

# COMMERCIAL REAL ESTATE **U.S. MARKET | OFFICE**

Third Quarter 2021



TRANSWESTERN



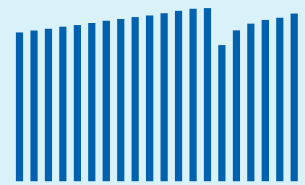
## U.S. TRENDLINES

5-Year Trend      Current Quarter

UNEMPLOYMENT RATE **4.8%**  
Down 110 basis points

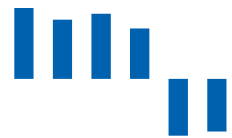


OFFICE-USING EMPLOYMENT



**46.3 M**  
Up 0.9%

NET ABSORPTION



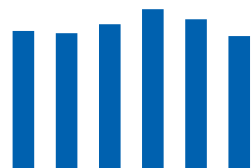
**(5.5) MSF**  
Quarterly negative absorption ebbing

VACANCY



**12.6%**  
20 bps rise in Q3;  
200 bps rise YoY

UNDER CONSTRUCTION



**147.6 MSF**  
Down 2.3% in Q3 and  
13.5% YoY

ASKING RENT (BASE)



**\$25.56 PSF**  
2.1% annual growth,  
below 5-year average  
of 3.3%

## U.S. HIGHLIGHTS

### ECONOMY

- September was the weakest month of 2021 for growth with only 194,000 jobs added; however, private sector employment increased by 317,000.
- Office-using jobs added 115,100 of these positions. All office-using jobs lost since the start of the pandemic have been recovered.
- Despite a lull in September, job growth during the quarter was healthy, led by physician offices, real estate companies, and the tech, consulting, and motion picture industries. Through 2025, tech, consulting, and medical should drive job growth.

### OFFICE MARKET

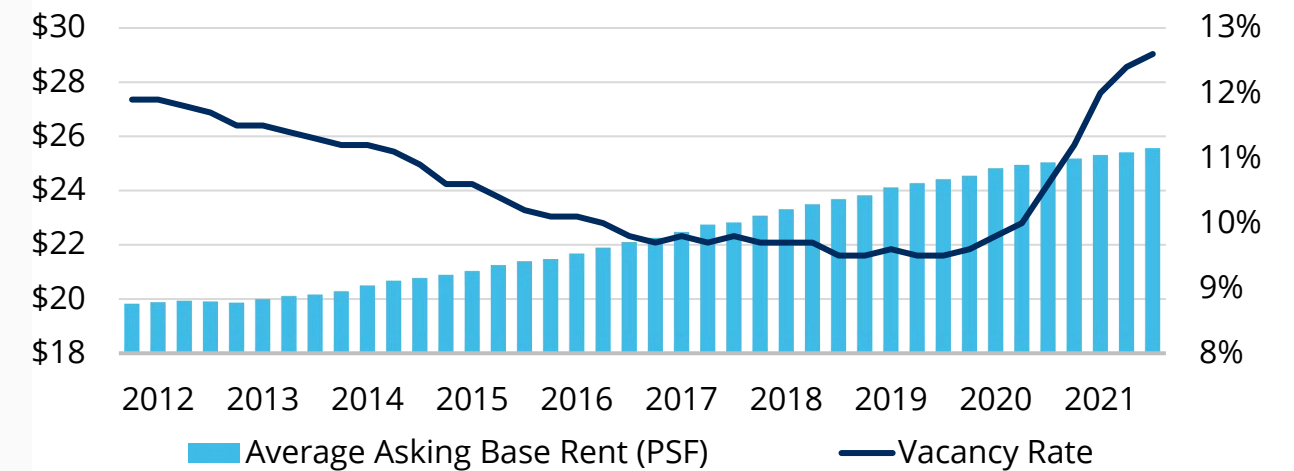
- 28 out of 51 markets tracked registered positive net absorption as market correction is underway.
- However, this progress was not enough to offset other markets, resulting in negative 5.5 million SF of net absorption nationally. Still, this is a notable improvement from the quarterly average of negative 30.8 million SF during the height of the pandemic.
- Tour activity is up in most major markets, but not enough to translate to notable transaction volume. The Delta variant paused select deals, which pushed the vacancy rate up to 12.6%.
- Annual asking rents are up 2.1% YoY as landlords – expecting a rebound of pent-up demand – hold firm.

### LOOKING AHEAD

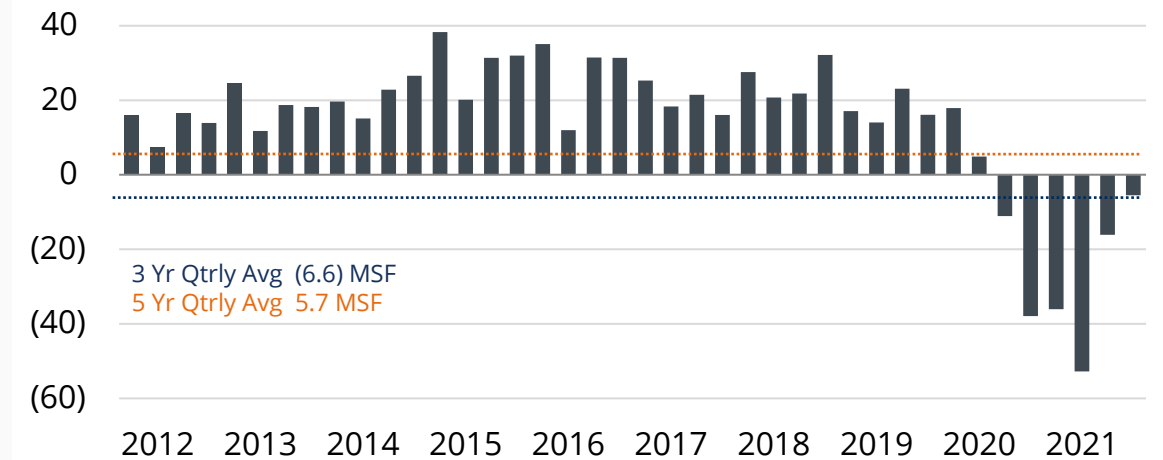
- The Delta variant delayed market recovery. We expect pent-up demand to emerge starting late 2021.
- With the market in tenants' favor, select companies will take advantage of favorable financial terms.
- The impact of work from home post-pandemic is still unclear and how tenants reconfigure workspace is to be determined. The office is not dead but will evolve to meet new challenges and work patterns.

