

COMMERCIAL REAL ESTATE

# U.S. MARKET | OFFICE

Fourth Quarter 2021

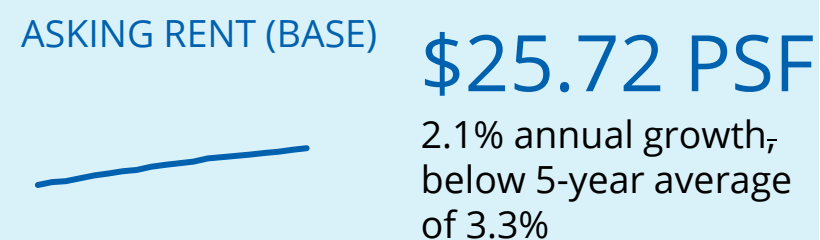
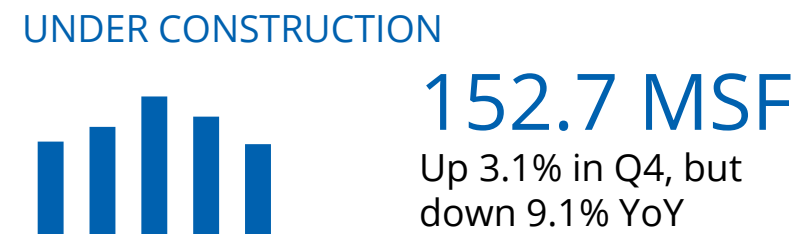
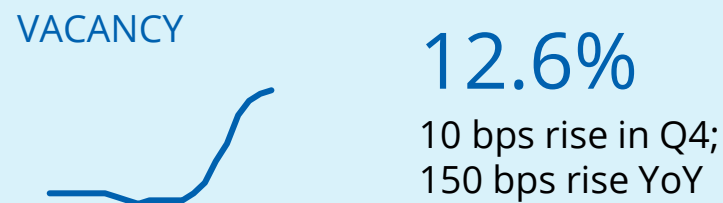
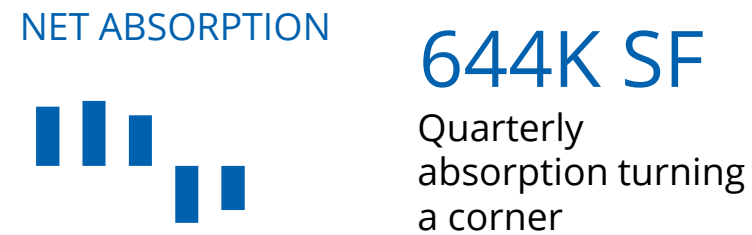
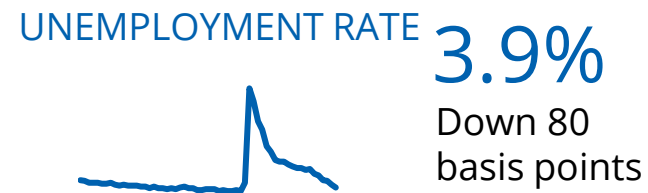


TRANSWESTERN



## U.S. TRENDLINES

5-Year Trend    Current Quarter



## U.S. HIGHLIGHTS

### ECONOMY

- The December job report was good overall, though the headline number of 199,000 jobs added was less than half of what was anticipated.
- Office-using jobs added roughly one-quarter of these positions.
- Job growth was led by consulting, tech, real estate companies, and the motion picture industries. Through 2025, tech, consulting, and medical should drive job growth.

### OFFICE MARKET

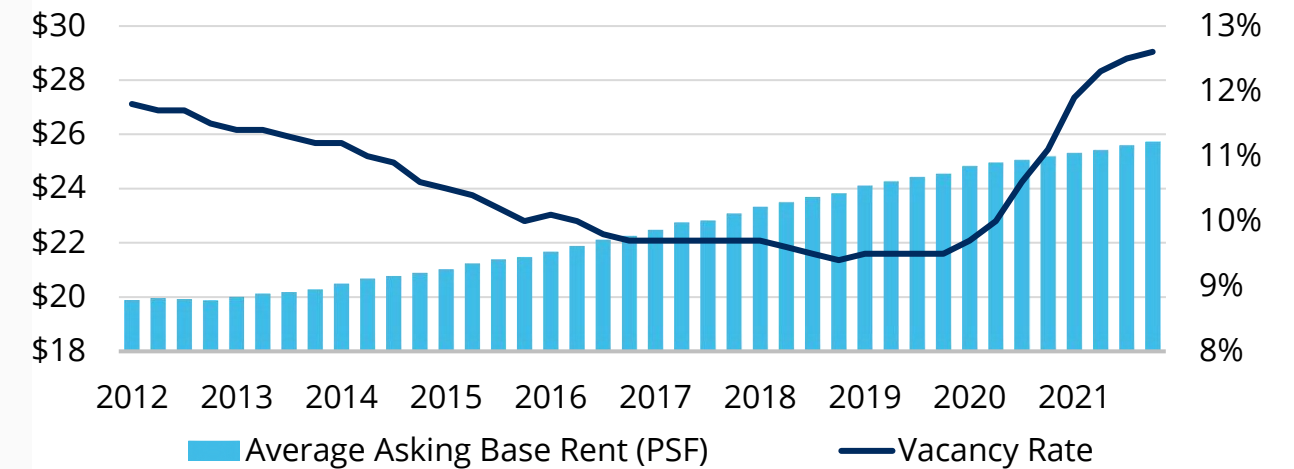
- Absorption turned toward recovery this quarter with positive 644,000 SF.
- 33 out of 51 tracked markets registered positive net absorption as market correction is underway.
- Tour activity is up in most major markets, but not enough to translate to notable transaction volume, as Omicron further stalled lease decisions.
- The vacancy rate rose 10 basis points to 12.6%, as leasing activity was mild, and several projects delivered with vacant space.
- Annual asking rents are up 2.1% YoY as landlords – expecting a rebound of pent-up demand – hold firm, while offering generous concessions.

