



Yardi[®] Matrix

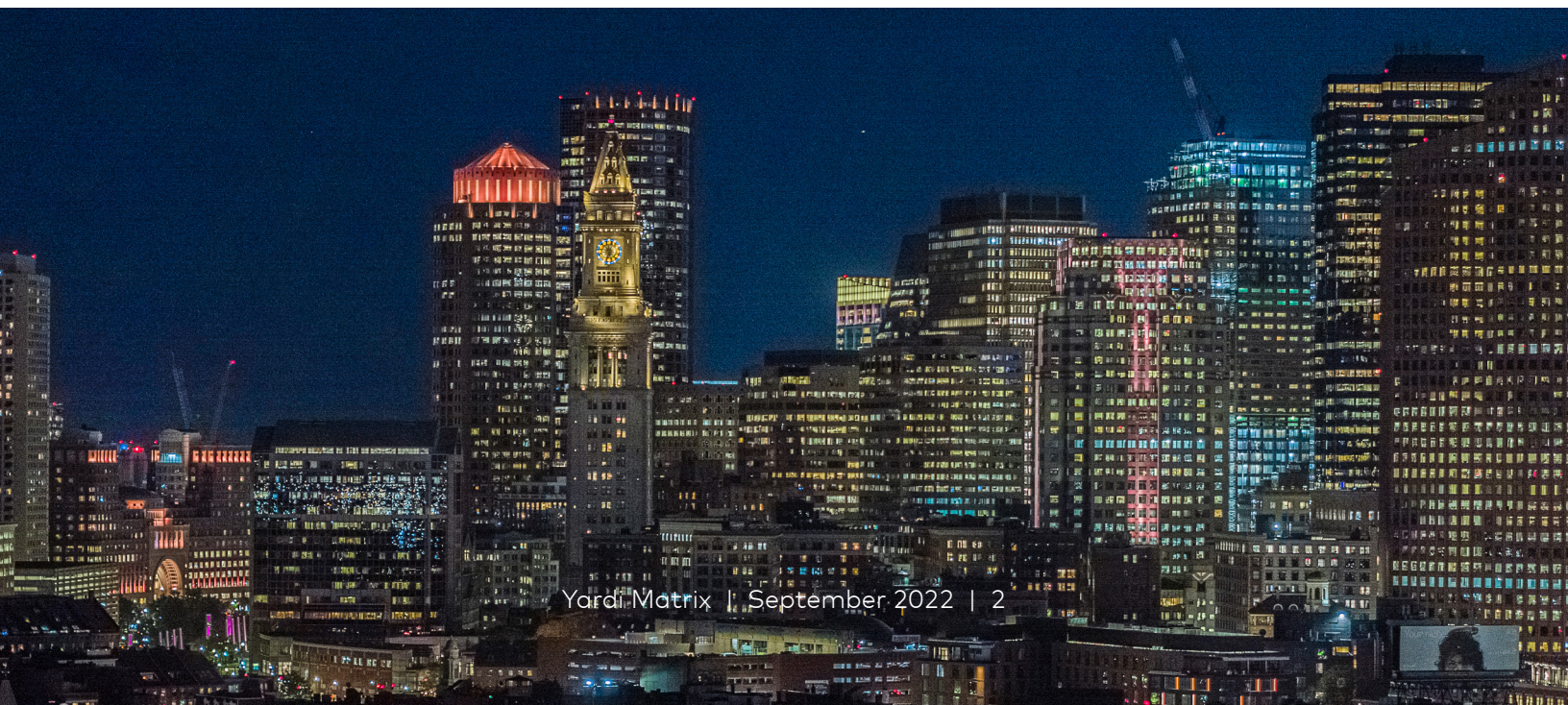
National Office Report

September 2022



Life Sciences Still in Demand

- Thanks in part to breakthroughs of mRNA and CRISPR technologies, billions of dollars of funding—both private and public—have been flowing into the life science sectors in recent years. Investors are paying top dollar for lab space, and developers are rushing to bring more to market. While there has been some concern in recent months that rising interest rates and general economic weakness could cause a slowdown in the sector, it has not yet manifested in the sales and supply data.
- Life science properties command high sale prices. According to Yardi Matrix, the average sale price of a life science facility in 2022 is \$645 per square foot, 150% higher than the overall average of \$258 for general office buildings. Buildings that are candidates for conversion into lab space can command higher prices, too. DivcoWest bought the 138,400-square-foot 5000 Shoreline Court in South San Francisco for \$164.5 million (\$1,188 per foot) and immediately began converting the building into lab space.
- Developers are rushing to build in life science markets, as supply of lab space lags demand. Including owner-occupied properties, 21.6 million square feet of lab space are underway nationally. Boston currently has 27 projects totaling 8.4 million square feet under construction, followed by San Diego (eight properties, 2.9 million square feet) and San Francisco (10 properties, 2.6 million square feet). New supply has also been growing in tertiary life science markets. PNB and Montgomery Street Partners announced they will be developing the first speculative life science property in Boulder County, Colorado, with the 365,000-square-foot Coal Creek Innovation Park. S3 Biotech is developing a 2.5 million-square-foot campus in Phoenix that includes life science, medical office and sports science facilities.
