THOUGHT LEADERSHIP SERIES

THE EVOLUTION OF THE FINANCIAL SERVICES INDUSTRY

AND ITS IMPACT ON U.S. OFFICE SPACE

Newmark Grubb Knight Frank

June 2017

www.ngkf.com

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KEY FINDINGS

- The financial services sector has adapted its office-space usage in ways that are consistent with many office-using industries. However, its relationship to real estate has changed as a result of its role within the broader economy.
- In particular, four major causes have spurred a reduction in gross leasing activity by financial services firms: increased government regulation following the Great Recession of 2007-2009, cost reduction, efficient space utilization, and the emergence of the financial technology (fintech) sector.
- While demand for office space among financial services tenants has edged down recently overall, industry demand is inconsistent among major metros. For example, leasing increased for financial services tenants in San Francisco from 10% of all leasing activity in 2015 to 20% in 2016, while leasing among tenants in New York City declined from 32% to 20% over the same time period.
- Leasing trends within the financial services industry correlate with: the types of institutions involved, environments with policies and incentives that are conducive to doing business, the scale of operations and access to a highly-skilled talent pool, a shift from some urban to suburban locations, and a desire for new construction.

LEADERSHIP

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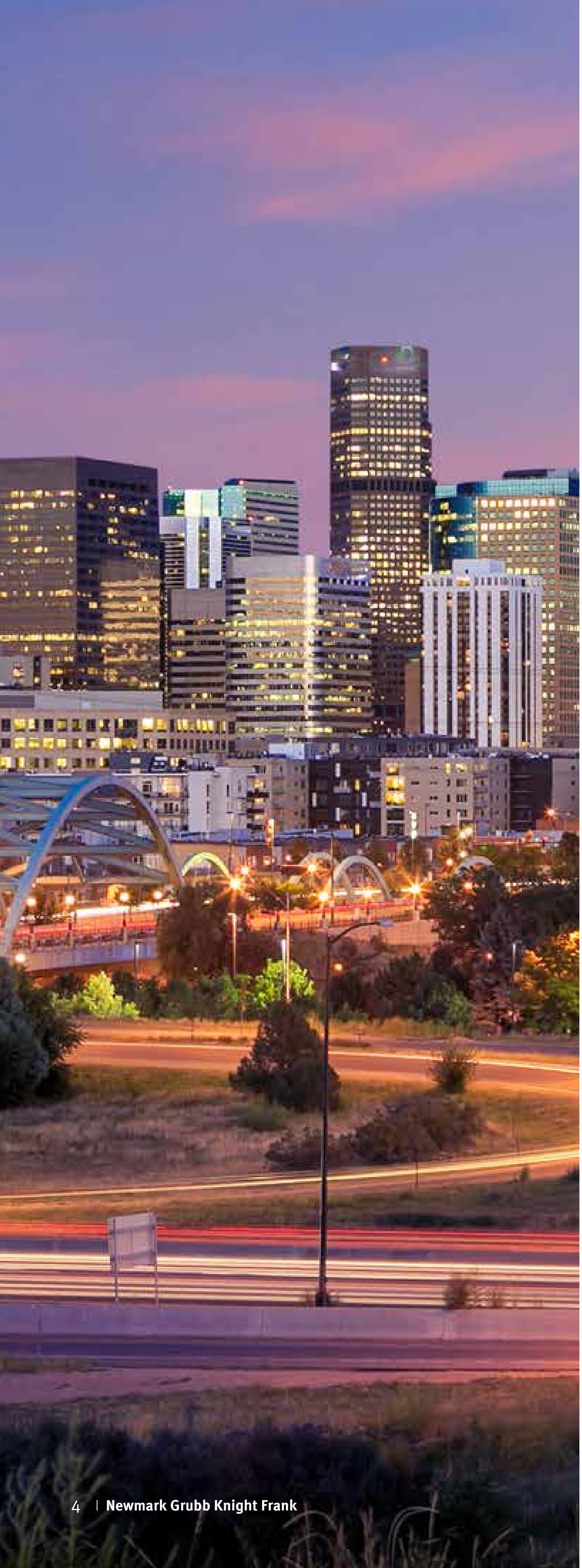
HOW THE MARKETS STACK UP

TOP 3 AREAS FOR ECONOMY AND OFFICE MARKET PERFORMANCE AMONG FINANCIAL SERVICES CENTERS

	2016 Office Absorption	1-Yr. Office Vacancy Change	Financial Services Salary
1	Dallas-Fort Worth	Wilmington	San Francisco Bay Area
2	Boston	Orange County	Manhattan
3	Atlanta	Atlanta	Washington, DC

	Financial Services Employment	Financial Services Share of Total Employment	Recovery Job Gains Relative to Great Recession Job Losses
1	Manhattan	Wilmington	Dallas-Fort Worth
2	Chicago	Manhattan	Charlotte
3	Dallas-Fort Worth	Dallas-Fort Worth	Denver

For full rankings and office market and economic conditions for the 11 major metro areas covered in this report, please see the summary on page 30.



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OVERVIEW OF U.S. FINANCIAL SERVICES INDUSTRY

The U.S. financial services industry has undergone a period of expansion and change since the Great Recession of 2007-2009. Financial services firms have been adapting in some of the same ways other office-using tenants have evolved – most notably by reducing occupancy costs through a reduction in the ratio of square feet leased per worker. However, the sector's relationship with real estate has been changing in other ways that are particular to the role of financial services firms in the broader economy. This study explores what is driving changes in the financial services sector's use of office space and what tenants in that sector can do to reduce their occupancy costs.

What are recent employment trends in the financial services sector?

The U.S. financial services sector includes those engaged in providing economic services, most notably banking, insurance, real estate, and fintech (technology designed to support financial services). As of March 2017, the sector employed 8.4 million people, adding approximately 178,000 jobs over the prior 12 months —an increase of 2.2% (see the graph on page 7). Industry employment was at its lowest over the past 10 years in 2010, when the sector's unemployment rate climbed to a cyclical peak of 7.7%. Since then, the sector unemployment rate has fallen to 2.3% as of March 2017, while the number of those employed has increased by 9.1% during the cycle. In this study, we concentrate on the real estate interests of traditional financial institutions, primarily banks and trading entities such as stock and bond funds.

The financial services sector ranks fifth among the service-providing sectors for projected job growth through 2024. Headcount is still expected to grow in the years ahead but at a more modest pace than earlier in this expansion cycle. Payroll is expected to increase by 0.6% per annum during the next seven years.

What has been the recent demand for office space in the financial services sector?

Demand for office space has edged down recently, consistent with the consolidation and densification trends seen in other office-using industries. The number of leases signed declined 0.8% in 2016 compared with 2015. However, the industry's demand for space has been inconsistent across major markets. For example, the share of overall office leasing in San Francisco attributable to the financial services sector rose from 10% in the fourth quarter of 2015 to 20% in the fourth quarter of 2016. At the same time, the share attributable to financial services in the New York City market declined from 32% to 20%.

What are the primary causes of the reduction in office leasing by financial services firms?

Four major causes have spurred the reduction in gross leasing activity by financial services firms. These causes also are driving firms to reshape how they use their space under lease.

Regulation

The federal government, in the years following the financial crash, made transparency through increased regulation and compliance paramount, which in turn placed a greater financial burden on businesses. This has been pivotal in spurring the transformation of the financial services industry, compelling businesses to adopt new strategies regarding office-space usage.

Cost Cutting

Cost reduction has become a primary focus for employers. In order to cut expenses and boost profit margins, businesses are focusing on minimizing occupancy, increasing density, capitalizing on technology, and restructuring operations.

Space Utilization

Larger, more traditional firms are looking to downsize through consolidating multiple locations and reducing their overall footprint. For example, in an analysis of the leases at Bank of America and Wells Fargo in Boston, both firms had occupied a cumulative 1.0 million square feet of space. Today, the two firms have reduced their combined occupancy by 34% or a total of 339,000 square feet, with little change to headcount. This is indicative of the newly emerging trend to optimize space utilization and lower rental costs, with some companies operating at a small fraction of what they used to lease. For more information, please see the metro section for Boston.

Fintech

Newly formed subsectors such as fintech are emerging as steady contributors to office space demand, helping to backfill some vacated office spaces. In an analysis of 11 major U.S. metros, the demand for fintech jobs is expected to pick up while demand for traditional bank jobs may be reduced. For example, JPMorgan Chase Digital signed for 123,000 square feet on the Far West Side in December 2014 and is in talks to add an additional 350,000 square feet to its lease at 450 West 33rd Street. For more details on this trend, please see the metro area sections that follow.

Leasing trends within the financial services industry correlate with:

The types of institutions involved.

Financial services is a broad supersector where on one end of the spectrum, more established international and national firms that have a large headcount and stable demand are more likely to renew office leases. On the other end of the spectrum, some smaller firms (such as venture capital funds), which can often grow or downsize quickly, are more likely to relocate and secure new leases.

Incentives and policies.

Several headquarter relocations have occurred within and to cost-efficient, tax-friendly metros like Dallas-Fort Worth, Atlanta, Charlotte, and Wilmington, DE. The financial services sector in Wilmington represents 12% of the metro's total employment, the highest share in the U.S. This is largely due to the Financial Center Development Act of 1981, which sparked an uptick in office development in Delaware as major employers shifted operations there.

Operations.

Firms in coastal markets with access to a larger, highly-skilled talent pool, such as New York or San Francisco, are more likely to maintain front-office operations within their current jurisdictions and shift back-end operations to smaller metro areas. Metros such as Wilmington, Dallas-Fort Worth and Charlotte have benefited from recent out-of-state corporate relocations, expansions within their jurisdictions, or some back-end operations moved there.

Urban to suburban trends.

The shift from urban to suburban locations is generally driven by financial services companies seeking to establish corporate campuses. Firms have followed this path recently in Atlanta, Denver, and Dallas-Fort-Worth. The trend is at odds with the broader trend among office tenants to relocate operations into downtown, transit-accessible, amenity-rich submarkets.

