Perspective 2018

UNITED STATES

Bentall Kennedy

ACKNOWLEDGEMENTS

We would like to acknowledge the following data sources used in completing this report:

American Council of Life Insurance (ACLI), American Hospital Association, Avalere Health, Axiometrics, Bloomberg, CBRE Econometric Advisors (CBRE-EA), China National Bureau of Statistics, Commercial Mortgage Alert, The Conference Board, Congressional Budget Office (CBO), CoStar Group, Cushman & Wakefield, ESRI, Establish Supply Chain Consulting, IHL Consulting, International Monetary Fund (IMF), Institute for Supply Management (ISM), Institutional Real Estate, Inc., JLL, Moody's Analytics, Mortgage Bankers Association, National Association of Real Estate Investment Trusts (NAREIT), National Council of Real Estate Investment Fiduciaries (NCREIF), Pension Real Estate Association (PREA), Pensions & Investments, Port Authorities throughout the U.S., Prequin, PwC, Proper Villains, Real Capital Analytics (RCA), Real Estate Roundtable, SK&A, Standard & Poor's, Urban Land Institute (ULI), U.S. Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics (BLS), U.S. Census Bureau, U.S. Federal Housing Finance Agency (FHFA), U.S. Federal Reserve, U.S. Patent Office, and World Bank.

We would also like to thank the many individuals who are employed by these parties as well as the real estate owners and managers who helped us with insights and guidance along the way.

475 Sansome Street,
San Francisco, CA

Table of Contents

For more information about Perspective, please contact:

Paul Briggs, SVP, Head of Research, Bentall Kennedy (U.S.) Limited Partnership
pbriggs@bentallkennedy.com, 617 790 0853

Executive Overview: Navigating late-cycle tailwinds

The past year has been nothing if not eventful. In the U.S., we saw the Trump administration take office and the storminess in Washington, D.C. surpassed only by a series of heart-wrenching natural disasters. Abroad, the election of Emmanuel Macron — the youngest leader in France since Napoleon — almost single-handedly quelled fears of rampant national populism sweeping across Europe. Elsewhere, geopolitical tensions ran high, with North Korea defiantly testing long-range missiles, and the U.S. and Russia at odds over Syria and a host of other issues. Quietly behind the scenes, economic growth strengthened and spread globally. This growth was particularly evident in the U.S., where economic expansion and a variety of other demographic and technological factors supported rising demand for commercial real estate space. Investment activity in the asset class remained robust even as we saw total returns ease from recent stellar levels.

GLOBAL ECONOMY: SYNCHRONIZED GROWTH LEADS TO UNWINDING OF MONETARY STIMULUS

Broad-based global economic growth is more evident today than at any point since the Great Recession. Business confidence has strengthened and international trade is supporting industrial production. Central bankers have taken notice and begun to cautiously pull back monetary stimulus. While geopolitical tensions remain high in some respects, there is also hope that global order will not be significantly altered as populist sentiments moderate.

U.S. ECONOMY: THE EXPANSION PUSHES ON

In the U.S., most signs point to continued expansion. Job creation is healthy, although slowing somewhat as unemployment has fallen to around 4.0%. A tight labor market and the wealth effects from record stock prices and home values have fostered an environment where U.S. consumers should continue to spend and drive economic activity. Interestingly, while the strong economy might be expected to encourage mobility, the share of U.S. population that moves each year has continued to fall. There are a number of forces driving this trend, but we also see this as further support to our thesis that employers must seek out the best talent in the vibrant live/work/play nodes they've chosen to live in, not the other way around. The U.S. is well positioned for continued growth, but it also must navigate the consequences of new tax policy (both good in the short-term and potentially bad over the longer-term), changes to healthcare legislation, and the renegotiation of trade agreements. Washington, D.C. is unlikely to prove short on surprises in the year ahead.

CAPITAL MARKETS: INVESTOR INTEREST REMAINS HIGH EVEN AS RETURNS MODERATE

While a short-term view of quarterly sales trends shows a decline from recent highs, activity over the past year has been strong in a historical context. Recent and expected total returns have clearly moderated, but investors, both foreign and domestic, are targeting U.S. commercial real estate as yields compare favorably to other asset classes. Industrial has been far and away the top performer and, appropriately, investor expectations remain higher for this sector. Lenders continue to seek out high quality loan opportunities, while tightening standards somewhat. Commercial real estate's best days may be behind it for this cycle, but opportunities remain for attractive risk-adjusted returns. A laser-sharp focus on asset selection and management will be crucial to performance, especially as interest rates slowly rise and cap rates level off.

APARTMENTS: WORKING THROUGH NEW SUPPLY

Significant construction completions have led to a slight uptick in apartment vacancy and more pedestrian growth in effective rents. But more acute oversupply is certainly evident in some locations. Apartment demand remains strong as a growing number of Americans not only have jobs, but are seeing modest, and potentially accelerating, wage growth. These conditions should persist in 2018. Supply may be near peak levels for the cycle as tighter lending standards and rising construction costs discourage developers. With acquisition pricing high in urban cores, opportunities for more attractive returns may present themselves in surrounding neighborhoods with similar amenity offerings.

OFFICE: STEADY FUNDAMENTALS WITH SOME POCKETS OF OVERSUPPLY

Labor constraints and space usage trends are limiting demand growth in many locations, but office fundamentals are stable. Vacancy is little-changed over the past year. Rent growth is running slightly ahead of inflation, led by certain secondary tech markets, such as Seattle and Austin, along with late-recovery Sunbelt metros, such as Charlotte and Tampa. Construction is likely to weigh on national rent growth in the quarters ahead. High prices and, in some cases, significant new supply limit the upside for investments in core urban properties.

MEDICAL OFFICE: HEALTHY VITAL SIGNS AND A FAVORABLE PROGNOSIS

Medical office fundamentals are strong and improving as demographic and various industry-specific trends drive rising demand. Off-campus property investment represents an opportunity as these buildings see outsized demand growth. However, policy risk must be monitored as new tax legislation could impact the number of insured individuals over time.

RETAIL: A TECTONIC SHIFT CONTINUES TO SEND TREMORS THROUGH THE SECTOR

Retail availability is high in comparison to similar points in past cycles and may rise in the near term, but the best locations continue to attract gradually increasing demand. Development is limited and projects in many markets have shifted toward curated, experience-driven offerings rather than more traditional formats and tenant rosters. Rents in the sector are rising; however, the disparity between successful retail centers and struggling ones is stark. Online retailers have yet to become a significant driver of brick-and-mortar retail demand, but their recent push into physical space validates the long term necessity of retail properties.

INDUSTRIAL: COMING TO A NEIGHBORHOOD NEAR YOU?

Industrial availability has been flat or falling for 30 consecutive quarters, allowing it to outperform the other major property sectors. Strengthening traditional demand generators and ecommerce supply chain investment continue to drive robust net absorption. Supply is not overwhelming tenants' appetites for space, but it has accelerated and is more in line with demand than at any point this cycle. Rent growth has reached its strongest pace of the cycle and will likely moderate from this point. Tenants are clearly interested in locating closer to their customers, but limited available space presents challenges for the so-called "last-mile" trend.

Property fundamentals are strong as we head into 2018 and, with the economy continuing to expand, conditions should remain healthy. Policy changes present both upside and downside risks, but the expectation is that the new tax code will yield modestly stronger economic growth in 2018 and this should benefit real estate investors. Undoubtedly, the U.S. economy will see a few twists in the road in the year ahead, but given the much-improved health of economies across the globe, it will be hard to derail the current expansion. We hope you enjoy Perspective 2018 and please look for more updates from us as we analyze the implications of new tax policy on economic conditions and commercial real estate performance.


Anthology, Washington, D.C.

Hubbard Place,
Chicago, IL

Economic Outlook

GLOBAL

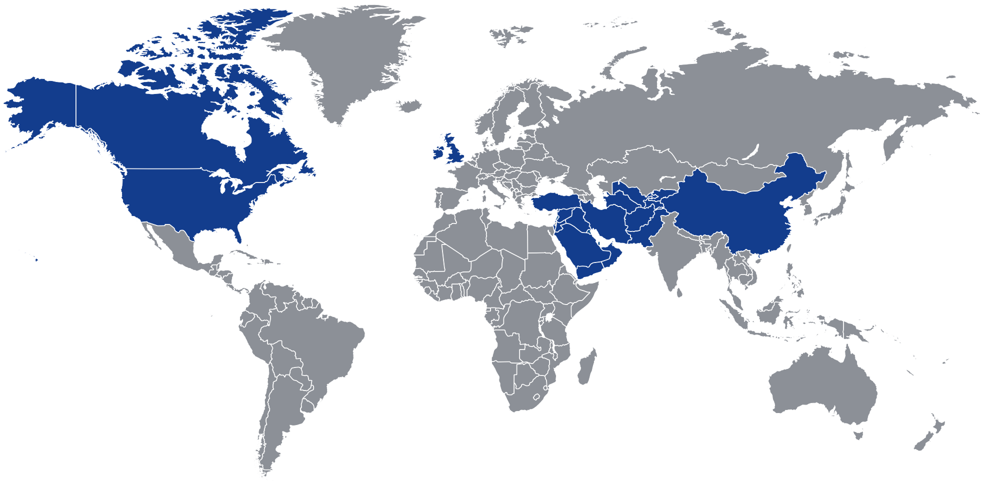
- Stronger business confidence and improving industrial production driving synchronized global growth
- Quantitative easing has finally had desired effect; central banks transitioning toward tighter monetary policies
- Populist movement has lost momentum but risk of disruption remains
- Elevated geopolitical risks are likely to weigh on global growth

UNITED STATES

- U.S. economic expansion continues aided by improving global conditions
- Consumers benefiting from a tight labor market and wealth effects from record stock prices and home values
- Population mobility continues to decline for a variety of economic, demographic, and lifestyle reasons; employers must seek out the best talent
- Policy risks remain, including tax reform, changes to healthcare law, and the renegotiation of trade agreements

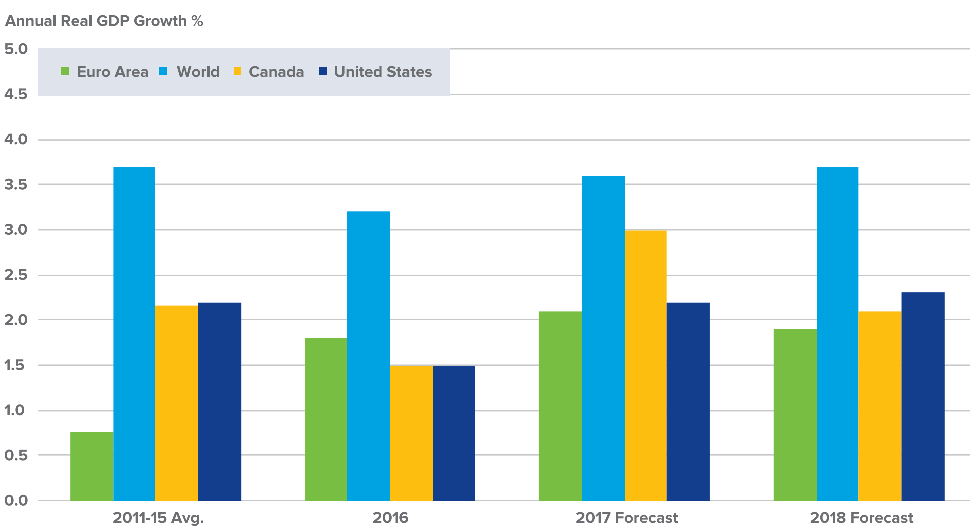
Bentall Kennedy

Global Economy: Synchronized growth leads to unwinding of monetary stimulus



The global economy is on better footing as we head into 2018. Prospects for the euro area have improved as rising business and consumer confidence drive widespread growth across most member countries. Meanwhile, a rebound in industrial production foreshadows brighter times ahead for emerging markets, especially in China, where growth has stabilized. Expansionary fiscal and monetary policies that were put in place in recent years are beginning to have a positive impact on the real economy. This trend is expected to persist in 2018, with the U.S. and Canada holding their own among advanced economies.

2.1 GLOBAL GROWTH CONTINUES



SOURCE: IMF

CENTRAL BANKS TIGHTEN MONETARY POLICIES

With the improving global outlook, central banks are transitioning to less accommodative regimes after a prolonged period of stimulus, albeit at varying degrees. This is echoed by the U.S. Federal Reserve's unwinding of quantitative easing (QE) in an attempt to normalize its balance sheet, which is likely to be followed by further interest rate hikes. It is expected that the Federal Reserve will maintain its current course under new chairman Jerome Powell.

The Bank of England recently raised its benchmark rate for the first time in a decade, but the U.K.'s looming exit from the European Union and its impact on the U.K.'s economic ties with neighboring trade partners could cause it to tread with more caution. With healthier economic conditions across continental Europe, the European Central Bank has become less dovish and is expected to taper the current quantitative easing program as well.

Meanwhile, the Bank of Japan is still committed to keeping its 10-year yield near zero, but consistent economic growth and improving employment conditions could potentially lead to tighter monetary policies in the future. The Bank of Canada raised the overnight rate on two occasions in 2017 Q3 as the Canadian economy accelerated.

All told, gradual winding down of monetary stimulus is a credible vote of confidence that the global economy is improving, but these changes also create downside risks for the recent growth trend. We expect central bankers to be cautious as inflation remains low, reflecting the fact that aggregate demand is still not forceful enough to drive consistent price and wage growth.

3.7%

PROJECTED GLOBAL GDP GROWTH FOR 2018; SOURCE: IMF

POPULIST MOVEMENT LOSES MOMENTUM

Populist sentiments that initiated Brexit and assisted in placing the Trump administration in the White House lost some momentum in 2017, thanks in large part to the rise of France's Emmanuel Macron and the re-election of Angela Merkel. However, Germany is showing signs of political unrest due to opposing views on immigration. This dissension could spark a new election causing further political uncertainty.

While the contention between populism and globalism appears to be contained for the time being, it remains a potential source of disruption as technology and globalization place mounting pressure on the working class. Brexit negotiations and the outcome of Italy's election will be key indicators in 2018.

The state of this populist movement not only has great social implications, it could have far-reaching impacts on the real economy, especially as it pertains to the negotiation of global trade policies. With global economic conditions improving but still tentative, any headwinds impacting trade flows could downgrade the outlook.

