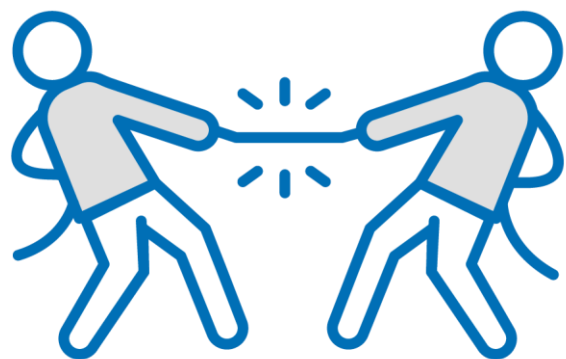


COMMERCIAL REAL ESTATE

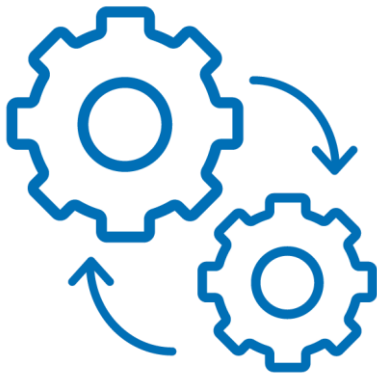
U.S. MARKET | Office



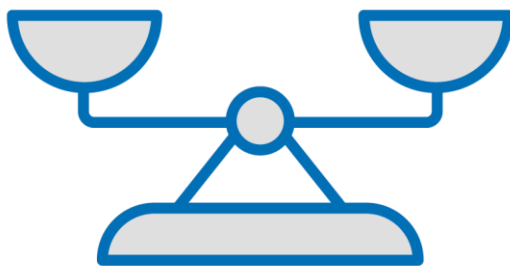
THE VIEW FROM HERE

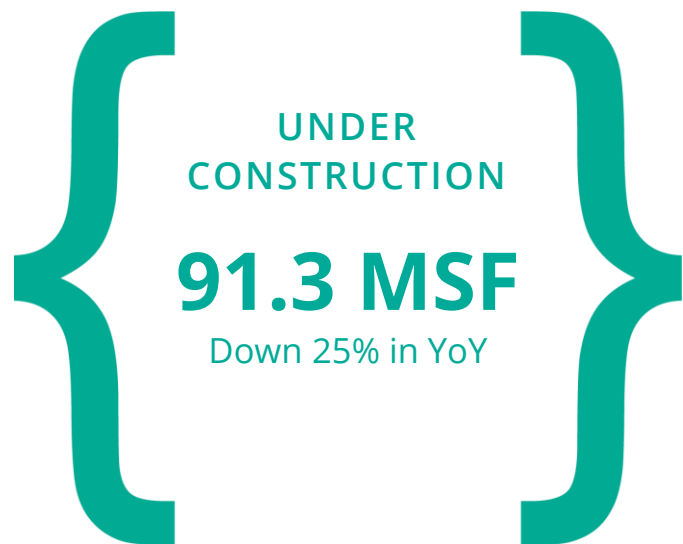
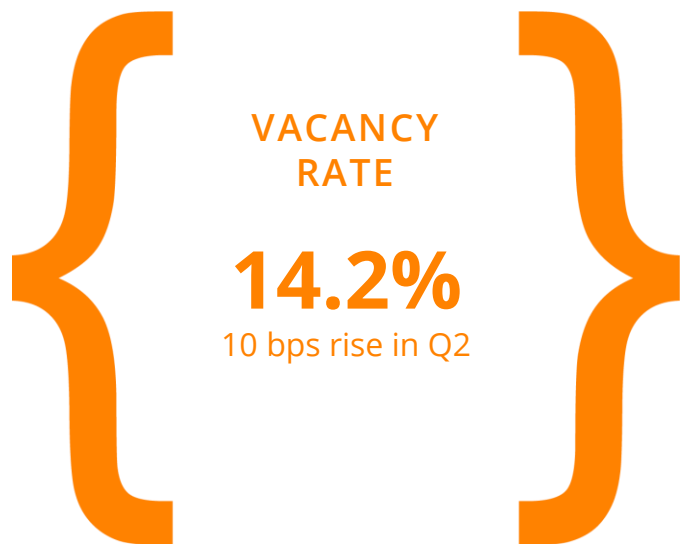
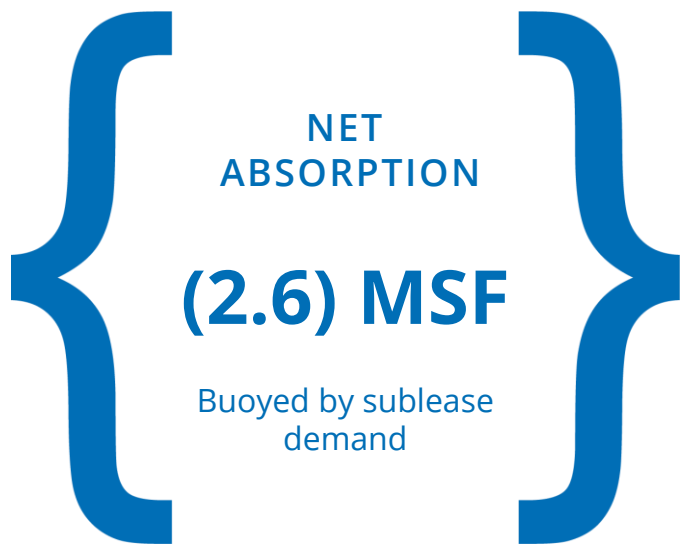
Days spent in the office should rise to four by year-end due to employers pulling back on remote work



High-propensity new business formations are above the pre-pandemic average, which will help boost future office demand



