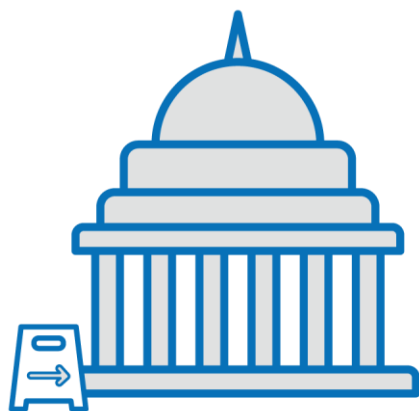


COMMERCIAL REAL ESTATE

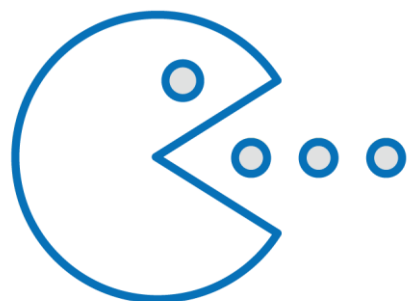
U.S. MARKET | Office



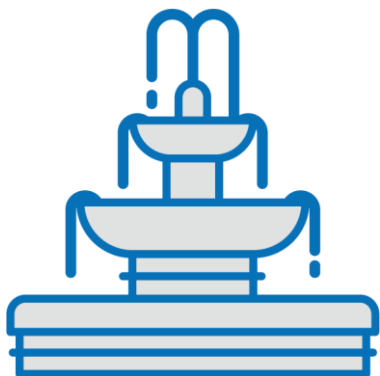
THE VIEW FROM HERE

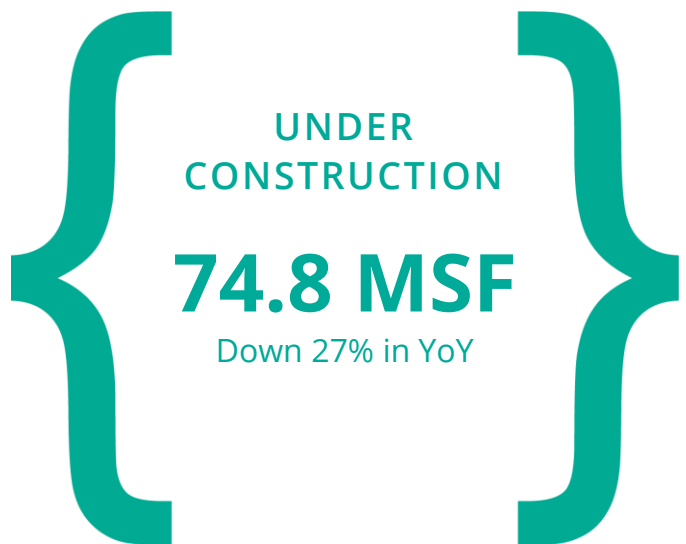
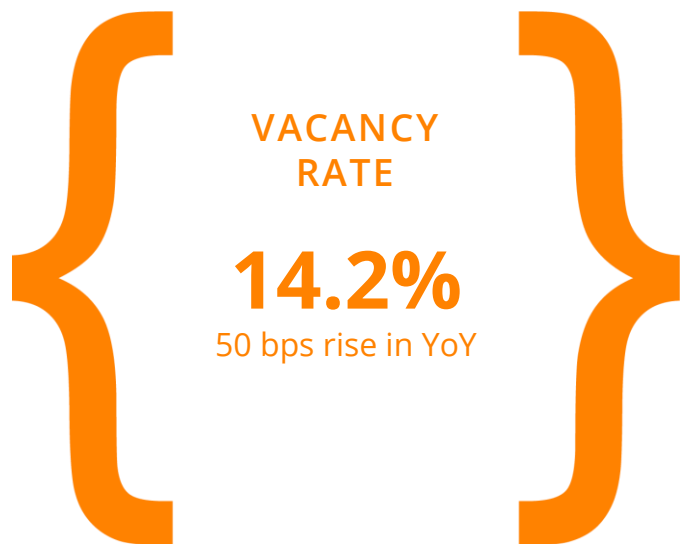
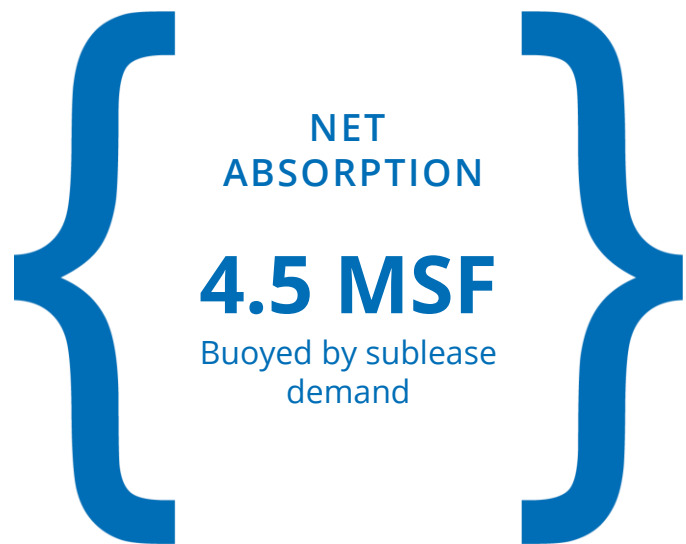
Federal return to office will positively boost office demand in 2025.



Demand will eat away at remaining trophy supply in 2025, giving those landlords upper hand.



