

Real Estate *Market Participants* *Survey*



Fall 2018



VCU

Kornblau Real Estate Program
School of Business

KNIGHT DORIN
& ROUNTREY
REAL ESTATE ANALYSTS

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Real Estate *Market Participants* *Survey* Parameters



In Fall 2018, the VCU Kornblau Real Estate Program in association with Knight, Dorin and Rountrey conducted a market participants survey using principles of anticipation to predict real estate market trends. This is a compilation of those results.

About

Since 1992, Knight, Dorin & Rountrey has surveyed the Central Virginia commercial real estate market to learn of market participants' sentiment. In Fall 2017, the Kornblau Real Estate Program teamed up with Knight, Dorin & Rountrey to produce this semi-annual survey. This is our second joint study.

The study's goal is to provide a diverse perspective of the real estate market for Central Virginia, Southwest Virginia, Hampton Roads, and Northern Virginia.

Parameters

The study was administered through email via Survey Monkey. Participation in the study was voluntary and participants were encouraged to skip inapplicable questions. The 27 questions asked about the respondents' future expectations for various sectors of the real estate market.

Scope

The survey results were collected in September 2018 and had 396 respondents from various real estate backgrounds.

Feedback

We received feedback regarding the questions we asked and hope to improve our survey parameters and questions in future surveys.

If you would like to participate in the next semi-annual survey, please contact:

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**KNIGHT DORIN
& ROUNTREY**
REAL ESTATE ANALYSTS

SUMMARY

396
Respondents
from diverse
backgrounds.

Respondents are
cautiously optimis-
tic about market
expectations for
the next
six months.

Respondents
anticipate the
10-year treasury
yield will contin-
ue to increase
for the next six
months.

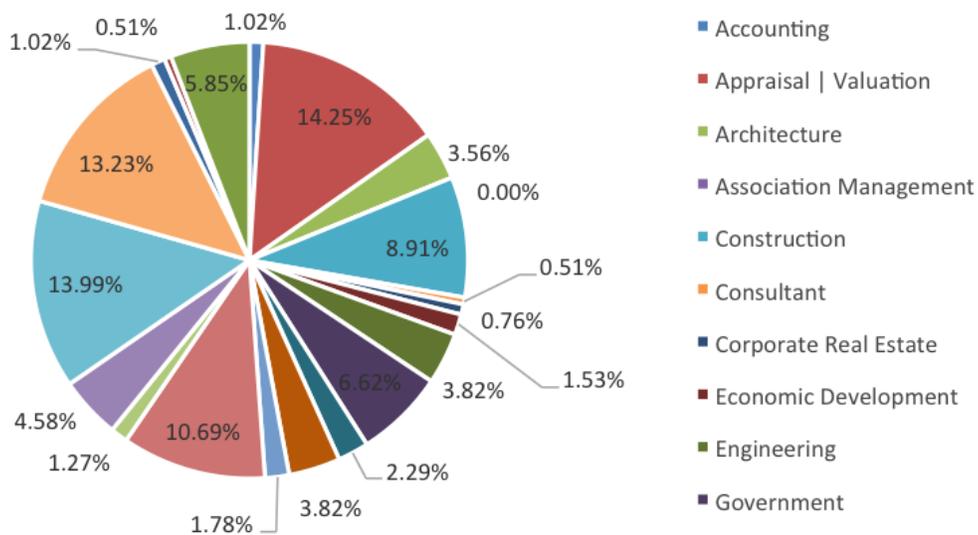
Treasury yields con-
tinue to increase
but the Basis Points
Spread is decreasing
which should offset
the impact of the
base rate increasing.

Most market participants feel that we
are in the mature phase of the real es-
tate market, with some sectors (i.e., In-
dustrial & Residential) transitioning into
the growth stage and one sector (retail)
transitioning from mature to recession.

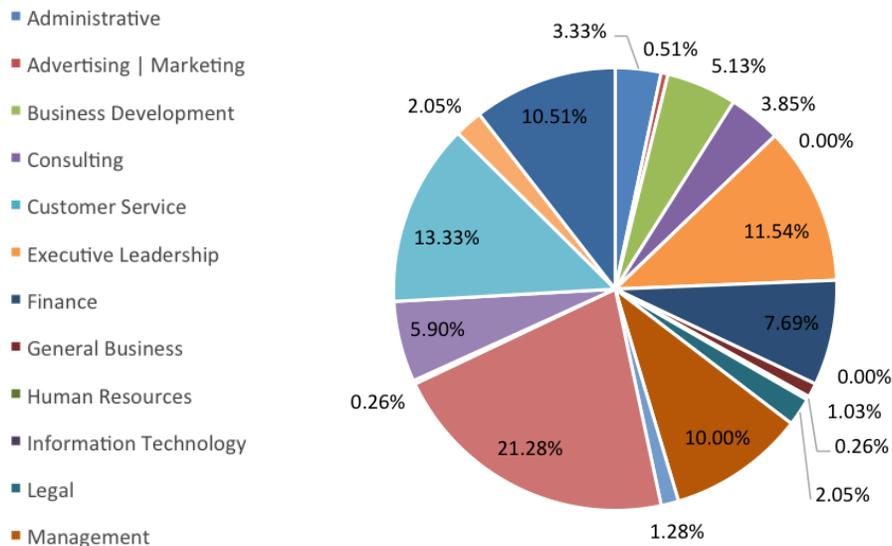
Demographics

The first few questions gathered demographic information. As illustrated in the graphs, respondents are from a variety of backgrounds in multiple sectors—including private, commercial, and corporate—as well as other levels and disciplines—including property management, insurance, law, and construction.

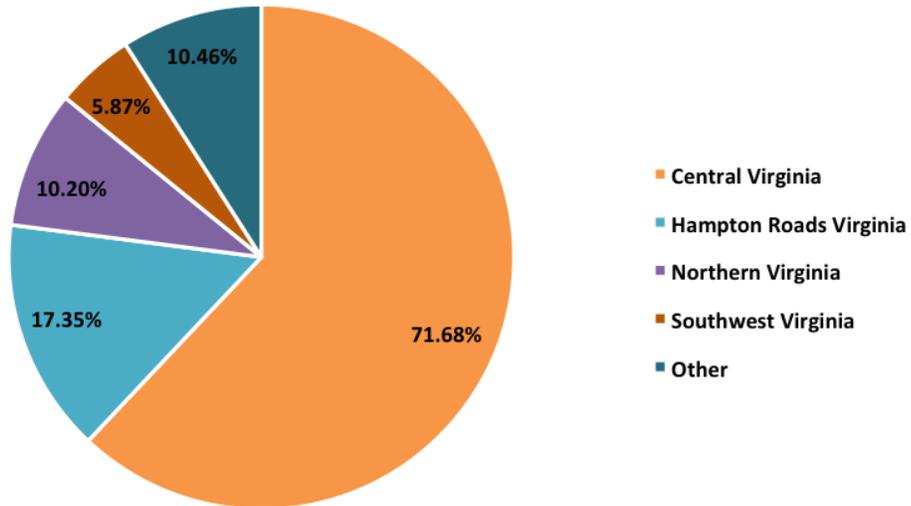
Which of the following best describes your principal industry?
n=393



