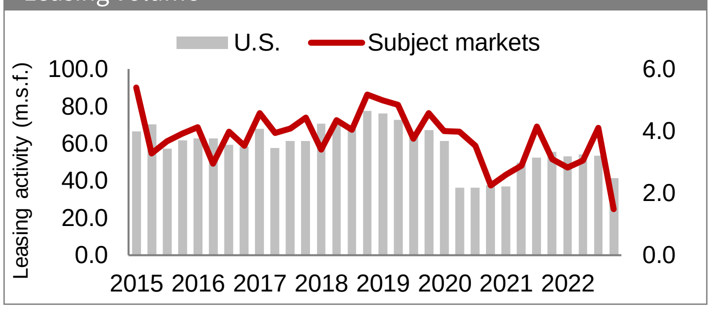
Executive summary

January 2023

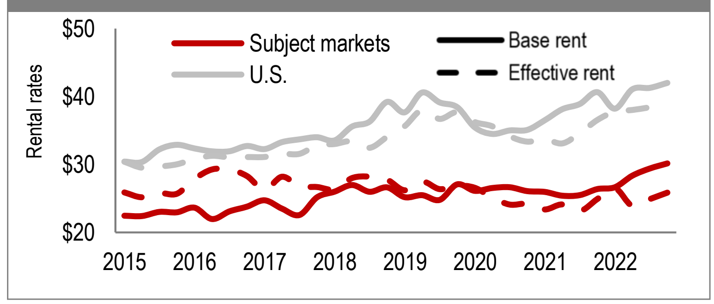
- Leasing activity fell 10.8% in Q4 to 40.7 million s.f. A strong start to the year lifted 2022 volume 15.1% higher than 2021 totals, reflecting 72% of pre-pandemic leasing volume nationally.
- Net absorption totaled -12.5 million s.f. in Q4, bringing annual totals to -37.4 million s.f., a slowing from the 59 million s.f. of occupancy loss in 2021.
- The slowdown in activity was most notably felt among large-scale leases, which tenants are delaying amid uncertainty: just 42 transactions over 100,000 s.f. were signed in Q4, the lowest total since Q1 2021 and more than 50% below the pre-pandemic quarterly average.
- Tenants continued placing space on the sublease market to cut costs—sublease vacancy rose by 6.4 m.s.f. to a record 136.6 m.s.f. Tech tenants comprised the majority of recent sublease additions.
- The relative scarcity of high-quality direct space has enabled landlords to preserve face rental rates, as overall U.S. asking rents ticked up by 0.3% to $38.86 p.s.f. However, this increase is offset by concession packages that have eclipsed all-time highs.
- A dwindling construction pipeline will limit future supply, as rising construction costs drove Q4 groundbreakings to just 3.9 million s.f. Increasingly, older vintage offices in appropriate urban settings are being considered as candidates for residential conversion, which will further limit vacancy increases.
- **Manulife markets largely mirror national trends but saw a sharper slowdown in leasing quarter-over-quarter after an unanticipated spike in activity in Atlanta and Sacramento in Q3.**

Subject market performance relative to U.S. average

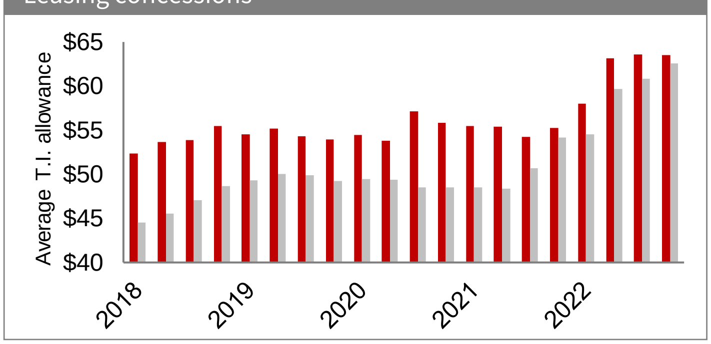
Leasing volume



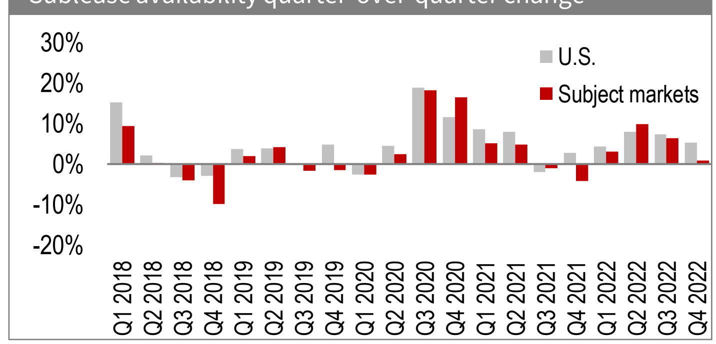
Base and net effective rental rates



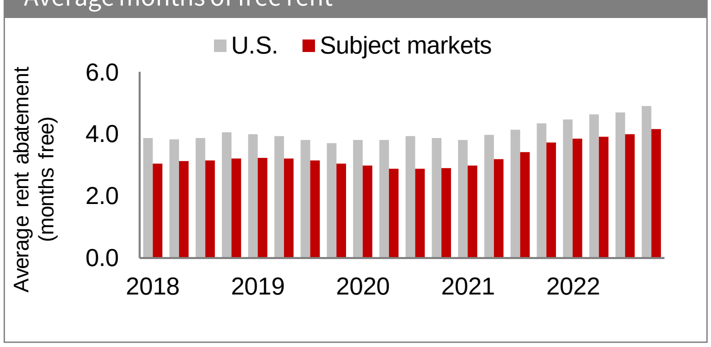
Leasing concessions



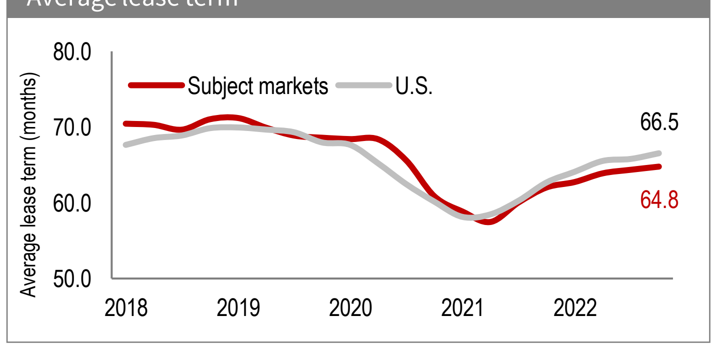
Sublease availability quarter-over-quarter change



Average months of free rent



Average lease term



U.S. economy overview

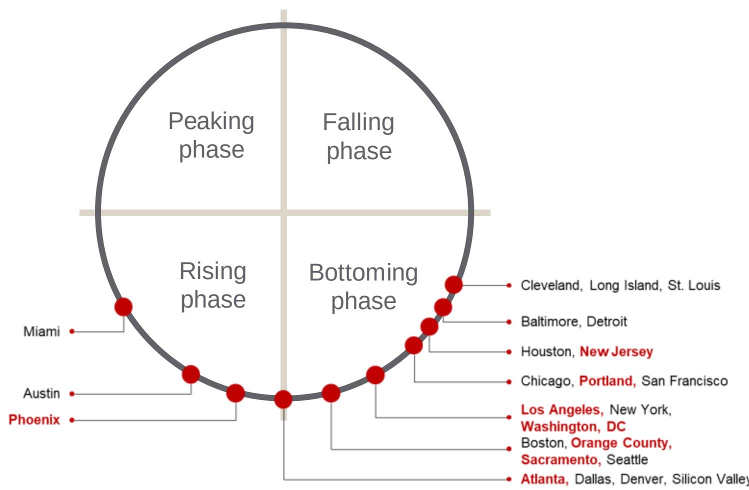
January 2023

The fourth quarter brought some relief from mounting macroeconomic challenges as inflationary pressures wane, but office tenants remain cautious as they adjust to rising costs of capital and falling valuations. Aggressive monetary tightening by the Federal Reserve, which increased policy rates by 425 basis points over the course of 2022, has successfully driven down CPI growth, with the annual inflation rate declining from peak levels of 9.1 percent in June to 6.5 percent as of December. With progress, expectations for interest rates are showing more stability over the next 12 months: investors expect rates to peak in 2023 with less than 100 bps of additional rate hikes, and begin to decline below current levels in 2024.

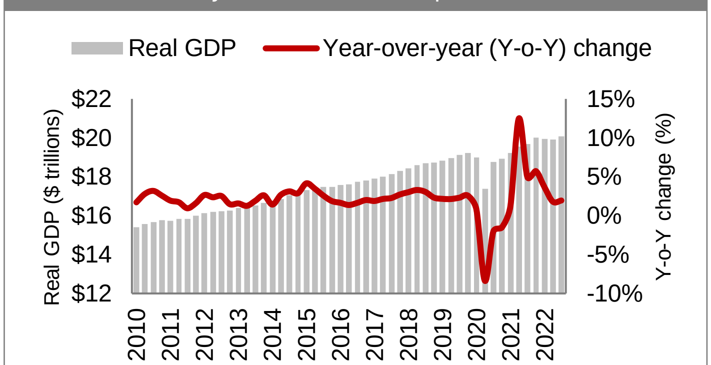
Looking forward, many of the catalysts of inflation have mollified over the past 12 months and point to lower price pressure on the horizon: supply chain disruptions present at the beginning of 2022 have eased, pandemic restrictions have softened in international markets, and energy prices have been stabilizing through the second half of the year. Inflation expectations for 2023 have moderated to 3.5 to 4.5 percent, and are forecasted to continue declining towards target rates by 2024-2026.

At the same time, labor markets remained tight—the unemployment rate remained steady at pre-pandemic lows of 3.5 percent, and job openings declined moderately but remain more than 50 percent higher than year-end 2019 levels. While job markets remain relatively healthy, companies have not been immune to widespread asset repricing driven by rate hikes. Since the beginning of 2022, publicly traded companies in the S&P 500 have seen market capitalizations decline by over 20 percent on average, and the technology-dominant NASDAQ index has declined by nearly 30 percent. In the face of persistently low office attendance in many major markets, firms are increasingly considering large, underutilized office portfolios a target for cost-cutting as they navigate a possible economic slowdown.

