

# The Dance of Value:

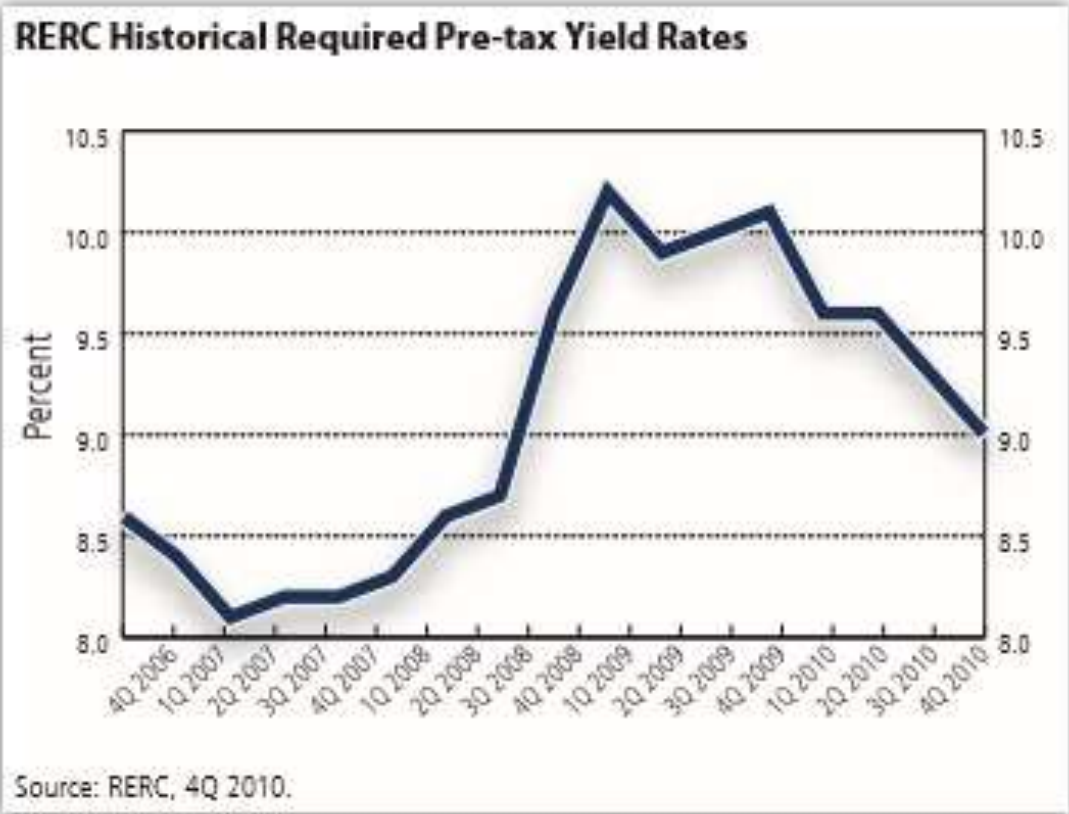
## Cap Rates, Cost & Geography

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# Required Return Expectations by Property Type – 4Q 2010

	<u>Office</u>		<u>Industrial</u>			<u>Retail</u>			<u>Multi-Family</u>	<u>Hotel</u>	<u>Average All Types</u>
	<u>CBD</u>	<u>Suburban</u>	<u>Warehouse</u>	<u>R&amp;D</u>	<u>Flex</u>	<u>Regional Mall</u>	<u>Power Center</u>	<u>Neigh. Comm.</u>			
Pre-tax Yield Rate	8.3%	9.3%	8.7%	9.2%	9.3%	8.6%	8.9%	8.8%	-	-	-
Going-In Cap Rate	6.7%	7.7%	7.5%	8.1%	8.6%	7.2%	7.7%	7.4%	-	-	-
Terminal Cap Rate	7.4%	8.4%	8.0%	8.5%	8.9%	7.2%	7.7%	7.4%	-	-	-
Rental Growth	2.1%	1.7%	2.0%	1.7%	1.5%	1.9%	1.9%	2.0%	3.1%	3.4%	2.1%
Expense Growth	2.7%	2.7%	2.6%	2.7%	2.8%	2.7%	2.8%	2.6%	2.8%	0.2%	2.7%