## U.S. HISTORICAL

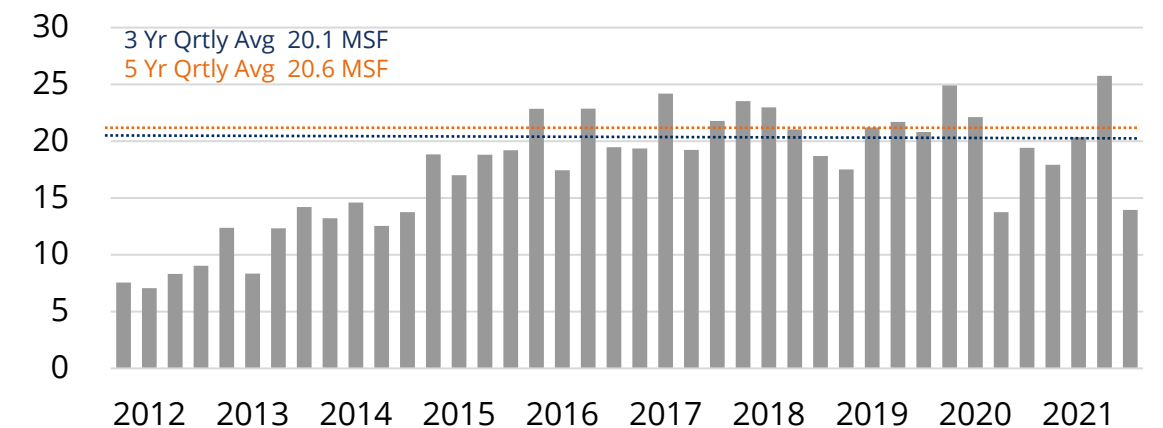
### VACANCY VS ASKING RENT



### NET ABSORPTION (MILLION SF)

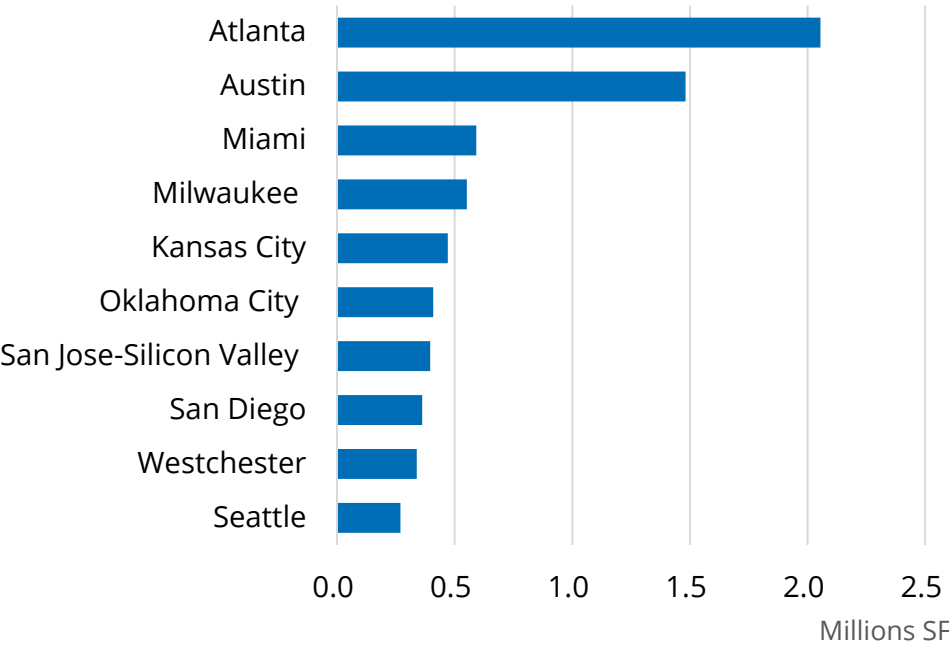


### CONSTRUCTION – DELIVERED (MILLION SF)



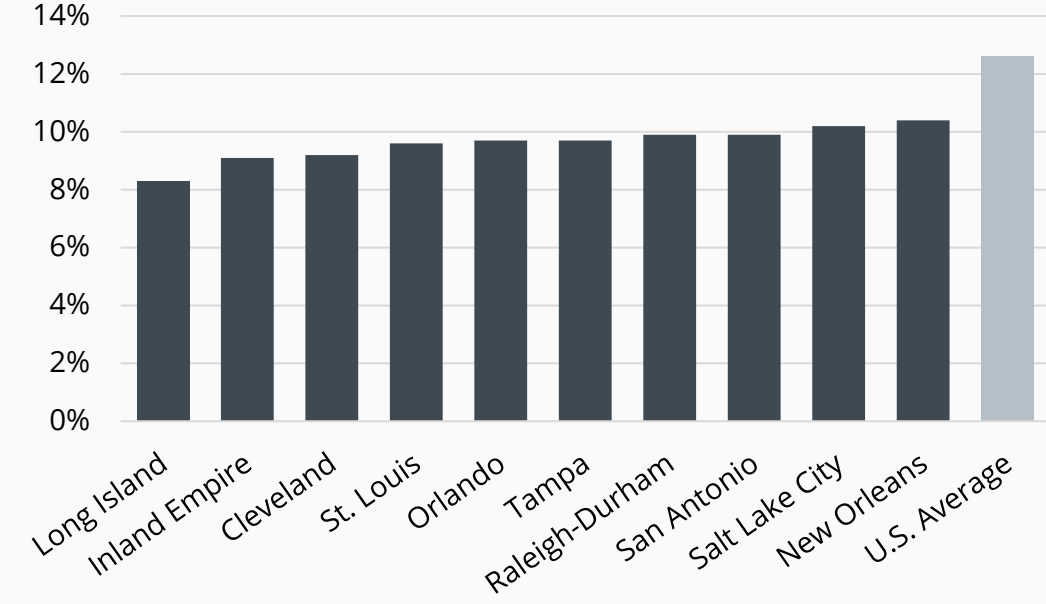
