



REAL ESTATE OUTLOOK

U.S. MARKET | OFFICE

SECOND QUARTER 2019



U.S. TRENDLINES

5-Year Trend

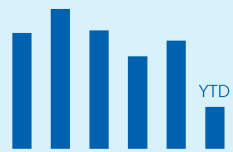
Current Quarter

VACANCY


9.7%

20 basis-point drop
year over year

ABSORPTION


24.0 MSF

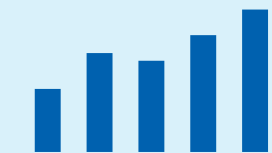
4.9% year over year
More than double
Q1 2019 of 11.7 MSF

ASKING RENT


\$26.83 PSF

4.2% annual growth
19.0% five-year growth

UNDER CONSTRUCTION


163.6 MSF

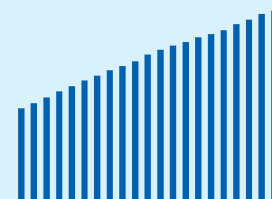
New starts up 10.3%
year over year

UNEMPLOYMENT RATE


3.7%

33 consecutive
months below 5%

OFFICE-USING EMPLOYMENT GROWTH

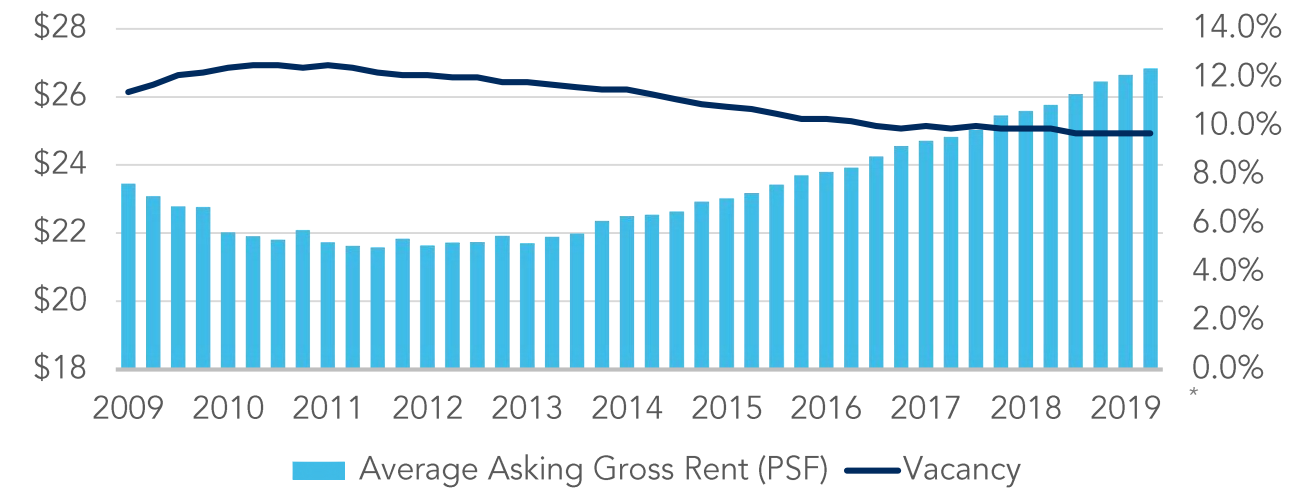

35.2M

1.5% annual growth
(Q2 2018-2019)

