



Yardi® Matrix

National Office Report

August 2022



The Coworking Rebound

- In the early days of the pandemic, some speculated that shared space was dead. Most historically office-based employees were working from home and remained averse to sharing space with others coming out of a pandemic. Today, however, as the pandemic wanes and vaccines have proved effective at preventing serious illness, coworking has reemerged as a viable alternative. Shared space looks poised to grow in the future as an option to fill the gaps left by hybrid work and a cost-saving measure for tenants faced with inflationary and economic concerns.
- Increased demand for shared space is driving growth for the largest coworking firms. During its second quarter earnings call, WeWork reported its occupancy rate had risen to 72% during that quarter, equal to the pre-pandemic rate in the fourth quarter of 2019. Additionally, memberships for the coworking company grew 33% year-over-year and are now at an all-time high. IWG—which owns and operates Regus, Spaces and other brands—reported that it had for the first half of the year “system-wide revenue growth of 22.3% year-on-year, driven by strong demand for hybrid working.”
- Yardi Matrix estimates that there are 117.5 million square feet of shared space, representing 1.7% of all office space. Most flex space is concentrated in a handful of markets, with more than a third of all such inventory in the top five markets and more than half in the top 10. Manhattan leads the way, with an estimated 15 million square feet of coworking space, nearly double that in second place Los Angeles, which has an estimated 7.9 million square feet. Rounding out the top five in estimated coworking footprints are Chicago (7.1 million square feet), Washington, D.C. (6.5 million) and Dallas (5.1 million). The market with the greatest estimated square footage as a percentage of total office inventory is Brooklyn (4.6%), followed by Miami (3.3%), Manhattan (3.1%), Los Angeles (2.2%) and Nashville (2.4%).
- We expect that flex space will continue to grow in prominence in coming years. Small and new firms will increasingly eschew traditional office leases for shared space as a cheaper and more flexible alternative to traditional leases. Medium and large firms that have embraced remote and hybrid work policies over the past two years will also look to coworking as a means to provide employees with meeting spaces, quiet work areas and amenities with lower total costs than traditional office space.



Listing Rates and Vacancy: Charlotte's New Space Absorption

- The average full-service equivalent listing rate was \$37.75 per square foot in July, a decrease of 2.3% year-over-year but up 17 cents over June.
- The national vacancy rate was 15.1% for the month, up 10 basis points over the past year.
- Over the last 12 months, full-service rates have risen more in Charlotte, 16.8%, than anywhere else. The office sector in Charlotte benefits from having a high concentration of employees in the finance sector, where most

work is done in person rather than remotely. Wells Fargo alone employs more than 27,000 workers in the market. Charlotte has also been able to maintain one of the lowest vacancy rates in the country—at 13.2%, having fallen by 130 basis points over the past 12 months—despite delivering 4.9 million square feet (6.5% of stock) of new office supply in 2021. While Charlotte has only delivered 338,000 square feet so far this year, the market has 4.3 million square feet (5.6% of stock) under construction.

