

MARKETBEAT

AUSTIN OFFICE

Office Q1 2018



AUSTIN OFFICE

Economic Indicators

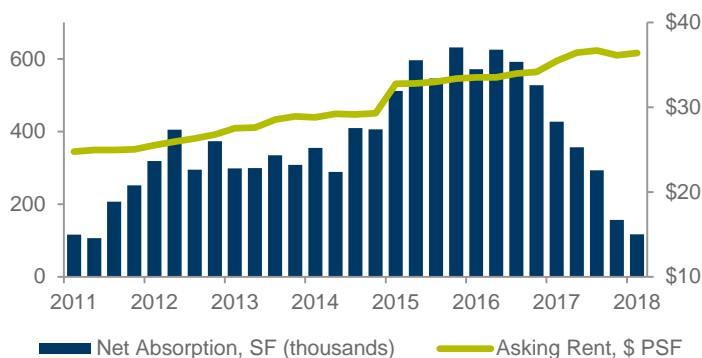
	Q1 2017	Q1 2018	12-Month Forecast
Austin Employment	1,022k	1,058k	▲
Austin Unemployment	3.5%	2.7%	▼
U.S. Unemployment	4.7%	4.1%	▼

Market Indicators (Overall, All Classes)

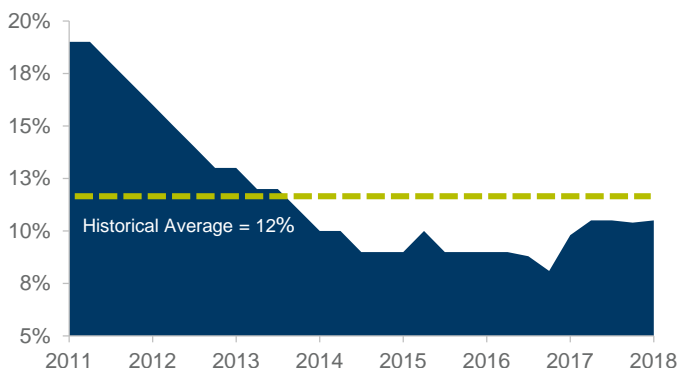
	Q1 2017	Q1 2018	12-Month Forecast
Vacancy	9.8%	10.5%	▲
Net Absorption (sf)	153K	20k	▲
Under Construction (sf)	3.2M	2.9M	▲
Average Asking Rent*	\$35.45	\$36.39	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The first quarter of 2018 marked yet another quarter that the Austin unemployment rate ranked as one of the lowest amongst the 50 largest metropolitan areas, coming in at 2.7%. The local Austin unemployment rate also remained ahead of both the Texas rate of 4% and the national rate of 4.1%. Additionally, the rate of job growth in the Austin MSA continued to impress. According to the U.S. Bureau of Labor Statistics, Austin has added more than 35,000 new jobs in the past 12 months. Many of these new jobs can be attributed to more and more companies relocating or expanding to Austin from other areas, including many Silicon Valley tech companies that are finding the Austin market rich in talent.

Market Overview

The Austin office market recorded approximately 20,000 square feet (sf) of positive absorption during Q1 2018. Class A product, particularly in the Central Business District (CBD) where there was nearly 125,000 sf of positive absorption, helped bolster overall absorption numbers, as lower class office product weighed down overall absorption figures. Vacancy rates throughout the city remained relatively steady compared to Q4 2017, as the overall vacancy rate in Austin rose only slightly to 10.5%, while in the CBD, overall vacancy fell to 9%. The overall asking rate for the entire Austin market continued to climb, coming in at \$36.39 per square foot (psf). This represents a year-over-year (YoY) increase of 2.7%. As absorption numbers confirm, Class A product demand remained strong and continued to command the highest prices. Class A rates citywide were up to a record high of \$39.93 PSF, while Class A rates in the CBD also hit a record high, coming in at \$56.43 psf.

Outlook

New construction activity continues to be a dominant force in the Austin office market, with nearly 3 Million SF of new office product underway. However, despite this activity and other recent additions to the office inventory, robust pre-leasing has held vacancy levels in check. Large corporate users, including Google, Indeed, WeWork and others continue to demand and commit to top-tier office space. With no immediate surge in vacancy rates on the horizon and an active office market, we can expect to see the ongoing confidence in the Austin market continue.

MARKETBEAT

AUSTIN OFFICE

Office Q1 2018



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	10,720,232	208,889	753,562	9.0%	124,838	124,838	578,163	\$51.22	\$56.43
Central	1,140,586	13,794	48,995	5.5%	7,221	7,221	44,391	\$39.47	\$45.71
Far Northwest	14,469,906	202,696	1,277,843	10.2%	-197,934	-197,934	1,013,907	\$35.18	\$36.52
North Central	2,494,784	37,344	333,326	14.9%	39,343	39,343	0	\$24.05	\$25.12
Northeast	1,811,341	22,233	240,555	14.5%	-76,341	-76,341	115,000	\$19.11	\$29.07
Northwest	4,516,797	72,770	365,299	9.7%	7,356	7,356	0	\$31.96	\$37.59
South Central	1,990,989	22,846	89,562	5.6%	74,427	74,427	64,275	\$29.41	\$45.14
Southeast	1,026,115	0	203,873	19.9%	2,703	2,703	0	\$26.32	\$33.77
Southwest	10,755,575	358,146	996,016	12.6%	33,974	33,974	98,195	\$37.15	\$38.01
Round Rock	1,156,315	15,136	53,623	5.9%	-448	-448	154,476	\$26.91	\$33.42
East	368,006	0	0	0.0%	4,866	4,866	841,523	\$42.85	\$45.25
AUSTIN TOTALS	50,450,646	953,854	4,362,654	10.5%	20,005	20,005	2,909,930	\$36.39	\$39.93

*Rental rates reflect gross asking \$psf/year

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT*
Class A	33,589,541	722,648	2,540,051	9.7%	169,549	169,549	2,909,930	\$39.93
Class B	13,926,233	222,806	1,542,661	12.7%	(106,502)	(106,502)	0	\$31.51
Class C	2,865,867	8,400	279,942	9.8%	(43,042)	(43,042)	0	\$23.30

Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
300 Colorado	309,000	Parsley Energy	Direct	CBD
801 Barton Springs	90,500	WeWork	Direct	SC
Foundry	27,776	DPR Construction	Direct	EAST
Quarry Lake 2	20,384	Heartflow	Direct	FNW

Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Domain Point I & II	240,000	Crow Holdings / TIER REIT	\$66,420,000 / \$277	FNW
Rollingwood Center I & II	214,000	Endeavor / Lionstone Investments	Undisclosed	SW
Lantana Ridge	165,000	Lincoln Property-Goldman Sachs / Lantana Cooler	Undisclosed	SW
Barton Ridge	130,613	SteelWave / EverWest RE	Undisclosed	SC

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MARKETBEAT

AUSTIN OFFICE

Office Q4 2017



AUSTIN OFFICE

Economic Indicators

	Q4 2016	Q4 2017	12-Month Forecast
Austin Employment	1,014k	1,037k	▲
Austin Unemployment	3.4%	2.8%	▼
U.S. Unemployment	4.7%	4.1%	▼

Economy

The Austin market wrapped up 2017 much like it began – with job growth continuing to outpace national averages and an unemployment rate that remains one of the lowest in the country, coming in at a record low of 2.8% versus the national average of 4.1%. *Fortune 500* companies including Facebook, Google, Indeed, Expedia and others proved they were bullish on the future of Austin by signing massive office leases in 2017. Furthermore, Austin's housing market continues to sizzle at a record pace. According to the Austin Board of Realtors, home sales in Austin jumped 2.2% from 2016, while the median home price increased 4.3% within the same time period.

Market Overview

The Austin office market recorded approximately 90,000 square feet (SF) of negative absorption during Q4 2017. Although absorption was down for the quarter, the 2017 year-to-date total of overall absorption was on the positive side at just over +627,000 SF. Vacancy rates throughout the city remain relatively low. The overall vacancy rate in Austin fell slightly to 10.4%, while in the CBD, overall vacancy fell even further to 9.1%. The overall asking rate for the entire Austin market retreated slightly off its torrid pace, coming in at \$36.13 per square foot (PSF) to end 2017. This still represents a year-over-year (YoY) increase of 5.7%. Class A product demand remains strong and continues to command the highest prices, particularly in the suburban markets, where Class A rates were up to \$36.10 PSF to close out Q4 2017, a YoY increase of 6.4%. Class A rates in the CBD have followed suit and are up 2.7% YoY to \$54.48 PSF.

Outlook

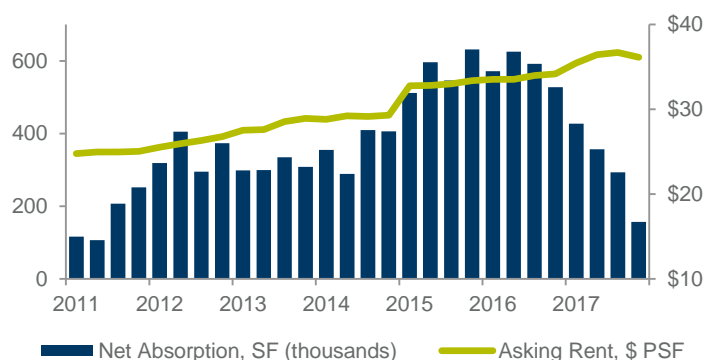
Major lease transactions were the theme of 2017 as blue-chip tenants took down large blocks of space throughout Austin. With several additional large transactions in the works for 2018, including Parsley Energy's commitment to pre-lease 302,000 SF downtown, the outlook for Austin seems bright. A steady stream of corporate migration & expansion in addition to a healthy pipeline of younger start-up companies looking to call Austin home seems to be the norm. With leasing activity on the upswing and multiple new office developments on the horizon, we can expect to see Austin's office market continue to strengthen.

Market Indicators (Overall, All Classes)

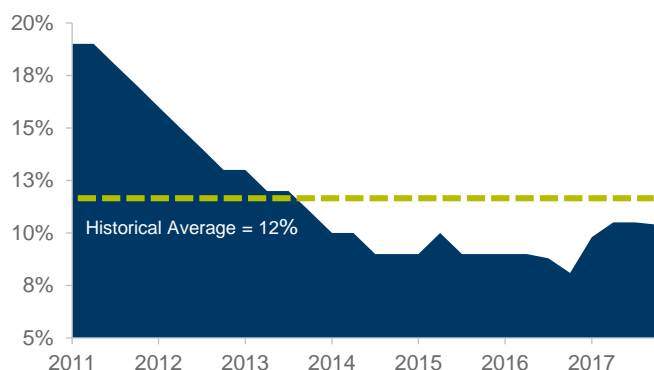
	Q4 2016	Q4 2017	12-Month Forecast
Vacancy	8.2%	10.4%	▲
Net Absorption (sf)	456K	-90k	▲
Under Construction (sf)	2.5M	3.7M	▲
Average Asking Rent*	\$34.19	\$36.13	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



MARKETBEAT

AUSTIN OFFICE

Office Q4 2017



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	10,508,052	152,968	799,514	9.1%	21,664	168,116	790,343	\$49.85	\$54.48
Central	1,140,586	15,680	56,253	6.3%	2,524	(22,226)	44,391	\$39.90	\$46.08
Far Northwest	14,469,906	218,605	1,172,592	9.6%	3,737	192,411	1,034,474	\$33.84	\$34.62
North Central	2,494,784	66,667	338,735	16.2%	(60,082)	37,407	0	\$23.39	\$23.50
Northeast	2,177,474	23,743	191,618	9.9%	(59,257)	(46,640)	841,523	\$19.65	\$37.33
Northwest	4,516,797	40,915	394,447	9.6%	(6,116)	20,208	0	\$33.98	\$39.04
South Central	1,900,489	22,846	73,535	5.1%	(3,504)	(19,376)	154,775	\$28.53	\$45.14
Southeast	1,026,115	0	206,576	20.1%	63,628	45,296	550,750	\$26.28	\$32.59
Southwest	10,689,794	379,397	995,550	12.9%	(39,647)	260,287	141,740	\$37.15	\$37.92
Round Rock	1,156,315	10,411	57,900	5.9%	(13,239)	(8,330)	154,476	\$26.69	\$32.85
AUSTIN TOTALS	50,068,637	931,232	4,286,720	10.4%	-90,292	627,153	3,712,472	\$36.13	\$39.09

*Rental rates reflect gross asking \$psf/year

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT*
Class A	33,240,398	732,678	2,537,442	9.8%	53,990	1,228,299	3,712,472	\$39.09
Class B	13,962,372	182,424	1,516,096	12.2%	(112,062)	(522,313)	0	\$31.56
Class C	2,865,867	16,130	233,182	8.7%	(32,220)	(78,833)	0	\$23.96

Key Lease Transactions 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Domain 11	312,000	HomeAway	Direct	FNW
Domain Tower	310,000	Indeed	Direct	FNW
Third & Shoal	231,000	Facebook	Direct	CBD
Four Points III	165,000	SailPoint	Direct	FNW

Key Sales Transactions 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Encino Trace, Cielo Center, (5 property portfolio)	1,165,000	Brandywine/ Starwood Capital	\$333.3M /\$286	SW & FNW
Chase Tower	389,503	Spire/Lincoln Property-Goldman Sachs	Undisclosed	CBD
Quarry Oaks 1 & 2	292,421	Principal RE Investors / Goldman Sachs	\$92.5M /\$316	FNW
5th & Colorado	179,000	Lincoln Property Company/ Intercontinental	\$119M /\$663	CBD

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MARKETBEAT

AUSTIN OFFICE

Office Q3 2017



AUSTIN OFFICE

Economic Indicators

	Q3 2016	Q3 2017	12-Month Forecast
Austin Employment	1,004k	1,022k	▲
Austin Unemployment	3.3%	3.1%	▼
U.S. Unemployment	4.9%	4.4%	▼

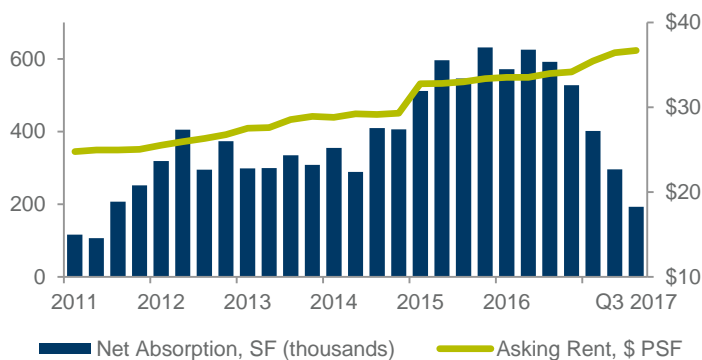
Market Indicators (Overall, All Classes)

	Q3 2016	Q3 2017	12-Month Forecast
Vacancy	8.8%	10.5%	▲
Net Absorption (sf)	420k	9k	▲
Under Construction (sf)	1.8M	2.8M	▲
Average Asking Rent*	\$34.00	\$36.71	▲

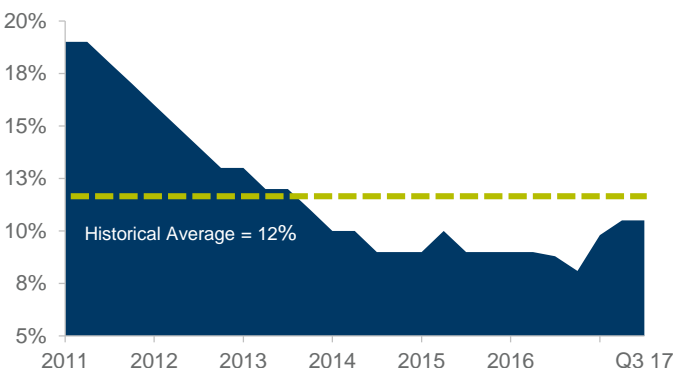
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Austin economy continued to show its vitality to close out Q3 2017. The city's unemployment rate of 3.1% remains significantly lower than both the national average of 4.4% and state average of 4.2%. Local job growth, while not as robust as 2016, continues to outpace national and state averages as well. High-tech and creative industries continue to fuel this economic expansion. Large companies, such as Facebook and Parsley Energy signed major leases in downtown Austin during Q3 2017, and leasing activity remains strong throughout the city.

