

Real Estate Market Participants Survey

Spring 2018



VCU

Kornblau Real Estate Program
School of Business

**KNIGHT DORIN
& ROUNTREY
REAL ESTATE ANALYSTS**

CONTENTS

REAL ESTATE MARKET PARTICIPANT SURVEY PARAMETERS.....	1
SUMMARY.....	2
DEMOGRAPHICS.....	3
OUTLOOK.....	4
REAL ESTATE MARKET CYCLE	5
ENTREPRENEURIAL INCENTIVE	6
LAND VALUE ALLOCATION	7
LAND LEASE RATES.....	8
COST OF SALE	9
AVAILABILITY OF MORTGAGE FINANCING.....	10
TREASURY YIELD.....	10
BASIS POINT SPREAD.....	11
REAL ESTATE LIQUIDITY – MARKETING PERIOD.....	12
PERFORMANCE FACTORS.....	13
OFFICE	13
INDUSTRIAL.....	14
RETAIL	15
APARTMENTS	16
INTERNAL RATE OF RETURN	16

THANK YOU

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 (contact information is on the following page). Please share this report with others who may be interested.

REAL ESTATE MARKET PARTICIPANT SURVEY PARAMETERS

In Spring 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 22 questions asked about the respondents' future expectations for various sectors of the real estate market.

Scope

The survey results were collected in March 2018 and had 356 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:

Robert Taylor

Executive Director
Kornblau Real Estate Program
VCU School of Business
(804) 828-3169
rwtaylor@vcu.edu

Edward G. Knight

President
Knight, Dorin & Rountrey
(804) 427-6001
eknight@kdrre.com



VCU

Kornblau Real Estate Program
School of Business

**KNIGHT DORIN
& ROUNTREY**
REAL ESTATE ANALYSTS

SUMMARY

356 Respondents
from diverse
backgrounds.

Respondents are
cautiously optimistic
about market
expectations for the
next six months.

Retail continues to
show a negative
trend regarding
market growth.

Financing for
Multi-family is
currently more
abundant than other
property types.

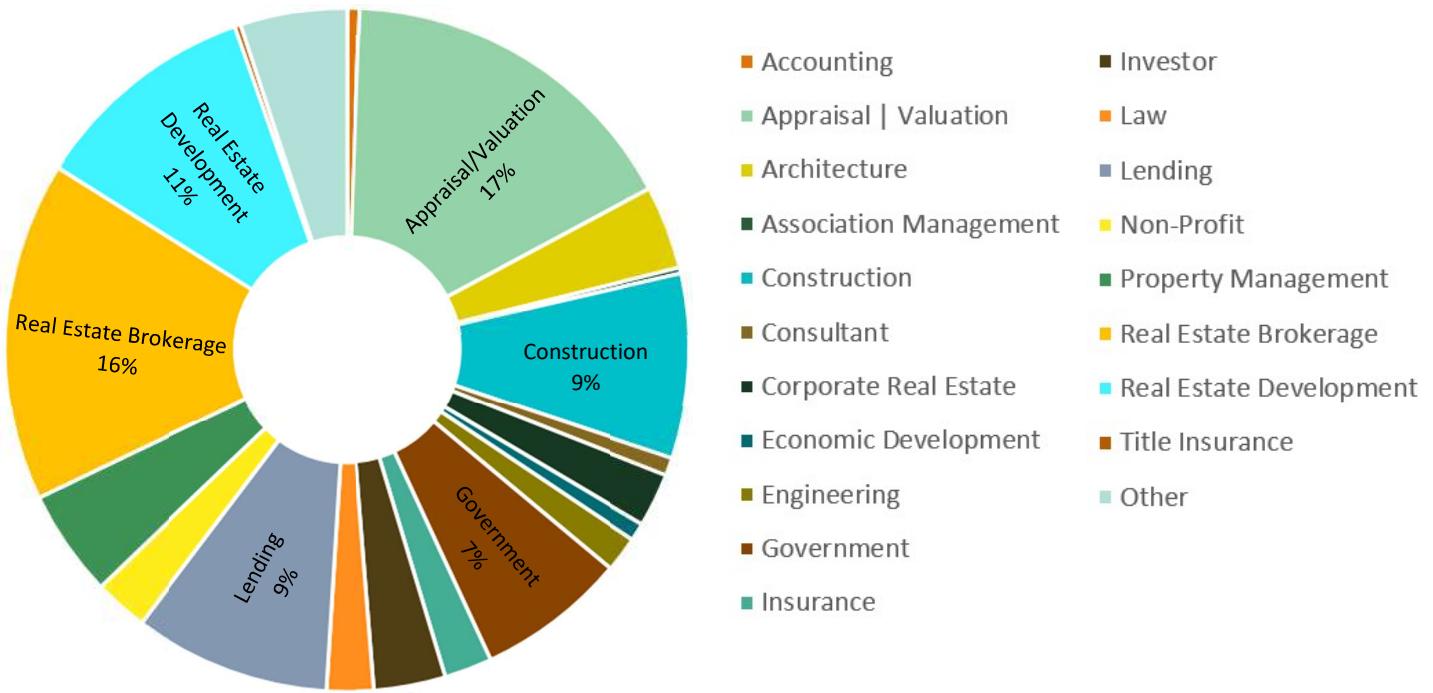
Most market participants feel that we are in the growth phase of the real estate market, with some sectors (i.e., office) transitioning into the mature stage and one sector (retail) transitioning from mature to recession.

