PMRG Market at a Glance

WASHINGTON, D.C. OFFICE MARKET REPORT

THIRD QUARTER 2015

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PMRG Market at a Glance

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FOR INFORMATION:

David W. Parker
Executive Vice President
Managing Director
(202) 209–5753
dparker@pmrg.com

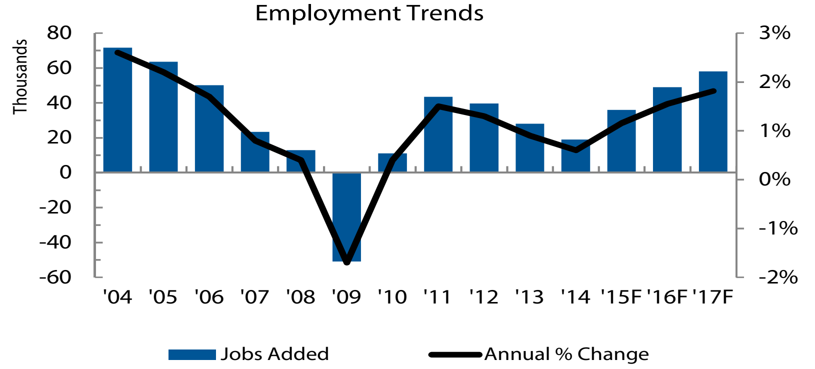
Ariel Guerrero
Senior Vice President, Research
(713) 209-5704
aguerrero@pmrg.com

ECONOMIC OVERVIEW

The Washington metro area continues to thrive economically, managing to continuously stay below the national unemployment rate. Employers have added 60,600 jobs within the past 12 months through August 2015, which is the highest growth since September 2011. Employment growth is up 2% compared to the same time the previous year. Northern Virginia accounted for the bulk of new jobs (approximately 34,400), followed by D.C. (approximately 14,000 jobs), and Suburban Maryland (approximately 12,200 jobs). A booming technology sector coupled with strong education, health, and professional services has continued to diversify the economy and allowed continued expansion in the region.

The District of Columbia saw employment growth up by 1.9% annually. All employment sectors either increased or remained stable compared to the prior 12 months, excluding Leisure & Hospitality which was down 1.4%. The Professional & Business services and Education & Health services lead all sectors for the second straight quarter, accounting for 77.1% of employment gains for the quarter. Despite a downward trend in government spending, the Government sector grew by 1.1%, adding 2,500 jobs over the 12 months ending third quarter. Federal contracts proved instrumental in continuing government sector growth; which looks to remain stable over the next year. Decreases in federal spending and the Presidential election year is expected to slow activity for the government sector for the next 12 months. Overall, the District of Columbia's economy should continue its trend of positive growth with an emphasis on Professional and Education services through the remainder of the year.

Washington D.C. Metro Area
Employment Trends



Source: U.S. Bureau of Labor Statistics, Center of Regional Analysis at George Mason University

Washington D.C. Metro Employment Growth by Sector

	CURRENT READING	12-MONTHS PRIOR READING	ANNUAL CHANGE	HEALTH (Improving or Declining)
Mining & Logging & Construction	153.8	152.3	1.0%	▲
Manufacturing	49.5	50.6	-2.2%	▼
Trade, Transportation & Utilities	404.5	397.4	1.8%	▲
Information	76.3	78.7	-3.0%	▼
Financial Activities	151.1	152.8	-1.1%	▼
Professional & Business Services	728.0	711.9	2.3%	▲
Education & Health Services	416.0	391.7	6.2%	▲
Leisure & Hospitality	315.5	310.1	1.7%	▲
Other Services	197.6	195.3	1.2%	▲
Government	671.5	662.4	1.4%	▲
Totals	3163.8	3,103.2	2.0%	▲

Source: U.S. Bureau of Labor Statistics. Employment Data as of August 2015, All Employees, in Thousands

