RESEARCH Q1 2022

National Office Market

Fundamentals Moderate in Uneven Recovery; Demand Driven by Quality

Recovery of the United States office market fundamentals moderated in the first quarter of 2022. Net absorption tipped further negative, causing a slight acceleration in vacancy growth from fourth-quarter 2021. The momentum of office recovery was not consistent throughout the quarter. The rapid spread of the Omicron variant in January stunted some market activity early in the quarter, but public health conditions improved rapidly and have positioned most office markets for growth in the coming quarters.

Net absorption measured negative 3.5 million square feet in the first quarter of 2022. This marks a modest contraction from net occupancy registered in the fourth quarter and breaks a three-quarter streak of improved net absorption measured through 2021. The national vacancy rate has increased by 117 basis points over the last year to 16.9%. Vacancy has ticked upward during the pandemic due in part to occupancy losses, but also due to the nation's steady pipeline of deliveries. Over 9.1 million square feet delivered in the first quarter of 2022 and the national construction pipeline held relatively stable at 74.2 million square feet. Flight to quality is a significant office demand driver nationwide and is leading to bifurcation of market fundamentals between high-end and lower-quality office product.

Asking rents continue to appreciate, though at a slowing rate. Average asking rents rose 1.5% over the past year, reaching $31.05/SF. Net effective rents have been under consistent downward pressure due to generous concession packages in most major markets aimed at attracting and retaining tenancy.

Current Conditions

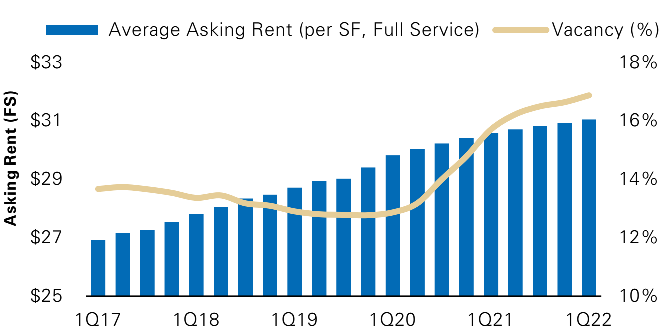
- First-quarter deliveries added 9.1 million square feet to market inventory and 74.2 million square feet remains under active construction.
- Quarterly net absorption measured negative 3.5 million square feet in the first quarter; a decline from the fourth quarter. Over the last twelve months, net absorption has totaled negative 33.1 million square feet.
- Vacancy increased by 117 basis points over the last year, reaching 16.9% in the first quarter.
- Asking rents increased by 1.5% over the last year to $31.05/SF in the first quarter. Though positive, the annual rate of growth for overall asking rents has decreased in each of the last six quarters.

Market Summary

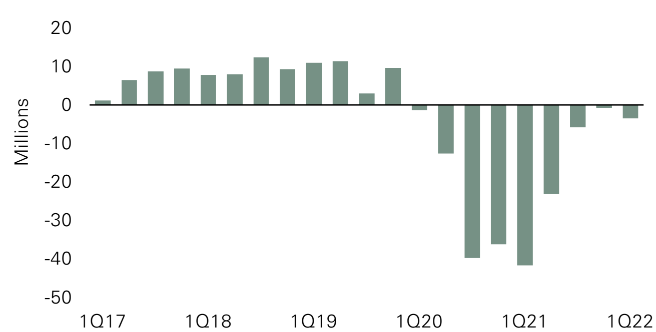
	Current Quarter	Prior Quarter	Year Ago Period	24-Month Forecast
Total Inventory (SF)	5.0 B	5.0 B	5.0 B	↑
Vacancy Rate	16.9%	16.6%	15.7%	↑
Quarterly Net Absorption (SF)	-3.5 M	-0.7 M	-41.6 M	↑
Average Asking Rent/SF	$31.05	$30.92	$30.58	↑
Under Construction (SF)	74.2 M	75.9 M	93.2 M	↓
Deliveries (SF)	9.1 M	11.1 M	10.5 M	↓

