Quarterly Market TRENDS

Commercial Real Estate Market Trends and Transaction Analysis • **FOURTH QUARTER** • **www.ccim.com**

CCIM Institute
Commercial Real Estate's
Global Standard for Professional Achievement

COMMERCIAL Real Estate
REALTOR®
NATIONAL ASSOCIATION of REALTORS®

Produced by CCIM Institute, an affiliate of the National Association of Realtors®

Quarterly Market TRENDS

December 2015 FOREWORD

Dear CCIM Institute members,

Welcome to the fourth-quarter 2015 edition of CCIM Institute's Quarterly Market Trends. The report provides timely insight into major commercial real estate indicators for core income-producing properties. It is produced by the National Association of Realtors® for members of the CCIM Institute, the commercial real estate industry's global standard for professional achievement.

The fourth-quarter 2015 report features commentary from Lawrence Yun, Ph.D., NAR chief economist, and George Ratiu, director of NAR's quantitative and commercial research. I hope that the information provided in CCIM's Quarterly Market Trends report provides both economic and commercial real estate market information that will assist you in your business strategies in 2015 and beyond.

Sincerely,

Mark Macek

Mark Macek, CCIM
2015 CCIM Institute President

Quarterly Market TRENDS

CCIM

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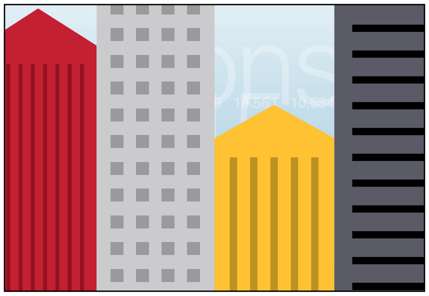
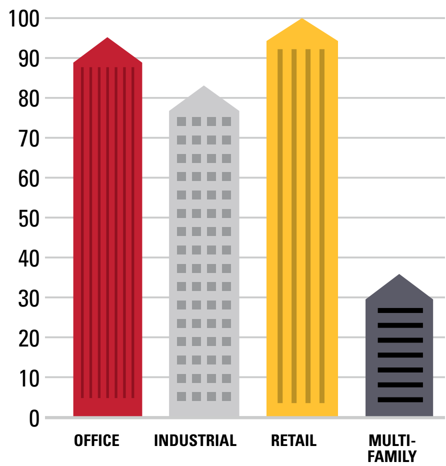


CCIM Transaction Survey HIGHLIGHTS

With rising deals and investor confidence, CCIM members provided insights into their markets in the October/November 2015 survey.

MOST LEASES CLOSED: RETAIL

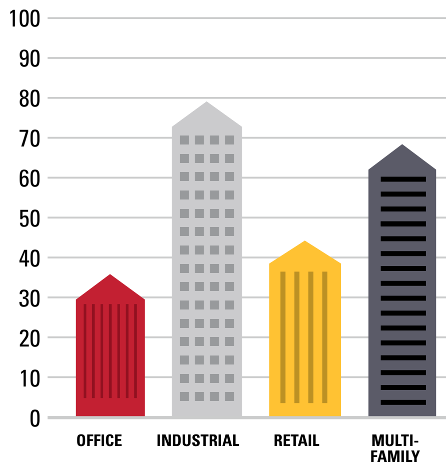
4Q15 % DEALS CLOSED BY SECTOR



The CCIM member **CLOSING RATE** for retail leases was **100 PERCENT**.

HIGHEST DEAL FLOW: INDUSTRIAL

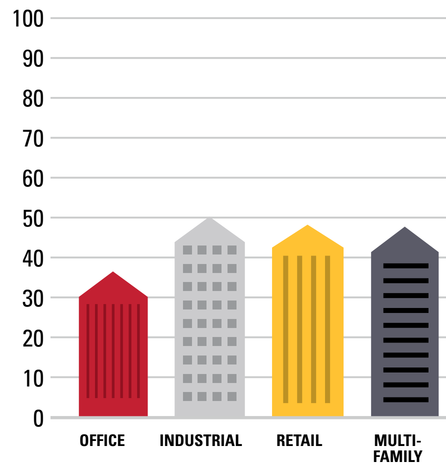
4Q15 YOY % BY SECTOR



INDUSTRIAL DEAL FLOW was higher YOY for **79 PERCENT** of CCIM members responding.

LOWER CAP RATES: INDUSTRIAL

4Q15 YOY % BY SECTOR



Half of CCIM members responding reported **LOWER INDUSTRIAL CAP RATES** YOY.

TRANSACTIONS

54% of CCIM members indicated **MORE DEALS** compared to the same period the year before.

69% of CCIM members indicated they had closed a sales transaction during the previous quarter.

The average value of CCIM member investment deals was **$3.1 MILLION**.

54% of CCIM member respondents indicated **MORE BUYING INQUIRIES**, while only 6% indicated more inquiries about wanting to sell.

Property **PRICES ROSE** for 47% of CCIM member respondents, with an additional 33% recording prices similar to last year.

CAP RATES

Investment **CAPITALIZATION RATES WERE FLAT** in 46% of reported CCIM member transactions and lower for 47%.

The average national **CAP RATE** for reported CCIM member transactions was **8.2%** during the quarter.

48% of CCIM members reported **A GAP** in cap rate perception between buyers and sellers.

LEASING

68% of CCIM members reported **CLOSING A LEASE** agreement.

Rental rates were higher in **65%** of CCIM member responses.

26% of CCIM member respondents expect rents to lag behind price growth in the upcoming two to three years; 28% said rent growth will outpace price growth, while 47% indicated that **RENTS AND PRICES WILL MOVE ROUGHLY THE SAME.**

CAPITAL MARKETS

In regards to expectation of **RATES INCREASES**, 47% of CCIM members responding believe that Treasury yields will remain about the same; 25% of respondents indicated that Treasury yields will rise, but will only minimally impact cap rates due to the current spreads; 8% of CCIM members responding think that Treasury yields will rise and force cap rates upward.

On credit conditions, 37% of CCIM member respondents indicated **MEANINGFUL IMPROVEMENT** in credit availability compared with last year.

Commercial Property SECTOR ANALYSIS

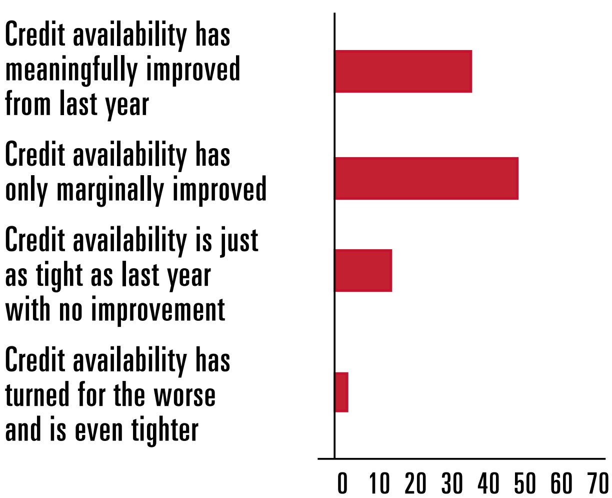
NATIONAL OFFICE MARKETS

- Deal flow was higher for 36 percent of CCIM members responding.
- Closing rates for office sales transactions reached 94 percent.
- Property prices were higher for 42 percent of CCIM members responding, while 39 percent found them to be flat.
- Cap rates were even for 58 percent of CCIM member respondents, and lower for 36 percent.
- 45 percent of CCIM member respondents had more serious buying inquiries.
- The rate of closing for lease agreements was 95 percent.
- Rents were higher in 60 percent of CCIM responses.
- Average office investment prices:

