



**CBRE**

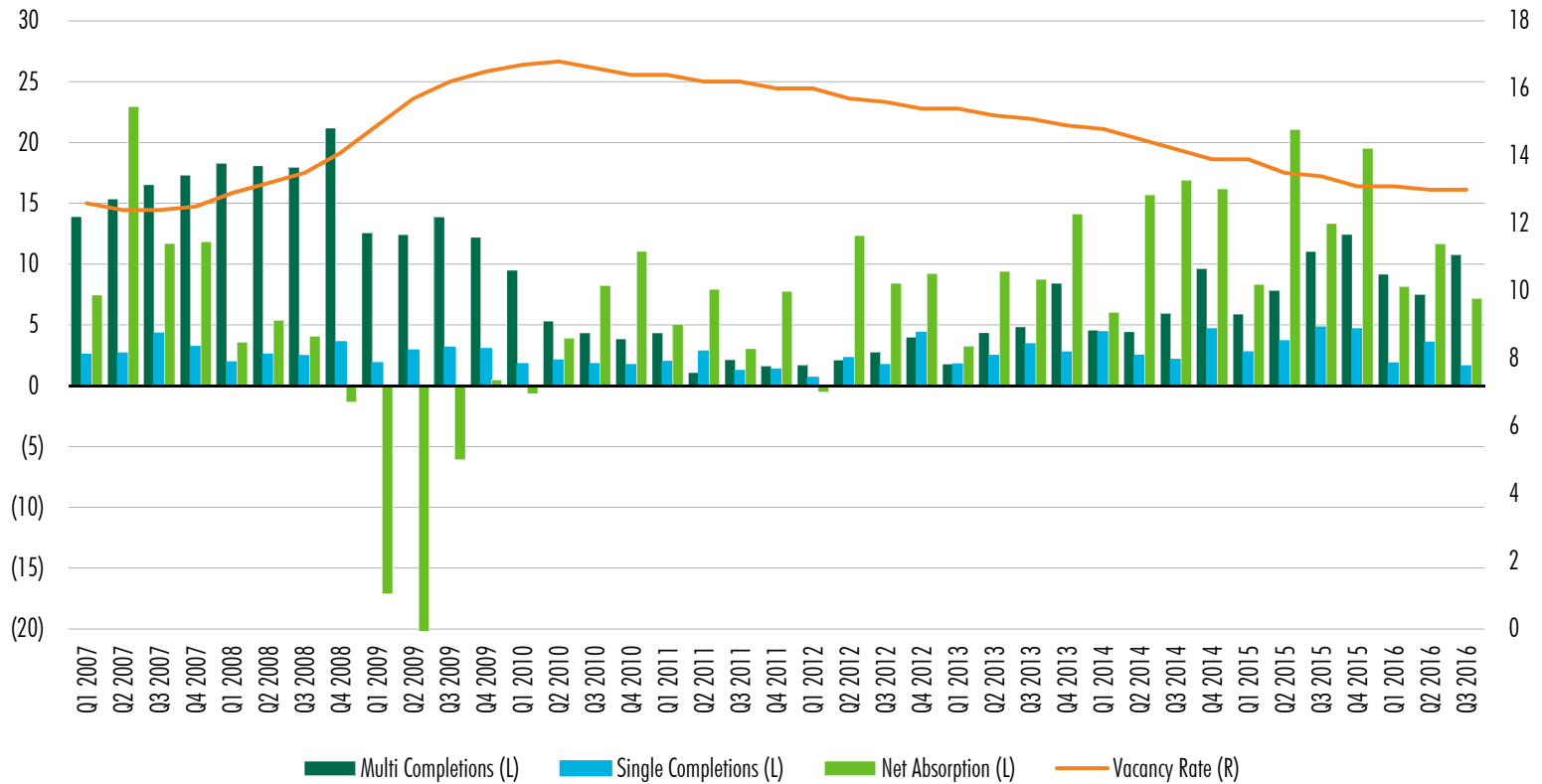
**OFFICE MARKET  
2016: THIRD QUARTER RESULTS**

# U.S. OFFICE NET ABSORPTION

Q3 2016: 7.1 MSF of net abs. 40% lower than a quarter ago, and -45% lower than a year ago

Completions and Net Absorption (MSF)

Vacancy Rate (%)



