CommercialEdge

National Office Report

December 2022

Tech Lays Off Workers, Downsizes Offices

- Fueled by an abundance of cheap capital and investor search for yield, tech companies rapidly expanded in recent years, hiring thousands of workers as they competed for talent. This year, those companies have reversed course and have begun to shrink their payrolls.

- Layoffs in the tech industry have been widespread, even as other sectors of the labor market have added workers. According to Layoffs.fyi, more than 130,000 layoffs have occurred across nearly 1,000 tech firms since the second quarter. The list of companies with large-scale layoffs this year reads like a who's who of last decade's tech darlings. Among the biggest names are Meta (11,000 employees), Uber (3,000) and Twitter (3,700). The layoffs will keep coming, with Amazon letting go as many as 20,000 workers and Snap planning to let go of a fifth of its workers.

- Tech companies are also downsizing office footprints. Meta has been the biggest culprit so far, subleasing space, backing out of lease commitments and saying on its third-quarter earnings call that it will take a $2 billion write-down to consolidate offices. In Manhattan, the firm has backed out of a 300,000-square-foot commitment at 770 Broadway, vacated its space at 225 Park Ave. and opted not to renew leases at two buildings in Hudson Yards. In Austin, Meta will look to sublease a 589,000-square-foot space at 400 W. Sixth St., a mixed-use property where it signed a lease in January of this year. In Silicon Valley, Meta vacated The Village at San Antonio Center, two buildings it had previously committed to occupy until 2034. Meta is not alone in shrinking office space. Over the summer, Amazon halted construction of new office buildings in Nashville and Bellevue, Salesforce said it will be looking to sublease around 40% of its 43 floors at Salesforce Tower in San Francisco, and Lyft announced it will sublease about 45% of its office footprint across New York, Seattle, Nashville and San Francisco.

- With so many headwinds already facing the office sector, the tech pullback is yet another headache. An industry that was a major driver of office lease activity in recent years is now reversing course. But there are some silver linings. Giants like Apple and Twitter have been leading return-to-office this year, and tech companies both small and large have eschewed fully remote work. Long term, laid-off tech employees may found new businesses that drive office demand in the latter half of this decade, much as they did during the rebound from the Great Financial Crisis.

Listing Rates and Vacancy: Austin Market Strong Despite Rising Vacancies

- The average full-service equivalent listing rate was $38.06 in November, down 3.1% year-over-year but up 12 cents over October.
- The national vacancy rate was 16.2% in November, an increase of 110 basis points over the last 12 months.
- Austin has been the fastest-growing office market in the country since the start of the pandemic, with office-using sectors of the labor market adding 85,000 jobs, an increase of 28% over the last 30 months. Developers have responded to this growth with more than 3.1 million square feet of new office space, representing 3.6% of stock, completed this year alone. With deliveries hitting the market at this pace, the 100-basis-point increase in vacancy rates over the past 12 months appears minor. Despite Austin being one of the strongest office markets in the country, its average full-service equivalent listing rate has fallen 3.3% over the past 12 months, in part due to numerous listings hitting the market at a rate lower than the market average.