200 West Madison,
Chicago, IL

CHINA IS A KEY COMPONENT TO GLOBAL GROWTH

While consensus projections of China's GDP growth are in line with the policy target of 6.5%, this is far removed from the double-digit growth of years past that solidified China as one of the largest economies in the world. Economic progress in 2018 is largely dependent on how successful the government will be in regulating the scorching housing market. However, it appears that policies aimed at curbing investor speculation are having the desired effect as home price growth is losing momentum. Moreover, strict measures to contain outflow of capital by the central government could redirect corporate investments back into China and provide support to the economy. But these measures also pose a threat to asset values abroad, which have benefited from capital outflows from China.

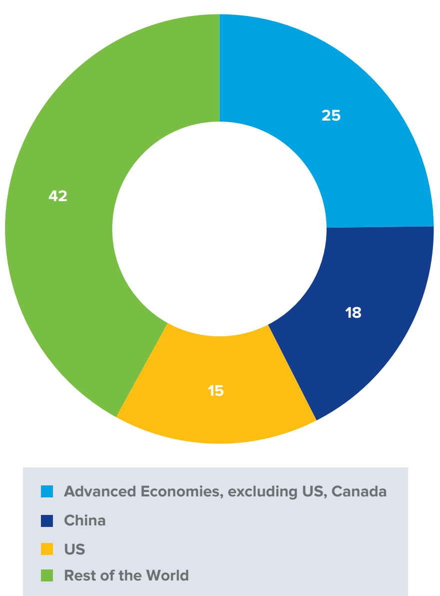
A key source of Chinese economic growth through most of 2017 was debt-driven consumption which is likely to unwind as the central government raises interest rates in an attempt to contain excessive borrowing. This makes the Chinese economy vulnerable to a hard landing in the housing market and a sharp correction in household spending. This is not imminent, but given China's sizable contribution to global GDP, we should be cognizant of these downside risks and their rippling effect through the global economy and financial markets.

CRUDE PRICES REMAIN LOW DESPITE RECENT GAINS

Commodity prices have been on an upward trend through much of 2017 and should continue to see healthy gains on the back of stronger manufacturing and industrial output. Forestry, metal and

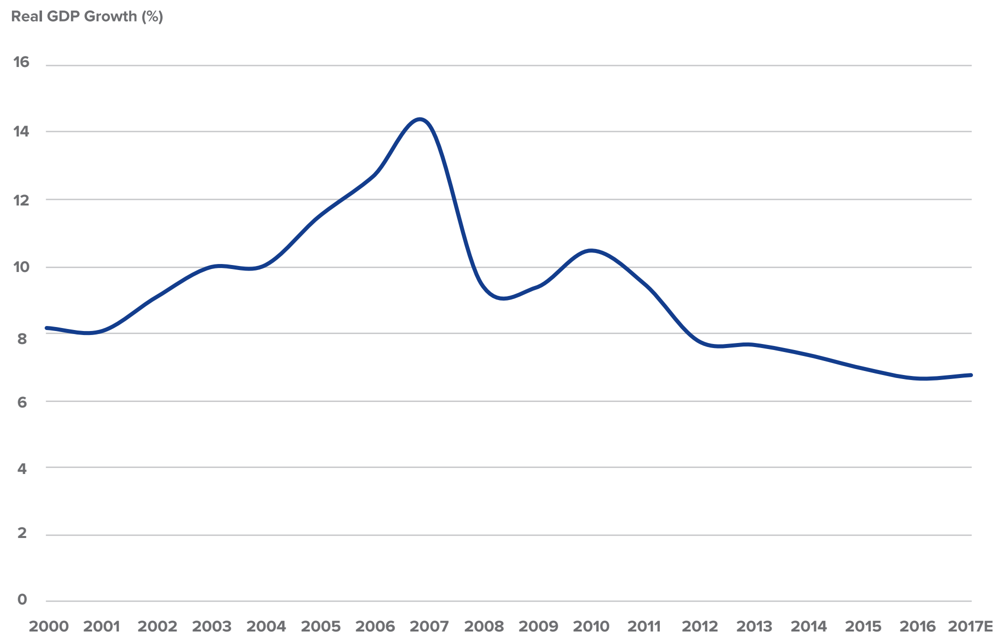
Projections of China's GDP growth are in line with the policy target of 6.5%

2.2 CHINA AND US - KEY CONTRIBUTORS TO THE GLOBAL ECONOMY (% OF GLOBAL GDP)



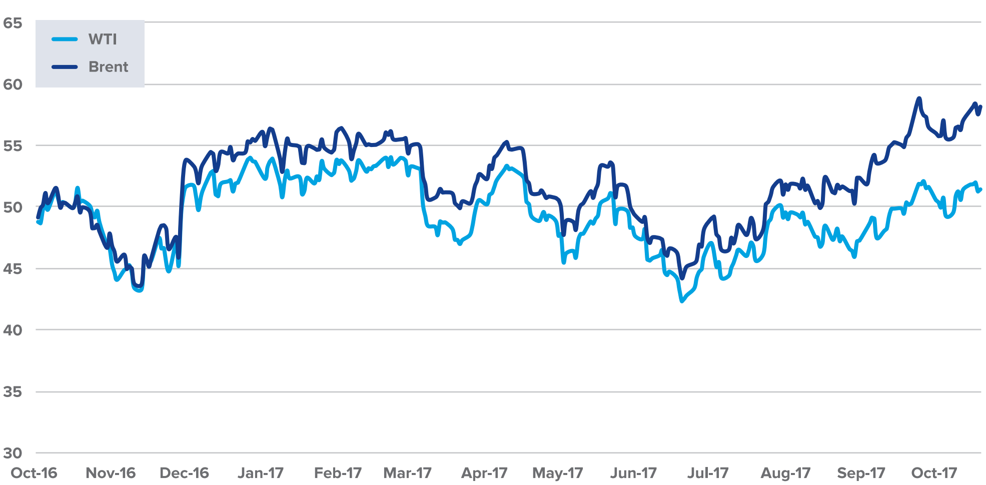
SOURCE: IMF

2.3 CHINA'S ECONOMY STABILIZING



SOURCE: CHINA NATIONAL BUREAU OF STATISTICS

2.4 CRUDE OIL PRICES GAINED SOME GROUND IN LATE 2017



SOURCE: BLOOMBERG

mineral related goods have all registered material price gains as of late. A concerted rise since mid-2017 brought crude oil prices close to levels last seen in 2015, with WTI in the upper-$50/bbl range and Brent in the lower-$60/bbl range. These gains are a positive sign that could reflect a rebalancing of market conditions.

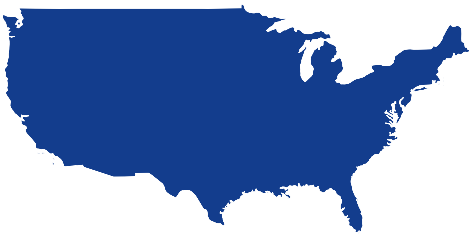
The outlook for oil prices is likely to be contingent on how well OPEC and non-OPEC members can coordinate and remain committed to production cuts. This will be a tricky task, as the U.S. shale industry continues to benefit from declining production costs and is likely to maintain the current volume of output, creating a disincentive for crude oil producers to dial back production.

POLITICAL RISKS REMAIN

There is a wide array of geopolitical risks that could weigh on the global economy in 2018. Tax reform in the U.S. could impact other countries where U.S. firms have hoarded cash, while providing some short-term lift to U.S. economic activity — although estimates on the economic impact of the legislation have varied greatly. The midterm election provides another element of uncertainty as the restructuring of Congress could alter the direction of governance in the U.S. Moreover, any material set back involving NAFTA negotiations could ripple through trade-oriented sectors such as the automotive industry. Escalating tension with North Korea could negatively impact relations between the U.S. and China, the world's two largest economies. If the situation with North Korea escalates it would upend global equity markets, which have been on the rise. Outright war on the Korean Peninsula would likely prove disastrous for the global economy.

757 Third Avenue
New York, NY

United States Economy: The expansion pushes on



Economic expansion in the U.S. continues to push forward despite disruptions from severe weather events, notable domestic policy uncertainty and ample geopolitical tensions. Job creation has slowed due in part to these factors, but also as a result of tightening unemployment and the maturation of the business cycle. Geopolitics may cloud the outlook somewhat, but generally speaking, economic growth abroad is more of a tailwind for the U.S. than it has been at any point since prior to the Global Financial Crisis.

GDP growth has been steady, and it should reach the 2.5%-3.0% range when finally tallied for 2017. Strong household spending and an uptick in business investment have underpinned this growth. Global conditions and a slight weakening of the dollar against other currencies versus its December 2016 highs have resulted in a positive contribution from net exports. The industrial production index increased by 3.1% from November 2016 to October 2017 and a strong gain in the Institute for Supply Management's manufacturing index foretells of continued expansion in this area.

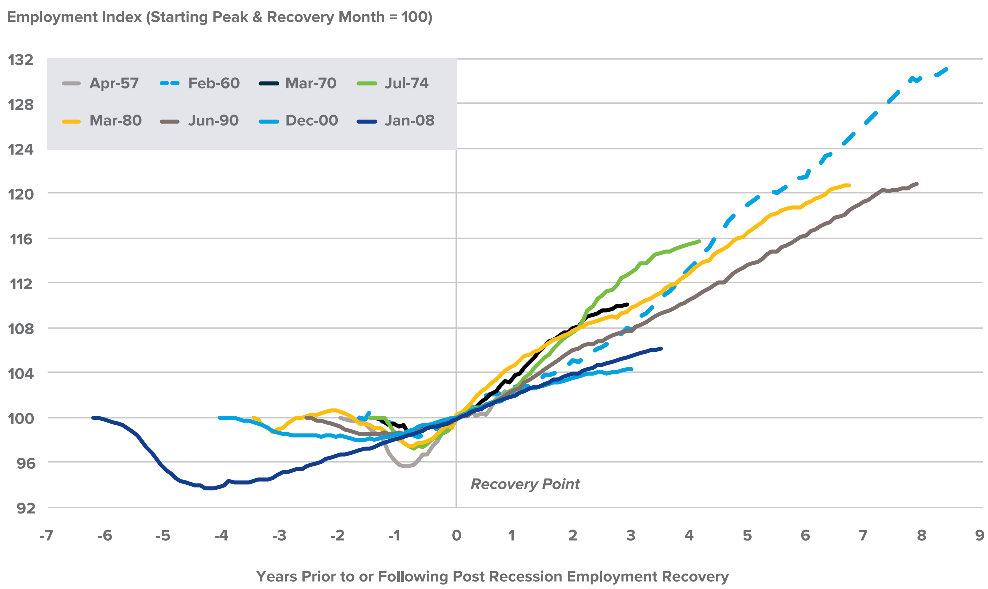
Decelerating job growth is evident across a variety of sectors. Employers have been challenged to find workers and initial unemployment claims are running near cyclical lows. Unemployment is 4.1%, which is even lower than the 4.4% achieved in 2007. But U.S. job growth certainly has not stalled:

- Employment rose by 1.4% (over two million jobs) YOY as of October 2017
- Growth in the manufacturing sector was 1.3% after declining a year ago
- The professional & business services sector has lost very little momentum, rising 2.6% YOY
- Healthcare, financial activities, and construction are also outperforming
- Federal government and retail employment have decreased modestly

The question we continue to examine is how much longer the economy can expand as we approach 10 years since the prerecession peak in employment in January 2008. The 1980s (including both the '80 and '82 recessions) and 1990s

2.5 THE CURRENT ECONOMIC EXPANSION LOOKS RELATIVELY YOUNG

- Employment has been expanding beyond its prerecession peak for less than four years
- A shorter period than the post-1960, 1974, 1980, and 1990 recession expansions
- Only slightly longer than the post-1970 and 2000 expansions
- In percentage terms the expansion is small, at 6.1%
- Four cycles more than doubled this cycle's percent gain in jobs
- This expansion follows the deepest recession and longest recovery period of any of the cycles shown



SOURCES: U.S. BUREAU OF LABOR STATISTICS, BENTALL KENNEDY

The prospects for the U.S. economic expansion to continue for a few more years are reasonable.

cycles pushed beyond 10 years and both saw more substantial expansions above prior peaks than what we have experienced since the Great Recession. Perhaps more noteworthy from a time perspective, however, is the relatively short period from when prerecession peak jobs were regained to today, as shown in Figure 2.5.

Viewed through this lens, the prospects for the U.S. economic expansion to continue for at least a few more years are reasonable. Further, if a recession were to happen over the next five years, we expect it to be relatively mild. The real wild card is labor availability — hence our concerns around any policies that could potentially hinder the flow of skilled labor into the U.S. Unemployment is sub-2% in healthcare and legal occupations and sub-3.0% in computer, math, and engineering fields.

Headline unemployment likely overstates the labor shortage, but many of the potential workers found in alternative measures of unemployment either lack the skills or are in the wrong location to perform available positions, or both. Labor force participation is down more than three percentage points from 2007 and a return to that level would add eight million people to the labor force — although a full reversal is extremely unlikely given that many of these would-be workers are now past retirement age. Job training and the migration of jobs to the locations of available labor (and vice versa) will take time.

Labor shortages are putting steady upward pressure on wages and, while wage growth has been somewhat disappointing to date, the trend has been one of slowly accelerating growth. Low unemployment and rising wages are working to inspire robust levels of consumer confidence. An optimistic consumer outlook is further fueled by rising asset prices as the stock market and home prices push to new record highs.

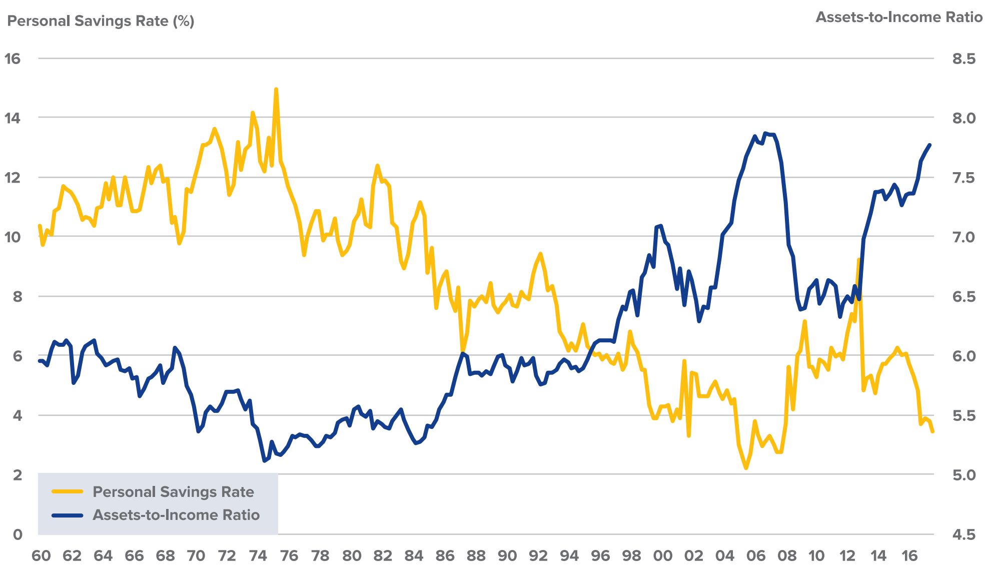
The assets-to-income ratio is near 2007 record levels. U.S. consumers feel optimistic about their employment prospects, personal wealth, and the economy at large and are once again steadily spending down their savings as a result. It should be noted that these trends also create some downside risk for the economy if households are unexpectedly impacted by a sharp correction in the stock market or a decline in home values after a period of decreased saving.

