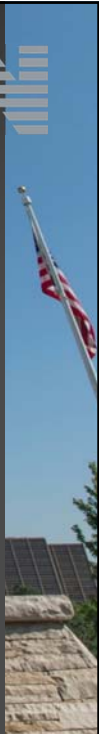


SOUTHEAST SUBURBAN MARKET UPDATE



**Newmark Grubb
Knight Frank**

Jeff Castleton
Executive Managing Director



Southeast Suburban Office - Fast Facts



Absorption
YTD 2Q15 **328,000 sf**

Inventory **27.8 msf**

Vacancy **12.5%**
As of 2Q 2015

Rental Rates **\$26.00/sf**
Class A
An all-time high!
Year-over-year growth rate **3%** Class A

Available Large Blocks 100,000 sf +

4	11	10	10
2Q12	2Q13	2Q14	2Q15

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Total Office Market Balance

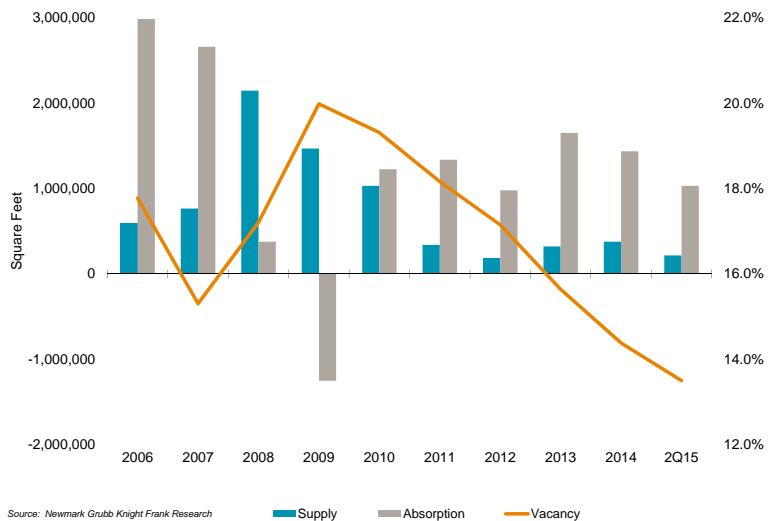


MARKET PULSE

ABSORPTION
4Q15 vs. 2Q15
UP
PROJECTED
UP

VACANCY
4Q15 vs. 2Q15
DOWN
PROJECTED
DOWN

RENTAL RATES
4Q15 vs. 2Q15
UP
PROJECTED
UP



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Southeast Suburban Market Balance

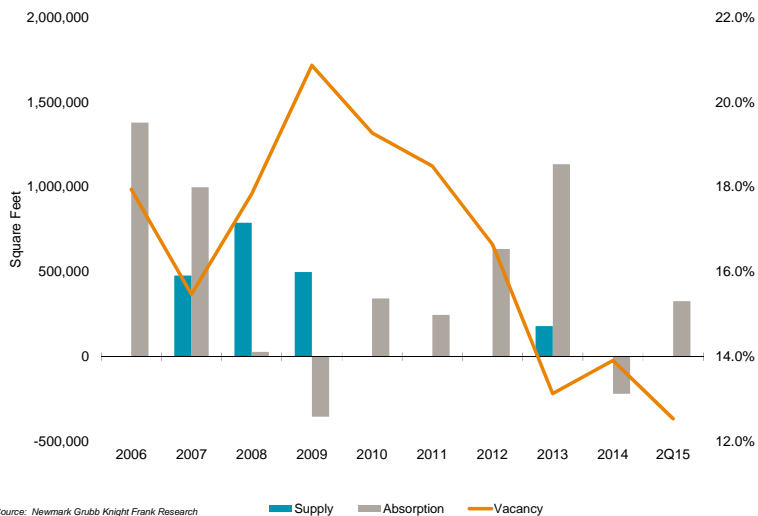


MARKET PULSE

ABSORPTION
4Q15 vs. 2Q15
UP
PROJECTED
UP

VACANCY
4Q15 vs. 2Q15
DOWN
PROJECTED
DOWN

RENTAL RATES
4Q15 vs. 2Q15
UP
PROJECTED
UP



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Investment Sales Driving Rent Increases



Village Center Station I
6380 S. Fiddlers Green Cir

Total SF:
234,915
Sale Price:
\$76,700,000
\$/SF:
\$327

Quarter Sold:
2Q15



7601 Technology Way

Total SF:
192,000
Sale Price:
\$50,810,801
\$/SF:
\$265

Quarter Sold:
2Q15



DTC Crossroads
7595 Technology Way

Total SF:
191,402
Sale Price:
\$35,000,000
\$/SF:
\$183

Quarter Sold:
2Q15



URS Center
8181 East Tufts Avenue

Total SF:
185,256
Sale Price:
\$36,050,000
\$/SF:
\$195

Quarter Sold:
1Q15



Greenwood Corporate Plaza (6 Buildings)

Total SF:
616,098
Sale Price:
\$91,000,000
\$/SF:
\$148

Quarter Sold:
1Q15



198 Inverness Drive West

Total SF:
160,851
Sale Price:
\$42,000,000
\$/SF:
\$261

Quarter Sold:
4Q14



ParkRidge One
10475 Park Meadows Dr

Total SF:
166,708
Sale Price:
\$43,000,000
\$/SF:
\$258

Quarter Sold:
3Q14



Waterview I, II, & III

Total SF:
365,985
Sale Price:
\$66,850,000
\$/SF:
\$183

Quarter Sold:
3Q14



Stanford Place II
7979 East Tufts Avenue

Total SF:
366,184
Sale Price:
\$56,100,000
\$/SF:
\$153

Quarter Sold:
2Q14

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New Development



2008

Palazzo Verdi
300,000 SF

Lincoln Station
164,542 SF

Panorama Corp. Center IV
137,288 SF

Parkside Office Plaza at Inverness
98,445 SF

Maroon V
88,584 SF

Total 788,859 SF

*Last Spec Development:
Village Center Station I
Delivered 3Q09*

58% of SES Inventory – 30+ Years Old

Recession and Restraint

2015



One Bellevue Station
Site: 320,000 SF
Delivery: Oct. 2016
Developer: Prime West



CoBank HQ-Village Center Station
Site: 276,000 SF
Delivery: Oct. 2015
Developer: Shea Properties



Charles Schwab – Bldg 3
Site: 183,000 SF
Delivery: Oct. 2015
Developer: Owner BTS

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Trends for Southeast Suburban Submarket



Fundamentals to remain sound

- Leasing activity good – not great
- East/West dynamic driven by light rail

Aged inventory blurring the lines between classes

- Class AA holding premium rates
- Rate compression between Class A and refurbished Class B properties

Market remains bifurcated

- Landlords holding large blocks with promise of premium rates
- More large blocks than large tenants
- Next wave of large tenant demand?

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Trends for Southeast Suburban Submarket



Investment market continues to be strong

- New pro formas driving rate growth
- Increasing values will impact property taxes

All eyes on new developments

- Last spec development delivered 3Q09
- TOD will continue as primary driver
- One Belleview Station is a bellwether for the submarket

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