Listings by Metro

Market	Nov-22 Listing Rate	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Square Foot
National	$38.06	-3.1%	16.2%	110 bps		
Charlotte	$34.22	13.4%	12.6%	-170 bps	300 South Tryon	$44.00
Orlando	$24.57	11.8%	15.9%	-80 bps	Celebration Medical Center	$42.40
Miami	$49.63	11.6%	9.8%	-270 bps	830 Brickell	$150.00
San Diego	$43.73	9.5%	14.5%	60 bps	One La Jolla Center	$69.00
San Francisco	$67.23	7.0%	19.1%	390 bps	Offices at Springline North, The	$178.80
Seattle	$37.56	7.0%	18.1%	140 bps	1208 Eastlake Avenue East	$89.50
Atlanta	$30.29	4.1%	20.7%	0 bps	Star Metals Offices	$58.00
Nashville	$31.20	2.8%	17.8%	-10 bps	Three Thirty Three	$43.88
Chicago	$27.89	2.7%	19.3%	30 bps	300 North LaSalle Drive	$59.46
Phoenix	$27.70	2.7%	15.4%	100 bps	Camelback Collective	$52.50
Philadelphia	$30.27	1.7%	12.9%	-40 bps	One Logan Square	$50.07
Washington DC	$41.53	1.0%	14.3%	-170 bps	One Freedom Plaza	$81.83
Houston	$30.16	0.8%	26.3%	120 bps	Texas Tower	$58.40
Bay Area	$55.77	0.6%	16.2%	10 bps	260 Homer Ave & 819 Ramona St	$137.76
Twin Cities	$26.13	0.3%	14.4%	-20 bps	10 West End	$41.33
Manhattan	$74.73	0.0%	14.8%	350 bps	550 Madison Avenue	$210.00
Los Angeles	$42.32	-0.2%	14.8%	210 bps	100 Wilshire	$108.00
Boston	$37.53	-0.6%	8.9%	-170 bps	Kendall Square at MIT–314 Main Street	$121.60
New Jersey	$33.01	-0.9%	17.5%	70 bps	10 Exchange Place	$55.30
Dallas	$28.76	-1.7%	18.2%	50 bps	17Seventeen McKinney	$58.42
Denver	$29.92	-1.9%	18.7%	270 bps	1144 Fifteenth Street	$62.08
Austin	$41.74	-3.3%	18.3%	100 bps	Indeed Tower	$80.69
Tampa	$27.53	-4.3%	12.0%	-420 bps	Water Street Tampa–Thousand & One	$58.00
Portland	$28.65	-4.4%	15.6%	200 bps	M Financial Plaza	$46.40
Brooklyn	$47.12	-4.7%	17.7%	120 bps	200 Kent Avenue	$75.00

Source: CommercialEdge. Data as of November 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.

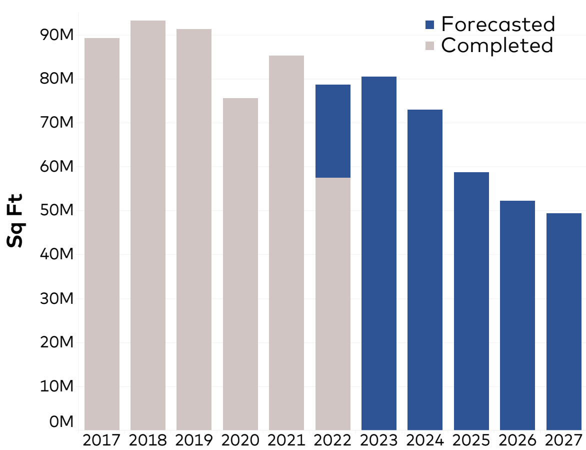
Supply:
Seattle Pipeline Large Despite Challenges

- Nationally, 132.3 million square feet of office supply are under construction, according to CommercialEdge.

- Despite numerous challenges like hybrid work, rising costs of capital and a potential looming recession, the office sector is on track to have more square feet of starts in 2022 than last year. Through November, nearly 56 million square feet of new office space has begun construction. In 2021, a total of 58.2 million square feet of starts took place.

- Seattle's new-supply pipeline remains substantial despite a slowdown in the tech industry, which makes up an outsize portion of the market's office utilization. More than 5.6 million square feet are under construction in the Emerald City, 1.3 million of which began construction in 2022. Tech layoffs in the market have been widespread, from giants like Amazon and Meta to real estate tech firms Redfin and Zillow, which will put some downward pressure on office demand. With a vacancy rate that has increased 140 basis points over the last year and now sits at 18.1%, absorption of this new stock could take a while.