3.1%

INCREASE IN INDUSTRIAL PRODUCTION INDEX, NOV. 2016 TO OCT. 2017

One factor impacting the availability of labor has been the decreased willingness of labor to move versus past cycles. In 2005, nearly 14% of the U.S. population moved. That number fell to 11% in the Census Bureau's 2017 report, a record low. While there has been a long-term trend of decreasing mobility, in the past, geographic mobility has tended to rise at the strongest points of the business cycle as workers are lured to new locations by professional opportunity and higher pay.

2.6 HOUSEHOLD ASSET GROWTH AND A STRONG LABOR MARKET ARE ENCOURAGING CONSUMER SPENDING



SOURCES: U.S. BUREAU OF ECONOMIC ANALYSIS, FEDERAL RESERVE, MOODY'S ANALYTICS

Anthology,
Washington, D.C.

Those moves are often facilitated by liquid housing markets during strong economic times, which make it easier for job-movers to sell their home. Lingering effects from the housing bust persist in some locations, but the share of homeowners with negative equity in their homes has fallen dramatically from highs of 2011-12. Census data also clearly shows that the drop in mobility is due more to fewer moves by historically more mobile-renter households than it is to homeowners, thereby negating the impact of decreased homeownership this cycle.

Three major drivers appear to be at work behind the recent decline in mobility. The first ties back to the drop in labor force participation; Many people have been bypassed by the economy, unable to find jobs that match their skills. It is extremely difficult for these people to move. The second is demographics; As the Baby Boomers get older, they enter phases of their life cycle where the population has historically shown very little geographic mobility. On the other end of the spectrum, population levels actually dropped in the highly mobile 20 to 24-year-old age cohort as the peak of the Millennial generation is now in their late 20s (another argument against stricter immigration policies).

The third factor is lifestyle preference. As we have stated for some time now, employers seeking highly skilled workers must go to the worker. The migration of firms from suburban locations to the live/work/play nodes within their metropolitan areas is one manifestation of this trend. The other is outright moves or expansions to other markets, such as GE's move to Boston or even Amazon's planned HQ2. Firms are seeking out the labor they need. It is no longer sufficient to operate in a single location where a strong labor pool exists, particularly as competition for workers rises. Google's increasingly diversified geographic footprint is another example of this.

11%

PERCENT OF AMERICANS THAT MOVED OVER THE PAST YEAR, A HISTORIC LOW

The data shows mobility has dropped for the population with a bachelor's degree as well as those with lower educational attainment. People with graduate or professional degrees have seen a less material drop in mobility, but are also a group that likely places high value on a professional opportunity, even when it is in another location.

OUTLOOK

Real estate investment performance will depend heavily on the U.S. economy's ability to generate jobs, encourage people to form new households, and put those households in a position to consume. Recent economic growth has certainly accomplished these requirements, driving increased demand for all types of space. The underlying dynamics and external factors generating this growth remain intact and, in some cases, enhanced (e.g. stronger global growth). Labor shortages remain a headwind and downside policy risks are significant, including:

- The Fed becoming too aggressive with unwinding highly stimulative monetary policy
- Changes in the tax code overheating equity markets, hurting residential property values, and driving higher U.S. budget deficits
- Failed brokering of major trade deals, crimping international trade volumes

But if policymakers can, at the very least, succeed in not harming the economy and conditions abroad remain favorable, the U.S. should grow steadily in 2018, resulting in widespread benefits for commercial real estate investors.

101 Greenwich, New York, NY

Capital Markets

- Transaction volume is down from peak quarterly levels of recent years, but continues to reflect a robust and liquid investment market
- Sales activity indicates a noticeable shift to secondary locations within primary markets as well as movement towards secondary and tertiary markets in general as investors seek yield
- Although total returns are moderating as cap rates level off, real estate performance remains attractive versus other asset classes
- Industrial has been far and away the top performer and investor expectations remain high for this sector
- Lenders continue to seek out high quality loan opportunities, while tightening up somewhat on areas where they perceive higher levels of risk such as multifamily construction
- Cap rates are showing no discernible upward trend and interest rates remain low; still, investors looking to generate above average performance must focus on asset selection and management to create value

Bentall Kennedy

Capital Markets: Investor interest remains high even as returns moderate

Economic growth, flat and relatively low long-term interest rates, strong space market fundamentals, and the sector's attractive long- and short-term risk-adjusted investment performance continue to draw capital to U.S. commercial real estate. Sales volume over the four quarters ending in 2017 Q3 was down more than 7.0% from the same period a year ago, but in broader context, investment volume has been outstanding. According to Real Capital Analytics (RCA), sales volume over the past four quarters reached nearly $400 billion in the four major property types, roughly matching the average level of activity during 2014-16 and exceeding the 2005-07 average.

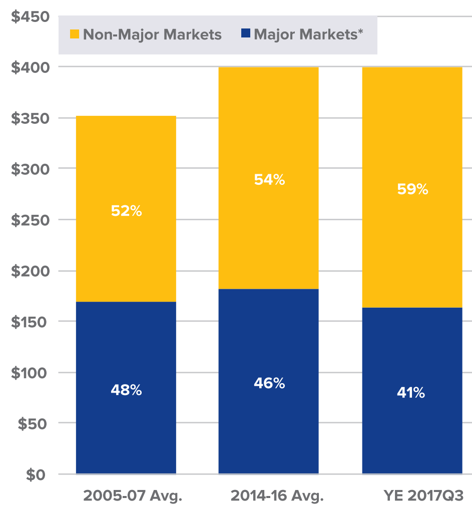
Differences have been evident across property types, with apartment and industrial activity over the past four quarters comparing very favorably with the 2014-16 and 2005-07 periods, while office and retail volumes were less impressive compared with past performance. Sales activity has shifted away from the six major markets somewhat, as investors seek higher yields. Following on this "search for yield" theme, RCA reported that single-property suburban office sales reached a record high for third-quarter activity in 2017 Q3.

According to RCA, year-to-date activity through 2017 Q3 reached record high levels in Dallas, Riverside and Charlotte. Those markets, as well as Orlando, San Jose, and Houston, were notable for strong year-over-year transaction volume growth. Transaction activity dropped sharply in New York — including a 56% drop in Manhattan sales volume and a 31% drop in the Boroughs — and yet the New York market, including northern New Jersey, remained in the top position for sales volume. Los Angeles continues to occupy second place and actually saw an uptick in year-over-year volume through the first three quarters of 2017.

Large entity-level transactions supplemented individual property transaction volume in 2017, although entity-level transaction volume was middling as a share of overall activity relative to recent history. These transactions included Greystar's acquisition of Monogram Residential Trust for $4.4 billion. Greystar partnered with APG Asset Management, GIC, and

3.2 INVESTORS PURSUING HIGHER YIELDS OUTSIDE OF SIX MAJOR MARKETS

Annual Transaction Volume (Billions)

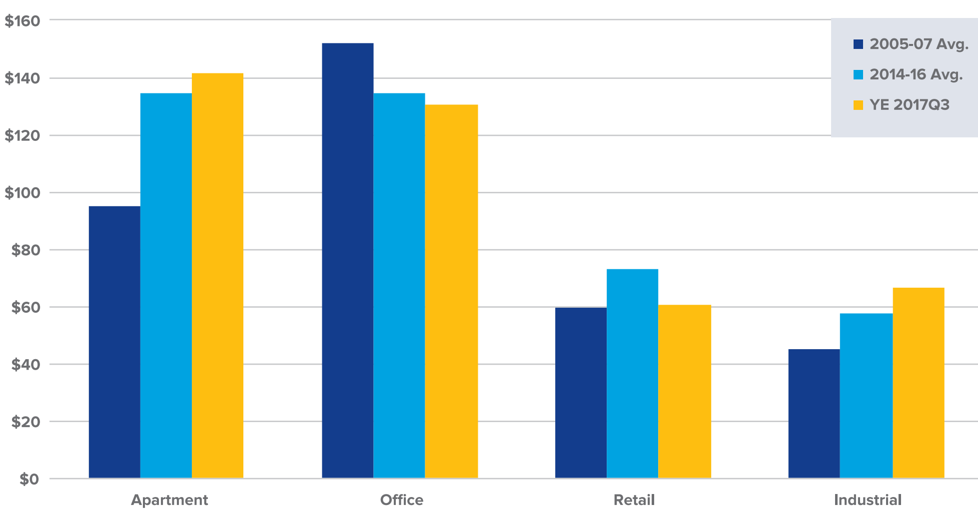


*MAJOR MARKETS INCLUDE: BOSTON, CHICAGO, NEW YORK, WASHINGTON, D.C., LOS ANGELES AND SAN FRANCISCO

SOURCE: REAL CAPITAL ANALYTICS, INC

3.1 SALES VOLUME IS STRONG, WITH DIFFERING TRENDS ACROSS SECTORS

Annual Transaction Volume (billions)



SOURCE: REAL CAPITAL ANALYTICS, INC

3.3 TOTAL RETURNS NEAR 10-YEAR AVERAGE LEVEL, MORE MODERATION AHEAD

NCREIF PROPERTY INDEX TOTAL RETURNS

	2007-16 AVG.	2012-16 AVG.	2016	YE 2017Q3	2017-21 FCST. (PREA SURVEY)
OVERALL	6.9%	10.9%	8.0%	6.9%	5.3%
APARTMENT	6.6%	10.2%	7.3%	6.2%	5.3%
OFFICE	6.3%	9.9%	6.2%	5.7%	4.7%
RETAIL	8.3%	12.4%	9.0%	6.1%	5.1%
INDUSTRIAL	7.3%	12.7%	12.3%	12.8%	6.5%

SOURCES: NCREIF, PREA CONSENSUS FORECAST SURVEY, BENTALL KENNEDY

Ivanhoe Cambridge on the transaction, which serves as a testament to the continued interest of foreign buyers in U.S. real estate. Regency Center's acquisition of rival Equity One for about $5 billion was another large entity-level sale over the past year. At the time of this writing Brookfield was in discussions to acquire the remaining stake in mall owner, GGP Inc., for nearly $15 billion.

Even while moderating to a level on a par with its 10-year average, commercial property investment performance is attractive. It is clear, however, that industrial has been the outlier, and the sector's strong performance has supplemented weaker gains in the three other major property types. The PREA Consensus Survey calls for further moderation in total returns with the five-year projected average coming in below the 2007-16 average. This expectation is driven by an outlook for tepid asset appreciation. Industrial is expected to be the top performer through 2021, just as it has been in recent years.

Returns in all four major property sectors benefited from rising property net operating incomes (NOI) over the past year, although relatively soft retail fundamentals kept growth to a minimum in that sector. Apartment and office returns in particular have been hampered by some moderation in pricing trends. The negative valuation effect in those sectors shown in Figure 3.4 suggests that investors may be starting to look for higher risk premiums. Interestingly, while office valuation trends may not be all that compelling, the sector has shown stellar NOI growth as in-place leases roll to higher current rates. This may also reflect owners achieving higher rents in exchange for greater tenant improvement allowances.

Diridon Station, San Jose, CA

Hubbard Place
Chicago, IL

20bps

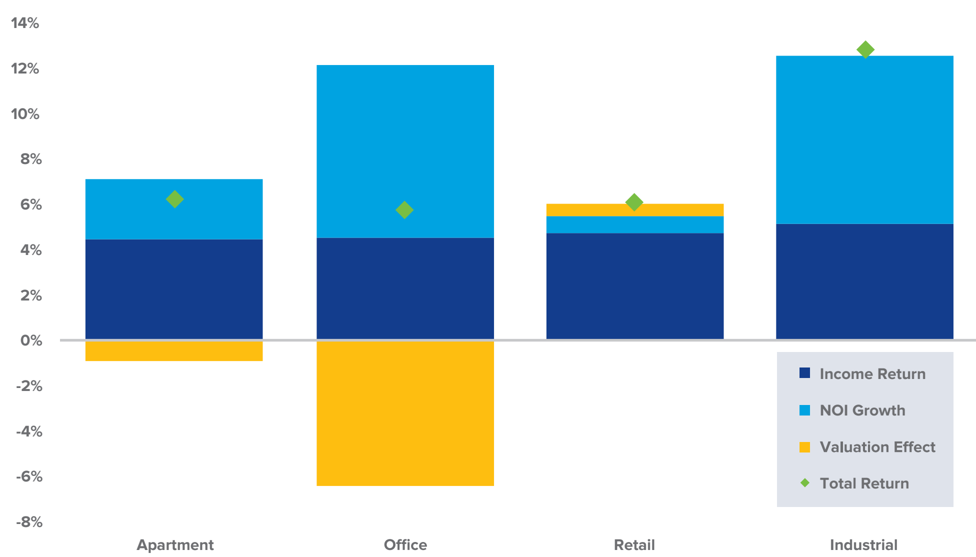
CAP RATE SPREAD VS. TREASURIES WITHIN 20 BASIS POINTS OF ITS LONG-TERM AVERAGE AS OF 17Q3.

The low-yield investment environment globally will keep investors searching for opportunities to enhance performance while managing risk. U.S. real estate should continue to garner attention, helping to support asset values. Additionally, the aging population will require cash flowing investments, bolstering demand for commercial real estate further. With interest rates remaining low, including the 10-year Treasury rate which seems to have found a ceiling in recent quarters at 2.5%, cap rates on commercial property investments are offering a spread that is in line with historical norms.

As of 2017 Q3, the spread between cap rates (as measured using the NCREIF current value cap rate) and the 10-year Treasury rate was 264 basis points, less than 20 basis points below its 25-year average.

