CommercialEdge

National Office Report

February 2022

Medical Office Building Resilience

- Medical office buildings have been gaining increased attention from investors and developers since the start of the pandemic. MOBs have been a resilient office subsector through the pandemic and are seemingly recession proof. While COVID-19 did lead to the cancellation or delay of nonessential surgeries and elective procedures during its early stages, rates rebounded by the end of 2020, according to Stanford Medicine research.

- There are more than 16 million square feet of properties currently under construction that will include medical office utilization in at least some capacity, according to CommercialEdge. Many of the properties that are exclusively medical office are located on the campuses of hospitals or universities, such as the 750,000-square-foot Duke University Health Complex in Raleigh-Durham or the Jack and Sheryl Morris Cancer Center, a 12-story, 510,000-square-foot building at the Robert Wood Johnson University Hospital in New Brunswick, N.J. However, many smaller properties in the new-supply pipeline are suburban medical office centers targeted at offering specialized services in an off-campus location.

- Institutional investors and REITs are taking notice. National Real Estate Advisors and Catalyst Healthcare Real Estate, in a joint venture, spent $420 million on two MOB portfolios totaling 1.2 million square feet and 40 properties. Thomas Park and Artemis formed a $500 million joint venture just last month, and began by purchasing three MOBs in the Northeast totaling $40 million and 92,000 square feet. First-time buyers, like Lionstone Investments, are also entering the MOB market. Lionstone paid $125 million for the fully leased, 146,510-square-foot Newport Lido Medical Center in the Orange County market.

- Demand for MOBs will only grow in the future due to demographic tailwinds. By 2030, the U.S. is projected to have more people 65 and older than 18 and younger, according to the Census Bureau. As the aging population seeks health services closer to home, we expect to see increased demand for MOBs in non-campus settings. This could drive conversions of vacant suburban office buildings into MOBs, although there are specific requirements—relating to the likes of ceiling heights, parking and HVAC, as well as building codes for outpatient care—that will keep the list of potential conversion candidates short.

Listing Rates and Vacancy: Miami as an Office Hot Spot

- The average full-service equivalent listing rate for office space was $38.62 per square foot last month, an increase of 1.2% year-over-year.
- The national vacancy rate was 15.7%, up 20 basis points from the previous month and 110 bps over January of last year.
- The Miami office market has performed better than most over the past year, with full-service listing rates increasing 5.8% year-over-year and vacancy rates decreasing 190 bps over that time. Both businesses and people have been migrating to Florida in the last two years. Financial firms are leading the relocation push to Miami, with hedge funds Elliot Management and Point72 Asset Management moving their headquarters there last year. Goldman Sachs is eyeing the market but has yet to make a move. Net domestic migration in Florida in 2021 was 220,900, according to the Census Bureau, the highest in the nation. The only thing that may slow down the Miami office market is new development, with under-construction square footage representing 8% of stock.