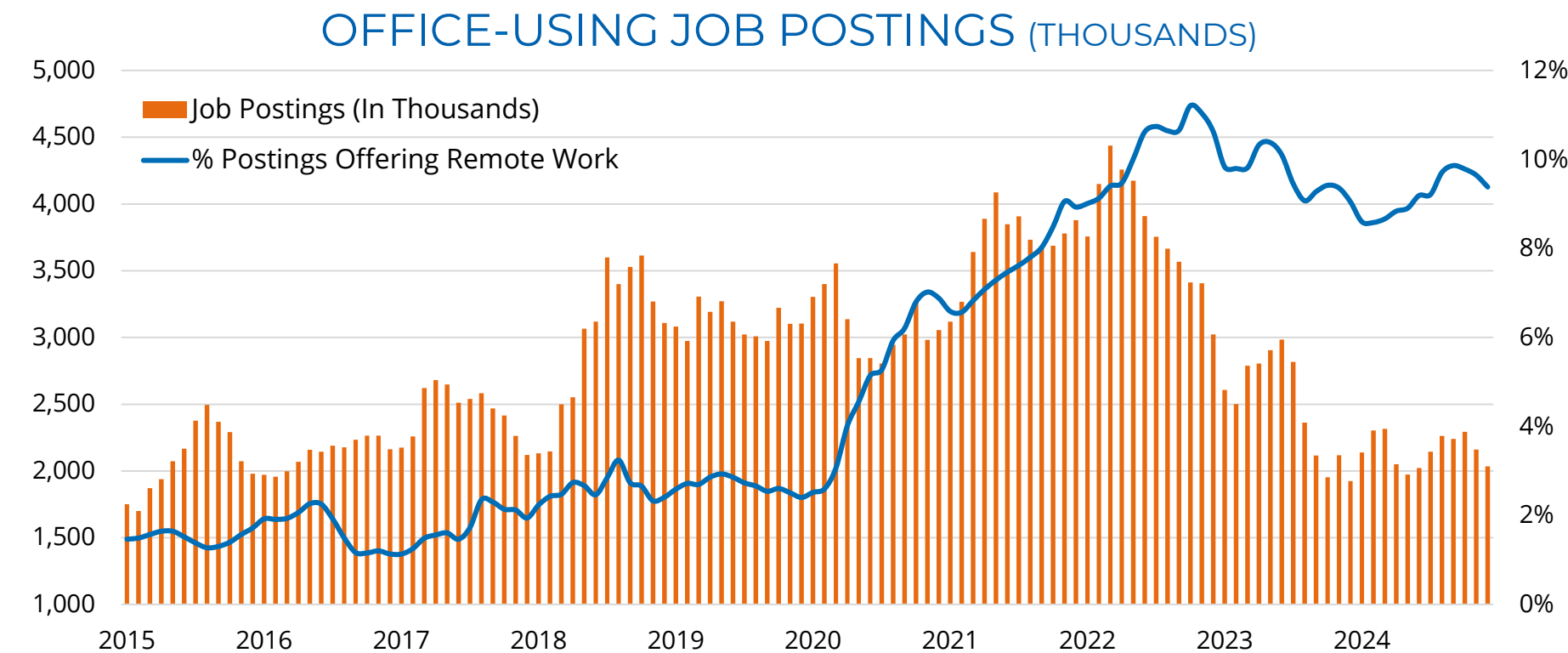
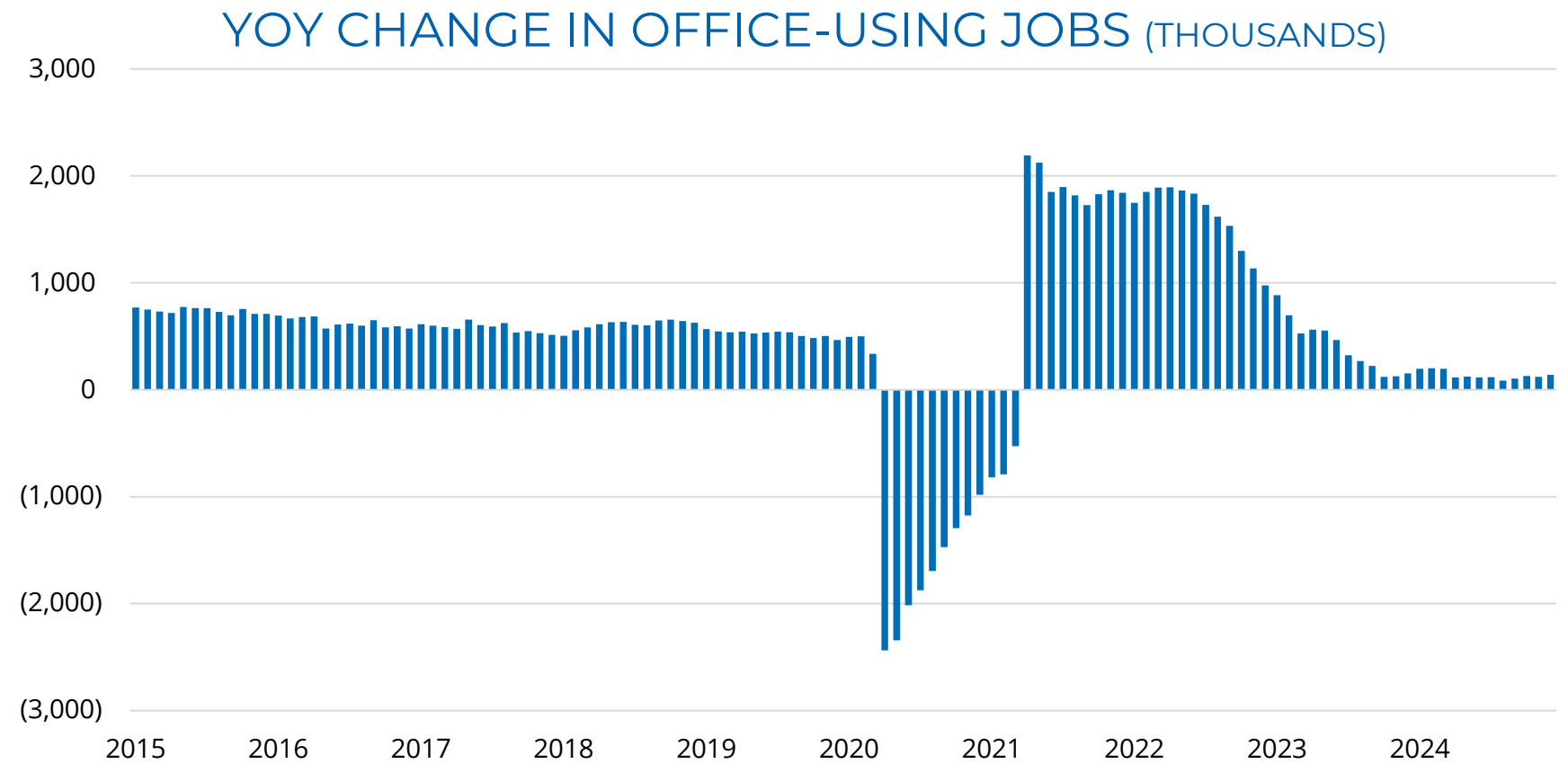
As trophy supply tightens, a trickledown effect will occur for second-generation Class A product.



ECONOMIC HIGHLIGHTS

- After cutting by 50 bps in the final month of Q3, the Federal Reserve lowered interest by 25 bps in November and December.
- In its initial reading, U.S. GDP grew 2.3% in Q4 2024, lower than anticipated due to a decline in inventories, and down from 3.1% in Q3. Forecasts for 2025 growth ranged between 1.9% and 2.4%.
- The U.S. unemployment rate was unchanged during the quarter at 4.1%, closing the year 30 basis points higher than year-end 2023.
- 141,000 office-using jobs were added to the economy YoY, which is well below the pre-pandemic average of 629,000.
- The financial services and architecture/engineering industries actively added jobs over the past year. The employment services (temp help) sector shed the most positions.
- Office-using job postings (companies looking to hire) are down 23% from the pre-pandemic average but are up 6% YoY as conditions normalize. Postings offering remote work are also down to 9.4%, as companies enforce staff back to the office.
- At the start of his second presidency, Trump ordered all federal workers back to the office at the risk of possible termination. This will positively impact the economy and the office market.
- Federal workers spend one-third of their goods/services from downtown while working onsite. In addition, this federal mandate will likely further influence back-to-office behavior from the private sector.