OFFICE MARKET ASSESSMENT

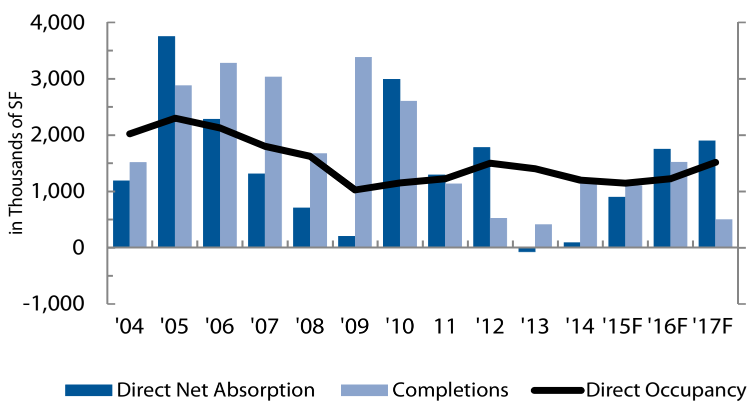
After a net absorption increase of over 165,906 square feet during the second quarter of 2015, the District of Columbia's Class A office sector showed continued improvement recording 412,689 square feet of direct net absorption in the third quarter of the year. The positive gains from both quarters helped boost the trailing 12-month direct occupancy total up to 546,368 square feet and stabilized the year-over-year direct occupancy rate at 88.5% for the quarter. The Class B market saw its three consecutive quarters of absorption growth come to an end with 89,357 square feet of occupancy losses during the quarter, but achieved 91,000 square feet of positive absorption over the prior 12-month period. Despite the quarterly decrease, direct occupancy rates have risen 20 basis points to a healthy 88.7% within the past year. Overall market absorption stood at 330,353 square feet for the quarter, up from 152,196 square feet during the second quarter, with occupancy rates continuing to hold steady at 88.8%.

Positive leasing activity spread into several submarkets that have borne the brunt of the Federal Sector down-sizing the past four years. Capitol Riverfront experienced 165,236 square feet of absorption while the Central Business District saw a total of 68,081 square feet of direct absorption. Notable tenants for the CBD included Cozen O'Connor and the Federal Reserve Board. The NoMa and West End submarkets also witnessed positive absorption with 80,511 square feet and 54,676 square feet, respectively, for the quarter.

FORECAST

- Leasing demand is picking up across the spectrum, in all submarkets and classes of office buildings. Tenant rep brokers are finding fewer options that really meet client demands. The burgeoning technology sector will continue to influence office designs for new construction and renovations. The influence from the millennial workforce seeking a comprehensive live-work-play environment will help bring more companies into the District to help fill the void.
- The growth in the Professional Services sector, a primary office utilizing component of the economy, has created a more positive vibe in the downtown business community breaking the long standing "doldrums" effect experienced since 2010.
- Tenants who have been opting for flexible terms given the uneven local economy of the past are now trying to secure longer term solutions before the market moves against them. As the vacancy rate moves closer to single digits in many of the submarkets, generous tenant concessions packages are still being offered but landlords are now trying to push rental rates up in return.

Office Market Trends



Employment Base:
The Washington D.C. region has a solid employment base, with the federal government supporting nearly 3 out of 10 jobs. The economy is continuing to diversify reducing its' dependence on the Federal Sector.

Fortune 500 Companies:
Washington D.C. houses government affairs offices for numerous Fortune 1000 companies in a variety of industries. This includes 18 Fortune 500 Company headquarters - fourth in the nation.

Ranked 3rd for Energy Efficiency:
The American Council for Energy-Efficient Economy recently ranked Washington D.C. as the third most energy efficient city in the United States. Washington, with a score of 76.5 on its scorecard, trailed only Boston (82) and New York (78) in the rank. Washington was one of the most improved cities over the 2013 rankings.