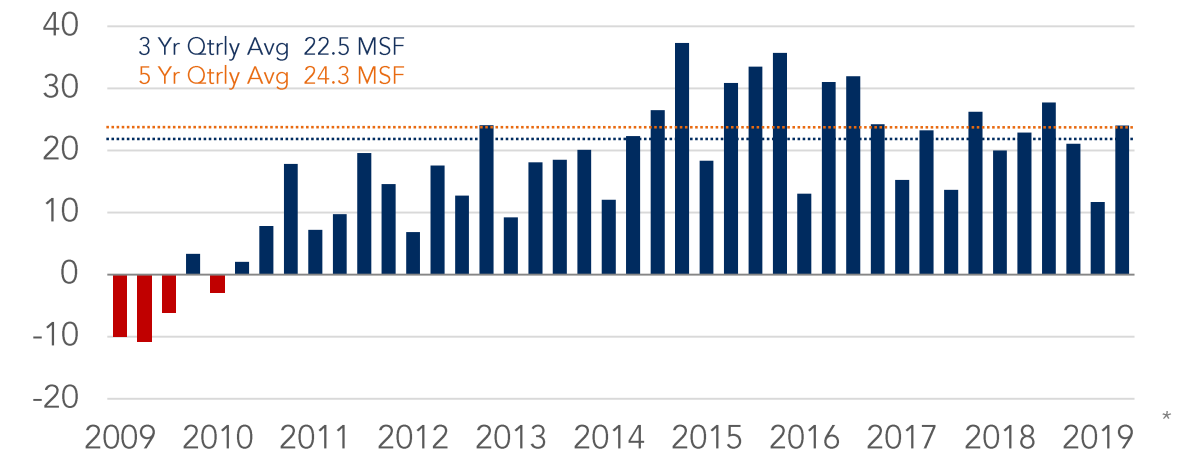
U.S. HIGHLIGHTS

- The U.S. economy grew 1.5% in the 12 months ending in June, adding 1.1 million jobs year to date.
- Leasing activity year to date is 24% less than mid-year 2018.
- Vacancy rates have not budged in four quarters and were only 20 basis points lower than one year ago.
- Net absorption more than doubled to 24 MSF in the second quarter despite sublet space recording negative growth of 1.9 MSF.
- Construction activity is the highest level this cycle, growing 9.6% during the past 12 months.
- Deliveries recorded a 15.9% uptick from Q1 2019 with more than 21.7 MSF of new space added to inventory. Record levels of construction projects are expected to keep these levels high through the year.
- Annual asking rental rates grew 4.2% year over year, the fastest rate this cycle and well above the five-year average of 3.4%. Rent growth is expected to settle between 3.0% to 3.5% by the end of the year.
- 47 of 49 U.S. markets studied reported positive rent growth with 25 markets recording rates above 3.0% and Tampa hitting double digits.

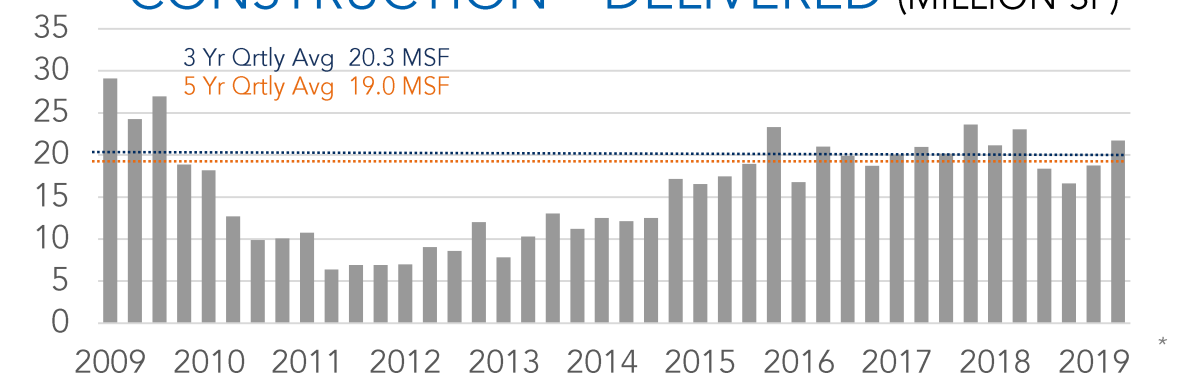
VACANCY VS ASKING RENT



NET ABSORPTION (MILLION SF)



CONSTRUCTION – DELIVERED (MILLION SF)

