



REAL ESTATE OUTLOOK

U.S. MARKET | OFFICE

FOURTH QUARTER 2019



U.S. TRENDLINES

5-Year Trend Current Quarter

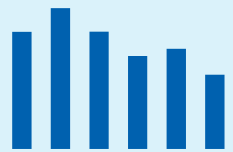
VACANCY



9.8%

Up 10 basis points from one year ago

NET ABSORPTION



15.1 MSF

Healthy, but decelerating year over year

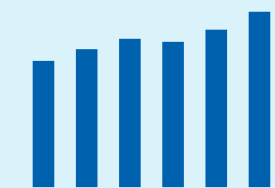
ASKING RENT



\$27.08 PSF

2.3% annual growth
17.8% five-year growth

UNDER CONSTRUCTION



178.9 MSF

New starts up 11.3% year over year

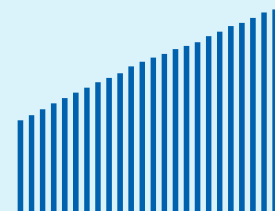
UNEMPLOYMENT RATE



3.5%

Down 40 basis points from one year ago

OFFICE-USING EMPLOYMENT



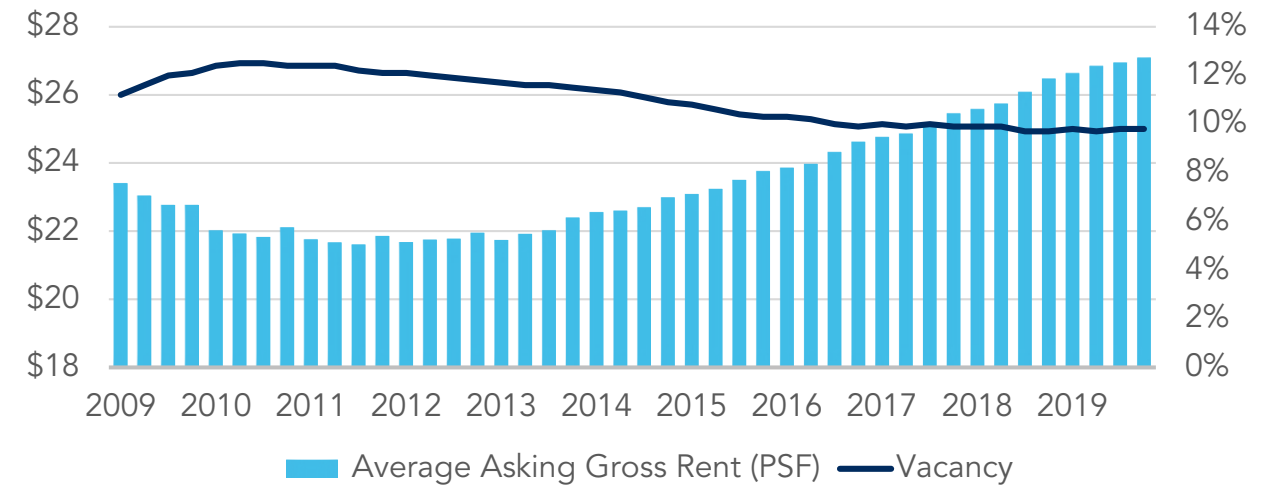
35.5M

0.3% quarterly growth (Q3 2019 – Q4 2019)

