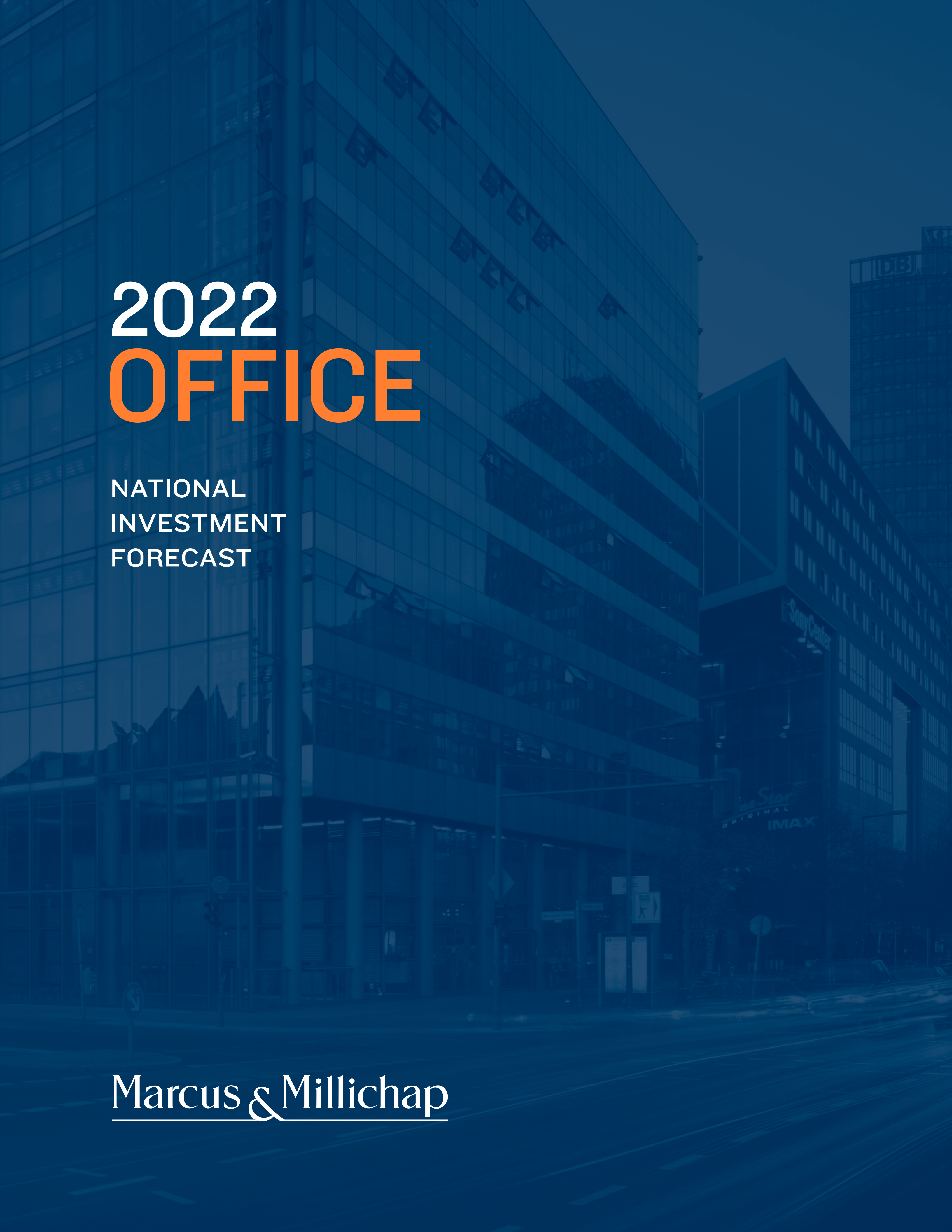

2022 OFFICE

NATIONAL
INVESTMENT
FORECAST

Marcus & Millichap

TO OUR VALUED CLIENTS

To Our Valued Clients,

The office sector outlook remains shrouded in uncertainty as the waves of COVID variants reset companies' strategies for returning to the office. Most companies and most employees do expect to return to the office, likely with flexibility to the in-office work week, once the all-clear has been sounded. Entering 2022, plans have been repeatedly pushed back each time infection rates surged, so many companies are holding off the announcement of firm dates.

