

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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Overview

The U.S. economy continued its slow recovery through September 2011. Gross Domestic Product grew at a 2.5% annual rate in third quarter 2011, bolstered by consumer spending, investment and exports. This helped to support a 1.1% year-over-year increase in nonfarm payrolls, for a net gain of just under 1.5 million new positions over the past twelve months.

The professional and business services sector added the most jobs (up by 549,000), followed by education and health (up 449,000), and trade, transportation and utilities (up 321,000). These gains were partially offset by ongoing layoffs in government (down 327,000), telecommunications (down 43,800) and insurance and credit intermediation (down 22,800 and 6,100, respectively). Yet, prevailing momentum has positively impacted office markets throughout the country, resulting in stronger leasing activity, lower vacancies and stabilization in rental rates.

Overall office market vacancy nationwide was 17.0% by September's end, edging 0.8 percentage points (pp) lower from year-ago levels. More than three-quarters of Cushman & Wakefield's 40 core markets reported year-over-year vacancy declines, ranging from as much as a 5.3 pp drop in Palm Beach (where overall vacancy rates fell to 19.6%) to as little as just under 0.1 pp in Northern Virginia (where overall vacancy was down to 15.3%). Markets where vacancies are still rising include Contra Costa (up 1.9 pp to 18.9% overall), Fairfield County (up 1.4 pp metro-wide to 20.8% overall), and Miami (up 1.1 pp to 19.2% overall).

Rents remain depressed but appear to be stabilizing. The weighted average asking rent nationwide was down 0.3% year-over-year, at \$27.57 per square foot (psf) overall, but this was 0.1% higher than year-end 2010. Nine core markets reported year-over-year appreciation above 2.0%, including San Francisco (up 24.3% to \$39.67 psf overall), Miami (up 6.9% to \$31.81 psf overall), and

Boston (up 4.9% to \$26.52 psf overall). Those still showing year-over-year losses included Suburban Maryland (down 5.0% to \$26.93 psf overall), Houston (down 2.3% to \$22.60 psf overall), and Portland (down 0.4% to \$20.92 psf).

Year-to-date, a total of almost 154.5 million square feet (msf) of new and expansion leases have been signed, which is the highest third-quarter volume since 2008. This quarter alone several large new leases closed, like Google (which took 700,328 square feet (sf) in Silicon Valley), the National Institute of Allergy and Infectious Diseases (which committed to 496,000 sf in Suburban Maryland), and Novo Nordisk (which inked a 475,000-sf deal in Central New Jersey). Other noteworthy transactions included Sony America's 456,885-sf lease in the San Francisco Peninsula market, Primerica Life Insurance Company's 344,476-sf move in Atlanta, and Biogen's 307,000-sf lease in Boston.

Outlook

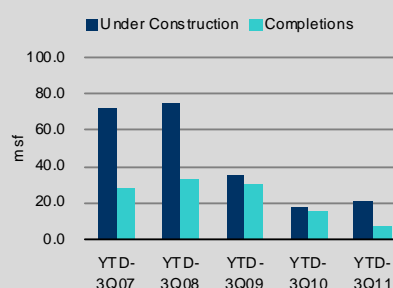
Expect office markets throughout the country to tighten further. Leasing activity should accelerate in coming quarters as pent-up demand is released. Well-capitalized companies in specialized industries have already come back into the marketplace to take advantage of exceptional opportunities to upgrade accommodations at record-low rates. Yet, given the lack of new supply, opportunities for future entrants are dwindling rapidly.

As scarcity intensifies, rental rates for higher-end properties should appreciate significantly over the next three to six quarters. In turn, rates for second-tier facilities should move upward as well. Demand is likely to favor quality, however, and larger companies that find it increasingly difficult to accommodate expansion plans given existing stock will start to seek out build-to-suit opportunities to meet their needs rather than settle for retro-fitting of less-desirable facilities. This could result in rising class A vacancies in two- to three-year's time, leaving landlords to backfill vacancies on more competitive terms.

