

Overview

Despite the sluggish pace of economic expansion, office markets throughout the country continued to show steady signs of improvement through mid-year 2011 with leasing activity picking up, vacancy rates edging down and rental rate depreciation slowing. Eight consecutive quarters of GDP growth through June 2011 helped support a 0.9% year-over-year increase in total nonfarm employment, and a net gain of over 1.1 million new positions. Momentum is mixed, however, with hiring in key sectors like professional and business services (up 3.3% year-over-year by 547,000 new jobs), education and health (up 2.0% by 384,000 workers), and trade and transportation (up 1.4% by 331,600 positions) partially offset by over 714,000 layoffs in government, financial activities and select information sub-industries.

Rents and Vacancy

Overall office market vacancy nationwide was 17.2% at the close of second quarter 2011, edging 0.6 percentage points (pp) lower from year-ago levels. Nearly two-thirds of Cushman & Wakefield's 41 core markets reported year-over-year vacancy declines, ranging from as much as a 4.7 pp drop in Portland (where overall vacancy rates fell to 14.3%) to as little as a 0.1 pp dip in Suburban Maryland (where overall vacancy was down to 17.7%). Markets where vacancies are still rising include Fairfield County (up 2.1 pp to 21.0% overall), Los Angeles (up 1.1 pp metro-wide to 19.1% overall), and Saint Petersburg (up 0.1 pp to 23.3% overall).

Rents remain depressed but appear to be stabilizing. Whereas last quarter only one-third of core markets reported year-over-year appreciation, at the close of our mid-year 2011 survey this proportion increased to over two-fifths. Increases ranged from as little as 0.2% in Oakland (to \$23.48 per square foot (psf) overall) to as much as 29.3% in San Francisco (to \$36.88 psf overall), with a quarter of core markets seeing year-over-year appreciation above 2.0%.

Noteworthy Transactions

Year-to-date leasing activity amounted to almost 100.6 million square feet (msf) – the highest mid-year volume since 2008. Large, well-funded companies have clearly been active taking advantage of tenant-favorable conditions to lock in rental savings and accommodate expansion requirements. Yet, a number of small- to medium-sized firms are also getting back into the market as confidence improves and growth prospects for niche industries brighten.

The largest lease closed this quarter was signed by publishing giant Condé Nast, which plans to consolidate six separate offices into a 1.0 msf assemblage at the One World Trade Center building that is currently under construction in Downtown Manhattan. The subsidiary of Tokyo-based Nomura Holdings closed the second-largest transaction this quarter, committing to 900,964 square feet (sf) at Worldwide Plaza in Midtown, where it will move its U.S. headquarters from Downtown Manhattan. Other noteworthy second-quarter transactions include telecom company Ericsson's 260,000-sf expansion at the former Nortel Campus in Dallas, internet search-engine provider Google's 252,000-sf sublease in Silicon Valley, financial management firm Bridgewater Associate's 227,998-sf expansion in Fairfield County, and chemical manufacturer Evonick DeGussa's new 150,500-sf office lease in Northern New Jersey.

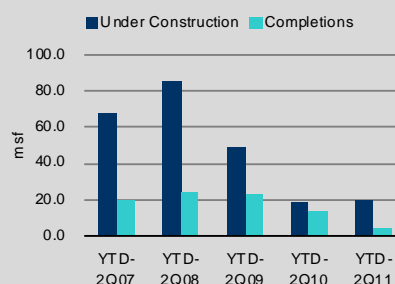
Outlook

Economic growth is expected to remain subdued in coming quarters, with consumer spending tempered, government spending curtailed and many businesses still facing financial constraints. Well-capitalized companies in specialized industries, however, have been and should continue to invest in equipment and software, as well as facilities from which to operate. These interests tend to prefer high-quality properties in strong locations where demand may soon outstrip supply, leading to higher rents and fewer options in the next few years even if full economic recovery is slow to materialize.