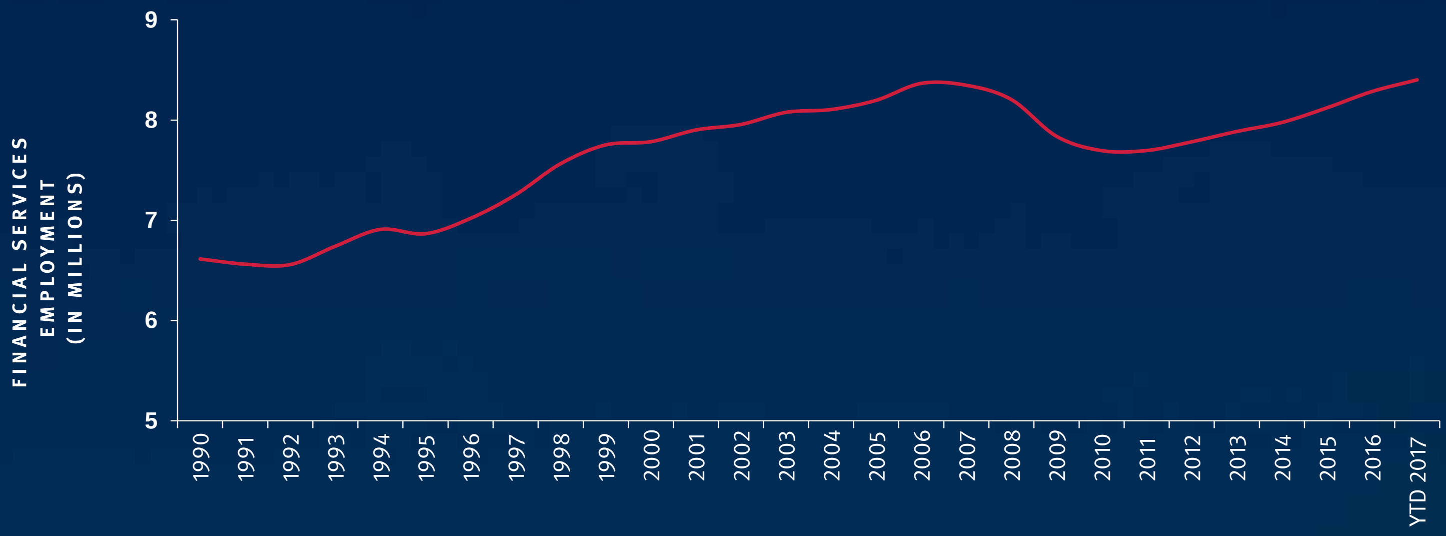
New construction.

Some financial services tenants will continue to prioritize locations in the traditional urban core. However, in financial services centers like New York City, where some rents exceed $100/SF, some tenants are looking to relocate to the Far West Side. In that part of Manhattan, tenants can find state-of-the art new construction and efficient floor plans that result in discounted occupancy costs relative to the traditional Midtown core.

In the following section of this study, we examine the financial services industry in 11 metro areas where it has a major presence, and we explore the ways in which the sector's relationship with office space is evolving.

FINANCIAL SERVICES EMPLOYMENT TRENDS

UNITED STATES: 1990 THROUGH MARCH 2017



Source: U.S. Bureau of Labor Statistics, NGKF Research; May 2017

OVERVIEW OF OFFICE MARKET CONDITIONS IN 11 MAJOR FINANCIAL CENTERS

ATLANTA, GA

Atlanta's financial services sector has shown stable annual growth and an influx of new tenants during the past seven years. Employment has increased each year since 2010, and in the first quarter of 2017 surpassed 171,000 employees, slightly exceeding the pre-recession peak. Atlanta is home to numerous major financial tenants, as Morgan Stanley, Merrill Lynch, AIG, and State Farm all have their regional headquarters in the city. Suburban markets also maintain a strong finance tenant base, as the Intercontinental Exchange (ICE) recently established new headquarters in Sandy Springs, and Primerica Insurance headquarters are located in Duluth.

Atlanta has also captured growth in fintech, with several major companies located in Atlanta, including NCR, which is developing its new global headquarters in the city. The firm will transfer more than 4,000 jobs from Ohio.

Recently, as employment has steadily risen, a number of financial tenants have signed leases in Atlanta. Eight tenants have signed leases greater than 50,000 square feet since January 2016, four of which occurred in the Buckhead submarket. Major firms like State Street, Morgan Stanley, and Merrill Lynch comprise three of these recent leases, establishing the Buckhead submarket as the premiere location for financial tenants in Atlanta. The submarket is served by the MARTA public transit system, and upscale retail has developed around these newer corporate campuses. Buckhead vacancy is 12.1%, well below the total market vacancy of 16.0%, and Class A asking rents are $32.90/SF, more than $5.00/SF above the metro average.

The Buckhead submarket is likely to continue its recent growth and to attract additional attention from financial tenants. Three Alliance, the newest high-rise, is set to deliver in May 2017. Global Payments has pre-leased more than 75,000 square feet while State Street has pre-leased more than 50,000 square feet.

THE BUCKHEAD SUBMARKET IS LIKELY TO CONTINUE ITS RECENT GROWTH AND TO ATTRACT ADDITIONAL ATTENTION FROM FINANCIAL TENANTS.

The Central Perimeter and Midtown submarkets capture a sizeable amount of financial activity as well. State Farm is building a 2.2-million-square-foot campus called Park Center in the Central Perimeter submarket. The campus will employ 8,000 people who will move from other regional locations. NCR's new global headquarters will be located in Midtown, bringing another new state-of-the-art tower to the submarket.

Demand from financial tenants is likely to continue in the coming years. The pipeline of new construction continues, and the current demand cycle has not yet peaked. Employment forecasts expect the city to continue its growth pattern, although at a decelerating rate. The financial services sector should follow suit, providing consistent demand from financial tenants for office space.

FINANCIAL SERVICES EMPLOYMENT TRENDS

FINANCIAL ACTIVITIES EMPLOYMENT: ATLANTA METRO AREA

Source: U.S. Bureau of Labor Statistics, NGKF Research; May 2017

BOSTON, MA

The financial services industry has deep, historical roots in Boston. For years, firms like Fidelity, State Street, Putnam, Liberty Mutual and MFS served as the backbone of the city's economy. It is those strong roots, along with the area's presence of exceptional higher learning institutions and its increasingly diverse and flourishing economy that have elevated Boston's prominence globally.

Within the Boston metro area, there are 189,700 persons employed in the financial services industry as of March 2017. This represents an annual increase of 3.3%, with the industry having added 14,200 jobs over the past five years. While the sector has posted healthy gains in recent years, employment remains 0.5% below the pre-recession mark of 190,700.

Boston is home to the state's largest financial sector employers, which tend to locate in Downtown (also known as the Financial District) and the Back Bay in Boston's Central Business District (CBD). The Seaport District, an extension of the CBD that remains the focus of new construction, has seen several of the city's largest financial tenants, including Fidelity, Manulife Financial and State Street, establish large offices there for back office operations since the mid-1990s.

The CBD comprises 66.1 million square feet of office space with an additional 950,000 square feet currently under construction. The CBD's overall vacancy rate stood at 9.4% as of first-quarter 2017, marking the ninth consecutive quarter of single-digit vacancy. Office asking rents in the CBD averaged $56.44/SF, 35.6% above the average from five years earlier and 14.2% above the pre-recession peak.

Downtown has the largest presence of financial services firms in Boston. The submarket's fundamentals have improved dramatically in recent years as it continues to capture demand from a diverse range of tenants, particularly from the technology and TAMI sectors. These sectors have been critical to the backfilling of space generated by the consolidation and relocation of financial and professional services firms that have moved some operations from the urban core and continue to increase seating density as a part of workplace strategy.

In terms of leased spaced in Boston's CBD, the largest financial services tenants are State Street, Bank of America, and Fidelity Investments. Seven of the ten largest financial tenants in the CBD are Boston-based companies.

In 2016, the financial services sector accounted for 24% of leasing activity within Boston's CBD, edging out the professional, scientific and technical services sector (23%, excluding legal services) as the most active sector.

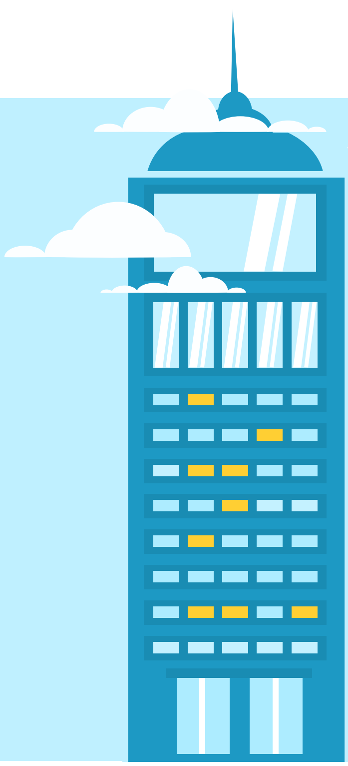
SEVEN OF THE TEN LARGEST FINANCIAL TENANTS IN THE CBD ARE BOSTON-BASED COMPANIES.

Financial services firms in Boston have not made any significant reductions to their headcount of late, but the trend of increasing seating density in order to reduce occupancy costs is ongoing. The majority of new leases executed by large financial firms over the past few years have involved a reduction in average workspace size. In fact, based on eight relocations or lease restructures that have been executed by the city's largest financial firms since 2010, the average space per employee stood at approximately 265 square feet. This average remains higher than it is in many other industries but represents a downsizing of space per worker for the financial services sector.

One of the notable exceptions was Putnam Investments' new lease at 100 Federal Street for nearly 250,000 square feet in late 2015, a requirement almost identical to the space it occupies at One Post Office Square, also in Downtown. Bank of America, which entered into a sale-leaseback agreement for nearly 790,000 square feet when it sold 100 Federal Street in 2012, has reduced its space in the building to approximately 537,000 square feet. Within the same building, Wellington Management opted to relocate to low-rise floors with larger floor plates, enabling Boston Properties to accommodate Putnam Investments over several contiguous floors in the mid-zone.

Also recently, Wells Fargo completed its relocation from the Back Bay to Downtown, having consolidated from five locations to one. The bank reduced its occupied space by approximately 40% to 151,000 square feet without making significant changes to its headcount.

