investment and a burst of exports in Q2 combined to position 2018 as one of the best years in the current economic expansion, which began in 2009.

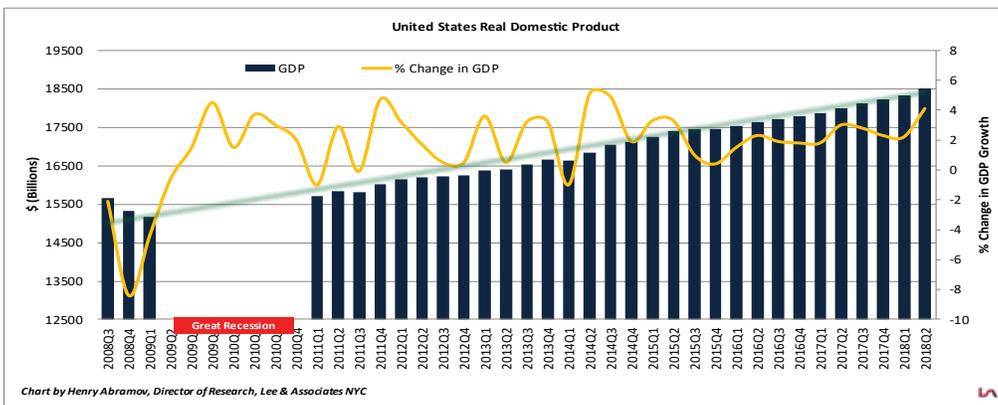
accounted for 0.9 percentage points of the GDP total.

Manufacturing shifted into a higher gear with more than half of the Fed's 12 districts reporting second-quarter gains in industrial activity. Four Fed districts said activity was "strong."

Fabricated metals, heavy industrial machinery and electronics equipment were areas of strength. Rising goods production led to higher freight volumes for transportation firms.

In banking, demand for loans ticked

Buoyed by job gains, consumer spending grew at a 4.0% annual rate.



Buoyed by job gains, consumer spending grew at a 4.0% annual rate and contributed 2.7 percentage points to the 4.1% total. Exports accounted for 1.1 percentage points in the GDP largely due to Chinese soybean buyers stockpiling ahead of retaliatory tariffs taking effect in July. The increase was expected after May posted a 28% year-over-year gain in shipments of food and beverages, including bourbon whiskey. Business investment

higher and banks reported that increased competition had led to higher deposit rates. Delinquency rates were mostly stable at low levels. Homebuilding and home sales increased modestly, on net, in the quarter and nonresidential construction continued at a moderate pace. Concern was noted about the uncertainty of international trade policy. Nevertheless, outlooks for near term growth were generally upbeat.



Trending in Q2

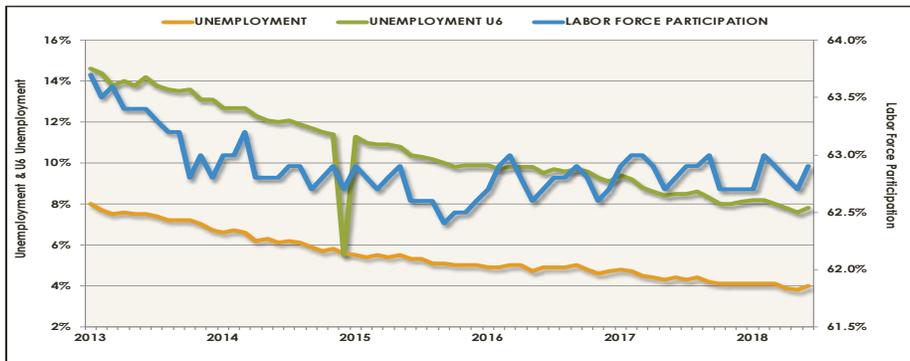
Labor shortages are being felt across all industries as employers are struggling to fill a record 6.7-million job openings as the number of American workers claiming new unemployment benefits recently fell to its lowest weekly level in nearly five decades.

Data from the Bureau of Labor Statistics shows that for the first time there were more job openings than people that the BLS lists as unemployed, currently 6 million.

With the nation's unemployment rate at 4% private payrolls grew by 177,000 workers

many industries are feeling the pinch of rising costs from tariffs.

The nation's expansion recently turned nine years old, becoming the second longest on record, but the Labor Department reported median weekly earnings fell 0.6% in inflation-adjusted dollars in the second quarter, compared to the first two quarters of last year. It was the third straight quarter in which inflation outpaced wage growth. That ended a streak of 13 straight quarters during which average hourly pay increased as much as



It was the third straight quarter in which inflation outpaced wage growth.

in June, less than expected and further highlighting difficulty facing companies in landing qualified workers. Truck drivers are in perilously short supply and housing starts nationwide were down 12.3% from May to June in part because of a shortage of construction workers, industry analysts said.

The depressed state of manpower is heightening the pressure on employers to increase compensation and wages just as

2.6% year-over-year. Although for the first time since 2012, the share of workers offered health insurance through their employer is up. A Labor Department report in July said benefits were offered to 86% of full-time workers and 21% of part-time workers. The report said 94% of private-sector union members were offered benefits compared to 66% of unaffiliated workers.



