JLL Achieve Ambitions

United States | Q3 2017

JLL Research Report

Office Outlook

Supply outpaces demand, as uptick in large-block leasing fails to match surge in new deliveries

Contents

3 key trends

Activity and demand

Third-quarter leasing activity reached its highest level since 2015 (62.4 m.s.f.). Although the tech and coworking segments continued to drive growth, the financial services and government sectors were also very active in Q3.

Rent growth

Asking rents continue to rise, but have slowed as high-priced blocks are taken down and lower-cost options return to the market as tenants relocate. As new supply commands a premium of 41.6 precent, deliveries will keep rent growth positive.

Supply

Completions are now outpacing construction starts, resulting in development activity falling to 101.4 m.s.f. With only 47.4 percent of space underway preleased, the increasing intensity of deliveries will cause vacancies to increase faster as well.

Tenant demand remains robust, even as talent shortages across skilled sectors increase hiring competition

Total leasing activity spiked by 11.1 percent to a two-year high of 62.4 million square feet, with New York as well as numerous secondary markets posting the greatest year-to-date growth in leasing. This bump, largely a result of new options hitting the market after being supply constrained for well over two years, is occurring even as tenants in skilled and knowledge-intensive industries face near-full employment in most primary and secondary metro areas as unemployment for bachelor's degree talent hovers at just 2.5 percent. Notably, leases in excess of 250,000 square feet played a significant role in this rebound and totaled more than 10.9 million square feet alone, representing 17.5 percent of all deals done in Q3.

10,954,807 s.f.

Leases larger than 250,000 square feet totaled nearly 11 m.s.f. in Q3, or 17.5 percent of quarterly activity.

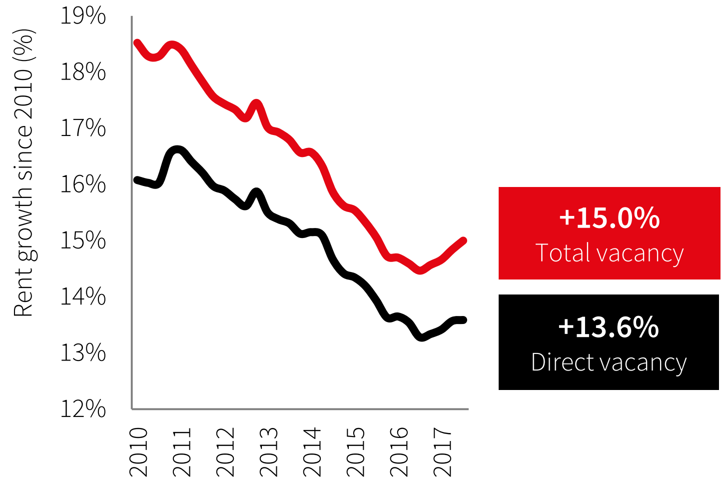
Activity remains largely expansionary: 48.1 percent of leasing during the third quarter represented growth, and expansionary leasing activity is occurring at similar rates in both large and mid-size segments. Creative-sector tenants continued to demonstrate above-average rates of growth, in line with structural economic shifts.

Vacancy is slowly trending upward; CBD and Class A assets seeing most acute increases

Vacancy rose for the fourth consecutive quarter to 15.0 percent. As a result of being farther along in the rent cycle and the first segments to experience the effects of new construction, CBD and Class A assets posted the greatest growth in total vacancy. Both are up 50 basis points over the year to 12.5 and 14.8 percent, respectively.

The injection of new supply is beginning to reshape office markets nationally. Among primary and secondary geographies, Silicon Valley, Nashville, Chicago and Houston have all witnessed meaningful rises in vacancy on the back of completions totaling between 1.4 and 7.2 percent of inventory. Other markets, particularly Washington, DC; New York; and San Francisco, will likely see a similar shift over the next 24 months.

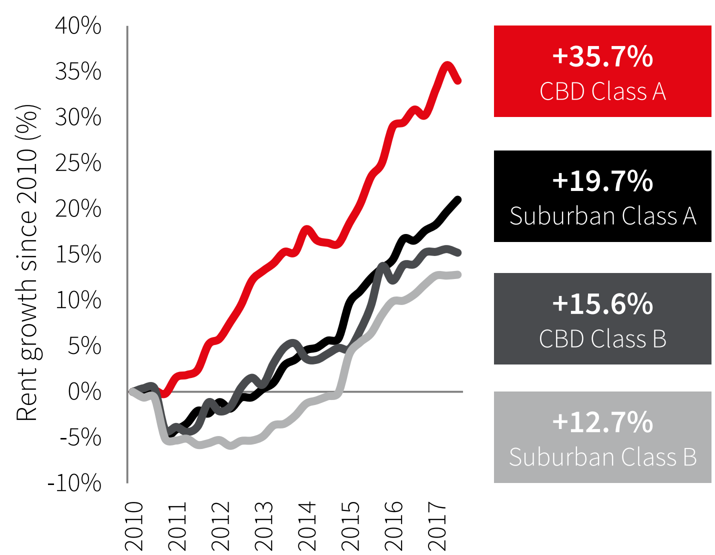
Direct vacancy has remained more stable than total vacancies, indicating sublease is driving the trend



Rents growth continues, albeit at a slower pace than in previous quarters

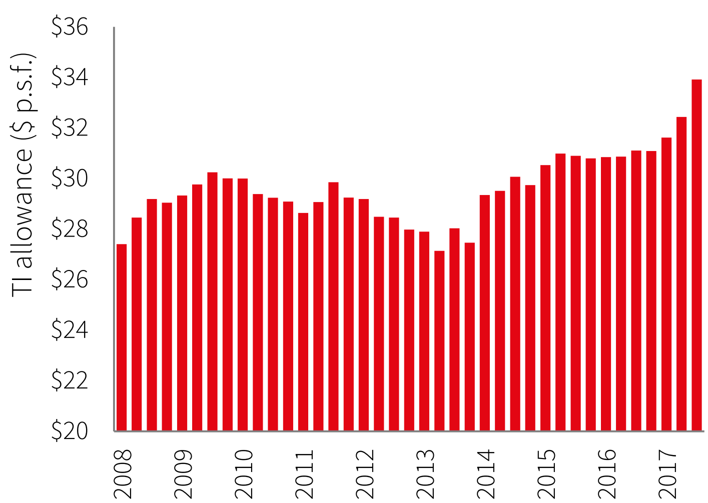
Average asking rents rose by 0.2 percent over the quarter, slower than earlier in 2017 as well as compared to 2015 and 2016. Relative to Q3 2016, rents are up 2.7 percent, slower than the 3.2 percent annual rate during the second quarter. The continued flight to high-quality new supply has taken high-priced blocks off the market, while relocating and rightsizing tenants have given back lower-cost second-generation and commodity space.

CBD Class A rents have begun to flatline, but may see a further bump as more new space delivers



Rents have also stabilized for CBD and Class A assets, mirroring the shifts in vacancy in these segments. CBD Class A, the strongest performer in terms of rent growth by a wide margin this cycle, saw no change in rents during Q3, with similar slowdowns in other classes. Although new construction commands a 41.6 percent premium, give-backs and higher vacancy will mute further rent growth.

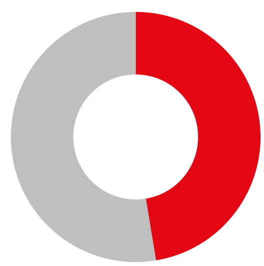
TI allowances have spiked as landlords of new and repositioned assets compete for tenants

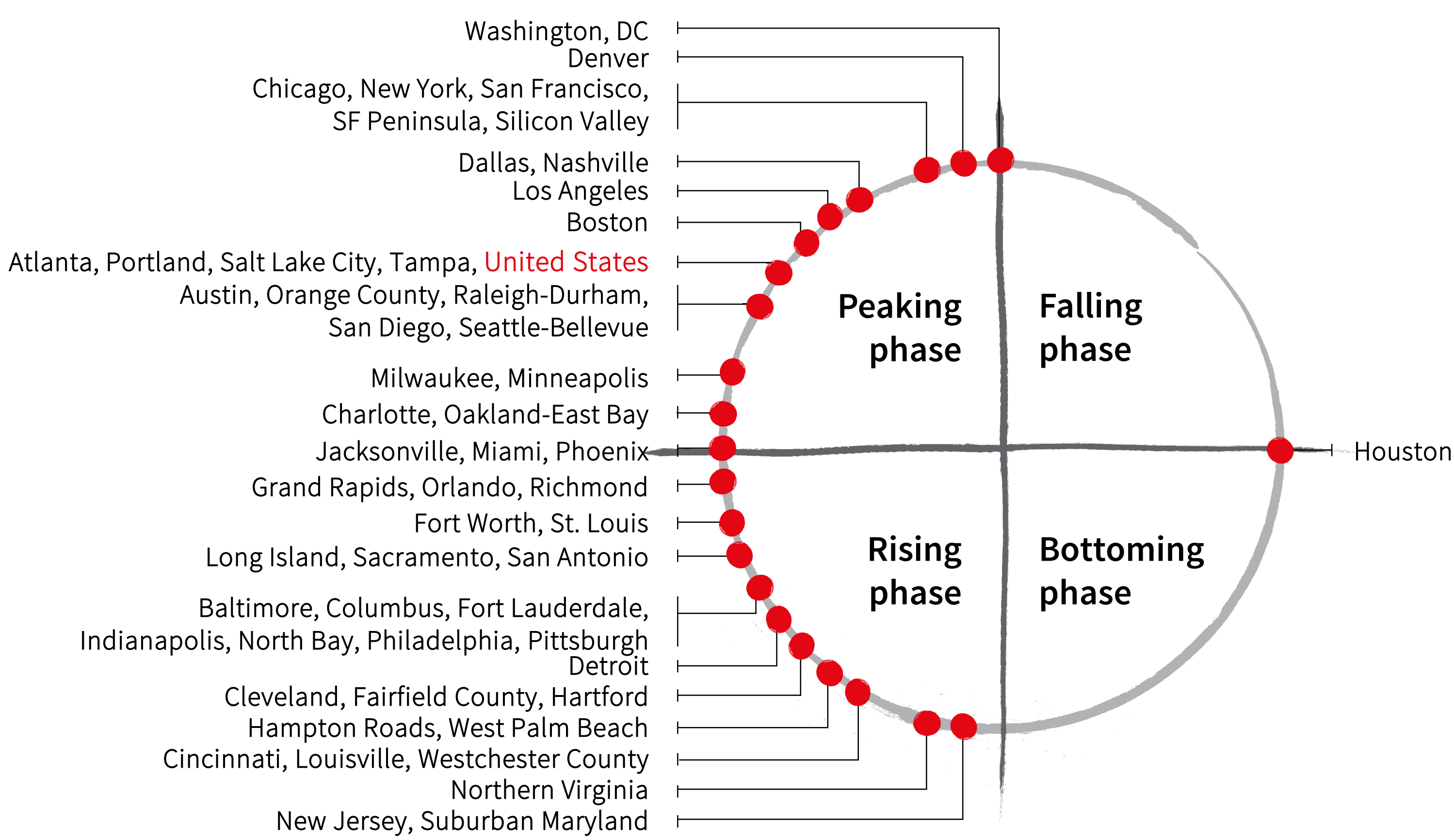


Options for tenants are going to increase markedly in the coming quarters with a wave of completions

Development activity remains near its cyclical high at 101.4 million square feet, but is slowly declining as the rate of completions surpasses that of groundbreakings. So far in 2017, 46.5 million square feet of new space has been delivered and will reach 69.2 million square feet by year-end, followed by 52.4 million square feet in 2018. Less than half of this space is pre-leased, which will boost space options markedly in key submarkets.

Construction has spread to most markets, but remains concentrated geographically. The completion of significant supply in Hudson Yards (New York); Washington, DC's CBD; Seattle's CBD and Lake Union; and Uptown and Far North Dallas will have wide-reaching effects on supply-and-demand dynamics.





Local markets

Atlanta

Urban submarkets lead the way as office demand remains strong

- Net absorption was positive for the second straight quarter, but still negative for the year
- Midtown Class A rents surpassed the Buckhead submarket for the first time, taking the title as the most expensive submarket
- Spec deliveries moved above the 2 million square foot mark year-to-date; these buildings now stand at an impressive 71 percent leased

Net absorption stood at 41,526 for the metro to close the third quarter, the second straight quarter of positive net absorption. Despite a stumble during the first quarter of the year due to long-planned move-outs by Coca-Cola and State-Farm, net absorption has remained positive for 25 of the past 26 quarters. Overall, asking lease rates grew an outstanding 1.4 percent, while direct vacancy held steady.

Last quarter, urban Class A lease rates passed $30.00 per square foot for the first time ever. During the third quarter, average asking rates for urban Class A properties increased nearly $1.00 per square foot, showing growth of 3.3 percent. In particular, Midtown Class A properties jumped $1.80 per square foot, finishing at $34.36. This technically marked the first time that Midtown Class A average asking lease rates passed Buckhead, which ended the quarter at $34.24 per square foot; however, Buckhead trophy rents remain higher than Midtown.

Despite suburban Class A direct vacancy ticking up to 15 percent, asking lease rates continue to advance, following their four-year trend. Large corporate users are maintaining their demand for spaces in suburban submarkets, with four of the five largest deals inked during the quarter taking place outside of the urban core.

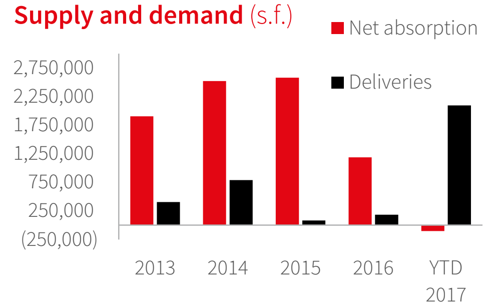
Outlook

The Atlanta metro currently has 3.1 million square feet of office space under construction. While that number is high for the current real estate cycle, nearly 34 percent is build-to-suit. Preleasing of spec development stands at a solid 32 percent, and with the strong economy and continued impressive job creation in Atlanta, well-located submarkets will remain landlord favorable.

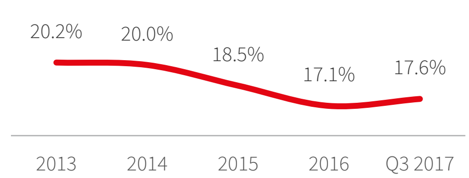
For more information, contact: Craig Van Pelt | craig.vanpelt@am.jll.com

Fundamentals	Forecast
YTD net absorption	-103,448 s.f. ▲
Under construction	3,094,903 s.f. ▼
Total vacancy	17.6% ▶
Average asking rent (gross)	$24.81 p.s.f. ▲
Concessions	Steady ▶

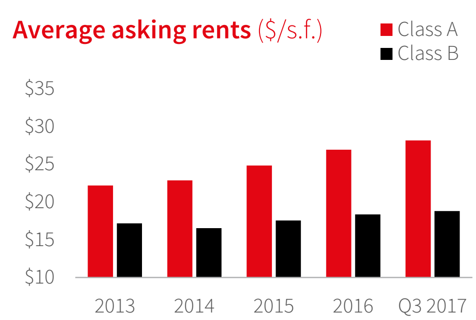
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Austin

Construction in Austin reaches 10-year high

- Southwest Crossing is the only building to deliver this quarter, adding 27,000 s.f. to the Southwest submarket
- Large vacant blocks continue to tighten citywide, shrinking from 43 available blocks down to 39
- There are 260 tenants in the Austin market looking for more than 8.2 million square feet of office or industrial space

After a spike in vacancy earlier this year, thanks in part to several large buildings such as 500 West 2nd Street and Domain 8 delivering, total vacancy has started to go back down reaching 10.9 percent this quarter. Citywide absorption is on track to reach a similar level as last year, surpassing one million square feet this quarter. The average rental rate has gone up 10.1 percent year-over-year increasing from $34.05 this time last year to $37.49 presently. The average Class A rate saw an annual increase of 11.2 percent reaching $43.88 this quarter from $39.46 in Q3 2016, while Class B rates went up 6.2 percent from $27.75 to $29.48.

Construction in Austin isn't slowing down anytime soon. This quarter alone, more than one and a half million square feet of new office developments broke ground bringing the total amount of construction activity to over 3.3 million square feet. These buildings are 1400 Lavaca (CBD – 145,000 s.f.), Plaza Saltillo (East – 140,000 s.f.), 6th & Chicon (East – 135,000 s.f.), The Foundry (East – 75,369 s.f.), Preserve at 620 renovation (Far Northwest – 245,267 s.f.), Four Points Center 3 (Far Northwest – 167,667 s.f.), Domain 11 (Northwest – 315,000 s.f.), The Summit II @ La Frontera (Round Rock – 95,000 s.f.), 2010 South Lamar (South – 78,005 s.f.), MetCenter 14 (Southeast – 57,600 s.f.), MetCenter 15 (Southeast – 57,600 s.f.). The East submarket, currently the smallest out of Austin's 11 submarkets, will nearly double in size by the time the 726,000 square feet under construction delivers. In addition to what is currently being built, there is still an additional 500,000 square feet planned to break ground on the East side, eventually making it the sixth largest submarket in Austin. Pre-leasing for new construction projects around Austin continues to be very active and the new buildings that broke ground this quarter are no exception. Between these 11 new projects, 42 percent of the space was already spoken for by the time construction commenced.

Outlook

Looking ahead to closing out 2017, Austin can expect another temporary spike in vacancy similar to what we saw at the beginning of the year as 1.1 million square feet is planned to deliver in Q4 between 13 projects.

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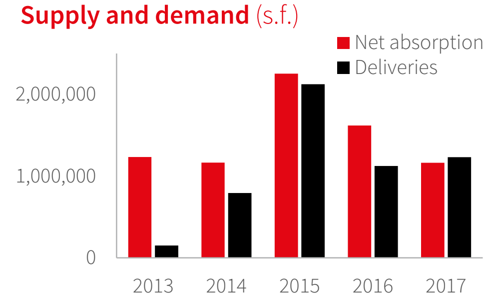
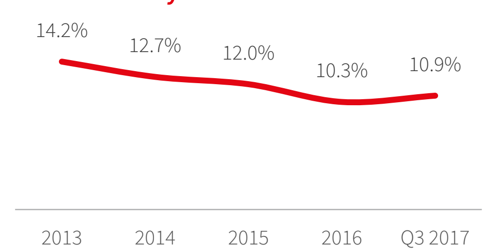
Fundamentals	Forecast
YTD net absorption	1,162,402 s.f. ▲
Under construction	3,326,030 s.f. ▶
Total vacancy	11.6% ▶
Average asking rent (gross)	$37.49 p.s.f. ▲
Concessions	Decreasing ▼

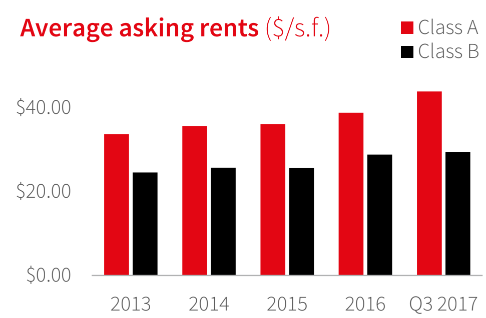
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Baltimore

Deliveries outpace tenant growth by widening margin as Class A rent growth slows

- The removal of 800,000 s.f. of supply since 2016, primarily due to owner-user purchases of vacant buildings, has helped keep vacancy in check
- Year-over-year Class A rent growth has slowed to 1.7percent following a sharp uptick, partially attributable to new supply over the past year
- Leasing volume over 10,000 s.f. declined by 8.3percent compared to the previous quarter, which had been dominated by renewals

Market conditions varied across the Baltimore metro area, with Baltimore City and the northern suburban markets lagging behind Howard and Anne Arundel County. After peaking at nearly 1.9 million s.f. in the latter half of 2016, the development pipeline has slowed as net absorption has fallen far behind new supply. While speculative development has been relatively limited, new construction has been driven largely by relocations and consolidations, leaving behind second generation space.

The next tenant to make the jump from the suburbs to Baltimore City landed in Harbor East. Medifast is relocating from single-story product in Owings Mills to 51,000 s.f. of sublease space in the Legg Mason Tower at 100 International Drive. The move will help bolster Harbor East's occupancy base, which has lost 135,000 s.f. of tenancy from Sylvan Education and Connections Education, in addition to a 39,000-s.f. downsize by Laureate Education. Howard County Government signed the largest new suburban lease of the quarter at 9820 & 9830 Patuxent Woods Drive. The county is relocating functions from Columbia Gateway to 55,739 s.f. across two buildings. Leasing and tour activity has increased for relatively aggressively priced space in BWI North in Anne Arundel County, but the submarket still has large blocks of vacancy to work through, especially for Class B product, which is 28.1percent vacant across BWI.

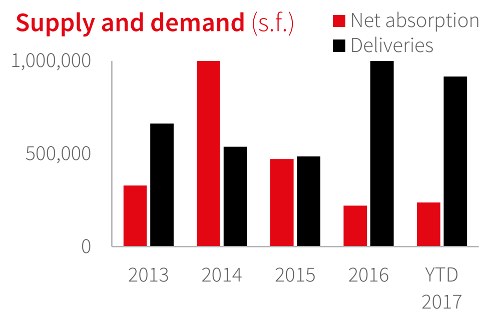
Outlook

With leasing activity driven largely by renewals and consolidations, leaving net absorption far below historic averages, rental rate growth should continue to moderate in coming quarters. As tenant demand falls short, dynamics may increasingly move in favor of tenants in submarkets across the city and suburbs.

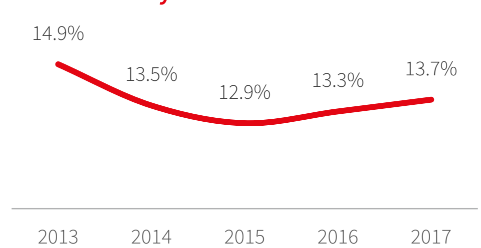
For more information, contact: Patrick Latimer | patrick.latimer@am.jll.com

Fundamentals	Forecast	
YTD net absorption	238,152 s.f.	▶
Under construction	1,011,379 s.f.	▼
Total vacancy	13.7%	▶
Average asking rent (gross)	$24.39 p.s.f.	▲
Concessions	Stable	▶

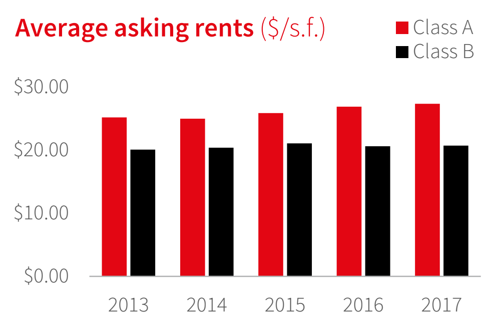
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Boston

Markets remain segmented by demand and product

- Large-block leasing activity further stripped available supply across Greater Boston, with few large blocks remaining in Cambridge and Boston.
- Expect rental rates to start moving upward in the near-term due to supply constraints.
- Despite demand, new developments will remain limited, likely for the remainder of this cycle.

While Greater Boston remains a formidable commercial real estate market nationally and globally, market dynamics locally remain segmented by tenant demand characteristics between Cambridge, Boston, and the Greater Boston suburbs. With some of the last remaining large blocks in Cambridge going to Facebook and Harvard, direct vacancy hovers at a low 2.1 percent—the only real supply found in West Cambridge's sublease market. Limited supply in Cambridge, paired with incredible tenant demand for an urban address, is resulting in a more competitive leasing environment throughout Boston and most recently in Seaport's current development pipeline exemplified by PTC's decision to relocate from its suburban location in Needham to Skanska's project at 121 Seaport, along with Alexion coming from New Haven. As surprises to the market, these deals represent a new wave of large-block leasing activity in Boston that's stripping availability and hinting at future rent growth as direct vacancy dips to just 7.0 percent. Though leasing activity in the suburbs isn't at the same fever pitch, tenants have been actively renewing large-block leases or relocating to newly amenitized locations that offer urban appeal but maintain the cost advantage of a suburban location.

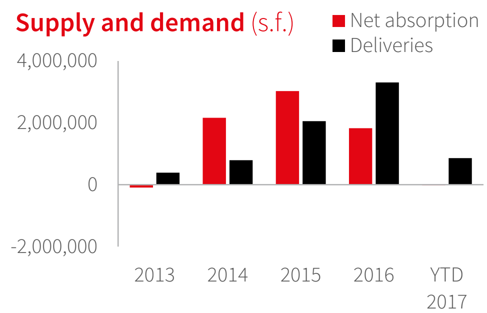
Outlook

Economic and business conditions both locally and nationally are expected to maintain their moderate growth trajectories, even at this late stage in the current economic cycle. Greater Boston will continue to benefit as a hotbed for workforce talent anchored by global businesses that have a penchant for expansion locally. With the dwindling supply of both existing office space as well as new developments, conditions for tenants will remain challenging for the foreseeable future, but shouldn't be a deterrent from business expansion as opportunities arise in repositioned buildings or future projects throughout Greater Boston.

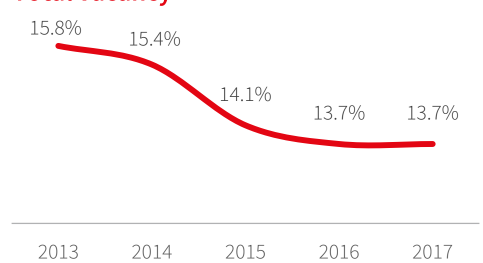
For more information, contact: Julia Georgules | Julia.Georgules@am.jll.com

Fundamentals		Forecast
YTD net absorption	-12,837 s.f.	▲
Under construction	3,051,885 s.f.	▶
Total vacancy	13.7%	▼
Average asking rent (gross)	$36.95 p.s.f.	▲
Concessions	Rising	▲

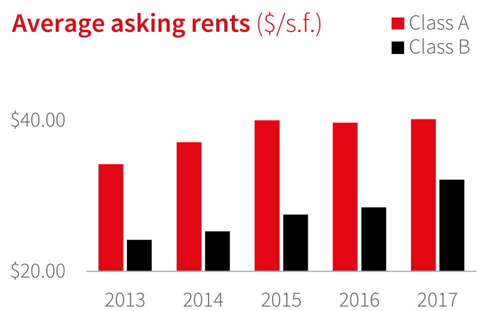
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Charlotte

Not a bird, not a plane, it’s a crane: Rents rise amid record construction

- Strong development pipeline with over 1.6 million in completions and over 1.9 under construction.
- Rents continue to climb, reaching $25.30 per square foot for the market.
- Millennial migration to the Queen City grew by 10 percent over the last decade, making it the number one destination for this highly sought after demographic group.

The market is poised for a strong fourth quarter, with 1.6 million square feet of construction completed and an additional 1.9 million square feet in the pipeline. Leasing activity continues to flourish in Charlotte’s urban submarkets; Midtown/South End and Uptown are both reporting 92,000+ square feet of net absorption and a vacancy rate of 9.7 percent, all while adding over 600,000 square feet of new inventory. Rents across the market continue to climb with CBD Class A office space crossing the $32.00 mark for the first time. Key suburban submarkets are seeing remarkable rent growth as well. Class A Office space is now commanding $31 a square foot in SouthPark, rivaling those of the urban core.

Employment growth in Charlotte is a key underpinning to the region’s success. In the last 12 months, Charlotte has added 30,200 new jobs, led by the finance and professional and business services sectors.

Key leases this quarter include: Duke Energy is taking 83,000 square feet of space in the adaptive reuse space of Tompkins Hall, a renovated textile mill dating back to 1891. Passport Parking signed a 26,000 square foot lease at 128 S. Tryon, Verizon Wireless has signed a 90,000 square foot lease for expanded call center space at 2401 Sardis Road North.

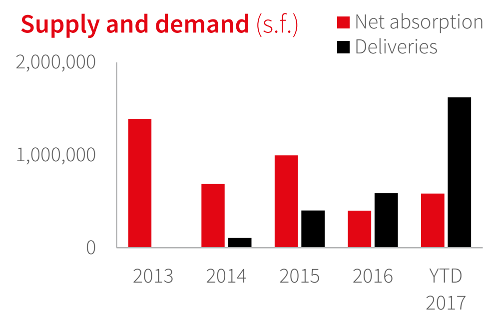
Outlook

All indicators are positive, unemployment is hovering around 4 percent, Charlotte is on pace to see record supply added to the metro, new construction already 65 percent preleased. The continued flight to quality is resulting in Class A rents crossing the $30 mark in SouthPark and Central Business District. Connectivity provided by the light rail continues to foster transit-oriented development in the Midtown/Southend along with the University submarkets.

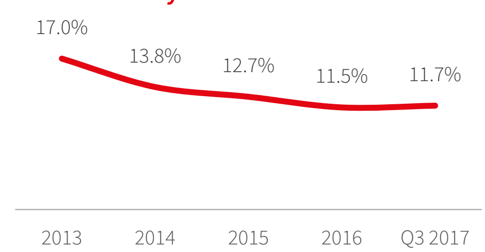
For more information, contact: Paul Hendershot | paul.hendershot@jll.com

Fundamentals	Forecast
YTD net absorption	710,098 s.f. ▲
Under construction	1,906,500 s.f. ▲
Total vacancy	11.7% ▶
Average asking rent (gross)	$25.30 p.s.f. ▲
Concessions	Stable ▶

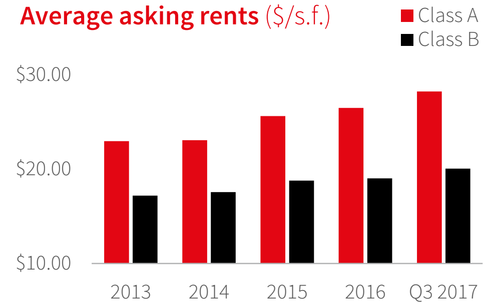
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Chicago Downtown

West by Northwest, downtown Chicago expands and reimagines its industrial history

- Fulton Market's newest creative Class A office, Fulton West, delivered at nearly 85.0 percent pre-leased thanks to Glassdoor, Dyson and Skender.
- East Loop welcomed Wilson Sporting Goods and the residential population boomed 36.7 percent since 2000 to 229,000 people.
- Modest rises in CBD rental rates mask highly tenant-favorable concession packages offered by some landlords, where TI allowances increasingly swell beyond $100 per-square-foot.

Welcoming their respective committed anchor tenants this quarter, the market realized move-ins from McDermott Will and Emery along with Hyatt at River Point, 444 W Lake. Next door, William Blair Company moved into 150 N Riverside, leaving their longtime home at The Franklin. Regarding market-wide pricing, effective rents steadily rose, especially in high-rent-commanding areas along the River and into Fulton Market. Market absorption will continue to grow as already-committed tenants occupy the new buildings through the end of 2017, but vacancy will also increase as not all space in these buildings is pre-leased.

Fulton Market has crept northward to center around the Pink/Green Line on Lake Street, leaving hip restaurants and retail consumers on Randolph Street. Coworking providers, both existing and new to Chicago, secured space in the booming area. Expansions from WeWork and Industrious for new locations and newcomers took entire office portions at mixed-use developments – Spaces at 900 West and Salt Flats at 112 N May. Sterling Bay continues to capitalize on this trend announcing media - advertising giant, WPP, signed a 265,000 square foot lease to anchor 333 N Green, the latest ground-up office development.

