

Q2 2021

U.S. OFFICE FIGURES



Q2 2021 U.S. OFFICE FIGURES | EXECUTIVE SUMMARY

OFFICE MARKET SHOWS SIGNS OF TURNAROUND AS NEGATIVE ABSORPTION LESSENS

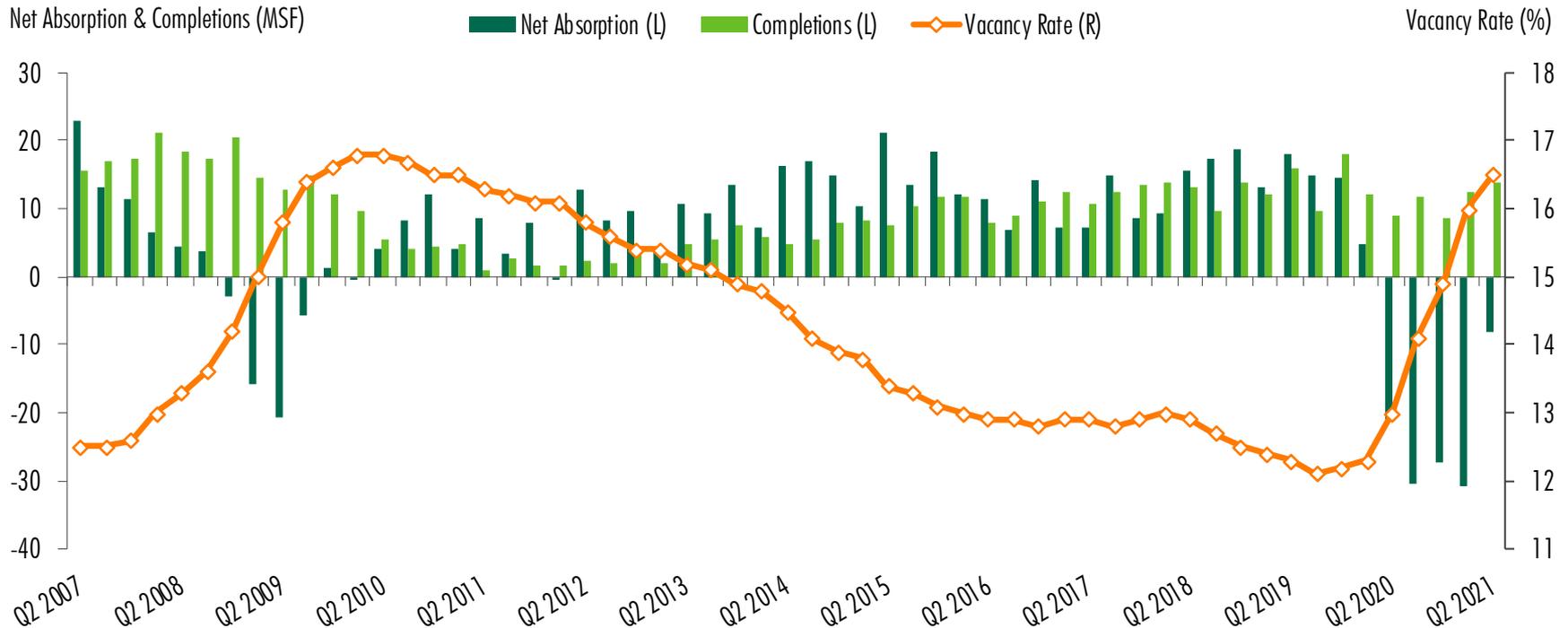


Arrows indicate change from previous quarter.

- Q2 had the lowest quarterly level of negative absorption (-7.9 million sq. ft.) since the COVID downturn began, representing a substantial reduction from the 30 million-sq.-ft. average of the three previous quarters.
- The overall office vacancy rate rose by 50 basis points (bps) in Q2 to 16.5%, slightly below its peak level of 16.8% during the Global Financial Crisis.
- Downtown markets remained disproportionately impacted. The downtown vacancy rate rose by nearly 80 bps quarter-over-quarter to 15.8%. However, the rate of vacancy increases slowed substantially for both downtown and suburban markets in Q2.
- Leasing activity continued to improve in Q2, with new deal activity increasing significantly.