DEMOCRAPHICS

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?

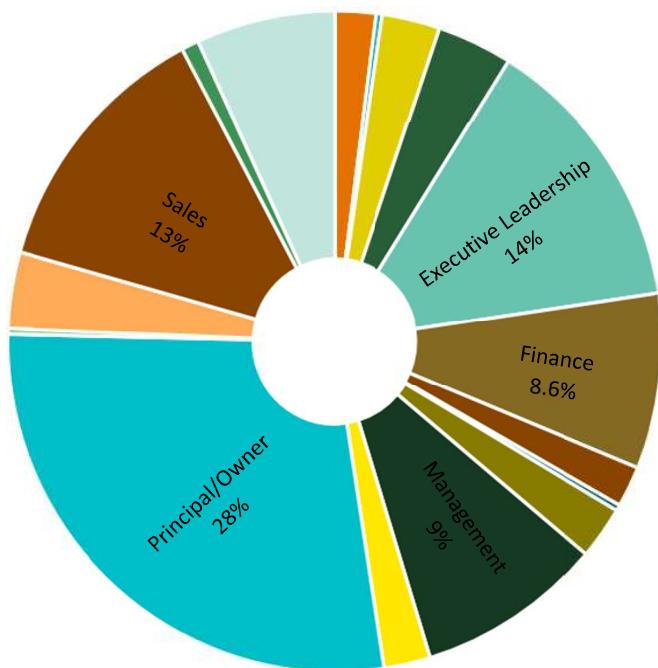
n=355



Which of the following best describes your job function?