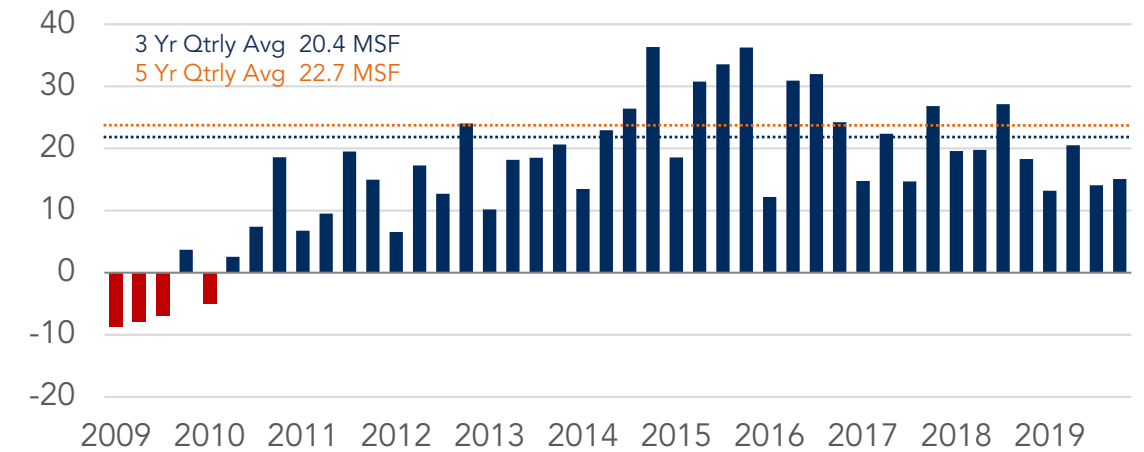
U.S. HIGHLIGHTS

- U.S. payroll jobs grew 2.2% in the 12 months ending in December, adding 2.1 million new jobs, of which 598,000 were office-using.
- Most of the office-using growth over the past year occurred in the tech, financial services, medical, and business consulting industries. The tech and financial services industries each accounted for 20% of total job growth.
- Vacancy rates have hovered around the high-9% range for the past several quarters; vacancy is up 10 basis points from one year ago.
- Although net absorption expanded during Q4, the 2019 total of 62.8 million SF is below the 2018 total of 84.8 million SF.
- Construction activity remains elevated for this point in the cycle, growing 11.3% during the past 12 months.
- Deliveries slowed during the fourth quarter but are up for the year, with 82.9 million SF delivered during 2019, compared to 77.7 million SF during 2018, a 6.7% increase. Construction projects are expected to remain elevated through 2020, as occupier's appetite for newer, more efficient office buildings drives continued growth.
- Annual asking rental rates grew 2.3% year over year, below the five-year annual average of 3.6%. Similar growth is anticipated during 2020; market fundamentals, although healthy, may start to decelerate slightly.
- 46 of 49 U.S. markets tracked reported positive rent growth with 27 markets recording rates above 3.0% and Tampa hitting double digits.

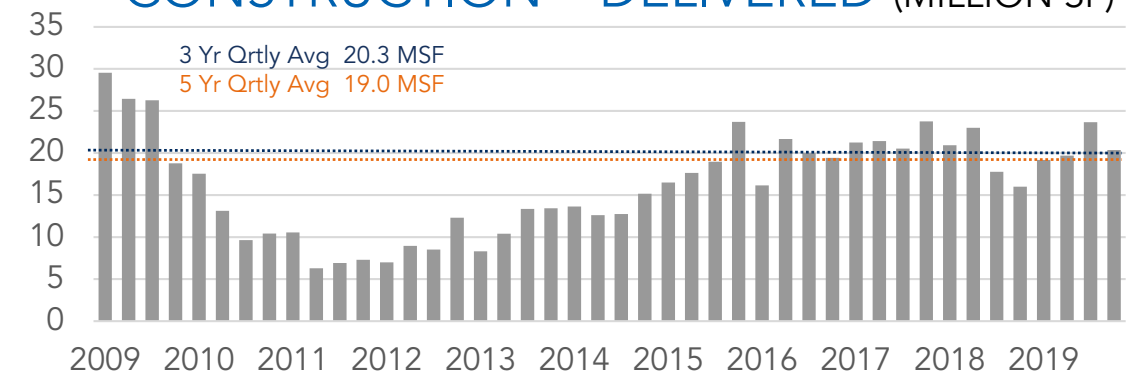
VACANCY VS ASKING RENT



NET ABSORPTION (MILLION SF)



