STIFEL

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Real Estate
Office / Industrial REITs

Target Price Change

3Q16 Office Fundamentals. Late in the Cycle. Weak Net Effective Rents. Widely Varying Lease Economics.

- *Based on conversations with brokers and investors, and the leasing statistics and development starts discussed and outlined in the exhibits, we think 1) Boston is solid overall, with Cambridge being perhaps the strongest office submarket in the country, 2) Houston had overbuilding concerns in 2013, well before the oil price decline, and is a long way from hitting bottom (think falling knife), 3) Manhattan and San Francisco leasing velocity has moderated with face rates remaining steady, but net effective rates slipping a bit, 4) the Los Angeles hype is not showing up in the statistics and 5) the Washington, D.C. MSA is very submarket specific with most non-CBD submarkets subject to some of the highest re-leasing costs in the country without any rental rate growth.*

- We see a very interesting top down vs. bottom up paradox. While brokers tell us that net effective rents are down almost everywhere including Manhattan and San Francisco, we note that our Lease Economics Analysis indicates widely varying degrees of value creation and destruction at the lease level.
- Per pages 9-14 of the embedded link: Conference Call 9/7/16 - Value Creation or Destruction and Lease Economics Analysis. SLIDES ATTACHED. Dial-in Info Below. the Manhattan and Gateway City REITs we cover have solidly positive lease economics while the low barrier office REITs we cover continue to struggle at the lease level.
- The result is a situation where a market can look relatively unattractive from a top down perspective, but the office REIT is creating value at the lease level. Manhattan leasing statistics and lease economics are the most visible example.
- Based on the statistics presented here and our Lease Economics Analysis, we are biased to the positive on Boston and San Francisco; while concerned about Washington, D.C, Houston and Los Angeles. While we believe San Francisco rent growth has moderated, we think San Francisco is the technology capital of the world and some larger space requirements continue to seek homes.

Gateway Cities -- Rent Growth Moderation but Strong Lease Economics Remain --- See Exhibit A

- No material changes Y/Y as vacancy has ticked down 10 bps from 3Q15/3Q16 to 11.0% in the Gateway City markets, and Vacancy + UC (vacancy + under construction) of 13.7%, which was up 20 bps on a Q/Q basis.
- **Manhattan** vacancy increased on a Y/Y basis, up 50 bps to 8.7%. Vacancy + Construction increased 60 bps on a Q/Q basis to 11.5% as well. Noteworthy changes included **Midtown** vacancy up 130 bps to 9.1% on a Y/Y basis. Another data point to note is the wave of development (8 buildings at 9.2mm SF and 1.9% of stock) coming in **Midtown**.
- Note that 8.1mm SF of the 9.2mm SF under construction in **Midtown** is actually Hudson Yards or Manhattan West; both to the west of Penn Station and south of 34th Street.
- Based on numerous conversations, we think there is increased sensitivity to rental rates and re-leasing costs will remain embedded in the leasing economics. While we think Hudson Yards and Jersey City are in the next time zone

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and public transportation is not ideal, they offer competitive optionality. Hudson Yards is on the right side of the Hudson River, but Jersey City offers transportation amenities and significantly lower rental rates.

- **Boston** remains solid; led by **Cambridge** with only 3.3% vacancy and 3.4% of stock under construction. On a Y/Y basis, Cambridge had an astounding 380 bp decrease in vacancy. Similarly, the Inner Suburbs are 6.1% vacant, but with 4.3% under construction as a percent of stock.
- Year over year, the **Boston Financial District** suffered a 60 bp vacancy increase to 9.5% while **Back Bay** enjoyed a 90 bp vacancy decline, to 8.7%.
- Having just returned from the **San Francisco/Silicon Valley** area, we think that the long term positives will outweigh any near term weakness. Overall, the 230mm SF San Francisco Area market is healthy with vacancy down 50 bps to 8.2% since 3Q15 but Vacancy + UC has increased 40 bps to 12.4% since 2Q16.
- Square footage under construction in the **San Francisco CBD** is now 3.0mm SF (5.4% of stock) and **South Bay/San Jose** continues to maintain a very active construction pipeline at 10.1mm SF (11% of stock and a red flag). Approximately 78% of this new supply is preleased but it remains unclear how much of that equates to net new demand (growth) versus space preleased (up from 74% last quarter) by tenants expecting to vacate their existing space upon delivery.
- As one should expect, new and growing companies are driving vacancies down and new development up. The real estate fundamentals appear reasonable in **San Francisco** (for now) but is becoming more of an issue in **Silicon Valley** and **San Jose** with vacancy + U/C now at 19.5%, which is up 140 bps Q/Q, double the jump in vacancy + U/C from 2Q16.
- **Oakland**, on the other hand, has experienced a great recovery with vacancy down another 270 bps since 3Q15 and now is at 5.1% with under 100K SF under construction.
- In **Los Angeles**, the market hype does not appear in the macro numbers with vacancy down 80 bps to 12.1%, but with only one submarket -- San Gabriel Valley (9.9%) below 10%. The Vacancy + U/C metric improved (declined) in most markets Q/Q but remained flat for the LA County overall at 13.3%. Development starts remain in check at only 3.5mm SF and 1.2% of stock; due to both low rents in some submarkets and extreme zoning constraints in others.