Listings by Metro

Market	Jan-22 Listing Rate	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Square Foot
National	$38.62	1.2%	15.7%	110 bps		
Los Angeles	$41.62	8.1%	13.5%	-10 bps	100 Wilshire	$108.00
Bay Area	$55.79	6.2%	16.2%	110 bps	260 Homer Ave & 819 Ramona St	$138.12
Tampa	$29.70	6.2%	16.5%	370 bps	Midtown West	$46.00
Miami	$43.43	5.8%	13.4%	-190 bps	701 Brickell	$94.00
Denver	$30.25	5.5%	16.3%	200 bps	William Building, The	$59.67
Austin	$43.70	5.3%	16.3%	420 bps	Indeed Tower	$76.67
Boston	$34.81	3.9%	10.7%	-40 bps	Kendall Square at MIT - 314 Main Street	$121.60
Philadelphia	$29.60	3.6%	14.1%	130 bps	Two Liberty Place	$53.50
Washington DC	$42.01	3.6%	16.5%	90 bps	One Freedom Plaza	$81.83
Orlando	$22.13	3.5%	16.9%	200 bps	GuideWell Innovation Center	$34.66
Nashville	$30.90	3.5%	18.6%	150 bps	Pinnacle at Symphony Place, The	$44.00
Phoenix	$28.01	3.2%	14.9%	-350 bps	100 Mill	$50.50
New Jersey	$33.14	2.9%	17.1%	-80 bps	Liberty Innovation Center	$70.29
San Diego	$38.90	2.4%	13.7%	-20 bps	2100 Kettner	$69.00
Dallas	$28.66	1.6%	17.6%	-90 bps	Link at Uptown, The	$54.96
Portland	$29.97	1.0%	14.1%	30 bps	Park Avenue West	$48.69
Atlanta	$27.64	0.8%	21.7%	310 bps	300 Colony Square	$52.00
Charlotte	$29.00	0.5%	14.7%	220 bps	300 South Tryon	$42.00
Chicago	$28.12	-1.1%	19.6%	380 bps	300 North LaSalle Drive	$56.46
Houston	$30.18	-1.2%	24.3%	180 bps	Texas Tower	$58.40
Twin Cities	$26.80	-1.3%	14.4%	-210 bps	Lake Calhoun Center	$42.93
San Francisco	$69.18	-1.6%	15.9%	410 bps	Sand Hill Collection - The Quad	$141.17
Manhattan	$83.52	-2.6%	12.8%	230 bps	550 Madison Avenue	$210.00
Seattle	$35.79	-3.0%	17.0%	520 bps	City Center Bellevue	$65.50
Brooklyn	$48.08	-4.9%	17.7%	270 bps	Brooklyn Navy Yard - Dock 72	$64.00

Source: CommercialEdge. Data as of January 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.

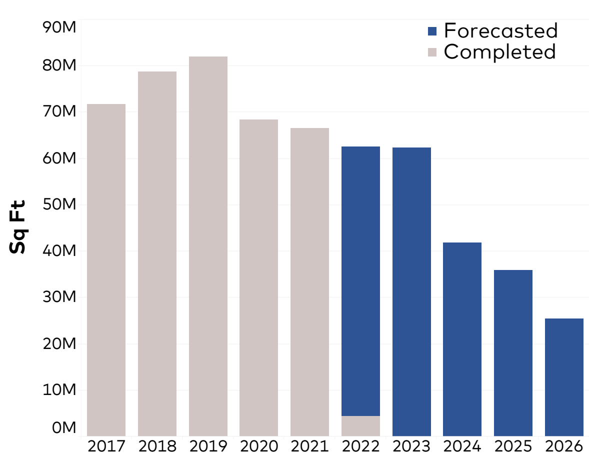
Supply:
Boston Pipeline Large Despite Slowdown in Starts

- Currently, 150.5 million square feet of new office stock are under construction, with 31% of new stock in suburban submarkets and 19% in central business districts. The remaining half of stock under construction is located in urban submarkets—defined as within the city center but outside of the CBD.

- Boston has more than 12 million square feet currently under construction, representing nearly 5% of stock. Both figures are among the highest in the country. However, most stock currently underway began construction before COVID-19, with starts decelerating during the pandemic. From January 2019 through March 2020, 8.2 million square feet of new office starts occurred in Boston. Over the ensuing 22 months, only 4.9 million square feet were started in the market.

- Despite starts slowing, it may be a while before the pipeline begins to shrink. Many of the large-scale office buildings underway in Boston are scheduled to deliver two to three years from now. Winthrop Center, a 1.4 million-square-foot asset in the CBD, is scheduled for December 2023 completion. South Station, a 1 million-square-foot property in the Downtown Waterfront, won't deliver until 2025.

