JLL Research Report

Office Outlook

Rapidly growing tech and creative tenants are finally moving into newly delivered space, leading to a short-term drop in vacancy

What’s inside?

3 key trends

1. Leasing activity moderated in Q3 as employers adjusted to a scarcer labor environment.

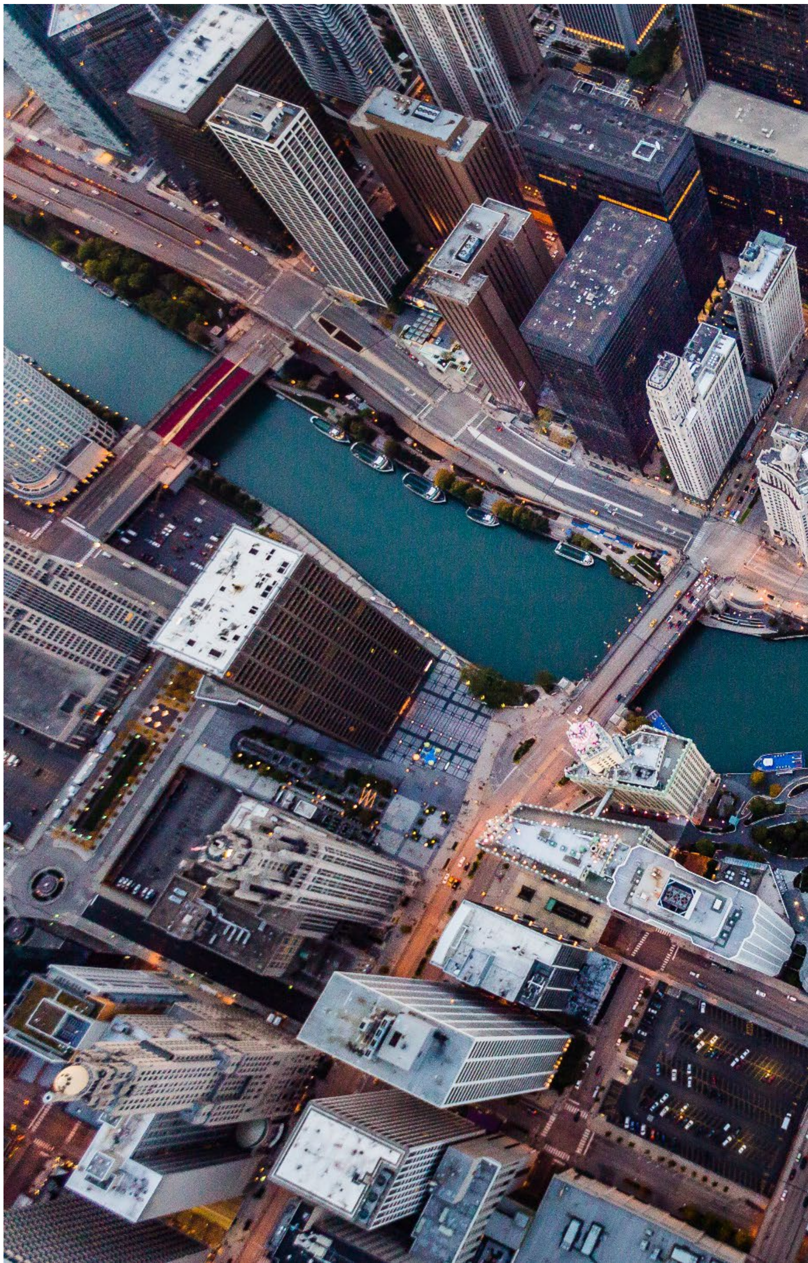
2. A deceleration in coworking leasing activity was witnessed in Q3, with additional headwinds likely to suppress growth in the quarters ahead.

3. Completions will likely surpass the 60-million-square-foot mark by year-end, a cyclical record.

As the market braces for uncertainty, Q3 2019 fundamentals remained solid, albeit with early signs of slowdown becoming apparent.

Expansion into new supply from high-growth tech, creative and life sciences tenants drove occupancy gains, while the coworking sector experienced tapering growth, with more friction expected ahead. Vacancy, which had previously been expected to incrementally tick upwards as new supply hit the market, currently rests at just 14.2% nationally, while a quieter quarter for completions led to yet another strong quarter for absorption.

Continued flight to quality will keep top-end options limited despite a pipeline of 118 million square feet, as well pent-up demand from large-scale occupiers both in emerging and traditional industry segments taking advantage of effective rent compression and residual space in speculative construction delivering through 2022 and 2023 anchored by high-profile tech, finance and professional services tenants.

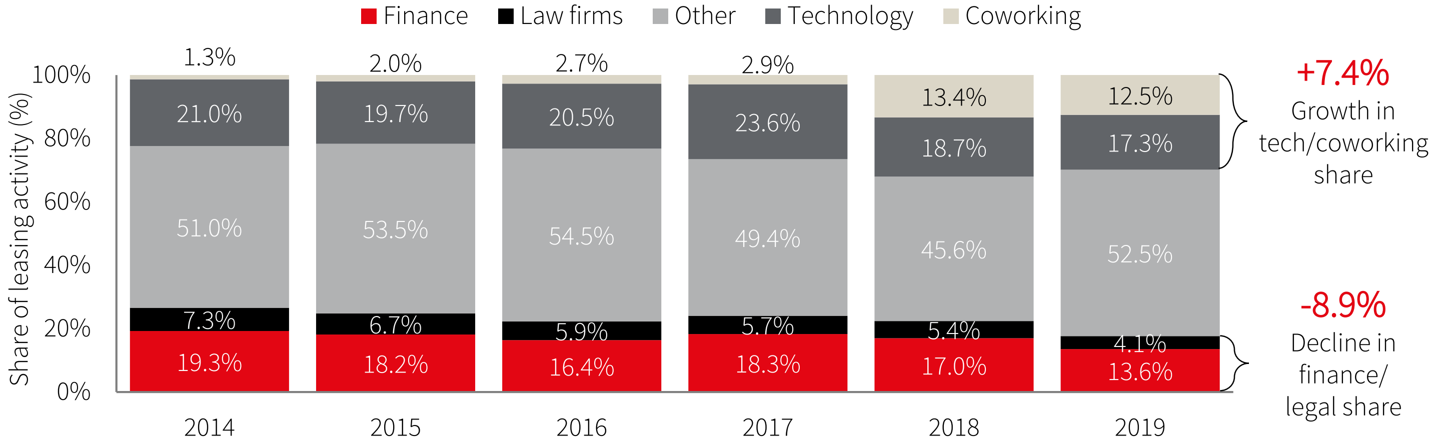


Leasing activity was more moderate in Q3 as coworking growth slowed slightly

The U.S. office market posted 26.7 million square feet of leasing activity during the third quarter larger than 20,000 square feet, below the 30-34 m.s.f. typically recorded on a quarterly basis. Shaping this transition was not only the general lull in activity during the third quarter of the year but also increasing challenges in finding skilled talent in primary and secondary markets alike as well as fluctuations in monthly job creation.

The trio of tech, finance and coworking led activity during Q3, capturing 40.7 million square feet of transaction volume year-to-date and contributing to up to 43.4 percent of all activity. Coworking grew at a relatively healthy clip, but eased somewhat in the third quarter given mounting concerns over the path forward for WeWork. At the same time, the rate of overall growth has been consistent in recent quarters, with roughly 55% of activity representing some form of expansion. The proliferation of smaller leases from tenants spilling over into lower-cost markets in search of talent in particular has boosted this figure since 2017.

Office demand continues to shift to more flexible and alternative models



Source: JLL Research

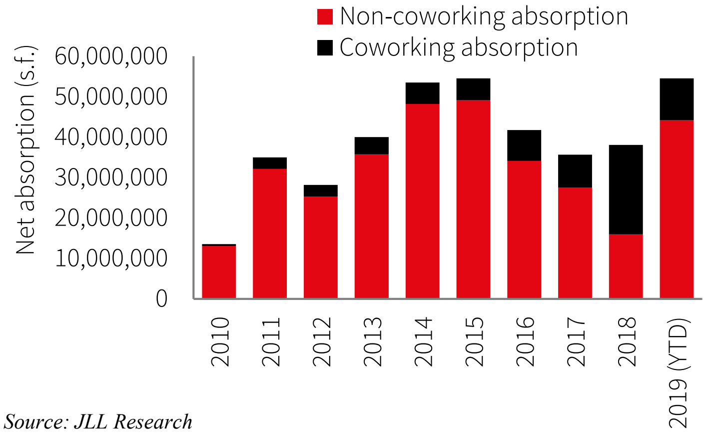
Google's expansion into St John's Terminal in New York took over as the largest lease so far this year at 1.3 million square feet, with a number of other large signings taking place in Chicago and Boston from tech, finance and professional services tenants. Very-large leasing activity, defined as that above 500,000 square feet, was extremely limited in Q3, mirroring the shift in growth to the 100,000-250,000-square-foot bracket. However, this is expected to change with numerous impending transactions in the queue for Q4.

Net absorption has risen markedly in 2019, buoyed by expansion into new supply

Absorption has been exceedingly strong in 2019, particularly in the face of talent concerns, flight to quality and new supply. National occupancy gains have totaled 54.5 million square feet over the course of the year, 90.1% of which took place in Class A assets. This comes after two years of absorption falling below the 40-million-square-foot threshold, previously hindered by both supply constraints in key geographies.

At the market level, absorption remains fastest in tech-oriented and mid-sized metro areas: Silicon Valley and the San Francisco Peninsula both surpassed absorption of 5% of inventory, followed closely by Austin and Charlotte. Overall, gains are still well distributed as top markets have represented only slightly more than two-thirds of all net growth.

Occupancy growth has spiked temporarily on the back of movement into long-awaited new space



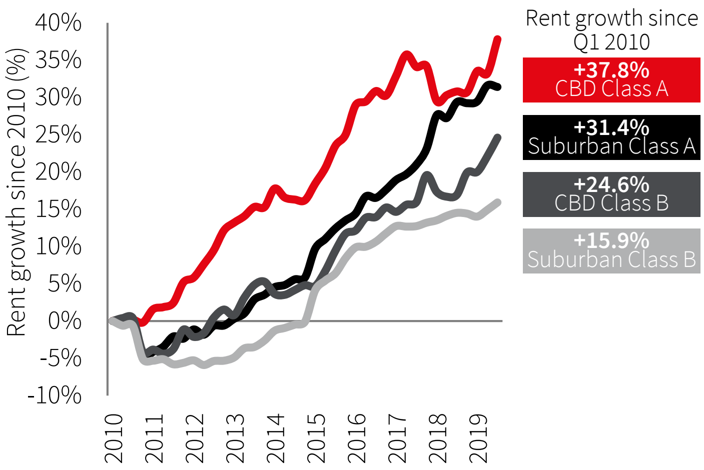
Source: JLL Research

Movement into new product has been the most forceful influence on absorption figures, with buildings such as 30 and 55 Hudson Yards and 1 Manhattan West in New York; Park Tower in San Francisco; and 1201 2nd Avenue and 333 Dexter in Seattle nearly entirely occupied upon delivery. At the same time, demand is spilling over into blocks that would otherwise be given back up on the sublease market, exacerbating near-term shortages and notably pulling CBD Class A vacancy into single-digit territory.

Quarterly rent growth is highly consistent, masking changes in effective rents

Quarterly rent increases of 0.9 percent on average led Q3 to fall almost perfectly in line with recent quarters. As tenants continue to take down large blocks of premium space and commodity options slowly but steadily rise, the short-term bump typically associated with high-priced space becoming available has been less pronounced. Double-digit rent still prevails in certain markets. Asking rents have risen by more than 15% annually in Silicon Valley, Austin and San Francisco, with seven other markets above the 10% mark. With space in such markets largely confined to more value-oriented blocks, this has led to these segments being home to the strongest year-over-year growth as of Q3: CBD Class B rents, for instance, are up 6.6% compared to 5.3% for CBD Class A and only 1.6% for suburban Class A.

Suburban Class A rents are beginning to plateau, similar to CBD Class A rents in 2017 and 2018



Source: JLL Research

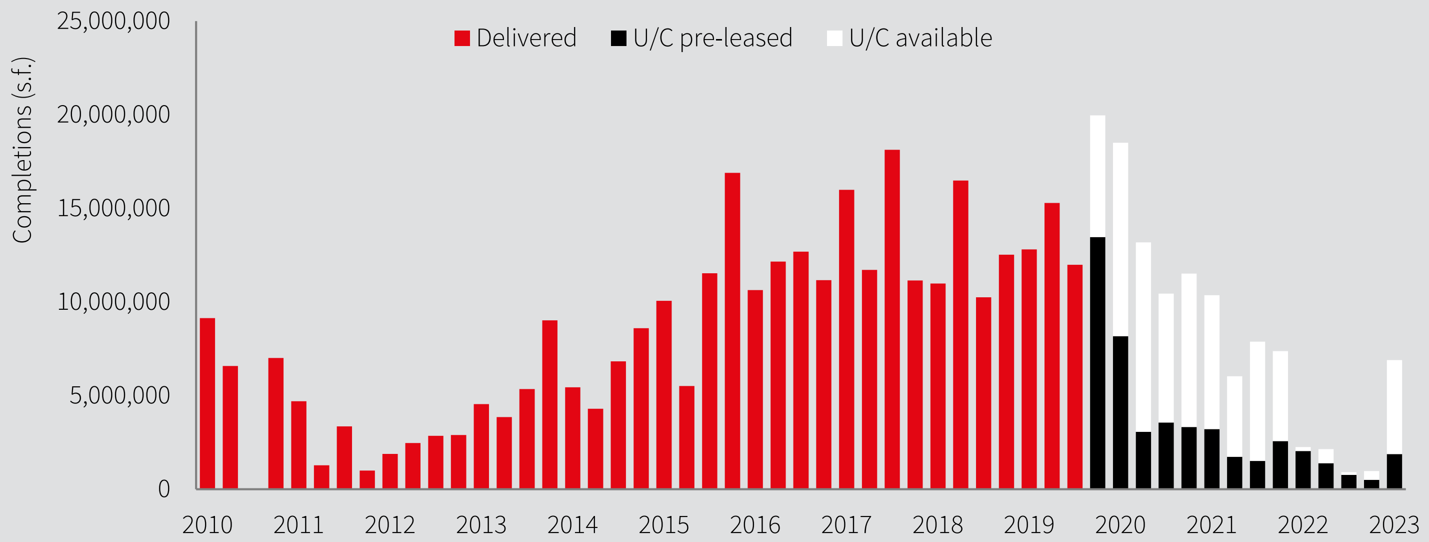
Concessions are still well outpacing asking rents, placing concerted pressure on effective rents. Triple-digit tenant improvement allowances are now commonplace not only in Washington, DC and Houston for CBD Class A space, but in certain pockets of Chicago and Midtown Manhattan. Among gateway geographies, only Seattle and Los Angeles have resisted this rapid growth, the former a result of lower base rents than peer geographies and the latter given its exceedingly thin development pipeline.

Completions will likely surpass 60 million square feet by year-end

Despite concerns about potential oversupply, development activity reached a cyclical high of 118.5 million square feet in Q3, maintaining a 2.7% rate of growth as a share of inventory. Functionally obsolete space throughout traditional business hubs, in tandem with requirements easily exceeding 500,000 square feet from numerous tech and financial tenants, helped to propel the development cycle into 2022 and 2023, although projects featuring large preleases are now more common than purely speculative groundbreakings.

Q3 registered 11.9 million square feet of completions, slower than previous quarters but enough to propel deliveries past the 40-million-square foot mark. Full-year deliveries are expected to surpass 60 million square feet, which will make 2019 the most active year this cycle for new supply. Despite the slower than usual quarter, three very large developments – 1 Manhattan West (New York), Block 20 (Seattle) and Bank of America Tower (Charlotte) – finished work during Q3, representing 4.1 million square feet of new space alone.

A slower quarter completions in anticipation of large-scale deliveries in Q4 aided occupancy growth

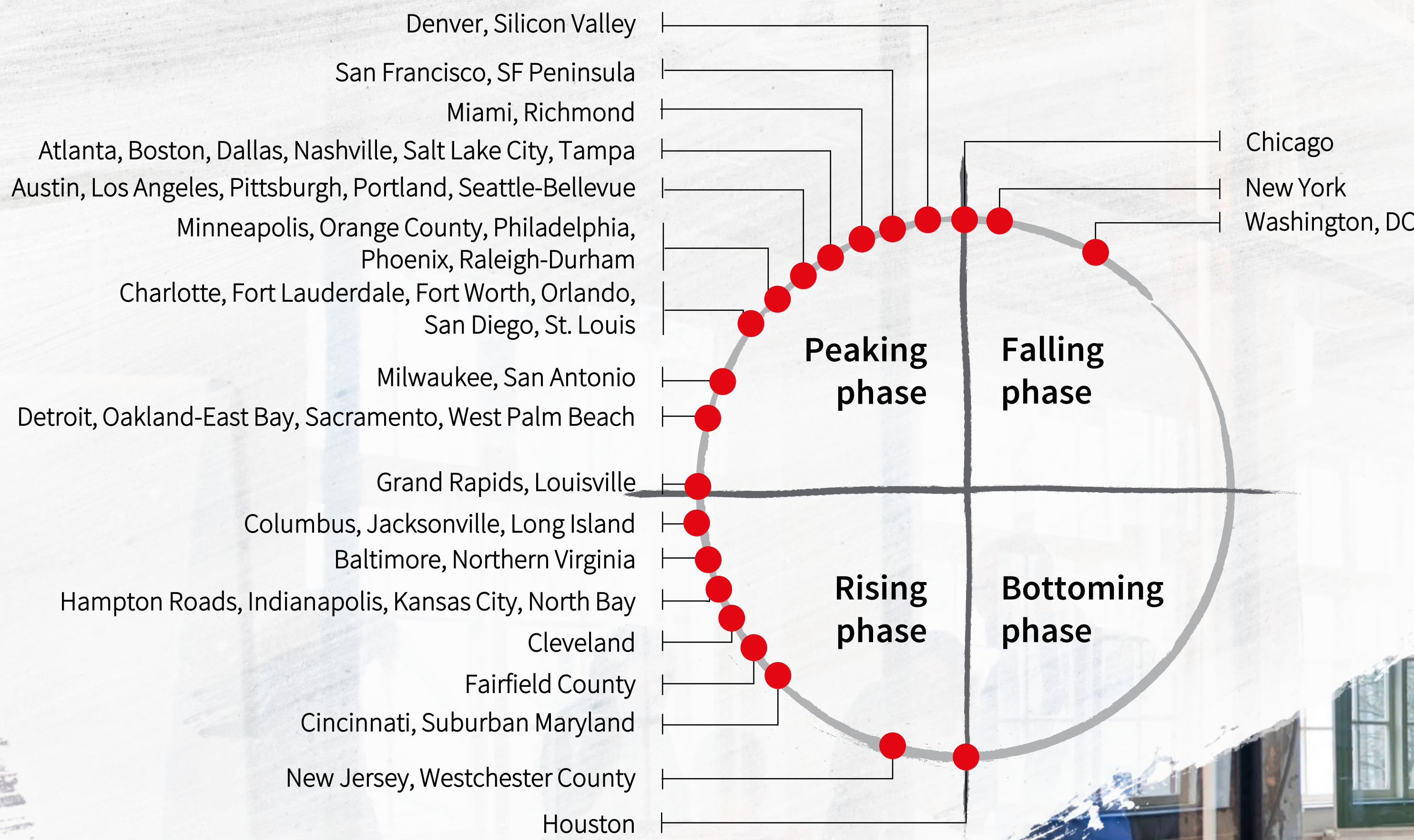


Source: JLL Research

Secondary markets were the biggest winners in terms of groundbreakings this quarter with an emphasis on new headquarters development: Norfolk Southern (Atlanta), Royal Caribbean (Miami) and Parsley Energy (Austin) and started on a combined 1.4 million square feet of new headquarters space in Q3.

Moving forward, mid-sized developments such as these will become more common as lenders exercise greater caution and sites that can accommodate larger construction become scarcer.

Q3 2019 U.S. office clock



Atlanta

Concerns surface despite energized leasing activity

- Invesco signs for nearly 300,000 square feet at Metlife's Midtown Union, marking sustained interest in the urban core.
- T3, Atlanta's first timber-only product, wrapped up development this quarter although still seeking initial occupancy.
- Absorption turned negative this quarter, weighed down by large move-outs in the Northwest and Central Perimeter submarkets.

Leasing activity was substantial this quarter, buoyed by Invesco's lease at the recently-redesigned Midtown Union for nearly 300,000 square feet. Other notable deals include PruittHealth for a new HQ, BlackRock's 130,000-square-foot deal at 725 Ponce and Samsara opting to take 80,000 square feet at The Proscenium in Midtown. In contrast, West Midtown, containing more than 1 million square feet of the market's development, did not see any major deals. One contributing factor is the relative youth of the developments – as they continue to go vertical, analysts anticipate quick lease-up of the assets, including Star Metals, 8 West and Atlantic Yards North and South.

Despite an active leasing profile, Atlanta experienced a dip in absorption this quarter, but remains positive year-to-date. Large move-outs from tenants such as General Electric, Oldcastle Infrastructure, FEMA, State Farm, and Georgia State University accounted for over 350,000 square feet of negative absorption. These move-outs were heavily centered in the Northwest and Central Perimeter submarkets, though are not indicative of those submarkets' overall health. State Farm, for example, is remaining in Central Perimeter, but moving operations to their new owner-occupied office park.

Rent growth decelerated this quarter as the development pipeline saw few new additions. After seven years of consistent growth, Atlanta may be seeing signs of tenant-favorable conditions on the rise.

Outlook

With the strong leasing showcased this quarter, optimism remains the default sentiment for many local professionals, though stakeholders are taking note of soft preleasing numbers and increased vacancy. JLL believes the pendulum still has further to go before swinging into a fully tenant favorable market.

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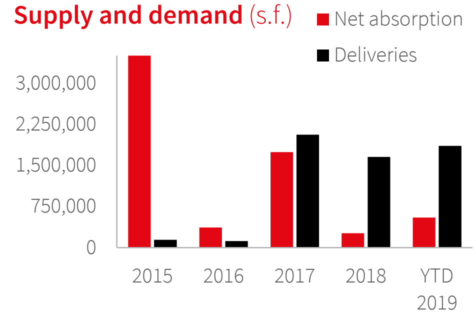
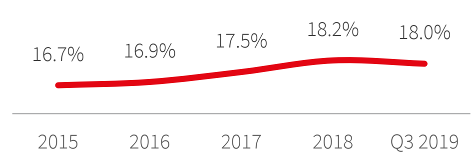
Fundamentals	Forecast	
YTD net absorption	549,539 s.f.	▲
Under construction	4,925,687 s.f.	▶
Total vacancy	18.0%	▼
Average asking rent (gross)	$29.83 p.s.f.	▲
Concessions	Stable	▶

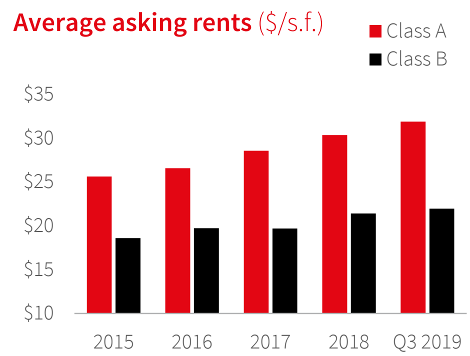
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Austin

Vacancy continues to decline, while 53% of future availabilities are already preleased

- Austin's inventory remained stable at just over 55 million square feet.
- Overall vacancy rates decreased from 11.0% in Q3 2018 to 8.7% in Q3 2019.
- Austin's overall average asking rent is $48.39, up 27% from $38.05 in Q3 2018.

Fundamentals		Forecast
YTD net absorption	2,677,189 s.f.	▲
Under construction	5,593,384 s.f.	▶
Total vacancy	8.7%	▼
Average asking rent (gross)	$48.39 p.s.f.	▲
Concessions	Stable	▶

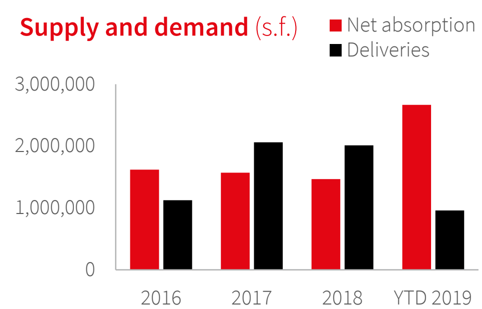
Austin's office environment has tightened from Q2 2019 to Q3 2019. Vacancy rates have fallen to 8.7% citywide with key submarkets such as the CBD even tighter at 7.3% vacancy. While Austin's construction activity remains strong to provide some relief, of the 5,593,384 s.f. under construction, approximately 53% is preleased.

For the past few quarters, the decrease in available space was largely attributed to bellwether technology companies leasing significant amounts of space. However, the proportion of leasing activity associated with technology firms has decreased this quarter. The decrease is expected to be temporary as large technology companies further plan for future growth. The government, healthcare, and coworking sectors contributed to a larger portion of leasing activity this quarter. This is a trend that is expected to continue with the planned redevelopment of the Capitol Complex and the expansion of Dell Medical.

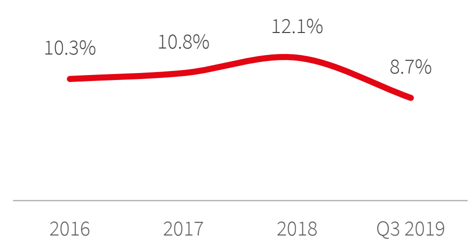
Outlook

Overall, the Austin office market remains strong with stable growth over the last several quarters. Austin continues to see positive absorption through the recent occupancy of large blocks that delivered in prior quarters. Rental rate growth is expected to continue as the availability of space concentrates in high-quality new construction product. While the technology sector continues to be the predominant industry in the market, there continues to be a diversification of companies located in Austin.

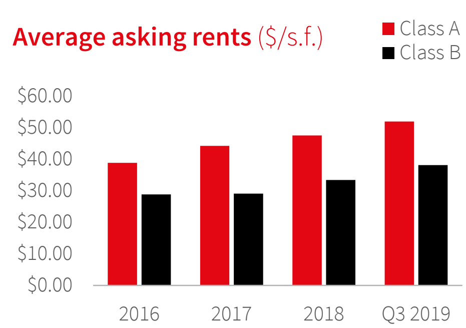
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



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Baltimore

Growth returns to Baltimore's suburbs while relocations weigh on the City

- Vacancy dipped 20 basis points to 14.7% in suburban Baltimore as growth spread from Baltimore County East to Columbia and defense contractor demand surrounding Fort Meade ticked higher
- Driven by activity across Howard, Anne Arundel and the City, leasing volume for transactions >10,000 s.f. climbed 36% compared to Q2
- Development activity dropped below 600,000 s.f. as proposed projects await further preleasing before breaking ground

Fundamentals		Forecast
YTD net absorption	-30,607 s.f.	▲
Under construction	586,771 s.f.	▲
Total vacancy	15.6%	▶
Average asking rent (gross)	$25.23 p.s.f.	▶
Concessions	Stable	▶

The development pipeline continued to slow as contractions in the CBD helped push availability higher in the City while market conditions gradually tightened across the suburbs. Owner/user purchases along with a steady flow of conversions of obsolete buildings have helped keep vacancy in check despite sluggish net absorption. Tenant demand has continued to flow to submarkets along with neighborhoods with amenity-rich offerings, including Downtown Columbia and Harbor East, leaving limited availability for Class A blocks over 10,000 s.f. in the upper tiers of the market.

From Harbor East to Locust Point, leasing activity was driven by a mix of renewals and new entrants to market. The most significant deal landed at McHenry Row where San Francisco-based Stripe Inc. backfilled a 42,480-s.f. block as the fintech company opens their first East Coast location. At 901 S Bond Street in Fells Point, Brown Advisory, Williams Scotsman and Johns Hopkins University all renewed for a combined 195,000 s.f., which helped solidify near-5% vacancy for Class A waterfront properties while conditions elsewhere in the city largely favored tenants. Suburban market activity centered around defense-driven and cybersecurity requirements that have gravitated towards Howard and Anne Arundel County. Demand from government defense contractors particularly has gained traction in recent quarters, aiding nearly 200,000 s.f. of positive absorption across Columbia and BWI year-to-date.

Outlook

Multiple proposed developments are poised to break ground in the coming quarters as tenants in the market face limited options for recent new construction in sought-after neighborhoods. Mounting vacancy created by relocations and contractions, however, will continue to provide numerous Class B options as overall net absorption lags deliveries.

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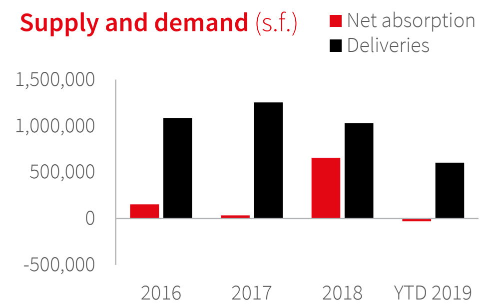
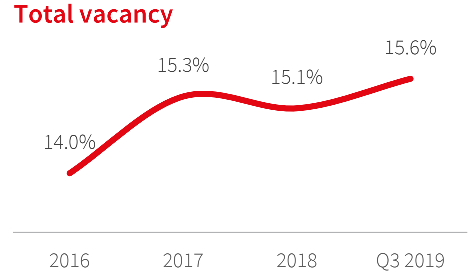
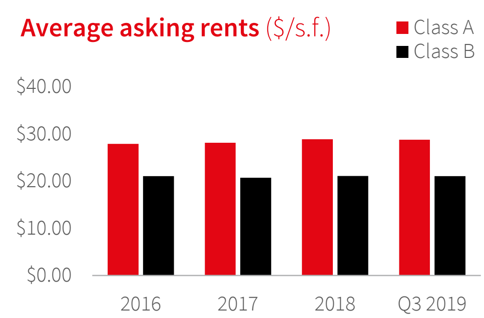
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Boston

After years of lagging behind peer markets, Boston's development community flexes its muscles

- Metro Boston's office development pipeline reaches 6.6 million square feet, up from 3.0 million square feet one year ago.
- Rockpoint becomes Downtown Boston's second-largest landlord after acquiring two of the last remaining core office towers this cycle, for a combined $1.45 billion.
- Metro Boston's 2.7% unemployment rate is tied for the lowest in the country, signifying a robust economy operating at near-capacity.

Boston's conservative development community kicked into high gear in 2019, doubling the metro-wide office pipeline since the end of 2018. However, this should not cause concern of over-supply. Severe supply constraints for large blocks in Boston and Cambridge will persist through 2020, with a 91% preleasing rate for new office space. Beyond 2020, the only relief is the unleased 1.7 million square feet of deliveries in 2021 and 2022 in Boston acros One Congress, Winthrop Center, Kenmore North and 321 Harrison.

Supporting new development, the economy continues to hum along with the lowest unemployment rate in the country, adding nearly 25,000 new jobs in the first half of 2019. Likewise, market performance indicators continue to point upwards. Market-wide total vacancy is at its lowest point in 18 years. Class A CBD rents grew another 1.3 percent in Q3 and is up 20 percent year-over-year with demand nearing an all-time high. East Cambridge's combined 15.4 million square feet of lab and office has a vacancy rate of 1.2 percent. And the next 4 years' worth of office development is 62 percent preleased metro-wide.

Low unemployment, a highly technical talent base and a market in which large urban tenants in the market outnumber available spaces by 50 percent make Boston a highly-desirable destination for capital. Rockpoint bet big on Downtown Boston's fundamentals when acquiring a combined 1.8 million square feet at 100 Summer and 75 State in Q3, and is now second only to Norges' footprint in the city's largest submarket.

Kendall Square now has 100,000 square foot leases each from 5 of the 6 largest companies in the world. Rapid7, Twitter and DataRobot all expanded in the City of Boston for a combined 170,000 square feet in Q3. Meanwhile, the suburbs maintained their momentum, with the largest combined office and lab development pipeline in at least 25 years, at about 2.7 million square feet.