Which of the following best describes your job function?
n=390



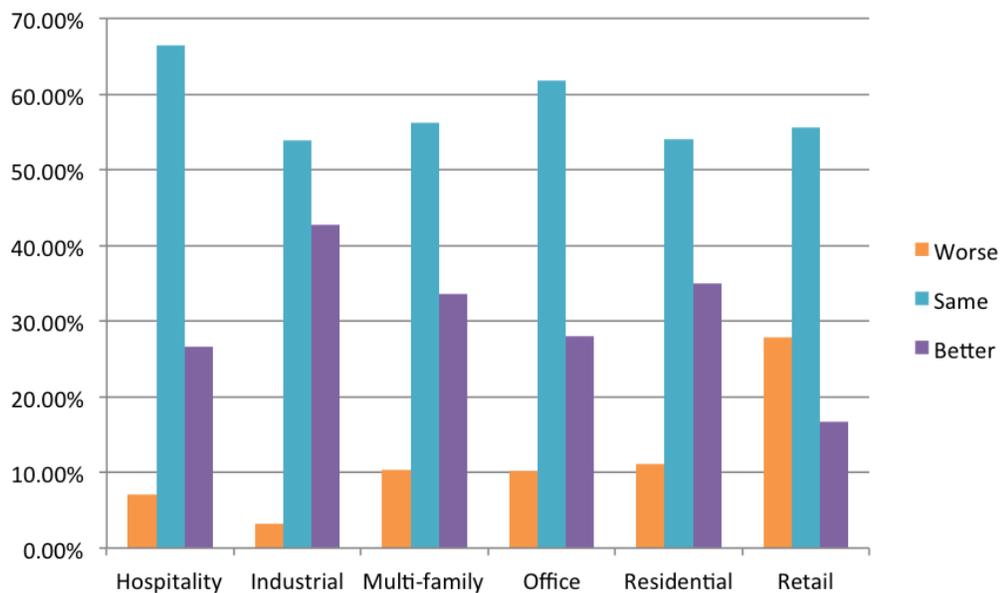
What is your primary market?
n=392



Outlook

Expectations for the real estate market over the next six months remain the same. But the outlook leans more positively towards "better," with the exception of Retail, which had mixed results and leans more negatively.

What are your real estate market expectations in the next six months as compared to the previous six months? n=316



Real Estate Market Cycle

Most market participants feel that we are in the mature phase of the real estate market, with some sectors (i.e., Industrial & Residential) transitioning into the growth stage and one sector (retail) transitioning from mature to recession.

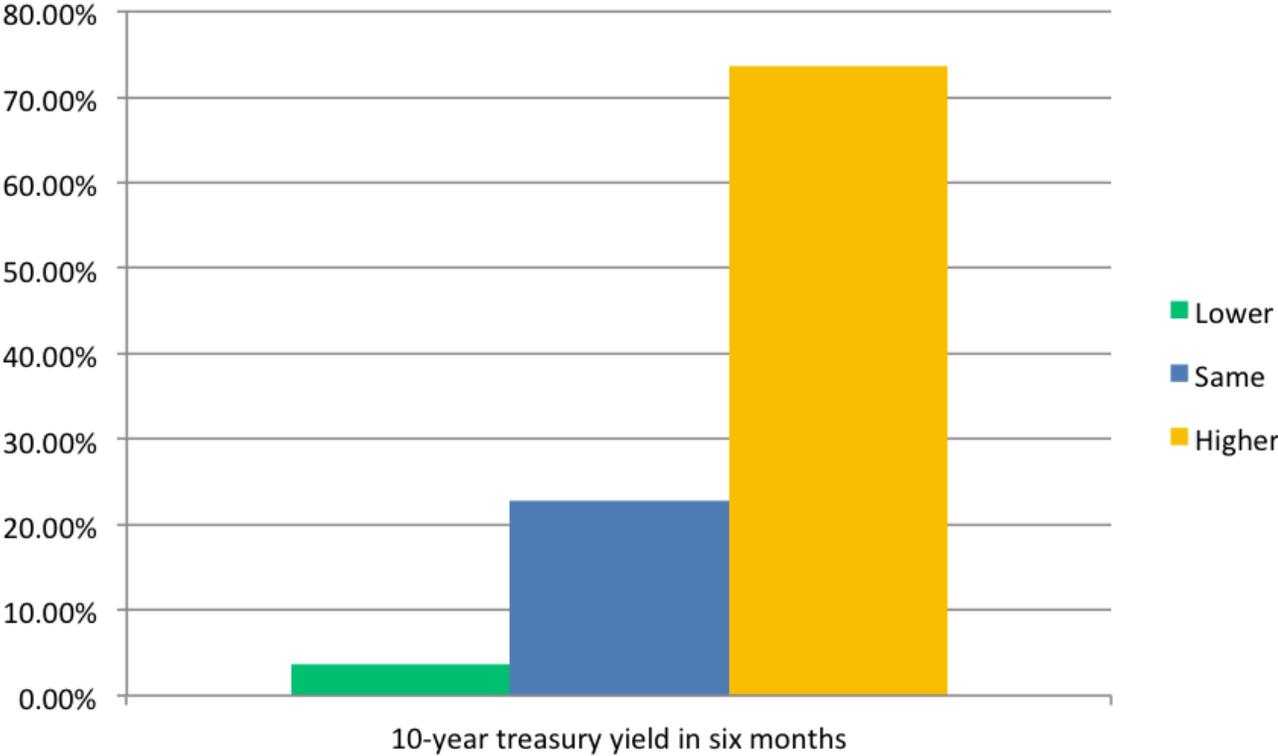
Please select the stage of the real estate market cycle you think currently applies for each property type.

Respondents were able to select an answer for multiple sectors which applied to them, but did not necessarily have to answer all. This resulted in a total of 312 responses.

	Recovery	Growth	Mature	Recession	Total Respondents
Hospitality	6%	46%	46%	2%	269
Industrial	9%	58%	31%	2%	275
Multi-family	2%	47%	49%	2%	291
Office	12%	30%	49%	9%	284
Residential	6%	52%	40%	2%	284
Retail	9%	19%	49%	23%	276

Treasury Yield

The current 10-year treasury yield is approximately 2.9 percent.
In six months, what is your prediction of the 10-year treasury yield rate?



Basis Point Spread

Respondents expect to see a 200 to 240 change in Basis Points. Retail had previously held the highest expected basis point spread but Residential (A&D) now retains the highest expected basis point spread.

What is the current basis point spread over the 10-year treasury yield for the financing of the following property types?

	Central Virginia Range Average	Hampton Roads Range Average	NOVA Range Average	Southwest Range Average	All Range Average
Hospitality	150 - 350	300 - 350	Inadequate	Inadequate	150 - 300
2018 Fall	238	325	Response	Response	232
2018 Spring	273	Inadequate Response	Inadequate Response	Inadequate Response	232
Industrial	150 - 300	300 - 350	Inadequate	Inadequate	150 - 300
2018 Fall	206	325	Response	Response	209
2018 Spring	210	229	Inadequate Response	Inadequate Response	218
Multi-family	150 - 300	200 - 300	Inadequate	Inadequate	150 - 300
2018 Fall	205	217	Response	Response	205
2018 Spring	208	193	Inadequate Response	Inadequate Response	206
Office	150 - 300	250 - 300	Inadequate	Inadequate	150 - 300
2018 Fall	231	275	Response	Response	228
2018 Spring	231	242	Inadequate Response	Inadequate Response	229
Residential (A&D)	150 - 350	150 - 400	Inadequate	Inadequate	150 - 350
2018 Fall	235	258	Response	Response	248
2018 Spring	240	Inadequate Response	Inadequate Response	Inadequate Response	236
Retail	150 - 300	150 - 200	Inadequate	Inadequate	150 - 300
2018 Fall	223	167	Response	Response	232
2018 Spring	250	Inadequate Response	Inadequate Response	Inadequate Response	255

