



# REAL ESTATE OUTLOOK

U.S. MARKET | OFFICE

FOURTH QUARTER 2018



## U.S. TRENDLINES

5-Year Trend      Current Quarter

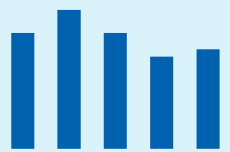
### VACANCY



**9.8%**

20 basis-point drop year over year

### ABSORPTION



**21.2 MSF**

8.1% higher year-end total than 2017

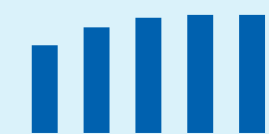
### ASKING RENT



**\$26.36 PSF**

3.7% annual growth

### UNDER CONSTRUCTION



**152.4 MSF**

Activity jumps 3.0% year over year

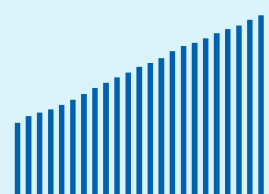
### UNEMPLOYMENT RATE



**3.9%**

27 months below 5%

### OFFICE-USING EMPLOYMENT GROWTH



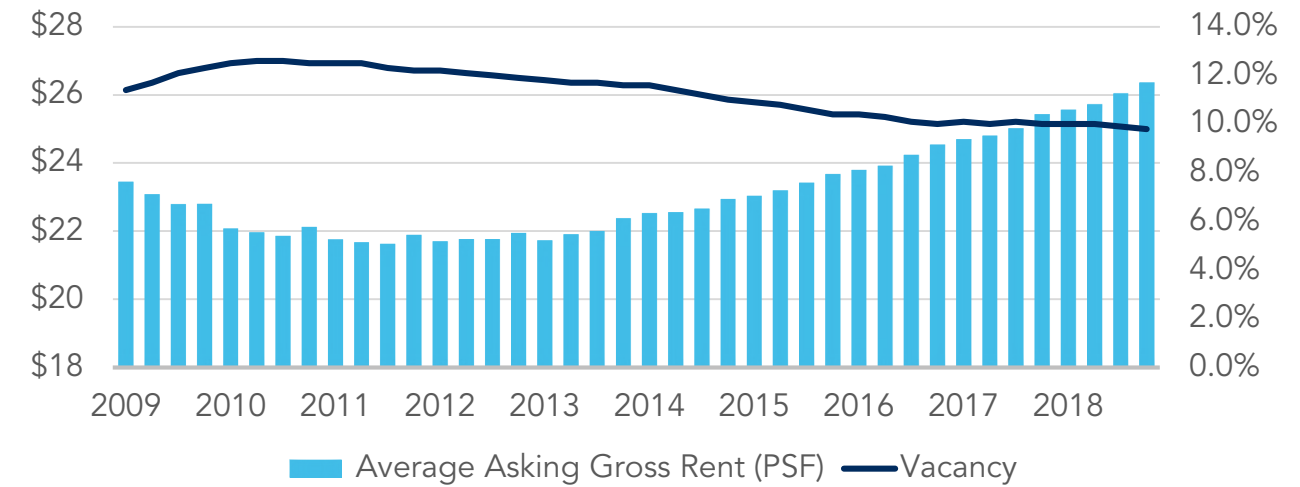
**35.0M**

1.8% annual growth (Nov 2017-2018)