# Historical Capitalization & Yield Rates– 4Q 2010



# Institutional Going-In & Terminal Capitalization Rates– 4Q 2018

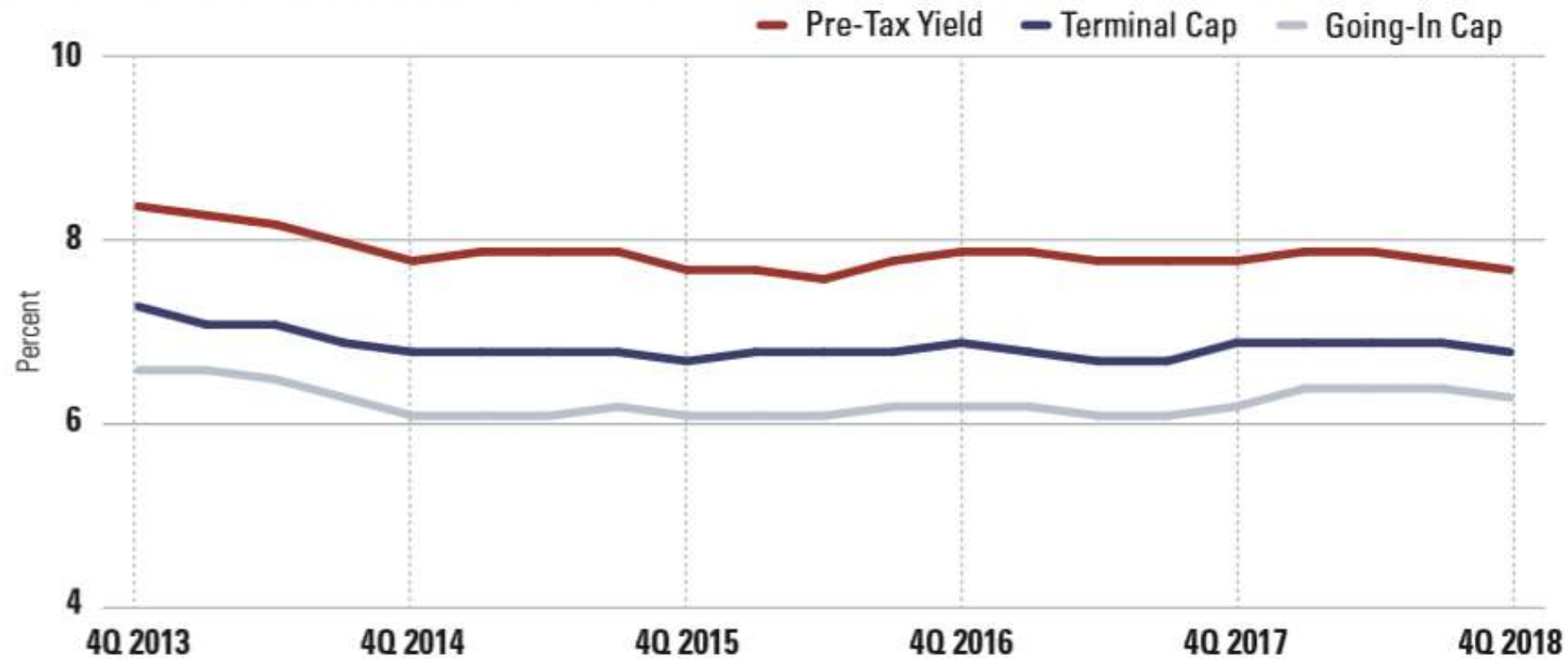
	<u>Office</u>		<u>Industrial</u>			<u>Regional Mall</u>	<u>Retail</u>	<u>Neigh. Comm.</u>	<u>Multi- Family</u>	<u>Hotel</u>
	<u>CBD</u>	<u>Suburban</u>	<u>Warehouse</u>	<u>R&amp;D</u>	<u>Flex</u>		<u>Power Center</u>			
<b>Going-In Cap Rates</b>										
Institutional Investors	5.4%	6.5%	5.4%	7.1%	7.2%	6.4%	6.8%	5.8%	5.1%	7.7%
National Results from Regional Survey (First-Tier)	6.6%	6.9%	6.6%	7.1%	7.1%	7.2%	7.1%	7.1%	5.8%	7.6%
<b>Terminal Cap Rates</b>										
Institutional Investors	6.0%	7.1%	5.9%	7.3%	7.8%	6.7%	7.3%	6.4%	5.6%	8.4%
National Results from Regional Survey (First-Tier)	7.2%	7.5%	7.1%	7.6%	7.6%	7.8%	7.7%	7.7%	6.3%	8.1%
Rental Growth	2.0%	2.2%	2.8%	2.2%	2.1%	2.0%	2.0%	2.2%	2.6%	2.7%
Expense Growth	2.7%	2.6%	2.7%	2.4%	2.5%	2.7%	2.7%	2.8%	2.7%	2.8%

# Required Return Expectations by Property Type – 4Q 2018

	<u>Office</u>		<u>Industrial</u>			<u>Retail</u>			<u>Multi-Family</u>	<u>Hotel</u>	<u>Average All Types</u>
	<u>CBD</u>	<u>Suburban</u>	<u>Warehouse</u>	<u>R&amp;D</u>	<u>Flex</u>	<u>Regional Mall</u>	<u>Power Center</u>	<u>Neigh. Comm.</u>			
Pre-tax Yield Rate	7.0%	7.9%	6.5%	8.0%	8.4%	7.6%	7.9%	6.9%	-	-	-
Going-In Cap Rate	5.4%	6.5%	5.4%	7.1%	7.2%	6.4%	6.8%	5.8%	-	-	-
Terminal Cap Rate	6.0%	7.1%	5.9%	7.3%	7.8%	6.7%	7.3%	6.4%	-	-	-
Rental Growth	2.0%	2.2%	2.8%	2.2%	2.1%	2.0%	2.0%	2.2%	2.6%	2.7%	2.3%
Expense Growth	2.7%	2.6%	2.7%	2.4%	2.5%	2.7%	2.7%	2.8%	2.7%	2.8%	2.7%

# Historical Required Rates: 2013-2018

SITUS RERC HISTORICAL REQUIRED PRE-TAX YIELD RATES (IRR),  
GOING-IN CAP RATES AND TERMINAL CAP RATES



Source Situs RERC, 4Q 2018.

# Required Capitalization & Pre-Tax Yield Rates: 2013-2018

(All Property Types Average)

	<u>Pre-Yield Tax</u> <u>Rate (IRR)</u>	<u>Going-In Cap</u> <u>Rate</u>	<u>Terminal Cap</u> <u>Rate</u>
4Q 2018	7.70%	6.27%	6.79%
4Q 2017	7.82%	6.25%	6.85%
4Q 2016	7.89%	6.25%	6.88%
4Q 2015	7.75%	6.15%	6.74%
4Q 2014	7.77%	6.15%	6.77%
4Q 2013	8.36%	6.65%	7.25%

# Net Lease Capitalization Rate Trends: 2004-2019

