U.S. CAPITAL MARKETS MARKETVIEW

FIGURES

Q1 2016

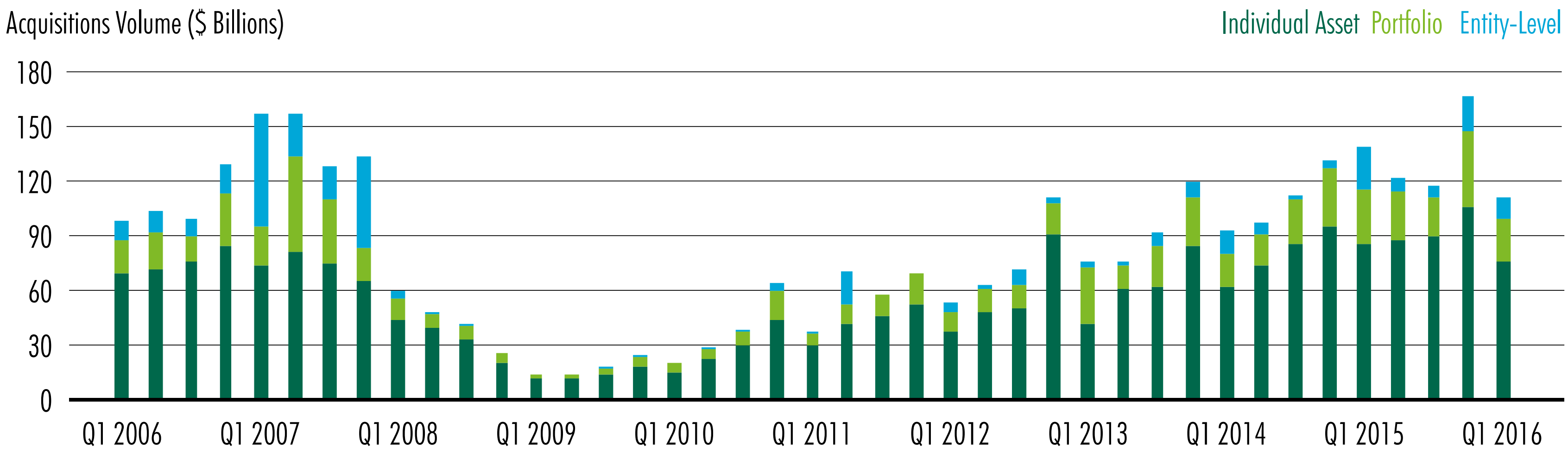
FIGURE 1
U.S. COMMERCIAL REAL ESTATE ACQUISITIONS VOLUME

	Total ($ billions)		
	Q1 2015	Q1 2016	Change (%)
Individual Assets	85.4	76.2	-10.9%
Portfolios	29.6	22.5	-24.2%
Subtotal	115.1	98.6	-14.3%
Entity-Level	23.0	12.1	-47.6%
Grand Total	138.1	110.7	-19.8%

Source: CBRE Research, Real Capital Analytics, Q1 2016.

- Four themes characterize current U.S. real estate capital markets.
  - Pace of acquisitions has moderated from 2015's peak, but remains active.
  - Investment performance (returns) of real estate holdings remain solid; however, performance is less stellar than in 2015.
  - Trends are mixed in terms of property values and sales pricing. While cap rates and sales pricing for most assets are holding firm, there is some evidence that cap rates have widened slightly for some transactions.
  - Debt capital markets are active and mostly healthy, and cost of borrowing remains quite low.

FIGURE 2
HISTORICAL U.S. COMMERCIAL REAL ESTATE ACQUISITIONS VOLUME



- After reaching a new record volume in Q4 2015, U.S. commercial real estate acquisitions decreased in Q1 2016.

Source: CBRE Research, Real Capital Analytics, Q1 2016.

- Q1 2016 direct investment totaled $111 billion, down 20% year-over-year.
- Individual asset sales, the best benchmark for investment momentum, experienced a more moderate decline of 11%.

FIGURE 3
FACTORS INFLUENCING 2016 INVESTMENT

Positive Factors
Healthy property market fundamentals, favorable 2016 outlook
High levels of capital looking for investment opportunity
Low cost of debt capital
Most global capital sources see U.S. as favorable investment environment
FIRPTA changes benefit U.S. investment by qualified foreign pension funds
Mixed
Capital availability still relatively ample, but some contraction of supply
Availability of supply (product for sale)
U.S. economy - expanding at decent pace, but some concern that expansion will wind down in near term
Negative Factors
For some cross-border investors, domestic economic issues reducing outflow of capital
Pricing on core product is considered too high for many investors
Economic volatility and geopolitical uncertainly hesitancy in business and investment decisions

Source: CBRE Research, Q1 2016.

