

## U.S.'s VACANCY INCREASES TO 12.3% Net Absorption Negative (22,027,040) SF in the Quarter

The U.S. Office market ended the first quarter 2009 with a vacancy rate of 12.3%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (22,027,040) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 74,905,717 square feet. Rental rates ended the first quarter at \$23.77, a decrease over the previous quarter. A total of 473 buildings delivered to the market in the quarter totaling 18,789,432 square feet, with 107,273,729 square feet still under construction at the end of the quarter.

### Absorption

Net absorption for the overall U.S. office market was negative (22,027,040) square feet in the first quarter 2009. That compares to positive 3,897,146 square feet in the fourth quarter 2008, positive 3,379,761 square feet in the third quarter 2008, and positive 12,908,666 square feet in the second quarter 2008. Dallas/Fort Worth was the best performing market in the first quarter with 1,180,909 square feet of positive absorption. New York City had the lowest total in the nation with negative (3,043,745) square feet of net absorption.

Tenants moving out of large blocks of space in 2009 include: Washington Mutual moving out of 250,499 square feet at 1111 3rd Ave in Seattle; Bear, Stearns & Co. moving out of 84,999 square feet at Three First National Plaza in Chicago; and PG&E moving out of 80,846 square feet at 123 Mission St in San Francisco.

Tenants moving into large blocks of space in 2009 include: BDO Seidman, LLP moving into 121,441 square feet at 100 Park Avenue in New York City's Grand Central submarket; Cengage Learning moving into 113,823 square feet at 10 Channel Center

St in Boston; and Gunderson Dettmer moving into 98,022 square feet at 1200 Seaport Blvd in San Francisco.

The Class-A office market recorded net absorption of negative (7,559,485) square feet in the first quarter 2009, compared to positive 3,033,906 square feet in the fourth quarter 2008, positive 3,720,354 in the third quarter 2008, and positive 9,607,509 in the second quarter 2008.

The Class-B office market recorded net absorption of negative (9,925,619) square feet in the first quarter 2009, compared to positive 3,244,418 square feet in the fourth quarter 2008, positive 1,472,586 in the third quarter 2008, and positive 5,271,472 in the second quarter 2008.

The Class-C office market recorded net absorption of negative (4,541,936) square feet in the first quarter 2009 compared to negative (2,381,177) square feet in the fourth quarter 2008, negative (1,813,179) in the third quarter 2008, and negative (1,970,315) in the second quarter 2008.

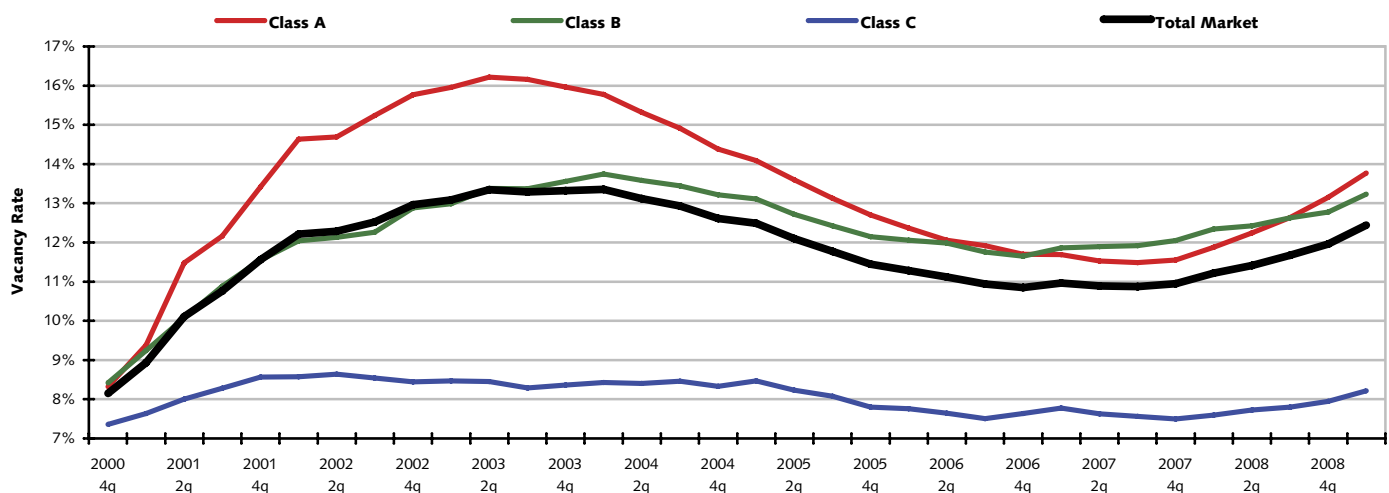
Net absorption for U.S.'s central business district was negative (8,607,788) square feet in the first quarter 2009. That compares to negative (1,871,383) square feet in the fourth quarter 2008, negative (449,447) in the third quarter 2008, and positive 4,457,218 in the second quarter 2008.

