Intelligent Investment

United States

Cap Rate Survey H2 2022

REPORT

Further cap rate expansion, tighter lending standards, and distress expected.

CBRE RESEARCH
MARCH 2023

Introduction

The H2 2022 Cap Rate Survey provides a fresh perspective of where market sentiment is trending.

Welcome to CBRE's H2 2022 Cap Rate Survey (CRS). This was conducted in mid-November and December and reflects second-half 2022 deals. While market conditions are fluid, the CRS provides a useful baseline and sheds light on how investor sentiment is changing.

The CRS captures 3,600 cap rate estimates across more than 50 geographic markets to generate key insights from a wealth of data.

Please note that more than 250 CBRE real estate professionals completed the H2 2022 Cap Rate Survey with real-time market estimates between mid-November and December. Given the economic uncertainty and constrained capital markets, estimates may not reflect current market conditions. Readers should view all cap rate estimates within this context.

Price Discovery & Opportunity

Respondents to our H2 2022 Cap Rate Survey expect significant cap rate expansion in H2 2022 for all asset classes except high-end hotels, and expect more expansion in H1 2023, especially in the CBD office segment.

What may be surprising is the relatively modest extent of cap rate movement our survey suggests. Many of you may be seeing current transaction data that suggests much greater changes in cap rates. There are a few things to keep in mind:

- Our survey compares cap rates with those at the end of June 2022 and not December 2021 when they were much lower.
- Many sales in H2 2022 involved high quality assets that commanded better-than-average pricing.
- Capital structure may have had the greatest influence on cap rate movement. Assumable long-term debt or below-market seller financing may have limited the cap rate increase to 100 bps, while other assets saw expansion of as much as 200 bps.

The rapid rise in interest rates over the past year has consequences. With short-term rates 400 to 500 bps higher than they were a year ago, the only way to maintain IRR is to acquire assets at lower valuations. And this is before factoring in the risk premium associated with market uncertainty that keeps many buyers and sellers on the sidelines.

But fortune favors the brave. Assuming that the Fed will end its rate-hiking cycle later this year as expected, the end of cap rate expansion may be in sight for most asset types. Most notably, CBRE forecasts that the federal funds rate likely will exceed 5% in 2023, falling to about 2% by 2025.

In short, we believe that both interest rate hikes and cap rate expansion will peak later this year and should decrease in 2024. As a result, today's opportunity to buy assets for lower prices may not last very long.

Spencer G. Levy

Global Client Strategist & Senior Economic Advisor

Executive Summary

The Top 5 insights from this report:

Market activity has declined with fewer bidders and wider bid-ask spreads for properties

Cap rate decompression continues. Respondents expect yields to increase another 25 basis points over the next six months

Despite concerns for the robust supply pipeline, the industrial sector is expected to lead CRE performance over the next year, followed closely by multifamily

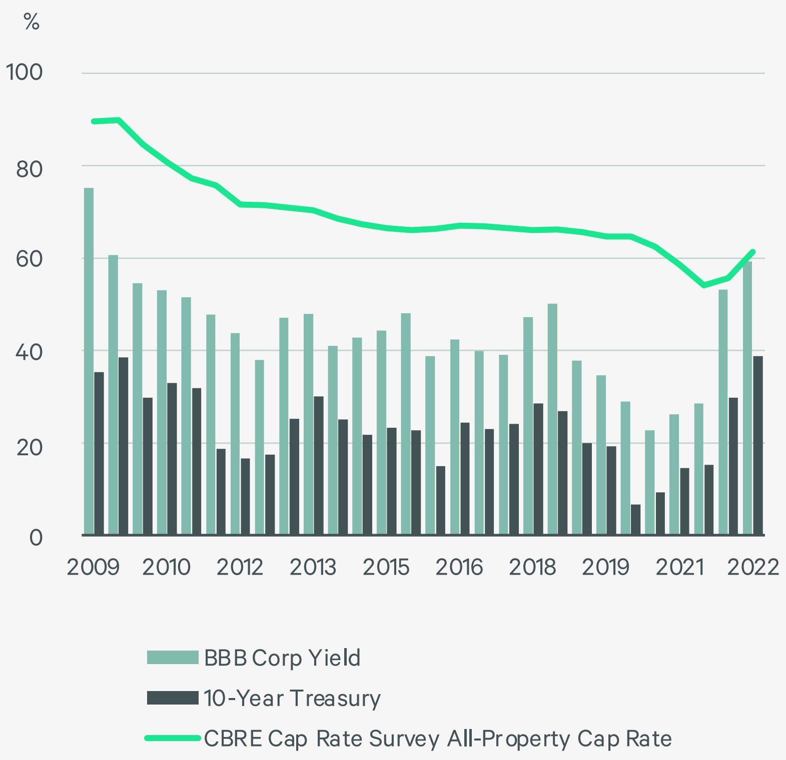
Tight lending conditions and more defaults—particularly for office—are expected to characterize the market over the next two years

CRS respondents expect hotel average daily rate (ADR) growth to exceed operating cost inflation.

A bird's-eye view on cap rates

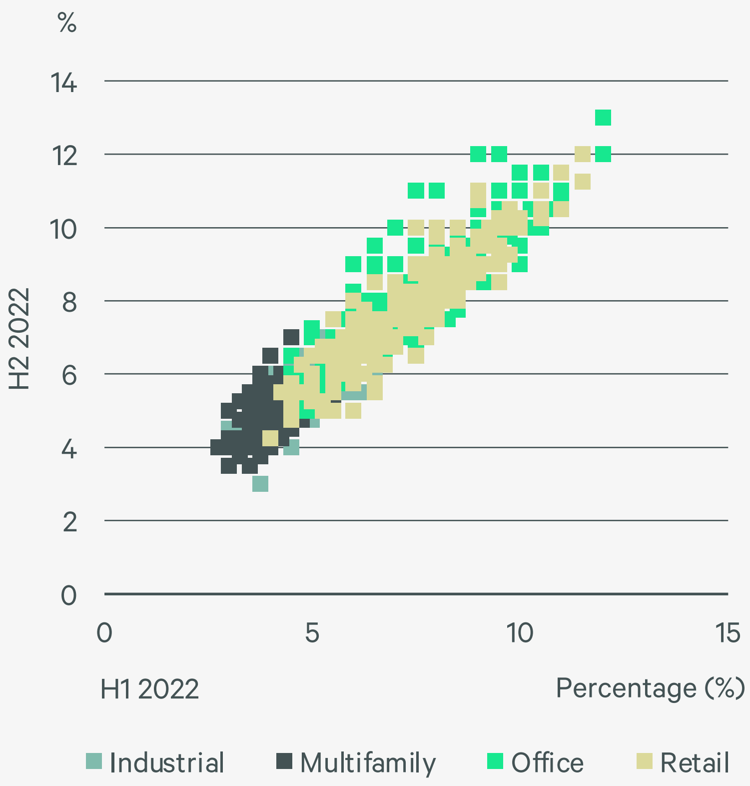
- On average, cap rate estimates are up 60 bps from the H1 2022 Cap Rate Survey reflecting substantial monetary tightening by the Federal Reserve and wider commercial mortgage spreads.
- All property types reported cap rate expansion, paced by the industrial and multifamily sectors. Despite strong fundamentals, higher borrowing costs and uncertainty around monetary policy and the macro backdrop are forcing yields for these properties upward. In some instances, industrial and multifamily cap rates are below current borrowing costs.

FIGURE 1: Real Estate Cap Rate and Bond Yields



Source: Macrobond, CBRE Econometric Advisors.

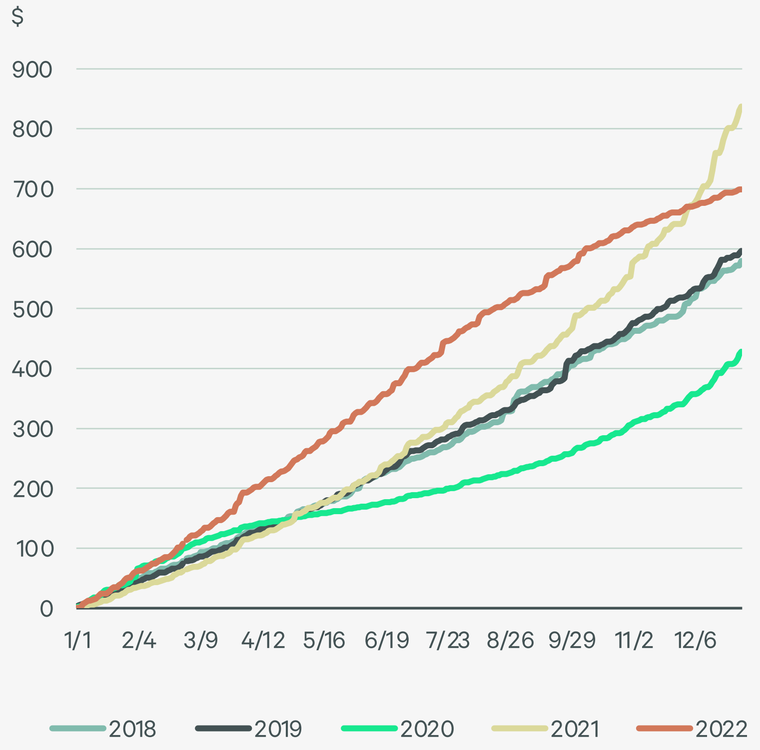
FIGURE 2: H2 2022 Stabilized Cap Rate Estimates Versus H1 2022 Estimates



Source: CBRE Econometric Advisors.

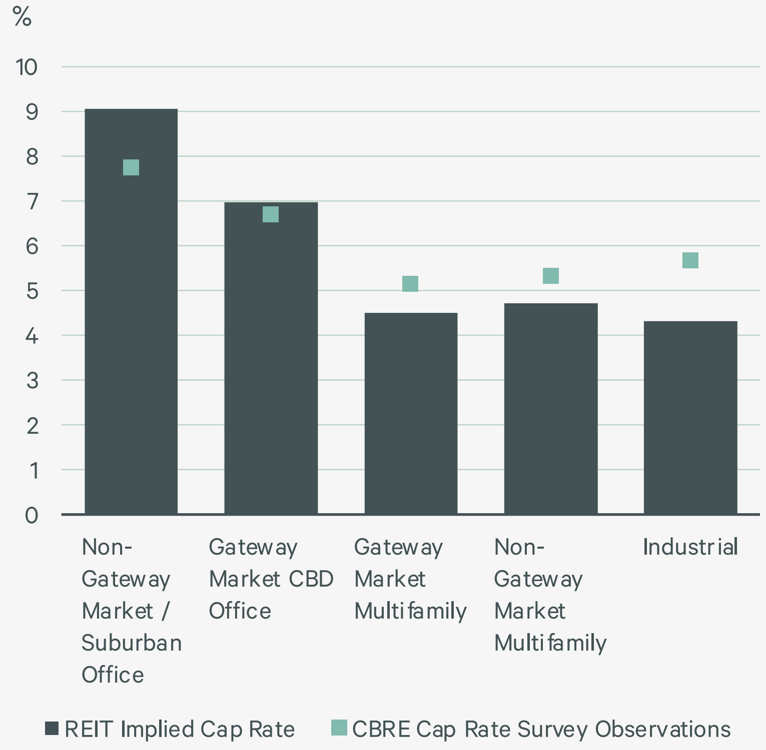
- Through the first six months, 2022 was on pace to match 2021's record investment volume. This was partly driven by some owners bringing forward disposition plans in anticipation of higher interest rates. Higher borrowing costs ultimately depressed investment volume in the second half of the year.
- Office REITs are trading at a significant discount to NAV as of early 2023. This reflects investor concerns about falling property values and slower rent growth. This is reflected in overall higher implied cap rates compared with other REIT sectors.

