INDEPENDENT
MARKET REVIEW
by JLL as at 31 December 2017

U.S. Economy Overview

The U.S. economy continued to demonstrate sustained growth over the course of 2017, with labor market, productivity and sentiment indicators all highly positive. Over the past 12 months, the economy saw nearly 2.1 million net new jobs added, even as unemployment neared a cyclical low of 4.1 percent and job creation outpaced the expansion of the labor force. Job openings have stabilized at record highs, currently surpassing 6.0 million, indicative of the strong demand from employers for skilled talent.

Similarly, GDP has risen at annual rates above 3.0 percent for two consecutive quarters, with personal consumption and rising business investment keeping growth robust – and potentially receiving a further boost by corporate tax reform. In real terms, GDP is up 2.3 percent over the year, with further growth in Q4 likely to bring 2017 year-end gains to near 3.0 percent. The Federal Reserve estimates 2.5 percent growth in 2018, with fiscal stimulus playing a role in the continued economic expansion.

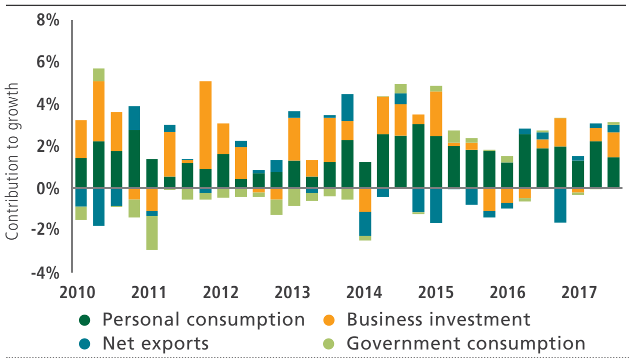
Sentiment indicators are also at favorable levels. In November, the Consumer Confidence Index peaked at 128.6 points, its highest figure since the early 2000s, and despite a small dip in December is still well above its pre-recession highs. The ISM Index, which has been more volatile, is also solidly at optimistic territory at 59.7 percent and nearly all sectors posted expansion. Combined with consistent consumer spending, this has helped to solidify logistics and warehousing as some of the strongest real estate asset classes with a knock-on effect of improving office leasing from tenants specializing in e-commerce and retail.

Heading into 2018, the economy will power forward, but may do so at a slower rate given shifting dynamics. Employers will be challenged by talent shortages that have firmed in nearly all primary and secondary markets, where unemployment is consistently below 5.0 percent and in many cases below 4.0 or even 3.5 percent.

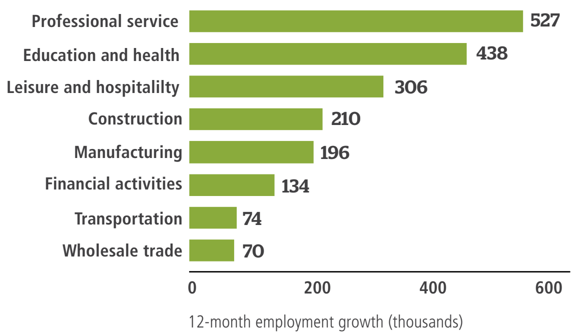
The main drivers of growth in this cycle – professional services, education, health, leisure, hospitality, trade and transportation – will continue to lead, joined by finance, advanced manufacturing and construction, the latter of which is currently seeing a boost as housing starts rise. On the other hand, tech has been particularly hampered by labor shortages, particularly in certain markets where income has failed to keep pace with rapidly rising housing costs. Geographies with inbound domestic migration, particularly mid-sized metro areas in the South and West such as Austin, Charlotte, Denver, Nashville and Raleigh-Durham, will register the fastest growth in the coming years, although they are also more cyclical.

Changes in economic activity will likely result in a similar cooling of the office market; difficulty in increasing headcount is already beginning to affect occupancy growth as corporates relocate into efficient new supply rather than in-market or in-building expansion. At the same time, talent shortages should support wage growth, which has been weaker than expected during the recovery. Given the strong demand for goods, services and employees across sectors, forecasts for 2018 expect a continuation of the trends seen in 2017.