HISTORICAL

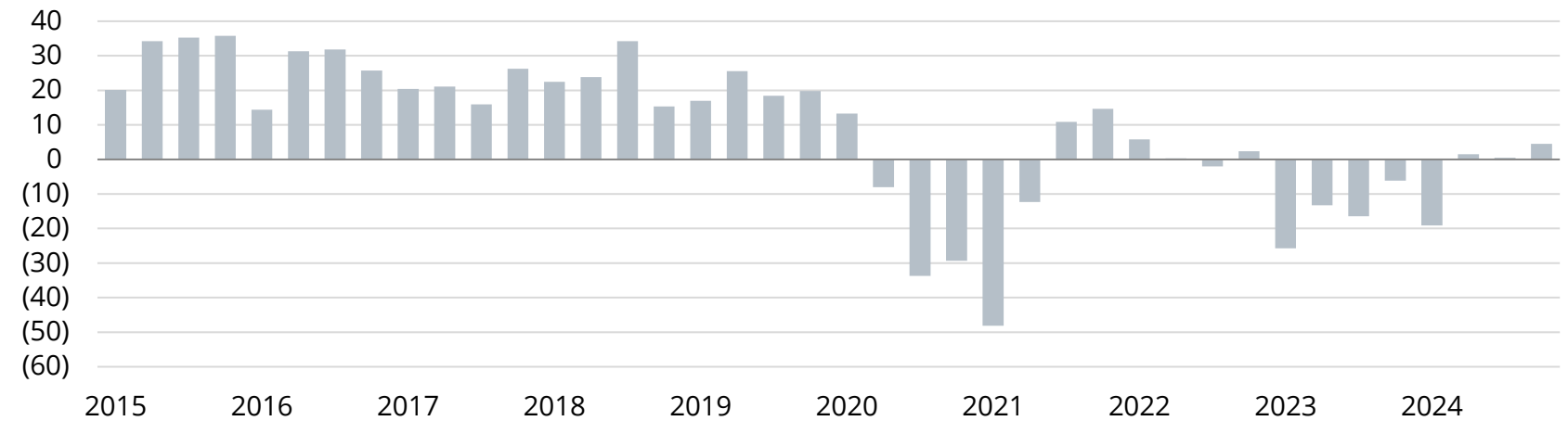


MARKET HIGHLIGHTS

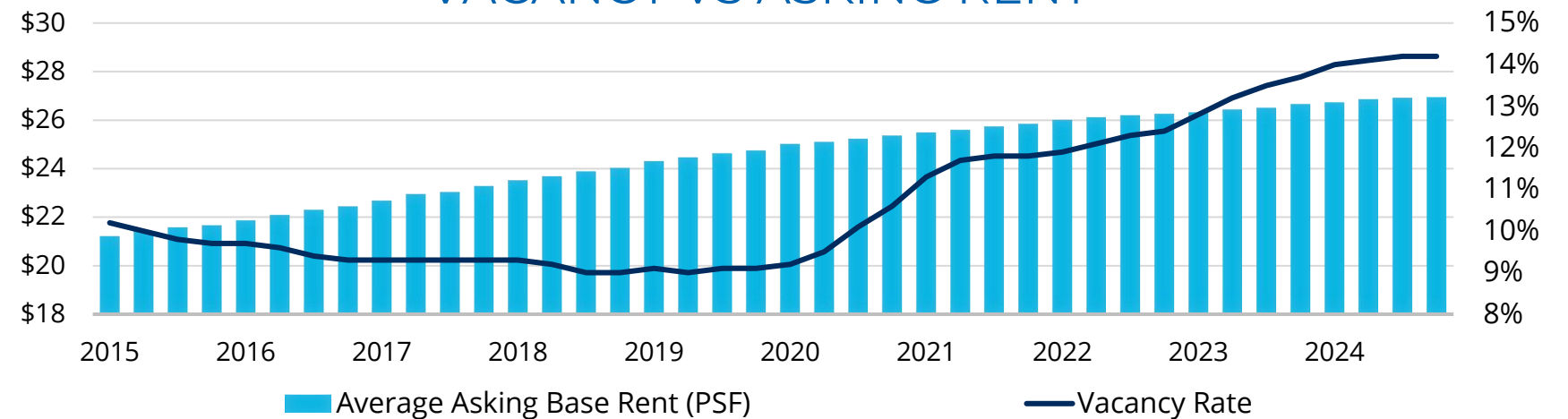
- Net absorption rebounded during Q4 with positive 4.5 MSF, including direct and sublet space.
- Direct accounted for negative 869,000 SF, which was offset by sublease at positive 5.3 MSF. The most notable deal was Snowflake subleasing 773,000 SF in the San Francisco Bay area, the largest deal in 14 years.
- 34 of 51 tracked markets registered positive net absorption, up from 29 markets the quarter prior.
- The overall vacancy rate stabilized during Q4, remaining unchanged at 14.2% , but is up 50 bps YoY. The rate will likely remain somewhat stable in 2025.
- Landlords have held relatively firm on asking rents, with a 1.1% rise YoY. We expect generous concession packages to moderate over the next several quarters. In select markets, concessions have already moderated for top-tier product due to demand.
- Construction levels are down 27% YoY and 59% since the peak. Low new construction levels have tightened the top-tier office market and constrained options for tenants. Lower-quality Class A space should benefit from the trickle-down effect of demand.
- The office market is starting to stabilize, as tightening sublease availability is one leading indicator. However, recovery will be long and uneven as leases roll and tenants right-size on average 20%.
- There is uncertainty on the impact of the second Trump presidency. While select fiscal policy could boost corporate profits and consumer spending, tariffs could impact economic growth.

HISTORICAL

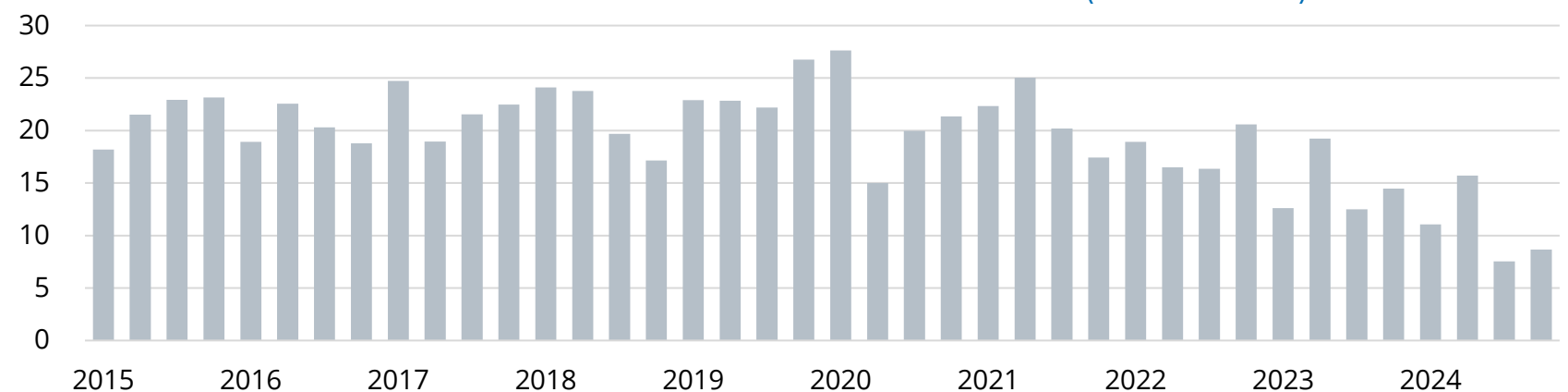
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

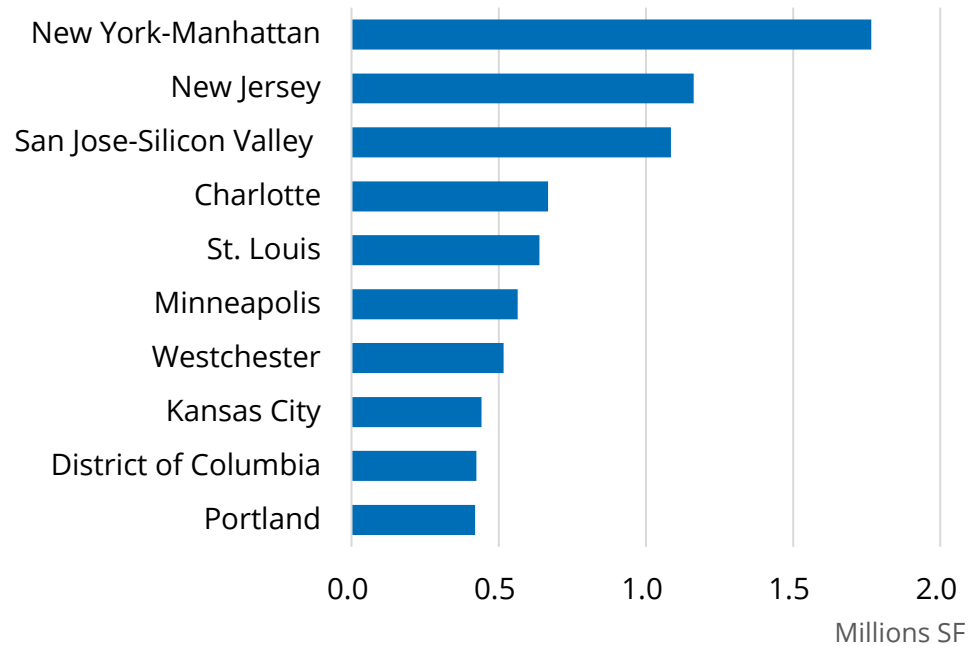


CONSTRUCTION – DELIVERED (MILLION SF)



