CommercialEdge

National Office Report

October 2022

Flex Space Demand Drives Expansion

- Driven by hybrid work arrangements, a flight-to-quality among occupiers and a desire to avoid long-term leases, demand for flexible office space is rapidly increasing.

- An analysis of surveys from major brokerages indicates that demand for flexible office space will continue to grow in coming years. JLL's Future of Work Survey of more than 1,000 corporate real estate decision-makers found that 43% of firms plan to increase investment in flex space through 2025. CBRE's Occupier Sentiment Survey showed while only 17% of U.S. occupiers report that flex space is a significant portion of their real estate portfolios today, 59% said that it will be significant within the next two years. It's not only C-suite decision-makers driving demand, however, but workers as well. A joint WeWork and Cushman & Wakefield survey found that people in WeWork offices currently spend 40% of their work time in the flex space but want to increase that to 55% in the future.

- Commercial real estate brokerages are taking notice and increasing their investments in coworking. After investing more than $200 million in Industrious in 2021, CBRE put an additional $100 million into the flex space operator this year. Cushman & Wakefield entered a strategic partnership with WeWork, investing $150 million and combining the coworking firm's hospitality technology with the brokerage's asset and facilities management services. JLL is operating coworking spaces under the brand Flex by JLL and will be developing a ground-up, 15,407-square-foot coworking space in Secaucus, N.J. Meanwhile, established industry participants are also increasing their footprints. Over the summer, IWG, the parent company of both Regus and Spaces, announced it would be adding at least 500 U.S. locations with a focus on smaller cities and the suburbs. Between its two brands, IWG already has upward of 1,000 coworking locations in markets covered by CommercialEdge. WeWork, the second-largest operator, has more than 250 spaces.

- The shift to hybrid work is also leading owners to consider operating their own coworking spaces in an effort to restore occupancy and cash flow. Boston Properties has rolled out FLEX by BXP in a handful of its buildings and Irvine Company offers Flex Workspace+. However, smaller landlords may be wary of the large capital expenses that come with building out high-quality flex space and may look to dedicated operators instead. Management agreements which allow owners and flex space operators to share revenue could become a common solution.

Listing Rates and Vacancy:
Trophy Tower Drives Miami Listing Rate Growth

- The average full-service equivalent listing rate was $37.67 in September, down 2.4% year-over-year.
- The national vacancy rate was 16.6%, up 180 basis points over September 2021.
- While average listing rates have fallen and vacancies have spiked in many markets over the last year, that is not the case in Miami. Fueled by the relocation of firms and workers to Florida during the last two years, the city sports a 12.1% vacancy rate and its average listing rate has risen 12.4% over the last twelve months. The property pushing up rates the most in Miami is 830 Bickell, a 57-floor trophy tower set to deliver before the year is out. Currently the building is listing more than 185,000 square feet, with full-service leases priced from $83 to $150 per square foot. The building has already inked leases with a variety of tenants, from international law firms and asset management companies to Microsoft, which will make the space its new regional headquarters.