Net absorption for the suburban markets was negative (13,419,252) square feet in the first quarter 2009. That compares to positive 5,768,529 square feet in fourth quarter 2008, positive 3,829,208 in the third quarter 2008, and positive 8,451,448 in the second quarter 2008.

### Vacancy

The office vacancy rate in the U.S. market area increased to 12.3% at the end of the first quarter 2009. The vacancy rate was

## VACANCY RATES BY CLASS\* 2000-2009



Source: CoStar Property® \* Excludes markets - see Methodology page.

11.8% at the end of the fourth quarter 2008, 11.5% at the end of the third quarter 2008, and 11.3% at the end of the second quarter 2008. The New York City market had the lowest vacancy rate in the nation at 6.9%, followed by the Long Island (New York) market at 8.4%. The markets with the highest vacancy rates in the country were Phoenix, with a vacancy rate of 19.6% and Detroit at 17.5%.

Class-A projects reported a vacancy rate of 13.6% at the end of the first quarter 2009, 13.0% at the end of the fourth quarter 2008, 12.5% at the end of the third quarter 2008, and 12.1% at the end of the second quarter 2008.

Class-B projects reported a vacancy rate of 13.0% at the end of the first quarter 2009, 12.6% at the end of the fourth quarter 2008, 12.4% at the end of the third quarter 2008, and 12.2% at the end of the second quarter 2008.

Class-C projects reported a vacancy rate of 8.3% at the end of the first quarter 2009, 8.0% at the end of fourth quarter 2008, 7.9% at the end of the third quarter 2008, and 7.8% at the end of the second quarter 2008.

The overall vacancy rate in U.S.'s central business district at the end of the first quarter 2009 increased to 10.3%. The vacancy rate was 9.7% at the end of the fourth quarter 2008, 9.5% at the end of the third quarter 2008, and 9.4% at the end of the second quarter 2008.

The vacancy rate in the suburban markets increased to 12.9% in the first quarter 2009. The vacancy rate was 12.5% at the end of the fourth quarter 2008, 12.2% at the end of the third quarter 2008, and 11.9% at the end of the second quarter 2008.

### Largest Lease Signings

The largest lease signings occurring in 2009 included: the 844,763-square-foot lease signed by Hess at Hess Tower in the Houston Downtown market; the 749,445-square-foot sale/leaseback agreement signed by The New York Times Company at New York Times Building in the New York City Midtown market; and the 260,641-square-foot lease signed by KPMG, LLP at AON Center in the Metro Chicago market.

### Sublease Vacancy

The amount of vacant sublease space in the U.S. market increased to 74,905,717 square feet by the end of the first quarter 2009, from 69,885,147 square feet at the end of the fourth quarter 2008. There was 65,824,412 square feet vacant at the end of the third quarter 2008 and 63,288,576 square feet at the end of the second quarter 2008.

U.S.'s Class-A projects reported vacant sublease space of 45,390,626 square feet at the end of first quarter 2009, up from the 42,579,598 square feet reported at the end of the fourth quarter 2008. There were 39,072,151 square feet of sublease space vacant at the end of the third quarter 2008, and 37,492,613 square feet at the end of the second quarter 2008.

Class-B projects reported vacant sublease space of 26,425,989 square feet at the end of the first quarter 2009, up

from the 24,187,381 square feet reported at the end of the fourth quarter 2008. At the end of the third quarter 2008 there were 23,589,477 square feet, and at the end of the second quarter 2008 there were 22,953,395 square feet vacant.

Class-C projects reported decreased vacant sublease space from the fourth quarter 2008 to the first quarter 2009. Sublease vacancy went from 3,089,102 square feet to 3,118,168 square feet during that time. There was 3,062,784 square feet at the end of the third quarter 2008, and 2,842,568 square feet at the end of the second quarter 2008.

Sublease vacancy in U.S.'s central business district stood at 20,049,835 square feet at the end of the first quarter 2009. It was 17,173,443 square feet at the end of the fourth quarter 2008, 15,586,015 square feet at the end of the third quarter 2008, and 14,591,056 square feet at the end of the second quarter 2008.

Sublease vacancy in the suburban markets ended the first quarter 2009 at 54,855,882 square feet. At the end of the fourth quarter 2008 sublease vacancy was 52,711,704 square feet, was 50,238,397 square feet at the end of the third quarter 2008, and was 48,697,520 square feet at the end of the second quarter 2008.

### Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$23.77 per-square-foot per year at the end of the first quarter 2009 in the U.S. market area. This represented a 1.1% decrease in quoted rental rates from the end of the fourth quarter 2008, when rents were reported at \$24.03 per-square-foot. A total of 42 markets across the country ended the first quarter with an average asking rental rate lower than the previous quarter. New York City demanded the highest rental rate in the nation with a \$54.57 average asking rental rate. The Tulsa Market had the lowest average quoted rental rate at \$12.16 per square foot.