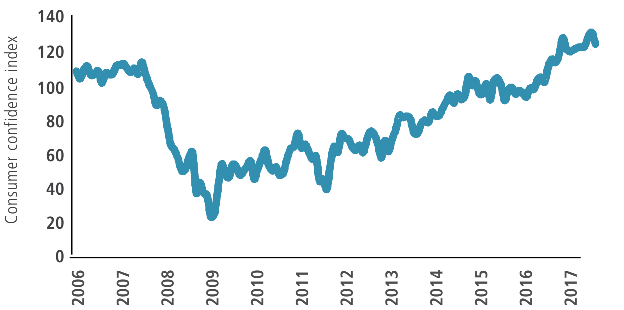
GDP Growth Accelerating, Led by Personal Consumption



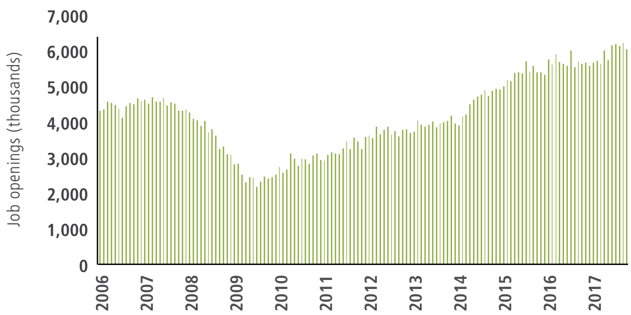
Business Services Sector Leading Job Growth



Consumer Confidence is Surging



Job Openings at Record Highs



U.S. Office Overview

The U.S. office market entered a new phase of the cycle in 2017, characterized by shifting supply-and-demand fundamentals, steady asking rent growth and new opportunities opening up for tenants in what has in recent years been a constrained environment. Fundamentals remain positive and organic growth continues as the economy powers on, keeping prospects for 2018 optimistic.

Most notable in recent quarters has been the gradual slowing of net absorption. In 2017, the office market recorded 36.4 million square feet of occupancy growth, 12.9 percent less than the 41.8 million square feet in 2016. This marks the third consecutive year of slowing absorption, driven by a combination of reduced expansionary activity among large users; movement into newer, more efficient space; and give-backs of commodity blocks faster than the market can absorb.

As a result, vacancy has increased to 14.9 percent and is set to rise even more in 2018 and 2019 as deliveries outpace net absorption. Flight-to-quality is accelerating the rise in vacancy in Class A space, although it remains tighter than that of Class B vacancy. Throughout 2017, Class A vacancy inched up 70 basis points to 14.8 percent, whereas Class B vacancy has ranged between 15.1 and 15.3 percent since late 2015.

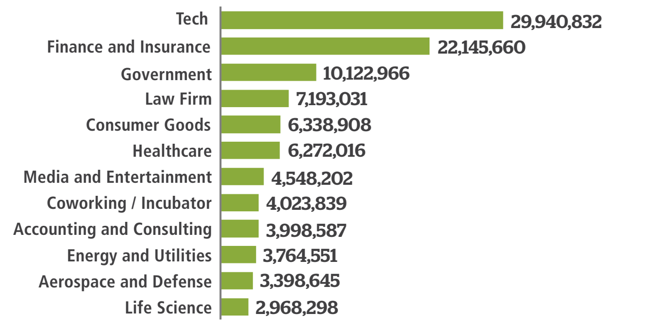
Developers are taking note of this upward trend in vacancy and scaled back on construction starts. In 2016, developers broke ground on 60.8 million square feet of new office product, leading to construction volumes peaking at 110.5 million square feet at the end of the year. In 2017, construction starts dropped sharply by 29.4 percent to 42.9 million square feet, ultimately leading to construction activity falling below the 100-million-square-foot mark for the first time since 2015. As another 57 million square feet is expected to hit the market in 2018, in addition to the 57.8 million square feet delivered in 2017, this level of restraint will continue over the near-term outside of select pockets.

This injection of new supply is also providing landlords with a short-term bump in asking rents. New supply averages $56.16 per square foot, a 43 percent premium compared to existing Class A space; this has contributed to a 3.8 percent increase in asking rents over the year, 20 basis points greater than the market as a whole. Growth has been most acute for quality space in the suburbs, where greater volumes of new, non-pre-leased supply are coming on line.

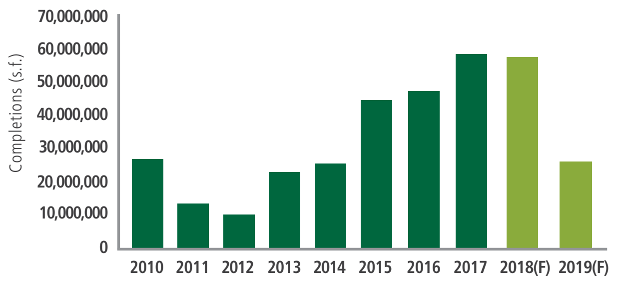
Landlords are taking advantage of the faster flight to quality in suburban geographies to push rents higher. Coupled with pricing discounts compared to core product, suburban assets in targeted locations have become some of the most attractive office investment opportunities nationally, particularly as investors seek to diversify holdings and barriers to entry remain high for top-tier assets.

