

MARKETBEAT OFFICE SNAPSHOT



UNITED STATES

A Cushman & Wakefield Research Publication

Q2 2015



ECONOMIC OVERVIEW

As predicted, the U.S. economy emerged from the winter weather malaise with stronger job growth during the second quarter. Total employment increased by 664,000 jobs, compared to 586,000 in Q1. The office-using sectors of information, financial services and professional services were particularly strong, accounting for 39% of total job growth. Some 257,000 jobs were added to office-using payrolls, about on par with Q4 2014 which recorded the highest quarterly job growth of the recovery. The unemployment rate, at 5.3% in June, is the lowest since April of 2008.

INCREASED MOMENTUM FOR THE OFFICE MARKET

Office market indicators were generally stronger compared to Q1 with higher levels of both leasing activity and absorption. Compared to this point last year, absorption levels in non-CBD markets are above their year-ago levels. In Silicon Valley, tech tenants occupied both new and existing space in Mountain View, Sunnyvale, and Santa Clara. Boston's suburbs continued to thrive with tech and life sciences tenants drawn to Cambridge's public transit options and live-work-play environment, and the 128 submarkets attracting a diverse mix of tenants. While CBD market absorption was off from last year's level, it is important to note that 70% of the markets tracked have higher occupancy levels than they did a year ago. Financial services downsizing in Downtown NY and the downturn in the energy sector in Houston, along with lack of quality space and densification in other markets, dragged down CBD absorption.

Total leasing activity was off slightly from last year's levels but remained well above 10-year averages in both the CBD and Non-CBD markets. Midtown, NY and Dallas topped CBD and Non-CBD leasing activity, respectively, while Washington, DC and its Northern Virginia suburbs improved the most, coming off depressed levels of activity in 2014 due to cutbacks in government and its service-providers.

Overall vacancy rates in both the CBD and Non-CBD continued to decline steadily but slowly, and were at their lowest levels since 2008, 11.8% and 16.1%, respectively.

With occupancy levels approaching 70% in newly constructed properties, it is obvious that occupiers continue to seek out state-of-the-art, modern space. Nearly 11 million square feet (msf) have been completed to date with another 23.2 msf in the pipeline for H2 2015.

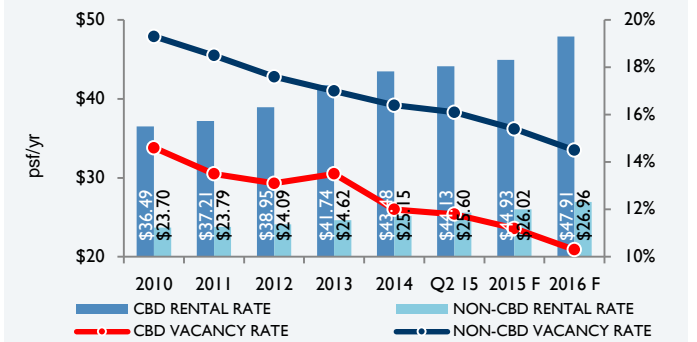
OUTLOOK

Several factors at play will cause vacancy rates to decrease further by the end of 2015. Some large-scale occupancies are anticipated in several markets during the second half of the year; strong job growth in office-using sectors is expected to continue; and relatively low levels of new construction compared to long-term averages will have no trouble remaining below demand. Average asking rents will continue to improve, thanks to this strong demand for newly constructed or refurbished space, which offers modern amenities and layouts.

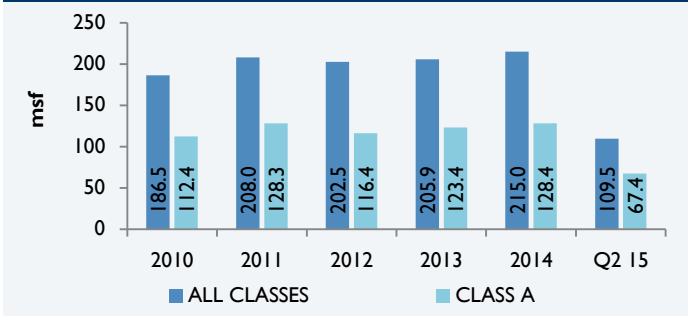
STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	15.4%	14.5%	-90bp	▼
Overall Asking Rents (psf/yr)	\$30.13	\$30.99	2.9%	▲
YTD Leasing Activity (msf)	113.5	109.5	-3.5%	▲