The average quoted rate within the Class-A sector was \$28.69 at the end of the first quarter 2009, while Class-B rates stood at \$21.25, and Class-C rates at \$17.88. At the end of the fourth quarter 2008, Class-A rates were \$29.09 per-square-foot, Class-B rates were \$21.42, and Class-C rates were \$17.88.

The average quoted asking rental rate in U.S.'s CBD was \$29.35 at the end of the first quarter 2009, and \$22.56 in the suburban markets. In the fourth quarter 2008, quoted rates were \$29.67 in the CBD and \$22.82 in the suburbs.

### Deliveries and Construction

During the first quarter 2009, 473 buildings totaling 18,789,432 square feet were completed in the U.S. market area. This compares to 727 buildings totaling 30,784,700 square feet that were completed in the fourth quarter 2008, 936 buildings totaling 28,188,250 square feet completed in the third quarter 2008, and 32,816,813 square feet in 786 buildings completed in the second quarter 2008.

The Houston market experienced the most growth in terms

## NATIONAL OFFICE MARKET



## OVERVIEW

of inventory by delivering 2,636,322 square feet during the first quarter. Some of the notable 2009 deliveries include: 300 N LaSalle St in Chicago, a 1,350,000-square-foot facility that delivered in first quarter 2009 and is now 88% occupied, and Memorial Hermann Tower in Houston, a 915,034-square-foot building that delivered in first quarter 2009 and is now 75% occupied.

There were 107,273,279 square feet of office space under construction at the end of the first quarter 2009. The largest projects underway at the end of first quarter 2009 were located in New York City, including 1 World Trade Center, a 2,600,000-square-foot building with 7% of its space pre-leased, and World Trade Center - Tower Three, a 2,233,000-square-foot facility that is 0% pre-leased.

### Inventory

Total office inventory in the U.S. market area amounted to 8,198,167,242 square feet in 311,365 buildings as of the end of the first quarter 2009. The Class-A office sector consisted of 2,895,778,634 square feet in 17,186 projects. There were 123,482 Class-B buildings totaling 3,620,359,536 square feet, and the Class-C sector consisted of 1,682,029,072 square feet in 170,697 buildings.

### Sales Activity

Tallying office building sales of 15,000 square feet or larger, U.S. office sales figures fell during the fourth quarter 2008 in terms of dollar volume compared to the third quarter of 2008.

In the fourth quarter, 363 office transactions closed with a total volume of \$4,945,335,495. The 363 buildings totaled 26,319,630 square feet and the average price per square foot equated to \$187.90 per square foot. That compares to 463 transactions totaling \$13,433,383,668 in the third quarter 2008. The total square footage in the third quarter was 50,011,169 square feet for an average price per square foot of \$268.61.

Total office building sales activity in 2008 was down compared to 2007. In the twelve months of 2008, the market saw 1,888 office sales transactions with a total volume of \$43,417,141,641. The price per square foot averaged \$253.04. In the same twelve months of 2007, the market posted 3,298 transactions with a total volume of \$102,984,859,609. The price per square foot averaged \$262.56.

Cap rates have been higher in 2008, averaging 7.35% compared to the same period in 2007 when they averaged 7.15%.

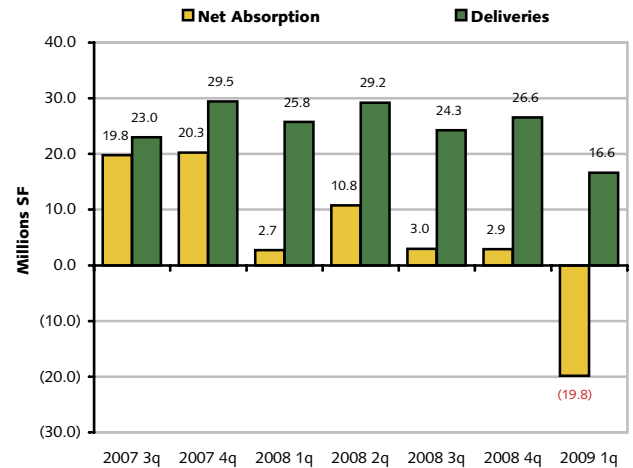
One of the largest transactions that occurred within the last four quarters is the sale of the GM Building the New York City market. This 2,000,000-square-foot office building sold for \$2.8 billion, or \$1,400.00 per square foot. The property sold on 6/9/2008.

### Atlanta

The Atlanta office market ended the quarter with a vacancy rate of 15.2%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (332,304) square feet.

## ABSORPTION & DELIVERIES\*

### Past 7 Quarters



Source: CoStar Property® \* Excludes markets - see Methodology page.

Vacant sublease space increased to 3,493,043 square feet. Rental rates ended the first quarter at \$20.04, a decrease over the previous quarter. A total of 17 buildings with 236,737 square feet of space delivered to the market, with 4,045,423 square feet still under construction at the end of the quarter.

### Austin

The vacancy rate remained unchanged in Austin in the first quarter. With 309,615 square feet in deliveries, and positive 229,925 square feet in net absorption, the vacancy rate held at 13.6%, the same rate reported in the previous quarter. The market had 1,073,176 square feet under construction at the end of the quarter, and rental rates stood at \$25.45 per square foot.