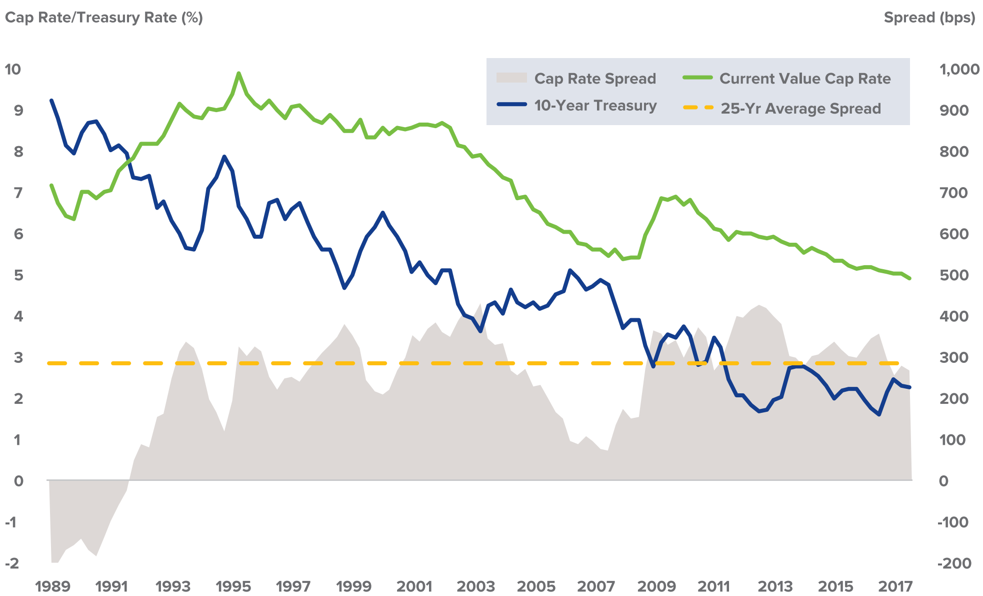
While current conditions do not pose a threat to property values, there certainly is risk from rising rates. The Fed is slowly but steadily raising the Fed Funds rate and unwinding quantitative easing as the economy looks to be on solid footing and inflation is running closer to its target rate. Inflation risks are becoming more significant, however, with the labor market tight and new tax legislation potentially overheating asset prices and raising deficits — a pattern that could lead to higher long-term rates. These dynamics will need to be monitored closely, but consensus opinion currently envisions a relatively slow rise in rates.

3.4 NOI GROWTH IS A SIGNIFICANT DETERMINANT OF RETURN



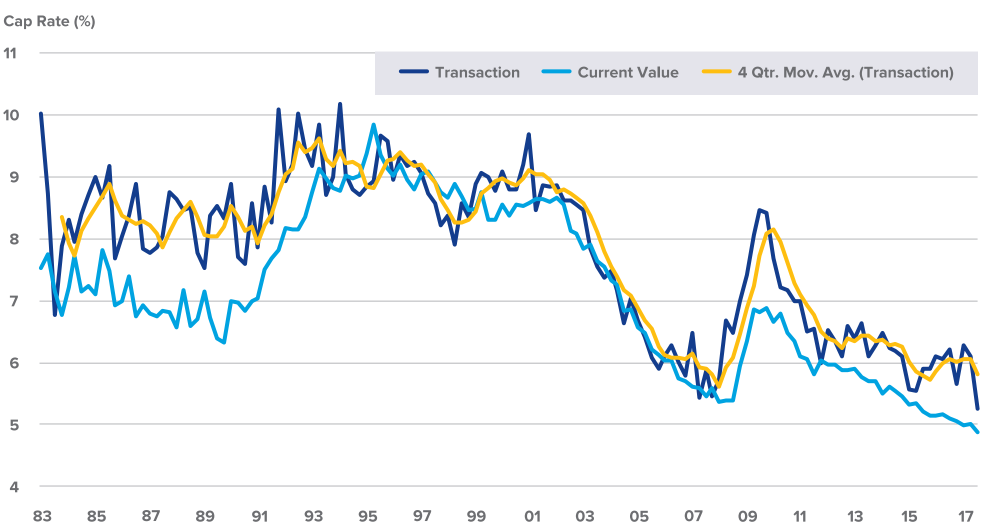
SOURCES: NCREIF, BENTALL KENNEDY

3.5 RELATIVE SPREADS REMAIN IN LINE WITH HISTORY



SOURCES: NCREIF (CURRENT VALUE CAP RATES), FEDERAL RESERVE, MOODY'S ANALYTICS

3.6 NO SIGN OF CONCERTED RISE IN CAP RATES



SOURCES: NCREIF CURRENT VALUE & TRANSACTION-BASED CAP RATES

The commercial real estate lending environment remains somewhat mixed. Some lenders point to a shortage of demand as transaction volume steps down from cyclical peak levels, while others note that they are at capacity and/or becoming more cautious at this point in the cycle. According to the Fed's third quarter Senior Loan Officer Survey, the percent of banks tightening lending standards dropped sharply for construction and nonfarm nonresidential loans.

The survey also showed a decrease in lenders tightening standards on multifamily loans, albeit the change was less extreme. Still, there is an overall modest trend toward tightening, especially in the multifamily sector. Lenders were also reporting a decrease in demand for loans. In general, the debt market seems to be supportive of current property values, but there have been opportunities for less traditional lenders to provide financing to borrowers, particularly in the multifamily construction space.

Return expectations are clearly decreasing for commercial real estate, but investors continue to show interest in the asset class. Cap rates show little sign of reversing, let alone a concerted upward move. Capital remains relatively abundant and deal volume, while off its cyclical peaks, is strong, even in comparison to recent short-term averages.

Risks are certainly creeping up along with the expectation of higher long-term rates. Asset selection and the ability to grow income will be important in the years ahead. As we have stated for some time now, NOI growth will be paramount to performance and creating this growth will be increasingly challenging with vacancy rates near cyclical lows and rent growth moderating.

Anthology,
Washington, D.C.

Property Sectors
04

Apartment

Completions have led to a slight uptick in vacancy, slowing rent growth in many markets.

- Construction has had an impact on fundamentals, but vacancy has risen only slightly and remains near historically low levels
- Rents continue to rise, albeit at a less robust pace in comparison to recent years
- A strong labor market is contributing to new household formation and apartment demand
- Supply may be near peak levels for the cycle as tighter lending standards and rising construction costs weigh on housing starts
- Locations outside of the urban core with similar amenities and favorable demographic trends should support relatively attractive investment prospects

Bentall Kennedy

Apartment: Working through new supply

5.0%

NATIONAL VACANCY RATE AS OF 2017 Q3 VERSUS 15-YR. AVERAGE OF 6.1%

Apartment fundamentals remain healthy but have been impacted by increased supply growth. According to Axiometrics, national vacancy rose slightly over the past year to 5.0% as of the third quarter of 2017 — well below its 15-year historical average of 6.1%. Demand growth has remained solid, but completions continued to rise over the past year, weighing on rent growth.

Economic conditions remain supportive of apartment demand. Moody's Analytics estimates that household formation improved year-over-year (as of the third quarter of 2017), with the creation of nearly 1.4 million new households — its strongest level since 2005. This was supported by a strong labor market and accelerating wage growth. Growth in the prime renting age cohort (20-34 years old) has slowed, but other age groups are contributing significantly to apartment net absorption. Homeownership has begun to tick higher recently, though it remains three percentage points below its 20-year historical average of 66.7% and well below the 69.2% level reached in 2009.

Homeownership is likely to slowly edge higher moving forward, as Millennials age and become first-time homebuyers. However, there are a number of factors that should hold homeownership below historical average levels, including:

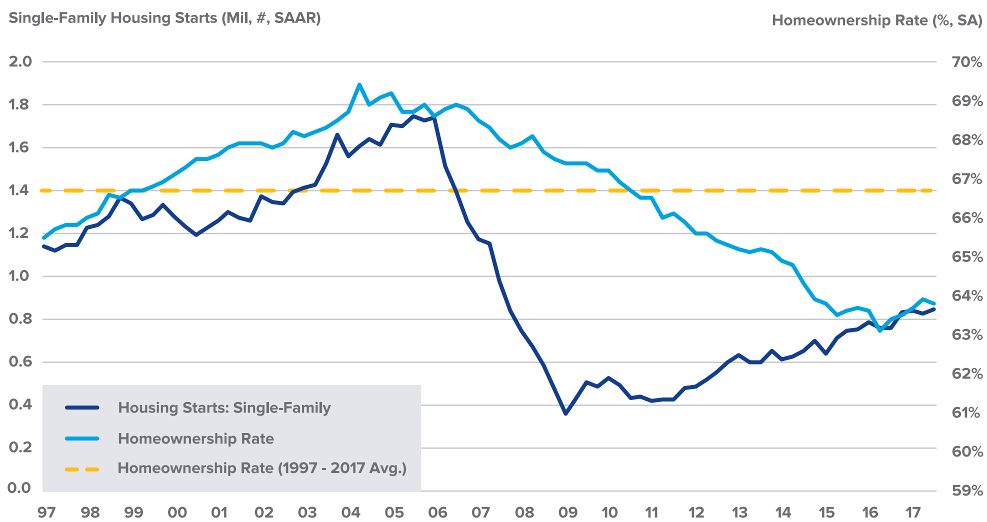
- Delayed marriage and childbearing
- Elevated college debt and insufficient funds for down payments
- Low levels of single-family homebuilding since the housing bust keeping availability low and prices high
- Higher mortgage rates, albeit from historically low levels
- Tax policy changes reducing the incentive to purchase a home

Previous tax law incentivized purchases of homes by allowing homeowners to itemize and deduct mortgage interest as well as property taxes. However, the new measures signed into law will cap amounts eligible for mortgage interest and state and local tax (including property tax) deductions — albeit at relatively high levels of $750,000 and $10,000, respectively. In addition, the bill nearly doubles the standard deduction. This will sharply reduce the percentage of taxpayers who itemize and could essentially nullify the benefits of the mortgage interest deduction for many current and would-be homeowners.

While rental demand is in a solid position, construction is now keeping pace. This has turned select markets in the tenant's favor, and landlords have been forced to offer rent concessions and other incentives. Construction completions over the four quarters ending in 2017 Q3 were the highest since 2007. As a result, annual rent growth slowed to 2.2%. Effective rent growth will likely remain restrained in the near term, as the jobs-to-permitting ratio has been trending lower. However, permitting has leveled off recently due to tighter lending standards as well as rising construction costs and is expected to moderate over the next few quarters.

Slower effective rent growth has been widespread, but gateway markets have underperformed, with year-over-year average effective rent growth amounting to just 0.8%. The combination of affordability issues, new supply and moderating employment growth has weighed on effective rent growth in these markets. Effective rents in New York fell slightly. San Francisco's rent levels stabilized after posting losses in 2016

4.1. LOW SINGLE-FAMILY HOME CONSTRUCTION ONE FACTOR IN REDUCED HOMEOWNERSHIP



SOURCES: U.S. CENSUS BUREAU, MOODY'S ANALYTICS but were essentially flat over the past year—a sharp deceleration from the 8.4% annual pace during 2014-15. Los Angeles was the exception among primary markets where rent growth surpassed the national average over the past year.

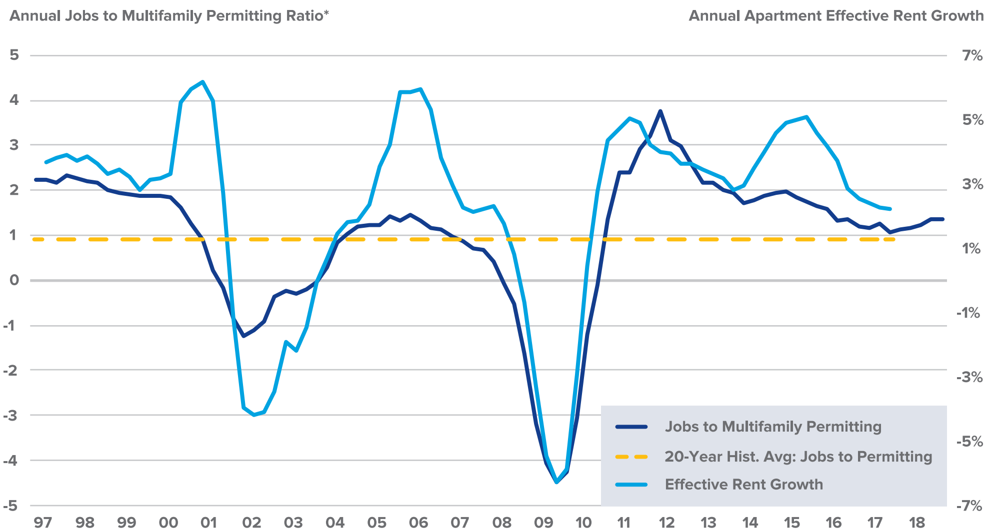
Certain Sunbelt metros are also experiencing weakening performance due to significant construction activity. In particular, supply growth in secondary and tertiary metros in the South reached its highest level since 2000. Supply growth in markets such as Nashville and Dallas is in line with or exceeding peak levels reached in the late 1990s, causing vacancy to rise at an outsized pace and rent growth to slow significantly. Houston vacancy rose sharply over the past year, but recent trends suggest the market may be at a turning point.

While rent growth is slowing in secondary and tertiary markets as well, an outsized vacancy recovery from 2009 levels has allowed rent growth to outperform primary markets in recent years. This is particularly true for those in the West and the South. Some of these metros have benefited from rapid demand growth, driven by the strongest regional job and population growth in the country. Many late recovery, Sunbelt markets posted above-average rent gains, including Las Vegas, Phoenix, and Orlando.

San Diego and Seattle were outperformers among major secondary markets. San Diego has benefited from a healthy economy and relatively restrained supply growth, while Seattle has continued to post impressive job growth. Even so, the current development pipeline is a concern in each of these markets, particularly in their urban cores.

