CBRE

Q3 2019
U.S. OFFICE
FIGURES

Q3 2019 U.S. OFFICE FIGURES – EXECUTIVE SUMMARY
Q3 ADDS TO YEAR-TO-DATE GAIN IN OFFICE DEMAND

▼ Vacancy Rate
12.1%

▲ Gross Asking Rent
$34.53 PSF

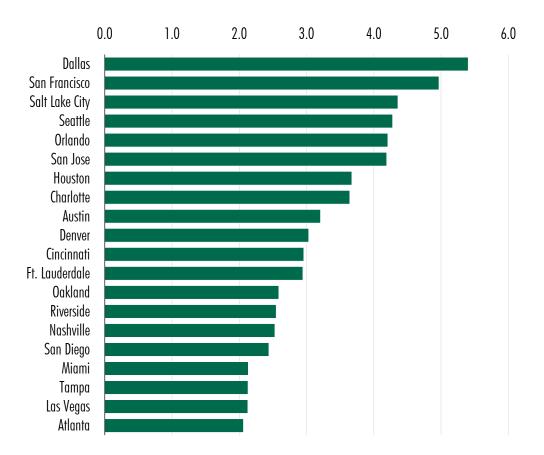▼ Net Absorption
14.3 MSF

▼ Completions
8.4 MSF

Arrows indicate change from previous quarter.

- Q3 2019 was the 30th consecutive quarter of positive net absorption for the U.S. office market.

- The 14.3 million sq. ft. of net absorption in Q3 was lower than in Q2 and one year ago, but the year-to-date total is 1.1 million sq. ft. more than the same period in 2018.

- The overall office vacancy rate declined by 10 basis points in Q3 to 12.1%, down 50 basis points (bps) from a year ago.

- The suburban office vacancy rate declined for a sixth consecutive quarter to 13.1% in Q3, the lowest level since 2001.

- The average gross asking rent increased by 4.6% year-over-year to $34.53 per sq. ft. in Q3, the fastest pace since early 2017. Downtown office rents continued to rise faster than suburban rents year-over-year (8.0% vs. 2.2%).

- Completions were slightly down to 8.4 million sq. ft. in Q3, 83.2% of them in suburban areas.

- Demand has shifted in intensity to Southern markets so far this year. Four of the top 10 highest net absorption rates among major markets are in the South.
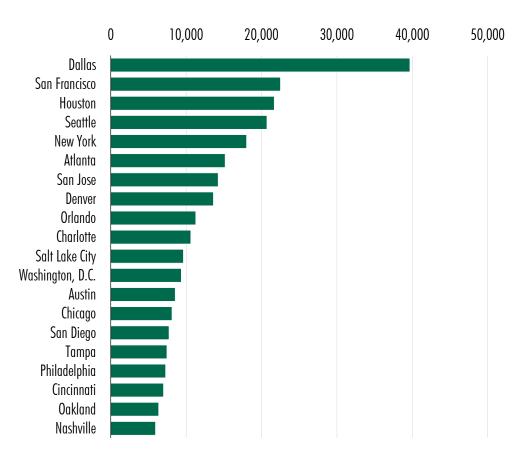
FIGURE 1
TOP 20 MARKETS FOR OFFICE-USING JOB GROWTH, YEAR-OVER-YEAR GROWTH (%)

Chart axis: 0.0, 1.0, 2.0, 3.0, 4.0, 5.0, 6.0

Markets (top to bottom): Dallas, San Francisco, Salt Lake City, Seattle, Orlando, San Jose, Houston, Charlotte, Austin, Denver, Cincinnati, Ft. Lauderdale, Oakland, Riverside, Nashville, San Diego, Miami, Tampa, Las Vegas, Atlanta

- Dallas led office-using job growth year-over-year in Q3 at 5.4%, followed by San Francisco at 5.0%.

- Texas markets had a strong showing in job growth, with Houston posting 3.7% and Austin at 3.2% year-over-year.

- Cincinnati led all Midwest markets for office-using job growth over the past year.

- All top 20 markets exceeded the national average job growth rate of 1.8% over the past year.

