United States | Q2 2020

Research

Office Outlook

The outbreak of COVID-19 ground office market activity to a halt, with the path to recovery clouded in uncertainty

What's inside?

3 key trends

1 **Leasing dropped by an unprecedented 53.4% in Q2 as shelter-in-place ordinances, wait-and-see decisions by occupiers and additional time spent negotiating critical components of leases.**

2 **The office market recorded 14.2 million square feet of occupancy losses, bringing year-to-date net absorption to -8.4 million square feet.**

3 **Sublease vacancy rose by 5.2 m.s.f. in Q2, with a further 15.5 m.s.f. of additional new shadow space becoming available although not yet vacant.**

The health, policy, economic and financial disruption stemming from the COVID-19 pandemic continues to create a fluid and evolving environment for the office market. Although data from Q2 is providing greater clarity about conditions and the short-term real estate outlook, there remains significant uncertainty surrounding market dynamics and long-term trajectories and, as a result, we will continue to monitor fundamentals closely as the situation unfolds. Please feel free to contact us if we can assist.

After a subdued Q1 only partially affected by the outbreak of COVID-19, the U.S. office market witnessed widespread disruption during the second quarter of 2020.

Widespread work-from-home programs obscured future space requirements and state and local mandates effectively ceased tour activity, causing leasing volume to plummet. Absorption and asking rents both trended into correction territory. At the same time, the sublease market – traditionally one of the bellwethers for the future of office – is broadening quickly after numerous quarters of stability. Heading into the second half of 2020, all eyes will be on the ability of states to withstand or contain a potential second wave of COVID-19 as well as tenants' response to re-entry that began gradually in June.

Leasing stalled as tenants grappled with social distancing measures

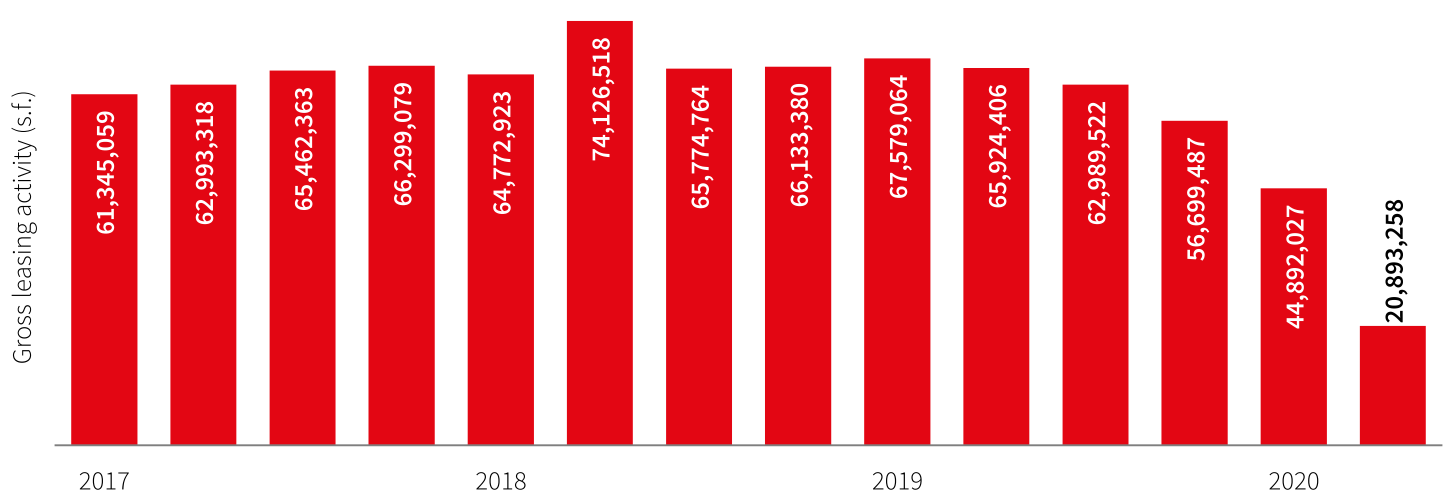
Gross leasing volumes dropped by an unprecedented 53.4% in Q2 as a result of shelter-in-place ordinances, wait-and-see decisions by occupiers and additional time spent negotiating critical components of leases. On an industry basis, leasing was essentially tied between finance and tech on aggregate, with larger deals mainly stemming from government, health and health insurance. After driving 38% of all occupancy growth in 2018 and 2019, the coworking sector halted leasing activity and several operators engaged landlords to restructure existing deals.

The largest lease this quarter came from PG&E consolidating its Bay Area offices into a new HQ in Oakland. Without this 900,000-square-foot injection of demand, the market would have been down around 56% in overall activity. Additionally, a significant share of activity stemmed from federal requirements throughout the DC metro area that were expected to proceed irrespective of COVID-19.

On the other hand, Microsoft, TikTok and Walmart Labs were some of the few, but notable, transactions from companies continuing to expand. In all three cases (Midtown Atlanta and Reston for Microsoft, Times Square for TikTok and Herndon for Walmart Labs), this took place in higher-profile submarkets.

With the majority of demand in a state of pause, we expect some degree of rebound in Q3 and Q4 for gross leasing volumes as timelines become easier for occupiers and enable leases to come to execution, although there may be some additional lag due to health concerns or macroeconomic uncertainty.

After a 20.8% drop in Q1, leasing collapsed by a further 53.4% during the second quarter

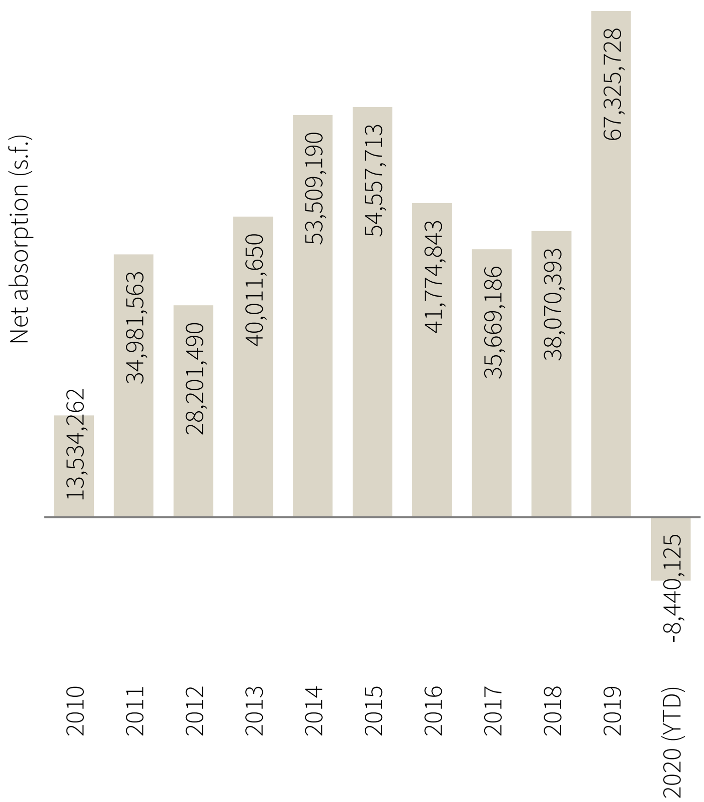


Source: JLL Research

Occupancy turned negative as give-backs accelerated

After a subdued but still positive first quarter, the office market recorded 14 million square feet of occupancy losses, bringing year-to-date net absorption to -8.4 million square feet, or -0.2% of inventory. Broken out by class and geographic segments, only suburban Class A product has seen expansion over the course of 2020 at 3.9 million square feet (aided largely by flight to quality and expansion into new campuses), whereas a -0.8% rate of occupancy loss led to the most acute shift being in CBD Class B properties.

More than 14 m.s.f. of occupancy losses in Q2 brought YTD absorption to -8.4 m.s.f.



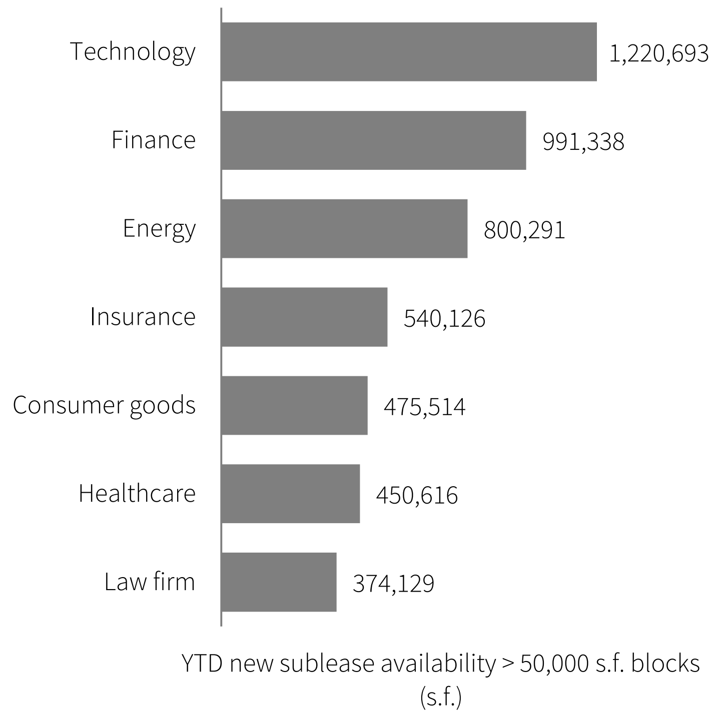
Source: JLL Research

New York and San Francisco were responsible for 26.7% of all net occupancy loss in the second quarter, with Houston and New Jersey also recording more than 1 million square feet of contraction. Sun Belt markets that had been powerhouses in the quarters leading up to the onset of COVID-19 were more muted, ranging from slight contraction (Austin, Charlotte, Orlando, Phoenix) to moderate expansion (Atlanta, Nashville, Tampa). Structural demographic shifts – namely sustained inbound migration – will likely lead to a faster recovery for these geographies than the U.S. as a whole.

Sublease vacancy is trending upwards, with shadow space increasingly prevalent

Total vacancy rose by 60 basis points to 14.8% after a gradual but steady decline in recent years. Quarterly growth in vacancy was similar both in terms of asset class as well as CBD/suburban bifurcation, underlining the widespread effects of COVID on the market.

More than 1.2 m.s.f. of large sublease availabilities has come from tech and set to rise further



Source: JLL Research – only for sublease blocks > 50,000 s.f.

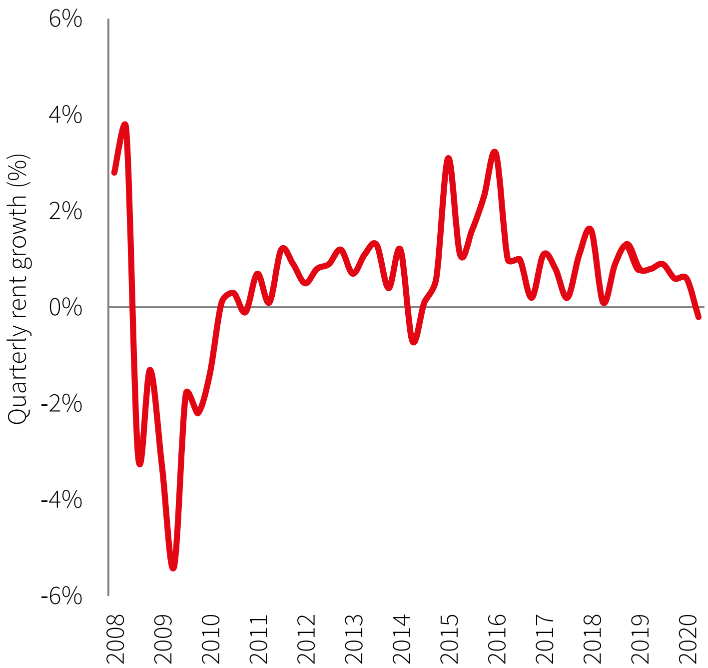
Sublease space rose by 5.2 million square feet (+10.6%) to 61 million square feet as give-backs accelerated from a combination of relocations and remote work plays; this comes after more than five consecutive quarters of extraordinary stability. Sublease vacancy has risen more than six times as fast are direct vacancy and is likely to grow even more as an additional 15.5 million square feet of new sublease availabilities has hit the market over the past three months and will take additional time to be vacated. This shadow space is likely to be a significant influence on broader market dynamics.

At the market level, sublease space has been growing particularly acutely in the East Bay (+94.4%), Orlando (+90.3%), San Francisco (+71.4%), Charlotte (+62.7%), Denver (+53.1%), Raleigh (+44.9%) and Pittsburgh (+41.0%), nearly all of which are highly exposed to volatility from tech, finance, energy or tourism.

Rents are entering correction territory

Asking rents declined by 0.2% in Q2, bringing year-over-year increases down a further 100bp to 2.9%, the first time below 3.0% since 2018. Sublease space priced at a substantial discount to direct space will likely create additional pricing pressure through year-end.

Asking rents fell by 0.2% in Q2 as landlords began to adjust pricing and lower-priced blocks hit the market



Source: JLL Research

Quarterly rent changes at the market level are inconsistent, even within the Bay Area, where declines in San Francisco, the Peninsula and the East Bay were countered by a 1.9% increase in Silicon Valley. Trajectories moving forward will be on a market-by-market basis and determined based on the ability of tenant demand to recover compared to the rate and composition of space both given back and delivered.

In all cases, net effective rents will be under severe strain and move more firmly into negative territory given additional rental abatement and incrementally higher tenant improvement allowances for active deals.

Delayed construction timelines will lead to a spike in completions near year-end

Development activity was largely unchanged at 134 million square feet as state and local mandates halted construction activity and pushed out timeframes into Q3 at best and potentially 2021 for some deliveries expected this year. As a result, we expect a spike in completions more intense than previously projected, leading to a more rapid resultant increase in vacancy.

Numerous very large deliveries are going to hit the market in the coming quarters, further reshaping the office landscape. These include One Vanderbilt and 425 Park Avenue in New York, Bank of America Tower and 167 N Green Street in Chicago, Rainier Square in Seattle, Block 162 in Denver and additional phases of Sentinel Square and Capitol Crossing in DC, all of which are more than 500,000 square feet and in many cases still with significant availability for tenants seeking quality space and likely adding more second-generation blocks to the commodity sublease market. New groundbreakings are likely to be minimal as construction lending tightens and future demand remains uncertain.

Local markets

Atlanta

Net absorption remains positive as asking rates dip below $30 per square foot

- Class A space recorded 225,675 square feet of net occupancy gains in the second quarter, leading to a direct vacancy rate of 16.6%, where it's hovered since Q1 2019.
- Meanwhile, the Class B market posted 219,113 square feet of negative net absorption this quarter, with a direct vacancy rate of 18.8%.
- The development pipeline remains over 4 million square feet, even after the delivery of 300 Colony Square in Midtown.

After positive rent growth and absorption in the first quarter, Atlanta office space is now seeing signs of slowing activity, reflected in its numbers. Absorption remains positive this quarter, albeit only marginally at 14,943 square feet. As occupiers and investors combat the challenges of COVID-19, sublease space entering the market has been a common occurrence, with 1.3 million square feet currently vacant. However, there have also been notable move-ins this quarter: Siemens Energy, PrimeRevenue and Acoustic all took up space, in the Northeast, Downtown and Central Perimeter submarkets, respectively, adding 180,993 square feet to this quarter's total net absorption.

Total average asking rates decreased to $29.80 per square foot, down from $30.50 in the first quarter. However, this is likely due to more space being on the market rather than landlords lowering their assets' asking rates. Historically, Atlanta landlords have opted to adjust concessions rather than asking rates, leading to a more consistent growth pattern over previous cycles. Another factor that may affect rents in the future includes the development and lease-up of new product, though it is unlikely the metro will see any other major projects kick off in 2020.

Outlook

The construction pipeline remains above 4 million square feet, with the majority of buildings positioned in the Midtown submarket. Including build-to-suit projects and reported leasing activity, the current pipeline is 67.4% pre-leased, pointing to another two-to-three years of expected large move-ins for the metro. Supply will continue to outpace demand, at least through the near-term, while concessions for Class A and Trophy relocations and new leases remain at historical highs. As a low-density, car centric market, supported by a low-cost of living and doing business, Atlanta remains well-positioned for recovery.

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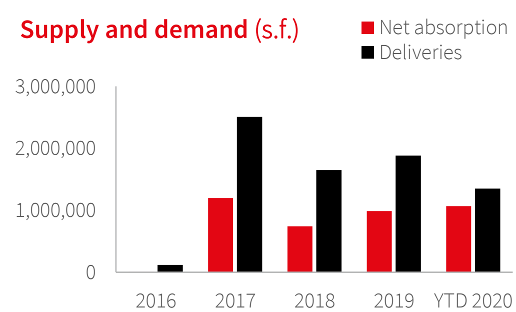
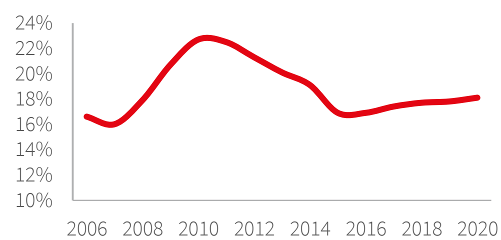
Fundamentals	Forecast
YTD net absorption	1,066,429 s.f. ▶
Under construction	4,051,080 s.f. ▼
Total vacancy	18.1% ▲
Sublease vacancy	1,337,459 s.f. ▲
Direct asking rent	$29.80 p.s.f. ▶
Sublease asking rent	$24.41 p.s.f. ▼
Concessions	Increasing ▲

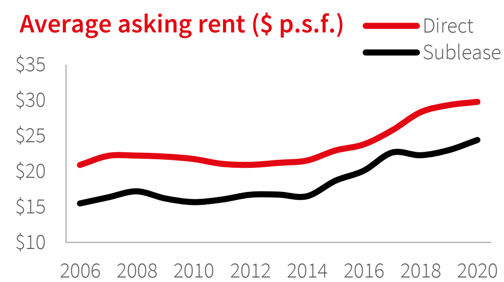
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Austin

Vacancy remains stable as value-oriented submarkets lead in leasing activity

- Austin's inventory remained stable at just over 57 million square feet as completions slowed due to delayed construction timeframes.
- Overall vacancy rates increased from 10.0% in Q2 2019 to 10.6% in Q2 2020.
- Austin's overall average asking rent is $51.68, up 11% from $46.61 in Q2 2019.

While net absorption remained positive for the year, Austin's office environment experienced 264,517 square feet of net occupancy losses in Q2 2020. In a reversal of roles, traditionally value-office oriented submarkets outperformed historically high-growth submarkets. For example, the CBD and Northwest submarkets have consistently been two of the strongest submarkets, but accounted for 62% of the negative absorption this quarter. Conversely, submarkets with primarily Class B inventory, such as the Northeast and Southeast submarkets, saw an atypical increase in positive absorption. A relatively low vacancy rate and strong construction activity have allowed average asking rents to remain steady through Q2.

Construction activity remained stable with only two projects delivering this quarter: Lantana Pass Building 3 (Southwest – 20,858 s.f.) and Penn Field E (South – 44,205 s.f.). Although there were no additional groundbreakings this quarter, construction activity remains robust with over 5 million s.f. under construction across the city, approximately 36% of which is preleased.

Outlook

The Austin office market appears to remain resilient through the first half of 2020. For example, during the Great Recession of 2008, Austin's Class A rents experienced less than a 4% decline. Since the Financial Crisis, Austin has seen a 67% increase in Class A rents, one of the largest increases of any major market in the United States. However, as we continue to see the effect of the COVID-19 shift the overall economic environment, JLL will be monitoring the Austin market closely in the second half of 2020. Looking forward, an increase in vacancy is possible, as leasing activity may slow, while several new projects deliver.

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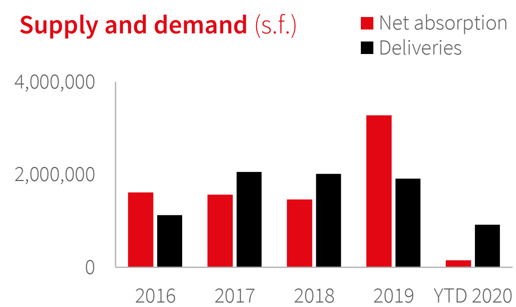
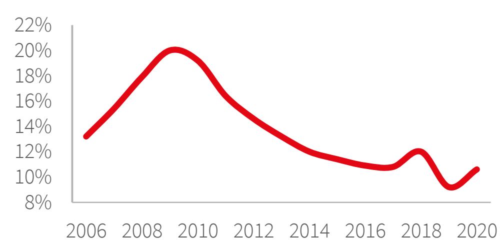
Fundamentals	Forecast	
YTD net absorption	154,607 s.f.	▼
Under construction	5,404,186 s.f.	▶
Total vacancy	10.6%	▲
Sublease vacancy	862,824 s.f.	▲
Direct asking rent	$51.68 p.s.f.	▶
Sublease asking rent	$36.13 s.f.	▶
Concessions	Stable	▶

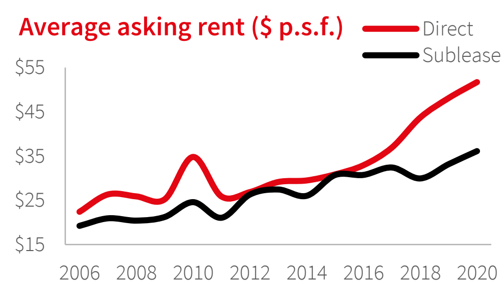
Supply and demand (s.f.)



Total vacancy



Average asking rent ($ p.s.f.)



Baltimore

Suburban submarkets saw significant leasing activity while tenants in the market downtown resume touring

- Leasing velocity was strong with 21 deals over 10,000 square feet signed
- Over 1.6 million square feet of leases expire downtown over the next two years, at a time when available large blocks of quality space are limited
- The development pipeline continues to empty out, as new groundbreakings are unlikely without significant tenant preleasing

The Baltimore metro tallied only 60,000 square feet of net occupancy growth this quarter, as many tenants delayed lease signings and move-ins, especially in Baltimore City. Despite low occupancy gains, 21 leases over 10,000 square feet were signed in the quarter, including 14 renewals. Activity was led by Enterprise Community Partners which signed a 76,300-square-foot renewal in Downtown Columbia.

Defense and cybersecurity contractors remain a bright spot in both leasing and touring activity, led by contract awards generated out of Fort Meade. These industries contributed to over 100,000 square feet of leases signed this quarter.

The construction pipeline has hit a low for the cycle, with only 142,011 square feet under development. After the completion of Wills Wharf in Harbor Point during the quarter, there are no leasable ground-up construction projects currently underway. The renovations at 1020 W Pratt St in Downtown Baltimore and 226 Schilling Cir in Hunt Valley are now the only active projects in the market.

Outlook

Over 1.6 million square feet of tenant expirations are set to occur in Downtown Baltimore over the next two years. While market dynamics have led to relatively few quality blocks of Class A space, current economic conditions could spur more renewals instead of new construction kicking off.

From an industry standpoint, the market's non-cyclical government contracting footprint, particularly in cybersecurity, will help offset projected losses from more economically exposed industries. Defense spending on cybersecurity has so far kept pace with the upward trajectory of the past several years and is expected to continue this growth in the coming quarters as the government continues to prioritize IT spending and investments in cyber defense.

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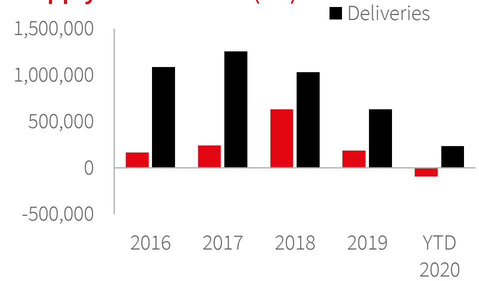
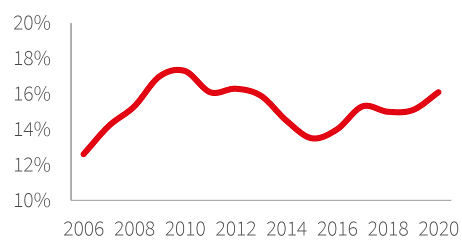
Fundamentals		Forecast
YTD net absorption	-94,772 s.f.	▼
Under construction	142,011 s.f.	▼
Total vacancy	16.1%	▲
Sublease vacancy	579,698 s.f.	▲
Direct asking rent	$25.46 p.s.f.	▶
Sublease asking rent	$24.07 p.s.f.	▼
Concessions	Stable	▶

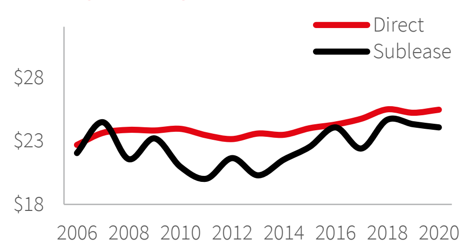
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Boston

COVID's effect across Boston thus far limited to increases in sublease space and a slowdown of activity

- 1.4 million square feet of sublease space was added across the market, the most added in a single quarter since 2004.
- The pace of lease transactions slowed significantly, as 29% of office requirements put their processes on hold due to COVID-19.
- Rents decreased by 1%, driven entirely by the CBD where rents fell by 1% in Class A and 3.8% in Class B.

Boston's significant reduction in lease and sales transactions was not unique compared to the US, but noteworthy nonetheless. 786,000 square feet of space across 52 deals was finalized in the three months following the start of the COVID-19 lockdowns. The 3-month average since 2017 is nearly four times higher, at 2.8 million square feet. The deal pipeline is holding up, though. 63% of office deals are proceeding as-is, and 88% of lab deals.

Life sciences remains a bright spot for the market, with leasing at about two-thirds its normal volumes. Venture capital funding is at a near-record pace in 2020, and development activity remains elevated. Q2's most noteworthy sale was a lab deal; The Post in Waltham was acquired for $744 per square foot.

Construction in Boston resumed on May 26th after a 10-week moratorium. Sites are attempting to make up for lost time while implementing health and safety measures. Winthrop Center proposed lopping off 66 residential units from its mixed-use tower while leaving its 774,000 square feet of office intact.

The most immediate impact of COVID-19 is apparent in the sublease market. More than 800,000 square feet has been added in the CBD, lead by TripAdvisor, Toast and Lola. However, approximately 40% of all space added since March was not precipitated by COVID. There were 3,400 layoffs across Metro Boston's office-using firms in April, yet only 500 announced since then.

Outlook

With so many deals proceeding or expected to resume, the coming months should see an uptick in activity from what is likely its nadir in Q2. Landlords are holding rents steady. Three-quarters of buildings maintained asking rents from Q1; 16% lowered them while 8% had increases. Concessions will grow, so far in the CBD they are up about 2%. And like previous market shocks, the full impact on rents is likely to emerge 2-3 quarters later.

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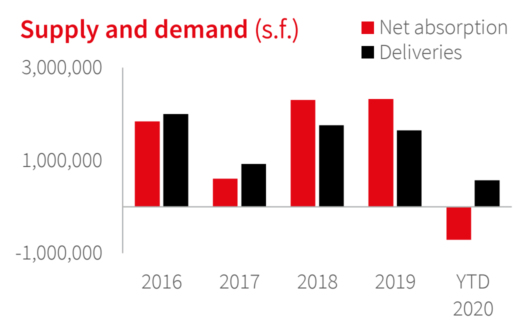
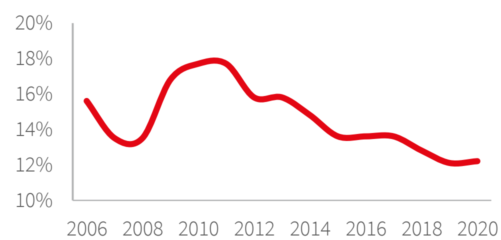
Fundamentals	Forecast
YTD net absorption	-710,634 s.f. ▼
Under construction	9,142,177 s.f. ▲
Total vacancy	12.2% ▲
Sublease vacancy	2,545,247 s.f. ▲
Direct asking rent	$46.11 p.s.f. ▼
Sublease asking rent	$36.88 p.s.f. ▼
Concessions	Increasing ▲

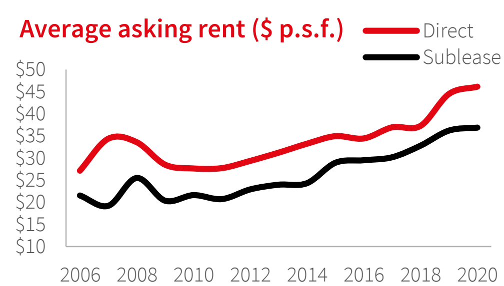
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Charlotte

Office market waits for direction as firms wait to bring employees back into the office

- Charlotte has experienced its first quarter of negative absorption since 2017.
- Negative absorption is much more pronounced in suburban submarkets as the downturn has disproportionately affected smaller firms.
- Office occupants are taking a wait-and-see approach while most employees expect to work from home through the summer.

The Charlotte market is looking for direction amid ongoing concerns related to the COVID-19 pandemic and ensuing economic disruption. Beginning in mid-March, the vast majority of office using occupations have been based at home as employers followed North Carolina's stay at home order. Even as the state has allowed for more businesses to re-open, most firms are opting to keep their workforce based at home through the summer. The duration of the extended work from home period remains to be seen. Most firms are operating with an abundance of caution and few are rushing back to offices.

Leasing activity has declined dramatically. Renewals and blend-and-extend transactions have become the largest share of transactions, accounting for 70 percent in the second quarter. However, there has not been a marked uptick in available space. Total vacancy increased marginally by 0.2 percent, an increase of only 120,000 square feet. Firms appear to be taking a wait-and-see approach to their space needs until their employees have re-entered the physical workspace.

Outlook

The second half of 2020 will likely bring increased vacancy and potential rent declines. Fewer firms are looking to actively expand and much of the corporate migration that buoyed Charlotte's office market is now on hold.

The Charlotte region is in a better position to navigate a downturn than it was a decade ago during the financial crisis. The region's increasingly diverse economy will provide shelter against upcoming economic headwinds. However well positioned, the ongoing economic disruption and uncertainty will not leave Charlotte unaffected and a protracted downturn will have significant negative effects to the region's office market.

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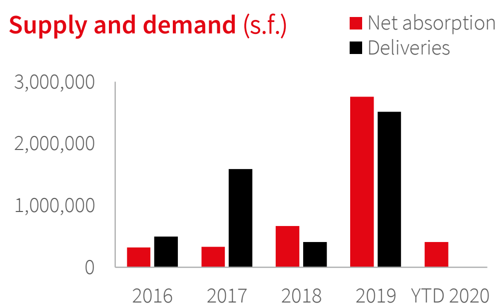
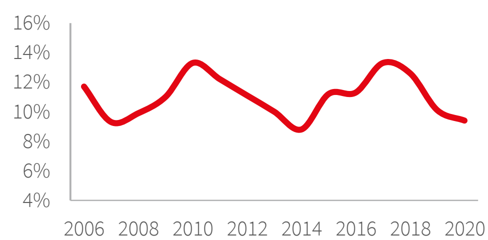
Fundamentals		Forecast
YTD net absorption	407,363 s.f.	▼
Under construction	5,394,057 s.f.	▶
Total vacancy	9.4%	▲
Sublease vacancy	312,541 s.f.	▲
Direct asking rent	$32.68 p.s.f.	▼
Sublease asking rent	$25.96 p.s.f.	▼
Concessions	Increasing	▲

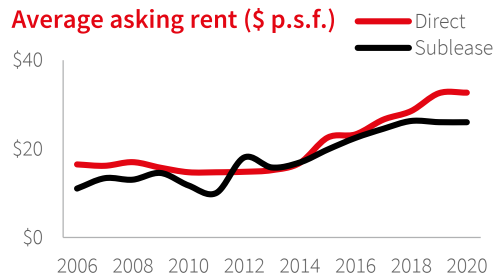
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Chicago-CBD

Vacancy remains steady, new leases slow and renewals increase

- The construction pipeline in Chicago remains strong, led by the West Loop and Fulton Market, with 4.4 m.s.f. under construction.
- Despite tours and leasing activity slowing down, total vacancy in the CBD held at the mid 12% mark.
- Leading into July, YTD absorption was 727,763 s.f., following similar patterns of recent years at this time.