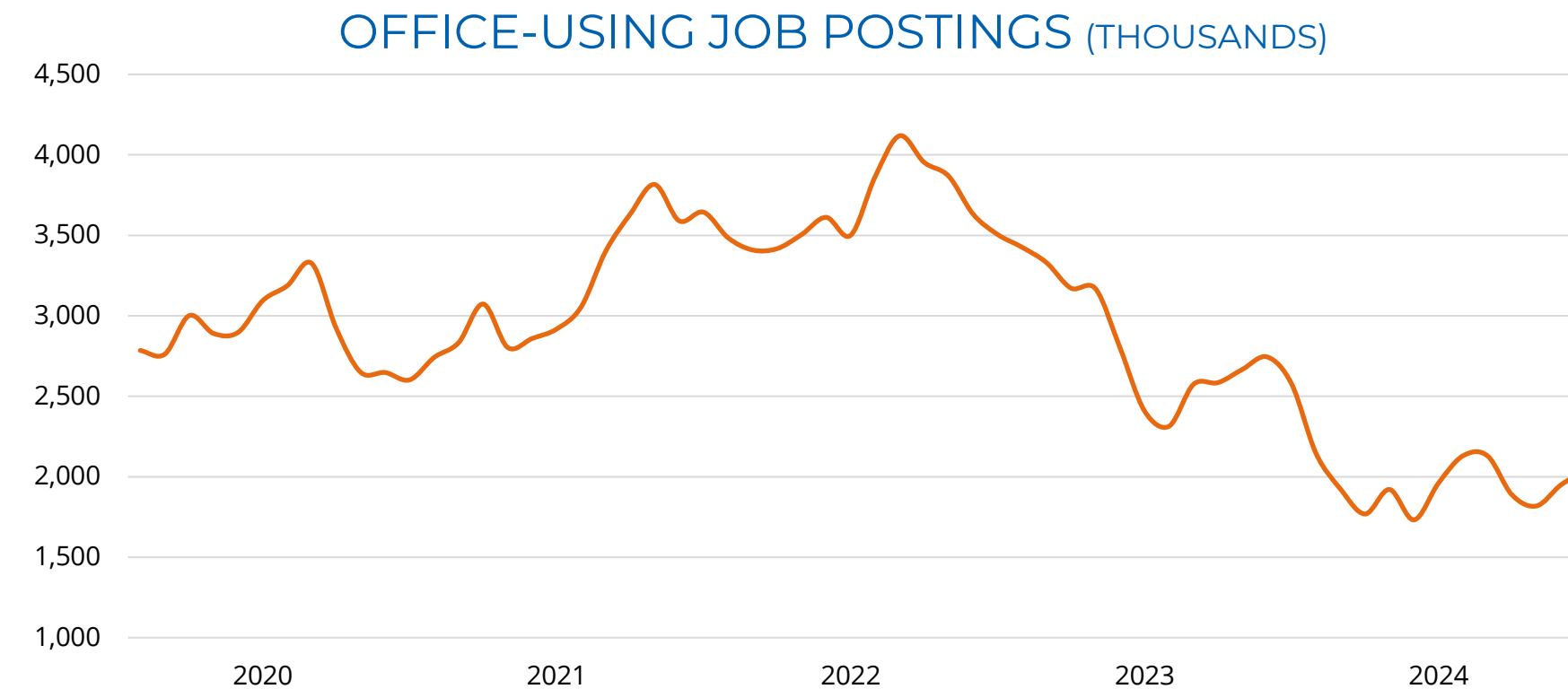
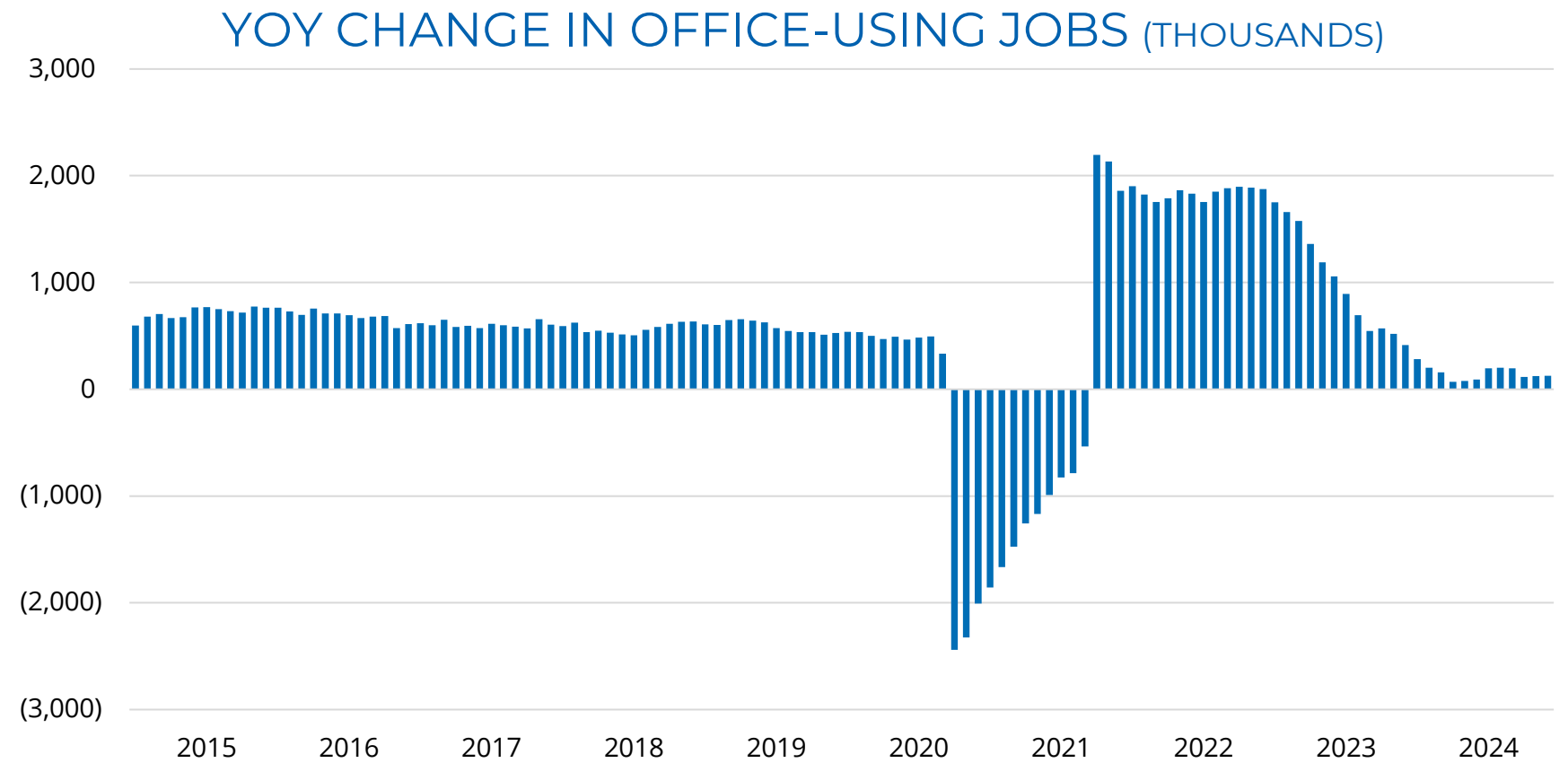
Notwithstanding some typical oscillation, vacancy should remain relatively stable through year-end



ECONOMIC HIGHLIGHTS

- Job growth is cooling, as 127,000 office-using jobs were added to the economy YoY, which is well off the pre-pandemic average of 629,000.
- The finance/insurance industry added the most jobs during Q2, followed closely by architecture/engineering and tech. Offsetting this were cuts in employment services (temp help) sector.
- Office-using job postings (companies looking to hire) are down 21% YoY. We expect postings to remain soft through year-end as companies exert caution over hiring.
- Given the current state of the economy, employers have pulled back on offering remote work, with only 11% offering this flexibility in job postings, down from 15% to 20% during the pandemic. However, this is up compared to pre-pandemic where only 3% offered this perk.
- A softening job market was partially expected as the Fed's higher for longer strategy cooled the overall market.
- Inflation is starting to moderate closer to the Fed's target of 2%, which could prompt a rate cut later this year. Until then, corporations and consumers must navigate some financial pressures.
- Unemployment is low at 4.1% as of June 2024, but has risen half a percentage point over the past year.
- The economy is currently adding under 200,000 new jobs per month, which is not enough to absorb every one entering the workforce.