FIGURE 3: Cumulative Investment Volume by Day of Year (Billions)



Source: Real Capital Analytics.

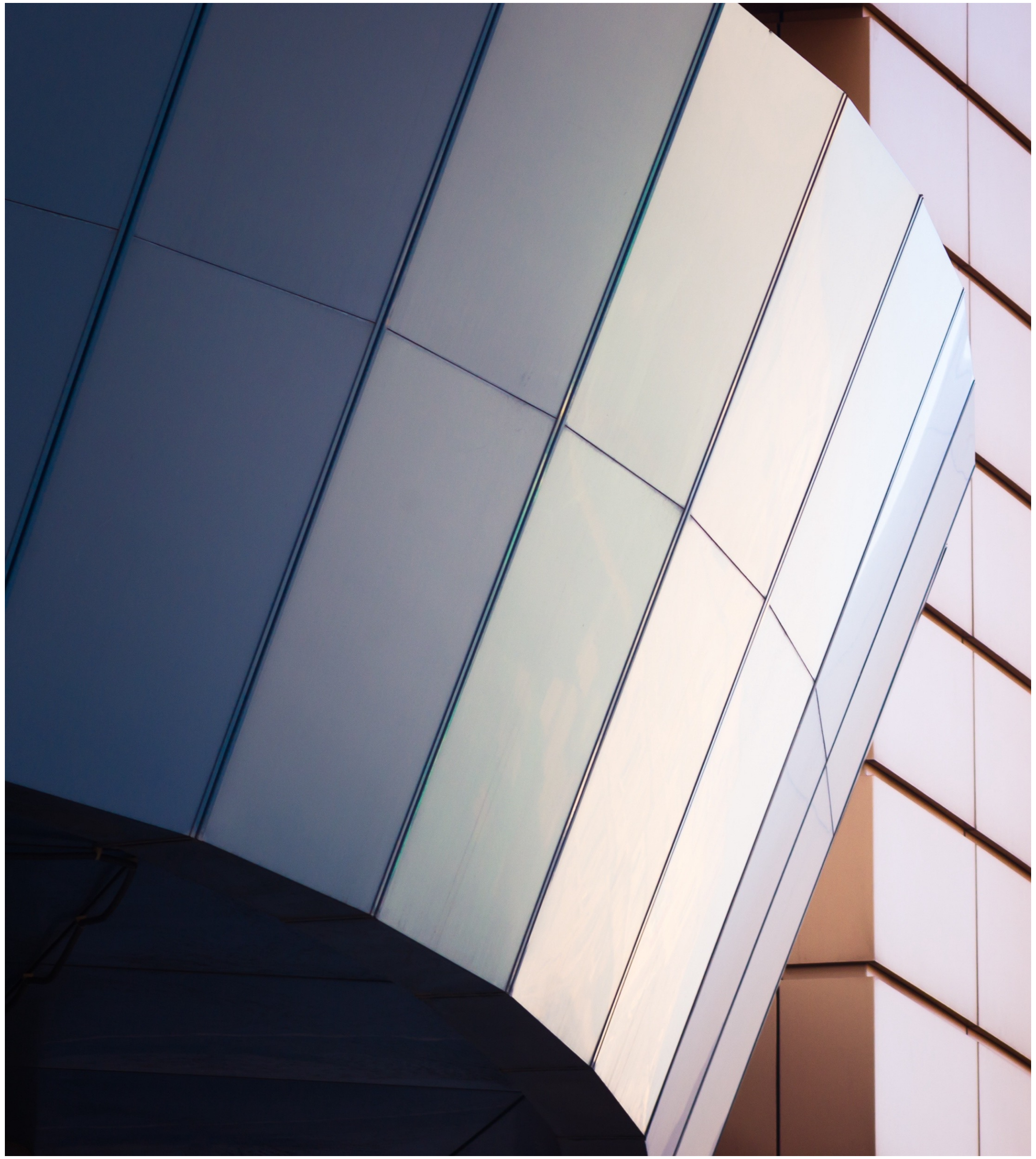
FIGURE 4: Implied REIT Cap Rates Versus Cap Rate Survey Averages



Source: CBRE Econometric Advisors.

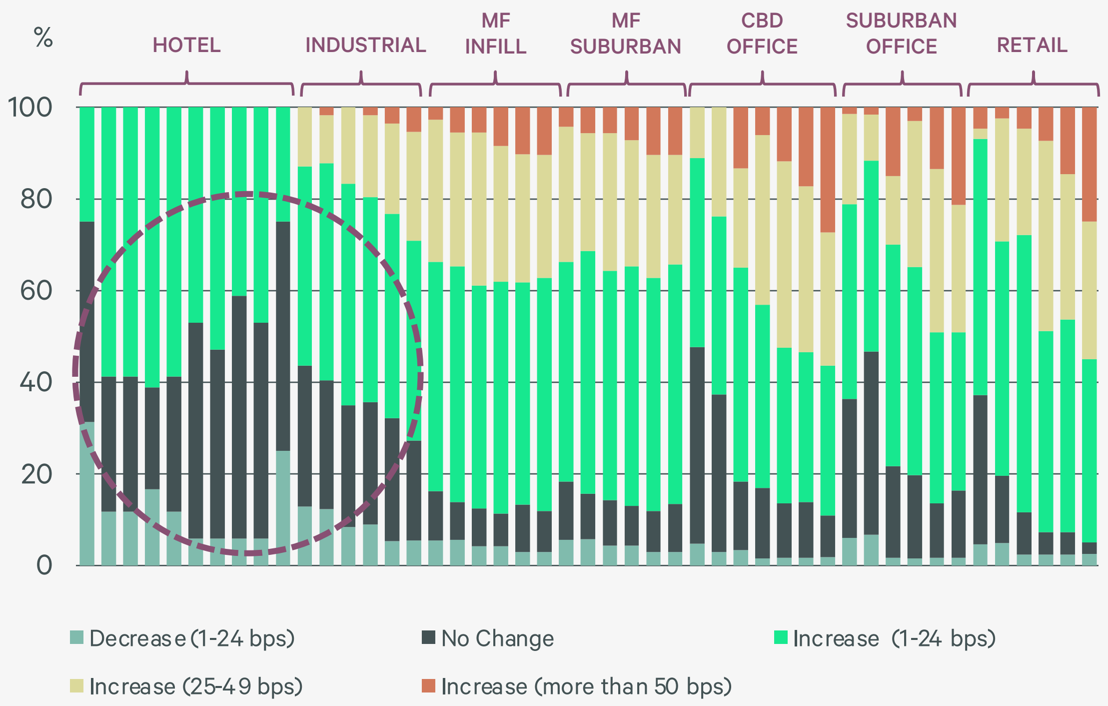
More respondents expect cap rates to rise in coming quarters

- Figure 6 reflects expectations for cap rate changes over the next six months. Figure 5 displays expectations from the previous, or H1 2022, CRS. During that survey 40% to 50% of the hotel and industrial respondents expected cap rates to hold steady. Figure 6 is quite a contrast, with an overwhelming majority of respondents across sectors now expecting cap rates to increase in coming quarters.
- Expectations for the greatest upward shift in yields are clustered within lower quality office and retail spaces.



An overwhelming majority of respondents across sectors are now expecting cap rates to increase in coming quarters.

FIGURE 5: How did respondents expect cap rates to trend **last year**?*

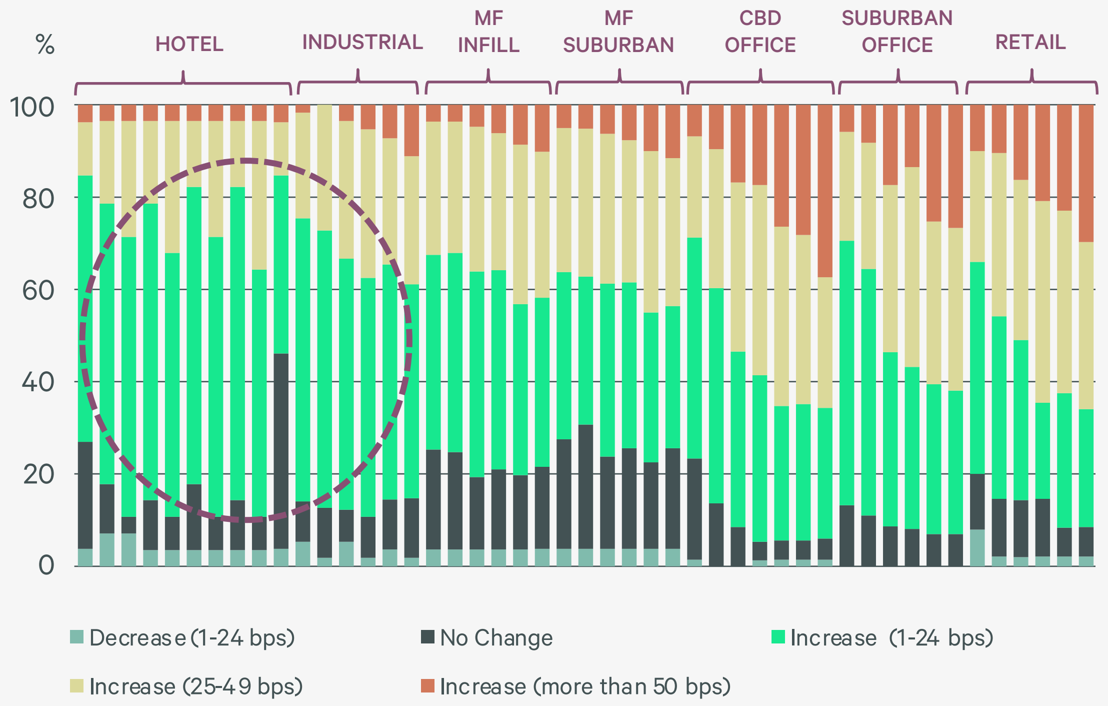


Each bar represents property type delineation by class (e.g., A, B, and C) and investment style (e.g., Stabilized, Value-Add). Many respondents to the H1 2022 CRS believed that most hotel property types (e.g., Independent or Branded) would not see an increase in cap rate.

*Responses from the H1 2022 CBRE Cap Rate Survey

Source: CBRE Econometric Advisors.

FIGURE 6: How do respondents expect cap rates to trend in **H1 2023**?



Each bar represents property type delineation by class (e.g., A, B, and C) and investment style (e.g., Stabilized, Value-Add). With exception to luxury destination resort properties, most H2 2022 CRS respondents expect yields to increase across all classes and investment styles.

Source: CBRE Econometric Advisors.

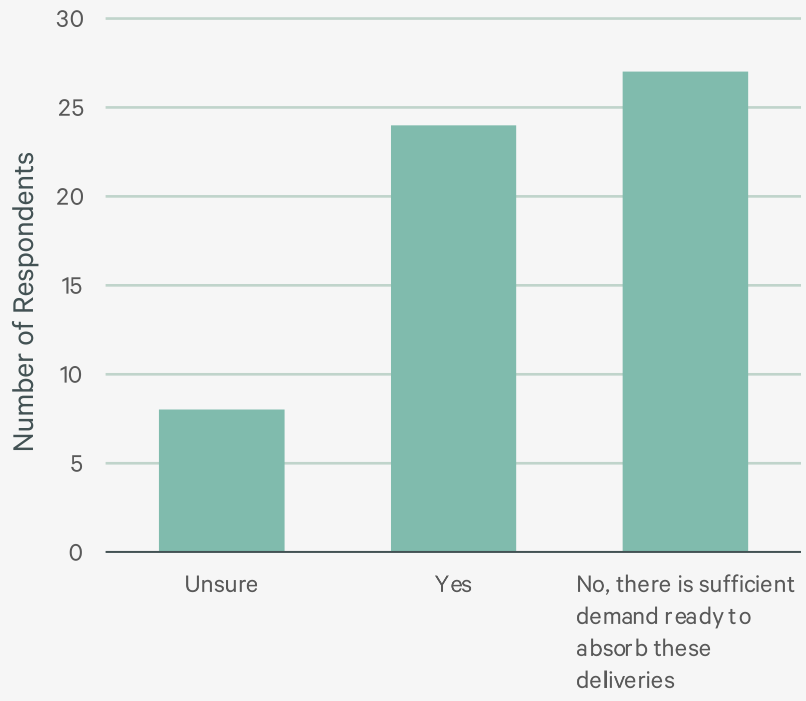
Optimism for industrial despite active supply pipeline

- 2022 is expected to bring nearly 400 million sq. ft. (2.6% of existing inventory) of new space to the market, setting a fresh record for annual construction completions. The supply pipeline will remain elevated for the foreseeable future.
- While a large share of respondents believe the supply outlook will put downward pressure on rent growth and valuations, a majority believe there is enough demand to absorb this new capacity.