Market Trend Indicators

	Current Quarter	Change from Previous Quarter	Change from Previous Year	12-month Forecast
Direct Occupancy	88.8%	►	▲	▲
Trailing 12 mos. Direct Net Absorption	672,136	▲	▲	▲
Under Construction	3,752,195	▲	▲	▲
Direct Asking Rents	$50.68	▲	▼	▲

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"Owners need to understand who their real competition is and use the economic upturn being experienced downtown to their favor on a space by space basis. They need to target their marketing programs to the brokers and tenants in the market. Small and medium sized tenants are out there" said Geoff Kieffer, Senior Vice President, Regional Director.

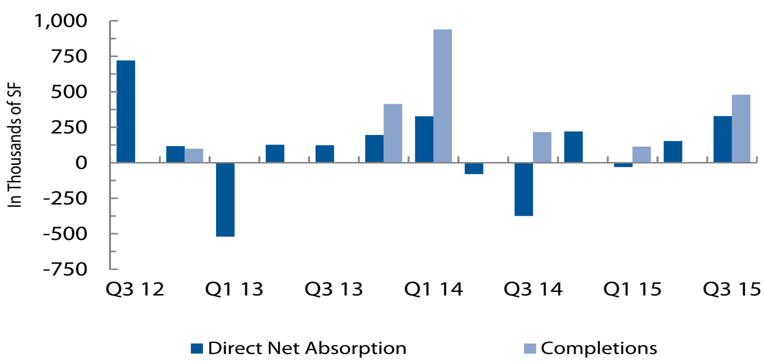
NET ABSORPTION & OCCUPANCY

- Capitol Riverfront led all submarkets in the District with 165,236 square feet of quarterly occupancy gains experienced. The bulk of the gain, 145,138 square feet, was attributed to the National Labor Relation's Board taking space at 1015 Half St SE.
- NoMa recorded 80,511 square feet of net direct absorption during the quarter, all from the Class A sector. The third quarter performance catapulted the trailing 12 month direct absorption numbers to 159,537 square feet, which has helped push occupancy rates up 170 basis points higher than the same period last year.
- The CBD recorded an increase in direct net absorption of 68,081 square feet during the third quarter, with the bulk of the gains taking place in the Class A sector. Ropes & Gary LLP contributed roughly 60,400 square feet of the quarterly gains with their move into 2099 Pennsylvania Ave NW.
- The West End is rebounding with its second consecutive quarter of positive absorption with 54,676 square feet of direct space absorbed. This submarket has seen occupancy rates fall 6.1% to 87.4% and witnessed 209,261 square feet of negative absorption over the prior year, so the recent growth experienced is great news.
- Capitol Hill responded with 40,963 square feet of direct absorption during the quarter. Several small tenants helped counter the losses witnessed during the second quarter. The trailing 12-month occupancy total now stands at 101,889 square feet
- Georgetown saw 38,690 square feet of positive absorption during the quarter, its second consecutive quarter of positive absorption. The majority of the gains occurred in the Class A market.
- The Southwest submarket, the submarket most dependent on the Federal Sector, saw the largest decline in direct occupancy, with tenant departures totaling 120,217 square feet during the quarter. During the prior 12 months, the Southwest submarket totals 124,291 square feet of occupancy losses.