FIGURE 1

U.S. METRO OFFICE SUPPLY & DEMAND

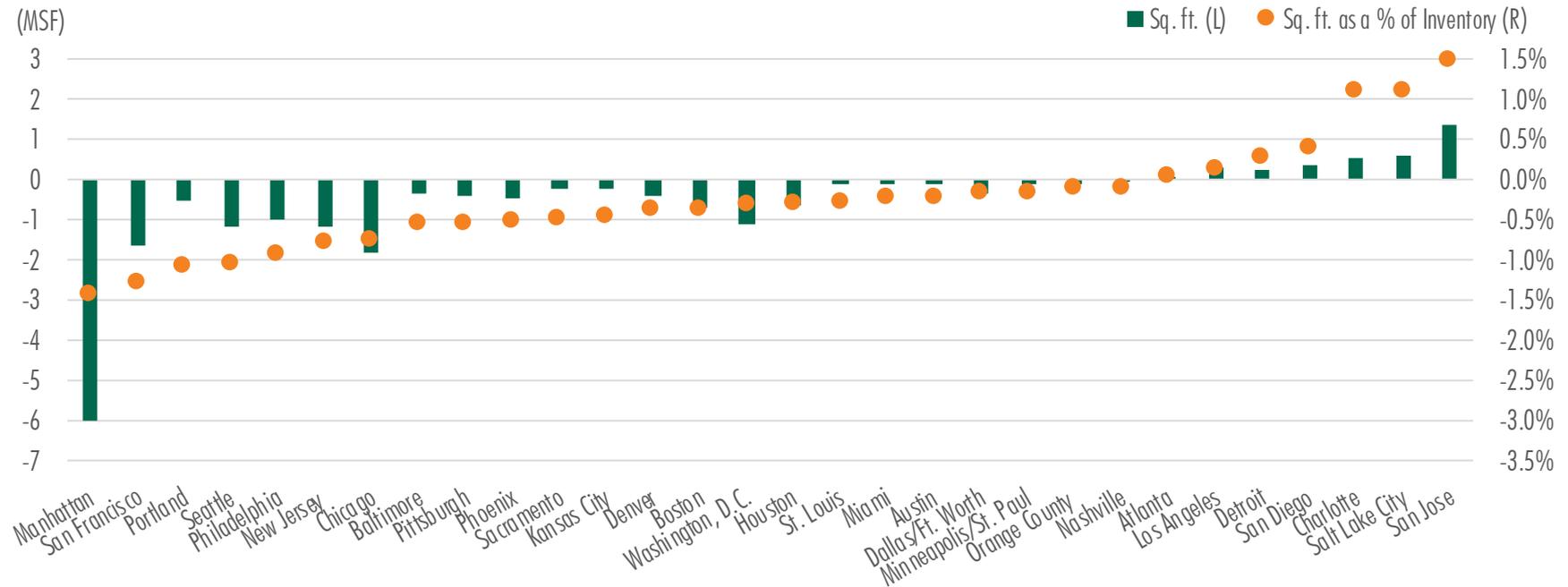


Source: CBRE Econometric Advisors, Q2 2021.

- Negative net absorption of 7.9 million sq. ft. in Q2 dropped significantly from the 30 million-sq.-ft. average of the previous three quarters.
- While the overall office vacancy rate rose by 3.5 percentage points year-over-year to 16.5%, the rate of increase slowed to just 50 bps quarter-over-quarter.
- Completions of 13.8 million sq. ft. in Q2 were up slightly from Q1 and exceeded the 10-year quarterly average of 8.5 million sq. ft.

