

# Office Benefits from Pickup in Jobs and GDP - Leasing and Rents Rise Again



Accelerating success.

## Featured Highlights

Vacancy dropped to a cyclical low as absorption increased to the highest level since 2016 and new supply fell to the lowest level in the past four years.

Supply remains concentrated in a few markets as half of the square feet under construction is in just six markets.

Rental growth is strongest in CBD markets and expected to continue rising in 59% of markets going forward.

Both CBD and suburban cap rates are relatively unchanged this quarter, remaining near the level that has held over the past two years.

## Market Indicators

Relative to Prior Quarter	Q3 2018	Q3 2019*
Vacancy	↓	↓
Net Absorption	↑	↑
Construction	↑	=
Rental Rate**	↑	↑

\* Projected \*\* Rental rates for current quarter are for CBD; rent forecast is for metrowide rents.

## Summary Statistics

Vacancy Rate	11.8%
Change from Q2 2018 (Base Points)	-0.2%
Absorption (MSF)	15.5
% Of Markets with Positive Absorption	75.0%
New Supply (MSF)	10.7
Under Construction (MSF)	127.4

## Asking Rents (Per Square Foot Per Year)

Downtown Class A	\$48.71
Change from Q2 2018	+0.5%
Change from Q3 2017	+4.1%
Suburban Class A	\$30.39
Change from Q2 2018	+0.01%
Change From Q3 2017	+1.9%

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The U.S. office market remains on solid ground. Absorption rebounded in Q3 2018 to the highest level in two years. CBD rents rose and suburban rents held firm. Office vacancy is now at a cyclical low of 11.8% on average for the U.S.

A recent uptick in GDP combined with solid job growth should generate more demand for office space in the near term, but leasing is likely to slow with the expected economic slowdown next year as the economy absorbs higher interest rates and battles labor shortages created by extremely low unemployment rates. Growth is wide-spread geographically. Positive trends this quarter were led by several lower-cost, high-growth markets.

Demand continues to be largely positive with 84% of the markets in our sample posting positive net absorption. While tech demand remains strong, coworking tenants continue to account for a large and growing share of leasing in key markets, creating some uncertainty as to how these markets will fare in a downturn. Demand is currently widespread as employers balance labor availability and office costs. In the core tech markets, labor is extremely tight in hubs such as San Francisco, San Jose, Austin, Boston and Raleigh where unemployment is currently running less than 3%<sup>1</sup>. Adding further incentive for employers, markets such as Denver, Charlotte and Philadelphia that led absorption this quarter<sup>2</sup> offer CBD office rental rates that are less than half the rate of New York and San Francisco.

While deliveries fell to the lowest level in four years this quarter, the square footage under construction is up from both last quarter and over the past year, indicating that new supply is likely to continue at levels that are at least similar to the recent past.

The volume of office sales increased in Q3 2018. While sales volume has been supported mostly by non-major markets over the past three years, volume increased in both the major and non-major markets this quarter. Cap rates remain fairly flat and near levels that have held during the past two years, although price indices continue to rise for both suburban and CBD markets.

<sup>1</sup> Bureau of Labor Statistics September 2018

<sup>2</sup> when measured as a percentage of total stock

## Key Observations

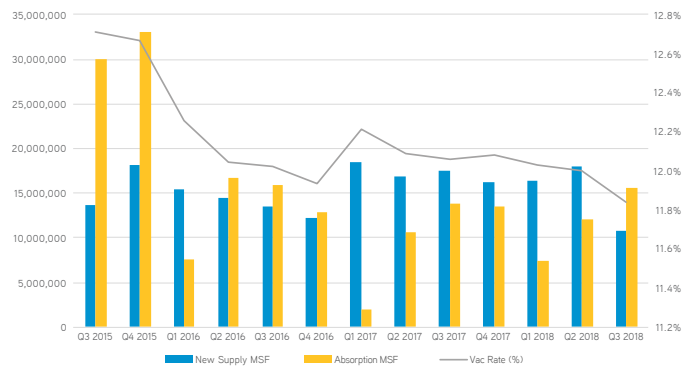
### Vacancy Still At Historic Lows

- > The U.S. office vacancy rate declined by 20 basis points (bps) in Q3 2018 to 11.8%, within the same narrow range around 12% where it has held since early 2016.
- > More than half of U.S. office markets (61% of total) have vacancy rates below the national average and 42% have sub-10% vacancy. Downtown vacancy rates were unchanged in Q3 2018 at 10.4% while suburban vacancy declined by 30 bps this quarter to 12.5%.
- > The San Francisco Bay Area remains the tightest of the major markets with a 7.4% vacancy rate, the third-lowest vacancy in the nation overall. Within this broader market, vacancy was lowest in the San Francisco CBD Class A market at 5.8% in Q3 2018, down 20 bps from last quarter.
- > Other major markets with sub 8% vacancy rates include Raleigh, Kansas City, Orlando and Nashville. Conversely, vacancy exceeds 15% in Cincinnati, Washington DC, Chicago, Dallas-Ft. Worth, Indianapolis and Houston.

### Rents Hold Firm

- > U.S. office asking rents increased by 0.3% in the past quarter and by 2.75% from a year ago. Trends for Class A office asking rates were strongest in the CBD markets, where rents rose by 0.5% for the quarter and 4.1% from a year ago. Class A suburban asking rents were flat in Q3 2018 and up by 1.9% from a year ago. Rent growth remains strong in tech-driven markets as well as lower cost, high-growth markets throughout the country.
- > Class A CBD rent growth in Q3 2018 was particularly strong in Minneapolis-St. Paul, Miami-Ft. Lauderdale and the East Bay and Silicon Valley sections of the San Francisco Bay Area. Rent growth has been positive over the past year in 76% of the CBD markets.
- > Suburban rental growth also generally remains positive with 75% of markets posting positive growth over the past year as of Q3 2018. Miami-Ft. Lauderdale led rent growth in the suburbs during Q3 2018 followed by sustained growth in Detroit, Memphis and Atlanta.
- > Some markets such as New York Midtown, Philadelphia CBD and the suburbs of Ft. Worth, Austin and Silicon Valley had strong quarterly rent growth but weaker annual growth, a reflection of rental volatility often resulting from the amount of new supply currently entering these markets.

