

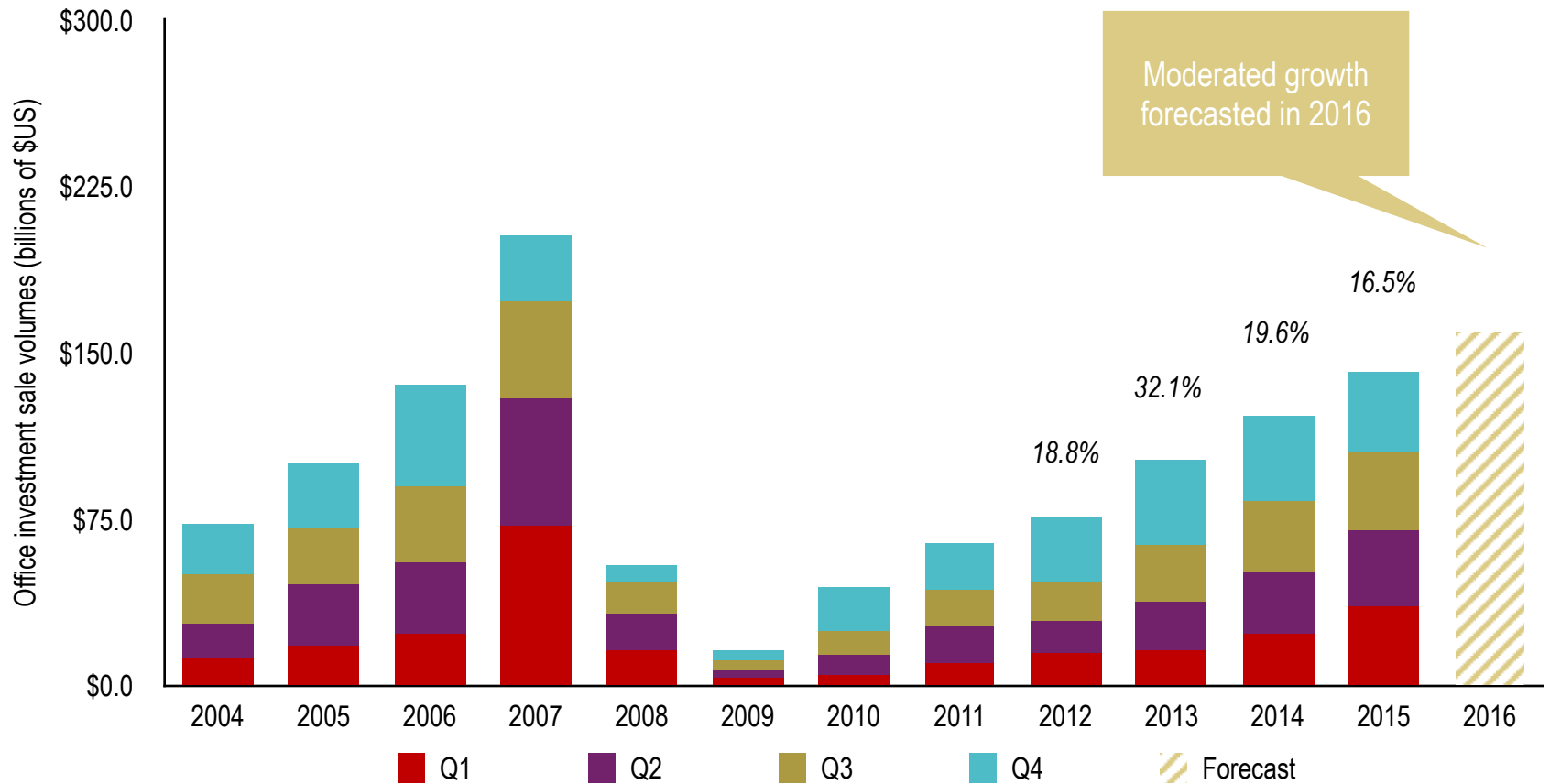


*United States Office Investment  
Review & Outlook*



Q4 2015

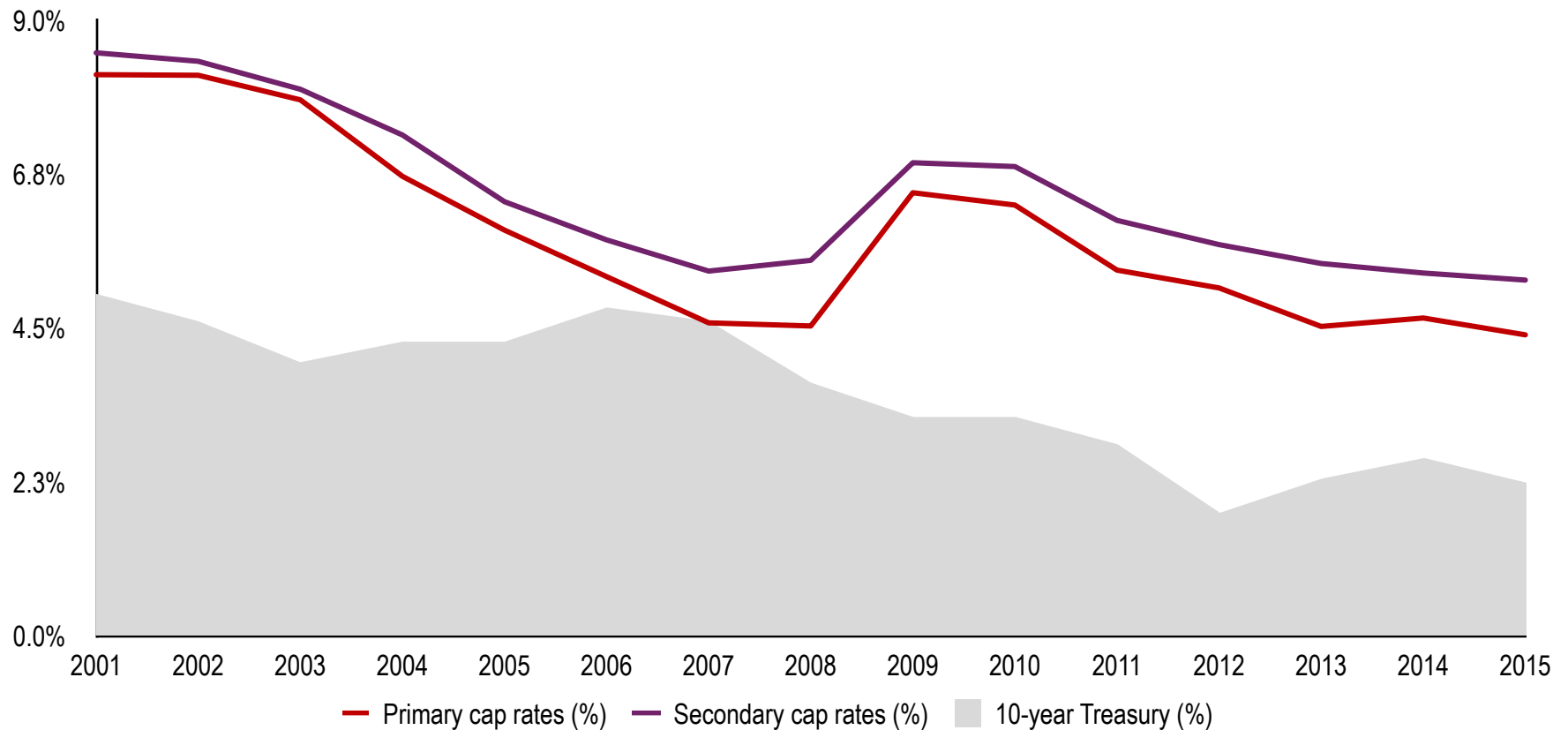
# Realized diversification deeper into primary markets, secondary markets and larger transactions spurs 16.5 percent growth in 2015



Source: JLL Research, Real Capital Analytics (Transactions larger than \$5.0m)

# Primary and secondary cap rates continue to decline

Despite the interest rate hike, the