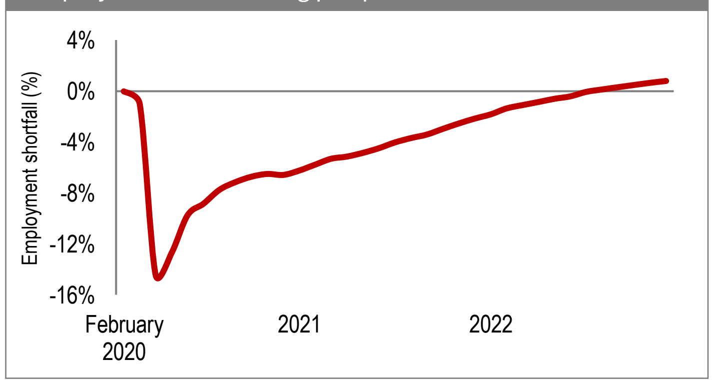
JLL Property Clock



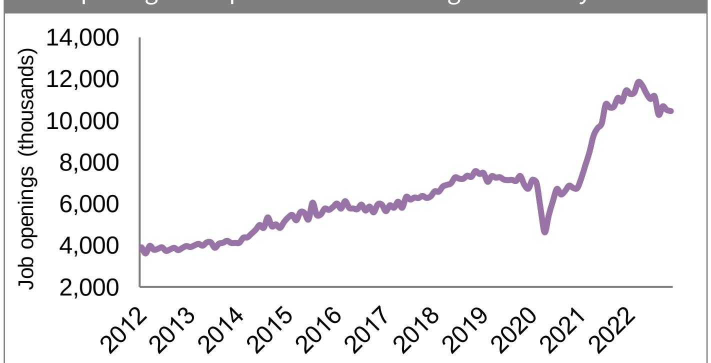
Real GDP has fully recovered but has plateaued



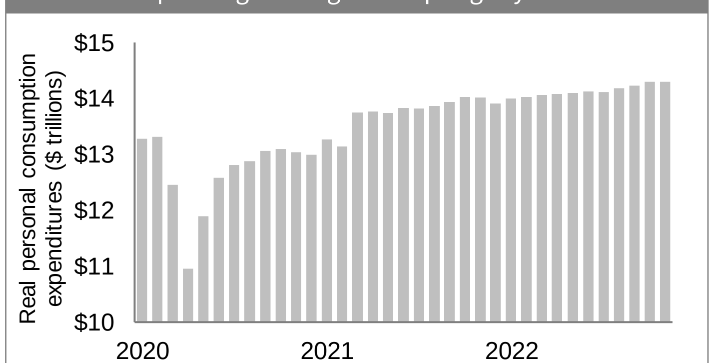
Employment is exceeding pre-pandemic levels



Job openings have peaked but declining moderately



Consumer spending has begun to dip slightly



U.S. office overview

While large companies continue to crystallize return-to-office policies, office re-entry rates in major markets stabilized in Q4 at just under 50 percent, with mid-week crowding of hybrid employees leading to 5-10 percent higher attendance rates on peak days. Return-to-office posturing is being considered as both a catalyst for productivity and collaboration, as well as a potential tool for companies in certain industries to encourage voluntary attrition as a means of avoiding severance costs as they trim staff. New hiring is also beginning to pivot away from fully remote positions: the share of LinkedIn job postings described as remote has declined from over 20 percent in early 2022 to less than 15 percent in recent months. Over the course of the fourth quarter, several large employers announced pending office re-entry guidelines that go into effect at the beginning of 2023, continuing to drive incremental increases to office attendance levels on mid-week peak days.

Leasing activity fell 10.3 percent in the fourth quarter, but a strong start of the year lifted 2022 volume 15.1 percent higher than 2021 totals, reflecting 72.3 percent of pre-pandemic leasing volume nationally. The slowdown in activity was most notably felt among large-scale leases: just 42 transactions over 100,000 s.f. were signed in Q4, the lowest total since Q1 2021 and more than 50% below the pre-pandemic quarterly average. Of the large leases that were executed, more than three-quarters were signed in Trophy or Class A product, as differentiated offices and high-quality assets continue to capture the lion's share of demand. The prospects of a broad economic downturn have begun to narrow the gap that formed between gateway markets and secondary markets: gateway markets saw 16.6 percent year-over-year leasing growth, outpacing growth markets in the Sun Belt which grew by 15.8 percent.

In addition to abandoning large requirements, tenants continued to place space on the sublease market, driving sublease vacancy up an additional 6.4 million s.f. to a record 136.6 million s.f. at year-end. Heightened volatility in the technology sector created a surge in layoff announcements, with U.S.-based technology firms announcing twice as many layoffs in November as the monthly peak during the pandemic, and as a result technology was the largest contributor to the recent swell of sublease availability, generating more than 50 percent of the new additions in Q4. Despite the continued rise, the pace of sublease additions slowed from the 10.3-million s.f. increase in Q3, indicating that the recent wave should begin to stabilize in coming quarters.

As a result of sublease additions and continued downsizing activity among major corporates, net absorption totaled -12.5 million s.f. in Q4, bringing annual totals to -37.4 million s.f., a slowing from the 59 million s.f. of occupancy loss in 2021. Amid low office utilization, large employers were keen to downsize office portfolios in 2022, with more than three-quarters of the major tenants in most industries shedding space since the pandemic began, often upgrading to higher-quality offices in conjunction with downsizing. The technology sector had been a bright spot, with most of the largest tenants continuing to expand office footprints throughout 2021 and the first half of 2022, but recent sublease additions are trimming back growth and contribute to negative net absorption. The overall vacancy rate rose 50 basis points to 19.6 percent at year-end with slowing demand, new sublease additions and nearly 15 million s.f. of new construction completions contributing to the increase.

The office market remains heavily bifurcated, even amidst recent volatility, and contrary to overall figures the Trophy and high-quality Class A segment continues to defy overall trends. Despite overall negative net absorption, offices developed since 2015 generated 8.1 million s.f. of positive absorption in Q4, bringing annual totals to 33.8 million s.f. Assets under development continue to attract new demand with eight new leases over 100,000 s.f. signed in under construction offices during the fourth quarter.

The relative scarcity of high-quality direct space has enabled landlords to preserve face rental rates, as overall U.S. asking rents ticked up by 0.3 percent to $38.86 per s.f. However, this increase is offset by concession packages that have eclipsed all-time highs: term-adjusted rent abatement periods have grown 2.5 percent since the end of 2021 and 26.8 percent since the outset of the pandemic, while tenant improvement allowances have grown by 10 percent in the last year and 18.8 percent over the past three years.

Nearly 15.0 million s.f. of new construction delivered in Q4 as the office sector continues to process what was a near-peak construction pipeline at the outset of the pandemic. Robust leasing demand in new construction throughout the past two years had instilled confidence in developers to continue building new office projects, particularly in growing markets, but recent volatility, coupled with rising construction and capital costs, are beginning to bring more meaningful declines to the development pipeline. While nearly 100.0 million s.f. of product remains currently under construction in the U.S., just 3.9 million s.f. of new projects broke ground in the fourth quarter. As deliveries wane and sublease additions taper, overall vacancy rates may soon hit their ceiling and begin to decline across many U.S. markets. In addition to dwindling construction pipelines, the U.S. has seen increased appetite for conversion of functionally obsolete office assets to residential product or other uses. In 2022, 11.5 million s.f. of office product was demolished or converted, a 13.9 percent year-over-year increase. Although not a significant counterbalance to the 53.1 million s.f. of office that delivered in 2022, growing momentum for conversion projects and federal and municipal incentives will help to encourage continued conversion activity in large urban submarkets and contribute to stabilizing office fundamentals.

Office investment volume totaled $16.2 billion in the fourth quarter, bringing annual totals to $101.1 billion, a 25.3 percent decline against 2021, when office investment had recovered to within 1.0 percent of 2019 volume. Investor appetite for large-scale transactions has diminished substantially since the beginning of the year with increased financing costs. In the second half of 2021, 186 office sales over $100 million generated a combined $51.2 billion in investment volume; in the second half of 2022, just 59 sales over $100 million closed, equating to $20.2 billion. Price discovery remains a major obstacle to office investors as debt volatility and increased return expectations have driven down values, but tapering of Federal Reserve rate increases will help to stabilize financing markets in 2023 and restore liquidity for office assets.

Atlanta (Buckhead and Midtown)

- Gross leasing activity slowed notably in the fourth quarter as the influx of technology tenants that drove surging activity in Midtown softened significantly in the second half of the year.
- The average lease size fell below 10,000 s.f. in Q4, and there were no leases above 50,000 s.f. signed—a significant shift from a quarter earlier when average lease size was 22,500 s.f. and four leases over 100,000 s.f. were executed.
- Atlanta saw over 1 million s.f. of positive net absorption to close out 2022, led by large move-ins in Midtown, marking a cyclical high in net absorption for the cluster.
- Amid higher tenant improvement packages, urban rents saw strong year-over-year growth at 4.0%, driving overall direct rents to break $42.00 p.s.f.

Office market trends

Gross leasing activity in Buckhead and Midtown grew by roughly 10 percent year-over-year to 2.8 million s.f., but just 288,000 s.f. of space was leased in the fourth quarter as the tech-centric Midtown submarket grappled with the broader slowdown in the sector. Although there was a dip in leasing volume in Q4 compared to prior quarters, 2022's total activity exceeded 2021's total by 175,000 s.f. Several full floor leases and larger subleases were signed in Q4, indicating demand for timely solutions and temporary commitments.

Despite the slowdown in leasing late in the year, Buckhead and Midtown continue to be the beneficiaries of strong expansionary leasing activity in late 2020 and 2021, which continued to take occupancy throughout 2022 and drove 1.2 million s.f. of net absorption, driving all occupancy gains across the metro. Large leases still pending occupancy will drive continued net absorption in 2023, with eight tenants above 25,000 s.f. and two tenants above 200,000 s.f. yet to occupy signed leases.

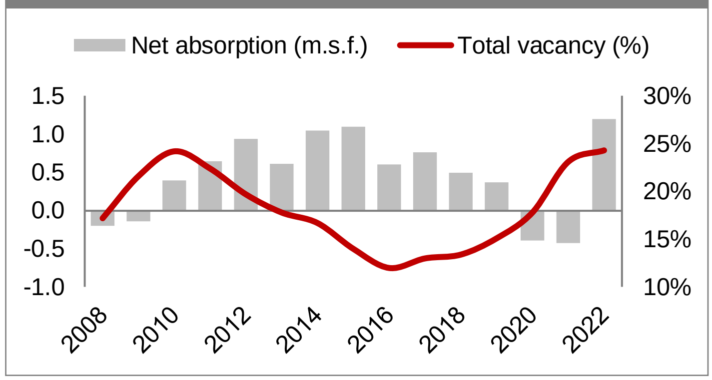
Vacancy rose over 100 basis points since 2021 and remains elevated in Class A and Trophy product, a consequence of large volumes of new construction delivering without lower occupancy in the second half of 2022. The fourth quarter brought one new delivery in Midtown, Westside Paper in West Midtown, totaling over 100,000 s.f. of creative development. Creative office in Atlanta continues to hold its appeal due to unique and highly-amenitized offerings with developers capitalizing on the demand; 13 of 18 projects in the pipeline are creative construction.

Outlook

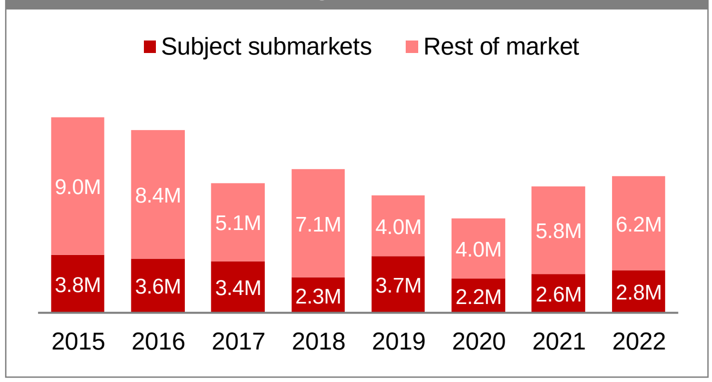
Recently, several big-name tenants have added sublease space, but Atlanta's office market is still accelerating and will remain a favored destination due to the friendly business environment and growing population. While larger deals will likely remain challenged in the first half of the year, transactions at smaller footprints will continue to grow with an increase of spec suite build-outs across the market, which are most commonly in the 2,500-5,000 s.f. size range. With more than 3.0 million s.f. still under construction in Midtown and Buckhead, a prolonged slowdown in leasing activity into 2023 could cause already-elevated vacancy rates to see additional increases.