### U.S. Office Market Q3 2015 to Q3 2018



Source: Colliers International

### Absorption Rebounds

- > Office absorption increased from 12.1 million square feet in Q2 2018 to 15.5 million square feet in the third quarter, bringing the year-to-date level to 35.1 million square feet, 33% higher than the same time a year ago.
- > Dallas-Ft. Worth, Philadelphia, Northern New Jersey and Denver each posted more than a million square feet of positive net absorption this quarter.
- > As costs rise, growth is expanding beyond the large tech markets. Markets such as Las Vegas, Tampa Bay, Charlotte, Denver and Philadelphia all experienced strong demand as compared to total inventory size.

### Construction Falls But Expected to Remain Near Recent Levels

- > The amount of office space delivered fell sharply this quarter, from 18 million square feet last quarter to 10.7 million square feet in the third quarter. While this volume represented the lowest level in the past four years, the amount of space currently under construction rose 11.4% higher over the level a year ago to 127.4 million square feet, indicating that new supply going forward is likely to be more similar to recent historic levels. Not all of this space will be delivered in the next year. Thus, we expect new supply to have peaked in 2017.
- > New supply is highly concentrated in a few markets, with fully half of the building area under construction located in just six markets.
- > Austin leads construction activity at 6.1% (measured as a percentage of inventory), followed by San Francisco at 5.3%. Tech-centric markets remain the principal focus of development activity with construction also elevated in Nashville, Seattle and Charlotte.

## Sales Volume Holds Firm

- U.S. office sales volume increased in the third quarter to \$35.2 billion but fell by 5% over the past year on a rolling four-quarter basis. Non-major markets continue to account for a larger proportion of sales, equivalent to 46% of sales over the past year, up from 38% two years ago.
- Likewise, suburban office sales increased from 53% of market volume two years ago to 65% in Q2 2018 but fell slightly to 63% in the most recent quarter as CBD sales increased this quarter from an unusual low a year ago.
- Portfolio sales, which accounted for nearly a third of sales near the peak of the market in Q1 2008, have been declining as a percent of total sales, and were equivalent to just 17% of sales volume in the past year, down from 20% two years ago. At \$1.4 billion over the past year, entity levels sales are 35% of the level a year ago and down significantly from the 2015-2016 pace.
- Suburban office cap rates have held near the current level of 6.9% since early 2016. However, with positive rent growth, the Moody's CPPI Index shows continued suburban price growth, up 1.8% in Q3 2018 and 8.8% from a year ago.
- CBD office cap rates increased by 20 bps this quarter to 5.4% but remain down by 60 bps from a year ago. Some of the larger CBD growth markets have a more mature construction cycle. Thus, while CBD price growth led the suburbs over the past five years, CBD price growth has slowed from the recent double-digit pace to 1.8% this quarter and 2.7% from a year ago.
- Investors continue to favor the suburbs, which saw \$18 billion in sales in the second quarter compared to \$10.5 billion in CBD markets. Suburban sales volume is down by 12% year over year. CBD volume has been in decline for eight successive quarters.

### Top U.S. Office Leases | Q3 2018

TENANT	ADDRESS	MARKET	SF	TENANT INDUSTRY
Web.com Group	5335 Gate Pky	Jacksonville, FL	541,259	Technology-Internet
Concord Global Trading	500 S Main St	Mooresville, NC	479,117	Retailers / Wholesalers
Amazon.com, Inc.	333 108th Ave NE	Bellevue, WA	413,100	Specialty Retail
Splunk, Inc.	700 Santana Row	San Jose, CA	285,654	Software
VF Corp	1551 Wewatta St	Denver, CO	285,000	Manufacturing

Sources: CoStar, Colliers International

### Top U.S. Office Sales | Q3 2018

ADDRESS	MARKET	SF	PRICE (MILLIONS)	BUYER
666 5th Ave	New York, NY	1,426,395	\$1,286	Brookfield AM
53 State St	Boston, MA	1,137,615	\$848	Allianz Life Insurance Co, Beacon Capital Partners
1775 Broadway	New York, NY	525,807	\$806	Moinian Group
304 Hudson St	New York, NY	393,488	\$650	Disney
75 State St	Boston, MA	777,000	\$640	DivcoWest
2850 Ocean Park Blvd	Santa Monica, CA	1,200,000	\$627	CPPIB, Boston Properties

Source: Colliers International, Real Capital Analytics

### U.S. Office Investment | Q3 2018

	Q3 2018		TRAILING FOUR QUARTERS (THROUGH Q3 2018)	
	VOLUME (\$B)	YOY CHANGE	VOLUME (\$B)	YOY CHANGE
Office Total	35.2	18.4%	\$130.8	-5.2%
Downtown Markets	12.3	58.9%	\$48.6	-3.2%
Suburban Markets	22.9	4.3%	\$82.2	-6.3%
Portfolio Sales	7.4	1.1%	\$24.1	-17.9%
Single Asset Sales	27.8	24.1%	\$106.7	-1.8%
Major Office Metros	16.8	16.4%	\$67.1	-5.8%
Non-Major Office Metros	18.4	20.4%	\$63.7	-4.5%