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



NEWMARK

Primary Markets Gain Momentum but Net Occupancy Remains Challenged

Net absorption modestly recoiled in the first quarter of 2022; however, occupancy contraction among the largest primary markets improved as return-to-office momentum builds. For much of 2021, occupancy recovery was most pronounced in smaller, more agile secondary and tertiary markets. While secondary markets recorded occupancy gains in the first quarter, tertiary markets measured sizable losses. In the first quarter, net absorption measured negative 1.4 million square feet for primary markets, positive 0.6 million square feet for secondary markets, and negative 2.7 million square feet for tertiary markets. Of the 56 markets tracked by Newmark, 29 recorded positive absorption in the first quarter of 2022, led by Seattle, Salt Lake City, and Houston. Markets recording the largest occupancy losses in the first quarter were Manhattan, San Francisco, and San Antonio. Despite unique challenges in some markets, the southern and western regions are supporting much of the nation's net absorption recovery. East Coast markets along the I-95 Corridor have been slower to recover occupancy and have collectively recorded net absorption of negative 2.8 million square feet in the first quarter.

An outsized share of occupancy losses in large markets has resulted in elevated vacancy, measuring 18.4% for primary markets. This compares to 17.3% and 15.0% for secondary and tertiary markets, respectively. Despite the relative strength of the South in driving occupancy in recent quarters, the nation's highest vacancy rates are recorded in the Houston, Dallas, and Atlanta markets. Additionally contributing to elevated vacancy has been the healthy construction activity experienced in many markets. The nation's construction pipeline has contracted over the last two years, and only four markets currently have a construction pipeline measuring over 3.0% of total inventory.

Asking rents have continued to increase in markets of all sizes, however, faster appreciation has been measured in smaller markets. Annual asking rent growth in secondary and tertiary markets measured 3.3% and 2.1%, respectively, in the first quarter of 2022. Primary markets have recorded less aggressive rent growth, measuring 1.7% in the first quarter, due to elevated vacancy and relatively slower recovery momentum. Consistent with fourth-quarter rent appreciation, markets recording annual rent growth in excess of 7.0% include: Silicon Valley, Charleston, Austin, and Boston.

United States Office Market Outlook

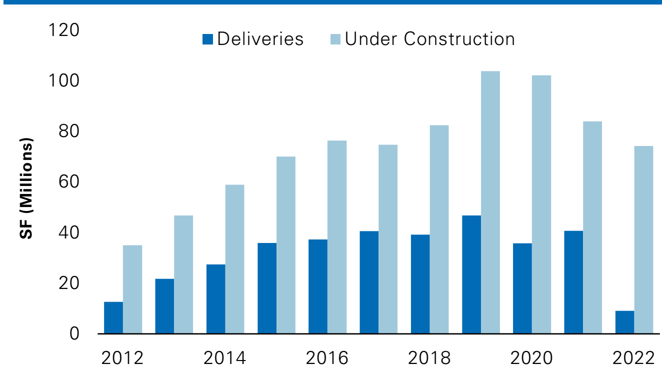
Office market fundamentals marginally softened in the first quarter of 2022, but recovery momentum is building due to widespread public health improvements and increased return-to-office planning, particularly in large gateway markets. Pent-up leasing demand is loosening as more firms re-engage in real estate planning. Still, market fundamentals, such as vacancy, remain under pressure, in part due to new construction deliveries and existing oversupply challenges in many markets. Further, the impact of remote working on office-occupiers' workplace strategies is anticipated to negatively affect firms' real estate needs.

This uncertainty is evident in the nation's rising sublease availability rate, which measures 3.4% in the first quarter of 2022. The rate had decreased in the second half of 2021 as overall market conditions improved. However, sublease availability increased by 2.1 million square feet in the quarter, indicating persistent uncertainty among office occupiers regarding office space needs. Supply is therefore anticipated to outweigh demand through at least the next year in most major metro areas.

The duration of the pandemic and its slow leasing environment have resulted in greater competition among landlords. However, in most markets, asking rents have at least held face value throughout the pandemic. Effective rents are under downward pressure as generous landlord concession packages are common in most markets. Flight-to-quality will remain a significant driver of tenant demand and will support tighter market conditions in top-of-market and well-amenitized assets. Imbalanced supply and demand, particularly in the Class B segment, will be a challenge for owners, as demand is currently concentrated in the highly-competitive Class A market.