Market Overview

Although overall citywide absorption totals dipped in Q3 2017 to 9,487 square feet (SF), the Austin market remains strong going into Q4 2017. Asking rates have continued to rise as space – particularly Class A product - has become more scarce, while vacancy rates remain relatively low. The overall vacancy rate in Austin remained stable at 10.5%, while in the CBD, overall vacancy decreased slightly to 9.7%. Asking rates were up yet again across all submarkets where the overall asking rate for the entire Austin market increased to \$36.71 per square foot (PSF) – a year-over-year increase of 7.9%. As has been the case seemingly every quarter, asking rates in the CBD continue to hit record highs. The average rental rate in downtown Austin now stands at \$51.52 PSF – a year-over-year increase of 6.9%. The average “Class A” rate in the CBD also increased to an all-time high, with an average asking rate of \$55.77 PSF.

Outlook

Significant leasing activity and expansion by blue-chip companies such as Google, Facebook and Amazon reflect the ongoing confidence in the Austin office market. In addition, the market for younger start-up companies is strong and healthy. Although lease rates have continued to inch upwards, businesses appear unfazed and are looking to higher-priced, but amenity-rich facilities to attract and retain the best talent. The *live, work, play* lifestyle has become a powerful attraction to high-end companies and they continue to use it as a popular recruiting tool. Barring any unforeseen circumstances, Austin's business friendly spirit of innovation will continue to feed growth as a global tech hub and strengthen the local real estate market as we move into 2018.

MARKETBEAT

AUSTIN OFFICE

Office Q3 2017



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	10,497,974	217,109	798,410	9.7%	(29,508)	105,079	659,252	\$51.52	\$55.77
Central	1,140,586	26,054	62,319	7.7%	(21,754)	(38,666)	0	\$38.85	\$44.82
Far Northwest	14,476,826	310,890	1,187,841	10.4%	84,532	84,877	553,567	\$34.26	\$35.34
North Central	2,456,719	66,667	273,408	13.8%	(107,001)	102,734	0	\$23.76	\$23.53
Northeast	2,174,478	23,743	137,202	7.4%	14,795	(844)	518,711	\$25.56	\$41.22
Northwest	4,425,608	48,018	343,178	8.8%	(10,363)	(24,188)	95,863	\$30.08	\$35.03
South Central	1,898,974	200	102,173	5.4%	(6,033)	(25,368)	90,500	\$29.35	\$44.95
Southeast	1,026,115	0	270,204	26.3%	(1,058)	(18,332)	550,750	\$25.93	\$32.08
Southwest	10,689,794	371,471	929,939	12.2%	84,700	273,656	137,624	\$36.33	\$37.25
Round Rock	1,156,315	4,725	50,347	4.8%	1,177	4,909	154,476	\$27.91	\$31.60
AUSTIN TOTALS	49,943,389	1,068,877	4,155,021	10.5%	9,487	463,857	2,760,743	\$36.71	\$39.71

*Rental rates reflect gross asking \$psf/year

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT*
Class A	33,092,477	776,509	2,561,319	10.1%	260,819	987,792	2,760,743	\$39.71
Class B	14,004,525	278,461	1,401,501	12.0%	(121,561)	(491,227)	0	\$31.34
Class C	2,846,387	13,907	192,201	7.2%	(129,771)	(52,129)	0	\$24.99

Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Third & Shoal	231,000	Facebook	Direct	CBD
2010 E. 6th St.	115,000	Main Street Hub	Direct	E
301 Congress	50,000	Parsley Energy	Direct	CBD
Bergstrom Building 312	49,293	OpCity	Direct	SE

Key Sales Transactions Q3 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
5th & Colorado	179,000	Lincoln Property Company/ Intercontinental	\$119,000,000 / \$663	CBD
2700 La Frontera	97,311	Red Leaf Properties / Empire Square Group	Undisclosed	RR

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MARKETBEAT

AUSTIN OFFICE

Office Q2 2017



AUSTIN OFFICE

Economic Indicators

	Q2 2016	Q2 2017	12-Month Forecast
Austin Employment	994k	1,023k	▲
Austin Unemployment	3.0%	3.6%	▲
U.S. Unemployment	4.9%	4.4%	▼

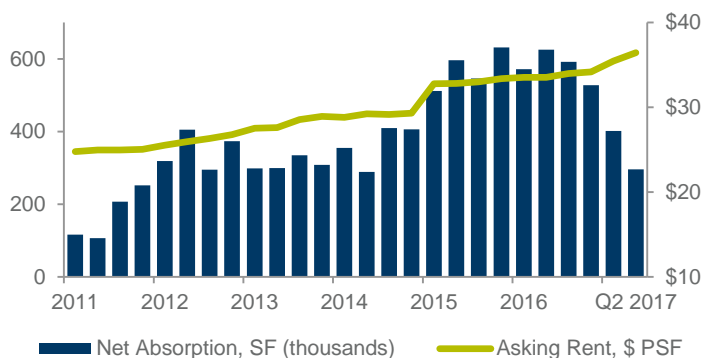
Market Indicators (Overall, All Classes)

	Q2 2016	Q2 2017	12-Month Forecast
Vacancy	9.0%	10.5%	▲
Net Absorption (sf)	654k	228k	▼
Under Construction (sf)	1.6M	2.6M	▲
Average Asking Rent*	\$33.54	\$36.45	▲

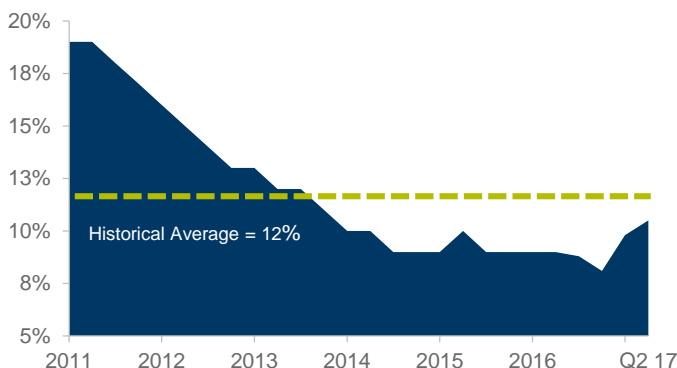
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Austin economy remained steadfast to close out the first half of 2017. With an unemployment rate of 3.6%, Austin remains significantly lower than the national average of 4.4%, and job growth in the region also continues to outpace national averages. According to the U.S. Bureau of Labor statistics, the Austin MSA added more than 29,000 new jobs to the area in the past 12 months, a 2.9% increase. Construction remains robust across Austin as well. Several high-profile construction projects reflect the confidence taking place in the city, including the 37-story Fairmont Hotel in downtown Austin, as well as The Independent, a 58-story residential tower that will be the tallest residential tower west of the Mississippi once it is completed in 2018.

Market Overview

New building deliveries in Austin were the highlight of Q2 2017, as more than 928,000 square feet (SF) of new office product came online, including 500 West 2nd, Domain 8, and Galleria Oaks I & II. Citywide, total net absorption for the quarter was just under 228,000 square feet (SF), while the Central Business District (CBD) alone saw positive net absorption of 206,000 SF. The overall vacancy rate in Austin increased to 10.5%, which was up slightly from the 9.8% posted in Q1 2017. In the CBD, overall vacancy increased to 9.8%, an increase of 230 basis points from Q1 2017. However, much of this increase can be attributed to the delivery of 500 West 2nd (505,000 SF), where the majority of the building's tenants will only occupy their space in late 2017. Asking rates were up yet again across all submarkets where the overall asking rate for the entire Austin market increased to \$36.45 per square foot (PSF) – a year-over-year increase of 8.6%. The CBD maintained its position as the highest of all submarkets with an average rental rate of \$50.74 PSF. The average "Class A" rate in the CBD also increased, to an average asking rate of \$54.11 PSF.

Outlook

While sublease activity is up slightly from Q1 2017, leasing activity remains robust and confidence seems intact with tenants and landlords alike. Several significant office developments have recently broken ground and several others have been announced this quarter. National tenants continue their expansion into Austin, and while growth has slowed slightly, the city's future remains bright.

MARKETBEAT

AUSTIN OFFICE

Office Q2 2017



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	10,520,697	233,548	799,009	9.8%	205,513	116,209	659,252	\$50.74	\$54.11
Central	1,137,208	33,892	42,356	6.7%	(6,439)	(16,912)	0	\$40.28	\$45.69
Far Northwest	14,285,038	353,657	1,270,824	11.4%	29,725	(11,945)	530,704	\$33.66	\$34.29
North Central	2,589,277	45,868	239,023	11.0%	(80,341)	160,280	0	\$22.55	\$22.50
Northeast	2,174,478	26,772	149,245	8.1%	(37,032)	(15,916)	378,711	\$26.52	\$39.05
Northwest	4,323,009	60,617	354,092	9.6%	(33,924)	(47,122)	95,863	\$31.29	\$34.55
South Central	2,152,971	200	116,640	5.4%	(35,761)	(39,835)	90,500	\$28.54	\$44.95
Southeast	992,890	0	235,921	23.8%	(2,665)	(13,254)	579,955	\$25.12	\$28.16
Southwest	10,411,123	305,029	908,052	11.7%	174,937	173,206	312,624	\$36.69	\$37.42
Round Rock	1,156,315	4,725	53,948	5.1%	13,715	1,308	0	\$28.04	\$31.44
AUSTIN TOTALS	49,743,006	1,064,308	4,169,110	10.5%	227,728	306,019	2,647,609	\$36.45	\$39.19

*Rental rates reflect gross asking \$psf/year

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT*
Class A	32,702,331	763,047	2,724,519	10.7%	455,059	696,328	2,647,609	\$39.19
Class B	13,865,758	299,899	1,365,454	12.0%	(206,529)	(463,789)	0	\$30.24
Class C	2,952,656	1,362	79,137	2.7%	(20,802)	73,480	0	\$26.67

Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Domain 11	315,000	HomeAway	Direct	FNW
Broadmoor	55,404	IBM	Direct	FNW
Regency Office Center	55,000	Mood Media	Direct	SC
Paloma Ridge A	30,000	Charter	Direct	FNW

Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Capital Ridge	217,000	Riverside Resources / GLL RE Partners	\$94,745,243 / \$437	SW
Cedar Park Medical Bldg B	83,393	Duke Realty / Healthcare Trust of America	Undisclosed	FNW
Crystal Park Plaza	58,145	Farmers New World / Hayman Properties	Undisclosed	RR
916 S. Capital of Texas Hwy	55,216	JMA Ventures / Austin Stone Church	\$11,120,000 / \$201	SW

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MARKETBEAT

AUSTIN OFFICE

Office Q1 2017



AUSTIN OFFICE

Economic Indicators

	Q1 2016	Q1 2017	12-Month Forecast
Austin Employment	987k	1,016k	▲
Austin Unemployment	3.3%	3.4%	▲
U.S. Unemployment	4.9%	4.8%	▼

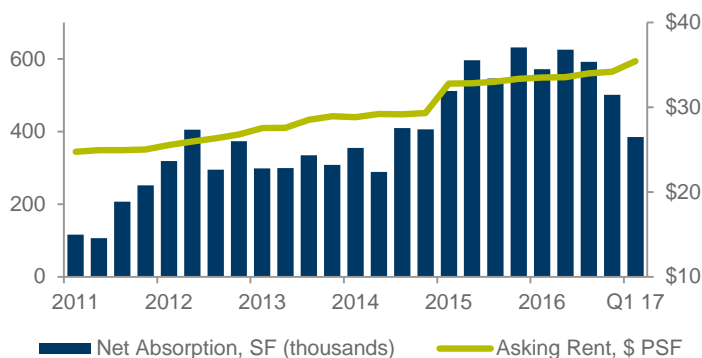
Market Indicators (Overall, All Classes)

	Q1 2016	Q1 2017	12-Month Forecast
Vacancy	8.5%	9.8%	▼
Net Absorption (sf)	581k	116k	▲
Under Construction (sf)	1.7M	3.2M	▲
Average Asking Rent*	\$33.52	\$35.45	▲

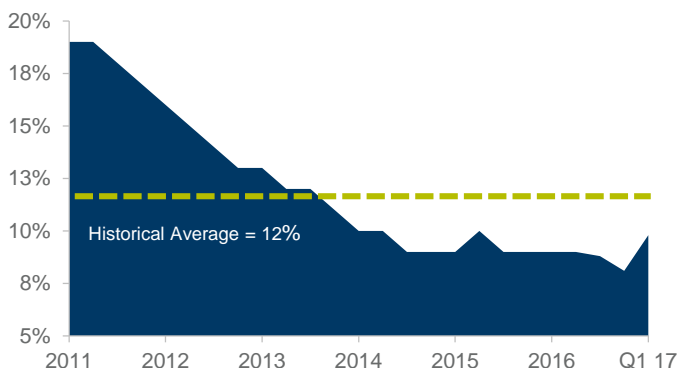
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Austin economy remained robust in the first quarter of 2017. Job growth remains strong and the unemployment rate is still one of the lowest in the country, coming in at 3.4% versus the national average of 4.8%. Nationally, the technology sector is the leading industry for real estate expansion and that is certainly the case in Austin as more and more tech companies relocate to or expand operations in the capital city. Additionally, Austin's tourism industry continues to thrive, with millions of visitors making their way to Austin each year and pumping millions of dollars into the local economy.