Listings by Metro

Market	Sep-22 Listing Rate	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Square Foot
National	$37.67	-2.4%	16.6%	180 bps		
Charlotte	$33.81	18.1%	13.2%	-130 bps	300 South Tryon	$44.00
Boston	$40.33	17.6%	8.8%	-290 bps	Kendall Square at MIT - 314 Main Street	$121.60
San Diego	$43.91	12.6%	14.8%	160 bps	Genesis Science Center	$83.70
Miami	$48.32	12.4%	12.1%	-140 bps	830 Brickell	$150.00
Orlando	$23.69	8.1%	17.0%	170 bps	Celebration Medical Center	$42.40
Los Angeles	$43.37	5.1%	15.0%	210 bps	100 Wilshire	$108.00
Philadelphia	$30.59	4.3%	14.1%	230 bps	Two Liberty Place	$53.50
Brooklyn	$50.24	4.3%	19.8%	480 bps	200 Kent Avenue	$75.00
San Francisco	$66.80	3.4%	19.7%	500 bps	Offices at Springline North, The	$171.96
Phoenix	$27.56	3.1%	15.5%	-50 bps	Camelback Collective	$52.50
Seattle	$36.87	2.5%	17.3%	190 bps	Westlake Building	$67.09
Washington DC	$41.45	2.0%	14.3%	-30 bps	Executive Tower	$83.79
Atlanta	$29.82	1.9%	21.2%	140 bps	300 Colony Square	$52.00
New Jersey	$32.89	1.0%	17.6%	-70 bps	10 Exchange Place	$55.30
Denver	$30.17	0.7%	19.5%	310 bps	1144 Fifteenth Street	$54.66
Portland	$30.26	-0.3%	16.7%	380 bps	12th & Morrison	$47.01
Dallas	$28.62	-0.5%	18.8%	60 bps	Rosewood Court	$53.43
Houston	$29.98	-1.2%	28.0%	640 bps	Texas Tower	$58.40
Chicago	$27.56	-1.9%	19.9%	310 bps	300 North LaSalle Drive	$59.46
Nashville	$30.86	-2.0%	19.5%	260 bps	Three Thirty Three	$43.88
Bay Area	$53.94	-2.7%	16.3%	10 bps	260 Homer Ave & 819 Ramona St	$138.12
Austin	$42.05	-4.0%	17.6%	250 bps	Indeed Tower	$76.67
Twin Cities	$25.64	-4.9%	13.3%	-120 bps	Offices at MOA, The	$40.00
Tampa	$28.11	-6.8%	16.7%	120 bps	Water Street Tampa - Thousand & One	$58.00
Manhattan	$70.37	-8.0%	15.6%	490 bps	550 Madison Avenue	$210.00

Source: CommercialEdge. Data as of September 2022. 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.

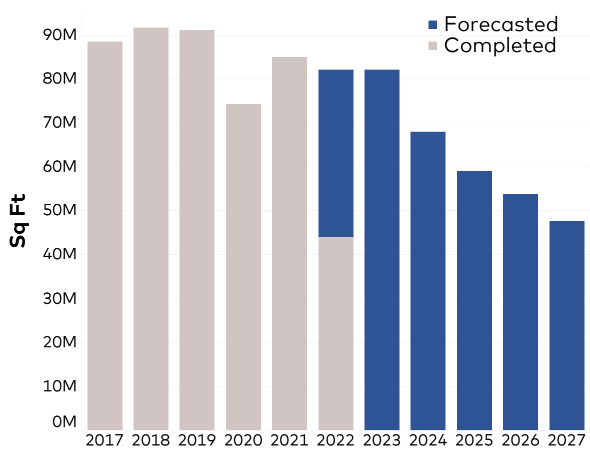
Supply:
Office Starts Fall in Gateway Markets

- Nationally, 139.1 million square feet of new office supply are currently under construction.

- In 2022, 46.6 million square feet of new office space have started construction, and the year is on pace to match 2021's 62.2 million square feet. While the new supply pipeline will not produce starts at prepandemic levels—routinely north of 80 million square feet annually—anytime soon, office starts have not dropped coming out of the pandemic as much as expected.

- Since COVID-19 began, the geographic composition of office starts has shifted and gateway markets have recorded the largest declines. In 2019, Los Angeles had 3.6 million square feet of starts, but this year only 61,000 square feet of non-owner-occupied office space has begun construction. Chicago started 1.0 million square feet year-to-date in 2022, compared to 5.0 million three years ago. New projects in Manhattan have declined from 3.2 million square feet to just 754,000 this year, while Washington, D.C.'s volume has dropped from 4.7 million square feet to 1.1 million. By contrast, starts in Sun Belt markets with high levels of in-migration are relatively unchanged. Austin's new office development has increased from 5.1 million square feet in 2019 to 5.8 million this year. Other major Sun Belt locations are recording only slight declines.

