CBRE ECONOMETRIC ADVISORS Presents

NEW LANDSCAPE

CBRE AMERICAS RESEARCH CONFERENCE 2017

MYTHBUSTERS: PERCEPTION OR REALITY?

Alex Krasikov, CBRE Research
Julie Whelan, CBRE Research
Andrea Cross, CBRE Research
Mark Gilbreath, LiquidSpace

14 SEPTEMBER 2017

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CITIES ARE PREFERENTIAL TO THE SUBURBS AMONG CORPORATES

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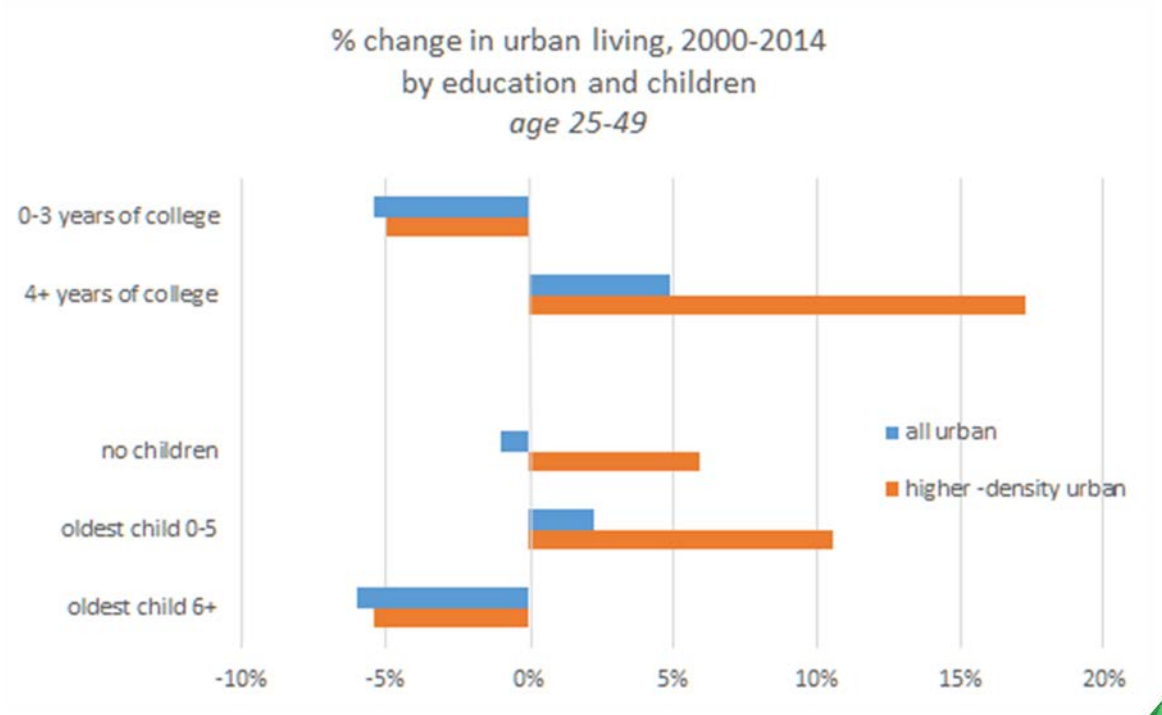
POPULAR NEWS HEADLINES

WHERE IS THE TALENT?



Source: Jed Kolko.com "Urban Revival? Not for most americans?

MILLENIALS ARE GETTING OLDER

"Millenial women age 30-34 now have the highest birth rate"