Lofty pricing as well as prohibitive rent levels in prime urban locations may create opportunities for Class B/B+ investment as well as for quality product in well-located suburban locations. While urban-core locations — including the CBD and other close-in urban neighborhoods — have outperformed, the large effective rent premium in these nodes has encouraged renters to seek more affordable options in other submarkets. This trend will likely continue, particularly in pricey gateway and coastal markets where urban-core location premiums are well

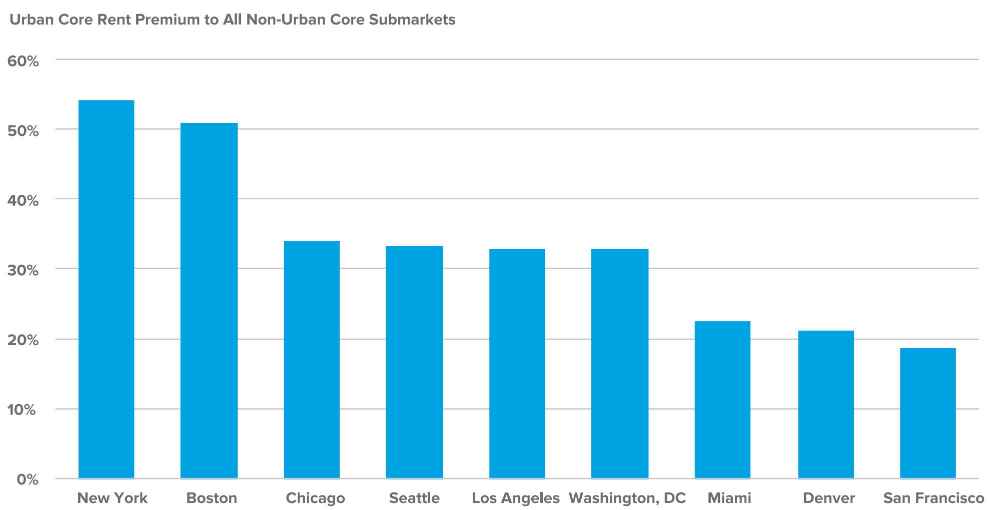
4.2 BALANCE BETWEEN PERMITS AND JOBS FORESHADOWS STEADY RENT GROWTH



*ANNUAL TOTAL JOB GAINS/ANNUAL PERMITTING LAGGED BY ONE YEAR

SOURCES: U.S. CENSUS BUREAU, MOODY'S ANALYTICS, AXIOMETRICS

4.3 GATEWAY AND COASTAL MARKETS COMMAND HIGHEST URBAN CORE RENT PREMIUM



SOURCE: AXIOMETRICS, AS OF 2017 Q3

above the national average. New York and Boston have the highest urban-core effective rent premiums among major U.S. apartment markets per Axiometrics data.

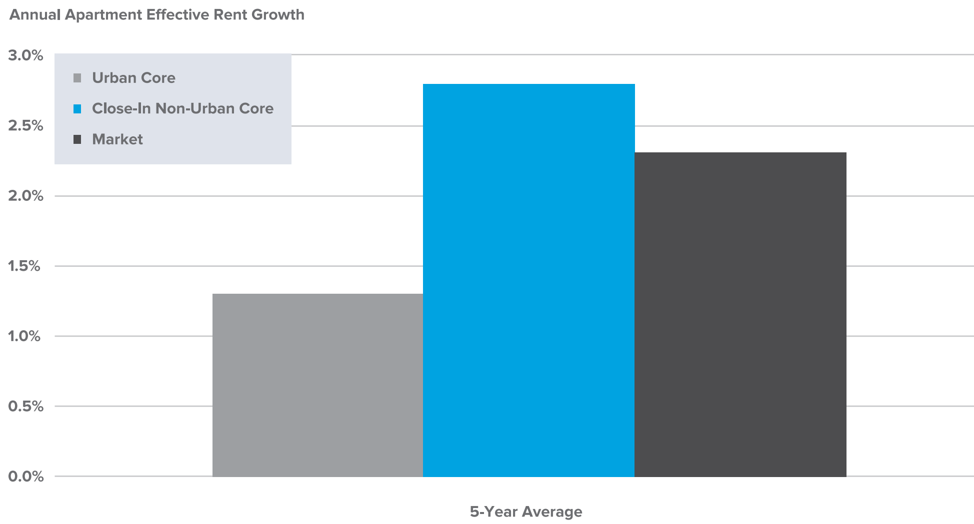
One driver of recent development and redevelopment activity in prime urban cores has been the high acquisition prices of existing assets. But this activity has only perpetuated the rent premium within urban cores, as rising construction costs and renter expectations of elaborate amenity packages push developers to seek higher rents.

Targeting properties outside of primary urban submarkets is one way to achieve relatively higher investment yields on existing assets, as acquisition pricing is more attractive in these submarkets. Among a sample of major markets, the reported Class A cap rate for urban core locations averaged 4.4% during 2016-17, which was 60 basis points lower than the Class A cap rate of 5.0% outside of the urban core, per data from CoStar.

Benefiting from high rentership rates and amenities attractive to a younger cohort, urban core locations initially outperformed in terms of rent growth during this economic expansion period. However, certain close-in nodes with favorable apartment demand drivers and locational amenities that roughly mirror those of the urban core have healthy fundamentals. These submarkets offer outsized and growing shares of renter households, boosting net absorption potential. In fact, demand and rent growth in close-in submarkets outside of the urban core among a sample of major markets outperformed during the past five years (see Figure 4.4). These nodes may also have more upside moving forward.

Seattle offers one example in which close-in, non-urban-core apartment submarkets have experienced stronger demand growth than outlying suburban locations during this expansion. Close-in Seattle submarkets that ring the urban core, including Beacon Hill/Ranier Valley/Skyway, North Seattle/Northgate, West Seattle/Burien, and Bellevue boasted relatively strong demand growth during 2010-17. Each of these submarkets experienced outsized gains in the share of households that rent over the same time period. Plus, they each offer retail and public transit amenities that are appealing to younger age cohorts. These trends contributed to solid effective rent growth, particularly in Bellevue.

4.4 CLOSE-IN NON-URBAN CORE RENT GROWTH HAS OUTPERFORMED IN RECENT YEARS*



*DATA REFLECTS A SAMPLE OF U.S. MARKETS INCLUDING: BOSTON, DENVER, CHICAGO, MIAMI, NEW YORK, SEATTLE, WASHINGTON DC

SOURCE: AXIOMETRICS, AS OF 2017 Q3

Moving down the quality scale may also provide some opportunities in these close-in locations. National Class B fundamentals have compared favorably to Class A in recent years. Class B vacancy has trended about 20 basis points below Class A over the past three years, according to Axiometrics. Tighter vacancies allowed Class B rent growth to outperform, expanding by 4.3% annually versus 3.5% for Class A over the past three years.

Fundamentals are expected to remain relatively balanced in the near term. Demand should continue at a solid pace driven by a sturdy labor market. Homeownership will likely continue to tick up but, as we have indicated, a number of factors are at play that will limit the increase. Completions should reach cyclical highs over the next year as more stringent lending standards and high construction costs have hindered starts. These conditions should support moderate rent growth in the near term. Locations outside of the urban core, but with similar amenities and strong demographic prospects, should perform well. These nodes are presently offering more attractive yields to investors than more central locations.

Close-in nodes with favorable apartment demand drivers and locational amenities that mirror those of the urban core have boasted healthy fundamentals.

Property Sectors

04

475 Sansome Street,
San Francisco, CA

Office

Labor constraints and space-usage trends are limiting demand in many locations, but fundamentals are stable.

- Office vacancy was little-changed over the past year
- Net absorption has moderated from cyclical highs, but supply remains relatively subdued compared to past cycles
- Rent growth is running slightly ahead of inflation, led by certain secondary tech markets, such as Seattle and Austin, along with late-recovery Sunbelt metros, such as Charlotte and Tampa
- Demand should continue at a steady pace, though new supply is expected to constrain near-term rent growth
- High prices and, in some cases, significant new supply negate opportunities for investment in core urban properties
- Value-add opportunities and/or investment in select close-in locations outside of the CBD should provide the most upside

MEDICAL OFFICE

- Medical office fundamentals are strong and improving as demographic and various industry-specific trends drive rising demand
- Off-campus property investment represents an opportunity as these buildings see outsized demand growth
- Policy risk must be monitored as new federal tax legislation could impact the number of insured individuals

Bentall Kennedy

Office: Steady fundamentals with some pockets of oversupply

31%

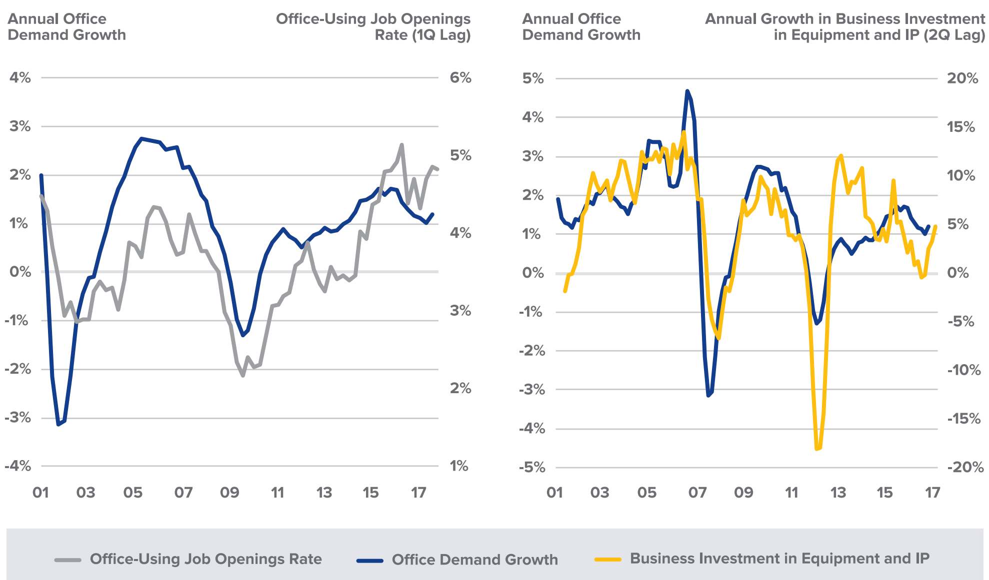
DOWNTOWN'S SHARE OF 2017-18 COMPLETIONS

Office fundamentals are balanced. Vacancy remained stable over the past year, falling by just 10 bps year-over-year to 12.9% as of the third quarter of 2017, per CBRE-EA. Net absorption has slowed from cyclical highs, following the trend in office-using job growth. Supply has picked up, but remains at moderate levels. Rent growth accelerated over the past year but is running only slightly ahead of inflation at 2.5% as of the third quarter.

While still running at an above-average rate, office-using employment growth has slowed in recent quarters, led by more subdued gains in professional, scientific & technical services. This sector's largest subsector, computer systems design, slowed to 2.6% over the past year (as of the third quarter of 2017) from its 5.5% annual pace during 2011-16.

A very tight labor market — particularly among college-educated, white-collar workers — along with policy uncertainty has likely restrained job growth. The unemployment rate for those with a bachelor's degree or higher was 2.5% at the end of 2016, according to the Bureau of Labor Statistics. Although hiring has slowed, the number of available office-using jobs is approaching post-recessionary highs. While labor availability is a concern, other economic indicators bode well for growth in office demand. In particular, business investment has rebounded in recent quarters.

4.5 HIRING AND BUSINESS INVESTMENT SUPPORT CONTINUED OFFICE DEMAND GROWTH



SOURCES: CBRE-EA, U.S. BUREAU OF LABOR STATISTICS, U.S. BUREAU OF ECONOMIC ANALYSIS , MOODY'S ANALYTICS

Supply growth has accelerated, but remains subdued compared to past expansionary periods. This is largely driven by more restrained suburban office construction, as developers have focused more heavily on centrally located urban sites — often in or near neighborhoods populated by well-educated, young workers — during this cycle. This dynamic is persisting. Downtown projects are expected to represent 31% of net completions during 2017-18, which is well above the 2003-08 contribution of 18%. CBD development remains more concentrated within gateway markets, such as New York City, Washington, D.C., and San Francisco as well as Seattle. Dallas and San Jose are among the markets bucking this trend, with each hosting a hefty suburban supply pipeline.

Recent rent growth picked up slightly, buoyed by acceleration in gateway markets and CBD nodes. However, construction activity in these areas will likely limit rent growth prospects. Rent growth has remained significantly weaker than in previous economic expansions, amounting to just 3.1% annually since 2014 — considerably below its 2005-08 average of 7.0%. Weaker absorption has led to more sluggish rent growth this cycle.

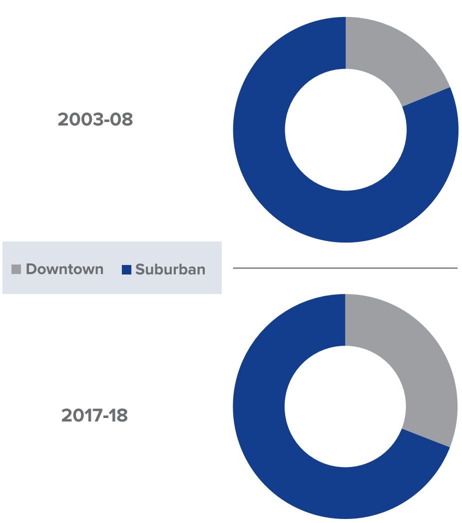
Demand has been restrained by slowing momentum in office-using job growth as well as rightsizing tenants. Square footage absorbed per office-using worker has been significantly below historical growth cycles, as tenants opt to reduce space usage per worker and encourage shared workspaces. Comparisons of hiring trends and absorption data provided by CBRE-EA and CoStar show that the push toward increased space efficiency has continued in recent quarters.

Tenant improvement costs have increased dramatically in these new, denser offices as employers utilize high-quality finishes and invest in shared spaces and amenities that drive up the cost of their space. Often, tenants are asking landlords to fund these costly improvements. In exchange, tenants are sometimes willing to share some of the cost through higher rent and/or longer lease terms. According to NCREIF data, office tenant improvement costs on a per-square-foot basis have risen by 8% annually since the end of 2009.

Tech markets have been top office-market performers this cycle. Tight fundamentals continue to support solid performance in most of these markets. Seattle topped the list in terms of demand growth among major markets and Austin continues to strongly outpace the national average in demand and rent growth. However, certain tech markets saw fundamentals weaken in 2017. Net absorption in San Francisco and Boston slowed significantly. In addition, vacancy rose sharply in San Jose and Portland recently due to new supply in the former and negative absorption in the latter. These markets are well-positioned for long-term demand growth, however, and they each saw office-using employment rise by nearly 2.0% over the past year.

> Office tenant improvement costs have risen significantly.

4.6 DOWNTOWN VS. SUBURBAN — SHARE OF OFFICE COMPLETIONS*



*INCLUDES MULTI-TENANT BUILDINGS ONLY.

