Capital Trends

US Big Picture

January 2022 | **20.3% YOY price change** | **$36.8b Transaction volume** | **12% YOY volume change**

Investment activity grew at a low double-digit pace in January after a blistering pace of deal activity in December. This change is not a sign of a market shutting down, in fact price growth continues to accelerate. The leading sectors for deal activity last year pulled back for the month of January.

Deal volume climbed at triple-digit rates in eight of the last 10 months. This pace of growth can only be seen as highly illiquid markets change direction or from unusual one-time events. In recent periods, the high pace of growth was a function of the rebound from the limited deal activity seen in 2020. As the market moves past those periods of limited activity to some new normal level, sales growth will slow.

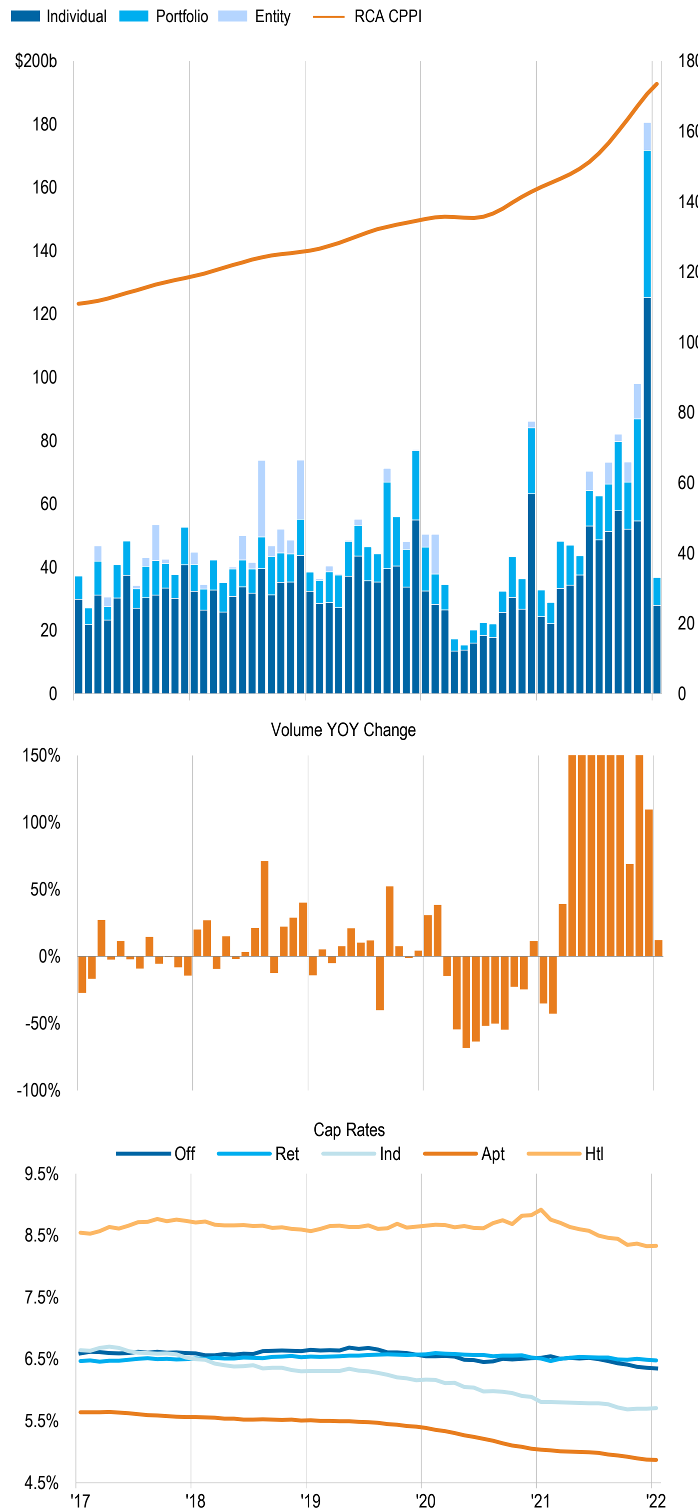
The apartment sector, for instance, slowed to a double-digit pace of growth in January after activity skyrocketed into the end of 2021. Sales volume, though, was 9% ahead of the average pace set in each January from 2015 to 2019.

Apartment investors are not going to jump in and push deal volume up at double-digit rates from something like a normal level of activity unless there was a screaming buy opportunity from cap rates being excessively high. And, at a record low 4.9% level in January, apartment cap rates were 80 bps lower than the average January from 2015 to 2019.

Cap rates fell to record lows in January for most sectors. The only sectors that did not see cap rates fall relative to a year ago were the retail and seniors housing & care sectors. The hotel sector registered cap rates down 60 bps from a year earlier, but these were still 50 bps higher than the lows set in 2011.

Commercial property prices continued to climb in January, with the RCA CPPI All-Property Index up 20.3% YOY. The industrial sector posted the strongest growth for the month as prices climbed 28.1% from a year earlier.

Monthly Transaction Volume & Pricing



Trailing 12-month cap rates; volume YOY change truncated to 150%

Transaction Volume and Pricing Summary

	Jan '22		Past 12 Months			RCA CPPI
	Vol ($b)	YOY	Vol ($b)	YOY	Cap Rate	YOY
Office	8.7	42%	146.3	74%	6.3%	11.8%
Retail	3.5	44%	81.5	111%	6.5%	20.4%
Industrial	6.3	-9%	173.0	71%	5.7%	28.1%
Hotel	2.2	117%	47.2	293%	8.3%	15.5%
Apartment	13.8	11%	348.2	143%	4.9%	22.5%
Snr Hsg & Care	0.7	-69%	17.4	63%	5.7%	
Dev Site	1.6	-4%	31.0	33%		
Total	36.8	12%	844.5	104%		20.3% *

*All-Property Index comprises office, industrial, retail and apartment

Buyer Composition *2021*

Private capital sources were again the largest buyers of U.S. commercial property for 2021, capturing 52% of the market. These buyers tend to dominate the apartment sector, the largest and most liquid property market throughout the pandemic. Private capital sources' share of more than 50% of the total market for each of the last three years is partly explained by this sector exposure.

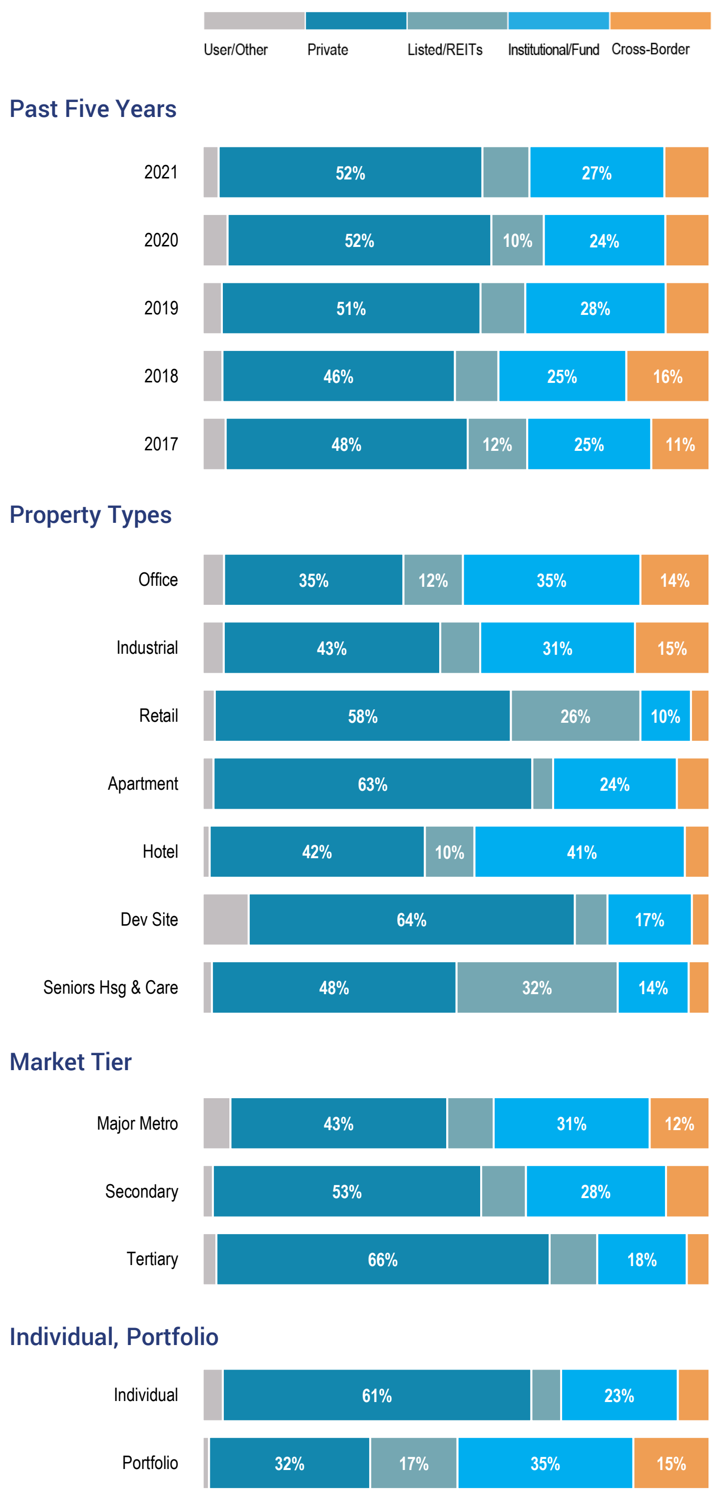
Still, while private buyers were active buyers, they were more active as sellers and were behind 58% of all dispositions for the year. On a net basis, this class of investor was a seller in 2021 to the tune of $56.8b. This class of investor has been in this net seller position for two consecutive years amid the intense interest by institutional/fund investors for apartment and industrial properties.

