

Markets to Watch

“Opportunities still exist within most markets. A number of investors view markets with challenges as **opportunities waiting to happen.”**

“There are great deals in weak markets and really lousy deals in strong markets.” This is the opinion of a pension fund adviser regarding how they are now choosing markets. One thing is coming through loud and clear from the *Emerging Trends* interviews: you can find opportunities in any of the markets in this year’s survey, whether the market is number-one Austin or number-78 Buffalo. It all comes down to your strategy, risk tolerance, return requirements, and access to deals. If the markets are the squares on the chessboard and the property sectors the pieces, then there is an almost infinite combination of moves that can be made.

2017 Market Rankings

“We love warehouse in secondary markets in the middle of the country—markets like St. Louis, Nashville, Indianapolis, and Cincinnati. These markets are finding a place in the distribution chain.”

Emerging Trends in Real Estate® survey respondents shuffled the markets a little for 2017. Austin, which has been a fixture in the top ten for the past few years, is getting its turn at the top, after switching positions with Dallas/Fort Worth at the top of the survey. Austin becomes the third consecutive Texas market to lead the survey following previous number-one markets Houston and Dallas/Fort Worth.

The composition of the top 20 markets reflects the underlying themes conveyed by this year’s interviewees. Market participants like the potential for faster growth, with seven of the top ten markets exhibiting economic growth easily exceeding the national average. Another theme expressed by interviewees and survey respondents is a renewed interest in the perceived stability of core gateway markets, with Los Angeles and San

Francisco still being ranked in the top ten and with three others still ranked in the top 20. The reason typically given for not including a core market in the top ten is the current pricing of assets in the market. A pension fund adviser opined, “The core markets are still relatively attractive from an economic standpoint, but the pricing in these markets makes you take a look at some other alternatives.” Are there secondary markets ready to join the big six? Interviewees continue to express interest in the “next tier,” or the next five to seven markets that can be added to the existing six core markets. These additional markets have always been popular with domestic investors, but are also seeing rising interest from nondomestic investors.

When we look at where the top markets are located, it is pretty clear that survey respondents are still “smiling.” Seventeen of the top 20 markets lie in the mythical smile that runs down both coasts and across the southern tier of American states, with Denver and Salt Lake City in the mountain region and with Chicago representing the center of the country. The smile markets may dominate the top 20 list, but a positive from this year’s survey is a generally positive outlook for markets in all regions.

Market Summaries

The reader spoke and we listened. The interest in what is going on in all markets continues to increase, so the 2017 edition of *Emerging Trends in Real Estate®* is offering an expanded look at all 78 markets included in this year’s survey. Key to this expansion was the ULI district councils’ convening of 30 focus groups during which market experts contributed their knowledge and insights. This expertise is also referenced throughout the rest of the report.

Exhibit 3-1 U.S. Markets to Watch: Overall Real Estate Prospects

	Investment	Development		Investment	Development
1 Austin (3, 1)	3.76	3.61	40 Houston (40, 46)	3.04	2.47
2 Dallas/Fort Worth (1, 5)	3.78	3.52	41 Cincinnati (42, 40)	2.74	2.64
3 Portland, OR (8, 2)	3.69	3.59	42 Columbus (43, 41)	2.64	2.58
4 Seattle (2, 8)	3.77	3.49	43 Palm Beach (46, 43)	2.62	2.54
5 Los Angeles (6, 6)	3.71	3.52	44 New York—other boroughs (41, 50)	2.75	2.37
6 Nashville (9, 3)	3.67	3.55	45 Sacramento (48, 44)	2.57	2.49
7 Raleigh/Durham (13, 4)	3.65	3.53	46 Boise (53, 42)	2.51	2.55
8 Orange County (5, 10)	3.73	3.45	47 Jacksonville (50, 45)	2.53	2.48
9 Charlotte (12, 7)	3.65	3.52	48 Kansas City, MO (44, 51)	2.63	2.37
10 San Francisco (7, 13)	3.70	3.45	49 Westchester, NY/Fairfield, CT (47, 47)	2.58	2.42
11 Denver (15, 9)	3.64	3.47	50 Detroit (45, 54)	2.63	2.35
12 Boston (10, 14)	3.67	3.44	51 Louisville (49, 49)	2.55	2.39
13 New York—Manhattan (4, 20)	3.75	3.34	52 Honolulu (51, 52)	2.52	2.36
14 Oakland/East Bay (16, 12)	3.63	3.45	53 St. Louis (56, 48)	2.44	2.41
15 Atlanta (11, 15)	3.66	3.42	54 Oklahoma City (55, 56)	2.46	2.33
16 New York—Brooklyn (14, 19)	3.64	3.37	55 Cleveland (57, 57)	2.44	2.33
17 San Jose (20, 11)	3.56	3.45	56 Knoxville (58, 58)	2.43	2.31
18 Salt Lake City (18, 17)	3.59	3.39	57 Des Moines (59, 53)	2.38	2.36
19 Chicago (17, 21)	3.59	3.33	58 Madison (54, 60)	2.47	2.24
20 Tampa/St. Petersburg (23, 16)	3.52	3.41	59 New Orleans (52, 64)	2.51	2.18
21 Phoenix (19, 23)	3.58	3.31	60 Cape Coral/Fort Myers/Naples (63, 59)	2.33	2.27
22 Orlando (27, 18)	3.49	3.37	61 Las Vegas (61, 65)	2.36	2.18
23 San Diego (24, 22)	3.52	3.31	62 Tucson (65, 62)	2.3	2.22
24 Washington, DC—District (21, 28)	3.55	3.25	63 Gainesville (73, 55)	2.16	2.33
25 Miami (25, 26)	3.51	3.27	64 Albuquerque (67, 63)	2.28	2.21
26 Indianapolis (26, 27)	3.50	3.27	65 Milwaukee (68, 61)	2.26	2.23
27 Philadelphia (22, 30)	3.53	3.23	66 Tallahassee (60, 68)	2.38	2.11
28 Pittsburgh (29, 25)	3.42	3.28	67 Memphis (66, 66)	2.29	2.17
29 Washington, DC—Northern VA (30, 29)	3.42	3.24	68 Birmingham (62, 70)	2.33	2.01
30 Northern New Jersey (28, 32)	3.47	3.17	69 Richmond (71, 67)	2.18	2.16
31 Charleston (32, 24)	3.35	3.29	70 Omaha (69, 69)	2.19	2.07
32 San Antonio (31, 31)	3.36	3.22	71 Spokane, WA/Coeur d'Alene, ID (64, 77)	2.31	1.84
33 Washington, DC—MD suburbs (34, 33)	3.32	3.13	72 Tacoma (70, 73)	2.18	1.96
34 Baltimore (33, 34)	3.33	3.06	73 Portland, ME (72, 72)	2.16	1.96
35 Fort Lauderdale (35, 35)	3.25	3.05	74 Virginia Beach/Norfolk (75, 71)	1.99	1.98
36 Inland Empire (38, 36)	3.19	3.03	75 Providence (74, 75)	2.04	1.88
37 Greenville (37, 37)	3.20	3.00	76 Deltona/Daytona Beach (76, 74)	1.97	1.93
38 Minneapolis/St. Paul (36, 38)	3.24	2.93	77 Hartford (77, 78)	1.9	1.76
39 Long Island (39, 39)	3.04	2.66	78 Buffalo (78, 76)	1.75	1.87

Note: Numbers in parentheses are rankings for, in order, investment and development.

Source: *Emerging Trends in Real Estate 2017* survey.

South Central

"In a compressed cap rate environment with low interest rates, I like markets that can generate attractive cash-on-cash returns. That is very difficult in the gateway markets, but more possible in markets like Dallas and Austin."

Austin (1). The capital of Texas has consistently ticked the majority of the top boxes related to recent real estate market attractiveness. The market has benefited from a diverse economy that was affected in a minimal way by the global financial crisis, a growing population base made up of an educated labor force,

and the undeniable "hip" factor that makes Austin attractive to the millennial-dominated workforce.

Despite Austin's growing popularity, it remains a comparatively small market in terms of investment opportunities. While Austin is unlikely to attract a meaningful amount of off-shore capital, it tops many domestic investors' wish lists. This makes the market very competitive. Despite the amount of competition, local, regional, and national real estate participants operate in relative harmony in the market. This cooperation has helped keep adequate levels of debt and equity capital available for investment opportunities.

Exhibit 3-2 U.S. Markets to Watch: Homebuilding Prospects

1	Raleigh/Durham	4.31	40	Knoxville	3.00
2	Charleston	4.25	41	Memphis	3.00
3	Portland, OR	4.19	42	Tacoma	2.98
4	Nashville	4.06	43	Detroit	2.97
5	Orange County	4.06	44	Cincinnati	2.88
6	Tampa/St. Petersburg	4.00	45	Long Island	2.81
7	Washington, DC—District	4.00	46	Cleveland	2.80
8	Philadelphia	4.00	47	Boise	2.80
9	Dallas/Fort Worth	3.95	48	Oklahoma City	2.80
10	Los Angeles	3.93	49	Milwaukee	2.80
11	Austin	3.88	50	Spokane, WA/Coeur d'Alene, ID	2.80
12	Seattle	3.88	51	Providence	2.80
13	Charlotte	3.86	52	Baltimore	2.79
14	Boston	3.84	53	St. Louis	2.75
15	Oakland/East Bay	3.83	54	Columbus	2.70
16	Washington, DC—MD suburbs	3.83	55	Westchester, NY/Fairfield, CT	2.63
17	Denver	3.81	56	Louisville	2.63
18	Orlando	3.80	57	Palm Beach	2.57
19	Atlanta	3.79	58	Fort Lauderdale	2.54
20	Salt Lake City	3.76	59	Cape Coral/Fort Myers/Naples	2.54
21	Indianapolis	3.72	60	Des Moines	2.52
22	Washington, DC—Northern VA	3.72	61	Richmond	2.50
23	San Antonio	3.72	62	Miami	2.45
24	San Jose	3.67	63	Hartford	2.45
25	Las Vegas	3.66	64	Greenville	2.40
26	Phoenix	3.62	65	New York—Brooklyn	2.37
27	San Francisco	3.62	66	New York—other boroughs	2.28
28	Chicago	3.59	67	Madison	2.28
29	San Diego	3.55	68	Albuquerque	2.22
30	Northern New Jersey	3.41	69	Tucson	2.10
31	Kansas City, MO	3.38	70	Birmingham	2.10
32	Pittsburgh	3.33	71	Portland, ME	2.10
33	Honolulu	3.27	72	New Orleans	2.06
34	Jacksonville	3.26	73	Tallahassee	2.00
35	Minneapolis/St. Paul	3.25	74	Omaha	1.88
36	New York—Manhattan	3.23	75	Gainesville	1.88
37	Inland Empire	3.15	76	Buffalo	1.75
38	Sacramento	3.12	77	Virginia Beach/Norfolk	1.75
39	Houston	3.08	78	Deltona/Daytona Beach	1.75

Source: *Emerging Trends in Real Estate 2017* survey.

The interest in Austin has spawned a phrase that rivals the city's own "Keep Austin weird" slogan. The real estate equivalent is: "I want to find the next Austin." This reputation does, however, come at a price. ULI focus group participants expressed concern about transportation issues that continue to be a problem in a rapidly growing market. In addition, the cost of living and the cost of doing business in Austin have been on the rise. While these costs are still competitive with those seen in other top secondary markets, the uptick has not gone unnoticed in the market.

The 2017 outlook for major property sectors remains good. The housing market, both multifamily and single-family, appears to be making adjustments to match supply with the requirements and locations desired by the changing population base. To address transportation concerns, the market is likely to continue to see more mixed-use development not only to bring compatible uses together, but also to enhance the experiential feel of developments. Austin remains focused on encouraging an environment where local and national tenants can coexist.

Dallas/Fort Worth (2). The Dallas/Fort Worth metro area is once again near the top of the *Emerging Trends in Real Estate*® rankings. Dallas/Fort Worth may well be an 18-hour market that is rapidly approaching the level where it is considered as a core primary market. The economy survived the global financial crisis better than most other U.S. markets, and real estate fundamentals continue to avoid the boom/bust behavior that has plagued the market in the past.

The Dallas/Fort Worth area is perceived as a business-friendly environment that offers an attractive cost of doing business, an adequate and well-educated workforce, and world-class transportation access by air, rail, and road. The labor force continues to be supported by an attractive cost of living that continues to attract in-migration. The economy has continued to diversify and has exposure to growing medical facilities and an expanding technology sector. A number of colleges and universities in the metro area support the education level of the workforce, while coordination with the community college network is used to train workers for positions that do not require a four-year college degree.

The Dallas/Fort Worth metro area has avoided becoming a victim of its own success, although rising demand is pushing up the price of housing in the market. Once known as exclusively as a suburban market, Dallas is enjoying more growth of infill areas and the inner-ring suburbs. The market is also using smaller lots and higher density to keep housing affordable. The suburbs in Dallas/Fort Worth are accessible, if not exactly walkable. Dallas/Fort Worth residents value improved access to amenities even if it is by personal vehicle. Adequate and convenient parking is a key element to meeting this need.

San Antonio (32). Will San Antonio, Texas, be one of the markets ready to make a jump in investor interest in 2017? Institutional investors have begun to look for opportunities in this very affordable market located just an hour south of this year's number-one-ranked market. San Antonio is gaining experience in multiple product types that have generated a significant amount of buzz over the past few years. San Antonio is seeing activity in shared office work locations in the CBD, urban residential, historic redevelopments, and top-tier distribution, and a move by some suburban employers of at least a portion of their employers downtown.

San Antonio is a very affordable market from both a cost of living and a cost of doing business standpoint. Job creation during this cycle has been primarily organic, with companies already in the market adding new jobs. The market would benefit

if it could begin to increase the number of company relocations from other areas. ULI focus group participants noted that improving the local education system to help meet the needs of potential employers would be another way to make San Antonio attractive as a relocation destination.

Houston (40). The Houston real estate market is dealing with a period of uncertainty, with participants waiting to see how the energy industry will recover and how the market will deal with new space supply that was started when the Houston economy was benefiting from high oil prices. Employment growth has contracted, but not by as much as anticipated. Employment losses in energy-related exploration and services companies have been offset by growth in the services and leisure and hospitality sectors. While employment growth has remained positive, the mix of jobs has skewed toward lower-paying industries.

The 2017 outlook for Houston is muted. Employment growth should stay positive, and the energy industry may stabilize if energy prices can hold recent gains. Higher prices could lead to a cautious return of the exploration and production sector of the industry. But the slower economic growth is likely to hinder the housing market, with growth in permits and starts projected to be flat. The multifamily market will need to deal with a significant amount of new supply that is projected to be delivered over the next 24 months.

Oklahoma City (54). The largest city in Oklahoma is in a position similar to that of the other energy-dominated economies in the *Emerging Trends* survey. The outlook for the market hinges on one's specific outlook for energy prices. The Oklahoma City economy has yet to show the full effects of the energy industry cutbacks due to severance packages given to employees who lost their jobs during the downturn. The market is waiting to see if the energy industry recovers before the full impact of the job cuts is felt. The question then is what will the energy industry look like? One ULI focus group participant noted: "We have found all the oil, now it is just a mining operation." The jobs needed going forward may be different, with less exploration-based employment needed.

The Oklahoma City market is similar to other tertiary markets in that the inventory of investable assets is comparatively small. This may be a benefit as the economy slows, since the market will not be flooded with unused inventory, but ULI focus group participants noted that the lack of existing inventory suitable for ecommerce-related activities has been a negative when national distribution firms are looking at the market.

New Orleans (59). The economy of the largest city in Louisiana continues to be bifurcated. On one hand, tourism is driving employment in the leisure and hospitality sector, and health care is adding jobs as more Louisiana residents qualify for care under the Medicaid expansion. On the other hand, the New Orleans energy and shipping industries have been shedding jobs due to falling energy prices and a glut in global energy supply.