### Baltimore

The vacancy rate in the Baltimore office market was 12.4% at the end of the first quarter. The vacancy rate was up over the previous quarter, with net absorption totaling negative (128,060) square feet. Vacant sublease space decreased to 677,214 square feet. Rental rates ended the first quarter at \$22.20, an increase over the previous quarter. A total of 8 buildings with 167,221 square feet of space delivered to the market, with 2,410,749 square feet still under construction at the end of the quarter.

### Birmingham

With no new office space being delivered to the market, and positive 15,817 square feet of net absorption, Birmingham's vacancy rate stayed at 8.8%. Rental rates went from \$16.86 to \$16.93 during that time. At the end of the quarter, there was 62,548 square feet underway for future delivery.

### Boston

The Boston office market ended the quarter with a vacancy rate of 10.7%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (2,073,062) square feet.



Vacant sublease space increased to 2,925,383 square feet. Rental rates ended the first quarter at \$23.28, a decrease over the previous quarter. A total of 7 buildings with 189,431 square feet of space delivered to the market, with 3,008,131 square feet still under construction at the end of the quarter.

### Broward County

The vacancy rate in the Broward County office market was 11.2% at the end of the first quarter. The vacancy rate was up over the previous quarter, with net absorption totaling negative (358,019) square feet. Vacant sublease space increased to 500,565 square feet. Rental rates ended the first quarter at \$25.31, a decrease over the previous quarter. A total of 3 buildings with 48,652 square feet of space delivered to the market, with 473,749 square feet still under construction at the end of the quarter.

### Charlotte

At the end of the first quarter, the Charlotte office market vacancy rate was 12.0%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (371,020) square feet. Vacant sublease space increased to 598,372 square feet. Rental rates ended the first quarter at \$19.24, a decrease over the previous quarter. A total of 6 buildings with 132,200 square feet of space delivered to the market, with 2,979,243 square feet still under construction at the end of the quarter.

### Chicago

The Chicago office market ended the quarter with a vacancy rate of 14.1%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (2,652,267) square feet. Vacant sublease space increased to 5,988,084 square feet. Rental rates ended the first quarter at \$23.76, a decrease over the previous quarter. A total of 14 buildings with 1,699,093 square feet of space delivered to the market, with 3,794,258 square feet still under construction at the end of the quarter. Some of the notable 2009 deliveries include: 300 N LaSalle St, a 1,350,000-square-foot facility that delivered in first quarter 2009 and is now 88% occupied, and 1211 Farmington Lakes Dr, a 72,765-square-foot building that delivered in first quarter 2009.

### Cincinnati

The vacancy rate in the Cincinnati office was 12.3% at the end of the first quarter. The vacancy rate was up over the previous quarter, with net absorption totaling positive 30,679 square feet. Vacant sublease space increased to 486,014 square feet. Rental rates ended the first quarter at \$15.23, a decrease over the previous quarter. A total of 4 buildings with 164,856 square feet of space delivered to the market, with 1,605,961 square feet still under construction at the end of the quarter.

### Cleveland

The Cleveland office market ended the quarter with a vacancy rate of 11.2%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (417,210) square

feet. Vacant sublease space increased to 493,674 square feet. Rental rates ended the first quarter at \$16.76, an increase over the previous quarter. A total of 3 buildings with 54,658 square feet of space delivered to the market, with 784,160 square feet still under construction at the end of the quarter.

### Columbus

At the end of the first quarter, the Columbus office market vacancy rate was 10.6%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 481,795 square feet. Vacant sublease space increased to 577,922 square feet. Rental rates ended the first quarter at \$15.58, a decrease over the previous quarter. A total of 6 buildings with 479,171 square feet of space delivered to the market, with 395,650 square feet still under construction at the end of the quarter.

### Dallas/Ft Worth

The Dallas/Ft Worth office market ended the quarter with a vacancy rate of 16.2%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 1,180,909 square feet. Tenants moving into large blocks of space in 2009 include: Torchmark Corporation moving into 150,000 square feet at Stonebridge Ranch - Phase II and AIG moving into 138,010 square feet at South Tower. Rental rates ended the first quarter at \$20.51, a decrease over the previous quarter. A total of 23 buildings with 965,387 square feet of space delivered to the market, with 4,091,540 square feet still under construction at the end of the quarter.

### Dayton

The vacancy rate in the Dayton office market was 11.8% at the end of the first quarter. The vacancy rate was up over the previous quarter, with net absorption totaling negative (113,489) square feet. Vacant sublease space increased to 240,892 square feet. Rental rates ended the first quarter at \$14.81, a decrease over the previous quarter. A total of 2 buildings with 153,866 square feet of space delivered to the market, with 148,751 square feet still under construction at the end of the quarter.