Washington, D.C. -- Development Continues and Capex Conundrum -- Exhibit B

- We recently published a report on the Washington, D.C. MSA which goes into great detail on the individual submarkets as well as companies under coverage in the region. Please find a link to the report here: Conference Call -- 11 AM. 8 April 2016. Washington D.C. Office and the Cap Ex Conundrum. SLIDES ATTACHED
- For the 469mm SF greater Washington, D.C. region, vacancy was up 30 bps to 15.1% since 3Q15, and Vacancy+UC was up 40 bps to 17.4% since 2Q16. Assets under construction remains surprisingly high at 2.3% of stock (vs. a still high 2.1% of stock in 2Q16). This is driven by sizable GSA build-to-suits and transit-oriented speculative development.
- A telling statistic was that in 2015-2016 -- 96% of all leases signed in excess of 20k SF were in buildings located within 1/2 mile of an existing or planned METRO stop. We should note that the general rule of thumb is that a 1/4 mile walk is acceptable for most tenants.
- Development within the core D.C. office markets - the **CBD and the East End** - equates to 3.0mm SF and 3% of stock. Given the soft leasing environment, even in core submarkets, we would not be surprised to see rising vacancy in the CBD and the East End in the near future.
- **Major submarkets where vacancy + UC exceeds 20% include:** Rosslyn (an alarming 34.0%) Eisenhower/I-395 Corridor (31.3%), Capitol Hill (26.3%), Merrifield (25.3%), Tysons Corner (23.6%), Pentagon City/Crystal City (21.5%), NoMa (21.5%), Ballston (21.2%), Rock Spring (21.0%) and Clarendon/Courthouse (20.0%). That is 10 out of the 27 sub-markets we cover in this analysis that are over 20% on a vacancy + UC basis.
- The bright spot was the cyber and defense contractor driven **B/W Corridor** with vacancy down 60 bps since 3Q15. However, assets under construction amount to 2.7% of stock.
- Regarding the D.C. market overall, we are seeing: 1) "A" tenants are willing to pay "A" rents for "A" quality space, but the "A" tenant pool is not that deep, 2) relocation by the GSA out of the CBD/East End and into the SE/SW and

NoMa submarkets, 3) however, the CBD/East End is being back-filled by the private sector, 4) cyber security and intelligence expansion, 5) the defense contractors are largely done downsizing, but are now extremely price sensitive, 6) law firm rightsizing is winding down, 7) solid private sector job growth, and 8) new development to average 3.0mm SF per anum.

- Discussions with brokers indicated increasing GSA leasing activity as the agency attempts to address expensive hold-over leases. Over the next five years about 25mm SF of GSA leases will expire, most of which are smaller in size, reducing the likelihood of Congressional involvement (interference). These smaller GSA leases will still have a higher probability of moving than staying in place (estimates hover around 50-60% will move upon lease expiry versus the 75% of large GSA tenants that have vacated for new space over the past 18 months). The GSA is still under a mandate to shrink its footprint (10%-20%), however, and gross rental rate caps ($50/SF in DC, $29/SF in MD and $35/SF in NoVA) remain in place.
- While job growth in the DC metro continues to strengthen, it appears that with continued GSA downsizing and defense contractor stabilization, there are few large tenants in the market to quickly back-fill significant levels of vacancy across many submarkets.
- On a positive note, we expect the flight to quality assets will continue with tenants increasingly focused on assets located in amenity-rich locations and in close proximity to METRO locations. However, we note that METRO access without strong amenities, such as Rosslyn with a 34.0% vacancy + UC, will likely be slow to improve.