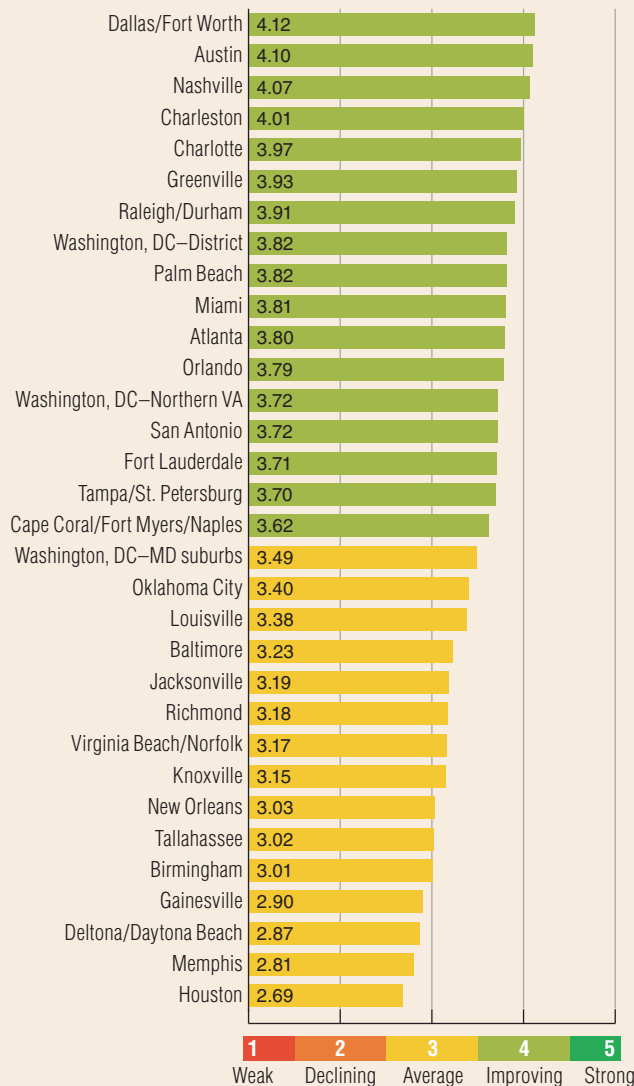
New Orleans is one of the five markets in the survey where total employment has yet to return to pre-Great Recession peak levels. Projected growth in 2017 will not help remedy that condition. Job growth in 2017 is expected to remain in the services and leisure and hospitality sectors. Job losses in the energy sector should slow, but recovery may be hindered by Louisiana's higher average production costs. Shipping will struggle as the strong U.S. dollar affects exports, but it may get a boost from a rise in the demand for imported goods by U.S. consumers. Development activity has been limited to projects that meet the needs of the local population. Examples include medical office, select retail, and multifamily.

Northwest and Hawaii

"Still like the upside potential of markets like Seattle and Portland. [They] look like more affordable versions of San Francisco/San Jose to us."

Portland (3). Oregon's largest city is projected to continue to enjoy the strong economic and demographic growth that has propelled the market to the upper levels of the *Emerging Trends* survey. New residents continue to be drawn to the market for the high quality of life, while employers enjoy

Exhibit 3-3 Local Outlook: South and Mid-Atlantic



Source: *Emerging Trends in Real Estate 2017* survey.

Note: Average score of local market participants' opinions on strength of local economy, investor demand, capital availability, development and redevelopment opportunities, public/private investments, and local development community.

tapping into comparatively lower business costs and a well-educated labor force.

Professional, technical, and business services have been the backbone of the Portland economic recovery since 2011, with growth in these sectors easily outpacing that seen at the national level. These jobs not only have been important to attracting new residents to the market, but also have helped push up

incomes in the metro area due to the higher wages they pay. The pace of tech growth may slow due to a tightening labor market, but the pace of growth is expected to remain above the national average.

The combination of rising population and incomes has been particularly beneficial to consumer services, retail, and the housing market. Portland home price appreciation has been leading the nation,

and builders are having a difficult time keeping up with current demand. Despite rising prices for single-family homes, rent is still relatively affordable in Portland. The market should have little problem absorbing the current number of units currently under construction.

Seattle (4). The fundamentals for the success of the Seattle market appear well established for another year. While the more traditional manufacturing sector may see some slowdown due to cuts in aerospace production, technology-related sectors of the economy are still growing rapidly.

The Seattle technology industry is dominated by information technology firms focused on cloud computing and those focused on internet retailing. Tech hiring in Seattle has been so competitive that the average hourly pay rate for an IT worker is now \$10 higher than the national average. The outlook for tech hiring remains strong as firms continue to locate to the market to take advantage of the proximity to industry leaders. This is evidenced by the increase in venture capital flows to the market over the past 12 months.

Seattle has lowered its dependence on the aerospace industry from historical levels, but current cuts will still have an impact on the market. The job losses, along with the eventual loss of income, will be a negative to future economic activity.

Population growth in Seattle is projected to remain at nearly twice the national rate. This pace is impressive given the current size of the Seattle metro area, at around 3 million residents. The combination of strong job growth and rising incomes is projected to push household formation up in 2017, which will increase demand for both single- and multifamily housing. The multifamily market will need the higher level of demand since the market will add 5 percent to its existing inventory.

Honolulu (52). The Honolulu market has gotten a boost from lower energy prices. The subsequent lower air fares have increased the number of visitors from the mainland and abroad. The potential outlook for higher levels of tourism could also help boost

construction employment. Construction employment has been supported by pent-up demand in residential construction and several new commercial projects, including retail and hospitality aimed at visitors. The rise in construction is putting a strain on the labor market and is forcing builders to raise wages to attract workers. The higher labor costs could slow construction in 2017.

Spokane, Washington/Coeur d'Alene, Idaho (71). The Inland Northwest region, composed of the Spokane, Washington, and Coeur D'Alene, Idaho, metro areas, has a relatively diverse economic base. The Spokane economy is more industrial oriented while Coeur D'Alene's is more consumer focused. Growth in the Spokane market will be challenged by cutbacks in the aerospace manufacturing sector due to production cuts planned in the industry. Spokane is a regional center for health care, financial services, and education. Expected growth in these sectors could help offset the economic losses due to lower manufacturing output. Consumer spending growth due to rising regional incomes is providing support to consumer industries in Coeur D'Alene. Population growth in the market, particularly residents over the age of 65, is increasing demand for health care services jobs. These types of jobs in Coeur D'Alene tend to be in the mid- and high-wage category.

Tacoma (72). The Tacoma, Washington, market will rely more on services employment in 2017, while growth may be slower in the trade and transportation industries. The level of activity at the Port of Tacoma is expected to slow in the near term, with less traffic from China and other emerging economies. The port is, however, investing in the infrastructure needed to handle larger vessels that will be able to move through the widened Panama Canal. Over the longer term, this investment should allow the port to hold its market share of trans-Pacific trade. Financial services employment is expected to grow in 2017. Tacoma is seeing some benefit as employers view the market as a lower-cost alternative to Seattle. Employers can take advantage of the lower real estate and labor costs while still serving Greater Seattle and the Pacific Northwest region.

California

"Choose your side on the San Francisco debate: You either feel the market is too dependent on tech and is overheated, or you see a market with prospects for sustainable growth and limited new supply."

Los Angeles (5). In the current real estate cycle, the comparative position of the most populous city in California could be attracting capital from other core markets in the United States. Investors who have typically been focused on East Coast markets are looking at opportunities on the West Coast. It could be argued that the market recovery in Los Angeles may be at an earlier stage than markets such as New York. Investors see this as an opportunity to benefit from more remaining upside in the Los Angeles market.

Property fundamentals continue to improve in Los Angeles; and with the exception of a few submarkets and neighborhoods, new supply remains in check. Development in Los Angeles has never been without certain challenges, but many locales within the metro area are becoming more organized and resistant to new development. This has kept the amount of new supply in check, but it could eventually have negative consequences on housing development. The continued development of the mass transit system in the metro area is opening up opportunities for development within proximity of the transit line. According to the ULI focus group participants, a number of employers may not consider a location that is not within a certain distance to mass transit and accessible to reasonably priced housing.

The Los Angeles economy continues to transform itself into a technology center. Technology and content development associated with the entertainment industry is increasingly being done by firms based in Los Angeles, while more of the production activities are outsourced to other locations. The rise of the technology industry is attracting interest from northern California firms that are attracted to Los Angeles's comparatively lower real estate costs and access to an additional labor pool. The economy is also benefiting from the aggregation of research universities that are located in the metro area.

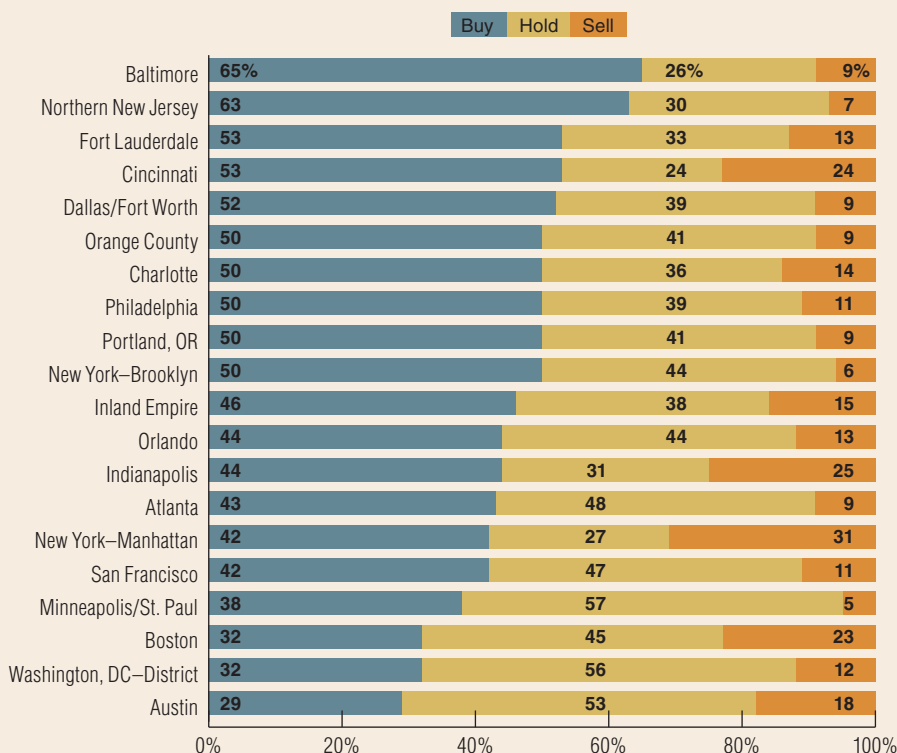
Orange County (8). Survey respondents feel good about the 2017 prospects for the Orange County market. The diverse economy is built on financial services, technology, and tourism. The financial services and technology industries are supporting high- and middle-wage job growth, which is pushing up the level of personal income in Orange County. The higher incomes are helping spur activity in the housing market.

Orange County is viewed as an affordable tech location when compared with other California tech centers. The combination of a research university, access to venture capital, and a trained workforce is driving the creation of startups in software, medical device, and biotechnology firms. The Orange County market is also benefiting from access to the ports of Los Angeles and Long Beach. The import/export business in Orange County has resulted in the industrial market hitting historically low vacancy rates and driving rent growth back to pre-Great Recession rates. With new development locations limited, Orange County could be one of the first markets in the United States to develop multistory industrial (although a number of regulatory and zoning hurdles will need to be cleared before this can happen).

San Francisco (10). Over the past few years, San Francisco has arguably been one of the most attractive markets in the United States, consistently being rated at the top of the *Emerging Trends* survey. The market is facing the challenge of convincing the rest of the market that a boom like the market has experienced does not necessarily need to be followed by a bust. Recent growth may not have been sustainable, but it doesn't mean that normalized growth is a bad thing.

The recent strength of the San Francisco economy has created shortages in labor, housing, and commercial space, resulting in a quick rise in costs. San Francisco is recognized as a highly regulated operating environment, which can make it a challenge to address issues such as housing and commercial space shortages. The housing industry in particular is seeing a rise in organized resistance. Social media and other tools have enabled groups to organize quickly to oppose proposed developments.

Exhibit 3-4 U.S. Industrial Property Buy/Hold/Sell Recommendations



Source: *Emerging Trends in Real Estate 2017* survey.

Note: Cities listed are the top 20 rated for investment in the industrial sector; in this exhibit, cities are ordered according to the percentage of “buy” recommendations.

San Francisco remains attractive to foreign investors. Foreign investors in the market have shown an interest in investing in longer-term development projects and have not been limited to existing properties. The bottom line for San Francisco is that while growth may be slower in the next few years compared with the last few years, the pace of real estate activity is projected to be strong.

Oakland (14). The economy of Oakland is easily outperforming the nation. The city is getting a significant boost from firms either relocating from the more expensive markets of San Francisco and San Jose or those firms that choose to start in Oakland to take advantage of the lower cost of doing business and provide their employees with a lower cost of living. This surge of employment is pushing commercial space rents above previous peak levels.

The Oakland economy is surprisingly diverse. Tech industry concentration is over twice that of the U.S. average, but the city also has higher concentrations in business and professional services, education and health services, and an equal concentration in goods-producing industries. The strong economic activity in the market is driving both commercial and residential construction. This should add well-paying jobs to the economy in 2017.

San Jose (17). San Jose is clearly a tech market, but the technology industry there is relatively diverse. The market is home to firms focused on software, hardware, the consumer market, the business market, established global heavyweight companies, and entrepreneurial startups. This combination has made the San Jose economy one of the fastest growing in the United States. The result is a very competitive labor market that has driven

the jobless rate well below 4 percent and pushed income gains well above the national average.

The number of tech firms located in San Jose increases the competition for real estate in the market. To compete with markets such as San Francisco, San Jose has increased the focus on developments near transit stations, amenities, and housing. The strong job market and limited supply have made the San Jose market one of the most expensive in the United States. The amount of housing construction will increase in 2017, with more emphasis on multifamily units to help meet rising demand.

San Diego (23). San Diego is another thriving California market that is benefiting from growth in the technology industry. The tech industries showing the most growth in San Diego are data science, military IT, biotech, medical devices, and software. The majority of the tech influence is showing up in employment growth in professional and business services and the health services sectors of the economy. The concentration of jobs in higher-paying industries is putting upward pressure on wages as the local labor market tightens.

Despite having one of the highest costs of living in the United States, San Diego has a good demographic outlook for 2017. Population growth and household growth are projected to be above the national average. Housing is expensive in San Diego, but strong employment and income growth should drive demand for it. To meet this need, permits and starts are both projected to rise in the coming year.

Inland Empire (36). The Inland Empire is again on the leading edge of the recovery in the industrial and distribution market. Strong job growth in the market is being driven by the expansion of warehousing and logistics operations in the market. The Inland Empire remains the low-cost alternative in southern California. While job growth has been strong, the jobs being created are generally lower-paying ones. This keeps relative income levels below state and national levels.

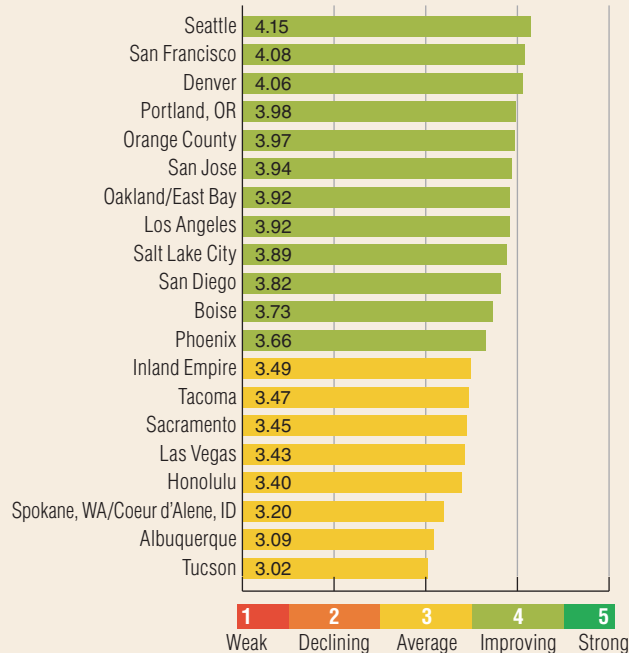
The outlook for the Inland Empire remains strong, but is not without risks. While the market is heavily dependent on the level of container traffic into the port of Los Angeles/Long Beach, the port is in the midst of infrastructure upgrades that should allow it to maintain its position as the leading West Coast port. This should support population and employment growth. The exposure to import levels does put the market at risk if the global economy weakens or if the United States were to slip into recession.

Sacramento (45). Sacramento joins the markets that have seen an increase in nonlocal investors showing an interest in the office and industrial market. The search for yield is behind the rise in interest, and Sacramento has an inventory of attractive product that has attracted interest. What the market does not have is new product since developers have been cautious about undertaking private sector projects. Sacramento, however, will see development activity since the state of California has allocated funds to build out its office portfolio. The new state projects will ultimately result in the older properties becoming available and could offer an opportunity for redevelopment.

The comparative pace of the economic recovery has been slower in Sacramento, but the economy now appears to be on a positive growth trend. The medical service sector is adding better-paying jobs, which is spurring demand for housing. Sacramento homeowners hurt by the single-family housing bust have been slow to return to the market, and a number have chosen to be renters rather than take on the risk of ownership. This has kept upward pressure on rental market rents.

The Sacramento market continues to explore ways to convey its identity to the rest of the market. Outside of being the state capital, the market could benefit greatly from enhancing the relationship with local universities and the benefits that these institutions could provide the local economy.

Exhibit 3-5 Local Outlook: West Region



Source: *Emerging Trends in Real Estate 2017* survey.

Note: Average score of local market participants' opinions on strength of local economy, investor demand, capital availability, development and redevelopment opportunities, public/private investments, and local development community.