# NET ABSORPTION

Q3 2021 Net Absorption



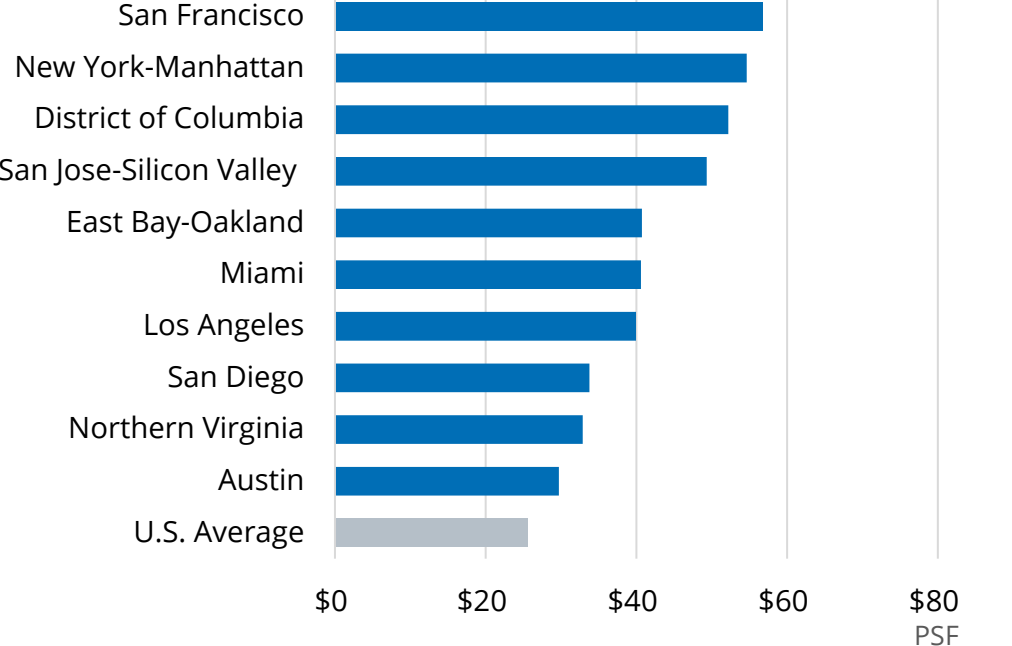
# VACANCY/CONSTRUCTION

Q3 2021 Overall Vacancy Rate

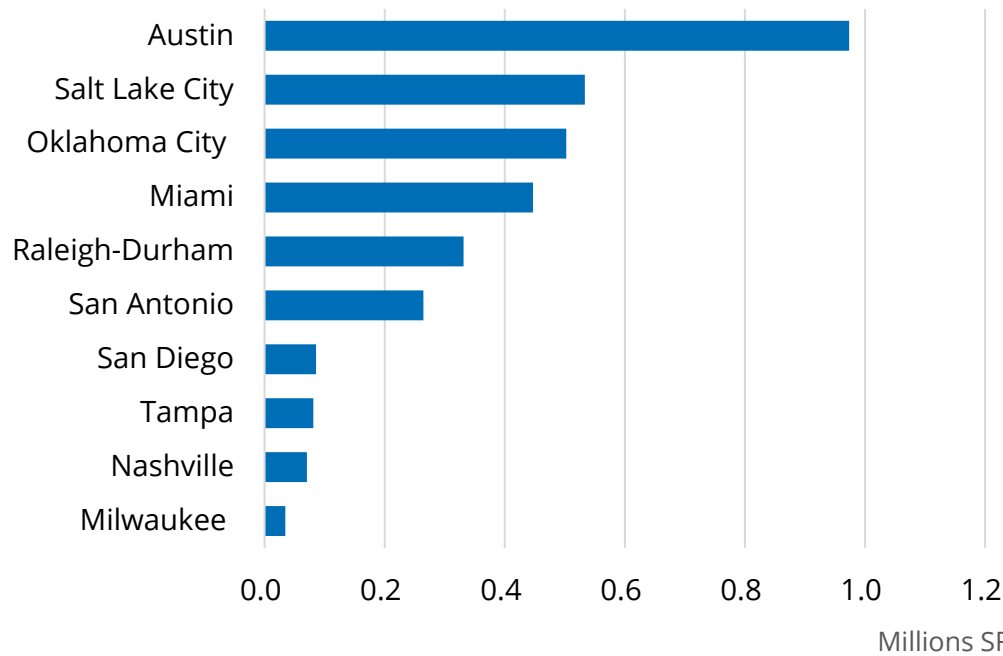


# ASKING RENTS

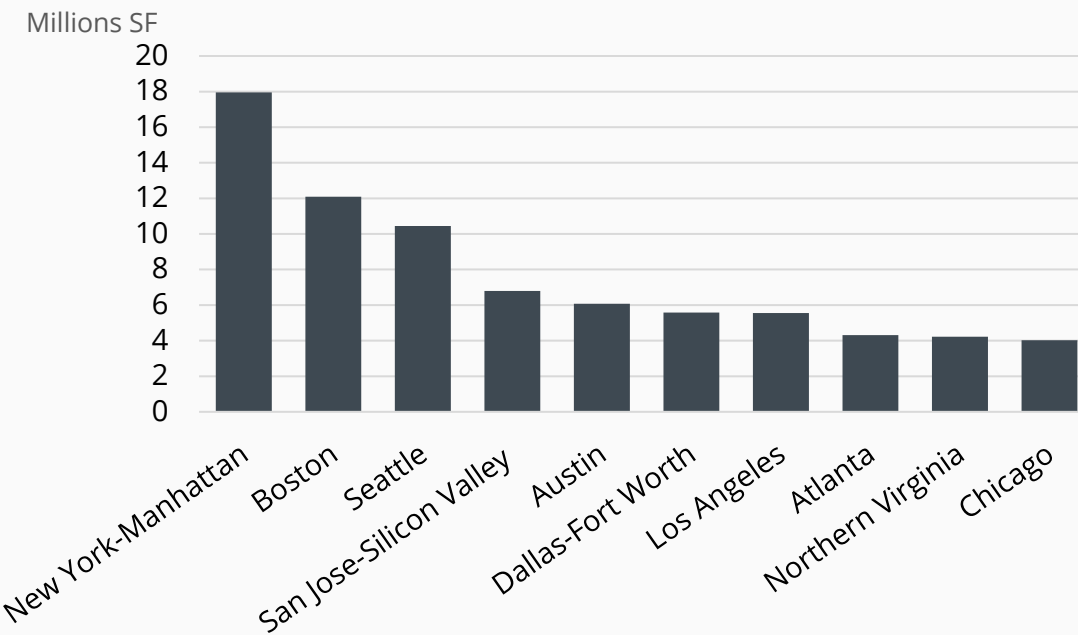
Q3 2021 Asking Rate (Base)



