

U.S. Office Real Estate Market Summary | Q4 2021

Office Real Estate Statistics

	National Average	Class A	Class B	12-Month Rent Growth	12-Month Delivered Construction	12-Month Sales	Average Sale Price
Vacancy	12.3%	16.5%	11.5%	0.1%	71M SF	\$95B	\$324 PSF
Rent	\$34.40 _{psf}	\$44.86 _{psf}	\$29.89 _{psf}				

Executive Summary

The national office market is showing early signs of a recovery, but the sector still has a long way to go before it reaches pre-pandemic levels of performance. Leasing volume improved in Q4 2021, and net absorption was positive for the second consecutive quarter. Additionally, the amount of sublet space on the market fell quarter over quarter after rising significantly since the onset of the pandemic.



After averaging roughly negative 30 million of quarterly net absorption since the halfway point of 2020, demand turned positive and the national vacancy rate held steady for the fourth quarter.



Rent growth remained flat year over year. It will be difficult for office owners to push for higher asking rents until leasing activity returns to pre-pandemic levels.



New office space construction has cooled off over the last several quarters. Of the 144 million SF under construction today, 40% is yet to be leased.



Office sales volumes have increased, coming in line with the market's pre-pandemic quarterly average. Volume totaled \$44 billion last quarter, which is the highest number since the start of the pandemic.



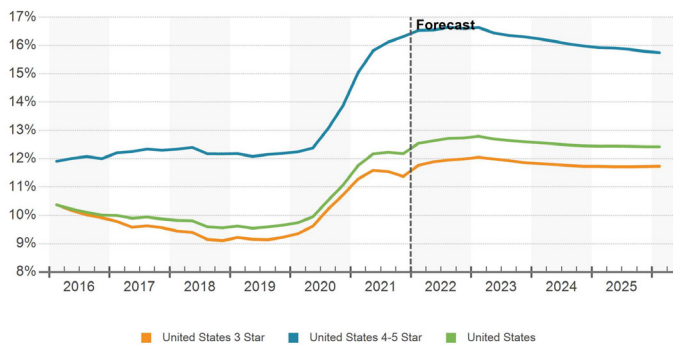
After the U.S. economy's disappointing third quarter (blamed on the spread of the delta variant of COVID-19), the economy in the fourth quarter has rebounded, with job growth returning and consumer spending strong. The unemployment rate fell to 3.9% in December 2021, a new pandemic-era low.

Office Leasing Outlook

The national office market showed early indications of stabilizing in Q4 2021, but the sector continues to face profound challenges due to the effects of the coronavirus pandemic. Leasing volume improved, exceeding 100 million SF leased for the first time since the pandemic started. The amount of subleased space available on the market is slowing down the office sector's recovery and keeping asking prices suppressed. Trends in hybrid and remote work solutions also threaten the recovery, with companies reassessing their real estate footprint as leases expire.

