



REAL ESTATE OUTLOOK

U.S. MARKET | OFFICE

THIRD QUARTER 2018



U.S. TRENDLINES

5-Year Trend Current Quarter

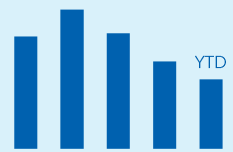
VACANCY



10.1%

Stable vacancy year-over-year

ABSORPTION



22.7 MSF

17.1% higher YTD than 2017

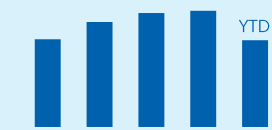
ASKING RENT



\$26.03 PSF

4.0% annual growth

UNDER CONSTRUCTION



146.3 MSF

New office starts are beginning to decline

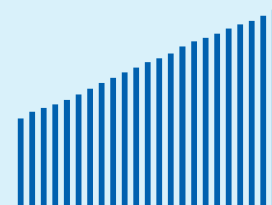
UNEMPLOYMENT RATE



3.7%

24 months below 5%

OFFICE-USING EMPLOYMENT GROWTH



36.3M

1.7% annual growth

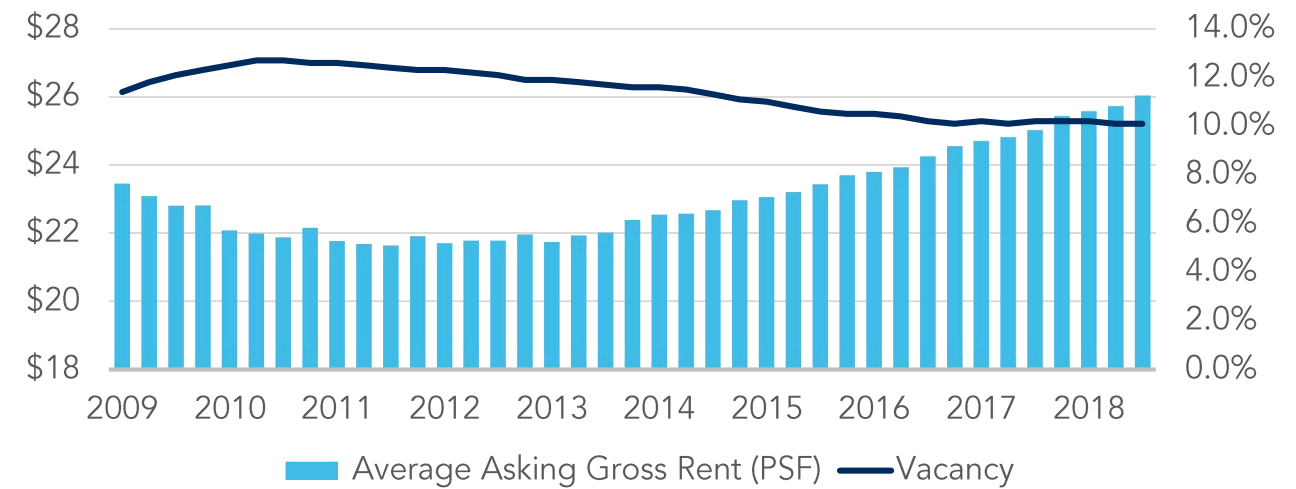
U.S. HIGHLIGHTS

The U.S. office market continued to show strength as absorption reached 22.7 MSF, vacancy remained stable, and asking rents increased by 4.0%, annually. Economic indicators show ongoing momentum for most of the U.S. economy. Real gross domestic product increased at a 3.5% annualized rate according to first estimates. High consumer confidence and increased personal consumption contributed 2.7% to that rate.