National New Supply Forecast



Source: Yardi Matrix. Data as of September 2022
Data in this chart includes owner-occupied properties

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	139,135,349	2.1%	6.2%
Austin	7,443,857	8.5%	23.3%
Charlotte	5,723,008	7.7%	16.6%
Nashville	3,159,713	5.6%	14.5%
Boston	12,442,443	5.2%	12.4%
Seattle	6,165,472	4.5%	18.8%
Bay Area	8,915,943	4.5%	15.3%
San Diego	3,983,895	4.3%	9.9%
Manhattan	18,591,070	4.1%	5.8%
Brooklyn	1,457,500	4.1%	8.4%
San Francisco	5,704,753	3.7%	10.2%
Miami	2,000,757	2.8%	8.0%
Dallas	7,005,816	2.6%	9.0%
Orlando	1,324,790	2.4%	6.7%
Atlanta	4,429,129	2.3%	9.8%
Houston	5,208,552	2.2%	3.4%
Denver	2,212,895	1.4%	4.1%
Philadelphia	2,405,342	1.4%	5.2%
Phoenix	1,732,423	1.3%	5.9%
Washington DC	4,925,221	1.3%	3.7%
Chicago	3,188,173	1.0%	6.1%
Los Angeles	2,570,421	0.9%	3.6%
Portland	415,714	0.7%	6.2%
New Jersey	1,368,500	0.7%	1.8%
Tampa	343,773	0.5%	2.4%
Twin Cities	549,650	0.5%	2.2%

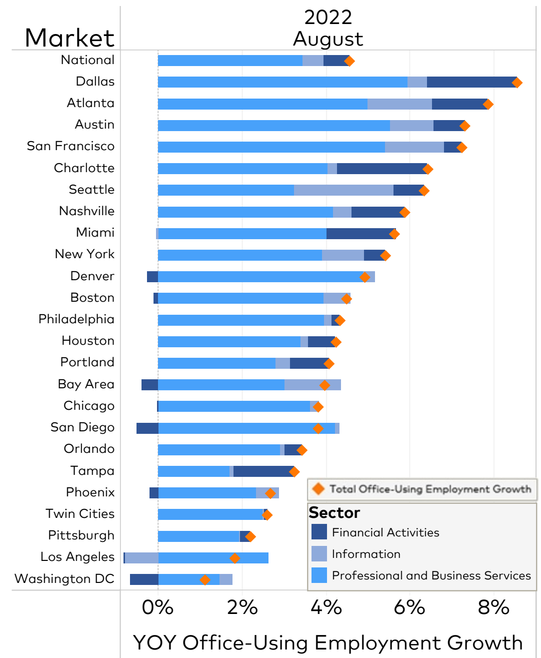
Source: CommercialEdge. Data as of September 2022

Office-Using Employment: Financial Activities Sector Hiring Wanes

- Office-using sectors of the labor market added 51,000 jobs in September, according to the Bureau of Labor Statistics (BLS).

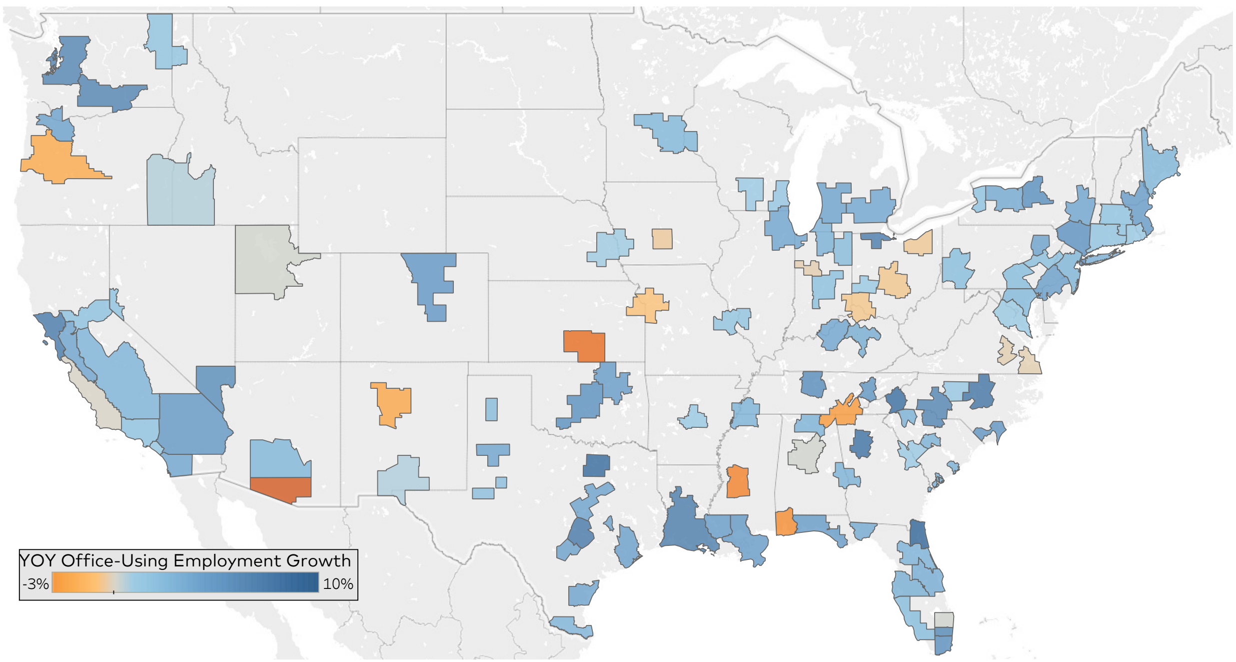
- The Financial Activities sector has slowed in recent months and turned negative in September, losing 8,000 jobs. Before the pandemic, employment growth between all three office-using sectors moved more or less in sync. Following the pandemic, however, Financial Activities has fallen behind Information and Professional and Business services (PBS). In every month since April 2021, the Information and PBS sectors have grown at an annualized rate of more than 5%. In contrast, the Financial Activities sector's peak growth rate during was just 2.4%, recorded in June 2022. In August, seven of the top 25 markets covered by CommercialEdge—Denver, Boston, the Bay Area, San Diego, Phoenix, Los Angeles and Washington, D.C.—lost Financial Activities jobs year-over-year. That slowdown is bad news for the office industry, as financial sector workers are some of the most likely to come into the office full time.