South

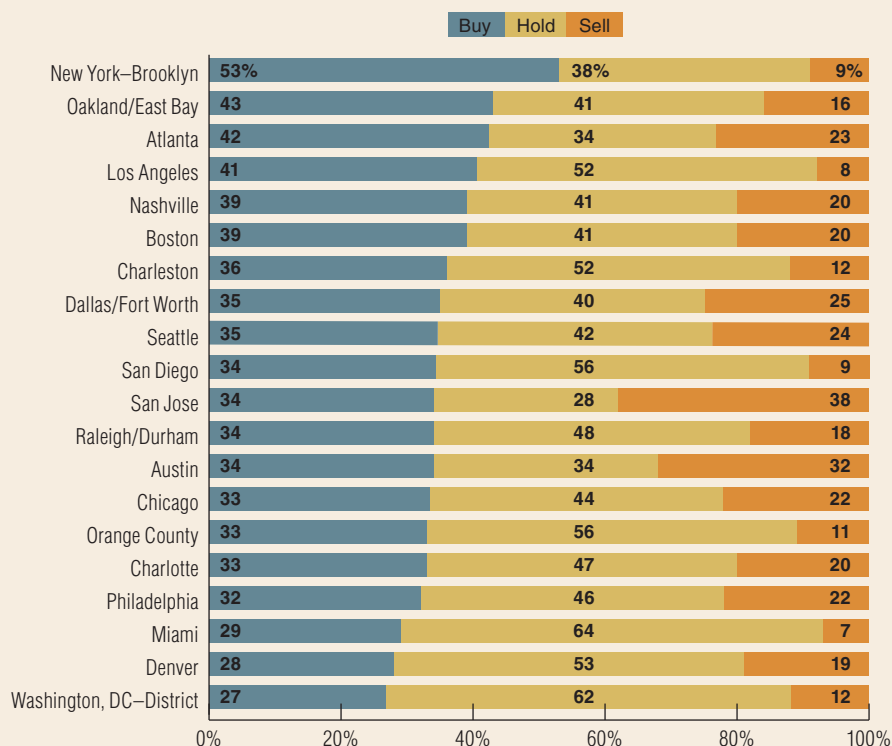
"The Southeast looks positioned to do well for the next five to ten years. North Carolina, South Carolina, and Tennessee all have their acts together."

Nashville (6). The capital of Tennessee has generated as much conversation as any market during the *Emerging Trends* interviews over the past two years, and interest in this 18-hour market remains high again in 2017. Nashville maintains its hip factor, which continues to be evidenced by the high percentage of graduates from Nashville-area colleges and universities who choose to stay in the market after graduation. The diverse economy is driven by health care, technology, tourism, and education. All of these sectors have been job creators during the economic recovery and are expected to continue to create jobs in 2017.

Nashville is an example of a market that has transitioned to an upper-tier secondary market. The increased level of investor interest in Nashville increases the perceived liquidity of the market, which only makes it more attractive to nonlocal investors. Debt and equity capital continues to be available from both local and national sources.

The transition to an upper-tier secondary market has created some issues for Nashville. The primary area of concern is that national developers could overbuild the market. This is currently a concern in the industrial and multifamily sectors. At the same time, the increase in overall real estate activity in the market is putting pressure on the availability of appropriately zoned land for all property types. The rising costs of construction labor and building supplies also are keeping new development at lower levels. Despite rising demand for office space, new construction remains at manageable levels.

Exhibit 3-6 U.S. Office Property Buy/Hold/Sell Recommendations



Source: *Emerging Trends in Real Estate 2017* survey.

Note: Cities listed are the top 20 rated for investment in the office sector; in this exhibit, cities are ordered according to the percentage of "buy" recommendations.

Atlanta (15). The capital and largest city of Georgia is one of the top 18-hour cities in the survey and a top market for real estate investment during expansion cycles. The pace of recent economic growth combined with moderate levels of new supply during the recovery has increased interest in Atlanta from a growing number of investors in multiple property types. Investment from off-shore investors has been limited but is indirectly affecting the Atlanta market. As foreign investors have increased their interest in the six core U.S. markets, more domestic investors have shifted their focus to top secondary markets such as Atlanta.

Similar to many markets in this year's survey, the Atlanta market is focused on a number of key issues that will drive the future of the market. Recent legislation will provide an increased and steady source of state funding for a range of transportation

improvements. Managed lanes along transportation corridors are likely to improve investment opportunities in the metropolitan area. Participants in the ULI focus group mentioned that investors are very interested in the quality of local schools as part of their due diligence for potential investments. The rise in the number of school-age children has all parts of the metro area focusing on how to improve the overall education system.

Atlanta is a diverse market, and the market participants there feel strongly that "what works in one neighborhood may not work well in another neighborhood." Atlanta developments focused on urban characteristics such as walkability and common green space are being favorably received in more infill locations within the market. Conversely, anticipated improvements to transportation corridors and higher-rated school systems have opened

opportunities for developments in traditional suburban neighborhoods.

Charleston (31). Charleston, South Carolina, could be considered an emerging 18-hour city with an economy that is firing on all cylinders going into 2017. Strong demographic growth, the expansion of manufacturing facilities, improved transportation and logistics access, and a growing tech services industry are all driving the Charleston economy. Population and household growth is projected to be strong in 2017. In addition, Charleston is becoming a preferred destination for college graduates between the ages of 25 to 34. The younger well-educated workforce is facilitating the growth of Charleston's expanding tech base. High-tech employment is projected to expand at a faster pace than the national average in 2017. On the manufacturing front, one automaker is starting a major expansion while another is opening a new production facility. Auto production activity could lead to an influx of new parts suppliers locating in the region. Finally, the Port of Charleston should benefit from the Panama Canal expansion. Planned capital expenditures at the port will improve the competitiveness of the operation and further establish Charleston's reputation as a logistics hub.

Greenville (37). Greenville, South Carolina, is a tertiary market with a number of advantages that could raise its profile for potential real estate investment. Advantages offered by the Greenville market include a central location, lower business costs, and a growing educated workforce. The area has an established manufacturing base that is seeing expansion to existing facilities as employers commit to the metro area. Greenville could also benefit from more activity at the Inland Port in Greer, South Carolina. The port solidifies the area as a regional manufacturing and transportation hub, and the opportunity to expand could come as a direct benefit of the Panama Canal expansion. Greenville also appears to be doing an improved job of retaining college graduates, with the share of residents older than 25 with at least a bachelor's degree rising 10 percentage points since 2000. The improvement in the quality of the labor force has helped the metro area attract more office-using industries.

Louisville (51). The Louisville, Kentucky, market is the beneficiary of two significant consumer trends: Americans' desire to drive light trucks and the continued rise in e-commerce. Local light truck manufacturing has been increasing in Louisville, and automakers have signed agreements with the state of Kentucky to expand production in exchange for tax incentives. Louisville is a hub for logistics activity and major distributors and package delivery firms are entering or expanding their presence in the market. Louisville-based firms in the financial activities sector, particularly health insurers, could get a boost from the increase in Medicaid enrollees. Recent job growth in Louisville has been in higher-paying occupations, which is pushing up incomes. These higher incomes should be a tailwind for retailing and the housing industry.

Knoxville (56). Knoxville, Tennessee, is another market in the survey that is enjoying prosperity in the right places. The local manufacturing sector is growing, office firms are investing and expanding in the urban core, and wage growth is being boosted by the creation of mid- and high-tier income positions. Behind it all is a strong public sector, including the U.S. Department of Energy and a large public university, that provides a solid base for the overall economy. Auto-related manufacturing has been adding jobs in Knoxville, which is boosting the industrial sector. Knoxville's urban core is benefiting from corporate expansions, resulting in more residential and retail projects being added to the area. The majority of jobs created in Knoxville have been above the low-wage pay tier, which has helped push up incomes in the metro area. The higher income levels along with an improved outlook for household formations should push up housing demand.

Memphis (67). While recent economic growth has been slower than the national average, Memphis, Tennessee, has a strong core of key industries in the retail, service, distribution, and medical sectors. The city has identified the medical sector as a strategic area and has devoted resources to expanding the sector. The continued growth of e-commerce will drive growth in the package distribution sector. A corporate relocation to the downtown area should also help support demand for new urban residential projects in Memphis. The

development and implementation of a bike-share program aimed at residents, rather than tourists, is designed to make alternative transportation more available to all segments of the population.

The Memphis market is dealing with a number of issues that have been raised as concerns throughout multiple markets in this year's survey. These issues include slower economic growth, infrastructure shortcomings, how to address education concerns, and issues coordinating multiple government entities. Memphis is approaching these issues in a number of positive ways. Public/private partnerships and philanthropic infrastructure investments are helping revitalize older neighborhoods. Memphis also has a number of authentic buildings within its core that could be repurposed to spur urban development.

Birmingham (68). The most populous city in Alabama is one of the five markets in the *Emerging Trends* survey where current employment levels are still below the previous cyclical peak. Employment growth is projected to be positive in 2017, but at a rate that is nearly half the national average. The main drag on employment is expected to come from manufacturing. The Birmingham steel industry is struggling, with reduced demand from the energy industry that is purchasing less heavy equipment for exploration, and the strong dollar that is making U.S. steel uncompetitive in the global market. The outlook for services employment is more positive, however, with professional and business services as well as health and educational services expected to be the leading job generators. The Port of Birmingham also could be a future bright spot to the economy. The establishment of the Birmingham—Jefferson County Port Authority will seek to develop and expand operations at the river port, offering upside opportunities for transportation and warehousing activities.

Mid-Atlantic

“Strong markets include Raleigh, Denver, Dallas, south Florida, Charlotte, Nashville, and Seattle. These locations have good job and population growth. These markets

were susceptible to too much supply in the past; the demand was always there. This cycle, new supply hasn't gotten out of hand.”

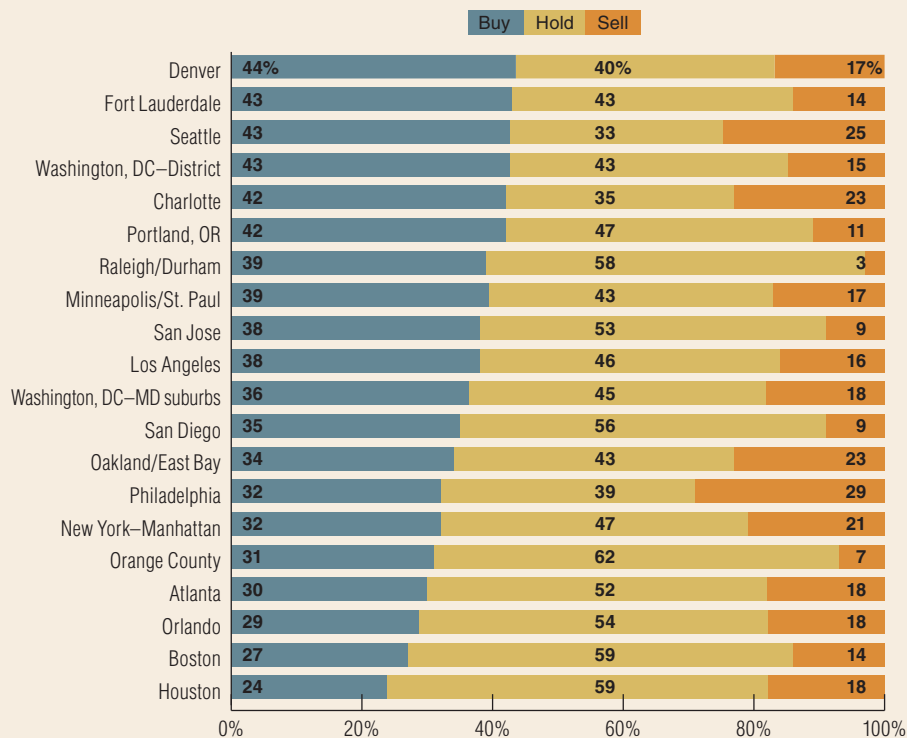
Raleigh/Durham (7). The Raleigh/Durham market in North Carolina ticks a lot of the boxes for real estate success: affordable living and business costs, a concentration of research universities and colleges, home of the state capital, and a moderate climate. These features continue to draw interest from the real estate investment world. The combination of these features makes Raleigh/Durham a strong example of an 18-hour market.

The Raleigh/Durham area is an example of a market that is thriving without having a dominant urban core. What the area offers are multiple neighborhood cores that residents find attractive. One ULI focus group participant noted, “If residents don't have a true live/work/play option, they will often choose live/play and then opt to commute to work.” This mind-set is helping spur a number of live/play neighborhoods throughout the market.

All property sectors continue to show improvement in the Raleigh/Durham market. New development is showing an increased interest in mixed use. While Raleigh/Durham is still an auto-dependent market, new plans are being put in place to allow residents and workers the option of combining work/play, work/live, or live/play in one location. This change in mind-set is even evident in new development at traditional campus-style business parks.

Charlotte (9). The largest city in North Carolina has been one of the top 18-hour cities in the *Emerging Trends* survey over the past two years, with survey respondents attracted to employment growth that has been distributed over multiple industries. Charlotte has been growing as the financial market hub for the Southeast and is benefiting from a growing airport activity. The market has also been a leader in infill development, with the downtown area seeing an increase in residential options and more development in a number of inner-ring suburban sites. To go along with these positive attributes, the market is very aware of a number of challenges that will need to be addressed in 2017.

Exhibit 3-7 U.S. Retail Property Buy/Hold/Sell Recommendations



Source: *Emerging Trends in Real Estate 2017* survey.

Note: Cities listed are the top 20 rated for investment in the retail sector; in this exhibit, cities are ordered according to the percentage of "buy" recommendations.

Challenges facing the Charlotte market are the political fallout associated with House Bill 2, signed into law on March 23, 2016. Along with the more highly publicized sports and performance event cancellations, the truth is that the adoption of this bill has slowed interest in the market from a number of large national commercial real estate users. ULI focus group participants also expressed a certain level of frustration with the permitting process in Charlotte, although one participant opined that it may just be part of the growth process: "It is evolution: more people, more rules."

In spite of the identified challenges, the Charlotte market remains strong and market participants are cautiously optimistic this will continue. Industrial is cited as being an extremely hot product type in Charlotte for 2017, while the office market is expected to continue to see growth in urbanized

suburban locations. The multifamily market is in a bit of a holding pattern as the market waits to see the potential impact of the delivery of four downtown office buildings on demand for the new multifamily units currently under construction.

Washington, D.C.: the District (24), suburban Virginia (29), suburban Maryland (33). The D.C. metro area—composed of the District of Columbia and the suburbs in Maryland and Virginia—appears to be bouncing back from the effects of the government shutdown in 2013 and subsequent budget cuts. The dynamics of the recovery in the office market have been slightly different than in previous cycles, however. Organic growth from professional service firms is filling space that was returned to the market when the government began cutting space. At the same time, the market has felt the effects of occupiers moving

to more-open floor plans and increasing efficiency of office space use.

The Virginia suburbs are enjoying growth as technology companies are attracted to space that was previously leased by government tenants. The Virginia suburbs are also benefiting from improved transportation infrastructure that has created stand-alone urban centers, where lenders are underwriting the better buildings as core. These stand-alone centers have improved the area as a gateway to the District's urban core. Suburban Maryland, with access to six transit lines into the District, is also seeing increased demand in key neighborhoods with good access to the rest of the metro area. One of the key attractions of the D.C. metro area, in general, is the desirability of the neighborhoods in the District and in the Maryland and Virginia urbanizing suburbs and in-migration to these areas. The metro area continues to drive demand for housing and retail. Tight fundamentals in certain suburbs are leading to discussions about the potential for speculative office developments.

Baltimore (34). The largest city in Maryland is beginning to shake off the effects of the last round of fiscal austerity. Federal government job growth is rising again, but, of greater importance, Baltimore is seeing growth in the professional and technical services sector. These jobs tend to be higher paying and will have a positive impact on downstream industries such as leisure and hospitality, retail, and construction. Baltimore will get an immediate boost from investment in a major infrastructure project since transit improvements in the area will increase construction employment. Longer-term, these projects will alleviate traffic congestion and improve the area to future development.

Richmond (69). The Richmond, Virginia, market is enjoying good employment growth, with office-using industries adding employees at twice the national average growth rate. The current unemployment rate is below the national average, despite recent increases in the size of the labor force. If there is a downside to the employment growth, it is that it is skewed to lower-wage administrative support

services. Still, the office market should get a boost from the rise in office-using employment.

Planned transit enhancements and the introduction of shared-ride services are enhancing the urban feel of Virginia's capital and are beginning to give the market attributes that are common to 18-hour cities. The market also has an abundance of historic buildings, resulting in the rise of the hip factor of downtown Richmond. Another result is that companies are now looking at relocating at least some of their workforce downtown from the suburbs because that is where workers want to be. A ULI focus group participant requoted what they had heard about Richmond: "If San Diego and Portland had a baby, it would be Richmond."

