



Office: Valuations remain attractive, but specter of recession remains an overhang

Figure 66: 1-Month Office performance



As of 10/14/16

Source: Deutsche Bank, SNL

Figure 67: YTD Office performance



As of 10/14/16

Source: Deutsche Bank, SNL

Figure 68: vacancy flat while rents decelerate

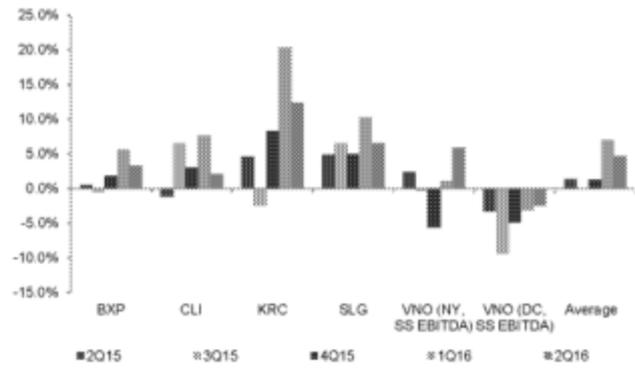


- Y/Y market rent growth of +3.5% in 3Q16 is down 40bps from 2Q16, and has been on a decelerating trend since 4Q15
- Rent growth slows vs. 2Q16 in NY (+3.8%), LA (+3.4%), and Boston (+2.7%). DC improved (+2.5%) while SF was unchanged (+5.1%)
- Vacancy flat q/q. Boston, LA, and SF improved, NY was unchanged, while vacancy increased in DC

Note: major markets comprise NY, DC, Boston, LA, and SF

Source: Deutsche Bank, REIS

Figure 69: SS NOI (Cash) growth Y/Y



- Rent commencement of previously-signed leases and free rent burn off should support elevated SS NOI growth

Source: Deutsche Bank, company data

Key Office topics/questions for 3Q16

- Health of the leasing environment, with national momentum generally healthy
- Supply in the major markets, and impact on pricing power