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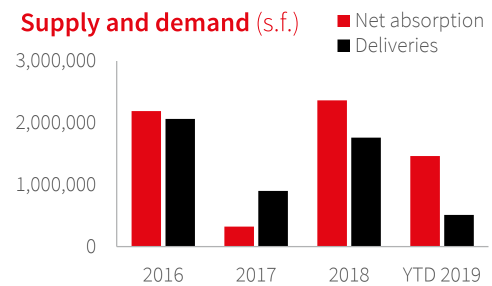
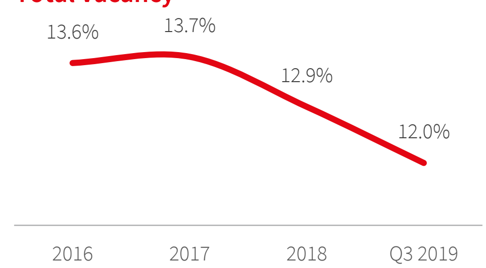
Fundamentals	Forecast
YTD net absorption	611,028 s.f. ▶
Under development	6,562,773 ▶
Total vacancy	12.0% ▶
Average asking rent (gross)	$41.49 p.s.f. ▲
Concessions	Stable ▶

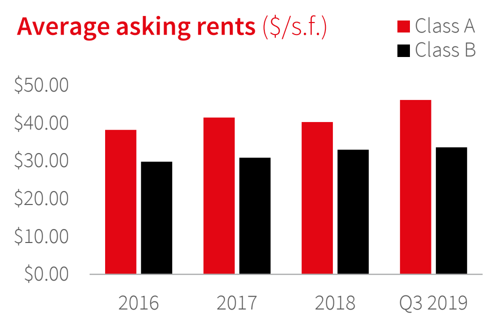
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Charlotte

Organic growth and external expansions create low vacancy and rent growth

- Demand remains frothy led by existing tenant growth and companies migrating into Charlotte
- With minimal vacant space in existing buildings, large occupiers and corporate headquarters are drawn to new construction.
- Suburban submarkets turning to amenities and placemaking to attract and retain tenants and workforce

Fundamentals		Forecast
YTD net absorption	2,658,341 s.f.	▲
Under construction	2,946,824 s.f.	▲
Total vacancy	11.4%	▼
Average asking rent (gross)	$31.17 p.s.f.	▲
Concessions	Stable	▶

New construction continues to push the nexus Uptown further south and west. The first phase of Legacy Union opened when Bank of America employees began to occupy two floors of 620 S Tryon. Bank of America's occupancy will expand as they relocate more employees. Legacy Union I will also be a reintroduction to the Charlotte market for Highwoods Properties. The firm put the property under contract for $436 million, the largest price for a single building in the Charlotte market to date. Legacy Union's second and third phase expect completion in late 2020 and early 2021, respectively.

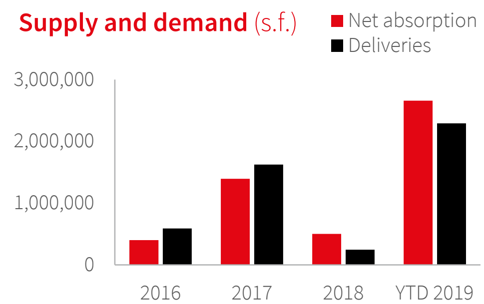
While Uptown has been the anchor of Charlotte's financial industry, South End is becoming the destination for nascent FinTech industry. LendingTree will be among the first to plant their flag when they relocate from Ballantyne. Dimensional Funds established their East Coast headquarters earlier this year on S Tryon St. Ernst & Young established an "EY Wavespace" location focusing on emerging technologies at Beacon Partners' Railyard project.

Suburban office owners are getting more creative to compete with urban submarkets. Ballantyne owner Northwood Investors announced plans to convert a golf course into 25 acres and $1.2 billion of additional office, retail, multi-housing and hospitality facilities. This will be a major placemaking endevour, but will help keep the office park viable, compete with other submarkets, and turn the area into a true live, work, play destination.

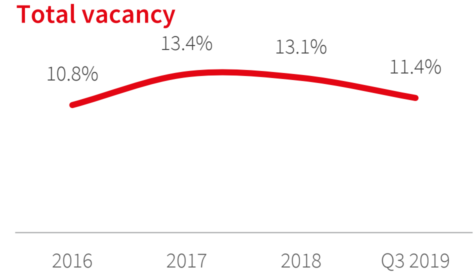
Outlook

Even with 2.2 m.s.f. completed in 2019 and another 2.9 m.s.f. under development, vacancy will remain at or below current levels. New construction is breaking ground with large blocks pre-leased and minimal vacancy. Tenant demand will continue to expand through local organic growth and migration and expansion from firms relocating to the Charlotte area.

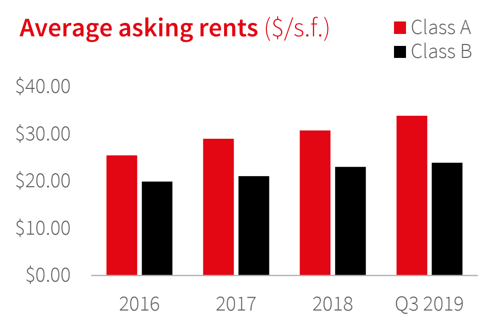
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



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Chicago-CBD

Continued absorption and refurbished space in the Southwest Loop make it an attractive office location

- Upon Uber and CBOE commitments to the Old Post Office this quarter, the 2.5 m.s.f. South Loop development nears 80% preleasing.
- Coworking operators continue to expand their Chicago footprint.
- 811 W. Fulton sold for $50.3 ($787 p.s.f.), setting a new Chicago record in price per square foot as it surpassed RxBar at 412 N. Wells in Q4 of 2018.

Fundamentals		Forecast
YTD net absorption	1,760,649 s.f.	▲
Under construction	7,597,231 s.f.	▲
Total vacancy	10.9%	▼
Average asking rent (gross)	$42.93 .s.f.	▶
Concessions	Stable	▶

With the BMO Tower development, Old Post Office leasing, Willis Tower renovations, and Related's The 78 megadevelopment, the Southwest Loop is becoming one of the most attractive micromarkets in the city. Additionally, the Central and East Loop both saw strong positive absorption in Q3 proving that despite the newer product outside of the Loop, tenants still have a considerable desire to office there.

Tech giants that didn't have a significant presence in Chicago as recently as five years ago – i.e. Salesforce, Google and Uber – are all doubling their footprints. The significance of this is that the new jobs aren't just sales, but include engineers, software developers, and logistics experts – a testament to the deep talent pool that Chicago provides.

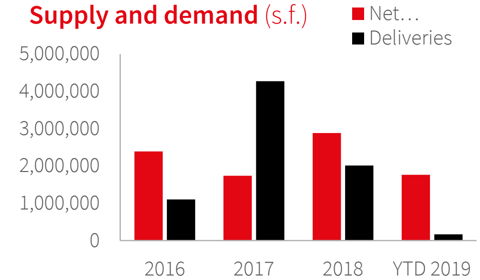
Coworking continues to be a main driver of absorption contributing to 151,000 SF, or 23% of total Q3 absorption – all of which was Class A space. Despite a record number of buildings on the market, buyers have thus far only purchased creative office product west of the river (Loft Collection, 549 W. Randolph, 811 and 1330 W Fulton).

Outlook

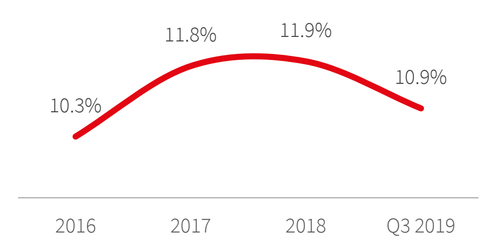
Sterling Bay is expected to go forward speculatively on a 600,000-square-foot Lincoln Yards building, which will be a test drive on tenant interest in that area.

Recent concerns on the future of WeWork could adversely impact the pace of absorption in the Chicago market, as the coworking company has been one of the leading drivers of leasing activity over the past twenty-four months. The outlook for growth in technology tenants remains robust, as Chicago provides an affordable and talent-rich market when compared the coasts.

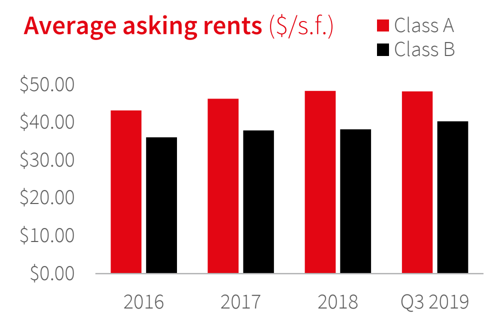
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



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Chicago-Suburbs

The North's amenity-rich campuses continue to strive, but the race is far from over

- Class A direct asking rents have remained stagnant, but slightly increased for the seventh consecutive quarter to $28.03.
- Total vacancy has declined for a second consecutive quarter and has now reduced to 1.2% below the 23.7% high in Q4 2017.
- The Oak Brook Commons development that will bring a mixed used property of Retail, Office, and Multi-family in one location is underway.

The North-Lake suburban submarket continues its strong year by accounting for over 90% of the total absorption in Q3 and reducing its vacancy for a second straight quarter. Companies such as Stericycle and American Imaging Management accounted for a whopping 225,000 SF combined. Although its counter part, North-Cook, also had strong absorption, its clear North Lake continues to reap the benefits of its tax strength and transit friendliness.

The Eastern East-West large lease activity consisted of the 90,000-square-foot lease of the old Ferraro Candy Co HQ. O'Hare and Northwest are not far behind with total leases from TransNational Payments and Solera Health.

Investment sales have been stronger YTD in the suburbs than in the CBD with seven building traded. This quarter two buildings are under contract and set to close next quarter. In addition, a handful of buildings are on the market for sale illustrating the demand that investors have generated in the suburbs.

Outlook

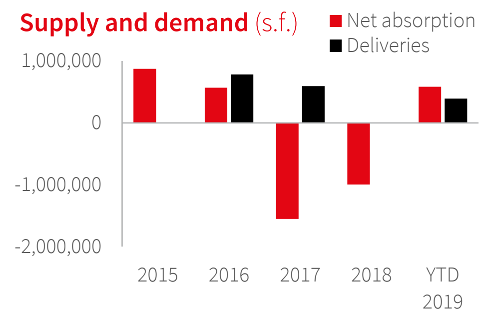
Amenities will continue to be a driving force in the Suburban Submarket. Buildings such as Continental Towers and President's Plaza have undergone an extensive remodel, the latter of which has accumulated $80M in renovations. This illustrates the demand for urban buildings in a market deprived of renovations. . More importantly, landlords are beginning to go beyond just the amenity build-out by using technology to connect tenants to the amenities. Community apps allow tenants to interact with the amenities and other tenants by delivering opportunities for onsite events, clubs, etc. Thus building a far larger sense of community within office parks.

Oak Brook Commons and the recent unveiling of the Shuman will continue to serve as models for what an "urbanized" suburban building can look like & perform. The live, work and play attitude has had a strong presence in the CBD and has shifted to the suburbs.

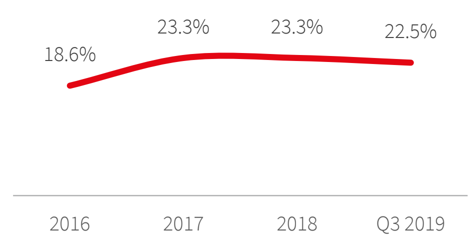
For more information, contact: Edgar Leon | Edgar.Leon@am.jll.com

Fundamentals		Forecast
YTD net absorption	583,428 s.f.	▲
Under construction	0 s.f.	▶
Total vacancy	22.5%	▼
Average asking rent (gross)	$25.03 p.s.f.	▲
Concessions	Stable	▶

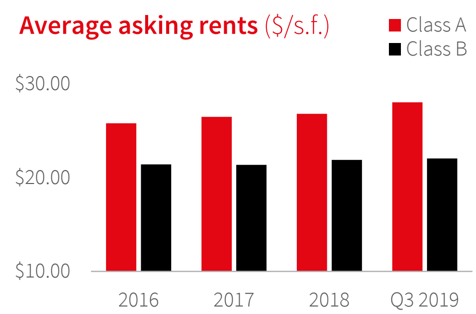
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Cincinnati

Leasing velocity continuing momentum into second half of 2019

- Investor activity continues to be strong, specifically within the CBD, with several core Skyline buildings changing hands in the last several months.
- Developer, Lincoln Property Company, announced plans for a new downtown office tower, the first one the CBD market has seen since 2011.
- Vacancy has crept to its lowest point this year currently sitting at 19.5 percent.

The Cincinnati market has seen a pickup in leasing activity throughout the first three quarters of 2019. In quarters past, market activity was largely driven by smaller leases, but so far this year we have seen numerous leases above the 20,000-square-foot threshold. Earlier this year, Western & Southern announced plans to move into nearly 125,000 square feet at Columbia Plaza, eliminating the largest contiguous block of space in the Central Business District. Following their announcement, Lincoln Property Company disclosed plans for a new office tower at The Banks. This building would be the first speculative development downtown has seen since 2011. In addition, multiple skyline buildings have changed hands in the last several months, showing investor's confidence in the downtown market.

Outside of all the activity in Cincinnati's urban core, activity along the I-71 corridor remains strong as well. Belcan announced the largest suburban lease of the year for just over 120,000 square feet at Hawthorne Center. Other large leases in suburban Cincinnati include Eversana for nearly 80,000 square feet at 8990 Duke Boulevard, and LifeSafer for just over 25,000 square feet at Park 42. As multiple larger leases have hit the market, and several Class B spaces are being taken off the market for redevelopment purposes, vacancy has dipped to its lowest point this year currently sitting at 19.5 percent, down from 21.1 percent at the end of 2018.

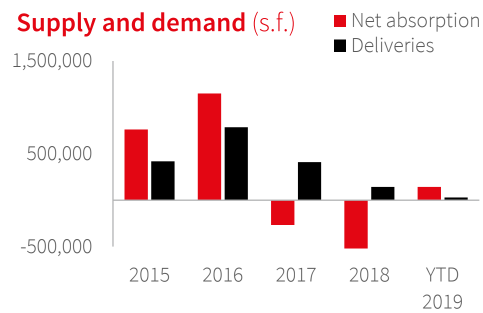
Outlook

Heading into the last quarter of 2019, the market outlook remains positive. With multiple larger leases commencing in the fourth quarter, absorption should climb to its highest level since 2016. As demand grows, we should see the market continue to tighten throughout the rest of 2019, and into the beginning of 2020.

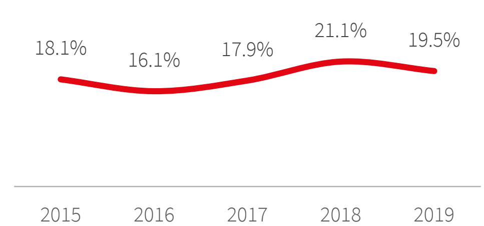
For more information, contact: Abby Armbruster | abby.armbruster@am.jll.com

Fundamentals		Forecast
YTD net absorption	143,464s.f.	▲
Under construction	375,000s.f.	▲
Total vacancy	19.5%	▼
Average asking rent (gross)	$19.78 p.s.f.	►
Concessions	Stable	►

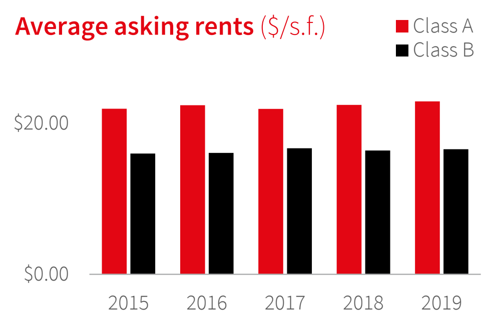
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Cleveland

Cleveland metro is hotspot for relocating companies

- CEO's are now considering Northeast Ohio as a major economic player for corporate relocations due to positive market fundamentals.
- Sherwin-Williams confirmed its search for a new headquarters and is considering several out-of-state options in addition to Cleveland.
- Look for emerging trends such as flexible workplace design and coworking to strengthen as employers cater to an evolving workforce.

Cleveland's national recognition as a competitive corporate city has grown significantly in the past decade. With compelling market fundamentals such as a high quality of life, an affordable cost of doing business, and a well educated workforce, CEO's and their companies are now considering Northeast Ohio as a major economic player for corporate relocations. This quarter alone, five new companies gained a presence in Cuyahoga County with industries ranging from fintech to digital medical devices. But as Cleveland attracts new companies from out of state, it must also retain current businesses to stay competitive. Recently, Sherwin-Williams confirmed its search for a new global headquarters, which could approach 1.0 million square feet. With a 153-year history tied to the city and over 3,000 employees downtown, their decision will have a significant impact on the local economy, and potentially, the Cleveland skyline.

Meanwhile, other local companies are also taking advantage of Cleveland's positive metrics. A number of businesses are in expansionary mode, hiring new employees and rapidly growing their real estate footprints. To name a few, companies like Swagelok, Progressive, and Park Place Technologies are investing in their corporate offices to remain competitive in a tight labor market. In addition, suburban companies are continually migrating into the CBD with Skoda Minotti being the latest to open a new office in the skyline.

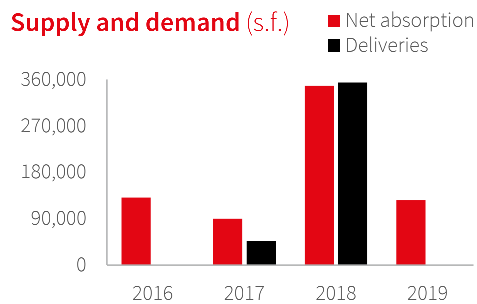
Outlook

Office demand will continue to moderate into 2020 as companies rightsize and increase utilization rates. However, with limited construction, vacancy rates should remain stable. Asking rents are likely to appreciate in the 2.0 percent range as landlords upgrade assets and push rents. Additionally, look for emerging trends such as flexible workplace design and coworking to strengthen as employers cater to an evolving workforce.

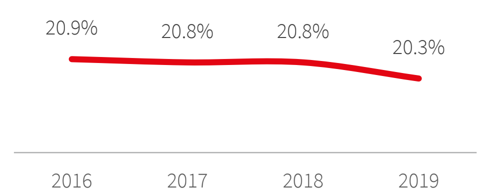
For more information, contact: Andrew Batson | andrew.batson@am.jll.com

Fundamentals		Forecast
YTD net absorption	125,544 s.f.	▲
Under construction	60,000 s.f.	▲
Total vacancy	20.3%	▶
Average asking rent (gross)	$19.76 p.s.f.	▲
Concessions	Declining	▼

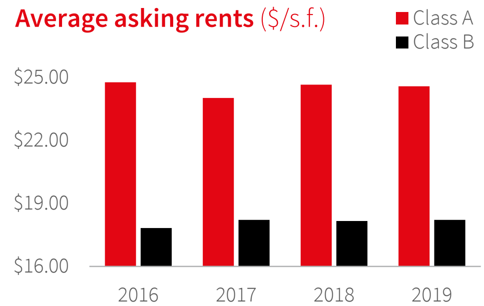
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Columbus

Class A demand ensures market remains hot

- New product in Capitol Square and the Short North accounted for roughly 80,000 square feet of leasing activity
- OhioHealth vacated nearly 110,000 square feet in the CBD, but Class A net absorption of 167,000 square feet hampered its effect on fundamentals
- Leasing velocity in both new product coming online and existing Class A options will likely ensure fundamentals remain stable through year-end

One of the more prominent storylines in the third quarter was the relocation of OhioHealth from the CBD to their new headquarters near Riverside Methodist Hospital. They moved out of roughly 110,000 square feet of Class B space in the CBD. However, leasing in both new and existing Class A product ensured the market remained on an upward trajectory with respect to market dynamics. While Class B net absorption totaled roughly negative 99,000 square feet, over 167,000 square feet of Class A product was absorbed in the third quarter.

The larger occupancies of the quarter were in new product in the downtown submarkets. Candid Care, a local startup, moved into 34,000 square feet at the newly renovated Dispatch Tower, bringing the building to 100.0 percent occupied. Just up High Street in the Short North, 46,000 square feet of office space at 800 N High St delivered fully pre-leased with the well-known coworking operator WeWork making their first entrance into the Columbus market. By year's end, the Short North will have 178,000 square feet of new office product, 65.0 percent of which will be occupied by

Outlook

Despite over 300,000 square feet of speculative space delivering in the downtown area since the start of 2018, Class A total vacancy in the CBD has dropped to a record low of 7.1 percent. OhioHealth's relocation and several downsizes in existing product over the last two years has resulted in rising Class B vacancy. The demand for quality space has tempered the rise of overall vacancy, and landlords are beginning to raise rents in existing Class A inventory as a result. Looking ahead, we expect this trend to continue in both the CBD and suburbs. Leasing velocity in both new product coming online and existing Class A options will ensure fundamentals remain stable.

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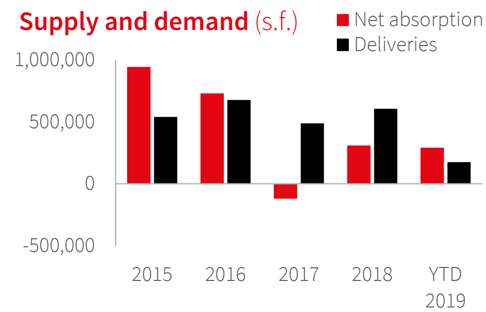
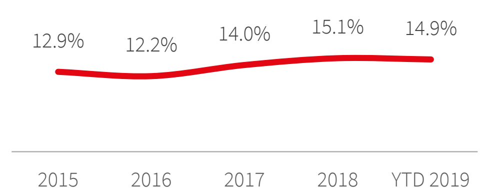
Fundamentals		Forecast
YTD net absorption	291,409 s.f.	▲
Under construction	681,673 s.f.	▲
Total vacancy	14.9%	▶
Average asking rent (gross)	$20.22 p.s.f.	▲
Concessions	Stable	▶

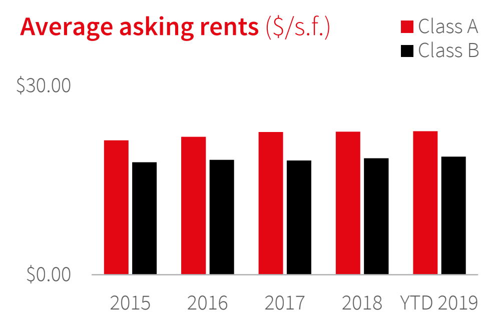
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Dallas

Optimism leads to dirt flying as new projects break ground

- Demand slowed slightly from the rapid pace of absorption in the first two quarters, but still posted over 400,000 SF of newly occupied space
- Rental rates continue to rise as demand and quality and cost of new projects rises, at almost $33 for average Class A rates
- After a slight lull, new development is picking up

Optimism is spilling over into development activity. Projects under development has picked up significantly in 2019 with over 2.9 million square feet breaking ground. Development activity is spread throughout the market, with Uptown leading the pack in groundbreakings with three projects totaling over 900,000 SF. Most speculative development is in targeted areas, such as new phases of Frisco Station, One Bethany, and Cypress Waters. Less active submarkets also saw groundbreakings such as East Dallas, South Dallas, and Lewisville / Denton.

Net absorption has exceeded new supply so far in 2019, which bodes well for new projects. All of Q3 2019's absorption was in Class A product, with Class B posting slightly negative absorption. Activity of 445,000 SF was half of the 800,000 SF of net absorption posted in both of the prior two quarters, but year-to-date numbers are far ahead of where the market was in Q3 2018 – with YTD net absorption of 1.9 million SF compared with 1.1 million SF at the same time last year. The pipeline of tenants in the market is still strong, with more demand from tech companies and a significant number of tenants from outside the market considering relocations or expansions to the DFW area.

Outlook

This burst of new development could cause a short-term supply and demand imbalance in the market, and new projects will command higher rates due to rises in construction costs, which could be challenging if the market slows in the next few years. As of July, the US has reached the longest period of expansion in its history. In the real estate market, all signs point to continued growth – the rise in rental rates, lack of sublease space, and continued job growth. People in the industry are looking cautiously at the horizon, but Dallas feels poised to ride out any coming storms, which would likely come from instability in national politics.

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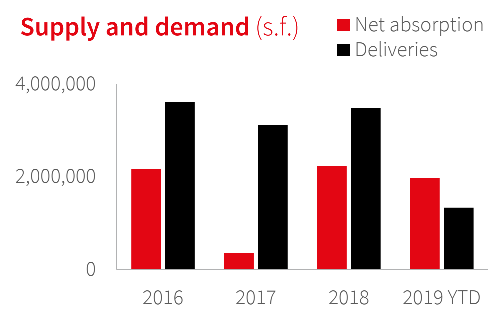
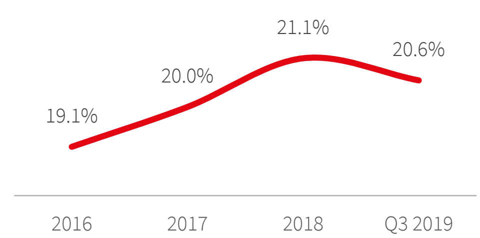
Fundamentals	Forecast	
YTD net absorption	1,969,021 s.f.	▶
Under construction	5,920,522 s.f.	▼
Total vacancy	20.6 %	▲
Average asking rent (gross)	$28.90 p.s.f.	▲
Concessions	Stable	▶

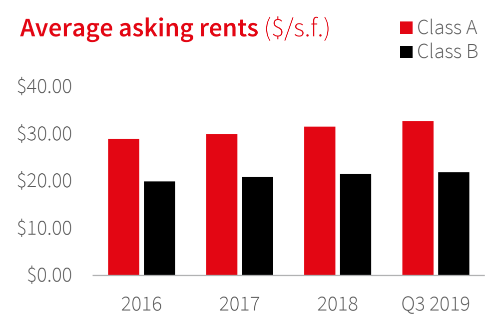
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Denver

Tech and flexible office once again the main drivers behind new market activity

- Tech and coworking still leading charge; combined, they've accounted for more than one-third of new leases market-wide over the last year
- More than three of every four square feet in newly delivered buildings are leased, and move-ins slated for this year will keep vacancy in check
- Buildings already on or coming to market will give both domestic and international investors the opportunity to enter Denver

Fundamentals	Forecast
YTD net absorption	1,490,968 s.f. ▲
Under construction	2,052,923 s.f. ▼
Total vacancy	13.5% ▼
Average asking rent (gross)	$30.42 p.s.f. ▶
Concessions	Rising ▲

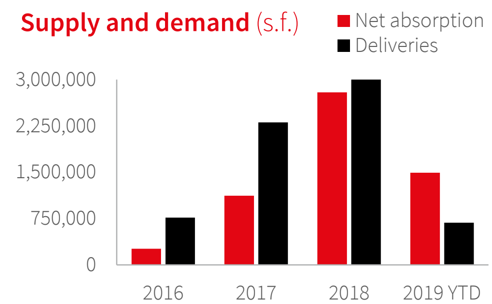
Still well in the black, quarterly net absorption retreated some from July through September; for the first time since year-end 2017, it fell short of 400,000 square feet (s.f.). Still, total vacancy fell 20 basis points to its lowest level in 45 months. It would've fallen further still were it not for the delivery of two vacant buildings (both of which already have tenants in the queue). While some absorption can be attributed to relocations and expansions, net new deals ultimately drove vacancy down. WeWork occupied 31,000 s.f. at Canyon 28 in Boulder. Another coworking operator—Shift Workspaces—occupied 29,000 s.f. at 2679 W Main in Southwest Suburban. Existing users continue to renew and expand, and new companies continue to relocate here. With more than 1.2 million square feet (m.s.f.) signed and even more in active negotiation, expect vacancy to decrease further, in line with positive absorption over the quarters to come.

Last year, 3.2 m.s.f. of new construction delivered—an amount not reached since the late 1990s. Through 2020, we're on track to add another 2.5 m.s.f. throughout Denver. Hot neighborhoods like Downtown, RiNo and Platte Valley will be home to two-thirds of this newly built inventory. Among those industries especially interested in these areas are coworking and tech companies, which have driven nearly half of all new-to-market deals during the past five years.

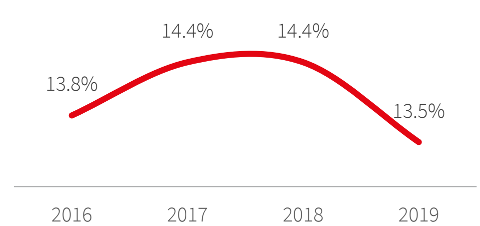
Outlook

After growing at an annual rate of 2.0 percent or greater for an astounding 84 consecutive months, job creation has cooled of late. Nevertheless, with comparatively lower costs and a still exceptionally tight labor market, we remain an attractive location for companies to expand within or relocate to. This will translate to more office absorption in the near-term. Existing investors want a larger slice of the market and new-to-Denver investors want in, some even making unsolicited offers. Expect more trades at peak prices in the near-term.

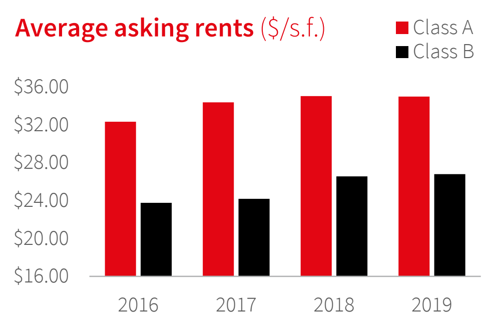
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



For more information, contact: Mandy Seyfried | mandy.seyfried@am.jll.com

Detroit

Vacancies continue to compress in Detroit office market

- Olympia plans to build a 200,000-square-foot Class A office complex for Mercedes Benz Financial Services in Farmington Hills.
- Total vacancy sits at 18.1 percent market-wide, down 2.7 percent year over year, while rent growth is flat over the same time period.
- With the Renaissance Center excluded, the CBD Class A total vacancy figure is 2.3 percent, illustrating how tight the market is downtown.

Vacancies compressed yet again in the Detroit office market during the third quarter. Total vacancy is down to 18.1 percent, marking a 2.7 percent decrease year-over-year. Average asking rents are $19.79 per square foot, flat over the same period. Near New Center, WeWork leased over 91,000 square feet at 6001 Cass Avenue, more than doubling their existing footprint in Detroit. In the CBD, New York-based Neighborhood Defender Services signed a 16,555-square-foot three-year lease at the Guardian building, taking the entire 29th floor. In the suburbs, Fishman Stewart PLLC leased 11,448 square feet at North Troy Corporate Park where they will move their headquarters in January, and Grand Rapids-based Varnum Law opened an 8,000-square-foot office in Birmingham, further expanding their presence in metro Detroit.

Olympia Development has plans to construct a 200,000-square-foot Class A office complex for Mercedes Benz Financial Services in Farmington Hills, with a delivery estimate of summer 2021. The project marks Olympia's first new development outside of Detroit. Rather than Chemical Bank owning their future HQ downtown, they will lease the building from an entity tied to the Sterling Group. With the building no longer an owner-occupied property, the delivery of the new headquarters will add an estimated 420,000 square feet of Class A space to the CBD inventory.

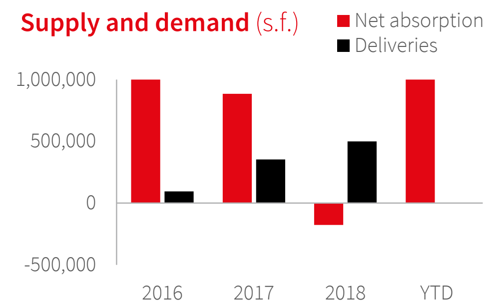
Outlook

As we look ahead to the end of 2019, we can expect the stable conditions in the Detroit office market to remain. It will be interesting to keep an eye on Bedrock's two significant developments downtown, both the Hudson's site and the Monroe Blocks. Both projects have been relatively fluid recently, with changes in scope and delivery estimates. Downtown's Class A vacancy remains extremely tight outside of the Renaissance Center and will likely stay that way until new inventory is added to the market.

For more information, contact: Harrison West | harrison.west@am.jll.com

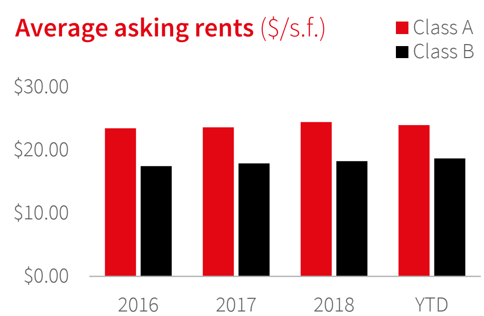
Fundamentals		Forecast
YTD net absorption	1,002,864 s.f.	▲
Under construction	1,820,000 s.f.	▲
Total vacancy	18.1 %	▼
Average asking rent (gross)	$19.79 p.s.f.	▲
Concessions	Falling	▼

Supply and demand (s.f.)



Total vacancy

Average asking rents ($/s.f.)



East Bay I-680 Corridor

Investment activity maintained steady tempo through third quarter

- Investment activity carried through the third quarter as two significant Class A assets traded within the I-680 corridor.
- Year-to-date net absorption surpassed 300,000 square feet as notable occupancies took place.
- Developers are active in Walnut Creek with two major mixed-use projects underway and a new Class A office in the pipeline.

Fundamentals	Forecast
YTD net absorption	302,134 s.f. ▲
Under construction	0 s.f. ▲
Total vacancy	14.9% ▶
Average asking rent (gross)	$3.17 p.s.f. ▶
Concessions	Stable ▲

The I-680 Corridor held steady through the third quarter as investors continue to be active in the market and tenant move-ins add to occupancy gains. MetLife's Treat Towers located adjacent to Pleasant Hill BART was purchased by Rockpoint Group for approximately $195 million ($514 per square-foot), 37.4 percent more than the previous sale in 2015. Additionally, California Plaza was purchased by Align Real Estate late in the quarter for $410 per square-foot, a 17.8 percent increase from the previous sale to CBREI in 2016. All Downtown Walnut Creek Class A buildings have traded within the last two years, and owners are exploring potential sales further north into Pleasant Hill BART and Concord.