Q3 2016 Completions:  
10.7 MSF Multi  
1.6 MSF Single

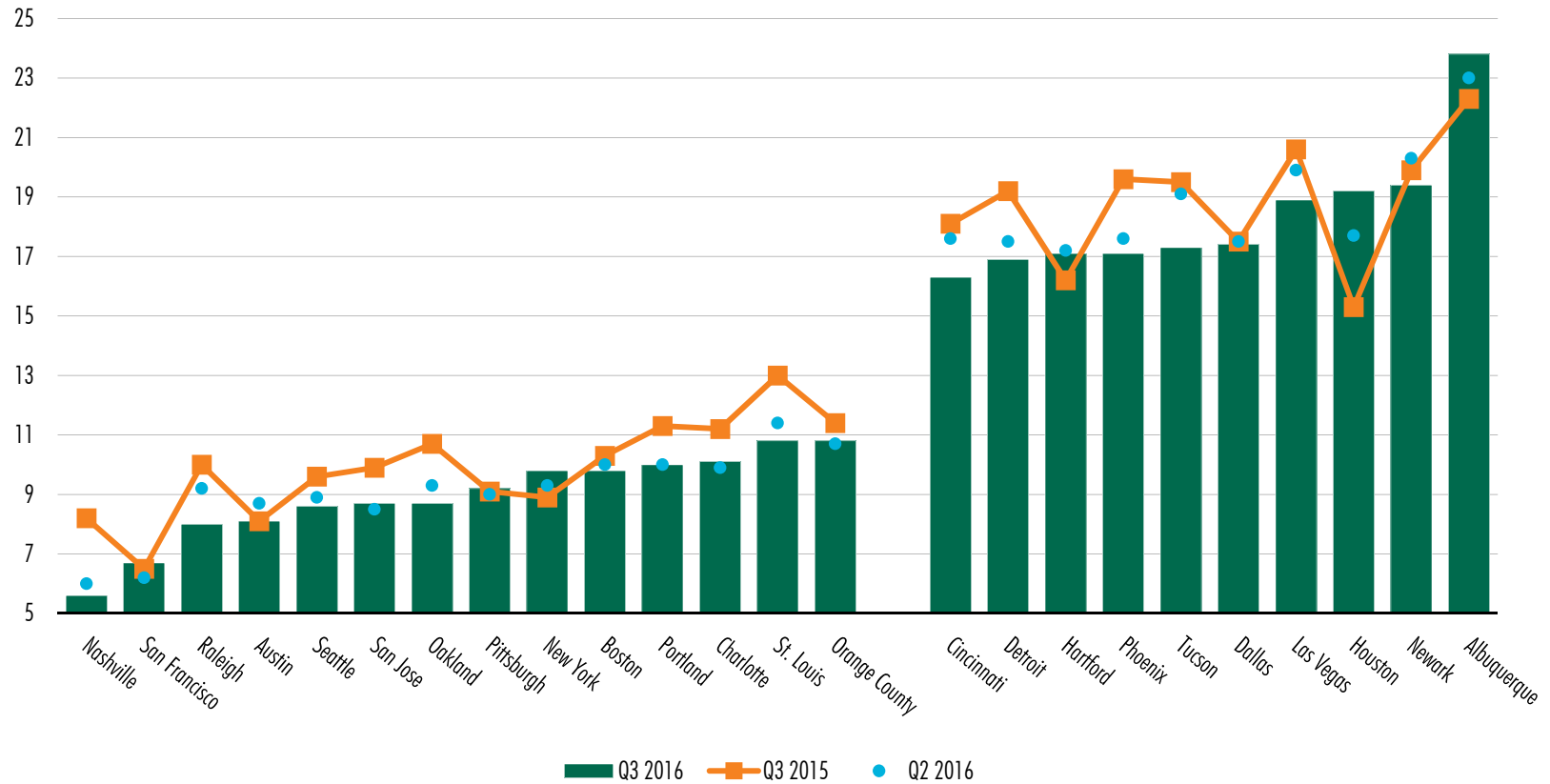
Source: CBRE EA, Q3 2016

# U.S. OFFICE VACANCY

Sum of Markets vacancy 13.0%, no change from the last quarter.

Vacancy Rate (%)

SOM Vacancy Rate: 13.0%

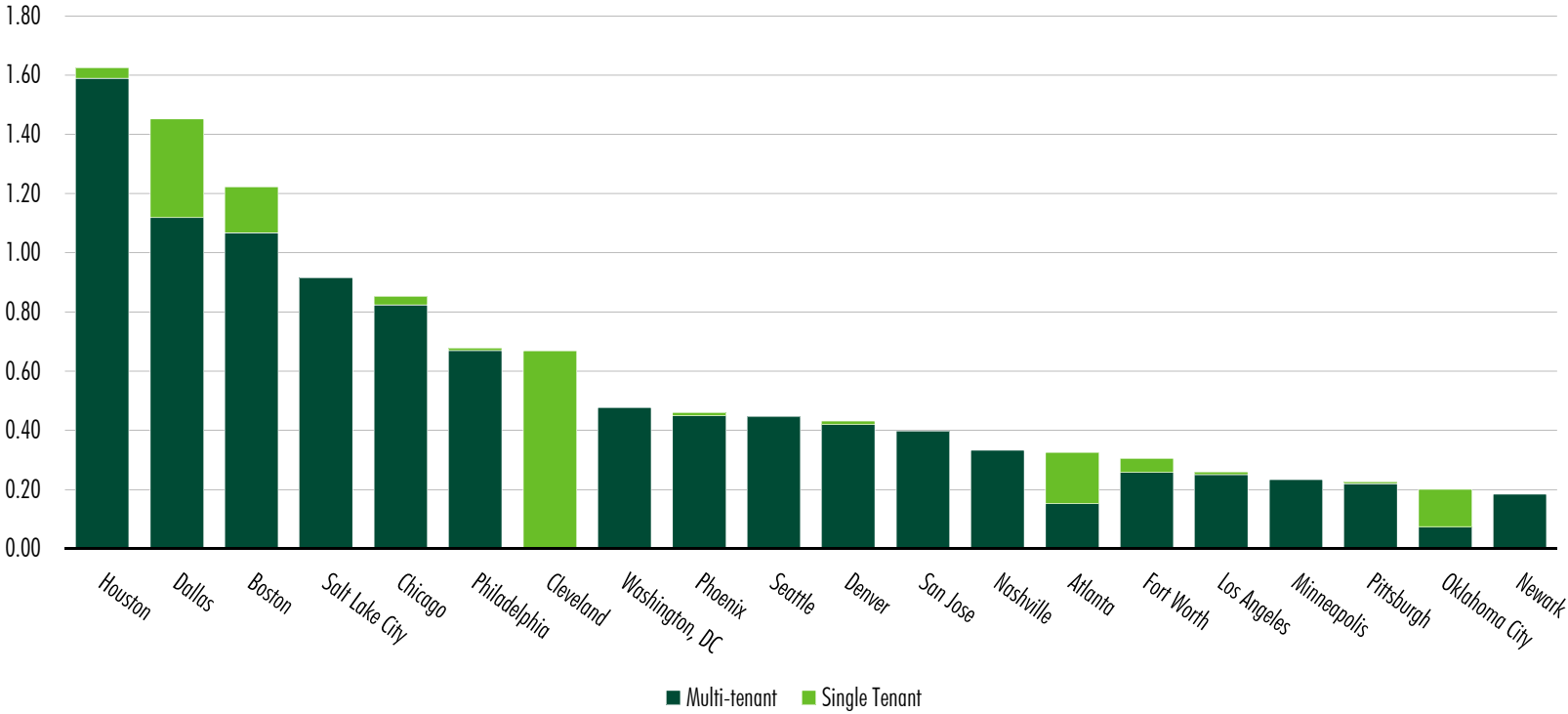


Source: CBRE EA, Q3 2016

# TOP 20 MARKETS FOR OFFICE COMPLETIONS

Top 20 Markets Accounted for 91% of total U.S. Office Construction

Office Completions (MSF)