Overall market statistics		Forecast
2022 net absorption (s.f.)	1,141,641	▲
Under construction (s.f.)	3,423,468	▼
Total vacancy (%)	21.4%	▲
Sublease vacancy (s.f.)	2,274,986	▲
Asking rent ($ p.s.f.)	$33.11	▲
Concessions	Rising	▲

Vacancy has eclipsed GFC levels with recent completions



Buckhead/Midtown leasing recovery continues



Cap rates rise sharply as buyers adjust return expectations

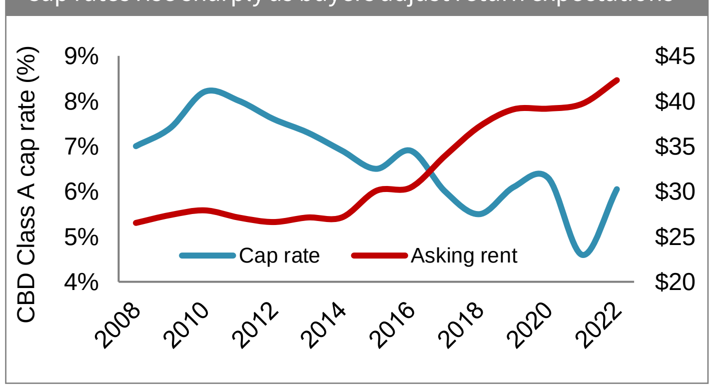


Table refers to overall market, while charts refer to Manulife submarkets

Los Angeles (Downtown)

- With a pull-back from tech and continued economic headwinds, Q4 leasing activity declined, but strong performance in the first three quarters of the year drove Downtown Los Angeles leasing volume to within 10 percent of 2019 volume.
- Sublease availability increased during the quarter, reaching a historical high as users placed additional large blocks on the market.
- The share of smaller transactions under 5,000 s.f. increased, indicating a more positive outlook for smaller users.
- With no new construction projects launched since the last delivery in 2021 and occupancy losses moderating, the CBD submarket is expected to see vacancy rates peak in 2023.
- Though leasing activity has been relatively resilient, occupancy loss in Downtown continues while Century City has seen absorption trend positive.

Overall market statistics		Forecast
2022 net absorption (s.f.)	-2,437,530	▼
Under construction (s.f.)	2,899,000	▼
Total vacancy (%)	22.5%	▶
Sublease vacancy (s.f.)	4,997,607	▶
Asking rent ($ p.s.f.)	$46.32	▶
Concessions	Stable	▶

Office market trends

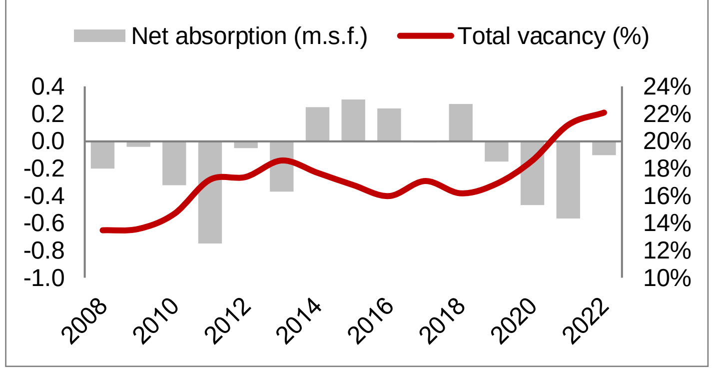
Amidst a backdrop of economic headwinds, difficulties in bringing employees back into the office and a tech sector pull-back, Los Angeles tenants opted to put additional space on the market. This led to record-high vacancy at the end of Q4 of 22.1%. Though Downtown Los Angeles has extremely small amounts of newly-constructed product at less than 1.0 percent of inventory, flight-to-quality is nevertheless evident with Class A and Trophy product stabilizing over the past three quarters and comprising roughly 50,000 s.f. of occupancy gain.

Sublease availabilities rose moderately by 52,000 s.f., leading to a 10-basis point increase to 1.3 percent sublease vacancy, but remains below pandemic peaks of 1.6 percent as Downtown has been relatively insulated from the volatility of the technology industry with just 6 percent of tenancy comprised by technology. The diversified industry mix of Downtown has injected some stability to the market in recent quarters, but a lack of high-quality trophy and newly-constructed office space has driven some tenants to relocate into Century City. Since 2020, Downtown LA has lost 1.6 million s.f. of office occupancy, while Century City has lost just 800,000 s.f. and has trended positively for three consecutive quarters.

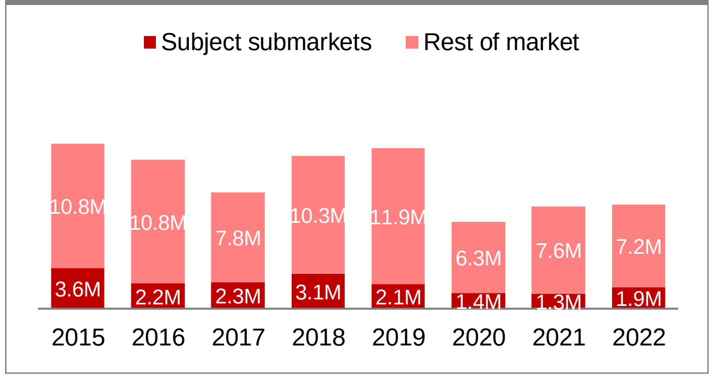
Outlook

Lingering economic uncertainties and expected tech layoffs in early 2023 could further slow the LA office recovery. Despite this, amenity-rich locations with spaces that foster collaboration will continue to garner strong interest as companies seek to optimize hybrid work policies that also encourage employees to spend time in the office. Although flight-to-quality will remain in focus, tenants will have few options in the CBD submarket with no new deliveries in 2022 and no projects currently under construction—potentially continuing to drive migration into Century City. Rising cost of capital and an anemic leasing environment could lead to some distressed properties to transfer to lenders that have been in delinquency or special servicing.

CBD vacancy continues to rise



Leasing activity continues to be slow in CBD



Cap rates under upward pressure amid rate hikes

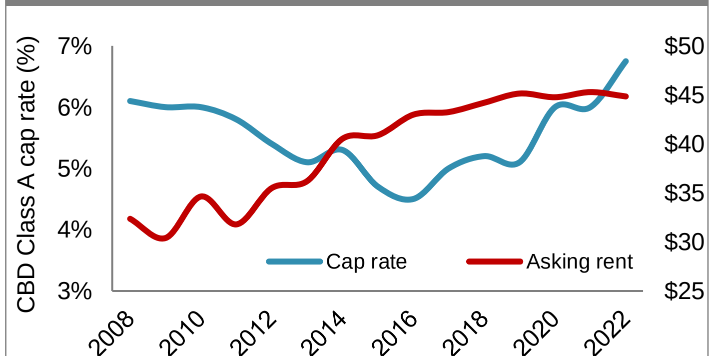


Table refers to overall market, while charts refer to Manulife submarkets

New Jersey (Hudson Waterfront and the Meadowlands)

- A combination of decelerating demand and additional sublease availabilities exerted upward pressures on the market's vacancy rate.
- More than 60% of office transactions signed in 2022 involved new leases as tenants pursued flight-to-quality opportunities.
- The Waterfront average asking Class A rental rate for direct space was just below $45.70 ps.f. at year-end 2022. This submarket housed the highest asking Class A rental rate in the Northern and Central New Jersey office market.
- After an uptick in leasing velocity led to 11,500 s.f. being absorbed in the Meadowlands submarket during Q3, this gain was eroded by approximately 19,350 s.f. of negative net absorption three months later.

Office market trends

After diminished demand and additional availabilities boosted the Hudson Waterfront Class A overall vacancy rate to nearly 26% in Q3, a slight uptick in leasing activity pulled the vacancy rate down to 25.5% at year-end 2022. This was approximately two percentage points less than the state's Class A vacancy rate. The lower Waterfront Class A vacancy rate was fueled by 47,900 s.f. of positive net absorption, which ended three consecutive quarters of negative absorption figures. The Meadowlands saw essentially flat net absorption in 2022, with Q4 negating positive absorption from earlier in the year, and most negative absorption attributed to additional availabilities in the Meadowlands Class B market, where the vacancy rate climbed from less than 23% in Q3 to 24.4%.

Several large direct leases and subleases exerted downward pressures on the Waterfront Class A vacancy rate, but the market continued to be overshadowed by new sublease spaces. Notable blocks included 131,890 s.f. from AXA Equitable Life Insurance at 525 Washington Blvd in Jersey City, and 115,740 s.f. from Verisk Analytics at 545 Washington Blvd. With 928,820 s.f. of sublease space, the Waterfront maintained the largest supply of Class A sublease space in Northern New Jersey.

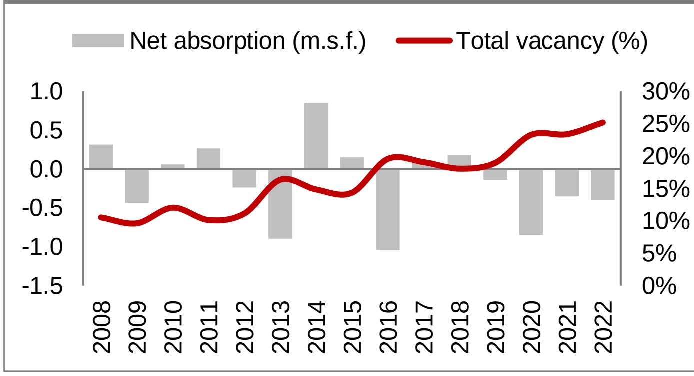
The Waterfront investment sales arena was active during the past year as Veris Residential (formerly Mack-Cali) began divesting its office portfolio, which is creating opportunities for a new pool of owners to enter this market.

Outlook

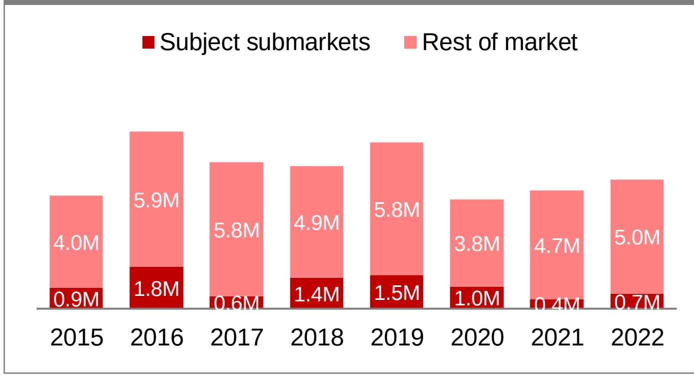
Despite the limited leasing volume seen in Northern and Central New Jersey during the past year, office occupiers are expected to continue pursuing real estate strategies involving new leases versus signing renewals. In 2022, approximately 62% of transactions greater than 10,000 s.f. consisted of new leases, compared to just over 50% of deals during the past two years. As companies look to spur their return-to-office efforts, they will increasingly focus on relocating their operations to higher-end buildings offering premium amenities.