Source: Real Capital Analytics

## United States - Downtown - All Classes

MARKET	INVENTORY (SF) SEPTEMBER 30, 2018	NEW SUPPLY (SF) Q3 2018	UNDER CONSTRUCTION (SF)	VACANCY RATE JUNE 30, 2018	VACANCY RATE SEPT 30, 2018	ABSORPTION (SF) Q3 2018	YTD ABSORPTION (SF) 2018
<b>USA</b>	<b>1,996,726,486</b>	<b>2,907,604</b>	<b>60,091,879</b>	<b>10.4%</b>	<b>10.4%</b>	<b>4,277,592</b>	<b>12,505,464</b>
<b>NORTHEAST</b>	<b>891,614,133</b>	<b>2,102,203</b>	<b>25,992,095</b>	<b>8.5%</b>	<b>8.6%</b>	<b>901,293</b>	<b>356,134</b>
Baltimore, MD	46,044,731	241,000	309,385	10.9%	11.3%	34,955	-307,976
Boston, MA	70,690,506	372,000	2,214,922	9.0%	9.5%	-26,907	1,502,153
Hartford, CT	11,500,836	-	-	12.7%	12.3%	22,178	43,594
New York City Metro	520,151,583	-	16,130,494	6.6%	6.7%	-88,130	-1,944,362
› Manhattan	503,295,206	-	15,630,494	6.1%	6.3%	-110,632	-2,076,221
• Downtown	102,279,200	-	276,006	8.5%	8.6%	-32,206	-1,026,498
• Midtown	233,884,065	-	2,258,219	6.3%	6.5%	-713,906	-65,246
• Midtown South	167,131,941	-	13,096,269	4.4%	4.5%	635,480	-984,477
› NYC Northern Suburbs	16,856,377	-	500,000	20.1%	19.5%	22,502	131,859
Philadelphia, PA	46,755,246	1,336,682	965,481	10.7%	10.7%	1,184,761	831,898
Pittsburgh, PA	53,050,173	-	893,795	9.7%	9.5%	39,397	445,798
Washington, D.C.	143,421,058	152,521	5,478,018	13.1%	12.7%	-264,961	-214,971
<b>SOUTH</b>	<b>383,617,157</b>	<b>322,853</b>	<b>13,286,415</b>	<b>12.1%</b>	<b>11.8%</b>	<b>1,282,365</b>	<b>2,923,807</b>
Atlanta, GA	51,010,393	61,000	2,066,618	11.2%	10.9%	202,482	738,542
Austin, TX	13,914,832	-	1,161,875	8.1%	6.1%	270,865	320,942
Birmingham, AL	18,147,537	-	163,000	10.4%	9.5%	27,121	83,512
Charleston, SC	2,727,015	-	153,358	6.9%	7.1%	-5,413	-21,245
Charlotte, NC	21,672,694	-	1,595,073	10.9%	9.8%	238,795	471,068
Columbia, SC	5,694,275	-	-	11.3%	9.5%	102,695	150,389
Dallas-Fort Worth, TX	42,132,002	-	163,025	21.1%	21.2%	-43,134	417,823
› Dallas	32,339,385	-	163,025	23.5%	23.2%	110,761	431,493
› Fort Worth	9,792,617	-	-	13.2%	14.8%	-153,895	-13,670
Greenville, SC	4,209,861	23,500	12,717	12.9%	13.2%	8,828	78,979
Houston, TX	43,364,897	-	1,884,925	22.2%	21.6%	249,479	-105,042
Huntsville, AL	3,826,169	-	355,000	2.5%	3.6%	-48,216	-23,517
Jacksonville, FL	16,093,619	-	156,744	7.7%	6.6%	169,666	268,731
Memphis, TN	5,424,647	-	-	12.7%	11.0%	94,348	488,579
Nashville, TN	13,758,603	44,000	1,553,856	6.2%	6.6%	59,218	238,750
Norfolk, VA	5,193,992	-	-	8.3%	9.0%	-27,604	-21,038
Orlando, FL	13,052,703	-	499,500	7.7%	7.4%	39,963	91,849
Raleigh-Durham, NC	10,810,966	-	1,068,102	3.6%	4.4%	78,085	192,302
Richmond, VA	16,519,780	-	1,114,000	6.8%	7.1%	-27,046	-65,729
Savannah, GA	792,626	-	-	11.4%	11.8%	-1,567	-14,273
South Florida	83,995,303	194,353	1,338,622	10.5%	10.5%	-108,773	-487,460
› Fort Lauderdale	27,342,218	-	214,704	9.7%	9.9%	-156,013	-402,581
› Miami	34,871,906	194,353	750,367	11.3%	11.1%	24,275	-75,835
› Palm Beach	21,781,179	-	373,551	10.3%	10.1%	22,965	-9,044
Tampa Bay, FL	11,275,243	-	-	6.4%	7.5%	2,573	120,645