Following four quarters of pandemic-induced weak office space demand, absorption returned to positive territory in the third quarter of 2021. The Omicron variant may still dampen the nascent momentum, but we remain optimistic that more clarity will emerge this year. In light of the uncertainty, many companies have opted to renew leases on a shorter-term basis, holding their current space until they have more insights into the longer-term outlook, but we do anticipate stronger space demand to emerge in 2022. The broad availability of vaccines and an emerging trend suggesting that new variants of COVID will be less severe offer hope that office work will soon begin moving back toward normality.

Several structural changes to office use could evolve as a byproduct of the health crisis. Accelerated migration to secondary and tertiary cities, increased reliance on remote work and a shift to suburban lifestyles have the potential to transform office space usage in the years to come. This suggests that investments into office buildings in Sunbelt cities and suburban locations could outperform traditional powerhouse urban core locations in gateway markets – at least over the next few years. Office space demand in major urban centers will undoubtedly recover, but the timing of a return is still in question.

To help commercial real estate investors adapt to and capitalize on the unprecedented health crisis-driven economic and investment climate, Marcus & Millichap presents the 2022 National Office Investment Forecast. As always, our investment brokerage and financing specialists across the U.S. and Canada are at your disposal, providing street-level investment guidance to empower your decisions.

Thank you and here's to your continued success,

ALAN PONTIUS
Senior Vice President/Director
Office & Industrial Properties Division

JOHN CHANG
Senior Vice President/Director
Research Services Division

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Developed by Marcus & Millichap Research Services. Additional contributions were made by Marcus & Millichap investment brokerage professionals nationwide.

National Office Market Index (NOMI)

- Major markets in Texas and Florida claim many of the top spots in this year's Index, led by Austin (#1) with strong residential appeal drawing employers. Raleigh (#4), Salt Lake City (#6), Nashville (#7) and Phoenix (#10) also rank highly for favorable demographics and lower density.
- Many primary metros with well-established office sectors were disproportionately impacted by the health crisis and fall into the second half of the Index. New York (#30), Washington, D.C. (#34), Boston (#40) and San Francisco (#42) face hurdles to recovery this year but maintain bright post-pandemic outlooks bolstered by their sizable populations and key roles in global commerce.

National Economy

- Following the shock and recovery pattern of 2020 and 2021, the economy is set to sustain growth this year, driven by robust consumer spending buoyed by greater savings accumulated during lockdowns.
- The pace of growth could be impeded this year by shortages of materials and labor. Because consumer demand returned more quickly than the buffeted global supply chain could allow, prices for scarce items have risen by historic margins. Urgency to ramp up staff sizes also applied upward wage pressure. Many of these factors will persist throughout 2022, resulting in high inflation.
- Labor participation declined at the onset of the pandemic as some individuals retired early or left for caregiving responsibilities, and it may take some time to recover as some households have transitioned to one income and employee expectations of workplace flexibility have grown.

National Office Overview

- The widespread adoption of remote work at the onset of the pandemic aided the economy at large by allowing firms to keep many personnel on payrolls, but this untethering has raised questions about the future use of the property type. Offices continue to serve as homes for critical operations and are now reintroducing their roles as focal points for creative discovery, collaboration and training.
- The utilization of office space by staff rose steadily throughout last year. While interrupted at the outset of 2022 by the spread of the omicron variant, employees will resume returning to offices in the year ahead, provided new variants do not emerge.
- The workplace return will not take one form but will vary among metros, companies and individual offices. While technology firms have the infrastructure to support a distributed workforce, they have also continued to grow their real estate footprint. Businesses in other fields had already brought staff back in but continue to adjust operations as needed. Employees are generally open to returning at least a few days per week.

