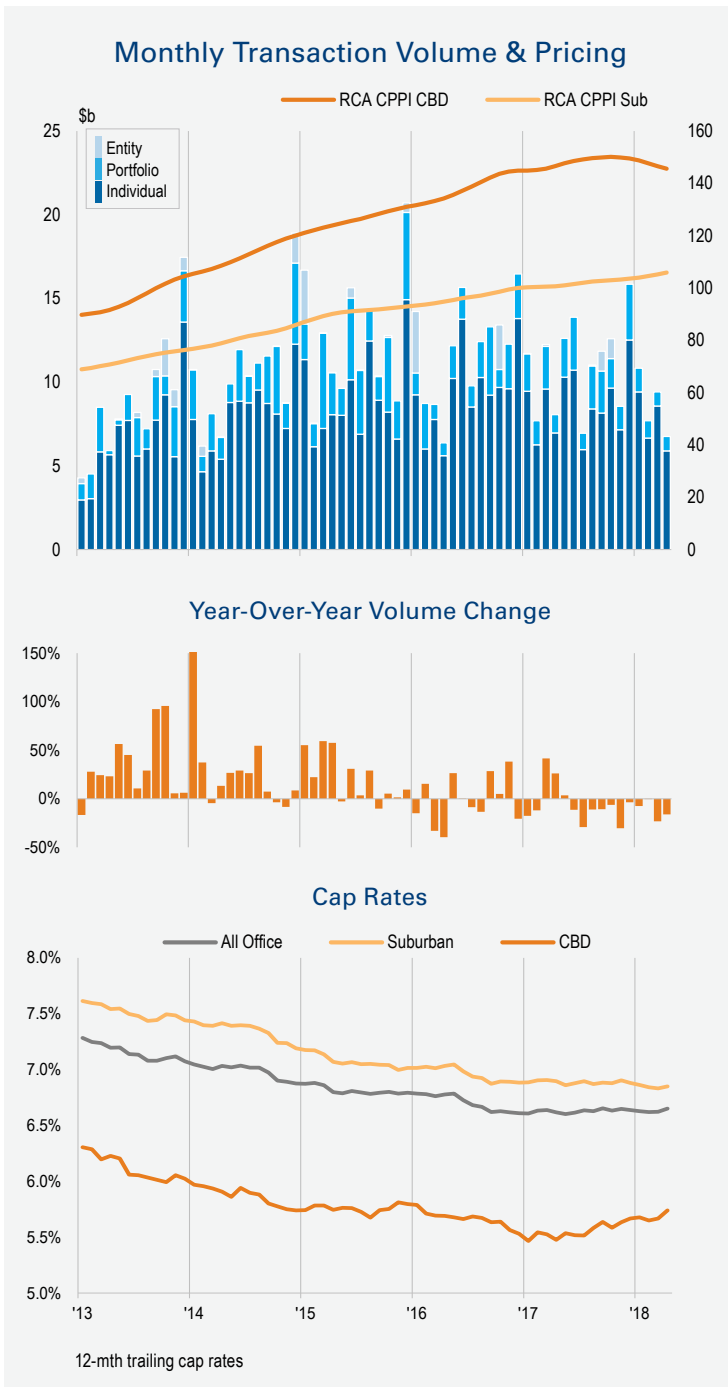


US CAPITAL TRENDS | OFFICE

Office investment activity fell in April from the level a year earlier. The decline was at about the same pace for single asset sales as for portfolio and entity-level transactions. To the extent there was growing activity in the month, it was for suburban assets.

\$6.7b Transaction volume
-16% YOY volume change
4.0% YOY price change



Suburban office assets were out of favor early in this cycle but are now seeing record levels of activity. Investors focused on CBD office assets early in the cycle as they tried to divine the whims and preferences of a growing millennial workforce. Chasing this opportunity has simply become too expensive for many investors, with CBD office cap rates hitting 5.7% in April, up slightly from the 5.5% seen a year earlier.