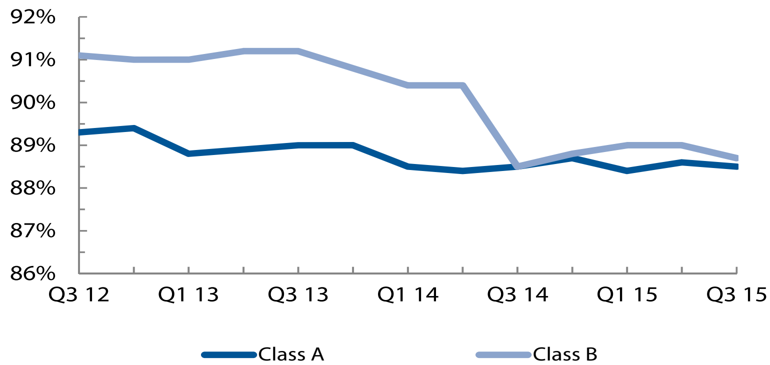
Submarket Direct Occupancy Ranking

Rank	Submarket	Occupancy Rate	Y-O-Y % Change
1	Northeast / Southeast	99.8%	0.0%
2	Georgetown	94.9%	2.7%
3	CBD	90.5%	1.1%
4	Southwest	90.2%	-1.1%
5	Capitol Hill	89.7%	2.2%
6	East End	87.9%	-1.0%
7	West End	87.4%	-6.1%
8	Capitol Riverfront	86.3%	4.5%
9	NoMa	85.9%	1.7%
10	Uptown	84.3%	-0.5%

Direct Net Absorption vs. Completions



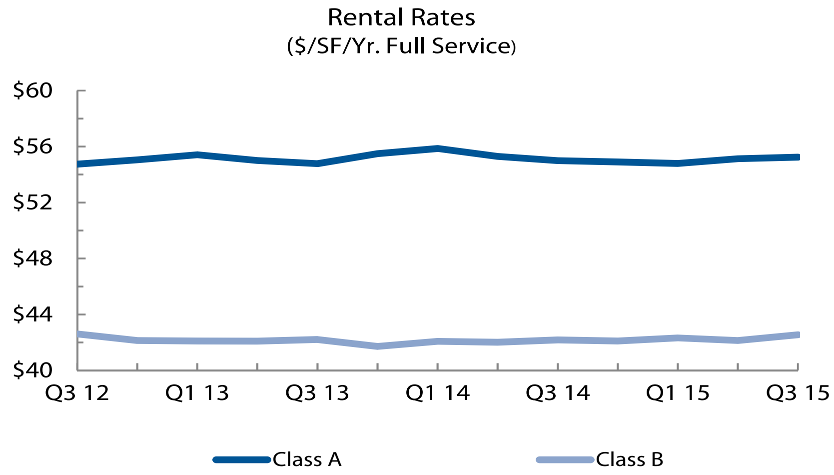
Direct Occupancy Rates



RENTAL RATES & LEASING ACTIVITY

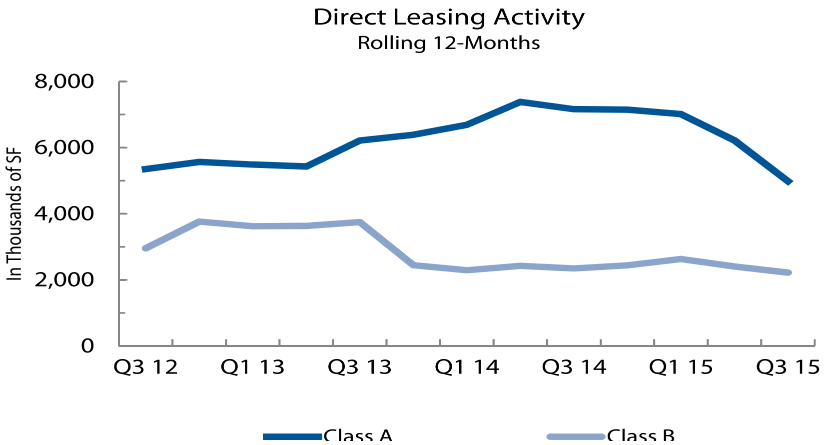
- The overall market for Washington D.C. saw a modest increase in rents over the second quarter. Rents across all three property classes saw increases during the quarter, with Class C properties achieving the highest quarterly increase at $0.62. Class B and Class A saw rents increase by $0.41 and $0.11, respectively.
- Citywide Class A full-service gross asking rents increased for the second straight quarter, moderately rising by 0.2% to $55.24 per square feet. Within the past 12 months, Class A asking rents are up by $0.25 or 0.5%.
- Class B rents increased by 1.0% to $42.55 per square feet during the quarter and have increased $0.37 or 0.9% within the past 12 months. Class B rents are now 2.3% or $1.00 below their peak recorded early in 2011 after the Federal stimulus package.
- Capitol Hill and NoMa both rebounded from negative absorption readings during the prior quarter and witnessed positive direct net absorption during for the third quarter. The Central Business District saw a slight drop in absorption compared to last quarter, but still leads all markets in the prior 12 months.
- New construction deliveries will increase rental rates slightly through the remainder of the year. Effective rental rates will continue to increase in return for the generous concession packages offered by landlords to attract new tenants and retain current tenants.