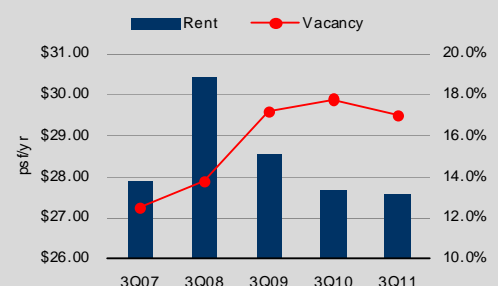
Stats on the Go

	3Q10	3Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	17.8%	17.0%	-0.8 pp	▼
Overall Asking Rents	\$27.65	\$27.57	-0.3%	◀▶
YTD Leasing Activity (msf)	137.3	154.5	+12.5%	▲

Under Construction vs. Construction Completions

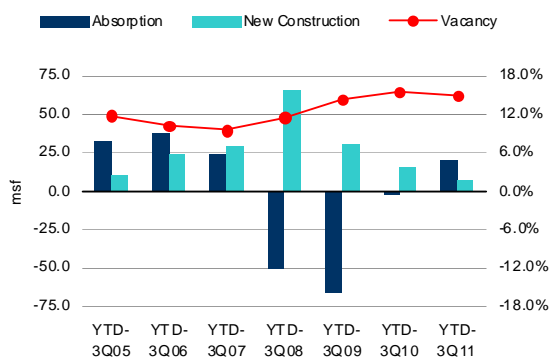


Overall Rental vs. Vacancy Rates



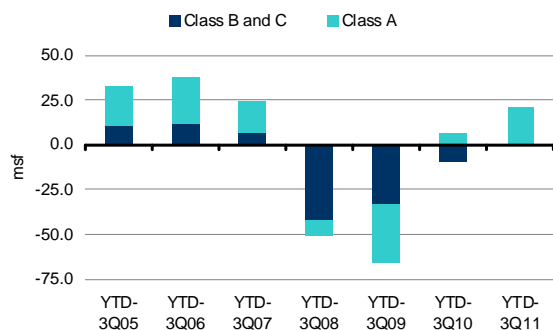
Overall Supply and Demand

Overall absorption in Cushman & Wakefield's 40 core markets through September 2011 amounted to almost 20.4 msf. As a share of respective inventories, West Coast and Southwest markets reported the strongest absorption rates (amounting to 1.8% and 1.0%, respectively), while absorption in Southeast and Northeast regions was below-par (with each absorbing just 0.3% to date). Certain markets stand out in these regions however, with Midtown South Manhattan's absorption rate standing at 3.1% of inventory, and Palm Beach's absorption rate at 2.0%. Through September just 7.7 msf of new commercial-grade office construction has been delivered – the lowest third-quarter volume in more than a decade. And, of the 20.6 msf slated to come online over the next three years, more than three-fifths of this has already been leased. Meanwhile, vacancies continue to edge lower while demand rises.



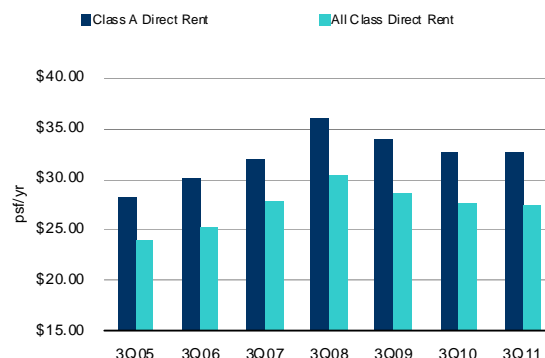
Overall Absorption

All of this year's positive absorption can be attributed to take-up of class A space. During the first two quarters in it looked as if demand had begun to resurface for class B and C grades as well – especially in suburban markets. Yet by third quarter, all previously recorded gains had been reversed, an indication that smaller, more price-sensitive companies have again retrenched from the marketplace. If the economy continues its slow pace of recovery in coming quarters, demand for lower-grade property will continue to languish. Demand for high quality is unlikely to diminish, regardless, and this will serve to drive rental rates upward and provide rationale for larger users to consider build-to-suit options as cost-competitive alternatives in select markets.