FIGURE 2

Q2 2021 NET ABSORPTION AS % OF OFFICE INVENTORY IN 30 LARGEST U.S. MARKETS

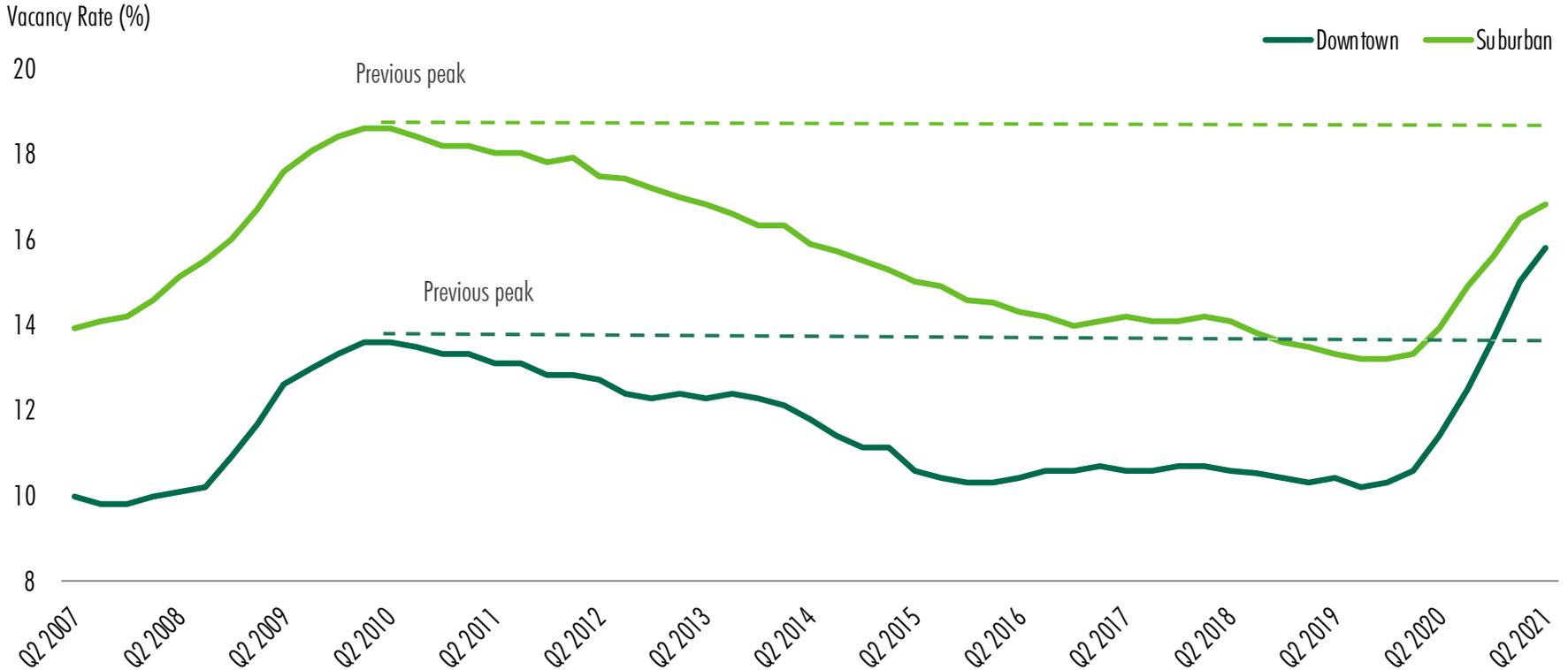


Source: CBRE Research, Q2 2021.

- Manhattan continued to experience the biggest downturn in office demand in Q2, but negative absorption totaling 6 million sq. ft. was down by 34% from Q1. Manhattan also had the most negative absorption as a percentage of total inventory (-1.4%) in Q2, followed by San Francisco at -1.3%.
- Quarter-over-quarter negative net absorption levels were greatly reduced in tech-dominant markets like San Francisco, Austin, Seattle and Portland.
- San Jose, Salt Lake City and Charlotte were the top three markets with positive absorption in Q2. San Jose had the most net absorption by both volume and percentage of its total inventory.

FIGURE 3

DOWNTOWN VS. SUBURBAN VACANCY

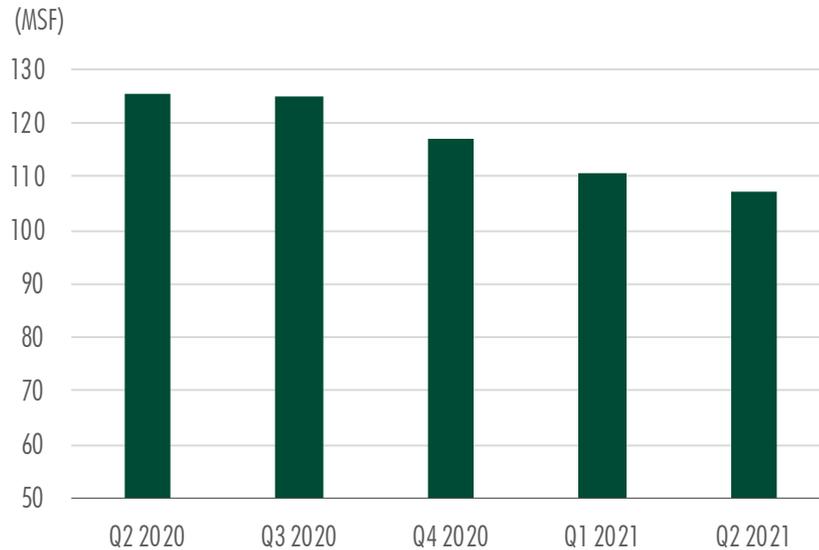


Source: CBRE Econometric Advisors, Q2 2021.

- The downtown vacancy rate increased by 80 bps quarter-over-quarter to 15.8%—2.2 percentage points higher than its previous peak in 2010.
- The suburban office vacancy rate rose by 30 bps quarter-over-quarter to 16.8%—1.8 percentage points below its previous peak in 2010.

FIGURE 4 & 5

FIGURE 4: U.S. OFFICE SPACE UNDER CONSTRUCTION



Source: CBRE Research, Q2 2021. Sum of 54 Markets.