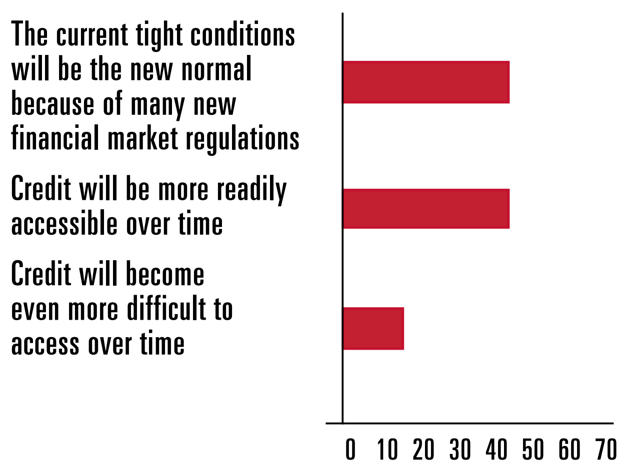
  Class A $173 psf

  Class B/C $130 psf

FINANCE TRENDS (YoY) / Office Properties %



FINANCE OUTLOOK / Office Properties %



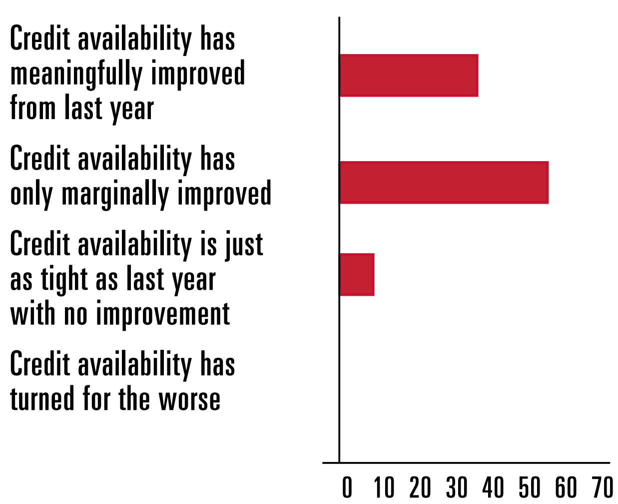
Commercial Property SECTOR ANALYSIS

NATIONAL INDUSTRIAL MARKETS

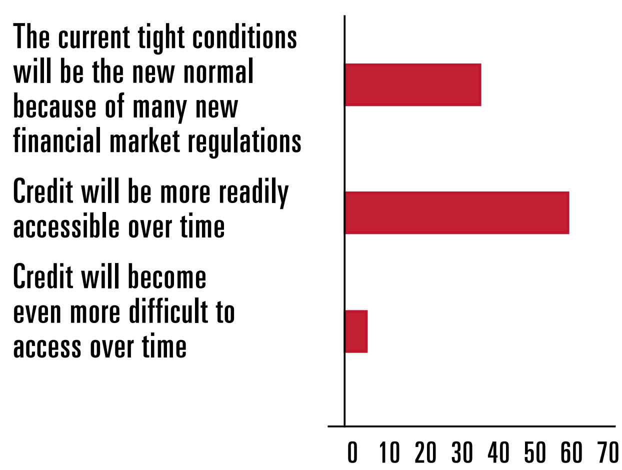
- Industrial deal flow was higher year-over-year for 79 percent of CCIM member respondents.
- The closing rate for industrial sales was 86 percent during the quarter.
- Prices were even for 43 percent of CCIM members responding, and higher for 36 percent.
- Cap rates were flat for 50 percent of CCIM member respondents, while 50 percent reported lower cap rates.
- CCIM members reported 86 percent higher buying inquiries during the quarter.
- Industrial leases closed at a rate of 83 percent during the quarter.
- Rents for industrial properties were higher for 66 percent of CCIM members responding.
- Average industrial investment prices:

Class A	$78 psf
Class B/C	$60 psf

FINANCE TRENDS (YoY) / Industrial %



FINANCE OUTLOOK / Industrial %



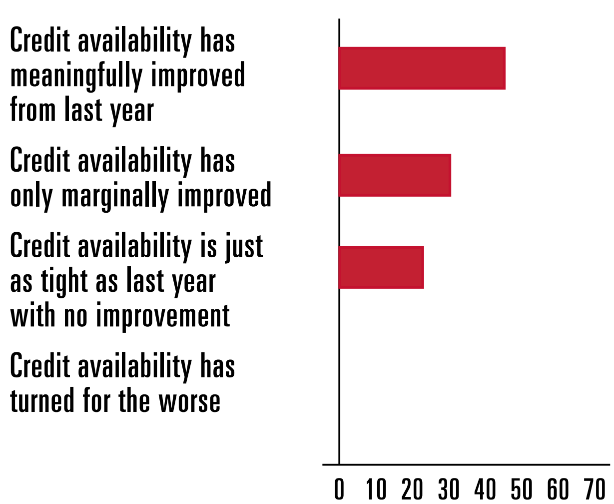
Commercial Property SECTOR ANALYSIS

NATIONAL RETAIL MARKETS

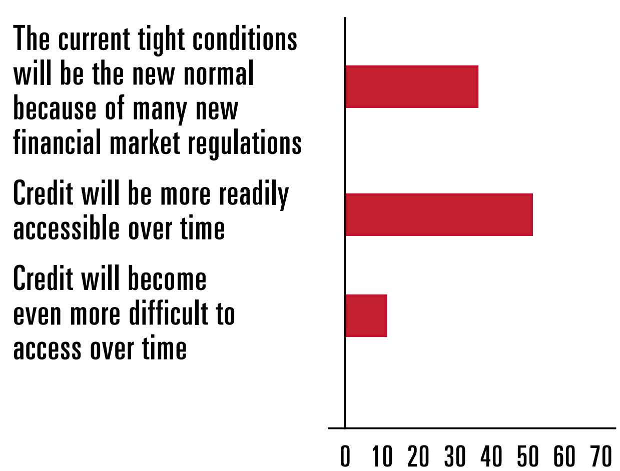
- Retail deals increased for 44 percent of CCIM member respondents.
- The retail sales transaction closing rate was 100 percent this quarter.
- Prices were higher for 48 percent of CCIM member respondents, and flat for 35 percent.
- Cap rates were the same for 44 percent of CCIM members responding, and lower for 48 percent.
- CCIM members reported 52 percent higher buying inquiries during the quarter.
- The closing rate for retail leases was 100 percent.
- Retail rents were reported higher by 69 percent of CCIM members.
- Average retail investment prices:

Class A	$226 psf
Class B/C	$119 psf

FINANCE TRENDS (YoY) / Retail %



FINANCE OUTLOOK / Retail %



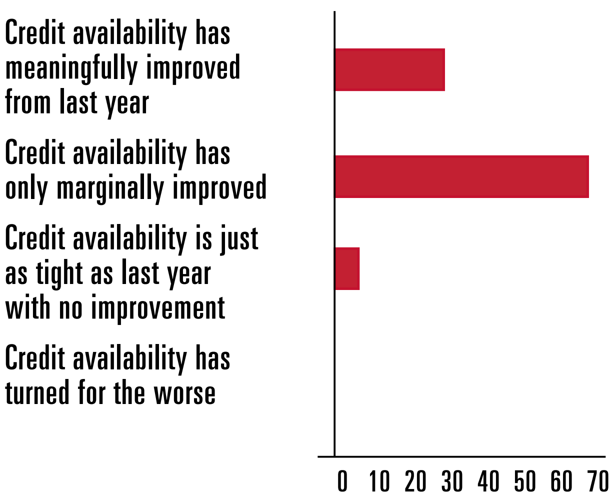
Commercial Property SECTOR ANALYSIS

NATIONAL APARTMENT MARKETS

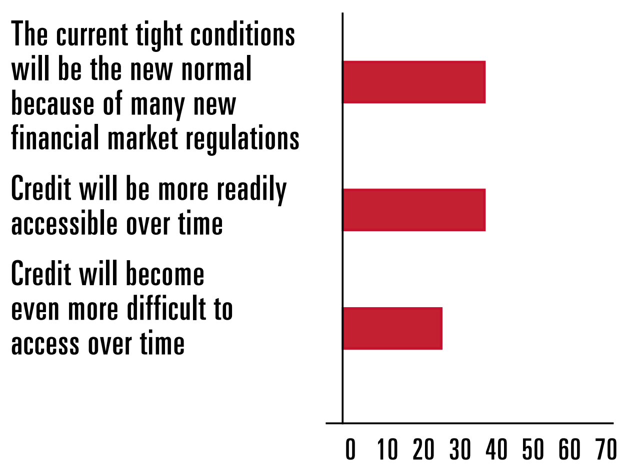
- 68 percent of CCIM members reported more deals year-over-year.
- CCIM members reported that the apartment sales closing rate was 84 percent.
- Prices were higher for 68 percent of CCIM member respondents.
- Cap rates were flat for 37 percent of CCIM members responding and lower for 47 percent.
- 47 percent of CCIM member respondents had more serious buying inquiries.
- 36 percent of CCIM member respondents indicated they closed an apartment lease.
- Apartment rents were higher for 64 percent of CCIM members responding.
- Average multifamily investment prices:

Class A	$316,667 per unit
Class B/C	$81,542 per unit

FINANCE TRENDS (YoY) / Multifamily %



FINANCE OUTLOOK / Multifamily %



Commercial Real Estate Market UPDATE

INVESTMENTS

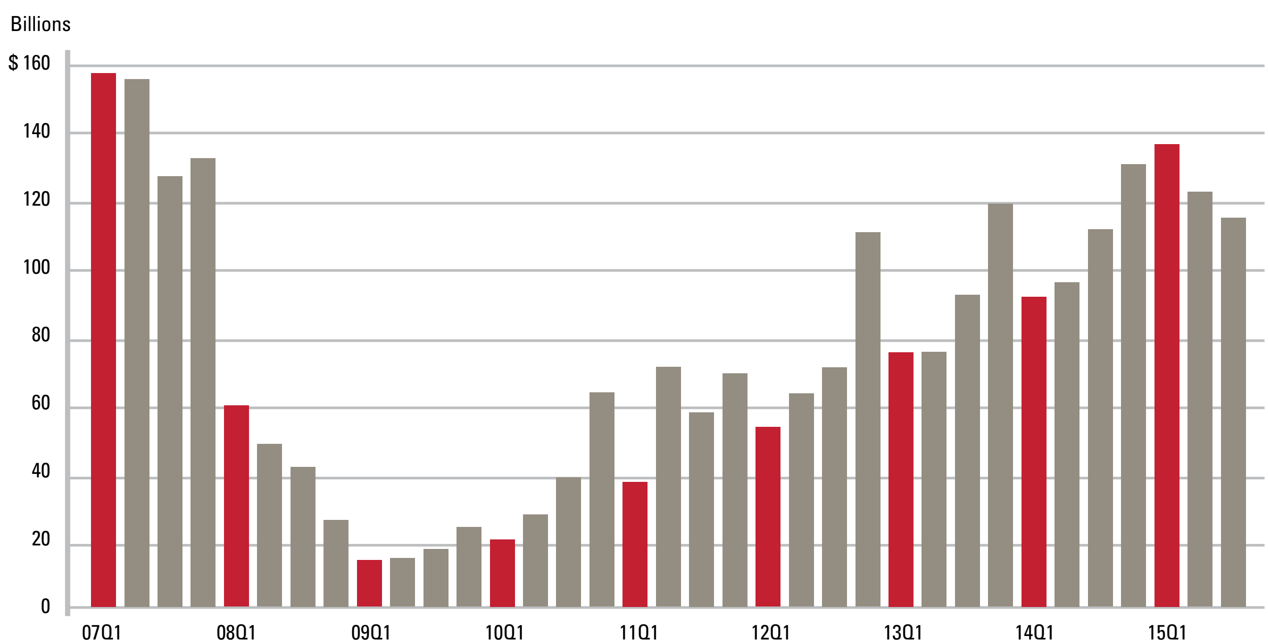
Investment sales of commercial properties took a step back in the third quarter of 2015 after the galloping pace of the first half of the year. Transaction volume for properties selling above $2.5 million totaled $115 billion, a scant 3.0 percent year-over-year increase, according to Real Capital Analytics. September's sales volume dropped 10.0 percent year-over-year. In comparison, sales volume advanced 49.0 percent in the first quarter and 23.0 percent in the second quarter.

Whereas portfolio and entity-level transactions dominated the landscape in the first half of the year, large deals comprised a much-smaller 30 percent of the total in the third quarter. Given their importance in the current market, their absence in the latest quarter underlines the general decline in total large commercial real estate transactions (those above $2.5 million).

So far in 2015, office properties made up 29.0 percent of all transactions, totaling $108.5 billion. Apartments were the second-largest property type transacted, $98.3 billion, or 26.0 percent of total. Retail and industrial properties made up 29.0 percent of all transactions combined. Hotels transactions amounted to $35.6 billion, or 9.0 percent of total.

Commercial prices continued rising driven by sales, investor optimism, and global capital in search of higher yields. Based on RCA's national Commercial Property Price Index, prices rose 14.2 percent year-over-year during the third quarter of 2015. The advance was driven by strong appreciation in prices of office and apartment properties, both of which have exceeded their

CRE VOLUME



Source: Real Capital Analytics

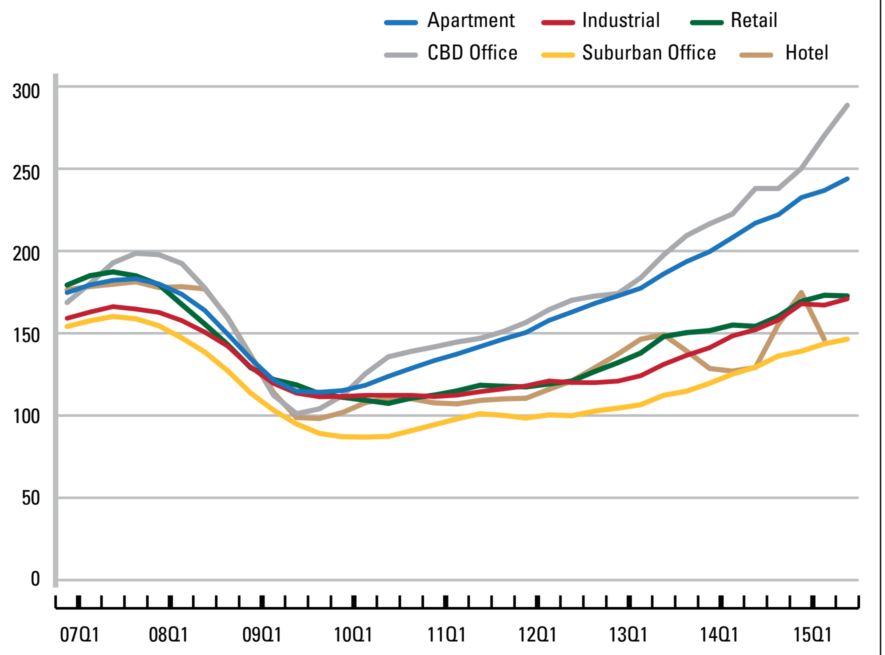
Commercial Real Estate Market UPDATE

prior 2007 peaks. CBD office prices jumped 23.0 percent year-over-year during the third quarter, posting the strongest gain among all property types. Suburban office properties and apartments rose at the second-fastest pace, gaining 13.0 percent from the third quarter of 2014. Industrial and retail sales recorded 11.0 percent gain each.

Separately, other price indices reflected similar gains in commercial valuations. The Green Street Advisors Commercial Property Price Index rose 10.6 percent on a yearly basis during the third quarter, reaching a value of 119.3, the highest since the index's inception in 1998. The National Council of Real Estate Investment Fiduciaries Price Index also rose 12.1 percent year-over-year in third quarter 2015, to its highest recorded value: 251.61.

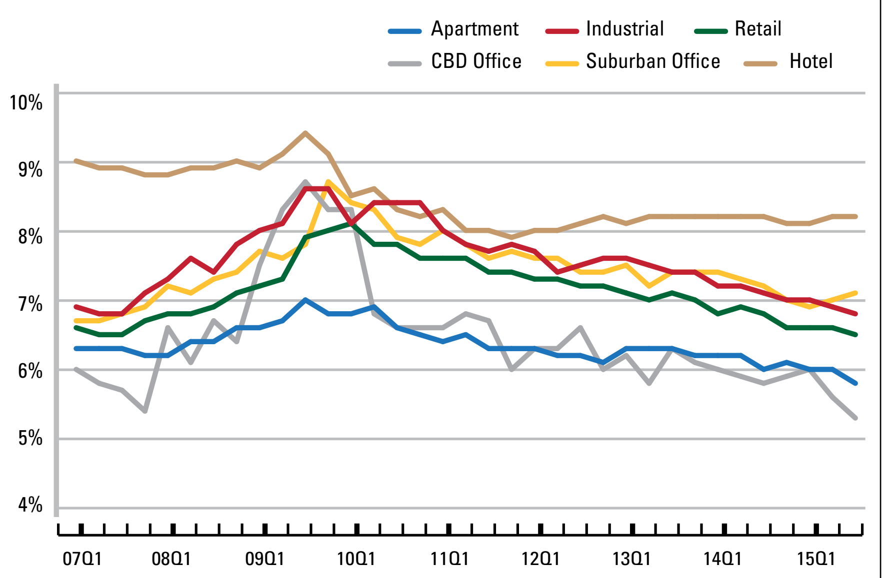
Capitalization rates for commercial real estate assets notched a 20 basis point compression from a year ago, with a national average of 6.9 percent in third quarter 2015, based on RCA reports. Transactions of office properties in CBD markets recorded the lowest cap rates, at 5.3 percent, followed by apartments, at 5.8 percent. Retail and industrial properties posted 6.5 percent and 6.8 percent cap rates, respectively. Hotel transactions averaged cap rates of 8.2 percent in the third quarter.