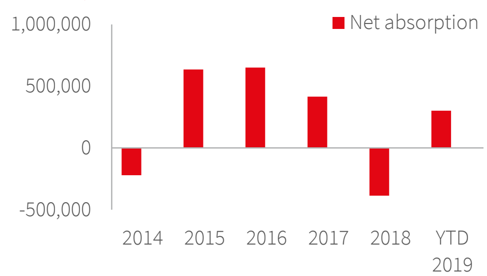
Leasing activity was moderate towards the later half of the quarter, but will gain traction as pending deals are warming up in the pipeline. Rent growth was relatively stable from last quarter as large availabilities in the market start to normalize rents. Nevertheless, year-to-date net absorption surpassed 300,000 square feet, attributable to relatively large occupancies in the third quarter. Namely, Cooper Companies took occupancy at Bishop Ranch 1 and added 50,000 square feet of positive net absorption in San Ramon, in addition to several mid-sized occupancies in the north end of the corridor. As a result, total net absorption for the quarter was 79,259 square feet for Q3, up 20.3 percent since last quarter.

Outlook

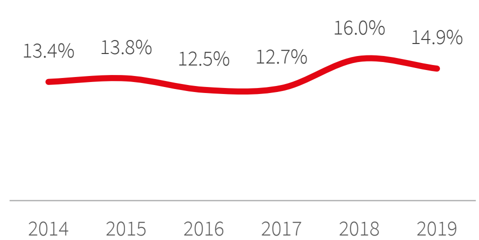
There is considerable development activity in Walnut Creek as the city will welcome a new hotel directly across Downtown Walnut Creek BART in addition to the Transit Village. Also, Harvest has kicked-off marketing efforts for "Station 2990", a new ~300,000-square-foot Class A office at the Pleasant Hill BART Station which could be the first Class A ground-up office building in the suburban East Bay since 2003, and a 19.1 percent increase to that submarket's inventory.

For more information, contact: Katherine Billingsley | k.billingsley@am.jll.com

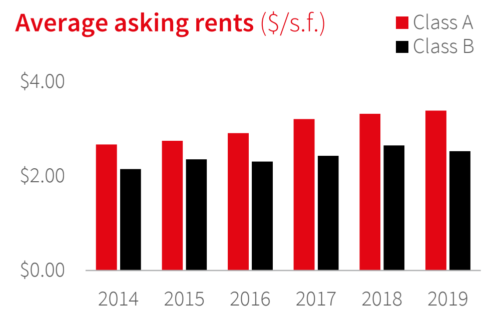
Supply and demand (s.f.)

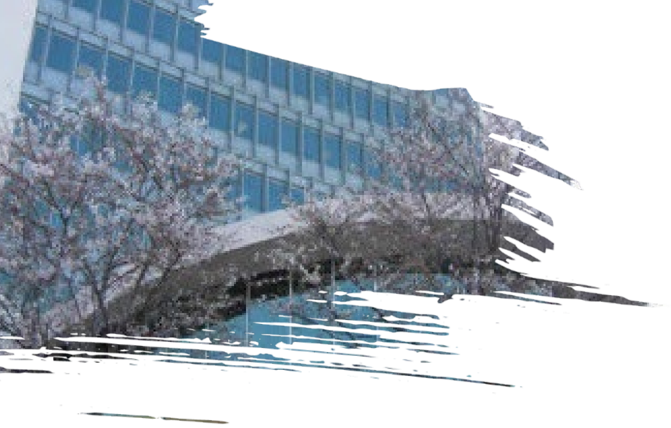


Total vacancy



Average asking rents ($/s.f.)





Fairfield

Route 7 Corridor takes first place for leasing activity in the third quarter

- Overall vacancy rate fell to 22.8 percent in Q3, as tenant requirements were outpaced by additional vacancies.
- Leasing velocity was constrained during the third quarter as most of the demand was generated by smaller-sized transactions.
- Large corporate tenants will continue transitioning to transit-oriented areas over the next 12-36 months, increasing overall absorption within CBD markets.

After accelerating to 24.0 percent in the first half of 2019, the Fairfield County overall office vacancy rate dropped to 22.8 percent at the close of Q3, below the 23.1 percent seen in the last two quarters of 2018. For perspective, the year-to-date net absorption witnessed during the second quarter of 2019 was negative 579,100 square feet – it now stands at negative 345,403 square feet.

The Route 7 Corridor housed the largest volume of positive absorption in the third quarter at 112,529 square feet, an impressive feat considering in the previous quarter it posted the greatest amount of negative net absorption in Fairfield County. Most of this absorption was attributed to ASML Holding's 98,907-square-foot lease at 50 Danbury Road in Wilton and Operations Inc's 12,333-square-foot lease at 383 Main Avenue in Norwalk. Concurrently, there were several spaces that came to market this quarter to keep vacancy rates elevated, including 29,000 square feet at 333 Ludlow Street in Stamford and 26,000 square feet that came on at 800 Connecticut Avenue in Norwalk.

As in the previous quarter, smaller-sized leases guided the course of the Fairfield County office market in the third quarter of 2019. However, there were four large leases that boosted absorption as well. Among the transactions recently completed were the aforementioned ASML lease of 98,907 square feet at 50 Danbury Road in Wilton, UnitedHealth Group's 71,060-square-foot lease at 4 Research Drive in Shelton, and Marc Fisher's 62,050-square-foot lease at 777 W Putnam Avenue in Greenwich.

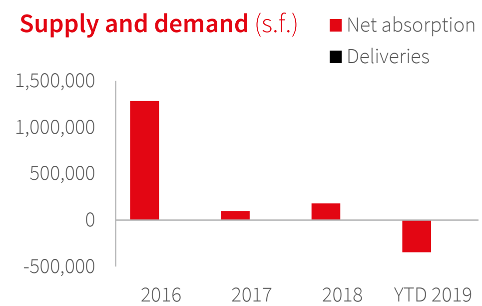
Outlook

Corporate tenants are expected to continue to densify, leading to forecasts of overall leasing activity tapering in step with slight increases in supply. Submarkets with efficient access to public transit and highly rated amenities will support the majority of any future growth.

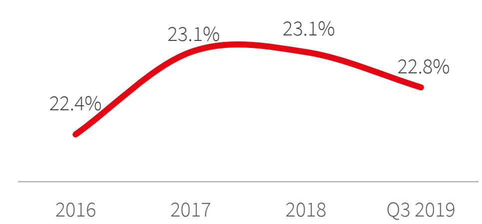
For more information, contact: Alexei Gunya | alex.gunya@am.jll.com

Fundamentals		Forecast
YTD net absorption	-345,403 s.f.	▼
Under construction	593,800 s.f.	▶
Total vacancy	22.8%	▼
Average asking rent (gross)	$37.28 p.s.f.	▲
Concessions	Rising	▲

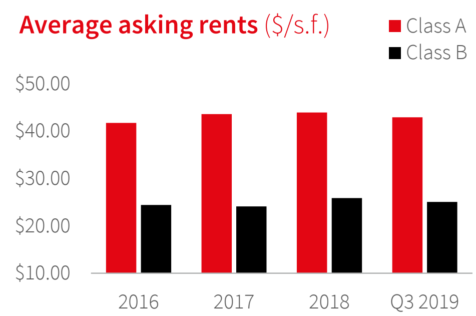
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Fort Lauderdale

While Fort Lauderdale had the hottest summer on record, the office market cooled

- Large leases helped drive the market, but bread and butter demand slowed.
- Tenants continued playing musical chairs, with one kicking off a new development in the suburbs.
- Though the quarter was quiet, the market remains strong and shows little signs of significant weakening.

Fundamentals		Forecast
YTD net absorption	267,956 s.f.	▼
Under construction	698,530 s.f.	▲
Total vacancy	12.6%	▶
Average asking rent (gross)	$34.78 p.s.f.	▶
Concessions	Stable	▲

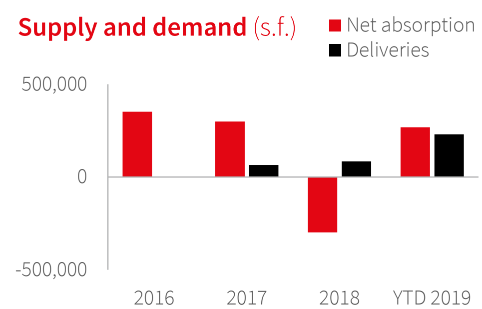
This year the market has seen something that has not been common since around the turn of the century – new development. While 700,000 square feet of product under construction may seem minimal in most markets, that figure represents 3.2 percent of Fort Lauderdale's total inventory – in a market that on average historically absorbs 1.7 percent of total stock annually. In fact, the market has not absorbed 3.0 percent of its inventory since 2014.

That figure is significant, because it outlines a trend that has occurred locally and nationally for a few years now – a flight to quality among top tier assets. This also highlights a central characteristic to Fort Lauderdale's office market, which is existing tenants moving within the market. That has kept the nature of supply and demand fairly balanced. The most notable project underway is The Main in the downtown core, but the headline for this quarter is Centene consolidating their operations in Plantation Pointe, a 145,000 square foot building set to break ground next quarter. Centene will occupy the entire building, which has gotten the ball rolling on Phase II of the development (also 145,000 square feet).

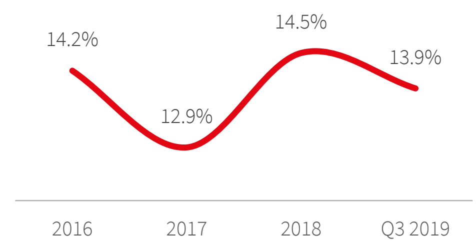
Outlook

These new developments are benefiting from a tight market, but by drawing from existing tenants, large blocks of second generation space are coming online and have the potential to sway the balance between supply and demand. The good news is that there are several large tenants, some new-to-market, that are touring Fort Lauderdale that can keep imbalance at bay. And despite the lull seen in activity during the summer amongst the market's typical sized tenants, a slowdown in bread and butter activity is not expected to last. This is particularly true given the 5.5 million square feet of leases rolling over the next 24 months – nearly a third of which is comprised of tenants occupying less than 10,000 square feet.

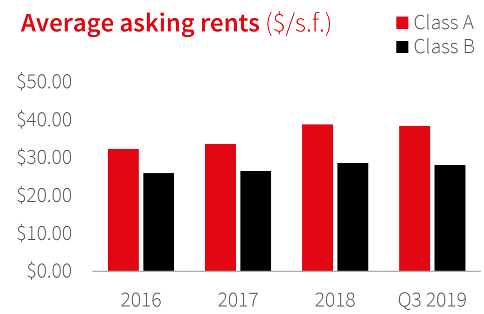
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



For more information, contact: Marc L. Miller | marcl.miller@am.jll.com

Fort Worth

High demand and low construction starts drop vacancy rate to lowest point in nearly ten years

- The Fort Worth office market's vacancy rate continues to drop, thanks to large blocks in the North Fort Worth submarket leasing up
- Investment activity continues as activity in suburban submarkets increased this quarter with several announced transactions
- Lack of new construction pushing tenants into neighboring submarkets

Fundamentals	Forecast	
YTD net absorption	844,219 s.f.	▲
Under construction	98,556 s.f.	▶
Total vacancy	15.9 %	▶
Average asking rent (gross)	$24.97 p.s.f.	▲
Concessions	Stable	▶

Tremendous activity in the Fort Worth office market has continued into the second half of 2019. Net absorption has now passed over 2 million square feet, since the start of 2018. As demand for long standing available space has pushed vacancy rates down, rents continue their slight but steady increase. Investment activity during the quarter was focused in the northern suburban submarkets by out of market investors.

The vacancy rate in the North Fort Worth submarket has dropped below the market average to 14.2 percent, after peaking in Q3 2017 at 45.5 percent. The absorption of several large blocks of former single-tenant properties has helped to bring the overall market's vacancy below 16 percent, the first time under that threshold since the second half of 2010.

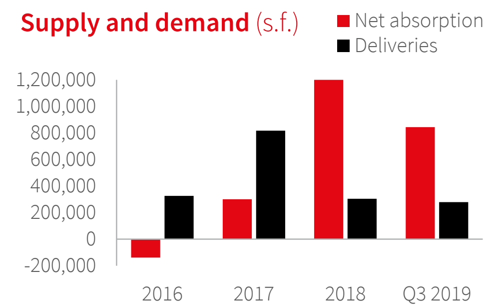
Burns & McDonnell announced plans to create another 50 jobs in their Downtown Fort Worth office, after relocating within the Pier 1 Imports Building into a larger space. Lockheed Martin continues to grow, announcing a 175,000 square foot lease in south Arlington taking occupancy later this year. With the most recent lease, the aerospace company will occupy nearly 1 million square feet of office space in the Fort Worth market. In the North Fort Worth submarket, American Specialty Heath relocating from Southlake into 164,000 square feet of space previously occupied by Mercedes-Benz Financial Services.

VARIDESK acquired the former 380,000 square foot Sabre campus, most recently known as The Vista at Solana, for the company's second space-as-a-service concept, VariSpace Southlake. This follows the sale of the neighboring The Terrace at Solana, the eight building 1.1 million square foot campus, last quarter to two Chicago-based companies. The recently completed 200,000 square foot Mercedes-Benz Financial Services building in Alliance sold to a New York-based investment group.

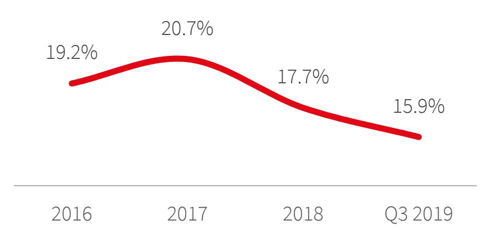
Outlook

With few projects under construction, relocation of tenants to Downtown Fort Worth from the neighboring West/Southwest Fort Worth submarket will continue, opening up space in the tightest submarket.

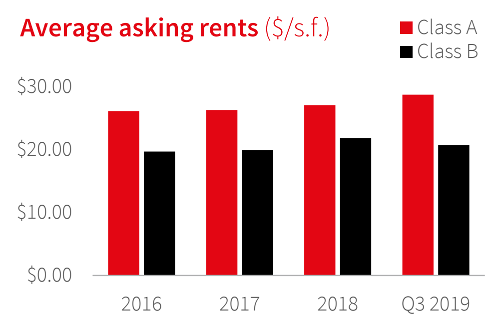
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



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Grand Rapids

Warner Building delivers while Studio Park finds tenant

- The Warner Building delivered downtown fully leased after two years of construction, adding 118,000 square feet to the Class A inventory.
- Overall rent growth has flattened out with 1.6 percent gain year-over-year, however the gap between Class A and B asking rents has widened.
- Acrisure made headlines with their announcement to occupy the 105,000-square-foot office component of the Studio Park development.

While rent growth has leveled off in the Grand Rapids office market, vacancies compressed further in the third quarter. Average asking rents are $18.74 per square foot across the market, up 1.6 percent year-over-year, while market-wide vacancy currently sits at 8.5 percent, down 1.7 percent over the same period. The high-profile Warner Building development delivered fully-leased in August, adding 118,000 square feet to the downtown Class A inventory. The previously-shelved office component of the Studio Park development announced that insurance brokerage firm Acrisure has signed a long-term lease to occupy the 105,000-square-foot building. The move will make them the largest Class-A occupier in downtown Grand Rapids with plans to add up to 175,000 square feet of additional space in the future.

In the suburbs, SpendMend signed a long-term lease for 31,000 square feet at Cascade Office Park on Horizon Drive Southeast, and Michigan Office Solutions renewed their 40,000-square-foot lease on the Northwest side of town. LCN Capital Partners purchased the 714,000-square-foot Farmers Insurance Complex in Caledonia for $147.3 million, or approximately $212 per square foot from Farmers Insurance, who leased it back on a 15-year deal.

Outlook

Looking ahead toward the end of the year, we can expect the good conditions in the Grand Rapids office market to remain stable. Keep an eye on 111 Lyon Street, as Warner Norcross & Judd will make their move to Warner Tower in November, leaving an approximate 90,000-square-foot vacancy at their old location. The market should continue growing at a slow and steady pace, and as more Class A space is delivered and added to the growing construction pipeline, it will be interesting to watch the these development's impact on rents, specifically downtown.

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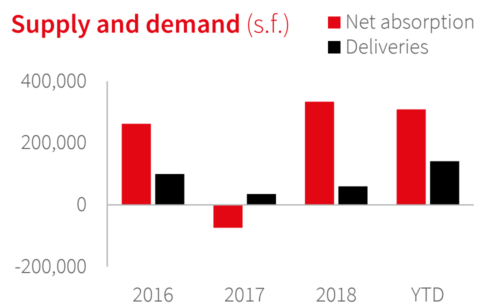
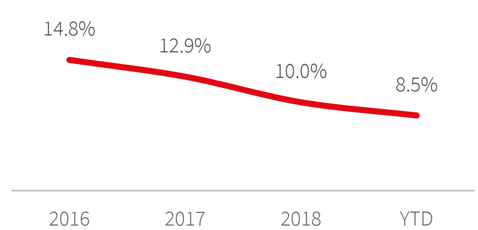
Fundamentals		Forecast
YTD net absorption	308,947 s.f.	▲
Under construction	105,000 s.f.	▲
Total vacancy	8.5%	▶
Average asking rent (gross)	$18.74 p.s.f.	▶
Concessions	Stable	▶

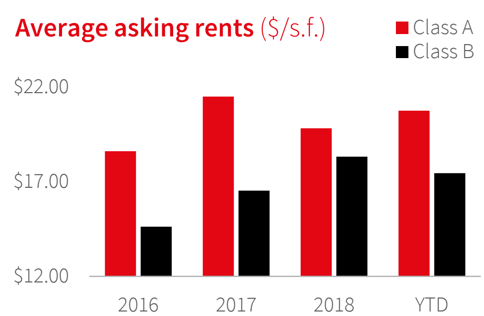
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Hampton Roads

The script flips: Peninsula Class A absorption jumps while Southside's Class B losses offset Class A gains

- Both building classes saw positive absorption on the Peninsula, but negative Class B absorption resulted in a small decline on the Southside.
- Rent increases earlier this year are holding and there's little new construction to compete with existing stock.
- Growth may be slowing nationally, but employment growth in office-using industries and the ongoing effects of rising defense spending should drive local demand for some time to come.

Fundamentals	Forecast
YTD net absorption	321,008 s.f. ▲
Under construction	365,660 s.f. ▶
Total vacancy	12.3% ▼
Average asking rent (gross)	$20.27 p.s.f. ▲
Concessions	Stable ▶

The Hampton Roads office market remained positive for landlords this quarter with net positive absorption of just under 40,000 square feet. Asking rents were flat – down $0.05 per square foot for Class A and up $0.04 per square foot for Class B – but increases earlier this year are holding.

When private-sector growth drove the economy, the Southside market outperformed the Peninsula's. That reversed this quarter as higher defense spending percolated into the local economy. Notably, Class A positive absorption has equaled 1.3 percent of Peninsula inventory over the quarter and 3.7 percent year-to-date, compared to 0.5 percent and 1.8 percent respectively for the Southside. Although occupancy gains were mostly in Oyster Point and Peninsula vacancy rates remain much higher than the Southside's, this quarter brought welcome news to Peninsula landlords.

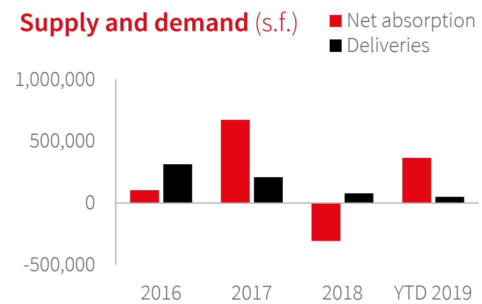
Statistics illustrate the effects of defense growth. Local employment in the Ship and Boat Building sector declined from 3.7 percent of nonfarm jobs in 2014 to 3.0 percent in 2016. Since then it has risen to a 3.6-percent share and absolute numbers saw year-over-year growth hit 10.5 percent in August 2018 and 8.2 percent in August 2019. These are well-paid jobs in sectors from laborers to skilled trades to engineering and design, and the activity they represent and salaries they pay will drive additional economic activity for some time.

Outlook

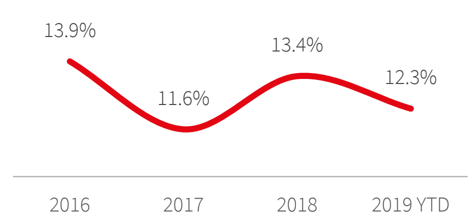
Office-using employment growth rates are slowing from 2017's 3.1 percent increase and 2018's 3.3 percent gain but remain healthy and outpace overall employment growth. With defense budgets locked in, local office demand is likely to remain high despite changes in the national or global economy.

For more information, contact: Michael Metzger | michael.metzger@am.jll.com

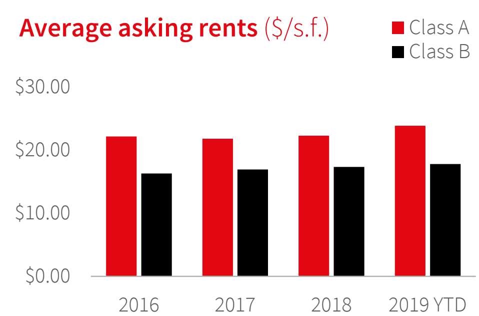
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Houston

Modest occupancy gains reverse losses from the second quarter

- Net absorption moved back into the black in the third quarter and vacancy declined by 20 basis points.
- New construction delivered 150,000 square feet at Chasewood Crossing Three and 26,750 square feet of office space at City Place in Q3.
- Concessions for tenants in lease negotiations – while still at high levels - appear to have plateaued, despite prolonged weakness in the market.

After falling into the red at mid-year, there was positive impact on both net absorption and vacancy this quarter. Vacancy decreased, led by Kiewit's 171,000 square-foot move in and Empyrean Benefit Solutions 108,000 square-foot occupancy. As a result, year-to-date net absorption returned to positive 297,915 square feet.

The office sector remains oversupplied and tenants continue to gravitate toward newer construction, while seeking higher quality space. As such, legacy product is struggling to fill the holes left behind in the currently stagnant market. Houston's office sector has struggled with deal velocity as leasing has activity slowed, down 59.3% year-over-year.

Tightening monetary policy from four Federal Reserve interest rate increases last year have been halfway reversed by two decreases this year, thus making it cheaper for firms to borrow, invest and expand. Houston's economy and office market continue to benefit from relatively stable oil prices and accelerated domestic oil production, including massive investment in refining and processing. Additionally, several LNG export facilities are under construction to export excess supply, all of which positively impact the office market given that midstream and downstream energy firms have a large presence in Houston.

Outlook

Dovish Fed policy will continue to support domestic macroeconomic activity. OPEC's continuation of culling production will favor domestic oil production and stable oil prices. As market observers believe the Houston office segment is continuing to 'bounce along the bottom', inventory shocks from new deliveries over the next few years will likely keep vacancy rates near their current levels. Without major employment gains, a significant rise in oil prices or an industry kick-starter, Houston's office market is poised to idle longer.

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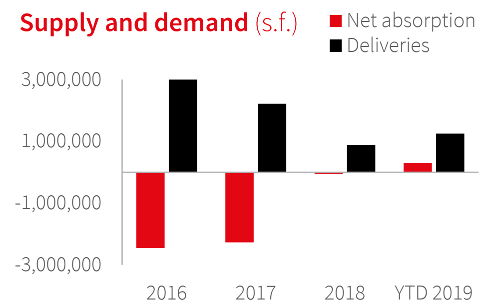
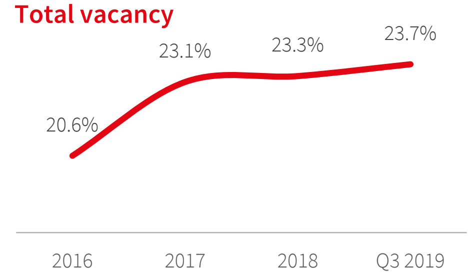
Fundamentals		Forecast
YTD net absorption	297,915 s.f.	▲
Under construction	2,383,004 s.f.	▲
Total vacancy	23.7%	▶
Average asking rent (gross)	$31.40 p.s.f.	▲
Concessions	Stable	▶

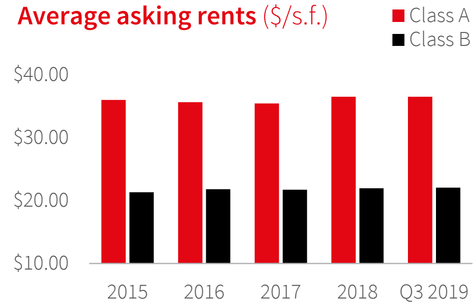
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Indianapolis

Sole construction completion for 2019 gives Indy office market occupancy boost

- The new KAR building coming online helped increase net absorption. Q3 posted the greatest occupancy growth in a single quarter since Q1 2018.
- Three speculative buildings are now under construction across the metro. Office conversions are a growing trend in Downtown Indy.
- Leasing velocity was strong this quarter. Nine deals over 40,000 square feet were signed. Q3 accounts for 45.0 percent of YTD leasing volume.

The Indianapolis office market has posted its first quarter of occupancy growth in 2019. It is the highest net absorption total in a single quarter in over a year. KAR's new 250,000-square-foot headquarter building coming online was the main driver for this growth. Additionally, a few other deals, particularly large subleases, occupied. Metro vacancy rates remained stable despite this growth due to the addition of new inventory.

New speculative space will soon be added to the market. In the CBD, 850 N. Meridian in Liberty Square is under renovation. Previously a warehouse on the first floor, this property is being converted to creative office space. This is the first of several office conversion projects planned for Downtown. Former warehouses, manufacturing buildings, and even a school are all slated to be redeveloped into unique office spaces. Meanwhile, The Agora at the Proscenium has now gone vertical in Carmel and already has three tenants committed to taking nearly three-quarters of the building.

Quarterly leasing velocity is the strongest it has been in over three years, with 1.0 million square feet in deals signed. Additionally, Q3 makes up almost half of all leasing volume for the year! Large leases were a big reason for this activity. Nine leases over 40,000 square feet closed. Only eight of this size had been signed in the first half of the year.

Outlook

Momentum should carry over into Q4 to finish out 2019 on a high note. Over half of leases signed this quarter were for tenants increasing their footprints. Additional development projects are set to begin construction and bring more speculative space to the market. Also, active requirements have grown for the third consecutive quarter. Watch for more notable leases to sign by the end of the year.

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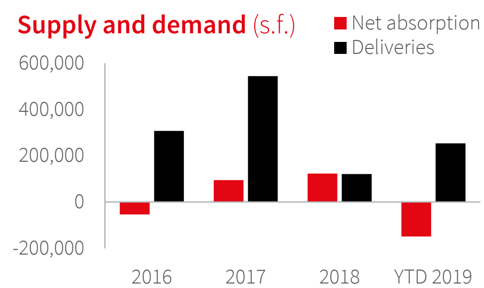
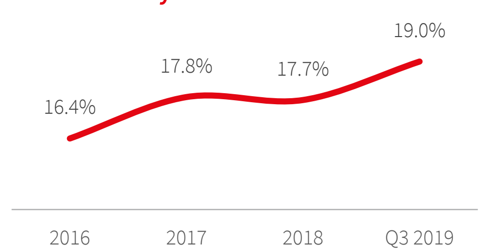
Brianna Marshall | brianna.marshall@am.jll.com

Fundamentals	Forecast	
YTD net absorption	-148,839 s.f.	▲
Under construction	291,238	▶
Total vacancy	19.0%	▼
Average asking rent (gross)	$21.26 p.s.f.	▲
Concessions	Stable	▶

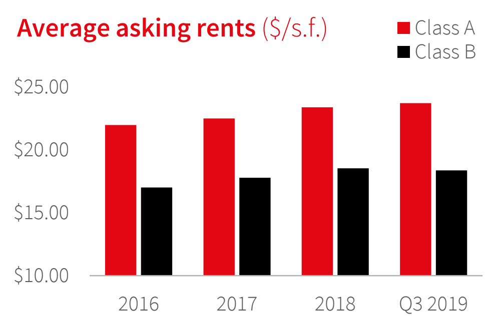
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Jacksonville

Central Business District lags as Jacksonville suburbs steal spotlight

- Average asking rents ticked up again this quarter, despite a slight increase in vacancy.
- Butler/Baymeadows draws increased investor interest as it leads the metro area in absorption, rent growth and new deliveries.
- Butler/Baymeadows saw +129,021 square feet of net absorption, led by 6651 Gate Parkway delivering fully occupied.

The Jacksonville office market continued its modest path of growth in the third quarter with rents ticking up despite a slight increase in vacancy. Occupancy gains were somewhat muted this quarter with absorption in the CBD virtually flat at -28,036 square-feet. The CBD has now posted negative absorption six quarters in a row and has shed 173,000 square feet of occupancy since 2016. However, the area is poised to reverse this trend as LaVilla and Brooklyn continue to drive downtown population growth by creating a live-work-play environment. RSM, an accounting firm, will move from their second-floor suite at Butler Plaza to loftier views at River Place Tower in the beginning of next quarter.

By contrast, the Butler/Baymeadows submarket has had positive absorption in four of the last six quarters and has added 374,000 square feet of occupancy gains since 2016. The +129,368 square feet this quarter is mostly attributable to McKesson taking occupancy of their 125,000 square foot build-to-suit on Gate Parkway. Office users are being drawn to the suburbs by larger floor plates, free parking and proximity to St Johns Town Center. The population of St Johns County grew by over 30 percent since 2010, adding more residents to the Jacksonville MSA than any other region.

Investors took note of these trends early on and continue to seek opportunity in Jacksonville's suburbs. A joint venture between Somerset Properties and Ten Capital Management bought the three building Capital Plaza portfolio on Deerwood Park Boulevard for $51.5 million ($123 p.s.f.) in July. Then, in September, Real Capital Solutions purchased the recently delivered McKesson building at 6651 Gate Parkway for $42.3 million ($338 p.s.f.) and JLL brokered the sale of the Midtown Centre office park, in Arlington for $31.5 million ($42 p.s.f.).

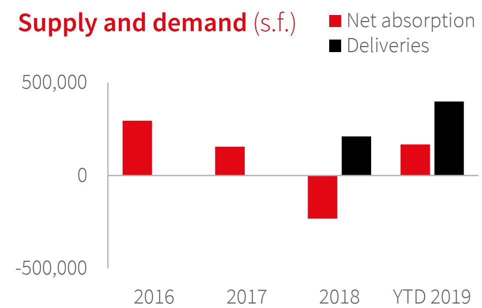
Outlook

While office construction has paused, abundant retail and residential construction throughout Jacksonville further demonstrates the desirability of the area. Strong market fundamentals including population growth and low unemployment signal that Jacksonville's economic trajectory will continue to inspire optimism among real estate professionals.

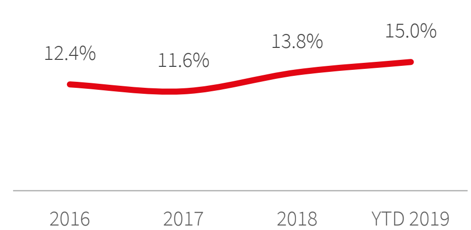
For more information, contact: Benjamin Landes | Benjamin.Landes@am.jll.com

Fundamentals	Forecast	
YTD net absorption	235,978 s.f.	►
Under construction	0 s.f.	▲
Total vacancy	15.0%	►
Average asking rent	$21.94 p.s.f.	▲
Concessions	Stable	►

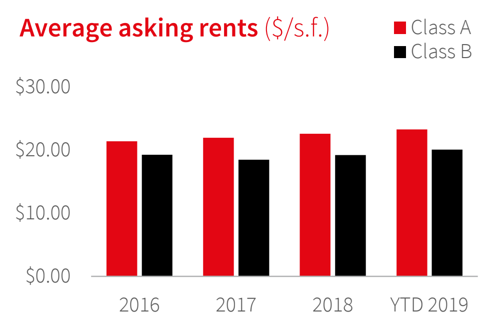
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Kansas City

Q3 brings stabilized growth and new owners to the Sprint Campus and Executive Center

- YTD absorption, average asking rents, vacancy and availability rates all marginally increase, indicating steady growth and tenant movement.
- The 20 building, 4M square feet Sprint Campus sells to Occidental Management for over $250M with 5 buildings coming to the market for lease.
- JLL assists with the sale of Executive Center I,II, and III in South Johnson County for $22.8M.

As we round the corner toward year end, the Kansas City office market remains on track for marginal, but continued growth. It's a marathon, not a sprint as they say. Although not a high jump, availability increased to 16.6% and vacancy increased to 11.2% this quarter. Availability in South Johnson County increased 0.4% after the sale and partial listing of the Sprint headquarters Campus. The 20 building, almost 4 million square foot portfolio officially closed in July for an estimated $250,900,000, lower than the expected closing price. Occidental Management out of Wichita, Kansas now owns the campus and is wasting no time making plans for renovations and added amenities.

Shortly following the Sprint sale, a nearby office park in South Johnson County sold with the help of the JLL Capital Markets team. Three buildings in Executive Center totaling over 220,000 square feet sold to Kansas City based Brain Group for $22.8M or $103/SF. The three building park sold at 81% leased for $9.6M more than Onward Investors bought it for in 2015.