Overall market statistics		Forecast
2022 net absorption (s.f.)	-161,218	▶
Under construction (s.f.)	234,318	▶
Total vacancy (%)	24.5%	▶
Sublease vacancy (s.f.)	7,882,316	▲
Asking rent ($ p.s.f.)	$29.49	▲
Concessions	Rising	▲

Hudson Waterfront vacancy stalled at 25.2%



Leasing accelerating with 2022 volume surpassing 2021



Class A rent growth beginning to plateau

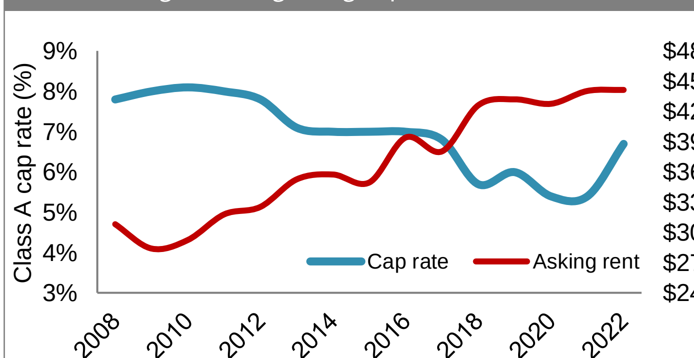


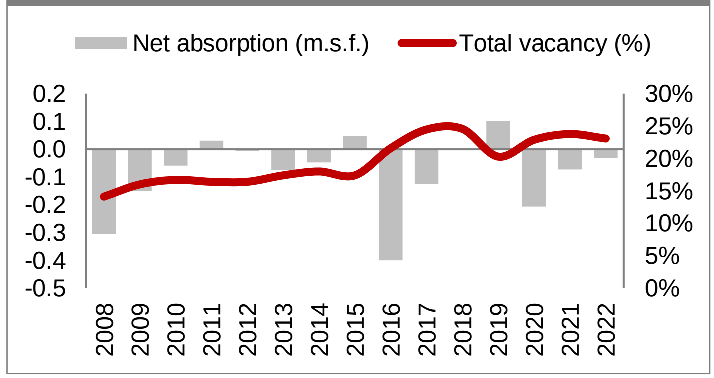
Table refers to overall market, while charts refer to Manulife submarkets

Northern Virginia (Fairfax Center and Fairfax City)

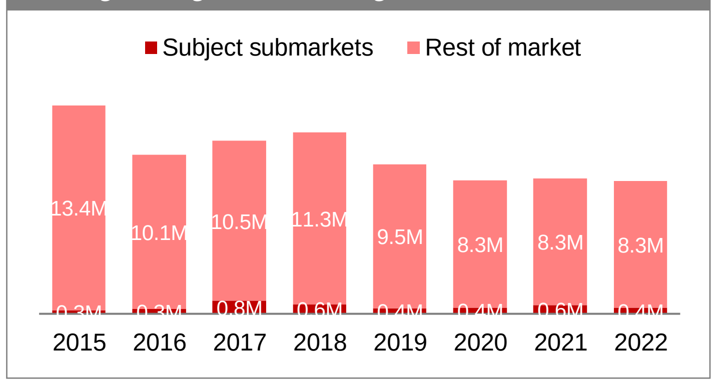
- Fairfax experienced 30,000 s.f. of total occupancy loss in 2022 as Q4 negative net absorption negated occupancy gains over the course of the year; vacancy fell moderately by 70 basis points to 23.1%.
- Asking rents in Fairfax continue to increase moderately over the course of the pandemic, with the average direct asking rent rising 7.0% since 2019.
- Development activity remains quiet in Fairfax, with nothing in the pipeline and no new deliveries since 2017, which has helped maintain steady vacancy rates after a moderate increase from 2019-2021.
- Contrary to national trends, Fairfax's concentration of countercyclical industries drove a decrease in sublease space year-over-year, with nearly 50,000 s.f. of sublease absorption driving sublease vacancy rates down 70 basis points and back below 1 percent.

Overall market statistics		Forecast
2022 net absorption (s.f.)	-530,893	▲
Under construction (s.f.)	3,993,913	▼
Total vacancy (%)	21.8%	▼
Sublease vacancy (s.f.)	2,190,442	▲
Asking rent ($ p.s.f.)	$36.52	►
Concessions	Rising	▲

Occupancy loss continues to decelerate in 2022



Leasing slowing in Northern Virginia



Class A cap rates have had little movement this cycle

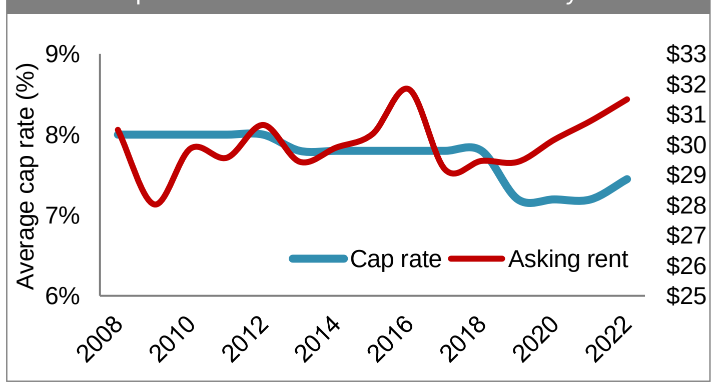


Table refers to overall market, while charts refer to Manulife submarkets

Office market trends

Occupancy losses in Fairfax stabilized in 2022, with positive net absorption in the first three quarters of the year which trended just slightly negative by year-end amid downsizing activity. A countercyclical industry composition and nonexistent construction pipeline for nearly five years have driven relatively stable conditions. While leasing activity remains subdued, the submarket never saw sharp declines in leasing volume, and vacancy rates have increased just 280 basis points since 2019, well below the U.S. average.

Leasing activity was subdued in Fairfax during the fourth quarter at less than 50,000 s.f., despite surging leasing volumes market-wide in Northern Virginia as a result of USPTO's 1.6 million s.f. consolidation in Alexandria, which was the largest lease in the U.S. in 2022. The Class A market continues to capture the majority of leasing demand, with over 60 percent of Fairfax leasing volume in 2022 occurring in this segment, mirroring the larger trend nationally of high-quality offices outperforming. Though relocations have been relatively scarce in Fairfax, Class A assets are experiencing higher renewal rates and steadier occupancy. However, as flight-to-quality and relocation activity intensifies, the absence of trophy product and new construction may drive tenants to consider higher-quality space options in competing submarkets.

Outlook

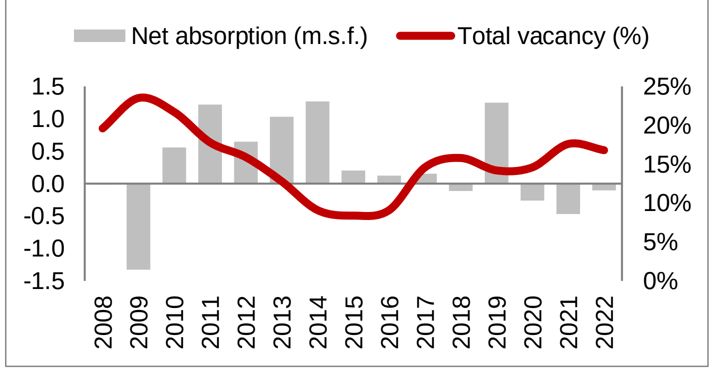
Northern Virginia has one of the largest concentrations of the Aerospace industry nationally, a sector that has expanded its office footprint by 10 percent throughout the pandemic. Northern Virginia's economy and office market remain heavily dependent on the nation's Defense budget, and while contract awards are up significantly year-over-year, absorption remains negative, ending a 20-year correlation. This trend is expected to continue into next year as leasing remains subdued, particularly large-block leasing. Of the activity that does occur, the "demand corridor," stretching from Old Town through National Landing and RB Corridor, out to Tysons and the Toll Road, is expected to capture a disproportionate share of demand.

Orange County (Irvine)

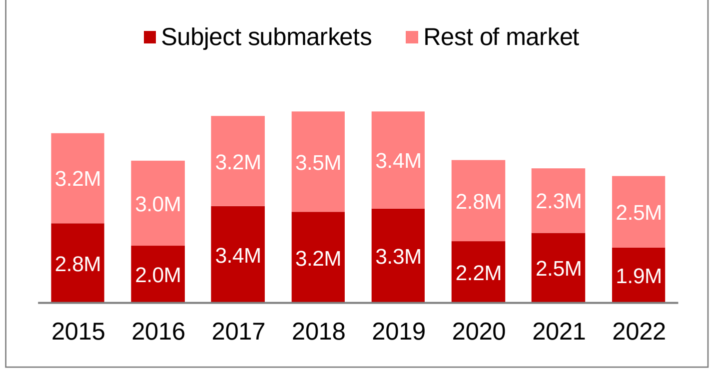
- Over 150,000 s.f. of positive net absorption gave way to steep occupancy losses in the second half of the year as technology companies began to cut space, driving 267,000 s.f. of negative net absorption in the second half of the year.
- Sublease availability continues to increase as several technology tenants started to readjust their footprints and add space to the market. Sublease listings are primarily coming from aging Class A, or Class B and C product.
- Notable large leases were inked in creative office products, including Spectrum Terrace and The Flight. Creative office product continues to defy overall market trends and see occupancy growth even amid rising sublease space.
- Orange County's nonfarm employment has fully recovered to pre-pandemic levels since October.

Overall market statistics		Forecast
2022 net absorption (s.f.)	-1,025,468	▲
Under construction (s.f.)	313,893	▼
Total vacancy (%)	16.5%	▲
Sublease vacancy (s.f.)	2,123,275	▲
Asking rent ($ p.s.f.)	$33.72	▼
Concessions	Rising	▲

Occupancy loss remains less severe than other submarkets



Leasing recovery has decelerated in Irvine



Asking rates continue to decline

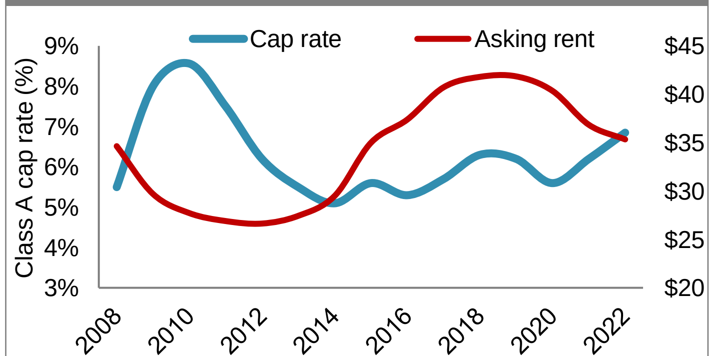


Table refers to overall market, while charts refer to Manulife submarkets

Office market trends

In the ending quarter of 2022, Orange County leasing volume recorded a positive 2% change quarter-over-quarter but leasing in Irvine fell in the second half of the year with technology tenants slowing, driving year-end leasing declining to a ten-year low of under 2 million s.f. Total sublease availability kept increasing in Q4 but at a much slower pace compared to the prior two quarters, 3.4% up quarter-over-quarter. More than half of the additional sublease space came from tech tenants this time around, which is a shift from Q2 and Q3 when financial and mortgage companies contributed to most of the subleases. The increase in sublease space accelerated through the end of the year and led to 109,000 s.f. of negative net absorption.

Creative office space in Orange County has recorded continuous decline in vacancy in the past three years. Even in the midst of broader occupancy loss, creative product continued to see positive net absorption in the second half of the year, totaling 200,000 s.f. by year-end. The largest lease of Q4 was inked in one of the newly delivered Spectrum Terrace Phase 3 buildings by a FAANG tenant, followed by over 100,000 s.f. in The Flight, leased by tenants in retail and professional and business services during the quarter. Another iconic creative office product in Orange County, the Innovation Office Park Phase 1, which was constructed and delivered during COVID, has reached 80% occupancy by the end of 2022. Tenants' preference for creative office space in Orange County indicates the demand is still strong, especially for quality and flexible space that encourages collaboration.

Outlook

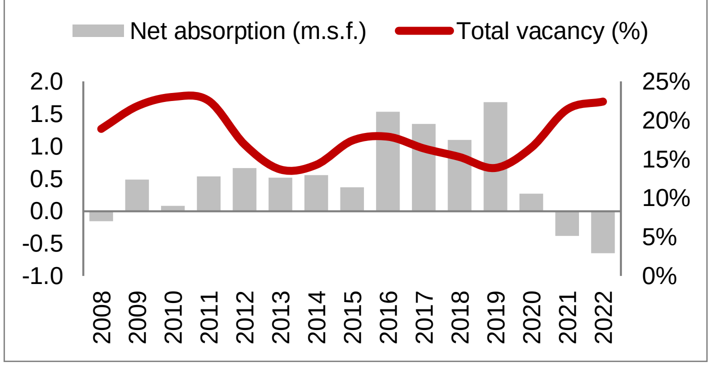
Since Q4, more local companies are requiring consistent office attendance, which might help stabilize demand. Moreover, Orange County's job market has fully recovered to the pre-pandemic level since October. 20,200 payrolls have been added in office-using industries in October and November. These should help counter additional market headwinds in 2023.