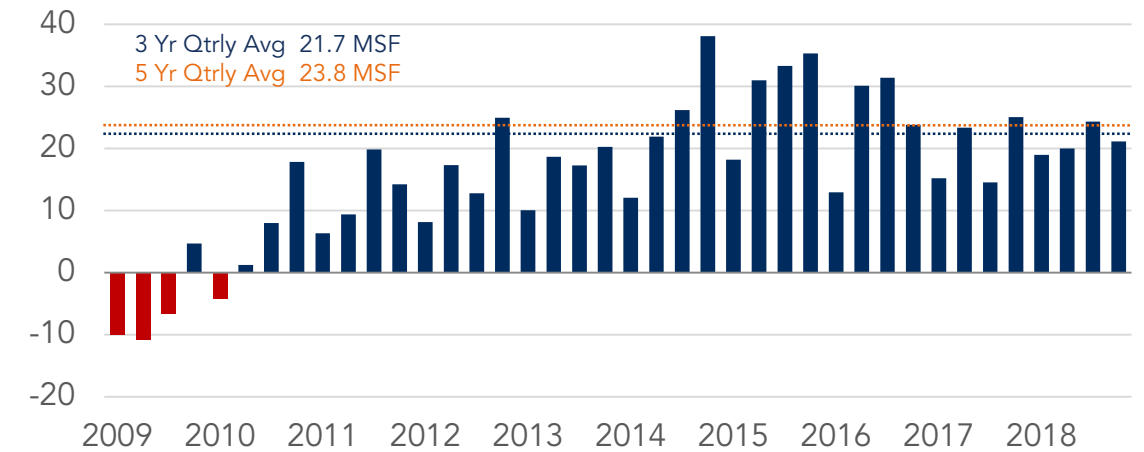
## U.S. HIGHLIGHTS

- Healthy employment growth in office-using industries within a tight labor market.
- Absorption remained strong in 2018 with tenants moving in to 84.4 MSF, an increase of 8.1% from 2017.
- Despite new deliveries and healthy absorption, occupancy rates have increased to 90.2%, the highest in the current cycle.
- Construction activity rebounded above the three-year average and just shy of peak 153.4 MSF in Q4 2016.
- Deliveries slowed at year end, but are expected to rise again as current projects are delivered to market in Q1 and Q2 2019.
- Annual asking rental rate growth remains above the five-year average of 3.3%. Property upgrades and redevelopments are contributing to higher averages.
- 42 of 49 U.S. markets sampled reported positive rent growth with 21 markets recording rates above 3.0%.
- Amazon splits HQ2, runners-up look to capitalize on recruitment exercise lessons.
- New focus on Opportunity Zones is enticing companies to establish funds, raise capital, and target potential investment in real estate developments.

