

# U.S. Office Real Estate Market Summary | Q1 2022

## Office Real Estate Statistics

	National Average	Class A	Class B	12-Month Rent Growth	12-Month Net Absorption	12-Month Delivered Construction	Average Sales Price per SF
Vacancy	12.3%	16.7%	11.3%	0.7%	2.6 M SF	\$71 M	\$317/SF
Rent	\$34.60 psf	\$45.11 psf	\$29.95 psf				

## Executive Summary

With positive demand for office space for the third consecutive quarter and the amount of sublease space on the market leveling off, the national office real estate market is continuing to show signs of recovery. With that being said, the national leasing volume is still well below pre-pandemic levels. The pipeline of new supply being introduced to the market and corporate decisions around remote work could increase vacancy rates in the near term.



### LEASING ACTIVITY

After negative net absorption from Q2 2020 to Q2 2021, demand for office space has been positive for the third consecutive quarter. Vacancy remained flat quarter over quarter.



### SALES

The sale volume for office spaces has slowly accelerated since the second half of 2021, which is an indication that investors are regaining confidence in the sector. Buyer activity has been particularly high in deals involving credit-worthy tenants with long-term leases in well-located areas.



### RENT

Rent growth remained flat year-over-year. The deficit of overall leasing volume as well as the amount of sublease space available on the market has placed downward pressure on rents. Many owners have elected to offer better tenant improvement packages in lieu of lowering asking rent.



### LABOR & ECONOMY

The labor market continues to heal. Job growth was robust in 2021 and extended its gains into Q1 2022. The unemployment rate has fallen to 3.8%, the lowest number recorded in the pandemic era. Meanwhile, inflation rose by 7.9% in January, its highest rate in four decades. Rising inflation risk may result in decreased consumer spending.



### NEW CONSTR- UCTION

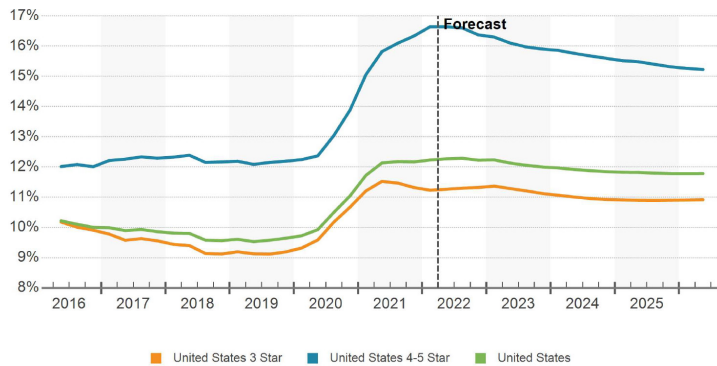
While the number of groundbreakings slowed down, there is still plenty of supply underway. The amount of office space under construction is 141 million SF, compared to 160 million SF the year prior to the pandemic.

## Office Leasing Outlook

The quarterly leasing volume of 100 million SF is the highest in the pandemic era, but still well below the average of 115 million SF per year registered from 2015 to 2019. While the amount of sublet space available has leveled off, it still remains near a record-high 200 million SF. In 2021, 11% of leases included some form of sublease space as opposed to 7% prior to the pandemic. As leases roll over, it's likely that office tenants will continue to reassess their real estate footprints. Owners and landlords have generally elected to freeze asking rent and offer increased tenant improvement packages to incentivize tenants.