HIGH GROWTH MARKETS SINCE 2010

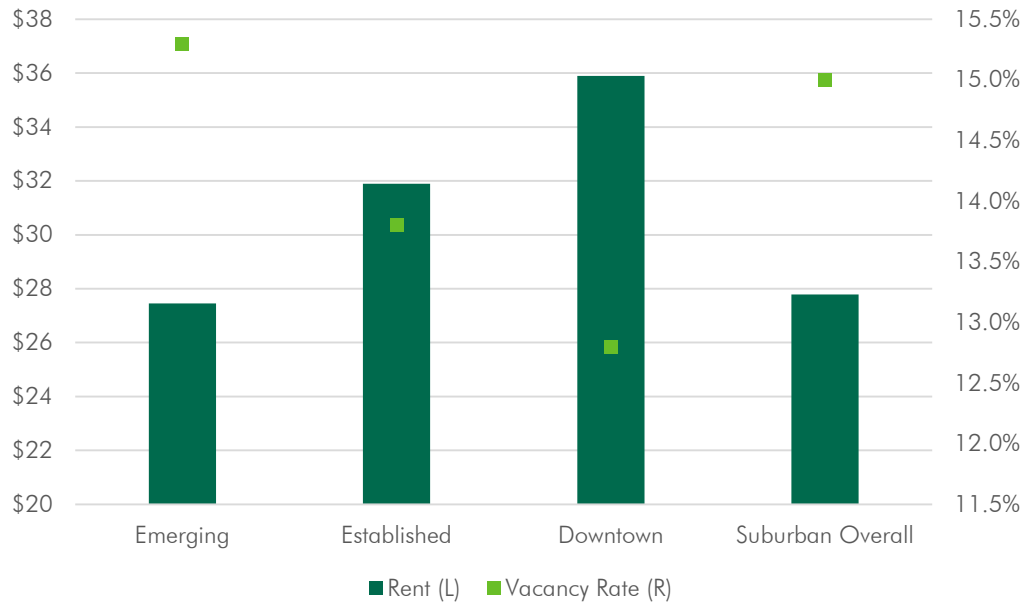
EMPLOYMENT GROWTH

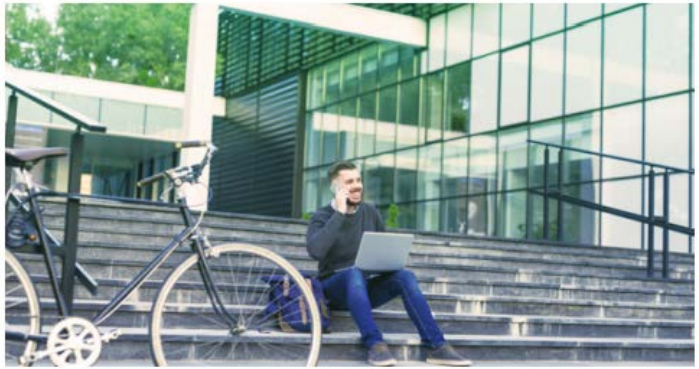
1. Austin, TX (48%)
2. San Francisco, CA (48%)
3. San Jose, CA (46%)
4. Nashville, TN (35%)
5. Dallas, TX (26%)