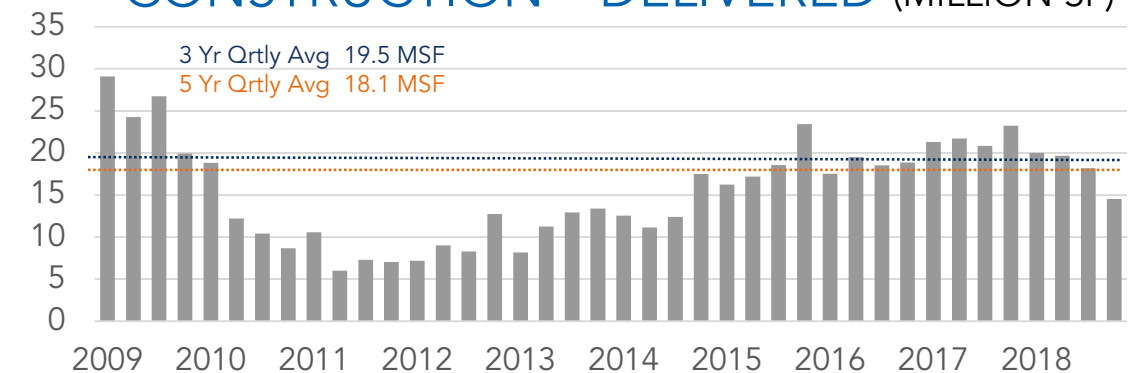
## VACANCY VS ASKING RENT



## NET ABSORPTION (MILLION SF)



## CONSTRUCTION – DELIVERED (MILLION SF)



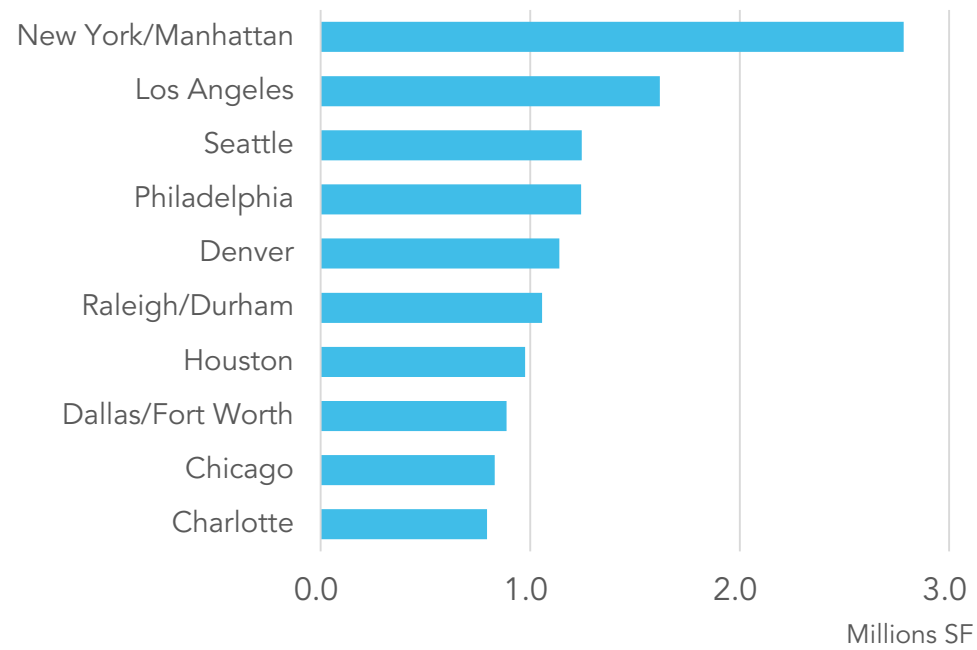
\* Through Q4 2018





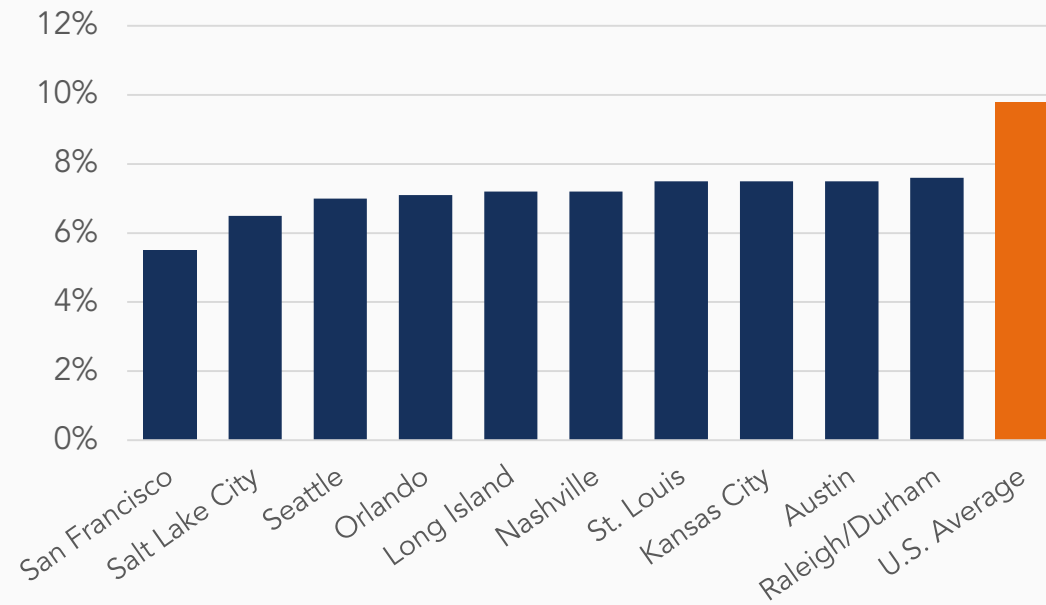
### ABSORPTION

Q4 2018 Net Absorption



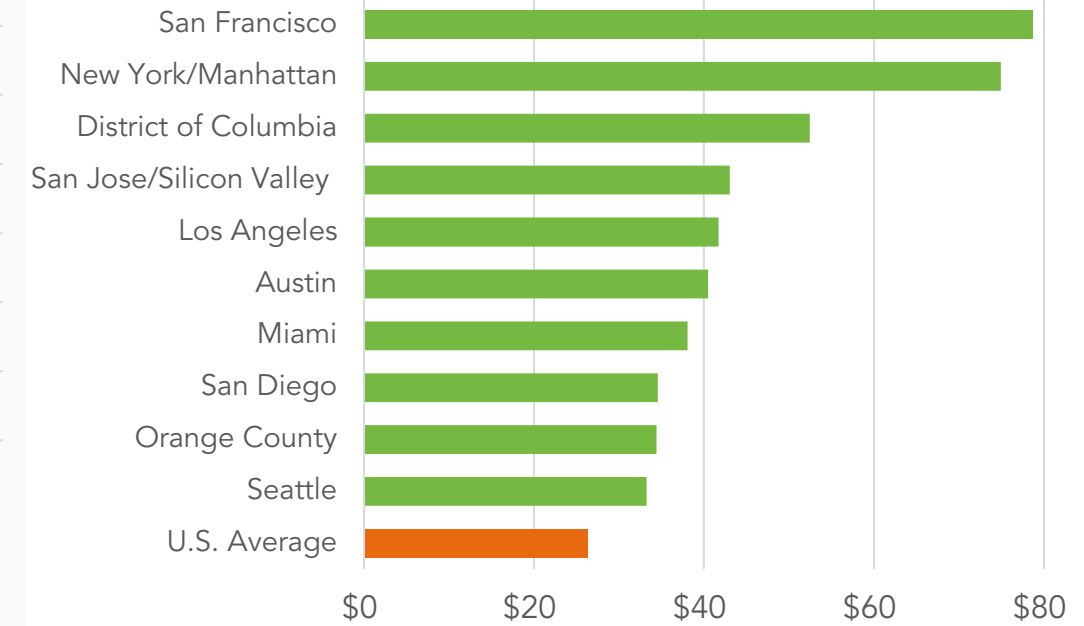
### VACANCY/CONSTRUCTION

Q4 2018 Overall Vacancy Rate

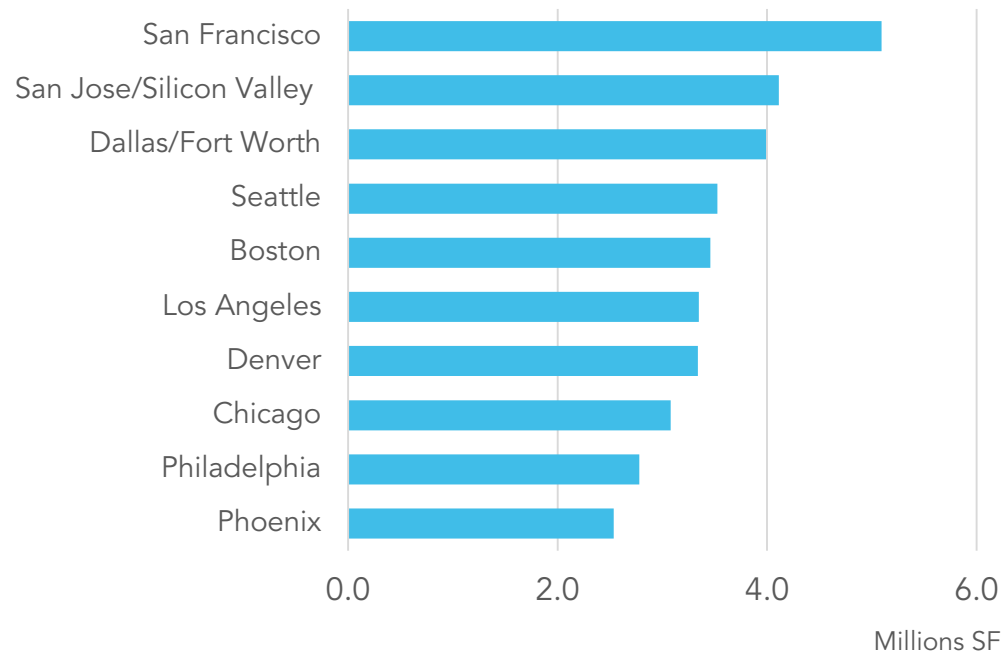


### ASKING RENTS

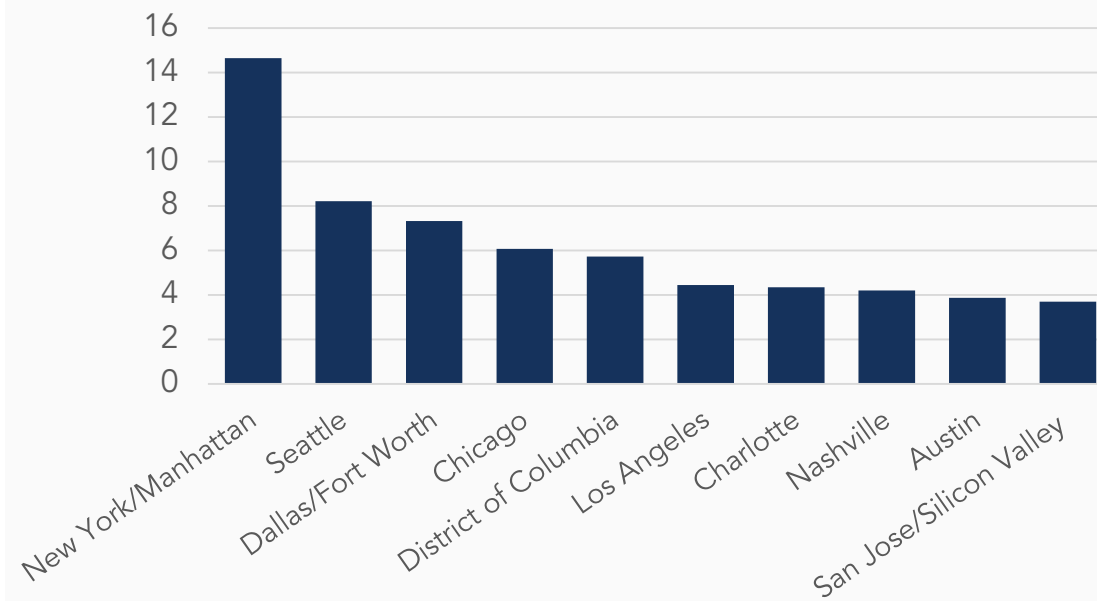
Q4 2018 Asking Rate FS



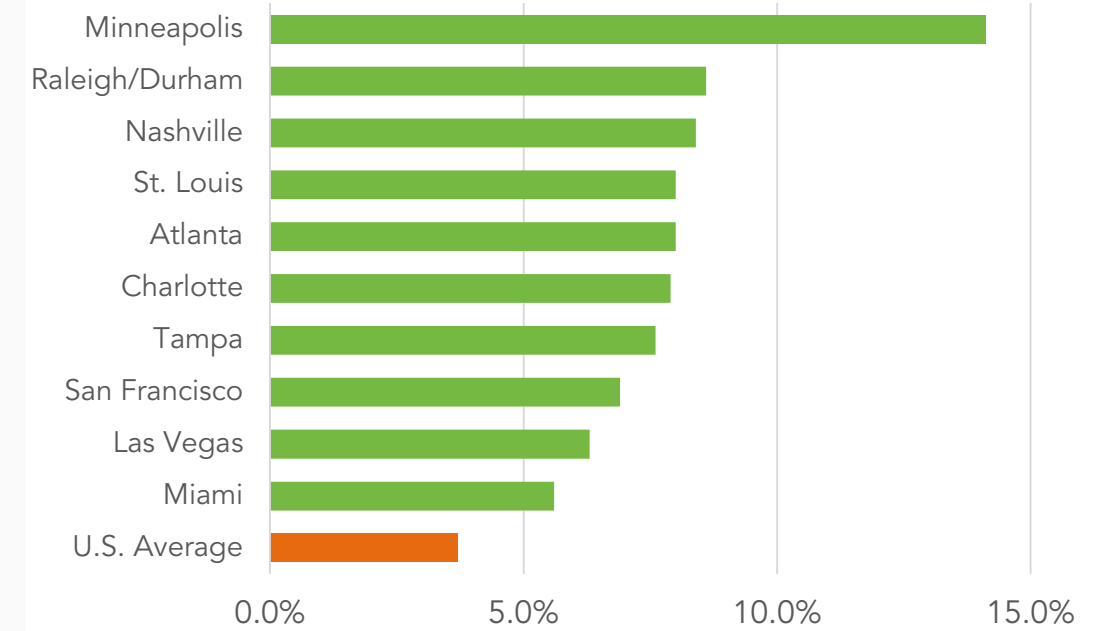