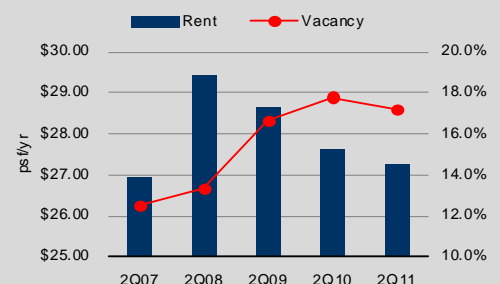
Stats on the Go

	2Q10	2Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	17.8%	17.2%	-0.6 pp	▼
Direct Asking Rents	\$27.78	\$27.39	-1.4%	◀▶
YTD Leasing Activity (msf)	86.9	100.6	+15.8%	▲

Under Construction vs. Construction Completions

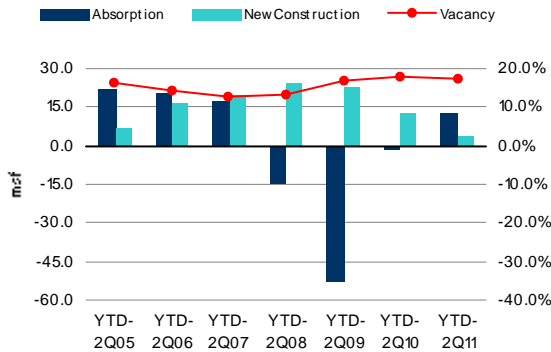


Overall Rental vs. Vacancy Rates



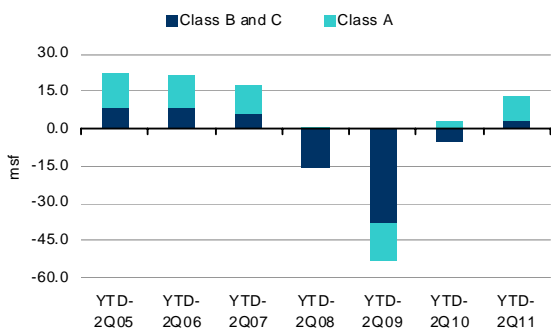
Overall Supply and Demand

Overall absorption in Cushman & Wakefield's 41 core markets for the first six months of 2011 amounted to almost 13.9 msf. Demand was strongest in Pacific / West Coast markets (accounting for 36.6% off year-to-date absorption), followed by the Southwest (with a 23.7% share), and the Northeast (with a 15.6% share). To date just 3.8 msf of new commercial-grade office construction has been delivered, with the bulk of this (42.3%) coming on line in Southwestern markets, specifically Houston, Denver, Dallas and Phoenix. Northeastern markets (in particular, Boston, Fairfield County and Northern New Jersey) had the second-highest level of deliveries (30.2%), followed by the Mid-Atlantic (including Washington, DC, Northern Virginia and Baltimore, with a 19.4% share). The pipeline is getting shallow, with just 6.9 msf slated to come on-line by year's end and only 4.4 msf underway for next year.



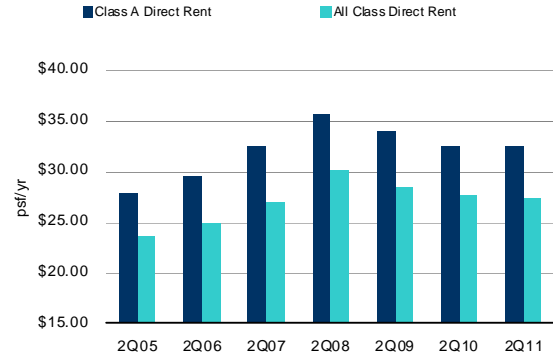
Overall Absorption

Demand for class A space was behind the majority of this year's absorption to date, accounting for almost three-quarters of the overall occupancy gains. Yet, it is important to note that as recovery gradually took hold over the past several quarters, there has been a noticeable rebound in demand for B and C grades as well – especially in suburban markets. Mid-year 2011 marks the first time since 2007 that positive absorption has been recorded for these classes, an indication that more small, price-sensitive companies have begun to return to the market to take advantage of tenant-favorable opportunities. With economic growth expected to slow in coming quarters, continuation of this trend should serve as the bellwether of this recovery's overall diffusion.