- A recent CommercialCafe analysis of data from the Bureau of Labor Statistics found that in 2021 life sciences employment was highest in Boston (23,900 jobs), New York (18,100) and San Francisco (14,200). The BLS also estimates employment in all science, technology, engineering and math occupations, giving a broader look at the number of science and tech workers in a particular metro. The metros with the most STEM workers in 2021 were New York (515,540), Washington, D.C. (364,140), Los Angeles (342,870) and San Francisco (289,960). Metros with the highest STEM jobs as a percentage of all employment were California-Lexington Park, Md. (24.4%), San Jose (22.1%) and Boulder (17.8%).



Listing Rates and Vacancy: Mixed-Use Project in San Diego Drives Up Rates

- The average full-service equivalent listing rate was \$38.70 per square foot, a decrease of 0.1% year-over-year.
- The national vacancy rate was 14.8% for the month, down 30 basis points from July and 10 basis points from the past year.
- A market's average listing rates can often reflect the product listed rather than underlying shifts in market fundamentals. A case in point is San Diego, where listing rates have soared 11.8% in the last year, in large part

driven by a massive new mixed-use development at the site of a former mall in the Gaslamp Quarter. The Campus at Horton Plaza—claiming to be the largest adaptive reuse project in the country—will cover 10 acres over seven city blocks, and include retail as well as office space suited for both tech and life science firms. The 100 Building at the campus—a proposed LEED Platinum-certified building—recently listed 700,000 square feet of full-service office space at an average of \$60 per square foot, which has driven up average rates in the market.