COMMERCIAL PROPERTY PRICE INDICES



Source: Real Capital Analytics

NATIONAL CAP RATES

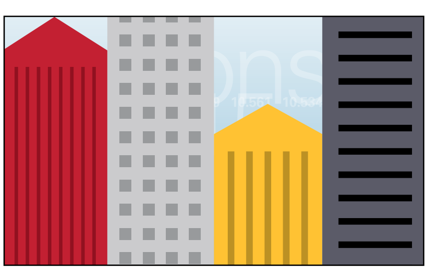


Source: Real Capital Analytics

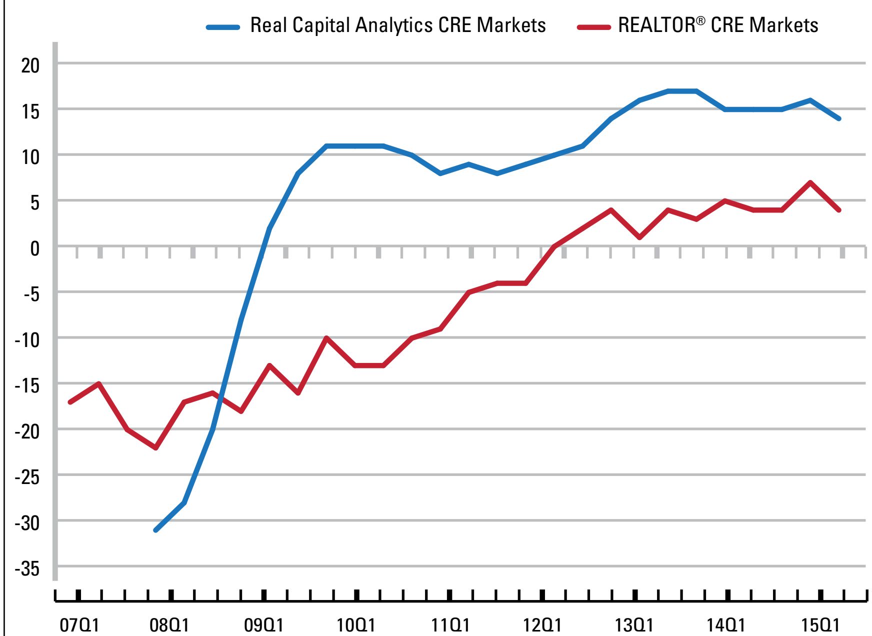
Commercial Real Estate Market UPDATE

Based on National Association of Realtors third quarter 2015 market data—for sales mostly under $2.5 million—transactions advanced 7.0 percent on a yearly basis during the third quarter. With the shortage of available inventory reported as the No. 1 concern for NAR members, prices for Realtors' commercial real estate transactions rose during third quarter 2015, with properties trading at 4.0 percent higher average prices compared with the same period in 2014. The average transaction price slid from $2.0 million in the second quarter 2015 to $1.9 million in the third quarter 2015. However, average transaction prices are above prior year's $1.5 million.

Average cap rates moved up to 7.9 percent across all property types in the third quarter, a 26 basis point decline on a yearly basis. Apartments posted the lowest cap rate, at 6.7 percent, followed by retail properties with average cap rates at 7.7 percent. Office and industrial spaces posted identical cap rates of 7.8 percent. Hotel transactions reported the highest cap rates: 8.8 percent.



Sales Price / YOY % CHANGE



Source: Real Capital Analytics, National Association of Realtors.®

FUNDAMENTALS LARGE MARKETS

Demand for commercial leases kept a positive pace in third quarter 2015. Construction has been growing across all property types, but the gap between demand and supply exerted downward pressure on availability.

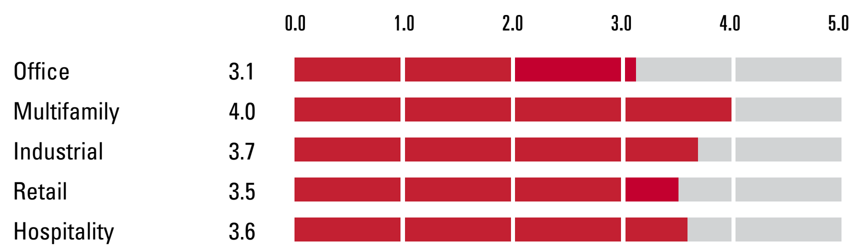
Office net absorption totaled 14.6 million square feet in third quarter 2015, gaining strength with each consecutive quarter this year, based on data from JLL. New completions totaled 26.6 million square feet over the first nine months of this year, with the development pipeline gaining 8.5 million square feet in the third quarter. Overall office vacancies declined 20 basis points from the second quarter, to 15.1 percent in the third quarter. Rents for office properties rose 1.6 percent during the third quarter, bringing the 2015 cumulative gain to 4.3 percent.

The industrial sector posted a strong third quarter, with rising demand and declining vacancies. Industrial net absorption totaled 61.9 million square feet in the third quarter, bringing the total for the first nine

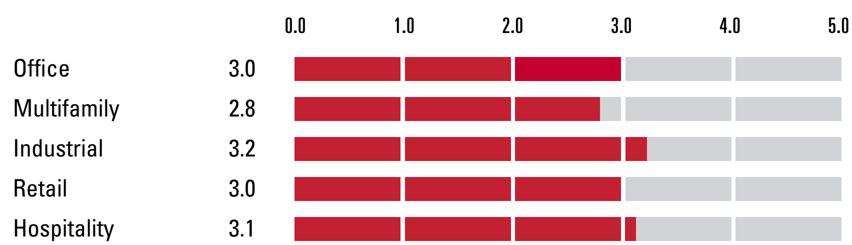
Commercial Real Estate Market UPDATE

months of 2015 to 164.8 million square feet, according to JLL. Warehouse and distribution centers accounted for the lion's share of demand, followed by manufacturing. Supply picked up as well, with new completions rising to 50.2 million square feet in the third quarter. Demand continued outpacing supply, driving industrial vacancies down to 6.7 percent, a 14-year low, according to JLL. With a tight market, industrial rents rose 6.0 percent, to an average of $4.89 per square foot in the third quarter.

INVESTMENT CONDITIONS



INVESTMENT VALUE VS. PRICE RATIO



REGIONAL ECONOMIC CLIMATE

DEMAND FOR RETAIL PROPERTIES HAS PICKED UP IN TANDEM WITH RISING EMPLOYMENT AND CONFIDENCE.

Demand for retail properties has picked up in tandem with rising employment and confidence. Retail tenants are expanding, leading developers to increase construction. Supply of new retail spaces is projected to total 47.0 million square feet by the end of 2015, a 4.1 percent increase from a year ago, according to Marcus & Millichap. Vacancy rates for retail buildings are expected to close 2015 at 6.1 percent, 40 basis points lower than in 2014. With declining availability, rents are projected to rise by 2.3 percent to $18.43 per square foot, based on Marcus & Millichap data.

Demand for multifamily properties continued on an upward path. Renter occupied housing units totaled 42.6 million units in third quarter 2015, a 3.2 percent advance from third quarter 2014, based on U.S. Census Bureau data. National vacancy rates averaged 7.3 percent for rental housing during the third

Commercial Real Estate Market UPDATE

quarter, 10 basis points lower than the same period in 2014. Median rents for rental units averaged $802 in third quarter 2015, 6.1 percent higher than the previous year.

SMALLER MARKETS

Commercial fundamentals in smaller CRE markets continued improving during third quarter 2015. Leasing volume during third quarter 2015 rose 3.8 percent compared with the second quarter 2015. Leasing rates advanced at a steady pace, rising 2.5 percent in the third quarter, compared with the 2.7 percent advance in the previous quarter.

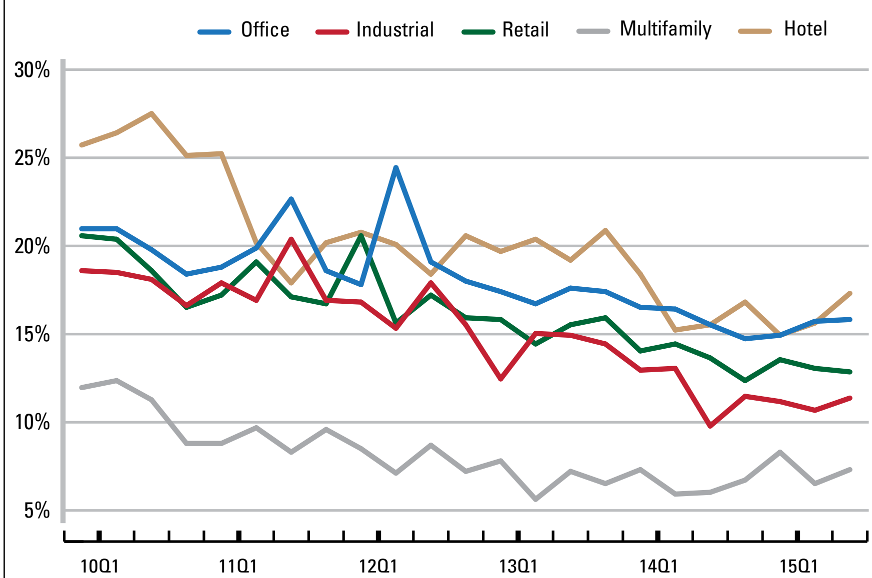
NAR members' average gross lease volume for the quarter was $567,257, 9.8 percent lower than the previous period. New construction accelerated, posting a 6.6 percent gain from the second quarter of this year.