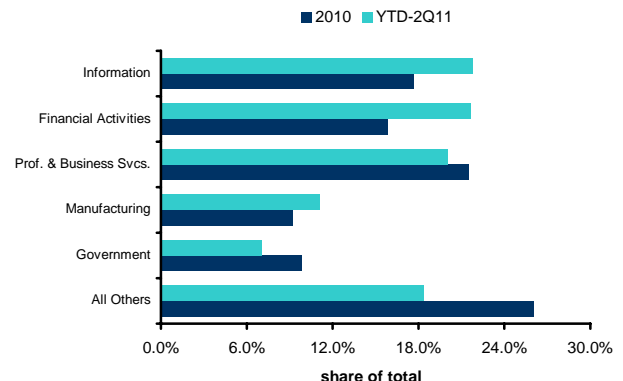
Direct Rental Rates

The rate of decline in direct rents appears to be slowing as second quarter comes to a close. The direct weighted average asking rate in Cushman & Wakefield's core markets was down 1.4% year-over-year to \$27.39 psf, compared to a 2.6% decrease this time last year and a 5.0% drop at mid-year 2009. Class A rents are clearly firming in response to increased demand, down just 0.3% year-over-year to a weighted average of \$32.48 psf direct, versus a 4.0% year-over-year decrease in June 2010 and a 5.0% decrease two years ago. We expect rental rate depreciation for class A product to bottom in 2011, followed by a brief period of modest overall appreciation, then an accelerated uptick as high-end markets tighten further. Concessions are already being reigned in, with fewer months of free rent being offered and lower caps set on tenant finish packages, and this trend is likely to escalate over the next several quarters.



Leasing Activity

New and expansion leasing activity has steadily risen over the past several quarters, up 15.8% in the first six months of 2011 to 100.6 msf compared to the same period one year ago. As a share of activity recorded, the information industry had a big impact (accounting for 21.8% of new leases closed to date). Two large deals (Facebook's 1.0 msf lease in first quarter and Condé Nast's 1.0 msf lease in the current) have clearly skewed this share upward, but there is plenty of other evidence that select players in this industry have the capital to commit and drive to grow. Financial activities has been the second-most active to date (with a 21.7% share), followed by professional and business services (20.1%) and manufacturing (11.1%).