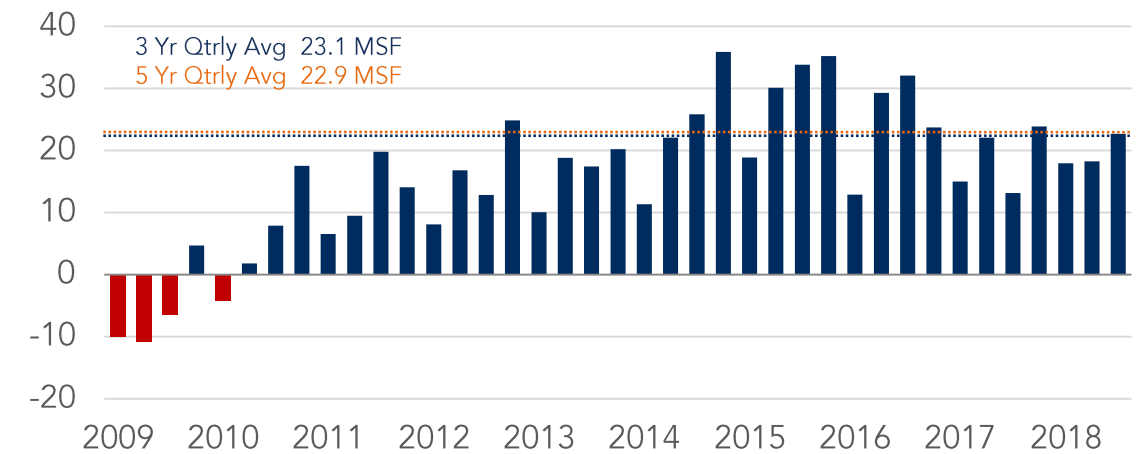
The already tight labor market constricted again to 3.7% in September. Income growth was softer with wages and salaries up only 0.2%, the smallest monthly gain in a year. However, personal spending increased moderately at 0.3%, and inflation remained in line with the Federal Reserve's target of 2.0%.

Vacancy rates have remained relatively flat for nearly two years, their lowest level this cycle. Demand and supply appear to be headed for equilibrium as new construction activity peaked early last year. Office demand appears broad-based across multiple sectors with the technology and coworking sectors driving demand as we move later in the cycle. If current trends continue, rental rate growth is expected to moderate.

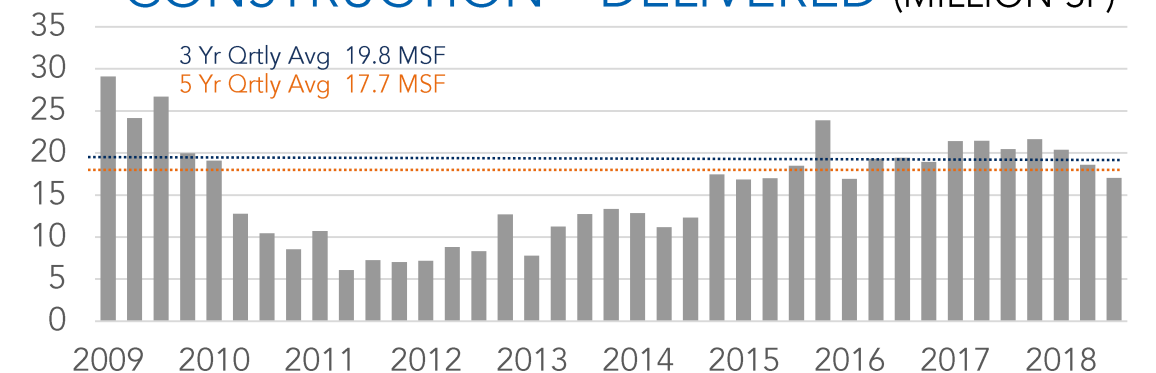
VACANCY VS ASKING RENT



NET ABSORPTION (MILLION SF)



CONSTRUCTION – DELIVERED (MILLION SF)