### LOOKING AHEAD

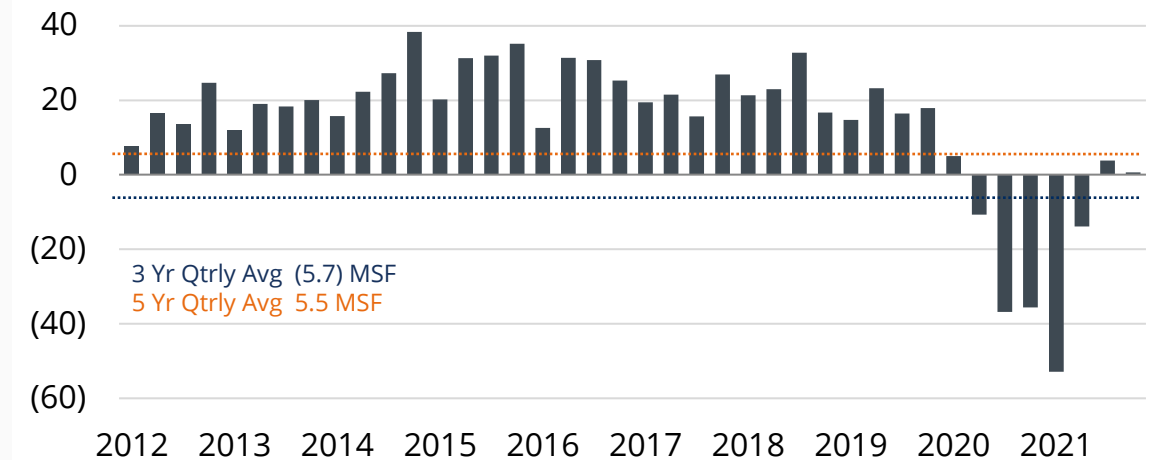
- The Omicron variant has challenged market recovery. However, we expect the market to be less reactive than when it faced the Delta variant.
- The impact of work from home post-pandemic is still unclear and tenants are still grappling with how to reconfigure workspace to meet new challenges and work patterns.