In Q2, the CBD experienced slower overall activity levels, as the COVID-19 pandemic continued to drive caution among occupiers. Despite the slowdown, the market saw some noticeable new leases, in addition to several short-term renewals. The West Loop led new leasing activity, with PPC Investment Group signing for just over 29,000 s.f. at the under-construction Bank of America Tower, and NFP Insurance signed a 37,000 s.f. lease at Accenture Tower. In River North, Schiller DuCanto & Fleck signed a new lease at 321 N Clark and Willkie Farr & Gallagher signed at 300 N Lasalle, both for around 25,000 s.f. Lastly, the East Loop saw a 33,000 s.f. lease at the Aon Center by PHD Media.

As market activity has slowed, the construction industry has also reported changes in potential project delivery dates. Just over 1.5m s.f. (27%) of space in the development pipeline may be delayed, limiting the new supply in the market and perhaps helping to maintain the supply-demand balance. Despite some projects reporting slowdowns, new deliveries continued in Q2 in Fulton Market. 1375 W Fulton and 1040 W Fulton both opened in Q2 and were 25% and 100% pre-leased, respectively.

Outlook

As with the rest of the economy, the outlook for the Chicago office market will depend primarily on the duration and severity of the COVID-19 pandemic. It is anticipated that sublease availabilities and short-term renewals will continue to increase in the coming quarters, with pressure on overall vacancy rates to follow. Beyond the immediate implications, Chicago's diversified economy generally leads the city to recover more quickly from recessionary periods and we will be closely monitoring both the health conditions and the macroeconomy.

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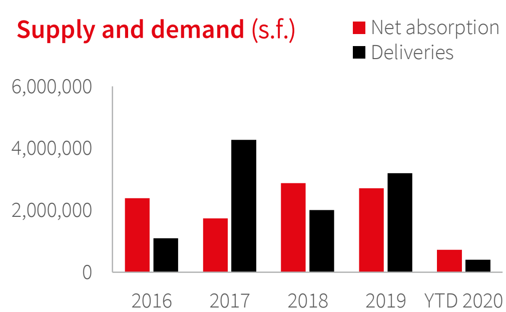
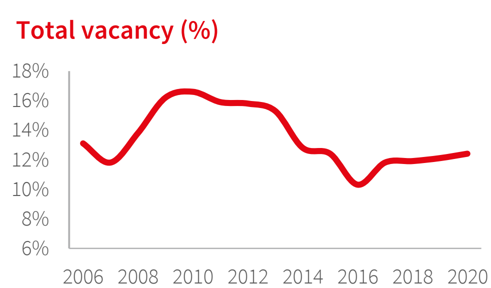
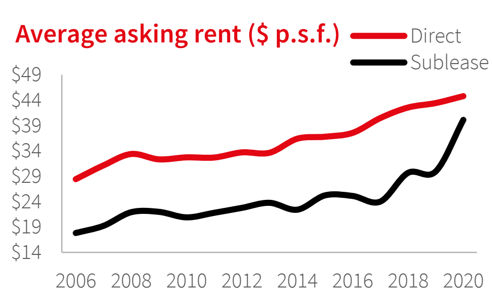
Fundamentals		Forecast
YTD net absorption	727,763 s.f.	▶
Under construction	5,530,715 s.f.	▶
Total vacancy	12.4%	▲
Sublease vacancy	1,488,139 s.f.	▲
Direct asking rent	$44.78 p.s.f.	▶
Sublease asking rent	$40.13 p.s.f.	▶
Concessions	Rising	▲







Chicago-Suburbs

Many office users focus on short-term renewals as they evaluate their long-term space needs

- Many office users turned to short-term renewals as they accounted for 61% of the leases signed in Q2.
- A re-assessment in CRE property values last year led to considerable increases in property taxes for suburban Cook County office owners.
- The city of Evanston approved a 210,000-square-foot Class A office building project by Vermilion. The building will bring much needed inventory to the tightest Class A micro-market in the suburbs with 10.9% total vacancy.

Market activity in the suburbs remained subdued due to the continued impact of COVID-19. However, not all activity was halted. On the positive side, Misumi's move-in at 1515 E Woodfield for 45,000 square feet was the largest followed by Stericycle at 2333 Waukegan for 36,188 square feet and by Kimley-Horn at 4201 Winfield for 31,600 square feet. Office rents saw minimal movement in Q2, while vacancy saw a slight uptick. For negative absorption, Mondelez relocated into their new Fulton Market HQ vacating 60,000 square feet at 3 Parkway in Deerfield. Canon vacated 22,000 SF at 425 N Martingale and Interactive Health declared bankruptcy, vacating 21,000 square feet at 1700 E Golf.

Demand for updated, quality space continued to be a notable trend. In fact, the recently renovated Naperville Class A office, The Shuman, amassed 110,000 square feet of new leases by XPO Logistics for 50,663 square feet, Lifetime for 40,091 square feet, and by Philadelphia Insurance for 22,852 square feet. The largest signed leases however, did come in the from renewals with Allstate at 9022 Heritage Pkwy, American Board of Radiology at 814 Commerce, and IMRF at 2211-225 S York Rd.

Outlook

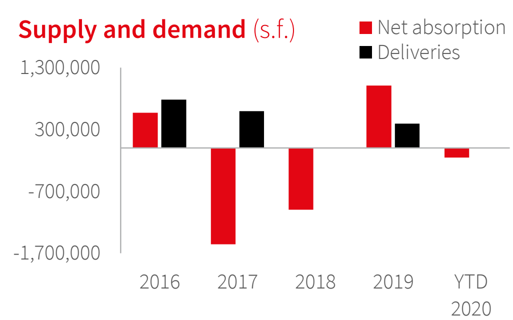
Although the COVID-19 pandemic has introduced considerable uncertainty into all markets, the Chicago suburbs may be better positioned for stability than other locations. The diversity of the tenant base is favorable and we expect continued momentum in lease renewals as tenants evaluate their long-term space and employee needs.

COVID-19 may accelerate prior trends toward multi-locational strategies (CBD & suburban) so that employees have choice in their workplaces. Buildings with high parking ratios may continue to outperform others, in terms of leasing momentum, and those which emphasize employee health and wellness will have an opportunity to differentiate their space in the market.

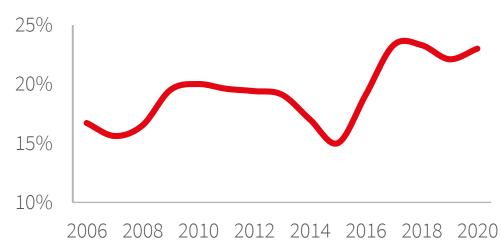
For more information, contact: Edgar Leon | Edgar.Leon@am.jll.com

Fundamentals	Forecast
YTD net absorption	-152,206 s.f. ▶
Under construction	180,000 s.f. ▲
Total vacancy	23.0% ▶
Sublease vacancy	1,459,299 s.f. ▲
Direct asking rent	$26.00 p.s.f. ▼
Sublease asking rent	$24.63 p.s.f. ▼
Concessions	Stable ▶

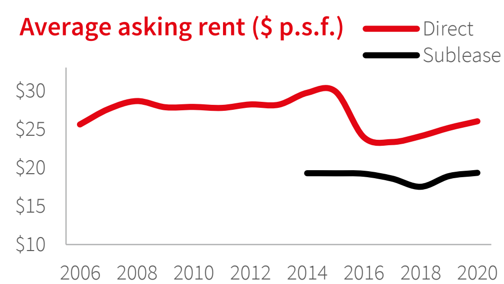
Supply and demand (s.f.)



Total vacancy



Average asking rent ($ p.s.f.)



Cincinnati

Market activity dips as tenants wait out COVID-19 impacts

- Vacancy increased slightly with Ensemble Health Partners vacating their 125,000-square-foot headquarters in Mason
- Leasing activity stalled in the second quarter with few new leases signed
- Office construction has reached its highest point in several years with just shy of 300,000 square feet of speculative construction under development

After a strong start to 2020, the Cincinnati office market saw a dip in transaction velocity throughout the second quarter. As many businesses remained shuttered over the last several months, movement within the market remained minimal, indicating that many tenants in the Cincinnati market feel it is too early to determine their future workplace needs. Most leases signed in the second quarter were renewals or expansions to existing leases. U.S. Bank signed the largest new lease at Landings II for just over 24,000 square feet. In addition, no large amounts of sublease space have come onto the market since the COVID-19 pandemic, again showing that many tenants in the Cincinnati market have taken a wait and see approach to see how things will evolve over the coming months.

While activity slowed as expected within the second quarter, several construction projects are continuing track. The construction pipeline is currently the most active it has been in several years. Build-to-suit projects for the University of Cincinnati and Atlas Air are currently underway totaling nearly 300,000 square feet. In addition, speculative development is on the rise for the first time in several years with Uptown Gateway under construction in the CBD Peripheral submarket, and the Sandstone at Kenwood under construction in the Kenwood submarket. After several slow years of development activity, construction has started picking up. Along with multiple active projects, several other developments are in the pipeline with plans to break ground in the latter half of 2020 and the beginning of 2021.

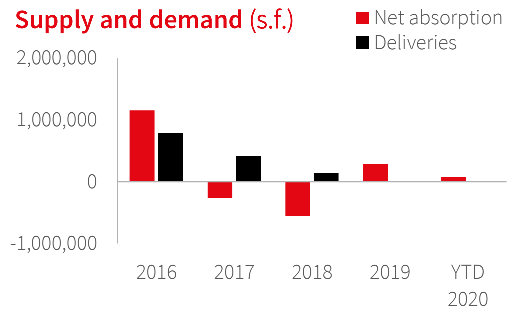
Outlook

As we head into the second half of 2020, a lot of uncertainty remains as the pandemic continues to exist within the United States. With businesses beginning to reopen, it is likely that activity will begin to pick back up, but momentum will be slow as tenants in the market try to determine changing office dynamics and future space needs.

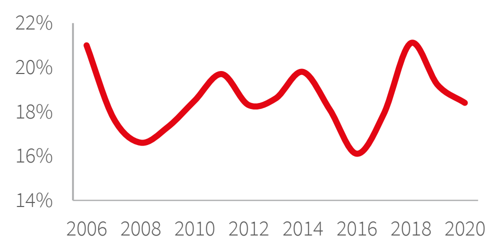
For more information, contact: Abby Armbruster | abby.armbruster@am.jll.com

Fundamentals		Forecast
YTD net absorption	73,693 s.f.	▲
Under construction	596,083 s.f.	▲
Total vacancy	18.9%	▶
Sublease vacancy	443,746 s.f.	▶
Direct asking rent	$20.57 p.s.f.	▶
Sublease asking rent	$17.03 p.s.f.	▶
Concessions	Stable	▶

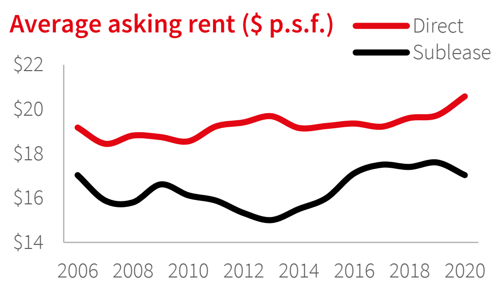
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



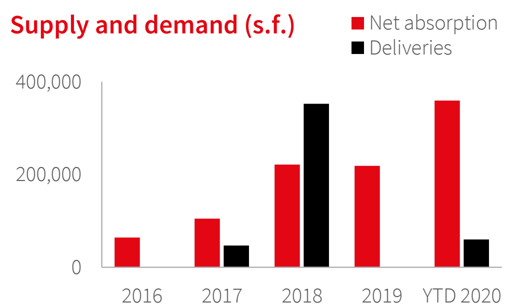
Cleveland

Market activity stalls while rents and vacancy hold steady

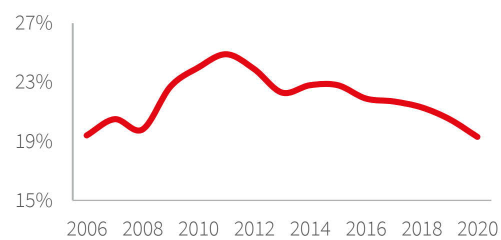
- Market activity declined significantly in the second quarter. Leasing activity was down 46.6% and sales volume was down 71.3%.
- Very few office requirements have been canceled all together. The majority of requirements were simply put on hold for a few months.
- The impact of COVID-19 and the resulting recession on vacancy and rent trendlines will likely take a couple quarters to become apparent.

Fundamentals	Forecast
YTD net absorption	359,290 s.f. ▼
Under construction	20,000 s.f. ▼
Total vacancy	19.3% ▲
Sublease vacancy	203,719 s.f. ▲
Direct asking rent	$20.02 p.s.f. ▼
Sublease asking rent	$19.00 p.s.f. ▼
Concessions	Rising ▲

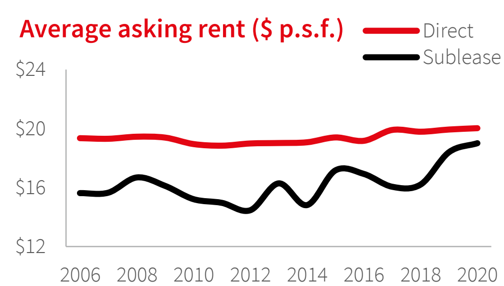
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Market activity declined significantly in Cleveland during the second quarter due to COVID-19 and the statewide shelter-in-place order. Leasing activity was 46.6% below historical averages while sales volume was down 71.3% on an annualized basis. Most leases at the signing stage were completed, while deals earlier in the pipeline have been delayed as business leaders determine what their real estate needs will be in a post-pandemic world. Specific to tenants in the market, very few office requirements have been canceled all together. Instead, the majority of requirements were simply put on hold for a few months. By June, some of those tenants had re-engaged their brokerage firms and were proceeding with market evaluations.

While market activity came to a standstill in the second quarter, market fundamentals remain relatively unchanged. Rents are up 1.1% year-over-year to $20.02 per square foot while over 350,000 square feet of positive absorption pushed vacancy rates down to 19.3%. The largest move-in during the second quarter was Medical Mutual, which consolidated several suburban offices into 325,000 square feet at the former American Greetings headquarters in Brooklyn. Meanwhile, Sherwin-Williams is proceeding with its planned 1.0 million-square-foot headquarters downtown and a 500,000-square-foot R&D facility in Brecksville. Construction will be completed in 2023.

Outlook

Leasing volume will remain muted through the end of the year as companies wait out COVID-19 and reimagine the office of the future. Furthermore, the impact of COVID-19 and the resulting recession on vacancy and rent trendlines will likely take a couple quarters to become apparent. Looking forward, as companies embrace expanded work-from-home policies and a distributed workforce, Cleveland could be a benefactor of job migration given the region's low cost of living and high quality of life.

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Columbus

Activity pauses as office users assess path forward

- Leasing activity totaled 220,000 square feet in the second quarter compared to 830,000 square feet in the first quarter
- Total vacancy increased a modest 30 basis points with an additional 80,000 square feet of sublease space coming on the market
- Stalled activity in the second quarter is largely due to office users reassessing both their expansion and rightsizing strategies

Stalled activity in the second quarter suggests that office users across the Columbus market are taking a step back and pausing major real estate decisions. The office market did not experience a significant flight of tenants from their current commitments. Roughly 80,000 square feet of additional sublease space contributed to an absorption figure of negative 124,000 square feet for the quarter. Total vacancy only increased 30 basis points as a result. The primary storyline of the second quarter is the difference in total leasing activity compared to the first quarter.

There was roughly 220,000 square feet of leasing activity in the second quarter compared to 830,000 square feet in the first quarter. Of the 220,000 square feet that JLL Research tracked, just over 50% were renewals. This could evolve into a trend as the year progresses with more office users weighing their future real estate options and opting for short term renewals. With that said, flight to quality is a trend that will likely remain, and the Columbus market is in a position of strength moving forward. Over 1.0 million square feet of Class A speculative product is currently under construction, a much-needed pipeline as more companies across the U.S. identify the cost advantages of expanding into the Columbus market.

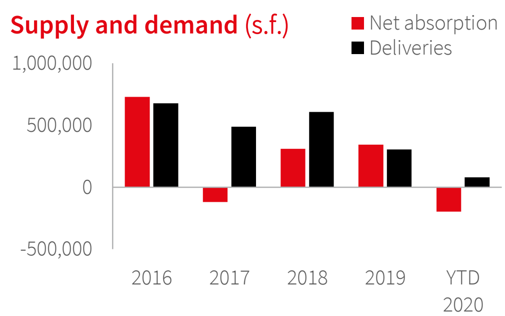
Outlook

Class A vacancy for the market is currently 13.2%, with the CBD submarket sitting at just 6.6%. This total will inevitably increase with the current construction pipeline, but prior preleasing activity at projects like Bridge Park, Pointe at Polaris II, and the Easton Urban District may minimize the impact. The new product coming online may also ensure the average asking rent continues its steady rise for the market. The second quarter did not experience a drop in direct average asking rates but sublease asking rates dropped by $1.51 per square foot.

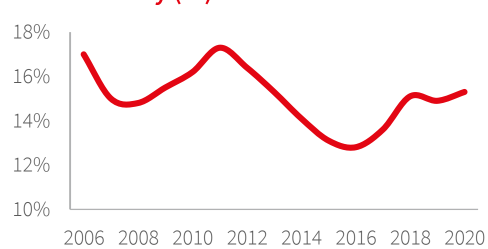
For more information, contact: Sam Stouffer | sam.stouffer@am.jll.com

Fundamentals		Forecast
YTD net absorption	-197,441 s.f.	▼
Under construction	1,095,176 s.f.	▼
Total vacancy	15.3%	▲
Sublease vacancy	199,440 s.f.	▲
Direct asking rent	$21.13 p.s.f.	▶
Sublease asking rent	$18.22 p.s.f.	▼
Concessions	Stable	▶

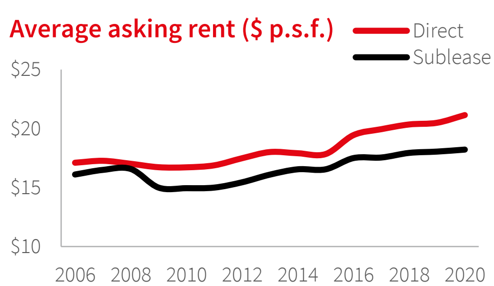
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Dallas

After the great pause, uncertainty clouds the future for Dallas and the broader U.S. office market

- Stay-at-home orders to contain the spread of the coronavirus throughout the country limited real estate activity this quarter
- Dallas saw its second consecutive negative quarter of net absorption and total vacancy was up 1.7% from the prior quarter, at 21.4%
- In prior recessions, DFW was later to enter and quicker to recover than most, but the unique nature of this downturn makes the outlook uncertain and many industry sectors are under unusual pressure

The stay-at-home orders issued in the Dallas region at the end of Q1 2020 caused a major disruption in Dallas real estate activity, extending into mid-Q2. Most office occupiers shifted employees to working from home, and the ensuing uncertainty about the health care and economic situations caused tenants to delay making real estate decisions. As the Dallas economy started to open back up in mid-May and June, tour activity increased especially for spaces that would accommodate more social distancing such as first floor spaces, or suburban locations, but was still below pre-shutdown levels, and many employees continued to work from home.

There were a few bright spots in the Dallas office market in Q2. Class A absorption was positive, at 118,000 square feet, while direct Class A absorption was even higher at 265,000 square feet. Las Colinas was the submarket with the most absorption, at 121,000 square feet for the quarter. Negative absorption was driven primarily by smaller move-outs, and sublease absorption (-200,000 square feet) was twice that of direct absorption (-98,000 square feet). Far North Dallas and the U.S. 75 Corridor, previously hotspots for activity, saw the largest occupancy decreases.

While asking rental rates are down slightly from the prior quarter, they remain up 3.0% from Q2 2019. In prior downturns asking rents stayed stable or increased for several quarters after the economy turned downward from its peak. Some increases in concessions are beginning to be seen, but deal flow has been light. We expect effective rates to decline in the next 6-12 months.

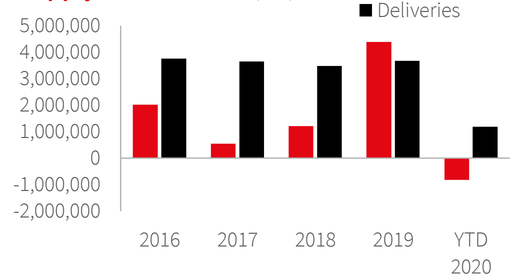
Outlook

Until there is more clarity on the health care situation, short-term renewals may continue to drive most of Dallas' leasing activity. Dallas still has a large construction pipeline, so expect overall vacancy to increase, but demand for new and higher quality space may increase in response to health concerns.

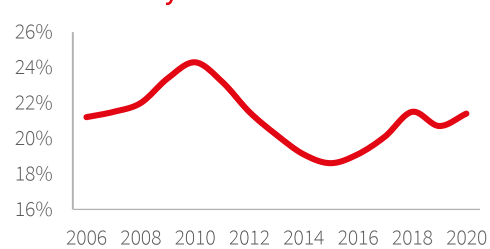
For more information, contact: Kari Beets | kari.beets@am.jll.com

Fundamentals		Forecast
YTD net absorption	-822,833 s.f.	▼
Under construction	4,246,935 s.f.	▼
Total vacancy	21.4%	▲
Sublease vacancy	2,931,732 s.f.	▲
Direct asking rent	$29.21 p.s.f.	▶
Sublease asking rent	$23.53 p.s.f.	▶
Concessions	Increasing	▲

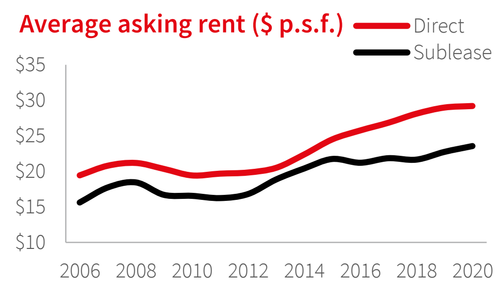
Supply and demand (s.f.)



Total vacancy



Average asking rent ($ p.s.f.)



Denver

Uncertainty dims market outlook but bright spots remain from tenant and investor interest

- Sustained oil price volatility drives pullback by energy sector tenants who are already considering smaller—or zero—footprints.
- Ongoing uncertainty is leading users to seek flexibility: shorter terms, more concessions, and smaller footprints are top of mind.
- Construction pipeline is at its shallowest since 2016, and fewer starts are expected over the near-term.

After starting 2020 in positive territory, net absorption swung deeply into the red this quarter. Several sizable, already-signed deals will occupy later this year, helping to mitigate the losses. Still, the scale of subleases being made available, coupled with tenant vacates and downsizing, has the market staring at what could be, come December, the first calendar year of negative net absorption since 2009. With 1.1 million square feet added within the last 90 days, total available sublease space swelled to 3.5 million square feet—a figure not seen since the early-2000s recession. In early April, tenants without upcoming expirations paused searches; by late-June, though, several resumed with their requirements. Energy companies remain especially vulnerable. Oil prices rebounded to early-March levels, but above-average volatility is forcing users to drastically cut footprints or fold altogether. This, in turn, continues to drive more sublease availability to the market. Despite construction delays and uncertainty, 2.5 million square feet is set to deliver by year-end 2021. With less than one-fifth of this preleased, as well as anticipated additional givebacks of space by energy users, vacancy will increase and concessions will rise.

The early 1990s and early 2000s recessions revealed Denver's vulnerability as a one- or two-sector dominated economy. When the Financial Crisis struck, the region had already diversified, so rebounding started nine quarters sooner than did the preceding two crises. Still, a market correction now seems inevitable, as it did following the last two downturns. Today's record-high rents, and a supply-side that was not overbuilt during this cycle, should have owners better positioned to weather the swing of leverage back toward users.

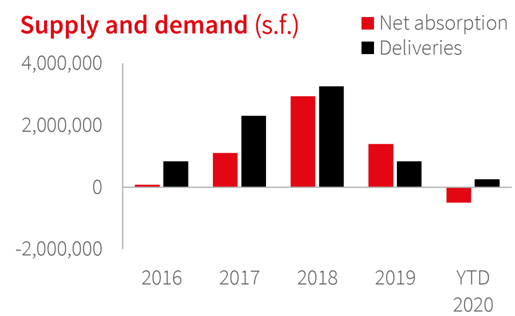
Outlook

Denver's economic boom has halted, and recovery from this recession is likely to be slow. However, our highly educated workforce comprised of prime-age talent and our diverse mix of industries should help cushion the blow and see us back to among the nation's most attractive metro areas post-recession.

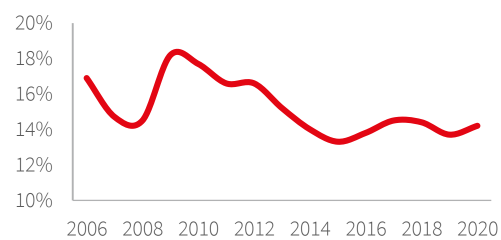
For more information, contact: Mandy Seyfried | mandy.seyfried@am.jll.com

Fundamentals	Forecast	
YTD net absorption	-498,613 s.f.	▼
Under construction	2,476,919 s.f.	▲
Total vacancy	14.2%	▲
Sublease vacancy	1,924,216 s.f.	▲
Direct asking rent	$31.90 p.s.f.	▶
Sublease asking rent	$29.68 p.s.f.	▼
Concessions	Increasing	▲

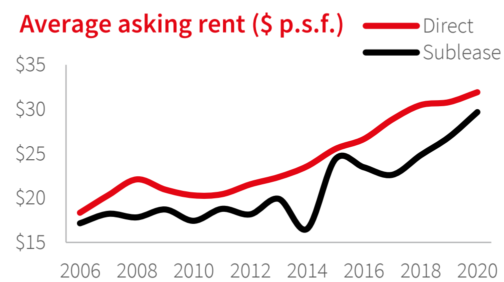
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Des Moines

Office market remains active, but leasing and sales transactions slowed as tenants decide on space needs

- 1200 Locust Street in downtown Des Moines was added to the for-lease inventory of office properties. The building was previously fully owner occupied and not included in the statistical inventory. Approximately one third of the building is available for lease. Nationwide Mutual Insurance Company owns the five story, 371,000 square foot building.
- More sublease space has come on to the office market during the quarter with 22 spaces available in the CBD and Western Suburbs.

The COVID-19 pandemic was in full effect during the quarter as many office workers worked from home and will continue the same into the third quarter. Iowa was not in full lockdown like many other states, but restrictions were in place limiting the number of people that could gather. Companies made the decision to have employees work remotely and will adapt as COVID cases change within Iowa and nationwide.

During the quarter, there were 17 leases signed with an average size of 2,935 square feet. The majority of leases were in the Western Suburbs. Although there were fewer leases signed, tenants remain active in looking for office space options, albeit at a slower pace. Requests have increased for shorter term leases and tenants are searching for turn-key spaces. Some landlords have agreed to shorter lease terms but with little to no tenant improvement allowances.

There were only five arms-length sales. The average sale price was $72 per square foot and an average building size just under 20,000 square feet.

Seven buildings in the market have contiguous space over 40,000 square feet. Four are located in the Western Suburbs and three are in the CBD. The majority of the office space under construction is Sammons Financial Group's 217,000 square foot headquarters building. The six-story building at 8300 Mills Civic Parkway will be completed at the end of 2020.

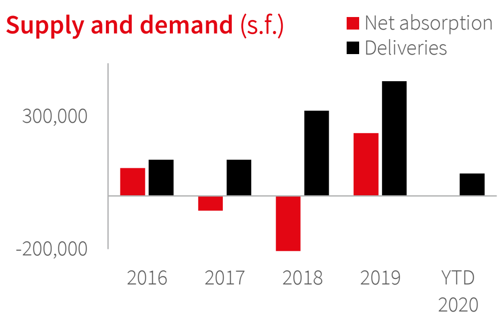
Outlook

Office tenants will continue to monitor COVID and need to make decisions regarding space sizes, office layouts and the use of technology in their respective businesses. Look out for some large office tenants to right-size and allow employees to work from home while monitoring productivity.

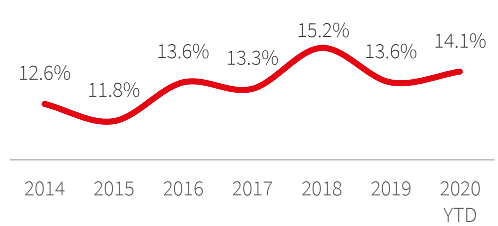
For more information, contact: Eric Land| eric.land@am.jll.com

Fundamentals	Forecast
YTD net absorption	688 s.f. ▲
Under construction	360,021 s.f. ▶
Total vacancy	14.1% ▲
Average asking rent (gross)	$20.54 p.s.f. ▶
Concessions	Rising ▲

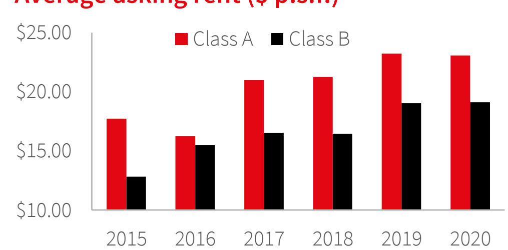
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Detroit

Detroit office market decelerates amid global pandemic

- Following a slow leasing quarter, vacancies ticked slightly upward to 18.7% market-wide, with new sublease availabilities hitting the market.
- Rent growth turned negative in the second quarter, with rents decreasing seven cents quarter-over-quarter.
- The construction pipeline remains robust, even following a temporary construction stoppage, with a few developments nearing completion.

The Detroit office market came to a halt in the second quarter, as the effects of the COVID-19 pandemic reverberated across the globe. The majority of absorption gains seen in the first quarter were nearly wiped out, as year-to-date net absorption is currently just 61,831 square feet at the end of the second quarter. Market-wide vacancies are up 20 basis points year-over-year, now at 18.7%, while Rent growth turned negative in the second quarter, with rents decreasing seven cents quarter-over-quarter.

As expected, leasing velocity slowed in the second quarter. Some of the more notable transactions include Butzel Long leasing 30,609 square feet at Columbia Center in Troy, Champion Home Builders renewing 19,624 square feet at PNC Center in Troy and IMEG Corporation leasing 15,390 square feet at the Gateway Building in Farmington Hills. Sales activity was also predictably muted, with 550 Stephenson Highway in Troy trading for $87.98 per square foot at a 10.0% cap rate, and 100 Oakbrook Drive in Ann Arbor selling for $125.00 per square foot.

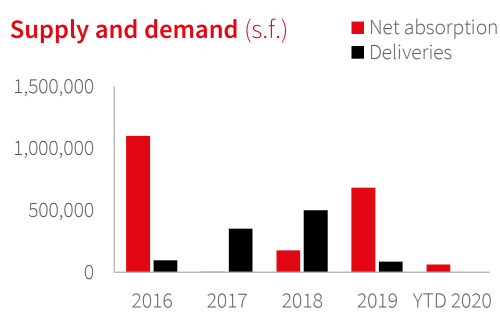
Outlook

The construction pipeline in Detroit remains healthy, with the expansion at One Campus Martius nearing completion and the Hudson's site development moving forward downtown. Meanwhile, other projects across the metro have resumed construction following a state-wide construction stoppage. We expect leasing volume to remain low through the end of the year as occupiers reassess their current needs, redesign their workspaces, and evaluate their portfolios with the new normal in mind. With companies expanding work-from-home policies and some reducing headcount, we could see tenants looking to amend or terminate leases. The future of coworking spaces, a significant occupier in Detroit, is certainly unclear given the effects of the pandemic.