Listings by Metro

Market	July-22 Listing Rate	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Square Foot
National	\$37.75	-2.3%	15.1%	10 bps		
Charlotte	\$33.62	16.8%	13.2%	-130 bps	Piedmont Town Center - Building 2	\$44.00
Boston	\$40.66	15.2%	9.1%	-240 bps	Kendall Square at MIT - 314 Main Street	\$121.60
San Diego	\$44.31	13.9%	12.5%	-90 bps	Nautilus	\$95.46
Miami	\$47.30	8.8%	11.3%	-270 bps	830 Brickell	\$150.00
Atlanta	\$29.48	6.7%	20.1%	60 bps	300 Colony Square	\$52.00
Orlando	\$23.42	6.0%	15.0%	80 bps	Celebration Medical Center	\$42.40
Seattle	\$38.10	5.9%	15.3%	-40 bps	City Center Bellevue	\$68.00
San Francisco	\$66.53	5.7%	18.0%	290 bps	Offices at Springline North, The	\$171.96
Los Angeles	\$43.43	4.6%	13.0%	-30 bps	100 Wilshire	\$108.00
New Jersey	\$33.16	3.3%	17.1%	-130 bps	10 Exchange Place	\$55.30
Philadelphia	\$30.33	2.8%	13.4%	160 bps	Two Liberty Place	\$53.50
Brooklyn	\$48.99	1.7%	16.6%	120 bps	One MetroTech Center	\$65.59
Bay Area	\$56.23	1.7%	15.2%	-160 bps	260 Homer Ave& 819 Ramona St	\$138.12
Dallas	\$29.08	1.1%	17.8%	-30 bps	Rosewood Court	\$53.43
Phoenix	\$27.07	0.5%	13.9%	-210 bps	100 Mill	\$52.00
Denver	\$30.33	0.2%	16.9%	40 bps	William Building, The	\$59.67
Houston	\$30.47	-0.2%	22.9%	120 bps	Texas Tower	\$58.40
Portland	\$29.82	-1.1%	14.2%	110 bps	M Financial Plaza	\$45.90
Nashville	\$30.72	-1.1%	18.9%	150 bps	Three Thirty Three	\$43.88
Tampa	\$28.74	-1.5%	14.7%	-10 bps	Water Street Tampa - Thousand & One	\$58.00
Chicago	\$27.24	-3.2%	18.9%	240 bps	300 North LaSalle Drive	\$59.46
Austin	\$42.13	-3.2%	15.7%	-40 bps	Indeed Tower	\$72.67
Twin Cities	\$25.76	-3.9%	14.1%	-120 bps	Offices at MOA, The	\$40.00
Washington DC	\$39.71	-5.1%	13.9%	-140 bps	One Freedom Plaza	\$81.83
Manhattan	\$71.53	-14.8%	14.0%	340 bps	550 Madison Avenue	\$210.00

Source: Yardi Matrix. Data as of July 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: Life Sciences Sector Drives Boston

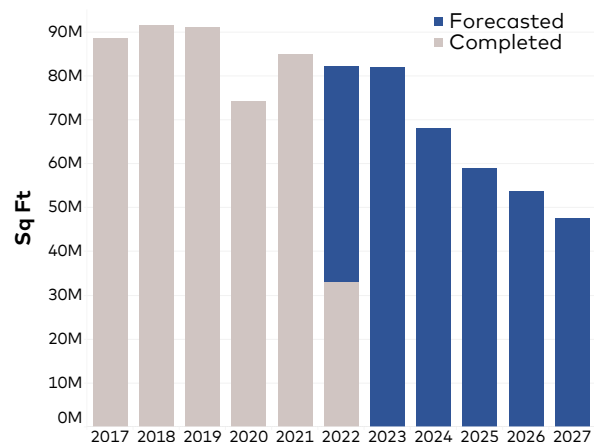
- Nationally, 149.5 million square feet of new office space are under construction, according to Yardi Matrix.
- Deliveries of new office space totaled 28.7 million square feet through July 2022, with nearly 42% in the suburbs. That share will decline in coming years because only 31% of the new stock currently under construction is located in suburban submarkets.
- Despite the headwinds faced by the office sector and gateway markets, Boston's new-supply pipeline remains robust. The largest projects under construction in Boston are towers that broke ground before COVID-19 upended the office industry, such as the 1.4 million-square-foot mixed-use Winthrop Center or the 1 million-square-foot redevelopment of One Post Office Square. Since the pandemic began, new supply in Boston has been driven by the life sciences sector. More than 40% of all office square feet under construction there are in buildings designated as life science space, and among projects that have broken ground since the start of 2021, that share jumps to 55%. This doesn't include properties that will devote just a portion of their space to life sciences, like the 950,000-square-foot Fenway Center.

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	149,537,468	2.2%	6.5%
Austin	8,446,980	9.5%	25.4%
Nashville	3,519,565	6.0%	16.6%
Charlotte	4,253,844	5.6%	15.7%
Seattle	7,390,052	5.1%	20.2%
San Diego	4,783,701	5.0%	10.6%
Boston	12,258,559	4.9%	11.7%
Manhattan	20,881,874	4.3%	6.0%
Bay Area	8,072,273	4.0%	14.4%
Miami	2,870,062	3.7%	8.8%
San Francisco	5,438,895	3.4%	8.9%
Dallas	8,174,210	3.0%	9.3%
Brooklyn	1,185,028	2.8%	7.9%
Orlando	1,561,338	2.8%	8.1%
Houston	5,914,568	2.4%	3.8%
Atlanta	4,326,155	2.2%	10.3%
Philadelphia	2,791,829	1.5%	5.4%
Phoenix	1,995,545	1.5%	6.1%
Denver	2,261,606	1.4%	4.1%
Washington DC	4,859,833	1.3%	4.0%
Portland	703,511	1.2%	6.1%
Los Angeles	2,985,071	1.0%	3.8%
Chicago	2,555,812	0.8%	5.9%
New Jersey	1,295,651	0.7%	2.1%
Twin Cities	473,050	0.4%	2.6%
Tampa	225,000	0.3%	3.3%