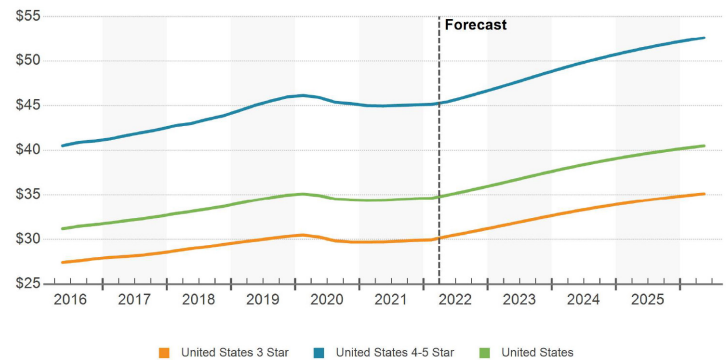
### Leasing

VACANCY RATE

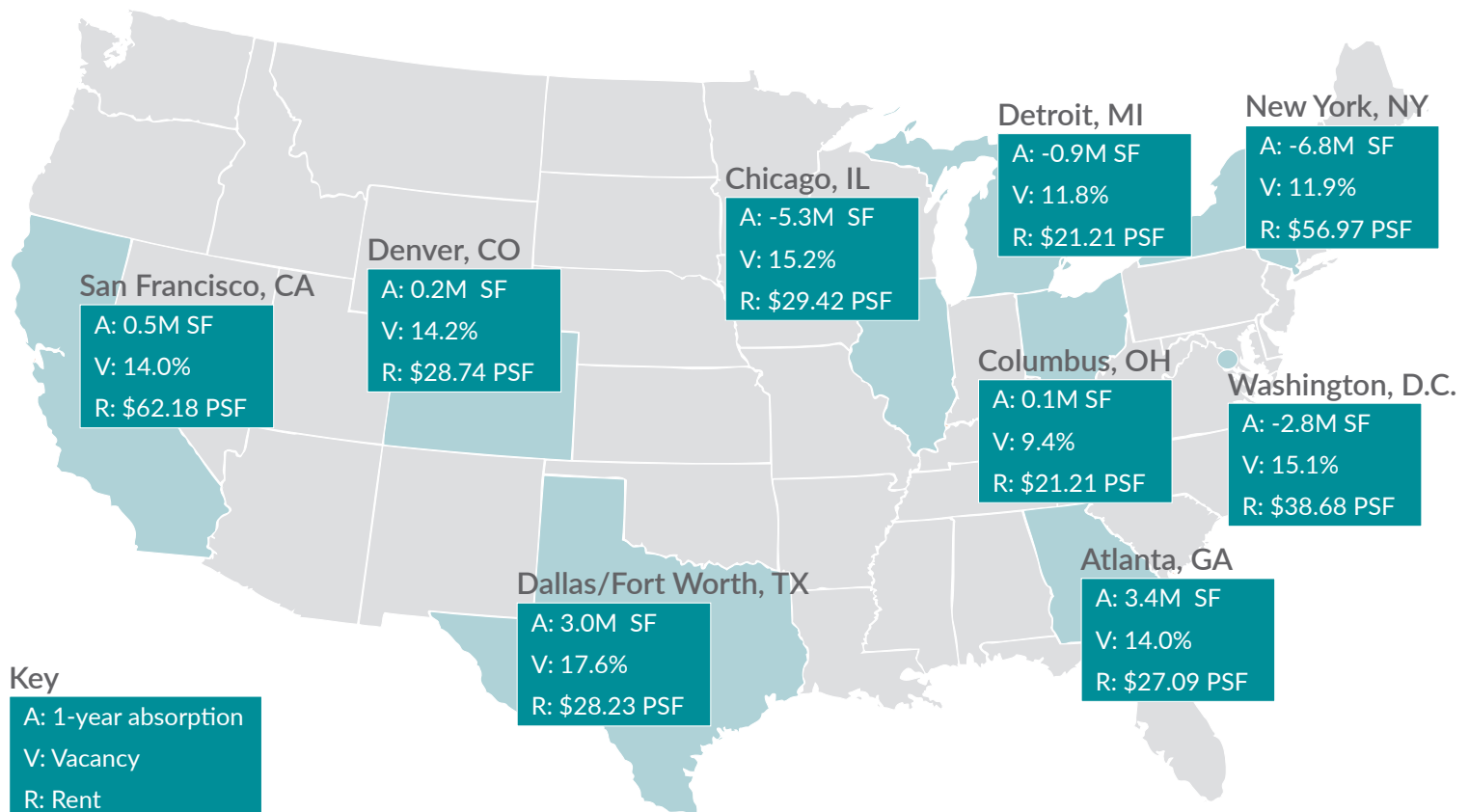


### Rent

MARKET RENT PER SQUARE FEET



## Metrics from Select Metros



### Key

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

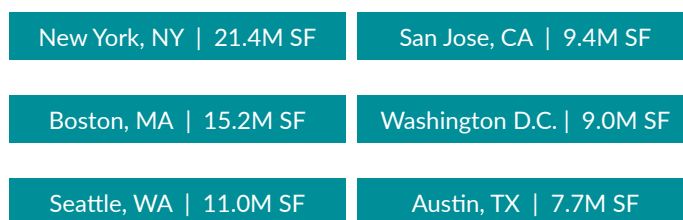
## Office Construction & Deliveries

New office construction projects have been limited during the pandemic, as the difficulty to secure financing has become a challenge for developers. About 40% of the current office spaces under construction are unleased. Markets with the most supply underway include tech centers, life science hubs, and metropolitan areas in the Sun Belt. The supply of office spaces underway is likely to place upward pressure on the national vacancy rate over the next few quarters.