Market Overview

The Austin office market recorded just over 153,000 square feet (SF) of net absorption during Q1 2017. While several submarkets experienced negative absorption, move-ins by major tenants, including Home Depot (190,000 SF) and Samsung (102,000 SF) kept citywide net absorption figures positive. The strongest absorption increase occurred in the North Central (NC) submarket, which saw net absorption of more than 240,000 SF. In the Central Business District (CBD), we saw negative absorption of approximately 87,000 SF. However, a lack of quality supply in the CBD has kept overall vacancy rates low, with an overall rate of 7.5% and 6.7% for "Class A" properties. Citywide, overall vacancy rates also saw an increase, rising to 9.8%, up 1.6 percentage points from Q4 2016. Rising taxes and operating expenses (OPEX) pushed asking rates up across all submarkets. The overall asking rate for the entire Austin market increased to \$35.45 per square foot (PSF), a year-over-year increase of 5.7%. The CBD maintained its position as the highest across all submarkets with an average rental rate of \$49.85 PSF and is up \$0.78 from its Q4 2016 mark. The average "Class A" rate in the CBD remained stable, with an average asking rate of \$53.02 PSF.

Outlook

Leasing activity was once again strong as we wrapped up the first quarter of 2017. However, an excess supply of sublease space looms in the market with close to a half million square feet of sublet space set to deliver by year's end. While this should be worth monitoring, optimism should reign as demand for high-end space remains prevalent throughout the city and job growth, while not as rampant as 2016, should continue to fuel Austin's expansion.

MARKETBEAT

AUSTIN OFFICE

Office Q1 2017



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	10,031,293	127,406	623,397	7.5%	(87,723)	(87,723)	1,152,584	\$49.59	\$53.02
Central	1,130,401	23,545	45,904	6.1%	(37,268)	(37,268)	-	\$40.66	\$45.56
Far Northwest	13,993,980	364,963	1,074,411	10.3%	(59,920)	(59,920)	599,000	\$32.90	\$33.41
North Central	2,603,637	33,993	172,815	7.9%	240,621	240,621	-	\$23.95	\$26.88
Northeast	2,174,478	1,470	261,082	12.1%	20,716	20,716	297,000	\$25.29	\$40.50
Northwest	4,287,704	58,432	323,532	8.9%	13,903	13,903	99,245	\$30.98	\$33.53
South Central	2,152,970	200	74,279	3.5%	2,526	2,526	90,500	\$25.44	\$46.88
Southeast	996,910	-	239,507	24.0%	3,246	3,246	589,204	\$24.71	\$25.25
Southwest	10,184,605	326,125	887,229	11.9%	69,555	69,555	431,019	\$36.60	\$37.03
Round Rock	1,156,315	12,407	59,981	6.3%	(12,407)	(12,407)	-	\$28.52	\$32.37
AUSTIN TOTALS	48,712,293	948,541	3,762,137	9.8%	153,249	153,249	3,258,552	\$35.45	\$37.86

*Rental rates reflect gross asking \$psf/year

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT*
Class A	31,777,487	772,207	2,442,368	10.1%	269,583	269,583	3,258,552	\$37.86
Class B	13,852,177	246,703	1,276,285	11.0%	(210,616)	(210,616)	-	\$30.37
Class C	3,071,419	1,362	160,732	5.3%	94,282	94,282	-	\$27.04

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Springdale General	60,336	Notley Ventures	Direct	NE
Encino Trace II	42,000	Alien Vault	Direct	SW
301 Congress	40,000	Gerson Lehrman Group	Direct	CBD
500 W. 2nd	33,932	Firmospace	Direct	CBD

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Chase Tower	389,503	Spire/Lincoln Property-Goldmans Sachs	Undisclosed	CBD
Quarry Oaks 1 & 2	292,421	Principal RE Investors/Goldman Sachs	\$92,500,000/\$316	FNW
Lake View Plaza	120,559	Equity Commonwealth/Riverside Resources	Undisclosed	FNW
Quarry Lake Business Center	117,265	Equity Commonwealth/Riverside Resources	Undisclosed	FNW

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AUSTIN OFFICE

Economic Indicators

	Q4 2015	Q4 2016	12-Month Forecast
Austin Employment	978k	997k	▲
Austin Unemployment	3.4%	3.5%	▼
U.S. Unemployment	5.0%	4.8%	▼

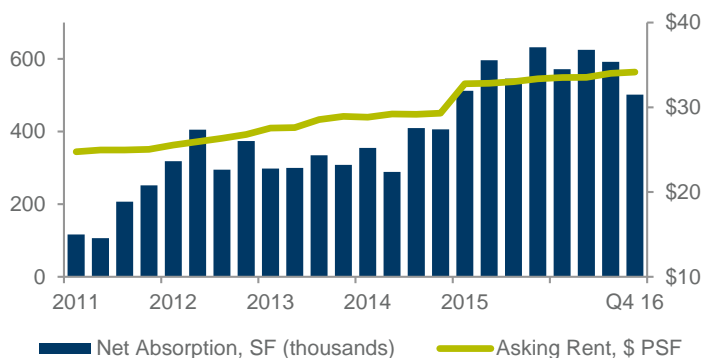
Market Indicators (Overall, All Classes)

	Q4 2015	Q4 2016	12-Month Forecast
Vacancy	9.1%	8.2%	▼
Net Absorption (sf)	713k	2.1M	▲
Under Construction (sf)	2.3M	2.5M	▲
Average Asking Rent*	\$33.37	\$34.19	▲

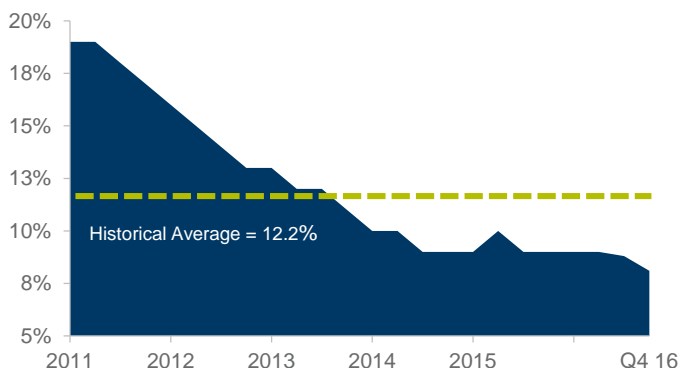
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Austin market wrapped up 2016 much like it began – with population in the metro area increasing at a record pace, phenomenal job growth, and an unemployment rate that remains one of the lowest in the country, coming in at 3.5% versus the national average of 4.8%. The technology sector is still the driving force behind this success and *Fortune 500* companies continue to move to or expand their operations in Austin. This has an indirect benefit for smaller businesses and the economy as a whole. Austin's tourism industry remains robust as well. According to the Austin Convention & Visitors Bureau, there were more than 24 million visitors to Austin in 2016, which led to an economic impact of \$7 billion to the Live Music Capital of the World.

Market Overview

The Austin office market recorded just under 460,000 square feet (SF) of overall absorption during Q4 2016. The strongest absorption increase occurred in the Southeast (SE) – due in large part to Superior Health occupying 219,000 SF. In the Central Business District (CBD), there was a slight increase in absorption with just over 43,000 SF. The overall vacancy rate in Austin fell to 8.2%, down slightly from the 8.8% posted in Q3 2016. The CBD saw even lower vacancy, with an overall rate of 6.2% for all classes, and 5.8% for “Class A” properties. The overall asking rate for the entire Austin market increased again, to \$34.19 per square foot (PSF), a year-over-year increase of 2.5%. The CBD average rental rate of \$49.07 PSF maintained its position as the highest across all submarkets. Additionally, the average “Class A” rate in the CBD climbed significantly to an all-time high of \$53.05 PSF, a year-over-year increase of 11.8%.

Outlook

As we kick-off 2017, we can expect to see a spike in absorption as several large users, including Google, Samsung, and YETI occupy their new space. While asking rates in the CBD seem to have no limit as demand for high-end space remains strong, we should expect to see some stabilization of rates in the suburbs as competition from sublet space and new deliveries balance out asking rates. While we may not see the fervor experienced in the previous 18 months, strong corporate migration and expansion in Austin should remain steady.

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	10,156,470	90,839	539,040	6.20%	43,254	226,867	807,584	\$49.07	\$53.05
Central	1,165,069	35,258	30,721	5.66%	(8,534)	59,392	-	\$37.37	\$45.61
Far Northwest	14,095,644	185,760	969,546	8.20%	84,782	797,157	291,000	\$31.79	\$32.43
North Central	2,408,271	23,326	194,583	9.05%	66,725	80,320	-	\$23.26	\$26.77
Northeast	2,136,280	12,657	126,611	6.52%	(920)	113,084	229,290	\$21.31	\$43.50
Northwest	4,230,409	28,259	401,276	10.15%	9,976	107,780	99,245	\$31.09	\$32.65
South Central	2,215,425	-	78,490	3.54%	(14,061)	(30,743)	90,500	\$29.18	\$46.88
Southeast	996,910	2,528	220,046	22.33%	217,815	207,743	589,204	\$25.56	\$28.20
Southwest	10,784,612	229,914	836,672	9.89%	29,471	408,946	431,019	\$35.34	\$35.89
Round Rock	1,142,576	-	45,913	4.02%	27,241	139,739	-	\$25.83	\$29.07
AUSTIN TOTALS	49,331,666	608,541	3,442,898	8.2%	455,749	2,110,285	2,537,842	\$34.19	\$36.95

*Rental rates reflect gross asking \$psf/year

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT*
Class A	32,484,656	502,177	2,190,776	8.2%	239,481	1,692,075	2,537,842	\$36.95
Class B	13,650,877	87,506	1,119,079	8.8%	194,440	366,127	-	\$29.48
Class C	3,196,133	23,884	133,043	4.9%	21,828	52,083	-	\$24.78

Key Lease Transactions 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
5900 E. Ben White	219,699	Superior Health	Direct	SE
Lantana Ridge	175,000	YETI	Direct	SW
3900 San Clemente	112,000	Samsung	Direct	SW
Domain 4	104,448	Accruent	Direct	FNW

Key Sales Transactions 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
100 Congress	411,536	MetLife/Invesco	\$250,000,000/\$607	CBD
Stonebridge Plaza I & II	383,131	Heitman/KBS Realty Advisors	\$124,299,944/\$324	FNW
701 Brazos (Austin Centre)	326,300	Lincoln/Invesco	\$123,300,000/\$378	CBD
Champion Office Park	221,136	Endeavor/Menlo Equities	\$92,900,000/\$420	NW

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MARKETBEAT

AUSTIN OFFICE

Office Q3 2016



AUSTIN OFFICE

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Austin Employment	965K	998K	▲
Austin Unemployment	3.3%	3.2%	▼
U.S. Unemployment	5.2%	4.9%	▼

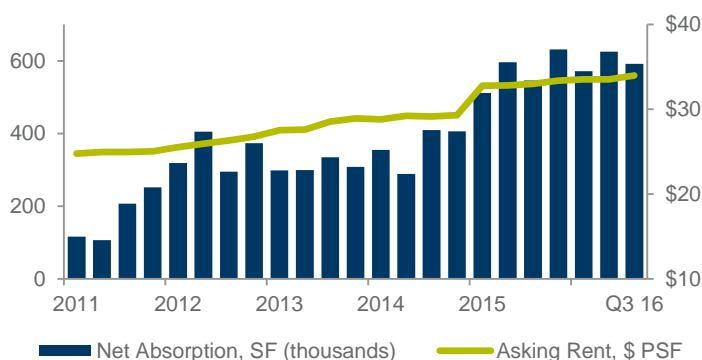
Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	9.0%	8.8%	▼
Net Absorption (SF, YTD)	1.81M	1.65M	▼
Under Construction (SF)	2.78M	1.8M	▼
Average Asking Rent*	\$33.02	\$34.00	▲

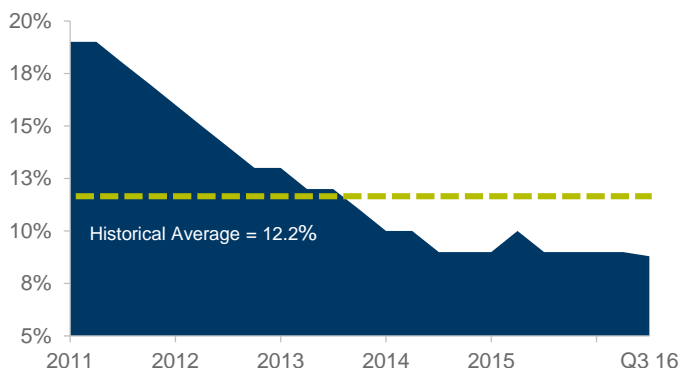
*Rental rates reflect gross asking \$PSF/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

According to a recent article by Forbes, the Austin metro area has the nation's fastest-growing economy. The population boom has continued throughout Central Texas, and has expanded into the suburbs of Austin and nearby towns including Georgetown and New Braunfels, the #1 and #2 fastest-growing cities in the country, respectively, according to the US Census Bureau. This phenomenal growth trend has resulted in the Austin MSA nearly doubling its population over the last 20 years. Despite the growing population, Austin's unemployment rate remains healthy, hovering around 3% over the last six quarters, ranking it as one of the lowest rates in the country. Additionally, money continues to flow through Austin. According to the *Austin American Statesmen*, the metro's GDP has increased over \$20 billion in the last six years. Major corporations, such as Oracle, who broke ground on their 560,000 SF campus in SE Austin this quarter, continue to plant roots in the Austin MSA, bringing more jobs and revenue to the economy.

Market Overview

Despite a decrease in absorption this quarter, the Austin market remains strong going into Q4 2016. Asking rates have continued to rise as space has become more scarce with decreased vacancy rates across most submarkets. In the CBD, asking rates have increased significantly, once again. Class A rates in particular are at record highs, with several properties in the CBD asking more than \$60 (PSF). The overall market rate increased to \$34.00 PSF, a \$0.46 increase from Q2 2016. In the Far Northwest (FNW), The Domain has experienced immense attraction with its unique blend of office, retail, and residential options. All of the 1.5million square feet (MSF) of office space has been accounted for and there are plans to add another 1.5 MSF of office in the very near future. In the Southwest (SW), a large sublease of 58,000 SF disrupted the absorption. However, this submarket has remained stable and will soon experience an increase in absorption. YETI Coolers will occupy its 175,000 SF headquarters at Lantana Ridge in early 2017. Additionally, Samsung will move into 3900 San Clemente Q1 2018, taking 112,000 SF.

