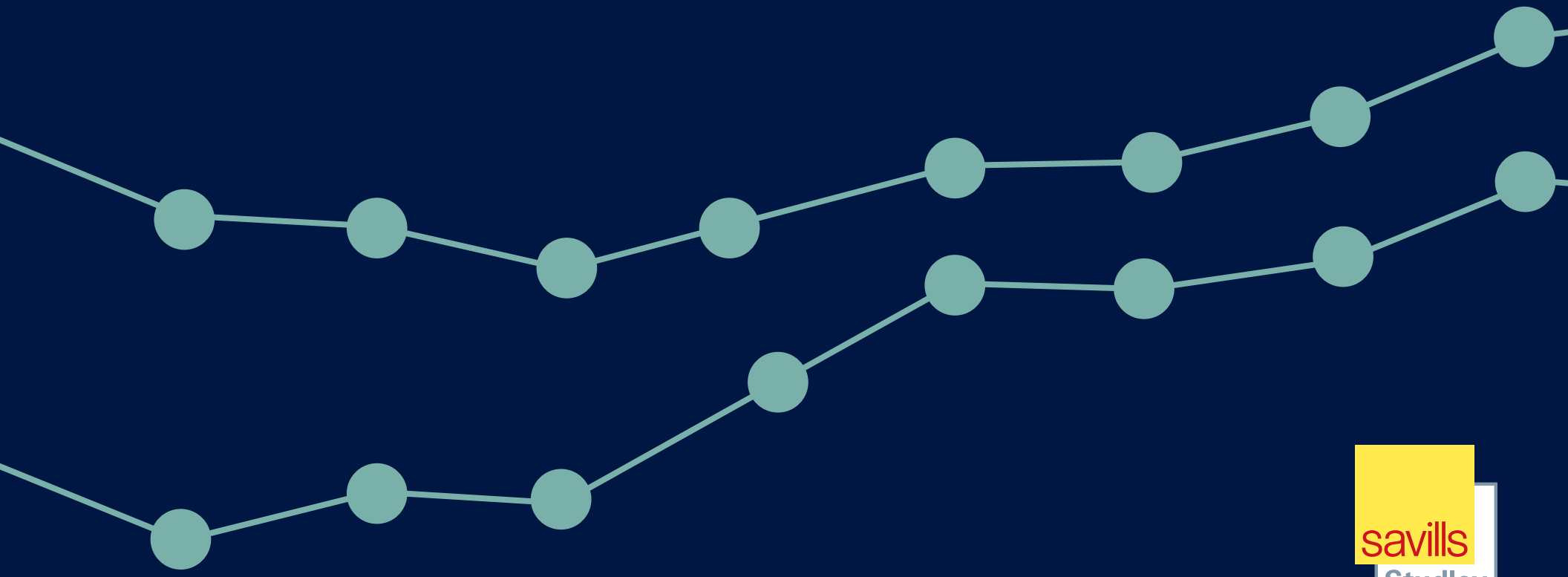


SERI 2016

Savills Effective Rent Index



savills Studley

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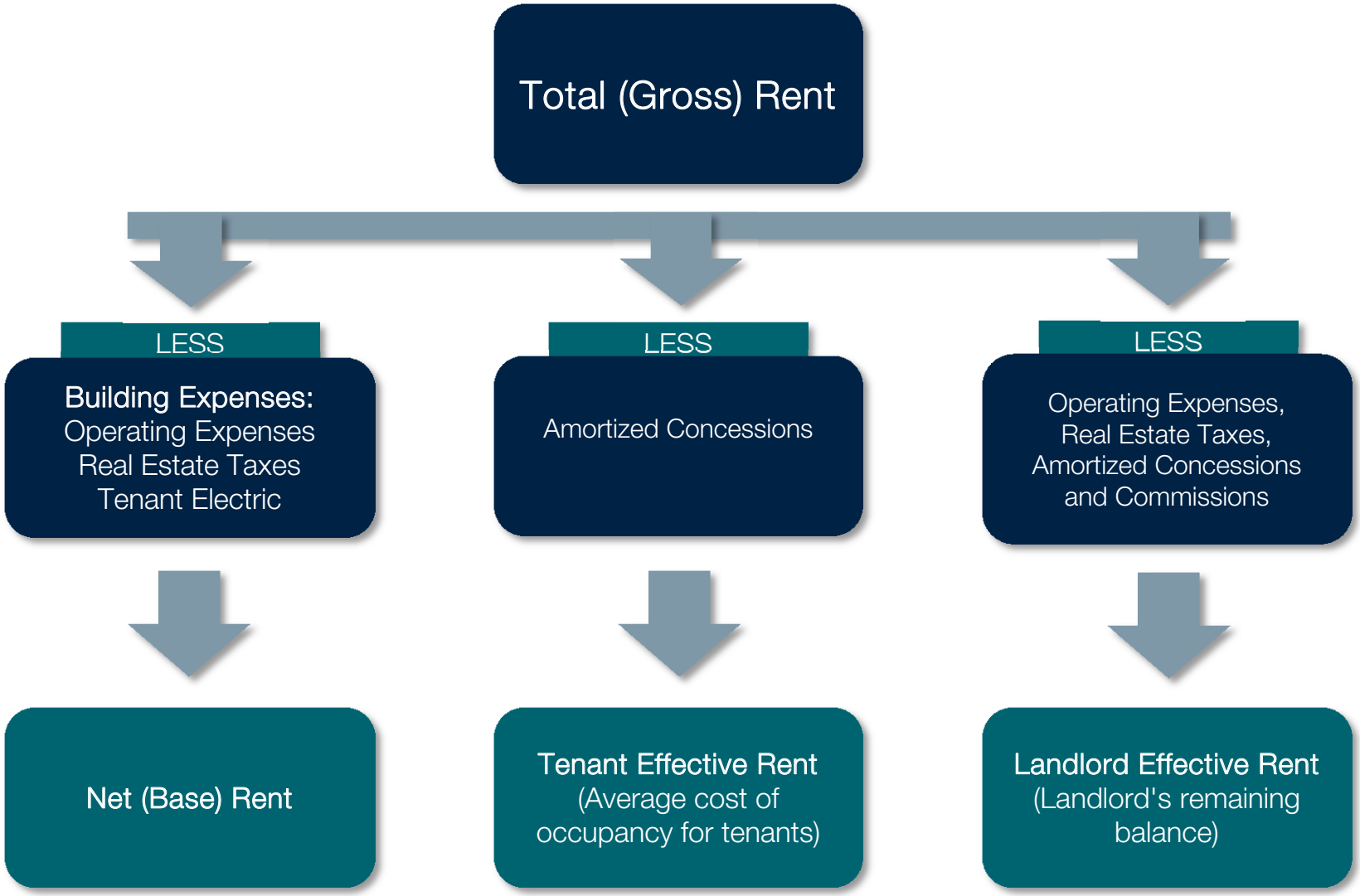
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Methodology

Since 1995, the Savills Effective Rent Index (SERI) has been providing the real estate industry's only comprehensive, in-depth study of effective rental rate trends and the real cost of occupancy for tenants in the nation's major Central Business Districts (CBDs) and surrounding suburban markets. The SERI report tracks actual lease terms that reflect negotiated rents and concessions, as well as the costs of maintaining a building that are partially passed through to tenants – operating expenses, real estate taxes and electricity costs. The SERI Supplement highlights key economic trends and market fundamentals that underpin each market's performance.

Every year, Savills Studley's Research team examines larger long-term direct deals signed in higher-caliber Class A properties. Total (gross) rent is separated into its key components: net (or base) rent and building expenses (operating expenses, real estate taxes and electricity costs). The Tenant Effective Rent Index (the cost of occupancy to the tenant) is derived from total rent less the amortized value of concessions provided by the landlord. The Landlord Effective Rent Index (the landlord's bottom line) is calculated from total rent less costs incurred by the landlord, which include expenses, concessions and commissions.

All statistics in this year's SERI report are based on larger long-term leases completed during 2015 in existing or newly constructed Class A buildings.



All numbers are based on negotiated larger long-term direct leases in higher-caliber Class A properties.

Statistical Summary

	Total (Gross) Rent		Building Expenses: Operating Expenses		Building Expenses: Real Estate Taxes		Building Expenses: Tenant Electric		Net (Base) Rent		Leasing Costs: Concessions		Tenant Effective		Landlord Effective	
CBD Markets	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Atlanta (ATL)	31.33	35.57	7.83	7.95	4.00	4.10	1.50	1.50	18.00	22.02	92.00	85.00	18.63	23.84	2.62	7.22
Boston (BOS)	52.10	57.23	12.00	12.50	10.50	11.25	2.10	2.23	27.50	31.25	101.65	100.80	38.07	43.34	13.44	17.45
Chicago (CHI)	45.45	48.00	8.75	8.80	8.40	8.50	1.80	1.80	26.50	28.90	99.00	110.00	31.79	32.82	12.76	13.65
Dallas (DFW)	24.65	26.15	7.40	7.50	1.75	1.80	2.00	2.00	13.50	14.85	50.00	55.00	17.75	18.56	7.07	7.63
Denver (DEN)	38.55	42.23	6.85	6.92	2.80	2.85	1.90	1.90	27.00	30.56	83.00	85.77	25.74	29.00	15.04	18.17
Houston (HOU)	49.04	45.70	6.68	6.75	6.81	6.90	2.30	2.30	33.25	29.75	66.00	72.00	39.93	35.76	23.64	19.51
Downtown Los Angeles (DTLA)	39.92	40.82	10.75	10.85	3.57	3.60	2.10	2.35	23.50	24.02	83.00	85.00	28.47	29.09	12.44	12.91
West Los Angeles (WLA)	45.45	47.60	9.75	9.90	4.10	4.25	2.60	2.85	29.00	30.60	74.00	72.52	35.24	37.59	19.46	21.43
Miami (MIA)	40.55	42.40	8.10	8.20	5.15	5.25	3.05	3.05	24.25	25.90	80.00	78.00	29.51	31.64	16.11	18.03
Manhattan - Downtown (DTNY)	52.10	52.97	11.75	11.90	9.60	9.92	2.65	2.60	28.10	28.55	101.00	102.00	37.71	38.89	14.61	14.81
Manhattan - Midtown (MTNY)	83.91	84.34	13.90	14.25	16.41	16.98	3.35	3.30	50.25	49.81	138.00	138.50	64.87	65.23	31.67	31.12
New Jersey (NNJ)	29.95	33.63	8.75	9.10	3.25	3.35	1.95	1.95	16.00	19.23	62.50	67.00	21.33	24.38	7.23	9.56
Philadelphia (PHI)	30.62	32.71	8.76	8.85	2.36	2.45	1.97	1.97	17.53	19.44	62.00	61.00	22.06	24.29	9.23	11.15
Phoenix (PHO)	30.38	31.32	7.46	7.69	3.72	3.84	1.74	1.79	17.46	18.00	84.00	80.00	18.79	20.28	5.71	6.80
San Diego (SDO)	31.10	32.00	7.25	7.35	4.65	4.70	2.95	3.05	16.25	16.90	54.00	58.00	22.40	22.65	9.23	9.30
San Francisco (SFO)	68.85	69.95	12.45	12.75	5.45	5.60	3.45	3.45	47.50	48.15	72.00	73.00	57.25	58.19	37.58	38.07
Tampa Bay (TAM)	28.00	29.04	5.65	5.75	3.00	3.10	2.50	2.50	16.85	17.69	43.25	44.52	22.03	22.90	10.68	11.24
Washington, DC (WDC)	65.59	63.12	9.25	9.50	12.76	12.90	2.83	2.83	40.75	37.89	132.35	135.57	47.33	44.41	21.55	18.40
CBD Averages	44.07	45.38	8.99	9.14	5.88	6.02	2.43	2.46	26.76	27.77	80.76	82.68	32.63	33.70	15.68	16.39
Suburban Markets	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Central Perimeter, GA	26.10	27.30	6.05	6.15	2.30	2.35	1.50	1.50	16.25	17.30	52.58	51.50	18.85	20.19	7.23	8.35
Cook County, IL	26.85	27.85	7.90	7.95	4.55	4.60	1.50	1.50	12.90	13.80	70.00	69.00	17.19	18.33	3.24	4.28
DuPage County, IL	25.50	26.00	7.20	7.25	2.05	2.10	1.75	1.75	14.50	14.90	60.00	60.00	17.22	17.72	6.47	6.87
Fairfield County, CT	39.13	38.45	11.15	11.20	4.48	4.50	2.75	2.75	20.75	20.00	50.00	54.00	32.23	31.00	14.55	13.29
Fort Lauderdale, FL	36.24	39.74	8.95	9.05	3.80	3.90	2.99	2.99	20.50	23.80	48.50	47.50	28.30	33.19	13.63	18.03
Long Island, NY	32.69	32.93	8.20	8.25	6.90	6.94	1.34	1.34	16.25	16.40	41.50	41.50	26.96	27.20	10.03	10.17
Main Line/Conshohocken, PA	32.45	33.90	7.50	7.60	3.00	3.10	2.70	2.70	19.25	20.50	30.00	30.00	28.31	29.76	16.03	17.19
North Dallas Corridor, TX	29.25	31.50	8.45	8.55	3.80	3.85	2.60	2.60	14.40	16.50	45.00	42.50	23.04	25.64	9.13	11.28
Northern Virginia	41.27	40.53	6.25	6.32	3.05	3.07	2.97	2.97	29.00	28.17	92.00	102.00	27.66	25.44	16.06	13.80
Orange County, CA	28.89	33.75	7.09	7.25	1.90	1.98	2.05	2.20	17.85	22.32	60.00	67.00	20.01	23.84	9.82	13.19
Raleigh/Durham, NC	23.00	24.20	4.65	4.75	2.05	2.05	1.90	1.90	14.40	15.50	35.00	34.00	17.04	18.41	9.07	10.27
Scottsdale, AZ	33.58	36.44	9.14	9.36	2.49	2.68	1.95	1.97	20.00	22.43	80.00	78.00	22.54	25.68	8.82	11.36
Silicon Valley, CA	43.05	45.00	8.65	8.75	4.05	4.15	3.10	3.10	27.25	29.00	45.00	44.00	36.11	38.21	22.84	24.72
Southeast, CO	35.53	34.87	3.90	3.95	3.88	3.92	1.75	1.75	26.00	25.25	45.00	43.50	17.07	18.22	8.34	9.40
Waltham (Route 128), MA	36.63	43.20	7.40	8.40	6.00	7.00	1.63	1.75	21.60	26.05	64.15	65.15	27.78	32.68	12.67	16.92
West Loop/Galleria, TX	39.93	40.91	7.00	7.05	3.30	3.33	2.13	2.13	27.50	28.40	46.00	47.00	32.08	31.27	20.42	19.56
West Palm Beach, FL	36.37	36.02	10.45	10.52	7.92	8.00	3.00	3.00	15.00	14.50	61.00	60.00	40.40	41.57	22.08	23.12
Westchester, NY	35.45	35.70	9.85	9.90	6.35	6.40	3.00	3.00	16.25	16.40	50.00	52.00	27.30	26.62	9.28	8.52
Suburban Averages	33.37	35.70	7.69	8.69	3.99	4.11	2.26	2.27	19.43	20.62	54.21	54.93	25.56	26.94	12.21	13.35

Summary of Key Findings

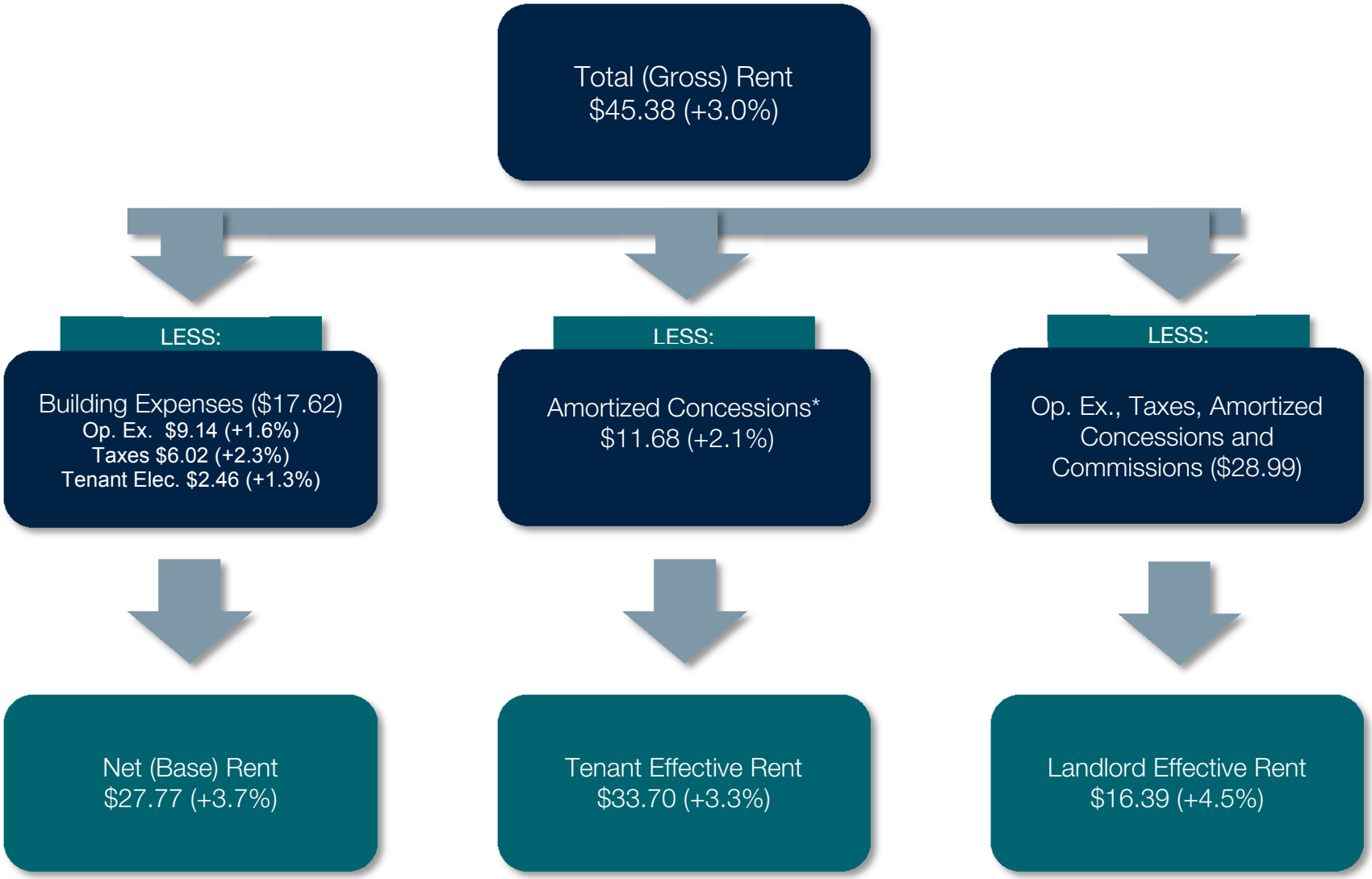
SERI 2016

Rental Rate Growth in Most Markets, with Declines in a Few Top Metros

For the fifth straight year, tenants faced higher effective rent for premium Class A space in nearly all major U.S. CBDs. A distinguishing factor in 2015 was the acceleration of rental rate growth in many of the "late recovery" markets such as Atlanta, Chicago and Los Angeles. On the other hand, rent fell in a few of the largest markets – Houston and Washington, DC – and was essentially flat in Manhattan. Tenant effective rent rose nationally by 3.3% from $32.63 to $33.70. The average concession package (amortized value) increased nominally, but was unchanged as a percentage of total rent. Total rent grew by 3.0% to $45.38 and net rent rose by 3.7% to $27.77. Concessions did not keep pace with the rise in rents and in turn, landlord effective rent increased by 4.5% to $16.39.

KEY CBD FINDINGS						
	2014 Unweighted Average	2015 Unweighted Average	2015 Change %	2014 Weighted Average	2015 Weighted Average	COMMENTS
Total (Gross) Rent	**$44.07**	**$45.38**	**3.0%**	**$60.45**	**$61.35**	Total rent increased in all markets except for two as many "late recovery" markets once again registered the strongest growth.
Operating Expenses	**$8.99**	**$9.14**	**1.6%**	**$10.98**	**$11.18**	Operating costs continued their upward trajectory in 2015.
Real Estate Taxes	**$5.88**	**$6.02**	**2.3%**	**$9.51**	**$9.75**	Property taxes pushed higher as investment sales intensified in more markets.
Tenant Electricity	**$2.43**	**$2.46**	**1.3%**	**$2.70**	**$2.72**	Tenant electricity costs were flat in most markets during 2015, with sharp rate hikes in a handful of them.
Net Rent	**$26.76**	**$27.77**	**3.7%**	**$37.25**	**$37.71**	Net rent increased for the fifth straight year, but at a much slower pace than in 2014.
Amortized Concessions	**$11.44**	**$11.68**	**2.1%**	**$13.86**	**$14.86**	The value of concessions rose slightly, but as was the case in 2014 did not match the jump in rent.
Tenant Effective Rent Index	**$32.63**	**$33.70**	**3.3%**	**$45.69**	**$46.36**	Tenants faced higher effective rents in most markets during 2015, with increases exceeding 5.0% in seven markets.
Landlord Effective Rent Index	**$15.68**	**$16.39**	**4.5%**	**$22.53**	**$22.72**	Landlord effective rent posted its fifth year of growth, but at a more moderate pace than in 2014.

Summary of Key Findings



*Concessions are amortized over the average lease term in the market.

National Benchmarks

Another Year of Growth; 2016 Could Be Peak Year

Employers Continue Expansion: Private employers added 2.6 million jobs during 2015. Hiring activity intensified in the final quarter of the year. Heading into 2016, though, concerns about a global slowdown in growth – China in particular – were mounting.

"Late Recovery" Markets Outperforming Others: For the second year in a row, markets that lagged in 2012 and 2013 were once again among the strongest in terms of hiring and leasing. Sustained leasing made a dent in availability this year in Atlanta, Chicago, Miami and Orange County. All of these markets have limited new construction activity. Downtown Los Angeles, Palm Beach County, Phoenix and Northern New Jersey are a bit further behind in terms of working through their excess space, but effective rent posted its first increase in these markets in quite some time as well.

Tech Centers May Be Reaching Their Limits: The competition for talent has shown no signs of relenting in tech-fueled markets such as San Francisco and Silicon Valley, as well as in sections of Denver, Los Angeles and Manhattan. However, more Bay Area companies are looking for lower-cost space alternatives either in the East Bay or Peninsula or in secondary tech metros such as Portland, Oregon, or Salt Lake City, Utah. Many have already set up operations in Atlanta, Chicago and Denver.

Investment Sales and Corporate Relocations Boosting Rents in Lower-Cost Markets: More investors feel that pricing in gateway markets such as Manhattan and San Francisco is getting overheated. Some have sold their assets and redeployed gains in markets such as Atlanta, Chicago, Denver and Raleigh/Durham. This out-of-market investment, coupled with a resurgence of corporate relocations, has given added impetus to rental rate increases in lower-cost markets.

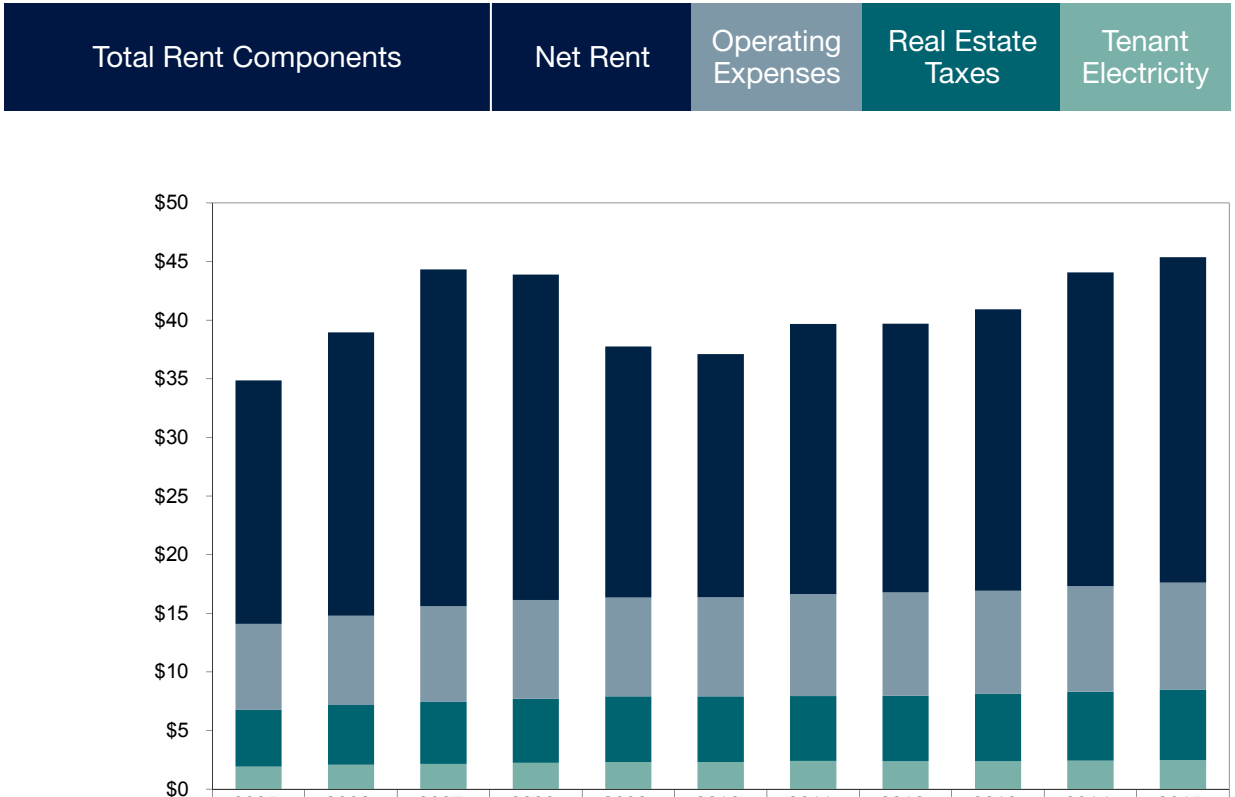
National Benchmarks

Total Rent Hits New Peak

Total or gross rent (first year taking rent) rose for the fifth straight year, jumping by 3.0% from $44.07 to $45.38, just above the 2007 peak. The increase was not as sharp as in 2014, though, as declines in Washington, DC and Houston, as well as weaker growth in Manhattan and San Francisco offset some of the big increases in Atlanta, Chicago, Denver and Los Angeles.

Total rent consists of four components: net (or base) rent and three building expense components – operating expenses, real estate taxes and tenant electricity.

Total rent rose primarily due to a 3.7% increase in net rent from $26.76 to $27.77. Rising operating expenses and taxes were also a contributing factor. Operating expenses ticked up by 1.6% from $8.99 to $9.14. Real estate taxes increased by 2.3% from $5.88 to $6.02. Tenant electricity also rose – from $2.43 to $2.46.



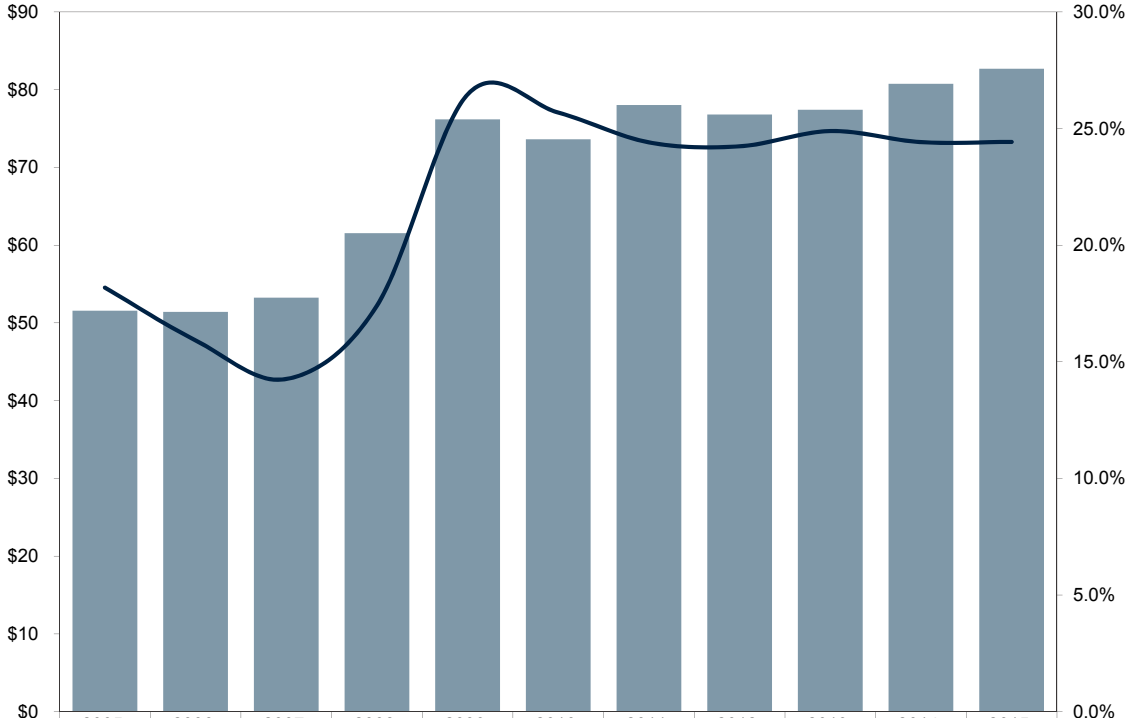
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Rent	$20.78	$24.18	$28.74	$27.75	$21.42	$20.75	$23.04	$22.93	$24.00	$26.76	$27.77
Operating Expenses	$7.35	$7.61	$8.13	$8.42	$8.42	$8.47	$8.70	$8.82	$8.80	$8.99	$9.14
Real Estate Taxes	$4.83	$5.09	$5.31	$5.46	$5.61	$5.58	$5.55	$5.57	$5.73	$5.88	$6.02
Electricity	$1.92	$2.08	$2.15	$2.25	$2.30	$2.32	$2.39	$2.38	$2.38	$2.43	$2.46
Total Rent	$34.87	$38.96	$44.33	$43.88	$37.75	$37.11	$39.68	$39.70	$40.92	$44.07	$45.38

Value of Concessions Falls Relative to Rents

Landlords pulled back on free rent periods and tenant improvement allowances in some of the tightest markets such as Austin, San Francisco and Silicon Valley. Creditworthy tenants can still negotiate favorable concessions in markets that have excess Class A space, though.