Source: Yardi Matrix. Data as of July 2022

National New Supply Forecast



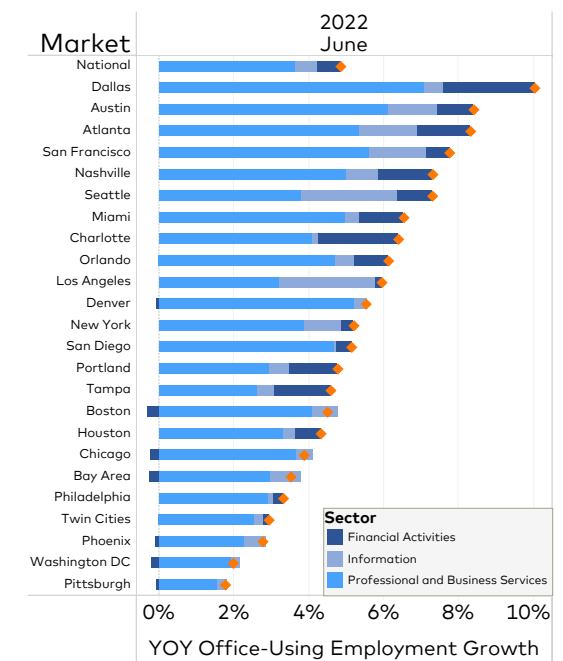
Source: Yardi Matrix. Data as of July 2022

Data in this chart includes owner-occupied properties

Office-Using Employment: Migration, Tech Fuel Atlanta

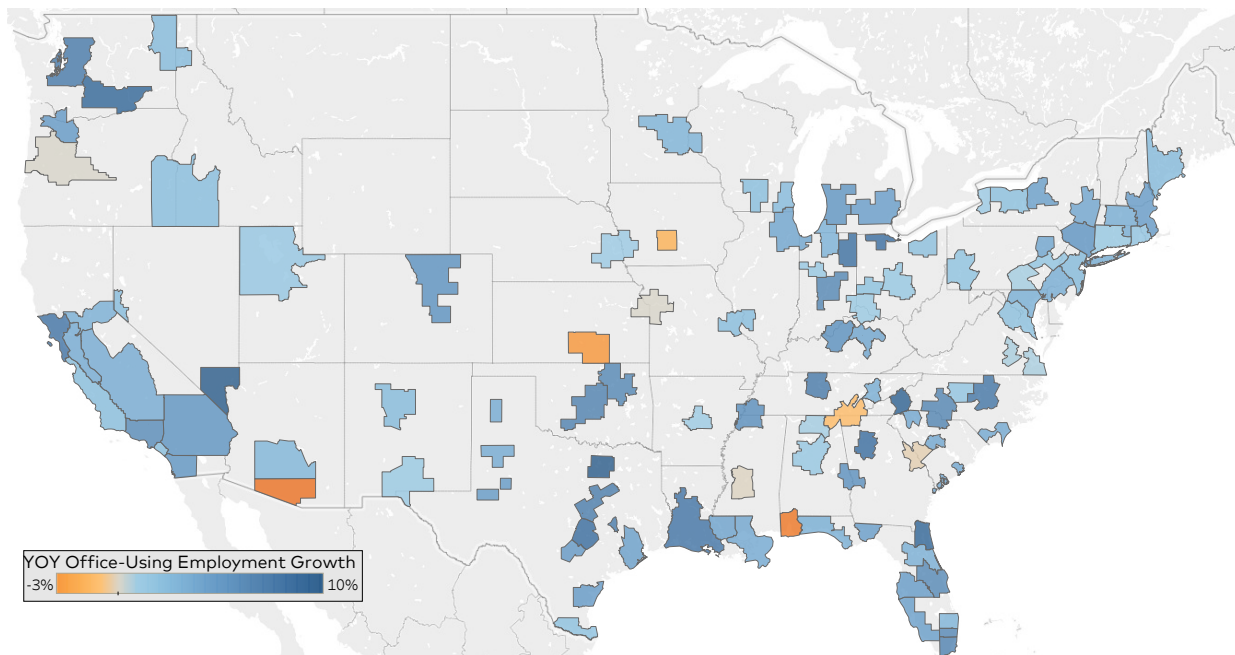
- Office-using sectors of the economy added 115,000 jobs in the month of July. The Information and Financial Activities sectors each gained 13,000, while the Professional and Business Services sector grew by 89,000. Over the past 12 months, the three office-using sectors have added more than 1.5 million jobs, an increase of 4.6%.
- With a business-friendly climate and high levels of domestic in-migration, Atlanta is one of the hottest office job markets in the nation. Metro data in June shows the market added 70,000 office jobs over the previous year, an increase of 8.4%. Netherlands-based electric car-charging company Heliox chose Atlanta for its American headquarters, and corporations like Papa John's and Norfolk Southern have relocated their headquarters there. Further fueling office job growth, Atlanta is also an emerging tech hub, driven by graduates from the Georgia Institute of Technology and numerous tech incubators in the market. Microsoft, Zillow and Airbnb are just a few of the companies that have opened offices there.