HISTORICAL

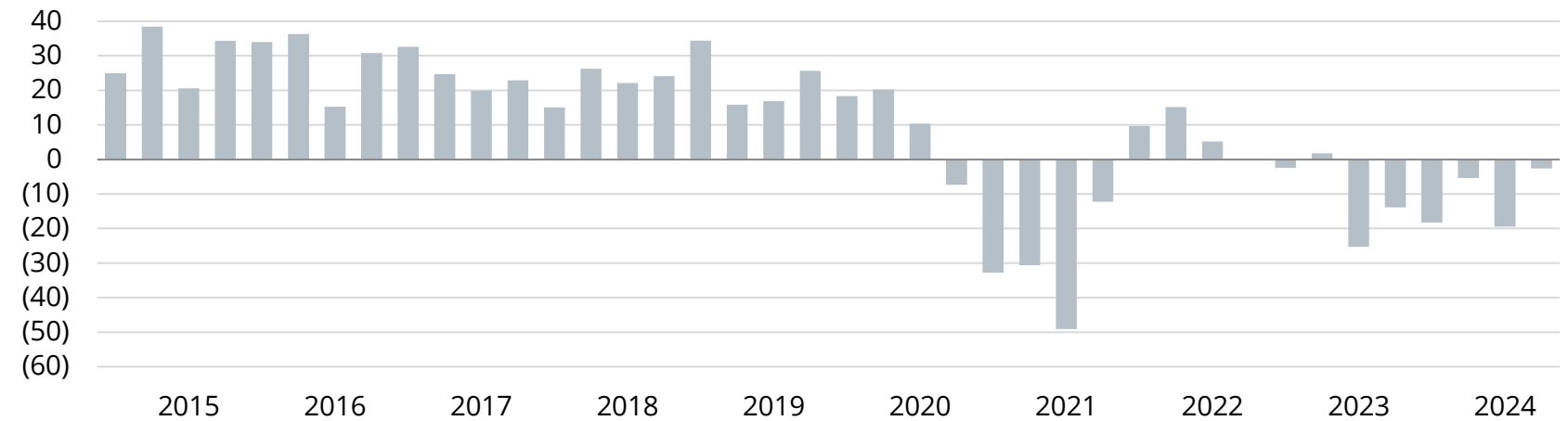


MARKET HIGHLIGHTS

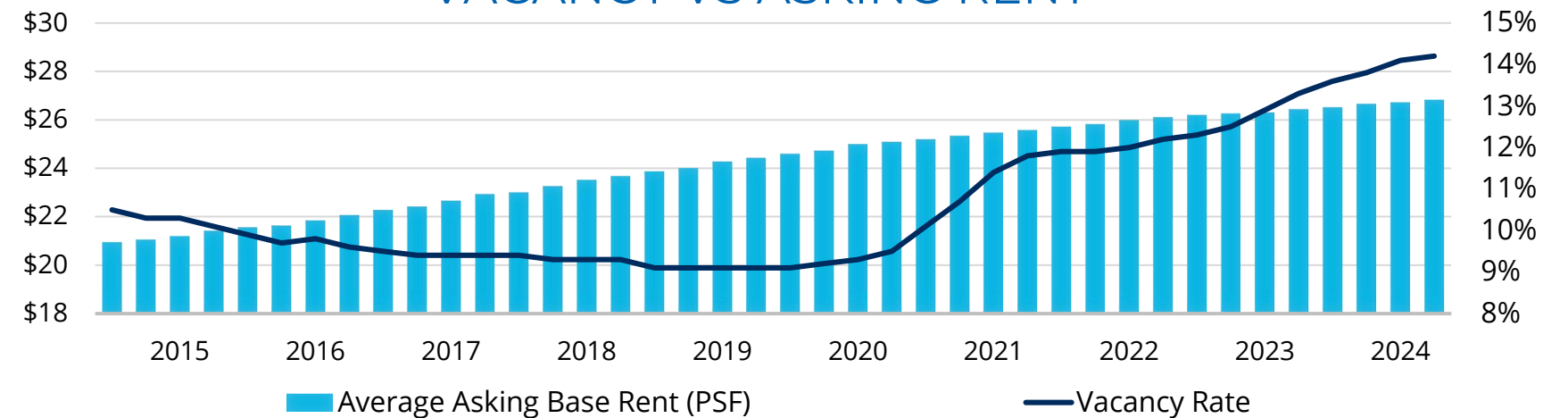
- Net absorption totaled negative 2.6 MSF in Q2, which includes both direct and sublet space. This is the sixth straight quarter of negative absorption.
- 25 of 51 tracked markets registered positive net absorption. Although positive, absorption was mild and concentrated in 2nd tier markets.
- The overall vacancy rate rose 10 basis points to 14.2% and is up 490 basis points since the start of the pandemic. However, this quarter was the lowest quarter-over-quarter increase in roughly two years. It will likely take until late 2024 for the vacancy rate to stabilize.
- Asking rents rose 1.5% YoY, a deceleration compared to the average growth rate of 3.2% pre-COVID.
- Despite record levels of vacancy, landlords have held firm on asking rents. Instead, they are luring tenants with generous concession packages, as any deep cuts in the asking rent could lower the appraisal value of their buildings.
- We expect concessions to moderate during the remainder of 2024, as those facing upcoming loan maturities or suffering with high vacancy could be limited in how much they can offer.
- Recovery will be long and uneven, as leases roll and tenants right-size on average 20%. Despite this, tenants are leasing space and seeking out opportunities.
- In the short-run, the office market will be about the haves and have nots, with top tier assets maintaining occupancy as lower-tier product struggles.

HISTORICAL

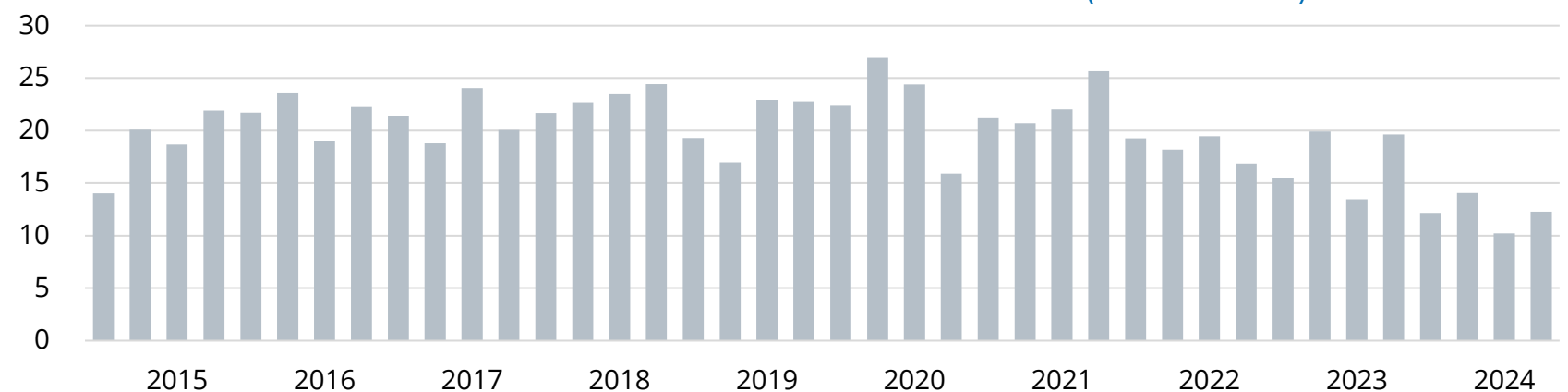
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

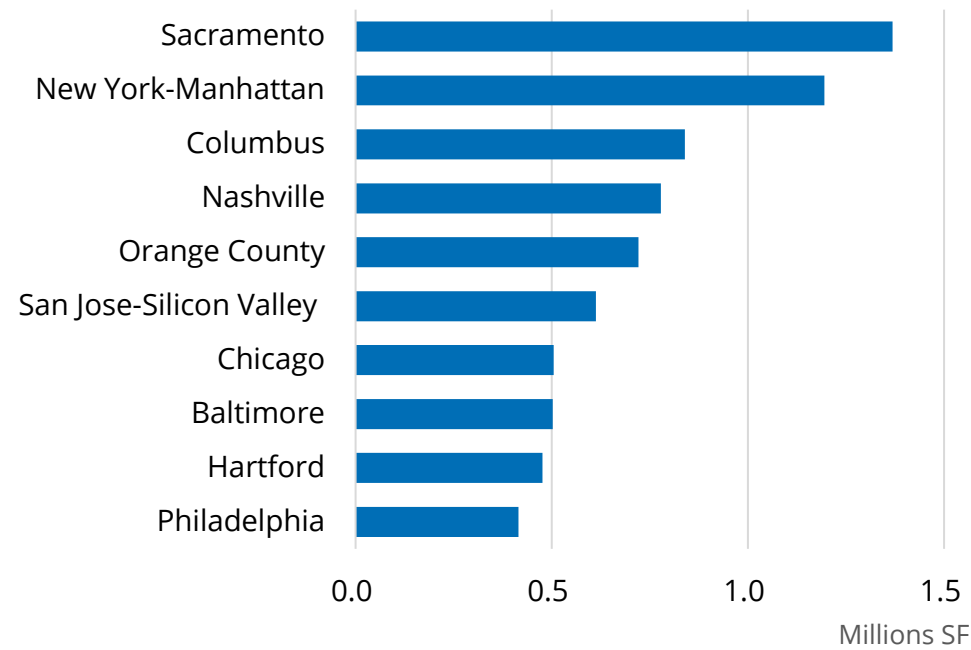


CONSTRUCTION – DELIVERED (MILLION SF)