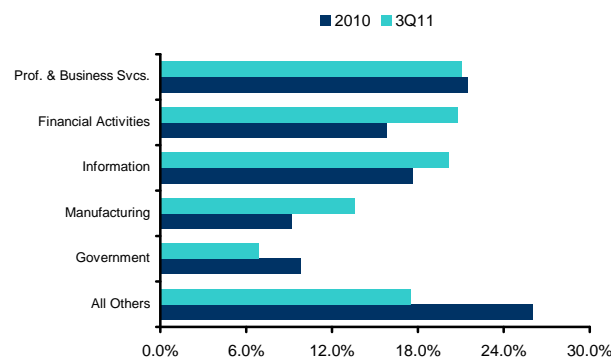
Direct Rental Rates

The rate of decline in direct rents has slowed considerably over the past several quarters. The direct weighted average asking rate in Cushman & Wakefield's core markets was down 0.8% year-over-year to \$27.55 psf, compared to a 4.9% decrease this time last year and a 3.5% year-over-year drop in third quarter 2009. Class A rents are clearly firming in response to increased demand, down just 0.1% year-over-year to a weighted average of \$32.72 psf direct, versus a 3.6% year-over-year decrease in September 2010 and a 5.9% decrease two years ago. We expect rental rate depreciation for class A product to bottom in 2011, followed by a brief period of modest 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 – a trend that is likely to escalate over the next several quarters.



Leasing Activity

New and expansion leasing activity has steadily risen over the past several quarters, and was up 12.5% in the first nine months of 2011 to almost 154.5 msf compared to the same period one year ago. As a share of activity recorded, the professional and business services sector remains a dominant force in U.S. office markets (accounting for 21.1% of new leases closed to date). Leasing by firms in the financial activities sector increased significantly this year (representing a 20.8% share of activity this year, versus 15.8% in 2010). Demand from information sector has also grown (amounting to 20.2% of all deals closed to date, versus 17.6% this time last year). Additionally, manufacturing was behind 13.6% of year-to-date activity (versus 9.2% in third quarter 2010).