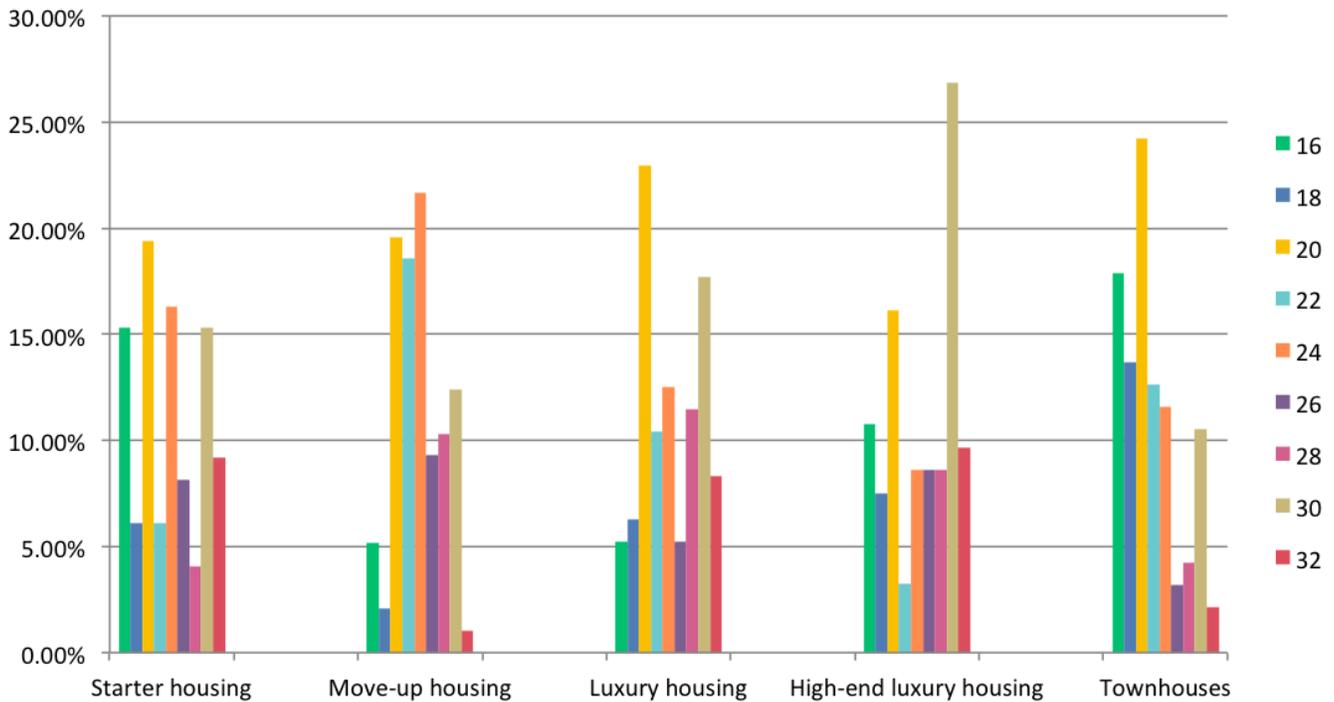
*NOVA and Southwest regions did not provide sufficient responses to adequately report data for this portion of the survey.

Land Value Allocation

When compared to the overall average, starter housing has a slightly higher expectation in the NOVA region (+3%), while move-up housing has a lower expectation in the Southwest region (-1%). High-end luxury continues to have the highest overall average at 25%, with numbers in this category remaining fairly consistent with the results from Spring 2018.

Relative to a residential subdivision, what is the value of an average unimproved lot as a percentage of the total price of the finished home package in the following price ranges?

Price percentage



Lot Price Ratios

	Central Virginia Range Average	Hampton Roads Range Average	NOVA Range Average	Southwest Range Average	All Range Average
Starter housing	16% - 30%	16% - 32%	16% - 32%	16% - 24%	16% - 32%
2018 Fall	22%	25%	27%	20%	24%
2018 Spring	21%	19%	23%	18%	22%
Move-up housing	20% - 30%	18% - 30%	20% - 30%	16% - 30%	16% - 30%
2018 Fall	24%	24%	26%	23%	24%
2018 Spring	22%	23%	24%	19%	23%
Luxury	18% - 30%	20% - 32%	20% - 32%	20% - 30%	18% - 32%
2018 Fall	24%	26%	28%	24%	24%
2018 Spring	24%	26%	25%	22%	24%
High-end luxury housing	16% - 32%	20% - 32%	20% - 32%	20% - 30%	18% - 32%
2018 Fall	25%	26%	28%	26%	25%
2018 Spring	24%	27%	27%	25%	25%
Townhouses	16% - 30%	16% - 30%	20% - 32%	16% - 26%	16% - 32%
2018 Fall	21%	22%	27%	20%	22%
2018 Spring	22%	22%	24%	18%	22%

Land Lease Rates

For typical long-term (20-year plus) net commercial land leases, particularly retail outparcels, what return is expected relative to land value? (ex: \$500,000 land value, \$50,000 annual rent = 10 percent return/cap rate)

	Central Virginia Range Average	Hampton Roads Range Average	NOVA Range Average	Southwest Range Average	All Range Average
Subordinated Lease - Cap Rate (with flat rent)	6.0% - 9.0%	Inadequate Response	Inadequate Response	Inadequate Response	5.0% - 8.5%
2018 Fall	7.5%				7.0%
2018 Spring	5.9%				6.2%
Subordinated Lease - Cap Rate (with rent escalations)	5.0% - 8.5%	Inadequate Response	Inadequate Response	Inadequate Response	4.5% - 8.5%
2018 Fall	6.9%				6.6%
2018 Spring	6.3%				5.9%
Unsubordinated Lease - Cap Rate (with flat rent)	5.5% - 9.0%	Inadequate Response	Inadequate Response	Inadequate Response	5.0% - 8.5%
2018 Fall	7.4%				6.9%
2018 Spring	5.8%				6.0%
Unsubordinated Lease - Cap Rate (with rent escalations)	5.0% - 9.0%	Inadequate Response	Inadequate Response	Inadequate Response	4.5% - 8.5%
2018 Fall	7.1%				6.5%
2018 Spring	6.1%				6.1%

Cost of Sale

What is your estimated cost of sale (commissions, legal and recording fees, etc.) of most types of commercial real estate expressed as a percentage of the total sales price for the following value ranges?

	Central Virginia Range Average	Hampton Roads Range Average	NOVA Range Average	Southwest Range Average	All Range Average
Less than \$1 million	3.0% - 10.0%	3.0% - 8.0%	3.0% - 10.0%	3.5% - 10.0%	3.0% - 8.0%
2018 Fall	6.4%	5.0%	5.9%	6.1%	5.9%
2018 Spring	5.8%	5.6%	Inadequate Response	Inadequate Response	5.3%
\$1 million to \$5 million	2.0% - 8.0%	2.0% - 7.5%	3.0% - 8.0%	3.5% - 8.0%	2.0% - 8.0%
2018 Fall	4.9%	4.4%	5.1%	4.9%	5.1%
2018 Spring	4.8%	3.8%	Inadequate Response	Inadequate Response	4.6%
\$5 million to \$15 million	1.5% - 7.0%	2.0% - 6.0%	2.0% - 6.0%	2.0% - 7.0%	2.0% - 7.0%
2018 Fall	3.8%	3.8%	4.3%	4.0%	4.0%
2018 Spring	3.6%	2.8%	Inadequate Response	Inadequate Response	3.6%
Over \$15 million	1.0% - 6.0%	1.0% - 5.0%	1.0% - 6.0%	1.0% - 5.0%	1.0% - 6.0%
2018 Fall	2.9%	3.2%	3.4%	3.0%	3.1%
2018 Spring	2.6%	2.2%	Inadequate Response	Inadequate Response	2.8%

*NOVA and Southwest regions did not provide sufficient responses to adequately report data for this portion of the survey.