Outlook

The City of Chicago passed historic legislation to rezone the 760-acre strip of the North Branch Corridor, permitting non-industrial and manufacturing uses. As one of the most significant projects since Millennium Park, this plan will reshape Chicago by providing abundant opportunities for new investment, mixed-use occupiers, and expansion of the CBD boundaries. Now more than ever, young talent's desire for a walkable, diverse, and dense urban environment can be spatially endorsed by the re-urbanization of downtown Chicago across sectors.

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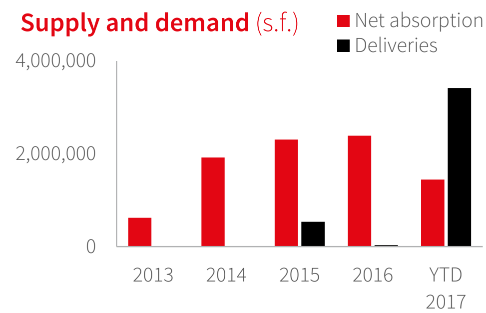
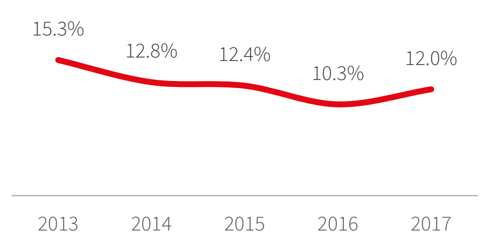
Fundamentals		Forecast
YTD net absorption	1,445,832 s.f.	▲
Under construction	4,753,850 s.f.	▼
Total vacancy	12.0%	▶
Average asking rent (gross)	$41.04 p.s.f.	▲
Concessions	Stable	▶

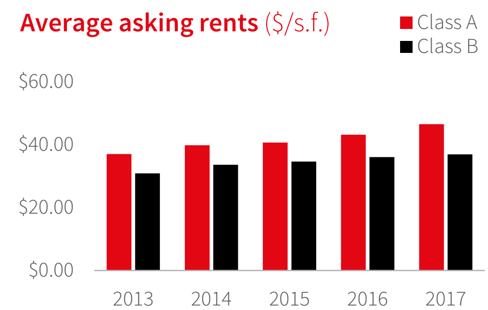
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Chicago Suburbs

Market conditions to continue on current path through 2017; market to reset in 2018 with future move-ins

- Consolidations and space give-backs resulted in three consecutive quarter of negative net absorption.
- Amita Health's backfill of the former Navistar headquarters at 2601 Navistar Road was the largest of several leases signed this quarter.
- Asking rental rates remain largely unchanged year-over-year despite total vacancy rising over 500 basis points over the same time.

Growth achieved during the first half of 2017 was overshadowed by consolidations and large move-outs this quarter. Five tenants – Baxalta (now Shire), DeVry, Robert Morris, Continental Automotive, and Gallagher accounted for (half of the 882,000 square feet) over 450,000 square feet of occupancy losses. While some tenants are downsizing, others are expanding. A few notable tenant move-ins include US Cellular's expansion into 104,000 square feet at 8420 W Bryn Mawr in O'Hare and Vyaire's move into 96,000 square feet at 26125 N Riverwoods in the North (Lake County) submarket.

The flight-to-quality movement is still a predominant trend, but tenants now require two additional criteria when making their real estate decision. Tenants are selecting well-located properties with amenities that compete with a more urban environment in order to attract talent. Paylocity, for example, is relocating in phases to Schaumburg Towers through 2019. Additionally, large commitments from McCain Foods and UnitedHealth Group have taken 182,000 square feet of office space off the market in the Eastern East-West.

Outlook

The live-work-play lifestyle of millennials spurred successful transit-oriented developments in the North submarkets. Evanston, for example, has become a retail destination and poster child for other Chicago suburbs. But don't expect the western submarkets to be left in the dust. Redevelopment of town centers around Metra commuter stations is gaining momentum. Naperville's 10-year, $93 million dollar development of the Water Street District has attracted multifamily developers and other investment. Following suit, Wheeling is underway with its new $110 million town center project. As millennials age, these redevelopments place the suburbs in a position to compete with downtown.

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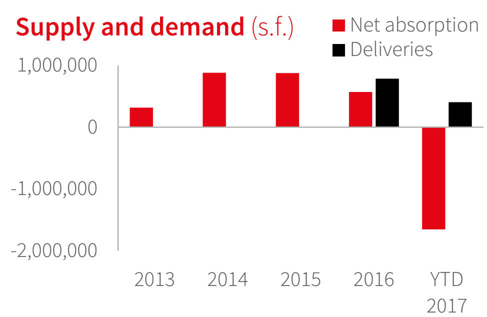
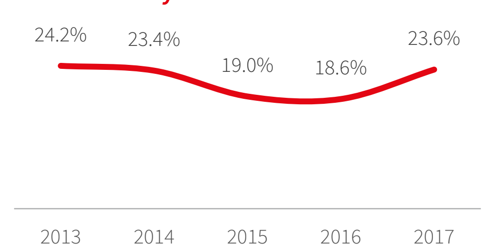
Fundamentals		Forecast
YTD net absorption	-1,654,672 s.f.	▲
Under construction	403,000 s.f.	▲
Total vacancy	23.6%	▲
Average asking rent (gross)	$25.13 p.s.f.	▲
Concessions	Steady	▶

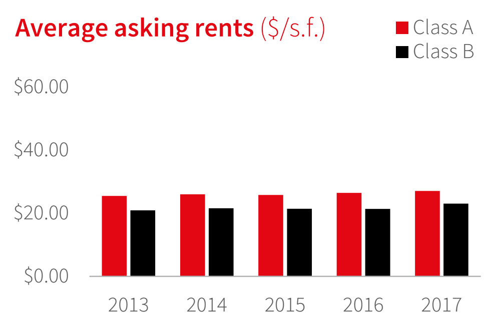
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Cincinnati

Revitalization of Cincinnati's urban core bringing new light to office market

- Although leasing activity for 2017 has been modest, several large companies have recently opted for new build-to-suit developments and expansions
- Speculative construction activity remains quiet with vacancy up year-to-date
- Leasing activity continues to be concentrated in the Northern Cincinnati suburban markets

The office market in Cincinnati has been in a neutral state throughout 2017 thus far. Leasing activity has been modest, with speculative development opportunities still limited. Despite these trends alluding to minimal activity in the market, several large companies in Cincinnati have opted for build-to-suit developments and expansions to their current spaces, bringing more jobs to Cincinnati. Burke, Inc. and Maxim Crane have chosen to build new facilities for the operations, while RBI Solar and Paycor have chosen to develop expansions to their current buildings.

Along with several new build-to-suit projects, redevelopment in the CBD Peripheral has become a hot trend in the Cincinnati market. Landlords are attempting to bring the "Live, Work, Play" motto to everyday life in the office. As redevelopment surges through Cincinnati's urban core, TAMI companies (technology, advertising, media and information) are beginning to establish a footprint in this up and coming area, including Empower Media Marketing's new headquarters in Over-the-Rhine.

Consolidation has also been a recent trend taking place in the market, as several large users such as the Cincinnati Enquirer, Coca-Cola, GE and United Healthcare, have made the decision to vacate or consolidate their operations. This has left the market struggling to compensate throughout the entirety of 2017.

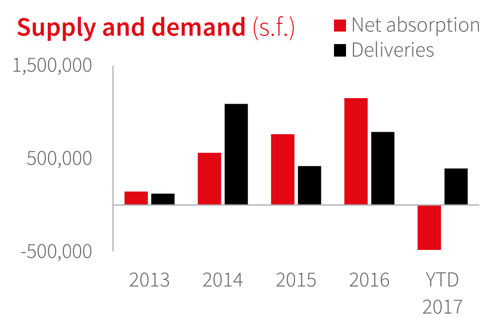
Outlook

The Cincinnati office market has been experiencing a lull in activity over the course of 2017. With several large users consolidating their space, vacancy is up slightly year-to-date. As bits of space are freeing up in desirable Class A assets downtown, new tenants will begin to enter the market. Overall fundamentals are projected to hold steady through the end of 2017, picking up at the beginning of 2018 when multiple redevelopment projects reach completion.

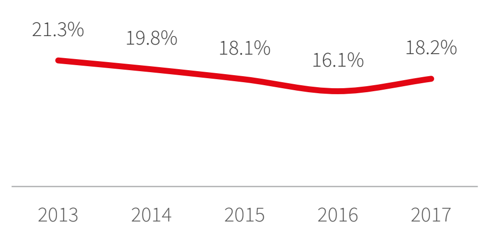
For more information, contact: Abby Armbruster | abby.armbruster@am.jll.com

Fundamentals		Forecast
YTD net absorption	-482,926 s.f.	▲
Under construction	119,000 s.f.	▲
Total vacancy	18.2%	▼
Average asking rent (gross)	$19.21 p.s.f.	▶
Concessions	Stable	▶

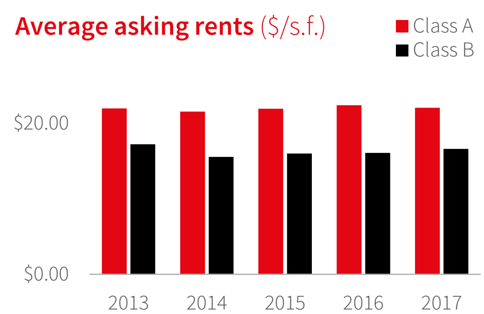
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Cleveland

Cleveland ushers in a new set of landlords as improving market conditions attract out-of-state investors

- Sales volumes have increased steadily since 2010 and are now approaching prerecession levels; driven in part by out-of-state investors.
- New owners plan to reposition their assets. Tenants will enjoy upgraded finishes and added amenities, however, higher rents are likely to follow.
- A number of office developments will deliver over the next year. Look for leasing to accelerate at these projects as they near completion.

The composition of ownership in Cleveland's office market has changed dramatically in recent years. Annual sales volumes have increased steadily since 2010 and are now approaching prerecession levels. In just the last two years, more than $550.0 million worth of office assets traded hands in Cleveland. What is unique about this cycle is the increased level of investment from out-of-state firms. Three groups in particular have amassed significant portfolios in Cleveland: Hertz, Shelbourne and Somera Road. These investors have acquired more than 3.0 million square feet of office space in Cleveland through transactions totaling $301.8 million. A common set of themes led these groups and others to make investments in Cleveland, including higher yield returns, relatively low barriers to entry, and Cleveland's underlying market fundamentals.

So what does all this mean for tenants? Many of the recent transfers can be categorized as value-add investments, and the new owners have signaled their intent to make significant upgrades to the properties. Tenants will enjoy additional amenities, upgraded finishes in common areas, and improvements to the building's operating systems. However, along with these upgrades, landlords will command higher rents on renewals and new lease negotiations.

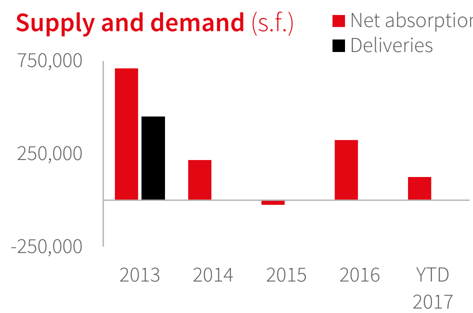
Outlook

Fundamentals in the Cleveland office market will continue to improve into 2018. Demand growth will remain modest in the 1.0 percent range, while limited construction will ensure a continued decline in vacancy. This will be particularly pronounced downtown where residential conversions are rapidly shifting market conditions. Rents will continue to appreciate gradually as the market tightens and owners reposition assets. Investment activity will remain elevated with nearly 3.0 million square feet of product on the market.

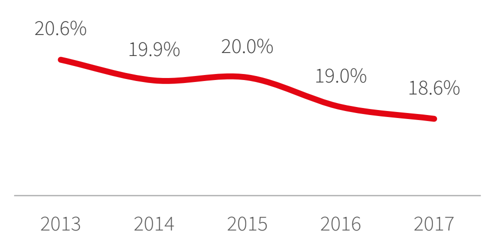
For more information, contact: Andrew Batson | andrew.batson@am.jll.com

Fundamentals		Forecast
YTD net absorption	124,670 s.f.	▲
Under construction	263,000 s.f.	▶
Total vacancy	18.6%	▼
Average asking rent (gross)	$19.30 p.s.f.	▲
Concessions	Falling	▼

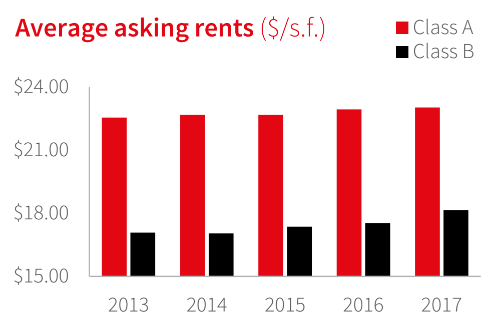
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Columbus

Demand for modern, efficient space driving market activity

- Slow leasing activity is hampering gains from 2016 as active tenants seek efficient workspace design
- Net absorption rebounded due to the completion of Alliance Data's 240,000-square-foot build-to-suit in the Easton submarket
- Coworking space is emerging in the Columbus market with new announcements in both the CBD and suburban submarkets

A noticeable slowdown in leasing is hampering gains made in 2016, resulting in nearly flat market fundamentals year-to-date. What could be one of the factors leading to subdued market activity? Suitable relocation options may seem limited for expanding tenants in the market.

More and more companies in the Columbus region are recognizing the correlation between workspace design and employee attraction and retention. With that said, nearly 80.0 percent of existing inventory we tracked in Columbus was built in the 20th century, most of which is in need of investment tailored to efficiency upgrades. New or recently renovated space that can offer creativity in design and cost savings is now in high demand. Speculative projects like Smith Bros Warehouse, The Buggyworks, and 250 S High have performed particularly well due to open, efficient floor plates that enhance employee productivity and collaboration. New product at Bridge Park in Dublin continues to experience strong leasing activity, including a coworking office, while a new-build in Polaris is being designed to offer creative options for future tenants. Landlords and developers that employ similar investment strategies will be better positioned to attract the growing companies throughout the market.

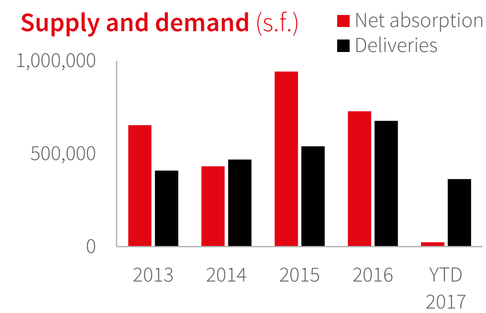
Outlook

Although leasing activity has cooled in 2017, historical market fundamentals suggest stable conditions ahead. Total vacancy has fallen nearly 4 percent since 2013, and Class A rates are rising in both the CBD and suburban submarkets. One of the primary market trends in recent years has been landlord investment in aging inventory. We expect this to continue as new, competitive product comes online and tenant demand shifts to more efficient workspace design.

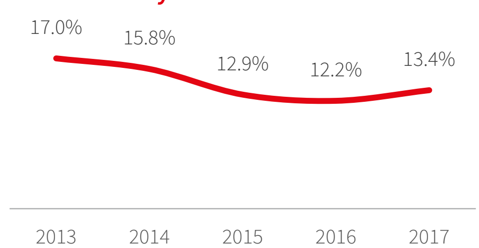
For more information, contact: Sam Stouffer | sam.stouffer@am.jll.com

Fundamentals	Forecast
YTD net absorption	23,303 s.f. ▲
Under construction	994,028 s.f. ▲
Total vacancy	13.4% ▼
Average asking rent (gross)	$19.72 p.s.f. ▶
Concessions	Stable ▶

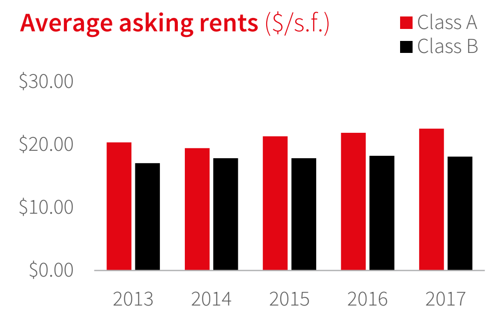
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Dallas

Large corporate build-to-suits drive net absorption this year – and into early 2018

- Toyota and JPMorgan Chase build-to-suits account for 3.5 million square feet of 2017's net absorption
- Year-on-year office rents continue to increase in most submarkets
- Vacancy remaining stable around 19 percent
- Putting build-to-suit deliveries aside, active lease-up must continue in new multitenant development to keep vacancy under control

Dallas' job engine is the driver for the local office market. Job gains that put Dallas toward the top of all U.S. markets continues across a diverse set of industries, fueling all sectors including finance, law, technology and healthcare.

More than 4.4 million square feet of office space has been absorbed this year. This is 3x Dallas' long-term average. As of third quarter, 3.5 million square feet of this number is accounted for in two corporate build-to-suits. This is clearly illustrated in the fact that 81 percent of year-to-date deliveries were leased at completion. By year-end, Liberty Mutual's 1.1-million-square foot campus will be added to this list. Importantly, with these large-scale projects hitting the market, Dallas' construction pipeline has shifted toward much lower pre-leasing levels. We have noted this in the past, so it is not a surprise. Currently, 22 percent of the space in projects under construction is now pre-leased, versus +65 percent a few quarters ago.

Over the last several quarters, almost all of Dallas' positive net absorption has been driven by new deliveries – which include the major projects, as well as smaller single tenant and new multi-tenant buildings in Las Colinas and Uptown.

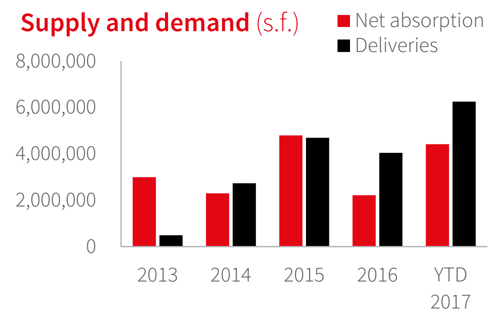
Outlook

This year will remain a strong one for the Dallas office market as large corporate build-to-suits drive absorption. Continued job gains across industries should also allow new product to lease-up. This will push average rental rates higher over the next several quarters, despite the newest offerings seeing top-end rents plateau. Overall, we do not expect market dynamics to change appreciably during the next 1½ to 2 years, although we continue to watch leasing activity in the newest offerings for signs of slowing.

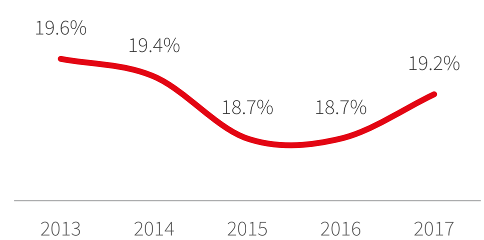
For more information, contact: Clay Schleimer | Clay.Schleimer@am.jll.com

Fundamentals		Forecast
YTD net absorption	4,415,208 s.f.	▲
Under construction	6,448,873 s.f.	▼
Total vacancy	19.2%	▶
Average asking rent (gross)	$27.20 p.s.f.	▲
Concessions	Rising	▲

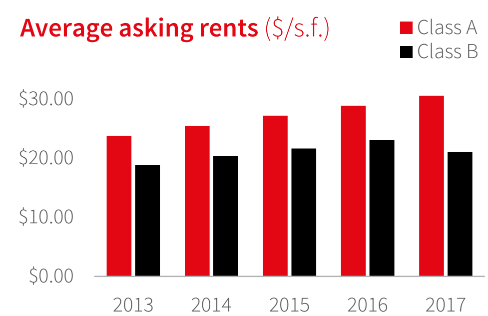
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Denver

Rental rate growth waning, despite positive absorption and new construction

- Construction starts have slowed (particularly CBD) but remain active for smaller buildings in hot areas (RiNo and Platte Valley).
- Asking rates are growing at a more muted pace and are driven by new construction, rather than increasing rates in existing stock.
- In a near-full employment market, user demand could take a hit as fewer people look for work, resulting in reduced tenant demand.

After five straight quarters of rising vacancy, Denver recorded a 20-basis-point decline in the third quarter thanks to positive net absorption. Three properties delivered this quarter: INOVA Dry Creek 1 welcomed Comcast, the Arrow Building was occupied by Arrow Electronics, and Gold Star completed its renovation and conversion from industrial to office. Nearly 85,000 s.f. of sublease space was absorbed this quarter, bringing this year's sublease absorption to over 258,000 s.f.

Rents rose just 0.2 percent market-wide—a paltry increase compared to the 6.5 percent increase year-over-year and the nearly double-digit leap Denver recorded last year. Development remains active and centered largely within neighborhoods once considered industrial hubs; Platte Valley and RiNo alone represent 31.3 percent of all new construction in the entire metro. New office space, plus retail and restaurants, have invited a variety of tenants, from tech to energy.

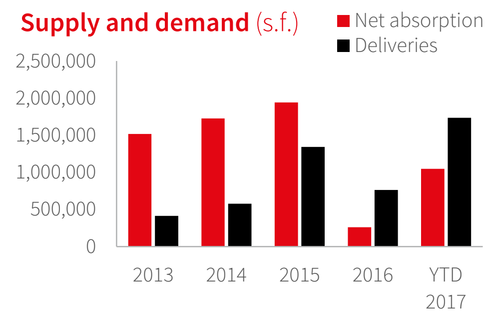
Outlook

Denver's 2.4 percent unemployment rate again topped the list of the nation's lowest unemployment among large metros. It has remained in the top two for 16 months straight (the past six at number one). Although the local economy is booming, fewer jobs are available and a shortage of skilled labor may curb user demand. Tenants are gaining advantage in some parts of the market with availability on the rise and new construction coming online. These additional options are giving leverage to users to better negotiate deal terms, and landlords are offering increasingly competitive concessions to lure new tenants and retain existing ones. It will be advantageous for landlords to consider building upgrades to remain competitive—especially with newer product.

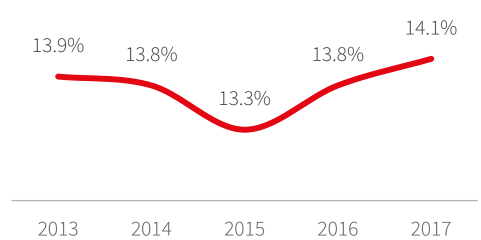
For more information, contact: Mandy Seyfried | mandy.seyfried@am.jll.com

Fundamentals	Forecast
YTD net absorption	523,791 s.f. ▲
Under construction	4,312,123 s.f. ▼
Total vacancy	14.3% ▼
Average asking rent (gross)	$28.21 p.s.f. ▲
Concessions	Rising ▲

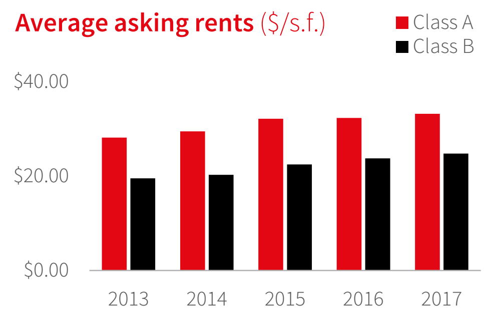
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Detroit

Construction and investment activity picks up as outlook improves upon metro Detroit

- Smaller lease deals make up most of the third quarter activity as rent growth and dropping vacancies have slowed
- Construction and development activity continues to ramp up, most notably downtown
- Volume of property trades is up, driven by improving investor sentiment and strong market conditions

The third quarter of 2017 saw a handful of smaller leases take place in both urban and suburban submarkets. Multiple leases were executed in the Fisher building, including the Children's Hospital of Michigan and Yamasaki Inc. LinkedIn announced plans to open a downtown Detroit office, as did Berkshire Hathaway and the Ballmer Group, but none of these three have yet to sign a lease. Construction and development activity keeps gaining momentum. Masco opened their 91,220-square-foot headquarters in Livonia, while Toyota announced plans to build a headquarters facility in Novi for their truck division, Hino, and Tenneco announced plans for a $23.0 million customer center in Northville. A 100,000-square-foot, $25.0 million development in downtown Royal Oak received site approval and Bedrock's Hudson's site plan has grown in scale by an additional $125.0 million.

Investment sales activity continues to increase, as multiple high profile office assets traded in the third quarter. Wilshere Plaza in Troy sold to a New York buyer for $33.0 million, and the Ford Building downtown was sold to a Birmingham development group. The Bank of America building in Troy sold for $74.0 million while United Shore Financial purchased a property in Pontiac to relocate their headquarters from Troy.

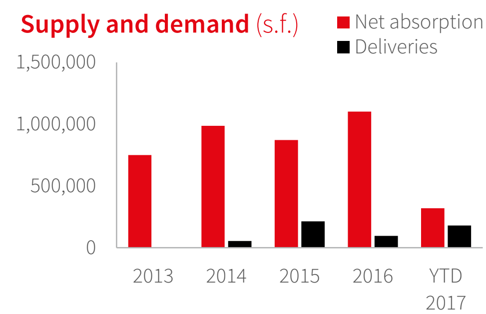
Outlook

As conditions continue to improve in Detroit, we will see sustained rent growth and dropping vacancies. Looking ahead - we can prepare to see cranes amongst the downtown skyline, as Bedrock readies to break ground on the Hudson's development on Woodward in December. It will be interesting to keep an eye on Mayor Duggan and Dan Gilbert's pitch to Amazon for their second North American headquarters. Will Detroit be seen as a viable option?

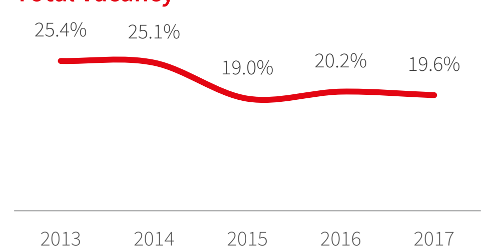
For more information, contact: Harrison West | harrison.west@am.jll.com

Fundamentals	Forecast
YTD net absorption	319,436 s.f. ▲
Under construction	688,957 s.f. ▲
Total vacancy	19.6% ▶
Average asking rent (gross)	$19.00 p.s.f. ▲
Concessions	Falling ▼

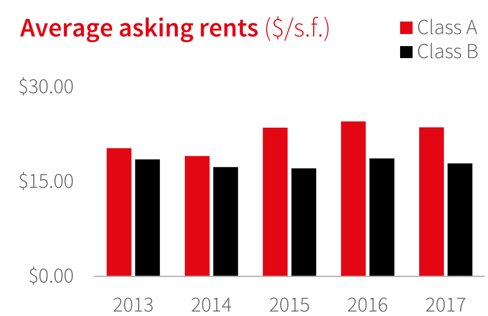
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



East Bay I-680 Corridor

Capital markets activity driving momentum in core submarkets

- The South 680 Corridor led the suburbs in occupancy gains, with over 117,000 square feet absorbed
- Many "BART assets" traded hands in the last 18 months, and new owners are pushing rents, driving rental momentum in core submarkets
- Touring activity has been strong for small to mid-sized users in the North 680 Corridor, but recent large block availabilities opens up the market for large users

The South 680 Corridor led the suburbs in third quarter occupancy gains, with more than 117,000 square feet of positive net absorption, highlighted by large occupancies in Pleasanton and Livermore. Few contiguous spaces measuring 50,000 to 100,000 square feet are available in the southern end of the corridor, including Park Place and Bishop Ranch. On the north end, nearly 100,000 square feet of Class A space was released to the market in Pleasant Hill BART as Arch MI prepares to relocate, and by 2018, as much as 400,000 additional square feet will be vacated in Concord.

Investors are focused on the suburban core, where access to public transit and walkable amenities are "box-checkers" for institutional buyers. In the last 18 months, nearly all of Walnut Creek's "BART assets" traded, including Walnut Creek Center and 3003 Oak Road which are directly adjacent to transit stations. New owners are pushing rents up, and in turn BART-centric submarkets exhibit rent growth driven primarily by relatively low vacancy rates, repositioning, and capital markets activity.

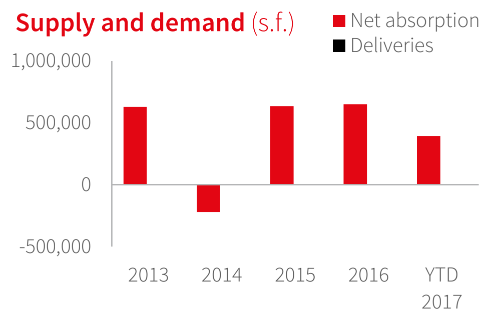
Outlook

Amidst a tightening Bay Area office market, availabilities along the 680 Corridor offer relief for tenants looking for large blocks of space and lower real estate costs. Recent sales and leasing activity has pronounced the East Bay as a promising market to both investors and tenants.

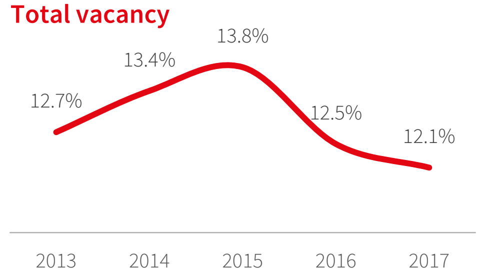
For more information, contact: Katherine Billingsley | k.billingsley@am.jll.com

Fundamentals		Forecast
YTD net absorption	393,820 s.f.	▼
Under construction	0 s.f.	▶
Total vacancy	12.1%	▲
Average asking rent (gross)	$35.52 p.s.f.	▲
Concessions	Falling	▼

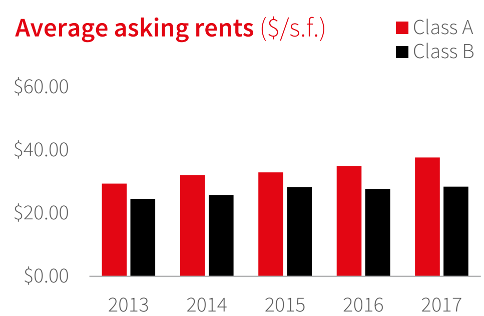
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Fairfield

Fairfield vacancy falls slightly as market stabilizes

- The vacancy rate decreased across every major submarket in the third quarter
- Financial services continues to dominate leasing volume across the county
- Firms are choosing to relocate to Stamford from Greenwich

In a promising development for Fairfield County landlords, the vacancy rate for every major submarket had decreased with county-wide vacancy falling from 25.0 percent in mid-year to 24.4 percent. While influenced in part by several large leases by firms such as AQR Capital Management, Remedy Partners, and First Reserve, it was the take up by smaller firms that reduced the vacancy rate in all but two of the minor submarkets.

As an industry group, financial services accounted for 44.0 percent of all leases signed in the third quarter and 53.0 percent of leasing volume by square feet. The average size of leases to financial tenants was also 13,700 square feet, significantly larger than the countywide average lease of 9,600 square feet. This demonstrates the outsize impact of financial services within the Fairfield County real estate market and the importance to landlords of attracting and retain these types of tenants.

The recent relocation to 300 First Stamford Place by PartnerRe, a large reinsurance firm, draws attention to a trend of movement from neighboring Greenwich to Stamford. PartnerRe as well as firms like First Reserve, Omnicom, and others have made the move primarily for lower rents and the growing availability of attractive options within Stamford.

Outlook

Stamford continues to lead Fairfield County as well as Connecticut in residential and commercial development. Over $6.0 billion has been spent on transit-oriented development which has successfully drawn a growing pool of young professionals. The city's pro business attitude has recently attracted large corporate tenants such as the consumer good company Henkel, Partner Re and Octagon Sports & Entertainment Agency.