POPULATION GROWTH

1. Austin, TX (23%)
2. Orlando, Fl (18%)
3. Raleigh, NC (16%)
4. Houston, TX (16%)
5. Dallas, TX (15%)

DOWNTOWN VS. URBAN-SUBURBAN OFFICE PERFORMANCE

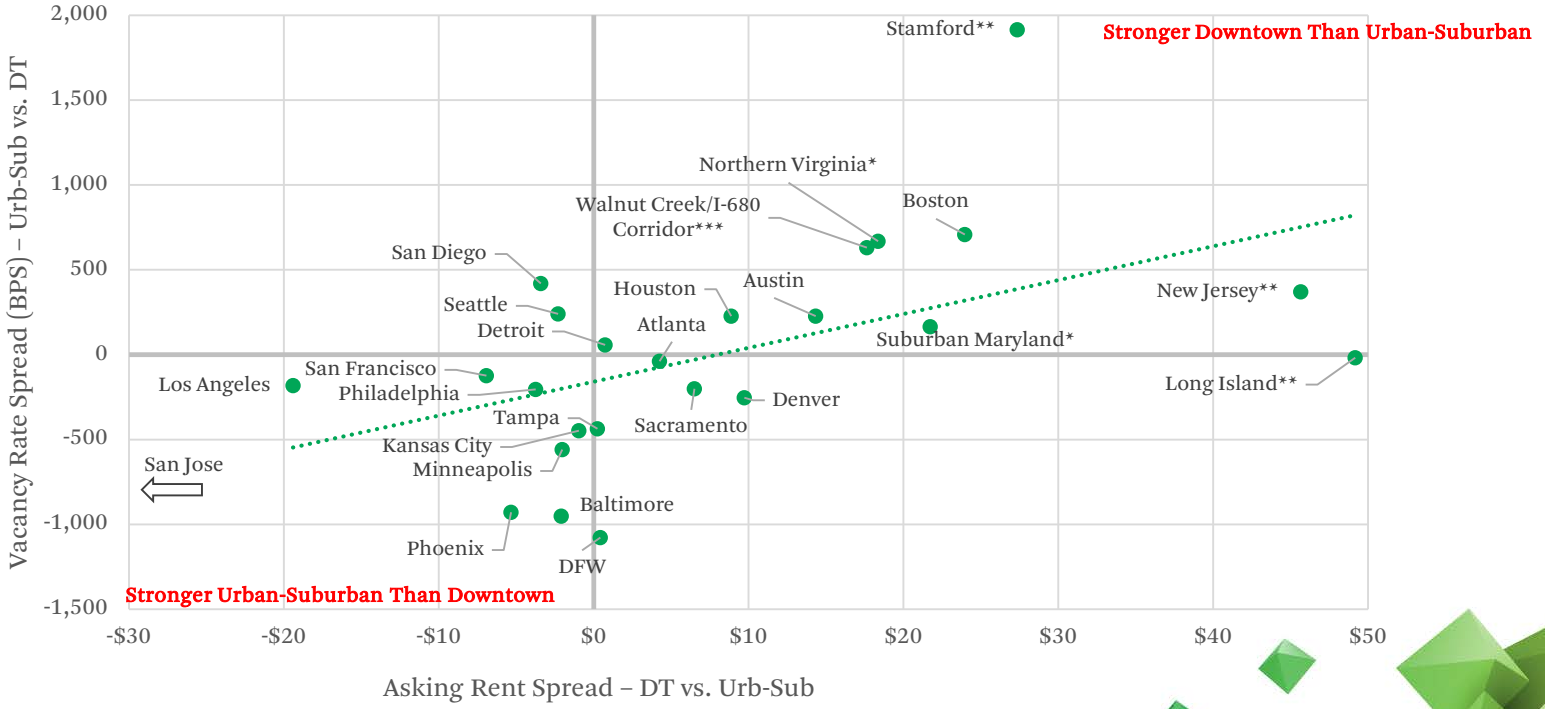




Note: Overall suburban averages include only top 25 largest suburban markets; downtown averages include only the downtown submarkets of the same 25 markets.

Source: CBRE Research, Q1 2017.

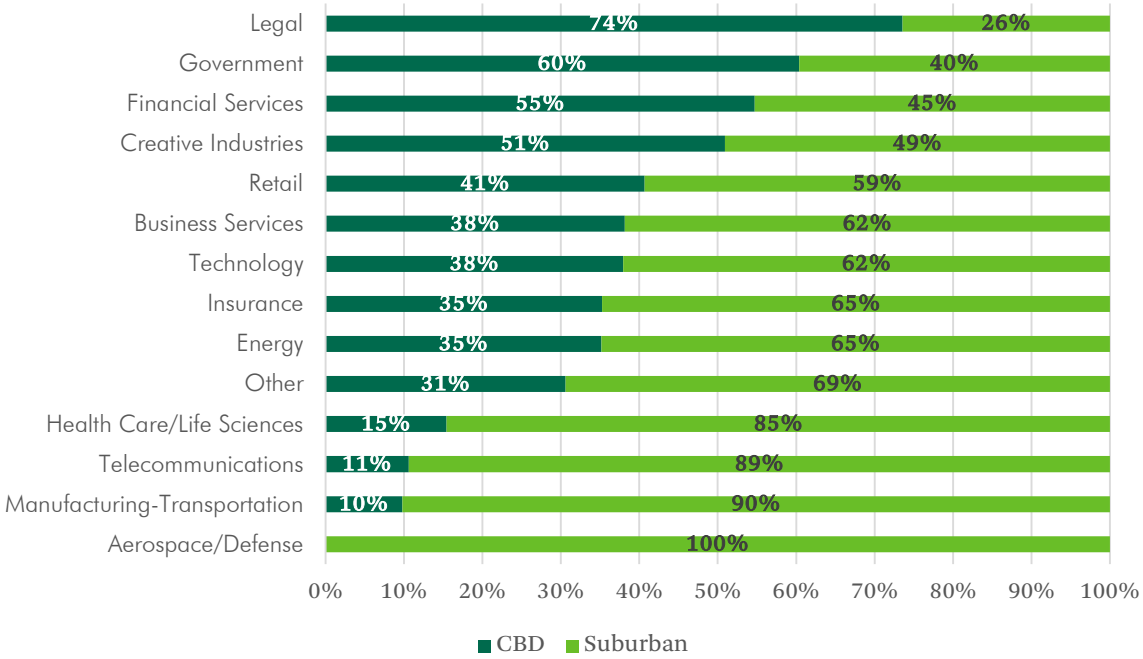
DOWNTOWN VS. URBAN-SUBURBAN OFFICE PERFORMANCE



Note: Slide compares rents and vacancy rates for primary "urban-suburban" submarkets with each metro area's corresponding downtown market
* Downtown rent is for Washington, D.C.; ** Downtown rent is for Manhattan; *** Downtown rent is for Oakland

Source: CBRE Research, Q1 2017.

