

COMMERCIAL REAL ESTATE

U.S. MARKET | OFFICE

First Quarter 2022

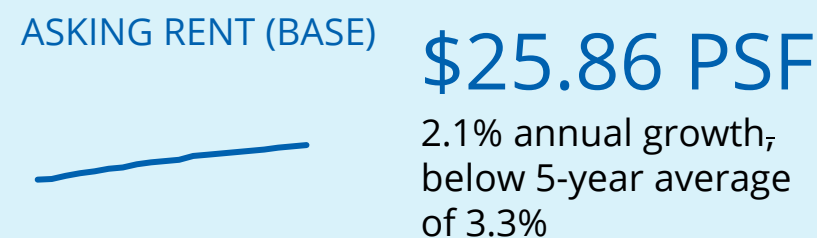
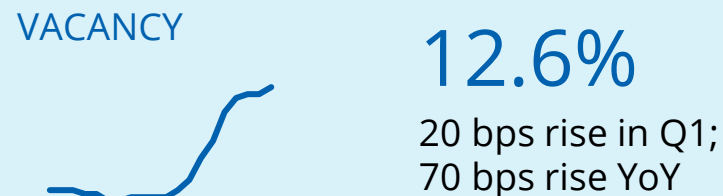
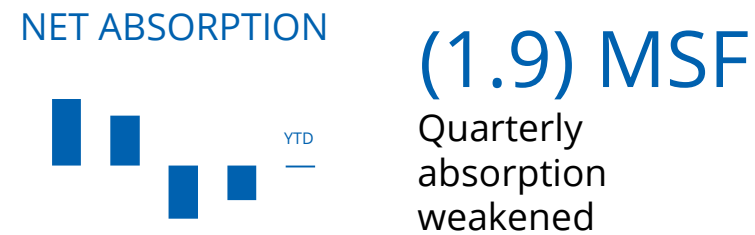
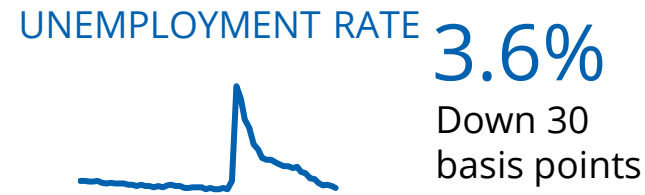


TRANSWESTERN



U.S. TRENDLINES

5-Year Trend Current Quarter



U.S. HIGHLIGHTS

ECONOMY

- Total employment is closing in on pre-pandemic levels. Office-using jobs have already recovered, accounting for 27% of the 1.7 million jobs added during Q1.
- Job growth was led by employment placement agencies, consulting firms, and tech companies.
- Through 2025, tech, consulting, and medical should drive job growth.

OFFICE MARKET

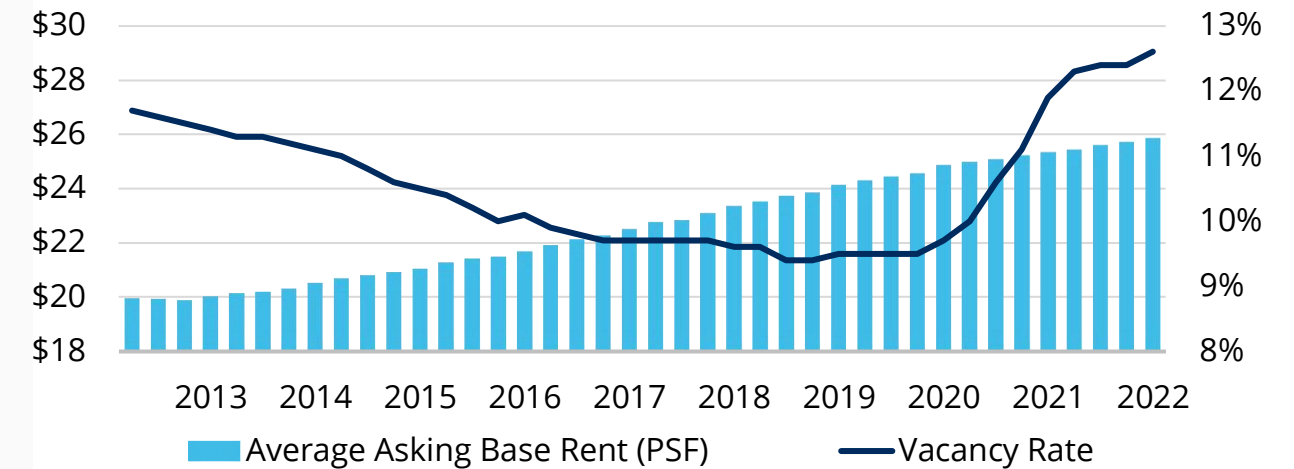
- Fundamentals were challenged with negative 1.9 MSF in absorption, after returning to positive during 4Q21.
- Market recovery tends to oscillate for a few quarters before picking up steam.
- 23 of 51 tracked markets registered positive net absorption, led by gateway markets with a mix of smaller markets.
- The vacancy rate rose 20 basis points to 12.6%, as leasing activity softened and deliveries with vacant space challenged the market.
- Annual asking rents rose 2.1% YoY as landlords – expecting a rebound of pent-up demand – hold firm, while offering generous concessions.

LOOKING AHEAD

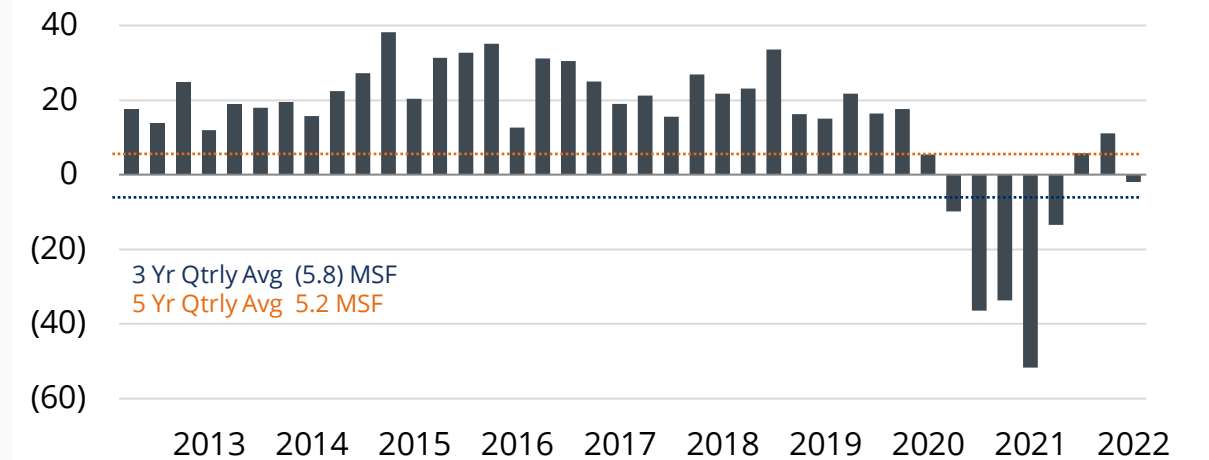
- Tour activity is up in most markets as tenants come off the sidelines. This should translate into future leasing activity.
- Construction levels are easing; if kept in check, this will help supply/demand fundamentals recover.
- With companies encouraging return to the office, occupancy levels are rising and should help bolster future demand.