spread between office cap rates and the 10-year Treasury has widened slightly for primary and secondary markets to 219 and 296 basis points, respectively

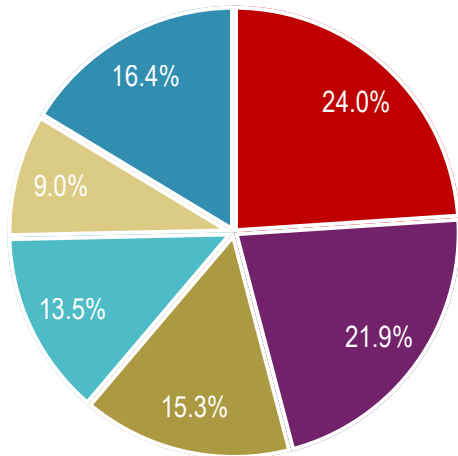


Source: JLL Research, NCREIF, Board of Governors of Federal Reserve

# Canadian and Asian capital continue to dominate inbound capital

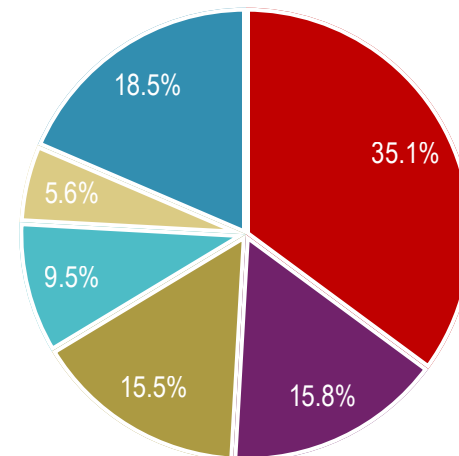
European and Middle Eastern groups are present, though did not buy at scale in 2015

