



# REAL ESTATE OUTLOOK

U.S. MARKET | OFFICE

SECOND QUARTER 2018



## U.S. TRENDLINES

5-Year Trend      Current Quarter

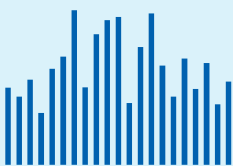
### VACANCY



**10.2%**

No change  
year-over-year

### ABSORPTION



**18.8 MSF**

8 consecutive years  
of positive growth

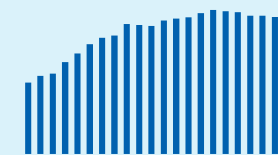
### ASKING RENT



**\$25.71 PSF**

3.4% annual growth

### UNDER CONSTRUCTION



**139.8 MSF**

6 quarters of  
declining starts

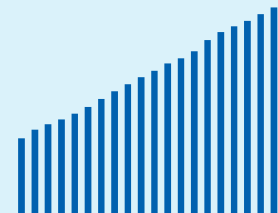
### UNEMPLOYMENT RATE



**3.9%**

22 months below 5%

### OFFICE-USING EMPLOYMENT GROWTH



**36.1M**

1.6% annual growth

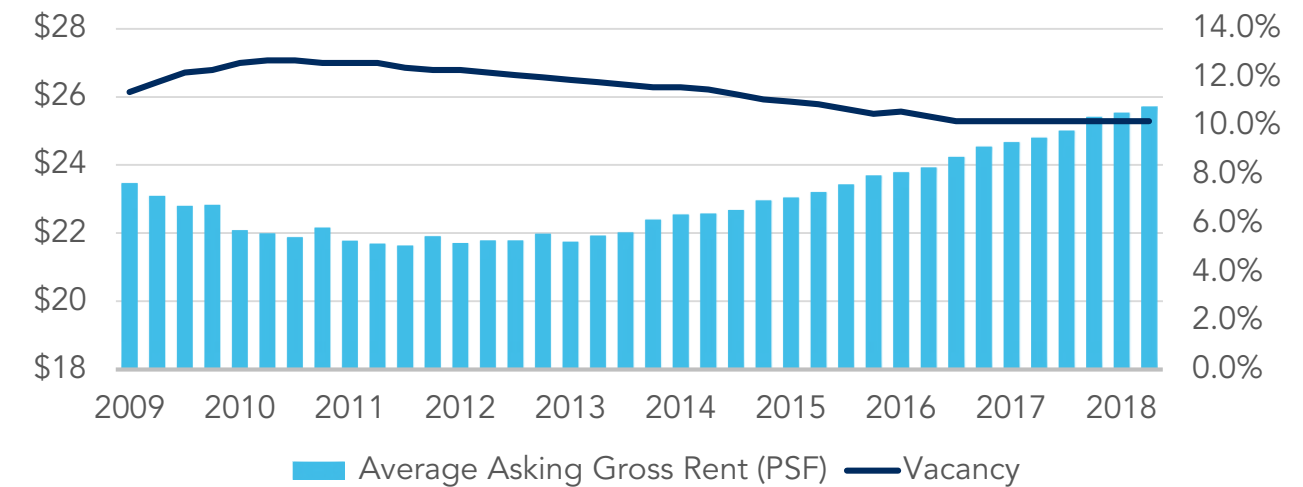
## U.S. HIGHLIGHTS

The U.S. Office market continued to display improvements through mid-year 2018 as absorption totaled 18.8 MSF, vacancy remained stable, and asking rents increased by 3.4%, annually. A strong jobs market with remarkably low unemployment has helped to spur the improvements in the broad market. As more individuals return to the workforce citing real wage growth, further tightening in the core metrics is anticipated through the balance of the year.

