

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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Overview

Despite the sluggish pace of economic expansion, office market conditions in U.S. Central Business Districts (CBDs) showed 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 vacancy in Cushman & Wakefield's 31 core CBD markets averaged 14.0% at the close of second quarter 2011, ranging from a low of 7.1% in Midtown South Manhattan to a high of 29.1% in Dallas. This was 0.6 percentage points (pp) lower than it was one year ago, with nearly two-thirds of CBD markets reporting year-over-year vacancy declines (compared to just six in second quarter 2010). Strongest year-over-year improvement occurred in cities like Portland (down 3.7 pp to 9.6%), Orange County (down 3.3 pp to 20.7%), Washington, D.C. (down 2.8 pp to 11.5%), and San Francisco (down 2.1 pp to 11.0%).

Weighted average asking rents were down just 0.5% from year-ago levels to \$35.86 per square foot (psf) overall. More than two-fifths of core markets actually reported appreciation in this time frame, ranging from as little as 0.3% in Chicago (now at \$31.18 psf) to as much as 15.2% in San Francisco (ending second quarter 2011 at \$38.95 psf). Ongoing declines over the past twelve months ranged from as much as 7.2% in Phoenix (now \$21.18 psf) to as little as 0.9% in Tampa (now \$20.67 psf).

Noteworthy Transactions

Publishing giant Condé Nast was behind the largest CBD lease signed in second quarter, committing to over 1.0 million square feet (msf) at One World Trade Center in Downtown New York where it plans to consolidate six separate offices to achieve greater operational efficiencies. The second-largest transaction this quarter involved the subsidiary of Tokyo-based Nomura Holdings, which took 900,964 square feet (sf) at Worldwide Plaza in Midtown Manhattan, where it will move its U.S. headquarters from the city's Downtown submarket. Another financial leader, Wells Fargo, was also involved in two sizeable CBD deals this quarter, signing for 300,000 sf in Chicago's West Loop district and another 249,579 sf in Midtown Manhattan. Other noteworthy transactions include internet-based coupon publisher Groupon subleased 220,000 sf at 600 West Chicago Avenue in Chicago's River North submarket, Phoenix School of Law signed for 205,130 sf in Downtown Phoenix, financial advisory specialists Janney Montgomery Scott leased 146,321sf in Philadelphia's West of Broad district, advertising agency Olson taking 125,000 sf in Minneapolis' CBD, and PNC Bank's 119,000-sf signing in Baltimore.

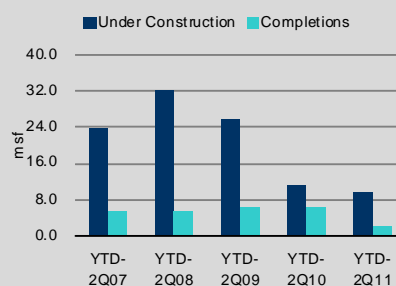
Outlook

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. CBDs stand to benefit from these preferences in coming quarters, as well as from increasing corporate interest in centralized, urban environs with broad access to qualified labor, good transportation options and modern infrastructure which are vital to support operations.

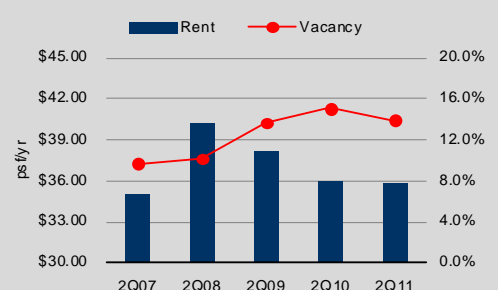
Stats on the Go

	2Q10	2Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	15.1%	14.0%	-1.1 pp	▼
Direct Asking Rents	\$36.16	\$35.97	-0.5%	◀▶
YTD Leasing Activity (msf)	30.5	41.8	+37.1%	▲