Although the value of concessions was stable or rose in most markets, it stayed flat relative to rent. As a percentage of total rent, the average value of amortized concession packages ($11.68) remained at 24.4%. Higher relocation and construction costs in many markets eroded the value of tenant improvement allowances, though.

Landlord Concessions: 2005-2015

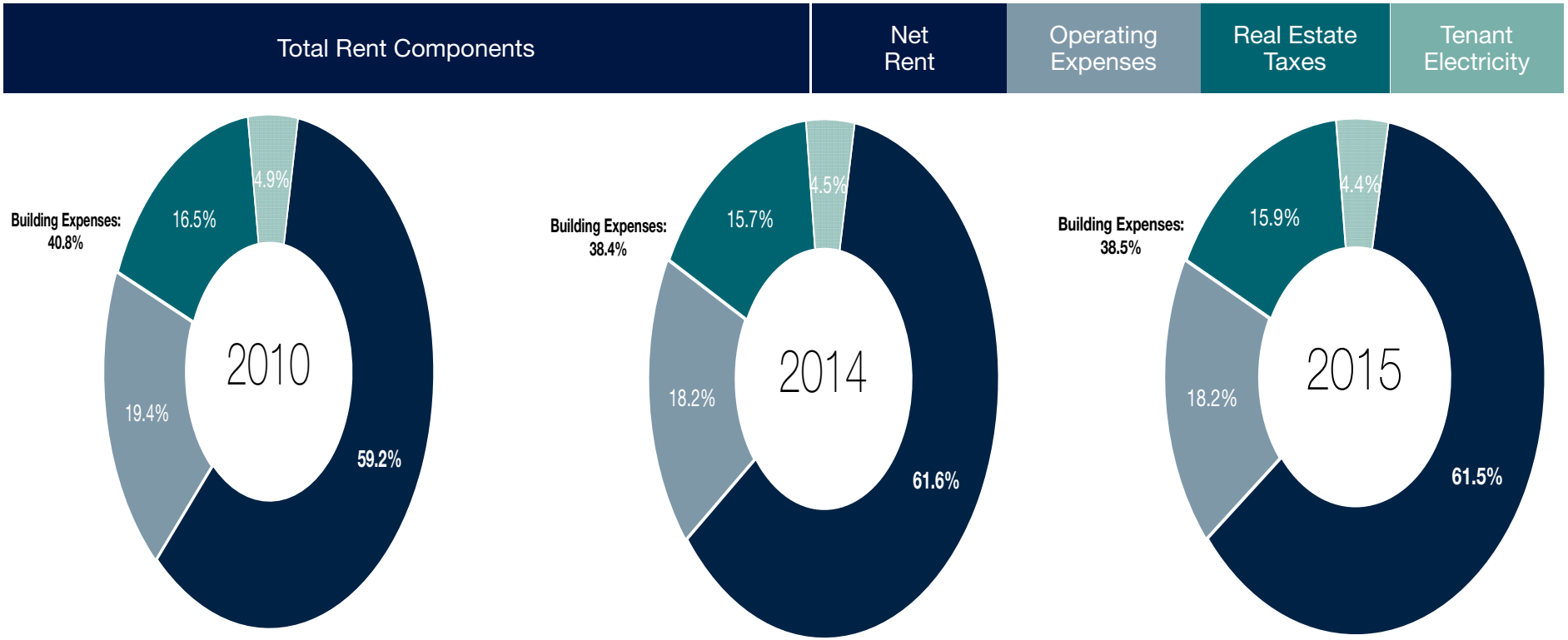


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Value of Concessions	$51.57	$51.42	$53.25	$61.55	$76.18	$73.62	$78.02	$76.80	$77.41	$80.76	$82.68
Amort. Concessions/Rent	18.2%	15.9%	14.3%	17.4%	26.5%	25.7%	24.4%	24.2%	24.9%	24.4%	24.4%

National Benchmarks

Expenses' Share of Total Rent Up Slightly

Total (or gross) rent consists of two main components: net (or base) rent and building expenses (operating expenses, real estate taxes and tenant electricity). As a percentage of total rent, net rent fell from 61.6% in 2014 to 61.5% in 2015. Higher real estate taxes made a slight difference during 2014. Building expenses' share rose from 38.4% to 38.5%, but was well below its 40.8% share in 2010.

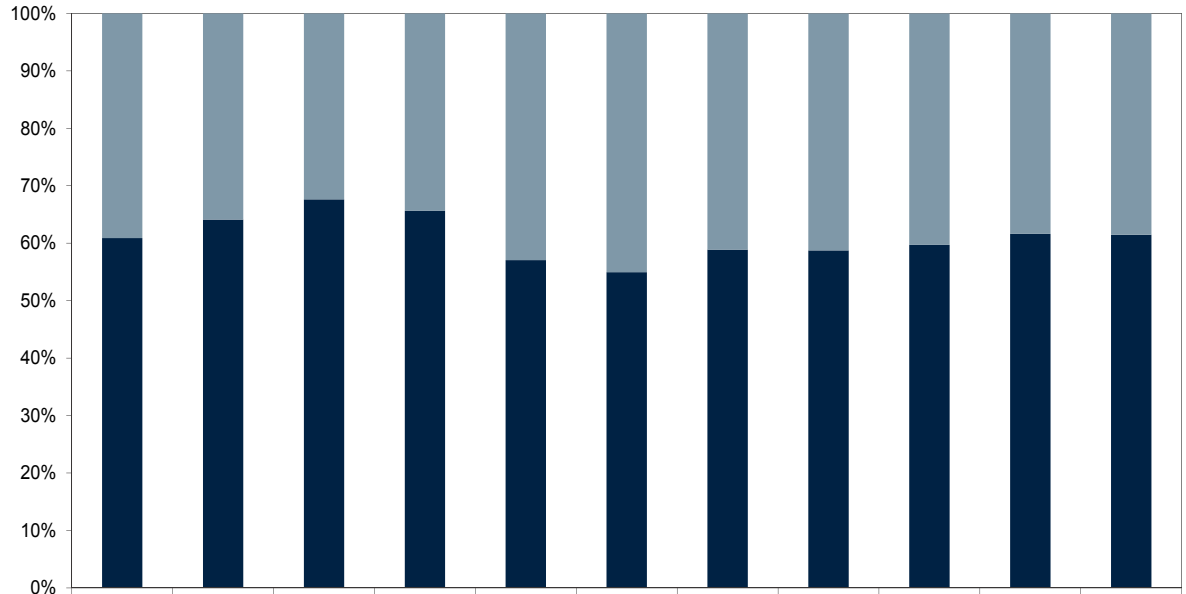


Operating Margins Return to Pre-Recession Norms

The net (base) rent/total rent ratio measures how much of net rent is flowing to building expenses. Net rent accounted for 61.5% of total rent – meaning that 38.5% of total rent was diverted to operating expenses, real estate taxes and electricity.

Net rent's share is approaching the levels seen at the start of the last expansion cycle, but still falls short of the peak level of 67.6% in 2007.

Net Rent/Total Rent Ratio: 2005-2015



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Building Expenses Share	39.1%	35.9%	32.4%	34.4%	42.9%	45.0%	41.3%	41.2%	40.3%	38.4%	38.5%
Net Rent Share	60.9%	64.1%	67.6%	65.6%	57.1%	55.0%	59.2%	58.8%	59.7%	61.6%	61.5%

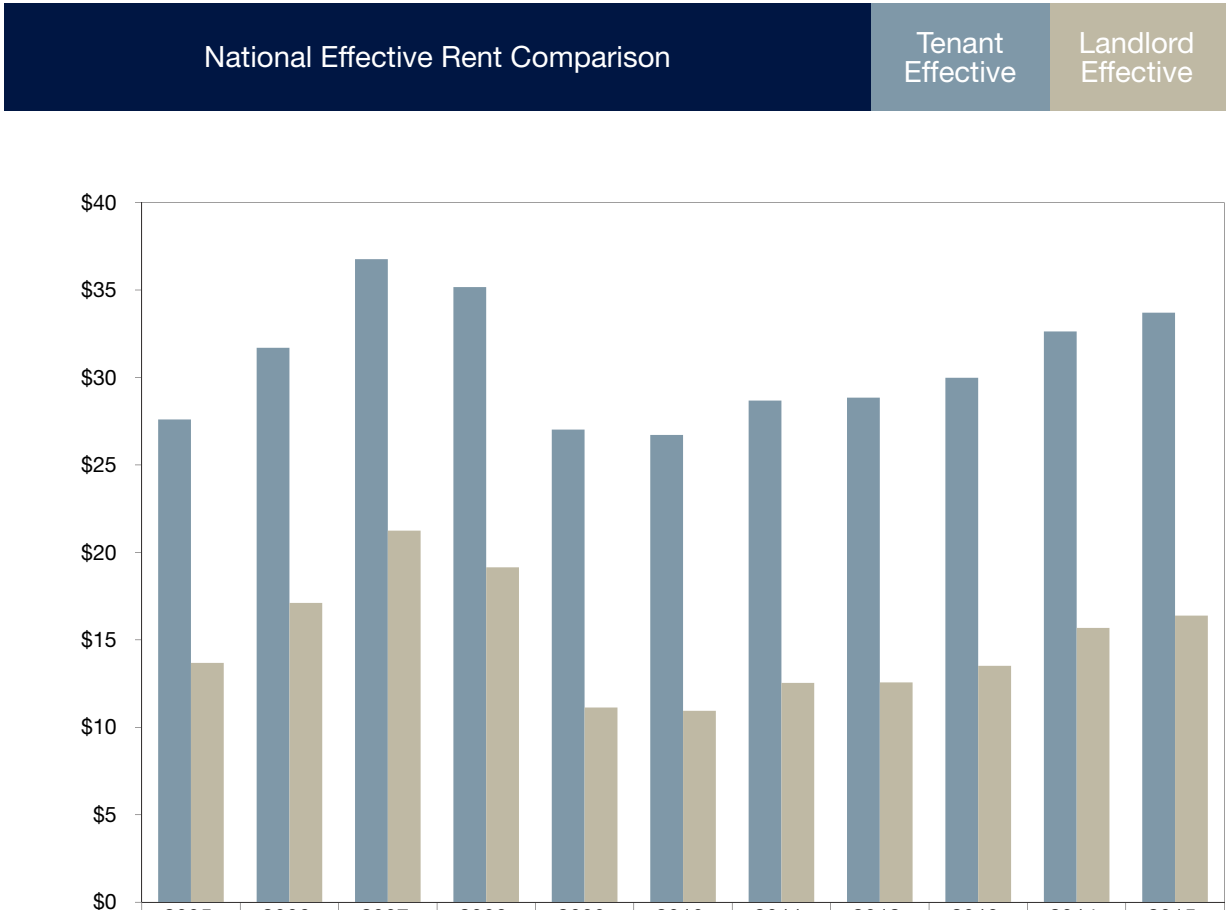
National Benchmarks

Effective Rent Increases

Following an 11.5% spike in 2014, net rent posted a moderate 3.7% increase in 2015. Although the growth in net rent was more modest in 2015, it still exceeded the 2.1% rise in the average amortized value of concession packages.

Consequently, tenant occupancy costs (the national Tenant Effective Rent Index) rose by 3.3% from $32.63 to $33.70.

Additionally, the national Landlord Effective Rent Index jumped from $15.68 to $16.39, a 4.5% increase.



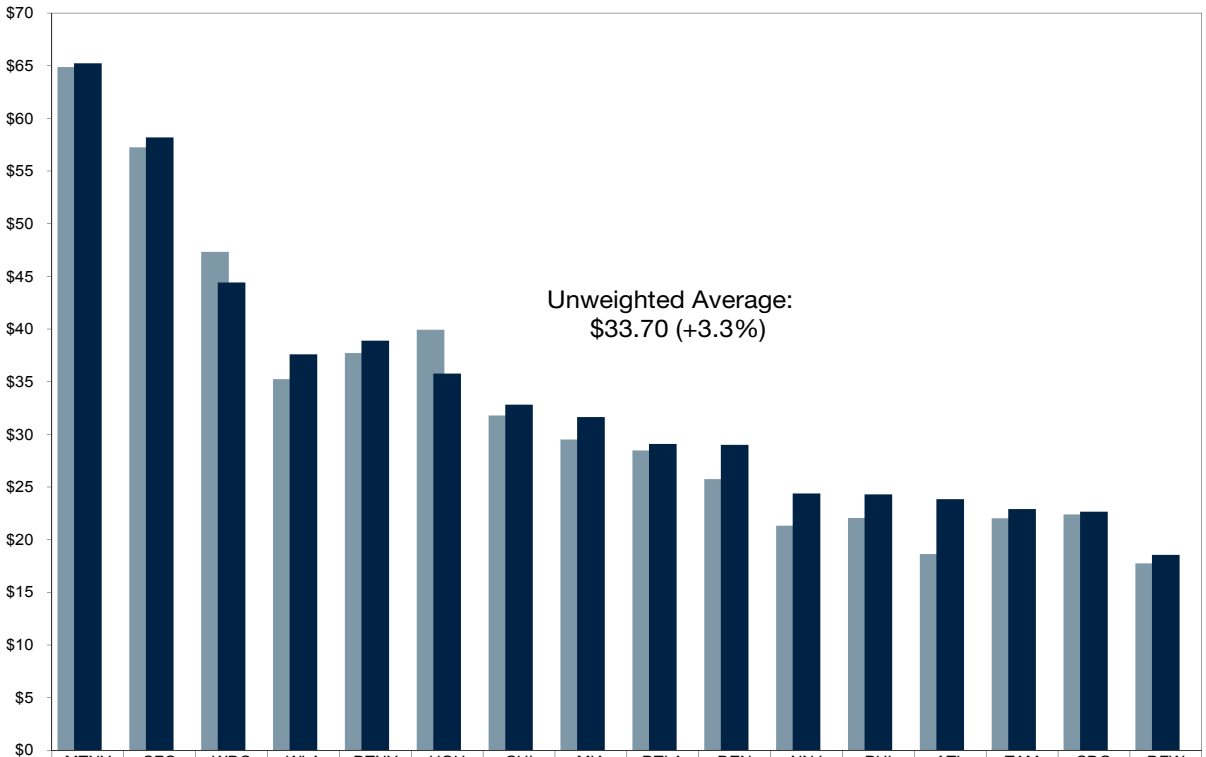
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Tenant Effective Rent	$27.60	$31.70	$36.76	$35.16	$27.02	$26.72	$28.68	$28.85	$29.98	$32.63	$33.70
Landlord Effective Rent	$13.68	$17.11	$21.24	$19.15	$11.13	$10.94	$12.54	$12.57	$13.51	$15.68	$16.39

Flat or Declining Rent in Most Higher-Priced Markets

Despite a very weak 0.6% increase in 2015, Manhattan (Midtown), with an average tenant effective rent of $65.23, remained the most expensive market. San Francisco, the second most expensive market for tenants, continued to close the gap. It posted a 1.6% year-on-year increase to $58.19. There may be little upside remaining for San Francisco's rents in this cycle, though. While they were still among the higher-priced markets, Washington, DC ($44.41) and Houston ($35.76) reported decreases in tenant effective rent.

On the other hand, several markets registered year-on-year growth in excess of 10.0%, including Northern New Jersey (+14.3%) and Denver (+12.6%). Atlanta posted the biggest increase (+27.9%), pushing it above Tampa Bay, San Diego and Dallas, all markets that continued to struggle to gain traction.

Tenant Effective Rent Market Comparison



	MTNY	SFO	WDC	WLA	DTNY	HOU	CHI	MIA	DTLA	DEN	NNJ	PHI	ATL	TAM	SDO	DFW
2014	$64.87	$57.25	$47.33	$35.24	$37.71	$39.93	$31.79	$29.51	$28.47	$25.74	$21.33	$22.06	$18.63	$22.03	$22.40	$17.75
2015	$65.23	$58.19	$44.41	$37.59	$38.89	$35.76	$32.82	$31.64	$29.09	$29.00	$24.38	$24.29	$23.84	$22.90	$22.65	$18.56
Y-o-Y Change	0.6%	1.6%	-6.2%	6.7%	3.1%	-10.4%	3.2%	7.2%	2.2%	12.6%	14.3%	10.1%	27.9%	3.9%	1.1%	4.6%

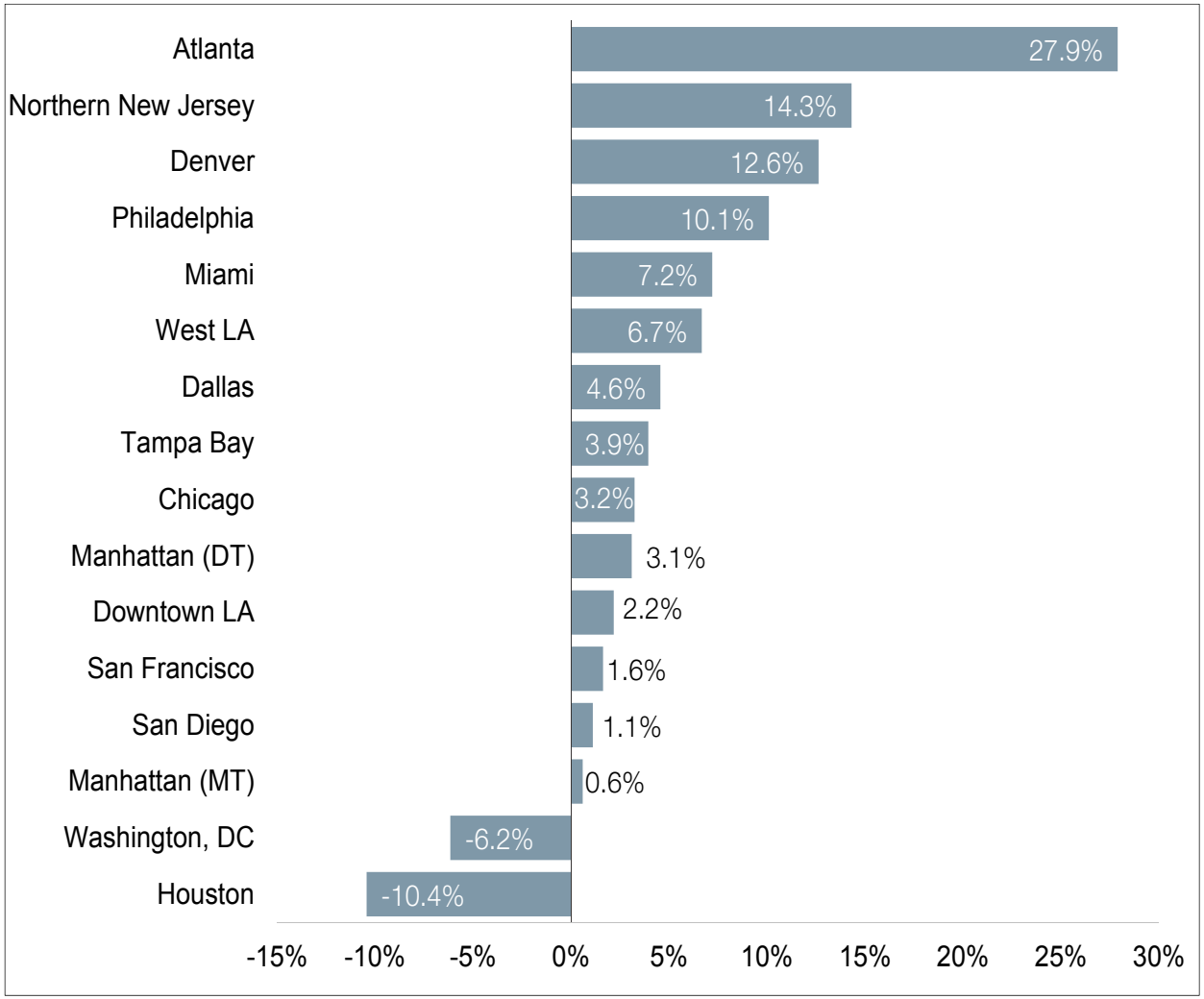
Tenant Effective Rent Trends

Lower-Cost Markets Display Strongest Growth

In contrast to 2014, when all markets posted higher occupancy costs, two markets - Washington, DC and Houston - registered declines in 2015. Additionally, effective rent growth was negligible in the two most expensive markets - Midtown Manhattan and San Francisco. Demand is falling short of supply in both Midtown and Downtown Manhattan as well as in Washington, DC. Sublet supply is starting to spike in Houston, undercutting rents across the region.

Last year, seven markets recorded double-digit effective rent growth. During 2015, only four markets posted a 10.0% increase or higher. Tenant effective rent in Denver rose by more than 10.0% for the second year in a row. Atlanta (+27.9%) and Northern New Jersey (+14.3%) also witnessed spikes in effective rent during the year.

Tenant Effective Rent: Year-on-Year Change by Market



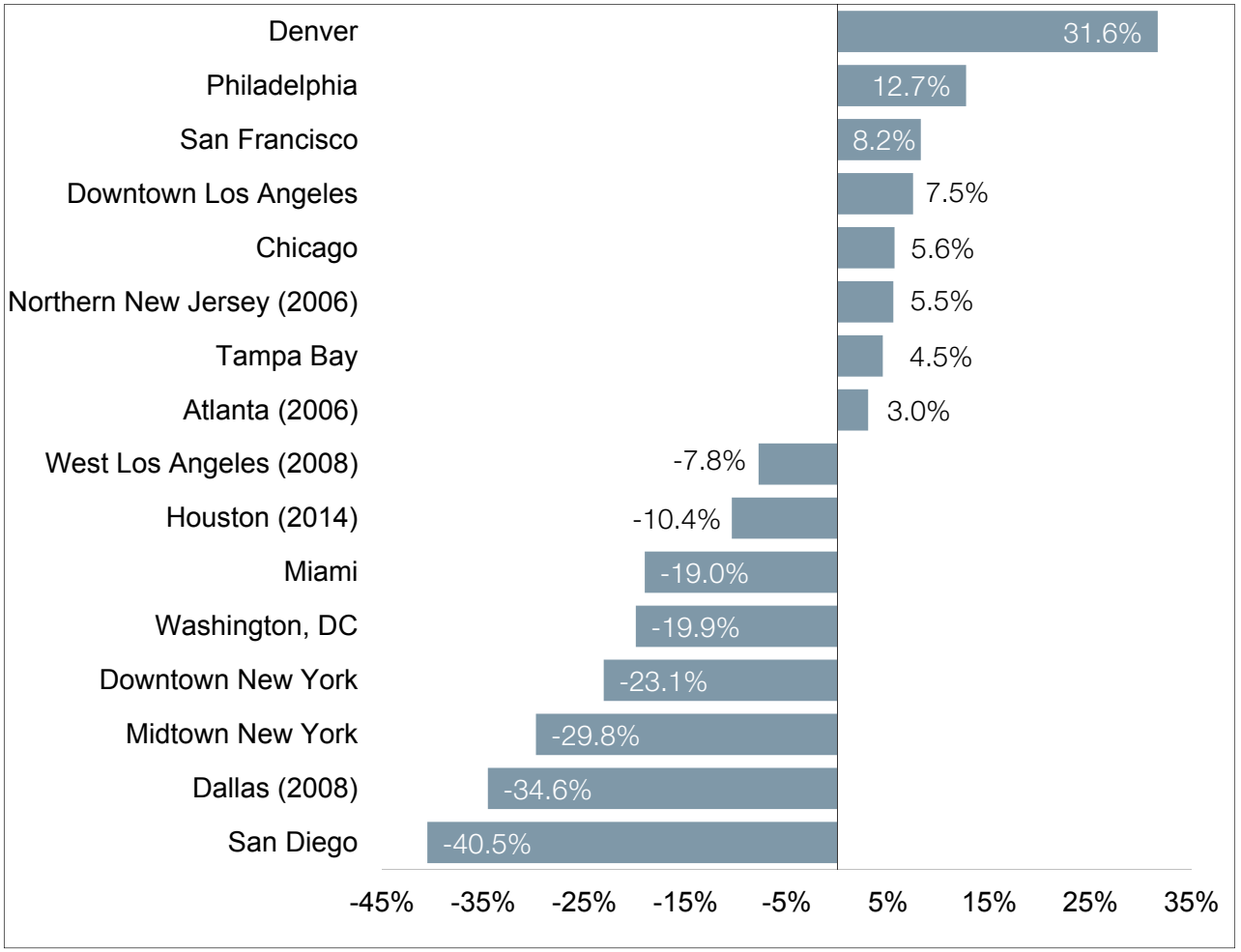
Effective Rent Still Below Peak in Half of the Markets

Another year of robust growth in Denver pushed tenant occupancy costs 31.6% above their prior peak. Philadelphia was the only other market that was 10.0% above its prior peak but San Francisco (+8.2%), Downtown Los Angeles (+7.5%), Chicago (+5.6%) and Northern New Jersey (+5.5%) were more than 5.0% above their peaks.

The fallout in energy sectors pushed effective rent in Houston 10.4% below its 2014 peak. Tenant effective rent in Washington, DC, fell to its lowest mark since 2002 and was 19.9% below its peak in 2007.

Occupancy costs in Manhattan (Midtown and Downtown) remained more than 20.0% below their prior peak, as did occupancy costs in Dallas (-34.6%) and San Diego (-40.5%).

Tenant Effective Rent Trends: Percentage Above/Below Prior Peak



*Unless otherwise indicated, prior market peak occurred in 2007.

Landlord Concession Trends

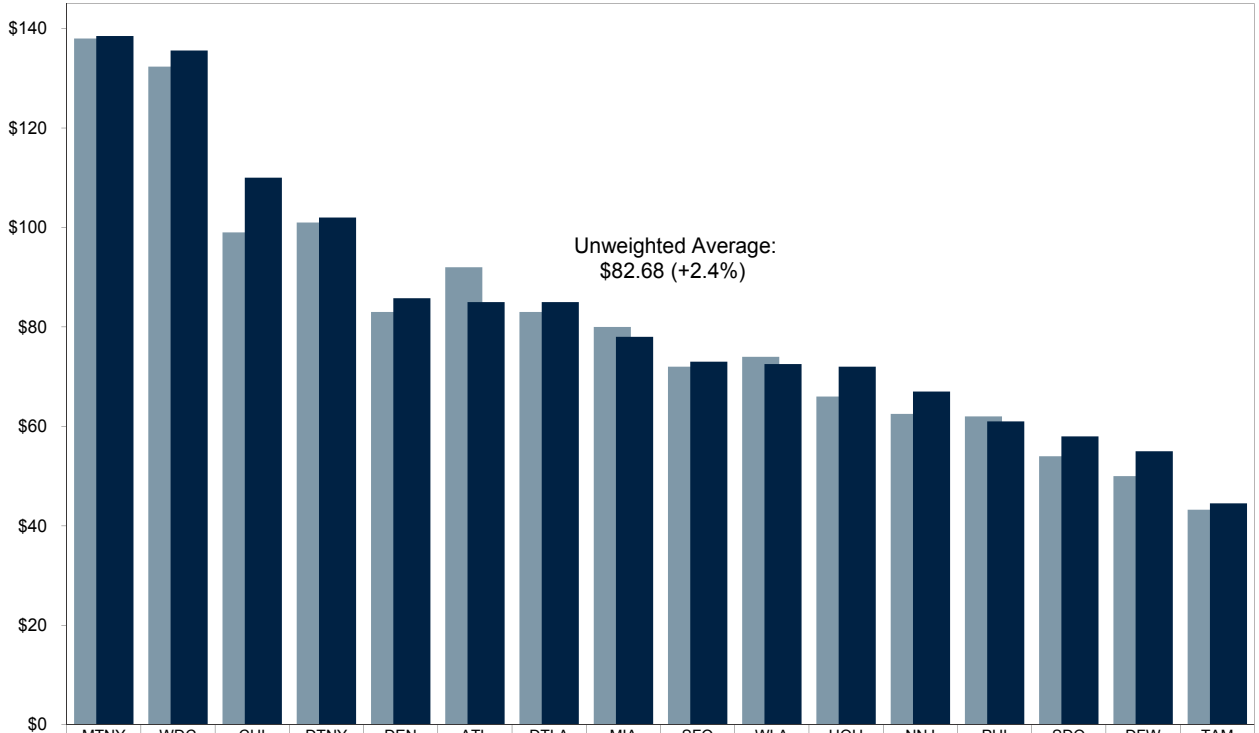
Value of Concession Packages Up in Majority of Markets

The value of concessions rose in 12 markets and fell in four. The national average rose by 2.4% to $82.68.

Landlords in Washington, DC had to extend generous concession packages to keep taking rents from falling precipitously.

In markets such as San Francisco, the value of concession packages rose due to rental rate growth that in turn boosted the value of free rent periods. Chicago and Denver also saw a slight increase as several leases signed in new buildings under construction included very large improvement allowances.

Landlord Concessions: Market Comparison | 2014 | 2015



	MTNY	WDC	CHI	DTNY	DEN	ATL	DTLA	MIA	SFO	WLA	HOU	NNJ	PHI	SDO	DFW	TAM
2014	$138.00	$132.35	$99.00	$101.00	$83.00	$92.00	$83.00	$80.00	$72.00	$74.00	$66.00	$62.50	$62.00	$54.00	$50.00	$43.25
2015	$138.50	$135.57	$110.00	$102.00	$85.77	$85.00	$85.00	$78.00	$73.00	$72.52	$72.00	$67.00	$61.00	$58.00	$55.00	$44.52
Y-o-Y Change	0.4%	2.4%	11.1%	1.0%	3.3%	-7.6%	2.4%	-2.5%	1.4%	-2.0%	9.1%	7.2%	-1.6%	7.4%	10.0%	2.9%

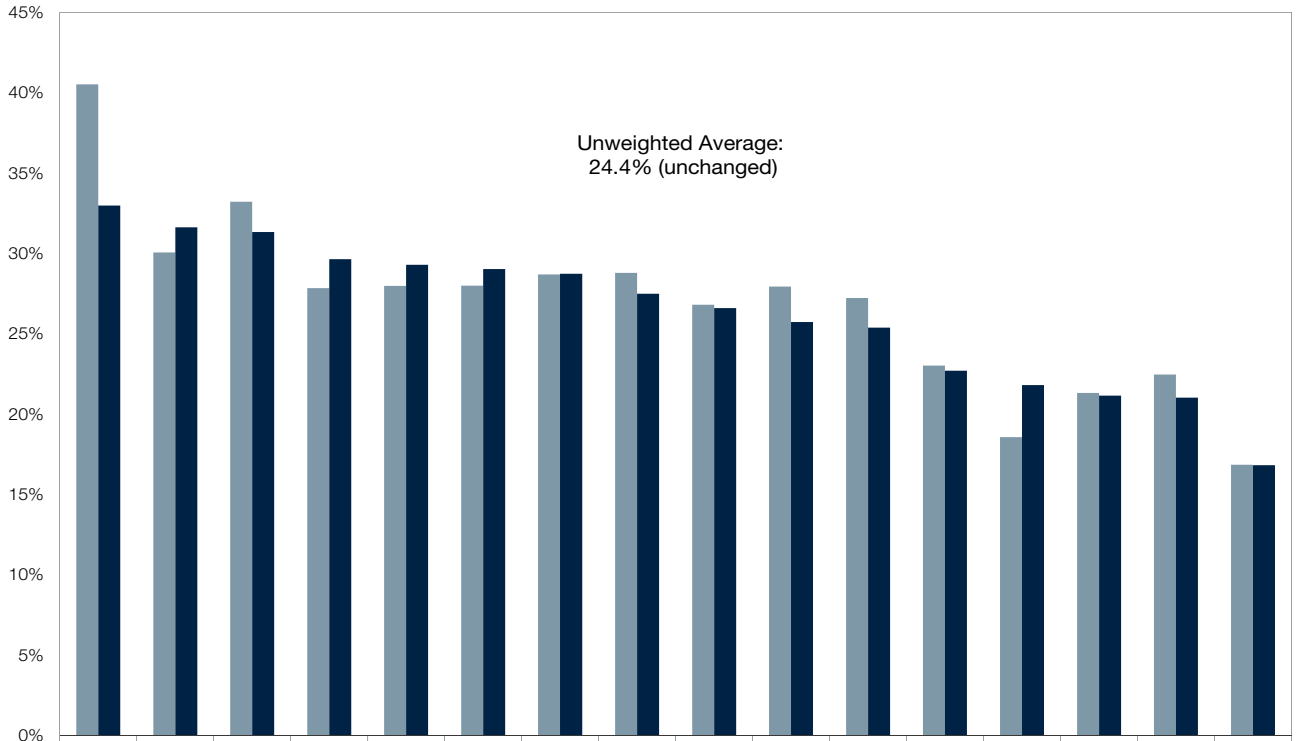
Concessions Not Keeping Pace with Rents

The ratio of amortized concessions to total rent (concessions/rent ratio) is a way of comparing the value of concessions from market to market. In most cases, the higher the ratio the more likely it is that conditions favor the tenant. The ratio also provides a measure of leasing costs – as it increases, it indicates that landlords have to concede more to get leases signed.