Tenant demand remained strongest in the 5,000 square feet and below segment, accounting for 72 percent of leased properties. However, demand for space in the 5,000 to 7,499 square feet category more than doubled during third quarter, comprising 13 percent of total. Lease terms remained steady, with 36-month and 60-month leases capturing 64 percent of the market.

Vacancy rates mirrored the regional and product variations in Realtor markets, ranging from a low of 7.4 percent for apartments to a high of 16.0 percent for office properties. With rising new supply, apartments experienced availability increases, as the national average vacancy rate rose from 6.1 percent in third quarter 2014 to 7.4 percent in third quarter 2015.

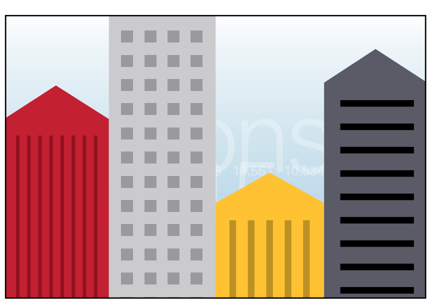
Office vacancies increased 30 basis points to 16.0 percent compared with a year ago. Industrial availability witnessed an annual increase of 160 basis points, to 11.5 percent. Retail vacancies declined 80 basis points on a yearly basis, to 13.0 percent.

REALTORS® COMMERCIAL VACANCY RATES



Source: National Association of Realtors.®

COMMERCIAL FUNDAMENTALS ARE EXPECTED TO IMPROVE, WITH VACANCIES CONTINUING ON A DOWNWARD TREND.



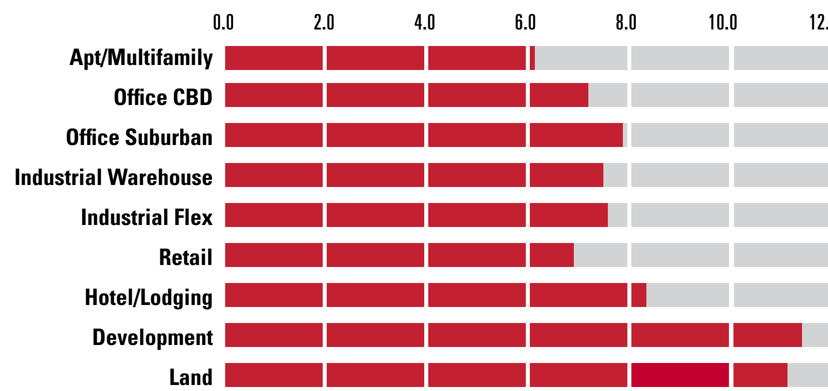
Commercial Real Estate Market UPDATE

OUTLOOK

Commercial fundamentals are expected to improve, with vacancies continuing on a downward trend. As employment gains drive demand, office vacancies are projected to average 15.6 percent by the end of 2015 and decline to 14.9 in 2016. Industrial availability is estimated to drop from an average of 11.2 percent in 2015 to 10.3 percent in 2016. Retail availability will continue shrinking, as vacancies are projected to decline from 13.1 percent in 2015 to 11.7 percent in 2016. Multifamily vacancies are expected to average 7.0 percent at the end of 2015 and then rise to 7.5 percent in 2016, as stepped-up new construction adds upward pressure.

While global and financial volatility has dampened the pace of commercial real estate investments in the third quarter, the decline can partly be traced to smaller portfolio deals. As individual properties remain the backbone of the current market landscape, with higher capital availability, investments are expected to continue on an upward trend. At the current sales pace, sales of large commercial real estate properties are projected to total more than $500 billion in 2015. Investment volume in 2016 is projected to match the 2015 figure.

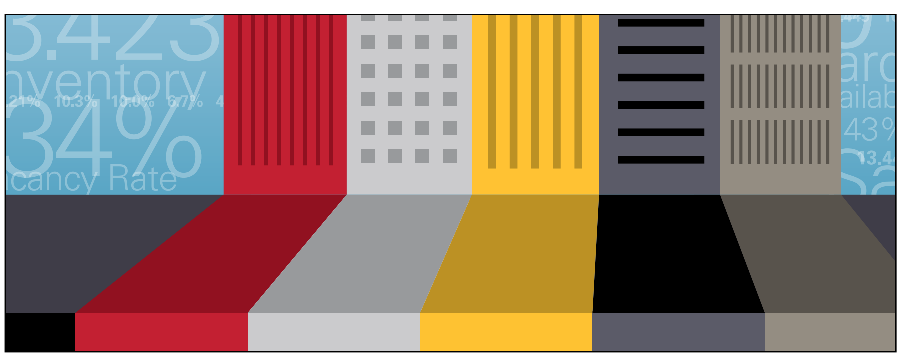
CCIM National Average CAP RATES (%)



Source: CCIM Institute, National Association of Realtors.®

Capitalization Rates By Property Type REGION (%)

	WEST	MIDWEST	SOUTH	EAST	CANADA & MEXICO	OTHER
Office CBD Cap Rate	7.2	7.5	6.4	7.8	.	7.1
Office Suburban Cap Rate	7.6	8.1	7.5	8.1	.	8.3
Warehouse Cap Rate	7.0	8.1	7.4	7.4	.	7.4
Flex Cap Rate	7.0	8.0	7.8	7.9	.	7.7
Retail Cap Rate	6.7	7.6	6.8	6.7	.	6.7
Apartment Cap Rate	6.1	6.2	6.0	6.2	6.0	5.8
Hotel Cap Rate	7.6	10.2	7.7	8.0	.	5.0
Development Cap Rate	8.0	16.0	8.2	9.0	.	8.0
Land Cap Rate	8.5	19.3	8.4	6.0	.	7.0



Commercial Real Estate FORECAST

Commercial Real Estate Vacancy / FORECAST (%)

	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2014	2015	2016
Office	16.6	15.7	14.9	15.1	15.9	16.0	15.6	15.2	14.9	14.8	14.8	14.6	16.0	15.6	14.9
Industrial	13.2	9.9	11.6	11.3	10.8	11.5	11.1	10.9	10.5	10.1	9.7	9.5	12.0	11.2	10.3
Retail	14.6	13.8	12.5	13.7	13.2	13.0	12.6	12.2	11.8	11.6	11.3	11.0	13.8	13.1	11.7
Multifamily	6.0	6.1	6.8	8.4	6.6	7.4	6.1	7.0	6.9	7.1	7.3	8.3	6.6	7.1	7.1

Source: National Association of Realtors.®

JLL 2015.Q3 OFFICE

Office Vacancy	15.1%
Office Net Absorption	14.6 million sq. ft.
Office New Completions	26.6 million sq. ft.
Office Rents	1.6%

Source: JLL

JLL 2015.Q3 INDUSTRIAL

Industrial Vacancy	6.7%
Industrial Net Absorption	61.9 million sq. ft.
Industrial New Completions	50.2 million sq. ft.
Industrial Rents	6.0%

Source: JLL

JLL 2015.Q3 RETAIL

Retail Vacancy	5.8%
Retail Net Absorption	34.7 million sq. ft.
Retail New Completions	18.7 million sq. ft.
Retail Rents	1.4%

Source: JLL

REALTORS® 2015.Q3 VACANCY RATES

Office	16.0%
Industrial	11.5%
Retail	13.0%
Multifamily	7.4%
Hotel	17.5%

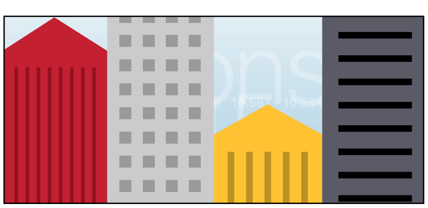
Source: National Association of Realtors.®

U.S. Economic OVERVIEW

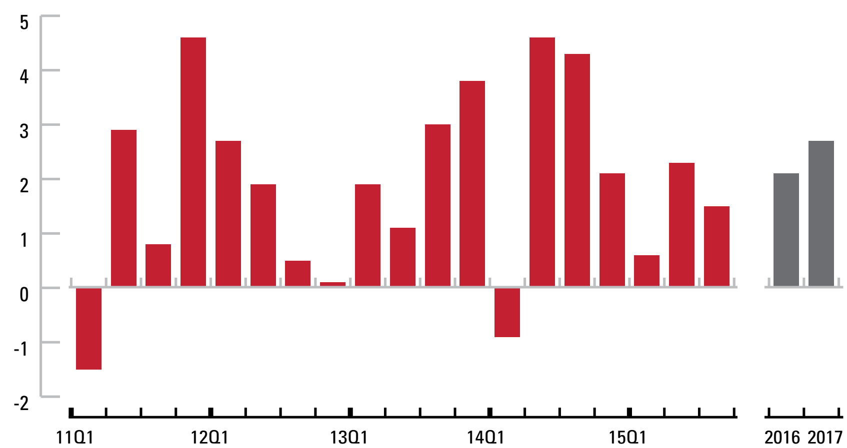
Macroeconomic activity throttled back during third quarter 2015. Based on the second estimate from the Bureau of Economic Analysis, real gross domestic product rose at an annual rate of 2.1 percent. In comparison, second quarter growth measured 3.9 percent, while the third quarter 2014 rate of growth was 4.3 percent. The gain remained below the long-run historical average of 3.0 percent. The silver lining was that the second estimate was higher than BEA's initial 1.5 percent rate.