Suburban Markets -- Improved Modestly -- Exhibit C

- Suburban office markets experienced a decline in vacancy of 60 bps to 12.1% 3Q15/3Q16 and 10 bps Q/Q sequentially.
- Not surprising, Houston is the second worst market with vacancy up 240 bps since 3Q15 to 16.1%. Vacancy + Under Construction is 17.4%. Unfortunately, both are expected to increase.
- The best suburban market in terms of decline in vacancy was Tampa/St. Petersburg, with a 250 bp improvement to 9.5%.
- Overall, Vacancy + UC decreased 10 bps to 13.7% Q/Q sequentially. Construction as a percent of stock remains very low at 1.6%, with only 5 of the total 27 markets over 2.5%; Dallas-Ft. Worth, Raleigh-Durham, Denver, Seattle and Charlotte.
- Not seen in this data set: we continue to think that the more urban, amenity-oriented submarkets have some pricing power, but most generic suburban submarkets do not.
- One point of emphasis is the tumble the major Southwest markets have taken on a vacancy + U/C basis over time. They now rank at or near the bottom: Dallas-Ft. Worth at 18.6%, Houston at 17.4%, and Phoenix at 17.3%. Houston has been battered by the drop in oil prices, while Phoenix and Dallas suffer from more self-inflicted wounds as a result of continuing development.

Urban Markets -- Build It and They Will Come? -- Exhibit D

- Let's hope that demand can come from more relocation into the urban core.
- Six of the twenty-four Urban markets we follow break the threshold of 2.5% construction as a percentage of stock. Some of the most egregious numbers come out of Austin (8.4%), Seattle (6.9%), Raleigh-Durham (6.5%) and Charlotte (5.8%).
- Vacancy in the urban office markets improved by 40 bps to 12.2% from 3Q15 to 3Q16. Several markets saw vacancy decrease Y/Y by 200 bps or more: Detroit (2.2%), Seattle (2.3%), Phoenix (2.4%) and Stamford CT (3.0%)
- Assets under construction total 2.4% of stock. However, Vacancy + UC was down 20 bps Q/Q to 14.5%. Note that 9/24 markets have Vacancy + UC of over 15%.

LEASING DYNAMICS -- Shift to Quality - a Decade-Long Trend

- The office fundamentals 'bull case': 1) quality (amenity and transportation rich) office space at reasonable price points has real rental rate growth potential, 2) growth industries take more space than needed and are less price sensitive, 3) office-using job growth continues to improve nationally, 4) locations with a low cost of living and pro-business attitude (Sunbelt) are seeing positive absorption, and 5) functionally challenged office space is being converted to other uses.

- The office fundamentals 'bear case': 1) tenant improvement costs essentially provide off balance sheet financing for the lessor's operations, and is increasingly evident in larger leases, 2) due to the need to compete with newly developed buildings, re-leasing costs have remained stubbornly high throughout the country, 3) commodity office space has little ability to generate rental rate growth and capex costs continue to escalate in these now 30 +/- year old buildings, 4) when top line or gross rents are increasing, investors tend to look the other way on stubbornly high capex and re-leasing costs, and increasing operating expenses, 5) the downside associated with previously fully occupied buildings being vacated and the functional challenges being too great to re-lease as office space, 6) development is clearly increasing nationally, and 7) densification continues.

- We think the shift in tenant preferences to urban, public transportation, amenity rich and LEED-certified buildings may cause 1) rents in the best submarkets to increase modestly, but 2) that some functionally obsolete, soon-to-vacate office buildings may never re-lease and thus find their way into the proverbial 're-development' bucket.

- We think that landlord pricing power is expanding. We believe landlords 1) have pricing power in markets with less than 8% vacancy and positive absorption, 2) have pricing power in Class A properties in markets with <10% vacancy and 3) have no pricing power in markets with 15% + vacancy.

- Interestingly, the vast majority of development in this cycle is creating a new and improved version of Class A space; space that appeals to growing and expanding industries with a focus on light, air, open space plans, collaboration, etc. Seems as though Teslas vs 1980's Cadillacs are being built.

- We continue to believe that tenants are more likely to seek out space from the strongest, most well-capitalized landlords when relocation is necessary. Most office REITs 1) have improved their portfolios over the past cycle (and continue to do so via active asset recycling), 2) own some of the best product in their respective markets, 3) are the landlords of choice, 4) have solid local teams that see every lease deal, and 5) have the advantage of re-leasing capital vs cash-constrained private owner/operators.

- Office rents, particularly in suburban and secondary markets, tend to not move very often, but other incentives (tenant improvement packages, free rent, etc.) are more volatile. Industrial assets, on the other hand, do not need as much in the way of tenant improvement or technology costs, so the rental rate component is more volatile.

- We expect that commodity office buildings in 20% vacant submarkets will be leasing with 3-5 year paybacks or low single digit net present value economics. By this, we mean that the total cost to entice a quality tenant to relocate into a building including tenant improvements, leasing commissions, moving allowances, technology allowance and free rent, will likely equate to 3-5 years of net rent.