## U.S. HISTORICAL

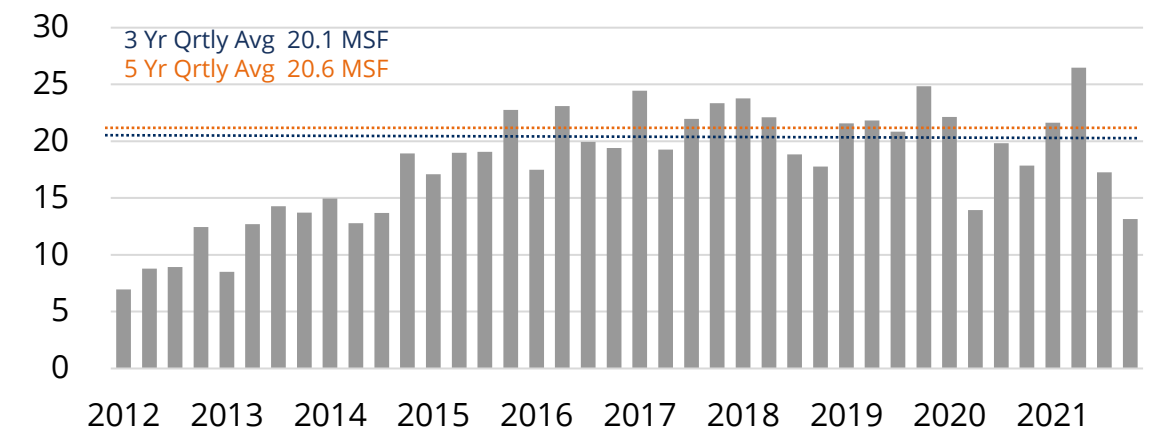
### VACANCY VS ASKING RENT



### NET ABSORPTION (MILLION SF)

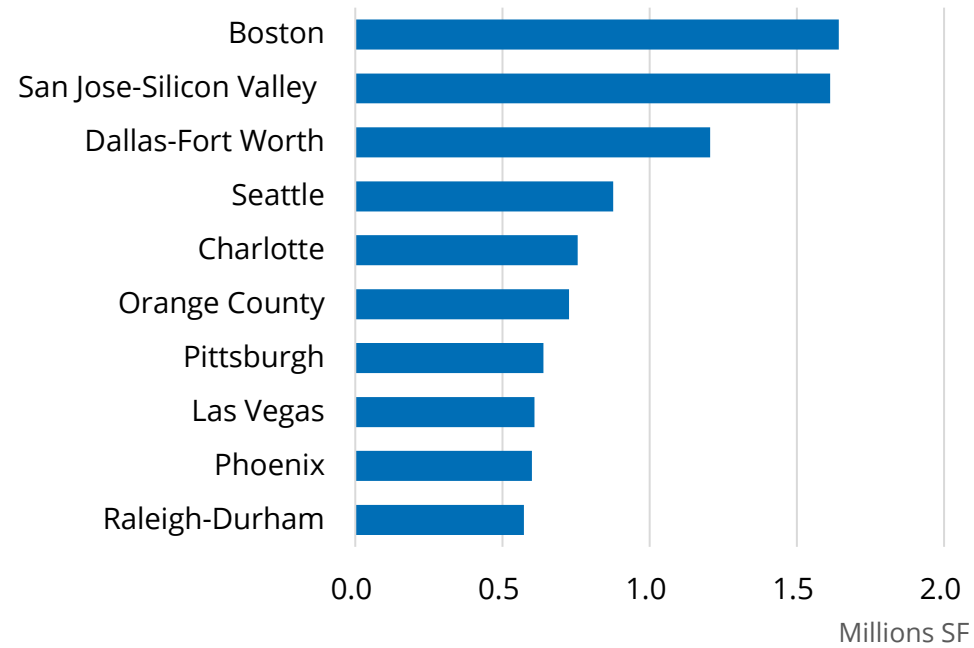


### CONSTRUCTION – DELIVERED (MILLION SF)



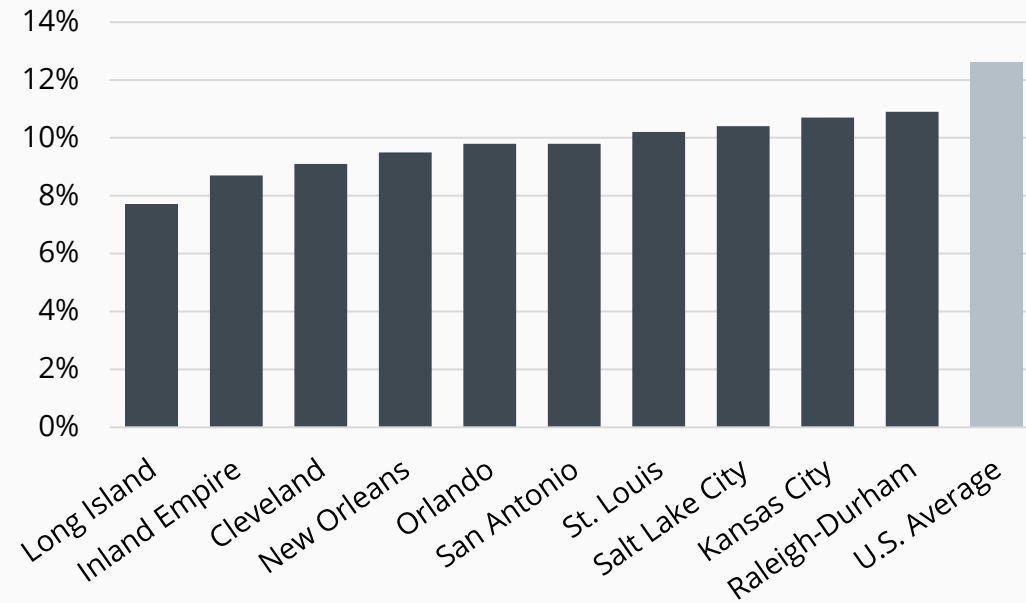
