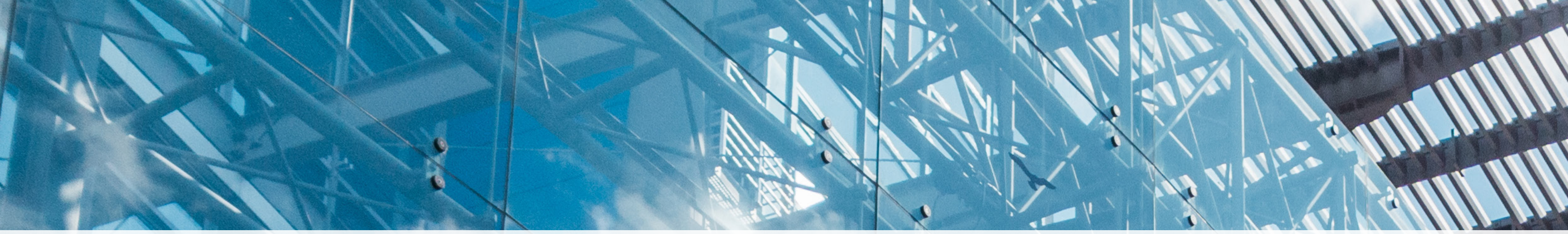


CommercialEdge

National Office Report

August 2021

Delta Variant Delays Return to Office

- A return to in-person work was supposed to be right around the corner, with many firms having announced dates in September for employees to return to the offices that were abandoned in March 2020. However, the emerging delta variant of COVID-19 and a weaker-than-anticipated vaccination rate have delayed those plans as cases and hospitalizations spike in many areas of the country.

- Wells Fargo, Google, Humana and BlackRock have all moved their return-to-office dates from September to October, but some companies are pushing dates out even further. Amazon is now planning to bring back employees after the new year rather than Labor Day, Lyft has moved its September date to February, and Dell has indefinitely delayed its planned September return.

- Many firms are now mandating vaccines for employees going to the office, which may allow an in-office return in the fall as planned. Among the companies requiring vaccination for in-office employees are United Airlines, Facebook, Alphabet, Northwestern Mutual, WalMart and Tyson Foods.

- Despite the Delta variant increasing uncertainty around the future of office, there is still transaction activity happening in the market. In Atlanta, 725 Ponce sold for $300.2 million, or an average of $807 per foot. The building—fully leased to tenants including BlackRock, Chick-fil-A and McKinsey—sold at the highest average price per foot CommercialEdge has ever logged in the Atlanta market. Across the country in the Bay Area, LinkedIn paid $323.0 million to purchase its headquarters in Sunnyvale. Surprisingly, weeks after this purchase was completed, LinkedIn announced that employees will be able to work fully remote permanently. While this may seem paradoxical on the surface, it is emblematic of a growing consensus among many large companies. Even if employees are allowed to work wherever they choose, firms believe the physical office will continue to be part of the work equation.

- Recent reporting indicates office landlords are resistant to lowering rates to attract tenants, instead offering concessions and amenities to lure companies into signing leases. The data backs this up, as national average full-service equivalent listing rates have been virtually unchanged since the start of the pandemic, increasing 1.0% between February of 2020 and July of this year. With the delta variant pushing back the beginning of a return to normal, it will be worth seeing whether landlords can stick to their guns on this.

Listing Rates and Vacancy: A Plateau for Vacancy Rates

- Nationally, the average full-service equivalent listing rate in July was $38.62 per foot, an increase of 1.2% year-over-year and a two-cent increase over June. National same-store rates increased slightly less, at 0.9%.

- The national vacancy rate was 15.5%, 190 basis points higher than July 2020 but 10 basis points lower than the previous month. The steep increase in vacancy rates seen through much of the pandemic looks to be over. The national rate increased from 12.8% in February 2020 to 15.6% in March, but 2021 has been roughly unchanged over the last four months, with only minor month-to-month fluctuations.