Institutional/fund investors were the second largest class of investors in 2021, capturing 27% of the acquisitions. While in the #2 slot for purchases, this class of investor sold less and was the largest net buyer of U.S. commercial real estate for the year: acquisitions exceeded dispositions by $30.8b. This group of investors was a net buyer for all property sectors except for retail and seniors housing & care in 2021.

Public companies were behind 9% of all acquisitions in 2021 but in total were net sellers for the year, disposing of $3.4b more than that purchased. REITs and other listed companies were not net sellers for every property sector, however. It was sales in the office, seniors housing & care and especially the hotel sector that led the charge.

Like public entities, cross-border investors were behind 9% of all acquisitions in 2021 but this class of investor sold far less. Cross-border investors were behind only 6% of all dispositions for the year. With this difference, cross-border investors were the second largest net buyers for the year, acquiring $18.9b of commercial property more than they sold. The hotel sector was the only one where cross-border investors were not net buyers for the year.

Buyer Composition



Buyer Trends 2021

Buyers	Total Acq ($m)	YOY Chg	Avg Size ($m)
Cross-Border	71,434	94%	35.0
Institutional/Fund	213,515	112%	36.4
Listed/REIT	74,477	71%	17.1
Private	418,053	91%	13.8
User/Other	25,027	21%	17.9
Grand Total	840,441	95%	17.9

Numbers may not sum as unclassified volume included in grand total

US Cross-Border Investment Compendium

Read the summary findings of 2021 cross-border buyer trends on RCA Insights or download the full report from the RCA website.

Buyer Trends

Investors Spread Their Wings in 2021

There is a first time for everything, and such was the motto of some investors as they made their first purchases outside of their traditional geographic footprint in 2021. A list of the top markets for new entrants provides some insight as to where investors headed and what factors lured them there.

For some first-time market participants, the decision to expand their geographic horizons had less to do with geography and more to do with access to a specific asset class. In 2021, investor appetite for apartment product was seemingly insatiable, so much so that many investors chose to enter a new market in order to invest in the asset class. All but four of the top 20 markets for new entrants sourced more capital from apartment purchases than any other asset class.

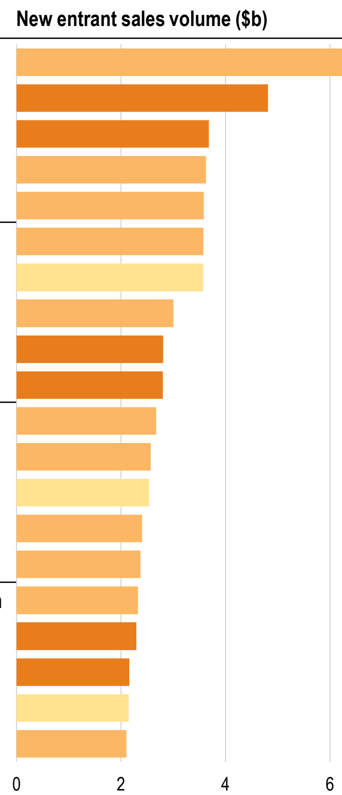
R&D/life sciences and tech-oriented markets also attracted new investors. More than 50% of new investor purchases in San Jose and San Francisco was tied to offices, with many acquisitions falling into this niche. Boston benefited from investor interest in both multifamily and office (largely R&D/life sciences facilities), with each category providing more than 30% of new capital.

Investors were also drawn to new markets in search of yield. With Non-Major Metros tending to offer better yield opportunities than their major counterparts, it is little wonder that the top 10 markets for new entrants are all located outside of the 6 Major Metros. While yields have compressed faster in these locales, yields remain higher on a relative basis.

Top Markets for New Entrants

New entrants' share of total market deal volume: >25% | 10-25% | <10%

Avg 2015-19	2021	Market
3	1	Dallas
13	2	Austin
18	3	Orlando
8	4	Phoenix
20	5	Miami/Dade Co
7	6	Houston
6	7	Atlanta
24	8	Charlotte
29	9	Nashville
32	10	San Antonio
17	11	Tampa
12	12	San Jose
2	13	Los Angeles
1	14	Manhattan
11	15	San Francisco
25	16	Raleigh/Durham
54	17	Charleston
39	18	Jacksonville
15	19	Boston
5	20	Chicago



A CRE investor is classified as a new entrant if they purchased an asset in a market in which they had never before been associated with an asset. A pro rata allocation was made for JV deals with players in both the new entrant and existing investor categories. Analysis excludes entity-level transactions.

Non-Major Metros Dominate Deal Growth

Investors weigh both market risk and style risk when looking for investment opportunities. In 2021, the markets of the Non-Major Metros (NMM) were the focus for investors. Higher yields and the potential for income growth made markets in these locales attractive buying opportunities.

Within the non-major locales, deal flow was strongest for core investments. Transactions fitting this risk profile were nearly double the level seen in the pre-pandemic period. While the focus for investors was on the least risky investment style, NMM buyers did not shy away from opportunistic investment. The biggest component of construction starts in the NMM was the apartment sector, followed by industrial construction.

The Major Metros exhibited a pattern of stronger growth in deal volume for the least risky, and riskiest investment styles. Here too, opportunistic investment is primarily tied to new apartment construction.

Deal Growth by Investment Style and Market Tier

2021 deal volume vs 2015-19 average

	Major Metros	Non-Major Metros	Total
Core	26%	94%	70%
Value-add	-24%	37%	9%
Opportunistic	1%	40%	24%
Total	12%	70%	

6MM and NMM totals do not match reported annual volume growth due to the inclusion of construction starts. The construction component of opportunistic investment comprises Q4'20-Q3'21.

The structure of deals did not materially change the risk profile results for investment in 2021. With or without the effect of megadeal activity, core investments were the primary target for investors.

Buyer Trends: Alternative Sectors

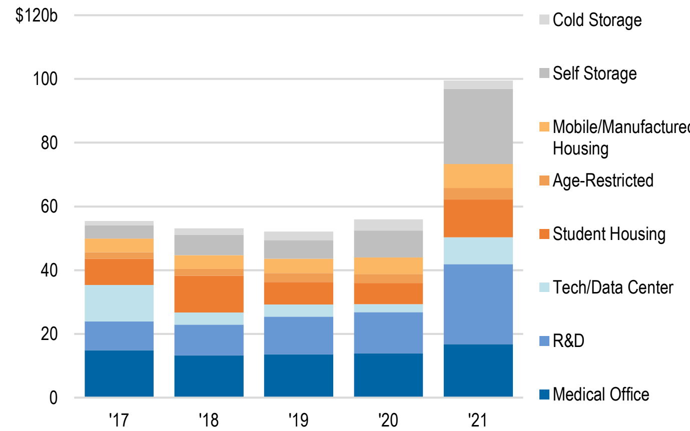
Investment in alternative real estate sectors was less than $1b shy of the $100b mark in 2021. Investors have jumped into these segments of the commercial property market as cap rates tightened for the traditional sectors, though some also have compelling income stories for the years ahead.

The self storage sector posted the strongest growth for 2021 in dollar terms across the eight alternative sectors analyzed. Activity here was up $15.2b from 2020. Portfolio and entity-level sales drove much of the growth -- such megadeals totaled $9.4b in Q4'21 alone. In a rising interest rate environment, the low capex relative to NOI that these properties exhibit can be an attractive argument for investment.

The R&D/life sciences sector posted the second strongest growth for the year in dollar terms, with sales $12.2b ahead of the level in 2020. These assets are more resistant to the work-at-home phenomenon, which provides some element of predictability for property income. At the same time, these biotech-focused tenants are at the cutting edge of technological growth and are highly valued, making real estate tied to them valuable as well.

An analysis of single asset investment offers a look at investor composition without the effects of one-off megadeals. The composition of investors in these alternative real estate sectors is still dominated by private capital sources. The R&D/life sciences sector is an exception, with the institutional/fund investors behind half of the acquisitions for 2021. Nonetheless the pattern of acquisitions shows that these alternative sectors are still somewhat disaggregated and prime territory for consolidation by the more institutionally-focused sources of capital.