2018 will see continued net growth for the U.S. office market, even though occupancy growth will stay at its newer and slower pace. Leasing activity has yet to show a sign of slowing and GDP growth will be close to 2017 levels, keeping demand for space buoyant, while more balanced conditions will ease the cost and space burdens on tenants.

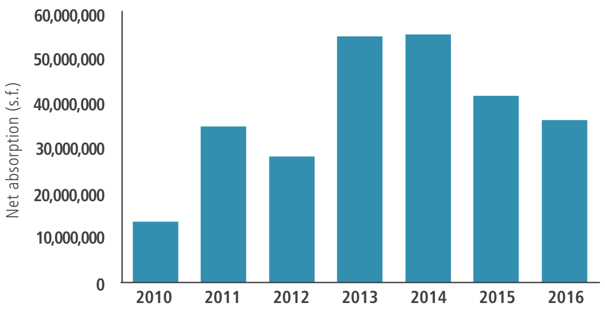
Tech, Finance and Insurance Dominated 2017 Leasing (s.f.)



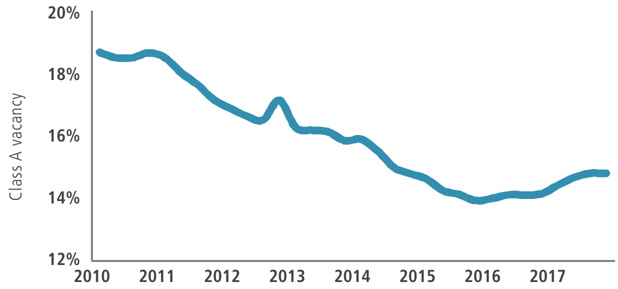
2018 will See a Similar Amount of New Supply as 2017



Absorption at Lowest Level since 2012



Class A Vacancy is Now on the Rise



INDEPENDENT
MARKET REVIEW

ATLANTA (MIDTOWN)

Local Economy

Atlanta's economy is the 10th largest in the country and consistently ranks among the most diverse given its high concentration of corporate headquarters and particular strengths in professional services, finance, consumer products, logistics, entertainment and health, with an emerging tech presence as well. The region's status as key air and freight rail hub, low costs of living, pro-business governance and quality education and health institutions all contribute to its sustained growth and target for corporate relocations and expansion.

Atlanta's status as one of the country's fastest-growing major markets has yet to abate. It has posted 548,600 net new jobs since 2010, while its population has surged by 9.5 percent to 5.8 million over the same time period. Unemployment has declined to 4.2 percent, slightly above other large geographies and indicative of some slack left in the local labor market before reaching effective full employment as well as sustained inbound domestic migration.

Office Market Trends

After recording more than 3.2 million square feet of occupancy losses during the recession, Atlanta has absorbed 7.7 million square feet of space during its recovery, bringing vacancy down by 350 basis points to 17.5 percent. In line with national trends, the area's urban core has been one of its strongest and most in-demand locations for tenant activity, expansion and migration.

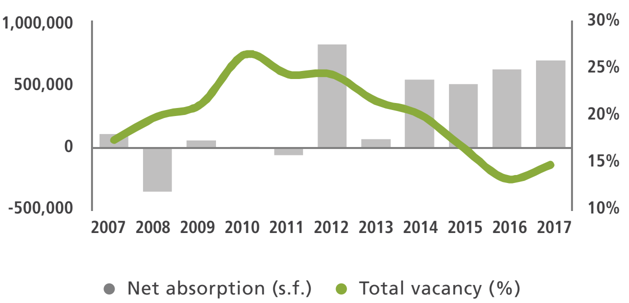
A rapid expansion in residential population, coupled with anchors such as Georgia Tech, has attracted corporations such as NCR – which is building its new headquarters and relocating from the city's northeastern suburbs – and Honeywell, as employers take advantage of Midtown's young, educated workforce. Midtown's fringe also offers one of the few areas of creative space favorable for tenants in Atlanta's burgeoning media and tech industries.

Deals from high-profile tenants in both traditional sectors such as law (King & Spalding, Eversheds Sutherland) and emerging ones such as coworking and tech (WeWork, Amazon and SalesLoft) all contributed to the more than 800,000 square feet in leasing activity in Midtown in 2017. This momentum translated into continued rapid rent growth of nearly 8.5 percent for Class A product, in turn highlighting the potential for investment. Lionstone's acquisition of 271 17th Street NW for $182 million was Midtown's major office transaction in 2017, speaking to the submarket's institutional appeal and growing geographical breadth.