National New Supply Forecast



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

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	132,293,590	2.1%	6.3%
Austin	7,690,199	8.8%	22.8%
Seattle	5,635,664	4.1%	18.5%
Bay Area	6,503,052	3.3%	16.4%
Charlotte	4,878,094	6.5%	15.9%
Nashville	3,088,379	5.5%	14.4%
Boston	13,391,014	5.6%	11.8%
San Francisco	6,783,897	4.4%	10.4%
San Diego	4,526,170	4.9%	10.3%
Atlanta	4,182,496	2.1%	9.9%
Dallas	7,459,867	2.8%	9.3%
Miami	2,068,702	2.9%	8.6%
Brooklyn	1,125,500	3.1%	7.4%
Orlando	1,469,940	2.7%	6.7%
Portland	415,714	0.7%	6.6%
Chicago	2,988,173	1.0%	6.3%
Manhattan	15,249,020	3.4%	5.9%
Phoenix	841,296	0.6%	5.6%
Philadelphia	2,462,513	1.4%	5.0%
Denver	2,460,665	1.6%	4.3%
Washington DC	4,888,972	1.3%	3.5%
Los Angeles	2,148,694	0.8%	3.4%
Houston	3,903,776	1.7%	3.0%
Tampa	343,773	0.5%	2.5%
Twin Cities	569,500	0.5%	2.2%
New Jersey	1,544,900	0.8%	1.9%

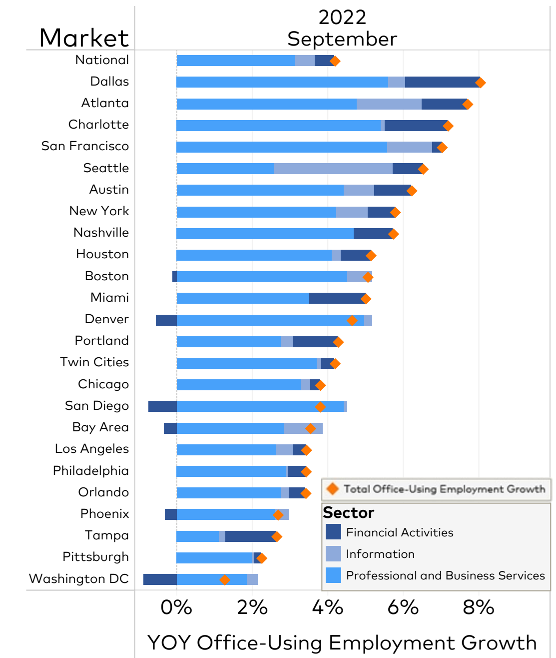
Source: CommercialEdge. Data as of November 2022

Office-Using Employment: Job Growth Cools in Office Sectors

- Office-using sectors of the labor market added 39,000 jobs in the month of October. The three sectors have seen growth slow in recent months after starting the year strong. Between January and July, more than 108,000 office jobs were added per month on average. In August through October, the average was slightly north of 41,000.