The construction pipeline remains strong at 770,662 square feet. This is a decrease from Q2 because CityPlace Corporate Centre III delivered 120,000 square feet and WellSky healthcare software promptly moved into 90,000 square feet, leaving 30,000 square feet available. CityPlace Corporate Centre I remains under construction and is expected to deliver in June 2020 with Worldwide Express set to move into 45,000 square feet.

Outlook

Market indicators in Kansas City continue to show strength and stability, but the nationwide signs of a slowing growth rate are apparent. With a plethora of construction projects across the metro, build-out costs are high and cause hesitation for new tenants looking for tenant improvements. This next quarter, Kansas Cityans will be anxiously awaiting news on the Sprint and T-Mobile merger and its affect on space needs and employment after restructuring.

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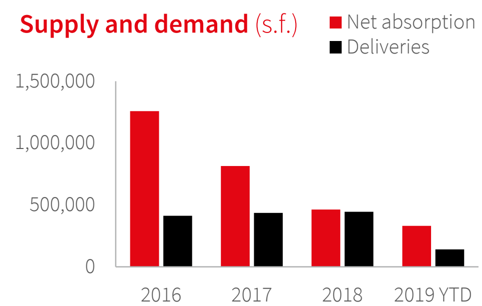
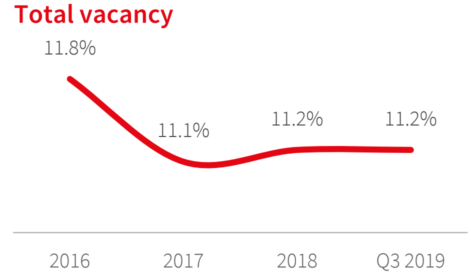
Fundamentals		Forecast
YTD net absorption	331,078 s.f.	▲
Under construction	770,662 s.f.	▼
Total vacancy	11.2%	▶
Average asking rent (gross)	$21.54 p.s.f.	▲
Concessions	Falling	▼

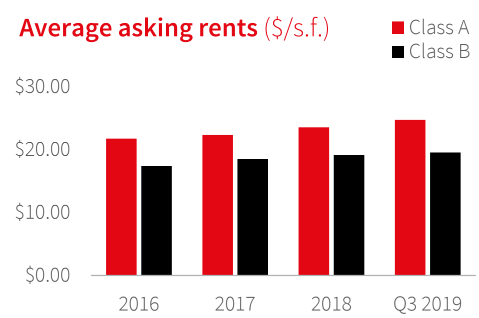
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Long Island

Robust leasing activity in Nassau County offsets new supply

- Approximately 142,000 square feet of positive net absorption was recorded in the third quarter, driven by large-block leasing in Western Nassau.
- The overall vacancy rate fell 80 basis points since 2018, to 11.6 percent in the third quarter.
- Average direct asking rents increased by 3.3 percent from year-end 2018, pushed by newly available Class A supply in both Nassau and Suffolk.

Following a quiet second quarter, total leasing activity nearly doubled three months later on account of demand for large blocks of space. Proximity to the boroughs amid shifting demographics continued to position Western Nassau as the most highly sought-after submarket for tenants seeking amenity-heavy, quality space. This demand was supported by a surge in lease transactions larger than 20,000 square feet in Nassau County, such as Morestan Insurance and Pharmapacks' leasing of 25,000 and 19,808 square feet, respectively, at 1985 Marcus Ave in New Hyde Park. The Central Nassau submarket benefitted from this demand, attracting over 50.0 percent of the top leases signed. Significant transactions include Medical Liability Mutual Insurance Company's renewal of their 40,000-square-foot lease at 90 Merrick Ave in East Meadow, and Margolin, Winer & Evens LLP's leasing of 32,200 square feet at RXR Plaza in Uniondale. Likewise at RXR Plaza, Regus renewed their 31,500-square-foot lease. As large blocks of space were absorbed, the Nassau County vacancy rate subsequently dropped 100 basis points since mid-year, to 10.0 percent.

In Suffolk County, activity was driven by midsized deals—Regus expanded to 20,000 square feet at 200 Broadhollow Rd in Melville, SightMD leased 18,000 square feet at 125 Kennedy Dr in Hauppauge, and FPM Group leased 10,065 square feet at 640 Johnson Ave in Bohemia.

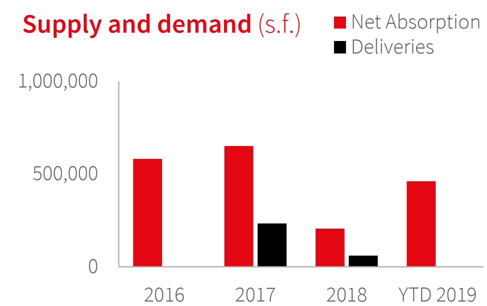
Outlook

The healthcare sector will continue to lead office market growth across Nassau and Suffolk Counties. Available Class A supply will buoy heightened demand in the short-term, and will keep upward pressures on asking rental rates. Transit-oriented buildings will remain best positioned within the market as companies focus on employee retention. With no large office developments in the pipeline, the office/medical asset at 805 Northern Boulevard in Great Neck is the latest Class A building to deliver.

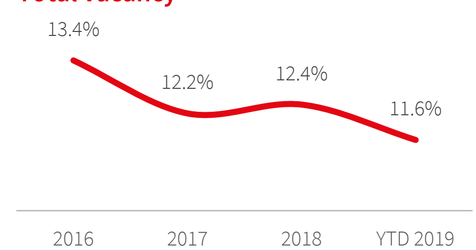
For more information, contact: Sarah Bouzarouata | sarah.bouzarouata@am.jll.com

Fundamentals		Forecast
YTD net absorption	461,413 s.f.	▶
Under construction	0 s.f.	▶
Total vacancy	11.6%	▶
Average asking rent (gross)	$28.49 p.s.f.	▲
Concessions	Falling	▼

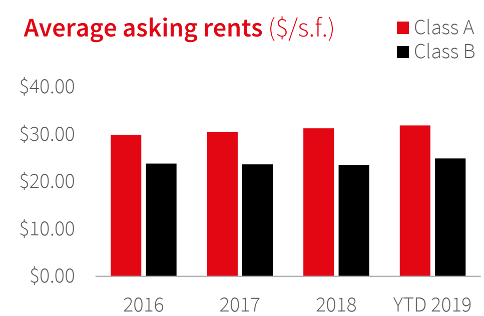
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Los Angeles

Industry specific demand begins to redefine market boundaries

- Creative industry tenants in search of unique statement space are pushing the conventional boundaries of both product type and location.
- Traditional entertainment companies recommit to Burbank as industry giants begin to grab additional space.
- Tenant demand for traditional high-rise product varies greatly between the Downtown CBD and Century City.

The overall vacancy rate continues on its downward trajectory, lead by a handful of micro-markets throughout the basin which are posting single digit rates. It is undeniable that the key market driver continues to be the explosive growth of the media and entertainment industry. As FAANG companies attempt to carve out specific corners of Los Angeles to call their own, the desire for unique space is growing. This trend has been playing out for some time, as evidenced by the overall success of the Arts District, and Google's recent commitment to take the entirety of the former Westside Pavilion, a half-million-square-foot shopping mall outside the bounds of any traditional neighboring office market. Smaller tenants who are having to compete for talent are also vying for creative options at a lower price point and have been eyeing industrial conversions on the periphery of successful Westside office pockets.

As the battle to control media content heats up, industry giants have been awakened and recommitted to their markets by grabbing additional space in their own backyards. Both Disney and Warner Bros. signed large leases this quarter. These traditional entertainment companies have a long standing history in Burbank and are gearing up to launch their own streaming services. This additional office space may potentially be used to house these new business units.

Although creative demand has fueled growth, traditional professional services tenants remain the stable backbone of the Los Angeles office market. The two micro-markets which house the largest concentrations of FIRE tenants are the Downtown CBD and the Century City market. When juxtaposing these micro-markets, it is clear that despite the excess of available space in the CBD, the pricey and tight Century City market remains a location of choice.

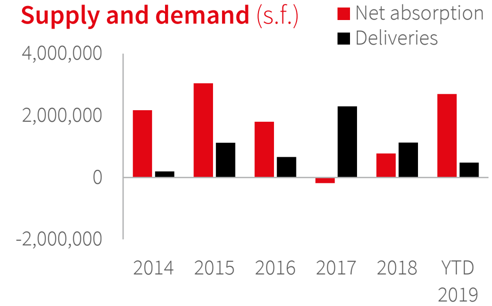
Outlook

Despite recent national indicators alluding to a potential correction, the regional economy remains solid. We therefore expect rents to climb a bit more and the market to continue to tighten.

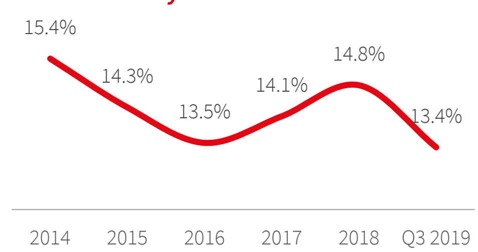
For more information, contact: Henry Gjestrum | henry.gjestrum@am.com
Devon Parry | devon.parry@am.jll.com

Fundamentals	Forecast	
YTD net absorption	2,695,655 s.f.	▲
Under construction	3,159,393	▲
Total vacancy	13.4%	▼
Average asking rent (gross)	$44.28 p.s.f.	▲
Concessions	Falling	▼

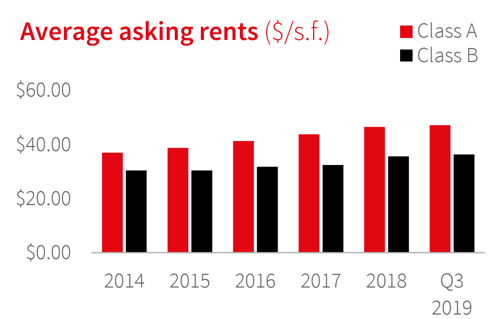
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Louisville

Steady leasing leads to continued occupancy gains in both in the CBD and suburbs

- Humana's relocation from leased space to corporate-owned properties continued.
- The 400 W. Market note will be sold at auction in early November.
- Paragon Place transferred to locally based Noltemeyer Capital at a 7.5 percent cap-rate.

Humana continued renovations of its more than 2.5 million square feet of owned office space, in an effort to use space more efficiently. This contraction from 'leased space' into 'owned space' has impacted multiple office buildings within the CBD, since Humana was previously the largest user of leased space downtown. In the third quarter, Humana vacated multiple floors within PNC Tower. Current availabilities within the downtown market have created opportunities not only for local tenants, but also those tenants outside the market, who may be looking at Louisville as a potential new or expansion home. Because of these larger availabilities, the competition for tenants has made negotiating terms on the tenant side extremely favorable. We expect this to continue for the next 12-18 months.

Leasing velocity within the suburban markets remained steady, with the South-Central market leading the way. Baptist Health and The Lash Group both signed new-leases in Commerce Crossings for 100,000 square feet and 60,000 square feet respectively. Two Olympia Park, which should be ready for occupancy in November, signed its first tenant, as demand in the amenities-rich building is strong.

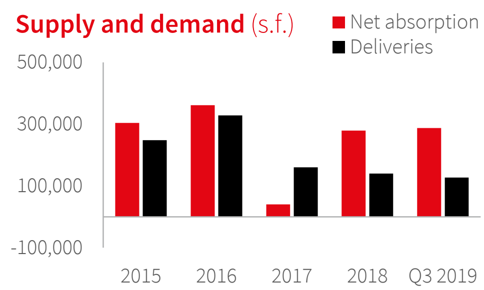
Outlook

The Louisville office market really remains a tale of *two* markets, asthe suburbs and central business district continue along different trajectories. Sales, leasing, and construction remain somewhat steady in the suburban markets, while the CBD has seen multiple space reconfigurations or give-backs that have resulted in increased vacancy. Moving into the fourth quarter of 2019 and starting 2020, the overall office market will remain in flux. Despite decent suburban activity, downtown vacancies and a lack of overall deal velocity have cast large shadow of uncertainty over Louisville's office market.

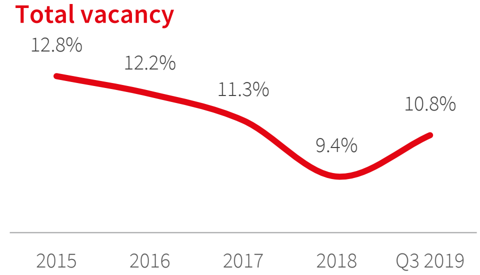
For more information, contact: Alex Westcott| alex.westctt@am.jll.com

Fundamentals	Forecast	
YTD net absorption	287,584 s.f.	▲
Under construction	510,767 s.f.	▲
Total vacancy	10.8%	▼
Average asking rent (gross)	$19.40 p.s.f.	▲
Concessions	Rising	▲

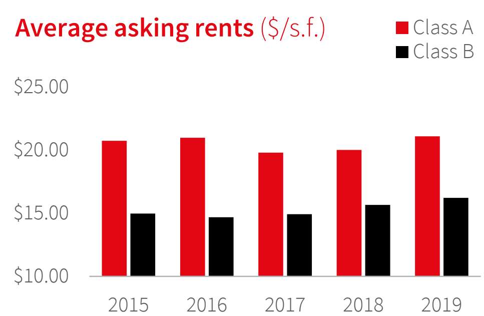
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Miami-Dade

Miami concludes the third quarter with positive absorption and higher rents

- 830 Brickell breaks ground, pushing total under construction figures to almost 1.8 million square feet.
- Rental rates climb 1.1 percent reaching $41.11 per square foot from $40.66 per square foot in Q2 2019.
- Largely driven by the suburbs Miami finishes the quarter with 55,067 sf of positive absorption

The Miami office market closed the third quarter of the year with overall positive numbers. The CBD was nearly flat with 1,078 square feet of negative absorption. This was primarily a result of SunTrust vacating floors 2 – 4 at 777 Brickell, ultimately downsizing and now occupying the 9th floor at the same location. The suburbs were the winner this quarter, recording around 56,000 square feet of positive absorption. This was for the most part due to the new Optimum development in Aventura delivering nearly fully occupied thanks to strong preleasing.

As Miami continued to see new tenants move in, rents maintained their upward trend. Year-over-year average rents jumped 5.0 percent to $41.11. Among the buildings with the largest rent hikes includes 800 Brickell, where average rents went from $42.00/s.f. to $47.00/s.f. in the same period, an increase of 11.9 percent. When looking further, we see the CBD had a year-over-year increase of 0.2 percent; the suburbs saw average rents appreciate 10.0 percent. We now see new development buildings in the suburbs compete with the CBD in terms of asking rents. An example includes the Optima Onyx Tower in Aventura where asking rents have reached $60.00 per square foot.

Developers are betting on Miami as the market continues to attract new tenants. The biggest addition to Miami's office construction pipeline is 830 Brickell with 552,000 square feet of office space. Among its largest anchor tenants is WeWork, which has taken 146,000 square feet, or around 26.5% of the building's office space. This preleasing rate further showcases the strong demand for Class A office space.

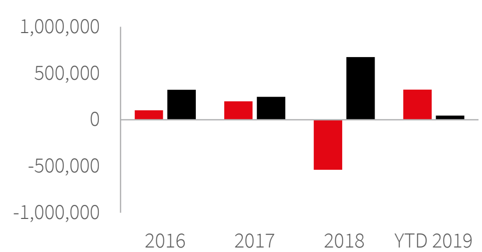
Outlook

Miami is on track to close the year with strong absorption numbers, and thanks to known leases yet to see tenants move in, this only reinforces the rosy outlook. As new projects complete, it will be interesting to see how rents react.

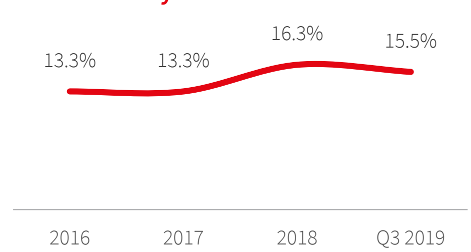
For more information, contact: Gino Tarabotto | Gino.Tarabotto@am.jll.com

Fundamentals		Forecast
YTD net absorption	323,511 s.f.	▶
Under construction	1,785,666 s.f.	▲
Total vacancy	15.5%	▶
Average asking rent (gross)	$41.11 s.f.	▲
Concessions	Stable	▲

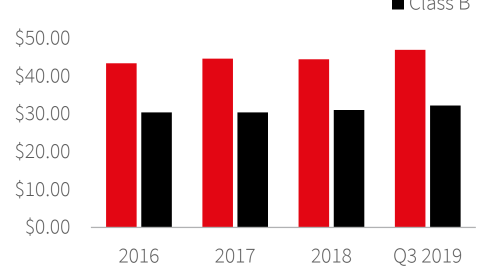
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Marin County

Former Fireman's Fund campus on the market; could bring new development to Marin County

- Total vacancy decreased due to major occupancy gains in Northern Marin.
- Investors continue to express interest in Marin County as two more building projects traded in the third quarter.
- With no new construction underway, landlords continue to remodel existing product to accommodate demand.

Marin County's office market maintained a steady momentum through the third quarter as the economy continues to expand and investors express firm interest in the market. Quarterly net absorption was in positive once again due to major occupancies in Novato and San Rafael. Birkenstocks and BioMarin moved into a combined 36,000 square feet at 100 Wood Hollow Drive in Novato, and Marin Health Ventures occupied 17,775 square feet at 1 Thorndale Drive in North San Rafael. As a result, total vacancy in Marin County dipped to 18.3 percent in Q3 from 19.1 percent last quarter. However, Glassdoor's pending exit out of 100 Shoreline Highway in Mill Valley will release 40,000 square feet to the market.

Additionally, the Fireman's Fund Campus – now known as North Bay Crossings – is on the market and has potential for mixed-use redevelopment. The project would add office, retail, and housing surrounding the new SMART Train station in Novato. The 700,000-square-foot project is currently vacant and has been a non-factor on the true vacancy and health of the Marin County market. Excluding this project, Class A vacancy is 11.6 percent.

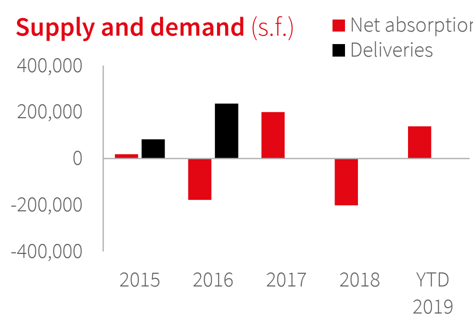
Sales activity carried through in the third quarter as two major transactions occurred. GTIS Partners purchased Belvedere Place from Scanlan Kemper Bard for $70.7 million or $641 PSF, a 51.7 percent increase from its prior sale in 2016. Deborah Family Trust purchased 201 Alameda Del Prado from Basin Street Properties for $8.7 million or $265 PSF, a 128.9 percent increase from its prior sale in 2014. Overall year-to-date sales are up 80.0 percent in Marin County, a testament to investor confidence in the region. Meanwhile, new landlords are actively improving existing space to accommodate demand for quality Class A product, resulting in continued upward pressure on rents in Southern Marin's core submarkets such as Corte Madera/Larkspur and Sausalito/Mill Valley. Since 2014, average asking rents have increased 31.5 percent, where rates are as much as $6.75 FSG in select Class A buildings.

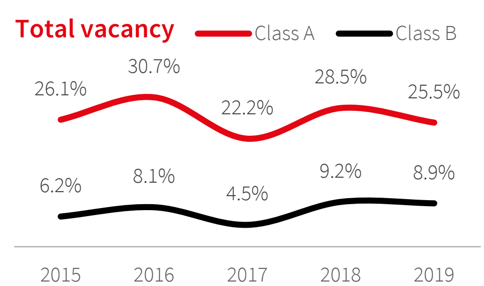
Outlook

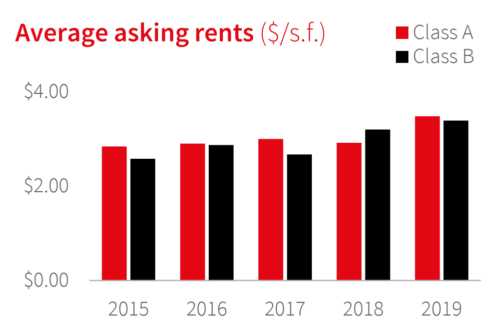
Marin County leasing activity is expected to continue at a steady pace for the remainder of the year. Expect rents in Southern Marin to remain high as landlords continue to renovate second generation spaces to accommodate demand for high quality product.

For more information, contact: Kat Billingsley | k.billingsley@am.jll.com

Fundamentals	Forecast
YTD net absorption	138,839 s.f. ▲
Under construction	0 s.f. ▲
Total vacancy	18.3% ▲
Average asking rent (gross)	$3.46 p.s.f. ▲
Concessions	Decreasing ▲







Milwaukee

Steady Vacancy and Rent Growth in Milwaukee

- Vacancy stabilized after its jump last quarter to over 19% and is now down to 18%, where it has remained the past couple years.
- Several notable leases were signed during the quarter, including Insight Global, Good Land Committee, and Stupar, Schustar & Bartell.
- Milwaukee asking rates saw another quarter of positive growth climbing to $22.39.

As the third quarter of 2019 comes to a close the vacancy moved down, and rent grew yet again. The suburbs also saw the addition of 84,000 square feet of new class A office space, delivered by Irgens Partners, at Muir Woods in the Milwaukee Research Park. The new building already seeing great interest with 80% of the building leased, adding to Irgens Partners arsenal of high occupancy class A office buildings. As Muir Woods finished, they had 2 large users move in. Clifton Larson Allen, formerly Schenck, took 28,000 square feet and First Citizens Bank leased close to 10,000 square feet. Other large moves in the market are TEKSystems occupying just over 15,000 square feet in the 42, Premier Real Estate taking around 8,000 square feet at 3415 Gateway Rd and Kalmbach Publishing vacating 35,000 square feet at 21027 Crossroads Cir.

On the leasing side, Milwaukee saw a couple large new leases signed this quarter. The Good Land Committee signed a new lease for just under 20,000 square feet at the Milwaukee Center Tower, Insight Global signed just over an 8,600 square foot lease at 833 E Michigan, and Kane Communications expanded 7,600 square feet at 250 E Wisconsin. For renewals, 250 E Wisconsin also signed the key renewal of Regus, who occupy the whole 18th floor. Maxim Healthcare at 933 N Mayfair Rd and LePoidevin at 245 S Executive also signed renewals close to 5,000 square feet each in the suburbs.

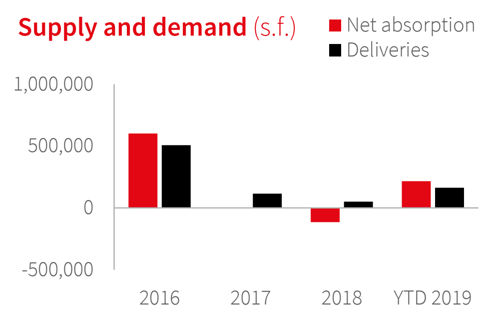
Outlook

With the announcement of the Harbor Yards in the newly named Harbor District of Milwaukee, we may start to see more redevelopment activity take place in that part of the CBD with the R1ver buildings under construction already and the new Komatsu HQ not far behind. For companies not interested in downtown, the suburbs are still a great option with strong leasing activity and moderate rental growth, especially in areas like Mayfair, Wauwatosa and Brookfield.

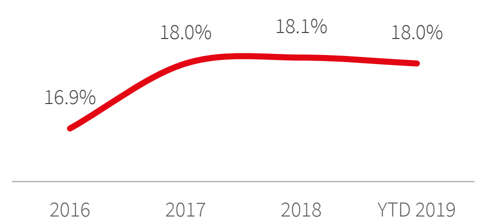
For more information, contact: Quinn Stevenson | quinn.stevenson@am.jll.com

Fundamentals	Forecast
YTD net absorption	215,692 s.f. ▲
Under construction	704,817 s.f. ▶
Total vacancy	18.0% ▶
Average asking rent (gross)	$22.39 p.s.f. ▲
Concessions	Stable ▶

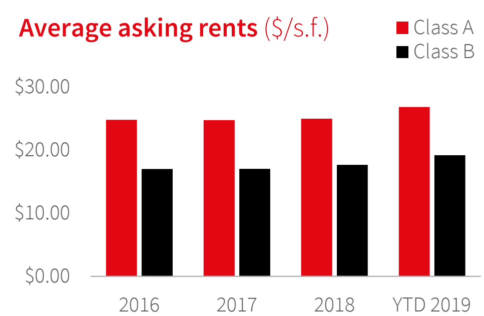
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Minneapolis-St. Paul

Tenant improvement dollars mount while some tenants prefer the convenience of flex or spec suites

- The rising cost of construction, plus tenants increasingly desiring move-in ready space, are resulting in bigger landlord concessions and more flexible space alternatives.
- Some established tech firms in both CBDs are downsizing due to their talent preferring remote work options.
- M&A activity is in part driving negative absorption and new sublease listings.

Construction costs are rising nationally due to material and labor costs. According to Greiner Construction, a full Class A workplace build-out is now $85 per square foot (p.s.f.) in Minneapolis. Tenant improvement (T.I.) dollars in the Minneapolis CBD currently average $5-7 p.s.f per year. Firms increasingly seek turnkey space in a real estate market that offers numerous coworking and flexible space options. Strategic landlords and brokerages offer tenants guidance on how to achieve the most value for T.I. Landlords are also meeting this rising demand with built out spec suites, many already furnished and ready for immediate move-in. Spec suites are increasing in size and in some cases are offered as an entire floorplate, making them a satisfying solution for both tenants and landlords.

Tech talent has been a popular topic in commercial real estate, but largely in the context of attracting educated Millennials to downtown offices. This quarter, two large and establish tech firms in the Twin Cities metro downsized, affecting total CBD absorption (one in Minneapolis; one in St. Paul). Tech employers are now realizing that many developers and programmers prefer to have non-downtown workplace options: whether via remote work or a suburban satellite office.

Corporate consolidations have also been a driver of negative absorption. Many recent consolidations are an employer's practical need to have all employees under one roof and to simplify their real estate strategy, such as Prime Therapeutics' move to their build-to-suit campus earlier this year. Merger and acquisition activity escalates the need to analyze a parent company's portfolio. As firms of all types seek denser square footages per employee, lately M&A activity results in a reshuffling of floor plans to accommodate new workers.

Outlook

As suburban leasing increases and vacancy rates continue to decline, a new suburban speculative office project will be announced before the end of the year. That will make a 2019 a banner year for office supply under construction

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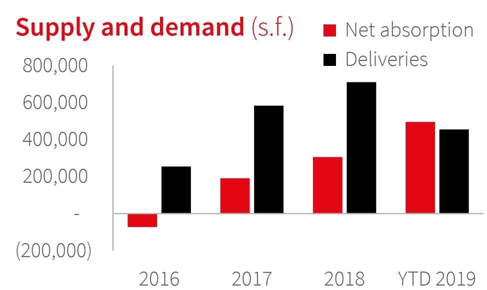
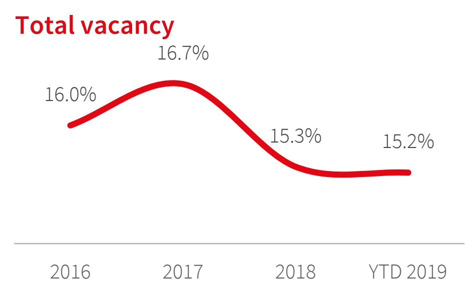
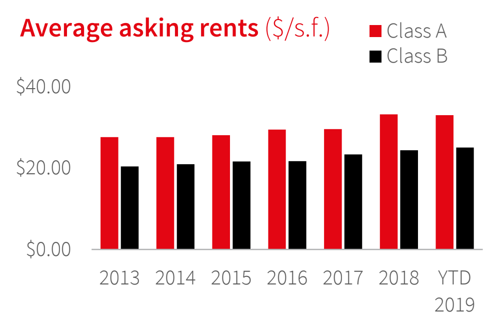
Tyler Hegwood | tyler.hegwood@am.jll.com

Fundamentals	Forecast	
YTD net absorption	494,711 s.f.	▲
Under development	1,731,155 s.f.	▶
Total vacancy	15.2%	▼
Average asking rent (gross)	$29.07 p.s.f.	▲
Concessions	Increasing	▶







Nashville

Creative office competes with traditional space a rapidly expanding market

- Large office tower deliveries are finished for 2019 but three over 250,000 square feet are scheduled for the first half of 2020.
- Total vacancy ticks up just 300 basis points despite nearly half a million square feet in deliveries – new product is being steadily absorbed.
- The Gulch and Midtown are seeing the most development activity as core downtown congestion becomes a growing concern.

Creative office has taken storm in the periphery of urban Nashville - a trend started with Cummins Station, a converted 1906 warehouse in the CBD now commanding the highest office rents in Nashville. Similar legacy industrial buildings are being converted to creative office in the urban periphery neighborhoods of Sylvan Park, Wedgewood-Houston, Germantown, and The Nations. Additionally, developers are building ground-up creative office to compete with these conversions. Southwest Value Partners is planning to build 1 million square feet of creative office adjacent to Amazon's 500,000-square-foot office tower at its Nashville Yards project and Propst Properties is under construction on 100,000 square feet of creative office adjacent to its 520,420 square foot office tower at its Midtown Broadwest project.

These creative office spaces are attracting more than just their typical millennial tech jobs. Law firms, healthcare companies, and other more traditional users are drawn to the open floor plans and interesting building characteristics of Nashville's creative office product. As many of these buildings are on the periphery of downtown, they should stand to benefit from the heartburn of increased congestion in the downtown core.

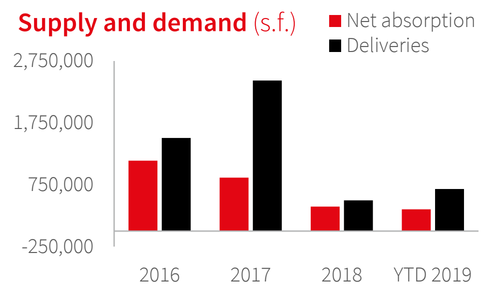
Outlook

CBD Class A asking rents increased dramatically at the end of 2018 – rising $6 psf between Q3 and Q4 2018 and rising another $1.40 to $40.44 in Q1 2019. As absorption has slowed, these rents have remained stable in 2019, currently sitting at $40.47. With CBD office deliveries finished for the year, we expect an uptick in net absorption to finish out 2019 on a high note as tenants occupy recently delivered new product. 2020 will bring a new wave of deliveries with approximately 1 million square feet across three buildings set to deliver downtown in the first half of the year, approximately 330,000 square feet of which is already preleased.

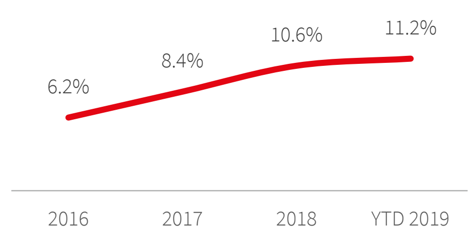
For more information, contact: Austin Shealy | austin.shealy@am.jll.com

Fundamentals	Forecast
YTD net absorption	353,317 s.f. ▲
Under construction (new)	4,163,019 s.f. ▲
Total vacancy	11.2% ▶
Average asking rent (gross)	$32.64 s.f. ▶
Concessions	Rising ▲

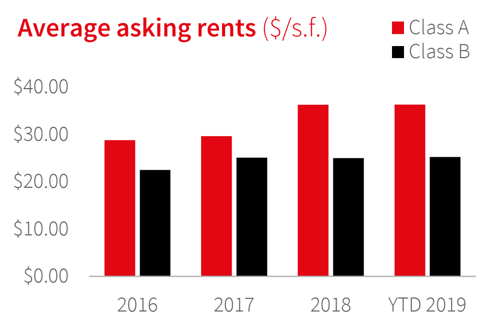
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



New Jersey

Overall vacancy rate levels off as sublease space counters demand

- Overall office vacancy rate remained unchanged from mid-year at 22.9 percent, as supply and demand dueled one another to a draw.
- The Northern and Central New Jersey overall vacancy rate remained at an 11-year low.
- Financial services companies were active as Everest Reinsurance and CIT Group signed the largest new leases during the third quarter.

After slipping below 23.0 percent in mid-2019, the Northern and Central New Jersey overall office vacancy rate remained unchanged three months later. The vacancy rate was kept in check as demand was offset by additional vacancies. On the demand side, the financial services sector was among the most active business segments, accounting for more than 40.0 percent of transactions during the third quarter. Fueling this leasing velocity was Everest Reinsurance Company's leasing of 315,000 square feet at Warren Corporate Center in Warren for its U.S. corporate headquarters. The global reinsurance company is relocating its operations from Basking Ridge. In addition, CIT Group leased 200,000 square feet at 340 Mount Kemble Avenue in Morris Township. The financial services firm had been awarded a 10-year $22.2 million tax credit to relocate its corporate operations from Livingston.