Washington, DC and Houston registered significant jumps in their concessions/rent ratio and the ratio was flat in San Francisco.

A year ago, Atlanta's concessions/rent ratio (40.5%) was well above the national average of 24.4%. In 2015, a big jump in its base rent pushed the ratio down to 33.0%. San Francisco (14.8%) was the only market with a ratio of less than 20.0%.

Amortized Concessions as Percentage of Total Rent



	ATL	CHI	DEN	WDC	SDO	DAL	DTLA	NNJ	DTNY	PHI	MIA	MTNY	HOU	TAM	WLA	SFO
2014	40.5%	30.1%	33.2%	27.8%	28.0%	28.0%	28.7%	28.8%	26.8%	27.9%	27.2%	23.0%	18.6%	21.3%	22.5%	16.8%
2015	33.0%	31.6%	31.3%	29.6%	29.3%	29.0%	28.7%	27.5%	26.6%	25.7%	25.4%	22.7%	21.8%	21.2%	21.0%	16.8%

Landlord Effective Rent Trends

Landlords' Margin Rises in Most Markets: Landlord effective rent rose by 4.5% in 2015, a fifth straight year of growth but well short of the 16.0% increase posted in 2014. A couple of the nation's biggest markets saw a reduction in landlord effective rent, but the majority of markets recorded an increase. Competition for space in many of the familiar locations – Denver's CBD, West Los Angeles, San Francisco and Silicon Valley – was sustained in 2015. The year brought more noticeable gains in markets such as Atlanta, Los Angeles and Raleigh/Durham. Landlords are breaching rent thresholds that were previously considered unassailable in several areas – $35.00 in select sections of Raleigh's Research Triangle Park; $45.00 in Buckhead, Atlanta; $50.00 for view space in Denver and South Florida. New construction in most of these locations has been negligible in this cycle.

"Late Recovery" Markets Outperforming Others: Chicago posted its second consecutive year of 5.0%-plus increase as suburban companies relocating Downtown supplemented moderate expansion among businesses already located within the Loop. More than two-thirds of Chicago's development pipeline has been pre-leased. Downtown Los Angeles enjoyed its strongest year for leasing – 4.2 msf – in more than decade. Miami registered steady demand from law firms and international banks, further depleting options in Brickell and Coral Gables.

A Few Suburban Markets Rebounding: Of note, while urban cores have outperformed suburban locations in this recovery, some markets with a high percentage of suburban office parks also witnessed a spike in volume and surge in rent. Tenants leased 11.1 msf in Orange County during 2015, and 20 tenants have signed leases of 100,000 sf or more in the last two years. Landlord effective rent jumped by 34.4% in 2015.

Highest-Cost Markets Lag: Demand is falling short of supply in Houston, Manhattan and Washington, DC. Rental rate declines were moderate in Manhattan but were sharper in Houston and Washington, DC. In the nation's capital, law firms and federal agencies capitalized on the highly favorable terms, spurring a strong year in leasing. In Houston, however, energy companies have been shedding space and sublet supply continues to pile up.

Double-Digit Growth in Six Markets

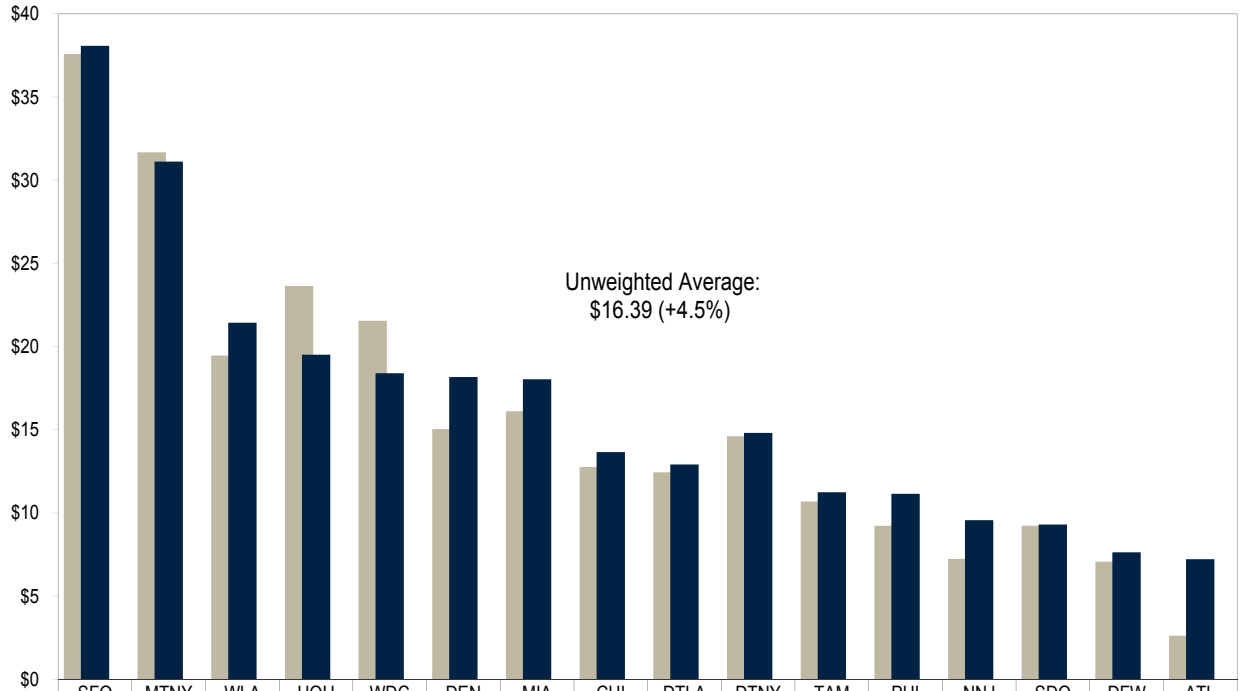
Landlord effective rent rose by 4.5% in 2015. This was the fifth consecutive annual increase but rent did not increase as sharply as in 2014 as weakness in Houston, Manhattan (Midtown) and Washington, DC curbed gains.

Most markets saw decent growth, though. For the second straight year, San Francisco posted the highest landlord effective rent.

As a result of a decline in Houston, West Los Angeles became the third most expensive market. Washington, DC fell closer to the middle of the pack following a 14.6% drop.

Despite a doubling in its landlord effective rent from $2.62 to $7.22, Atlanta still has the lowest rate among major metros.

Landlord Effective Rent Market Comparison — 2014 — 2015



	SFO	MTNY	WLA	HOU	WDC	DEN	MIA	CHI	DTLA	DTNY	TAM	PHI	NNJ	SDO	DFW	ATL
2014	$37.58	$31.67	$19.46	$23.64	$21.55	$15.04	$16.11	$12.76	$12.44	$14.61	$10.68	$9.23	$7.23	$9.23	$7.07	$2.62
2015	$38.07	$31.12	$21.43	$19.51	$18.40	$18.17	$18.03	$13.65	$12.91	$14.81	$11.24	$11.15	$9.56	$9.30	$7.63	$7.22
Y-o-Y Change	1.3%	-1.7%	10.1%	-17.5%	-14.6%	20.8%	11.9%	6.9%	3.7%	1.4%	5.2%	20.8%	32.3%	0.8%	7.9%	175.7%

Landlord Effective Rent Trends

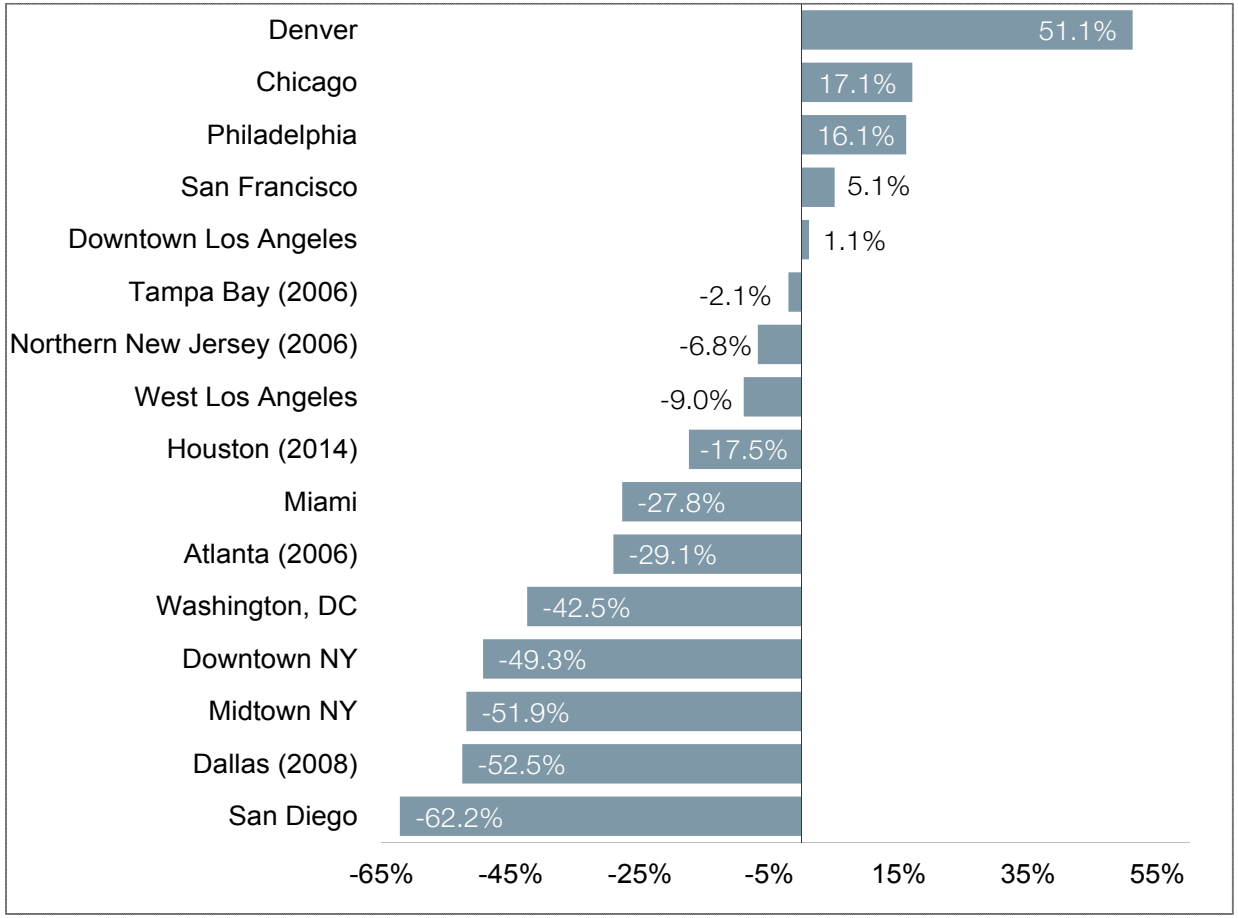
Five Markets Now Above Their Pre-Recession Peak

As was the case in 2014, only three markets had pushed more than 10.0% above their pre-recession peak: Denver (+51.1%), Chicago (+17.1%) and Philadelphia (+16.1%).

With Houston now below its prior peak, 11 markets were below their prior peak and more than half of these markets remained 20% below peak.

Three markets were 50.0% or more below their prior peak: Midtown Manhattan, Dallas and San Diego.

Landlord Effective Rent Trends: Percentage Above/Below Prior Peak



*Unless otherwise indicated, prior market peak occurred in 2007.

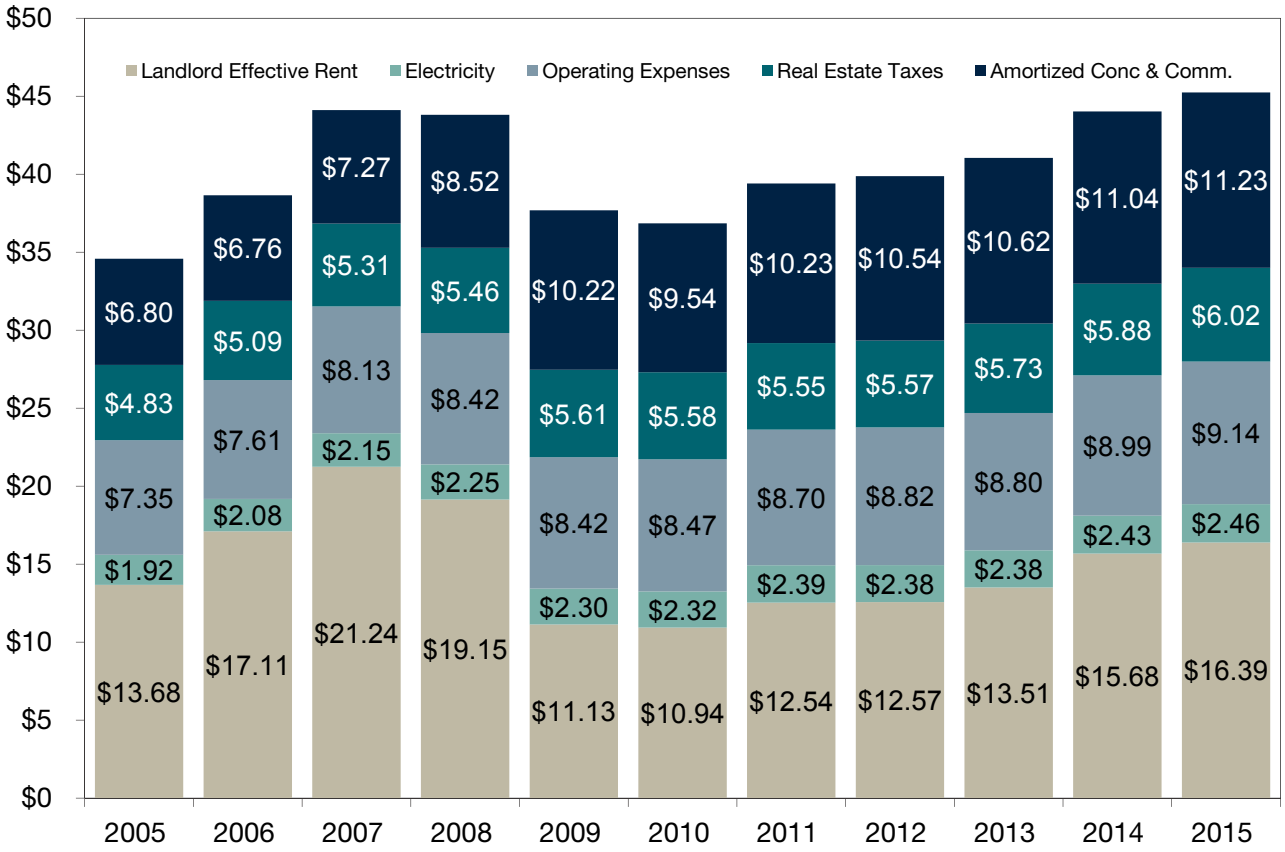
Landlord's Bottom Line Still Nearly 25.0% Below 2007 Peak

Landlord effective rent has increased during every year since hitting its low of $10.94 in 2010. Nevertheless, in 2015 it was 24.9% below its peak of $21.24 in 2007.

During the last recovery (between 2003 and 2007) landlord effective rent nearly doubled, rising from $11.94 to $21.24. In this cycle it has risen less sharply, gradually rising from $10.94 to $16.16 since 2009.

Elevated concessions have made all the difference in this cycle. Concessions have declined only very slightly in most markets, and in turn are still cutting very deeply into landlord effective rent. Nationally, average amortized concessions and commissions totaled $11.23, a new record.

Landlord Cost Components

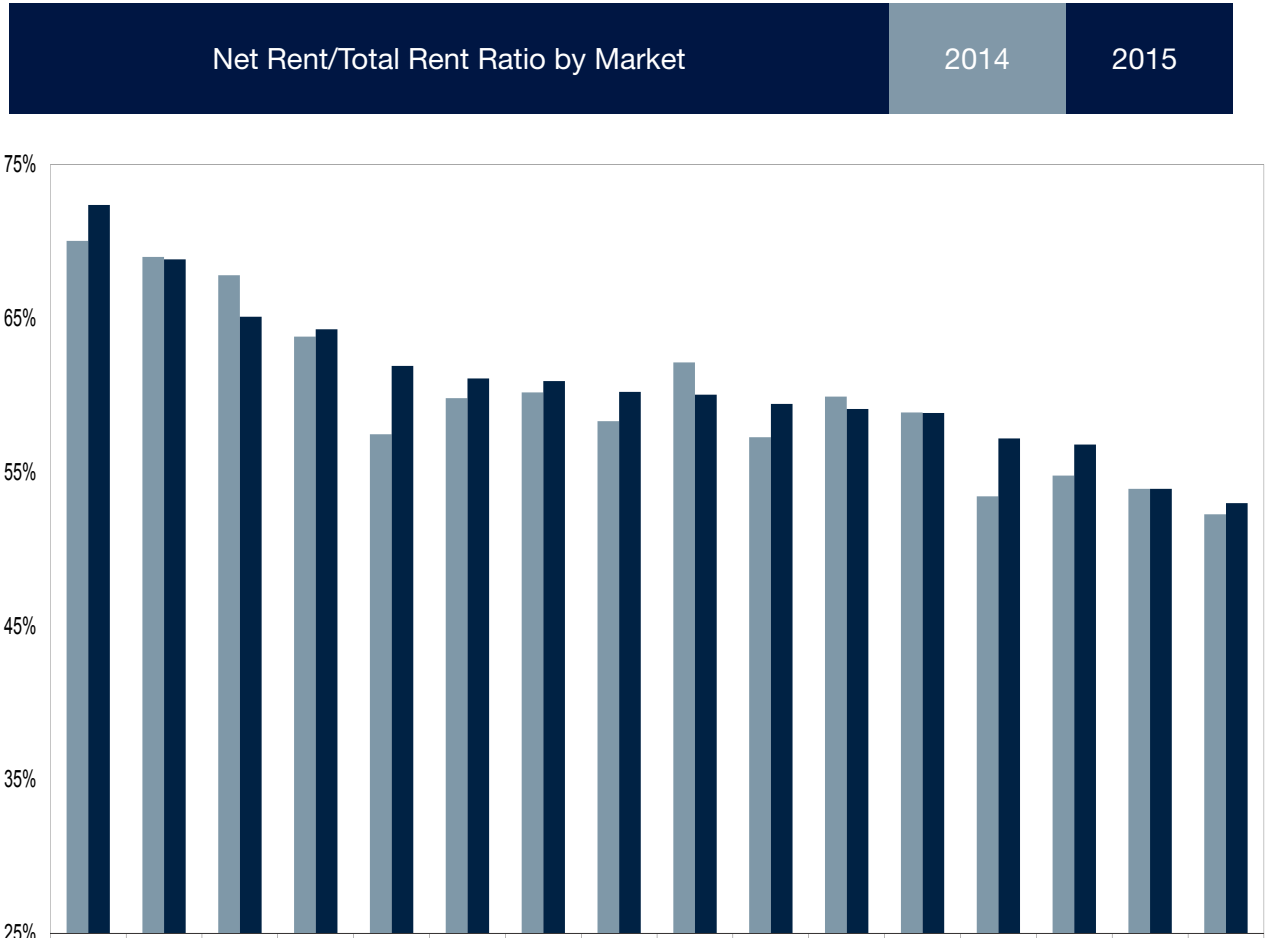


Total Rent Components By Market

Higher Net Rent/Total Rent Ratio in Nearly All Markets

The ratio of net rent to total rent exceeded 60.0% in eight markets – a slight increase from the six such markets in 2014. Denver (72.4%) had the highest net rent/total rent ratio, followed by San Francisco (68.8%).

The net rent/total rent ratio was significantly lower in San Diego (53.0%) and Downtown Manhattan (53.9%).



	DEN	SFO	HOU	WLA	ATL	MIA	TAM	CHI	WDC	PHI	MTNY	DTLA	NNJ	DAL	DTNY	SDO
2014	70.0%	69.0%	67.8%	63.8%	57.5%	59.8%	60.2%	58.3%	62.1%	57.3%	59.9%	58.9%	53.4%	54.8%	53.9%	52.3%
2015	72.4%	68.8%	65.1%	64.3%	61.9%	61.1%	60.9%	60.2%	60.0%	59.4%	59.1%	58.8%	57.2%	56.8%	53.9%	53.0%

Total Rent Increases in Most Markets

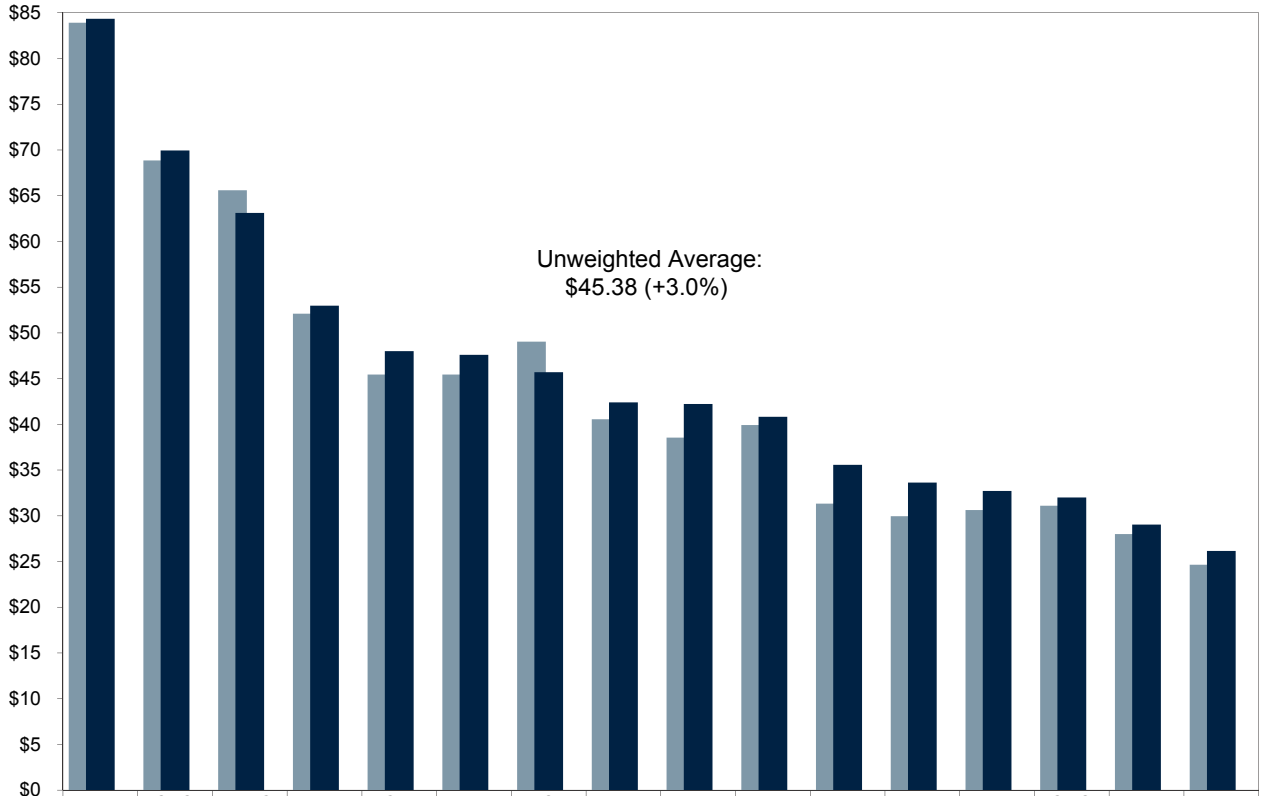
The national Total Rent Index rose by 3.0%, from $44.07 to $45.38, with increases in all but two markets.

During 2015, only two markets registered growth exceeding 10.0%. These were Atlanta (+13.5%) and Northern New Jersey (+12.3%).

Eight markets saw increases of less than 5.0%. Dallas continues to struggle as many of its buildings are repositioning and some tenants are relocating Uptown or to North Dallas.

Total rent in the most expensive market, Manhattan (Midtown), was nearly unchanged, inching up by only 0.5% to $84.34. Washington, DC (-3.8% to $63.12) and Houston (-6.8% to $45.70) recorded decreases.

Total (Gross) Rent Market Comparison | 2014 | 2015



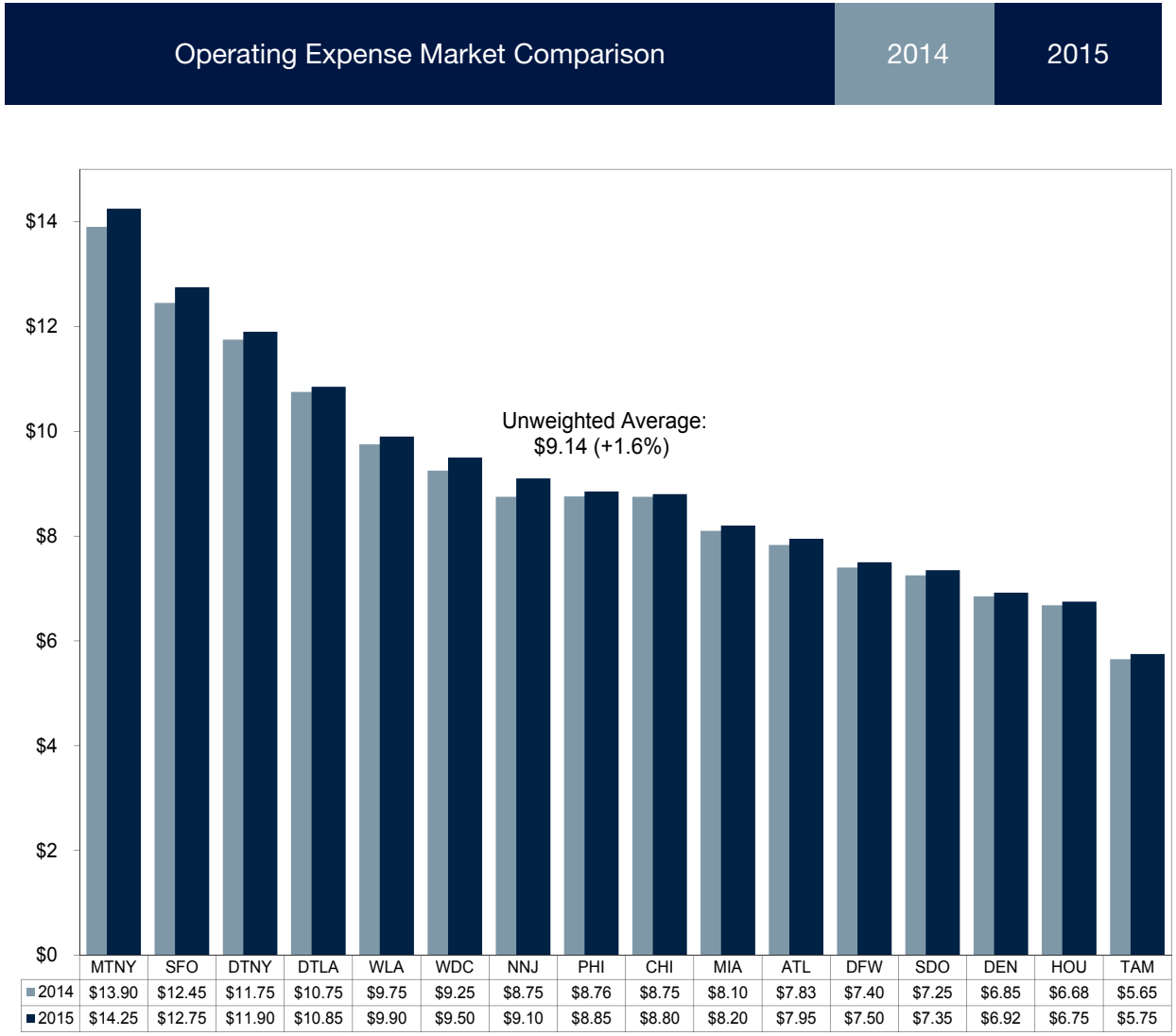
	MTNY	SFO	WDC	DTNY	CHI	WLA	HOU	MIA	DEN	DTLA	ATL	NNJ	PHI	SDO	TAM	DFW
2014	$83.91	$68.85	$65.59	$52.10	$45.45	$45.45	$49.04	$40.55	$38.55	$39.92	$31.33	$29.95	$30.62	$31.10	$28.00	$24.65
2015	$84.34	$69.95	$63.12	$52.97	$48.00	$47.60	$45.70	$42.40	$42.23	$40.82	$35.57	$33.63	$32.71	$32.00	$29.04	$26.15
Y-o-Y Change	0.5%	1.6%	-3.8%	1.7%	5.6%	4.7%	-6.8%	4.6%	9.5%	2.3%	13.5%	12.3%	6.8%	2.9%	3.7%	6.1%

Total Rent Components By Market

Moderate Growth in Operating Expenses

The national Operating Expense Index rose by 1.6% to $9.14 in 2015.