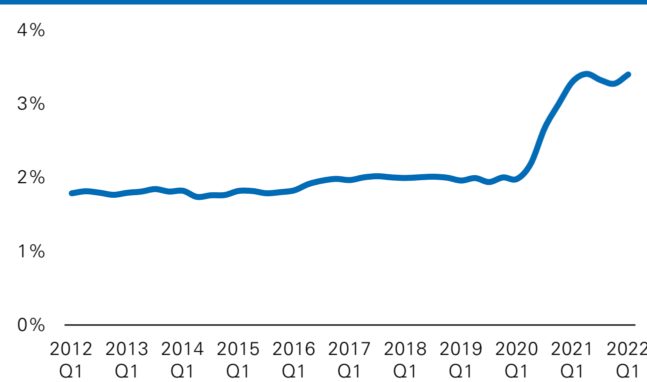
Economic conditions may remain uneven for the remainder of 2022. Continued labor market expansion is expected and may support net-new office occupancy in markets with fast-growing industries like technology and computer science. Inflation is anticipated to remain elevated through 2022, though is likely to slowly trend downward beginning in the second quarter. Still, elevated inflation will present market-wide challenges, which could include interest rate hikes and recessionary pressures. Further, sustained inflation could directly impact real estate markets in the form of increased construction pricing due to supply chain disruptions and increased cost of borrowing for owners and investors.

National Construction Pipeline and Deliveries



Note: 2022 data is year-to-date through the first quarter

National Sublease Availability Rate



Notable 1Q 2022 Lease Transactions

Tenant	Building	Market	Type	Square Feet
Neurocrine Biosciences	1 Carmel Valley Road	Del Mar Heights/Carmel Valley San Diego	New Lease	535,000
Neurocrine Biosciences signed a 13.6-year, 535,000-square-foot lease for a four-building campus currently under construction to serve as its new headquarters and R&D laboratories. The company also has options to lease another proposed building and to purchase the entire campus.				
GSA - Department of Justice	450 5th Street, NW	East End/Downtown DC Washington	Renewal	477,735
The U.S. Department of Justice extended a full-building lease in the East End submarket for approximately 3 years. The Department intends on downsizing this division to approximately 331,000 square feet at the expiration of this lease.				
Blackstone Group	601 Lexington Avenue	Eastside/Midtown New York	Renewal & Expansion	330,000
The Blackstone Group renewed and expanded 330,000 square feet across multiple floors at 601 Lexington Avenue.				
IBM	1 Madison Avenue	Flatiron/Union Sq/Midtown South New York	New Lease	328,869
IBM signed a sixteen-year lease, anchoring SL Green's new development at One Madison Avenue. Occupying over 328,000 square feet, IBM will consolidate nine New York-based offices to One Madison.				
Sephora	350 Mission Street	Financial District South Northern California	Sublease	286,627
Sephora subleased 286,000 square feet across 16 floors from Salesforce in San Francisco's largest sublease transaction in 2 years.				

Notable 1Q 2022 Newmark Sales Transactions

Building	Market	Sale Price	Price/SF	Square Feet
100 Binney Street	Cambridge Boston	$1,020,000,000	$2,356.03	432,931
A recapitalization of an office/R&D building in the heart of Boston's life science market. Johnson & Johnson was committed to the lab space in 2021, but the lease was never finalized. Meta, which currently occupies three floors, has committed to expanding its presence in the building.				
Lakefront Blocks 609 Fairview Ave & 1021 Valley St	South Lake Union Seattle	$819,000,000	$1,288.00	635,869
In the largest sale of the quarter, Vulcan Real Estate sold the 635,869-square-foot, Google-anchored Lakefront Blocks to Deka Immobilien for $819.0 million, or $1,288/SF. The sale did not include the two apartment towers located above the office buildings.				
10000 Washington Boulevard	Culver City Los Angeles	$510,000,000	$1,290.30	395,258
LBA Realty has agreed to a $510 million joint venture with Blackstone Real Estate Income for the recapitalization of One Culver. The creative campus is anchored by Apple and boasts 10 years of weighted average remaining lease term and an above market parking ratio of 4.5/1,000 RSF.				
1800 Larimer Street	Downtown Denver	$291,000,000	$540.71	538,179
After over 10 years of ownership with strong occupancy in the high-90% range throughout, Invesco sold 1800 Larimer in a move to diversify their commercial portfolio. They achieved a sales price for the asset that was approximately 36% above where they acquired the asset in 2011.				
100 Minuteman Road	Andover Boston	$151,000,000	$253.61	595,399
Minuteman Office Park’s three office buildings and one R&D facility sold for $151 million. The over 50-acre property offers flexibility to alter building layouts or accommodate alternative property uses or development.				