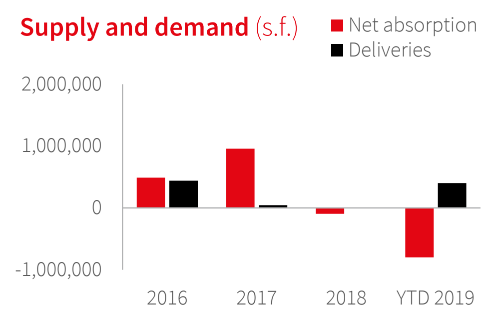
Corporate restructurings and relocations led to a rising tide of sublease space in the state's office market. More than 5.5 million square feet was available for sublease in the third quarter compared to 5.2 million square feet at mid-year. Consolidations by Vonage had resulted in a total of 300,000 square feet being marketed for sublease at 23 Main Street in Holmdel. In addition, Newell Brands placed nearly 60,000 square feet on the market for sublease at Waterfront Corporate Center III in Hoboken, after announcing plans to move its headquarters to Georgia.

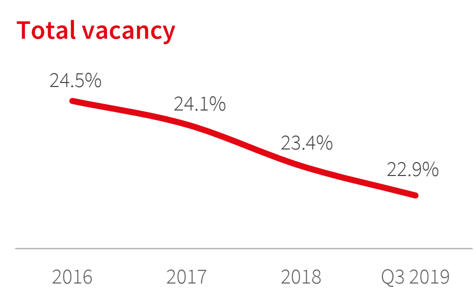
Outlook

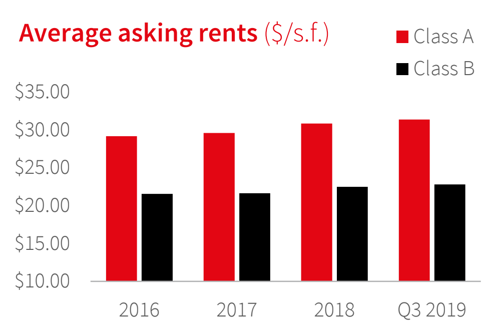
High-end Class A space remains on the radar screen of tenants in the state's office market. However, the relatively empty speculative construction pipeline will challenge companies seeking modern work environments for their operations. As a result, savvy landlords are upgrading their assets and packing them with the amenities to help make their product stand above the competition. These upgrades are paying dividends, as Everest Reinsurance and CIT Group leased large blocks of space in recently renovated buildings.

For more information, contact: Stephen Jenco | steve.jenco@am.jll.com

Fundamentals		Forecast
YTD net absorption	-798,539 s.f.	▲
Under construction	195,900 s.f.	▶
Total vacancy	22.9%	▼
Average asking rent (gross)	$28.16 p.s.f.	▲
Concessions	Stable	▶







New York City

Continued emergence of Hudson Square, Downtown migrations take center stage in the summer months

- Reduced leasing volume was reported in the summer months, though a rebound is anticipated based on several impending large-block deals.
- Hudson Square captured three of the top four leases in the third quarter, led by Google's second New York headquarters location at St. John's Terminal and Publicis' renewal and expansion at 375 Hudson Street.
- Downtown offices located proximate to Fulton Center captured sizable relocation commitments originating from Midtown and Midtown South.

Significant lease commitments in the rapidly emerging Hudson Square submarket of Midtown South underscore how talent continues to drive real estate occupancy decisions in New York City. Google finalized its 1.3 million-square-foot lease at the under-redevelopment St. John's Terminal building for its second Manhattan headquarters, neighboring the commitments made at 315 and 345 Hudson Street in late 2018. Publicis consolidated its New York footprints at 375 Hudson Street, renewing and expanding to a total occupancy of 960,000 square feet. Intensifying demand has caused the Hudson Square vacancy to compress to 3.5 percent while Midtown South vacancy remains constrained at 5.0 percent.

Midtown reported just five leases exceeding 100,000 square feet, the market's fewest since the first quarter of 2017 in part due to limited availabilities. WeWork signed a 362,197-square-foot lease at 437 Madison Avenue and EisnerAmper signed a 124,327-square-foot lease at 733 Third Avenue.

Downtown continues to attract diverse companies originating from Midtown and Midtown South. Kelley Drye & Warren LLP committed to approximately 103,000 square feet at 3 World Trade Center, relocating from 101 Park Avenue. Moda Operandi and Moët Hennessey will move from the comparatively pricey Midtown South to 83,685 square feet at 195 Broadway and 82,000 square feet at 7 World Trade Center, respectively.

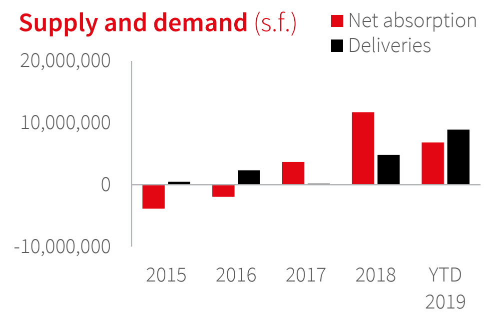
Outlook

Several major active requirements are expected to land in the fourth quarter, which would reverse the temporarily slowed leasing activity reported in the third quarter. These leases are likely to be concentrated at new construction and redevelopment projects located throughout Manhattan, heightening landlords' leverage in this market segment.

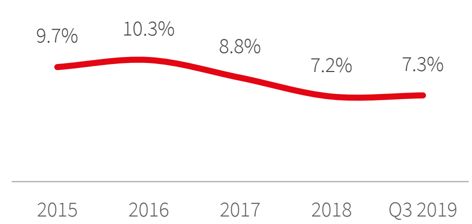
For more information, contact: Craig Leibowitz | craig.leibowitz@am.jll.com

Fundamentals	Forecast	
YTD net absorption	6,835,654 s.f.	▶
Under construction	15,005,277 s.f.	▲
Total vacancy	7.3%	▶
Avg. asking rent (gross)	$81.59 p.s.f.	▶
Concessions	Stable	▶

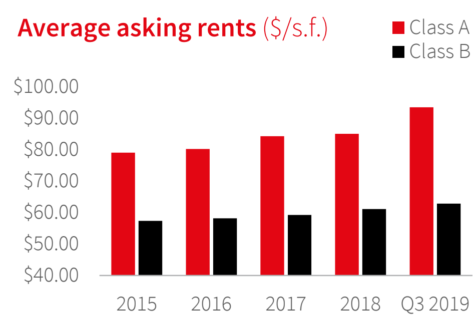
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Northern Virginia

Leasing demand surge leads to start of recovery for off-Metro locations

- Through Q3, Northern Virginia has experienced the most positive net absorption since 2010
- While tenant growth is concentrated along the tech and transportation corridor, it is expanding to off-Metro submarkets. Eight different submarkets posted over 100,000 s.f. of positive net absorption, including Route 28 South and Springfield.
- Construction options for prospective tenants are limited

Northern Virginia posted 762,065 s.f. of net absorption in Q3 – the 10th straight positive quarter – as the market continues to strengthen from tech and education demand inside-the-Beltway and increased cloud and cybersecurity demand along the Toll Road. While tenant demand is still strongest along the transportation corridor stretching from Arlington County through Tysons to the Toll Road, off-Metro locations have begun to rebound over the last two years. Off-Metro buildings lost 1,424,495 s.f. of net occupancy between 2014 and 2017 but have posted 1,538,963 s.f. of positive absorption since the start of 2018 – a sign that migrations from these markets to on-Metro buildings has dramatically slowed.

Leasing activity remained strong as 33 tenants signed leases larger than 10,000 s.f. NeuStar signed a 96,728 s.f. lease to consolidate from Loudoun County into 1906 Reston Metro Plaza, which delivers in 2020. Cybersecurity and cloud computing remain among the largest demand drivers due to the trained workforce and large DoD contracts including the $8 billion DEOS one awarded this quarter.

Outlook

As tenant demand remains strong, high-quality, available large blocks are diminishing. Following the lease up of 1906 Reston Metro Plaza, the only two under construction buildings with over 100,000 s.f. available on-Metro are 4040 Wilson Boulevard and 1902 Reston Metro Plaza.

The infusion of tech companies into National Landing and the opening of six new Silver Line stations in 2020 will lead to rent increases in those submarkets. This will provide an opportunity to some off-Metro locations to attract tenants such as nonprofits and government agencies with cheaper rents.

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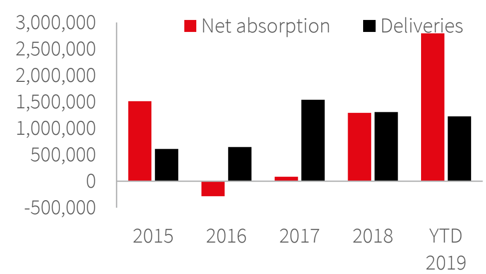
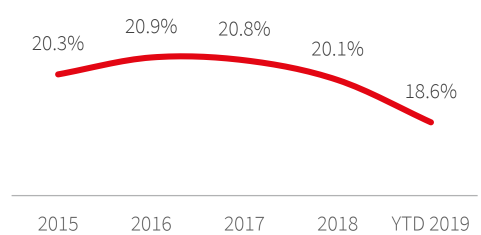
Fundamentals		Forecast
YTD net absorption	2,796,584 s.f.	▲
Under construction	3,588,869 s.f.	▼
Total vacancy	18.6%	▼
Average asking rent (gross)	$35.62 p.s.f.	▲
Concessions	Stable	▶

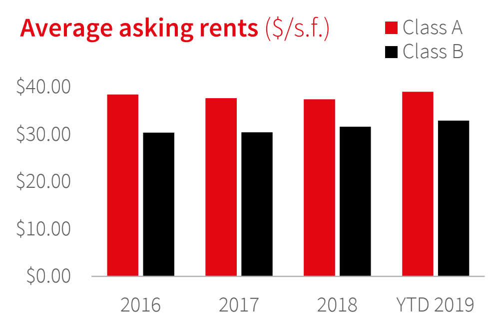
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Oakland-CBD

Expect to see increased activity in Oakland as projects near completion and Bay Area vacancy tightens

- Deal velocity was only moderate compared to previous quarters, but will pick up as pending large deals close within the next quarter and first half of 2020.
- Developers and investors continue to show interest in Oakland as major transactions and projects are being considered that will further activate the market.

Leasing activity was moderate compared to previous quarters as only a few notable deals were signed. Specifically, WeWork grew their presence in the East Bay with a 37,000-square-foot lease at The Leamington Building, marking their third Oakland expansion within the last two years for a total of 187,000 square feet or approximately 2.0 percent of the total market. In addition, software developer LaunchDarkly expanded into 20,500 square feet at 1999 Harrison. Though deal velocity was temperate in the third quarter, there are large deals in motion that will boost leasing activity towards the end of the year through the first half of 2020.

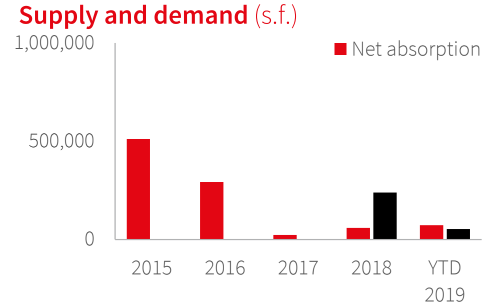
Meanwhile, 180 Grand Ave was purchased by AXA Investors from KKR for $175 million or $639 PSF, a high watermark sale for Oakland. Investment activity will pick up in the next six months as BART is closing in on the purchase of 2150 Webster. BART will consolidate into the entire building and vacate nearly 400,000 square feet at Kaiser Center.

Outlook

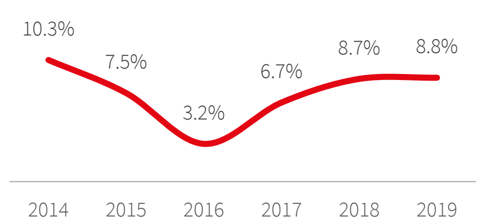
Oakland is certain to continue to benefit from the impacts of San Francisco's extremely limited office supply and increasing rents. 601 City Center will deliver 600,000 square feet of office space, half of which has been pre-leased. Existing large blocks are coming available, including 120,000 square feet at Center 21, and roughly 50,000 square feet will be given back at 1221 Broadway. Activity will increase further as these projects are the only new large blocks within a short BART ride from San Francisco. TMG Partners is approved to build a 776,000-square-foot office tower at 2201 Valley and is scheduled to break ground within the next 24 months. The City of Oakland continues to move forward with the new Oakland A's ballpark at Howard Terminal, which will further energize the area with increased entertainment opportunities downtown as well as additional housing around the ballpark.

Fundamentals		Forecast
YTD net absorption	72,638 s.f.	▲
Under development	1,323,689 s.f.	▲
Total vacancy	8.8%	▲
Average asking rent (gross)	$5.57 p.s.f.	▶
Concessions	Stable	▲

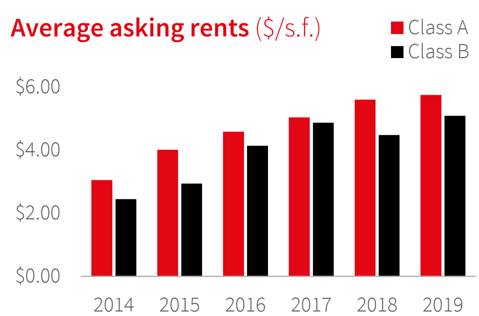
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



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Orange County

Co-working continues to grow, but its full impact is not yet known

- Co-working space grows to 1.8 million square feet, but only accounts for 1.8 percent of total market inventory.
- The number of available spaces 50,000 square feet and greater dropped from 58 to 51 quarter-over-quarter.
- Tech and life sciences combined are responsible for 35 percent of leasing activity on deals 20,000 square feet and larger in 2019.

Orange County was not the first market, maybe not even the tenth market to experience the rise of co-working. The growth has been quick in this market, accounting for 772,000 square feet of new leasing activity since 2016, led by WeWork's 522,000 square feet. The Airport Area has felt the greatest impact, experiencing 475,000 square feet of new leasing, bringing the submarket total to 1.1 million square feet. Despite the rapid three year growth, co-working space currently accounts for only 1.8 percent of market inventory. It will be important to see in the near future who are the biggest users of this space in Orange County, whether it is large corporations, local companies, or individuals. This will provide additional insight on its true impact on the office market.

Last quarter saw 58 blocks of available space 50,000 square feet and greater in the market. That total currently resides at 51, led by Airport Area's 20 spaces and South County's 19 spaces. Airport Area has witnessed the largest drop in availabilities as it has 12 fewer than one year ago. Companies looking for large blocks of space can expect to pay high rent with a majority (63 percent) of the availabilities in Class A buildings. The 51 available blocks total 3.5 million square feet of space with 639,000 square feet coming from sublease listings. The drop in availabilities demonstrates strong demand from large occupiers.

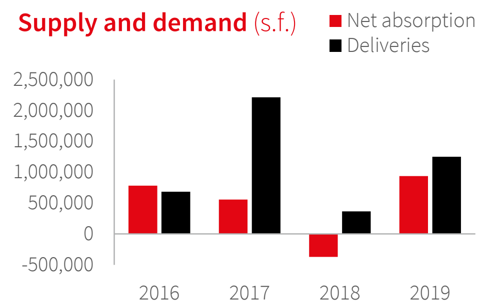
Outlook

Leading up to the Great Recession Orange County's office market was significantly comprised of mortgage and related companies. Since then, the local economy has undoubtedly diversified with a highly skilled and educated workforce with tech and life sciences at the forefront of this transformation. Based on leases 20,000 square feet and larger in 2019, Orange County has recorded 3.2 million square feet in leasing, of which tech and life science firms have leased 1.1 million square feet. Innovation is growing in Orange County and will play a significant role in shaping the office market and economy.

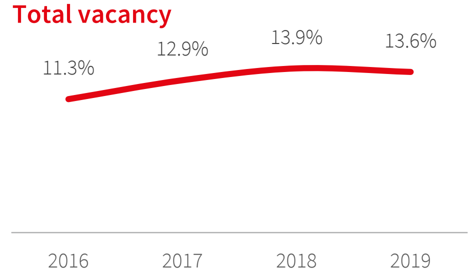
For more information, contact: Jared Dienstag | jared.dienstag@am.jll.com

Fundamentals		Forecast
YTD net absorption	936,692 s.f.	▶
Under construction	450,824 s.f.	▶
Total vacancy	13.6%	▶
Average asking rent (gross)	$3.12 p.s.f.	▲
Concessions	Stable	▶

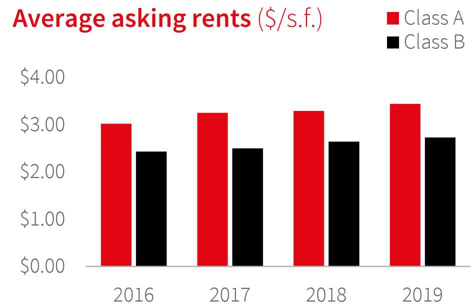
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Orlando

Supply, demand and pricing remain sturdy as an energetic cycle begins to relent

- Direct vacancy remained flat at 8.4 percent; total vacancy ticked up one point to 8.9 percent.
- Bank consolidations have left sizable vacant spaces in trophy product downtown.
- Landlords continue to push asking rates, climbing by 3.6% since last quarter.

Tenants and developers alike are continuing to bet on Orlando's promising economic fundamentals despite an indistinct shift in overall market activity that extends statewide. This is evidenced by a very slight uptick in vacancy across the market by 1.0 percent since last quarter and the first quarter of virtually flat absorption since early 2018 at negative 41,936 square feet. Regardless, landlords have pushed rents 5.4 percent year-to-date and developers have propelled the pipeline to over half a million square feet.

Finastra leads the pack in accounting for positive absorption by taking down the full remainder of Edison at Primera I for a total footprint of 107,656 square feet. This, in turn, has compelled TPA Group to kick off Phase II of the development, an identical building. Insurance company Aon also took down 21,455 square feet at Primera Tower III. Together, these deals drive Lake Mary's market-leading 89,433 square feet of absorption for the quarter. Meanwhile, the CBD has sustained additional banking consolidation as Bank of America and Merrill combined roughly 60,000 square feet into 47,000 square feet at 300 S. Orange Ave. This, on the heels of Suntrust surrendering 250,000 square feet at 200 S Orange in favor of a brand new 90,000 square foot space at Suntrust Plaza at Church Street Station.

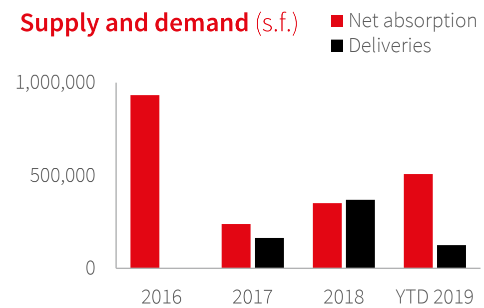
Outlook

The vigor that characterized 2018 and the first half of 2019 has begun to show waning, albeit minimal. This hasn't resulted in material affects for the Central Florida economy but could amplify as the cycle cools over the coming quarters. On the whole, supply, demand and pricing continue to push the market to new heights, just at an abated pace. Leasing velocity at key speculative projects such as Lake Nona Town Center II , Edison at Primera II, and Innovation Commons will play a determinative role in measuring the ongoing performance of the market.

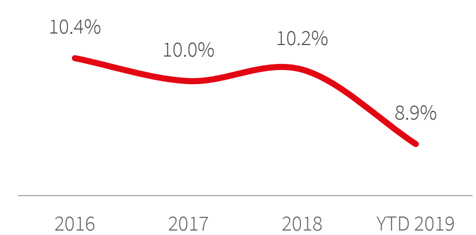
For more information, contact: Jacob Attaway | jacob.attaway@am.jll.com

Fundamentals	Forecast
YTD net absorption	507,443 s.f. ▲
Under construction	566,383 s.f. ▶
Total vacancy	8.9% ▶
Average asking rent	$24.94 p.s.f. ▲
Concessions	Stable ▶

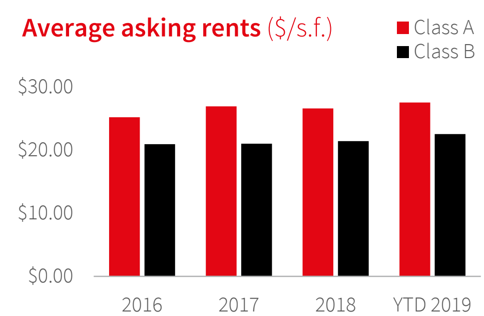
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Philadelphia-CBD

Center City steadily reducing vacancy while University City, Navy Yard gear up for large-scale change

- An ongoing stream of inbound leasing and expansion is creating positive absorption in Center City, even as some properties grapple with how to backfill looming vacancies. Rents continue their upward climb.
- In University City, uCity Square is gearing up to enter a major new phase of construction, and Schuylkill Yards is making strides in kicking off its first vertical development. The Navy Yard is soliciting a new master developer to continue its evolution, this time with residences in the mix.

High quality buildings in desirable locations are continuing to welcome new and expanding tenants: WeWork, already into construction on its new space at 1100 Ludlow, decided to lease an additional floor in the building, making its Market East location its largest. 1700 Market Street backfilled much of the vacancy created by Deloitte's contraction by attracting Munich Reinsurance, a new-to-market financial services firm, and the first Philly location for Common Grounds, another coworking concept. Across town, coworking continued its march toward greater market share with two concepts in construction at the new Fashion District: Industrious will occupy a major portion of the third floor, while REC Philly, an incubator space for music-industry professionals, is expanding into 10,000 s.f. from humble beginnings in North Philadelphia.

PIDC kicked off an official search for a new master developer for a total of 109 acres within the Navy Yard, including a partially redeveloped portion of the Historic Core, which would become significantly more mixed use environment with large warehouse buildings converted to residential; and the Mustin District, an area east of the currently developed corporate center where a mix of office, flex, and industrial development could occur. Up the Schuylkill, both Brandywine and Wexford are making strides towards going vertical on new phases of Schuylkill Yards and uCity Square, respectively. Brandywine unveiled renderings for 3001 and 3025 JFK Blvd, which would combine office, residential, and life sciences uses; uCity's next wave of buildings will include One uCIty Square, a follow up to 3675 Market Street, a new building for Drexel, a new apartment building, and a new public school.

Outlook

Many established buildings are staring down large blocks. With law firms and other high-end tenants focused on new construction options, older properties may see success in incremental lease-ups, such as 123 South Broad.

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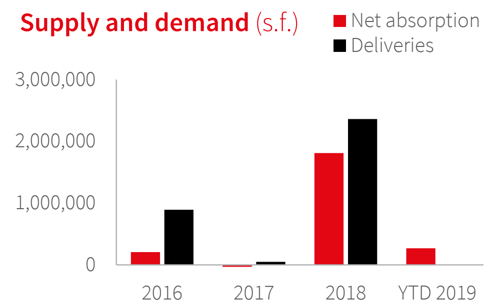
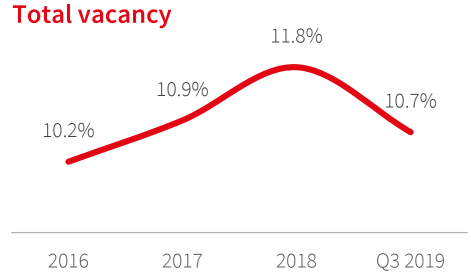
Fundamentals	Forecast
YTD net absorption	387,584 s.f. ▲
Under construction	285,828 s.f. ▲
Total vacancy	10.7 % ▼
Average asking rent (gross)	$31.81 p.s.f. ▲
Concessions	Stable ▶

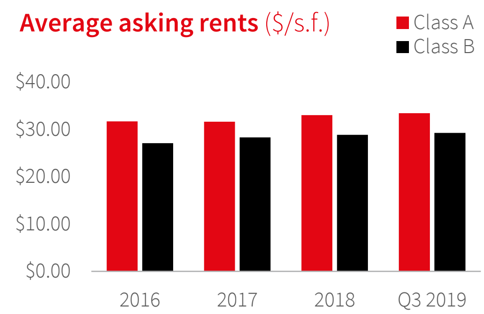
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)

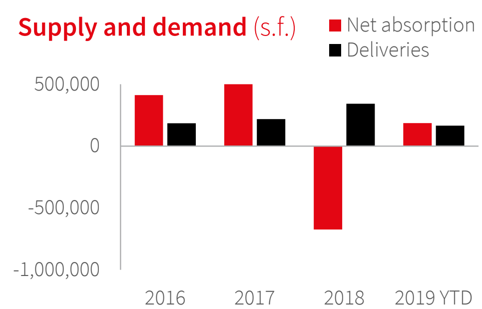


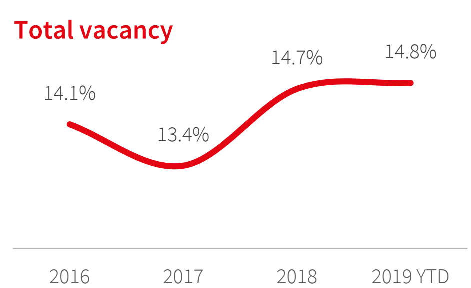
Philadelphia-Suburbs

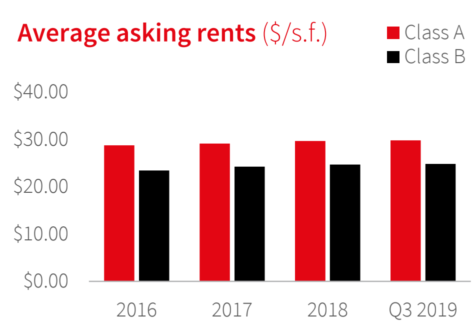
Investors are still active along the Route 202 corridor, despite overall slowdown in leasing

- There are as many tenants seeking space in the market today as there were at this time in 2018, but with several of the largest in-market tenants already signed to new spaces, the total volume of requirements today is 12.4 percent below 2018 leasing volumes, around 1 million s.f. Investors (some international) remain quite active despite the leasing slowdown as tenants large and small are refreshed space. Average per square foot pricing continues to outpace the CBD.

Fundamentals	Forecast	
YTD net absorption	186,575 s.f.	▲
Under construction	867,501 s.f.	▲
Total vacancy	14.8%	▶
Average asking rent (gross)	$27.44 p.s.f.	▶
Concessions	Stable	▶







The third quarter was an active one for investment across the Pennsylvania suburbs with multiple sales closing over the summer. Rubenstein Partners acquired Chesterbrook Corporate Center where they have significant capital improvements planned to restore the 1.1 million s.f. campus. CrossPoint at Valley Forge sold to a Singapore based REIT for $97.7 million ($358 per s.f.). Conshohocken's 100-200 Four Falls also traded for $50 million ($196 per s.f.), with Arden bringing Keystone onboard in a joint venture at that property. Originally purchasing 1000 Chesterbrook in July 2016, Equus sold the property to M&H Properties for $56 million ($323 per s.f.) after completing a successful capital improvement campaign that brought the building to 100% occupancy. Teva Pharmaceuticals purchased 400/500/600 Brandywine Parkway for $30 million ($165 per s.f.), increasing their owned portfolio to 314,000 s.f. in West Chester. MRD Management bought 70 Valley Stream Parkway and 1475 Dunwoody Drive from Clarion Partners for a total $21.3 million. SUEZ Technologies is marketing their 332,400 s.f. campus in Trevose, with plans to leaseback 91,000 s.f.

In development news, Brandywine has begun demolition on 650 Park Ave with the construction of a new 100,000 s.f. office expected to kick off soon. GSK wrapped up $120 million in renovations at its R&D and manufacturing facility in King of Prussia. Looking at leasing, notable signings include renewals in Exton by UTI and Beckett and Lee, both downsizing. In Malvern, BioTelemtry expanded. Superior Energy decided to relocate to Wayne, signing at 650 E Swedesford. Biohaven Pharmaceuticals signed in Yardley.

Outlook

With Class A vacancy currently at 13.7 percent, plenty of large block options, and fewer large tenants seeking space, rent growth will be minimal in core submarkets, though new construction options will drive it up selectively.

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Phoenix

Absorption on track to break annual record set in 2005 with favorable activity in the pipeline

- Absorption has reached a record high, three-quarter total locking in 3,077,493 square feet of absorption year to date.
- Construction continues to break new records, with the largest speculative delivery since 2010 while vacancy continues to fall
- Coworking's presence has gained even more momentum with WeWork bringing over a million square feet to the market with favorable pre-leasing activity.

The office market recorded positive fundamentals in every way throughout quarter three, bringing total net absorption to a total of 3,077,493 square feet year-to-date; a Phoenix market record for absorption activity by quarter-three only second to 2.9 million in 2005. The current leasing pipeline and upcoming quarter four deliveries could bring Phoenix's absorption over 2005's net absorption as well, at a total of 4,064,461 square feet. The construction pipeline remains strong as well, considering rising construction costs; as Phoenix's current construction employment remains 20 percent lower than pre-recessionary levels in 2006.

In the midst of fast population growth, developers continue to break ground and deliver throughout the Valley despite short term economic forecasts. The Phoenix Metro area has been adding approximately 200 people per day with the newest Phoenicians coming from Southern California, Southern Arizona, and Chicago. With that, 1.3 million square feet of space was delivered in Q3 led by The Grand at Papago's second building, bringing 350,000 square feet favorable tenant activity. Another 1.2 million square feet of space is in the pipeline for Q4 and Q1 of 2020.

Coworking space is also amongst the growth in the Valley, with major players WeWork, Workuity, Serendipity Labs and Novel coworking multiplying their presence. Phoenix hasn't achieved East Coast coworking saturation, however, Q2 and Q3 have seen explosive growth with 1.3 percent of office space belonging to coworking with over 1.2 million square feet of inventory, a figure that has more than doubled in the last year. The Downtown submarket has seen the most coworking activity, with WeWork taking over 143,000 square feet of space alongside Novel Coworking's recent purchase of the Heard Building of 82,246 square feet.

Outlook

Record breaking population growth and relatively low cost of living will continue to funnel office activity to the Phoenix metro area. With over a half a million square feet of activity in the absorption pipeline for Q4, not including build-to-suit activity, 2019 may surpass the total absorption record of 4 million set in 2005. Tenant demand continues to hold strong, specifically amongst the competitive class A availability in the East Valley and Core clusters. Coworking will continue to take space throughout the Valley as well, with WeWork yet to take space in the Scottsdale and Chandler/Gilbert areas.

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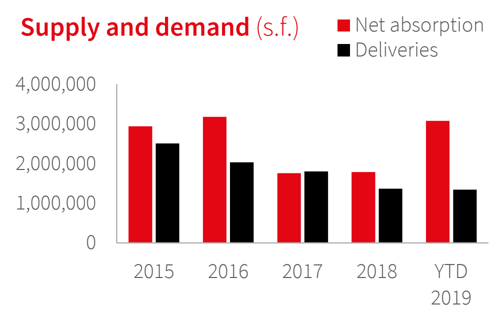
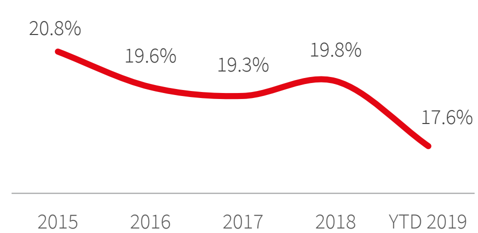
Fundamentals	Forecast
YTD net absorption	3,077,493 s.f. ▲
Under construction	1,340,854 s.f. ▲
Total vacancy	17.6% ▼
Average asking rent (gross)	$27.26 p.s.f. ▲
Concessions	Rising ▲

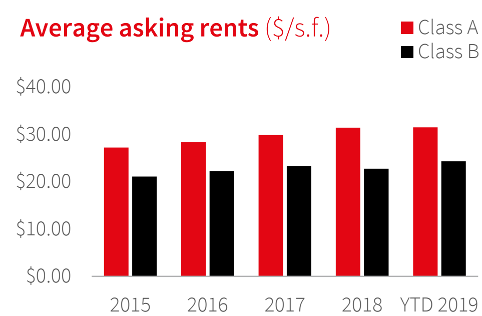
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Pittsburgh

Southpointe making a comeback with positive absorption, declining vacancy and new construction

- Asking rates in the Oakland / East End submarket are reaching record highs, cresting $50.00 per-square-foot.
- Mascaro Construction receives $9.0 million contract for over 100,000 square feet of tenant improvements at US Steel Tower for WeWork.
- Urban submarket Class A total average asking rates at an all-time high reaching over $31.00 per-square-foot.

In the third quarter, total average asking rates in the urban submarkets for Class A reached $31.27 per-square-foot, jumping $0.29 since the beginning of the year. The trajectory of Class A asking rates in the urban submarkets is not going to slow down, as new construction in the Oakland / East End submarket are pushing record highs for the region, topping $50.00 per-square-foot. The new demand from technology users is rapidly changing the local urban real estate landscape, pushing Pittsburgh into a higher weight class of secondary markets. Lately, it has not just been the urban submarkets finding leasing activity. Over the past several quarters, Southpointe has been showing a gradual comeback. Sublease space once marketed by energy companies has been steadily leased and the total vacancy rate is now 17.6 percent.. Along with this momentum, a project called “Park Place” has broken ground, set to add 40,000 square feet of Class A office inventory to the submarket.

