




**CBRE**

**Q4 2018**  
**U.S. OFFICE**  
**FIGURES**


# Q4 2018 U.S. OFFICE FIGURES – EXECUTIVE SUMMARY

## STRONG ECONOMIC & JOB GROWTH FUEL HIGHEST ANNUAL DEMAND SINCE 2015

 Vacancy Rate  
**12.6%**

 Gross Asking Rent  
**\$33.15 PSF**

 Net Absorption  
**16.9 MSF**

 Completions  
**11.8 MSF**

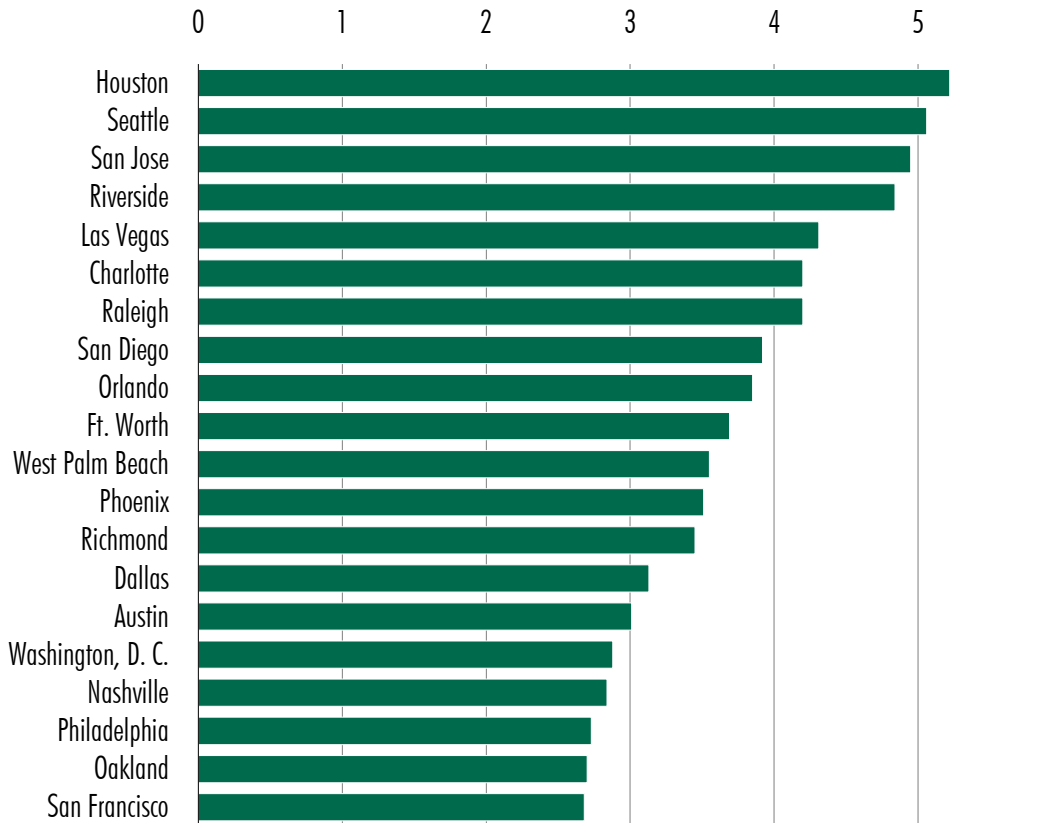
Arrows indicate change from previous quarter.

- The overall office vacancy rate dropped by 10 basis points (bps) in Q4 2018 to 12.6%, the lowest level in 11 years. The suburban vacancy rate fell by 20 bps to a 17-year low of 13.7%, while the downtown vacancy rate was unchanged at 10.5%. More than 70% of markets tracked by CBRE Research registered vacancy rate declines in 2018. Tech markets Seattle and San Jose recorded the largest vacancy rate decreases among major markets, bringing vacancy in both metros below 10%.
- Net absorption totaled 58.3 million sq. ft. for the year, the best since 2015. More than 90% of markets tracked by CBRE Research posted positive absorption in 2018, and more than 80% recorded positive absorption in Q4, illustrating the breadth of the office market expansion.
- Net absorption surged to 3.8 million sq. ft. in Manhattan in Q4, by far the highest level in the U.S., driven by demand from financial and tech firms and flexible space providers. Western tech markets San Francisco, San Jose, Seattle and Denver accounted for more than 14 million sq. ft. of absorption for the year.
- Construction completions totaled 49.0 million sq. ft. in 2018, the second-highest annual total since 2009. Reflecting strong demand for new, high-quality space, nearly 70% of the square footage delivered in 2018 in the markets tracked by CBRE Research was preleased.
- The average gross asking rent increased by 2.7% in 2018, up slightly from 1.8% in 2017. Nearly 95% of markets tracked by CBRE Research recorded rent growth for the year, including many tech markets. Portland, Boston, Orlando, San Francisco, Oakland, Seattle, Denver and Austin all posted rent growth of 6.5% or higher.