Growth by Sector



Sources: Bureau of Labor Statistics and Moody's Analytics

Office-Using Employment Growth

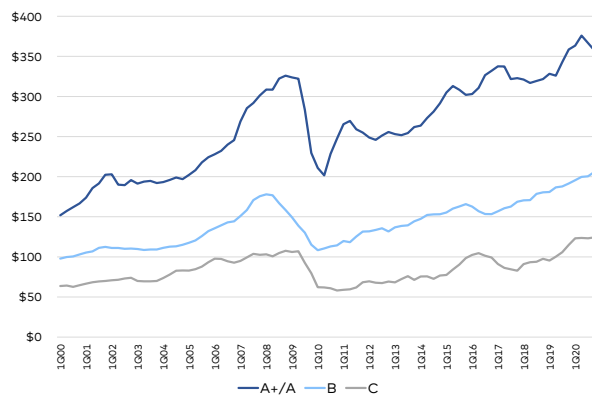


Sources: Bureau of Labor Statistics and Moody's Analytics

Transactions: Lab Space Demand in the Bay Area

- Yardi Matrix logged \$51.9 billion of office sales through the end of July, trading at an average sale price of \$265 per square foot.
- As with new supply in Boston, the impact of the life science sector is being felt in the Bay Area investment market. Remote work continues to be entrenched in many sectors of the economy, but offices where workers perform functions that must be done in person remain in demand. Lab space giant Alexandria Real Estate Equities made the largest acquisition in the Bay Area this year when it closed on a Stanford Research Park campus for \$446 million, an average of \$1,527 per square foot.

Asset Class (price per sq. ft.)