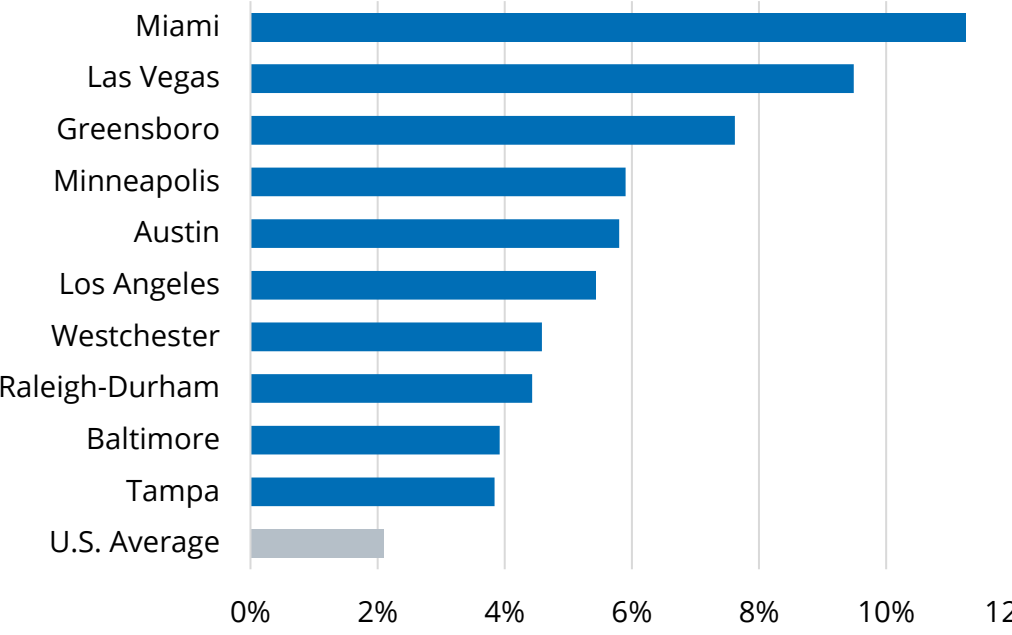
# Trailing 4-Qtr Net Absorption



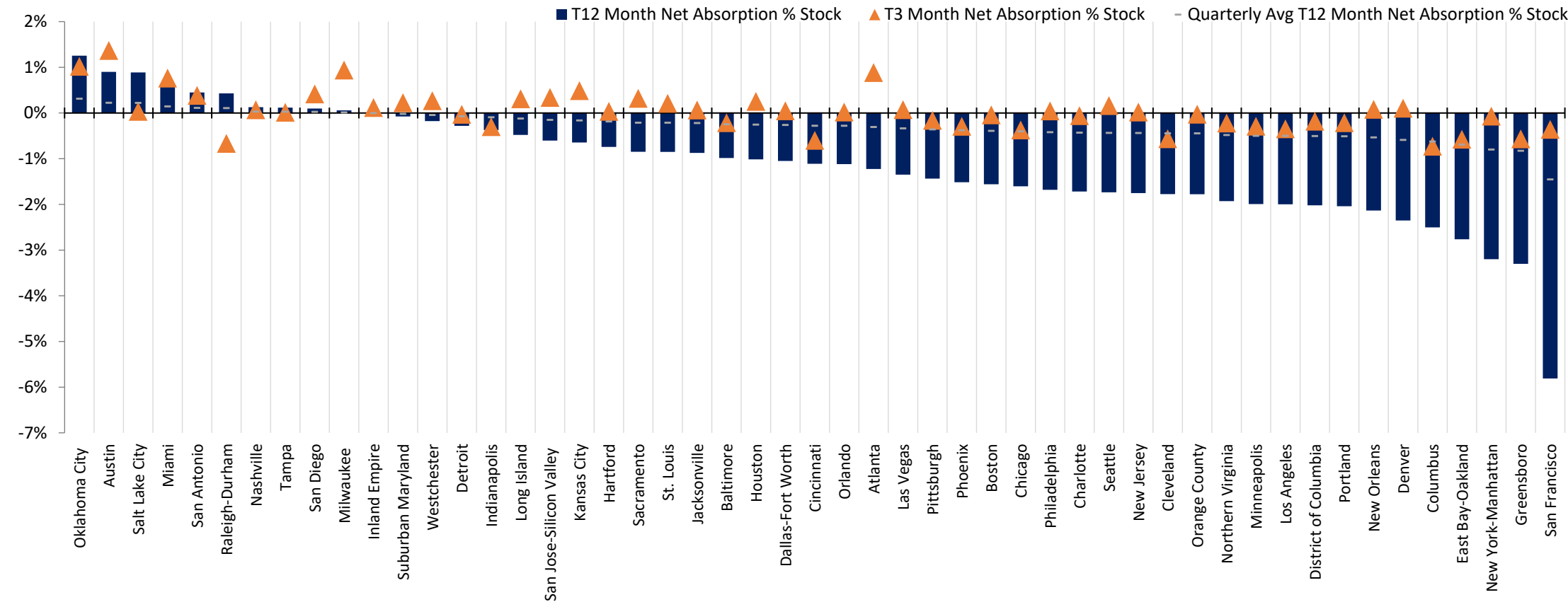
# Q3 2021 Under Construction



# Year-Over-Year Rent Growth

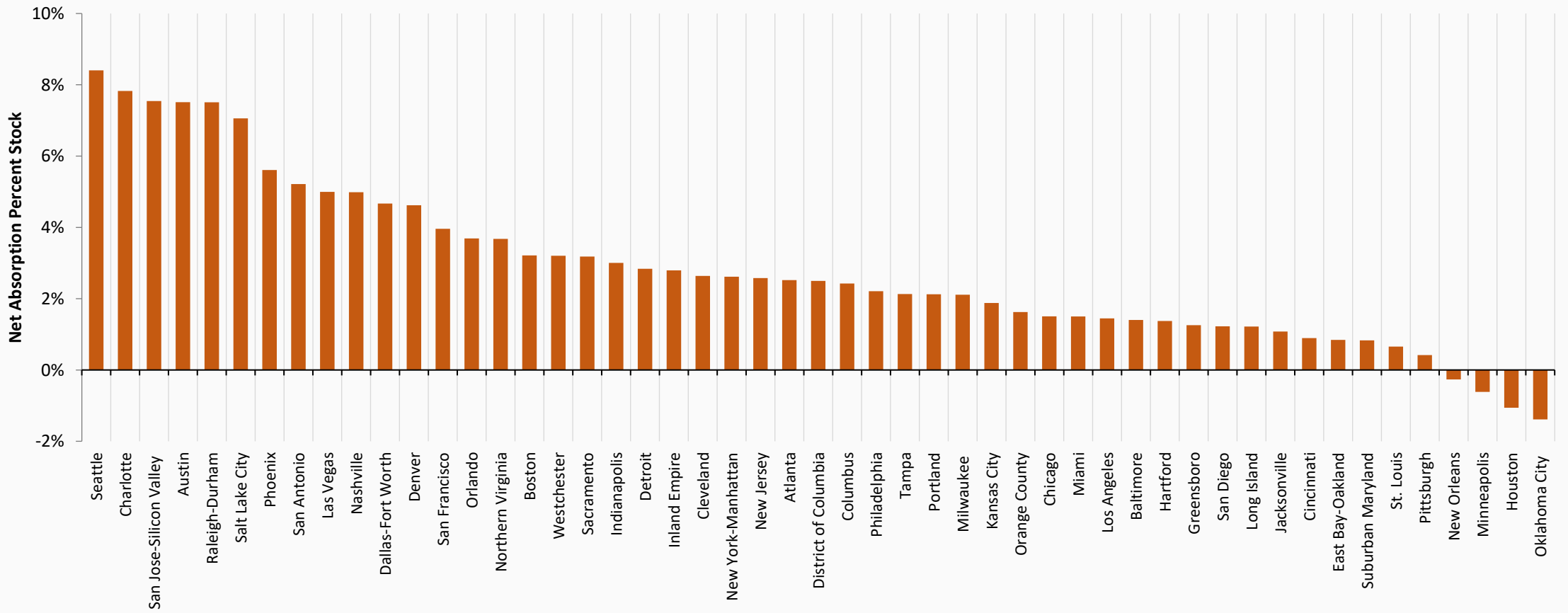


NET ABSORPTION % STOCK



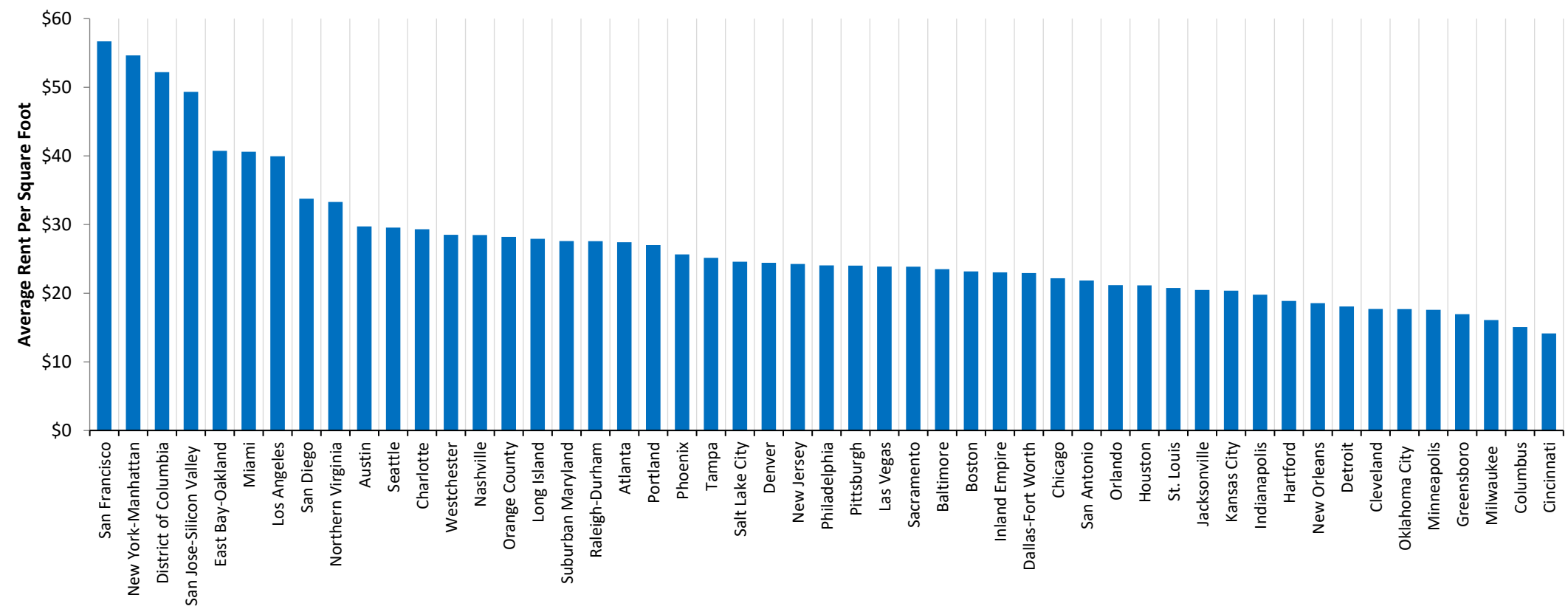
- Net absorption picked up in Q3 with over half of tracked office markets posting positive net absorption for the time period.
- Approximately 20% of tracked markets managed positive net absorption over the past 12 months, led by Oklahoma City, Austin, Salt Lake City and Miami.
- Further, many markets showed improvement in Q3: over 85% experienced net absorption above their quarterly average over the past year.