# FIGURE 1

## TOP-20 MARKETS FOR OFFICE-USING JOB GROWTH, %

Q4 2018 Office-Using Jobs, Year-over-Year Growth, %



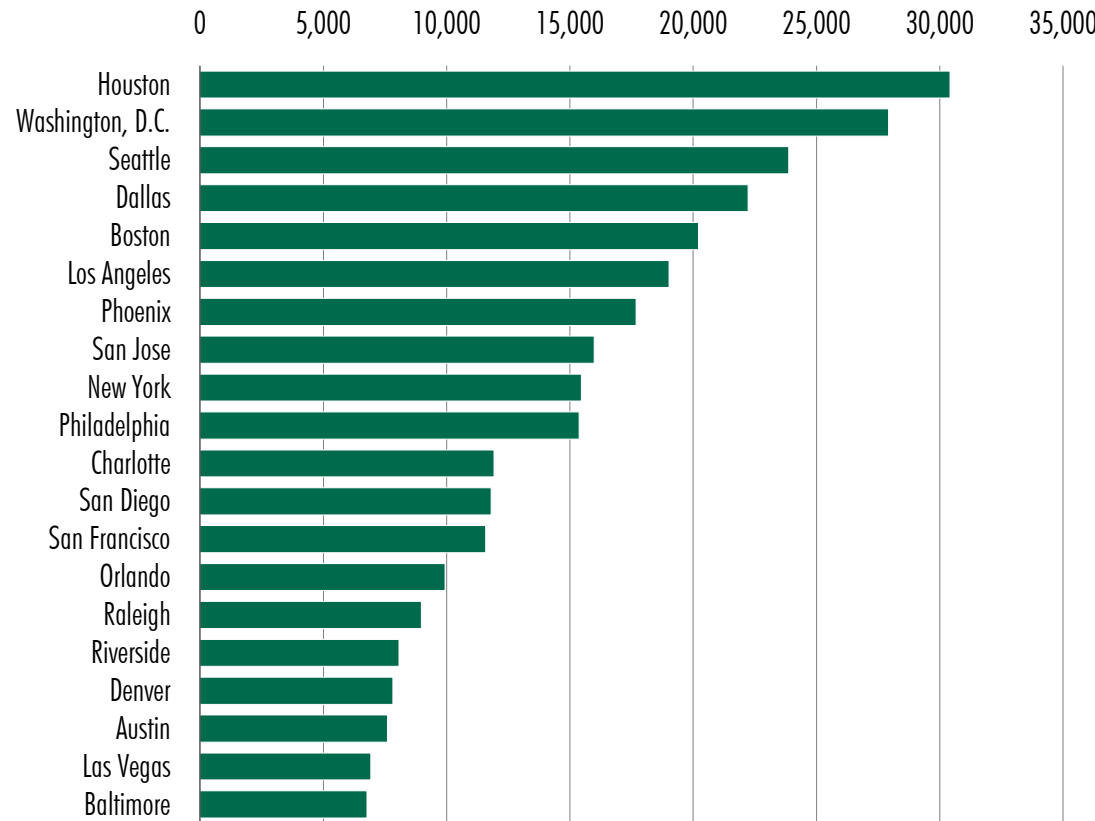
- Houston registered the strongest office-using job growth in both absolute and percentage terms in 2018, fueled by broad job growth and the recovering energy sector.
- Strong tech-sector growth continued to drive office-using job gains in Seattle, San Jose, Raleigh, Austin and San Francisco.
- Low-cost Sun Belt markets accounted for most of the remaining markets for strongest office-using job growth. Companies continued to relocate to and expand in this region because of its relatively low costs and growing labor force—especially attractive given very tight labor market conditions nationally.

Note: Ranking includes markets with at least 150,000 office-using jobs as of Q4 2018.  
 Source: CBRE Econometric Advisors, Q4 2018.

# FIGURE 2

## TOP-20 MARKETS FOR OFFICE-USING JOB GROWTH, ABSOLUTE

Q4 2018 Office-Using Jobs, Year-over-Year Change (number of jobs)