Most active foreign investors (2014)



● Norway ● Germany ● Canada  
● Singapore ● South Korea ● All others

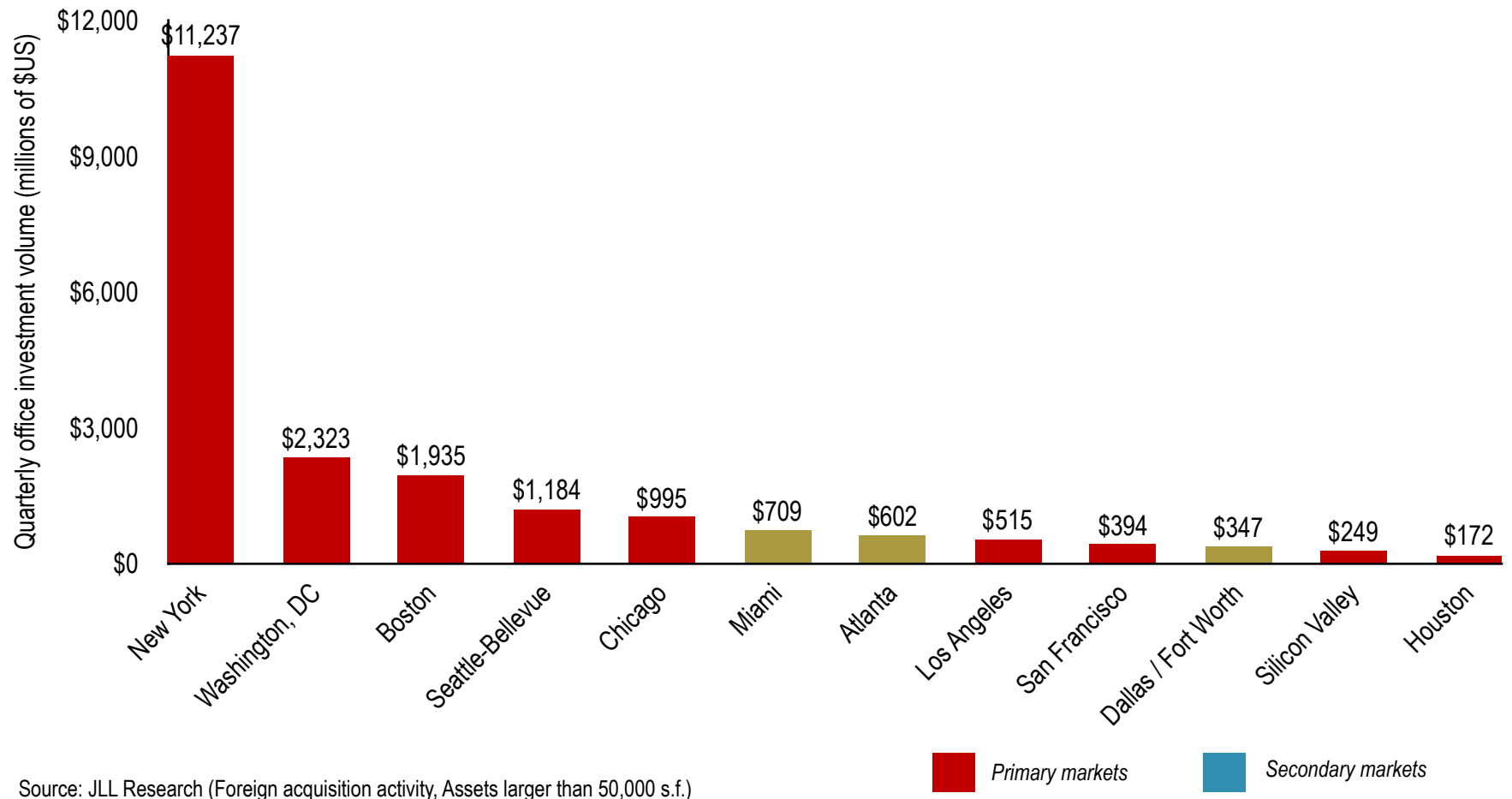
Most active foreign investors (2015)