Note: Ranking includes markets with at least 150,000 office-using jobs as of Q3 2019.
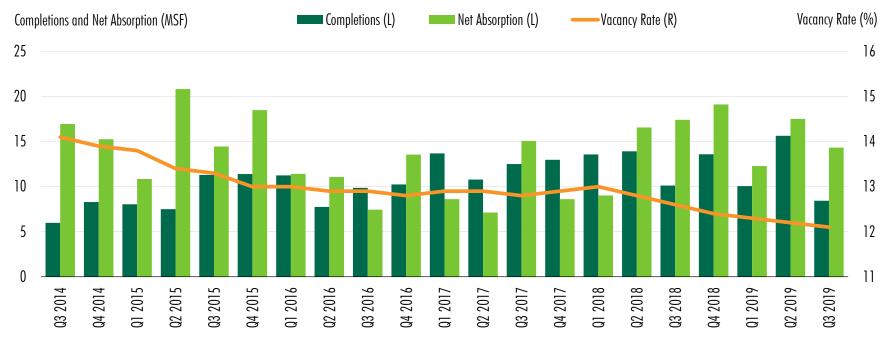Source: CBRE Econometric Advisors, Q3 2019.

FIGURE 2
TOP 20 MARKETS FOR OFFICE-USING JOB GROWTH, YEAR-OVER-YEAR CHANGE (NUMBER OF JOBS)

- Dallas was the top-ranked metro in terms of absolute new office-using jobs, registering just under 40,000 over the past year.

- Absolute office-using job growth was well-diversified across the country, indicating the breadth of the economic expansion.

Note: Ranking includes markets with at least 150,000 office-using jobs as of Q3 2019.
Source: CBRE Econometric Advisors, Q3 2019.

FIGURE 3
METRO OFFICE SUPPLY & DEMAND

Completions and Net Absorption (MSF)　　　■ Completions (L)　　■ Net Absorption (L)　　— Vacancy Rate (R)　　Vacancy Rate (%)
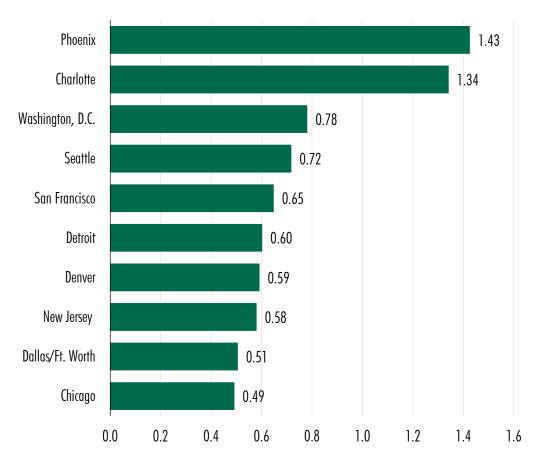

Source: CBRE Econometric Advisors, Q3 2019.

- The office vacancy rate fell by 10 bps in Q3 to 12.1%, the lowest level since Q3 2001.

- For the sixth consecutive quarter, overall demand has outpaced new supply.

- After relatively stable vacancy of around 13% in 2016 and 2017, vacancy has notably decreased over the past two years.

FIGURE 4
HIGHEST Q3 2019 ABSORPTION TOTALS (MSF) BY METRO

Metro	MSF
Phoenix	1.43
Charlotte	1.34
Washington, D.C.	0.78
Seattle	0.72
San Francisco	0.65
Detroit	0.60
Denver	0.59
New Jersey	0.58
Dallas/Ft. Worth	0.51
Chicago	0.49

- Phoenix led all markets for positive net absorption in Q3 with 1.43 million sq. ft. due to several corporate expansions.

- Charlotte was a close second for positive net absorption with 1.34 million sq. ft.

Source: CBRE Research, Q3 2019.