Another likely consolidation on the horizon will come from JPMorgan, which has begun the process of reviewing its options. The firm currently occupies nearly 260,000 square feet in the CBD, and it is looking to consolidate four of its Downtown offices into one while maintaining its presence in the Seaport District. State Street, Boston's largest financial services tenant, recently put over 130,000 square feet on the sublease market at its Downtown headquarters. The space has captured interest, with one tenant reportedly having an LOI on more than half the space as of this writing. This represents another telltale sign that the push among financial services tenants to increase their space utilization and reduce occupancy costs is ongoing.



26% OF ACTIVE REQUIREMENTS (BY SF) IN BOSTON'S CBD ARE FROM FINANCIAL COMPANIES

This is in line with the sector's recent share of leasing activity. One large firm is considering establishing a sigificant presence in Boston from outside the market, while several existing banks are mulling relocations and the opportunity to build-out new space and right-size.

Source: NGKF Research; May 2017

CHARLOTTE, NC

Charlotte has long been a regional home to major financial tenants, and over the years, some large banks have established their national headquarters in the city. Major tenants include Bank of America, Wells Fargo, Citigroup, American Express, and MetLife. The sector's growth has led to Charlotte becoming the nation's second-largest banking center, with over $2 trillion in assets held. Employment in the financial services industry has grown each year since 2010, recently reaching 90,000 employees metro-wide, well above the pre-recession peak.

The city is supported by a strong university system, with a large percentage of graduates remaining in the area. In addition, Millennials outside of the city are drawn to it, which will continue to support hiring activities by financial services firms. A varied central business district and suburban environments offer affordable real estate, taxes, and a proactive business approach, which will further draw new firms to Charlotte.

Several major leases have been signed recently by national finance companies, including Bank of America, whose national headquarters is located in Charlotte and which continues to expand. The company renewed 194,000 square feet at 525 North Tryon, while adding new amenities for employees. It also signed for 500,000 square feet at 620 South Tryon, a new building, which is slated for occupancy in late 2019. Barings has taken 200,000 square feet in a new tower delivering in 2017, increasing its footprint in the city and growing Charlotte's presence from a regional banking center to an international one. Wells Fargo recently leased an entire new building, nearly 300,000 square feet, at Ballantyne Corporate Park.

Several financial services firms have expanded their headcount in Charlotte in recent years. MetLife has added 1,400 jobs over five years, relocating employees from Manhattan and New Jersey. Movement Mortgage added 700 jobs in an expansion within the Charlotte market. GoHealth Insurance opened a new office location, adding more than 500 new jobs to the city. The list continues, as both larger and smaller financial tenants have grown in recent years.

While many companies have expanded locally, a few have had to reduce their headcount recently. Discovery Financial and TIAA-CREF have had to right-size, and PayPal cancelled an expansion of 400 jobs due to the HB2 law, which was recently modified. If Dodd-Frank is changed or repealed, the demand for compliance staff likely will grow at a much slower pace.

The Uptown submarket is the central business district of the city, and financial tenants continue to increase their presence there via new construction. Barings is the anchor tenant at 300 South Tryon, delivering in the summer of 2017. A new building at 615 South College delivered in the first quarter of 2017, and Regions Bank has taken 64,000 square feet of space in the building. Bank of America's new lease at 620 South Tryon will further boost financial tenants' presence in the submarket.

Uptown's statistics have followed financial activity, as vacancy and availability are trending downward. Net absorption is trending upward, as the new space coming to market is being leased quickly. Charlotte's demand from the financial industry should continue its growth going forward, but an element of give-and-take is likely to occur as traditional bank jobs are reduced and hybrid fintech jobs increase.

The South Charlotte submarket, which has a slightly smaller inventory than Uptown's, has reflected similar trends. Vacancy is currently at 15.8% but has been trending downward, and it likely will continue to do so given hiring trends. York County, a suburban submarket, has a much smaller inventory than do Uptown and South Charlotte. Vacancy is very low due to restricted supply and limited speculative development, but this trend may change soon. Companies will be looking to expand outside of the city to take advantage of cheaper space in the suburbs, a trend of which developers will take note.

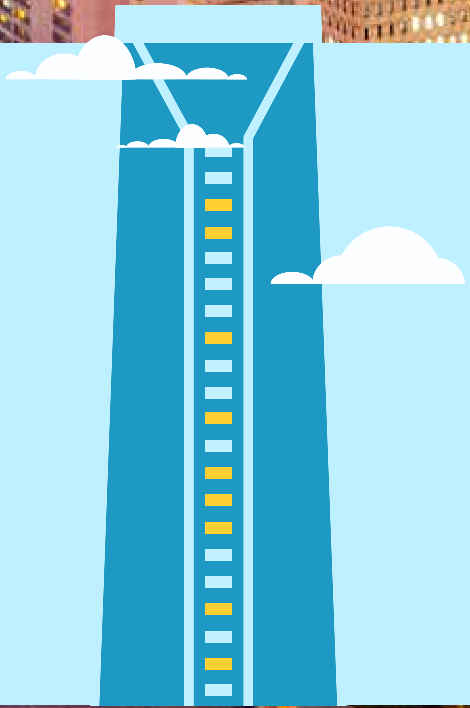
FIRMS INCREASING HEADCOUNT

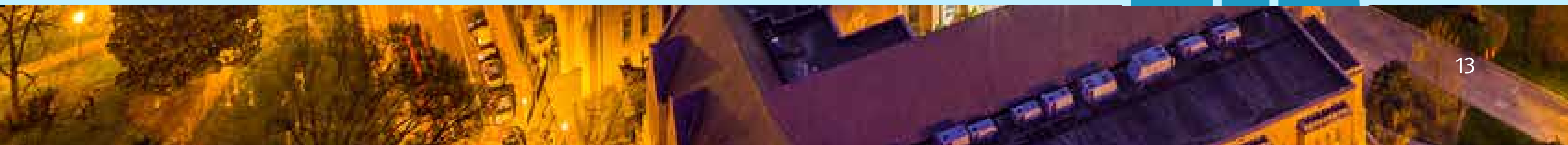
CREDIT KARMA	**DIMENSIONAL**	**GOHEALTH**	**LENDINGTREE**
LPL FINANCIAL	**METLIFE**	**MOVEMENTMORTGAGE**	**ONEMAIN**

FIRMS REDUCING HEADCOUNT

BANK OF AMERICA	**DISCOVER**	**PAYPAL**	**TIAA**

Source: NGKF Research; May 2017





CHICAGO, IL

Chicago has one of the world's largest and most diversified economies, and the financial services sector is an important driver. Chicago is home to more than 16,300 businesses that fall under the headline of financial services, including Citadel, William Blair, Capital One, Ernst & Young, and Edward Jones. Financial services firms account for more than 305,000 jobs in the Chicago metro area.

The Chicago financial services sector has shown some of the most consistent employment growth in the market, increasing steadily since it hit its cyclical low point in 2011. Recently, several finance tenants have announced plans for growth in Chicago, including Bank of America. In May, the company announced a 500,000-square-foot lease to anchor a new office tower on the river in Downtown Chicago, with plans to relocate 2,000 of its 5,600 Chicagoland employees starting in 2020. March Guaranteed Rate, based in Chicago since 1999, also announced it would create 280 new jobs in 2017. KPMG announced its intent to add 500 new jobs to its Chicago operation by 2020. KPMG attributed some of this growth to increasing client demand for cybersecurity services, and the firm expects all three of its primary functions – audit, tax and advisory – to grow over the next three years.

Financial services companies remain concentrated in the traditional Chicago Loop submarkets, which have captured recent growth from tenants moving from the suburbs or opening satellite offices. These include Allstate, Capital One and Discover.

The West Loop submarket has historically seen the greatest demand from financial services firms within the Chicago Loop. The West Loop offers access to highways and commuter rail service, allowing companies to recruit from both the city and suburbs. The West Loop also offers traditional office space with accessibility to nearby amenity-laden neighborhoods popular among Millennial employees. Rents have grown steadily, boosted recently by new construction and reaching a record high average of $36.54/SF.

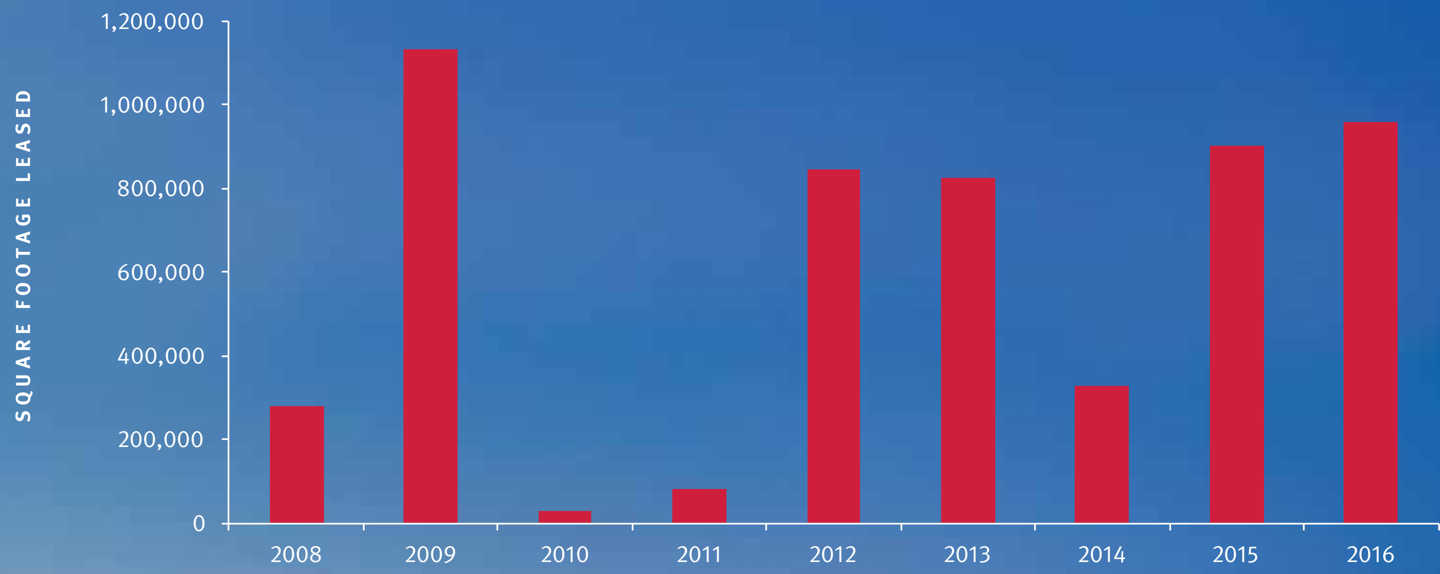
FINANCIAL SERVICES COMPANIES REMAIN CONCENTRATED IN THE TRADITIONAL CHICAGO LOOP SUBMARKETS, WHICH HAVE CAPTURED RECENT GROWTH FROM TENANTS MOVING FROM THE SUBURBS OR OPENING SATELLITE OFFICES.