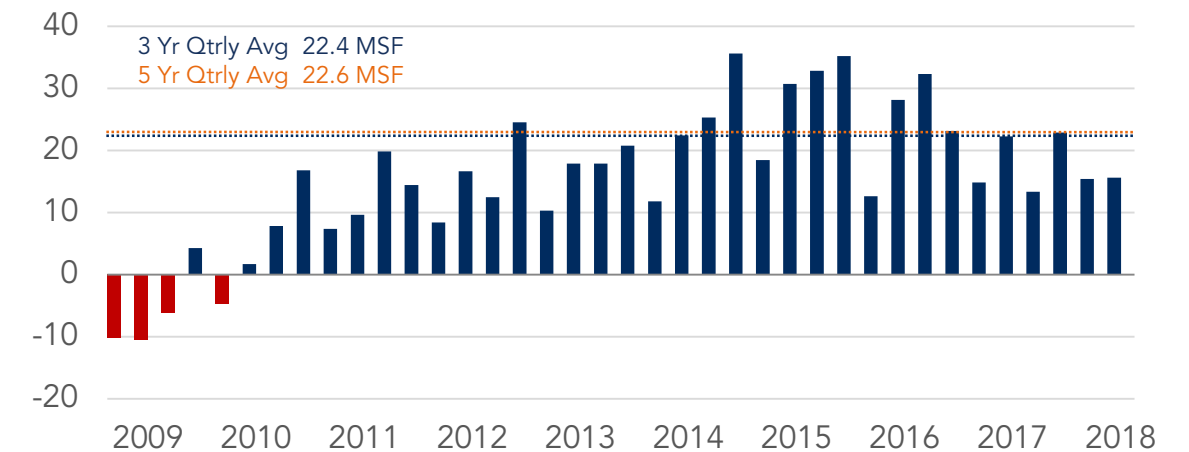
Average asking rental rates continued their ascent through mid-year, marking the twenty-first consecutive quarterly increase. As trade disputes escalate, existing tariffs on steel and aluminum could begin to result in increasing construction costs, thereby pushing asking rates higher over the near term.

Quarterly absorption remained positive, totaling 18.8 MSF; however, the pace of absorption is slowing as quarterly totals are approximately 20% below three & five year quarterly averages. Overall, 34 of the 49 Transwestern reporting markets registered positive absorption.