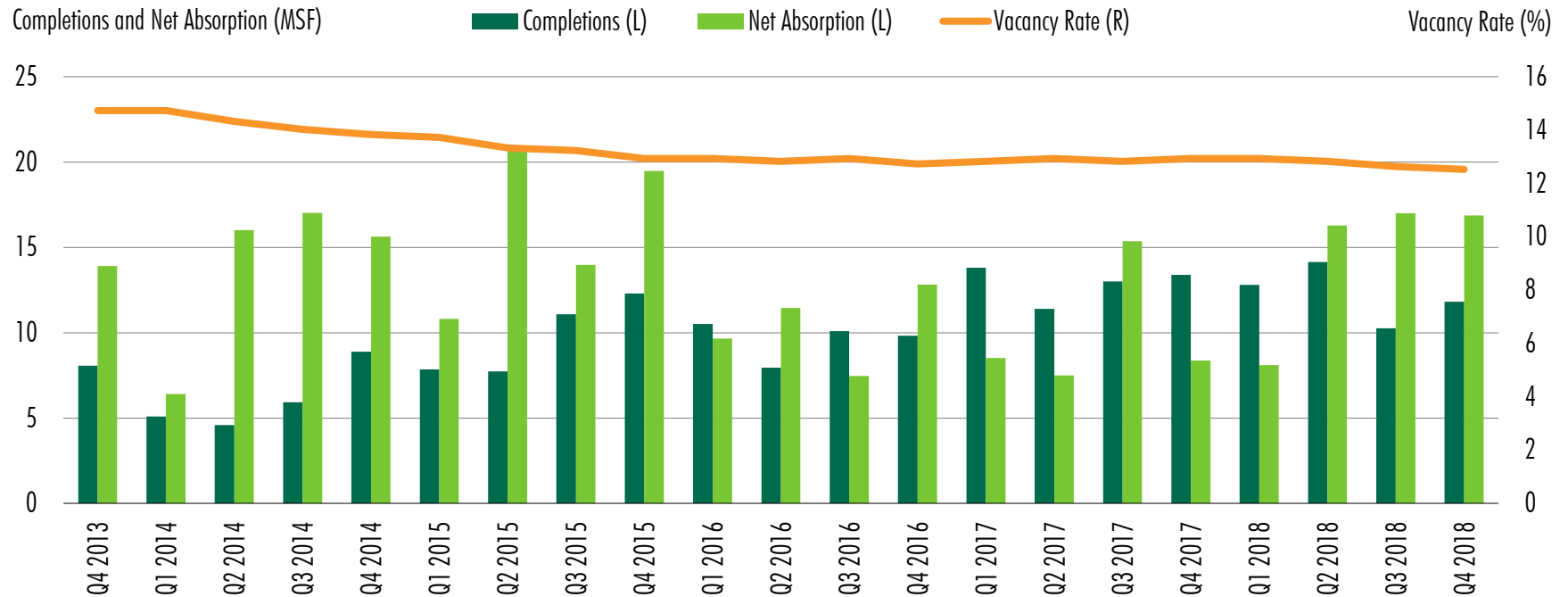


- Houston, Dallas and Austin added more than 60,000 office-using jobs combined in 2018, reflecting the Texas economy's continued strength.
- Tech, life sciences, entertainment and media are driving job growth in California's major office markets. Los Angeles, San Jose, San Diego and San Francisco ranked among the top-13 markets for office-using job growth.
- Several smaller, late-recovery markets, including Orlando, Riverside and Las Vegas, ranked among the top markets for office-using job growth in 2018, demonstrating the breadth of the office market expansion.

Note: Ranking includes markets with at least 150,000 office-using jobs as of Q4 2018.  
 Source: CBRE Econometric Advisors, Q4 2018.

# FIGURE 3

## METRO OFFICE SUPPLY AND DEMAND

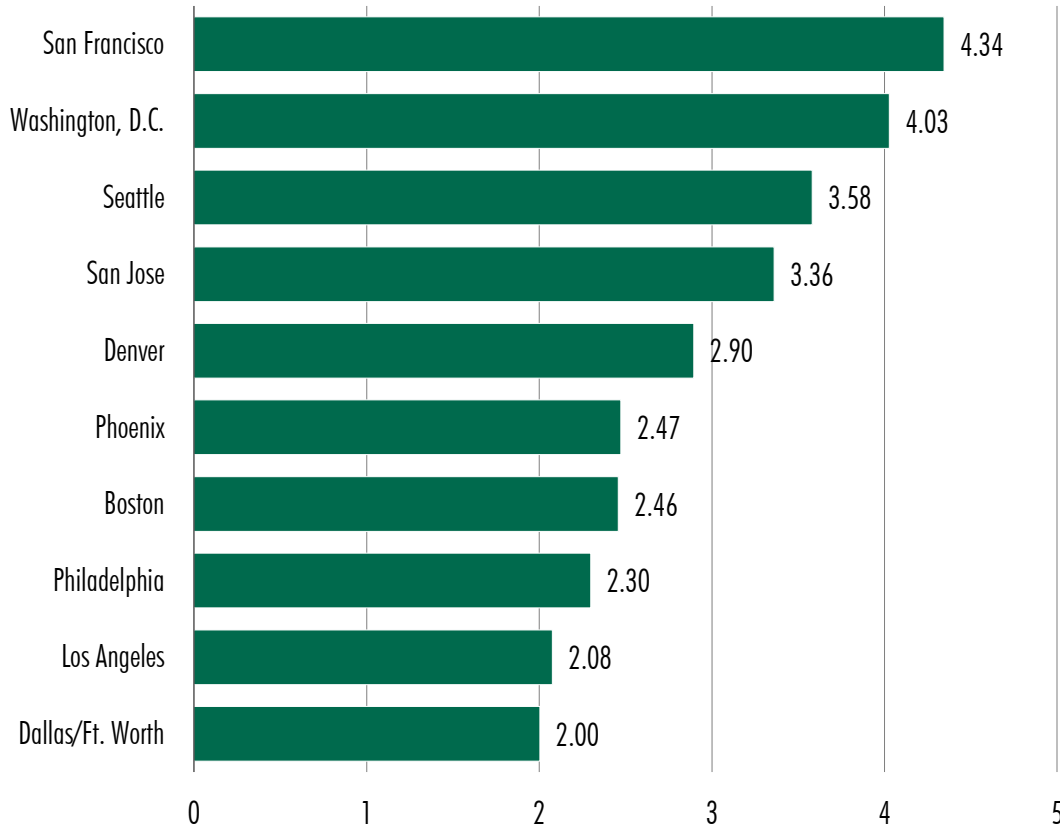


Source: CBRE Econometric Advisors, Q4 2018.