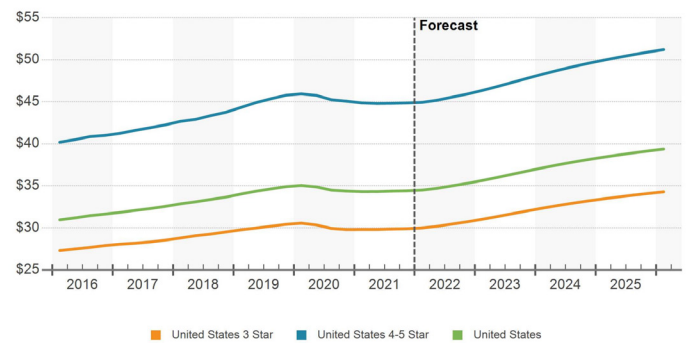
Leasing

VACANCY RATE

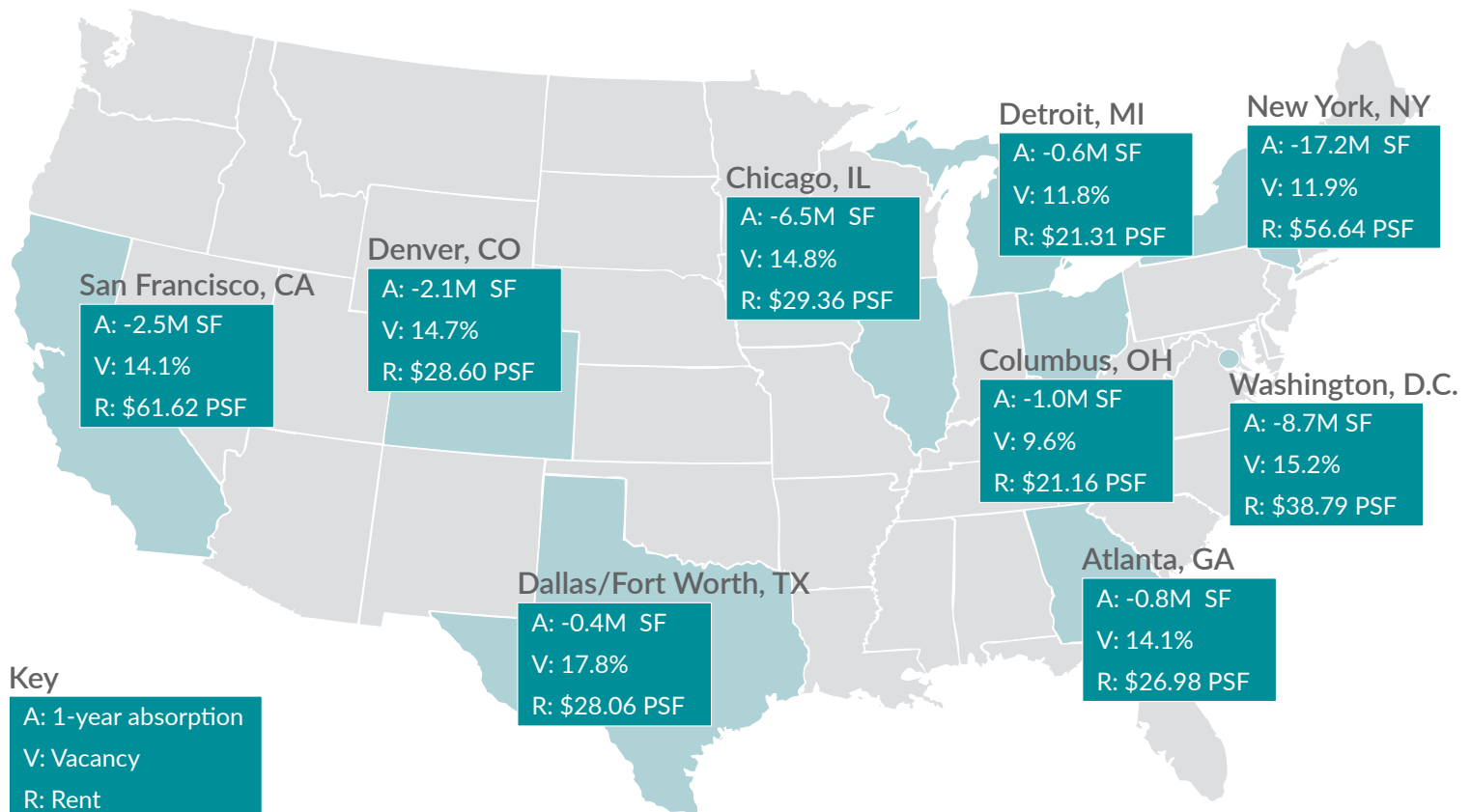


Rent

MARKET RENT PER SQUARE FEET



Metrics from Select Metros



Key

A: 1-year absorption
V: Vacancy
R: Rent

Office Construction & Deliveries

The amount of office space under construction is down from about 160 million SF at the start of the pandemic to 144 million SF today. Construction starts have moderated over the last several quarters as it's now more difficult for developers to attain the financing needed for large capital projects. Quarterly groundbreakings averaged roughly 20 million SF from 2018 through Q1 2020, but quarterly construction starts have averaged only about 13 million SF since the onset of the pandemic in Q2 2020. The markets with the most construction underway include tech centers such as San Jose, Austin, and Seattle; a life-science-dominated Boston market; and perennial powerhouses New York and Washington, D.C.