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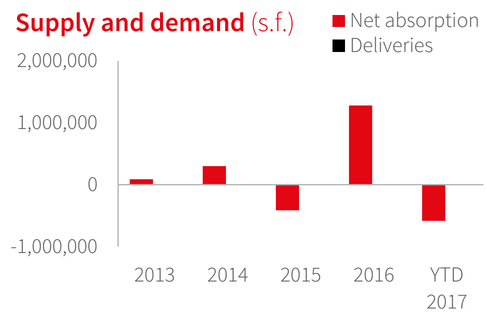
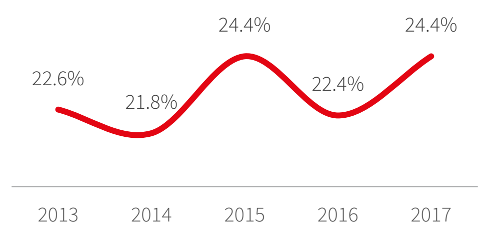
Fundamentals		Forecast
YTD net absorption	-582,878 s.f.	▲
Under construction	0 s.f.	▶
Total vacancy	24.4%	▶
Average asking rent (gross)	$36.41 p.s.f.	▲
Concessions	Stable	▶

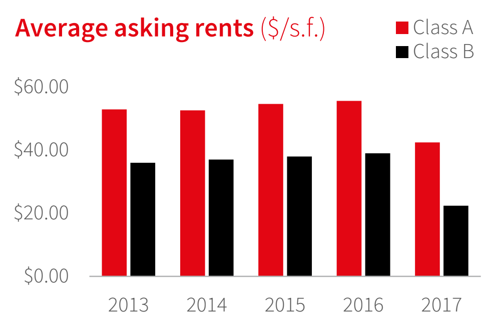
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Fort Lauderdale

Leasing activity trends vary across the county – which submarkets are performing best?

- Downtown growth continues to shifts to off Las Olas assets which provide a 16.6 percent cost savings compared with Trophy properties
- Leasing activity in the Western suburban markets is focused on Class A assets
- Cypress Creek remains an exception to trends as leasing activity there is focused on Class B properties

Over the previous 12-months the pace of growth has slowed. So where is the market going? Currently, trends remain positive across most submarkets, but it seems there is less room to grow as many rents are already above peak levels and the majority of prime assets have already traded. When we look at the downtown, average Class A asking rents are nearly $42 per square foot (full service) and most key assets have changed hands during this cycle (some are beginning to re-trade). While the submarket remains strong from a big picture perspective, the growth downtown has definitely subsided as total leasing activity within Class A assets has declined every year since 2011 when it peaked over the 600,000 square foot threshold. Leasing activity last year was less than half of that seen in 2011. And, so far this year, we are on track to do about the same (total square feet). Year-to-date, there have been 233,600 square feet of deals executed, the majority of which have been done in the off Las Olas properties.

While downtown tenants are taking advantage of the obvious cost savings within the off-Las Olas assets, suburban tenants seem to be more keyed in on the most "prime" assets within the submarket. The Class A properties are seeing the majority of leasing activity. Year-to-date leasing actively within the activity tracked suburban properties is currently 765,000 square feet. The Class A leasing activity accounts for 64.2 percent of the deals compared with 58.5 percent of the inventory. While this spread among the overall market isn't significant (right around five percent), there is a more clear trend within certain submarkets. In Sawgrass Park and Plantation the net spread is more than 15.0 percent between Class A leasing activity and inventory. In Sawgrass Park Class A leasing activity accounts for 81.7 of the activity in the market so far this year (Class A assets account for 63.9 percent of inventory). And, in Plantation, Class A leasing activity accounts for 77.3 percent of the total year-to-date (compared with 60.5 percent of inventory). Cypress Creek remains the exception as leasing activity there remains more focused on Class B assets.

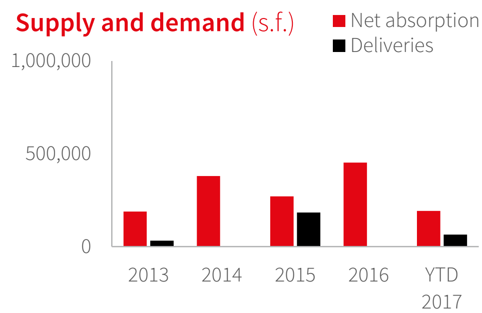
Outlook

While the overall growth in market remains slower than what we have seen over the previous 18-24 months, some areas are still seeing substantial growth and most indicators remain positive. Further, while rents and absorption are expected to remain positive for the near turn, the growth rate is not expected to pick back up to the levels seen previously anytime soon.

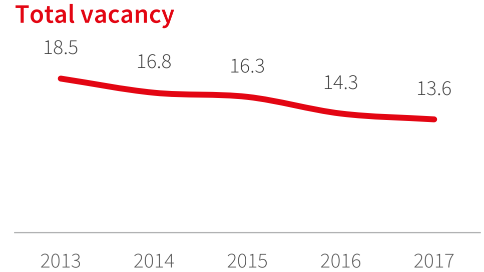
For more information, contact: Ilyssa Shacter | ilyssa.shacter@am.jll.com

Fundamentals		Forecast
YTD net absorption	191,900 s.f.	▲
Under construction	27,400 s.f.	▲
Total vacancy	13.6%	▼
Average asking rent (gross)	$29.14 p.s.f.	▲
Concessions	Stable	▶

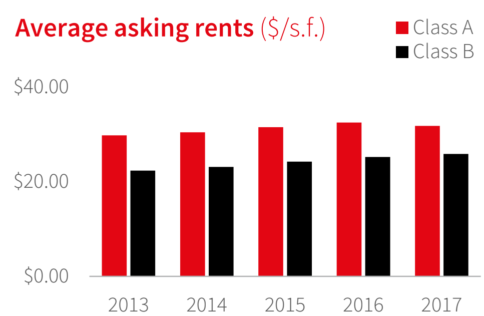
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Grand Rapids

Moves, consolidation increase downtown vacancy

- Vacancies continue to steadily decline as rents keep climbing
- Large blocks downtown have become available due to consolidation and conversions, pushing up downtown Class A vacancy quarter-over-quarter
- Investment sales activity remains quiet due to lack of properties on the market

Conditions in the Grand Rapids office market continue to improve steadily. While overall vacancy has declined steadily across the metro, downtown Class A space has seen an uptick in vacancy due to consolidation, most notably Fifth Third Bank, who vacated approximately 70,000 feet at 200 Monroe to 111 Lyon St NW. 50 Monroe is under renovation - the western portion of the building will become AC Hotel, while the eastern portion of the building will be approximately 70,000 square feet of office space on the market.

Advantage Sales and Marketing is consolidating two locations into one, vacating 30,000 square feet at 56 Grandville. They are taking about 100,000 square feet at the former Rogers department store on 28th Street SW in the Southwest submarket, where Hinman has converted the former retail space into office space for them with an additional 30,000 square feet to be leased up. On the other side of town, First Companies closed on more land on the East Paris corridor, as more development is planned.

Outlook

Looking forward through the end of the year, we can expect the steadily declining vacancy and increasing rent trends to continue. After that, as renovations, conversions and new construction begin to deliver, particularly downtown, vacancy will tick up with the new inventory. As vacancy increases, rent growth will slow a bit until this new inventory has been absorbed. A slowdown in investment sales activity speaks to the strength of the market and the lack of inventory for sale, and this lack of inventory on the market is driving up the price for the few that are for sale. On the construction front, First Companies' new suburban inventory along the East Paris Corridor will be something to keep an eye on, as tenants will now have the ability to choose between high-quality new spaces in the suburbs and downtown. It will be interesting to see which they prefer.

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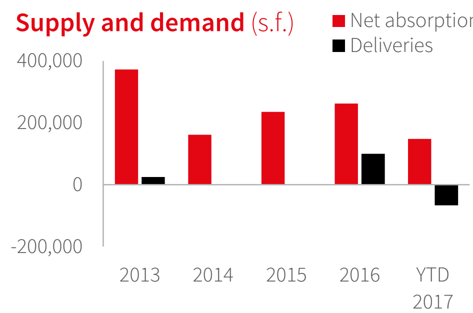
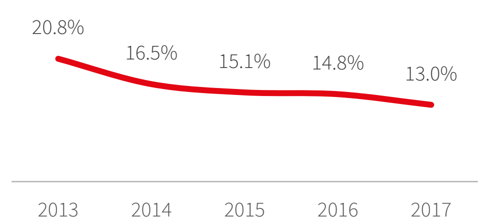
Fundamentals	Forecast	
YTD net absorption	-66,414	▲
Under construction	174,000 s.f.	▲
Total vacancy	13.0%	▼
Average asking rent (gross)	$17.42 p.s.f.	▲
Concessions	Stable	▶

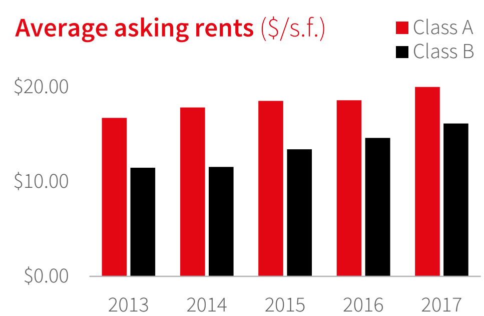
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Hampton Roads

Strong absorption, low leasing activity makes for more of the same

- Absorption year-to-date is over four times 2016's YTD number and total vacancy is down 1.5 percentage points
- Leasing activity declined further from a below-average second quarter, signaling concession declines will be on hold
- As before, net lease government or credit tenant properties will sell, but multi-tenant yields remain too low for trades

The third-quarter office market continued on the path set by the second quarter. The Hampton Roads economy continued to improve gradually – employment finally surpassed the pre-recession peak in July – and office vacancy continued to decline, with total vacancy rate falling to 12.5 percent from 14.0 percent one year earlier. But leasing activity continued to drop – while strong first-quarter activity has kept year-to-date numbers comparable to the past two years, this quarter saw a year-over-year decline of nearly one-third.

Stonemont's purchase of 96.0 percent of an Oak Street portfolio made for what was nominally a record price for a local office building, with a recorded price for the net-leased 5800 Northampton Blvd just under $65.0 million ($196 per square foot.) Otherwise, again, more of the same – the next-largest local sale was a two-building portfolio of recent construction net leased to state government, with no multitenant trades occurring or on the horizon.

Outlook

Landlords will be hoping that the leasing activity decline is no more than a two-quarter lull. Supply remains tight in the most popular submarkets – the vacancy rate in Greenbrier for Class A and B space is only 3.7 percent – and most tenants are done with downsizing. The overall decline in concessions that characterized the first half of the year is likely to pause, however. Face rents will rise gradually, but free rent and improvement allowances will remain steady unless leasing picks up in the fourth quarter. Tenants facing higher rents and less supply in more popular Southside submarkets will start looking at areas such as Newtown/Witchduck, but traffic concerns mean that the high-vacancy Peninsula won't benefit from supply constraints on the other side of the harbor.

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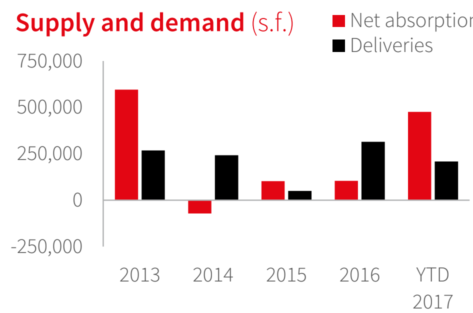
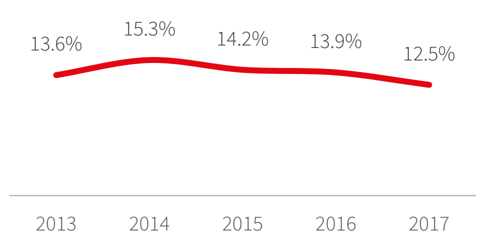
Fundamentals		Forecast
YTD net absorption	475,961 s.f.	▲
Under construction	79,082 s.f.	▶
Total vacancy	12.5%	▶
Average asking rent (gross)	$18.95 p.s.f.	▲
Concessions	Stable	▶

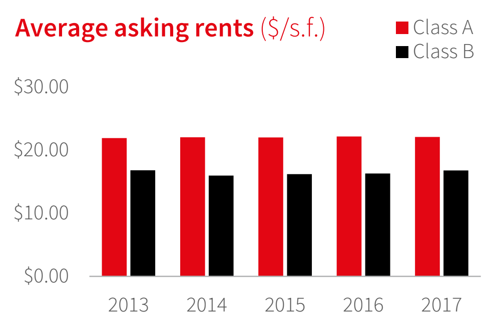
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Houston

Sluggish tenant demand props up vacancy rate

- Hurricane Harvey's impact on Houston's office inventory was far less pronounced than other property types such as single-family residential
- Spurred on by NRG's 431,000-square-foot sublease deal at One Shell Plaza, strong sublet leasing activity during the third quarter helped to reduce Houston's sublease inventory for the fourth consecutive quarter
- High-profile portfolio sales such as Greenway Plaza and Houston Center fuel office sales activity as investors re-enter the market

Despite a handful of 100,000-square-foot plus deals signed, including NRG's 431,000 square foot sublease deal at One Shell Plaza and Motiva's 173,000-square-foot deal at Two Allen Center, leasing activity remained muted during the third quarter and failed to surpass its 10-year quarter for the seventh consecutive quarter. As a result, total vacancy climbed for the 11th quarter in a row, rising 40 basis points to 22.8 percent. The over abundance of available space has afforded tenants ample leverage during lease negotiations, yet there is little organic growth taking place as the majority of tenants in the market appear content with their current footprint. This is best evidenced by the market's paltry average deal size of 4,700 square feet during the quarter.

Even with the continued slowdown in leasing activity and rising vacancy, investors have re-entered the Houston market in a big way, as office sales volume is up over 430 percent from 2016. The dramatic uptick in office sales activity is led by three large portfolio transactions: Spear Street Capital's $274-million acquisition of Columbia Property Trust's Houston portfolio, TH Real Estate, Silverpeak & CPPIB's $512 million 49.0 partial interest acquisition of Greenway Plaza from Parkway Properties, and Brookfield's reported $875-million acquisition of Houston Center from JPMorgan Asset Management.

Outlook

Market indicators such as total vacancy, net absorption and asking rental rates have provided few chances for a positive reading on the market since 2014, and while we are encouraged by the steady drop in the sublease inventory over the past four quarters, Houston has a long way to go before it reaches a balanced point. Moving forward, we expect market conditions to favor tenants for the remainder of 2017 and well into 2018.

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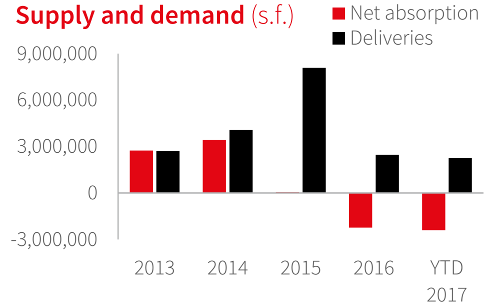
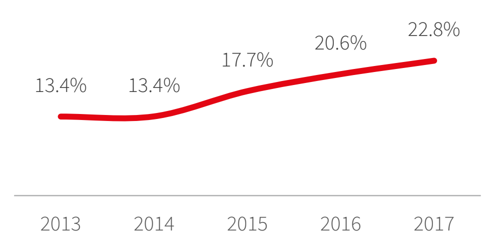
Fundamentals		Forecast
YTD net absorption	-2,400,147 s.f.	▶
Under construction	2,440,278 s.f.	▼
Total vacancy	22.8%	▶
Average asking rent (gross)	$30.55 p.s.f.	▼
Concessions	Rising	▶

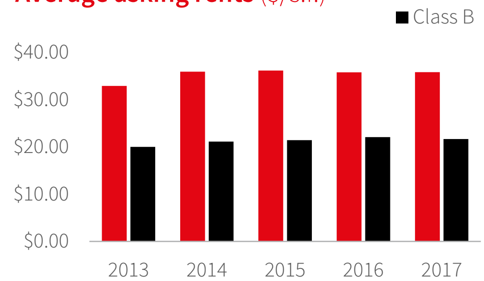
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Indianapolis

Market continues to grow, but space givebacks loom on the horizon

- Class A office product continues to be in demand, accounting for nearly 200,000 square feet of net absorption year-to-date
- Two more buildings delivered this quarter. 75.0 percent of projects still under construction are expected to deliver by year-end
- Investment activity was concentrated in the Northwest submarket this quarter, but major sales are under contract throughout the metro area

Completed construction this quarter for Stanley Security in Fishers and BlueSky Technology in Noblesville helped contribute to more than 70,000 square feet of net absorption during the third quarter. Several more construction projects are slated to deliver by the end of the year for companies such as Allied Solutions in Carmel, Braden Business Systems in Fishers and Walker Information in Keystone to name a few. However, space givebacks by these firms will mute much of this absorption. Still, the Indianapolis office market is poised to finish the year with occupancy growth for the 8^{th} time in the past 10 years.

Class A office product continues to perform well with more than 150,000 square feet of net absorption this quarter and almost 200,000 square feet year-to-date. This growth has helped the Class A vacancy rate be a full percentage point lower than the overall market rate. Also, Class A asking rents are more than $2.25 per square foot above the current market average.

Investors continue to be drawn to the Indianapolis office market. Six more acquisitions closed this quarter, four of which occurred in the Northwest submarket. Woodland Corporate Park V, VI and VII were sold by Duke Realty as they continue to exit the office market. INTECH Ten and One College Park also traded hands.

Outlook

The two drivers of a healthy market, investment activity and net absorption, remain strong in Indianapolis. Twenty investment sales have already occurred this year. With several more under contract, look for sales volume to surpass last year's total. If current timelines hold, construction totals will also be the highest in the market since 2008, but still half of pre-recession totals.

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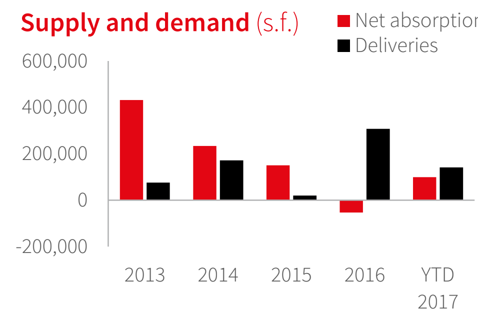
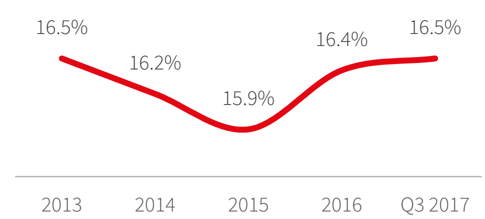
Brianna Marshall | brianna.marshall@am.jll.com

Fundamentals		Forecast
YTD net absorption	99,325 s.f.	▶
Under construction	494,682 s.f.	▼
Total vacancy	16.5%	▲
Average asking rent (gross)	$19.94 p.s.f.	▲
Concessions	Stable	▶

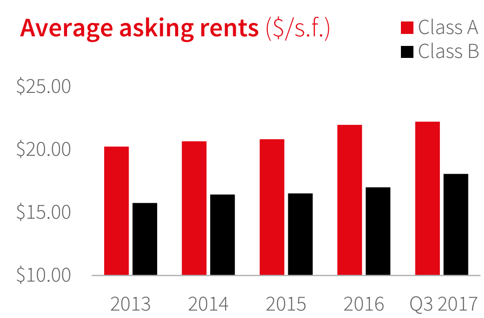
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



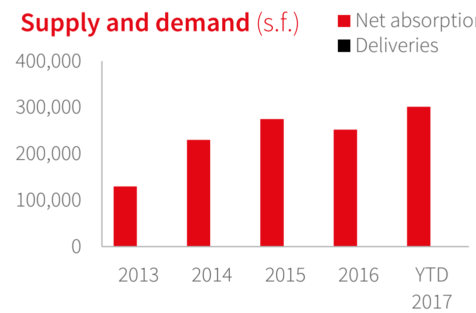
Jacksonville

Jacksonville suburbs home to new developments and key tenants

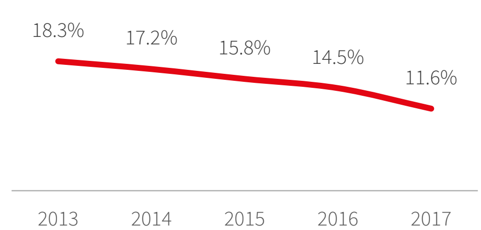
- Van Trust purchases more land next to Town Center One.
- Hurricane Irma floods Downtown, leaves Wells Fargo building still under repairs.
- Forecast recession may be good for Jacksonville's financial sector.

Fundamentals		Forecast
YTD net absorption	301,442 s.f.	▶
Under construction	209,111 s.f.	▶
Total vacancy	11.6%	▶
Average asking rent (gross)	$19.72 p.s.f.	▲
Concessions	Stable	▶

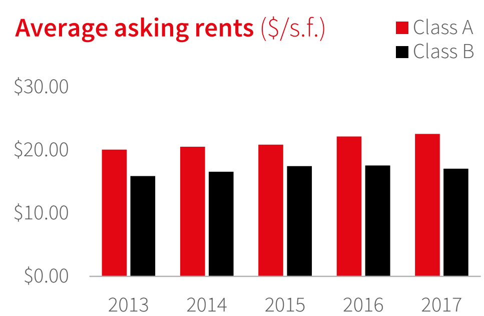
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



After Hurricane Irma, business is back to normal in Jacksonville. With the exception of one building, power has been restored throughout the CBD. While the hurricane disrupted the local economy for a few days, it has not had too much effect on a slow leasing quarter. There have been four large leases in Jacksonville in the third quarter, three of which are in the suburbs. Notably, Coastal Conference Rooms signed an extension of their lease in One Enterprise Center, a building that just fire-sold this quarter for $48 per square foot due to low occupancy.

The local office sector is seeing the first speculative building since the recession under construction. Van Trust, developer for Town Center One, has already chosen to purchase 18 additional acres adjacent to the Town Center site, which should accommodate 250,000-300,000 square feet of office. This purchase signals a bullish outlook on Jacksonville from an outside developer, in a submarket that has seen considerable development from BTS tenants and owner construction.

Outlook

Jacksonville is a secondary market with a low cost of living and a high quality of life. It has a well-educated population and considerable military presence. Given these factors, it is a prime area for regional headquarters in financial and legal fields, as well as a strong hub for logistics operators. As the local economy heats up and regional and local players look to expand, Jacksonville should see additional growth in employment and office demand.

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Long Island

Tenant consolidations create pockets of new availabilities, nearly doubling sublease vacancy rate

- Leasing activity remained quiet during the third quarter, recording a 40.0 percent decrease in volume from the first quarter of 2017.
- Nearing saturation, the Western Nassau vacancy rate plunged to 2.9 percent, driven equally by Class A and Class B assets—a telling indicator of the value location holds among office occupiers in Long Island.
- Both Counties registered positive year-to-date direct net absorption levels, totaling 111,000 square feet.

Muted leasing velocity of deals in excess of 20,000 square feet continued to shape the Long Island office market narrative for the second consecutive quarter. Large Class A block shortages hindered significant absorption, however mid-sized tenants were able to find optimal space in Central Nassau, where the Class A vacancy rate fell a substantial 300 basis points from mid-year 2017. The submarket attracted financial services firms and insurance companies such as Nationwide and Centers Plan which took 15,789 and 14,623 square feet at 990 Stewart Ave, respectively.

Altice USA's plans to move its headquarters from Bethpage to One Court Square in Long Island City created pockets of sublease availabilities throughout the Island, weighing heavily on the market's net absorption levels. The company's downsizing nearly doubled the sublease vacancy rate from the previous quarter, to 2.1 percent. The new availabilities of 310,000 square feet at 200 Jericho Quadrangle in Jericho and 85,000 square feet at 6 Corporate Center Drive in Melville contributed to 90.0 percent of the negative net absorption recorded on Long Island. Likewise, Capital One's consolidation to 1307 Walt Whitman Road in Melville put their occupied space of 131,000 square feet at 265 Broadhollow Road on the market for lease.

Outlook

Tenant confidence is not expected to wane amid the current lull in leasing activity, though the lack of existing Class A availabilities, coupled with the absence of new office construction in the pipeline, will remain a concern. New blocks of space in Eastern Nassau and Western Suffolk will create opportunity for large tenants in the market during the next twelve months. This should continue to support rental growth, albeit modestly so. Class A assets near walkable downtowns and in close proximity to the NYC boroughs remain best positioned in the market.

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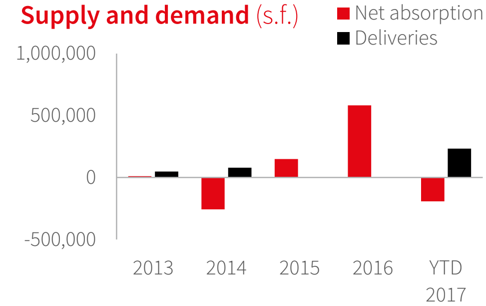
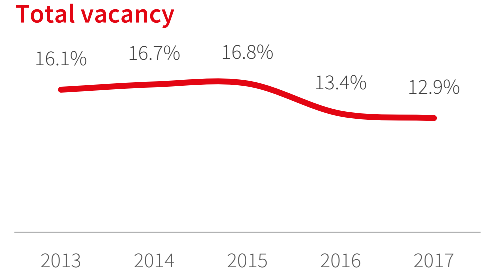
Fundamentals		Forecast
YTD net absorption	-192,770 s.f.	▲
Under construction	0 s.f.	▶
Total vacancy	12.9%	▼
Average asking rent (gross)	$26.04 p.s.f.	▲
Concessions	Falling	▼

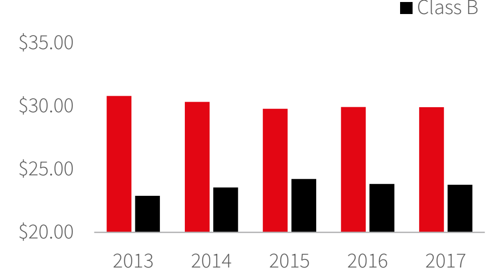
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Los Angeles

Owners reposition trophy assets to compete with creative projects

- Over 1.9 million square feet of new deliveries hit the market, at various stages of lease-up
- Concession packages widen between Downtown and Westside submarkets
- Downtown ownership positions assets to compete with Westside creative product

Despite positive net absorption, vacancy decreased only slightly due to a number of new deliveries. Over 1.9 million square feet of office product completed this year including C3 in Culver City, with healthy preleasing and heightened tenant interest. Additionally, the long-anticipated Downtown Wilshire Grand delivered about 40 percent pre-leased, leaving roughly 180,000 square feet of Class A office available. While some new projects were fully leased, preleasing activity in other assets have been slower. Vacancy in these projects is expected to tick down over the coming quarters as the appetite for new construction remains strong.

On the backs of rising rents, landlords are cutting back on concession packages throughout the Westside. Conversely, some Downtown ownership groups are sweetening their deals with more generous tenant improvements but maintaining face rents. Additionally, Downtown trophy owners continue to aggressively re-invent and re-energize their assets through ambitious lobby and plaza renovations such as City National Plaza which is in the midst of a multi-million dollar improvement project. High-end coffee shops are being added along with WiFi-enabled common areas carved-out of underutilized lobby space. These improvements will help competitively position Downtown assets with creative product on the Westside.

Outlook

With an unemployment rate at 4.4 percent, it appears the Los Angeles economy may be nearing its peak. That said, the entertainment industry and content generators are firing on all cylinders and showing no signs of a slowdown. Mature professional service sectors are likely to add additional head-count but will not necessarily expand their office footprint, instead choosing to densify space.

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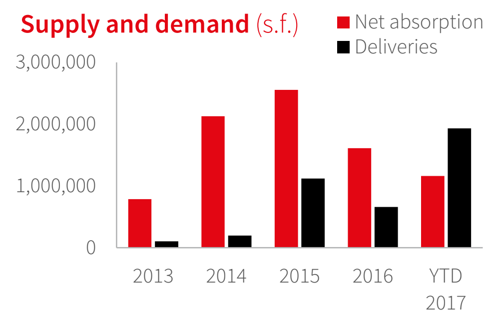
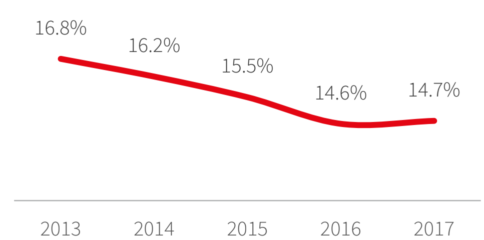
Devon Parry | devon.parry@am.jll.com

Fundamentals		Forecast
YTD net absorption	1,161,035 s.f.	▲
Under construction	1,182,360 s.f.	▲
Total vacancy	14.7%	▶
Average asking rent (gross)	$39.85 p.s.f.	▲
Concessions	Falling	▼

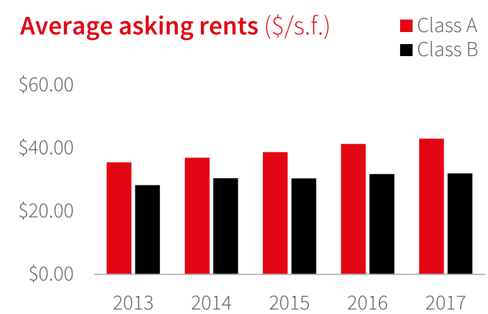
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Louisville

Class A product drives activity in third quarter

- EY expanded by 20,000 square feet at 400 W Market for its 110-person support center
- PNC Plaza was assigned to a special servicer after anchor tenant PNC vacated due to its consolidation to PNC Tower (fmr. National City Tower)
- Two speculative projects slated for the busy Northeast corridor were announced in the third quarter totaling 110,000 square feet

While the overall market struggled to make up for space left vacant by corporate consolidations, the Class A market continued to perform well in both the suburbs and the CBD. The CBD was the beneficiary of a national site selection win for EY's support center. The suburbs notched a big win as Norton Healthcare moved its human resources department from Norton's downtown campus to Plaza I building at 9500 Ormsby Station Road. Both leases signify demand for both suburban and urban product within the market as well as the growth taking place in Louisville.

The Northeast portion of Louisville has experienced unprecedented office development in the last few years and is showing no signs of slowing down. VKH Venture LLC filed plans to construct a 60,000-square-foot, two-story office building at 12620 Plantside Drive. Additionally, Schulte Hospitality Group recently filed plans for a 54,000-square-foot building at The Old Henry Crossing development. Schutte Development also sold the 67,000-square-foot Plaza III building for $7.8 million to Realco LLC of West Virginia.

Outlook

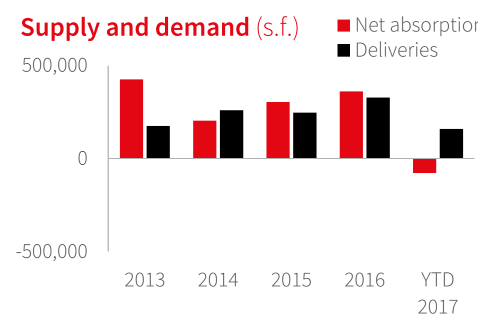
While PNC and Humana's consolidations in the market have softened fundamentals in the short-term. Their contractions provide a unique opportunity for tenants in the market to occupy large blocks of quality space. Due to positive macroeconomic conditions and growth within the market, we project the market will gradually tighten in the next one to three years.