U.S. HISTORICAL

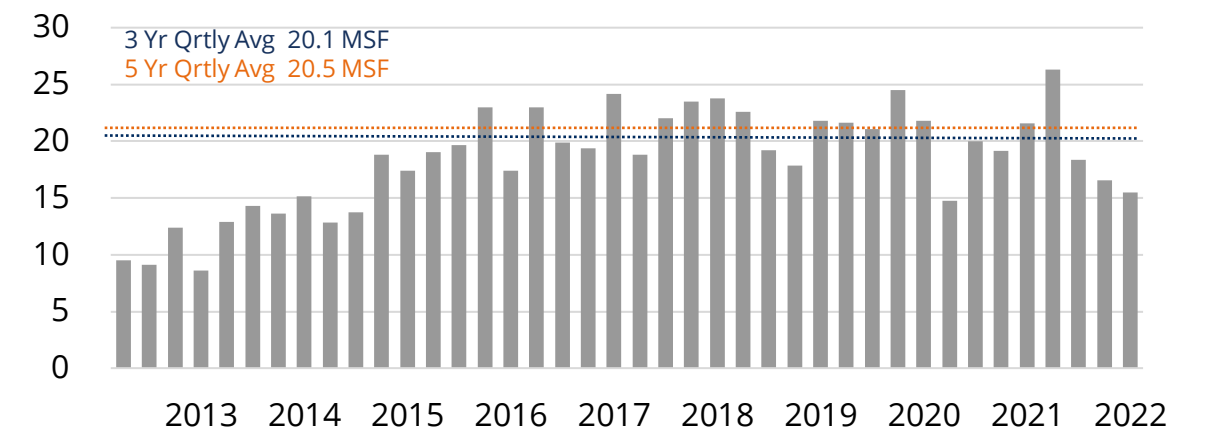
VACANCY VS ASKING RENT



NET ABSORPTION (MILLION SF)

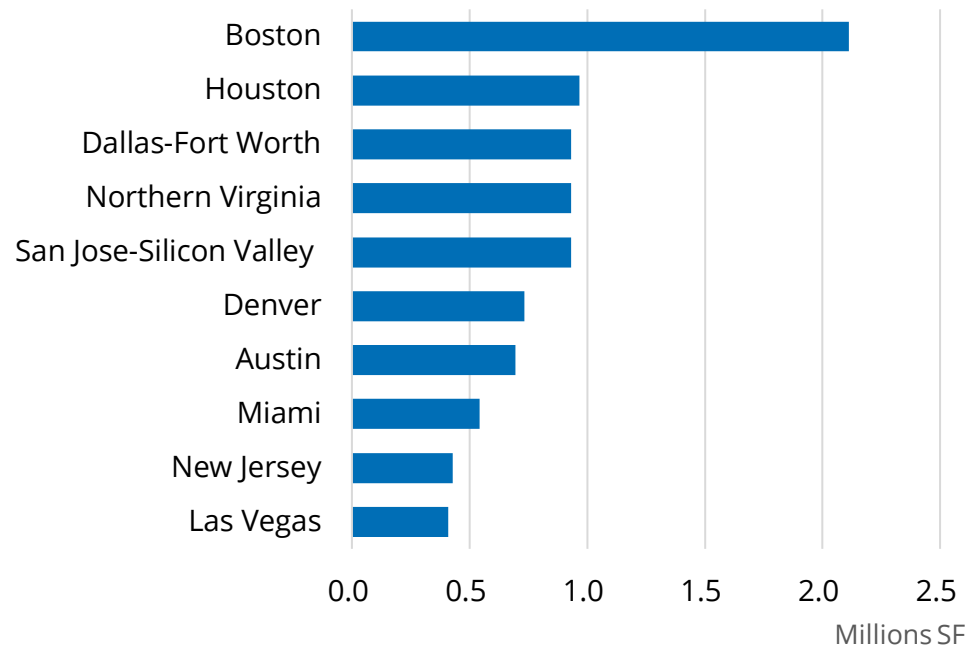


CONSTRUCTION – DELIVERED (MILLION SF)



