



The Lee Office Brief

Q3
2015

Click below. Interactive tabs

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- 4 SIGNIFICANT TRANSACTIONS
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104%
increase
 in transaction
 volume over 5 years

\$10 billion
transaction volume
 2014

800
agents
 and growing
 nationwide

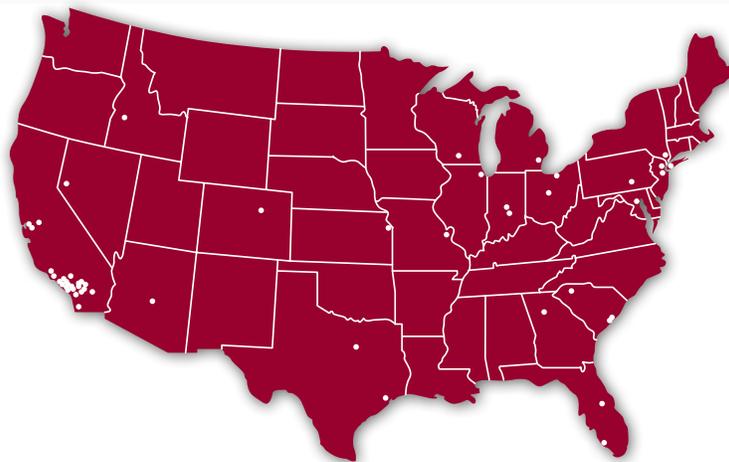
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Our agents understand real estate and accountability. They provide an integrated approach to leasing, operational efficiencies, capital markets, property management, valuation, disposition, development, research and consulting.

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**NATIONWIDE
 LOCATIONS**

Eastern Pennsylvania, PA · Columbus, OH · Houston, TX · Denver, CO · Cleveland, OH · Long Island-Queens, NY · Chesapeake Region, MD · Charleston, SC · Edison, NJ · Orlando, FL · Fort Myers, FL · Kansas City, KS · Manhattan, NY · Greenville, SC · Atlanta, GA · Greenwood, IN · Indianapolis, IN · Long Beach, CA · Elmwood, NJ · Boise, ID · Palm Desert, CA · Santa Barbara, CA · Antelope Valley, CA · Dallas, TX · Madison, WI · Oakland, CA · Reno, NV · San Diego, CA · Ventura, CA · San Luis Obispo, CA · Southfield, MI · Santa Maria, CA · Calabasas, CA · St. Louis, MO · Chicago, IL · Victorville, CA · Temecula Valley, CA · Central LA, CA · Sherman Oaks, CA · West LA, CA · Pleasanton, CA · Stockton, CA · Phoenix, AZ · Carlsbad, CA · Industry, CA · Los Angeles, CA · Riverside, CA · Ontario, CA · Newport Beach, CA · Orange, CA · Irvine, CA

US OFFICE MARKET

SOLID AND STEADY IN Q3

The US office market recorded another vacancy decline of 10 basis points to 10.6% in Q3, after posting 10 point declines in each of the three previous quarters. However, most of the activity is concentrated in a handful of major markets, with secondary markets across the country making more modest gains. In the past four quarters, the overall vacancy rate has moved down by 30 basis points, and with so much of the activity concentrated in bigger transactions, larger blocks of space are becoming harder to find in hot markets like San Francisco and New York where growth in the TAMI sector has boosted job creation and sent rents to record highs.

ECONOMIC DRIVERS

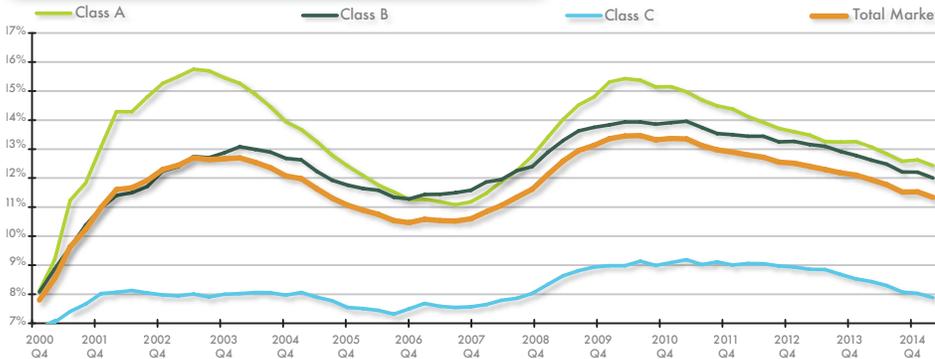
Click below for info on...

- [GDP GROWTH](#)
- [EMPLOYMENT](#)
- [MONETARY POLICY](#)



[SKIP AHEAD TO MARKET SNAPSHOTS](#)

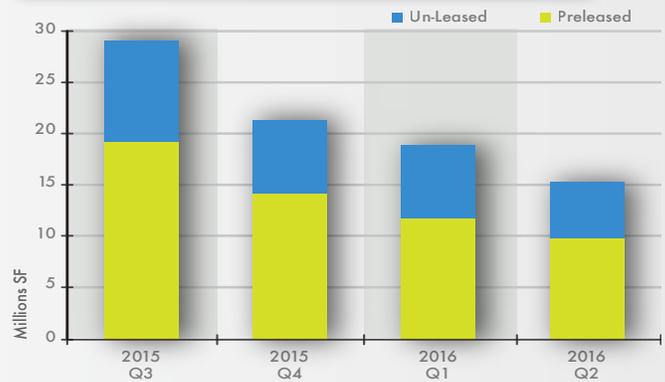
VACANCY RATES BY CLASS 2000-2015



The construction of new office product has been surprisingly consistent. In each of the past four quarters, deliveries came in between 18 and 20 million square feet. In Q3, 321 buildings totaling 18.8 million square feet were added to the US office base, which now stands at nearly 10.6 billion square feet. Another 139.7 million square feet was underway by the end of Q3. Given vacancy's gradual and consistent decline, it appears that new construction is balanced well with overall leasing activity. Central Business Districts in both primary and secondary markets are seeing the most development activity. Urban cores offer the population density for developers to be successful in building mixed-use projects with a balance of office, retail and residential components, a factor that is attractive to the growing millennial workforce. Speculative development activity is still strong due to optimistic forecasts for rent growth and net absorption, but in secondary

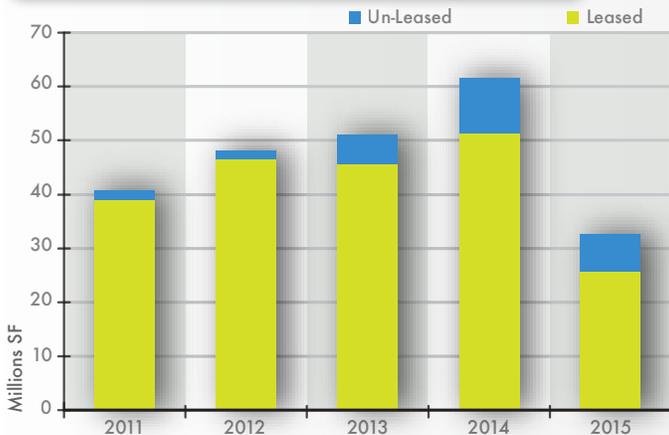
FUTURE DELIVERIES

PRE-LEASED & UN-LEASED SF IN PROPERTIES SCHEDULED TO DELIVER



RECENT DELIVERIES

LEASED & UN-LEASED SF DELIVERIES LAST 5 YEARS



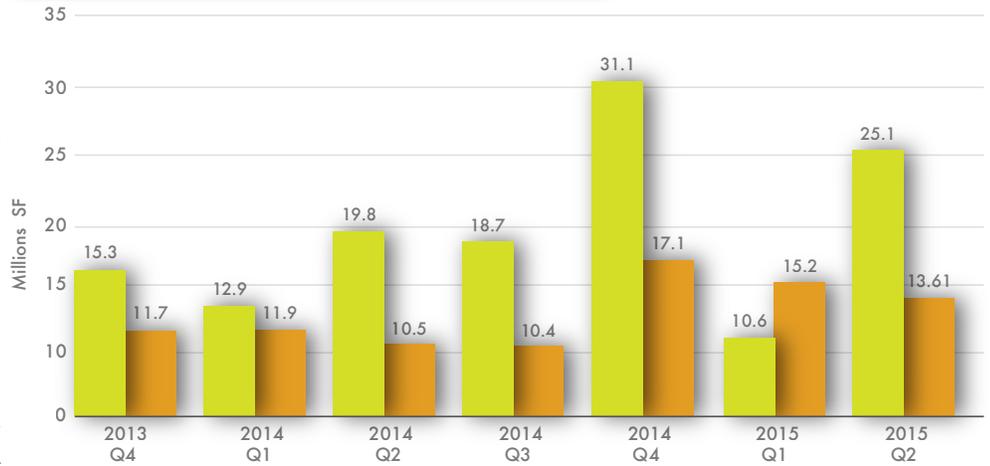
markets lenders are more insistent on substantial pre-lease commitments to fund new projects. Energy markets like Houston, which was seeing strong development activity, are now experiencing a hold on new projects, as developers wait for the end of the energy slump.



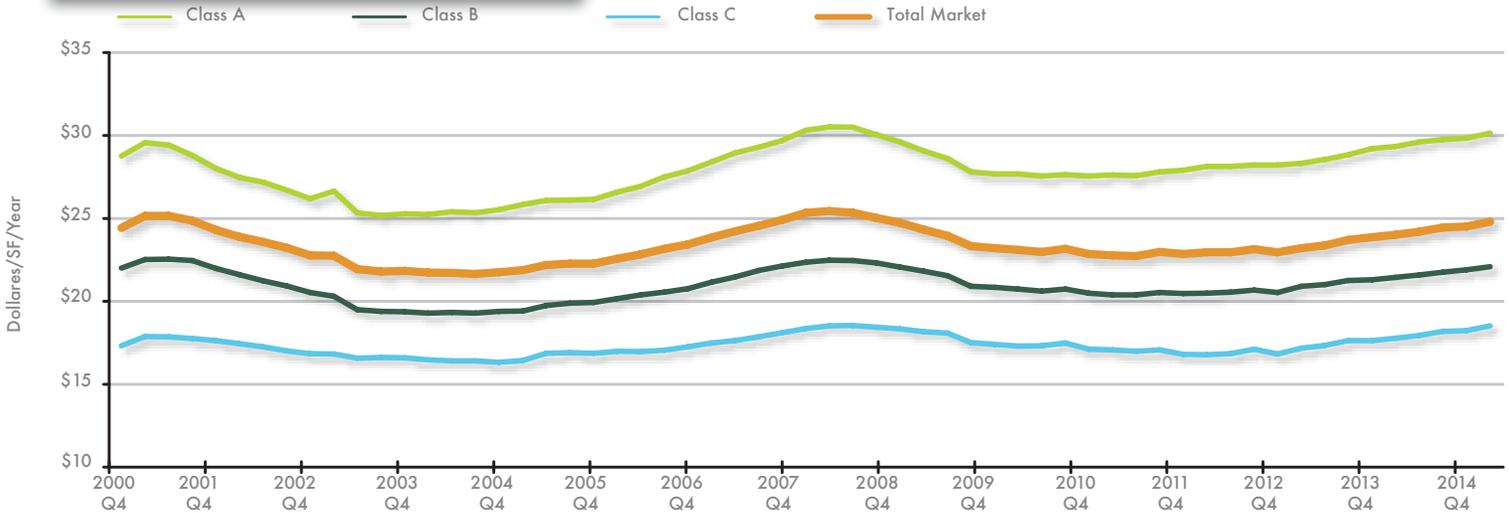
National Economic Overview

Net absorption has also been consistently positive. In Q3 the gain in occupied space hit almost 35.7 million square feet, following a 30.54 million square feet in Q2. In the past four quarters nearly 117 million square feet of net absorption has been recorded. It is important to note, however, that big build-to-suit deals have accounted for a significant chunk of net absorption in energy markets year-to-date. That activity has come to a temporary halt, which will impact absorption going forward. Class A space accounted for just over half the net absorption total for the quarter, just as it did in Q2. Users across the board are looking to gain greater efficiencies by leveraging communication technologies and move to more open space design to reduce the square footage allocated to each employee. This allows them to pay more per square foot for higher quality locations that offer the amenities preferred by their workers.

ABSORPTION & DELIVERIES PAST 7 QUARTERS



HISTORICAL RENTAL RATES 2000-2015 BASED ON FULL-SERVICE EQUIVALENT RENTAL RATES



Average asking lease rates for the US moved up another \$.19 in Q3 to \$23.09 per square foot. While rent increases were recorded in most markets around the US, bigger markets with concentrations of TAMI and healthcare services firms are seeing rents move up faster, especially in more urban locales. As a result, markets like Seattle and San Francisco have been experiencing big rent spikes recently, while energy-based markets like Houston are seeing rent growth level off and vacancy move up due to higher amounts of sublease space.