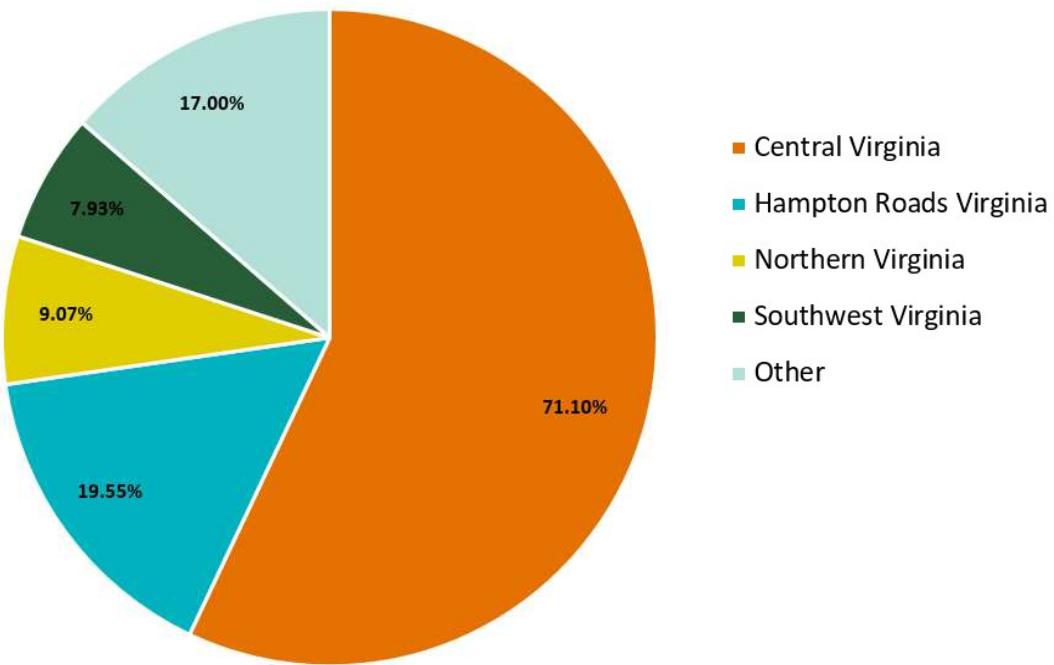
n=349

- Administrative
- Advertising | Marketing
- Business Development
- Consulting
- Executive Leadership
- Finance
- General Business
- Information Technology
- Legal
- Management
- Marketing
- Principal | Owner
- Product Development
- Project Management
- Sales
- Strategic Planning
- Other



What is your primary market?

n=353

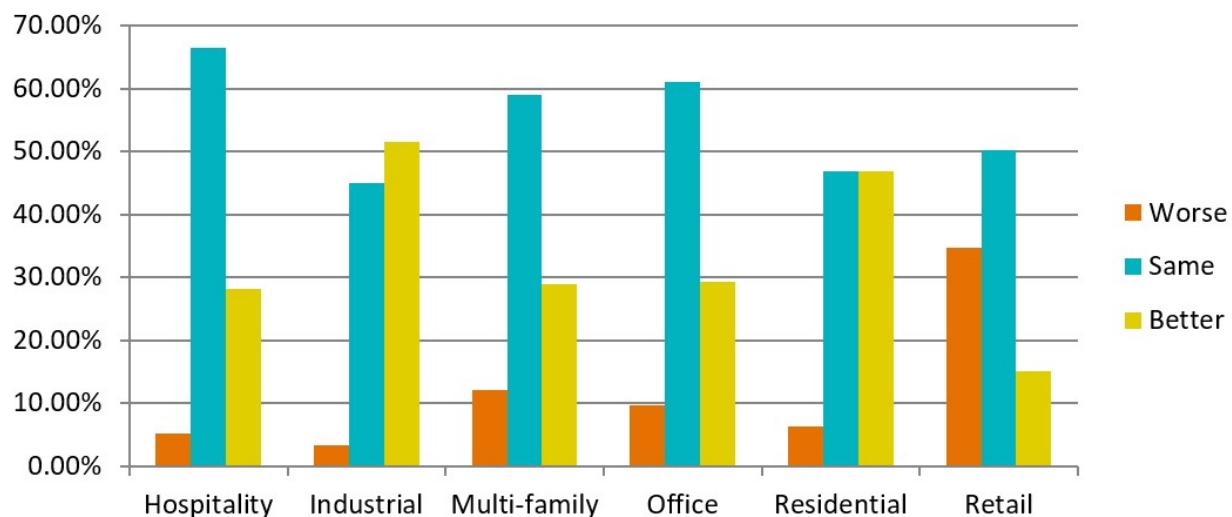


OUTLOOK

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=343



REAL ESTATE MARKET CYCLE

Overall, most sectors seem to be in the growth stage, with Hospitality and Multi-family transitioning to the mature stage. Office is in the mature stage, while Retail again shows a trend towards 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 317 responses.

	Recovery	Growth	Mature	Recession	Total Respondents
Hospitality	5%	45%	47%	3%	256
Industrial	10%	61%	25%	4%	269
Multi-family	3%	48%	46%	2%	289
Office	16%	31%	44%	8%	280
Residential	8%	66%	25%	1%	290
Retail	11%	17%	40%	32%	275

ENTREPRENEURIAL INCENTIVE

The average ranges for total hard and soft costs for land and improvements have expanded since the Fall 2017 survey, though most are still within plus or minus two percent of the overall average ranges (12-14 percent).

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 & improvements

	Central Virginia Range Average	Hampton Roads Range Average	NOVA Range Average	Southwest Range Average	All Range Average
Hotel	6% - 15% 11.2%	6% - 15% 12.3%	10% - 20% 15.8%	10% - 20% 14.1%	6% - 20% 12.6%
Industrial	6% - 15% 10.9%	8% - 15% 12.2%	8% - 20% 13.3%	8% - 15% 10.6%	6% - 20% 12.3%
Mixed Use	8% - 20% 13.3%	7% - 18% 12.3%	12% - 20% 17.5%	10% - 20% 14.6%	6% - 20% 13.1%
Multi-family	6% - 18% 11.2%	6% - 15% 10.1%	10% - 20% 14.7%	10% - 20% 14.0%	6% - 20% 12.3%
Office	6% - 18% 11.0%	7% - 15% 12.0%	10% - 20% 15.0%	7% - 16% 10.8%	6% - 20% 12.3%
Retail	6% - 20% 12.7%	6% - 16% 10.8%	10% - 20% 13.3%	8% - 20% 13.3%	6% - 20% 12.8%
Single-family Residential	6% - 20% 13.5%	7% - 20% 14.6%	10% - 22% 14.4%	8% - 20% 12.7%	6% - 20% 13.8%