- The overall office vacancy rate decreased by 10 bps in Q4 and by 40 bps in 2018 to 12.6%, the lowest level since 2007.
- Construction completions totaled 49.0 million sq. ft. in 2018, the second-highest annual total since 2009. Net absorption exceeded completions in three of the past four quarters, indicating strong demand for office space and increasing the occupancy rate.

## FIGURE 4

### HIGHEST 2018 ABSORPTION TOTALS (MSF) BY METRO

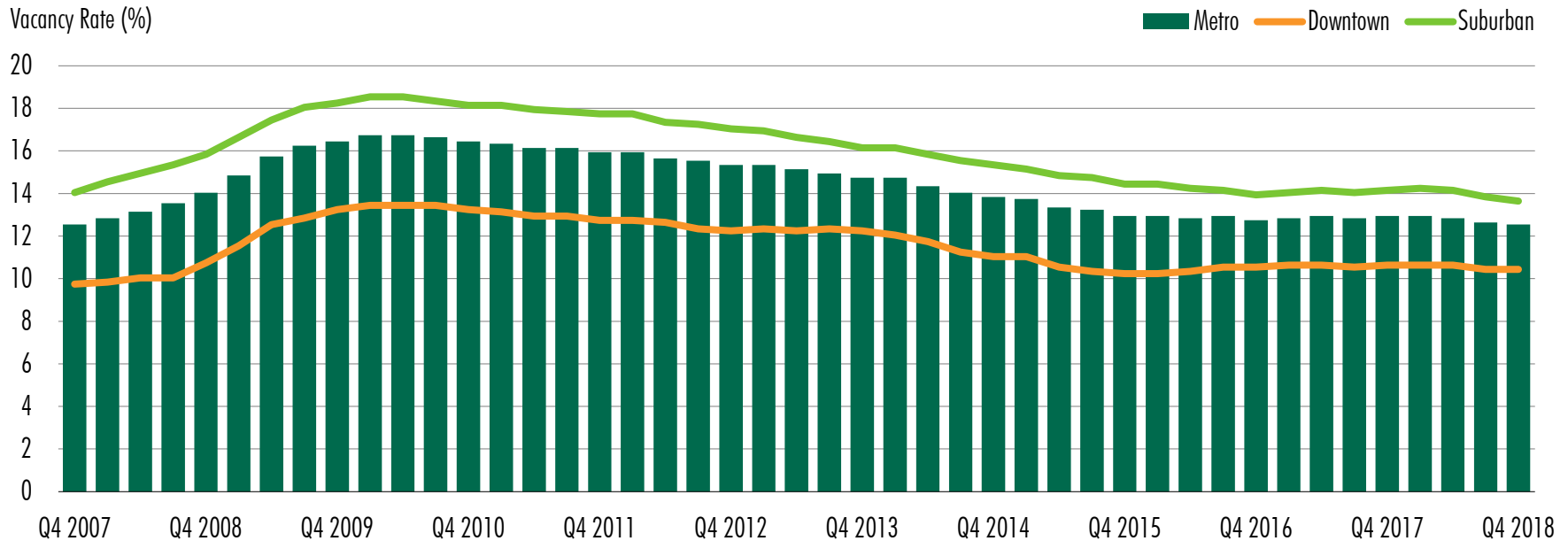


- Robust tech-sector growth drove high absorption in many of the leading tech hubs, including San Francisco, Seattle, San Jose, Denver and Boston, which registered a combined 16.6 million sq. ft. of positive absorption in 2018.
- Nearly 70% of positive absorption in the Greater Washington, D.C. region occurred in the District. Due to several large leases in the federal government and education sectors and strong co-working demand, absorption in the District reached its highest level since 2010.

Source: CBRE Research, Q4 2018.