### Denver

The Denver office market ended the quarter with a vacancy rate of 14.5%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (1,078,671) square feet. Vacant sublease space increased to 2,045,379 square feet. Rental rates ended the first quarter at \$21.31, a decrease over the previous quarter. A total of 10 buildings with 470,122 square feet of space delivered to the market, with 1,925,781 square feet still under construction at the end of the quarter.

### Detroit

The Detroit office market ended the quarter with the second highest vacancy rate in the country at 17.5%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (541,668) square feet. Vacant sublease space decreased to 1,219,332 square feet. Rental rates ended the first quarter at

## NATIONAL OFFICE MARKET



## OVERVIEW

\$19.53, a decrease over the previous quarter. A total of 4 buildings with 99,966 square feet of space delivered to the market, with 300,946 square feet still under construction at the end of the quarter.

#### East Bay/Oakland

The vacancy rate in the East Bay/Oakland office market was 10.7% at the end of the first quarter. The vacancy rate was up over the previous quarter, with net absorption totaling negative (600,204) square feet. Vacant sublease space decreased to 743,708 square feet. Rental rates ended the first quarter at \$24.06, an increase over the previous quarter. A total of 1 building with 19,746 square feet of space delivered to the market, with 736,000 square feet still under construction at the end of the quarter.

#### Greensboro/Winston-Salem

The Greensboro/Winston-Salem office market ended the quarter with a vacancy rate of 11.4%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 140,460 square feet. Vacant sublease space increased to 257,089 square feet. Rental rates ended the first quarter at \$14.15, an increase over the previous quarter. A total of 2 buildings with 7,856 square feet of space delivered to the market, with 8,500 square feet still under construction at the end of the quarter.

#### Greenville/Spartanburg

The Greenville/Spartanburg office market ended the quarter with a vacancy rate of 10.5%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (42,561) square feet. Vacant sublease space increased to 68,276 square feet. Rental rates ended the first quarter at \$14.53, an increase over the previous quarter. A total of 2 buildings with 87,539 square feet of space delivered to the market, with 455,988 square feet still under construction at the end of the quarter.

#### Hampton Roads

At the end of the first quarter, the Hampton roads office market vacancy rate was 9.3%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (35,522) square feet. Vacant sublease space decreased to 145,106 square feet. Rental rates ended the first quarter at \$18.40, a change over the previous quarter. A total of 3 buildings with 24,413 square feet of space delivered to the market, with 893,591 square feet still under construction at the end of the quarter.

#### Hartford

The Hartford office market saw vacancies rise and rental rates decrease from the fourth quarter 2008 to the first quarter 2009. The overall vacancy rate currently sits at 10.9%, from 10.4% in the previous quarter. Rental rates ended the quarter at \$18.58 per square foot, from \$18.76 in the previous quarter. There was a total of 31,256 square feet that delivered in the quarter, with 267,908 square feet still under construction at the end

of the quarter.

#### Houston

The Houston office market ended the first quarter 2009 with a vacancy rate of 13.5%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (360,299) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 2,306,810 square feet. Rental rates ended the first quarter at \$23.06, a decrease over the previous quarter. A total of 24 buildings delivered to the market in the quarter totaling 2,636,322 square feet, with 5,980,009 square feet still under construction at the end of the quarter.

#### Indianapolis

At the end of the first quarter, the Indianapolis office market vacancy rate was 11.4%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (151,011) square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 288,206 square feet. Rental rates ended the first quarter at \$17.10, a decrease over the previous quarter. Two buildings delivered to the market in the quarter totaling 25,320 square feet, with 733,260 square feet still under construction at the end of the quarter.

#### Inland Empire (California)

The Inland Empire office market ended the first quarter 2009 with a vacancy rate of 17.1%. The vacancy rate was up over the previous quarter, with net absorption totaling positive 181,788 square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 316,365 square feet. Rental rates ended the first quarter at \$23.31, a decrease over the previous quarter. A total of 21 buildings delivered to the market in the quarter totaling 547,996 square feet, with 879,981 square feet still under construction at the end of the quarter.

#### Jacksonville (Florida)

The vacancy rate in the Jacksonville office market was 14.5% at the end of the first quarter. The vacancy rate was up over the previous quarter, with net absorption totaling negative (409,132) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 360,577 square feet. Rental rates ended the first quarter at \$18.80, an increase over the previous quarter. A total of six buildings delivered to the market in the quarter totaling 246,300 square feet, with 170,507 square feet still under construction at the end of the quarter.

#### Kansas City

The Kansas City office market ended the first quarter 2009 with a vacancy rate of 12.6%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 198,085 square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 397,617 square feet. Rental rates ended the first quarter at \$17.96, an increase over the previous quarter. A total of four buildings delivered to the market in the quarter totaling 82,361 square feet, with 939,210 square feet



still under construction at the end of the quarter.

### Las Vegas

At the end of the first quarter, the Las Vegas office market vacancy rate was 18.4%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (749,235) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 417,963 square feet. Rental rates ended the first quarter at \$24.70, a decrease over the previous quarter. A total of 10 buildings delivered to the market in the quarter totaling 518,917 square feet, with 763,663 square feet still under construction at the end of the quarter.