Market/Submarket Statistics

Market / Submarket	Inventory	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	YTD Overall Absorption	Overall Wtd. Avg. All Classes Gross Rental Rate*	Direct Wtd. Avg. Class A Gross Rental Rate*
Atlanta, GA	142,612,075	21.8%	20.4%	3,800,222	514,557	0	(305,380)	172,691	\$ 21.05	\$ 24.30
Austin, TX**	42,711,860	19.1%	17.9%	****	135,000	0	263,299	414,920	\$ 24.96	\$ 28.24
Baltimore, MD	61,970,544	13.8%	13.2%	1,009,385	1,321,449	221,273	141,913	201,746	\$ 24.19	\$ 27.08
Bellevue, WA**	31,182,393	15.8%	14.9%	1,070,474	0	165,320	207,921	442,189	\$ 26.61	\$ 29.68
Birmingham, AL**	17,400,407	15.2%	11.4%	244,070	0	0	(199,507)	(110,296)	\$ 19.10	\$ 21.33
Boston, MA	183,284,440	18.7%	16.6%	6,625,240	790,000	778,011	(1,012,363)	(887,370)	\$ 26.85	\$ 33.73
Buffalo, NY**	20,367,572	11.0%	11.0%	80,486	0	0	****	****	\$ 19.50	\$ 22.75
Charlotte, NC**	69,324,447	15.4%	14.3%	820,492	771,666	298,784	353,293	382,249	\$ 18.64	\$ 21.87
Chicago, IL	215,825,839	19.4%	16.8%	6,401,119	0	0	(406,392)	319,298	\$ 25.76	\$ 29.52
Cincinnati, OH**	35,884,098	21.3%	20.4%	****	360,000	839,038	503,749	535,996	\$ 20.34	\$ 22.62
Cleveland, OH**	140,857,442	12.6%	12.1%	834,032	0	0	(179,268)	(291,425)	\$ 16.53	\$ 21.42
Columbus, OH**	30,781,140	18.3%	17.2%	650,245	0	0	****	87,788	N/A	\$ 18.25
Contra Costa, CA	31,699,245	19.6%	18.7%	808,943	0	0	507,533	648,255	\$ 23.64	\$ 24.48
Dallas, TX	180,272,326	23.8%	22.5%	6,475,789	1,070,000	177,000	379,739	536,150	\$ 19.98	\$ 24.71
Denver, CO	104,135,587	16.6%	15.9%	4,680,482	899,878	181,706	547,178	748,706	\$ 20.10	\$ 24.22
Detroit, MI**	93,790,125	26.0%	24.7%	1,238,553	0	0	221,592	702,137	\$ 17.02	\$ 19.98
Downtown, NY	86,372,509	9.7%	8.7%	4,357,583	4,770,480	0	148,444	462,585	\$ 39.38	\$ 45.10
Fairfield County CT	41,567,162	21.0%	17.8%	1,123,771	91,368	353,228	(137,892)	(350,084)	\$ 32.99	\$ 35.64
Fredericksburg, VA**	8,556,419	12.7%	1.3%	85,632	0	716,000	16,935	57,287	\$ 21.70	\$ 25.48
Ft. Lauderdale, FL	30,081,780	16.9%	15.8%	751,853	0	0	92,396	213,126	\$ 26.57	\$ 31.04
Hampton Roads, VA**	46,108,169	12.4%	12.1%	836,847	205,850	125,479	32,502	47,676	\$ 17.04	\$ 21.86
Hartford, CT	25,616,039	20.3%	18.7%	475,642	36,500	0	(43,442)	(75,660)	\$ 19.59	\$ 21.76
Houston, TX	167,223,198	16.0%	15.1%	3,869,118	1,533,221	1,103,818	1,514,324	1,540,890	\$ 22.81	\$ 30.13
Indianapolis, IN**	35,550,911	22.3%	20.9%	889,189	19,000	0	6,190	(85,477)	\$ 17.27	\$ 19.66
Inland Empire CA	19,192,706	24.6%	23.1%	343,515	140,000	0	105,807	112,620	\$ 21.88	\$ 24.75
Jacksonville, FL	24,358,077	21.5%	21.0%	501,395	48,000	0	123,878	162,079	\$ 18.01	\$ 20.65
Kansas City, MO**	45,808,539	17.9%	17.5%	1,110,950	293,911	115,984	(214,462)	240,265	\$ 17.53	\$ 19.95
Las Vegas, NV**	41,985,438	23.1%	23.1%	1,831,156	1,243,082	204,500	157,910	157,910	\$ 23.52	\$ 31.86
Long Island, NY	32,041,037	18.9%	16.2%	727,971	0	0	162,166	399,497	\$ 29.19	\$ 32.79
Los Angeles, CA	191,834,950	19.1%	18.0%	6,866,971	611,434	150,000	(1,475,228)	(1,104,556)	\$ 29.76	\$ 32.91
Louisville, KY**	19,820,600	14.9%	14.6%	416,188	125,000	0	(69,424)	(69,424)	\$ 16.08	\$ 19.77
Memphis, TN**	19,606,967	21.8%	20.3%	313,922	0	0	46,310	49,533	\$ 18.17	\$ 23.09
Miami, FL	48,873,950	16.8%	16.1%	1,339,621	787,184	0	122,035	90,498	\$ 30.10	\$ 36.47
Midtown NY	241,245,327	9.8%	8.2%	11,131,465	1,226,000	0	2,332,094	2,207,184	\$ 63.35	\$ 70.90
Midtown South, NY	65,207,961	7.1%	6.2%	2,154,490	0	0	201,242	500,614	\$ 44.63	\$ 54.20
Milwaukee, WI**	28,289,365	21.1%	19.7%	344,060	0	0	428,845	160,882	\$ 19.02	\$ 22.13
Minneapolis, MN	80,506,894	19.0%	17.9%	****	227,000	0	17,772	267,152	\$ 22.11	\$ 26.77