National New Supply Forecast



Source: Yardi Matrix. Data as of January 2022

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	150,501,36	2.2%	5.9%
Austin	9,061,827	10.3%	25.3%
Miami	5,622,982	8.0%	13.9%
Nashville	4,583,835	8.0%	15.6%
Brooklyn	2,136,322	5.2%	10.2%
Boston	12,239,185	4.9%	10.8%
San Diego	3,993,580	4.2%	8.1%
Seattle	5,967,187	4.1%	10.7%
Manhattan	19,171,105	4.0%	5.4%
Portland	2,320,285	3.8%	7.1%
San Francisco	6,032,853	3.8%	6.2%
Bay Area	7,069,995	3.4%	14.0%
Charlotte	2,292,788	3.0%	9.5%
Orlando	1,346,337	2.4%	5.7%
Tampa	1,536,660	2.3%	5.2%
Dallas	5,817,807	2.1%	6.7%
Phoenix	2,361,302	1.8%	9.5%
Atlanta	3,236,087	1.6%	8.2%
Houston	3,743,969	1.5%	2.9%
Los Angeles	4,438,632	1.5%	3.4%
Philadelphia	2,779,103	1.5%	4.5%
Chicago	4,425,098	1.4%	6.2%
Washington DC	4,532,073	1.2%	5.5%
Denver	1,259,923	0.8%	3.5%
Twin Cities	670,819	0.5%	2.4%
New Jersey	994,635	0.5%	2.7%

Source: CommercialEdge. Data as of January 2022

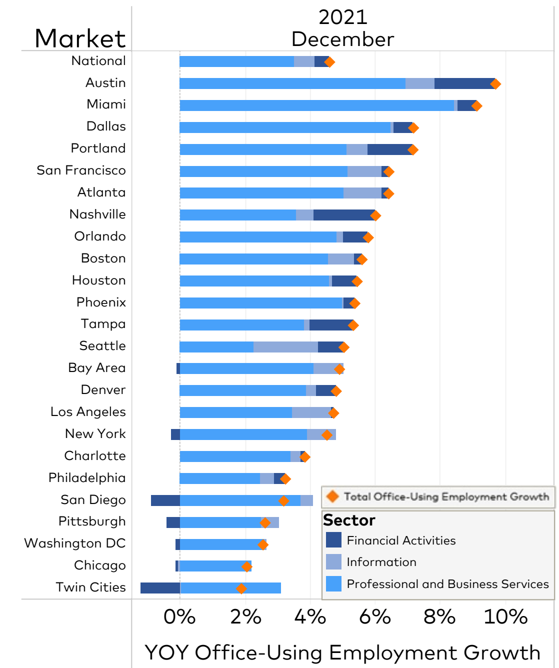
Office-Using Employment: Austin Continues Strong Jobs Growth

- Office-using sectors of the labor market added 113,000 jobs in January, a 4.4% increase year-over-year. The three sectors that comprise office-using employment have fully recovered from the job losses of the initial phase of the pandemic even as the labor market as a whole is still months away from that milestone.

- While many metros have fully recovered their pandemic losses, the recovery has been uneven across the country. Some markets are lagging far behind February 2020 levels of office-using employment. Metro data for December—which trails the national jobs report—shows that 24 of the top 50 markets now have more office-using jobs than they did pre-pandemic.