Outlook

The accolades continue to pour into Austin from various publications including, #1 *America's Cities for the Future* and #2 *Best Places to Live in the U.S.* Additionally, Austin is one of the most educated cities in the country, ranking 3rd nationally in a recent study by Wallethub. National companies are recognizing the fact Austin has little trouble attracting a quality labor force and those companies continue to expand or relocate to the area. Furthermore, annual events such as Austin City Limits Festival (ACL), Formula One, SXSW and UT Athletics bring in more than \$2 Billion every year to the Austin economy further bolstering the city's diverse economic viability. Barring any unforeseen circumstances, the outlook for the Austin office market appears strong as we head into 2017.

MARKETBEAT

AUSTIN OFFICE

Office Q3 2016



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	10,156,470	111,509	474,335	5.77%	-23,204	183,613	707,584	\$48.18	\$51.56
Central	1,165,069	29,997	22,187	4.48%	3,935	67,926	-	\$38.54	\$46.65
Far Northwest	14,023,642	302,676	1,120,528	10.15%	376,775	672,293	316,500	\$32.72	\$33.43
North Central	2,408,271	23,326	256,224	11.61%	5,316	13,595	-	\$24.08	\$26.91
Northeast	2,136,280	12,657	118,792	6.15%	15,713	114,004	229,290	\$20.54	\$43.50
Northwest	4,230,409	61,174	300,356	8.55%	-336	97,804	-	\$30.23	\$31.74
South Central	2,215,425	-	59,501	2.69%	4,687	-16,682	90,500	\$28.01	-
Southeast	992,420	2,528	241,134	21.83%	1,465	-10,072	-	\$23.54	\$28.36
Southwest	10,851,730	215,941	889,005	10.18%	3,231	379,475	431,019	\$36.24	\$36.78
Round Rock	1,142,576	-	39,209	3.43%	-8,146	112,498	-	\$27.41	\$29.19
AUSTIN TOTALS	49,322,292	759,808	3,494,271	8.80%	419,518	1,654,536	1,774,893	\$34.00	\$36.47

*Rental rates reflect gross asking \$PSF/year

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	AVERAGE ASKING RENT*
Class A	32,513,786	628,212	2,373,323	9.23%	367,825	1,452,594	1,774,893	\$36.47
Class B	13,612,373	107,712	966,077	7.89%	43,317	171,687	-	\$28.49
Class C	3,196,133	23,884	154,871	5.60%	8,376	30,255	-	\$24.14

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3900 San Clemente	112,000	Samsung	New	SW
Research Park Plaza V	72,709	Cadence	New	FNW
Riata Corp IV	16,600	Zynga	New	FNW
Riata Corp IV	15,000	Mobiletron	New	FNW

Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
100 Congress	411,536	MetLife/Invesco (49%) MetLife (51%)	\$250,000,000	CBD
Stonebridge Plaza I&II	383,131	Heitman/KBS Realty Advisors	\$124,299,944	FNW

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MARKETBEAT

Office Snapshot Q2 2016

Austin



AUSTIN OFFICE

Economic Indicators

	Q2 2015	Q2 2016	12-Month Forecast
Austin Employment	953k	987k	▲
Austin Unemployment	3.3%	3.0%	▼
U.S. Unemployment	5.4%	4.9%	▼

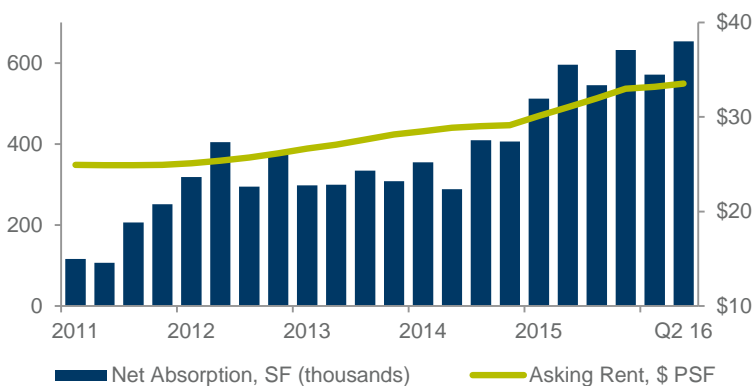
Market Indicators (Overall, All Classes)

	Q2 2015	Q2 2016	12-Month Forecast
Vacancy	9.7%	9.0%	▼
Net Absorption (sf)	440,367	653,778	▲
Under Construction (sf)	2,987,824	1,596,802	▼
Average Asking Rent*	\$32.83	\$33.54	▲

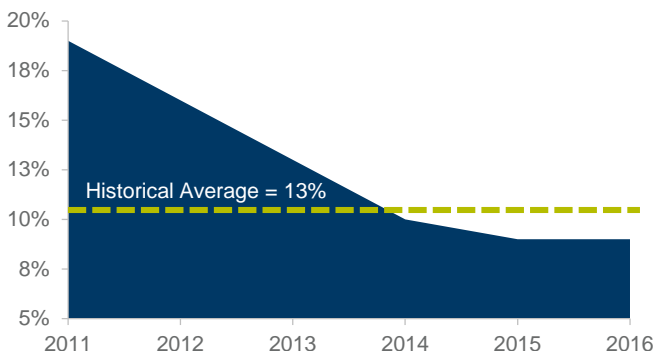
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Austin economy continues to impress. With an unemployment rate of 3.0%, Austin remains significantly lower than the national average of 4.9%. Job growth in the region also continues to outpace national averages. According to the U.S. Bureau of Labor Statistics, the Austin MSA added more than 34,000 new jobs to the area in the past 12 months, a 3.6% increase. Population figures continue to follow a similar path. A recent demographic study by the City of Austin indicated there was a net population gain of more than 150 people per day added to the Austin MSA. This includes Georgetown, TX, a north Austin suburb, which was recently ranked #1 as the fastest growing city in the country according to the U.S. Census Bureau.

Market Overview

The Austin office market recorded 653,778 square feet (SF) of overall absorption during 2Q 2016. The Southwest (SW) submarket posted the highest absorption total of 275,813 SF, a large portion of which can be attributed to Apple Inc. occupying 217,490 SF in the recently delivered Capital Ridge building. The overall vacancy rate in Austin increased to 9.0%, up slightly from the 8.5% vacancy posted in 1Q 2016. Vacancy rates in the Central Business District (CBD) also increased marginally as compared to 1Q 2016, but still remain healthy at 5.9%. The low vacancy rates coupled with the impressive absorption numbers have continued to push average rental rates higher. The overall full service rate for Austin rose slightly to \$33.54, while the CBD average rental rate rose yet again from 1Q 2016, coming in at \$47.98. Class A product in the CBD topped all, eclipsing the \$50 mark for the first time, with an average rental rate of \$50.21.

Outlook

Austin is thriving as more and more businesses, tech companies in particular, flock to the capital city or expand their business footprints. Accolades from various publications continue to rank Austin as a place to be, including #1 *City for Tech Start-ups*, #2 *City for Growing Companies*, and #3 *Best City to Start a Career*. Austin's growing reputation as a business friendly and hip city has continued to push office demand upward, and subsequently more office development into the pipeline, with more than 1.6 million SF currently under construction and several other large office projects slated to break ground in 2017.

MARKETBEAT

Office Snapshot Q2 2016

Austin



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	9,856,175	101,457	477,329	5.9%	73,593	206,817	707,584	\$47.98	\$50.21
Central	1,165,069	13,108	24,607	3.2%	18,647	63,991	46,000	\$36.79	\$46.69
Far Northwest	13,916,388	338,256	1,359,200	12.2%	155,947	295,518	291,000	\$33.13	\$33.71
North Central	4,785,938	36,379	180,055	4.5%	(15,511)	8,279	0	\$22.17	\$26.34
Northeast	2,136,280	12,657	127,121	6.5%	46,543	98,291	229,290	\$19.37	\$40.00
Northwest	4,215,277	67,133	296,025	8.6%	36,393	98,140	0	\$30.12	\$31.73
South Central	2,215,425	0	79,260	3.6%	(25,878)	(21,369)	0	\$26.79	N/A
Southeast	992,420	2,528	216,317	22.0%	(1,180)	(11,537)	0	\$18.21	\$28.43
Southwest	10,880,518	166,119	862,519	9.5%	274,314	376,244	322,928	\$36.41	\$36.28
Round Rock	1,142,576	0	50,760	4.4%	90,910	120,644	0	\$23.94	\$29.19
AUSTIN TOTALS	51,306,066	737,637	3,673,193	9.0%	653,778	1,235,018	1,596,802	\$33.54	\$36.36

*Rental rates reflect gross asking \$psf/year

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	AVERAGE ASKING RENT
Class A	34,882,764	671,446	2,493,915	9.6%	621,999	1,084,769	1,596,802	\$36.36
Class B	13,230,512	42,307	1,033,978	8.2%	25,502	128,370	0	\$26.87
Class C	3,192,790	23,884	145,300	5.6%	6,277	21,879	0	\$23.08

Key Lease Transactions Q2 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
5900 E. Ben White	219,699	Superior Health	Lease	SE
Domain 4	104,448	Accruent	Lease	FNW
Domain 5	74,804	Trend Micro	Lease	FNW
500 W. 2 nd	47,374	Deloitte	Lease	CBD

Key Sales Transactions Q2 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
701 Brazos (Austin Centre)	326,300	Lincoln/Invesco	\$123,300,000 / \$378	CBD
Plaza on the Lake I & II	236,561	Cornerstone/Plaza on the Lake LLC	\$37,600,000 / \$159	CBD
Champion Office Park	221,136	Endeavor/Menlo Equities	\$92,900,000 / \$420	NW

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Office Snapshot Q1 2016

Austin

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Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
Austin Employment	944k	985k	▲
Austin Unemployment	3.5%	3.2%	▼
U.S. Unemployment	5.6%	4.9%	▼

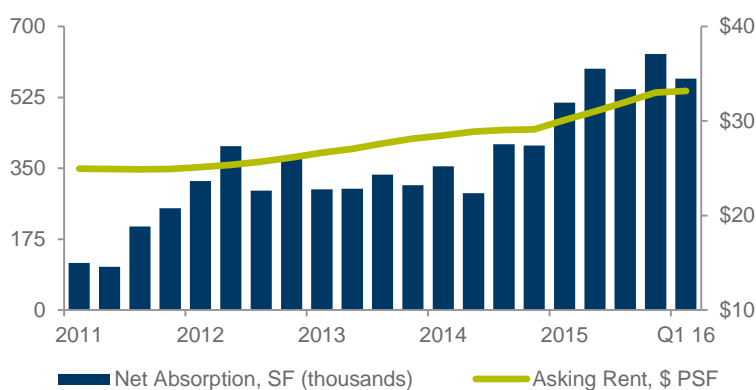
Market Indicators (Overall, All Classes)

	Q1 15	Q1 16	12-Month Forecast
Vacancy	8.7%	8.5%	▼
Net Absorption (sf)	822k	581k	▼
Under Construction (sf)	3.5M	1.7M	▼
Average Asking Rent*	\$32.78	\$33.52	▲

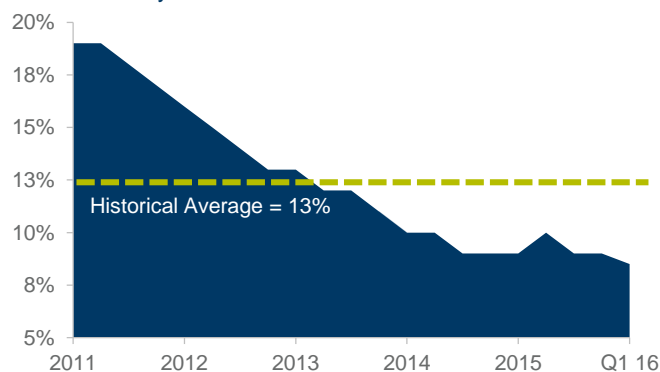
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The first quarter of 2016 marked yet another quarter that the Austin unemployment rate ranked as one of the lowest amongst the 50 largest metropolitan areas, coming in at 3.2% (as of March 2016). The local Austin unemployment rate also remains ahead of both the Texas rate of 4.5% and the national rate of 4.9%. Additionally, the rate of job growth in the Austin MSA continues to impress. According to the U.S. Bureau of Labor Statistics, Austin has added more than 39,800 new jobs in the past 12 months, ranking it 3rd nationally. Many of these new jobs can be attributed to more and more companies relocating or expanding to Austin from other areas, including many Silicon Valley tech companies that are finding the Austin market rich in talent. Austin's unique vibes, original cuisine, and spectacular music has only fueled this popularity and the city's continued economic growth is reflective of that.

Market Overview

The Austin office market recorded 581,240 square feet (sf) of overall absorption during Q1 2016. As was the case in the previous quarter, the Far Northwest (FNW) submarket experienced the strongest amount of absorption, recording 139,571 sf of overall absorption, while the Central Business District (CBD) absorbed 133,224 sf overall. The overall vacancy rate in Austin fell to 8.5%, down slightly from the 9.1% vacancy posted the previous quarter. Strong absorption rates coupled with low vacancy continue to raise full service asking average rental rates to all time highs. The overall rental rate for the entire Austin market was recorded at \$33.52 per square foot (psf) for Q1 2016, a year-over-year increase of 6.2%. The Central Business District (CBD) average rental rate of \$46.83 psf, maintained its position as the highest across all submarkets. Additionally, the average "Class A" rate in the CBD climbed to \$49.07 psf, an increase of \$0.64 psf from Q4 2015.

Outlook

Austin continues to be an attractive destination for growing businesses. Large, established companies such as Oracle, Apple, Google, Indeed and others have shown their commitment to Austin and continue to expand their presence in the capital city. Additionally, existing local companies are continuing to add to their current office footprints as their businesses reap the benefits of a strengthening economy. Nationally, the spotlight continues to shine on Austin. In January, Forbes named Austin No.1 for "America's Next Boom Towns", while CNN ranked Austin No. 1 place for millennials to live. This is evident as Austin's population growth continues to climb at a record pace. With this increased population, demand for quality commercial real estate will most certainly increase while developers look to add more supply through new construction. Until this supply catches up with the demand, we can expect to see lower vacancy rates and higher rental rates.