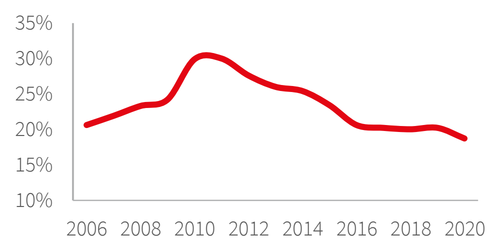
For more information, contact: Harrison West | harrison.west@am.jll.com

Fundamentals	Forecast	
YTD net absorption	61,831 s.f.	▶
Under construction	1,746,298 s.f.	▶
Total vacancy	18.7%	▲
Sublease vacancy	1,170,722 s.f.	▲
Direct asking rent	$20.03 p.s.f.	▼
Sublease asking rent	$16.43 p.s.f.	▼
Concessions	Stable	▶

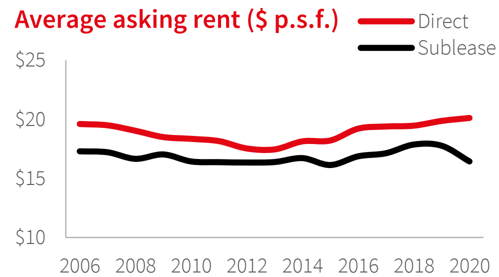
Supply and demand (s.f.)



Total vacancy



Average asking rent ($ p.s.f.)



East Bay I-680 Corridor

East Bay suburbs positioned to benefit from potential shift to more distributed workforce

- Approximately 180,000 square feet of sublease space became available since the onset of COVID-19 and shelter-in-place.
- Average asking rents were unchanged as landlords hold on to base rents and offer higher concessions.
- In an effort to maintain employee health, companies are strategizing ways to reduce density in urban cores and are considering a more distributed workforce in suburban locations.

The suburban East Bay saw an increase in total vacancy as sublease space became available in several markets along the I-680 Corridor. Since the onset of COVID-19 and shelter-in-place, approximately 180,000 square feet of sublease space hit the market, as some companies consolidate and downsize. In total, sublease vacancy is approaching one million square feet and represents 21.3% of overall vacancy in the suburbs, most of which was realized pre-COVID and over the last 24 months.

Average asking rents were stable compared to last quarter as landlords maintain base rents and offer higher concessions to incentivize tenants. Rents may begin to decline in the near future as landlords compete for those tenants in the market.

Leasing activity was limited in the second quarter, comprised primarily of short-term renewals. Nonetheless, some notable deals are in progress that are expected to close early next quarter. Touring began to pick up later in the quarter as large users approach their lease expirations or explore downsizing their footprints.

Outlook

As Bay Area cities slowly reopen, companies are beginning to strategize re-entry and occupancy plans moving forward while prioritizing employee health and well-being. Options being considered include distributed work models to reduce density in one location, continued remote work for some employees, or opening satellite offices in locations closer to their employees. The East Bay is well-positioned to benefit from a potential shift from dense urban cores such as San Francisco and Oakland towards suburban office markets along the I-680 Corridor.

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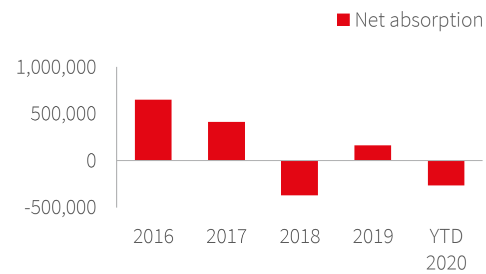
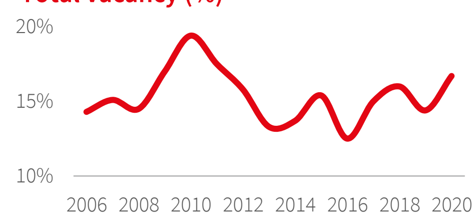
Fundamentals	Forecast
YTD net absorption	-264,713 s.f. ▼
Under construction	0 s.f. ▲
Total vacancy	16.7% ▲
Sublease vacancy	983,067 s.f. ▲
Direct asking rent	$3.20 p.s.f. ▶
Sublease asking rent	$2.56 p.s.f. ▶
Concessions	Increasing ▲

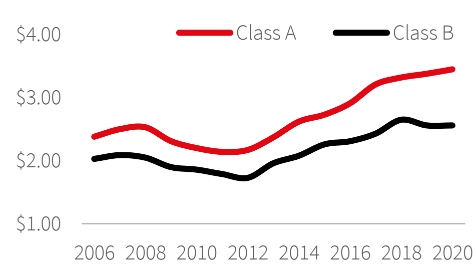
Supply and demand (s.f.)



Total vacancy (%)



Average asking rents ($ p.s.f.)



Fairfield

Fairfield County presents consistency and resiliency through COVID-19 pandemic

- Class A product experienced approximately 263,00 square feet of leasing velocity in the second quarter.
- Fairfield County's construction pipeline remains empty for new office construction with the exception of the Charter Communications HQ expansion.
- There is a trend shown for conversions of older office space to residential or mixed-use as well as adaptive reuse in retail to medical.

As in the previous quarter, leasing activity in Fairfield County remained relatively subdued, with Class A and B product combined recording 335,000 square feet of leasing velocity. New leasing activity totaled 163,000 square feet. The largest lease of the quarter was a renewal signed by Ernst & Young at First Stamford Place for approximately 36,000 square feet. Bankwell Financial Group followed suit, signing a new lease for 30,000 square feet at 258 Elm Street in New Canaan. Power Home Remodeling also took a new lease for 26,000 square feet at 60 Commerce Drive in Trumbull. The average lease size for the second quarter was recorded at 8,367 square feet, with a median lease size recording of 6,455 square feet. Overall, the county saw a decrease in its vacancy rate from 24.8 percent in the first quarter, to 24.0 percent in the second quarter, due primarily to the repurposing of the majority of 39 Old Ridgebury Road in Danbury.

Outlook

Continuing uncertainty regarding the effect of the COVID-19 health crisis and re-entry planning at this time have created a modest migration pattern of privately held companies from the New York City Metro area to the outlying suburban market, accounting for roughly 60,000 square feet of new leasing activity in Fairfield County primarily in the Greenwich Central Business District.

Although tenant activity in the second quarter consisted mainly of firms that needed to make essential moves or deals that were already in the pipeline, there had been a noticeable break in the holding pattern that existed in Q1 where companies placed their real estate decisions on hold and focused on their future business needs. Fairfield County's office tenant base continues to consist of mostly financial services, technology, and law firms that are more resilient to a crisis such as this and will be better positioned to regain their footing once the economic impacts of the coronavirus are better known.

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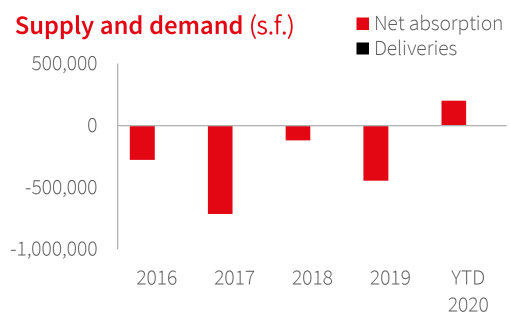
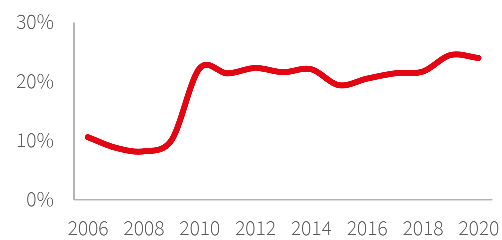
Fundamentals		Forecast
YTD net absorption	200,933 s.f.	▶
Under construction	593,800 s.f.	▶
Total vacancy	24.0%	▼
Sublease vacancy	1,821,105 s.f.	▲
Direct asking rent	$37.62 p.s.f.	▲
Sublease asking rent	$33.76 p.s.f.	▼
Concessions	Rising	▲

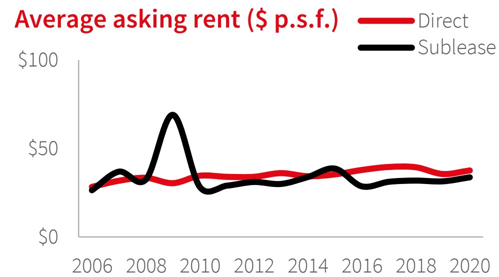
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Fort Lauderdale

Recorded move-ins from pre-COVID activity shields absorption as leasing drastically slows

- Rental rates, which were stabilizing over the past few quarters, now see slight downward pressure dropping 23 basis points and reducing year-over-year gains to less than 1%.
- Net absorption posts just 4,406 square feet as some larger suburban move-ins were offset by move-outs downtown and elsewhere.
- The current construction pipeline could fully deliver by end of year, with 258,126 square feet of the 519,720 square feet still available for lease.

Despite only minor shifts in market fundamentals as we see our first quarter of COVID influence come to a close, leasing activity in Fort Lauderdale has been particularly impacted. In fact, leasing volume has slowed to just 22% of first quarter levels and the year-to-date total also represents just 22% of the activity seen over the course of 2019. Some firms that are active in the market are also looking for the potential of shorter terms, increased concessions, and additional flexibility within leases. Absorption was still slightly positive this quarter at 4,406 square feet, as large move-ins in Plantation by the likes of HCA, NationsHearing and Chetu were offset by moveouts in other submarkets of Fort Lauderdale. Class A product in downtown was disproportionately affected, but were mostly in play pre-COVID as some firms began targeting the suburbs.

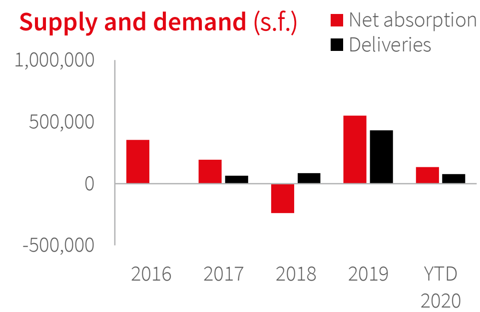
Average asking rents have essentially stabilized after a significant growth period over the past three years, down slightly to $35.41 per square foot, which represents year-over-year growth of under 1%. A similar story in the sublease market, where some recent large additions like Kaplan's 96,948 square foot building in Cypress Creek have been offset by other availabilities expiring or being leased.

Outlook

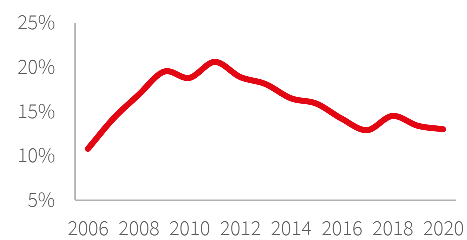
A significant reduction in leasing activity will have implications for both absorption and asking rents over the second half of the year, likely bringing additional downward pressure on each. Yet most Landlords have been holding steady on posted rates, instead utilizing concessions to assist negotiations. With current construction also potentially wrapping up by the close of 2020, the scene is set on what office supply will look like, with demand drivers continuing to be much more fluid. As firms evaluate what their office requirements are long-term, we may see further activation in the sublease market or downsizing.

Fundamentals	Forecast
YTD net absorption	133,677 s.f. ▶
Under construction	519,720 s.f. ▶
Total vacancy	13.0% ▲
Sublease vacancy	181,898 s.f. ▲
Direct asking rent	$35.41 p.s.f. ▶
Sublease asking rent	$25.40 p.s.f. ▶
Concessions	Increasing ▲

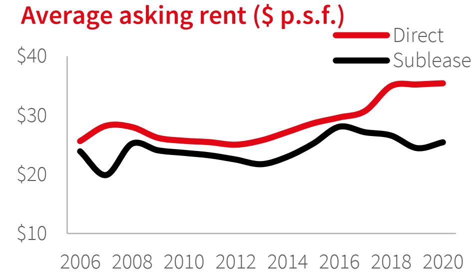
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



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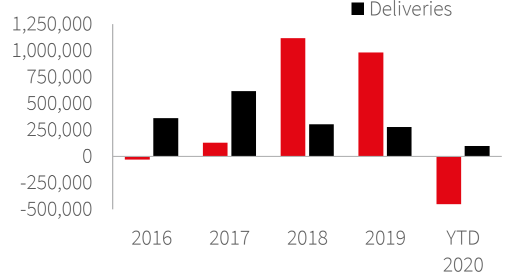
Fort Worth

New availabilities in former corporate headquarters spaces create new large-block opportunities

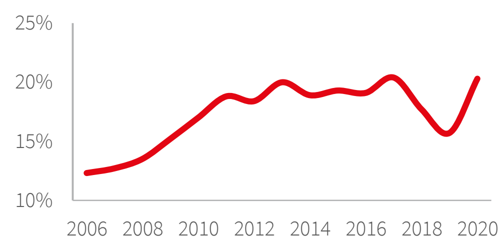
- Despite COVID-19 abruptly halting nearly all activity during the stay-at-home order in Tarrant County, several transactions were announced.
- Two former corporate headquarters spaces are now available for lease: the former American Airlines campus in CentrePort and the Pier 1 Imports Building in downtown Fort Worth.
- After seven consecutive quarters of growth, sublease space decreased in Q2 accounting for only 8.9% of all available space

Fundamentals	Forecast
YTD net absorption	-452,574 s.f. ▼
Under construction	205,551 s.f. ▶
Total vacancy	20.3% ▶
Sublease vacancy	429,466 s.f. ▲
Direct asking rent	$24.74 p.s.f. ▶
Sublease asking rent	$22.23 p.s.f. ▶
Concessions	Increasing ▲

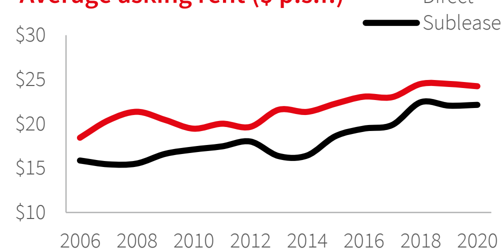
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



The Fort Worth office market has not been immune to economic uncertainty from the global COVID-19 pandemic. Despite the expiration of stay-at-home orders in Tarrant County on April 30th, the abrupt halt in activity continues. However, several transactions already in progress were announced in Q2.

In April, Austin-based Capital Commercial Investments purchased the former American Airlines headquarters campus in CentrePort, with the entire 1.4 million s.f. now available for lease. This is the largest portfolio transaction in Tarrant County since the Terraces at Solana sold in Q2 2019. Also at the Terraces at Solana, Goosehead Insurance will extend and expand their headquarters lease, ultimately occupying over 150,000 square feet at the Westlake campus.

After seven consecutive quarters of growth since Q3 2018, available sublease space decreased in Q2. Sublease space accounts for only 8.9% of the 8.1 million square feet of total available space, the majority located in only two submarkets: Downtown Fort Worth (26.0%) and Westlake/Southlake (46.7%).

As a lagging indicator of the market, asking rents have remained flat, with relatively little growth. Vacancy remains below the market average in the suburban Fort Worth submarkets in North Fort Worth (13.6%) and West/Southwest Fort Worth (9.7%). Five properties under construction in the Westlake/Southlake submarket, account for 90% of all development activity across the Fort Worth office market.

Outlook

The full impact of COVID-19 has yet to be seen in just the first full quarter of the pandemic in the United States. We will continue to closely track market activity for any changes in light of the COVID-19 pandemic.

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Grand Rapids

Pandemic slows an already plateauing office market

- The current market-wide vacancy is 9.9%, only ten basis points lower than the same quarter in 2018.
- Morgan Stanley signed a six-month renewal at 171 Monroe downtown and Barr Engineering inked a lease at Centennial Corporate Center.
- The market saw just 8,023 square feet of net absorption in the second quarter, as leasing activity was predictably muted.

The past couple of years have demonstrated a plateauing of rent growth and a leveling off of vacancies in the Grand Rapids office market, and the global COVID-19 pandemic only exacerbated the already slowing conditions. The market saw just 8,023 square feet of net absorption in the second quarter, as leasing activity was predictably muted. The current market-wide vacancy is 9.9%, only ten basis points lower than the same quarter in 2018, indicating how vacancies have leveled off. Average asking rents in the Grand Rapids metro are currently $18.62 per square foot, down 2.9% year-over-year.

Construction continues on the mixed-use Studio Park development downtown, which will add 105,000 square feet of preleased Class A space to the market. As mentioned above, leasing activity slowed in the second quarter, with a few transactions of note including Morgan Stanley signing a six-month renewal for 13,634 square feet at 171 Monroe downtown and Barr Engineering signing a lease for 17,672 square feet in the suburbs at Centennial Corporate Center. The office building at 4489 Byron Center Ave SW in Wyoming sold for $103.07 per square foot and a trio of suburban Grand Rapids area medical office buildings sold in a portfolio sale for $237.41 per square foot.

Outlook

Looking ahead to the remainder of 2020, uncertainty is the primary theme. The market had already been experiencing a slowdown, as the flattening of vacancies and rent growth both show. In the wake of the COVID-19 pandemic, office occupiers will be reassessing their leases and redesigning their floorplans to accommodate reentry. As some users explore work-from-home as a permeant move for certain employees, companies may look to restructure or even exit current leases, while renewals will likely be short term.

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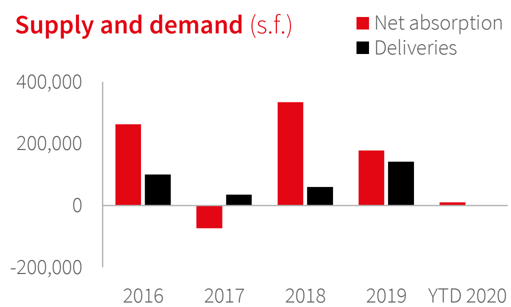
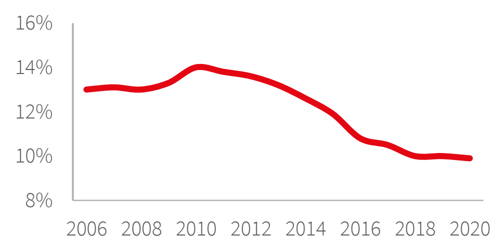
Fundamentals	Forecast	
YTD net absorption	10,567 s.f.	▶
Under construction	115,000 s.f.	▶
Total vacancy	9.9%	▲
Sublease vacancy	33,103 s.f.	▲
Direct asking rent	$18.62 p.s.f.	▼
Sublease asking rent	$14.95 p.s.f.	▼
Concessions	Stable	▶

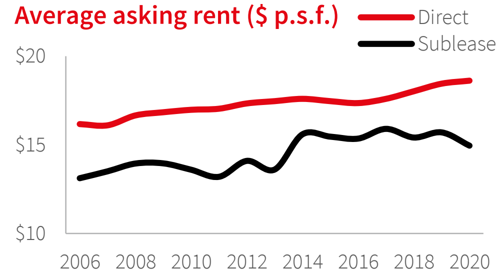
Supply and demand (s.f.)



Total vacancy



Average asking rent ($ p.s.f.)



Hampton Roads

Investment activity slows, but heavy defense and government footprint help buoy the market

- Occupancy declines have been limited so far, with vacancy rising only slightly and absorption from first-quarter deals partially offsetting losses.
- Sublease net absorption was over 8,600 square feet as one of Q2's largest lease transactions filled up the area's largest sublease block.
- Defense and government sectors limited pandemic-related job losses, but office users will reconsider footprints in the second half of the year.

The overall office vacancy rate rose by only 100 basis points in the second quarter to 12.1%. Net absorption was -38,765 square feet, almost entirely offsetting first-quarter gains. Southside Class B space saw over 22,000 square feet of positive absorption, while Southside Class A inventory – usually the most resilient market segment – saw net absorption of -34,792 square feet

Sublease vacancy usually increases as the economy weakens, but sublease absorption was positive at 8,653 square feet. Sentara's purchase of 824 N Military Hwy for owner-occupancy provided an opportunity for Movement Mortgage to exchange a partially empty 90,000-square-foot space for the 33,000-square-foot Greenbrier sublease that Crescent Bank vacated in Q1.

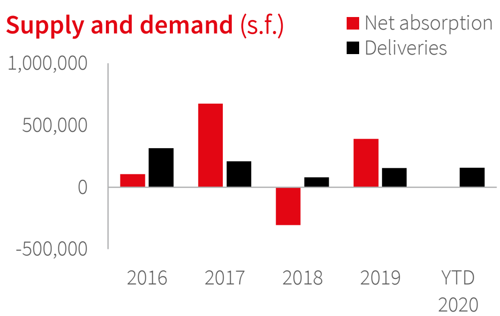
Sales activity slowed as investors reconsidered offers they signed six months ago prior to the current pandemic. However, Downtown Norfolk's Norfolk Southern headquarters traded at the end of the quarter for $30 million, or $96.54 per square foot. TowneBank and Children's Hospital of the King's Daughters have partnered as joint owner-occupiers and will fill the tower after Norfolk Southern completes its move to Atlanta at the end of 2021.

Outlook

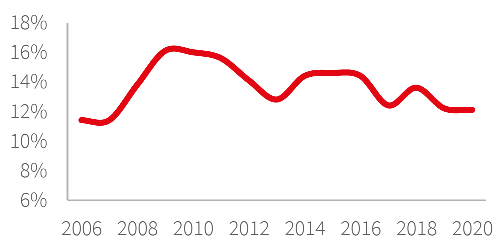
With defense and government sectors comprising a large share of area employment, job losses in Hampton Roads have been comparatively modest. However, total nonfarm payrolls in May were 8.0% below March levels and office-using employment was down 6.4%. With the expansion of remote working during the pandemic, however, tenants have already begun to reconsider their space requirements.

Fundamentals	Forecast
YTD net absorption	760 s.f. ▼
Under construction	214,565 s.f. ▼
Total vacancy	12.1% ▲
Sublease vacancy	90,952 s.f. ▲
Direct asking rent	$20.16 p.s.f. ▶
Sublease asking rent	$16.55 p.s.f. ▶
Concessions	Stable ▲

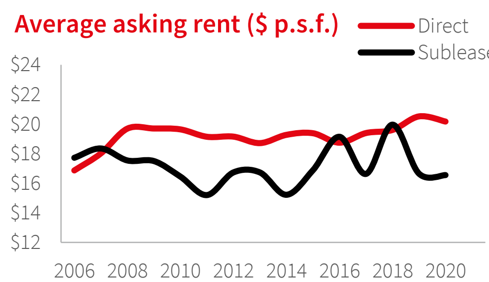
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



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Houston

Triple threat: a recession, weakening energy sector and COVID-19 all challenge the office market

- Total vacancy in the second quarter climbed higher, reaching 23.1%. Leasing activity slowed dramatically.
- Nearly 4.1 million square feet of space is under construction. The pipeline is the largest seen since the 2014 energy downturn. 54% is pre-leased.
- Occidental Petroleum Corporation led leasing activity in the Greenway Plaza submarket, with a nearly 1 million square foot extension

Even before the COVID-19 crisis emerged in the first quarter, the Houston office market had already been experiencing challenges, in particular from a volatile energy market and office space overhang from the 2014-2017 downturn. The official designation of a national Recession during the second quarter did nothing to calm the market, further halting leasing activity.

As expected, office market fundamentals in the second quarter continued to soften and tenant occupancy moved into the red, bringing the year-to-date total to 381,421 square feet of negative net absorption. Thanks to recent move-outs, the overall vacancy rate – which includes vacant sublease space – sits midyear at 23.1%, a 110-basis-point increase from the first quarter. Even with Occidental Petroleum Corporation's lease extension for nearly 1 million square feet of office space in the Greenway Plaza submarket, leasing activity has been very slow compared to previous quarters.

Despite a gradual erosion of the sublease inventory through leasing activity and expirations, Houston still has one of the largest sublease inventories in the U.S. An increase in new listings from energy companies is expected in the near term, though many had already downsized significantly, leaving fewer opportunities to further compress. Leasing momentum in sublease space has been slow in 2020, but may increase in coming quarters given the need for short-term solutions while the economy stabilizes.

Outlook

Although the Houston economy has become more diversified in recent years, energy companies still drive the office market. The addition of COVID-19 and the economic downturn have worsened the situation. Expect to see a higher vacancy, lower rental rates, and more concessions for the next 18 to 24 months. Thus, the market will likely remain favorable for tenants for the next several quarters.

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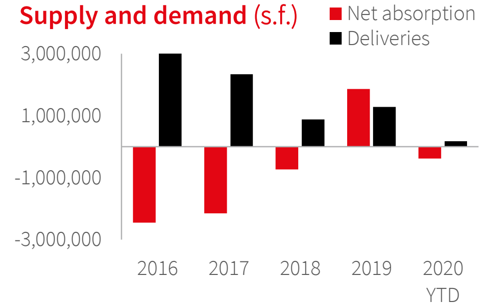
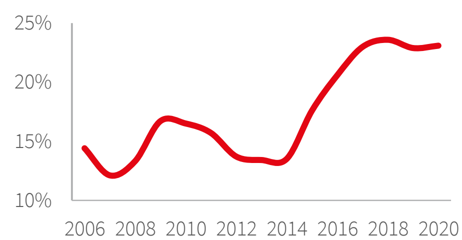
Fundamentals	Forecast
YTD net absorption	-381,421 s.f. ▼
Under construction	4,090,415 s.f. ▲
Total vacancy	23.1% ▲
Sublease vacancy	2,748,085 s.f. ▲
Direct asking rent	$31.33 p.s.f. ▼
Sublease asking rent	$22.28 p.s.f. ▼
Concessions	Growing ▲

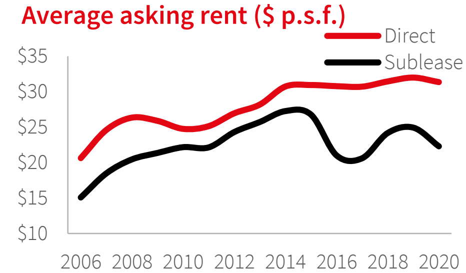
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Indianapolis

Indianapolis office market posts gains despite COVID-19 pandemic

- The Indy market posted occupancy gains during the second quarter despite an increase of sublease space hitting the market.
- Leasing activity rebounded after a slow first quarter, but most deals had been in the works prior to the pandemic.
- If tenant demand continues to slow, expectations for the rest of 2020 should remain tempered.

Fundamentals	Forecast
YTD net absorption	43,394 s.f. ▶
Under construction	323,179 s.f. ▼
Total vacancy	19.0% ▶
Sublease vacancy	253,366 s.f. ▶
Direct asking rent	$21.61 p.s.f. ▶
Sublease asking rent	$19.08 s.f. ▶
Concessions	Rising ▲

Amidst the economic uncertainty caused by the COVID-19 pandemic, the Indianapolis office market was able to see some positive activity these past three months. After posting negative absorption in the first quarter, Indy posted 70,000 square feet of occupancy growth in Q2 2020. The year-to-date net absorption total is now over 40,000 square feet.

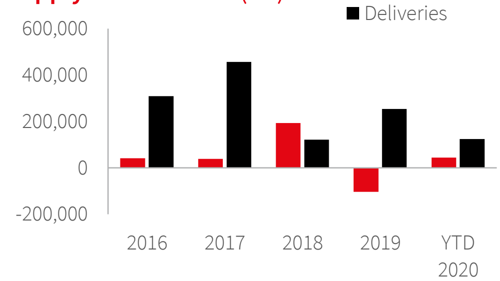
Sublease space on the market is often used as an indicator to the health of the office sector, where sublease space typically increases during economic recessions. After four quarters of declining availability, the amount of subleases on the market increased by 68,000 square feet in Q2. However, the volume of subleases currently on the market is in line with historical averages. In fact, each quarter of 2019 had a larger amount of sublease space available than what is available now.

Thanks to deals already in the works prior to the onset of COVID-19, leasing velocity was 200,000 square feet greater than in the first quarter. Large deals were a main factor as five leases over 30,000 square feet were signed. New deals also contributed to this increase. They accounted for 37.8 percent of leasing volume, up from only 24.1 percent last quarter.

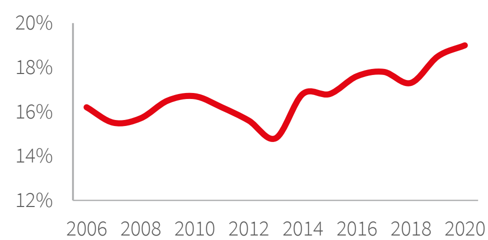
Outlook

Although leasing was strong this quarter, the pipeline of new active requirements has slowed. As of this writing, the number of active requirements has fallen by 31.5 percent since the end of March. The square footage volume has also declined. But after a steep drop from March to April, the volume has remained relatively stable. Still, muted new activity and reduced leasing volume could eventually limit new occupancy growth if the pandemic and economic recession extends through the year.

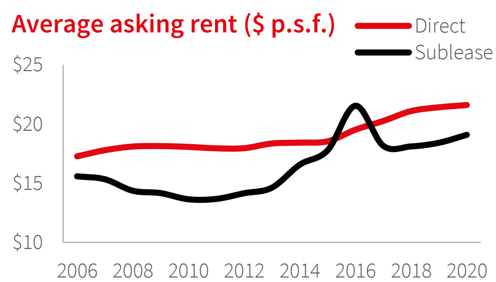
Supply and demand (s.f.)



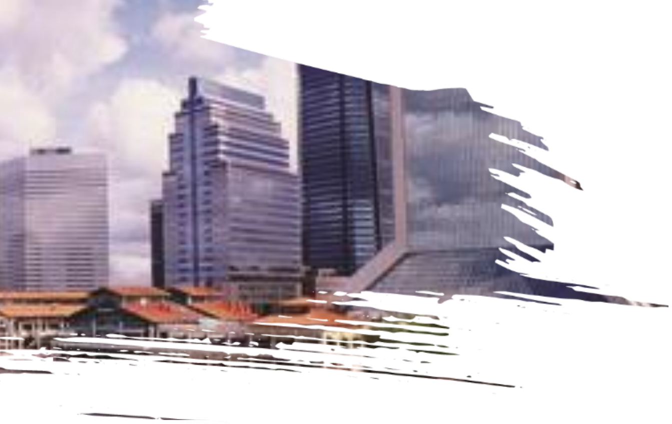
Total vacancy (%)



Average asking rent ($ p.s.f.)



For more information, contact: Mike Cagna | mike.cagna@am.jll.com
Brianna Marshall | brianna.marshall@am.jll.com



Jacksonville

Vacancies remain stable as leasing activity nosedives amid a tepid re-opening

- The market has not seen any new deliveries since Q3 2019, but VanTrust aims to change that by breaking ground on Park Place at Nocatee.
- Tenants facing an expiration are the primary source of demand at present with many exercising short term renewal options.
- Rates have dropped slightly on a direct average basis due to several key availabilities adjusting their asking rates.

Jacksonville has experienced significant interruption since the onset of COVID-19 with many businesses being forced to shutdown or transition to work-from-home. Regardless, VanTrust has broken ground on its 125,000-square-foot spec building at Park Place at Nocatee representing the first speculative development of it's kind in the Nocatee area.

Tenants that are contending with a near-term expiration are in the market and primarily seeking a cost affective solution to weathering the next several quarters. In many cases, this means a short-term renewal. Many new-to-market and non-LED-motivated requirements have been placed on hold indefinitely. One potential reassurance early in the quarter was Ally Financial's $49.09 million purchase of two office buildings that they had leased last year.

Direct average asking rates fell by nearly 2% this quarter from last, serving as an early indication that ownership groups are expecting a competitive tenant-favorable landscape. Sublease average asking rates climbed, due in large part, to high quality sublease space hitting the market such as Web.com's space at Town Center II. This brand new, first generation availability has pulled sublease rents above direct rents on average.

Outlook

The uncertainty surrounding COVID-19 is continuing to throttle market activity as tenants and investors conjecture about the eventual return to normal. The quelling of the virus and the ensuing employer sentiments surrounding work-from-home are critical in shaping the future for office real estate. At present, all indications in Jacksonville point toward an eventual return to the office, but the timeline remains unclear. However, the local economy is buoyed to some degree by a large government and military presence. In past recessions, this has served as an insulator to economic downturns and lessened the blow as compared to peer markets across the state.