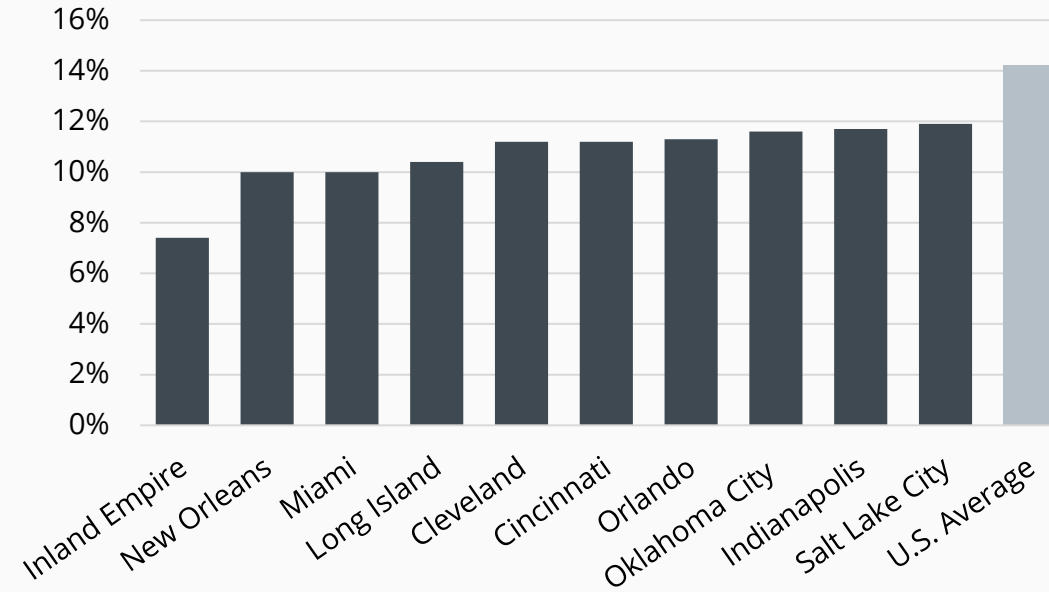
NET ABSORPTION

Q2 2024 Net Absorption



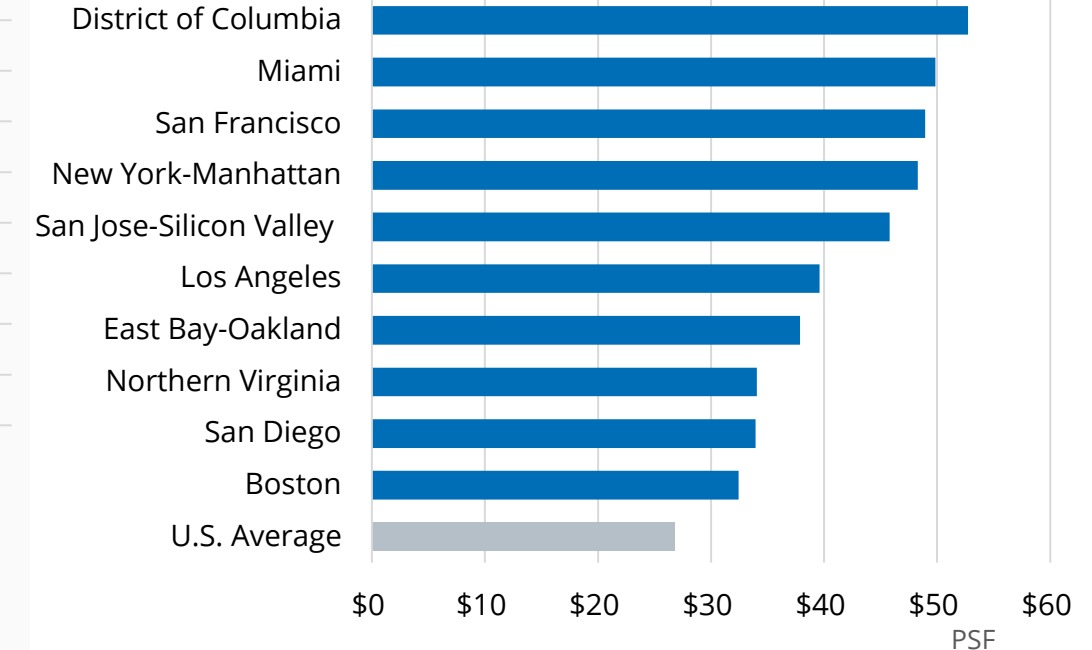
VACANCY/CONSTRUCTION

Q2 2024 Overall Vacancy Rate

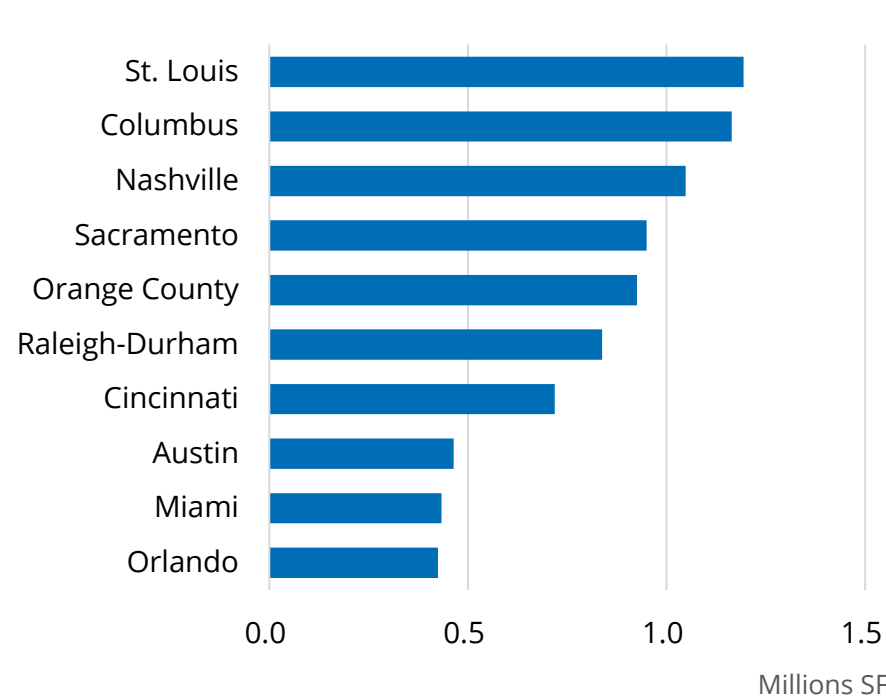


ASKING RENTS

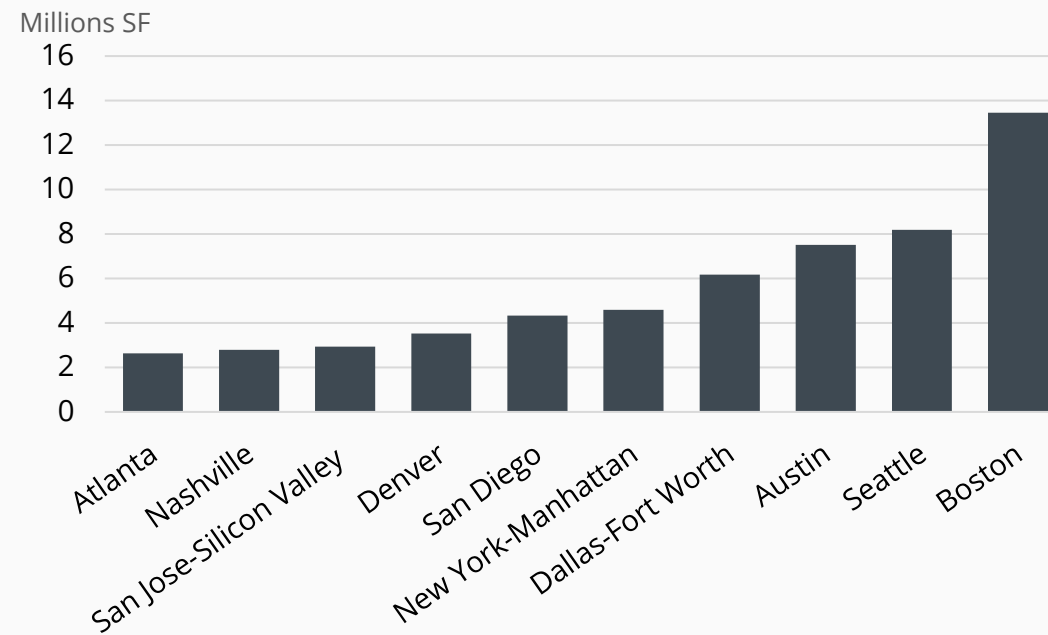
Q2 2024 Asking Rate (Base)