We expect rents to remain steady in the near term until currently vacant space is occupied and landlords begin dialing back concessions. Construction will remain focused to the northeast corridor as developers look to capitalize on the East End Bridge and growing population.

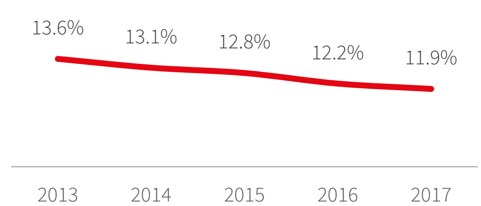
For more information, contact: Ross Bratcher | ross.bratcher@am.jll.com

Fundamentals		Forecast
YTD net absorption	-77,519 s.f.	▲
Under construction	100,000 s.f.	▲
Total vacancy	11.9%	▲
Average asking rent (gross)	$17.73 p.s.f.	▼
Concessions	Falling	▼

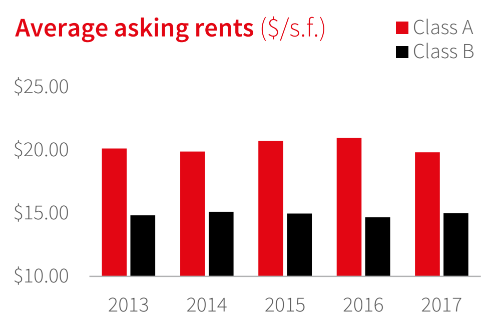
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Marin/Sonoma

A rise in buyer interest positions Marin/Sonoma for growth

- Marin/Sonoma's proximity to San Francisco continues to attract tenants looking to maintain a strong employee base while managing lower real estate costs
- Tenants are being priced out of Southern Marin County as high watermark deals are closing between $51.00 PSF and $63.00 PSF full service

In Marin County, tenants are being priced out of the southern end, causing a shift in demand towards San Rafael, Novato and Petaluma. As a result, Northern Marin County is positioned for growth due to the spillover and tightening southern markets.

Leasing activity was driven by ExecRanks' move into 46,000 square feet at Hamilton Landing in Novato. Lease renewals continue to dominate the Southern Marin market with tenants like Redwood Trust (20,000 square feet at Belvedere Place, Mill Valley) and Aperio Group (15,000 square feet at Harbor Way, Sausalito). In Sonoma County, there have not been any sizeable lease transactions to note. However, there are multiple 10,000 to 20,000 square-foot requirements that are due to ink before the years end. There has been a noticeable increase in activity in the market from the second quarter of this year.

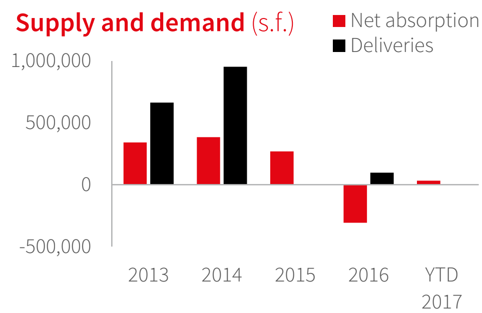
Notable capital markets transactions include the purchase of the West America Bank building in Santa Rosa by 851 Irwin Street LLC for $187 per square-foot, and 1107 Grant LLC's purchase of the Ace Hardware building in Novato for $130 per square-foot. The buyer plans to redevelop the project into a mixed-use development consisting of commercial space and multi-family housing.

Outlook

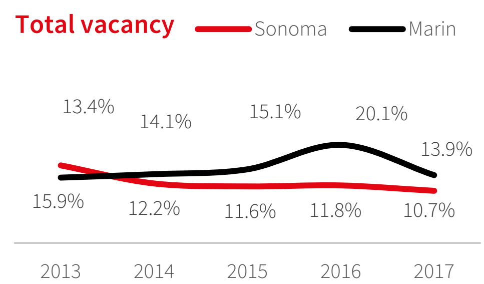
The Marin/Sonoma office market should continue to see growth with a rise of buyers in the area with stabilized occupancies in value-add buildings. In addition, the area's booming residential market, coupled with plans to extend the SMART train, should increase demand for the remainder of the year.

Fundamentals	Forecast	
YTD net absorption	32,579 s.f.	▲
Under construction	80,000s.f.	▶
Total vacancy	10.7%	▼
Average asking rent (gross)	$28.68 p.s.f.	▲
Concessions	Stable	▶

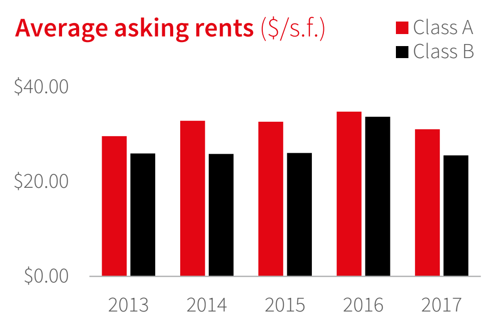
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



For more information, contact: Katherine Billingsley | k.billingsley@am.jll.com

Miami-Dade

Miami-Dade office market continues its rebound after a slow 2016, led by the suburban markets

- Class A suburban markets have absorbed 2.2 percent of total inventory, primarily in Coral Gables
- The Miami Airport submarket saw the completion of the first new office building since 2010
- Leasing activity continues to decline, but the pipeline remains healthy with roughly 2.5 million square feet of tracked active tenant requirements

After an uncharacteristically slow year, the Coral Gables Class A market has rebounded with year-to-date absorption of 130,000 square feet – this puts that segment of the market on pace to match or surpass figures seen from 2012 to 2015. Coral Gables is helping propel absorption gains in the suburban markets as activity within the CBD (Downtown in particular) has been muted so far this year. While Miami's Class A space has performed strongly relative to the overall market in 2017 (rents have increased 3.5 percent year-over-year and tenants have taken occupancy of 2.2 percent of total stock year-to-date), the Class B segment of the market has suffered due to efficiency trends and a flight to quality. A prime example of this would be the relocation of Atkins Global. They previously occupied 93,000 square feet in a Class B asset but relocated to the newly completed 800 Waterford, where the company downsized to approximately 25,000 square feet.

This trend is likely to continue as well. While we are tracking a respectable 2.5 million square feet in tenant tours, many tenants are in the market for less space than they currently occupy, which could lead to negative absorption. Additionally, total leasing activity has been trending downward consistently on a quarterly basis since 2015. Average lease sizes have also declined from approximately 4,200 square feet in 2015 to 3,600 square feet so far this year.

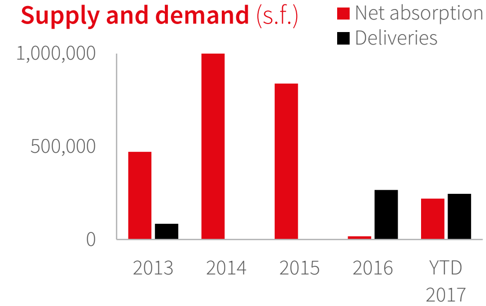
Outlook

This continued move to efficient, higher quality space should manifest itself in the new product coming online over the next few months, particularly the properties at Miami Central. With few new-to-market tenants in Miami, demand captured by new development can potentially have adverse effects on Class B product and older Class A space. However, with Class A rents still rising to record highs, cost-sensitive tenants can find opportunities outside of new development and Trophy product.

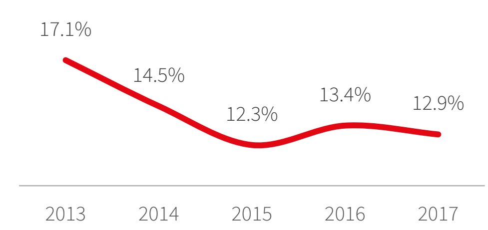
For more information, contact: Marc L. Miller | marcl.miller@am.jll.com

Fundamentals	Forecast
YTD net absorption	220,135 s.f. ▲
Under construction	714.944 s.f. ▶
Total vacancy	12.9% ▼
Average asking rent (gross)	$37.36 p.s.f. ▲
Concessions	Stable ▶

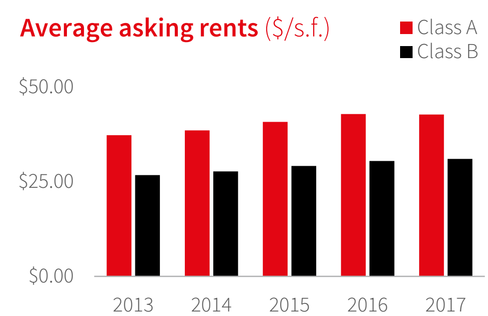
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Milwaukee

As office construction begins to ramp up, where will the leverage fall?

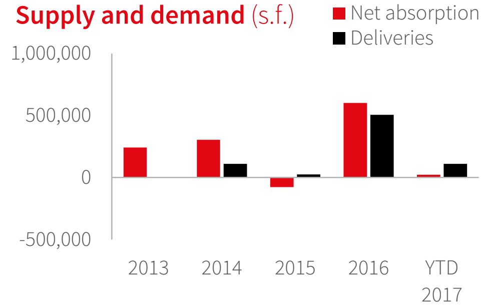
- Vacancy ticks up as Johnson Controls officially consolidates their 120,000 square foot space in Glendale, yet net absorption for the year remains positive
- Average class A rates increase QoQ, but not enough to offset a slight decline in class B – resulting in an overall downtick for the market
- Irgens purchased the BMO Harris tower and will soon start work on demolishing the existing parking structure to make room for their 360,000 square foot office tower to begin this year

Fundamentals	Forecast
YTD net absorption	21,871 s.f. ▲
Under construction	159,149 s.f. ▲
Total vacancy	17.1% ▶
Average asking rent (gross)	$19.99 p.s.f. ▲
Concessions	Stable ▶

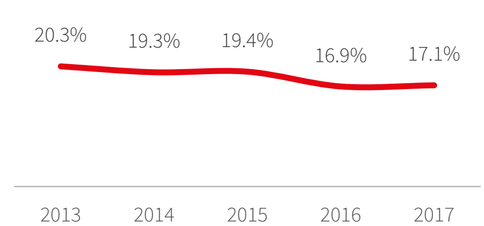
With leasing activity taking a dip in recent quarters, new developments bringing additional space Downtown and large Landlords new to the market ready to make deals, market leverage may be headed in the direction of the tenant. While concessions have remained rather stable, the third quarter brought both a 0.4 percent increase in market vacancy and a decrease in average overall asking rates by $0.14. Coupled with the fact that nine of the 11 skyline buildings in Milwaukee have at least one full floor available, and that Irgens with start work on a brand new office tower totaling 360,000 square feet, and the environment is surely there for the shift.

In fact, a modest group of firms have seemed to be sticking to short-term renewals, though the recent surge in activity for Milwaukee has everyone in commercial real estate closely watching how things will develop. Still, as the city enters unprecedented (in recent memory) territory in terms of both public and private investment, it would appear all eyes are fixed on both the "what's next" and the "how long with it last".

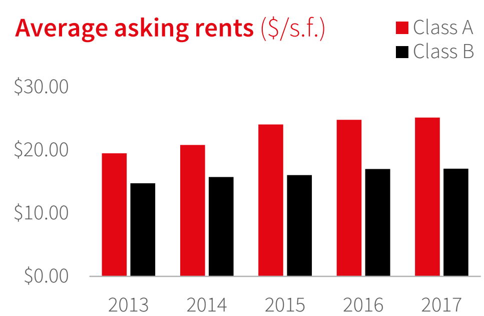
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Outlook

We must not confuse the fact that some tenants may be playing the wait-and-see game with a turning point in the activity Milwaukee is seeing. In reality, we are just starting to see some of those ambitious projects coming to fruition, and the market will continue to change as these deliver. We still expect absorption to grow by the end of the year and vacancy and asking rates to remain rather stable. While we may not be seeing the same flow of proposals we saw in 2016, we are seeing what actually matters – shovels hitting dirt. Over 500,000 square feet of office will be coming online by 2019, and tenants with upcoming expirations have to heavily consider whether they want to renew and reengage the market at a later time or look at what a re-branding of their real estate identity can mean for their firm, employees, and clients.

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Minneapolis - St. Paul

Under construction multi-tenant office is 6.5 percent of total Minneapolis CBD Class A inventory

- Law firms overtake tech in total year-to-date leasing volume.
- Speculative new construction adds to the steady supply of repurposing projects seen so far this year.
- Multiple large users slated for fourth quarter occupancy.

Legal services was the most active industry in 2017. Law firms leased a collective 131,000 square feet in the third quarter and accounted for nearly a fifth of all large leases signed. Year-to-date, demand from law firms has been outpacing tech user demand which has fallen to second-most active sector. Banking and financial services are third in terms of total number of signed leases. Each of these three sectors signed a respective total of 250,000 to 300,000 square feet of leases in 2017. The Southwest submarket captured the largest volume of signed leases this quarter, many of which included renewals. Eighty percent of the active office requirements in the market are focused on the Minneapolis CBD or Southwest submarkets with a near-even split of total square feet required.

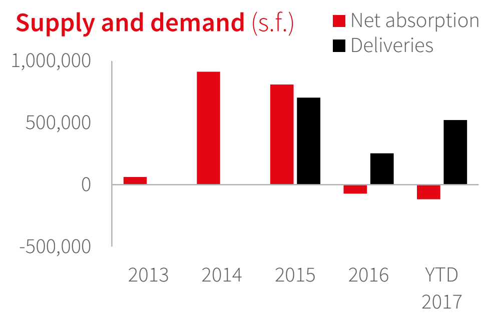
Two new speculative office projects broke ground this quarter: United Properties' The Nordic, a ten-story mixed-use building in the North Loop submarket and Ackerberg Group's MoZaic East located in the Uptown neighborhood of Minneapolis. The 601W Companies' repurposing of the former Macy's is underway as The Dayton's Building. The Dayton's Building makes up 800,000 square feet of the total 1,095,784 square feet of renovations that recently commenced. Minneapolis CBD's Class A office will experience the greatest impact to inventory upon completion of these projects, expanding the existing stock by 6.5 percent.

Outlook

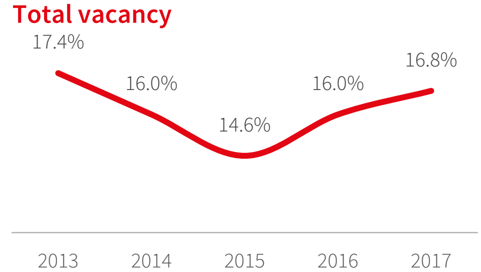
Multiple large users will occupy new space next quarter including Select Comfort and Amazon, both over 100,000 SF in the Minneapolis CBD. Select Comfort is relocating from Plymouth in the West submarket and Amazon is a new office user in the market. Stinson Leonard Street will also take occupancy of 105,000 SF in Fifty South Sixth Street, relocating from the Fifth Street Towers. New deliveries for 2017 represented 1.7 percent of the Minneapolis CBD's overall building stock. Many office projects underway are not expected to deliver until early 2019.

Fundamentals		Forecast
YTD net absorption	-116,841 s.f.	▲
Under construction	1,766,057 s.f.	▶
Total vacancy	16.8%	▼
Average asking rent (gross)	$26.52 p.s.f.	▲
Concessions	Stable	▶

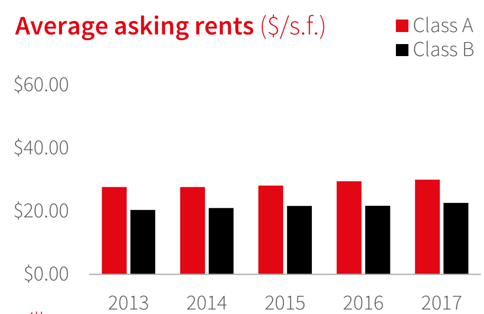
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



For more information, contact: Carolyn Bates | carolyn.bates@am.jll.com Or Tyler Hegwood | tyler.hegwood@am.jll.com

Napa/Solano

Tightening markets cause a shift in demand, benefitting tertiary submarkets

- Tenants are being priced out of Downtown Napa into South Napa due to re-positioning of ground floor office space to retail
- Solano County is poised for growth as neighboring markets tighten
- New retail and hotel deliveries in the next 12-24 months will add additional appeal and value to the region

Market activity in Napa/Solano Counties was moderate during the summer. The repositioning of Downtown Napa assets into retail or mixed-use has taken some office product off the market. In turn, demand has shifted to North Napa and other surrounding markets. Third quarter absorption was highlighted by Constellation Brands' 26,951 square-foot lease at Gateway Road East. Quality office space blocks greater than 5,000 square feet are limited, creating a challenge for larger users touring the market. Overall vacancy in South Napa dipped to 5.0 percent from 7.7 percent at mid year.

Touring activity in Solano County increased during the third quarter. Construction is well underway at Partnership Healthplan's 104,000 square-foot Class A office project, set to deliver during 2018. The company is expanding into two-floors and will release the remaining full floor to the market, in which medical-related tenants are actively touring. Additionally, housing construction in Green Valley near freeway access and amenities has created an attractive environment, helping position the area as a viable overflow market for surrounding Bay Area markets.

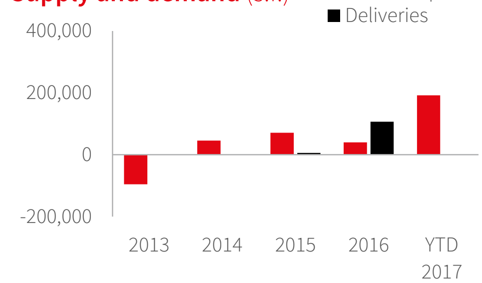
Outlook

The outlook for the remainder of 2017 is positive. The ongoing construction of additional local amenities is adding appeal and value to the area. The largest of these mixed-use re-development projects is First Street Napa, which includes the five-story, 183-room Archer Hotel that will open in October. The hotel will anchor a mixed use development of 40 shops and restaurants, the first of which will open in spring, 2018.

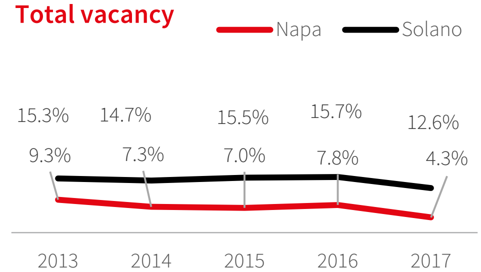
For more information, contact: Katherine Billingsley | k.billingsley@am.jll.com

Fundamentals	Forecast	
YTD net absorption	192,221 s.f.	▲
Under construction	104,000 s.f.	▶
Total vacancy	10.0%	▼
Average asking rent (gross)	$24.48 p.s.f.	▲
Concessions	Stable	▶

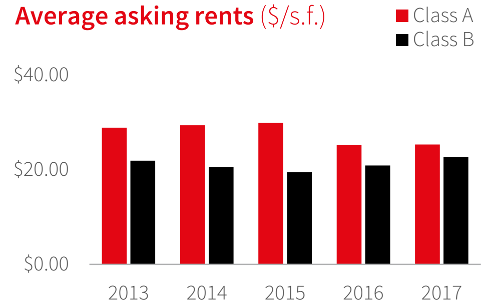
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Nashville

Cranes continue to increase core density and vacancy goes down… again!

- Office vacancy decreased by 42 basis points – reversing the trend of the previous three quarters.
- Rent continues to rise, growing 1.1 percent from $25.48 to $25.77.
- Over 1.0 million square feet of new product delivered in Q3 – more than doubling the amount supplied in 2017 over the past two quarters.
- Q2 net absorption climbed to 634,611 square feet, shifting 2017 net absorption from -159,650 square feet in Q2 to 537,401 square feet in Q3.

A 42-basis-point decrease in vacancy and a 110-basis-point increase in asking rental rates are signs of a sustained landlord-favorable office market. Total vacancy declined from 8.6 percent in Q2 to 8.2 percent in Q3. This decrease in vacancy can be understood through this quarter's absorption activity. Nashville witnessed a sizable boost in absorption for the first time this year – chiefly due to the deliveries of 200 4th Avenue and 222 2nd Avenue. Bridgestone leased the entire 514,000-square-foot building from Highwoods Properties, and Hines & CB Ragland's 391,000-square-foot building delivered 72.5 percent pre-leased. As a result of this high absorption, vacancy declined for the first time in three quarters. This downshift in vacancy returns Nashville's occupancy back to the dominant trend for this real estate cycle.

Music City's uptick in rent is chiefly due to the delivery of new product at higher rates. Asking rents in the West submarket increased 9.7 percent as a result of the delivery of Stocking 51, which is a mixed-use redevelopment in the Nations. This cycle, developers have achieved the highest asking rents in the city's history. The year-to date asking rate for deliveries is $35.26, and as new product delivers, rental rates will continue to push the market's rent ceiling.

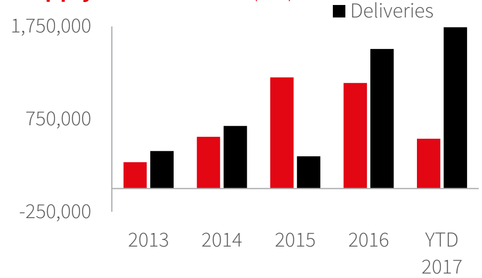
Outlook

Nashville's growth is fueled by a booming tourist economy and business-friendly local government. Efforts to increase density in the urban core have been successful. In fact, Downtown vacancy is the lowest it's been in 15 years, and vacancy rates are 110 basis points lower in the urban core compared to the suburbs. With many large corporations circling Nashville as a potential home for their corporate headquarters – and countless startups and entrepreneurial companies taking a closer look at the city, the vibrancy of the urban submarkets will provide a dynamic, growth-centered environment.

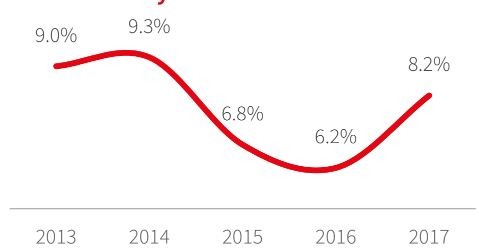
For more information, contact: Craig Van Pelt | craig.vanpelt@am.jll.com

Fundamentals	Forecast
YTD net absorption	537,401 s.f. ▲
Under construction (new)	1,526,088 s.f. ▼
Total vacancy	8.2% ▶
Average asking rent (gross)	$25.77 s.f. ▲
Concessions	Rising ▲

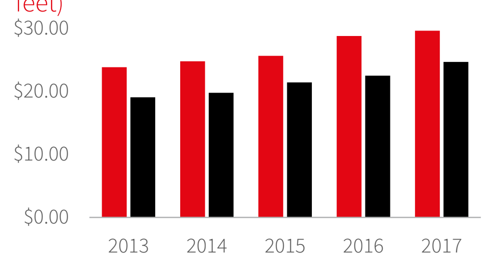
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/square feet)



New Jersey

Overall office vacancy rate mired below 25.0 percent as quarterly leasing volume at eight-year low

- Office leasing velocity remained constrained during the third quarter, with only 1.4 million square feet of completed transactions
- Most of the year-to-date office demand was generated by smaller-sized leases, which struggled to pull the vacancy rate significantly lower
- Class A sublease space approached 5.0 million square feet, but still accounted for less than 20.0 percent of total Class A availabilities

Restrained leasing volume had overshadowed the Northern and Central New Jersey office market during the first half of 2017. This trend continued into the third quarter, as only 1.4 million square feet of leases were completed. This figure brought year-to-date leasing velocity to 5.1 million square feet, which still represented a nearly 50.0 percent decline from the same timeframe one year ago. Furthermore, most of the current demand had been fueled by smaller-sized leases, rather than 100,000-square-foot plus transactions needed to put a significant dent in the office vacancy rate. Against this backdrop, the Northern and Central New Jersey overall office vacancy rate ticked down to 24.5 percent compared to 24.6 percent at mid-year. Yet, the vacancy rate remained 50 basis points higher from one year ago.

The Northern and Central New Jersey Class A office market was kept in check during the third quarter as additional sublease space countered demand. Approximately 4.9 million square feet of Class A space was available for sublease compared to 4.4 million square feet marketed in mid-2017. More than 20.0 percent of this space was concentrated in the Parsippany Class A office market. The largest block of sublease space to impact this submarket during the third quarter involved 173,150 square feet placed on the market by The Medicines Company at 8 Sylvan Way in Parsippany.

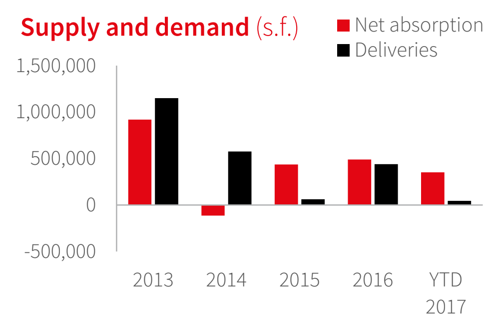
Outlook

Barring a surge in demand during the final three months of 2017, the office market is on pace to post approximately 7.1 million square feet of signed leases for the year. This would be in stark contrast to the 12.9 million square feet of transactions completed in 2016. Despite this deceleration, leasing velocity is anticipated to recover in 2018, as more than 4.4 million square feet of tenant requirements were navigating the office market.

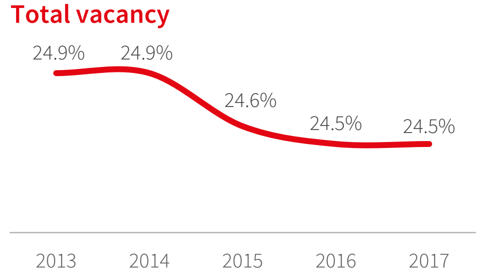
For more information, contact: Stephen Jenco | steve.jenco@am.jll.com

Fundamentals	Forecast	
YTD net absorption	351,249 s.f.	▲
Under construction	447,732 s.f.	▶
Total vacancy	24.5%	▼
Average asking rent (gross)	$26.74 p.s.f.	▲
Concessions	Stable	▶

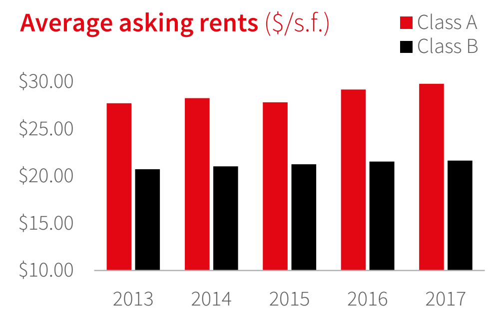
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



New York City

Continued demand on the West Side pushes leasing higher and vacancy lower; asking rents remain stable

- West Side demand continued, as major commitments at Hudson Yards/ Manhattan West drove leasing activity higher and vacancy lower.
- Despite strong activity, Manhattan overall asking rents rose by less than 1.0 percent year over year, mainly the result of new construction.
- The financial services sector finally recovered all jobs lost in the recession.

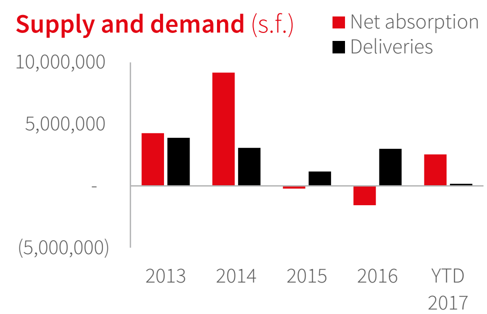
Focus remained on Manhattan's West Side through the third quarter as major commitments from some of America's largest technology, financial services and consulting firms drove leasing activity higher and vacancy lower. Manhattan Class A vacancy fell to 10.5 percent from 11.2 percent in June. In the top lease of the quarter, BlackRock will relocate from the Plaza District to anchor 850,000 square feet at 50 Hudson Yards. Nearby, Amazon will take the last large block of space at the newly renovated 5 Manhattan West. Accenture will join Skadden at 1 Manhattan West, occupying approximately 250,000 square feet at the currently under-construction tower. Further south, Downtown kept its brisk pace for the year with two large transactions highlighting one of the market's traditional sectors, government, and one of its burgeoning, media. The New York City Housing Authority renewed at 90 Church Street for 461,000 square feet and MacMillan Publishers will move to 120 Broadway in a lease for 260,836 feet. Despite strong activity, asking rents remain flat. Manhattan overall asking rents are up less than 1.0 percent from this time last year, with most of that increase coming from new construction.

Outlook

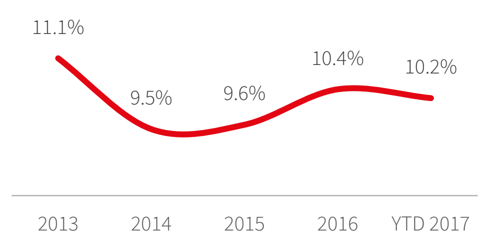
New York City hit a milestone—or returned to one—in the third quarter as financial services employment officially reached its pre-financial crisis level. Although finance jobs grew approximately 1.1 percent year over year, they remain significantly below the all-time high in 1990. Total New York City employment, on the other hand, has soared to an all-time high—and appears on a march higher. Improved tenant efficiency and a shift in growth sectors have weakened demand for commodity office space. Through year-end and into next year, look for a handful of large, high-profile transactions at Hudson Yards/Manhattan West, as the new development's reputation in the market has transitioned from viable to highly desirable over the last 12 months.

Fundamentals		Forecast
YTD net absorption	2,549,304 s.f.	▲
Under construction	14,283,423 s.f.	▲
Total vacancy	10.2%	▲
Average asking rent (gross)	$71.72 p.s.f.	▶
Concessions	Rising	▲

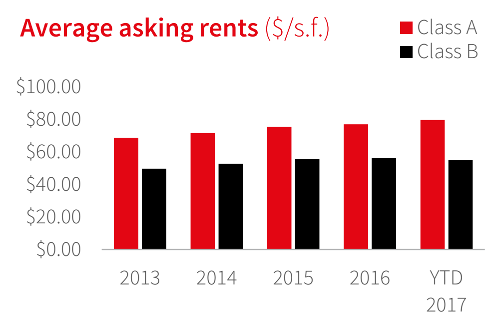
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



For more information, contact: Tristan Ashby | Tristan.Ashby@am.jll.com

Northern Virginia

Metro-served submarkets continue to dominate leasing activity, but growth limited due to budget uncertainty

- A total of 1,276,213 s.f. delivered this quarter, of which 67% is preleased. Looking ahead, 23% of the remaining pipeline for new construction is available, with no additional starts expected this year.
- The Silver Line continues to outperform the overall market, with RB Corridor, Tysons and Toll Road capturing 66% of leases since Q3 2014.
- Growth is highly dependent on more budget clarity - fewest government contractor relocations or new leases > 20,000 s.f. in at least a decade.

Four buildings delivered this quarter, the most since Q4 2013, adding 1,276,231 s.f. of new supply to the market, 67% of which is preleased. Among the new deliveries, 1900 Reston Metro Plaza is the first building to deliver in the Toll Road since 2009 and the first in Reston outside of Reston Town Center with asking rents reaching the $50 p.s.f. threshold. Net absorption remains negative for the year due to a mix of several buildings being removed from supply and limited growth, particularly among the government contracting sector due to federal budget uncertainty. 2017 is on pace to finish with the fewest government contractor relocations or new leases > 20,000 s.f. in at least a decade – a total of 6 YTD vs. a peak of 40 in 2010.