- Key indicators lending support for an active acquisitions climate through balance of 2016 include:
  - CBRE Research's Americas Investor Intentions Survey 2016, conducted in January and early February 2016, found that investors expect to purchase more in 2016 than in 2015.
  - A vast quantity of capital is still sitting on the sidelines looking for investment opportunities.
  - Preqin reports that as of March 2016, closed-end private real estate funds had $133 billion of "dry powder" available for investment in North American assets. This "dry powder" is up 12% from December 2015's total.

FIGURE 4
ACQUISITIONS VOLUME BY PROPERTY SECTOR, Q1 2016

- Multifamily attracted most capital among the major property types (almost 35% of total), exceeding office, which has nearly always been the frontrunner.
- Multifamily acquisitions rose 12% over prior year—the only sector to achieve a y-o-y increase.
- The hotel sector, hampered by its more prevalent use of CMBS debt capital, continued to reflect much lower investment activity (a trend well evident in H2 2015), with a 61% drop y-o-y.

	Total ($ billions)			Market Share
	Q1 2015	Q1 2016	Change (%)	Q1 2016 (%)
Totals for All Types of Acquisitions (including entity-level)				
Office	37	31	-14.8	28.2
Industrial	20	13	-38.0	11.4
Retail	26	18	-31.4	16.1
Multifamily	34	39	12.3	34.9
Hotel	15	6	-60.5	5.5
Other	5	4	-18.9	3.9
Total	138	111	-19.8	100.0
Totals for Individual Asset Acquisitions Only				
Office	24	23	-6.0	29.9
Industrial	8	8	-6.9	10.4
Retail	14	13	-10.5	16.8
Multifamily	25	24	-4.0	31.4
Hotel	9	5	-42.1	6.6
Other	5	4	-22.1	5.0
Total	85	76	-10.9	100.0

Source: CBRE Research, Real Capital Analytics, Q1 2016.

FIGURE 5
LEADING METROS FOR ACQUISITIONS, Q1 2016

- Investment exceeded $67 billion in the leading U.S. metros in Q1 2016.
- New York City remained the top market by a large margin with $16 billion.
- Most of New York investment (59.0%) was concentrated in Manhattan; remaining four boroughs also attracted $2.9 billion (18% of the New York total, up from 14% for full-year 2015).
- Three metros moved up several places in the ranking: Miami (three-county metropolitan area).

Rank	Metro	Invested ($ billions)	Market Share (%) Metro	Market Share (%) Cumulative
1	New York City Metro	15.9	15.0	15.0
2	Los Angeles/Southern California	9.0	8.5	23.5
3	San Francisco Bay Area	6.2	5.9	29.3
4	Miami/South Florida	5.5	5.2	34.5
5	Washington, D.C.	5.2	4.9	39.4
6	Boston	4.9	4.6	44.0
7	Denver	4.5	4.2	48.2
8	Chicago	4.0	3.8	52.0
9	Seattle	3.7	3.5	55.5
10	Dallas/Ft. Worth	3.4	3.2	58.6
11	Atlanta	2.9	2.7	61.3
12	San Diego	2.7	2.5	63.9
	Others	38.4	36.1	100.0
	Total U.S.	106.4		

Source: CBRE Research, Real Capital Analytics, Q1 2016. Totals include entity-level (company) purchases; exclude development sites (hence the slight difference from the $111 billion reported above.)