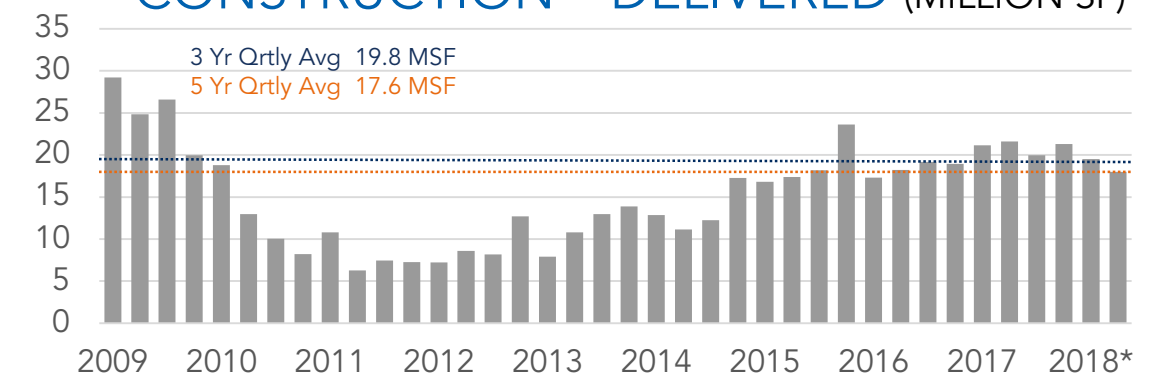
## VACANCY VS ASKING RENT



## NET ABSORPTION (MILLION SF)



## CONSTRUCTION – DELIVERED (MILLION SF)

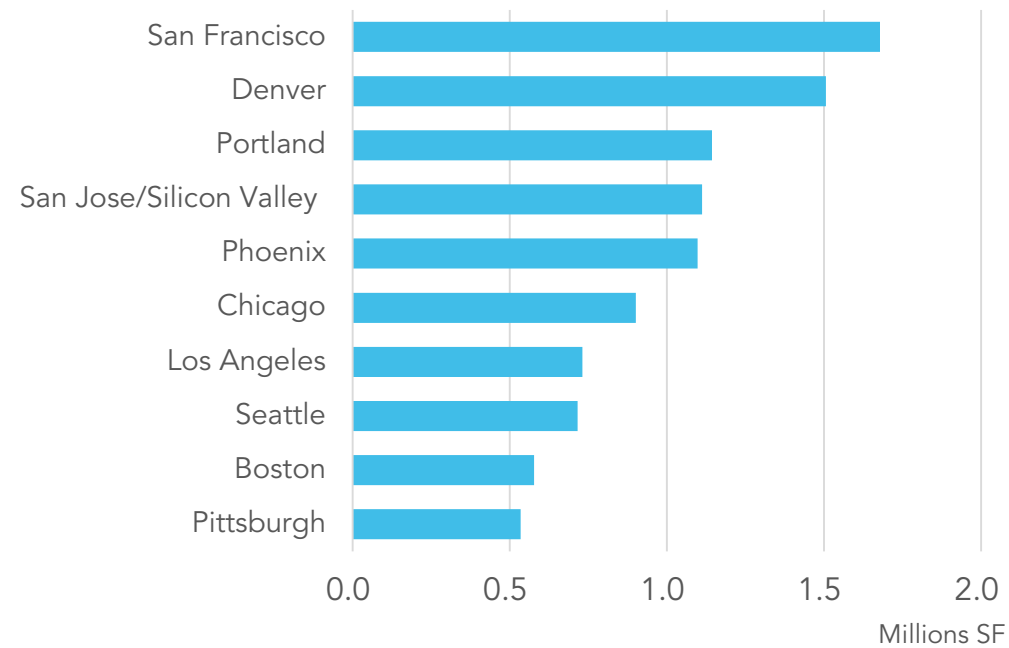


\* Denotes through Q2 2018



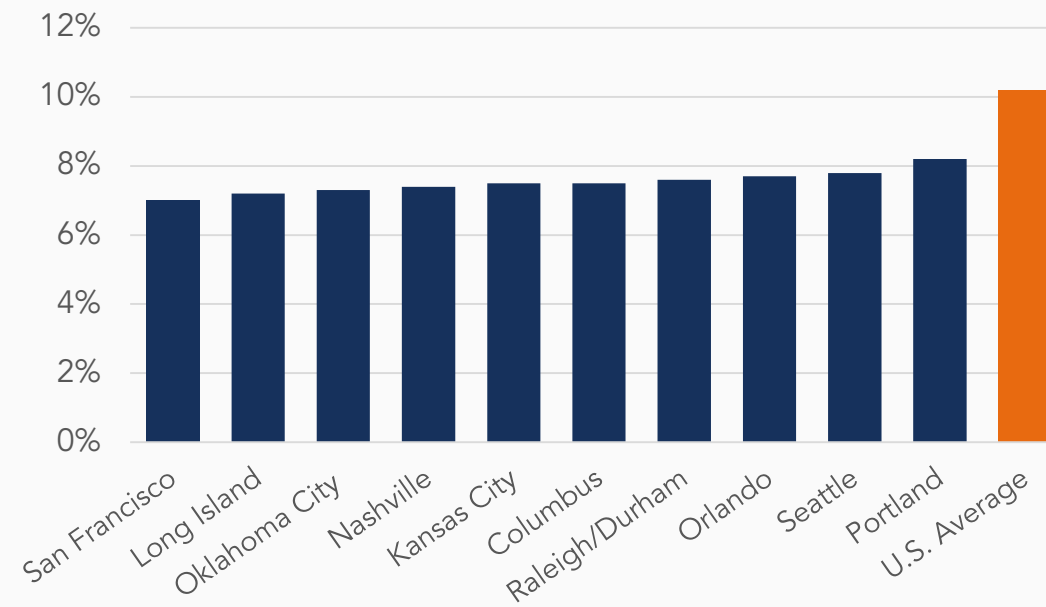
## ABSORPTION

Q2 2018 Net Absorption



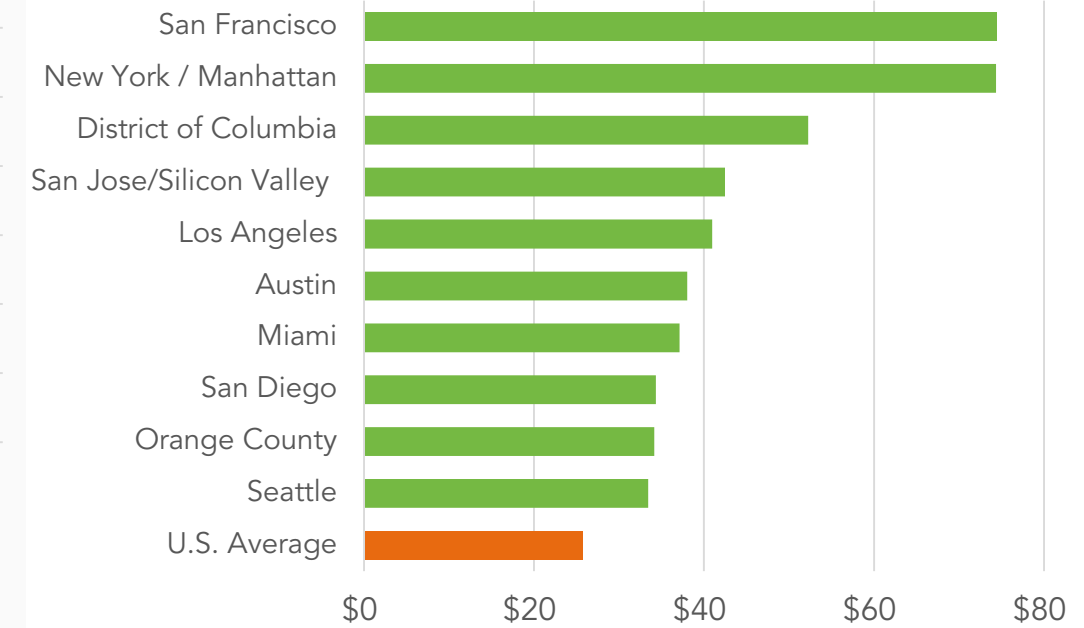
## VACANCY/CONSTRUCTION

Q2 2018 Overall Vacancy Rate

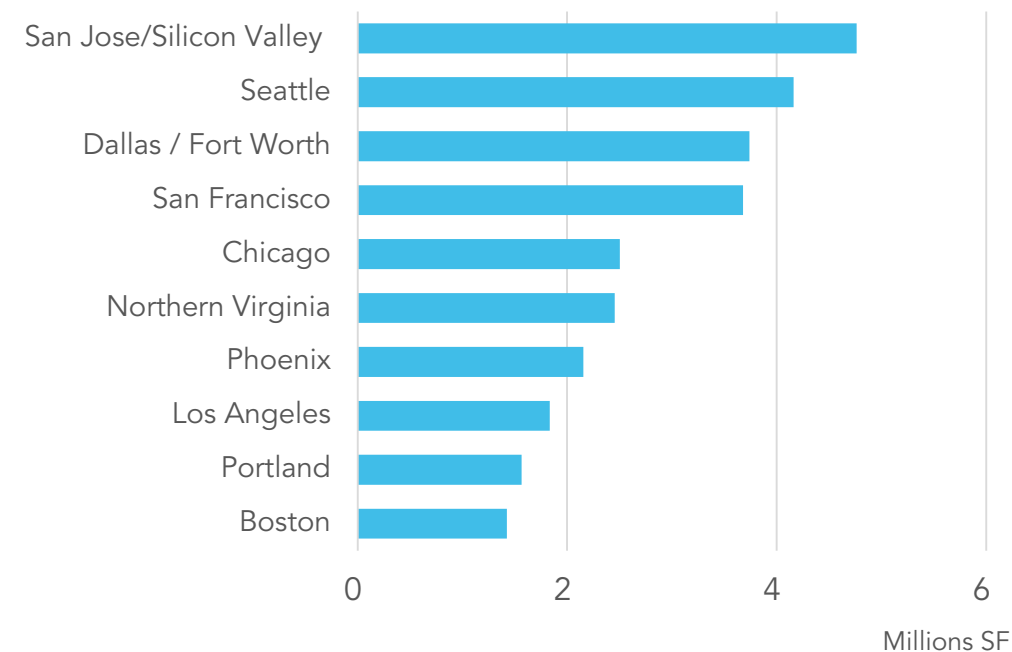


## ASKING RENTS

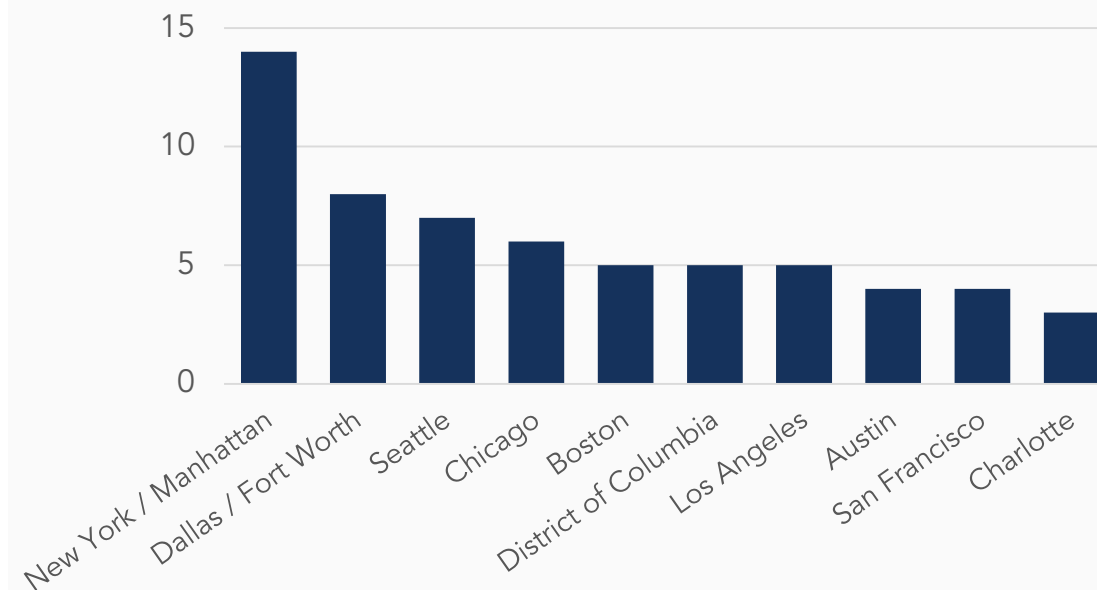
Q2 2018 Asking Rate FS



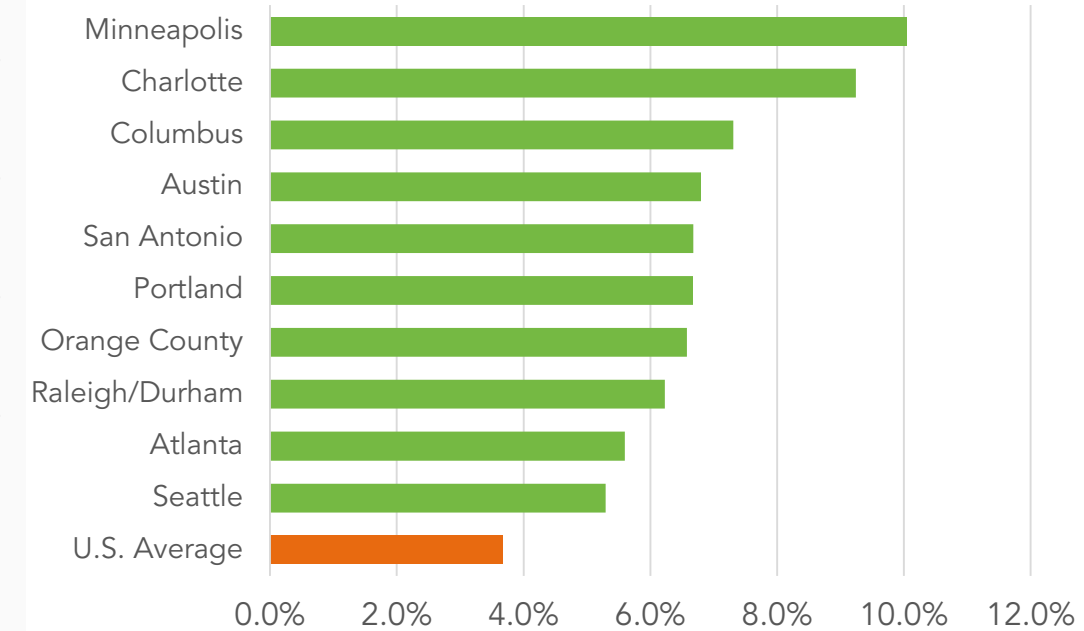