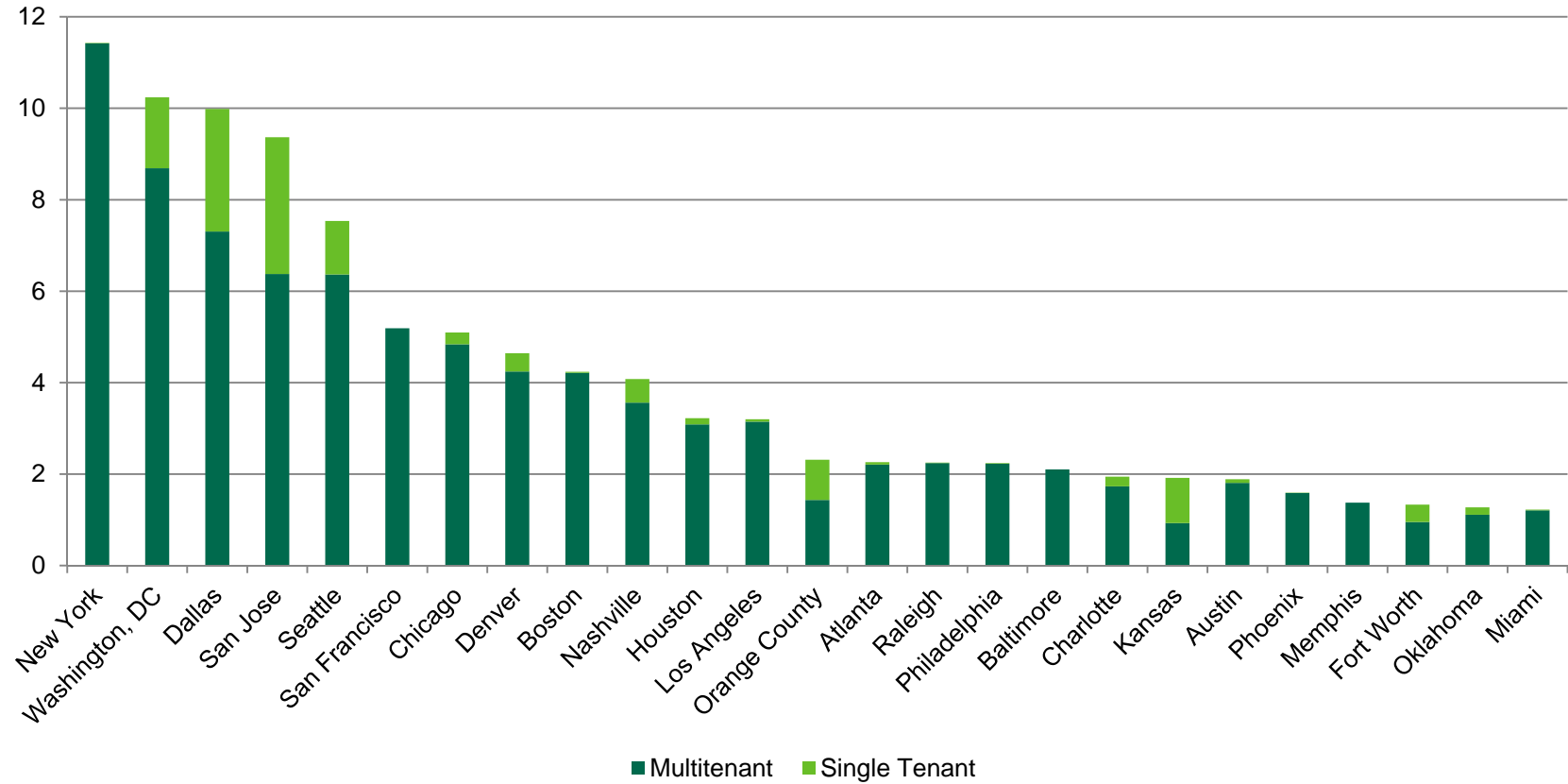
Source: CBRE EA, Q3 2016

# SUPPLY OF NEW OFFICE SPACE

Q3 2016: New York stays on the top with more than 11 MSF of supply. Total scheduled supply is 114 MSF (up 13 MSF from Q2)

Scheduled Completions (MSF)

Top 8 cities have 56% of total 114 MSF supply



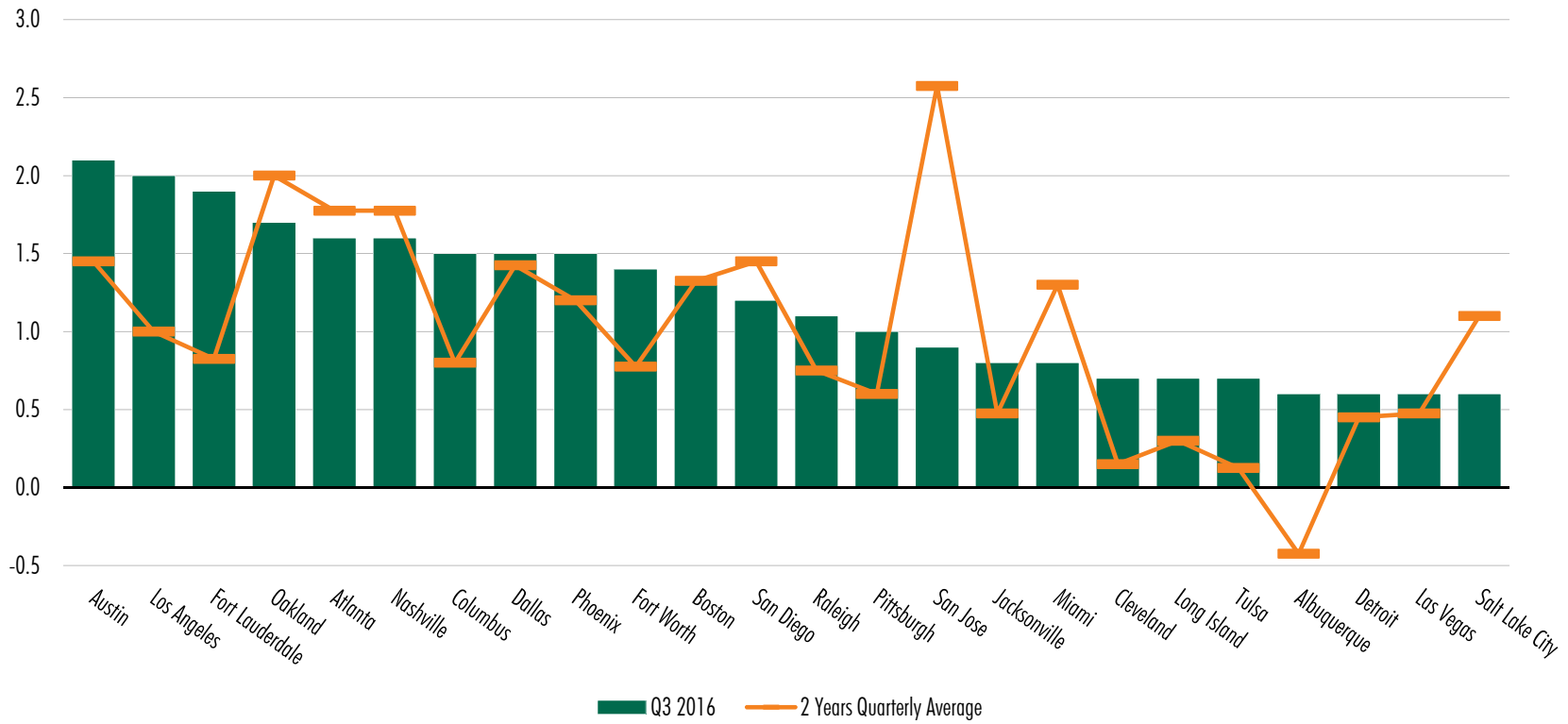
Source: CBRE EA, Q3 2016

# OFFICE MARKETS, RENT GROWTH

Diverse group of markets lead in rent growth. No changes in TW Rent Index

Rent Growth (%)