FIGURE 6

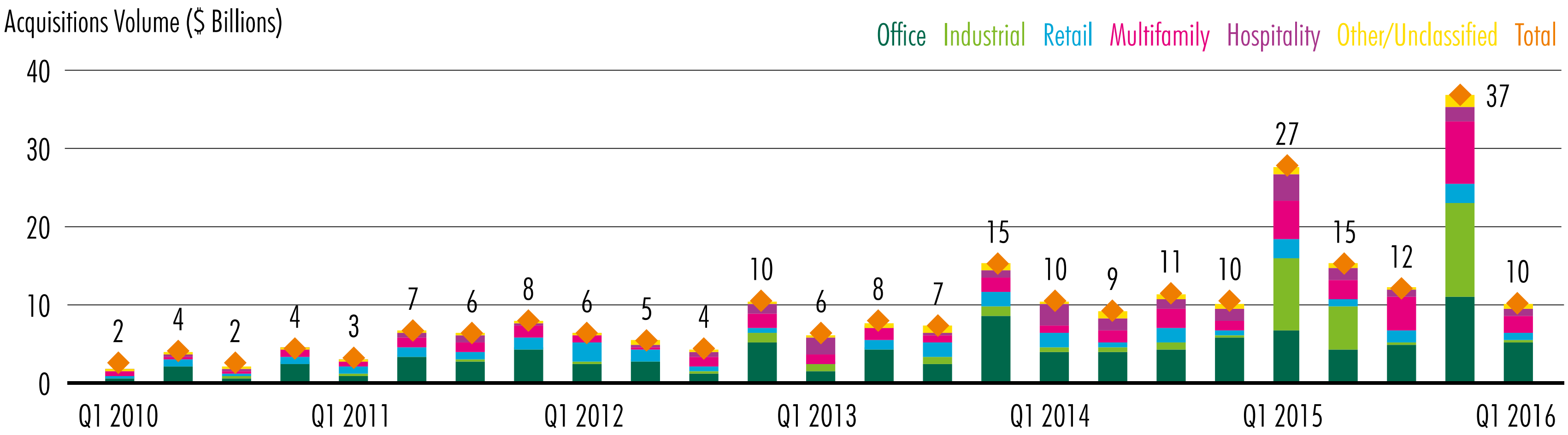
ACQUISITIONS VOLUME BY BUYER TYPE, Q1 2016

	Q1 2015	Q1 2016	Change (%)	Q1 2015	Q1 2016	Net Buyer or Seller Q1 2016	Acquisitions to Dispositions	Dispositions to Acquisitions
Private	53	47	-10.9	38.2	42.5	Net Seller	-	1.1
Institutional	24	39	63.1	17.1	34.9	Net Buyer	1.6	-
Cross-Border	27	10	-62.6	19.7	9.2	Net Buyer	1.8	-
REITs/Public Companies	27	6	-79.3	19.5	5.0	Net Seller	-	4.7
Other*	7	9	25.0	5.4	8.4	Net Buyer	1.6	-
Total	138	111	-19.8	100.0	100.0			

- Largest category of investors was “private buyers.” Purchases made by this group represented 42.5% of Q1 2016 total.
- Private companies also active sellers, disposing of slightly more assets than acquired during the quarter.
- “Institutional” represented second largest category, with 35% market share. This capital source was net seller in both 2014 and 2015, but net buyer in Q1 2016.
- Acquisitions by public REITs were particularly low in Q1, but dispositions high due to M&A activity (three major deals).

Source: CBRE Research, Real Capital Analytics, Q1 2016. Totals include acquisitions through entity (company) purchases. *Other = user, unknown, other types of investors. **For example, for every $1 disposition, cross-border capital is acquiring $1.81.

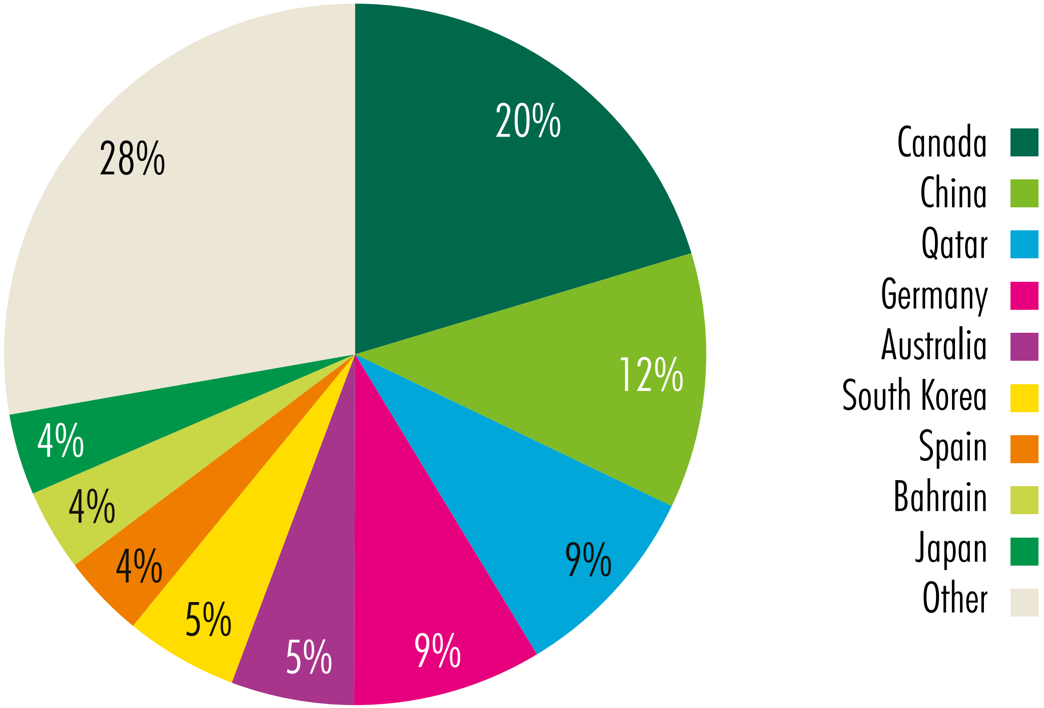
FIGURE 7
HISTORICAL CROSS-BORDER INVESTMENT IN U.S. REAL ESTATE BY PROPERTY TYPE