Listings by Metro

Market	August-22 Listing Rate	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Square Foot
National	\$38.70	-0.1%	14.8%	-10 bps		
Boston	\$40.58	17.7%	8.0%	-380 bps	Kendall Square at MIT-314 Main Street	\$121.60
Charlotte	\$33.68	16.2%	13.1%	-150 bps	300 South Tryon	\$44.00
San Diego	\$43.63	11.8%	12.9%	-60 bps	One La Jolla Center	\$69.00
Orlando	\$23.53	7.2%	15.1%	0 bps	Celebration Medical Center	\$42.40
Miami	\$45.54	5.6%	8.6%	-490 bps	1450 Brickell	\$93.00
Philadelphia	\$30.58	4.8%	12.9%	70 bps	Two Liberty Place	\$53.50
San Francisco	\$66.52	4.0%	18.1%	400 bps	Offices at Springline North, The	\$171.96
Los Angeles	\$43.30	3.9%	12.6%	-20 bps	100 Wilshire	\$108.00
New Jersey	\$33.20	3.0%	16.4%	-180 bps	10 Exchange Place	\$55.30
Atlanta	\$30.13	3.0%	19.4%	-40 bps	Star Metals Offices	\$58.00
Seattle	\$37.00	2.9%	16.1%	50 bps	City Center Bellevue	\$68.00
Brooklyn	\$49.34	2.4%	16.5%	110 bps	200 Kent Avenue	\$100.00
Phoenix	\$27.30	2.2%	14.0%	-230 bps	100 Mill	\$52.00
Dallas	\$29.01	0.9%	17.7%	-10 bps	Rosewood Court	\$53.43
Denver	\$30.17	0.0%	17.0%	40 bps	William Building, The	\$59.67
Nashville	\$30.84	-1.8%	18.7%	230 bps	Three Thirty Three	\$43.88
Houston	\$29.77	-1.8%	24.1%	210 bps	Texas Tower	\$58.40
Chicago	\$27.33	-2.9%	18.2%	130 bps	300 North LaSalle Drive	\$59.46
Bay Area	\$53.74	-3.0%	15.4%	-130 bps	260 Homer Ave. & 819 Ramona St.	\$138.12
Manhattan	\$81.22	-3.3%	14.0%	360 bps	550 Madison Avenue	\$210.00
Austin	\$42.02	-3.5%	16.7%	150 bps	Indeed Tower	\$76.67
Washington DC	\$40.52	-3.6%	12.6%	-260 bps	One Freedom Plaza	\$81.83
Twin Cities	\$25.43	-5.4%	12.2%	-320 bps	Offices at MOA, The	\$40.00
Portland	\$28.55	-5.6%	13.0%	20 bps	Fox Tower	\$43.38
Tampa	\$28.34	-5.9%	15.4%	20 bps	Water Street Tampa-Thousand & One	\$58.00

Source: Yardi Matrix. Data as of August 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: Mixed-Use Increasingly Prevalent

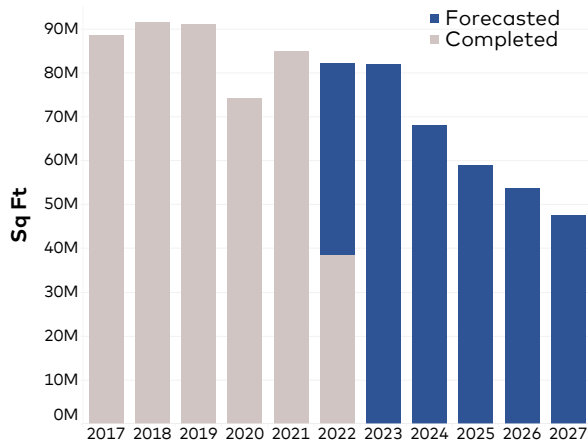
- Nationally, 139.9 million square feet of new office supply are currently under construction.
- Due to a change in the way Yardi Matrix reports new office development, numbers from this and future reports will not be comparable to those in previous reports. Previous reports included total building size, but with mixed-use continuing to grow in prominence, reports will now only account for the amount of rentable office space within a property. This change reduces the total amount of office space under construction by 11.9 million square feet (7.5%).
- In a handful of mixed-use properties, the amount of office space is a small portion of the total building size. Miami's high-end, 2.3 million-square-foot 1 Southside Park will only have 165,000 square feet of rentable office space to go along with ground-floor retail, 1,175 apartments and a 200-room hotel. In Tampa, 400 Central is including just 45,000 square feet of office in the 1.3 million-foot project. Other mixed-use projects under development devote a more significant portion to office space. In Austin, 98 Red River St. will set aside 700,000 of 2.3 million total square feet for office, and roughly half of Sixth and Guadalupe's 1.1 million square feet will be office.

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	139,850,219	2.2%	6.1%
Austin	8,829,797	10.7%	24.7%
Charlotte	5,753,899	7.7%	16.9%
Nashville	3,159,713	5.6%	14.5%
Boston	12,475,438	5.3%	12.2%
San Diego	4,208,313	4.6%	10.5%
Seattle	6,165,472	4.5%	19.4%
Manhattan	19,536,070	4.3%	6.0%
Brooklyn	1,512,634	4.2%	8.5%
San Francisco	6,341,601	4.2%	9.9%
Bay Area	7,662,050	3.9%	14.3%
Miami	2,000,757	2.8%	6.6%
Dallas	7,224,816	2.7%	8.8%
Orlando	1,370,290	2.5%	6.5%
Houston	5,189,926	2.2%	3.6%
Atlanta	4,286,636	2.2%	10.0%
Philadelphia	2,459,342	1.4%	5.2%
Phoenix	1,573,894	1.2%	5.8%
Washington DC	4,434,381	1.2%	3.6%
Denver	1,846,841	1.2%	3.6%
Los Angeles	2,651,423	1.0%	3.5%
Chicago	2,689,817	0.9%	6.0%
New Jersey	1,295,651	0.7%	1.8%
Portland	374,464	0.7%	5.8%
Twin Cities	552,150	0.5%	2.4%
Tampa	223,200	0.3%	3.1%