FIGURE 7: New Industrial Supply Completion Rate

Source: CBRE Econometric Advisors.

FIGURE 8: Do you believe buyers are pricing in weaker rental growth due to coming supply deliveries?

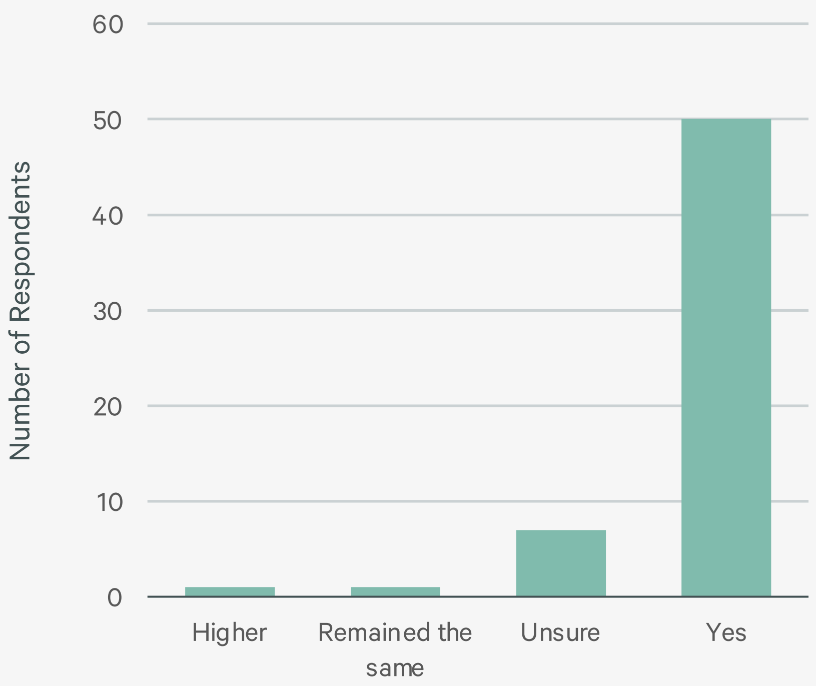


Source: CBRE Econometric Advisors.

Divergent pricing expectations reducing market activity

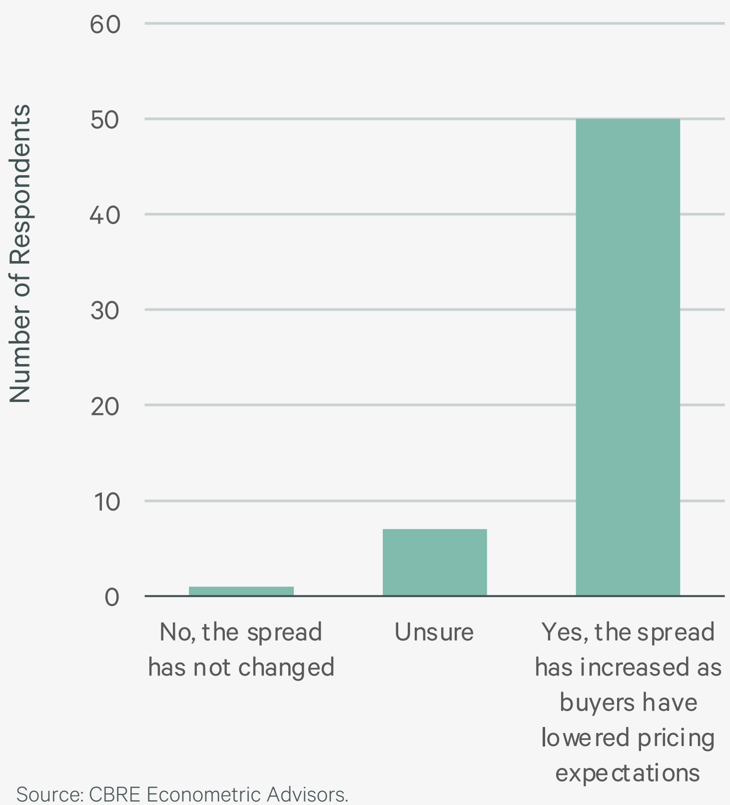
- Survey respondents see fewer deals being completed and reduced buyer interest. Respondents also reported similar findings for bids on multifamily properties.
- Contributing to diminished market activity, the bid-ask spread has widened, especially as higher interest rates have impacted buyers' pricing expectations. A recovery in investment volume will require more stable capital markets and narrower bid-ask spreads.
- After the completion of this survey, CBRE professionals noted market activity strengthened in January and the first half of February 2023, but with interest rate expansion, we are in a period of price discovery.

FIGURE 9: Compared with April 2022, has the average number of bids for industrial properties on the market declined?



Source: CBRE Econometric Advisors.

FIGURE 10: Compared with April 2022, has the average bid-ask spread for industrial properties changed?

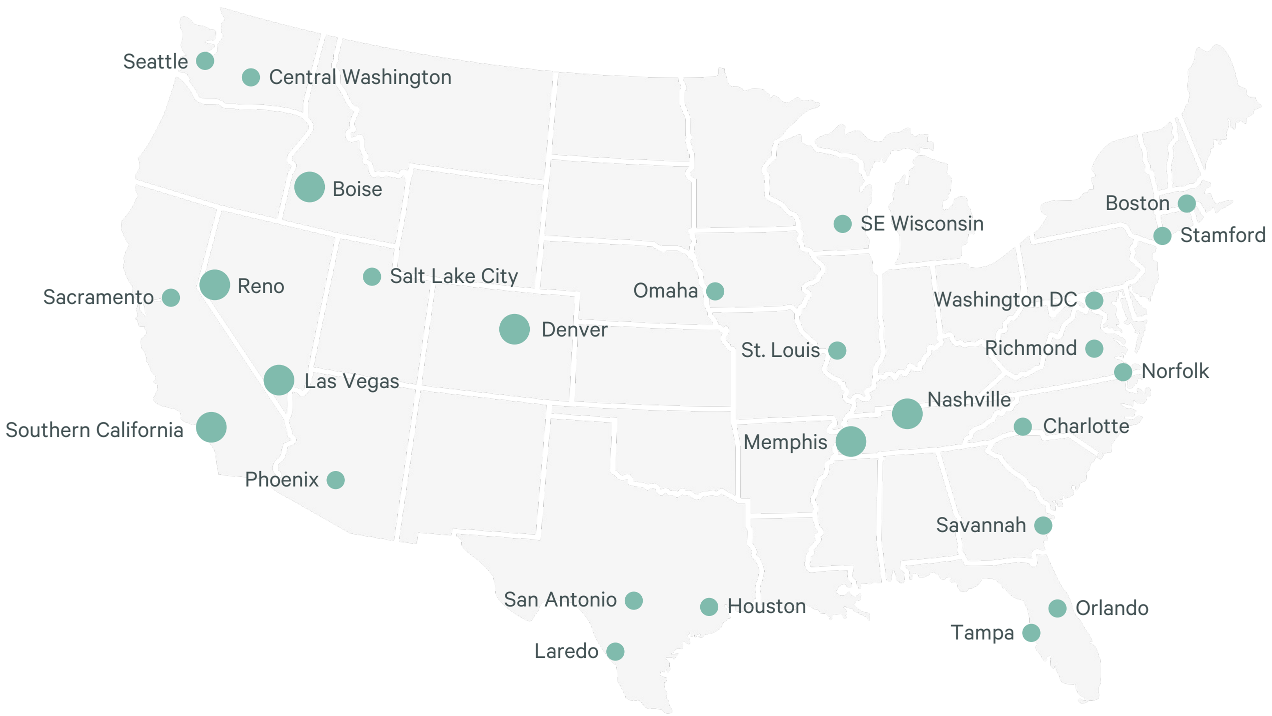


Source: CBRE Econometric Advisors.

Which markets do you believe are most likely to become future industrial hubs?

When asked which markets are likely to become industrial hubs, CBRE real estate professionals provided a wide range of locations, but a few key trends emerged:

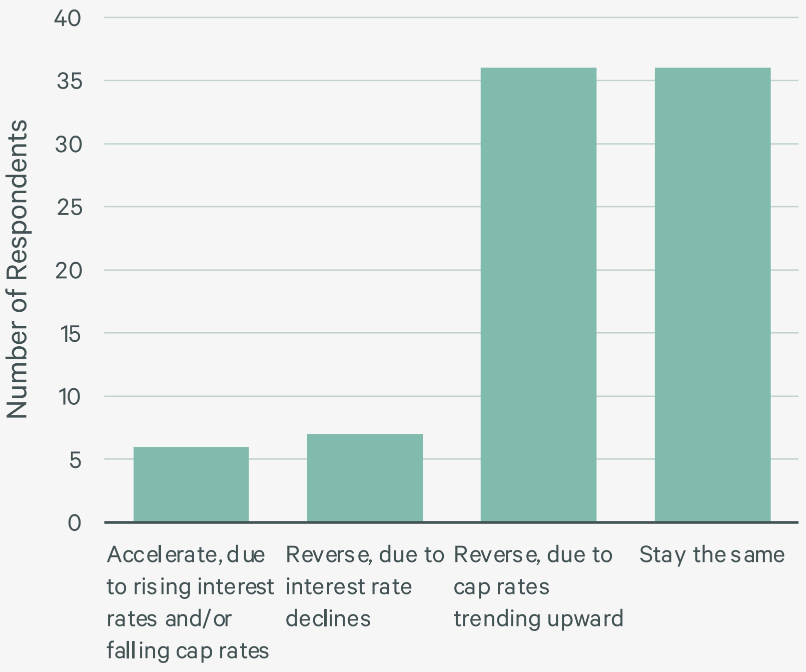
1. Logistics activity is following population growth in the Southeast (e.g., Florida and Nashville) and the Intermountain West (e.g., Boise).
2. East Coast markets with good port access, such as Savannah and Norfolk, appear prominently.
3. West Coast logistics activity continues to move inland, favoring Reno, Phoenix and Central Washington. Lower land and operating costs are key drivers.