Matching the slight increase in cap rates, the RCA CPPI for CBD office assets posted a 0.7% YOY decline in April. This decline is the first since 2010. The RCA CPPI for suburban office assets posted 5.1% YOY growth in April, a pace that has been accelerating in recent months.

Suburban office cap rates stood at 6.9% in April. With the higher yield opportunity, deal volume followed. Suburban office investment overall dipped in April, down 1% YOY, but the source of that weakness was a dearth of portfolio and entity-level transactions. The sale of single assets grew 10% YOY to hit a record. The sale of individual suburban office assets totaled \$18b for the first four months of 2018, a level ahead of all other previous peaks for the same period of the year.

CBD office activity in April was at cyclically weak levels, by contrast. The weakest April in this cycle was in 2011 when assets priced at \$2.3b traded. For April '18 the deal volume rounds up to only \$2b. For the year, declines are underway both for single asset sales in CBD locales as well as portfolio and entity-level deals.

Megadeal activity overall has been weak in the office sector. There have been no entity-level transactions which have closed in 2018 so far, with all the megadeal activity focused on portfolio sales. For the first four months of 2018, megadeal activity is down 45% YOY.

Market Table | All Office

Office Transactions Reported Closed		CBD				Suburban				All Office			
		Volume		Price		Volume		Price		Volume		Price	
YTD through Apr'18		\$m	# Props	\$/sf	Avg Cap Rate	\$m	# Props	\$/sf	Avg Cap Rate	\$m	# Props	\$/sf	Avg Cap Rate
Mid-Atlantic	Baltimore	176.6	3	174		130.8	9	195	9.2%	307.5	12	179	9.2%
	DC	1,171.9	13	694	4.5%					1,171.9	13	694	4.5%
	DC MD burbs					177.7	9	135		177.7	9	135	
	DC VA burbs					1,481.5	34	299	7.2%	1,481.5	34	299	7.2%
	Philadelphia	284.3	10	192		349.0	33	113		633.3	43	145	8.0%
	Pittsburgh	60.0	3	59		97.0	11	193		157.0	14	151	
	Richmond/Norfolk	12.0	1			98.9	10	161		110.9	11	146	
	Tertiary Mid-Atlantic					135.9	23	114	7.6%	135.9	23	114	7.6%
	Total	1,704.9	30	366	5.3%	2,470.9	129	219	7.5%	4,175.8	159	265	7.0%
Midwest	Chicago	1,370.7	14	292		482.0	27	121	5.6%	1,852.7	41	215	5.7%
	Cincinnati	6.8	1			137.7	9	58		144.4	10	56	
	Cleveland					30.3	3			30.3	3		
	Columbus					93.2	12	105		93.2	12	105	
	Detroit	48.6	5			77.1	9	110		125.7	14	110	
	Indianapolis	80.6	3	152		178.2	16	126		258.7	19	140	
	Kansas City					124.5	12	108		124.5	12	108	
	Minneapolis	371.3	4	169		150.1	15	172	6.4%	521.4	19	170	6.4%
	St Louis	8.1	2	25		139.9	10	147		148.0	12	108	
	Tertiary Midwest	23.8	3	87		582.5	71	172	7.7%	606.3	74	166	7.7%