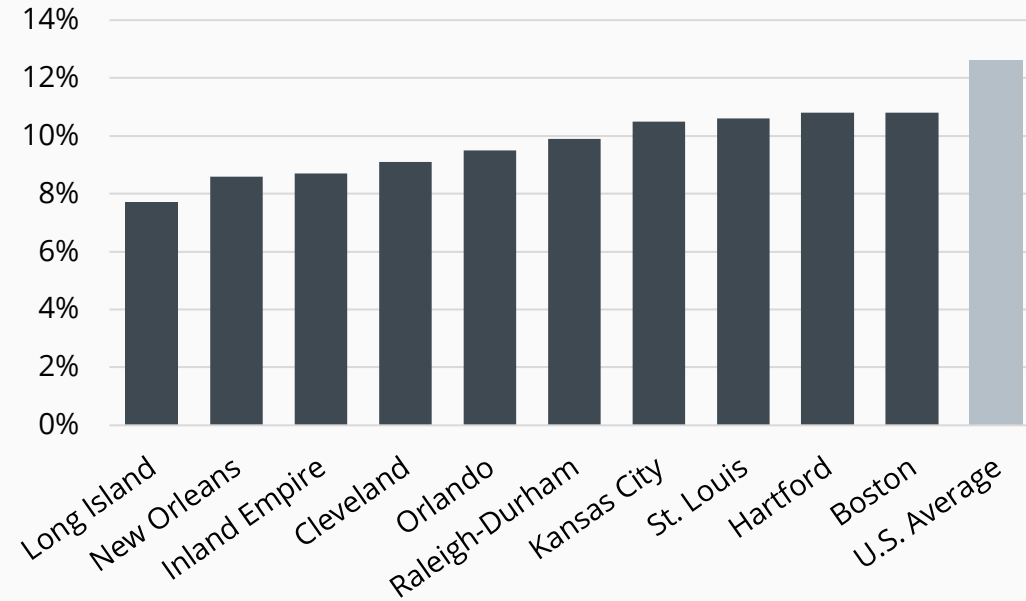
NET ABSORPTION

Q1 2022 Net Absorption



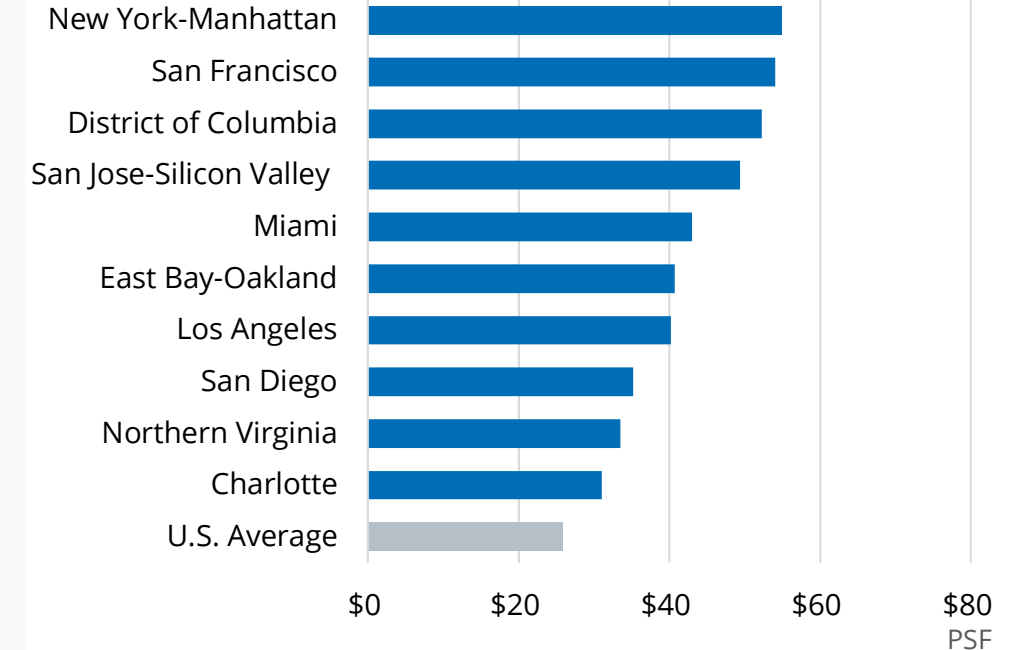
VACANCY/CONSTRUCTION

Q1 2022 Overall Vacancy Rate

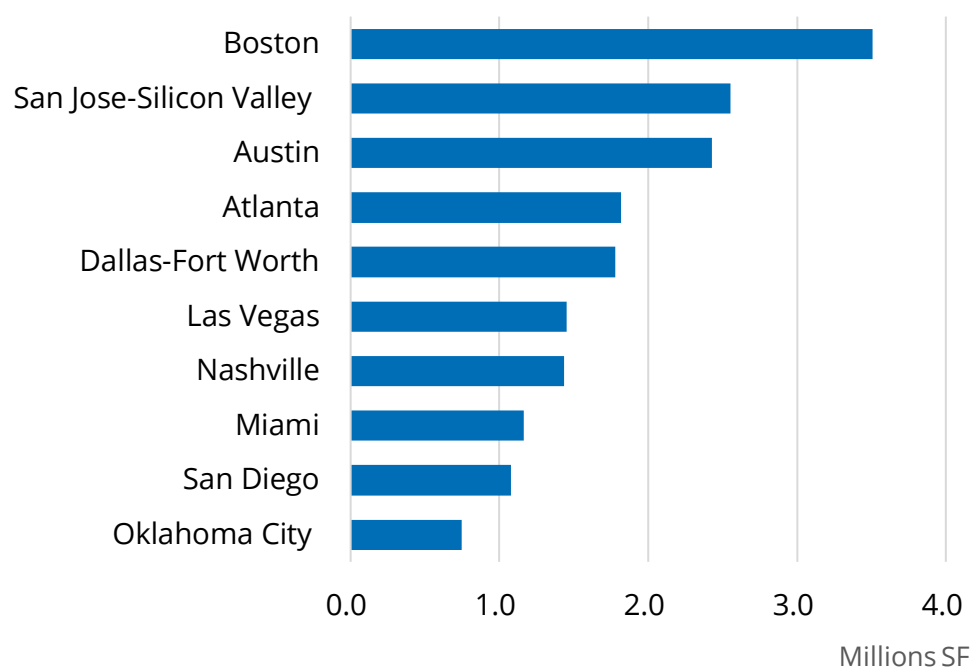


ASKING RENTS

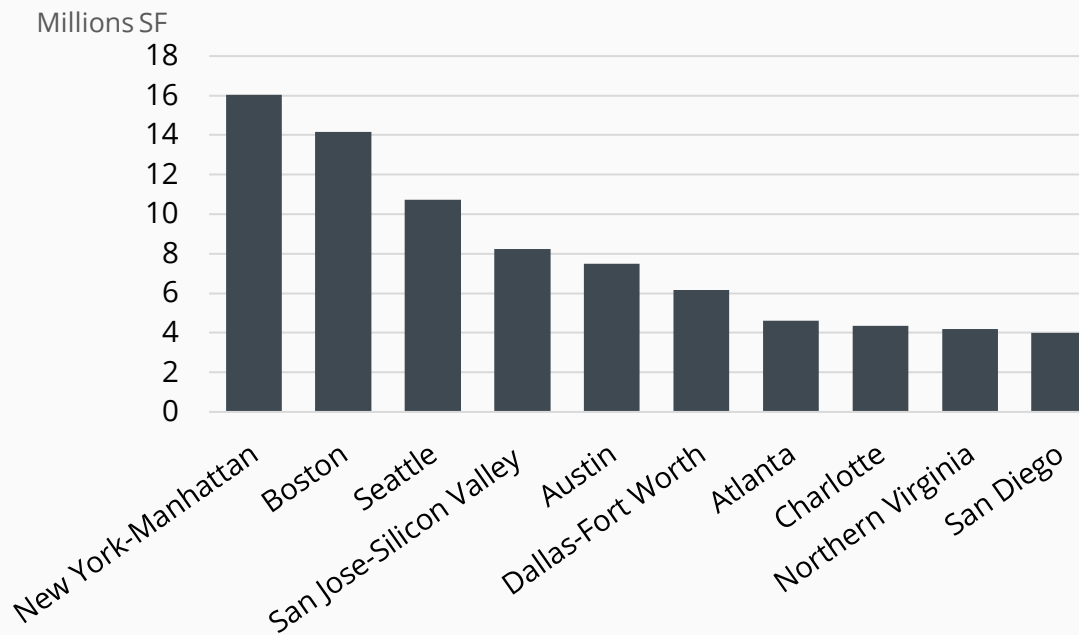
Q1 2022 Asking Rate (Base)



