



1Q14 NATIONAL OFFICE MARKET

Newmark Grubb Knight Frank

WHO'S AFRAID OF WINTER?

Not the office market. Harsh weather, which restrained all manner of commerce, did not show up in U.S. office market data for the first quarter.

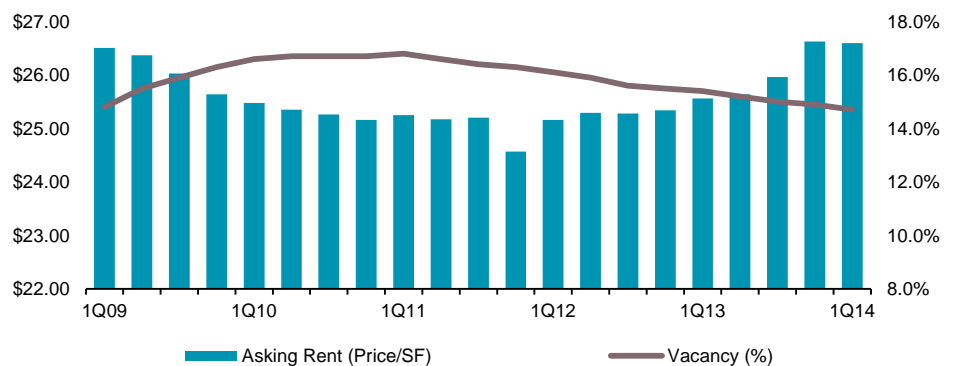
- Net absorption totaling 11.9 million SF was slightly above the quarterly average of 10.3 million SF since 2011. Manhattan, Boston, Atlanta and Dallas absorbed more than 1.0 million SF while metropolitan Washington, D.C., posted 1.2 million SF of negative absorption. Absorption comprised more than 1% of occupied space in Detroit, San Antonio and Atlanta.

- National vacancy ended the quarter at 14.7%, down 20 basis points over the quarter and 70 basis points over the year. This was the lowest level since the fourth quarter of 2008, in the thick of the financial crisis. Three markets posted year-over-year vacancy declines of 200 to 300 basis points (three to four times the rate of tightening in the U.S.): Southern California's Inland Empire, Detroit and Atlanta.

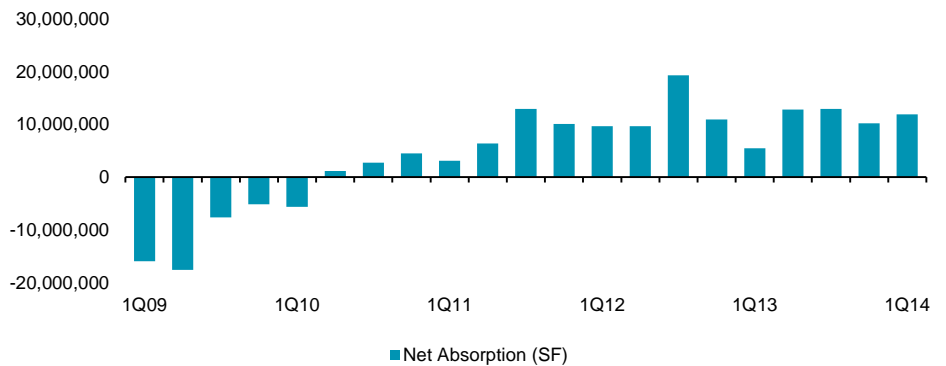
- The quarter ended with nearly 61.7 million SF under construction, the highest level of activity since the first quarter of 2009. Manhattan, Dallas and Houston led the way, all with more than 5.0 million SF in the pipeline. Perhaps more telling is the amount of space in the pipeline as a percentage of the total inventory, i.e. how fast the inventory is expanding. Silicon Valley led in this metric with 6.9%, well above the 2.6% U.S. rate.

- Unlike the other market indices, the average asking rental rate paused in its upward climb, giving up three cents to end the quarter at

Asking Rent and Vacancy



Absorption



Key Indicators			
Total Inventory (SF)	4,700,640,312		
	1Q14	4Q13	1Q13
Asking Rent (Price/SF)	\$26.60	\$26.63	\$25.56
Vacancy Rate (%)	14.7%	14.9%	15.4%
Under Construction (SF)	61,680,600	49,348,010	32,487,295
	1Q14	4Q13	2014-YTD
Net Absorption (SF)	11,849,771	10,170,554	11,849,771
Deliveries (SF)	10,243,404	7,495,691	10,243,404