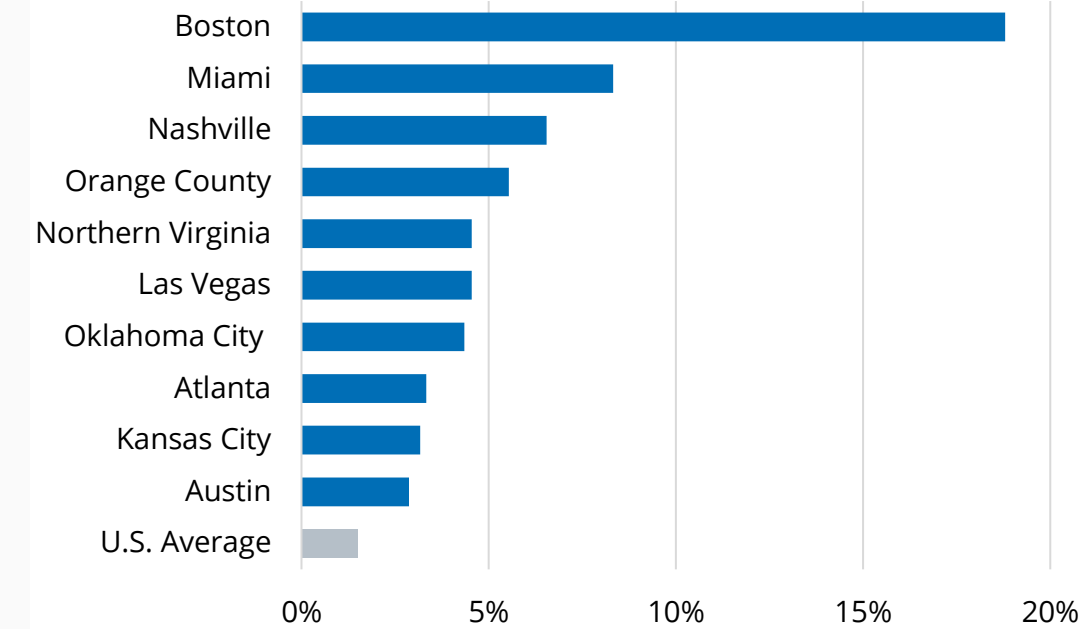
Trailing 4-Qtr Net Absorption



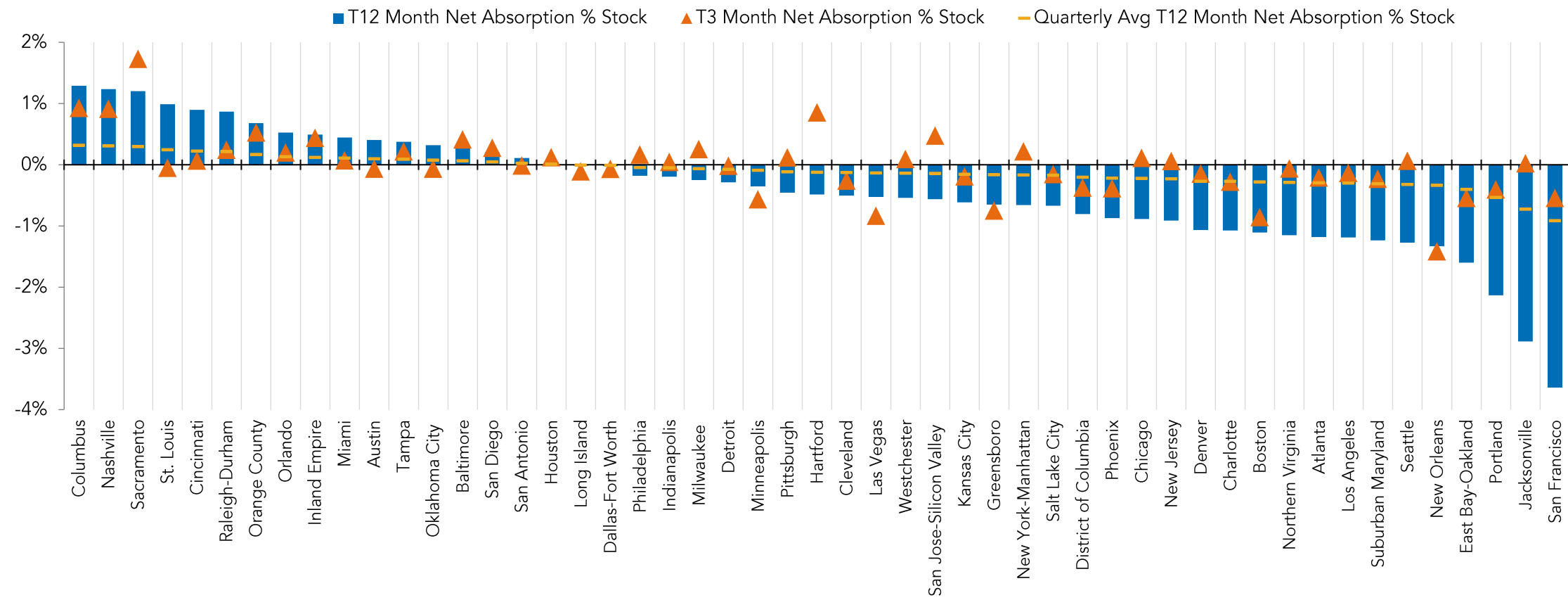
Q2 2024 Under Construction



Year-Over-Year Rent Growth

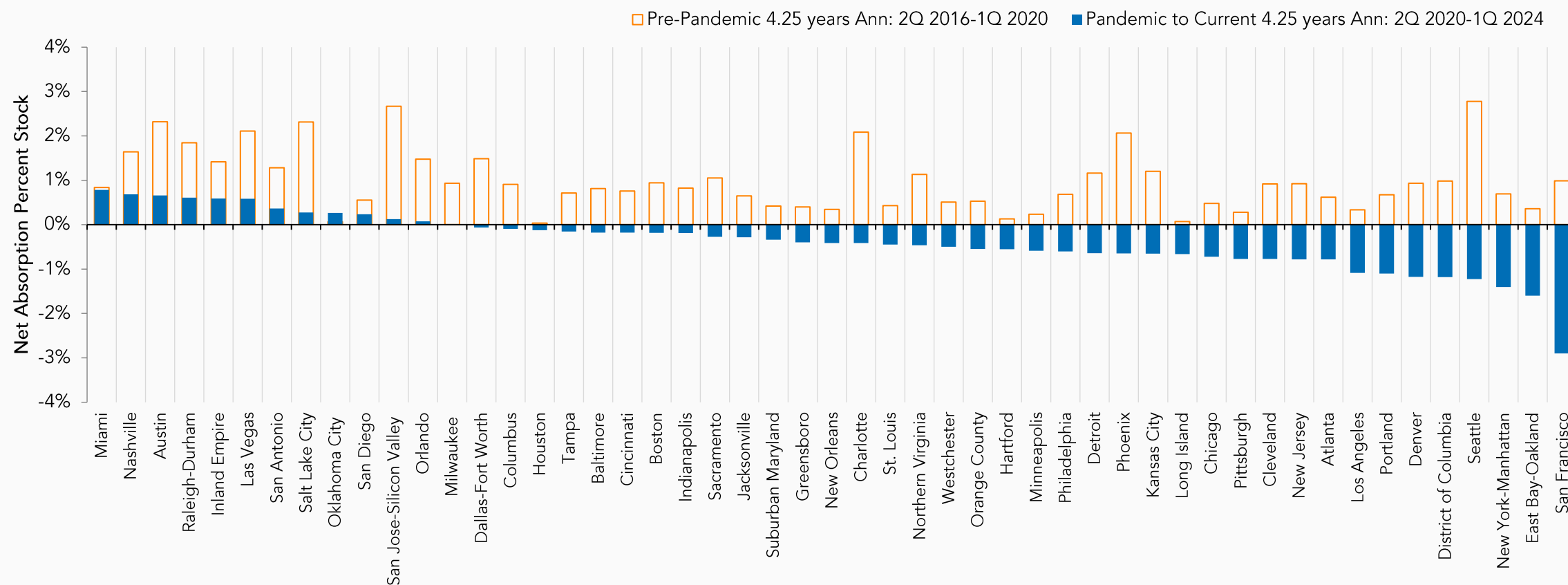


NET ABSORPTION % STOCK



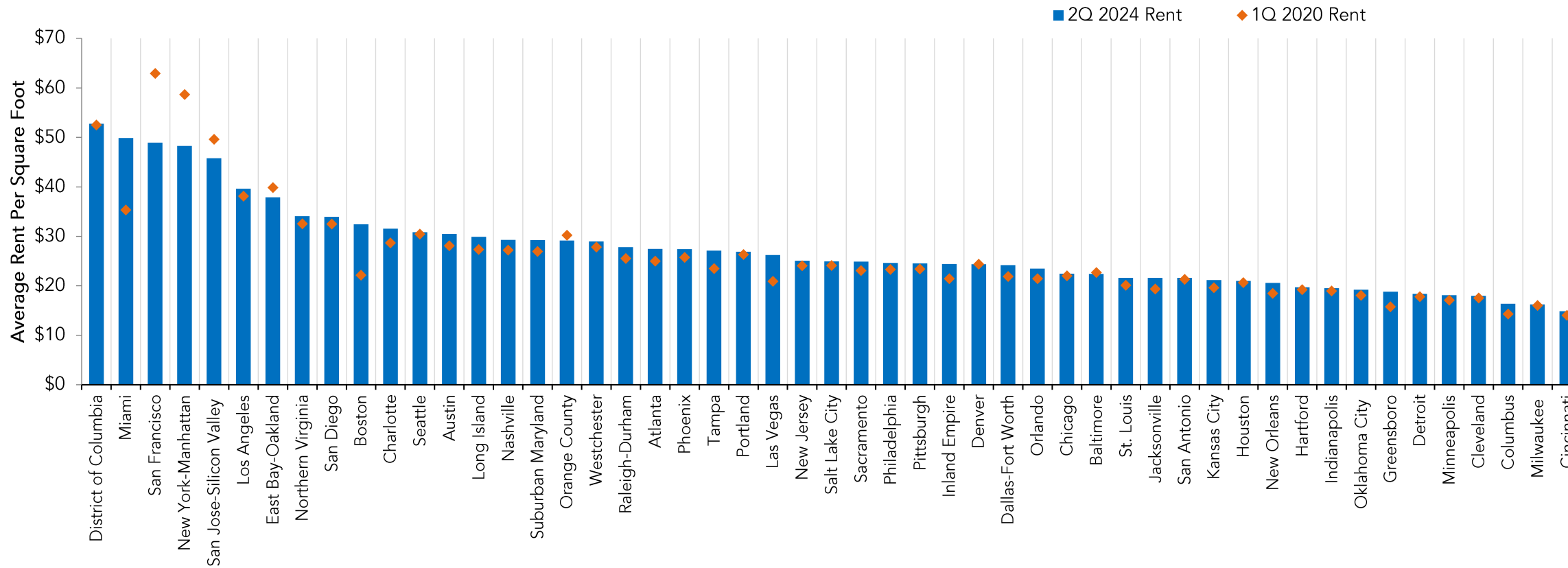
- Demand for office space remains muted, with only 49% of tracked markets managing positive net absorption for the quarter and 33% for the trailing 12 months.
- Top markets for trailing 12-month net absorption that also saw positive net absorption for the quarter include Columbus, Nashville, and Sacramento.