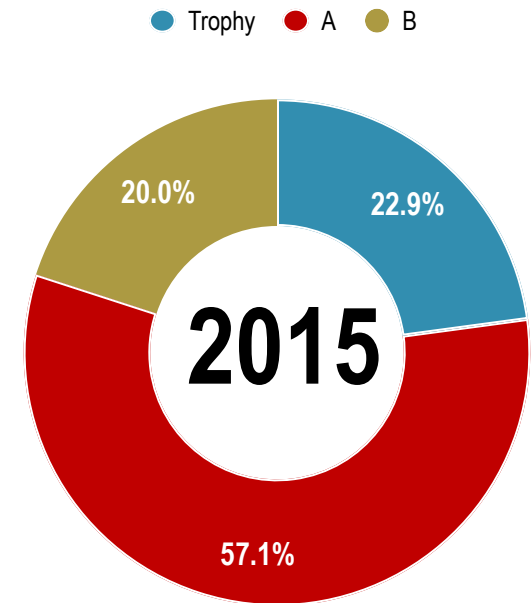
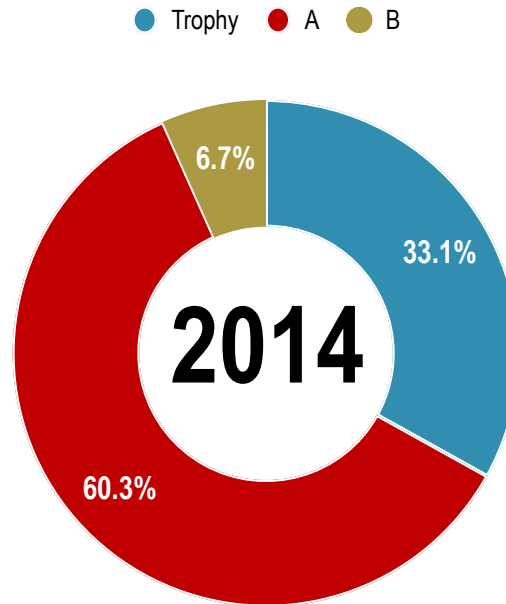
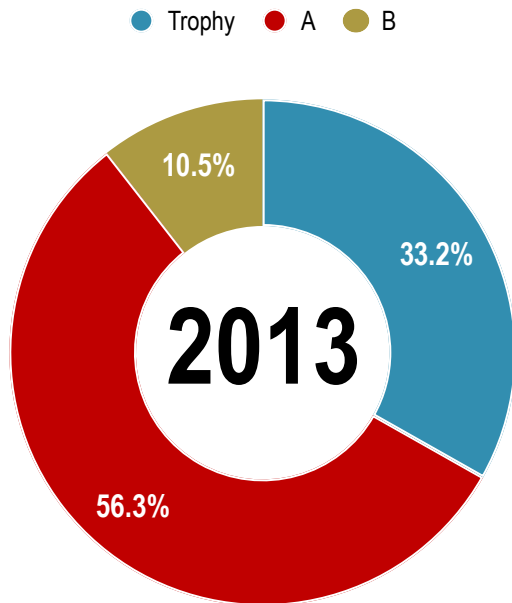
● Canada ● China ● Germany  
● South Korea ● Hong Kong ● All others

Source: JLL Research (Assets larger than 50,000 s.f.)

Of the top destinations for foreign capital, primary markets remain ahead, though secondary markets emerge