## United States - Downtown - All Classes

MARKET	INVENTORY (SF) SEPTEMBER 30, 2018	NEW SUPPLY (SF) Q3 2018	UNDER CONSTRUCTION (SF)	VACANCY RATE JUNE 30, 2018	VACANCY RATE SEPT 30, 2018	ABSORPTION (SF) Q3 2018	YTD ABSORPTION (SF) 2018
<b>MIDWEST</b>	<b>381,090,271</b>	<b>386,548</b>	<b>8,631,841</b>	<b>12.1%</b>	<b>12.6%</b>	<b>465,054</b>	<b>2,046,262</b>
Chicago, IL	146,837,959	-	5,030,091	12.7%	14.1%	227,788	1,250,070
Cincinnati, OH	18,159,380	-	26,000	13.2%	12.7%	78,833	184,378
Cleveland-Akron, OH	28,762,941	-	-	15.8%	16.5%	-178,570	-132,543
> Akron	9,795,036	-	-	13.0%	13.9%	-40,911	-108,600
> Cleveland	18,967,905	-	-	17.3%	17.8%	-137,659	-23,943
Columbus, OH	19,783,067	106,256	736,000	9.3%	9.1%	58,927	-31,008
Dayton, OH	4,946,327	-	285,000	25.9%	27.8%	-96,001	-91,024
Detroit, MI	24,090,261	-	-	8.1%	8.3%	-169,369	-331,448
Grand Rapids, MI	6,018,407	-	331,410	10.9%	11.3%	36,243	45,067
Indianapolis, IN	11,656,664	-	41,470	16.3%	16.5%	24,115	23,564
Kansas City, MO	34,176,525	-	199,000	6.3%	6.4%	11,778	164,974
Milwaukee, WI	19,849,182	50,000	451,720	7.4%	7.4%	42,602	213,483
Minneapolis-St. Paul	47,701,394	48,224	1,186,700	13.0%	13.0%	256,540	412,616
> Minneapolis	36,166,748	48,224	1,126,700	13.1%	12.9%	174,011	399,947
> St. Paul CBD	11,534,646	-	60,000	12.6%	13.4%	82,529	12,669
Omaha, NE	6,858,014	-	72,000	5.3%	4.4%	37,013	65,013
St. Louis, MO	12,250,150	182,068	272,450	21.3%	20.2%	135,155	273,120
<b>WEST</b>	<b>340,404,925</b>	<b>96,000</b>	<b>12,181,528</b>	<b>11.5%</b>	<b>10.9%</b>	<b>1,628,880</b>	<b>7,179,261</b>
Albuquerque, NM	3,098,513	-	-	22.6%	23.6%	-18,883	67,101
Bakersfield, CA	3,518,086	-	-	9.2%	8.8%	12,775	58,612
Boise, ID	6,975,103	-	120,000	9.6%	9.3%	17,856	17,481
Denver, CO	37,969,731	-	1,942,170	13.7%	12.7%	474,482	1,289,176
Fresno, CA	3,301,851	-	-	8.7%	8.1%	17,795	66,021
Downtown Los Angeles, CA	33,660,100	-	1,721,200	19.3%	18.8%	155,000	478,700
Honolulu, HI	7,076,119	-	-	16.3%	16.8%	5,057	-25,191
Las Vegas, NV	5,011,477	-	15,867	13.4%	13.1%	14,164	20,822
Phoenix, AZ	20,251,987	-	-	20.2%	16.5%	142,479	540,334
Portland, OR	23,982,361	-	592,532	12.5%	12.5%	13,057	-180,131
Reno-Sparks, NV	1,300,508	-	-	12.8%	11.0%	5,119	30,448
Sacramento, CA	13,099,177	-	-	11.6%	11.0%	56,361	210,628
San Diego, CA	9,894,456	-	50,000	13.2%	11.5%	-1,761	-11,288
San Francisco Bay Area, CA	130,984,578	96,000	5,960,069	7.1%	6.9%	350,880	3,198,129
> East Bay	29,043,050	-	944,500	9.4%	9.6%	-75,563	-278,978
> San Francisco	93,506,131	-	5,015,569	6.1%	5.8%	341,401	3,365,539
> Silicon Valley	8,435,397	96,000	-	9.8%	9.7%	85,042	111,568
Seattle-Puget Sound, WA	31,730,749	-	1,762,000	11.0%	10.4%	321,657	1,340,608
> Seattle	27,853,838	-	1,762,000	11.2%	10.6%	310,157	1,354,431
> Tacoma	3,876,911	-	-	9.1%	8.8%	11,500	-13,823
Stockton, CA	8,550,129	-	17,690	10.4%	9.3%	62,842	77,811



## United States - Downtown - Class A

MARKET	INVENTORY (SF) SEPTEMBER 30, 2018	AVG ANNUAL QUOTED RENT (USD/SF)	VACANCY RATE JUNE 30, 2018	VACANCY RATE SEPT 30, 2018	ABSORPTION (SF) Q3 2018	QUARTERLY CHANGE IN RENT	ANNUAL CHANGE IN RENT
<b>USA</b>							
<b>NORTHEAST</b>	<b>553,064,390</b>	<b>\$65.89</b>	<b>9.2%</b>	<b>9.2%</b>	<b>1,448,042</b>	<b>2.7%</b>	<b>3.5%</b>
Baltimore, MD	17,070,729	\$24.32	15.8%	15.2%	316,959	1.4%	-4.0%
Boston, MA	50,432,425	\$62.01	8.9%	9.1%	229,408	1.2%	4.2%
Hartford, CT	7,716,798	\$22.30	13.3%	13.2%	4,303	0.0%	-3.0%
New York City Metro	333,612,983	\$77.63	7.4%	7.6%	-988,923	3.1%	3.4%
> Manhattan	320,459,867	\$81.09	6.7%	7.0%	-995,944	3.1%	3.0%
• Downtown	78,081,775	\$63.70	9.5%	9.4%	47,600	-0.4%	-1.6%
• Midtown	201,644,392	\$87.71	6.3%	6.6%	-945,757	4.7%	3.5%
• Midtown South	40,733,700	\$89.75	3.8%	4.6%	-97,787	0.0%	4.6%
> NYC Northern Suburbs	13,153,116	\$47.41	22.9%	22.2%	7,021	0.2%	5.5%
Philadelphia, PA	32,214,175	\$32.85	11.3%	10.7%	1,353,467	3.5%	3.6%
Pittsburgh, PA	23,200,605	\$30.67	10.5%	10.6%	-135,306	-1.6%	8.5%
Washington, D.C.	88,816,675	\$60.17	13.4%	12.8%	668,134	-2.0%	0.0%
<b>SOUTH</b>	<b>202,694,666</b>	<b>\$35.62</b>	<b>15.2%</b>	<b>14.8%</b>	<b>1,097,215</b>	<b>4.2%</b>	<b>8.2%</b>
Atlanta, GA	31,368,064	\$32.66	13.9%	13.7%	73,103	-0.7%	9.1%
Austin, TX	8,891,776	\$49.38	9.4%	6.9%	219,061	1.5%	1.2%
Birmingham, AL	4,036,429	\$19.00	29.1%	29.2%	-2,474	2.2%	0.3%
Charleston, SC	1,084,676	\$36.09	10.6%	10.1%	5,127	-0.7%	9.6%
Charlotte, NC	15,592,339	\$33.52	13.1%	11.5%	248,469	2.1%	4.7%
Columbia, SC	2,305,367	\$22.04	10.1%	8.5%	38,264	-1.3%	-2.9%
Dallas-Fort Worth, TX	29,644,385	\$27.89	24.6%	24.1%	145,747	0.1%	2.6%
> Dallas	23,418,773	\$27.31	27.1%	26.2%	209,531	-0.3%	1.7%
> Fort Worth	6,225,612	\$31.28	15.2%	16.2%	-63,784	1.8%	5.6%
Greenville, SC	2,463,135	\$25.14	14.3%	14.1%	24,922	-2.7%	-3.6%
Houston, TX	32,499,577	\$45.28	19.7%	19.3%	105,746	2.3%	1.6%
Huntsville, AL	468,902	\$22.00	0.0%	6.2%	-28,969	-	-11.7%
Jacksonville, FL	7,524,530	\$22.55	8.3%	7.2%	82,934	2.2%	5.9%
Memphis, TN	2,302,978	\$17.84	16.9%	16.2%	16,249	-0.2%	0.8%
Nashville, TN	6,385,192	\$33.75	6.8%	7.2%	48,441	0.6%	11.6%
Norfolk, VA	2,838,251	\$25.42	9.7%	10.4%	-17,032	-1.7%	7.5%
Orlando, FL	6,071,705	\$27.69	8.4%	8.0%	21,978	-3.8%	11.3%
Raleigh-Durham, NC	6,623,857	\$31.59	4.6%	5.6%	60,625	0.2%	4.7%
Richmond, VA	6,910,327	\$24.87	9.4%	10.1%	-12,050	2.4%	3.2%
Savannah, GA	645,713	\$22.93	10.7%	11.6%	-5,488	0.0%	3.1%
South Florida	27,857,133	\$44.56	14.4%	14.7%	57,195	6.6%	8.5%
> Fort Lauderdale	7,001,817	\$41.01	15.4%	15.9%	-28,571	6.7%	14.3%
> Miami	14,600,653	\$48.18	14.7%	15.0%	58,337	3.4%	5.8%
> Palm Beach	6,254,663	\$38.88	12.7%	12.4%	27,429	1.7%	6.0%
Tampa Bay, FL	7,180,330	\$29.79	8.5%	8.5%	15,367	1.7%	3.1%