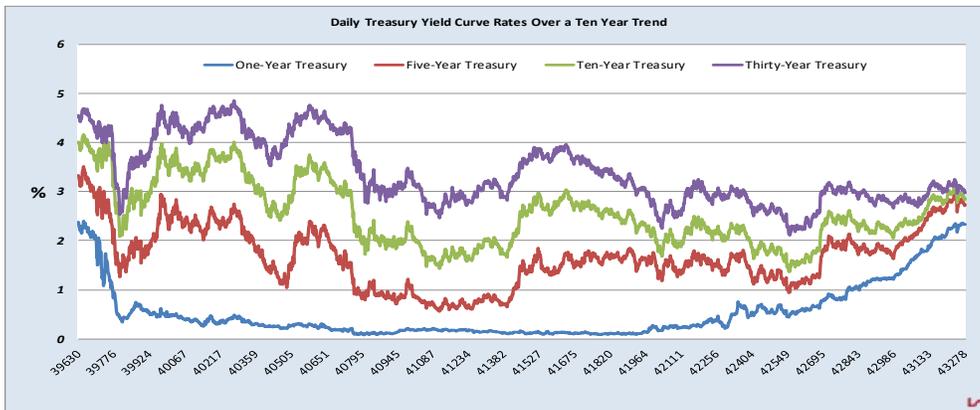
Trending in Q2

Economic activity was up in 10 of 12 Federal Reserve Districts across the United States, but manufacturers and construction firms nationwide are blaming new trade policies for higher prices and supply-chain disruptions, the Federal Reserve said.

In its latest roundup of regional economic conditions the Fed said there has been modest to moderate economic and employment growth and price increases in most districts. A few districts were said to be reporting “elevated and strong” price pressures on key

of companies to find workers was constraining growth. Consumer spending was up in all districts with particular strength in Dallas and Richmond, Va.

Companies and other sources for the Fed’s report said input prices were rising and margins were shrinking. Six districts specifically mentioned trucking capacity as an issue and attributed it to a shortage of commercial drivers. Contacts in several districts reported slow growth in existing home sales but were not overly concerned



“Elevated and strong” price pressures in a few districts on key inputs were reported by the Fed.

inputs, including fuel, construction materials, freight and metals.

The Fed’s Beige Book, which reported on data collected through July 9 along with anecdotal information on regional conditions, said the Dallas district posted the strongest growth driven in part by the energy sector.

Labor markets were tight nationwide and many Fed districts reported that the inability

about rising interest rates, the Fed’s report said.

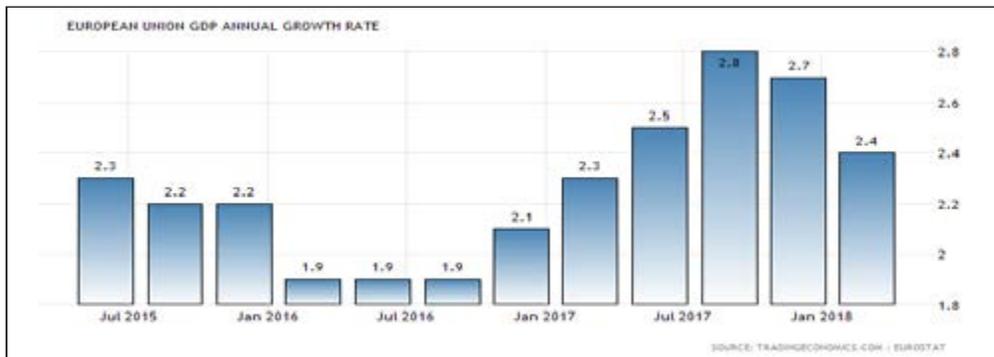
Prices increased in all districts at a pace that was modest to moderate on average; reports showed upticks in inflation in several districts. Tariffs contributed to the increases for metals and lumber, but extent of pass-through from input to consumer prices remained slight to moderate.



Trending in Q2

Heightening international tensions failed to dent the healthy global outlook for the second half of this year and 2019. But there are growing concerns that escalating battles between the United States and its trading partners, threats to the European Union from Italy and Spain and other perceived risks will cause more slowing than predicted. The International Monetary Fund recently reaffirmed its 2018 forecast of 3.9% growth, saying would be unchanged through this year and would slow moderately next year. The IMF said growth is supported by “strong

also held to its earlier analysis in January but said recently that growth will weaken further in 2020 as global economic output approaches capacity, the U.S. fiscal stimulus fades, investment growth slows and financial conditions tighten. “Global growth right now is robust. Trade has always been a major factor in supporting the global economy. This broad-based upturn story we had is no longer there. We’re asking whether the tide is turning,” Ayhan Kose, director of the World Bank Group’s Development Prospects Group, told Bloomberg. The World Bank said about



The IMF said growth is “less even” and “risks to the outlook are mounting”

momentum, favorable market sentiment, accommodative financial conditions and the domestic and international repercussions of expansionary fiscal policy of the United States. But the IMF also said growth is “less even” and “risks to the outlook are mounting.” Since its April assessment, the IMF said also that political uncertainty has risen with the financial architectures in Europe and the European Union and Brexit. The World Bank

half the world’s economies are growing, including many in emerging markets. Despite some recent volatility in some emerging markets, the Washington-based development bank sees no imminent signs of wider trouble. It is the rising dollar and the Federal Reserve’s commitment to stay the course on interest increases that are playing key roles in the building international trade war.

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