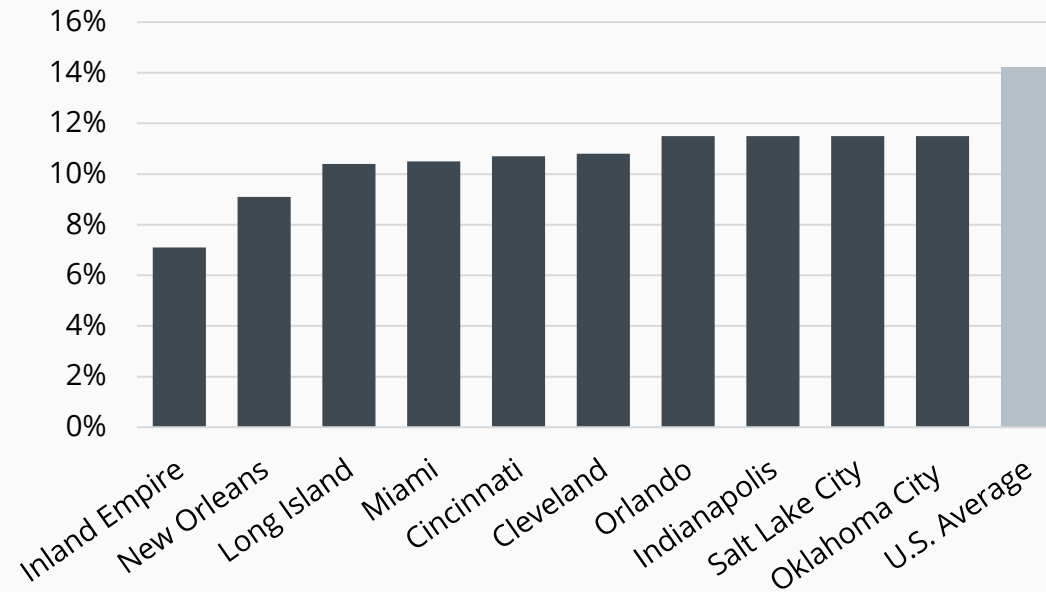
NET ABSORPTION

Q4 2024 Net Absorption



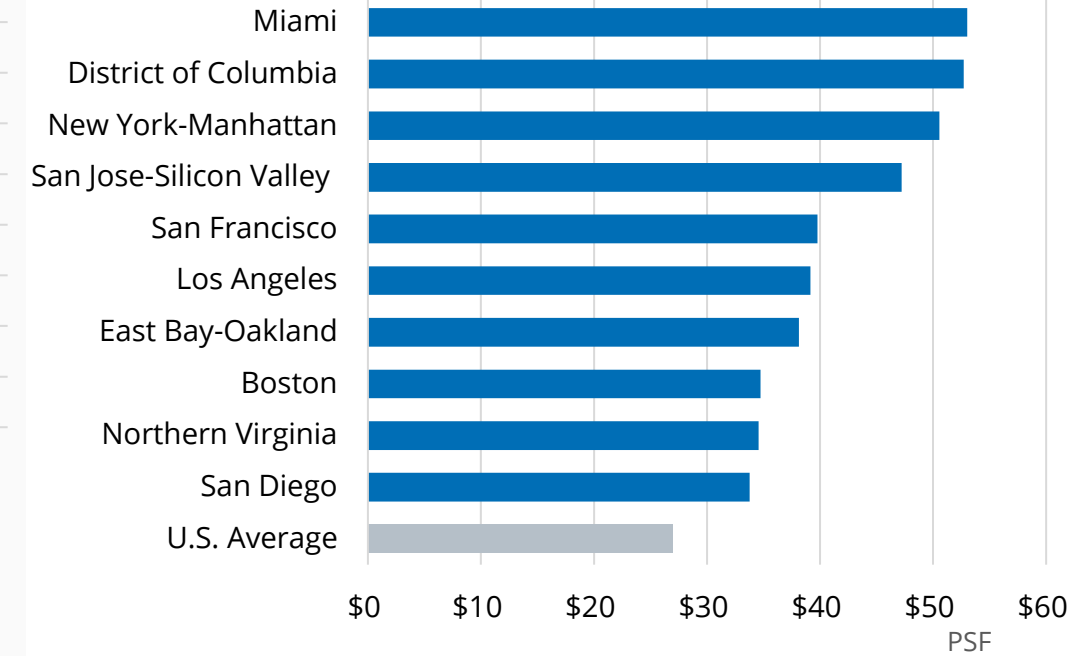
VACANCY/CONSTRUCTION

Q4 2024 Overall Vacancy Rate

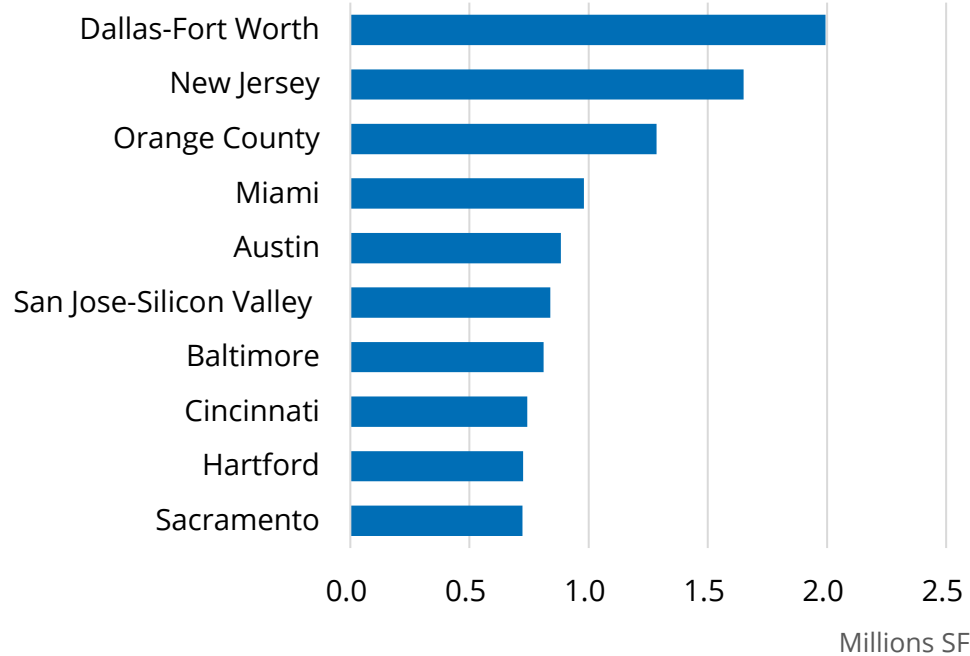


ASKING RENTS

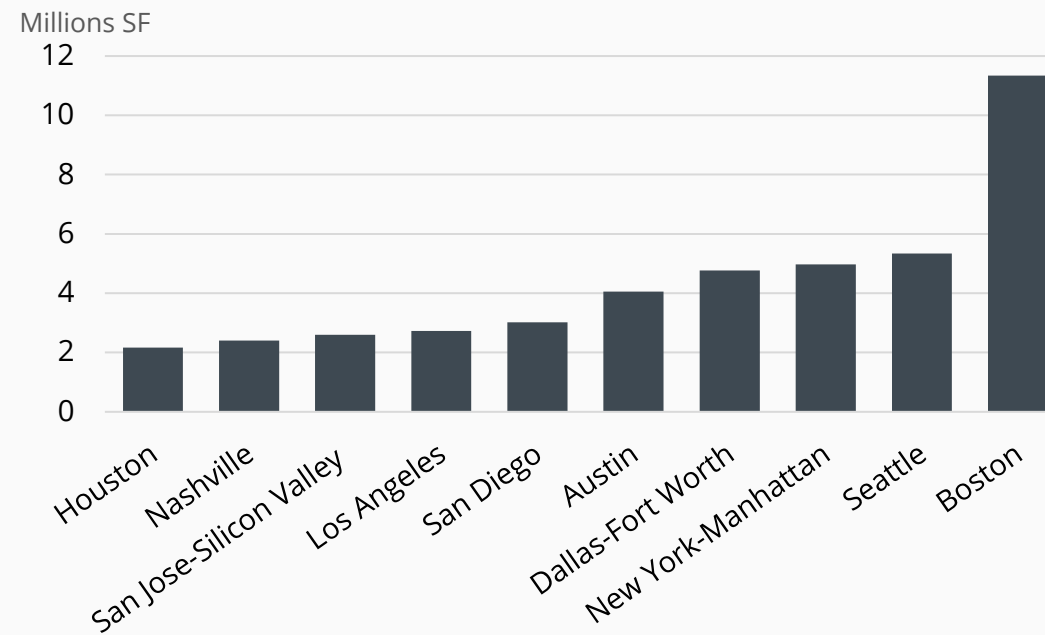
Q4 2024 Asking Rate (Base)



