

US CAPITAL TRENDS | OFFICE

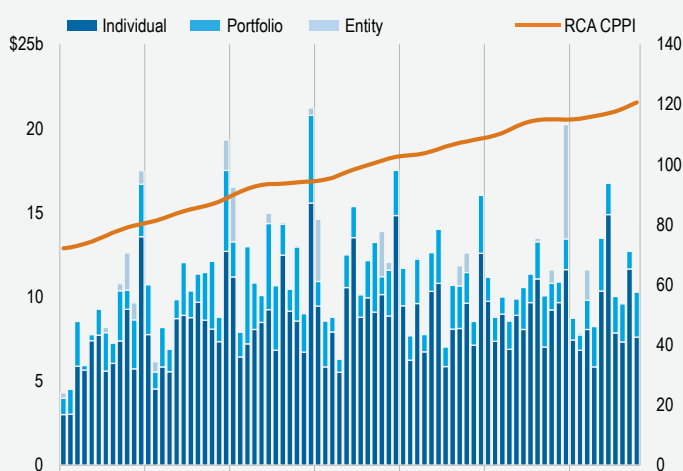
Office deal volume fell in October. The pace of acquisitions is moving back to more average levels of activity. The term average applies not only to the total levels for deal activity, but also to the breakout between suburban and CBD office investment.

\$10.3b Transaction volume

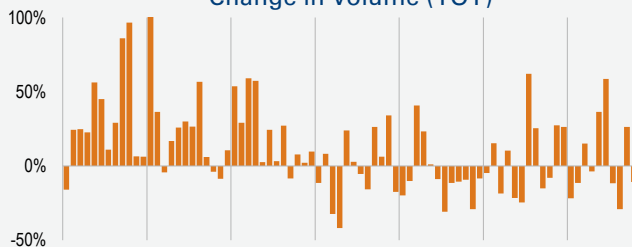
-11% YOY volume change

4.9% YOY price change

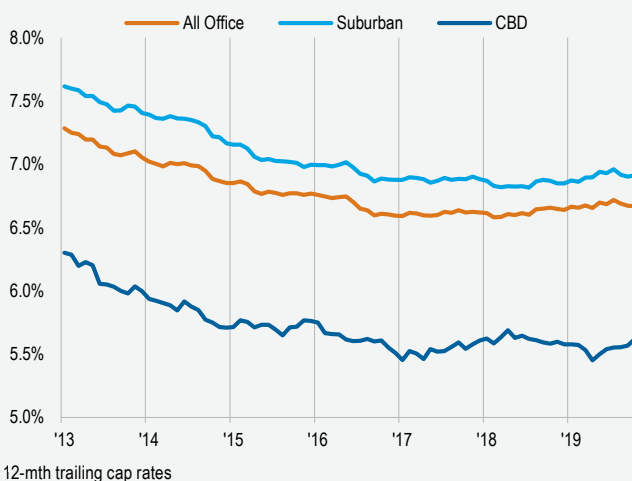
Quarterly Transaction Volume & Pricing



Change in Volume (YOY)



Cap Rates



Deal activity in suburban and CBD locations register similar levels over most history. In the period from 2001 to 2014, in fact, volume in suburban locales was only 16% greater than in CBD locations. Some periods see one subtype pull slightly ahead of the other, but that relationship broke apart over the last three years with surging suburban office investment.







The decline in deal activity for the month of October was, in part, a function of suburban deal activity falling back to that normal relationship. Suburban volume totaled \$5.2b for the month, down 25% YOY, while in CBD locales, the \$5.1b in closed deals represented a 18% YOY gain. By contrast, from January 2015 through to August of this year, suburban office deal volume was 47% greater than that in CBD locations.

The surge and recent pullback for suburban office volume is characteristic of changing attitudes towards risk. In the period from 2015 to earlier this year, suburban offices offered a higher yield relative to CBD office investments, with cap rates averaging 130 bps higher in suburban locations. With higher yield on offer and relatively few fears of a recession, deal activity pulled ahead in suburban locales.
