FIGURE 5: TOP 10 MARKETS FOR OFFICE CONSTRUCTION

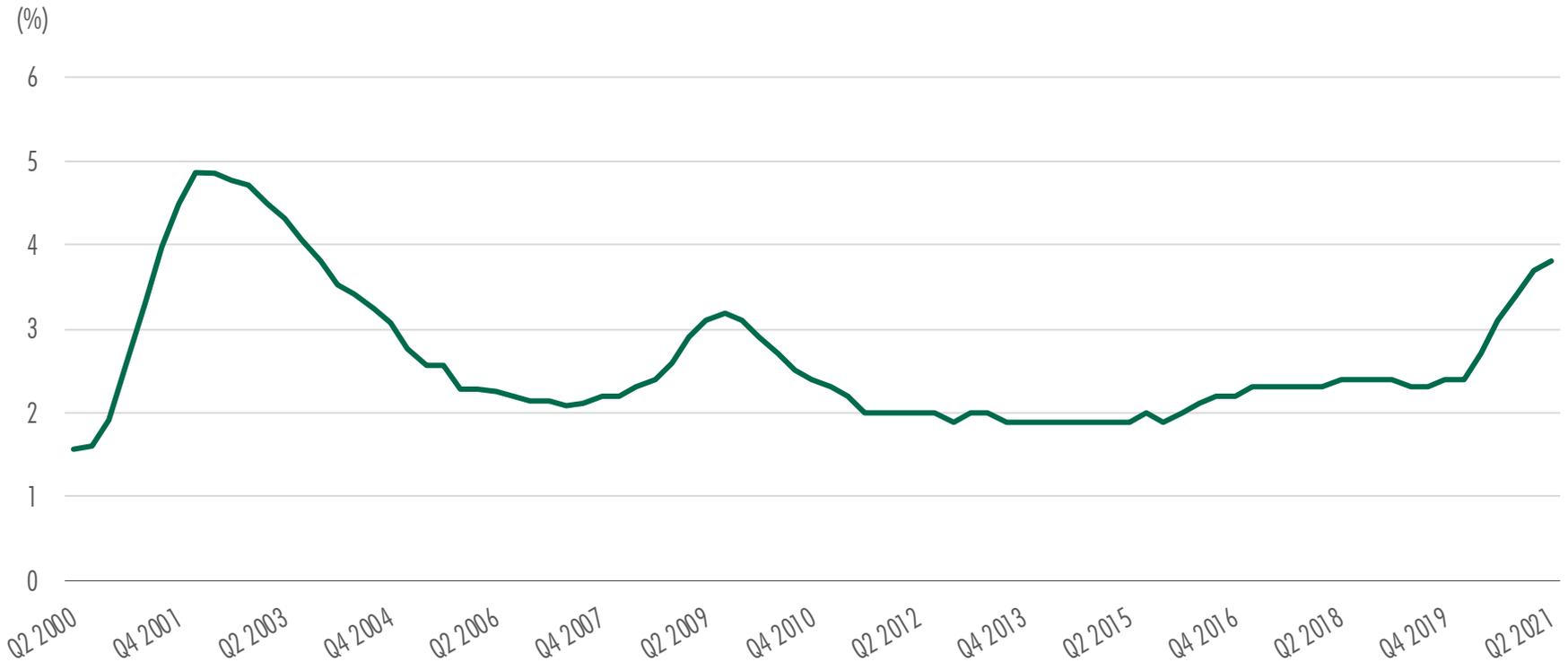
Metro Market	Sq. ft. Under Construction
Manhattan	13,184,678
Los Angeles	9,429,722
Boston	9,215,559
San Jose	8,504,649
Seattle	7,370,935
Washington, D.C.	5,215,230
Atlanta	4,969,779
Austin	4,775,080
Charlotte	4,623,777
San Francisco	4,492,585

Source: CBRE Research, Q2 2021.

- U.S. office construction totaling 107 million sq. ft. in Q2 was down by 3.0% from Q1 and 14.4% from a year ago.
- Preleasing dipped slightly in Q2 to 49.8% of all space under construction, compared with 51.9% in Q1 2021 and 54.0% in Q2 2020.
- Manhattan led all markets with 13.2 million sq. ft. under construction in Q2, up by 600,000 sq. ft. from Q1. Charlotte had the highest amount as a percentage of its existing inventory at 9.8%, followed by San Jose at 9.6% and Austin at 8.2%.