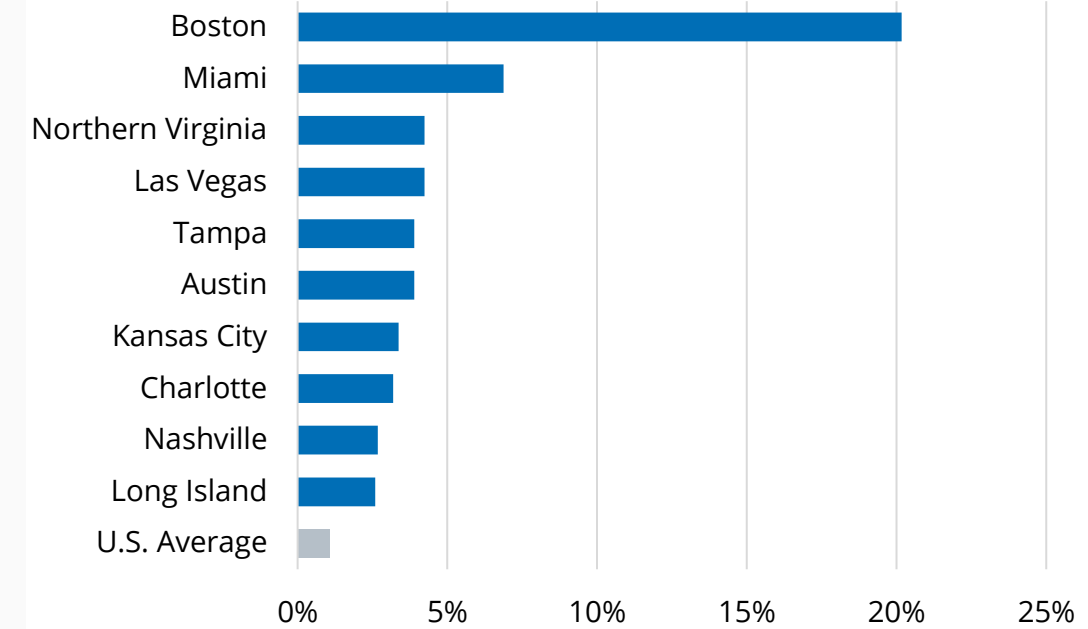
Trailing 4-Qtr Net Absorption



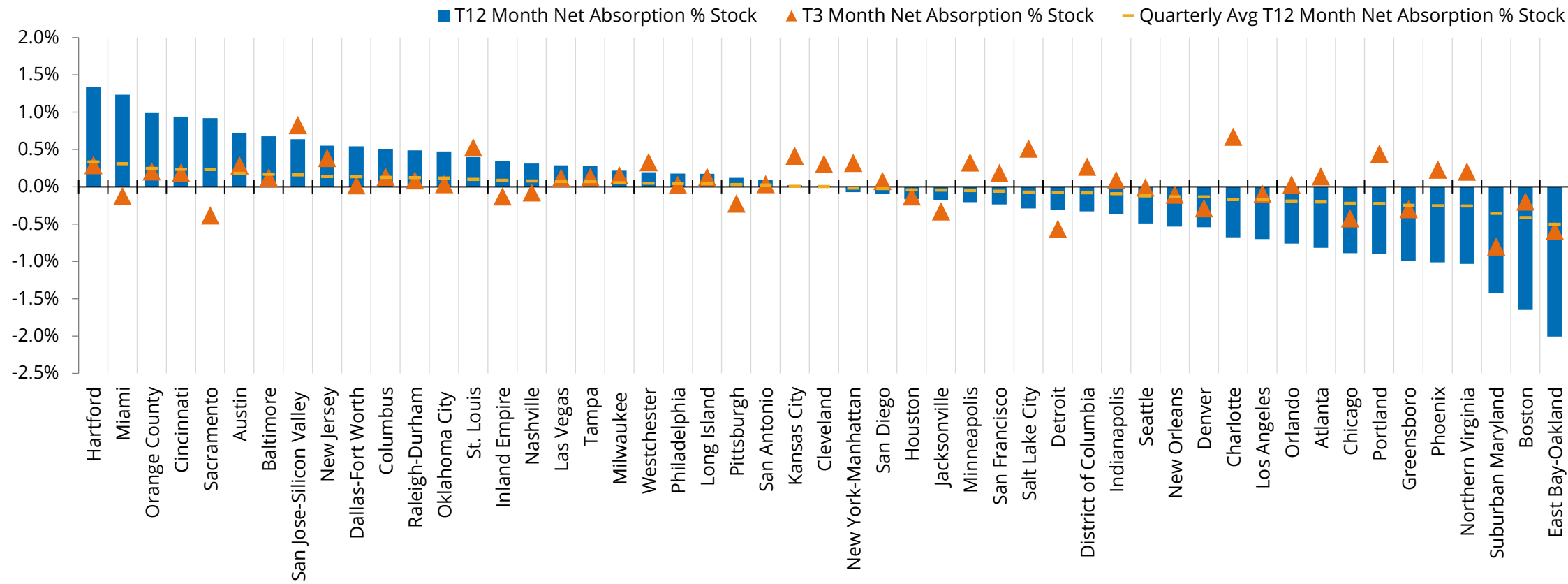
Q4 2024 Under Construction



Year-Over-Year Rent Growth

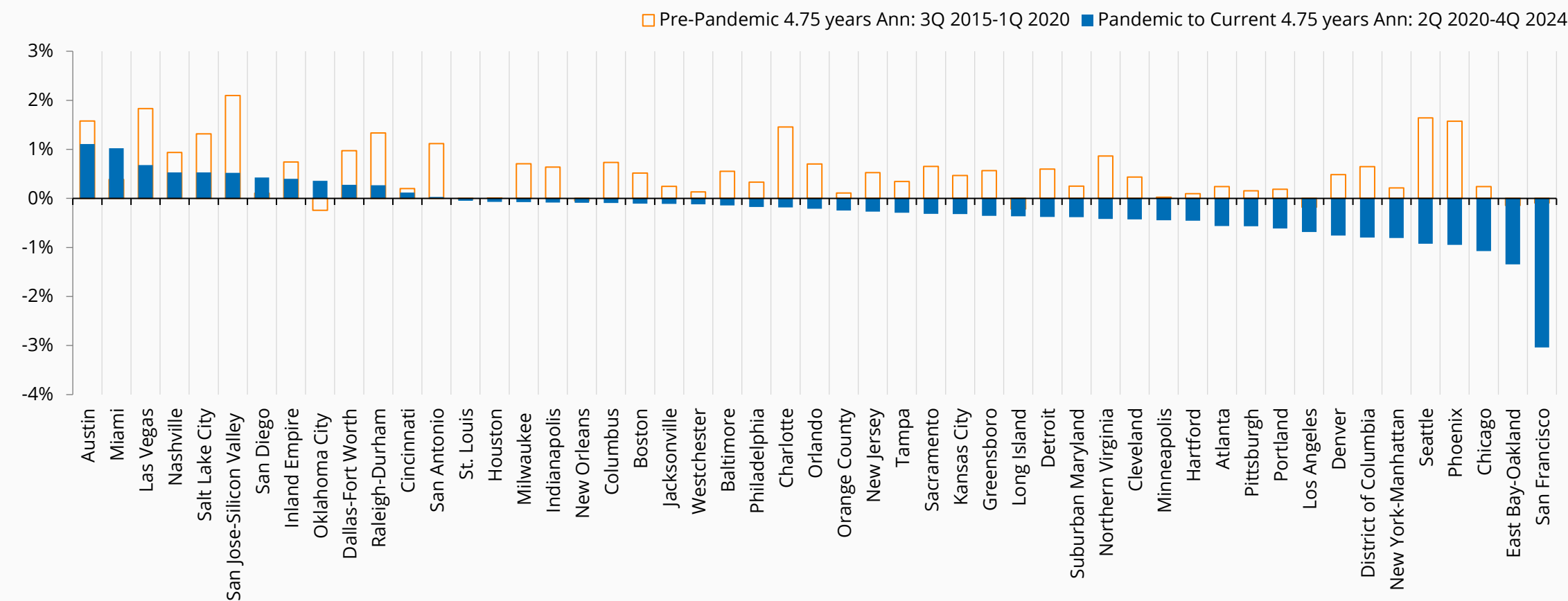


NET ABSORPTION % STOCK



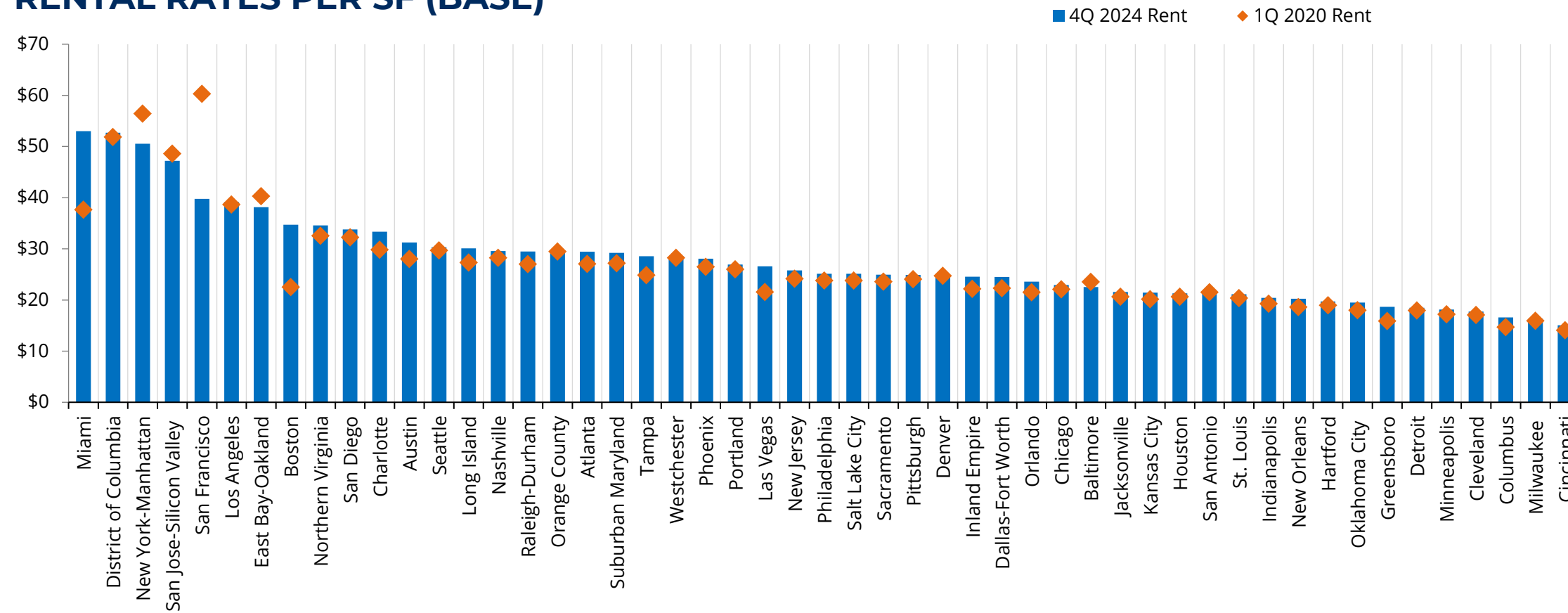
- Demand for office space is somewhat muted but improving, with 66% of tracked markets managing positive net absorption for the quarter and 51% for the trailing 12 months.
- Top markets for trailing 12-month net absorption that also saw positive net absorption for the quarter include Hartford, Orange County, and Cincinnati, among others.