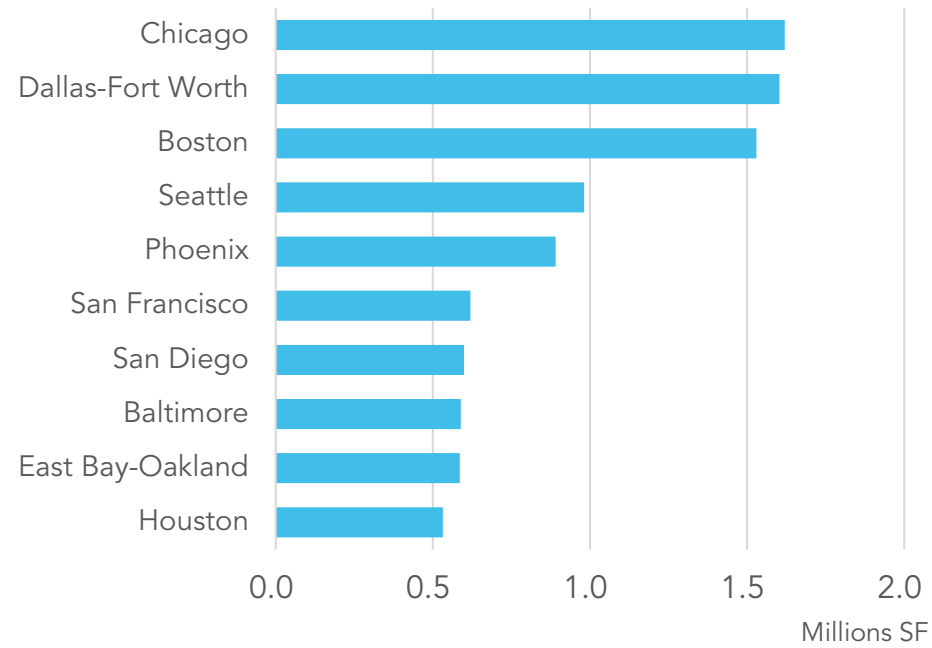
CONSTRUCTION – DELIVERED (MILLION SF)