Under Construction vs. Construction Completions

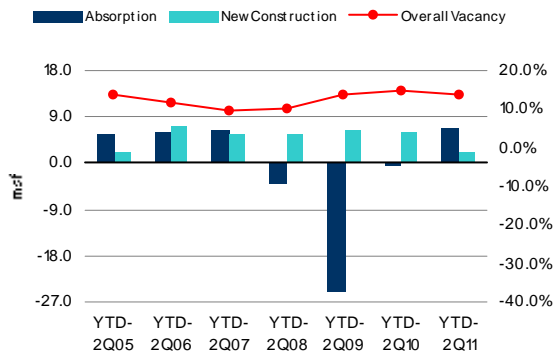


Overall Rental vs. Vacancy Rates



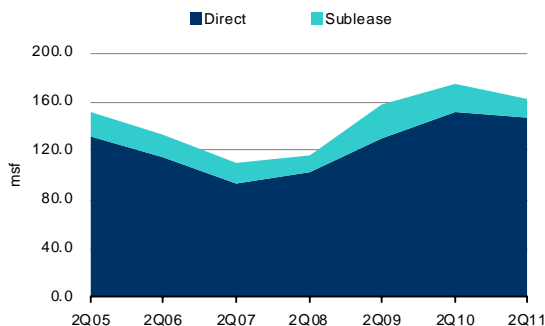
Overall Supply and Demand

Cushman & Wakefield's core CBD markets have reported over 6.9 msf of positive absorption year-to-date, up substantially from the negative 441,498 sf recorded for the same period one year ago. This is the strongest mid-year volume witnessed in more than a decade, and reflects especially high demand for top-quality space. Indeed, overall absorption in class A properties amounted to 6.0 msf – or 87.0% of all occupancy gains this year. Thirteen of our 31 core markets realized absorption over 100,000 sf, led by Midtown New York (up 2.2 msf), Washington, D.C. (up 1.5 msf), San Francisco (up 676,232 sf), and Orange County (up 610,641 sf). Only five had negative absorption over 100,000 sf (Los Angeles, Boston, Dallas, Jacksonville and Hartford). New supply of less than 2.3 msf to date is the lowest mid-year volume since 2005 and, with just 9.7 msf slated to deliver in the next three years, markets are likely to tighten further in coming periods if current demand levels are sustained.



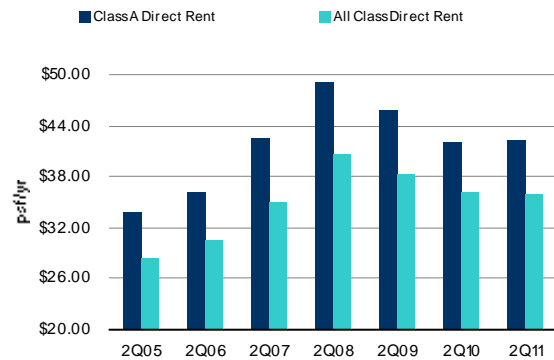
Space Availability

Over the past year the amount of directly marketed space decreased 3.3% to just over 147.0 msf while the amount of space being subleased decreased 33.1% to 15.2 msf. Almost three quarters of core CBD markets reported sublease vacancy declines, including New York, Chicago, Boston, San Francisco and Los Angeles. Representative transactions include Cornerstone Research's 42,291-sf sublease in San Francisco, CBIZ Accounting's 35,000-sf sublease in Boston, Encore Energy Partners' 23,199-sf sublease in Houston, and International Paper Company's 17,361-sf sublease in Orlando. Class A property accounts for 58.9% of core CBD office inventory, yet a full 69.3% of sublease space is in this property class (down from a 72.6% share last quarter).