- 59% of markets' quarterly net absorption improved during Q4 compared to their trailing 12-month quarterly average net absorption.

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



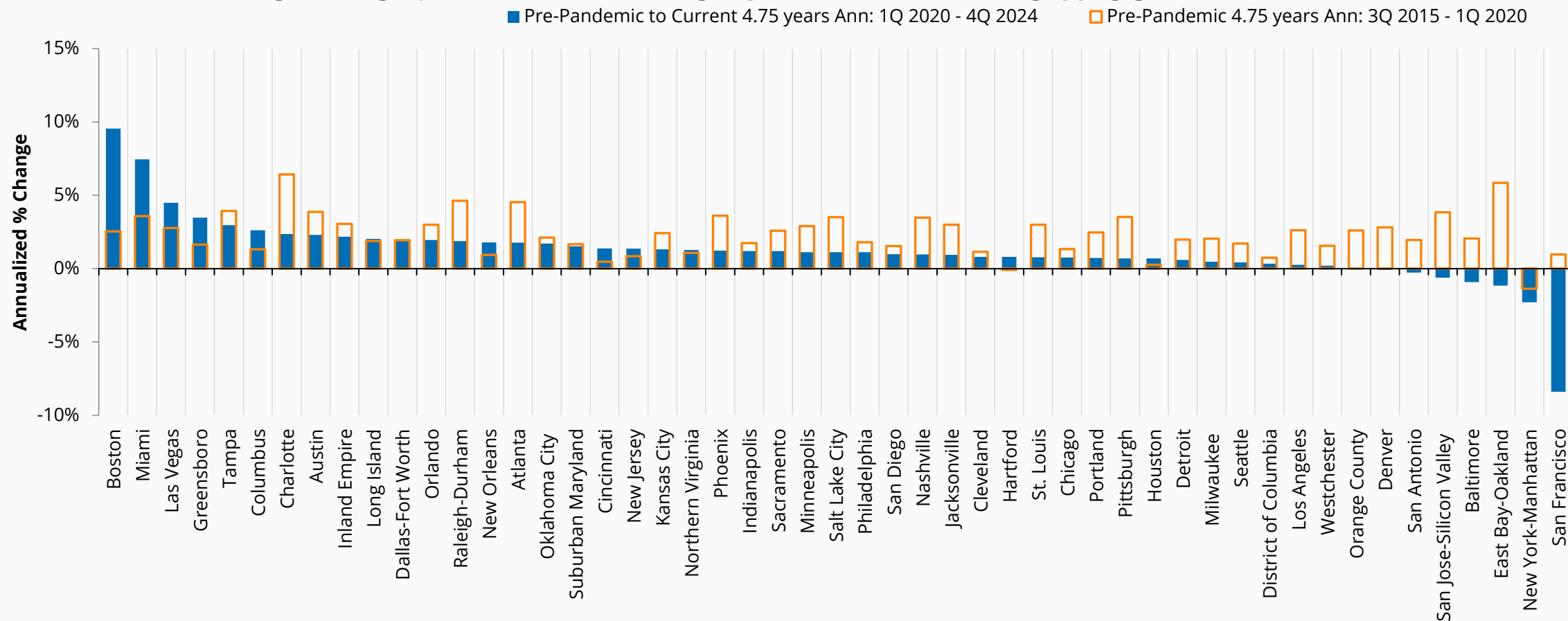
- This graph compares net absorption as a percent of stock annualized for the 4.75 years preceding the start of the pandemic to the 4.75 years since the pandemic began.
- Top markets experiencing expansion since the pandemic include Austin, Miami, Las Vegas, Nashville, and Salt Lake City.
- Of these expansionary markets, a good handful saw positive net absorption over the past year as well, including Miami, Raleigh-Durham, Oklahoma City, and Dallas-Fort Worth.