FIGURE 6

OFFICE SUBLEASE AVAILABILITY RATE

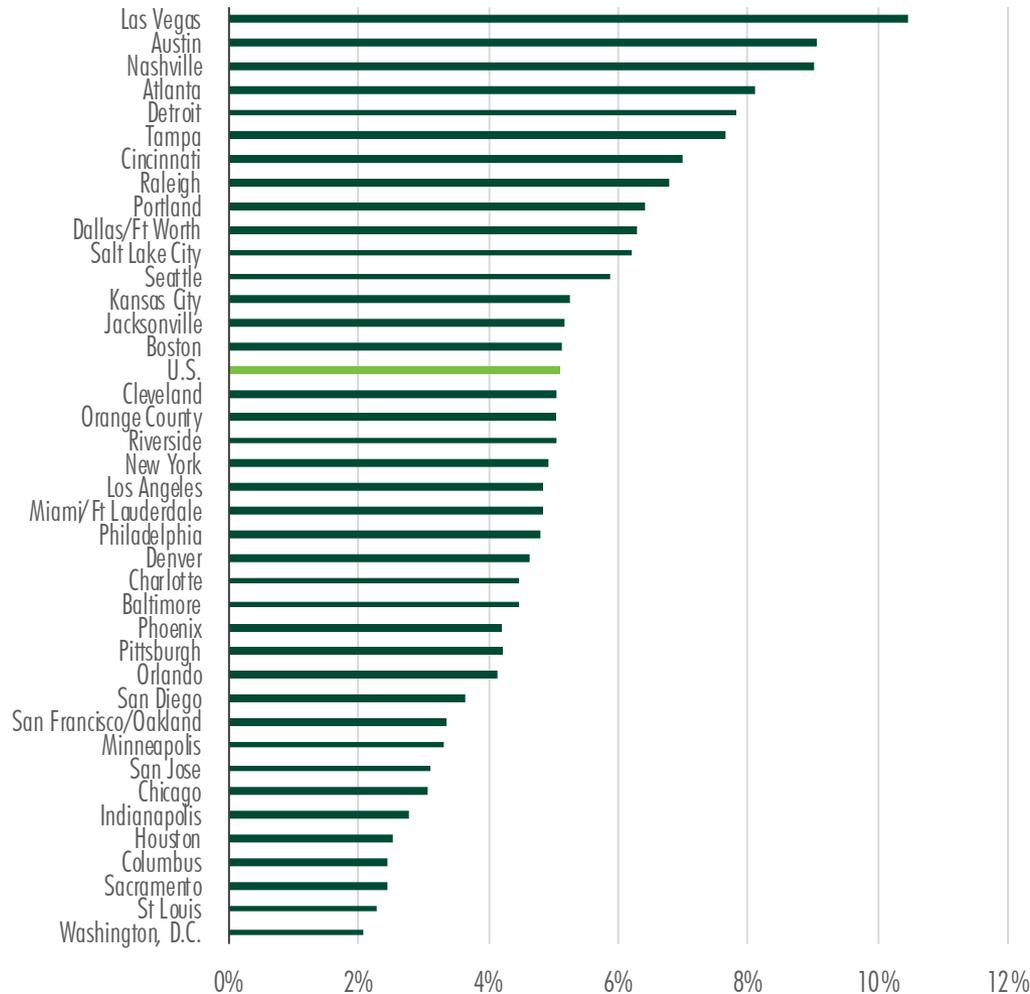


Source: CBRE Econometric Advisors, Q2 2021.

- Available sublease space increased by 3.1% quarter-over-quarter and 42% year-over-year to 152.5 million sq. ft. in Q2.
- The growth rate of sublease space has continued to slow for the past three quarters.

FIGURE 7

ANNUAL OFFICE-USING EMPLOYMENT GROWTH BY MARKET (THROUGH JUNE 2021)



- While all markets tracked by CBRE had robust office-using job growth in Q2, secondary markets—particularly in the Southeast and Texas—had the strongest growth.
- Total U.S. office-using employment has almost entirely bounced back to its pre-pandemic peak, down by only 3% from a year ago in Q2. More than half of the major markets tracked by CBRE have either surpassed or are less than 1% below their previous office-using employment peaks.
- Markets with the biggest gains beyond their pre-pandemic office-using employment peaks are San Antonio (6%), Salt Lake City (4%) and Raleigh-Durham (4%). Markets still below pre-pandemic peaks include Los Angeles (-11%) and Las Vegas (-8%).

Source: U.S. Bureau of Labor Statistics, CBRE Research, June 2021.

Note: Metropolitan areas shown, except for Los Angeles and Orange County, both of which are metropolitan divisions. Not seasonally adjusted data comprising Professional & Business Services, Information and Financial Activities.