- Cross-border investment subsided during Q1 2016 and totaled $10.2 billion compared to last year's $27 billion. There were few large portfolios, real estate companies or large single-asset purchases in Q1 2016..
- Office properties attracted $5.2 billion of cross-border investment, by far the largest share (51%).
- Multifamily was second at $2.2 billion (22%).

Source: CBRE Research, Real Capital Analytics, Q1 2016. Totals include acquisitions through entity (company) purchases.

FIGURE 8
COUNTRY ORIGINS OF CROSS-BORDER INVESTMENT, Q1 2016



- Canada remained the most active source of cross-border investment.
- Asia was also well represented with China, South Korea, Japan among the top nine countries.
- Metro New York still undisputed leader in attracting international capital, with 27% of total cross-border investment in Q1.
- Other leading metros for global capital investment were Los Angeles (14%), Philadelphia (7%), San Francisco (7%), Miami (6%), Washington, D.C. (6%).

Source: CBRE Research, Real Capital Analytics, Q1 2016. Based on CBRE adjusted RCA data; includes acquisitions through entity (company) purchases.

FIGURE 9
ACQUISITION PRICING - AVERAGE SALES PRICES

- The price per square foot, or per unit, averages reflected mixed trends for commercial real estate in Q1 2016.
- Average sales pricing rose for multifamily and industrial assets year-over-year, but office pricing was down 4.3%.
- The decline in retail and hotel averages were too large to reflect “same-store” like sales, so clear trend lines are not available from the data.

	$ per	Q1 2015	Q1 2016	Change (%)
Office	sq. ft.	278	266	-4.3
Industrial	sq. ft.	76	81	6.6
Retail	sq. ft.	244	188	-22.8
Multifamily	unit	137,000	145,000	5.8
Hotel	unit	184,000	138,000	-25.0

Source: CBRE Research, Real Capital Analytics, Q1 2016. Based on data including acquisitions through entity (company) purchases.

FIGURE 10
ACQUISITION PRICING - AVERAGE CAP RATES

- Average cap rates for Q1 2016 transactions reflected fairly stable pricing overall. CBRE Research anticipates predominantly stable cap rates over the next few quarters.

- To the extent that RCA data can be interpreted for broad trends (vs. changes in asset mix), the statistics revealed slight compression in the office sector from the prior quarter (due to lower CBD cap rates) and downward movement of 24 bps among multifamily properties.

- Hotel and retail cap rates inched up slightly.

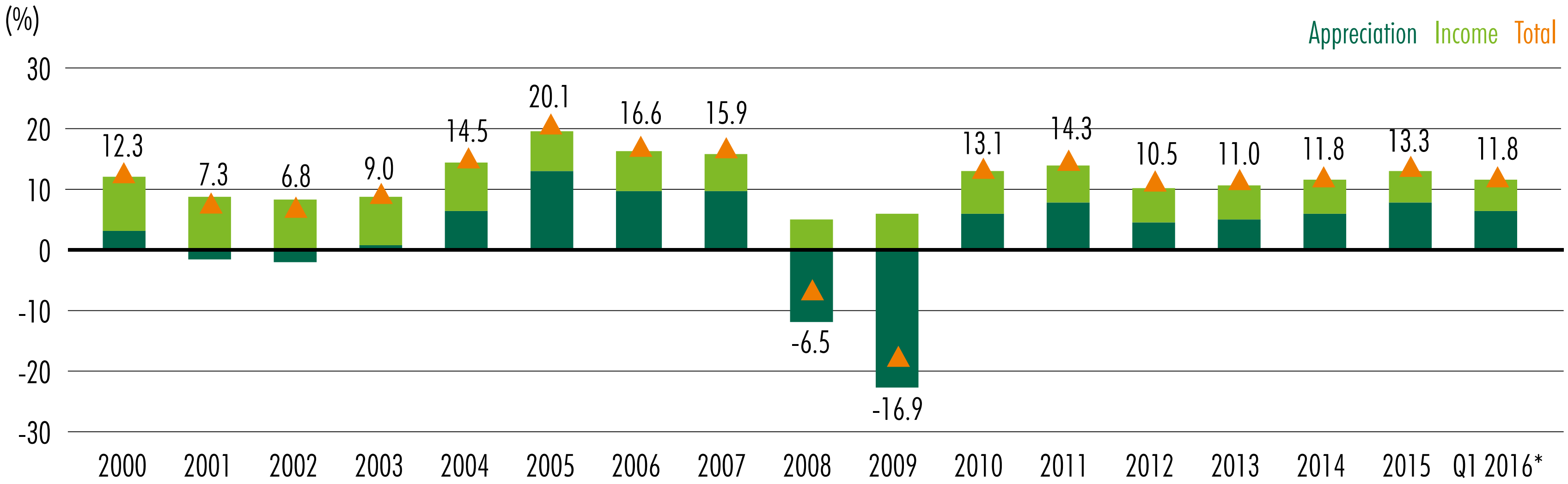
	$ per	Q1 2015	Q1 2016	Change (%)
Office	sq. ft.	278	266	-4.3
Industrial	sq. ft.	76	81	6.6
Retail	sq. ft.	244	188	-22.8
Multifamily	unit	137,000	145,000	5.8
Hotel	unit	184,000	138,000	-25.0