## United States - Downtown - Class A

MARKET	INVENTORY (SF) SEPTEMBER 30, 2018	AVG ANNUAL QUOTED RENT (USD/SF)	VACANCY RATE JUNE 30, 2018	VACANCY RATE SEPT 30, 2018	ABSORPTION (SF) Q3 2018	QUARTERLY CHANGE IN RENT	ANNUAL CHANGE IN RENT
<b>MIDWEST</b>	<b>160,129,642</b>	<b>\$29.02</b>	<b>12.2%</b>	<b>12.1%</b>	<b>660,727</b>	<b>-5.0%</b>	<b>-3.4%</b>
Chicago, IL	68,155,265	\$46.01	12.3%	12.1%	403,863	1.0%	2.8%
Cincinnati, OH	8,272,745	\$23.46	12.4%	11.0%	107,670	0.0%	0.3%
Cleveland-Akron, OH	11,152,071	\$21.77	15.0%	15.1%	-32,318	2.0%	4.4%
> Akron	1,653,706	\$20.06	13.2%	13.6%	-6,606	0.0%	-5.7%
> Cleveland	9,498,365	\$22.02	15.3%	15.4%	-25,712	2.4%	5.8%
Columbus, OH	8,921,562	\$19.66	11.1%	11.1%	7,045	0.4%	0.2%
Dayton, OH	2,289,586	\$18.12	27.5%	29.1%	-37,826	2.7%	3.4%
Detroit, MI	7,437,053	\$24.60	7.0%	7.1%	6,489	0.0%	-0.1%
Indianapolis, IN	6,105,747	\$23.38	15.1%	15.6%	4,242	-0.1%	-0.6%
Kansas City, MO	11,470,356	\$20.99	11.3%	11.6%	9,177	-0.2%	2.7%
Milwaukee, WI	8,133,852	\$23.19	9.2%	9.7%	-1,771	-0.7%	-1.7%
Minneapolis-St. Paul	19,817,138	\$18.52	11.1%	11.1%	52,127	3.9%	4.9%
Omaha, NE	2,634,759	\$23.56	5.2%	3.7%	15,992	1.4%	7.9%
St. Louis, MO	5,739,508	\$18.97	18.5%	16.4%	126,037	0.7%	0.4%
<b>WEST</b>	<b>198,703,295</b>	<b>\$47.37</b>	<b>10.3%</b>	<b>9.8%</b>	<b>1,096,173</b>	<b>-3.9%</b>	<b>2.0%</b>
Albuquerque, NM	621,668	\$21.42	32.8%	33.7%	-5,467	19.0%	-1.7%
Bakersfield, CA	788,282	\$20.48	6.8%	6.2%	4,820	0.0%	0.0%
Denver, CO	25,355,189	\$36.10	14.4%	13.0%	467,122	-0.2%	2.0%
Fresno, CA	907,513	\$19.20	8.7%	8.1%	4,891	1.3%	0.2%
Greater Los Angeles, CA	18,470,800	\$43.21	12.7%	12.3%	64,700	0.9%	3.1%
Honolulu, HI	4,966,720	\$35.76	16.6%	17.6%	-10,265	0.2%	1.5%
Las Vegas, NV	1,232,341	\$32.88	20.6%	20.8%	-2,159	0.0%	1.9%
Phoenix, AZ	9,968,914	\$27.51	17.4%	16.5%	90,866	-0.2%	1.3%
Portland, OR	12,520,200	\$35.79	10.8%	10.1%	65,635	0.1%	8.3%
Reno-Sparks, NV	540,478	\$25.20	17.3%	14.4%	13,886	0.0%	6.1%
Sacramento, CA	5,607,347	\$36.12	9.3%	9.2%	4,103	0.0%	3.4%
San Diego, CA	6,720,025	\$35.40	8.8%	8.9%	-5,205	0.7%	-1.0%
San Francisco Bay Area, CA	83,948,901	\$69.76	6.8%	6.6%	203,919	-10.7%	-3.2%
> East Bay	18,509,776	\$45.75	9.1%	9.3%	-34,702	5.2%	6.7%
> San Francisco	61,666,259	\$83.81	6.0%	5.8%	149,634	-13.7%	-0.6%
> Silicon Valley	3,772,866	\$51.66	8.8%	6.3%	88,987	3.3%	5.4%
Seattle-Puget Sound, WA	23,915,243	\$48.08	11.3%	10.7%	197,778	5.4%	12.1%
> Seattle	22,906,778	\$49.25	11.6%	11.0%	205,116	1.9%	13.5%
> Tacoma	1,008,465	\$27.00	3.3%	4.0%	-7,338	0.0%	-4.0%
Stockton, CA	3,139,674	\$23.82	9.0%	8.9%	1,549	-0.7%	4.5%