Sales activity across the full spectrum of office product has been and remains robust. Institutions and private investors both large and small, foreign or domestic, are bullish on the long term potential of the office sector in terms of occupancy and rent growth. Cap rates have fallen to historic lows with prime office properties trading below 5%. Foreign buyers keep money flowing into the US because of the stability of our economy relative to the rest of the world. This has put further pressure on cap rates for office properties in both primary and secondary markets. The tolerance for risk has gone up as a result and investors at all levels are showing more interest in value-add opportunities that might offer higher yields. This has given secondary markets a big boost, and even though cap rates are higher than markets like New York, Los Angeles and San Francisco, they are moving lower across the board.

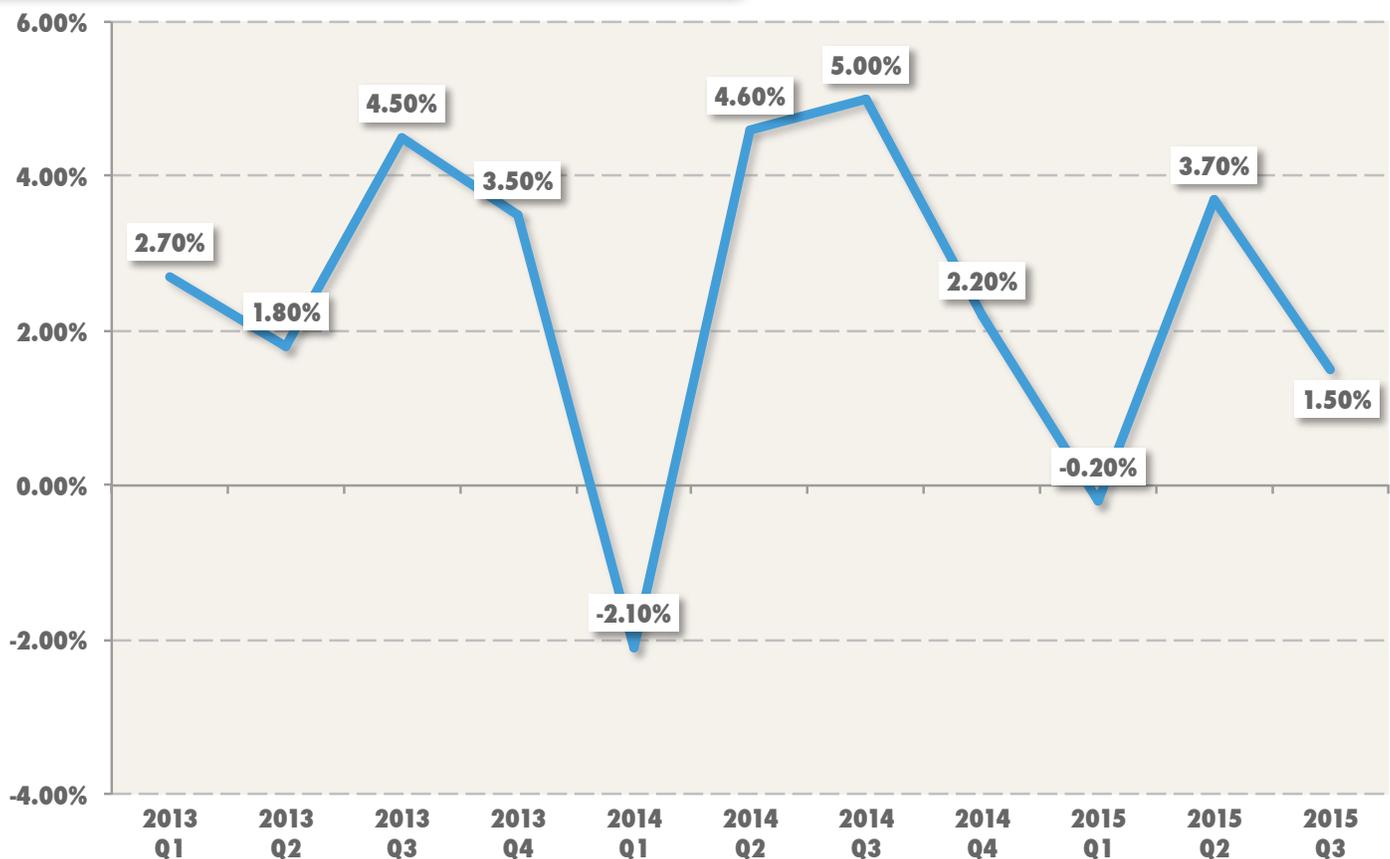
A LOOK AHEAD. The US office market should remain strong going into 2016. Overall growth for office-using businesses is broad-based and current market metrics generally point to further gains for the overall office market. But, job growth is what drives net absorption and the last few jobs reports for the US have been disappointing. After averaging over 200,000 new jobs per month for more than a year, August and September reported less than 150,000 new positions for those two months. With major layoffs in the energy sector becoming commonplace, other sectors will have to pick up the hiring pace to keep things moving forward in the longer term. It's too early to tell just yet if overall job growth is slowing in the long term, but industry experts are beginning to talk more openly about the next market peak coming sooner rather than later.

Despite that chatter, average asking lease rates continue to move higher, vacancy keeps moving lower and net absorption remains positive in all but a very few markets. Developers are showing enough restraint not to overbuild and lenders are sticking to rigorous underwriting criteria. But, there is no denying that the current recovery lacks momentum and the global economy has temporarily stalled out. That breeds uncertainty and uncertainty leads to delays in expansion plans for businesses big and small. The next few jobs reports will give us a better handle on the direction of the office market for 2016 and beyond.

GDP GROWTH

The nation's total output of goods and services has been and remains choppy and that has investors taking a cautionary stance. Concerns over a variety of issues that could negatively impact GDP rattled the equities markets into a big selloff early in Q3, though the major indexes recovered most of the losses by the end of the quarter. Volatility has been on the rise, as investors scrutinize and react quickly to a wide variety of economic indicators, and GDP is front and center. After dismal first quarter growth, the economy bounced back in Q2,

QUARTER-TO-QUARTER GROWTH IN REAL GDP



much as it did for the same period in 2014. But that bounce was not as big as it was last year, and the first estimate for Q3 of 2015, released on October 29th, came in at just 1.5%, well below the 5.0% rise in US output we saw in Q3 of 2014. There is just no denying that the economy is still struggling to keep momentum. Consumer spending, which accounts for roughly 70% of GDP, did improve in Q3, but not enough to offset a drastic drop in inventories, which were less than half of the total reported last quarter. Exports fell in Q3, which is no surprise given the strength of the US Dollar against the world's other currencies. US goods and services are more expensive abroad and conversely, goods imported to the US are getting cheaper. The most recent report on import prices showed a 1.3% decline. Yet, despite lower prices, imports also fell in Q3, neutralizing the effect of lower exports on GDP performance.

EMPLOYMENT

Through the first half of the year, the news regarding job creation was looking good, with the US adding an average of well over 200,000 jobs per month. Unfortunately, August's total dipped to 136,000 and September came in at just 142,000. The dip was largely unexpected and it has wary investors wondering whether or not the recovery will stall out. The unemployment rate held steady at 5.1% in September and the number of unemployed persons was little changed at 7.9 million. The biggest job gains were seen in the healthcare, information and business services sectors. However, changes wages remained stagnant in September, losing a penny to \$25.09.

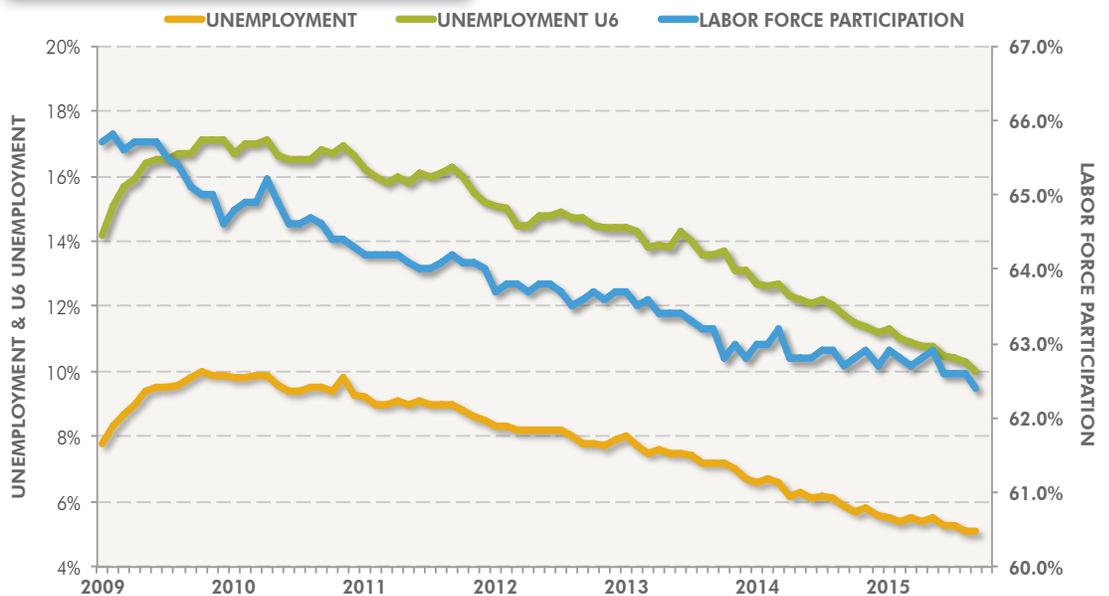
The proportion of part time positions remains a problem, as well. Businesses uncertain about the economy in the near term have been hiring part time and temporary workers to enable a quicker response to changing markets. The U-6 Unemployment Rate, which includes those workers who are working part time but would prefer full time employment, stood at 10.8% by end of September, down 10 basis points since the end of Q2. Over 6 million workers still fall into this category.

The Labor Participation Rate, which many believe is a more accurate indicator of the true state of the job market, was down again in Q3. This metric measures the percentage of those eligible for

employment between the ages of 16 and 64 who are currently working. The lack of new jobs and the early exit of Baby Boomers from the workforce have combined to drop this key metric to a four decade low of 62.4% in September a decline of 30 basis points since June.

Wage growth has become a growing concern over the past year. Even though, net job gains have lowered the unemployment rate to a post-recession low of 5.1%, wage growth has been stagnant, barely keeping pace with the rise in the consumer price index. This is largely due to the mix of jobs being created and too many of them have been in lower-paying categories. Sluggish wage growth is directly related to lackluster consumer spending, the main driver of GDP. Many of the jobs are in hospitality, retail and restaurant service, which can disappear just as quickly as they appear. Also, there have been substantial layoffs in the energy sector, which, until early this year, had been a main source of full-time, higher-paying positions.

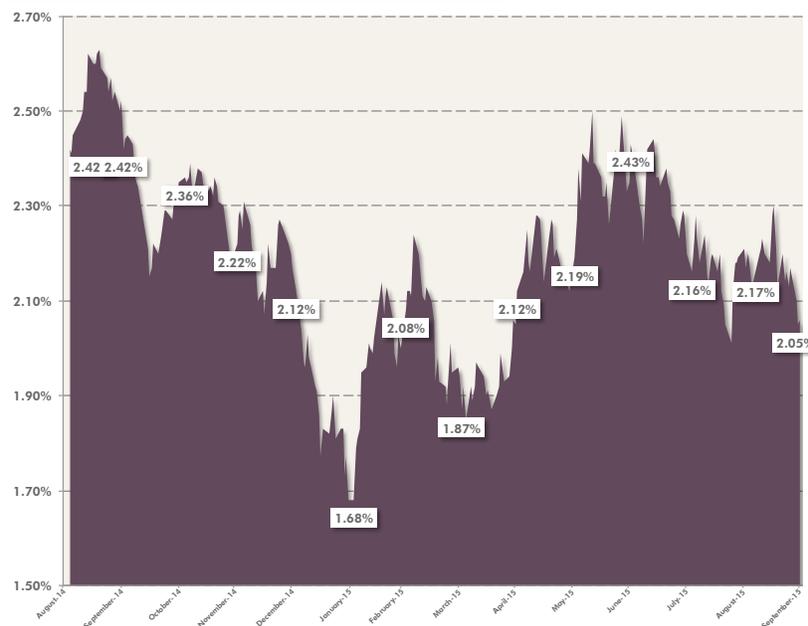
NATIONAL UNEMPLOYMENT



MONETARY POLICY

Fed Chairperson, Janet Yellen and her Board of Governors, have been repeatedly threatening to raise interest rates to signal a reversal of the Fed's aggressive efforts to stimulate economic growth. Yet, they have failed to do so, citing one economic indicator or another for sticking with the status quo and frustrating investors who are looking for guidance on how to move forward. While most experts were sure that the first rate hike would come in September, the Fed, citing concerns over China and other emerging market economies, held off yet again. Now many of those same experts are not forecasting a move on rates until next year.