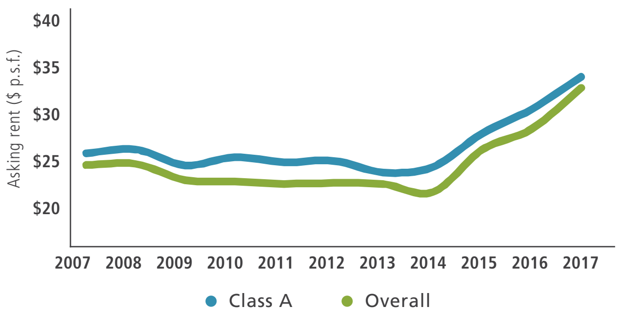
Outlook

Midtown's sustained growth will keep it in close competition with Buckhead, which has traditionally been a highly desirable submarket in the Atlanta metro area. A greater number of available development sites, a more even distribution of office and residential construction and consistent population growth are creating a truly mixed-use environment that will attract and retain tenants and employees. Increases in vacancy will largely come as a result of new blocks hitting the market rather than movement or give-backs of space, and this growth will keep rents buoyant.

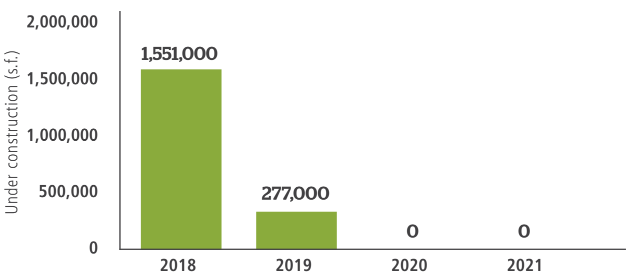
Midtown's Strong Occupancy Growth Continues



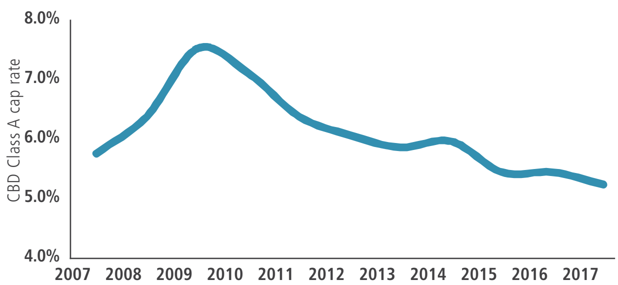
Midtown's Average Asking Rents are Spiking



Midtown's Pipeline is High, as is Preleasing



Cap Rate Compression Driven by Sustained Growth



HUDSON WATERFRONT AND THE MEADOWLANDS (NEW JERSEY)

Local Economy

New Jersey's post-recession recovery remains muted, with slower job growth than neighboring New York City and shifting tenant preferences to more urban, walkable and amenitized locations. This demographic shift has played into the hands of the Hudson Waterfront, enabling the submarket to command a premium for office rents and fuel multifamily development.

Job and economic growth in New Jersey in recent years has been predominately in skilled sectors such as life sciences, professional services and finance, as well as a robust logistics and warehousing sector. However, high costs of living and doing business, as well as demographic shifts, are highlighting the state's talent shortages outside of New York City-proximate submarkets such as the Hudson Waterfront and Newark.

Office Market Trends

Among large office markets nationally, New Jersey's has been subdued. Since 2013, occupancy growth has totaled 2.7 million square feet (1.7 percent of inventory), helping to bring vacancy down by 80 basis points to 24.1 percent.

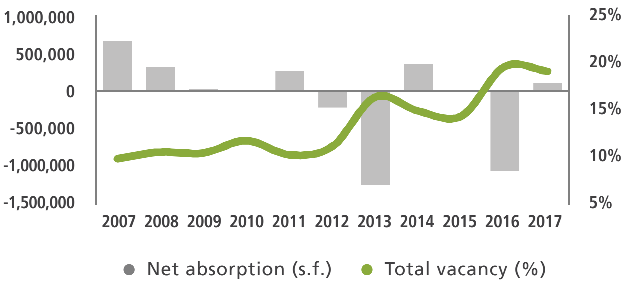
As with many suburban-heavy markets across the country, this growth has been heavily bifurcated between gains found in mixed-use micromarkets and traditional office campuses, the latter of which has generally struggled. Despite negative net absorption in 2016 and rising vacancy, the Hudson Waterfront has recorded consistent rent growth of 2.7 percent per year since 2014, although slowing of late. Mid-sized deals from tenants such as Tory Burch and L'Oreal were responsible for the majority of leasing in the submarket throughout the year. On the other hand, activity in the Meadowlands is slow, but vacancy continues to inch downward, and is well below its recession high of 30.5 percent.