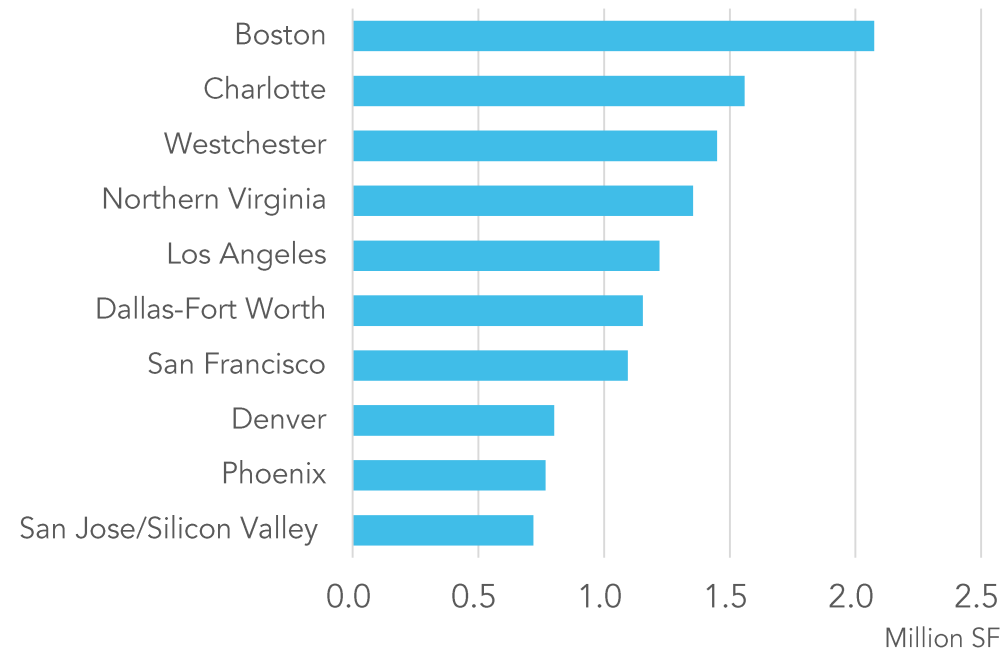


* Denotes through Q3 2018



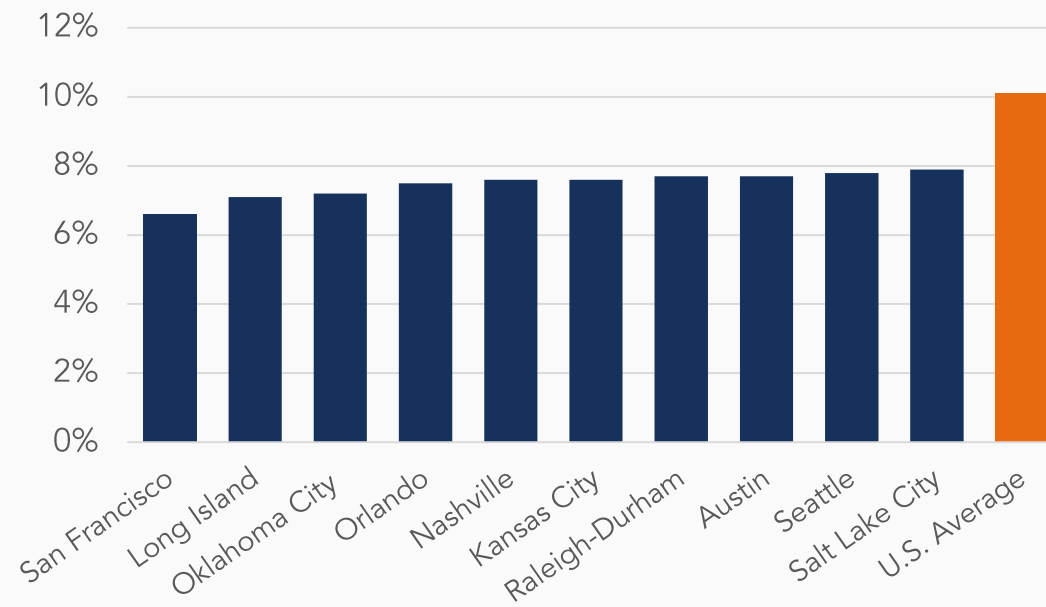
ABSORPTION

Q3 2018 Net Absorption