Market Statistics—All Classes (Continued on Next Page)

	Total Inventory (SF)	Under Construction (SF)	1Q 2022 Absorption (SF)	YTD 2022 Absorption (SF)	Overall Vacancy Rate	Average Asking Rent (Price/SF)
National	**4,995,666,911**	**74,188,420**	**-3,465,044**	**-3,465,044**	**16.9%**	**$31.05**
Atlanta	155,668,561	3,117,400	80,709	80,709	22.5%	$29.84
Austin	76,083,878	4,188,855	236,135	236,135	17.8%	$40.31
Baltimore	82,676,815	647,573	-317,351	-317,351	15.4%	$24.98
Boston	174,949,943	4,427,567	429,038	429,038	14.2%	$42.05
Broward County, FL	34,574,984	0	-31,572	-31,572	14.3%	$34.19
Charleston, SC	55,119,752	832,868	119,625	119,625	18.8%	$32.24
Charlotte	13,715,424	29,985	62,141	62,141	12.4%	$29.88
Chicago	250,940,024	1,240,000	72,487	72,487	21.3%	$32.07
Cincinnati	36,605,351	671,591	150,100	150,100	19.5%	$19.36
Cleveland	37,841,970	331,900	96,114	96,114	17.9%	$18.36
Columbia, SC	16,077,090	79,000	-13,339	-13,339	13.7%	$19.39
Columbus	43,563,757	1,314,101	204,145	204,145	15.4%	$20.98
Dallas	271,971,909	2,107,787	168,965	168,965	23.7%	$28.21
Delaware	16,753,306	52,000	70,094	70,094	17.3%	$26.25
Denver	101,280,840	967,948	215,897	215,897	21.6%	$30.00
Detroit	78,996,325	513,000	-320,682	-320,682	18.3%	$20.40
Fairfield County, CT	39,563,340	0	-869,469	-869,469	20.6%	$36.57
Fresno	21,851,610	8,694	-54,855	-54,855	10.7%	$23.81
Greenville, SC	22,073,810	384,065	151,359	151,359	9.5%	$22.70
Houston	243,492,936	1,668,862	463,649	463,649	24.8%	$29.28
Indianapolis	61,564,027	187,512	-228,477	-228,477	13.6%	$20.52
Inland Empire, CA	28,245,611	18,000	7,044	7,044	11.2%	$24.52
Jacksonville	32,915,692	136,315	-86,889	-86,889	15.1%	$21.48
Kansas City	73,951,826	881,852	-465,561	-465,561	14.6%	$21.33
Las Vegas	39,193,200	1,116,537	330,104	330,104	11.8%	$23.50
Long Island	57,701,822	35,700	-161,628	-161,628	9.8%	$27.50
Los Angeles	215,123,811	2,741,601	452,549	452,549	19.2%	$44.00
Manhattan	473,345,889	13,139,922	-1,787,458	-1,787,458	10.1%	$77.17

Note: Absorption is the net change in occupied space over a period of time. Data may not match totals in some Newmark metro reports due to different local methodologies. Asking rents are quoted on a full-service basis.

Market Statistics—All Classes (Continued on Next Page)