# FIGURE 5

## OFFICE VACANCY RATES

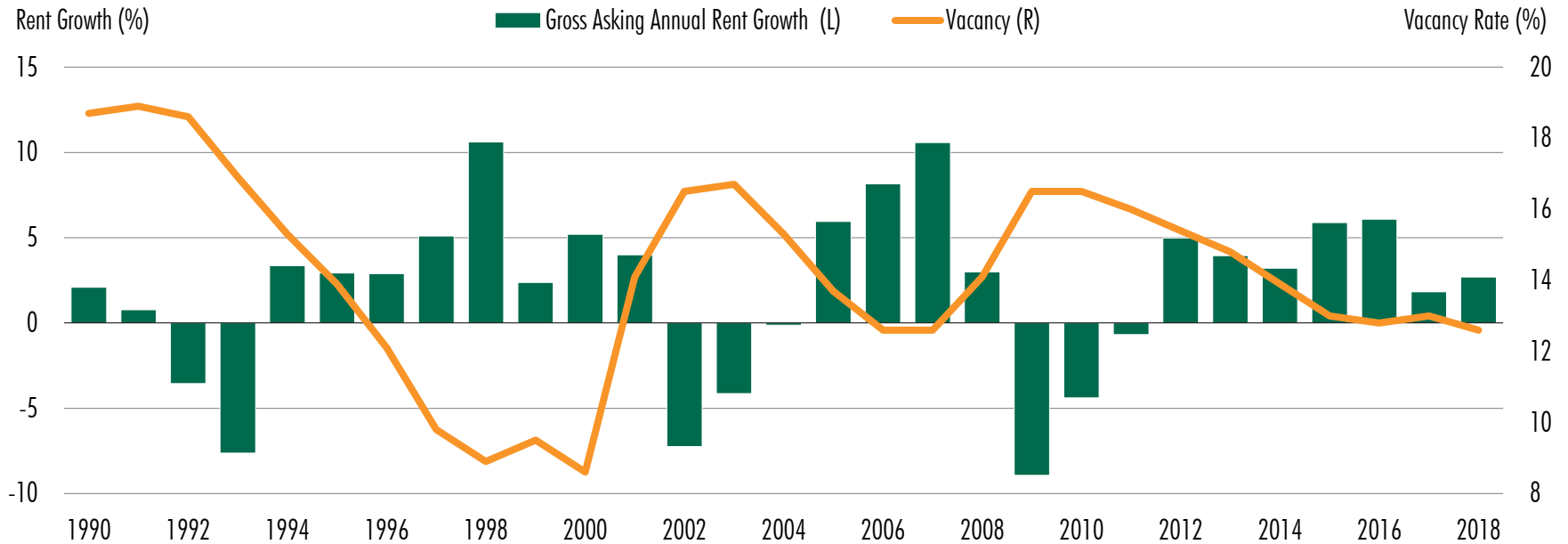


Source: CBRE Econometric Advisors, Q4 2018.

- The overall office vacancy rate decreased by 10 bps to 12.6% in Q4, its lowest level since Q4 2007.
- The suburban vacancy rate decreased by 20 bps in Q4 and 50 bps in 2018 to 13.7%, its lowest level since 2001. The downtown vacancy was unchanged in Q4 and down 20 bps for the year to 10.5%.
- Due to continued occupancy gains in the suburban market and flatness in the downtown vacancy rate in recent years, the spread between them continued to narrow. Since peaking at 5.3 percentage points in 2008, the spread between the downtown and suburban vacancy rates decreased to 3.2 percentage points in Q4.

# FIGURE 6

## METRO RENT GROWTH AND VACANCY RATE



Source: CBRE Econometric Advisors, Q4 2018.

- Rent growth ticked up as the market tightened in 2018. The gross asking rent increased by 2.7% for the year, from 1.8% growth in 2017.
- The average asking rent in Q4 was 33% above the post-recession low in Q2 2011 and 14% above the pre-recession peak in Q2 2008.



## FIGURE 7

### LOWEST AND HIGHEST VACANCY RATES

Lowest	(%)	NRA (MSF)
San Francisco	5.0	123.4
Oakland	5.8	29.4
Charlotte	6.6	42.3
Walnut Creek/I-680 Corridor	7.5	43.4
Manhattan	7.6	407.5

Highest	(%)	NRA (MSF)
Dallas/Ft. Worth	20.8	220.3
Fairfield County, CT	20.3	41.5
Cincinnati	19.0	36.5
Albuquerque	18.7	13.5
Houston	18.1	255.8
Cleveland	18.1	34.4

- The markets with the lowest vacancy rates were unchanged quarter-over-quarter and year-over-year, reflecting sustained tight market conditions despite construction completions in most of these markets over the past year.
- Sustained tech demand maintained extremely tight market conditions in the San Francisco Bay Area markets. A surge of leasing activity, including many large deals, contributed to a 50-bps decrease in Manhattan's vacancy rate in 2018 to 7.6%.
- Although Dallas/Ft. Worth's vacancy rate is the highest in the country, it is skewed by a large amount of older space. Demand remains strong, with more than 2 million sq. ft. of positive absorption in 2018.

Source: CBRE Research, Q4 2018.

## FIGURE 8

### LARGEST QUARTERLY CHANGES IN VACANCY RATES

Decreases	BPS	NRA (MSF)
Honolulu	-160	11.2
Sacramento	-120	52.0
Tampa	-110	46.3
Wilmington	-100	15.2
Detroit	-90	79.6
Oakland	-90	29.4
Orlando	-90	38.5

Increases	BPS	NRA (MSF)
Long Island	100	41.5
Pittsburgh	70	74.6
Miami	60	48.8
Norfolk	50	23.0
Kansas City	30	51.9
Richmond	30	28.9

- The markets with the highest vacancy rates were unchanged from Q3 2018.
- Houston's vacancy rate remained among the highest in the country due to the large amount of construction started several years ago when oil prices and the local economy were stronger. However, the vacancy rate decreased by 50 bps to 18.1% in Q4, potentially signaling a turning point for the market.