FIGURE 5
HIGHEST NET ABSORPTION RATES BY MAJOR MARKET (37.5 MSF NRA)

2018

Market	Region	Net Absorption Rate
San Jose	West	3.8%
San Francisco	West	3.5%
Seattle	West	3.3%
Phoenix	West	2.8%
Austin	South	2.8%
Salt Lake City	West	2.6%
Sacramento	West	2.5%
Denver	West	2.5%
Portland	West	2.3%
Philadelphia	East	2.2%

YTD 2019

Market	Region	Net Absorption Rate
Charlotte	South	5.3%
Austin	South	4.2%
San Jose	West	3.7%
Phoenix	West	2.6%
Nashville	South	2.4%
Seattle	West	1.6%
San Francisco	West	1.5%
Denver	West	1.3%
Orlando	South	1.2%
Detroit	Midwest	1.1%

Source: CBRE Research, Q3 2019.

- There has been a shift in the regional distribution of demand over the past year as measured by local market net absorption as a percentage of total office inventory.

- In 2018, eight of the 10 major markets with the highest net absorption rates were in the West.

- Thus far in 2019, the intensity of demand in the West has subsided with the ascendance of four Southern markets—Charlotte, Austin, Nashville and Orlando—as leaders in net absorption rates.

FIGURE 6
OFFICE VACANCY RATES

Vacancy Rate (%)

Downtown ▬▬ Suburban
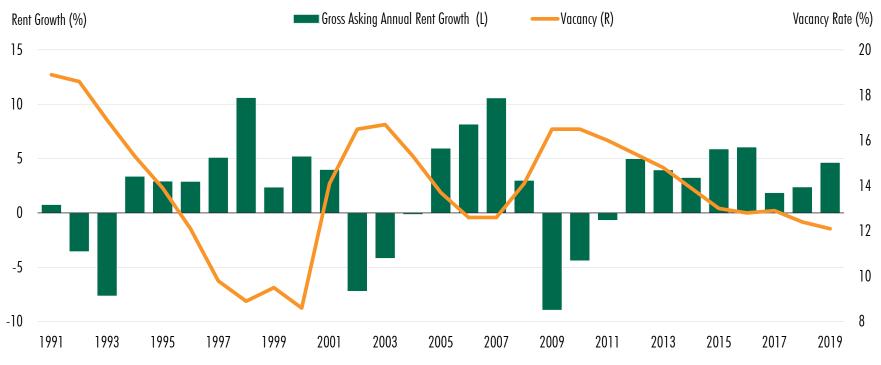

Source: CBRE Econometric Advisors, Q3 2019.

- The overall office vacancy rate ticked down 10 bps to 12.1% in Q3, the lowest level in 18 years.

- The suburban vacancy rate dropped by 10 bps in Q3 and 60 bps from one year ago to its lowest level since 2001.

- The downtown vacancy rate decreased by 20 bps in Q3 and 30 bps from one year ago but remains above its pre-recession low.

FIGURE 7
METRO RENT GROWTH & VACANCY RATE

Rent Growth (%) — Gross Asking Annual Rent Growth (L) — Vacancy (R) — Vacancy Rate (%)

Source: CBRE Econometric Advisors, Q3 2019. Note: 2019 data are as of Q3. Other years are as of Q4.

- Consistent with tightening vacancy, rent growth has accelerated over the past three years.

- The average asking rent increased by 4.6% year-over-year in Q3. This was a slight deceleration from the 5.1% pace in Q2, the fastest rate since early 2017.

- Downtown rents have increased by 8.0% over the past year, compared with 2.2% growth in suburban rents.

FIGURE 8
METRO VACANCY RATES

Lowest Vacancy Rates		
MARKET	(%)	NRA (MSF)
San Francisco	4.8	124.7
San Jose	6.1	91.8
Charlotte	7.4	44.1
Manhattan	7.5	414.3
Oakland	7.9	30.3

Largest Quarterly Declines in Vacancy Rates		
MARKET	BPS	NRA (MSF)
Greenville	-220	11.3
Las Vegas	-80	36.8
Minneapolis/St. Paul	-70	70.2
Fairfield County, CT	-60	41.0
St. Louis	-60	48.2
Westchester County, NY	-60	26.4

Quarterly Changes in Vacancy Rates for 10 Largest Markets		
MARKET	BPS	NRA (MSF)
New Jersey	-40	155.4
Manhattan	-40	414.3
Dallas/Ft. Worth	-20	222.9
Chicago	-20	235.3
Washington, D.C.	-10	370.2
U.S.	-10	3,902.5
Boston	0	219.3
San Francisco	0	124.7
Los Angeles	0	202.7
Atlanta	10	136.1
Houston	60	212.8

Source: CBRE Research, Q3 2019.