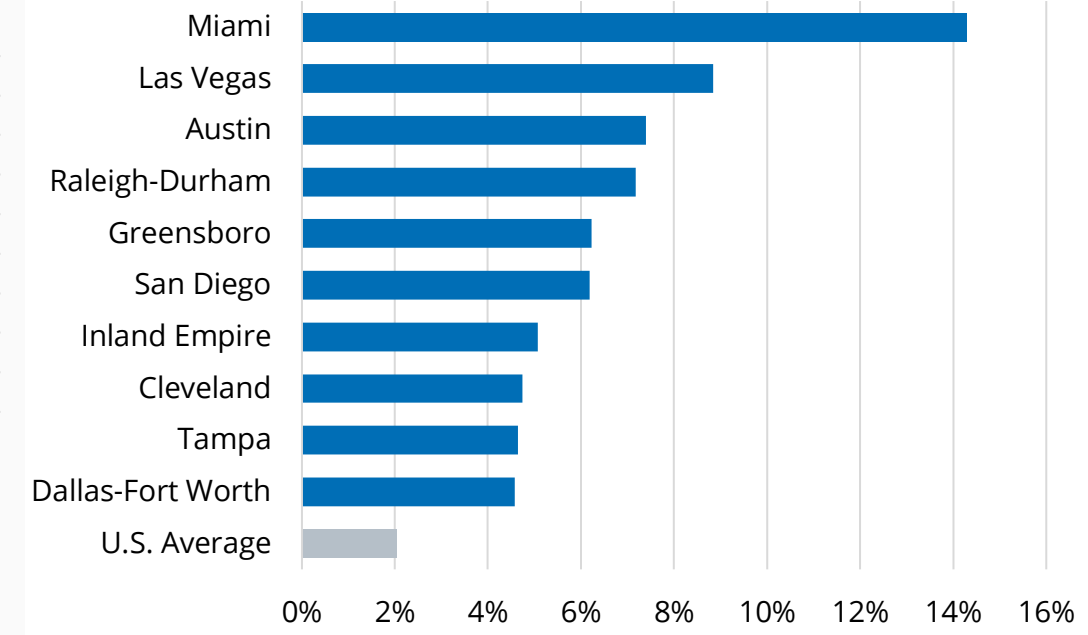
Trailing 4-Qtr Net Absorption



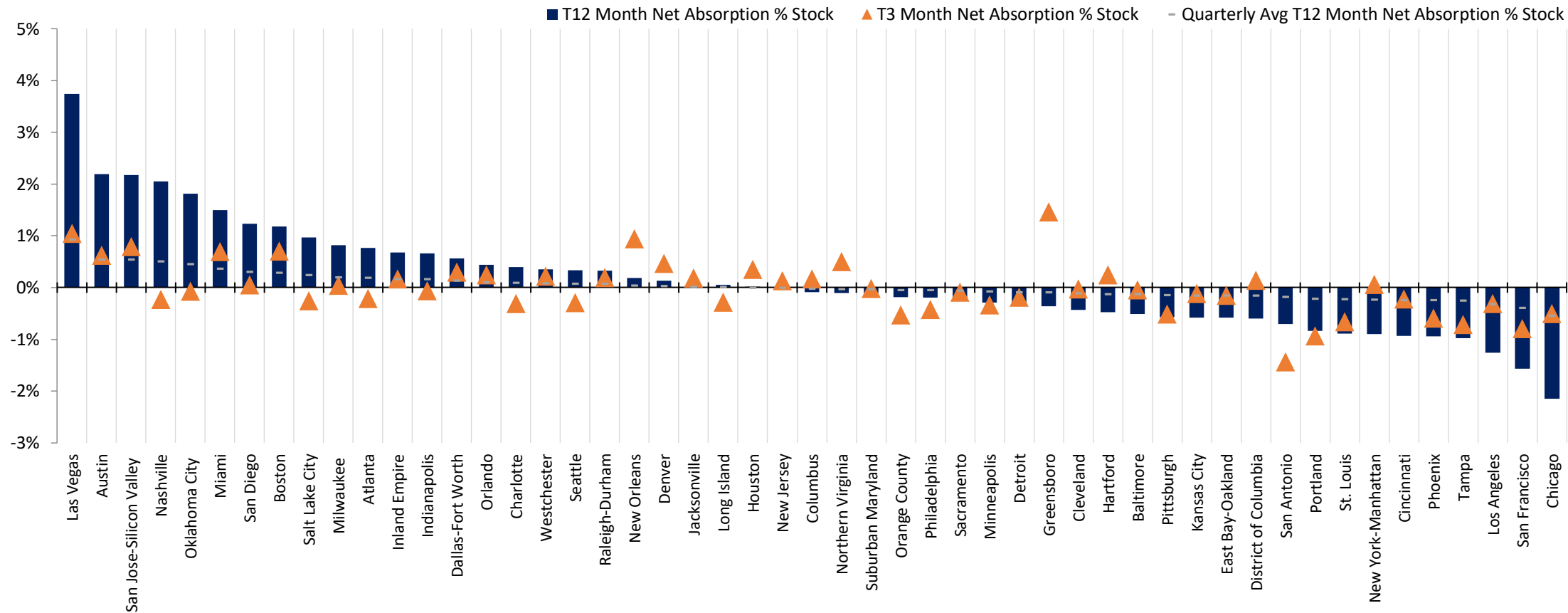
Q1 2022 Under Construction



Year-Over-Year Rent Growth

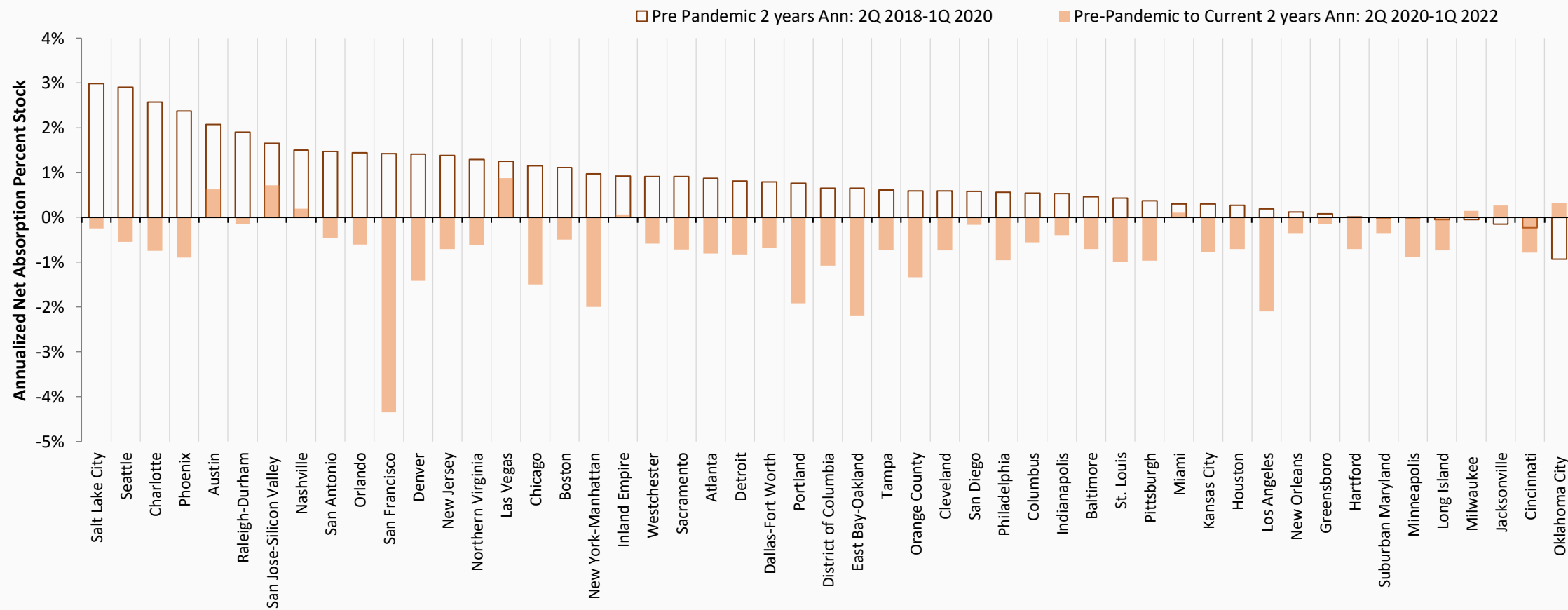


NET ABSORPTION % STOCK



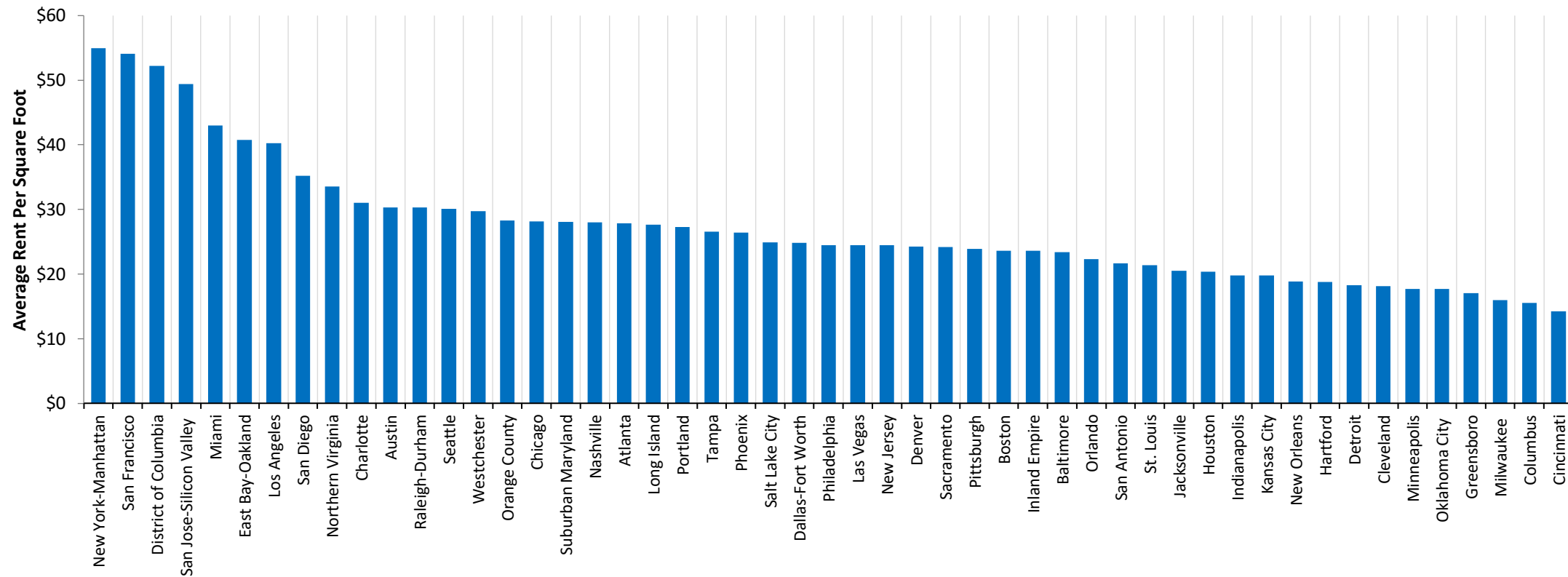
- Approximately 47% of tracked markets managed positive net absorption over the past 12 months, led by Las Vegas, Austin, San Jose-Silicon Valley and Nashville.
- Approximately 45% of tracked office markets posted positive net absorption for 1Q22 as the recovery slowly begins for office.