Source: Yardi Matrix. Data as of August 2022

National New Supply Forecast

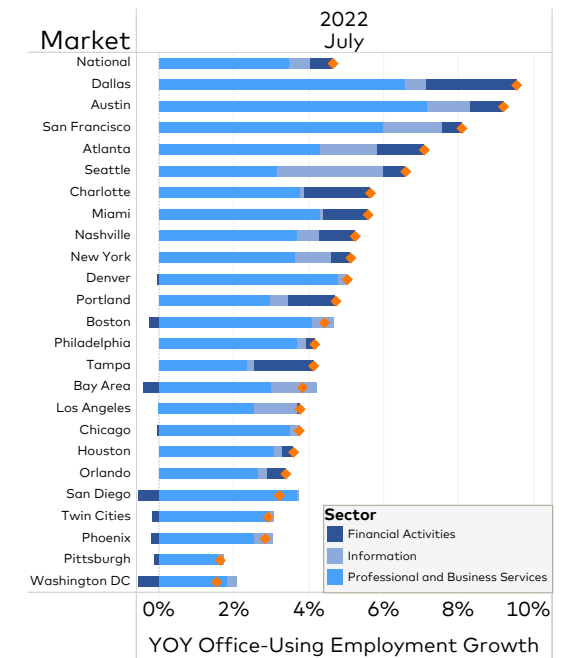


Source: Yardi Matrix. Data as of August 2022
Data in this chart includes owner-occupied properties

Office-Using Employment: Growth in Information Sector Slows in San Francisco

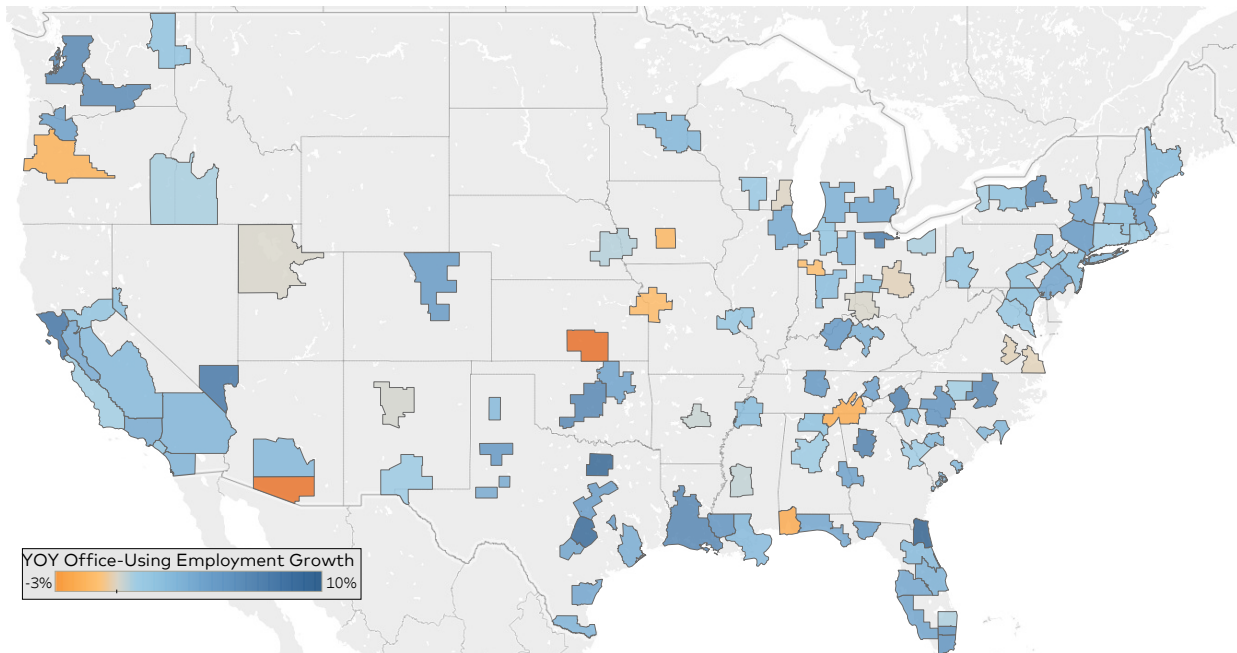
- Office-using sectors of the economy added 92,000 jobs in the month of August and have grown 4.5% year-over-year.
- In San Francisco, the rapid growth in information jobs that fueled the office market has slowed since COVID-19 emerged. While there has been something of an exodus by workers and firms from the high-priced market since the pandemic began, year-over-year growth in the information sector never went negative, though it has fallen from breakneck growth to merely solid. Between, 2014 and 2019, the information sector in San Francisco added more than 50,000 jobs, growing at an average annual rate of 15%. Since the start of 2020, the information sector has added 15,000 jobs, an average annual rate of 5.8%. Tech firms in the city are hiring at a slower pace, and the largest driver of office employment in the market is now the professional and business services sector. PBS jobs have grown at a higher rate in San Francisco than information for all of 2022, which had not occurred since 2013.

