

 U.S. CONSUMER CONFIDENCE 70.4% m-o-m	 U.S. AVERAGE HOURLY EARNINGS \$24.15 m-o-m	 JACKSON MSA UNEMPLOYMENT 7.8% m-o-m	 U.S. UNEMPLOYMENT 7% m-o-m
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INAUGURAL OFFICE MARKET REPORT FOR THE JACKSON MSA

Note: The 2013 CBRE | Jackson MarketView reports provides statistics based on a set of inventory consisting of 104 office properties in the following submarkets: Central Business District, Lakeland, I-220/Highland Colony Parkway and I-55/County Line Road. All properties are Class A or B, are greater than 10,000 square feet and are not owner occupied. Properties used primarily for medical and government purposes have been removed from the data set. Historical data in all charts is reflective of the current set of inventory rather than previously published report figures.

Quick Stats

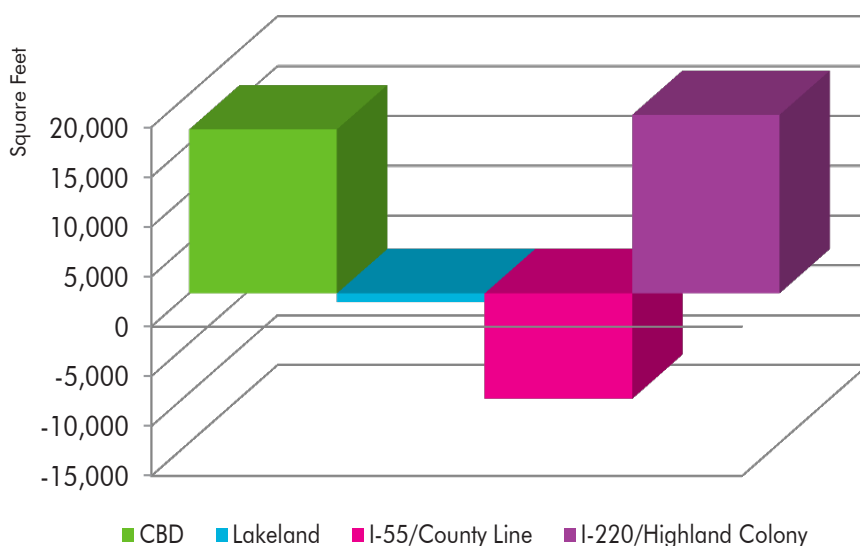
Q4 2013		Q-o-Q
Total Vacancy	21.6%	↓
Lease Rates	\$18.10	↓
Net Absorption*	22,898 sq. ft.	↑
Construction Deliveries	0 sq. ft.	→

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Year over Year Hot Topics

- I-220/Highland Colony Parkway submarket has the highest office occupancy rate in the city at 85.05%
- MS Department of Health and Vital Records chose Ridgeland for its 26,000-sq.-ft. relocation
- MS Department of Revenue is moving approximately 187,000 sq. ft. to the South Pointe Business Park

Figure 1: Q4 2013 Total Net Absorption by Submarket



CBRE | Jackson, an affiliate office of CBRE Inc., officially opened in April 2013, expanding the CBRE presence in Mississippi. CBRE's international reputation ranks high on dozens of consumer surveys, holding spots like The Lipsey Company's top global brand in commercial real estate for 13 consecutive years.

CBRE publishes national and international MarketViews reports using information gathered from local office data. This CBRE | Jackson office MarketView, which outlines absorption and trends in the office submarkets, links the Capital City to CBRE's

international commercial real estate network. This inaugural report provides information based on market activity during the fourth quarter of 2013.

The office occupancy in the Jackson MSA increased during Q4 2013 as a result of positive leasing of 22,898 sq. ft. This increase represents a 0.3% absorption rate and lifts the Jackson MSA overall occupancy up to 78.4%.