Annual Deal Volume

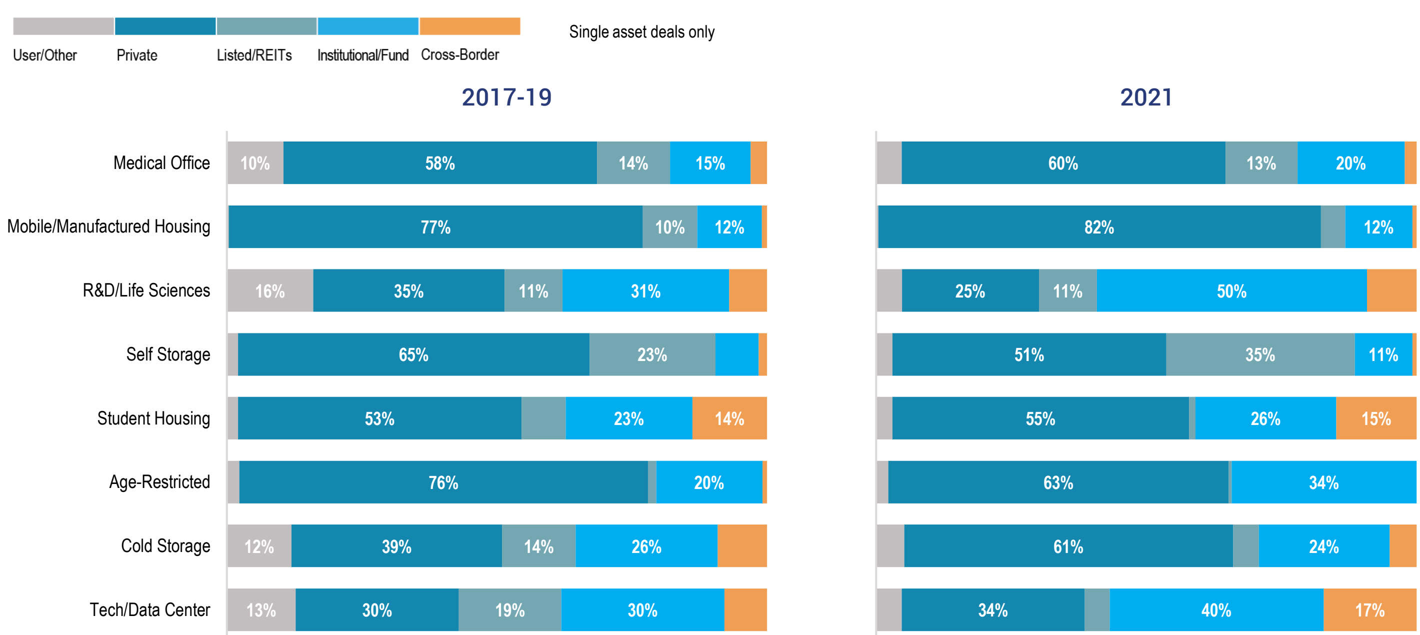


Deal Volume Summary

	Volume ($b)		
	2017-19 Avg	2020	2021
Medical Office	13.9	13.9	16.8
Mobile/Manufactured Hsg	4.4	5.3	7.5
R&D/Life Sciences	10.2	13.0	25.1
Self Storage	5.5	8.4	23.6
Student Housing	8.9	6.6	11.8
Age-Restricted	2.3	2.8	3.6
Cold Storage	2.1	3.5	2.6
Tech/Telecom/Data Cntr	6.3	2.5	8.4

Deal volume annual chart and summary table show deals of all structures

Buyer Composition



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Capital Trends
US Retail

January 2022 | **20.4% YOY price change** | **$3.5b Transaction volume** | **44% YOY volume change**

Sales of retail properties climbed in January relative to last year, but at a reduced pace from the past. For two months now, the pace of sales growth slowed to "only" a double-digit annual pace. Even with such a pace of growth, activity is still lower than before the pandemic. There is simply less liquidity in the market for retail properties than in the past.

Annual comparisons are tricky when the cloud of the pandemic influenced deal volume a year earlier. In seven out of the last 10 months, retail property sales climbed at triple-digit rates as the market shook off the worst periods of 2020. But the $3.5b in sales for January stands 46% lower than the average January pace over the years 2015 to 2019. Deal volume would have needed to climb at a 169% annual pace in January just to return to that pre-pandemic average.

Growth in the sale of individual assets climbed at a slower pace in January than did sales for the retail property market overall. Such deals totaled $2.9b for the month, a level 38% higher than a year earlier. While the growth was not as strong as the market overall, the current level is closer to the average pace seen in January over the years from 2015 to 2019 — only 38% below the previous pace.

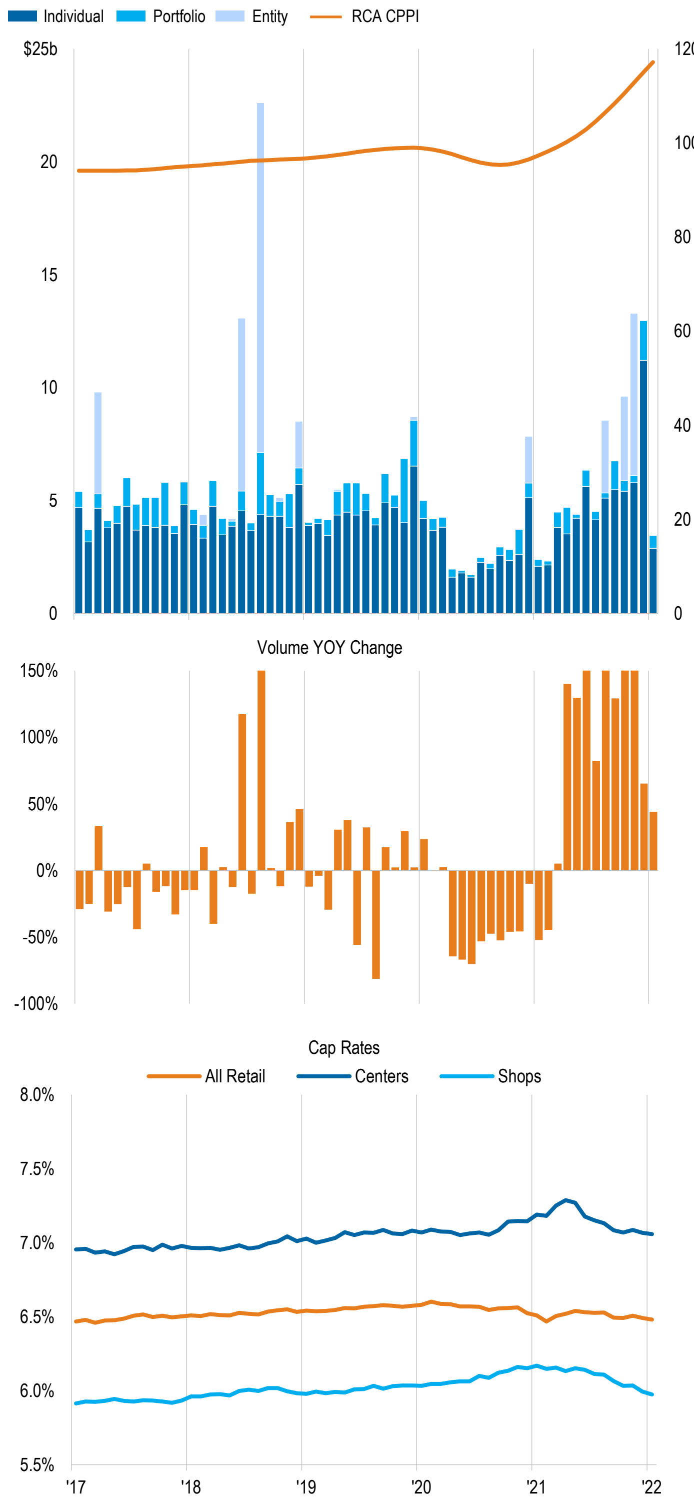
Deal activity involving shops fell 10% in January from a year earlier on sales of $1.3b. Most of this decline came from a weaker pace of portfolio sales, which were 42% lower than a year prior. Sales of individual shops were only $45m lower than in January of 2021. Sales activity involving shopping centers rose 122% from a year earlier in January, with portfolio sales leading the charge.

Retail property prices climbed in January. The RCA CPPI for retail properties rose 20.4% from a year earlier, which marks the strongest pace of growth in retail property prices over the years. It may seem like a disconnect to have the strongest pace of growth ever at a time when deal volume is still lower than the past. Part of the growth in prices though is simply returning price levels to the positions that would have dominated without the fear reaction from the pandemic.

Transaction Volume Summary

	Jan '22		Past 12 Months	
	Vol ($b)	YOY	Vol ($b)	YOY
Retail Total	3.5	44%	81.5	111%
Centers	2.2	122%	46.5	156%
Shops	1.3	-10%	34.9	72%
Single Asset	2.9	38%	59.4	88%
Portfolio	0.6	89%	22.0	217%

Monthly Transaction Volume & Pricing



Trailing 12-month cap rates; volume YOY change truncated to 150%

Buyer Composition *2021*

Private capital sources were the largest buyers of retail property in 2021 and were behind 58% of all acquisitions for the year. Their acquisitions tended to be on the smaller side, averaging only $8m per deal.

The share captured by private capital sources was down from 2020 and 2019 when 67% of all acquisitions were completed by these groups. This loss of market share was not so much a change in the desire for the asset class by these largely smaller investors. Rather, the gain in market share by REITs pushed private capital sources aside.

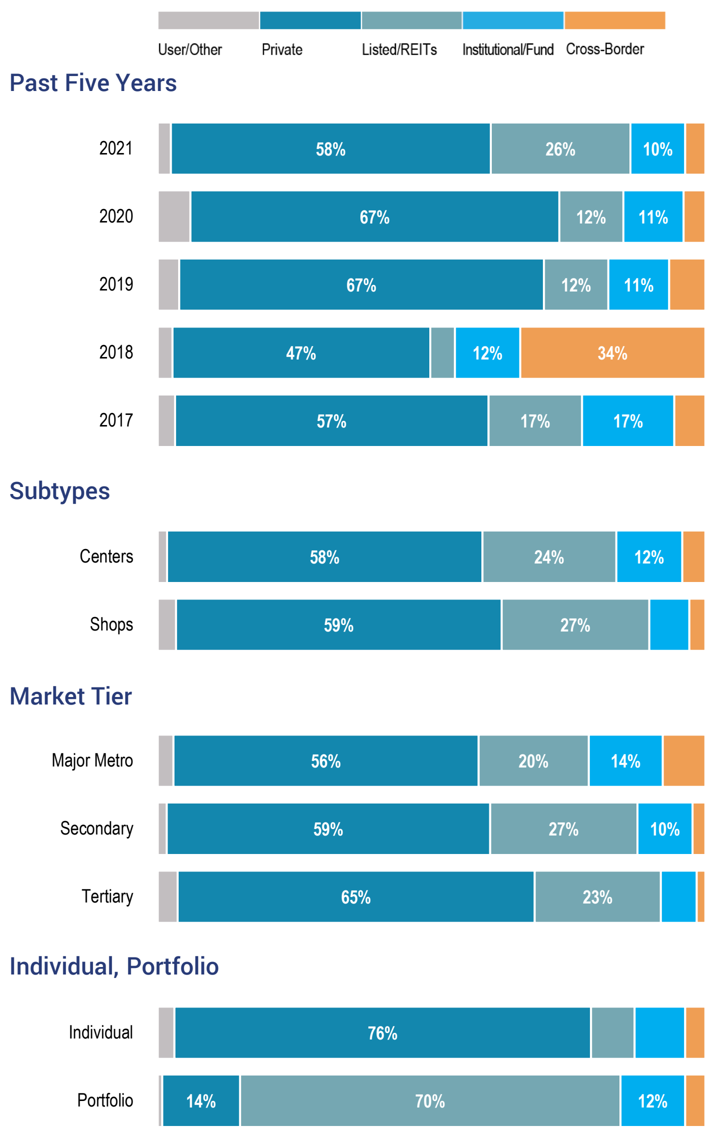
Public companies were behind 26% of all acquisitions for the year, a figure up from the 12% share seen in both 2020 and 2019. One entity-level deal explains most of the gains by public entities for the year: the acquisition of VEREIT by Realty Income Group. In the end, public companies were net buyers for the year to the tune of $1.0b. These groups were net sellers in both 2019 and 2020.