Exhibit A
Gateway Cities Office Markets
Third Quarter 2016 - Class A & B
Current Vacancy plus Construction in Progress

Sort

Metro	Companies	Stock (MM) SF	Under Const. (MM SF)	Construction % of Stock [1]	Yr/Yr Vacancy Change 3Q15	Yr/Yr Vacancy Change 3Q16	Yr/Yr Vacancy Change Chg [2]	Quarter/Quarter Vac. + Const. Change: 2Q16 Vacancy + Construction	Quarter/Quarter Vac. + Const. Change: 3Q16 Vacancy + Construction	Quarter/Quarter Vac. + Const. Change: Chg [2]
New York City										
Midtown South, NY	SLG, VNO, ESRT	73	0.8	1.1%	6.4%	7.0%	0.6%	7.7%	8.1%	0.4%
Downtown, NY	SLG, VNO, PDM	112	2.9	2.6%	10.4%	8.8%	-1.6%	11.0%	11.4%	0.4%
Midtown, NY	SLG, BXP, VNO, ESRT	295	9.2	3.1%	7.8%	9.1%	1.3%	11.6%	12.2%	0.6%
Uptown, NY	SLG, VNO	8	0.6	8.1%	3.9%	6.9%	3.0%	14.5%	15.0%	0.6%
Manhattan Totals		**487**	**13.5**	**2.8%**	**8.1%**	**8.7%**	**0.5%**	**10.9%**	**11.5%**	**0.5%**
Washington DC, NoVA, Suburban MD (See Exhibit B)*		**469**	**10.7**	**2.3%**	**14.8%**	**15.1%**	**0.3%**	**17.0%**	**17.4%**	**0.4%**
Los Angeles County										
San Gabriel Valley, CA		21	0.1	0.4%	12.2%	9.9%	-2.3%	10.5%	10.3%	-0.2%
Burbank/ Glendale/ Pasadena, CA	DEI, PDM	44	0.1	0.3%	10.5%	10.1%	-0.4%	10.4%	10.4%	-0.1%
San Fernando Valley, CA	DEI	30	0.0	0.0%	13.6%	11.4%	-2.2%	11.8%	11.4%	-0.4%
West Los Angeles/Beverly Hills, CA	KRC, DEI	65	0.7	1.0%	11.2%	11.2%	0.0%	12.0%	12.2%	0.2%
South Bay, LA, CA	KRC	53	0.2	0.4%	15.5%	13.5%	-2.0%	14.6%	13.9%	-0.6%
CBD Los Angeles, CA		59	1.6	2.6%	13.5%	13.7%	0.2%	15.3%	16.3%	1.0%
Mid Wilshire Corridor/Hollywood, CA	KRC	32	0.8	2.6%	14.0%	14.0%	0.0%	17.0%	16.6%	-0.4%
Los Angeles County Totals		**304**	**3.5**	**1.2%**	**12.9%**	**12.1%**	**-0.7%**	**13.3%**	**13.3%**	**0.0%**
Boston Area										
Back Bay, Boston, MA	BXP	16	0.0	0.0%	9.6%	8.7%	-0.9%	11.7%	8.7%	-3.0%
Financial District, Boston, MA	BXP, EQC	40	0.0	0.0%	8.9%	9.5%	0.6%	9.9%	9.5%	-0.4%
Cambridge, MA	BXP, PDM, EQC	28	0.9	3.4%	7.1%	3.3%	-3.8%	9.1%	6.7%	-2.4%
Inner Suburbs	BXP, EQC, PDM	47	2.1	4.3%	6.5%	6.1%	-0.4%	11.0%	10.4%	-0.6%
Route 128	BXP, EQC	95	1.8	1.9%	11.1%	10.0%	-1.1%	12.3%	11.9%	-0.4%
Route 495, MA	PDM	55	0.3	0.5%	14.2%	13.2%	-1.0%	13.7%	13.7%	-0.1%
Boston Area Totals		**282**	**5.1**	**1.8%**	**10.2%**	**9.2%**	**-1.0%**	**11.7%**	**10.9%**	**-0.7%**
San Francisco Area										
San Francisco CBD, CA	BXP, VNO, KRC	56	3.0	5.4%	6.6%	6.9%	0.3%	12.4%	12.3%	0.0%
San Mateo County, CA	BXP	42	1.2	2.9%	9.8%	8.5%	-1.3%	12.4%	11.4%	-0.9%
South Bay / San Jose, CA	BXP, FSP, KRC	93	10.1	10.9%	8.5%	8.6%	0.1%	18.1%	19.5%	1.4%
Oakland, CA	BDN	21	0.0	0.1%	7.8%	5.1%	-2.7%	5.6%	5.2%	-0.4%
Oakland, CA; I-80, I-880 Corridor	BDN	19	0.4	2.1%	14.2%	12.4%	-1.8%	12.9%	14.5%	1.6%
San Francisco Area Totals		**230**	**14.8**	**4.3%**	**8.7%**	**8.2%**	**-0.5%**	**12.0%**	**12.4%**	**0.5%**
Totals / Weighted Averages		**1,772**	**47.6**	**2.7%**	**11.1%**	**11.0%**	**-0.1%**	**13.5%**	**13.7%**	**0.2%**