- Of the markets with the nation's lowest vacancy rates, Manhattan was the only one with a quarter-over-quarter decrease in vacancy.

- Greenville had a notable 2-percentage-point decline in its vacancy rate in Q3. Other notable declines occurred in the suburban New York City markets of Westchester County, Fairfield County and New Jersey.

- Among the top 10 largest U.S. markets, occupancy remained relatively stable in Q3, with little fluctuation from the national average.

FIGURE 9
REGIONAL OFFICE VACANCY RATES (%)

MARKET	SIZE RANK	Downtown			Suburban			Metropolitan		
		Q3 2019	Q2 2019	Q3 2018	Q3 2019	Q2 2019	Q3 2018	Q3 2019	Q2 2019	Q3 2018
Baltimore	21	16.8	16.5	17.2	14.2	13.7	13.5	15.0	14.6	14.7
Boston	5	6.9	6.2	6.9	15.8	16.1	18.3	11.6	11.6	13.2
Cambridge	*	4.0	4.0	4.2	N/A	N/A	N/A	N/A	N/A	N/A
Charlotte	30	6.1	5.9	7.3	8.3	8.2	6.2	7.4	7.3	6.6
Fairfield County, CT	34	N/A	N/A	N/A	20.3	20.9	20.2	20.3	20.9	20.2
Greenville	52	10.8	11.1	14.1	11.6	14.7	15.0	11.3	13.5	14.7
Hartford	46	16.9	15.9	16.1	19.3	18.6	18.7	18.4	17.6	17.7
Long Island	33	N/A	N/A	N/A	9.8	10.0	9.8	9.8	10.0	9.8
Louisville	49	17.3	15.0	15.5	11.6	10.2	9.8	14.2	12.4	12.4
Downtown Manhattan	1	8.2	9.6	10.3	N/A	N/A	N/A	7.5	7.9	7.6
Midtown Manhattan	**	7.6	7.6	7.0	N/A	N/A	N/A	N/A	N/A	N/A
Midtown-South Manhattan	**	6.4	6.8	6.2	N/A	N/A	N/A	N/A	N/A	N/A
Suburban Maryland	***	N/A	N/A	N/A	15.8	15.8	16.1	N/A	N/A	N/A
New Jersey	8	N/A	N/A	N/A	16.4	16.8	18.0	16.4	16.8	18.0
Philadelphia	13	11.2	11.5	11.5	15.7	15.7	15.2	13.8	13.9	13.6
Pittsburgh	19	15.1	15.2	13.7	15.1	14.6	14.2	15.1	14.9	13.9
Northern Virginia	***	N/A	N/A	N/A	19.3	19.3	20.3	N/A	N/A	N/A
Washington, D.C. ***	2	13.3	13.4	13.0	N/A	N/A	N/A	16.5	16.6	16.9
Westchester County, NY	44	N/A	N/A	N/A	14.8	15.4	16.3	14.8	15.4	16.3
Wilmington	51	26.3	26.6	19.3	14.6	14.5	16.9	20.0	20.1	18.0
East		**9.5**	**9.7**	**9.6**	**16.1**	**16.1**	**16.4**	**12.9**	**13.0**	**13.2**
Chicago	3	12.5	12.8	13.3	19.4	19.5	18.8	15.5	15.7	15.7
Cincinnati	40	15.0	14.5	14.9	20.4	21.1	21.3	18.6	18.9	19.2
Cleveland	41	20.1	19.3	20.5	13.8	14.6	16.4	16.8	16.8	18.3
Columbus	37	14.8	14.7	14.7	15.2	15.1	14.9	15.1	15.0	14.8
Detroit	17	12.3	12.4	12.8	14.7	15.0	16.6	14.2	14.5	15.8
Indianapolis	38	16.2	16.8	13.9	16.8	16.8	17.4	16.6	16.8	16.2
Kansas City	23	16.1	15.9	15.7	12.2	12.3	12.2	13.2	13.2	13.0
Milwaukee	32	13.7	13.6	13.9	15.2	15.6	15.2	14.7	14.9	14.8
Minneapolis/St. Paul	20	22.0	21.9	20.7	14.4	15.7	15.0	17.9	18.6	17.7
St. Louis	27	15.5	15.8	16.9	9.0	9.6	9.3	10.6	11.2	11.4
Midwest		**14.8**	**14.9**	**15.0**	**15.6**	**16.0**	**16.0**	**15.3**	**15.5**	**15.6**
United States		**10.2**	**10.4**	**10.5**	**13.1**	**13.2**	**13.7**	**12.1**	**12.2**	**12.6**