- Demand improved this quarter with only 62% of markets' quarterly net absorption improved compared to their trailing 12-month quarterly average net absorption.

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



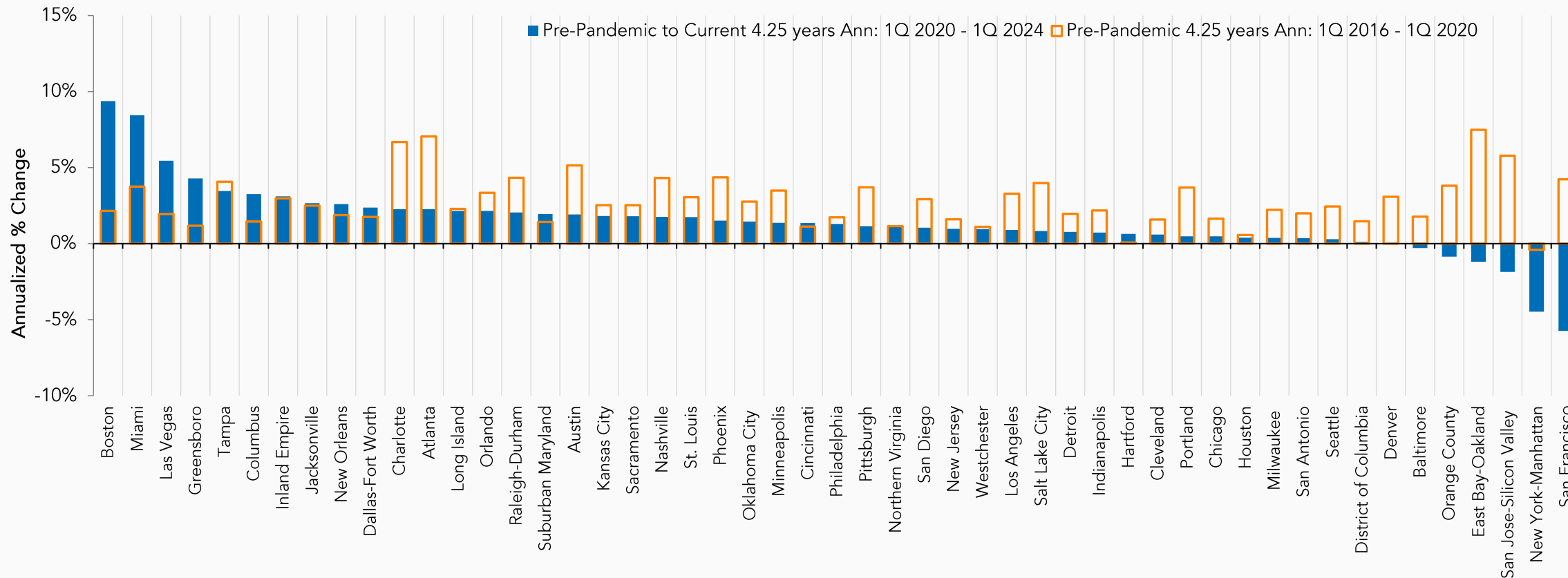
- This graph compares net absorption as a percent of stock annualized for the 4.25 years preceding the start of the pandemic to the 4.25 years since the pandemic began.
- Top markets experiencing expansion since the pandemic include Miami, Nashville, Austin, Raleigh-Durham, Las Vegas, San Antonio, and Inland Empire.
- Of these expansionary markets, only a few also saw positive net absorption over the past year as well, including Nashville, Raleigh-Durham, and Austin.