### NET ABSORPTION

Q4 2021 Net Absorption



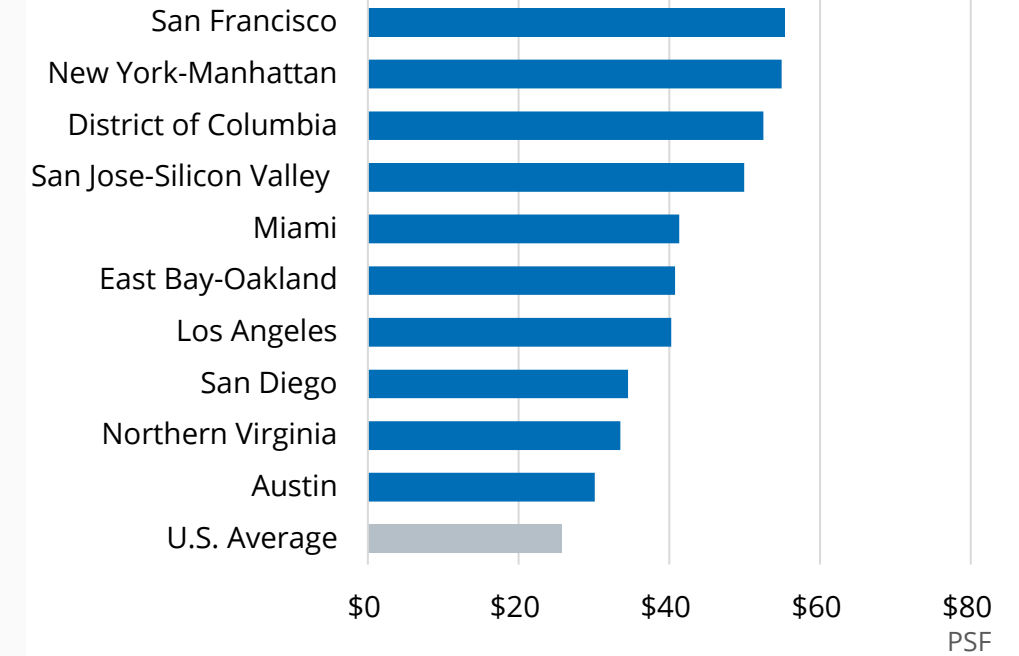
### VACANCY/CONSTRUCTION

Q4 2021 Overall Vacancy Rate

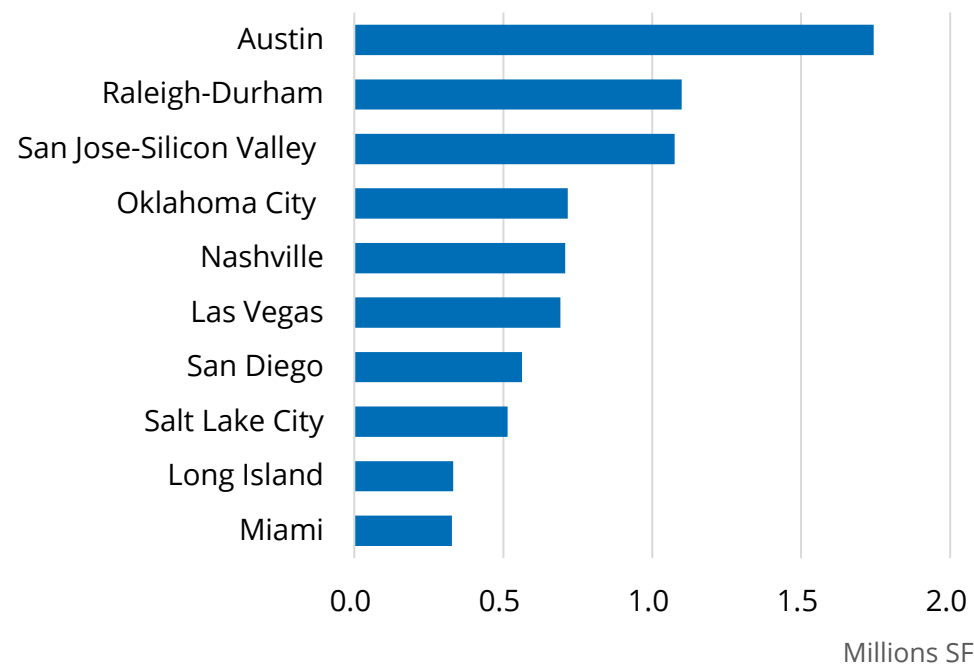


### ASKING RENTS

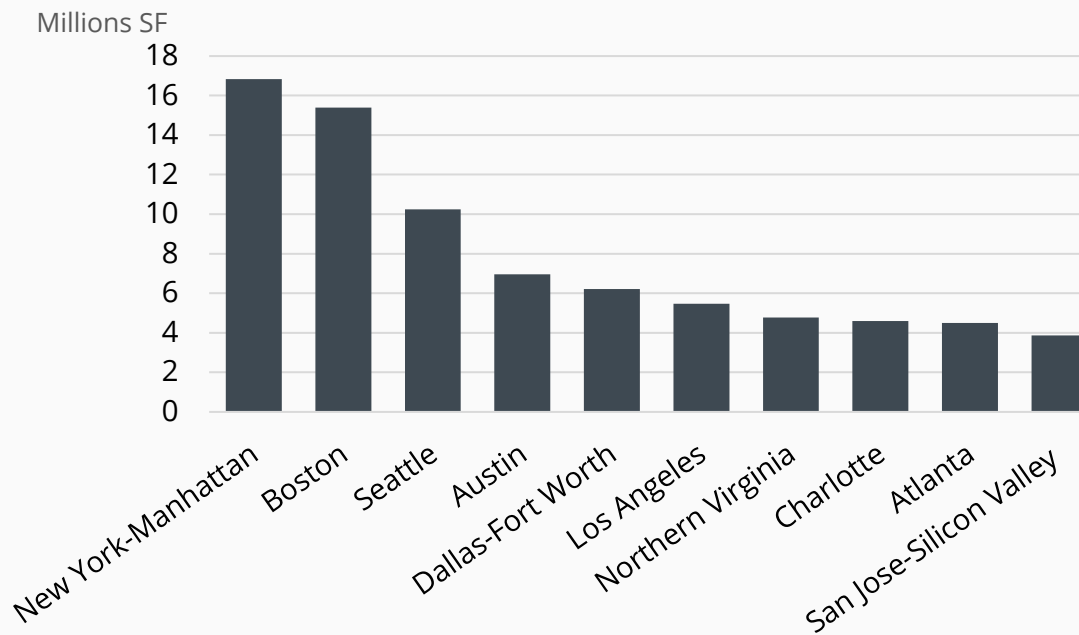
Q4 2021 Asking Rate (Base)