Institutional/fund groups were the next largest group of buyers for the year, capturing 10% of the market. Even with that 10% share of acquisitions though, these investors were not enamored with the sector and sold more than they bought for the year. The net disposition of retail properties by institutional/fund groups totaled $3.0b in 2021.

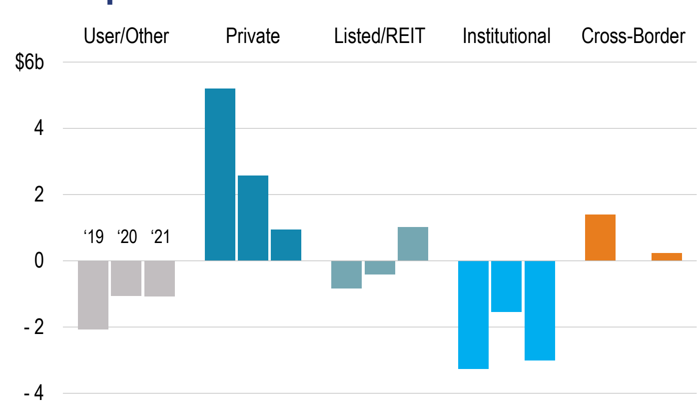
Institutional/fund buyers were more focused on acquisitions of shopping centers than shop space in 2021, capturing 12% of the market for shopping centers. Even though these investors tend to be more cautious -- and there are concerns around the retail sector -- these groups did find targeted opportunities in 2021.

Cross-border investors were behind only 4% of all retail acquisitions for the year. This class of investor did not sell much either, and was a net investor for the year to the tune of $233m. These investors were more active in the 6 Major Metros, capturing 8% of the retail market in these largely coastal markets. In both the secondary and tertiary markets, these investors were behind only 2% of acquisitions.

Buyer Composition



Net Acquisitions Past Three Years



Buyer Trends 2021

Buyers	Total Acq ($m)	YOY Chg	Avg Size ($m)	Avg $/sf	Avg Cap
Cross-Border	2,764	77%	25.8	320	7.3%
Institutional/Fund	7,556	74%	15.6	239	6.7%
Listed/REIT	19,301	319%	7.2	207	6.6%
Private	44,142	67%	8.0	190	6.6%
User/Other	1,817	-23%	9.1	166	5.9%
Grand Total	80,391	95%	8.2	197	6.5%

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Capital Trends
US Industrial

January 2022 | **28.1%** **YOY price change** | **$6.3b** **Transaction volume** | **-9%** **YOY volume change**

Industrial deal volume fell from a year ago in January but, coming as it does after the strongest December in history, investors should not panic about the market. More deal flow was seen in December of 2021 than the average annual totals for 2008 to 2011. With all that activity crammed into one month, market participants needed a rest in any case.

Deal volume involving portfolios was unchanged from a year earlier in January on sales of $2.3b. It was the sale of individual industrial properties where activity pulled back, on volume of $4.0b. While activity was 14% lower than the pace set a year earlier, it is in line with the average $3.7b pace set over each January from 2015 to 2019.

By subtype, warehouse properties exhibited the greatest weakness for the month. Sales volume totaled $4.6b, a figure 18% lower than in January of 2021. The sale of individual warehouse assets fell 21% YOY, while activity involving portfolios was down less, with only an 11% YOY decline.

Flex assets, by contrast, posted more activity in January of this year than last. Flex asset sales totaled $1.7b, a pace up 30% YOY. In the five years before the pandemic, flex sales activity was stronger in January, with sales averaging $2.1b. In three out of those five years though, entity-level sales helped to boost monthly activity. In January of 2022, no entity-level sales involving flex assets closed.

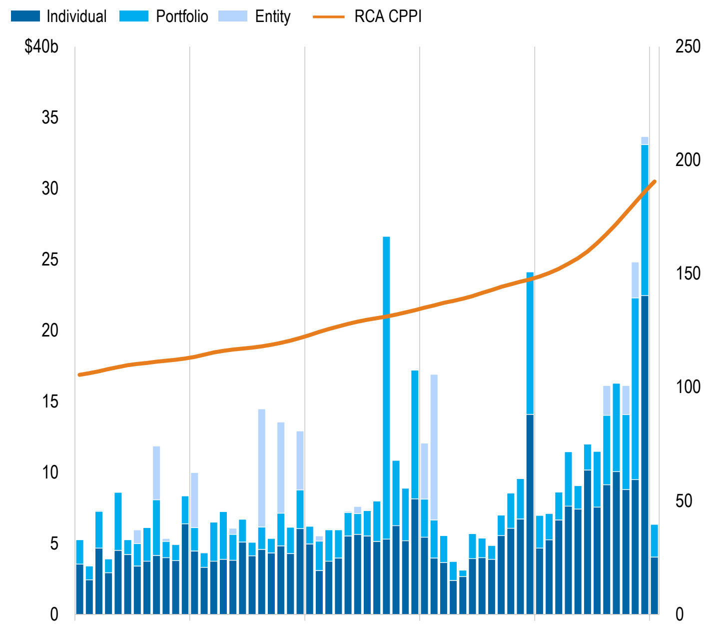
Portfolio sales involving flex assets did climb for the month, with activity up 43% YOY on sales of $722m. Investor interest in flex assets and the life sciences component of this market remains intense and portfolio deals allow investors to gain scale quickly.

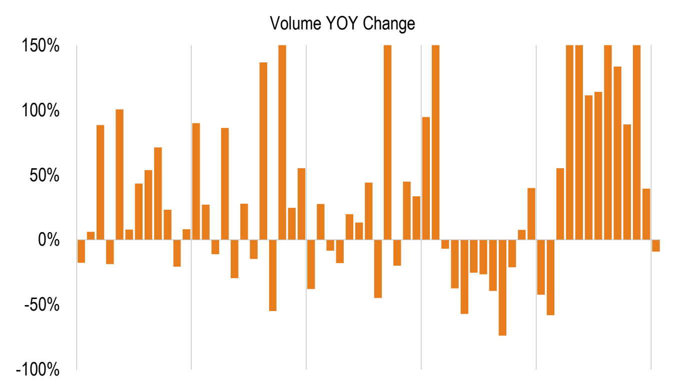
The muted deal volume for one month should not be a concern as industrial property prices climbed at a record pace in January. The RCA CPPI for the industrial sector climbed 28.1% from a year earlier. With extreme price growth underway for the industrial sector, at some point the relative value for the sector will be priced away and the pace of sales volume will moderate. One month of declining sale activity is not the sign of this moderation, however.

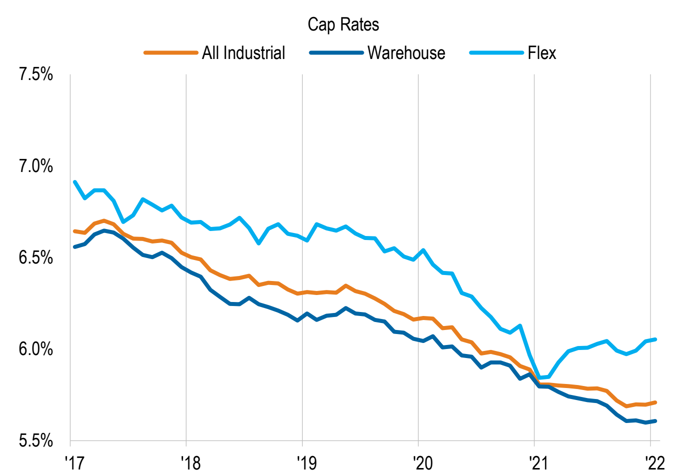
Transaction Volume Summary

	Jan '22		Past 12 Months	
	Vol ($b)	YOY	Vol ($b)	YOY
Industrial Total	6.3	-9%	173.0	71%
Flex	1.7	30%	34.9	92%
Warehouse	4.6	-18%	138.1	66%
Single Asset	4.0	-14%	108.5	77%
Portfolio	2.3	1%	64.4	62%

Monthly Transaction Volume & Pricing







Trailing 12-month cap rates; volume YOY change truncated to 150%

Buyer Composition *2021*

Private capital sources were the largest buyers of industrial properties in 2021, accounting for 43% of all acquisitions. These buyers were also the largest sellers of industrial properties in 2021 and provided assets to the market for the more institutionally-focused sources of capital. Private capital sources sold $18.6b more assets than purchased in the year.