OVERALL RENTAL VS. VACANCY RATES



OVERALL LEASING ACTIVITY



UNITED STATES

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE
Atlanta, GA	139,482,632	17.2%	16.5%	4,792,149	500,000	125,000	1,583,448	1,560,411	\$22.02	\$25.55
Austin, TX*	45,623,844	9.7%	8.6%	0	3,041,824	1,692,272	1,081,174	1,262,703	\$32.83	\$36.41
Baltimore, MD	64,888,846	13.9%	13.4%	836,077	893,700	42,704	249,226	293,380	\$22.64	\$25.86
Bellevue, WA*	31,110,628	8.6%	7.3%	1,323,468	1,526,000	0	190,941	613,669	\$29.25	\$31.93
Binghamton, NY*	4,373,888	10.3%	7.2%	23,917	68,000	0	-21,347	-21,347	\$14.00	\$14.00
Birmingham, AL*	18,702,565	14.5%	12.0%	269,239	0	0	-277,578	-303,675	\$18.58	\$20.94
Boston, MA	186,887,765	13.8%	12.3%	6,283,658	4,536,322	667,432	1,016,319	1,346,518	\$30.40	\$40.29
Buffalo, NY*	21,338,010	19.1%	18.5%	258,537	410,220	422,000	****	****	\$17.34	\$23.77
Charleston, SC*	22,456,507	7.0%	6.9%	432,563	228,138	319,000	458,958	452,591	\$20.12	\$25.84
Charlotte, NC*	82,904,874	9.5%	9.0%	1,550,163	1,871,241	205,967	536,381	435,019	\$21.93	\$25.64
Chicago, IL	226,680,277	15.6%	14.8%	6,134,910	2,273,333	550,000	1,045,762	1,597,682	\$28.16	\$31.32
Cincinnati, OH*(1)	34,471,157	20.8%	18.5%	0	0	280,000	141,055	91,851	\$18.14	\$21.97
Cleveland, OH*	143,938,420	11.6%	11.5%	880,201	1,075,242	400,279	361,671	425,571	\$16.53	\$21.60
Colorado Springs*	9,037,781	22.6%	21.3%	230,680	0	0	111,851	111,851	\$13.32	\$13.77
Columbus, OH*	30,920,070	13.0%	12.7%	627,363	829,840	135,000	492,749	523,210	****	\$21.99
Contra Costa, CA	34,524,636	13.4%	12.8%	1,287,269	0	0	348,015	516,196	\$27.36	\$29.40
Dallas, TX	209,119,827	16.4%	15.7%	6,917,457	6,213,583	2,625,901	3,202,401	2,543,683	\$22.22	\$27.12
Denver, CO	107,724,888	12.6%	11.6%	4,801,739	3,135,290	136,500	751,996	597,227	\$23.17	\$28.69
Detroit, MI*	94,771,217	20.2%	19.3%	2,157,987	634,522	0	1,136,605	952,796	\$17.60	\$19.90
El Paso, TX*	17,319,811	7.3%	6.8%	58,162	0	31,000	436	16,632	\$14.75	\$15.00
Fairfield County CT	41,573,889	20.9%	18.9%	1,734,331	0	0	90,225	-66,092	\$35.20	\$37.02
Fort Myers/Naples FL*	28,192,476	11.6%	11.5%	471,819	326,609	7,800	284,404	275,100	\$15.73	\$19.58
Fredericksburg, VA*	8,778,222	13.4%	13.2%	237,963	0	6,210	-10,029	-10,029	\$22.55	\$25.61
Ft. Lauderdale, FL	28,713,663	12.1%	11.7%	589,590	272,529	40,000	179,768	166,494	\$26.61	\$31.69
Greenville, SC*	29,227,452	8.9%	8.7%	255,352	218,800	86,049	314,006	312,774	\$14.82	\$19.86
Hampton Roads, VA*	39,397,106	12.0%	11.8%	568,625	84,360	112,830	59,047	70,662	\$17.15	\$21.09
Hartford, CT	25,023,863	19.9%	19.2%	308,343	19,000	0	-154,988	-198,725	\$20.10	\$21.67
Houston, TX	177,031,030	14.6%	12.9%	3,371,049	8,373,565	2,255,925	-383,898	-1,280,451	\$27.70	\$37.97
Indianapolis, IN*	36,724,348	16.9%	16.5%	1,101,083	282,847	0	190,584	206,864	\$18.12	\$20.27