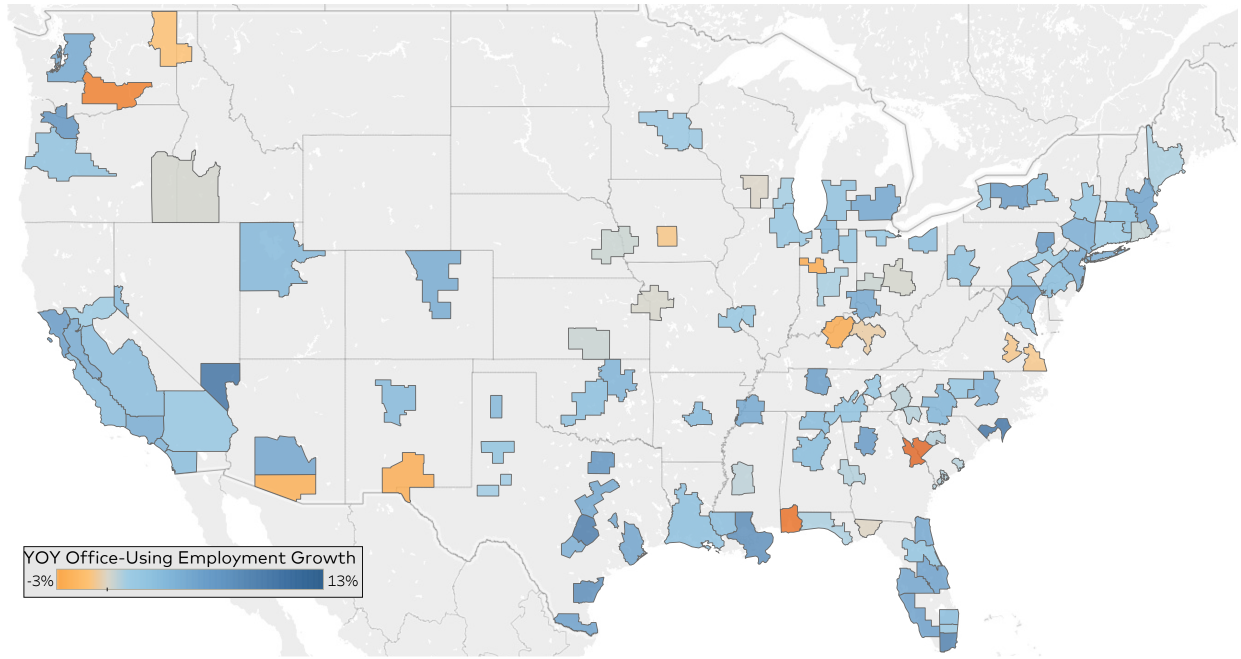
- Since the start of the pandemic, no market has added more office-using jobs on a percentage basis than Austin, growing 11.4% since February 2020. Adding 35,700 jobs in office-using sectors in the last two years, it is second only to Dallas (56,100) in absolute job gains.

Growth by Sector



Sources: Bureau of Labor Statistics and Moody's Analytics

Office-Using Employment Growth



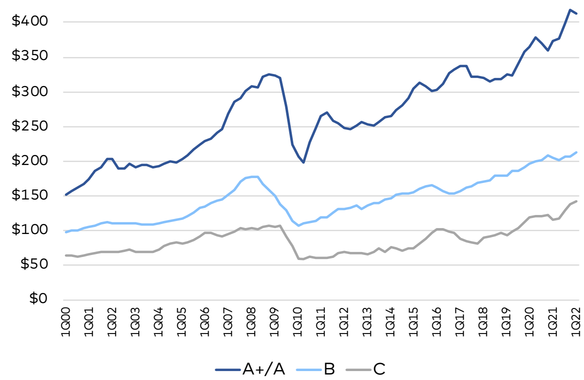
Sources: Bureau of Labor Statistics and Moody's Analytics

Transactions:
Investment Market Starts Year Strong

- Nationally, $5.9 billion of office sales were completed during January. Investors continue to purchase office assets even as the omicron variant has delayed return-to-office plans.

- CommercialEdge adjusted the way it reports sales volume this month. Sales figures for unpublished and portfolio transactions—previously not included in this report—are now estimated using sales comps based on similar sales in the market and submarket, use type, location and asset ratings, sale date and property size. Comparing sales values in this and future reports to previously published reports will not be possible.

Asset Class (price per sq. ft.)