Office Snapshot Q1 2016

Austin

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	9,472,029	78,336	430,074	5.2%	133,224	133,224	910,584	\$46.83	\$49.07
Central	1,165,069	0	96,511	8.3%	45,334	45,334	46,000	\$40.27	\$43.64
Far Northwest	13,277,190	256,382	1,049,598	9.2%	139,571	139,571	291,000	\$32.90	\$33.57
North Central	4,829,234	17,782	183,794	3.8%	23,790	23,790	0	\$21.35	\$25.27
Northeast	2,136,280	12,657	162,401	7.3%	51,748	51,748	174,306	\$20.54	\$40.00
Northwest	4,215,277	54,468	362,273	9.9%	39,237	39,237	0	\$30.37	\$32.41
South Central	2,258,720	0	53,382	2.4%	4,509	4,509	0	\$25.34	-
Southeast	992,420	0	221,633	22.3%	-10,357	-10,357	0	\$17.67	\$27.59
Southwest	10,470,874	163,379	1,022,089	11.3%	101,930	124,450	175,000	\$36.41	\$36.82
Round Rock	1,044,635	0	54,195	5.2%	29,734	29,734	97,941	\$26.11	\$28.81
AUSTIN TOTALS	49,861,728	583,004	3,635,950	8.5%	581,240	581,240	1,694,831	\$33.52	\$36.73

*Rental rates reflect gross asking \$psf/year

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	AVERAGE ASKING RENT
Class A	33,742,251	539,934	2,509,765	8.71%	462,770	462,770	1,694,831	\$36.63
Class B	12,852,869	31,986	949,359	11.91%	102,868	102,868	0	\$25.99
Class C	3,266,608	11,084	176,826	4.62%	15,602	15,602	0	\$24.11

Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
7700 Parmer B	63,598	Google	Lease	FNW
1645 East 6 th Street	49,214	C3 Presents	Lease	NE
501 Congress	20,397	Spanning Cloud Apps	Lease	CBD
Two Barton Skyway	15,796	US Telepacific	Lease	SW

Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
University Park	203,893	Spear Street/Lionstone Hermes	\$59,900,000 / \$294	NC
Donley Plaza	69,547	Libitzky Holdings/Oak Point	\$8,700,000 / \$125	NC
Briarcroft Building	63,825	Oak Point/Valor Capital	\$10,200,000 / \$160	NW
The Continental Building	60,485	Oak Point/Valor Capital	\$9,700,000 / \$160	NW

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Office Snapshot Q4 2015

Austin

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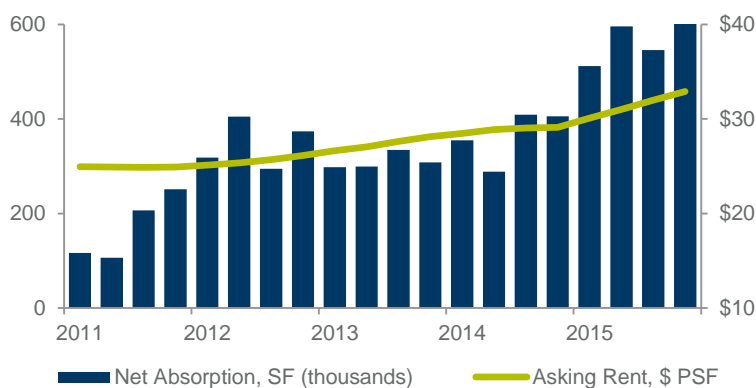
Economic Indicators

	Q4 14	Q4 15	12-Month Forecast
Austin Employment	927k	955k	▲
Austin Unemployment	3.7%	3.1%	▼
U.S. Unemployment	5.7%	5.0%	▼

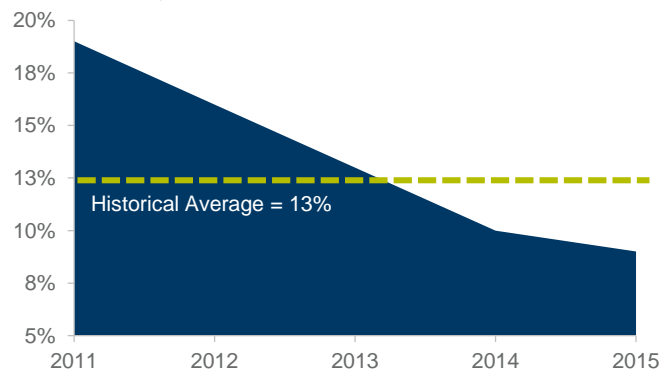
Market Indicators (Overall, All Classes)

	2014	2015	12-Month Forecast
Vacancy	9.1%	9.1%	▲
Net Absorption (sf)	1.4M	2.5M	▲
Under Construction (sf)	3.7M	2.3M	▼
Average Asking Rent*	\$29.31	\$33.37	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Asking Rent
4Q TRAILING AVERAGE

Overall Vacancy



Economy

The fourth quarter of 2015 marked another consecutive quarter that the Austin unemployment rate ranked as one of the lowest amongst the 50 largest metropolitan areas, coming in at 3.1% (as of December 2015). The local Austin unemployment rate also remains ahead of both the Texas rate of 4.6% and the national rate of 5.0%. Additionally, the Austin MSA continues to be a major job producer, adding more than 32,000 jobs to the area between October 2014 to October 2015 (U.S. Bureau of Labor Statistics). Austin continues to be a major destination for not only tourists, but businesses alike, specifically within the tech industry. According to TheStreet.com, Austin ranks number one on the list of Best Growth Cities for Tech Jobs.

Market Overview

The Austin office market recorded 712,782 square feet (sf) of overall absorption during Q4 2015. This number brought the 2015 year-to-date total of overall absorption to more than 2.5 million sf. The Far Northwest (FNW) submarket experienced the strongest amount of absorption, recording 300,240 sf of overall absorption. Vacancy rates in the Austin market remained steady with the previous quarter at 9.1%. Strong absorption rates coupled with low vacancy rates continue to raise full service (FS) asking average rental rates to historic highs. The overall FS rental rate for the entire Austin market was recorded at \$33.37 per square foot (psf) for Q4 2015, an increase of 13.9% from the rate recorded during Q4 2014. The Central Business District (CBD) FS average rental rate of \$46.34 psf, maintained its position as the highest across all submarkets. Additionally, the average FS rate for the CBD is \$6.19 psf higher than the average FS rate at the end of Q4 2014.

Outlook

The Austin market continues to be a go-to city for both large corporations and start-up companies alike. Demand for qualified employees has led to a surge in population, record low unemployment rates and increased job growth across the greater Austin area. Recent large real estate transactions, including the recent announcement that Oracle will construct a 560,000-sf campus along Lady Bird Lake and expand its Austin workforce by more than 50% highlights the commitment that businesses have in the future of Austin. Such demand will only increase the need for new office product moving forward, resulting in higher rental rates, lower vacancy and the need for new office product construction.

Office Snapshot Q4 2015

Austin

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	9,472,029	47,103	564,204	6.5%	119,833	679,273	910,584	\$46.34	\$48.43
Central	1,165,069	0	206,994	27.14%	39,140	34,013	46,000	\$39.91	\$41.85
Far Northwest	13,103,660	123,528	1,014,432	8.7%	300,240	982,020	876,294	\$32.25	\$33.09
North Central	4,785,938	13,053	189,414	4.2%	14,977	68,425	0	\$21.19	\$25.49
Northeast	1,994,796	1,470	139,794	7.1%	3,004	(7,258)	231,500	\$19.38	-
Northwest	4,170,937	76,978	535,727	14.7%	12,957	99,802	0	\$31.85	\$33.83
South Central	2,215,425	0	60,324	2.7%	2,947	15,980	104,000	\$25.19	-
Southeast	992,420	0	211,279	21.3%	10,018	13,280	0	\$14.24	\$28.38
Southwest	10,471,775	190,778	1,040,211	11.7%	202,300	603,087	0	\$35.23	\$35.89
Round Rock	1,044,635	13,601	57,971	6.9%	7,366	38,926	97,941	\$24.15	21.39
AUSTIN TOTALS	49,416,684	466,511	3,885,314	9.1%	712,782	2,527,548	2,266,319	\$33.37	\$36.70

*Rental rates reflect gross asking \$psf/year

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	AVERAGE ASKING RENT (ALL CLASSES)*	UNDER CNSTR
Class A	33,176,454	388,101	2,723,068	9.4%	626,164	2,165,671	2,168,378	\$36.70	2,064,378
Class B	12,820,960	52,317	978,241	8.1%	91,317	328,496	97,941	\$24.72	201,941
Class C	3,261,133	26,093	184,005	6.4%	(4,699)	33,381	0	\$25.67	

Key Lease Transactions 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Champion Office Park	220,600	Indeed.com	Lease	SW
Capital Ridge	217,490	Apple	Lease	SW
500 West 2 nd Street	207,939	Google	Lease	CBD
Summit at Lantana	117,886	Solarwinds	Lease	SW

Key Sales Transactions 2015

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
IBM Campus	1,112,236	IBM / Brandywine Realty Trust	\$205,300,000 / \$185	FNW
7700 Parmer	913,000	Spear Street / Accesso Partners	\$273,900,000 / \$300	FNW
Riata Corporate Park	688,432	Spear Street / Accesso Partners	\$171,250,000 / \$249	FNW
Domain Portfolio	668,636	RREEF / TIER REIT	\$200,000,000 / \$299	FNW

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Office Snapshot Q3 2015

Austin

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AUSTIN OFFICE

Economic Indicators

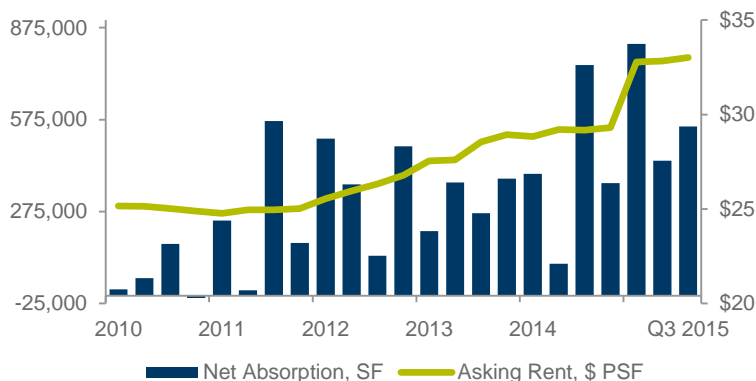
	Q3 14	Q3 15	12-Month Forecast
Austin Employment	919k	946k	▲
Austin Unemployment	4.0%	3.2%	▼
U.S. Unemployment	6.1%	5.1%	▼

Market Indicators

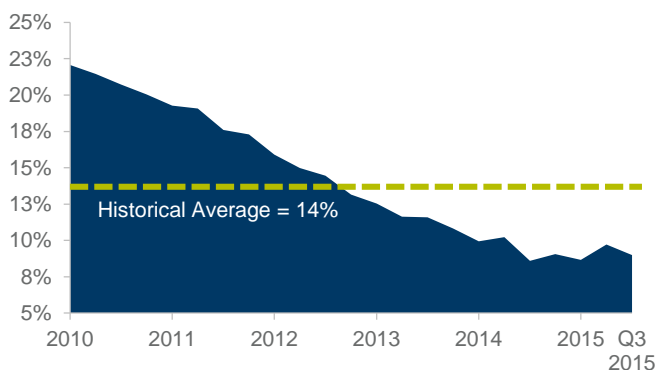
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	8.6%	9.0%	▲
Net Absorption	754k	552k	▲
Under Construction	4,050k	2,781k	▼
Overall Average Asking Rent	\$29.17	\$33.02	▲

Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Third quarter 2015 marked an additional consecutive quarter that the Austin unemployment rate of 3.2% (as of August 2015) was the lowest amongst the 50 largest metropolitan areas in the entire United States. The local Austin unemployment rate also remains ahead of both the Texas unemployment rate of 4.6% and the national rate of 5.1%. In addition to the low levels of unemployment, there have been 32,500 jobs created from July 2014 to July 2015 (U.S. Bureau of Labor Statistics).

Furthermore, the Austin area remains a popular travel and relocation destination. The Austin Bergstrom International Airport set yet another passenger milestone, recording 1.65 million passengers in July 2015 (the highest ever) and *WalletHub* recently named Austin the Best Large City Live in for 2015.

Market Overview

The Austin office market recorded 552,063 square feet (sf) of overall absorption during Q3 2015. This number brought the 2015 year-to-date total of overall absorption to over 1.8 million sf. The Far Northwest (FNW) submarket experienced the strongest amount of absorption, recording 166,414 sf of overall absorption. These strong absorption figures contributed to a decrease in the overall vacancy rate. The Austin market posted a vacancy rate of 9.0%, 0.7 percentage point lower than the Q2 2015 rate of 9.7%. Strong absorption rates coupled with low vacancy rates continue to raise full service (FS) average rental rates to historic highs. The overall FS rental rate for the entire Austin market was recorded at \$33.02 per square foot (psf) for Q3 2015, \$3.85 psf higher than the rate recorded during Q3 2014. The Central Business District (CBD) FS average rental rate of \$45.91 psf, maintained its position as the highest across all submarkets.

Outlook

Low unemployment rates and increased job growth, coupled with a highly active office market have contributed to an extremely healthy business climate across the greater Austin area. Recent large lease transactions, particularly renewals and expansions, indicate existing Austin companies such as Logitech, EA, RetailMeNot and Cirrus Logic, intend to maintain and grow their Austin presence. Notably all these companies exist in the ever-expanding Austin technology sector. Both existing and incoming tenants will likely drive the high demand for Austin office product. Such demand will fuel the need for new construction projects, create a competitive environment for space and push lease rates to new historic highs throughout the end of 2015.