Investor sentiment remains relatively positive, particularly for quality assets. In total, the Hudson Waterfront and Meadowlands submarkets recorded $480.6 million of office sales in 2017, 89.5 percent of which came from Manulife US REIT acquisitions of Exchange Place Centre and 500 Plaza Drive. This comes after a strong 2016, during which sales totaled $647.4 million on the back of sales of high-value properties such as Waterfront Corporate Center, 70/90 Hudson Street and 30 Montgomery Street.

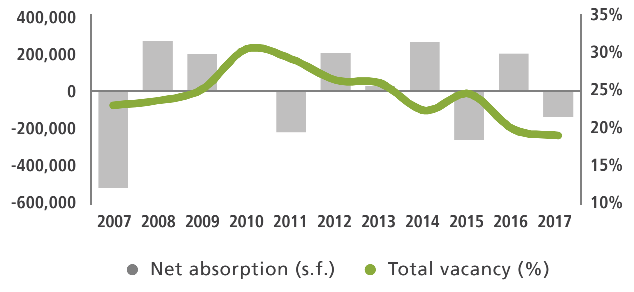
Outlook

New Jersey's office market is expected to remain divergent between transit-oriented submarkets such as the Hudson Waterfront and Metropark and campus-heavy geographies. Vacancy is expected to stay elevated outside of select pockets, with rent growth muted on aggregate. The state's aggressive incentives program will bring some inbound demand to the market, particularly in areas with good transit access to New York City, while organic growth will come from high-growth knowledge industries such as pharmaceuticals and health care. However, the market faces challenges as tenant preferences change and back-office operations shift to lower-cost, out-of-state secondary markets.

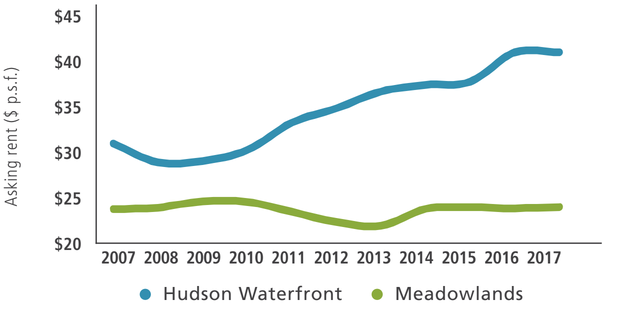
Hudson Waterfront's Vacancy is Stabilizing



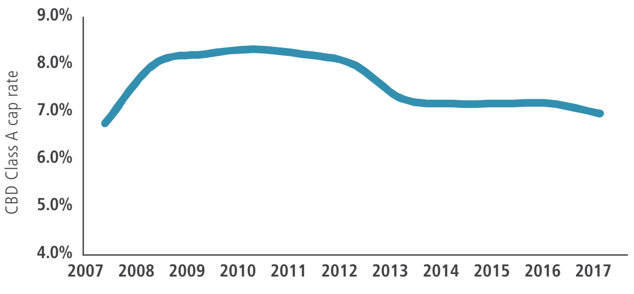
Meadowlands' Vacancy Falling



Hudson Waterfront's Rents Rising Despite Vacancy



Cap Rates Have Only Slightly Fallen



INDEPENDENT
MARKET REVIEW

LOS ANGELES (DOWNTOWN)

Local Economy

Traditionally powered by entertainment, media, tourism, professional services, law and finance, Los Angeles is currently witnessing a very strong boom in the creative industries, not just in film and television production, but also content creation, tech and advanced engineering and research. Its tech cluster, known as Silicon Beach, has emerged as one of the most high-profile hubs of innovation in the world and has moved beyond a lower-cost alternative to the Bay Area to become a recognized concentration of talent and output that ties together tech with media, communications and entertainment. Major technology companies have opened or expanded offices in the city in recent years, most notably YouTube, Snap, Facebook, Salesforce and Electronic Arts.

Los Angeles' creative and entrepreneurial workforce has also made it a leading destination for coworking operators, with the market seeing over 1.5 million square feet of growth over the past 24 months by the likes of WeWork, Spaces and CTRL.