Based on the Q2 2012 Parkway Properties market report and the Q3 2013 CBRE | Jackson market information, the average asking rate decreased by \$0.23 per sq. ft. during

JACKSON OFFICE SUBMARKET BREAKDOWN

VACANCY, RENTAL RATES AND ABSORPTION

Figure 2: Market Statistics

Submarket	RBA	Total Vacancy %	Avg Asking Lease Rate	Q4 2013 Net Absorption
CBD	2,950,224	34.9%	\$16.88	16,452
Lakeland	953,336	21.7%	\$16.13	(874)
I-55/County Line	1,219,196	15.9%	\$18.17	(10,600)
Highland Colony	2,510,287	15.0%	\$20.26	17,920
Jackson MSA	7,633,043	21.6%	\$18.10	22,898

COVER STORY CONTINUED

the quarters between reports. The decrease, from \$18.33 to \$18.10 per sq. ft., is due to the correction in the market and rollover of existing leases signed in 2007-08. Tenants have been able to decrease their rental rates as a result of the market change.

While the asking rates have decreased since 2012, landlords are offering fewer incentives. The Q3 2013 asking lease rate was \$18.11 per sq. ft. and the Q4 2013 lease asking rate was \$18.10 per sq. ft. This stabilization in asking rates is fueled by a decrease in the supply of available space.

The Mississippi Department of Employment Security Labor Market Data Report stated the Jackson MSA adjusted unemployment rate has dropped from 7.5% to 5.8%. Prior to 2013, the majority of requests for office space in the Jackson MSA were due

“Due to the demand for residential housing in the Central Business District, many vacant older office buildings in the Downtown submarket are being converted to new multi-family housing.”

to downsizing. This trend has shifted to new businesses looking for available space and current businesses looking to expand, which are the first signs of growth.

During the last two quarters, several state agencies have looked for blocks of office space larger than 15,000 sq. ft., which comprised the majority of traffic. Additionally, several users conducting multi-market searches have inquired about vacancies larger than 30,000 sq. ft. in the Jackson MSA. It is speculated these spaces may be used for call centers and back office/administrative requirements.

Due in part to the area’s employment base and the market’s competitive lease rates, the availability of Class A spaces larger than 15,000 sq. ft. has become relatively scarce in the Jackson MSA.

Due to the demand for residential housing in the Central Business District, many vacant older office buildings in the Downtown submarket are being converted to new multi-family housing. The CBD office space is currently 65.1% occupied. Occupancy will most likely increase this year, as several proposed transactions, including the sale of the Landmark to the University of Mississippi Medical Center, suggest

2014 will be a strong year for the CBD. The bulk of the recent activity for the Jackson MSA was in the I-220/Highland Colony Parkway submarket. Mississippi Department of Health & Vital Records secured approximately 26,000 sq. ft. near the Highland Colony Parkway and the Mississippi Department of Revenue leased approximately 187,000 sq. ft. in the South Pointe Business Park in Clinton. These transactions have driven the year-end occupancy rate of the I-220/Highland Colony Parkway submarket to 85.1%.

The I-55/County Line Road submarket experienced growth in Q3 2013. The Mississippi Board of Pharmacy relocated to 6360 I-55 North, leasing about 9,300 sq. ft., and the Mississippi Board of Nursing leased about 14,000 sq. ft. in Q2 2013. This submarket has a Q4 2013 occupancy rate of 84.1%.

As office space utilization changes, companies are looking for efficient uses for space. For the last 20 years, companies across the country have considered transitioning to open or shared workspaces versus keeping traditional spaces dedicated to one person, according to Fortune magazine.

Since 2010, the national average for space allotted per employee also decreased from 225 sq. ft. per person to 150 sq. ft. per person, although this number may align more with needs

