

2019 BROKER SENTIMENT SURVEY

NOVEMBER 2018

Transwestern’s annual broker survey projects that the U.S. commercial real estate market will continue to perform well in 2019. This sentiment is buoyed by the results of the 2018 elections, as Congressional gridlock reduces the likelihood of political or economic policy changes and raises expectations for continued, albeit slower economic growth. Strong consumer and business confidence and record job growth is contributing to healthy commercial real estate fundamentals across nearly every property type, with strong liquidity from both debt and equity.

OFFICE

Transwestern’s U.S. office index, based on survey results, averaged 111.2 for 2019 market conditions, down slightly from 112.9 for the 2018 outlook. Although above 100, the result reflects flat conditions.

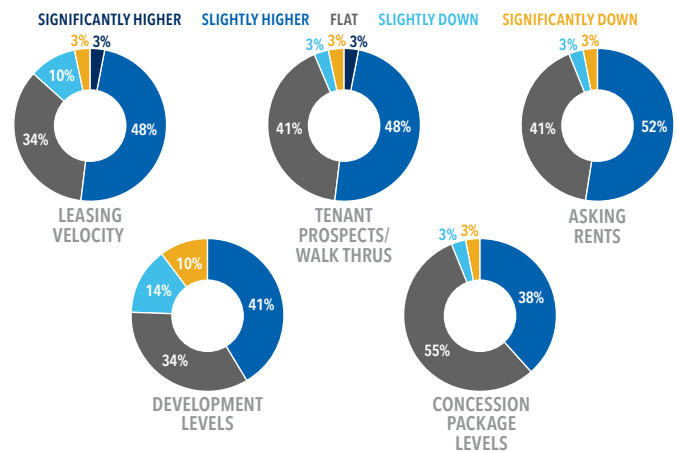
Over half of the respondents, at 52%, believe that leasing velocity, tenant walk throughs, and asking rents in the U.S. office market will be slightly to significantly higher in 2019. These factors will be driven primarily by continued economic expansion, lease expirations coming due, and rising interest rates.

Amenities will continue to spur tenant interest. Respondents noted access to transportation or parking was of greatest importance to their clients, followed by reliable Wi-Fi services and walkability to dining, retail and other amenities. Least important amenities included bike lockers, coworking space, and vehicle charging stations.

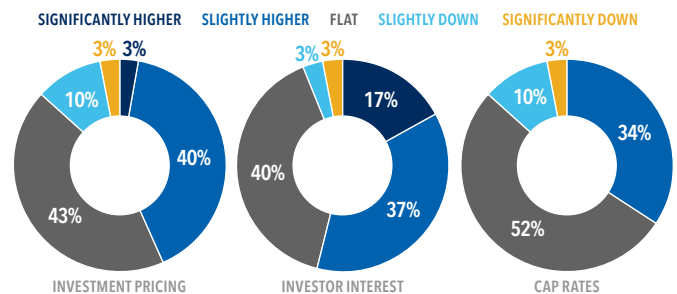
Approximately 76% of respondents expect development levels to be flat or slightly higher in 2019, with select markets showing concern of oversupply and rising construction costs.

Expectations for concession packages offered by landlords vary greatly, based on the local market, but most respondents, 55%, expect flat conditions.

OFFICE MARKET INDICATORS 2019 OUTLOOK



OFFICE INVESTMENT SALES INDICATORS 2019 OUTLOOK

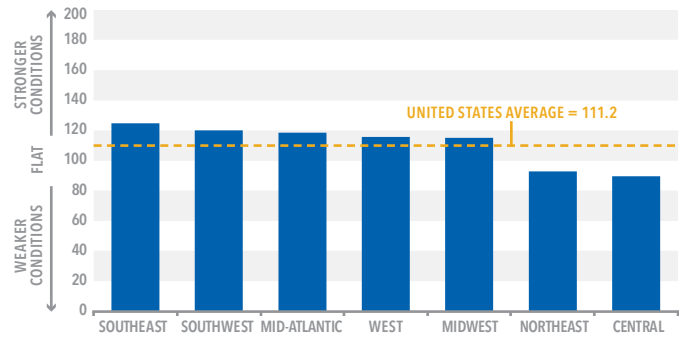


87% of respondents expect investment pricing to be flat or to rise in 2019.