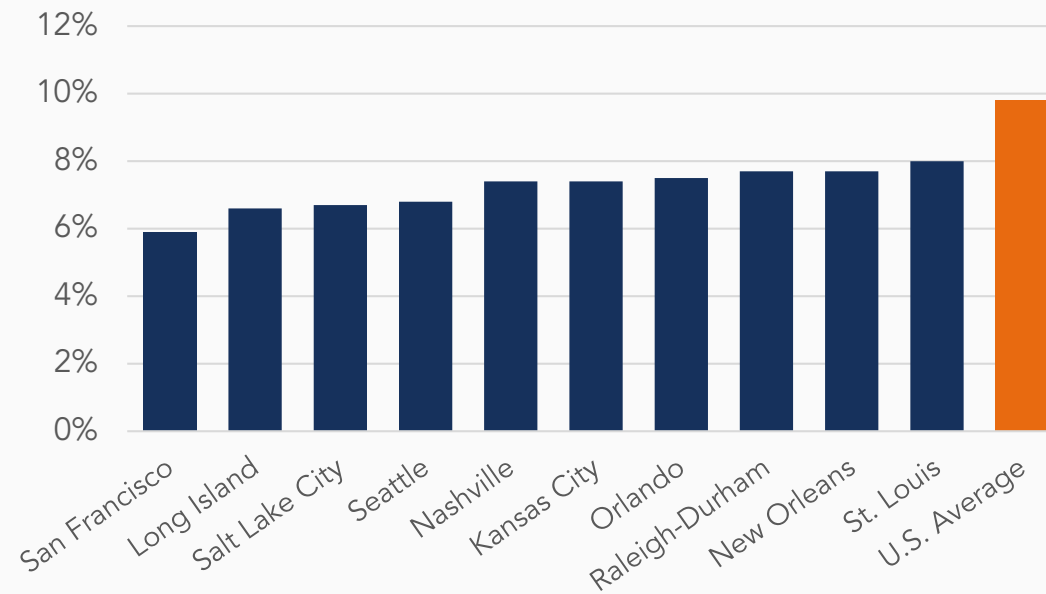
NET ABSORPTION

Q4 2019 Net Absorption



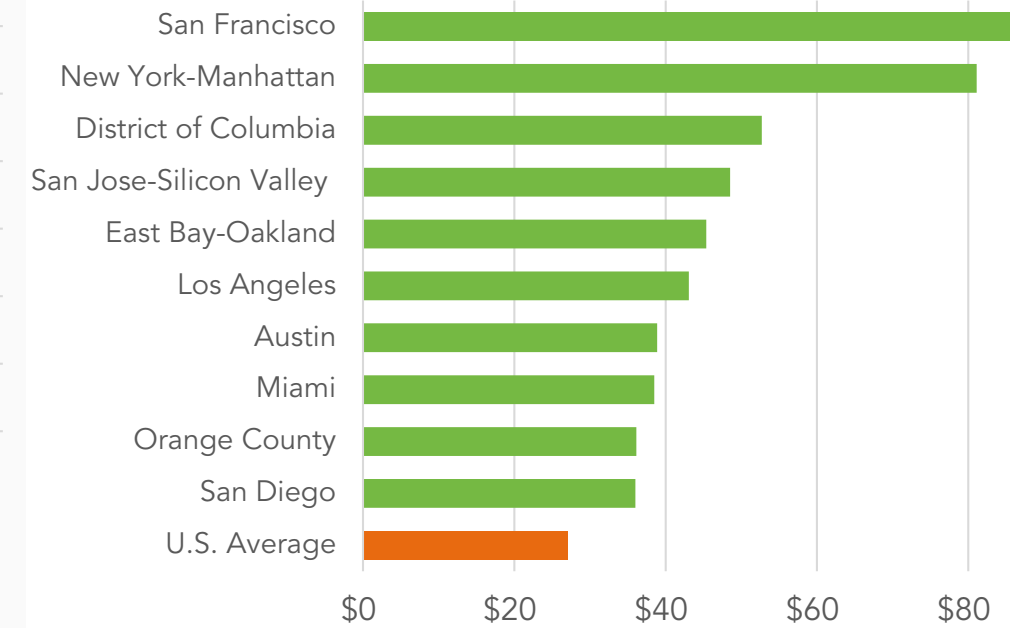
VACANCY/CONSTRUCTION