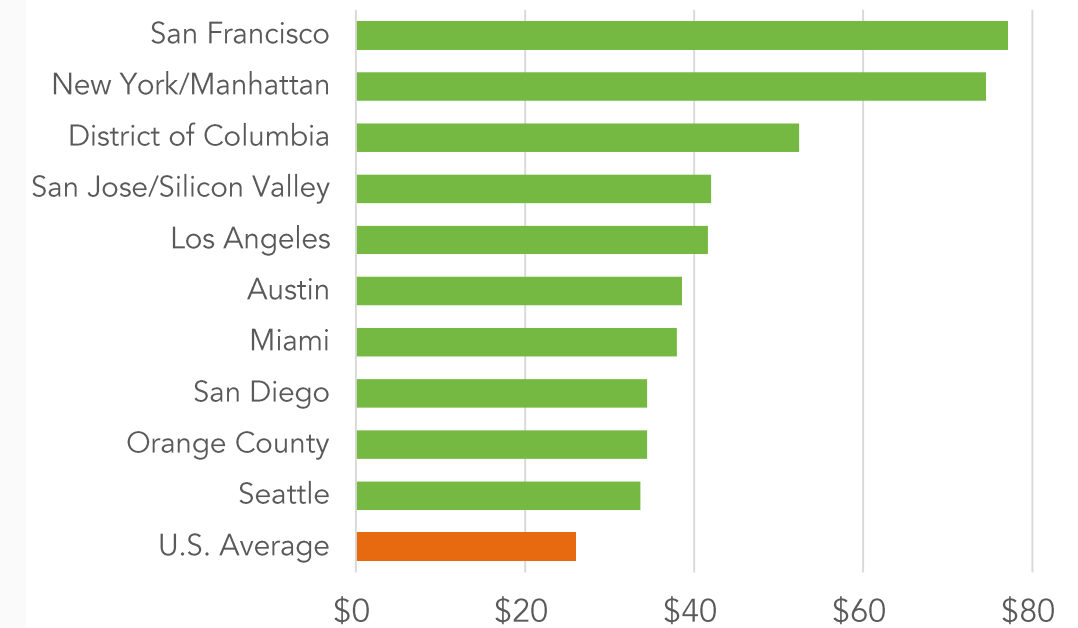
VACANCY/CONSTRUCTION

Q3 2018 Overall Vacancy Rate

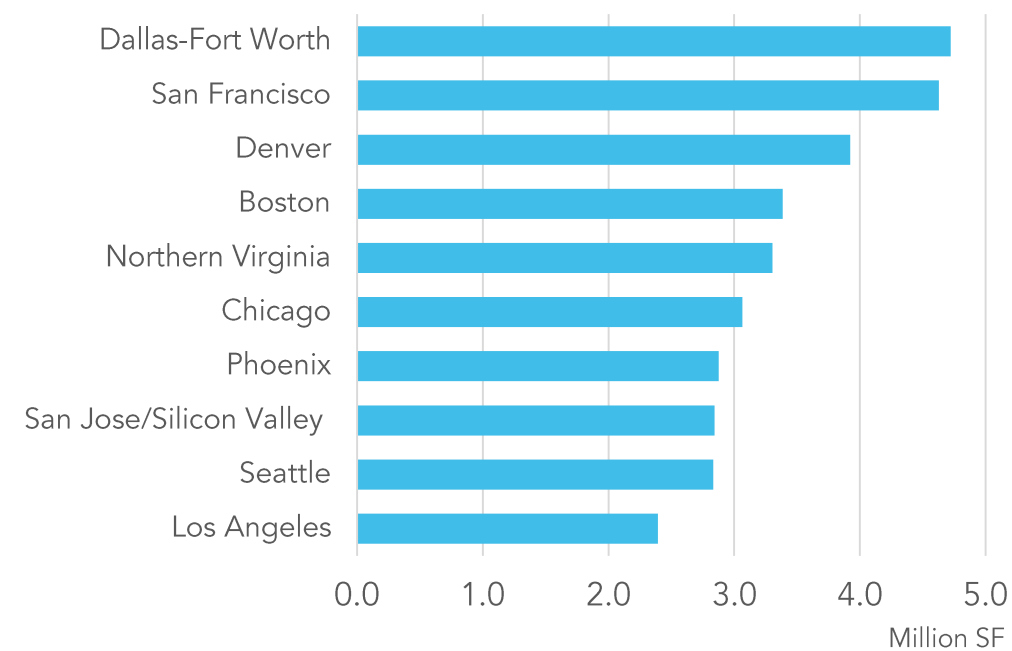


ASKING RENTS