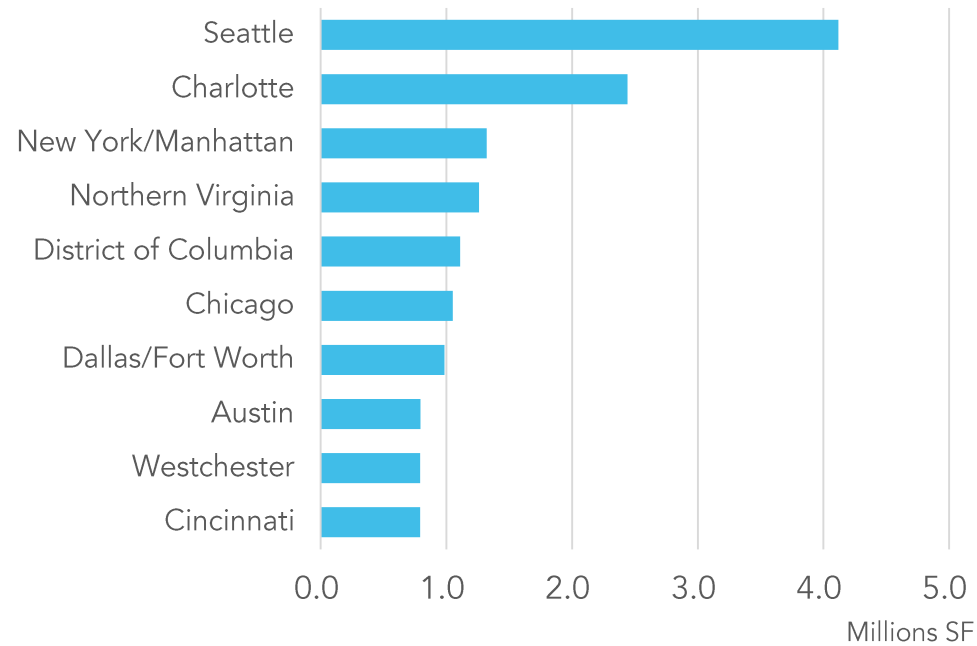


* Through Q2 2019



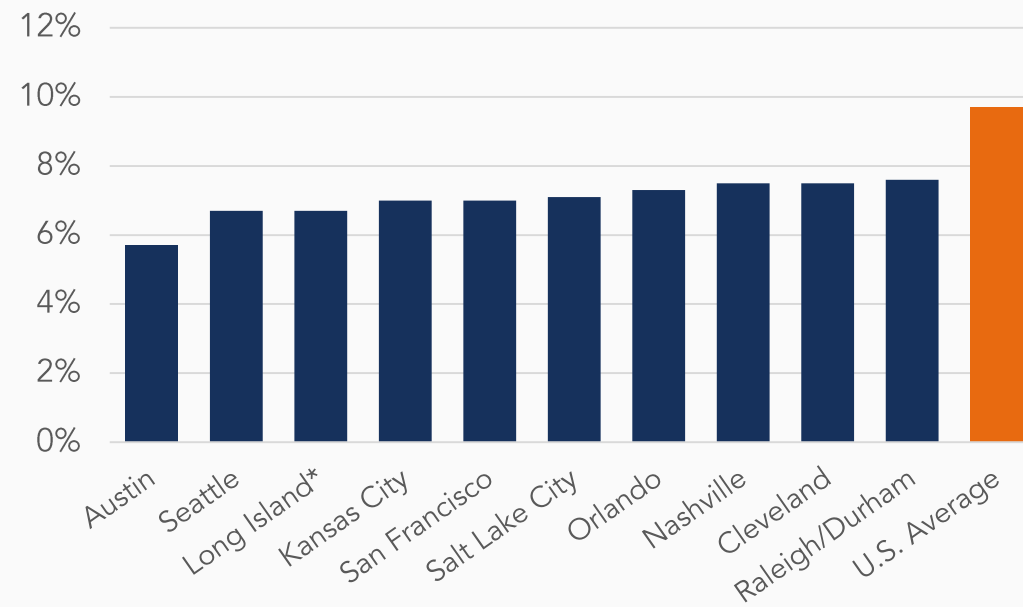
ABSORPTION

Q2 2019 Net Absorption



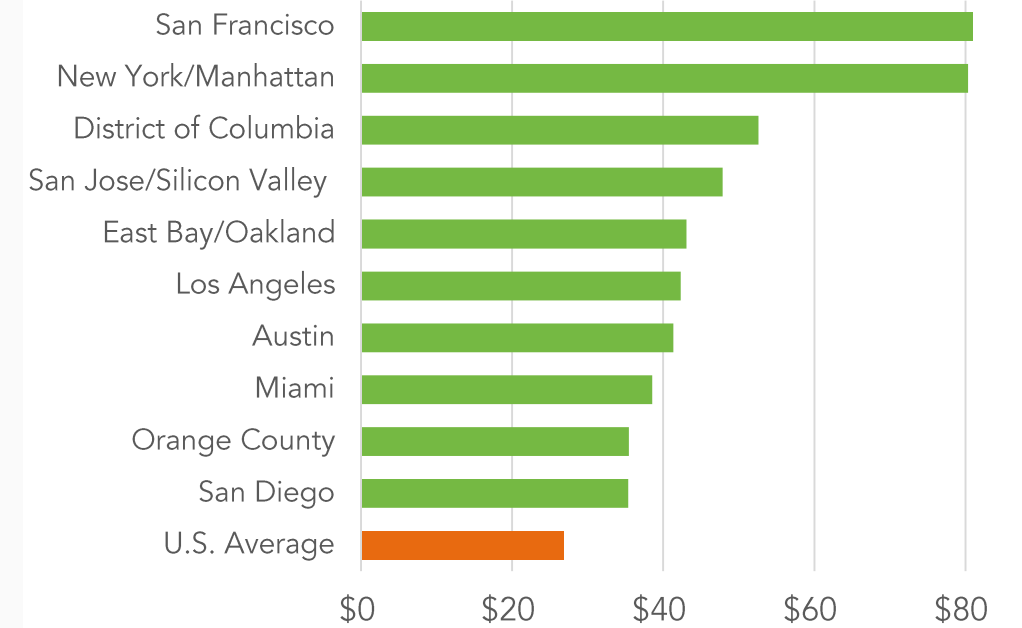
VACANCY/CONSTRUCTION

Q2 2019 Overall Vacancy Rate

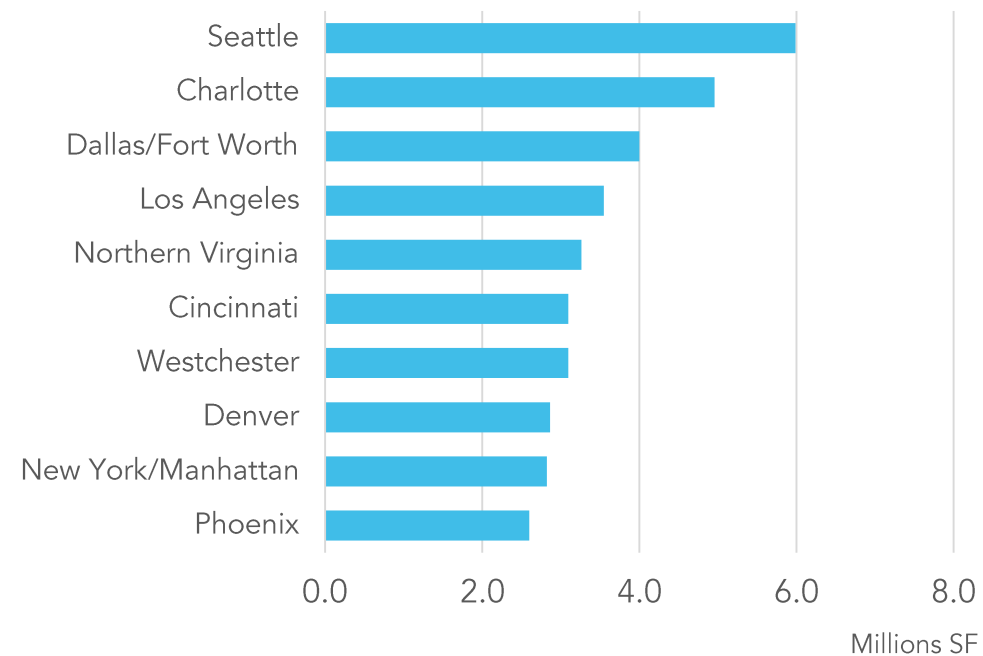


ASKING RENTS

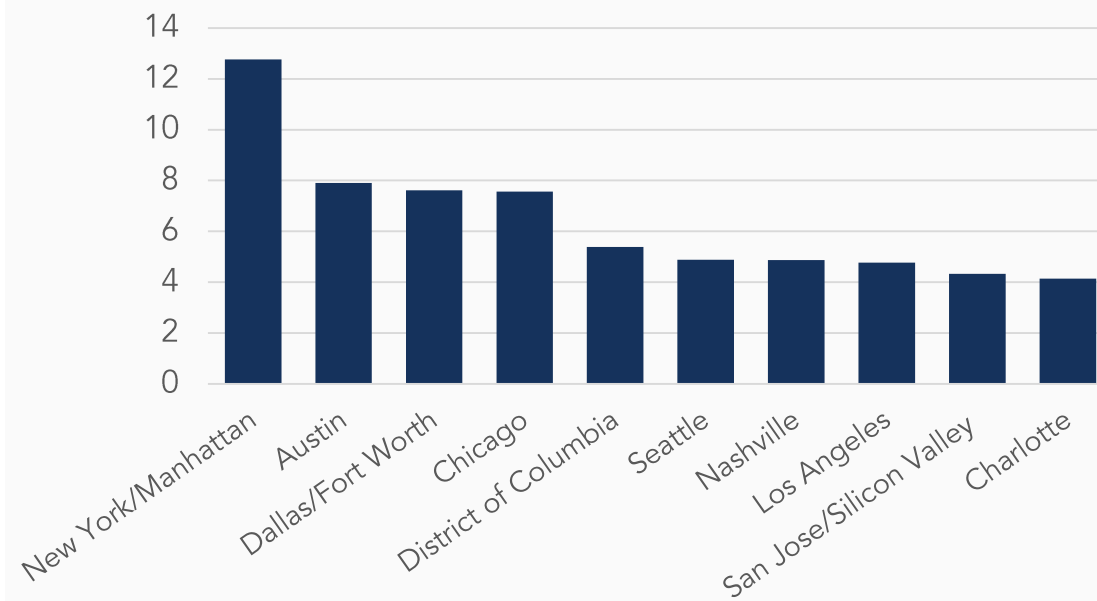
Q2 2019 Asking Rate FS



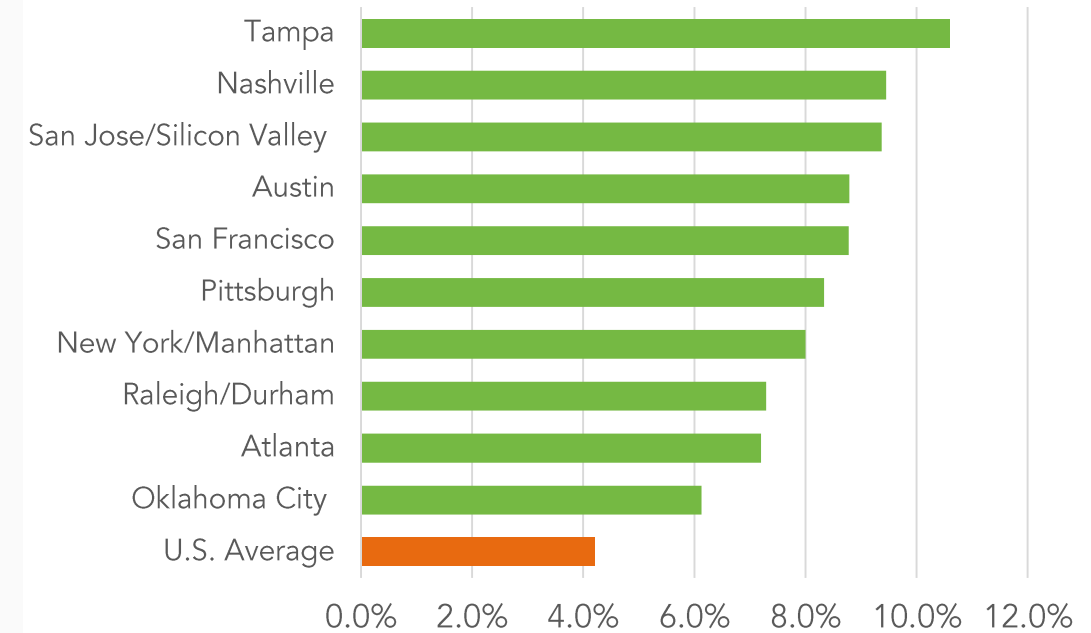
12-Month Net Absorption



Q2 2019 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	167,173,655	16.4%	15.5%	318,617	730,200	\$27.35	7.2%	3,929,307