In the last six months, two new trophy office towers opened in the West Loop – 444 West Lake and 150 North Riverside – adding 2.3 million square of office space to the market and loosening conditions for the submarket. 150 North Riverside boasts a 100-foot-high glass flow-through lobby, 1.5 acres of landscaped public park and Riverwalk access, an 8,000 square-foot fitness center, a conferencing facility, valet service, and 28,000 rentable-square-foot column-free floor plates. 444 West Lake offers many similar amenities including a landscaped park and Riverwalk access, a conference center, a fitness center, and a food court. Here, law firms McDermott, Will & Emery and DLA Piper, LLP signed as the building's anchor tenants. These new projects may appeal to financial services firms given the industry's historical attraction to the West Loop submarket.

West Loop's vacancy now stands at 15.3%. Before the new construction delivered in the fourth quarter of 2016, the vacancy rate was at the lowest it had been since 2007, at 11.0%. Expect another increase in the submarket's vacancy rate when 1.2 million square feet delivers in the next 16-18 months: 151 North Franklin and 625 West Adams are scheduled to open in 2018. At 151 North Franklin, CNA Group has signed on to be an anchor tenant taking almost 300,000 square feet, and Hinshaw & Culbertson LLP will be taking approximately 130,000 square feet.

FINANCIAL SERVICES TENANTS MIGRATING TO CBD

ANNUAL SUBURB-TO-CBD MIGRATION OF FINANCE TENANTS: CHICAGO METRO AREA



Source: NGKF Research; May 2017

DALLAS-FORT WORTH, TX

From the Federal Reserve branch to the namesake behind Gerald J. Ford Stadium at SMU, the financial services sector has long had a strong and visible presence in Dallas/Fort Worth. Having learned from the past mistakes of the S&L crisis, today the sector is thriving and has been a driving force in the local economy. Financial activities account for 290,900 jobs representing 8.1% of all employment; nearly 75% of the financial activities positions were tied to finance and insurance services. The contribution of the financial sector can hardly be overstated, with financial activities representing 19.4% of 2015's gross regional product. Furthermore, the growth trajectory – both in terms of the pace of growth and absolute gains – has accelerated in the aftermath of the 2008 financial crisis, continuing a longer-term trend of rising headcount.

The DFW Metroplex is home to credit and financial services companies like Alliance Data Systems, Amegy Bank, Beal Bank, Capital One Auto Finance, Cash America International, Comerica Bank, Hilltop Holdings, MoneyGram, Nationstar Mortgage, ORIX USA Corp., Santander, Toyota Financial Services and Torchmark Corp. In addition, numerous premier finance and insurance companies maintain local corporate offices, including two of the area's largest employers, Bank of America and JPMorgan Chase.

While financial firms are drawn to the Metroplex because of its low cost of living and business-friendly environment, DFW offers considerable variety when it comes to location and real estate needs. The desire to work in the city or in a suburban market, or to office in a trophy building or a corporate campus, has shifted over time. While financial firms have historically planted roots in Downtown, Uptown/Turtle Creek, and Preston Center, more recently there has been an exodus to suburban locations.

FINANCIAL FIRMS ARE DRAWN TO THE METROPLEX BECAUSE OF ITS LOW COST OF LIVING AND BUSINESS-FRIENDLY ENVIRONMENT.

The draw of suburban markets is the availability of land for new, larger development. For example, JPMorgan Chase will soon complete its corporate campus in West Plano, which will eventually house up to 7,000 employees. Charles Schwab is expected to break ground on a $100 million regional campus in Westlake, Liberty Mutual Insurance is underway on a two-building campus for 5,000 employees in West Plano, and State Farm Insurance recently completed its 8,000-employee regional campus in Richardson. By contrast, Downtown Dallas has struggled to compete against newer buildings in Uptown, but recent momentum and new development could lure more financial companies moving forward. 1900 Pearl, a 25-story, 260,326-square-foot building located in the Dallas Arts District, will be completed later this year. Ross Perot Jr.'s Hillwood is in the planning phase of constructing a 70-story, 1.0 million-square-foot building at the corner of Field Street and Woodall Rodgers Freeway. Once completed, both buildings could attract interest from financial firms.

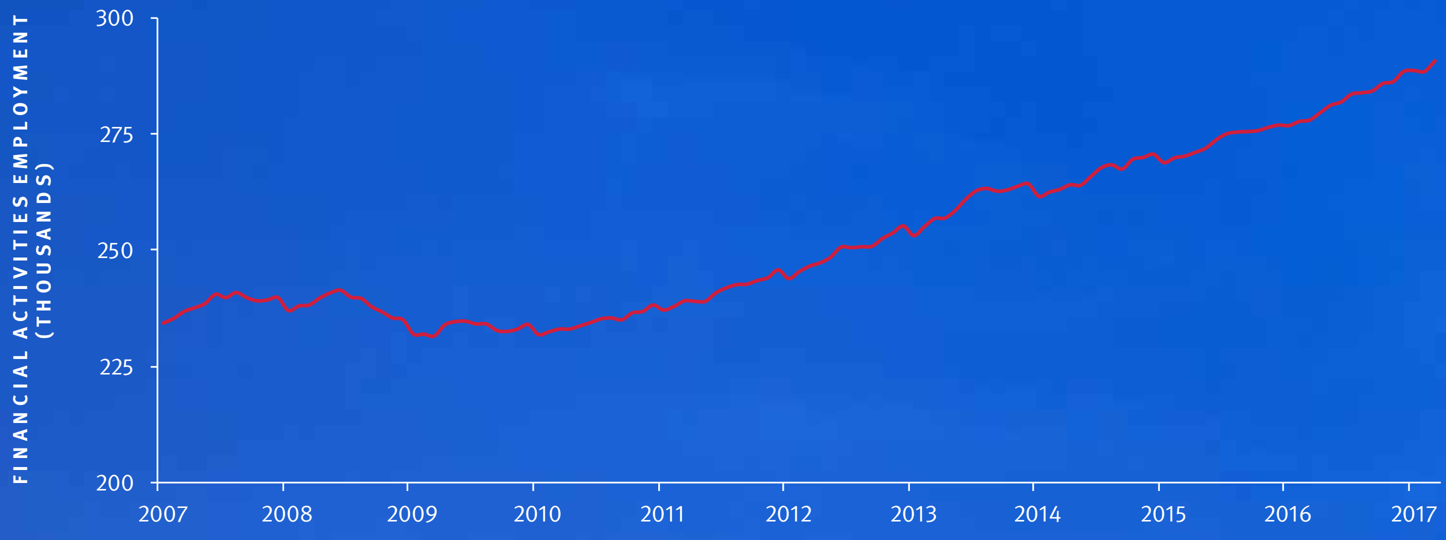
Meanwhile, moves to existing Downtown properties remain attractive to some financial companies, particularly those that want the energy and amenities of the area. For example, Goldman Sachs recently signed a lease for 175,000 square feet at Trammell Crow Center, with plans to consolidate operations and bring more than 1,000 employees from its Irving office to Downtown. In 2014, Invesco relocated its operations there from Galleria Towers. That same year, Santander also made a move, trading its space on Stemmons Freeway near Love Field for a prime spot in Thanksgiving Tower.

The CBD has been marked by older buildings and an above average vacancy rate. Most of the Class A stock has traded in recent years and new owners are pumping millions of dollars into renovations so the CBD can better compete with submarkets such as Uptown/Turtle Creek, Preston Center, and Far North Dallas. The Far North Dallas submarket is smack in the middle of the growth path surrounding Frisco and West Plano. The overall vacancy rate is 16.6%, well below the 19.2% Metroplex rate. Class A product has a vacancy rate even lower; it stood at 15.6% at the end of first-quarter 2017. Similarly, Uptown/Turtle Creek maintains one of the lowest vacancy rates in the metro area and some of the highest rents. Accounting firms like Ernst and Young and PwC have made recent moves from Downtown to Uptown.

Corporate relocations have been a driving force behind strong demand for office space, and this trend applies to the financial services sector. The most notable relocation involved Comerica's headquarters move from Detroit to Dallas in 2007. More recent examples include MoneyGram in 2010 and Toyota Financial Services in 2014. Moving forward, traditional financial services companies are expected to expand in lockstep with a growing population base and economy; meanwhile, a more unconventional approach in the form of fintech could provide an additional lift.

FINANCIAL SERVICES EMPLOYMENT TRENDS

FINANCIAL ACTIVITIES EMPLOYMENT: DALLAS-FORT WORTH METRO AREA



Source: U.S. Bureau of Labor Statistics, NGKF Research; May 2017

DENVER, CO

The Denver region is a global center for the financial activities sector, specifically in the key subclusters of banking/finance, investments, and insurance, and is the largest financial services hub between the West Coast and Chicago. The region ranked 11th out of the 50 largest metro areas in employment concentration in the investments subsector. The financial activities sector boasts more than 107,000 employees in the Denver metro area, which equates to 7.5% of total nonfarm employment. From 2012 through 2016, the sector averaged a strong 3.1% annual growth rate, adding 15,000 jobs during that five-year period. The Leeds School of Business at the University of Colorado Boulder forecasts similar growth in 2017.