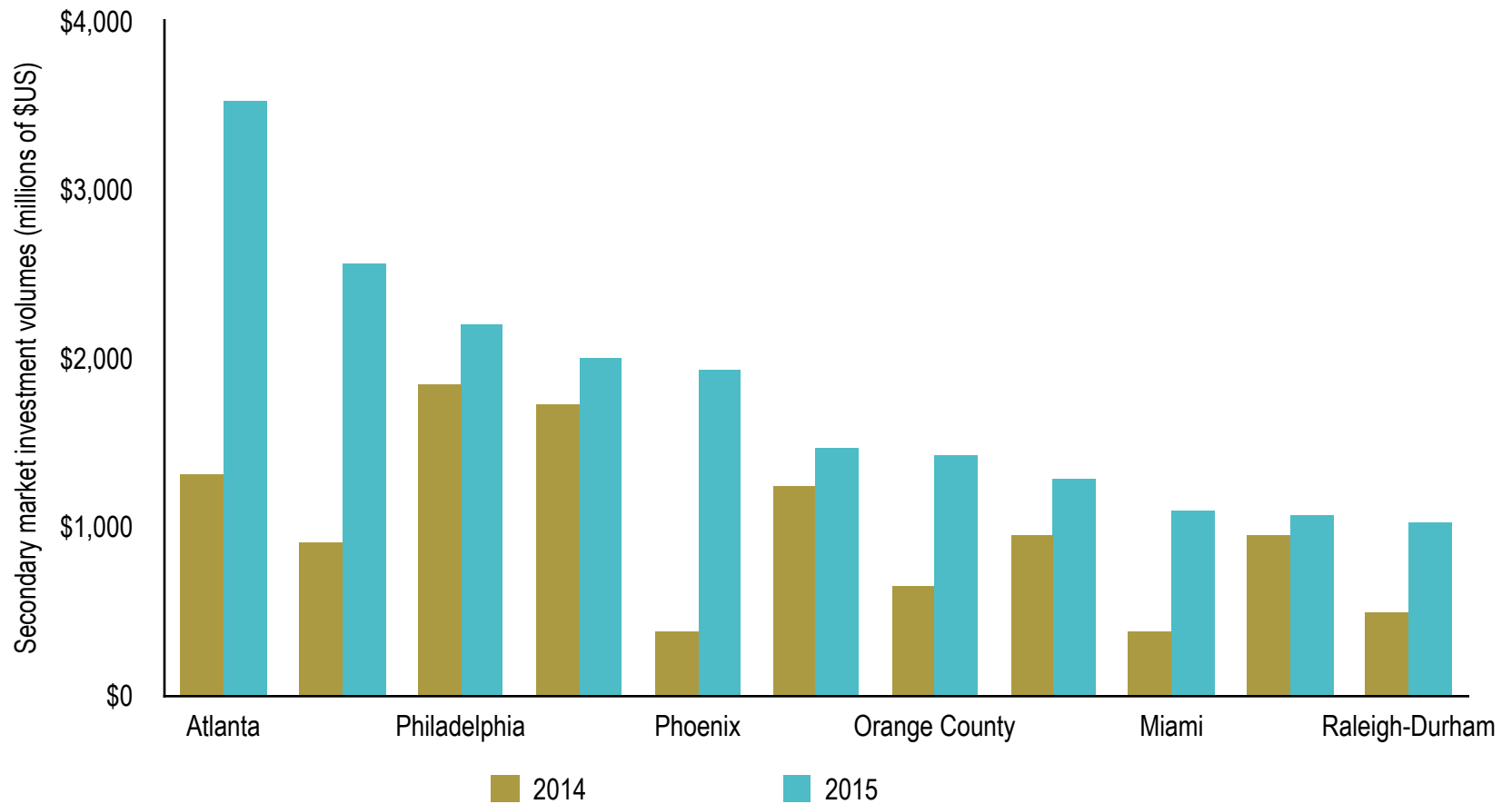


Foreign activity into Class B increased from \$644.5 million in 2014 to \$4.1 billion, equating to 20.0 percent of total.



Source: JLL Research (Foreign acquisition