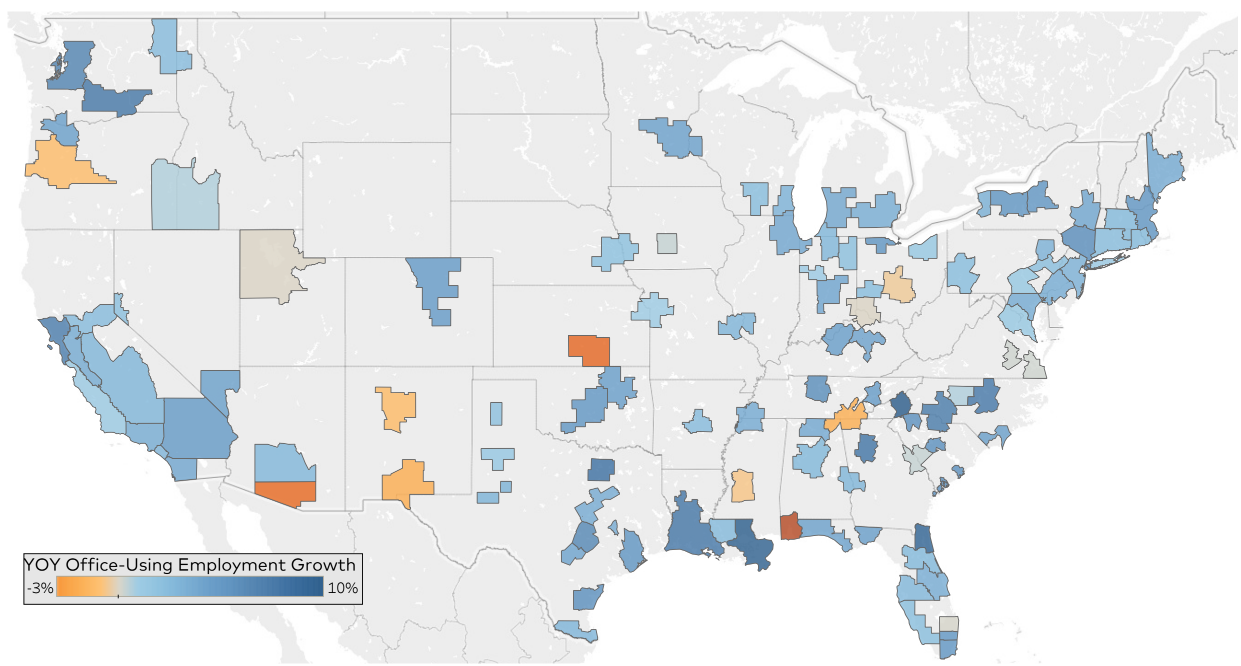
- Metro employment data for September, which trails the national release, shows the Sun Belt leading the way in office jobs growth, with Dallas increasing 8.0% over the past year, Atlanta 7.7%, Charlotte 7.2%, Austin 6.2% and Nashville 5.7%. Gateway and tech-centric markets have also seen large gains year-over-year, with San Francisco growing 7.0%, Seattle 6.5%, New York 5.8% and Boston 5.0%. However, unlike the Sun Belt markets at the top of the list, gateway markets have been slow to recover jobs lost to the pandemic, finally surpassing February 2020 levels of employment this year, whereas the Sun Belt markets have long since recovered and continued to grow in 2022.

Growth by Sector



Sources: Bureau of Labor Statistics and Moody's Analytics

Office-Using Employment Growth



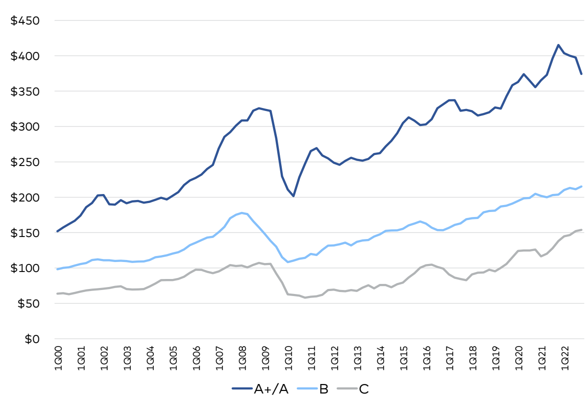
Sources: Bureau of Labor Statistics and Moody's Analytics

Transactions:
Atlanta Sales Outperform 2021 Figures

- CommercialEdge recorded $80.4 billion in office transactions through the first 11 months of the year.

- Atlanta stands out from the pack when it comes to office sales in 2022. Not only is the market on track to surpass last year's sales volume of $3.7 billion but it is one of the few markets where the average sale price has increased this year, to $229 from $211 per square foot in 2021. The sale of the 1.3 million-square-foot Bank of America Plaza—a 55-story tower that is an iconic part of the city's skyline—has been the largest this year.

Asset Class (price per sq. ft.)