Total	1,909.9	32	230	7.2%	1,995.3	184	134	7.6%	3,905.2	216	177	7.5%	
Northeast	Boston	525.7	10	570		902.2	40	174	6.8%	1,428.0	50	202	6.8%
	Hartford												
	Long Island					175.8	17	202	7.6%	175.8	17	202	7.6%
	Manhattan	6,064.7	33	1,085	4.2%					6,064.7	33	1,085	4.2%
	No NJ					668.5	44	124	7.8%	668.5	44	124	7.8%
	NYC Boroughs	257.0	19	582	5.7%	47.3	1			304.2	20	376	5.7%
	Stamford					34.5	6	138		34.5	6	138	
	Westchester					198.4	17	141	8.2%	198.4	17	141	8.2%
	Tertiary Northeast	12.6	2			334.8	21	228	6.9%	347.4	23	221	6.9%
Total	6,860.0	64	1,015	4.9%	2,361.3	146	161	7.4%	9,221.3	210	432	6.6%	
Southeast	Atlanta	119.5	4	133		982.7	51	224	6.6%	1,102.2	55	209	6.6%
	Broward	8.4	2	297		230.3	16	160	8.5%	238.7	18	162	8.5%
	Charlotte	6.0	1			181.4	13	193		187.4	14	191	
	Jacksonville					18.1	3	137		18.1	3	137	
	Memphis					5.7	2	20		5.7	2	20	
	Miami	20.0	4	373		111.9	14	349	4.8%	131.9	18	351	4.8%
	Nashville	141.2	2	229		174.1	13	181	7.7%	315.3	15	200	7.7%
	Orlando	21.6	2	154		136.4	18	140		158.0	20	142	
	Palm Beach					364.5	12	124	7.5%	364.5	12	124	7.5%
	Raleigh/Durham	27.7	2	503		573.1	22	92	6.6%	600.7	24	96	6.6%
	Tampa	3.0	1			240.5	13	191		243.4	14	193	
	Tertiary Southeast	39.7	4	46		704.9	88	175	7.1%	744.5	92	149	7.1%
	Total	387.0	22	145		3,723.5	265	158	6.9%	4,110.5	287	157	6.9%
Southwest	Austin					351.2	9	373		351.2	9	373	
	Dallas	51.5	4	191		1,297.3	38	411	7.4%	1,348.8	42	397	7.4%
	Denver	355.6	3	361		551.9	30	233	6.7%	907.5	33	292	6.4%
	Houston	7.8	3			838.3	37	137	7.7%	846.1	40	137	7.7%
	Phoenix	96.8	2			757.0	39	169	7.1%	853.8	41	158	7.1%
	San Antonio					184.6	14	159		184.6	14	159	
	Tertiary Southwest	12.8	2	38		476.2	59	149	7.1%	488.9	61	133	7.0%
	Total	524.4	14	260	5.7%	4,456.4	226	212	7.2%	4,980.8	240	221	7.1%
West	East Bay					352.2	23	262	5.8%	352.2	23	262	5.8%
	Inland Empire					126.0	12	179	6.7%	126.0	12	179	6.7%
	Las Vegas	45.4	3	198		154.4	13	186		199.8	16	188	7.1%
	Los Angeles	262.2	4	390		1,469.4	73	368	5.0%	1,731.6	77	371	5.0%
	Orange Co					711.1	51	238	7.1%	711.1	51	238	7.1%
	Portland	177.1	7	250		204.7	18	298		381.8	25	272	
	Sacramento	249.4	4	312		197.3	18	136		446.7	22	208	
	Salt Lake City	4.8	1			58.5	6	228		63.3	7	228	6.6%
	San Diego					548.6	28	341	7.1%	548.6	28	341	7.1%
	San Francisco	337.5	10	900		630.7	16	500	6.6%	968.1	26	591	6.1%
	San Jose	132.6	4	393		883.8	20	786	5.4%	1,016.4	24	692	5.3%
	Seattle	245.1	4	698		650.0	45	183	7.0%	895.1	49	228	6.4%
Tertiary West	23.8	4	256		801.3	67	129	5.9%	825.0	71	131	5.9%	
Total	1,477.9	41	418	5.3%	6,787.8	390	266	6.1%	8,265.7	431	284	6.0%	
Total	Total US	12,864.1	203	439	5.5%	21,795.2	1,340	199	6.9%	34,659.3	1,543	254	6.7%

Selected Recent Transactions



Bowen Building, Washington D.C.