LAND VALUE ALLOCATION

When compared to the overall average, starter housing has a slightly higher expectation in the NOVA region (plus 1 percent), while move-up housing has a lower expectation in the Southwest region (minus 4 percent). High-end luxury continues to have the highest overall average at 25 percent, with numbers remaining consistent with the results from Fall 2017.

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?

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% - 24%	16% - 30%	16% - 20%	16% - 30%
2018 Spring	21%	19%	23%	18%	22%
2017 Fall	20%	23%	25%	21%	21%
Move-up housing	16% - 30%	18% - 30%	18% - 32%	16% - 22%	16% - 30%
2018 Spring	22%	23%	24%	19%	23%
2017 Fall	23%	23%	24%	21%	24%
Luxury	18% - 28%	20% - 32%	20% - 32%	20% - 26%	18% - 30%
2018 Spring	24%	26%	25%	22%	24%
2017 Fall	24%	26%	24%	27%	24%
High-end luxury housing	18% - 30%	20% - 32%	22% - 32%	20% - 30%	18% - 30%
2018 Spring	24%	27%	27%	25%	25%
2017 Fall	25%	27%	26%	26%	25%
Townhouses	16% - 30%	16% - 30%	16% - 30%	16% - 26%	16% - 30%
2018 Spring	22%	22%	24%	18%	22%
2017 Fall	20%	20%	21%	20%	21%

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)	4.0% - 7.5%	Inadequate Response	Inadequate Response	Inadequate Response	5.0% - 7.5%
2018 Spring	5.9%				6.2%
2017 Fall	6.2%	6.9%	5.4%	6.8%	7.0%
Subordinated Lease - Cap Rate (with rent escalations)	5.0% - 8.0%	Inadequate Response	Inadequate Response	Inadequate Response	5.0% - 7.5%
2018 Spring	6.3%				5.9%
2017 Fall	6.0%	6.7%	4.5%	6.5%	6.6%
Unsubordinated Lease - Cap Rate (with flat rent)	5.0% - 6.5%	Inadequate Response	Inadequate Response	Inadequate Response	5.0% - 8.0%
2018 Spring	5.8%				6.0%
2017 Fall	7.1%	8.2%	6.5%	8.0%	7.4%
Unsubordinated Lease - Cap Rate (with rent escalations)	4.5% - 7.5%	Inadequate Response	Inadequate Response	Inadequate Response	4.5% - 7.5%
2018 Spring	6.1%				6.1%
2017 Fall	6.2%	7.9%	5.5%	7.5%	6.9%

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

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% - 8.0%	3.0% - 9.0%	Inadequate	Inadequate	1.8% - 8.0%
2018 Spring	5.8%	5.6%	Response	Response	5.3%
2017 Fall	5.4%	7.4%	4.8%	5.2%	5.8%
\$1 million to \$5 million	3.0% - 7.5%	1.5% - 7.0%	Inadequate	Inadequate	1.5% - 6.0%
2018 Spring	4.8%	3.8%	Response	Response	4.6%
2017 Fall	4.6%	6.1%	4.4%	4.3%	4.9%
\$5 million to \$15 million	2.0% - 6.5%	2.0% - 5.0%	Inadequate	Inadequate	1.0% - 7.0%
2018 Spring	3.6%	2.8%	Response	Response	3.6%
2017 Fall	3.5%	3.8%	3.3%	3.3%	3.4%
Over \$15 million	1.0% - 6.0%	1.0% - 4.5%	Inadequate	Inadequate	1.0% - 6.0%
2018 Spring	2.6%	2.2%	Response	Response	2.8%
2017 Fall	2.3%	2.6%	2.6%	2.9%	2.0%

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

AVAILABILITY OF MORTGAGE FINANCING

All sectors show high levels of adequate financing availability. Multi-family leans strongly towards abundant.

Please rate your experience regarding the current availability of mortgage financing for the following property types.

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 84 responses.