Most markets posted moderate increases in operating expenses. Operating expenses in four markets exceeded $10.00 during 2015, while three markets had operating expenses of less than $7.00.



	MTNY	SFO	DTNY	DTLA	WLA	WDC	NNJ	PHI	CHI	MIA	ATL	DFW	SDO	DEN	HOU	TAM
2014	$13.90	$12.45	$11.75	$10.75	$9.75	$9.25	$8.75	$8.76	$8.75	$8.10	$7.83	$7.40	$7.25	$6.85	$6.68	$5.65
2015	$14.25	$12.75	$11.90	$10.85	$9.90	$9.50	$9.10	$8.85	$8.80	$8.20	$7.95	$7.50	$7.35	$6.92	$6.75	$5.75

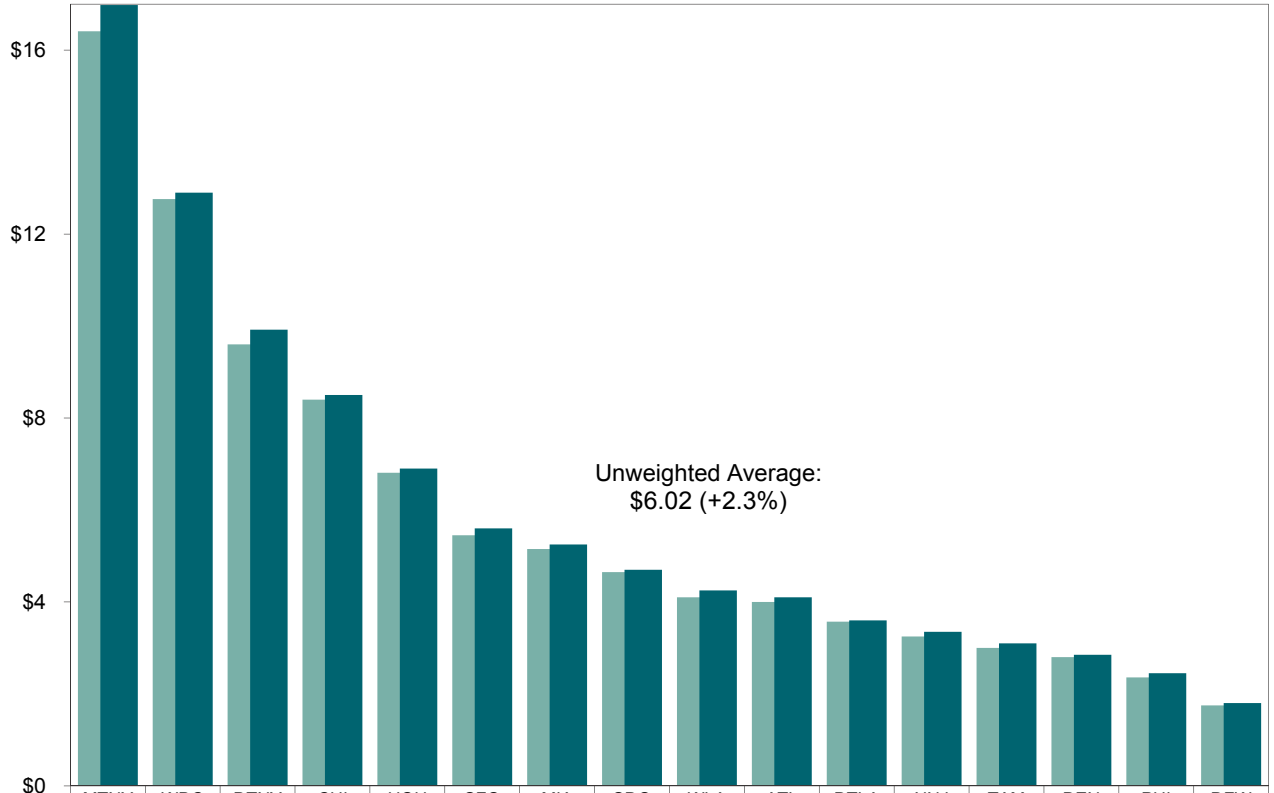
Taxes Continue Growth

The national Real Estate Tax Index rose by 3.0% to $6.02.

As more investors enter markets such as Atlanta and Chicago and sales prices in Manhattan, Los Angeles and San Francisco remain elevated, assessed values have spiked in more metro areas.

Taxes increased by more than 3.0% in five markets. Strong demand for stabilized Class A assets in major CBDs has pushed pricing higher, and will continue to boost valuations and taxes in some markets.

Real Estate Tax Market Comparison



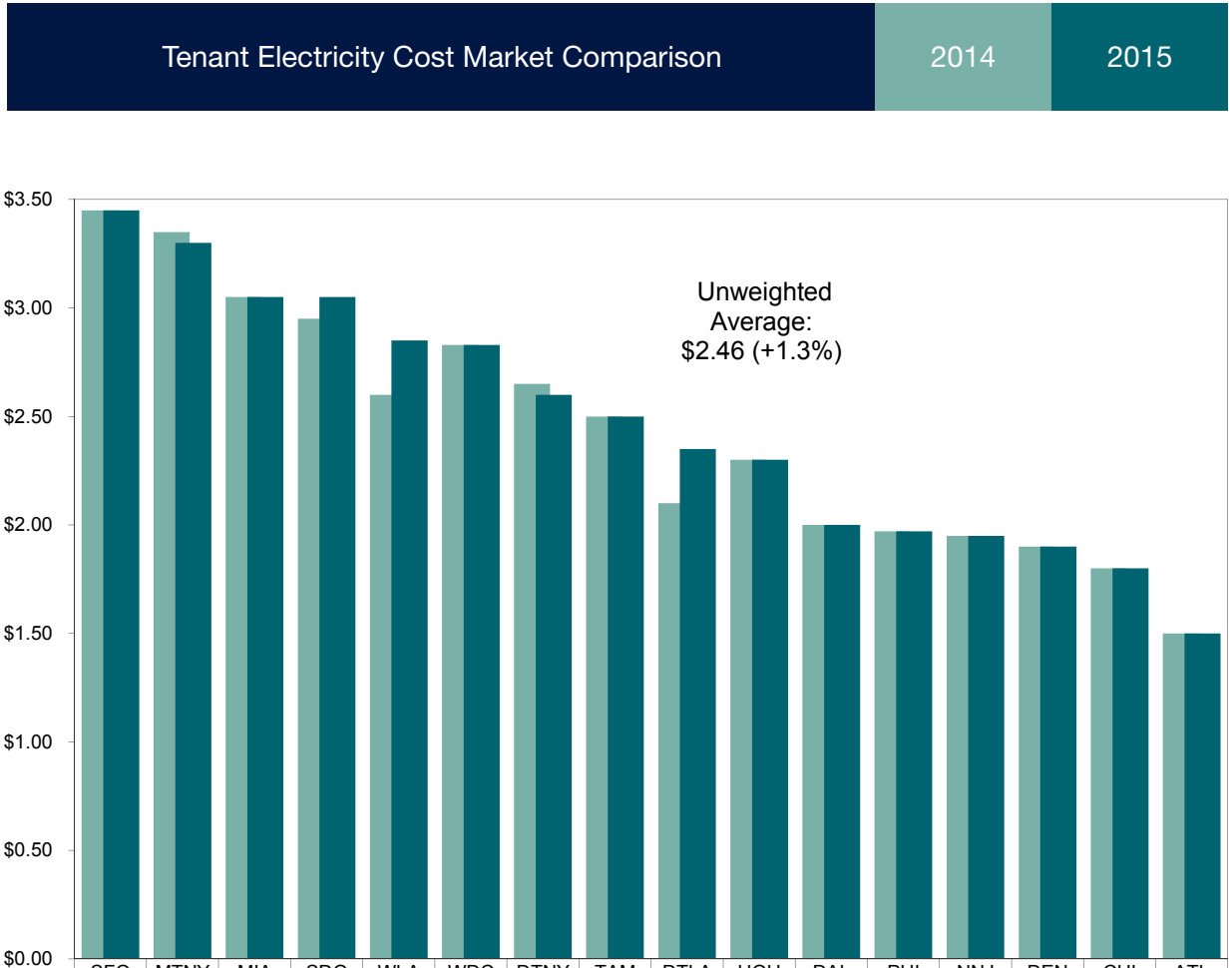
	MTNY	WDC	DTNY	CHI	HOU	SFO	MIA	SDO	WLA	ATL	DTLA	NNJ	TAM	DEN	PHI	DFW
2014	$16.41	$12.76	$9.60	$8.40	$6.81	$5.45	$5.15	$4.65	$4.10	$4.00	$3.57	$3.25	$3.00	$2.80	$2.36	$1.75
2015	$16.98	$12.90	$9.92	$8.50	$6.90	$5.60	$5.25	$4.70	$4.25	$4.10	$3.60	$3.35	$3.10	$2.85	$2.45	$1.80

Total Rent Components By Market

Little Change in Tenant Electricity

Tenant electricity costs barely budged in 2015, inching up from $2.43 to $2.46.

Tenant electricity was unchanged in most markets. Markets in Southern California have been notable exceptions – scheduled rate hikes have boosted tenant electricity costs.



	SFO	MTNY	MIA	SDO	WLA	WDC	DTNY	TAM	DTLA	HOU	DAL	PHI	NNJ	DEN	CHI	ATL
2014	$3.45	$3.35	$3.05	$2.95	$2.60	$2.83	$2.65	$2.50	$2.10	$2.30	$2.00	$1.97	$1.95	$1.90	$1.80	$1.50
2015	$3.45	$3.30	$3.05	$3.05	$2.85	$2.83	$2.60	$2.50	$2.35	$2.30	$2.00	$1.97	$1.95	$1.90	$1.80	$1.50

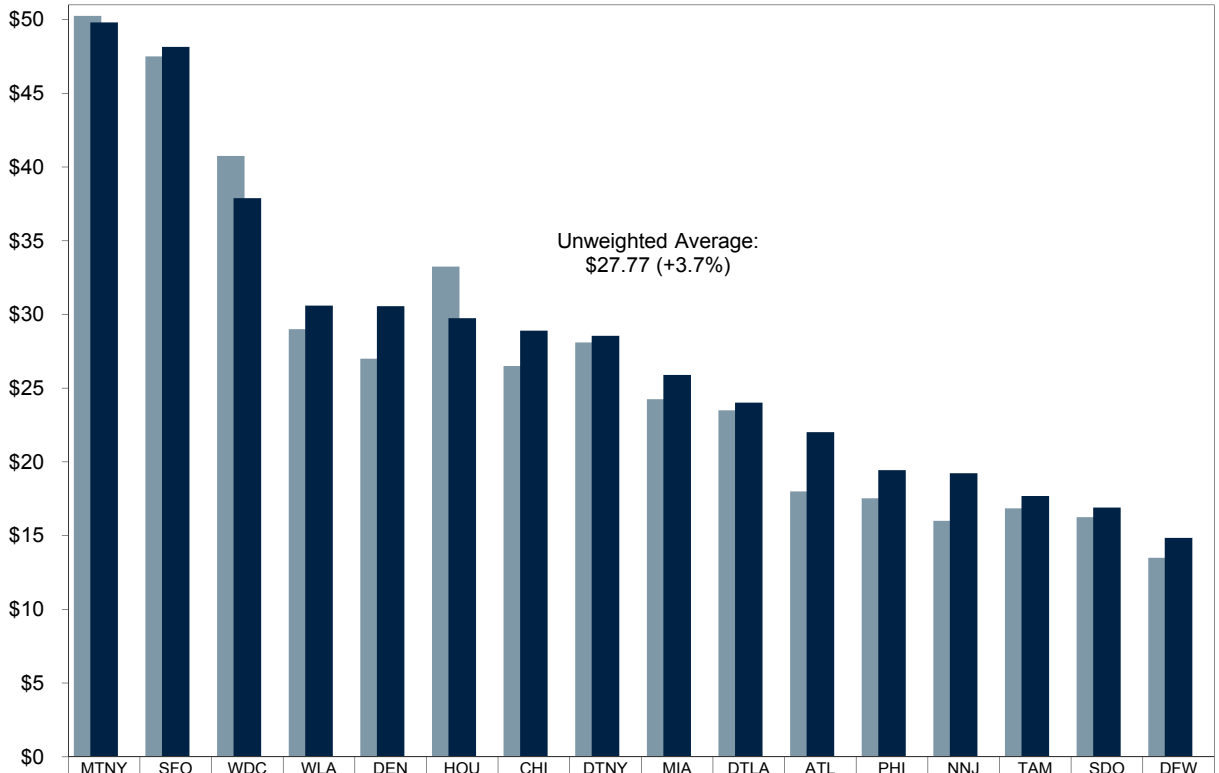
Net Rent Up Slightly

In 2015, the national Net Rent Index increased by 3.7%, rising from $26.76 to $27.77. Net rent rose in all markets except three.

Atlanta, Chicago, Denver and Miami registered solid increases. Philadelphia (+10.9% to $19.44) and Northern New Jersey (+20.2% to $19.23) both posted sharp increases in net rent but this was the first time in several years that rates had shown significant growth.

Declining rent in Houston and Washington, DC came as little surprise, but, of note rates in Manhattan – both Midtown and Downtown – and San Francisco, posted negligible increases.

Net Rent Market Comparison | 2014 | 2015

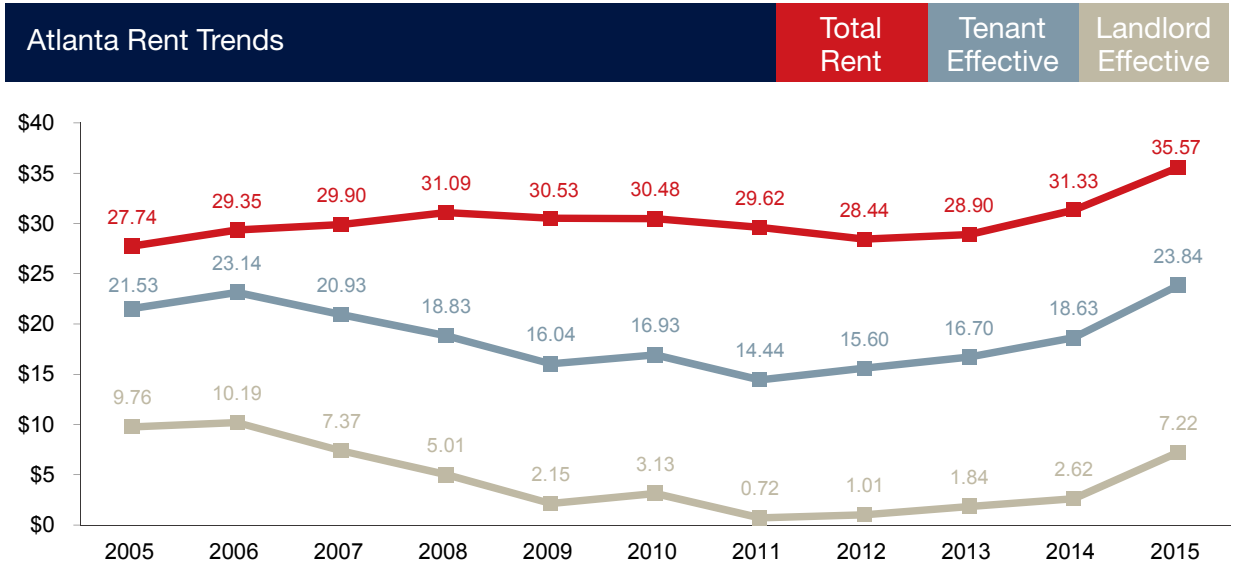


	MTNY	SFO	WDC	WLA	DEN	HOU	CHI	DTNY	MIA	DTLA	ATL	PHI	NNJ	TAM	SDO	DFW
2014	$50.25	$47.50	$40.75	$29.00	$27.00	$33.25	$26.50	$28.10	$24.25	$23.50	$18.00	$17.53	$16.00	$16.85	$16.25	$13.50
2015	$49.81	$48.15	$37.89	$30.60	$30.56	$29.75	$28.90	$28.55	$25.90	$24.02	$22.02	$19.44	$19.23	$17.69	$16.90	$14.85
Y-o-Y Change	-0.9%	1.4%	-7.0%	5.5%	13.2%	-10.5%	9.1%	1.6%	6.8%	2.2%	22.3%	10.9%	20.2%	5.0%	4.0%	10.0%

CBD Rent Trends

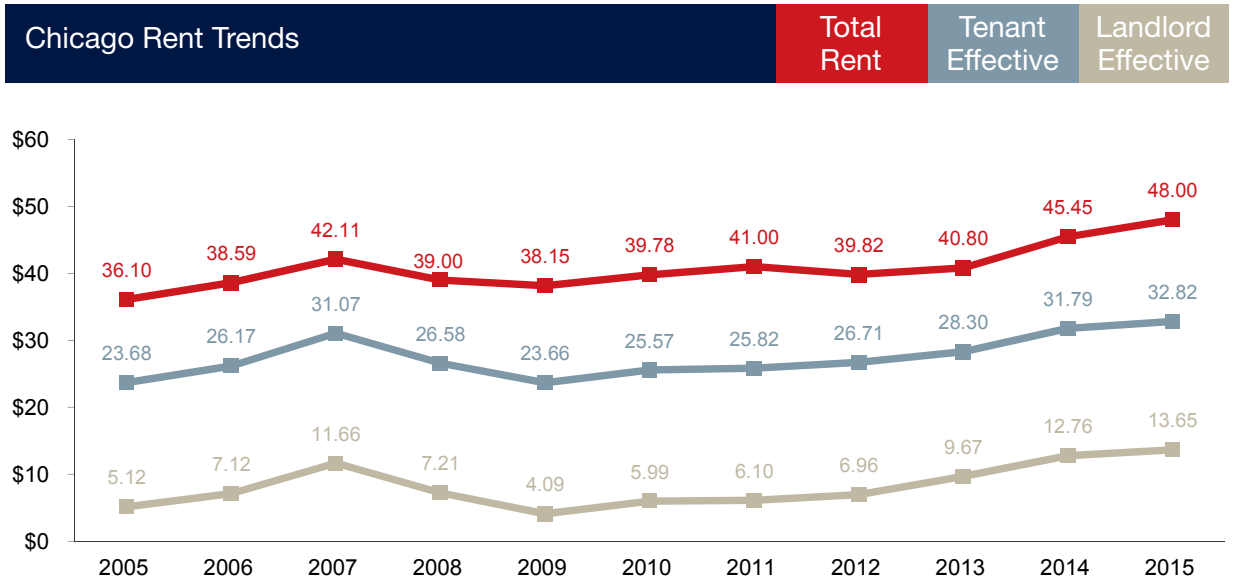
Atlanta

Total rent rose for the third straight year, increasing by 13.5% from $31.33 to $35.57. Net rent jumped by 22.3% from $18.00 to $22.02. Operating expenses (+1.5%) rose once again and real estate taxes (+2.5%) have increased across all submarkets. Landlords made modest reductions to concession packages, but relative to total rent, the value of concessions fell. Tenant effective rent increased by 27.9% to $23.84. Landlord effective rent spiked from $2.62 to $7.22 – a 175.7% jump – but remained well under the pre-recession peak of $10.19 attained in 2006.



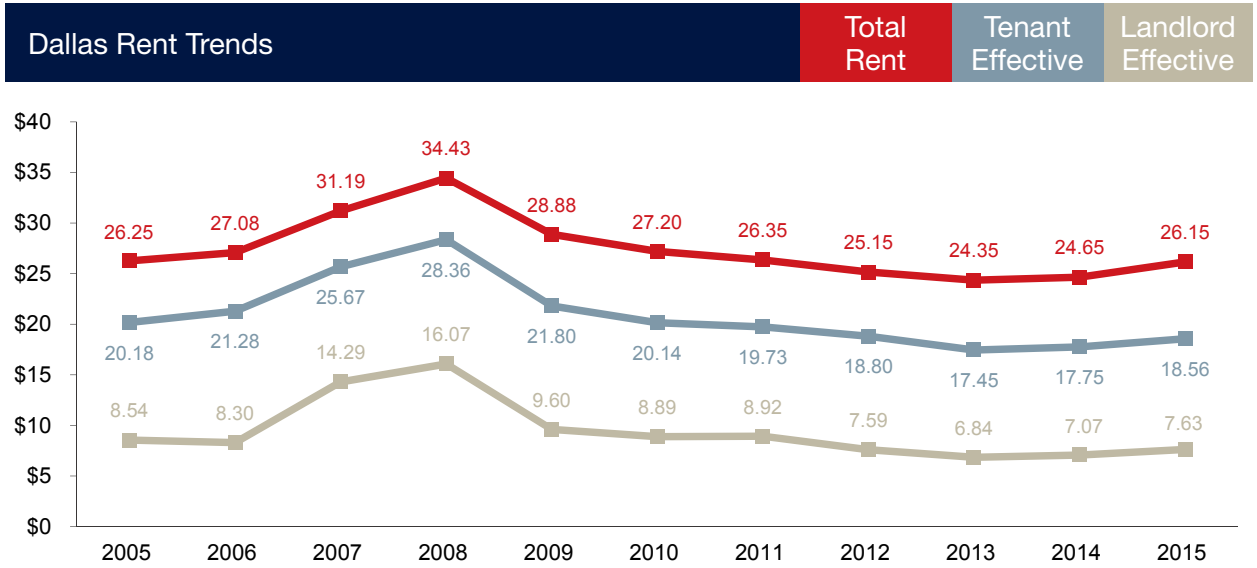
Chicago

Total rent rose for the third straight year, rising by 5.6% to a new peak of $48.00. Net rent surged by 9.1% from $26.50 to $28.90. Operating expenses (+0.6%) and real estate taxes (+1.2%) increased but tenant electric was stable. Concessions jumped by 11.1% to $110.00, as several leases in new buildings underway included very aggressive concession packages. Tenant effective rent increased for the sixth consecutive year, rising by 3.2% to $32.82. Finally, landlord effective rent jumped by 6.9% to $13.65, and was 17.1% above the prior peak of $11.66 in 2007.



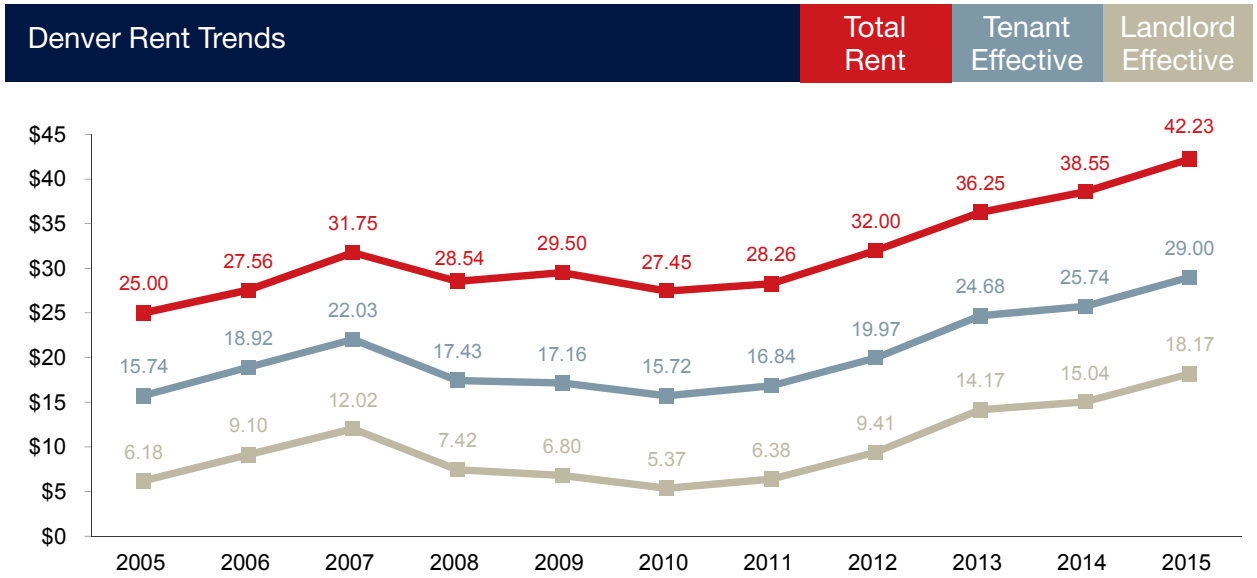
Dallas

Total rent rose for the second year in a row, increasing by 6.1% to $26.15. Net rent posted a 10.0% year-on-year increase, from $13.50 to $14.85. Operating expenses (+1.4%) and real estate taxes (+2.9%) both increased but tenant electric was unchanged. Concession packages posted a notable jump from $50.00 to $55.00, offsetting some of the rental rate growth. Tenant effective rent rose for the second consecutive year, jumping by 4.6% to $18.56, but was still 34.5% below its 2008 peak of $28.36. Landlord effective rent increased by 7.9%, from $7.07 to $7.63.



Denver

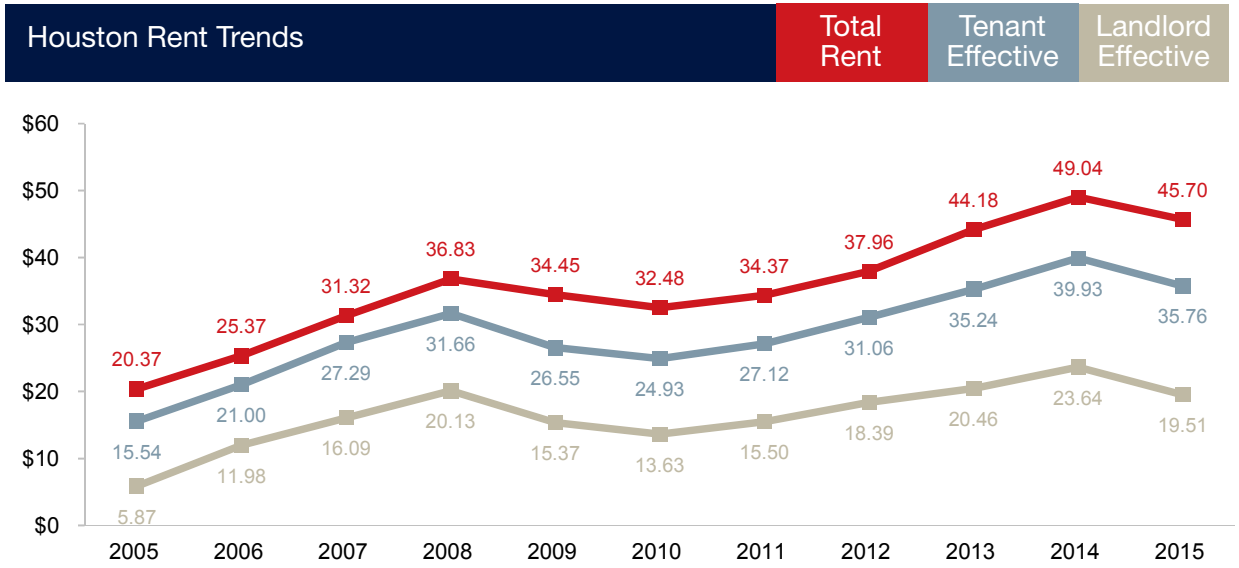
Total rent rose for the fifth consecutive year, jumping by 9.5% to $42.23 in what appears to be Denver's longest expansion cycle in decades. Net rent spiked by 13.2% from $27.00 to $30.56. Operating expenses (+1.0%) and real estate taxes (+1.8%) increased but tenant electric was stable. Concessions fell a bit as a percentage of total rent. Tenant effective rent pushed higher into record territory, increasing by 12.6% to $29.00 – yet another peak for occupancy costs. Landlord effective rent rose by 20.8% to $18.17, also a new peak.



CBD Rent Trends

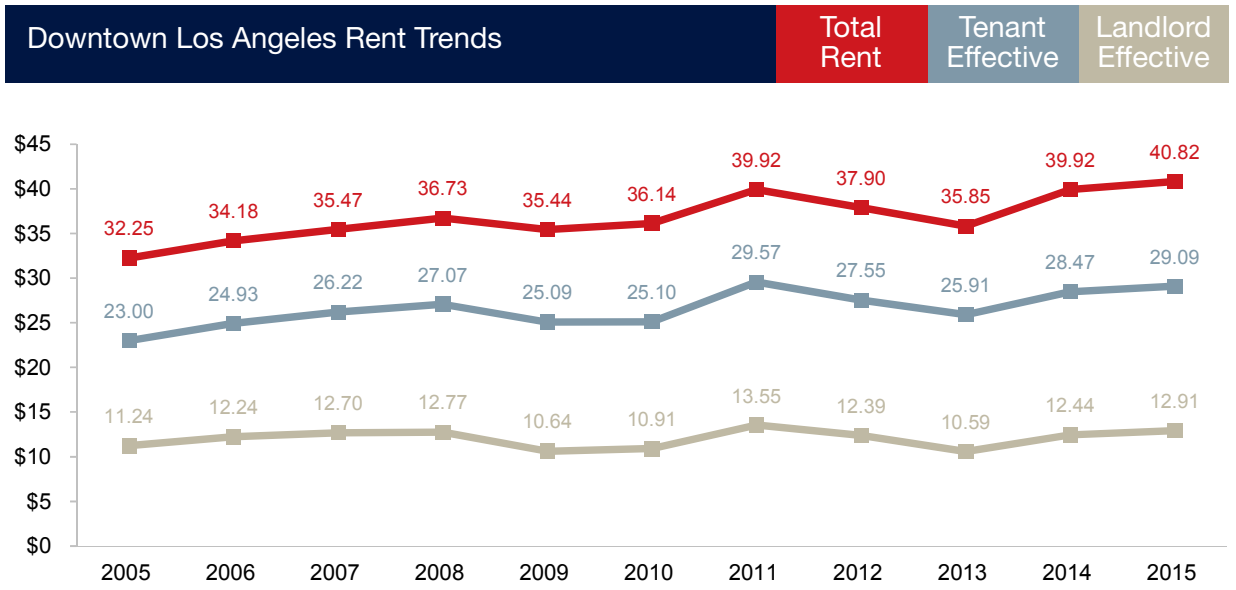
Houston

Total rent fell for the first time since 2010, declining by 6.8% to $45.70. Net rent dropped by 10.5% to $29.75. Operating expenses (+1.0%) and real estate taxes (+1.3%) rose but tenant electric was unchanged. Concession packages continued to increase, rising by 9.1% to $72.00. Tenant effective rent decreased by 10.4% to $35.76 and landlord effective rent posted its biggest decline since 2009, falling by 17.5% to $19.51.