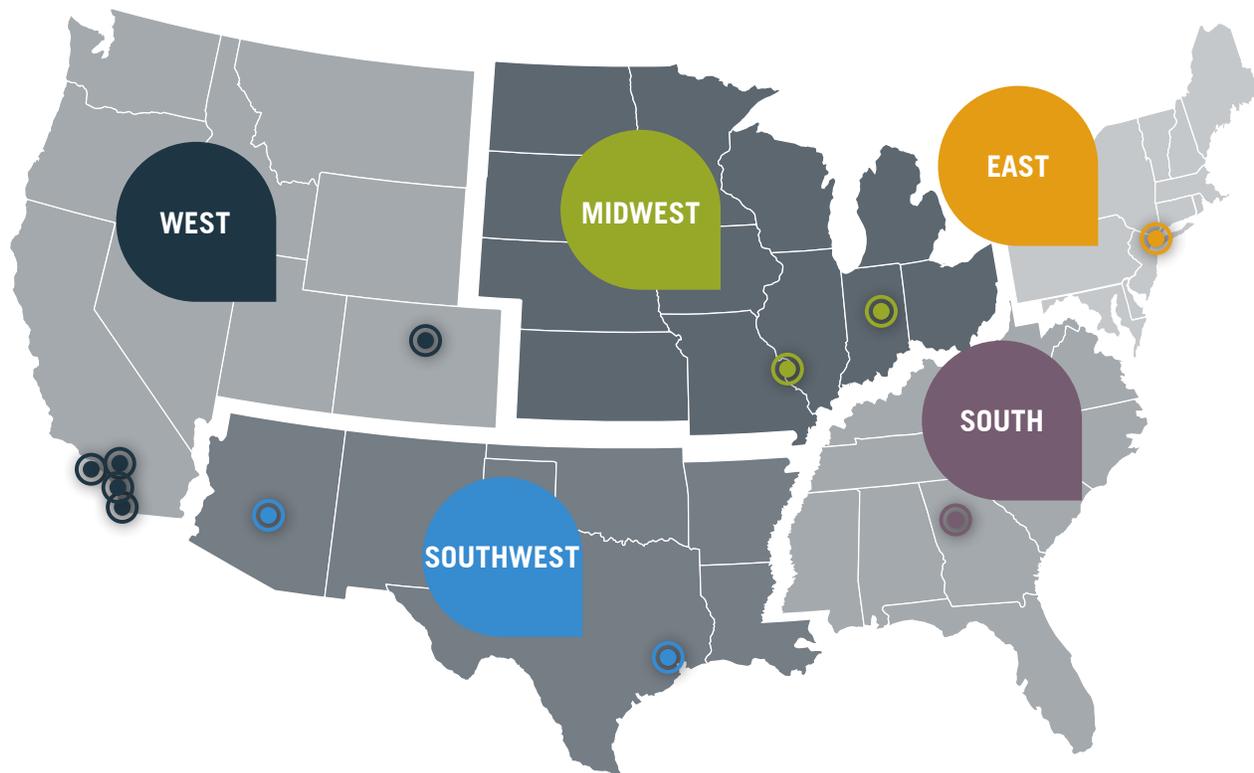
TEN YEAR US TREASURY YIELD
IN PERCENTAGE



Until recently, the Fed was focused mainly on unemployment rate and inflation targets to trigger action. But now, global economic issues and wage growth concerns are entering into the mix. With so many variables figuring into the equation, predicting Fed actions are becoming even more difficult. So, savers continue to be pounded and yields in other asset classes remain at record low levels.

Real estate borrowers continue to be major beneficiaries of the current Fed stance. Long term financing is still cheap and that has fueled intense demand to acquire commercial real estate. Low rates have also contributed to cap rate compression in primary and secondary markets from coast to coast. That has raised concerns with some investors that cap rates will decompress when rates finally do move up. Even a nominal increase in cap rates could lead to a significant reduction in property values.

The yield on 10-Year Treasuries has also remained low due to the current interest rate environment's impact on yields across all asset classes. In Q3, the yield on the 10-Year moved back down into the low 2% range after moving higher earlier in the year. Many attribute that change, in large part, to an increase in foreign investor demand precipitated by shaky economic conditions around the globe.



To view a key market snapshot either click on a section of the interactive map above or on the cities below.

SAN GABRIEL VALLEY
LONG BEACH
ORANGE COUNTY
SAN DIEGO
DENVER

PHOENIX
HOUSTON

INDIANAPOLIS
ST. LOUIS

ATLANTA

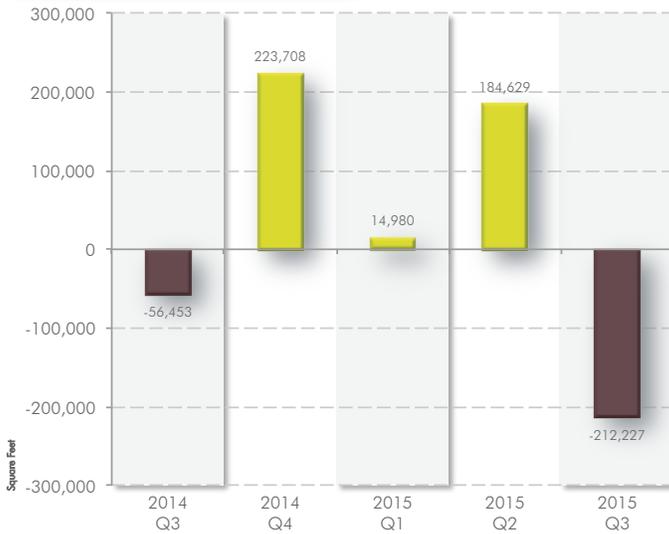
MANHATTAN



SAN GABRIEL VALLEY

TRENDING NOW

NET SF ABSORPTION



The San Gabriel Valley (SGV) area has a population of nearly 1.8 million and includes 31 cities – from Pasadena to El Monte in the west to West Covina and Claremont to the east. Major transportation arteries include Interstates 10, 57, 60, 71, 210 and 605, which makes it readily accessible to all of Los Angeles, Orange, Riverside and San Bernardino Counties. The region's 52.2 million square-foot base includes Class A buildings in Pasadena and Monrovia, however the majority of properties, which include functional obsolete characteristics, are older Class B and Class C product. But, the area's wide variety of housing options appeals to all socio-economic levels, and makes the area a target for larger users requiring a diverse workforce.

VACANCY RATE



Employment growth, the key driver of net absorption, is up due to a steady rise in overall economic activity. This year, 12,618 square feet of negative net absorption has been recorded, with a gain in the East SGV of 120,255 square feet offset by a loss of 132,873 square feet in West SGV. San Gabriel Valley is a small-deal market with most transactions under 7,000 square feet. So, net absorption performance requires a consistent high level of leasing activity. Fortunately, smaller users are becoming more active, especially in class B and C product. That, and the fact that many of the region's larger users are renewing at their current locations, bodes well for net absorption going forward.

Rent growth has been slow, and effective January 1st of this year, Title 24 regulation on energy use is causing a substantial increase in tenant improvement costs to meet the new standards. The law is hitting the San Gabriel Valley hard because of the high proportion of older properties that cost more to retrofit. Given

10.2%

VACANCY

\$23.73

AVG. SF RENTAL RATES

-212,227

NET SF ABSORPTION

30,664,761

SF INVENTORY

82,747

SF UNDER CONSTRUCTION



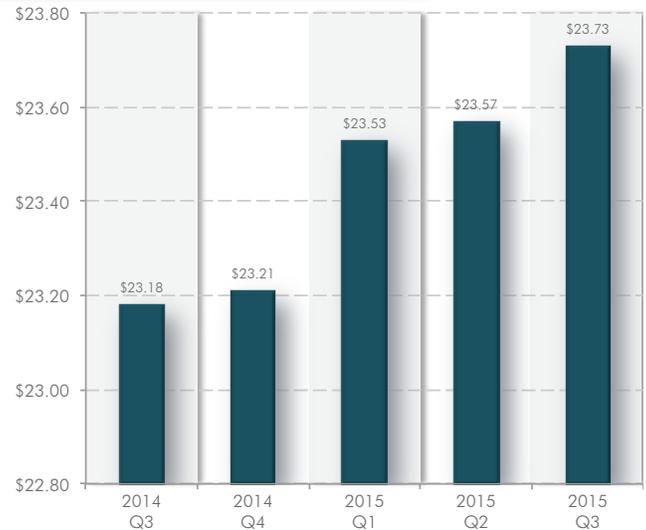
SAN GABRIEL VALLEY - TRENDING NOW (continued)

the confusing nature of the law, the true cost of its implementation and its impact on rent growth is still difficult to quantify. In Q3, the overall average asking lease rate for the entire San Gabriel Valley settled at \$23.73.

Vacancy in the region is decreasing across all building classes. In Q3, the overall vacancy rate was 10.2%, up 70 basis points compared to Q2. As in other markets around the US, the flight to quality is on. Most of the Class A space being absorbed is in Pasadena and space is leasing up faster than in East SGV.

Development opportunities are few and far between, and with so few sites available for ground-up projects, construction activity will be limited to the retrofitting of existing properties and condominium conversions to meet the strong demand for owner/user product. Owner user pricing is still running ahead of third-party investment product due to the availability of SBA financing that allows users to acquire product with debt service that is often lower than the cost of leasing, even on a pre-tax basis. Until rents or the cost of capital move up significantly, many smaller users will only settle for a new lease if they are unable to find a suitable purchase opportunity.

AVERAGE SF RENTAL RATES



SF UNDER CONSTRUCTION

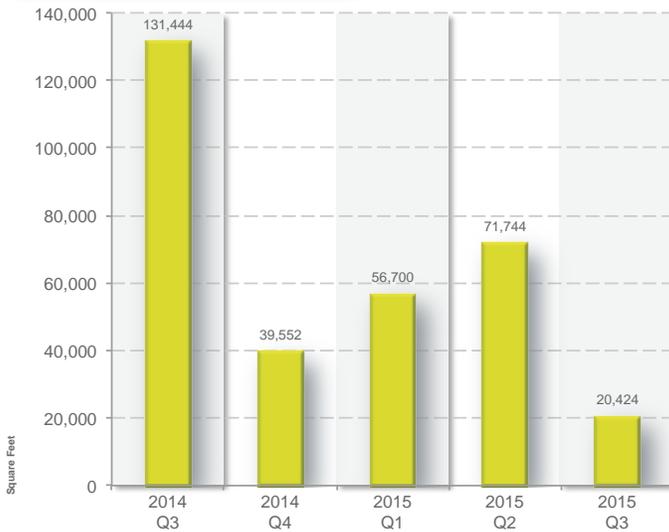


A LOOK AHEAD.

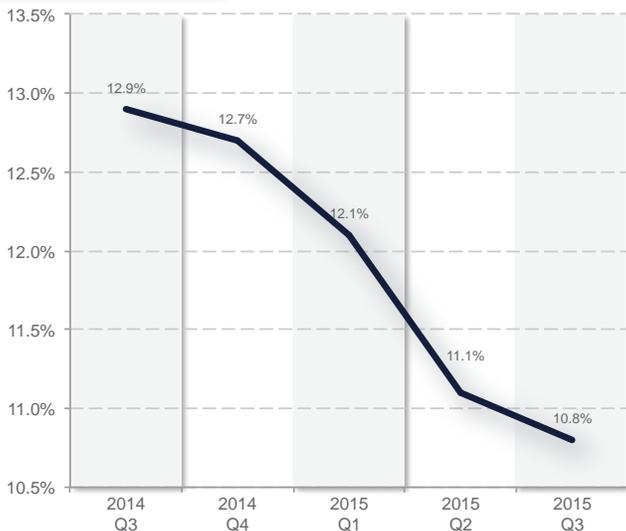
- Net absorption will be moderate and steady
- Vacancy will continue its slow decline, ending 2015 at 9%
- Asking rates will move up another 5% in the next year
- Condo conversions will remain the main source of construction activity for owner/users
- Large user in class A product will continue to renew in place due to lack of alternate supply
- Title 24 modifications will drive up tenant improvement costs by as much as 40% on smaller transactions

LONG BEACH

NET SF ABSORPTION



VACANCY RATE



TRENDING NOW

The Long Beach office market contains an oceanfront urban core with nearly 8 million square feet of office space, much of it in high-rise structures, and a suburban market containing an additional 9.3 million square feet of mainly low to mid-rise buildings. The area is home to the Port of Long Beach, second largest in the US and together with the Port of Los Angeles, the two handle nearly 40% of goods entering the country.

The region's supply of office space continued to tighten in Q3. Net absorption was positive, but came in at just 20,424, as compared to 71,744 square feet in Q2. Class A continues to outperform class B, as expanding companies are looking to improve their space in terms of quality and amenities before further economic growth accelerates the rise in rental rates.

Average asking lease rates, which have been slowly rising since 2012, held steady at \$24.36. Rates are highest Downtown, finishing at \$26.56, while the suburban rate ended Q3 at \$23.32. Strong job growth has been driving recent activity resulting in an increase in rents. The entire state of California has added over 279,000 jobs through September, many of them in the healthcare services sector. That bodes well for the Long Beach office market, as expanding companies like Molina Healthcare and Senior Care Action Network have their corporate headquarters in the area.