Central Virginia Housing and Home Builder Performance

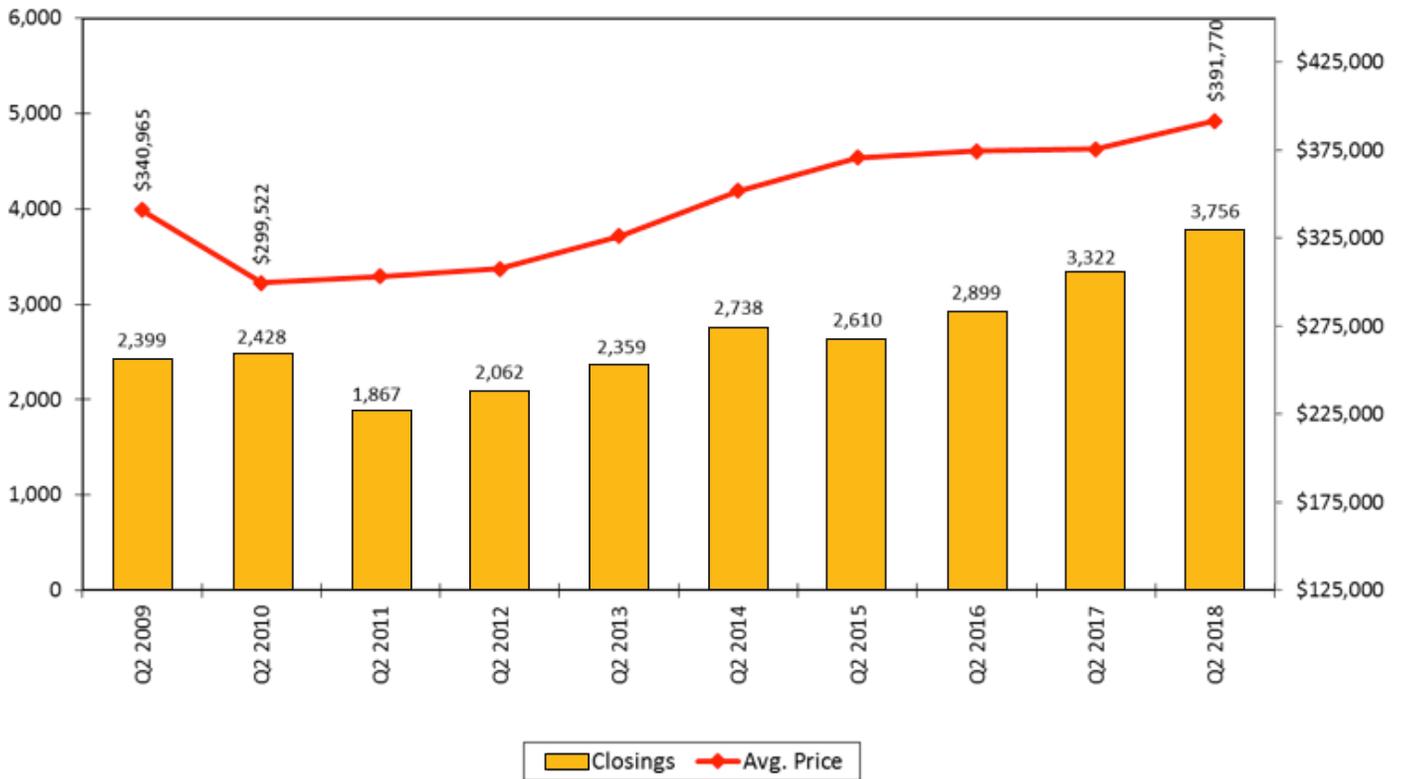


The Central Virginia housing market has seen continued growth over the last seven quarters. To illustrate that growth, Integra Realty Resources - Richmond, has provided graphs and data to further illustrate the growth. The data also includes the performance of the top 15 home builders and Subdivisions in the Richmond area.

<https://www.irr.com/richmond>

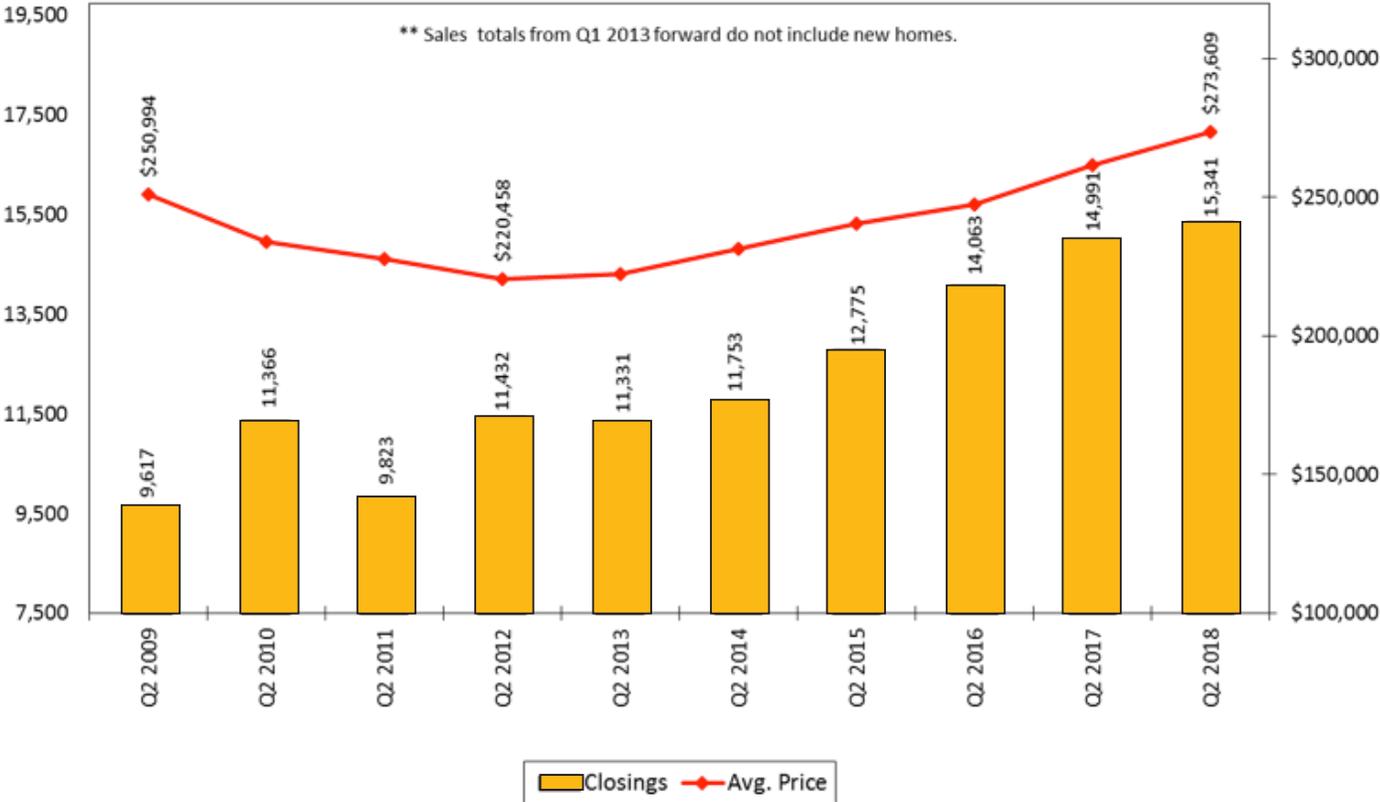
New Home Closings Central Virginia

New Home Closings and Average Prices in the Richmond Area
Rolling Twelve-Month Periods Reported by Quarter
Source: Integra Realty Resources-Richmond



Pre-Owned Home Closings Central Virginia

Pre-Owned Home Closings in The Richmond Area
Rolling Twelve-Month Periods Reported by Quarter
 Source: Central Virginia MLS, MRIS and Integra Realty Resources-Richmond