Inland Empire CA	21,473,689	16.7%	15.8%	439,509	0	0	-13,738	343	\$20.98	\$24.47
Jacksonville, FL	24,877,760	18.5%	17.9%	875,605	24,000	24,041	76,807	59,203	\$17.78	\$19.73
Kansas City, MO*	47,356,683	15.2%	14.4%	648,488	899,048	87,000	312,857	178,408	\$17.77	\$20.44
Knoxville, TN*	16,230,154	11.9%	11.5%	172,564	0	19,200	176,358	190,558	\$14.45	\$16.55
Las Vegas, NV*	41,406,772	25.4%	25.4%	1,355,378	75,984	112,359	255,534	255,534	\$22.59	\$29.10
Long Island NY	33,454,691	17.1%	14.8%	727,038	0	0	350,328	229,156	\$29.73	\$33.22
Los Angeles CBD	27,286,277	18.4%	18.3%	1,152,813	356,141	0	274,033	249,079	\$33.90	\$36.96
Los Angeles Metro	168,665,833	15.4%	14.8%	6,031,911	1,398,587	321,406	1,636,425	1,583,751	\$33.11	\$36.66
Louisville, KY*	19,553,468	13.0%	12.8%	307,017	228,959	0	90,116	92,276	\$16.85	\$20.83
Memphis, TN*	19,810,891	21.7%	20.4%	408,186	52,000	241,177	282,516	378,990	\$17.42	\$20.38
Miami, FL	44,344,467	13.6%	13.2%	1,211,819	687,974	40,000	510,212	477,664	\$33.10	\$40.35
Milwaukee, WI*	27,732,440	20.0%	19.3%	593,268	1,797,831	170,000	-154,449	-116,174	\$18.68	\$21.50
Minneapolis/St. Paul MN*	71,711,031	17.4%	16.4%	0	2,020,000	0	467,524	328,470	\$22.74	\$27.71
Nashville, TN*	40,230,347	7.2%	6.8%	1,199,481	2,069,697	367,751	648,846	660,027	\$20.70	\$25.93
New Haven, CT	10,204,752	15.3%	14.1%	207,873	500,000	0	82,163	59,865	\$19.06	\$21.63
New Jersey - Central	78,718,146	17.6%	16.1%	3,338,781	713,000	0	-64,701	167,854	\$24.55	\$29.17
New Jersey - Northern	111,184,382	20.5%	18.6%	2,653,073	996,000	100,000	1,196,486	1,093,283	\$26.85	\$29.92
New York - Brooklyn	24,239,047	6.2%	5.9%	297,796	400,000	0	-412,019	-470,917	\$39.03	\$41.03
New York - Downtown	87,831,671	10.3%	9.5%	1,959,460	2,491,861	0	-681,838	-573,025	\$58.25	\$62.83
New York - Midtown	239,738,286	8.9%	7.4%	10,534,561	3,889,483	0	2,081,271	2,229,282	\$76.45	\$82.85
New York - Midtown South	66,603,951	6.2%	5.3%	2,842,563	187,000	0	461,811	715,843	\$66.86	\$79.12
Northern VA	132,195,668	21.2%	20.0%	3,470,069	1,866,809	199,099	78,323	242,714	\$33.07	\$36.90
Oakland, CA	26,612,239	13.3%	13.1%	1,295,103	0	0	166,778	158,239	\$29.40	\$37.08
Oklahoma City, OK*	21,946,586	12.5%	14.8%	0	500,302	0	-83,175	-83,175	\$15.73	\$17.56
Omaha, NE*	20,915,612	11.9%	11.9%	364,453	226,000	0	215,929	215,929	\$18.04	\$25.15
Orange County CA	86,737,320	12.7%	12.2%	4,611,660	477,387	0	597,566	446,897	\$26.13	\$33.60
Orlando, FL	37,062,827	15.5%	15.0%	1,270,088	95,450	17,124	368,062	473,568	\$20.85	\$23.58
Palm Beach, FL	25,020,287	17.5%	17.1%	483,282	0	0	125,926	167,058	\$28.42	\$36.59
Philadelphia, PA	128,706,276	14.7%	14.2%	3,234,978	1,943,921	0	-353,270	-427,703	\$24.39	\$26.74
Phoenix, AZ	80,868,933	21.7%	20.9%	3,508,129	3,970,787	770,196	662,982	531,926	\$21.51	\$25.63