SOURCE: CBRE-EA

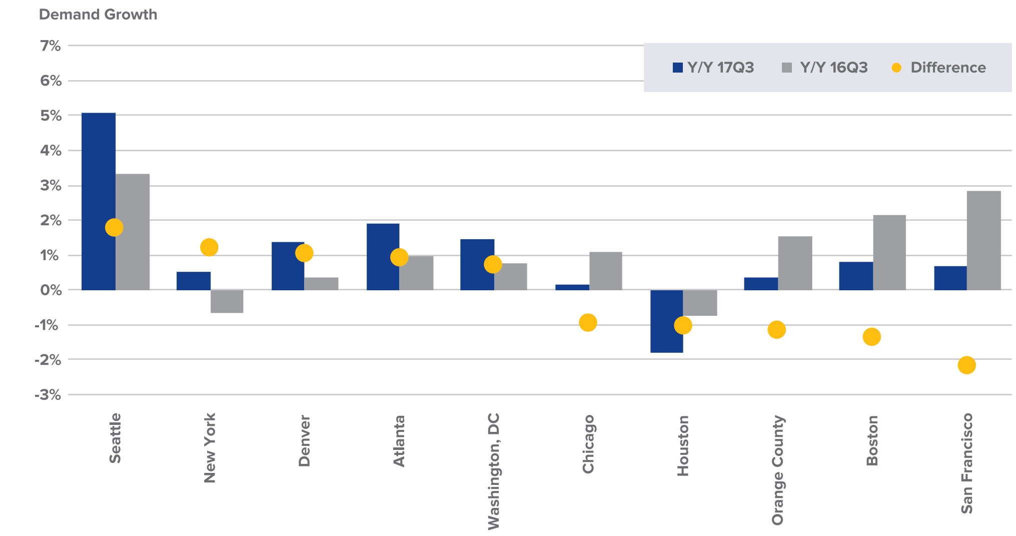
Positive momentum in fundamentals has been driven by secondary and tertiary markets in the Sunbelt. Demand growth was among the strongest in Las Vegas and Phoenix over the past year, as they are still in the recovery phases of their cycle, supporting outsized compression in vacancies and above-average rent growth. In addition, Charlotte and Tampa were among the country's leaders in year-over-year office rent growth.

A few Sunbelt office markets are softening. Houston endured negative absorption and rent losses over the past year. The metro has seen a total decline in rents amounting to over 14% since the end of 2014. In addition, supply-slammed Nashville saw vacancy rise more than three percentage points year-over-year (as of the third quarter of 2017). Rent growth continued to outperform the national average but slowed to half its pace from the prior 12-month period.

While national supply growth is generally in line with demand growth, development trends vary

200 West Madison, Chicago, IL

4.7 DEMAND MOMENTUM VARIES GREATLY ACROSS THE LARGEST U.S. MARKETS



SOURCE: CBRE-EA

- Demand has strengthened in certain secondary tech markets, particularly in Seattle where job growth continues to outperform
- Net absorption remains positive in primary tech markets, including Boston and San Francisco, but slowed due to more moderate office-using employment growth and tight vacancy
- Houston has seen demand trends worsen due to weakness in energy-related leasing activity
- Net absorption in Washington DC accelerated, supported by an improving labor market

widely across markets. Construction activity remains concentrated in tech markets. These metros boast among the tightest vacancies and have benefited from top-tier rent performance this cycle, encouraging new office construction.

San Jose tops all major markets in terms of space underway as a share of inventory (as of the third quarter of 2017), with a hefty 12.1% of stock under construction (7.8 million sf). This market is followed by San Francisco (8.8% of stock), Austin (7.6% of stock) and Seattle (6.1%). Certain secondary and tertiary markets have experienced strong supply growth over the past year, including Nashville, Salt Lake City and Charlotte. However, current construction levels remain below past growth periods in certain late-recovery markets, such as Phoenix and Atlanta.

Prime CBD assets outperformed over much of this economic growth period. CBD nodes experienced a swifter recovery, benefiting from relatively tight vacancies and tenant preference for centrally located office space with retail amenities. However, performance among these assets has slowed and pricing has reached lofty levels, particularly in gateway markets. To achieve target returns, many investors are looking to other investment options, such as value add opportunities in urban-core locations or pursuing higher yielding prospects in suburban[1] nodes.

Due to higher vacancy and lack of supply constraints, suburban rent growth has underperformed over much of this cycle. However, the case for investment in well-located suburban nodes has strengthened. Vacancies have made a full recovery and are back in line with historical levels. In addition, lack of affordability in prime CBD areas should encourage more tenants to consider alternative locations, supporting leasing prospects. At the same time, pricing remains attractive, as the suburban to CBD cap rate spread is considerably above its 15-year historical average, according to Real Capital Analytics.

In any case, not all suburban submarkets are equal. Many outlying suburban submarkets remain weak, with persistently elevated vacancies and poor rent growth. While closer-in suburban nodes with a large and growing prime working-age population have generally performed well and likely provide the best prospects moving forward. Strong apartment supply growth may be one factor in identifying these areas, which boast relative proximity to the urban-core and retail and lifestyle amenities that appeal to a younger population. Investors can look to submarkets with these characteristics as desirable locations to invest.

Fundamentals are balanced but will likely continue to slowly soften. Rising development activity should put upward pressure on vacancy and keep a lid on rent growth. CBD submarkets will continue to experience a stronger share of supply relative to history, but certain markets will attract increased suburban development activity as fundamentals have improved. Well-located urban and urban-like suburban nodes outside of the CBD with favorable demographic trends may present the best opportunity to generate outsized investment performance in this sector. These areas should continue to see healthy rent growth and offer relatively higher yield potential versus prime CBD investments.

The case for well-located suburban nodes has strengthened.

[1] Note that suburban submarkets are generally defined as those outside of prime CBD nodes and may include those that are located in dense, urban locations.

Oregon Clinic
Portland, OR

Medical Office: Healthy vital signs and a favorable prognosis

6.5

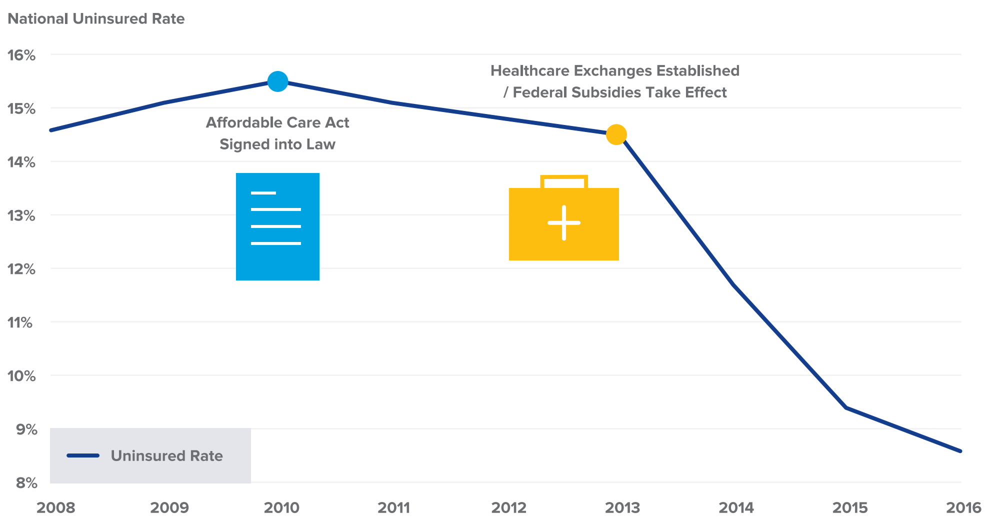
PERCENTAGE POINT DROP IN UNINSURED RATE SINCE 2009

The medical office market has continued to improve. According to data from CoStar, national medical office vacancy tightened by 40 basis points over the past year to 7.1% in the third quarter of 2017. Net absorption slowed, as available space has become increasingly scarce, but continues to outpace new supply. A number of factors have contributed to demand growth over the past several years, including a decline in the uninsured rate, the aging population, and a continued shift to outpatient services.

The sector's primary demand drivers remain supportive of demand. The uninsured rate declined by 0.8 percentage points in 2016 to 8.6%, according to the U.S. Census Bureau American Community Survey. The uninsured rate is down by 6.5 percentage points from its 2009 level of 15.1%. With the Baby Boom generation aging, the 65+ age cohort expanded by 3.2% over the past year, well above the U.S. population growth rate of 0.7%. This is significant as health spending per capita among this age group far exceeds the level for younger age cohorts.

Uncertainty surrounding healthcare policy remains elevated. Congress failed to overhaul the

4.8 FEDERAL LEGISLATION HAS DRIVEN DOWN THE UNINSURED RATE



SOURCES: U.S. CENSUS BUREAU, AMERICAN COMMUNITY SURVEY healthcare bill in 2017 but the Trump administration is chipping away at certain elements by halting cost-sharing reduction payments to health insurance providers that subsidized copayments and deductibles for lower income recipients. Insurers will still be required to offer these subsidies but will likely raise premiums and potentially discourage participation.

In addition, new tax legislation ends the individual health insurance mandate — a key provision of the Affordable Care Act — in 2019. Recent analysis by the Congressional Budget Office estimates that this could result in 13 million fewer Americans with health insurance by 2027. While the final impact is hard to gauge, the legislation clearly represents a downside risk to patient demand and medical office leasing trends that we will monitor.

Medical office construction has been steady. National supply rose by 0.9% over the past year, which was in line with its average since 2010, but well below its 3.2% peak level reached in 2008. The bulk of supply is build-to-suit or preleased. In fact, 72% of space underway as of the end of November 2017 was preleased, according to CoStar. Current medical office construction is most significant in high-population-growth centers in the South along with those with aging demographics in the Midwest.

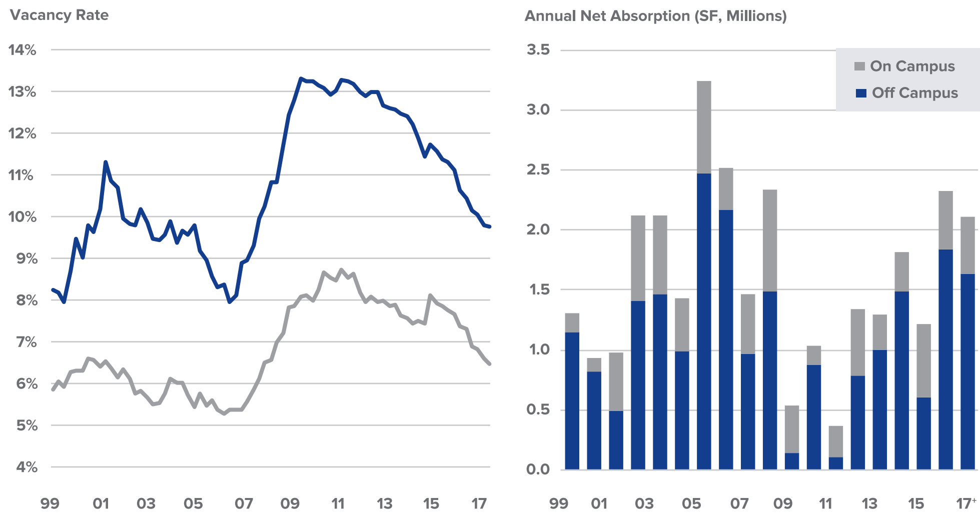
Recent momentum and historical stability of rents in the sector make it attractive. Medical office rents are difficult to track due to the limited availability of lease comps but accelerating growth in this data set suggests conditions are benefiting landlords. CoStar data show that annual medical office rent growth continued to pick up in the third quarter of 2017 and outperformed the traditional office market. Markets with an above-average healthcare employment concentration and those with outsized population growth are experiencing above-average rent growth.

4.10 MARKETS WITH THE MOST NEW MEDICAL OFFICE SPACE UNDERWAY

ATLANTA	780,000 SF
CHICAGO	755,000 SF
SOUTH FLORIDA	578,000 SF
DALLAS-FT. WORTH	541,000 SF
CLEVELAND	486,000 SF

SOURCE: COSTAR

4.9 STRONG DEMAND GROWTH TIGHTENING VACANCY FOR OFF-CAMPUS BUILDINGS*



*DATA REFLECTS A SAMPLE OF U.S. MARKETS, INCLUDING: ATLANTA, BOSTON, CHICAGO, LOS ANGELES

*2017 IS YTD AS OF 17Q3

SOURCES: COSTAR, BENTALL KENNEDY

Fundamentals for on-campus medical office assets remain relatively tight, but off-campus buildings have seen their vacancy rate fall dramatically. Analysis of on-campus medical office buildings — defined as those within a quarter mile of a major hospital — within a sample of major metros reveals that vacancy has historically remained significantly below the average for off-campus assets. However, medical office net absorption has historically been dominated by off-campus buildings and vacancy fell by an outsized amount — 3.5 percentage points versus 2.3 percentage points for on-campus buildings — since 2011 peak levels.

Recent acquisition trends within the healthcare industry support demand for and institutional investment in off-campus assets. Major medical groups and hospitals are seeking to capture growing medical care demand in outpatient settings and gain market share by targeting additional locations closer to families with young children and the elderly. At the same time, the increased costs and regulatory burden of running private medical practices is encouraging many physicians to sell their practices to larger, more creditworthy healthcare groups. As a result, the share of hospital-owned physician practices surged from 14% in 2012 to 26% in 2015, according to analysis from Avalere Health of SK&A data.

26%

THE SHARE OF HOSPITAL-OWNED PHYSICIAN PRACTICES IN 2015, COMPARED TO 14% IN 2012, ACCORDING TO ANALYSIS FROM AVALERE HEALTH OF SK&A DATA.

The outlook for the medical office market remains very positive. Demand drivers are compelling and supply is not expected to be an issue in this space. Recent trends have been fairly subdued and medical office speculative development is limited, as customization is more important in this segment than the traditional office market. Public healthcare policy is a potential headwind, but tailwinds such as an aging population and a push for more affordable, convenient care closer to patients, and outside of a hospital setting, are significant. These dynamics bode particularly well for off-campus medical office net absorption prospects. In addition, relatively favorable pricing for off-campus assets is supportive of investment opportunities within this segment of the market.

Via6
Seattle, WA

Property Sectors 04

Retail

Disruption is coming to the retail sector from many different angles, but the best locations continue to attract gradually increasing demand.