- Industrial cap rates reflected a 32 bps rise due to a higher percentage of higher-finish flex acquisitions during the quarter (43% of total industrial in Q1 2016 vs. 22% for full-year 2015).

- Anecdotal evidence from CBRE investment professionals and other sources suggest that cap rates are holding steady for most core markets and product, but that rates have increased slightly for many non-core assets.

Source: CBRE Research, Real Capital Analytics, Q1 2016. Based on data including acquisitions through entity (company) purchases.

FIGURE 11
NCREIF PROPERTY INDEX RETURNS

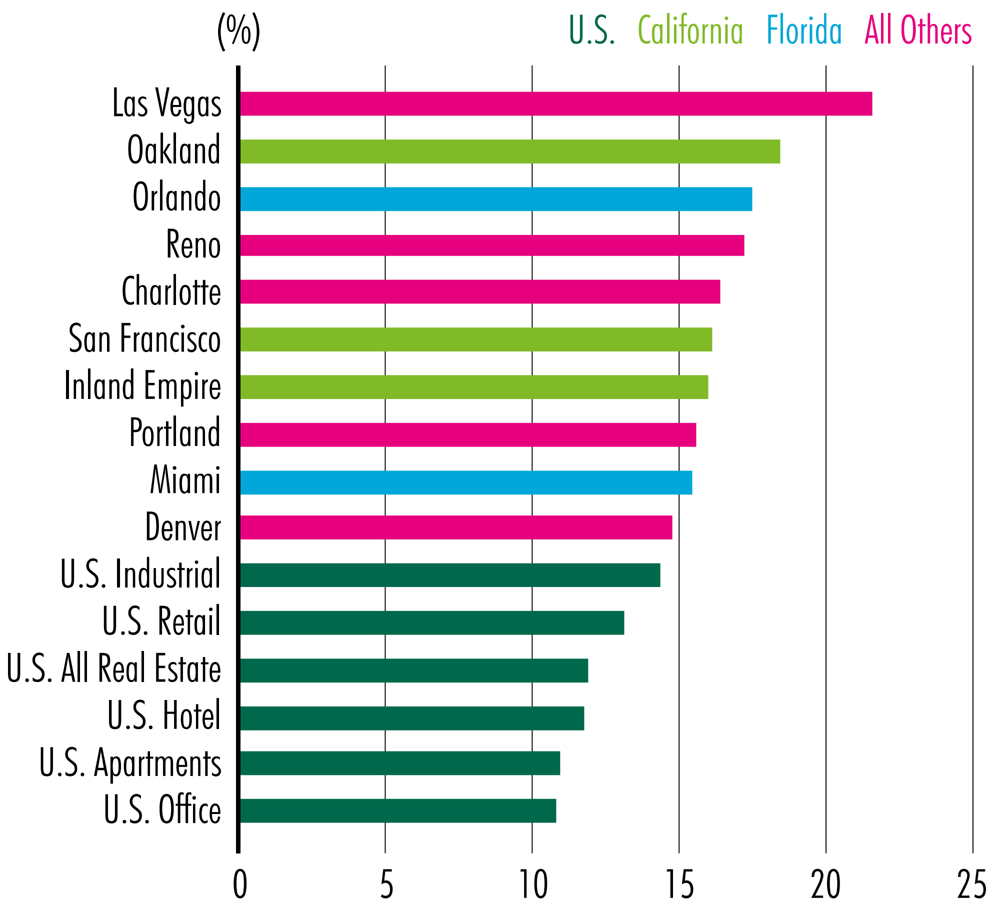


- For year ending Q1 2016, the NCREIF NPI produced a return of 11.8% (value appreciation +6.7%, income +4.9%).
- The current 12-month return is down 1.5 percentage points from year ending Q4 2015, primarily due to lower value appreciation.
- For Q1 alone, the index reflected a 2.2% return (+1.0% value appreciation, +1.2% income), a level which is considerably lower than 2015's (average 3.2%).
- The return declines raises questions about market performance and need to be closely monitored.