Source: CBRE Research, Q4 2018.

# FIGURE 9

## REGIONAL OFFICE VACANCY RATES (%)

MARKET	SIZE RANK	Downtown			Suburban			Metropolitan		
		Q4 2018	Q3 2018	Q4 2017	Q4 2018	Q3 2018	Q4 2017	Q4 2018	Q3 2018	Q4 2017
Baltimore	21	16.9	17.2	14.2	13.5	13.5	14.0	14.6	14.7	14.1
Boston	6	6.5	6.9	8.2	17.4	18.3	18.9	12.5	13.2	14.1
Cambridge	*	4.0	4.2	4.6	N/A	N/A	N/A	N/A	N/A	N/A
Charlotte	30	7.1	7.3	8.1	6.3	6.2	7.7	6.6	6.6	7.9
Fairfield County, CT	32	N/A	N/A	N/A	20.3	20.2	20.8	20.3	20.2	20.8
Greenville	55	13.6	14.1	14.3	15.4	15.0	10.9	14.8	14.7	12.0
Hartford	46	15.9	16.1	17.2	18.1	18.7	18.3	17.2	17.7	17.9
Long Island	33	N/A	N/A	N/A	10.8	9.8	10.9	10.8	9.8	10.9
Louisville	51	15.2	15.5	14.5	10.1	9.8	12.0	12.4	12.4	13.2
Downtown Manhattan	1	10.4	10.3	10.0	N/A	N/A	N/A	7.6	7.6	8.1
Midtown Manhattan	**	6.9	7.0	8.0	N/A	N/A	N/A	N/A	N/A	N/A
Midtown-South Manhattan	**	6.6	6.2	6.2	N/A	N/A	N/A	N/A	N/A	N/A
Suburban Maryland	***	N/A	N/A	N/A	16.1	16.1	15.4	N/A	N/A	N/A
New Jersey	8	N/A	N/A	N/A	17.6	18.0	17.5	17.6	18.0	17.5
Norfolk	49	13.0	13.3	9.5	11.6	11.0	12.0	11.8	11.3	11.7
Philadelphia	13	11.3	11.5	12.5	15.5	15.2	15.4	13.7	13.6	14.2
Pittsburgh	19	14.7	13.7	12.0	14.4	14.2	13.6	14.6	13.9	12.7
Richmond	43	11.4	11.7	12.4	8.4	7.8	10.0	9.3	9.0	10.7
Northern Virginia	***	N/A	N/A	N/A	20.3	20.3	20.9	N/A	N/A	N/A
Washington, D.C. ***	2	12.9	13.0	12.9	N/A	N/A	N/A	16.9	16.9	17.0
Westchester County, NY	45	N/A	N/A	N/A	16.5	16.3	18.1	16.5	16.3	18.1
Wilmington	53	17.7	19.3	19.1	16.4	16.9	16.5	17.0	18.0	17.6
<b>East</b>		<b>9.5</b>	<b>9.5</b>	<b>9.8</b>	<b>16.4</b>	<b>16.5</b>	<b>16.8</b>	<b>13.1</b>	<b>13.2</b>	<b>13.5</b>
Chicago	4	13.4	13.3	13.2	18.8	18.8	19.6	15.8	15.7	16.0
Cincinnati	40	14.8	14.9	15.3	21.2	21.3	20.9	19.0	19.2	19.0
Cleveland	41	20.5	20.5	19.8	16.0	16.4	16.1	18.1	18.3	17.8
Columbus	39	14.9	14.7	13.3	14.9	14.9	14.6	14.9	14.8	14.1
Detroit	16	12.2	12.8	11.7	15.7	16.6	16.5	14.9	15.8	15.4
Indianapolis	38	13.0	13.9	15.1	17.4	17.4	18.0	16.0	16.2	17.0
Kansas City	23	16.2	15.7	14.8	12.4	12.2	12.1	13.3	13.0	12.8
Milwaukee	31	14.0	13.9	13.5	15.4	15.2	14.2	14.9	14.8	14.0
Minneapolis/St. Paul	20	20.7	20.7	21.1	15.2	15.0	15.1	17.8	17.7	17.9
St. Louis	27	16.2	16.9	17.0	9.1	9.3	9.1	10.9	11.4	11.2
<b>Midwest</b>		<b>15.0</b>	<b>15.0</b>	<b>14.9</b>	<b>15.9</b>	<b>16.0</b>	<b>16.1</b>	<b>15.6</b>	<b>15.6</b>	<b>15.6</b>
<b>U.S.</b>		<b>10.5</b>	<b>10.5</b>	<b>10.7</b>	<b>13.7</b>	<b>13.9</b>	<b>14.2</b>	<b>12.6</b>	<b>12.7</b>	<b>13.0</b>

\* Included in Boston metro

\*\* Included in Downtown Manhattan

\*\*\* Included in Washington, D.C., metro Boston metro figures include Suburban Boston, Downtown Boston and Cambridge, Washington, D.C. metro figures include Suburban Maryland, Northern Virginia and Downtown Washington, D.C.