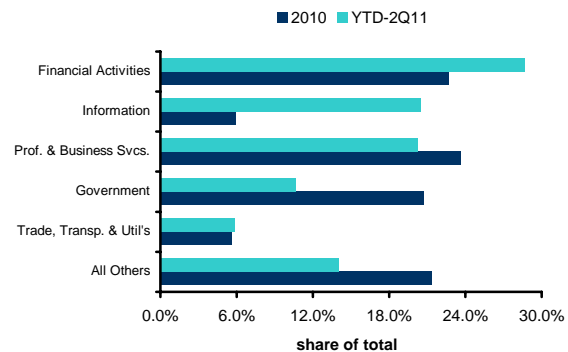
Direct Rental Rates

Direct CBD rental rates are down sharply from their 2008 peak but appear to be stabilizing. At the close of second quarter the direct weighted average of class A rents increased 0.5% year-over-year to \$42.37 psf. With competition from deeply-discounted subleases decreasing and demand for high-quality space on the rise, concessions for class A properties are being reigned in, with fewer months of free rent being offered and lower caps set on tenant finish packages. This trend is likely to escalate over the next several quarters – bringing effective class A rents closer in-line with asking prices. However, the weighted average direct rate for all classes was still down 0.5% from mid-year 2010, at \$35.97 psf. Given present trends, recovery in class B and C rents is likely to lag into 2012 as sluggish economic growth forces small- to medium-sized firms with limited capital access to negotiate hard in order to hold down occupancy costs and remain operationally viable until this cycle really turns around.



Leasing Activity

Year-to-date leasing activity of over 41.8 msf was up 31.7% over the same period last year. The financial activities sector has been particularly active, accounting for 28.7% of deals close so far this year versus its 22.7% share in 2010. Information was the second-most visible, with large leases like Condé Nast's 1.0-msf commitment in New York and Groupon's 220,000-sf deal in Chicago this quarter, along with Bloomberg's 389,288-sf signing in New York and Mathematica's 125,429-sf move in Washington, D.C. last quarter, helping to boost this sector's share to 20.5% through mid-year 2011 from just 5.9% in 2010. Shares are down, however, for professional & business services (at 20.3% versus 23.6% in 2010) and government (at 10.7% versus 20.7% in 2010).