Austin	98,755,417	5.7%	5.0%	795,126	1,224,546	\$41.35	8.8%	7,910,114
Baltimore*	114,726,988	12.1%	11.6%	(69,000)	(421,000)	\$22.43	0.8%	1,249,387
Boston	131,264,844	10.3%	9.7%	791,202	3,097,420	\$28.48	-2.3%	1,298,432
Charlotte	86,412,965	9.2%	8.5%	2,440,817	4,956,659	\$27.65	4.5%	4,144,340
Chicago	286,395,122	15.3%	14.4%	1,051,979	2,530,247	\$32.70	3.0%	7,564,180
Cincinnati	74,863,351	9.3%	8.7%	(237,126)	(52,292)	\$16.02	0.3%	851,000
Cleveland	80,326,942	7.5%	7.4%	350,313	404,126	\$18.31	0.9%	218,709
Columbus	76,719,399	8.4%	7.8%	(45,303)	193,943	\$19.02	0.5%	524,872
Dallas/Fort Worth	290,185,008	16.8%	15.7%	984,037	4,000,946	\$26.01	1.7%	7,613,215
Denver*	141,716,025	12.1%	9.2%	241,896	2,862,295	\$28.96	2.0%	2,443,552
Detroit	135,084,509	10.2%	10.1%	221,483	1,340,123	\$19.77	2.7%	2,493,596
District of Columbia*	141,287,532	9.9%	9.1%	1,109,000	1,775,000	\$52.60	0.4%	5,382,043
East Bay/Oakland*	56,598,663	13.8%	12.7%	(342,748)	76,670	\$43.08	3.0%	942,067
Hartford	45,321,236	8.9%	8.1%	53,514	278,533	\$20.27	2.3%	50,000
Houston*	240,523,216	17.7%	16.3%	683,928	1,940,789	\$30.92	2.0%	2,101,397
Indianapolis	73,839,398	9.4%	8.9%	(453,543)	(30,550)	\$19.76	2.9%	900,896
Inland Empire	39,734,829	8.7%	8.6%	(262,180)	185,722	\$21.98	5.3%	152,985
Kansas City	95,606,560	7.0%	6.6%	297,882	555,101	\$20.57	2.5%	1,413,987
Las Vegas	37,916,249	13.6%	12.5%	28,794	248,312	\$21.12	2.1%	152,973
Long Island*	62,008,816	6.7%	5.9%	303,051	(110,801)	\$25.52	1.7%	482,013
Los Angeles	205,766,410	15.1%	14.1%	603,722	3,549,575	\$42.33	3.3%	4,766,563
Miami*	50,066,299	12.7%	12.2%	139,594	50,779	\$38.56	3.2%	803,717
Milwaukee	58,747,397	9.2%	8.8%	(29,792)	(62,324)	\$17.52	4.0%	990,131