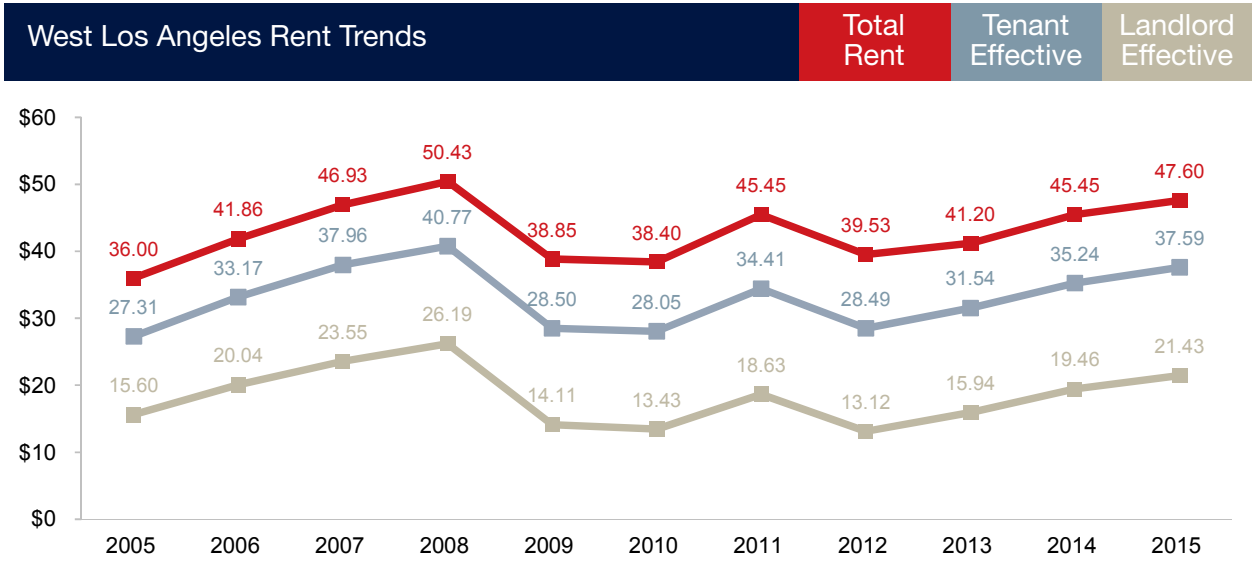
Downtown Los Angeles

Total rent increased for the second consecutive year, rising by 2.3% to $40.82. Net rent increased by 2.2%, from $23.50 to $24.02. Operating expenses (+0.9%) and real estate taxes (+0.8%) both registered sizeable annual increases, with steady investment sales once contributing to the tax increases. Electricity hikes approved in 2013 continued to show up in electricity costs, which rose by 11.9% in 2015. Concession packages posted a minor gain. Tenant effective rent jumped by 2.2% to $29.09. Landlord effective rent rose by 3.7% from $12.44 to $12.91, just above its 2008 peak rate of $12.77.



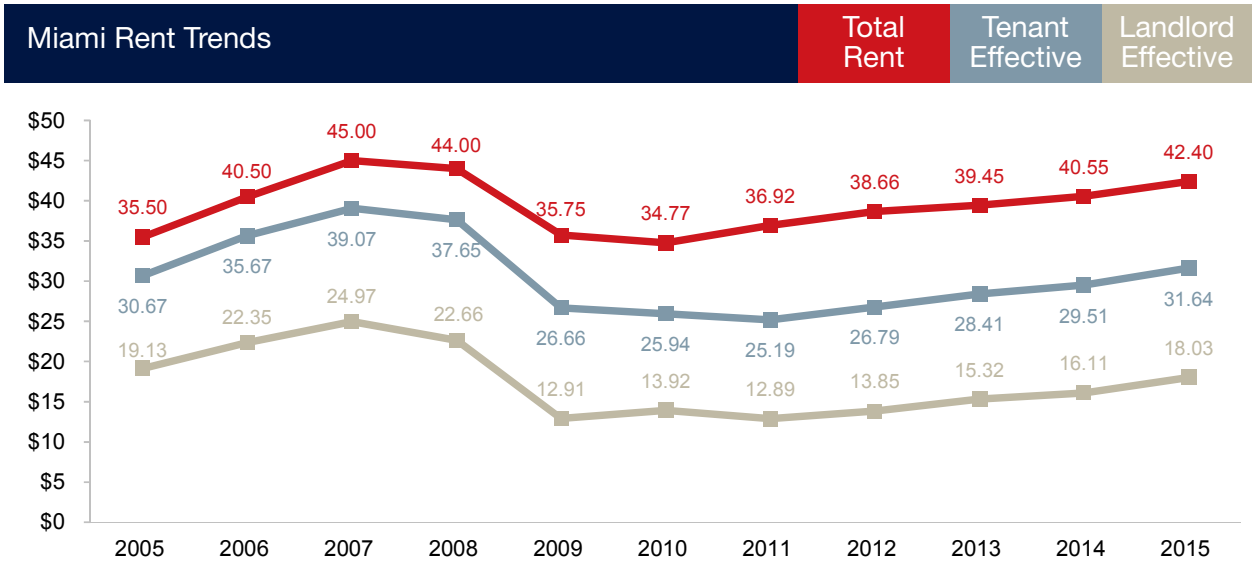
West Los Angeles

Total rent grew for the third consecutive year but rose more moderately than in 2014, increasing by 4.7% from $45.45 to $47.60. Net rent increased by 5.5% from $29.00 to $30.60. Real estate taxes (+1.5%) and operating expenses (+3.7%) registered moderate gains but tenant electric spiked by 9.6% to $2.85. Landlords pulled back slightly on the value of concession packages. Tenant effective rent jumped by 6.7% from $35.24 to $37.59. Landlord effective rent rose by 10.1% from $19.46 to $21.43.



Miami

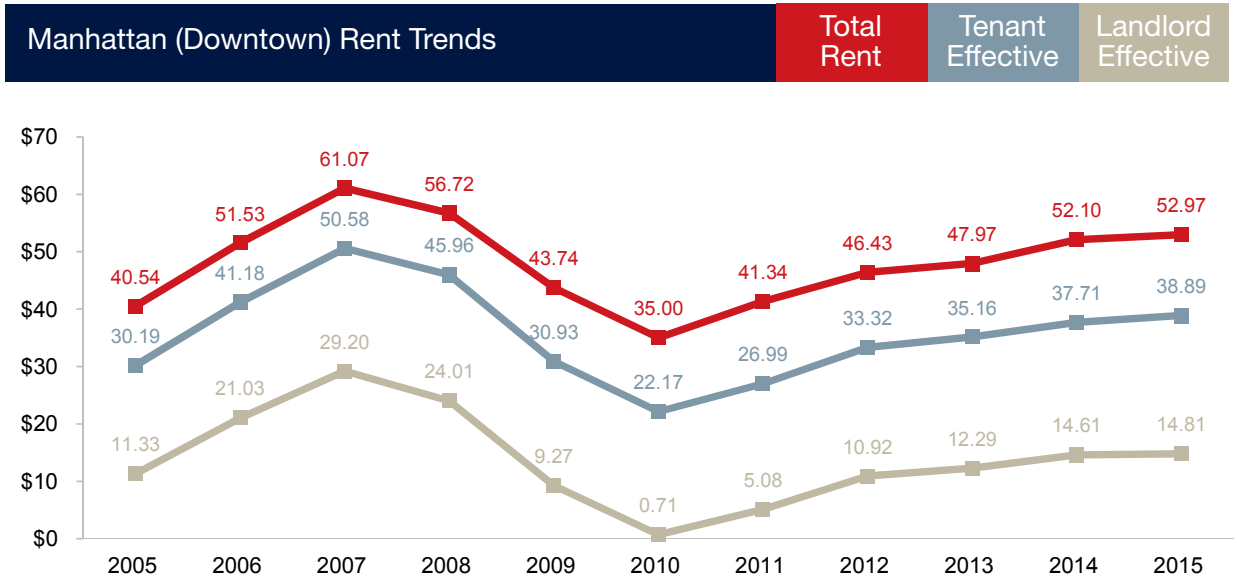
Total rent rose for the fifth straight year, registering a 4.6% annual increase from $40.55 to $42.40. Net rent grew by 6.8% from $24.25 to $25.90. Operating expenses (+1.2%) and real estate taxes (+1.9%) rose but tenant electric was flat. Concessions inched lower to $78.00 and declined as a percentage of total rent. Tenant effective rent averaged $31.64, a 7.2% year-on-year increase. Landlord effective rent rose by 11.9% to $18.03.



CBD Rent Trends

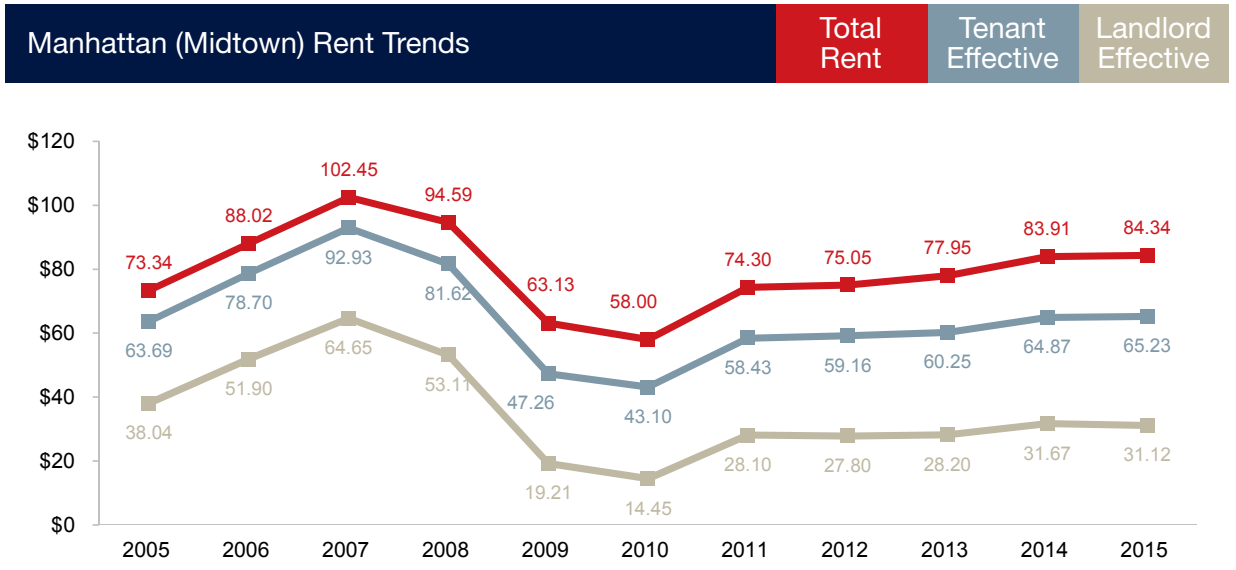
Manhattan (Downtown)

Total rent posted its smallest increase since 2013, rising by 1.7% from $52.10 to $52.97. Net rent posted a 1.6% annual increase from $28.10 to $28.55. Operating expenses (+1.3%) and real estate taxes (+3.3%) continued their upward climb but tenant electric fell slightly. Concession packages ticked up slightly to $102.00, nearly even with its peak set in 2011. Tenant effective rent inched up by 3.1% to $38.89, but was still 23.1% below its 2007 peak. Landlord effective rent inched up by 1.4% to 14.81 and was 49.3% below the $29.20 peak attained in 2007.



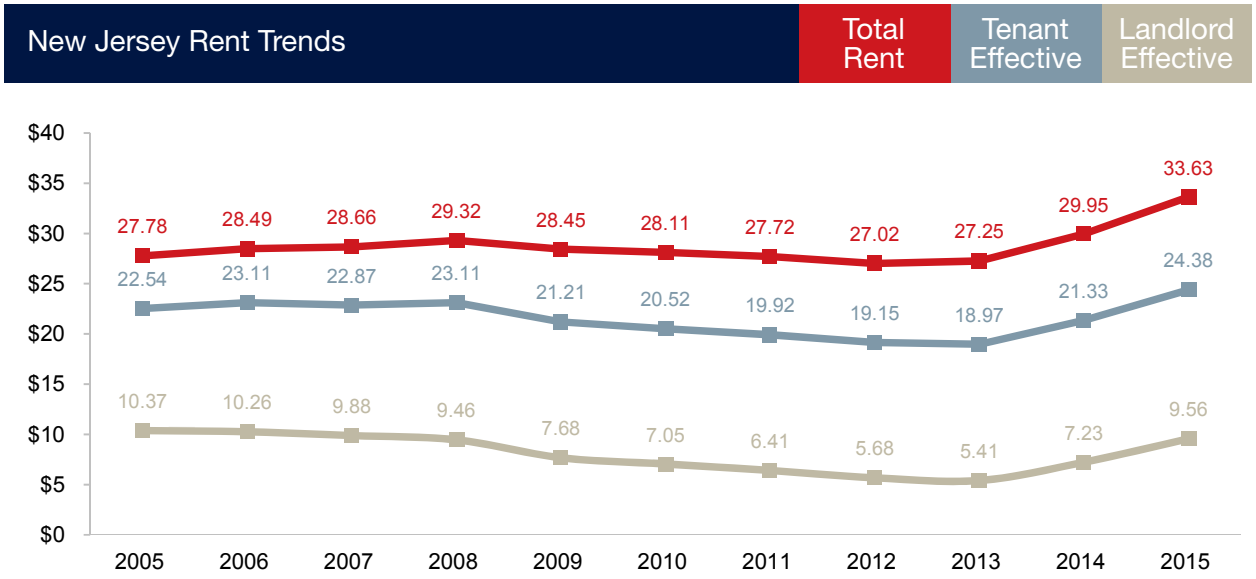
Manhattan (Midtown)

Total rent posted a slight increase, inching up by 0.5% from $83.91 to $84.34. Net rent ticked down by 0.9% from $50.25 to $49.81. Operating expenses (+2.5%) and real estate taxes (+3.5%) rose but tenant electric (-1.5%) fell slightly. Concessions were stable, inching up by 0.4% to a new record value of $138.50. Tenant effective rent inched 0.6% higher to $65.23. Landlord effective rent dropped by 1.8% from $31.67 to $31.12.



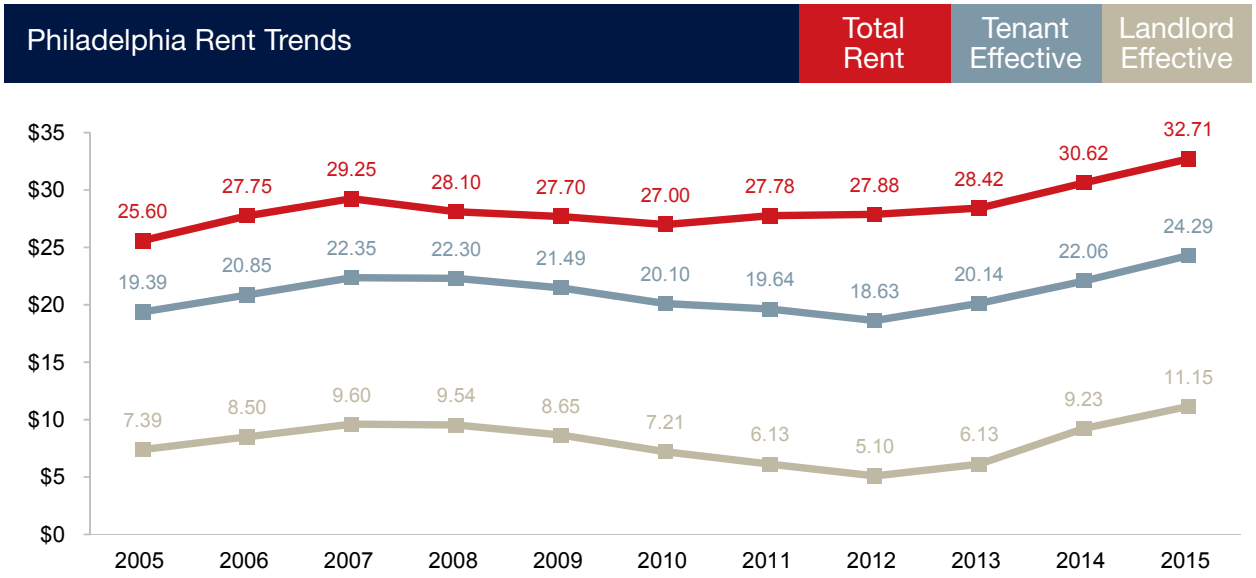
Northern New Jersey

Total rent rose for the third straight year, posting its first significant jump in more than a decade as leasing along the Hudson Waterfront dominated activity. Total rent jumped by 12.3% to $33.63. Net rent rose by 20.2%, from $16.00 to $19.23. Operating expenses (+4.0%) and real estate taxes (+3.1%) increased but tenant electric was unchanged. Concessions also rose but were essentially flat relative to the increase in net rent. Tenant effective rent jumped by 14.3% to $24.38, a new peak level. Landlord effective rent spiked by $32.3% to $9.56, but was still below its most recent peak of $10.85 in 2004.



Philadelphia

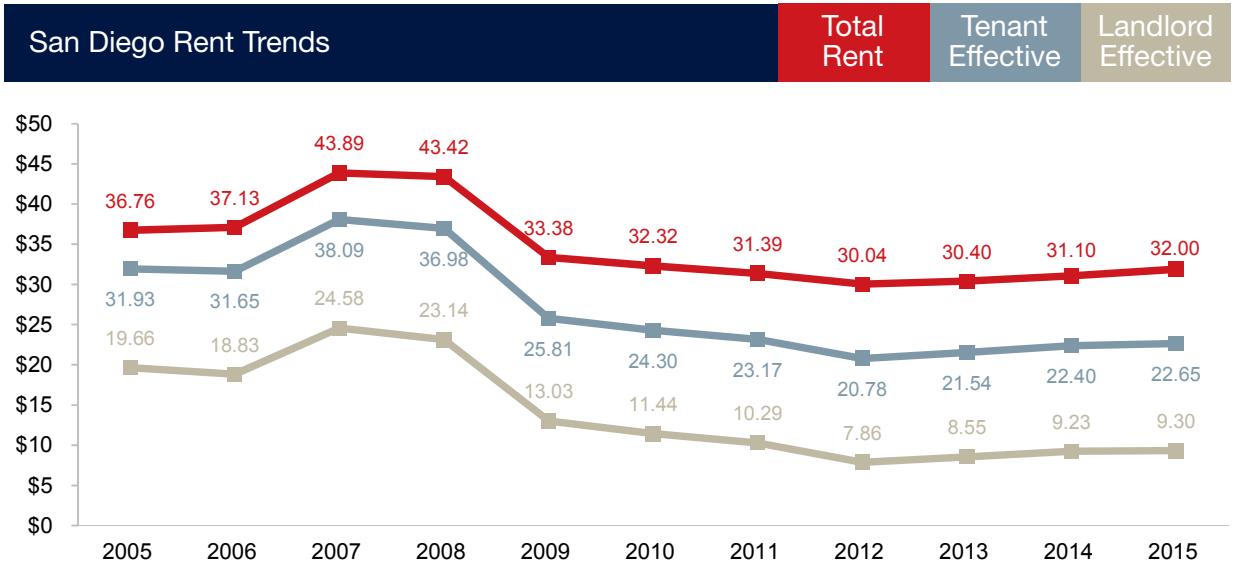
Total rent rose for the fifth year in a row, jumping by 6.8% to $32.71. Net rent increased by 10.9% from $17.53 to $19.44. Operating expenses (+1.1%) and real estate taxes (+3.8%) ticked up but tenant electric was static. Concessions inched slightly lower to $61.00, and fell as a percentage of total rent. Tenant effective rent registered its biggest annual increase in several years, rising by 10.1% to $24.29, its highest level on record. Landlord effective rent also reached a new peak, increasing by 20.8% to $11.15.



CBD Rent Trends

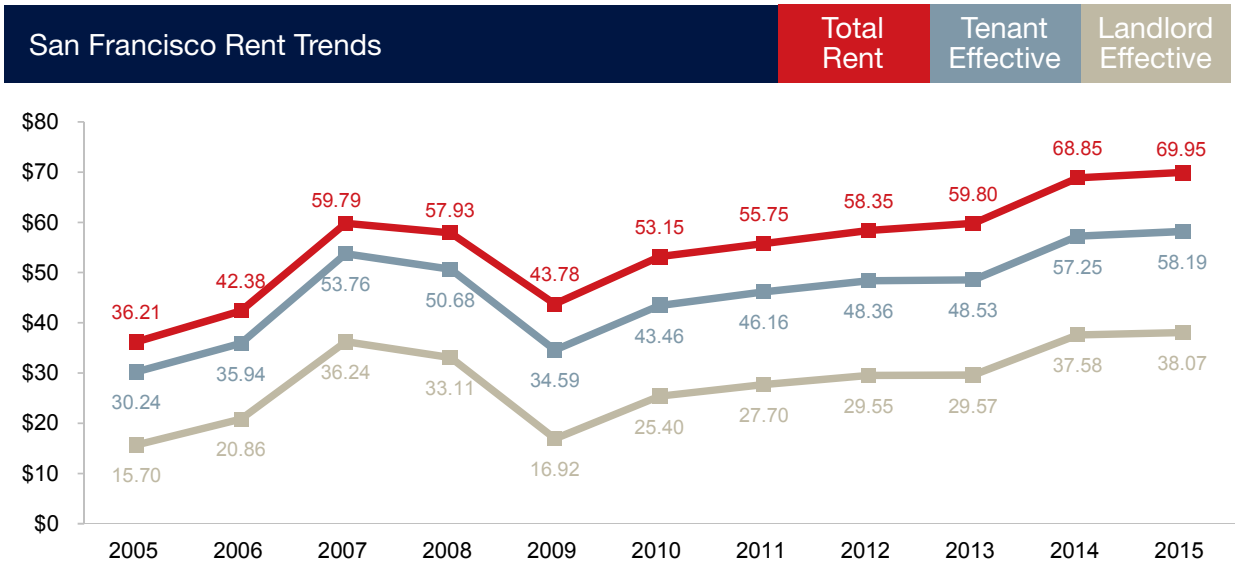
San Diego

Total rent increased for the third year in a row but continued to register only moderate growth, rising by 2.9% from $31.10 to $32.00. Net rent inched up by 4.0% from $16.25 to $16.90. Operating expenses (+1.4%), real estate taxes (+1.1%) and electricity (+3.4%) pushed higher. The value of concession packages rose slightly to $58.00 and in turn tenant effective rent rose by merely 1.1% from $22.40 to $22.65. Landlord effective rent inched up by 0.8% from $9.23 to $9.30.



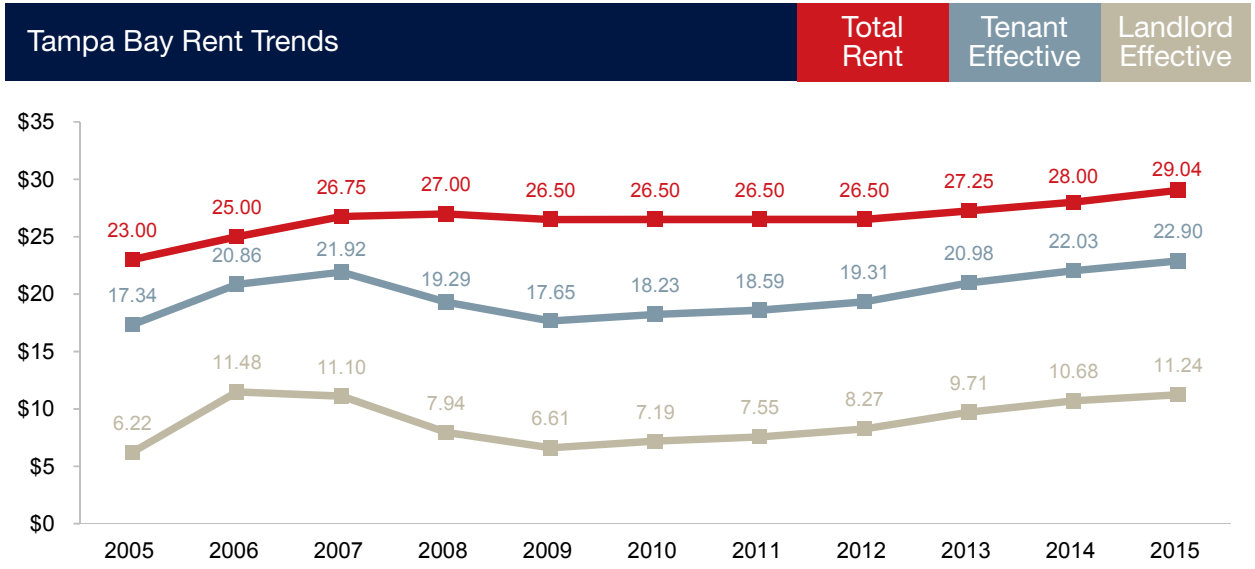
San Francisco

Total rent increased for the fifth straight year, rising by 1.6% to $69.95. Net rent rose by 1.4% to $48.15. Operating expenses (+2.4%) and real estate taxes (+2.8%) continued their ascent but tenant electric was flat. Tenant effective rent rose by 1.6% to $58.19, pushing 8.2% above its most recent peak in 2007. Landlord effective rent jumped by 1.3% to $38.07.



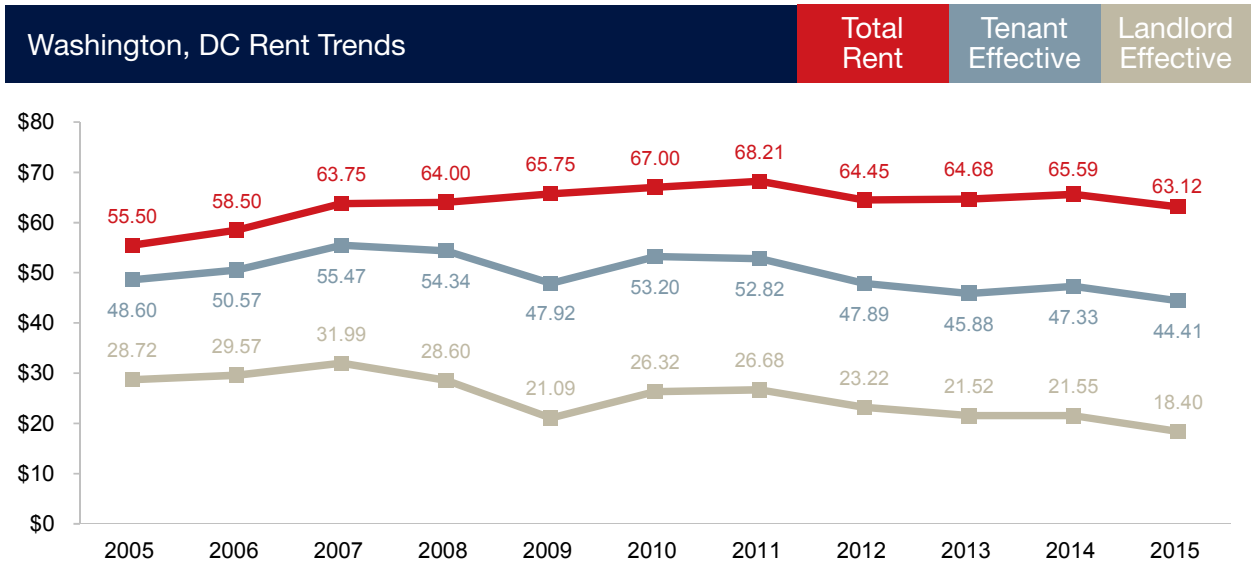
Tampa Bay

Total rent rose by 3.7% to $29.04, its biggest annual increase since 2007. Net rent increased for the third consecutive year, rising by 5.0% from $16.85 to $17.69. Operating expenses and real estate taxes posted increases, but tenant electric was unchanged. While Class A buildings that traded during the year experienced a whopping 29% average increase in real estate taxes, the Class A market averaged a mere 3.3% increase. Generally, landlord concession packages remained unchanged relative to rent. Tenant effective rent averaged $22.90, a year-on-year increase of 3.9%. Landlord effective rent jumped by 5.2% to $11.24.



Washington, DC

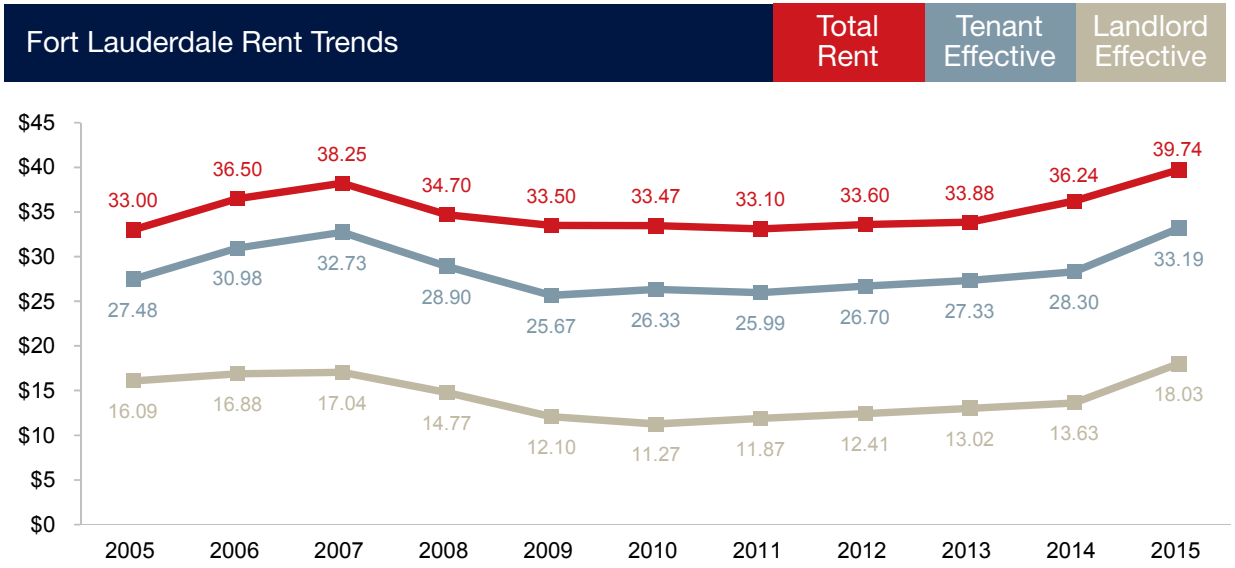
Total rent declined for the first time since 2012, dropping by 3.8% to $63.12. Net rent decreased by 7.0% from $40.75 to $37.89. Operating expenses (+2.7%) and real estate taxes (+1.1%) pushed higher but tenant electric was unchanged. Concessions attained a new record level, averaging $135.57, and the District was one of only a few major metros to see a significant jump in the value of concessions relative to rent in 2015. Tenant effective rent dropped by 6.2% to $44.41. Landlord effective rent posted a 14.6% decline from $21.55 to $18.40.