Market/Submarket CBD 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	50,027,364	23.1%	21.8%	1,553,813	0	0	(94,602)	101,622	\$ 24.82	\$ 26.88
Austin, TX**	8,561,401	17.4%	15.3%	****	135,000	0	(108,053)	(42,231)	\$ 33.50	\$ 37.94
Baltimore, MD	13,420,628	17.9%	16.3%	343,003	0	0	(37,878)	(6,523)	\$ 20.95	\$ 24.01
Bellevue, WA**	8,178,551	15.2%	13.8%	334,437	0	0	32,322	82,736	\$ 31.69	\$ 23.92
Birmingham, AL**	5,165,764	10.9%	10.3%	63,504	0	0	(164,065)	(153,218)	\$ 21.77	\$ 21.77
Boston, MA	60,825,929	14.6%	13.2%	2,706,518	590,000	778,011	(391,041)	(291,347)	\$ 38.61	\$ 45.83
Buffalo, NY**	10,379,834	13.2%	13.2%	49,590	0	0	****	****	\$ 17.00	\$ 22.00
Charlotte, NC**	18,206,327	13.1%	11.1%	114,352	0	0	(89,596)	108,078	\$ 22.82	\$ 24.64
Chicago, IL	120,901,349	14.9%	13.2%	4,108,382	0	0	146,399	489,157	\$ 31.18	\$ 38.00
Cincinnati, OH**	13,266,620	18.5%	17.7%	****	0	805,000	198,570	231,746	\$ 21.98	\$ 25.58
Cleveland, OH**	34,217,103	19.4%	18.7%	291,241	0	0	(243,198)	(311,780)	\$ 17.81	\$ 21.20
Columbus, OH**	9,852,630	17.5%	16.6%	107,825	0	0	****	41,330	****	\$ 19.00
Dallas, TX	28,621,258	29.1%	27.0%	522,247	0	0	(127,346)	(242,421)	\$ 19.85	\$ 23.85
Denver, CO	26,850,302	14.2%	13.2%	1,239,190	244,160	0	106,942	197,270	\$ 25.83	\$ 29.55
Detroit, MI**	25,440,819	21.9%	21.4%	68,390	0	0	697,650	733,061	\$ 17.96	\$ 22.67
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 Cnty., CT	6,832,948	23.8%	21.4%	276,418	0	0	(63,325)	(85,549)	\$ 41.22	\$ 44.17
Ft. Lauderdale, FL	5,105,788	20.4%	19.5%	224,400	0	0	(115,131)	3,969	\$ 30.97	\$ 32.67
Hampton Roads, VA**	5,278,891	16.4%	16.1%	37,625	0	2,000	21,787	11,265	\$ 19.90	\$ 25.06
Hartford, CT	7,908,010	26.3%	25.2%	73,121	0	0	(70,455)	(105,356)	\$ 21.27	\$ 22.94
Houston, TX	37,022,646	15.8%	14.1%	928,223	853,221	947,818	413,831	264,471	\$ 28.87	\$ 37.11
Indianapolis, IN**	10,472,470	20.3%	19.3%	157,758	19,000	0	(25,954)	(103,070)	\$ 18.75	\$ 20.55
Jacksonville, FL	7,433,008	22.7%	22.6%	169,118	0	0	(140,282)	(135,019)	\$ 18.15	\$ 20.18
Kansas City, MO**	12,715,289	17.2%	16.6%	277,644	0	0	(78,150)	260,240	\$ 16.62	\$ 18.58
Las Vegas, NV**	2,076,403	18.7%	18.7%	45,661	0	0	(50,526)	(50,526)	\$ 24.84	\$ 31.44
Los Angeles, CA	27,274,295	19.0%	18.1%	1,078,014	0	0	(430,440)	(300,125)	\$ 34.29	\$ 35.39
Louisville, KY**	9,161,133	12.3%	11.9%	138,998	0	0	(39,600)	(39,600)	\$ 16.34	\$ 22.27
Memphis, TN**	3,556,375	16.1%	14.8%	52,313	0	0	28,509	41,854	\$ 17.20	\$ 20.99
Miami, FL	13,763,468	18.4%	17.6%	447,860	614,908	0	153,344	80,808	\$ 36.33	\$ 43.66
Midtown, NY	24,124,327	9.8%	8.2%	113,1465	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**	10,590,410	23.2%	21.3%	113,346	0	0	232,025	(2,449)	\$ 20.25	\$ 23.43
Minneapolis, MN	35,759,222	17.4%	16.3%	****	0	0	519,733	553,852	\$ 21.31	\$ 26.82
Nashville, TN**	7,583,613	23.1%	19.4%	97,048	90,000	0	45,184	84,840	\$ 18.03	\$ 22.13
New Haven, CT	2,867,835	13.7%	13.5%	****	0	0	(25,878)	(25,878)	\$ 23.18	\$ 28.91
Oakland, CA	12,994,254	15.9%	14.8%	286,001	0	0	14,558	65,111	\$ 25.24	\$ 31.32
Oklahoma City, OK**	6,477,589	23.2%	21.9%	****	1,800,000	0	****	135,000	\$ 13.75	\$ 15.00
Orange County, CA	36,530,896	20.7%	20.3%	2,158,742	0	0	501,913	610,641	\$ 25.10	\$ 27.07
Orlando, FL	7,233,734	18.9%	17.9%	214,361	0	102,000	3,501	40,116	\$ 24.54	\$ 26.15
Palm Beach, FL	3,168,951	16.4%	16.0%	89,507	0	0	20,648	30,726	\$ 34.35	\$ 39.59
Philadelphia, PA	43,716,633	12.3%	11.1%	820,109	0	0	147,081	141,996	\$ 25.80	\$ 27.54
Phoenix, AZ	16,640,487	21.0%	19.3%	437,171	0	0	25,509	10,980	\$ 21.18	\$ 27.86
Pittsburgh, PA**	19,833,413	18.4%	18.2%	214,232	0	0	100,290	180,922	\$ 20.03	\$ 22.79
Portland, OR	20,964,416	9.6%	8.9%	391,969	47,425	0	119,104	184,417	\$ 21.52	\$ 24.54
Raleigh/Durham, NC**	8,169,526	6.3%	6.0%	64,767	0	0	(115,526)	(112,940)	\$ 20.45	\$ 22.80
Richmond, VA**	11,338,027	13.6%	12.3%	131,503	0	0	(6,754)	(18,776)	\$ 17.87	\$ 25.12
Roanoke, VA**	4,092,383	8.3%	8.3%	11,991	0	0	26,033	26,033	\$ 15.74	\$ 22.50
Rochester, NY**	6,216,678	23.8%	23.8%	****	0	0	****	****	\$ 15.85	\$ 21.00
Salt Lake City, UT**	7,236,194	16.7%	15.4%	122,791	32,312	0	(10,477)	(7,477)	****	\$ 28.84
San Diego, CA	11,111,733	18.7%	17.9%	344,021	0	0	(26,080)	(58,008)	\$ 25.44	\$ 28.80
San Francisco, CA	49,261,846	11.0%	10.0%	2,086,653	0	0	305,555	676,232	\$ 38.95	\$ 42.65
San Juan, PR**	6,052,738	13.0%	13.0%	****	0	0	****	****	\$ 19.50	\$ 19.50
Savannah, GA**	1,236,797	24.1%	24.1%	****	78,000	0	****	****	\$ 18.63	\$ 20.20
Seattle, WA**	41,749,488	20.2%	18.7%	2,089,465	355,000	776,184	803,334	859,183	\$ 27.35	\$ 31.26
Silicon Valley CA	6,942,804	26.6%	25.8%	217,130	0	0	(47,169)	(43,671)	\$ 26.67	\$ 32.59
St. Louis, MO**	12,327,303	28.7%	28.1%	395,671	0	0	10,112	8,711	\$ 16.56	\$ 19.14
Syracuse, NY**	6,985,429	28.4%	28.2%	45,337	0	0	(17,378)	(6,912)	\$ 15.55	\$ 17.36
Tampa, FL	6,380,856	17.4%	17.1%	192,907	0	0	72,741	75,771	\$ 20.67	\$ 22.61
Tucson, AZ**	4,183,687	8.4%	8.2%	32,096	254,353	0	(10,078)	(54,922)	\$ 17.91	\$ 21.29
Tulsa, OK**	8,814,636	22.6%	22.3%	****	0	0	68,938	68,938	\$ 13.65	\$ 15.97
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	6,307,675	15.4%	13.9%	163,412	0	0	35,934	(27,026)	\$ 32.50	\$ 33.61
C & W Markets	1,162,792,056	14.0%	12.6%	41,816,542	9,743,807	2,258,729	5,384,630	6,921,333	\$ 35.86	\$ 42.37
All Markets	1,502,209,577	14.9%	13.7%	46,874,127	12,507,472	3,841,913	6,680,929	8,891,369	\$ 31.21	\$ 38.43