DOWNTOWN AND SUBURBAN INDUSTRY LEASING, H1 2017



Note: Includes the 25 largest transactions by sq. ft. each quarter for the 54 markets tracked by CBRE Research.
Source: CBRE Research, Q2 2017.

CITIES
PR
C TIES

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MODERN WORKPLACE STRATEGY DELIVERS ON COST MANAGEMENT…….. AT THE EXPENSE OF EMPLOYEES

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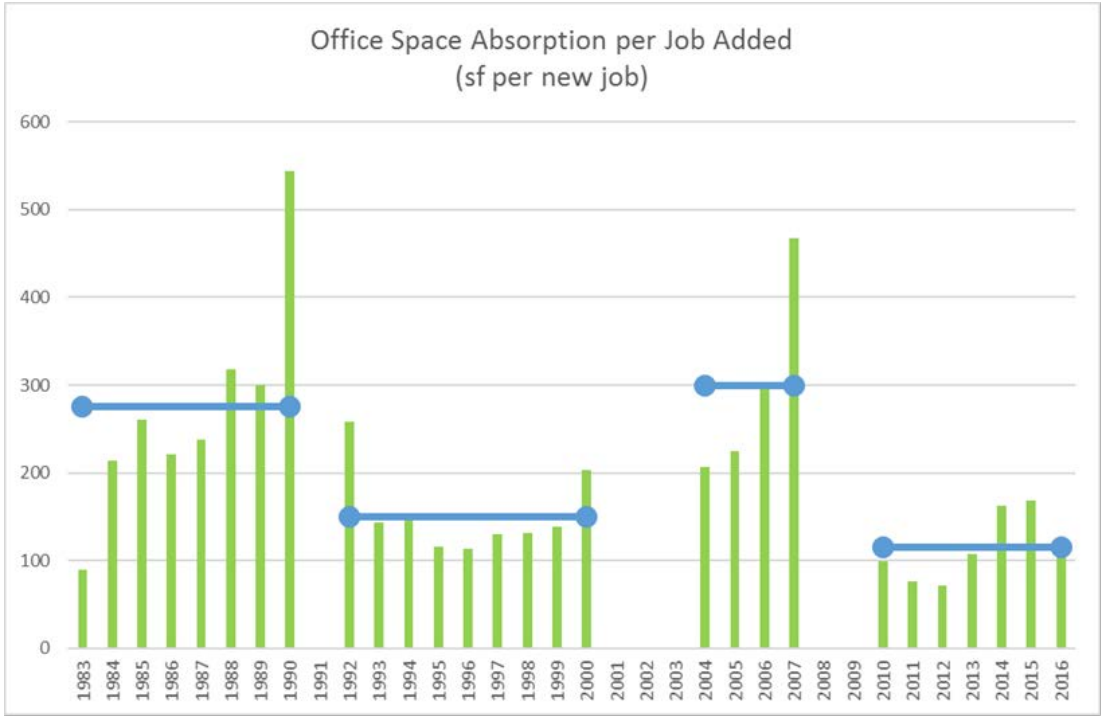
THE INCREDIBLE SHRINKING OFFICE