* Included in Boston metro
** Included in Downtown Manhattan
*** Included in Washington, D.C., metro
Note: Boston metro figures include Suburban Boston, Downtown Boston and Cambridge.
Washington, D.C. metro figures include Suburban Maryland, Northern Virginia and Downtown Washington, D.C.

- The average vacancy rate in the East region fell by 30 bps year-over-year to 12.9% in Q3. Notable declines occurred in Boston, Greenville and New Jersey.

- The Midwest vacancy rate declined 20 bps in Q3 and 30 bps year-over-year to 15.3%. Six of the 10 Midwestern markets recorded lower vacancy in Q3 and from one year ago.

FIGURE 9
REGIONAL OFFICE VACANCY RATES (%) (CONTINUED)

MARKET	SIZE RANK	Downtown			Suburban			Metropolitan		
		Q3 2019	Q2 2019	Q3 2018	Q3 2019	Q2 2019	Q3 2018	Q3 2019	Q2 2019	Q3 2018
Atlanta	9	14.8	15.0	14.8	18.9	18.5	18.7	17.3	17.2	17.2
Austin	22	5.8	6.4	7.2	11.0	9.8	11.1	9.9	9.0	10.2
Dallas/Ft. Worth	4	26.5	26.2	28.0	19.5	19.8	19.8	20.4	20.6	20.8
Ft. Lauderdale	43	12.9	13.3	14.6	8.5	8.9	10.6	9.3	9.7	11.4
Houston	6	17.3	16.9	15.3	20.6	20.0	19.3	20.0	19.4	18.5
Jacksonville	45	14.3	15.3	16.2	17.4	15.4	15.0	16.5	15.4	15.3
Miami	26	16.7	16.6	15.6	10.4	10.0	8.3	12.3	12.1	10.6
Nashville	35	7.3	7.9	9.1	10.9	11.3	10.6	10.1	10.4	10.2
Orlando	36	8.3	9.4	9.7	9.2	8.8	9.4	9.0	8.9	9.4
Palm Beach County	48	N/A	N/A	N/A	12.2	12.7	13.5	12.2	12.7	13.5
Tampa	29	6.6	6.6	9.2	12.2	11.4	11.6	11.3	10.7	11.3
South		**15.6**	**15.7**	**15.7**	**16.8**	**16.6**	**16.5**	**16.6**	**16.4**	**16.4**
Denver	11	14.5	15.2	17.2	12.2	12.5	13.2	12.7	13.1	14.2
Honolulu	53	12.1	12.8	19.3	9.8	9.5	12.1	10.9	11.0	15.3
Inland Empire	47	N/A	N/A	N/A	9.3	8.6	9.3	9.3	8.6	9.3
Las Vegas	39	21.2	21.1	18.4	13.1	14.0	15.8	13.6	14.4	15.9
Los Angeles	7	18.6	18.1	17.5	13.5	13.5	13.5	14.3	14.3	14.2
Oakland	42	10.3	10.9	6.4	6.5	5.9	6.9	7.9	7.8	6.7
Orange County	14	N/A	N/A	N/A	9.9	9.9	10.9	9.9	9.9	10.9
Phoenix	16	19.2	19.6	20.6	13.3	13.9	14.6	14.4	14.9	15.7
Portland	25	12.9	13.2	12.3	10.4	10.4	11.2	11.7	11.8	11.8
Sacramento	24	7.0	7.7	9.9	10.7	11.2	12.7	10.0	10.5	12.1
Salt Lake City	28	12.8	14.0	14.0	10.8	10.3	10.2	11.3	11.2	11.2
San Diego	18	13.8	13.5	10.8	9.7	9.9	10.1	10.3	10.4	10.2
San Francisco	10	3.8	3.7	4.7	6.8	7.0	7.1	4.8	4.8	5.5
San Jose	15	10.1	8.8	12.0	5.7	5.6	6.8	6.1	5.9	7.3
Seattle	12	7.5	7.7	8.2	11.5	11.4	11.8	9.6	9.7	10.1
Tucson	54	16.0	14.8	9.8	10.2	9.8	12.4	10.7	10.2	12.2
Ventura County	50	N/A	N/A	N/A	13.5	12.6	15.4	13.5	12.6	15.4
Walnut Creek/I-680 Corridor	31	N/A	N/A	N/A	8.2	7.8	8.1	8.2	7.8	8.1
West		**10.3**	**10.4**	**11.1**	**10.7**	**10.8**	**11.6**	**10.6**	**10.7**	**11.5**
United States		**10.2**	**10.4**	**10.5**	**13.1**	**13.2**	**13.7**	**12.1**	**12.2**	**12.6**