Office Snapshot Q3 2015

Austin

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SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
CBD	71	9,447,579	31,069	626,708	7.1%	142,226	559,440	910,584	\$45.91	\$48.07
Central	21	998,679	0	160,040	16.0%	712	(5,127)	131,722	\$39.91	\$40.68
Far Northwest	156	12,939,930	124,397	1,115,740	9.5%	166,414	681,780	1,144,994	\$32.40	\$33.08
North Central	36	4,785,938	0	204,391	4.3%	18,357	53,448	0	\$21.72	\$26.08
Northeast	26	2,098,896	0	149,842	7.1%	7,830	(10,262)	231,500	\$19.27	-
Northwest	78	4,170,937	49,996	545,520	14.2%	70,181	86,845	0	\$31.13	\$33.82
South Central	36	2,215,425	5,755	55,316	2.8%	8,252	13,033	104,000	\$24.75	-
Southeast	11	992,420	0	221,216	22.3%	344	3,262	0	\$14.08	\$26.50
Southwest	138	10,147,720	206,450	820,936	10.1%	147,781	400,787	160,000	\$34.77	\$35.31
Round Rock	15	1,044,635	13,601	65,337	7.6%	(10,034)	31,560	97,941	\$25.33	\$24.97
AUSTIN TOTALS	588	48,842,159	431,268	3,965,046	9.0%	552,063	1,814,766	2,780,741	\$33.02	\$36.53

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT*
Class A	261	32,356,451	341,364	2,756,527	9.6%	500,892	1,539,507	2,578,800	\$36.53
Class B	249	12,994,575	63,811	1,029,294	8.5%	52,389	237,179	201,941	\$24.58
Class C	78	3,491,133	26,093	179,225	6.3%	(1,218)	38,080	0	\$24.97

Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Two Barton Skyway	99,047	Logitech	Renewal/Expansion	SW
7700 Parmer- Building C	98,700	Entertainment Arts	Renewal/Expansion	FNW
301 Congress	95,537	RetailMeNot	Renewal/Expansion	CBD
Shoal Creek Walk	84,872	Cirrus Logic	Lease	CBD

Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
Amber Oaks Corporate Center	648,301	CBRE Global Investors / Menlo Equities	\$116,000,000/\$179	FNW
515 Congress	258,176	Stream Realty / KBS	Undisclosed	CBD
Capital Ridge	215,734	Riverside Resources / Miller Global	Undisclosed	SW
501 Congress	122,710	Stream Realty / AFIAA	\$41,213,093/\$336	CBD

About Cushman & Wakefield

Cushman & Wakefield is a global leader in commercial real estate services, helping clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms in the world with revenues of \$5 billion across core services of agency leasing, asset services, capital markets, facilities services (branded C&W Services), global occupier services, investment management (branded DTZ Investors), tenant representation and valuations & advisory. To learn more, visit www.cushmanwakefield.com or follow @Cushwake on Twitter.

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MARKETBEAT OFFICE SNAPSHOT

AUSTIN, TX

A Cushman & Wakefield Research Publication



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Q2 2015



ECONOMIC OVERVIEW

An article recently published by Forbes states the Austin area's technology employment sector has grown an impressive 17.8% since 2011. Additionally, the latest Kaufman Index Report places Austin as the new No. 1 U.S. city for startups. These factors coupled with 32,000 jobs created from May 2014 to May 2015 continue to drive the unemployment rate to historic lows. For May 2015, the Austin MSA posted a 3.1% unemployment rate, the lowest of the largest 50 metros in the U.S. for another consecutive quarter. Job growth combined with consistently low unemployment rates will continue to contribute to a robust and healthy Austin economy.

VACANCY RATES EXPERIENCE SLIGHT INCREASE

A total of 327,660 square feet (sf) of direct absorption was recorded for Q2 2015. This brought the year-to-date (YTD) total for 2015 to an impressive 1,081,174 sf of direct absorption. This YTD total for 2015 is 61.9% higher than the YTD direct absorption recorded at the end of Q2 2014. The Southwest (SW) submarket posted the highest direct absorption total of 164,547 sf, a large portion of which can be attributed to Spiceworks occupying 95,898 sf at the recently delivered 3700 San Clemente. Despite the large amounts of absorption recorded, a slight rise in vacancy was experienced across the market. The total market posted an overall vacancy rate of 9.7% for Q2 2015, marginally higher than the overall vacancy rate of 8.7% observed in Q1 2015. Similarly, the CBD experienced a slight rise in overall vacancy, increasing from 6.0% in Q1 2015 to 7.3%. However, it is important to note that on a year-over-year (Y-O-Y) basis the overall vacancy rates continue to drop significantly, from the Q2 2014 posted rate of 10.2% for the total market and the 9.9% overall vacancy rate for the CBD.

RENTAL RATES CONTINUE TO CLIMB

High demand, competition for vacant space (both large and small), and low vacancy rates continue to push full service (FS) market asking rates to historic highs. For Q2 2015 the average FS rate for all building classes was \$32.83 per square foot (psf), \$3.62 psf higher than the average FS rate in Q2 2014. Similarly the CBD class A average FS rate for Q2 2015 reached an average of \$47.80 psf, 10.6% higher than the Q2 2014 rate of \$43.21 psf. As leasing and absorption activity remains highly active, it is likely rates will only continue to grow.

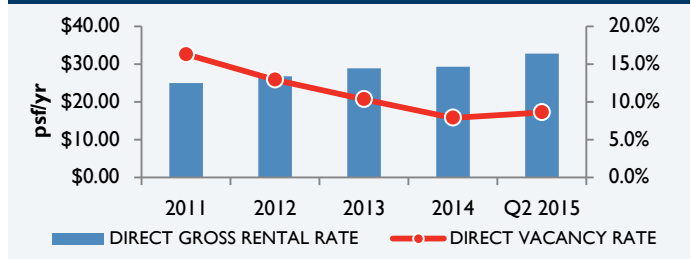
OUTLOOK

The Austin office market continues to operate in peak conditions. Office buildings are selling at historic prices, available spaces are quoting historic lease rates and occupancy rates remains higher than ever before. New construction continues to dominate the skyline, as many buildings are spoken for, prior to their respective completions. Such pre-leasing activity leads to new developments doing little to alleviate the declining vacancy rates currently being experienced. Consequently, large blocks of contiguous space (50,000 sf and above) are few and far between throughout the office marketplace. However, the heavy amount of interest from out of town businesses such as Apple, who signed the largest lease of the quarter at 217,000 sf at Capital Ridge, and users such as Oracle expanding their existing presence will contribute to heavier demands for additional space. This heavy demand for space, existing or not, will likely lead to additional buildings joining the Austin skyline.

STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.2%	9.7%	0.5 pp	▼
Direct Asking Rents (psf/yr)	\$29.21	\$32.83	12.4%	▲
YTD Direct Absorption (sf)	667,901	1,081,174	61.9%	▲

DIRECT RENTAL VS. VACANCY RATES



NEW SUPPLY



AUSTIN, TEXAS

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
CBD	9,256,594	7.3%	6.8%	692,404	738,799	411,162	417,214	\$44.74	\$47.80
Central	998,679	15.5%	15.5%	131,722	0	(9,314)	(5,839)	\$41.69	\$42.79
Far Northwest	12,912,103	10.8%	9.6%	966,094	221,973	378,674	515,366	\$32.82	\$33.45
North Central	2,212,938	9.6%	9.6%	0	0	29,214	35,091	\$21.36	\$26.26
Northeast	2,098,896	7.4%	7.4%	718,604	0	(18,092)	(18,092)	\$19.31	N/A
Northwest	4,170,937	12.6%	11.0%	0	0	6,978	16,664	\$29.11	\$31.54
South Central	2,103,594	1.8%	1.5%	104,000	0	4,781	4,781	\$25.47	N/A
Southeast	992,420	22.5%	22.5%	0	0	2,918	2,918	\$14.18	\$26.24
Southwest	9,563,048	10.2%	7.8%	375,000	731,500	235,164	253,006	\$34.62	\$35.16
Round Rock	1,044,635	6.6%	5.3%	0	0	39,689	41,594	\$25.84	\$25.92
SUBURBS	36,097,250	10.4%	9.1%	2,295,420	953,473	670,012	845,489	\$30.61	\$34.20
TOTALS	45,623,844	9.7%	8.6%	2,987,824	1,692,272	1,081,174	1,262,703	\$32.83	\$36.41

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Capital Ridge	SW	Apple	A	217,490
Summit at Lantana	SW	SolarWinds	A	117,886
7700 Parmer	FNW	Oracle	A	64,227
SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Riata Corporate Park	FNW	Accesso Partners	\$175,600,000 / \$255	688,432
Domain Portfolio	FNW	TIER REIT	\$200,000,000 / \$299	668,636
CityView Portfolio	SW	Dividend Capital	\$68,750,000 / \$251	274,182
SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
3700 San Clemente	SW	Spiceworks	Q2 2015	250,000 (38%)
Capital Ridge	SW	Apple	Q2 2015	217,000 (100%)
Encino Trace- Building I	SW	ARM	Q2 2015	160,000 (75%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
500 West 2 nd Street	CBD	Google	Q1 2017	489,404 (43%)
Rollingwood Center	SW	EZCorp	Q3 2015	215,000 (100%)
Parmer 3.2	NE	Speculative	Q3 2015	184,500 (0%)
5 th + Colorado	CBD	Plains Capital Bank	Q1 2016	179,000 (9%)
Research Park Plaza V	FNW	Speculative	Q4 2015	173,530 (0%)
Encino Trace Building II	SW	INC Research	Q3 2015	160,000 (15%)
Quarry Oaks III	FNW	Bazaarvoice	Q4 2015	140,000 (100%)
Lakes at Techridge- Phase I	NE	Speculative	Q4 2015	137,000 (0%)
Lamar Central	CEN	Kendra Scott Design	Q3 2015	131,722 (33%)
Aspen Lake 2	FNW	Q2ebanking	Q3 2015	128,700 (100%)
Domain I	FNW	Speculative	Q4 2015	124,577 (0%)

MARKETBEAT OFFICE SNAPSHOT

AUSTIN, TX

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Q1 2015



ECONOMIC OVERVIEW

As of February 2015 the Austin MSA's unemployment rate of 3.4% is amongst the lowest in the top 50 largest metropolitan areas in the United States (U.S Bureau of Labor Statistics, Local Area Unemployment Statistics).

In addition the Austin MSA job market generated 26,900 jobs from February 2014 through February 2015 and 8,600 jobs in January and February of this year. These strong economic indicators in addition to a strong cultural identity and high quality of living continue to make Austin a popular destination for both corporate relocations (athenahealth), the opening of large regional offices (Apple and Google) and for individuals looking to find a new place to call home.

CBD VACANCY RATE CONTINUES TO DECLINE

A total of 753,514 square feet (sf) of direct absorption was reported for the entire Austin market during Q1 2015. On its own, the Central Business District (CBD) posted 364,441 sf of absorption. Such strong absorption can be attributed to the large amount of pre-leasing activity and subsequent deliveries of both the Seaholm Power Plant redevelopment and Colorado Tower. The overall vacancy rate for the CBD dropped to 6.0% for Q1 2015, from 6.9% observed in Q4 2014. Even amongst all the new construction deliveries, such as Seaholm and Colorado Tower, these buildings are both over 90% pre-leased and do little to alleviate the declining vacancy rate. Large tenants occupying these projects include: Parsley Energy (135,700 sf), Atlassian (48,303 sf) and Scott Douglas & McConico (40,011 sf) in Colorado Tower and athenahealth (103,000 sf) and Under Armour (35,300 sf) at the Seaholm Power Redevelopment. The Far North West (FNW) submarket also posted a strong quarter of absorption, recording 270,815 sf of direct absorption.

RENTAL RATES ON THE RISE

Low vacancy rates, high absorption figures and an extremely active office market continue to push asking rates in the upward direction. The average full service (FS) overall rental rate for the total market was recorded at \$32.78 per square foot (psf) for Q1 2015, 11.8% higher than that of the Q4 2014 rate of \$29.31 psf. The CBD continues to experience the highest rate escalations, as the FS rate increased to \$43.84 psf across all building classes, a \$0.51 psf increase from the \$43.32 psf rate observed in Q4 2014.

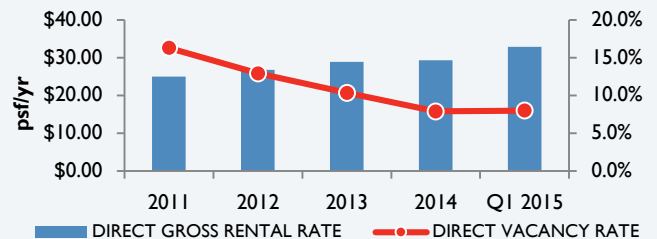
OUTLOOK

New construction activity still continues to be a dominant force in the Austin office market. The CBD alone had almost a million square feet completed during Q1 2015. However amongst the recent and upcoming completions, the large amounts of pre-leasing activities have held vacancy rates at historically low records. With large corporate entities such as Google and Indeed.com pre-leasing upwards of 400,000 sf combined space in projects under construction, it is likely that this trend could continue in the Austin market. If the considerable amount of pre-leasing activity does not end, the 3.5 million sf of space currently under construction will do little to bolster the low vacancy rates. With no surge in vacancy rate on the immediate horizon (particularly in that of the CBD), coupled with an active office market, it is expected that record low vacancy rates will be observed and that new historically high rental rates will be posted throughout the Austin market in the remainder of 2015.

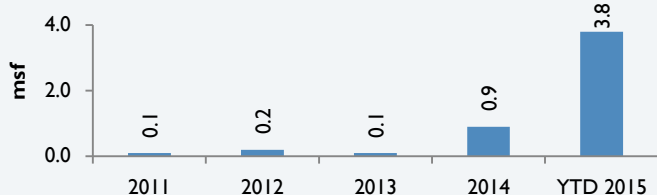
STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.9%	8.7%	1.2 pp	▼
Direct Asking Rents (psf/yr)	\$28.83	\$31.55	9.4%	▲
YTD Direct Absorption (sf)	456,340	753,514	65.1%	▲

DIRECT RENTAL VS. VACANCY RATES



NEW SUPPLY



AUSTIN, TEXAS

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
CBD	9,339,913	6.0%	6.0%	739,404	691,799	364,441	347,593	\$43.84	\$47.47
Central	998,679	16.0%	16.0%	131,721	0	(14,212)	(14,212)	\$41.03	\$42.09
Far Northwest	12,837,299	10.1%	9.4%	966,094	221,973	270,815	341,649	\$31.66	\$32.48
North Central	2,212,938	10.6%	10.4%	0	0	12,811	12,811	\$21.24	\$25.62
Northeast	2,098,896	6.7%	6.7%	624,104	30,248	(3,683)	(3,683)	\$18.98	N/A
Northwest	4,170,937	12.2%	10.7%	0	0	18,100	23,786	\$28.61	\$31.46
South Central	2,103,594	1.5%	1.5%	0	0	3,403	3,403	\$27.71	N/A
Southeast	992,420	22.0%	22.0%	0	0	7,710	7,710	\$14.06	\$25.76
Southwest	9,161,243	7.3%	6.5%	1,074,137	35,000	70,617	70,617	\$33.81	\$34.67
Round Rock	1,044,635	8.7%	8.1%	0	0	13,671	13,671	\$35.01	\$24.91
SUBURBS	35,620,641	9.4%	8.7%	2,796,056	256,973	389,703	465,593	\$30.92	\$33.35
TOTALS	44,960,554	8.7%	8.1%	3,535,460	948,772	753,514	822,336	\$32.78	\$35.60

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Champion Office Park	FNW	Indeed	A	213,196
500 West 2 nd Street	CBD	Google	A	207,939
Lamar Central	CEN	Kendra Scott Design	A	43,527
SIGNIFICANT Q1 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
The Summit at Lantana	SW	LaSalle Investment	\$260,000,000 / \$320	812,350
Riata Crossing*	FNW	DivcoWest	Undisclosed	350,000
Prominent Pointe I & II	FNW	GLL Real Estate Partners	\$76,000,000 / \$303	250,565
SIGNIFICANT Q1 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Colorado Tower	CBD	Parsley Energy	Q1 2015	373,334 (95%)
Domain 7	FNW	Amazon	Q1 2015	221,973 (70%)
Seaholm Power Plant	CBD	athenahealth	Q1 2015	145,138 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
500 West 2 nd Street	CBD	Google	Q1 2017	489,404 (43%)
Encino Trace Building I & II	SW	ARM	Q3 2015	320,000 (38%)
3700 San Clemente	SW	Spiceworks	Q2 2015	250,000 (38%)
Rollingwood Center	SW	EZCorp	Q3 2015	215,000 (100%)
Capital Ridge	SW	Speculative	Q2 2015	207,000 (0%)
Research Park Plaza V	FNW	Speculative	Q4 2015	173,530 (0%)
5 th + Colorado	CBD	Speculative	Q1 2016	171,000 (0%)
Lakes at Techridge- Phase I	NE	Speculative	Q4 2015	137,000 (0%)
Quarry Oaks III	FNW	Bazaarvoice	Q4 2015	140,000 (100%)
Lamar Central	CEN	Kendra Scott Design	Q3 2015	131,722 (33%)
Aspen Lake 2	FNW	Q2ebanking	Q3 2015	128,700 (47%)

* Riata Crossing Office Park originally purchased by Apple, then immediately sold to DivcoWest.