In October this year, suburban office cap rates averaged 6.9%, still 130 bps higher than those for CBD office investments. Recession fears have loomed since the summer, however, and investors burned in the last cycle by the high capex-to-NOI relationship in suburban investments have been pulling back on their acquisition activity.

Suburban office investment has been falling consistently on a year-over-year basis since July. While investment fell in suburban locations, the results in CBD locations were more mixed. CBD sales are 11% ahead of the pace set in 2018 for the year to date.

Market Table | All Office

Office Transactions Reported Closed		CBD				Suburban				All Office			
YTD through Oct'19		Volume		Price		Volume		Price		Volume		Price	
		\$m	# Props	\$/sf	Avg Cap Rate	\$m	# Props	\$/sf	Avg Cap Rate	\$m	# Props	\$/sf	Avg Cap Rate
Mid-Atlantic 	Baltimore	76.8	7	95		562.7	38	173	7.6%	639.5	45	156	7.6%
	DC	3,419.4	41	529	6.3%					3,419.4	41	529	6.3%
	DC MD burbs					939.7	53	183	7.5%	939.7	53	183	7.5%
	DC VA burbs					2,393.2	96	217	6.9%	2,393.2	96	217	6.9%
	Philadelphia	1,072.0	16	304	6.8%	891.2	66	157	7.6%	1,963.1	82	215	7.4%
	Pittsburgh	12.1	2	94		218.9	15	189	7.1%	231.0	17	178	7.4%
	Richmond/Norfolk	4.0	1			496.5	46	186	7.4%	500.5	47	180	7.4%
	Tertiary Mid-Atlantic	4.5	1			566.2	82	137	8.4%	570.7	83	137	8.4%
	Total	4,588.8	68	426	6.6%	6,068.3	396	185	7.5%	10,657.1	464	250	7.3%
Midwest 	Chicago	1,411.3	33	285	5.5%	1,062.6	127	96	7.7%	2,473.9	160	165	7.0%
	Cincinnati	88.6	5	45		158.9	13	125	7.4%	247.5	18	87	7.4%
	Cleveland	10.0	1			112.6	16	135	7.5%	122.6	17	123	7.6%
	Columbus	91.1	3	151		144.1	18	137		235.2	21	144	
	Detroit	33.1	4	60		251.6	31	124	8.6%	284.6	35	118	8.6%
	Indianapolis	2.5	1			372.4	31	136	7.4%	374.9	32	136	7.4%
	Kansas City	153.1	5	29		746.0	41	106	7.0%	899.1	46	99	7.0%
	Minneapolis	745.8	12	190		543.7	56	127	8.9%	1,289.5	68	155	8.9%
	St Louis	9.1	2			434.4	48	132	8.7%	443.5	50	127	8.8%
	Tertiary Midwest	140.1	14	66		1,768.8	188	150	7.3%	1,908.9	202	136	7.3%
	Total	2,684.6	80	184	6.4%	5,595.2	569	123	7.6%	8,279.8	649	139	7.5%
Northeast 	Boston	5,179.3	37	930	4.9%	1,816.2	77	189	6.2%	6,995.5	114	497	5.4%
	Hartford	87.3	2	103		108.0	12	105		195.3	14	104	
	Long Island					589.7	36	196	6.0%	589.7	36	196	6.0%
	Manhattan	11,956.5	78	859	4.8%					11,956.5	78	859	4.8%
	No NJ	496.0	8	103		1,480.8	78	164	7.0%	1,976.8	86	160	7.0%
	NYC Boroughs	488.8	45	426	5.1%	3.0	1			491.8	46	425	5.1%
	Stamford	243.8	7	272		175.0	12	298		418.8	19	283	
	Westchester					452.5	35	168	7.7%	452.5	35	168	7.7%