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	142,565,334	22.2%	20.9%	7,026,546	514,557	0	(1,133,759)	(501,309)	\$ 20.79	\$ 23.90
Austin, TX**	42,683,579	17.6%	16.5%	****	135,000	0	833,882	1,026,509	\$ 24.96	\$ 28.23
Baltimore, MD	62,698,192	14.6%	14.0%	1,770,883	909,409	987,773	468,498	542,713	\$ 23.84	\$ 26.54
Bellevue, WA**	30,936,530	15.1%	14.5%	1,579,037	0	165,320	371,013	702,470	\$ 26.30	\$ 29.91
Birmingham, AL**	17,400,407	15.9%	11.5%	398,624	0	0	(228,831)	(220,901)	\$ 19.19	\$ 21.17
Boston, MA	183,139,621	18.2%	16.1%	9,926,863	19,127,98	978,011	(129,477)	43,329	\$ 26.52	\$ 33.56
Buffalo, NY**	20,367,572	11.0%	11.0%	110,129	****	****	****	****	\$ 19.50	\$ 22.75
Charlotte, NC**	69,463,864	15.6%	14.5%	1,532,082	550,000	394,829	352,319	421,893	\$ 18.47	\$ 21.72
Chicago, IL	216,886,431	19.2%	16.9%	9,786,431	0	0	(434,163)	103,635	\$ 25.80	\$ 29.22
Cincinnati, OH**	35,884,098	21.7%	20.9%	****	445,000	839,038	429,044	462,798	\$ 20.41	\$ 22.67
Cleveland, OH**	141,732,794	12.5%	12.0%	1,247,814	****	****	(155,981)	(269,276)	\$ 16.51	\$ 21.52
Colorado Spgs., CO**	9,858,445	28.7%	28.2%	****	****	****	73,175	73,175	\$ 12.84	\$ 12.84
Columbus, OH**	30,750,149	17.2%	16.3%	1,060,363	****	****	****	321,240	\$ 0.00	\$ 18.25
Contra Costa, CA	31,699,722	18.9%	18.1%	1,482,565	0	0	665,041	810,790	\$ 24.00	\$ 25.20
Dallas, TX	181,225,604	23.4%	22.2%	9,049,882	320,000	317,000	853,194	1,193,910	\$ 20.13	\$ 24.50
Denver, CO	104,178,130	16.1%	15.5%	7,248,440	1,030,160	181,706	992,134	1,321,225	\$ 20.06	\$ 24.27
Detroit, MI**	93,790,250	25.8%	24.5%	1,784,542	0	0	450,784	861,187	\$ 16.82	\$ 19.96
Downtown, NY	86,372,509	9.9%	8.9%	5,710,825	4,770,480	0	36,049	479,850	\$ 39.10	\$ 43.69
Fairfield County CT	41,642,815	20.8%	17.8%	0	1,786,430	0	444,596	(65,279)	\$ 32.88	\$ 35.69
Fredericksburg, VA**	8,705,102	12.4%	12.3%	192,386	294,000	716,000	146,480	153,667	\$ 21.85	\$ 25.48
Ft. Lauderdale, FL	30,006,953	17.2%	16.2%	1,124,571	0	0	(212,276)	(35,416)	\$ 26.18	\$ 31.08
Hampton Roads, VA**	46,188,101	12.9%	12.6%	1,620,258	327,297	163,479	(137,194)	(143,369)	\$ 16.91	\$ 21.85
Hartford, CT	25,654,861	20.2%	18.6%	718,855	12,500	24,000	(636)	(33,092)	\$ 19.57	\$ 21.85
Houston, TX	168,178,419	15.9%	15.0%	7,135,591	1,002,383	2,059,039	1,986,543	1,939,191	\$ 22.60	\$ 30.18
Indianapolis, IN**	35,494,524	21.9%	20.5%	1,433,622	19,000	0	94,025	25,883	\$ 17.22	\$ 19.59
Inland Empire CA	19,873,588	23.8%	22.4%	642,013	140,000	0	139,689	146,502	\$ 21.81	\$ 24.65
Jacksonville, FL	24,453,716	21.3%	20.9%	806,518	48,000	0	201,596	246,357	\$ 17.95	\$ 20.30
Kansas City, MO**	45,666,125	17.6%	17.2%	1,556,108	174,757	115,984	(265,552)	(148,718)	\$ 17.35	\$ 19.85
Las Vegas, NV**	43,081,600	23.7%	23.7%	2,825,001	826,520	204,500	183,376	183,356	\$ 22.92	\$ 29.94
Long Island, NY	32,041,037	18.2%	16.4%	1,114,261	0	0	89,511	612,751	\$ 29.31	\$ 32.56
Los Angeles, CA	192,630,635	19.0%	17.8%	10,024,955	608,617	189,483	(1,072,124)	(754,953)	\$ 29.42	\$ 32.84
Louisville, KY**	19,820,600	15.2%	14.8%	521,375	125,000	0	(119,966)	(129,711)	\$ 16.09	\$ 19.81
Memphis, TN**	19,606,967	19.7%	19.5%	426,542	0	0	115,449	(5,268)	\$ 18.60	\$ 22.66
Miami, FL	49,302,158	19.2%	18.4%	2,094,908	388,276	614,908	44,277	193,505	\$ 31.81	\$ 38.11
Midtown NY	24,124,327	10.0%	8.3%	15,043,634	1,246,300	0	2,389,897	2,013,974	\$ 64.07	\$ 71.90
Midtown South, NY	65,207,961	6.1%	5.3%	3,304,005	0	0	809,112	1,162,023	\$ 44.65	\$ 62.87
Milwaukee, WI**	28,243,124	20.6%	19.4%	616,535	0	0	447,443	223,590	\$ 18.89	\$ 22.13
Minneapolis, MN	80,226,894	18.8%	17.7%	****	227,000	0	205,369	434,340	\$ 22.50	\$ 26.79
Nashville, TN**	31,056,877	13.1%	11.0%	475,846	336,940	239,300	261,599	192,445	\$ 19.70	\$ 22.29