"Tenant's need to understand that increasing occupancy levels across the board will limit their choices compared to a few years ago. New construction pricing in excess of $60 per square foot is the new norm pushing Class A and B pricing for the first time in 5 years." said Eddie C. Trujillo, Senior Vice President, Regional Director.



Submarket Rental Rate Ranking

Rank	Submarket	Rental Rate	Y-O-Y % Change
1	Capitol Hill	$56.61	-0.9%
2	East End	$55.27	1.3%
3	West End	$52.51	0.0%
4	CBD	$51.49	1.0%
5	Southwest	$47.27	-3.0%
6	NoMa	$46.62	-0.7%
7	Capitol Riverfront	$41.43	-0.2%
8	Georgetown	$40.90	-2.8%
9	Uptown	$40.23	1.4%
10	Northeast / Southeast	$27.45	0.0%

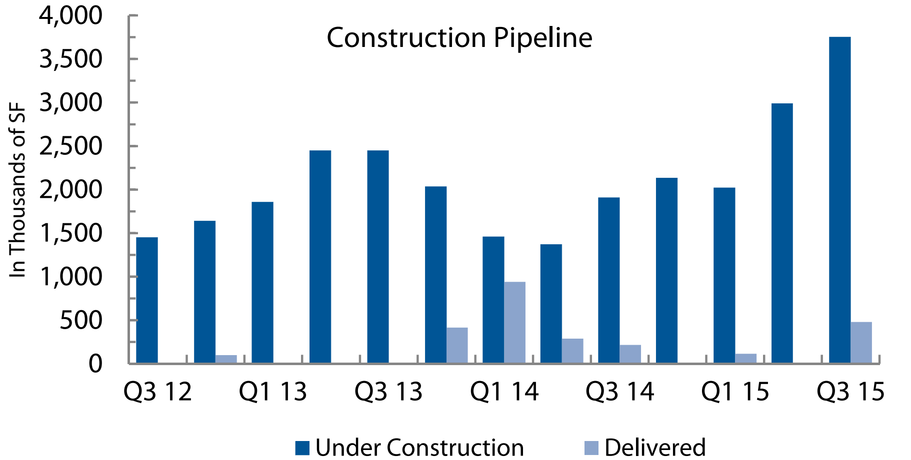


RECENT ANNOUNCEMENTS

- The Advisory Board Company will stay in the District of Columbia with a new lease to occupy approximately 500,000 square feet at 655 New York Ave NW. The 16-year lease is set to start in 2019, the year the 678,000 square feet building is estimated to deliver.
- The American Psychiatric Association (APA) will occupy 63,000 square feet of Class A office space at 800 Maine Ave SW. The APA is the first office tenant to commit to space at The Warf, a new large-scale, mixed-used waterfront community in the Southwest submarket. The APA signed a 10-year lease.
- Blackboard Inc. plans to relocate its headquarters to 1111 19th St NW in November. The company signed a lease for 71,000 square feet on the eighth through tenth floors with Clarion Partners in the recently renovated 12-story building. Blackboard will be leaving space at 650 Massachusetts.
- Law firm Ropes & Gray is moving its headquarters to 2099 Pennsylvania Ave NW where the firm will occupy 60,000 square feet Rope & Gray will relocate from 67,000 square feet at One Metro Center where the company spent 12 years.
- Akridge and Stars Investments plan to redevelop 1101 and 1111 16th St NW into one freestanding, 100,000 square feet trophy office building. The building will stand approximately one block away from the new Fannie Mae headquarters and within viewing distance of the White House.
- Prudential Real Estate Investors announced its acquisition of 500 8th St in late September. The 325K square feet building is conveniently located within two blocks of all six major metro line in the East End of the District.