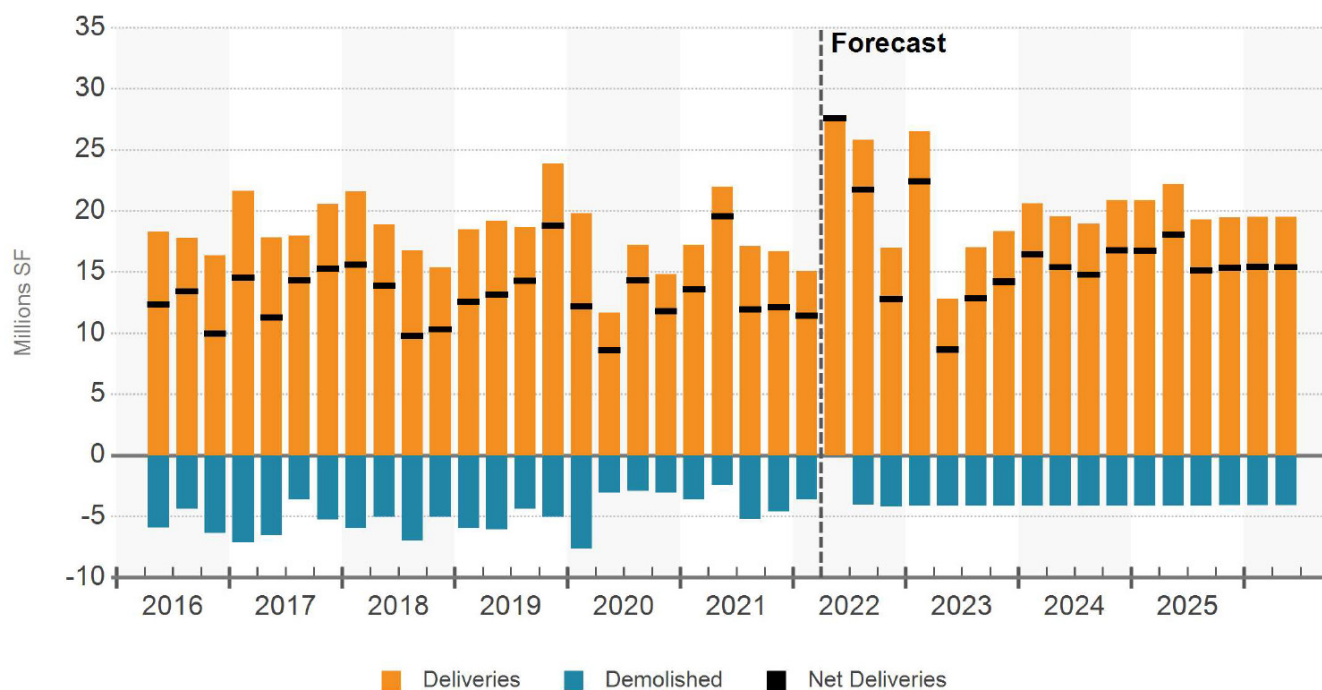
### National Metrics



### Top Metros Under Construction



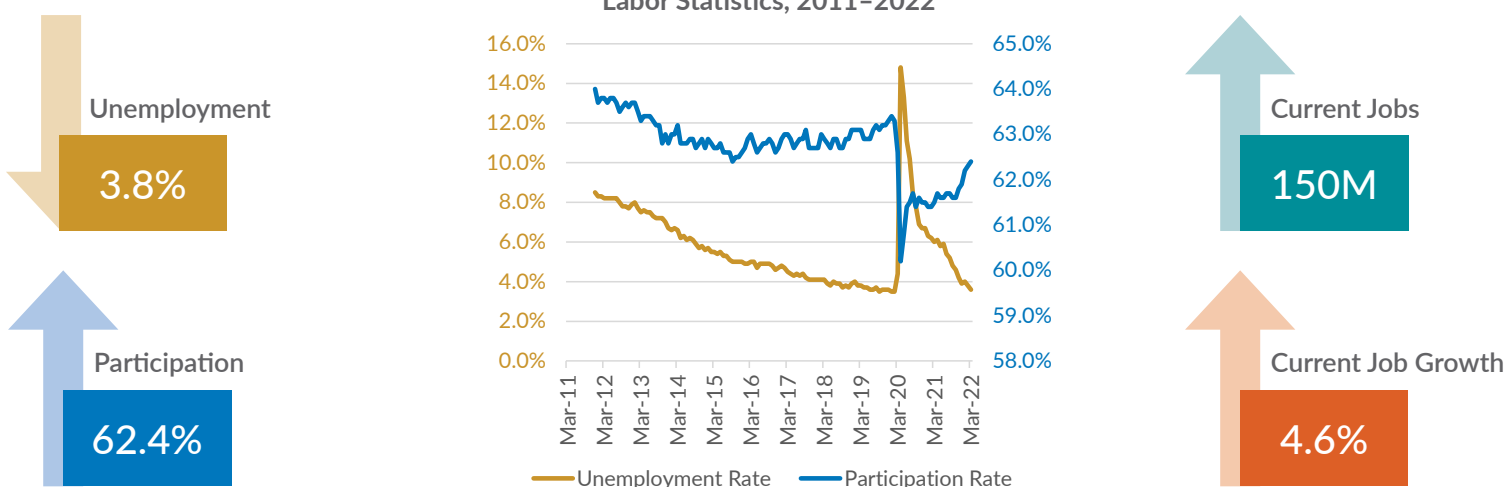
### Deliveries & Demolitions



## National Labor Statistics

Despite over two years of market disruptions due to the pandemic, the U.S. economy has powered through on strong fundamentals. Consumer spending remains robust and the business sector has proven to be resilient among supply chain issues. Inflation, as measured by the consumer price index (CPI), rose by 8.5% in March, its highest rate in four decades, which may slow consumer spending down in the coming quarters.

### Employment



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## About Plante Moran Cresa

Plante Moran Cresa offers unbiased advocacy for companies looking to lease, buy, build, or develop a comprehensive real estate strategy that will align their company goals and real estate. Here's how we serve office space users:



### 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.

### Ron Gantner, CPA

Ron.Gantner@plantemoran.com  
(248) 603-5257



### Rick Pifer

Rick.Pifer@plantemoran.com  
(248) 223-3698