- The East vacancy rate decreased by 10 bps quarter-over-quarter and 40 bps year-over-year to 13.1% in Q4. Vacancy rate decreases occurred in most of the region's largest office markets, including Manhattan, Washington, D.C., Boston and Philadelphia.
- The Midwest was stable compared with the prior quarter and the year-earlier period. Steady office-using job growth drove modest absorption of existing space with little new supply in most of the markets.

## FIGURE 9

### REGIONAL OFFICE VACANCY RATES (%) (CONTINUED)

MARKET	SIZE RANK	Downtown			Suburban			Metropolitan		
		Q4 2018	Q3 2018	Q4 2017	Q4 2018	Q3 2018	Q4 2017	Q4 2018	Q3 2018	Q4 2017
Atlanta	9	14.6	14.8	16.0	18.5	18.7	18.0	17.0	17.2	17.3
Austin	24	6.3	7.2	7.9	10.5	11.1	9.0	9.6	10.2	8.7
Dallas/Ft. Worth	5	26.6	28.0	28.6	20.0	19.8	18.3	20.8	20.8	19.6
Ft. Lauderdale	44	14.6	14.6	11.7	9.8	10.6	11.8	10.6	11.4	11.8
Houston	3	15.4	15.1	14.3	18.7	19.5	18.1	18.1	18.6	17.3
Jacksonville	48	14.8	16.2	12.1	15.0	15.0	13.7	14.9	15.3	13.2
Miami	26	16.1	15.6	15.5	9.0	8.3	8.8	11.2	10.6	10.9
Nashville	34	7.8	9.1	12.7	10.7	10.6	9.4	10.0	10.2	10.2
Orlando	35	8.8	9.7	10.5	8.4	9.4	9.9	8.5	9.4	10.0
Palm Beach County	50	N/A	N/A	N/A	13.1	13.5	16.0	13.1	13.5	16.0
Tampa	28	7.4	9.2	11.9	10.7	11.6	11.2	10.2	11.3	11.3
<b>South</b>		<b>15.3</b>	<b>15.7</b>	<b>16.0</b>	<b>16.4</b>	<b>16.5</b>	<b>15.6</b>	<b>16.2</b>	<b>16.4</b>	<b>15.7</b>
Albuquerque	54	24.1	25.2	25.3	17.3	17.6	19.6	18.7	19.2	20.7
Denver	11	16.8	17.2	15.3	12.4	13.2	13.7	13.5	14.2	14.1
Honolulu	56	17.5	19.3	18.7	10.6	12.1	11.2	13.7	15.3	14.6
Inland Empire	47	N/A	N/A	N/A	8.9	9.3	10.9	8.9	9.3	10.9
Las Vegas	37	19.2	18.4	20.2	15.5	15.8	15.6	15.7	15.9	15.8
Los Angeles	7	17.1	17.5	18.1	13.6	13.5	14.2	14.1	14.2	14.8
Oakland	42	5.4	6.4	5.9	6.0	6.9	6.2	5.8	6.7	6.1
Orange County	14	N/A	N/A	N/A	10.1	10.9	10.6	10.1	10.9	10.6
Phoenix	15	20.3	20.6	20.0	14.1	14.6	15.6	15.2	15.7	16.4
Portland	25	13.0	12.3	12.3	10.6	11.0	12.4	11.8	11.6	12.4
Sacramento	22	9.6	9.9	10.8	11.3	12.7	13.6	10.9	12.1	13.0
Salt Lake City	36	13.6	14.0	14.5	8.8	9.3	11.2	10.3	10.8	12.3
San Diego	18	10.7	10.8	11.2	9.6	10.1	11.3	9.8	10.2	11.3
San Francisco	10	4.1	4.7	5.8	6.8	7.1	6.7	5.0	5.5	6.1
San Jose	17	10.1	12.5	13.1	7.8	7.7	10.0	8.0	8.2	10.3
Seattle	12	7.4	8.2	9.9	11.1	11.8	13.5	9.4	10.1	11.8
Tucson	57	8.8	9.8	14.4	12.1	12.4	12.4	11.8	12.2	12.6
Ventura County	52	N/A	N/A	N/A	15.2	15.4	16.9	15.2	15.4	16.9
Walnut Creek/I-680 Corridor	29	N/A	N/A	N/A	7.5	8.1	7.4	7.5	8.1	7.4
<b>West</b>		<b>10.5</b>	<b>11.0</b>	<b>11.5</b>	<b>11.2</b>	<b>11.6</b>	<b>12.4</b>	<b>11.0</b>	<b>11.5</b>	<b>12.2</b>
<b>U.S.</b>		<b>10.5</b>	<b>10.5</b>	<b>10.7</b>	<b>13.7</b>	<b>13.9</b>	<b>14.2</b>	<b>12.6</b>	<b>12.7</b>	<b>13.0</b>

- After increasing by 70 bps between year-end 2017 and Q3 2018, the South vacancy rate ticked down by 20 bps to 16.2% in Q4, the highest rate among the four regions. Vacancy rates decreased or were unchanged in all markets in the region except Miami, where absorption slowed slightly from a strong Q3 and some new supply that was only partially leased came online.
- The West posted the largest quarterly and annual vacancy rate decrease. Vacancy rates decreased by 2 percentage points or more in 2018 in Seattle, San Jose, Sacramento, Salt Lake City, the Inland Empire and Albuquerque.