Phoenix (Tempe and Chandler)

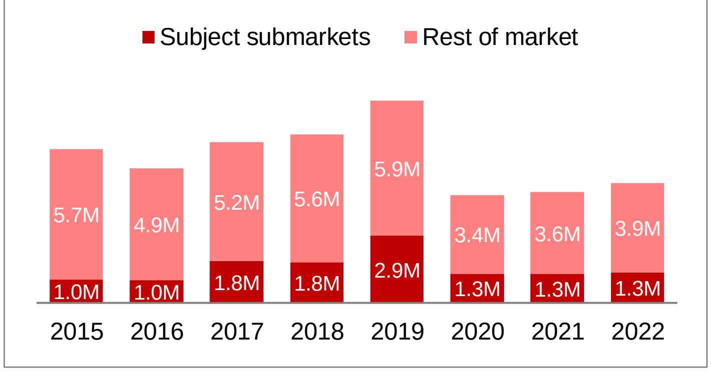
- Overall vacancy rates rose 100 basis points since the end of 2021, primarily attributable to large sublessors that vacated their spaces in the final quarter of the year.
- Total sublease availability climbed to a record 6.75 million s.f. market-wide and made up 23.6% of all available spaces on the market. With heightened technology concentration, Tempe comprises the largest volume of sublease space across the metro.
- Gross leasing activity amounted to 1.3 million s.f. in 2022, consistent with the past two years but still failing to come near the 2.9 million s.f. that was leased in 2019 during a surge in technology leasing in Tempe.
- The construction pipeline continues to moderate, providing welcome relief to landlords in one of the most development-intensive office markets over the past decade.

Overall market statistics		Forecast
2022 net absorption (s.f.)	-1,896,655	▼
Under construction (s.f.)	382,272	▼
Total vacancy (%)	23.1%	▲
Sublease vacancy (s.f.)	5,165,600	▲
Asking rent ($ p.s.f.)	$29.66	▶
Concessions	Rising	▲

Vacancy is up, but mostly from new supply delivering



Leasing remains limited after surge in 2019



Rents recovered in 2022 but remain below pre-pandemic

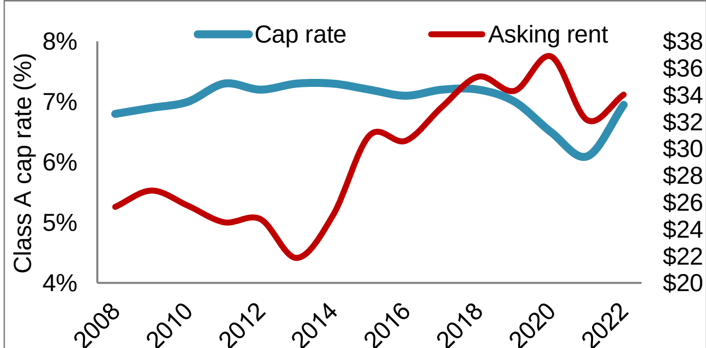


Table refers to overall market, while charts refer to Manulife submarkets

Office market trends

Significant influxes of sublease space in the Tempe and Chandler submarkets caused fundamentals to unwind somewhat in 2023 despite continued strong performance in direct space. Despite 650,000 s.f. of occupancy loss occurring over the course of the year, almost 1 million s.f. of sublease space was vacated, while direct space saw 330,000 s.f. of occupancy gain.

Contrary to national trends, much of Tempe and Chandler's sublease additions in 2022 came from tenants who had been expanding throughout the pandemic and leased offices in Phoenix more recently, and roughly 80 percent of new sublease additions came in offices that were built in 2015 or later.

Leasing volumes remain relatively steady in Tempe and Chandler, but slowed throughout the year, with second half volume declining 2.7 percent against the first half. As expansion from technology tenants has cooled, Tempe and Chandler's share of gross leasing activity metro-wide is beginning to decline: after comprising nearly one-third of the market's leasing activity in 2019, Tempe and Chandler made up just 25.4 percent of Q4 leasing activity in Phoenix.

Outlook

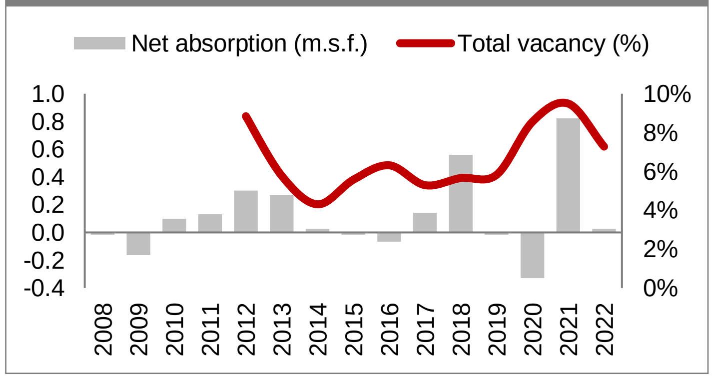
The Phoenix metro continues to lead in population growth across the nation and has seen an increase of more than 86,000 jobs within the past year. Although Phoenix's economic fundamentals remain strong, elevated inflation paired with the Fed's quantitative tightening and interest rate hikes remain as potential threats for future economic growth which may hinder demand for office space as expansions slow and users downsize to cut costs. A continued divergence in absorption and rental rates between new supply and older product is expected as users continue to show a preference for high-quality spaces.

Portland (Sunset Corridor)

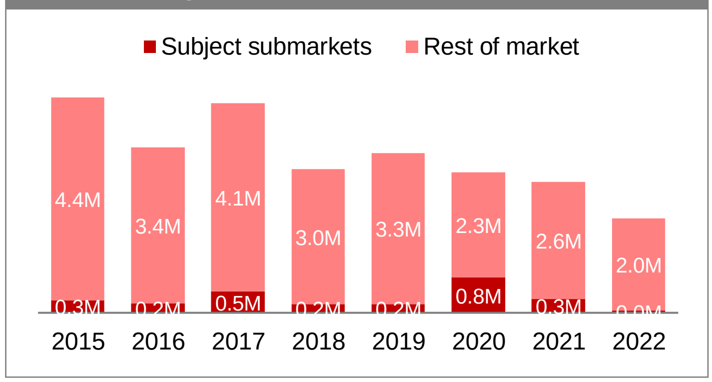
- Leasing activity was nonexistent in the Sunset Corridor during 2022 with under 50,000 s.f. signed throughout the year, but vacancies remain limited at under and largely unchanged year-over-year at under 1 million s.f.
- Vacancies are trending downwards in the owner-occupied-dominant submarket, in stark contrast to the broader metro, where vacancies increased by more than 100 basis points throughout the year. Declines in direct vacancy rates have been somewhat offset by a slight uptick in sublease listings at year-end, but sublease availabilities are more prominent in other Portland submarkets.
- The market saw sublease availabilities grow nearly threefold in the third quarter, but additions slowed in Q4, amounting to about 80,000 s.f. of new sublease space in the second half, contributing to 50 basis points higher sublease vacancy.

Overall market statistics		Forecast
2022 net absorption (s.f.)	-1,237,176	▼
Under construction (s.f.)	385,042	▼
Total vacancy (%)	17.2%	▲
Sublease vacancy (s.f.)	1,476,166	▲
Asking rent ($ p.s.f.)	$33.69	▼
Concessions	Stable	▶

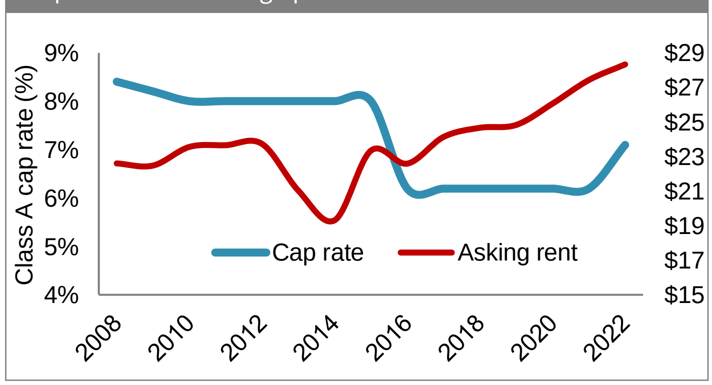
Vacancies falling amid owner-occupied deliveries



Limited leasing due to owner-user presence



Cap rates are trending upwards



Office market trends

Low physical occupancy levels continue to depress Portland's office market, with placer.ai reporting 2022 occupancy levels hovering between 40-50% of 2019's levels. Limited leasing activity and tenant downsizings, particularly in the tech industry, resulted in the third year in a row of negative absorption greater than 1 million s.f., but the Sunset Corridor continues to resist downsizings, with its second consecutive year of positive net absorption, albeit by just 28,000 s.f. in 2022. Limited sublease additions have helped stabilize the submarket despite large-scale additions elsewhere in the metro—sublease vacancy rates remain unchanged from a year ago, and leases taking occupancy during the year drove overall vacancy rates down 220 basis points to 7.3 percent.

Flight-to-quality is evident in the Sunset Corridor despite just one delivery of 85,000 s.f. in 2022 and no projects currently under construction. While leasing is limited due to large shares of owner-occupied product, the Class A market in Sunset Corridor is even tighter than the overall market, with vacancy rates of just 4.1 percent, and there are no vacant spaces in the entire submarket that were built in 2015 or later. Limited options for tenants seeking high-quality space will continue to depress leasing activity, and the prospects of a new speculative project are diminishing with rising construction and capital costs.

Outlook

Despite the uphill battle for the office market and increasing economic headwinds, the Portland economy continues to perform well. Employment levels have fully recovered from the pandemic with a 4.2% increase in total nonfarm employment year-over-year and the unemployment rate has decreased by 30 bps to 3.9%. Office re-entry rates and downtown activity levels continue to increase incrementally as employers encourage or require more workers to return to the office, which should also bring more activity to corporate-owned campuses and prevent further sublease additions.

Sacramento (overall)

- Sacramento has realized over 1.8 million s.f. of negative absorption in the last 8 quarters, equating to a 2.8% increase in vacancy. The State of California has accounted for nearly 30% of the negative absorption.
- Continued downsize activity, led by the State of California, is driving negative absorption across the market despite a conservative new construction pipeline and resilient leasing activity compared to other markets.
- The flight-to-quality trend continued to gain momentum in 2022. Leasing in Class A product grew 32% year-over-year.
- Sublease vacancy remains well above pre-pandemic levels, ending the year at roughly 710,000 s.f. The countercyclical industry composition has insulated Sacramento from the recent influx of sublease additions compared to other California markets.

Office market trends

Sacramento's office market realized 850,000 s.f. of negative absorption throughout the course of 2022 marking the second lowest annual absorption in market history. 2021 annual absorption marked the lowest at roughly -975,000 s.f. Over the last 8 quarters the region has seen occupancy losses totaling more than 1.8 million s.f., equating to a 2.8% increase in vacancy. This comes as no surprise given increased work-from-home policies, occupier rightsizing efforts and ongoing economic headwinds. The State of California has also significantly influenced rising vacancy, accounting for nearly 30% of negative absorption since 2021. Despite these external factors, market rents have largely held steady during this time.

Tracked leasing activity in 2022 amounted to 2.3 million s.f. which falls roughly 16% below last year's volume. New deal activity has increased 4% year-over-year while renewals have fallen over 40%, a sign that occupiers are beginning to shift their focus towards long-term planning. Moreover, flight-to-quality appears to be gaining momentum as a growing trend in the region. Class A leasing has grown 32% year-over-year while Class B leasing has fallen nearly 50%. Additionally, new deal activity in Class A product has grown by 50% since 2021.