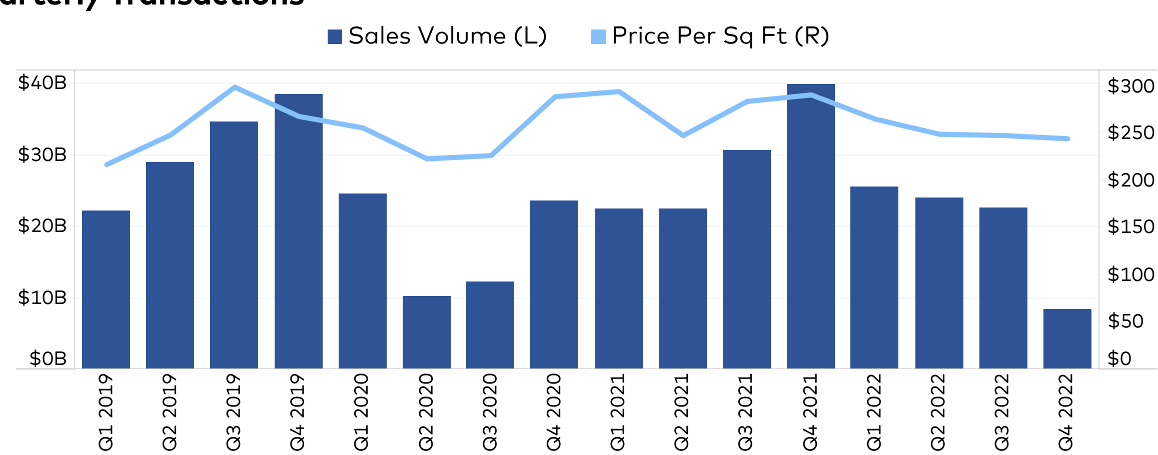
Source: CommercialEdge; 12-month moving average. Does not include unpublished and portfolio transactions.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 11/30)
National	$253	$80,421
Manhattan	$828	$5,885
Boston	$511	$4,655
Bay Area	$442	$4,423
Washington DC	$291	$4,292
Dallas	$187	$4,156
Atlanta	$229	$3,656
New Jersey	$231	$3,409
Los Angeles	$434	$3,283
Chicago	$186	$3,151
Denver	$312	$3,060
Seattle	$550	$2,747
Phoenix	$269	$2,540
Houston	$135	$2,218
San Diego	$448	$2,190
San Francisco	$940	$1,980
Austin	$380	$1,919
Charlotte	$323	$1,384
Nashville	$257	$1,324
Miami	$385	$1,306
Philadelphia	$185	$1,148
Twin Cities	$124	$978
Tampa	$261	$815
Brooklyn	$532	$767
Orlando	$174	$635
Portland	$191	$184

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

Quarterly Transactions



Source: CommercialEdge. Data as of November 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.

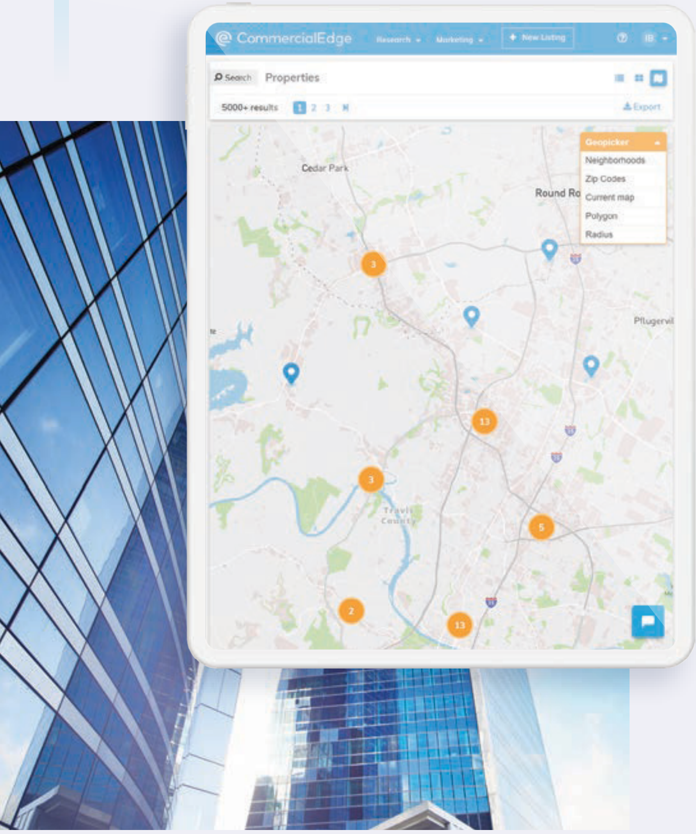
Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with CommercialEdge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