TW Rent Index \$31.22 up 0.01  
SOM Vacancy Rate: 13.0% no change

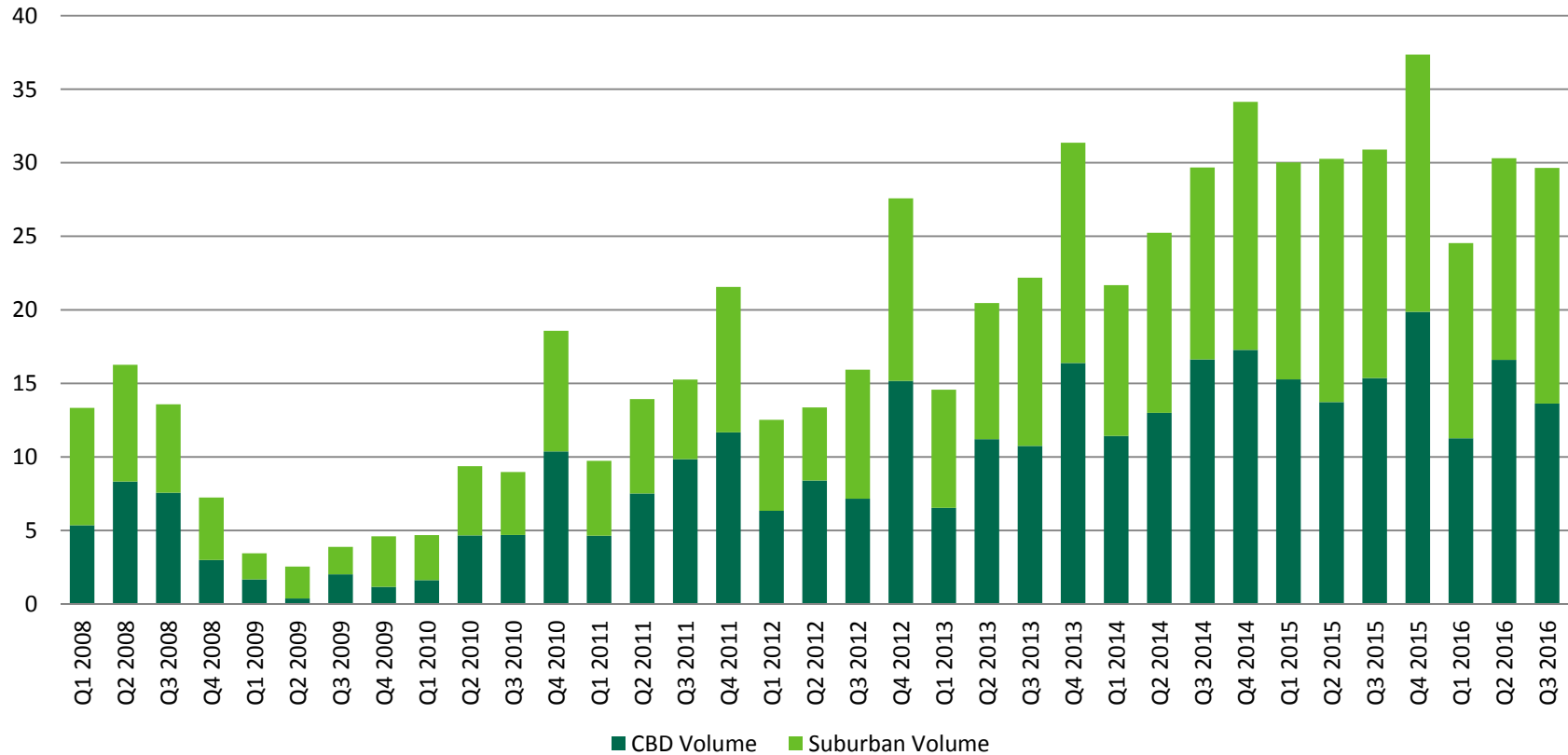


Source: CBRE EA, Q3 2016

# TRANSACTION VOLUME

Investment volume \$29.6 B down 4.0% from Q3 2015

Volume in \$ Billions



Q3 2016:  
 Downtown Volume: 13.6 B  
 Suburban Volume: 16.0 B

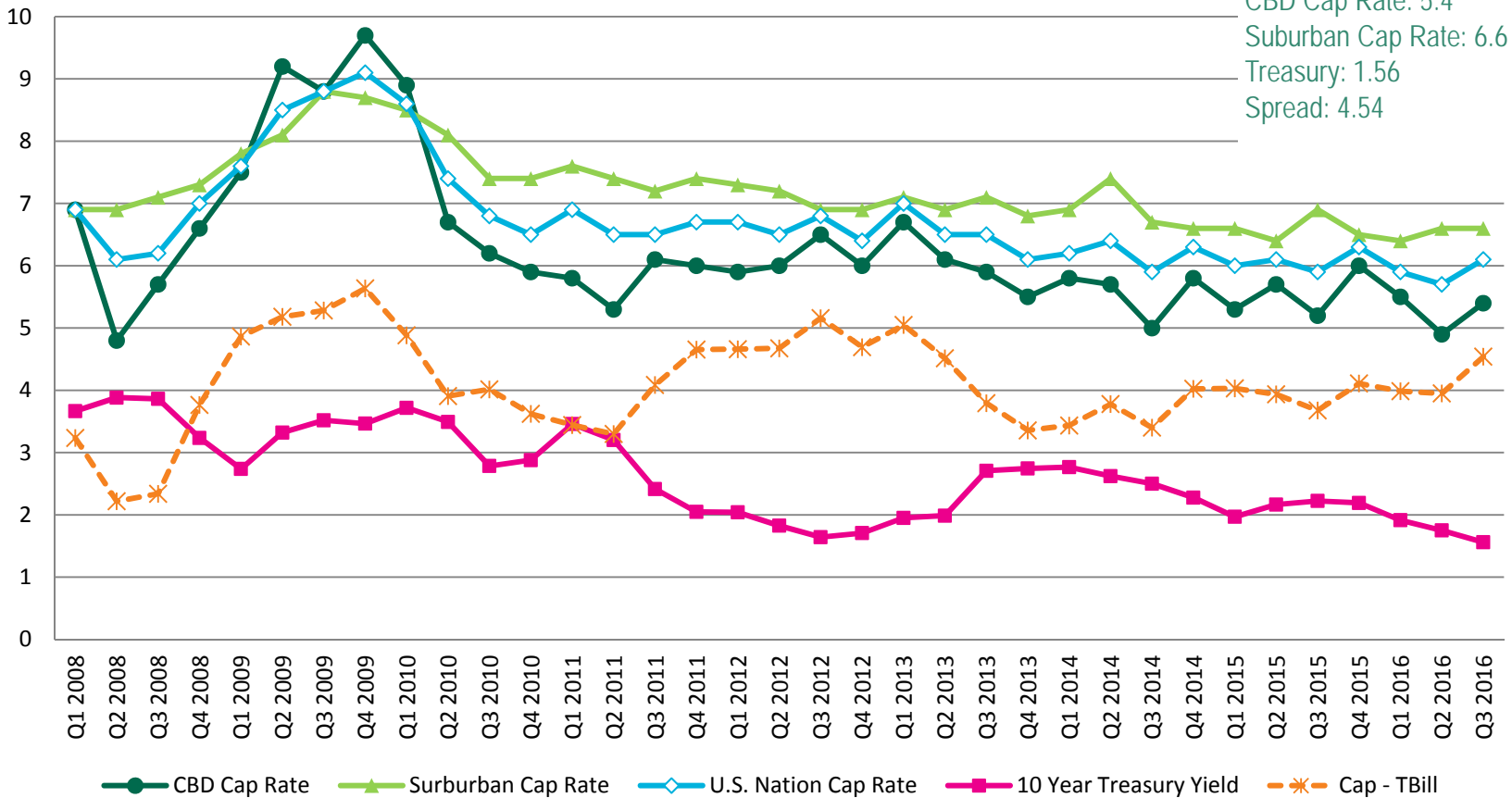
Source: Source: Real Capital Analytics, Federal Reserve, CBRE Econometric Advisors Q3 2016