Suburban Rent Trends

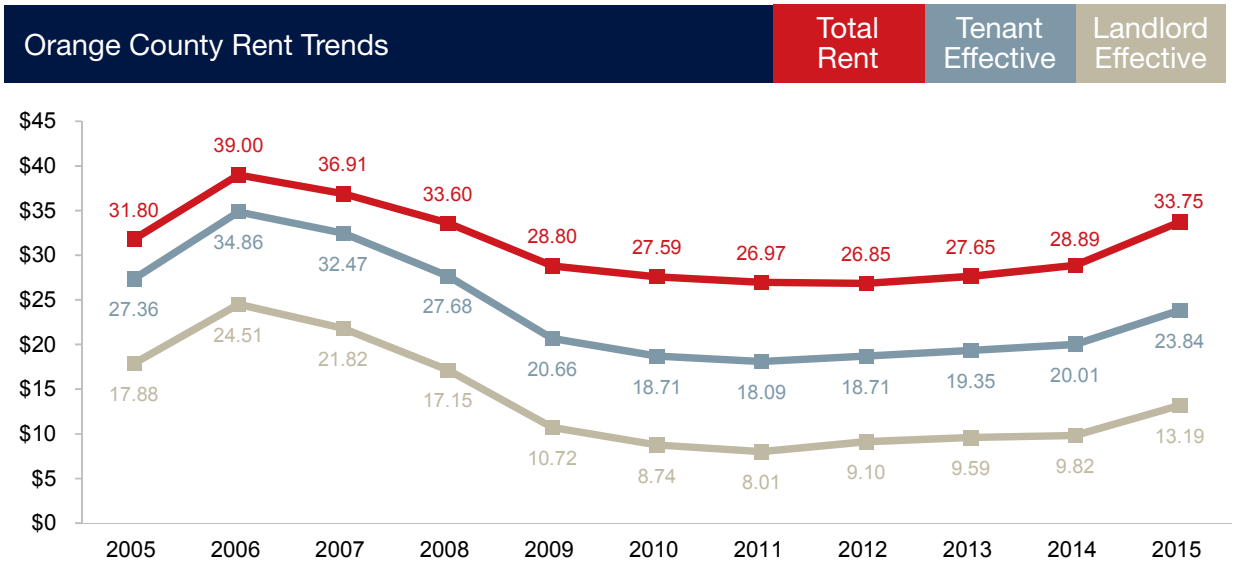
Fort Lauderdale

Total rent registered its biggest increase in this cycle, rising by 9.7% to $39.74. Net rent increased by 16.1% from $20.50 to $23.80. Operating expenses (+1.1%) and real estate taxes (+2.6%) pushed higher but tenant electric was flat. The value of concessions fell very slightly. Tenant effective rent jumped by 17.3% to $33.19 and landlord effective rent increased by 32.3% from $13.63 to $18.03, a new peak mark.



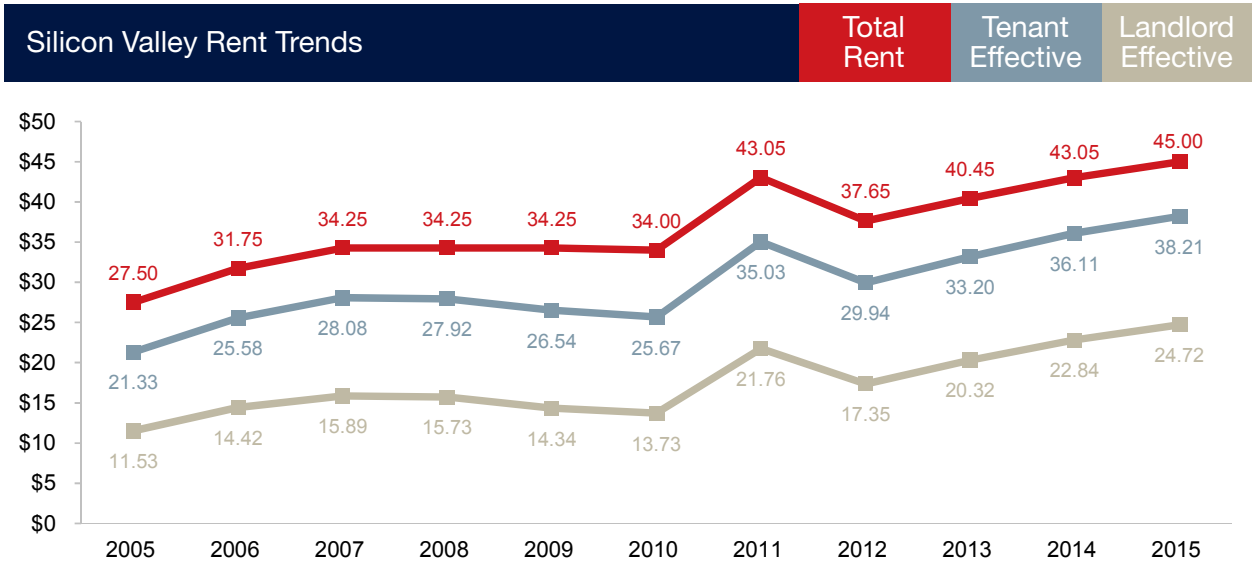
Orange County

Total rent grew for the third consecutive year and registered its largest increase since 2006, rising by 16.8% to $33.75. Net rent jumped by 25.0% from $17.85 to $22.32. Operating expenses (+2.3%) and real estate taxes (+4.2%) rose. Electricity rate hikes continued to impact the region and tenant electric jumped by 7.3% to $2.20. The nominal value of a typical concession package rose to $67.00, but declined as a percentage of total rent. Tenant effective rent spiked by 19.1% to $23.84. Landlord effective jumped by 34.4% to $13.19, but remained well below the 2006 peak of $24.51.



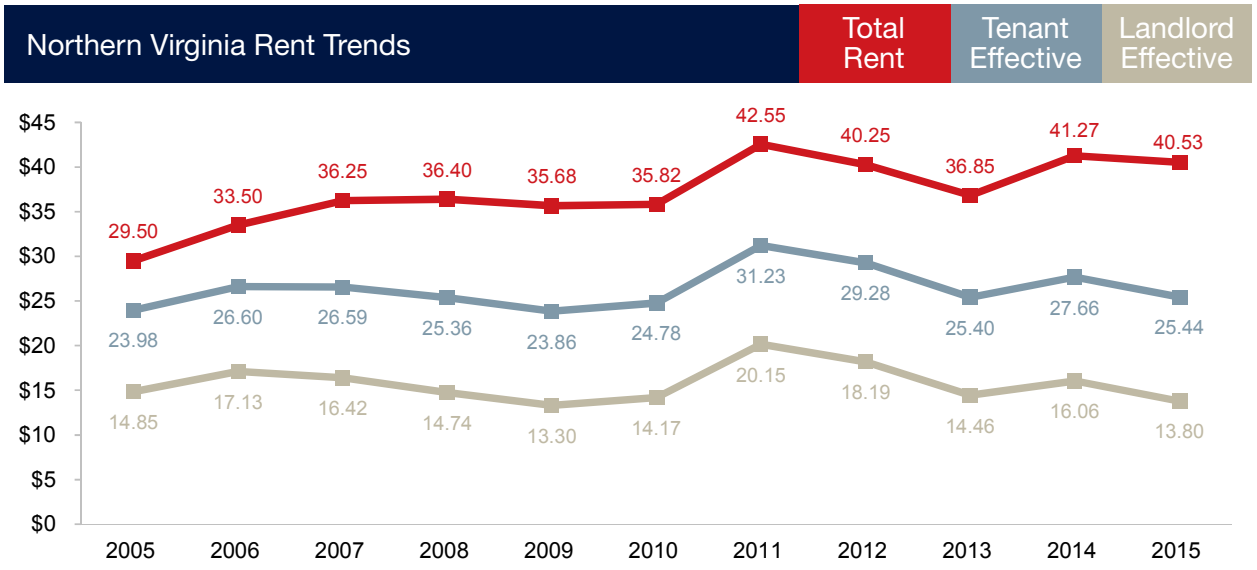
Silicon Valley

Total rent rose for the third consecutive year, jumping by 4.5% to $45.00 and hitting another new peak. Net rent grew by 6.4% from $27.25 to $29.00. Operating expenses (+1.2%) and real estate taxes (+2.5%) both increased but tenant electric was unchanged. Concessions dropped for the fifth consecutive year, declining by 2.2% to $44.00. In turn, tenant effective rent increased by 5.8% to $38.21. Landlord effective posted its third straight annual increase, rising by 8.2% to $24.72.



Northern Virginia

Total rent fell for the first time since 2009, decreasing by 1.8% to $40.53. Net rent dropped by 2.9% from $29.00 to $28.17. Operating expenses (+1.1%) and real estate taxes (+0.7%) pushed higher but tenant electric was unchanged. The value of concessions increased by more than 10% for a second year in a row, rising by 10.9% to $102.00. Tenant effective rent averaged $25.44, a year-on-year drop of 8.0%, and was 16.4% below the peak of $31.23 in 2011. Landlord effective rent fell by 14.1% to $13.80.



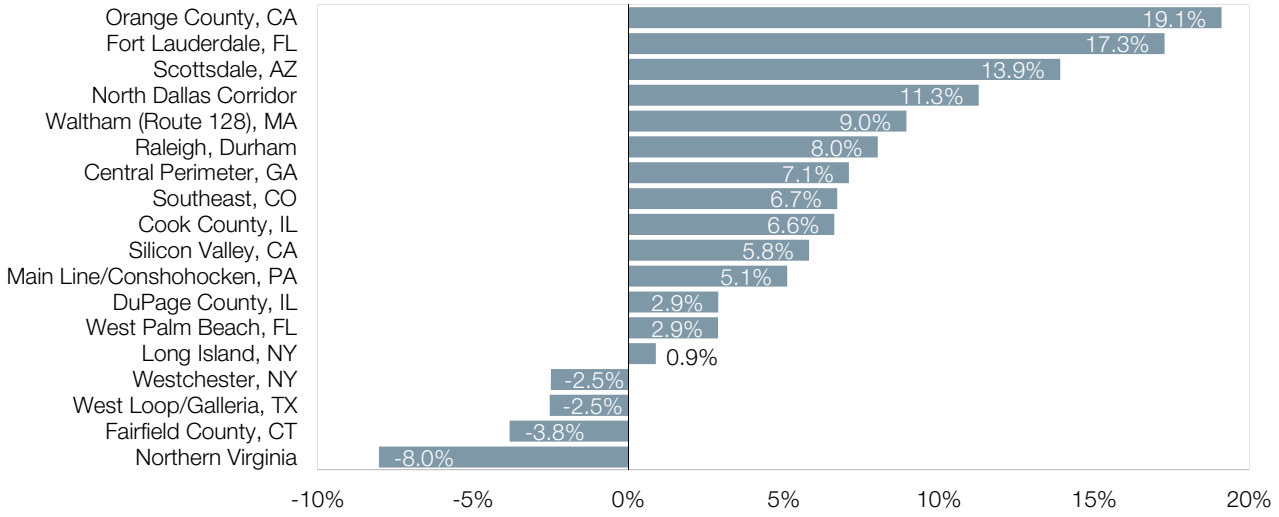
Suburban Rent Trends

Suburban Tenant and Landlord Effective Rent

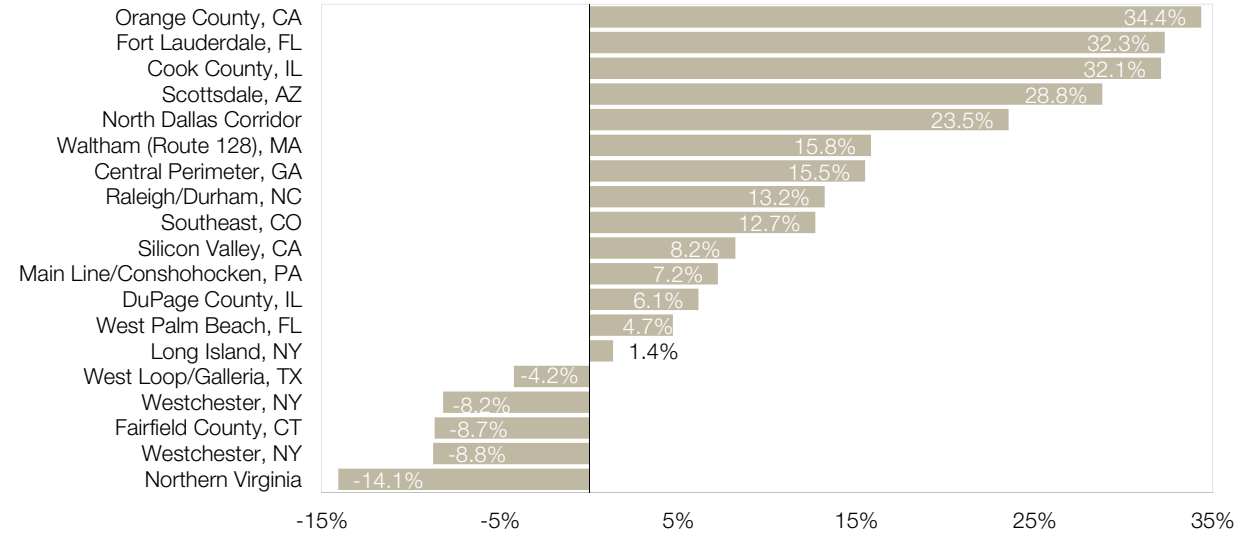
Tenant effective rent fell in four markets during 2015, compared to only two in 2014. Excess space and weak demand in Northern Virginia and Fairfield County, Connecticut caused tenant effective rent decreases of more than 5.0%. Compared to 2014 rental rate growth accelerated in many suburban markets with double-digit increases in four markets. Orange County's steady leasing activity, particularly from big block users spurred a 19.1% increase.

Northern Virginia (-14.1%), Westchester, New York (-8.8%) and Fairfield County, Connecticut (-8.7%) registered the sharpest decreases in landlord effective rents as base rents fell slightly and concessions remained elevated. Rents in North Dallas/Corridor continued to increase, rising by 23.5%. Cook County's 32.1% jump reflects a very low starting point but tightening space options in teh O'Hare Corridor as well. Finally, Silicon Valley's 8.2% jump in effective rents does not fully reflect the extent of demand for space among larger tech companies.

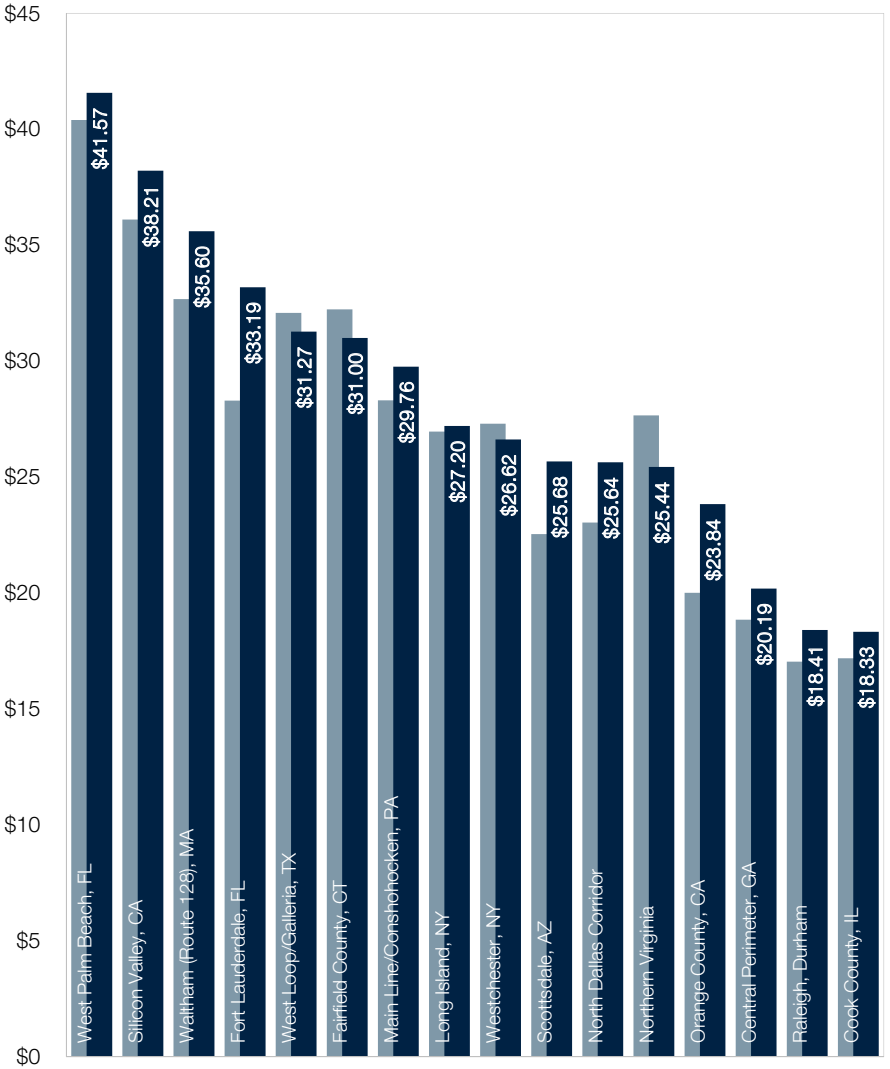
Suburban Tenant Effective Rent Comparison: Percentage Change 2014 - 2015



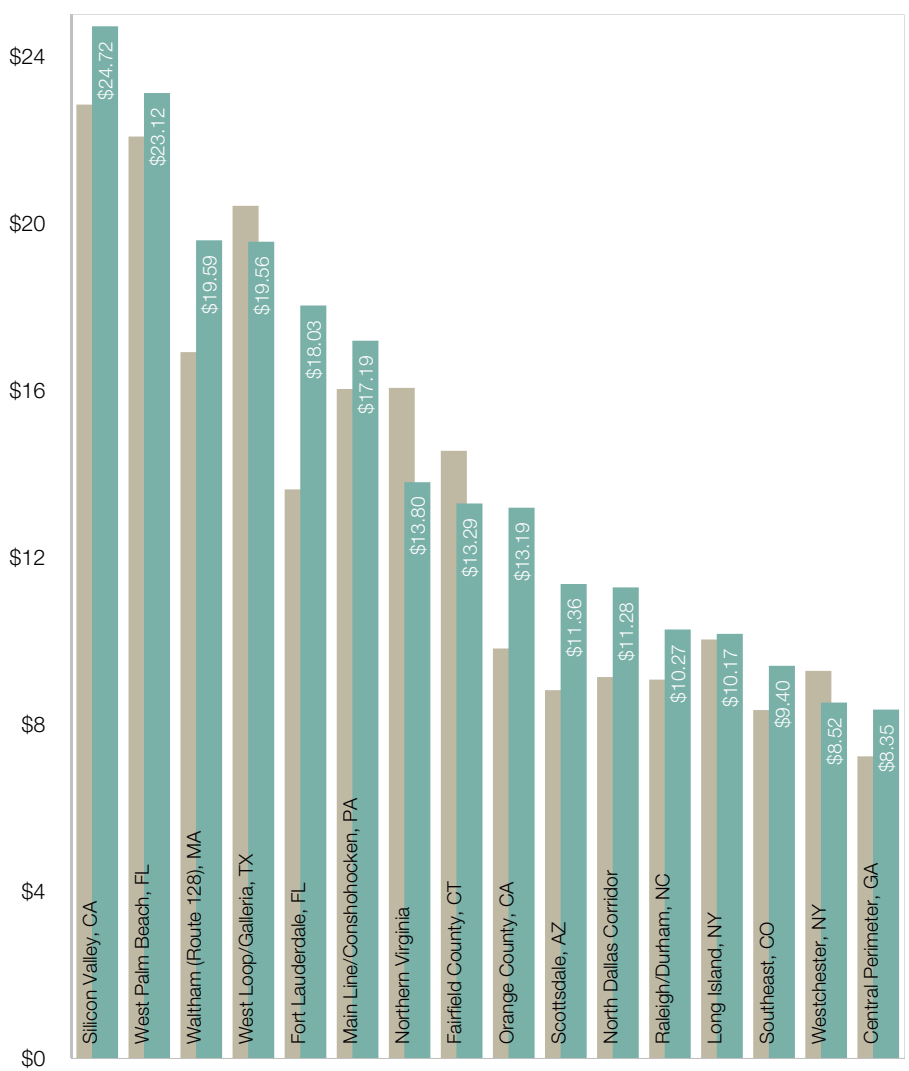
Suburban Landlord Effective Rent Comparison: Percentage Change 2014 - 2015



Suburban Tenant Effective Rent



Suburban Landlord Effective Rent



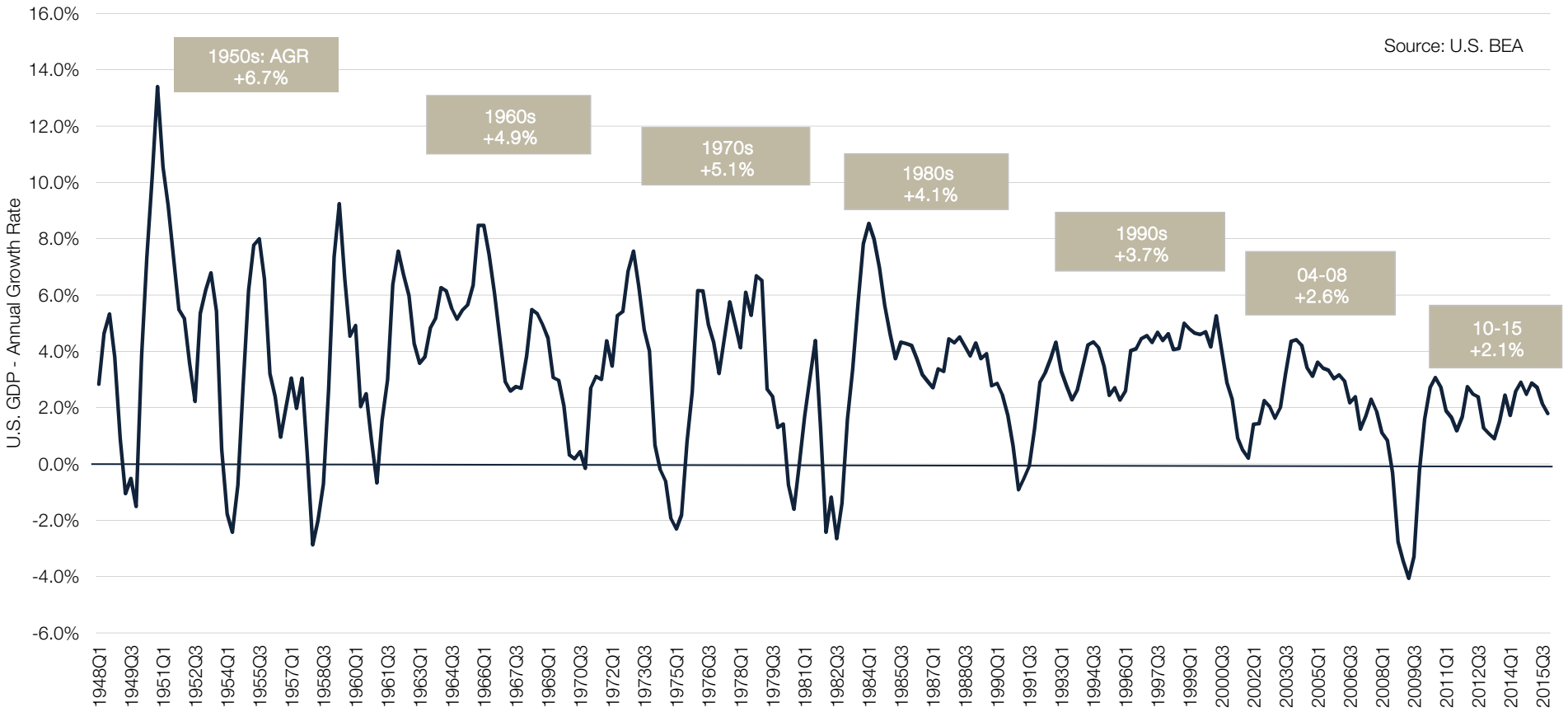
Glossary

Concessions:	Includes the tenant improvement allowance plus the value of the rental rate abatement. Concessions are amortized over the average market lease term, using beginning-of-period payments.
Landlord Effective Rent:	An estimate of rent received from a tenant less related expenses.
Net Rent:	The gross rental rate exclusive of the tenant's proportionate share of real estate taxes, operating expenses and tenant electricity.
Operating Expenses:	Includes (1) heating, ventilation and air conditioning (HVAC); (2) maintenance; (3) common area utilities and electricity; (4) cleaning; and (5) all other non-capital costs associated with the operation of a building.
Real Estate Taxes:	Local real estate taxes exclusive of special assessments and other one-time charges.
Tenant Effective Rent:	An estimate of the actual cost of occupancy for the tenant. The calculation is the total rent minus amortized lease concessions.
Tenant Electricity:	Payments made by the tenant, whether to the landlord or public utility, or by the landlord as a general building expense, for the electrical power utilized within a tenant's premises, exclusive of building HVAC.
Total Rent:	The sum of the four rental rate components: net rent, operating expenses, real estate taxes and electricity.

SERI Supplement

U. S. GDP - Post WWII

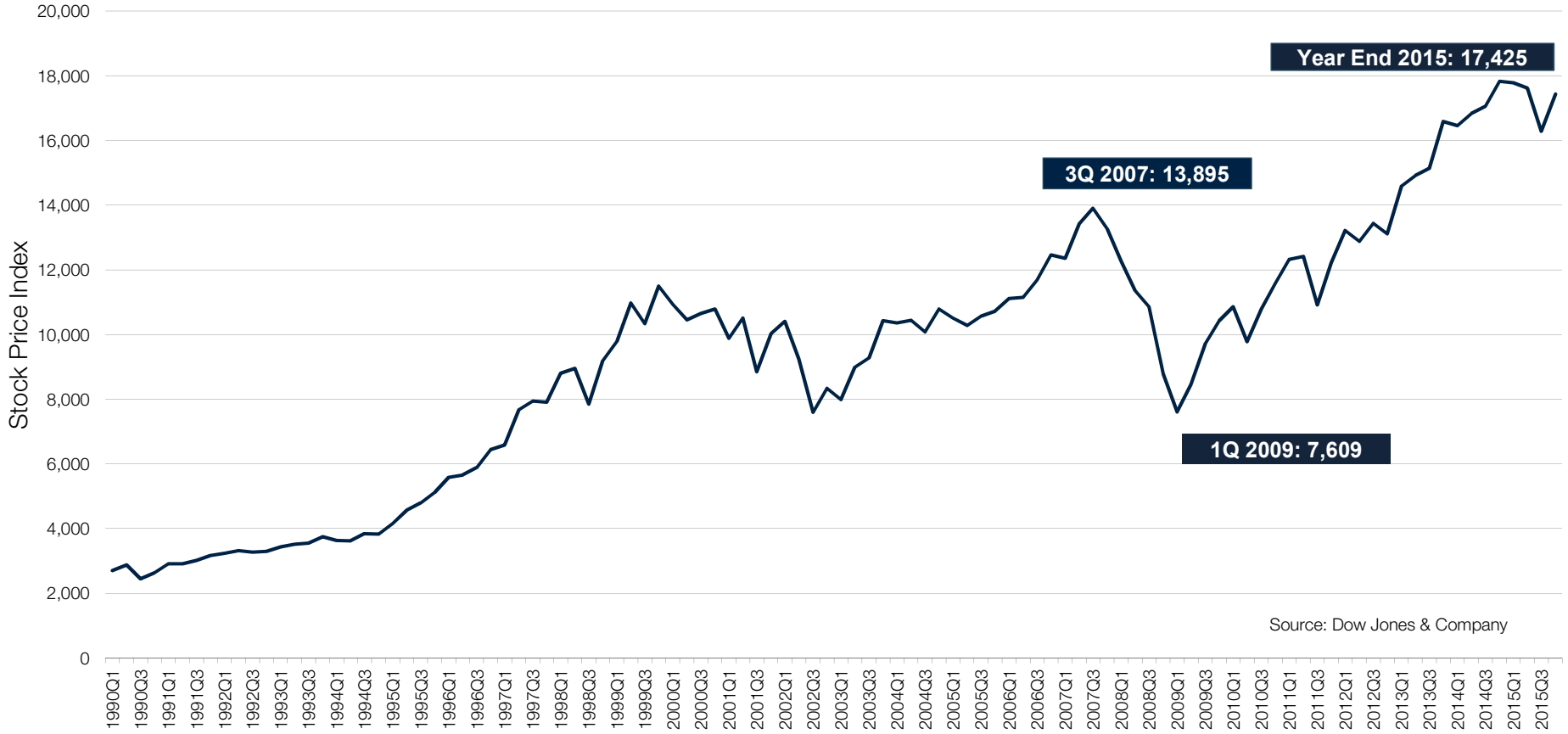
GDP performance was sporadic in 2015, with growth of less than 1.0% in the first and fourth quarters and sub-3.0% growth in the second and third. Global and U.S. GDP growth expectations for 2016 have both been reduced of late due to a slowing Chinese economy and weakness in commodity-fueled countries such as Australia, Brazil, Canada and Russia. The strengthening of the U.S. dollar has also pushed the trade deficit higher.