FIGURE 8

REGIONAL OFFICE VACANCY RATES (%)

MARKET	SIZE RANK	Downtown			Suburban			Metropolitan		
		Q2 2021	Q1 2021	Q2 2020	Q2 2021	Q1 2021	Q2 2020	Q2 2021	Q1 2021	Q2 2020
Atlanta	8	22.1	19.0	15.3	20.8	20.6	19.0	21.3	20.0	17.6
Austin	23	20.9	16.5	8.7	20.4	19.8	13.9	20.5	19.1	12.8
Baltimore	22	18.8	17.5	17.0	15.5	15.4	14.5	16.6	16.1	15.3
Boston	5	11.9	11.9	8.6	17.4	16.9	14.7	14.5	14.3	11.8
Cambridge	*	7.2	7.7	5.3	N/A	N/A	N/A	N/A	N/A	N/A
Charlotte	30	13.1	11.5	6.3	17.7	17.1	10.2	15.5	14.4	8.5
Chicago	3	17.7	18.6	15.0	25.2	24.5	21.3	21.0	21.2	17.8
Cincinnati	40	15.7	15.0	13.5	19.9	20.0	20.8	18.6	18.4	18.6
Cleveland	41	15.2	15.2	18.8	14.5	14.6	12.8	14.8	14.9	15.6
Columbus	37	17.5	17.5	13.9	21.1	20.5	15.3	19.9	19.5	14.8
Dallas/Ft. Worth	4	31.2	30.8	27.6	23.8	23.1	21.0	24.6	24.0	21.8
Denver	10	22.7	19.7	17.7	17.5	15.8	12.2	18.8	16.8	13.6
Detroit	18	11.0	12.3	11.7	16.4	15.7	14.0	15.2	14.9	13.5
Downtown Manhattan	1	13.4	12.9	9.4	N/A	N/A	N/A	13.0	12.5	8.5
Fairfield County, CT	36	N/A	N/A	N/A	24.9	24.5	22.7	24.9	24.5	22.7
Ft. Lauderdale	43	24.3	24.5	15.9	17.1	14.4	10.3	18.5	16.4	11.4
Greenville	53	12.0	11.5	9.7	9.2	11.1	11.6	10.2	11.3	10.9
Hartford	47	17.7	18.9	18.4	21.9	21.7	20.9	20.3	20.6	19.9
Honolulu	52	14.8	15.5	12.1	13.5	14.6	10.3	14.1	15.0	11.1
Houston	6	24.3	24.6	20.6	23.2	22.6	21.9	23.5	23.0	21.6
Indianapolis	38	18.3	19.9	16.4	19.5	19.6	19.9	19.1	19.7	18.8
Inland Empire	46	N/A	N/A	N/A	10.5	10.5	8.7	10.5	10.5	8.7
Jacksonville	45	19.7	20.5	14.3	19.0	17.0	17.0	19.2	18.1	16.2
Kansas City	24	16.9	16.0	15.7	14.6	14.2	13.3	15.1	14.6	13.9
Las Vegas	39	22.8	20.9	20.3	13.4	13.9	12.6	13.9	14.3	13.0
Long Island	34	N/A	N/A	N/A	12.8	12.1	9.7	12.8	12.1	9.7
Los Angeles	7	19.7	18.7	15.7	17.3	16.9	13.3	17.6	17.2	13.7
Louisville	49	17.8	18.4	15.7	13.4	12.7	10.2	15.3	15.3	12.7
Miami	28	20.3	19.3	16.8	17.2	16.1	12.7	18.3	17.2	14.2
Midtown Manhattan	**	12.9	12.4	8.6	N/A	N/A	N/A	N/A	N/A	N/A
U.S.		15.8	15.0	11.4	16.8	16.5	13.9	16.5	16.0	13.0

Source: U.S. national totals provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q2 2021.

Note: Boston metro figures include Suburban Boston, Downtown Boston and Cambridge. Washington, D.C. metro figures include Suburban Maryland, Northern Virginia and Downtown Washington, D.C.

* Included in Boston metro ** Included in Downtown Manhattan *** Included in Washington, D.C. metro

FIGURE 8 CONTINUED

REGIONAL OFFICE VACANCY RATES (%)