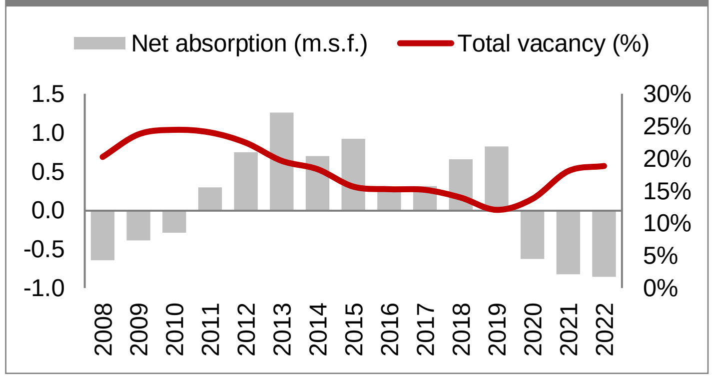
Sublease vacancy remains in flux and has yet to decline since it first shot up in 2020. An additional 38,000 s.f. was made available for sublease in Q4, however overall sublease vacancy has fallen 4.5% throughout 2022, sitting just under 710,000 s.f. This remains well above pre-pandemic levels. Sublease asking rents have fallen roughly $0.10 p.s.f. over the course of the year as sublessors attempt to capture activity.

Outlook

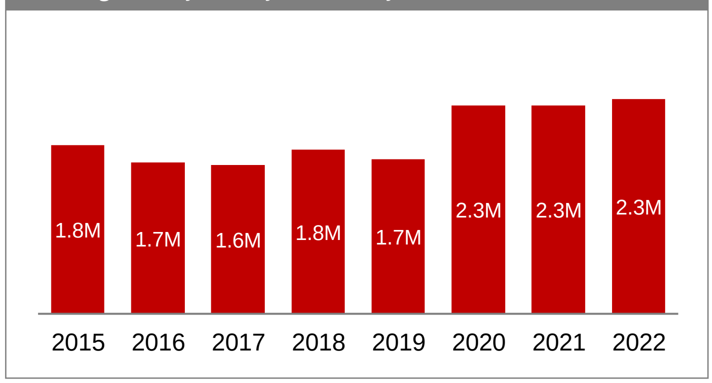
Rising interest rates paired with ongoing economic uncertainty will likely suppress overall real estate activity at the start of the new year. Vacancy rates are expected to increase slightly in the first half of the year before stabilizing later in the year. A complete absence of new construction will help fundamentals stabilize as demand from returning tenants grows.

Overall market statistics		Forecast
2022 net absorption (s.f.)	-854,465	▼
Under construction (s.f.)	0	▶
Total vacancy (%)	18.9%	▲
Sublease vacancy (s.f.)	709,661	▶
Asking rent ($ p.s.f.)	$27.00	▶
Concessions	Stable	▶

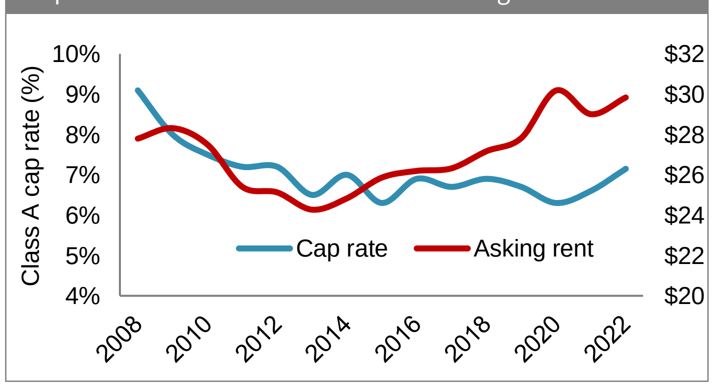
Little new supply is keeping vacancy in check



Leasing activity steady in recent years



Cap rate increases moderate relative to larger markets



All data refers to overall market

Washington, D.C. (CBD)

- DC saw 599,000 s.f. of occupancy loss this quarter, which is the second-lowest quarterly absorption since the start of the pandemic. The CBD saw negative net absorption slow substantially in 2022, with just 300,000 s.f. of occupancy loss compared to 2021's 1.2 m.s.f.
- Leasing activity held steady this quarter with 300,000 s.f. of deals signed, despite a reduction in large-block lease volume.
- Relocations accounted for 43% of volume, which is the highest share of activity since the start of the pandemic. More tenants are opting to relocate, and frequently to smaller but higher-quality spaces.

Overall market statistics		Forecast
2022 net absorption (s.f.)	-964,000	▼
Under construction (s.f.)	871,000	▼
Total vacancy (%)	18.9%	▲
Sublease vacancy (s.f.)	3,392,000	▲
Asking rent ($ p.s.f.)	$57.67	▶
Concessions	Stable	▶

Office market trends

The countercyclical nature of the federal government-dominated DC office market is becoming more evident in recent quarters, as fundamentals were notably more stable in the second half of 2022 than other gateway markets.

As both private sector tenants and the federal government continue to downsize office portfolios, net absorption was negative for the 14th consecutive quarter, but occupancy loss is plateauing and only moderately exceeded 2019 levels when GSA downsizing strategies were already in progress.

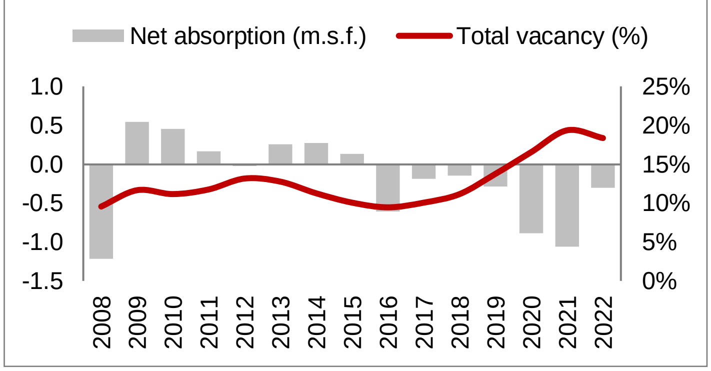
Leasing activity was steady throughout the year in the CBD, with Q4 volume of 485,000 s.f. of leasing slightly higher than the quarterly average for 2022. Leasing activity continues to be dominated by relocations—rather than renewing in-place leases, tenants are often relocating into higher-quality offices at higher rental rates, but also downsizing footprints.

The 334,000-s.f. 1700 M St NW remains the only office asset under construction in the CBD, which will deliver in 2024 and is currently 44.7 percent available. Considering several proposed and in-progress conversion projects which will remove older stock from the office inventory, DC's CBD office inventory is likely to decline over the next two years, helping to place a critical ceiling on vacancy rates.

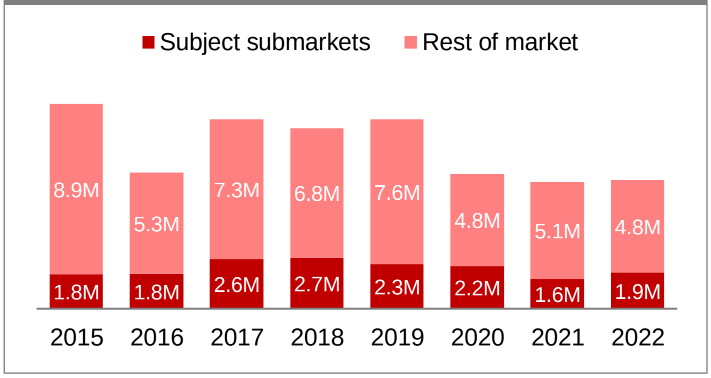
Outlook

The gap between the top and bottom of the office market will continue to widen in 2023, driven in part by law firms' propensity to lease best-in-class space and subdued demand from more price-conscious users such as nonprofits and federal agencies. Trophy assets are expected to continue achieving healthy levels of absorption. With only one new Trophy building under construction in DC, supply will remain constrained. DC faces an oversupply of Class B and C office space, as evidenced by 37% vacancy rates for Class B/C buildings and -1.5 million s.f. net absorption for B/C space in 2022. Planned office conversions should ease some of this over-supply. There are 14 office buildings in DC slated for conversion, and local government is actively advocating continued conversions. If these buildings all convert, 2.8 million s.f. of space will be removed from the office inventory, which would reduce overall vacancy to 16.7%.

Negative net absorption is decelerating rapidly



Leasing activity relatively stable in 2022



Class A cap rates begin rising amid interest rate increases

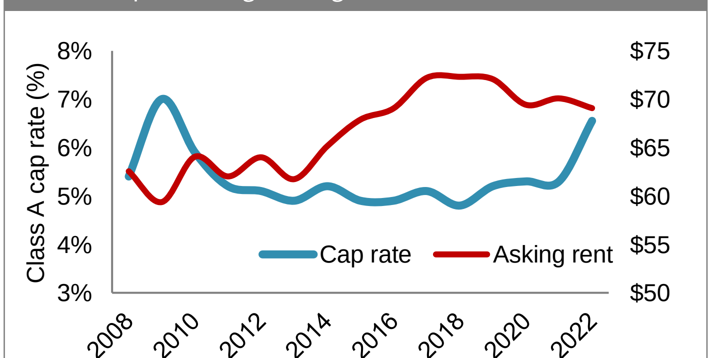
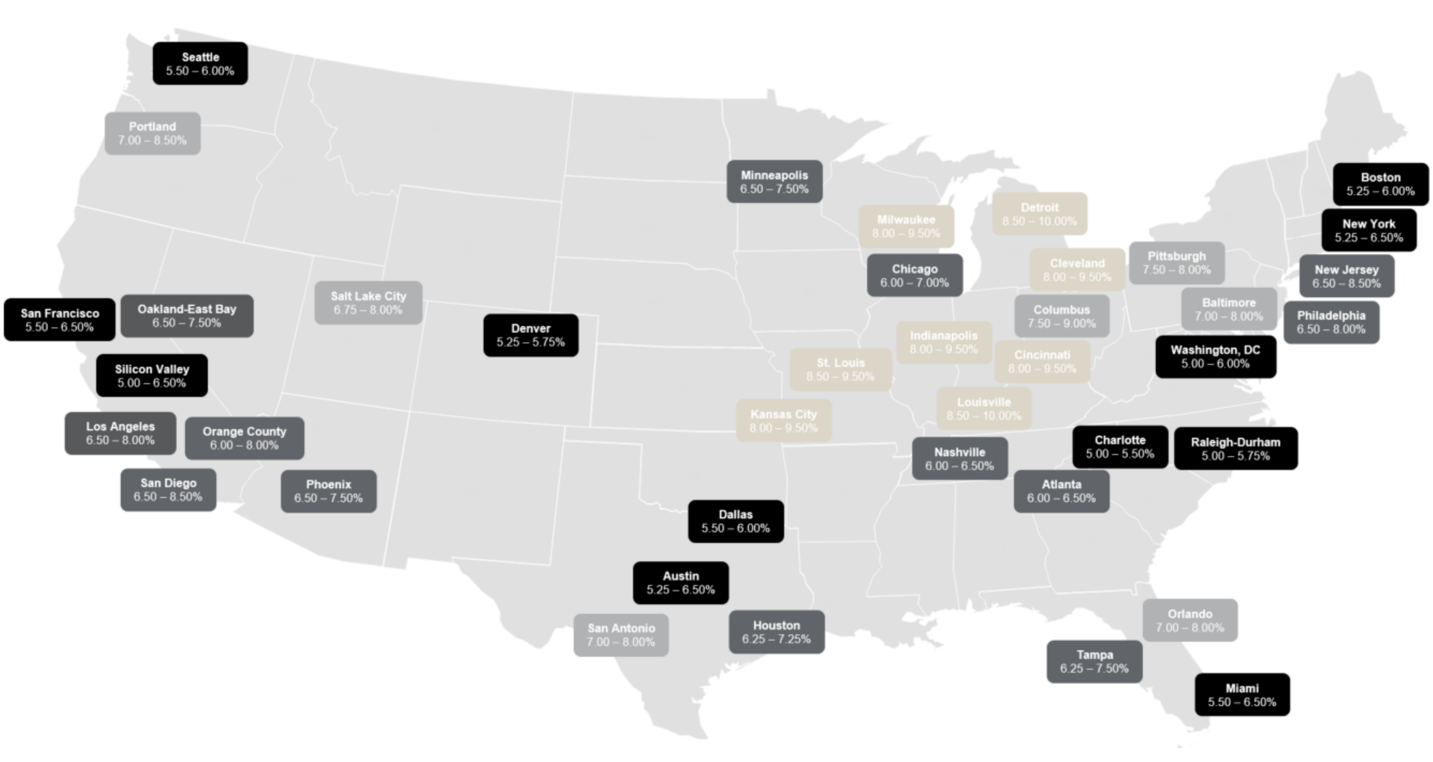