Source: CBRE Research, NCREIF, Q1 2016. *For Year ending Q1 2016. All returns are reported on an unlevered basis.

FIGURE 12

NCREIF PROPERTY INDEX TOTAL RETURNS FOR U.S. PROPERTY SECTORS AND 10 LEADING METROS



- For year ending Q1 2016, Las Vegas led U.S. with a 21.5% return, followed closely by Oakland (18.3%), Orlando (17.4%) and Reno (17.1%).
- All California metros tracked had annual returns greater than the U.S. average, except Sacramento at 10.2%.
- Similarly, among the major Florida metros, Jacksonville was the only one below the national average.

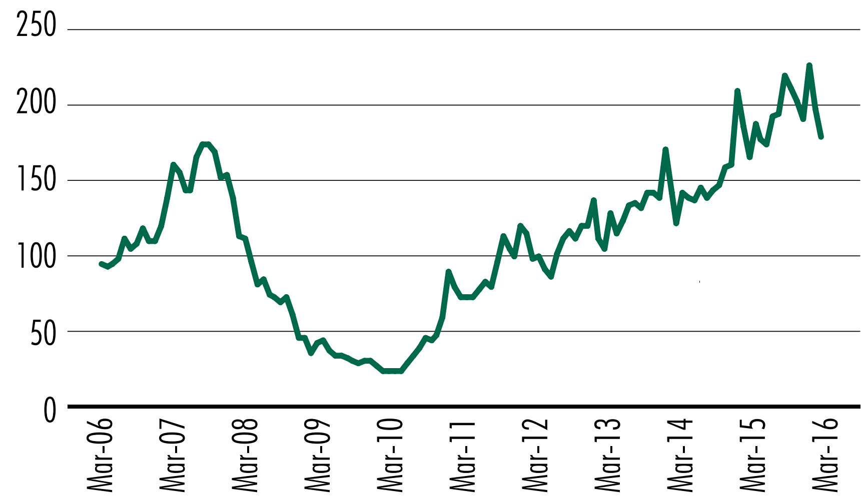
Source: CBRE Research, NCREIF, Q1 2016. All returns are reported on an unlevered basis. For year ending Q1 2016.

FIGURE 13
CBRE LENDING MOMENTUM INDEX

- CBRE Research's "Lending Momentum Index," based on CBRE mortgage originations, reflected a more moderate pace of mortgage production than experienced through most of 2015.

- March 2016 index reflected a 6.2% drop from December 2015, but an 8.9% gain y-o-y.

- MBA's Commercial/Multifamily Mortgage Bankers Originations Index in Q1 2016 also reflected a drop from the previous quarter. The MBA Index fell 38% to 182 in Q1 2016. However, the index was flat on a y-o-y basis.



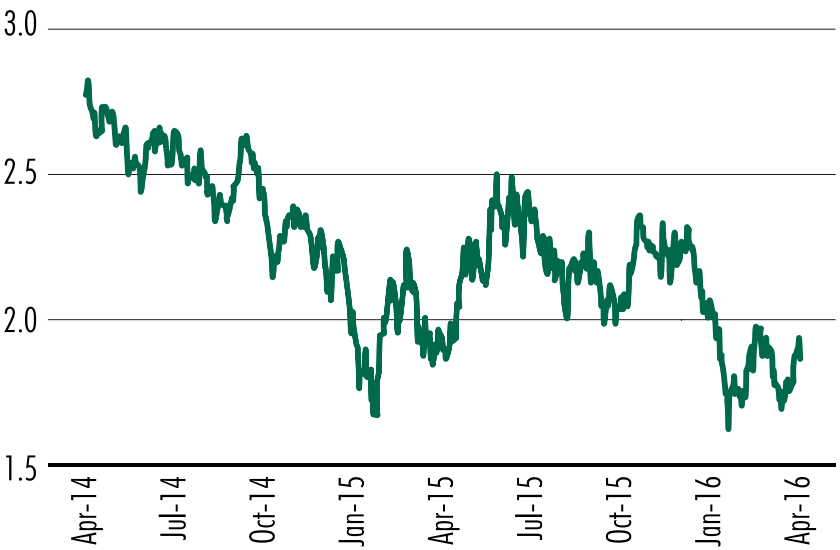
- MBA Originations Index also revealed that of four major sources of debt capital tracked—CMBS, commercial banks, life insurance companies and agencies—banks were the only source to experience a y-o-y gain (44%); for life companies, the Q1 2016 index was down slightly (-1%) from the prior year.