[1] Cells highlighted: for Construction % of Stock > 2.5%
[2] Cells highlighted represent Yr/Yr Vacancy Change and Q/Q Change in Vac. + Const. > 2% or >-2%
*The Washington DC/Northern VA/Suburban MD numbers include Class A, Class B & Class C Office Space
Source: CoStar data

Exhibit B
Washington DC/ Northern VA/ Suburban MD Office Markets*
Third Quarter 2016
Current Vacancy plus Construction in Progress

					Yr/Yr Vacancy Change			Sort Quarter/Quarter Vac. + Const. Change		
Metro	**Companies**	**Stock (MM) SF**	**Under Const. (MM SF)**	**Construction % of Stock [1]**	**3Q15**	**3Q16**	**Chg [2]**	**2Q16 Vacancy + Construction**	**3Q16 Vacancy + Construction**	**Chg [2]**
Washington										
Georgetown		3.7	0.0	0.0%	5.5%	6.0%	0.5%	6.9%	6.0%	-0.9%
CBD	BXP, VNO, WRE, FPO	45.4	0.5	1.1%	9.2%	8.2%	-1.0%	10.6%	9.3%	-1.3%
West End	BXP, WRE	4.6	0.0	0.0%	10.3%	10.3%	0.0%	10.7%	10.3%	-0.4%
Uptown	VNO, EQC	13.2	0.0	0.2%	10.5%	11.0%	0.5%	11.0%	11.2%	0.2%
East End	BXP, VNO, PDM, EQC	48.9	2.5	5.2%	11.2%	12.6%	1.4%	16.0%	17.8%	1.8%
SW, SE, NE & Riverfront	OFC, BXP, VNO, PDM	20.3	0.9	4.5%	10.1%	15.1%	5.0%	15.3%	19.6%	4.3%
NoMa	FPO	11.1	0.8	6.9%	13.2%	14.6%	1.4%	17.2%	21.5%	4.3%
Capitol Hill	BXP, FPO	6.2	1.2	19.0%	10.7%	7.3%	-3.4%	29.4%	26.3%	-3.2%
WASHINGTON TOTAL		**153.4**	**5.9**	**3.8%**	**10.4%**	**11.2%**	**0.8%**	**14.1%**	**15.0%**	**0.9%**
Arlington and Alexandria										
Old Town Alexandria	WRE	10.2	0.0	0.0%	10.6%	11.3%	0.7%	11.7%	11.3%	-0.4%
Pentagon City / Crystal City	VNO	13.4	0.0	0.2%	22.6%	21.3%	-1.3%	19.7%	21.5%	1.8%
I-395 Corridor / Eisenhower Ave Corridor	VNO, WRE, EQC	15.0	0.7	4.7%	26.6%	26.6%	0.0%	31.4%	31.3%	-0.1%
ARLINGTON & ALEXANDRIA TOTAL		**38.5**	**0.7**	**1.9%**	**21.0%**	**20.7%**	**-0.3%**	**22.1%**	**22.6%**	**0.5%**
Rosslyn and Ballston										
Virginia Square	EQC	1.5	0.0	0.0%	8.4%	6.1%	-2.3%	6.2%	6.1%	-0.1%
Clarendon/Courthouse	VNO, PDM	6.2	0.2	2.8%	16.9%	17.2%	0.3%	15.8%	20.0%	4.2%
Ballston	PDM, WRE	8.0	0.2	2.1%	18.0%	19.1%	1.1%	22.8%	21.2%	-1.6%
Rosslyn	VNO, WRE	9.6	0.6	5.7%	29.6%	28.3%	-1.3%	33.6%	34.0%	0.4%
ROSSLYN AND BALLSTON TOTAL		**25.2**	**0.9**	**3.5%**	**21.4%**	**21.4%**	**-0.2%**	**24.3%**	**24.9%**	**0.7%**
Fairfax										
Outer Counties / Markets	BDN, OFC, WRE, FPO, EQC	10.7	0.1	1.3%	10.9%	9.0%	-1.9%	11.3%	10.3%	-1.0%
Falls Church / Annandale / N. Arlington	WRE	6.0	0.0	0.0%	11.7%	10.6%	-1.1%	10.3%	10.6%	0.3%
Vienna / Oakton / McLean / Great Falls	FPO	5.3	0.2	4.4%	13.9%	10.1%	-3.8%	14.9%	14.5%	-0.4%