	Total Inventory (SF)	Under Construction (SF)	1Q 2022 Absorption (SF)	YTD 2022 Absorption (SF)	Overall Vacancy Rate	Average Asking Rent (Price/SF)
National	**4,995,666,911**	**74,188,420**	**-3,465,044**	**-3,465,044**	**16.9%**	**$31.05**
Memphis	33,317,253	68,177	210,708	210,708	16.2%	$19.68
Miami	49,277,543	944,701	145,954	145,954	15.1%	$41.02
Milwaukee	36,557,180	475,502	-110,737	-110,737	19.8%	$19.34
Minneapolis	121,340,074	359,729	75,706	75,706	14.6%	$24.58
Nashville	58,546,799	2,037,826	-443,502	-443,502	13.6%	$29.14
New Jersey Northern	166,846,864	121,000	-137,151	-137,151	20.4%	$30.15
New Jersey Southern	16,805,320	0	71,221	71,221	18.7%	$18.99
Oakland/Greater East Bay	75,560,608	330,855	-207,915	-207,915	16.4%	$39.10
Oklahoma City	20,735,037	0	57,746	57,746	16.4%	$18.23
Orange County, CA	95,995,821	1,082,436	-273,304	-273,304	16.2%	$33.61
Orlando	65,239,488	557,834	95,960	95,960	7.4%	$24.52
Palm Beach	25,602,273	210,000	154,063	154,063	12.3%	$38.65
Philadelphia	109,819,325	1,610,000	-218,623	-218,623	17.4%	$30.87
Phoenix	96,149,065	1,242,970	-348,189	-348,189	19.3%	$27.64
Pittsburgh	56,826,733	1,233,561	-127,542	-127,542	21.6%	$24.91
Portland	61,692,910	578,892	-553,816	-553,816	16.7%	$31.40
Raleigh/Durham	52,771,460	1,161,544	258,498	258,498	13.6%	$28.72
Sacramento	69,453,562	281,244	-100,589	-100,589	12.1%	$25.12
Salt Lake City	73,490,685	1,666,848	943,244	943,244	12.8%	$24.88
San Antonio	46,702,735	722,006	-878,579	-878,579	16.3%	$24.40
San Diego	72,706,112	3,089,964	-102,010	-102,010	14.9%	$39.72
San Francisco	88,067,974	933,624	-1,193,261	-1,193,261	17.2%	$78.42
Seattle	131,519,038	8,550,772	1,027,071	1,027,071	10.4%	$44.66
Silicon Valley	78,989,803	1,918,840	-239,418	-239,418	16.1%	$60.48
St. Louis	74,933,923	224,585	-850,360	-850,360	14.5%	$21.97
Tampa/St. Petersburg	62,296,266	135,000	164,091	164,091	10.2%	$27.57
Washington, DC	372,425,621	3,809,875	412,581	412,581	18.8%	$41.75
Westchester County, NY	26,153,936	0	-269,765	-269,765	20.9%	$28.53

Note: Absorption is the net change in occupied space over a period of time. Data may not match totals in some Newmark metro reports due to different local methodologies. Asking rents are quoted on a full-service basis.

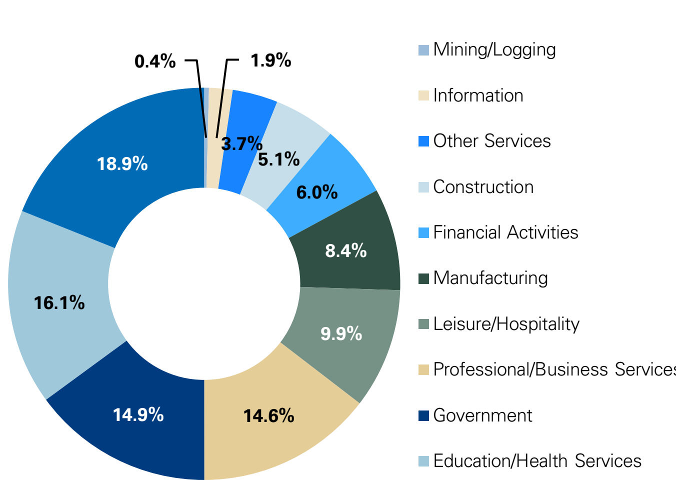
Economic Conditions

United States labor markets have recorded steady recovery through the first quarter of 2022. Total nonfarm employment grew by 1.1%, or 1.7 million jobs, over the last three months. The national labor market has recovered 99.6% of the jobs lost between March and April 2020 and is primed to reach full recovery in the second quarter. Employment recovery has been equally robust in office-using labor sectors, which have also recorded 1.1% growth over the last three months. However, office-using sectors were less severely impacted by the job losses created by the pandemic and have therefore recorded greater rates of recovery than the overall labor market. Non-government office-using labor is 1.8% higher than March 2020 levels. This labor market momentum has also supported a steady reduction in the unemployment rate, which measured 3.6% in March 2022.

Annual inflation, as measured by CPI, continues to accelerate through the first quarter of 2022. Total CPI increased to 8.6% in March 2022 and core CPI moderated at 6.4%. The Federal Reserve is anticipated to increase interest rates to curb inflation growth; however, markets often need several months to react to such changes. More importantly, several key factors in driving current inflation growth are detached from the Fed's control, including the war in Ukraine, lockdowns in China, and continued supply chain disruptions.