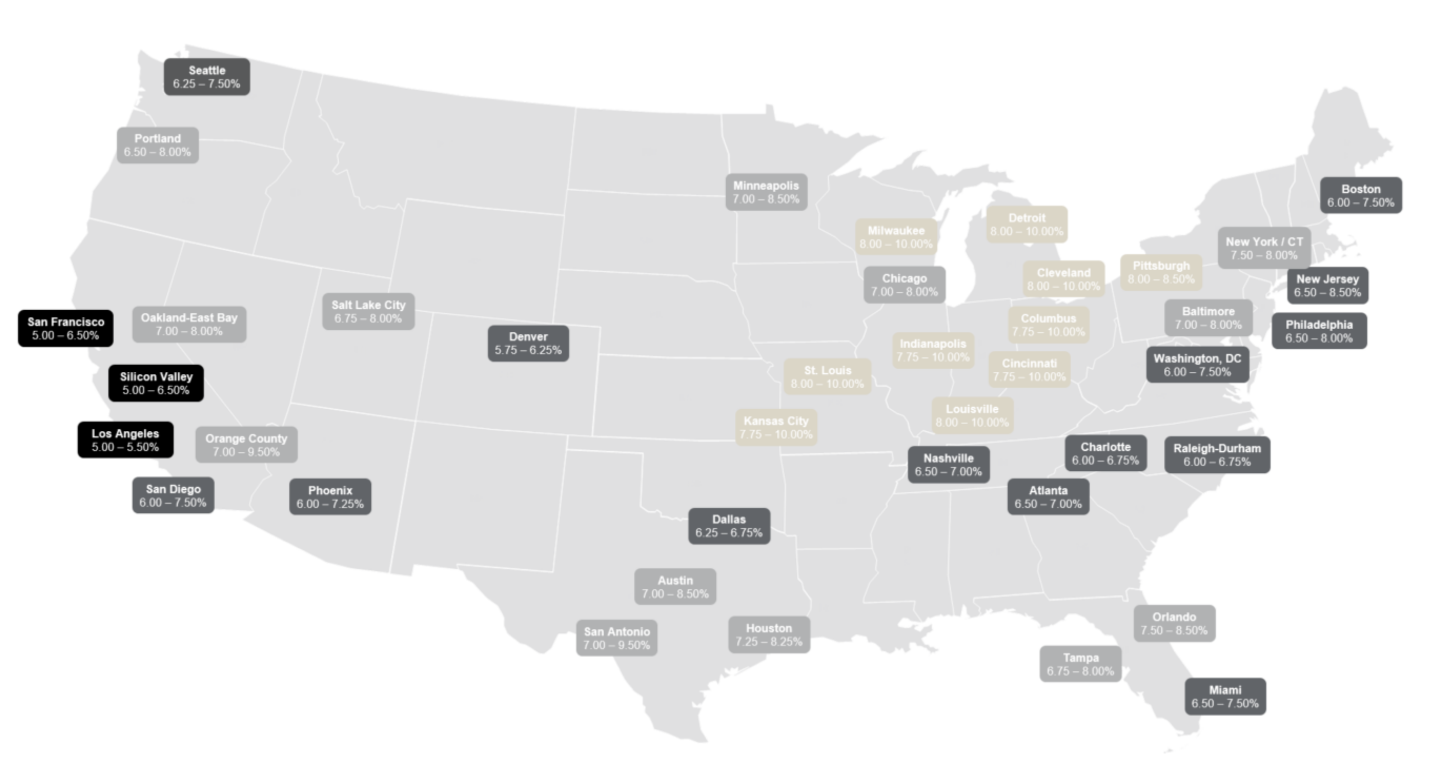
Table refers to overall market, while charts refer to Manulife submarkets

Cap rates by market

CBD Class A cap rates by market



Suburban Class A cap rates by market



Subject market data

Leasing Activity (H2 2022, over 20,000 s.f.)

Tenant	Market	Submarket	Address	Class	Lease type	Size (s.f.)
Truist	Atlanta	Buckhead	3333 Peachtree Rd NE	A	Renewal	220,065
JP Morgan Chase & Company	Atlanta	Buckhead	3424 Peachtree Rd NE	A	Expansion	46,632
Lockton Companies	Atlanta	Buckhead	3280 Peachtree Rd NE	Trophy	Renewal	37,938
Unknown	Atlanta	Buckhead	3424 Peachtree Rd NE	A	New Lease	23,316
AT&T	Atlanta	Midtown	754 Peachtree St NE	A	Renewal	259,738
Anduril Industries	Atlanta	Midtown	1435 Hills Pl NW	A	New Lease	140,000
Nelson Mullins	Atlanta	Midtown	201 17th St NW	A	Renewal	103,156
McKinsey & Company	Atlanta	Midtown	1331 Spring St	Trophy	New Lease	57,638
Anduril Industries	Atlanta	Midtown	1401 Hills Pl NW	A	New Lease	40,000
McGuireWoods	Atlanta	Midtown	1075 Peachtree St NE	Trophy	New Lease	34,053
Sirius XM Radio	Atlanta	Midtown	730 Peachtree St NE	A	New Lease	30,245
FTI Consulting	Atlanta	Midtown	1201 W Peachtree St NW	Trophy	New Lease	23,137
Cadence Bank	Atlanta	Midtown	999 Peachtree St NE	A	New Lease	23,000
Gensler	Atlanta	Midtown	999 Peachtree St NE	A	Renewal	22,486
McKinsey & Company	Atlanta	Midtown	1358-1362 Collier Rd	B	Relocation	20,242
Trophy Automotive Dealer Group	Los Angeles	CBD	2100 S Figueroa St	C	New Lease	135,000
Morrison & Foerster	Los Angeles	CBD	707 Wilshire Blvd	A	Renewal	57,890
Mayer Brown	Los Angeles	CBD	333 S Grand Ave	Trophy	New Lease	54,018
Musick, Peeler & Garrett LLP	Los Angeles	CBD	333 S Hope St	Trophy	New Lease	52,966
Alston & Bird	Los Angeles	CBD	350 S Grand Ave	Trophy	Relocation	47,567
King & Spalding	Los Angeles	CBD	633 W 5th St	Trophy	Renewal	36,544
Lucas Museum of Narrative Art	Los Angeles	CBD	700 S Flower St	A	Renewal	25,379
Saiful Bouquet	Los Angeles	CBD	725 S Figueroa St	Trophy	New Lease	25,315
Lincoln International	Los Angeles	CBD	633 W 5th St	Trophy	Expansion	25,000
Gunderson Dettmer LLP	Los Angeles	CBD	635 Mateo St	B	New Lease	24,567
Nestlé Health Science	New Jersey	Hudson Waterfront	121 River St	A	New Lease	41,453
PennyMac Financial Services	New Jersey	Hudson Waterfront	480 Washington Blvd	A	Renewal	24,752
National Retail Systems Inc	New Jersey	Meadowlands	125 Chubb Ave	A	Renewal	29,766
Boeing Company	Northern Virginia	Fairfax Center	12701 Fair Lakes Cir	A	Renewal	165,029
First Foundation	Orange County	Irvine	18101 Von Karman Ave	A	Renewal	72,427
TriMark Paygal	Orange County	Irvine	210 Commerce	B	Renewal	46,526
Golden State Foods	Orange County	Irvine	18301 Von Karman Ave	A	Renewal	41,949
Alleviate Financial	Orange County	Irvine	2600 Michelson Dr	A	New Lease	34,919
Amerihome Mortgage	Orange County	Irvine	17885 Von Karman Ave	A	Renewal	27,388
Orrick Herrington & Sutcliffe LLP	Orange County	Irvine	2050 Main St	A	Renewal	24,204
WeWork	Orange County	Irvine	2211 Michelson Dr	A	New Lease	23,762
Leighton Group Inc	Orange County	Irvine	2600 Michelson Dr	A	New Lease	20,024
Apple, Inc.	Orange County	Irvine Spectrum	17900 Laguna Canyon Rd	A	New Lease	115,290
Fuscoe Engineering	Orange County	Irvine Spectrum	15535 Sand Canyon Ave	B	New Lease	26,563
Acra Lending	Orange County	Irvine Spectrum	3 Ada	B	New Lease	24,360
Merrill Lynch	Orange County	Irvine Spectrum	100 Spectrum Center Dr	A	Renewal	24,259
CalAmp Corp.	Orange County	Irvine Spectrum	15635 Alton Pkwy	B	Renewal	22,903
CalerieHealth	Orange County	Irvine Spectrum	200 Spectrum Center Dr	A	New Lease	22,150
Ossur North America	Orange County	Irvine Spectrum	200 Spectrum Center Dr	A	New Lease	22,089
Walgreens	Phoenix	Chandler	2225 S Price Rd	B	Renewal	66,756
Raley's	Phoenix	Chandler	2650 W Geronimo Pl	B	New Lease	59,337
Northrop Grumman	Phoenix	Chandler	1700 S Price Rd	A	New to Market	55,429
Achen Gardner	Phoenix	Chandler	2195 W Chandler Blvd	B	New Lease	24,981
CampusLogic	Phoenix	Chandler	1340 S Spectrum Blvd	A	New Lease	24,093
Applied Materials	Phoenix	South Tempe	2030 E Asu Cir	B	Expansion	25,457
American Airlines Inc	Phoenix	Tempe	2021 W Rio Salado Pkwy	B	Renewal	147,673
McKinsey & Company	Phoenix	Tempe	222 S Mill Ave	Trophy	New Lease	66,118
American Airlines Inc	Phoenix	Tempe	2021 W Rio Salado Pkwy	B	Renewal	56,389
CDW	Phoenix	Tempe	40 E Rio Salado Pkwy	Trophy	New Lease	27,959
CA Health and Human Services	Sacramento	CBD	1215 O St	A	New Lease	120,000
CA Dept. of State Hospitals	Sacramento	CBD	1215 O St	A	New Lease	120,000
CA Dept. of Developmental Services	Sacramento	CBD	1215 O St	A	New Lease	120,000
Department of Insurance	Sacramento	CBD	300 Capitol Mall	A	Renewal	78,000
HCL Technologies	Sacramento	CBD	621 Capitol Mall	A	New Lease	20,829
Blue Shield of California	Sacramento	El Dorado Hills	4205 Town Center Blvd	A	New Lease	72,000
Blue Shield of California	Sacramento	El Dorado Hills	4203 Town Center Blvd	A	New Lease	52,000
PATRA	Sacramento	El Dorado Hills	4207 Town Center Blvd	A	New Lease	25,541
County of Sacramento	Sacramento	Highway 50 Corridor	10481 Armstrong Ave	C	New Lease	42,415
SK Hynix	Sacramento	Highway 50 Corridor	10951 White Rock Rd	B	New Lease	35,950

Subject market data

Leasing Activity (H2 2022, over 20,000 s.f.)