Office Market Trends

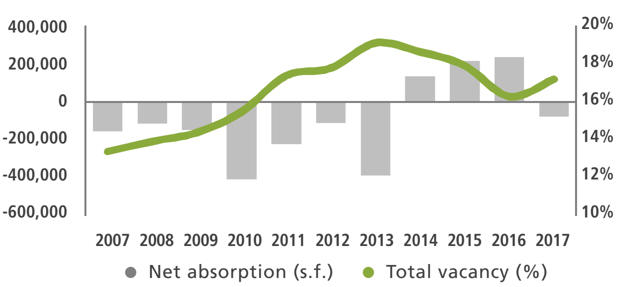
Over the course of the current cycle, Los Angeles' office market has been notable for growth being concentrated in emerging micromarkets and creative-style buildings. In 2017, however, the market has begun to cool as a dearth of quality space in key submarkets has placed pressure on vacancy and rents, constraining occupiers in the process. Class A rents have spiked by 37.9 and 9.3 percent in Playa Vista and Santa Monica, respectively, pushing activity to alternative locations such as Culver City. Downtown will see some benefits from this migration, although growth in the submarket will remain driven largely by non-office asset types, notably multifamily and retail in off-core locations such as the Arts District and spillover to the north and west. Downtown's multifamily boom continued throughout 2017, which will further broaden the local talent pool.

The delivery of the Wilshire Grand injected the first new speculative inventory in Downtown in more than 15 years, with a number of tenants taking on the building's 300,000 square feet of office space. Similar to the broader region, Downtown registered a relatively muted year in terms of office leasing and investment. No large (> 100,000 s.f.) leases came to fruition in 2017, although a range of users completed a total of 535,000 square feet of transaction activity.

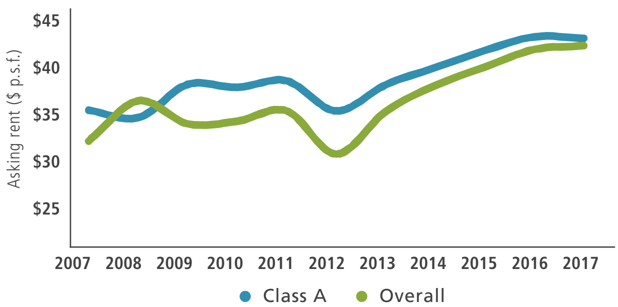
Outlook

Downtown's growth has been a defining feature of the current cycle in Southern California and will continue to be so as population growth remains steady and walkable, mixed-use environments become increasingly commonplace. The office market will remain secondary to the Westside, but is likely to benefit from cost differentials and being one of the region's transportation and arts hubs, luring start-ups and users looking for less-traditional locations and workspaces. Extensions of the Metro system will further improve transportation connectivity to Downtown.

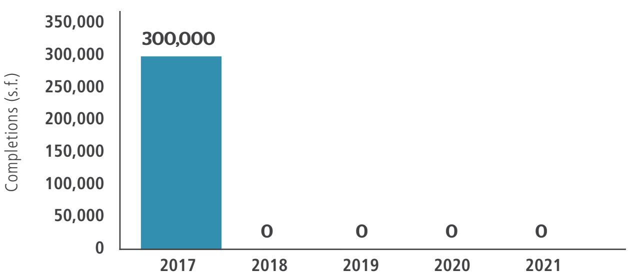
Delivery of the Wilshire Grand has Pushed Up Vacancy



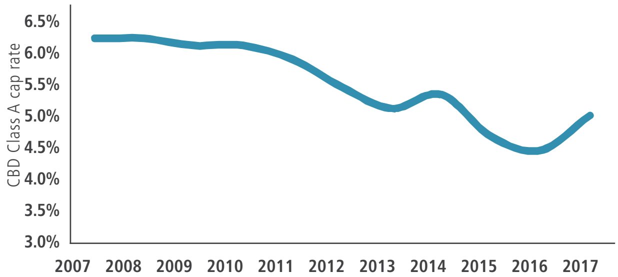
After a Strong Recovery, Rent Growth Beginning to Cool



No Construction is Underway in Downtown LA



Cap Rates Inching Upwards after Sustained Declines



ORANGE COUNTY (IRVINE)

Local Economy

After being hit hard during the recession, Orange County has made a rapid comeback to be a leading mid-sized office market nationally. The nearly 200,000 jobs lost during the recession have all been recovered and current employment is 5.4 percent above its previous peak in 2006. With population growth since 2010 also totaling 5.4 percent, Orange County wdemonstrating the growth of the local economy.

Orange County continues to maintain its status as a driver of the larger Southern California economy. Over the past three years, it has been responsible for one-fifth of regional employment, with growth in tech and advanced manufacturing and development being notable bright spots. A county-wide unemployment rate of 2.8 percent has resulted in slowing job creation, however, which will place further upward pressure on wages.

Office Market Trends

Orange County's office market tends to follow the national economic cycle relatively closely. From 2007 to 2011, the market saw occupancy losses totaling nearly 6.4 million square feet, driving vacancy past 20 percent and rents down 27.5 percent. Since then, 8.4 million square feet of net absorption has dropped vacancy to 12.9 percent, while demand and restrained speculative development have enabled rents to reach their pre-recession peak.