PRE-PANDEMIC EXPANSION: 3 YEAR NET ABSORPTION % STOCK



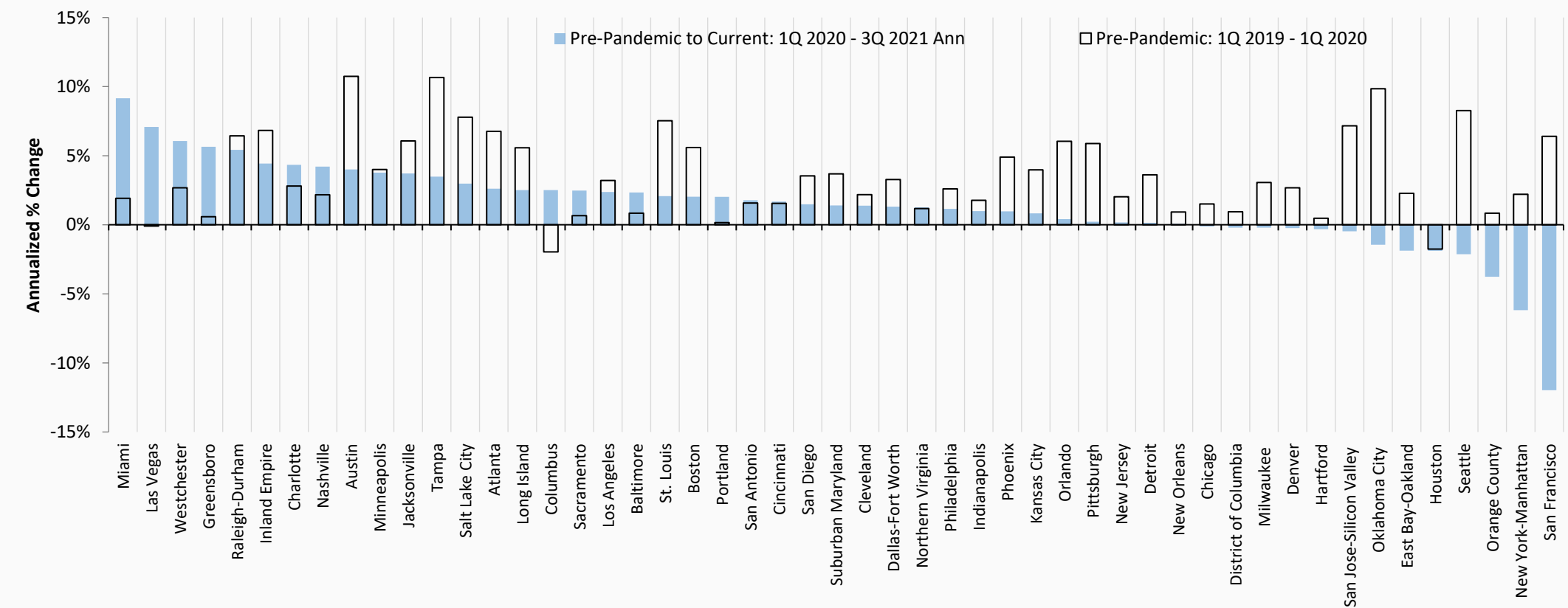
- Markets with strong tailwinds prior to the pandemic may be better positioned coming out of the downturn.
- This graph shows net absorption as a percent of stock for the three years preceding the start of the pandemic (ending 1Q20). A higher percentage indicates that a market is more expansionary. A negative percentage is a sign of contraction.
- Markets that were experiencing an expansionary trend before the pandemic included Seattle, Charlotte, San Jose-Silicon Valley, Austin, and Raleigh-Durham.