The majority of tenants continue to favor the Silver Line submarkets – RB Corridor, Tysons, and Toll Road. 26 of 37 leases > 20,000 s.f. signed this quarter occurred in those three submarkets, as well as 66% of all leases signed since Q3 2014. Even within these submarkets, however, distance to Metro is key, particularly Tysons. Class A total vacancy within ½ mile of Metro is 15.3% vs. 29.9% beyond 1/2 mile, while class A rents within ½ mile command an 18% premium.

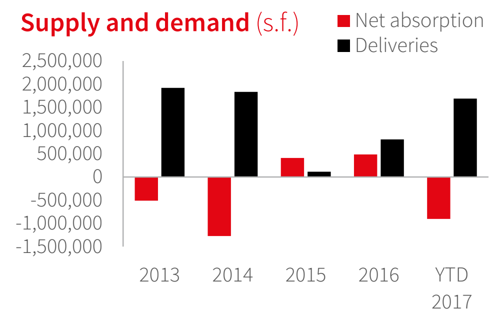
Outlook

More than 1 million s.f. of supply is still available along the Silver Line in either new deliveries this year or in the remaining construction pipeline, giving tenants significant opportunity for new space. However, demand will rely heavily on more budget certainty. The FY18 defense authorization bill, which proposes increased spending levels, has received bipartisan support and will likely lead to increased leasing activity in the market if signed.

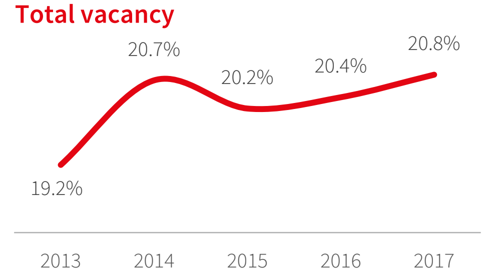
For more information, contact: Michael Hartnett | Michael.Hartnett@am.jll.com

Fundamentals	Forecast
YTD net absorption	-902,602 s.f. ▲
Under construction	3,167,592 s.f. ▶
Total vacancy	20.8% ▼
Average asking rent (gross)	$33.24 p.s.f. ▶
Concessions	Stable ▶

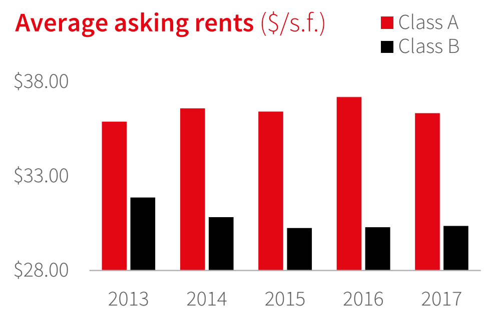
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Oakland CBD

New deliveries will release much-needed space to the market

- Uptown Station is on the market for sale, creating opportunities for both tenants and investors.
- Class A and B rent gap narrows as modern Class B renovations command $57 per square-foot.
- Oakland-CBD vacancy will increase as under construction projects deliver, relieving supply pressures on the market.

Investor interest in Oakland-CBD is strong, fueled by the market's low vacancy and value-add opportunities. Six major office buildings have traded hands this year, totaling $500 million in year-to-date sales volume. Notable trades this quarter include 505 14th St. and 1300 Clay St., which sold to KBS for $432 per square foot. Uber is selling its Uptown Station project, creating opportunities for both tenants and investors, as the project will provide much-needed space for a supply-constrained market.

Oakland-CBD is a relative bargain for San Francisco-based tenants in spite of strong rent growth in recent years. A booming restaurant and bar scene, hundreds of new residential units under construction, and the announcement of a new stadium for the Oakland A's near Lake Merritt make the area attractive to tenants and investors. Average asking rents gained 10.0 percent year-over-year and have tripled in the past five years, averaging $57 per square foot in the third quarter. The gap between Class A and B rental rates is narrowing due to modern renovations in historical Class B buildings.

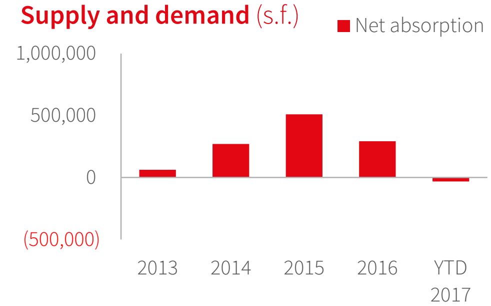
Outlook

Oakland-CBD vacancy will increase during the next 24 months with as much as 1.0 million square feet of new or redeveloped office space set to deliver, not all of which is pre-leased. New deliveries will alleviate supply pressures and could provide lower-cost options for a wide variety of tenants looking to backfill spaces. The higher asking rents for new properties, where landlords are targeting rental rates of $60 to $70 per square foot, will result in higher CBD asking rents.

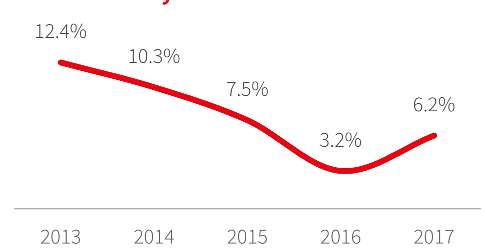
For more information, contact: Katherine Billingsley | k.billingsley@am.jll.com

Fundamentals		Forecast
YTD net absorption	-16,383 s.f.	▲
Under construction	980,000 s.f.	▼
Total vacancy	6.2%	▲
Average asking rent (gross)	$57.96 p.s.f.	▲
Concessions	Stable	▶

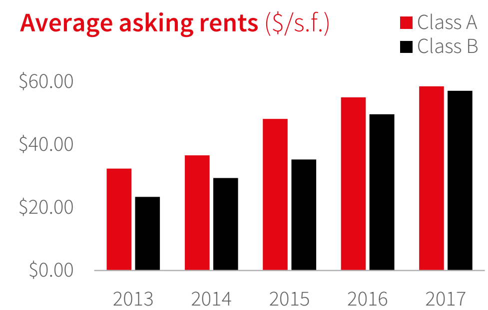
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Orange County

Tenant demand for modern amenities brings new development standards and investor focus

- Flexible office space is growing in popularity, not just for companies to use, but for individuals as well
- Despite sales prices continuing to rise, office sales volume already surpasses 2016 total
- New Class A development activity primarily focuses on low- and mid-rise buildings, much different than the last cycle

As the tenant mix continues to diversify in Orange County, flexible office space is playing a significant role in this change. Including executive suites and co-working operators, there are over fifty flexible office locations totaling approximately 1 million square feet, half of which is located in the Airport Area. Where is this increased demand coming from? Users still include professionals requiring a limited number of private offices and tech startups who need small amounts of space. Tenants are now branching out to include firms leasing as much as 5,000 to 10,000 square feet, and graduate students looking to network. Global companies are getting in on the action as well for employees who seek alternative workspace, while these companies also use this as a way to recruit new talent.

Due to stable vacancy and rising rents, sales volume has picked up. In 2016, volume totaled $1.7 billion, compared to a year-to-date total of $1.9 billion. Average sales price has climbed 12.9 percent to $280 per square foot, with the number of transactions of at least $350 per square foot doubling from four to eight. Although sales prices are on the rise, interest from foreign investors is growing due to many of them getting priced out of other California markets. Value-add opportunities have caught the eyes of investors as buyers look to reposition buildings by adding new amenities that reflect tenant demand.

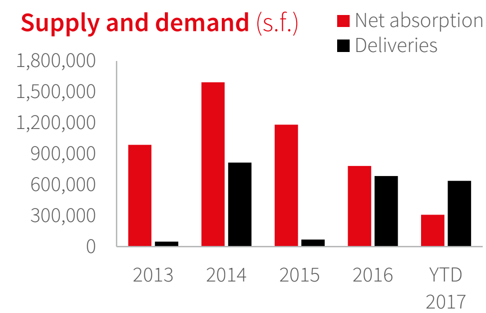
Outlook

The evolution of the local office market is also noticeable based on new development activity. Of the Class A buildings already completed in 2017 and those currently under construction, only one consists of more than 10 stories, compared to six properties delivered in 2007 and 2008. This change in development standards is in response to more tenants gravitating to campus-style buildings and placing heavier emphasis on onsite amenities. These trends will push the market to continue to evolve for tenants and landlords.

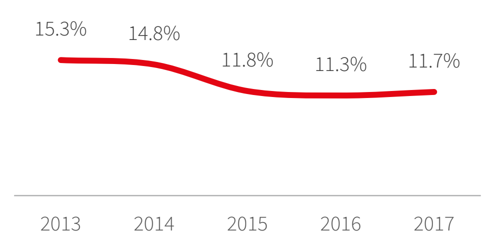
For more information, contact: Jared Dienstag | jared.dienstag@am.jll.com

Fundamentals	Forecast
YTD net absorption	308,271 s.f. ▲
Under construction	2,415,952 s.f. ▶
Total vacancy	11.7% ▶
Average asking rent (gross)	$2.78 p.s.f. ▲
Concessions	Stable ▶

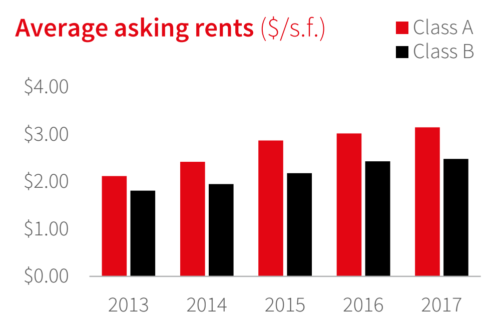
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Orlando

The first new building since 2010 breaks ground downtown

- Speculative construction finally underway in Orlando.
- Capital markets volume should maintain same volume as 2015 and 2016.
- Hard Rock is relocating their HQ to South Florida, which will leave a 60,000 foot block of office space available in Metro West as soon as 2018.

Downtown Orlando is watching the first new office development since 2011 break ground. After several setbacks during preleasing, including the loss of an anchor tenant, Church Street Plaza has reached the 50.0 percent preleasing threshold to obtain lending and start construction. In Lake Mary, TPA Realty Services has started developing Edison at Primera, an office complex that will consist of two 108,000 square foot buildings upon completion. All of this activity is far on the heels of Megastron's Kirkman Point II development, which just leased a floor of space to Lockheed Martin.

Across the suburbs, the market continues to tighten. Direct vacancy has dropped by 20.2 percent year-over-year, while direct availabilities have dropped by 3.8 percent in the same period, as tenants consistently renew on their space. Troublingly, sublease availabilities have increased 201.4 percent year-over-year, as many tenants look to shed excess space and liability.

There have been strong leasing activity this quarter, with over 1.0 million square feet of large deals done. This includes leases signed by CVS, Orange Lake Resorts, Houghton Mifflin, and Liberty Mutual Insurance, totaling 502,000 square feet. 675,695 square feet of this quarter's leasing activity consists of renewals.

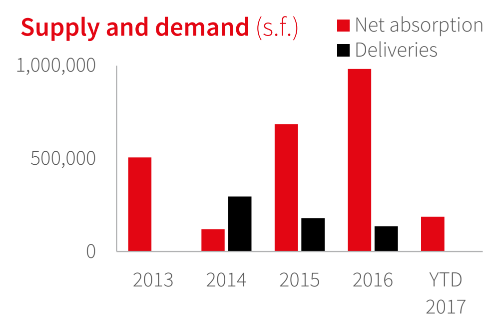
Outlook

Speculative development should remain constant, and more BTS deals should be expected in the next 18 months, as any large tenants in the market make longer term plans. An uptick in net absorption is expected soon, given a current period of low lease roll and substantial BTS and speculative preleasing deals that will commence in the near future.

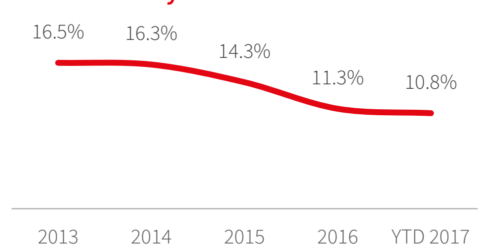
For more information, contact: Will Harding | will.harding@am.jll.com

Fundamentals	Forecast	
YTD net absorption	186,628 s.f.	▲
Under construction	553,800 s.f.	▲
Total vacancy	10.8%	▼
Average asking rent (gross)	$21.60 p.s.f.	▲
Concessions	Stable	▼

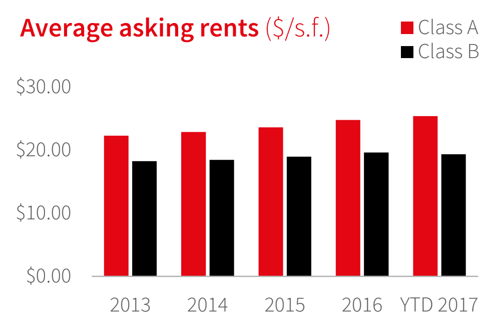
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Philadelphia CBD

Slow and steady conditions prevail in advance of what is likely to be a decisive year for Philadelphia real estate

- Asking rental rates remain above $30 but dropped 2.4% overall from the previous quarter. Leasing of high-end availabilities and a number of large blocks in older Class A buildings contributed to this effect.
- Though positive for the quarter, YTD absorption remains negative due to a slowdown in leasing velocity, including from inbound tenants.
- More than 700,000 square feet of unclaimed Class A space will deliver in the next 12 months. The market must pick up to avoid a spike in vacancy.

The Center City office market remains subdued even as the city and region post their strongest job growth in years and an apartment boom continues unabated. The arrival of new tenants such as FreedomPay and Brandywine Realty Trust, both newly installed at FMC Tower, and the opening of the city's largest MakeOffice at 1635 Market, continue to be offset by contractions. Notably, IBX gave back 80,000 square feet at 1500 Spring Garden, having completed its centralization on the 1900 block of Market Street.

The quarter began with the sale of Centre Square, the CBD's largest office complex. The purchasers, a joint venture of Nightingale Properties and Kuwait-based Wafra, anticipate significant capital investment above and beyond the nearly $400 million they paid for the property. The quarter ended with two major assets up for sale: 1600 Market and 2000 Market. The former is Equity Commonwealth's second-to-last foothold in Philadelphia (along with 1735 Market), and a new owner will need to backfill the void left by PNC's shrinking footprint. 2000 Market is close to fully leased. Other notable sales this quarter including Arts and Crafts Holdings' acquisition of the Callowhill Center, cementing their self-made office micromarket north of Vine Street, and Cohen Equities and Taconic Capital's joint purchase of the remaining office floors at 801 Market Street.

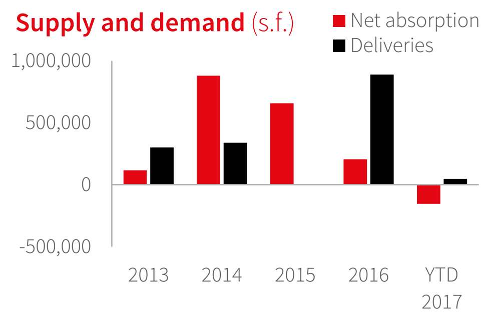
Outlook

The current slow down in CBD office leasing may be a natural ebb in advance of what is likely to be a remarkable year for Philadelphia's CBD market. The arrival of thousands of new Comcast employees will coincide with the delivery of 1 million square feet of retail, over 2,600 new apartments, more than 1,000 hotel rooms, and an additional 1 million square feet of office, much of it as yet unclaimed. Whether tenants and talent respond to this coalescence of investment is a fundamental question that the market is eager to answer.

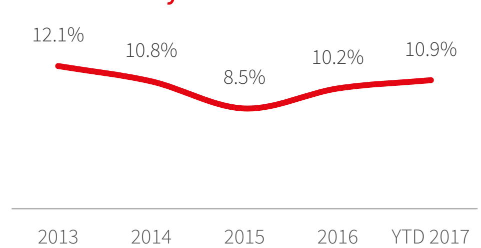
For more information, contact: Clint Randall | clint.randall@am.jll.com

Fundamentals	Forecast
YTD net absorption	-154,473 s.f. ▲
Under construction	2,558,000 s.f. ▼
Total vacancy	10.9% ▲
Average asking rent (gross)	$30.20 p.s.f. ▶
Concessions	Stable ▲

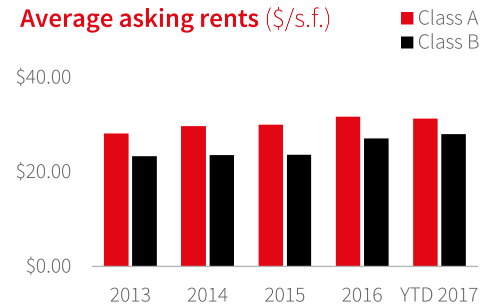
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)

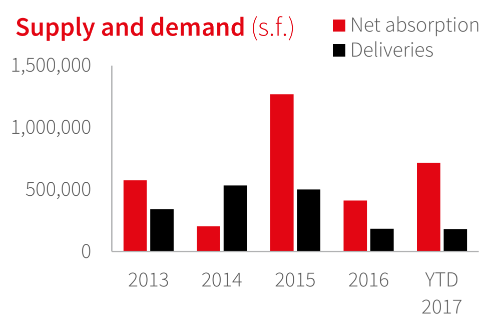


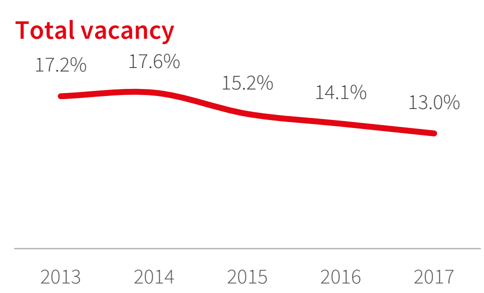
Philadelphia Suburbs

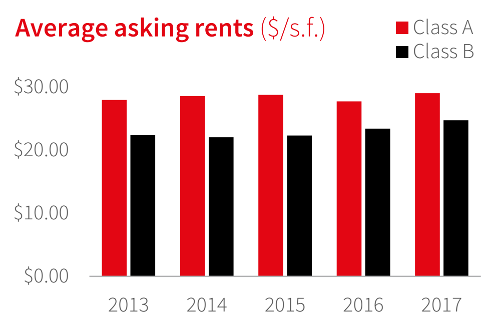
Large leases and limited new construction push PA suburban office rental rates to cyclical highs, vacancy to cyclical lows

- The suburban office market picked up slightly over the second quarter, though leasing and sales activity lag 10 percent and 37 percent from first quarter levels, respectively.
- While overall rent growth is stagnant across the four-county area, key submarkets, including Radnor, Conshohocken, and Bala Cynwyd, are seeing higher asking rental rates as properties reposition themselves and long-occupied buildings offer new availabilities.

Fundamentals	Forecast	
YTD net absorption	716,780 s.f.	▲
Under construction	259,064 s.f.	▶
Total vacancy	13.0%	▼
Average asking rent (gross)	$26.59 (FSG)	▲
Concessions	Stable	▶







The suburbs experienced stronger absorption and more leasing activity than the city throughout the third quarter. Philadelphia Insurance Company's decision to double down in Bala Cynwyd came at the end of an extended search that had multiple locations within the region hoping to land them as a tenant. Workspace Property Trust landed a major new-to-market tenant in Bayview and Lakeview Loan Servicing, which will occupy 73,000 square feet at 507 Prudential Road in early 2018. Over in King of Prussia, Card Connect is renewing and expanding in the wake of its acquisition by First Data with a 45,000 square foot lease at 1000 Continental Drive.

Malvern saw the largest sales transactions of the quarter, with Apex Financial's $73 million acquisition of the Great Valley Corporate Center. Down the road in Devon, Vanguard offloaded 455 Devon Park Drive to E. Kahn Development, which intends to keep the building in use as office space pending Vanguard's departure. The financial giant is both reinvesting in its Malvern headquarters and considering a larger presence in Center City.

Outlook

Office construction remains scarce across the suburbs, equivalent to less than 1 percent of the existing stock. 2017 will see King of Prussia's first new building deliver, Highway to Health's new build-to-suit at 933 First Avenue, while 2018 will bring the first major speculative project in years to Plymouth Meeting/Blue Bell at 785 Arbor Way. With investment focused primarily on redevelopment, a robust list of tenants in the market, and organic growth of existing firms, it is likely that suburban fundamentals will stay strong through year's end and into 2018.

For more information, contact: Clint Randall | clint.randall@am.jll.com

Phoenix

Growth slows considerably in the third quarter

- Third quarter absorption totaled 175,508 square feet, the lowest quarterly net absorption since Q2 2014
- Average asking rent inched up 0.4 percent from the previous quarter, and a 4.5 percent increase from one year ago
- Approaching the 18th consecutive quarter of positive net absorption, which would be the longest expansion recorded in the Phoenix market

Since 2013, the Phoenix market has absorbed an average of 563,685 square feet per quarter. Absorption slowed significantly in the third quarter of 2017, recording only 175,508 square feet. This is the lowest quarterly absorption since the second quarter of 2014, when 111,032 square feet was absorbed. And partly due to the fact that State Farm Insurance vacated 232,805 square feet at its former campus in the Airport Area submarket. Other lease commencements in the third quarter include:

- Nationwide Insurance: 54,338 s.f. at 9165 E Del Camino (Central Scottsdale)
- CSAA Insurance: 51,411 s.f. at 2411 W Peoria Ave (Northwest Phoenix)
- Web.com: 36,503 s.f. at 1355 N Scottsdale Rd (South Scottsdale)

The average asking rent in Phoenix increased just 0.4 percent from the previous quarter, down from the average growth rate of 1.4 percent per quarter since 2013. Moreover, average rents in some submarkets have actually decreased slightly from Q2 2017 as landlords try to become more competitive. Camelback Corridor commands the most expensive asking rent in the Valley at $31.22, up 4.5 percent from the one year ago and more than 23 percent higher than Phoenix overall.

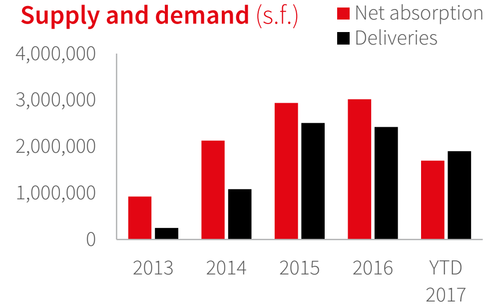
Outlook

Although absorption slowed slightly in the third quarter, it is still the 17th straight quarter of positive net absorption. From Q3 2013 to Q3 2017, more than 10.8 m.s.f. of office space has been absorbed in Phoenix. This is 9.0 percent higher than the 9.9 m.s.f. of absorption recorded from Q3 2003 to Q3 2007, the largest absorption growth period prior to the current cycle. Phoenix is projected to reach 18 straight quarters of expansion in the fourth quarter. Led by large move-ins from Alaska USA Federal Credit Union (185,000 s.f.) and Wells Fargo (109,412 s.f.), positive net absorption is expected to surpass 350,000 s.f. in the fourth quarter of 2017. Barring any major move-outs, Phoenix should exceed 2.0 m.s.f. of absorption for the fourth year in a row.

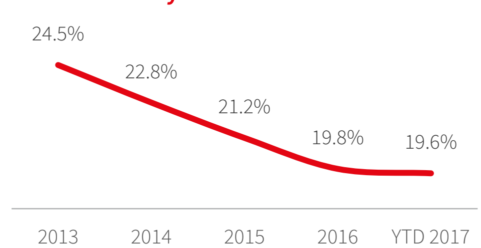
For more information, contact: Keeley Byer | keeley.byer@am.jll.com

Fundamentals	Forecast
YTD net absorption	1,697,650 SF ▲
Under construction	1,475,812 SF ▶
Total vacancy	19.6% ▼
Average asking rent (gross)	$25.30 PSF ▲
Concessions	Falling ▼

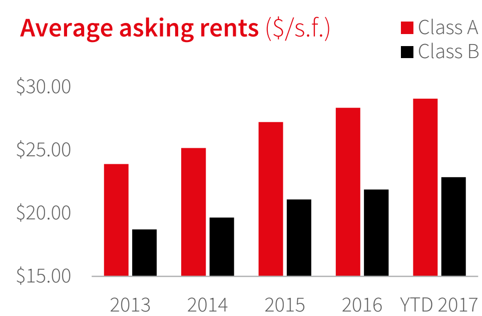
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Pittsburgh

The Pittsburgh Robotics Revolution charges forward, but keep an eye on healthcare and how it all connects

- Robotic company leasing activity picks up steam in the third quarter, with over 90,000 square feet signed.
- UPMC looks to expand in the CBD not long after being chosen as one of three providers for Pennsylvania's new managed care program.
- To thrive in Pittsburgh's competitive talent market, companies will need to make strategic real estate decisions that invest in human capital.

A major driver of leasing activity in the third quarter came from the robotics and technology industries. Carnegie Mellon University was announced to be taking around two-thirds of the 95,000-square-foot Mill 19 building, within the Almono brownfield development site, for their Advanced Robotics for Manufacturing Institute. In the Fringe, Argo AI signed a lease for 65,000 square feet at Oxford Realty's 3Crossings, while Wombat Securities is set to backfill Argo AI's 23,850 square feet in the Crane Building. Total net absorption decreased this quarter due to several large Class A blocks becoming available in the Fringe and CBD in spite of the increased tech sector activity. Even with these new options, total Class A vacancy within the Fringe and CBD submarkets is still below 15.0 percent.

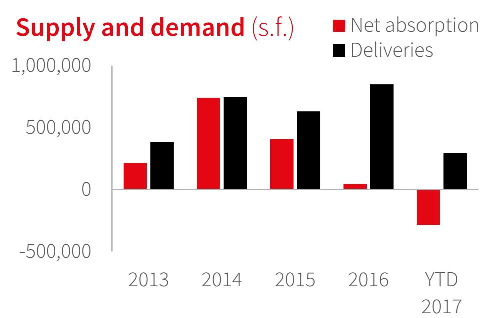
Outlook

The University of Pittsburgh Medical Center (UPMC), the number one employer in the state of Pennsylvania by number of employees, was chosen this year as one of three providers for the state's new Community HealthChoices managed care program. UPMC is now looking to expand their office presence in Pittsburgh. In 2017, The University of Pittsburgh received over $476.9 million in funding from the National Institutes of Health (NIH) with annual R&D expenditures at approximately $861.2 million. As healthcare and technology become synonymous, having two top ranked universities in both categories like the University of Pittsburgh and Carnegie Mellon University positions Pittsburgh favorably for growth in the life sciences industry. Tenant demand from diverse industries will help drive future investment in Pittsburgh forward, however, it will be the top end office product and creative office alternatives that will continue to draw the most attention. Older inventory will need to adjust to accommodate the needs of companies looking to contend in Pittsburgh's competitive labor market.

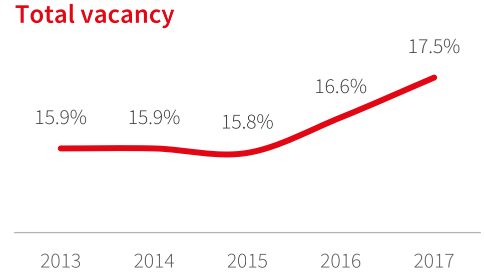
For more information, contact: Tobiah Bilski | tobiah.bilski@am.jll.com

Fundamentals		Forecast
YTD net absorption	-287,186 s.f.	▼
Under construction	474,274 s.f.	▲
Total vacancy	17.5%	▲
Average asking rent (gross)	$23.46 p.s.f.	▲
Concessions	Stable	▶

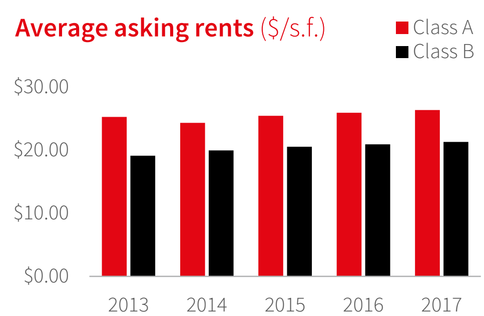
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Portland

CBD is still the place to be

- Demand bounced back after a flat first half of the year. Q3 saw over 300,000 square feet of positive net absorption, with over 2/3rds coming from CBD Class A
- Vacancy is up 90 basis points year-over-year, as new construction deliveries outpaced demand
- Overall rents are down $0.09 quarter-over-quarter due to Class A space being taken off the market by tenants trading up from Class B space

It's business as usual for Portland's office market. After a tepid first quarter, Q2 absorption pushed year-to-date absorption into positive territory and Q3 demand put Portland back on track for a normal year. Large lease commencements by the City of Portland and a large web services company resulted in over 220,000 square feet of positive net absorption in Class A space in the CBD, taking the year-to-date total to just under 260,000 square feet.

On the supply side, no new developments started this quarter while a handful of smaller projects delivered. New deliveries saw strong pre-leasing, with Under-Armour's build-to-suit, the Pettygrove Building and Stanley Black & Decker's new space bringing over 130,000 square feet of fully leased space to the market.

Office sales soared this quarter, with the number and amount of sales above $10 million nearly doubling to over $858 million. Given the properties currently on the market, which include the Wells Fargo Center, CH2M Center, Customs House and AdTech II, 2017 might very well surpass last year's post-recession high volume of $1.15 billion.

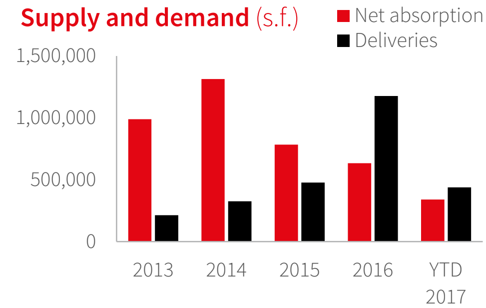
Outlook

We've seen surging office rents for the better part of 5 years in Portland. But we should see a general slowdown in rent increases towards more sustainable levels as new developments start to deliver through the end of 2018, with new construction pricing already being factored into current asking rates. A number of medium sized projects are waiting in the wings, particularly in the Close In Eastside, and with a few large leases in new construction rumored to be close to signing, these proposed projects should keep the pipeline full through 2019.

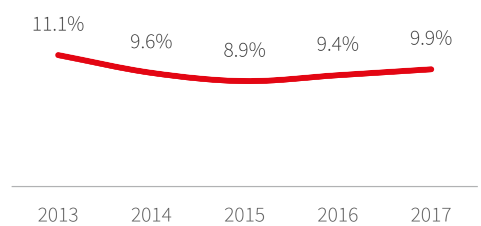
For more information, contact: Tim Harrison | tim.harrison@am.jll.com

Fundamentals	Forecast
YTD net absorption	339,845 s.f. ▲
Under construction	1,699,110 s.f. ▲
Total vacancy	9.9% ▲
Average asking rent (gross)	$28.22 p.s.f. ▶
Concessions	Stable ▶

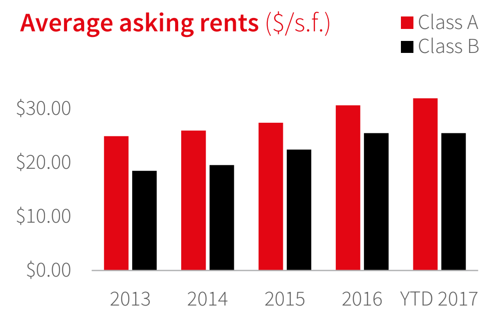
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Raleigh-Durham

Raleigh-Durham goes for gold in 2017 – Tech will get it there

- New deliveries are averaging a pre-lease rate of 69.4 percent, contributing to the positive absorption the market has seen.
- Class B rents are picking up the pace, growing 5.5 percent over the last year.
- Confidence keeps growing in the local economy; Raleigh-Durham has added over 28,000 jobs this year alone, and more than 26,000 people have entered the labor force.