Multifamily negative leverage and slowing rental assumptions

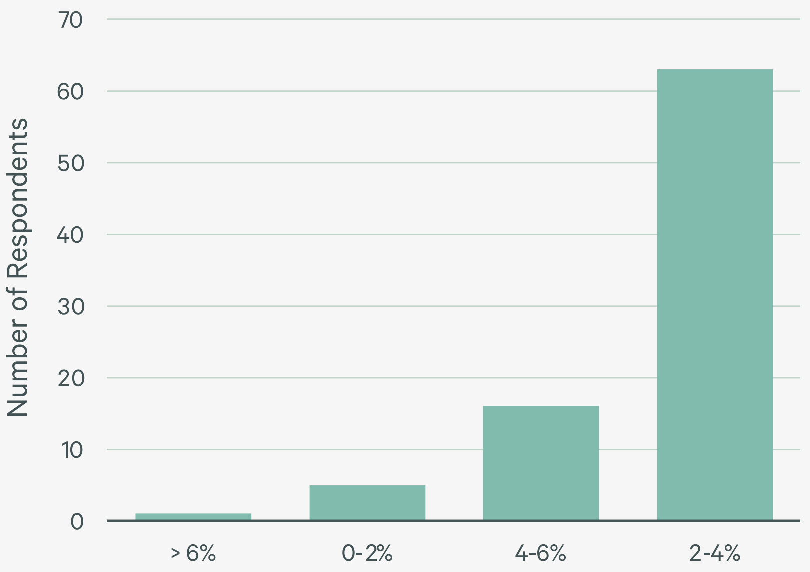
- Rising interest rates have led to more multifamily purchases in which mortgage rates exceed the cap rate. While some respondents expect this gap to narrow, an equally large number expect the wide gap to persist.
- In line with CBRE Econometric Advisors' Baseline forecast, CRS respondents are assuming lower rental growth over the next several years. This comes on the heels of record rental growth rates in 2022.

FIGURE 11: Purchases in which cap rates fall below mortgage rates (negative leverage) were increasingly common in 2022. Will this trend continue or reverse?



Source: CBRE Econometric Advisors.

FIGURE 12: What level of annual rent growth is being underwritten today for the next three years (2023-2025)?

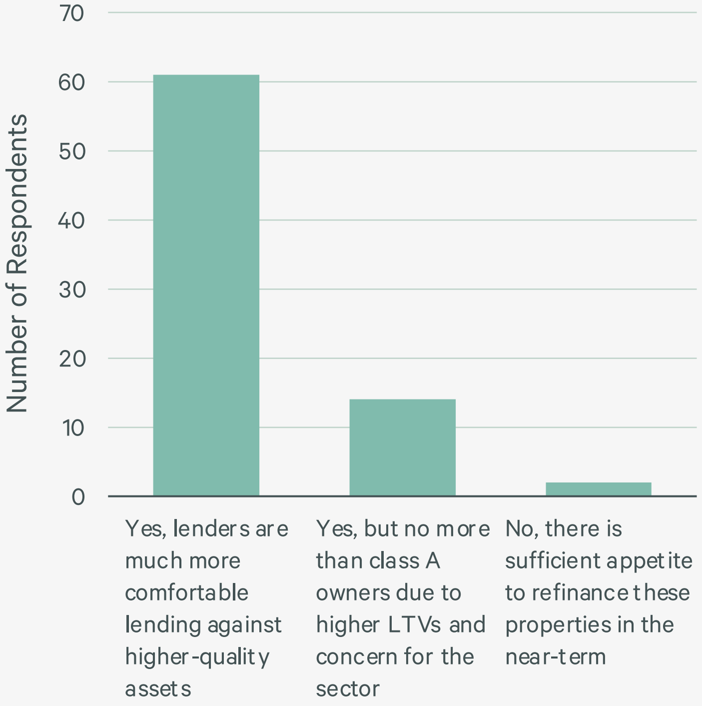


Source: CBRE Econometric Advisors.

Distress expected to increase in office sector

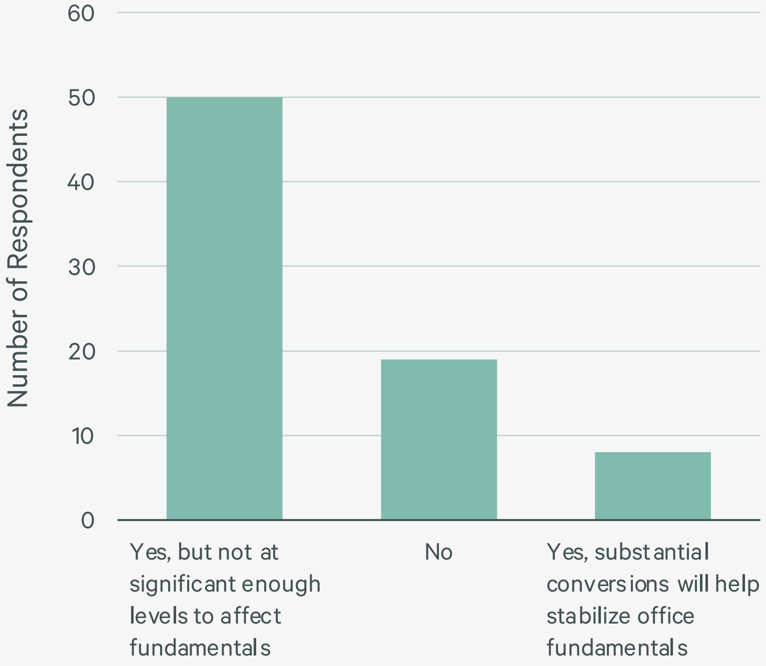
- Lenders are increasingly cautious and less willing to lend against lower quality and older properties.
- While some hope conversions to other uses will limit the downside, few believe it can be executed at the scale needed to materially lower vacancy and prevent rent declines for older office buildings.

FIGURE 13: Will owners of Class B and C office properties have trouble refinancing in the near-term?



Source: CBRE Econometric Advisors.

FIGURE 14: Do you expect office to multifamily or other conversion activity to increase over the next year?



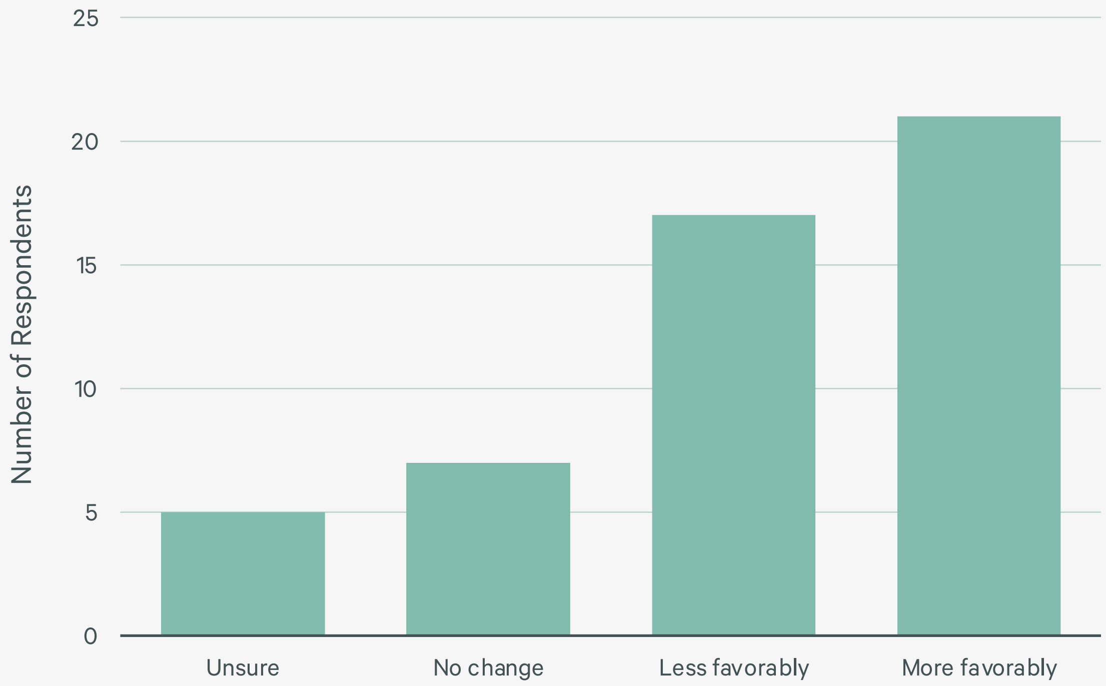
Source: CBRE Econometric Advisors.

Retail performance and pricing will vary widely by format

- Sentiment has grown more positive for quality suburban neighborhood retail properties, especially as consumers have spent more on local goods and services that are close to home. Tenant mix has become increasingly important resulting in a growing premium for centers with a strong anchor tenant.
- With high inflation protection, falling availability rates, and empty supply pipeline, asking rents are expected to increase for the foreseeable future. Retail may present an opportunity for investors looking for value. The CRS suggests that the view of retail today is more favorable than in 2017.

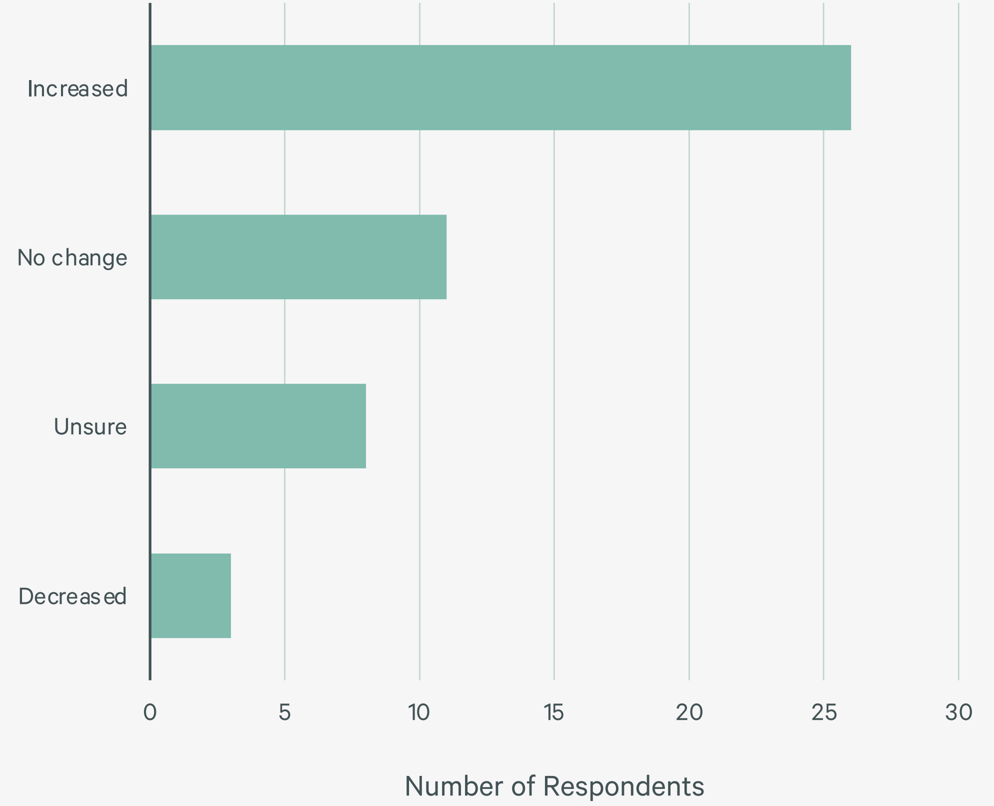
> With high inflation protection, falling availability rates, and empty supply pipeline, asking rents are expected to increase for the foreseeable future.

FIGURE 15: Relative to five years ago, how do you believe real estate capital markets are viewing the retail sector?