Q4 2019 Overall Vacancy Rate

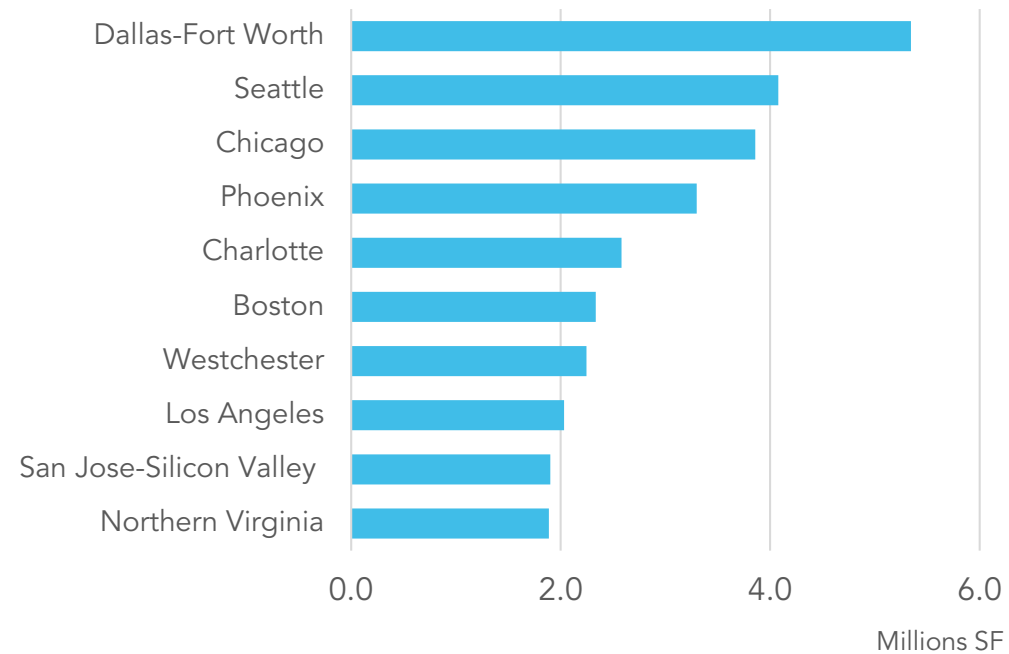


ASKING RENTS

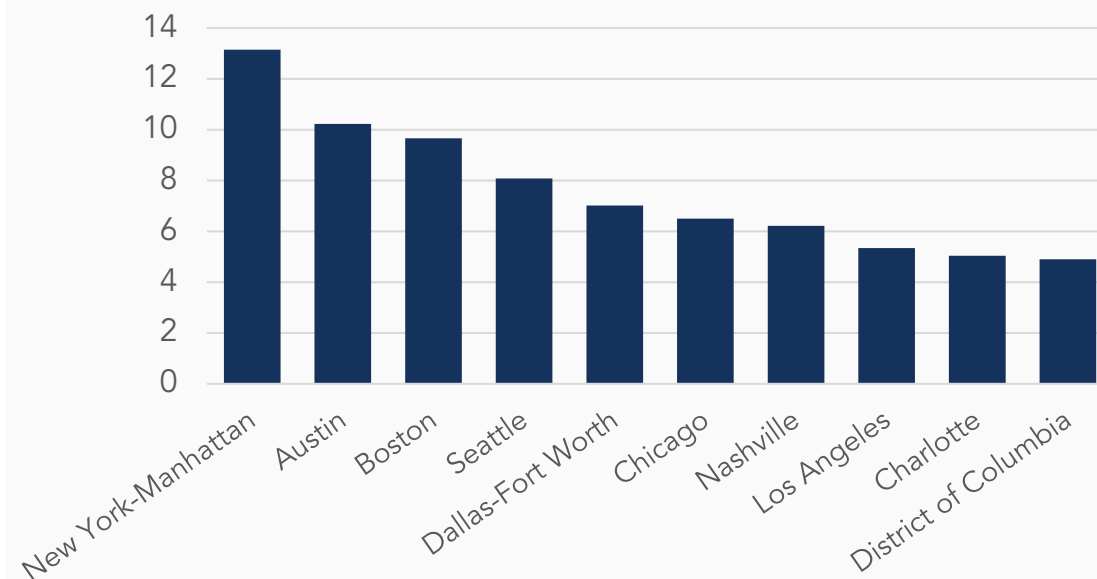
Q4 2019 Asking Rate (Gross)