Vacancy moved lower again in Q3, shedding 30 basis points to 10.8%. Class A is getting the most action, as the flight to quality that has been underway for the past several years. However, some tenants looking to renew their leases in class A properties are being forced to look for lower cost alternatives, which offers

10.8%

VACANCY

\$24.48

AVG. SF RENTAL RATES

20,424

NET SF ABSORPTION

16,311,859

SF INVENTORY

34,486

SF UNDER CONSTRUCTION



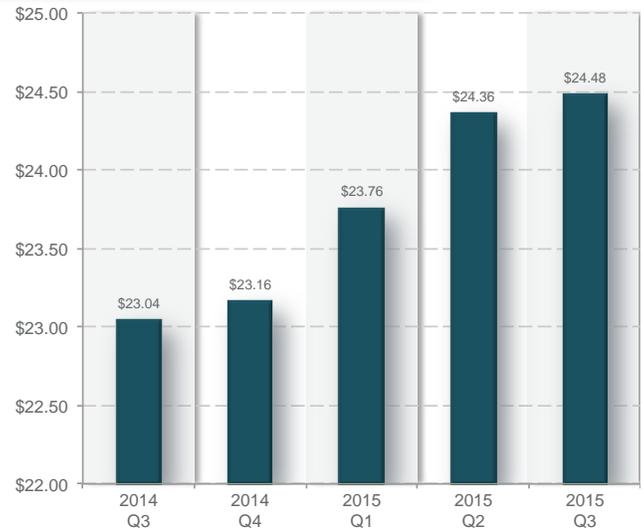
LONG BEACH - TRENDING NOW (continued)

a welcome boost to landlords of class B buildings with higher vacancy.

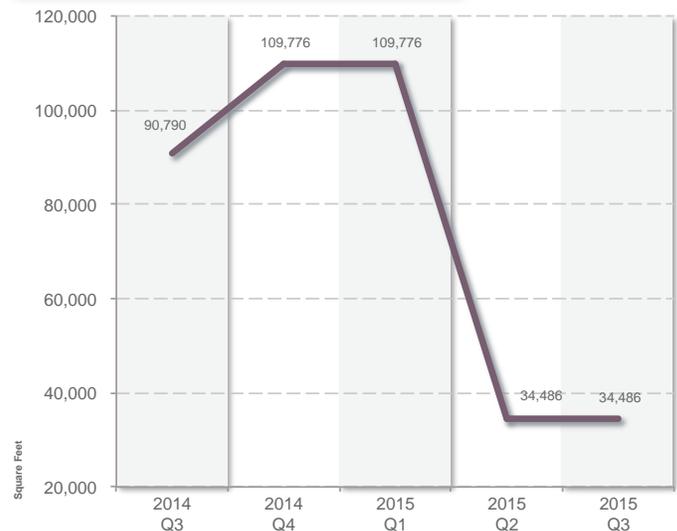
Downtown is undergoing another change involving the re-purposing of existing office buildings. At present, five office buildings, totaling 600,000 square feet, are slated for conversion to high-density residential use. Many of the tenants in those properties are actively in the market for new space. With a nominal amount of new office construction occurring Downtown, activity should accelerate, especially for the highest quality space.

New deliveries for the entire area have been light, with just 90,000 square feet of new product added so far this year. New construction is underway in the Douglas Park development near the Long Beach Airport, which includes a 40,000-square-foot corporate headquarters building, and three creative space buildings totaling 57,000 square feet. With such limited new development, owners of older properties in prime locations are getting more serious about upgrading their projects to become more competitive. But, they face rising construction costs, especially those related to California's new Title 24 regulations regarding energy-saving upgrades to electrical systems.

AVERAGE SF RENTAL RATES



SF UNDER CONSTRUCTION



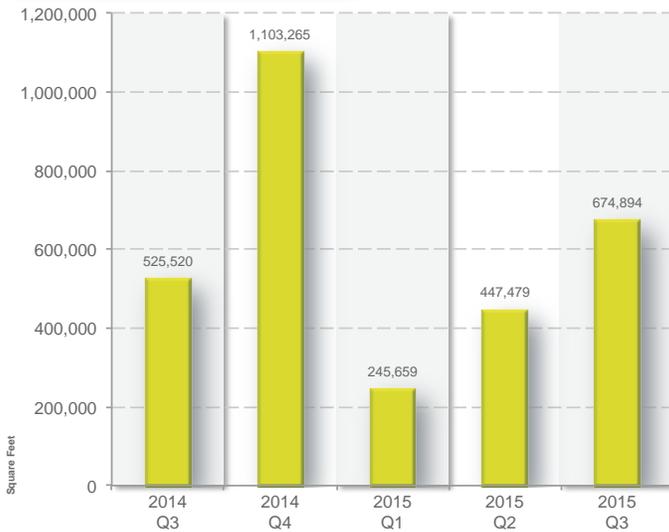
A LOOK AHEAD.

- Gross sale and lease activity will strengthen as strong job growth continues
- Net absorption will move up slightly, but be limited by the availability of quality space
- Vacancy will continue its gradual decline
- Rental rates will continue to move up, especially in Class A product
- Demand for creative office space will continue to increase
- Construction will be limited to projects already underway in the Long Beach Airport area

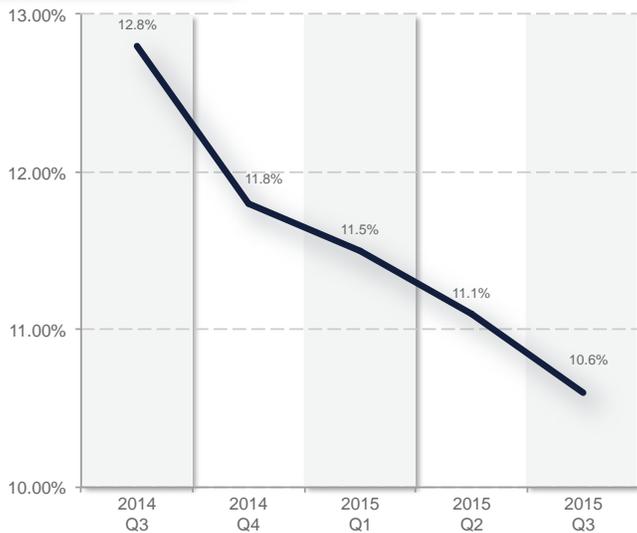
ORANGE COUNTY

TRENDING NOW

NET SF ABSORPTION



VACANCY RATE



* buildings with a minimum of 30,000 square feet

Orange County's office market, known for its stability and consistency, continued to move in favor of landlords in Q3. By the end of the quarter, 10.6% of the 110 million-square-foot office base* remained vacant, a decline of 50 basis points for the period. Net absorption was positive, totaling 674,894 square feet as compared to 473,631 square feet in Q2. Large quarterly swings in vacancy are unusual in Orange County, as the area is home to thousands of smaller, entrepreneurial companies, but does not have the high concentration of major corporations seen in more urban locales.

However, there has been a recent increase in interest from users in the 60,000 to 80,000-square-foot range, which may precipitate a shortage of larger blocks of space, as development of speculative office product at today's land prices and rents makes new projects difficult to pencil. The only significant office project under construction is the Irvine Company's 472,000-square-foot, Class A building in the Spectrum Center, which is scheduled for completion in early 2016. If not for its low land basis, even the county's largest office property owner would probably not have moved forward with the project until rents moved substantially higher. When complete, this trophy building in a prime location will be the new home to area businesses paying well in excess of \$28 per square foot.

Asking rental rates, which have moved up over 7% in the past year, rising in Q3 to finish the quarter at \$27.00 per square foot. Class A properties have seen the strongest rent growth, which has cost-conscious tenants paying more

10.6%

VACANCY

\$27.00

AVG. SF RENTAL RATES

674,894

NET SF ABSORPTION

110,637,678

SF INVENTORY

1,747,387

SF UNDER CONSTRUCTION



ORANGE COUNTY - TRENDING NOW (continued)

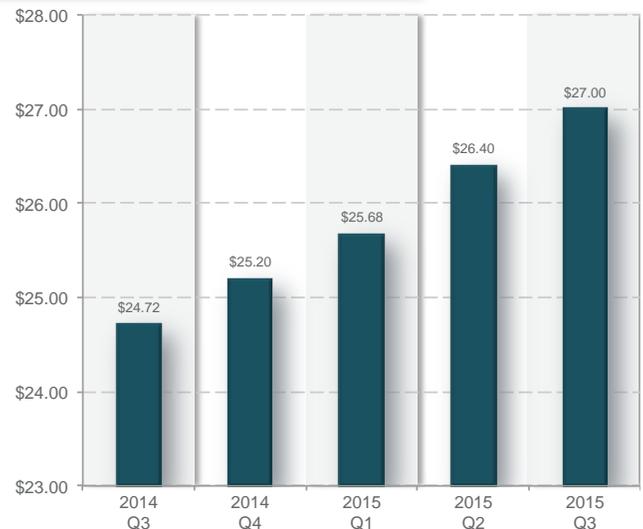
attention to Class B product. A real bright spot in the market is the rise of creative space as an alternative to traditional workplace design. Tenants looking to attract and retain a younger workforce will pay a premium to secure space that offers greater flexibility through open space designs that leverage the latest communication technologies. In the past year, there has been a spike in the acquisition of Class B buildings in strategic locations by developers for conversion to creative space specifications. Rents are rivaling those achieved in Class A properties, especially for those properties in close proximity to multifamily housing and entertainment venues.

Central County, hit exceptionally hard during the recession, has experienced strong rent growth and absorption recently, but the county's second largest market slipped in Q3, registering negative net absorption of over 225,000 square feet. However, year-over-year rent growth in the area stands at 12.7% and positive net absorption year-to-date totals 1,076,000 square feet. Vacancy in Central County finished the quarter at 11.9%, still the highest of the county's five major submarkets.

Orange County has long been a favorite of institutional and private investors. That remains true today, as evidenced by double-digit increases in office property values and fierce competition for both Class A and B buildings.

Job growth in Orange County continues to outpace all but a few of California's 58 counties. The region's unemployment rate fell to 4.0% and the current estimate for 2015 job growth is at 47,000. Strong employment sectors include professional services, health care, education, technology and hospitality.

AVERAGE SF RENTAL RATES



SF UNDER CONSTRUCTION

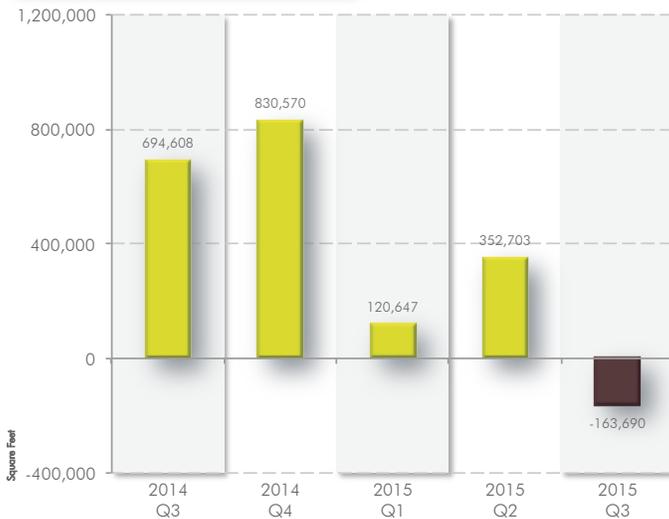


A LOOK AHEAD.

- Leasing activity will move slightly higher over the next several quarters
- Activity for larger spaces will continue to increase, as bigger users secure long term leases to control occupancy costs
- Lease rates will move up countywide with the biggest gains in the Greater Airport submarket
- More Class B buildings will be converted to creative space
- Intense demand to acquire quality office product will keep cap rates compressed
- Pricing for owner/user buildings will increase by double digits again in 2016

SAN DIEGO

NET SF ABSORPTION



VACANCY RATE



TRENDING NOW

San Diego's balance of business sectors make it the envy of major markets across the country. While markets like Silicon Valley and Houston experience periods of exponential growth, they are also prone to wild swings in office sector occupancy and rents. San Diego has strong defense, life science and aerospace manufacturing sectors that each generate thousands of high-paying, full-time jobs. The area is also a center for human genome research and drone manufacturing, making clear the diversity, education and varied skill sets of the county's workforce. Add the high quality of life component and the full spectrum of housing alternatives and it's no surprise that the San Diego economy is outperforming most of California's 58 counties. Unemployment in San Diego County fell again in September to 4.6%, its lowest tally since June of 2007, and 50 basis points lower than the rate for August.

The sustained economic recovery has resulted in strong activity throughout the San Diego area. Even areas hardest hit by the last market downturn are nearly fully recovered. But, the vacancy rate for all building classes is right where it was in 2013, and actually moved up 70 basis points to 11.6% in Q3, mainly due to three major move-outs during the period that totaled nearly 700,000 square feet. Class A vacancy is lowest at 11.4%, while class B finished Q3 60 basis points higher at 14.0%. New speculative construction also contributed to rising vacancy in Q3. The Irvine Company's One La Jolla Center building completed in the period with just 20% of the space committed.