RENTAL RATES PER SF (BASE)



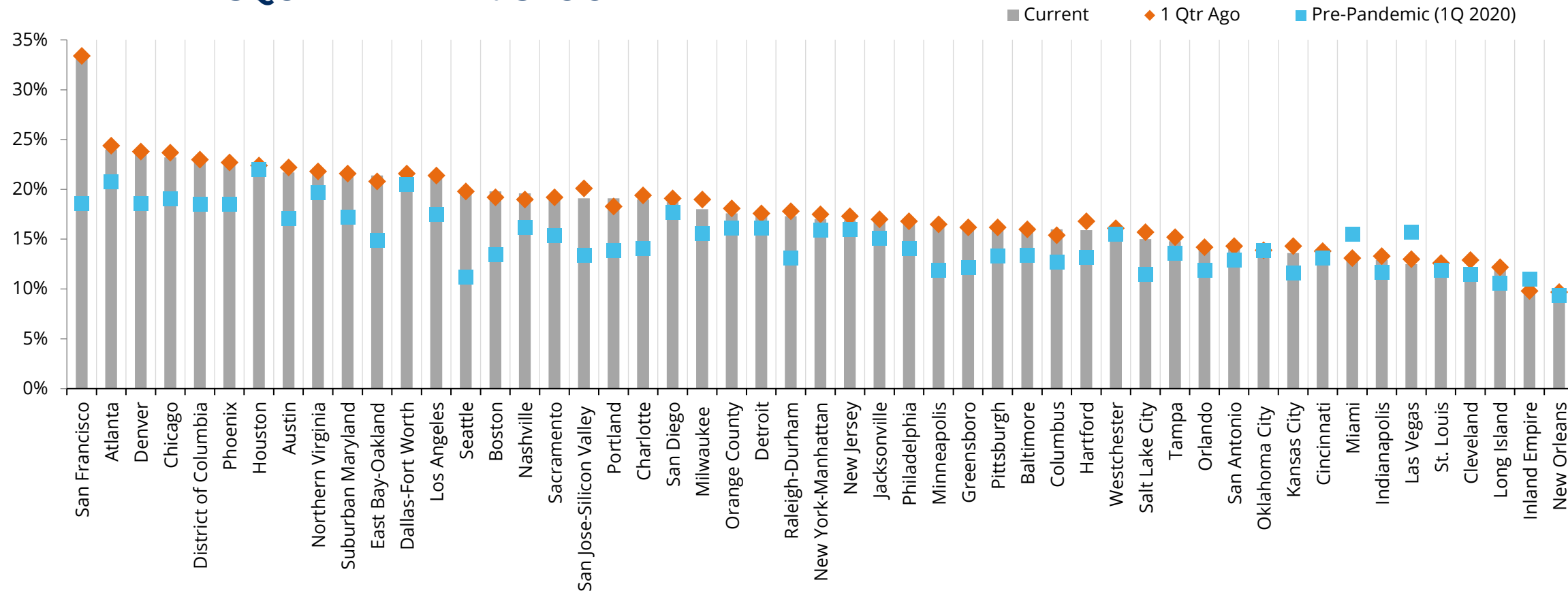
- The largest, densest, and most developed markets have historically commanded significantly higher rental rates, yet shifts in the office market have diminished these markets' lead.
- Since the beginning of the pandemic, the two historically most expensive markets, San Francisco and New York, have experienced the largest declines in rental rates at 34% and 10%, respectively. Miami and the District of Columbia now outpace these markets' rates.
- Boston and Miami have experienced the reverse, with strong rent gains of 54% and 41%, respectively, over the same period.

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



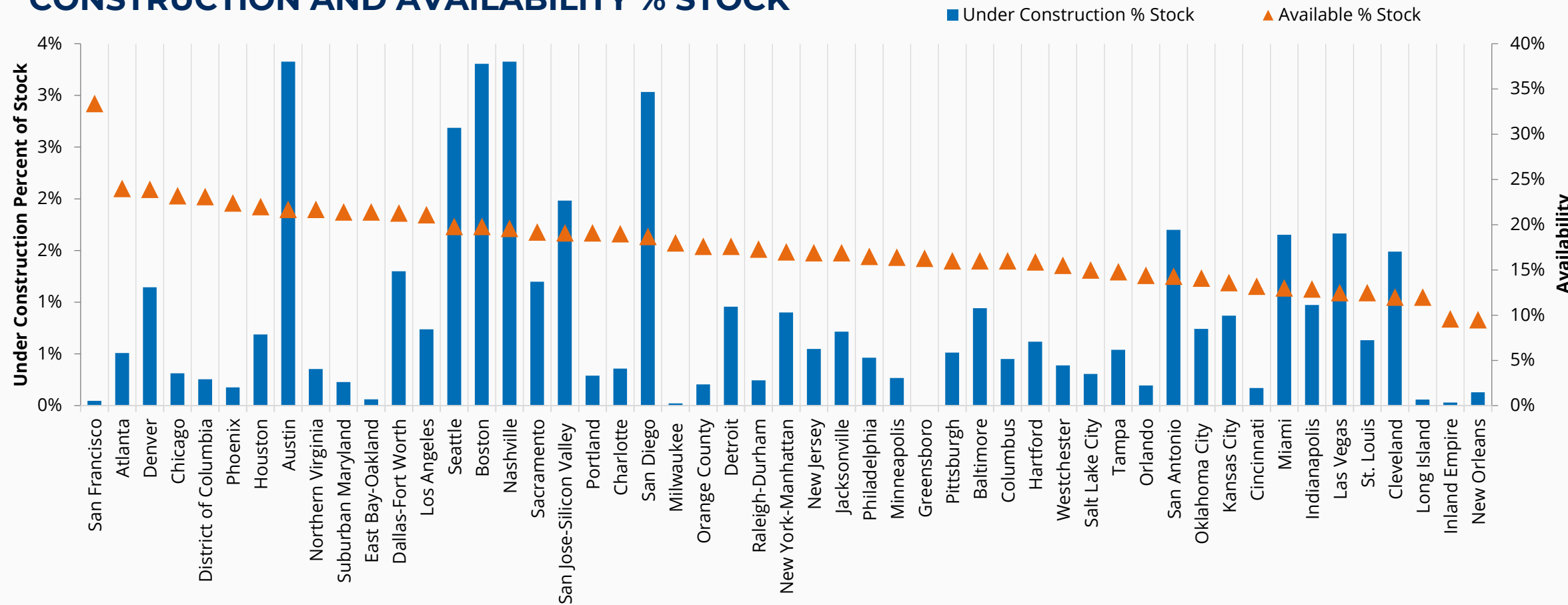
- Demand for space has yet to return to pre-pandemic levels in most markets, but is starting to gain traction.
- Concessions remain high but moderating, particularly for quality space.
- Some markets have fared relatively better than others:
 - Boston, Miami, Las Vegas, Greensboro, Tampa, and Columbus have had the highest rental rate growth since the start of the pandemic.
 - Excluding Tampa, these markets experienced the most relative lift compared to pre-pandemic rental rate growth.