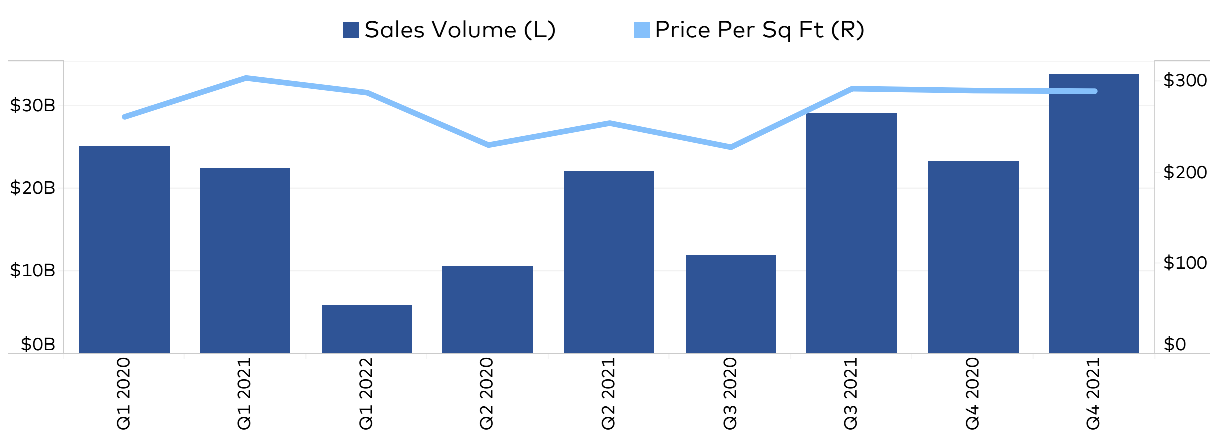
Source: CommercialEdge; 12-month moving average.
Does not include porfolio transactions.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 1/31)
National	$288	$5,876
Bay Area	$611	$715
Boston	$249	$435
Washington DC	$531	$367
Denver	$499	$301
San Francisco	$1,073	$283
New Jersey	$263	$276
Chicago	$191	$242
Houston	$157	$228
Atlanta	$419	$210
Manhattan	$1,885	$197
Orlando	$233	$175
San Diego	$438	$130
Seattle	$284	$125
Dallas	$137	$124
Miami	$276	$93
Nashville	$228	$90
Los Angeles	$223	$86
Philadelphia	$190	$77
Phoenix	$352	$73
Charlotte	$605	$36
Twin Cities	$115	$26
Tampa	$288	$16
Brooklyn	$436	$14
Portland	$226	$205
Brooklyn	$661	$189

Source: CommercialEdge. Data as of January 2022

Quarterly Transactions



Source: CommercialEdge. Data as of January 2022

Definitions

This report covers office buildings 25,000 square feet and above. CommercialEdge subscribers have access to more than 10,500,000 property records and 325,000 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.

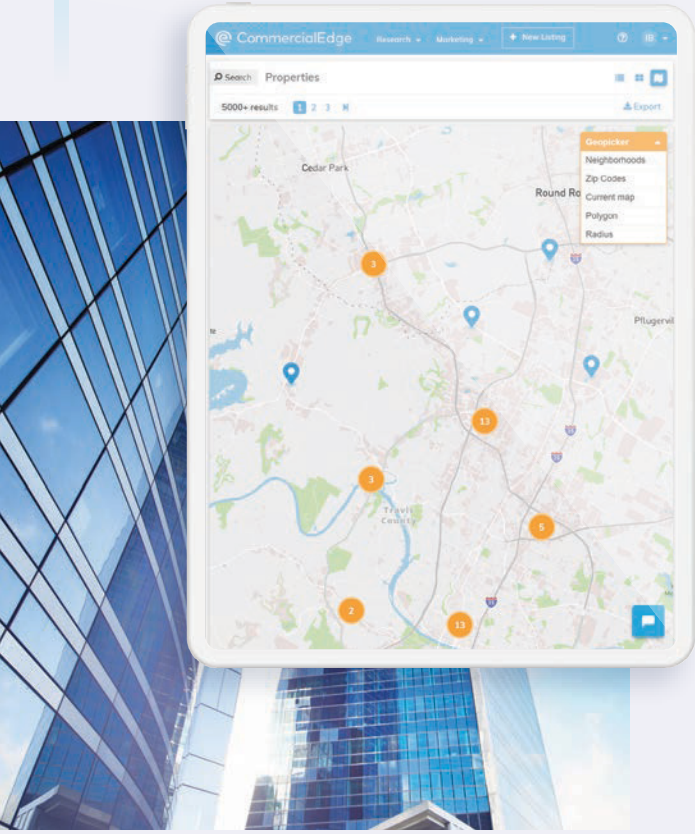
Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with CommercialEdge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