Net absorption came in at a negative 163,690 square feet in Q3, after a net gain of occupied space of

11.6%

VACANCY

\$29.36

AVG. SF RENTAL RATES

-163,690

NET SF ABSORPTION

113,878,489

SF INVENTORY

641,164

SF UNDER CONSTRUCTION



SAN DIEGO - TRENDING NOW (continued)

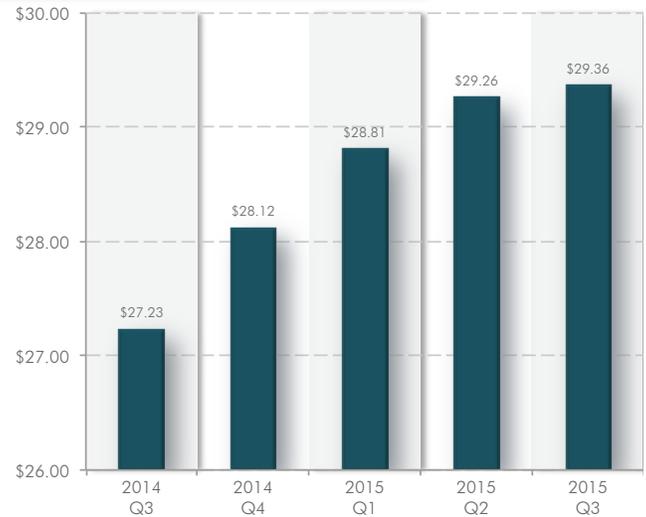
352,703 square feet in Q2. Class A absorption was a positive 143,697 square feet, while Class B posted a negative 309,351 square feet. The biggest move-in for Q3 was Sempra's new 320,000-square-foot deal at 488 8th Ave.

Average asking lease rates moved up again in Q3 across all building classes to \$29.36 per square foot, a .3% increase for the period. Class A rents slipped \$.39 to \$36.77. But, in UTC where the Irvine Company just delivered its new office tower, the average asking lease rate has topped \$45 per square foot. As a result of such strong rent growth in class A, the flight to quality is now giving class B buildings a welcome boost, and many of those buildings are being updated to meet that new demand. Class B asking rates stood at \$27.77 up \$.21 for the quarter and \$1.83 year-over-year.

Creative space also figures into the rent growth equation. The national craze to accommodate an ever younger workforce has emboldened owners of older office and flex buildings to retrofit their buildings to attract TAMI (technology, advertising, media and information) sector companies. Creative space designs generally have more open floor plans with fewer private offices, which allows companies to save money by allotting less space per employee.

Investors remain hungry to acquire office properties throughout the county. Activity is up, but is severely limited by a lack of supply. Cap rates for investment properties remain compressed for both class A and B properties. San Diego is a prime target of institutional buyers, as they like the location, demographics, diverse economy and prospects for rent growth. In the first half of 2015, 38 office buildings were sold for a total of \$760.4 million, up from 24 buildings with an aggregate value of \$470 million.

AVERAGE SF RENTAL RATES



SF UNDER CONSTRUCTION



A LOOK AHEAD.

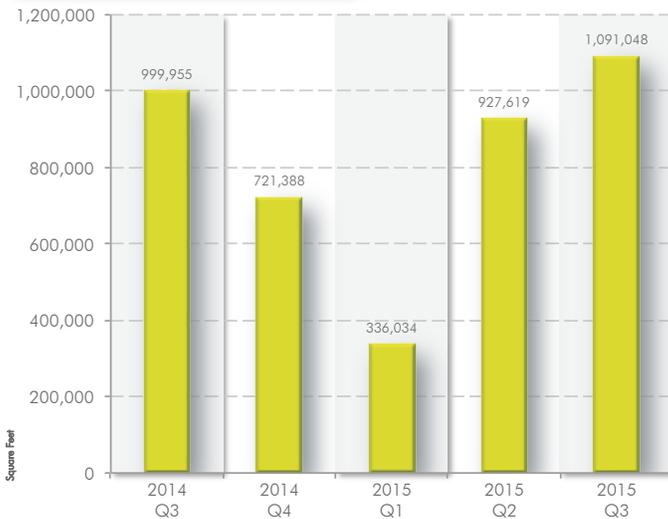
- Uncertainty over the outcome of the upcoming election could slow decision making on larger transactions
- The vacancy rate will fall another 100 basis points by the end of 2015
- Construction starts will moderate as developers are showing concern over the effects of higher interest rates on business growth
- Tenants will have to pay more for what they want or

lower their expectations

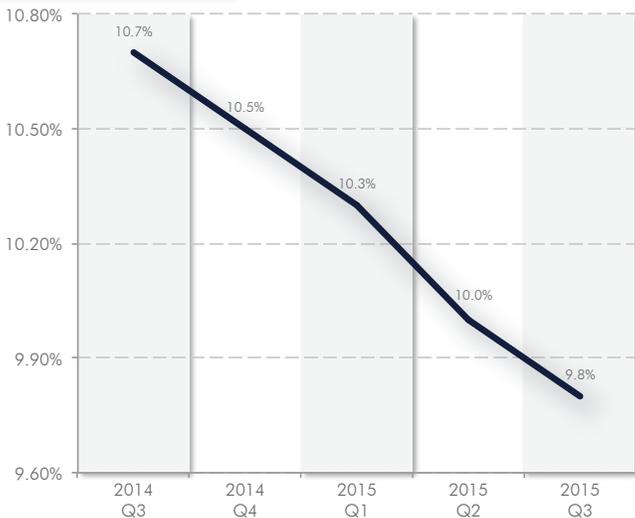
- Rents will rise another 6% to 10% in the next year depending on submarket and building quality
- Creative space will be more of a factor going forward, as class B buildings are retrofit to Creative Design specifications
- Opportunistic private investors will continue to target acquisitions overlooked by institutional players

DENVER

NET SF ABSORPTION



VACANCY RATE



TRENDING NOW

The impact of lower oil and gas prices on so-called energy states is no secret, and the Denver office properties market has definitely been impacted by the resulting focus on cost containment in the industry. As a result, sublease inventory has been on the rise for several quarters but that actually may be easing concerns over a shortage of quality space for expanding Denver businesses in other sectors. While it's true that some new development has been delayed due to the energy slowdown, the good news is that a large portion of Denver's expanding business base is comprised of non-energy, smaller tenants that employ the younger, highly-educated workforce that is increasingly attracted to Denver's urban lifestyle and access to outdoor recreation.

Net absorption hit a positive 1,091,048 square feet in Q3, as compared to last quarter's 927,619. Class A added 521,000 square feet of the net for Q3, while Class B grew by 453,000 square feet. The adequate supply of available sublease space is easing concerns over a shortage of quality space and giving tenants in non-energy business sectors more opportunities to secure quality space. Creative space users needing under 10,000 square feet are still a key component of net absorption, as they tend to be in tech and business services, sectors less impacted by the energy slowdown.

Average asking rental rates for all building classes moved up \$.33 in Q3, finishing at \$24.14. That contributed to a year-over-year increase of \$1.23. Class B rents rose to \$21.09, up \$.43 for the quarter and \$.98 year-over-year. Rising rents are causing some tenants to look outside of the primary markets to find good value. Value doesn't just mean lower price.

9.8%

VACANCY

\$24.14

AVG. SF RENTAL RATES

1,091,048

NET SF ABSORPTION

191,709,540

SF INVENTORY

2,673,960

SF UNDER CONSTRUCTION



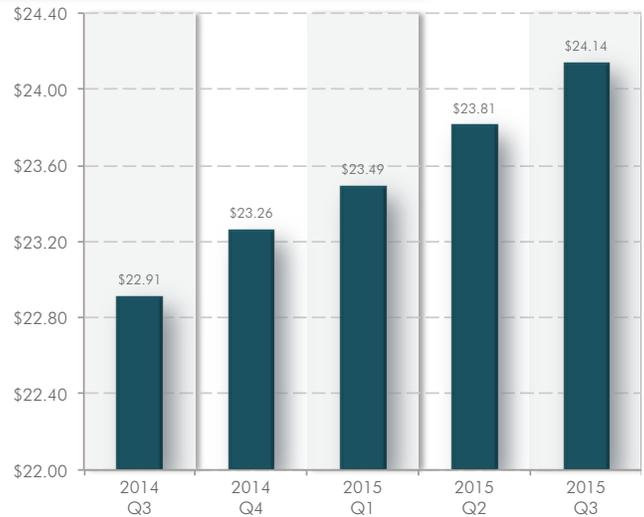
DENVER - TRENDING NOW (continued)

Area amenities, flexible layouts, proximity to public transportation and multi-family housing options all figure into the value equation.

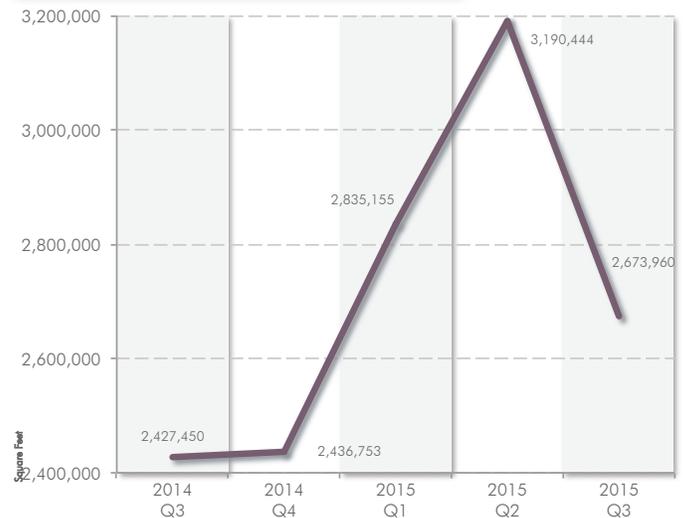
Construction of new office product remains concentrated in LoDo, Cherry Creek and the Southeast suburbs, but with some projects on hold, deliveries for 2016 will be impacted. In Q3, 903,233 square feet was delivered and another 2,673,960 square feet was underway. As of the end of Q3, Denver's stock of office totaled 191.7 million square feet. Significant new deliveries for the quarter include the 299,545 square foot building at 1601 Wewatta Street and the 242,807-square-foot building at 1550 Wewatta Street, with pre-leasing at 36% and 64% respectively.

The vacancy rate finished Q3 at 9.8%, down 90 basis points year-over-year. Vacancy for Class A space registered an 11.0% rate, while the inventory of Class B space was just 10.2% unoccupied. The delay of some new projects will serve to keep that vacancy rate near current levels, as area developers are being careful not to overbuild the market and stall the steady rent growth Denver has enjoyed in recent years. Several big leases were signed in Q3 that will help keep vacancy moving down, the largest of which was the 282,800-square-foot deal with URS Corporation in Southeast Denver.

AVERAGE SF RENTAL RATES



SF UNDER CONSTRUCTION



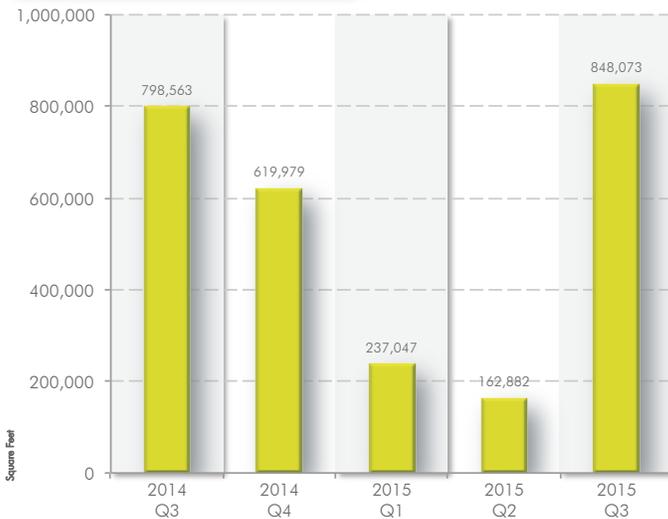
A LOOK AHEAD.

- Net absorption will remain steady as job growth in tech and businesses services will continue
- Sublease inventory will moderate the rise in overall average asking rental rates
- Rates for prime space will see strong rent growth in the coming quarters
- Job creation will continue in the tech and business services sectors
- Creative office users will account for a growing percentage of office absorption
- New project starts will slow until the spring of 2016

PHOENIX

TRENDING NOW

NET SF ABSORPTION



VACANCY RATE



The Phoenix office market kept moving forward in Q3. Strong population growth, a lower cost of living and the influx of major employers are combining to keep the region on a steady path of growth. Unlike other major metro areas like Los Angeles that are nearing full build-out, Phoenix has room to grow and that figures heavily into the long-term expansion for expanding companies. State and local governments are aggressively promoting its tax incentive programs, enhancing the region's business-friendly reputation.

In Q3, a net gain in occupied space of 848,073 square feet was recorded, adding to the long run of consecutive quarterly expansion. It also brought 2015's year-to-date gain up to almost 1.5 million square feet. The Southeast Valley cities of Tempe, Chandler and Gilbert lead the way in market activity. Big companies like the area for its talented labor pool, better schools and active recreational opportunities. South Scottsdale is another active submarket that has seen many tech companies relocate to.

But it's not all about the Southeast. The Midtown Phoenix submarket has rebounded with several recent lease signings totaling over 1 million square feet. The area has a high percentage of class B and C product showing signs of obsolescence, many of which are being retrofit to lure mid-sized and smaller firms to the area who are attracted by the amenities and Metro Light Rail. Multi-family development has also made a serious comeback, and with it comes the influx of trendy restaurants and night life. This once overlooked area has become a real bright spot in the office market's recovery.