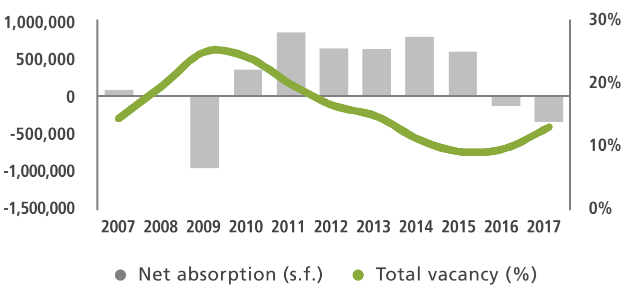
Like many other suburban geographies nationally, Orange County's performance over the course of the current cycle has been bifurcated, with activity concentrated in specific submarkets and asset classes. Flight-to-quality, rightsizing and proximity to economic drivers, namely tech, media and finance, have dominated much of the market's movement in recent quarters. A diversified set of tenants, including Toshiba, Pathway Capital, Jacobs, Pepperdine University and Qualcomm, represented top transactions over the past four quarters.

The Airport Area, of which Irvine is a component, continues to command an 11.5 percent rent premium, while Irvine ranks as the third-most expensive submarket in the county, with Class A asking rents of $41.76 per square foot. Irvine has also been an epicenter of development in Orange County: Trammell Crow's Boardwalk project was one of the largest completions in 2017. As a result of new supply and hiring constraints, vacancy is likely to continue its slowly upward movement, but is low by historic and county standards.

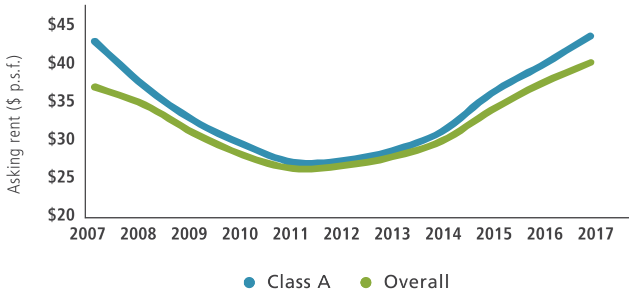
Outlook

Orange County will remain one of the strongest secondary markets nationally heading into 2018. A tenant base comprised of growing, knowledge-intensive industries that are expanding organically, rather than rightsizing, will keep demand for quality space high. Orange County remains susceptible to volatility due to a heavy exposure to the financial sector, although a lack of overbuilding during the current cycle and momentum in emerging industries will help to insulate the market.

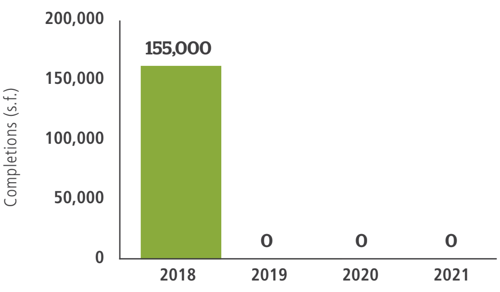
Vacancy is Rising and at Par with the County Average



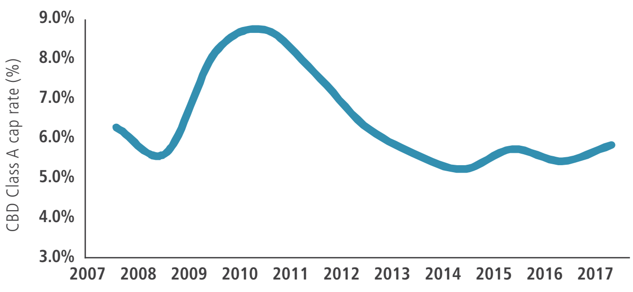
New Supply is Pushing Up Asking Rents Markedly



Only One Building is Currently Under Construction



Cap Rates have Likely Reached Cyclical Low



RECENT LEASING ACTIVITY

ATLANTA (MIDTOWN)

Tenant	Address	Class	Lease type	Size (s.f.)
King & Spalding	1180 Peachtree St NE	A	Renewal	340,000
Eversheds Sutherland	999 Peachtree Street NE	A	Renewal	188,823
Keysight	771 Spring Street NW	A	Renewal	50,686
Bain	1180 Peachtree St NE	A	Relocation	50,000
Cushman & Wakefield	1180 Peachtree St NE	A	Relocation	50,000
WeWork	1372 Peachtree St NE	B	Expansion in market	39,000
SalesLoft	1180 W Peachtree St	A	Expansion in market	30,524
Riskalyze	10 10th Street NW	A	New to market	30,000
Amazon	271 17th Street NW	A	New to market	23,000

LOS ANGELES (DOWNTOWN)