Financial activities firms are major occupiers of space in both the core Downtown and Southeast Suburban (SES) submarkets of the Denver metro area office market. The Downtown submarket comprises 27.7 million square feet of office space with almost 2 million square feet under construction. At first-quarter 2017, vacancy stood at 16.1%, up year-over-year from 14.2% due to the delivery of two new projects. Those projects have strong pre-leasing and move-ins are scheduled over the next several quarters. Net absorption during the first quarter of 2017 was 134,866 square feet.

Downtown has historically been home to traditional financial activities firms housed in traditional space, such as TIAA and Morgan Stanley Smith Barney, and the sector continues to grow in this submarket:

- In 2015, Transamerica relocated its office from the SES submarket to Downtown, doubling its size to 121,000 square feet. Early this year, the firm announced it would add 200 employees in marketing, distribution, customer care and operations, bringing its Denver workforce to 700.
- Gusto, a San Francisco-based full service online payroll solution provider, entered the Denver market in 2015 with a 50,000-square-foot customer service hub and recently announced plans to add 1,000 employees over the next few years.
- Also in 2015, Pensco moved its non-depository trust charter to Denver's Downtown. This move resulted in a 19% growth to 130 local employees, making Colorado the company's largest employee base.
- IAA renewed and expanded its Downtown lease, for an 11-year term, in 2016. At completion of the build-out, scheduled for 2018, the firm will occupy almost 350,000 square feet and plans to expand its workforce by 700 positions over the next eight years.

The SES submarket comprises 28.5 million square feet of office space with almost 1.8 million square feet under construction. At first-quarter 2017, vacancy stood at 14.7%, down slightly year-over-year from 14.8%. Quarterly net absorption was 38,820 square feet.

The SES offers a more cost-effective option than Downtown, is home to many decision-makers, and has light rail connectivity, so it is a natural fit for finance companies' customer service requirements. The submarket recently attracted several new requirements and a headquarters relocation from companies located on both coasts:

- In 2013, Boston-based Fidelity Investments opened a 100,000-square-foot regional customer contact center that now employs approximately 500 people. The firm recently expanded by 30,000 square feet, and this new space will facilitate Fidelity's goal of hiring an additional 300 employees by 2018.
- San Francisco-based Redwood Trust opened a new 10,000-square-foot financial operations service center in 2013 and expanded by 11,000 square feet later that year.
- Also in 2013, National Bank Holdings relocated its headquarters from Boston to a new 35,000-square-foot headquarters with 150 employees.

Another notable relocation occurred in the Northwest submarket. Partners Group Holding AG, a Swiss private equity fund, closed on 25 acres in the Interlocken Business Park in late 2016. The firm will build a new campus there to accommodate several hundred employees and relocate its North American hub there from San Francisco.

Over the last few years, financial services firms already located in Denver have been drawn to new construction:

- In 2013, IMA Financial relocated to its new 74,000-square-foot headquarters in the newly completed IMA Financial Center in the Union Station redevelopment (Downtown). This move allowed the firm to increase its footprint by 45,000 square feet.
- In 2015, Morgan Stanley Smith Barney moved into 32,000 square feet at 16M, a project that delivered in third-quarter 2014 (Downtown).
- In 2016, CoBiz Financial occupied 48,000 square feet in the newly delivered 1401 Lawrence (Downtown).
- Deloitte recently leased 45,000 square feet at 1601 Wewatta, which was delivered in 2015 (Downtown).
- Charles Schwab constructed a three-building campus for itself totaling 650,000 square feet, delivering two buildings in 2014 and the third in 2015, to house 1,900 employees with room to accommodate an additional 2,100 workers (SES).
- Also in 2015, CoBank occupied its new 274,000-square-foot build-to-suit headquarters, expanding its office by 100,000 square feet to accommodate potential growth (SES).

FINANCIAL SERVICES TENANTS OCCUPY

14.9%
OF DENVER CBD OFFICE SPACE

13.9%
OF SOUTHEAST SUBURBAN OFFICE SPACE

Source: NGKF Research; May 2017

MANHATTAN, NY

As the nation's financial capital, New York is home to a robust financial services industry that includes nearly every major bank along with prominent hedge funds, venture capital companies, and private equity firms. These companies employ more than 330,000 workers in the city, or 23% of the city's office-using employment.

Within the Manhattan market, the Plaza District, Park Avenue, and Downtown have long been the traditional homes of financial companies. The Plaza District and Park Avenue submarkets are the two most expensive in the city, with average asking rents of $111.73/SF and $104.38/SF, respectively. Availability in both has risen in recent quarters, with the Plaza District reaching 16.7% availability in the first quarter, and Park Avenue reaching 13.7%.

Tenants looking Downtown are attracted by the price relative to Midtown, although in recent years asking rents Downtown have risen sharply. The overall Downtown submarket average asking rent is $64.38/SF, and availability is 14.9%. These areas continue to attract new tenants as well as renewed commitments from existing tenants.

However, a recent trend of moves from traditional Midtown markets to the Far West Side has intensified. Wells Fargo Securities, BlackRock, Point72 Asset Management, MarketAxess, KKR, DNB ASA and Markit are all leaving traditional Midtown submarkets for new construction on the Far West Side. A number of other big-name tenants are also negotiating for space on the Far West Side. These buildings offer brand-new, state-of-the-art construction with efficient space usage options at a slight discount relative to the Plaza District and Park Avenue. For some, the option to purchase condominium interests in their buildings, as Wells Fargo and KKR have at 30 Hudson Yards, offers added appeal.

Relocation and renewal trends within the financial services industry correlate with the types of institutions involved. In 2016, 92.9% of deals completed by venture capital firms were relocations, while just 7.1% were renewals. Venture capital firms have dynamic space requirements, as they often grow or downsize quickly.

This contrasts with international and national banks, which have large headcounts and stable demand. In 2016, 53.3% of deals signed by banks were relocations, while 46.7% were renewals or expansions. Due to financial instability in Europe, international banks have been somewhat more likely to sign renewals as they may lack the capital required to move or create new space.

Meanwhile, hedge funds have been experiencing volatility since the financial crisis. Overall, hedge fund clients withdrew $106 billion in 2016, the biggest yearly withdrawal since 2009. Hedge fund returns were nearly 5% below the S&P 500's return for the year, and 2016 marked the second consecutive year that the rate of hedge fund closures outpaced openings. Eton Park Capital, Perry Capital, and Seneca Capital Investments all announced closures in the Park Avenue and Plaza District submarkets in the last two years. Despite these industry trends, some hedge funds are thriving. Citadel signed for more than 200,000 square feet at 425 Park Avenue in February 2016, in a deal that saw the highest rent ever paid for office space in the city.

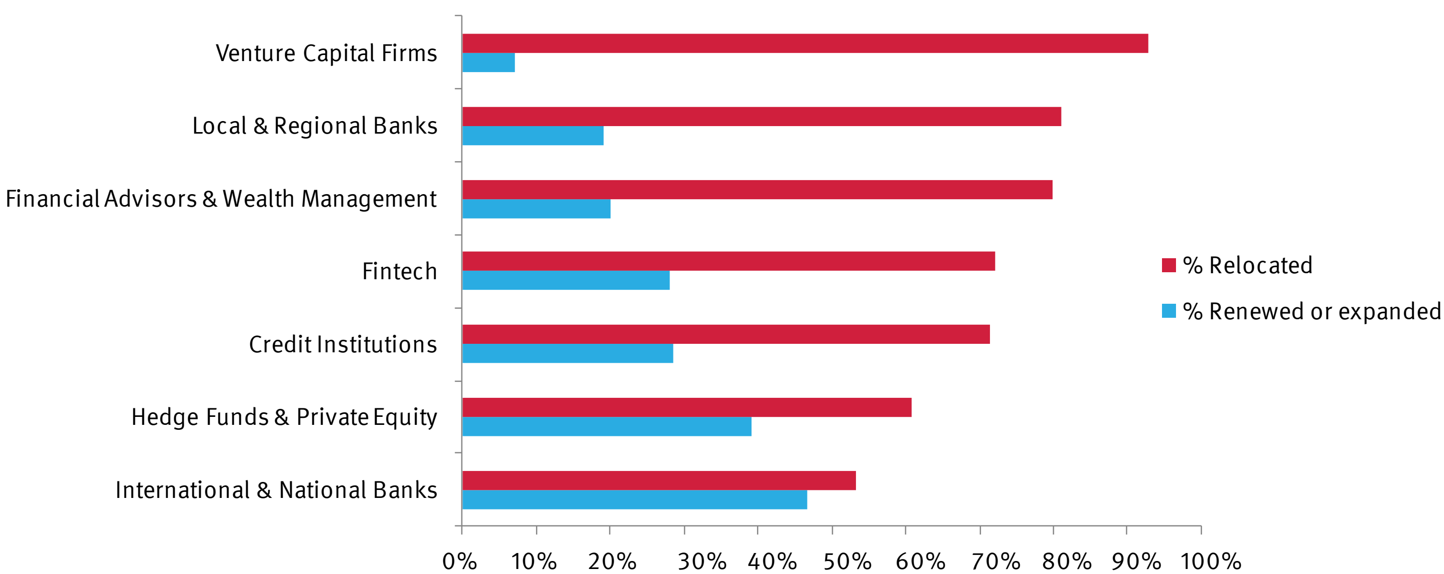
Uncertainty in the financial services industry has prompted many institutions to grow smarter about their operating expenses, particularly those associated with real estate. Over the past decade, many financial services companies have right-sized. Since 2008, nine of the top 10 banks in the city have become more efficient with their space usage by reducing their total occupancy. Yet employment in the industry has remained stable. By 2009, total employment in the industry had declined sharply due to the financial crisis and was nearly 5% lower in January 2009 than in January 2008. Since this time, however, employment has stabilized, increasing by 1% despite the industry's reduction in space occupation. Financial institutions are finding ways to decrease their total footprint while keeping a stable headcount, as they utilize various space configurations in many new or newly renovated buildings.

UNCERTAINTY IN THE FINANCIAL SERVICES INDUSTRY HAS PROMPTED MANY INSTITUTIONS TO GROW SMARTER ABOUT THEIR OPERATING EXPENSES, PARTICULARLY THOSE ASSOCIATED WITH REAL ESTATE.