20.2%

VACANCY

\$22.47

AVG. SF RENTAL RATES

848,073

NET SF ABSORPTION

84,452,252

SF INVENTORY

4,172,745

SF UNDER CONSTRUCTION



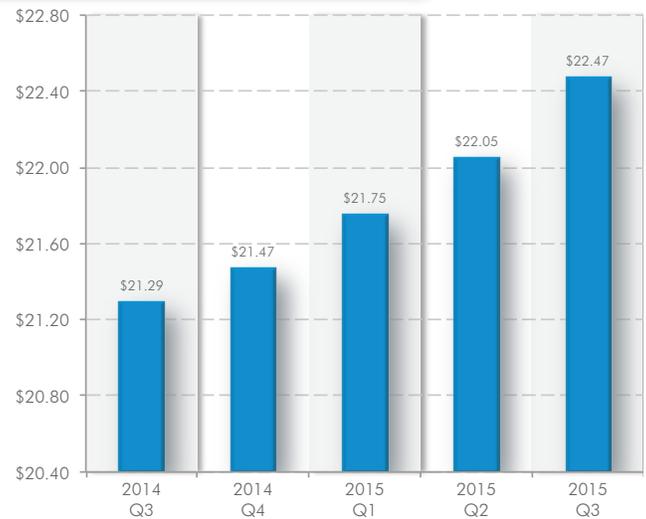
PHOENIX - TRENDING NOW (continued)

Vacancy remains stubbornly high, primarily due to new deliveries, many of which are build-to-suit transactions for companies moving from within the Phoenix area. Space vacated by these businesses keeps the pressure on vacancy, which ended Q3 at 20.2%, down 60 basis points. Year-to-date, just under 2.1 million square feet has been delivered and 400,000 square feet of that total was completed in Q3. More than 4.1 million square feet is still under construction with 2.8 million square feet of that space for State Farm and Wells Fargo built-to-suits, with the remainder being speculative development. The Southeast Valley continues to see the bulk of new projects due to the concentration of tech and call center support buildings.

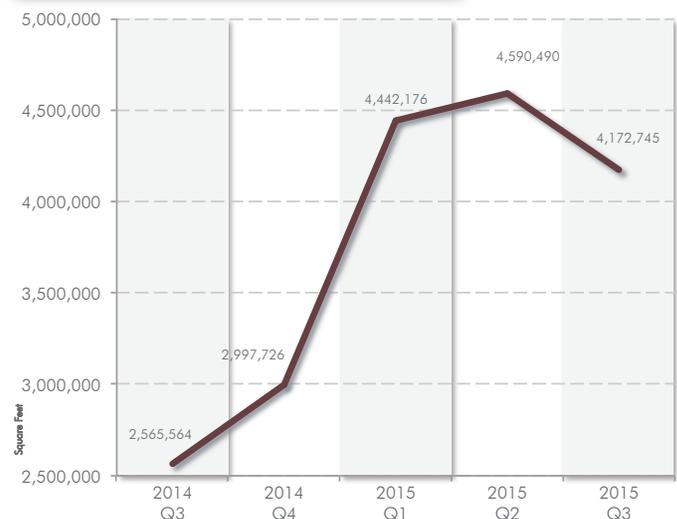
All that new construction is also keeping a lid on rent growth, but the average asking rental rate is still making modest gains. In Q3, the overall rate for all building classes moved up 3.1% to \$22.47. Class A rents rose by 2.7% to \$25.99, while class rents ended the period up 1% to \$20.06. Free rent and other concessions are still in play, especially for larger transactions.

Phoenix remains a priority for investors who see the area as still having significant upside potential in terms of rent growth. Other major metro areas are so hotly contested that cap rates have hit historic lows and the risk of a major correction is increasingly on the minds of investors at all levels. The fundamentals of the Phoenix economy remain favorable, so investors see the possibility of higher returns running in tandem with lower risk.

AVERAGE SF RENTAL RATES



SF UNDER CONSTRUCTION



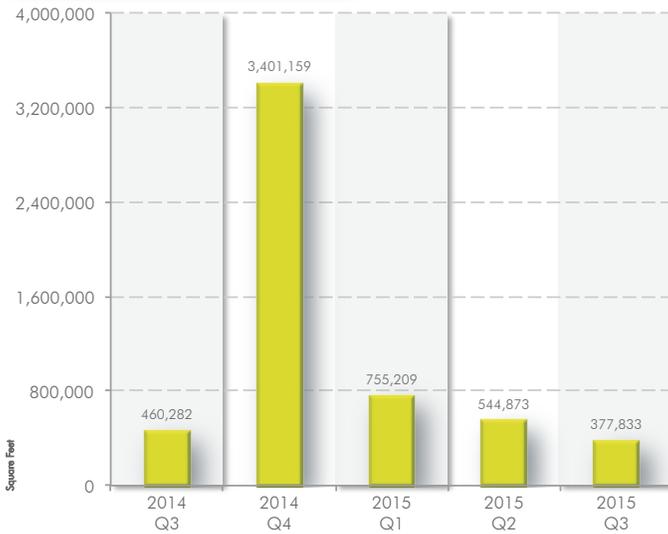
A LOOK AHEAD.

- The Arizona economy will continue to grow for the rest of 2015, but at a moderate pace
- Annual net absorption will remain in the 2 million square foot range
- Vacancy will decline by 30-40 basis points over the next year
- Average asking lease rates will move up by as much as 4% year-over-year
- Construction activity will remain at current pace, keeping upward pressure on vacancy
- No new high-rise buildings will be constructed Downtown for the next 4 to 5 years
- More retail properties will be converted to call/tech centers

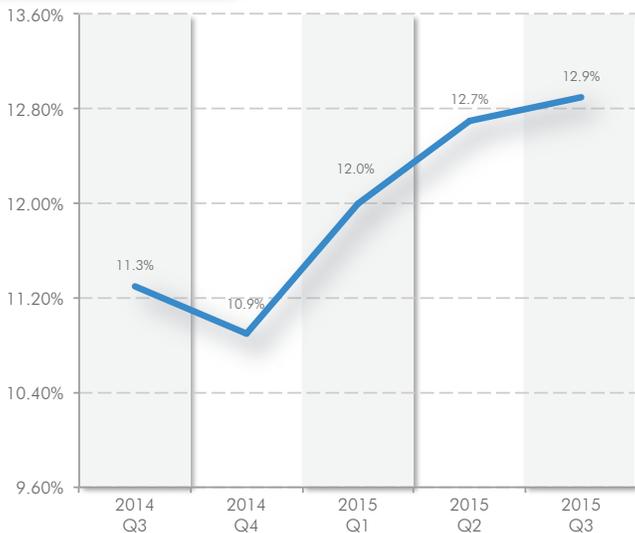
HOUSTON

TRENDING NOW

NET SF ABSORPTION



VACANCY RATE



Houston's office market, unlike most others around the country, is in retreat. Until the abrupt turnaround in energy prices that began more than a year ago, it was booming. Job creation was off the charts, construction was at record levels and big energy was absorbing huge blocks of space in anticipation of long term growth. The widespread use of hydraulic fracturing technology was at the heart of the boom, but the resulting increase in production ran headlong into a global decrease in demand, which precipitated a world oversupply of fossil fuels that continues today.

Such are the fortunes of a market that depends on the energy industry for half of its economic activity. Budgets for exploration have been slashed, active wells are being idled, high-paying jobs are being eliminated and the industry is shedding space at an alarming rate. With oil and gas prices still at multi-year lows and continuing anemic global economic growth, things are likely to get worse for the Houston office market before they get better.

The energy downturn has precipitated a big increase in sublease space. In Q3, another 525,000 square feet of it hit the market, bringing the total to over 3,390,000 square feet, nearly double the total recorded a year ago. Tenants in other sectors looking to expand will be the benefactors, but landlords offering direct space will be forced to lower lease rates and boost concessions to compete with energy companies looking to shed excess space. Much of the space offered for sublease was built to suit for energy companies that have taken possession, but not occupancy. That trend is expected to continue.

12.9%

VACANCY

\$27.94

AVG. SF RENTAL RATES

377,833

NET SF ABSORPTION

292,460,624

SF INVENTORY

12,249,153

SF UNDER CONSTRUCTION



HOUSTON - TRENDING NOW (continued)

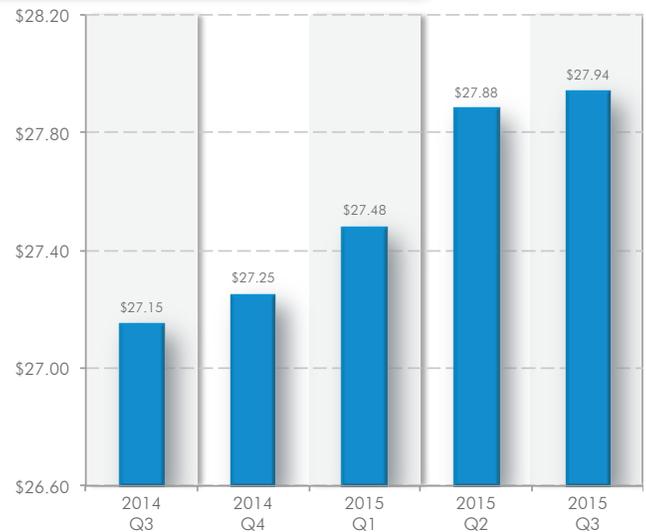
Asking rental rates across all building classes still moved up in Q3, adding another \$.06 to finish the quarter at \$27.94. However, bid-to-ask spreads will tell the real story for rent growth going forward, as the burden of paying for large blocks of high-end space will get heavier with time.

Fortunately, not all the news is bad. The leisure and hospitality business services and healthcare sectors have added over 36,000 new jobs in 2015, but that has not been enough to offset job losses in the energy sector. Total employment is still 22,200 under its year-end 2014 peak. The unemployment rate at the end of August was 4.6%, a 40 basis point increase since the end of March, but below the 5.1% rate reported for August of 2014. So, office buildings located in submarkets not dominated by energy-related companies are remaining relatively healthy.

Net absorption for Q3 still came in 377,833 square feet to the positive. But, a significant amount of that gain occurred due to large build-to-suit transactions, and substantial blocks of that space is or will be offered for sublease soon. Class B product is getting hit harder, posting its third straight quarter of negative net absorption in Q3, offsetting a net gain for Class A space of 442,217 square feet. The overall vacancy factor moved up 20 basis points in Q3 to 12.9%.

In terms of new development, projects under construction are being completed, as many of them are build-to-suit deals. However, proposed projects are being shelved, as there is little indication of an immediate turnaround in the energy industry. Even if prices do rebound soon, the market now has excess capacity that will have to be absorbed before significant new construction could resume. At the end of Q3, there was still 12.2 million square feet underway throughout the region.

AVERAGE SF RENTAL RATES



SF UNDER CONSTRUCTION



A LOOK AHEAD.

- Net absorption will decline for the next several quarters
- Vacancy will move back up as more large blocks of sublease space hit the market
- Rental rates will decrease and concessions will increase
- M&A activity will increase in the energy sector, which will add to sublease inventory
- Sale of office buildings will slow and cap rates will decompress
- Other employment sectors will mitigate job losses in the energy sector

INDIANAPOLIS

TRENDING NOW

The Indianapolis office market has been experiencing steady growth over the past year. Owners of major projects Downtown are busy converting ground floor spaces to restaurant and retail uses to accommodate a younger workforce that prefers a live-work-play environment. New, mixed-use office/retail/multi-family are prevalent in the Downtown, Keystone, Carmel and Fishers submarkets. New Class A properties are offering new amenities like rooftop terraces, private balconies and other luxury amenities to remain competitive.

Smaller towns and cities in the surrounding areas are also getting into the act by forming Redevelopment Commissions to help drive redevelopment activities. Community leaders are promoting the family lifestyle and walkable business districts that encourage more life-long residents. Developers welcome the opportunity to collaborate with local municipalities to build projects that are synergistic with those within the city limits of Indianapolis.

Average asking lease rates have begun their move up, rising \$.10 in Q3 to a post-recession high of \$16.90. The rate for class A space added another \$.08 to finish the quarter at \$19.14, and class B closed the quarter down \$.06 to \$16.22. The overall move up in rates has larger tenants Downtown looking to commit to longer leases of 10 years or more, as a hedge against further increases, especially those companies that need to remain in that submarket due to proximity to local and federal offices. Landlords are more optimistic about rent growth and are more inclined to offer free rent or additional tenant improvement allowances verses rent reduction, to keep rates on the rise. Some larger companies, headquartered, or

NET SF ABSORPTION



AVERAGE SF RENTAL RATES



16.9%

VACANCY
CLASS A CBD

\$16.90

AVG. SF RENTAL RATES

137,061

NET SF ABSORPTION

100,042,154

SF INVENTORY

980,585

SF UNDER CONSTRUCTION



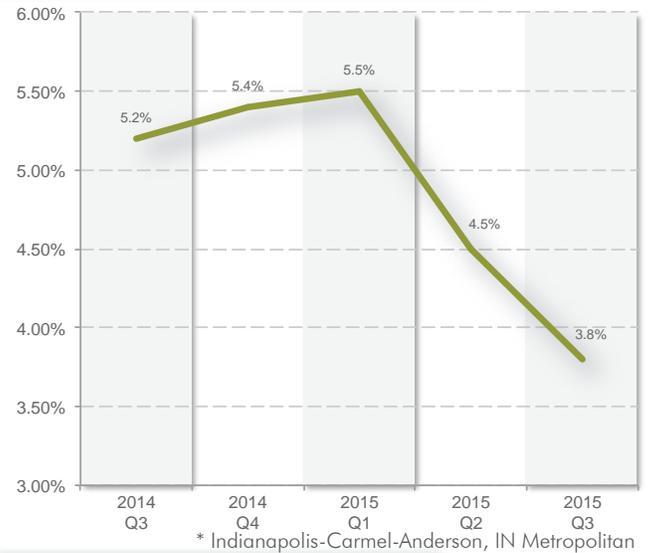
INDIANAPOLIS - TRENDING NOW (continued)

with sizable existing investments, in the CBD, are pursuing space for future expansion, as they see the market tightening up even though the overall vacancy rate is still at 19.0%, Suburban Office Market is 16.1% and Class A CBD is 16.9%.