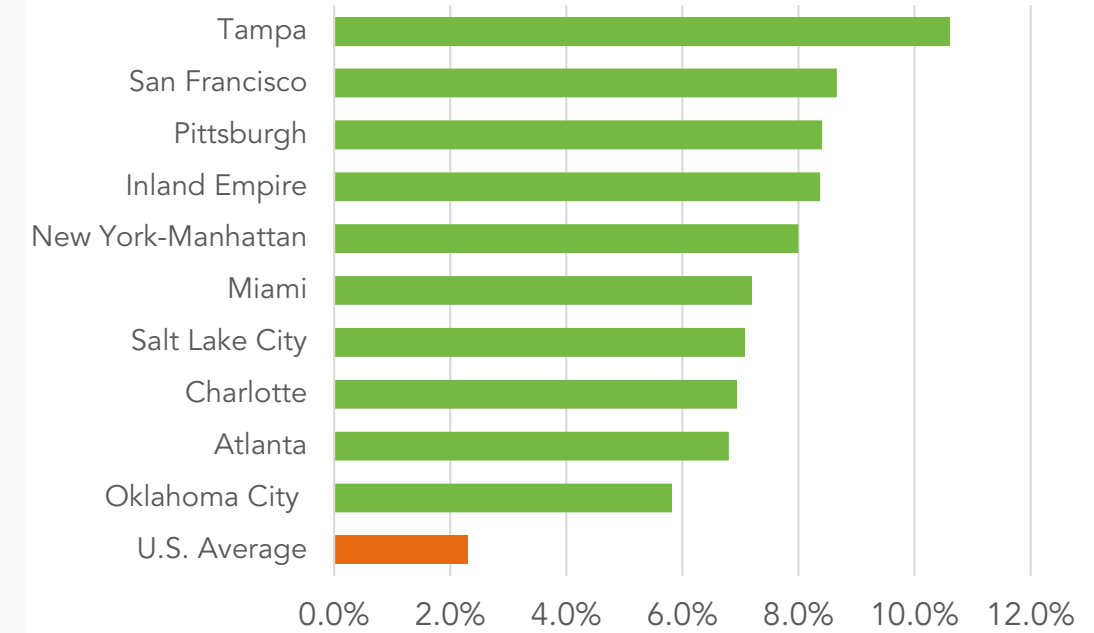
12-Month Net Absorption



Q4 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 Gross	Annual Rent Change	Under Construction
Atlanta	169,909,444	16.9%	16.2%	516,128	1,184,813	\$28.20	6.8%	4,580,340
Austin	72,129,632	9.6%	8.5%	18,795	612,268	\$38.87	-3.9%	10,226,908
Baltimore*	115,238,673	12.0%	11.4%	589,000	195,000	\$22.66	1.7%	832,925
Boston	289,714,672	8.2%	7.5%	1,530,047	2,334,852	\$25.82	5.0%	9,658,187
Charlotte	85,828,332	9.1%	8.2%	(114,596)	2,580,985	\$28.97	6.9%	5,038,648
Chicago	291,600,424	15.7%	14.8%	1,620,140	3,857,758	\$33.03	2.5%	6,501,489
Cincinnati	74,169,612	10.2%	9.6%	(211,597)	(344,242)	\$16.30	2.5%	383,377
Cleveland	80,344,158	9.6%	9.4%	13,908	(254,709)	\$18.23	-1.8%	80,000
Columbus	75,974,104	8.1%	7.7%	186,629	457,008	\$18.82	2.0%	932,740
Dallas/Fort Worth	313,940,143	17.1%	15.2%	1,603,331	5,344,613	\$26.12	1.4%	7,017,555
Denver*	134,546,039	11.8%	10.8%	360,314	1,539,395	\$29.15	3.0%	2,890,110
Detroit	137,161,169	11.1%	10.9%	209,533	616,823	\$19.89	2.7%	2,036,609
District of Columbia*	142,443,723	10.9%	9.8%	470,000	1,475,000	\$52.70	0.5%	4,903,957
East Bay/Oakland*	58,682,433	13.9%	12.2%	585,688	752,018	\$45.36	-1.0%	351,400
Hartford	45,564,771	10.5%	9.6%	(251,314)	(528,416)	\$20.14	1.2%	75,000
Houston*	238,301,582	23.6%	16.2%	531,700	1,116,110	\$30.84	1.2%	3,064,487
Indianapolis	73,747,910	9.2%	8.8%	322,653	236,279	\$19.98	1.8%	610,040
Inland Empire	39,105,333	8.2%	7.8%	179,589	92,465	\$22.78	8.4%	300,130
Kansas City	94,092,421	7.4%	7.1%	215,221	202,894	\$20.70	3.6%	1,527,250
Las Vegas	37,996,864	14.0%	12.6%	(36,602)	11,800	\$22.31	2.7%	231,827
Long Island*	62,714,210	6.6%	6.0%	(112,373)	(32,307)	\$25.76	1.8%	477,013
Los Angeles	207,473,264	15.0%	14.1%	289,251	2,032,212	\$43.05	3.2%	5,342,830
Miami*	50,219,795	13.6%	13.1%	(3,571)	57,244	\$38.50	7.2%	1,713,410
Milwaukee	59,243,771	8.6%	8.4%	61,835	10,376	\$18.25	3.9%	995,864