* 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
1221 Ave of the Americas	Midtown, NY	NBC	244,185	A
600 West Chicago Avenue	Chicago, IL	Groupon, Inc.	220,000	B
1 North Central Avenue	Phoenix, AZ	Phoenix School of Law	205,130	A
1717 Arch Street	Philadelphia, PA	Janney Montgomery Scott	146,321	A
420 N 5th St	Minneapolis, MN	Olson	125,000	B
800 17th Street NW	Washington, DC	Holland & Knight	123,057	A
1 E Pratt St	Baltimore, MD	PNC Bank	119,000	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
1100 & 1101 4th Street SW	Washington, DC	USAA Real Estate Company	639,546	\$356,000,000
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
400 North Ashley Drive	Tampa, FL	In-Rel Properties	515,965	\$22,000,000
612 South Flower Street	Los Angeles, CA	Equity Residential	500,000	\$100,000,000
1850 North Central Avenue	Phoenix, AZ	Morgan Stanley & Co	479,944	\$56,000,000
529 14th Street NW	Washington, DC	AEW Capital Management / Quadrangle	468,251	\$167,500,000

SIGNIFICANT 2Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Amazon.com Headquarters - Phase IV	Seattle, WA	Amazon.com	539,000	2Q11

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
Brickell Financial Centre-I	Miami, FL	Speculative	579,358	3Q11