CONSTRUCTION

- Demand has continued to spur new construction in the District with just over 3.8 million square feet of office space underway (excluding owner/user development). Although lower than its cyclical peak of 7.2 million square feet underway in 2008 prior to the economic recession, new construction is currently 118% above its 5-year historical average.
- 601 Massachusetts Ave NW was the only construction project that delivered during the third quarter and added 478,882 square feet to the East End submarket. The Class A building is currently 83% leased with Arnold & Porter, LLP as its lead tenant with 384,000 square feet leased.
- The District's office market is projected to deliver an additional 565,962 square feet of space (excluding owner-occupied buildings) by the end of 2015, which is 25.1% pre-leased. The new product is scheduled to deliver in the Uptown, East End, Southwest, and Central Business District submarkets.
- New constructions have been focused primarily in the East End, Capitol Hill, Central Business District, and Noma submarkets and have delivery dates spanning from 2015 until 2017. The Southwest and Uptown submarkets are also adding new construction projects, in lower quantity, that are estimated to deliver by the end of 2015.
- Efficient office space, walkable amenities, and close proximity to mass transit for employees are leading preferences that tenants are seeking in new construction. Existing office buildings that lack some of similar functionality are being redeveloped to accommodate these requirements.



SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROJECT NAME	SIZE (SF)	SUBMARKET	MAJOR TENANT	% PRE-LEASED	DEVELOPER	TARGET COMPLETION
Capitol Crossing-250 Massachusetts	559,921	Capitol Hill	N/A	0%	Property Group Partners	1Q18
Capitol Crossing-200 Massachusetts	406,996	Capitol Hill	N/A	0%	Property Group Partners	1Q18
600 Massachusetts Ave NW	401,172	East End	Venable LLP	60%	Gould Property Company	3Q16
National Square - 400 6th St SW	361,935	Southwest	N/A	0%	Trammell Crow Company	4Q15
2001 M St NW*	284,000	CBD	Bracewell & Giuliani LLP	18%	Brookfield Office Properties	1Q16
1800 K St NW*	251,091	CBD	N/A	36%	Deutsche Asset & Wealth Mgmt	1Q16
Uline Arena - 1140 3rg St NE*	244,000	NoMa	REI	19%	Douglas Development Corp.	3Q16
99 M St SE	235,000	Cap. Riverfont	CIRCA	7%	Skanska USA	1Q18
700 Penn - 700 Pennsylvania Ave SE	234,920	Capitol Hill	N/A	0%	Stanton Development	2Q17
The Wharf Phase 1 - 800 Maine Ave SW	223,969	Southwest	N/A	0%	PN Hoffman	3Q17
Republic Square II - 660 N Capitol St NW	200,000	NoMa	N/A	0%	Republic Properties Corp.	1Q16
905 16th St NW	135,798	CBD	Laborer's Health & Safety Fund	72%	Requity Real Estate Group	1Q16
900 16th St NW	127,825	CBD	Miller & Chevalier Chartered	71%	The JBG Companies	4Q15
1000 F St NW	92,160	East End	American Eagle Outfitters	7%	Douglas Development Corp.	4Q16
Manhattan Laundry - 1346 Florida Ave NW -	31,597	Uptown	Booker T Washington	55%	Festival Development	4Q15
6829-6837 4th St NW*	23,078	Uptown	N/A	0%	Rock Creek Property Group	3Q15
Star Laundry - 1313-1317 14th St NW	21,527	East End	Compass	63%	Douglas Development Corp.	4Q15

Note: Corporate owned office buildings excluded from competitive statistics; * Under Renovation