SERI Supplement - U.S. Economy

Dow Jones Industrial Average (1990 - 2015)

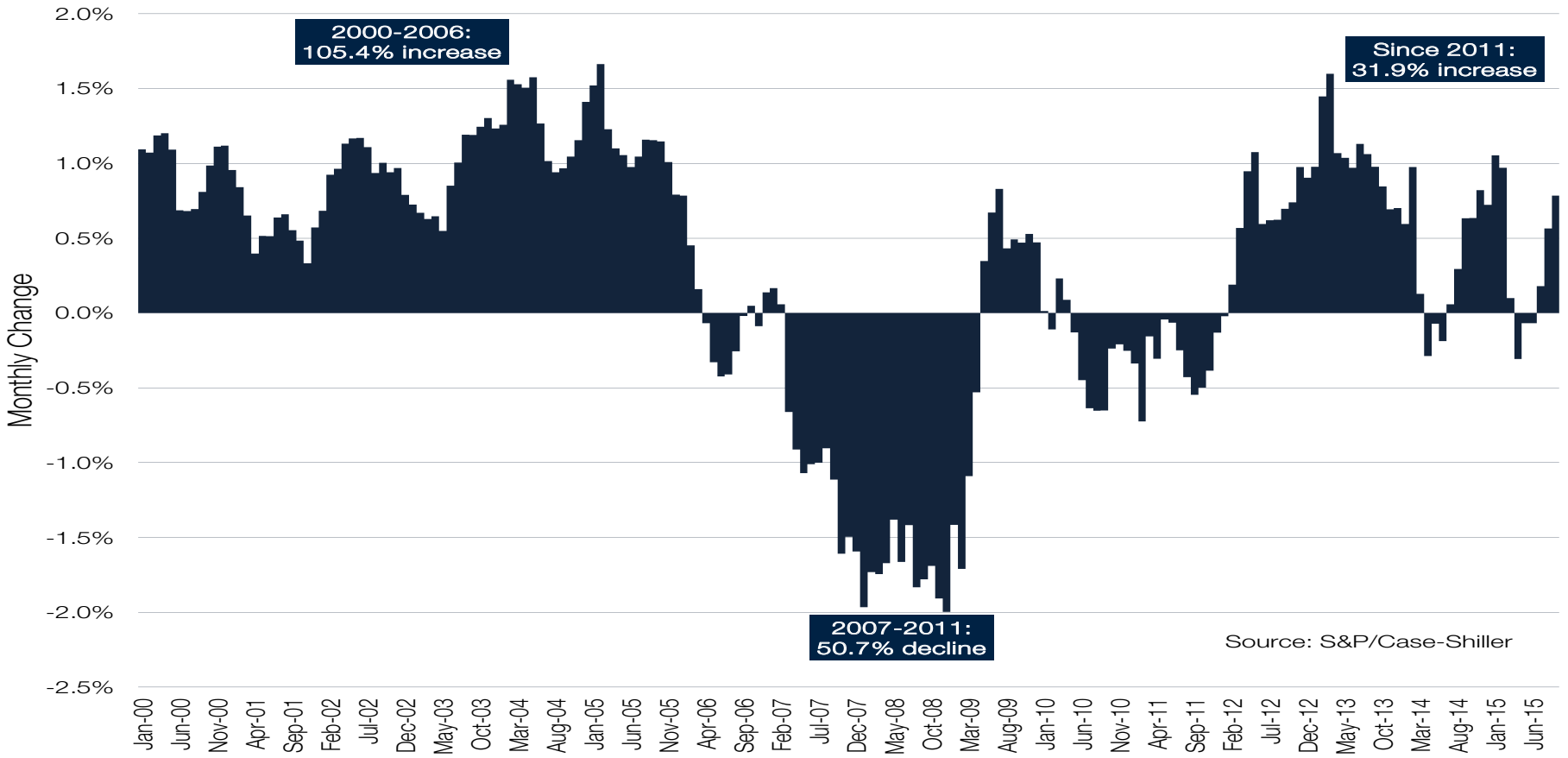
The Dow suffered several sharp declines between 2009 and 2011, precipitated by events such as Eurozone turbulence and periodic debt/ budget brinkmanship in Washington. Confidence rebounded in late 2013 and the market began a steady ascent, punching through a series of crises including standoffs in Washington, the Eurodebt crisis and the taper tantrum. The sharp correction in Asian markets and tanking oil prices that began in the summer of 2015 started a period of volatility and negative investor sentiment that appears to be carrying into 2016.



Source: Dow Jones & Company

Home Prices, Case-Shiller 20-City Composite Index (2000 - 2015)

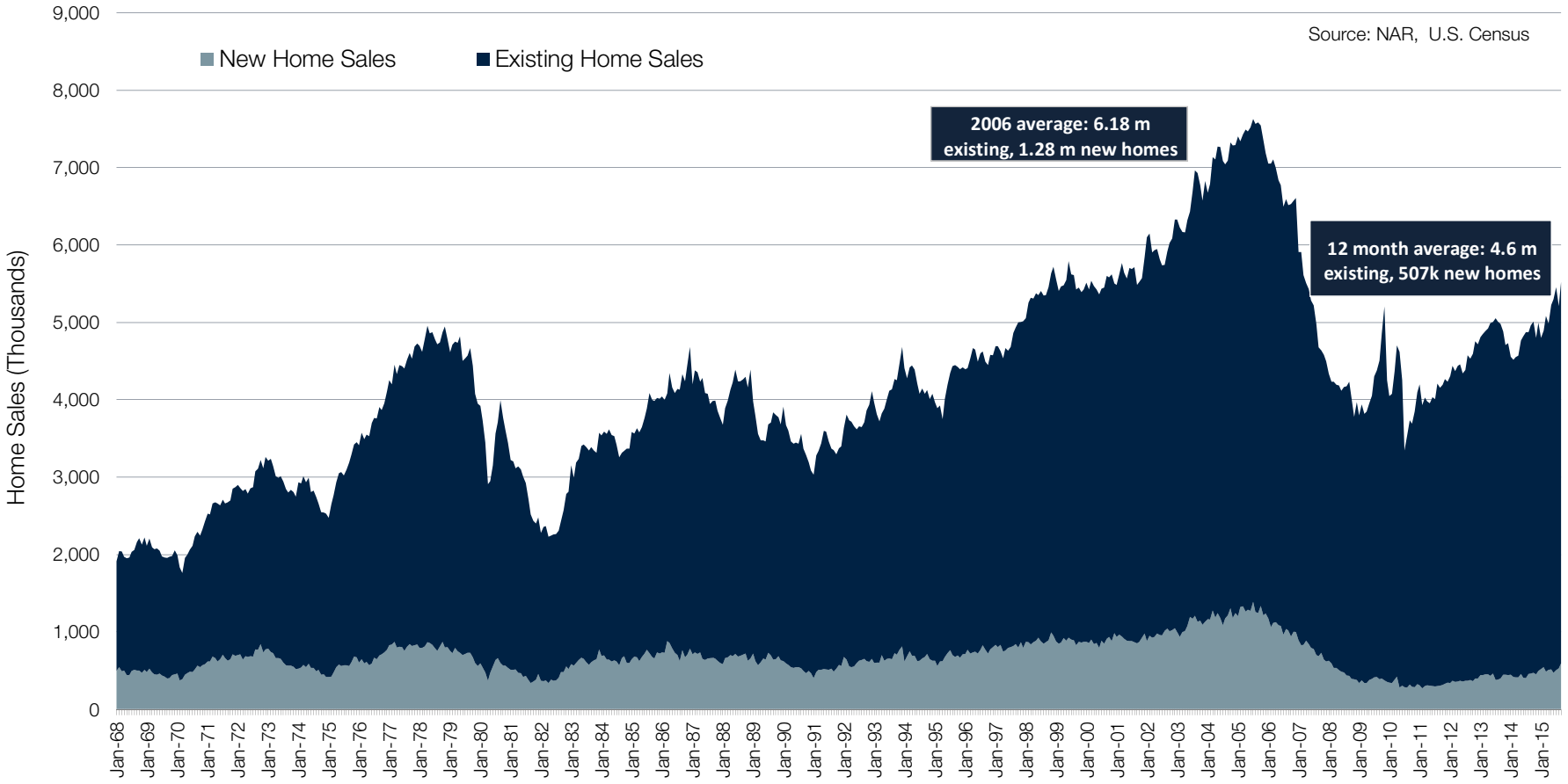
Home prices – a key driver of consumer spending and confidence – have been increasing since early 2012. Based on the Case-Shiller 20-City Composite Index, pricing has increased by 31.9% since it hit a low point in late 2011. Of note, between 2000 and 2003, prices rose by 35.7%. Price increases were interrupted in the summer of 2014 and early 2015, but have resumed growth since then. Limited new construction has kept the inventory of homes for sale at very low levels, helping to boost pricing.



SERI Supplement

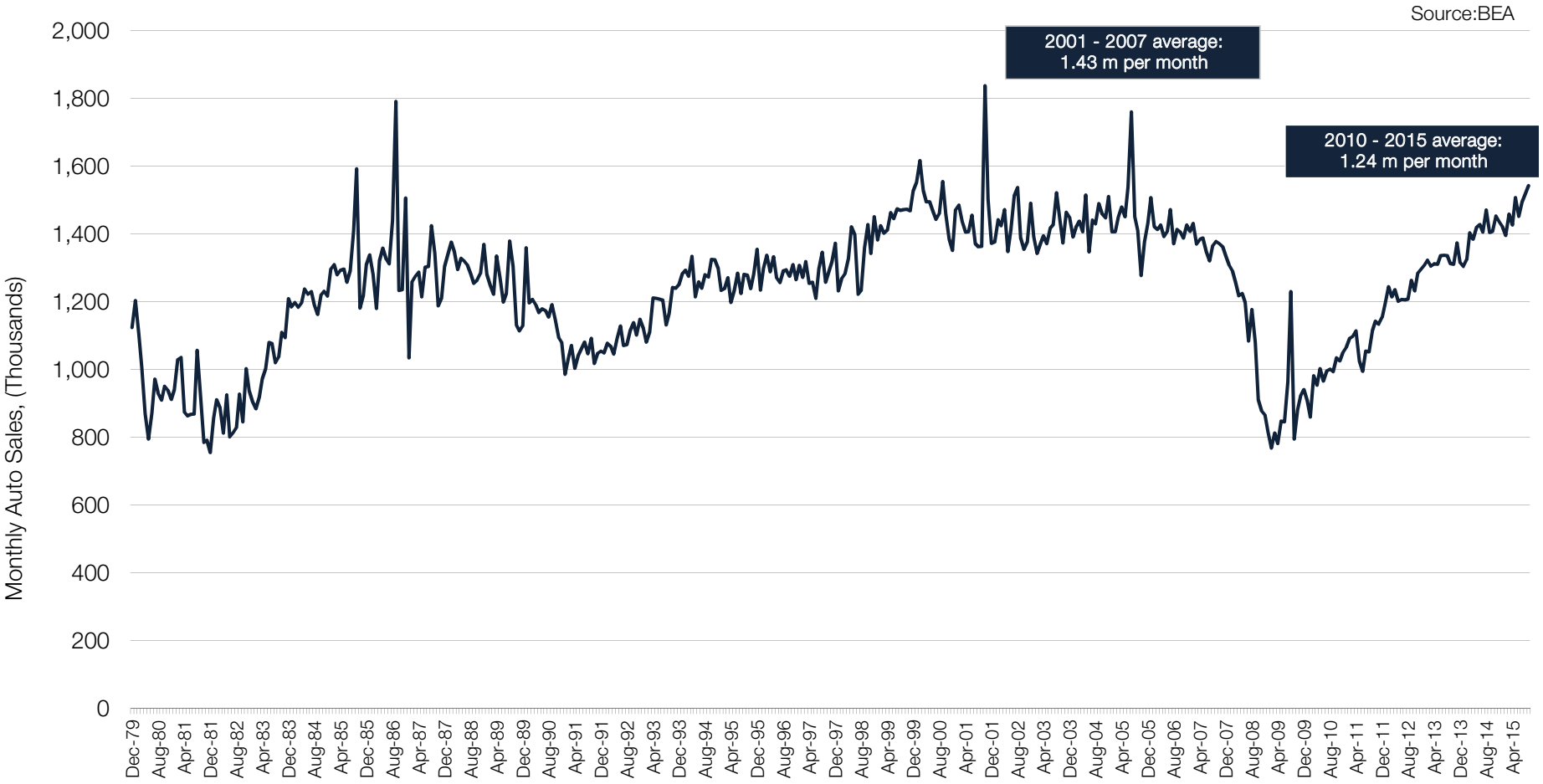
New and Existing Home Sales (1968 - 2015)

Home sales started to recover by the second half of 2011. Over the last four years home sales have risen and home builders have slowly gained traction. Even so, home sales remain well below their pre-recession peak levels. Existing home sales averaged 4.6 million units in the last twelve months and new home sales averaged 507,000 units (still less than half of their peak of 1.28 million in 2006). The implementation of mortgage transparency regulations hampered sales during late 2015. The biggest impediments to stronger home sales remain weak income growth as well as the challenge of raising a down payment.



U.S. Auto Sales, Monthly (1980 - 2015)

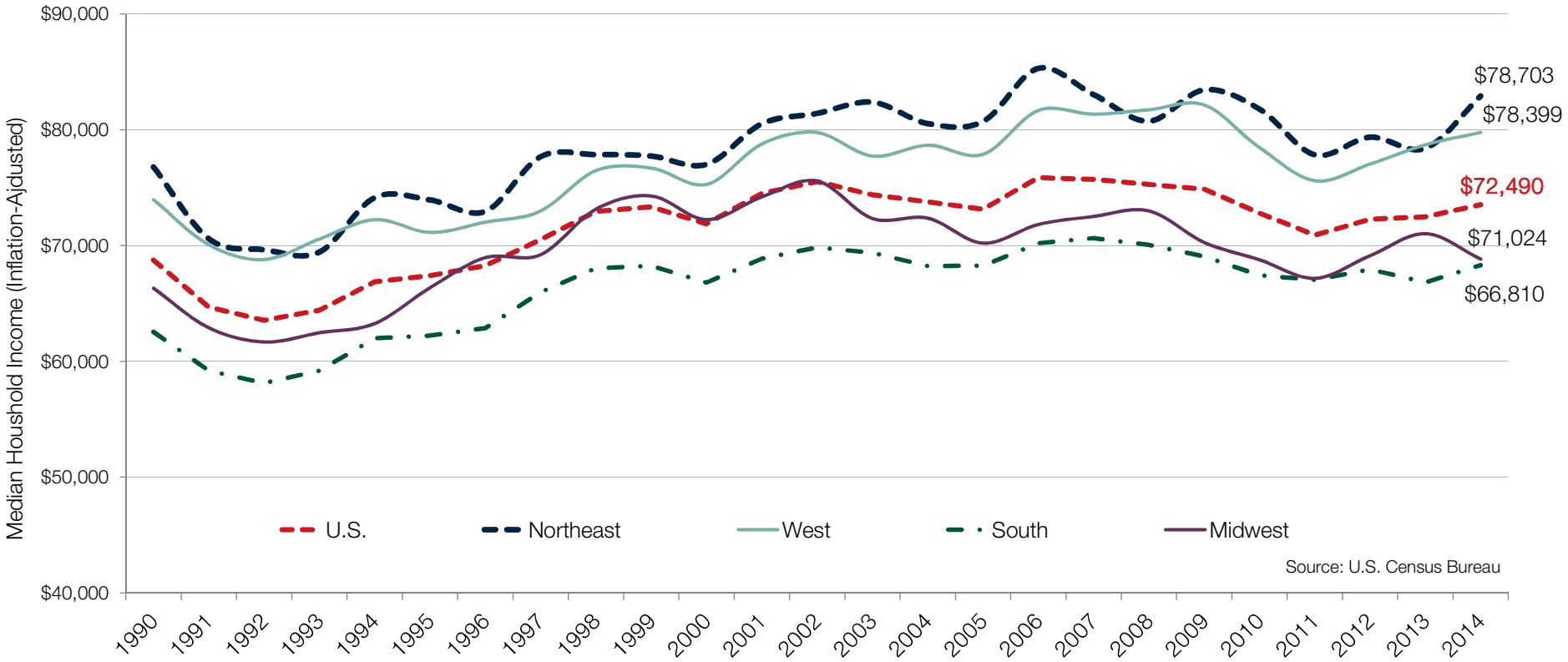
Auto sales have increased steadily from the low point reached in 2009, and by August of 2015 they were just about even with pre-recession trends. Attractive auto financing deals and improving household finances pushed sales to more than 17.0 million annually by year-end 2015, a new peak.



SERI Supplement

U.S. Real Median Household Income (1990 - 2014)

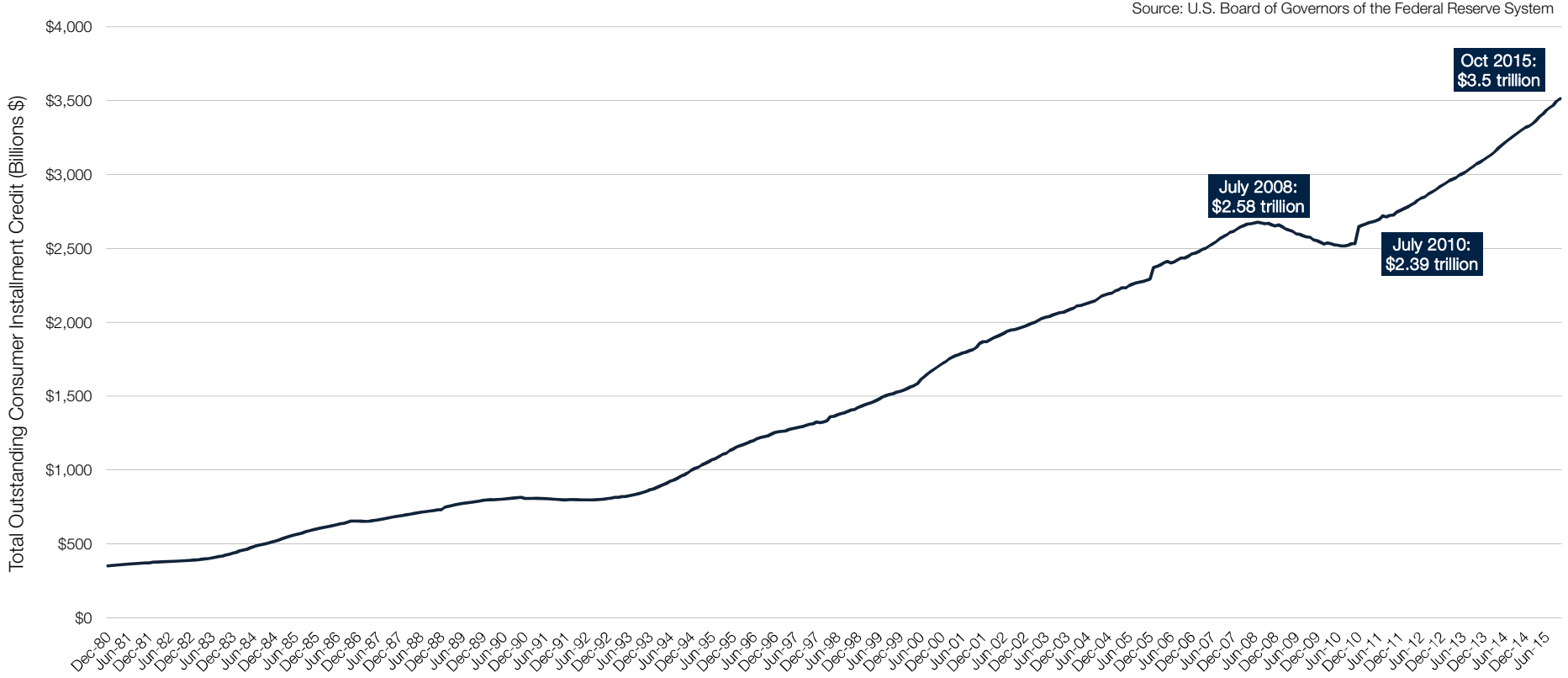
Median household income finally stabilized in most regions by 2012. Income has posted decent gains over the last three years in the Northeast and West, but has lagged in the South and Midwest. Overall, on an inflation-adjusted basis, household income is still slightly below its pre-recession levels.



Total Outstanding Consumer Installment Credit (1980 - 2015)

Consumer installment credit – such as credit cards, bank cards and other revolving debt – has risen steadily over the last few decades. Until the most recent recession, households supplemented income with gains from higher home prices and home equity loans. They also padded spending power with credit card debt. Households lowered this debt slightly between 2008 and 2010, in some cases by defaulting on loans, but outstanding credit has started to rise again as households and banks have both gained confidence.

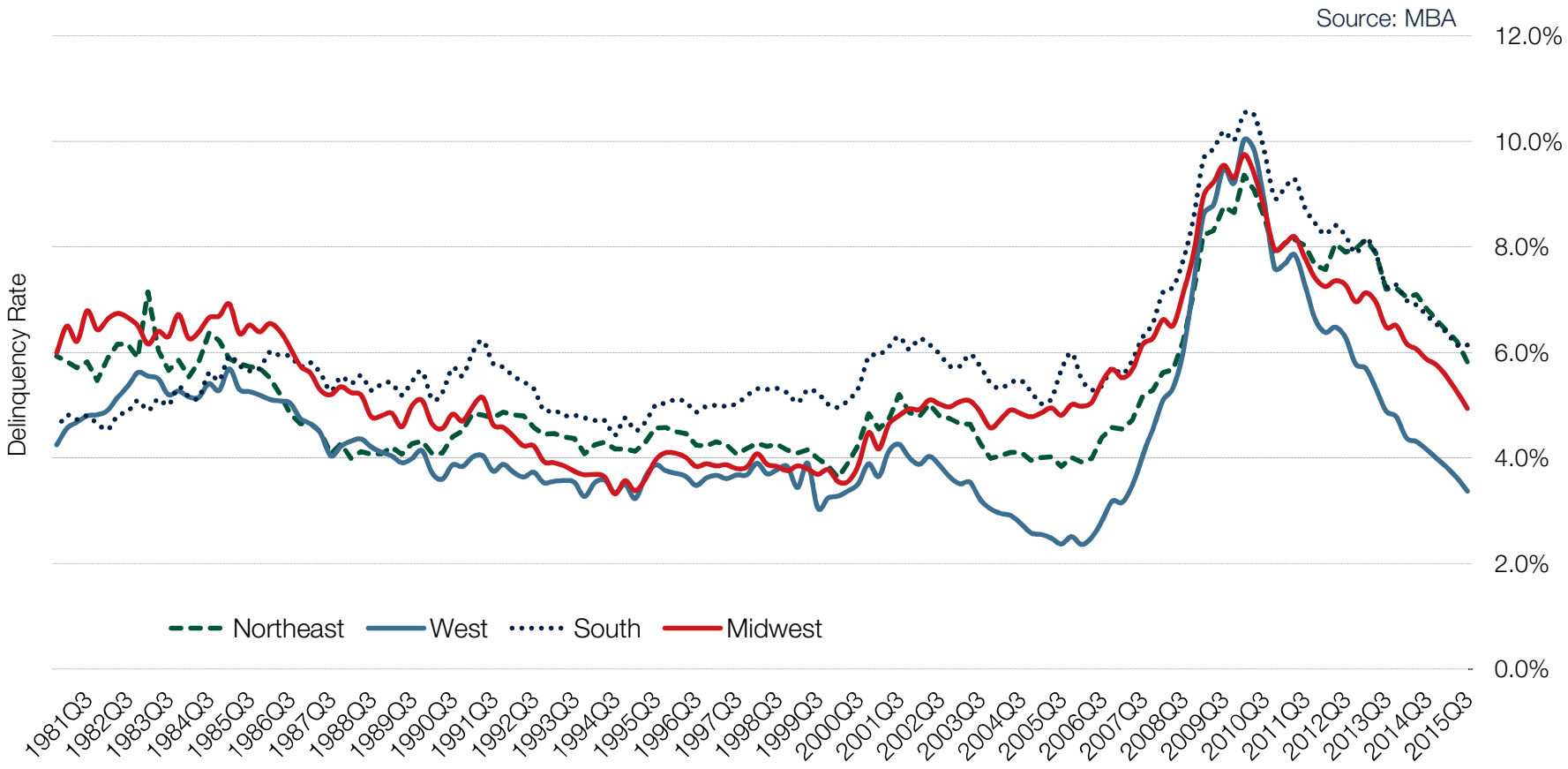
Source: U.S. Board of Governors of the Federal Reserve System



SERI Supplement

Mortgage Delinquency Rates (1980 - 2015)

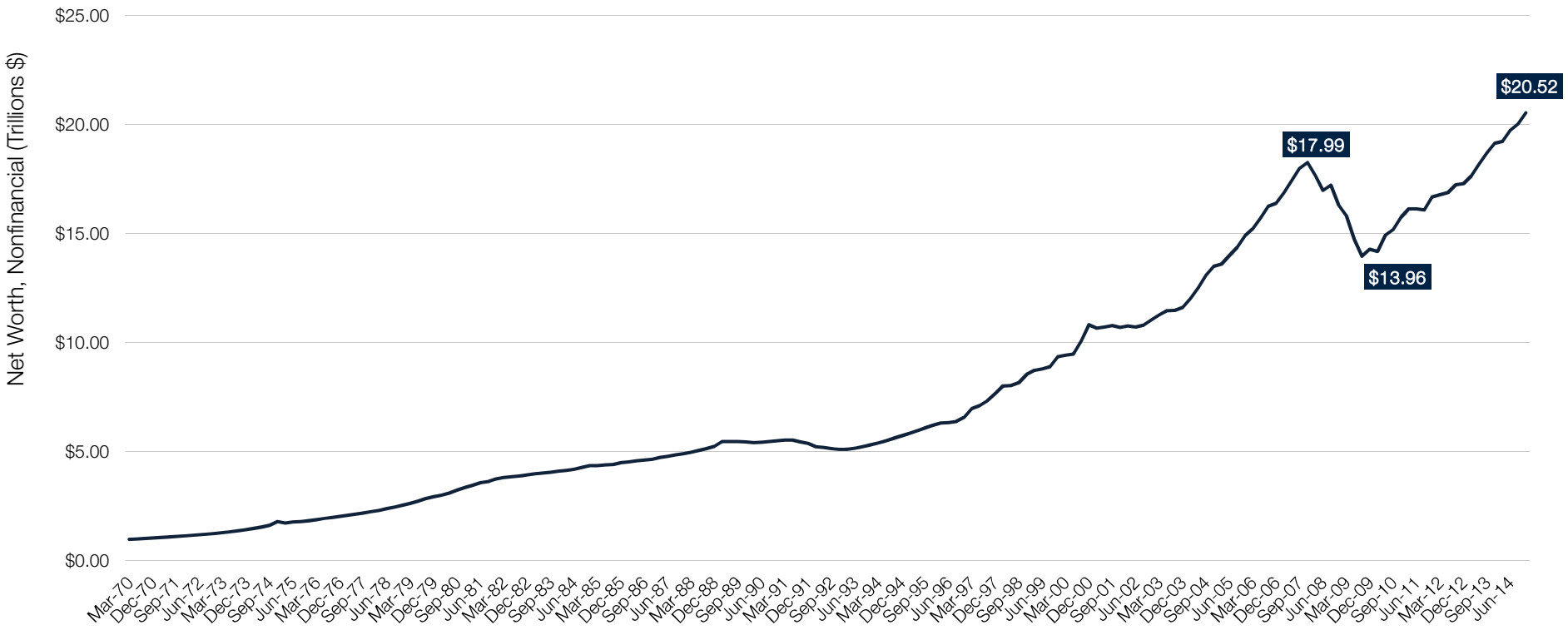
Another area of improvement for the U.S. housing market has been the steady decline in delinquency rates from a range of 9.0% to 10.0% in early 2010 to less than 6.0% in all regions currently. Delinquency has remained much higher in the Northeast and South. In contrast, the West has gone from a delinquency rate of nearly 10.0% in 2010 to just below 4.0%, by far the lowest among the four regions.



Financial Accounts, Nonfinancial Corporations - Net Worth (1970 - 2014)

One of the steadier features of the U.S. economy, virtually right out of the gates of the recovery, has been the strong balance sheets of corporations. The net worth (assets less liabilities) of nonfinancial corporations took a big hit in the recession, falling to just under $14 trillion, but has pushed steadily higher, rising to $20.5 trillion as of year-end 2014. Companies have deployed the funds for mergers and acquisitions, dividend payouts, stock buybacks, and equipment and software. However, most businesses did not start to aggressively expand payroll until 2014.