MARKET	SIZE RANK	Downtown			Suburban			Metropolitan		
		Q2 2021	Q1 2021	Q2 2020	Q2 2021	Q1 2021	Q2 2020	Q2 2021	Q1 2021	Q2 2020
Midtown-South Manhattan	**	13.0	12.4	7.6	N/A	N/A	N/A	N/A	N/A	N/A
Milwaukee	33	16.4	15.6	13.5	14.3	15.3	15.6	15.1	15.4	14.9
Minneapolis/St. Paul	21	22.2	21.3	21.4	19.4	18.5	16.1	20.6	19.7	18.5
Nashville	35	19.4	17.7	13.0	17.1	17.5	12.5	17.7	17.6	12.6
New Jersey	15	N/A	N/A	N/A	20.3	19.9	17.4	20.3	19.9	17.4
Northern Virginia	***	N/A	N/A	N/A	20.5	20.2	18.9	N/A	N/A	N/A
Oakland	42	10.5	11.0	8.4	9.5	9.7	8.8	9.9	10.2	8.7
Orange County	13	N/A	N/A	N/A	13.0	12.3	10.1	13.0	12.3	10.1
Orlando	32	13.7	14.6	11.3	13.8	13.6	11.2	13.8	13.8	11.2
Palm Beach County	48	N/A	N/A	N/A	16.2	14.3	12.0	16.2	14.3	12.0
Philadelphia	12	14.7	14.3	11.4	21.5	19.5	16.1	18.6	17.3	14.0
Phoenix	17	22.6	22.7	19.4	19.1	18.4	14.8	19.7	19.1	15.6
Pittsburgh	20	16.4	15.6	15.6	18.2	17.8	16.3	17.2	16.6	15.9
Portland	26	21.6	19.5	14.1	12.1	12.0	10.4	17.0	15.9	12.3
Sacramento	25	9.5	8.3	6.9	12.8	12.0	10.9	12.2	11.3	10.1
Salt Lake City	27	15.5	15.4	13.0	15.3	16.4	13.5	15.3	16.2	13.4
San Diego	19	21.5	21.3	18.1	12.0	12.9	10.6	13.5	14.2	11.7
San Francisco	9	21.0	18.5	6.6	13.7	13.3	7.7	18.6	16.7	7.0
San Jose	16	14.3	13.3	12.6	9.5	10.0	6.1	10.1	10.4	6.7
Seattle	11	17.5	17.0	7.8	14.8	13.6	11.1	16.1	15.2	9.6
St. Louis	29	17.1	17.1	16.7	13.1	12.9	9.9	14.1	14.0	11.6
Suburban Maryland	***	N/A	N/A	N/A	16.6	16.4	15.6	N/A	N/A	N/A
Tampa	14	14.5	15.0	6.7	17.2	15.8	10.7	16.7	15.7	10.2
Tucson	54	8.7	6.8	15.3	11.1	11.6	11.4	10.9	11.2	11.7
Ventura County	50	N/A	N/A	N/A	15.0	15.8	12.5	15.0	15.8	12.5
Walnut Creek/1-680 Corridor	31	N/A	N/A	N/A	16.5	14.0	9.9	16.5	14.0	9.9
Washington, D.C. ***	2	17.8	17.4	15.2	N/A	N/A	N/A	18.8	18.4	16.9
Westchester County, NY	44	N/A	N/A	N/A	20.7	21.2	17.3	20.7	21.2	17.3
Wilmington	51	25.9	25.6	28.5	18.2	16.5	15.3	21.8	20.8	21.1
U.S.		15.8	15.0	11.4	16.8	16.5	13.9	16.5	16.0	13.0

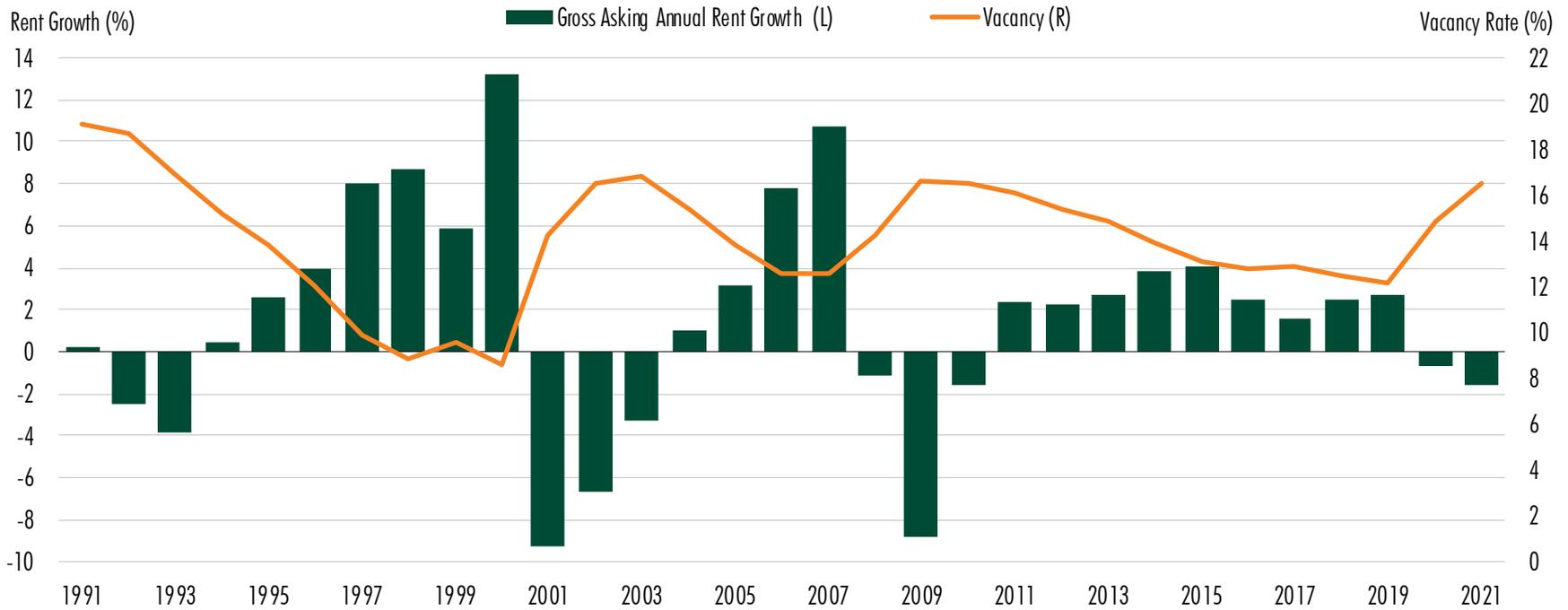
Source: U.S. national totals provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q2 2021.