## Trailing 4-Qtr Net Absorption



## Q2 2018 Under Construction (Million SF)



## Year-Over-Year Rent Growth







Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent FSG	Annual Rent Change	Under Construction
Atlanta	164,398,978	16.6%	15.5%	(37,059)	557,918	\$25.71	5.6%	1,567,892
Austin	68,650,695	9.7%	8.6%	102,293	739,360	\$38.01	6.8%	4,487,421
Baltimore*	113,728,008	10.9%	10.5%	(139,000)	202,000	\$22.24	2.4%	1,746,277
Boston	290,714,563	8.6%	7.9%	577,242	1,424,833	\$24.64	5.1%	5,413,272
Charlotte	82,826,382	10.4%	9.8%	(330,433)	927,538	\$26.48	9.2%	3,585,358
Chicago	284,775,256	15.7%	14.7%	900,972	2,502,960	\$31.87	5.2%	6,644,775
Cincinnati	76,700,524	9.8%	9.5%	155,813	773,995	\$15.97	-2.8%	35,200
Cleveland	80,991,670	10.7%	10.4%	89,151	780,794	\$18.17	-0.7%	152,152
Columbus	76,721,471	7.5%	7.1%	(124,989)	146,492	\$18.94	7.3%	980,725
Dallas / Fort Worth	308,057,971	16.8%	15.6%	39,202	3,740,220	\$25.62	2.9%	8,589,525
Denver*	139,699,053	13.7%	10.2%	1,506,268	498,507	\$28.21	4.4%	3,474,660
Detroit	137,451,914	11.2%	11.0%	461,160	1,057,901	\$19.27	2.9%	1,595,158
District of Columbia*	140,374,970	10.5%	9.7%	(87,000)	934,000	\$52.26	0.8%	5,137,885
East Bay / Oakland	60,608,863	12.3%	11.7%	113,230	(616,757)	\$33.12	-3.0%	1,046,683
Hartford	47,231,122	10.0%	9.0%	(279,896)	347,269	\$19.80	-2.6%	219,810
Houston*	241,431,438	18.0%	16.2%	(514,999)	(1,817,937)	\$30.78	0.3%	1,789,144
Indianapolis	72,951,870	8.4%	8.1%	220,833	590,130	\$19.30	3.6%	117,081
Inland Empire	42,945,019	8.9%	8.7%	84,152	323,825	\$20.62	1.5%	89,000
Kansas City	96,342,489	7.5%	7.1%	130,483	619,410	\$19.82	5.0%	774,028
Las Vegas	37,744,268	13.1%	12.2%	254,772	1,262,209	\$20.34	2.1%	364,210
Long Island*	63,086,527	7.2%	6.4%	(95,776)	269,645	\$24.91	-3.0%	13,013
Los Angeles	200,556,143	16.3%	15.2%	730,562	1,834,755	\$40.97	3.9%	4,733,416
Miami	44,804,046	12.4%	11.7%	47,448	289,295	\$37.12	3.9%	629,012
Milwaukee	58,472,430	8.5%	8.1%	(8,103)	1,181,790	\$16.75	1.5%	463,537