### Long Island (New York)

The Long Island office market ended the first quarter 2009 with a vacancy rate of 8.4%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 466,683 square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 920,388 square feet. Rental rates ended the first quarter at \$27.69, an increase over the previous quarter. A total of three buildings delivered to the market in the quarter totaling 89,421 square feet, with 1,765,440 square feet still under construction at the end of the quarter.

### Los Angeles

The vacancy rate in the Los Angeles office market was 10.6% at the end of the first quarter. The vacancy rate was up over the previous quarter, with net absorption totaling negative (3,043,745) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 4,544,050 square feet. Rental rates ended the first quarter at \$30.77, a decrease over the previous quarter. A total of 37 buildings delivered to the market in the quarter totaling 603,608 square feet, with 4,099,218 square feet still under construction at the end of the quarter. The largest projects underway at the end of first quarter 2009 were The Pointe - Phase I, a 473,672-square-foot building with 0% of its space pre-leased, and Horizon at Playa Vista - Bldg 1, a 234,389-square-foot facility that is 80% pre-leased.

### Madison

At the end of the first quarter, the Madison office market vacancy rate was 10.0%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (63,404) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 131,300 square feet. Rental rates ended the first quarter at \$15.17, a decrease over the previous quarter. There was 64,000 square feet still under construction at the end of the quarter.

### Memphis

The Memphis office market ended the first quarter 2009 with a vacancy rate of 12.0%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 114,047 square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 280,062 square

feet. Rental rates ended the first quarter at \$17.12, a decrease over the previous quarter. There was 158,520 square feet still under construction at the end of the quarter.

### Miami-Dade County

The Miami-Dade County office market ended the first quarter 2009 with a vacancy rate of 11.8%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (544,905) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 787,844 square feet. Rental rates ended the first quarter at \$31.26, a decrease over the previous quarter. A total of four buildings delivered to the market in the quarter totaling 305,310 square feet, with 3,783,628 square feet still under construction at the end of the quarter.

### Milwaukee

The vacancy rate in the Milwaukee office market was 10.4% at the end of the first quarter. The vacancy rate was up over the previous quarter, with net absorption totaling negative (82,378) square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 189,169 square feet. Rental rates ended the first quarter at \$15.78, an increase over the previous quarter. There was 163,000 square feet still under construction at the end of the quarter.

### Minneapolis

The Minneapolis office market ended the first quarter 2009 with a vacancy rate of 10.1%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (167,435) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 810,761 square feet. Rental rates ended the first quarter at \$16.31, an increase over the previous quarter. A total of three buildings delivered to the market in the quarter totaling 305,220 square feet, with 1,340,328 square feet still under construction at the end of the quarter.

### Nashville

At the end of the first quarter, the Nashville office market vacancy rate was 9.6%. The vacancy rate was up over the previous quarter, with net absorption totaling positive 78,132 square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 821,877 square feet. Rental rates ended the first quarter at \$19.13, a decrease over the previous quarter. A total of seven buildings delivered to the market in the quarter totaling 183,883 square feet, with 1,304,094 square feet still under construction at the end of the quarter.

### New York City

The New York City office market ended the first quarter 2009 with a vacancy rate of 6.9% -- the highest since 2005. Given the current economic climate, this is not surprising. Net absorption continued its negative trend, totaling negative (3,663,710) square feet in the first quarter. All four New York City office markets (Downtown, Midtown, Midtown South, Uptown) expe-

## NATIONAL OFFICE MARKET



## OVERVIEW

rienced negative net absorption for the first quarter 2009 – with Midtown taking the biggest hit. Midtown accounts for 82% of the negative net absorption in Manhattan. Uptown showed the least negative absorption, with just negative (25,993) square feet. Rental rates ended the first quarter at \$54.57, a decrease over the previous quarter. There was 12,701,586 square feet still under construction at the end of the quarter.

### Northern New Jersey

At the end of the first quarter, the Northern New Jersey office market vacancy rate was 12.7%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 1,011,743 square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 4,261,671 square feet. Rental rates ended the first quarter at \$25.16, a decrease over the previous quarter. A total of 26 buildings delivered to the market in the quarter totaling 424,908 square feet, with 1,380,455 square feet still under construction at the end of the quarter.

### Oklahoma City

The vacancy rate in the Oklahoma City office market was 9.0% at the end of the first quarter. The vacancy rate was up over the previous quarter, with net absorption totaling negative (25,550) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 254,154 square feet. Rental rates ended the first quarter at \$14.10, an increase over the previous quarter. A total of eight buildings delivered to the market in the quarter totaling 79,782 square feet, with 244,051 square feet still under construction at the end of the quarter.

### Orange (California)

The Orange County office market ended the first quarter 2009 with a vacancy rate of 13.9%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (1,000,462) square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 1,365,263 square feet. Rental rates ended the first quarter at \$27.58, a decrease over the previous quarter. A total of four buildings delivered to the market in the quarter totaling 140,670 square feet, with 173,209 square feet still under construction at the end of the quarter.