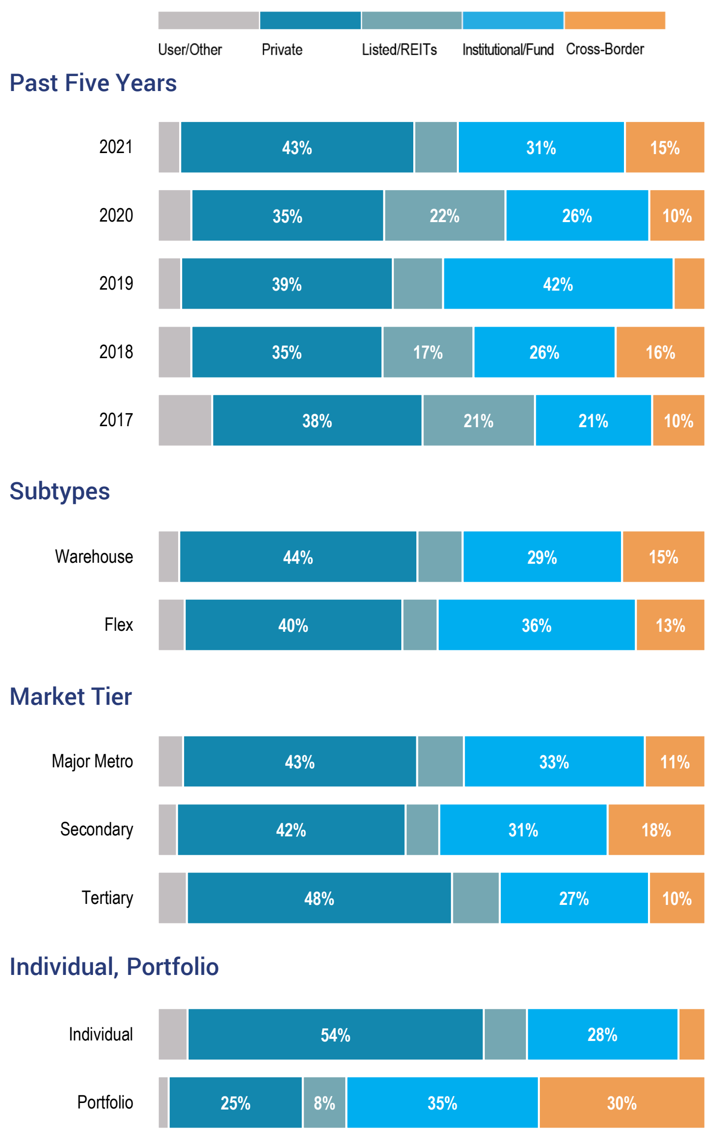
To the extent that private capital sources were acquiring properties, the deals tended to be on the smaller side, with an average price of only $10.4m. Only the user/other category competed in this smaller price range, with an average deal size of $13.3m.

Institutional/fund buyers were the second largest source of capital deployed to the industrial market for the year, claiming 31% of all deals. These groups bought $6.9b more than they sold for the year, focusing their purchases on high quality assets in the market, with cap rates averaging 4.7%.

Cross-border investors were also net buyers of industrial assets for 2021, with acquisitions ahead of dispositions to the tune of $15.2b. Despite being the largest net buyers of assets, these groups were behind only 15% of all acquisitions for the year. Like the institutional/fund investors, the cross-border buyers were focused on high quality assets, with cap rates for their acquisitions averaging 4.5%. The two largest cross-border buyers of industrial properties for the year were GIC and Mapletree Investments, both out of Singapore. The next two largest cross-border buyers were groups out of Canada.

Public companies lost market share for acquisitions in 2021 relative to 2020, capturing only 8% of acquisitions for the year versus a 22% share a year earlier. Given the increase in REIT share prices in 2021, one might have expected acquisitions to accelerate relative to 2020 but part of the issue here is timing. Early in 2020 before the seriousness of the pandemic dawned on residents of North America, Prologis had acquired two other companies in multibillion-dollar transactions that drove much of the activity for that year.

Buyer Composition



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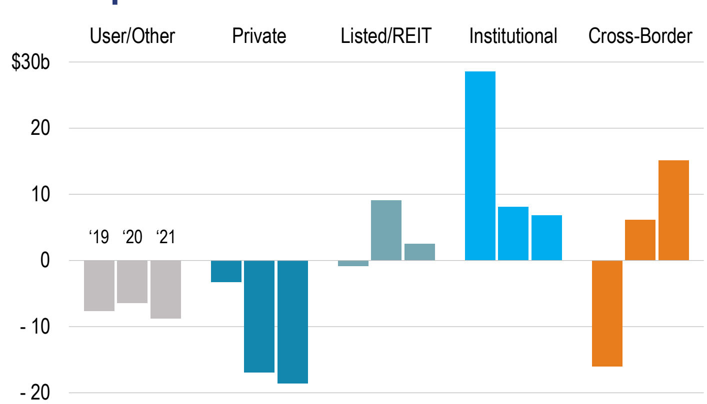

Buyer Trends 2021

Buyers	Total Acq ($m)	YOY Chg	Avg Size ($m)	Avg $/sf	Avg Cap
Cross-Border	24,534	128%	18.8	131	4.5%
Institutional/Fund	51,024	85%	28.7	143	4.7%
Listed/REIT	13,204	-43%	21.9	125	5.2%
Private	71,449	93%	10.4	108	5.9%
User/Other	6,876	7%	13.3	120	5.6%
Grand Total	173,596	63%	15.0	120	5.7%

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Capital Trends
US Hotel

January 2022 | **15.5%** **YOY price change** | **$2.2b** **Transaction volume** | **117%** **YOY volume change**

Hotel deal volume climbed in January relative to a year earlier. The headline figures for the hotel market provide only a partial description of what is happening, however. Sales can grow at triple-digit rates only as highly illiquid markets change or from unusual one-time events. There are also changes underway in what investors want to buy and where, and as the total market recovers some parts still struggle.

Sales have been growing at a triple- or quadruple-digit pace for the last 11 months as the market claws back from the worst parts of the pandemic and the hotel financing shock that preceded it. In the near term, the market should move past these annual boosts that come from recovering from a rough patch, and a clearer signal of investor demand for the sector will be presented.

What is clear now is that limited-service hotels are leading the charge. Sales for such assets rose 156% from a year earlier in January. Again, triple-digit growth rates can be misleading and are really reflective of the weakness in January of 2021. Looking before the pandemic to each January from 2015 to 2019, sales averaged $1.1b for limited-service hotels, with the $1.3b sold this January representing a normal pace relative to that pre-pandemic trend.

The full-service segments still struggle, though sales in January were up 82% from a year earlier. The full-service segments can be said to struggle because sales were 45% lower than the average January from 2015 to 2019. Furthermore, the pace of sales for individual full-service hotels was 59% below the pre-pandemic pace in January.

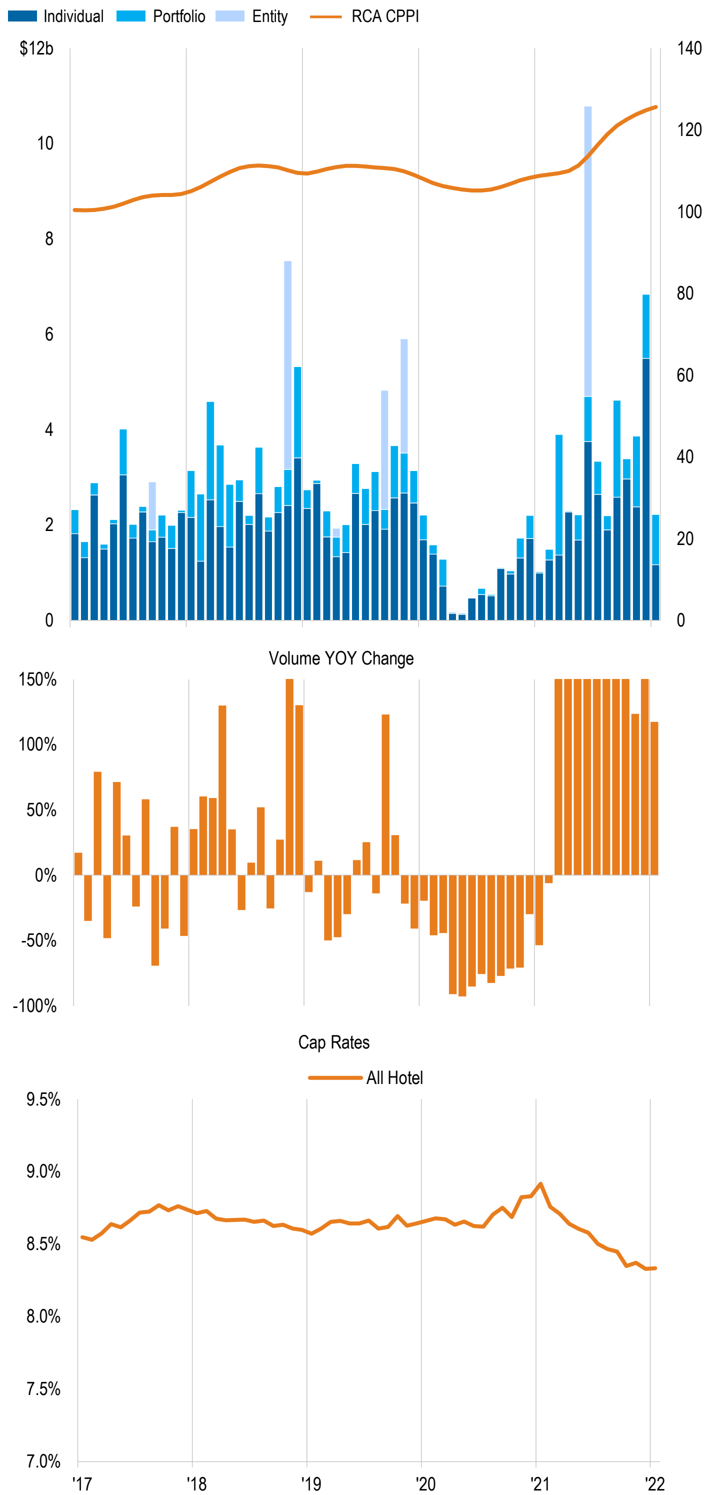
Full-service hotels still face challenges as many of these assets depend on conventions, business travel and global tourism for room night sales. Limited-service hotels, by contrast, rely on more flexible, auto-focused sources of consumer demand.