Route 28 Corridor North / Route 7 Corridor	FPO, DRE, FSP	14.3	0.2	1.4%	15.9%	14.0%	-1.9%	16.6%	15.4%	-1.2%
Reston/ Herndon	VNO, BXP, BDN, OFC, WRE, FPO, PDM, LPT	31.8	0.4	0.0%	13.6%	16.0%	2.4%	15.9%	16.0%	0.1%
Springfield/Burke/Woodbridge/Huntington	BXP, OFC	11.5	0.0	0.4%	16.7%	15.8%	-0.9%	15.1%	16.2%	1.1%
Route 28 Corridor South	OFC, FPO, DRE, EQC, LPT, FSP	14.2	0.0	0.0%	20.2%	16.5%	-3.7%	17.1%	16.5%	-0.6%
Fairfax City / Fairfax Center	BXP, BDN, FPO	12.8	0.2	1.2%	14.8%	18.0%	3.2%	17.8%	19.2%	1.3%
Tysons Corner	VNO, BDN, OFC, WRE	28.7	1.8	6.1%	18.6%	17.5%	-1.1%	24.1%	23.6%	-0.5%
Merrifield	BDN, OFC, WRE, FPO	10.1	0.0	0.1%	13.6%	25.2%	11.6%	24.3%	25.3%	1.0%
FAIRFAX TOTAL		**145.3**	**2.9**	**2.0%**	**15.6%**	**16.0%**	**0.5%**	**18.0%**	**18.0%**	**0.0%**
Bethesda										
Bethesda/Chevy Chase	BDN, BXP	12.0	0.0	0.0%	10.6%	10.1%	-0.5%	10.2%	10.1%	-0.1%
Rock Spring	VNO, PDM	11.2	0.0	0.0%	21.6%	21.0%	-0.6%	20.8%	21.0%	0.2%
BETHESDA TOTAL		**23.3**	**0.0**	**0.0%**	**15.9%**	**15.4%**	**-0.5%**	**15.3%**	**15.4%**	**0.0%**
Montgomery / Frederick										
Silver Spring	BDN	7.4	0.1	1.3%	10.5%	10.3%	-0.2%	10.0%	11.6%	1.6%
Frederick	FPO	8.5	0.1	0.8%	13.3%	12.7%	-0.6%	13.2%	13.5%	0.2%
Rockville	FPO, BDN, BXP, PDM, VNO	10.7	0.1	1.0%	12.3%	12.6%	0.3%	13.3%	13.6%	0.3%
North Silver Spring/Kensington/Wheaton		5.5	0.0	0.3%	15.9%	13.9%	-2.0%	14.7%	14.2%	-0.5%
Gaithersburg/Germantown/ I 270	FPO, EQC	11.3	0.0	0.0%	15.8%	15.9%	0.1%	16.3%	15.9%	-0.4%
North Rockville	BDN, PDM, EQC	13.5	0.0	0.0%	18.6%	19.2%	0.6%	17.3%	19.2%	1.9%
MONTGOMERY / FREDERICK TOTAL		**57.1**	**0.3**	**0.5%**	**14.8%**	**14.7%**	**-0.1%**	**14.5%**	**15.2%**	**0.6%**
PG COUNTY		**26.4**	**0.0**	**0.1%**	**19.5%**	**19.6%**	**0.2%**	**20.1%**	**19.7%**	**-0.4%**
Totals / Weighted Averages		**469.3**	**10.7**	**2.3%**	**14.8%**	**15.1%**	**0.3%**	**17.0%**	**17.4%**	**0.4%**
Baltimore/Washington Corridor										
Ellicott City / Columbia	OFC, FPO	17.0	0.5	2.7%	8.8%	7.3%	-1.5%	10.2%	10.0%	-0.2%
Route 1 / BWI Area	OFC, FPO	11.6	0.3	2.6%	12.2%	12.8%	0.6%	15.7%	15.4%	-0.3%
BALTIMORE/WASHINGTON CORRIDOR TOTAL		**28.5**	**0.8**	**2.7%**	**10.2%**	**9.5%**	**-0.6%**	**12.4%**	**12.2%**	**-0.2%**

[1] Cells highlighted: for Construction % of Stock > 2.5%
[2] Cells highlighted represent Yr/Yr Vacancy Change and Q/Q Change in Vac. + Const. > 2% or >-2%
*The Washington DC/Northern VA/Suburban MD numbers include Class A, Class B & Class C Office Space
Source: CoStar Data

Exhibit C
Suburban Office Markets
Third Quarter 2016 - Class A & B
Current Vacancy plus Construction in Progress