	Tertiary Northeast	44.4	9	74		717.0	78	136	7.1%	761.4	87	129	7.2%
	Total	18,496.0	186	766	5.1%	5,342.1	329	172	6.9%	23,838.2	515	438	6.0%
Southeast 	Atlanta	301.4	10	176		2,767.4	129	197	7.0%	3,068.8	139	194	6.9%
	Broward	163.9	5	412		835.1	56	177	7.2%	999.0	61	198	7.2%
	Charlotte	412.5	5	216	5.4%	1,229.1	64	217	7.2%	1,641.6	69	217	6.6%
	Jacksonville	8.7	2	37		448.2	21	168	7.5%	456.9	23	157	7.5%
	Memphis	6.6	2	56		119.9	13	98	7.6%	126.4	15	94	7.6%
	Miami	685.9	10	418		473.8	41	250	6.8%	1,159.7	51	327	6.8%
	Nashville	483.6	14	249	5.8%	541.9	37	227	7.1%	1,025.4	51	238	6.5%
	Orlando	36.4	3	135		561.2	39	183	6.8%	597.6	42	179	6.8%
	Palm Beach					562.8	34	259	7.4%	562.8	34	259	7.4%
	Raleigh/Durham	46.4	3	276		869.8	53	228		916.3	56	228	
	Tampa	12.1	2	293		715.8	41	207	6.9%	727.9	43	208	6.9%
	Tertiary Southeast	202.3	18	133	6.9%	2,234.7	303	182	7.1%	2,437.0	321	178	7.1%
	Total	2,359.7	74	239	6.2%	11,374.8	839	198	7.1%	13,734.5	913	204	7.0%
Southwest 	Austin	707.2	10	743	5.5%	1,887.1	62	357	6.0%	2,594.2	72	474	5.9%
	Dallas	610.9	7	260	5.1%	2,494.8	147	226	7.0%	3,105.7	154	235	6.9%
	Denver	364.6	5	233		1,743.5	101	196	6.1%	2,108.1	106	201	6.1%
	Houston	1,038.6	4			2,085.1	103	168	7.7%	3,123.7	107	168	7.7%
	Phoenix	102.9	5	218		1,911.3	132	181	7.1%	2,014.3	137	183	7.1%
	San Antonio	15.4	3			512.4	32	125		527.8	35	125	
	Tertiary Southwest	39.3	4	199		1,342.4	176	147	7.4%	1,381.6	180	147	7.4%
	Total	2,878.9	38	343	5.7%	11,976.6	753	192	7.1%	14,855.5	791	209	7.0%
West 	East Bay	922.5	11	516		1,483.4	58	361	6.3%	2,405.9	69	422	5.7%
	Inland Empire					352.0	47	193	7.2%	352.0	47	193	7.2%
	Las Vegas	52.6	4	130		260.9	32	216	7.0%	313.5	36	193	7.0%
	Los Angeles	200.4	2	758	5.2%	5,604.6	177	471	5.6%	5,805.0	179	477	5.5%
	Orange Co					1,962.5	101	283	6.4%	1,962.5	101	283	6.4%
	Portland	377.5	11	367		968.9	48	257		1,346.4	59	280	5.6%
	Sacramento	503.9	12	311	6.7%	534.9	52	169	7.8%	1,038.8	64	218	7.3%
	Salt Lake City	70.2	7	128		582.1	50	192	7.0%	652.3	57	189	7.0%
	San Diego	145.5	9	266	5.8%	1,987.9	94	296	6.6%	2,133.4	103	294	6.6%
	San Francisco	5,399.8	37	914	5.0%	2,564.5	35	733	5.6%	7,964.3	72	843	5.2%
	San Jose	441.2	6	648		5,209.1	86	569	5.6%	5,650.3	92	575	5.6%
	Seattle	4,217.7	30	607	4.7%	2,405.6	90	370	6.3%	6,623.3	120	519	5.9%
	Tertiary West	192.6	10	186	7.5%	1,485.0	171	254	7.1%	1,677.6	181	244	7.2%
	Total	12,523.7	139	607	5.3%	25,401.6	1,041	382	6.3%	37,925.3	1,180	438	6.1%
Total	Total US	43,531.7	585	505	5.5%	65,758.6	3,927	226	6.9%	109,290.3	4,512	295	6.7%