Raleigh-Durham is growing like gangbusters, and all signs point to a record-setting year. Leasing activity is at a ten-year high, reaching 3.1 million square feet. True to form, much of the leasing activity is driven by technology tenants. Local startup Pendo, on a roll raising $56 million in three rounds of funding in two years, is taking two floors in Downtown Raleigh's Wells Fargo Capitol Center. The announcement comes on the heels of the company's first acquisition and positions Pendo for future expansion opportunities. Infosys, India's second-largest IT company, is leasing 60,000 square feet at Legacy at Brier Creek. In the long run, the company will expand to accommodate 2,000 employees at the new technology and innovation hub.

And it's not all traditional office tenants. Co-working and flexible office spaces are on the rise. BioLabsNC opened a 42,000 square foot space in Downtown Durham, offering shared lab and office for biotechnology startups. Co-working giant WeWork is taking advantage of the region's explosive growth, announcing its first Raleigh location at One Glenwood. The company has preleased 81,000 square feet. These additions are the latest in a series of flexible office operators to open in Raleigh-Durham, piggybacking on the local technology and entrepreneurial growth.

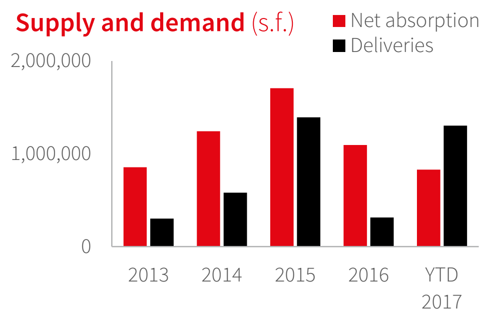
Outlook

We're going to call it and say Raleigh-Durham average asking rents will hit the $23.00 mark by the end of 2017. Class B assets broke the $19.00 mark, and Class A asking rents, now $26.20 per square foot, continue to hit new highs. The vacancy rate is down and likely to remain stable through the end of the year despite the slew of new deliveries.

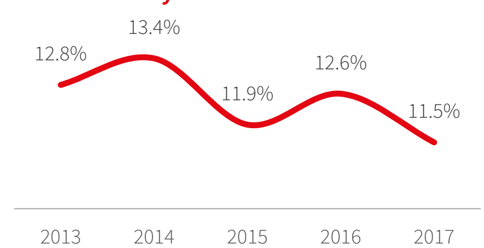
For more information, contact: Ashley Rogers | ashley.rogers@am.jll.com

Fundamentals	Forecast	
YTD net absorption	830,194 s.f.	▲
Under construction	1,981,090 s.f.	▼
Total vacancy	11.5%	▶
Average asking rent (gross)	$22.65 p.s.f.	▲
Concessions	Stable	▶

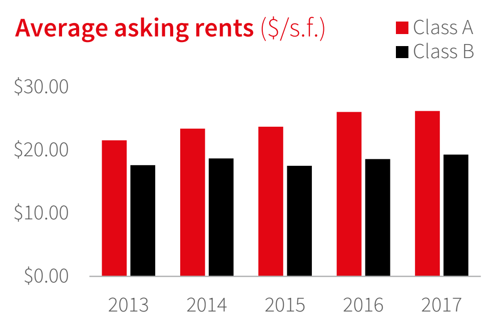
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Richmond

Limited new supply and pending move-ins to drive overall vacancy under 10 percent by early 2018

- Office sale volume tapered due to few assets on market meeting investor return requirements, profile, and pricing
- Space demand in urban submarkets remained high, but little quality product at market rates to meet demand
- All office product under construction has been fully preleased or owner-occupied.

Significant lease transactions signed late 2016 and early 2017 impacted occupancy levels in the third quarter. Virginia Premier, the health plan administrator for VCU Health Systems, took occupancy at Liberty Plaza in Innsbrook and absorbed 135,375 square feet of space vacated by Capital One last year. In the CBD, ICMA-RC opened their 55,491-square-foot office at Riverfront Plaza, nearly a year after the lease was signed late 2016. Both moves contributed the bulk of the net absorption year to date.

Pending move ins were on the horizon as well. In the suburbs, SunTrust Bank will consolidate their suburban portfolio to Westmark I and II next quarter, absorbing over 230,000 square feet of vacant Class A and Class B space in the Innsbrook submarket. Indivior, a pharmaceutical firm, renewed and expanded at the Fairfax Building in the Midlothian Corridor and will eventually occupy over 106,412 square feet(a 49.5 percent footprint growth) over the next two years as their floors are restacked. In the CBD, Owens & Minor's 91,400 square-foot "customer engagement center" was under renovation at Riverfront Plaza-East Tower and will be ready for occupancy in the first quarter of 2018. Thomson Reuters also penned a lease for 9,300 square feet in the neighboring tower (Riverfront Plaza-West), their first office in the Richmond metro.

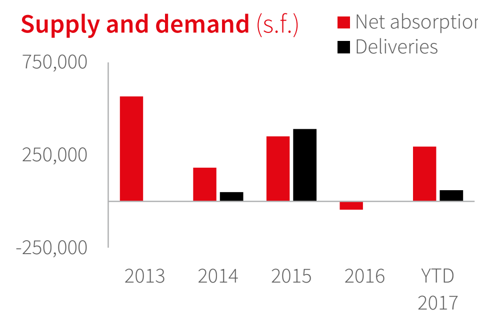
Outlook

A substantial pricing gap between existing rates and new construction will keep the supply pipeline limited to a handful of developments in the Richmond market, mostly in urban fringe submarkets and suburban mixed-use developments. Vacancy is expected to contract further, increasing costs for occupiers as rents rise and concessions packages diminish, but more so in the suburbs than downtown. Tenant-favorable conditions will begin to fade in the CBD despite the current elevated vacancy rate and stocking the only Class A block over 100,000 square feet in the entire market.

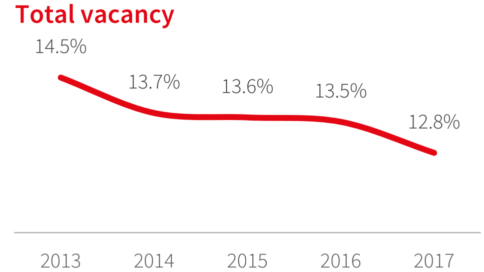
For more information, contact: Geoff Thomas | geoff.thomas@am.jll.com

Fundamentals	Forecast
YTD net absorption	295,543 s.f. ▲
Under construction	47,361 s.f. ▲
Total vacancy	12.8% ▼
Average asking rent (gross)	$19.51 p.s.f. ▲
Concessions	Falling ▼

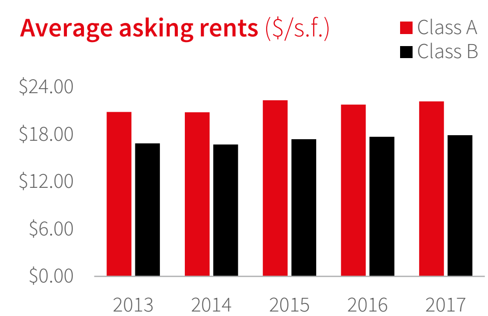
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Sacramento

Regional vacancy rate falls as absorption picks up pace

- Seven of twelve Sacramento-area submarkets experienced more than 2.5 percent year-over-year rent growth, with Point West in the lead.
- State government tenants are contributing to robust leasing activity, with two leases signed during the quarter for a combined 90,483 SF.
- CBD demand is up, as year-to-date absorption is almost 80,000 SF greater this quarter than during Q3 2016. Vacancy is down 2.8 percent year-over-year.

Elevated tenant demand and diminishing availabilities have combined to drop Sacramento's vacancy rate to 12.2 percent, a full 1.0 percent decrease from year-end 2016. CBD demand has increased and is migrating westward. Government-related tenants no longer require a location next to the Capitol, and are instead opting to be near the Sacramento Kings' Golden 1 Center and DOCO, where the Kimpton Sawyer Hotel is set to open in early October. KP Public Affairs' lease at 621 Capitol Mall is the latest example of this trend.

While 2017 absorption is unlikely to match 2016's total, leasing activity is strong, and employment growth is steady. Sacramento's regional employment has increased 1.7 percent year-over-year, with education and health services leading all other industries for eleven straight months. OSHPD's move from the CBD to South Natomas, TaxAudit's new office in Folsom, and Centene Corp. and FEMA's move-ins along Highway 50 reveal the health of Sacramento's office market.

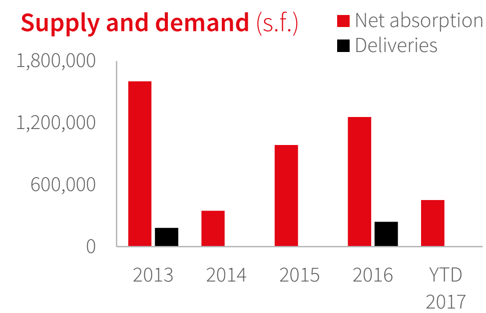
Outlook

Falling vacancy and resilient demand are spurring construction activity. The Ice Blocks project is underway in Midtown, and Basin Street Properties confirmed plans to add more than 200,000 SF in two build-to-suit buildings at Harvard Park Corporate Center in Point West, where rents have increased 6.8 percent during the past year. Rent growth is positive, but has slowed somewhat across the market. Still, asking rents are up 3.0+ percent year-over-year in certain submarkets. Notable leases have been signed with later move-in dates, such as Centene's 178,119 SF lease in two buildings on International Drive formerly occupied by Verizon, so barring an unforeseen event, the vacancy rate will fall as spaces are occupied, putting additional upward pressure on rental rates.

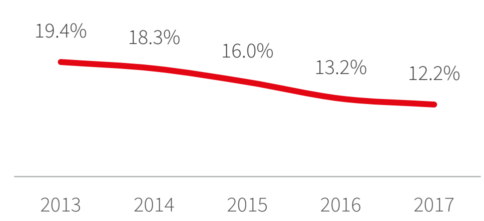
For more information, contact: Bob Shanahan | bob.shanahan@am.jll.com

Fundamentals		Forecast
YTD net absorption	451,677 s.f.	▲
Under construction	97,000 s.f.	▲
Total vacancy	12.2%	▼
Average asking rent (gross)	$1.97 p.s.f.	▲
Concessions	Falling	▼

Supply and demand (s.f.)



Total vacancy



Salt Lake

Tenants vie for premium Class A space amidst climbing asking rents

- Tenants' desire to office within new construction brings positive absorption.
- Flight to quality opens up Class B options for space-seeking occupiers.
- Average asking rates have consistently increased over the last decade and should continue on same trajectory.

Developers continue to focus on high-quality, latest and greatest office product, completing in excess of 3.6 million square feet (m.s.f.) since the start of 2016—of which, more than 94% has been built to Class A quality. Still, this flurry of construction has struggled to keep pace with demand from tenants hungry for top-notch space. Projects delivered year-to-date saw a 58.1% pre-lease rate, while more than half (53.0%) of the 1.8 m.s.f. currently under construction is already spoken for.

Tenants remain focused on premium space, and they've thus far been largely undeterred by the comparatively elevated cost. While both Class A and B buildings have recorded positive absorption this year, the former's absorption accounts for 81.7% of that total. Current Class A total vacancy has dropped 50 basis points to 10.1% since January. Asking rents for both classes continue to rise. After Class A asking rates dipped briefly in 2016 thanks to so much newly delivered space, they've since rebounded by climbing 8.5% since. Meanwhile, Class B asking rents have grown 2.3% these past 12 months.

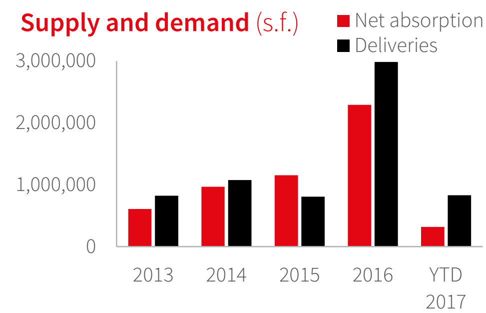
Outlook

Flight to quality space, with premium Class A being the main focus, is the office market' story du jour. Although a rapidly expanding Class A inventory and a recent increase in sublease availability have provided more options for tenants, strong and sustained occupier demand has been quickly filling that space. Consequently, there's been very little relief against upwards pressure on asking rates. Rent growth in the short-term may slow somewhat until the sublease space is backfilled. Nonetheless, quality new space and strong tenant demand should see rental rates continue to trend upwards through year's end.

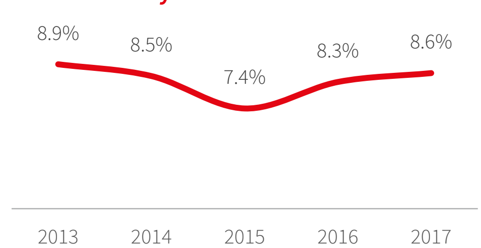
For more information, contact: Sean Eaton | sean.eaton@am.jll.com

Fundamentals	Forecast
YTD net absorption	317,052 s.f. ▲
Under construction	1,750,406 s.f. ▶
Total vacancy	8.6% ▶
Average asking rent (gross)	$21.62 p.s.f. ▲
Concessions	Stable ▶

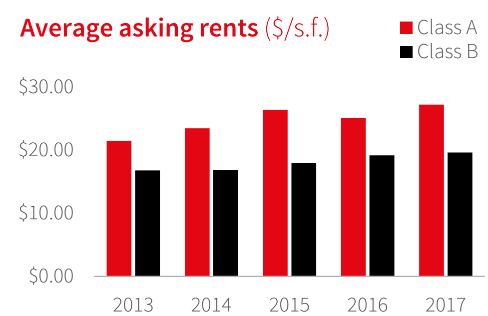
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



San Antonio

Tenant interest in new construction remains strong despite all-time high rental rates

- Tenants validate the construction of new, class A buildings with strong interest and leasing activity.
- Vacancies experienced an uptick in the quarter, much of this change can be explained by the large volume of new deliveries in 2017.
- Rental rates continue to creep upwards impacting average rental rates.

Through the first half of 2017, the San Antonio office market was characteristically stable, experiencing moderate absorption. However, the third quarter experienced a slight slowdown in activity with negative absorption for the first time since the second quarter of 2015. In addition to the decrease in absorption, market wide vacancy rates experienced a significant jump over the quarter, increasing 80 basis points. This jump should not be cause for concern, as a large driver of this increase in vacancy can be attributed to the delivery of several new projects delivered during the quarter summing 257,484 square feet. These completions bring the year to date total to 621,825 square feet of new product delivered, most of which has been delivered to the market vacant, or with little preleasing activity.

Tenants such as The Methodist Healthcare System of San Antonio, who signed a full floor lease at the recently completed Landmark One office building, continue to prove they are willing to pay the higher rental rates associated with the construction of new, class A buildings. As rates continue to rise, buildings that once had the highest rental rates in the market will appear to be much more affordable options.

Outlook

Record construction continues in San Antonio, with over 1.2 million square feet currently underway. Due to high demand for this new product in highly desirable locations, landlords will likely regain some leverage as tenants compete for limited supply. Projects under construction such as Frost Tower and the Offices at the Pearl will command rental rates well above what is considered top of the market today.

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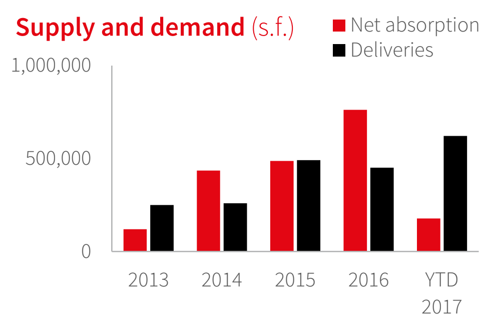
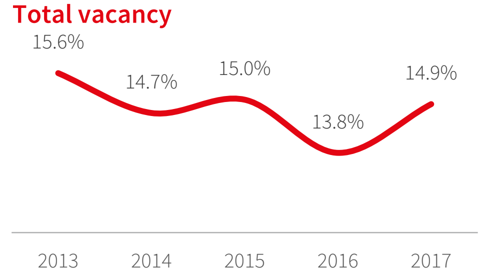
Fundamentals		Forecast
YTD net absorption	177,175 s.f.	▲
Under construction	1,258,118 s.f.	▲
Total vacancy	14.9%	▼
Average asking rent (gross)	$22.91 p.s.f.	▲
Concessions	Rising	▲

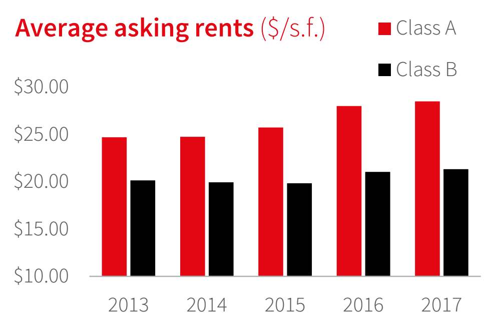
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



San Diego

Rents and construction continue to heat up through summer

- Multi-tenant buildings are driving the bulk of tenant demand. Absorption in multi-tenant office outpaces corporate HQ buildings
- Class A rent growth continues. San Diego overall asking rental rates are highest in 10 years
- New construction in North Cities is keeping pace with demand, but preleasing takes summer lull

Through the first three quarters of 2017, demand for multi-tenant space (550,278 square feet positive net absorption) has significantly outpaced their corporate HQ counterparts (negative 86,481 square feet). Several corporate HQ tenants in Rancho Bernardo, Scripps Ranch, and Carlsbad have vacated or downsized on a few large blocks of space in 2017. Technology, educational, and financial companies are contributing to a trend of consolidating by leasing space from the 10,000 to 40,000 square foot range. So far in 2017, new leases (excluding renewals) for 40,000 square feet and above have declined by 42 percent compared to the same time last.

Class A average monthly asking rental rates are now $3.25 Full Service Gross (FSG), having surpassed the previous peak at $3.24 FSG reached in Q1 2008. Rental rates have experienced steady growth since the recession but has only increased 2.2 percent from the beginning of the year. The scientific and technology sectors expanding and/or relocating to the Del Mar, UTC/Eastgate, and Downtown submarkets have been the driving force for rent premiums. Overall Class A finished Q3 with positive 158,565 square feet net absorption, signifying rents steady run could still remain robust.

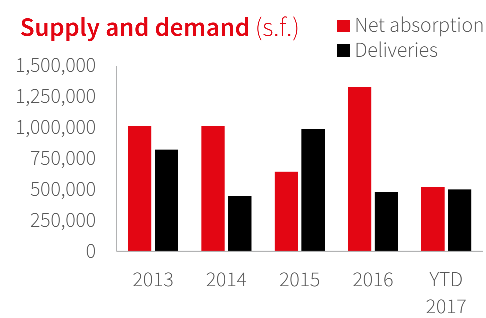
Outlook

The North Cities markets, which includes UTC/Eastgate and Del Mar Heights submarkets, has been the center of speculative construction activity in San Diego. In 2017, the only major preleased speculative development is the 316,262 square foot i3 project to Illumina. Several other projects that have been completed, such as Torrey Pointe, have been slowly leasing up their newly delivered space. The rental rates being achieved for these new developments are at all time high. New development deliveries are expected to decline due to developers desire to prelease a portion of their projects before breaking ground.

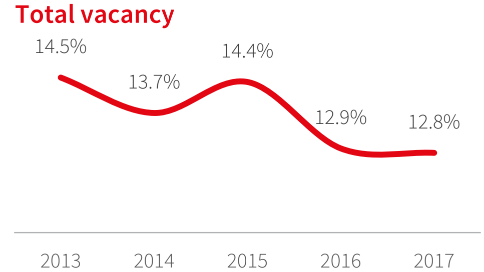
For more information, contact: Patrick Ashton | patrick.ashton@am.jll.com

Fundamentals	Forecast
YTD net absorption	520,713 s.f. ▶
Under construction	552,652 s.f. ▶
Total vacancy	12.8% ▶
Average asking rent (gross)	$2.69 p.s.f. ▲
Concessions	Stable ▶

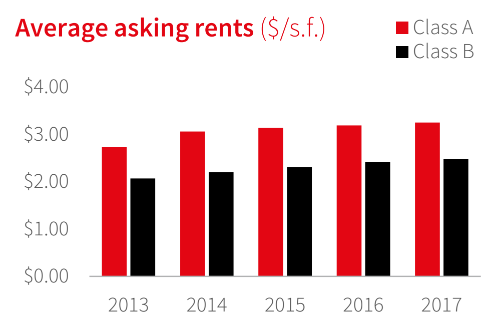
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



San Francisco

Net absorption turns positive as large tenants begin to occupy pre-leased space

- Absorption turned positive and vacancy tightened across the market during the quarter, as a number of large tenants occupied pre-leased spaces
- Leasing activity was strong with more than 1.8 million square feet of transactions larger than 20,000 square feet occurring in the third quarter.
- Healthy demand is keeping up pressure on rental rates, which will stay stable through year-end.

Two separate deals, each greater than 100,000 square feet, led third quarter leasing activity. AirBnB expanded its presence in San Francisco with a 287,000 square-foot commitment at 650 Townsend Street, the former Zynga Headquarters, while Nektar Therapeutics renewed for 153,203 square feet at 455 Mission Street. A number of tenants are looking for space in San Francisco, which will keep the leasing market active through at least year-end 2017.

Multiple tenants officially occupied space that they had leased in the past year, reversing a trend of negative net absorption earlier in 2017. Notable move-ins include AirBnB, which occupied 150,000 square feet at 999 Brannan Street, and WeWork, which occupied 64,858 square feet at 201 Spear Street.

Flexible infrastructure is increasingly important to tenants, which is contributing to strong demand for creative and plug-and-play space. Landlords of traditional office settings are investing in their properties and offering significant tenant improvement allowances to meet the demands of today's tenants.

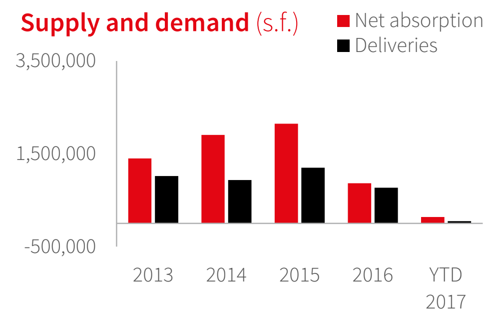
Outlook

An additional 1.8 million square feet is expected to be added to the market by year-end with the delivery of Salesforce Tower and 350 Bush. Large portions of new developments are being quickly being preleased as they approach delivery. Salesforce Tower and 350 Bush are preleased at 83% and 50% respectively, while 181 Fremont went from 0% to 100% preleased with Facebook signing in Q3 2017. Vacancy will increase as new developments are delivered with sizeable portions of unleased space. Rents will increase alongside rising vacancy rates as these availabilities will possess some of the highest asking rents in San Francisco.

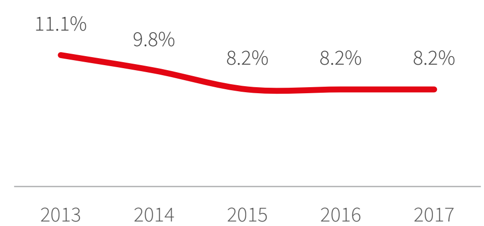
For more information, contact: Alec MacKinnon | alec.mackinnon@am.jll.com

Fundamentals	Forecast	
YTD net absorption	141,238 s.f.	▲
Under construction	6,623,947 s.f.	▲
Total vacancy	8.2%	▲
Average asking rent (gross)	$74.22 p.s.f.	▶
Concessions	Rising	▲

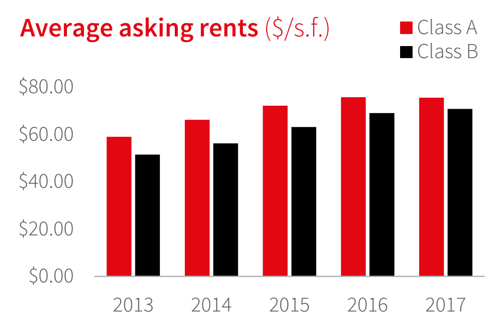
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



San Francisco Mid-Peninsula

Local tech companies expand, igniting demand for space in the Peninsula

- Some tenants new to the Mid-Peninsula have been uprooted from the Silicon Valley.
- A scarcity of multi-tenant availabilities smaller than 10,000 square feet in the Silicon Valley is increasingly causing tenants to turn to the Peninsula
- Though it is late in the cycle, developers are confident and have indicated that additional new development may be underway in the near-term

The Mid-Peninsula is benefitting from the limited supply of smaller office product in the Silicon Valley, as well as from ongoing strong rent growth in submarkets like Palo Alto and Mountain View. Tenants are migrating from the Silicon Valley to submarkets like Redwood City and San Mateo. Interest is greatest in transit-oriented areas, although leasing activity is spreading further out from the CalTrain spine. Course Hero leased 40,000 square feet at Pacific Shores, while Storm 8 will relocate into 20,000 square feet of sublease space at 2400 Bridge Parkway. Meanwhile, Opportun subleased 103,000 square feet in San Carlos that was formerly occupied by Tivo and Softbank. Steady demand for space is keeping rental rates on an upward path for the South and Central Counties while the North County is stable.

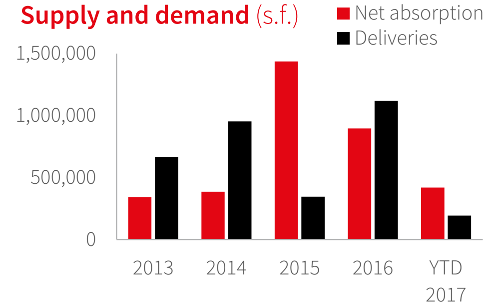
Outlook

With the local tech sector re-igniting, the Mid-Peninsula is expected to see additional tenant movement, resulting in tighter market conditions. The Course Hero transaction is an example of how large tech companies are uprooting smaller Silicon Valley tenants that are then relocating to the Mid-Peninsula. This trend is expected to continue as leases begin to roll in campuses such as Pacific Shores, which is owned by Google. This trend will keep Mid-Peninsula rental rates on an upward path as available inventory is leased, pushing vacancy rates down. This influx of demand will also help to spur additional development in submarkets with available space constraints. Greenhart Land broke ground on a 140,000 square-foot office project in Menlo Park, while Alexandria could potentially break ground on its entitled 200,000 square-foot project in San Carlos. With A majority of the 1.7 MSF of new development already been pre-leased, the Mid-Peninsula will see gains in occupancy and demand throughout the remainder of the year.

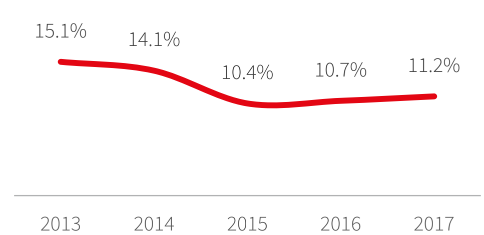
For more information, contact: Christan Basconcillo | christan.basconcillo@am.jll.com

Fundamentals	Forecast	
YTD net absorption	418,371 s.f.	▲
Under construction	1,791,620s.f.	▲
Total vacancy	11.2%	▶
Average asking rent (gross)	$59.29 p.s.f.	▲
Concessions	Stable	▶

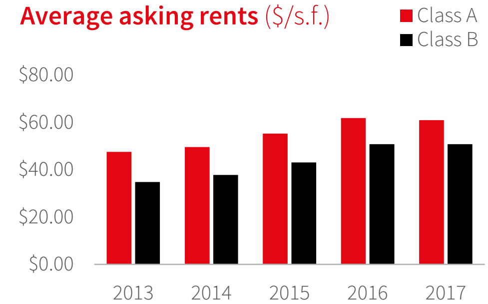
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Seattle-Bellevue

Class A buildings carry the weight in market activity

- Absorption is up to 3.0 million square feet for the year, surpassing 2016's year-end total by 966,000 square feet.
- The average Class A asking rent has increased 4.1 percent in the past twelve months, while overall average asking rents increased 2.8 percent.
- 3.2 million square feet of office space delivered in 2017, with 76.7 percent leased. 5.9 million square feet of office space remains under construction.

The Seattle skyline saw significant activity in Q3. Wright Runstad broke ground on Rainier Square and leased all 772,000 square feet of its office space to a local tech tenant. This Rainier Square deal replaced F5 Tower's as the largest office lease in 2017. Madison Centre was completed and 53,000 square feet of its space was leased to EY Society and Textio. With 70.5 percent of the building still available, Madison Centre contributed to vacancy increasing in downtown Seattle by 80 basis points since Q2, from 6.8 percent to 7.6 percent.

Three buildings totaling 964,000 square feet of office space were delivered this quarter, including Data 1 (fully leased by Tableau), the GIX Building within the Spring District (University of Washington's build-to-suit project) and Madison Centre. In addition to Rainier Square, Martin Selig broke ground on two projects – Third & Lenora and 15th & Market. WeWork is rumored to have claimed 80.3 percent of the total office space available between the two buildings.

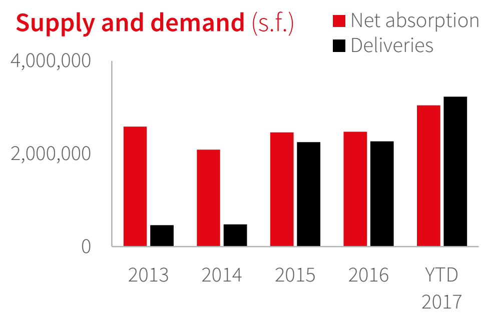
Outlook

Class A vacancy stands at 7.1 percent, with 3.5 million square feet of office space taken off the market this year. Class B vacancy is at 11.9 percent, with half a million square feet of office space back on the market. In Q3, the Northend, Southend and Eastside all saw more Class B space get vacated than what became occupied. This has made the flight to quality trend more apparent than ever. Of the ten buildings delivered in 2017, six were leased by single tenants and two more were rumored to have been taken recently. We expect that high demand will push leasing activity and rental rate growth in the Class A market, while Class B will grow at a slower pace. There are three projects over 600,000 square feet expected to deliver by 2020, with 2.0 million square feet of unleased space. That suggests potential relief for tenants, but with 7.3 million square feet of active requirements, it won't last long.

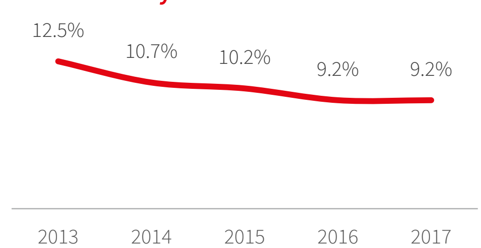
For more information, contact: Lisa Tills | lisa.tills@am.jll.com

Fundamentals		Forecast
YTD net absorption	3,044,575 s.f.	▲
Under construction	5,901,040 s.f.	▲
Total vacancy	9.2%	▼
Average asking rent (gross)	$36.28 p.s.f.	▲
Concessions	Rising	▲

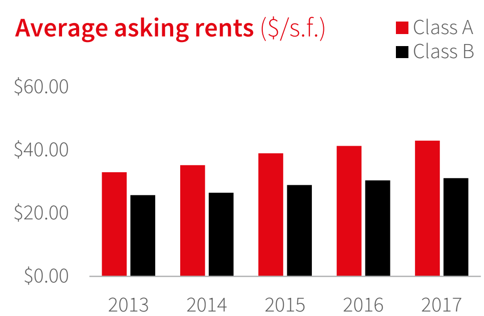
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Silicon Valley

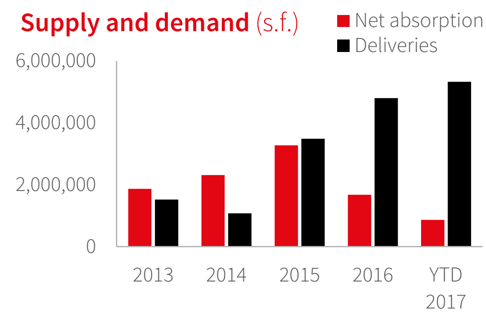
Pre-leased development completes, pushing absorption above water; what's next for the Valley?