Source: U.S. national totals provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q4 2018.

# FIGURE 10

## ASKING LEASE RATES FOR LARGEST 10 MARKETS

		Gross Average Direct Asking Rents (US\$/ Sq. Ft./Annum)	Gross Average Direct Asking Rents Q-o-Q (Percent Change)	Gross Average Direct Asking Rents Y-o-Y (Percent Change)
<b>Manhattan</b>	Downtown	62.13	0.3	-1.5
	Midtown	83.57	1.3	1.7
	Midtown-South	84.08	7.1	9.4
	Metro	76.76	2.4	2.0
<b>Washington, D.C.</b>	Downtown	56.29	-0.1	2.4
	Suburban Maryland	31.07	5.2	8.1
	Northern Virginia	33.87	0.4	2.7
	Metro	39.48	-1.1	2.4
<b>Chicago</b>	Downtown	39.78	-0.2	2.1
	Suburban	23.38	0.4	2.5
	Metro	31.09	0.4	2.3
<b>Boston</b>	Downtown	60.80	0.8	7.5
	Cambridge	82.34	0.1	17.3
	Suburban	24.03	0.9	4.3
	Metro	39.36	-0.8	11.2
<b>Dallas/Ft. Worth</b>	Downtown	25.83	1.3	-0.7
	Suburban	24.77	-0.8	1.4
	Metro	24.88	-0.6	1.8
<b>Houston</b>	Downtown	38.78	-5.5	-5.0
	Suburban	25.88	-0.7	-2.7
	Metro	29.00	-0.2	-1.4
<b>Los Angeles</b>	Downtown	43.68	1.1	3.9
	Suburban	42.00	-2.0	5.1
	Metro	42.36	-1.4	4.8
<b>New Jersey</b>	Suburban	26.55	0.6	2.0
	Metro	26.55	0.6	2.0
<b>Atlanta</b>	Downtown	31.45	1.3	5.9
	Suburban	25.64	0.3	4.8
	Metro	27.39	0.5	4.7
<b>San Francisco</b>	Downtown	81.04	4.4	11.0
	Peninsula	76.20	1.6	8.5
	Metro	79.41	3.5	10.2
<b>U.S. Downtown</b>		<b>48.37</b>	<b>1.2</b>	<b>3.8</b>
<b>U.S. Suburban</b>		<b>26.40</b>	<b>0.2</b>	<b>2.8</b>
<b>U.S. Metro</b>		<b>33.15</b>	<b>0.4</b>	<b>2.7</b>

- Rents increased in nine of the 10 largest metro office markets in 2018. Houston was the exception. Rents in Downtown Manhattan and Downtown Dallas also decreased slightly during the year.
- Strong tech and life sciences demand drove robust rent growth in Boston/Cambridge, San Francisco and Midtown-South Manhattan.
- San Francisco surpassed Manhattan in 2018 with the highest metro rent in the country. Midtown-South Manhattan, Midtown Manhattan and Cambridge had the highest downtown rents.

Source: U.S. national totals provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q4 2018.



**FOR MORE INFORMATION, PLEASE CONTACT:**

**Spencer G. Levy**

*Chairman & Senior Economic Advisor, Americas Research*

+1 617 912 5236

[spencer.levy@cbre.com](mailto:spencer.levy@cbre.com)

Follow Spencer on Twitter: [@SpencerGLEvy](https://twitter.com/SpencerGLEvy)

**Andrea Cross**

*Americas Head of Office Research*

+1 415 772 0337

[andrea.cross@cbre.com](mailto:andrea.cross@cbre.com)

Follow Andrea on Twitter: [@AndreaBCross](https://twitter.com/AndreaBCross)

**Julie Whelan**

*Americas Head of Occupier Research*

+1 617 912 5229

[julie.whelan@cbre.com](mailto:julie.whelan@cbre.com)

Follow Julie on Twitter: [@juliewhelanbre](https://twitter.com/juliewhelanbre)

**Alex Krasikov**

*Economist*

CBRE Econometric Advisors

+1 617 912 5249

[alex.krasikov@cbre.com](mailto:alex.krasikov@cbre.com)

**Chris M. Connelly**

*Global President*

Asset Services and Investor Leasing

+1 312 297 7604

[chris.connelly@cbre.com](mailto:chris.connelly@cbre.com)

**Whitley Collins**

*Global President*

Occupier Advisory and Transaction Services

+1 310 363 4842

[whitley.collins@cbre.com](mailto:whitley.collins@cbre.com)