*Market reports Vacant Available rate

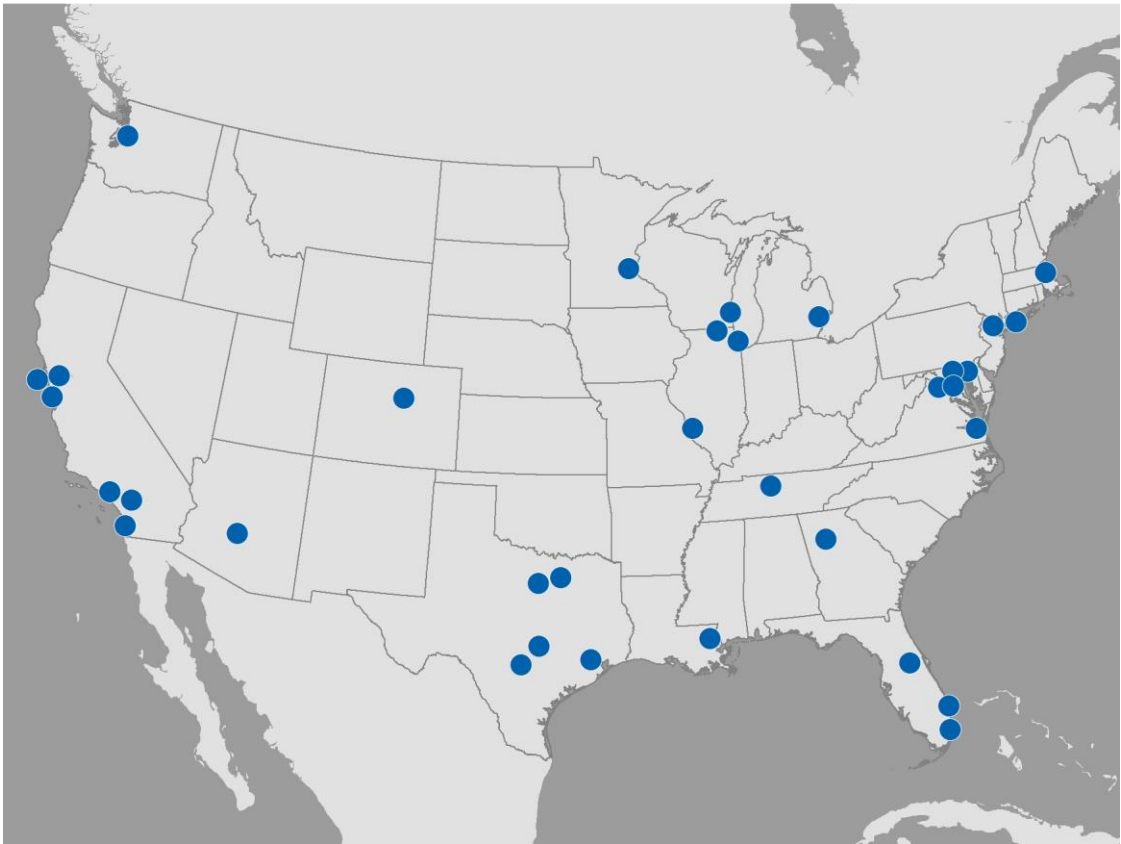


Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent FSG	Annual Rent Change	Under Construction
Minneapolis	154,007,618	7.9%	7.6%	(19,800)	219,459	\$22.39	4.1%	1,508,400
Nashville	64,540,320	7.5%	7.0%	509,425	1,149,436	\$29.41	9.5%	4,865,943
New Jersey	255,377,907	14.7%	13.1%	680,629	1,628,990	\$27.22	1.4%	1,193,112
New Orleans	34,990,787	8.4%	8.2%	(209,951)	(51,137)	\$18.32	0.5%	11,500
New York/Manhattan	435,636,292	8.5%	7.3%	1,321,413	2,823,301	\$80.37	8.0%	12,768,536
Northern Virginia*	195,761,046	15.0%	14.4%	1,261,000	3,261,000	\$32.11	0.7%	3,902,602
Oklahoma City	37,674,771	8.9%	8.7%	192,719	460,961	\$17.84	6.1%	377,703
Orange County	89,556,764	14.4%	13.1%	414,956	776,717	\$35.47	3.9%	781,290
Orlando	63,175,070	7.3%	7.0%	233,819	652,112	\$21.74	2.0%	1,362,693
Philadelphia	246,526,614	9.5%	8.9%	57,964	1,427,382	\$26.22	4.8%	1,661,711
Phoenix	115,401,764	14.5%	13.9%	310,977	2,598,913	\$27.28	2.6%	2,301,126
Pittsburgh	103,228,402	9.8%	9.0%	(181,629)	(334,796)	\$23.79	8.3%	1,103,698
Portland	78,748,920	9.0%	8.5%	(130,290)	429,131	\$27.95	5.1%	2,270,856
Raleigh/Durham	78,417,289	7.6%	7.3%	108,306	2,256,657	\$25.75	7.3%	2,120,816
Sacramento	71,310,554	11.0%	10.8%	534,870	750,203	\$23.30	3.2%	1,006,500
Salt Lake City	58,978,823	7.1%	6.3%	35,160	1,843,301	\$23.97	5.3%	2,314,576
San Antonio	33,929,318	14.1%	13.7%	104,715	432,846	\$25.69	1.9%	1,407,987
San Diego	62,677,685	13.0%	11.9%	193,345	1,216,503	\$35.38	3.1%	972,500
San Francisco	83,657,544	7.0%	5.5%	38,743	2,040,807	\$80.93	8.8%	3,017,729
San Jose/Silicon Valley	89,922,368	11.3%	9.0%	577,102	1,532,960	\$47.87	9.4%	4,329,125
Seattle	157,586,767	6.7%	6.1%	4,118,807	5,988,932	\$34.31	2.5%	4,877,557
St. Louis	107,671,645	7.9%	7.5%	108,334	263,886	\$20.13	3.0%	1,278,000
Suburban Maryland*	92,792,541	14.7%	14.3%	(244,000)	406,000	\$27.28	1.0%	3,255,869
Tampa	78,684,942	8.7%	7.8%	188,325	636,547	\$24.76	10.6%	805,227
Westchester	131,264,844	10.3%	9.7%	791,202	3,097,420	\$28.48	-2.3%	1,298,432

*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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