Hotel property prices continued to climb in January, with the RCA CPPI for hotels up 15.5% YOY. Rather than rebounding at double-digit rates and continuing to climb, price growth has averaged this pace across the last four months. Part of the growth in prices is simply price levels returning to the positions that would have dominated without the shock from the pandemic.

Transaction Volume Summary

	Jan '22		Past 12 Months	
	Vol ($b)	YOY	Vol ($b)	YOY
Hotel Total	2.2	117%	47.2	293%
Full-Service	1.0	82%	23.5	306%
Limited-Service	1.3	156%	23.7	281%
Single Asset	1.2	17%	29.5	195%
Portfolio	1.1	3525%	17.7	791%

Monthly Transaction Volume & Pricing



Trailing 12-month cap rates; volume YOY change truncated to 150%

Buyer Composition *2021*

Private capital sources were the leading buyers of hotels in 2021 despite a surge in acquisitions by institutional/fund buyers. These private buyers did continue to operate in a different segment of the market than most buyers, however, with a focus on the smaller deals. Hotel deals closed by private capital sources averaged only $12.5m per deal.

The growth in market share by institutional/fund buyers was almost enough to overtake the private capital sources for the year. Much of this growth in share came from one entity-level transaction: the Blackstone purchase of Extended Stay America. This one transaction accounted for 33% of the institutional/fund hotel purchases in 2021. Without this deal, this class of investors would only have captured 32% of the hotel market.

Even at a 32% share of the market however, institutional/fund buyers would have gained ground from activity before the pandemic. From 2017 to 2019, this class of investors captured an average 22% of the hotel market. One other multibillion-dollar deal for the year included a portfolio of hotels with over 22,000 rooms purchased by a joint venture including Cerberus, an institutional shop.

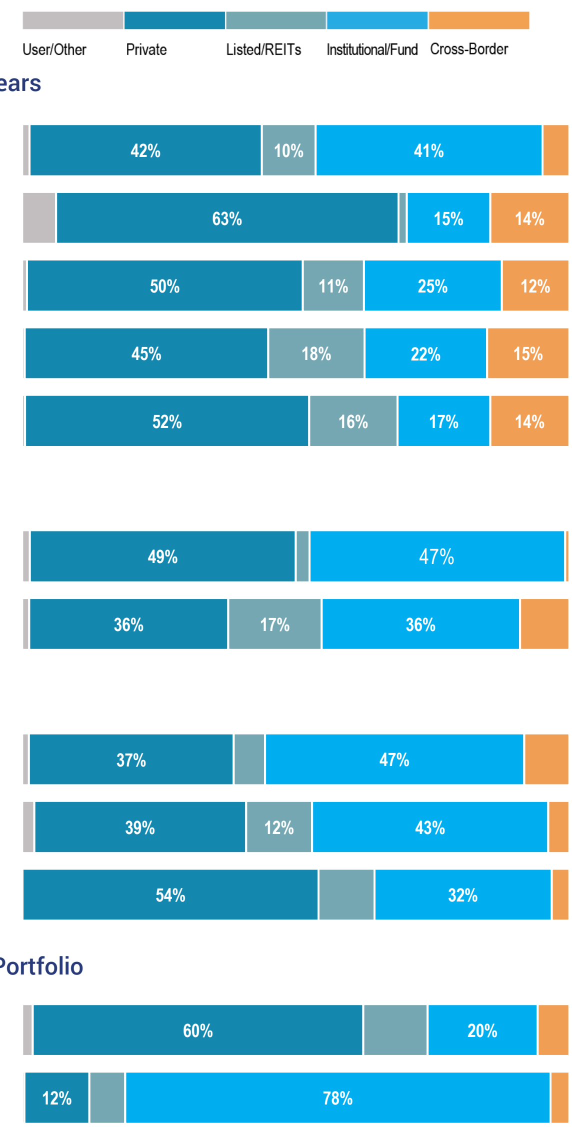
Public companies returned as buyers in 2021, capturing 10% of the market for the year. This share of activity puts these buyers close to the share seen in 2019 before the pandemic erupted. Falling share prices limited the ability of these players to purchase assets in 2020, with a market share falling to only 2%. Despite the rebound in purchases, this group has sold far more assets, particularly in the two deals noted above. Public investors in sum sold $9.3b more in 2021 than they purchased.

Cross-border investors captured less market share in 2021 than in 2020 and were behind only 5% of the acquisitions. This class of investor was behind 11% of the dispositions, however, and ended up as net sellers to the tune of $2.6b. Cross-border investors, then, were the second largest net sellers for the year. The small share of purchases for 2021 was an outlier for this class of investors where from 2017 to 2020 this group had been behind an average 14% of acquisitions.

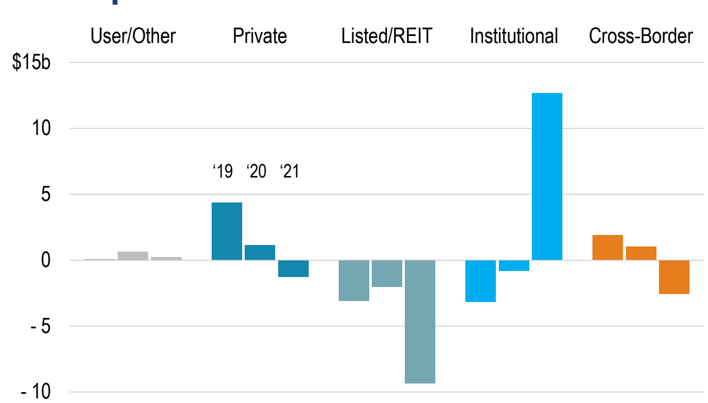
Buyer Trends 2021

Buyers	Total Acq ($m)	YOY Chg	Avg Size ($m)	Avg $k/unit	Avg Cap
Cross-Border	2,189	17%	50.9	253	-
Institutional/Fund	18,591	839%	18.6	247	6.3%
Listed/REIT	4,394	2138%	102.2	557	8.6%
Private	19,022	135%	12.5	122	8.1%
User/Other	612	-24%	17.5	138	-
Grand Total	45,957	249%	16.7	162	8.2%

Buyer Composition



Net Acquisitions Past Three Years



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Capital Trends
US Apartment

January 2022 | **22.5% YOY price change** | **$13.8b Transaction volume** | **11% YOY volume change**

Following on the heels of the strongest December ever for apartment sales, deal activity in January of 2022 was only slightly above the pre-pandemic trend. Just because the apartment market is not continuing a record-breaking pace does not mean that investors are less interested in the sector. It is simply the case that when investors decide to go all in on an investment strategy, December tends to receive an outsized share of activity as market participants chase year-end goals.

The $13.8b in apartment sales for January of 2022 was not a record high level for any January over time. That distinction was seen in January of 2016 when sales volume hit $17.9b. Still, activity was 9% ahead of the average pace set for each January from 2015 to 2019 before the pandemic hit. Investor demand for apartment assets was still elevated for the month.

Deal volume for individual asset sales was $10.9b, just 2% above last year's level. Single asset deals involving mid/highrise buildings, however, rose 25% YOY in January. These assets are typically located in the dense urban markets where much of the early chaos and uncertainty of the pandemic challenged apartment rents, and investors are now catching up to the rebound in tenant demand for these areas.

Individual building sales for garden apartments, by contrast, fell 9% YOY in January. Sales for garden apartments overall rose 8% YOY thanks to strong portfolio sales. One month of declining sales activity for individual garden apartment properties may just be a blip. Still, it is the case that the relative pricing opportunity that was present for this type of asset has been eroded.

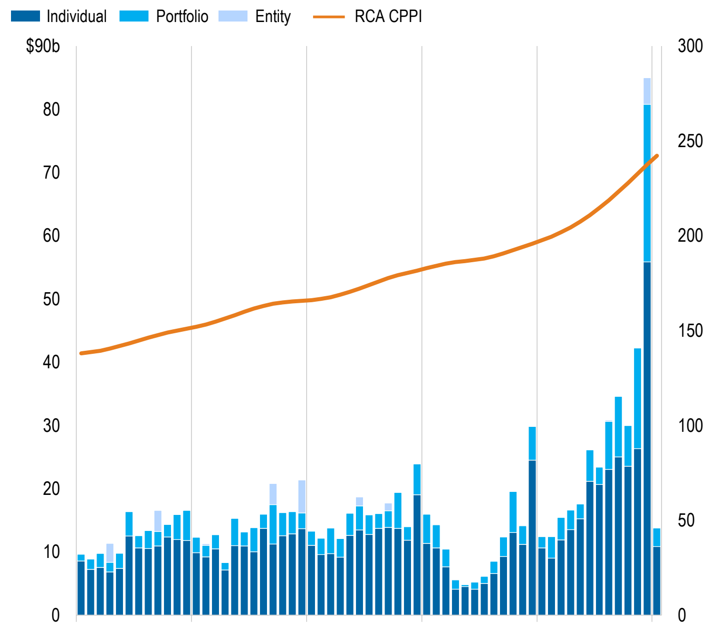
Cap rates for garden apartment assets stood at an average 70 bps higher than those for mid/highrise assets in the five years before the pandemic. Into January of this year, that spread stood at only 30 bps. As some of the relative value has been priced away, one should not be surprised to see moderation in the pace of sales growth.