It is possible to reach 40 percent of the U.S. consumer market within a day's drive from Richmond and, as consumer demand has risen in the Mid-Atlantic region, activity at the multimodal inland distribution services at the Port of Richmond has increased. The area has seen an increase in warehousing and packaging operations. The improvement in economic activity combined with lower levels of supply could lead to an increase in homebuilding in 2017.

Virginia Beach/Norfolk (74). Employment growth in the Virginia Beach/Norfolk market is a mixed story. Overall levels of employment growth are below the national average, but the mix of jobs being created is skewed toward higher-paying occupations. This is pushing average hourly earnings up at a rate twice the national growth rate.

Jobs are now being created in industries that take advantage of technologies that were originally devoted entirely to defense contracting. The outlook for the defense sector is favorable since defense spending bills currently moving through Congress would finance shipbuilding at local facilities. The Port of Virginia should also see increased levels of activity due to the expansion of the Panama Canal; the first of the larger ships to pass through the canal has already docked at the port. Current improvements to the port will allow it to handle even larger vessels that can now use the expanded canal.

Southwest and West

"This may be a good time to take a hard look at the remaining potential in late-recovery markets such as Phoenix, Tampa, and Las Vegas."

Denver (11). The capital and largest city of Colorado is once again a top market in this year's *Emerging Trends* survey. Denver has seen particularly strong growth in the leisure and hospitality, construction, and professional and business services sectors. Despite strong labor force growth, the city's unemployment rate is now at its lowest rate in 15 years. Due to the tightening labor market, Denver workers are enjoying hourly earnings growth that is outpacing the national average.

Denver has not been able to completely escape the downturn in the energy-related business services sector. With the decline in operating oil rigs in the United States, a number of service firms have reduced administrative staff. The good news is that the worst of these layoffs has likely already occurred and that with the strong demand for labor, most of these workers have already been absorbed back into the workforce.

Professional services are projected to be the growth driver of the Denver economy in 2017. The market has enjoyed the creation and relocation of a number of engineering, computer systems design, and scientific research companies. These firms are drawn to the qualified labor force that, in turn, has come to Denver for the high quality of life.

Salt Lake City (18). Utah's capital and largest city continues to experience good employment and population growth. The health care, finance, technology, and leisure and hospitality sectors have been the leading job creators in the market. The strong job growth is allowing incomes to rise faster than the national average.

Technology has been a key driver of Salt Lake City employment. Technology companies in the aerospace, computer design, and medical device fields have had success in Salt Lake City. Tech industries are attracted to a well-educated workforce

and a lower cost of doing business. If business and living costs continue to rise in Silicon Valley, Salt Lake City may see an increase in tech company relocations.

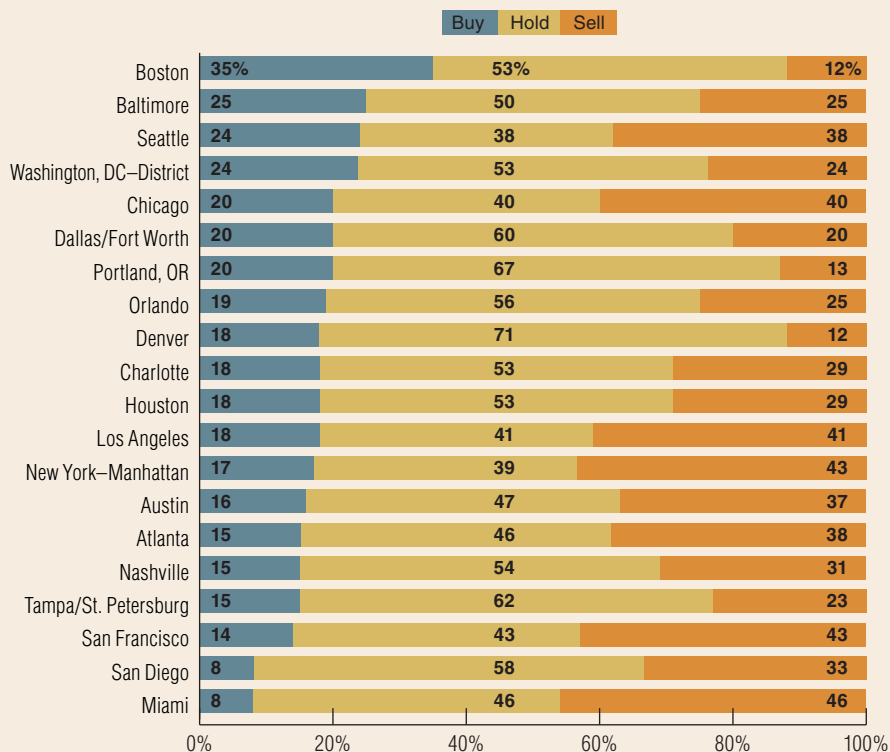
The financial services industry has been growing in Salt Lake City. National financial firms have been moving operations from higher-cost locations. In addition to lower business costs, financial firms have discovered a synergy with the market's tech industry. This collaboration has been a benefit for both technology-driven lenders and traditional firms that are expanding their online offerings.

Phoenix (21). The capital and largest city of Arizona is one of the housing-bust markets that have made a significant recovery since the global financial crisis. The market has recovered all of the jobs lost during the recession and added another 7 percent to total employment. Job growth has been driven by gains in the financial services, education and health care, and tourism sectors.

Office-using professional and financial services firms have contributed significantly to recent growth in Phoenix. The market is again being viewed as a viable low-cost alternative to higher-priced California markets. Relocating firms are taking advantage of not only lower costs, but also a deeper labor pool. An executive from a California-based firm noted: "When we post for a job in Phoenix, we get 12 qualified applicants. The same posting in California might yield one." Financial sector employment should get a boost as the local housing market continues to improve. Home prices have been rising, but are still below those seen in the previous peak.

Boise (46). Idaho's capital and largest city offers an attractive lifestyle along with affordable living and business costs. The proximity to the tech-dominated West Coast markets makes the potential of locating offices in Boise a viable possibility. A ULI focus group participant noted, "The Boise lifestyle is getting notice in the coastal markets. There is caution but increasing interest in companies opening second offices from Seattle, Portland, and San Francisco."

Exhibit 3-8 U.S. Hotel Property Buy/Hold/Sell Recommendations



Source: *Emerging Trends in Real Estate 2017* survey.

Note: Cities listed are the top 20 rated for investment in the hotel sector; in this exhibit, cities are ordered according to the percentage of “buy” recommendations.

As in all tertiary markets, the biggest hurdle for Boise is the size of the investable market. A number of projects are under development, so the market will need some time to absorb the new space. If these projects are successful, it is likely to continue to increase interest in the market from companies and investors from outside the local market. One area for potential new development could be affordable housing. The state government and the local government have recognized the need and have been designing incentives that could stimulate more production.

Albuquerque (64). The largest city in New Mexico continues its slow economic recovery, but current employment projections indicate that total jobs could be back to the previous peak in 2017. The Albuquerque economy will be challenged by falling state spending due to the state of New Mexico’s fall

in energy-related tax revenue. The market will also likely need to deal with layoffs at a local computer chip manufacturer as the product produced loses market share to newer technologies. A bright spot in the economy has been an increase in professional services employment. The economy will also get some support from Sandia National Labs and the University of New Mexico.

Las Vegas (61). The economy of Las Vegas is being driven by tourism, construction, and health care services. Tourism has increased as low energy prices have reduced the cost of travel and the improving national economy is putting more money into visitors’ pockets. The growth in construction employment is tied to commercial development since a number of hospitality and retail projects are currently underway in the market. The housing market has stabilized, but prices are still well below the

peak levels of the last cycle. Housing construction is projected to rise in 2017, with permits and starts both showing strong growth. Health care services will continue to add employees as the Las Vegas medical system expands. Health care employment also will be supported as the population ages and Las Vegas remains an attractive destination for retirees.

Tucson (62). The economy of Arizona’s second-largest city is experiencing growth not seen since the recession. The market is seeing job growth in state government, leisure and hospitality services, and professional and business services. The growth in these sectors is offsetting slower growth in manufacturing and reduced levels of new construction. The above-average rate of population growth will increase the need for professional and business services in Tucson. One key risk to Tucson is the exposure to the U.S. defense budget. Defense programs based in the Tucson area could see significant budget allocation reductions in the next several years. Local housing demand should increase with the rise in population and household formation, but the market is still working through an inventory of foreclosures. This inventory will need to be cleared before the housing market can return to more normalized levels.

Northeast

“In a knowledge-based economy, really like to stay in the brain hub markets like Boston.”

Boston (12). The Boston market has consistently remained near the top of the *Emerging Trends* survey. Growing industries such as technology, financial, and health care services are the key job creators in Boston. The growth of these industries has the added benefit of creating a higher percentage of high-wage jobs, which is raising incomes in the market.

The employment growth in the finance sector may slow in the near term as the industry looks to reduce expenses as it deals with increased regulatory expenses and persistent low interest rates. Securities firms, however, may pick up the slack.

These firms are expected to benefit as national wealth levels rise with the improving national economy. Boston is also a natural location for the combination of technology and finance to flourish.

Health care and technology will continue to create jobs in 2017. Health care remains the solid core of the Boston economy. Employment gains at hospitals and physicians' offices have been some of the highest-paying jobs created in the Boston market. The Boston technology industry is concentrated in systems design and software, with less exposure to computer manufacturing. Nearby Cambridge is home to biotech and pharmaceutical industries along with software design firms. These industries will continue to benefit from the collection of top colleges and universities in Boston and Cambridge.

New York–Manhattan (13), New York–Brooklyn (16), New York–other boroughs (44). It might be that 2017 is a year when a number of questions about the New York real estate market will be answered: Will investor interest remain high for New York assets; has the inflow of young workers to the market peaked; and is market demand strong enough to absorb the new supply that will be delivered to the market?

Despite the return of pricing that exceeds the peaks seen in the last cycle, investor demand may actually be on the rise again. Global investors looking for a perceived safe haven are continuing to invest money into Manhattan and Brooklyn. Investment activity could see an uptick since London—another safe-haven market—is now less certain due to the recent vote to leave the European Union.

Employment growth and population growth are both still positive, but the rate of growth is expected to slow in 2017. Anecdotal evidence suggests that the inflow of young workers to the market may be slowing due to the slower job growth and high cost of living. This has been countered by an increase in firms still looking to locate in the market to take advantage of access to these same workers.

Philadelphia (27). Pennsylvania's largest city appears to be riding a wave of optimism going into 2017. ULI focus group participants reported an

increase in nonlocal investors expressing interest in the Philadelphia market. As other East Coast core markets have seen competition drive down yields, it appears that Philadelphia is getting a longer look from more national market participants as a potential investment location.

Philadelphia can be characterized as a lower-cost alternative to other East Coast markets that offers an educated workforce, a diversifying industry base, and a high quality of life. Philadelphia has always had an excellent network of higher education institutions, but it has been a challenge to keep graduates in the market. This trend appears to be reversing since millennials are attracted to the urban lifestyle choices and ultimately the comparative affordability of purchasing a home at some point in the future. Commercial development is adapting to the new requirements in the market, with mixed-use development on the rise. Philadelphia is home to a project that is unique in its ability to blend office, retail, and hospitality within one tower, with each component designed to complement the others.

Pittsburgh (28). The second-largest city in Pennsylvania is an example of a market making a transition. We have noted in past editions of *Emerging Trends* that interest in Pittsburgh is on the rise. Past-year interviewees have commented that they like Pittsburgh and wish there were more investment opportunities there. In 2017, Pittsburgh may well move from investor wish lists to their carts. The ULI focus group all agreed that things look bullish for the city. One participant commented, "When meeting with potential investors, we have moved from the general PowerPoint presentation to a meaningful dialogue."

Pittsburgh is even seeing an increase in foreign investment interest. Foreign investors have been "kicking the tires," and a few have made what might be termed fringe investments.

A number of stories are unfolding in Pittsburgh. The market has the "new" Pittsburgh that is characterized by new tech startups, young workers who want to live in an urban environment, the energy industry, and finally the "old" Pittsburgh represented by an aging population and workforce. The integration of

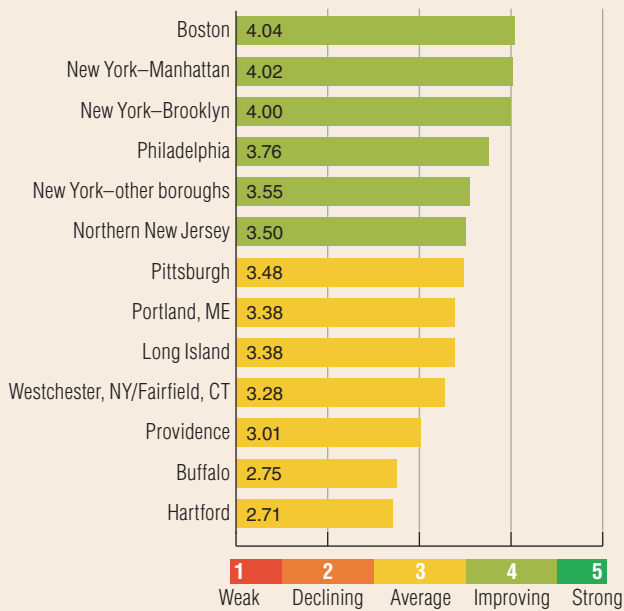
these storylines will shape the opportunities and challenges faced by the city in 2017.

Northern New Jersey (30). The diversity of the northern New Jersey market is seen as offering opportunities in 2017. The market will always be closely linked to performance in the New York metro area, and the industrial market will continue to benefit as an excellent location to serve the goods-delivery needs of the entire New York/New Jersey metro area. Individual communities have the opportunity to offer what one ULI focus group participant labeled as the "metro-burb." These metro-burbs are defined as being close to the train line so they offer access to the urban core of New York, but offer residents the ability to live and play in the same area.

A challenge and opportunity for northern New Jersey is to transform the traditional suburban office reputation into an inventory that can be coordinated with the amenities that today's employers feel they need to attract workers. This could entail converting existing business parks into mixed-use projects, and the market is beginning to see the incorporation of office space into residential developments. Adding office to multifamily gives residents the option of a true coworking space where they live. Capital is available in the market, although it is noted that banks are being selective based on the sponsorship with regard to their history and creativity.

Long Island (39). The Long Island market has been experiencing a slower economic expansion than the rest of the New York metro area. Job growth has been positive but erratic. Health care and education continue to be the key drivers of the economy. The older population base will demand more services, supporting continued growth. Medical services positions are the leading creator of high-paying jobs in the market, so this employment growth is providing a trickle-down benefit to the overall economy. The Long Island housing market continues to struggle with foreclosures since housing prices have still not regained the value lost during the recession. This is hindering the return of the single-family market to more normalized activity. Multifamily housing, however, is seeing some

Exhibit 3-9 Local Outlook: Northeast Region



Source: *Emerging Trends in Real Estate 2017* survey.

Note: Average score of local market participants' opinions on strength of local economy, investor demand, capital availability, development and redevelopment opportunities, public/private investments, and local development community.

pickup as development is targeting transit systems to provide access to New York City.

Westchester, New York/Fairfield, Connecticut (49). Westchester County, New York, and Fairfield, Connecticut, are traditional suburban markets that thrived when companies were leaving urban cores to locate closer to where suburban-dwelling employees had chosen to live. It isn't a surprise, then, that these markets have struggled to increase employment in an environment where companies are moving to urban locations in search of millennial workers. The markets will need to find a way to attract employees while competing with lower-cost locations for back-office activities and thriving urban cores for headquarters. The good news is that both areas are still viewed as attractive places to live. The markets will need to find ways for aging, built-out suburban areas with relatively strict land use regulations and high housing costs to find a way to appeal to a wider population base.

Portland, Maine (73). The Portland, Maine, market is benefiting from the continuing improve-

ment in the national economy. The finance and manufacturing industries have less dependence on global trade, so have been growing along with the United States. Finance employment is on the rise since the base of disability insurers has added employees to meet demand created by national job growth. The area's goods manufacturers also have gotten a boost from rising consumer spending. Professional and business services have also increased employment due to internet retailers expanding call center operations in the market. Portland is overexposed to the defense industry. This sector of the economy has been performing well due to increased funding for operations key to the local economy.

Providence (75). The economy of Providence, Rhode Island, is taking advantage of a number of factors to support employment growth. The market is viewed as a low-cost alternative to Boston and New York that offers a well-educated workforce. The market recently got a boost when a firm relocating to Boston announced plans to move a number of technology jobs to the market. The state of Rhode

Island has also taken steps to keep graduates of Providence-area colleges in the market. Graduates of Rhode Island colleges can take advantage of a tax-credit program to help repay student loans. The Providence housing market has worked through its foreclosure pipeline and is now beginning to show growth as household formations and incomes are on the rise.