### 12-Month Net Absorption



### Q4 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	166,394,815	16.5%	15.5%	599,017	449,481	\$26.65	8.0%	2,623,914
Austin	70,285,751	7.5%	6.6%	378,086	897,481	\$40.46	3.9%	3,869,070
Baltimore*	114,623,732	11.5%	11.1%	444,000	(277,000)	\$22.28	0.9%	1,147,491
Boston	290,834,889	8.4%	7.7%	531,163	3,457,842	\$24.48	1.7%	3,680,922
Charlotte	83,372,974	9.2%	8.6%	794,380	2,452,038	\$27.16	7.9%	4,339,945
Chicago	287,538,784	15.5%	14.4%	831,005	3,080,670	\$32.21	5.1%	6,075,776
Cincinnati	76,111,905	9.1%	8.8%	(85,050)	1,060,986	\$16.06	-4.2%	60,000
Cleveland	80,436,940	8.7%	8.5%	139,391	353,664	\$18.63	1.5%	209,509
Columbus	76,836,820	8.4%	7.9%	211,650	814,128	\$18.52	3.3%	513,253
Dallas / Fort Worth	312,487,968	16.4%	15.2%	886,741	3,990,413	\$25.72	1.8%	7,325,790
Denver*	141,252,548	12.0%	9.4%	1,139,144	3,339,872	\$28.26	3.9%	3,597,259
Detroit	137,419,571	10.3%	10.2%	565,022	2,092,723	\$19.43	1.6%	2,709,997
District of Columbia*	139,711,797	9.8%	9.0%	269,000	700,000	\$52.45	1.1%	5,728,112
East Bay / Oakland	61,691,813	12.4%	11.7%	91,462	258,553	\$30.60	-5.5%	968,767
Hartford	45,118,755	9.1%	8.2%	146,986	(17,878)	\$19.92	-1.3%	188,100
Houston*	239,523,614	23.8%	16.3%	975,809	(546,599)	\$30.84	1.1%	2,519,474
Indianapolis	73,724,920	8.9%	8.6%	(166,584)	843,619	\$19.56	4.3%	851,332
Inland Empire	40,251,368	8.4%	8.1%	93,037	620,234	\$21.35	2.7%	81,317
Kansas City	94,466,675	7.5%	7.1%	10,058	444,430	\$20.18	3.6%	1,433,482
Las Vegas	37,779,534	13.8%	12.8%	139,066	542,374	\$22.04	6.3%	424,378
Long Island*	62,317,839	7.2%	6.0%	(184,690)	(138,589)	\$25.09	-1.7%	2,375,335
Los Angeles	201,787,322	15.2%	14.3%	1,619,454	3,348,729	\$41.71	3.7%	4,441,868
Miami	36,981,883	16.8%	16.0%	(558,643)	(334,486)	\$38.06	5.6%	384,998
Milwaukee	58,456,820	8.9%	8.4%	(91,431)	(39,538)	\$17.60	2.6%	592,537