Outlook

Over 100,000 square feet of tenant improvement work contracted to Mascaro Construction in the US Steel Tower by WeWork, despite the absence of a formal announcement of a lease execution. Although the CBD has experienced increased competition from the Fringe and Oakland / East End submarkets, the added flexible space options in downtown are providing entry level opportunities for companies to experience the amenities within the submarket. A lease the size of WeWork’s also helps suppress the climbing vacancy rate in the CBD Class A inventory. However, WeWork has reportingly experienced internal turmoil following the release of their S-1. In the third quarter, HDR signed a 32,000-square-foot lease at One Oxford Centre. Although HDR’s lease absorbs vacancy within the Trophy Class, it results in vacancy within the Class A buildings. Going forward, leasing activity in the CBD submarket will come mainly from the internal movement of tenants.

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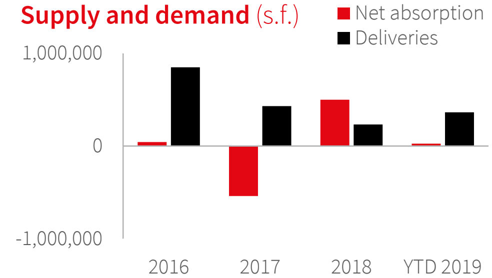
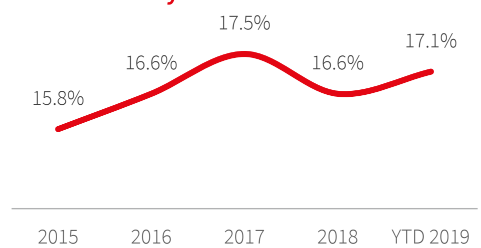
Fundamentals	Forecast
YTD net absorption	25,342 s.f. ▲
Under construction	1,354,561 s.f. ▼
Total vacancy	17.1% ▼
Average asking rent (gross)	$24.89 p.s.f. ▲
Concessions	Rising ▲

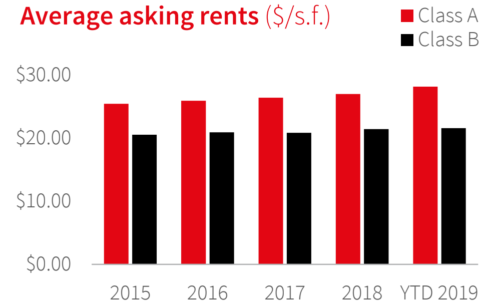
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Portland

Strong tech demand keeps office market humming

- New development in the greater Urban Core continues to drive rent growth, with market-wide average asking rents growing 6.9 percent year-over-year.
- Strong absorption in the suburbs kept vacancy stable, down 100 basis points year-to-date.
- The construction pipeline remains elevated with an additional 300,000 square feet added in Q3.

Tech is back on top. Three of the largest new leases signed this quarter were technology companies growing their Portland footprint. Google will more than double their size in the city after completing an 80,000 square foot deal at the Meier & Frank Building and Act-On will expand to just under 30,000 square feet at the Bank of America Financial Center. Meanwhile in the suburbs, in 2018 Skyworks Solutions acquired Avnera for $405 million and will now nearly double their footprint to 38,000 across the street at 1400 Compton in Hillsboro. The metro also saw some serious occupancy gains with Sigma Design expanding into 90,000 square feet at the Vancouver Tech Center and Regus coworking group, Spaces, moved into their 44,000 space at the Leland James in Slabtown.

In the latest Urban Land Institute's annual Emerging Trends in Real Estate report, Portland ranked 1st amongst all markets in the country for "Development/Redevelopment Opportunities" and it's easy to see that developers remain bullish on the metro. The biggest development news to hit the metro since Park Avenue West's stop-start construction between 2009-2016, BPM Real Estate broke ground on what will be Portland's joint 4th tallest tower at 460 feet/35 stories, Block 216, which will house Portland's first 5 star hotel, The Ritz-Carlton.

Outlook

2019 is gearing up to be a giant year for Portland capital markets. The metro crossed the $1 billion amount for office sales in August and given what's currently in the sales pipeline, office sales volumes are set to almost double 2018's total and top $2 billion for the first time in history. Not only will sales volume increase significantly but we are also likely to see another new highwater mark for office pricing on a per square foot basis as rents for top market assets continue to outpace the rest of the market.

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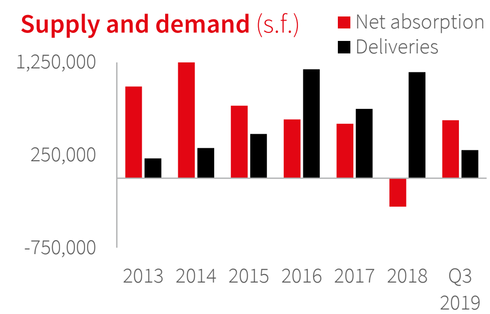
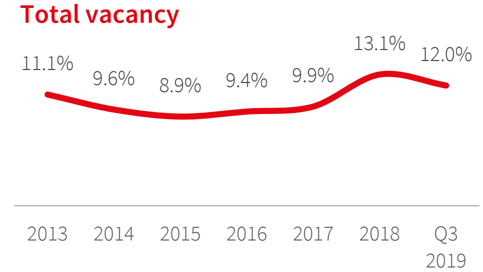
Fundamentals		Forecast
YTD net absorption	626,122 s.f.	▲
Under construction	1,688,414 s.f.	▶
Total vacancy	12.0%	▲
Average asking rent (gross)	$33.37 p.s.f.	▶
Concessions	Increasing	▲

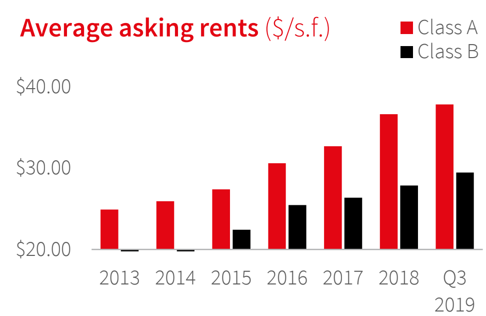
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Raleigh-Durham

Oh the places we will grow

- Advance Auto Part's 218,000 square foot deal brings under development projects to 58.3 percent preleased
- High demand and falling vacancy continue to put upward pressure on asking rents, which have increased 6.6 percent in year-over-year comparisons
- Year-to-date deliveries exceed 1.0 million; 2.6 million square feet is currently under development across the market

Fundamentals	Forecast	
YTD net absorption	1,292,095 s.f.	▲
Under construction	2,557,990 s.f.	▶
Total vacancy	10.2%	▶
Average asking rent (gross)	$26.91 p.s.f.	▲
Concessions	Rising	▲

Raleigh-Durham is experiencing exponential growth in the latter portion of the current economic cycle thanks to its reputation as a rising innovation hub. The region is growing by an estimated 109 people per day, many of which are relocating from larger cities in the northeast such as New York City and Boston. On the commercial real estate side, more than 2.5 million square feet of office is under development, creating the highest level of construction activity in the market over the last ten years.

Despite being a majority suburban market, nearly half of projects under development are in CBD submarkets. Raleigh Crossing, a new development spearheaded by The Fallon Company out of Boston, broke ground this quarter in Downtown Raleigh. The tower has a prelease signed by homegrown technology company Pendo, which plans to occupy 125,000 square feet as part of their nearly 600 job expansion. Raleigh Crossing, along with Tower Two at Bloc[83], FNB Tower, and Smokey Hollow, will add over 920,000 square feet to Downtown Raleigh. This 18.1 percent increase will boost inventory in the submarket to 5.0 million square feet by the end of 2021.

Outlook

What's next for Raleigh-Durham? Flight to quality and talent attraction are primary drivers for current growth Culture and talent retention were cited as major factors in Advance Auto Part's decision to locate in amenity-rich North Hills. Looking forward, amenitized and creative options won't be limited to just urban submarkets. Research Triangle Park's Boxyard development aims to bring the first dining and retail options to RTP, and will feature Fullsteam Brewery's second location. Park Point, the former Nortel campus, is slated for $100 million in capital improvements, transforming the 100 acre campus into a creative office environment.

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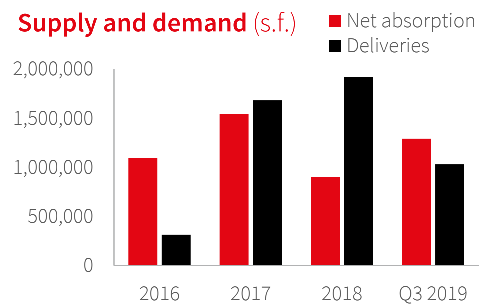
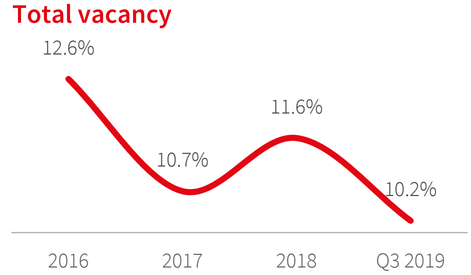
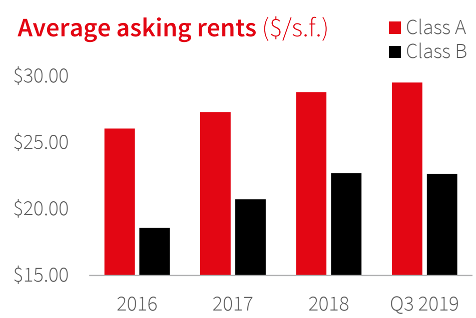
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Richmond

Net absorption turns positive, but future givebacks may maintain static occupancy levels into early 2020

- Givebacks from Wells Fargo and LeClair Ryan will boost vacancy in the CBD, slowing a shift from tenant-favorable conditions to a neutral playing field.
- 69.8 percent of YTD leasing volume was dedicated to relocations and renewals, while 31.1 percent of YTD leasing volume stemmed from finance and law firm leasing activity.
- 2019 office investment sale volume declined from prior years, mainly due to the lack of institutional-grade investments on market.

Fundamentals		Forecast
YTD net absorption	58,093 s.f.	▶
Under construction	441,539 s.f.	▲
Total vacancy	10.2%	▶
Average asking rent (gross)	$22.30 p.s.f.	▲
Concessions	Falling	▼

New space demand from the first half of 2019 pushed cumulative net absorption positive and contracted overall market vacancy to the lowest levels since 2007 despite major givebacks earlier this year. Without significant new supply in the CBD or suburbs, landlords continued to raise rents across both Class A and Class B office buildings, producing a 7.1 percent annual increase in direct asking rents collectively. While a substantial increase, escalating construction costs sustained a sizeable cost gap between existing product and new office developments. One of Richmond's largest suburban landlords stated construction bids were increasing over 10.0 percent per month in the past year, driving new construction rents for the suburbs over $30.00 per square foot, full service (Q3 2019 overall Class A direct rents averaged $24.38 per square foot, full service). This cost delta was expected to maintain a modest supply pipeline and uphold landlord-favorable conditions in the suburbs over the next 12 months.

Despite rising construction costs, several ground-up developments did originate this year totaling 271,895 square feet. All were located in urban fringe submarkets with walkable amenities. In the latest development, CarMax announced they would lease 78,000 square feet of the former Taxation Building under renovation at 2220 W Broad Street-adjacent to the new Whole Foods opening early 2020. Additional plans were submitted by the landlord, Sauer Properties, to construct a new, 52,400-square-foot office building with structured parking at the rear of the property. Details were mum, however, on whether CarMax would maintain nearly 50,000 square feet of leases Downtown near the Shockoe Bottom submarket.

Outlook

Sizeable givebacks are expected in the CBD and suburbs over the next four quarters. Combined with possible vacancies in new deliveries slated late 2020, occupancy levels should remain static without compromising rent growth due to low over-supply risk. One unknown is the BB&T/SunTrust merger (now Truist) and its impact on over 1,000,000 square feet occupied by both firms in the Richmond metro. Due to operational overlaps, additional givebacks could materialize.

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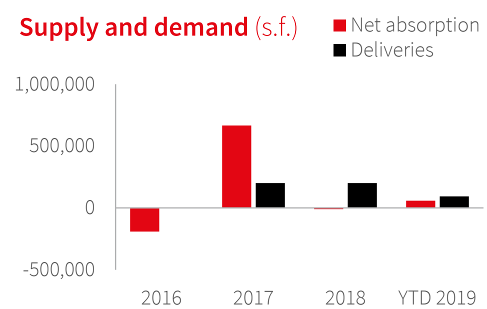
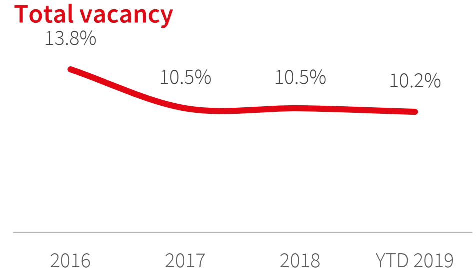
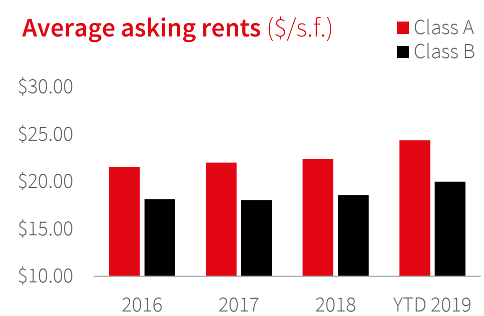
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Sacramento

Leasing activity continues momentum into second half of 2019.

- Continued leasing activity in prime submarkets have brought positive absorption metrics for three consecutive quarter, dropping vacancy to historical lows.
- Investor activity continues to be strong specifically within the CBD, with several core skyline buildings changing hands in the last several months.

The Sacramento market has seen a pickup in leasing activity throughout the first three quarters of 2019. In quarters past, market activity was largely driven by smaller leases, however in Q3 we have seen numerous leases above the 20,000-square-foot threshold.

Earlier this year, ICF announced plans to move into nearly 35,000 square feet at Park Tower, eliminating one of the last remaining large contiguous blocks of class A space in the Central Business District. Following ICF's announcement, Delta Conveyance Design, UC Davis, and CPUC have all moved into the CBD. While Clark Pacific and Sacramento's Environmental Management Department moved into West Sac. Lastly, VSP, the Dept of Justice, and the County of Sacramento all have signed leases in the Highway 50 Corridor. In addition, all of the leases mentioned above have been over 20,000-square-feet

Looking ahead, the Highway 50 Corridor and Central Business District will be sitting in a position of strength. These two submarkets consist of high-end office product and have lead all of Sacramento in quarter-over-quarter demand.

With robust leasing activity in these submarkets, an increase in sales should follow. Although multiple assets throughout the Greater Sacramento Area have traded hands, the majority of sales activity have been coming from submarkets that have the ability to increase occupancy while simultaneously increasing rents which have been why investors are showing confidence in the Highway 50 Corridor and Central Business District submarkets.

Outlook

Heading into the last quarter of 2019, the market outlook remains positive. With multiple larger leases commencing in the fourth quarter, absorption should climb to nearly one million square feet. As demand grows, we should see the market continue to tighten throughout the rest of 2019, and into the beginning of 2020.

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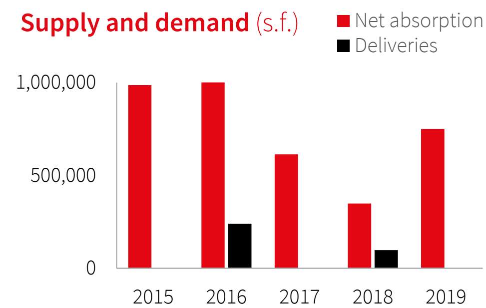
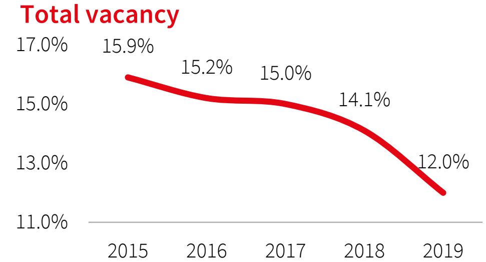
Fundamentals	Forecast
YTD net absorption	749,508 s.f. ▲
Under construction	90,000 s.f. ▲
Total vacancy	12.0 % ▼
Average asking rent (gross)	$2.06 p.s.f. ▲
Concessions	Stable ▶

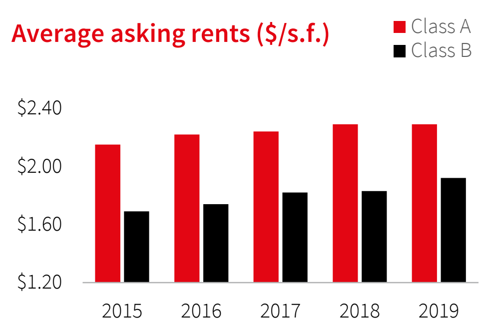
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Salt Lake

Boost in mid-valley leasing activity signals new market hot spot

- Central Valley East and West submarkets net more than 60,000 s.f. of positive absorption.
- Fintech and energy companies add to mix of growing tenant base market wide.
- Deliveries of Utah County projects aid in boosting absorption well into the black for first time since Q4 2018.

Fundamentals	Forecast	
YTD net absorption	166,962 s.f.	▲
Under construction	3,026,141 s.f.	▲
Total vacancy	9.1%	▲
Average asking rent (gross)	$24.68 p.s.f.	▲
Concessions	Stable	▶

Salt Lake City's office landlords have seen the market tilt in their direction as most submarkets reported positive absorption. Multiple submarkets experienced between 44,000 – 76,000 s.f. of positive absorption this quarter, including the CBD Periphery, Central Valley East, Cottonwood, Sandy South Towne and Utah County N. The numbers indicate significant lease-ups are occurring beyond downtown and core of Silicon Slopes area.

Amid the market-wide activity is a notable increase in leasing in the Central Valley East and West submarkets. These typically quiet submarkets saw multiple +/- 20,000 s.f. leases in Murray City alone – contributing to more than 70,000 s.f. of new leases combined in both submarkets during the third quarter. Software company Code leased 19,803 s.f. space at 53rd Center. They join R1, Security National, SoFi and Zwick Construction who also moved into the area this year.

In the central valley submarkets, dominated by aging Class B inventory, new Class A stock has emerged in recent years, and more is on the way. 53rd Center plans to break ground on its second building in April 2020. Some Class A asking rents are now $29/ s.f. full service. It is no surprise: this area boasts direct access to two interstates, stops for both regional commuter rail and local light rail, is located 15 minutes from the Salt Lake City International Airport and sits between downtown SLC and Silicon Slopes.

Outlook

The CBD Periphery is expected to see increased absorption as new product delivers. Industry's renovation of 150,000 s.f. of former industrial space near downtown will open in coming months. Utah County N will remain busy with ongoing construction. The rental rates market wide will likely rise further given low vacancy rates and a strong statewide economy.

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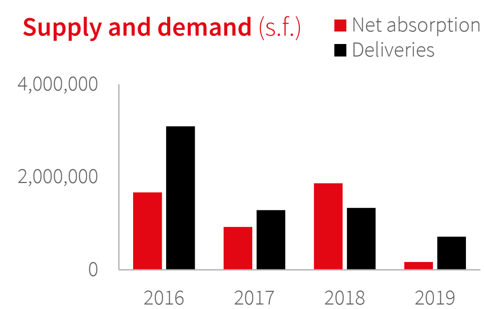
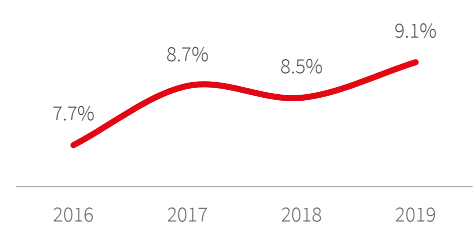
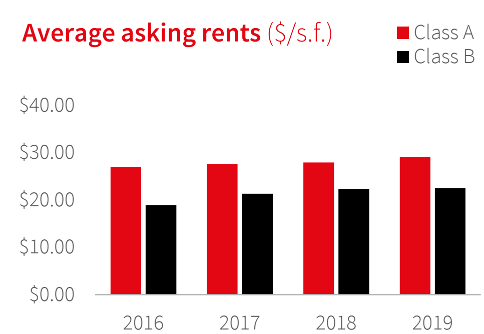
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



San Antonio

Pre-leased delivery of Frost Tower results in high volume of positive absorption Downtown

- Absorption continues on its upward path
- Rental rates should continue their upwards trajectory as more new construction continues to deliver
- Expect this trend of strong positive absorption to continue as the year progresses, and more pre-leased developments deliver

The third quarter of 2019 saw the strong leasing activity of the previous quarter carry on into this quarter in the San Antonio office market. Absorption numbers finished the quarter nearly double that of last quarter's mark, with the majority of that number coming from the CBD submarket. The majority of the absorption Downtown came from the delivery of Frost Tower, which was mostly pre-leased. Additionally, vacancy rates also saw a small decline in the market overall.

During the third quarter, average rental rates for the market saw a slight setback, with the overall market averaging dropping form $26.30 to $25.86. However, rental rates in some of the stronger submarkets continued on their upward trend, with Class A rates in the Downtown submarket jumping from $39.05 to $41.20. Pre-leasing activity in these new class A+ development projects continues to look strong. As such, expect rental rates in the stronger submarkets where these project are located to continue on their upward trajectory.

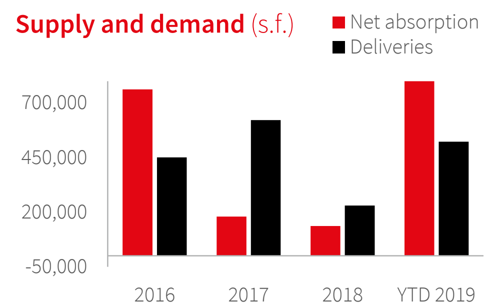
Outlook

As we near the end of 2019, construction on some of the new class A+ buildings are getting closer to completion, while others are getting closer to beginning construction. To name a few, the SOTO and Oxbow are getting close to completion, and will amount to more large blocks of pre-leased space being absorbed in the coming quarters.

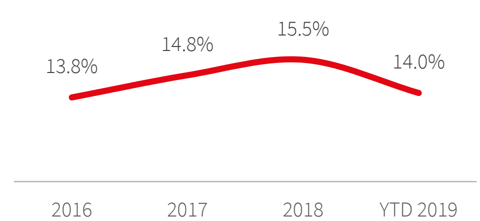
For more information, contact: Robert McDonough | Robert.McDonough@am.jll.com

Fundamentals		Forecast
YTD net absorption	849,901 s.f.	▲
Under construction	697,531 s.f.	▲
Total vacancy	14.0%	▼
Average asking rent (gross)	$25.86 p.s.f.	▲
Concessions	Rising	▲

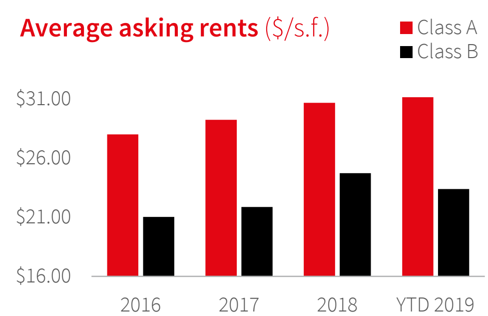
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



San Diego

North Cities submarkets controlling the overall market's strength, especially within the Class A segment

- Life science institutional owners sales activity heats up in the Sorrento Mesa and Valley submarkets.
- Innovation companies continue to flock to core submarkets Class A space causing limited amount of large blocks.
- Diverse industry market continues to cause strong office fundamentals, primarily seen for build-to-suit corporate headquarter buildings.

The San Diego life sciences ecosystem has risen over the last 5-years and now impacting surrounding office dynamics. Coupled with UC San Diego having the most amount of bioscience-related graduates in the country and robust VC funding has boosted life science demand. Life Science growth has been the most significant of any sector with 44 percent of all current tenant demand. With robust leasing from the life sciences, institutional lab owners have been busy with 2019 YTD sales activity totaling 950,000 s.f. with sales volume of $448M. Demand has caused the core Torrey Pines and UTC lab submarkets to have limited supply, now pushing the market to Sorrento Mesa/Valley enlarging the life science cluster.

The North Cities cluster core submarkets Del Mar Heights, UTC, and Sorrento Mesa saw a spurt of Class A office leasing over the last 12-months with 36 new transactions over 20,000 s.f. At the start of 2019, there were 15 existing Class A available spaces over 50,000 s.f. and ending Q3 2019 there are only three spaces in the North Cities cluster. The most notable leases include Neurocrine Biosciences, Retrophin, Seismic, Brain Corp, Illumina, and HouseCall Pro. Strong leasing from innovation companies in the North Cities cluster has resulted in 10 percent Class A rent growth over the last 12-months ($4.10 FSG) and Class A vacancy is projected to decrease to single digits by Q4 2019.

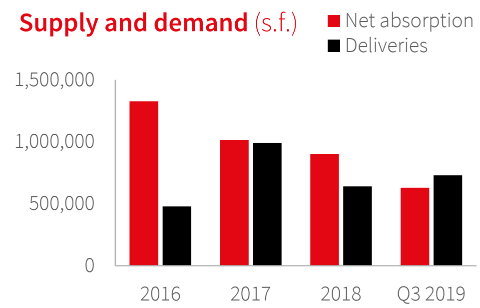
Outlook

Not only have innovation industries been driving the continued high demand, but a diverse industry base has also contributed to the strong office market. The largest move-ins for 2019 include build-to-suits for MedImpact in Scripps Ranch and ViaSat in Carlsbad. Another notable ground-up development is the 100,000 s.f. build-to-suit for the County of San Diego in Oceanside that will impact absorption in 2020. As companies have confidence in the market's high-talent labor pool and lower cost of living compared to high-tech markets, we expect to see a few more corporate HQ build-to-suits to start by year-end.

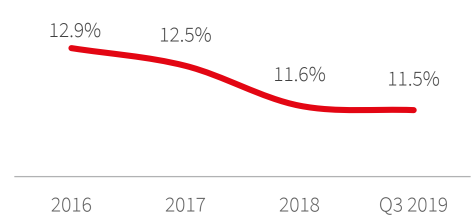
For more information, contact: Patrick Ashton | patrick.ashton@am.jll.com

Fundamentals	Forecast	
YTD net absorption	629,694 s.f.	▲
Under construction	1,363,686 s.f.	▲
Total vacancy	11.5%	▶
Average asking rent (gross)	$3.10 p.s.f.	▲
Concessions	Stable	▶

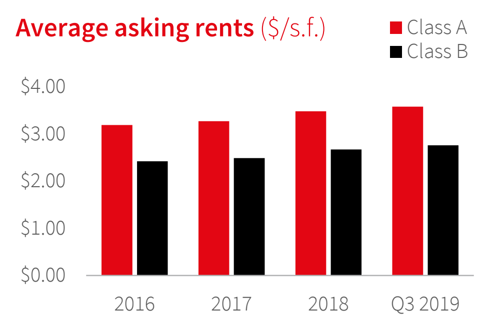
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



San Francisco

Robust demand for large blocks, supply constraints and increasing construction costs drive sharp rent growth

- San Francisco saw rent growth of 9.1% quarter-over-quarter and 17% year-over-year.
- Absorption is expected to remain positive going forward, as tenants continue to occupy new construction and space vacated by companies downsizing in San Francisco.
- Coworking remains an attractive option for tenants seeking flexibility.

The supply-constrained San Francisco office market remains increasingly tight. Even as the average asking rent surpasses dot-com boom highs, tenant demand remains vigorous and continues to outpace supply, in turn driving rent growth that benefits landlords. Technology anchors and later stage startups, fueled by venture capital funding, are particularly undeterred by these high rental premiums. Many technology firms continue to lease large swathes of space. Highlighting the competitiveness of the office market, some pre-leasing commitments have been secured years in advance of physical occupancy. As of 3Q 2019, only one contiguous space with more than 100,000 square feet that is available and set to deliver within the next calendar year.

Net absorption of more than half a million square feet were accounted for by the deliveries of The Exchange, Park Tower and One Tehama. Despite the slight rise in vacancy this quarter attributed to the Dropbox's partial occupancy at The Exchange, vacancy will trend downward and net absorption will be expected to stay positive as tenants continue to occupy these new buildings.

Despite recent news of WeWork halting all new leasing activity, competitors such as Knotel and IWG are actively continuing their expansions within San Francisco. With the lack of options and space available on the market, coworking operators continue to flourish. Tenants looking for flexibility and a shorter lease term are forced to turn to coworking as the solution to their real estate needs, paying a hefty premium to scale and grow in San Francisco.

Outlook

Only two office projects are currently under construction that have not been preleased – Oceanwide Tower and Brookfield's 5M Project; neither is set to deliver until at least 2021. The Prop M allocation for large office development is currently at 21,752 square feet, as Kilroy's Phase I of Flower Mart and Alexandria's 88 Bluxome project received their entitlements for 1,384,578 and 775,000 square feet, respectively. On September 30, it was announced that the environmental lawsuits embattling the Central SoMa Plan have finally been settled. Entitled projects in the Central SoMa region can now break ground, providing a potential relief valve.

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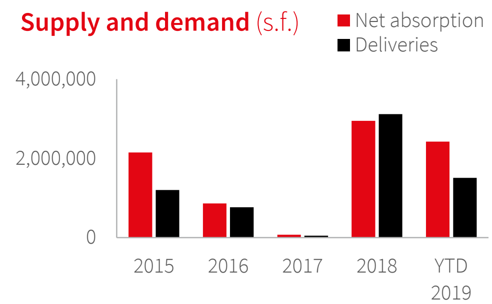
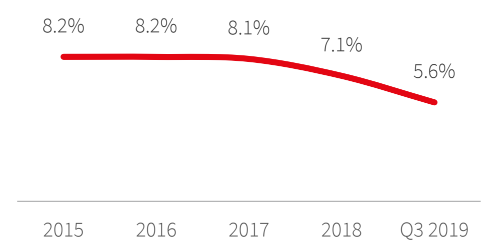
Natasha V. Flores | Natasha.flores@am.jll.com

Fundamentals		Forecast
YTD net absorption	2,424,779 s.f.	▲
Under construction	3,090,526 s.f.	▲
Total vacancy	5.6%	▼
Average asking rent (gross)	$92.67 p.s.f.	▲
Concessions	Stable	▶

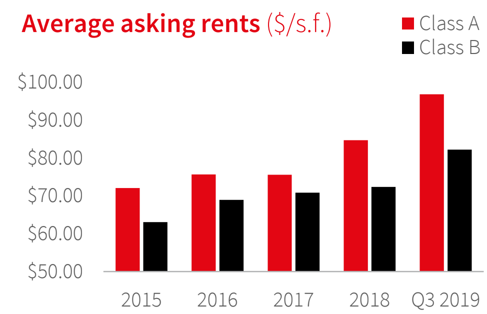
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



San Francisco Mid-Peninsula

The Mid-Peninsula continues to tighten as leasing momentum remains steady

- Development projects over 100,000 square feet are approximately 68% preleased as demand from technology tenants remains strong.
- Net absorption spikes as Merck and Guidewire moved into their newly leased large block spaces.
- Technology companies continue to fuel the dip in vacancy across most submarkets.

Throughout the Peninsula, local tenants sustained steady growth, causing further downward movement in vacancy. Two notable leases strengthened occupancies and contributed to a decrease in the vacancy rate. Merck's new 300,000 square foot South San Francisco campus at 213 E Grand Ave delivered in May and occupied in Q3 2019. Guidewire moved into approximately 189,000 square feet at Bay Meadows' 2850 South Delaware.

As new subleases hit the market totaling approximately 117,000 square feet, companies such as Host Analytics, Alibaba and Atscale have leased excess space to maintain control and flexibility over changing business needs, while maximizing their financial position.

Asking rates continued to increase with steady demand for new product, particularly among Life Science tenants with lab and office space requirements.

Outlook

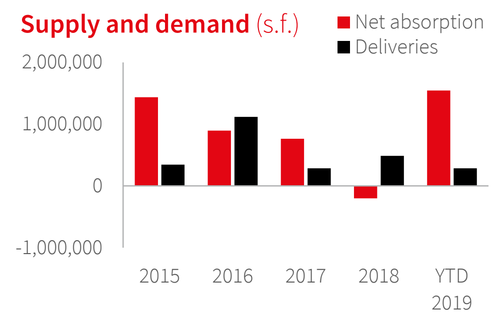
Although the amount of product available is decreasing at a steady pace, there remains 2.4 million square feet of development that have yet to break ground. Many are located in prime areas such as the Station 1300 development near Downtown Menlo Park which is set to deliver in late Q1 2020, as well as the remaining two buildings at Bay Meadows that are currently under construction.

Additional demand for short-term flex space will likely slow as WeWork reduces, if not stops altogether, its expansion efforts. This comes after WeWork's recent Q3 2019 lease of 37,000 square feet at 1840 Gateway Plaza. Expansion efforts both in life sciences and technology companies in the Peninsula will likely maintain rents and stabilize vacancy into the next year.