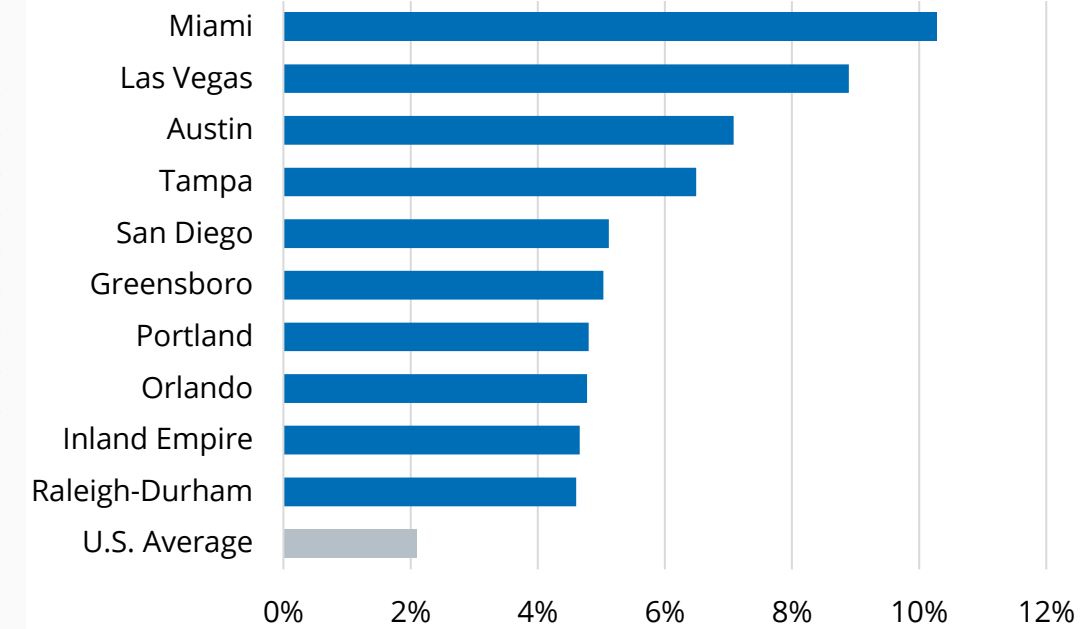
### Trailing 4-Qtr Net Absorption



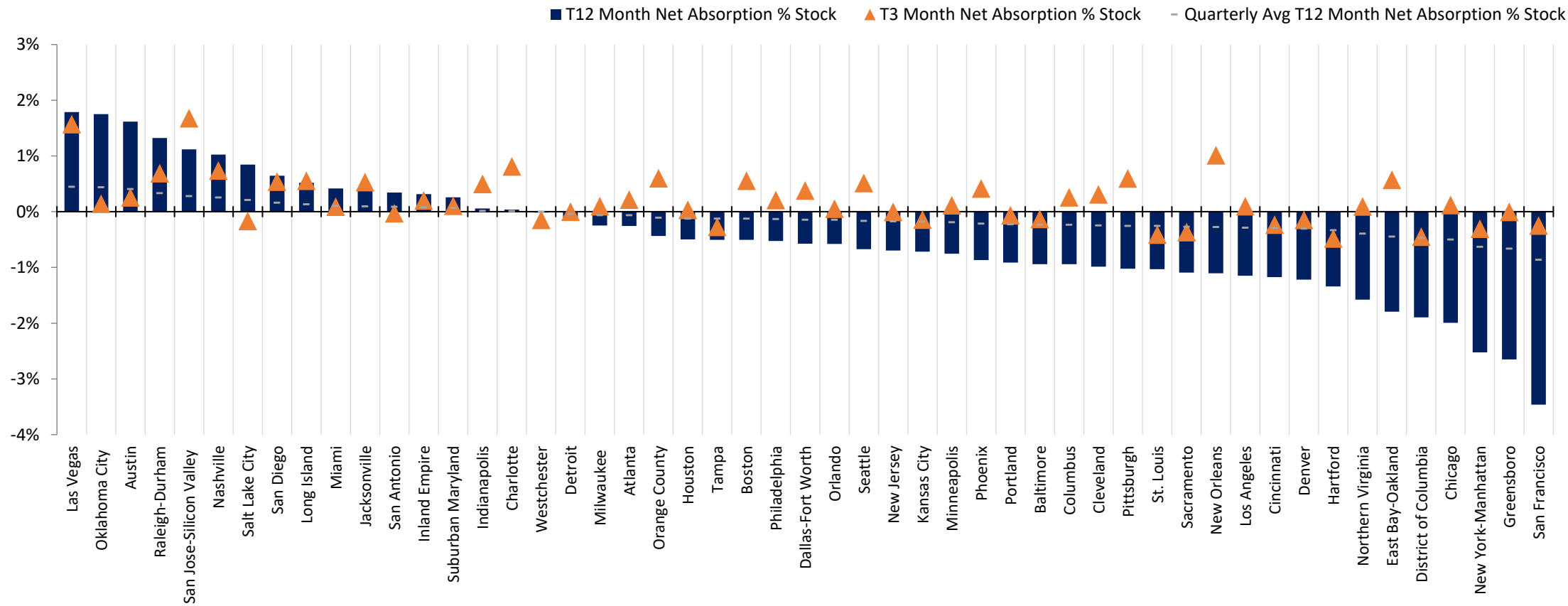
### Q4 2021 Under Construction



### Year-Over-Year Rent Growth

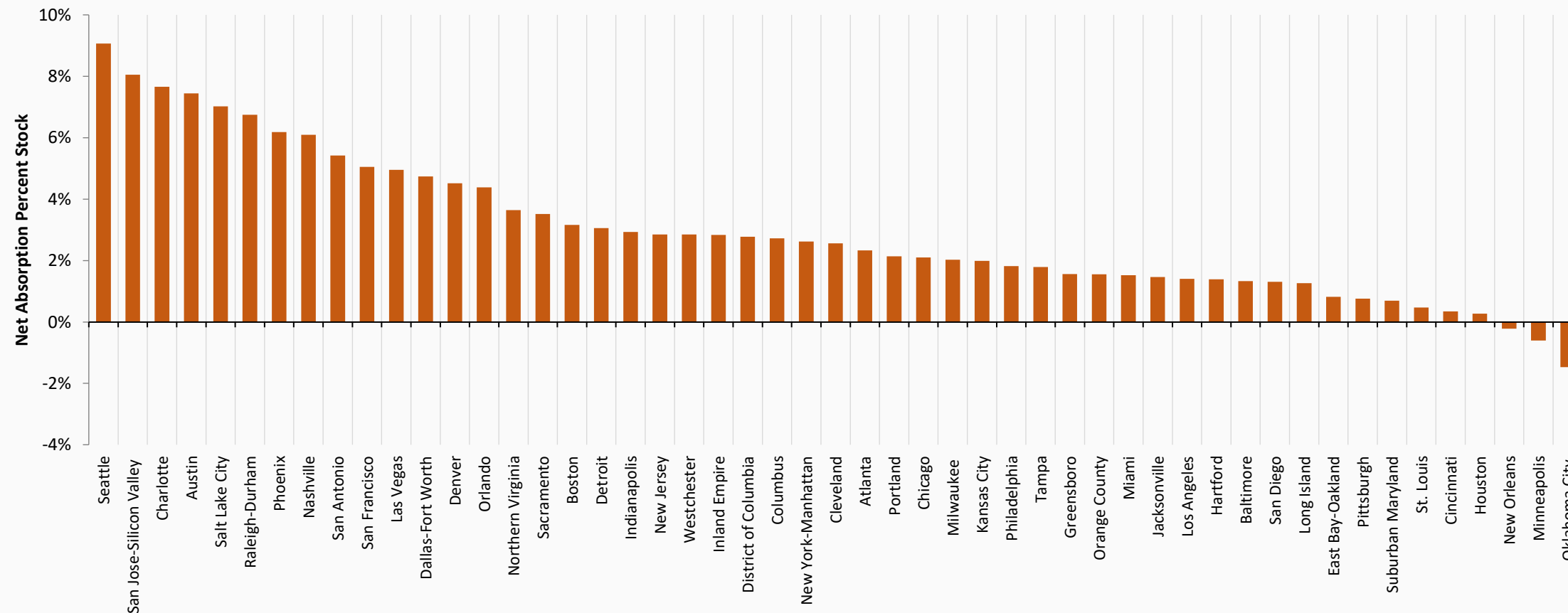


## NET ABSORPTION % STOCK



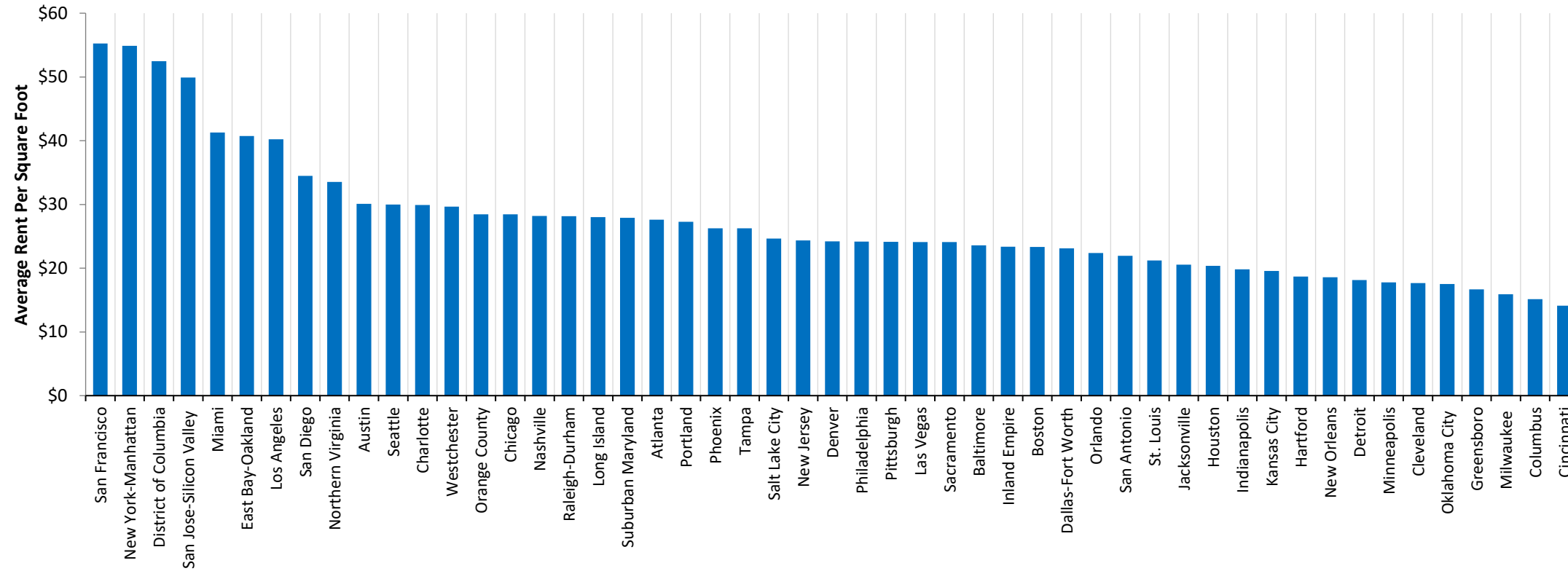
- Approximately 30% of tracked markets managed positive net absorption over the past 12 months, led by Las Vegas, Oklahoma City, Austin and Raleigh-Durham.
- Over 65% of tracked office markets posted positive net absorption for Q4 2021.
- Further, many markets showed improvement in Q4: 80% experienced net absorption above their quarterly average over the past year.