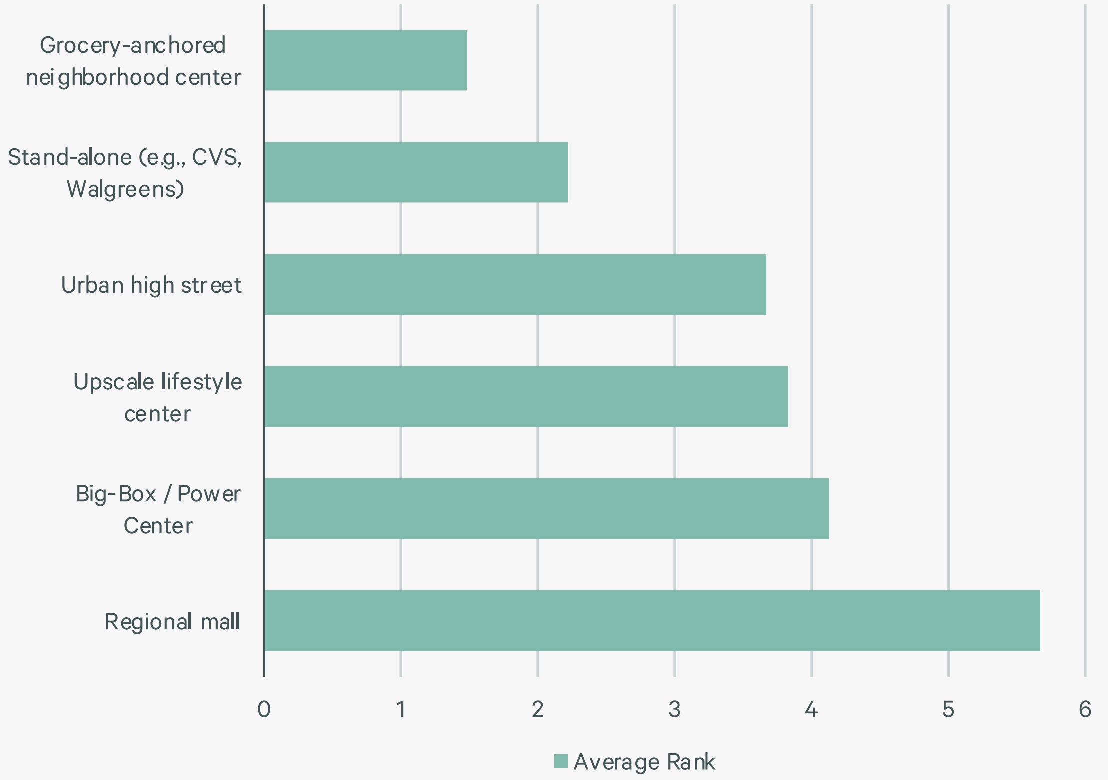
Source: CBRE Econometric Advisors.

FIGURE 16: Has the rent premium for anchor tenants increased or decreased over the past three years?



Source: CBRE Econometric Advisors.

FIGURE 17: Retail sectors by expectations for relative investment performance during the next year



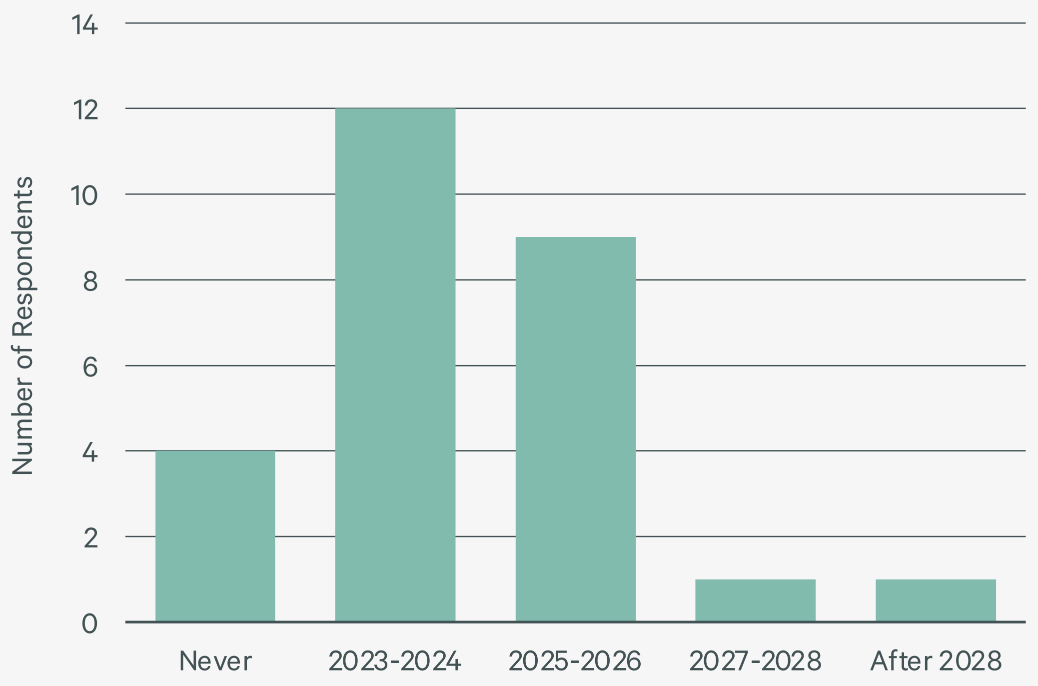
Source: CBRE Econometric Advisors.

Hotel operators prioritize rates over occupancy, increasing profit

- Higher inflation and the enforcement of brand standards that were waived during the pandemic have led to margin declines; however, strong average daily rate (ADR) gains and improvements in ancillary spends are still resulting in material increases in gross profit dollars.
- Increased flexibility in work patterns is driving demand for group travel as teams come together at events and corporate offsites to engage and collaborate. This has made group travel one of the fastest growing hotel demand segments. In addition, H2 2022 recorded growth in traditional free and independent traveler (FIT) business travel, which we expect to continue to strengthen in 2023, fueled by employment growth and the further easing of international travel restrictions.

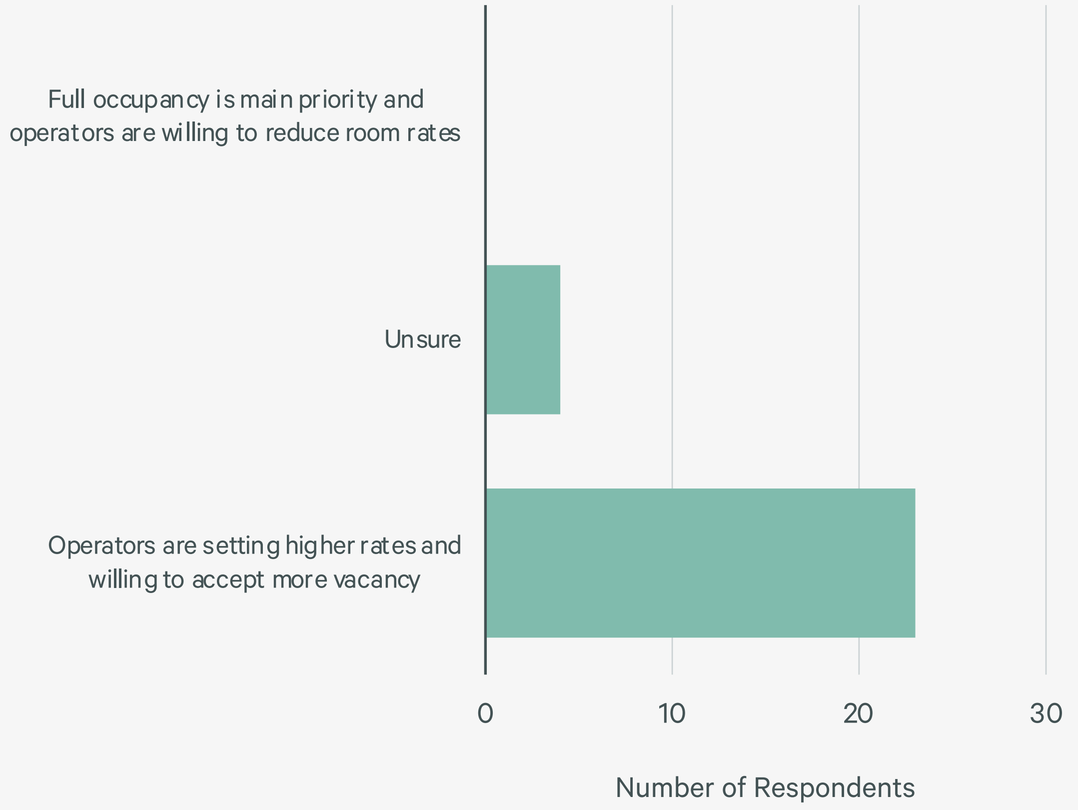
> Despite today's costly operating environment, CRS respondents expect average daily rate (ADR) growth to exceed operating inflation.

FIGURE 18: When do you expect a full recovery in business travel above pre-pandemic levels?



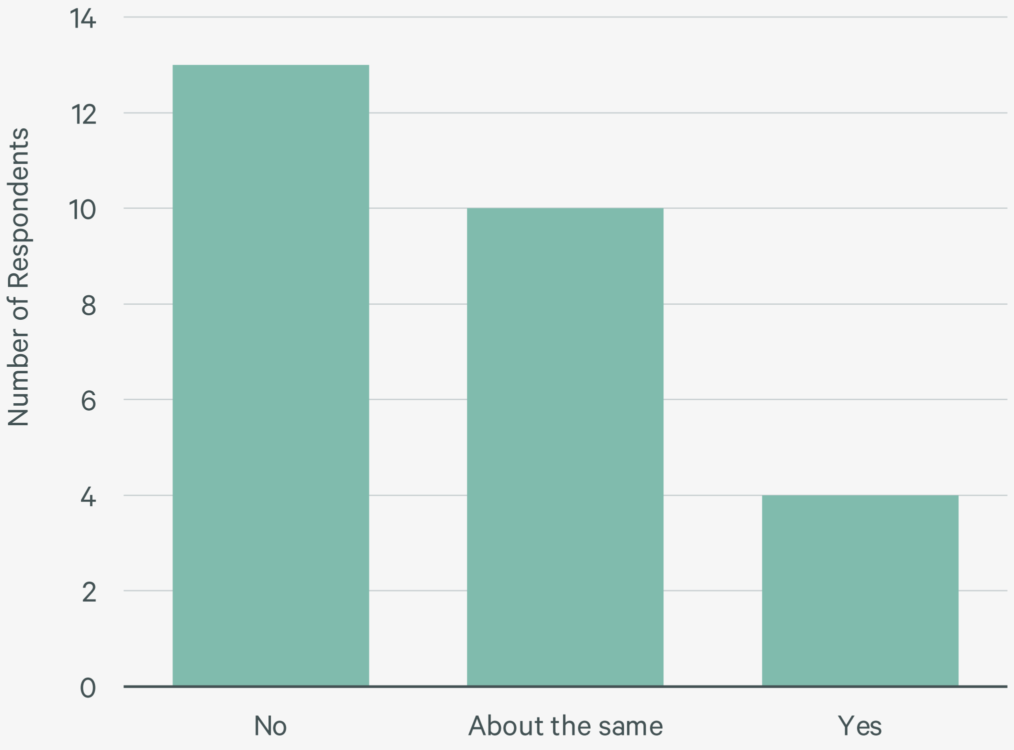
Source: CBRE Econometric Advisors.

FIGURE 19: Are operators prioritizing occupancy or room rates?



Source: CBRE Econometric Advisors.

FIGURE 20: Will operating expense growth outpace ADR growth over the next year?



Source: CBRE Econometric Advisors.