### Orlando

The Orlando office market ended the first quarter 2009 with a vacancy rate of 13.9%. The vacancy rate was up over the previous quarter, with net absorption totaling negative 468,489 square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 1,030,923 square feet. Rental rates ended the first quarter at \$21.14, a decrease over the previous quarter. A total of 12 buildings delivered to the market in the quarter totaling 353,102 square feet, with 937,130 square feet

still under construction at the end of the quarter.

### Palm Beach County

The Palm Beach County office market ended the first quarter 2009 with a vacancy rate of 17.1%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (359,103) square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 514,008 square feet. Rental rates ended the first quarter at \$28.20, a decrease over the previous quarter. A total of 10 buildings delivered to the market in the quarter totaling 477,180 square feet, with 102,495 square feet still under construction at the end of the quarter.

### Philadelphia

The Philadelphia office market ended the first quarter 2009 with a vacancy rate of 12.2%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (83,689) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 2,716,104 square feet. Rental rates ended the first quarter at \$21.96, a decrease over the previous quarter. A total of 17 buildings delivered to the market in the quarter totaling 432,659 square feet, with 2,471,992 square feet still under construction at the end of the quarter.

### Phoenix

The Phoenix office market ended the first quarter 2009 with a vacancy rate of 19.6%, the highest in the nation. The vacancy rate was up over the previous quarter, with net absorption totaling negative (781,030) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 1,832,035 square feet. Rental rates ended the first quarter at \$24.96, a decrease over the previous quarter. A total of 21 buildings delivered to the market in the quarter totaling 592,177 square feet, with 3,060,731 square feet still under construction at the end of the quarter.

### Pittsburgh

At the end of the first quarter, the Pittsburgh office market vacancy rate was 11.1%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (231,540) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 704,707 square feet. Rental rates ended the first quarter at \$18.47, a decrease over the previous quarter. A total of three buildings delivered to the market in the quarter totaling 211,396 square feet, with 1,274,905 square feet still under construction at the end of the quarter.

### Portland

The Portland office market ended the first quarter 2009 with a vacancy rate of 10.3%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (518,139) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 778,334 square feet. Rental rates ended the first quarter at \$20.19, an increase over the previ-



ous quarter. A total of seven buildings delivered to the market in the quarter totaling 162,622 square feet, with 1,428,070 square feet still under construction at the end of the quarter.

## Providence

At the end of the first quarter, the Pittsburgh office market vacancy rate was 10.4%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 249,022 square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 211,651 square feet. Rental rates ended the first quarter at \$18.50, an increase over the previous quarter. A total of one building delivered to the market in the quarter totaling 120,000 square feet, with 462,200 square feet still under construction at the end of the quarter.

## Raleigh/Durham

The Raleigh/Durham office market ended the first quarter 2009 with a vacancy rate of 13.0%. The vacancy rate was up over the previous quarter, with net absorption totaling positive 63,531 square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 550,839 square feet. Rental rates ended the first quarter at \$19.34, a decrease over the previous quarter. A total of three buildings delivered to the market in the quarter totaling 130,154 square feet, with 1,267,303 square feet still under construction at the end of the quarter.

## Richmond VA

The Richmond VA office market ended the first quarter 2009 with a vacancy rate of 9.2%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (508,180) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 553,960 square feet. Rental rates ended the first quarter at \$17.23, an increase over the previous quarter. A total of one building delivered to the market in the quarter totaling 3,801 square feet, with 722,198 square feet still under construction at the end of the quarter.

## Sacramento

The Sacramento office market ended the first quarter 2009 with a vacancy rate of 15.2%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (277,405) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 642,601 square feet. Rental rates ended the first quarter at \$23.45, a decrease over the previous quarter. A total of 10 buildings delivered to the market in the quarter totaling 435,647 square feet, with 1,728,184 square feet still under construction at the end of the quarter.

## Salt Lake City

At the end of the first quarter, the Salt Lake City office market vacancy rate was 10.0%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 360,985 square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 229,276 square feet. Rental

rates ended the first quarter at \$17.14, a decrease over the previous quarter. A total of nine buildings delivered to the market in the quarter totaling 153,247 square feet, with 1,416,751 square feet still under construction at the end of the quarter.

## San Antonio

The San Antonio office market ended the first quarter 2009 with a vacancy rate of 11.3%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (378,969) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 617,737 square feet. Rental rates ended the first quarter at \$18.41, a decrease over the previous quarter. A total of seven buildings delivered to the market in the quarter totaling 346,526 square feet, with 1,265,516 square feet still under construction at the end of the quarter.

## San Diego

At the end of the first quarter, the San Diego office market vacancy rate was 15.1%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (101,526) square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 1,383,065 square feet. Rental rates ended the first quarter at \$30.28, a decrease over the previous quarter. A total of five buildings delivered to the market in the quarter totaling 149,801 square feet, with 1,369,607 square feet still under construction at the end of the quarter.