activity, Assets larger than 50,000 s.f.)

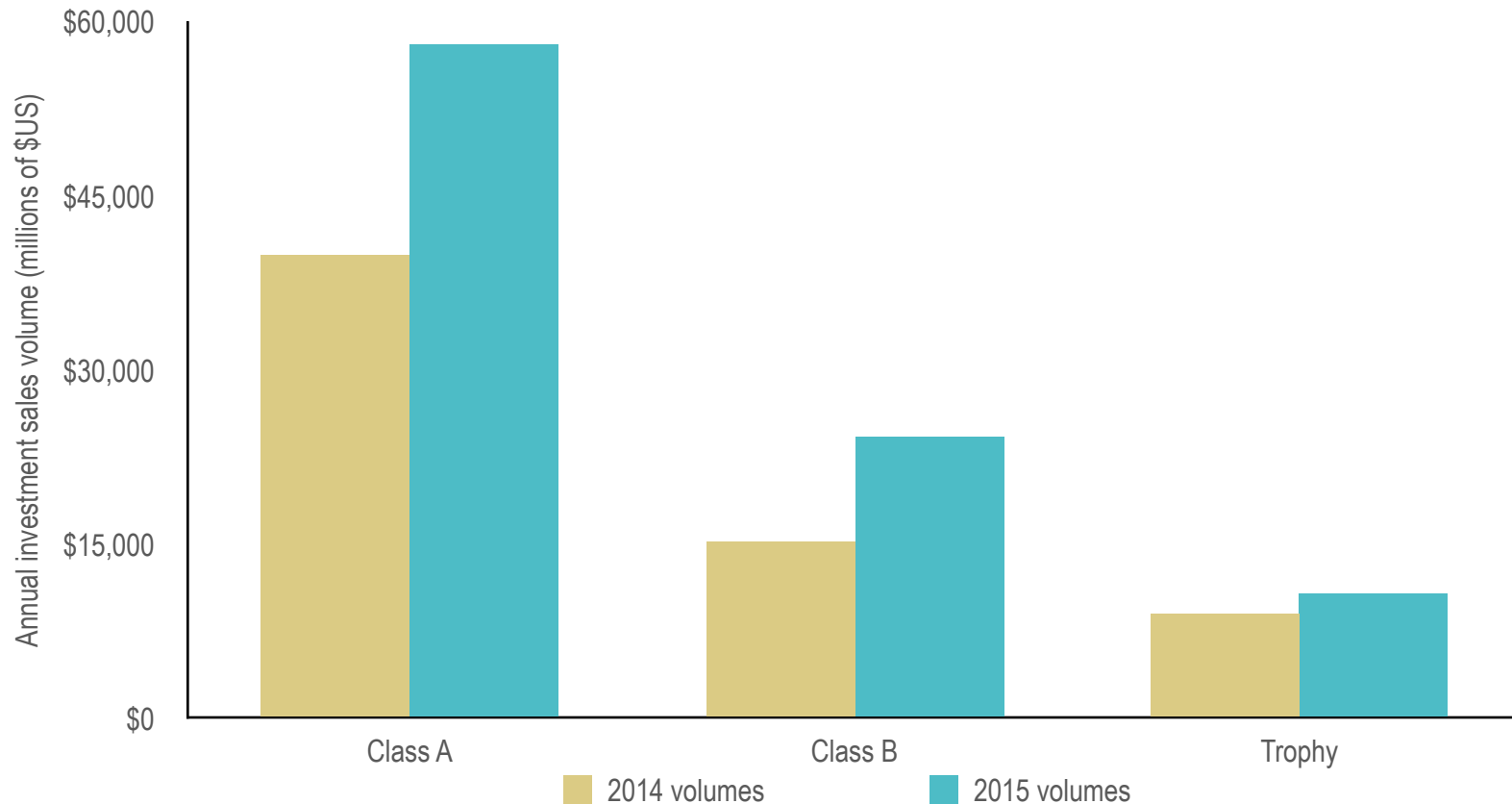
## Secondary market momentum realized in 2015 with 11 markets exceeding \$1.0b, led by Atlanta, Dallas-Forth and Philadelphia