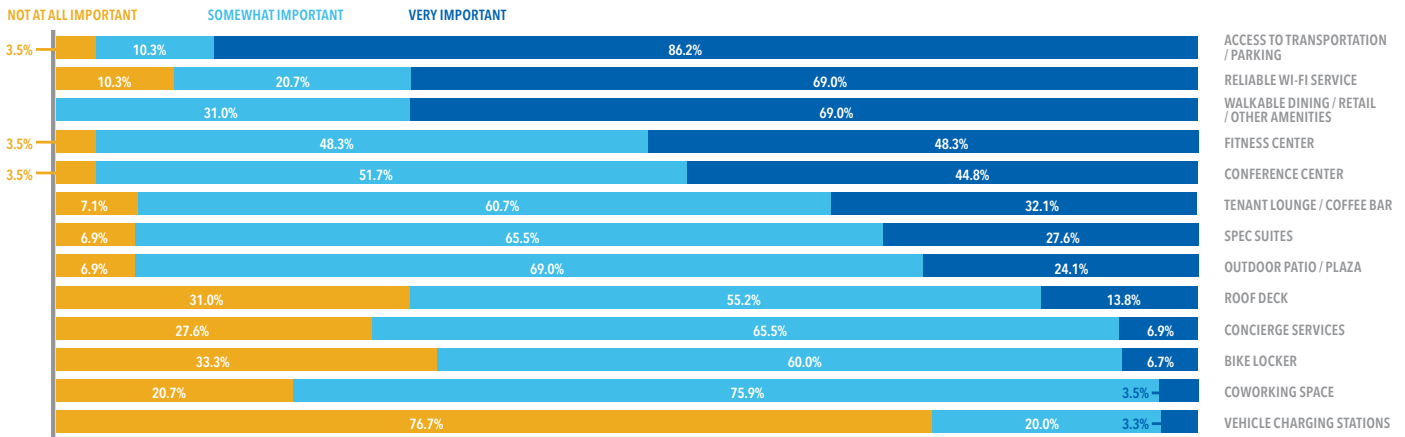
Just over half of respondents expect investor interest to rise, but 52% anticipate cap rates will remain flat.

Regions anticipated to have the strongest office market conditions in 2019 include the Southeast, Southwest, and Mid-Atlantic.

OFFICE MARKET INDEX BY REGION



AMENITIES DESIRED BY U.S. OFFICE TENANTS



MEDICAL OFFICE

The U.S. index averaged 117.2 for 2019 medical office market conditions, which is considered relatively flat conditions.

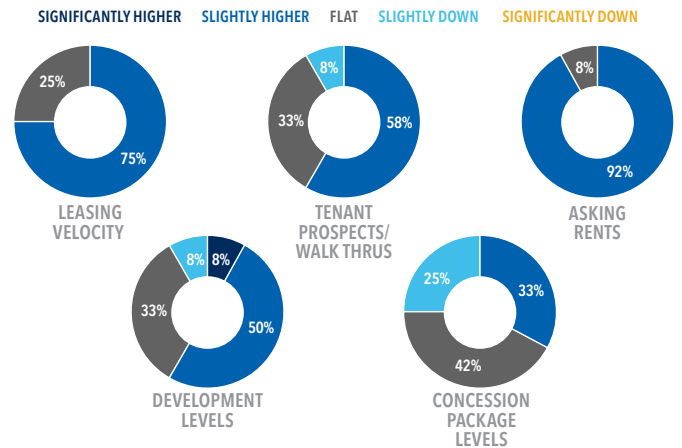
Leasing activity, tenant walk throughs, asking rents and development in the medical office sector are all expected to increase next year. Notably, over 90% of respondents expect asking rents to be slightly higher in 2019, driven by leasing activity. Respondents expect a growing and aging population to drive demand.

Of concern for respondents is healthcare reform and the impact to the market.

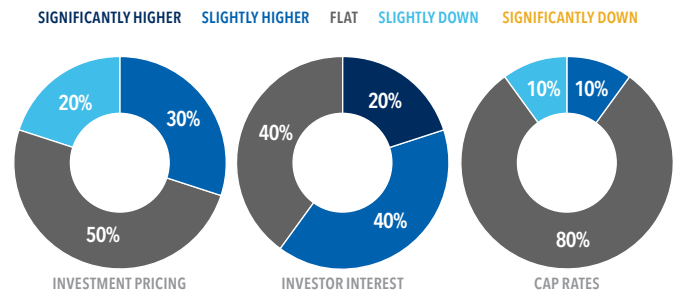
Most agree that there will be little, if any, change in concession package levels for medical office space.