Many financial companies have also bifurcated their operations, moving significant divisions outside of the Midtown market. Several have taken advantage of more affordable space in Jersey City, which has grown more appealing due to its proximity to Manhattan, more affordable real estate, and generous incentive packages. Since 2004, at least seventeen finance tenants have signed for more than 4 million square feet in Jersey City. In 2015, JPMorgan Chase began moving more than 2,000 jobs from Manhattan to Jersey City after accepting an incentive package from New Jersey. While none of these banks has completed a full relocation, in 2016, Fidessa agreed to a complete move from Manhattan. The company is relocating its entire operation out of 17 State Street Downtown and moving to Jersey City.

RELOCATIONS VERSUS RENEWALS: FINANCIAL SERVICES TENANTS

MANHATTAN: 2016



Source: U.S. Bureau of Labor Statistics, NGKF Research; May 2017

ORANGE COUNTY, CA

As a leading industry in Orange County, finance tenants occupy approximately 7.1 million square feet in the market and employ 116,400 people. Recent growth has begun to recover losses from the last recession, though employment has not yet reached the pre-recession peak of 141,700 jobs, and the county has been buoyed by diversification with tech and other new sectors.

Financial tenants have historically been concentrated in the Airport and adjacent Central County submarkets. The Airport submarket is Orange County's largest. It holds 54% of finance tenant occupancy and captured four of the top five financial services leases in the last two years, all in home mortgage lending. Nationstar Mortgage, Impac Funding, Loan Depot, and Stearns Lending have all executed leases since September 2015.

Recent growth in the finance industry has driven market fundamentals in the Airport submarket. Vacancy dropped 30 basis points year-over-year to 12.0% in the first quarter of 2017, well below this cycle's post-recession high of 23.3% in the second quarter of 2010. The submarket made up 55% of overall market absorption activity in the first quarter, and posted its fifteenth consecutive quarter of rent growth. Tenants are drawn to the area for its amenities including an airport, ground transportation connectivity, and shopping and dining options.

Financial services activity has also driven market conditions in Central County where the average Class A asking rent was $28.68/SF during the first quarter 2017, 22.9% lower than the adjacent Airport submarket. Central County has seen rent growth for fourteen consecutive quarters, and vacancy stands at 11.0%, down 150 basis points from one year ago and from a high of 18.6% from the recession. With no new speculative construction, this submarket will likely see additional tightening. Amenities in the submarket include freeway transportation, apartment development in Anaheim and Santa Ana, and numerous dining, retail, and entertainment options that appeal to tenants.

Notable financial services firms in the market include CashCall for 126,199 square feet, American Advisors Group for 88,861 square feet, and Kondaur Capital Corporation for 60,728 square feet.

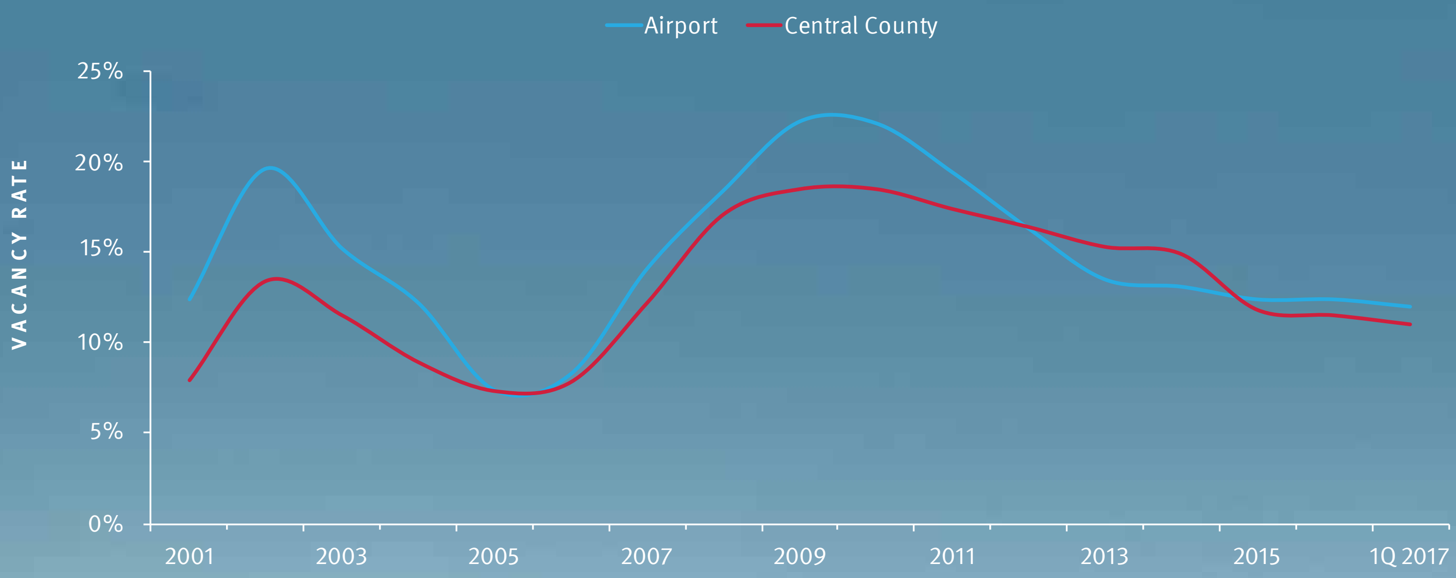
More than 530,000 square feet is under construction in the Airport submarket, and more than 670,000 square feet is in the South County submarket. All of the South County's construction activity is based in the Irvine Spectrum micro-market, proximate to the Airport submarket. Finance and other tenants have recently been attracted to Irvine Spectrum for its walkability, proximity to executive housing stock, and new construction. Additional tenants in the micro-market include Rushmore Loan Management for 44,820 square feet, Prospect Mortgage, LLC for 22,221 square feet, and State Street Investment for 22,120 square feet.

FINANCE AND OTHER TENANTS HAVE RECENTLY BEEN ATTRACTED TO IRVINE SPECTRUM FOR ITS WALKABILITY, PROXIMITY TO EXECUTIVE HOUSING STOCK, AND NEW CONSTRUCTION.

Of note, the 425,000 square-foot Class A building 200 Spectrum Center is 93% leased in just over a year. The tower is now home to financial tenants such as Silicon Valley Bank and Pacific Mercantile Bank, among other industries.

Irvine Spectrum has seen rent growth for fifteen consecutive quarters and vacancy stands at a mere 5.6%, down 440 basis points from one year ago and from a high of 28.2% during the Great Recession. Among the county's micro-markets, Irvine Spectrum posted the largest net absorption in 2016 with 337,233 SF.

VACANCY TRENDS: SUBMARKETS WITH HIGH CONCENTRATION OF FINANCIAL SERVICES TENANTS
ORANGE COUNTY: AIRPORT AND CENTRAL COUNTY SUBMARKETS



Source: NGKF Research; May 2017

SAN FRANCISCO, CA

San Francisco ranks sixth on the Global Financial Centres Index. It is home to global headquarters for traditional firms such as Wells Fargo Bank and Charles Schwab as well as fintech powerhouses including Square and Lending Club. The financial activities sector boasts 146,000 employees in the San Francisco metro area (including the East Bay), which equates to 6.2% of total nonfarm employment. From 2012 through 2016, the sector averaged a strong 3.5% annual growth rate, adding 21,700 jobs during that five-year period. The number of area jobs in this sector is at its highest since June 2007, before the financial crisis.

Financial activities firms are major occupiers in San Francisco's CBD office submarket, which encompasses the North and South Financial Districts. Combined, these submarkets total 51.0 million square feet of office space with an additional 4.2 million square feet under construction. At first-quarter 2017, vacancy in the CBD was 6.5%.

The North Financial District was the historical center of financial activities in the market, and it is home to the iconic Transamerica Pyramid and the global headquarters for Wells Fargo Bank. The submarket also hosts operations for Bank of America/Merrill Lynch Wealth Management, Morgan Stanley, First Republic Bank, TPG Capital, Dodge & Cox, and Deutsche Bank USA. While this submarket is known largely as having more traditional space, more tech companies are considering space here, particularly fintech companies.

Wells Fargo is the largest office tenant in San Francisco, with nearly 2.5 million square feet (including 1.6 million square feet which it owns and occupies), the majority of which is in the North Financial District. After its recent class-action settlement, company downsizing was to be expected. Currently it has 18,000 square feet on the sublease market, another 19,000 square feet subleased in the fourth quarter 2016, and 102,000 square feet expiring at the end of this year. In total, these spaces make up 5.6% of Wells Fargo's San Francisco office footprint. As a result, it is possible that by January 2018 Salesforce will surpass Wells Fargo as San Francisco's largest tenant.

Bank of America renewed 261,150 square feet for ten years at 555 California Street in late 2015. It leases additional space throughout the San Francisco market. Meanwhile, fintech company Blend Labs signed a 56,741-square-foot, nine-year lease in the fourth quarter of 2016 in the recently completed 500 Pine Street, and fintech company Affirm signed an 86,000-square-foot lease at 650 California Street in April 2017.

As San Francisco has become more tech-centered, much of the financial services activity has moved south of Market Street into the South Financial District. Tenants in this submarket include Charles Schwab, JPMorgan Chase Bank, Visa, Capital One and BlackRock, as well as fintech companies Slack and Lending Club. Most of the new construction in San Francisco is centered in this submarket, and new under-construction iconic structures have already changed the skyline. Salesforce Tower is now the tallest building in the market, and it sits within a block of the mixed-use 181 Fremont. These buildings, along with the more recently under-construction Park Tower, will provide an additional 2.6 million square feet of Class A space to the South Financial District, offering new opportunities for tenants.