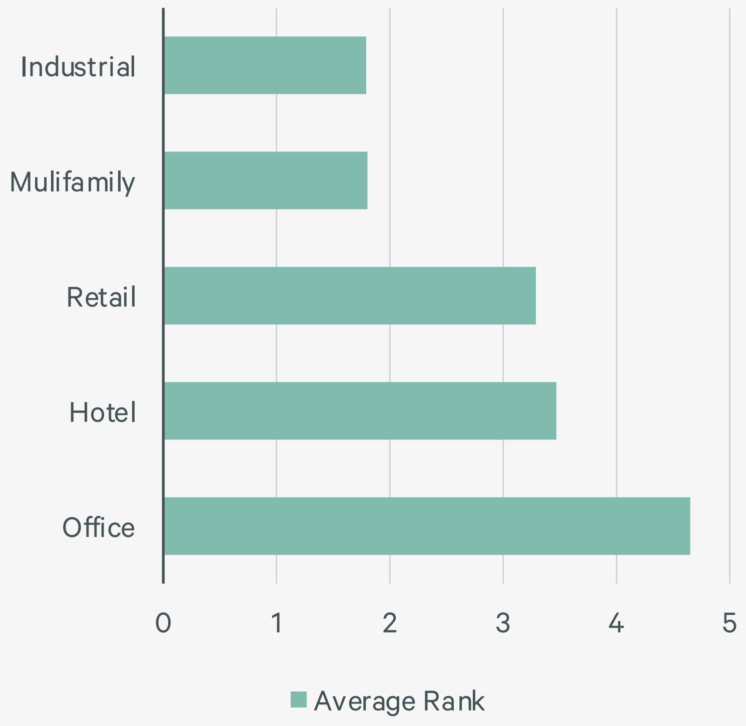
Distress and tighter lending conditions expected

- Lenders are increasingly cautious, and respondents are expecting average LTVs to fall over the next six months, especially for the office sector.
- Due to falling LTVs, and possibly values, some properties coming up for refinancing will have trouble obtaining a mortgage and may be forced to sell or default.
- Respondents are expecting the industrial and multifamily sectors to lead commercial real estate performance over the next year, with hotels and retail in the middle and office overwhelmingly expected to be a laggard.

FIGURE 21: Do you believe there will be a material increase in defaults over the next two years?

Source: CBRE Econometric Advisors.

FIGURE 22: Average rank of sector in order of greatest to worst expected investment performance over the next year (1 = greatest performance)



Source: CBRE Econometric Advisors.

Definitions

- Markets conform to metropolitan area and metropolitan divisions as defined by U.S. Census Bureau.
- The cap rates presented in this report are based upon estimates by CBRE capital markets and valuation professionals. These estimates are informed by recent trades within their respective markets and discussions with investors. The ranges represent the cap rates at which a given asset is likely to trade in the current market. Cap rates within each subtype vary, occasionally falling outside the stated ranges, based on asset location, quality and property-specific characteristics.
- Stabilized properties are assets leased at market rents with typical lease terms and have vacancy levels close to market averages.
- Stabilized cap rates are the ratio of stabilized net operating income (NOI) to the acquisition price of the asset.
- Value-add cap rates are the ratio of stabilized NOI after property enhancements to the acquisition price of the asset plus value-add capital.
- The NOI calculation is based on net income less operating expenses.

Additional Insights

Multifamily Infill

East

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Baltimore	4.25% - 4.5%	4.75% - 5.25%	4.75% - 5.25%	4.5% - 5%
Boston	3.25% - 3.75%	4.75% - 6%	3.75% - 4.25%	4.25% - 5.75%
New York City	4% - 4.75%	4.5% - 5%	-	4.75% - 5.25%
Northern New Jersey	4% - 4.75%	4.5% - 5%	4.5% - 5%	4.75% - 5.25%
Philadelphia	4.75% - 5%	4.75% - 5.5%	6.25% - 7.5%	5.5% - 6.5%
Stamford	4.25% - 4.75%	5% - 5.75%	4.5% - 5%	5.25% - 6.25%
Washington, D.C.	4% - 4.5%	5% - 5.5%	5% - 5.75%	5.25% - 5.75%

Midwest

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Chicago	4% - 4.5%	4.25% - 5%	4.25% - 4.75%	4.5% - 5.25%
Cincinnati	4.25% - 4.75%	4.75% - 5.25%	5.5% - 6%	6% - 6.5%
Detroit	4.5% - 5.25%	5.25% - 6%	5% - 6%	5.75% - 6.5%
Indianapolis	3.75% - 4.5%	4.5% - 5%	4% - 4.5%	4.75% - 5.25%
Kansas City	4.5% - 4.75%	4.75% - 5.25%	5% - 5.25%	5.25% - 5.75%
Milwaukee	4.5% - 5.25%	5% - 5.75%	4% - 4.75%	5% - 5.5%
Minneapolis	4.25% - 4.75%	5% - 5.25%	4.5% - 5%	5% - 5.5%
Omaha	-	4% - 6%	-	4% - 6%
St. Louis	4.5% - 5.25%	4.75% - 5.5%	5.25% - 5.5%	5.5% - 6%

Note: Survey results were collected from mid-November through December 2022 and may not reflect current market conditions.

Source: CBRE Research, H2 2022.

Multifamily Infill

South

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Atlanta	3.5% - 4%	4.5% - 5%	4% - 4.75%	5% - 5.5%
Austin	3.25% - 3.75%	3.75% - 4.25%	3.25% - 3.75%	3.75% - 4.25%
Charlotte	3.5% - 3.75%	4% - 4.75%	3.5% - 3.75%	4% - 4.75%
Dallas	3.25% - 3.75%	4% - 4.75%	3.75% - 4.5%	4% - 4.75%
Houston	3.5% - 4%	4% - 4.5%	4% - 4.75%	4.5% - 5%
Jacksonville	4% - 4.5%	4.75% - 5.75%	5% - 5.5%	5% - 6%
Miami	3.75% - 4.25%	3.75% - 4.5%	4% - 4.5%	4% - 4.75%
Nashville	3% - 3.5%	4% - 4.75%	3.75% - 4.5%	4.25% - 5%
Orlando	3.5% - 4.5%	4% - 4.75%	3.75% - 4.75%	4.25% - 5%
Raleigh-Durham	3.5% - 3.75%	4.25% - 4.75%	3.5% - 3.75%	4.75% - 5.25%
Richmond	3.5% - 5%	4.5% - 5.25%	-	4.25% - 5.5%
San Antonio	-	4% - 4.5%	-	4.25% - 4.75%
Tampa	3.5% - 4.25%	4.5% - 5%	-	4.75% - 5.25%
Tulsa	-	5.25% - 6%	-	5.25% - 6%

Note: Survey results were collected from mid-November through December 2022 and may not reflect current market conditions.

Source: CBRE Research, H2 2022.

West

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Albuquerque	4.25% - 4.75%	5% - 5.25%	-	5% - 5.25%
Boise	3% - 3.75%	4% - 5.25%	4.25% - 4.5%	4.25% - 5.5%
Denver	3.25% - 3.75%	4.75% - 5.25%	-	4.75% - 5.25%
Inland Empire	-	2.5% - 3.25%	-	2.75% - 3.75%
Las Vegas	3.5% - 3.75%	5% - 5.25%	-	5% - 5.25%
Los Angeles	3% - 3.5%	4% - 4.25%	-	-
Orange County	2.75% - 3.5%	4% - 4.5%	4% - 4.5%	4% - 4.25%
Phoenix	3% - 3.5%	5% - 5.25%	4% - 4.5%	5.75% - 6%
Portland	4.5% - 5%	4.5% - 5%	4.75% - 5.25%	4.5% - 5%
Salt Lake City	3.25% - 3.75%	4.75% - 5.25%	4.25% - 4.75%	4.75% - 5.75%
San Diego	3.5% - 4%	4% - 4.5%	4% - 4.5%	4.25% - 4.75%
San Francisco	3.5% - 4%	4.5% - 5%	4% - 4.5%	4.5% - 5.5%
San Jose	3.5% - 4%	4.25% - 4.75%	4% - 4.5%	4.25% - 4.75%
Seattle	3.75% - 4%	4% - 4.5%	4.25% - 4.75%	4.25% - 4.75%
Tucson	-	4.25% - 4.5%	-	4.5% - 4.75%

Multifamily Suburban

East

Market	Class A Stabilized		Class A Value-add	
	H1 2022	H2 2022	H1 2022	H2 2022
Baltimore	4.25% - 4.5%	5% - 5.5%	4.75% - 5.25%	4.75% - 5.5%
Boston	3.5% - 4%	5.5% - 6.5%	4% - 4.5%	5.25% - 6.5%
Northern New Jersey	4% - 4.75%	4.25% - 5%	4.75% - 5.25%	4.5% - 5.25%
Philadelphia	4.75% - 5.25%	4.75% - 5.25%	6.25% - 7.5%	5.25% - 5.75%
Stamford	4.5% - 5%	5% - 5.75%	4.75% - 5.25%	5.25% - 6.25%
Washington, D.C.	4.5% - 5%	5.25% - 5.75%	5.25% - 5.75%	5.5% - 6%

Midwest

Market	Class A Stabilized		Class A Value-add	
	H1 2022	H2 2022	H1 2022	H2 2022
Chicago	4.25% - 4.75%	4.5% - 5.25%	4.75% - 5.25%	5% - 5.5%
Cincinnati	4.25% - 4.75%	4.75% - 5.25%	5.5% - 6%	5.75% - 6.25%
Detroit	4.75% - 5.5%	5% - 6%	5% - 6%	5.5% - 6.5%
Indianapolis	3.75% - 4.5%	4.5% - 5%	4% - 4.5%	4.75% - 5.25%
Kansas City	4.5% - 4.75%	4.75% - 5.25%	5% - 5.25%	5.25% - 5.75%
Milwaukee	4.5% - 5.25%	5% - 5.75%	4% - 4.75%	5% - 5.5%
Minneapolis	4.5% - 4.75%	4.75% - 5%	4.75% - 5.25%	5% - 5.5%
St. Louis	4.5% - 5%	4.75% - 5.5%	5.25% - 5.5%	5.5% - 6.25%

Note: Survey results were collected from mid-November through December 2022 and may not reflect current market conditions.

Source: CBRE Research, H2 2022.

Multifamily Suburban

South

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Atlanta	3.75% - 4.5%	4.75% - 5.25%	4.25% - 5%	5.25% - 5.75%
Austin	3.25% - 3.75%	4% - 4.5%	3.25% - 3.75%	4% - 4.5%
Charlotte	3.5% - 3.75%	4.25% - 4.75%	3.5% - 3.75%	4.25% - 4.75%
Dallas	3.25% - 3.75%	4% - 5%	3.75% - 4.5%	4% - 4.75%
Houston	3.5% - 4%	4.5% - 5%	4.25% - 5%	5% - 5.5%
Jacksonville	4% - 4.5%	4.5% - 5.25%	5% - 5.5%	5% - 6%
Miami	3.75% - 4.25%	3.75% - 4.5%	4.5% - 5.25%	4% - 4.75%
Nashville	3% - 3.5%	4.25% - 5%	4% - 5.25%	4.5% - 5.5%
Orlando	3.5% - 4.5%	4.25% - 5%	3.75% - 4.75%	4.25% - 5%
Raleigh-Durham	3.5% - 3.75%	4.25% - 4.75%	3.5% - 3.75%	4.75% - 5.25%
Richmond	3.5% - 5%	4.75% - 5.5%	-	4.5% - 6%
San Antonio	-	4% - 4.5%	-	4.25% - 4.75%
Tampa	3.5% - 4.25%	4.5% - 5%	-	5% - 5.5%
Tulsa	-	5.25% - 6%	-	5.25% - 6%

West

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Albuquerque	4.5% - 4.75%	5.25% - 5.5%	-	5.75% - 6%
Boise	3.25% - 3.75%	4% - 5.25%	4.75% - 5.25%	4.25% - 5.5%
Denver	3.5% - 4%	4.75% - 5.25%	-	4.75% - 5.25%
Inland Empire	-	4% - 4%	-	-
Las Vegas	3.5% - 3.75%	4.75% - 5%	-	5% - 5.25%
Los Angeles	3% - 3.5%	3.5% - 4.25%	-	4.25% - 5.75%
Orange County	3% - 3.75%	4% - 4.75%	3.25% - 4.75%	4.25% - 4.75%
Phoenix	3% - 3.5%	5% - 5.25%	4.25% - 4.5%	5.75% - 6%
Portland	4% - 5%	4.5% - 5%	4.25% - 5.25%	4.5% - 5%
Salt Lake City	3.25% - 3.75%	4.75% - 5.25%	3.75% - 4%	4.75% - 5.75%
San Diego	3.75% - 4.25%	4% - 4.5%	4% - 4.25%	4.25% - 4.75%
San Francisco	-	4.5% - 5.5%	-	4.5% - 5.5%
San Jose	3.75% - 4.25%	4.25% - 4.75%	4% - 4.5%	4.25% - 4.75%
Seattle	4% - 4.25%	4.5% - 5%	4.25% - 4.75%	4.75% - 5%
Tucson	-	4.25% - 4.5%	-	4.25% - 4.75%

Note: Survey results were collected from mid-November through December 2022 and may not reflect current market conditions.