NET ABSORPTION % STOCK: PRE-PANDEMIC vs PANDEMIC to CURRENT



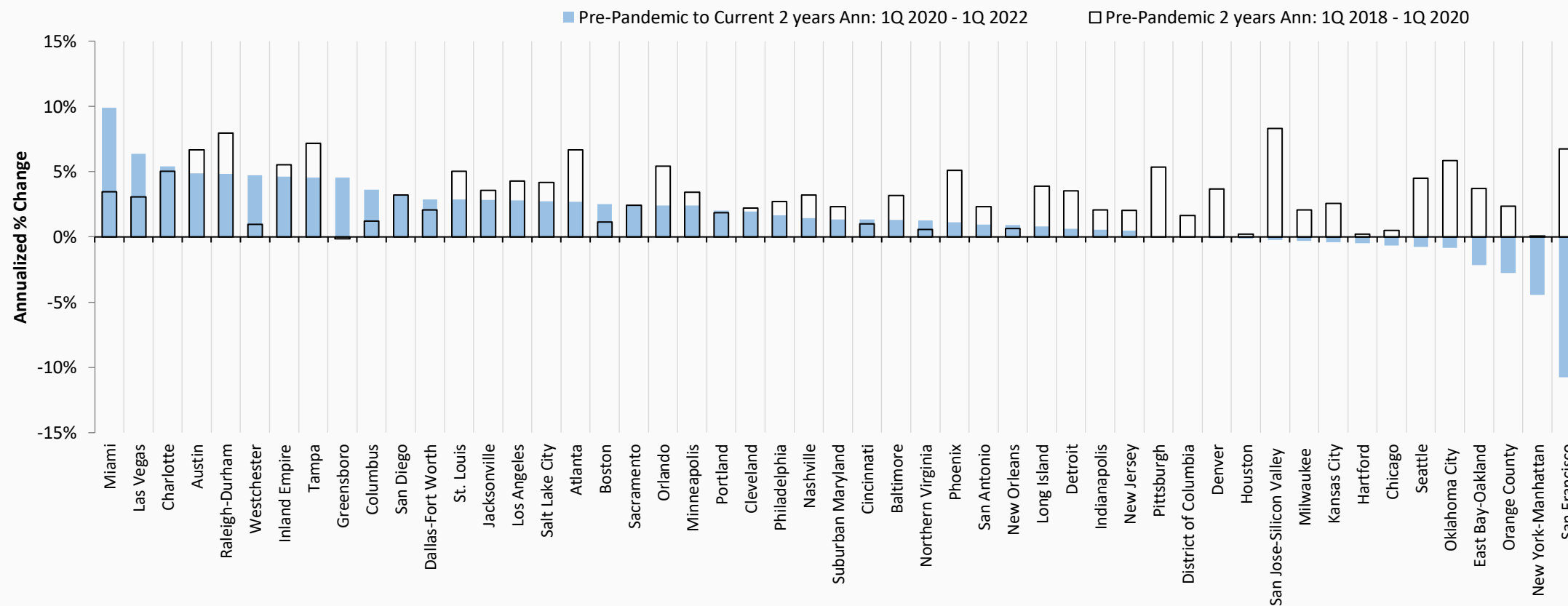
- This graph compares net absorption as a percent of stock annualized for the two years preceding the start of the pandemic to the two years since the pandemic began.
- Markets that were experiencing an expansionary trend before the pandemic may be well positioned coming out of the downturn.
- However, markets that have also managed positive growth since the start of the pandemic may be in the best position, including: Austin and San Jose-Silicon Valley.

RENTAL RATES (BASE)



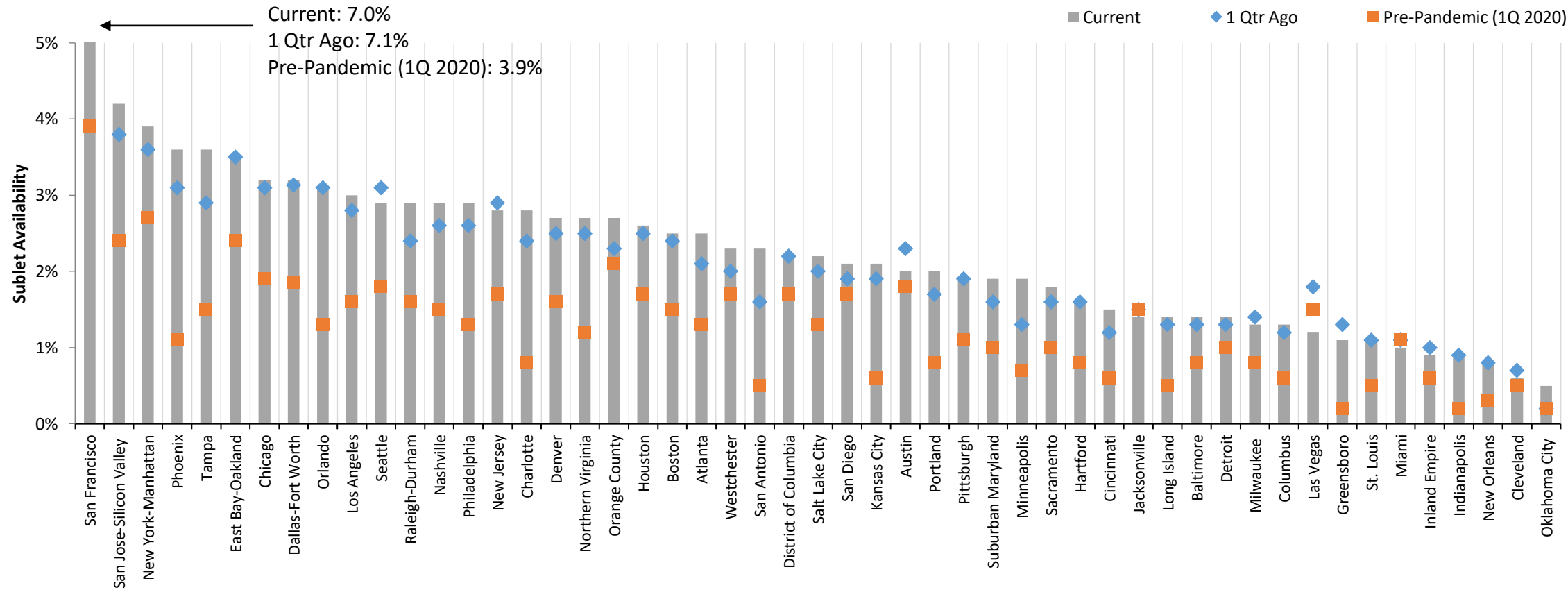
- The largest, densest and most developed markets have historically commanded significantly higher rental rates, yet pandemic-related trends have diminished these markets' lead.
- Since the beginning of the pandemic, the two most expensive markets, San Francisco and New York, have experienced the largest declines in rental rates at -20% and -9% respectively.
- San Francisco, the most expensive market pre-pandemic, is now second to New York.