Hartford (77). The Hartford, Connecticut, market is a good example of a market where the public and private sectors are at odds. The public sector is expected to shrink as the state cuts jobs to deal with the state budget deficit. Public job growth had been flat, but further cuts are expected to lead to actual declines. The private sector is adding jobs, but they have been concentrated in low-paying industries, which is lowering the market's average weekly earnings. Hartford's dominant insurance industry narrowly avoided being handed a significant tax increase. Industry participants have been hinting at moving to alternatives offering a lower cost of doing if the fiscal climate and business environment do not improve.

Buffalo (78). Buffalo, New York, has recovered all of the jobs lost during the last recession, but the economy has failed to build any positive momentum. Health care employment has been growing, largely due to the older average age of the city's population. Going forward, slow demographic growth will be a headwind to health care employment gains. Buffalo's urban core has struggled recently, with the 2015 population falling by the most in seven years. The city has programs dedicated to revitalization of the urban core, but in the near term, residential and retail growth will likely be confined to relatively small pockets.

Midwest

"While we view the overall Chicago market as stable, we are attracted to how the market is popular with millennials and the movement of companies from the suburbs to the urban core."

“Looking past the top markets, we like to find markets where the growth drivers seem sustainable and are currently looking at markets like Kansas City, Minneapolis, and Charlotte.”

Chicago (19). The largest city in Illinois exemplifies the bifurcation trend we are seeing in the U.S. real estate market, with the urban core performing much differently from the suburbs. The Chicago urban core continues to benefit from corporate headquarters moving all or some of their operations from the suburbs to the urban core. The urban core also remains attractive to tech company growth, which is driving demand for downtown office space. The ensuing employment growth is driving demand for urban multifamily. The industrial market, located primarily in the suburbs, also continues to exhibit improved fundamentals.

The Chicago market may be in a unique position. When one compares the urban cost of locating in Chicago to the urban cost of locating in other gateway markets, Chicago is considered a lower-cost alternative. Costs in Chicago's urban core are not competitive, however, when compared with those of many of the 18-hour city alternatives. The cost disadvantage can make it a challenge for Chicago to attract companies from nongateway markets. In addition, the national perception of crime and the fiscal condition of the state of Illinois create uncertainty and are challenges that must be addressed by the Chicago market.

These challenges aside, the Chicago market offers a level of stability that a number of investors see as a benefit at this point in the national economic cycle. Chicago is still a core market with one of the top regional infrastructure systems in the United States.

Indianapolis (26). In *Emerging Trends in Real Estate® 2016*, interviewees expressed an interest in finding markets that were poised to make a position move. The results of the 2017 *Emerging Trends* survey indicate that Indiana's capital and largest city may well be ready to move up in the rankings of secondary markets. Indianapolis offers a competitive cost of doing business and employees can benefit from a lower cost of living. Similar to some

other markets in the Midwest, private and institutional investors have been pleasantly surprised by the yields they have been able to earn with their Indianapolis investments.

Indianapolis has seen a rise in downtown development that has helped create the type of urban core that could be attractive to millennials and hence to the technology companies that are looking to employ them. In addition, the market has a number of strong suburban markets that have embraced the urban suburban concept. The urban feel of the market could get a boost since the market has already committed to mass transit spending, and will decide later in 2016 if this spending will be increased. The most significant challenge faced by Indianapolis is one faced by many secondary markets, i.e., making national investors aware of the positive attributes of the market.

Minneapolis/St. Paul (38). The Twin Cities market continues to exhibit the strengths associated with the 18-hour city. Residential and entertainment opportunities have expanded in the urban core, making live/work/play a reality. In addition, a number of suburban locations within Minneapolis have also made a concentrated effort at expanding their urban feel and have increased walkability and access to transit to help tie the entire metropolitan area together.

Minneapolis/St. Paul also benefits from an educated workforce and core industries that include medical technology, retail logistics, and information technology. The market also has a number of homegrown Fortune 500 companies that have a history of strong corporate citizenship.

National investors have increased their interest in the Minneapolis/St. Paul market, hoping to earn superior returns to those that can be found on either coast. Despite this increased interest level, the market is dominated by local market participants. A number of nonlocal investors have chosen to work with local market partners to take advantage of their superior market knowledge.

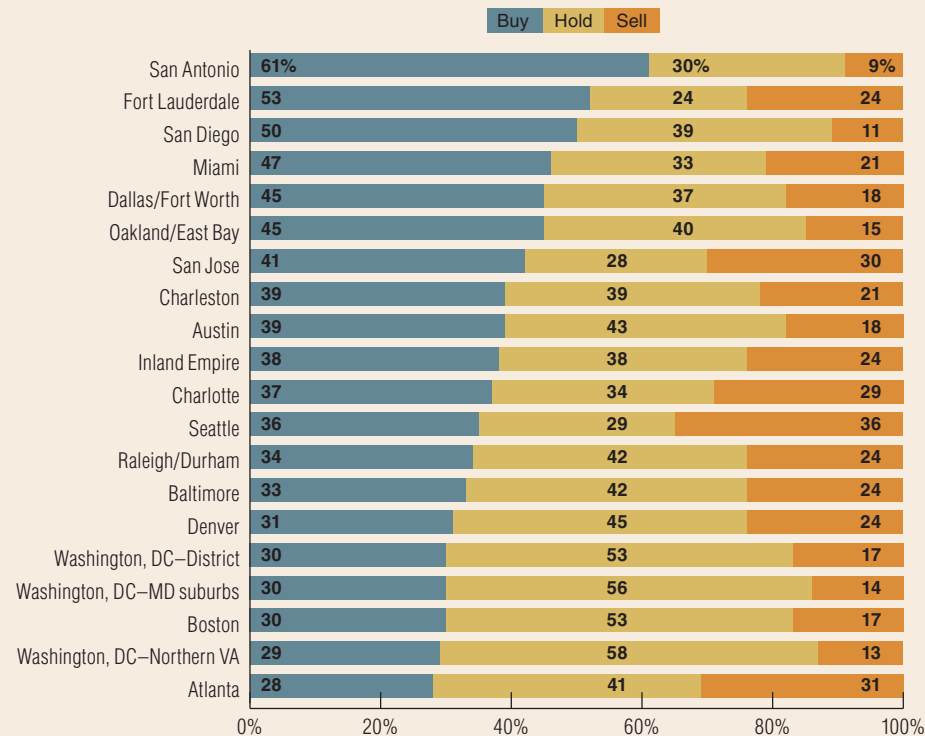
Cincinnati (41). The Cincinnati market has been witnessing growth in both the services and goods-producing sectors. The service sector is attracted to the educated workforce and includes both higher-paying technical services positions and more moderate support jobs. Health care also has been growing in the market and is getting a boost from local hospital expansions. The technology sector in Cincinnati has developed to support core industries. Technology in the market is related to e-commerce, data analytics, and medical device manufacturing. The manufacturing sector has not been adding jobs due to the increased use of automation in the market, but it continues to drive economic activity.

Cincinnati's educated workforce has become a draw to services firms looking for lower-cost places to do business. This should support office employment growth in the coming years. Manufacturing growth could slow in the next year since the strong dollar will hurt global exports and if companies remain cautious in their level of business investment.

Columbus (42). Columbus continues to benefit from good job growth that is driving real estate rent growth. Being the capital of Ohio as well as the home of the state's largest university has helped maintain a stable economic base, and the city's geographic location continues to enhance its position as a distribution hub. The ability to reach a large number of people by truck in a day is an advantage in the era of rising e-commerce sales. Investors have been drawn to the Columbus market and have been rewarded with attractive yields, helping raise the positive perception of the city among national investors.

The presence of the university is also helping the perceived hip factor of Columbus. This desirable factor is also benefiting from a rise in the number of developments that are geared toward walkability. These developments are not concentrated in a single area, but are located in different locations within the metro area. As one ULI focus group participant described the market, “Site selection is more important than ever. You want to be in the A-plus location and avoid anything marginal.” If Columbus can continue to exhibit similar levels of activity

Exhibit 3-10 U.S. Multifamily Property Buy/Hold/Sell Recommendations



Source: *Emerging Trends in Real Estate 2017* survey.

Note: Cities listed are the top 20 rated for investment in the multifamily sector; in this exhibit, cities are ordered according to the percentage of "buy" recommendations.

and returns, the market will improve its perception among national real estate players. Columbus could well be considered an 18-hour Midwest city.

Kansas City (48). The Kansas City market is seeing a surge in financial services employment, with that industry growing locally at a rate twice the national average over the past 12 months. The expected reason behind this growth is the lower cost of doing business and access to a well-educated workforce and the location of the Federal Reserve Bank. All industries could have trouble finding qualified workers in 2017 with the Kansas City unemployment rate near 4 percent, the lowest unemployment rate recorded since the late 1990s. It isn't just the expansion of existing firms that is driving job growth. For 2015, Kansas City added 4 percent more private establishments. The tight labor market has already begun to push up incomes,

which is driving consumer spending and housing construction. Housing starts are up in 2016, which will lead to an over 50 percent increase in single-family completions in 2017.

Detroit (50). Michigan's largest city continues to show improvement, but it will still face numerous challenges in 2017. The auto industry has been thriving as consumers with stronger balance sheets have been eating into the pent-up demand left over from the global financial crisis. Recent signs, however, show that auto sales may be peaking. If the auto industry slows, Detroit could get a boost as the market's deep pool of engineering talent transitions to advanced and sustainable manufacturing companies and to fields focused on the integration of technology into the transportation industry.

Pockets of redevelopment and corporate location in the downtown have earned Detroit national attention. The continued success of these developments could spur further investment in the market.

St. Louis (53). A ULI focus group participant dubbed 2017 "the year of filling in," given the redevelopment activity in the central corridor area of St. Louis. The expectation is that the tremendous amount of activity in the Midtown and Central West End neighborhoods could also benefit downtown. The ultimate goal is to improve connectivity in the St. Louis metro area, which could allow the entire market to benefit from activity in individual nodes and neighborhoods.

Affordability and availability are seen as key strengths of the St. Louis market. The market offers a variety of affordable housing options, which makes the city attractive to relocating employees. St. Louis is still a locally dominated real estate market. The slower demographic growth can make it challenging to attract nonlocal investors. Despite the challenge, nonlocal investors do look at the market in search of higher yields compared with those available in more competitive markets. The retail and housing markets in St. Louis are viewed as strong, and the industrial market has good highway access to a large population base. Office activity is more organic, with companies expanding or relocating based on need.

Cleveland (55). The Cleveland market has a number of advantages, including a well-developed distribution network, an infrastructure system designed to handle a larger population base, a growing number of educated workers, and an internationally renowned medical industry. The Health-Tech Corridor market continues to show improvement; a combination of incentives and the desire to be near the educational and medical facilities are driving growth in this area.

Similar to other markets in the Midwest, slower demographic growth means that Cleveland must find a way to grow organically while the search for ways to reverse current demographic trends continues. Debt and equity capital for real estate

investment is available in Cleveland, but it is categorized as “cautious” by the ULI focus group participants. If a capital issue exists in Cleveland, it relates more to venture capital availability for startup companies. This type of capital may be conducive to the creation of new firms that could attract graduates of local universities and begin to reverse the current negative demographic movements. Since new construction in the market has been limited, Cleveland would actually benefit from the downtown development of Class A office space. A number of older properties have been redeveloped for residential uses and the market lacks an existing block of space that could be attractive to a relocating company.

Des Moines (57). The economy of Iowa’s capital is heavily weighted toward white-collar employment, and these sectors have been adding jobs. Professional and business services and financial activities are the leading job creators. Des Moines has a significant mortgage origination industry that has been benefiting from the improvement in the national housing market and refinance activity supported by consistently low mortgage rates.

The Des Moines market is experiencing a mini development boom. Commercial and residential construction payrolls could reach an all-time high over the next 12 months. The majority of the development is housing related, with the majority related to multifamily. Units under construction in Des Moines represent just over 6 percent of total inventory. Commercial construction has also been active since several firms are locating and expanding data centers in the metro area. In addition, a number of retail developments are underway across the market.

Madison (58). Although Madison is typically considered a tertiary market, the presence of Wisconsin’s capital and a renowned public university supports the local real estate market and offers potential regional or national investors with specific strategies to take advantage of these attributes. The university continues to provide the market with well-educated graduates who are supporting the growing high-tech clusters in the market. Total employment in Madison is now 10 percent higher than it was at

the peak of the previous cycle. While 2017 employment growth is expected to be only slightly higher than the U.S. average, the employment base is twice as concentrated as the U.S. in high-tech jobs.

Milwaukee (65). The largest city in Wisconsin has one of the highest concentrations of goods-producing employment in the United States. The Milwaukee manufacturing sector has been hit particularly hard by the collapse in energy prices and the strength of the U.S. dollar. A cutback in U.S. and Canadian oil exploration and extraction has greatly reduced the sale of heavy equipment manufactured in Milwaukee. If global energy production picks up again in 2017, the manufacturing sector could get a boost. Manufacturing could also get a boost if housing construction rises nationally next year. This will increase the market for the component of the manufacturing sector that produces home HVAC equipment. Health care is the largest industry in Milwaukee, but comparatively weak demographic growth and a lower percentage of the population over the age of 65 are hindering future growth in this sector of the economy.

Omaha (70). The largest city in Nebraska joins the list of smaller markets that are seeing professional and business service growth due to companies relocating in search of lower business costs. Along with lower business costs, Omaha offers a population base in which 33 percent of adults have a bachelor’s degree. This is 4 percent higher than the national average. Health care services also will contribute a greater share to future employment growth. The health care industry is getting a boost from the growing and steadily aging population. A number of public and private industry major construction projects are driving construction employment. This is helping offset slower residential construction levels.

Florida

“We like markets with good employment and population fundamentals like you see in markets like Orlando and Tampa. The spread between

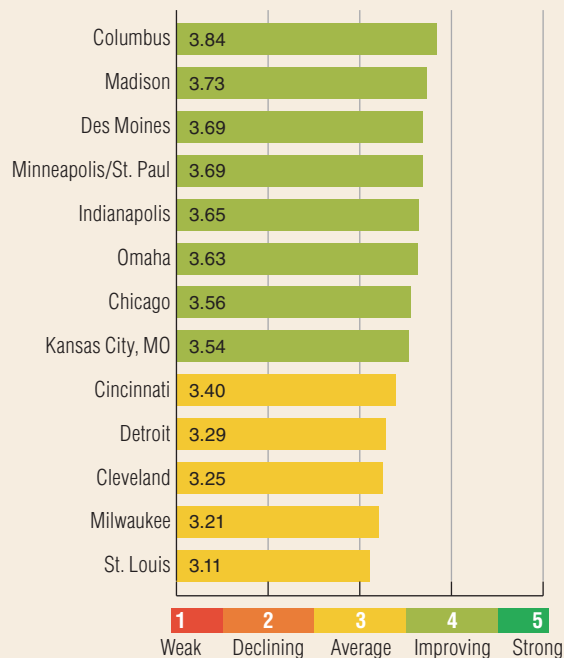
these markets and the gateway markets has some room to compress.”

Tampa Bay/St. Petersburg (20). The Tampa Bay/St. Petersburg market has the advantage of having dual urban cores. The St. Petersburg urban core is particularly attractive to the emerging workforce. The area is viewed as very walkable and includes excellent live/work/play options. Development in the Tampa urban core is still looking for ways to benefit from the riverfront area and take advantage of the opportunity to provide live/work/play options or at least some combination of the three to residents. Tampa Bay/St. Petersburg has many of the components necessary to become an 18-hour market. The goal will be to get each of them moving in a positive direction.

Improved economic performance has the local real estate market in good shape for all property types. Debt and equity capital for projects is available, but capital for office or condo development will likely require significant equity contributions from the borrower. ULI focus group participants feel that the opportunity for Tampa Bay/St. Petersburg will be to improve its perception as a destination market where developers will decide to become long-term owners, rather than build-and-sell participants.

Orlando (22). The economy of the Orlando area has experienced one of the strongest recoveries since the global financial crisis and the pace and level of this recovery have increased national and global interest in the city’s real estate market. The city’s reputation as a global entertainment destination is both a benefit and a challenge to the Orlando market. On the benefit side, the entertainment and tourism side of the market is a tremendous economic driver and has greatly enhanced the city’s visibility to off-shore investors. The challenge comes in educating the rest of the world that there are benefits to the other side of Orlando. ULI focus group participants noted that the city is battling the perception that the market is just theme parks, leading to the “You don’t know the half of it” marketing campaign.

Exhibit 3-11 Local Outlook: Midwest Region



Source: *Emerging Trends in Real Estate 2017* survey.

Note: Average score of local market participants' opinions on strength of local economy, investor demand, capital availability, development and redevelopment opportunities, public/private investments, and local development community.

Florida is growing again, and Orlando is reaping the benefit of this growth. The real estate sectors seeing the growth at this point are population related, with housing, both multifamily and single-family, seeing good demand. Orlando remains a key test market for an expanding number of retailer and food service companies. The industrial market that is primarily geared toward the local economy and population base also has a good outlook for 2017. Medical office also is cited as an opportunity in the Orlando market that could perform well in 2017.