Employment by Industry

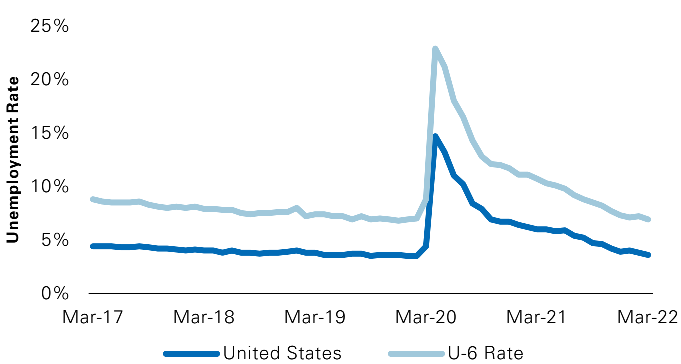
UNITED STATES, 12-MONTH AVERAGE



Source: U.S. Bureau of Labor Statistics, Newmark Research, April 2022

Unemployment Rate

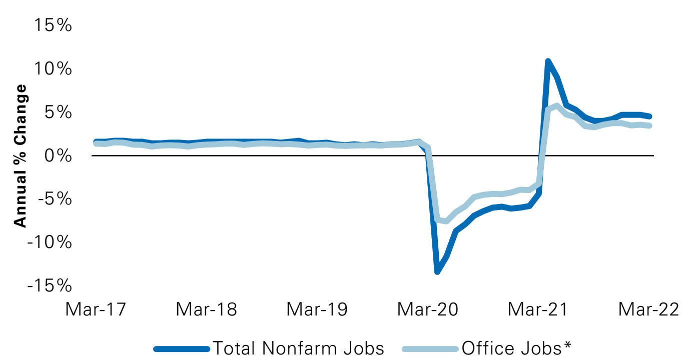
UNITED STATES, SEASONALLY ADJUSTED



Note: U-6 rate includes total unemployed, marginally attached workers, and those working part-time for economic reasons
Source: U.S. Bureau of Labor Statistics, Newmark Research, April 2022

Payroll Employment

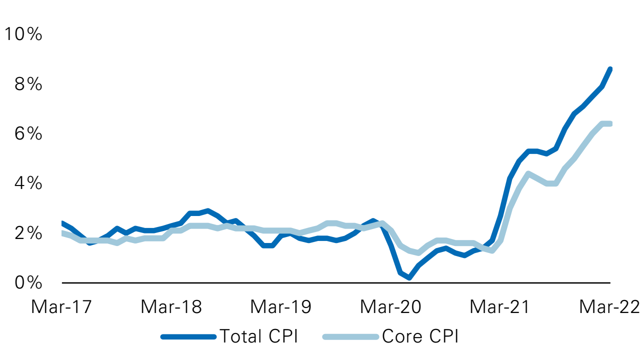
UNITED STATES, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



* Includes Professional/Business Services, Information, Financial Activities, Other Services and Government
Source: U.S. Bureau of Labor Statistics, Newmark Research, April 2022

Consumer Price Index (CPI)

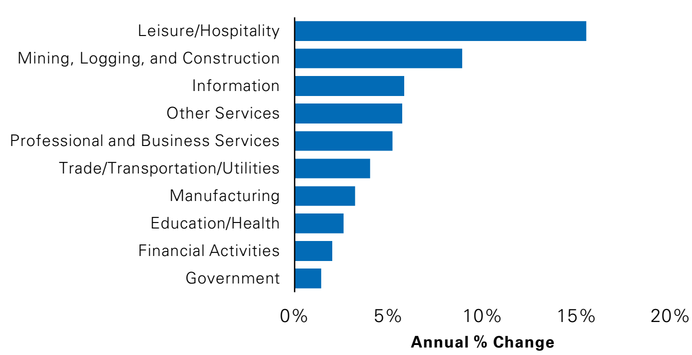
UNITED STATES, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Note: Core CPI excludes food and energy; Base period = 1982-1982
Source: U.S. Bureau of Labor Statistics, Newmark Research, April 2022

Employment Growth By Industry

U.S., MAR 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, Newmark Research, April 2022

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/research.