\*Market reports Vacant Available rate

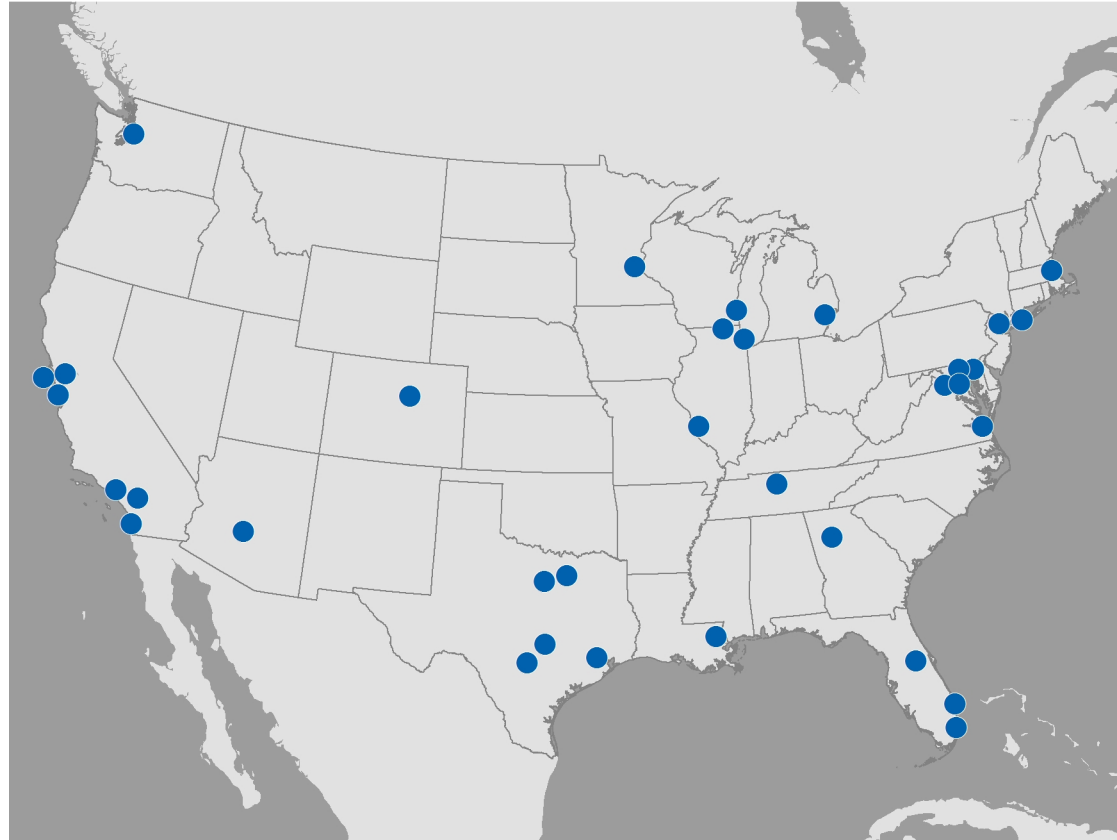


Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent FSG	Annual Rent Change	Under Construction
Minneapolis	153,301,661	8.3%	7.9%	(329,305)	191,582	\$22.91	14.1%	617,467
Nashville	63,678,785	7.2%	6.6%	257,023	926,855	\$28.83	8.4%	4,198,346
New Jersey	252,610,012	14.8%	13.4%	302,577	411,135	\$26.94	2.3%	1,867,749
New Orleans	34,469,275	8.4%	8.2%	50,526	(31,863)	\$18.28	-0.3%	11,500
New York / Manhattan	432,884,628	8.6%	7.5%	2,782,157	1,305,836	\$74.92	2.0%	14,645,585
Northern Virginia*	195,207,477	15.7%	14.9%	345,000	2,414,000	\$32.01	2.0%	1,781,986
Oklahoma City	38,050,441	8.4%	8.2%	65,692	226,324	\$16.94	-4.3%	462,700
Orange County	89,075,289	13.8%	12.3%	345,095	654,675	\$34.41	4.6%	1,254,923
Orlando	63,503,845	7.1%	6.8%	150,160	580,157	\$21.68	2.0%	1,785,204
Philadelphia	244,265,508	9.2%	8.7%	1,242,582	2,779,825	\$25.36	1.3%	1,667,123
Phoenix	113,963,682	14.9%	13.8%	366,322	2,535,326	\$26.74	2.5%	3,148,779
Pittsburgh	104,225,650	9.6%	8.9%	(178,037)	(179,839)	\$22.65	5.2%	1,122,235
Portland	78,626,984	8.8%	8.4%	195,778	1,001,071	\$27.39	4.8%	1,752,152
Raleigh/Durham	77,987,153	7.6%	7.2%	1,057,194	2,255,220	\$24.96	8.6%	2,552,329
Sacramento	71,068,482	12.0%	11.7%	(137,980)	484,658	\$23.03	5.0%	660,600
Salt Lake City	58,878,138	6.5%	6.1%	767,711	2,037,939	\$22.58	0.4%	1,402,841
San Antonio	33,631,462	16.5%	13.6%	310,988	512,175	\$25.29	2.7%	1,302,565
San Diego	62,233,204	13.3%	12.5%	195,722	826,888	\$34.56	2.1%	1,128,809
San Francisco	83,101,865	5.5%	4.8%	794,062	5,091,090	\$78.61	6.9%	3,592,320
San Jose/Silicon Valley	89,219,128	10.8%	8.9%	785,740	4,110,644	\$43.05	0.8%	3,692,746
Seattle	153,982,018	7.0%	6.6%	1,245,950	3,524,706	\$33.25	1.5%	8,205,974
St. Louis	107,616,049	7.5%	7.2%	452,391	355,358	\$20.21	8.0%	1,071,500
Suburban Maryland*	92,611,403	14.7%	14.1%	493,000	459,000	\$27.02	1.0%	1,915,674
Tampa	78,953,755	8.7%	8.0%	(304,965)	320,462	\$23.66	7.6%	894,291
Westchester	132,558,401	12.0%	11.5%	352,012	1,127,470	\$28.38	-0.7%	645,022