Source: CBRE Research, H2 2022.

Office Downtown

East

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Baltimore	-	7.75% - 8.5%	-	8.75% - 9.75%
Boston	5% - 5.5%	5.5% - 6%	6% - 6.5%	6% - 6.5%
Hartford	-	10% - 11%	-	13% - 14%
New York City	5% - 5.25%	5.5% - 6%	6.25% - 6.75%	6.5% - 7%
Philadelphia	6.5% - 7%	7% - 8.25%	9% - 10%	9.5% - 11%
Pittsburgh	7% - 7.5%	7% - 7.75%	8.5% - 9.5%	8.5% - 9.5%
Stamford	7.25% - 7.75%	7.5% - 8%	9.5% - 10%	9.75% - 10.25%
Washington, D.C.	5% - 5.5%	5.5% - 6%	6.25% - 6.75%	6.25% - 7.25%

Midwest

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Chicago	6% - 6.5%	6% - 6.75%	6.5% - 7.5%	6.75% - 7.75%
Detroit	8.75% - 9.5%	8.75% - 9.5%	9% - 10%	9% - 10%
Kansas City	7% - 8%	7.75% - 8.5%	7.5% - 8.5%	-
Minneapolis	6% - 6.75%	7% - 7.5%	7.5% - 8.5%	8.5% - 9.5%
Omaha	-	5% - 7%	-	4% - 8%
St. Louis	8.5% - 9%	8.5% - 9%	9% - 9.5%	8.75% - 9.75%

Note: Survey results were collected from mid-November through December 2022 and may not reflect current market conditions.

Source: CBRE Research, H2 2022.

Office Downtown

South

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Atlanta	5.25% - 5.5%	5.5% - 6%	7% - 8%	7.5% - 8.5%
Austin	4.5% - 5.5%	5.75% - 6.5%	6% - 6.75%	6.25% - 7%
Charlotte	5% - 5.75%	6% - 6.5%	7.5% - 8%	9% - 10%
Dallas	5.5% - 6.5%	6% - 6.75%	7% - 8%	8% - 8.5%
Houston	6% - 6.75%	6.25% - 7.5%	8% - 9%	8.75% - 9.75%
Miami	5% - 5.5%	5.5% - 6.25%	6.5% - 6.75%	6.25% - 7%
Nashville	5.75% - 6.75%	6.25% - 7.5%	7.5% - 8.5%	7% - 8.25%
Orlando	5.75% - 6.75%	6% - 7%	7% - 8%	7% - 8%
Raleigh-Durham	5% - 6%	7% - 8%	5.5% - 6.5%	7.5% - 8.5%
Richmond	6% - 7.5%	6.5% - 8%	-	7% - 9%
San Antonio	6.5% - 7%	6.75% - 7.75%	-	9.5% - 10.5%
Tampa	6% - 7%	6.25% - 7.25%	7% - 8%	7.25% - 8.25%

Note: Survey results were collected from mid-November through December 2022 and may not reflect current market conditions.

Source: CBRE Research, H2 2022.

West

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Albuquerque	7% - 8%	7.5% - 8.5%	9% - 10%	9% - 10%
Denver	5.5% - 6%	6.25% - 6.75%	6.75% - 7.5%	7% - 7.75%
Honolulu	7.5% - 7.5%	8.5% - 9%	8% - 8.5%	9% - 9.5%
Las Vegas	6% - 7%	7% - 7.5%	8% - 8.5%	6.5% - 7%
Los Angeles	4.75% - 5.5%	6.25% - 7%	5.5% - 6.5%	6.5% - 7%
Oakland	4.5% - 5.5%	6.5% - 7%	-	7.5% - 8%
Orange County	5.5% - 6%	6.25% - 7.25%	6% - 6.5%	-
Phoenix	5.75% - 7%	6% - 7%	6.75% - 8%	7% - 9%
Portland	5.75% - 6.25%	6% - 7.5%	6.5% - 7.5%	7.5% - 9%
Sacramento	6.5% - 7%	6.75% - 7.25%	7.5% - 8%	7.75% - 8.25%
Salt Lake City	5.5% - 6.5%	6% - 6.75%	6.5% - 7.25%	7.25% - 7.5%
San Diego	5.75% - 6.25%	6.75% - 7.25%	6.25% - 7%	6.25% - 7%
San Francisco	4.75% - 5.5%	6% - 6.75%	7.5% - 8.5%	7.5% - 8.25%
San Jose	5% - 6%	5.5% - 6.5%	7% - 8%	7.5% - 8.5%
Seattle	5% - 5.5%	5.25% - 6%	6% - 7%	6.5% - 7%

Office Suburban

East

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Baltimore	-	7.75% - 8.5%	-	8.75% - 9.75%
Boston	5.25% - 5.75%	6% - 6.5%	6% - 6.5%	6% - 6.75%
Hartford	-	10% - 11%	-	12% - 14%
Northern New Jersey	7.25% - 8%	7.5% - 8.25%	7.5% - 8%	7.75% - 8.25%
Philadelphia	7% - 7.75%	7.5% - 8.5%	8.25% - 9.25%	8.75% - 9.75%
Pittsburgh	8% - 8.75%	7.75% - 8.5%	9.25% - 10.25%	9.25% - 10.25%
Stamford	8% - 8.5%	8.25% - 8.75%	10.25% - 10.75%	10.5% - 11%
Washington, D.C.	6% - 6.75%	6% - 7.25%	6.5% - 8%	7% - 8.25%

Midwest

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Chicago	7.5% - 8.5%	8% - 8.75%	8% - 8.5%	8.25% - 8.75%
Detroit	8.5% - 9.5%	8.5% - 9.5%	8.75% - 9.75%	8.75% - 9.75%
Kansas City	6.75% - 7.25%	7.75% - 8.5%	7.5% - 8%	8% - 8.5%
Minneapolis	7% - 8%	7.75% - 8.5%	8.75% - 10%	9.25% - 10.25%
Omaha	-	5% - 7%	-	4% - 8%
St. Louis	7.75% - 8.25%	7.25% - 8%	8.5% - 9%	8% - 8.75%

Note: Survey results were collected from mid-November through December 2022 and may not reflect current market conditions.

Source: CBRE Research, H2 2022.

Office Suburban

South

Market	Class A Stabilized		Class A Value-add	
	H1 2022	H2 2022	H1 2022	H2 2022
Atlanta	6% - 7%	6.5% - 7.5%	7.5% - 9%	8% - 9%
Austin	5.25% - 6%	6% - 7%	6.25% - 7.25%	7% - 8%
Charlotte	5.75% - 6.5%	7.5% - 8%	7.75% - 8.5%	9% - 10%
Dallas	5.75% - 6.75%	6.25% - 7.25%	7% - 8.25%	7.75% - 8.5%
Houston	6.5% - 7.25%	6.5% - 7.5%	8.5% - 9.5%	9% - 10%
Miami	5.75% - 6.5%	6.5% - 7%	7% - 7.5%	7.25% - 7.75%
Nashville	6.5% - 7.5%	6.75% - 8%	7.5% - 8.5%	7.5% - 8.5%
Orlando	6.75% - 7.25%	7% - 7.75%	8% - 9%	7.75% - 8.75%
Raleigh-Durham	5% - 6%	7.25% - 7.75%	5.5% - 6.5%	7.5% - 8%
Richmond	6.5% - 7.75%	7% - 8.25%	-	7% - 8.5%
San Antonio	6.5% - 7%	6.75% - 8%	7.5% - 8.25%	9.5% - 10.5%
Tampa	7% - 7.75%	7.25% - 8%	8% - 8.75%	8.25% - 9%

Note: Survey results were collected from mid-November through December 2022 and may not reflect current market conditions.

Source: CBRE Research, H2 2022.

West

Market	Class A Stabilized		Class A Value-add	
	H1 2022	H2 2022	H1 2022	H2 2022
Albuquerque	7.5% - 8.25%	7.75% - 8.5%	9% - 10%	9% - 10%
Denver	6.75% - 7.25%	7% - 7.5%	7.25% - 8.25%	7.5% - 8.5%
Honolulu	7.5% - 7.75%	8.5% - 9%	8% - 8.5%	9% - 9.5%
Inland Empire	6% - 7%	7% - 7.5%	8% - 9%	8.5% - 9.5%
Las Vegas	6% - 7%	7% - 7.5%	8% - 8.5%	6.5% - 7%
Los Angeles	5% - 5.75%	6% - 6.5%	5.75% - 6.5%	6.5% - 7.5%
Oakland	6% - 7%	6.5% - 7%	-	7.5% - 8%
Orange County	5.5% - 6.5%	6.5% - 7.5%	6.25% - 6.75%	-
Phoenix	5.75% - 7%	6% - 7%	6.75% - 8%	7% - 8%
Portland	6% - 6.5%	6.25% - 7.75%	7% - 8%	7.5% - 8.5%
Sacramento	6.5% - 7%	7% - 7.5%	7.5% - 8%	8% - 8.5%
Salt Lake City	6.75% - 7.25%	6.25% - 7%	7% - 7.5%	7.25% - 7.5%
San Diego	5.75% - 6.25%	6.75% - 7.25%	6.5% - 7%	6.25% - 7%
San Francisco	-	7.25% - 8%	-	9% - 9%
San Jose	5% - 6%	6% - 7%	6.5% - 7.5%	6.5% - 8.5%
Seattle	5.5% - 6.25%	5.75% - 6.5%	6.5% - 7.75%	7% - 8.5%

Industrial

East

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Allentown	3.75% - 4.5%	4.5% - 5.5%	4.5% - 5.25%	5% - 6%
Baltimore / Washington, D.C.	3.75% - 4.5%	4.75% - 5.5%	4.5% - 5.25%	5.75% - 6.5%
Boston	3.25% - 3.5%	4.5% - 5.5%	4.5% - 5.25%	5% - 6%
Northern New Jersey	3.25% - 3.5%	4% - 4.5%	3.75% - 4.25%	4.75% - 5.5%
PA I-78/81 Corridor	4.5% - 5.25%	5% - 6%	5% - 5.75%	5.5% - 6.5%
Philadelphia	3.75% - 4.25%	4.5% - 5.5%	4.5% - 5.25%	5% - 6%
Pittsburgh	4.25% - 5.25%	5.25% - 6.25%	5% - 5.75%	5.75% - 6.75%
Stamford	4% - 4.75%	5% - 5.5%	4.75% - 5.25%	5.75% - 7%

Midwest

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Chicago	3.75% - 4.5%	5.25% - 5.75%	4.75% - 5.25%	5.75% - 6.25%
Cincinnati	4% - 4.5%	5.5% - 6%	4.75% - 5.25%	6% - 6.5%
Cleveland	5% - 5.5%	6.25% - 6.75%	5.75% - 6.25%	6.75% - 7.25%
Columbus	4% - 4.5%	5.5% - 6%	4.75% - 5.25%	6% - 6.5%
Detroit	5% - 5.5%	6.25% - 6.75%	5.75% - 6.25%	6.75% - 7.25%
Indianapolis	4.25% - 4.75%	5.5% - 6%	4.75% - 5.25%	6% - 6.5%
Kansas City	4.5% - 4.75%	5.75% - 6.25%	5.25% - 5.5%	6.25% - 6.75%
Louisville	4% - 4.5%	5.5% - 6%	4.5% - 5%	6% - 6.5%
Milwaukee	4.5% - 4.75%	6% - 6.5%	5.5% - 6%	6.5% - 7%
Minneapolis	4.5% - 5%	5.5% - 6%	5% - 5.25%	6% - 6.5%
Omaha	-	5% - 7%	-	4% - 6%
St. Louis	4.75% - 5.25%	5.75% - 6%	5.25% - 5.5%	6.25% - 6.75%

Note: Survey results were collected from mid-November through December 2022 and may not reflect current market conditions.