MARKETBEAT OFFICE SNAPSHOT



AUSTIN, TX

A Cushman & Wakefield Research Publication

Q4 2014



ECONOMIC OVERVIEW

For yet another consecutive quarter, the economic future of Austin continues to look bright. Forbes ranks Austin as the second best city for future job growth in America. The unemployment rate of 3.9% continues to be

lower than both the state (4.9%) and national (5.6%) averages, and ranks the third lowest rate amongst all major metropolitan cities in the United States (Bureau of Labor and Statistics). These low unemployment rates combined with both the robust job growth and high quality of living continue to make Austin an attractive destination for both individuals and corporate entities to call the city home.

CBD VACANCY RATE CONTINUES TO DECLINE

A total of 1.7 million square feet of direct absorption was recorded for all submarkets in 2014, a year-over-year increase of 40.0%. Q4 2014 experienced 291,683 square feet (sf) of absorption. This strong absorption number left the overall vacancy rate at 9.1% for the total market, 1.7 percentage point (pp) lower than the vacancy rate of Q4 2013. A large portion of the Q4 absorption number can be attributed to the delivery of the IBC Bank Plaza located in the CBD, in which 173,519 sf was absorbed. Large tenants occupying the building include IBC Bank (12,000 sf), First Trust (35,000 sf), Sizmek (15,000 sf), and Hill + Knowlton (18,000 sf). Move-ins at IBC Bank Plaza and others, led to a continued drop of the overall vacancy rate in the CBD to 6.9%, 0.5 (pp) lower than the rate seen in Q3 2014. The overall vacancy rate for the CBD of Q4 2014 of 6.9% marked another milestone, as the lowest rate recorded since Q1 2001.

RENTAL RATES ON THE RISE

With the decreases in vacancy across all submarkets, it is no surprise that the entire market has experienced an upward trend in rental rates. The average full-service (FS) rental rate for the total market was recorded as \$29.31 per square foot (psf) for Q4 2014. This rate is 1.3% higher than the average rate in Q4 2013. The submarket with the highest year-over-year increase in average FS rates was the CBD, which experienced a 1.8% increase from Q4 2013, increasing from the average full service rate of \$39.45 psf to \$43.32 psf in Q4 2014.

OUTLOOK

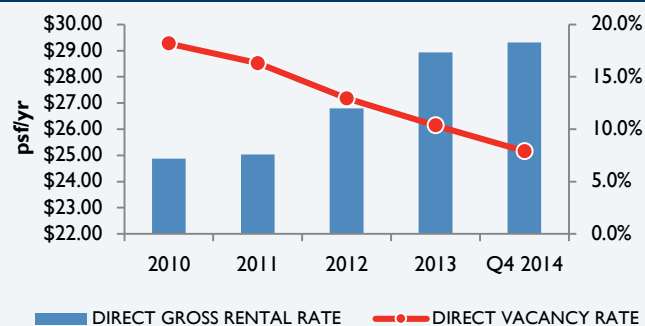
Substantial amounts of construction activity still dominate the Austin skyline, and the pattern is set to continue well into 2015. The recent deliveries of IBC Bank Plaza in the CBD, and Champion Office Park in

the Far North West (FNW) submarket, along with the soon to be completed Colorado Tower (CBD) and Domain 7 (FNW) will add considerable amounts of square feet to both the CBD and suburban market inventories. However, given the sizable amounts of pre-leasing activity in many of these buildings the overall vacancy rates will be only slightly affected. The existing low vacancy rates coupled with strong absorption figures throughout 2014 will likely contribute to a gradual climb of 2015 rental rates, and lead to new record rental rates throughout the Austin market.

STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.8%	9.1%	1.7pp	▼
Direct Asking Rents (psf/yr)	\$28.93	\$29.31	1.3%	▲
YTD Direct Absorption (sf)	1,232,692	1,725,330	40.0%	▲

DIRECT RENTAL VS. VACANCY RATES



NEW SUPPLY



AUSTIN, TEXAS

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
CBD	8,823,427	6.9%	6.3%	N/A	916,740	194,749	597,991	592,080	\$40.15	\$43.32
Central	998,679	12.4%	6.9%	N/A	131,721	0	86,458	86,458	\$34.86	\$35.30
Far Northwest	12,052,204	11.6%	10.5%	N/A	1,047,537	360,600	281,976	299,655	\$28.70	\$29.25
North Central	2,212,938	11.3%	11.1%	N/A	0	0	99,288	95,209	\$21.02	\$24.49
Northeast	2,098,896	6.4%	6.4%	N/A	487,104	30,248	78,596	78,596	\$18.41	N/A
Northwest	4,170,937	10.2%	8.5%	N/A	0	0	68,773	66,072	\$28.16	\$30.78
South Central	2,103,594	1.7%	1.7%	N/A	0	0	9,384	13,018	\$24.24	N/A
Southeast	992,420	24.1%	24.1%	N/A	0	0	20,048	20,048	\$14.50	\$25.96
Southwest	9,161,243	6.9%	5.0%	N/A	1,052,500	36,530	469,145	359,063	\$31.95	\$32.27
Round Rock	1,044,635	9.6%	9.4%	N/A	0	0	13,671	13,671	\$25.98	\$24.44
SUBURBS	35,285,366	9.6%	8.4%	N/A	2,718,862	427,378	1,127,339	1,031,790	\$27.36	\$30.32
TOTALS	44,108,793	9.1%	7.9%	N/A	3,635,602	622,127	1,725,330	1,628,870	\$29.31	\$32.36

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Rollingwood Center	SW	EZCorp	A	139,500
Quarry Oaks Atrium III	FNW	BazaarVoice	A	137,615
Colorado Tower	CBD	Parsley Energy	A	135,107
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
River Place Corporate Park	NW	Brandywine Realty Trust	\$128,100,000/ \$217	590,881
The Avallon	FNW	DivcoWest	\$60,100,000/ \$189	318,217
Research Park 7 & 8	NW	ESPyder Corp	Undisclosed	260,071
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Champion Office Park	FNW	Jobs-to- Careers	12/2014	220,600 (5.9%)
IBC Bank Plaza	CBD	First Trust	10/2014	194,749 (91%)
Domain 2	FNW	HomeAway	12/2014	140,000 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Colorado Tower	CBD	Parsley Energy	Q1 2015	373,334 (95%)
3700 San Clemente	SW	Spiceworks	Q2 2015	250,000 (38%)
Domain 7	NC	Amazon	Q1 2015	221,973 (70%)
Rollingwood Center	SW	EZCorp	Q2 2015	215,000 (100%)
Capital Ridge	SW	N/A	Q2 2015	207,000 (0.0%)
5 th + Colorado	CBD	N/A	Q1 2016	171,000 (0%)
Encino Trace Building I	SW	ARM	Q2 2015	160,000 (75%)
Quarry Oaks III	FNW	Bazaarvoice	Q4 2015	140,000 (100%)
Seaholm Power	CBD	athenahealth	Q1 2015	136,000 (100%)
Lamar Central	CEN	N/A	Q3 2015	131,722 (0%)
501 Congress	CBD	Dropbox	Q1 2015	116,435 (48%)

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

MARKETBEAT OFFICE SNAPSHOT



AUSTIN, TX

A Cushman & Wakefield Research Publication

Q3 2014



ECONOMIC OVERVIEW

According to the Austin Chamber of Commerce, over 9,200 jobs have been created as a result of corporate relocations and expansions in the Austin Metropolitan Area since January 2014. The city-wide unemployment rate of 4.4% remains lower than the state unemployment rate of 5.3% and the national average of 6.1% (Bureau of Labor Statistics, August 2014). The professional and business services industry has experienced the highest growth rate since the beginning of the year, growing 6.7% from August 2013 to August 2014. The leisure and hospitality industry followed close behind increasing 6.6% during the same time period.

VACANCY RATES DROP TO A NEW LOW

Year-to-date direct absorption for the total market was 1.4 million square feet (msf), a year-over-year increase of 68.6%, dropping the overall vacancy rate 3.0 percentage points to 8.6%. The CBD experienced a record-breaking quarter recording 255,474 square feet (sf) of direct absorption. This absorption can be attributed to multiple large move-ins by tenants including Main Street Hub (20,640 sf), Tableau Software (36,656 sf), Box, Inc. (20,640 sf), and WeWork Labs (32,384 sf) at One American Center. These move-ins amongst others led to a drop in the overall vacancy rate of 2.5 percentage points from Q2 2014 to 7.4% – the lowest rate recorded for the CBD since Q1 2001.

The Central submarket also experienced an impressive quarter recording 84,521 sf of positive absorption and the overall vacancy rate decline of 9.5 percentage points from Q2 2014 to 9.8%. This substantial change in vacancy is due to the Central submarket containing the second lowest amount of inventory across the city, totalling less than 1.0 msf. This limited inventory coupled with Google (49,318 sf) and Evernote (29,654 sf) occupying space at University Park led to this dramatic decrease in the vacancy rate.

RENTAL RATES REMAIN CONSTANT

Average asking rental rates for the total market have trended upward since Q1 2011. However, average rental rates have remained constant during Q3 2014. These consistent rates may be reflective of the substantial influx of competing space set to deliver in the subsequent quarters.

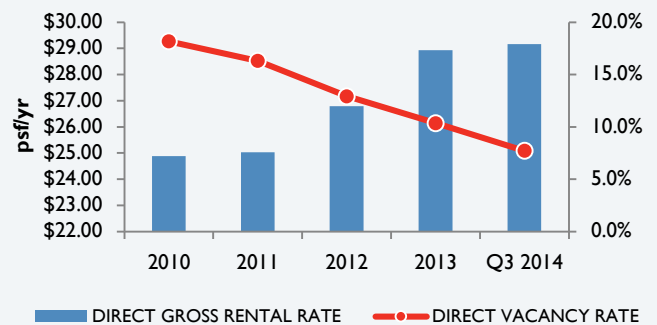
OUTLOOK

Although multiple large developments are set to deliver in the upcoming quarters, vacancy rates are not expected to increase significantly, particularly in the CBD. Colorado Tower and IBC Bank Plaza will deliver over 500,000 sf of office space to the CBD in Q4 2014 but will provide minimal relief as both projects are nearly 100% leased, setting the stage for new construction to break ground and potentially another record breaking quarter of positive absorption. Average rental rates are expected to hold steady as multiple large tenants in the market look to fill newly constructed space.

STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.6%	8.6%	3.0pp	▼
Direct Asking Rents (psf/yr)	\$28.54	\$29.17	2.2%	◀▶
YTD Direct Absorption (sf)	850,731	1,433,962	168.6%	▲

DIRECT RENTAL VS. VACANCY RATES



NEW SUPPLY



AUSTIN, TEXAS

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
CBD	8,628,427	7.4%	6.9%	N/A	1,111,489	0	368,016	349,091	\$40.13	\$43.12
Central	998,679	9.8%	7.1%	N/A	131,721	0	84,521	84,521	\$34.78	\$35.35
Far Northwest	12,229,327	9.9%	9.3%	N/A	1,235,137	0	323,527	329,582	\$29.20	\$29.93
North Central	2,485,635	10.5%	10.3%	N/A	0	0	89,106	85,027	\$20.89	\$24.17
Northeast	1,994,796	6.8%	6.8%	N/A	487,104	30,248	76,296	76,296	\$18.22	N/A
Northwest	3,950,337	7.3%	6.7%	N/A	0	0	54,602	49,504	\$25.52	\$28.90
South Central	2,103,594	2.0%	2.0%	N/A	0	0	3,046	6,680	\$23.43	N/A
Southeast	992,420	24.5%	24.5%	N/A	0	0	16,480	16,480	\$14.58	\$25.11
Southwest	9,161,243	7.6%	5.3%	N/A	1,084,058	36,530	418,524	258,887	\$31.70	\$32.27
Round Rock	1,112,135	13.3%	13.1%	N/A	0	0	(156)	(156)	\$23.33	\$22.80
SUBURBS	35,028,166	8.9%	7.9%	N/A	2,938,020	66,778	1,065,946	906,821	\$26.93	\$30.56
TOTALS	43,656,593	8.6%	7.7%	N/A	4,049,509	66,778	1,433,962	1,255,912	\$29.17	\$32.95

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Parmer Sector 6 – 301 Howard Ln.	NE	Allergan	A	90,000
Aspen Lake Two	FNW	Q2eBanking, Inc.	A	68,500
Colorado Tower	CBD	Parsley Energy	A	48,368
SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
11001 Lakeline Blvd.	FNW	DRA Advisors	Undisclosed	239,754
505 E. Huntland Ave.	NC	Taurus Investment Holdings	\$20,400,000 / \$130	155,604
9505 Arboretum Blvd	FNW	UPMA	Undisclosed	150,033
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Hill Country Galleria W	SW	Korcett	9/2014	36,530 (82.1%)
2021 E. 5 TH	NE	Enviromedia	01/2014	30,248 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Colorado Tower	CBD	Parsley Energy	Q4 2014	373,334 (95.0%)
3700 San Clemente	SW	Spiceworks	Q2 2015	250,000 (38.2%)
Domain 7	NC	Ottobock	Q4 2014	221,973 (18.0%)
Champion Office Park	NW	Jobs-to- Careers	Q4 2014	220,600 (5.9%)
Rollingwood Center	SW	LatinWorks	Q2 2015	215,000 (23.4%)
Capital Ridge	SW	N/A	Q2 2015	207,000 (0.0%)
IBC Bank Plaza	CBD	IBC Bank/ Endeavor	Q4 2014	194,749 (90.5%)
5 th & Colorado	CBD	N/A	Q1 2016	171,000 (0%)
Encino Trace Building I	SW	ARM	Q2 2015	160,000 (75.0%)
Domain 2	NC	HomeAway	Q4 2014	140,000 (100%)
Seaholm Power	CBD	athenahealth	Q4 2014	136,000 (100%)
3800 Lamar	CEN	N/A	Q3 2015	131,722 (0%)

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

MARKETBEAT OFFICE SNAPSHOT



**CUSHMAN &
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AUSTIN, TX

A Cushman & Wakefield Research Publication

Q2 2014



ECONOMIC OVERVIEW

According to the Austin Chamber of Commerce, over 4,500 jobs have been created in the Austin Metropolitan Area as a result of corporate relocations and expansions since January 2014. The city-wide unemployment rate of 4.1% paces ahead of the state unemployment rate of 5.1% and the national average of 6.1% (Bureau of Labor Statistics, May 2014). The professional and business services industry has experienced the highest growth rate since the beginning of the year, growing 7.8% from May 2013 to May 2014.