## San Francisco

The San Francisco office market ended the first quarter 2009 with a vacancy rate of 11.3%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (975,312) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 1,878,659 square feet. Rental rates ended the first quarter at \$32.81, a decrease over the previous quarter. A total of two buildings delivered to the market in the quarter totaling 88,824 square feet, with 533,199 square feet still under construction at the end of the quarter.

## Seattle/Puget Sound

The Seattle/Puget Sound office market ended the first quarter 2009 with a vacancy rate of 10.5%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (355,101) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 1,917,735 square feet. Rental rates ended the first quarter at \$27.97, a decrease over the previous quarter. A total of 13 buildings delivered to the market in the quarter totaling 1,170,208 square feet, with 6,391,314 square feet still under construction at the end of the quarter.

## South Bay/San Jose

At the end of the first quarter, the South Bay/San Jose office market vacancy rate was 13.7%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (858,055)

# NATIONAL OFFICE MARKET



square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 1,829,369 square feet. Rental rates ended the first quarter at \$29.54, an increase over the previous quarter. A total of five buildings delivered to the market in the quarter totaling 622,749 square feet, with 1,530,811 square feet still under construction at the end of the quarter.

## Southwest Florida

The Southwest Florida office market ended the first quarter 2009 with a vacancy rate of 14.2%. The vacancy rate was up over the previous quarter, with net absorption totaling positive 5,356 square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 115,406 square feet. Rental rates ended the first quarter at \$19.00, a decrease over the previous quarter. A total of seven buildings delivered to the market in the quarter totaling 101,703 square feet, with 647,678 square feet still under construction at the end of the quarter.

## St. Louis

The vacancy rate in the St. Louis office market was 11.3% at the end of the first quarter. The vacancy rate was up over the previous quarter, with net absorption totaling negative (460,265) square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 413,332 square feet. Rental rates ended the first quarter at \$18.41, a decrease over the previous quarter. A total of eight buildings delivered to the market in the quarter totaling 239,217 square feet, with 707,170 square feet still under construction at the end of the quarter.

## Tampa/St Petersburg

The Tampa/St Petersburg office market ended the first quarter 2009 with a vacancy rate of 12.5%. The vacancy rate was up over the previous quarter, with net absorption totaling negative 396,647 square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 1,014,521 square feet. Rental rates ended the first quarter at \$21.76, a decrease over the previous quarter. A total of 15 buildings delivered to the market in the quarter totaling 152,093 square feet, with 690,565 square feet still under construction at the end of the quarter.

## Toledo

The Toledo office market ended the first quarter 2009 with a vacancy rate of 9.7% totaling negative (17,764) square feet. Vacant sublease space remained unchanged in the quarter, ending at 26,572 square feet. Rental rates ended the first quarter at \$13.50, an increase over the previous quarter. There was 94,429 square feet still under construction at the end of the quarter.

## Tucson

The vacancy rate in the Tucson office market was 11.8% at the end of the first quarter. The vacancy rate was up over the

previous quarter, with net absorption totaling negative (7,843) square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 86,723 square feet. Rental rates ended the first quarter at \$19.99, an increase over the previous quarter. A total of 12 buildings delivered to the market in the quarter totaling 170,034 square feet, with 107,189 square feet still under construction at the end of the quarter.

## Tulsa

The Tulsa office market ended the first quarter 2009 with a vacancy rate of 14.4%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 73,456 square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 36,397 square feet. Rental rates ended the first quarter at \$12.16, a decrease over the previous quarter. A total of three buildings delivered to the market in the quarter totaling 13,451 square feet, with 34,970 square feet still under construction at the end of the quarter.

## Washington

The vacancy rate in the Washington office market was 12.3% at the end of the first quarter. The vacancy rate was up over the previous quarter, with net absorption totaling negative (766,256) square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 5,706,659 square feet. Rental rates ended the first quarter at \$34.04, a decrease over the previous quarter. A total of eight buildings delivered to the market in the quarter totaling 1,036,130 square feet, with 11,733,720 square feet still under construction at the end of the quarter.

## West Michigan

The West Michigan office market ended the first quarter 2009 with a vacancy rate of 13.5%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (71,608) square feet in the first quarter. Vacant sublease space decreased in the quarter, ending the quarter at 112,453 square feet. Rental rates ended the first quarter at \$12.85, a decrease over the previous quarter. A total of two buildings delivered to the market in the quarter totaling 19,208 square feet, with 156,316 square feet still under construction at the end of the quarter.

## Westchester/So Connecticut

The Westchester office market ended the first quarter 2009 with a vacancy rate of 10.4%. The vacancy rate was unchanged over the previous quarter, with net absorption totaling positive 77,464 square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 1,044,466 square feet. Rental rates ended the first quarter at \$28.42, an increase over the previous quarter. A total of six buildings delivered to the market in the quarter totaling 74,600 square feet, with 1,032,624