Sort

						Yr/Yr Vacancy Change			Quarter/Quarter Vac. + Const. Change		
	Metro	Companies	Stock (MM) SF	Under Const. (MM SF)	Construction % of Stock [1]	3Q15	3Q16	Chg [2]	2Q16 Vacancy + Construction	3Q16 Vacancy + Construction	Chg [2]
1	Minneapolis, MN	FSP, PDM	101	0.3	0.3%	8.0%	6.9%	-1.1%	8.0%	7.2%	-0.8%
2	Cleveland, OH	PDM	72	0.6	0.8%	9.4%	8.3%	-1.1%	9.8%	9.1%	-0.6%
3	Richmond, VA	FPO, HIW, FSP, BDN	37	0.2	0.6%	9.5%	8.7%	-0.8%	9.2%	9.3%	0.1%
4	Portland, OR		53	1.1	2.1%	9.4%	7.4%	-2.0%	9.9%	9.5%	-0.4%
5	Tampa/ St. Petersburg, FL	HIW, PKY	92	0.2	0.2%	12.0%	9.5%	-2.5%	9.9%	9.7%	-0.2%
6	St. Louis, MO	FSP	78	1.2	1.5%	9.7%	8.7%	-1.0%	10.4%	10.2%	-0.1%
7	Raleigh-Durham, NC	HIW	71	1.9	2.7%	9.6%	7.7%	-1.9%	10.1%	10.4%	0.3%
8	Orlando, FL	HIW, PDM	67	0.5	0.8%	11.6%	9.7%	-1.9%	11.0%	10.5%	-0.5%
9	Philadelphia, PA/ Southern NJ	BDN, CLI, EQC, LPT, LXP	255	2.0	0.8%	11.2%	9.9%	-1.3%	10.9%	10.7%	-0.2%
10	Seattle/ Puget Sound, WA	FSP, KRC	118	4.9	4.2%	8.3%	6.9%	-1.4%	11.5%	11.1%	-0.4%
11	Austin, TX	BDN, EQC, CUZ, PDM	67	1.2	1.7%	10.2%	9.5%	-0.7%	10.8%	11.2%	0.4%
12	Orange County, CA	KRC, PDM	132	2.4	1.8%	10.3%	9.7%	-0.6%	12.4%	11.5%	-0.8%
13	San Diego, CA	KRC, BDN	77	0.4	0.5%	12.6%	11.6%	-1.0%	12.6%	12.1%	-0.6%
14	Miami/ Dade County, FL	FSP	56	1.2	2.2%	10.9%	10.1%	-0.8%	11.8%	12.3%	0.5%
15	Baltimore, MD	OFC, WRE, FPO	94	2.1	2.3%	10.6%	10.3%	-0.3%	12.3%	12.6%	0.2%
16	Charlotte, NC	CUZ	62	1.9	3.1%	10.4%	9.6%	-0.8%	12.7%	12.7%	0.0%
17	Denver, CO	FSP, EQC	139	3.8	2.8%	10.3%	10.0%	-0.3%	11.8%	12.8%	1.0%
18	Westchester, NY	SLG, CLI	110	0.2	0.2%	13.8%	12.8%	-1.0%	13.6%	13.0%	-0.7%
19	Fairfield, County, CT		37	0.0	0.1%	15.6%	13.8%	-1.8%	13.9%	13.9%	0.0%
20	Broward County, FL	HIW, PKY, PDM	42	0.8	2.0%	13.5%	12.1%	-1.4%	14.1%	14.1%	0.0%
21	Detroit, MI	EQC, PDM	128	0.8	0.6%	15.9%	14.3%	-1.6%	15.7%	14.9%	-0.8%
22	Atlanta, GA	HIW, CUZ, PKY, FSP, PDM	218	4.6	2.1%	13.6%	13.2%	-0.4%	15.2%	15.3%	0.1%
23	Northern/Central New Jersey	CLI, BXP, PDM	282	1.4	0.5%	15.9%	15.3%	-0.6%	16.5%	15.8%	-0.7%
24	Chicago, IL	DRE, FSP, PDM	233	1.6	0.7%	15.5%	16.6%	1.1%	16.4%	17.3%	0.8%
25	Phoenix, AZ	LPT, PKY, PDM	127	1.9	1.5%	16.9%	15.8%	-1.1%	17.5%	17.3%	-0.2%
26	Houston, TX	CUZ, PKY, FSP, PDM	216	2.9	1.3%	13.7%	16.1%	2.4%	16.9%	17.4%	0.6%
27	Dallas-Ft. Worth, TX	CUZ, FSP, PDM	269	11.1	4.1%	14.5%	14.5%	0.0%	18.6%	18.6%	0.1%
	Totals / Weighted Averages		**3,233**	**51.3**	**1.6%**	**12.7%**	**12.1%**	**-0.6%**	**13.8%**	**13.7%**	**-0.1%**