Consumer spending came in weaker than initially assessed. Personal consumption advanced at an annual rate of 3.0 percent in the third quarter, which included the summer holiday season. Consumption of durable goods increased by 6.5 percent, as consumers bought more automobiles, furniture, household appliances, recreational goods, and vehicles. Nondurable goods purchases also advanced, driven by sales of clothing and shoes, as well as gasoline.

Consumer spending on services rose 2.2 percent on an annual basis, with transportation, financial services, and health care driving growth.



REAL GDP / % ANNUAL CHANGE



Source: BEA / National Association of Realtors.®

Business investments registered a slowdown as well, as companies seemed reluctant to make significant investments amid financial volatility and increased global risks. Business investments ticked up at a 2.1 percent annual rate of growth in the third quarter. The change in private inventories was a significant negative contributor to the GDP. The figure signaled a throttling back of production, likely spurred by a downward change in the business outlook. Business investments in equipment rose 9.5 percent, lifted by double-digit increases in information processing and transportation equipment. Spending on commercial real estate declined 7.1 percent on an annual basis, while private residential fixed investment—home building—rose at an annual rate of 7.3 percent.

International trade softened in the third quarter, as slower growth in the Chinese economy and higher global economic volatility coupled with a stronger dollar impacted exporters. Real net exports totaled a negative $544.1 billion during third quarter, virtually unchanged from the prior quarter.

Government spending also moderated, as defense spending cuts continued. Spending at the federal level nudged up at an annual rate of 0.11 percent, held back by a 1.5 percent drop in defense expenditures. State and local government spending advanced at a 2.6 percent annual rate.

U.S. Economic OVERVIEW

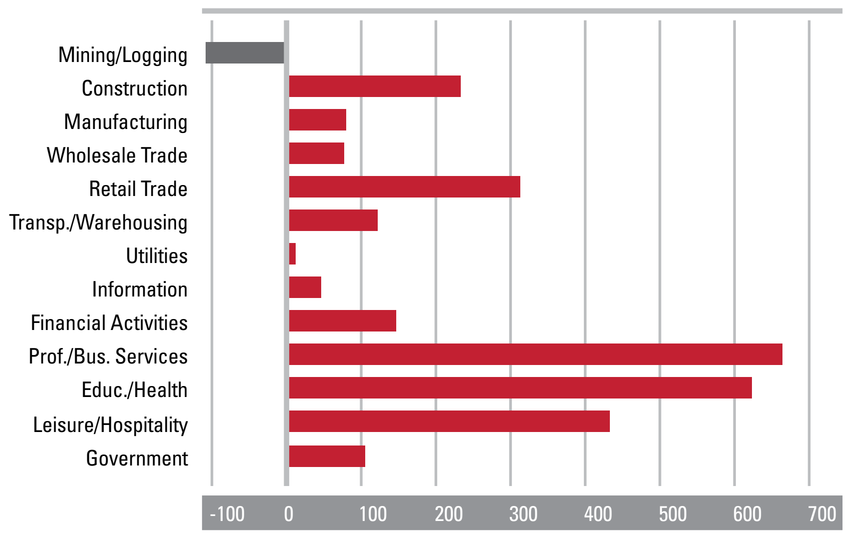
EMPLOYMENT

The number of net new jobs increased in third quarter 2015, but at a slightly slower pace compared with the same period in 2014. During the quarter, 501,000 net employees were added to payrolls nationwide, bringing the total for the January to September period to 1.8 million. Average weekly earnings of private employees—adjusted for inflation—rose by 2.3 percent in third quarter 2015.

Employment in private service-providing industries was the main thrust for new job growth during the third quarter. Employment in education and health rose by 118,000 jobs, the largest industry gain during the quarter. With the height of summer travel, leisure and hospitality added 99,000 net new positions, while professional and business services accounted for an additional 98,000 net employees. Financial services and information industries added 27,000 and 11,000 net positions to payrolls during the period, keeping demand for office space positive. With demand for industrial properties rising, transportation and warehousing employment gained 23,700 jobs, while wholesale trade employment rose by 4,000.

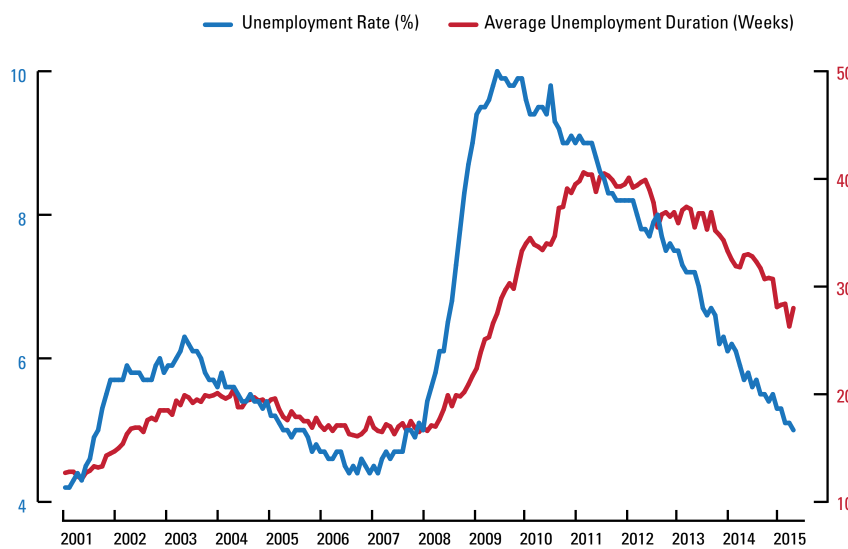
The unemployment rate declined from an average 5.4 percent in second quarter 2015 to 5.1 percent by the close of third quarter. At the end of September there were 7.9 million

Payroll Employment / 12-MONTH CHANGE



Source: BEA / National Association of Realtors.®

UNEMPLOYMENT



Source: BEA / National Association of Realtors.®

U.S. Economic OVERVIEW

U.S. Economic Outlook / NOVEMBER 2015

	2014 Q4	2015 Q1	2015 Q2	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	Annual 2013	Annual 2014	Annual 2015	Annual 2016
	History			Forecast*					History		Forecast*	
GDP g.r. (%)	2.1	0.6	2.3	2	2.5	2.7	2.7	2.8	2.2	2.4	2.1	2.7
Non-farm Payroll Employment , g.r. (%)	2.5	2.2	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.9	1.8	1.7
Consumer prices, g.r. (%)	-0.9	-3.1	3.0	1.5	2.7	3.2	3.3	3.4	1.5	1.6	0.1	3.2
Consumer Confidence (1985=100)	93.0	101.0	96.0	99.0	100.0	99.0	99.0	100.0	73.0	87.0	99.0	100.0
Unemployment rate (%)	5.7	5.6	5.4	5.1	5.0	4.9	4.9	4.9	7.4	6.1	5.3	4.9
30-Year Government Bond Yield (%)	2.3	2.0	2.2	2.9	3.1	3.3	3.7	4.1	3.4	3.4	2.9	3.6
30-Year-Fixed Mortgage Rate (%)	4.0	3.7	3.8	3.9	4.1	4.3	4.6	4.9	4.0	4.2	3.8	4.5

**National Association of Realtors® Forecast as of November 2015.*

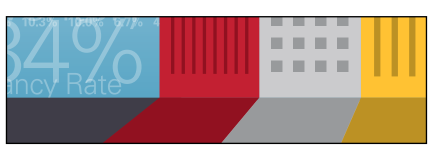
unemployed Americans. The average duration of unemployment declined from 32 weeks in the first quarter to 26 weeks by the end of September 2015.