Tenant	Address	Class	Lease type	Size (s.f.)
Marsh & McLennan	633 W 5th Street	A	Renewal	71,094
Bank of America	350 S Grand Avenue	A	Renewal	51,954
Spaces	515 S Flower Street	A	Expansion in building	50,970
U.S. Census Bureau	555 W 5th Street	A	New to market	35,958
Cushman & Wakefield	900 Wilshire Boulevard	A	Expansion in market	35,456
SCAG	900 Wilshire Boulevard	A	Relocation	34,456
Tokio Marine	801 S Figueroa Street	A	New to market	32,172
Am. Contractors Indemnity Co.	801 S Figueroa Street	A	Relocation	32,172
Metrolink	900 Wilshire Boulevard	A	Relocation	30,000

NEW JERSEY (HUDSON WATERFRONT AND THE MEADOWLANDS)

Tenant	Address	Class	Lease type	Size (s.f.)
Tory Burch	499 Washington Boulevard	A	New to market	93,000
L'Oréal	111 Town Square Place	A	New to market	60,000

ORANGE COUNTY (IRVINE)

Tenant	Address	Class	Lease type	Size (s.f.)
Toshiba	5231/5241 California Avenue	B	Relocation	96,352
Pathway Capital	18565-18575 Jamboree Road	A	Relocation	63,879
Jacobs	2600 Michelson Drive	A	Relocation	60,012
Pepperdine University	18111 Von Karman Avenue	A	Renewal	54,703
Squar Milner	18500 Von Karman Avenue	A	Relocation	43,068
Oracle	17901 Von Karman Avenue	A	Renewal	40,304
Veritone	575 Anton Boulevard	A	Renewal	38,875
Home Franchise Concepts	19000 MacArthur Boulevard	A	Relocation	38,807
Regus	17875 Von Karman Avenue	A	Expansion in market	34,216

RECENT OFFICE SALES

ATLANTA (MIDTOWN)

Building	RBA (s.f.)	Sales price ($)	Price ($ ps.f.)	Buyer	Seller
271 17th Street	541,870	$182,000,000	$341	Lionstone	CBREI

LOS ANGELES (DOWNTOWN)

Building	RBA (s.f.)	Sales price ($)	Price ($ ps.f.)	Buyer	Seller
California Market Center	2,081,275	$440,000,000	$211	Brookfield	Jamison
Fine Arts Building	115,902	$42,875,000	$370	Manchester	Sorgente

NEW JERSEY (HUDSON WATERFRONT AND THE MEADOWLANDS)

Building	RBA (s.f.)	Sales price ($)	Price ($ ps.f.)	Buyer	Seller
Exchange Place Centre	731,000	$315,100,000	$431	MUST	John Hancock
500 Plaza Drive	461,525	$115,000,000	$249	MUST	PGIM/Marcus
Skyline Corporate Center	278,456	$29,500,000	$106	125 Chubb LLC	SL Green
150 Meadowlands Pkwy	212,666	$21,000,000	$99	Alma	Rialto

ORANGE COUNTY (IRVINE)

Building	RBA (s.f.)	Sales price ($)	Price ($ ps.f.)	Buyer	Seller
Centerview	656,000	$200,000,000	$305	Emmes	Shorenstein
18301 Von Karman Avenue	225,729	$85,800,000	$380	Monster Energy	Greenlaw
18881 Von Karman Avenue	234,694	$64,470,508	$275	Muller	Rockwood
5 Peters Canyon Road	156,451	$41,650,000	$266	GEM	TA
Centerpointe	105,295	$27,000,000	$256	Keleman Caamano	CIP
18831 Von Karman Avenue	65,274	$24,500,000	$375	Kirin Hopkins	Great Far East
Von Karman Corp. Plaza	65,274	$24,500,000	$375	Kirin Hopkins	Great Far East
16802 Aston Street	65,108	$18,900,000	$290	Kirin Hopkins	Hines
Skypark Business Center	81,651	$17,900,000	$219	Koll	Irvine Company

ACTIVE DEVELOPMENT PIPELINE

ATLANTA (MIDTOWN)

Building	Developer	Spec/BTS	Completion	RBA (s.f.)	Anchor
Coda	Portman	Speculative	2018	645,000	Georgia Tech
NCR HQ (Phase 1)	Cousins	BTS	2018	485,000	NCR
725 Ponce de Leon Ave NE	New City	Speculative	2018	421,000	-
NCR HQ (Phase 2)	Cousins	BTS	2019	277,000	NCR

ORANGE COUNTY (IRVINE)

Building	Developer	Spec/BTS	Completion	RBA (s.f.)	Anchor
2722 Michelson Drive	LBA	Speculative	2018	155,000	-