## PRE-PANDEMIC EXPANSION: 3 YEAR NET ABSORPTION % STOCK



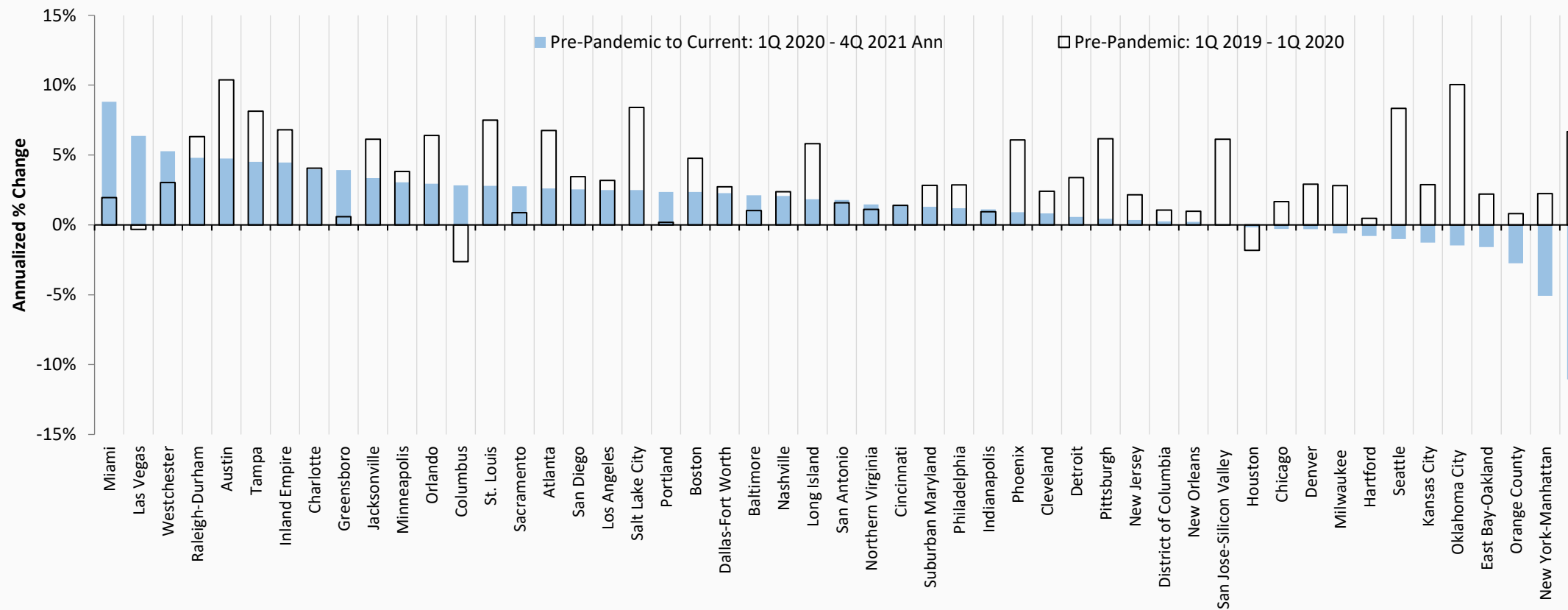
- Markets with strong tailwinds prior to the pandemic may be better positioned coming out of the downturn.
- This graph shows net absorption as a percent of stock for the three years preceding the start of the pandemic (ending Q120). A higher percentage indicates that a market is more expansionary. A negative percentage is a sign of contraction.
- Markets that were experiencing an expansionary trend before the pandemic include Seattle, San Jose-Silicon Valley, Charlotte, Austin, Salt Lake City and Raleigh-Durham.

## RENTAL RATES (BASE)



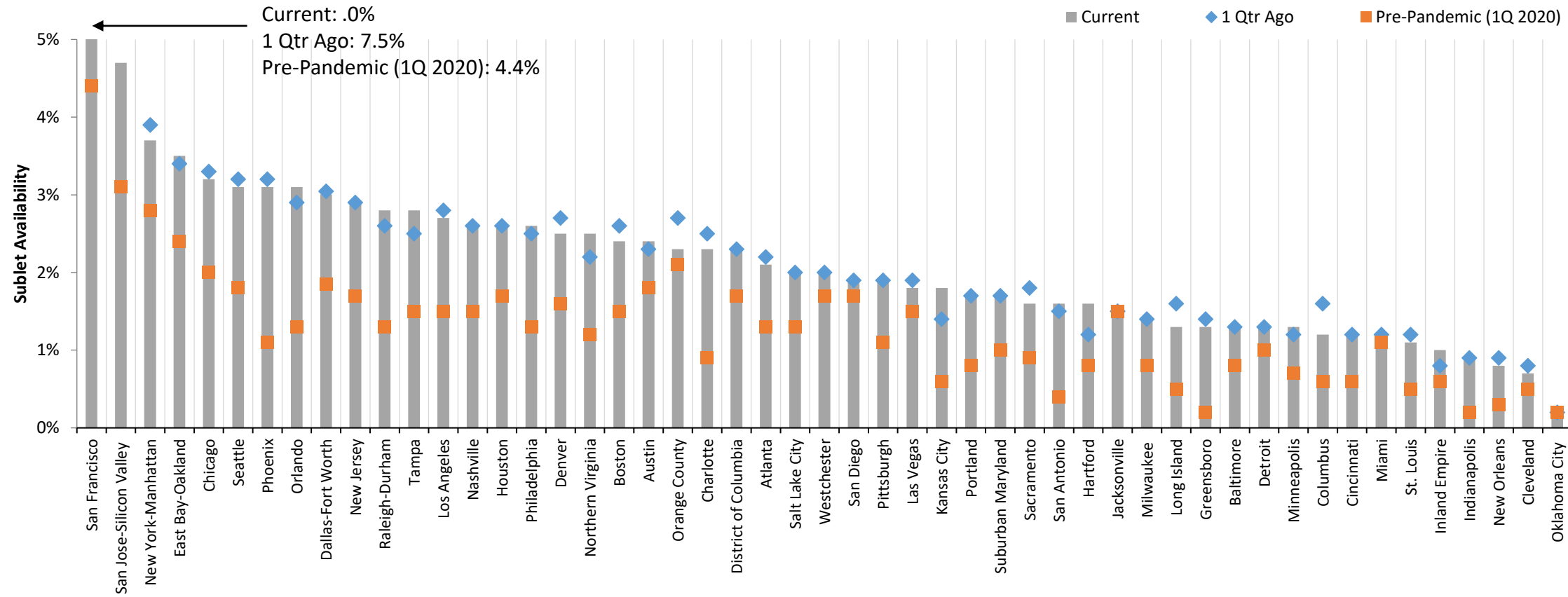
- The largest, densest and most developed markets have historically commanded significantly higher rental rates, yet pandemic-related trends have diminished these markets' lead.
- Since the beginning of the pandemic, the two most expensive markets, San Francisco and New York, have experienced the largest declines in rental rates at -19% and -9% respectively.