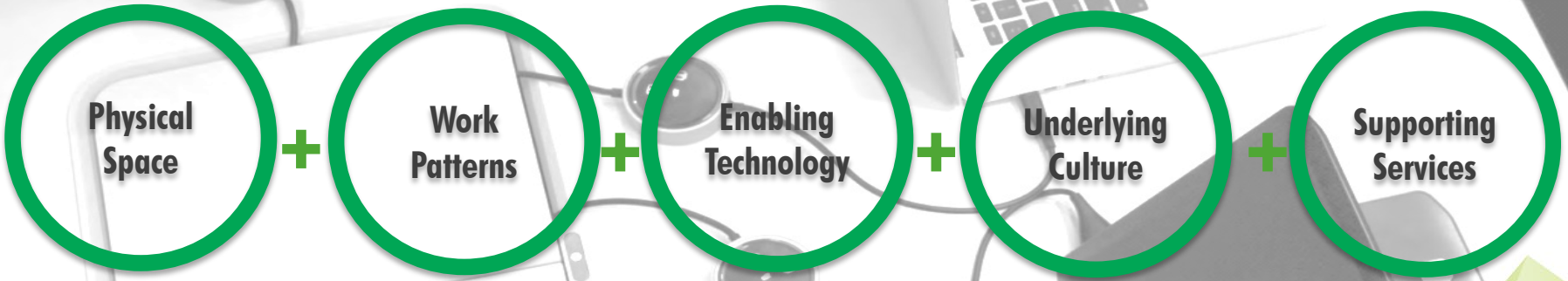


WHY ARE WORKPLACES BEING REINVENTED

Employee Attraction & Retention | Better Collaboration | Cost Savings

WORKPLACE STRATEGY DEFINED

The art and science of creating a work environment that supports how people *actually* work by 5 key factors as part of the overall real estate decision:



OUR PORTFOLIO RESULTS

19
SITES IN THE U.S.

14
SITES IN THE EMEA AND APAC

15+
SITES IN THE PIPELINE

7,000+
EMPLOYEES IMPACTED

1.2M
SF IMPACTED

$13M
SAVED IN OPERATIONAL RENT COSTS

8%
INCREASE IN CAPEX PSF COST LEASE

25%
LESS SPACE (APPROXIMATE)

20%
AVERAGE COST SAVINGS OVER LIFE OF A LEASE

$7.7M
STORAGE SAVINGS (BASED ON SF)