- Occupancy levels spiked into positive territory as pre-leased development was delivered and occupied
- Rents are rising in Caltrain-accessible submarkets, even as higher costs prompt some tenants to relocate to less expensive areas of the Valley and Mid-Peninsula
- Newly delivered Class A space is facing pressure from less expensive sublease space

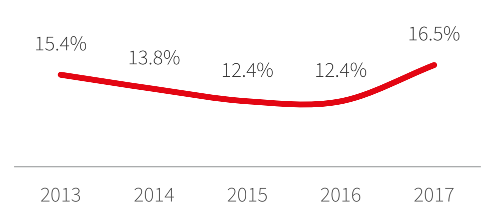
Fundamentals	Forecast	
YTD net absorption	863,488 s.f.	▲
Under construction	4,055,290 s.f.	▼
Total vacancy	16.5%	▲
Average asking rent (gross)	$47.64 p.s.f.	▲
Concessions	Stable	▶

Silicon Valley net absorption rose out of the red in the third quarter. Tenants such as Palo Alto Networks finally occupied newly built campuses, accounting for more than 1.0 million square feet of absorption during the quarter. Meanwhile, Google expanded in Sunnyvale, gaining more than 3.0 million square feet of commercial real estate in a property transfer and occupying another 1.0 million square feet at Moffett Place. Competition for space in Palo Alto and Mountain View is strong, but Santa Clara and North San Jose have double-digit vacancy rates as they grapple with the residual effects of new supply that is not fully pre-leased and M&A and consolidations within the hardware and semiconductor sectors that have affected North San Jose.

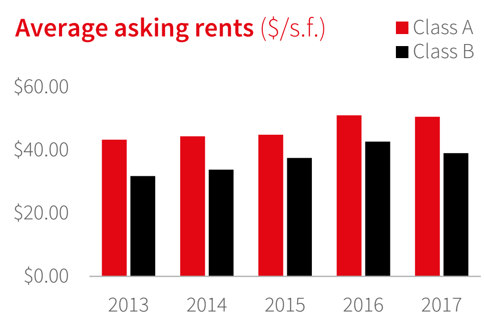
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Outlook

Demand for space in the Valley is positive, but rising vacancy is creating concern in the market. Large corporate tech occupiers are circling the market for more space, easing some concerns. However, the euphoria experienced at the beginning of the cycle has calmed. Smaller, price-sensitive tenants are exploring options in markets like the Mid-Peninsula, while others are taking an early look at lease expirations to make thoughtful real estate decisions.

Demand will maintain a steady flow, especially with companies like Google acquiring buildings and uprooting existing tenants. Softer submarkets are in an excellent position to pick up the slack, as more landlords are willing to break up large availabilities by floor. Though real estate trends have slowed, the Silicon Valley is the place to be for the tech industry and will continue to see strong occupancy growth throughout the remainder of the 2017.

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St. Louis

Clayton and West County continue to drive office growth

- Absorption kept pace with new construction, keeping vacancy flat from the second quarter.
- Coworking spaces continue to grow as Regus expanded and Covo entered the market. Each making long-term commitments.
- Low vacancy and strong demand have increased rental rates in Clayton and West County. Class A rates are up more than 6.0 percent in each submarket from last year.

For the year, absorption has topped 100,000 square feet, but the growth has been uneven. Clayton and West County have combined for 480,000 square feet of absorption while the other four submarkets are in the red. The third quarter was highlighted by the completion of Delmar Gardens III. Located along I-64 in Chesterfield (West County), the 125,000 square-foot building was 82.4 percent leased at completion. It is the first multi-tenant office building to deliver in West County since 2008. Rabo AgriFinance will be the anchor tenant, and Centene signed a lease to occupy all of Rabo's former building on Olive Boulevard last quarter.

Co-working spaces continue to expand in St. Louis, representing two of the largest signed leases. San Francisco based, Covo, will occupy all of 401 Pine Street (41,000 square feet), when renovation is complete later this year in Downtown. The property is the former home of advertising company Schupp & Co. This will be Covo's first location outside of San Francisco. Regus also expanded its presence, signing a lease in the Central West End (26,000 square feet). When the new location opens, it will be Regus' eighth local office. The building is close to Cortex, the region's innovation district.

Outlook

TD Ameritrade's $4 billion acquisition of Scottrade closed this quarter, and the impact on the office market could be big. Scottrade owns and occupies four buildings in West County, three of which could become vacant. So what does this all mean? In current conditions, landlords have an advantage over larger tenants that have little or no relocation options. An influx of competition may slow rental growth in West County, which is up 6.4 percent year-over-year. However, West county is well positioned to handle an influx of space. The submarket was responsible for nearly two-thirds of leasing activity this quarter, so demand should not be an issue.

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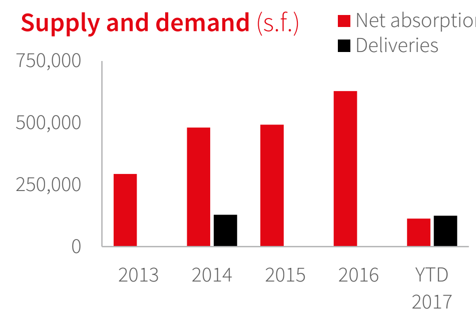
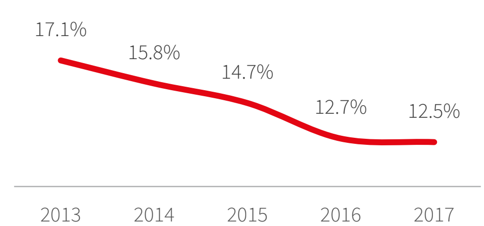
Fundamentals		Forecast
YTD net absorption	112,860 s.f.	▲
Under construction	711,234 s.f.	▶
Total vacancy	12.5%	▼
Average asking rent (gross)	$19.38 p.s.f.	▲
Concessions	Falling	▼

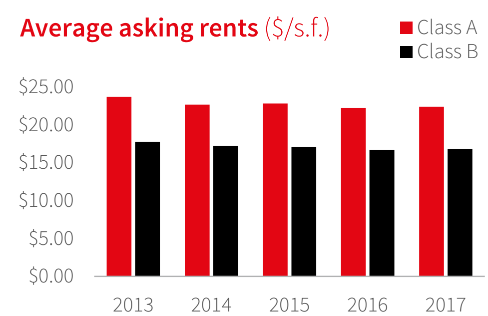
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Suburban Maryland

Record-breaking leasing, coupled with positive absorption, creates a strong third quarter

- Leasing activity skyrocketed in Q3, increasing by 3 times the amount leased in Q2
- The office market could experience a spike in construction levels by the end of the year; the under construction pipeline may rise over 600,000 square feet by the end of 2017
- Class B sector leads the way in net absorption, capturing over 120,000 square feet of activity, which is the second highest level in seven years

The Suburban Maryland market increasingly showed signs of tightening fundamentals during the third quarter. Vacancy decreased in the office market, while an increase in absorption, coupled with strong leasing activity and rent growth, helped to pave the way for an eventual tipping point in market dynamics.

Marriott International signed the largest private-sector lease in Montgomery County since their own renewal in 1999. The hospitality company will lease 720,000 square feet at 7750 Wisconsin Avenue in Bethesda. Another large-scale lease was signed by the U.S. Citizenship & Immigration Services. The government agency decided to relocate from DC to Prince George's County for a total of 574,767 square feet. These two deals were the main driver of leasing activity in the third quarter, which increased 39.4 percent compared to the first half of 2017.

In addition to the elevated level of leasing, absorption in the region gained 153,651 square feet, which pushed the year-to-date figure into the black with a modest gain of 67,714 square feet. Most of the absorption occurred in Class B buildings, which captured over 80.0 percent of the activity.

Outlook

The nearly empty development pipeline and steadily tightening fundamentals suggest the potential for a tipping point on the horizon for the Suburban Maryland market. As existing inventory proves inadequate for selected tenants, preleasing of proposed buildings could generate groundbreakings in the near future. 5 Research Court is undergoing a renovation to accommodate life science tenants in the I-270 Corridor and new construction in Bethesda CBD will focus on private-sector tenants who are craving new, creative space.

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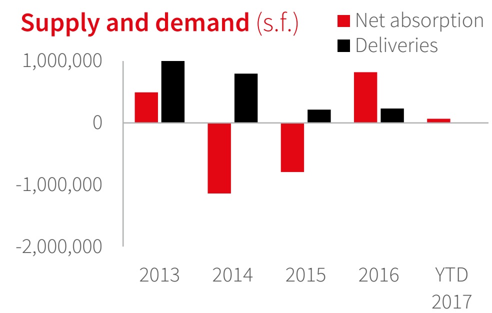
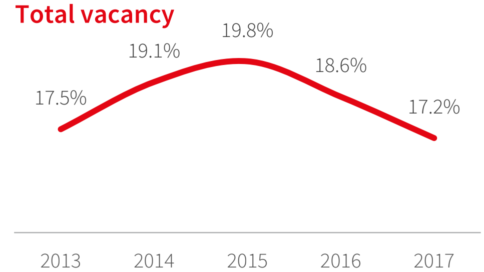
Fundamentals		Forecast
YTD net absorption	67,714 s.f.	▶
Under construction	251,000 s.f.	▲
Total vacancy	17.2%	▶
Average asking rent (gross)	$27.81 p.s.f.	▶
Concessions	Rising	▲

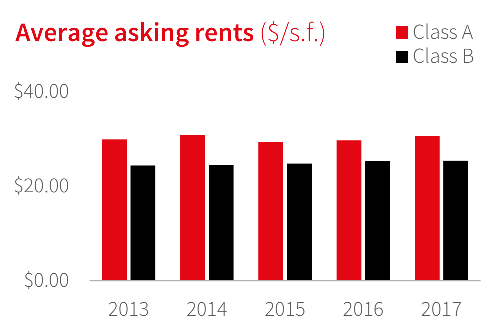
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Tampa Bay

Overall activity picked back up in third quarter after a slow start to the year.

- Overall rents continue to climb, growing 6.1 percent year-over-year. Class B product experienced significant growth with asking rates rising 8.6 percent year over year.
- Lack of large blocks available across the market, especially in higher end product limiting further decline in vacancy.
- Renewals have made up a large portion of leasing activity thus far in 2017.

Tampa Bay experienced approximately 139,793 square feet of positive net absorption during the third quarter. Leasing activity picked back up after a slow start to the year, but still lags behind where the market was a year ago when multiple large users expanded locally and new players moved into the market. Part of the slowdown is likely due to a lack of large blocks available which has resulted in more renewals from companies. The region is home to numerous back office operations which typically require high-parking ratios further limiting some groups options. Besides Renaissance VI, which is already pre-leased, there are not any other projects that have broken ground, partly due to high construction costs. Developers are currently holding out for build-to-suits or significant pre-leasing before breaking ground which will continue to limit both local and out of market tenants looking for space.

Landlords are taking full advantage of the strong market conditions and continue to aggressively push asking rates. Overall rates have grown 6.1 percent year over year with Class B experiencing the most growth at 8.6 percent year over year. Tenants across all submarkets are experiencing significant stick shock, especially in Class A product that has grown 21.9 percent since 2012.

Outlook

Something to keep an eye on is the changing market and demographic dynamics in downtown Tampa with multiple multi-family buildings set to come online, bringing more than 1,600 units to market within the 2017 calendar year. The multi-family housing market in Tampa Bay has been thriving in recent years as developers have brought multiple new buildings to market and owners have aggressively pushed rental rates and achieved high levels of occupancy.

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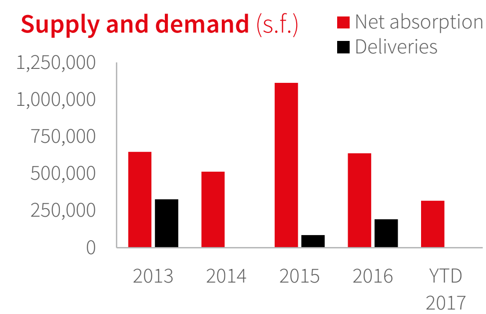
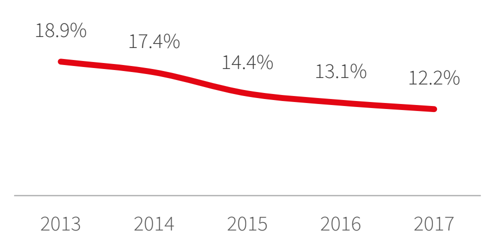
Fundamentals	Forecast
YTD net absorption	316,842 s.f. ▲
Under construction	148,800 s.f. ▶
Total vacancy	12.2% ▼
Average asking rent (gross)	$24.70 p.s.f. ▲
Concessions	Falling ▼

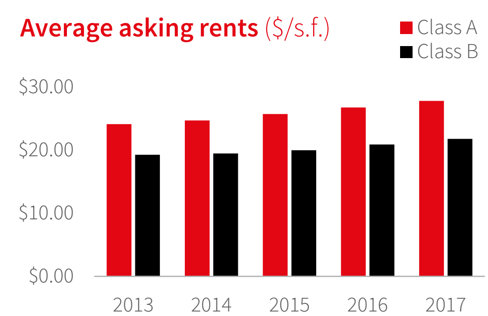
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Washington, DC

Supply outpacing demand as 4x more product has delivered YTD than has been absorbed

- Three buildings totaling 424,000 s.f. have delivered YTD with no preleasing commitments. Landlords are becoming aggressive, pivoting to smaller tenants as large tenant demand is limited through 2020.
- Facebook and Yelp signed deals in excess of 50,000 s.f. at Terrell Place, reinforcing tenants' desire for high-quality buildings with creative elements and unique design over more traditional new product.
- Momentum is building in emerging markets as core B/C markets tighten.

Supply-side concerns continue to build as a cyclical high 7.3 million s.f. is under construction with preleasing levels registering 45% and recent deliveries with significant vacancy having already begun to target smaller size tenants and build spec suites as the near-term large tenant demand pool dwindles.

Tishman Speyer's 2000 K Street delivered in Q3, the third building to deliver to the core in 2017 with no preleasing commitments. Among the remaining 3.5 million s.f. of spec projects under construction in the core, only 27% is preleased. Tenant demand is increasingly gravitating toward buildings with creative designs and amenities that foster collaboration. During Q3, Facebook and Yelp signed deals at Terrell Place – a renovated, former law firm building with creative architectural elements in the heart of downtown; the two deals will generate over 100,000 s.f. of growth.

Emerging industries continue to exhibit signs of growth, helping to offset space being returned by law firms rightsizing, however, growth among law firms that have rightsized in the current cycle is also helping drive occupancy gains with Covington & Burling growing by 30,000 s.f. and Cleary Gottlieb taking another 11,500 s.f. during Q3.

Outlook

The Trophy and Class A market in the core will continue to face headwinds as vacancy rises from 15% to 20% by 2020, shifting leverage further in tenants' favor and driving a rise in concessions and 10% to 15% decline in net effective rents. In contrast, the Class B/C market in the core will remain tight, which will continue to push rents higher and drive activity within the emerging markets such as Ballpark, NoMa, Union Market and Southwest, which offer value alternative space options in rapidly expanding vibrant neighborhoods.

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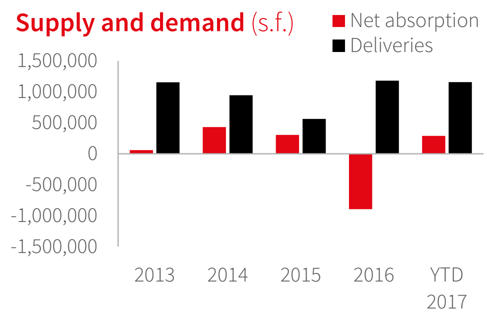
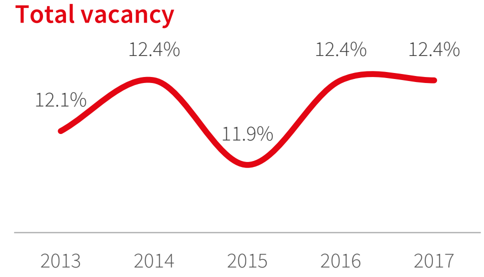
Fundamentals		Forecast
YTD net absorption	290,519 s.f.	▲
Under construction	7,259,768 s.f.	▶
Total vacancy	12.4%	▲
Average asking rent (gross)	$59.54 p.s.f.	▼
Concessions	Rising	▲

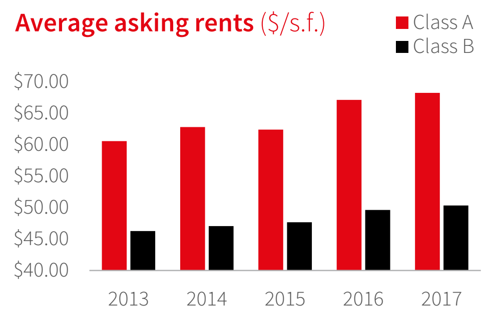
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



West Palm Beach

Palm Beach County on track for another strong year of capital market activity

- While South Florida has seen a slowdown in capital market office activity, Palm Beach County could be on track to break sales volume seen in 2016.
- The sale of the Office Depot building is the 8th largest transaction ever in Palm Beach County, and the largest seen since Phillips Point traded in 2015.
- Peninsula Executive Center traded for a 79.0 percent premium over its previous sales price.

While the tri-county area has seen an overall slowdown in investment over the previous 18-months, Palm Beach County's capital market activity remains comparably strong. Year-to-date there have been 19 major transactions totaling more than $438 million. Comparably, last year there was a total of 27 deals completed for a total deal value of more than $545 million. And, when we compare 2017 to the third quarter of last year, year-to-date investment is ahead. As of the third quarter-end 2016, there had been $394 million dollars (17 properties) in capital market office transactions, 10.2 percent less than the number so far this year.

The three largest transactions (total price) this year were all done in the third quarter. Most notably, Office Depot purchased their corporate headquarters building located in Boca Raton North (6600 N Military Trail) for $132 million ($211 per square foot). The 625,000 square foot Class A office building was built in 2008. Originally owned by TIAA-CREF, the building was sold to Equity Commonwealth in 2011. The recent sale actually marks a loss for Equity Commonwealth as they paid $171 million ($272 per square foot) when they purchased the asset. One Clearlake Centre and 301 Yamato Plaza also traded this quarter for $42.3 million ($194 per square foot) and $38.9 million ($187 per square foot), respectively – they are the next two largest transactions.

While these transactions held the highest total price, the sale of Peninsula Executive Center (I & II) generated the highest price per square foot (located in Boca Raton West and traded at the end of the second quarter). CDR sold the assets to C. Talanian Realty in a $59.7 million transaction. That equates to a price of $319 per square foot. Both buildings are 100.0 percent leased.

Outlook

While investment remains strong in Palm Beach County, there still has been no major shifts in the other key indicators. Rental rates and occupancy continue on a path of slow but stable growth.

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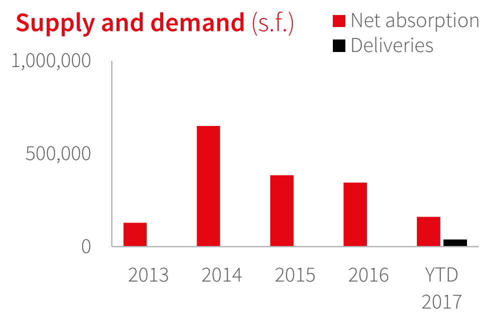
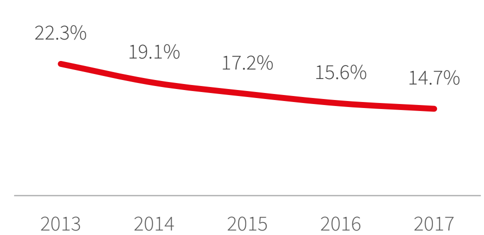
Fundamentals		Forecast
YTD net absorption	160,539 s.f.	▲
Under construction	0 s.f.	▶
Total vacancy	14.7%	▼
Average asking rent (gross)	$31.52 p.s.f.	▲
Concessions	Stable	▶

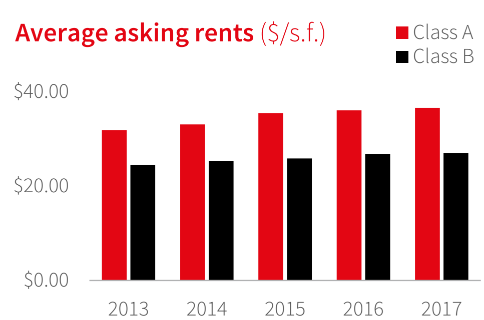
Supply and demand (s.f.)

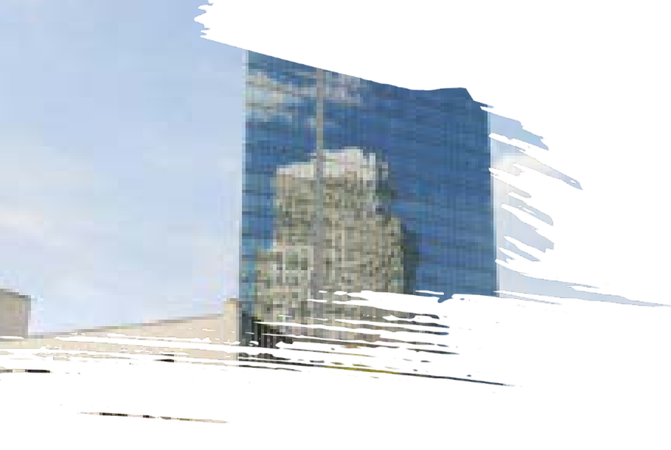


Total vacancy



Average asking rents ($/s.f.)





Westchester

Shifts in existing office stock affect traditional market perceptions

- Average asking rents regressed in all but one major Westchester submarket
- Few big blocks of space are left within the White Plains CBD, limiting urban transit options for large firms
- I-287 East Corridor take up continued to be driven by medical and hospital groups

Average asking rents for office properties fell across the board in the third quarter with the exception of the I-287 West Corridor which displayed slight rent growth. This regression in asking rents shows how landlords, particularly those in suburban markets, have been forced to adjust their price points to meet tenants' expectations. In White Plains, a city that has seen a flurry of large leases in the CBD this year, only two buildings offer blocks of space greater than 50,000 square feet- 440 Hamilton and 1-11 Martine Avenue. Large firms considering White Plains will therefore be limited in their options going forward.

At 62.0 percent, the Class A vacancy rate in Northern Westchester is now more than three times higher than submarkets in southern Westchester, which have a combined vacancy rate of approximately 20.0 percent. It remains to be seen whether the IBM and Pepsi campuses will have futures as multi-tenant offices. The I-287 East Corridor continues to shift from housing more traditional corporate occupiers to a market driven by the healthcare sector, as medical tenants including Scarsdale Medical Group, Memorial Sloan-Kettering and WestMed absorb space. Westchester continues to be a hotbed for the life science and pharmaceutical industries.

Outlook

The transition in the I-287 East Corridor is part of the greater trend of challenged and obsolete Westchester office stock being repurposed for more appropriate and value-add uses such as residential, retail, fitness and even self-storage. Towns in Southern Westchester such as Mount Vernon, New Rochelle and Yonkers have also been targets of developers who see the chance to lure young people from New York with lower prices and hip, new developments. If these developments gain significant traction, it could prove to be a boon for the surrounding office real estate.

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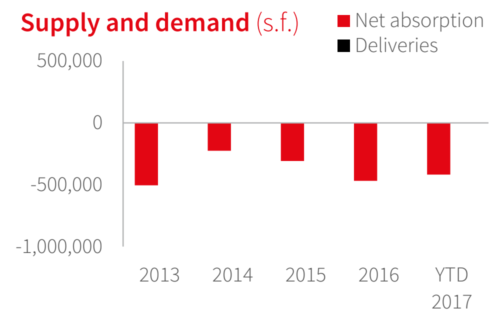
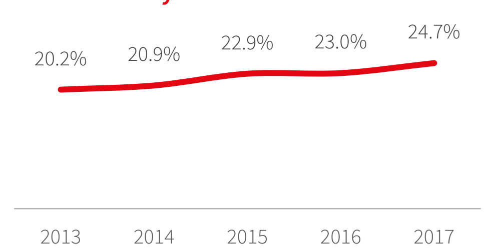
Fundamentals	Forecast
YTD net absorption	-418,024 s.f. ▼
Under construction	0 s.f. ▶
Total vacancy	24.3% ▼
Average asking rent (gross)	$26.84 p.s.f. ▼
Concessions	Stable ▶

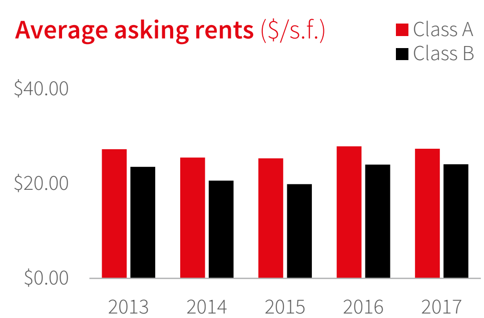
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)