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

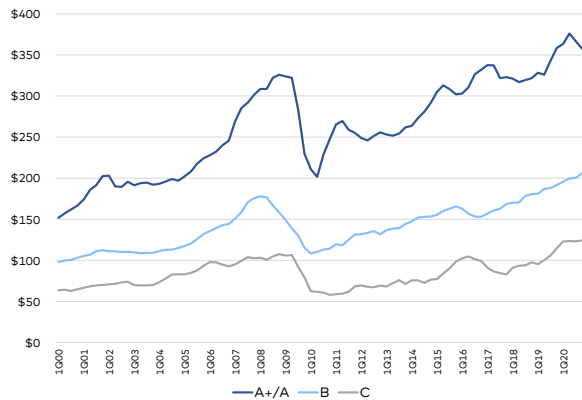
Transactions: Manhattan Sales Diverse in 2022

- Yardi Matrix logged \$59.6 billion of office transactions through the end of August, averaging \$258 per foot.
- A wide variety of office buildings are driving Manhattan's sales volume. The trophy tower 450 Park Ave. traded in the second quarter for \$445 million, an average of \$1,350 per square foot. Some boutique offices have traded at high values this year, as well. In February, Macquarie Asset Management purchased 375 Broadway, a 56,000-square-foot mixed-use building in SoHo that includes Square's New York offices, for \$130 million, an average of \$2,334 per foot.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 8/31)
National	\$258	\$59,634
Dallas	\$194	\$3,480
Boston	\$423	\$3,327
Manhattan	\$901	\$3,262
Washington DC	\$292	\$3,240
Bay Area	\$481	\$3,161
Denver	\$324	\$2,754
Los Angeles	\$459	\$2,726
Seattle	\$597	\$2,505
Chicago	\$189	\$2,485
Houston	\$168	\$2,120
Atlanta	\$278	\$2,092
New Jersey	\$241	\$2,072
Phoenix	\$276	\$1,999
San Diego	\$448	\$1,652
Austin	\$381	\$1,491
San Francisco	\$881	\$1,309
Miami	\$393	\$1,246
Charlotte	\$353	\$1,142
Philadelphia	\$205	\$988
Nashville	\$235	\$972
Twin Cities	\$131	\$787
Tampa	\$280	\$633
Orlando	\$182	\$475
Brooklyn	\$533	\$404
Portland	\$215	\$130