OUR EMPLOYEE RESULTS

71% say they feel healthier in the new environment

80% say they are able to more easily collaborate

83% say Workplace360 has enabled them to work anywhere, anytime

92% say it reflects an investment in our people

93% say they would not go back to the "old" way of working

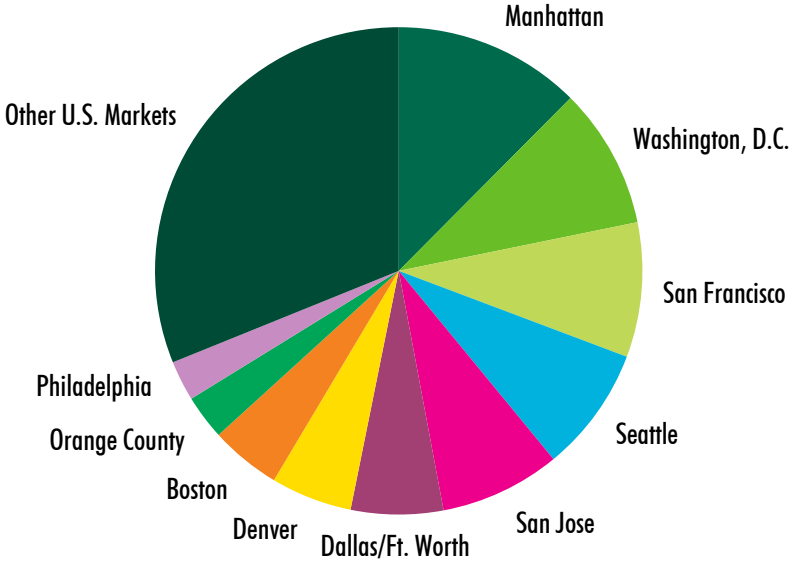
94%

say they are highly satisfied with the new work environment

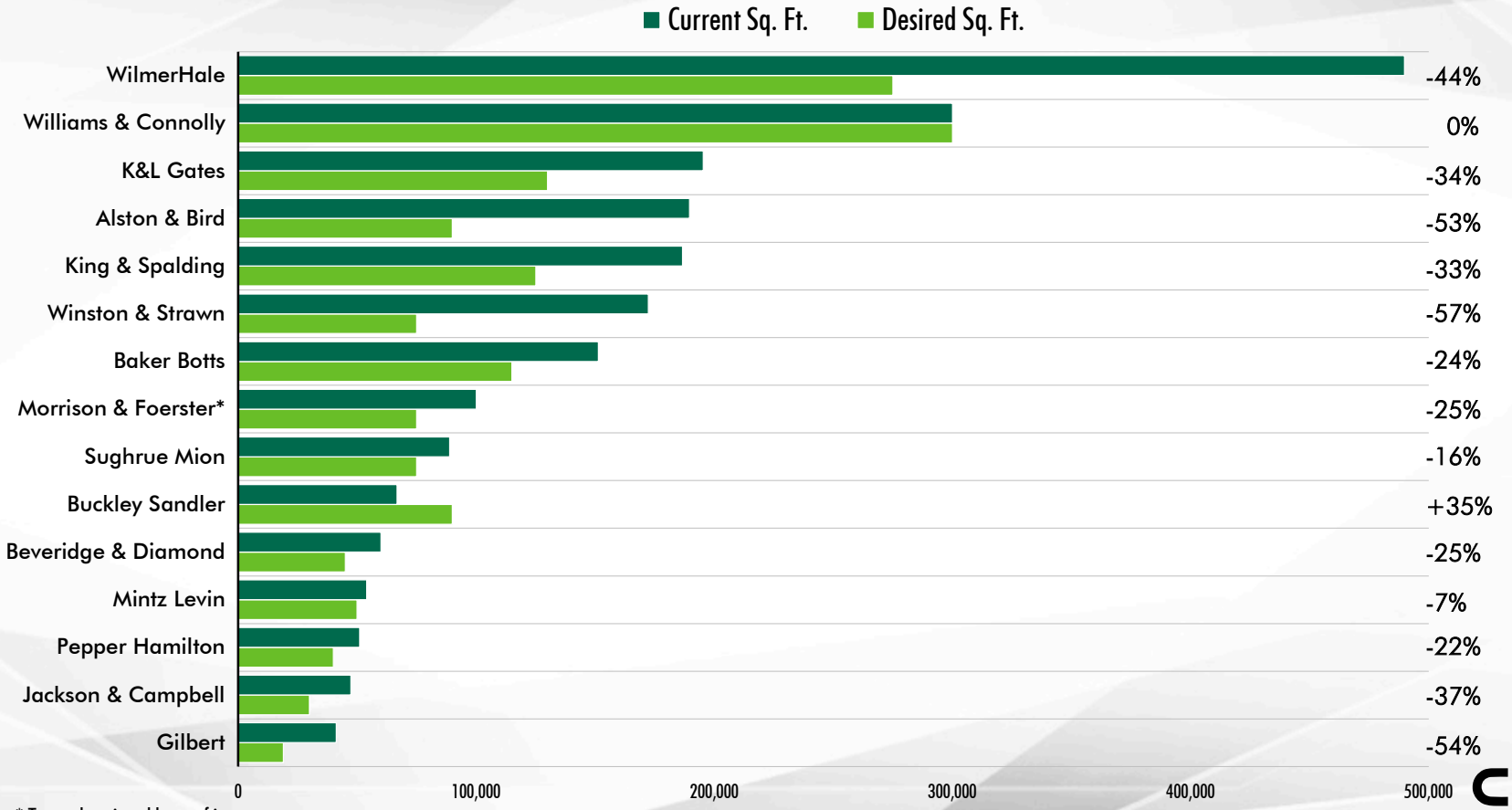
WASHINGTON, D.C. CASE STUDY

WASHINGTON, D.C. METRO RANKS 2ND FOR OFFICE CONSTRUCTION; 68% OF TOTAL IN THE DISTRICT

Share of U.S. Office Sq. Ft. Under Construction – Q2 2017



D.C. LAW FIRMS CURRENTLY IN THE MARKET ARE LOOKING TO REDUCE THEIR OVERALL OCCUPANCY BY *30%*, SHEDDING A TOTAL OF *660,000 SQ. FT.*