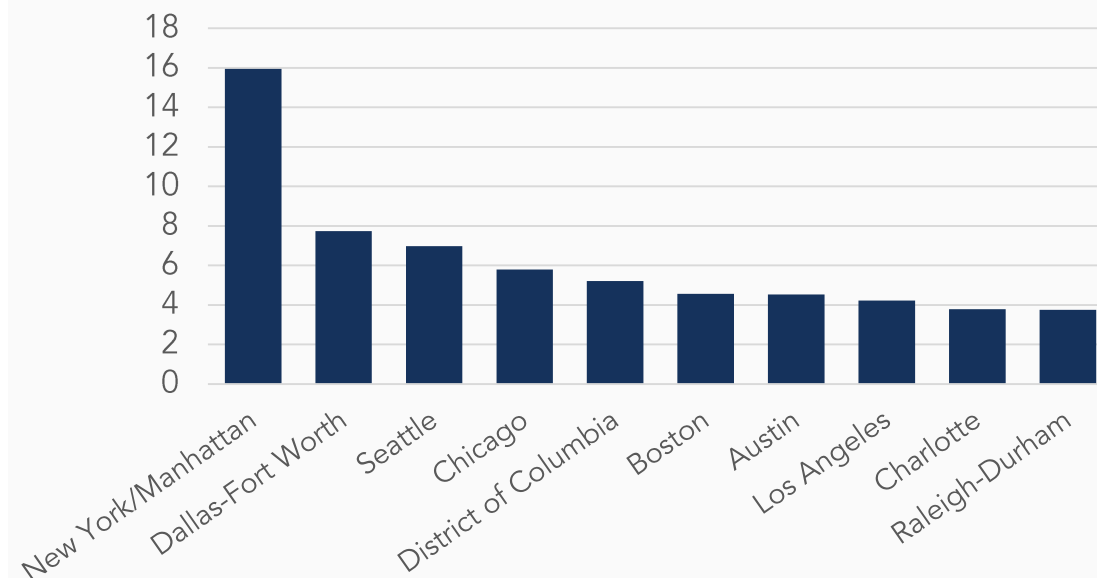
Q3 2018 Asking Rate FS



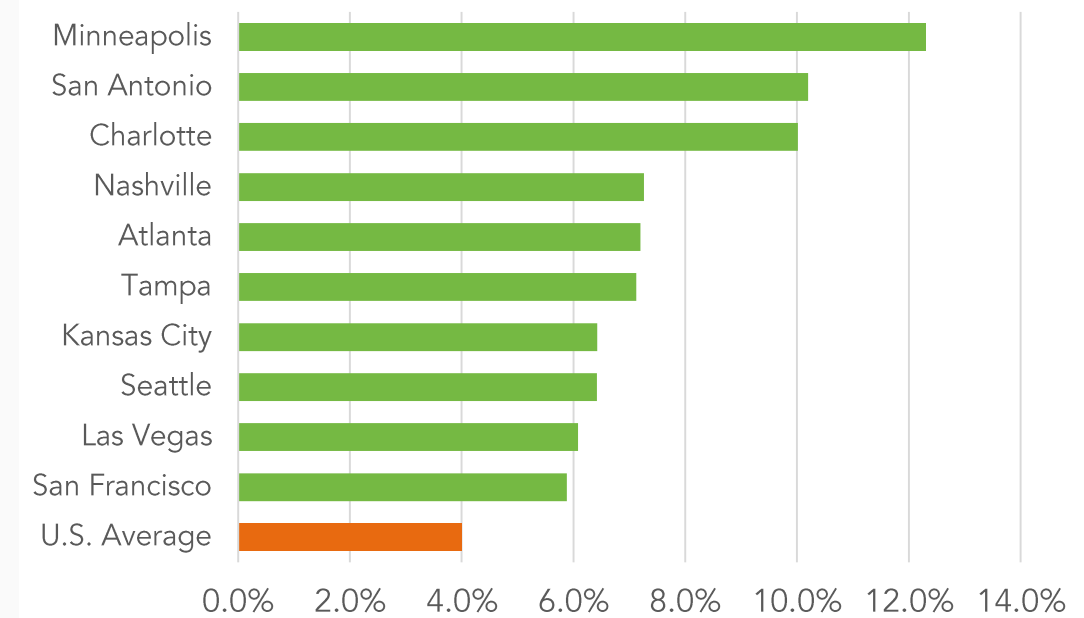
12-Month Net Absorption



Q3 2018 Under Construction (Million SF)