Growth by Sector



Sources: Bureau of Labor Statistics and Moody's Analytics

Office-Using Employment Growth



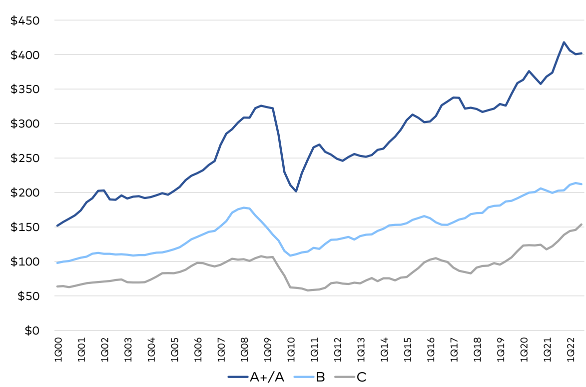
Sources: Bureau of Labor Statistics and Moody's Analytics

Transactions:
Washington, D.C., Leads Sales Volume

- CommercialEdge has logged $69.3 billion of sales through the first three quarters.

- The Washington, D.C., market has been one of the most active in 2022, with $4.1 billion in volume, nearly equaling the $4.5 billion in sales recorded in each of the previous two years. The highest-priced asset in the market so far—by both total cost and price per square foot—is 601 Massachusetts Ave. NW, a 478,818-square-foot property that traded for $531 million ($1,109 per foot). The amenity-laden building in the Seventh Street Corridor was delivered in 2015 by Boston Properties, which sold the building to Mori Trust.

Asset Class (price per sq. ft.)