**Top Builders by Number of New Home Closings
Twelve-Month Period Ending June 2018**

Rank	Builder	# Closings	Average Price	Total Dollar Volume
1	Ryan Homes	898	\$336,595	\$302,262,511
2	HHHunt Homes	383	\$385,398	\$147,607,444
3	Main Street Homes	235	\$417,653	\$98,148,341
4	Eagle Construction	220	\$487,787	\$107,313,199
5	Style Craft Homes	200	\$349,951	\$69,990,109
6	RCI Builders	108	\$397,030	\$42,879,239
7	Stanley Martin Homes	98	\$438,773	\$42,999,794
8	Eastwood Homes	95	\$356,920	\$33,907,407
9	Gumenick Properties	82	\$518,238	\$42,495,533
10	Liberty Homes	69	\$212,817	\$14,684,368
11	Craftmaster Homes	64	\$405,883	\$25,976,520
12	LifeStyle Builders and Developers Inc.	53	\$507,309	\$26,887,392
13	Finer Homes	45	\$356,404	\$16,038,193
14	Boyd Homes	35	\$280,420	\$9,814,715
15	NK Homes LLC	35	\$295,014	\$10,325,499

Source: Integra Realty Resources-Richmond

**Top Builders by Total Dollar Volume
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10	LifeStyle Builders and Developers Inc.	53	\$507,309	\$26,887,392
11	Craftmaster Homes	64	\$405,883	\$25,976,520
12	Boone Homes	28	\$787,797	\$22,058,305
13	Biringer Builders Inc	25	\$738,168	\$18,454,203
14	Homesmith Construction Inc	25	\$732,174	\$18,304,358
15	Finer Homes	45	\$356,404	\$16,038,193

Source: Integra Realty Resources-Richmond

**Top Subdivisions by Number of New Home Closings
Twelve-Month Period Ending June 2018**

Rank	Builder	Jurisdiction	# Closings	Average Price	Total Dollar Volume
1	Magnolia Green	Chesterfield	177	\$410,651	\$72,685,224
2	Harpers Mill	Chesterfield	123	\$416,386	\$51,215,529
3	Foxcreek	Chesterfield	115	\$344,419	\$39,608,189
4	Hallsley	Chesterfield	92	\$742,708	\$68,329,172
5	New Kent Vineyards	New Kent	85	\$301,815	\$25,654,317
6	Rountrey	Chesterfield	80	\$525,746	\$42,059,698
7	Collington	Chesterfield	79	\$372,138	\$29,398,866
8	Holloway at Wyndham Forest	Henrico	73	\$463,831	\$33,859,661
9	Villages at Cool Spring	Hanover	71	\$278,890	\$19,801,217
10	Silverleaf	Chesterfield	57	\$281,025	\$16,018,424
11	Charter Colony	Chesterfield	54	\$268,892	\$14,520,171
12	Saunders Station Condominiums	Henrico	54	\$311,221	\$16,805,927
13	Townes at Oakleys Bluff	Henrico	54	\$191,486	\$10,340,263
14	Bacova	Henrico	52	\$576,565	\$29,981,370
15	The Highlands	Chesterfield	49	\$457,950	\$22,439,563

Source: Integra Realty Resources-Richmond

**Top Subdivisions by Total Dollar Volume
Twelve-Month Period Ending June 2018**

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5	Foxcreek	Chesterfield	115	\$344,419	\$39,608,189
6	Holloway at Wyndham Forest	Henrico	73	\$463,831	\$33,859,661
7	Bacova	Henrico	52	\$576,565	\$29,981,370
8	Collington	Chesterfield	79	\$372,138	\$29,398,866
9	GreenGate	Henrico	41	\$629,980	\$25,829,182
10	New Kent Vineyards	New Kent	85	\$301,815	\$25,654,317
11	Grey Oaks	Henrico	35	\$659,535	\$23,083,733
12	The Highlands	Chesterfield	49	\$457,950	\$22,439,563
13	Villages at Cool Spring	Hanover	71	\$278,890	\$19,801,217
14	Parkside Village	Goochland	40	\$494,120	\$19,764,804
15	Meadowville Landing	Chesterfield	36	\$514,994	\$18,539,777

Source: Integra Realty Resources-Richmond

Entrepreneurial Incentive

The average ranges for total hard and soft costs for land and improvements have expanded since the Spring 2018 survey, though most are still within +/- two percent of the overall average ranges (12-14%).

Regarding new development ventures, what is your current minimum acceptable level of anticipated entrepreneurial profit (unleveraged) as expressed as a percentage?

TOTAL HARD AND SOFT COSTS—LAND AND IMPROVEMENTS

	Central Virginia Range Average	Hampton Roads Range Average	NOVA Range Average	Southwest Range Average	All Range Average
Total hard and soft costs (land and improvements)					
Hotel	8% - 20% 13.8%	8% - 15% 11.9%	8% - 15% 10.3%	8% - 20% 12.0%	6% - 20% 13.1%
Industrial	6% - 20% 12.6%	6% - 20% 13.3%	6% - 20% 13.5%	7% - 14% 10.6%	6% - 20% 12.7%
Mixed Use	8% - 20% 13.9%	6% - 20% 14.2%	8% - 20% 13.8%	8% - 15% 12.0%	6% - 20% 13.8%
Multi-family	6% - 20% 13.4%	6% - 20% 13.2%	6% - 20% 12.4%	6% - 15% 10.3%	6% - 20% 13.1%
Office	6% - 20% 12.4%	6% - 20% 12.2%	6% - 22% 13.1%	6% - 16% 10.9%	6% - 20% 12.3%
Retail	6% - 20% 12.8%	8% - 20% 12.1%	8% - 20% 11.6%	6% - 20% 12.3%	6% - 20% 12.8%
Single-family Residential	6% - 20% 13.7%	10% - 20% 14.3%	6% - 20% 13.2%	6% - 15% 10.6%	6% - 20% 13.6%

Performance Factors

We asked market participants a variety of questions relating to income growth, vacancy rate, capitalization rate, yield rate, etc. for offices, retail, industrial, and multi-family, with the following results shown on the next four pages.

***Note:** The Hampton Roads, NOVA, and Southwest regions did not provide sufficient responses to adequately report data for this portion of the survey.

Office

	Central Virginia Range Average	Hampton Roads Range Average	NOVA Range Average	Southwest Range Average	All Range Average
Income (Growth Rate)	1.0% - 3.0%	Inadequate	Inadequate	Inadequate	0.5% - 4.0%
2018 Fall	2.1%	Response	Response	Response	1.9%
2018 Spring	2.2%	2.5%	Inadequate Response	Inadequate Response	2.5%
Expenses	1.5% - 3.0%	Inadequate	Inadequate	Inadequate	0.5% - 3.0%
2018 Fall	2.3%	Response	Response	Response	2.1%
2018 Spring	2.0%	2.4%	Inadequate Response	Inadequate Response	2.2%
Vacancy Loss	3.0% - 10.0%	Inadequate	Inadequate	Inadequate	1.0% - 7.0%
2018 Fall	7.5%	Response	Response	Response	4.4%
2018 Spring	7.7%	4.8%	Inadequate Response	Inadequate Response	5.7%
Going -in Capitalization Rate	7.0% - 9.5%	Inadequate	Inadequate	Inadequate	7.0% - 9.5%
2018 Fall	8.0%	Response	Response	Response	7.9%
2018 Spring	7.9%	8.2%	Inadequate Response	Inadequate Response	7.8%
Terminal Capitalization Rate	7.0% - 9.5%	Inadequate	Inadequate	Inadequate	7.0% - 10.0%
2018 Fall	8.4%	Response	Response	Response	8.5%
2018 Spring	8.0%	7.7%	Inadequate Response	Inadequate Response	7.8%
Discount Rates (Unleveraged IRR)	8.5% - 11.0%	Inadequate	Inadequate	Inadequate	8.0% - 11.0%
2018 Fall	10.0%	Response	Response	Response	9.8%
2018 Spring	9.6%	9.5%	Inadequate Response	Inadequate Response	9.5%
Equity Yield (Leveraged IRR)	12.0% - 18.0%	Inadequate	Inadequate	Inadequate	10.0% - 16.5%
2018 Fall	14.6%	Response	Response	Response	13.2%
2018 Spring	16.8%	14.5%	Inadequate Response	Inadequate Response	16.4%