## United States - Suburban - All Classes

MARKET	INVENTORY (SF) SEPTEMBER 30, 2018	AVG ANNUAL QUOTED RENT (USD/SF)	VACANCY RATE JUNE 30, 2018	VACANCY RATE SEPT 30, 2018	ABSORPTION (SF) Q3 2018	QUARTERLY CHANGE IN RENT	ANNUAL CHANGE IN RENT
<b>USA</b>	<b>4,206,913,642</b>	<b>7,823,515</b>	<b>67,298,967</b>	<b>12.8%</b>	<b>12.5%</b>	<b>11,271,988</b>	<b>22,556,853</b>
<b>NORTHEAST</b>	<b>1,084,871,621</b>	<b>1,966,720</b>	<b>12,504,003</b>	<b>13.9%</b>	<b>13.7%</b>	<b>2,483,867</b>	<b>2,791,428</b>
Baltimore, MD	77,005,025	99,607	1,290,751	10.2%	10.2%	30,688	941,441
Boston, MA	146,571,987	274,910	5,012,732	15.3%	14.8%	769,214	1,914,200
Hartford, CT	32,590,723	-	-	10.3%	10.8%	84,193	40,874
New Hampshire	20,036,574	96,953	33,000	10.6%	10.3%	106,293	132,289
New York City Metro	345,568,701	-	1,417,601	14.1%	13.7%	908,099	-2,565,221
> Central New Jersey	88,073,972	-	45,200	14.6%	14.5%	64,058	-78,661
> Long Island	75,634,708	-	478,122	7.2%	7.4%	-120,718	9,153
> Northern New Jersey	115,917,628	-	835,729	16.9%	16.0%	1,053,639	-1,737,545
> NYC Northern Suburbs	65,942,393	-	58,550	16.3%	15.8%	-88,880	-758,168
Philadelphia, PA	104,115,277	40,250	1,793,324	12.7%	12.7%	-107,102	281,636
Pittsburgh, PA	69,375,354	-	254,940	7.4%	7.4%	36,889	209,716
Washington, D.C.	289,607,980	1,455,000	2,701,655	16.4%	16.6%	655,593	1,836,493
> Washington, D.C., Northern Virginia	197,476,240	1,455,000	1,592,322	17.2%	17.4%	781,497	1,932,331
> Washington, D.C., Suburban Maryland	92,131,740	-	1,109,333	14.8%	14.8%	-125,904	-95,838
<b>SOUTH</b>	<b>1,310,168,954</b>	<b>2,452,524</b>	<b>23,627,974</b>	<b>12.9%</b>	<b>12.7%</b>	<b>3,789,901</b>	<b>5,023,030</b>
Atlanta, GA	174,130,056	39,944	2,407,014	14.5%	14.7%	-319,509	-311,584
Austin, TX	61,634,578	110,501	3,446,222	9.3%	8.9%	202,635	579,259
Birmingham, AL	42,348,079	-	232,600	10.1%	9.8%	114,814	955,644
Charleston, SC	10,402,137	199,832	410,881	13.8%	13.4%	221,806	-28,152
Charlotte, NC	49,528,124	30,000	1,647,952	11.0%	9.9%	336,387	-8,447
Columbia, SC	10,493,221	-	30,000	11.9%	11.6%	35,947	2,557
Dallas-Fort Worth, TX	259,467,383	963,290	7,319,789	16.0%	15.7%	1,464,357	2,609,906
Greenville, SC	12,573,370	11,440	58,900	11.4%	12.5%	-131,260	-315,090
Houston, TX	189,767,835	73,362	1,200,217	19.6%	19.3%	652,365	-259,959
Huntsville, AL	16,987,670	-	56,326	7.4%	7.5%	-57,500	86,662
Jacksonville, FL	47,017,424	159,991	54,494	8.4%	8.6%	19,103	50,587
Memphis, TN	29,573,213	-	64,000	12.4%	13.2%	99,672	275,595
Nashville, TN	40,112,987	219,000	1,202,286	8.6%	8.4%	43,356	266,330
Norfolk, VA	36,582,211	-	659,687	9.2%	9.3%	-114,592	141,980
Orlando, FL	56,531,006	-	655,804	8.0%	7.9%	223,158	136,245
Raleigh-Durham, NC	55,880,933	90,000	1,395,170	8.3%	8.2%	135,921	700,860
Richmond, VA	36,712,287	46,461	328,877	7.3%	7.0%	106,286	266,089
Savannah, GA	1,406,498	-	-	7.4%	11.3%	-34,774	-17,820
South Florida	122,279,203	455,703	2,207,755	9.5%	9.0%	235,369	-260,807
> Fort Lauderdale	34,092,413	201,779	634,377	9.8%	8.7%	145,690	-225,710
> Miami	61,015,603	209,669	1,470,878	8.2%	8.0%	81,527	57,598
> Palm Beach	27,171,187	44,255	102,500	11.8%	11.4%	8,152	-92,695
Tampa Bay, FL	56,740,739	53,000	250,000	10.7%	10.5%	556,360	153,175