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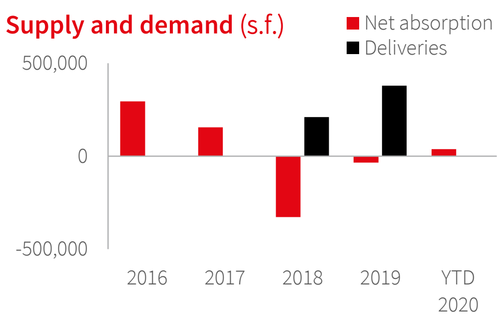
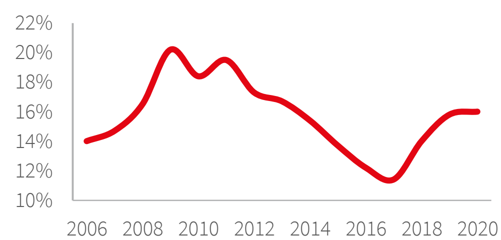
Fundamentals	Forecast
YTD net absorption	-30,689 s.f. ▶
Under construction	125,000 s.f. ▶
Total vacancy	16.0% ▲
Sublease vacancy	122,109 s.f. ▲
Direct asking rent	$21.72 p.s.f. ▼
Sublease asking rent	$23.85 p.s.f. ▶
Concessions	Increasing ▲

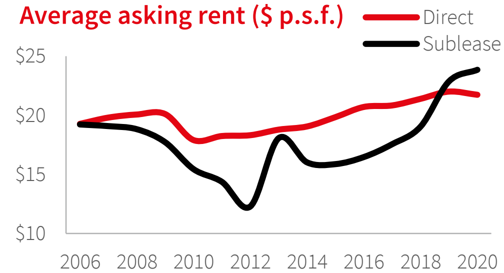
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Kansas City

Sublease activity on the rise, direct and sublease rates increase, COVID impact still uncertain

- Q2 saw -90,429 square feet of absorption, slightly improved from Q1, but leaving year-to-date absorption at -183,256 square feet.
- Sublease availability rose 0.5% while sublease asking rents rose $0.44 per square foot due to high-quality sublease space entering the market.
- Direct asking rents increased $0.14 per square foot and still stand at a 14-year high, but direct available square feet fell by 0.3%.

COVID has clearly impacted the office market in the first half of 2020. In Kansas City, although many statistics remain relatively stable and likely will not see notable change for a few more quarters, tenants have delayed decisions and available space has increased. Total available space increased by 0.7% of inventory, or over 360,000 square feet, the majority of which was listed for sublease. Available sublease space increased roughly 225,000 square feet or 0.5% of inventory this quarter, and sublease asking rents increased $0.44 psf. This trend will likely continue through Q3 as tenants look to cut costs and reduce footprint. The space available for sublease includes some higher quality options not normally seen in sublease inventory. Prime examples of this are new construction spaces for sublease at CityPlace Corporate Center I and 5100 W 115 Terrace, both in South Johnson County.

Of the active office lease transactions being tracked by JLL, over 25% of deals were impacted by COVID. The large majority of the impacted deals were initially put on hold, with some having already resumed. Three tracked deals have been cancelled due to COVID concerns, and several tenants have decreased square footage requirements, are subleasing portions of existing footprints, or not renewing leases and vacating space until employees return to the office.

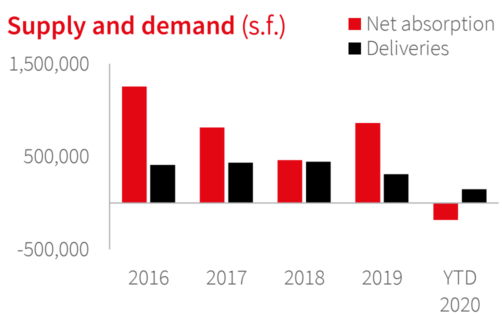
Outlook

JLL's forecast for the office market depends heavily on the continued severity and duration of the health crisis. Based on the latest available data, the economy is likely beginning to recover from the point of weakest demand, but it will take several months to verify the underlying market conditions. Some Kansas City landlords are increasing concessions and offering free rent on short term leases. Although rents increased this quarter, if consumer sentiment declines further amidst the lingering pandemic, we could see asking rents decrease by year end.

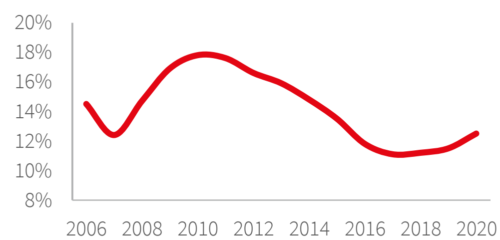
For more information, contact: Claire Cason | claire.cason@am.jll.com

Fundamentals		Forecast
YTD net absorption	-183,256 s.f.	▼
Under construction	1,157,573 s.f.	▶
Total vacancy	12.5%	▲
Sublease vacancy	329,469 s.f.	▲
Direct asking rent	$22.05 p.s.f.	▶
Sublease asking rent	$17.49 p.s.f.	▶
Concessions	Rising	▲

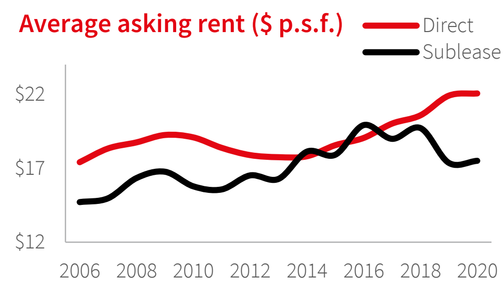
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Long Island

Widespread disruption from COVID-19 weakens office demand, yet occupancy levels remain steady

- An increase in new sublease availabilities pulled the overall vacancy rate up 40 basis points since the first quarter to 11.9%.
- Vacancy rates in Nassau and Suffolk Counties rose 50 and 30 basis points from the previous quarter, respectively.
- Large-block leasing in the first quarter buoyed the market from significant net occupancy losses, keeping the year-to-date negative net absorption volume stable at 14,826 square feet .

The COVID-19 pandemic prompted the widespread closure of all non-essential businesses and the enforcement of statewide stay-at-home measures, disrupting the Long Island office market during the second quarter. While in-person tour activity came to an abrupt halt, uncertainty regarding the implications of the outbreak on the future of the workplace led to an anticipated weakening of office demand. As a result, leasing velocity was down nearly 60.0% from the first quarter and was limited to short-term renewals and extensions, with the exception of a couple of larger new deals that signed within the first month of the quarter. Noteworthy deals included 1-800 Flowers' plans to expand their corporate headquarters in Nassau County, in which they leased 96,867 square feet at Two Jericho Plaza. The company is currently located at 1 Old Country Road in Carle Place, and will be relocating to Jericho in 2021. Additionally, Queens-based Iovino Enterprises leased 34,000 square feet at 1010 Northern Boulevard in Great Neck. The aforementioned deals helped offset occupancy losses from the new sublease blocks that hit the market. In Eastern Nassau, Altice's 150,000-square-foot space at 200 Jericho Quadrangle was put back on the market for sublease, which accounted for 27.0% of the total vacant sublease space on Long Island. In Suffolk County, TSYS put their space at 395 N Service Road in Melville on the market for sublease.

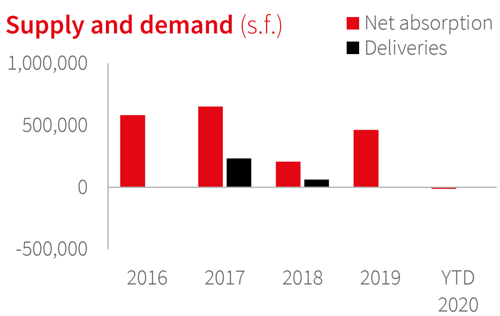
Outlook

As Long Island enters into Phase 4 of its reopening, office landlords will continue to strategize and invest in new safety protocols for tenants as they navigate and adapt to a new workplace environment. Landlords will have to work closely with tenants and facilities management to ensure a safe re-entry for employees and adhere to local government mandates and policies. Though the situation is still unfolding, Long Island could see growing demand from NYC-based companies looking for proximate suburban satellite offices.

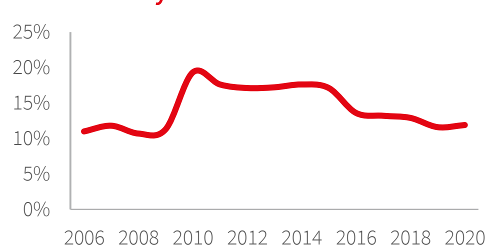
For more information, contact: Sarah Bouzarouata | sarah.bouzarouata@am.jll.com

Fundamentals		Forecast
YTD net absorption	-14,826 s.f.	▶
Under construction	0 s.f.	▲
Total vacancy	11.9%	▶
Sublease vacancy	542,889 s.f.	▲
Direct asking rent	$28.53 p.s.f.	▲
Sublease asking rent	$32.47 p.s.f.	▼
Concessions	Increasing	▲

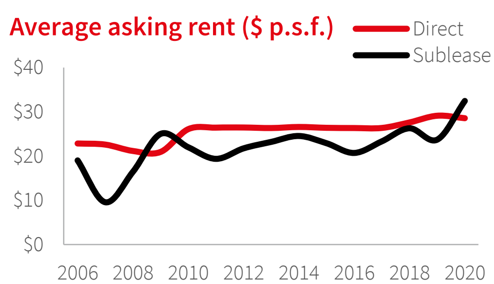
Supply and demand (s.f.)



Total vacancy



Average asking rent ($ p.s.f.)



Los Angeles

The Greater Los Angeles market shows signs of softening as leasing activity declines

- Tenants put the brakes on leasing activity, but overall space give-backs remained minimal
- Although content generation and film production has stalled, demand for streaming surged, providing a lift to the entertainment and media sector
- Overall, the construction pipeline remains light, minimizing the risk of oversupply in the current cycle

The effects of COVID-19 and increasing economic volatility became more apparent in the Los Angeles market in the second quarter. Tenants leased about a third as much space as they did in the previous quarter. At the same time, companies put over 500,000 square feet of sublease space on the market pushing overall vacancy up 60 basis points. With that said, sublease availability represents a modest 2.3 percent of the total Los Angeles office market, and remains well under the 3.6 percent peak reached in 2009 during the Great Recession. Sublease availability has risen the fastest on the Westside, and more specifically in Santa Monica, where office rents are among the highest in the region.

In a macroeconomic environment defined by uncertainty, the recent spike in demand for streaming services is reassuring news for the entertainment industry and the Los Angeles office market. Both Netflix and Disney have recently announced record subscriber numbers in the wake of shelter-in-place orders. While production has been halted due to safety concerns, demand for sound stages has ramped up as consumer hunger for new content continues to rise. The increasing number of new entrants vying to establish themselves and participate in the streaming space might end-up driving net new office demand in the near to mid-term.

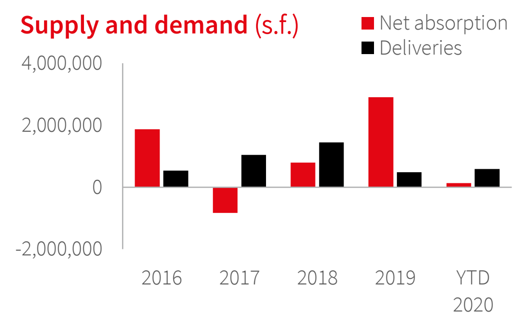
Outlook

Looking forward, the Los Angeles office market appears to be well-positioned to weather the current economic storm. The existing development pipeline is relatively light, minimizing the risk of oversupply. Add to this, sublease availability has only increased modestly so far. Short-term renewals are likely to continue as tenants seek to maintain flexibility in the face of uncertainty. Add to all of this, Los Angeles is a highly diverse economy which better insulates the market from significant volatility.

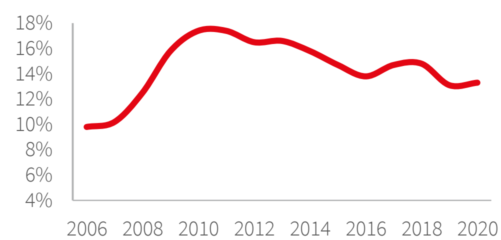
For more information, contact: Henry Gjestrum | henry.gjestrum@am.jll.com

Fundamentals	Forecast
YTD net absorption	129,051 s.f. ▼
Under construction	6,191,628 s.f. ▶
Total vacancy	13.3% ▲
Sublease vacancy	1,671,593 s.f. ▲
Direct asking rent	$44.90 p.s.f. ▶
Sublease asking rent	$40.44 p.s.f. ▶
Concessions	Increasing ▲

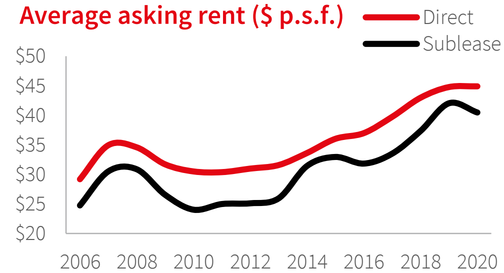
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Louisville

Slow start to 2020 continues across both the CBD and Suburban markets

- Ascent Properties sold a six-building portfolio to New York based Group RMC.
- Fenley Properties completed construction of the Two Olympia office building.
- Leasing activity remained slow with a second consecutive quarter of negative absorption.

The Louisville office market's sluggish start to the year continued into the second quarter as leasing velocity slowed with the onset of the COVID-19 pandemic. Absorption was negative for the second consecutive quarter, as some users that had previously signed leases in late-2019 began their respective relocations and rightsizings. These net-negative absorption moves were expected, and have been relatively typical of the market over the past several years. However, the picture this year has been unusual: These spaces have been slow to backfill, which is likely due to the decrease in activity attributable to COVID-19. Since early March, JLL has tracked 15 users who have put space requirements on hold, and just over 20 users that have elected to continue their pursuit of space. Given these numbers, we expect an increase in deals will be completed in the second half of 2020.

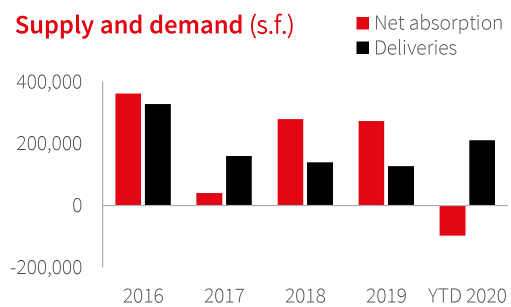
On the investment side, New York-based Group RMC purchased a six building office portfolio from locally based Ascent Properties for $44.5 million. The portfolio was B to B+ product and transferred at an 8.6 percent cap rate. Despite the slowing of leasing activity, there remains demand for well located suburban office product across classes and submarkets.

Outlook

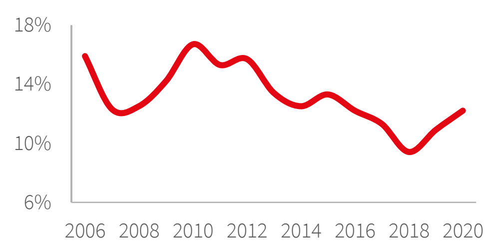
The Louisville office market has slowed precipitously; however, given the tenants JLL is currently tracking, it is our view that there will be pent-up demand for space when users feel comfortable reengaging in their leasing processes and searches. While we are expecting a stronger second half in 2020, that outlook must be tempered by the understanding the current leasing climate will likely continue to be fluid over the next several months as the COVID-19 situation plays itself out.

Fundamentals		Forecast
YTD net absorption	-92,011 s.f.	▲
Under construction	462,767 s.f.	▶
Total vacancy	12.2%	▶
Sublease vacancy	134,543 s.f.	▲
Direct asking rent	$18.90 p.s.f.	▶
Sublease asking rent	$19.57 s.f.	▼
Concessions	Increasing	▲

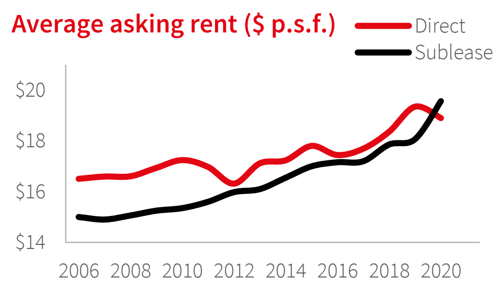
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



For more information, contact: Alex Westcott | alex.westcott@am.jll.com

Miami

Minimal leasing activity amid the shutdown leaves Miami with negative absorption year-to-date

- The spread between asking rates for direct and sublease space continues to widen.
- Vacancy ticked up just 40 basis points in the second quarter. However, it is projected to climb further as new projects deliver in the second half of the year with little preleasing.
- Asking rates held firm near cycle highs in most submarkets, despite several deep discounts offered on sublease space.

Despite negative absorption more than wiping out occupancy gains made in the first quarter, landlords are holding asking rates firm. With more than 2 million square feet of construction, rents remain near cycle highs. South Florida remains attractive from a cost basis compared to gateway geographies and domestic in-migration has persisted in spite of the crisis.

However, Miami faces outsized exposure to the hospitality industry, the hardest-hit sector in the current crisis. Interval International, a vacation firm, was the largest move-out of the quarter, contributing 43,882 square feet to negative absorption. Move-outs from Windhaven Underwriters, Spectrum Brands, Starwood Capital and IMC Health brought this quarter's occupancy losses to 358,838 square feet. While vacancy rose by less than half of a percent this quarter, more than 1 million square feet of new product is set to deliver in the second half of the year, 78% of which is still available.

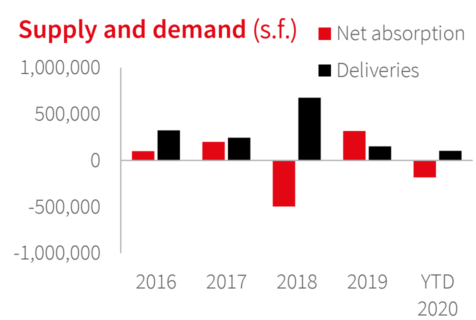
Expanded work-from-home initiatives and widespread adoption of video conferencing technology do not signal the end of the office, but changes in the demand landscape are sure to unfold. Office floor plans are undergoing reevaluation, landlords are implementing new procedures and suburban markets are gaining appeal. Firms will have to take an individualized approach to their real estate strategies in the post-pandemic world, prioritizing productivity, collaboration, and access to customers, capital and talent.

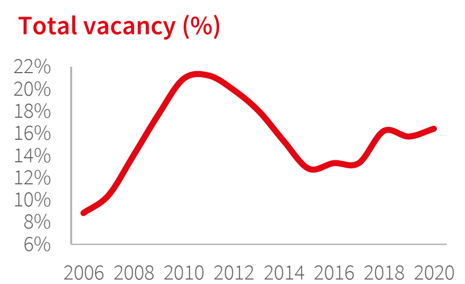
Outlook

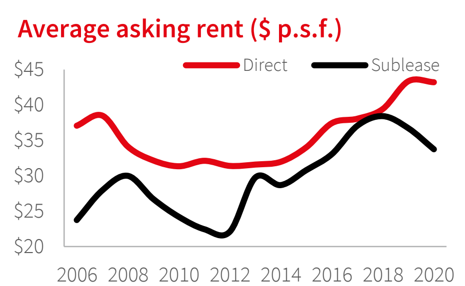
Miami is showing encouraging signs for recovery as employment numbers rebound and businesses begin to reopen, albeit under new restrictions. Leasing activity is projected to increase as confidence in a recovery builds. However, demand in coming quarters will be dependent on the continued containment of COVID-19.

For more information, contact: Benjamin Landes | Benjamin.Landes@am.jll.com

Fundamentals		Forecast
YTD net absorption	-181,600 s.f.	▶
Under construction	2,092,937 s.f.	▼
Total vacancy	16.4%	▲
Sublease vacancy	340,896 s.f.	▲
Direct asking rent	$43.22 p.s.f.	▶
Sublease asking rent	$33.73 p.s.f.	▶
Concessions	Rising	▲







Milwaukee

Office market coasting on 2019 momentum while new demand pauses to strategize

- Irgens’ BMO Tower delivered 381,817 square feet of new supply preleased at 52%.
- Strong leasing momentum prior to the onset of COVID-19 provided positive second quarter absorption.
- Asking rates in Milwaukee grew 3.4% year-over-year, closing the quarter at $22.91.

Total market vacancy rose slightly in the second quarter to 18.4% from 17.5% last quarter. The primary source of this was new market vacancy at BMO Tower which delivered in the second quarter and the subsequent net downsizing effect by tenants occupying it. The first tenants include BMO Harris Bank, law firm Michael Best & Friederich, and Heartland Advisors. Later this year Andrus Law is slated to also occupy 7,200 square feet bringing occupancy to 52.0%.

Positive leasing momentum was at play prior to the onset of COVID-19. Since JLL tracks absorption upon lease commencement, COVID-19’s true effect on absorption is delayed while the pipeline of existing deals take occupancy as planned. On that note, the second quarter clocked increased absorption over the first quarter with 69,817 net positive square feet. The Downtown submarkets were the primary beneficiary of this positive absorption and will continue to be through 2020. Large tenant moves anticipated for later this year include, North Shore Healthcare (22,683 square feet) occupying former Boston Store renovation HUB640, Husch Blackwell (76,000 square feet) relocating to The Huron Building from 555 E Wells, and Legal Action of Wisconsin relocating to and expanding into 23,200 square feet at 633 W Wisconsin Ave.

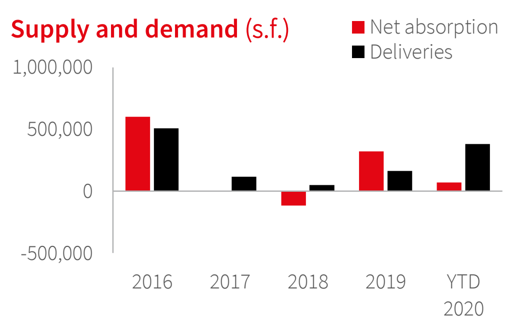
Outlook

The continuation of COVID-19 effects on the office leasing market grew broader in the second quarter with new leasing demand on pause and new supply hitting the market. Although these two factors are presently coincidental, additional new supply is anticipated later this year. If leasing demand remains muted in the second half of 2020 vacancy rates will likely increase in tandem with new supply and rent growth may plateau.

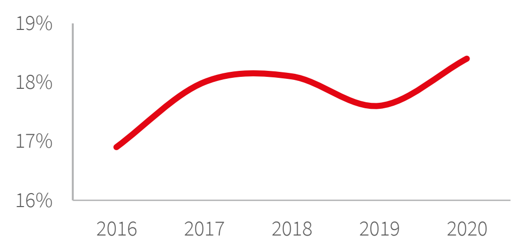
For more information, contact: Tyler Hegwood | Tyler.Hegwood@am.jll.com

Fundamentals		Forecast
YTD net absorption	76,010 s.f.	▶
Under construction	1,504,803 s.f.	▼
Total vacancy	18.4%	▶
Sublease vacancy	111,353 s.f.	▲
Direct asking rent	$22.91 p.s.f.	▶
Sublease asking rent	$20.89 p.s.f.	▼
Concessions	Increasing	▲

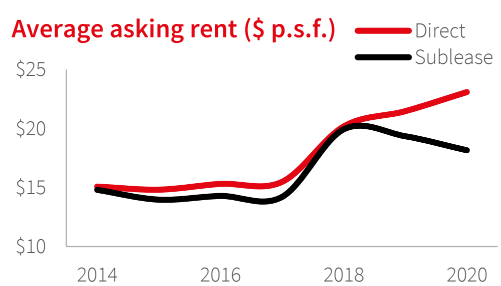
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Minneapolis–St. Paul

Positive absorption carries over from 2019 activity; COVID-19 impacts are felt but not fully realized in statistics

- COVID-19 has impacted market conditions and escalated Minneapolis-St. Paul's previous seven-year stretch of landlord-favorable conditions into neutral favorability
- Some planned occupancies have been postponed due to work from home measures, pushing net new positive absorption into Q3 or Q4
- Leasing velocity has slowed and almost halved since the beginning of 2020

The second quarter of 2020 brought unforeseen social and economic changes, prompting new questions around the future of workplaces and commutes, and the critical role of public health in an era defined by COVID-19. Leasing and sales activity in the Minneapolis-St. Paul market slowed as occupiers and investors wait for clearer economic signals. Nonetheless, leasing activity persisted as occupiers with upcoming lease expiration dates took decisive action, often expressed in short-term extensions. Some occupiers and investors persevered and closed deals while there was little competition, such as Scantron Corporation's sale-leaseback of 1313 Lone Oak Rd in Eagan.

JLL's statistics track absorption in real-time and many of the occupancies reflected in this quarter's statistics were set in motion in late 2019. The Southwest Class A submarket benefitted the most from this pipeline, with tenants like Vanco at Normal Pointe II and VRS at Centennial Lakes occupying new space. Shoreview Corporate Center in the Northeast submarket, renovated by Eagle Ridge Partners and CarVal Investors, achieved a collective 66,000 square feet of net positive absorption from Principal Financial and PTC, a software development firm.

Construction continues and the Dayton's Project, RBC Gateway, and Thrivent's new headquarters are the largest developments underway in the Minneapolis CBD. St. Louis Park will be home to 10 West End's 343,000 square feet of new office by Q2 2021, with one of 11 floors already preleased by CarVal Investors.

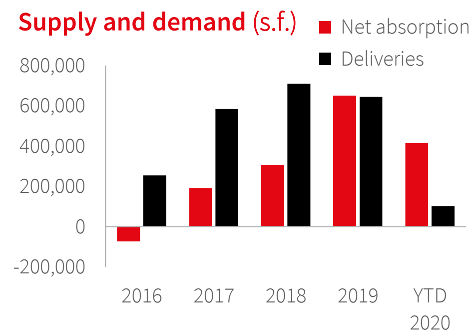
Outlook

Minneapolis-St. Paul's office market conditions were already beginning to peak in late 2019, meaning landlord and tenant favorability were approaching parity. The overall market clock now sits at a neutral position. The upcoming influx of new supply via the Dayton's Project in Q3 has pushed the Minneapolis CBD into a tenant-favorable market, resulting in increased concessions for tenants, but no rental rate drops as of yet. Minneapolis' diversified industry base and low unemployment has historically led economic recoveries, and we will continue to monitor market health indicators in the wake of COVID-19.

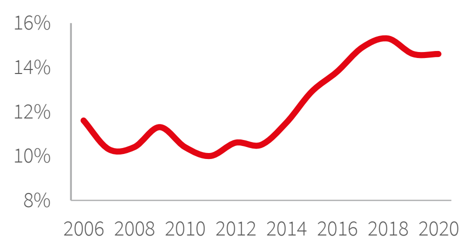
For more information, contact: Carolyn Bates| Carolyn.Bates@am.jll.com

Fundamentals	Forecast
YTD net absorption	415,220 s.f. ▼
Under construction	1,884,155 s.f. ▼
Total vacancy	14.6% ▲
Sublease vacancy	656,557 s.f. ▲
Direct asking rent	$29.38 p.s.f. ▼
Sublease asking rent	$20.66 p.s.f. ▶
Concessions	Increasing ▲

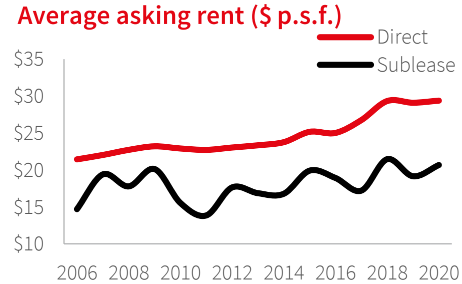
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Nashville

Q2 statistics paint mixed picture about the impact of COVID-19 on the office market

- Available sublease space increased by 252,000 square feet; however 174,000 of this was planned to hit the market pre-COVID.
- Leasing activity dropped from 669,871 square feet in Q1 to 252,480 square feet in Q2.
- Urban direct asking rents ticked up by $0.29 to $38.21 despite pandemic impacts

While many markets are seeing a large increase in available sublease space due to COVID-19, Nashville was largely able to avoid this impact as of the end of Q2. Sublease space did increase by 252,000 square feet; however, not all of it was COVID-related. AIG was interviewing brokers in Q4 2019 to list its 174,000-square-foot space, which officially became available this quarter, implying the decision to sublease the space was not COVID-related. One notable COVID-related sublease availability is 45,311 square feet at Cummins Station downtown; Eventbrite has cited a decrease in entertainment activity due to COVID-19 as a reason for vacating the space.

While existing tenants are not deciding to leave their existing space due to the pandemic, there is evidence of suppressed demand for new tenants. Tracked leasing activity from the six largest brokerage companies in Nashville fell to 252,480 square feet in Q2, down from 669,871 square feet in Q1. Despite this, asking rents have remained stable: up 0.7 percent in urban Nashville and down just 1.5 percent market-wide.

Outlook

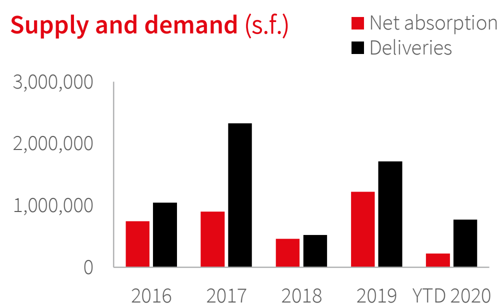
Nashville's unprecedented post-recession boom was fueled largely by an educated young workforce attracted to the region's robust entertainment and nightlife industry, and lower cost of living compared to peer cities. New-to-market tenants flocked to urban Nashville's new construction to attract this pool of millennial talent. Nashville's recovery from the COVID-19 recession will hinge on the ability for the city to continue to attract young talent. However, local entertainment's ability to recover quickly and safely is key.

The current urban development pipeline, excluding build-to-suit projects, is 28.2 percent preleased. Developers will need a rebound in tenant demand in order to fill those projects with new-to-market and expanding tenants.

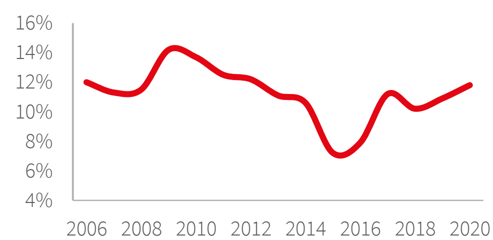
For more information, contact: Austin Shealy | austin.shealy@am.jll.com

Fundamentals		Forecast
YTD net absorption	225,095 s.f.	▶
Under construction	3,833,810 s.f.	▼
Total vacancy	11.8%	▶
Sublease vacancy	402,253 s.f.	▲
Direct asking rent	$32.18 p.s.f.	▶
Sublease asking rent	$26.38 p.s.f.	▶
Concessions	Increasing	▲

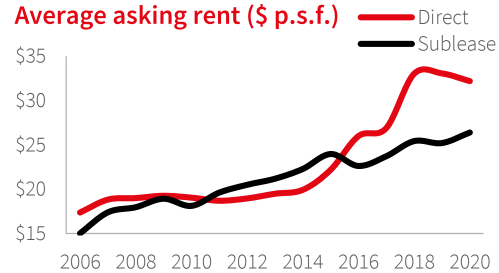
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



New Jersey

Leasing velocity plummets as the office market is overshadowed by the COVID-19 pandemic

- Office leasing activity dropped nearly 60% from the first quarter as the COVID-19 pandemic led to unprecedented business disruptions.
- Overall office vacancy rate climbed 70 basis points from early 2020 to 23.9% at mid-year, in response to decelerating demand and additional vacancies.
- Heightened focus on employee health and wellness will encourage office tenants to pursue workspaces in buildings able to support these needs.

With all non-essential New Jersey office-using businesses working from home during much of the second quarter, leasing velocity plunged nearly 60% from the first quarter. Less than 900,000 square feet of transactions were completed as office space tours and lease negotiations were disrupted. Furthermore, leases in excess of 100,000 square feet were elusive, as the only transaction completed above this threshold involved McCarter & English's 117,070-square-foot renewal at 4 Gateway Center in Newark. Three of the five largest leases signed during the second quarter consisted of renewals.