[1] Cells highlighted: for Construction % of Stock > 2.5%
[2] Cells highlighted represent Yr/Yr Vacancy Change and Q/Q Change in Vac. + Const. > 2% or >-2%
Source: CoStar data

Exhibit D
Urban Office Markets
Third Quarter 2016 - Class A & B
Current Vacancy plus Construction in Progress

Sort

	Metro	Companies	Stock (MM) SF	Under Const. (MM SF)	Construction % of Stock [1]	Yr/Yr Vacancy Change 3Q15	Yr/Yr Vacancy Change 3Q16	Yr/Yr Vacancy Change Chg [2]	Quarter/Quarter Vac. + Const. Change 2Q16 Vacancy + Construction	Quarter/Quarter Vac. + Const. Change 3Q16 Vacancy + Construction	Quarter/Quarter Vac. + Const. Change Chg [2]
1	Hawaii, HI	DEI	26	0.1	0.3%	5.7%	5.2%	-0.5%	5.9%	5.5%	-0.3%
2	Detroit, MI	PDM	23	0.3	1.2%	11.7%	9.5%	-2.2%	9.9%	10.7%	0.8%
3	Minneapolis, MN	FSP, PDM	50	0.5	1.0%	11.0%	10.2%	-0.8%	10.1%	11.2%	1.1%
4	Tampa/ St. Petersburg, FL	CUZ	8	0.0	0.0%	12.0%	11.5%	-0.5%	11.7%	11.5%	-0.2%
5	Raleigh-Durham, NC	HIW	11	0.7	6.5%	7.2%	5.2%	-2.0%	12.0%	11.7%	-0.3%
6	Portland, OR		22	0.5	2.0%	9.9%	9.9%	0.0%	10.8%	11.9%	1.2%
7	Atlanta, GA	CUZ	31	0.1	0.2%	12.0%	11.9%	-0.1%	12.1%	12.1%	-0.1%
8	Richmond, VA		14	0.3	2.4%	11.9%	10.3%	-1.6%	12.7%	12.7%	0.0%
9	Philadelphia, PA	BDN, EQC, LPT, PDM	55	1.3	2.4%	9.4%	10.5%	1.1%	13.5%	12.9%	-0.5%
10	Orlando, FL	HIW, CUZ	8	0.0	0.2%	14.3%	13.2%	-1.1%	12.5%	13.4%	0.9%
11	Chicago, IL	PDM, EQC	156	4.9	3.1%	12.0%	10.4%	-1.6%	14.9%	13.5%	-1.3%
12	Charlotte, NC	CUZ	21	1.2	5.8%	7.6%	8.2%	0.6%	13.4%	14.0%	0.6%
13	San Diego, CA		13	0.0	0.0%	15.5%	14.6%	-0.9%	15.3%	14.6%	-0.7%
14	St. Louis, MO		22	0.0	0.0%	16.4%	14.8%	-1.6%	16.6%	14.8%	-1.8%
15	Baltimore City, MD	EQC, FSP, OFC	19	0.0	0.0%	15.1%	14.9%	-0.2%	15.7%	14.9%	-0.8%
16	Austin, TX	CUZ	13	1.1	8.4%	6.3%	6.7%	0.4%	16.1%	15.1%	-1.0%
17	Seattle/ Puget Sound, WA	KRC	44	3.1	6.9%	11.2%	8.9%	-2.3%	16.5%	15.8%	-0.7%
18	Denver, CO	EQC, FSP	32	1.4	4.2%	11.6%	12.1%	0.5%	15.6%	16.3%	0.7%
19	Houston, TX	PKY	48	1.1	2.2%	12.7%	14.9%	2.2%	16.1%	17.1%	1.0%
20	Stamford, CT	SLG, ESRT	18	0.0	0.0%	21.0%	18.0%	-3.0%	18.3%	18.0%	-0.3%
21	Phoenix, AZ		20	0.1	0.6%	20.0%	17.6%	-2.4%	17.5%	18.2%	0.7%
22	Miami, FL	FSP, CUZ	18	0.4	2.4%	16.5%	16.3%	-0.2%	19.4%	18.7%	-0.7%
23	Cleveland, OH		29	0.0	0.0%	18.0%	20.8%	2.8%	20.3%	20.8%	0.5%
24	Dallas-Ft. Worth, TX		41	0.7	1.7%	18.4%	20.6%	2.2%	21.1%	22.3%	1.1%
	Totals / Weighted Averages		**744**	**17.6**	**2.4%**	**12.6%**	**12.2%**	**-0.4%**	**14.7%**	**14.5%**	**-0.1%**

[1] Cells highlighted: for Construction % of Stock > 2.5%

[2] Cells highlighted represent Yr/Yr Vacancy Change and Q/Q Change in Vac. + Const. > 2% or >-2%

Source: CoStar data

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