AVAILABLE SQUARE FEET % STOCK



- In this graph, the softening of demand is illustrated by heightened availability rates shown in all tracked markets. The availability rate can be a predictor of future market conditions.
- Markets seeing a reduction in availability over the past quarter include San Jose-Silicon Valley, Milwaukee, Hartford, Cleveland, and Salt Lake City.
- 80% of markets stayed constant or saw improvement from the previous quarter.

CONSTRUCTION AND AVAILABILITY % STOCK



- The percentage of stock under construction is indicative of future market expansion. Combined with the percentage of stock available, 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, San Diego, 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	234,274,083	21.6%	20.3%	331,758	(1,916,320)	\$29.42	-0.9%	1,193,376
Austin	122,052,619	17.9%	15.4%	350,525	884,050	\$31.24	3.9%	4,059,741
Baltimore	119,631,352	13.9%	13.0%	152,406	810,890	\$22.53	-1.6%	1,127,564
Boston	343,130,955	14.8%	12.2%	(681,740)	(5,664,363)	\$34.73	20.2%	11,340,559
Charlotte	99,567,111	18.5%	16.0%	667,979	(674,733)	\$33.34	3.2%	355,893
Chicago	396,871,190	19.7%	18.8%	(1,677,094)	(3,526,525)	\$22.93	1.4%	1,242,251
Cincinnati	78,863,627	10.7%	9.9%	149,592	741,956	\$15.05	1.6%	134,700
Cleveland	95,509,469	10.8%	10.2%	291,231	12,792	\$17.75	-1.5%	1,423,253
Columbus	90,354,094	12.0%	10.3%	121,246	455,963	\$16.60	1.6%	407,678
Dallas-Fort Worth	367,017,679	20.2%	18.5%	76,096	1,993,742	\$24.52	1.1%	4,770,519
Denver	162,928,978	19.4%	17.3%	(467,547)	(1,116,913)	\$24.62	0.7%	1,863,824
Detroit	163,358,819	13.9%	12.8%	(921,635)	(505,976)	\$18.47	1.3%	1,562,485
District of Columbia	156,759,470	18.4%	17.4%	423,795	(515,218)	\$52.70	0.5%	400,000
East Bay-Oakland	91,233,804	18.9%	16.6%	(538,971)	(1,831,515)	\$38.14	-2.1%	56,176
Greensboro	20,785,205	12.9%	12.0%	(62,469)	(206,866)	\$18.68	-3.6%	0
Hartford	54,298,428	12.3%	11.4%	158,371	724,318	\$19.72	0.8%	335,612
Houston	314,344,533	20.9%	20.0%	(404,429)	(525,427)	\$21.31	0.9%	2,166,299
Indianapolis	85,815,856	11.5%	10.7%	76,795	(315,924)	\$20.40	1.6%	835,208
Inland Empire	37,220,300	7.1%	7.1%	(48,190)	128,629	\$24.57	0.0%	11,148
Jacksonville	42,509,938	13.1%	11.3%	(140,324)	(76,131)	\$21.58	0.7%	303,932
Kansas City	106,380,543	12.8%	11.8%	441,872	23,606	\$21.43	3.4%	924,554
Las Vegas	49,658,506	11.8%	11.1%	60,169	142,192	\$26.57	4.2%	827,136
Long Island	76,807,770	10.4%	8.9%	100,480	132,581	\$30.08	2.6%	45,000
Los Angeles	369,343,892	18.6%	16.6%	(355,379)	(2,583,086)	\$39.14	0.0%	2,729,088
Miami	79,329,270	10.5%	9.8%	(97,332)	980,271	\$53.01	6.9%	1,311,116

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Milwaukee	67,437,645	12.7%	12.5%	104,080	146,408	\$16.31	0.4%	15,000
Minneapolis	173,539,387	12.9%	11.8%	564,521	(360,278)	\$18.13	0.9%	463,600
Nashville	72,154,253	15.2%	12.6%	(52,948)	224,443	\$29.57	2.7%	2,399,701
New Jersey	300,018,684	13.5%	12.0%	1,162,153	1,650,752	\$25.78	2.5%	1,642,184
New Orleans	40,811,981	9.1%	8.6%	(42,967)	(217,811)	\$20.24	1.4%	52,348
New York-Manhattan	551,307,404	16.0%	13.7%	1,765,910	(389,663)	\$50.56	-1.9%	4,970,121
Northern Virginia	202,078,094	19.9%	19.0%	412,700	(2,086,502)	\$34.56	4.2%	716,992
Oklahoma City	51,951,446	11.5%	11.2%	18,041	246,283	\$19.50	2.6%	385,804
Orange County	130,110,479	14.1%	12.7%	270,847	1,285,045	\$29.42	0.0%	268,054
Orlando	66,458,696	11.5%	9.6%	20,940	(505,966)	\$23.59	-0.9%	129,626
Philadelphia	276,471,855	12.3%	11.0%	78,960	490,827	\$25.12	1.0%	1,282,685
Phoenix	132,068,324	20.8%	17.0%	305,148	(1,338,179)	\$28.08	2.0%	233,254
Pittsburgh	115,174,219	13.8%	13.0%	(259,550)	139,065	\$24.89	0.9%	590,000
Portland	94,450,959	16.3%	15.0%	420,359	(846,224)	\$26.91	-2.5%	273,899
Raleigh-Durham	85,060,123	13.6%	11.3%	73,201	415,028	\$29.50	0.7%	207,259
Sacramento	78,590,812	15.0%	14.4%	(300,231)	722,175	\$24.96	0.3%	942,288
Salt Lake City	70,818,161	11.5%	9.9%	363,550	(206,656)	\$25.11	2.6%	216,707
San Antonio	60,665,522	12.8%	12.1%	22,351	57,025	\$21.24	0.3%	1,030,642
San Diego	99,541,466	13.2%	12.3%	78,941	(98,776)	\$33.77	-1.3%	3,018,810
San Francisco	114,660,692	28.4%	24.1%	212,149	(270,202)	\$39.77	-6.7%	52,481
San Jose-Silicon Valley	131,167,096	16.5%	13.3%	1,085,431	838,547	\$47.22	-2.8%	2,601,662
Seattle	198,827,892	18.0%	15.8%	(16,206)	(975,217)	\$30.31	-1.7%	5,343,739
St. Louis	121,309,896	11.5%	10.6%	638,855	482,036	\$21.12	-1.5%	766,500
Suburban Maryland	101,587,552	18.4%	17.5%	(812,875)	(1,452,361)	\$29.23	1.1%	231,500
Tampa	81,548,343	12.8%	11.1%	108,525	228,073	\$28.55	3.9%	440,179
Westchester	156,959,587	13.2%	12.3%	516,875	307,500	\$28.54	-2.1%	611,640



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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.).