Additional vacancies also unleashed more than 1.2 million square feet of negative net absorption in the office market during the second quarter. This was in contrast to the 1.6 million square feet absorbed in the same timeframe one year ago. The combination of decelerating demand and additional availabilities boosted the Northern and Central New Jersey overall office vacancy rate from 23.2% in the first quarter to 23.9% at mid-year. As a result, vacancy climbed to its highest level in two years.

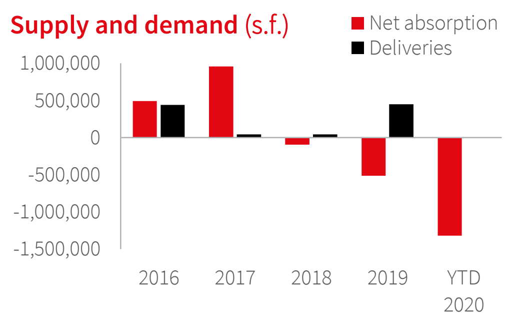
Outlook

As Garden State office tenants introduce measured workspace re-entry procedures, among the areas of focus will be a heightened focus on employee health and well-being. This was a trend seen in the office market prior to the COVID-19 pandemic, as companies had sought modern work environments to house their operations. Approximately 70% of leases greater than 50,000 square feet signed during the past year, were concentrated in buildings either constructed or extensively renovated during the past decade. A recent study conducted by JLL found that such assets boasted lower vacancy rates and higher rents compared to their peers. Buildings that have HVAC systems with enhanced fresh air intake and modern filtration systems, touchless elevator controls, and other base upgrades are expected to be on the radar screen of tenants with space requirements in the coming months.

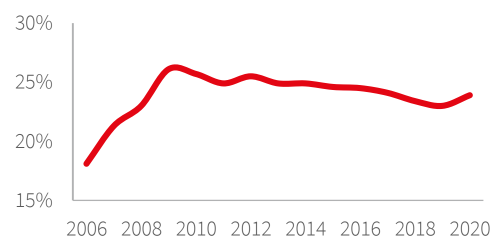
For more information, contact: Stephen Jenco | steve.jenco@am.jll.com

Fundamentals		Forecast
YTD net absorption	-1,317,937 s.f.	▼
Under construction	202,700 s.f.	▶
Total vacancy	23.9%	▲
Sublease vacancy	5,203,781 s.f.	▲
Direct asking rent	$29.07 p.s.f.	▶
Sublease asking rent	$22.24 p.s.f.	▶
Concessions	Increasing	▲

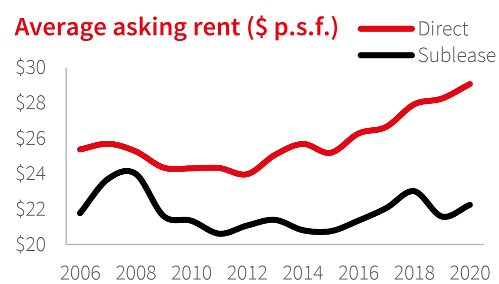
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



New York City

Cracks emerge as job losses spike, deal flow decelerates, and sublease vacancies rise

- New York City job losses spiked in April, though the pandemic has had a bottom-up instead of a top-down impact on the labor market to date.
- Just 2.2 million square feet of leases closed in the second quarter – easily the lowest reported in any quarter in the past 25 years.
- An additional 1.1 million square feet of vacant sublease space was added in the second quarter and additional space is expected to be put on the market.

The pandemic has had a sudden and steep impact on the New York City labor market. There have been 942,000 job losses to date, with office-using industries accounting for 15.1%. This is a key differentiator of the current environment compared with the two prior recessions, as office-using industries comprised 81.4% of job losses during the 2008 recession and 78.5% of job losses during the 2001 recession. The unemployment rate jumped from 3.6% at the end of 2019 to 14.2% in April 2020.

Leasing activity decelerated because most tenants focused on re-entry procedures, market conditions remained fluid, many opportunistic and growth requirements were postponed and in-person touring activity was prohibited during the quarantine. Just 2.2 million square feet of leases closed in the second quarter, a 74.7% decrease compared with the prior 25-year quarterly average. However, TikTok signed the largest lease of the second quarter, a 232,000-square-foot net-new expansion at One Five One in Times Square, and additional net-growth tech requirements remained active.

The slowdown in demand and introduction of new, vacant direct and sublease spaces allowed the vacancy rate to increase by 60 basis points to 8.2%. More than 1.1 million square feet of vacant sublease space was introduced in the second quarter, and additional sublease vacancies are anticipated.

Outlook

While the broader market is expected to encounter a correction, the market segments that have exposure to at-risk coworking, publishing, advertising, retail and media industries could encounter especially significant headwinds. Leasing activity is expected to incrementally increase in the coming months based on pending deal flow and the lift of the quarantine.

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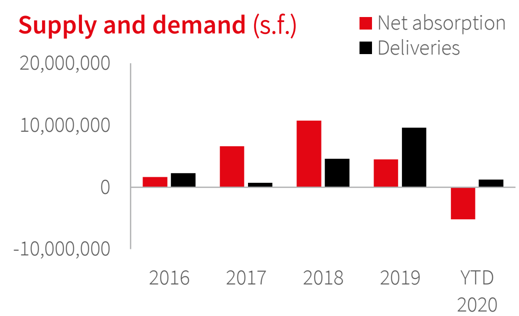
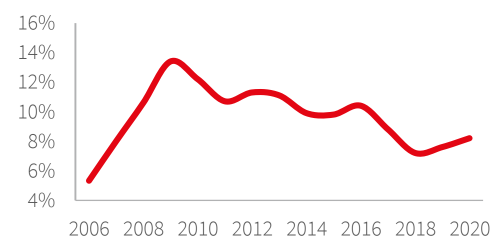
Fundamentals	Forecast
YTD net absorption	-5,206,475 s.f. ▼
Under construction	18,906,079 s.f. ▲
Total vacancy	8.2% ▲
Sublease vacancy	9,773,707 s.f. ▲
Direct asking rent	$85.15 p.s.f. ▼
Sublease asking rent	$65.59 p.s.f. ▼
Concessions	Increasing ▲

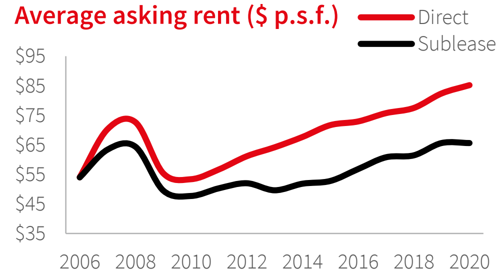
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



North Bay

Marin County register's negative net absorption as tenants continue to contract

- Total vacancy increased as a mix of direct and sublease space was released to the market.
- Touring and leasing activity was quiet through the second quarter, but is expected to pick up as cities begin to reopen in the wake of COVID-19.
- Companies are considering their reentry strategies and their ongoing office needs.

The North Bay saw very little activity and negative demand in the second quarter, particularly across Marin County in Santa Rosa, Novato, and Corte Madera. Tenants in these areas continue to adjust their footprints as they re-examine their office space needs, leading to some downsizing and some relocations. Since April, the market saw just over 180,000 square feet of negative demand, with the vacancies coming from the County of Sonoma, CHMB, and Advisory Cloud among others. As a result, total vacancy increased from 11.2 percent last quarter to 12.0 percent.

Touring and leasing activity was limited as expected due to the onset of COVID-19 and shelter in place, but will likely pick up as offices begin to reopen and businesses resume planning for the future. The market has yet to see drastic changes in rent however landlords are using higher concessions to incentivize tenants while maintaining their asking rents.

Outlook

Though the impacts of the pandemic continue, cities are beginning to reopen, and companies are starting to strategize their reentry plans. Among the options being considered are distributed work, reductions in office density, and/or continued remote work for some of the workforce. As companies settle on their officing strategy moving forward, additional changes in occupancy are expected, which could result in more options and leverage for tenants.

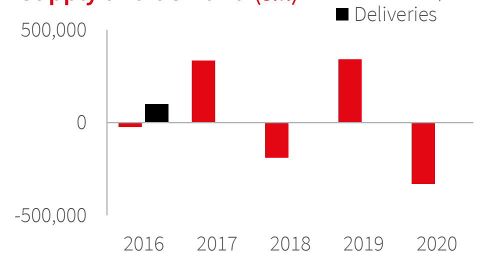
As of Q1 2020, Novato's inventory excludes the former Fireman's Fund Campus, a 700,000-square-foot vacant project that will be repurposed as mixed-use residential and retail.

For more information, contact: Kat Billingsley | k.billingsley@am.jll.com

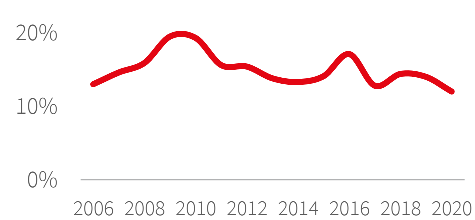
Fundamentals

YTD net absorption	-332,070 s.f.	▼
Under construction	0 s.f.	▶
Total vacancy	12.0%	▲
Sublease vacancy	250,788 s.f.	▲
Direct asking rent	$2.99 p.s.f.	▶
Sublease asking rent	$2.24 p.s.f.	▶
Concessions	Increasing	▲

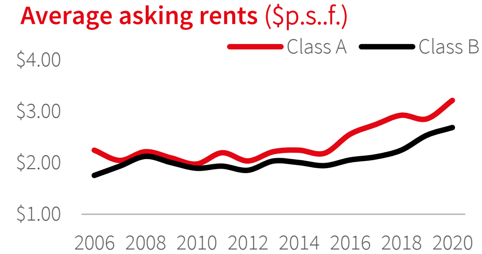
Supply and demand (s.f.)



Total vacancy (%)



Average asking rents ($p.s..f.)



Northern Virginia

Demand from government agencies and contractors drives leasing momentum

- Direct absorption was flat while increased sublease vacancy drove net absorption negative for the first time since Q3 2018.
- Four buildings totaling 774,000 square feet delivered in Q2 but with limited availability; 3.2 million square feet remains under construction.
- Five tenants signed deals above 100,000 square feet, led by Microsoft and Walmart Labs

Leasing activity in Northern Virginia remained strong in Q2, despite economic conditions, with 18 tenants signing leases above 20,000 square feet, including five deals above 100,000 square feet. The tech- and government contractor-heavy Toll Road drove activity, led by Microsoft and Walmart Labs. Despite the strong activity, an influx of sublease inventory drove net absorption negative for the first time since Q3 2018.

Over 750,000 square feet delivered in Q2 across four buildings, three of which are located in Reston. Leidos will take full occupancy of 1750 Presidents Street as the 276,000 square foot building will serve as its new headquarters. 1906 Reston Metro Plaza delivered with a 96,000 square foot Neustar prelease. General Dynamics' 160,000 square foot owner-occupied headquarters at 11011 Sunset Hills Road also delivered, as well as Zumot's 14401 Penrose Place in Route 28 South, which delivered 73 percent preleased.

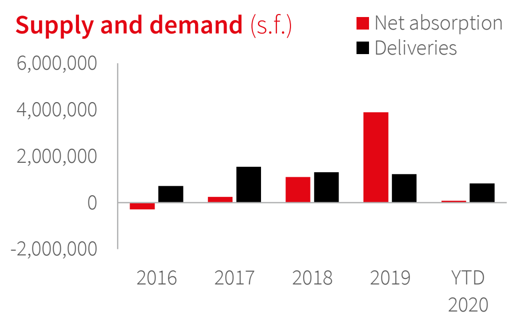
Outlook

Northern Virginia's significant government and government contractor tenant base will help sustain the current downturn and outperform other markets. Government contractors have seen $1.2 billion in contracts awarded year-to-date that are directly tied to the COVID-19 response.

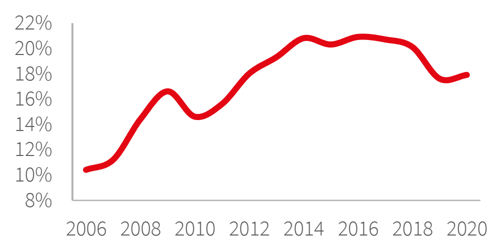
Tenants seeking higher quality space will be under increased pressure as options shrink. While there is still 3.2 million square feet under construction, only two buildings have over 100,000 square feet of space available. Additionally, Trophy vacancy fell to 11.2 percent, the lowest level since 2011.

Fundamentals		Forecast
YTD net absorption	75,932 s.f.	▶
Under construction	3,241,309 s.f.	▼
Total vacancy	17.9%	▲
Sublease vacancy	1,070,947 s.f.	▲
Direct asking rent	$35.94 p.s.f.	▶
Sublease asking rent	$29.52 p.s.f.	▶
Concessions	Rising	▲

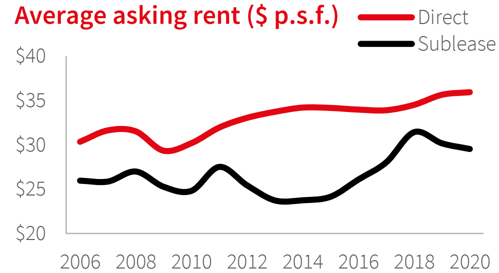
Supply and demand (s.f.)



Total vacancy



Average asking rent ($ p.s.f.)



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Oakland-CBD

Touring activity begins to pick up as companies strategize for the future

- Total vacancy increased with the delivery of The Key at 12th and new sublease availabilities hit the market.
- Approximately 100,00 square feet of sublease space was added to the market since the pandemic began.
- Touring activity picked up as companies explored sublease options in Oakland.

Oakland's office market was rather quiet through April and May, with a slight increase in activity near the end of the second quarter. Still, average asking rents remained virtually unchanged since last quarter as landlords maintained base rents and incentivize tenants with higher TI's and more free rent. Leasing activity was largely driven by lease expirations and deals that were already in-leases pre-COVID. New deal transactions are progressing at a slower rate, apart from PG&E's relocation from San Francisco, and the East Bay suburbs to 300 Lakeside in Oakland. The company will consolidate into 910,000 square feet and will move in phases beginning in 2023, reporting the largest migration in over a decade.

Touring activity marginally increased at the end of Q2, with focus on sublease availabilities. In addition, a few San Francisco-based tenants have shown interest in Oakland, motivated by lower business taxes and locations within close proximity to their employees. Total net absorption was negative for the quarter as a wave of sublease space hit the market. Since COVID-19 and Shelter in Place, roughly 100,000 square feet of sublease space became available in Oakland as companies strategize on their future occupancy plans, which include consolidating or downsizing. Additionally, planned occupancies were paused due to the pandemic, including Credit Karma at the newly delivered 1100 Broadway.

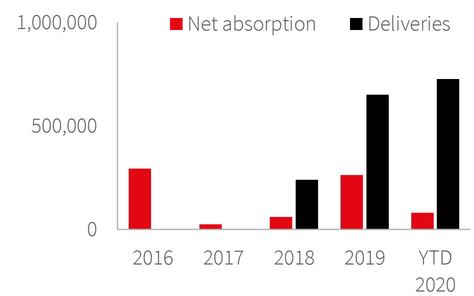
Outlook

Though the presence of COVID-19 is still evident, Bay Area markets are slowly (but surely) beginning to reopen, and companies are strategizing re-entry plans with employee health and well-being at the forefront. Some companies may consider a more distributed work model to reduce density in one location, relocations into suburban markets, or continued partial work from home scenarios. A potential shift in occupancy plans for some companies could release additional sublease space to the market, causing average rents to decline in the future.

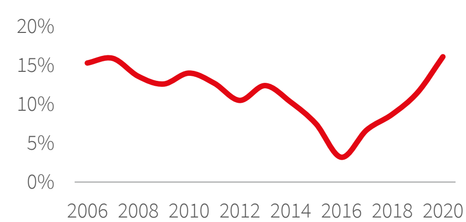
For more information, contact: Katherine Billingsley | k.billingsley@am.jll.com

Fundamentals	Forecast
YTD net absorption	80,597 s.f. ▶
Under development	0 s.f. ▲
Total vacancy	16.1% ▲
Sublease vacancy	394,387 s.f. ▲
Direct asking rent	$5.59 p.s.f. ▶
Sublease asking rent	$5.36 p.s.f. ▶
Concessions	Increasing ▲

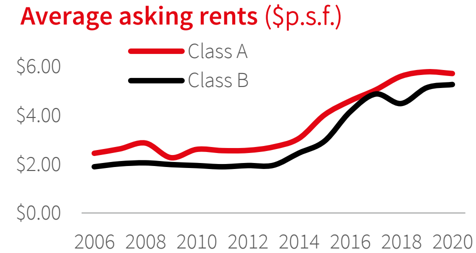
Supply and demand (s.f.)



Total vacancy (%)



Average asking rents ($p.s.f.)



Orange County

The COVID-19 downturn is causing fewer office job losses than the financial crisis

- All sublease availabilities 10,000 square feet and larger added to the market since the onset of COVID-19 are in the Airport Area and South County submarkets.
- Leasing activity slows with many occupiers holding off on signing new deals.
- Office occupiers led job losses during the Financial Crisis, while thus far recording the fewest losses in the current economic downturn.

Not long after the shelter-in-place orders were implemented, many expected a flood of sublease space to hit the market. While Orange County has not yet experienced a flood of space, sublease availabilities 10,000 square feet and greater are ticking up. Since mid-March, 302,215 square feet has been added to the market with 46 percent being listed in June. The Airport Area has felt most of this impact, accounting for 62 percent of the space, while South County has witnessed 38 percent, with a majority listed by tech firms. This rise in sublease space combined with 1.0 million square feet of office under construction is increasing competition among landlords to attract tenants.

Leasing activity in the first half of 2020 totaling 2.8 million square feet constitutes a drop of 42.3 percent compared to 12 months ago. Many occupiers who do not have upcoming lease expirations are delaying signing new leases. Other companies who are unsure of their long-term real estate footprint are signing short-term renewals and will re-evaluate their office plans during that time. Touring activity increased in the second half of Q2 as the county began to open back up and more companies returned to work and began planning for their real estate needs.

Outlook

The full impact the COVID-19 economic downturn on the office market is still uncertain. However, early indications are that this downturn is different than the Financial Crisis which hit Orange County hard because of the concentration of subprime mortgage companies that were located here. The office market was affected more than other property types during that recession while, up to this point, the current downturn has primarily caused retail job losses. Since mid-March, 63,682 Orange County layoffs have been recorded with California's WARN system, of which only nine percent are from office occupiers. 74 percent of those layoffs are temporary. This will remain a key indicator in the second half of 2020.

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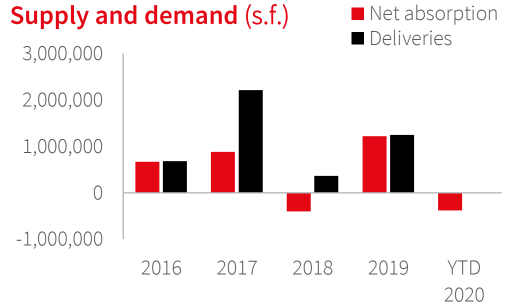
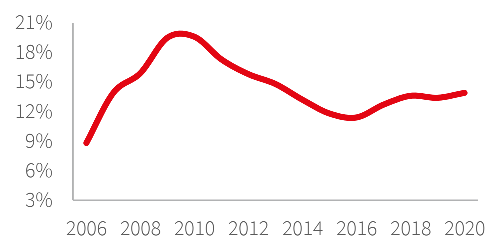
Fundamentals		Forecast
YTD net absorption	-381,042 s.f.	▶
Under construction	1,091,177 s.f.	▶
Total vacancy	13.9%	▶
Sublease vacancy	963,706 s.f.	▲
Direct asking rent	$3.11 p.s.f.	▶
Sublease asking rent	$2.65 p.s.f.	▶
Concessions	Increasing	▲

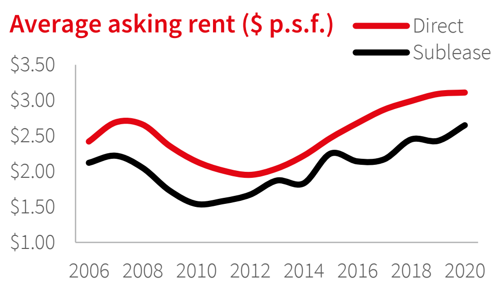
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Orlando

Suspense builds as the market awaits COVID-19's relent amid a shaky reopening

- Supply is not an issue with Edison at Primera II delivering this quarter combined with numerous Trophy and Class A subleases available in the CBD. Sublease availability has continued to spike across the market.
- Demand in the near term is limited to lease expiration-motivated tenants who need to find solutions to wait out the pandemic. These tenants are executing short-term extensions.
- Asking rents have dropped slightly on a direct average basis.

Orlando experienced a marked slowdown as the COVID-19 pandemic set in. The development projects that were already in the pipeline have delivered primarily vacant this quarter and with few anchor tenants in sight. Additionally, sublease availabilities are springing up across the market as tenants are either downsizing their workforce, shutting down or transitioning to a more work-from-home-friendly structure. In tandem, these effects have given rise to bountiful new supply in the form of a vacancy spike.

Demand hit a metaphorical brick wall in late March as many economic drivers were forced to shut down. In late June, the market has initiated a tepid reopening but not without due caution. Many tenants in the market who were motivated to sign a lease because of a pending expiration have exercised any short-term renewal options available to maintain flexibility in the near term. Virtually all new-to-market deals and expansions have been placed on hold indefinitely until the full effects of COVID-19 can be better understood.

Several large availabilities throughout the market have reduced their asking rates to incentivize a deal in an otherwise very slow market. The success of the discount-pricing technique is not yet evident. The pricing uncertainty has lent itself to a freeze in capital markets activity as well while the market struggles to value assets based on future cashflows.

Outlook

The continued success and growth of the Orlando market is almost entirely dependent on the quelling of COVID-19 cases leading to the reopening of key economic drivers. Orlando is particularly reliant on the demand created through tourism and theme park attendance, both of which have been shut down entirely. Demand is likely to follow the restored confidence in travel and tourism as Disney, Universal, and others pursue plans to reopen their parks.

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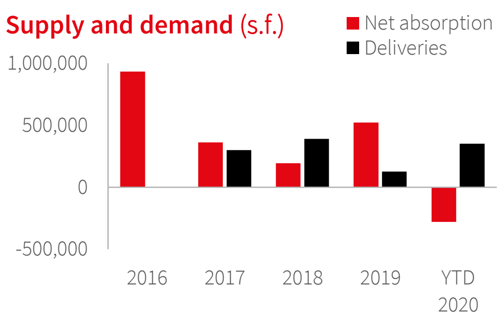
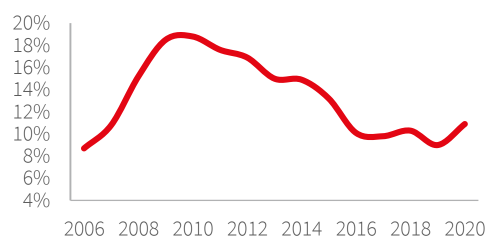
Fundamentals		Forecast
YTD net absorption	-281,605 s.f.	▶
Under construction	213,912 s.f.	▼
Total vacancy	10.9%	▲
Sublease vacancy	337,414 s.f.	▲
Direct asking rent	$25.51 p.s.f.	▼
Sublease asking rent	$23.29 p.s.f.	▼
Concessions	Increasing	▲

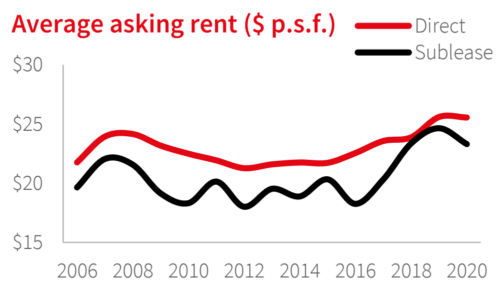
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Philadelphia-CBD

Leasing slows as tenants take a wait-and-see approach; in the meantime, fundamentals remain strong

- Vacancy ticked up only 40 bps since the beginning of the year and actually remains below vacancy levels from Q2 of 2019.
- Asking rents are at an all-time high, up 11.5% year-over-year, despite some landlords dropping asking rents on long-standing blocks.
- A dramatic slowdown in leasing activity suggests that rent growth will slow and occupancy may begin to drop: year-to-date leasing activity is one-fifth of what it was in 2019.

Philadelphia's CBD has not yet experienced a flood of new sublease space coming to market despite the emergence of this phenomenon in other major markets. Sublease availabilities make up only 9.3% of all available space, and total availability in the CBD has expanded by less than 9% since this time last year. Many tenants are choosing to pursue short-term renewals as they continue to assess the long-term ramifications that COVID-19 may have on their business practices and space planning strategies. Should tenants decide to dramatically reduce their footprints, the market may not see this reflected in sublease availabilities until 2021 or later.

In the meantime, occupancy remains high and new construction remains limited, allowing rents to continue the strong growth they experienced through the previous market cycle: average asking rents in Market West Class A are now above $35, and the asking rate in University City has pushed well into the $50 range. Life sciences tenants represent some of the only large leasing deals of the quarter: Spark Therapeutics will expand across from its headquarters building into the entirety of 3000 Market Street (64,000 s.f.), and Century Therapeutics announced it will occupy a floor of One uCity Square. Leasing in Center City dropped off dramatically from 2019 and the first quarter of 2020, with no deals larger than 10,000 s.f. transacting. Leasing volumes may remain low throughout 2020 as tenants pause to weigh their options.

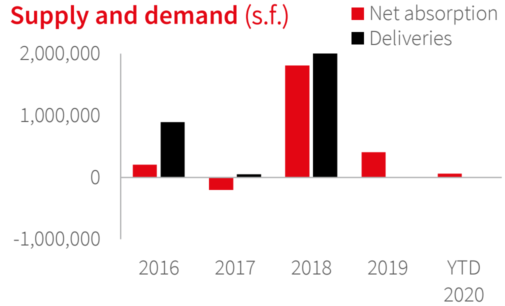
Outlook

Despite the slowdown, several new developments are pushing forward: 2222 Market will complete Civic Design Review in July (delayed from March) to begin construction; the developers of 1301 Market released a slightly smaller, 700,000 s.f. concept for their Trophy tower; and a court ruling allowing Dechert to access state tax incentives may accelerate new construction at Schuylkill Yards, though additional pre-leasing would be necessary to kick off.

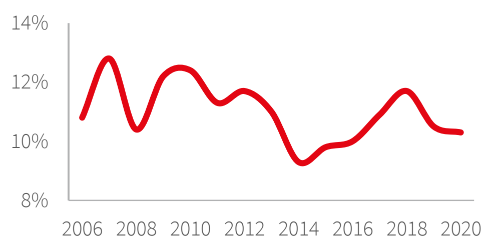
For more information, contact: Clint Randall | clint.randall@am.jll.com

Fundamentals		Forecast
YTD net absorption	58,745 s.f.	▶
Under construction	621,000 s.f.	▲
Total vacancy	10.3%	▲
Sublease vacancy	385,456 s.f.	▲
Direct asking rent	$35.30 p.s.f.	▶
Sublease asking rent	$25.73 p.s.f.	▶
Concessions	Increasing	▲

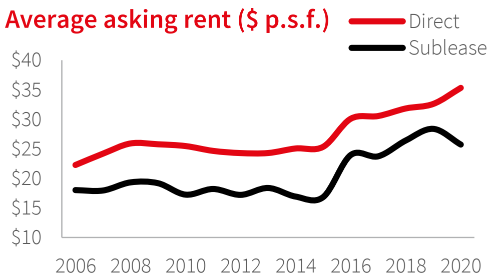
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Philadelphia-Suburbs

Market rents and occupancy are ahead of 2019 levels, but a sharp decline in leasing may slow things down

- Occupancy dipped slightly in the second quarter, but overall vacancy is only 10bps ahead of this time last year at 15.1%, and there is less availability now than there was at the midway point of 2019.
- Rents dipped slightly in conjunction with occupancy but also remain ahead of Q2 2019 levels, up 1.7% year-over-year.
- Leasing has slowed to around one-third of usual volume, but the suburbs have remained more active than the city year-to-date.

While the suburbs remain net positive for absorption halfway through 2020, the second quarter saw some move-outs and downsizings chip away at occupancy, reducing it 30bps compared to Q1. Modest gains were made in Malvern/Exton where Avanceon occupied 20,700 s.f. at 300 Eagleview and Vanguard expanded into 53,000 s.f. at Quarry Ridge, but these were more than offset by departures in King of Prussia/Wayne where Liberty Property Trust, Evolve, DXC, and others gave back space.

At this time, sublease availabilities do not suggest an impending wave of contraction. To the contrary, sublease availability has declined year-over-year by more than 16%. But a drop in overall leasing activity, which was about one-third of what the rolling average would suggest, could soften the market in the future if firms continue to kick the can. Rents are holding steady for now, with only a 0.3% drop this quarter.

With markets in an ongoing state of flux, office sales have quieted significantly, but several deals did transact in the second quarter: Blue Bell's 518 Township Line Road sold for more than $200 p.s.f. to AFA Real Estate Partners, and Fort Washington's 1125 Virginia Drive sold to Equus for redevelopment into multifamily. Suburban multifamily continues to surge forward across the region, with groundbreakings taking place for 51 Washington in Conshohocken and the Pendleton in Malvern.

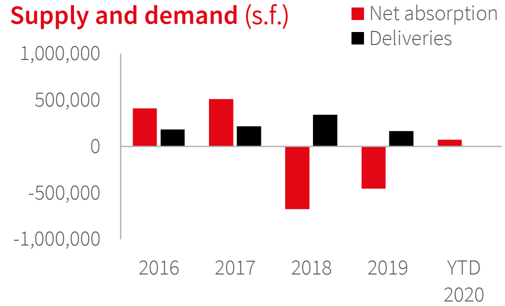
Outlook

The overall slowdown in leasing activity suggests that absorption may be sluggish in 2021 as many tenants continue to sort through the fallout of COVID-19 and determine a path forward. At the same time, ongoing investment in suburban housing may in turn fuel office demand in the years ahead, particularly if tenants opt increasingly for more flexible work settings.

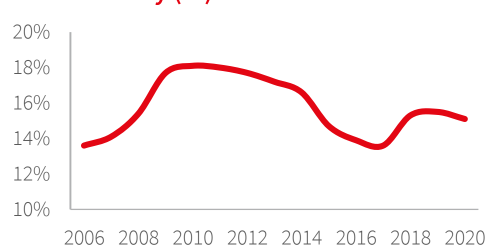
For more information, contact: Clint Randall | clint.randall@am.jll.com

Fundamentals	Forecast	
YTD net absorption	72,624 s.f.	▶
Under construction	1,127,501 s.f.	▶
Total vacancy	15.1%	▲
Sublease vacancy	618,299 s.f.	▲
Direct asking rent	$28.23 p.s.f.	▶
Sublease asking rent	$25.68 p.s.f.	▶
Concessions	Increasing	▲

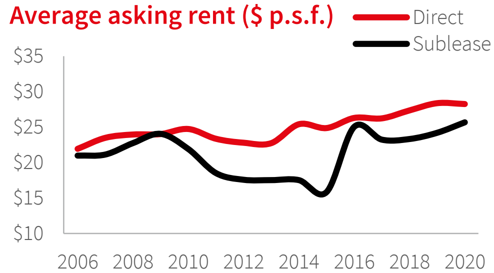
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Pittsburgh

Sublease availability increases as the early impacts of COVID-19 become apparent

- Leasing slowed in the first two months of the second quarter, but activity showed signs of return in June. Renewals saw a noticeable uptick.
- Construction resumed in May as regulations eased across the state. Several speculative office buildings are currently under construction.
- UPMC and EQT among several large sublease availabilities added. Additional sublease space is likely to be added in the coming quarters.

Across the country, available sublease space is increasing. COVID-19 and the move towards working remote has had a profound impact on the U.S. office market. In Pittsburgh, the impact is noticeable, but not as severe. Less than 1.0 percent of the office inventory was made available through subleases in the second quarter.

Although leasing activity declined in April and May, June showed a return towards normal levels. As construction restrictions were lifted, several speculative office projects in Pittsburgh resumed. The Vision on Fifteenth and Liberty East both began site preparation, while Walnut Capital began demolition of the existing buildings on the Innovation District site in Oakland.