Net absorption remains in positive territory. The gain in occupied space for the quarter totaled 137,061 square feet, bringing total net absorption to 617,344 square feet over the past four quarters. Tenants making big contributions to net absorption this year include the University of Indianapolis lease of 156,000 square feet at 1699 East Hanna Ave and the 112,500-square-foot lease by Interactive Intelligence, Inc.

The demand for redevelopment opportunities in popular submarkets has increased the value of properties that just a few years ago would not have been given a serious look. If it is located near amenity rich environments, including neighborhood restaurants and multi-family projects, it is in demand. Owner/users are particularly interested in these properties that can be acquired using favorable SBA financing which allow them to re-purpose unique structures to suit their needs.

LOCAL AREA UNEMPLOYMENT



SF UNDER CONSTRUCTION



A LOOK AHEAD.

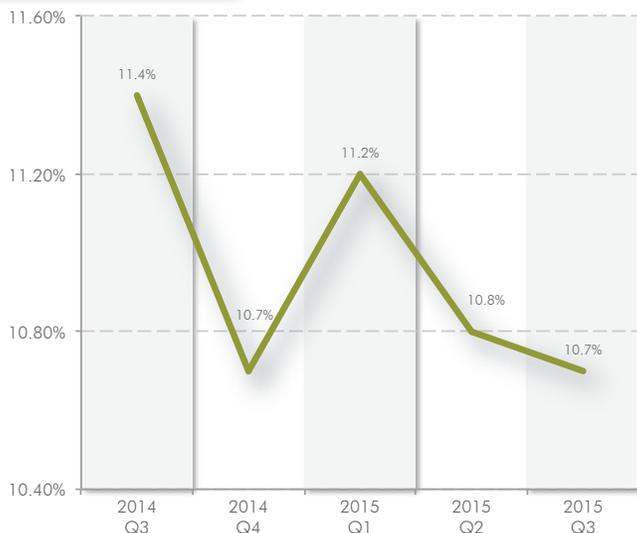
- Leasing activity will continue to rise
- Net absorption will be moderate and steady
- Mixed-use redevelopment projects will make up the bulk of the construction activity
- Vacancy will decline to as low as 13% by early 2017
- The existing stock of class A buildings will lose appeal due to lack of amenities and services
- Average asking lease rates will rise at annual rate of 3%

ST. LOUIS

NET SF ABSORPTION



VACANCY RATE



TRENDING NOW

St. Louis' 130-million-square-foot office market continues to make modest gains. All key market metrics point to a healthy balance of supply and demand for the foreseeable future. The region's economy continues to benefit from the good fortunes of two major employers, Boeing and General Motors, both of which are reporting favorable financial results that indicate further commitment to expansion in the St. Louis area. Boeing's direct benefit to the office market includes another 47,000-square-foot expansion on the heels of its taking occupancy of 61,172 square feet early this year. The General Motors assembly plant has attracted numerous suppliers to the area that have been busy hiring new workers in its new locations.

That has helped bring the unemployment rate in St. Louis down by 110 basis points in the past year to its current rate of 5.0%. In all, nearly 27,000 new jobs have been created year-to-date through August and experts predict that the region will have finally regained the number of jobs lost in the last recession by Q1 of 2016. Current estimates also call for the local economy to grow at 2.4% rate during 2015.

Net absorption performance has directly benefited from the improved regional economy. In Q3, over 146,000 square feet of positive absorption was recorded. Class A accounted for almost 112,000 square feet of that total. Absorption has been strongest in the Clayton and North County submarkets, but the entire region is experiencing gains in occupied space.

Even though net absorption is on the upswing, it will need to accelerate before developers will have the comfort level to begin building on a speculative

10.7%

VACANCY

\$18.10

AVG. SF RENTAL RATES

146,382

NET SF ABSORPTION

130,755,121

SF INVENTORY

243,964

SF UNDER CONSTRUCTION



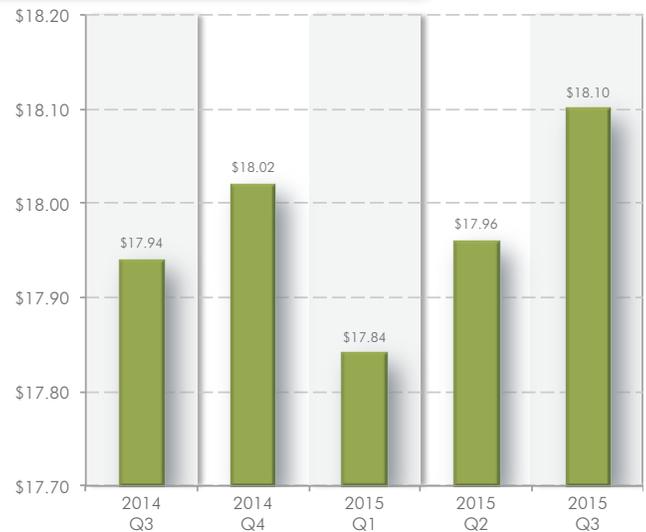
ST. LOUIS - TRENDING NOW (continued)

basis. In Q3, 244,000 square feet of space was under construction, but only 7,350 square feet of new space was delivered. That one building accounts for all the new space delivered in 2015. However, World Wide Technologies recently announced its plan to build a 205,000-square-foot office tower in the Westport Plaza market area for its own use.

Vacancy fell by 10 basis points in Q3, ending the quarter at 10.7%. Class A vacancy declined to 8.8%, a 30 basis point drop for the quarter, and Class B vacancy was unchanged at 12.8%. The steady decline in overall vacancy has led to a modest gain in average asking rental rates. In Q3, the overall rate increased by \$.14 to \$18.10. The class A asking rate hit \$21.85 and class B held steady at \$16.99. Suburban office rates averaged \$18.59 compared to \$16.20 for the CBD.

Starwood Capital, the new owner of the St. Louis portion of the former Duke Realty portfolio, has named Vanderbilt Partners as its new management and leasing representative. The announcement should soon clarify the impact on renewals and new leases as it relates to assets in the portfolio that may be sold off. Other institutional investors continue their strong interest in acquiring office properties in the area. They are attracted to the stability of the regional economy, prospects for job growth and the potential for higher yields than they can achieve in other markets.

AVERAGE SF RENTAL RATES



SF UNDER CONSTRUCTION



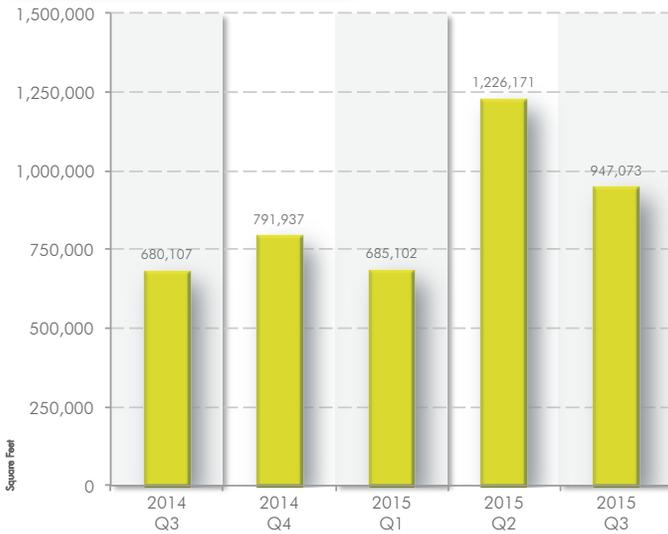
A LOOK AHEAD.

- Leasing activity will slowly increase over the next year
- Absorption will remain positive, but subject to significant swings based on the timing of larger deals
- Asking lease rates have stabilized overall, but look for increases in Clayton and North County
- Speculative development is still off the table until rent growth improves
- Expect a slow but steady decline in vacancy through 2016
- Growth in the financial services sector will boost office leasing activity

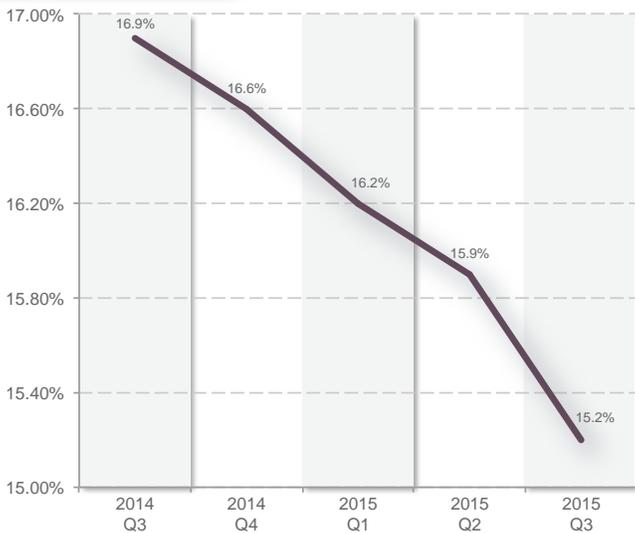


ATLANTA

NET SF ABSORPTION



VACANCY RATE



TRENDING NOW

Atlanta's office tightened further during Q3. Net absorption remained positive at 947,073 square feet. The vacancy rate fell another 70 basis points to 15.2%, and Atlanta's job growth remains strong despite recent concerns over the global economy and the uncertainty caused by mixed signals coming from the Fed. Atlanta has become a favorite of major employers who need access to a highly-skilled and educated workforce. Unemployment in the Atlanta area decreased to 5.5% by the end of September and the area is on track to generate over 75,000 jobs for the full year. That bodes well for net absorption, rent growth and construction activity going forward.

Average asking lease rates in Q3 moved up again, rising \$.48 to \$21.45 per square-foot. Class A saw an even bigger jump, moving up \$.62 to \$24.95 per square-foot. In the past year, Class A rates have moved up by 7.7%, besting a Class B annual rise of 4.8%. The difference can be attributed to the willingness of tenants to pay a premium for Class A properties closer to the city center, including the Buckhead, Central Perimeter and Midtown submarkets. Northwest submarkets are also showing signs of improvement. Vacancy goes up and prices go down as distance from the city center increases.

Leasing activity topped 2 million square feet in Q3, but some tenants, alarmed by rental rates that have moved much higher since they signed their last lease, are opting to renew in place and suffer the consequences of space that is not optimized to their current needs. This could be due to sticker shock. Many tenants currently in the market signed existing leases when rates were much lower. Rapid rent growth is great for landlords, but it can put the brakes on expansion and force

15.2%

VACANCY

\$21.45

AVG. SF RENTAL RATES

947,073

NET SF ABSORPTION

210,594,873

SF INVENTORY

1,651,367

SF UNDER CONSTRUCTION



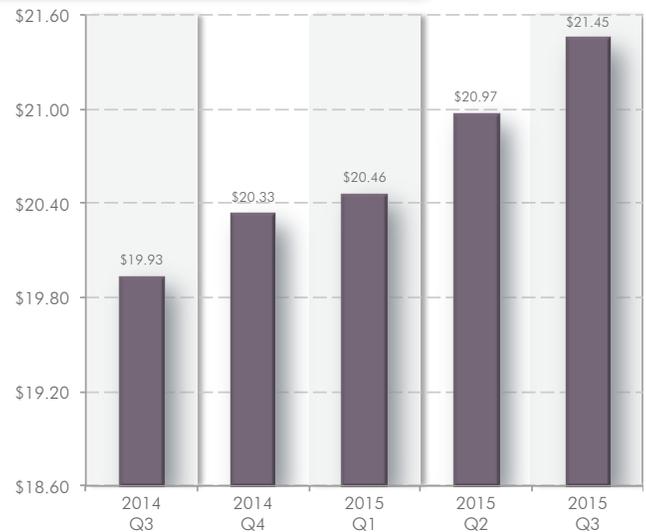
ATLANTA - TRENDING NOW (continued)

tenants to suffer with inefficiencies and renew in place. While it saves on moving costs, retrofitting space while it's occupied can impede profitability in the short term. From a long-term standpoint, tenants who choose not to upgrade also risk having their space become obsolete, especially in terms of attracting younger workers.