Tenant Retention Rates:

Class A	50% - 90%	40% - 85%	50% - 80%	60% - 90%	50% - 90%
2018 Fall	75%	60%	68%	76%	75%
2018 Spring	68%	65%	Inadequate Response	82%	75%
Class B	50% - 90%	40% - 80%	45% - 75%	50% - 80%	40% - 90%
2018 Fall	71%	58%	61%	70%	67%
2018 Spring	59%	64%	Inadequate Response	77%	64%

Months vacant between tenants:

Class A	3 - 9	3 - 8	3 - 12	3 - 12	3 - 10
2018 Fall	5.3	5.2	8.6	6.5	5.4
2018 Spring	6.5	7.1	7.5	6.4	6.4
Class B	3 - 10	4 - 10	5 - 12	5 - 12	3 - 12
2018 Fall	5.9	7.3	9.2	7.4	7
2018 Spring	9	7.4	Inadequate Response	9	9.1

Industrial

	Central Virginia Range Average	Hampton Roads Range Average	NOVA Range Average	Southwest Range Average	All Range Average
Income (Growth Rate)	2.0% - 4.0%	Inadequate	Inadequate	Inadequate	2.0% - 4.0%
2018 Fall	3.0%	Response	Response	Response	2.9%
2018 Spring	2.8%	3.0%	Inadequate Response	Inadequate Response	2.9%
Expenses	0.5% - 3.5%	Inadequate	Inadequate	Inadequate	0.5% - 3.5%
2018 Fall	2.2%	Response	Response	Response	2.1%
2018 Spring	2.3%	2.6%	Inadequate Response	Inadequate Response	2.3%
Vacancy Loss	1.0% - 7.0%	Inadequate	Inadequate	Inadequate	0.5% - 7.0%
2018 Fall	4.3%	Response	Response	Response	4.1%
2018 Spring	5.1%	4.1%	Inadequate Response	Inadequate Response	4.5%
Going -in Capitalization Rate	5.0% - 10.0%	Inadequate	Inadequate	Inadequate	5.0% - 8.5%
2018 Fall	7.5%	Response	Response	Response	7.2%
2018 Spring	7.2%	7.3%	Inadequate Response	Inadequate Response	7.2%
Terminal Capitalization Rate	6.0% - 10.5%	Inadequate	Inadequate	Inadequate	6.0% - 9.0%
2018 Fall	8.0%	Response	Response	Response	7.7%
2018 Spring	7.5%	7.6%	Inadequate Response	Inadequate Response	7.8%
Discount Rates (Unleveraged IRR)	7.5% - 10.5%	Inadequate	Inadequate	Inadequate	7.5% - 11.5%
2018 Fall	9.1%	Response	Response	Response	9.3%
2018 Spring	9.9%	10.2%	Inadequate Response	Inadequate Response	9.1%
Equity Yield (Leveraged IRR)	11.0% - 15.0%	Inadequate	Inadequate	Inadequate	10.0% - 15.0%
2018 Fall	13.2%	Response	Response	Response	12.8%
2018 Spring	15.9%	16.3%	Inadequate Response	Inadequate Response	15.8%

Tenant Retention Rates:

Office/Warehouse (Flex)	55% - 90%	70% - 90%	65% - 75%	60% - 90%	50% - 90%
2018 Fall	77%	77%	71%	80%	75%
2018 Spring	68%	76%	Inadequate Response	80%	75%
Warehouse/Distribution	50% - 90%	40% - 85%	75% - 90%	60% - 90%	50% - 90%
2018 Fall	77%	64%	78%	82%	74%
2018 Spring	74%	79%	Inadequate Response	87%	74%

Months vacant between tenants:

Office/Warehouse (Flex)	3 - 10	3 - 8	6 - 10	3 - 10	3 - 10
2018 Fall	5.3	5.2	7	6.2	5.4
2018 Spring	6	5.2	Inadequate Response	11.3	6
Warehouse/Distribution	3 - 10	4 - 12	4 - 12	4 - 12	3 - 10
2018 Fall	5.8	7.4	6.8	6.5	5.7
2018 Spring	6.8	8.9	Inadequate Response	10.6	6.3

Retail

	Central Virginia Range Average	Hampton Roads Range Average	NOVA Range Average	Southwest Range Average	All Range Average
Income (Growth Rate)	1.0% - 3.0%	Inadequate Response	Inadequate Response	Inadequate Response	0.0% - 3.0%
2018 Fall	2.2%				1.8%
2018 Spring	1.9%	Inadequate Response	Inadequate Response	Inadequate Response	2.3%
Expenses	2.0% - 3.0%	Inadequate Response	Inadequate Response	Inadequate Response	1.0% - 3.0%
2018 Fall	2.4%				2.3%
2018 Spring	2.3%	2.4%	Inadequate Response	Inadequate Response	2.2%
Vacancy Loss	4.0% - 10.0%	Inadequate Response	Inadequate Response	Response	3.0% - 9.0%
2018 Fall	7.8%			Response	6.5%
2018 Spring	7.7%	7.8%	Inadequate Response	Inadequate Response	5.3%
Going -in Capitalization Rate	6.5% - 8.5%	Inadequate Response	Inadequate Response	Inadequate Response	6.5% - 8.5%
2018 Fall	7.7%				7.5%
2018 Spring	7.8%	7.5%	Inadequate Response	Inadequate Response	7.8%
Terminal Capitalization Rate	8.0% - 10.0%	Inadequate Response	Inadequate Response	Inadequate Response	6.0% - 10.0%
2018 Fall	8.6%				8.2%
2018 Spring	8.3%	8.1%	Inadequate Response	Inadequate Response	8.3%
Discount Rates (Unleveraged IRR)	9.0% - 12.0%	Inadequate Response	Inadequate Response	Inadequate Response	7.5% - 12.0%
2018 Fall	10.1%				9.7%
2018 Spring	9.4%	Inadequate Response	Inadequate Response	Inadequate Response	9.5%
Equity Yield (Leveraged IRR)	11.5% - 16.0%	Inadequate Response	Inadequate Response	Inadequate Response	11.5% - 18.0%
2018 Fall	14.0%				14.4%
2018 Spring	17.0%	Inadequate Response	Inadequate Response	Inadequate Response	16.5%
Tenant Retention Rates:					
Neighborhood	40% - 80%	40% - 75%	75% - 80%	50% - 75%	45% - 80%
2018 Fall	63%	56%	78%	66%	64%
2018 Spring	60%	56%	Inadequate Response	63%	60%
Community	45% - 90%	40% - 70%	55% - 80%	60% - 80%	50% - 80%
2018 Fall	68%	56%	69%	73%	70%
2018 Spring	58%	54%	Inadequate Response	63%	65%
Months vacant between tenants:					
Neighborhood	5 - 12	6 - 12	3 - 12	3 - 12	3 - 12
2018 Fall	7.8	7.6	6.3	7.6	7
2018 Spring	9.2	10.4	Inadequate Response	8.4	9
Community	4 - 12	3 - 8	3 - 12	3 - 12	3 - 10
2018 Fall	8	5.1	7.8	7.2	6.3
2018 Spring	9.2	9.7	Inadequate Response	8	9.1