Year-Over-Year Rent Growth





Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent FSG	Annual Rent Change	Under Construction
Atlanta	166,097,377	16.7%	15.6%	(104,329)	376,299	\$26.38	7.2%	2,776,245
Austin	70,586,814	7.7%	8.7%	640,638	977,231	\$38.56	2.3%	4,525,064
Baltimore*	114,050,979	11.5%	11.1%	(382,000)	(391,000)	\$22.28	1.9%	1,776,744
Boston	288,923,822	8.3%	7.6%	2,074,396	3,386,163	\$24.52	1.6%	4,565,843
Charlotte	82,782,976	9.7%	9.2%	1,558,714	2,275,620	\$27.14	10.0%	3,777,782
Chicago	285,926,760	15.7%	14.7%	238,625	3,065,450	\$32.11	4.5%	5,785,508
Cincinnati	75,845,652	9.1%	8.8%	450,925	1,221,079	\$16.12	-3.4%	35,200
Cleveland	80,058,670	10.6%	10.4%	(20,805)	12,104	\$18.29	0.8%	162,152
Columbus	76,100,101	8.5%	7.9%	(672,215)	(444,702)	\$18.36	3.4%	826,725
Dallas-Fort Worth	310,339,524	16.7%	15.6%	1,154,853	4,721,699	\$25.64	1.5%	7,736,622
Denver*	140,652,622	18.0%	9.9%	801,687	3,922,449	\$28.37	1.5%	3,432,610
Detroit	138,445,886	10.8%	10.6%	254,946	1,517,078	\$19.26	1.4%	1,336,073
District of Columbia*	139,424,497	9.9%	9.1%	76,000	335,000	\$52.40	1.9%	5,214,460
Oakland/East Bay	60,531,117	11.8%	11.0%	192,452	(424,305)	\$33.12	-5.0%	721,683
Hartford	46,765,617	9.9%	8.9%	45,759	507,391	\$19.79	-1.5%	219,810
Houston*	240,056,341	18.5%	16.4%	190,081	(1,122,015)	\$30.51	0.2%	2,895,225
Indianapolis	73,418,686	8.6%	8.3%	35,096	504,849	\$19.44	3.9%	375,693
Inland Empire	41,743,090	7.9%	7.6%	426,373	816,243	\$20.72	3.0%	112,817
Kansas City	95,588,321	7.6%	7.2%	(34,990)	393,638	\$20.20	6.4%	860,413
Las Vegas	38,040,810	14.1%	13.1%	(108,911)	1,091,298	\$21.28	6.1%	463,868
Long Island*	62,558,444	7.1%	6.0%	(155,907)	200,899	\$25.38	-2.2%	373,013
Los Angeles	201,563,152	16.1%	15.0%	1,220,736	2,393,193	\$41.64	3.4%	4,223,212
Miami	44,597,578	12.6%	11.8%	208,235	283,510	\$37.94	5.5%	133,885
Milwaukee	58,168,957	8.4%	7.9%	16,872	22,479	\$16.67	-1.0%	463,537