- Retail availability is high in comparison to similar points in past cycles and may rise in the near term
- Development is limited and projects in many markets have shifted toward curated, experience-driven offerings in lieu of more traditional formats
- Big blocks of new retail construction are often a part of larger mixed-use developments
- Retail rent growth has accelerated slightly, but the disparity between successful and struggling retail centers is stark
- Online retailers have yet to become a significant driver of brick-and-mortar retail demand, but their push into physical space validates the long term necessity of retail properties

Bentall Kennedy

Retail: A tectonic shift continues to send tremors through the sector

Articles in major publications foretell the end of retail as we know it, while others actively debunk fears of the "retail apocalypse." According to CBRE-EA, the market for retail space nationally has gradually improved over the past several years, but this improvement appears to be slowing. Retail availability increased in the third quarter of 2017, to 10.2%, its first increase since 2011. While current levels are near their long-term average (10.0%), the market for retail space should be much tighter at this point in the economic cycle.

Headline retail sales growth has been healthy over the past year, but the disparity between ecommerce and brick-and-mortar sales growth is staggering. Year-over-year as of 2017 Q3, U.S. retail sales and food service spending increased by an impressive 4.1%. Ecommerce sales grew by 15.5% during the period, while brick-and-mortar sales growth was a more subdued 2.6%. This dynamic is the key reason why retail availability remains elevated despite the strong economy. Bankruptcies are mounting as brick-and-morter sales shift. Toys R Us filed for bankruptcy protection in November 2017 while J. Crew narrowly avoided a similar fate earlier in the year. Both will begin closing underperforming stores in 2018.

Figure 4.11 displays the retail subsectors and brands that are actively adding and shedding spaces. According to retail consultant IHL Group, on a net basis retailers will have opened approximately 4,100 new locations by year-end 2017. Most of the new stores will be in the fast-food and mass-merchandiser segments, followed by convenience stores. These are primarily low-cost retailers that haven't yet had their sales poached by ecommerce. Meanwhile, branded clothing retailers and department stores continue to fight an uphill battle.

With some retail segments growing rapidly and others contracting, tenant composition is changing and the average retail footprint is shrinking. Figure 4.11 shows the contraction that department stores have been going through. According to CoStar, the average JC Penney is 95,000 sf. While the fast-food and mass-merchandiser sectors are growing quickly, the average Chipotle footprint is approximately 2,500 sf and the standard Dollar General layout is just 9,100 sf.

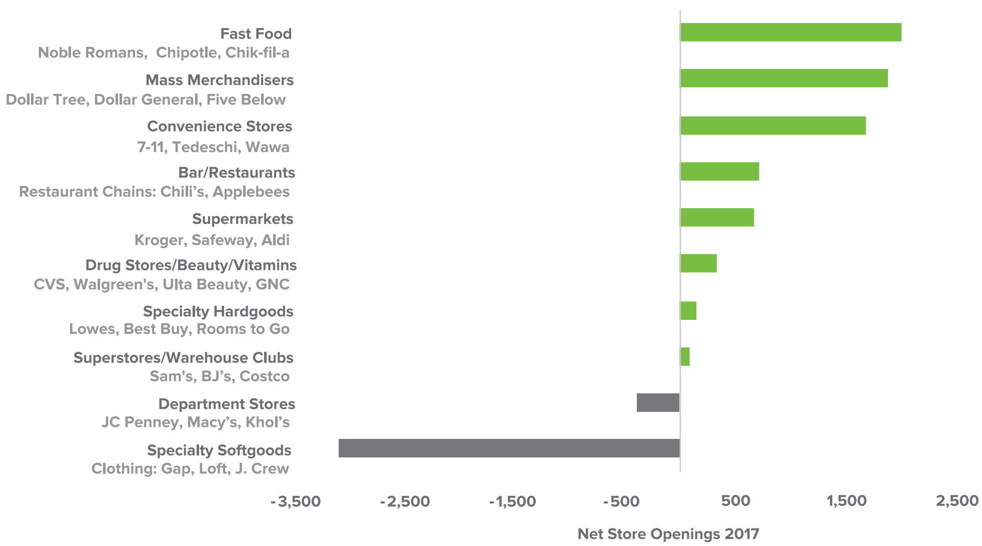
The traditionally large-format retailers that are expanding are experimenting with smaller stores. Nordstrom became the latest retailer to experiment with small formats when, in October 2017, the retailer opened its first Nordstrom Local. The store is just 3,000 sf (versus the brand's standard 140,000-sf layout) and contains no inventory — just display items, dressing rooms and a bar.

Retail absorption has reflected these trends. Over the past four quarters, CBRE-EA tracked an increase of 18.7 million sf in occupied retail space. By comparison, during the peak quarter of retail demand growth in 2005, U.S. retailers expanded their footprints by 36.9 million sf.

The grocery sector, historically one of the most stable retail segments, may soon see some disruption as both discounters and omnichannel retailers enter the space. Earlier this year German grocers Aldi and Lidl announced aggressive expansion plans. Aldi plans to open 900 U.S. stores over the next five years while rival Lidl has committed to opening 100 U.S. locations by the summer of 2018 with many more in future years. These grocers will offer store-branded discount products in compact store layouts with the goal of undercutting traditional grocery pricing.

Amazon has also pushed into grocery with its purchase of Whole Foods this year. By controlling Whole Foods' network of stores, Amazon has purchased both a strong reputation

4.11 SIGNIFICANT DISPARITY IN STORE OPENINGS AND CLOSURES BY RETAIL SEGMENT



SOURCES: IHL GROUP, COMPANY REPORTS, BENTALL KENNEDY

4.1%

YEAR-OVER-YEAR U.S. RETAIL SALES GROWTH AS OF 2017Q3

in the industry and a distribution network that serves many of the most affluent households in the U.S. The company has also gained a wealth of data on the purchasing habits of these households. The arrival of new grocery chains and Amazon's purchase of Whole Foods create some short term uncertainty for the grocery sector. However, these events also validate the strength and desirability of the brick-and-mortar grocery segment in the U.S.

Retailers that began their businesses online are showing some affinity for brick-and-mortar stores. Amazon is the most obvious of these, but there are other examples. Online eyeglass retailer Warby Parker has been among the most aggressive online brands adding a physical presence. As of this writing, Warby Parker operates 61 stores across the U.S. with the potential for as many as 800 to 1,000 stores at full build-out. This network could take many years to achieve, with the retailer already choosing its locations very carefully.

4.12 TOP 5 STORE OPENINGS AND CLOSINGS (2017 PROJECTED)

RETAILER	NUMBER OF OPENINGS/CLOSINGS
DOLLAR GENERAL	1,290
DOLLAR TREE	650
7-ELEVEN	412
COUCHE-TARD	318
ALDI	200
GYMBOREE	-350
ASCENA GROUP	-400
RUE21	-400
PAYLESS SHOESOURCE	-700
RADIO SHACK	-1,000

SOURCES: IHL GROUP, COMPANY REPORTS

Online retailer expansions into brick-and-mortar will accelerate, but this trend is far from a panacea for retail landlords. Most nationally-recognized online retailers have fewer than 20 brick-and-mortar locations, with the majority still in the single digits. Those locations that they do have are small and strategically located. Some online-first retailers, like men's formalwear retailer Indochino, are referring to their existing locations as showrooms rather than storefronts. In many cases, the brick-and-mortar presence of an entire retailer with tens of millions of dollars in online sales would fit into the footprint of just one JC Penney store.

It is important to put these changes into context. Shifting retail sales will be an ongoing consideration for retail owners, but the best centers are still performing admirably. The retail assets in our open ended core fund have handily outperformed overall national trends in terms of both occupancy and net operating income growth.

But with the U.S. still heavily over-retailed, rent growth will likely be incremental over the next several years. The best centers will continue to strongly outperform, but for the majority of retail centers, pricing power will remain with tenants — especially those willing and able to occupy large anchor stores. Loss of a major anchor can push existing centers into obsolescence as co-tenancy clauses allow smaller shops to escape their leases or receive a significant rent reduction.

With changes in the types of spaces that are being demanded, landlords and developers have had to innovate. A focus on foot traffic and curated experiences is proving successful for both new retail developments and existing centers. But the strategies for coping with the changing retail landscape are still evolving and often feel more speculative and entrepreneurial than has historically been the case in institutional-quality retail properties. Pop-up stores are one increasingly prevalent asset management strategy, incorporating unique local and specialty retailers on a temporary basis to enhance the shopping experience. Many developers have utilized one or more of the following strategies in their newest retail developments for this purpose.

REDEVELOPMENT VERSUS GROUND-UP CONSTRUCTION

Ground-up development is still taking place in many fast-growing southern metros where single-family home development remains prevalent, but a focus on density in many of the gateway cities has created the need to adaptively reuse old buildings and spaces. These places tend to have the history, character, and architectural significance to draw consumers.

Example: Seritage Growth Properties' fmr Sears locations Mark 302 (Los Angeles, CA) and The Collection at UTC (San Diego, CA)

MIXED-USE VERSUS RETAIL-ONLY CENTERS

Phased, master-planned, mixed-use developments have become increasingly common as developers work to create 24-hour retail destinations. Daytime and evening populations maximize retail's exposure to customers.

Examples: Sagamore Development's Port Covington (Baltimore, MD); Federal Realty's Assembly Row (Boston, MA) and Bethesda Row (Bethesda, MD);

NEXT-GENERATION GROCERS AND FOOD HALLS VERSUS TRADITIONAL GROCERY ANCHORS

Grocers that blur the line between traditional grocery stores and restaurants by providing a wide-range of prepared foods and specialty items better match today's consumer preferences. Further, food halls, which combine many small restaurants and local artisanal food merchants, are also an opportunity for consumers to socialize and try new foods.

Examples: Wegmans or Eataly (stores in New York, Chicago, Boston, many international locations)

LOCAL VERSUS NATIONAL RETAILERS

Local retailers promise a more interesting experience for customers. With national brands, consumers see a known commodity. Local retailer experiences are personally curated and unique. Local retailers also foster a personal connection, create a sense of community, and can be more attune to local needs than national brands.

Example: Boston Public Market (Boston, MA)

EVENT/OPEN SPACE VERSUS TRADITIONAL ANCHORS

Large anchor tenants have traditionally been the major draw for consumers visiting retail centers. But for today's more experiential centers, event spaces and parks can draw consumers and occupy them for longer periods of time.

Example: Lab Holding, LLC's Anaheim Packing District (Orange County, CA)

ART AND ARCHITECTURE VERSUS STERILITY

The new retail center must also create an ambience that is in itself a draw for consumers.

Example: Design East of La Brea's District La Brea (Los Angeles, CA)

"Selecting the format, location, and tenancy that will thrive has never been more crucial"

PAUL BONEHAM
EVP, ASSET MANAGEMENT

Emphasis on experience and foot traffic may help attract new retailers to existing centers, especially those retailers that have strong brand-awareness and loyalty among Millennials. It will be these centers that see the strongest upside in rents. Online-first retailers may compete to be in the best centers both to supplement sales and to boost advertising. The keys to a successful retail investment strategy will be to deploy capital within a portfolio of competitive properties that are important to the communities they serve.

Property Sectors 04

Industrial

The industrial sector remains the standout performer as traditional demand generators and ecommerce drive absorption.

- Industrial availability has been flat or falling for 30 consecutive quarters
- Demand growth is robust as industrial reaps the benefits of growth in both ecommerce and traditional drivers
- Supply is not overwhelming demand, but it has accelerated and is more in line with demand than at any point this cycle
- Leasing trends do not show a clear “last-mile” trend nationally as a lack of new or existing space availability has left tenants to sign leases on the outskirts of urban core areas
- Rent growth has reached its strongest pace of the cycle and will likely moderate from this point
- Major industry surveys continue to call for this sector to outperform over the next year and beyond

Bentall Kennedy

Industrial: Coming to a neighborhood near you?

320 basis points

CURRENT INDUSTRIAL AVAILABILITY IS 320 BASIS POINTS BELOW ITS 15-YEAR AVERAGE

Fundamentals in the industrial sector continue to improve as demand growth has outperformed. CBRE-EA saw industrial availability decrease in the third quarter of 2017, to 7.7%, the 30th quarter in which industrial availability fell or held constant. Peak cycle industrial demand growth generally encourages substantial development, especially in this asset class, where building is relatively easy as compared to the other property types. In past cycles, industrial construction began putting pressure on fundamentals well before economic conditions deteriorated. Industrial construction has accelerated, but annual supply growth totals remain below previous peaks and demand growth remains resilient.

Bentall Kennedy expects that current healthy conditions should persist through 2018. We're not alone in this sentiment. Respondents to the Urban Land Institute's annual "Trends in Real Estate" survey rated the industrial/warehouse asset class as having the strongest investment prospects in 2018. Industrial subtypes (fulfillment and warehouse) took the top two spots on the list ahead of senior housing, Class B multifamily and medical office. Respondents to the annual PREA consensus survey agreed with this characterization, calling for NCREIF industrial returns to come in at an asset class-leading 6.5% per year during 2017—21.

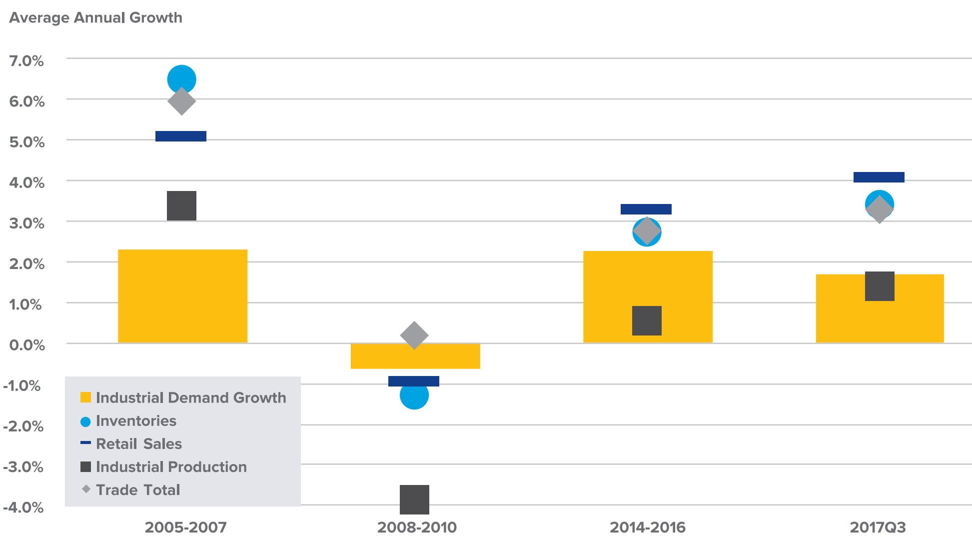
Figure 4.13 displays some of the economic indicators that are best correlated with industrial demand growth. Across the board, these indicators have accelerated from their 2014—16 average. In prior Perspective reports we have written about how industrial demand has persisted, even as growth in the drivers that generally underpin demand in the sector had grown sluggishly. During this time, the retooling of supply chains by ecommerce retailers and wholesalers provided the support that traditional drivers could not. The accelerating growth of traditional industrial drivers, on top of strong ecommerce sales growth, raises the likelihood that space market conditions will continue to favor landlords.