\*Market reports Vacant Available rate

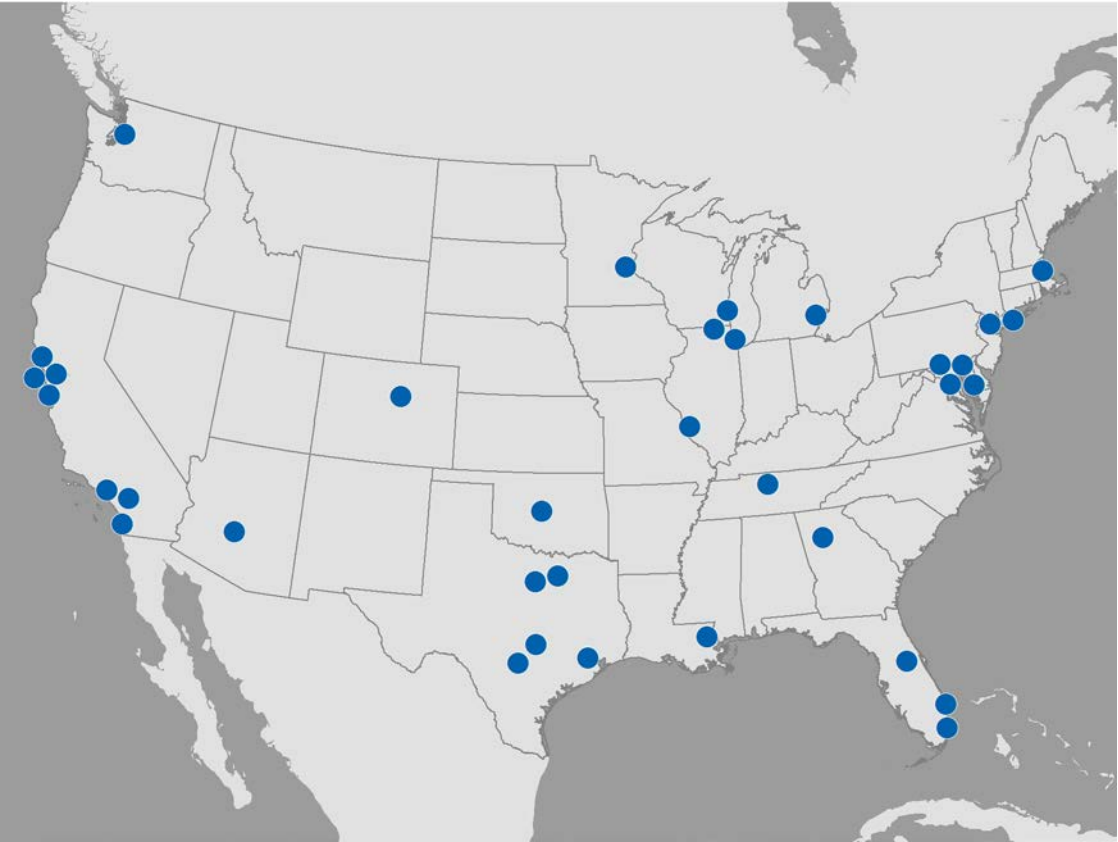


Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent FSG	Annual Rent Change	Under Construction
Minneapolis	152,415,500	8.6%	8.2%	387,524	(269,475)	\$21.36	10.0%	1,421,855
Nashville	63,157,124	7.4%	6.6%	214,561	1,302,878	\$27.12	3.4%	2,320,259
New Jersey	215,335,286	15.0%	13.6%	517,850	(337,637)	\$26.74	1.5%	1,624,656
New Orleans	35,043,738	8.9%	8.7%	(160,836)	(466,418)	\$18.07	0.9%	13,200
New York / Manhattan	432,884,628	8.9%	7.9%	297,021	(33,061)	\$74.36	3.0%	14,243,066
Northern Virginia*	194,104,986	16.2%	15.3%	321,000	2,455,000	\$31.90	2.4%	3,053,529
Oklahoma City	38,952,899	7.3%	7.2%	(174,020)	89,167	\$16.73	-0.9%	326,700
Orange County	88,753,694	14.0%	12.8%	(553,562)	1,314,857	\$34.15	6.6%	976,967
Orlando	63,660,501	7.7%	7.5%	5,534	503,938	\$21.32	4.2%	1,164,204
Philadelphia	241,588,271	9.5%	8.9%	95,775	1,352,956	\$25.10	0.5%	3,044,814
Phoenix	112,977,439	15.7%	14.3%	1,097,379	2,154,780	\$26.27	4.0%	3,018,275
Pittsburgh	103,557,198	9.6%	9.1%	534,299	332,710	\$22.36	2.7%	744,827
Portland	79,900,092	8.2%	7.9%	1,143,494	1,565,747	\$26.37	6.7%	1,659,060
Raleigh/Durham	76,233,450	7.6%	7.3%	489,454	1,351,142	\$24.04	6.2%	3,225,501
Sacramento	76,632,507	11.2%	10.9%	169,451	1,264,809	\$22.53	4.6%	37,226
Salt Lake City	57,316,082	8.6%	7.9%	385,972	91,063	\$22.72	1.9%	1,150,763
San Antonio	33,128,043	16.2%	13.6%	108,587	81,993	\$25.07	6.7%	1,307,491
San Diego	61,631,705	13.6%	12.8%	310,269	575,748	\$34.32	2.5%	654,069
San Francisco	82,374,089	7.0%	6.1%	1,678,060	3,679,287	\$74.40	3.5%	4,014,373
San Jose/Silicon Valley	109,346,399	10.7%	8.7%	1,111,713	4,763,238	\$42.48	-1.2%	2,949,901
Seattle	154,088,028	7.8%	7.3%	715,351	4,160,655	\$33.42	5.3%	6,880,193
St. Louis	105,031,677	9.6%	9.3%	297,030	(329,528)	\$19.40	4.1%	1,438,000
Suburban Maryland*	92,359,979	14.8%	14.4%	(85,000)	119,000	\$26.96	0.7%	1,910,824
Tampa	80,436,747	8.9%	8.3%	(396,455)	290,112	\$22.32	3.6%	495,000
Westchester	133,469,483	13.9%	13.4%	(5,180)	(517,600)	\$28.95	-0.5%	460,150