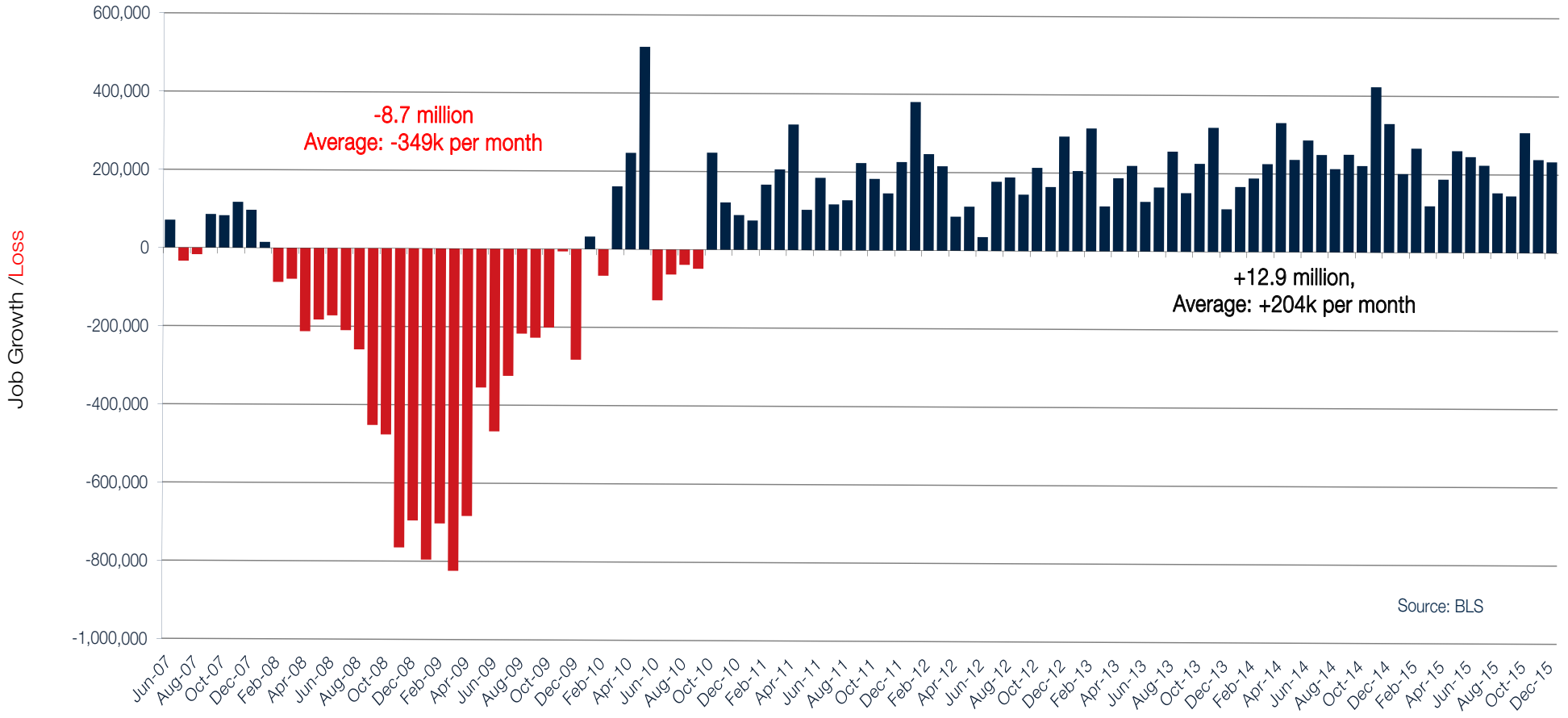
Source: Federal Reserve



SERI Supplement

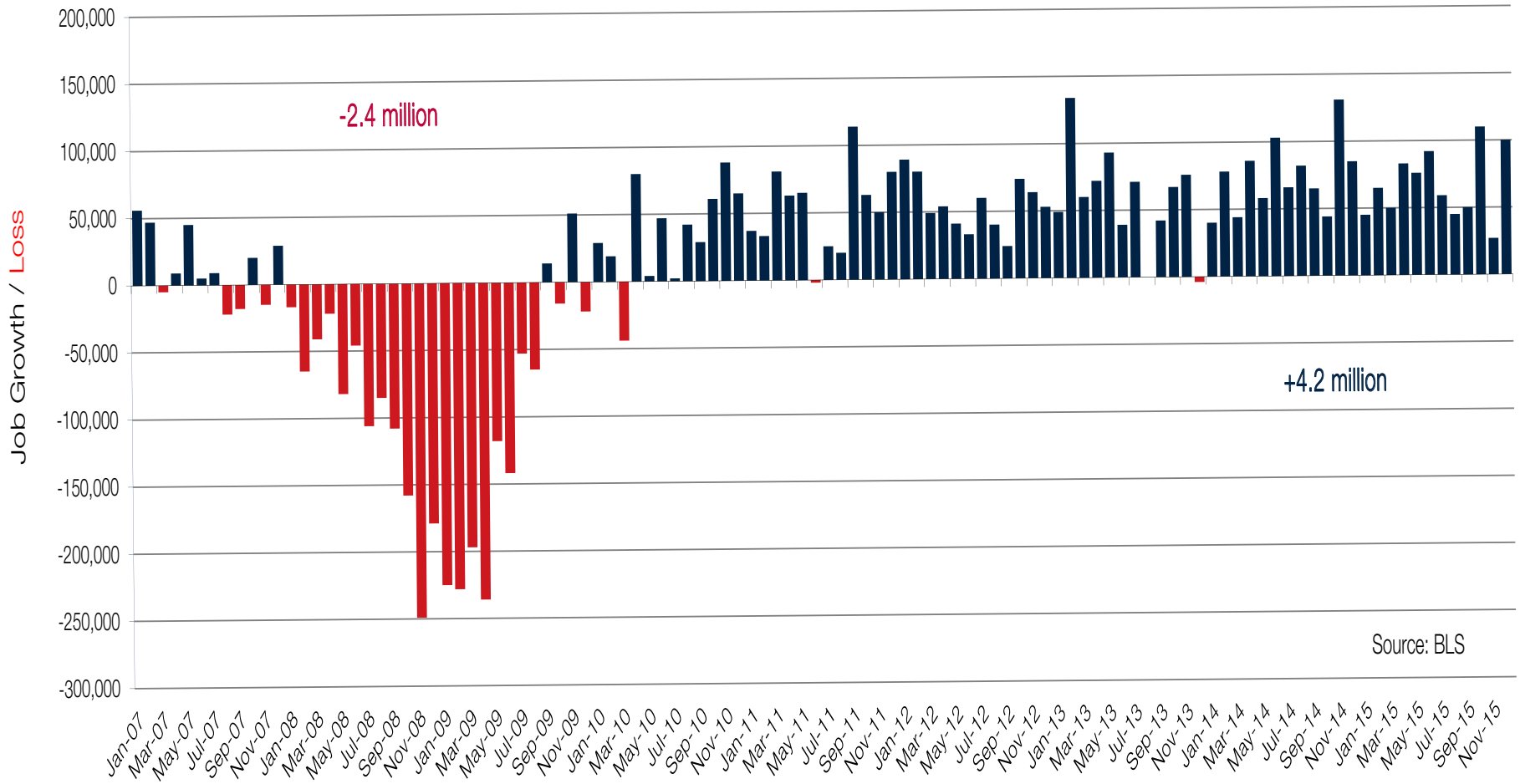
U.S. Overall Monthly Employment Trends (2007 - 2015)

Overall employment has increased 63 months in a row (every month since October of 2010). Average monthly job growth improved in the last few months of 2015, but averaged only 214,750 during the year as a whole, well below the 259,666 averaged in 2014. While much of the growth in the early stages of the recovery was industry-specific – tech, government or energy – the growth has spread to other sectors such as retail, hospitality and real estate.



U.S. Office-Using Monthly Employment Trends (2008 - 2015)

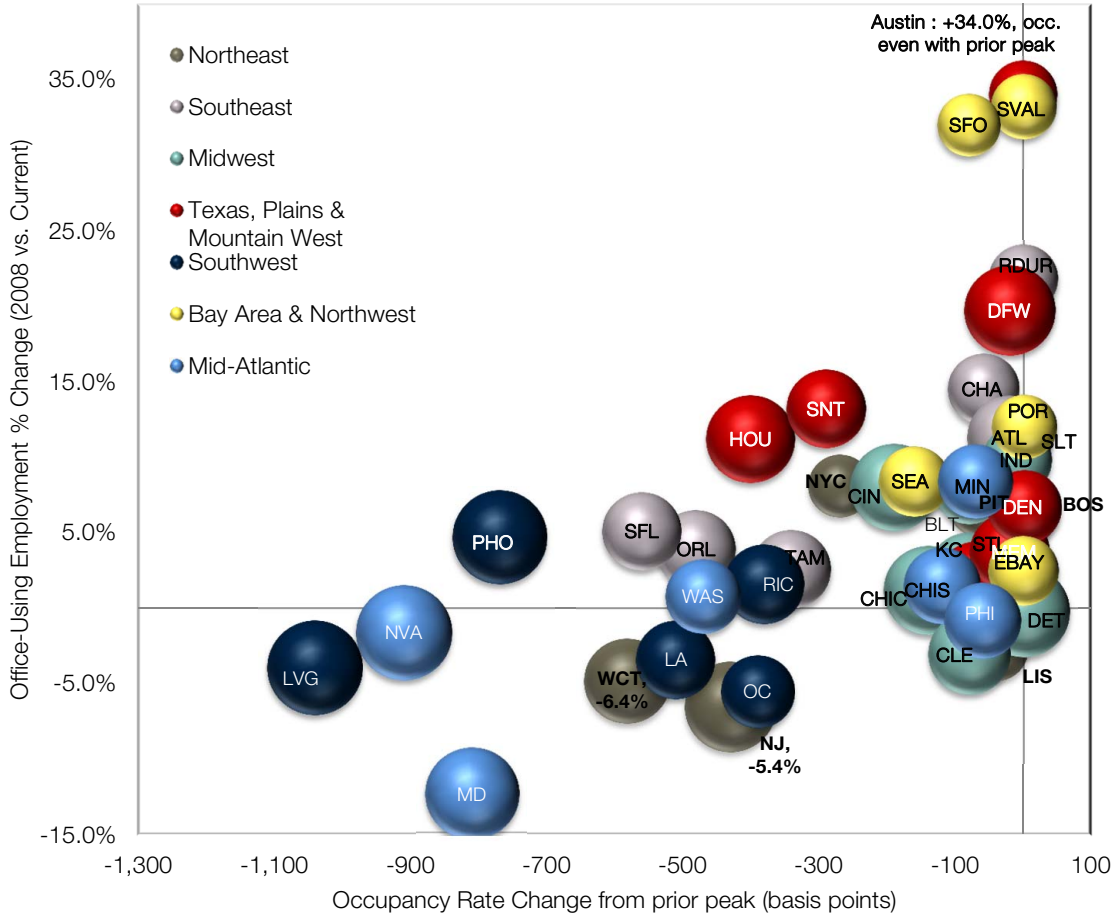
During the last four years, office-using employment – which includes the financial, professional/business services and information sectors – has been slowly but consistently increasing, with losses in only five months since September of 2009. Employers have added 4.2 million office-using jobs since the start of 2010, well above the 2.4 million shed in the recession. Following some weakness in late 2013, hiring accelerated in 2014 with an average monthly gain of 74,166 jobs, well above the average of 58,250 gained per month in 2013.



SERI Supplement - Office Market

Office-Using Employment and Change in Occupancy (Current Cycle vs. Prior Peak)

Office-using employment, and in turn occupancy rates, have pushed furthest above their prior peaks in Texas metros (red bubbles) and tech-fueled West Coast metros (yellow). Office-using employment in Austin, for example, is 34.0% above its prior peak and its occupancy rate has pushed back to prior peak levels. In contrast, most markets in the Northeast (grey) and Midwest (green) are below their prior peak in occupancy despite reaching new levels in employment. Sunbelt markets such as Phoenix and South Florida still have a lot of excess space.

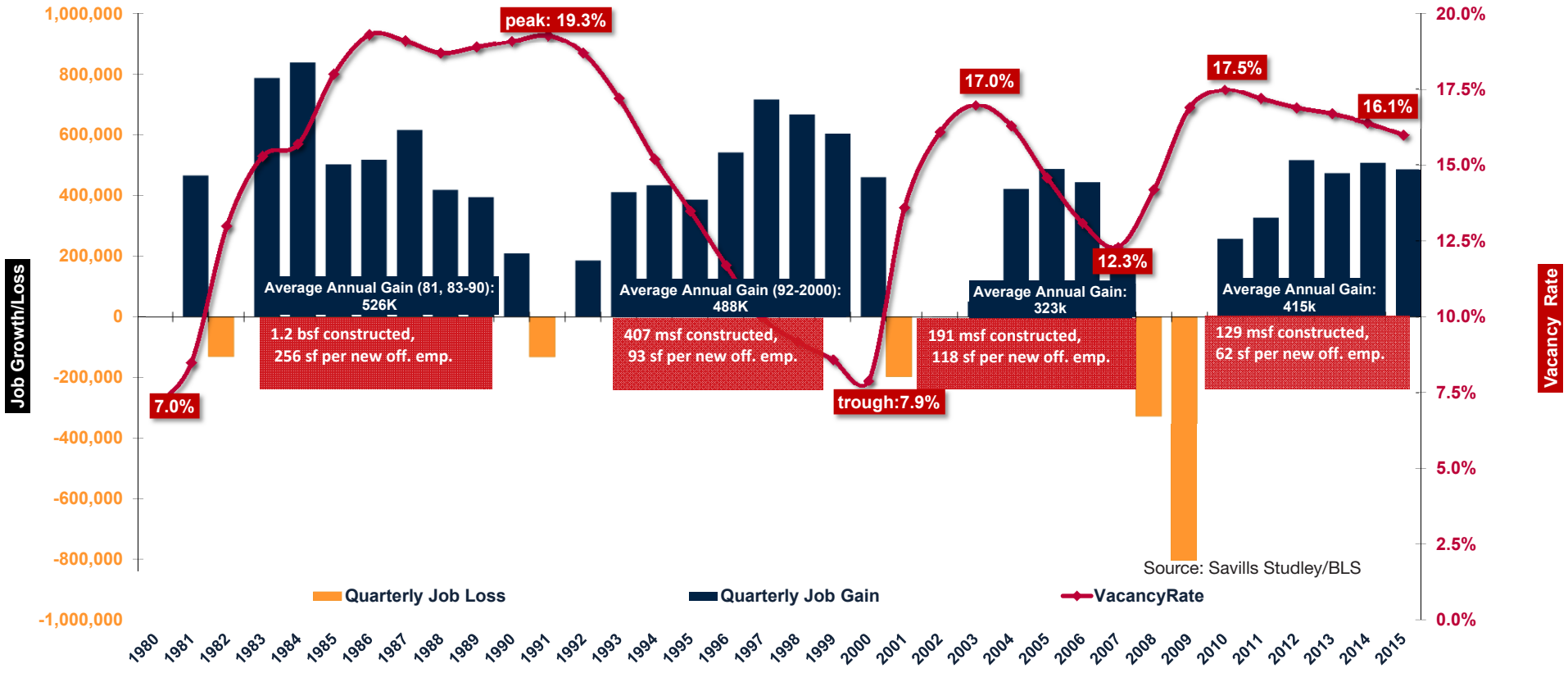


Market	Occupancy Rate 4Q15 vs. prior peak*	Off. Emp. 4Q15 vs. 2008	Current Vacancy
Boston (BOS)	0	6.4%	10.3%
Manhattan (NYC)	-270	8.1%	8.6%
Long Island, NY (LIS)	-40	-2.7%	8.7%
New Jersey (NJ)	-430	-6.5%	17.9%
Westchester/Fairfield (WCT)	-580	-4.8%	15.8%
Pittsburgh, PA (PIT)	-60	6.9%	10.1%
Philadelphia (PHI)	-120	1.5%	12.7%
Baltimore, MD (BLT)	-70	8.4%	12.0%
Suburban Maryland (MD)	-810	-12.3%	18.6%
Washington, DC (DC)	-470	0.8%	12.1%
Northern Virginia (NVA)	-910	-1.6%	19.7%
Richmond, VA (RIC)	-60	-0.8%	12.6%
Raleigh/Durham (RD)	0	21.8%	10.2%
Charlotte (CHA)	-60	14.5%	11.0%
Atlanta (ATL)	-20	11.3%	15.4%
Orlando (ORL)	-480	3.9%	13.6%
Tampa Bay (TBY)	-340	2.6%	13.4%
South Florida (SFL)	-560	5.1%	13.3%
Chicago CBD (CHIC)	-110	1.2%	11.5%
Chicago Suburbs (CHIS)	-140	1.2%	17.3%
Detroit (DET)	0	-0.2%	18.2%
Minneapolis (MIN)	-80	7.9%	10.8%
Cleveland (CLE)	-80	-3.0%	14.5%
Cincinnati (CIN)	-190	8.0%	16.6%
Indianapolis (IND)	-10	9.8%	10.4%
St. Louis (STL)	-80	2.4%	13.7%
Dallas/Ft. Worth (DFW)	-20	19.7%	17.8%
Houston (HOU)	-400	11.2%	16.8%
Austin (AUS)	0	34.0%	9.9%
San Antonio (SNT)	-290	13.2%	13.4%
Kansas City (KC)	-70	1.9%	12.7%
Memphis (MEM)	-20	3.7%	13.8%
Denver (DEN)	0	6.7%	12.0%
Salt Lake City (SLT)	0	12.1%	7.3%
Phoenix (PHO)	-770	4.7%	19.2%
Las Vegas (LVG)	-1040	-3.9%	19.5%
Los Angeles (LA)	-510	-3.4%	13.4%
Orange County (OC)	-390	-5.5%	11.6%
San Diego (SDO)	-380	1.6%	13.8%
Silicon Valley (SVAL)	0	33.2%	9.1%
E Bay/Oakland (EBAY)	0	2.5%	10.6%
San Francisco (SFO)	-80	32.0%	8.4%
Portland, Or (POR)	0	12.0%	9.1%
Seattle (SEA)	-160	8.4%	10.8%

Source: BLS

National Office-Using Employment and Vacancy Rates (2000 - 2014)

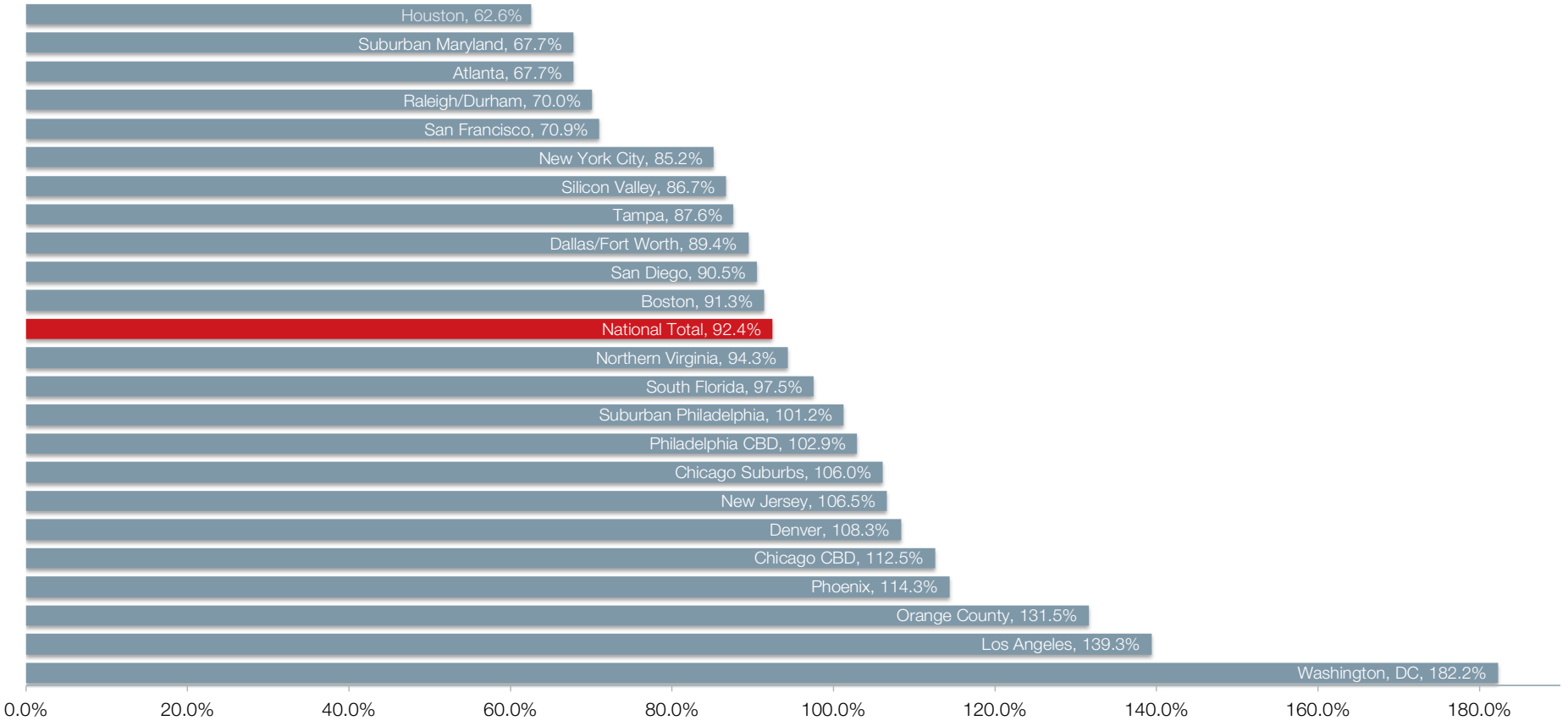
The U.S has added an average of 415,000 office-using jobs per year in this recovery, exceeding the annual average of 320,000 jobs gained in the last expansion. Nevertheless, vacancy rates have fallen more slowly, due largely to a widespread effort by companies to consolidate multiple locations and lease less space per employee. Five years after peaking at 17.5%, the vacancy rate has fallen by only 1.4 pp, a fraction of the 4.7 pp decline in the last recovery. Of note, annual office-using employment growth is well short of the pace set in the 1980s and 1990s.



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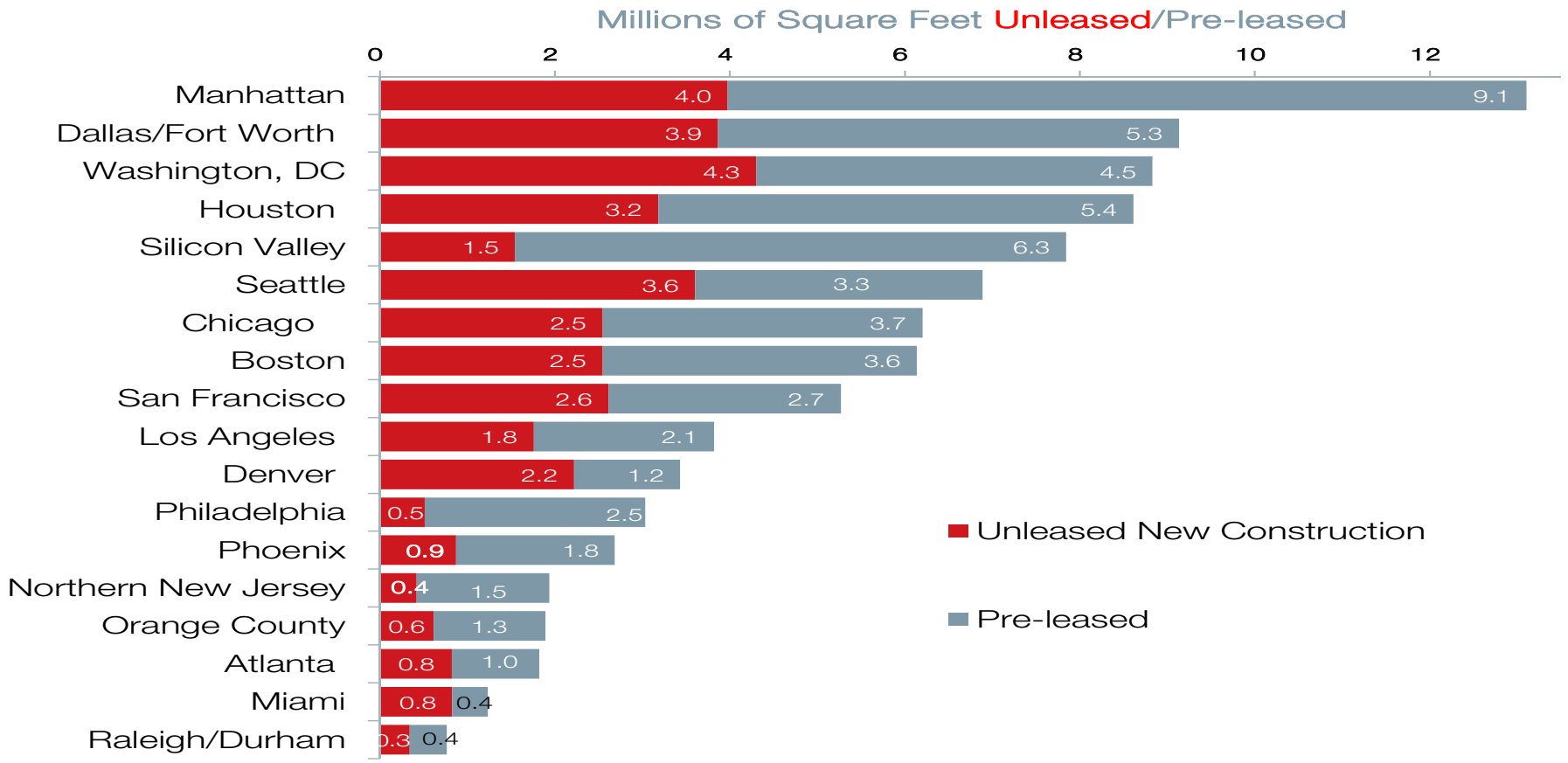
Leasing Volume as a Percentage of Historical Average (2015)

Annual leasing volume in the top U.S. office markets fell short of its long-term historical average by 7.6% in 2015. Los Angeles (+39.3%), Orange County (+31.5%) and Phoenix (+14.3%) each registered very strong activity during the year. Tenants were very active in Washington, DC (+82.2%) but much of this activity came from renewals and lease restructures, as well as companies capitalizing on record-level concessions.



Unleased & Pre-Leased New Construction (Year-End 2015)

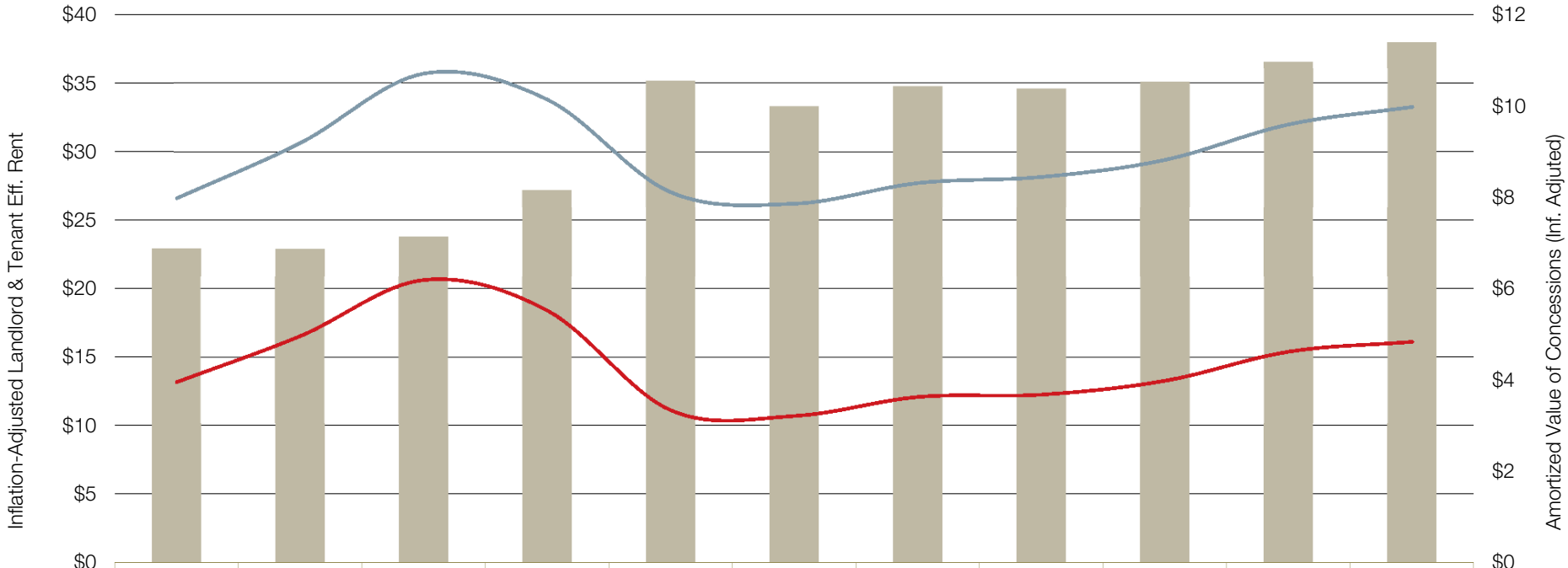
While new construction has been carefully contained, it is starting to gain momentum in more markets – nine markets now have more than 5.0 msf underway, with a combined total of just over 72.0 msf. Even with the increased development, unleased new construction amounts to more than 1.0% of current inventory in only seven markets.



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Inflation-Adjusted Rents and Concessions (2005 - 2015)	Tenant Effective Rent	Landlord Effective Rent	Amortized Concessions

Adjusted for inflation, tenant effective rent rose to $33.28 in 2015 – based on 2005 dollars, tenants were paying nearly the same amount they did in 2008. Concessions were as high as they have been in the last decade. Landlord effective rent increased to $16.14 in 2015, but was still about 15% below its level in 2007 due to elevated concessions and a steady rise in expenses.

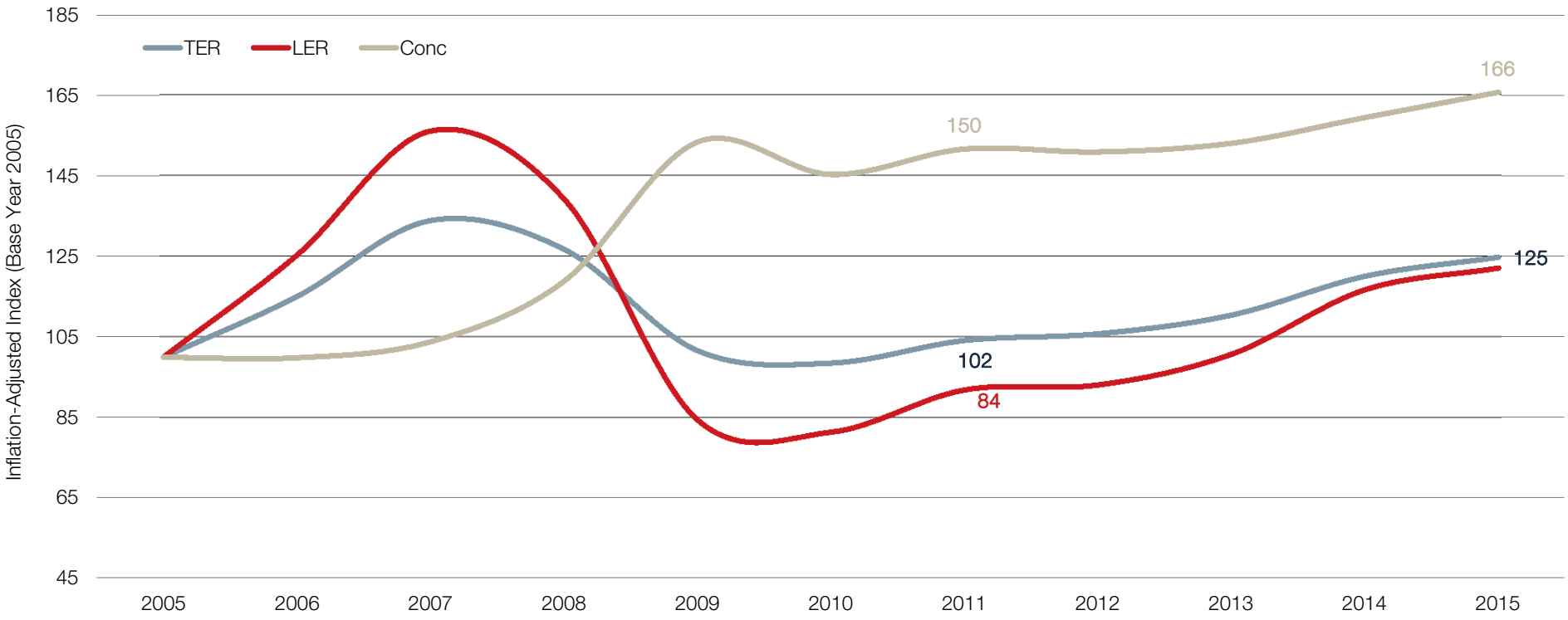


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CONC	$6.88	$6.87	$7.14	$8.17	$10.55	$9.99	$10.43	$10.38	$10.52	$10.96	$11.40
TER	$26.67	$30.67	$35.71	$33.82	$27.11	$26.28	$27.78	$28.22	$29.45	$32.03	$33.28
LER	$13.22	$16.56	$20.63	$18.42	$11.17	$10.76	$12.15	$12.31	$13.32	$15.43	$16.14

Effective Rent Indexes (Base Year 2005)

Tenant Effective Rent | Landlord Effective Rent | Amortized Concessions

Using an index with a base year of 2005, concession packages were up by 66% relative to 2005 in 2015. Landlord effective rent and tenant effective rent were both 25% above the base year amount. Tenants were paying about 25% more in inflation-adjusted terms relative to 2005 levels, due primarily to higher gross rents in 2015 compared to 2005.



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