80% of respondents predict cap rates in the medical office sector will be flat compared to 2018, with most expecting investor interest to rise over the year.

MEDICAL MARKET INDICATORS 2019 OUTLOOK



MEDICAL INVESTMENT SALES INDICATORS 2019 OUTLOOK



INDUSTRIAL

The U.S. index averaged 122.1 for 2019 industrial market conditions, down slightly from 130.9 for the 2018 outlook.

Tenant walk throughs, asking rents and development in the industrial sector are all expected to be higher next year. Respondents expect e-commerce, a growing population that is demanding consumer goods, and strengthening economic conditions to be drivers.

Of concern for respondents are rising construction prices and lack of available product.

Most agree that there will be little, if any, change in concession package levels for industrial space.

One-third of respondents predict cap rates in the industrial sector will be down slightly from 2018 levels, with half expecting rates to remain flat.

72% of respondents expect higher investment interest in 2019, as the industrial market strengthens and select REITs shift focus away from office to industrial properties.

Regions anticipated to have the strongest industrial market conditions in 2019 include the Northeast and Mid-Atlantic.

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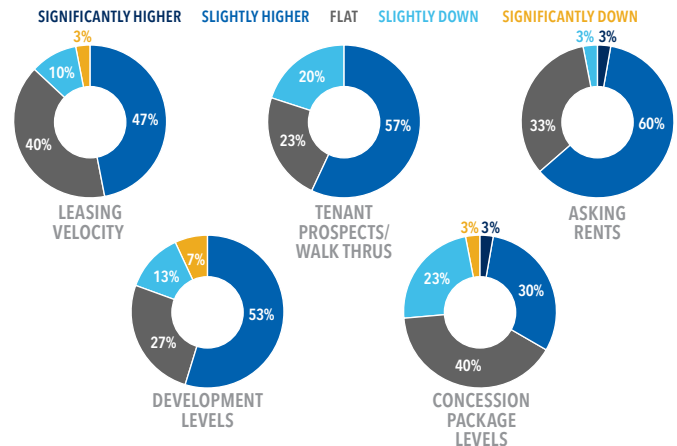
Transwestern advises clients on real estate strategy, lease-up and disposition of commercial assets, property and project management, portfolio strategy, debt and equity financing, and development.

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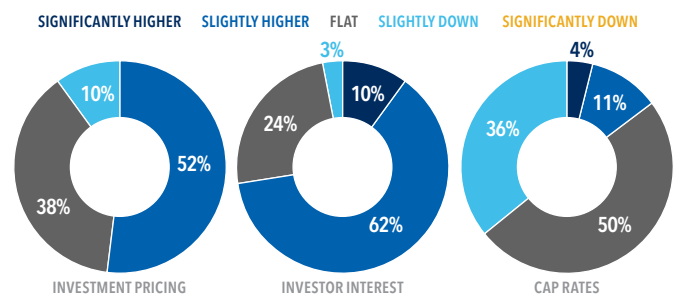
INDUSTRIAL MARKET INDICATORS

2019 OUTLOOK



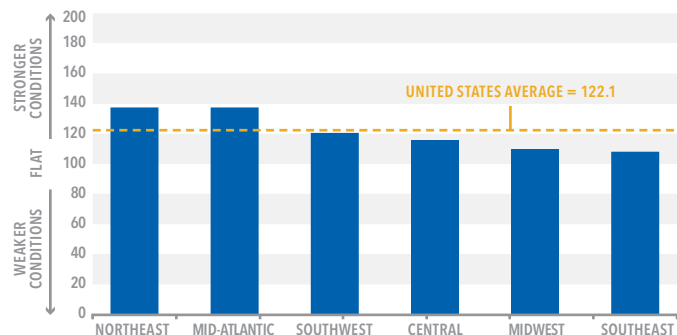
INDUSTRIAL INVESTMENT SALES INDICATORS

2019 OUTLOOK



INDUSTRIAL MARKET INDEX

BY REGION



TRANSWESTERN RESEARCH

In markets across the country, Transwestern research professionals produce sophisticated data analyses, local market reports and insight on national trends that help clients make informed real estate decisions.