Pittsburgh, PA*	89,767,864	9.1%	8.8%	1,369,567	1,964,090	351,267	167,193	186,100	\$20.47	\$24.46
Portland, OR	43,551,730	10.9%	10.5%	1,247,016	1,068,850	114,483	349,173	317,882	\$23.65	\$27.42
Providence, RI*	18,901,000	13.3%	12.9%	264,766	386,000	48,000	44,652	44,652	\$18.31	\$24.82
Raleigh/Durham NC*	62,952,719	10.9%	10.6%	1,448,151	723,225	1,101,460	1,175,317	1,175,317	\$20.23	\$23.87
Richmond, VA*	50,800,791	9.3%	8.6%	637,171	531,378	185,658	156,836	196,787	\$18.15	\$20.82
Roanoke, VA*	15,888,966	8.3%	8.0%	77,847	72,500	30,260	122,708	145,247	\$13.72	\$21.14
Rochester, NY*	14,069,668	16.0%	16.0%	172,828	150,000	0	-162,348	-162,348	\$19.75	\$21.94
Sacramento, CA	85,010,246	13.5%	13.3%	1,447,047	0	0	551,461	554,089	\$20.76	\$25.68
Salt Lake City, UT*	33,286,302	12.0%	10.5%	1,305,226	1,417,590	402,444	480,613	492,746	\$22.15	\$27.25
San Antonio, TX*	29,448,548	14.7%	14.4%	553,378	464,536	545,343	145,420	179,173	\$20.06	\$22.99
San Diego, CA	74,139,993	12.2%	10.1%	3,249,827	767,544	102,576	538,506	569,661	\$28.32	\$35.76
San Francisco North Bay CA	26,845,876	13.5%	12.0%	222,173	0	0	-105,551	-120,039	\$24.60	\$26.40
San Francisco Peninsula CA	37,353,180	9.4%	8.1%	1,976,664	1,164,120	718,754	810,614	855,905	\$50.88	\$52.51
San Francisco, CA	75,406,638	6.4%	5.3%	3,451,778	4,347,952	0	1,000,400	674,713	\$63.39	\$67.74
San Juan, PR*	10,408,067	14.2%	14.2%	0	0	0	0	0	\$18.79	\$21.05
Savannah, GA*	3,360,752	18.1%	18.1%	0	0	0	0	0	\$19.03	\$22.48
Seattle, WA*	57,043,077	9.7%	9.3%	2,715,178	5,376,570	651,189	1,146,941	2,031,657	\$28.27	\$32.37
Silicon Valley CA	51,441,143	9.4%	8.8%	4,187,690	7,052,234	1,822,985	2,023,685	2,000,228	\$36.07	\$38.22
Southern NH	12,953,738	18.3%	17.4%	323,956	113,684	30,000	68,910	64,850	\$17.58	\$18.93
St. Louis, MO*	46,806,665	15.3%	14.9%	929,432	180,370	0	189,882	99,049	\$18.50	\$22.15
St. Petersburg/Clearwater FL	12,849,994	17.0%	16.9%	345,039	0	0	63,570	80,937	\$18.90	\$21.03
Suburban MD	56,333,663	22.1%	20.9%	911,726	344,000	79,644	-315,305	-329,799	\$26.87	\$31.30
Syracuse, NY*	16,287,117	16.3%	15.9%	138,677	258,500	56,000	-45,990	-45,990	\$15.78	\$16.24
Tampa, FL	32,213,347	14.4%	13.6%	1,054,713	633,898	18,000	433,101	327,799	\$22.61	\$25.31
Tucson, AZ*	24,623,626	12.5%	12.3%	351,496	4,500	90,423	-55,671	-18,425	\$18.19	\$22.08
Tulsa, OK*	24,518,215	16.0%	15.9%	0	400,392	0	-161,759	-170,310	\$13.64	\$18.15
Washington, D.C.	107,812,839	12.0%	11.1%	2,998,643	2,209,293	112,000	1,150,535	1,099,565	\$51.18	\$58.43
Westchester County NY	29,163,988	20.0%	18.4%	910,105	300,000	0	-76,883	-126,549	\$29.73	\$30.16
C&W MARKETS	3,342,554,193	14.5%	13.5%	109,529,060	64,217,297	10,913,770	21,564,097	20,459,645	\$30.99	\$36.85
ALL MARKETS	4,866,899,930	14.2%	13.3%	134,988,734	94,614,412	19,071,709	31,974,856	32,130,385	\$27.44	\$34.11