RENTAL RATE CHANGE: PRE-PANDEMIC vs PRE-PANDEMIC to CURRENT



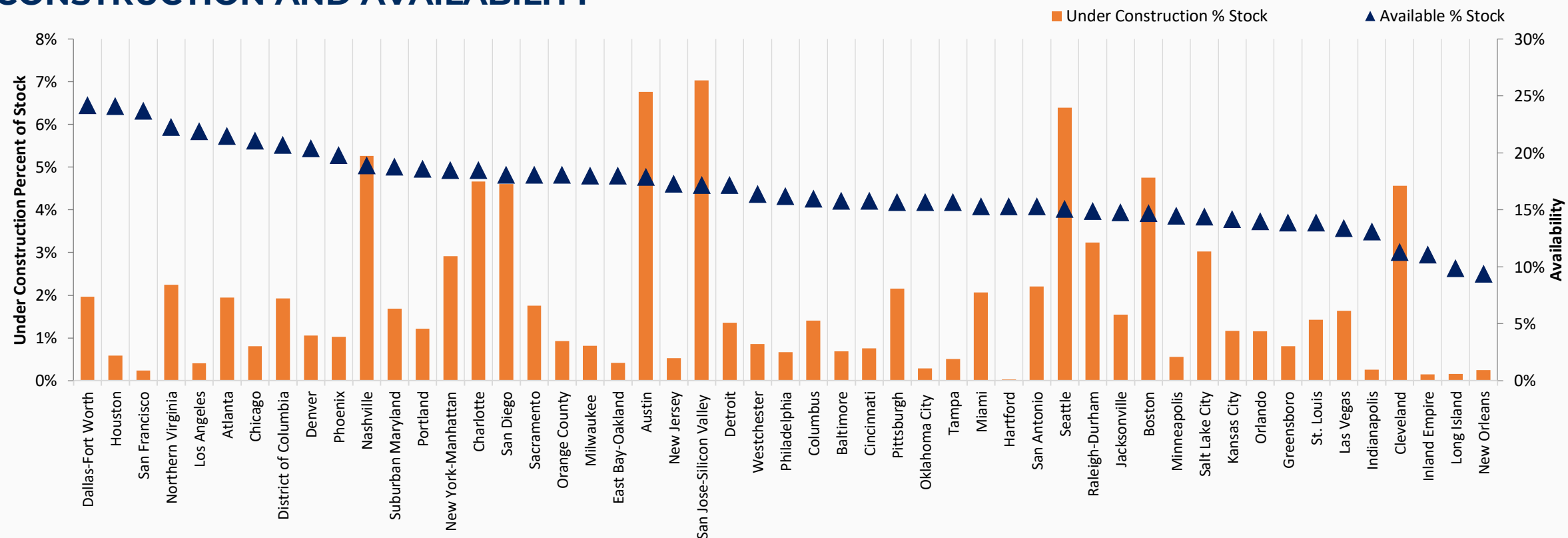
- The highest rental rate growth since the start of the pandemic occurred in Miami, Las Vegas and Charlotte.
- Compared with pre-pandemic rental rate growth, markets experiencing the most relative lift include Miami, Greensboro, Westchester and Las Vegas.
- While the return to office is underway, demand for space has yet to return to pre-pandemic levels in every market, keeping concessions high and, putting pressure on effective rental rates.

SUBLEASE AVAILABLE SQUARE FEET % STOCK



- This graph shows available sublet space as a percent of stock, which can react quickly to changes in demand.
- In 1Q22, only 37% of markets stayed constant or saw improvement from the previous quarter.
- Sublet available SF remains elevated above pre-pandemic levels for all tracked markets excluding Las Vegas, Miami and Jacksonville.

CONSTRUCTION AND AVAILABILITY

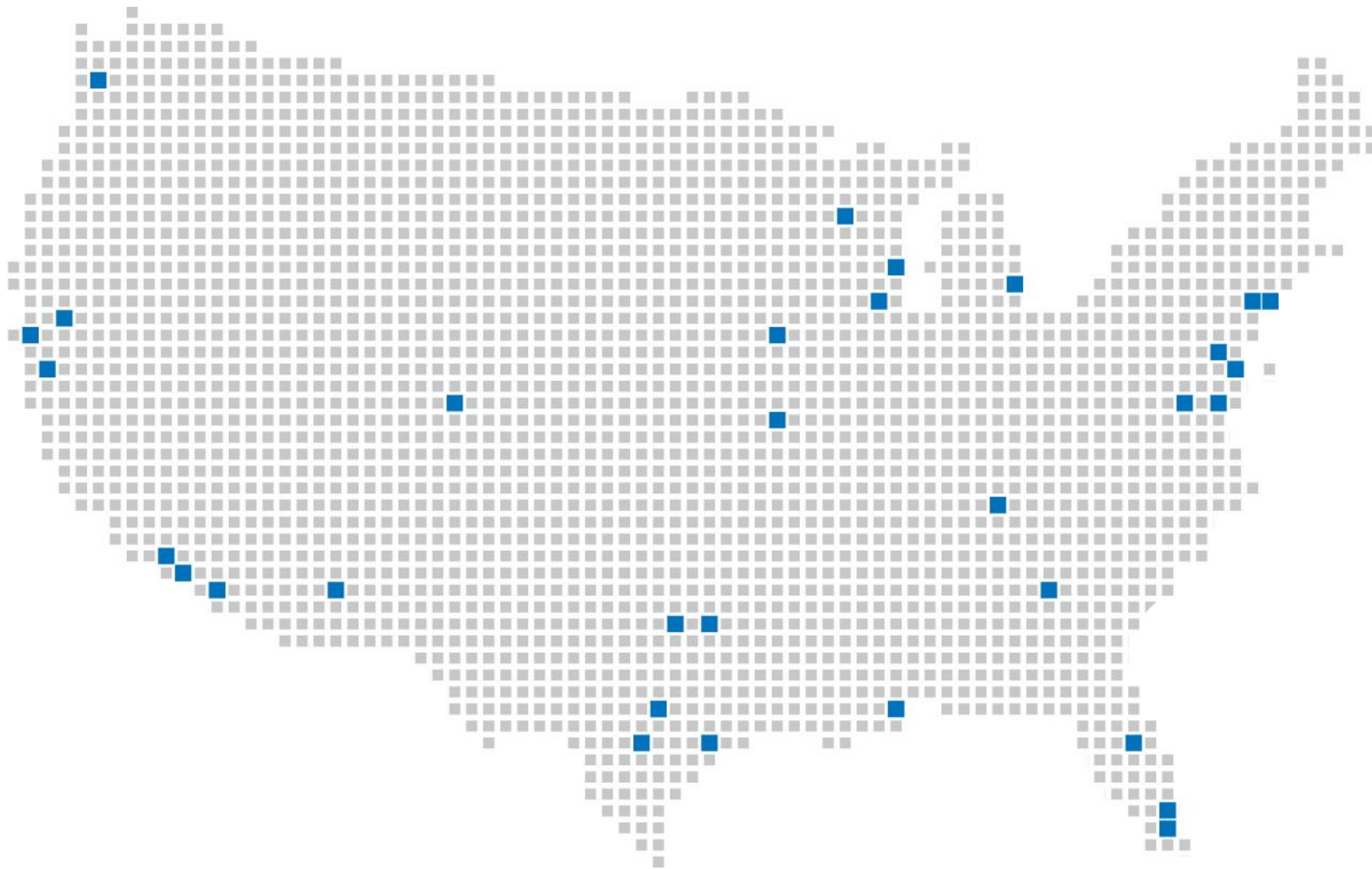


- Under construction percent of stock is indicative of future market expansion. Combined with availability percent of stock, it can also be a potential determinate of softening or tightening within a market.
- Markets with particularly high under construction stock and high availability as a percent of stock include Nashville, Charlotte, San Diego, Austin and San Jose-Silicon Valley. Future vacancy will depend on how demand matches supply, and at what rate this demand absorbs unleased space.