Source: CBRE Research, H2 2022.

Industrial

South

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Atlanta	3.5% - 4%	4.75% - 5.25%	4.25% - 4.75%	5.5% - 6%
Austin	3.5% - 4.5%	4.75% - 5.75%	4% - 5%	5.5% - 6.25%
Charleston	4.25% - 4.5%	5.25% - 5.75%	4.5% - 5%	5.75% - 6.25%
Charlotte	3.75% - 4.25%	5.25% - 5.75%	4.25% - 4.75%	5.75% - 6.25%
Dallas	3.25% - 3.75%	4.75% - 5.75%	3.75% - 4.5%	5.25% - 6.25%
El Paso	4.75% - 5.5%	5.25% - 6%	5.5% - 6.25%	5.75% - 6.75%
Houston	4% - 4.5%	4.75% - 5.75%	4.25% - 5%	5.25% - 6.25%
Jacksonville	4.25% - 4.75%	5.25% - 5.75%	4.5% - 5%	5% - 6%
Memphis	4.25% - 4.75%	5.75% - 6.25%	4.5% - 5%	6% - 6.5%
Miami	3.5% - 3.75%	4.25% - 4.75%	3.75% - 4.25%	5% - 5.5%
Nashville	4% - 4.5%	5% - 5.5%	4.5% - 5%	5.5% - 6%
Norfolk	4% - 5%	5% - 5.5%	5.75% - 6.5%	5.75% - 6.5%
Oklahoma City	5% - 6%	5.75% - 6.75%	6% - 7%	6% - 7.25%
Orlando	3.75% - 4%	5% - 5.5%	4% - 4.5%	5.5% - 6%
Richmond	4.5% - 5.5%	5% - 5.5%	5.75% - 6.5%	5.75% - 6.5%
San Antonio	4% - 4.75%	5% - 6%	4.5% - 5.5%	5.5% - 6.5%
Savannah	4% - 4.5%	5% - 5.5%	4% - 4.5%	5.75% - 6.25%
Tampa	3.75% - 4.25%	5.25% - 5.75%	4% - 4.5%	5.75% - 6.25%
Tulsa	5.5% - 6.25%	6% - 7%	6.5% - 7.25%	6.25% - 7.5%

West

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022	Class A Value-add H1 2022	Class A Value-add H2 2022
Boise	4% - 4.5%	5% - 5.75%	4.75% – 5.25%	5.5% - 6.25%
Central Valley	3.5% - 4.25%	5% - 5.75%	4.75% – 5.75%	5.5% - 6.25%
Denver	3.5% - 4.5%	4.75% - 5.5%	4% - 5%	4.75% - 6%
Honolulu	4.25% - 4.75%	5% - 5.75%	4.75% – 5.75%	5.5% - 6.25%
Las Vegas	3.25% - 4%	4.5% - 5.25%	4% - 4.5%	5% - 5.75%
Oakland	3% - 3.75%	4.25% - 5%	3.5% -4.25%	4.75% - 5.5%
Phoenix	3.5% - 4%	4.75% - 5.5%	4.25% - 4.75%	5.25% - 6%
Portland	3.5% - 4.25%	4.75% - 5.5%	4% - 4.5%	5.25% - 6%
Reno	3.5% - 4.25%	5% - 5.75%	4% - 5%	5.5% - 6.25%
Sacramento	3.75% - 4.5%	5% - 5.75%	4.5% - 5%	5.5% - 6.25%
Salt Lake City	3.5% - 4%	4.75% - 5.5%	4% - 4.5%	5.25% - 6%
San Diego	3.25% - 4%	4.5% - 5.25%	3.75% - 4.25%	4.5% - 5.5%
San Jose	3% - 3.75%	4.5% - 5.5%	3.5% -4.25%	4.75% - 5.5%
Seattle	3.25% - 4%	4.25% - 5%	3.5% -4.25%	4.75% - 5.5%
Southern California	3% - 3.75%	4.25% - 5%	3.5% -4.25%	4.75% - 5.5%

Note: Survey results were collected from mid-November through December 2022 and may not reflect current market conditions.

Source: CBRE Research, H2 2022.

Retail

East

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022
New York City	5% - 5.5%	5.75% - 6.5%
Northern New Jersey	5% - 5.5%	5.25% - 5.75%
Philadelphia	6% - 7.25%	6.5% - 7.5%
Stamford	5% - 5.5%	5.5% - 7.5%
Washington, D.C.	5% - 6%	5.5% - 6.5%

Midwest

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022
Chicago	5.5% - 6.25%	5.75% - 6.75%
Cincinnati	6.25% - 7.25%	7% - 8%
Cleveland	6.25% - 7.25%	7% - 8%
Columbus	6% - 7%	7% - 8%
Detroit	6.25% - 7.25%	6.75% - 7.75%
Indianapolis	6% - 7%	7% - 8%
Kansas City	6% - 7%	7% - 8%
Louisville	-	7% - 8%
Milwaukee	6.25% - 7.25%	7% - 8%
Minneapolis	5.5% - 6.5%	5% - 6.5%
Omaha	-	5% - 8%
St. Louis	6.25% - 7.25%	6.75% - 7.75%

Note: Survey results were collected from mid-November through December 2022 and may not reflect current market conditions.

Source: CBRE Research, H2 2022.

Retail

South

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022
Atlanta	5% - 6%	5.75% - 6.5%
Austin	5.25% - 6%	5.25% - 6%
Charlotte	5% - 5.75%	5.75% - 6.5%
Dallas	-	6% - 6.75%
Fort Lauderdale	4.5% - 5.5%	5.5% - 6.5%
Jacksonville	4.5% - 5.5%	5.75% - 6.5%
Miami	4.5% - 5.5%	5.5% - 6.5%
Nashville	-	6.25% - 7%
Orlando	4.5% - 5.5%	5.25% - 6.25%
Richmond	5.25% - 6.25%	5% - 6%
San Antonio	6% - 7%	6.75% - 7.75%
Tampa	4.5% - 5.5%	5.75% - 6.75%
West Palm Beach	4.5% - 5.5%	5.5% - 6.5%

West

Market	Class A Stabilized H1 2022	Class A Stabilized H2 2022
Albuquerque	6.75% - 7.25%	7% - 7.75%
Denver	5% - 5.5%	5.5% - 6%
Inland Empire	5% - 5.5%	5.75% - 6.5%
Las Vegas	5.5% - 6%	6.75% - 7%
Los Angeles	4% - 6%	4.25% - 5%
Orange County	-	5% - 6%
Phoenix	5.75% - 6.25%	6% - 6.5%
Salt Lake City	5.25% - 6%	5% - 5.75%
San Diego	4.5% - 5%	5% - 6%
San Jose	-	5% - 6%
Seattle	5% - 6.25%	5.5% - 7%

Note: Survey results were collected from mid-November through December 2022 and may not reflect current market conditions.

Source: CBRE Research, H2 2022.

Hotel

Market	Full Service /Branded			Limited Service / Branded		
	Resort	City Center	Other	Resort	City Center	Other
Atlanta	6.5% - 7.5%	7.5% - 8.5%	8% - 9%	7% - 8%	7.5% - 8.5%	8% - 9%
Austin	6.25% - 7.75%	6.75% - 8%	7% - 8.5%	6.75% - 8%	7% - 8.5%	7.5% - 9%
Boston	5.75% - 9%	5.5% - 8.5%	6.75% - 9.75%	5.75% - 8.75%	6% - 9.25%	6.75% - 10.75%
Charlotte	5% - 7%	5% - 7%	6% - 8%	5% - 7%	6% - 8%	7.5% - 9.5%
Chicago	6% - 8%	8% - 9%	8% - 10%	7% - 9%	7.5% - 8.5%	8% - 9%
Columbus	-	7.25% - 8.25%	8% - 8.75%	-	7.5% - 8.25%	8.25% - 9%
Dallas	6.75% - 8.25%	7% - 8.5%	7.25% - 8.75%	7% - 8.5%	7% - 8.5%	7.75% - 9.25%
Denver	5.75% - 6.5%	7.5% - 8.25%	7.75% - 8.75%	6.75% - 7.5%	7.75% - 8.5%	8% - 8.75%
Detroit	7% - 8.5%	7.5% - 9%	8% - 9.5%	7.5% - 9%	8% - 9.5%	8% - 10%
Houston	7% - 8.5%	7.25% - 8.75%	7.5% - 9%	7.25% - 8.75%	7.75% - 9.25%	8.25% - 9.75%
Las Vegas	7% - 7.5%	7.5% - 8%	8% - 8.5%	8% - 8.5%	8.5% - 9%	8.5% - 9%
Los Angeles	4.5% - 6%	6.25% - 7.5%	6.5% - 7.75%	5.5% - 6.75%	6.5% - 7.75%	7% - 8.5%
Miami	5.5% - 7%	6.5% - 7.5%	6.75% - 8%	7% - 8.25%	8% - 9%	8.5% - 9%

Market	Full Service /Branded			Limited Service / Branded		
	Resort	City Center	Other	Resort	City Center	Other
New Orleans	7.25% - 8.75%	7.25% - 8.75%	7.5% - 8.75%	7.5% - 8.75%	7.5% - 9%	7.75% - 9.25%
New York City	4.5% - 7.5%	5% - 9%	6% - 10%	-	6.5% - 10%	7% - 11%
Orange County	4.75% - 6%	6% - 7.5%	6% - 7.75%	4.75% - 6%	7% - 8%	6.5% - 8%
Orlando	6% - 7%	7% - 7.75%	7.5% - 8%	6.75% - 7.5%	8.5% - 9%	8.5% - 9.25%
Philadelphia	6.5% - 7.5%	6.5% - 8.5%	7% - 8.5%	6.5% - 7.5%	7.5% - 8.5%	7.5% - 8.5%
Phoenix	6.5% - 8%	6% - 7.5%	7% - 8.5%	6.5% - 8%	6.5% - 8.5%	6.5% - 8.25%
Sacramento	5% - 7%	6.75% - 8.5%	6.75% - 8.5%	5% - 7%	7.25% - 9%	7.25% - 9%
San Antonio	7% - 8.5%	7% - 8.5%	7.5% - 9%	7.25% - 8.75%	7.25% - 9%	7.75% - 9.25%
San Diego	5% - 6.75%	6% - 7.75%	6.25% - 8%	5.75% - 7%	6.5% - 8%	6.75% - 8.75%
San Francisco	5% - 5.5%	5% - 6%	5.5% - 6.5%	5% - 5.5%	6.5% - 7.5%	7% - 8%
Seattle	6.5% - 7.5%	6% - 6.5%	7% - 8%	6.5% - 7.5%	6.5% - 7.5%	7% - 8%
Washington, D.C.	5% - 6%	5.5% - 6.5%	6.5% - 8%	5.75% - 6.75%	6.5% - 8%	7% - 8.5%

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Source: CBRE Research, H2 2022.

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