Source: JLL Research (Assets larger than 50,000 s.f.)

# Trophy investment volume was outpaced by Class A & B

However, supply-demand gap for Trophy product spurred leading per-square-foot pricing appreciation in 2015

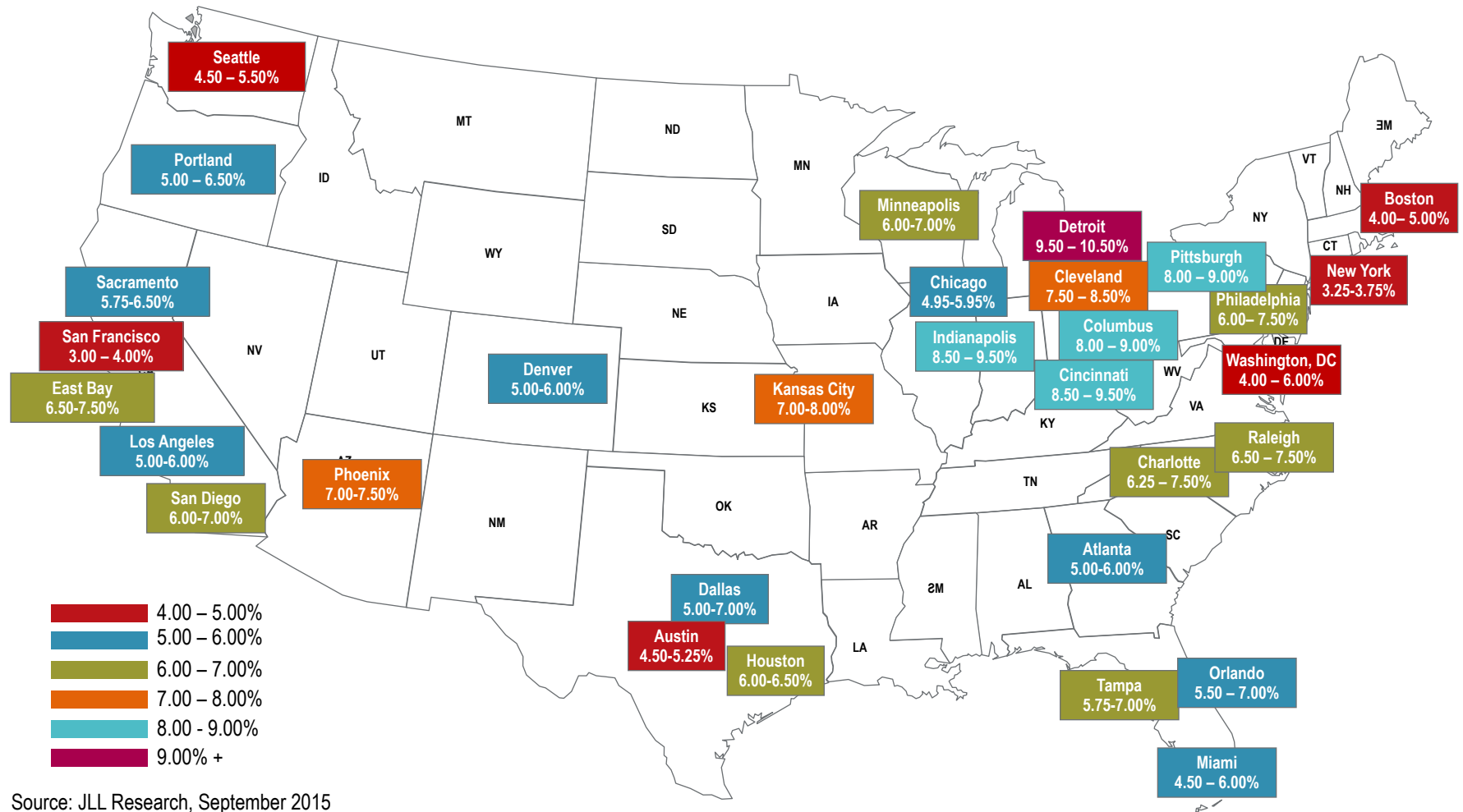


Source: JLL Research (Assets larger than 50,000 s.f.)



# U.S. core product office CBD cap rates

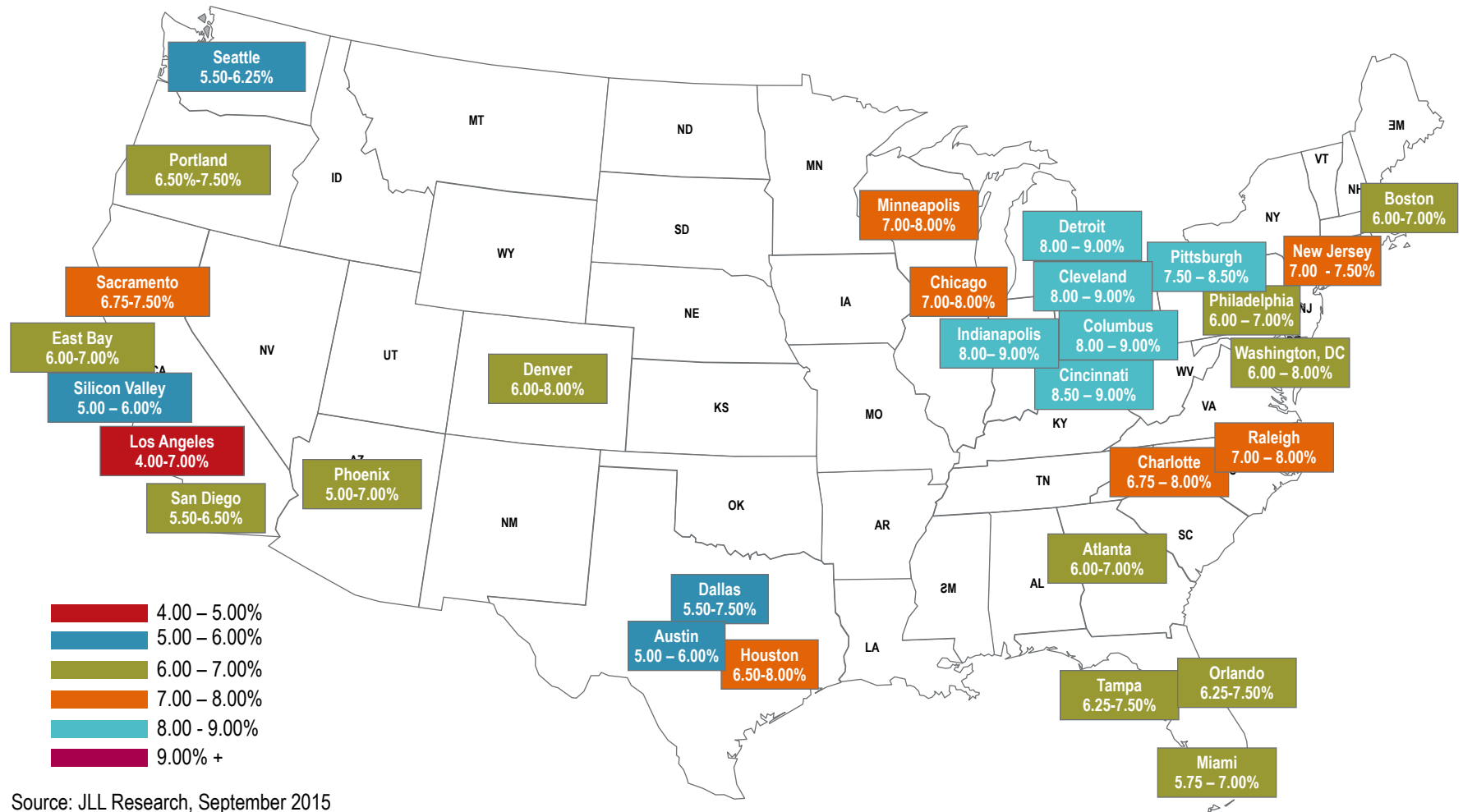
Sub 5-6% level in most primary and rising secondary markets