Source: CBRE Research, Q1 2016. Index is based on CBRE mortgage origination activity and is seasonally adjusted, 2005 average = 100.

FIGURE 14
10-YEAR TREASURIES PAST TWO YEARS

- Q1 2016 ended with benchmark 10-year Treasury rate at 1.78%, reflecting a 49 bps drop from the end of Q4 2015. Since the end of Q1 2016, the 10-year has inched up to 1.87 (as of April 27).

- Another benchmark interest rate—one used primarily for pricing floating rate transactions—is the one-month LIBOR. This rate traditionally
- tracks the Federal Funds Rate fairly closely and rose from 0.19% at the end of Q3 2015, to 0.43% at the end of Q4 2015. Through Q1 2016, the one-month LIBOR remained stable and ended the quarter at 0.44%.



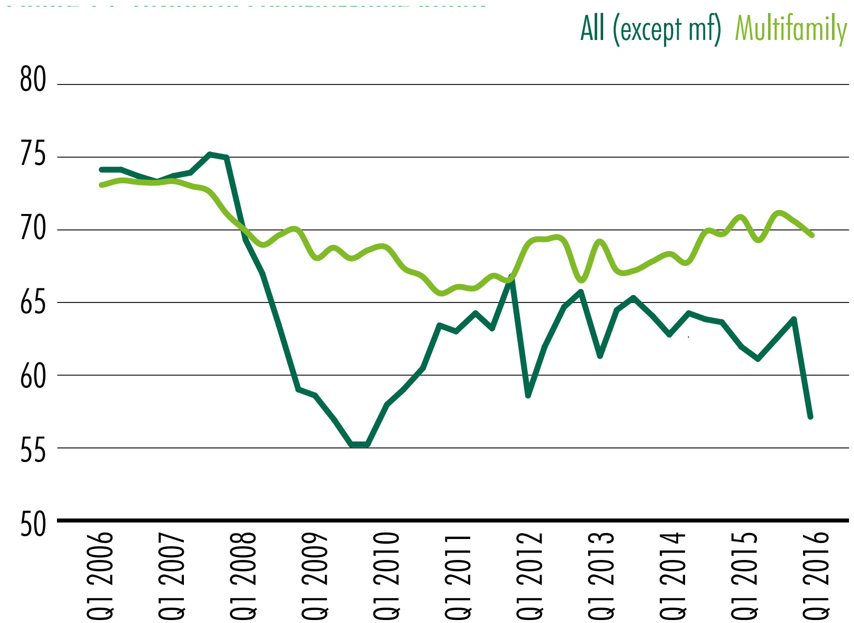
Source: U.S. Department of the Treasury, through 04.27.16 (1.87%). Daily rates graphed.

FIGURE 15
HISTORICAL LOAN-TO-VALUE RATIOS

- The most recent figures CBRE Research's Lender Forum analysis indicate that LTVs declined in Q1 2016.

- The 57.0% average LTV for non-multifamily commercial property loans in Q1 2016 reflects a substantial drop from Q4 2015 due both to more conservative lender requirements and to the lower percentage of CMBS loans in the loan pool.

- For reference, the previous non-multifamily commercial LTV peak was 75.3% reached in late
- 2007.



Source: CBRE Research, Q1 2016.