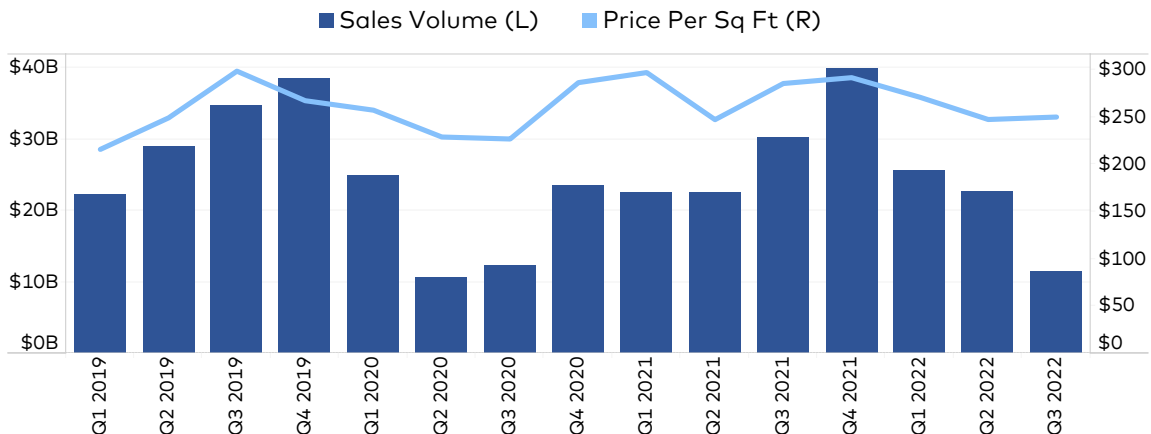
Asset Class (price per sq. ft.)



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

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

Quarterly Transactions



Source: Yardi Matrix. Data as of August 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.

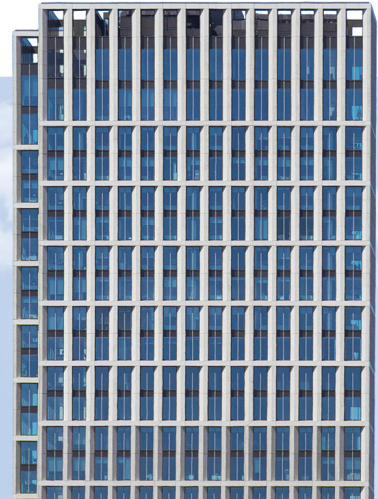
Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with Yardi Matrix market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



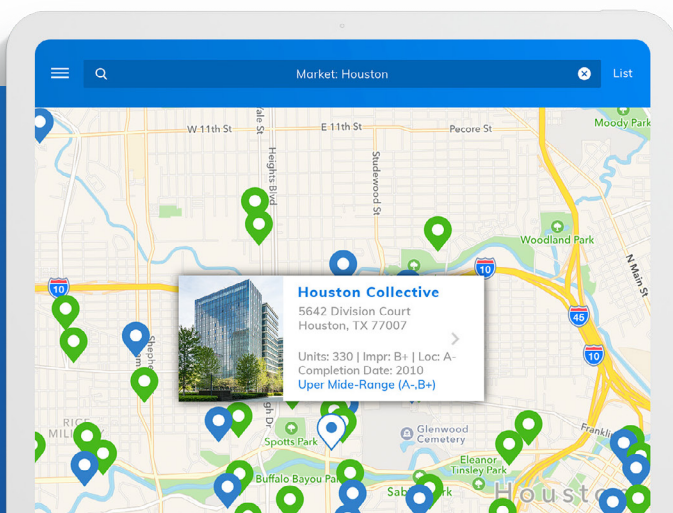
Yardi[®] Matrix

Power your business
with the industry's
leading data provider



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.



(800) 866-1144

Learn more at yardimatrix.com/office

Contact
US



Contacts

Peter Kolaczynski

Manager, Commercial
Peter.Kolaczynski@Yardi.com
(800) 866-1124 x2410

Rob McCartney

Sales Manager, Matrix
Rob.McCartney@Yardi.com
(800) 866-1124 x2412

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(800) 866-1124 x2419

DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2022 Yardi Systems, Inc. All Rights Reserved.