Outlook

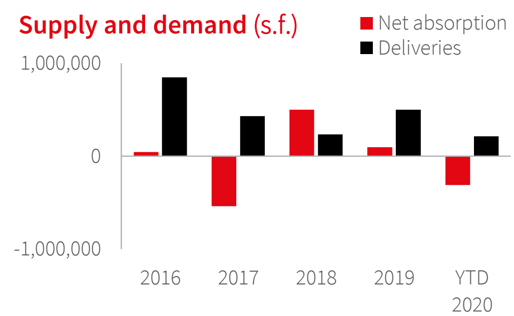
Absorption for the second quarter was negative by more than 500,000 square feet due to several large blocks of sublease space becoming available, as well as leasing activity taking a pause. But as construction picks back up and the region moves towards the next normal, leasing activity is expected to rebound.

Local investors are still bullish on the Pittsburgh market as Burns & Scalo, LG Realty and Walnut Capital continue development on the three largest speculative office projects in the region. Demand is still evident for the new construction projects as tenants emphasize a need for higher levels of safety due to COVID-19. Touchless technologies and upgraded mechanicals are top-of-mind, and landlords are adjusting accordingly. As the summer continues, re-entry strategies will be implemented and the economy will regain some footing. While this year may lag previous years due to uncontrollable variables, Pittsburgh's foundation remains strong and a recovery is not far away.

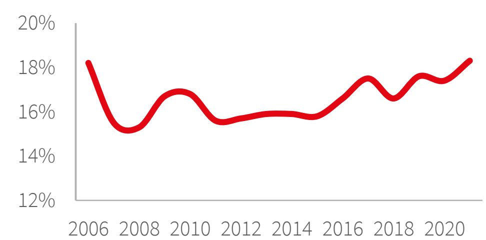
For more information, contact: Justin Simakas | justin.simakas@am.jll.com

Fundamentals		Forecast
YTD net absorption	-308,955 s.f.	▲
Under construction	1,941,708 s.f.	▶
Total vacancy	18.3%	▼
Sublease vacancy	1,354,142 s.f.	▲
Direct asking rent	$25.46 p.s.f.	▶
Sublease asking rent	$20.81 p.s.f.	▶
Concessions	Increasing	▲

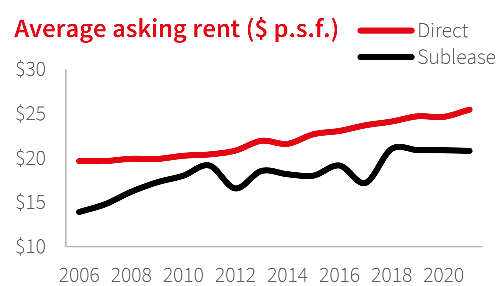
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Phoenix

Phoenix ends eight year run of positive absorption with spike in sublease space

- Q2 2020 marked the first quarter of occupancy loss in eight years, although YTD absorption is still positive.
- Class B vacancy increased 100 basis points quarter-over-quarter hitting 19.1%.
- The construction pipeline remained flat during Q2 with no new construction starts.

Despite the Phoenix office market recording more than 320,000 square feet of new move-ins during Q2, newly available sublet space brought to market negated occupancy growth during the last 90 days and marks the first quarterly loss in 8 years. Since the end of March, over 450,000 square feet of sublease space has hit the market, bringing the total to over 1 million square feet, a year-over-year increase of 43%. However, over 73% was in the form of planned move-outs and were not related to COVID-19. The Deer Valley submarket led the way in Q2, posting a net loss of 240,040 square feet, due in large part to USAA vacating their entire 149,208-square-foot building.

Over the next few quarters, we expect to see more sublease space become available as companies have opted to list space they were not using and had perhaps leased for anticipated future growth. In other cases, companies with large portions of employees working from home have listed space available in order to test the market. In short, recent layoffs do not appear to be the single prevailing contributor to the surge of available sublease space now hitting the market.

Class A properties experienced the biggest hit during Q2, with nearly 315,000 square feet of sublease space becoming available during Q2. With sublease rental rates 8% lower than direct rates, a "flight to quality" period has created opportunities for growth-oriented users to secure space in nicer properties at a discount.

Outlook

Phoenix's economic boom has halted, however, due to the Valley's diverse & highly educated workforce comprised of prime-age talent and a low cost of living, we could see more companies relocate to the Valley which could help cushion the blow and see the market back to among the nation's most attractive metro areas, post-recession.

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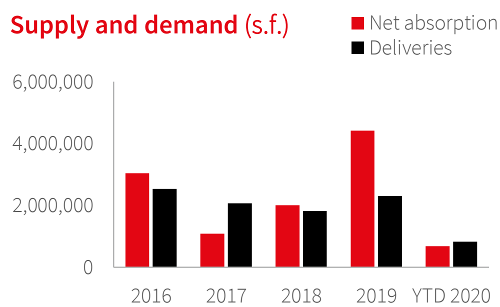
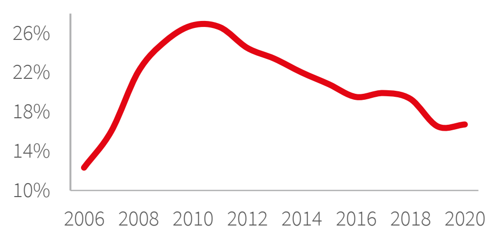
Fundamentals		Forecast
YTD net absorption	685,906 s.f.	▼
Under construction	1,594,733 s.f.	▼
Total vacancy	16.7%	▲
Sublease vacancy	1,037,271 s.f.	▲
Direct asking rent	$28.16 p.s.f.	▶
Sublease asking rent	$26.91 p.s.f.	▶
Concessions	Rising	▲

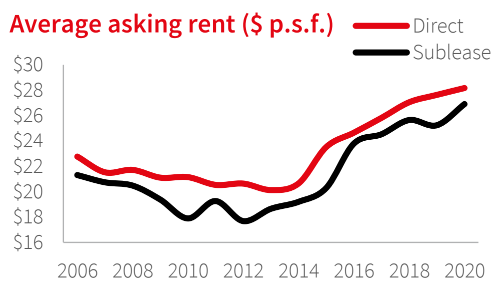
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Portland

Both decreased demand and new supply pose a challenge for Portland's office market

- Absorption dipped into negative territory during the second quarter, posting -125,000 square feet, with the majority attributed to the City of Portland moving back into their owned building.
- An elevated development pipeline has already delivered 687,500 square feet year-to-date with another 418,000 square feet set to deliver in 2020.
- Rent growth was flat quarter-over-quarter and has moderated to 5.0 percent year-over-year for the metro and 3.6 percent for the Urban Core.

Declining economic conditions and over 500,000 square feet in deliveries drove vacancy up to 12.8 percent in Q2. Absorption fell to negative 124,716 square feet, erasing all gains posted in the first quarter. However, most of the negative absorption was concentrated in the CBD, specifically, the City of Portland vacating nearly 100,000 square feet as they moved back into their newly renovated Portland Building. As the COVID-19 pandemic continues to wreak havoc on the travel and tourism industry, two prominent Portland tenants, Vacasa and AirBnB, announced largescale layoffs with Vacasa also putting 37,500 square feet up for sublease.

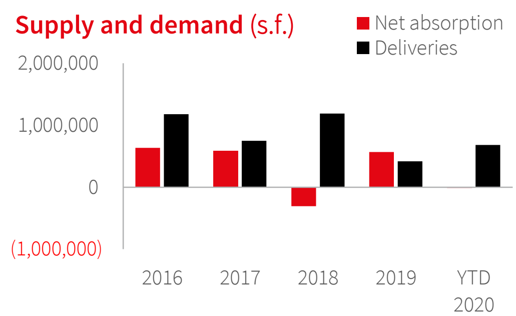
The market also saw some positive signs; the State of Oregon's Department of Employment leased and occupied 120,000 square feet at Five South in Wilsonville and Google expanded into 80,000 square feet at Meier & Frank in the CBD. Construction also remains active and a few notable deliveries occurred in Q2. In the Urban Core, NW Natural moved into their newly constructed headquarters at 250 Taylor. Portland's newest CLT building, District Office, opened in the Close In Eastside and 'make' added another 140,000 square feet of newly renovated Class A office space in Slabtown. The suburbs also saw new development for the fist time in years, with Beacon opening in Lake Oswego and Creekside IV finishing their renovation in Beaverton.

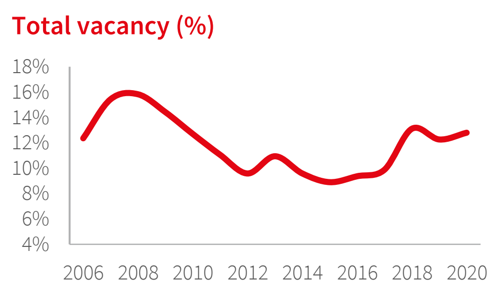
Outlook

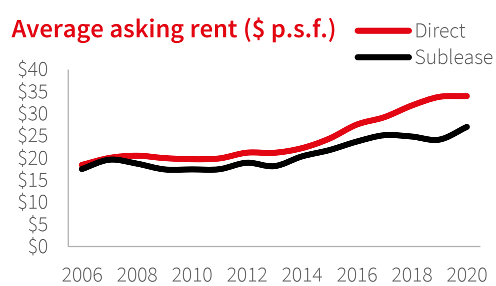
With almost 600,000 square feet of new development already delivered in the urban core in 2020 and another 870,000 square feet still in the pipeline, vacancy is likely to remain elevated for the next 2-3 years. Tenants have more options than they've had in more than 20 years and together with rents stabilizing, leverage in the market is shifting to the tenant. Past downturns in Portland have seen modest rent declines with increases in free rent and shorter lease terms, expect similar conditions to play out for the remainder of 2020 through 2021.

For more information, contact: Alice Kemp | Alice.Kemp@am.jll.com

Fundamentals		Forecast
YTD net absorption	(1,270) s.f.	▼
Under construction	1,231,254 s.f.	▼
Total vacancy	12.8%	▲
Sublease vacancy	386,441 s.f.	▲
Direct asking rent	$34.00 p.s.f.	▼
Sublease asking rent	$27.03 p.s.f.	▶
Concessions	Increasing	▲







Raleigh-Durham

Decisions continue to be made as impact of COVID-19 waits to be seen

- Raleigh-Durham posted positive absorption gains in the second quarter, bringing year-to-date absorption to 425,332 square feet.
- Asking rents held steady in quarter-over-quarter comparisons, signaling that the full impact of COVID-19 has yet to be seen.
- Leasing activity slowed compared to the first quarter but interest in the market remains high, especially among life science and biotech tenants.

Despite the uncertainty surrounding the long-term impact of the COVID-19 pandemic, recent activity signals continued confidence in the Raleigh-Durham office market. GRAIL Inc. has signed a lease for 200,000 square feet in RTP / RDU. The biotechnology company intends to open a $100.0 million research lab and cited the market's highly skilled labor force as a critical factor in the decision making process. While overall leasing activity has slowed, absorption remained positive, reaching 93,745 square feet this quarter, bringing year-to-date absorption to 425,332 square feet. Vacancy remains stable and is now 10.5%, a mere 0.7% increase in quarter-over-quarter comparisons.

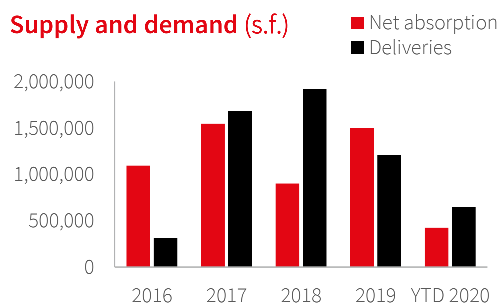
Current demand is primarily driven by tenants with immediate space requirements. Since North Carolina's issuance of a stay-at-home order in mid-March, many employers have adopted a work-from-home approach that is expected to extend through the summer of 2020. As conditions evolve, most tenants are continue to take a wait-and-see approach, though the availability of subleases is beginning to rise.

Outlook

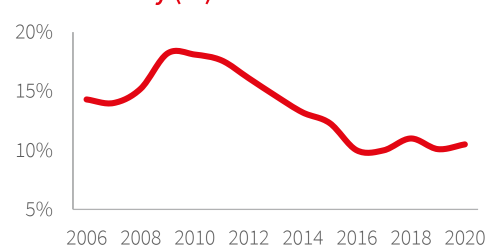
While the Raleigh-Durham market has not been immune to the economic impact of COVID-19, general sentiment remains optimistic. Bandwidth's announcement that it will build a new 500,000-square-foot corporate headquarters campus in Raleigh demonstrates tenants are still looking toward the future as they make decisions for the long-term. The full impact of COVID-19 has yet to be seen, and the effects will likely be felt in the latter half of 2020. Vacancy is expected to increase and leasing demand will slow as companies look to regain their footing amid economic uncertainty and an unfolding new normal.

Fundamentals		Forecast
YTD net absorption	425,332 s.f.	▶
Under construction	3,341,973 s.f.	▶
Total vacancy	10.5%	▲
Sublease vacancy	324,528 s.f.	▲
Direct asking rent	$28.72 p.s.f.	▶
Sublease asking rent	$28.96 p.s.f.	▶
Concessions	Stable	▶

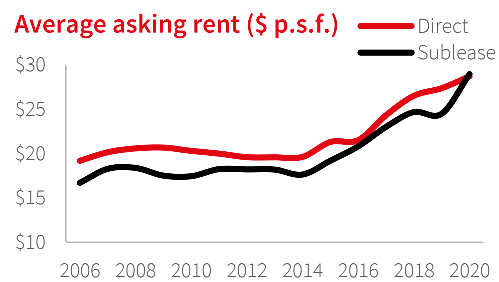
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



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Richmond

Leasing volume down 58%, but sublease space has not yet seen major uptick compared to previous quarters

- Leasing activity is down 58% versus the first half of 2019, while renewals comprised 66% of activity versus 33% in Q2 2019.
- Sublease space ticked up but the amount added is lower than the average volume added each quarter in 2019.
- No significant delays in the leasable development pipeline, which remained 49.1% preleased at the end of the second quarter.

Overall occupancy fell slightly this quarter as the market produced nearly 100,000 square feet of negative net absorption year-to-date. Available sublease space, typically the first indicator of downshifts in the local economy, increased slightly by 46,090 square feet. This increase was 18.3% lower than the average volume of sublease space added per quarter in 2019. Additionally, the most recent and largest block of sublease space placed on the market (11,915 square feet) originated from the LeClairRyan bankruptcy last year.

Leasing activity continued to slow this quarter, and is down 58% year-to-date versus the first half of 2019. Occupiers maintained a wait-and-see approach, calling off major expansions and opted for renewals, which accounted for 66.1% of leasing volume compared to 33.3% in 2019. This pause in new-lease velocity could potentially foster more sizeable concession packages, stunt rent growth, and taper development activity for the remainder of the year.

No significant delivery delays were expected with the current supply pipeline under construction. As of the second quarter the 399,695 square feet under development was 49.1% preleased and the largest project, Kinsale Insurance's HQ, was set to deliver next quarter totaling 146,600 square feet.

Outlook

Office-using employment sectors collectively shed 16,600 positions since the end of 2019 through May 2020 with 72.9% of these losses stemming from healthcare and education. While these payroll reductions were dramatically less than the retail and hospitality sectors, office-using employment losses combined with occupiers adopting flexible workplace strategies could translate into additional occupancy losses and long-term implications for Richmond's office market performance.

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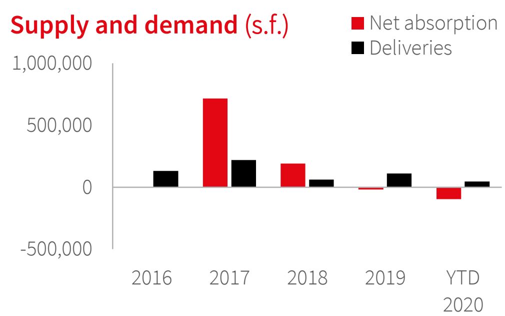
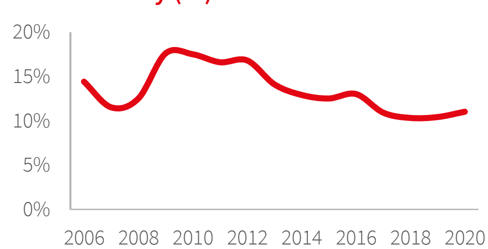
Fundamentals		Forecast
YTD net absorption	-96,482 s.f.	▼
Under construction	399,695 s.f.	▼
Total vacancy	11.0%	▲
Sublease vacancy	271,618 s.f.	▲
Direct asking rent	$22.04 p.s.f.	▼
Sublease asking rent	$20.18 p.s.f.	▼
Concessions	Increasing	▲

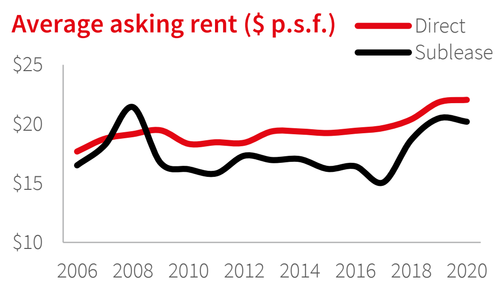
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Sacramento

Vacancy inched up and rental rates remain stable as leasing activity slowed throughout the Greater Sacramento area

- 167,900 square feet of sublease space has been added to the market since the onset of COVID-19 and shelter in place, accounting for nearly 1.0% of all inventory
- Overall, the construction pipeline remains dormant, minimizing the risk of oversupply in the current cycle.
- Despite a halt in demand, vacancy and rents remain stable.

While net absorption remained positive for the year, Sacramento's office market saw 118,218 square feet of net occupancy losses in Q2 2020. As of late, the Roseville, Rocklin, and CBD submarkets have outperformed the majority of the other submarkets. However, this quarter they saw the most sublease space come to market. Roseville, Rocklin, and CBD submarkets have consistently been among the strongest submarkets but saw their fortunes change this quarter, accounting for 83% of the negative absorption in the market. South Natomas, with quality Class A inventory, saw positive absorption of 21,579 square feet. Market-wide low vacancy and very minimal construction has kept average asking rents steady through Q2 2020.

Speculative construction activity has halted with just one development delivering this quarter – 2555 Natomas Park Drive. Although there were no additional speculative groundbreakings this quarter, construction activity remains limited to owner-user developments with over 2 million square feet underway across the overall Greater Sacramento area, 100% of which is being constructed for the State of California.

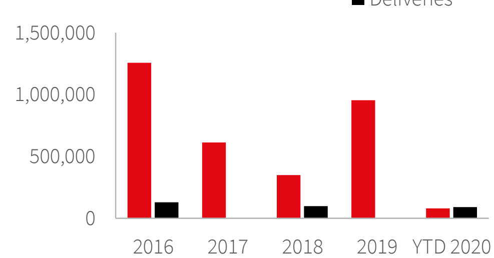
Outlook

Education, health and government are industries that typically maintain steady growth in the Sacramento area. COVID-19 did not discriminate, however, and these industries all experienced shut downs, alongside retailers. However, as soon as reentry began, education and health added back 5,700 workers while government shed 2.6% of workers due to the decline in tax revenues. The impact to office occupancy of any future government layoffs or workers working from home indefinitely remains to be seen. Government and health agencies typically lease space under long-term agreements, and owner-occupiers are abundant in the market. These factors could help stabilize occupancy in the future.

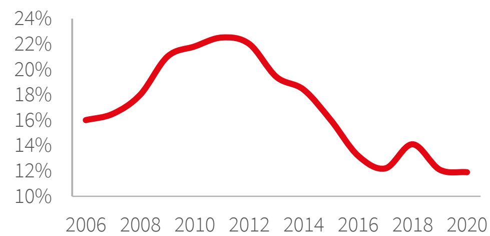
For more information, contact: Mason Roddy | Mason.Roddy@am.jll.com

Fundamentals	Forecast	
YTD net absorption	80,791 s.f.	▶
Under construction	0 s.f.	▶
Total vacancy	11.9%	▶
Sublease vacancy	167,900 s.f.	▲
Direct asking rent	$2.12 p.s.f.	▲
Sublease asking rent	$1.65 p.s.f.	▶
Concessions	Stable	▶

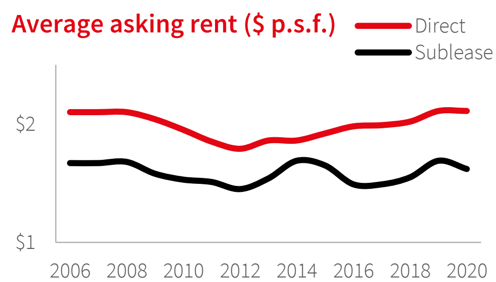
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Salt Lake City

Q2 absorption was nearly flat as sublease availability jumped by 400,000 square feet

- Net absorption was slightly negative in Q2, putting the brakes on a solid first quarter.
- Sublease availability increased from 1.1 million square feet in Q1 to 1.5 million square feet in Q2.
- Numerous tenants have signed one-year lease extensions to evaluate fluctuating market conditions before renewing or relocating long-term.
- Market occupancy fell to 90.1 percent – its lowest level since Q1 2010.

Despite recording more than 275,000 square feet of new move-ins during the second quarter, newly available subleases brought to market wiped out all positive absorption during the last 90 days. Market-wide, tenants vacated and put up for sublease almost 400,000 square feet this quarter. Comparatively, the first quarter saw sublease absorption measure in the black at 11,000 square feet.

Submarkets showing the highest amount of vacant sublease space include the CBD, Utah County South and Utah County North. Most of this space is in Class A properties. It should be noted that a majority of these large, vacant subleases appear to be situations in which the companies have opted to list space they were not using and had perhaps banked for anticipated future growth. These additions are not the result of dramatic, sudden reductions in footprint. Some examples cross submarkets and sectors include: Ancestry recently listed 25,000 square feet for sublease at its campus in Lehi, while Divvy made available 75,000 square feet for sublease at 136 Center in Draper prior to the building's completion. In other cases, companies with large portions of employees working from home have listed space available in order to test the market. In short, recent layoffs do not appear to be the single prevailing contributor to the surge of available sublease space now hitting the market. In fact, some decisions to sublease arose prior to the pandemic. At Riverpark Corporate Center in Sandy, AutoPoint (Solera Holdings Inc.) is subleasing three floors as part of a pre-COVID-19 plan to exit the market.

Outlook

With sublease asking rents 7.0 percent lower than direct rents—and a plethora of newly available, cheaper subleases in some of the market's more desirable properties—there is an opportunity for growth-oriented users to secure space in nicer properties at a discount. These companies may want to act quickly.

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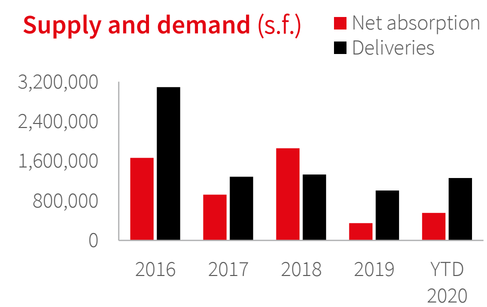
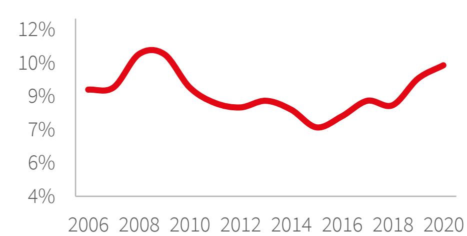
Fundamentals		Forecast
YTD net absorption	555,980 s.f.	▶
Under construction	3,442,292 s.f.	▶
Total vacancy	9.9%	▲
Sublease vacancy	1,049,246 s.f.	▲
Direct asking rent	$24.91 p.s.f.	▶
Sublease asking rent	$23.27 p.s.f.	▲
Concessions	Rising	▲

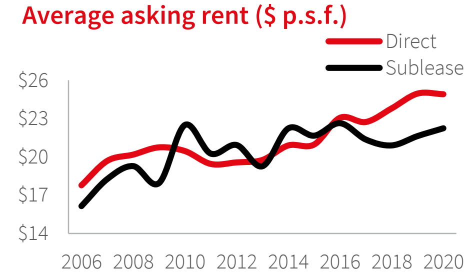
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



San Antonio

The second quarter office market shows little activity

- The overall office market experienced relatively minimal activity in Q2.
- The majority of leases being signed since the start of the pandemic have been renewals. Many tenants are opting for shorter terms.
- Vacancy is trending upward slightly and rents remain relatively steady.

The San Antonio office market experienced relatively little movement across the office market during the second quarter of 2020. The few large move-ins include: Goodwill, Charles Schwab and AACOG. Both the Goodwill and AACOG leases were completed in buildings in the Northeast submarket, historically one of the least active office submarkets. However, their effects on overall absorption were netted out by a handful of large move outs including Apache Corp which exited approximately 60,000 SF as the market continues to reflect the ongoing headwinds in the oil industry. In addition, ETS vacated roughly 44,000 SF.

Overall, vacancy is up 50 basis points from the previous quarter, and up 70 basis points from the same time last year, demonstrating San Antonio's relative stability through the volatility of the economic cycles. Furthermore, if the previous recession is any indication of how the San Antonio office market will fare during this downturn, occupancy and asking rents should hold fairly steady. This is likely due to San Antonio's diverse economy and tenant mix, along with a strong government and defense sector presence. The city's exposure to the hard-hit energy sector, though not significant in the multi-tenant office sector, has resulted in increased vacancy, with examples such as Apache and Halliburton both vacating space in the market.

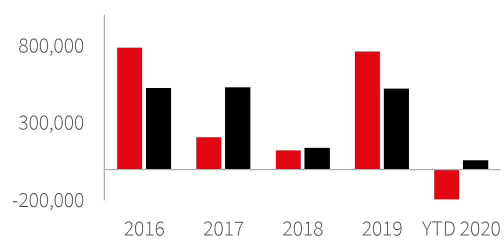
Outlook

It is likely that vacancy will continue to rise slightly in the near term as new product is delivered in the coming quarters and as COVID-19 continues to impact office occupants. Over the long term, we see absorption trending upwards as the economy begins to show signs of recovery and some tenants add space to accommodate social distancing. As many companies continue to work from home, there will continue to be uncertainty surrounding what a complete return to the office will look like. JLL will continue to monitor and report on the state of the office market as things progress.

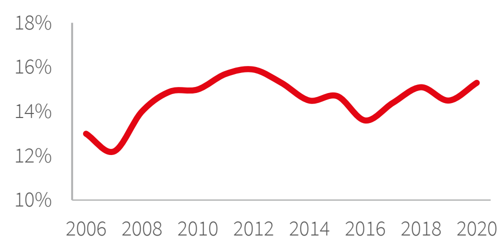
For more information, contact: Robert McDonough | Robert.McDonough@am.jll.com

Fundamentals	Forecast
YTD net absorption	-193,303 s.f. ▶
Under construction	718,530 s.f. ▲
Total vacancy	15.3% ▲
Sublease vacancy	208,692 s.f. ▲
Direct asking rent	$26.23 p.s.f. ▼
Sublease asking rent	$26.10 p.s.f. ▼
Concessions	Rising ▲

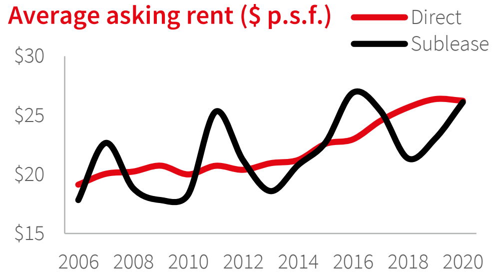
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



San Diego

COVID-19 affects smaller tenants leading to negative net absorption, while rents and vacancy hold

- COVID-19 has muted small tenant movement causing negative net absorption in Q2, while mid to large-size space segment was steady.
- Life sciences expansion and leasing momentum continues to impact the office market.
- A diverse industry base and solid office fundamentals puts area in good position to weather COVID-19 impacts.

Q2 experienced 75,000 square feet of negative net absorption caused by a drop in small tenant leasing. Leasing activity volume for 10,000 square feet and less was down 65% compared to Q2 2019. The softening of small space leasing had a significant impact on the Class B and C markets. In Q2, Class B and C saw negative absorption of 75,000 square feet each, while Class A saw occupancy gains of 75,000 square feet. The market saw negative net absorption of 215,000 square feet in activity under 10,000 square feet. While tenant movement for spaces greater than 10,000 square feet yielded a gain of 140,000 square feet, suggesting that larger occupiers have been less impacted than smaller companies.

Strong growth for the life science sector is impacting office supply. Q2 lab leasing volume was up 20% versus office leasing down 60% from Q2 2019. Office/R&D properties continue to be converted to lab space due to high life science demand, with roughly 2.1 million square feet converted over the last 36-months. This influx of office-to-lab conversions is putting pressure on the office market for expanding tenants, with vacancy holding at 9.5% in the North Cities Cluster. Another indicator that may boost life sciences demand is record VC funding, now standing at $1.1 billion halfway through 2020.

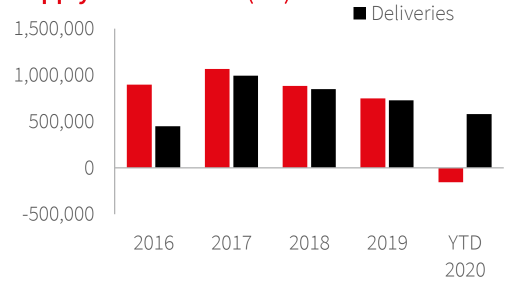
Outlook

Market Fundamentals remained stable through the first half with year-over-year average asking rents rising by 3.3% (Class A at 5.1%), vacancy rose 20 basis points from Q1, and 5.4 million square feet of tenants are in the market. However, activity may be more constrained in the quarters to come due to economic ambiguity. San Diego's industry diversification has put the region in a strong position to withstand economic disruption. There is no industry accounting for more than 12% of the regions employment and 19% of total leasing volume since 2017, led by medical and tech respectively.

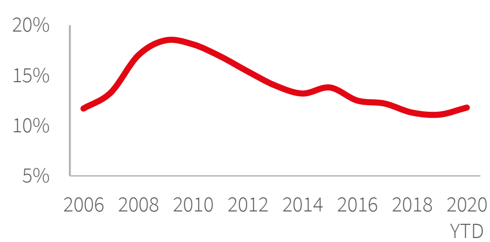
For more information, contact: Patrick Ashton | patrick.ashton@am.jll.com

Fundamentals		Forecast
YTD net absorption	-155,251 s.f.	▶
Under construction	2,309,790 s.f.	▶
Total vacancy	11.8%	▶
Sublease vacancy	533,273 s.f.	▶
Direct asking rent	$3.18 p.s.f.	▲
Sublease asking rent	$2.60 p.s.f.	▼
Concessions	Stable	▶

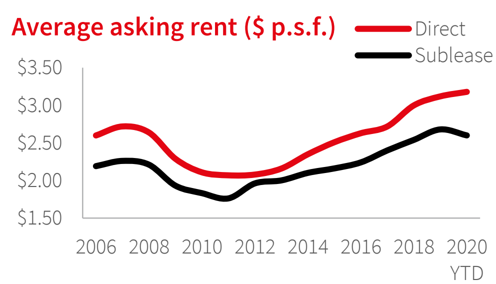
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



San Francisco

Will there be another dot-com bust in San Francisco? The market is different this time around.

- 1.5 million square feet of new sublease space was added to the market in Q2 2020, the most in a quarter since Q1 2001.
- With shelter-in-place curtailing touring and expansionary leasing, leasing activity was tracked at 700,000 square feet, a 44.1% decrease from Q1 2020.
- With sublease availability increasing 49.3% quarter-over-quarter, average sublease asking rents have fallen 3.5%.

As shelter-in-place continues, market uncertainties stemming from COVID-19 have had a significant impact on the San Francisco labor and real estate markets. As of May 2020, the unemployment rate was at 12.6%, up from 2.3% in February. The largest job losses were observed in the leisure and hospitality, trade, transportation, and utilities, and retail industries. As these companies look to conserve cash, those industries have added 1.35 million square feet and account for 30 % of all of sublease availability on the market.