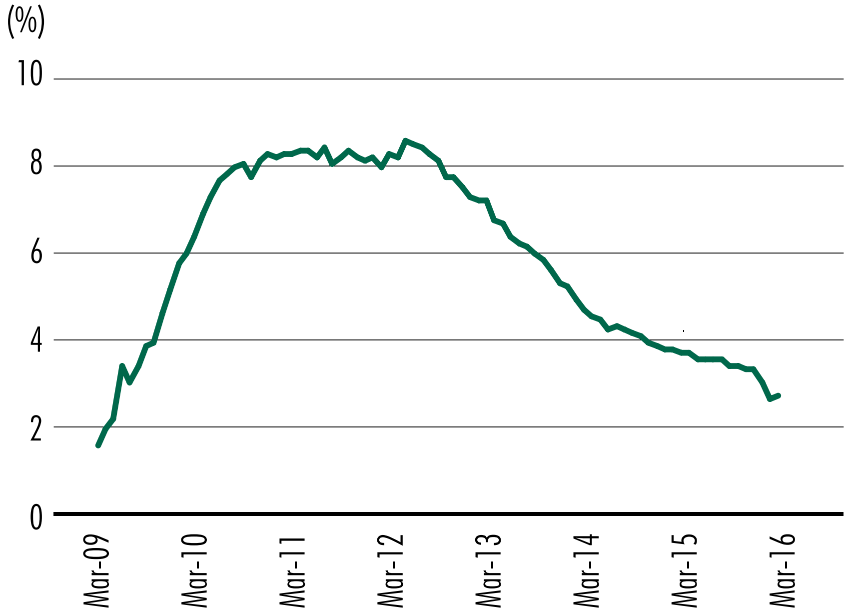
FIGURE 16
MORTGAGE DELINQUENCY RATES BY LENDER OR LENDER TYPE

Lender/Lender Type	Delinquency Definition*	Property Types	As of	Prior Year	Delinquency Rate (%) Prior Quarter	Current
CMBS	30+	All	March 2016	3.77	3.43	2.83
Life Companies	60+	All	Q4 2015	0.08	0.04	0.04
Banks - Non-Residential	30+	All	Q4 2015	1.67	1.25	1.16
Banks - Multifamily	30+	Multifamily	Q4 2015	0.63	0.46	0.41
Banks - Construction & Development	30+	All	Q4 2015	2.57	1.68	1.53
Fannie Mae	60+	Multifamily	March 2016	0.09	0.07	0.06
Freddie Mac	60+	Multifamily	March 2016	0.03	0.02	0.04

- Among life companies and GSEs, delinquency levels remain at extraordinarily low levels—essentially nonexistent.
- Delinquencies of bank-held multifamily mortgages are also low at 0.4%.
- Non-multifamily commercial real estate loans, as well construction and development loans held by banks, have higher delinquency rates, but also continued to trend down in Q4 2015 (Q1 2016 data are not yet available).

Source: CBRE Research, Morningstar Credit Ratings LLC, Fannie Mae, Freddie Mac, Mortgage Bankers Association, American Council of Life Insurers, Federal Deposit Insurance Corporation. Delinquency rates are based on % of delinquent loan balance to the total outstanding loan balance. *30+ means loans which are 30+ days delinquent are included in the count.

FIGURE 17
HISTORICAL CMBS MORTGAGE DELINQUENCY RATES



- The CMBS delinquency rate dropped significantly in early 2016 largely due to the Stuyvesant Town and Peter Cooper Village $3 billion loan payoff.
- In March, the rate edged up slightly and quarter ended with a 2.83% rate, down 60 bps from end of Q4 2015 and 94 bps from March 2015.
- Multifamily had the lowest delinquency of 0.63%, followed by hotels at 2.67%.
- Through 2016, CBRE Research expects a modest rise in delinquency rates due to a high volume of 2006-2007 maturing loans.

Source: CBRE Research, Morningstar Credit Ratings LLC, March 2016.

FIGURE 18
CMBS “WALL OF MATURITY” RISK

- The mostly favorable CMBS delinquency and default statistics have mitigated earlier fears that 2005-2007 vintage 10-year loans, now maturing, would create a large number of defaults and high loan losses.
- Loan defaults are likely to rise in 2016, but CBRE Research calculates that 2016 loan maturities will be far less challenged than originally thought.
- In 2016, an estimated 18% (close to $14 billion) of 2016 maturing CMBS loans may face some refinancing difficulty at maturity due to relatively low current debt yields (<8%).

	2016	2017	Total
Expected Loan Volume Maturing ($b)	78	98	176
Loans At Risk*	17.9%	29.6%	24.4%
Loan Volume At Risk ($b)	14	29	43

- Office and retail will likely have the most difficulty, Two sectors comprise the largest share of CMBS and together represent 71% of unpaid loan balance of delinquent CMBS mortgages ($15.3 billion) as of March 2016, according to Morningstar.
- CBRE Research concludes that 2017’s generally lower quality and more aggressively underwritten maturing loans will face more challenges. Current estimate is that about 30% ($29 billion) of maturing 2017 loans are likely to face refinance challenges.

Source: CBRE Research, Q1 2015. *Loans which could face some difficulty in refinancing, based on maturing CMBS loan debt yields; debt yields <8% representing “at risk” loans. Analysis based on loan data from Morningstar Credit Ratings, LLC, as of October 2015.

CBRE

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