# CAP RATES AND TREASURY YIELD

National cap rates increased slightly and treasuries declined in Q3 2016

Cap Rates and Treasury Yield (%)

Q3 2016:  
 National Cap rate: 6.1  
 CBD Cap Rate: 5.4  
 Suburban Cap Rate: 6.6  
 Treasury: 1.56  
 Spread: 4.54



Source: Source: Real Capital Analytics, Federal Reserve, CBRE Econometric Advisors

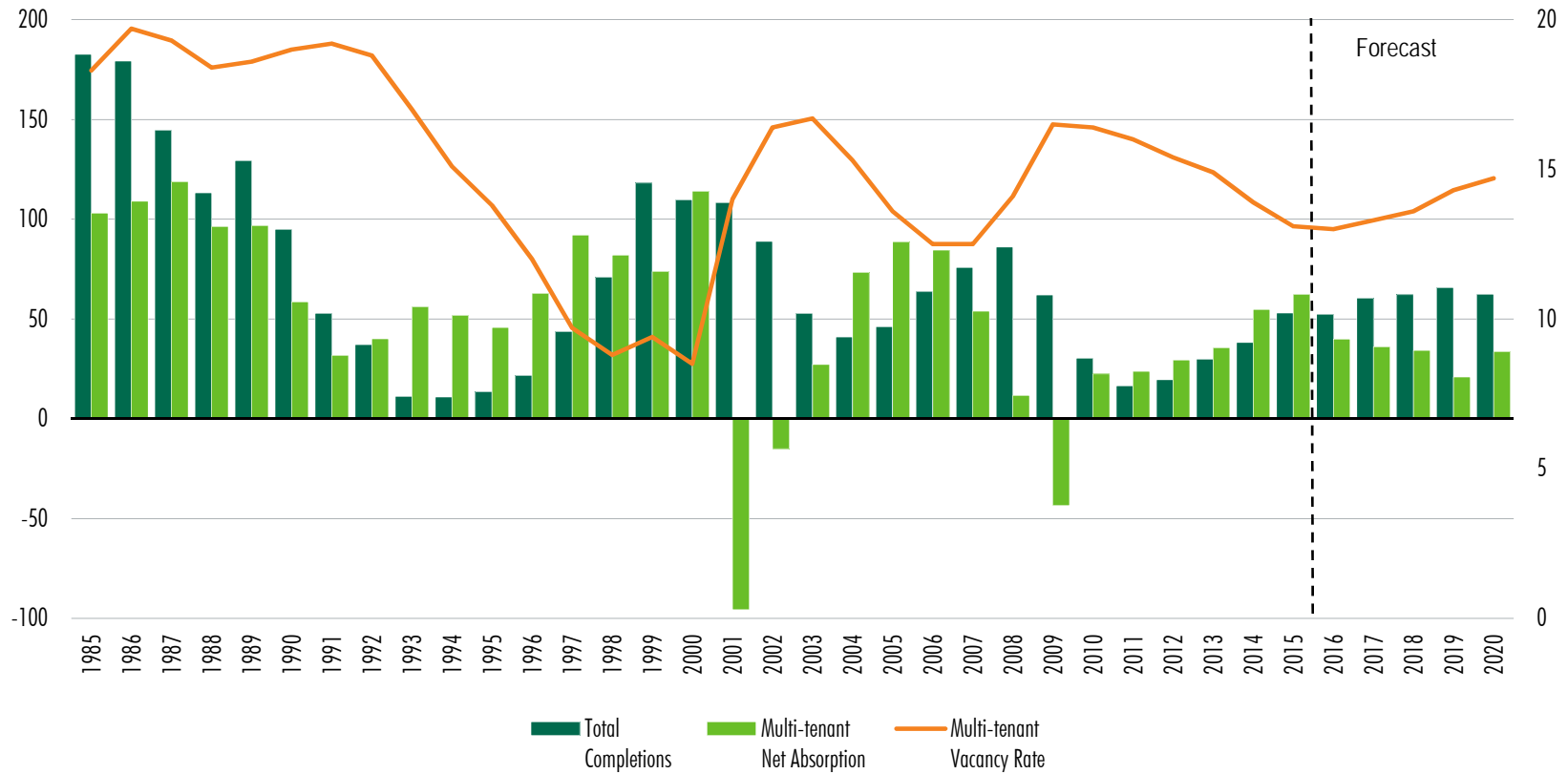


# OFFICE MARKET FORECAST: DEMAND & SUPPLY

2016: Vacancy rate stays stable with supply slightly outpacing demand

Completions and Net Absorption (MSF)