## RENTAL RATE CHANGE: PRE-PANDEMIC YOY v PRE-PANDEMIC to CURRENT



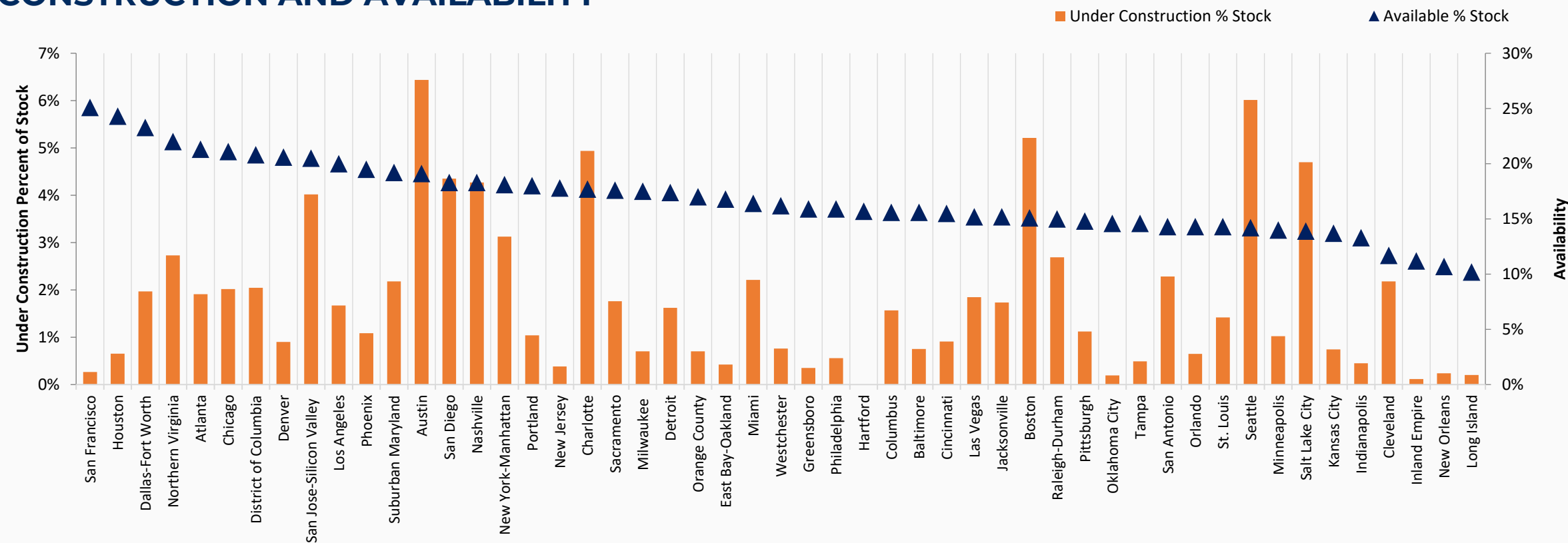
- The highest rental growth rates since the start of the pandemic occurred in Miami, Las Vegas and Westchester.
- Compared with pre-pandemic rental rate growth, markets experiencing the most relative lift include Miami, Las Vegas, Greensboro and Columbus.
- While the return to the office is underway, demand for space has yet to return to pre-pandemic levels. Weak tenant interest combined with economic strain is resulting in increased concessions, 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.
- Approximately 75% 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 Miami, Oklahoma City and Jacksonville. These three markets have just reached their pre-pandemic level.

### CONSTRUCTION AND AVAILABILITY



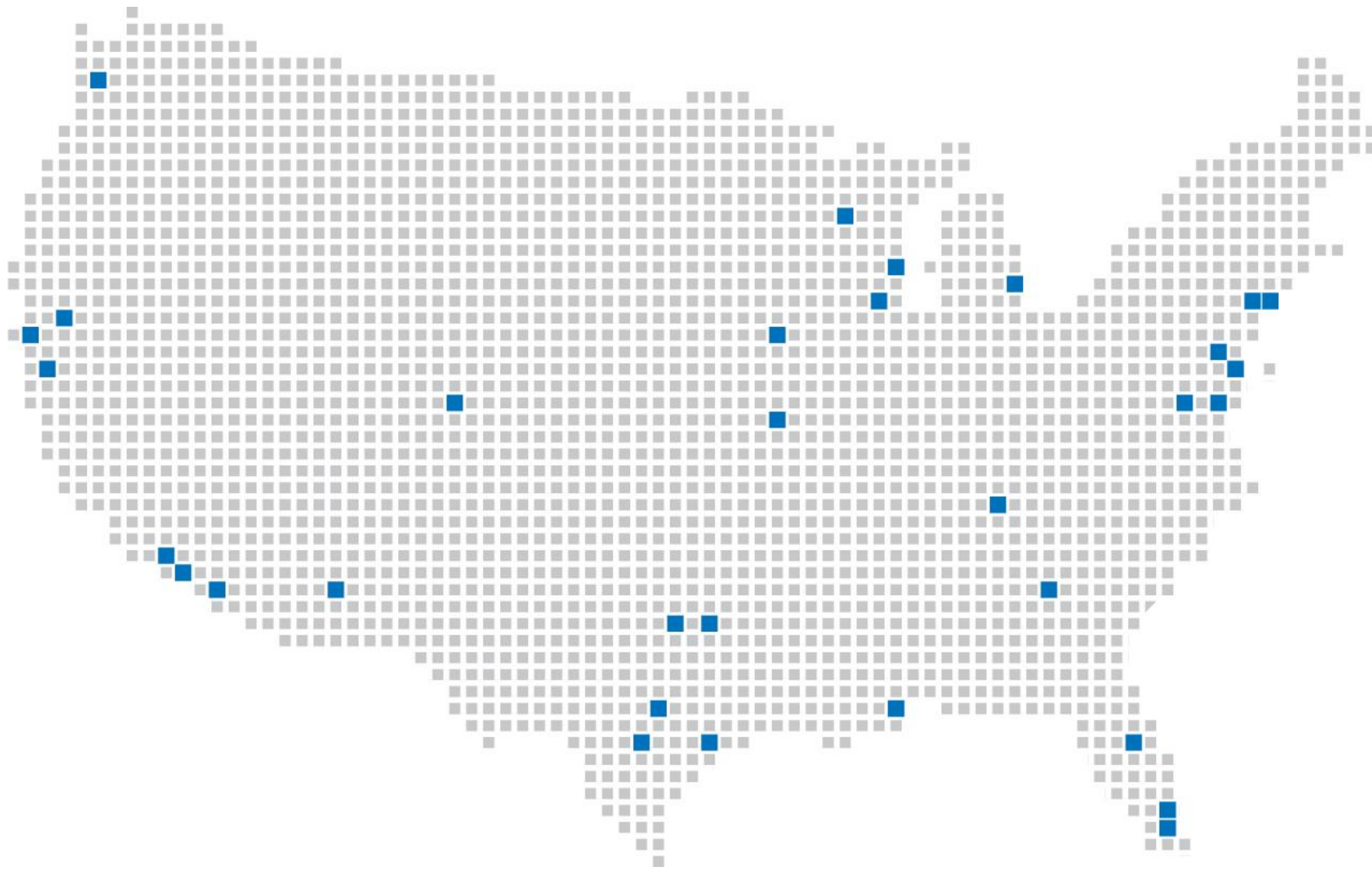
- Under construction percent of stock is indicative of future market expansion. Combined with availability percent of stock, it can also be a potential determinate of softening or tightening within a market.
- Markets with particularly high under construction stock and high availability as a percent of stock include Austin, Charlotte, San Diego, Nashville 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	236,016,368	17.2%	16.2%	508,358	(601,381)	\$27.60	3.2%	4,503,782
Austin	107,961,404	14.2%	12.2%	276,412	1,743,709	\$30.10	7.1%	6,949,208
Baltimore	108,736,592	13.2%	12.4%	(141,836)	(1,023,349)	\$23.68	3.8%	626,150
Boston	295,191,480	11.0%	9.4%	1,642,310	(1,486,265)	\$23.32	2.3%	15,385,905
Charlotte	93,077,133	14.3%	12.1%	754,695	33,433	\$29.92	0.1%	4,593,806
Chicago	181,762,967	15.9%	14.3%	215,585	(3,626,132)	\$28.44	-1.8%	3,671,036
Cincinnati	75,011,675	12.4%	11.5%	(174,246)	(881,280)	\$14.14	2.2%	684,391
Cleveland	80,774,247	9.1%	8.8%	252,274	(797,138)	\$17.67	2.6%	1,759,886
Columbus	78,736,107	11.5%	10.5%	203,764	(741,689)	\$15.14	0.9%	1,233,798
Dallas-Fort Worth	315,838,479	19.7%	18.4%	1,205,407	(1,817,585)	\$23.13	2.5%	6,218,689
Denver	157,249,508	16.2%	14.3%	(226,938)	(1,918,637)	\$24.20	-1.8%	1,420,516
Detroit	140,779,601	13.2%	12.4%	3,323	(217,454)	\$18.16	-0.8%	2,285,724
District of Columbia	147,725,531	15.6%	14.5%	(662,537)	(2,799,745)	\$52.47	1.0%	3,020,801
East Bay-Oakland	86,410,243	14.7%	12.5%	493,160	(1,549,866)	\$40.75	-4.0%	368,641
Greensboro	21,006,999	13.7%	12.3%	(410)	(556,862)	\$16.70	5.0%	73,900
Hartford	48,719,953	11.1%	10.1%	(234,167)	(652,663)	\$18.71	-1.4%	0
Houston	277,320,809	21.0%	19.8%	97,215	(1,373,214)	\$20.36	-0.4%	1,813,343
Indianapolis	72,398,187	11.2%	10.4%	360,671	41,361	\$19.84	0.7%	328,518
Inland Empire	40,058,033	8.7%	8.4%	80,645	125,622	\$23.36	4.7%	46,694
Jacksonville	42,855,638	11.9%	10.7%	228,011	160,212	\$20.55	1.4%	742,847
Kansas City	96,652,767	10.7%	9.6%	(135,779)	(693,569)	\$19.56	-3.3%	721,052
Las Vegas	38,741,493	12.9%	11.1%	608,647	691,667	\$24.12	8.9%	716,048
Long Island	64,052,488	7.7%	6.6%	356,407	331,961	\$28.01	1.2%	130,288
Los Angeles	327,080,038	15.9%	14.5%	322,763	(3,757,384)	\$40.25	3.4%	5,461,829
Miami	78,383,612	13.0%	12.4%	71,749	327,287	\$41.30	10.3%	1,735,653