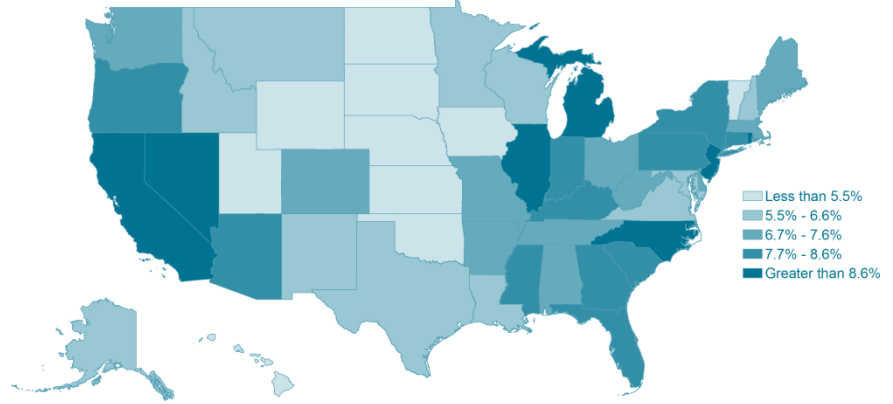


\$26.60 per SF per year, gross. Nevertheless, rents rose 4.1% over the past year. Silicon Valley and San Francisco, the nation's premier technology hub, led all markets with year-over-year gains of 12.6% and 10.6%, respectively, followed closely by Houston (energy).

- Suburban markets, which have lagged their Central Business District counterparts, are catching up: With two-thirds of the total office inventory, the suburbs accounted for 86% of first-quarter absorption and 56% of space under construction. First-quarter vacancy fell 20 basis points in both CBD and suburban markets, ending the quarter at 12.9% and 15.6%, respectively. However, rental rates were softer in the suburbs, with the average declining 26 cents to \$25.14, as the average CBD rent increased 56 cents to \$30.14.

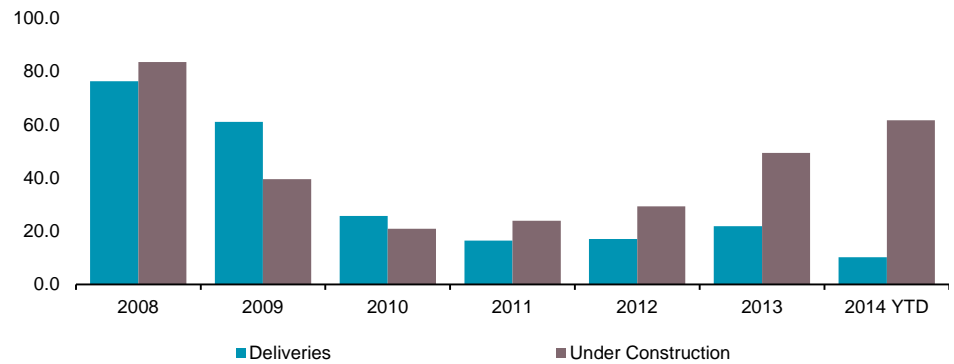
The rate of recovery has been remarkably consistent since vacancy peaked at 16.8% in the first quarter of 2011. Expect the leasing market to tighten further into 2015, at which point conditions may level out as construction begins to catch up with demand.

Unemployment Rate by State



Construction and Deliveries

Square Feet, millions



Select Lease Transactions

Tenant	Building	Submarket	Square Feet
CoBank	6360 S Fiddlers Green Cir	Denver	250,900
American Bureau of Shipping	16855 Northchase Dr	Houston	224,833
New York & Company	330 W 34th St	New York	185,000
Macmillan Science and Education	1 New York Plz	New York	176,000
DLA Piper	444 W Lake St	Chicago	175,000

Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
60 Columbus Cir	New York	1,077,000	\$1,310,000,000	\$1,216
555 12th St NW	Washington D.C.	887,642	\$505,000,000	\$569
28 State St	Boston	572,153	\$355,000,000	\$620
311 S Wacker Dr	Chicago	1,281,000	\$302,400,000	\$236
101 Second St	San Francisco	388,370	\$297,000,000	\$765



Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Qtr Absorption (SF)	YTD Absorption (SF)	*Total Vacancy Rate	Total Average Asking Rent (Price/SF)
Atlanta	143,477,449	1,081,300	1,336,408	1,336,408	19.5%	\$20.54
Austin	59,083,738	2,206,686	144,098	144,098	12.1%	\$29.32
Baltimore	84,197,175	192,000	659,591	659,591	13.5%	\$21.29
Boston	178,021,452	2,939,661	1,426,357	1,426,357	11.9%	\$35.00
Broward County	32,076,199	0	97,130	97,130	15.5%	\$23.85
Central Arkansas	13,998,761	0	22,711	22,711	11.3%	\$13.16
Charlotte	67,003,645	326,182	125,598	125,598	13.8%	\$20.37
Chicago	248,355,331	1,050,000	43,593	43,593	17.9%	\$26.23
Cincinnati	58,142,136	708,576	162,206	162,206	17.1%	\$15.24
Cleveland	39,442,970	0	101,049	101,049	19.1%	\$17.50
Columbus	53,504,617	677,531	172,808	172,808	12.4%	\$16.36
Dallas	230,715,065	5,565,166	1,225,490	1,225,490	19.0%	\$21.08
Delaware	16,835,390	0	24,822	24,822	19.4%	\$23.52
Denver	91,888,894	1,402,979	455,945	455,945	15.3%	\$22.21
Detroit	71,838,846	0	964,071	964,071	23.1%	\$18.51
Fairfield County	45,700,426	167,691	-32,726	-32,726	19.2%	\$34.05
Fresno	19,539,946	16,500	-50,826	-50,826	14.6%	\$19.68
Houston	156,099,044	6,974,370	133,405	133,405	18.4%	\$26.39
Indianapolis	58,241,544	132,991	-70,534	-70,534	12.5%	\$16.94
Inland Empire	28,272,030	58,000	194,809	194,809	17.2%	\$19.20
Jacksonville	33,419,925	210,000	70,717	70,717	17.6%	\$17.32
Kansas City	79,615,011	405,175	176,674	176,674	14.6%	\$17.09
Las Vegas	37,125,790	500,000	258,267	258,267	24.0%	\$19.32
Long Island	55,997,375	163,799	-134,307	-134,307	12.1%	\$26.13
Los Angeles	190,886,430	587,524	635,346	635,346	16.3%	\$31.44
Manhattan	447,440,324	8,117,742	1,571,423	1,571,423	8.8%	\$62.46
Memphis	33,024,467	376,117	105,612	105,612	15.7%	\$16.57
Miami	46,905,548	0	126,916	126,916	16.3%	\$30.45
Milwaukee	46,541,197	233,100	266,161	266,161	13.3%	\$16.11
Minneapolis	129,620,501	1,031,301	-45,413	-45,413	11.8%	\$16.94
Nashville	48,694,221	693,751	185,112	185,112	9.8%	\$19.93
New Jersey Northern	219,784,819	777,143	589,930	589,930	19.0%	\$24.33
New Jersey Southern	17,710,916	0	-104,637	-104,637	17.5%	\$21.03
Northwest Arkansas	10,391,447	28,000	76,015	76,015	9.3%	\$11.12
Oakland/East Bay	73,567,077	0	-33,707	-33,707	13.5%	\$23.70
Oklahoma City	14,783,923	0	15,166	15,166	20.0%	\$15.01
Orange County	88,611,406	843,541	-246,387	-246,387	13.6%	\$23.52
Orlando	68,041,727	0	74,261	74,261	12.0%	\$20.01
Palm Beach	25,875,649	0	34,611	34,611	20.5%	\$27.90
Philadelphia	106,496,375	1,120,836	-59,150	-59,150	16.6%	\$25.27
Phoenix	70,752,687	1,840,520	352,778	352,778	23.4%	\$20.85
Pittsburgh	52,247,152	2,111,456	-62,009	-62,009	15.2%	\$20.99
Portland	53,261,861	273,000	104,536	104,536	11.5%	\$21.32
Raleigh/Durham	59,394,155	1,029,454	304,819	304,819	14.0%	\$19.92
Sacramento	66,071,090	222,775	-6,377	-6,377	21.5%	\$21.60
Salt Lake City	30,182,215	772,750	-35,317	-35,317	10.6%	\$20.09
San Antonio	27,025,658	147,765	299,305	299,305	13.7%	\$20.57
San Diego	69,405,897	625,952	681,111	681,111	13.6%	\$26.88
San Francisco	85,212,365	3,458,479	236,334	236,334	6.1%	\$56.66
Seattle	109,321,009	3,030,323	155,441	155,441	13.3%	\$28.49
Silicon Valley	66,924,301	4,585,006	242,798	242,798	12.2%	\$36.36
St. Louis	80,603,988	405,000	-130,567	-130,567	16.0%	\$18.21
Tampa/St. Petersburg	64,184,143	0	321,857	321,857	16.7%	\$20.47
Washington, D.C.	360,686,031	4,208,458	-1,200,267	-1,200,267	15.9%	\$36.39
Westchester County	34,398,974	382,000	-113,286	-113,286	16.7%	\$25.69
National	4,700,640,312	61,680,600	11,849,771	11,849,771	14.7%	\$26.60

*Certain NGKF local market reports customarily display availability rates instead of vacancy rates due to local convention. While this U.S. report quotes vacancy rates, the numbers may differ slightly from NGKF local reports that quote availability rates.

RESEARCH



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Glossary of Terms

Absorption

A measure of the change in occupied space

Availability

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

Deliveries

The total RBA of properties added to the inventory once construction has been completed

Direct Space

Available space offered for lease by the building owner, landlord, or owner representative

Leasing Activity

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

Occupancy

Any space physically occupied by a tenant, regardless of lease status of the space

Rentable Building Area (RBA)

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

Sublet Space

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

Under Construction

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

Vacancy

Space not physically occupied by a tenant, regardless of the lease status or availability of space

Weighted Average Rent

The asking dollar amount for the use of available space, weighted by size--the average does not include negotiable or unpublished rates and is reported as full service including operating costs

Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet in total rentable building area. Owner occupied buildings are not included in the inventory.

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