Supply growth has added an element of risk to industrial fundamentals in the near term, however. Construction will reach peak levels for this cycle in the next year as more than 210 million sf of industrial space is already underway. At the peak of the last cycle the construction pipeline contained a nearly identical amount of space. The unraveling of fundamentals during the last cycle was largely fueled by the completion of unleased speculative construction. At that time, availability was 200 basis points higher than it is currently, but the potential for supply to adversely affect fundamentals exists more today than it has at any point in the last nine years. For this reason, industrial investors need to exercise caution even in the current exuberant leasing and acquisitions environment.

Cold storage is one way to hedge against possible fluctuations in the industrial market. Cold storage space is significantly more costly to build than conventional warehouse space and this industrial subtype sees dramatically less speculative supply. Further, demand for cold storage space is relatively insulated from economic cycles. Consumers demand similar amounts of food and medications no matter the condition of the economy. A shift in food preferences may be further supporting demand for cold storage space. As consumers have spent more of their income on high-quality fresh foods and prepared meals, rather than shelf-stable processed foods, the need for refrigerated spaces has increased.

Supply growth will affect markets differently over the next year. In Figure 4.14, Riverside and Lehigh Valley stand out among U.S. industrial markets. Both are expected to see supply growth in excess of 4.0% of existing stock over the next year but, given their recent track record of exceptional demand growth, availability expansion should remain in check. Other bulk markets with strong local economies, including

4.13 TRADITIONAL DEMAND DRIVERS ARE POINTING TO SUSTAINED DEMAND GROWTH



SOURCES: CBRE-EA, MOODY'S ANALYTICS, U.S. CENSUS BUREAU

Atlanta and Dallas-Fort Worth have performed impressively. Their geographically strategic locations within the national supply chain and fast-growing local and regional demographics have driven healthy demand growth. Each is seeing substantial supply growth (especially on an absolute basis) but both have enjoyed aggressively expanding tenant bases.

The markets most in danger of availability expansion are a number of fast-growing, more locally-driven markets including Charlotte, Austin, and Denver. These markets have few supply constraints and strong local consumption growth has emboldened developers. Locally-driven industrial markets can, and often do, grow their way out of supply overhangs, but investors need to exercise caution in choosing the right assets. Across all markets, modern spaces with access to the metro's densest population centers will likely outperform.

As the only market that saw demand contract over the last year, Los Angeles appears to be the laggard. Los Angeles industrial availability is the lowest in the country (4.2% as of 2017 Q3)

15%

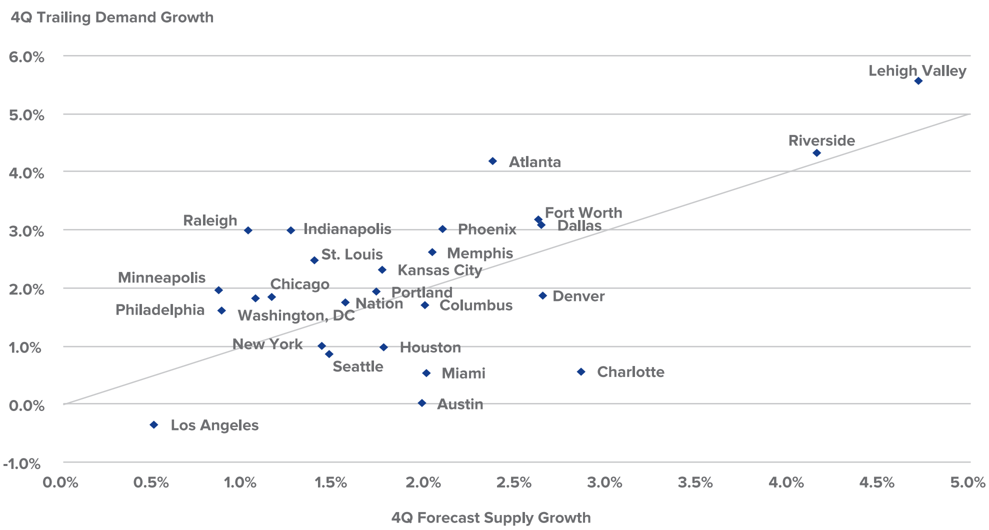
INDUSTRIAL DEMAND GROWTH COULD SLOW BY 15% IN 2018 AND STILL MATCH FORECAST SUPPLY

and a contraction in demand is likely temporary. Rising rents have forced tenants out of the market, but Los Angeles remains one of the most desirable industrial markets nationwide.

The CBRE-EA industrial rent index increased by 5.8%, year-over-year. This is the strongest annual rent growth rate of the current cycle. The ease with which new industrial supply can be added usually caps the potential for rent growth. Rising land costs and a lack of available construction labor may be limiting supply, allowing rent growth to remain stronger for longer. Rents should rise through 2018, though growth should slow from current outsized rates as the market enters its third straight year of substantial construction completions.

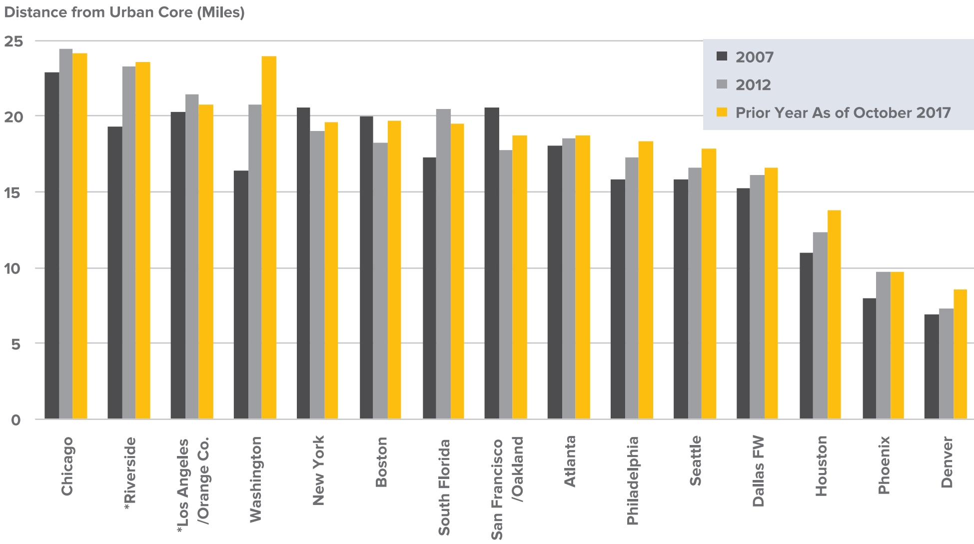
Tracking the effect of ecommerce on industrial markets has been a key area of focus for our research. Bentall Kennedy analyzed 6,500 industrial leases in CoStar's database with the goal of

4.14 DEMAND IN MOST MARKETS SHOULD BE SUFFICIENT TO ABSORB NEW SUPPLY



SOURCE: CBRE-EA, AS OF 2017 Q3

4.15 TENANTS CHALLENGED TO MOVE CLOSER TO CUSTOMERS



*Note: For Los Angeles, distance is measured from the Port of LA, For Riverside distance is from the market's westernmost edge. All others measured from city hall. Leases larger than 15ksf.

SOURCES: COSTAR GROUP, BENTALL KENNEDY

> "'Last-mile' is one of the most misunderstood and misused terms in our industry. However, locations nearer to population centers are increasingly favored by many tenants."
>
> WES AHRENS
> SVP, INDUSTRIAL ASSET MANAGEMENT

$1.00/sf

INCREASE IN U.S. AVERAGE INDUSTRIAL RENTS SINCE 2013, A CUMULATIVE INCREASE OF NEARLY 20% DURING THE PERIOD

testing the thesis that industrial tenants are migrating closer to urban centers in order to more easily access their customers and shorten delivery trips. Generally, as industrial markets age, developers push further out from urban cores to find new, cheap land on which to build distribution centers. Since the proximity to customers matters less to traditional hub-and-spoke distributors, they can afford to continue expanding out to get the modern spaces they need.

Figure 4.15 displays the average distance to urban core of all industrial leases in the given years. In 2007, leasing for ecommerce fulfillment was much less prevalent than it is today. Leases at that point in time might be expected to be in exurban and rural areas where land is plentiful and rents are cheap. By 2017, with ecommerce now a substantial component of demand, tenants would be expected to be closer to the customers they serve, bringing down the average distance to the core for the market. The reality seems to be that a majority of markets included in the analysis have been expanding away from the core.

The bulk distribution markets serve as a control within this group. As hubs of regional and national distribution there is less emphasis on local deliveries in these markets and they should be expected to expand. Chicago, Riverside, Atlanta and Dallas-Fort Worth all continued to push outward over the last decade. However, the majority of local markets also expanded consistently from 2007 to 2017. We should acknowledge that one driver of this geographic expansion is that tenants are leasing space where it is available. Given current tight market conditions, that usually means a lease further away from the urban core than closer to it.

Boston, San Francisco/Oakland and New York saw their average lease distance shrink from 2007 to 2017. These markets are all dense and have a significant amount of older industrial space that can be repurposed or redeveloped for direct-to-consumer distribution. These are also likely among the first markets to see build out of "last-mile" distribution networks. Ecommerce continues to grow quickly and investors choosing to buy distribution centers in dense areas will have the option to choose from ecommerce tenants and more traditional warehouse users. These centers will also have better access to labor, which has become a serious consideration especially for order fulfillment uses. Over the long term, it will be these well-located distribution centers that remain viable even as industrial developers continue to push outward.

Our outlook is optimistic for the industrial sector. Traditional leading indicators are on the rise and should help sustain the demand growth trend that has been heavily fueled by ecommerce in recent years. Construction represents a risk to fundamentals, but current activity is within historical norms and below prior-year demand growth. Much has been speculated about additional technological disruptions in this sector including robots, drones, driverless vehicles and even more esoteric concepts such as airborne fulfillment centers. We see no reason for these potential disruptors to deter investment in the sector. But with supply now more in line with demand and pricing at all-time highs, the importance of asset selection is heightened.

Bentall Kennedy Group

Bentall Kennedy, a Sun Life Investment Management company, is one of the largest global real estate investment advisors and one of North America's foremost providers of real estate services. Bentall Kennedy serves the interests of more than 550 institutional clients with expertise in office, retail, industrial and multi-residential assets throughout Canada and the U.S. Bentall Kennedy's Investment Management group has approximately $46 billion (CAD)/$37 billion (USD) of assets under management (as of September 30, 2017). Bentall Kennedy is one of the largest real estate services providers in Canada, managing 60 million square feet on behalf of third-party and investment management clients (as of September 30, 2017). Bentall Kennedy is a member of UN PRI and a recognized Responsible Property Investing leader ranked among the top firms around the globe in the Global Real Estate Sustainability Benchmark (GRESB) for the seventh consecutive year since GRESB was launched.

Bentall Kennedy includes Bentall Kennedy (Canada) Limited Partnership, Bentall Kennedy (U.S.) Limited Partnership and the real estate and commercial mortgage investment groups of certain of their affiliates, all of which comprise a team of real estate professionals spanning multiple legal entities. The assets under management shown here include real estate equity and mortgage investments of the companies within Bentall Kennedy.

For more information, visit www.bentallkennedy.com.

BENTALL KENNEDY RESEARCH TEAM

Paul Briggs
Senior Vice President
Head of U.S. Research
(617) 790-0853
pbriggs@bentallkennedy.com

Frank Ramsden
Manager
Research & Analytics
(617) 790-6333
framsden@bentallkennedy.com

Doug Poutasse
Executive Vice President
Head of Strategy & Research
(617) 790-0851
dpoutasse@bentallkennedy.com

Phil Stone
Vice President
Head of Canadian Research
(416) 681-7955
pfstone@bentallkennedy.com

Carlos Ortea
Assistant Vice President
Research & Analytics
(617) 357-6402
cortea@bentallkennedy.com

David Levy
Senior Vice President
Head of Valuation
(781) 819-7022
david_levy@newtowertrust.com

Tom Vo
Manager
Research & Analytics
(416) 681-2728
tvo@bentallkennedy.com

Bentall Kennedy (Canada) Limited Partnership

Toronto
1 York Street, Suite 1100
Toronto, ON M5J 0B6
t 416 681 3400
f 416 681 3405

Vancouver
Four Bentall Centre
1055 Dunsmuir Street, Suite 1800
Vancouver, BC V7X 1B1
t 604 661 5000
f 604 661 5055

Calgary
1300, 112-4th Avenue SW
Calgary, AB T2P 0H3
t 403 303 2400
f 403 303 2450

Edmonton
10303 Jasper Avenue NW, Suite 1750
Edmonton, AB T5J 5C3
t 780 990 7000
f 780 990 7024

Montréal
1155, rue Metcalfe, Bureau 55
Montréal, QC H3B 2V6
t 514 393 8820
f 514 393 9820

Ottawa
50 O'Connor Street, Suite 610
Ottawa, ON K1P 6L2
t 613 230 3002
f 613 563 3217

Winnipeg
615 One Lombard Place
Winnipeg, MB R3B 0X3
t 204 589 8202
f 204 582 3115

Bentall Kennedy (U.S.) Limited Partnership

Seattle
1215 Fourth Avenue
2400 Financial Center
Seattle, WA 98161
t 206 623 4739
f 206 682 4769

Boston
One Federal Street, 25th Floor
Boston, MA 02110
t 617 790 0850
f 617 790 0855

Chicago
30 S. Wacker Drive, Suite 1250
Chicago, IL 60606
t 312 596 9140
f 312 775 0965

San Francisco
600 California Street, Suite 560
San Francisco, CA 94108
t 415 375 4014
f 415 772 5607

Washington, DC
7315 Wisconsin Avenue, Suite 200 West
Bethesda, MD 20814
t 301 656 9119
f 301 656 9339

On the cover: Latham Square, 1611 Telegraph Road, Oakland, CA
On the back cover: Anthology, 625 H Street Northeast, Washington, DC

www.bentallkennedy.com