- Most markets covered by CommercialEdge have experienced a similar trend, with the upward trajectory of vacancy rates cooling in recent months. Only two of the top 25 markets, Seattle (190 basis point increase since March) and San Francisco (170 bps) have seen significant increases in vacancies of late. The majority of markets have moved less than 50 basis points during that period.

Listings by Metro

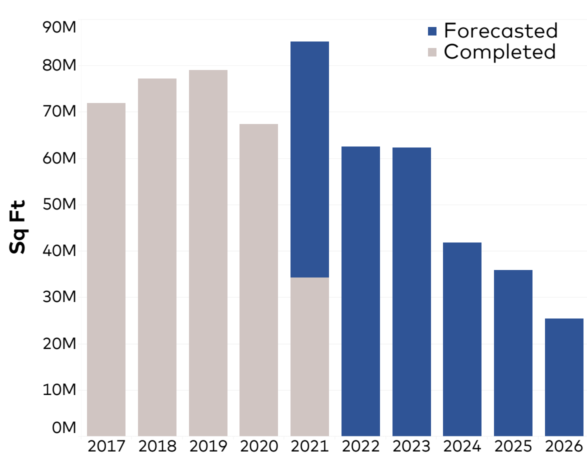
Market	Jun-21 Listing Rate	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Square Foot
National	$38.62	1.2%	15.5%	190 bps		
Los Angeles	$41.62	8.1%	13.1%	90 bps	100 Wilshire	$108.00
Bay Area	$55.79	6.2%	18.4%	440 bps	525 University	$93.00
Tampa	$29.70	6.2%	15.1%	350 bps	Sparkman Wharf	$46.50
Miami	$43.43	5.8%	14.2%	160 bps	830 Brickell Plaza	$100.00
Denver	$30.25	5.5%	16.8%	520 bps	The William Building,	$59.67
Austin	$43.70	5.3%	16.1%	670 bps	Indeed Tower	$73.67
Boston	$34.81	3.9%	11.7%	190 bps	222 Third	$93.00
Philadelphia	$29.60	3.6%	12.1%	0 bps	One Liberty Place	$51.71
Washington DC	$42.01	3.6%	15.9%	70 bps	601 Pennsylvania Avenue NW	$90.00
Orlando	$22.13	3.5%	15.6%	260 bps	GuideWell Innovation Center	$34.66
Nashville	$30.90	3.5%	18.3%	600 bps	The Pinnacle at Symphony Place	$44.00
Phoenix	$28.01	3.2%	17.7%	-70 bps	One Hundred Mill	$48.50
New Jersey	$33.14	2.9%	19.2%	-110 bps	Liberty Innovation Center	$70.29
San Diego	$38.90	2.4%	14.2%	50 bps	2100 Kettner	69.00
Dallas	$28.66	1.6%	19.4%	110 bps	Victory Commons One	$58.94
Portland	$29.97	1.0%	13.8%	140 bps	Park Avenue West	$48.69
Atlanta	$27.64	0.8%	19.9%	290 bps	300 Colony Square	$50.00
Charlotte	$29.00	0.5%	15.2%	450 bps	Piedmont Town Center - Building 2	$42.00
Chicago	$28.12	-1.1%	16.7%	220 bps	PNC Centre at One North Franklin	$62.43
Houston	$30.18	-1.2%	23.5%	150 bps	Texas Tower	$ 58.40
Twin Cities	$26.80	-1.3%	15.5%	230 bps	The Offices at MOA	$40.00
San Francisco	$69.18	-1.6%	15.2%	670 bps	Sand Hill Collection - The Quad	$141.17
Manhattan	$83.52	-2.6%	10.9%	270 bps	550 Madison Avenue	$210.00
Seattle	$35.79	-3.0%	15.8%	670 bps	City Center Bellevue	$63.50
Brooklyn	$48.08	-4.9%	15.5%	240 bps	One MetroTech Center	$65.59

Source: CommercialEdge. Data as of July 2021. Listing rates are full service or "full service equivalent" rates for spaces available as of report period. National listing rate is an average of the top 50 markets.