The San Francisco office market saw net occupancy losses of 1.4 million square feet in Q2, attributed to a new influx of sublease vacancies added to the market by the aforementioned industries and previously scheduled tenant moveouts. Vacancy increased 160 basis points from last quarter to 7.9%, and sublease vacancy increased 110 basis points from last quarter to 2.5%. These metrics are still down compared to the onset of the dot-com bust, where sublease vacancy was tracked at 6.8 % and direct vacancy was tracked at 8.3%.

Outlook

Evan as tenants begin moving into vacant spaces from lease pre-commitments signed in years prior, future absorption, leasing activity, and expansions in the market may be muted until a vaccine for COVID-19 is found.

For now, the full impact on direct market rents remains unclear, as the majority of landlords are holding rents steady. However, rent decreases are being observed in buildings with significant large block availabilities that are scheduled to come vacant later this year.

Despite the resumption of all construction projects in the City, it remains to be seen when construction of the entitled Central SoMa projects will commence. Boston Properties has announced that their Harrison Gardens project, one of the projects originally slated to break ground this summer, will not begin construction without a significant prelease from an anchor tenant.

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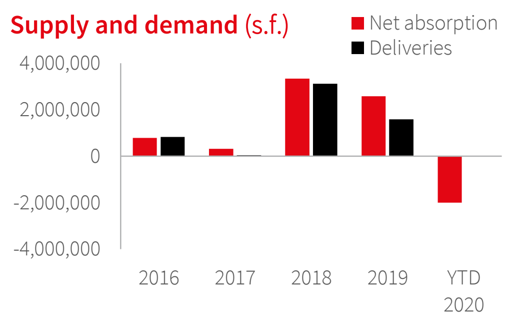
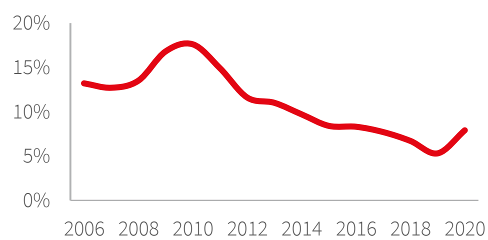
Alexander Quinn | alexander.quinn@am.jll.com

Fundamentals	Forecast
YTD net absorption	-2,002,112 s.f. ▶
Under construction	3,009,595 s.f. ▶
Total vacancy	7.9% ▲
Sublease vacancy	1,985,199 s.f. ▲
Direct asking rent	$91.62 p.s.f. ▼
Sublease asking rent	$76.41 p.s.f. ▼
Concessions	Stable ▶

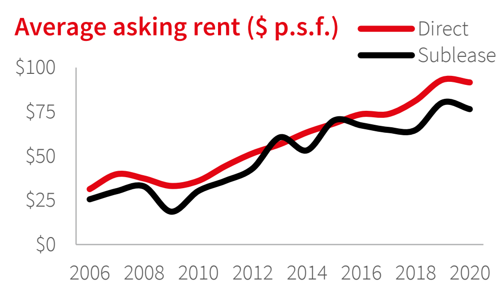
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



San Francisco Mid-Peninsula

The Mid-Peninsula market hits pause as users evaluate their real estate needs and strategies

- The Mid-Peninsula experienced 384,414 square feet of negative absorption in the second quarter, primarily driven by Oracle vacating roughly 263,000 square feet at 10 Twin Dolphin.
- The Class A market saw 336,625 square feet of negative absorption, accounting for 88 percent of all negative absorption in the market.
- Menlo Gateway 2 and 3 in Menlo Park along with Broadway Station in Redwood City delivered this quarter despite the uncertainty surrounding construction deliveries.

Although the San Francisco Mid-Peninsula market experienced 384,414 square feet of net occupancy losses in Q2, this was primarily led by Oracle vacating roughly 263,000 square feet at 10 Twin Dolphin in Redwood Shores, accounting for 68 percent of all occupancy losses in Q2. This ultimately forced vacancy up marginally on a market level bringing the vacancy rate up to 11 percent. Market activity is noticeably down from pervious years, deals executed this quarter were primarily driven by renewals, accounting for nearly 47 percent of the leasing volume in Q2. As the world continues to tackle COVID-19 and the challenges surrounding it, absorption throughout the remainder of 2020 will be difficult to predict while companies examine their space needs and the longer-term impact of structural changes to office-using demand.

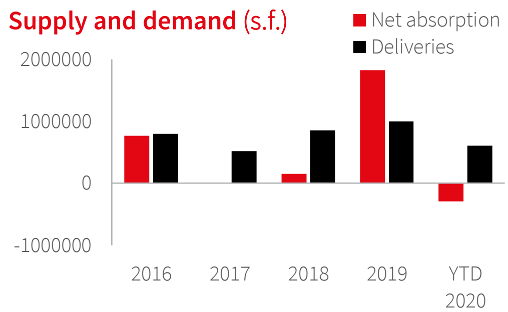
The Mid-Peninsula experienced a drop in average direct asking rent of roughly 4 percent this quarter, while the average sublease asking rate dropped just 2.4 percent. Direct rent dropped by more than sublease rent because of Oracle vacating space at 10 Twin Dolphin and marketing the direct space at a lower rent. Available sublease space increased by 15 percent this quarter.

Outlook

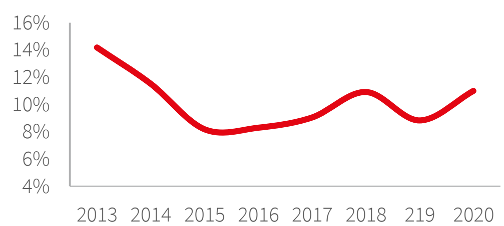
The construction pipeline remains strong with roughly 2.4 million square feet currently under development. Of the estimated 16 projects currently under construction, about half are nearly completely pre-leased. However, we can anticipate timing for both new construction starts and deliveries to extend as a result of the impact of strict personal distancing guidelines and city administrative delays.

Fundamentals	Forecast
YTD net absorption	-292,152 s.f. ▼
Under construction	2,430,758 s.f. ▼
Total vacancy	11.0% ▲
Sublease vacancy	725,962 s.f. ▲
Direct asking rent	$5.90 ▼
Sublease asking rent	$4.90 ▼
Concessions	Increasing ▲

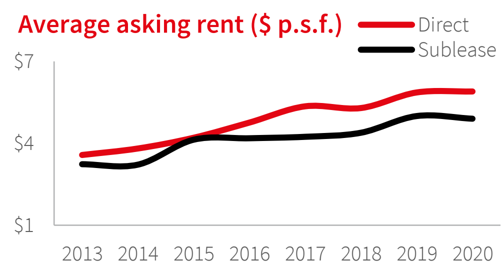
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



In an effort to provide more accurate data and reporting, JLL Silicon Valley redefined inventory classifications for office and flex/R&D properties. What defines a property as office or flex/R&D is now focused more on the structure of the building rather than the use. Apart from downtown areas, the El Camino and Sand Hill Road Corridors, and other office-only pockets, office is now defined as any building with at least 4 stories in the Silicon Valley and at least 3 stories in the Mid-Peninsula. Flex properties are buildings 3 stories or less in Silicon Valley and 2 stories or single story in Mid-Peninsula. Additionally, owner-occupied buildings are now part of the statistical inventory and reports for the first time. Lastly, for consistency purposes, all office and flex buildings below 30,000 square feet in Silicon Valley and under 20,000 square feet in the Mid-Peninsula are not included in our statistical inventory and reports. All the aforementioned changes resulted in a large shift in the existing inventory and historical statistics related to both property types. However, as a result of these changes, statistics and reporting now more accurately represents market dynamics in the Silicon Valley and Mid-Peninsula.

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Seattle/ Puget Sound

Office market activity slows as uncertainty remains

- Sublease vacancy increased 30 percent while sublease availability is up 17 percent quarter-over-quarter
- The number of available large blocks increased within Seattle in both Class A and Class B buildings
- Over 5.6 million square feet of office space is under development, but expect delays in completion and occupancy

As expected, the Seattle/Puget Sound office market ground to a halt in Q2. Vacancy remained unchanged at 10.1 percent and absorption was negligible at only 39,000 square feet. Office leasing activity was down 38 percent quarter-over-quarter and over half of all leases singed were renewals or blend and extends - many of which are on a short-term basis. With continued uncertainty in the market, tenants are slowing expansion plans and pushing long-term decision-making out a few quarters.

Large block availability saw a sizeable uptick since last quarter, with six new spaces over 50,000 square feet becoming available. The increase in sublease availability has provided much-needed relief to supply-constrained submarkets. Expect pressure on asking rents as sublease space competes with direct availabilities.

Over 5.6 million square feet of space is under development, approximately 1.4 million of which is slated to deliver by year-end. While most projects only experienced 35 days of downtime as a result of the 'Stay Home, Stay Healthy' order, social distancing guidelines and a significant reduction in the construction workforce have the potential to delay projects further. Disruptions to the FF&E supply chain are likely to delay tenant improvement timelines as well, expect occupancy to lag considerably behind leasing for the foreseeable future.

Outlook

How much activity resumes in Q3 is largely dependent on how the resurgence of coronavirus cases plays out. As cases begin to rise throughout Washington State, the potential for slowing of the phasing in to core office markets becomes a possibility. The subsequent impacts on construction, touring activity, and space planning would undoubtedly slow recovery. Until the impacts of the pandemic are fully realized, most tenants and investors will remain in wait-and-see mode. A sharp focus remains on the large requirements still on hold.

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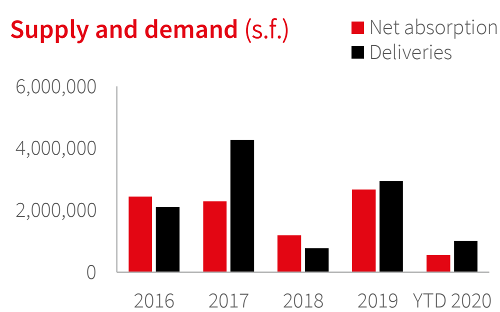
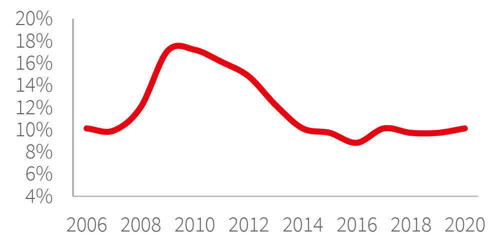
Fundamentals		Forecast
YTD net absorption	558,460 s.f.	▶
Under development	5,626,813 s.f.	▶
Total vacancy	10.1%	▲
Sublease vacancy	1,272,801 s.f.	▲
Direct asking rent	$45.19 p.s.f.	▶
Sublease asking rent	$39.65 p.s.f.	▶
Concessions	Increasing	▲

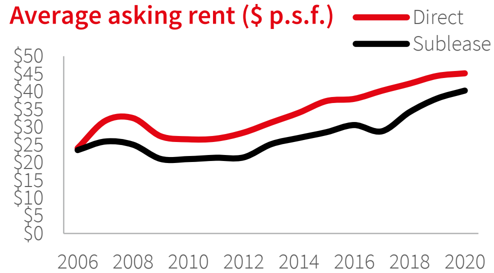
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Silicon Valley

Market fundamentals remain steady as landlords and companies adjust to the new normal

- Net absorption remained static as a result of continued delays of inspections and move-ins related to the pandemic.
- The cumulative square footage of lease transactions signed in the second quarter was 338,853 square feet, down almost 60 percent from the prior quarter.
- Rents are holding steady as many owners take a wait-and-see approach to businesses' future office needs and expansion plans.
- The construction pipeline shrank as some projects were delivered this quarter and others were put on hold indefinitely.

The amount of vacant space increased marginally given limited move-outs as shelter-in-place orders remained in effect through much of the second quarter. The vacancy rate increased to 9.1 percent in the second quarter. While the total available space remained fairly steady quarter-over-quarter, the amount of available sublease space increased. Some tenants are placing smaller sublease space onto the market as companies consolidate operations and re-think expansion plans. Approximately 400,000 square feet of sublease space came onto the market since the beginning of the second quarter. Approximately 40 percent of the sublease space are in blocks of 25,000 square feet or less. However, available sublease space still represents a very small share of total inventory, just 2.7 percent. Leasing activity remained muted as companies assess the state of the market and adjust their current and future office needs. The average deal size was 12,550 square feet in the second quarter, just half the size from the prior quarter.

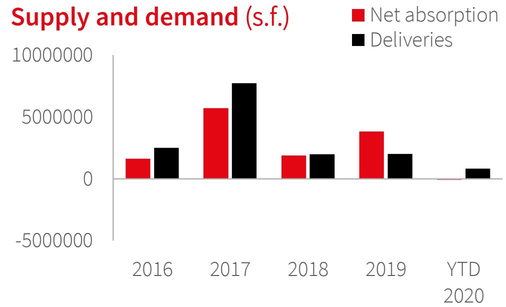
Two projects officially delivered this quarter: Moffett Place Building 6 and 675 Almanor. No new projects were added to the pipeline. In fact, Platform 16 (a three-building campus totaling 1.1 million square feet) in Downtown San Jose was put on hold indefinitely.

Outlook

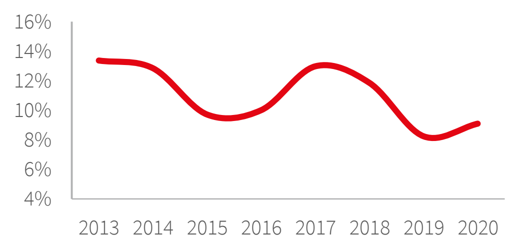
Extended work-from-home policies will likely weaken office demand in the short term. This, when coupled with new construction deliveries and a likely rise in sublease space, should soften market fundamentals in the near term. Much of the world's premier technology and innovation occurs here. This, and the fact that this recession is not tech-led, leads JLL to believe that the Valley is well positioned to weather this market correction over the longer term.

Fundamentals		Forecast
YTD net absorption	-75,615	▼
Under construction	8,691,805 s.f.	▼
Total vacancy	9.1%	▲
Sublease vacancy	1,292,130 s.f.	▲
Direct asking rent	$5.10	▼
Sublease asking rent	$4.03	▼
Concessions	Increasing	▲

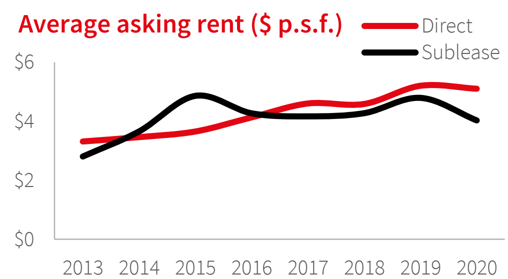
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



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St. Louis

Construction carries on in the midst of COVID-19

- Development activity remains concentrated in Clayton and Midtown as the two submarkets combine for 75.0% of the markets total construction.
- Leasing activity in the second quarter was down 45.6% year-over-year.
- Sublease vacancy increased by almost 20,000 square feet in the second quarter.

The St. Louis office market posted occupancy losses for the first time in over a year amidst the economic turmoil from the COVID-19 global pandemic. According to the Bureau of Labor Statistics, the unemployment rate in St. Louis jumped from 3.5% to 11.0% in April, which marks the region's highest rate in over 20 years. Unsurprisingly, the leisure and hospitality industry was hit the hardest, which was down almost 50.0% year-over-year. As the state continues its reopening efforts, those numbers should start to bounce back.

Despite a statewide stay-at-home order put in place for a portion of the quarter by Missouri Governor Mike Parson, construction was permitted to continue. As a result, Pace Properties delivered its mixed-use project, The Link in the Loop, which contains 50,000 square feet of office space in the Delmar Loop. Additionally, US Capital Development kicked off construction on Forsyth Pointe (457,000 square feet) in Clayton.

The biggest news of the quarter came in June when the U.S. Department of Agriculture announced it was relocating from North City and had signed a lease Downtown for 163,604 square feet at 211 N Broadway. Government consulting firm, Accenture Federal Services, also announced plans to open an Advanced Technology Center at 520 Maryville Centre Dr in West County. The center is expected to bring 1,400 new jobs to the region over the next five years.

Outlook

It will be important to keep an eye on the uptick in available sublease space as the year progresses. Over 100,000 square feet of new sublease space has come available since the end of the first quarter. If large blocks of space continue to hit the market, then expectations for the year will need to be tempered.

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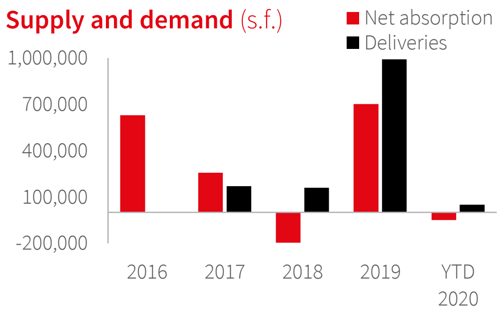
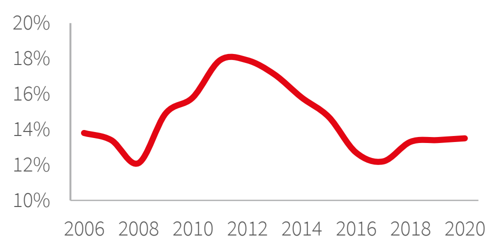
Fundamentals	Forecast
YTD net absorption	-49,379 s.f. ▶
Under construction	1,431,750 s.f. ▼
Total vacancy	13.5% ▲
Sublease vacancy	364,769 s.f. ▲
Direct asking rent	$22.45 p.s.f. ▼
Sublease asking rent	$20.51 p.s.f. ▶
Concessions	Increasing ▲

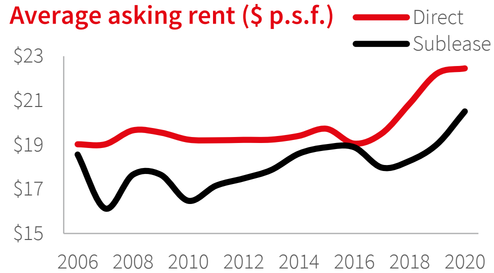
Supply and demand (s.f.)



Total vacancy



Average asking rent ($ p.s.f.)



Suburban Maryland

Suburban submarkets and renewals dominate leasing velocity amid the COVID-19 pandemic

- Renewals accounted for 70% of leasing activity in Q2, led by government and tech
- Suburban submarkets have captured 82% of leasing activity year-to-date.
- The delivery of 909 Rose this quarter brought the first Trophy asset to the market outside of Downtown Bethesda

Suburban Maryland saw the delivery of Federal Realty's 909 Rose this quarter along Rockville Pike, yielding the market's first Trophy asset outside of downtown Bethesda. The delivery adds 212,000 square feet of Trophy product with nearly 60,000 square feet of prelease commitments.

After posting a cyclical-low of 17.2% last quarter, total vacancy grew in response to the influx of unoccupied supply as well as occupancy losses among lower quality product. Class B and Class C segments have experienced over 233,000 square feet of occupancy losses year-to-date as tenants continue to migrate to higher quality product.

Renewals were predominant this quarter, representing 70% of leasing activity. Among the most notable transactions, the FDA renewed along Rockville Pike for 93,000 square feet and software firm Open Text renewed for 50,000 square feet at Rio Washingtonian. The urban submarkets of Bethesda CBD, Chevy Chase and Silver Spring have received a smaller portion of leasing activity year-to-date, accounting for just 18% of the total.

Outlook

More than 2.3 million square feet of new product is under construction, with 650,000 square feet expected to deliver in the latter half of 2020, but no new starts are expected in the near-term due to economic conditions and elevated vacancy.

Despite the unprecedented conditions, Suburban Maryland's counter-cyclical tenant base has yielded less volatility over previous economic downturns. Leasing volume will likely remain most active among government contractors and life sciences tenants that have seen strong funding rounds in response to the COVID-19 pandemic.

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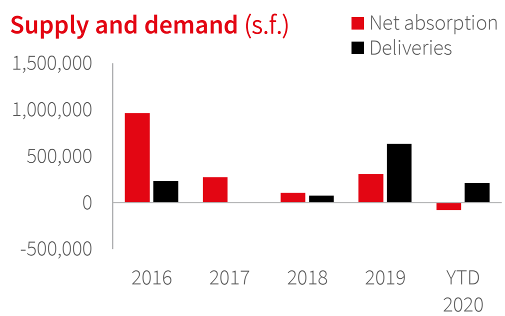
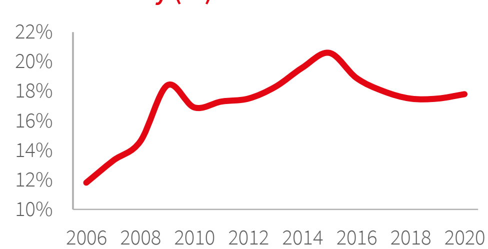
Fundamentals		Forecast
YTD net absorption	-36,674 s.f.	▶
Under construction	2,097,664 s.f.	▼
Total vacancy	17.7%	▲
Sublease vacancy	685,819 s.f.	▲
Direct asking rent	$30.90 p.s.f.	▶
Sublease asking rent	$28.19 p.s.f.	▶
Concessions	Rising	▲

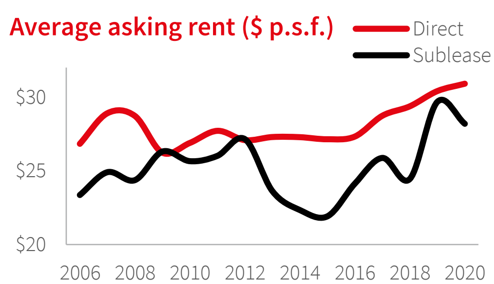
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Tampa Bay

Despite no major shifts to fundamentals, the “new” office landscape begins to take shape

- Sparkman Wharf and Heights Union look to deliver 488,504 square feet before year-end with the two projects 60% preleased.
- Vacancy was unchanged as most of the 111,046 square feet of absorption over the quarter was driven by the delivery of Renaissance VII for Wellcare (Centene).
- Despite additional downward pressure on asking rates, averages dipped just 45 basis points this quarter, yet are still up 8.4% year-over-year.

After a robust 2019 and relatively slow leasing activity and rent growth heading into 2020, the second quarter was shaping up to be a telling one for Tampa amidst the pandemic. With our first true quarter of pandemic influences coming to light, we observe that initial shifts in fundamentals have been minimal. Asking rates have begun to face slight downward pressure, yet still boast year-over-year appreciation of 8.4%. This has largely been the result of landlords not targeting posted asking rates as a tool for attracting or retaining tenants, but instead leveraging concessions like free rent or tenant improvement allowances and entertaining shorter (12, 24, 36 month) terms rather than five or seven year transactions typical for our market.

The sublease market also cooled after nearly 200,000 square feet was vacated last quarter. Despite the fact that an additional 29 sublease listings totaling 240,000 square feet were added in the past 12 weeks, sublease availability is down nearly 3% since the end of 2019 thanks to some sublease terms expiring and firms like Lennar, Welbilt and Nextech taking advantage of available sublease space for local expansion or relocation. This allowed the market to absorb 111,046 square feet over the quarter, but made no real improvements to market vacancy since 115,000 square feet was attributed to the delivery of Renaissance VII to Wellcare.

Outlook

Initial COVID impacts on the Tampa office market seem to be confined mostly to the tools that landlords are using to attract firms amidst muted leasing activity, but that may shift later in the year, driven by firms evaluating what their mid to long term footprint looks like in a post-COVID world. We expect continued downward pressure on asking rates, but shifting tenant needs, muffled leasing activity, anticipated move-ins, and new deliveries are all applying different (and often opposing) forces on vacancy and absorption.

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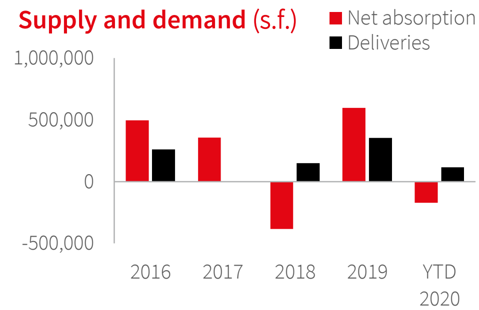
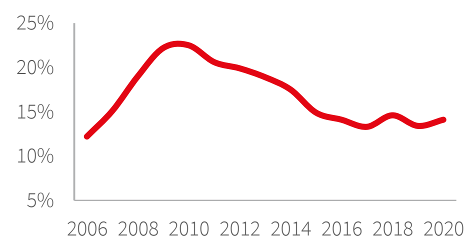
Fundamentals	Forecast
YTD net absorption	-171,857 s.f. ▶
Under construction	1,298,904 s.f. ▼
Total vacancy	14.1% ▶
Sublease vacancy	934,162 s.f. ▲
Direct asking rent	$30.81 p.s.f. ▶
Sublease asking rent	$23.47 p.s.f. ▶
Concessions	Increasing ▲

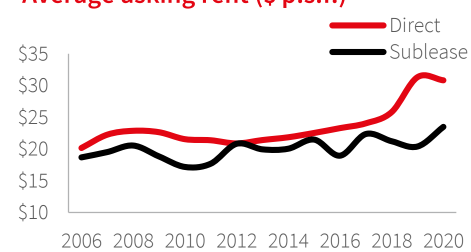
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Washington, DC

Tenants continue to add sublease inventory as leasing velocity stalls and concessions climb

- Sublease vacancy increased 21% since Q1 and reached its highest level since Q1 2010.
- Leasing activity dropped 51% since Q1 and is down 52% year-over-year. Tenants are favoring renewals and short-term, flexible solutions.
- 156,000 square feet of Class A product delivered vacant in Q2, driving direct vacancy to a record-high 13%.

DC saw 321,000 square feet of sublease availability hit the market in Q2, bringing sublease vacancy to its highest level since Q1 2010 and total sublet availability to 2.6 million square feet, up 17% year-over-year. Class B comprises almost half of the total space available. Two of DC's most stalwart tenant bases, law firms and nonprofits/associations, account for over 25% of available sublet space. Despite the uptick in availability, sublet rents maintained a 28% discount to direct, slightly down from an all-time high of 33% in 2018.

Leasing activity slowed considerably with volume declining 51% vs. Q1. Among the most notable deals, the U.S. Department of Education renewed for 290,000 square feet at Potomac Center South, and Wiley Rein & Fielding became the second law firm to sign at Tishman Speyer's 2050 M St NW, inking a 15-year, 166,000 square foot deal. The move maintains two trends this cycle: sustained record concessions for major relocations and rightsizing among top law firms, in this case by 30%.

After adding 1 million square feet in Q1, 1050 17th St NW was the only delivery this quarter. However, the 156,000 square foot building is fully vacant, driving direct vacancy to a record-high 13% and total vacancy to 14.5%.

Outlook

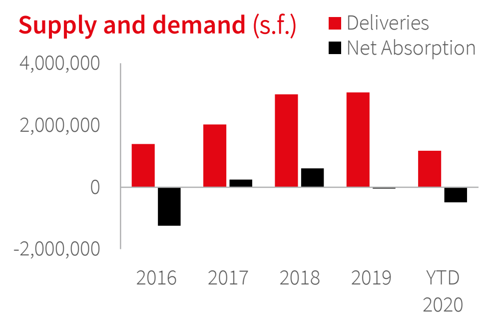
The 3.2 million square foot construction pipeline is the lowest since Q1 2016. With 1.3 million square feet still available, in addition to rising sublet space and uncertain economic conditions, new starts will be limited ahead.

Meanwhile, heightened concessions and a preference for renewals will continue. Year-to-date, renewals are up 3000 bps as a share of total transactions, while concessions are up 11% and free rent is up 21%.

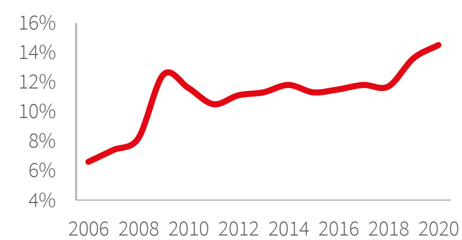
For more information, contact: Lauren Grass | lauren.grass@am.jll.com

Fundamentals		Forecast
YTD net absorption	-489,446 s.f.	▶
Under construction	3,244,737 s.f.	▶
Total vacancy	14.5%	▲
Sublease vacancy	1,834,611 s.f.	▲
Direct asking rent	$59.07 p.s.f.	▶
Sublease asking rent	$42.65 p.s.f.	▶
Concessions	Increasing	▲

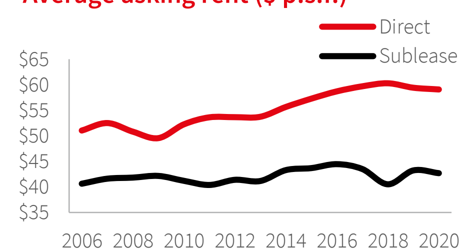
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



West Palm Beach

Improving fundamentals reflect pre-COVID activity, but may shift to softening leasing and construction trends

- Most of the construction pipeline is on track for 2021 delivery, yet may shrink by 207,107 square feet as One West Palm looks to abandon the planned office component of the mixed-use development.
- Absorption already outpaces 2019 as firms take occupancy of committed space pre-COVID, with a decrease in leasing activity promising to slow this over the second half of the year.
- Rents rents grow slightly, increasing by 24bp and up 1.8% year over year.

The second quarter of 2020 doesn't look like one you would expect amidst a global pandemic. Absorption fell just shy of 100,000 square feet as firms moved into committed space, bringing the year-to-date total to 213,780 square feet and already surpassing the 2019 total. Vacancy improved to 14%, decreasing by 50 basis points as both direct and sublease space was absorbed. And average asking rates were up 24 basis points over quarter, 1.8% year over year. But the market is already signaling some shifting fundamentals that may surface in the second half of the year.

Leasing activity has slowed by nearly 60% compared to last quarter, with the year-to-date total currently sitting at just one-third of 2019 levels. This has implications on absorption we can expect to see over the next two quarters, which will consequentially be muted. In addition, while most of the construction pipeline is still on track to deliver towards mid-to-late 2021, a significant downtown mixed use project that included over 200,000 square feet of office space is on hold as the developer aims to scrap the office component in favor of additional multi-housing units. One West Palm, which is only a few floors shy of topping off, could go unfinished if developer Jeff Greene is unable to secure a zoning change. Since the project has yet to secure any preleasing, that would decrease available space among new development to just 220,000 square feet.

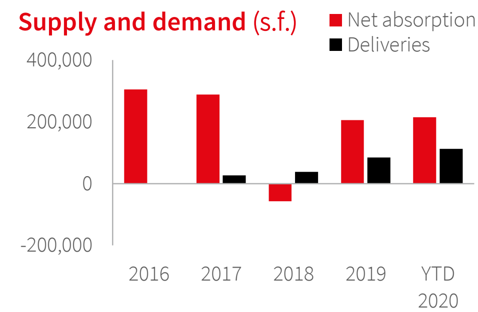
Outlook

While office market fundamentals have seen little impact from the first full quarter since the COVID onset, dynamics are certainly poised to see additional shifts. Leasing activity, absorption, and asking rates could all see downward pressure, with landlords having to choose which tools they want to leverage to attract or retain tenants. This could range from asking rates to concessions like free rent or tenant improvement allowances, or shorter lease terms.

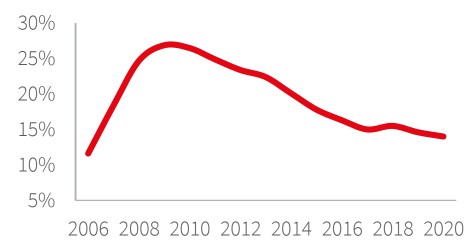
For more information, contact: Kyle Koller| kyle.koller@am.jll.com

Fundamentals	Forecast
YTD net absorption	214,780 s.f. ▶
Under construction	684,254 s.f. ▶
Total vacancy	14.0% ▶
Sublease vacancy	197,061 s.f. ▲
Direct asking rent	$38.13 p.s.f. ▶
Sublease asking rent	$31.26 p.s.f. ▶
Concessions	Stable ▶

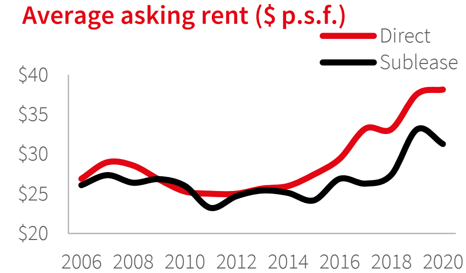
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent ($ p.s.f.)