Apartments

	Central Virginia Range Average	Hampton Roads Range Average	NOVA Range Average	Southwest Range Average	All Range Average
Income (Growth Rate)	2.0% - 4.0%	Inadequate	Inadequate	Inadequate	1.0% - 4.0%
2018 Fall	3.0%	Response	Response	Response	2.8%
2018 Spring	2.7%	2.5%	Inadequate Response	Inadequate Response	2.7%
Expenses	1.0% - 3.0%	Inadequate	Inadequate	Inadequate	1.0% - 3.0%
2018 Fall	2.4%	Response	Response	Response	2.4%
2018 Spring	2.2%	2.6%	Inadequate Response	Inadequate Response	2.1%
Vacancy Loss	1.0% - 7.0%	Inadequate	Inadequate	Inadequate	0.5% - 7.0%
2018 Fall	4.1%	Response	Response	Response	3.8%
2018 Spring	5.3%	4.9%	Inadequate Response	Inadequate Response	4.0%
Going -in Capitalization Rate	4.5% - 8.0%	Inadequate	Inadequate	Inadequate	4.5% - 8.0%
2018 Fall	6.2%	Response	Response	Response	6.3%
2018 Spring	6.2%	6.5%	Inadequate Response	Inadequate Response	6.0%
Terminal Capitalization Rate	5.0% - 8.5%	Inadequate	Inadequate	Inadequate	6.0% - 9.0%
2018 Fall	6.9%	Response	Response	Response	7.2%
2018 Spring	6.3%	6.6%	Inadequate Response	Inadequate Response	6.4%
Discount Rates (Unleveraged IRR)	6.0% - 11.5%	Inadequate	Inadequate	Inadequate	6.0% - 10.5%
2018 Fall	8.3%	Response	Response	Response	8.1%
2018 Spring	9.8%	7.0%	Inadequate Response	Inadequate Response	8.6%
Equity Yield (Leveraged IRR)	10.0% - 16.5%	Inadequate	Inadequate	Inadequate	10.0% - 15.5%
2018 Fall	12.6%	Response	Response	Response	12.1%
2018 Spring	15.3%	15.0%	Inadequate Response	Inadequate Response	13.4%

Internal Rate of Return

Discount rate for development and sellout of undeveloped land with entitlements.

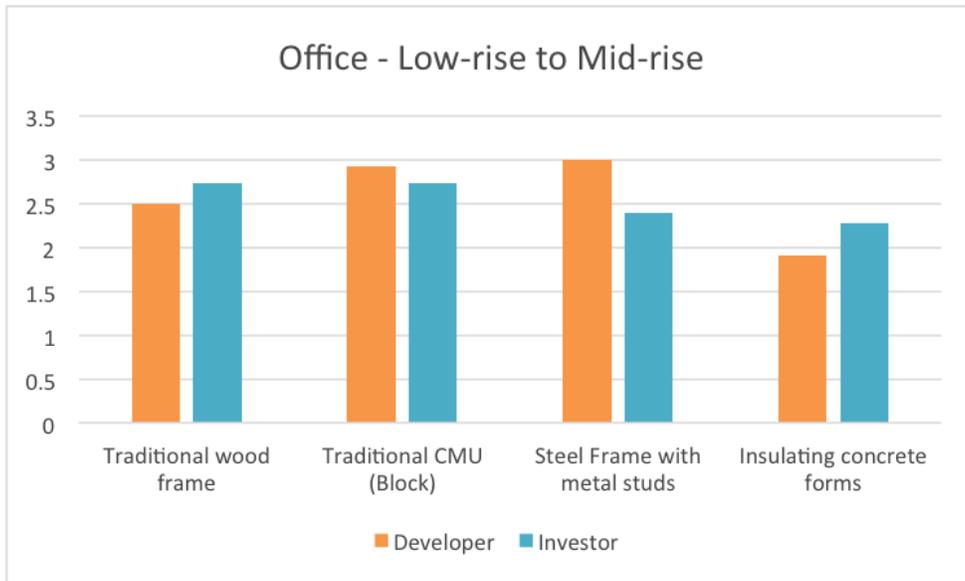
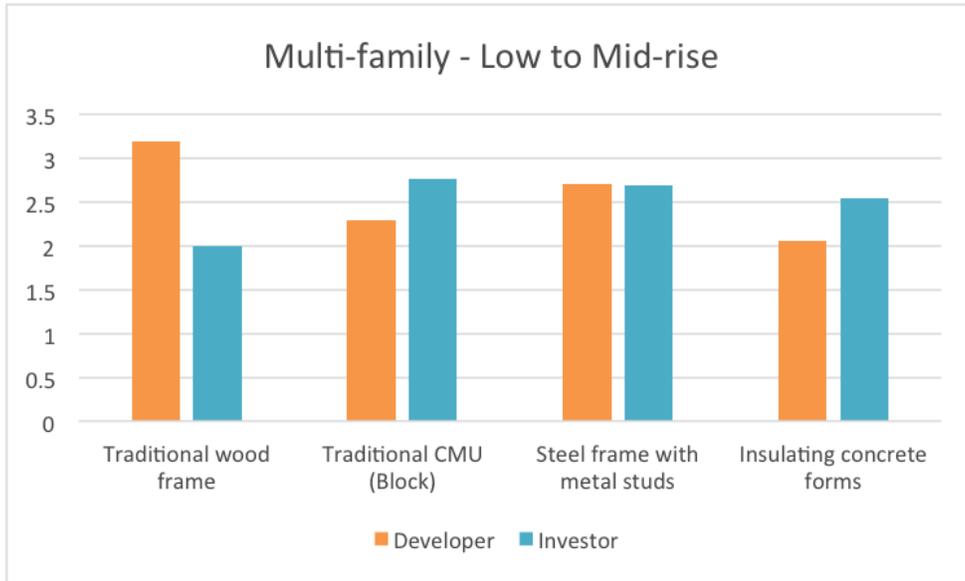
	Central Virginia Range Average	Hampton Roads Range Average	NOVA Range Average	Southwest Range Average	All Range Average
Single-family Housing	10% - 23% 13.8%	10% - 20% 13.3%	10% - 20% 14.5%	10% - 15% 12.6%	10% - 25% 14.6%
Mixed	10% - 23% 14.4%	10% - 20% 14.2%	10% - 20% 15.2%	10% - 20% 13.5%	10% - 25% 14.6%
Industrial	10% - 21% 12.9%	10% - 20% 14.2%	12% - 20% 15.6%	10% - 15% 11.7%	10% - 25% 13.5%
Commercial	10% - 20% 12.9%	10% - 20% 13.3%	10% - 18% 13.4%	10% - 12% 10.8%	10% - 25% 12.9%