Selected Recent Transactions

Property Name Address Location	SF Year Built Notes	Price \$/sf Qualifier	Owner/Buyer Seller Broker
Mid-Atlantic			
Watergate Office Building 2600 Virginia Ave Washington, DC	205,000 1968 Office - CBD	\$101,200,000 \$494 confirmed	 Friedman Capital from  Rockwood Capital by  Newmark Knight Frank
Bank of America 11333 McCormick Rd Hunt Valley, MD	377,332 1974 Office - Sub	\$99,280,000 \$263 confirmed	 Spirit Realty Capital from  Inland RE Group by  JLL
2100 M Street Northwest 2100 M St NW Washington, DC	290,762 1969 Office - CBD	\$92,500,000 \$318 confirmed	 Network Realty Partners (NRP) JV Meadow Partners from  Liberty Property Trust by  Newmark Knight Frank
1331 L Street 1331 L St Washington, DC	169,429 2008 Office - CBD	\$87,000,000 \$513 confirmed	 Drawbridge Realty from  GLL RE Partners by  Eastdil Secured
1000 Chesterbrook Boulevard 1000 Chesterbrook Blvd Tredyffrin, PA	172,421 2000 Office - Sub	\$56,000,000 \$325 confirmed	 M&H Properties by  JLL; Newmark Knight Frank from  Equus Capital Partners by  JLL; Newmark Knight Frank



Watergate Office Building
Washington, DC












Midwest

500 West Monroe Street 500 W Monroe St Chicago, IL	973,100 1992 Office - CBD	\$412,000,000 \$423 confirmed	 Spear Street Capital from  Piedmont REIT by  JLL
Burnham Center (Leasehold) 111 W Washington St Chicago, IL	579,778 1913 Office - CBD	\$80,250,000 \$138 confirmed	 Golub & Co JV The Family Office from  Shidler Group by  Cushman & Wakefield
Spectrum Brands World 3001 Deming Way Middleton, WI	222,002 2013 Office - Sub	\$52,000,000 \$234 confirmed	 Harbor Group Int'l from  Livesey Company
Capitol Tower 400 SW 8th Ave Topeka, KS	143,934 1983 Office - CBD	\$15,600,000 \$108 confirmed	 Crescent Investment Group from  Office Props Income Trust by  CBRE
600 North Cleveland Avenue 600 N Cleveland Ave Westerville, OH	93,519 2006 Office - Sub	\$11,900,000 \$127 approximate	 Amcor Holdings from  Founders Properties by  CBRE



Coca-Cola Building
New York, NY

Northeast

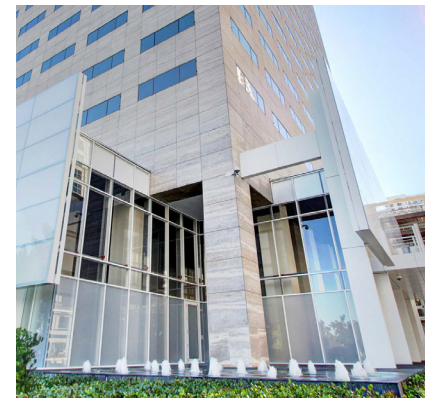
Coca-Cola Building 711 5th Ave New York, NY	354,000 1927 Office - CBD	\$955,000,000 \$2,698 approximate	 SHVO JV Bilgili Holding JV Deutsche Finance Group OBO Bayerische Versorgungskammer (BVK) from  Nightingale Properties JV Wafra
50 Water Street/100 Pearl Street 7 Hanover Sq New York, NY	846,415 1983 Office - CBD	\$310,000,000 \$366 approximate	 GFP RE JV Northwind Grp JV TPG RE from  Milstein Family JV Swig Company JV Weiler Arnov Investment Co by  Cushman & Wakefield
121 West End Avenue 121 W End Ave New York, NY	515,000 1929 Office - CBD	\$230,000,000 \$447 confirmed	 Taconic Investment Partners JV Nuveen (US) from  Silverstein Properties by  Eastdil Secured
99 Summer Street 99 Summer St Boston, MA	272,000 1987 Office - CBD	\$198,000,000 \$728 confirmed	 Northwestern Mutual from  Rockpoint Group by  Eastdil Secured