RENTAL RATES (BASE)



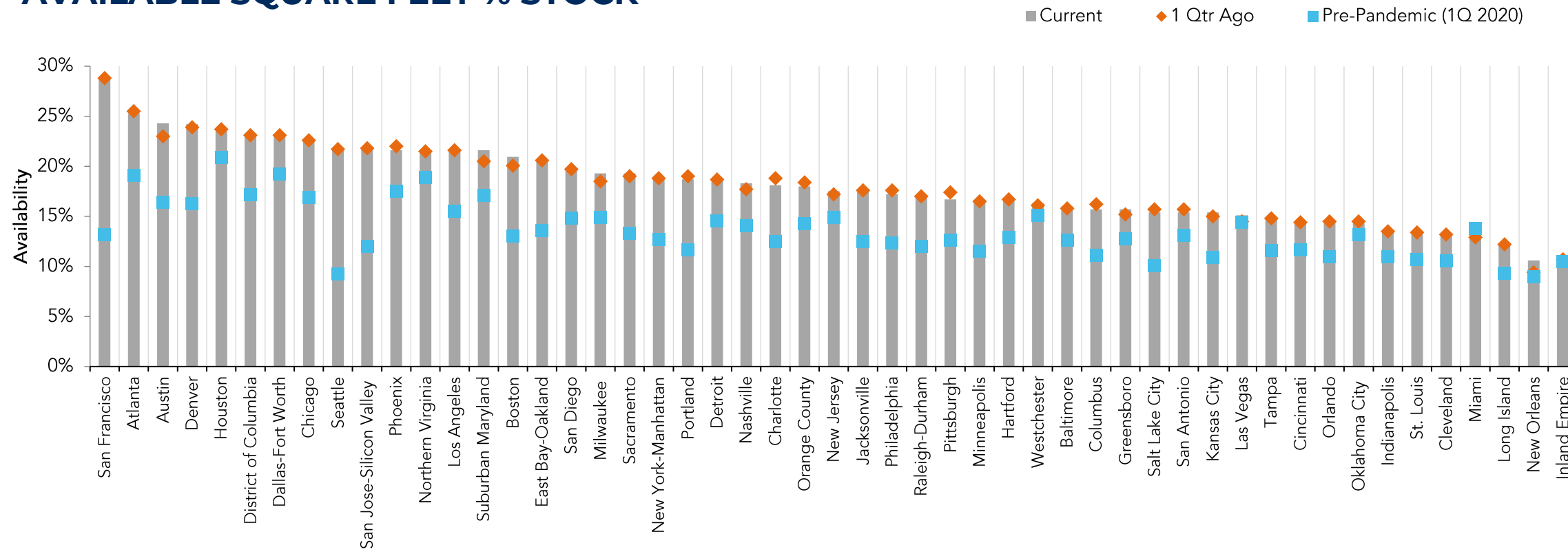
- The largest, densest and most developed markets have historically commanded significantly higher rental rates, yet pandemic-related trends have diminished these markets' lead.
- Since the beginning of the pandemic, the two historically most expensive markets, San Francisco and New York, have experienced the largest declines in rental rates at 22% and 18%, respectively. These markets' rates now track with the District of Columbia.
- Boston and Miami have experienced the reverse, with strong gains in rents of 46% and 41%, respectively, over the same period.

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



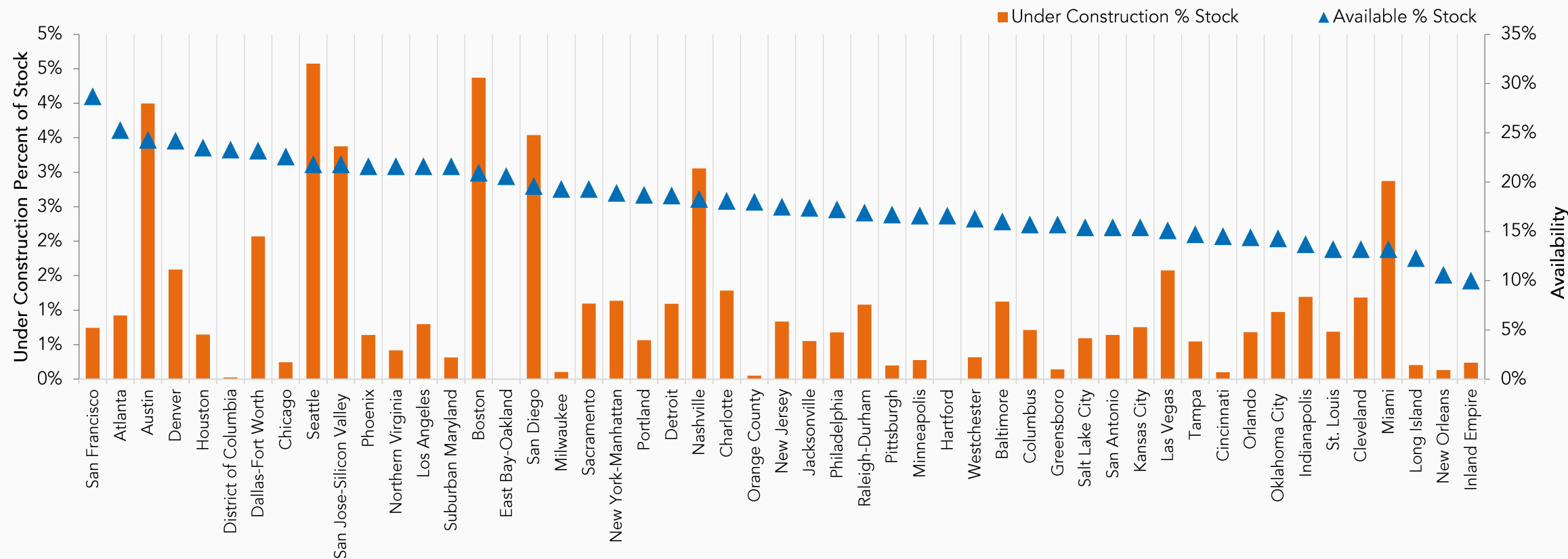
- Demand for space has yet to return to pre-pandemic levels in most markets. Concessions remain high but moderating, and leasing muted, obscuring the true cost of rent.
- Some markets have fared relatively better than others:
 - The highest rental rate growth markets since the start of the pandemic are Boston, Miami, Greensboro, Las Vegas, Tampa, and Columbus.
 - Markets experiencing the most relative lift compared to pre-pandemic rental rate growth include Boston, Miami, Las Vegas, Greensboro, and Columbus.

AVAILABLE SQUARE FEET % STOCK



- In this graph, the softening of demand is illustrated by heightened availability rates shown in all tracked markets.
- Markets seeing the least rise in availability since the pandemic began include Miami, New Orleans, Inland Empire, Las Vegas, and Westchester.
- Only 43% of markets stayed constant or saw improvement from the previous quarter.