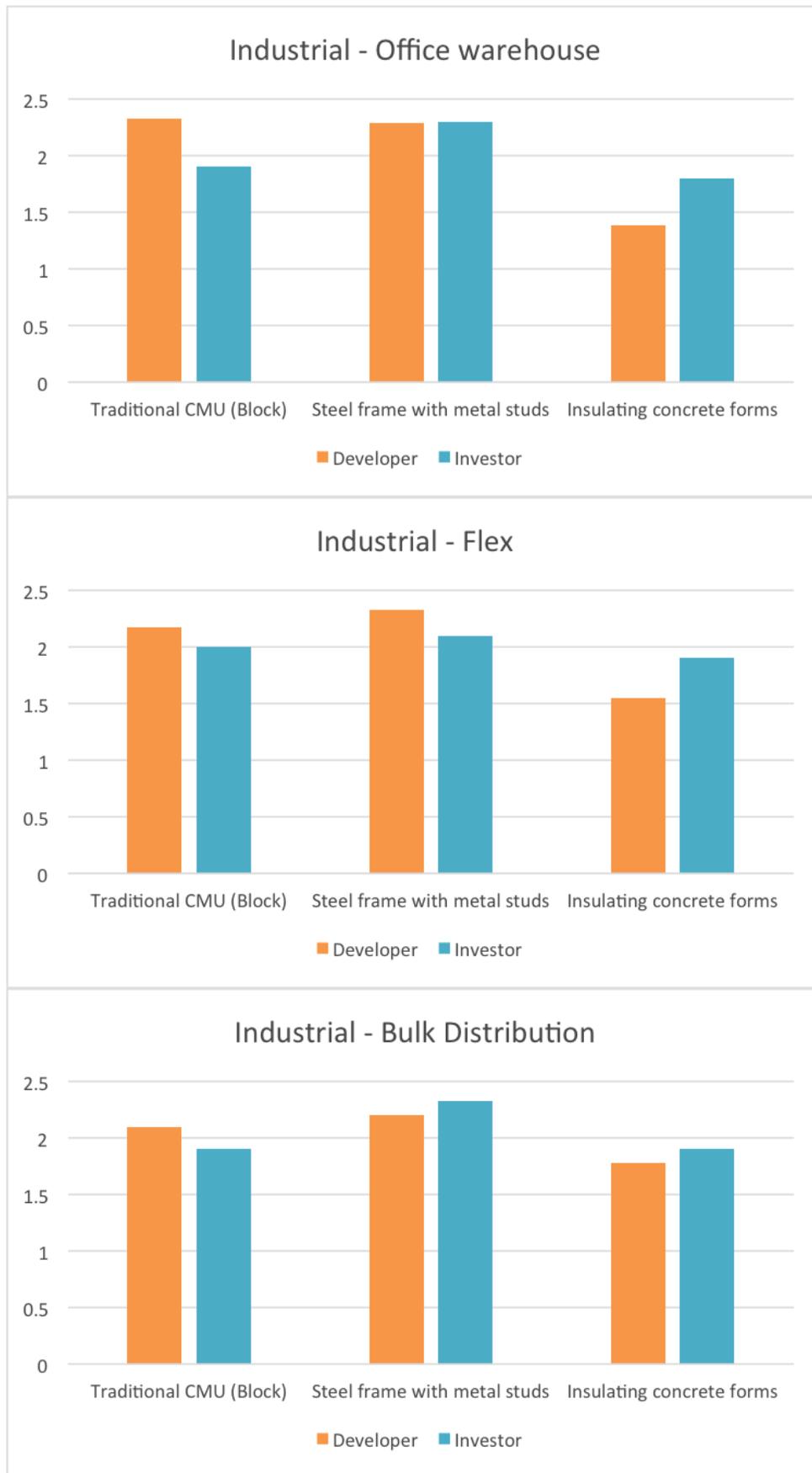
Value Impact of Structural Construction

Traditional structural construction materials have been wood frame, traditional CMU (block), steel frame with metal studs, and more recently insulating concrete forms. As these materials have evolved, the real estate industry's usage of these materials has changed. This may be due to availability, cost, durability, familiarity, improved energy efficiency or perceived value.

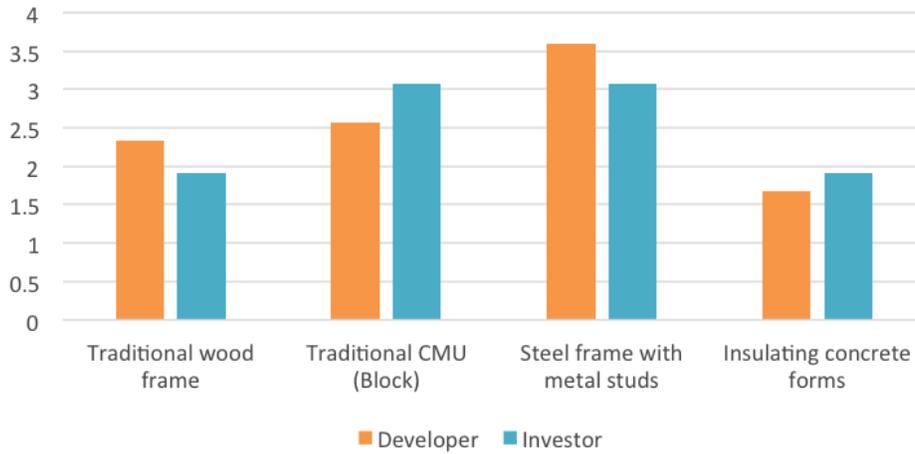
The following graphs indicate the construction material preference from the perspective of a developer or an investor.

Ranking Scale:
0 – No difference
1 – 4th highest value
2 – 3rd highest value
3 – 2nd highest value
4 – Highest Value/Greatest difference

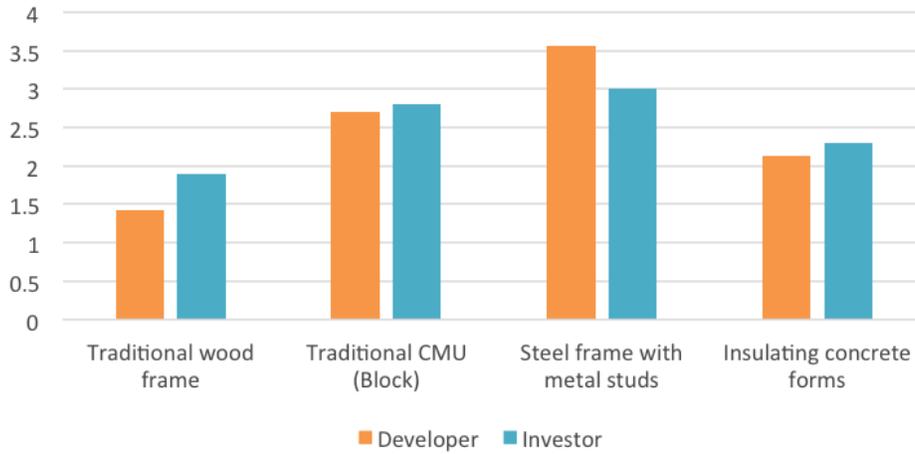




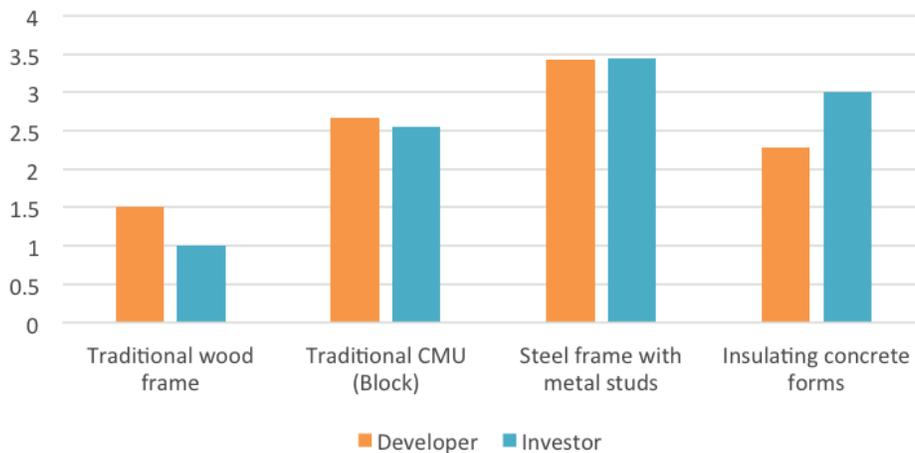
Retail - Free Standing



Retail - Strip Center



Retail - Community Center, Mall or Town Center





Thank you to all the participants who responded to the survey request. We appreciate your input.

If you have questions you want us to include in our next survey, or would like to be added to our survey and/or report mailing lists, please contact either Robert Taylor or Edward Knight. Please share this report with others who may be interested.

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