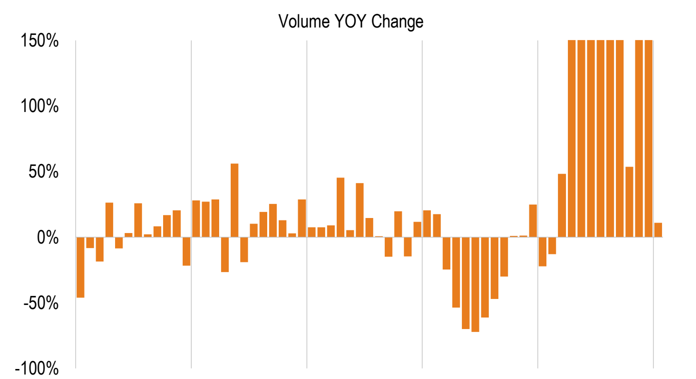
Apartment price growth continued at a rapid pace in January, with the RCA CPPI for apartment properties up 22.5% YOY. This pace is the strongest annual growth ever posted by this index.

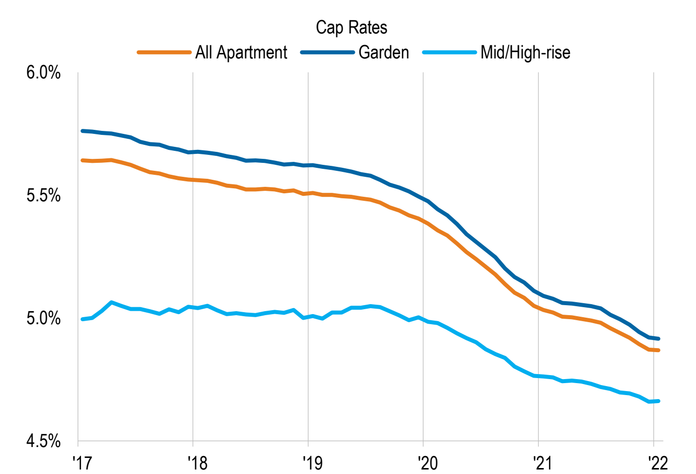
Transaction Volume Summary

	Jan '22		Past 12 Months	
	Vol ($b)	YOY	Vol ($b)	YOY
Apartment Total	13.8	11%	348.2	143%
Garden	9.0	8%	229.0	139%
Mid/Highrise	4.8	17%	119.2	151%
Single Asset	10.9	2%	256.4	130%
Portfolio	2.9	67%	91.8	187%

Monthly Transaction Volume & Pricing







Trailing 12-month cap rates; volume YOY change truncated to 150%

Buyer Composition *2021*

The composition of buyers in the apartment market in 2021 looked much like the structure of the market in 2019 before the pandemic hit U.S. shores. REITs returned as buyers in 2021 after a lean year in 2020.

Private capital sources were the single largest category of buyers for 2021 and were behind 63% of all acquisitions. However, the almost insatiable demand for apartment assets by institutionally-focused sources of capital led private capital sources to sell more apartments than purchase in the year. Private capital sources were behind 69% of all sales, with net dispositions to the tune of $28.4b.

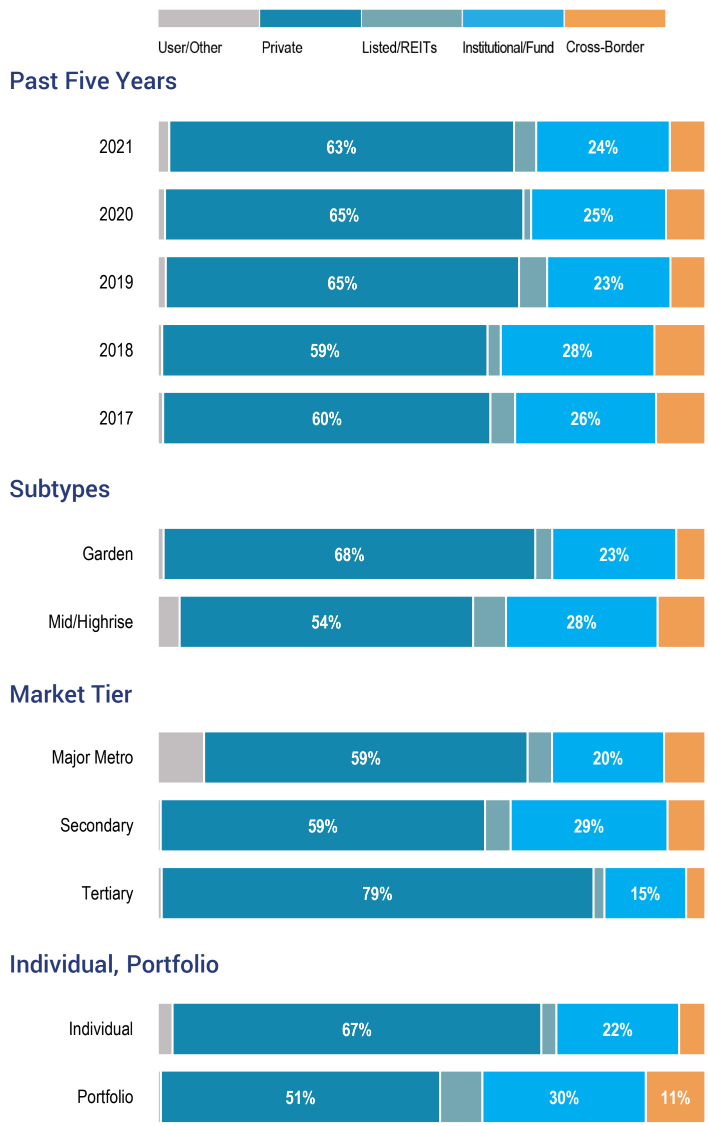
As private capital sources supplied assets to the market, public companies were the second largest net buyers of apartments. Public entities purchased $5.0b more assets than they sold, with surging share prices in the year making new acquisitions accretive.

The user/other category normally receives little attention as most of these deals represent small scale activity by social service groups. For 2021 however, these groups were behind 2% of all acquisitions and less than half a percent of all dispositions, for $5.4b in net acquisitions for the year. The top three transactions with buyers in this category were public housing agencies looking to provide affordable housing. The top two buyers put more than $1b apiece to work in 2021.

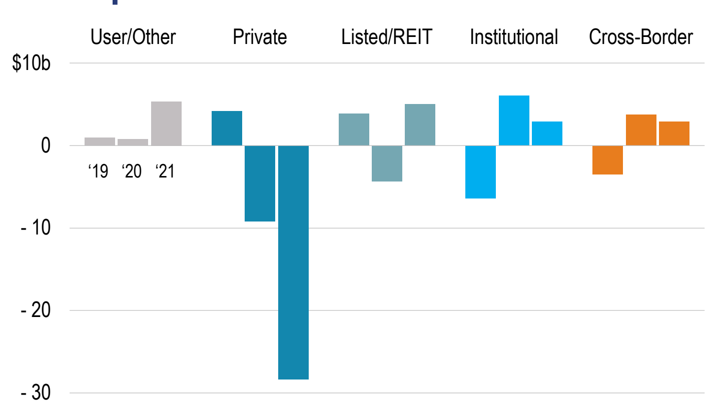
Institutional/fund buyers were behind 24% of all acquisitions for 2021. In terms of deal size, the user/other category of buyers competed with these institutional buyers with average deal sizes each close to $53m. The institutional buyers, though, paid lower prices per unit and higher cap rates. In part, the difference is a market focus because the housing agencies tend to buy assets only in the most expensive markets.

Cross-border buyers were behind 6% of all apartment acquisitions for 2021 and were net buyers to the tune of $2.9b. This net pace of acquisitions was the same as institutional/fund buyers in the U.S.

Buyer Composition



Net Acquisitions Past Three Years



Buyer Trends 2021

Buyers	Total Acq ($m)	YOY Chg	Avg Size ($m)	Avg $k/unit	Avg Cap
Cross-Border	21,163	106%	66.8	283	4.4%
Institutional/Fund	80,073	128%	53.3	250	4.3%
Listed/REIT	13,494	565%	68.2	333	4.0%
Private	206,578	121%	21.9	194	4.9%
User/Other	6,890	264%	53.0	372	4.2%
Grand Total	346,818	136%	27.5	213	4.9%

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Capital Trends
US Office

January 2022 | **11.8% YOY price change** | **$8.7b Transaction volume** | **42% YOY volume change**

Office investment activity climbed in January relative to last year. The pace of growth slowed to "only" a double-digit annual pace. If this pace does not pick up again in subsequent months, it will signal a shift to a lower level of liquidity in the office market than the levels prevailing in the five years before the pandemic.

Annual comparisons are tricky when the cloud of the pandemic influenced deal volume a year earlier. In seven out of the last nine months, office deal volume climbed at triple-digit rates as the market shook off the worst periods of 2020. However, the $8.7b in office sales for January 2022 stands 30% lower than the average January pace over the years 2015 to 2019.

CBD office sales grew at a slightly faster pace in January than did sales of suburban office assets, with a 43% YOY pace of growth compared to 40% for suburban assets. Still, the suburban market is in a stronger position than that for CBD assets. Deal volume in January was only 19% off of the pre-pandemic pace for the suburbs, versus a 43% disconnect for CBD assets.

Pricing was also stronger for suburban assets, with the RCA CPPI for suburban offices up 11.5% from a year earlier in January. This double-digit pace of growth is impressive, but it is slowing from the 15.6% YOY pace set as recently as September of 2021. Some of that high pace of growth was simply due to the removal of worst fears around the pandemic allowing price levels to settle back to more normal trends.