Selected Recent Transactions

Property Name Address Location	SF Year Built Notes	Price \$/sf Qualifier	Owner/Buyer Seller Broker
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Southeast

One Financial Plaza 100 SE 3rd Ave Fort Lauderdale, FL	276,572 1972 Office - CBD	\$117,000,000 \$423 confirmed	o Alliance Partnership from s Walton Street Capital by ↔ CBRE
Museum Tower 150 W Flagler St Miami, FL	234,104 1983 Office - CBD	\$64,600,000 \$276 approximate	o Bridge Investment Grp from s Gaedeke Group by ↔ CBRE
Siemens Quadrangle II 11950 Corporate Blvd Orlando, FL	226,548 2001 Office - Sub	\$47,900,001 \$211 approximate	o Stockbridge from s Atlanta Property Group JV Angelo, Gordon
Novant Health 250 Charlois Blvd Winston Salem, NC	75,462 1974 Office - Sub	\$33,419,500 \$443 approximate	o MB Real Estate from s CGA Capital by ↔ JLL
Carolina Corporate Center 5400 Glenwood Ave Raleigh, NC	87,838 1986 Office - Sub	\$17,900,000 \$204 approximate	o Runnymede Corp from s The Simpson Org by ↔ Cushman & Wakefield



One Financial Plaza
Fort Lauderdale, FL

Southwest

Gateway One & Two 426-432 N 44th St Phoenix, AZ	212,278 1985 Office - Sub	\$85,750,000 \$404 approximate	o Bridge Investment Grp from s Broadshore Capital Partners JV Alecia by ↔ Cushman & Wakefield
Kierland One 16430 N Scottsdale Rd Phoenix, AZ	175,191 1999 Office - Sub	\$52,435,000 \$299 confirmed	o Velocis from s Hines JV PCCP (Pacific Coast) by ↔ CBRE
Denver Centerpoint II 1777 S Harrison St Denver, CO	205,336 1995 Office - Sub	\$42,452,100 \$207 approximate	o Terracap Mgmt Corp from s Investcorp JV Schnitzer West by ↔ CBRE
McKesson III (Leasehold) 5801 N Pima Rd Scottsdale, AZ	124,879 2019 Office - Sub	\$37,687,120 \$302 confirmed	o Griffin Capital EAR II from s Ryan Companies by ↔ Cushman & Wakefield
The Johnathan 55 N Arizona Pl Chandler, AZ	108,129 1998 Office - Sub	\$22,500,000 \$208 confirmed	o George Oliver Companies by ↔ JLL from s Tryperion Partners JV Griffin Partners



Kierland One
Phoenix, AZ

West

Fourth & Madison 925 Fourth Ave Seattle, WA	845,533 2002 Office - CBD	\$605,000,000 \$716 confirmed	o Clarion Partners from s Nuveen (US) by ↔ Eastdil Secured
Lantana South Campus 3003 Exposition Blvd Santa Monica, CA	208,855 1999 Office - Sub	\$214,982,500 \$1,029 confirmed	o Starwood Capital from s Artisan Realty Advisors JV Brightstone by ↔ Eastdil Secured
Wells Fargo Center 400 Capitol Mall Sacramento, CA	502,365 1992 Office - CBD	\$198,750,000 \$396 confirmed	o Manulife US REIT from s Starwood Capital by ↔ Eastdil Secured
Treat Towers 1255-1277 Treat Blvd Walnut Creek, CA	367,313 1999 Office - Sub	\$188,300,000 \$513 approximate	o Rockpoint Group from s MetLife JV Mubadala Investment by ↔ Newmark Knight Frank

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About Real Capital Analytics

Real Capital Analytics (RCA) is the authority on the deals, the players and the trends that drive the commercial real estate investment markets. Covering all markets globally, RCA delivers timely and reliable data with unique insight into market participants, pricing and capital flows. The most active investors, lenders and advisors depend on RCA's market intelligence to formulate strategy and to source, underwrite and execute deals. An industry pioneer since 2000, RCA has offices in New York, San Jose, London and Singapore. For more information, visit: rcanalytics.com

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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. For RCA Hedonic Series methodology [click here](#).

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