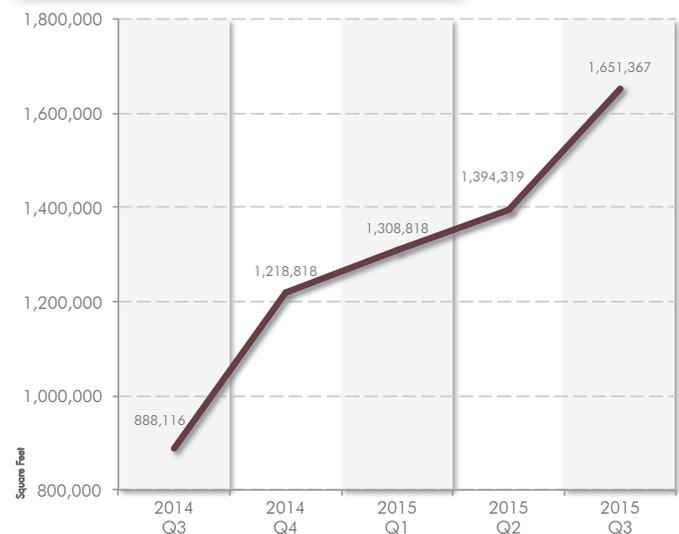
Development remains concentrated in Class A product in Buckhead and the Central Perimeter. By the end of Q3, over 1,651,000 square feet was still under construction, including Tishman Speyer's Three Alliance Center and Riverwood 200. New deliveries for the quarter hit just 119,629 square feet, but that accounted for all but 15,000 square feet of 2015's total. However, long range prospects for new deliveries are good. Major employers including Mercedes Benz, NCR, Synovus, Comcast and Genuine Parts have all committed to new deals and ground has already broken on State Farm's new headquarters facility.

Significant speculative development is not likely to move forward with rents at current levels, as the cost of land and construction is also rising. With the simultaneous construction of stadiums for the Falcons and the Braves, and multi-family construction at a high level, supply of materials and labor are running short and costs are moving up.

AVERAGE SF RENTAL RATES



SF UNDER CONSTRUCTION



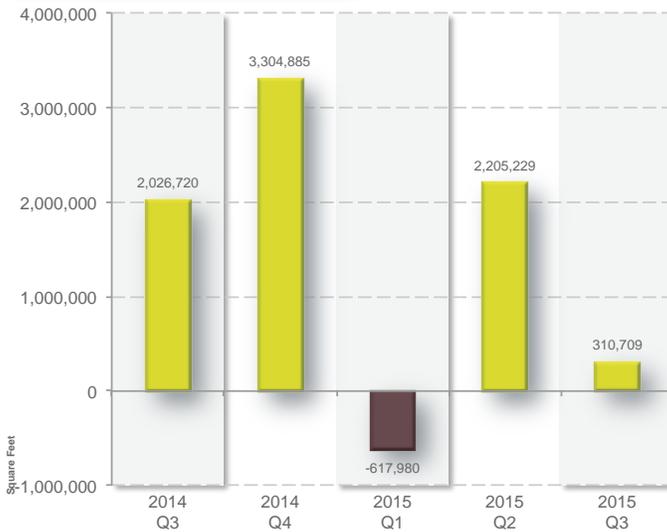
A LOOK AHEAD.

- Cap rates will remain compressed, with trophy projects trading in \$300/square foot range
- Net absorption will remain positive, but is likely to be hampered by tenants renewing in place to avoid moving costs and rent increases
- Tenants who must move to accommodate growth will experience sticker shock
- New workplace designs will help tenants do more with less going forward
- Average asking lease rates in prime submarkets will keep moving up
- More tenants will opt to move to suburban submarkets to avoid higher rents closer to the city center

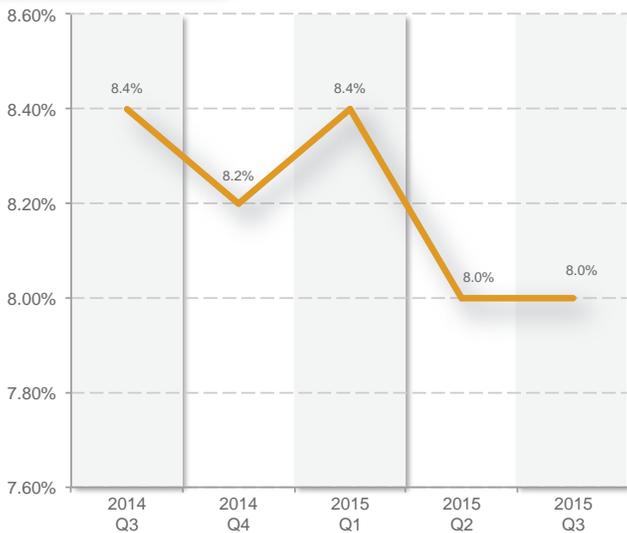
MANHATTAN

TRENDING NOW

NET SF ABSORPTION



VACANCY RATE



The Manhattan office market remained on course during the third quarter, while volatility in the equities markets, confusion over the Fed policy and heightened concerns over the health of the global economy dominated the headlines. Unlike other regions of the country, Manhattan has a more subtle reaction to macroeconomic activity. Domestic and foreign investors have the New York area at the top of their list of places to keep their capital, and Manhattan has a way of creating its own momentum, in part because the area is home to so many major corporate users. Big deals signed in 2015 include the 544,000-square-foot lease to Skadden, Arps, Slate, Meagher & Flom LLP at 1 Manhattan West, the 506,000-square-foot lease for Publicis Groupe at 1675 Broadway and a 495,000-square-foot lease for MetLife, Inc., all in Midtown.

That kind of activity has got construction booming again. As Q3 came to a close, over 10 million square feet of office space was still under construction, including 3 World Trade Center, a 2.8-million-square-foot building, and the 2.6-million-square-foot building at 30 Hudson Yards. Both properties have strong levels of pre-leasing activity. The 473,000-square-foot building at 7 Bryant Park is the largest property delivered so far in 2015. It is now 61% occupied.

The average asking rental rate moved up another \$.91 to \$70.76 per square foot in Q3, but rates reached more than \$100 per square foot for class A space in premium properties in Midtown where rents have been rising fastest. In particular, rents have spiked in the Plaza District, Grand Central, Times Square and Rockefeller Center areas. However, when new class

8.0%

VACANCY

\$70.76

AVG. SF RENTAL RATES

310,709

NET SF ABSORPTION

480,354,189

SF INVENTORY

10,193,153

SF UNDER CONSTRUCTION



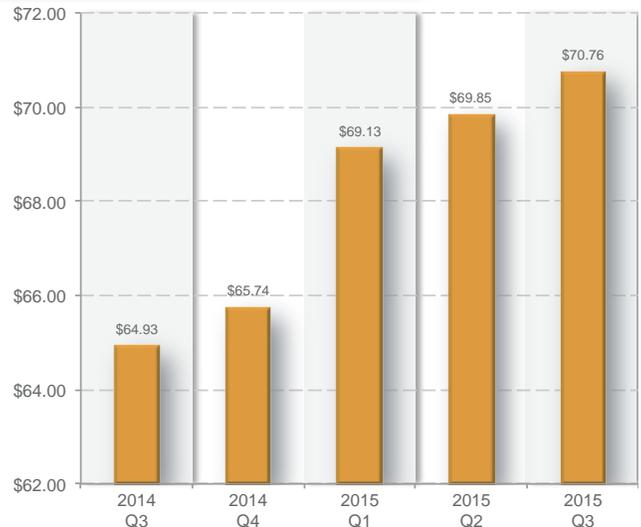
MANHATTAN - TRENDING NOW (continued)

A space in nearby Hudson Yards comes on line, the pace of rent growth may slow. Downtown's World Trade Center submarket is also seeing higher rents, especially in the World Trade Center submarket.

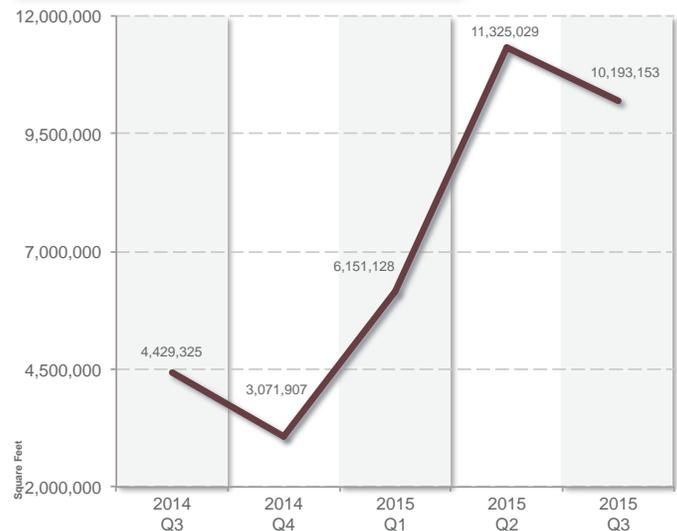
After posting over 2.2 million square feet of net absorption in Q2, things slowed down in Q3, when just a 310,709-square-foot gain was recorded. Demand for class A space is still driving net absorption, offsetting negative growth in class B again in Q3. Vacancy held steady at 8.0% for the period, but has moved down 40 basis points year-over-year. As noted in previous reports, big swings in absorption quarter-to-quarter are not unusual in Manhattan due to so many moves in and out of very large blocks of space along with high levels of construction.

FIRE (Finance, Insurance and Real Estate) tenant tend to stay put in Class A properties and pay higher rents while many TAMI (Technology, Advertising, Media and Information) users are looking to lower costs by locating to re-purposed flex and warehouse space that can be improved with open space designs that attract and help retain younger workers. Some tenants are looking to the outer boroughs, particularly Downtown Brooklyn and Long Island City, to lower occupancy costs. Developers have responded with new investments in retail space, entertainment venues and multi-family residential properties to attract users to a viable alternative to the Manhattan office market.

AVERAGE SF RENTAL RATES



SF UNDER CONSTRUCTION



A LOOK AHEAD.

- Absorption totals will continue to see big swings quarter-to-quarter due to a steady stream of large transactions
- Lease activity will remain strongest in Midtown and Downtown
- Submarkets in proximity to Midtown will see an increase in activity from tenants unable to pay Midtown's premium rates
- Absorption of Class A space will continue to offset weaker demand for Class B product
- New developments will be mixed-use with residential and retail components
- Cap rates will remain compressed in the mid 4% range
- Foreign investors will compete aggressively to place their capital in New York to reduce risk



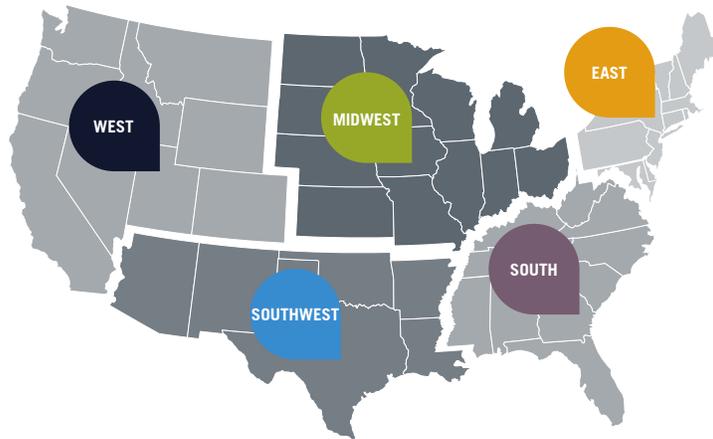
SELECT TOP OFFICE LEASES Q3 2015

| BUILDING | MARKET | SF | TENANT NAME |
|-------------------------------|---------------------|---------|------------------------------|
| Northern New Jersey | Northern New Jersey | 400,000 | JP Morgan Chase & Co |
| IOOO Yard St | Columbus | 246,444 | Nationwide Insurance |
| 500 Santana Row | South Bay/San Jose | 233,100 | Splunk |
| Sunset Bronson Studios - Icon | Los Angeles | 200,052 | Netfix |
| Northwest Crossings | Chicago | 175,419 | HSBC |
| AON Center | Chicago | 169,696 | The Kroft Heinz Company |
| 300Vesey | New York City | 168,873 | KCG Holdings, Inc. |
| Continental Towers -Tower II | Chicago | 159,824 | Verizon Wireless |
| 500 W Monroe St | Chicago | 150,345 | Motorola Solutions, Inc. |
| 100&150 Winchester Cir | South Bay/San Jose | 143,464 | Roku |
| 6330 West Loop South | Houston | 139,244 | Texas Children's Health Plan |
| 725 Chesterbrook Blvd | Philadelphia | 129,459 | Comcast Spotlight |

SELECT TOP OFFICE SALES Q3 2015

| BUILDING | MARKET | SF | PRICE PSF | CAP RATE | BUYER | SELLER |
|--------------------------|--------------------|---------|-----------|----------|--|---------------------------------|
| Monarch Centre | Atlanta | 896,449 | \$338.00 | 4.29% | Highwoods Properties | NY State Common Retirement Fund |
| 523 W 6th St | Los Angeles | 446,023 | \$448.41 | 3.5% | Ivanhoe Cambridge, Inc. | Rising Realty Partners |
| Netfix HQ | South Bay/San Jose | 263,000 | \$734.22 | 5.5% | Wealth Management Capital Holding GmbH | Sand Hill Property Company |
| Valencia Corporate Plaza | Los Angeles | 311,522 | \$293.72 | 7.25% | OnniGroup | CW Capital Asset Management LLC |

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The Lee Office Brief

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COMMERCIAL REAL ESTATE SERVICES