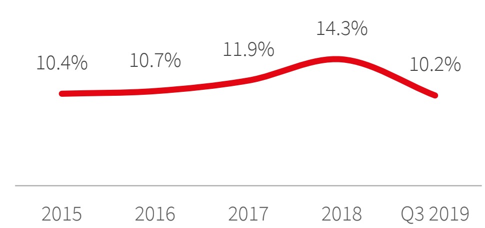
For more information, contact: Chad Stark | Chad.Stark@am.jll.com

Fundamentals	Forecast	
YTD net absorption	1,545,550 s.f.	▲
Under construction	2,483,380 s.f.	▲
Total vacancy	10.2%	▼
Average asking rent (gross)	$5.91 p.s.f.	▶
Concessions	Stable	▶

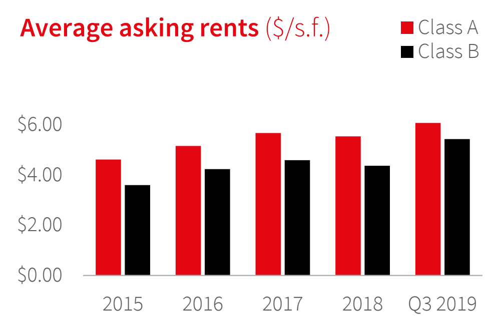
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Seattle/Puget Sound

Puget Sound demand remains robust as developers scramble to respond

- In spite of new deliveries, vacancy across the region fell to 9.2 percent. That's down 100 basis points from 12 months ago.
- With limited availability, asking rates continued to increase. Moving forward, new product is likely to push rental rates to record highs.
- Strong tenant demand, particularly for new construction, is pushing developers to break ground on speculative projects.

Vacancy across the Puget Sound office market continued to trend downward despite new deliveries in Q3. Vacancy has fallen 100 basis points over the past 12 months to 9.2 percent. While net absorption started off the year slowly, a slew of large move-ins have driven the vacancy rate down across the region. We expect this trend to continue as a number of development projects, which are already preleased, finish up before year-end.

Unsurprisingly, large-block availability is dwindling across the Puget Sound. Tenants in expansion mode, of which there are quite a few, are having to evaluate potential lease rolls as well as proposed developments to find suitable space. In many cases, future availabilities are being backfilled immediately, especially in the core submarkets. While asking rates at new developments are priced at a premium relative to the overall market, tenants are willing to pay a higher rate for quality space so that they can recruit and retain top talent. The recent 275K s.f. lease signed at Qualtrics tower (formerly 2&U) is an example of this trend which is likely to continue in the Puget Sound's hot job market.

Supply constrains and sustained demand across the region have prompted a number of developers to break ground. Five developments commenced construction in Q3, bringing the total square footage under construction to 4.8 million square feet. Developers are rushing to have their sites entitled, and in some cases already have a tenant singed for the entire building.

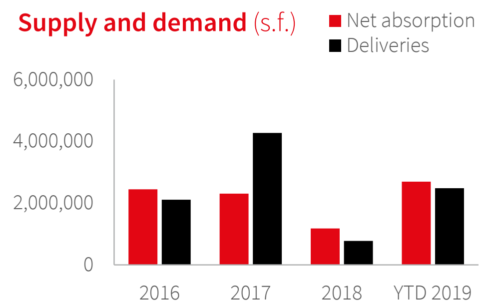
Outlook

Several tenants are actively looking for more than 100,000 square feet of space, showing that there is continued pent-up demand for large blocks of quality product. This will likely drive developers to break ground on even more speculative projects. Despite this, we expect tenant demand to outpace both developers and existing availabilities driving strong rent growth in the near- to mid-term.

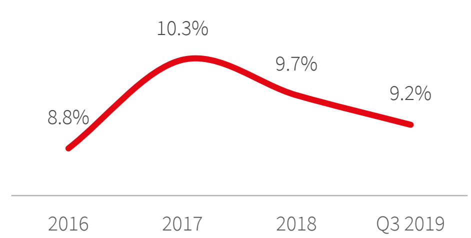
For more information, contact: Yeon Soo Lee | yeonsoo.lee@am.jll.com

Fundamentals		Forecast
YTD net absorption	2,693,022 s.f.	▲
Under development	4,762,764 s.f.	▲
Total vacancy	9.2%	▼
Average asking rent (gross)	$43.63 p.s.f.	▲
Concessions	Falling	▼

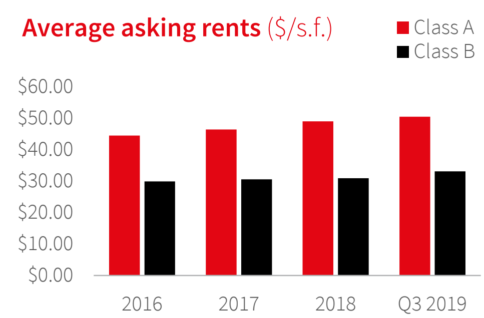
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Silicon Valley

Market conditions remain steady despite increasing availability

- Vacancy increased slightly to 12.0%, whereas the availability rate increased to 17.3%
- Over half of positive absorption this quarter is attributed to preleased construction completions.
- With sublease vacancy rates down as space in prime submarkets are snapped up, overall rents are still averaging modest gains.

Some Silicon Valley technology companies are entering mature growth stages and are looking to consolidate their locations into campus style offerings. 8x8 is consolidating at Creekside and Roku is consolidating at Coleman Highline Phase 1. In addition, more established tenants such as Verizon Media took space in the build-to-suit development at Coleman Highline, Phase 2. This has tightened the supply of large block space (i.e. more than 100,000 square feet) and increased asking rents for the few large blocks available west of Santa Clara.

With the tight market in conjunction with elevated rents, a majority of tenants are on the offensive, securing space well in advance. For example, sublease space released by WhatsApp in Downtown Mountain View had been listed for only 4 months before leasing up entirely. Much of the attention is driven towards newer product, and low end space is spending more time on the market, causing rent growth to temper slightly.

Another significant factor driving rents upwards is the displacement of tenants such as Heritage Bank from Downtown San Jose northward to the Airport submarket. This is preparation for both Google's transit village as well as over 9 million square feet of development proposals. Direct asking rates in the Airport submarket realized the largest gains in the Valley, increasing by an average of 39 cents per square foot per month.

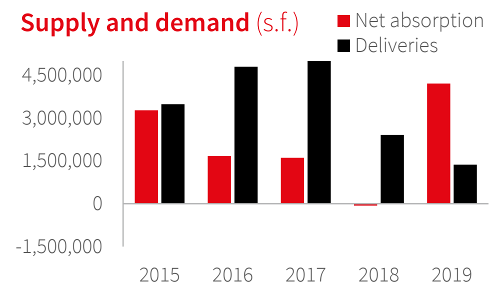
Outlook

With steady demand for large block space, speculative, multimillion square foot developments in Sunnyvale, Santa Clara, and Downtown San Jose are moving forward. Rents should remain flat considering sublease availabilities and a healthy development pipeline.

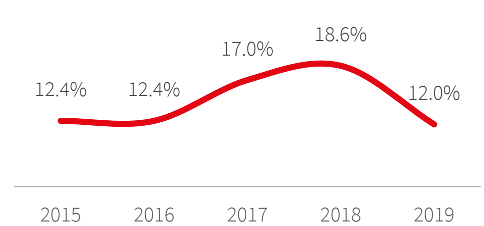
For more information, contact: Ricky Manago | ricky.manago@am.jll.com

Fundamentals		Forecast
YTD net absorption	4,213,861 s.f.	▲
Under construction	6,171,442 s.f.	▲
Total vacancy	12.0%	▶
Average asking rent (gross)	$56.64 p.s.f.	▶
Concessions	Rising	▶

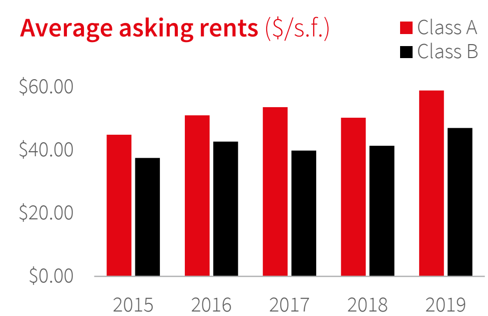
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



St. Louis

Downtown rebounds after slow first half of the year

- Overall asking rates increased by more than 1.5% from the previous quarter, due in part to a small increase in available space in Clayton who generally has the highest asking rates in the area.
- Total vacancy continues to tighten and is now below 13.0% for the first time in over a year.
- St. Charles County and West County are the only submarkets to post positive absorption numbers in each quarter this year.

Downtown rebounded from the first half of the year with over 150,000 square feet of absorption in the third quarter. That number is more than all of last year. Activity was highlighted by Ameren commencing on its sublease at Bank of America Plaza for almost 100,000 square feet, and the St. Louis Post-Dispatch commencing on the lease of its new headquarters at 901 N 10th Street for almost 50,000 square feet. The former Post-Dispatch building is set to eventually house 235,000 square feet for payment processing company, Square.

WeWork made its entry to the market after leasing nearly 60,000 square feet at the Metropolitan Square building in Downtown. The lease continues the strong growth of flexible office space in the region. Since 2014, flexible office space has nearly doubled, growing by over 250,000 square feet. WeWork's space is expected to open before the end of the year.

MidTown continued to pace the market with the lowest vacancy rate in the region. To keep pace with demand, Cortex's largest developer, Wexford Science & Technology, is set to begin construction on its new buildings at 4210 Duncan before the end of the year. The building will be just over 300,000 square feet and will include an expanded parking garage to service the district. Also in Cortex, Washington University finished its renovation of the 80,000 square foot former printing press building at 4340 Duncan. The building will house several incubators.

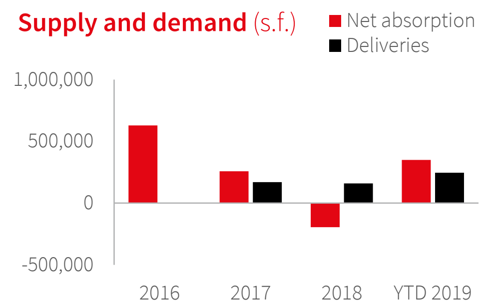
Outlook

With Centene set to deliver on its new building in Clayton, and the completion of the office portion of Ballpark Village before the end of the year, St. Louis could have one of the highest absorption numbers in recent years.

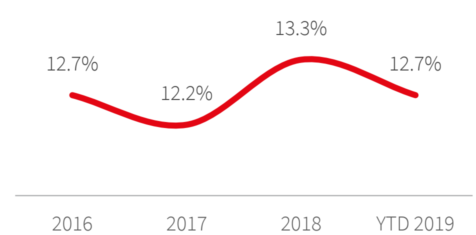
For more information, contact: Andrew Thompson | andrew.thompson@am.jll.com

Fundamentals	Forecast
YTD net absorption	349,809 s.f. ▲
Under construction	1,272,235 s.f. ▶
Total vacancy	12.7% ▶
Average asking rent (gross)	$21.13 p.s.f. ▲
Concessions	Stable ▶

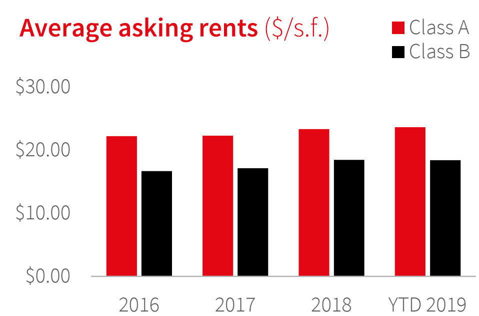
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Sonoma County

Developers focus on building mixed-use projects near transit

- Sonoma County market held steady as changes in fundamentals were minimal.
- Increased build-out costs may give landlords leverage to push rents in the near future.
- New mixed-use projects will further energize Sonoma County and attract commuters to the area.

Sonoma County market activity was stable throughout the third quarter. Overall market fundamentals were virtually unchanged from last quarter, though small occupancy gains in Petaluma and Santa Rosa nudged year-to-date net absorption into positive territory.

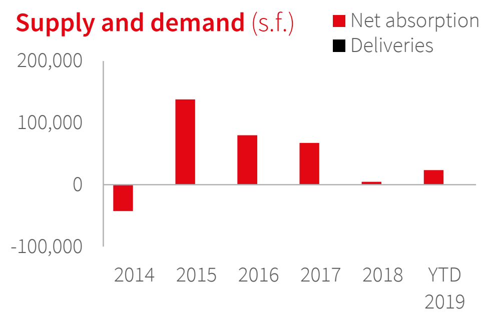
Unemployment remains extremely low at 2.7 percent, attributable to the increased employment in manufacturing and construction since the wildfires in late 2017. Vacancy rates are relatively low at 7.9 percent and there is no new offices under construction at this time. As a result, landlords may be inclined to increase rents and offer less concessions moving forward, especially while build-out costs have increased nationwide due to a shortage of skilled labor and rising tariffs on construction materials. Prices could moderate as residential projects near completion within the next 12-24 months.

Outlook

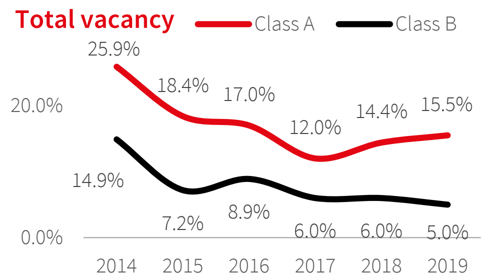
Developers are focused on building new mixed-use projects around the SMART Train, which will attract a large commuter population to Sonoma County. New development is sparse in the region but tenants are looking forward to the ground-breaking of Station Avenue in Rohnert Park in 2020, including 130,000 square feet of Class A office space. In addition, Petaluma's Riverfront project is set to bring another 60,000 square feet of office space along the river by 2021. These projects will bring much needed mixed-use transit oriented development and further energize Sonoma County and surrounding North Bay markets.

Fundamentals		Forecast
YTD net absorption	23,721 s.f.	▲
Under construction	0 s.f.	▶
Total vacancy	7.9%	▼
Average asking rent (gross)	$1.84 p.s.f.	▲
Concessions	Decreasing	▼

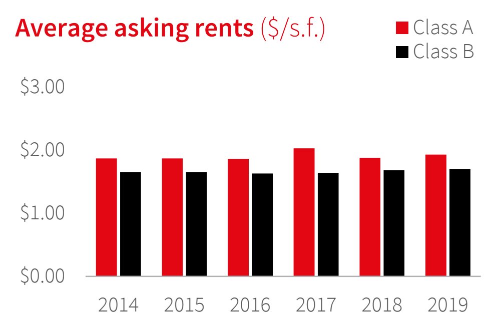
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



For more information, contact: Ricky Manago | ricky.manago@am.jll.com

Suburban Maryland

As the construction boom continues, major deliveries are on the horizon

- New ground-breakings have stopped and the first deliveries of new office construction this cycle are expected to begin next quarter
- For the first time this year, activity outside of Bethesda–Chevy Chase drove quarterly activity
- Office space with access to mixed-use amenity bases outperforms the rest of the suburban market

No new office buildings broke ground in Suburban Maryland this quarter, bringing an end to a four-quarter streak of new groundbreakings. With almost 3 m.s.f. of both speculative and purpose-built office under construction, few groundbreakings are expected going forward while deliveries are expected to ramp up with three completions totaling over 1 m.s.f. next quarter – JGB Smith's 4747 Bethesda, Federal Realty's 909 Rose, and Citizenship and Immigration Service's new HQ at 1 Capital Gateway.

Office leasing activity this quarter was distinctly focused on more suburban markets such as Shady Grove and Rockville Pike, which accounted for almost 30% of leasing activity with several signings larger than 15,000 s.f. Additionally Silver Spring, with large leases at Inventa Towers to the Ana G. Mendez University System and Children's National Health System, accounted for over 35% of leasing volume. Going forward we expect this trend to continue as new best-in-market office towers are still able to accommodate large users.

Proximity to metro and, more importantly, an amenity-base has continued to be a key factor in office leasing . Approximately 200,000 s.f. of leasing has occurred along Executive Blvd since the early phases of Federal Reality's mixed-use Pike & Rose development. Elsewhere, near mixed-use Rio Washingtonian, rents are rising above the mid-$30's while office rents in the rest of the Shady Grove submarket continue to hover around $30.00 p.s.f. FS.

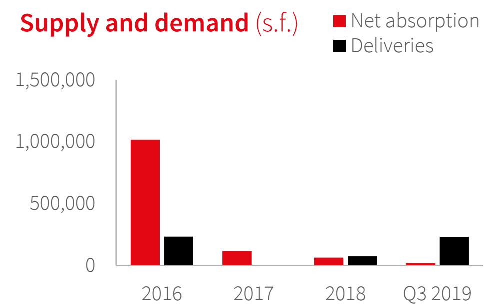
Outlook

Going forward, we expect net negative absorption over the remainder of the year as large tenants are expected relocate and right-size next quarter with urban and amenitized markets benefiting while un-amenitized submarkets lose occupancy. Expect a similar rental rate trend with growth dependent on proximity to urban and mixed-use amenities.

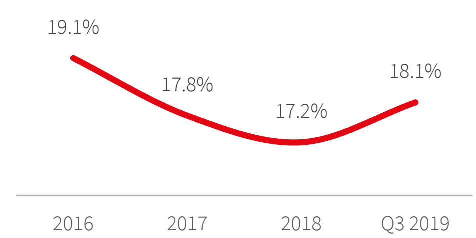
For more information, contact: Russell Brunner | Russell.Brunner@am.jll.com

Fundamentals	Forecast
YTD net absorption	19,243 s.f. ▼
Under construction	2,912,887 s.f. ▼
Total vacancy	18.1% ▲
Average asking rent (gross)	$30.78 p.s.f. ▶
Concessions	Rising ▶

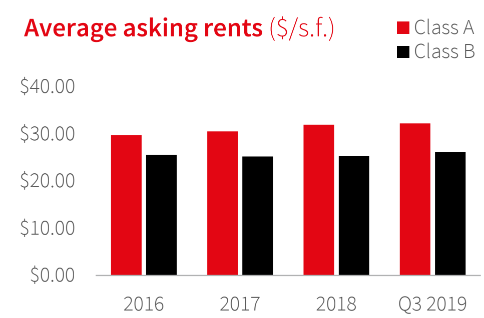
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Tampa Bay

Anticipated occupancy gains in H2 boost net absorption for the year

- Net absorption, which has been suppressed so far this year, gets back in the black as we realize anticipated move-ins this quarter
- The construction pipeline is the most active it has been since 2007, yet with healthy leasing activity, some developments might not bring much vacant space to market
- Average asking rates soar with the first office building at Water Street now under construction, but organic growth continues as well

Fundamentals	Forecast	
YTD net absorption	368,674 s.f.	▲
Under construction	1,270,195 s.f.	▶
Total vacancy	13.7%	▶
Average asking rent (gross)	$30.70 p.s.f.	▶
Concessions	Stable	▶

On the heels of what was already an active year for Tampa Bay's office market, absorption hit it's highest quarterly volume since the beginning of 2018 at 242,391 square feet. Most submarkets saw sizeable move ins this quarter, such as Reliaquest's 35,000 square foot expansion into Westshore, Baker McKenzie and Mosaic's new to market locations in downtown Tampa, and even Asbury Automotive's owner-user purchase of 31975 US Hwy 19 in Pinellas that took 123,000 square feet of obsolescent product off market. All told, the absorption activity has helped correct market vacancy below 14.0 percent, and has validated the messaging of an active office market since a relative slowdown in 2018.

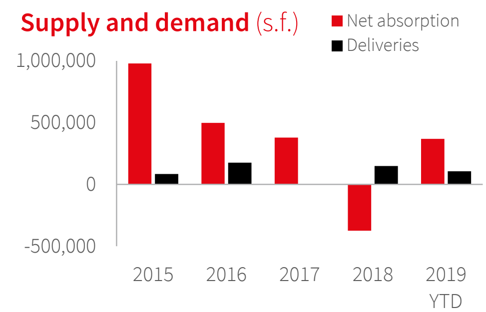
Average rent growth this quarter is staggering on paper, but is almost fully due to the kickoff of Tampa CBD's first downtown tower since 1992 – and it's first true Trophy tower ever: 1001 Water Street. With asking rates in the mid to high $50's on a full service gross basis, and with over 350,000 square feet available at the project, the average asking rate for the market saw an 8.1 percent jump this quarter alone. If you exclude that development, asking rates increased by 1.5 percent quarter over quarter, which represents continued appreciation across the market, but at slower rates than we saw in the first half of the year.

Outlook

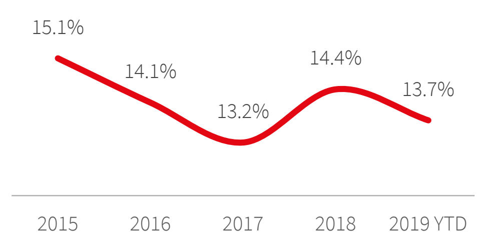
With over 1.2 million square feet under development across five projects, some are beginning to wonder if we are in a period of overbuilding in Tampa. After all, we haven't seen this level of construction since 2007 and the years following provided a cautionary tale. Yet, with the current lack of big blocks of space and healthy leasing activity we are seeing across new development, it is likely that the 1.2 million turns into half of that by the time these projects are ready to deliver. Local and regional demand seem to be there, it will be economic forces over the next 12-24 months that will help drive the fate of Tampa office.

For more information, contact: Kyle Koller | kyle.koller@am.jll.com

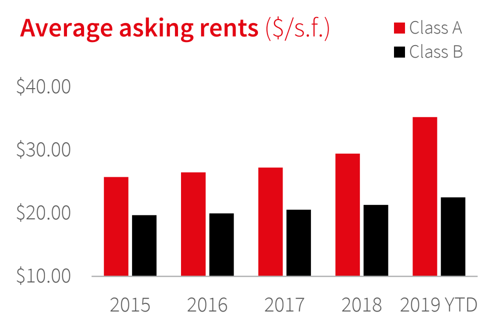
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Washington, DC

Vacancy ticks upward as second-generation large blocks sit on the market

- Coworking providers have reached 4% of private-sector occupancy but leasing velocity has slowed.
- Though Trophy and Class A availabilities have declined over the past 18 months, leverage remains strongly in tenants' favor as options greater than 20,000 square feet remain plentiful.
- Strong demand for emerging, amenitized submarkets such as Ballpark and The Wharf continue to drive rent increases.

Despite DC's overall vacancy increase, vacancy in the emerging markets dropped to 11.0% in the third quarter, with 1.6 million square feet of development in the pipeline, 73% of which is preleased. Meanwhile, asking rents for new development in the core start at $78 p.s.f. FS, a 16% premium over existing Class A space, while asking rents for new product in the emerging markets are in the low $60s p.s.f. FS. The limited affordable options in the core has encouraged growth and leasing activity in these emerging submarkets. DC experienced over 1.7 million square feet of leasing in the third quarter, with over 30 leases being signed on the Waterfront and Northwest. From an industry perspective, law firms, nonprofits and consulting firms led activity with over 25 leases, totaling 242,385 square feet.

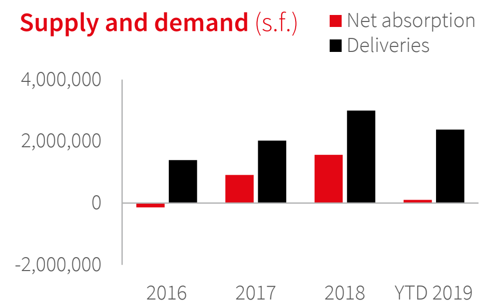
While coworking providers continue to drive the majority of large-block leasing, they have taken down 35% less space compared to the first two quarters of 2019. WeWork accounted for the majority of leasing activity, taking down over 130,000 square feet; this activity continues to boost flexible office providers' market share, as they now account for 4% of private sector occupancy in Washington, DC.

Outlook

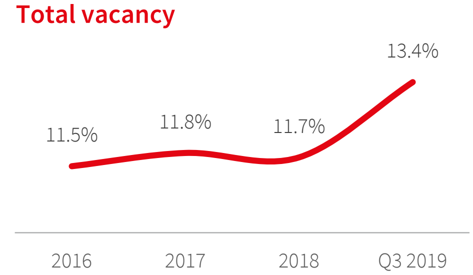
With over 4 million square feet of supply in the development pipeline for Washington, DC, Class A buildings throughout the core continue to doll out generous concession packages characterized by approximately 16 months of free rent and over $125 p.s.f. in tenant improvement allowances on 10+ year leases.

Fundamentals		Forecast
YTD net absorption	98,258 s.f.	▲
Under construction	4,108,359 s.f.	▼
Total vacancy	13.4%	▼
Average asking rent (gross)	$59.65 p.s.f.	▶
Concessions	Rising	▲

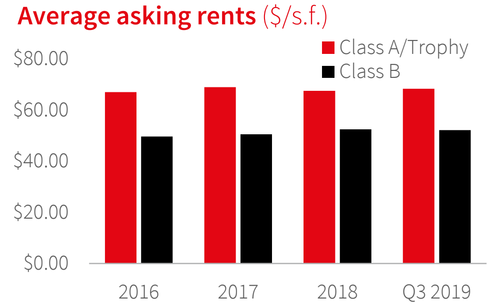
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



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West Palm Beach

Once one of the sleepiest submarkets in the country, Delray Beach becomes a market leader

- The Delray/Boynton submarket is showing signs of life in 2019, and is an apropos example of the new normal in tenant demand.
- Marketwide absorption shows slow and steady gains.
- New development in the county provides relief after years of inactivity.

The Delray/Boynton submarket, historically a tertiary submarket with little activity, has seen a spark in this year. The only new product to deliver so far this year, the 84,300 square foot 4th & 5th Delray, is almost 70.0 percent occupied. Meanwhile, the first phase of Atlantic Crossing landed Merrill Lynch in preleasing – for 21,800 square feet that represents a sizable tenant for this submarket. There is certainly a flight to quality occurring locally and nationally, but how do two office buildings in a traditionally underperforming market capture significant demand?

The answer: mixed-use developments in an amenity rich area that appeals to a younger workforce. For example, 4th & 5th Delray is home to an IPIC and located just one block south of Delray Beach's primary dining and nightlife strip along Atlantic Avenue. Atlantic Crossing is along that thoroughfare and is incorporated into a mixed-use project with 343 apartment/condo units and 76,000 square feet of shops and restaurants. These office buildings, neither of which tops three stories, offer no water views, which is traditionally a principle driver for demand in South Florida. But they are in proximity to dense multifamily housing and a vibrant shopping and dining destination – two things that are leading the way in tenant desirability that is shifting the definition of what constitutes Class A office building. For example, Atlantic Crossing is asking $42.00 per-square-foot (NNN), which is above buildings along Las Olas in downtown and inline with what are considered Trophy assets in West Palm Beach's downtown core.

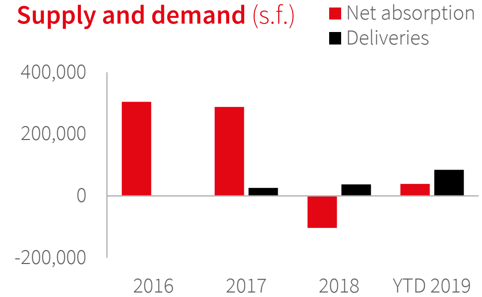
Outlook

Those same principals apply to the other large scale developments downtown – 360 Rosemary and One West Palm. In a market with few new-to-market tenants, these developments look to capitalize on the pent up demand for high quality office and tenants' focus on highly amenitized areas. And in the case of downtown developments, connectivity via Virgin Trains USA (Brightline).

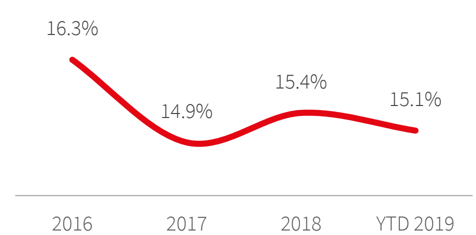
For more information, contact: Marc L. Miller | marcl.miller@am.jll.com

Fundamentals	Forecast
YTD net absorption	95,446 s.f. ▼
Under construction	793,358 s.f. ▲
Total vacancy	15.1% ▶
Average asking rent (gross)	$36.87 p.s.f. ▲
Concessions	Stable ▶

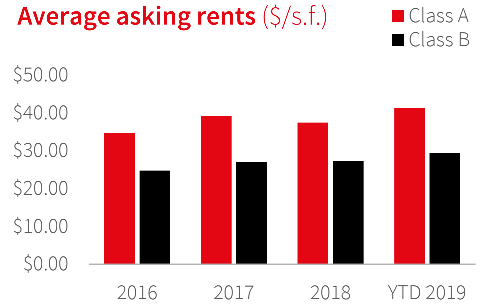
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Westchester

Central Business District continues to be main driver of Westchester County office market

- Since 2018, the Westchester County vacancy rate has decreased 130 basis points, to 21.5 percent in the third quarter.
- Although Westchester County is seeing a boom in residential development, the dearth of office development continues with no major construction.
- Total leased square footage for the third quarter was approximately 160,000 square feet.

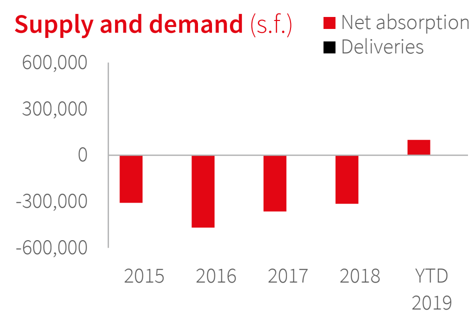
Fundamentals		Forecast
YTD net absorption	99,130 s.f.	▼
Under construction	0 s.f.	▶
Total vacancy	20.1%	▼
Average asking rent (gross)	$27.79 p.s.f.	▼
Concessions	Stable	▶

The healthcare sector has historically been the dominant player in the Westchester County office market in recent years, but this quarter the majority of leasing activity was generated by companies in the business and insurance industries. Significant transactions include The Standard Life Insurance Company's expansion of 24,000 square feet at 333 Westchester Avenue in West Harrison, and Intercontinental Exchange's 21,041-square-foot lease at 1311 Mamaroneck Avenue in White Plains. After falling to 21.3 percent over the previous two quarters, vacancy rates rose by 20 basis points to 21.5 percent in the third quarter. When redevelopment plans for the former IBM campus come to fruition the overall vacancy rate should dip down by another 3.0 percentage points; for now, the 1,000,000-square-foot campus continues to skew the market.

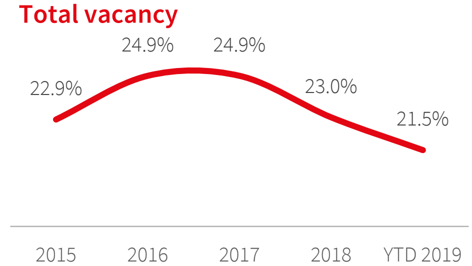
As in previous quarters the White Plains CBD submarket contributed to most of the occupancy gains, posting 147,811 square feet of positive net absorption year-to-date and 59.0 percent of the total positive net absorption recorded in Westchester County.

As expected, the White Plains CBD submarket once again posted the highest average asking rental rates in Westchester, with Class A buildings averaging $35.36 per square foot, $7.00 higher than the next closest submarket. The top availability driving asking rents county-wide is 420,000 square feet at 1 Pepsi Way, with nearly 100,000 available square feet at 100 Hillside Avenue contributing as well. The two buildings are asking for rents of $24.00 and $28.00-per-square-foot, respectively.

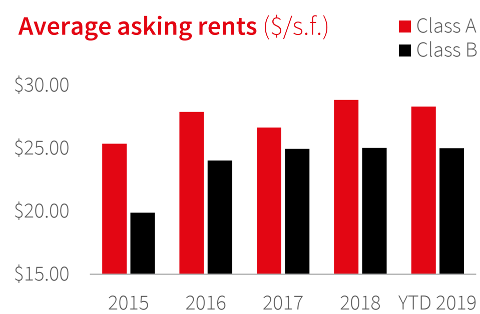
Supply and demand (s.f.)



Total vacancy



Average asking rents ($/s.f.)



Outlook

The Westchester County office market presents an interesting conundrum. Some cities within its borders such as White Plains, Yonkers, and New Rochelle have benefited from increased costs within New York's five boroughs driving development and companies to seek more reasonable price points. Others, such as Harrison, have not seen the same interest in regards to their office market and in fact have lost office buildings –such as the 160,000 square foot 3 Westchester Park Drive—to redevelopment into residential complexes. At the very least this will put an upward pressure on rental rates and downward pressure on vacancy rates as supply constricts relative to demand.