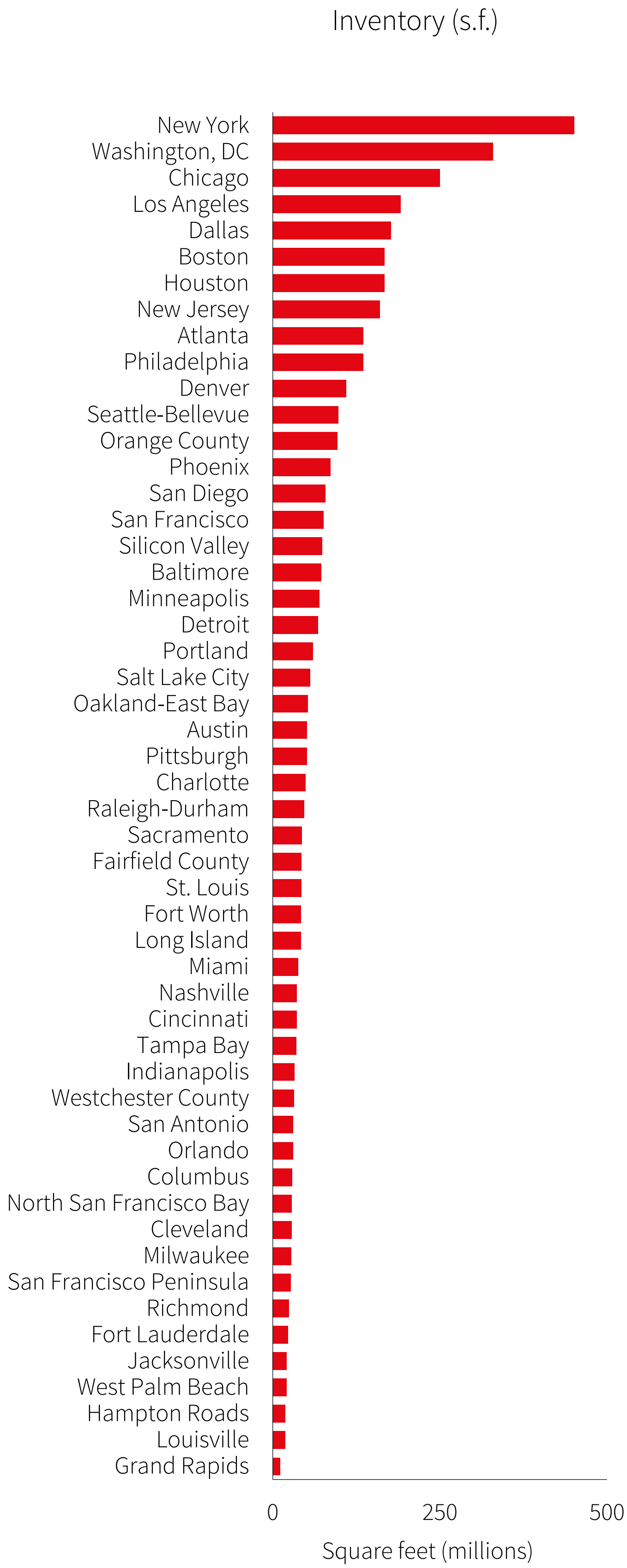


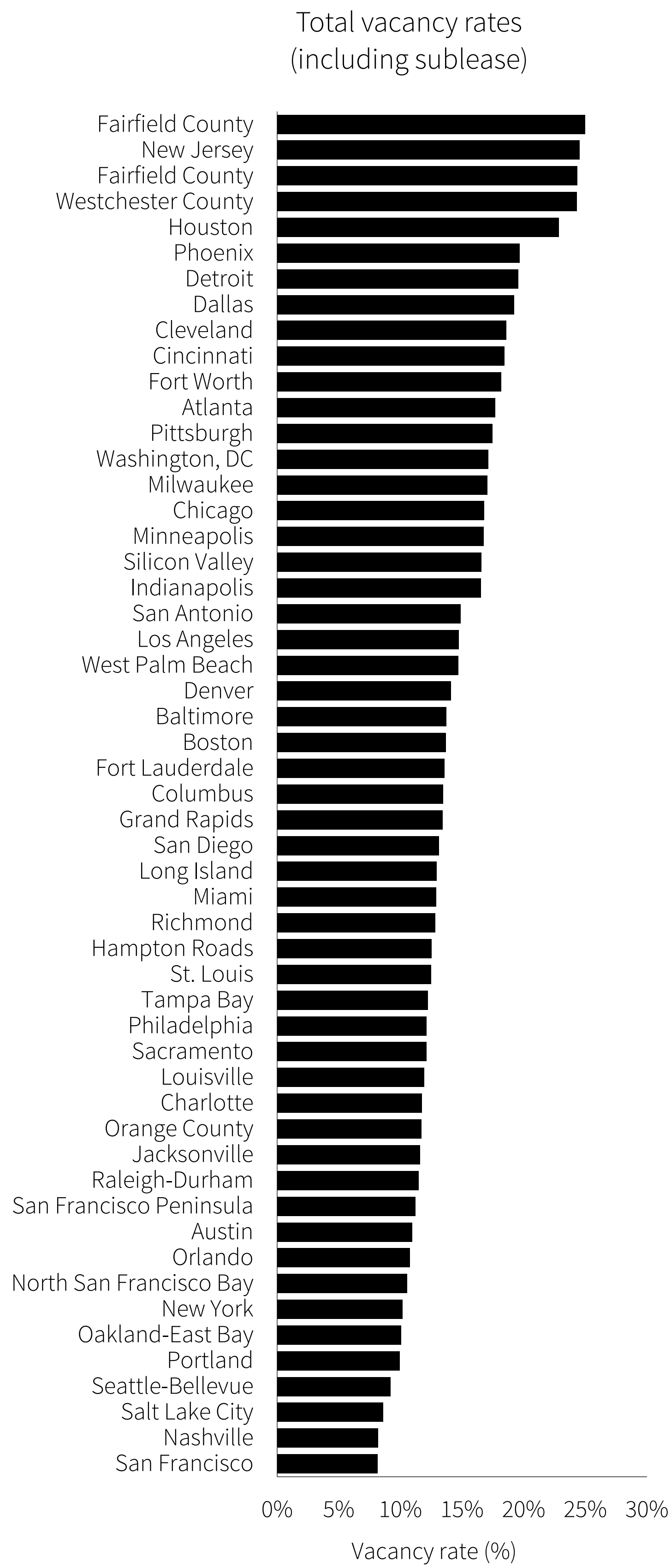
United States employment

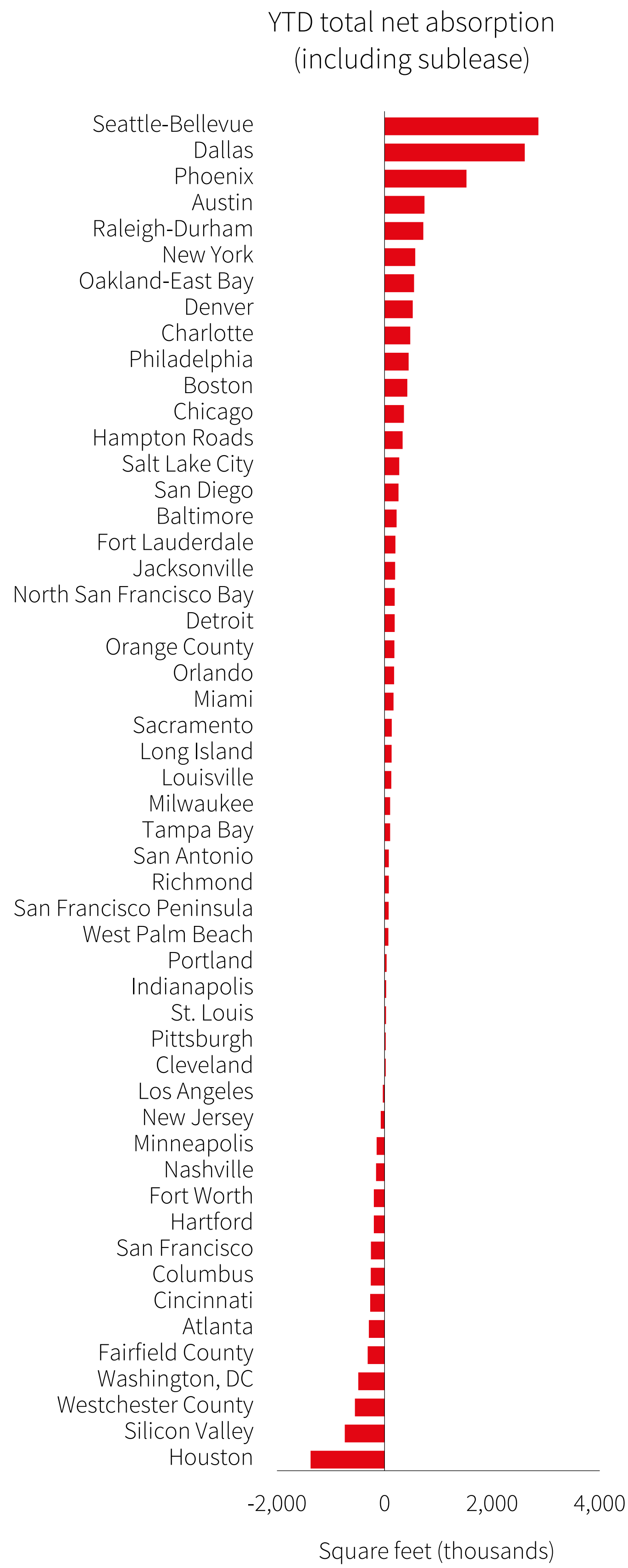
Market	Total nonfarm jobs 12-month net change (000s)	Total nonfarm jobs 12-month percent change	Office jobs* 12- month net change (000s)	Office jobs* 12- month percent change	Unemployment (2017)	Unemployment (2016)	12-month unemployment change (bp)
Atlanta	86.4	3.2%	46.2	6.2%	4.6%	5.3%	-70
Austin	21.1	2.1%	-2.9	-1.1%	3.4%	3.4%	0
Baltimore	19.1	1.4%	6.0	1.8%	4.2%	4.6%	-40
Boston	63.4	2.3%	17.7	2.4%	3.5%	3.2%	30
Charlotte	30.2	2.6%	14.4	4.6%	4.2%	5.0%	-80
Chicago	24.7	0.5%	20.0	1.6%	5.3%	5.8%	-50
Cincinnati	29.9	2.8%	9.6	3.8%	4.6%	4.2%	40
Cleveland	9.7	0.9%	-0.3	-0.1%	6.8%	5.4%	140
Columbus	22.3	2.1%	3.8	1.3%	4.3%	5.1%	-80
Dallas	70.9	2.8%	28.6	3.7%	3.9%	4.0%	-10
Denver	28.4	2.0%	3.0	0.7%	2.2%	3.1%	-90
Detroit	44.9	2.3%	17.3	3.2%	4.4%	6.1%	-170
Fairfield County	2.3	0.6%	-2.4	-1.9%	4.5%	5.0%	-50
Fort Lauderdale	26.9	3.3%	4.4	2.0%	3.9%	4.8%	-90
Fort Worth	25.8	2.6%	6.1	3.3%	3.9%	4.2%	-30
Grand Rapids	13.6	2.5%	2.9	2.7%	3.8%	3.6%	20
Hampton Roads	-4.5	-0.6%	2.9	1.8%	3.4%	3.8%	-40
Hartford	3.2	0.6%	2.4	1.6%	4.7%	5.3%	-60
Houston	53.5	1.8%	17.8	2.7%	5.2%	5.7%	-50
Indianapolis	19.2	1.8%	2.7	1.1%	3.8%	4.0%	-20
Jacksonville	16.9	2.5%	5.0	2.9%	4.1%	5.0%	-90
Long Island	6.6	0.5%	-1.4	-0.5%	4.4%	4.2%	20
Los Angeles	37.2	0.9%	3.6	0.3%	5.4%	5.6%	-20
Louisville	12.1	1.8%	2.9	2.0%	4.5%	4.1%	40
Miami	19.3	1.7%	-2.8	-1.0%	4.9%	5.8%	-90
Milwaukee	-3.1	-0.4%	-1.7	-0.9%	3.9%	4.7%	-80
Minneapolis	44.8	2.3%	8.9	1.7%	3.4%	3.6%	-20
Nashville	28.7	3.0%	7.3	3.0%	2.9%	4.1%	-120
New Jersey	58.1	1.4%	1.6	0.2%	4.8%	5.0%	-20
New York	73.2	1.7%	27.5	2.0%	4.9%	5.4%	-50
North Bay	2.3	2.0%	0.1	0.3%	3.4%	3.4%	0
Oakland-East Bay	19.4	1.7%	3.3	1.3%	4.4%	4.6%	-20
Orange County	0.9	0.1%	0.6	0.1%	4.2%	4.3%	-10
Orlando	40.0	3.3%	11.1	3.6%	3.8%	4.7%	-90
Philadelphia	51.5	1.8%	18.7	2.6%	5.1%	5.5%	-40
Phoenix	34.9	1.8%	5.5	1.0%	4.3%	4.8%	-50
Pittsburgh	10.3	0.9%	4.3	1.6%	5.2%	6.1%	-90
Portland	29.1	2.5%	3.5	1.3%	4.2%	5.0%	-80
Raleigh-Durham	21.1	3.5%	12.5	7.5%	3.9%	4.6%	-70
Richmond	16.2	2.4%	4.4	2.6%	4.0%	4.4%	-40
Sacramento	16.0	1.7%	3.9	2.0%	5.2%	5.3%	-10
Salt Lake City	16.8	2.4%	3.8	1.9%	3.4%	3.2%	20
San Antonio	23.0	2.3%	5.2	2.2%	3.7%	4.0%	-30
San Diego	19.2	1.3%	3.1	0.9%	4.7%	4.9%	-20
San Francisco	19.0	1.7%	-1.6	-0.4%	3.3%	3.3%	0
Seattle-Bellevue	52.4	2.7%	12.9	2.6%	4.2%	4.4%	-20
Silicon Valley	11.0	1.0%	3.3	1.0%	3.9%	4.0%	-10
St. Louis	15.5	1.1%	6.6	2.0%	4.1%	5.1%	-100
Tampa	39.6	3.1%	19.1	5.2%	4.0%	4.8%	-80
Washington, DC	67.6	2.1%	13.5	1.4%	3.7%	4.0%	-30
West Palm Beach	15.7	2.6%	1.3	0.8%	4.4%	5.3%	-90
Westchester County	11.2	1.6%	2.9	2.0%	4.2%	4.1%	10
United States	1,777.0	1.2%	598.0	1.9%	4.2%	4.9%	-70

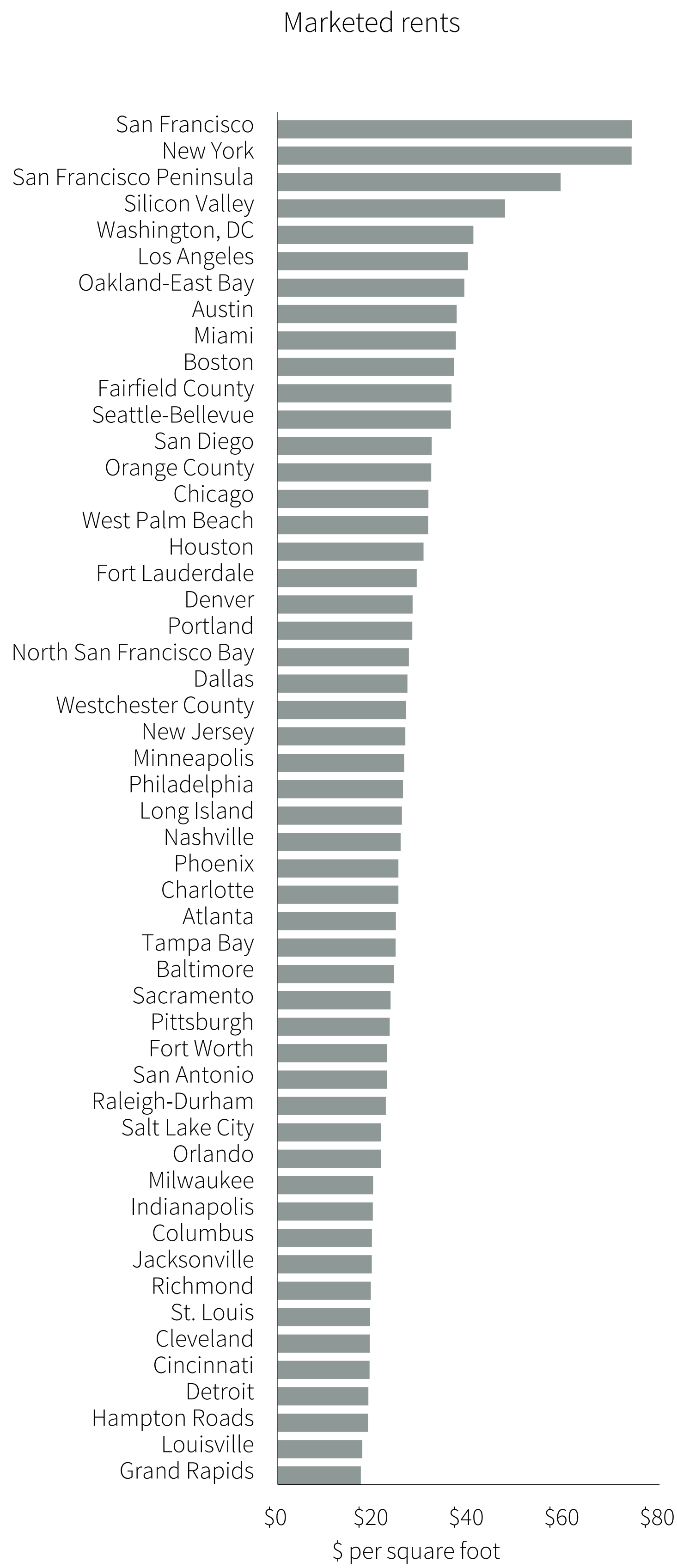
United States office statistics

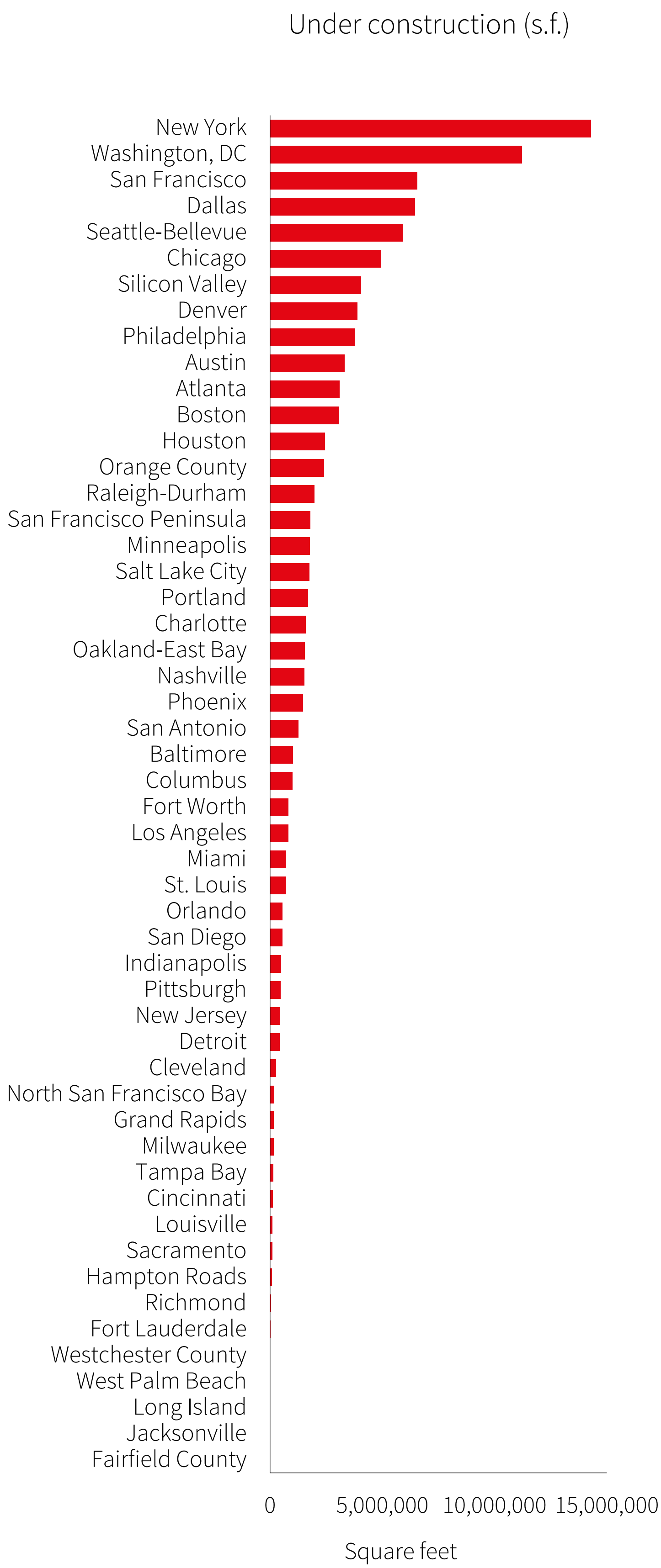
Market totals (CBD and Suburban)	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of inventory)	Total vacancy (s.f.)	Total vacancy (%)	Average direct asking rent ($ p.s.f.)	Quarterly percent change rent	YTD completions (s.f.)	Under construction / renovation (s.f.)
Atlanta	135,447,097	20,353	-108,905	-0.1%	16.4%	17.7%	$24.77	1.3%	2,095,664	3,094,903
Austin	51,329,469	419,284	1,162,402	2.3%	9.3%	10.9%	$37.49	0.4%	1,231,938	3,326,030
Baltimore	72,481,725	9,987	238,152	0.3%	13.2%	13.7%	$24.39	1.6%	917,079	1,011,379
Boston	167,189,287	155,028	-12,837	0.0%	10.8%	13.7%	$36.95	1.2%	862,234	3,051,885
Charlotte	49,051,353	584,066	1,120,364	2.3%	11.5%	11.7%	$25.30	2.3%	1,622,718	1,587,469
Chicago	250,208,418	-563,903	-125,574	-0.1%	15.5%	16.8%	$31.57	1.2%	3,820,854	4,946,850
Cincinnati	35,587,256	-193,119	-546,394	-1.5%	17.1%	18.4%	$19.26	-1.4%	346,000	119,000
Cleveland	28,240,930	57,937	124,670	0.4%	17.6%	18.6%	$19.30	0.6%	0	263,000
Columbus	29,076,016	276,703	23,799	0.1%	13.0%	13.4%	$19.74	0.6%	363,585	997,028
Dallas	177,105,659	1,810,396	4,415,208	2.5%	17.9%	19.2%	$27.20	2.2%	6,253,330	6,448,873
Denver	110,089,859	544,277	1,047,720	1.0%	13.0%	14.1%	$28.28	0.2%	1,735,457	3,898,385
Detroit	67,884,004	120,635	319,436	0.5%	18.6%	19.6%	$19.00	0.2%	0	418,334
Fairfield County	43,238,441	294,932	-582,878	-1.3%	22.3%	24.4%	$36.41	-0.7%	0	0
Fort Lauderdale	22,605,618	52,015	191,875	0.8%	12.7%	13.6%	$29.14	-1.3%	64,431	27,388
Fort Worth	42,280,495	-122,496	-246,499	-0.6%	17.7%	18.2%	$22.94	0.3%	677,786	820,138
Grand Rapids	10,959,630	-5,818	-29,094	-0.3%	12.3%	13.4%	$17.42	0.0%	35,000	174,000
Hampton Roads	18,931,891	157,853	475,961	2.5%	12.1%	12.5%	$18.95	0.4%	209,109	79,082
Houston	167,124,883	-704,628	-2,400,147	-1.4%	19.7%	22.8%	$30.55	-0.8%	2,357,631	2,440,278
Indianapolis	32,346,090	70,603	99,325	0.3%	15.8%	16.5%	$19.94	-0.9%	141,361	494,682
Jacksonville	20,917,373	52,444	301,442	1.4%	11.0%	11.6%	$19.72	0.9%	0	0
Long Island	41,863,735	-323,318	-192,770	-1.3%	10.9%	12.9%	$26.04	-1.9%	233,000	0
Los Angeles	191,437,115	1,195,239	1,161,035	0.6%	13.8%	14.7%	$39.85	0.7%	1,931,846	819,360
Louisville	18,487,265	-202,059	-77,519	-0.4%	11.8%	11.9%	$17.73	0.8%	160,000	100,000
Miami	37,971,125	132,515	220,135	0.6%	12.5%	12.9%	$37.36	0.0%	246,085	714,944
Milwaukee	27,660,173	-82,365	21,871	0.1%	16.7%	17.1%	$19.99	-0.9%	110,000	159,149
Minneapolis	69,829,996	-69,779	-303,204	-0.4%	16.5%	16.8%	$26.51	1.0%	523,000	1,771,057
Nashville	35,961,351	634,611	537,401	1.5%	7.3%	8.2%	$25.77	1.2%	1,741,566	1,526,088
New Jersey	160,395,170	757,465	351,249	0.2%	20.8%	24.5%	$26.74	0.6%	45,000	447,732
New York	451,157,838	1,979,802	2,549,304	0.6%	8.3%	10.2%	$74.14	-1.6%	178,504	14,283,423
North San Francisco Bay	28,559,453	74,890	263,394	0.9%	10.2%	10.5%	$27.48	1.8%	0	184,000
Oakland-East Bay	52,215,427	236,484	784,466	1.5%	9.7%	10.1%	$39.12	0.0%	0	1,548,000
Orange County	96,508,814	102,665	308,271	0.3%	11.3%	11.7%	$32.16	-1.1%	637,200	2,415,952
Orlando	30,458,860	74,983	186,628	0.6%	10.4%	10.8%	$21.60	-1.4%	0	553,800
Philadelphia	135,120,510	329,665	869,050	0.6%	11.7%	12.1%	$26.26	0.0%	228,881	3,771,503
Phoenix	86,231,330	175,508	1,697,650	2.0%	18.2%	19.6%	$25.30	0.4%	1,901,320	1,475,812
Pittsburgh	51,129,091	-309,257	-287,186	-0.6%	15.3%	17.5%	$23.46	1.8%	294,500	474,274
Portland	60,090,924	302,224	339,845	0.6%	9.5%	9.9%	$28.22	-0.3%	438,278	1,699,110
Raleigh-Durham	47,036,226	79,082	830,194	1.8%	11.0%	11.5%	$22.65	3.5%	1,304,225	1,981,090
Richmond	24,417,690	255,043	295,543	1.2%	11.3%	12.8%	$19.51	1.0%	60,000	47,361
Sacramento	43,877,872	318,994	451,677	1.0%	11.8%	12.1%	$23.64	0.0%	0	97,000
Salt Lake City	56,265,885	-16,515	317,052	0.6%	7.9%	8.6%	$21.62	1.5%	830,742	1,750,406
San Antonio	30,503,322	-28,213	177,175	0.6%	14.4%	14.9%	$22.91	1.6%	621,825	1,258,118
San Diego	78,656,351	-168,394	91,410	0.1%	12.3%	13.1%	$32.28	0.4%	501,137	552,652
San Francisco	76,323,492	363,547	138,562	0.2%	7.0%	8.2%	$74.22	0.1%	0	6,563,947
San Francisco Peninsula	27,091,234	165,790	418,371	0.0%	9.9%	11.2%	$59.28	0.2%	192,000	1,791,620
Seattle-Bellevue	98,359,314	183,734	3,044,575	3.1%	8.5%	9.2%	$36.28	1.9%	3,233,960	5,901,040
Silicon Valley	74,198,559	2,625,220	863,488	1.2%	13.1%	16.5%	$47.64	2.6%	5,330,265	4,055,290
St. Louis	42,595,744	86,016	112,860	0.3%	11.8%	12.5%	$19.38	0.4%	125,000	711,234
Tampa Bay	35,168,052	139,793	316,842	0.9%	11.5%	12.2%	$24.70	2.2%	0	148,800
Washington, DC	329,630,725	94,188	409,090	0.1%	16.2%	17.1%	$41.00	0.1%	2,858,760	11,228,360
West Palm Beach	20,611,598	132,179	160,539	0.8%	14.4%	14.7%	$31.52	-0.1%	37,500	0
Westchester County	31,734,296	-68,610	-418,024	-1.3%	23.1%	24.3%	$26.84	-0.7%	0	0
United States totals	4,149,006,661	12,255,885	20,954,263	0.5%	13.6%	15.0%	$33.11	0.2%	46,498,771	101,433,110

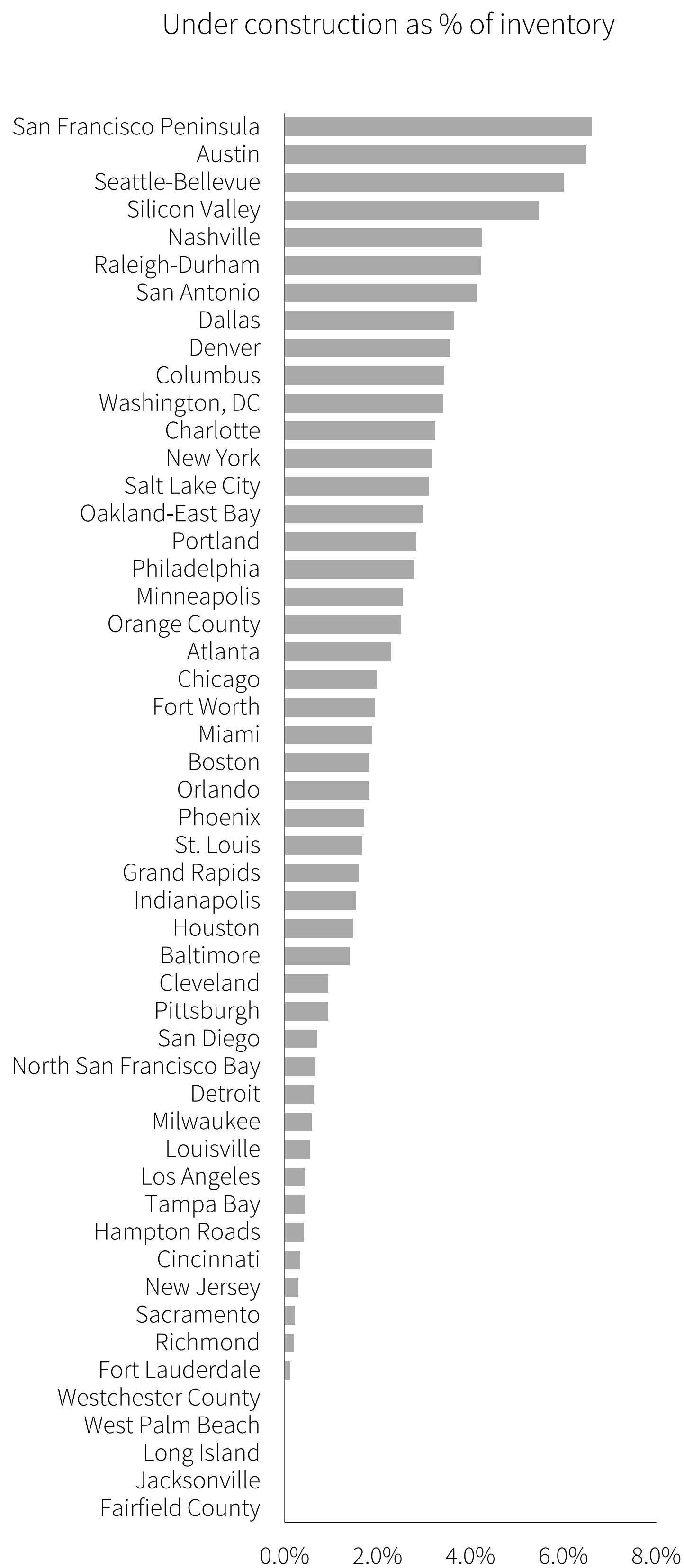

Inventory (s.f.)
New York
Washington, DC
Chicago
Los Angeles
Dallas
Boston
Houston
New Jersey
Atlanta
Philadelphia
Denver
Seattle-Bellevue
Orange County
Phoenix
San Diego
San Francisco
Silicon Valley
Baltimore
Minneapolis
Detroit
Portland
Salt Lake City
Oakland-East Bay
Austin
Pittsburgh
Charlotte
Raleigh-Durham
Sacramento
Fairfield County
St. Louis
Fort Worth
Long Island
Miami
Nashville
Cincinnati
Tampa Bay
Indianapolis
Westchester County
San Antonio
Orlando
Columbus
North San Francisco Bay
Cleveland
Milwaukee
San Francisco Peninsula
Richmond
Fort Lauderdale
Jacksonville
West Palm Beach
Hampton Roads
Louisville
Grand Rapids
0
250
500
Square feet (millions)


Total vacancy rates
(including sublease)
Fairfield County
New Jersey
Fairfield County
Westchester County
Houston
Phoenix
Detroit
Dallas
Cleveland
Cincinnati
Fort Worth
Atlanta
Pittsburgh
Washington, DC
Milwaukee
Chicago
Minneapolis
Silicon Valley
Indianapolis
San Antonio
Los Angeles
West Palm Beach
Denver
Baltimore
Boston
Fort Lauderdale
Columbus
Grand Rapids
San Diego
Long Island
Miami
Richmond
Hampton Roads
St. Louis
Tampa Bay
Philadelphia
Sacramento
Louisville
Charlotte
Orange County
Jacksonville
Raleigh-Durham
San Francisco Peninsula
Austin
Orlando
North San Francisco Bay
New York
Oakland-East Bay
Portland
Seattle-Bellevue
Salt Lake City
Nashville
San Francisco
0%
5%
10%
15%
20%
25%
30%
Vacancy rate (%)


YTD total net absorption (including sublease)
Seattle-Bellevue
Dallas
Phoenix
Austin
Raleigh-Durham
New York
Oakland-East Bay
Denver
Charlotte
Philadelphia
Boston
Chicago
Hampton Roads
Salt Lake City
San Diego
Baltimore
Fort Lauderdale
Jacksonville
North San Francisco Bay
Detroit
Orange County
Orlando
Miami
Sacramento
Long Island
Louisville
Milwaukee
Tampa Bay
San Antonio
Richmond
San Francisco Peninsula
West Palm Beach
Portland
Indianapolis
St. Louis
Pittsburgh
Cleveland
Los Angeles
New Jersey
Minneapolis
Nashville
Fort Worth
Hartford
San Francisco
Columbus
Cincinnati
Atlanta
Fairfield County
Washington, DC
Westchester County
Silicon Valley
Houston
-2,000
0
2,000
4,000
Square feet (thousands)


Marketed rents
San Francisco
New York
San Francisco Peninsula
Silicon Valley
Washington, DC
Los Angeles
Oakland-East Bay
Austin
Miami
Boston
Fairfield County
Seattle-Bellevue
San Diego
Orange County
Chicago
West Palm Beach
Houston
Fort Lauderdale
Denver
Portland
North San Francisco Bay
Dallas
Westchester County
New Jersey
Minneapolis
Philadelphia
Long Island
Nashville
Phoenix
Charlotte
Atlanta
Tampa Bay
Baltimore
Sacramento
Pittsburgh
Fort Worth
San Antonio
Raleigh-Durham
Salt Lake City
Orlando
Milwaukee
Indianapolis
Columbus
Jacksonville
Richmond
St. Louis
Cleveland
Cincinnati
Detroit
Hampton Roads
Louisville
Grand Rapids
$0
$20
$40
$60
$80
$ per square foot


Under construction (s.f.)
New York
Washington, DC
San Francisco
Dallas
Seattle-Bellevue
Chicago
Silicon Valley
Denver
Philadelphia
Austin
Atlanta
Boston
Houston
Orange County
Raleigh-Durham
San Francisco Peninsula
Minneapolis
Salt Lake City
Portland
Charlotte
Oakland-East Bay
Nashville
Phoenix
San Antonio
Baltimore
Columbus
Fort Worth
Los Angeles
Miami
St. Louis
Orlando
San Diego
Indianapolis
Pittsburgh
New Jersey
Detroit
Cleveland
North San Francisco Bay
Grand Rapids
Milwaukee
Tampa Bay
Cincinnati
Louisville
Sacramento
Hampton Roads
Richmond
Fort Lauderdale
Westchester County
West Palm Beach
Long Island
Jacksonville
Fairfield County
0
5,000,000
10,000,000
15,000,000
Square feet


Under construction as % of inventory
San Francisco Peninsula
Austin
Seattle-Bellevue
Silicon Valley
Nashville
Raleigh-Durham
San Antonio
Dallas
Denver
Columbus
Washington, DC
Charlotte
New York
Salt Lake City
Oakland-East Bay
Portland
Philadelphia
Minneapolis
Orange County
Atlanta
Chicago
Fort Worth
Miami
Boston
Orlando
Phoenix
St. Louis
Grand Rapids
Indianapolis
Houston
Baltimore
Cleveland
Pittsburgh
San Diego
North San Francisco Bay
Detroit
Milwaukee
Louisville
Los Angeles
Tampa Bay
Hampton Roads
Cincinnati
New Jersey
Sacramento
Richmond
Fort Lauderdale
Westchester County
West Palm Beach
Long Island
Jacksonville
Fairfield County
0.0%
2.0%
4.0%
6.0%
8.0%

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