Capital Markets

- The Federal Reserve faces a challenging year ahead with the urgent need to curb historic inflation without derailing the economy. Following a period of loose monetary policy, the Fed has begun scaling down its quantitative easing programs, with multiple rate hikes anticipated for 2022.
- The availability of capital for office transactions took a step back in 2020, but more lenders have since returned to the marketplace. These capital providers are nevertheless continuing to underwrite with additional caution, carefully considering the strength and experience of the borrower.
- Investor-driven lenders such as debt and equity funds have become more active in office construction financing, especially for projects in downtown settings or repositioning strategies. Lenders for ground-up construction are looking for higher levels of pre-leasing, ideally to one tenant.

Investment Outlook

- Transaction velocity markedly improved last year following a pandemic-induced contraction in 2020. Investors who paused decision-making during initial uncertainty reentered the market, favoring properties with credit tenants and long lease terms.
- The distribution of office investment sales across different-sized markets stayed about the same during the health crisis, with changes more apparent at the micro level. Buyers are carefully evaluating the build-out of the asset and where it is located at the neighborhood level.
- New remote work habits paired with a tight labor market are putting pressure on property owners to offer compelling amenities. Layouts and technology that facilitate collaboration with hybrid teams while maintaining some private spaces are top of mind.

Suburban Offices Better Weather Disruptions Posed by Health Crisis

Urban Office

Share of Overall Inventory: 32%

2021 Vacancy Rate: 17.2%

Vacancy Increase from 2019: 460 bps

2021 Average Asking Rent: $38.00

YOY Rent Change: -2.9%

Suburban Office

Share of Overall Inventory: 68%

2021 Vacancy Rate: 15.4%

Vacancy Increase from 2019: 240 bps

2021 Average Asking Rent: $24.78

YOY Rent Change: +1.6%

Least Vacant Office Markets

Urban	Vacancy Rate	Suburban	Vacancy Rate
Las Vegas	9.5%	Louisville	7.3%
Indianapolis	10.2%	West Palm Beach	9.2%
Cincinnati	10.7%	Riverside-S.B.	9.7%
Louisville	11.1%	Cleveland	10.8%
Columbus	11.3%	Kansas City	10.9%

Most Vacant Office Markets

Urban	Vacancy Rate	Suburban	Vacancy Rate
Dallas-Fort Worth	28.9%	Houston	23.0%
San Diego	26.3%	Dallas-Fort Worth	20.4%
Houston	25.7%	Washington, D.C.	18.8%
Denver	25.0%	Chicago	18.6%
Fort Lauderdale	23.2%	Phoenix	18.1%

Urban and Suburban vacancy rates as of 3Q 2021

Office Dynamics: Urban vs. Suburban

- Offices in suburban settings have generally weathered the health crisis better than those in central business districts, with vacancy climbing by about half as much since the end of 2019 and the average asking rent continuing to improve.
- Stronger suburban office performance is due in large part to fewer perceived health risks as well as demographic factors. Less population density and reliance on public transportation gave these offices added flexibility during the pandemic while more households are relocating to suburban settings as they age and grow.
- Companies aiming to be near potential hires are considering suburban floorplans, supplementing or replacing a core facility. No one prevailing strategy to meet post-pandemic office needs has emerged.
- Offices in the suburbs of smaller markets and popular relocation metros have performed best, although the core areas of the most established office hubs continue to offer favorable long-term tailwinds.