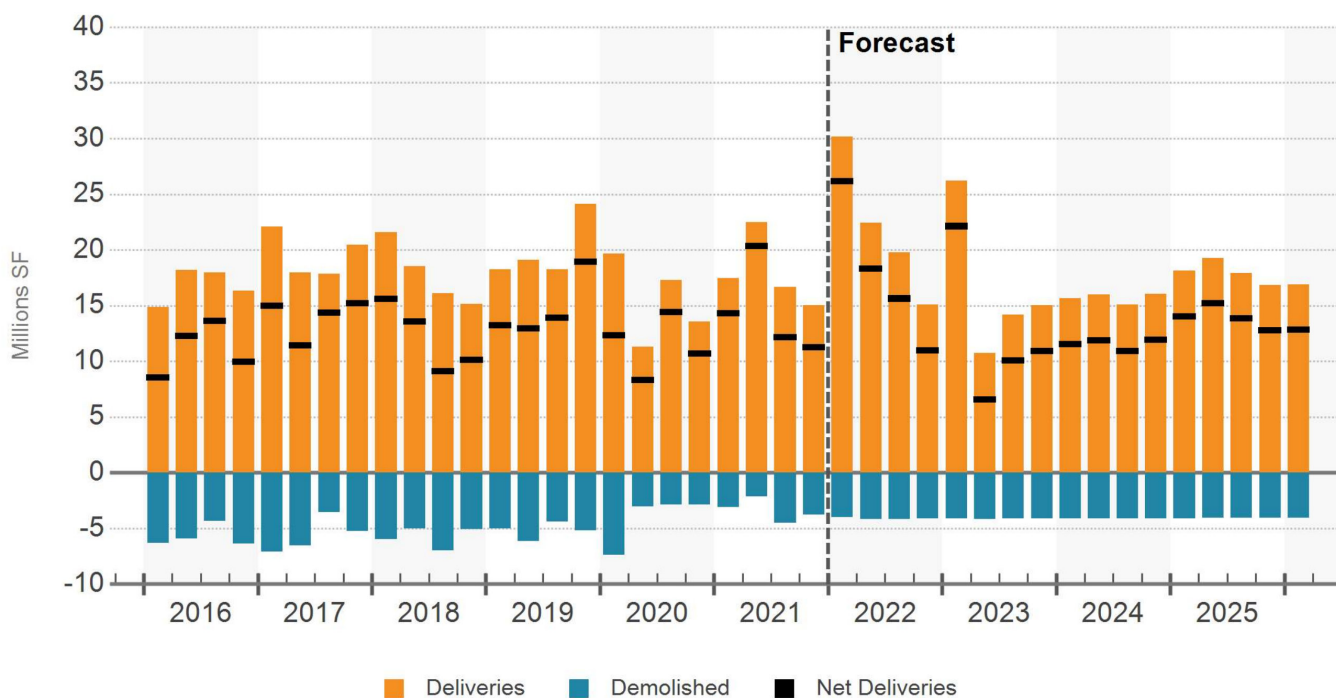
National Metrics



Top Metros Under Construction



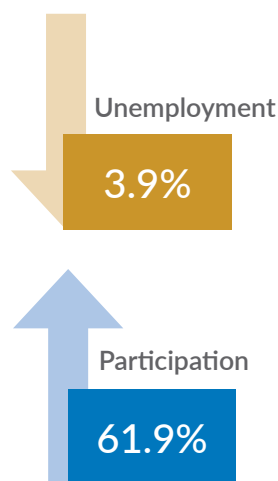
Deliveries & Demolitions



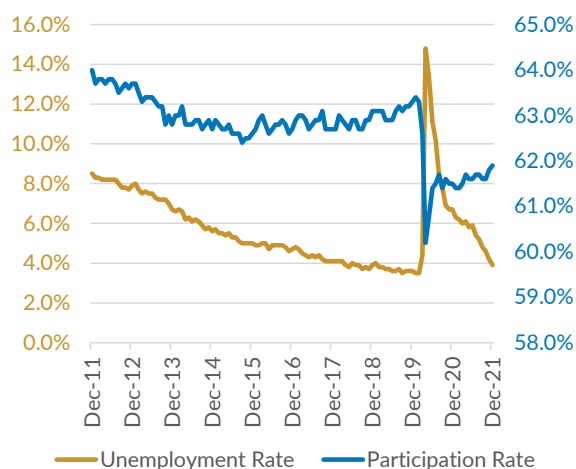
National Labor Statistics

With 11 million job openings and 4.2 million workers voluntarily leaving their jobs, competition for workers is driving wages higher. The labor participation rate is still well below pre-pandemic levels as workers continue to cite COVID-19 fears and a lack of childcare options as reasons for labor force nonparticipation. Despite this, the unemployment rate fell to 3.9% in December, a new pandemic-era low.

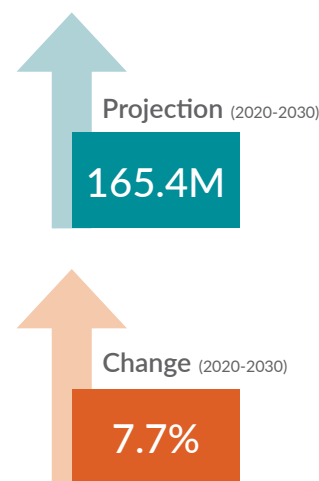
Employment



Labor Statistics, 2011-2021



Job Growth



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Tenant & Buyer Representation

Portfolio Optimization
Site Selection
Lease Administration
Incentives



Owner's Representation

Program Management
Team Selection
Master Budget & Schedule



Real Estate Consulting

Strategic Planning
Due Diligence
Programming/Benchmarking

Contact

To learn more about your real estate market or to discuss your company's real estate needs, contact us today.

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