SUBMARKET STATISTICS

Submarket	Total Inventory SF	TOTAL SPACE AVAILABLE: Direct Available	TOTAL SPACE AVAILABLE: Sublease Available	DIRECT OCCUPANCY: Direct Occupancy	DIRECT OCCUPANCY: Y-O-Y Change	DIRECT NET ABSORPTION: Current Qtr.	DIRECT NET ABSORPTION: Trailing 12-Months	OVERALL RENTAL RATES: Avg Rents PSF/Yr	OVERALL RENTAL RATES: Y-O-Y % Change
CBD	35,387,265	3,772,567	857,539	90.5%	1.1%	68,081	389,308	$51.49	1.0%
Class A	21,104,696	2,560,795	537,865	89.3%	1.3%	82,328	282,687	$55.70	1.2%
Class B	14,029,011	1,201,819	319,674	92.2%	0.8%	(9,790)	110,128	$44.36	1.4%
Class C	253,558	9,953	0	97.3%	-1.4%	(4,457)	(3,507)	$34.39	-15.4%
East End	42,887,915	7,998,043	730,429	87.9%	-1.0%	1,297	89,897	$55.27	1.3%
Class A	32,057,040	6,420,105	604,920	87.7%	-1.4%	52,628	107,715	$59.40	1.4%
Class B	10,070,955	1,532,534	119,868	87.6%	-0.1%	(47,863)	(12,212)	$44.90	2.5%
Class C	759,920	43,366	5,641	97.7%	-0.3%	0	(2,138)	$49.58	22.4%
West End	3,412,366	571,111	33,915	87.4%	-6.1%	54,676	(209,261)	$52.51	0.0%
Class A	2,509,190	489,458	3,564	84.5%	-11.4%	4,012	(285,722)	$53.89	-0.6%
Class B	808,564	81,653	30,351	94.9%	9.4%	50,664	76,461	$44.66	1.4%
Class C	94,612	0	0	100.0%	0.0%	0	0	-	-
Capitol Hill	4,276,689	674,335	25,601	89.7%	2.2%	40,963	101,889	$56.61	-0.9%
Class A	3,290,506	502,843	16,569	88.6%	2.6%	41,170	91,862	$58.04	-0.6%
Class B	733,011	147,015	9,032	94.8%	0.0%	(1,192)	283	$48.63	-1.9%
Class C	253,172	24,477	0	90.3%	3.8%	985	9,744	$45.43	1.2%
Capitol Riverfront	4,896,859	950,231	94,747	86.3%	4.5%	165,236	221,849	$41.43	-0.2%
Class A	3,775,032	531,451	94,747	88.1%	5.8%	165,236	221,849	$44.76	0.9%
Class B	1,086,827	412,394	0	80.0%	0.0%	0	0	$39.00	0.0%
Class C	35,000	6,386	0	81.8%	0.0%	0	0	$36.00	0.0%
NoMa	9,544,967	1,472,366	49,714	85.9%	1.7%	80,511	159,537	$46.62	-0.7%
Class A	8,681,344	1,262,397	42,102	86.7%	1.9%	80,511	168,881	$50.38	0.0%
Class B	778,007	195,339	7,612	76.6%	0.7%	0	5,286	$29.46	0.1%
Class C	85,616	14,630	0	82.9%	-17.1%	0	(14,630)	$25.33	-
Southwest	11,809,604	1,507,173	31,404	90.2%	-1.1%	(120,217)	(124,291)	$47.27	-3.0%
Class A	8,793,205	1,064,266	30,190	89.2%	-0.9%	(53,888)	(83,006)	$47.94	-3.2%
Class B	3,016,399	442,907	1,214	93.2%	-1.4%	(66,329)	(41,285)	$44.46	2.0%
Class C	-	-	-	-	-	-	-	-	-
Georgetown	2,964,436	219,828	45,184	94.9%	2.7%	38,690	80,273	$40.90	-2.8%
Class A	1,780,418	134,262	35,465	95.2%	4.1%	28,351	75,266	$42.95	-0.9%
Class B	1,074,522	85,566	9,719	93.7%	-0.5%	610	(4,722)	$37.71	-5.4%
Class C	109,496	0	0	100.0%	8.9%	9,729	9,729	-	-
Uptown	7,027,950	1,292,834	135,114	84.3%	-0.5%	(1,294)	(39,475)	$40.23	1.4%
Class A	2,220,767	99,774	103,585	96.1%	-1.6%	9,931	(35,574)	$45.04	4.6%
Class B	4,095,596	1,149,074	31,529	75.9%	-1.0%	(11,989)	(39,613)	$40.85	2.0%
Class C	711,587	43,986	0	95.6%	5.0%	764	35,712	$28.22	-2.3%
Northeast / Southeast	1,015,625	12,208	0	99.8%	0.0%	0	0	$27.45	0.0%
Class A	82,000	0	0	100.0%	0.0%	0	0	-	-
Class B	623,610	12,208	0	99.7%	0.0%	0	0	$27.45	0.0%
Class C	310,015	0	0	100.0%	0.0%	0	0	-	-