RENTAL RATES (BASE)



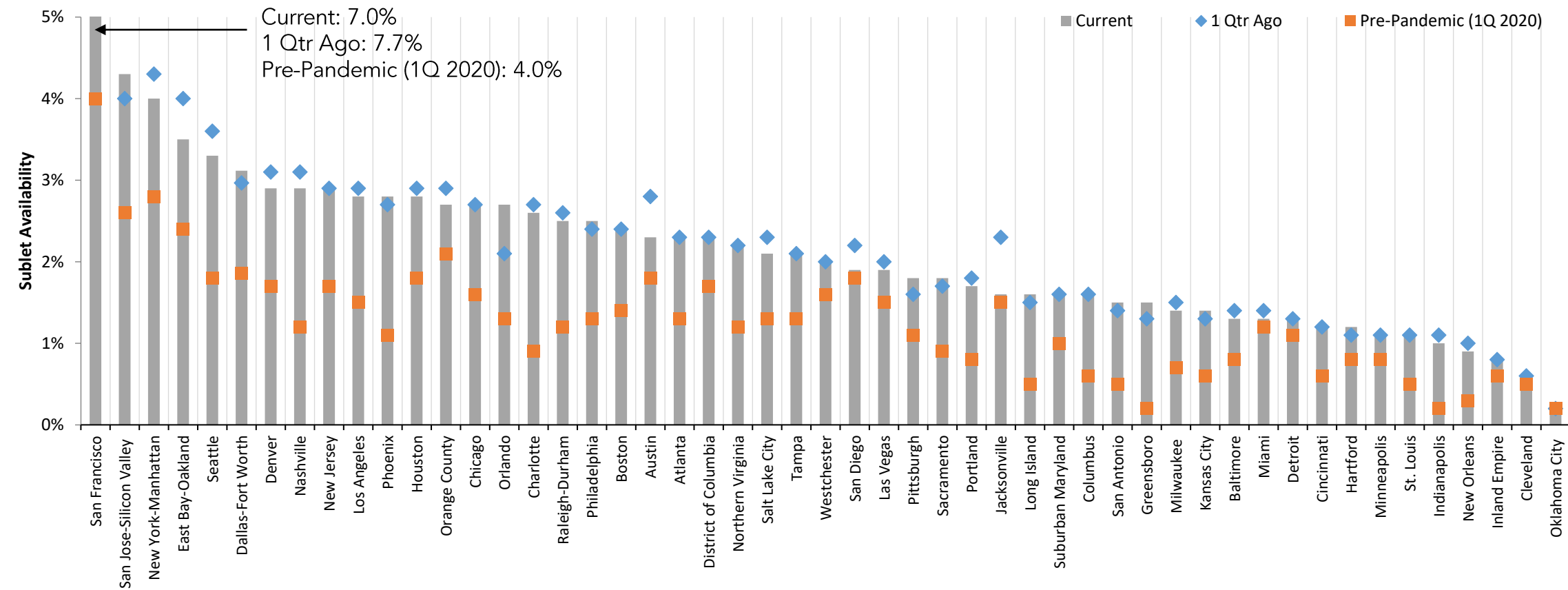
- The largest, densest and most developed markets have historically commanded significantly higher rental rates, yet pandemic-related trends have diminished these markets' lead.
- Since the onset of COVID-19, rent in San Francisco has fallen by approximately \$12, and in New York by \$5.50.
- Excluding these two markets, the average rise in rent of the tracked markets over the same time period was approximately \$0.70.