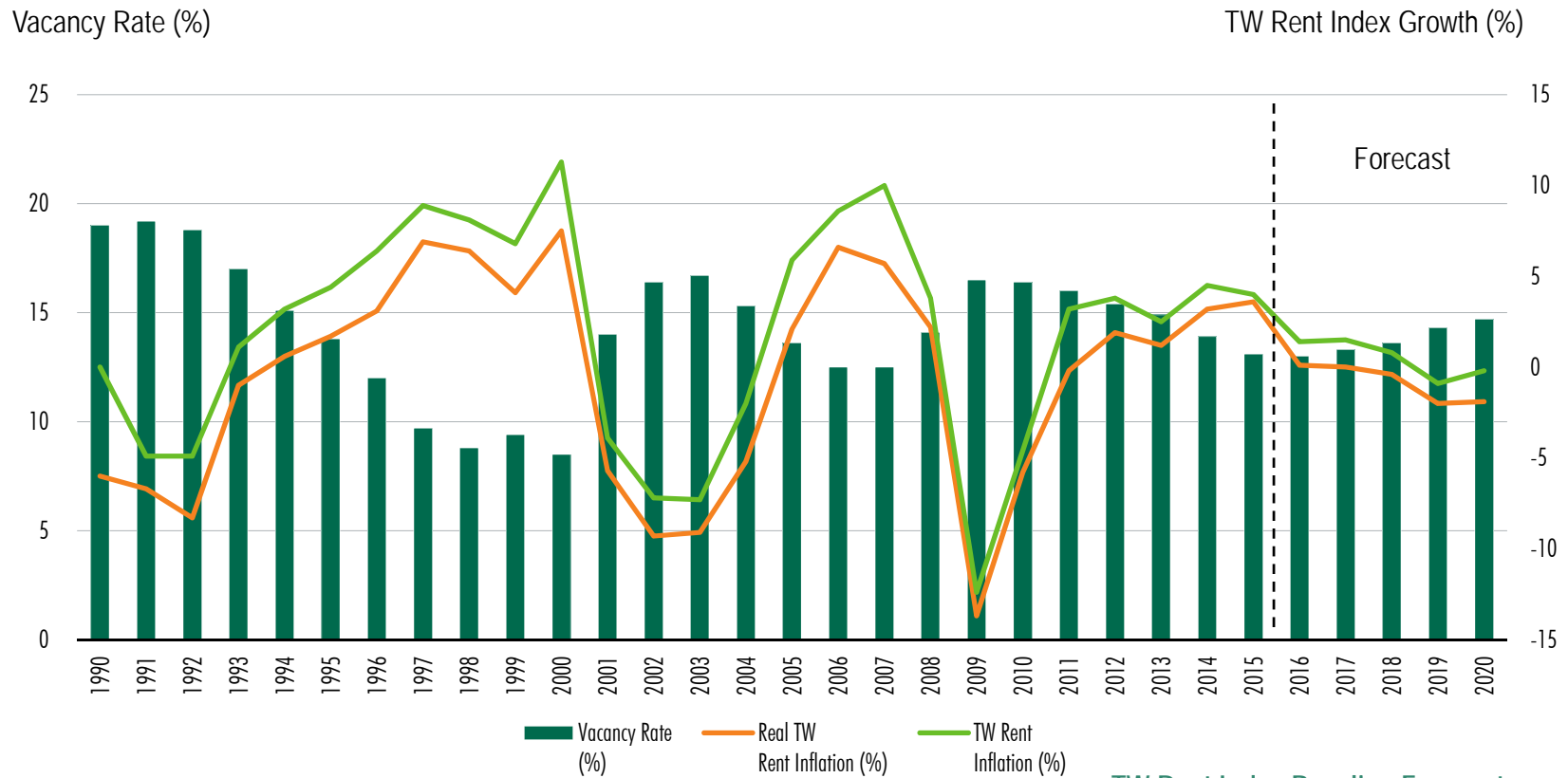
Vacancy Rate (%)



Source: CBRE EA, Q3 2016

# TW RENT INDEX. GROWTH RATE BASELINE FORECAST

Baseline forecast projects gradual decline in rent growth in the next 3 years



**TW Rent Index Baseline Forecast:**  
 2016: 1.4% nominal, 0.1% real  
 2017: 1.5% nominal, 0.0% real  
 2018: 0.8% nominal, -0.4% real