	Inadequate	Adequate	Abundant	Total Respondents
Hospitality	31%	63%	6%	48
Industrial	14%	49%	37%	51
Multi-family	7%	44%	52%	67
Office	13%	66%	19%	55
Residential (A&D)	12%	64%	23%	66
Retail	33%	63%	4%	55

TREASURY YIELD

The sentiment regarding treasury yield is that it will rise.

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 2.1 to 2.6 percent change in Basis Points. Retail continues to have 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	250 - 350	Inadequate	Inadequate	Inadequate	150 - 300
2018 Spring	273	Response	Response	Response	232
2017 Fall	246	270	312	275	259
Industrial	150 - 300	150 - 300	Inadequate	Inadequate	150 - 300
2018 Spring	210	229	Response	Response	218
2017 Fall	237	216	250	235	242
Multi-family	150 - 300	150 - 200	Inadequate	Inadequate	150 - 300
2018 Spring	208	193	Response	Response	206
2017 Fall	198	185	185	175	199
Office	150 - 300	150 - 300	Inadequate	Inadequate	150 - 350
2018 Spring	231	242	Response	Response	229
2017 Fall	243	254	292	262	248
Residential (A&D)	150 - 300	Inadequate	Inadequate	Inadequate	150 - 300
2018 Spring	240	Response	Response	Response	236
2017 Fall	256	239	325	250	255
Retail	150 - 300	Inadequate	Inadequate	Inadequate	150 - 300
2018 Spring	250	Response	Response	Response	255
2017 Fall	251	267	295	250	260

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

REAL ESTATE LIQUIDITY – MARKETING PERIOD

The expected marketing period for all regions is shown in the chart on the following page.

Please select the most appropriate block regarding your opinion of reasonable selling/liquidity time (from the date of listing to the date of closing) relative to the following property types. This assumes the property is realistically priced to sell by a reasonably motivated seller.

REAL ESTATE LIQUIDITY – MARKETING PERIOD

	Central Virginia				Hampton Roads				NOVA				Southwest				All			
	Less than six months	Six to 12 months	Twelve to 24 months	Over 24 months	Less than six months	Six to 12 months	Twelve to 24 months	Over 24 months	Less than six months	Six to 12 months	Twelve to 24 months	Over 24 months	Less than six months	Six to 12 months	Twelve to 24 months	Over 24 months	Less than six months	Six to 12 months	Twelve to 24 months	Over 24 months
Retail																				
Free-standing store	19%	62%	19%	0%	0%	70%	30%	0%	0%	100%	0%	0%	33%	67%	0%	0%	19%	66%	16%	0%
Unanchored shopping center	5%	38%	38%	19%	11%	11%	33%	44%	0%	25%	25%	50%	0%	33%	33%	33%	6%	32%	39%	23%
Anchored neighborhood shopping center	30%	60%	10%	0%	30%	50%	20%	0%	0%	50%	50%	0%	0%	67%	33%	0%	29%	52%	19%	0%
Community and power shopping center	10%	60%	20%	10%	20%	50%	20%	10%	0%	50%	50%	0%	0%	67%	33%	0%	10%	55%	26%	10%
Regional shopping center - poorly leased	0%	15%	40%	45%	0%	40%	40%	20%	0%	25%	50%	25%	0%	67%	33%	0%	0%	23%	39%	39%
Regional shopping center - well leased	30%	60%	10%	0%	20%	80%	0%	0%	0%	100%	0%	0%	0%	100%	0%	0%	23%	65%	13%	0%
Multi-Family																				
Apartment complex (less than 120 units)	51%	43%	6%	0%	67%	25%	8%	0%	20%	60%	20%	0%	67%	33%	0%	0%	55%	39%	6%	0%
Apartment complex (more than 120 units)	71%	23%	3%	3%	73%	27%	0%	0%	20%	40%	40%	0%	67%	33%	0%	0%	63%	29%	6%	2%
Office																				
Large office building – well leased	35%	58%	4%	4%	40%	60%	0%	0%	0%	60%	40%	0%	0%	100%	0%	0%	32%	57%	8%	3%
Large office building – poorly leased	16%	24%	48%	12%	20%	40%	40%	0%	0%	20%	40%	40%	0%	67%	33%	0%	14%	28%	44%	14%
Small office building (less than 20,000 SF) – well leased	25%	63%	13%	0%	20%	50%	30%	0%	0%	40%	60%	0%	0%	67%	33%	0%	23%	57%	20%	0%
Small office building (less than 20,000 SF) – poorly leased	13%	33%	46%	8%	0%	40%	40%	20%	0%	0%	60%	40%	0%	33%	67%	0%	9%	34%	40%	17%
Industrial																				
Small single user office/warehouse buildings	68%	32%	0%	0%	55%	27%	18%	0%	25%	25%	50%	0%	33%	33%	33%	0%	53%	34%	9%	3%
Multi-tenant flex/bulk distribution	48%	48%	4%	0%	55%	36%	9%	0%	25%	50%	0%	25%	33%	67%	0%	0%	36%	52%	6%	6%
Vacant Land																				
Single-family residential development	19%	35%	38%	8%	25%	42%	33%	0%	25%	50%	25%	0%	33%	33%	33%	0%	23%	38%	33%	6%
Multi-family residential development	22%	47%	28%	3%	8%	83%	8%	0%	0%	75%	25%	0%	0%	100%	0%	0%	23%	52%	23%	2%
Retail	8%	12%	64%	16%	10%	40%	30%	20%	0%	75%	25%	0%	0%	100%	0%	0%	9%	20%	54%	17%
Office	4%	25%	46%	25%	0%	60%	30%	10%	0%	25%	75%	0%	0%	67%	33%	0%	3%	32%	44%	21%
Industrial	13%	58%	17%	13%	0%	73%	18%	9%	0%	50%	25%	25%	0%	67%	33%	0%	9%	59%	18%	15%
Special Purpose Properties																				
Banks, historic, churches, etc.	4%	40%	36%	20%	0%	40%	50%	10%	0%	50%	50%	0%	0%	33%	67%	0%	6%	40%	34%	20%