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



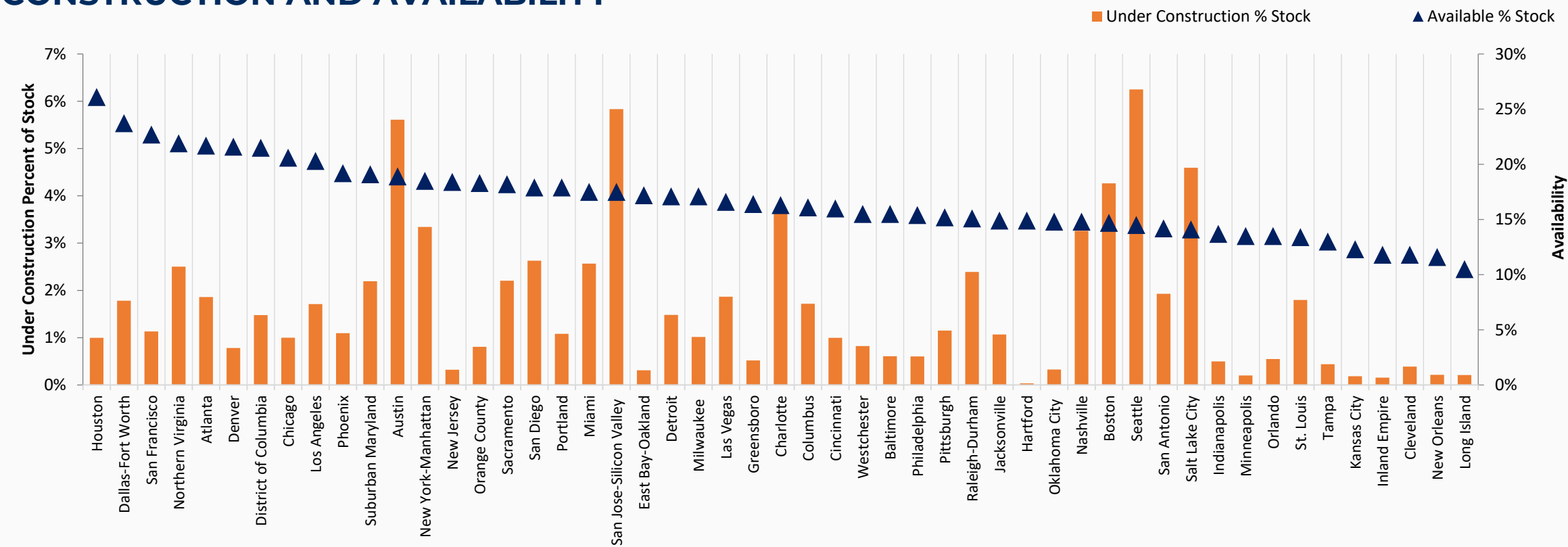
- The highest rental growth rates since the start of the pandemic occurred in Miami, Las Vegas, and Westchester.
- Compared with pre-pandemic rental rate growth, markets experiencing a relative lift include Miami, Las Vegas, Westchester, Greensboro, Charlotte, Nashville, Columbus, Sacramento, Baltimore and Portland.
- 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 shorter lease terms and 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.
- Over 75% of markets saw improvement from the previous quarter.
- Sublet available SF remains elevated above pre-pandemic levels for all tracked markets, excluding Oklahoma City.
- Additionally, more than 30% of markets are still at levels that are double or more what they were before the onset of COVID-19.