175 West Jackson, Chicago, IL

Property Name Address Location	SF Year Built Notes	Price \$/sf Qualifier	O Owner/Buyer S Seller ↔ Broker
Mid-Atlantic			
Bowen Building 875 15th St, NW Washington, DC	231,000 1922 Office - CBD	\$140,000,000 \$606 confirmed	O JP Morgan from S JBG Smith by ↔ Eastdil Secured
6800 Rockledge Drive 6800 Rockledge Dr Bethesda, MD	214,361 2007 Office - Sub	\$37,644,275 \$176 approximate	O Fairlead CRE AKA Bridge Investment Grp from S Piedmont REIT
Liberty Plaza II 10800 Nuckols Rd Innsbrook, VA	135,375 2000 Office - Sub	\$22,750,000 \$168 confirmed	O RMR Group from S Lingerfelt Commonwealth Prtnrs by ↔ HFF
United Way Building 1709 Benjamin Franklin Pkwy Philadelphia, PA	68,000 1970 Office - CBD	\$10,850,000 \$160 confirmed	O Pearl Properties from S United Way Worldwide by ↔ Binswanger
7321 Parkway Drive 7321 Parkway Dr Hanover, MD	39,822 1984 Office - Sub	\$10,830,000 \$272 approximate	O Gaulin Properties LLC from S FD Stonewater
Midwest			
175 West Jackson Boulevard 175 West Jackson Blvd Chicago, IL	1449067 1912 Office - CBD	\$305,000,000 210.4803 confirmed	O Brookfield AM from S Extell JV Strategic Investment Property Fund by ↔ JLL
Presidents Plaza I & II 8600-8700 W Bryn Mawr Ave Chicago, IL	835,000 1980 Office - Sub	\$147,000,000 \$176 confirmed	O Angelo, Gordon from S GlenStar Properties JV Prudential RE Investors by ↔ JLL
Belpre Medical Campus 805 Farson St Belpre, OH	155,600 2011 Office - Sub	\$64,200,000 \$413 confirmed	O Global Medical REIT from S The PM Company by ↔ Newmark Knight Frank
McKinlock Building 209 West Jackson Blvd Chicago, IL	142,996 1894 Office - CBD	\$23,300,000 \$163 approximate	O Market Street RE Prtnrs from S Farbman Group by ↔ CBRE
Sauk Prairie MOB 250 26th St Prairie du Sac, WI	55,072 2014 Office - Sub	\$19,500,000 \$354 confirmed	O Griffin-American from S Dev Solutions Group by ↔ CBRE
Northeast			
The Factory Building 4707 30th Pl Queens, NY	1,024,908 1920 Office - CBD	\$400,000,000 \$390 approximate	O Atlas Capital Group JV Partners Group from S Square Mile Capital by ↔ Cushman & Wakefield
177 Huntington Avenue 177 Huntington Ave Boston, MA	209,212 1972 Office - CBD	\$137,500,000 \$657 approximate	O PNC Bank OBO AFL-CIO from S Beacon Capital Partners by ↔ HFF
Moderna Therapeutics 100 Tech Rd Norwood, MA	294,771 1969 Office - Sub	\$87,300,000 \$296 confirmed	O Alexandria from S Campanelli Companies
432 West 58th Street 432 W 58th St New York, NY	102,000 1971 Office - CBD	\$71,521,132 \$701 confirmed	O Mount Sinai Health System from S Rosemawr Management
2&3 University Office Park 51 Sawyer Rd Waltham, MA	288,127 1985 Office - Sub	\$47,505,000 \$165 confirmed	O Albany Road RE Partners from S Equus Capital Partners by ↔ JLL