Nashville, TN**	31,056,877	13.7%	11.4%	367,398	312,944	22,700	13,149	7,794	\$ 18.52	\$ 22.30
New Haven, CT	10,174,733	13.9%	13.7%	83,790	287,970	0	(51213)	(46,250)	\$ 20.64	\$ 24.04
New Jersey - Central	76,001,660	20.4%	19.0%	1,565,771	229,057	0	(210,683)	97,854	\$ 22.86	\$ 24.24
New Jersey - Northern	107,290,754	17.3%	15.0%	2,554,085	357,000	30,000	(426,755)	(408,474)	\$ 25.53	\$ 28.70
Northern, VA	130,116,370	15.0%	13.6%	1,242,641	1,578,630	94,280	(50,365)	(170,738)	\$ 30.43	\$ 33.63
Oakland, CA	26,664,796	18.9%	17.4%	690,396	245,300	0	32,920	(24,538)	\$ 23.60	\$ 29.95
Oklahoma City, OK**	16,576,486	15.8%	15.4%	****	1,950,000	0	****	250,000	\$ 15.55	\$ 18.50
Orange County, CA	83,231,434	19.2%	18.5%	3,826,176	0	0	998,624	1,155,005	\$ 23.24	\$ 26.21
Orlando, FL	37,694,268	20.7%	19.1%	869,318	134,000	102,000	44,296	158,901	\$ 20.79	\$ 23.24
Palm Beach, FL	24,983,676	20.1%	19.4%	700,311	32,000	63,000	358,513	384,307	\$ 26.82	\$ 34.57
Philadelphia, PA	131,601,119	15.3%	14.2%	2,926,188	171,000	0	(59,230)	155,066	\$ 23.76	\$ 26.04
Phoenix, AZ	77,172,789	26.1%	25.1%	2,422,327	456,780	165,290	167,337	321,122	\$ 21.23	\$ 25.00
Pittsburgh, PA**	51,087,834	19.8%	19.5%	792,432	251,092	18,000	38,395	118,198	\$ 18.68	\$ 22.02
Portland, OR	42,274,720	13.3%	12.7%	1,090,394	88,425	0	735,182	766,992	\$ 20.94	\$ 23.46
Raleigh/Durham, NC**	59,542,339	13.9%	13.3%	1,362,404	137,304	102,468	153,326	127,411	\$ 19.32	\$ 19.67
Richmond, VA**	57,723,970	10.9%	10.4%	1,400,813	70,000	48,609	(6,445)	23,362	\$ 16.45	\$ 19.20
Roanoke, VA**	12,476,061	8.6%	8.5%	89,905	0	60,873	35,363	36,363	\$ 13.71	\$ 21.76
Rochester, NY**	13,483,005	18.6%	18.7%	****	0	0	****	****	\$ 16.11	\$ 20.13
Salt Lake City, UT**	31,344,745	16.0%	15.2%	863,490	323,312	0	574,973	597,248	N/A	\$ 24.91
San Diego, CA	72,577,279	16.0%	15.2%	3,529,536	83,000	0	329,343	459,624	\$ 25.56	\$ 30.12
San Francisco Penin., CA	36,273,283	13.3%	11.1%	2,772,348	65,299	0	185,100	560,318	\$ 31.41	\$ 34.44
San Francisco, CA	75,732,541	13.6%	12.7%	3,005,825	0	0	430,169	878,761	\$ 37.42	\$ 41.60
San Juan, PR**	15,928,558	15.0%	15.0%	****	0	0	****	****	\$ 19.50	\$ 19.50
Savannah, GA**	3,372,190	22.0%	22.0%	****	78,000	0	****	****	\$ 18.82	\$ 22.17
Seattle, WA**	50,737,313	20.9%	19.4%	2,555,715	496,200	833,952	559,996	624,149	\$ 25.49	\$ 29.47
Silicon Valley CA	44,894,669	18.0%	16.7%	3,539,666	153,450	0	1,143,523	1,414,770	\$ 28.05	\$ 32.41
Southern, NH	12,486,266	20.0%	19.8%	331,447	26,424	0	20,774	32,280	\$ 19.57	\$ 20.95
St. Louis, MO**	48,659,702	19.3%	18.5%	1,048,918	284,000	0	(116,116)	(83,094)	\$ 18.63	\$ 21.68
St. Petersburg, FL	13,318,461	23.3%	22.4%	395,397	0	0	211,300	180,698	\$ 18.74	\$ 20.57
Suburban, MD	54,881,396	17.7%	16.4%	1,097,842	627,202	0	(285,583)	(358,291)	\$ 26.72	\$ 30.19
SWFL (Ft. Myers)**	16,932,194	19.5%	16.3%	****	0	0	****	****	\$ 18.78	\$ 24.52
SWFL (Naples)**	8,279,382	18.1%	14.3%	****	0	0	****	****	\$ 21.75	\$ 29.58
Syracuse, NY**	17,087,601	20.7%	20.4%	157,495	46,626	0	(37,146)	(30,725)	\$ 15.13	\$ 16.82
Tampa, FL	31,924,493	19.1%	18.8%	958,104	42,282	0	27,056	39,007	\$ 21.57	\$ 23.98
Tucson, AZ**	23,276,251	12.2%	11.9%	309,983	254,353	61,066	20,424	(16,903)	\$ 18.83	\$ 22.54
Tulsa, OK**	24,126,572	21.1%	20.9%	****	0	12,223	60,580	60,580	\$ 13.73	\$ 17.07
Washington, D.C.	104,097,924	11.5%	10.1%	3,100,714	1,397,613	430,900	1,582,066	1,544,734	\$ 50.00	\$ 59.27
Westchester Cnty., NY	28,453,356	16.4%	14.8%	443,265	0	0	13,1396	(9,881)	\$ 29.50	\$ 30.44
C & W Markets	3,195,767,633	17.2%	15.8%	100,590,116	20,042,503	3,850,506	8,329,594	13,296,688	\$ 27.29	\$ 32.48
All Markets	4,405,484,605	17.2%	16.0%	120,304,965	32,170,323	7,475,502	11,320,288	17,733,281	\$ 24.72	\$ 30.39