New Haven, CT	10,204,733	13.2%	13.0%	226,542	287,970	0	12,161	20,691	\$ 20.28	\$ 23.36
New Jersey - Central	76,108,726	20.6%	19.0%	2,910,098	317,057	0	(143,353)	(24,468)	\$ 23.61	\$ 25.38
New Jersey - Northern	107,304,954	17.8%	15.3%	3,497,447	357,000	30,000	(810,170)	(1,034,855)	\$ 25.49	\$ 28.78
Northern, VA	130,116,370	15.3%	13.7%	3,281,308	2,502,135	94,280	(188,682)	(566,620)	\$ 30.62	\$ 33.73
Oakland, CA	26,609,144	18.6%	17.2%	1,106,975	255,300	0	17,090	(6,886)	\$ 24.07	\$ 30.16
Oklahoma City, OK**	16,576,486	15.5%	15.3%	****	1,950,000	0	0	335,000	\$ 15.55	\$ 18.50
Orange County, CA	83,293,390	18.8%	18.2%	6,232,733	0	0	1,383,715	1,601,755	\$ 23.12	\$ 25.96
Orlando, FL	37,709,994	20.4%	18.9%	1,348,000	134,000	102,000	157,882	255,873	\$ 20.79	\$ 23.17
Palm Beach, FL	24,849,193	19.6%	18.9%	1,003,390	0	95,000	429,708	487,327	\$ 26.75	\$ 34.59
Philadelphia, PA	13,199,722	14.7%	13.7%	4,306,818	171,000	0	845,443	1,176,934	\$ 23.64	\$ 25.85
Phoenix, AZ	77,930,249	25.7%	24.5%	3,749,882	183,000	439,070	798,875	782,511	\$ 20.98	\$ 24.79
Pittsburgh, PA**	48,920,319	19.5%	19.3%	1,477,309	485,652	18,000	96,810	142,811	\$ 19.14	\$ 22.00
Portland, OR	42,328,145	12.4%	11.7%	1,723,118	92,833	47,425	1,212,387	1,213,155	\$ 20.92	\$ 23.57
Raleigh/Durham, NC**	59,725,655	14.0%	13.5%	1,807,893	155,967	126,405	249,827	294,497	\$ 19.39	\$ 21.76
Richmond, VA**	57,971,927	10.7%	10.2%	2,006,407	130,000	118,609	440,104	432,168	\$ 16.53	\$ 19.19
Roanoke, VA**	12,619,921	8.8%	8.7%	120,059	0	60,873	9,091	10,091	\$ 13.57	\$ 21.79
Rochester, NY**	13,483,005	16.7%	16.7%	****	625,000	33,000	****	****	\$ 16.11	\$ 20.13
Salt Lake City, UT**	32,315,437	19.1%	18.0%	1,258,452	233,312	0	911,061	941,304	****	\$ 24.62
San Diego, CA	72,526,533	15.5%	14.7%	4,960,531	541,018	83,000	769,863	924,006	\$ 25.68	\$ 30.60
San Francisco Penin., CA	36,314,962	13.4%	11.3%	4,090,316	65,299	0	192,241	558,414	\$ 32.17	\$ 34.85
San Francisco, CA	75,767,135	12.4%	11.8%	4,883,550	0	0	976,533	1,564,591	\$ 39.67	\$ 43.89
San Juan, PR**	15,981,913	14.7%	14.7%	****	****	****	****	****	\$ 19.50	\$ 19.50
Savannah, GA**	3,373,190	22.0%	22.0%	****	0	0	****	****	\$ 18.82	\$ 22.17
Seattle, WA**	50,829,727	20.2%	18.8%	3,675,273	496,200	833,952	855,132	911,983	\$ 26.20	\$ 30.62
Silicon Valley CA	44,992,384	15.9%	15.1%	5,891,742	789,450	0	1,865,685	2,255,806	\$ 27.48	\$ 32.23
Southern, NH	12,512,690	19.5%	19.4%	433,979	0	26,424	49,868	68,171	\$ 19.75	\$ 21.13
St. Louis, MO**	48,659,702	19.5%	18.6%	1,692,472	284,000	0	(56,921)	(71,162)	\$ 18.52	\$ 21.69
St. Petersburg, FL	13,315,553	23.0%	22.3%	530,158	0	0	218,778	218,164	\$ 18.65	\$ 20.49
Suburban, MD	54,881,396	17.6%	16.4%	1,949,557	804,439	0	(340,618)	(322,123)	\$ 26.93	\$ 30.47
SWFL (Fort Myers, FL)	16,932,194	19.1%	16.0%	****	****	****	****	****	\$ 18.66	\$ 24.40
SWFL (Naples, FL)	8,279,382	17.4%	13.8%	****	****	****	****	****	\$ 21.49	\$ 29.58
Syracuse, NY**	16,992,374	20.2%	19.9%	201,839	0	46,626	(78,400)	(71,979)	\$ 15.17	\$ 16.95
Tampa, FL	31,946,862	18.6%	18.4%	1,776,062	328,282	0	142,269	181,413	\$ 21.51	\$ 23.88
Tucson, AZ**	23,286,602	11.9%	11.7%	470,600	254,353	1,870,154	32,781	31,693	\$ 18.76	\$ 22.44
Tulsa, OK**	24,126,572	23.5%	22.8%	****	38,013	12,223	235,785	235,785	\$ 12.57	\$ 16.06
Washington, D.C.	104,658,885	11.6%	10.4%	3,979,705	836,652	991,861	1,778,814	1,939,957	\$ 50.26	\$ 59.33
Westchester Cnty., NY	28,458,547	16.9%	15.2%	813,635	0	0	(22,243)	(167,086)	\$ 29.34	\$ 30.13
C&W Markets	3,122,914,850	17.0%	15.6%	154,493,722	20,568,915	7,705,576	14,974,073	20,385,377	\$ 27.29	\$ 32.72
All Markets	4,425,723,543	17.1%	15.9%	184,584,290	28,681,926	13,663,868	20,725,777	27,742,878	\$ 24.72	\$ 29.33