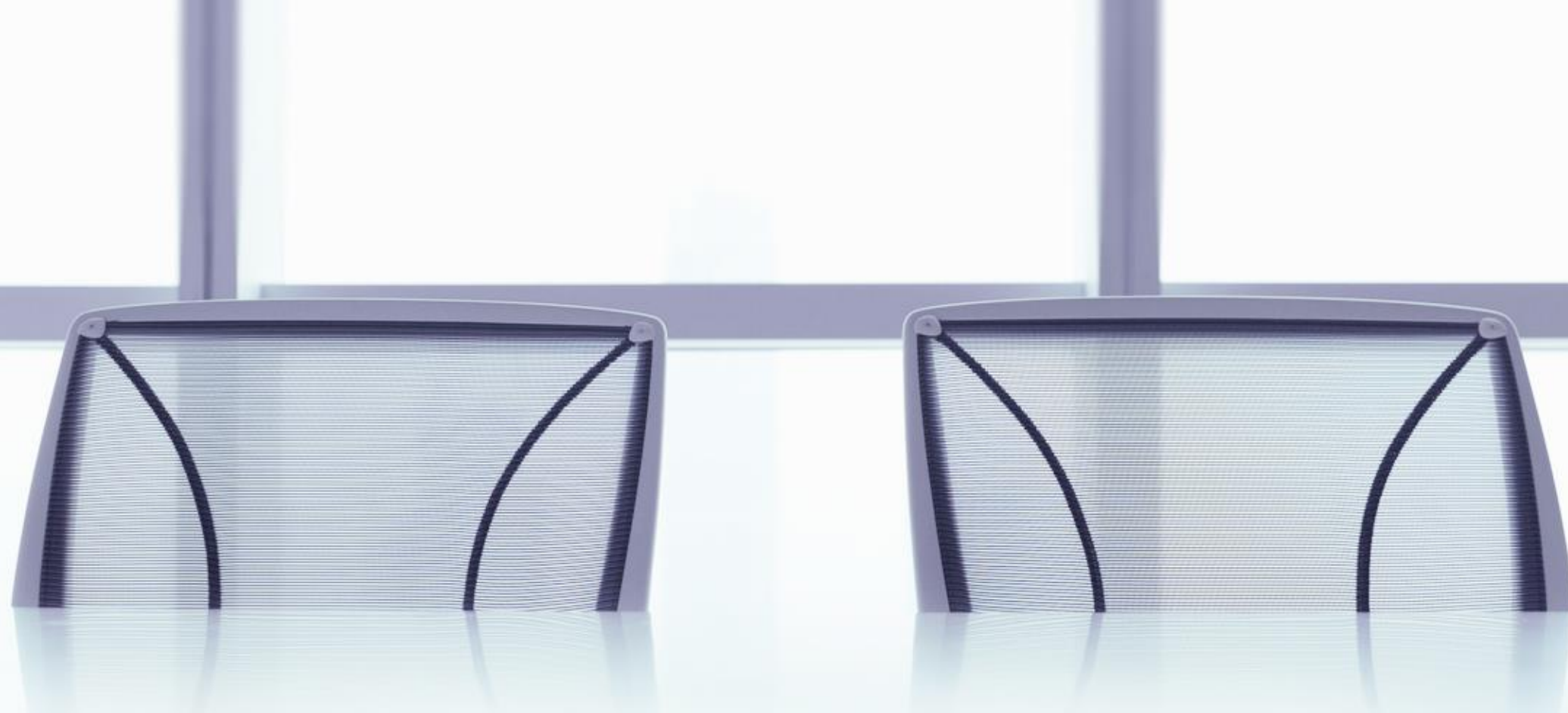
CONSTRUCTION AND AVAILABILITY



- Under construction percent of stock is indicative of future market expansion. Combined with availability percent of stock, it can also be a potential determinant of softening or tightening within a market.
- Markets with particularly high under construction and high availability as a percent of stock include Austin, Seattle, Boston, Nashville, and San Diego. 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	232,512,353	21.2%	19.7%	(474,258)	(2,742,105)	\$27.48	3.3%	2,149,126
Austin	114,562,217	18.6%	15.7%	(71,238)	464,055	\$30.47	2.9%	4,581,233
Baltimore	120,637,570	13.6%	12.7%	502,563	324,041	\$22.40	-3.7%	1,357,384
Boston	307,756,252	14.6%	11.8%	(2,618,006)	(3,405,121)	\$32.43	18.8%	13,448,335
Charlotte	110,809,280	17.3%	15.2%	(304,654)	(1,190,019)	\$31.57	1.7%	1,425,006
Chicago	444,608,264	18.2%	17.2%	504,478	(3,932,521)	\$22.47	0.8%	1,095,839
Cincinnati	80,096,425	11.2%	10.2%	56,670	718,427	\$14.87	0.8%	80,000
Cleveland	95,191,816	11.2%	10.6%	(242,414)	(478,365)	\$18.00	0.3%	1,127,253
Columbus	90,267,324	12.1%	10.1%	838,948	1,164,330	\$16.40	1.0%	645,149
Dallas-Fort Worth	362,764,950	20.3%	18.4%	(232,088)	(78,329)	\$24.18	1.1%	7,503,428
Denver	161,265,667	19.1%	16.7%	(228,902)	(1,719,235)	\$24.37	2.0%	2,562,518
Detroit	136,406,168	13.5%	12.1%	(16,503)	(388,013)	\$18.37	1.5%	1,490,097
District of Columbia	156,374,373	18.7%	17.7%	(577,321)	(1,256,324)	\$52.75	0.8%	41,000
East Bay-Oakland	90,088,566	17.6%	15.6%	(486,773)	(1,440,179)	\$37.88	-2.1%	0
Greensboro	24,009,609	12.7%	11.5%	(178,980)	(155,659)	\$18.84	2.6%	34,100
Hartford	55,602,447	12.3%	11.5%	475,933	(268,469)	\$19.73	2.3%	0
Houston	313,464,215	20.7%	19.7%	392,786	138,214	\$20.98	-0.2%	2,026,244
Indianapolis	86,237,390	11.7%	10.6%	40,583	(166,200)	\$19.54	-5.4%	1,029,342
Inland Empire	49,860,231	7.4%	7.2%	219,757	245,767	\$24.43	1.3%	118,978
Jacksonville	50,290,349	13.9%	12.2%	13,210	(1,451,099)	\$21.63	2.0%	277,572
Kansas City	105,617,125	13.3%	12.0%	(196,580)	(648,183)	\$21.19	3.2%	796,554
Las Vegas	49,240,778	12.9%	12.0%	(408,130)	(258,780)	\$26.22	4.5%	776,147
Long Island	76,448,051	10.4%	8.8%	(80,438)	(11,513)	\$29.91	2.2%	156,454
Los Angeles	367,619,569	18.5%	16.4%	(475,989)	(4,357,899)	\$39.61	0.2%	2,932,083
Miami	96,954,815	10.0%	9.4%	73,841	433,396	\$49.86	8.3%	2,786,430

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Milwaukee	68,042,507	12.4%	12.2%	175,681	(168,575)	\$16.27	1.2%	70,823
Minneapolis	172,043,179	12.9%	11.6%	(968,649)	(608,113)	\$18.11	-0.2%	478,600
Nashville	84,773,407	13.8%	11.9%	778,194	1,047,940	\$29.30	6.5%	2,590,145
New Jersey	315,395,351	14.3%	12.6%	196,532	(2,871,232)	\$25.07	-0.2%	2,633,422
New Orleans	39,861,156	10.0%	9.4%	(561,608)	(529,525)	\$20.59	2.4%	52,348
New York-Manhattan	543,189,665	16.0%	13.5%	1,194,565	(3,571,168)	\$48.28	-9.0%	6,168,502
Northern Virginia	200,927,920	19.4%	18.3%	(116,385)	(2,310,072)	\$34.06	4.5%	842,231
Oklahoma City	51,482,629	11.6%	11.4%	(31,031)	164,666	\$19.21	4.3%	500,662
Orange County	135,548,355	14.2%	12.7%	721,230	925,482	\$29.15	5.5%	68,332
Orlando	80,383,802	11.3%	10.0%	163,758	424,307	\$23.47	-0.5%	547,356
Philadelphia	241,292,775	12.3%	10.8%	414,804	(428,899)	\$24.64	0.2%	1,638,054
Phoenix	157,293,542	19.5%	15.9%	(599,759)	(1,367,538)	\$27.41	2.4%	1,009,562
Pittsburgh	115,511,657	13.9%	12.9%	141,815	(526,487)	\$24.55	2.2%	230,000
Portland	93,723,839	16.1%	14.6%	(373,640)	(1,998,491)	\$26.88	-1.2%	531,000
Raleigh-Durham	96,368,429	12.3%	10.3%	239,037	837,916	\$27.82	0.7%	1,041,264
Sacramento	79,039,105	14.3%	13.6%	1,368,182	949,888	\$24.89	0.9%	866,147
Salt Lake City	70,945,635	11.9%	10.2%	(106,806)	(474,646)	\$24.94	0.4%	420,546
San Antonio	73,874,090	13.3%	12.6%	(6,838)	82,875	\$21.63	2.2%	474,110
San Diego	99,525,849	13.0%	11.8%	278,163	201,509	\$33.95	-2.3%	3,523,846
San Francisco	169,649,032	24.4%	19.7%	(916,091)	(6,171,688)	\$48.93	-7.1%	1,261,481
San Jose-Silicon Valley	128,093,918	16.9%	13.5%	612,835	(716,852)	\$45.80	-1.7%	4,323,171
Seattle	178,933,820	18.0%	15.3%	122,630	(2,275,608)	\$30.83	-3.0%	8,185,750
St. Louis	120,800,796	12.2%	11.0%	(55,755)	1,193,684	\$21.63	-0.3%	832,500
Suburban Maryland	101,310,733	18.0%	17.0%	(231,465)	(1,251,671)	\$29.23	2.2%	319,138
Tampa	92,110,256	12.1%	10.1%	204,623	346,252	\$27.13	2.6%	503,929
Westchester	156,111,570	13.5%	12.2%	152,014	(841,962)	\$28.96	-2.7%	497,756



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ABOUT THE TRANSWESTERN COMPANIES

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. 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.).