* Rental Rates reflect weighted average asking \$/psf/yr.

** Alliance Market

**** Not Available



Market Highlights

SIGNIFICANT 2Q11 LEASE TRANSACTIONS

BUILDING	MARKET	TENANT	SQUARE FEET	BUILDING CLASS
One World Trade Center	Downtown, NY	Conde Nast	1,046,000	A
825 Eighth Avenue	Midtown, NY	Nomura Holding America, Inc.	900,964	A
10 South Wacker Drive	Chicago, IL	Wells Fargo	300,000	A
2101-2121 Lakeside Parkway	Dallas, TX	Ericsson (Expansion)	260,000	A
369-399 Whisman Road	Silicon Valley, CA	Google, Inc.	252,000	A
20 Westport Road	Fairfield Cnty., CT	Bridgewater Assoc. (Expansion)	227,998	A
1 North Central Avenue	Phoenix, AZ	Phoenix School of Law	205,130	A
299 Jefferson Road	New Jersey - Northern	Evonik DeGussa Corp	150,500	A
1717 Arch Street	Philadelphia, PA	Janney Montgomery Scott	146,321	A
100 Crosby Drive	Boston, MA	Acme Packet, Inc. (Expansion)	111,032	A

SIGNIFICANT 2Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
1633 Broadway (partial interest sale)	Midtown, NY	Paramount Group	2,438,049	\$980,000,000
1400 Smith	Houston, TX	Chevron	1,258,867	\$340,000,000
233 North Michigan Avenue	Chicago, IL	Commonwealth REIT	1,067,000	\$162,200,000
70 & 90 Hudson Street	New Jersey - Northern	CBRE Investors	827,318	\$310,000,000
1 Herald Plaza	Miami, FL	Genting Malaysia Berhard	758,000	\$236,000,000
1100 & 1101 4th Street SW	Washington, DC	USAA Real Estate Company	639,546	\$356,000,000
4025-4045 South Riverpoint Pkwy	Phoenix, AZ	Cole Real Estate Investments	599,664	\$170,000,000
550 South Hope	Los Angeles, CA	LBA Realty	565,821	\$157,500,000
750 Seventh Avenue	Midtown, NY	Fosterlane Management	561,139	\$485,000,000
409-499 Illinois Street	San Francisco, CA	Alexandria	450,000	\$293,000,000

SIGNIFICANT 2Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Amazon.com Headquarters - Phase IV	Seattle, WA	Amazon.com	539,000	2Q11
Tivoli Village at Queensridge	Las Vegas, NV	Merrill Lynch	200,000	2Q11
Fountainhead Office Plaza - Bldg. B	Phoenix, AZ	University of Phoenix	165,290	2Q11
19450 State Highway 249	Houston, TX	Speculative	156,000	2Q11
Calhoun Building	Charlotte, NC	Speculative	142,930	2Q11
206 Research Boulevard	Baltimore, MD	Speculative	128,120	2Q11
7025 Kit Creek Road	Raleigh, NC	Cisco	86,968	2Q11
2288 Blue Water Boulevard	Baltimore, MD	Speculative	63,753	2Q11
Continental Mills Corporate HQ	Seattle, WA	Continental Mills	57,768	2Q11
100 Town Center	Roanoke, VA	Speculative	40,872	2Q11

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
One World Trade Center	Downtown, NY	Conde Nast	3,000,000	3Q13
Four World Trade Center	Downtown, NY	The City of New York	1,770,480	4Q13
50 Northern Ave./11 Fan Pier Blvd.	Boston, MA	Vertex	1,100,000	4Q13
250 West 55th Street	Midtown, NY	Morrison Foerster	993,400	1Q14
1501 McKinney	Houston, TX	Hess Corporation	853,221	3Q11
157 Berkeley Street	Boston, MA	Liberty Mutual	760,371	1Q13
Deloitte Build-to-Suit	Dallas, TX	Deloitte & Touche	750,000	3Q11
S. Service Rd. @ Walt Whitman Rd.	Long Island, NY	Canon	668,300	3Q12
World Headquarters	Cleveland, OH	Goodyear Tire & Rubber Co.	639,000	2Q13
Brickell Financial Centre-I	Miami, FL	Speculative	579,358	3Q11



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