Supply:
Pipeline Shrinkage Likely to Continue

- Nationally, 34.4 million square feet of new office stock has been completed so far in 2021.
- A total of 157.2 million square feet of new office supply is under construction. The under-construction portion of the pipeline has fallen by more than 7 million feet (-4.5%) since the beginning of the year. At the rate new projects are being started, the under-construction pipeline will continue to shrink in the coming years. Only 27.1 million square feet of new office space had started construction as of the end of July. By comparison, 87.1 million square feet was started in 2019 and 61.7 million last year. We expect to see this trend continue for the foreseeable future while the office sector adjusts to postpandemic demand.
- Because the typical office project takes two to three years to complete, deliveries will remain elevated in the near term. Projects that had shovels in the ground before COVID upended the office industry will continue to be completed through 2023. The pandemic's impact on office development won't begin to cause a noticeable drop in new stock added to the market until 2024 or 2025.

National New Supply Forecast



Source: Yardi Matrix. Data as of July 2021

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	157,190,652	2.4%	5.9%
Austin	9,053,418	10.5%	24.7%
Nashville	3,184,666	5.7%	16.8%
Charlotte	3,852,072	5.2%	12.8%
Boston	12,265,824	5.0%	10.2%
Brooklyn	2,009,010	5.0%	11.5%
Seattle	7,038,050	4.9%	11.5%
San Francisco	7,043,198	4.5%	8.0%
Manhattan	20,652,270	4.3%	6.3%
Portland	2,482,040	4.1%	7.2%
Miami	2,757,643	4.0%	7.6%
San Diego	2,931,893	3.1%	7.2%
Los Angeles	8,288,939	2.9%	5.7%
Atlanta	5,308,207	2.7%	4.4%
Bay Area	4,801,483	2.3%	12.8%
Houston	5,514,554	2.3%	3.7%
Philadelphia	3,662,087	2.1%	4.0%
Dallas	5,268,935	1.9%	8.7%
Washington DC	5,747,211	1.5%	3.4%
Phoenix	1,889,869	1.4%	5.4%
Chicago	4,091,128	1.3%	6.4%
Orlando	686,500	1.2%	10.4%
Tampa	608,660	0.9%	5.6%
Twin Cities	892,335	0.7%	2.2%
Denver	1,058,757	0.7%	3.5%
New Jersey	567,271	0.3%	2.1%

Source: CommercialEdge. Data as of July 2021

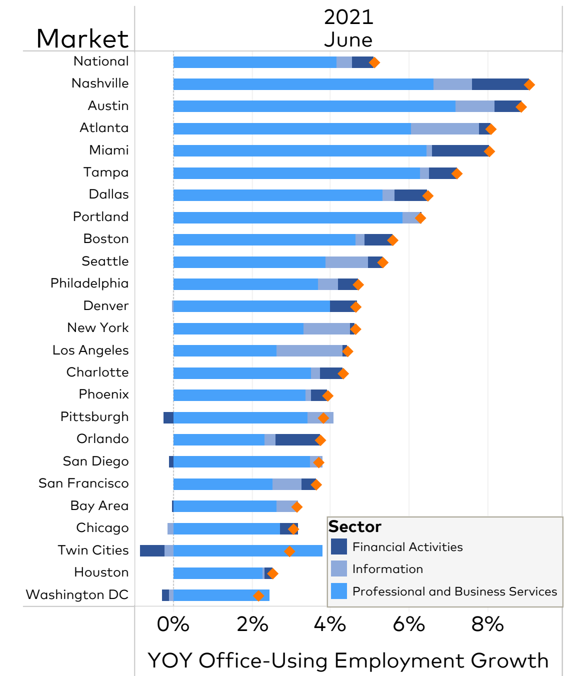
Office-Using Employment:
Jobs Not Likely to Fully Recover Until Mid-2022

- Nationally, office-using employment sectors added 106,000 jobs in the month of July, growing by 4.9% year-over-year. However, there are still 776,000 fewer office jobs than there were before the pandemic.