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* Included in Boston metro ** Included in Downtown Manhattan *** Included in Washington, D.C. metro

FIGURE 9

RENT GROWTH & VACANCY RATE



Source: CBRE Econometric Advisors, Q2 2021.
Note: 2021 data is as of Q2. Other years are as of Q4.

- Average gross asking rent declined by 1.6% year-over-year in Q2 to \$34.68 per sq. ft. Anecdotal evidence from various markets suggests landlord concessions remain relatively high, lowering net effective rents by a higher rate.

FIGURE 10

ASKING RENTS FOR 10 LARGEST MARKETS, Q2 2021

		Gross Average Direct Asking Rents (US\$/ Sq. Ft./Annum)	Gross Average Direct Asking Rents Q-o-Q (Percent Change)	Gross Average Direct Asking Rents Y-o-Y (Percent Change)
Manhattan	Downtown	58.23	-1.1	-8.3
	Midtown	81.37	-0.8	-6.5
	Midtown-South	79.06	2.5	-8.1
	Metro	75.67	-0.4	-6.9
Washington, D.C.	Downtown	58.42	0.3	-0.9
	Suburban Maryland	28.40	-2.1	-4.1
	Northern Virginia	34.10	-0.1	-0.6
	Metro	41.18	-0.1	0.9
Chicago	Downtown	42.16	0.5	-1.6
	Suburban	24.26	0.0	0.6
	Metro	32.65	0.3	-0.9
Dallas/Ft. Worth	Downtown	28.31	3.2	2.4
	Suburban	26.49	1.0	-0.2
	Metro	26.40	1.5	0.5
Boston	Downtown	67.18	0.3	-0.8
	Cambridge	84.63	-0.2	4.9
	Suburban	24.93	0.5	-6.6
	Metro	41.84	3.3	7.1
Houston	Downtown	39.65	-0.1	-3.2
	Suburban	29.58	4.3	12.1
	Metro	28.86	-0.5	-0.3
Los Angeles	Downtown	44.52	-0.5	-1.1
	Suburban	46.08	-1.8	3.5
	Metro	45.84	-2.1	6.1
Denver	Downtown	39.23	10.6	12.1
	Suburban	27.54	1.1	2.8
	Metro	30.96	5.2	7.5
Atlanta	Downtown	34.47	-0.6	-1.3
	Suburban	25.78	-0.8	-1.8
	Metro	29.02	-2.6	-2.1
San Francisco	Downtown	75.38	-1.4	-10.3
	Peninsula	80.88	0.0	0.3
	Metro	75.38	-2.4	-9.1
U.S. Downtown		47.23	-0.6	-3.2
U.S. Suburban		27.76	0.2	-0.3
U.S. Metro		34.68	-0.1	-1.7

- Downtown San Francisco and Downtown Manhattan had the sharpest declines in asking rents over the past year, while many suburban markets held steady.
- Some markets have posted rent gains over the past year, but real price discovery has been subdued in these markets given the lower volume of lease transactions. In the face of higher vacancy, rents are expected to fall as landlords compete for tenants.

Source: U.S. national totals provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q2 2021.



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