\*Market reports Vacant Available rate



TRANSWESTERN LOCATIONS



ABOUT TRANSWESTERN

Transwestern is a privately held real estate firm of collaborative entrepreneurs who deliver a higher level of personalized service – the Transwestern Experience. Specializing in Agency Leasing, Tenant Advisory, Capital Markets, Asset Services and Research, our fully integrated global enterprise adds value for investors, owners and occupiers of all commercial property types. We leverage market insights and operational expertise from members of the Transwestern family of companies specializing in development, real estate investment management and research. Based in Houston, Transwestern has 35 U.S. offices and assists clients through more than 211 offices in 36 countries as part of a strategic alliance with BNP Paribas Real Estate. Experience Extraordinary at [transwestern.com](https://transwestern.com) and @Transwestern.

RESEARCH METHODOLOGY

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

SENIOR RESEARCH CONTACTS

<b>Atlanta/Miami</b> Keith Pierce <a href="mailto:Keith.Pierce@transwestern.com">Keith.Pierce@transwestern.com</a> 404.842.6534	<b>Denver</b> Jared Balcavage <a href="mailto:Jared.Balcavage@transwestern.com">Jared.Balcavage@transwestern.com</a> 303.952.5606	<b>San Antonio</b> Yesenia Dominguez <a href="mailto:Yesenia.Dominguez@transwestern.com">Yesenia.Dominguez@transwestern.com</a> 210.563.7070
<b>Austin</b> Karen Judson <a href="mailto:Karen.Judson@transwestern.com">Karen.Judson@transwestern.com</a> 512.314.3560	<b>Houston</b> Stuart Showers <a href="mailto:Stuart.Showers@transwestern.com">Stuart.Showers@transwestern.com</a> 713.270.3380	<b>San Francisco Bay Area</b> Dina Gouveia <a href="mailto:Dina.Gouveia@transwestern.com">Dina.Gouveia@transwestern.com</a> 925.357.2023
<b>Boston</b> Chase Bourdelaise <a href="mailto:Chase.Bourdelaise@transwestern.com">Chase.Bourdelaise@transwestern.com</a> 617.439.9313	<b>New Jersey</b> Matthew Dolly <a href="mailto:Matthew.Dolly@transwestern.com">Matthew.Dolly@transwestern.com</a> 973.947.9244	<b>Southern California</b> Michael Soto <a href="mailto:Michael.Soto@transwestern.com">Michael.Soto@transwestern.com</a> 213.430.2525
<b>Chicago</b> Sandy McDonald <a href="mailto:Sandy.McDonald@transwestern.com">Sandy.McDonald@transwestern.com</a> 312.881.7037	<b>New York</b> Danny Mangru <a href="mailto:Danny.Mangru@transwestern.com">Danny.Mangru@transwestern.com</a> 212.537.7690	<b>Washington D.C./Baltimore</b> Elizabeth Norton <a href="mailto:Elizabeth.Norton@transwestern.com">Elizabeth.Norton@transwestern.com</a> 202.775.7026
<b>Dallas-Fort Worth</b> Ryan Tharp <a href="mailto:Ryan.Tharp@transwestern.com">Ryan.Tharp@transwestern.com</a> 214.446.4574	<b>Phoenix</b> Darrell Magnuson <a href="mailto:Darrell.Magnuson@transwestern.com">Darrell.Magnuson@transwestern.com</a> 602.386.1188	

Copyright © 2018 Transwestern. All rights reserved. No part of this work may be reproduced or distributed to third parties without written permission of the copyright owner. The information contained in this report was gathered by Transwestern from CoStar and other primary and secondary sources believed to be reliable. Transwestern, however, makes no representation concerning the accuracy or completeness of such information and expressly disclaims any responsibility for any inaccuracy contained herein.