- After a concerning dip of 51,000 jobs in April, employment in office-using sectors of the economy has gotten back on track, with an average of 85,000 jobs added over the last three months. This is roughly the rate seen over the last nine months: Following the initial rebound, office-using sectors have added an average of 88,000 jobs per month since November. At this pace, a return to prepandemic levels will occur next summer.

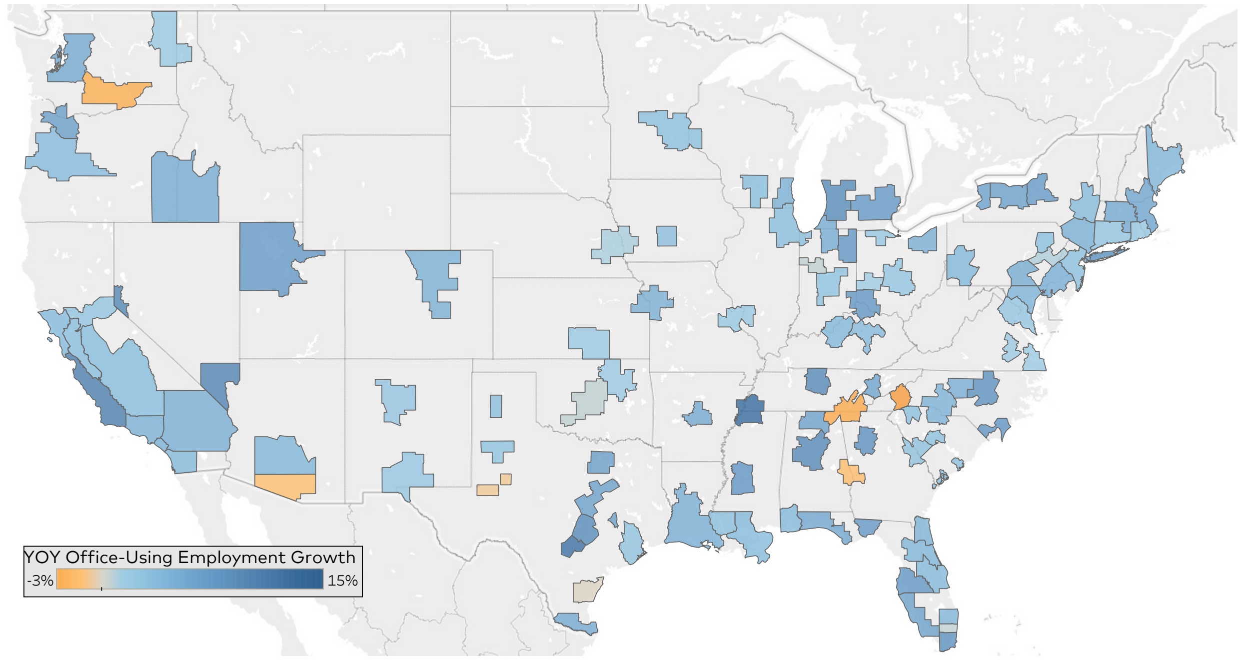
- Metro employment data, which trails the national release, shows only nine of the top 50 markets covered by CommercialEdge have fully recovered to prepandemic levels. Salt Lake City (5.4% more office jobs than February of 2020), Austin (4.3%) and San Antonio (4.1%) have been the best-performing markets.

Growth by Sector



Sources: Bureau of Labor Statistics and Moody's Analytics

Office-Using Employment Growth



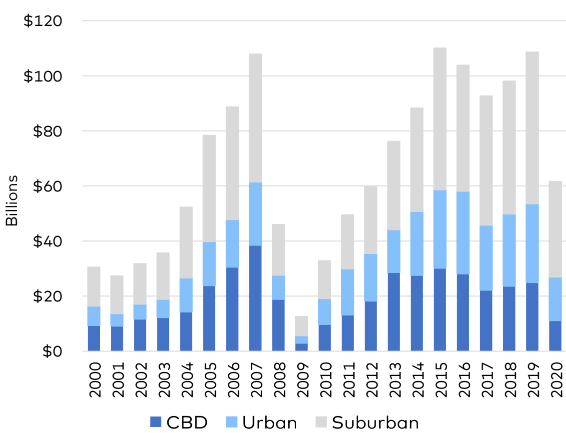
Sources: Bureau of Labor Statistics and Moody's Analytics