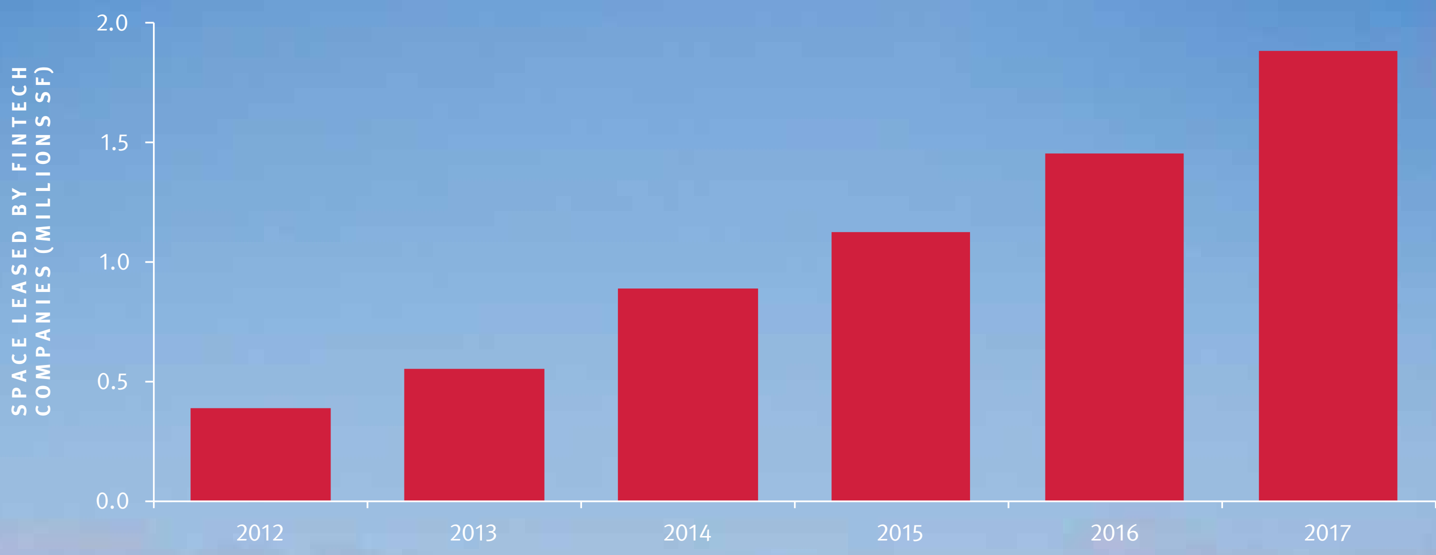
Elsewhere in the South Financial District, Bain Capital was one of the first companies besides Salesforce to sign a lease at Salesforce Tower, committing to 69,489 square feet for ten years. Charles Schwab subleased its 311,166-square-foot Fremont Street location to FitBit in early 2016, but in the fourth quarter it recommitted to its 359,000-square-foot headquarters location at 211 Main Street for ten years. At the end of 2016, Slack signed an eight-year lease for 227,632 square feet for a new headquarters location at 500 Howard Street. Also of note, Lending Club leased 247,000 square feet across two buildings, and has put 12,000 square feet on the sublease market.

San Francisco's status as a global technology hub has supported its burgeoning fintech sector. Fintech firms including Square, PayPal, Stripe, Credit Karma and NerdWallet occupy 1.8 million square feet in San Francisco, or about 2.3% of the entire market. Stripe is currently occupying 102,392 square feet of sublease space in the South of Market (SOMA) submarket as it awaits construction on its 300,000-square-foot build-to-suit nearby. Credit Karma has slowly grown its footprint at 760 Market Street in Union Square, and now occupies about 125,000 square feet. NerdWallet recently opted to consolidate its offices by subleasing 104,000 square feet from Twitter at 1 Tenth Street, and it is currently marketing 75,000 square feet for sublease across two SOMA locations.

SAN FRANCISCO'S STATUS AS A GLOBAL TECHNOLOGY HUB HAS SUPPORTED ITS BURGEONING FINTECH SECTOR.

FINTECH OCCUPANCY CONTINUES TO GROW

TOTAL SF LEASED BY FINTECH COMPANIES: SAN FRANCISCO



Source: NGKF Research; May 2017

WASHINGTON, DC

As the national capital region, the Washington metro area's financial services industry plays an important role in the global financial network by virtue of its proximity and relationship to the federal government. Washington is ranked 12th on the Global Financial Centres Index, behind U.S. markets including New York, San Francisco, Chicago and Boston, but ahead of Los Angeles. The Washington metro area, which includes the District of Columbia along with adjacent urbanized counties in Virginia and Maryland, counts 156,000 employees in the financial activities sector, equal to 4.8% of non-farm employment. Growth in the local financial services sector has been stagnant, with no material change in job growth during the past year.

Within the Washington metro area, the financial services industry is primarily concentrated in Northern Virginia and in Washington, DC's Central Business District. The Tysons submarket in Virginia has 4.2 million square feet of office space occupied by the financial services industry, with the District's CBD and East End submarkets having 3.7 million and 2.2 million square feet occupied, respectively. Tysons is ranked as the 12th-largest employment center in the United States, with over 28 million square feet of office space. Average rents for Tysons have remained in the $31.00/SF range for the past two years, and the current vacancy rate of 20.0% is in line with Northern Virginia's vacancy rate of 19.6%, which has remained steady for the past year. Financial services firms with a major presence in Tysons include Capital One, Freddie Mac, and Wells Fargo.

The financial services firms occupying space in the District's CBD and East End submarkets offer a contrast to those based in Tysons – primarily focusing on international finance and global fiscal policy, reflected in their proximity to the federal establishment. Notable examples include the International Monetary Fund, the World Bank, and the Inter-American Development Bank. CBD office rents average $55.17/SF, 3.1% higher than the District's overall average. The vacancy rate in the CBD is 8.3%, below the District's overall rate of 11.3%. The Washington metro area's vacancy rate stands at 16.1% as of first-quarter 2017.

The highest-profile job creation in the Washington metro area's financial sector surrounds Capital One Bank's expansion of its Tysons headquarters. The *Fortune* 500 bank plans to add five million square feet of space to its campus, including a 34-story office tower that will become the tallest occupied building in the region. The expansion effort aims to give Capital One enough space to steadily grow its employee base and to consolidate nearly 4,000 regional employees onto one campus and out of nearby leased space. Capital One's sizeable investment in a headquarters expansion signals that the bank plans to concentrate future growth within the Washington area, possibly through the acquisition of existing local banks.

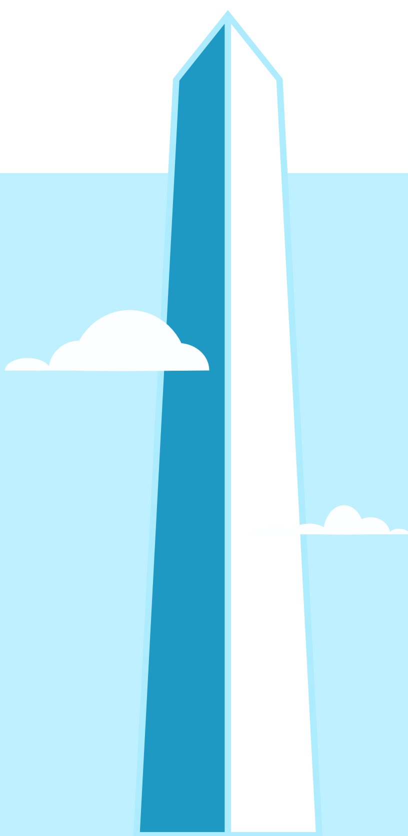
THE HIGHEST-PROFILE JOB CREATION IN THE WASHINGTON METRO AREA'S FINANCIAL SECTOR SURROUNDS CAPITAL ONE BANK'S EXPANSION OF ITS TYSONS HEADQUARTERS.

Nevertheless, Capital One has recently signed two leases in the Tysons submarket, demonstrating its need for space even as it expands its nearby headquarters campus. The leases total 273,000 square feet of Class A space, split between 1750 Tysons Boulevard and 7900 Westpark Drive. The additional space was needed due to space constraints at Capital One's current headquarters, along with the arrival of a new business unit that will operate separately from corporate operations at the Tysons headquarters campus.

By some measures the largest private-sector lease in Washington's history, Fannie Mae's 752,000-square-foot deal signed at Carr Properties' Midtown Center is a bellwether for metro Washington's financial services industry. It represents the shifting priorities of office space users – going from older, suburban product to transit-adjacent, highly amenitized trophy space in order to attract and retain top talent. For Midtown Center, Carr Properties is developing a modern, multi-tiered headquarters structure for Fannie Mae in downtown Washington, DC. The project will deliver in phases beginning in late 2017.

As Fannie Mae prepares to move into its new headquarters, it will be vacating nearly 430,000 square feet of leased space and 475,000 square feet of owned space, spread among three properties in the District's Uptown submarket. While the federal mortgage giant has been a fixture in Uptown since 1962, the move allows Fannie Mae to consolidate its 3,500 regional employees in one centrally-located structure. Owing to the District's strong market for residential space, developers have jumped at the opportunity to repurpose the obsolete properties into apartments and mixed-use facilities.

Potential changes to the Dodd-Frank Act and other regulatory legislation that shapes the financial services industry may be the most influential effect Washington has on the sector during the next few years.



FINANCIAL SERVICES TENANTS OCCUPY

4.2 MSF IN THE TYSONS SUBMARKET (15.1% of the inventory)

3.8 MSF IN WASHINGTON'S CBD SUBMARKET (9.7% of the inventory)

2.2 MSF IN WASHINGTON'S EAST END SUBMARKET (5.4% of the inventory)

WILMINGTON, DE

In 1981, the State of Delaware passed the Financial Center Development Act, which created economic incentives and a tax structure beneficial to the financial services industry. Since then, financial services has been a significant employer in the Wilmington metro area and across the state. Capital One, Bank of America, Sallie Mae, JPMorgan, Citibank and Navient are some tenants that have headquarters or a large presence within the city or its surrounding suburbs. Financial services companies employ 43,200 persons in the Wilmington metro area. However, during the past few years, the financial services industry experienced layoffs due to economic challenges and corporate reorganizations.

During the past two years, market conditions softened in the Wilmington Central Business District (CBD) but strengthened in the Wilmington North and South submarkets. CBD absorption totaled negative 146,108 square feet from the start of 2015 through the first quarter of 2017, with the aforementioned two suburban submarkets generating 452,261 square feet of occupancy gains within the same period. The CBD posted record-high vacancy of 23.2% in mid-2015, but it has averaged 21.6% since then. Northern New Castle has the lowest vacancy rate of the area's four submarkets, closing first-quarter 2017 at 10.7%.