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Milwaukee	59,375,178	11.5%	11.1%	59,172	(148,154)	\$15.91	-1.0%	418,668
Minneapolis	156,852,254	11.1%	10.4%	183,356	(1,184,264)	\$17.78	4.3%	1,607,153
Nashville	69,192,786	13.1%	11.3%	511,963	707,771	\$28.21	0.8%	2,953,753
New Jersey	314,866,150	13.4%	11.9%	(8,561)	(2,191,191)	\$24.35	1.8%	1,212,098
New Orleans	35,162,582	9.5%	9.0%	355,464	(388,079)	\$18.60	0.9%	84,710
New York-Manhattan	538,526,545	12.7%	10.8%	(1,635,322)	(13,585,068)	\$54.91	-2.5%	16,829,402
Northern Virginia	184,924,192	17.9%	16.7%	(985,090)	(3,581,106)	\$33.50	2.4%	4,772,618
Oklahoma City	40,943,107	12.4%	12.2%	59,354	716,080	\$17.51	-2.6%	80,214
Orange County	121,003,663	13.3%	12.0%	726,036	(524,831)	\$28.45	-2.5%	852,885
Orlando	67,081,039	9.8%	8.7%	36,845	(386,417)	\$22.38	4.8%	435,315
Philadelphia	239,451,786	11.2%	10.0%	496,786	(1,259,897)	\$24.18	0.8%	1,344,250
Phoenix	143,718,443	15.8%	14.3%	600,048	(1,244,388)	\$26.25	1.4%	1,563,194
Pittsburgh	107,316,572	11.8%	10.5%	638,604	(1,098,341)	\$24.13	0.1%	1,205,830
Portland	82,484,692	14.5%	13.3%	(52,620)	(751,120)	\$27.30	4.8%	859,393
Raleigh-Durham	83,108,386	10.9%	9.7%	572,269	1,099,222	\$28.17	4.6%	2,235,487
Sacramento	70,263,513	12.6%	11.9%	(256,541)	(766,379)	\$24.12	1.8%	1,236,584
Salt Lake City	60,972,647	10.4%	8.7%	(100,444)	514,109	\$24.64	0.5%	2,862,875
San Antonio	59,176,346	9.8%	9.2%	(17,171)	204,225	\$21.94	2.4%	1,352,359
San Diego	87,310,407	13.2%	12.4%	470,769	562,721	\$34.50	5.1%	3,799,769
San Francisco	102,129,262	18.0%	13.6%	(254,716)	(3,533,271)	\$55.25	-8.1%	271,782
San Jose-Silicon Valley	96,292,136	16.3%	12.8%	1,612,896	1,075,085	\$49.94	1.4%	3,870,762
Seattle	170,304,693	11.5%	9.3%	875,500	(1,141,489)	\$29.98	0.1%	10,237,553
St. Louis	108,909,501	10.2%	9.7%	(449,513)	(1,120,884)	\$21.20	3.4%	1,548,085
Suburban Maryland	85,048,406	15.6%	14.7%	90,417	220,911	\$27.90	2.3%	1,855,715
Tampa	80,174,639	11.2%	9.2%	(217,397)	(403,596)	\$26.25	6.5%	395,000
Westchester	133,702,862	12.4%	11.2%	(193,370)	(21,780)	\$29.67	2.9%	1,021,681



## 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](https://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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