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United States employment

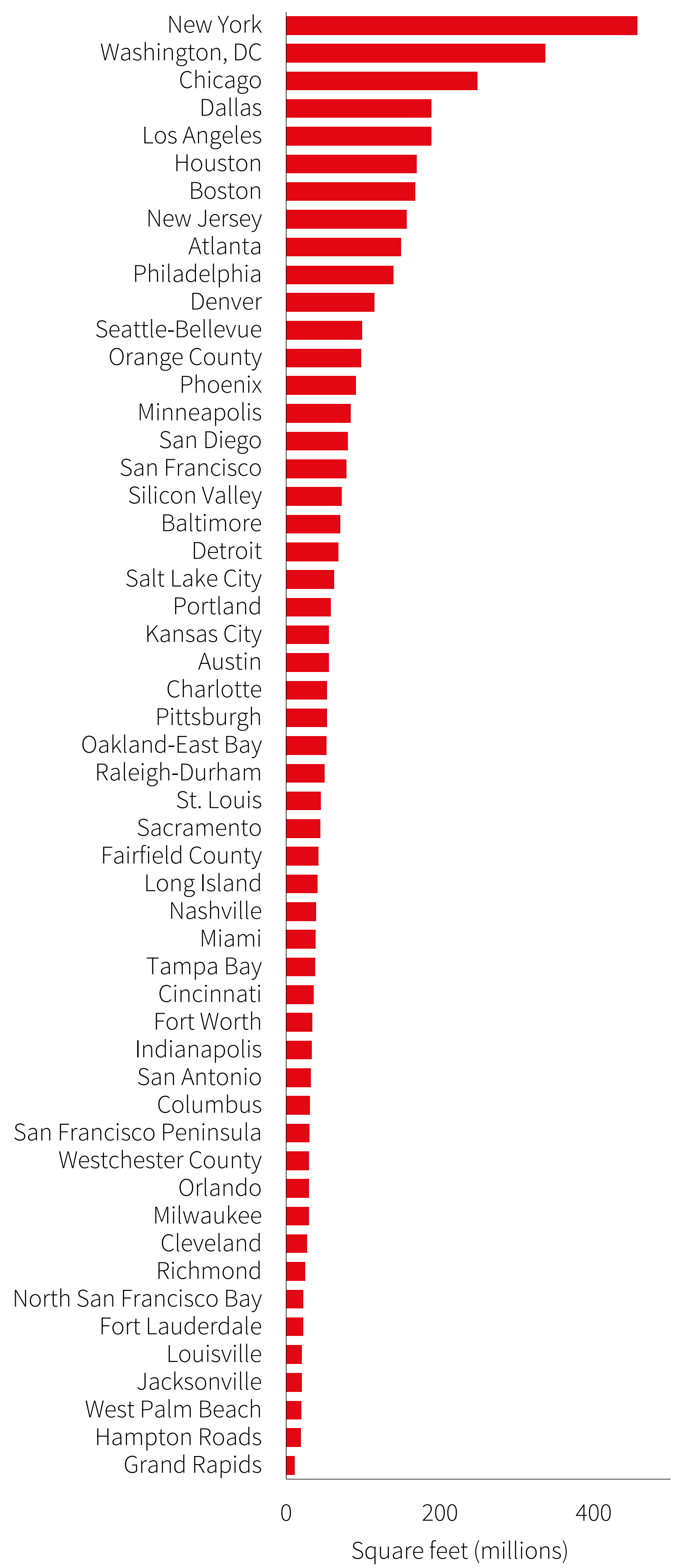
Market	Total nonfarm jobs 12-month net change (000s)	Total nonfarm jobs 12-month percent change	Office jobs* 12-month net change (000s)	Office jobs* 12-month percent change	Unemployment (2019)	Unemployment (2018)	12-month unemployment change (bps)
Atlanta	42.5	1.5%	10.9	1.4%	3.5%	3.9%	-40
Austin	22.2	2.1%	10.9	3.8%	2.8%	3.1%	-30
Baltimore	12.9	0.9%	1.4	0.4%	4.0%	4.2%	-20
Boston	39.6	1.4%	13.1	1.7%	2.6%	3.0%	-40
Charlotte	27.5	2.3%	13.9	4.2%	3.9%	3.8%	10
Chicago	47.5	1.0%	1.6	0.1%	3.7%	4.0%	-30
Cincinnati	27.3	2.5%	9.9	3.8%	3.9%	3.9%	0
Cleveland	12.7	1.2%	6.1	2.5%	4.1%	5.1%	-100
Columbus	9.4	0.8%	1.0	0.3%	3.8%	3.8%	0
Dallas	100.3	3.8%	47.4	5.8%	3.3%	3.6%	-30
Denver	29.6	1.9%	17.0	3.9%	2.6%	3.3%	-70
Detroit	-5.8	-0.3%	-6.3	-1.1%	4.5%	4.5%	0
Fairfield County	4.9	1.2%	1.3	1.1%	3.6%	4.0%	-40
Fort Lauderdale	11.4	1.3%	7.1	3.0%	3.3%	3.4%	-10
Fort Worth	15.5	1.5%	-2.9	-1.5%	3.4%	3.6%	-20
Grand Rapids	3.2	0.6%	-1.1	-1.0%	3.1%	2.9%	20
Hampton Roads	2.6	0.3%	1.8	1.1%	3.1%	3.4%	-30
Houston	81.9	2.7%	25.6	3.7%	3.9%	4.4%	-50
Indianapolis	7.0	0.6%	-2.0	-0.8%	3.0%	3.4%	-40
Jacksonville	15.6	2.2%	4.2	2.3%	3.4%	3.5%	-10
Kansas City	19.5	1.8%	4.1	1.4%	3.1%	3.2%	-10
Long Island	6.0	0.4%	-9.5	-3.6%	3.9%	3.7%	20
Los Angeles	59.1	1.3%	15.1	1.4%	4.7%	5.0%	-30
Louisville	6.6	1.0%	-2.4	-1.7%	3.8%	3.8%	0
Miami	28.5	2.4%	4.9	1.7%	3.5%	4.0%	-50
Milwaukee	4.4	0.5%	-2.5	-1.3%	3.8%	3.4%	40
Minneapolis	-0.9	0.0%	-3.2	-0.6%	2.9%	2.5%	40
Nashville	19.1	1.9%	7.9	3.0%	2.7%	2.9%	-20
New Jersey	16.4	1.4%	-1.7	-0.5%	3.5%	4.3%	-80
New York	71.2	1.6%	13.1	0.9%	4.2%	4.0%	20
North Bay	2.4	1.1%	-0.2	-0.6%	2.7%	2.8%	-10
Oakland-East Bay	21.5	1.8%	10.6	3.9%	3.2%	3.2%	0
Orange County	12.5	0.8%	3.6	0.8%	3.0%	3.1%	-10
Orlando	51.6	4.0%	23.3	7.1%	3.2%	3.3%	-10
Philadelphia	41.5	1.4%	14.7	2.0%	4.3%	4.6%	-30
Phoenix	57.6	2.7%	7.2	1.2%	4.7%	4.4%	30
Pittsburgh	6.4	0.5%	5.1	1.8%	4.4%	4.5%	-10
Portland	24.6	2.1%	5.9	2.1%	4.3%	3.9%	40
Raleigh-Durham	10.8	1.7%	3.4	1.9%	3.8%	3.5%	30
Richmond	4.4	0.6%	2.7	1.5%	2.9%	3.3%	-40
Sacramento	14.4	1.4%	0.9	0.4%	3.7%	3.8%	-10
Salt Lake City	14.9	2.0%	10.9	5.2%	2.8%	3.3%	-50
San Antonio	22.0	2.1%	4.7	1.9%	3.2%	3.5%	-30
San Diego	27.4	1.8%	5.4	1.6%	3.4%	3.5%	-10
San Francisco	35.7	3.1%	22.1	4.8%	2.2%	2.4%	-20
Seattle-Bellevue	63.2	3.1%	23.7	4.5%	3.1%	3.5%	-40
Silicon Valley	29.1	2.6%	18.0	4.9%	2.7%	2.8%	-10
St. Louis	26.4	1.9%	4.9	1.5%	3.3%	3.6%	-30
Tampa	21.7	1.6%	9.2	2.4%	3.5%	3.5%	0
Washington, DC	33.6	1.0%	5.9	0.6%	3.2%	3.4%	-20
West Palm Beach	13.2	2.1%	4.8	2.9%	3.7%	3.8%	-10
Westchester County	-0.1	0.0%	-2.0	-1.4%	4.1%	3.9%	20
United States	2,147.0	1.4%	551.0	1.7%	3.5%	3.7%	-20

Source: JLL Research, Bureau of Labor Statistics
* Office jobs includes professional and business services, financial activities and information
* United States totals represent national employment, not sum of markets above

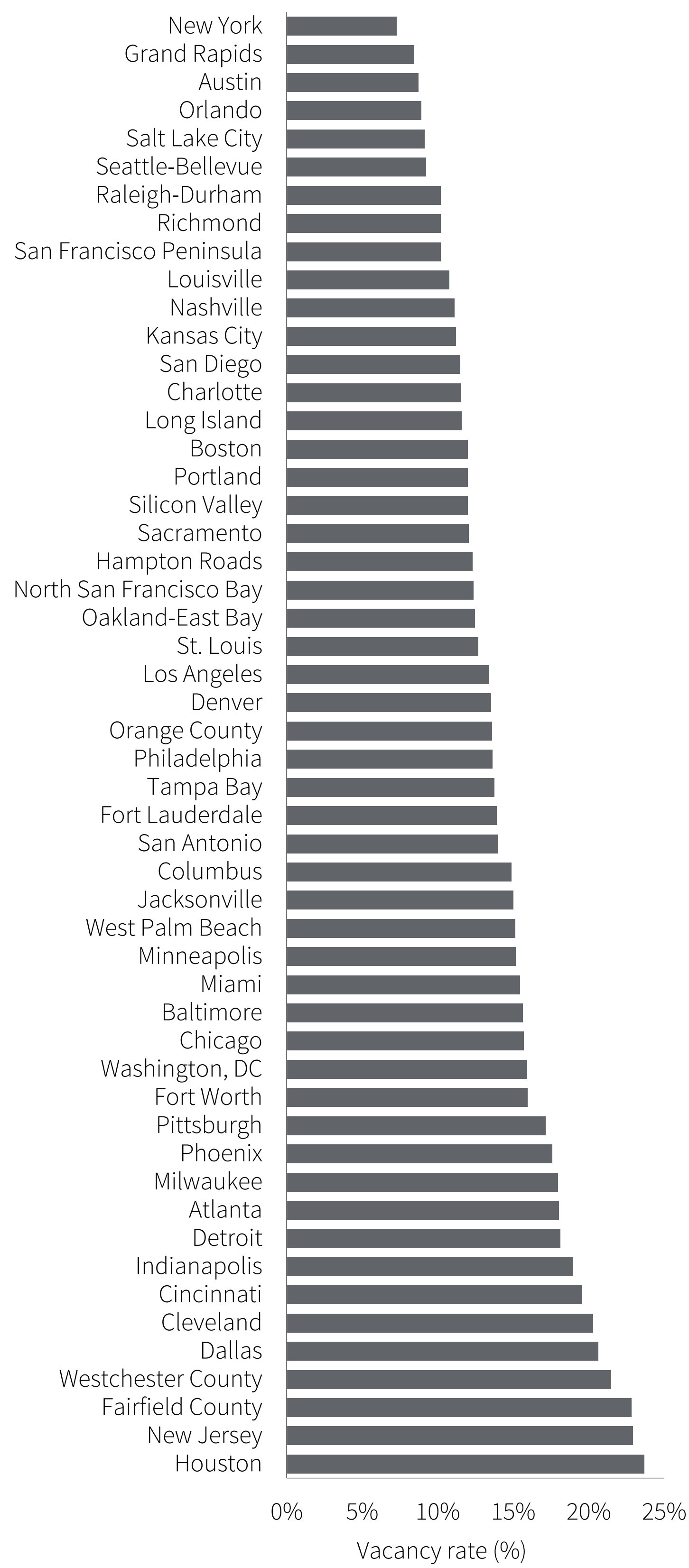
United States office statistics

Market totals (CBD and Suburban)	Inventory (s.f.)	Quarterly total net absorption (Including Subleases)	YTD total net absorption (Including Subleases)	YTD total net absorption (% of Inventory)	Total vacancy (s.f.)	Total vacancy (%)	Current quarter direct average marketed rent ($p.s.f.)	Quarterly percent change	YTD Completions /deliveries (s.f.)	Under construction (s.f.)
Atlanta	149,058,414	-210,169	378,905	0.3%	26,866,216	18.0%	$29.83	0.6%	1,622,653	5,157,828
Austin	55,134,649	726,044	2,677,189	4.9%	4,800,713	8.7%	$48.39	3.8%	957,573	5,593,384
Baltimore	70,380,204	23,689	-30,607	0.0%	10,995,026	15.6%	$25.23	-0.8%	602,822	586,771
Boston	167,667,375	611,028	2,327,213	1.4%	20,070,135	12.0%	$41.49	-0.5%	929,535	6,562,773
Charlotte	53,119,392	1,000,685	2,587,348	4.9%	6,113,777	11.5%	$30.66	2.7%	2,128,466	2,915,111
Chicago	248,331,043	908,500	2,264,192	0.9%	38,950,263	15.7%	$33.87	0.5%	559,986	7,409,187
Cincinnati	35,537,406	148,048	143,464	0.4%	6,938,093	19.5%	$19.78	1.0%	30,000	375,000
Cleveland	26,853,767	-13,522	125,544	0.5%	5,447,070	20.3%	$19.76	-0.1%	0	60,000
Columbus	30,770,526	68,253	291,409	0.9%	4,577,458	14.9%	$20.22	0.4%	175,110	681,673
Dallas	188,894,365	454,377	1,969,021	1.0%	38,955,613	20.6%	$28.86	2.1%	1,334,539	5,920,522
Denver	114,552,387	349,945	1,490,968	1.3%	15,497,800	13.5%	$30.42	0.6%	680,843	2,353,036
Detroit	67,572,813	168,166	1,002,864	1.5%	12,236,358	18.1%	$19.79	-0.3%	0	1,820,000
Fairfield County	41,832,287	160,789	-345,403	-0.8%	9,551,707	22.8%	$34.62	-1.0%	0	532,000
Fort Lauderdale	21,835,418	209,626	267,956	1.2%	3,036,492	13.9%	$34.30	2.8%	230,207	698,530
Fort Worth	33,818,532	243,744	844,219	2.5%	5,389,734	15.9%	$24.97	2.2%	279,133	98,556
Grand Rapids	10,860,960	192,975	308,947	2.8%	917,121	8.4%	$18.74	-2.3%	118,000	105,000
Hampton Roads	18,830,232	39,605	321,008	1.7%	2,316,735	12.3%	$20.08	-0.5%	50,539	365,660
Houston	169,814,234	428,853	297,915	0.2%	40,192,095	23.7%	$31.40	0.0%	1,249,051	2,383,004
Indianapolis	33,226,167	111,141	-148,839	-0.4%	6,303,886	19.0%	$21.26	0.5%	253,500	291,238
Jacksonville	20,061,049	100,985	235,978	1.2%	3,009,631	15.0%	$21.94	0.9%	398,054	0
Kansas City	55,581,340	164,337	331,078	0.6%	6,226,794	11.2%	$21.54	1.8%	140,000	770,662
Long Island	40,667,171	142,958	461,413	1.1%	4,713,111	11.6%	$28.02	-0.4%	61,968	0
Los Angeles	188,658,532	810,873	2,695,655	1.4%	25,260,855	13.4%	$44.28	0.3%	482,924	3,159,393
Louisville	20,470,682	-108,172	287,585	1.4%	2,203,082	10.8%	$19.40	-0.1%	127,050	510,767
Miami	38,363,936	90,746	341,325	0.9%	5,924,188	15.4%	$41.20	0.4%	44,293	1,264,365
Milwaukee	29,611,162	187,011	215,692	0.7%	5,319,810	18.0%	$22.39	1.0%	162,576	704,817
Minneapolis	83,669,585	-114,234	494,711	0.6%	12,682,877	15.2%	$29.07	-1.3%	454,227	1,731,155
Nashville	38,493,679	228,955	353,317	0.9%	4,271,135	11.1%	$32.64	2.0%	681,865	4,499,287
New Jersey	156,685,535	-35,328	954,351	0.6%	35,917,253	22.9%	$28.40	0.0%	402,532	195,900
New York	456,733,421	1,848,372	6,755,285	1.5%	33,249,446	7.3%	$85.16	3.5%	8,906,565	15,005,277
North San Francisco Bay	22,180,304	109,945	314,247	1.4%	2,745,061	12.4%	$34.53	5.7%	0	0
Oakland-East Bay	52,634,530	187,754	435,547	0.8%	6,553,008	12.5%	$49.56	0.0%	0	1,366,099
Orange County	97,730,884	-88,617	936,692	1.0%	13,289,158	13.6%	$37.39	1.8%	1,251,212	450,824
Orlando	29,647,815	-41,936	507,443	1.7%	2,636,656	8.9%	$24.94	4.4%	125,000	566,383
Philadelphia	139,238,997	785,508	621,807	0.4%	18,986,624	13.6%	$27.25	0.2%	559,503	1,558,215
Phoenix	90,714,919	746,155	3,077,493	3.4%	15,956,405	17.6%	$27.26	0.3%	1,340,854	1,289,075
Pittsburgh	53,025,143	-213,743	25,342	0.0%	9,091,492	17.1%	$24.89	3.3%	363,500	1,354,561
Portland	57,899,054	234,761	626,122	1.1%	6,934,130	12.0%	$33.37	3.1%	303,119	1,688,414
Raleigh-Durham	49,720,701	174,267	1,292,095	2.6%	5,065,138	10.2%	$26.91	0.1%	1,032,316	2,276,240
Richmond	24,265,002	154,492	58,093	0.2%	2,473,209	10.2%	$22.30	4.7%	56,918	441,539
Sacramento	44,257,465	227,536	749,508	1.7%	5,324,920	12.0%	$24.72	0.0%	0	90,000
Salt Lake City	62,003,126	604,780	166,962	0.3%	5,653,349	9.1%	$24.68	-1.5%	713,976	3,026,141
San Antonio	31,781,043	480,221	849,901	2.7%	4,446,869	14.0%	$25.86	-1.7%	522,882	697,530
San Diego	80,150,052	142,214	629,694	0.8%	9,208,611	11.5%	$37.20	0.6%	728,817	1,363,686
San Francisco	78,474,725	799,612	2,424,779	3.1%	4,361,570	5.6%	$92.59	8.7%	1,607,942	3,481,494
San Francisco Peninsula	29,890,661	758,523	1,545,550	5.2%	3,047,806	10.2%	$70.66	4.5%	285,734	2,483,380
Seattle-Bellevue	98,467,553	885,213	2,693,022	2.7%	9,073,968	9.2%	$43.99	3.2%	2,481,071	4,712,169
Silicon Valley	72,274,038	501,044	4,227,964	5.8%	8,667,271	12.0%	$56.64	4.9%	1,369,424	6,171,442
St. Louis	44,924,154	245,377	349,809	0.8%	5,695,588	12.7%	$21.13	1.6%	245,469	1,037,235
Tampa Bay	37,217,154	242,391	368,674	1.0%	5,116,183	13.7%	$30.70	5.4%	106,136	1,270,195
Washington, DC	336,914,194	341,002	2,554,474	0.8%	53,664,923	15.9%	$42.69	-2.9%	3,839,483	10,610,115
West Palm Beach	19,762,184	5,423	95,446	0.5%	2,987,529	15.1%	$36.87	0.4%	84,300	793,358
Westchester County	29,768,118	-19,619	99,130	0.3%	6,396,800	21.5%	$27.89	-0.4%	0	0
United States totals	4,250,028,079	16,200,583	54,549,497	1.3%	605,310,744	14.2%	$35.34	0.9%	40,081,667	118,478,991

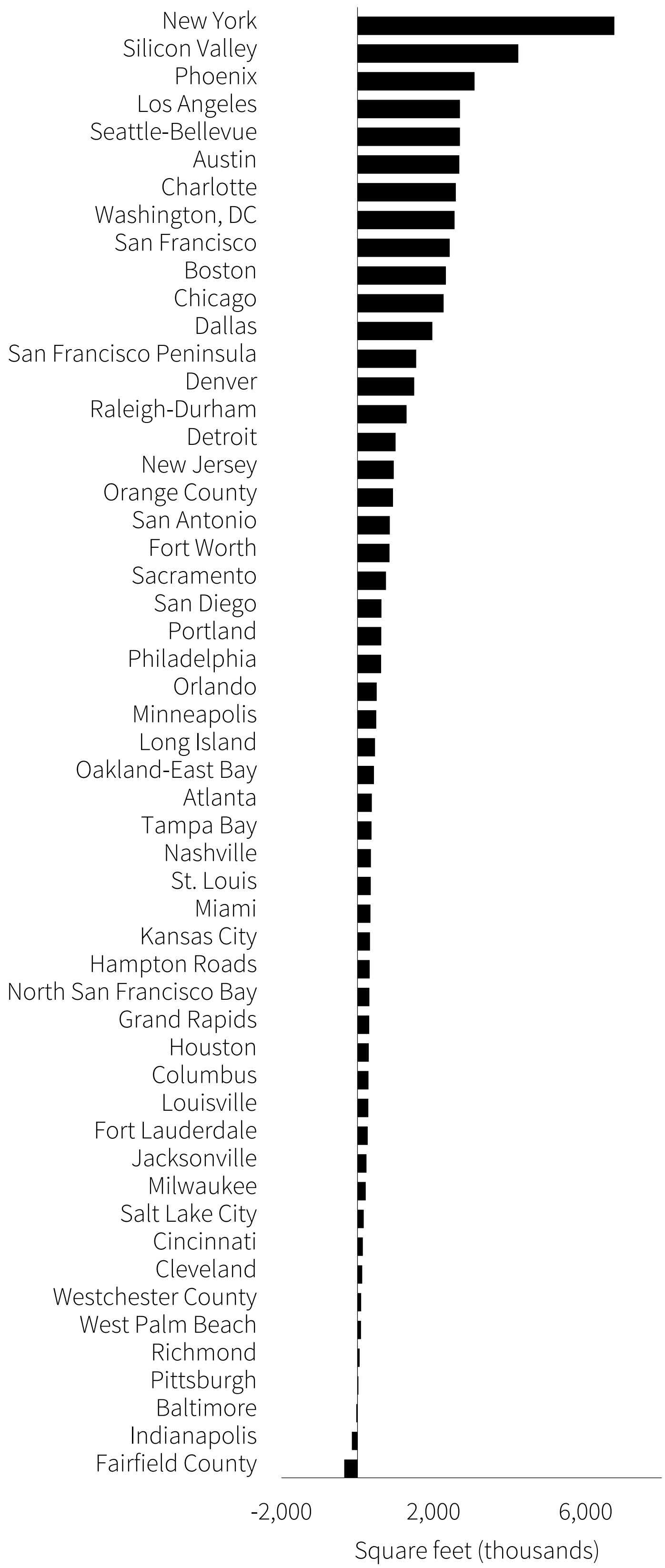
Inventory (s.f.)



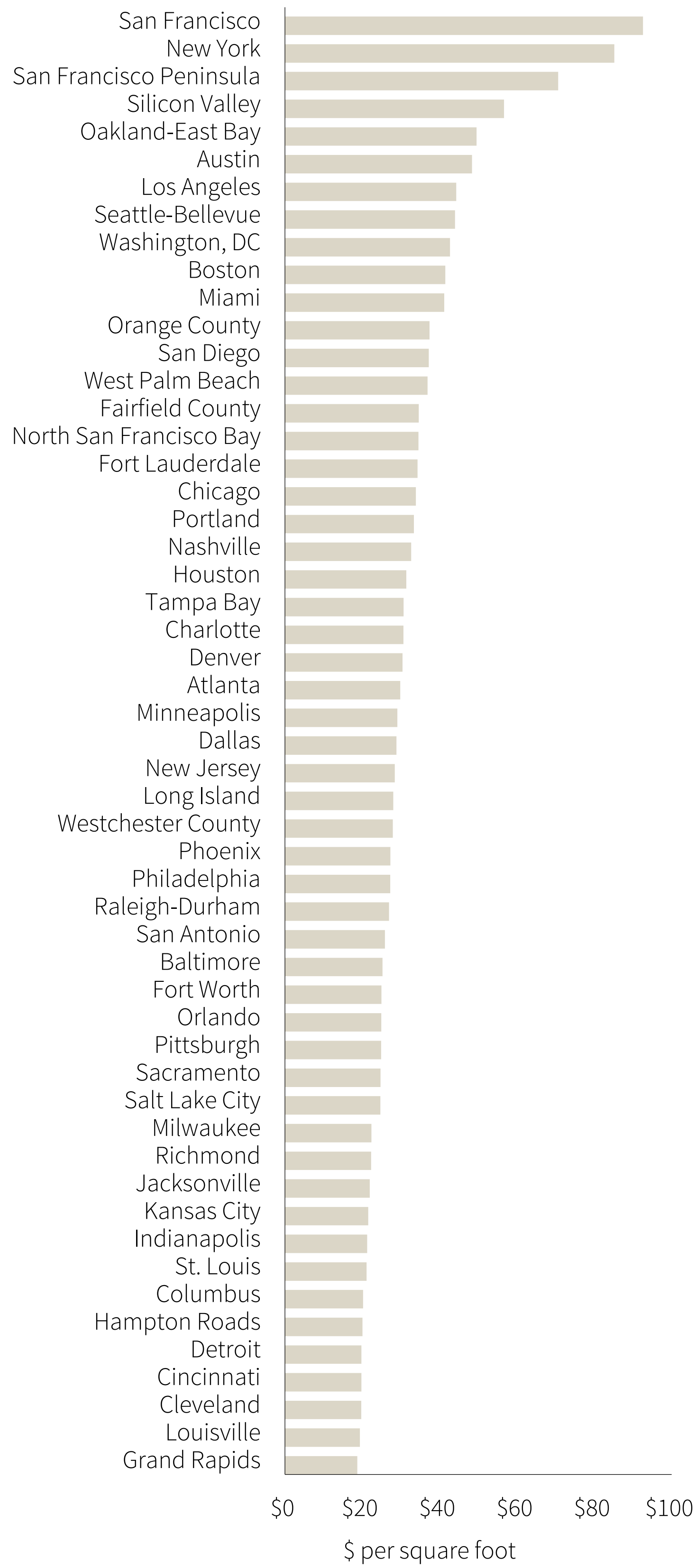
Total vacancy rates (including sublease)



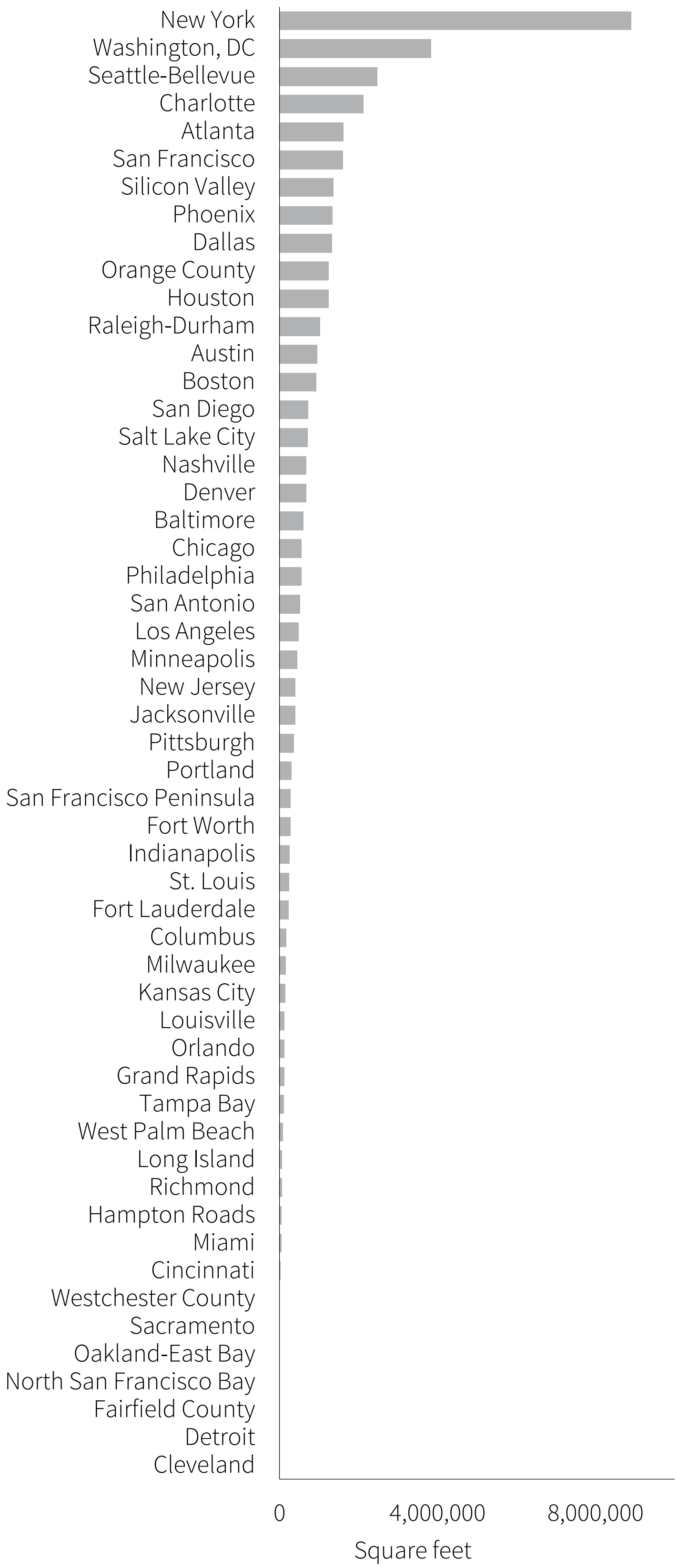
YTD total net absorption (include sublease)



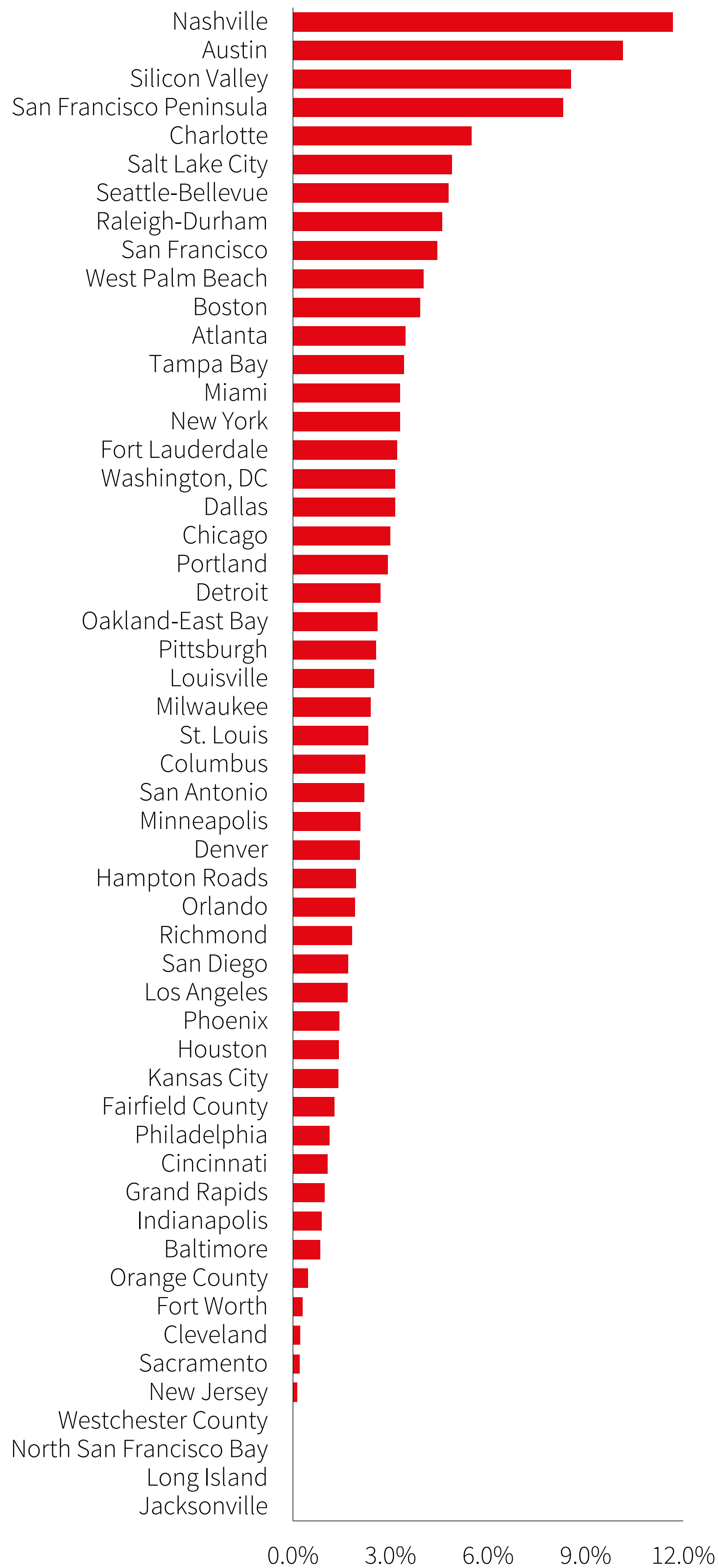
Marketed rents



Under construction (s.f.)



Under construction as % of inventory



Want to know more?

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