*Market reports Vacant Available rate

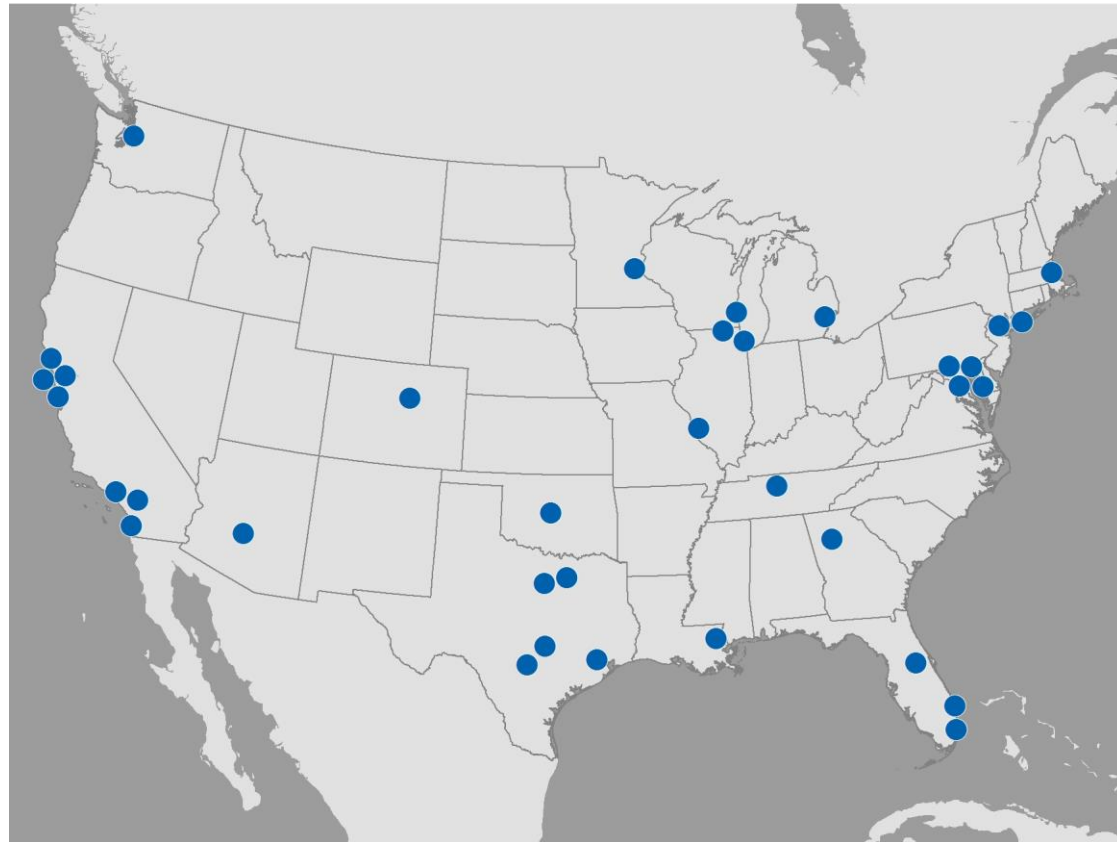


Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent FSG	Annual Rent Change	Under Construction
Minneapolis	152,883,149	8.8%	8.3%	96,416	936,866	\$22.17	12.3%	1,145,870
Nashville	63,382,928	7.6%	6.9%	183,043	394,484	\$28.50	7.3%	3,498,614
New Jersey	253,976,230	14.9%	13.4%	363,782	(264,574)	\$26.88	0.1%	2,115,061
New Orleans	34,435,734	8.7%	8.6%	69,231	(262,388)	\$18.16	-1.2%	13,200
New York/Manhattan	432,884,628	8.6%	7.6%	(83,803)	(116,864)	\$74.50	1.0%	15,942,131
Northern Virginia*	195,662,986	16.1%	15.3%	1,354,000	3,305,000	\$31.95	2.1%	669,595
Oklahoma City	38,825,109	7.2%	7.0%	(123,468)	478,508	\$16.96	1.7%	214,700
Orange County	89,299,590	13.9%	12.7%	63,499	558,980	\$34.43	5.0%	960,795
Orlando	63,883,307	7.5%	7.2%	199,377	557,544	\$21.10	4.4%	1,847,504
Philadelphia	242,457,538	9.7%	9.2%	472,986	1,590,751	\$25.30	1.5%	1,678,369
Phoenix	113,668,999	15.0%	13.8%	767,249	2,877,352	\$26.54	1.8%	3,006,596
Pittsburgh	103,886,022	9.5%	8.9%	39,699	381,954	\$22.80	3.4%	1,200,982
Portland	78,725,338	8.3%	7.9%	257,305	949,050	\$26.34	4.0%	2,037,765
Raleigh-Durham	76,311,467	7.7%	7.3%	102,092	1,171,745	\$24.37	5.5%	3,758,844
Sacramento	71,472,507	11.8%	11.5%	147,243	811,530	\$22.89	4.8%	56,200
Salt Lake City	57,932,621	7.9%	7.4%	701,761	1,126,144	\$22.27	1.1%	1,317,441
San Antonio	33,458,710	17.2%	14.6%	117,490	417,490	\$25.23	10.2%	1,468,765
San Diego	62,030,705	13.3%	12.7%	489,837	665,318	\$34.44	2.5%	264,793
San Francisco	83,101,865	6.6%	5.7%	1,094,615	4,627,401	\$77.10	5.9%	3,622,320
San Jose/Silicon Valley	95,241,629	11.6%	9.7%	719,448	2,843,913	\$42.00	0.0%	1,716,621
Seattle	152,752,796	7.8%	7.2%	629,117	2,832,939	\$33.65	6.4%	6,972,239
St. Louis	104,467,700	9.1%	8.8%	123,288	747,813	\$19.72	5.7%	887,000
Suburban Maryland*	92,321,579	14.8%	14.4%	42,000	67,000	\$27.02	1.0%	2,029,658
Tampa	80,124,352	8.6%	8.0%	347,756	540,723	\$23.31	7.1%	996,200
Westchester	133,639,542	12.6%	12.2%	1,449,985	1,439,539	\$28.29	-2.0%	346,150

*Market reports Vacant Available rate



TRANSWESTERN LOCATIONS



ABOUT TRANSWESTERN

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RESEARCH METHODOLOGY

The information in this report is the result of a compilation of competitive single and multi-tenant office properties located in select U.S. metropolitan areas. Owner-occupied properties, medical offices, and government-owned buildings are excluded from analysis. All rents are reported as full-service gross. Markets denoted with an asterisk (*) report local vacancy rates as vacant available space.

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