Figure 3: Q4 2013 Vacancy Rates by Submarket

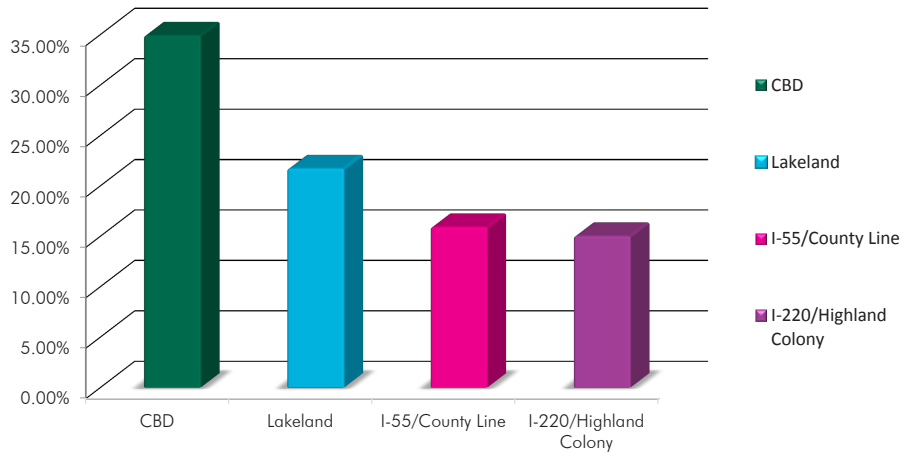


Figure 4: Q4 2013 Average Asking Lease Rates by Submarket and Class



Figure 5: Top Office Lease Transactions

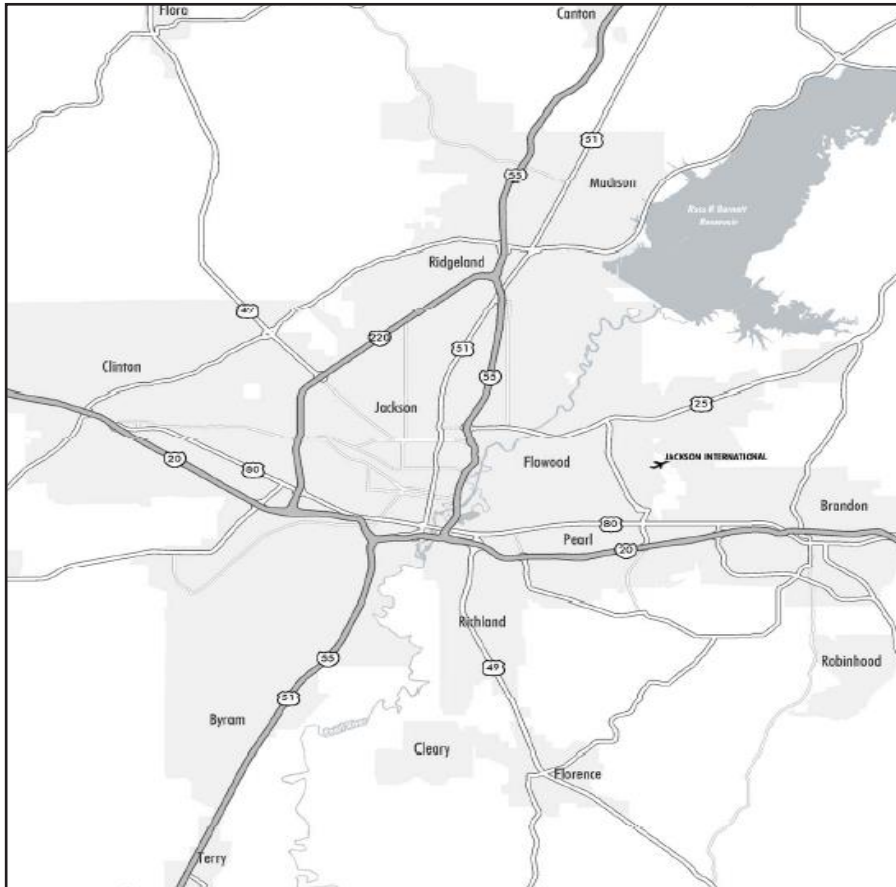
Size (SF) +/-	Tenant	Location
187,000	MS Dept. of Revenue	South Pointe Business Park
26,000	MS Dept. of Health & Vital Records	Highland Colony Bus. Park
9,300	MS Dept. of Pharmacy	6360 I-55 North

COVER STORY CONTINUED

of larger metropolitan areas such as Chicago, New York City and cities along the East and West Coast. During 2014, 58% of national companies are expecting to hire more employees

while also shrinking the average space per person, according to a CoreNet Global survey. This national trend has not drastically influenced decisions in the Jackson MSA at this time, though we do observe many employers requiring less space per-person than in

the past. This trend puts more stress on parking allotments at properties which many Jackson buildings will not be able to accommodate, due in part to public transportation not being largely utilized as it is in other major cities.



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