## United States - Suburban - All Classes

MARKET	INVENTORY (SF) SEPTEMBER 30, 2018	AVG ANNUAL QUOTED RENT (USD/SF)	VACANCY RATE JUNE 30, 2018	VACANCY RATE SEPT 30, 2018	ABSORPTION (SF) Q3 2018	QUARTERLY CHANGE IN RENT	ANNUAL CHANGE IN RENT
<b>MIDWEST</b>	<b>715,813,478</b>	<b>1,192,539</b>	<b>5,623,671</b>	<b>12.9%</b>	<b>12.4%</b>	<b>1,379,679</b>	<b>3,730,379</b>
Chicago, IL	162,961,514	30,000	-	16.4%	16.5%	-159,847	48,967
Cincinnati, OH	44,624,004	-	466,400	16.7%	16.3%	-40,300	-261,523
Cleveland-Akron, OH	42,956,671	90,362	171,485	12.3%	11.8%	231,807	513,388
› Akron	9,188,500	47,362	100,685	10.0%	9.9%	39,415	99,191
› Cleveland	33,768,171	43,000	70,800	12.9%	12.3%	192,392	414,197
Columbus, OH	46,012,738	152,455	347,110	10.1%	10.3%	89,873	433,330
Dayton, OH	9,062,170	-	170,847	18.1%	18.5%	-51,032	-109,413
Detroit, MI	132,667,651	353,881	532,285	13.3%	10.5%	639,489	1,572,267
Grand Rapids, MI	13,357,247	-	236,106	16.1%	13.5%	69,000	255,726
Indianapolis, IN	26,870,792	107,387	40,780	16.4%	16.6%	35,740	130,919
Kansas City, MO	61,720,671	228,291	1,221,745	8.6%	8.3%	186,947	346,830
Milwaukee, WI	29,237,112	22,000	263,000	9.3%	9.2%	41,638	44,678
Minneapolis-St. Paul	83,671,186	83,163	837,650	10.1%	10.1%	391,863	946,482
Omaha, NE	24,783,163	125,000	589,243	8.5%	8.5%	-49,289	18,218
St. Louis, MO	37,888,559	-	747,020	11.0%	11.1%	-6,210	-209,490
<b>WEST</b>	<b>1,096,059,589</b>	<b>2,211,732</b>	<b>25,543,319</b>	<b>11.4%</b>	<b>11.3%</b>	<b>3,618,541</b>	<b>11,012,016</b>
Albuquerque, NM	10,800,958	-	-	15.3%	16.2%	-11,440	104,684
Bakersfield, CA	6,580,700	62,000	59,078	7.4%	6.8%	149,624	152,541
Boise, ID	17,342,903	-	64,000	8.2%	8.0%	45,317	308,953
Denver, CO	110,484,796	65,000	1,142,687	11.6%	11.0%	668,416	1,206,625
Fresno, CA	18,870,946	6,650	-	8.8%	8.5%	59,682	269,163
Greater Los Angeles, CA	278,130,508	977,700	3,376,700	14.2%	14.2%	815,800	1,255,900
› Inland Empire	20,440,100	-	57,300	12.6%	11.0%	203,000	350,400
› Los Angeles	171,075,300	544,800	2,330,400	14.7%	14.5%	732,100	1,104,800
› Orange County	86,615,108	432,900	989,000	13.6%	14.3%	-119,300	-199,300
Honolulu, HI	7,496,339	-	-	9.7%	9.7%	-19,050	-42,064
Las Vegas, NV	39,852,323	152,300	40,500	15.9%	15.2%	392,196	855,526
Phoenix, AZ	127,586,528	537,545	2,856,112	14.1%	13.8%	236,615	1,765,279
Portland, OR	45,163,268	187,932	464,863	8.3%	8.1%	243,826	475,017
Reno-Sparks, NV	5,792,950	-	-	11.9%	11.2%	30,263	60,584
Sacramento, CA	56,626,013	11,242	45,984	13.1%	12.8%	149,049	637,324
San Diego, CA	74,964,265	17,654	1,049,906	10.4%	10.6%	190,302	617,407
San Francisco Bay Area, CA	186,663,664	193,709	11,017,158	8.1%	7.7%	468,439	2,182,179
› East Bay	49,210,168	-	452,000	10.8%	9.9%	430,794	187,224
› Fairfield, CA	5,276,081	101,000	-	15.6%	16.5%	27,346	-15,339
› San Francisco Peninsula	43,318,239	62,720	3,940,619	6.5%	6.8%	-241,640	-22,028
› Silicon Valley	88,859,176	29,989	6,624,539	6.8%	6.5%	251,939	2,032,322
Seattle-Puget Sound, WA	109,703,428	-	5,426,331	7.4%	7.5%	199,502	1,162,898



## United States - Suburban - Class A

MARKET	INVENTORY (SF) SEPTEMBER 30, 2018	AVG ANNUAL QUOTED RENT (USD/SF)	VACANCY RATE JUNE 30, 2018	VACANCY RATE SEPT 30, 2018	ABSORPTION (SF) Q3 2018	QUARTERLY CHANGE IN RENT	ANNUAL CHANGE IN RENT
<b>MIDWEST</b>	<b>266,721,374</b>	<b>\$24.38</b>	<b>13.7%</b>	<b>13.7%</b>	<b>477,988</b>	<b>0.7%</b>	<b>2.4%</b>
Chicago, IL	83,799,563	\$29.12	19.0%	19.5%	-403,384	1.0%	2.4%
Cincinnati, OH	18,243,650	\$22.18	15.7%	15.4%	83,702	0.7%	1.0%
Cleveland-Akron, OH	10,079,849	\$21.81	13.6%	12.7%	117,466	-0.5%	8.1%
> Akron	1,394,672	\$18.58	14.7%	12.6%	69,696	1.4%	2.7%
> Cleveland	8,685,177	\$22.29	13.4%	12.7%	47,770	-1.1%	8.3%
Columbus, OH	19,871,978	\$21.91	10.6%	11.2%	27,518	-0.2%	0.3%
Dayton, OH	2,220,911	\$19.38	17.9%	17.1%	24,293	-2.0%	-4.2%
Detroit, MI	37,804,563	\$22.74	12.2%	10.9%	304,838	2.1%	4.6%
Indianapolis, IN	12,596,256	\$22.45	17.1%	17.5%	33,596	1.8%	4.7%
Kansas City, MO	19,557,272	\$22.14	7.6%	6.9%	213,234	1.1%	1.9%
Milwaukee, WI	11,309,870	\$18.21	8.3%	8.7%	-38,932	-1.0%	-9.8%
Minneapolis-St. Paul	28,297,232	\$16.73	10.6%	11.1%	79,145	-0.6%	2.1%
Omaha, NE	4,921,994	\$24.00	4.7%	6.0%	70,197	-14.4%	-15.4%
St. Louis, MO	18,018,236	\$24.34	7.4%	7.7%	-33,685	0.0%	1.8%
<b>WEST</b>	<b>366,416,224</b>	<b>\$37.88</b>	<b>11.6%</b>	<b>11.4%</b>	<b>1,982,620</b>	<b>0.8%</b>	<b>2.8%</b>
Albuquerque, NM	824,335	\$22.82	11.6%	12.7%	-9,334	-1.3%	-2.7%
Bakersfield, CA	2,975,838	\$22.09	7.6%	5.7%	106,508	-0.4%	-3.8%
Denver, CO	43,138,798	\$27.32	13.1%	12.4%	179,283	-1.0%	-3.2%
Fresno, CA	1,598,171	\$25.57	9.3%	7.5%	29,028	0.7%	-1.8%
Greater Los Angeles, CA	65,451,508	\$37.86	15.2%	15.7%	66,000	0.2%	1.4%
> Los Angeles	27,849,500	\$37.85	13.7%	13.6%	10,000	1.5%	1.5%
> Orange County	37,602,008	\$37.86	16.3%	17.2%	56,000	-0.6%	1.3%
Las Vegas, NV	5,375,008	\$32.13	21.9%	22.6%	111,078	0.6%	-1.0%
Phoenix, AZ	39,965,292	\$29.22	13.5%	13.0%	255,250	0.5%	2.9%
Portland, OR	12,187,153	\$28.72	10.2%	10.3%	13,130	0.4%	5.5%
Reno-Sparks, NV	3,219,457	\$22.28	12.0%	10.1%	50,174	1.7%	3.5%
Sacramento, CA	14,090,064	\$25.44	13.0%	13.1%	35,786	1.0%	5.6%
San Diego, CA	26,400,547	\$39.73	14.0%	14.6%	108,011	0.4%	1.9%
San Francisco Bay Area, CA	103,272,475	\$52.06	9.4%	8.6%	874,769	3.4%	3.2%
> East Bay	20,592,096	\$39.25	14.1%	11.7%	468,799	-0.3%	4.8%
> Fairfield, CA	2,159,779	\$27.80	16.9%	16.8%	73,843	3.1%	5.6%
> San Francisco Peninsula	26,078,449	\$63.89	7.3%	7.3%	-22,843	1.9%	0.9%
> Silicon Valley	54,442,151	\$54.84	8.4%	7.8%	354,970	4.4%	4.0%
Seattle-Puget Sound, WA	47,917,578	\$40.26	6.6%	6.5%	162,937	-2.4%	3.4%