\*Market reports Vacant Available rate



## TRANSWESTERN LOCATIONS



## ABOUT TRANSWESTERN

Transwestern Commercial Services (TCS) is a privately held real estate firm of collaborative entrepreneurs who deliver a higher level of personalized service and innovative client solutions. Applying a consultative approach to Agency Leasing, Asset Services, Occupier Solutions, Capital Markets and Research, our fully integrated global organization adds value for investors, owners and occupiers of all commercial property types. We leverage market insight and operational expertise from across the Transwestern enterprise, which includes firms specializing in development and real estate investment management. TCS has 34 U.S. offices and assists clients from more than 200 offices in 37 countries through strategic alliances with France-based BNP Paribas Real Estate and Canada-based Devencore. Experience Extraordinary at [transwestern.com](http://transwestern.com) and @Transwestern.

## 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.

## SENIOR RESEARCH CONTACTS

### Atlanta/Miami

Keith Pierce  
[Keith.Pierce@transwestern.com](mailto:Keith.Pierce@transwestern.com)  
 404.842.6534

### Denver

Jared Balcavage  
[Jared.Balcavage@transwestern.com](mailto:Jared.Balcavage@transwestern.com)  
 303.952.5606

### San Antonio

Yesenia Dominguez  
[Yesenia.Dominguez@transwestern.com](mailto:Yesenia.Dominguez@transwestern.com)  
 210.563.7070

### Austin

Karen Judson  
[Karen.Judson@transwestern.com](mailto:Karen.Judson@transwestern.com)  
 512.314.3560

### Houston

Stuart Showers  
[Stuart.Showers@transwestern.com](mailto:Stuart.Showers@transwestern.com)  
 713.270.3380

### San Francisco Bay Area

Jamie Mahoney  
[Jamie.Mahoney@transwestern.com](mailto:Jamie.Mahoney@transwestern.com)  
 415.489.1826

### Boston

Matthew Dolly  
[Matthew.Dolly@transwestern.com](mailto:Matthew.Dolly@transwestern.com)  
 973.947.9244

### New Jersey

Matthew Dolly  
[Matthew.Dolly@transwestern.com](mailto:Matthew.Dolly@transwestern.com)  
 973.947.9244

### Southern California

Michael Soto  
[Michael.Soto@transwestern.com](mailto:Michael.Soto@transwestern.com)  
 213.430.2525

### Chicago

Sandy McDonald  
[Sandy.McDonald@transwestern.com](mailto:Sandy.McDonald@transwestern.com)  
 312.881.7037

### New York

Danny Mangru  
[Danny.Mangru@transwestern.com](mailto:Danny.Mangru@transwestern.com)  
 212.537.7690

### Washington D.C./Baltimore

Elizabeth Norton  
[Elizabeth.Norton@transwestern.com](mailto:Elizabeth.Norton@transwestern.com)  
 202.775.7026

### Dallas-Fort Worth

Ryan Tharp  
[Ryan.Tharp@transwestern.com](mailto:Ryan.Tharp@transwestern.com)  
 214.446.4574

### Phoenix

Darrell Magnuson  
[Darrell.Magnuson@transwestern.com](mailto:Darrell.Magnuson@transwestern.com)  
 602.386.1188

Copyright © 2019 Transwestern. All rights reserved. No part of this work may be reproduced or distributed to third parties without written permission of the copyright owner. The information contained in this report was gathered by Transwestern from CoStar and other primary and secondary sources believed to be reliable. Transwestern, however, makes no representation concerning the accuracy or completeness of such information and expressly disclaims any responsibility for any inaccuracy contained herein.