A fact that comes as a surprise to some national market observers is the size of the college student base in the Orlando market. The key to growing the non-entertainment side of the Orlando economy is finding a way to create jobs that will entice this population base to remain in the market after graduation. A focus group participant noted, "Orlando needs to find a way to create jobs that match up better with our graduates."

Southeast Florida: Miami (25), Fort Lauderdale (35), West Palm Beach (43). The southeast Florida markets of Miami, Fort Lauderdale, and West Palm Beach are again enjoying strong population growth. The rise in population is driving employment growth, which has recovered all of the jobs lost during the global financial crisis in each of the metro areas. While employment growth has recovered, the market is comparatively more affordable than it was at the last peak. Despite showing good gains, existing-home prices remain below their cyclical peaks. International capital is again beginning to flow into southeast Florida; this capital movement should get a boost since a number of Latin American countries are enjoying improved economic growth.

The industrial market is enjoying rising demand and, with a limited amount of new supply, is leading to improved fundamentals. High street retail in a select set of emerging neighborhoods is a subsector

that should perform well in southeast Florida in 2017. The housing market will benefit from the increase in population growth, but it is challenged by a shortage of suitable land and rising construction costs. The multifamily sector is now faced with an elevated number of new units under construction. The southeast Florida markets will need to see if demand will remain strong enough to absorb the new units coming to market.

Jacksonville (47). Jacksonville has a number of characteristics in common with other secondary and tertiary markets in this year's survey. These markets tend to offer affordable business and living cost structures, economic and demographic growth that easily exceeds the national average, and steady real estate fundamentals. This creates an active local real estate market, but one that has difficulty getting the attention of national real estate market participants. Jacksonville may have an advantage in reversing this trend due to the popularity of the region as a vacation and second-home market. These visitors and part-time residents have an opportunity to observe the market up close, which could help improve the perception of Jacksonville.

"Neighborhood and niche are the way to look for investments in Jacksonville in 2017." This was the opinion of a ULI focus group participant. Performance in the market is likely to vary significantly by location and the selection of product type. Strong population growth is supporting housing growth, but the difficulty in finding developable lots and enough qualified labor is holding back supply and possibly pushing prices to a level where market affordability could suffer. The plus side is that the multifamily market remains solid.

Cape Coral/Fort Myers/Naples (60). Population growth has returned to the southwest Florida market, and that is driving an improving economy. The all-important housing market has bounced back, with 2017 median housing prices projected to be well above those seen in the previous cycle peak. The improvement in pricing is also driving new housing activity with sales, permits, and new completions all projected to be higher in the coming year. One issue that could hurt growth in

2017 is the shortage of qualified construction labor. The current labor shortage is pushing up the price of new housing and extending the time to completion.

ULI focus group participants feel that population-related property sectors will be the top sectors in 2017. Properties such as assisted living facilities, multifamily rental, storage facilities, and student housing are expected to be top choices for the year.

Gainesville (63). Gainesville is a tertiary market with a significant economic driver. The university is a top employer in the market. In addition, the university is a significant investor in knowledge-based industries, directly launching 17 startup companies and signing 122 license agreements with private companies in the most recent fiscal year. The university also supports a biotech incubator with the goal of creating additional high-paying jobs. Health care also has a significant presence in the Gainesville market. The university-affiliated hospital and the veterans' medical facility are the second- and third-largest employers in the market. The health care sector should continue to expand in 2017, with local hospitals adding capacity.

Tallahassee (66). As the capital of Florida, Tallahassee finds that its fortunes are often tied to the state government. In an era of government austerity, the Tallahassee economy has struggled to return to a level equal to that seen in the previous peak. Still, the market is projected to finally regain all of the jobs lost during the global financial crisis in 2016. In addition to the state government, education and health services are the top job creators in the market. Tallahassee is home to a major university as well as other universities and colleges. The largest hospital in the market is Tallahassee's second-largest employer. Tallahassee is a market dominated by local and regional real estate investors who have found opportunities in multifamily housing and retail.

Deltona/Daytona Beach (76). Population growth is driving economic activity in the Deltona/Daytona Beach market. The projected rate of

population growth in the market is over three times the national average, with a large segment of this new population over the age of 65. More residents and particularly more residents over the age of 65 are driving growth in the health services sector. The health services sector is also the top contributor to the high-wage positions in the market. The pace of population growth also is expected to drive a rise in housing activity in 2017, with permits and starts up significantly from the previous year. Commercial construction also is getting a boost from a number of retail and mixed-use projects under construction in Deltona/Daytona Beach.

Exhibit 3-12 Economy

Market	2017 Population			Millennials (age 16–35)		Business costs					Total employment			Location quotient****				
	Total (millions)	2016–2017 % change	5-year annual net migration (000s)	% of total population	5-year growth	2017 GMP per capita ratio*	GMP per capita 5-year projected growth	Cost of doing business**	Per capita disposable income ratio***	5-year disposable income growth	2016–2017 % change	2017 as % of previous peak	2019 as % of previous peak	High technology	Business & professional services	Education & health services	Energy	Goods producing
United States	327.56	0.8%	—	30%	2.6%	1.00	1.4%	100%	1.0	4.2%	1.5%	106.6%	109.2%	1.0	1.0	1.0	1.0	1.0
Albuquerque	0.91	0.1%	1.38	29%	0.2%	0.88	1.3%	90%	0.8	3.4%	1.8%	99.6%	102.0%	2.1	1.1	1.0	0.1	0.7
Atlanta	5.99	2.2%	102.40	31%	12.3%	0.99	1.9%	88%	0.9	3.2%	1.9%	110.9%	114.5%	1.5	1.3	0.8	0.1	0.8
Austin	2.14	2.9%	42.89	35%	18.0%	1.03	1.7%	98%	1.0	3.5%	2.3%	130.5%	137.0%	2.6	1.2	0.7	0.8	0.9
Baltimore	2.83	0.4%	3.72	30%	3.9%	1.07	1.0%	105%	1.2	4.2%	0.6%	106.6%	108.0%	1.6	1.2	1.2	0.1	0.7
Birmingham	1.15	0.2%	1.05	29%	1.5%	0.89	1.1%	96%	0.9	3.4%	0.8%	98.6%	100.3%	0.9	0.9	0.9	1.1	0.9
Boise	0.71	1.6%	6.34	29%	6.5%	0.83	2.0%	84%	0.8	4.9%	2.2%	111.1%	114.9%	1.6	1.0	1.0	0.2	1.1
Boston	4.84	0.6%	10.37	31%	2.7%	1.16	1.4%	122%	1.4	4.6%	1.2%	109.5%	111.6%	2.6	1.3	1.3	0.0	0.8
Buffalo	1.13	–0.4%	–5.26	29%	–4.7%	1.10	0.1%	86%	0.9	3.8%	0.8%	102.2%	103.3%	1.1	0.9	1.1	0.1	0.9
Charleston	0.77	1.5%	7.52	32%	7.3%	0.81	1.3%	100%	0.9	3.9%	1.8%	114.7%	117.7%	1.1	1.1	0.7	0.1	1.0
Charlotte	2.54	2.2%	50.69	30%	14.8%	1.00	2.1%	98%	0.9	3.2%	1.9%	111.8%	115.7%	1.1	1.2	0.7	0.1	1.1
Chicago	9.59	0.2%	–32.29	31%	1.3%	1.02	0.7%	99%	1.1	4.7%	1.9%	104.9%	107.2%	1.4	1.3	0.7	0.1	0.9
Cincinnati	2.18	0.5%	3.17	29%	1.6%	0.89	1.3%	97%	1.0	4.9%	1.7%	104.7%	107.1%	1.0	1.1	1.0	0.1	1.1
Cleveland	2.05	–0.3%	–7.99	27%	–2.4%	0.91	0.7%	97%	1.1	5.3%	1.6%	100.4%	102.3%	0.9	1.0	1.0	0.2	1.1
Columbia	0.84	1.3%	8.79	32%	2.6%	0.84	1.6%	96%	0.9	4.2%	2.0%	109.1%	112.3%	0.7	0.9	1.3	0.4	0.9
Columbus	2.07	1.1%	9.61	32%	7.3%	0.90	1.6%	95%	1.0	4.8%	2.4%	113.9%	117.4%	1.2	1.2	0.8	0.2	0.8
Dallas/Fort Worth	7.45	2.0%	87.92	32%	12.2%	1.07	1.1%	93%	1.0	4.0%	2.6%	119.7%	125.9%	1.7	1.0	0.9	0.6	0.6
Deltona/Daytona Beach	0.66	2.6%	19.72	24%	9.1%	0.84	2.4%	88%	0.8	4.7%	3.1%	104.6%	109.2%	1.0	0.9	0.5	0.0	0.9
Denver	2.92	1.3%	20.23	32%	10.4%	1.05	1.2%	96%	1.2	4.3%	2.2%	117.5%	121.3%	1.8	1.3	1.2	1.5	0.9
Des Moines	0.64	1.0%	1.39	30%	6.1%	0.97	2.1%	82%	1.1	3.9%	1.5%	110.9%	113.1%	0.9	0.9	0.8	0.1	0.8
Detroit	4.31	0.1%	–8.19	28%	0.3%	0.93	0.4%	96%	1.0	4.9%	1.8%	97.8%	100.2%	1.3	1.5	0.9	0.1	1.1
Fort Lauderdale	1.98	1.8%	29.28	28%	11.6%	0.93	2.0%	102%	0.9	4.8%	2.2%	107.2%	110.8%	1.2	1.2	1.0	0.0	0.7
Gainesville	0.29	1.7%	3.74	40%	–4.7%	0.87	2.2%	101%	0.8	5.5%	2.0%	104.5%	107.6%	0.8	0.7	0.8	0.2	0.5
Greenville	0.90	1.2%	8.87	29%	3.2%	0.78	1.5%	90%	0.8	4.2%	1.9%	109.5%	112.6%	0.9	1.3	1.2	0.2	1.3
Hartford	1.22	0.3%	1.14	29%	–0.1%	1.34	1.0%	101%	1.2	3.6%	1.0%	100.6%	102.1%	1.2	1.0	0.7	0.1	1.0
Honolulu	1.01	0.5%	–0.60	32%	3.1%	0.99	0.7%	119%	1.1	3.7%	0.8%	104.8%	106.5%	0.8	1.0	1.1	0.1	0.6
Houston	6.97	2.0%	70.86	32%	10.6%	1.34	1.3%	101%	1.1	4.1%	0.7%	114.3%	119.8%	0.9	1.1	0.9	6.0	1.3
Indianapolis	2.03	1.0%	9.05	30%	6.6%	0.95	1.6%	88%	1.0	5.2%	2.0%	111.8%	114.6%	1.5	1.1	0.8	0.1	1.0
Inland Empire	4.60	1.0%	10.41	32%	2.3%	1.02	1.2%	95%	0.7	3.4%	2.0%	110.3%	113.4%	0.5	0.8	0.9	0.2	1.0
Inland Northwest	0.72	1.0%	5.06	29%	3.4%	0.24	0.8%	80%	0.8	5.0%	1.5%	104.3%	106.7%	0.9	0.8	1.2	0.6	1.0
Jacksonville	1.51	1.9%	23.26	30%	9.5%	0.87	2.3%	96%	1.0	5.7%	2.7%	109.8%	114.1%	1.1	1.1	0.9	0.1	0.8
Kansas City, MO	2.11	0.5%	–1.46	29%	4.1%	0.85	0.6%	93%	1.0	4.5%	1.9%	107.2%	109.5%	1.6	1.3	0.9	0.2	0.9
Knoxville	0.88	0.7%	6.44	28%	2.2%	0.82	0.8%	89%	0.9	3.7%	2.3%	109.0%	111.8%	1.1	1.2	0.9	0.1	1.0
Las Vegas	2.24	2.6%	46.63	31%	14.4%	0.92	1.8%	95%	0.8	2.8%	2.1%	104.2%	108.4%	0.6	0.9	0.6	0.1	0.6
Long Island	2.87	0.1%	–3.13	33%	4.9%	1.13	0.8%	94%	1.4	3.5%	0.9%	104.7%	106.2%	1.4	0.9	1.2	0.0	0.8
Los Angeles	10.32	0.6%	–3.61	29%	3.6%	1.30	1.0%	107%	1.1	4.6%	1.9%	105.2%	107.8%	1.1	1.0	1.1	0.2	0.8
Louisville	1.29	0.5%	3.20	33%	0.8%	0.82	0.8%	87%	1.0	3.8%	1.9%	110.3%	113.5%	0.8	0.9	0.9	0.2	1.2
Madison	0.65	0.7%	1.07	30%	1.4%	0.91	1.1%	95%	1.1	4.7%	1.6%	110.5%	112.6%	1.9	0.9	0.7	0.2	1.0
Memphis	1.36	0.6%	2.25	30%	10.4%	0.88	0.8%	86%	0.9	4.3%	2.5%	102.2%	105.7%	0.8	1.1	0.9	0.0	0.8