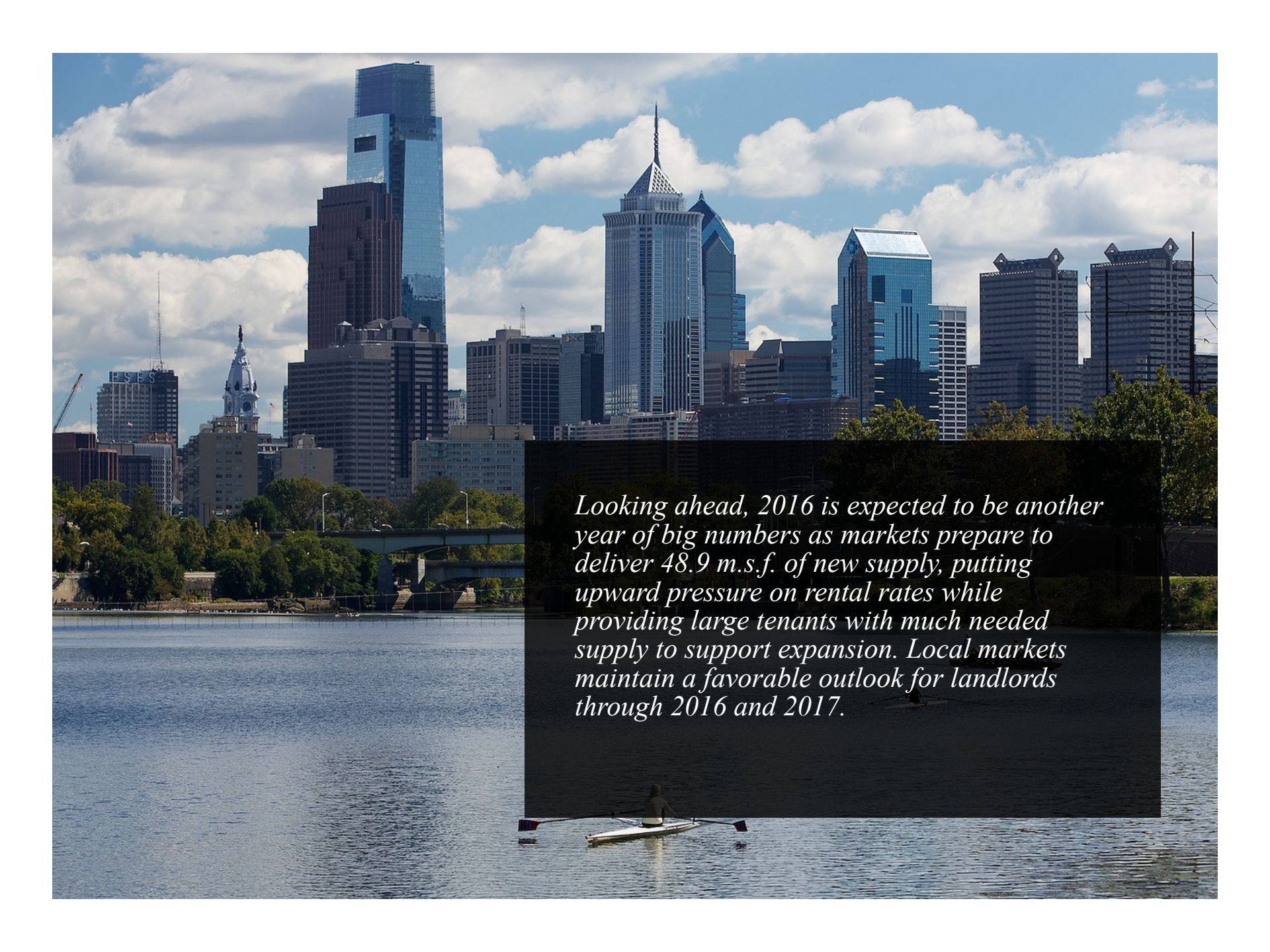
Source: JLL Research, September 2015

# U.S. core product office suburban cap rates

Sub 6-8% level in most primary and rising secondary markets



Source: JLL Research, September 2015



*Looking ahead, 2016 is expected to be another year of big numbers as markets prepare to deliver 48.9 m.s.f. of new supply, putting upward pressure on rental rates while providing large tenants with much needed supply to support expansion. Local markets maintain a favorable outlook for landlords through 2016 and 2017.*



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