## U.S. Office Investment: Average Pricing & Cap Rates

MARKET	CBD AVG. SALES PRICE (USD PSF)	CBD AVG. CAP RATE	AVG. SUBURBAN SALES PRICE (USD PSF)	AVG. SUBURBAN CAP RATE
<b>USA</b>	<b>\$250</b>	<b>4.4%</b>	<b>\$172</b>	<b>7.8%</b>
<b>NORTHEAST</b>	<b>\$492</b>	<b>5.2%</b>	<b>\$163</b>	<b>5.1%</b>
Baltimore	\$448	-	\$152	10.0%
Boston	\$875	4.0%	\$325	6.0%
Hartford	\$105	8.0%	\$100	9.0%
New York City Metro	\$976	5.0%	\$122	3.8%
Philadelphia	\$196	8.0%	\$228	8.0%
Pittsburgh	\$165	7.6%	\$160	8.5%
Washington, D.C.	\$681	4.0%	\$172	0.0%
<b>SOUTH</b>	<b>\$250</b>	<b>6.5%</b>	<b>\$250</b>	<b>7.5%</b>
Atlanta	\$250	6.5%	\$250	7.5%
Austin	\$227	5.9%	\$294	6.2%
Birmingham	\$44	-	-	-
Charleston	-	-	\$227	8.0%
Charlotte	\$390	7.0%	\$153	8.8%
Columbia	-	-	\$70	-
Dallas-Fort Worth	\$210	6.0%	\$217	6.5%
Greenville	-	-	-	-
Houston	-	-	\$324	75.0%
Huntsville	\$58	-	\$79	-
Memphis	-	-	-	-
Nashville	\$291	5.0%	\$228	6.0%
Norfolk	\$160	7.0%	\$129	8.0%
Orlando	\$255	6.3%	\$245	6.8%
Raleigh/Durham	\$241	-	\$199	-
Richmond	\$130	6.0%	\$100	7.3%
Savannah	\$160	8.5%	\$180	8.5%
South Florida	\$458	5.8%	\$267	6.8%
Tampa Bay	-	-	\$48	8.5%

## U.S. Office Investment: Average Pricing & Cap Rates

MARKET	CBD AVG. SALES PRICE (USD PSF)	CBD AVG. CAP RATE	AVG. SUBURBAN SALES PRICE (USD PSF)	AVG. SUBURBAN CAP RATE
<b>MIDWEST</b>	<b>\$128</b>	<b>4.8%</b>	<b>\$115</b>	<b>6.5%</b>
Chicago	\$375	5.3%	\$180	8.0%
Cincinnati	-	-	\$145	8.0%
Cleveland/Akron Metro	-	-	\$116	8.5%
Columbus	-	8.0%	-	8.0%
Dayton	\$54	8.5%	\$109	-
Detroit	-	-	\$86	8.0%
Grand Rapids	\$209	-	\$75	-
Indianapolis	\$96	-	-	-
Kansas City	\$146	-	\$145	8.0%
Milwaukee	\$175	9.0%	\$105	9.3%
Omaha	-	-	-	-
St. Louis, MO	\$94	8.0%	\$185	7.0%
<b>WEST</b>	<b>\$301</b>	<b>4.5%</b>	<b>\$228</b>	<b>10.2%</b>
Bakersfield	-	-	-	-
Denver	\$338	5.4%	\$151	6.8%
Fresno	\$200	7.0%	\$240	67.5%
Greater Los Angeles	-	-	\$290	6.1%
Honolulu	-	-	-	-
Las Vegas	-	-	\$195	-
Portland	\$447	5.0%	\$197	6.0%
Reno/Sparks	-	-	\$231	6.3%
Sacramento	-	-	\$171	7.9%
San Diego	-	-	\$260	7.4%
San Francisco Bay Area	\$686	5.4%	\$436	6.1%
Seattle/Puget Sound	\$213	5.5%	-	-
Stockton	\$403	6.0%	-	-

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