Exhibit 3-12 Economy

Market	2017 population			Millennials (age 16–35)		Business costs					Total employment			Location quotient****				
	Total (millions)	2016–2017 % change	5-year annual net migration (000s)	% of total population	5-year growth	2017 GMP per capita ratio*	GMP per capita 5-year projected growth	Cost of doing business**	Per capita disposable income ratio***	5-year disposable income growth	2016–2017 % change	2017 as % of previous peak	2019 as % of previous peak	High technology	Business & professional services	Education & health services	Energy	Goods producing
United States	327.56	0.8%	—	30%	2.6%	1.00	1.4%	100%	1.0	4.2%	1.5%	106.6%	109.2%	1.0	1.0	1.0	1.0	1.0
Miami	2.78	1.4%	29.01	29%	−0.8%	0.94	1.7%	112%	0.9	4.8%	2.5%	110.4%	114.3%	0.7	1.0	1.0	0.1	0.6
Milwaukee	1.58	0.2%	−2.68	30%	6.8%	0.87	1.0%	98%	1.1	4.4%	1.7%	102.2%	104.5%	1.1	1.0	1.2	0.1	1.3
Minneapolis/St. Paul	3.62	1.1%	16.51	31%	8.0%	0.97	1.8%	103%	1.1	3.0%	1.4%	108.2%	110.8%	1.8	1.1	1.1	0.1	1.0
Nashville	1.89	1.4%	14.86	30%	3.7%	0.89	0.9%	94%	1.1	4.2%	2.2%	120.3%	123.8%	0.9	1.2	1.0	0.2	1.0
New Orleans	1.28	0.7%	3.03	35%	10.6%	1.07	1.7%	89%	1.0	5.5%	−2.0%	88.7%	89.5%	0.5	0.9	1.0	2.2	0.9
New York–Brooklyn	2.68	0.7%	−8.88	34%	2.5%	1.11	0.9%	165%	1.0	3.0%	0.9%	126.2%	129.0%	0.7	0.6	2.3	0.0	0.6
New York–Manhattan	1.66	0.4%	−3.00	39%	8.6%	1.61	0.6%	170%	1.6	3.3%	0.7%	110.1%	111.7%	1.5	1.6	0.8	0.0	0.2
New York–other boroughs	4.33	0.5%	−13.27	32%	5.0%	1.23	1.2%	112%	1.0	2.8%	0.8%	116.7%	118.9%	0.6	0.6	2.0	0.0	0.8
Northern New Jersey	7.20	0.2%	−12.10	28%	2.3%	1.27	1.4%	107%	1.4	4.3%	0.5%	99.0%	100.0%	2.0	1.3	1.0	0.1	0.7
Oakland	2.84	1.0%	13.63	31%	10.1%	1.27	1.5%	108%	1.3	4.3%	2.3%	108.6%	111.8%	2.2	1.2	1.1	0.2	1.0
Oklahoma City	1.39	0.9%	3.91	32%	3.1%	0.90	1.7%	86%	1.0	4.1%	1.5%	111.1%	113.8%	0.7	0.9	1.0	5.0	1.0
Omaha	0.93	0.9%	1.52	30%	3.6%	0.88	1.7%	92%	1.0	3.3%	1.8%	108.2%	110.9%	1.2	1.1	1.0	0.1	0.9
Orange County, CA	3.24	0.8%	7.77	31%	5.8%	1.35	1.3%	93%	1.2	4.0%	1.6%	105.8%	108.5%	1.9	1.3	0.8	0.1	1.2
Orlando	2.56	3.2%	70.22	32%	16.4%	0.91	2.6%	100%	0.8	5.2%	3.5%	116.1%	122.8%	1.1	1.2	0.8	0.1	0.7
Philadelphia	6.10	0.2%	−4.55	30%	0.4%	1.04	0.8%	104%	1.2	4.9%	1.9%	104.8%	107.1%	1.5	1.2	1.4	0.1	0.8
Phoenix	4.83	2.3%	83.63	30%	10.0%	0.91	1.6%	96%	0.9	3.6%	3.3%	106.9%	111.9%	1.4	1.2	1.0	0.3	0.9
Pittsburgh	2.35	0.0%	3.50	27%	−0.1%	1.02	1.2%	96%	1.1	5.1%	1.6%	103.0%	105.1%	1.3	1.1	1.3	1.7	0.9
Portland, ME	0.53	0.3%	0.93	26%	1.0%	0.76	0.4%	109%	1.0	3.2%	1.4%	103.1%	105.2%	1.0	0.9	1.3	0.2	0.9
Portland, OR	2.45	1.1%	16.31	31%	10.5%	1.29	2.6%	96%	1.0	5.6%	1.7%	110.8%	114.5%	2.0	1.1	0.9	0.2	1.2
Providence	1.62	0.2%	−0.01	29%	−0.9%	0.93	1.0%	106%	1.0	3.2%	0.9%	100.3%	101.9%	1.2	0.9	1.4	0.1	1.0
Raleigh/Durham	2.61	2.5%	57.44	30%	14.6%	2.88	1.0%	87%	1.0	2.6%	4.1%	112.3%	119.6%	0.6	1.2	1.0	0.1	0.9
Richmond	1.30	0.8%	5.10	30%	4.1%	0.94	0.8%	94%	1.0	3.6%	2.2%	111.2%	114.5%	0.9	1.2	0.9	0.3	0.7
Sacramento	2.34	1.1%	14.12	30%	5.4%	1.17	1.7%	103%	0.8	3.1%	2.0%	103.6%	106.6%	1.2	0.9	1.0	0.1	0.7
St. Louis	3.01	1.2%	−2.12	29%	1.0%	0.95	1.7%	93%	1.1	4.9%	2.0%	103.9%	106.1%	1.2	1.1	1.1	0.2	0.9
Salt Lake City	1.20	1.2%	2.25	33%	5.1%	0.93	1.1%	88%	1.0	4.9%	2.6%	116.1%	119.7%	2.1	1.3	0.8	0.8	1.0
San Antonio	2.48	1.7%	24.12	32%	5.8%	1.31	1.4%	120%	0.9	3.3%	1.9%	119.5%	124.4%	1.0	0.9	1.0	1.2	0.8
San Diego	3.38	1.0%	9.86	34%	5.5%	1.46	0.7%	124%	1.1	4.3%	2.0%	109.7%	112.8%	2.3	1.2	0.9	0.1	0.9
San Francisco	1.67	0.9%	7.59	34%	15.1%	1.43	0.9%	123%	2.0	6.3%	1.7%	121.1%	125.3%	4.2	1.8	0.8	0.0	0.5
San Jose	2.02	1.0%	5.38	31%	11.6%	1.29	1.4%	103%	1.7	5.1%	2.3%	119.4%	123.0%	7.3	1.6	0.9	0.1	1.4
Seattle	2.99	1.4%	20.99	32%	13.9%	0.96	1.3%	83%	1.4	5.2%	1.8%	112.8%	115.8%	2.8	1.1	0.8	0.1	1.2
Southwest Florida	1.15	3.6%	43.94	22%	16.8%	2.45	4.4%	99%	1.2	5.4%	4.1%	112.3%	119.6%	0.6	0.9	0.8	0.3	1.0
Tacoma	0.87	1.2%	5.26	32%	7.7%	0.99	1.5%	90%	1.0	5.4%	1.7%	108.3%	111.1%	0.5	0.7	1.1	0.2	0.9
Tallahassee	0.39	1.2%	3.65	37%	−4.4%	0.83	2.1%	103%	0.8	5.6%	2.2%	102.2%	105.3%	1.0	0.8	0.8	0.2	0.4
Tampa/St. Petersburg	3.10	1.8%	54.96	27%	9.4%	0.93	2.0%	99%	0.9	5.5%	2.5%	107.8%	111.8%	1.5	1.3	1.0	0.1	0.8
Tucson	1.05	1.4%	12.78	29%	−0.4%	0.92	1.1%	93%	0.8	3.7%	3.4%	103.4%	107.5%	1.2	1.0	1.1	1.2	0.8
Virginia Beach/Norfolk	1.75	0.6%	2.46	33%	1.0%	1.06	1.0%	94%	1.0	3.9%	1.4%	100.7%	103.0%	0.9	1.0	0.9	0.1	0.8
Washington, DC—District	0.69	0.9%	0.91	43%	13.9%	1.23	1.2%	121%	1.4	2.8%	0.8%	112.7%	114.4%	1.7	1.5	1.1	0.0	0.1
Washington, DC—suburban MD	2.34	1.1%	11.33	30%	9.0%	4.01	1.4%	100%	1.3	3.2%	0.5%	102.9%	104.7%	2.2	1.3	0.8	0.0	0.7
Washington, DC—suburban VA	3.01	1.2%	7.93	31%	10.0%	1.72	2.0%	121%	1.4	4.1%	2.2%	110.8%	114.4%	3.6	2.0	0.7	0.1	0.5
West Palm Beach	1.51	2.7%	42.56	25%	13.3%	0.94	2.2%	98%	1.5	6.1%	3.3%	109.3%	114.6%	1.1	1.3	1.0	0.0	0.6
Westchester, NY—Fairfield, CT	1.94	0.2%	−3.02	27%	1.0%	0.79	0.2%	117%	2.0	3.9%	0.8%	102.1%	103.6%	1.4	1.1	1.2	0.0	0.7

Exhibit 3-13 Housing

Market	Households		Median home prices				2017 single-family home year-to-year change					Multifamily metrics		
	2017 total (000s)	3-year projected growth	2017 price	2016–2017 % change	2017 as % of peak	Affordability index*	Permits	Starts	Completions	Sales	Walk Score	Rent/cost of ownership**	Rent as % of household income	Space under construction as % of inventory
United States	126,360	3.5%	\$243,425	4.2%	108%	160.1	40.7%	37.6%	31.1%	13.5%	53	0.8	25.3%	3.3%
Albuquerque	362	2.0%	\$194,136	3.8%	97%	174.5	47.2%	45.3%	19.6%	16.7%	42	0.6	18.3%	0.5%
Atlanta	2,222	8.2%	\$190,937	4.3%	108%	199.6	8.5%	8.8%	14.7%	15.1%	48	1.1	25.1%	3.5%
Austin	812	9.0%	\$286,556	2.3%	151%	150.4	11.5%	11.4%	13.2%	11.2%	39	0.7	23.6%	4.9%
Baltimore	1,099	3.1%	\$267,701	5.1%	92%	186.9	39.7%	31.0%	2.8%	13.8%	69	0.8	21.1%	2.2%
Birmingham	466	2.5%	\$192,400	2.3%	115%	161.5	12.5%	14.6%	21.4%	10.2%	35	0.7	20.8%	2.3%
Boise	272	6.3%	\$209,530	4.1%	99%	165.4	20.7%	21.8%	34.6%	11.9%	39	0.6	15.4%	4.7%
Boston	1,896	3.3%	\$425,940	4.4%	103%	137.3	38.2%	29.7%	4.0%	13.5%	81	0.9	35.7%	4.0%
Buffalo	473	0.4%	\$137,630	2.3%	128%	274.5	52.7%	45.4%	8.8%	12.2%	67	1.1	21.7%	2.8%
Charleston	307	6.2%	\$261,833	3.8%	118%	145.9	9.7%	9.1%	11.8%	4.5%	39	0.9	28.5%	8.2%
Charlotte	1,000	8.6%	\$211,782	3.2%	125%	180.2	19.9%	18.5%	10.6%	14.5%	26	0.9	25.1%	5.8%
Chicago	3,614	1.7%	\$244,324	4.3%	86%	175.4	34.1%	28.4%	24.4%	13.6%	78	1.0	28.0%	2.0%
Cincinnati	875	3.0%	\$158,808	4.1%	109%	260.0	23.5%	23.3%	31.0%	13.8%	50	0.9	17.2%	1.8%
Cleveland	866	0.9%	\$136,463	4.6%	97%	274.0	37.2%	35.6%	40.3%	12.7%	59	1.0	19.1%	1.2%
Columbia	337	5.9%	\$173,953	4.7%	117%	208.4	22.2%	20.7%	15.6%	2.9%	36	0.8	19.2%	2.9%
Columbus	831	4.6%	\$184,041	3.8%	121%	224.9	51.9%	49.4%	57.9%	14.5%	40	0.8	18.2%	2.9%
Dallas/Fort Worth	1,810	7.6%	\$241,968	3.5%	147%	158.3	9.8%	9.2%	7.8%	11.8%	45	0.8	24.0%	4.7%
Deltona/Daytona Beach	283	10.1%	\$185,738	7.6%	87%	165.9	92.1%	87.5%	58.1%	13.3%	36	1.1	31.0%	2.5%
Denver	1,191	6.4%	\$403,112	4.4%	160%	113.6	26.5%	24.7%	14.7%	13.6%	60	0.6	23.8%	6.2%
Des Moines	253	4.8%	\$188,962	2.3%	120%	235.8	16.2%	9.8%	7.3%	13.7%	44	0.8	16.5%	6.1%
Detroit	1,748	1.8%	\$113,507	7.6%	68%	341.8	32.5%	27.1%	24.7%	16.9%	55	1.5	20.1%	1.5%
Fort Lauderdale	818	7.3%	\$309,448	4.7%	81%	116.8	164.2%	166.8%	131.5%	12.3%	58	0.8	31.7%	4.3%
Gainesville	119	6.7%	\$202,813	6.0%	90%	181.0	72.4%	67.4%	32.2%	12.6%	34	0.7	19.3%	6.0%
Greenville	373	5.5%	\$191,744	4.6%	120%	164.3	23.8%	23.0%	21.0%	5.4%	42	0.9	25.9%	5.4%
Hartford	488	1.9%	\$240,345	4.0%	91%	215.7	21.0%	17.8%	8.3%	18.5%	71	0.8	19.0%	1.6%
Honolulu	336	3.0%	\$772,966	3.9%	118%	60.7	42.6%	43.3%	34.1%	11.7%	63	0.4	30.8%	2.7%
Houston	2,455	7.4%	\$225,128	2.8%	145%	169.7	1.8%	0.0%	−4.7%	13.1%	48	0.9	26.4%	5.0%
Indianapolis	806	4.1%	\$163,745	3.1%	132%	237.7	26.2%	27.5%	42.1%	9.1%	29	0.9	18.4%	2.6%
Inland Empire	1,472	6.3%	\$316,492	3.8%	78%	111.4	47.1%	46.8%	31.7%	12.9%	41	0.7	28.9%	1.2%
Inland Northwest	291	4.8%	\$230,990	3.3%	116%	168.9	34.5%	28.1%	10.1%	10.9%	48	0.6	16.5%	2.3%
Jacksonville	594	7.6%	\$225,470	6.7%	115%	157.8	34.5%	31.5%	20.1%	13.2%	26	0.8	22.1%	1.2%
Kansas City, MO	849	2.8%	\$188,979	4.3%	120%	216.3	28.0%	28.9%	56.9%	13.7%	34	0.7	17.1%	3.1%
Knoxville	369	3.6%	\$172,307	0.0%	0%	197.3	15.4%	11.7%	−2.1%	13.0%	31	0.8	20.2%	3.1%
Las Vegas	845	8.8%	\$238,640	3.9%	74%	142.2	69.7%	69.0%	54.5%	9.3%	40	0.7	23.2%	1.6%
Long Island	965	1.9%	\$442,831	1.8%	92%	139.5	73.1%	67.0%	18.1%	12.3%	95	0.8	26.2%	5.4%
Los Angeles	3,453	3.0%	\$528,612	6.2%	88%	69.8	27.8%	27.8%	24.0%	14.1%	66	0.7	42.2%	2.5%
Louisville	536	3.1%	\$163,645	3.1%	118%	213.9	54.3%	46.2%	20.8%	11.9%	33	0.9	19.8%	3.8%
Madison	278	3.8%	\$266,352	4.8%	117%	166.1	32.4%	24.7%	16.8%	14.2%	48	0.5	15.7%	2.9%
Memphis	529	3.3%	\$156,725	4.4%	107%	205.0	52.6%	41.5%	−3.2%	12.6%	36	0.9	21.6%	1.3%
Miami	991	5.9%	\$317,136	6.4%	81%	92.9	88.8%	82.1%	47.1%	12.2%	78	1.1	53.1%	6.0%
Milwaukee	653	2.4%	\$237,514	4.5%	106%	166.8	42.0%	41.0%	32.3%	14.2%	61	0.6	18.0%	3.6%

Exhibit 3-13 Housing

Market	Households		Median home prices				2017 single-family home year-to-year change					Multifamily metrics		
	2017 total (000s)	3-year projected growth	2017 price	2016–2017 % change	2017 as % of peak	Affordability index*	Permits	Starts	Completions	Sales	Walk Score	Rent/cost of ownership**	Rent as % of household income	Space under construction as % of inventory
United States	126,360	3.5%	\$243,425	4.2%	108%	160.1	40.7%	37.6%	31.1%	13.5%	53	0.8	25.3%	3.3%
Minneapolis/St. Paul	1,466	5.2%	\$254,558	5.0%	105%	188.3	35.0%	28.0%	25.1%	16.6%	68	0.8	20.9%	2.5%
Nashville	747	5.2%	\$225,360	3.1%	122%	164.7	8.7%	5.8%	−0.6%	11.4%	28	1.0	28.9%	8.3%
New Orleans	506	3.5%	\$187,957	4.3%	104%	184.1	29.2%	30.0%	29.1%	9.8%	57	1.2	31.8%	3.2%
New York–Brooklyn	972	3.3%	\$449,730	3.7%	98%	69.2	28.1%	24.9%	14.2%	12.9%	97	0.9	55.9%	5.9%
New York–Manhattan	792	2.0%	\$1,347,507	4.2%	97%	36.5	27.5%	24.4%	14.2%	12.6%	89	0.4	48.1%	2.6%
New York–other boroughs	1,499	3.0%	\$520,038	4.0%	114%	152.7	27.7%	24.5%	14.2%	12.5%	78	0.7	40.5%	3.4%
Northern New Jersey	2,663	2.1%	\$441,451	3.4%	102%	150.6	38.0%	40.4%	23.6%	14.0%	80	0.7	25.1%	2.5%
Oakland	1,016	3.3%	\$859,620	5.0%	104%	65.2	16.6%	16.7%	23.4%	11.7%	72	0.5	33.8%	1.8%
Oklahoma City	543	4.1%	\$144,991	1.9%	105%	248.2	33.6%	33.0%	21.2%	13.1%	32	0.9	16.1%	1.5%
Omaha	367	4.1%	\$170,472	2.6%	121%	229.6	34.7%	32.1%	33.5%	11.3%	45	0.8	16.4%	2.7%
Orange County, CA	1,082	3.6%	\$764,719	3.9%	106%	65.5	12.5%	11.5%	7.7%	11.4%	53	0.4	30.9%	3.7%
Orlando	1,014	12.2%	\$227,190	5.7%	82%	142.7	61.8%	57.1%	32.1%	14.4%	41	0.9	27.4%	2.9%
Philadelphia	2,353	1.9%	\$232,047	4.1%	98%	203.1	52.9%	51.9%	26.0%	16.3%	78	0.9	23.0%	1.7%
Phoenix	1,878	9.7%	\$239,835	4.2%	88%	150.7	39.6%	37.6%	25.3%	11.2%	40	0.7	23.0%	3.1%
Pittsburgh	1,011	−0.2%	\$155,420	3.8%	128%	265.4	37.6%	36.0%	13.4%	15.2%	61	1.0	20.1%	2.2%
Portland, ME	226	2.0%	\$258,715	4.9%	104%	165.0	28.0%	18.7%	−1.4%	10.5%	60	0.9	27.3%	3.2%
Portland, OR	1,013	5.7%	\$369,207	6.6%	125%	112.8	30.8%	31.7%	27.4%	13.9%	64	0.6	25.6%	3.0%
Providence	646	1.3%	\$276,769	4.8%	93%	145.4	50.3%	45.8%	31.0%	12.3%	78	0.8	26.4%	2.8%
Raleigh/Durham	1,039	9.0%	\$309,457	7.0%	166%	176.8	32.8%	29.1%	13.7%	13.3%	27	0.7	21.5%	4.2%
Richmond	515	4.0%	\$239,300	4.2%	101%	182.1	35.4%	34.1%	22.1%	16.3%	52	0.7	19.4%	2.2%
Sacramento	865	4.6%	\$332,759	7.2%	87%	131.5	27.1%	25.2%	11.3%	12.0%	46	0.6	22.8%	0.9%
St. Louis	1,154	2.1%	\$167,300	3.9%	110%	247.7	32.5%	34.9%	58.6%	14.0%	64	0.8	17.1%	1.9%
Salt Lake City	407	5.0%	\$283,073	4.5%	118%	148.6	43.8%	43.3%	44.3%	12.7%	56	0.5	16.4%	6.1%
San Antonio	893	6.7%	\$211,213	2.9%	136%	159.2	20.9%	18.5%	7.2%	11.7%	36	0.8	22.5%	5.1%
San Diego	1,201	4.1%	\$608,316	5.4%	98%	75.8	40.1%	43.2%	24.3%	12.2%	50	0.5	31.3%	1.9%
San Francisco	636	3.1%	\$1,275,347	6.0%	129%	53.3	42.0%	36.6%	5.8%	11.6%	86	0.5	44.1%	4.5%
San Jose	678	3.0%	\$1,089,823	6.7%	127%	60.2	29.0%	26.4%	14.2%	11.2%	50	0.4	29.8%	4.0%
Seattle	1,219	5.7%	\$479,158	6.3%	113%	116.0	21.4%	22.5%	26.5%	10.8%	73	0.6	24.3%	4.9%
Southwest Florida	507	14.1%	\$412,306	3.6%	114%	118.6	59.5%	54.1%	28.7%	14.3%	24	1.0	39.4%	3.5%
Tacoma	336	5.4%	\$262,866	6.3%	97%	163.0	32.2%	32.7%	25.9%	12.3%	53	0.9	24.5%	0.6%
Tallahassee	155	5.5%	\$195,245	6.7%	107%	194.2	104.6%	103.6%	66.4%	11.8%	32	0.7	20.5%	0.5%
Tampa/St. Petersburg	1,320	7.1%	\$211,333	7.9%	92%	157.7	46.8%	42.1%	22.7%	12.6%	49	0.9	27.4%	3.3%
Tucson	447	7.6%	\$199,136	5.3%	79%	162.5	50.3%	48.9%	33.5%	11.6%	41	0.6	18.1%	0.4%
Virginia Beach/Norfolk	679	3.7%	\$222,195	3.5%	90%	179.3	34.0%	32.3%	17.3%	14.7%	33	0.7	19.2%	1.8%
Washington, DC–District	299	3.4%	\$366,372	−1.1%	95%	137.0	−27.1%	−20.6%	23.0%	10.9%	77	0.9	36.2%	6.3%
Washington, DC–suburban MD	868	5.3%	\$208,342	4.9%	48%	130.7	46.6%	39.9%	23.0%	15.1%	47	0.6	21.3%	3.2%
Washington, DC–suburban VA	1,139	5.2%	\$412,408	4.0%	89%	135.0	56.6%	51.0%	23.0%	17.3%	68	0.6	18.1%	3.8%
West Palm Beach	657	10.8%	\$336,603	6.2%	80%	115.5	152.4%	146.6%	80.2%	13.6%	41	0.8	31.9%	5.5%
Westchester, NY/ Fairfield, CT	707	2.0%	\$437,439	4.0%	76%	121.8	17.9%	11.3%	14.2%	16.0%	53	0.6	25.2%	3.5%