Transactions:
CBD Prices Fall but Urban Submarkets Flourish

- Through July, CommercialEdge logged $36.9 billion of office transactions. While volume is low compared to the years preceding the pandemic, 2021 is on pace to surpass 2020's $61.6 billion.

- The average sale price of buildings in central business districts has fallen precipitously this year. After peaking at $400 per foot in 2019, CBD prices fell to $379 in 2020 and to $284 this year. While some may think this signals the death of the city, prices in urban submarkets (defined as outside the CBD but within the urban core) have grown from $399 per foot in 2019 to $511 this year.

Sales by Location



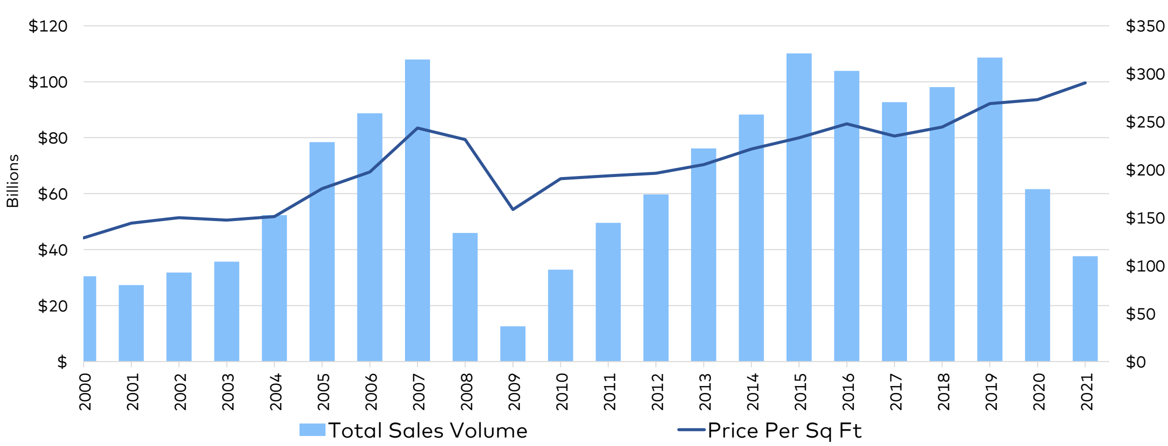
Source: CommercialEdge; Data as of July 2021

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 07/31)
National	$288	$36,918
Bay Area	$584	$4,817
Boston	$512	$2,475
Manhattan	$1,192	$2,401
San Francisco	$723	$2,137
Seattle	$465	$1,761
Dallas	$251	$1,543
Miami	$312	$1,498
Atlanta	$220	$1,465
Los Angeles	$343	$1,331
New Jersey	$174	$1,279
Denver	$213	$1,208
Washington DC	$271	$1,165
Austin	$497	$994
San Diego	$423	$992
Chicago	$240	$812
Charlotte	$298	$719
Phoenix	$197	$699
Philadelphia	$181	$610
Nashville	$246	$390
Houston	$132	$354
Tampa	$156	$269
Twin Cities	$167	$237
Orlando	$194	$137
Portland	$258	$99
Brooklyn	$752	$53

Source: CommercialEdge. Data as of July 2021

Total Sales



Source: CommercialEdge. Data as of July 2021

Definitions

This report covers office buildings 50,000 square feet and above. CommercialEdge subscribers have access to more than 8,000,000 property records and 250,000 listings for a continually growing list of markets.

CommercialEdge collects listing rate and occupancy data using proprietary methods.