The labor force participation rate decreased slightly and continued to hover at historic lows. The LFP rate was 62.8 percent in first quarter 2015, remained flat in second quarter, and slid to 62.5 percent in third quarter. In comparison, before the Great Recession the LFP rate was 65.9 percent. With the baby boomers retirement wave rising and discouraged workers staying out of the labor force, economic growth is likely to remain moderate. Currently, 94.7 million Americans are not in the labor force, of which 5.6 million were estimated to want a job; this is in addition to the 7.9 million Americans currently in the labor force but unemployed.

Consumer confidence, as measured by The Conference Board, rebounded from 96.2 in second quarter 2015 to 98.3 in third quarter. Separately, the consumer sentiment index compiled by the University of Michigan continued on a downward trend from first quarter's high of 95.5. The second quarter value was 94.2 while the third quarter dropped to 90.7.

OUTLOOK

Looking ahead to the last quarter of this year, the GDP annual rate of growth is projected to reach 2.0 percent. Economic growth is expected to pick up in the first half of 2016 to the tune of 2.0 percent in the first quarter and 2.5 percent in the second quarter.



Payroll employment is projected to remain at a steady 1.7 percent annual growth rate for the remaining quarter of this year and into 2016. The unemployment rate is projected to fall to 4.9 percent in 2016.

While the markets are closely watching the Federal Reserve's December decision in regards to the federal funds target rate, inflation remains contained. Prices are expected to rise 1.5 percent in fourth quarter 2015. With rents rising at a faster pace, consumer prices are projected to rise by 3.2 percent in 2016.

Buffeted by market volatility and slowing economic growth, consumer confidence has moderated toward the tail-end of the year, leaving a cloud over the retail holiday season. Continuing gains in employment and wages may provide additional lift to the trend line.

U.S. Metropolitan ECONOMIC OUTLOOK

The leading market index uses an array of factors to assess the relative health of an individual market. The factors include job creation, unemployment claims, bankruptcy filings, and permits for construction. The first two factors provide an indication of potential business expansion/contraction as well as of labor market health and a leading indicator of multifamily rental growth. Bankruptcy filings allude to the health of the business environment, while the permits data point to business plans and have an indirect impact on inventories.

The leading indicator is weighted based on both the current measure as well as its recent trend or lagged measures. These weighted measures are then added to create a score. This score is then ranked relative to a fixed scale where a measure of 85 or better indicates a robust market, 75 to 85 a strong market, 65 to 75 an average market, and a score below 65 coincides with a weak market.

LEADING INDICATOR INDEX

CITY	STATE	SCORE	LEADING INDICATOR	BANKRUPTCY FILINGS (2015 vs. 2014)*	UNEMPLOYMENT CLAIMS (2015 vs. 2014)**	UNEMPLOYMENT RATE as of JUL 2015	TOTAL EMPLOYMENT (JUL 2015 vs. JUL 2014)**	TOTAL PERMITS (2015 vs. 2014)**
Phoenix	AZ	B	78.13	-18%	-13%	5.5%	2.5%	17%
Tucson	AZ	B	76.56	-18%	-13%	5.7%	1.4%	11%
Los Angeles	CA	C	73.44	-20%	-21%	5.6%	2.3%	0%
San Bernardino/Riverside	CA	B	76.56	-20%	-21%	6.1%	2.8%	57%
Sacramento	CA	B	76.56	-20%	-21%	5.2%	2.6%	49%
San Diego	CA	B	79.69	-20%	-21%	4.6%	3.5%	-9%
San Francisco	CA	A	85.94	-20%	-21%	3.8%	3.4%	28%
San Jose	CA	B	82.81	-20%	-21%	3.7%	4.8%	-4%
Colorado Springs	CO	B	76.56	-17%	-6%	4.0%	0.9%	-4%
Denver	CO	A	85.94	-17%	-6%	3.2%	2.2%	7%
Hartford	CT	B	78.13	-7%	-9%	5.1%	1.5%	10%
Washington	DC	B	81.25	-7%	-14%	4.3%	1.7%	-7%
Jacksonville	FL	B	79.69	-15%	-28%	5.1%	2.6%	16%
Miami	FL	B	79.69	-15%	-28%	5.6%	2.3%	19%
Orlando	FL	B	82.81	-15%	-28%	4.8%	3.7%	30%
Tampa-St. Petersburg	FL	B	79.69	-15%	-28%	5.0%	2.3%	15%
Atlanta	GA	B	76.56	-5%	-14%	5.5%	2.9%	16%
Chicago	IL	C	65.63	-6%	-7%	4.9%	0.9%	7%
Indianapolis	IN	B	75.00	-10%	-17%	3.8%	2.8%	-5%
Lexington	KY	A	89.06	-10%	-10%	3.5%	2.9%	0%
Louisville	KY	B	82.81	-10%	-10%	4.0%	2.7%	-12%

** November 2014 through October 2015 vs. November 2013 through October 2014*
***October 2014 through September 2015 vs. October 2013 through September 2014*

U.S. Metropolitan ECONOMIC OUTLOOK

LEADING INDICATOR INDEX

CITY	STATE	SCORE	LEADING INDICATOR	BANKRUPTCY FILINGS (2015 vs. 2014)*	UNEMPLOYMENT CLAIMS (2015 vs. 2014)**	UNEMPLOYMENT RATE as of JUL 2015	TOTAL EMPLOYMENT (JUL 2015 vs. JUL 2014)**	TOTAL PERMITS (2015 vs. 2014)**
New Orleans	LA	D	59.38	-9%	8%	6.1%	-0.2%	-9%
Boston	MA	B	76.56	-14%	-7%	4.0%	1.8%	31%
Baltimore	MD	B	76.56	-12%	-13%	5.3%	2.1%	15%
Detroit	MI	C	73.44	-11%	-19%	5.7%	2.4%	0%
Minneapolis	MN	A	87.50	-15%	-7%	3.1%	1.8%	-10%
St. Louis	MO	C	71.88	-10%	-14%	4.6%	1.2%	-5%
Kansas City	MO	B	75.00	-10%	-14%	4.4%	1.5%	-2%
Greensboro/Winston-Salem	NC	C	73.44	-7%	-18%	5.6%	2.6%	15%
Raleigh-Durham	NC	B	82.81	-7%	-18%	4.6%	2.6%	5%
Charlotte	NC	B	79.69	-7%	-18%	5.2%	3.2%	7%
Omaha	NE	A	89.06	-12%	-15%	2.9%	1.8%	1%
Albuquerque	NM	C	70.31	-10%	-6%	6.4%	2.1%	11%
Las Vegas	NV	B	75.00	-16%	-6%	6.8%	2.4%	12%
Buffalo	NY	C	67.19	-8%	-7%	5.3%	1.3%	11%
New York	NY	C	67.19	-8%	-7%	6.0%	1.3%	72%
Cleveland	OH	C	70.31	-8%	-9%	4.9%	1.2%	11%
Columbus	OH	B	79.69	-8%	-9%	3.7%	2.0%	-11%
Cincinnati	OH	B	82.81	-8%	-9%	3.9%	2.5%	4%
Oklahoma City	OK	B	78.13	-9%	8%	3.6%	1.4%	-1%
Tulsa	OK	C	71.88	-9%	8%	4.3%	0.2%	-10%
Portland	OR	A	90.63	-12%	-13%	5.2%	3.3%	12%
Pittsburgh	PA	C	70.31	-9%	-7%	4.9%	1.3%	-34%
Philadelphia	PA	C	70.31	-9%	-7%	5.2%	0.9%	3%
Providence	RI	B	81.25	-16%	-8%	4.8%	1.4%	7%
Charleston	SC	B	81.25	-6%	-17%	5.1%	2.7%	10%
Columbia	SC	B	81.25	-6%	-17%	5.4%	2.7%	10%
Greenville	SC	B	78.13	-6%	-17%	5.1%	3.3%	50%
Knoxville	TN	B	76.56	-9%	-12%	5.3%	2.5%	31%
Nashville	TN	A	85.94	-9%	-12%	4.7%	2.6%	34%
Chattanooga	TN	C	67.19	-9%	-12%	5.6%	2.0%	-19%
Memphis	TN	B	76.56	-9%	-12%	6.4%	1.0%	14%
Austin	TX	B	76.56	-8%	4%	3.3%	3.2%	-5%

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U.S. Metropolitan ECONOMIC OUTLOOK