VACANCY RATES REMAIN FASTENED

The year-to-date direct absorption rate for the total market was 667,901 square feet (sf), 15.0% higher than a year ago, dropping the overall vacancy rate 1.4 percentage points to 10.2%. In the second quarter, the CBD experienced a negative absorption rate of 30,064 sf, breaking the nearly year-long trend of positive absorption. However, leasing in the CBD remains strong, as seen by Under Armour's lease of 33,000 sf at the Seaholm low-rise building and Whole Foods' lease of 40,000 sf at 311 Bowie bringing both of these office projects to 100% leased.

Vacancy in the southwest submarket increased for the first time since Q3 2013, rising to 8.9% which is a 3.3 percentage point increase quarter-over-quarter. This increase can be attributed in large part to AMD vacating 118,000 sf at the Summit at Lantana and LifeSize Communications Inc. vacating 31,756 sf at Two Barton Skyway. With 960,000 sf under construction, the majority of which is delivering in 2015, and several large blocks of existing inventory coming vacant, this could bring much needed relief to a submarket with historically low vacancy. However, with several large tenants in the market and continued demand from tech users, as seen by Apple Inc. expanding 48,956 sf at CityView Center, the southwest should continue to perform well in subsequent quarters.

RENTAL RATES REACH RECORD HIGHS

The second quarter introduced record-breaking rental rates in the CBD and the southwest markets. CBD rates climbed again this quarter, reaching an average rental rate of \$40.07 per square foot (psf) for all classes and \$43.21 psf for Class A properties. The southwest market reached \$31.01 psf for all classes, a year-over-year

increase of 7.8%. Furthermore, direct asking rents rose 5.8% year-to-date from \$27.60 psf to \$29.21 psf for all classes city-wide.

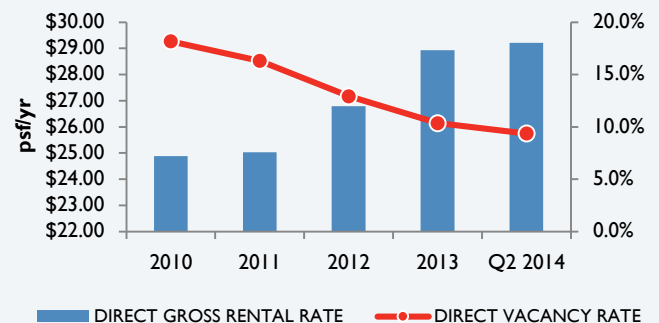
OUTLOOK

Developments under construction in the CBD are roughly 60.0% pre-leased overall, and with continued interest at the Colorado Tower and IBC Bank Plaza projects likely elevating that percentage in Q3 and Q4 2014, demand for space in the CBD will keep downward pressure on vacancy rates. This will leave the window of opportunity open for CBD Class A projects in the pipeline to break ground soon.

STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.6%	10.2%	1.4pp	▼
Direct Asking Rents (psf/yr)	\$27.60	\$29.21	5.8%	▲
YTD Absorption (sf)	580,664	667,901	15.0%	▲

DIRECT RENTAL VS. VACANCY RATES



NEW SUPPLY



AUSTIN, TEXAS

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
CBD	8,690,127	9.9%	9.7%	N/A	959,887	0	112,542	129,878	\$40.07	\$43.21
Central	998,679	19.3%	16.6%	N/A	0	0	(9,819)	(9,819)	\$34.52	\$35.00
Far Northwest	12,227,127	11.0%	10.1%	N/A	0	0	224,099	194,946	\$28.33	\$28.97
North Central	2,485,635	11.5%	11.3%	N/A	361,973	0	64,096	60,017	\$20.93	\$23.92
Northeast	1,994,796	9.4%	9.4%	N/A	0	30,248	24,683	24,683	\$18.20	N/A
Northwest	3,950,337	9.1%	8.2%	N/A	220,600	0	(4,796)	(20,251)	\$25.67	\$28.49
South Central	2,103,594	1.9%	1.9%	N/A	0	0	4,502	8,136	\$23.02	N/A
Southeast	992,420	25.2%	25.2%	N/A	0	0	8,671	8,671	\$14.70	\$22.96
Southwest	9,124,743	8.9%	6.8%	N/A	954,030	0	245,122	107,316	\$31.01	\$32.03
Round Rock	1,112,135	13.6%	13.2%	N/A	0	0	(1,199)	(1,199)	\$22.39	\$22.23
SUBURBS	34,989,466	10.3%	9.3%	N/A	1,536,603	30,248	555,359	372,500	\$26.64	\$30.02
TOTALS	43,679,593	10.2%	9.4%	N/A	2,496,490	30,248	667,901	502,378	\$29.21	\$32.68

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
CityView Center	SW	Apple	A	48,956
311 Bowie	CBD	Whole Foods	A	40,000
Seaholm Power	CBD	Under Armour	A	33,000
SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Mira Vista & The Overlook (2)	SW	Clarion Partners	\$60,037,880 / \$340	176,582
Overwatch Campus	SW	Drawbridge Realty Trust	\$42,500,000 / \$258	164,700
5000 Plaza on the Lake	SW	Clarion Partners	\$36,916,970 / \$310	119,087
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
2021 E. 5 TH	NE	Enviromedia	01/2014	30,248 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Colorado Tower	CBD	Parsley Energy	Q4 2014	373,334 (54.0%)
3700 San Clemente	SW	Spiceworks	Q2 2015	250,000 (38.3%)
Domain 7	NC	Ottobock	Q3 2014	221,973 (18.0%)
Champion Office Park	NW	N/A	Q3 2014	220,600 (0.0%)
Rollingwood Center	SW	LatinWorks	Q2 2015	215,000 (23.4%)
Capital Ridge	SW	N/A	Q2 2015	207,000 (0.0%)
IBC Bank Plaza	CBD	IBC Bank/ Endeavor	Q3 2014	194,749 (50.1%)
Encino Trace Building I	SW	ARM	Q2 2015	160,000 (75.0%)
Domain 2	NC	HomeAway	Q3 2014	140,000 (100%)
Seaholm Power	CBD	athenahealth	Q2 2014	136,000 (100%)
501 Congress	CBD	Dropbox	Q4 2014	116,435 (48.2%)

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

MARKETBEAT OFFICE SNAPSHOT



**CUSHMAN &
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AUSTIN, TX

A Cushman & Wakefield Research Publication

Q1 2014



ECONOMIC OVERVIEW

The Fastest-Growing City in America for the 4th consecutive year, according to Forbes, Austin marches forward as a cultural and economic leader in the U.S. According to the Texas Workforce Commission, Austin

recorded an unemployment rate of 4.8% in February of 2014, almost one and two percentage points ahead of the state average of 5.7% and national average of 6.7% respectively. As jobs boom the local economy, the fundamentals point to continued growth in the office market.

VACANCY FALLS BELOW TEN PERCENT

First quarter direct absorption for the market was 456,340 square feet (sf), 116.6% higher than a year ago, taking the overall vacancy rate down to 9.9%. In the CBD, overall vacancy is 9.3%, down 2 percentage points from 11.3% in Q1 2013, after 142,606 sf of leases commenced this quarter. Tenants looking for large blocks of space have a limited number of options, pushing those tenants toward new construction. In the case of Encino Trace, 3700 San Clemente and Rollingwood Center, all in the southwest submarket, construction commenced with signing on an anchor tenant this quarter. Furthermore, six of the ten largest office leases this quarter signed with projects not yet delivered.

Although vacancy is at uncomfortable levels, approximately 1.6 million square feet (msf) of office product is slated to deliver this year, of which, 915,641 sf is in the CBD. We anticipate an increase in leasing activity in the CBD as companies look to differentiate their culture through a dynamic live/ work/ play environment. Although occupying downtown adds costs, companies have found value in the ability to retain employees in a competitive labor force. Offering employees a unique office environment with access to the bars, restaurants and entertainment venues that downtown provides, we expect the urbanization theme to continue in 2014.

RENTAL RATES CLIMB AGAIN

Average asking rates for the overall market are \$28.83 per square foot (psf), up from \$27.54 psf in Q1 2013, and an increase of 4.7%. Asking rates in the CBD are up 3.2%, improving from \$38.50 psf to \$39.74 psf. Over a 5 year period, asking rates have improved 14.6% from \$25.15 psf in Q1 2010 to \$28.83 psf in Q1 2014. Class A rates for the overall market improved 5.0% from \$31.14 psf in Q1 2013 to \$32.70 psf this quarter. In the CBD, class A rates are up from \$42.16 psf to \$43.16 psf, an increase of 2.4%. Over the same 5 year period, class A rates have improved 18.6% from \$27.58 psf to \$32.70 psf.

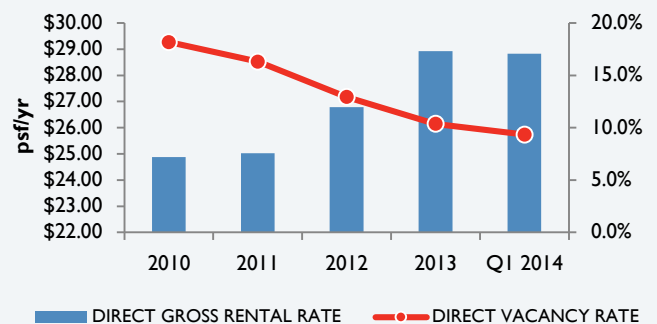
OUTLOOK

Austin's tech and creative industries continue to fuel the economy. Several large tech companies, such as athenahealth, Dropbox and Websense, signed major leases this quarter and will bring large workforces to Austin. This should help as vacancy levels will begin to trend upward for the first time since 2010 once new construction comes online. But as pre-leasing activity picks up, we expect to see strong absorption that will help occupancy levels withstand the 2.5 msf, or 5.7% increase in inventory that is on the way.

STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.5%	9.9%	2.6pp	▼
Direct Asking Rents (psf/yr)	\$27.54	\$28.83	4.7%	▲
YTD Absorption (sf)	210,722	456,340	116.6%	▲

DIRECT RENTAL VS. VACANCY RATES



NEW SUPPLY



AUSTIN, TEXAS

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
CBD	8,630,127	9.3%	9.2%	N/A	959,887	0	142,606	159,942	\$39.74	\$43.16
Central	998,679	19.9%	17.2%	N/A	0	0	(16,097)	(16,097)	\$34.56	\$34.98
Far Northwest	12,276,829	12.1%	11.4%	N/A	0	0	70,759	49,057	\$28.68	\$29.61
North Central	2,485,635	11.5%	11.4%	N/A	361,973	0	62,519	58,440	\$20.76	\$24.18
Northeast	1,994,796	9.2%	9.2%	N/A	0	30,248	29,381	29,381	\$18.97	N/A
Northwest	3,950,337	8.5%	7.7%	N/A	220,600	0	16,880	2,909	\$25.26	\$28.11
South Central	2,103,594	2.3%	1.9%	N/A	0	0	4,390	103	\$19.91	N/A
Southeast	992,420	25.4%	25.4%	N/A	0	0	6,884	6,884	\$14.67	\$22.37
Southwest	9,124,743	6.4%	5.6%	N/A	954,030	0	146,320	114,671	\$29.88	\$31.44
Round Rock	1,112,135	13.9%	13.7%	N/A	0	0	(7,302)	(7,302)	\$22.31	\$21.82
SUBURBS	35,039,168	10.1%	9.4%	N/A	1,536,603	30,248	313,734	238,046	\$26.34	\$29.97
TOTALS	43,669,295	9.9%	9.4%	N/A	2,496,490	30,248	456,340	397,988	\$28.83	\$32.70

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Encino Trace Building I	SW	Confidential	A	120,000
Seaholm Power	CBD	athenahealth	B	103,000
Quarry Oaks Atrium	FNW	WebSense	A	92,000
SIGNIFICANT Q1 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Avallon I-5	FNW	DivcoWest Properties	\$60,125,000 / \$189	318,217
Aspen Lake I	FNW	Fortis Property Group	\$38,819,129 / \$189	204,698
Las Cimas IV	SW	Clarion Partners	\$43,200,000 / \$313	138,008
SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
2021 E. 5 TH	NE	Enviromedia	01/2014	30,248 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Colorado Tower	CBD	Parsley Energy	Q3 2014	373,334 (53.1%)
3700 San Clemente	SW	Spiceworks	Q2 2015	250,000 (38.3%)
Domain 7	NC	Ottobock	Q3 2014	221,973 (18.0%)
Champion Office Park	NW	N/A	Q3 2014	220,600 (0.0%)
Rollingwood Center	SW	LatinWorks	Q2 2015	215,000 (23.4%)
Capital Ridge	SW	N/A	Q2 2015	207,000 (0.0%)
IBC Bank Plaza	CBD	IBC Bank/ Endeavor	Q3 2014	194,749 (34.1%)
Encino Trace Building I	SW	Confidential	Q2 2015	160,000 (75.0%)
Domain 2	NC	HomeAway	Q3 2014	140,000 (100%)
Seaholm Power	CBD	athenahealth	Q2 2014	136,000 (75.7%)
501 Congress	CBD	Dropbox	Q4 2014	116,435 (48.2%)

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