Market Highlights

SIGNIFICANT 3Q11 LEASE TRANSACTIONS

BUILDING	MARKET	TENANT	SQUARE FEET	BUILDING CLASS
803-809 Eleventh Avenue	Silicon Valley, CA	Google, Inc.	700,328	A
5601 Fishers Lane	Suburban, MD	GSA - NIAID	496,000	A
800 Scudders Mill Road	New Jersey - Central	Novo Nordisk, Inc.	475,000	A
2207-2215 Bridgepointe Parkway	San Francisco Peninsula, CA	Sony (SCEA)	456,885	A
Meadow Church Drive	Atlanta, GA	Primerica Life Insurance Co.	344,476	A
225 Binney Street	Boston, MA	Biogen, Inc.	307,000	A
330 Hudson Street	Midtown South, NY	Pearson Education, Inc.	271,247	A
85 Broad Street	Downtown, NY	Oppenheimer & Co., Inc.	267,647	A
7 Cambridge Center Expansion	Boston, MA	The Broad Institute	250,000	A
MetWest II-Boy Scout Boulevard	Tampa, FL	PricewaterhouseCoopers, LLP	250,000	A

SIGNIFICANT 3Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
601 West 26th Street	Midtown South, NY	RXR Realty	2,300,000	\$920,000,000
600 West Chicago Avenue	Chicago, IL	CommonWealth REIT	1,621,745	\$390,000,000
70 West Madison Street	Chicago, IL	Gaw Capital JV S. Korean Cons.	1,439,000	\$343,000,000
200 Fifth Avenue	Midtown South, NY	J.P. Morgan Asset Management	844,500	\$726,000,000
299 Park Avenue*	Midtown, NY	Alaska Permanent Fund Corp.	750,000	\$620,000,000
4300-4500Chy Ck./700-710SAsh	Denver, CO	ROC Fund/DCP Development	604,347	\$62,050,000
33 Arch Street	Boston, MA	TIAA-CREF	603,309	\$365,700,000
100,200,300,400,500,600 Unicorn Park	Boston, MA	Nat'l Dev't/Charles River Invest.	600,648	\$78,000,000
Lloyd District Portfolio	Portland, OR	American Assets	593,117	\$92,000,000
3350 Cumberland Circle	Atlanta, GA	Highwoods Properties	502,519	\$86,300,000

SIGNIFICANT 3Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
1501 McKinney	Houston, TX	Hess Corporation	853,221	3Q11
600 Brickell Avenue	Miami, FL	Credit Agricole	614,908	3Q11
1015 Half Street SE	Washington, DC	Speculative	391,923	3Q11
Fountainhead Office Plaza - Bldg. A	Phoenix, AZ	University of Phoenix	273,780	3Q11
7205 Windsor Boulevard	Baltimore, MD	GSA - CMS	228,000	3Q11
7915 Microsoft Way	Charlotte, NC	Federal Bureau of Investigations	171,000	3Q11
733 10th Street NW	Washington, DC	Cassidy & Associates	169,038	3Q11
2501 Westlake Parkway	Dallas, TX	Deloitte & Touche	140,000	3Q11
Citris Towers	Inland Empire, CA	Speculative	140,000	3Q11
430 National Business Parkway	Baltimore, MD	Undisclosed	110,000	3Q11

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	NY Human Resources Admin.	1,770,480	4Q13
50 Northern Ave./11 Fan Pier	Boston, MA	Vertex	1,100,000	4Q13
250 West 55th Street	Midtown, NY	Morrison Foerster	993,400	1Q14
50 Post Office Square*	Boston, MA	Verizon	760,371	1Q12
South Service Rd. / Walt Whitman Rd.	Long Island, NY	Cannon	668,300	3Q12
World Headquarters	Cleveland	Goodyear	639,000	2Q13
Ralph L. Carr Colorado Judicial Center	Denver, CO	Colorado State Judiciary	600,000	1Q13
157 Berkeley Street	Boston, MA	Liberty Mutual	590,000	1Q13
Ballantyne - Bldgs. 1 & 2	Charlotte, NC	Speculative	540,666	4Q12

* Partial interest



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