Westchester

Sizeable leasing activity manages to combat previous increases in vacancy

- Year-to-date, Westchester County faced losses in occupancy due to large blocks of space coming to the market.
- Large relocations, expansions and renewals in the White Plains Central Business District drove market activity this quarter.
- The office development pipeline remains empty.

In the second quarter, Westchester County recorded 123,085 square feet of negative net absorption, bringing the year-to-date negative net absorption to approximately 368,000 square feet. In the second quarter, 500 Summit Lake Drive reported 60,000 square feet of negative absorption in the I-287 West Corridor and 2 Manhattanville Road registered almost 30,000 square feet of negative absorption in the I-287 East Corridor. These and other availabilities have pushed the vacancy rate from 24.1 in the first quarter% to 24.6%. There were a few sizeable lease transactions that took place that were able to quell the vacancy rate.

Overall, Westchester County saw approximately 250,000 square feet of leasing velocity. Argus's relocation from 1 North Lexington Avenue to 50 Main Street for 66,000 square feet in the White Plains Central Business District as well as United Healthcare Services renewal at 1311 Mamaroneck Ave for almost 40,000 square feet in the I-287 East Corridor assisted in the minute change in vacancy in Westchester County. The average lease size for the quarter in Westchester County was 8,861 square feet, with a median lease size of 3,500 square feet. Westchester County's leasing velocity primarily relied on renewals and expansions totaling 203,000 square feet while new leases accounted for approximately 45,000 square feet of leasing velocity.

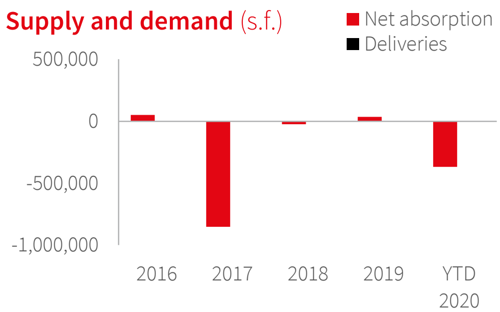
Outlook

During the first quarter, Westchester County was the epicenter of one of the largest COVID-19 outbreaks in the country. Significant social distancing measures were taken along with broad distribution of healthcare resources which effectively put all transactions on hold. Into the second quarter, life in Westchester inched closer to re-opening and normalizing. Several large properties still remain at or nearly 100% available and landlords are expected to increase concessions.

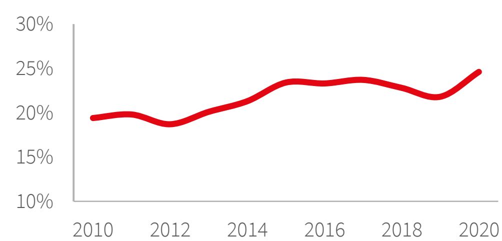
For more information, contact: Matt Behar | Matthew.Behar@am.jll.com

Fundamentals		Forecast
YTD net absorption	-367,118 s.f.	▲
Under construction	0 s.f.	▶
Total vacancy	24.6%	▶
Sublease vacancy	392,260 s.f.	▼
Direct asking rent	$28.78 p.s.f.	▼
Sublease asking rent	$21.32 p.s.f.	▼
Concessions	Rising	▲

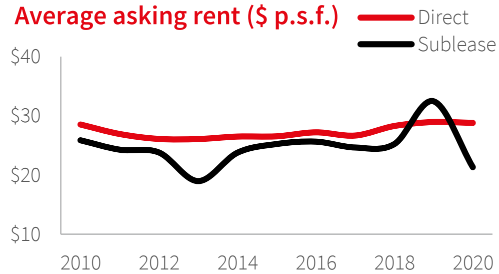
Supply and demand (s.f.)



Total vacancy



Average asking rent ($ p.s.f.)

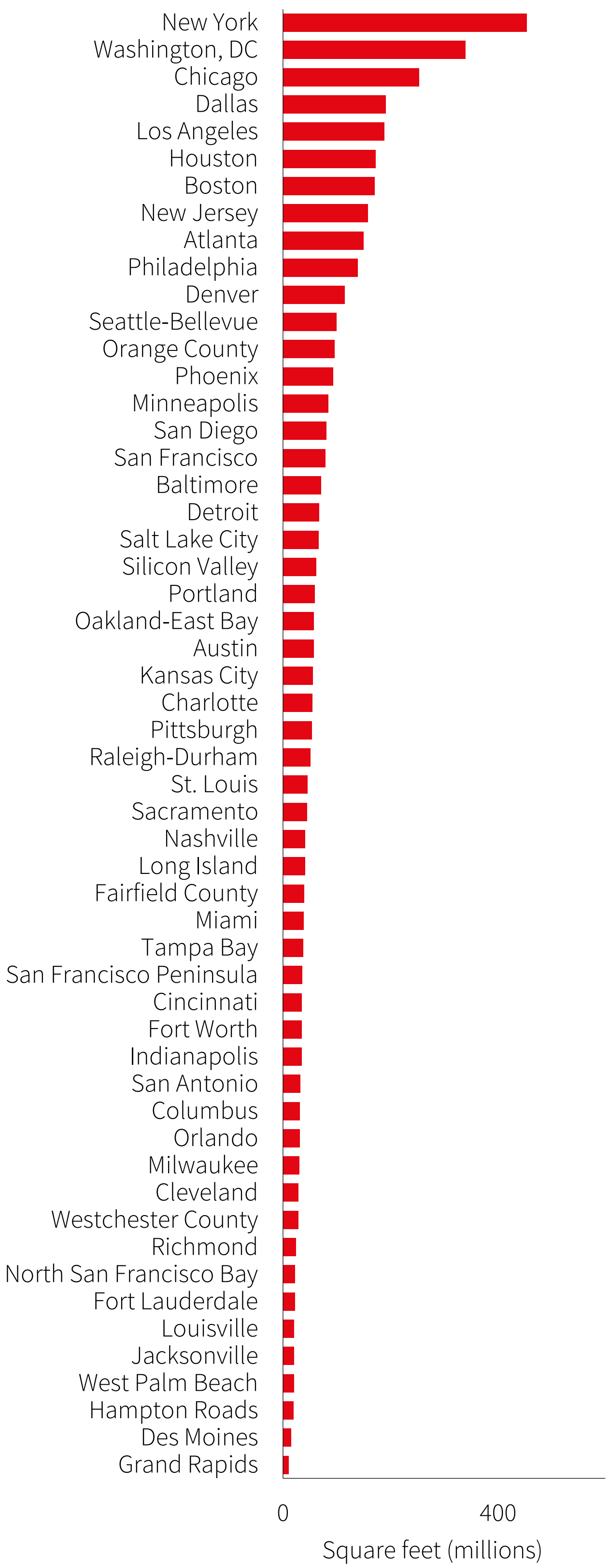


Appendix

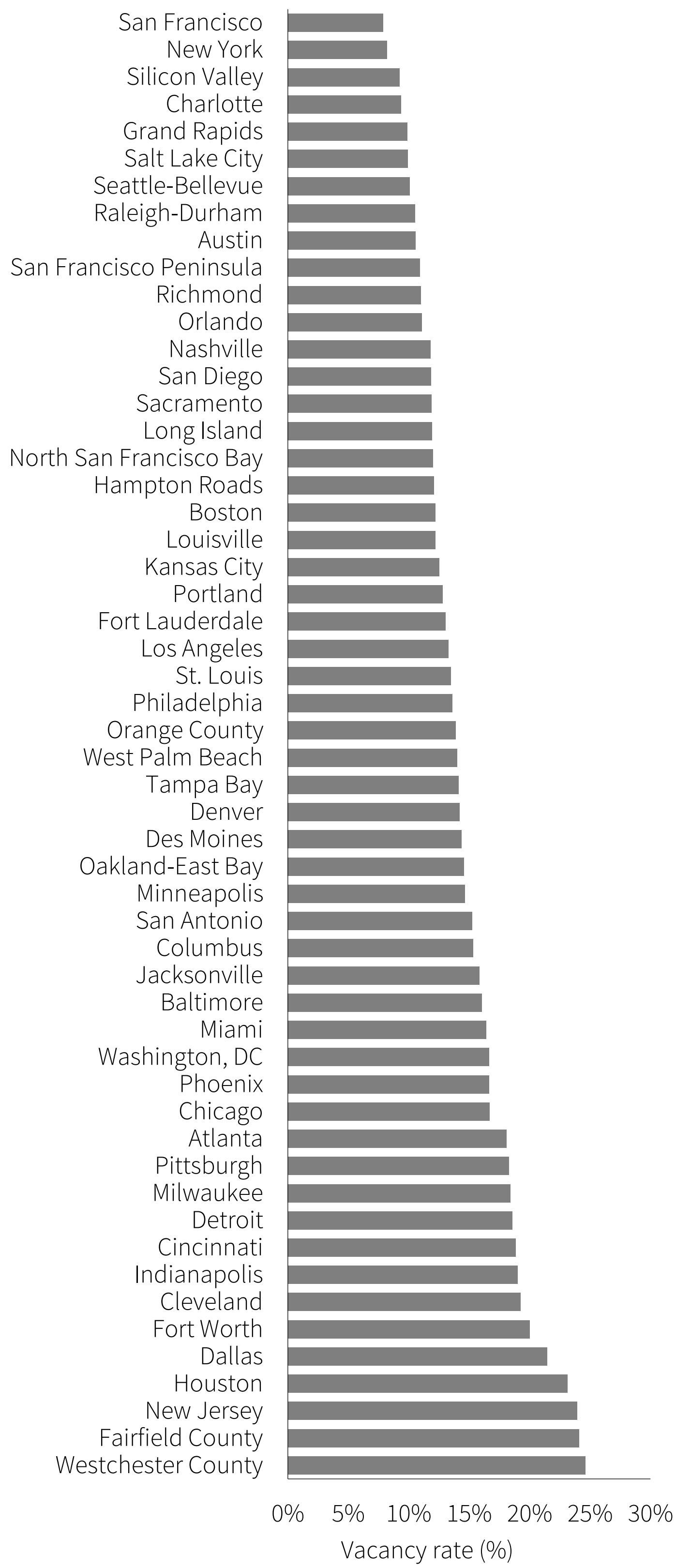
United States office statistics

Market totals (CBD and Suburban)	Inventory (s.f.)	Quarterly total net absorption (Including Subleases)	YTD total net absorption (Including Subleases)	YTD total net absorption (% of Inventory)	Total vacancy (s.f.)	Total vacancy (%)	Current quarter direct average marketed rent ($p.s.f.)	Quarterly percent change	YTD Completions /deliveries (s.f.)	Under construction (s.f.)
Atlanta	150,258,976	14,943	1,066,429	0.7%	27,177,561	18.1%	$29.80	-2.3%	1,350,085	4,051,080
Austin	57,361,204	-264,517	154,607	0.3%	6,058,434	10.6%	$51.68	0.9%	921,777	5,404,186
Baltimore	70,764,317	-98,782	-94,772	-0.1%	11,371,649	16.1%	$25.46	-0.6%	556,964	142,011
Boston	170,399,162	-582,335	-710,634	-0.4%	20,800,634	12.2%	$46.11	-1.3%	570,748	9,142,177
Charlotte	53,959,948	-121,276	407,363	0.8%	5,061,609	9.4%	$32.68	0.1%	0	6,272,126
Chicago	252,835,919	172,412	555,638	0.2%	42,252,684	16.7%	$34.76	0.0%	405,198	6,172,827
Cincinnati	35,353,049	-171,263	73,693	0.2%	6,667,925	18.9%	$20.57	3.3%	0	596,083
Cleveland	28,392,680	203,719	359,290	1.3%	5,473,197	19.3%	$20.02	0.1%	60,000	20,000
Columbus	31,000,291	-124,157	-197,441	-0.6%	4,756,113	15.3%	$21.13	0.7%	79,000	1,095,176
Dallas	191,091,055	-309,197	-822,833	-0.4%	40,988,474	21.4%	$29.21	0.8%	1,190,140	4,246,935
Denver	114,924,925	-849,200	-498,613	-0.4%	16,366,997	14.2%	$31.90	0.4%	249,919	2,476,919
Des Moines	15,018,631	-19,901	688	0.0%	2,160,120	14.4%	$20.54	0.2%	85,000	360,021
Detroit	67,091,802	-165,088	61,831	0.1%	12,473,846	18.6%	$20.03	-0.4%	0	1,546,298
Fairfield County	39,263,174	-26,943	200,933	0.5%	9,454,814	24.1%	$37.62	2.5%	0	593,800
Fort Lauderdale	22,096,423	4,406	133,677	0.6%	2,883,098	13.0%	$35.41	1.5%	76,200	519,720
Fort Worth	35,257,552	-369,267	-373,111	-1.1%	7,062,626	20.0%	$24.61	0.2%	97,330	205,551
Grand Rapids	10,523,478	8,023	10,567	0.1%	1,038,834	9.9%	$18.62	0.1%	0	105,000
Hampton Roads	19,026,524	-38,765	760	0.0%	2,296,359	12.1%	$19.81	-1.9%	0	214,565
Houston	172,391,723	-1,885,450	-381,421	-0.2%	39,897,007	23.1%	$31.33	0.1%	180,000	4,090,415
Indianapolis	34,452,305	75,229	48,227	0.1%	6,550,066	19.0%	$21.61	0.3%	123,768	323,179
Jacksonville	20,082,907	-100,959	943	0.0%	3,181,145	15.8%	$21.75	-2.0%	0	0
Kansas City	55,195,305	-90,429	-183,256	-0.3%	6,907,536	12.5%	$22.05	0.6%	147,833	1,157,573
Long Island	40,725,327	-88,405	-14,826	0.0%	4,865,516	11.9%	$28.53	-0.8%	0	0
Los Angeles	188,411,159	-755,433	129,051	0.1%	25,012,897	13.3%	$44.89	-0.5%	587,687	6,191,628
Louisville	20,432,422	-92,011	-97,216	-0.5%	2,495,371	12.2%	$18.90	-0.9%	135,917	299,001
Miami	38,534,946	-374,266	-181,600	-0.5%	6,331,065	16.4%	$43.22	-1.3%	102,287	2,092,937
Milwaukee	30,076,754	54,585	60,763	0.2%	5,545,144	18.4%	$22.91	0.1%	387,385	1,504,803
Minneapolis	84,334,610	160,002	415,220	0.5%	12,344,899	14.6%	$29.38	-0.2%	102,000	1,884,155
Nashville	40,961,819	299,090	218,639	0.5%	4,836,575	11.8%	$32.18	-3.5%	772,661	3,763,767
New Jersey	157,405,239	-1,231,842	-1,317,937	-0.8%	37,671,215	23.9%	$29.08	1.3%	0	202,700
New York	453,537,917	-2,346,688	-5,206,475	-1.1%	37,266,142	8.2%	$85.15	0.4%	1,207,822	18,906,079
North San Francisco Bay	22,216,041	-182,845	-332,070	-1.5%	2,665,920	12.0%	$35.78	2.4%	0	0
Oakland-East Bay	57,726,045	-264,624	-28,578	0.0%	8,423,756	14.6%	$49.30	-1.9%	1,453,844	0
Orange County	96,231,179	-195,974	-381,042	-0.4%	13,378,173	13.9%	$37.05	-0.1%	0	1,091,177
Orlando	30,823,660	-208,440	-281,605	-0.9%	3,412,153	11.1%	$25.55	-0.6%	406,116	213,912
Philadelphia	139,419,374	-173,877	443,181	0.3%	18,980,485	13.6%	$28.51	1.3%	104,886	1,748,501
Phoenix	92,995,518	-132,003	685,906	0.7%	15,498,940	16.7%	$28.16	-0.4%	831,052	1,664,733
Pittsburgh	53,714,505	-589,296	-308,955	-0.6%	9,837,857	18.3%	$25.46	3.3%	214,671	1,941,708
Portland	58,556,443	-124,716	-1,270	0.0%	7,507,832	12.8%	$34.00	-0.3%	687,568	1,231,254
Raleigh-Durham	50,437,291	93,745	425,332	0.8%	5,304,960	10.5%	$28.72	0.9%	647,302	3,341,973
Richmond	24,438,170	-93,484	-96,482	-0.4%	2,694,319	11.0%	$22.04	-0.3%	45,939	399,695
Sacramento	44,454,062	-118,218	80,791	0.2%	5,288,869	11.9%	$25.49	0.8%	0	0
Salt Lake City	66,176,043	-101,732	480,980	0.7%	6,564,150	9.9%	$24.91	0.2%	1,260,273	3,442,292
San Antonio	31,896,995	6,276	-193,303	-0.6%	4,865,958	15.3%	$26.23	-0.6%	60,000	719,530
San Diego	80,740,430	-85,096	-164,948	-0.2%	9,564,991	11.8%	$38.13	0.7%	579,420	2,309,790
San Francisco	78,790,968	-1,426,514	-2,002,112	-2.5%	6,208,145	7.9%	$91.62	-0.5%	0	3,628,169
San Francisco Peninsula	35,870,095	-384,414	-285,735	-0.8%	3,928,027	11.0%	$70.40	-2.9%	604,003	2,430,758
Seattle-Bellevue	99,707,290	38,477	558,460	0.6%	10,071,822	10.1%	$45.19	0.0%	1,015,349	5,262,528
Silicon Valley	61,396,847	-348,059	-46,946	-0.1%	5,663,403	9.2%	$61.25	1.9%	818,184	8,691,805
St. Louis	45,733,856	-82,043	-49,379	-0.1%	6,175,762	13.5%	$22.45	-0.3%	50,000	1,431,750
Tampa Bay	37,524,356	104,800	-178,103	-0.5%	5,301,649	14.1%	$30.81	-2.0%	115,000	1,298,904
Washington, DC	339,572,555	-590,298	-430,093	-0.1%	56,488,672	16.6%	$42.63	0.1%	2,211,974	8,583,710
West Palm Beach	19,935,285	97,421	214,780	1.1%	2,791,025	14.0%	$38.13	2.6%	111,972	684,254
United States totals	4,297,742,993	-14,001,225	-8,440,125	-0.2%	634,808,047	14.8%	$36.05	-0.2%	20,607,274	133,697,155

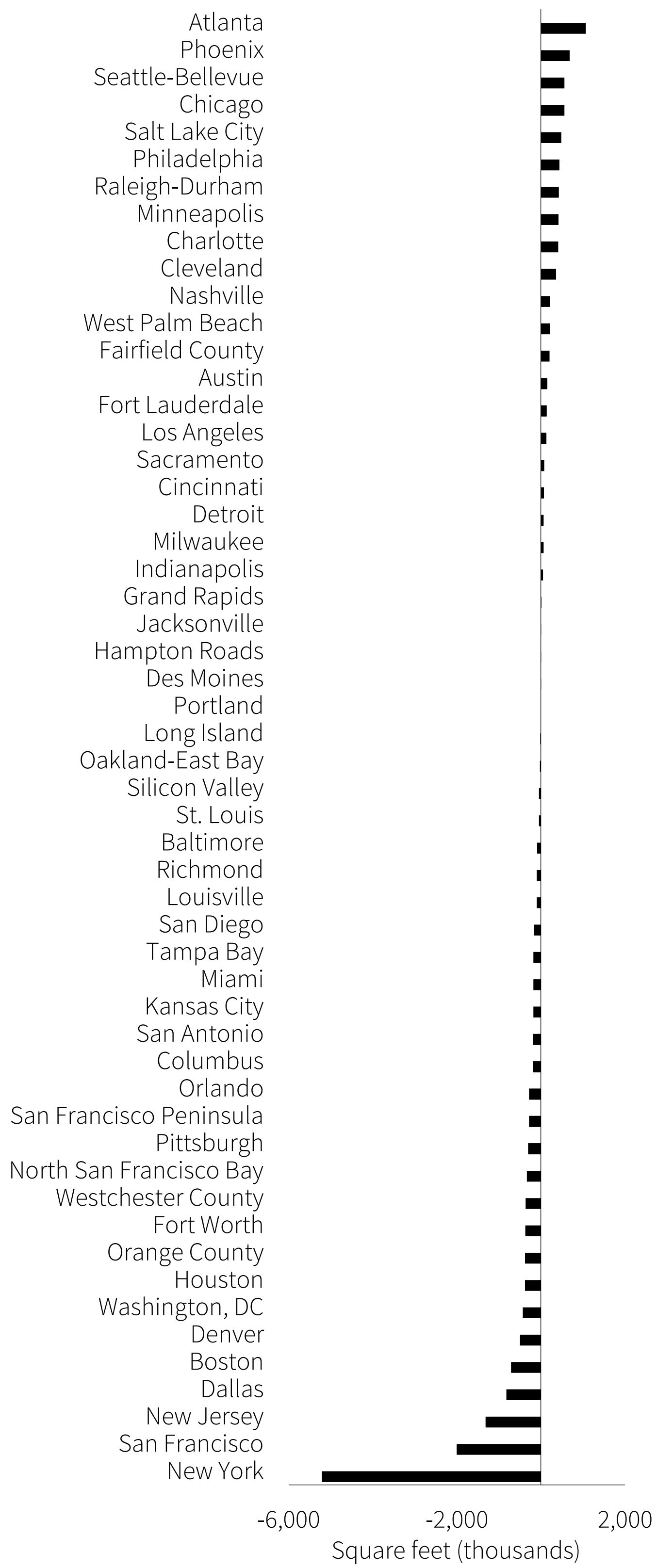
Inventory (s.f.)



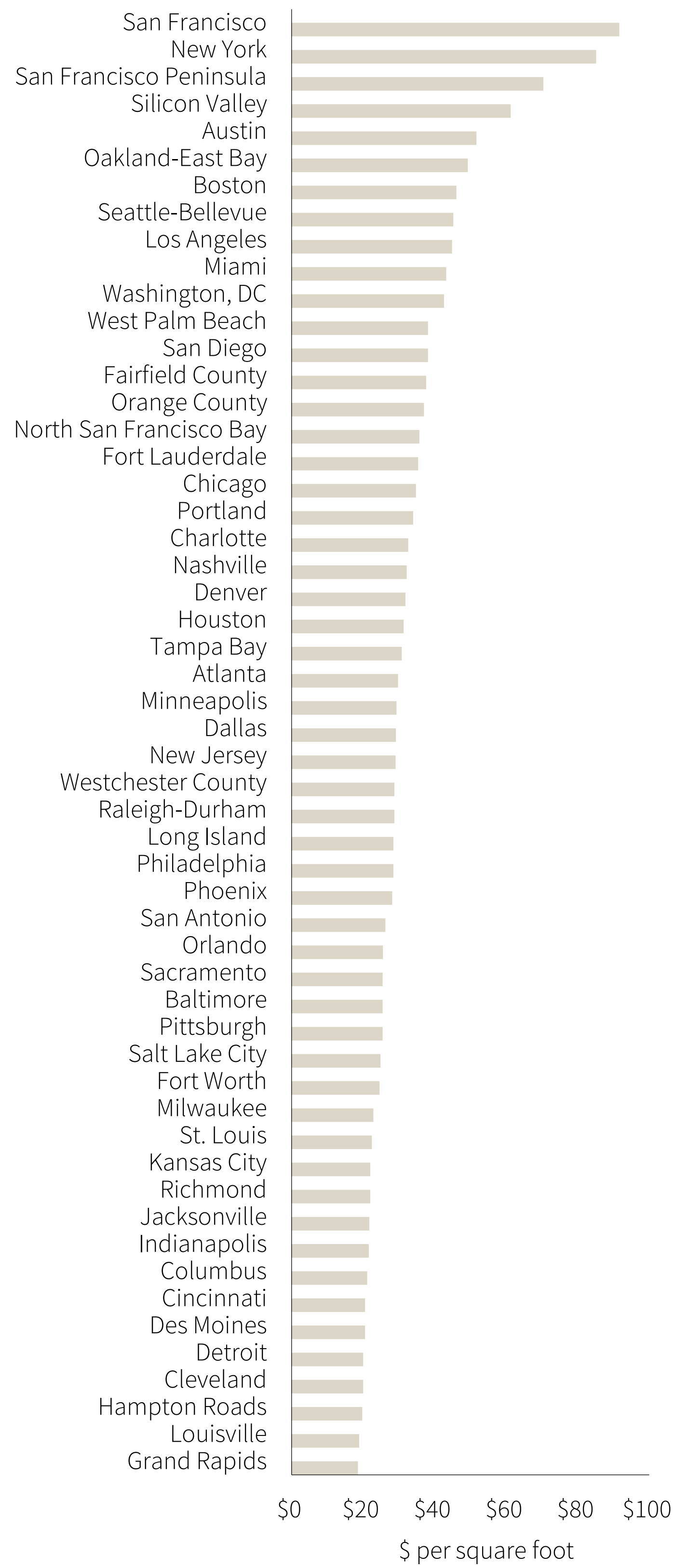
Total vacancy rates (including sublease)



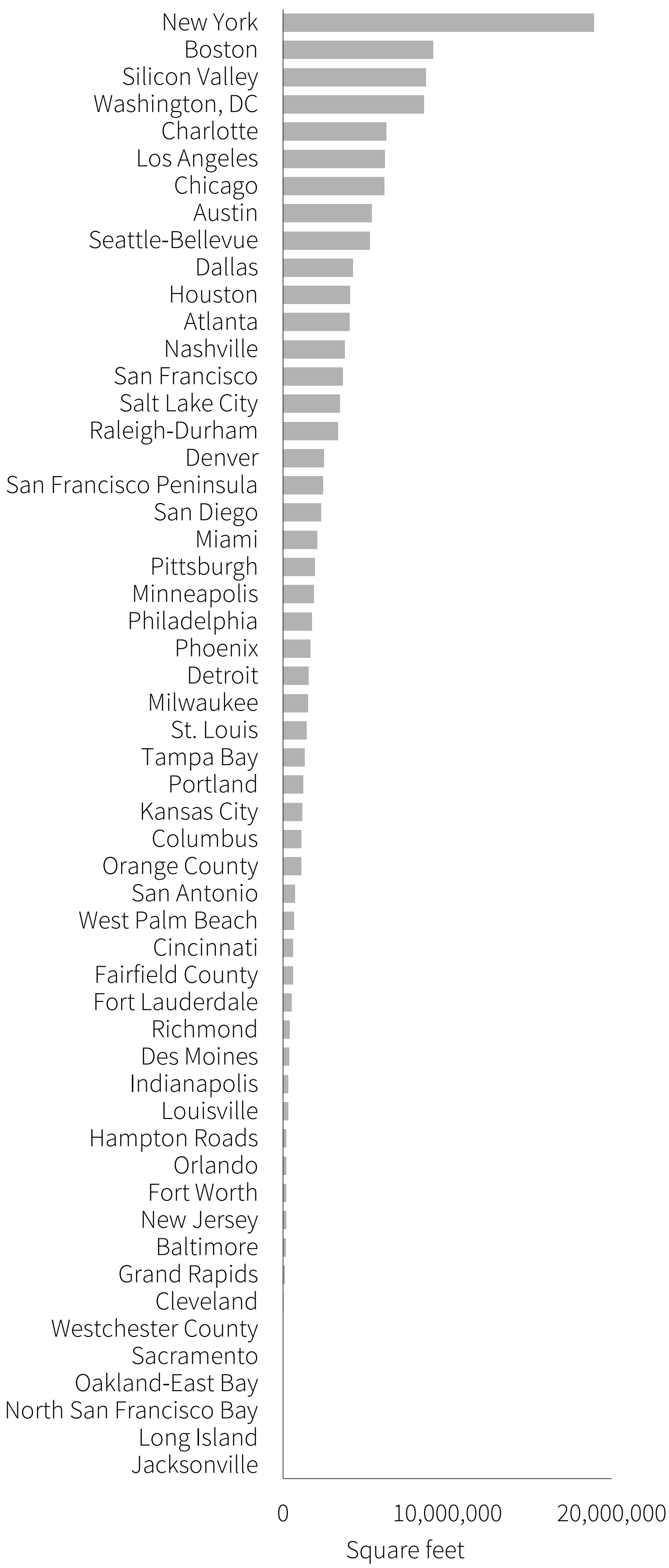
YTD total net absorption (include sublease)



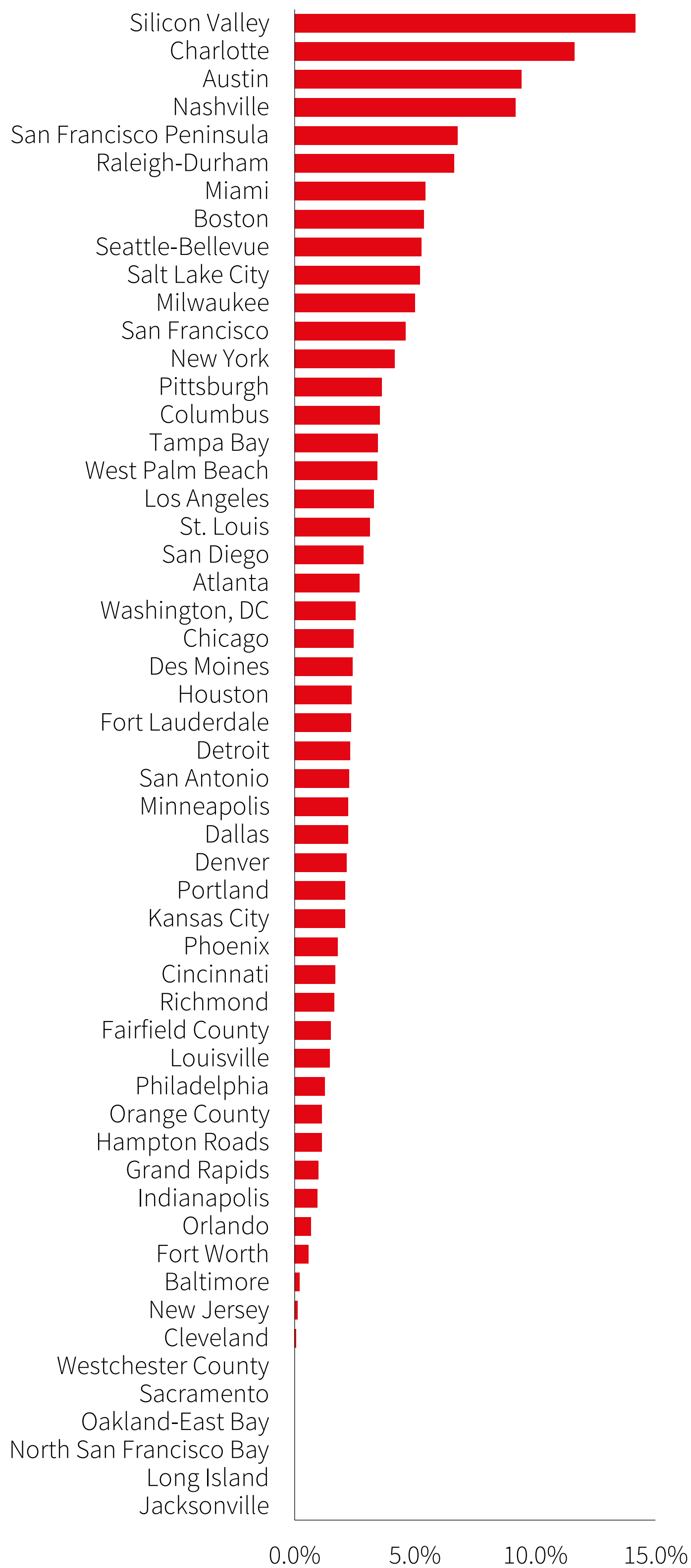
Marketed rents



Under construction (s.f.)



Under construction as % of inventory



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