CONSTRUCTION AND AVAILABILITY

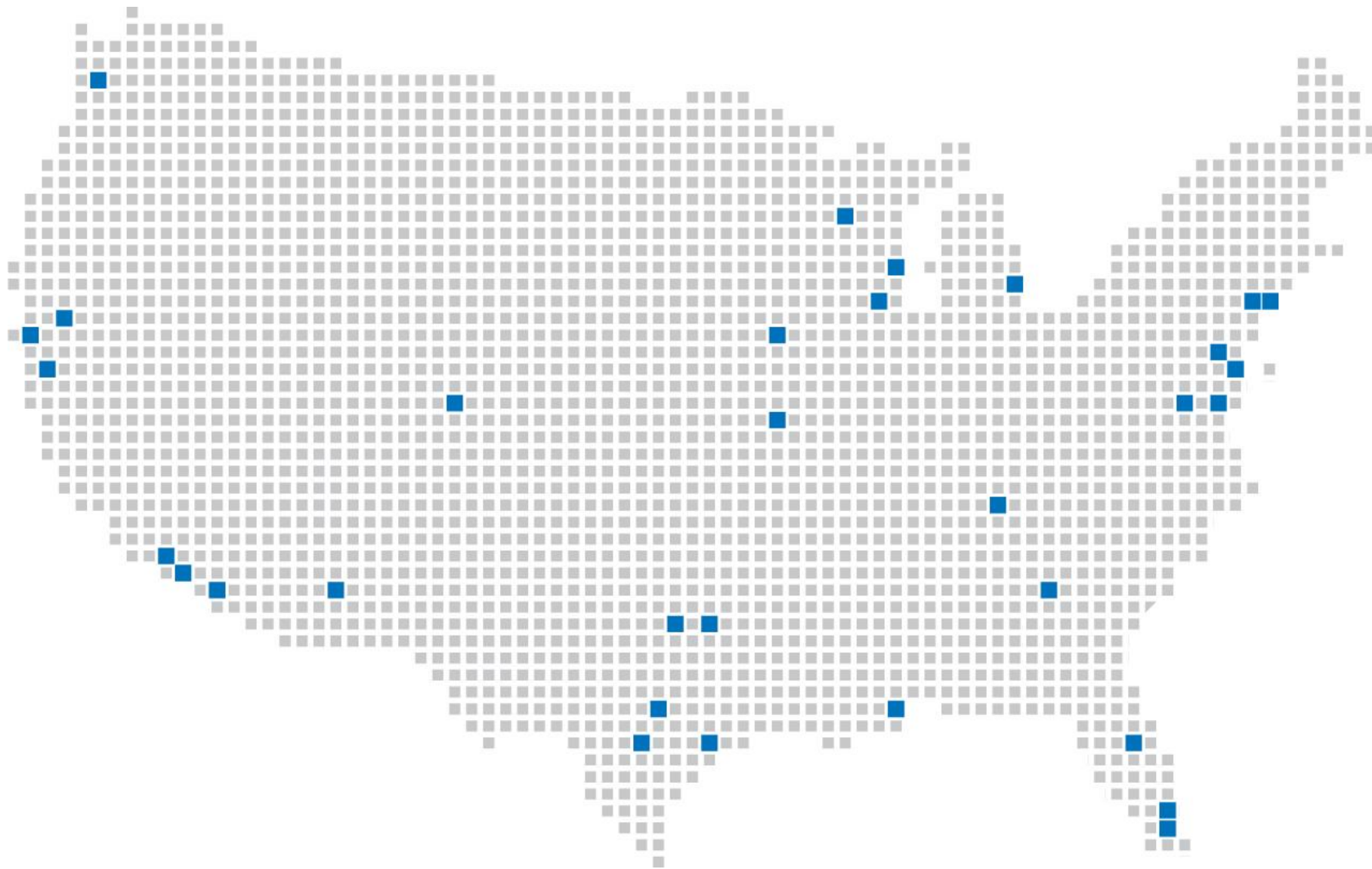


- Under construction percent of stock is indicative of future market expansion. Combined with availability percent of stock, it can also be a potential determinate of softening or tightening within a market.
- Markets with particularly high under construction stock and high availability as a percent of stock include Austin, San Jose-Silicon Valley and Charlotte. 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	231,945,107	17.0%	16.0%	2,054,589	(2,840,649)	\$27.42	2.3%	4,314,596
Austin	108,240,919	14.2%	12.4%	1,481,393	973,645	\$29.73	5.8%	6,072,104
Baltimore	109,025,821	12.8%	12.2%	(479,190)	(1,055,941)	\$23.59	3.9%	714,968
Boston	283,481,065	10.5%	9.0%	(115,104)	(4,422,785)	\$23.17	2.3%	12,090,276
Charlotte	89,717,613	14.1%	11.6%	(52,054)	(1,541,153)	\$29.31	1.4%	3,256,389
Chicago	402,847,941	16.0%	14.7%	(1,488,966)	(6,461,226)	\$22.18	-0.5%	4,025,174
Cincinnati	74,350,815	12.3%	11.5%	(445,656)	(825,813)	\$14.15	2.7%	741,391
Cleveland	77,117,116	9.2%	8.9%	(434,586)	(1,368,721)	\$17.70	1.6%	300,000
Columbus	77,801,026	12.2%	11.1%	(565,923)	(1,948,276)	\$15.07	2.4%	1,335,403
Dallas-Fort Worth	312,927,160	19.9%	18.7%	151,943	(3,281,263)	\$22.94	2.1%	5,577,116
Denver	143,678,734	16.4%	14.3%	152,595	(3,379,081)	\$24.43	-0.5%	1,121,878
Detroit	138,685,413	12.9%	12.1%	(40,359)	(388,956)	\$18.07	-1.8%	2,055,724
District of Columbia	146,146,724	15.6%	14.4%	(263,768)	(2,951,306)	\$52.21	0.3%	2,158,568
East Bay-Oakland	84,150,025	15.6%	13.3%	(483,279)	(2,325,193)	\$40.75	-4.0%	260,810
Greensboro	20,040,806	13.8%	12.3%	(113,686)	(661,592)	\$16.95	7.6%	103,900
Hartford	48,830,068	10.7%	9.7%	17,149	(362,516)	\$18.88	-0.9%	16,200
Houston	191,376,012	21.4%	20.1%	(796,292)	(3,518,530)	\$21.35	-2.3%	2,531,895
Indianapolis	69,437,675	11.1%	10.6%	(206,782)	(259,501)	\$19.78	1.9%	346,006
Inland Empire	39,101,633	9.1%	8.9%	47,284	(2,815)	\$23.03	3.8%	60,899
Jacksonville	42,509,808	12.5%	11.4%	27,926	(371,696)	\$20.48	2.0%	453,995
Kansas City	96,420,041	10.6%	9.7%	471,074	(621,876)	\$20.37	0.7%	178,396
Las Vegas	38,378,168	14.7%	12.1%	27,929	(517,244)	\$23.88	9.5%	716,048
Long Island	62,119,319	8.3%	7.1%	193,082	(297,533)	\$27.92	1.8%	130,288
Los Angeles	324,539,555	16.0%	14.6%	(1,122,220)	(6,485,143)	\$39.96	5.4%	5,550,992
Miami	77,412,854	13.1%	12.4%	592,108	447,051	\$40.61	11.3%	1,987,463

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Milwaukee	58,753,842	11.3%	11.0%	552,094	34,467	\$16.09	-0.6%	596,574
Minneapolis	143,702,889	11.0%	10.4%	(413,230)	(2,863,924)	\$17.59	5.9%	289,131
Nashville	55,214,035	11.5%	9.7%	38,293	70,306	\$28.48	2.9%	1,799,789
New Jersey	313,767,334	13.6%	12.2%	67,282	(5,497,937)	\$24.26	1.0%	1,007,264
New Orleans	34,390,906	10.4%	9.8%	27,709	(734,120)	\$18.55	-0.3%	73,978
New York-Manhattan	537,082,903	12.5%	10.4%	(362,086)	(17,181,257)	\$54.65	-6.7%	17,954,078
Northern Virginia	185,182,978	17.2%	16.3%	(1,988,661)	(2,011,818)	\$32.89	0.7%	4,222,822
Oklahoma City	40,021,202	12.4%	12.3%	408,763	502,440	\$17.69	-1.3%	130,214
Orange County	120,419,190	13.8%	12.4%	(32,583)	(2,141,615)	\$28.20	-4.5%	972,853
Orlando	62,417,618	9.7%	8.5%	13,138	(698,458)	\$21.18	-0.3%	341,860
Philadelphia	216,146,039	10.8%	9.7%	96,708	(3,631,464)	\$24.06	1.7%	1,301,270
Phoenix	167,333,424	15.9%	14.4%	(487,456)	(2,533,335)	\$25.65	0.0%	1,832,931
Pittsburgh	102,349,918	12.0%	10.9%	(164,855)	(1,469,402)	\$24.02	0.9%	1,178,103
Portland	82,199,119	14.5%	13.2%	(174,263)	(1,676,543)	\$27.01	2.0%	888,977
Raleigh-Durham	77,215,111	9.9%	9.1%	(513,490)	331,230	\$27.58	4.4%	1,845,150
Sacramento	69,216,957	12.6%	11.7%	222,341	(587,668)	\$23.86	2.0%	1,525,866
Salt Lake City	59,991,453	10.2%	8.6%	21,873	533,225	\$24.59	0.5%	2,756,309
San Antonio	58,900,964	9.9%	9.4%	227,362	264,498	\$21.85	2.8%	1,135,865
San Diego	86,561,894	13.6%	12.6%	362,001	85,575	\$33.77	3.5%	2,274,770
San Francisco	103,517,700	16.3%	12.1%	(371,514)	(6,013,416)	\$56.70	-11.8%	1,171,319
San Jose-Silicon Valley	116,479,667	14.2%	11.4%	396,021	(703,355)	\$49.33	-2.2%	6,795,259
Seattle	167,186,808	11.6%	9.2%	269,556	(2,902,301)	\$29.56	-2.5%	10,447,956
St. Louis	106,356,053	9.6%	9.1%	223,992	(905,305)	\$20.76	1.5%	1,911,083
Suburban Maryland	97,418,827	16.0%	15.0%	220,341	(73,131)	\$27.60	2.7%	2,137,695
Tampa	69,519,486	9.7%	8.6%	10,856	81,117	\$25.15	3.8%	305,000
Westchester	126,353,909	11.7%	10.5%	338,859	(224,282)	\$28.51	4.6%	1,038,850

## 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

### Elizabeth Norton

Sr. Managing Director | Research Services  
[Elizabeth.Norton@transwestern.com](mailto:Elizabeth.Norton@transwestern.com)  
202 775 7026

### Matthew Dolly

Research Director | Research Services  
[Matthew.Dolly@transwestern.com](mailto:Matthew.Dolly@transwestern.com)  
973 947 9244

### Laura Haltom

Manager | Data Analytics  
[Laura.Haltom@transwestern.com](mailto:Laura.Haltom@transwestern.com)  
720 889 4087