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

OFFICE

	Central Virginia	Hampton Roads	NOVA*	Southwest*	All
	Range	Range	Range	Range	Range
	Average	Average	Average	Average	Average
Income (Growth Rate)	1.0% - 3.0%	2.0% - 3.0%	Inadequate	Inadequate	2.0% - 3.0%
2018 Spring	2.2%	2.5%	Response	Response	2.5%
2017 Fall	2.0%	2.4%	2.2%	1.8%	2.0%
Expenses	0.5% - 3.0%	1.5% - 3.0%	Inadequate	Inadequate	1.5% - 3.0%
2018 Spring	2.0%	2.4%	Response	Response	2.2%
Vacancy Loss	5.0% - 10.0%	1.0% - 10.0%	Inadequate	Inadequate	1.0% - 7.5%
2018 Spring	7.7%	4.8%	Response	Response	5.7%
2017 Fall	7.3%	7.7%	10.0%	6.8%	7.4%
Going-In Capitalization Rate	7.0% - 10.0%	6.5% - 10.0%	Inadequate	Inadequate	6.5% - 9.5%
2018 Spring	7.9%	8.2%	Response	Response	7.8%
2017 Fall	7.8%	7.5%	7.6%	8.4%	7.8%
Terminal Capitalization Rate	6.5% - 9.0%	6.0% - 8.0%	Inadequate	Inadequate	6.0% - 9.0%
2018 Spring	8.0%	7.7%	Response	Response	7.8%
2017 Fall	8.4%	7.6%	N/A	9.1%	8.5%
Discount Rates (Unleveraged IRR)	8.0% - 10.0%	9.0% - 10.0%	Inadequate	Inadequate	8.0% - 10.0%
2018 Spring	9.6%	9.5%	Response	Response	9.5%
2017 Fall	9.8%	8.9%	N/A	11.2%	9.6%
Equity Yield (Leveraged IRR)	11.5% - 17.0%	11.5% - 17.0%	Inadequate	Inadequate	11.5% - 18.0%
2018 Spring	16.8%	14.5%	Response	Response	16.4%
2017 Fall	14.0%	13.5%	N/A	14.1%	14.3%

Tenant Retention Rates:

Class A	40% - 85%	40% - 85%	Inadequate	75% - 90%	50% - 90%
2018 Spring	68%	65%	Response	82%	75%
2017 Fall	76%	68%	78%	70%	71%
Class B	40% - 80%	45% - 80%	Inadequate	70% - 80%	40% - 90%
2018 Spring	59%	64%	Response	77%	64%
2017 Fall	72%	66%	74%	74%	68%

Months vacant between tenants:

Class A	3 - 10	4 - 10	6 - 10	6 - 8	3 - 10
2018 Spring	6.5	7.1	7.5	6.4	6.4
2017 Fall	6.2	7.2	6.9	8	7
Class B	5 - 12	4 - 10	Inadequate	6 - 12	6 - 12
2018 Spring	9	7.4	Response	9	9.1
2017 Fall	7.8	7.9	7.6	8.8	7.8

INDUSTRIAL

	Central Virginia	Hampton Roads	NOVA*	Southwest*	All
	Range Average	Range Average	Range Average	Range Average	Range Average
Income (Growth Rate)	2.0% - 4.0%	2.0% - 4.0%	Inadequate Response	Inadequate Response	2.0% - 4.0%
2018 Spring	2.8%	3.0%			2.9%
2017 Fall	2.5%	2.8%	2.8%	2.3%	2.3%
Expenses	1.0% - 3.5%	1.5% - 3.5%	Inadequate Response	Inadequate Response	1.5% - 3.5%
2018 Spring	2.3%	2.6%			2.3%
Vacancy Loss	3.0% - 7.0%	1.0% - 6.0%	Inadequate Response	Inadequate Response	1.0% - 7.0%
2018 Spring	5.1%	4.1%			4.5%
2017 Fall	5.2%	3.9%	5.0%	5.5%	4.8%
Going-In Capitalization Rate	6.5% - 8.5%	6.5% - 8.5%	Inadequate Response	Inadequate Response	6.0% - 8.5%
2018 Spring	7.2%	7.3%			7.2%
2017 Fall	8.1%	7.1%	7.1%	7.9%	7.3%
Terminal Capitalization Rate	6.5% - 8.5%	6.5% - 9.5%	Inadequate Response	Inadequate Response	6.0% - 9.5%
2018 Spring	7.5%	7.6%			7.8%
2017 Fall	8.5%	7.4%	7.8%	9.0%	8.0%
Discount Rates (Unleveraged IRR)	8.0% - 12.0%	8.0% - 12.0%	Inadequate Response	Inadequate Response	8.0% - 12.0%
2018 Spring	9.9%	10.2%			9.1%
2017 Fall	9.8%	9.3%	N/A	12.1%	9.6%
Equity Yield (Leveraged IRR)	14.0% - 18.0%	14.0% - 18.0%	Inadequate Response	Inadequate Response	14.0% - 18.0%
2018 Spring	15.9%	16.3%			15.8%
2017 Fall	13.9%	13.8%	N/A	15.1%	13.0%

Tenant Retention Rates:

Office/Warehouse (Flex)	40% - 80%	60% - 90%	Inadequate Response	70% - 90%	50% - 90%
2018 Spring	68%	76%		80%	75%
2017 Fall	73%	69%	76%	71%	71%
Warehouse/Distribution	50% - 90%	60% - 90%	Inadequate Response	85% - 90%	50% - 90%
2018 Spring	74%	79%		87%	74%
2017 Fall	81%	64%	77%	72%	73%

Months vacant between tenants:

Office/Warehouse (Flex)	3 - 10	3 - 8	Inadequate Response	9 - 12	3 - 10
2018 Spring	6	5.2		11.3	6
2017 Fall	6.4	6.9	6.6	7.6	7.3
Warehouse/Distribution	3 - 12	6 - 12	Inadequate Response	9 - 12	3 - 10
2018 Spring	6.8	8.9		10.6	6.3
2017 Fall	6.5	7.8	5.7	7.8	7.4

RETAIL

	Central Virginia Range Average	Hampton Roads Range Average	NOVA* Range Average	Southwest* Range Average	All Range Average
Income (Growth Rate)	0.0% - 3.0%	Inadequate	Inadequate	Inadequate	1.0% - 3.0%
2018 Spring	1.9%	Response	Response	Response	2.3%
2017 Fall	1.6%	2.1%	1.8%	1.4%	1.9%
Expenses	1.5% - 3.0%	1.5% - 3.0%	Inadequate	Inadequate	1.0% - 3.0%
2018 Spring	2.3%	2.4%	Response	Response	2.2%
Vacancy Loss	4.0% - 10.0%	4.0% - 10.0%	Inadequate	Inadequate	0.5% - 8.0%
2018 Spring	7.7%	7.8%	Response	Response	5.3%
2017 Fall	7.4%	7.7%	6.0%	5.4%	7.3%
Going-In Capitalization Rate	7.0% - 9.0%	7.0% - 8.0%	Inadequate	Inadequate	7.0% - 9.0%
2018 Spring	7.8%	7.5%	Response	Response	7.8%
2017 Fall	7.5%	7.5%	7.0%	7.9%	7.5%
Terminal Capitalization Rate	6.0% - 10.0%	6.0% - 9.5%	Inadequate	Inadequate	6.0% - 10.0%
2018 Spring	8.3%	8.1%	Response	Response	8.3%
2017 Fall	8.5%	8.3%	8.5%	8.5%	8.6%
Discount Rates (Unleveraged IRR)	7.5% - 11.0%	Inadequate	Inadequate	Inadequate	7.5% - 11.0%
2018 Spring	9.4%	Response	Response	Response	9.5%
2017 Fall	10.4%	9.4%	N/A	10.6%	9.8%
Equity Yield (Leveraged IRR)	12.0% - 18.0%	Inadequate	Inadequate	Inadequate	12.0% - 18.0%
2018 Spring	17.0%	Response	Response	Response	16.5%
2017 Fall	15.4%	13.2%	N/A	13.0%	13.3%