Tenant	Market	Submarket	Address	Class	Lease type	Size (s.f.)
Zurich	Sacramento	Highway 50 Corridor	11290 Pyrites Way	A	Renewal	27,429
State of CA Dept of Military	Sacramento	Highway 50 Corridor	3130 Kilgore Rd	B	New Lease	23,800
Regus	Sacramento	Highway 50 Corridor	8880 Cal Center Dr	A	New Lease	22,131
Unitek College	Sacramento	Outlying Suburban	4330 Watt Ave	B	New Lease	35,185
Keller Williams	Sacramento	Roseville	548 Gibson Dr	A	Renewal	24,464
Morgan Stanley	Sacramento	Roseville	1478 Stone Point Dr	A	Renewal	20,984
Fortune School of Education	Sacramento	South Natomas	2890 Gateway Oaks Dr	B	New Lease	29,135
Roman Catholic Bishop of Sacramento	Sacramento	South Natomas	2480 Natomas Park Dr	B	New Lease	24,673
State of California	Sacramento	South Natomas	2349 Gateway Oaks Dr	A	Renewal	21,344
Swinerton Builders	Sacramento	South Sacramento	15 Business Park Way	B	Renewal	23,374
Vinson & Elkins	Washington, DC	CBD	2200 Pennsylvania Ave NW	Trophy	Renewal	81,319
Orrick Herrington & Sutcliffe LLP	Washington, DC	CBD	2100 Pennsylvania Ave NW	Trophy	Relocation	77,000
Financial Industry Regulatory Authority, Inc.	Washington, DC	CBD	1700 K St NW	A	Relocation	67,754
National Fish & Wildlife Foundation	Washington, DC	CBD	1625 I St NW	A	Relocation	62,039
Caplin & Drysdale	Washington, DC	CBD	1200 New Hampshire Ave NW	B		45,000
Van Ness Feldman	Washington, DC	CBD	2000 Pennsylvania Ave NW	B	Relocation	44,649
SmithGroup	Washington, DC	CBD	1700 New York Ave NW	Trophy	Renewal	39,522
Harris Wiltshire & Grannis	Washington, DC	CBD	1919 M St NW	A	Renewal	34,000
Department of Employment Services	Washington, DC	CBD	1717 H St NW	B	New Lease	23,048
Cravath, Swaine & Moore LLP	Washington, DC	CBD	1601 K St NW	A	New to Market	21,065
Quarles & Brady	Washington, DC	CBD	2020 K St NW	A	New Lease	20,464

Sales Transactions (H2 2022, over $15.0 million, excludes entity-level sales)

Building	Market	RBA (s.f.)	Sales price ($)	Price p.s.f.	Buyer	Seller	Port.?
Northwest Medical Center	Atlanta	153,744	$71,750,000	$467	Lincoln Property Co	Health America	No
AT&T Corporate Office	Atlanta	331,000	$136,957,337	$414	The Simpson Org	Bridge Investment Grp	No
future Mama Shelter	Los Angeles	79,275	$18,000,000	$227	Pacific Coast Textiles	Jamison Services	No
120 South San Pedro Street	Los Angeles	79,200	$26,540,000	$335	Buck Design	Brickstar Capital	No
Helix LA (Leasehold)	Los Angeles	266,548	$52,016,842	$195	Ben Pouladian	Rising Realty Partners	No
15 Exchange Place	New Jersey	123,792	$48,000,000	$388	American Equity Ptnrs	Hartz Mountain	No
Newport Center (Leased Fee)	New Jersey	417,690	$65,523,111	$157	Carlyle Group	iStar Inc	Yes
Newport Center (Leasehold)	New Jersey	430,239	$67,491,675	$157	Carlyle Group	iStar Inc	Yes
70 Hudson Street	New Jersey	431,281	$300,000,000	$696	Vision Property Group (NJ)	Spear Street Capital	No
100 Plaza Drive	New Jersey	264,973	$85,000,000	$321	270B 100 Plaza Drive LLC	MT Plaza Partners LLC	No
Fair Lakes II	Northern VA	183,622	$58,316,562	$318	GI Partners	Turnbridge Equities	Yes
7 Corporate Park	Orange County	37,699	$15,560,154	$413	Leetegrity	Kelemen Co	No
Woodbridge Square Medical	Orange County	36,660	$27,575,000	$752	Anchor Health Props	Boureston Devel.	No
Sun Lakes Health (Leasehold)	Phoenix	39,821	$8,650,000	$217	Wentworth Property Co	Centum Health Props	Yes
Reserve at San Tan	Phoenix	149,517	$53,100,000	$355	West Valley Props Inc	Orsett Properties	No
Chandler Office Portfolio	Phoenix	207,164	$86,499,975	$418	Asana Partners	George Oliver Co.'s	Yes
Tempe Commerce Park IV	Phoenix	75,068	$18,092,567	$241	EverWest RE Investors	CCO Capital LLC (CIM)	Yes
Tempe Commerce Park III	Phoenix	85,245	$19,407,433	$228	EverWest RE Investors	CCO Capital LLC (CIM)	Yes
910 West Carver Road	Phoenix	130,270	$24,100,000	$185	Fundrise eREIT	ViaWest Properties	No
Tempe Office Portfolio	Phoenix	160,313	$37,500,000	$234	EverWest RE Investors	CCO Capital LLC (CIM)	Yes
19500 Northwest Gibbs Drive	Portland	84,563	$18,000,000	$213	PR Wood Amberglen II LLC	SW Value Partners	No
15700 SW Greystone Court	Portland	53,332	$36,182,500	$678	Oregon Health & Science	Olympus Ventures	No
Dawson Creek	Portland	130,000	$20,997,500	$162	Thermo Fisher Scientific	Thomas J Garnier	No
925 L Street	Sacramento	168,850	$55,100,000	$326	Cottonwood Group	Soma Capital Partners	No
Regents Park	Sacramento	130,870	$16,950,000	$130	Graceada Partners	Dan Caputo Co	Yes
Sacramento Office Portfolio	Sacramento	316,659	$57,999,957	$183	Basin Street Properties	LOWE	Yes
Harvard Square	Sacramento	158,704	$22,500,000	$142	Ethan Conrad Properties	Acquity Realty	No
1075 Creekside Ridge	Sacramento	75,550	$17,000,000	$225	Vantus Holdings LLC	Century Management	No
1901 Pennsylvania Ave NW	Washington, DC	102,000	$71,025,862	$696	Marc A Pultuskier	Brookfield AM	No
1010 Vermont Avenue NW	Washington, DC	67,000	$16,000,000	$239	Altus Realty Partners	Fidelity Investments	No
1010 Vermont Ave NW	Washington, DC	63,291	$16,500,000	$261	Altus Realty Partners	Fidelity Investments	No
Georgetown Center I	Washington, DC	99,103	$27,700,000	$280	Merchants National	JBG Cos	No
2550 M Street	Washington, DC	207,081	$92,900,000	$449	Nome Ventures	Menlo Equities	No
1730 M Street NW (leasehold)	Washington, DC	203,000	$112,068,966	$552	Fortress	JBG Smith	Yes
DC Office Portfolio (JBG)	Washington, DC	762,000	$227,999,950	$299	Post Brothers	JBG Smith	Yes
DC Office Portfolio (CPP)	Washington, DC	542,866	$423,314,792	$780	Commerz Real	CPP Investment Board	Yes
601 Massachusetts Ave NW	Washington, DC	478,883	$531,000,000	$1,109	Mori Trust	Boston Properties	No
1735 K Street Northwest	Washington, DC	97,000	$26,724,138	$276	Bernstein Management	Beacon Capital Partners	No
1801 L Street NW	Washington, DC	206,632	$64,750,000	$313	Cogent Communications	Staen B Cewear	No
600 19th Street NW	Washington, DC	463,151	$399,352,000	$862	GWU	World Bank	No

Subject market data

Active Development Pipeline

Building	Market	Submarket	RBA (s.f.)	Developer	Spec/BTS	Completion
Echo Street West	Atlanta	Midtown	256,637	Rios & Clementi & Hale	Spec	2023
Spring Quarter	Atlanta	Midtown	538,126	Portman Holdings	Spec	2025
Interlock Phase II	Atlanta	Midtown	209,174	S.J. Collins Enterprises	Spec	2023
The Elliot	Atlanta	Buckhead	58,000	Cross-Town Realty	Spec	2023
Alameda	Atlanta	Midtown	79,990	Stream Realty Partners	Spec	2023
Garden Hills	Atlanta	Buckhead	137,500	Brand Properties	Spec	2023
619 Ponce	Atlanta	Midtown	84,000	Jamestown Properties	Spec	2024
1050 Brickworks	Atlanta	Midtown	224,657	Sterling Bay	Spec	2024
Stockyards	Atlanta	Midtown	36,817	Clarion Partners	Spec	2023
Science Square	Atlanta	Midtown	364,871	Trammell Crow Company	Spec	2024
Stanford Wholesale Mart	Los Angeles	CBD	60,000	Stanford Mart LP	Spec	2024
520 Mateo	Los Angeles	CBD	105,000	Carmel Partners	Spec	2023
Broadway Trade Center	Los Angeles	CBD	950,400	Waterbridge Capital LLC	Spec	2024
Arts and Power House	New Jersey	Hudson Waterfront	114,318	KABR, Kushner Companies	Spec	2023
23 Pasteur	Orange County	Irvine Spectrum	57,893	TGS Management Co.	Spec	2023
240 Progress	Orange County	Irvine Spectrum	20,000	The Irvine Company	Spec	2023
200 Progress	Orange County	Irvine Spectrum	20,000	The Irvine Company	Spec	2023
210 Progress	Orange County	Irvine Spectrum	44,000	The Irvine Company	Spec	2023
220 Progress	Orange County	Irvine Spectrum	44,000	The Irvine Company	Spec	2023
230 Progress	Orange County	Irvine Spectrum	20,000	The Irvine Company	Spec	2023
260 Progress	Orange County	Irvine Spectrum	44,000	The Irvine Company	Spec	2023
250 Progress	Orange County	Irvine Spectrum	64,000	The Irvine Company	Spec	2023
Rio Yards - Building C	Phoenix	Tempe	150,000	Wentworth Group LLC	Spec	2024
Rio Yards - Building A	Phoenix	Tempe	150,000	Wentworth Group LLC	Spec	2024
Rio Yards - Building B	Phoenix	Tempe	150,000	Wentworth Group LLC	Spec	2024
Rio Yards - Bldg A	Phoenix	Tempe	150,000	Wentworth Group LLC	Spec	2023
Rio Yards - Bldg C	Phoenix	Tempe	150,000	Wentworth Group LLC	Spec	2023
1700 M	Washington, DC	CBD	334,000	Skanska	Spec	2024
The Mills Building	Washington, DC	CBD	188,000	Akridge	Spec	2024

Methodology and terms of use

Methodology

JLL leverages proprietary leasing data with a blend of public, government-issued and third-party sources to produce our economic and market reports.

Office inventory spans 50+ U.S. local markets and is generally limited to investment-grade assets larger than 30,000 s.f., excluding medical office and owner-occupied assets.

Net absorption is recognized upon lease commencement and/or physical move-in, not lease sign date. Vacancy is recognized upon physical move-out or lease expiration date, not the time at which space is advertised for lease.

All sources are deemed reliable, but in some cases, information cannot be independently verified.

Use and reliance

This independent market review (IMR) was prepared by JLL Americas, Inc. The content of this report is for informational purposes only and should not be relied upon for professional investment advice, which should be sough from JLL independently prior to acting in reliance upon any such information.

The thoughts and opinions expressed herein have been made in good faith and are believed to be reliable, but actual results may materially differ from any commentary considered forward-looking. JLL disclaims any liability with respect to any claims that may arise from any errors or omissions, or from providing such advice, opinion, judgement or information.