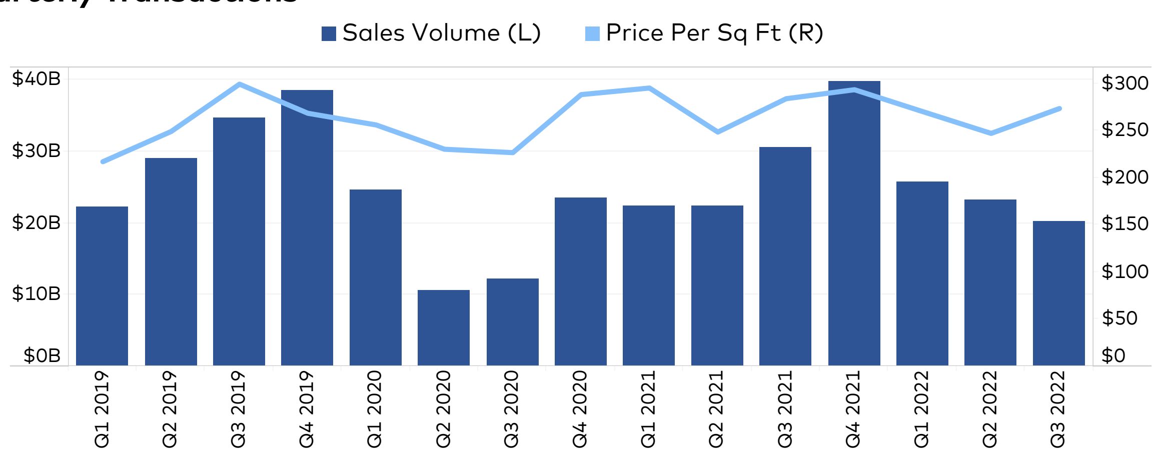
Source: CommercialEdge; 12-month moving average. Does not include unpublished and portfolio transactions.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 9/30)
National	$263	$69,276
Washington DC	$302	$4,100
Boston	$485	$3,998
Bay Area	$451	$3,902
Los Angeles	$447	$2,893
Manhattan	$858	$5,456
Denver	$321	$2,880
Atlanta	$235	$2,691
Chicago	$182	$2,500
New Jersey	$234	$2,205
Seattle	$583	$2,626
Phoenix	$277	$2,117
San Francisco	$941	$1,958
Dallas	$193	$3,738
San Diego	$438	$1,775
Miami	$393	$1,246
Houston	$168	$2,240
Charlotte	$303	$1,187
Austin	$384	$1,706
Nashville	$244	$1,092
Philadelphia	$200	$1,030
Brooklyn	$480	$607
Tampa	$269	$729
Orlando	$180	$538
Twin Cities	$123	$844
Portland	$204	$142

Source: CommercialEdge. Data as of September 2022. Sales data for unpublished and portfolio transactions are estimated using sales comps.

Quarterly Transactions



Source: CommercialEdge. Data as of September 2022

Definitions

This report covers office buildings 25,000 square feet and above. CommercialEdge subscribers have access to more than 14,000,000 property records and 300,000 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.

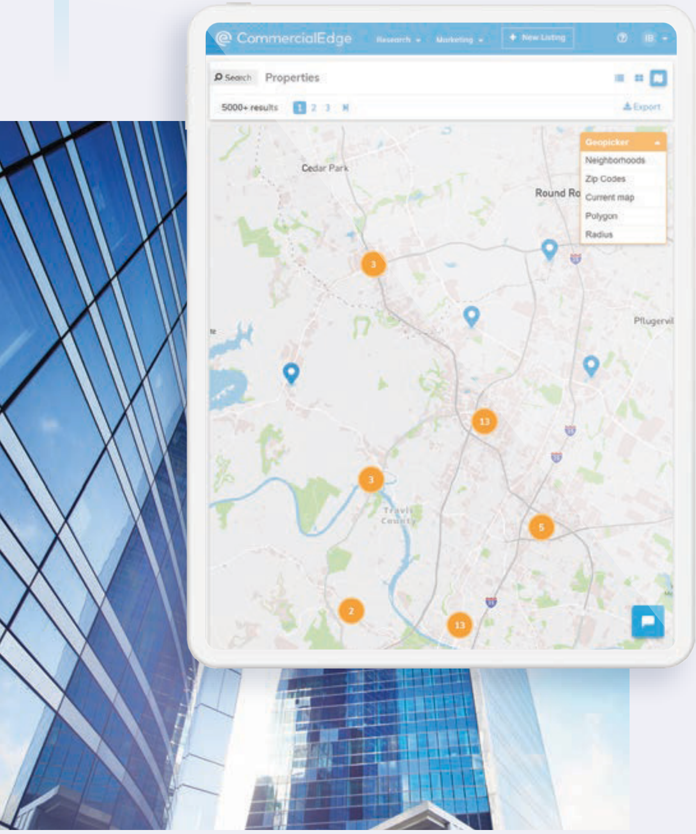
Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with CommercialEdge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

Sales volume and price-per-square-foot calculations for portfolio transactions or those with unpublished dollar values are estimated using sales comps based on similar sales in the market and submarket, use type, location and asset ratings, sale date and property size.

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
Nationwide property and listing data all in one place, specifically engineered for CRE professionals.

The data presented in this report is provided by CommercialEdge.
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