- The South's vacancy rate increased by 20 bps in Q3 to 16.6%. Only four markets had vacancy declines in Q3 and year-over-year: Dallas/Ft. Worth, Ft. Lauderdale, Nashville and Palm Beach County.

- The West vacancy rate was the lowest in the nation at 10.6%, down by 10 bps in Q3 and by 90 bps from a year ago.

Source: U.S. national totals provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q3 2019.

FIGURE 10
ASKING LEASE RATES FOR LARGEST 10 MARKETS

		Gross Average Direct Asking Rents (US$/ Sq. Ft./Annum)	Gross Average Direct Asking Rents Q-o-Q (Percent Change)	Gross Average Direct Asking Rents Y-o-Y (Percent Change)
Manhattan	Downtown	62.34	-1.3	0.6
	Midtown	89.45	1.6	8.4
	Midtown-South	83.56	0.5	6.4
	Metro	81.52	1.6	8.7
Washington, D.C.	Downtown	58.86	1.3	4.4
	Suburban Maryland	29.70	-0.2	0.6
	Northern Virginia	34.32	-0.4	1.7
	Metro	42.72	1.7	7.1
Chicago	Downtown	41.61	2.5	4.4
	Suburban	23.73	0.0	1.9
	Metro	31.51	0.0	1.8
Dallas/Ft. Worth	Downtown	26.65	-0.6	4.6
	Suburban	25.25	0.6	1.1
	Metro	25.00	-1.0	-0.1
Boston	Downtown	66.04	2.4	9.5
	Cambridge	71.98	-9.7	-12.5
	Suburban	26.05	8.1	9.4
	Metro	39.09	-3.6	-1.5
Houston	Downtown	41.24	1.5	0.5
	Suburban	26.06	-1.3	-4.4
	Metro	28.78	-2.3	-1.0
Los Angeles	Downtown	45.36	1.7	5.0
	Suburban	41.88	-0.6	-2.2
	Metro	48.00	12.4	11.7
New Jersey	Suburban	26.48	0.1	0.3
	Metro	26.48	0.1	0.3
Atlanta	Downtown	33.55	-0.2	8.1
	Suburban	25.57	-0.6	0.0
	Metro	28.02	-0.6	2.8
San Francisco	Downtown	87.63	2.3	12.9
	Peninsula	79.40	2.0	5.8
	Metro	84.85	2.2	10.6
U.S. Downtown		**51.54**	**1.0**	**8.0**
U.S. Suburban		**26.88**	**0.7**	**2.2**
U.S. Metro		**34.53**	**0.7**	**4.6**

- Los Angeles had the largest quarter-over-quarter increase in average gross asking rent, up by 12.4% to $48 per sq. ft., followed by San Francisco, Manhattan and Washington, D.C.

- Downtown rents continued to grow faster than suburban rents. San Francisco led all downtown markets, with a 12.9% year-over-year increase to $87.63 per sq. ft. Boston's and Atlanta's downtown market had increases of 9.5% and 8.1% over the past year, respectively.

Source: U.S. national totals provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q3 2019.

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