* Tenant has signed letter of intent

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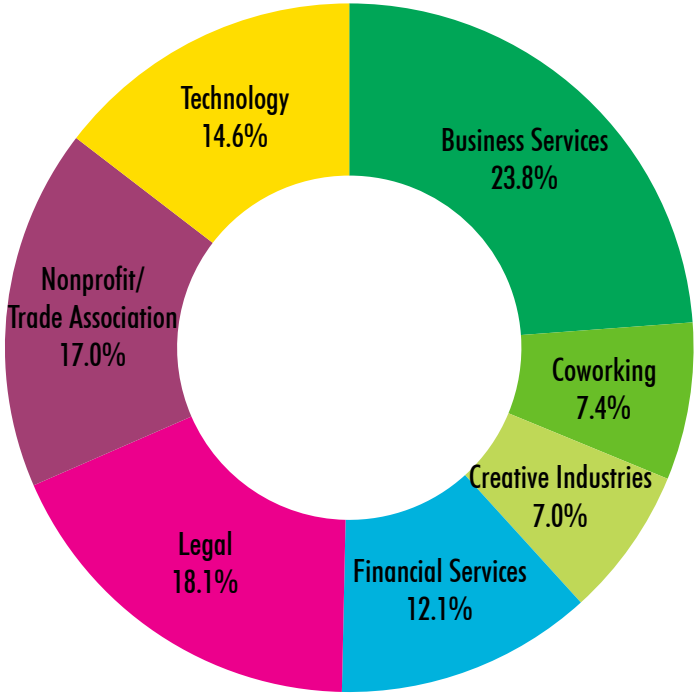
SINCE 2015, 82% OF SECOND-GENERATION D.C. LAW FIRM SPACE HAS BEEN BACK-FILLED BY TENANTS FROM OTHER INDUSTRIES



Recent Examples of Law Firm Vacancy Back-fills

Tenant Name	Address	Sq. Ft. Leased
Confidential Tech Tenant	**575 7th St, NW**	**73,840**
Confidential Tech Tenant	**575 7th St, NW**	**52,703**
Financial Services Institute	1201 Pennsylvania Ave, NW	12,433
FiscalNote	1201 Pennsylvania Ave, NW	38,411
Quinn Emanuel	1300 Eye St, NW	71,931
MacFadden	**555 12th St, NW**	**175,467**
The Aspen Institute	2300 N St, NW	91,395
JLL	2020 K St, NW	68,958
FTI Consulting	**555 12th St, NW**	**93,507**

WHAT HAS BEEN ATTRACTING TENANTS?

LOBBY RENOVATIONS/UPGRADES

FITNESS CENTERS & BIKE ROOMS

ROOF DECKS/TERRACES

CONFERENCE FACILITIES

MODERN W
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REAL ESTATE IS A LONG TERM LIABILITY NOT EASILY ADAPTED TO CHANGING BUSINESS CONDITIONS

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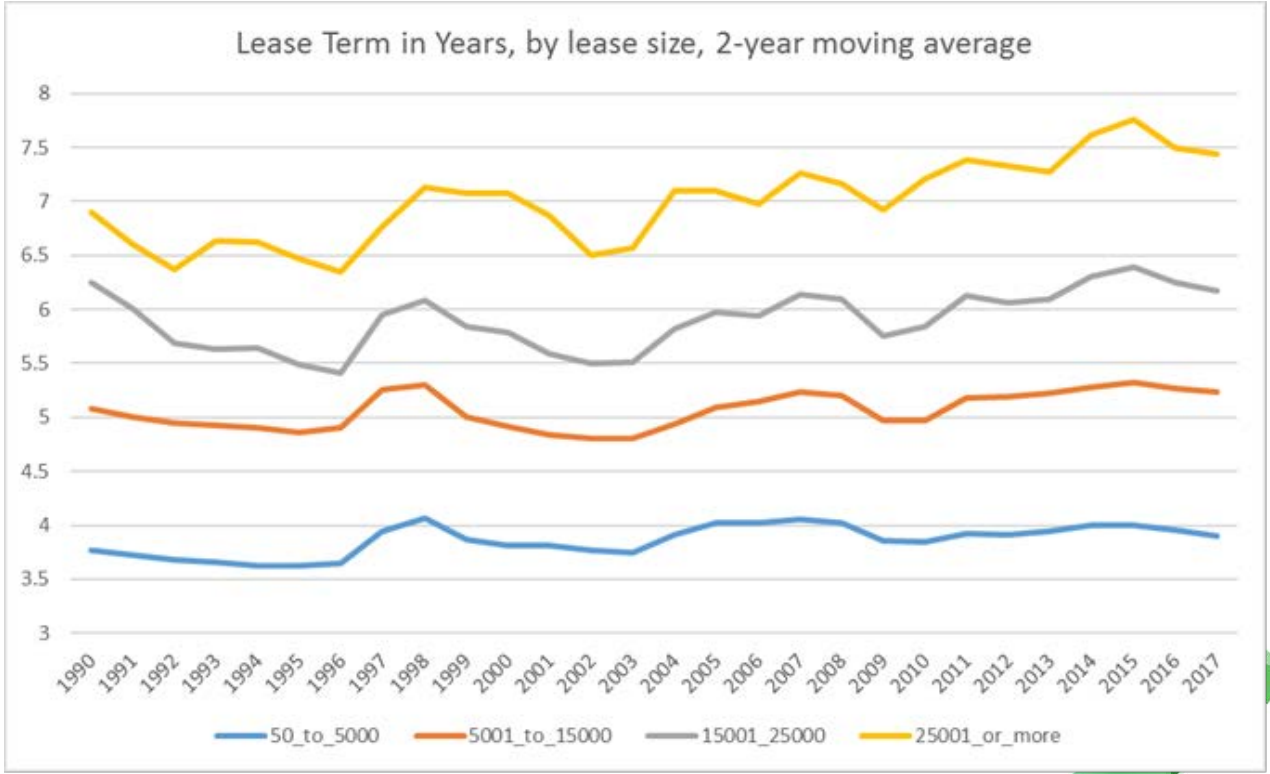
HISTORICAL LEASE TERMS