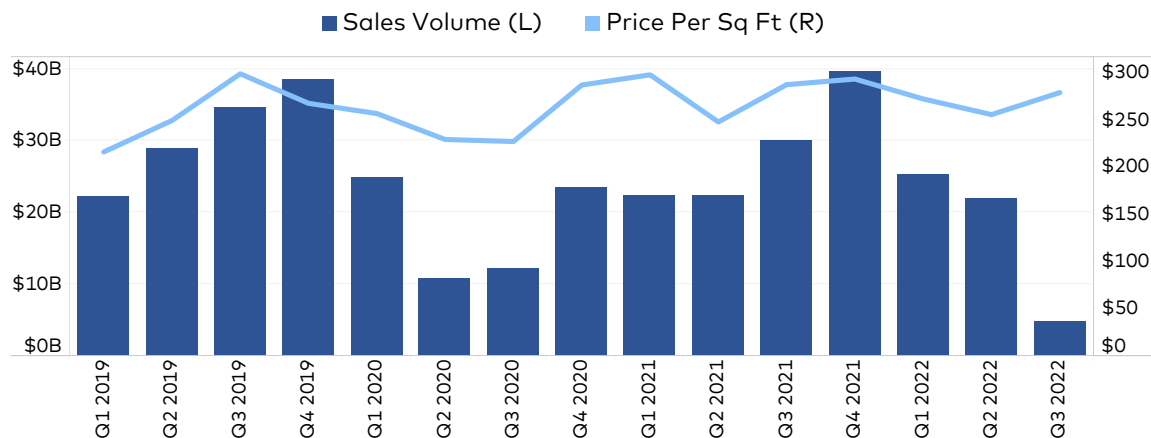
Source: Yardi Matrix; 12-month moving average. Does not include unpublished and portfolio transactions.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 7/30)
National	\$265	\$51,905
Boston	\$440	\$3,269
Manhattan	\$892	\$3,258
Bay Area	\$491	\$3,072
Dallas-Ft Worth	\$181	\$2,746
Los Angeles	\$482	\$2,547
Denver	\$330	\$2,535
Seattle	\$644	\$2,343
Washington, D.C.	\$278	\$2,337
Atlanta	\$282	\$1,972
Chicago	\$166	\$1,886
New Jersey	\$245	\$1,833
Houston	\$184	\$1,811
Phoenix	\$283	\$1,798
San Diego	\$466	\$1,582
San Francisco	\$905	\$1,155
Miami	\$367	\$1,096
Austin	\$373	\$1,061
Philadelphia	\$216	\$942
Nashville	\$236	\$921
Charlotte	\$325	\$691
Minneapolis	\$130	\$537
Tampa	\$282	\$506
Orlando	\$179	\$447
Brooklyn	\$533	\$404
Portland	\$204	\$98

Source: Yardi Matrix. Data as of July 2022. Sales data for unpublished and portfolio transactions are estimated using sales comps.

Quarterly Transactions



Source: Yardi Matrix. Data as of July 2022

Definitions

This report covers office buildings 25,000 square feet and above. Yardi Matrix subscribers have access to more than 14,000,000 property records and 300,000 listings for a continually growing list of markets.

Yardi Matrix 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. Yardi Matrix uses aggregated and anonymized expense data to create full-service equivalent rates from triple-net and modified gross listings. Expense data is available to Yardi Matrix subscribers. National average listing rate is for the top 50 markets covered by Yardi Matrix.
- *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.

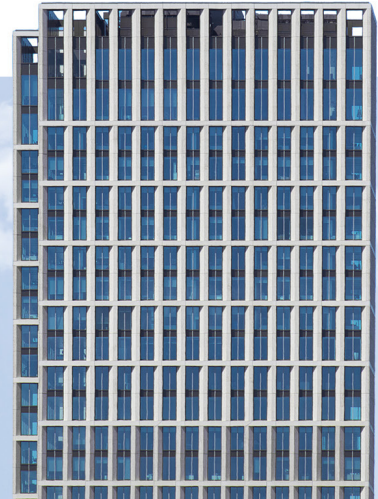
Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with Yardi Matrix market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



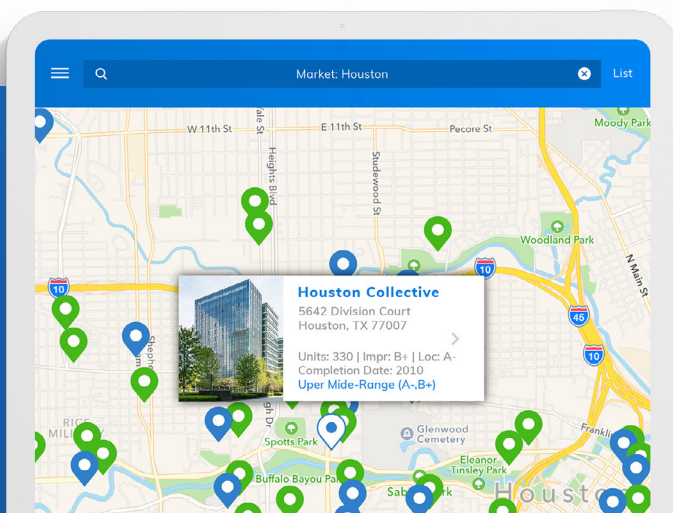
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OFFICE KEY FEATURES

- Active in 115 markets across the U.S. covering 70,000 properties
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Pierce the LLC with true ownership and contact info at the asset and portfolio level
- Gain new supply pipeline information at the asset, competitive set and market level
- Benchmark performance to similar assets



Yardi Matrix Office delivers detailed property-level information, allowing you to analyze current market conditions at the micro and macro level.



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