- *Listing Rates*—Listing Rates are full-service rates or "full-service equivalent" for spaces that were available as of the report period. CommercialEdge uses aggregated and anonymized expense data to create full-service equivalent rates from triple-net and modified gross listings. Expense data is available to CommercialEdge subscribers. National average listing rate is for the top 50 markets covered by CommercialEdge.
- *Vacancy*—The total square feet vacant in a market, including subleases, divided by the total square feet of office space in that market. Owner-occupied buildings are not included in vacancy calculations.

A and A+/Trophy buildings have been combined for reporting purposes.

Stage of the supply pipeline:

- *Planned*—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- *Under Construction*—Buildings for which construction and excavation has begun.

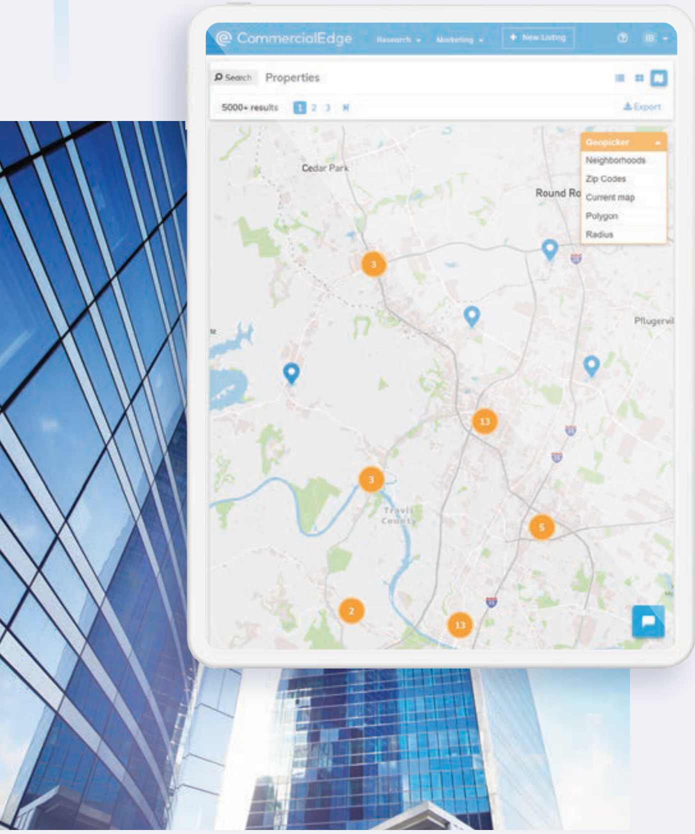
Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with CommercialEdge market boundaries.

Sales volume and price-per-square-foot calculations do not always include portfolio transactions or those with unpublished dollar values.

CommercialEdge

Reliable commercial real estate data, built up over more than a decade of extensive research. Powered by Yardi.

CommercialEdge provides the office segment's most comprehensive market intelligence service and listing management platform, sustaining data-driven decisions.



Key features:

- Continually growing nationwide coverage with 162 markets currently included
- Researched and verified data, powered by a team of 400 experienced property research specialists
- Exhaustive property reports featuring data points such as ownership, leases, sales, debt, taxes and more
- Building and portfolio performance overview with current average rents, vacancy rates and maturing leases
- Extensively researched tenant data with an accuracy rate two to three times higher than the industry average
- Real-time market trends based on actual transactional and leasing data with Yardi Market Insight
- Dedicated tools, including automated competitive building sets, broker tour books and dedicated property webpages
- Access to the CommercialEdge Listing Network — including CommercialCafe, PropertyShark, Point2 and CommercialSearch

Capitalize on comprehensive commercial real estate research
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Contacts

Peter Kolaczynski
Manager, Commercial
Peter.Kolaczynski@Yardi.com
(800) 866-1124 x2410

Matt Gleason
Senior Account Executive, Commercial
Matthew.Gleason@Yardi.com
(800) 866-1124 x7763

Doug Ressler
Manager, Business Intelligence
Doug.Ressler@Yardi.com
(800) 866-1124 x2419

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