Source: CBRE EA, Q3 2016

# TW RENT INDEX. GROWTH RATE UPSIDE SCENARIO

Upside scenario projects steady above 3% nominal rent growth in the next 3 years



### TW Rent Index Baseline Forecast:

2016: 1.9% nominal, 0.1% real

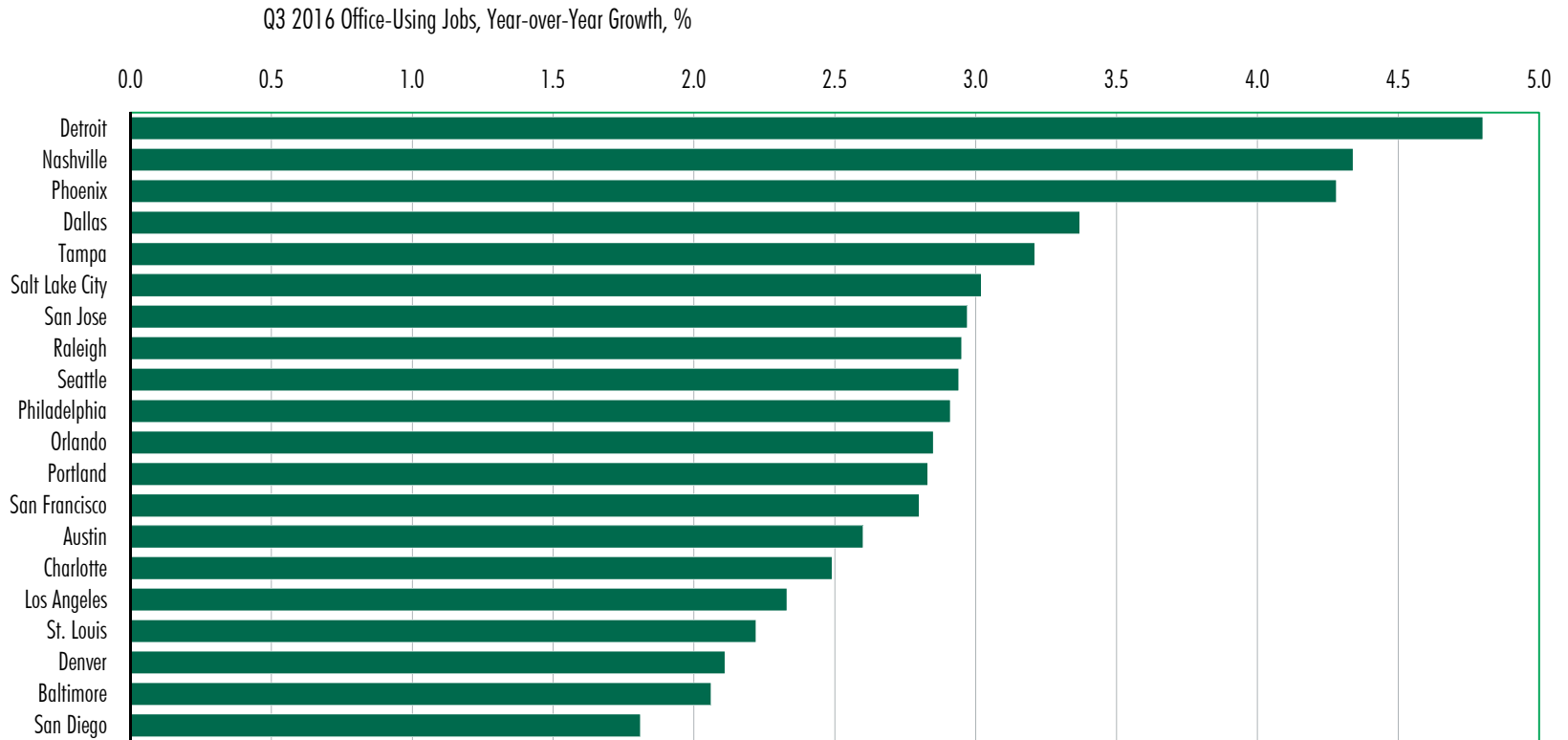
2017: 2.9% nominal, 0.5% real

2018: 3.0% nominal, 0.7% real

Source: CBRE EA, Q3 2016

# TOP 20 OFFICE MARKETS FOR OFFICE JOB GROWTH

Detroit, South and West regions lead in the job growth

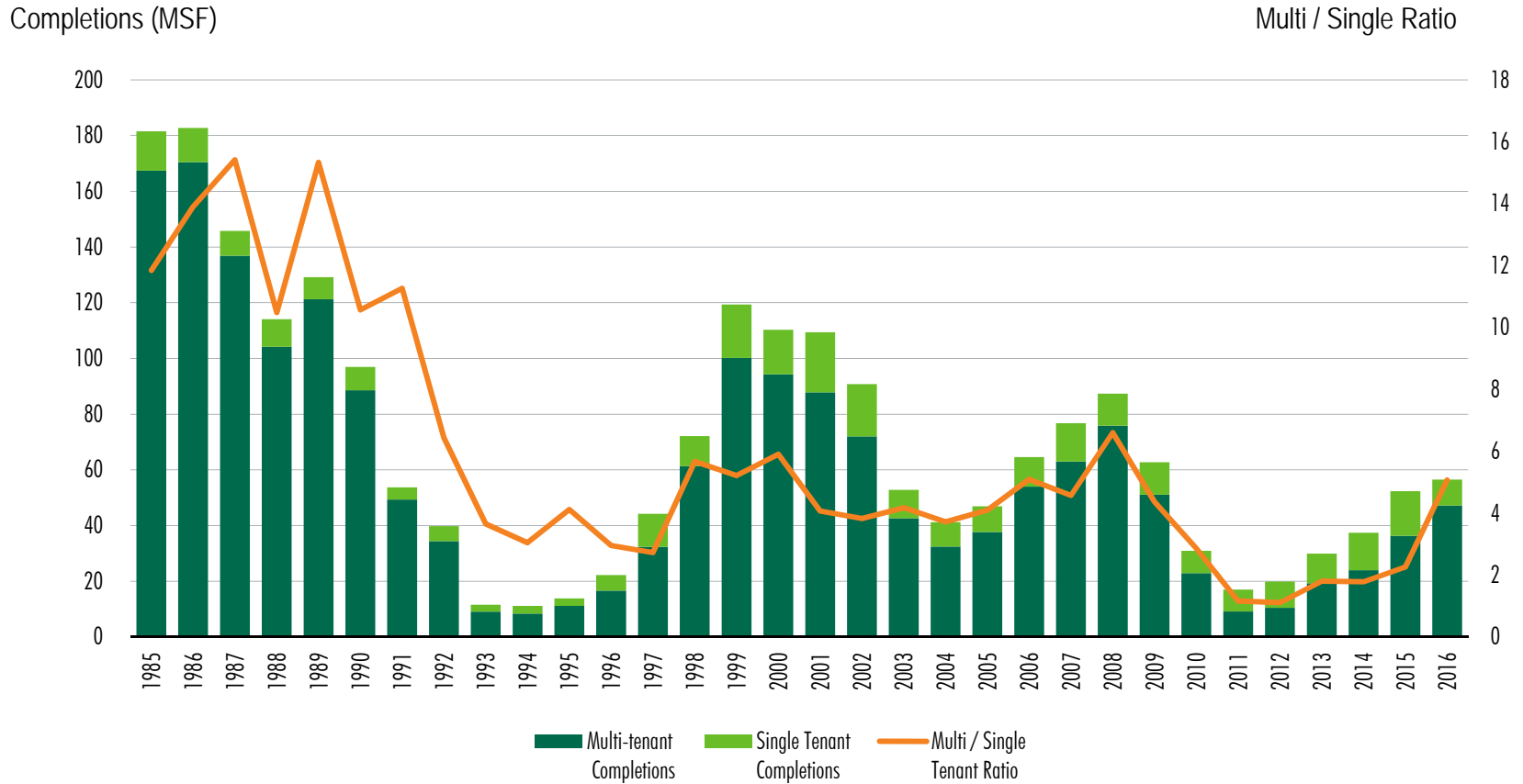


Note: Ranking includes top 20 markets with at least 200,000 office-using jobs as of Q3 2016.