Washington D.C. Totals	Total Inventory SF	TOTAL SPACE AVAILABLE: Direct Available	TOTAL SPACE AVAILABLE: Sublease Available	DIRECT OCCUPANCY: Direct Occupancy	DIRECT OCCUPANCY: Y-O-Y Change	DIRECT NET ABSORPTION: Current Qtr.	DIRECT NET ABSORPTION: Trailing 12-Months	OVERALL RENTAL RATES: Avg Rents PSF/Yr	OVERALL RENTAL RATES: Y-O-Y % Change
Class A	84,294,198	13,042,189	1,469,007	88.5%	0.0%	412,689	546,368	$55.24	0.5%
Class B	36,316,502	5,262,547	528,999	88.7%	0.2%	(89,357)	90,858	$42.55	0.9%
Class C	2,612,976	142,798	5,641	96.1%	1.3%	7,021	34,910	$35.87	1.4%
Overall	123,223,676	18,447,534	2,003,647	88.8%	0.2%	330,353	672,136	$50.68	-0.3%

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Q3 2015

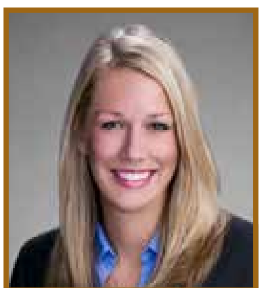
Dave Parker
Executive Vice President
Managing Director
(202) 503-1875
dparker@pmrg.com

Geoff Kieffer
Senior Vice President
Leasing
(202) 503-1854
gkieffer@pmrg.com

Eddie Trujillo
Senior Vice President
Leasing
(202) 503-1853
etrujillo@pmrg.com

Andrew Gilpin
Senior Leasing
Associate
(202) 503-1813
agilpin@pmrg.com

Ariel Guerrero
Senior Vice President
Research
(713) 209-5704
aguerrero@pmrg.com



Kristen Burney
Vice President
Director of Marketing
(713) 209-5910
kburney@pmrg.com

Doug Berry
Vice President
Creative Director
(713) 209-5897
dberry@pmrg.com

ABOUT PMRG

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PMRG's portfolio, including projects managed for third parties, includes commercial office buildings, mixed-use centers, corporate headquarters, industrial buildings, medical facilities, high-rise multifamily buildings and re-appropriated military facilities.

Our goal is to generate exceptional returns for our clients and investors by focusing on real estate fundamentals. For additional information, visit www.pmrg.com.

METHODOLOGY

Total Inventory: The total inventory includes all single and multi-tenant leased office buildings with at least 20,000 square feet of gross rentable square footage.

Total Space Available: Available space currently being marketed which is either physically vacant or occupied.

Direct Space: Space that is being offered for lease directly from the landlord or owner of a building. Under construction space is not included in space available figures.

Sublease Space: Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation.

Direct Occupancy Rate: Direct space physically occupied divided by the total rentable inventory.

Direct Net Absorption: The net change in occupied direct space over a given period of time.

Under Construction: Office buildings which have commenced construction as evidenced by site excavation or foundation work.

Direct Asking Rents: The quoted full-service asking rent for available space expressed in dollars per sq. ft.