DURING THE PAST TWO YEARS, MARKET CONDITIONS SOFTENED IN THE WILMINGTON CENTRAL BUSINESS DISTRICT (CBD) BUT STRENGTHENED IN THE WILMINGTON NORTH AND SOUTH SUBMARKETS.

Cost factors remain an important component of a tenant's decision to locate in the CBD or in the suburbs. Parking, head tax, and wage tax costs add an additional $6.00/SF to $8.00/SF to a tenant's real estate costs. As of the first quarter of 2017, rents for premium Class A space averaged $28.01/SF in the CBD compared to $25.56/SF in Wilmington North, $22.20/SF in Wilmington South, and $27.88/SF in Wilmington West.

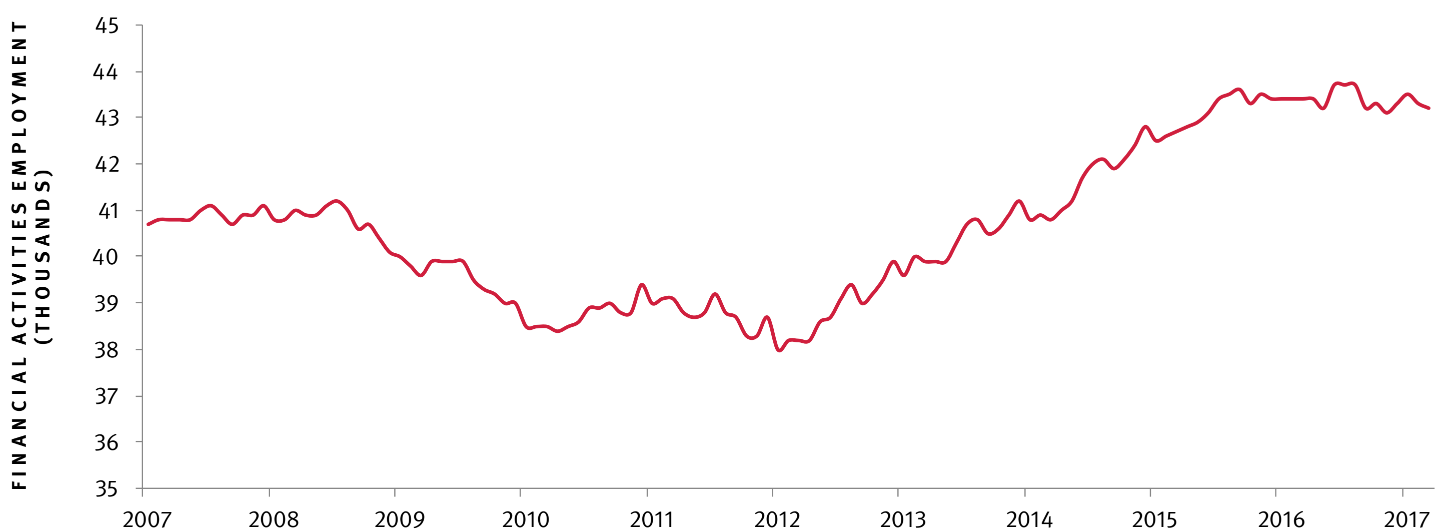
These cost considerations resulted in a number of financial services firms downsizing their presence in the CBD and relocating to the suburbs or expanding within the suburbs. Bank of America continues to reduce its real estate footprint in the CBD. The bank put two towers on the market for sale in 2017: the 212,000-square-foot Bracebridge I, which was the former headquarters for MBNA, and the 218,243-square-foot Bracebridge III. Bank of America plans to consolidate employees from those two buildings into the 242,000-square-foot Bracebridge II. Bracebridge I and III are currently not in the competitive inventory due to their owner/user status, but if an investor purchases and markets the properties for lease, more than 400,000 square feet of additional vacant space will come back to the market.

In second-quarter 2016, Zenbanx occupied 27,653 square feet at 650 Naamans Road in the Wilmington North submarket, marking its first Delaware presence. During third-quarter 2016, Prosper Marketplace occupied 51,362 square feet at 400 Commerce Drive located in the Wilmington South submarket. Also in Wilmington South, JPMorgan increased its presence in White Clay Center when it expanded into 22,466 square feet.

However, not all financial services firms focus on the suburbs. In April 2017, Capital One signed a 330,000-square-foot renewal and expansion at 800 and 802 Delaware Avenue in the CBD. Citibank also expanded into 22,926 square feet at 1000 N. West Street in the CBD during the second quarter 2016. Currently, Capital One occupies the entirety of 802 Delaware Avenue (240,780 square feet) and 301 W. 11th Street (291,644 square feet). Capital One is planning to enact its termination option on almost half of its space at 301 W. 11th Street and lease 75,000 square feet at 800 Delaware Avenue. In summary, there is considerable market activity among financial services firms, though much of it involves shifting locations and priorities among major companies already in the market.

FINANCIAL SERVICES EMPLOYMENT TRENDS

FINANCIAL ACTIVITIES EMPLOYMENT: WILMINGTON, DE METRO AREA



Source: U.S. Bureau of Labor Statistics, NGKF Research; May 2017

MARKET SUMMARY AND ACTION STEPS

COMPARISON OF ECONOMIC AND OFFICE MARKET CONDITIONS IN 11 MAJOR FINANCIAL CENTERS

Office Market												
	Office Inventory at 1Q17 (square feet)		2016 Net Absorption (square feet)		1Q17 Vacancy Rate		1-Yr. Vacancy Change (basis points, 12 months ending 1Q17)		1Q17 Average Asking Rent (per square foot, full service)		1-Yr. Rent Change (12 months ending 1Q17)	
	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank
Atlanta, GA	143.9 M	7	1.3 M	T-3	16.0%	8	-70	3	$24.13	10	6.4%	2
Boston, MA	183.0 M	6	1.4 M	2	11.8%	T-4	-20	T-5	$33.97	4	2.8%	6
Charlotte, NC	69.8 M	10	1.1 M	T-5	11.8%	T-4	70	10	$23.93	11	3.0%	5
Chicago, IL	251.8 M	4	-0.7 M	10	17.3%	10	100	11	$27.46	6	2.3%	9
Dallas-Fort Worth, TX	249.0 M	5	2.3 M	1	18.9%	11	10	8	$24.53	9	2.6%	T-7
Denver, CO	94.4 M	8	0.7 M	7	14.5%	6	30	9	$25.87	7	2.6%	T-7
Manhattan, NY	441.9 M	1	-2.8 M	11	7.4%	1	-20	T-5	$75.78	1	1.1%	11
Orange County, CA	91.8 M	9	1.3 M	T-3	10.5%	3	-110	2	$30.39	5	8.9%	1
San Francisco, CA	281.8 M	3	-0.6 M	9	9.4%	2	-20	T-5	$53.08	2	6.0%	3
Washington, DC	362.0 M	2	1.1 M	T-5	16.1%	9	-40	4	$36.89	3	3.4%	4
Wilmington, DE	16.5 M	11	0.2 M	8	15.9%	7	-130	1	$24.62	8	1.2%	10

Note: Office market values are for the metro area, except Manhattan and Orange County

Economy / Employment											
	Average Annual Salary, Business and Financial Operations Occupations[1]		Total Financial Services Employment[2]		Financial Services as Share of Total Employment[2]		Great Recession Job Losses[3]		Recovery Job Gains[4]		Recovery Gains Relative to Recession Losses[5]
	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Rank
Atlanta, GA	$73,890	11	171,800	5	6.3%	9	-9.7%	9	8.8%	7	6
Boston, MA	$87,440	4	189,700	4	7.0%	7	-4.4%	3	2.5%	10	8
Charlotte, NC	$76,090	9	90,200	10	7.7%	4	-9.1%	7	18.2%	2	2
Chicago, IL	$75,870	10	305,500	2	6.7%	8	-9.2%	8	-0.1%	11	11
Dallas-Fort Worth, TX	$80,160	6	290,900	3	8.1%	3	-2.2%	1	21.1%	1	1
Denver, CO	$78,960	7	107,900	9	7.4%	5	-6.8%	5	13.9%	T-3	3
Manhattan, NY	$97,990	2	616,900	1	9.0%	2	-6.7%	4	4.6%	9	9
Orange County, CA	$80,660	5	116,400	8	7.3%	6	-17.7%	11	11.6%	5	10
San Francisco, CA	$100,500	1	146,000	7	6.2%	10	-13.8%	10	13.9%	T-3	5
Washington, DC	$92,780	3	156,000	6	4.8%	11	-7.0%	6	5.5%	8	7
Wilmington, DE	$78,320	8	43,200	11	12.2%	1	-3.2%	2	9.6%	6	4

[1]Metro area values as of May 2016 [2]Metro area values as of March 2017 [3]Financial Services percent job change using 2007-2009 annual averages
[4]Financial Services percent job change using 2009-2016 annual averages [5]Percentage lost during recession plus percentage gained during recovery

ACTION STEPS FOR TENANTS

- Building amenities and neighborhood character in CBD locations may be an important part of a strategy to attract key talent.
- For large tenants seeking cost savings opportunities, consider bifurcation or relocation of key divisions to markets offering municipal incentives and reduced payroll costs.
- The efficiency of new construction often achieves higher workplace densities offering overall cost savings despite higher rents on a per square foot basis.
- Balance efficiency against amenities built into the space, such as cafes, lounges, and game rooms. These can enhance workplace culture but may impact efficiency.

ACTION STEPS FOR OWNERS

- As tenants seek opportunities to avoid capital expenditures, owners with commodity space improve velocity of leasing by offering above-market concessions, particularly in tenant improvement allowances, prebuilds, and other build-out programs that improve efficiency and reduce occupancy costs for relocating tenants.
- Promote light, views, and other unique building characteristics. Extensive building amenities in addition to new lobbies and state-of-the-art building systems may also enhance a building's competitiveness against new construction.

SOURCES

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CNBC
CompStak
CoStar
Fortune
Global Financial Centres Index
Leeds School of Business, University of Colorado Boulder
Metro Denver Economic Development Corporation
Moody's
NGKF Research
Washington Business Journal

ACKNOWLEDGMENTS

Our thanks to these NGKF research professionals who provided expert market knowledge and perspective:

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