LEADING INDICATOR INDEX

CITY	STATE	SCORE	LEADING INDICATOR	BANKRUPTCY FILINGS (2015 vs. 2014)*	UNEMPLOYMENT CLAIMS (2015 vs. 2014)**	UNEMPLOYMENT RATE as of JUL 2015	TOTAL EMPLOYMENT (JUL 2015 vs. JUL 2014)**	TOTAL PERMITS (2015 vs. 2014)**
Dallas	TX	B	76.56	-8%	4%	3.9%	3.0%	20%
Houston	TX	C	67.19	-8%	4%	4.6%	1.2%	-4%
San Antonio	TX	B	79.69	-8%	4%	3.7%	3.7%	-13%
Salt Lake City	UT	B	81.25	-7%	-12%	3.1%	3.7%	13%
Richmond	VA	C	73.44	-5%	-20%	4.5%	-0.1%	4%
Seattle	WA	A	85.94	-14%	-11%	3.9%	3.3%	17%
Milwaukee	WI	C	73.44	-11%	-13%	4.1%	1.1%	-4%
Birmingham	AL	D	62.50	-1%	-13%	5.4%	1.3%	2%
Little Rock	AR	C	67.19	-9%	-8%	4.4%	1.7%	48%
New Haven	CT	C	71.88	-7%	-9%	5.2%	0.3%	9%
Wichita	KS	B	78.13	-10%	-6%	4.4%	0.3%	-12%
Rochester	NY	C	67.19	-8%	-7%	4.9%	1.3%	34%
Syracuse	NY	C	70.31	-8%	-7%	5.1%	0.2%	-12%
Dayton	OH	B	82.81	-8%	-9%	4.2%	1.3%	11%
Ventura County	CA	C	73.44	-20%	-21%	5.3%	1.5%	8%
Westchester	NY	C	73.44	-8%	-7%	4.4%	0.6%	7%
Norfolk/Hampton Roads	VA	B	76.56	-5%	-20%	4.6%	0.8%	40%
Tacoma	WA	B	76.56	-14%	-11%	5.7%	3.5%	17%
Orange County	CA	B	76.56	-20%	-21%	4.1%	1.1%	-3%
Palm Beach	FL	B	82.81	-15%	-28%	5.2%	2.1%	-10%
Fairfield County	CT	C	68.75	-7%	-9%	5.4%	0.3%	3%
Fort Lauderdale	FL	B	82.81	-15%	-28%	4.9%	2.9%	19%
Fort Worth	TX	C	73.44	-8%	4%	4.1%	2.0%	20%
Long Island	NY	C	73.44	-8%	-7%	4.5%	1.6%	72%
Northern New Jersey	NJ	C	67.19	-8%	-6%	5.3%	0.7%	6%
Oakland-East Bay	CA	B	79.69	-20%	-21%	4.3%	2.1%	28%
Suburban Maryland	MD	B	82.81	-12%	-13%	4.1%	2.3%	-7%
Suburban Virginia	VA	B	76.56	-5%	-20%	3.3%	2.0%	-7%
Durham	NC	B	76.56	-7%	-18%	4.7%	1.8%	33%
Raleigh-Cary	NC	B	82.81	-7%	-18%	4.6%	2.6%	5%
Central New Jersey	NJ	B	76.56	-8%	-6%	5.1%	0.8%	8%

** November 2014 through October 2015 vs. November 2013 through October 2014*

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CCIM Institute
430 North Michigan Ave.,
Suite 800
Chicago, IL 60611
312-321-4460
www.ccim.com

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NATIONAL ASSOCIATION OF REALTORS® RESEARCH DIVISION

Lawrence Yun, PhD
Sr. Vice President,
Chief Economist
lyun@realtors.org

George Ratiu
Director, Quantitative &
Commercial Research
gratiu@realtors.org

Ken Fears
Director, Regional Economics
& Housing Finance Policy
kfears@realtors.org

National Association
of REALTORS®
500 New Jersey Ave. N.W.
Washington, D.C. 20001
800-874-6500
www.realtors.org

CONTRIBUTORS

Jose Maria Serrano
New Miami Realty
Miami FL

Scot E. Hall
Wolf Realty Inc.
Phoenix AZ

Chris Bornhoft, CCIM
Windermere Commercial
Spokane WA

Taro Chellaram, CCIM
TC Global Commercial
Real Estate
Houston TX

Wesley Sanders
American National Real Estate
Dallas TX

James Roberson
NAI Knoxville
Knoxville TN

Ernest Brown
Kennedy Wilson
San Antonio TX

Jim Helsel
Helsel, Inc., Realtors
Harrisburg PA

Allen Gump
Colliers International
Dallas TX

Susan Korath
Tulfra Realty II LLC
Rochelle Park NJ

Michael Gray
Michael Gray Company, Inc.
Fort Worth TX

Joe Eldredge
Colliers International
Milwaukee WI

Alan Apt
Aptcor Commercial
Lansdale PA

Mark El-Tine
Mansfield Equities
West Covina CA

Brian Andrus
Stonebridge Real Estate Co.
Clearwater FL

Blake Parker
Parker Real Estate Services, PC
Logan UT

Ken Krawczyk
K.S.K. Services Inc
Pewaukee WI

Stuart R. Simek
Meridian Management, Inc.
Mendota Heights MN

Ara Karapetian, CCIM, CPM
Dilbeck Commercial
Los Angeles CA

John Simpson
Berkshire Hathaway
Fredericksburg VA

M Jeffers Ryer
Ryer Associates Commercial
Real Estate, Inc
Danbury CT

John Johnson
The Wellington Group
Montvale, NJ

Robert Liebeck
MJ Peterson Commercial
Buffalo NY

Greg Gheen
Realty Trust Group
Knoxville TN

Robert Powell
Powell Realty Advisors, LLC
Dallas TX

Rick Gonzalez
Crosby + Associates, Inc.
Tavares FL

Nat Santoro
Kinlin Grover Commercial
Orleans MA

Jay Taylor
Sperry Van Ness
Raleigh NC

Jeffrey Hoffman
JPH Realty Advisors, LLC
Bryn Mawr CO

Nick Miner, CCIM
ORION Investment Real Estate
Scottsdale AZ

Randall Simonson, CCIM
Commercial Real Estate Co.
Medford OR

Brian Resendez
SVN Hotels
Portland OR

Steve Hayashi
CBC George
Arcadia CA

Steve Seidl
Seidl & Assoc
Green Bay WI

David Schnitzer
Venture
Dallas TX

Fred Miehe Sulentic Fischels
Commercial Group
Cedar Falls IA

Dean
Sky Beach Commercial
Fort Lauderdale FL

Jerry Fiume
NAI Cummins Real Estate
Akron OH

Diane Baer Yecko, CCIM
Capital Realty Group
Pittsburgh PA

Brian T. Ahearn, CCIM
Coldwell Banker Commercial
Aventura FL

Jeff Eales
Birtcher Anderson Realty, LLC
San Juan Capistrano CA

Michael Lunn, CCIM, SIOR
Re/Max Commercial Property
Solutions
Merrillville IN

Denny Sciscoe
The Lund Company
Omaha NE

Linda Gerchick
UpTown Realty
Phoenix AZ

Mariano Saal
TIR Prime Properties
Miami, FL

Al Erickson
Nevada State Bank
Henderson NV

Mike Stuhlmiller
Stuhlmiller Realty
Hayden ID

Nick Miner, CCIM
ORION Investment Real Estate
Scottsdale AZ

Jeff Chain
Millennium Commercial
Properties
Las Vegas NV

Keith R. Graves
Berger Commercial Realty/
TCN Worldwide
Fort Lauderdale FL

Al Anderson
Park Commercial
Fargo ND

Mary Hawes
RE/MAX Mission Realty
Lompoc CA

Stuart S. Mackey, CCIM, SIOR
CBC Hathaway Group
Little Rock AR

Lydia Bennett
CRE West Coast, LLC / Saratoga
Commercial Real Est
Bellingham WA

Keith Andrews, CCIM
Southeast Commercial
Partners, LLC
Birmingham AL

Soozi Jones Walker
Commercial Executives
Las Vegas NV

Dewey Struble, CCIM
Dewey Struble
Reno NV

Tim Mills, CCIM, SIOR
CBRE
San Diego CA

Steve Patten
The Proto Group
North Haven CT

Trent Frankum
Tan, Frankum & Associates (TFA)
Manila

Johyn Propp
Johyn Propp Commercial Group
Denver CO

Rick Tumlin
Lee & Associates
Atlanta GA

Joe Nickels
LS Realty Advisors, INC
Houston TX

Michael Eurchuk
Realty Executives Progressive
Edmonton NC

Tom Watson
ReMax of Spokane-Commercial
Spokane WA

Mark Robinson
Mid-America Real Estate -
Minnesota, LLC
Minneapolis MN

Adam Von Romer
KoRes Corp.
Weston FL

Duncan Patterson
Patterson-Woods & Associates
Wilmington DE

Kane Morris-Webster
Colliers International
Orlando FL

Howard J. Corr, CCIM
Coldwell Banker Commercial
Sunstar Realty
Port Charlotte FL

Brian E. Fratzke
Fratzke Commercial Real Estate
Advisors, Inc.
Bend OR

Sandra Runde
Keller Williams Realty
Rapid City SD

Christopher Howell
Klein & Heuchan, Inc. Realtors
Clearwater FL

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