Tenant Retention Rates:

Neighborhood	40% - 80%	40% - 80%	Inadequate	50% - 80%	45% - 80%
2018 Spring	60%	56%	Response	63%	60%
2017 Fall	68%	68%	68%	70%	66%
Community	40% - 75%	40% - 70%	Inadequate	50% - 70%	50% - 80%
2018 Spring	58%	54%	Response	63%	65%
2017 Fall	68%	69%	79%	80%	68%

Months vacant between tenants:

Neighborhood	6 - 12	8 - 12	Inadequate	6 - 12	6 - 12
2018 Spring	9.2	10.4	Response	8.4	9
2017 Fall	7.8	8.1	12.1	12.1	8.3
Community	6 - 12	6 - 12	Inadequate	6 - 12	6 - 12
2018 Spring	9.2	9.7	Response	8	9.1
2017 Fall	7.8	7.6	9.8	11.5	8.1

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%	2.0% - 3.0%	Inadequate Response	Inadequate Response	2.0% - 4.0%
2018 Spring	2.7%	2.5%			2.7%
2017 Fall	2.7%	2.7%	2.6%	2.2%	2.5%
Expenses	0.5% - 3.0%	2.0% - 3.0%	Inadequate Response	Inadequate Response	0.5% - 3.5%
2018 Spring	2.2%	2.6%			2.1%
Vacancy Loss	2.0% - 8.0%	1.0% - 8.0%	Inadequate Response	Inadequate Response	0.5% - 7.0%
2018 Spring	5.3%	4.9%			4.0%
2017 Fall	3.9%	3.8%	3.5%	3.2%	4.1%
Going-In Capitalization Rate	5.5% - 8.5%	5.5% - 8.5%	Inadequate Response	Inadequate Response	4.5% - 7.0%
2018 Spring	6.2%	6.5%			6.0%
2017 Fall	6.4%	5.9%	5.5%	5.9%	6.2%
Terminal Capitalization Rate	5.5% - 7.5%	6.0% - 7.5%	Inadequate Response	Inadequate Response	5.0% - 7.5%
2018 Spring	6.3%	6.6%			6.4%
2017 Fall	6.8%	6.4%	6.5%	6.8%	6.7%
Discount Rates (Unleveraged IRR)	7.5% - 12.5%	6.5% - 7.5%	Inadequate Response	Inadequate Response	6.0% - 12.0%
2018 Spring	9.8%	7.0%			8.6%
2017 Fall	9.4%	9.0%	N/A	10.1%	8.7%
Equity Yield (Leveraged IRR)	15.0% - 20.0%	12.5% - 18.5%	Inadequate Response	Inadequate Response	10.0% - 16.0%
2018 Spring	15.3%	15.0%			13.4%
2017 Fall	12.8%	12.8%	N/A	13.6%	12.3%

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% - 22%	10% - 25%	10% - 20%	10% - 20%	10% - 25%
	14.5%	14.1%	13.4%	13.4%	15.0%
Mixed	10% - 23%	10% - 20%	10% - 20%	10% - 16%	10% - 25%
	15.3%	14.0%	14.7%	12.2%	15.2%
Industrial	10% - 26%	10% - 22%	10% - 20%	10% - 18%	10% - 25%
	15.4%	14.0%	15.0%	12.1%	14.8%
Commercial	10% - 25%	10% - 20%	10% - 20%	10% - 15%	10% - 25%
	15.2%	14.6%	15.3%	12.3%	14.8%