*Market reports Vacant Available rate

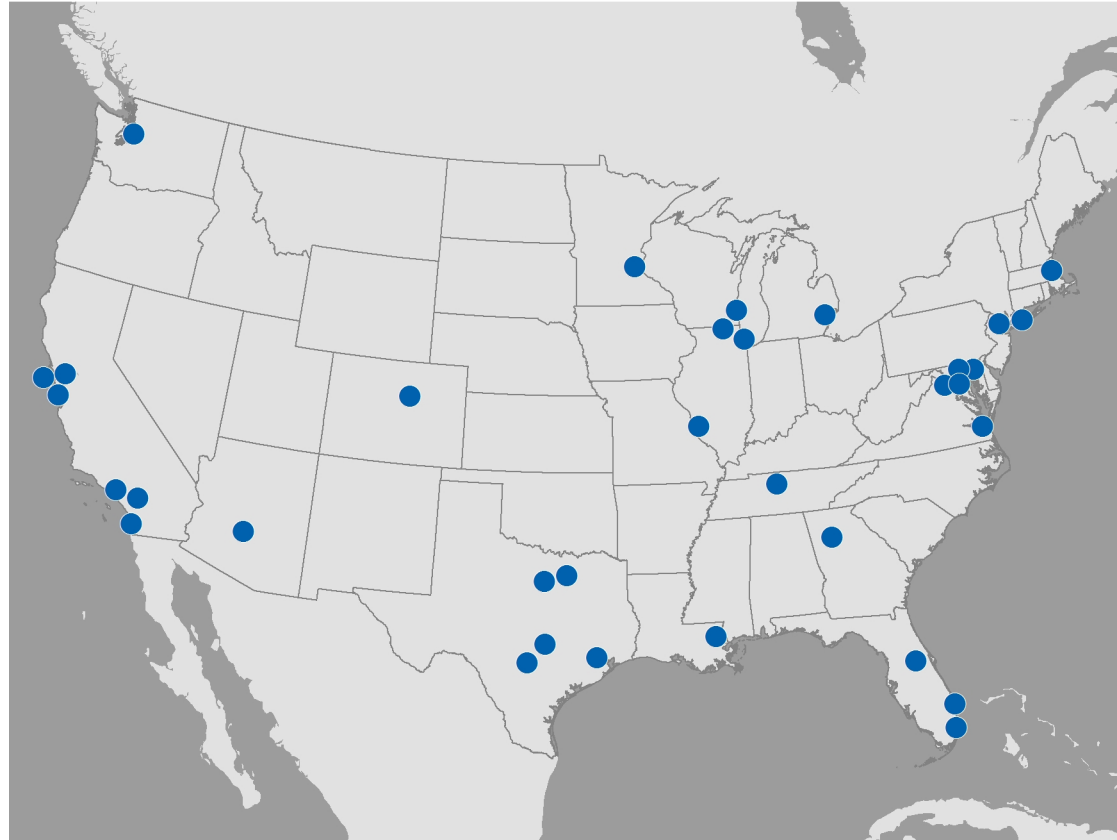


Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Gross	Annual Rent Change	Under Construction
Minneapolis	154,054,665	9.4%	9.0%	159,756	127,354	\$23.10	1.8%	2,284,110
Nashville	64,866,665	7.4%	6.9%	127,966	1,562,196	\$29.90	3.1%	6,216,334
New Jersey	254,606,709	14.9%	13.2%	(579,888)	651,409	\$27.38	1.6%	1,340,273
New Orleans	34,852,930	7.7%	7.5%	108,661	31,406	\$18.55	1.6%	11,500
New York/Manhattan	435,636,292	8.3%	7.1%	(657,246)	(2,249,860)	\$81.11	8.0%	13,151,536
Northern Virginia*	196,111,704	15.0%	14.4%	(368,000)	1,888,000	\$32.37	1.1%	3,996,826
Oklahoma City	38,632,253	10.1%	9.9%	(223,755)	(218,705)	\$18.00	5.8%	325,847
Orange County	89,950,709	13.9%	12.7%	(150,271)	987,378	\$36.12	5.0%	432,507
Orlando	63,412,022	7.5%	7.0%	16,848	73,006	\$22.70	5.4%	1,611,344
Philadelphia	246,640,280	9.2%	8.7%	99,081	1,164,528	\$26.75	5.4%	1,854,747
Phoenix	130,930,859	13.4%	13.0%	890,841	3,299,810	\$27.10	3.5%	2,278,070
Pittsburgh	105,754,487	9.4%	8.8%	334,916	45,324	\$24.50	8.4%	1,379,641
Portland	79,753,636	8.7%	8.4%	12,290	243,583	\$28.57	5.8%	2,544,527
Raleigh/Durham	79,128,291	7.7%	7.1%	228,243	1,255,405	\$26.18	4.7%	2,707,143
Sacramento	70,847,774	11.0%	10.7%	184,586	955,281	\$23.25	1.0%	1,060,684
Salt Lake City	58,932,826	6.7%	5.8%	343,947	492,854	\$24.20	7.1%	2,940,686
San Antonio	36,143,767	12.2%	12.0%	154,286	724,326	\$25.95	0.8%	1,275,820
San Diego	62,854,685	12.7%	11.7%	599,076	848,734	\$36.00	4.2%	1,755,860
San Francisco	82,419,281	5.9%	4.6%	619,706	1,782,153	\$85.42	8.7%	2,310,134
San Jose/Silicon Valley	92,502,003	11.8%	9.7%	293,055	1,901,148	\$48.51	4.8%	4,873,589
Seattle	157,199,461	6.8%	6.0%	981,688	4,077,955	\$35.07	5.6%	8,078,493
St. Louis	105,986,580	8.0%	7.6%	(39,663)	(399,585)	\$21.21	5.3%	2,405,500
Suburban Maryland*	92,774,373	14.3%	13.5%	314,000	703,000	\$27.35	1.2%	3,217,616
Tampa	77,738,493	8.5%	7.6%	427,883	1,015,718	\$26.28	10.6%	1,501,917
Westchester	131,684,971	10.7%	10.0%	265,195	2,246,237	\$29.32	3.4%	575,981

*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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