THE **33-YEAR AVERAGE** TENURE OF COMPANIES ON THE S&P 500 IN 1965 NARROWED TO **20 YEARS IN 1990** AND IS FORECAST TO SHRINK TO **14 YEARS BY 2026**

Source: Innosight, executive briefing Spring 2016

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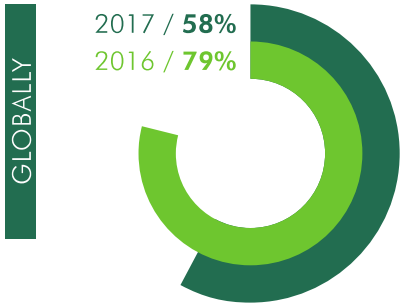
SPACE EFFICIENCY GIVING WAY TO SPACE AGILITY

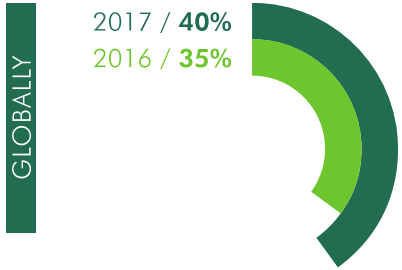
Space efficiency strategies still key to cost management…

% Of respondents citing space efficiency strategy as a top three cost-reduction initiative



…But business agility is gaining importance in workplace strategy

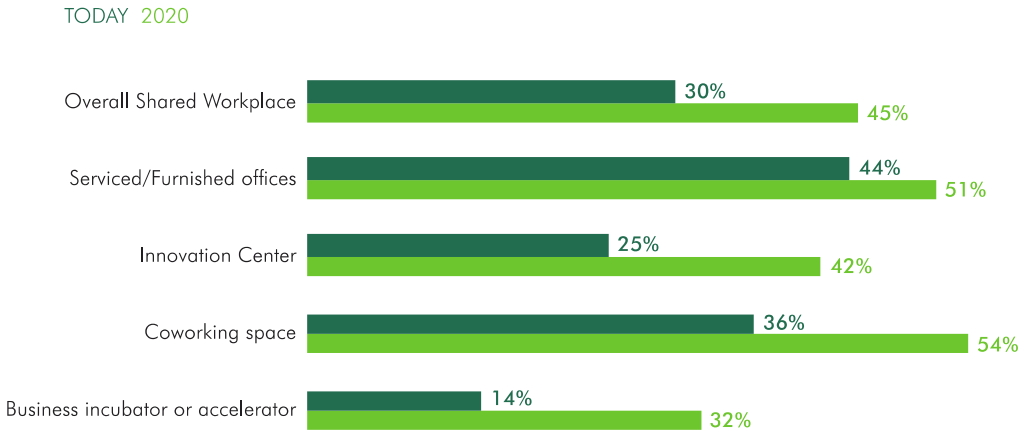
% of respondents that cited business agility as a top three driver of workplace strategy



Source: CBRE Global Occupier Survey, 2017.

THE SHARED WORKPLACE SUPPORTS AGILITY

What type of Shared Workplace do you use today? By 2020?



SHARED WORKPLACE STATS*

374 Unique Operators	1,234 Locations	28 M Sq. Ft.

*across 27 US Markets

REAL
TED
BU
CONDITIONS

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THANK YOU

MYTHBUSTERS: PERCEPTION OR REALITY?

ALEX KRASIKOV | Economist

JULIE WHELAN | Americas Head of Occupier Research

ANDREA CROSS | Americas Head of Office Research

MARK GILBREATH | Founder & CEO, LiquidSpace

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