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Atlanta	237,157,371	17.8%	16.7%	(504,893)	1,818,045	\$27.88	3.0%	4,605,126
Austin	110,665,394	13.9%	12.0%	695,389	2,426,466	\$30.33	7.4%	7,481,069
Baltimore	108,396,144	13.9%	13.1%	(48,294)	(554,447)	\$23.35	-0.9%	749,551
Boston	297,886,752	10.8%	9.2%	2,110,917	3,505,723	\$23.60	1.6%	14,167,254
Charlotte	93,476,313	14.7%	12.2%	(291,153)	371,844	\$31.02	4.0%	4,360,168
Chicago	187,756,822	17.4%	15.8%	(935,862)	(4,031,369)	\$28.14	-2.2%	1,518,202
Cincinnati	74,707,826	12.7%	11.8%	(163,262)	(699,382)	\$14.26	1.6%	566,591
Cleveland	80,952,866	9.1%	8.9%	(19,251)	(351,631)	\$18.10	4.7%	3,691,786
Columbus	79,106,371	11.7%	10.4%	131,376	(69,600)	\$15.51	3.0%	1,110,621
Dallas-Fort Worth	313,891,025	19.7%	18.4%	931,527	1,776,990	\$24.86	4.6%	6,162,416
Denver	157,580,355	15.9%	14.2%	731,962	206,308	\$24.27	-1.9%	1,664,763
Detroit	140,390,991	13.3%	12.4%	(258,995)	(492,504)	\$18.25	0.7%	1,905,817
District of Columbia	148,064,881	15.7%	14.6%	203,052	(881,184)	\$52.23	0.0%	2,851,168
East Bay-Oakland	83,163,235	15.3%	13.0%	(122,543)	(486,903)	\$40.75	-4.0%	347,855
Greensboro	21,475,896	12.0%	10.8%	314,327	(77,197)	\$17.06	6.2%	173,900
Hartford	48,741,917	10.8%	9.8%	121,721	(232,499)	\$18.79	0.8%	12,587
Houston	276,893,966	20.6%	19.3%	965,344	37,891	\$20.37	-0.4%	1,613,163
Indianapolis	73,618,533	11.2%	10.5%	(42,553)	484,903	\$19.80	-0.3%	187,512
Inland Empire	38,849,823	8.7%	8.4%	65,113	262,715	\$23.59	5.1%	57,842
Jacksonville	42,783,436	11.6%	10.5%	79,636	29,261	\$20.50	1.3%	661,527
Kansas City	96,942,094	10.5%	9.2%	(107,861)	(566,135)	\$19.80	-5.2%	1,135,959
Las Vegas	38,833,276	11.9%	10.7%	407,499	1,453,115	\$24.49	8.8%	636,048
Long Island	63,515,844	7.7%	6.7%	(177,333)	35,691	\$27.64	0.0%	103,378
Los Angeles	311,209,549	17.5%	16.1%	(954,942)	(3,929,388)	\$40.22	2.5%	1,254,420
Miami	77,812,922	12.2%	11.7%	542,702	1,163,884	\$42.99	14.3%	1,605,339

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Milwaukee	59,069,338	11.5%	11.2%	26,553	486,134	\$15.97	0.5%	484,683
Minneapolis	156,730,694	11.7%	10.5%	(518,380)	(452,118)	\$17.71	2.7%	871,332
Nashville	69,861,272	13.5%	11.5%	(161,274)	1,435,828	\$27.97	0.2%	3,677,342
New Jersey	314,183,471	13.1%	11.6%	427,581	(47,094)	\$24.44	2.2%	1,670,010
New Orleans	35,215,355	8.6%	8.1%	330,606	65,291	\$18.87	1.6%	86,378
New York-Manhattan	550,264,619	12.9%	11.0%	357,723	(4,962,394)	\$54.91	0.9%	16,034,844
Northern Virginia	186,227,553	18.0%	16.9%	931,239	(202,383)	\$33.52	1.9%	4,182,460
Oklahoma City	41,214,152	12.4%	12.2%	(30,887)	749,324	\$17.68	-0.9%	117,742
Orange County	120,208,866	13.9%	12.4%	(633,114)	(224,082)	\$28.25	-1.5%	1,111,393
Orlando	67,070,602	9.5%	8.5%	168,053	292,838	\$22.31	4.4%	773,195
Philadelphia	240,715,463	11.7%	10.3%	(1,008,151)	(468,227)	\$24.49	2.0%	1,615,250
Phoenix	144,145,602	16.3%	14.2%	(846,548)	(1,356,621)	\$26.43	2.5%	1,479,282
Pittsburgh	106,657,940	12.1%	10.9%	(542,998)	(608,035)	\$23.92	-2.1%	2,299,067
Portland	83,159,735	15.4%	13.9%	(777,460)	(697,197)	\$27.27	3.2%	1,013,733
Raleigh-Durham	55,704,920	9.9%	8.8%	109,955	180,958	\$30.30	7.2%	1,804,420
Sacramento	70,539,521	13.1%	12.2%	(64,743)	(146,218)	\$24.16	1.8%	1,236,584
Salt Lake City	61,703,622	12.3%	10.5%	(155,180)	598,157	\$24.93	2.8%	1,869,520
San Antonio	59,012,999	11.5%	10.1%	(845,213)	(416,083)	\$21.69	1.2%	1,301,291
San Diego	87,055,174	13.5%	12.6%	43,880	1,076,354	\$35.21	6.2%	4,009,703
San Francisco	114,925,709	17.2%	13.4%	(910,738)	(1,797,437)	\$54.07	-7.2%	271,782
San Jose-Silicon Valley	117,399,538	13.0%	10.0%	930,445	2,552,482	\$49.42	2.0%	8,251,217
Seattle	168,078,751	11.8%	9.8%	(490,514)	556,013	\$30.06	1.5%	10,738,332
St. Louis	109,220,875	10.6%	10.2%	(722,479)	(974,041)	\$21.37	3.4%	1,558,500
Suburban Maryland	85,967,070	15.8%	14.7%	(18,395)	(93,594)	\$28.04	1.7%	1,447,196
Tampa	79,826,469	12.0%	9.5%	(570,506)	(781,313)	\$26.57	4.6%	408,900
Westchester	132,415,357	12.1%	10.9%	288,531	471,148	\$29.73	2.9%	1,141,681

TRANSWESTERN LOCATIONS



ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with good ideas, the firm drives value for clients across commercial real estate services, development, and investment management. Operating from 33 U.S. offices, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern).



RESEARCH METHODOLOGY

The information in this report is a compilation of single and multi-tenant office properties located in select U.S. metropolitan areas. Medical offices and government-owned buildings are excluded from analysis. All rents are reported as base, which are rents reflected irrespective of service type (Full Service, Plus Electric, etc.).

FOR MORE INFORMATION

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