Exhibit 3-14 Local Market Perspective*: Investor Demand

Weak	Declining	Average	Improving	Strong
Seattle	4.57	San Antonio	3.62	
New York—Manhattan	4.56	Minneapolis/St. Paul	3.61	
San Francisco	4.53	Indianapolis	3.61	
Boston	4.53	Boise	3.60	
Austin	4.44	Honolulu	3.57	
Los Angeles	4.34	Washington, DC—MD suburbs	3.57	
San Jose	4.33	Kansas City, MO	3.50	
New York—Brooklyn	4.30	Pittsburgh	3.47	
Denver	4.30	Sacramento	3.47	
Dallas/Fort Worth	4.29	Long Island	3.46	
Portland, OR	4.26	Louisville	3.44	
Oakland/East Bay	4.26	Omaha	3.40	
Orange County	4.26	Las Vegas	3.38	
Charleston	4.22	Westchester, NY/Fairfield, CT	3.32	
Nashville	4.21	Oklahoma City	3.23	
Washington, DC—District	4.21	New Orleans	3.22	
Miami	4.17	Cincinnati	3.22	
San Diego	4.12	Knoxville	3.20	
Charlotte	4.09	Portland, ME	3.20	
Raleigh/Durham	4.09	Spokane, WA/Coeur d'Alene, ID	3.20	
Atlanta	3.94	Jacksonville	3.18	
Palm Beach	3.90	Detroit	3.17	
Greenville	3.89	Baltimore	3.10	
Madison	3.89	Tucson	3.08	
Fort Lauderdale	3.88	Richmond	3.07	
Philadelphia	3.87	Milwaukee	3.00	
Orlando	3.87	Tallahassee	3.00	
Chicago	3.86	Virginia Beach/Norfolk	3.00	
Salt Lake City	3.86	Albuquerque	2.91	
Washington, DC—Northern VA	3.79	St. Louis	2.87	
Tampa/St. Petersburg	3.77	Cleveland	2.86	
Columbus	3.77	Deltona/Daytona Beach	2.83	
New York—other boroughs	3.75	Birmingham	2.75	
Cape Coral/Fort Myers/Naples	3.71	Providence	2.73	
Phoenix	3.69	Gainesville	2.60	
Inland Empire	3.69	Memphis	2.60	
Tacoma	3.67	Houston	2.58	
Northern New Jersey	3.65	Hartford	2.47	
Des Moines	3.63	Buffalo	2.33	

Source: *Emerging Trends in Real Estate 2017* survey.
 *Ratings reflect perspective of local market participants.

Exhibit 3-15 Local Market Perspective*: Development/Redevelopment Opportunities

Weak	Declining	Average	Improving	Strong
Boise	4.00	New York—Manhattan	3.46	
Detroit	3.91	Cleveland	3.46	
Oakland/East Bay	3.85	Cincinnati	3.45	
Dallas/Fort Worth	3.84	Miami	3.44	
Nashville	3.83	Cape Coral/Fort Myers/Naples	3.43	
Portland, ME	3.80	San Francisco	3.41	
Greenville	3.78	Pittsburgh	3.41	
Charlotte	3.75	Omaha	3.40	
Madison	3.75	Inland Empire	3.40	
San Antonio	3.74	Northern New Jersey	3.39	
Salt Lake City	3.73	Sacramento	3.38	
Philadelphia	3.73	Albuquerque	3.33	
Charleston	3.72	St. Louis	3.33	
Portland, OR	3.70	Tacoma	3.33	
Las Vegas	3.68	San Jose	3.32	
Austin	3.67	Kansas City, MO	3.29	
New York—Brooklyn	3.67	Washington, DC—MD suburbs	3.28	
Orlando	3.65	Baltimore	3.28	
Columbus	3.65	Oklahoma City	3.23	
Raleigh/Durham	3.65	Long Island	3.20	
Orange County	3.65	Louisville	3.19	
Seattle	3.64	Providence	3.18	
Denver	3.64	Milwaukee	3.15	
Tampa/St. Petersburg	3.64	Richmond	3.15	
Los Angeles	3.63	Jacksonville	3.14	
Atlanta	3.61	Virginia Beach/Norfolk	3.14	
Fort Lauderdale	3.60	Tallahassee	3.13	
Washington, DC—Northern VA	3.58	Spokane, WA/Coeur d'Alene, ID	3.10	
Palm Beach	3.58	Westchester, NY/Fairfield, CT	3.08	
Des Moines	3.57	Memphis	3.07	
Minneapolis/St. Paul	3.56	Birmingham	3.00	
New York—other boroughs	3.56	Knoxville	3.00	
San Diego	3.54	Deltona/Daytona Beach	3.00	
Washington, DC—District	3.51	Tucson	2.92	
Indianapolis	3.51	Honolulu	2.83	
Boston	3.51	Hartford	2.79	
Buffalo	3.50	New Orleans	2.78	
Chicago	3.48	Gainesville	2.60	
Phoenix	3.47	Houston	2.53	

Source: *Emerging Trends in Real Estate 2017* survey.
 *Ratings reflect perspective of local market participants.

Exhibit 3-16 South and Mid-Atlantic: Sector and Local Outlook Scores

Overall rank		Investment prospect scores, by sector						Local outlook score*
		Office	Retail	Industrial	Multifamily	Hotel	Housing	
1	Austin	3.57	3.84	3.90	3.50	3.60	3.82	4.10
2	Dallas/Fort Worth	3.62	3.79	3.90	4.00	3.53	3.95	4.12
6	Nashville	3.77	3.78	3.63	3.69	3.47	4.00	4.07
7	Raleigh/Durham	3.68	3.63	3.75	3.55	3.41	4.36	3.91
9	Charlotte	3.66	3.64	3.71	3.67	3.32	3.83	3.97
15	Atlanta	3.62	3.56	3.66	3.86	3.30	3.76	3.80
20	Tampa/St. Petersburg	3.48	3.44	3.67	3.41	3.36	3.93	3.70
22	Orlando	3.02	3.31	3.62	3.81	3.50	3.80	3.79
24	Washington, DC—District	3.31	3.87	3.62	3.21	3.59	4.00	3.82
25	Miami	3.59	3.90	3.68	4.13	3.21	2.57	3.81
29	Washington, DC—Northern VA	3.06	3.70	3.53	3.22	3.18	3.89	3.72
31	Charleston	3.20	3.40	3.19	3.70	3.31	4.30	4.01
32	San Antonio	3.01	3.27	3.56	3.43	3.25	3.72	3.72
33	Washington, DC—MD suburbs	2.78	3.55	3.57	3.18	3.42	3.82	3.49
35	Fort Lauderdale	2.71	3.59	3.83	3.42	3.45	2.05	3.71
37	Greenville	3.11	2.81	3.18	3.23	3.12	1.76	3.93
40	Houston	2.48	3.20	2.98	3.39	3.00	3.16	2.69
43	Palm Beach	2.33	2.61	2.90	2.66	2.38	2.57	3.82
47	Jacksonville	2.43	2.38	2.85	2.27	2.55	3.26	3.19
51	Louisville	2.25	2.25	2.70	2.50	2.63	2.63	3.38
54	Oklahoma City	2.02	2.45	2.48	2.57	2.45	2.80	3.40
56	Knoxville	2.13	2.50	2.68	2.55	2.00	3.00	3.15
59	New Orleans	1.87	2.13	2.67	2.40	3.04	2.00	3.03
60	Cape Coral/Fort Myers/Naples	2.10	2.36	2.70	1.75	2.28	2.45	3.62
63	Gainesville	1.50	2.44	2.63	2.25	1.88	1.88	2.90
66	Tallahassee	2.06	2.25	2.57	2.25	2.50	2.00	3.02
67	Memphis	2.44	2.50	2.17	2.63	2.00	3.00	2.81
68	Birmingham	1.94	2.33	2.32	2.33	2.80	2.10	3.01
69	Richmond	2.13	1.85	2.22	1.98	2.59	2.45	3.18
74	Virginia Beach/Norfolk	1.80	2.10	2.10	2.10	2.10	1.40	3.17
76	Deltona/Daytona Beach	2.10	1.93	1.63	1.75	2.10	2.10	2.87
South average		2.73	2.98	3.08	2.98	2.91	3.04	3.51

Source: *Emerging Trends in Real Estate 2017* survey.

*Average score of local market participants' opinions on strength of local economy, investor demand, capital availability, development and redevelopment opportunities, public/private investments, and local development community.

Exhibit 3-17 Northeast: Sector and Local Outlook Scores

Overall rank		Investment prospect scores, by sector						Local outlook score*
		Office	Retail	Industrial	Multifamily	Hotel	Housing	
12	Boston	3.68	3.63	3.81	3.41	3.75	3.90	4.04
13	New York–Manhattan	3.81	3.89	3.80	3.75	3.38	3.30	4.02
16	New York–Brooklyn	3.59	3.71	3.90	3.63	3.25	2.63	4.00
27	Philadelphia	3.56	3.48	3.75	3.69	3.00	4.00	3.76
28	Pittsburgh	3.65	3.08	3.62	3.70	3.00	3.33	3.48
30	Northern New Jersey	3.03	3.40	3.59	4.00	2.92	3.38	3.50
34	Baltimore	2.83	3.17	3.50	3.72	3.07	3.00	3.23
39	Long Island	2.70	3.21	3.29	2.97	2.85	3.15	3.38
44	New York–other boroughs	2.22	3.05	2.75	2.63	2.15	2.80	3.55
49	Westchester, NY/Fairfield, CT	2.25	2.88	2.63	2.81	2.25	2.75	3.28
73	Portland, ME	1.75	2.10	2.45	1.75	2.57	2.10	3.38
75	Providence	1.40	2.00	2.22	2.45	1.40	2.80	3.01
77	Hartford	1.40	1.85	2.02	2.45	1.58	2.80	2.71
78	Buffalo	2.10	1.75	1.75	1.40	1.75	1.75	2.75
Northeast average		2.71	2.94	3.08	3.03	2.64	2.98	3.44

Source: *Emerging Trends in Real Estate 2017* survey.

*Average score of local market participants' opinion on strength of local economy, investor demand, capital availability, development and redevelopment opportunities, public/private investments, and local development community.

Exhibit 3-18 Midwest: Sector and Local Outlook Scores

Overall rank		Investment prospect scores, by sector						Local outlook score*
		Office	Retail	Industrial	Multifamily	Hotel	Housing	
19	Chicago	3.39	3.54	3.72	4.07	3.28	3.64	3.56
26	Indianapolis	3.02	3.19	3.66	3.80	3.68	3.72	3.65
38	Minneapolis/St. Paul	3.40	3.52	3.34	3.74	3.40	1.02	3.69
41	Cincinnati	2.18	2.40	2.66	3.35	2.80	2.75	3.40
42	Columbus	2.40	2.63	2.85	2.58	2.57	2.70	3.84
48	Kansas City, MO	2.53	2.53	2.76	2.68	2.63	3.00	3.54
50	Detroit	2.40	2.55	2.91	2.70	2.56	3.00	3.29
53	St. Louis	2.44	2.25	2.50	2.75	2.25	2.50	3.11
55	Cleveland	2.34	2.29	2.78	2.40	2.29	2.93	3.25
57	Des Moines	1.44	2.16	2.76	2.16	2.88	2.16	3.69
58	Madison	2.10	2.45	2.80	2.10	2.80	2.45	3.73
65	Milwaukee	1.90	2.36	2.48	2.18	2.38	2.10	3.21
70	Omaha	1.75	1.75	2.28	1.75	2.80	1.75	3.63
Midwest average		2.41	2.58	2.88	2.79	2.79	2.59	3.51

Source: *Emerging Trends in Real Estate 2017* survey.

*Average score of local market participants' opinion on strength of local economy, investor demand, capital availability, development and redevelopment opportunities, public/private investments, and local development community.

Exhibit 3-19 West: Sector and Local Outlook Scores

Overall rank		Investment prospect scores, by sector						Local outlook score*
		Office	Retail	Industrial	Multifamily	Hotel	Housing	
3	Portland, OR	3.80	3.58	3.90	3.68	3.27	4.13	3.98
4	Seattle	3.63	3.66	3.85	3.88	3.55	3.82	4.15
5	Los Angeles	3.58	3.52	3.84	3.92	3.53	3.81	3.92
8	Orange County	3.51	3.69	3.77	3.97	3.70	4.06	3.97
10	San Francisco	3.50	3.76	3.71	3.81	3.64	3.57	4.08
11	Denver	3.53	3.69	3.61	3.79	3.36	3.69	4.06
14	Oakland/East Bay	3.72	3.60	3.84	3.96	3.09	4.00	3.92
17	San Jose	3.23	3.36	3.73	3.57	3.71	3.67	3.94
18	Salt Lake City	3.65	3.56	3.46	3.43	3.68	3.59	3.89
21	Phoenix	3.44	3.48	3.75	3.50	3.62	3.53	3.66
23	San Diego	3.33	3.56	3.74	3.63	3.27	3.67	3.82
36	Inland Empire	2.56	3.05	3.46	3.88	2.88	3.21	3.49
45	Sacramento	2.60	2.63	2.92	2.60	2.00	3.37	3.45
46	Boise	2.45	2.45	2.26	2.28	2.80	2.80	3.73
52	Honolulu	1.70	2.50	2.64	2.80	2.45	3.50	3.40
61	Las Vegas	1.78	2.26	2.59	2.45	2.59	3.86	3.43
62	Tucson	1.93	2.33	2.36	2.10	2.45	2.10	3.02
64	Albuquerque	1.68	2.22	2.54	2.45	2.57	2.10	3.09
71	Spokane, WA/Coeur d'Alene, ID	2.10	2.45	2.30	1.75	2.80	2.80	3.20
72	Tacoma	1.82	2.57	2.04	2.80	1.75	2.98	3.47
West average		2.88	3.10	3.22	3.21	3.03	3.41	3.68

Source: *Emerging Trends in Real Estate 2017* survey.

*Average score of local market participants' opinions on strength of local economy, investor demand, capital availability, development and redevelopment opportunities, public/private investments, and local development community.

Note: Additional market-specific data from the 2017 survey are available in the online *Emerging Trends in Real Estate® 2017* at uli.org/et17 or www.pwc.com/us/etre.