Selected Recent Transactions



Peachtree 25th Building, Atlanta, GA



DC Station, Daly City, CA

Property Name Address Location	SF Year Built Notes	Price \$/sf Qualifier	O Owner/Buyer S Seller ↔ Broker
Southeast			
Boca Raton Innovation Campus 4800-5002 T-Rex Ave Boca Raton, FL	1,686,790 1969 Office - Sub	\$179,346,744 \$106 confirmed	O Crocker Partners JV Rialto Capital Mgmt JV Siguler Guff from S Farallon Cap Prtnrs JV Next Tier HD by ↔ Eastdil Secured
Peachtree 25th Building 1718-1720 Peachtree St Atlanta, GA	359,766 1965 Office - Sub	\$62,200,000 \$173 confirmed	O Noro Management Inc JV Devon USA from S Atlanta Property Group by ↔ Eastdil Secured
Atlanta Stove Works 112 Krog St NE Atlanta, GA	108,410 1955 Office - Sub	\$45,845,000 \$423 confirmed	O Asana Partners from S Paces Properties Inc by ↔ Eastdil Secured
Florida Medical Clinic 2352 Bruce B Downs Blvd Wesley Chapel, FL	83,293 2016 Office - Sub	\$26,205,500 \$315 approximate	O Welltower from S Florida Medical Clinic
Adbel Plaza 1401 Matthews Township Pkwy Matthews, NC	92,310 1998 Office - Sub	\$26,150,000 \$283 approximate	O Anchor Health Props from S NAI Southern Real Estate
Southwest			
Chase Tower 201 N Central Ave Phoenix, AZ	723,922 1972 Office - CBD	\$78,800,000 \$109 confirmed	O Wentworth Property Co JV Taconic Capital from S Brookfield AM
5330 Airport Blvd 5330 Airport Blvd Boulder, CO	59,207 2000 Office - Sub	\$11,900,000 \$201 approximate	O Unico Properties from S AEW Global
Cornerstar Healthcare Plaza 15901 E Briarwood Cir Aurora, CO	29,946 2013 Office - Sub	\$10,196,000 \$340 confirmed	O Chestnut Development from S Health Connect Props
The Ashby on Osborn 1221-1313 E Osborn Rd Phoenix, AZ	88,662 1987 Office - Sub	\$9,750,000 \$110 confirmed	O Alturas Capital from S Hyperion Fund LP by ↔ Cushman & Wakefield
9351 Grant Street 9351 Grant St Thornton, CO	96,190 1985 Office - Sub	\$9,075,000 \$94 confirmed	O NAS Properties from S Global Pacific Props by ↔ NKF Capital Markets
West			
Clearview Business Park 3000 Clearview Wy San Mateo, CA	379,219 1973 Office - Sub	\$217,000,000 \$572 confirmed	O Hines Global REIT JV Goldman Sachs from S Deutsche AWM - US JV Embarcadero Capital by ↔ Eastdil Secured
DC Station 2001 Junipero Serra Blvd Daly City, CA	369,000 2001 Office - Sub	\$114,500,000 \$310 confirmed	O Harvest Properties JV Cerberus from S RREEF Funds by ↔ Eastdil Secured
160 West Santa Clara Street 160 W Santa Clara St San Jose, CA	212,181 1988 Office - CBD	\$101,500,000 \$478 confirmed	O Beacon Capital Partners from S AFL-CIO Building Investment by ↔ Eastdil Secured
9171 Wilshire Boulevard 9171 Wilshire Blvd Beverly Hills, CA	111,806 1959 Office - Sub	\$69,250,000 \$619 confirmed	O Cruzan JV CIGNA from S John Hancock by ↔ HFF
Unitus Plaza 1300 SW 6th Ave Portland, OR	93,947 1964 Office - CBD	\$26,000,000 \$277 confirmed	O Menashe Properties from S Erickson Realty Ltd

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About Real Capital Analytics

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Capital Trends reports analyze and interpret trends in the global real estate market using RCA's comprehensive data. US Capital Trends is a monthly edition comprising an overview of the U.S. market and separate reports on the five main property types. Asia Pacific, Europe and Global Capital Trends are published quarterly.

Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated.

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