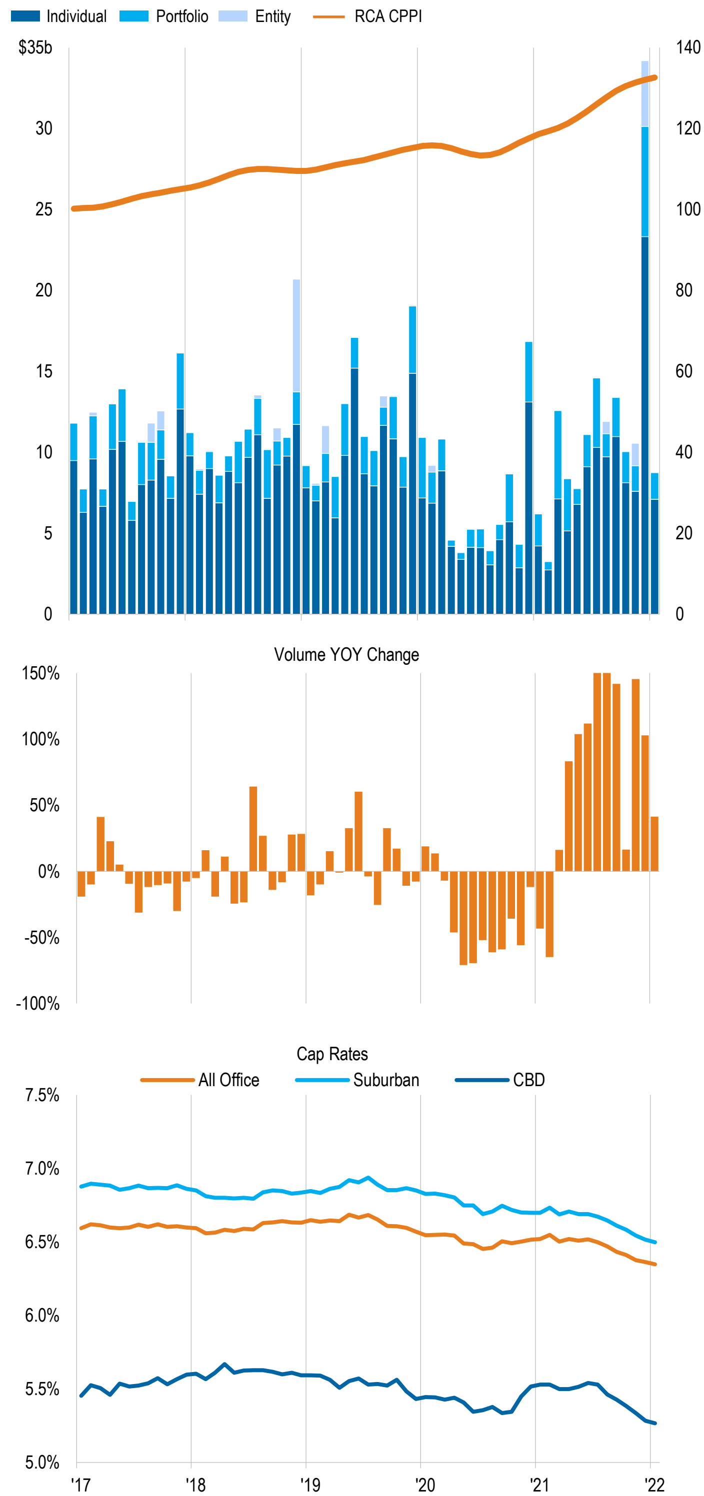
CBD office prices, by contrast, grew at a pace below the general rate of inflation in January. The RCA CPPI for CBD office assets was up 5.0% in January from a year earlier while the consumer price index was up 7.5%.

Cap rates averaged 5.3% for CBD office assets in January while those for suburban assets averaged 6.5%. CBD office cap rates were down 30 bps, while suburban were down 20 bps from a year prior.

Transaction Volume Summary

	Jan '22		Past 12 Months	
	Vol ($b)	YOY	Vol ($b)	YOY
Office Total	8.7	42%	146.3	74%
CBD	3.4	43%	45.2	63%
Sub	5.4	40%	101.1	79%
Portfolio	1.6	-17%	38.4	100%
Single Asset	7.1	69%	107.9	66%

Monthly Transaction Volume & Pricing



Trailing 12-month cap rates; volume YOY change truncated to 150%

Buyer Composition *2021*

There was a virtual tie with respect to the largest sources of investment capital into offices for 2021. Both private capital sources and institutional investors captured 35% of the market for office acquisitions. The institutional buyers gained ground relative to 2020 while the private capital sources lost ground.

The composition of buyers for the year in total was remarkably similar to that seen in 2019 before the pandemic. Private capital sources were just a hair ahead of the institutional buyers in that year, holding a 35% share vs. a 34% share for institutional sources. Cross-border investors were behind 15% of office acquisitions in 2019 versus 14% in 2021.

While the buyer composition in the office market was almost the same in 2021 as it was in 2019, what was being bought was different. CBD office sales accounted for only 31% of the market in 2021 versus 38% before the pandemic.

Cross-border investors were still big in the CBD office market, accounting for 23% of all acquisitions for the year. However, the relative share of these buyers slipped from 2019 when such capital was behind 25% of all CBD office acquisitions.

Despite concerns over what happens next in CBD office markets and in the 6 Major Metros in particular, institutional capital was behind 41% of all CBD office purchases for the year. This class of investors was also behind only 31% of all CBD office dispositions, so on balance they were net acquirers of CBD offices for the year to the tune of $4.1b.

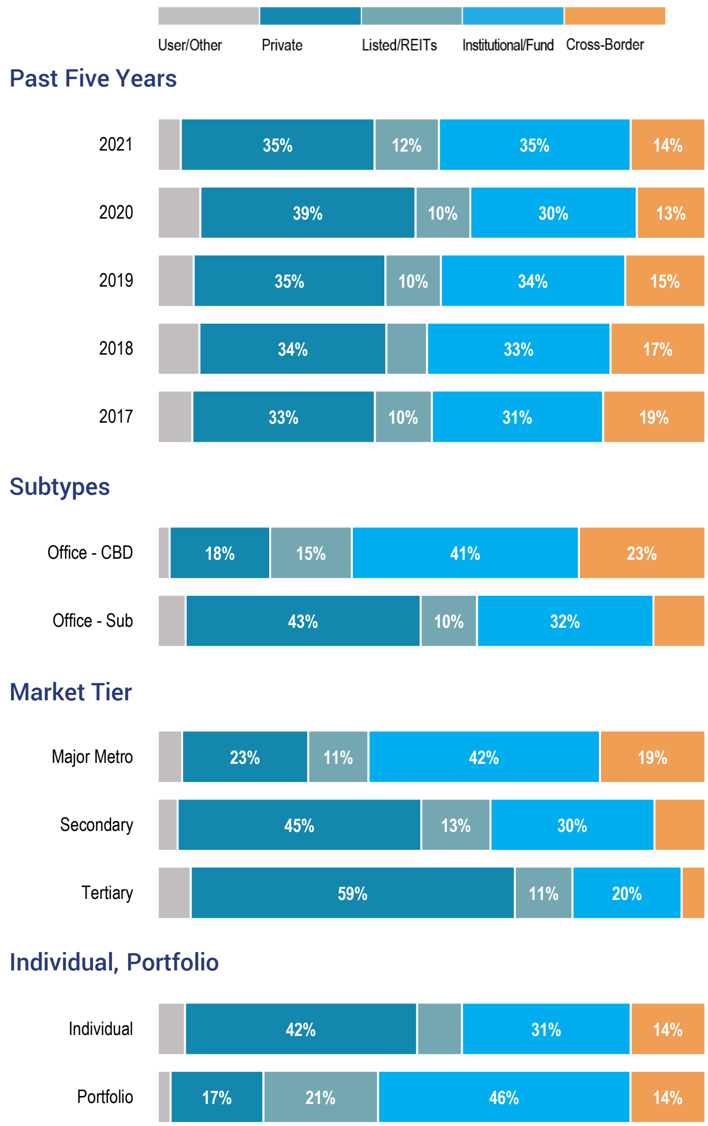
Still, these acquisitions were not always a play focused on the strength of this asset class and city locations. Boston, for instance, was a key destination for much of this capital given the focus on life sciences assets in the city.

Public companies captured slightly more market share in 2021 than in 2019, representing 12% of all acquisitions versus 10% before the pandemic. These investors, though, were net sellers of office space in 2021, selling $3.1b more than they purchased. CBD office assets represented 46% of all public company dispositions for the year but only 39% of acquisitions.

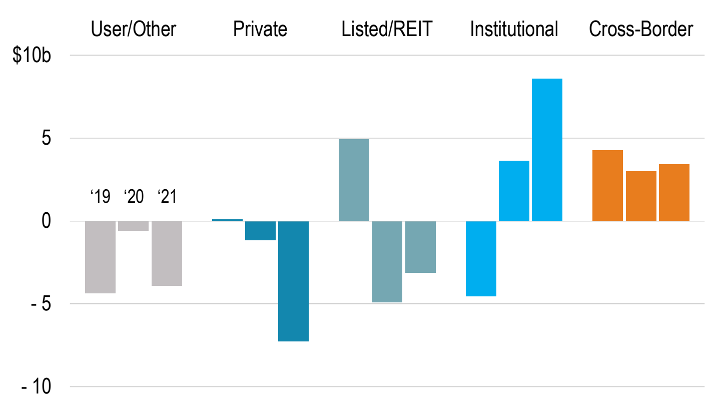
Buyer Trends 2021

Buyers	Total Acq ($m)	YOY Chg	Avg Size ($m)	Avg $/sf	Avg Cap
Cross-Border	19,024	73%	103.4	521	5.5%
Institutional/Fund	48,893	83%	56.8	391	5.8%
Listed/REIT	16,359	86%	50.3	468	6.6%
Private	49,412	43%	11.8	213	6.6%
User/Other	5,889	-13%	16.9	254	5.6%
Grand Total	143,761	62%	23.0	297	6.5%

Buyer Composition



Net Acquisitions Past Three Years



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