*Alliance Markets (1) IQ15 Data

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MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS *	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
295 North Maple Avenue	Central New Jersey	Verizon	A	1,350,000
3333 Scott Boulevard	Silicon Valley Non-CBD	Palo Alto Networks	A	751,953
One Manhattan West	Midtown Manhattan	Skadden, Arps, Slate, Meagher & Flom	A	538,321
0 San Antonio Road	Silicon Valley Non-CBD	LinkedIn	A	456,000
1 Facebook Way	San Francisco Peninsula	Facebook, Inc.	A	433,555
399 Fairview Avenue North	Seattle CBD	Amazon	A	418,999
2201 Lakeside Boulevard	Dallas Non-CBD	RealPage	A	399,788
300 Boren Avenue North	Seattle CBD	Amazon	A	391,005
6200 South Quebec Street	Denver Non-CBD	URS/ACOM Solutions	B	330,033
3001 Hackberry Road	Dallas Non-CBD	CoreLogic	A	327,183
SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Duke Realty Portfolio (Suburban Assets)	Florida, Missouri, North Carolina, Tennessee	Starwood Capital Group/ Vanderbilt Partners/ Trinity Capital Advisors	\$1,100,000,000	6,900,000
Willis Tower	Chicago CBD	Blackstone Group	\$1,300,000,000 / \$332	3,920,000
11 Madison Avenue	Midtown South Manhattan	SL Green Realty	\$2,600,000,000 / \$1,130	2,300,000
Concourse Corporate Center (5 properties)	Atlanta Non-CBD	Building & Land Technology/Abu Dhabi Investment Authority	\$483,744,849 / \$229	2,113,384
230 Park Avenue	Midtown Manhattan	RXR Realty	\$1,200,000,000 / \$857	1,400,000
295 North Maple Avenue	Central New Jersey	Mesirow Financial	\$650,300,000 / \$482	1,350,000
32 Old Slip	Downtown Manhattan	RXR Realty	\$675,000,000 / \$563	1,200,000
1 South Wacker Drive	Chicago CBD	John Hancock Real Estate	\$345,000,000 / \$289	1,195,170
1818 Market Street	Philadelphia CBD	Shorenstein Properties	\$184,750,000 / \$188	982,000
SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
State Farm CityLine 2	Dallas Non-CBD	State Farm	Q2 15	710,000
1000 West Fulton Street	Chicago CBD	Google, Inc.	Q2 15	550,000
KPMG Plaza at Hall Arts	Dallas/Ft Worth CBD	KPMG	Q2 15	454,000
Facebook BTS	San Francisco Peninsula	Facebook, Inc.	Q2 15	433,555
State Farm BTS – CityLine 1	Dallas Non-CBD	State Farm	Q2 15	388,000
75-125 Binney Street	Boston – Cambridge	ARIAD Pharmaceuticals	Q2 15	386,540
1175 Borregas Drive	Silicon Valley Non-CBD	Google, Inc.	Q2 15	315,272
Westway Plaza	Houston Non-CBD	GE Oil & Gas	Q2 15	312,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANTS	COMPLETION DATE	BUILDING SQUARE FEET
Apple Spaceship Campus	Silicon Valley Non-CBD	Apple	Q4 16	2,800,000
Three World Trade Center	Downtown Manhattan	Group M	Q1 18	2,491,861
Legacy Drive and State Highway 121	Dallas Non-CBD	Toyota	Q1 17	2,100,000
10 Hudson Yards	Midtown Manhattan	Coach, Inc.	Q1 17	1,745,000
415 Mission Street	San Francisco CBD	Salesforce.com	Q1 17	1,412,898
1800 Arch Street	Philadelphia CBD	Comcast	Q1 18	1,321,921
55 Hudson Boulevard	Midtown Manhattan	Boies Schiller & Flexner, LLP	Q4 17	1,383,002

*EXCLUDES RENEWALS