Source: CBRE EA, Q3 2016

# MULTI / SINGLE TENANT COMPLETION RATIO

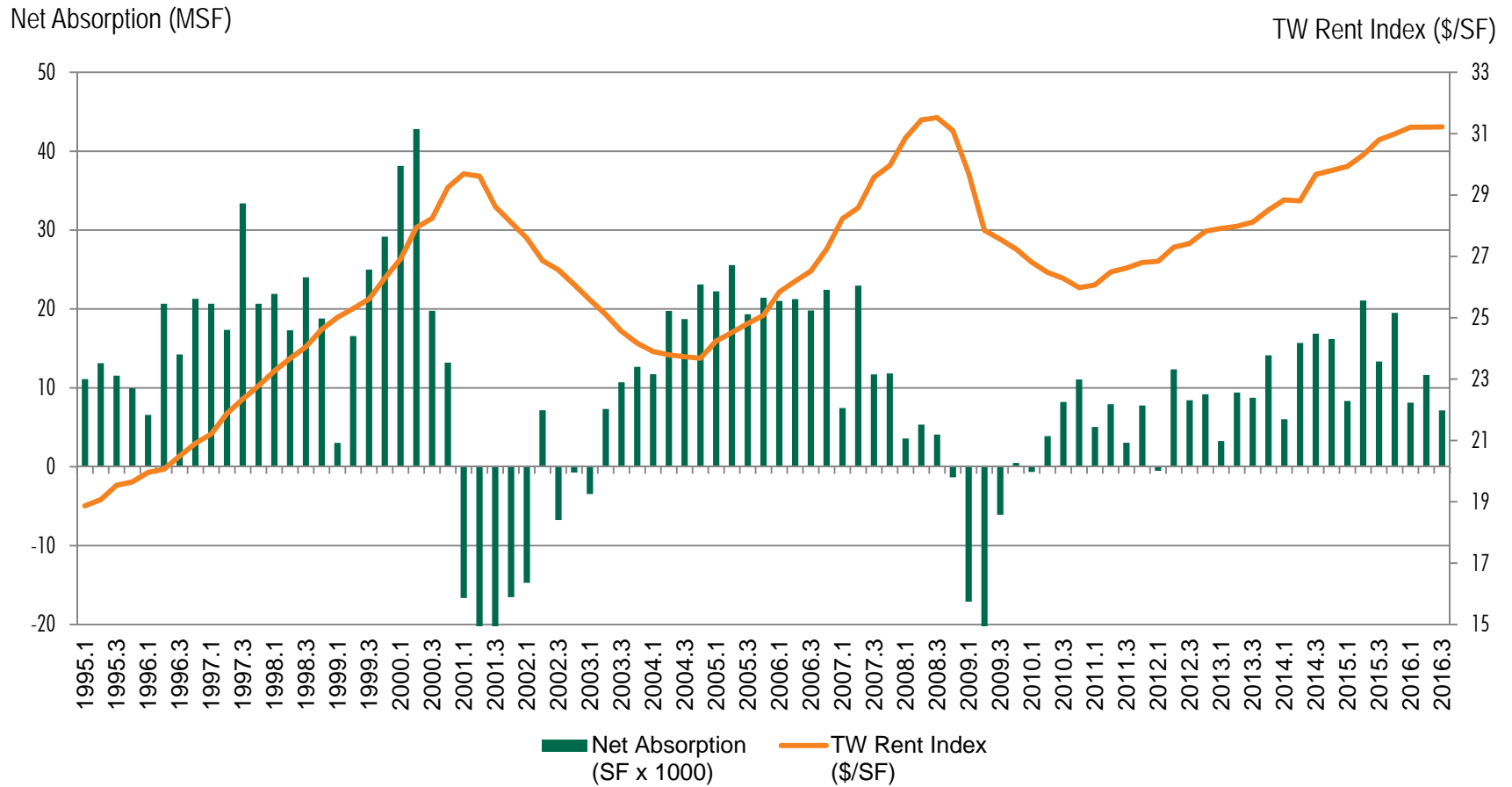
Completion Ratio started to recover in 2016



Source: CBRE Research, Q3 2016

# TW RENT INDEX AND NET ABSORPTION

Q3 2016: No Change in TW Rent Index and Vacancy Rate. Net Absorption is lower than quarter and year ago

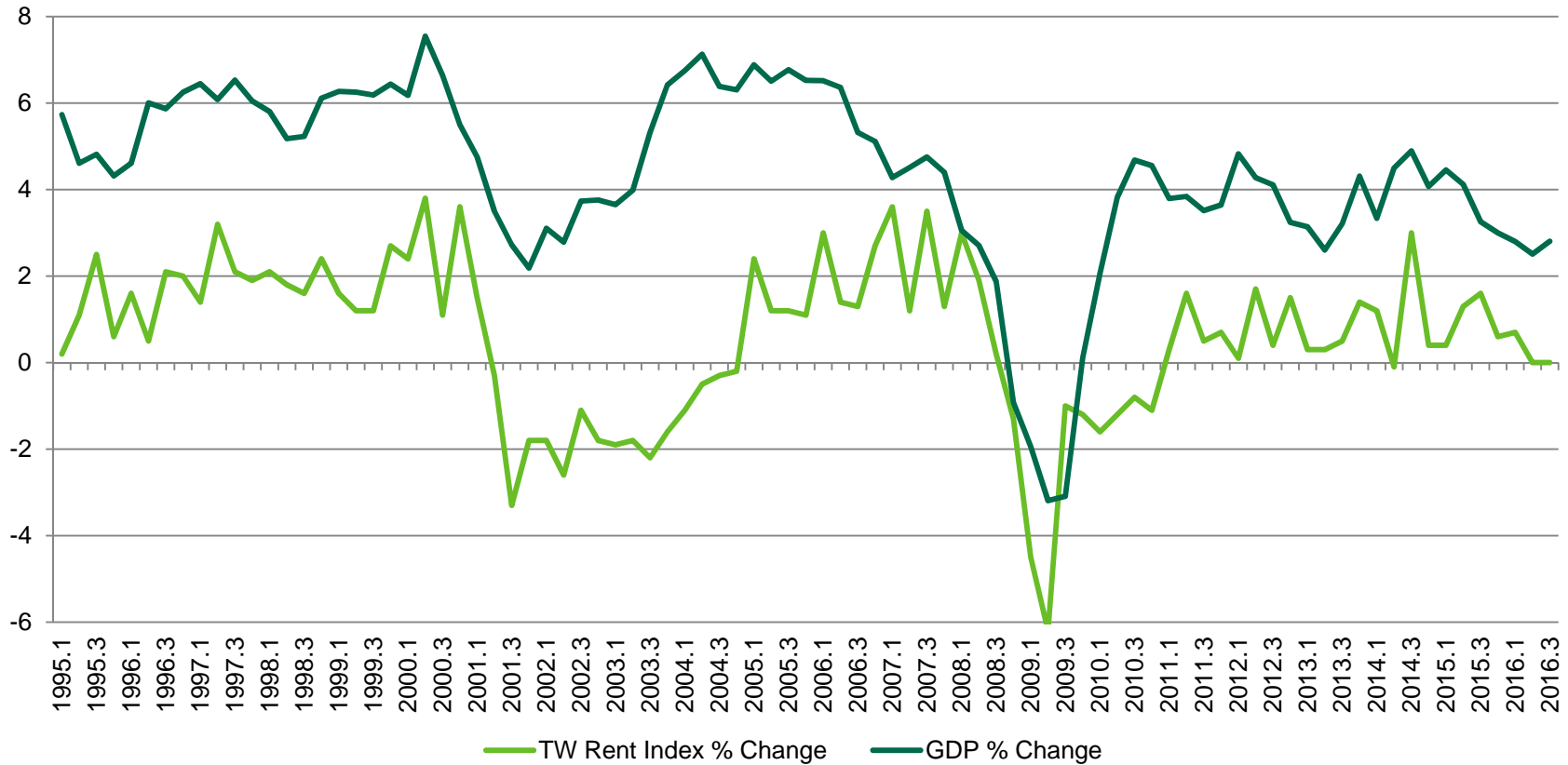


Source: US. Bureau of Economic Analysis, CBRE EA, Q3 2016

# US GDP AND OFFICE TW RENT INDEX GROWTH

Strong positive correlation between GDP growth and the Office Market Rent Index

TW Rent Index, GDP (% Change)



Source: US. Bureau of Economic Analysis, CBRE EA, Q3 2016



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**THANK YOU**

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