U.S. Office Market Index

Sunbelt Leads Index this Year as Companies Follow Employees to New Markets

Markets with strong residential appeal top Index. Major markets in Florida claim many of the top spots in this year's Index, highlighting the important roles of demographics and geography in property performance. Warmer climates and less verticality are drawing households to these areas, bringing with them interest from employers seeking to lower expenses and avoid hurdles common in the largest gateway markets. These factors also feature prominently in Austin, which sits at the top of the NOMI, boasting a below-national vacancy rate that will contract by one of the steepest margins of any ranked market this year. The metro's fast-growing, well-educated population is bringing new companies to the area, pushing office property revenues up faster than the U.S. average. Raleigh (#4), Salt Lake City (#6), Nashville (#7) and Phoenix (#10) round out the top 10, sharing many of these same factors. Each metro distinguishes itself within its region of the country with strong population growth, which is in turn attracting employers combating a labor shortage and rising costs.

Primary metros weighed down in NOMI this year. The second half of the Index is composed of many large, well-established office markets that have been disproportionately impacted by the pandemic. High density, reliance on public transportation, and comparatively high operating costs present challenges for office employers in these metros while the health crisis persists. New York (#30), Washington, D.C. (#34) and Boston (#40) will end the year still below pre-health-crisis levels in key metrics such as employment and property revenue. While Seattle-Tacoma encounters many of the same logistical challenges as these large northeastern markets, pockets of strong space demand from major technology companies, especially in Bellevue, position the metro in the 19th spot. Tech firms showed less commitment to San Francisco (#42). The market experienced the largest vacancy shock of any ranked metro. Long term, the outlook for these markets is considerably brighter. They remain popular places to live and hubs of commerce, which bolsters office space demand post-pandemic.

Index Methodology

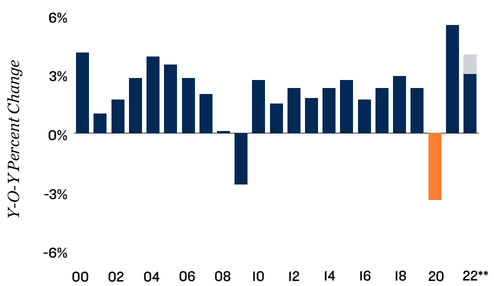
The NOMI ranks 46 major markets on a collection of 12-month, forward-looking economic indicators and supply-and-demand variables. Markets are ranked based on their cumulative weighted-average scores for various indicators, including projected office-using job growth, vacancy construction, and rents. Weighing both the forecasts and incremental change over the next year, the Index is designed to show relative supply-and-demand conditions at the market level.

Users of the Index are cautioned to keep several important points in mind. First, the NOMI is not designed to predict the performance of individual investments. A carefully chosen property in a bottom-ranked market could easily outperform a poor choice in a higher-ranked market. Second, the NOMI is a snapshot of a one-year horizon. A market encountering difficulties in the near term may provide excellent long-term prospects, and vice versa. Third, the NOMI is an ordinal Index, and differences in rankings should be carefully interpreted. A top-ranked market is not necessarily twice as good as the second-ranked market, nor is it 10 times better than the 10th-ranked market.

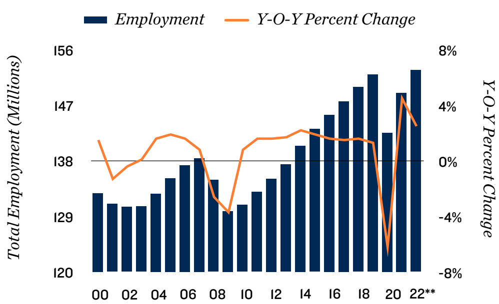
Market	Rank
Austin	1
Tampa	2
Miami-Dade	3
Raleigh	4
Orlando	5
Salt Lake City	6
Nashville	7
West Palm Beach	8
Fort Lauderdale	9
Phoenix	10
Dallas-Fort Worth	11
Denver	12
Las Vegas	13
Riverside-San Bernardino	14
San Antonio	15
Charlotte	16
Oakland	17
Cincinnati	18
Seattle-Tacoma	19
San Diego	20
Kansas City	21
Louisville	22
Detroit	23
Atlanta	24
Orange County	25
Cleveland	26
Columbus	27
Northern New Jersey	28
New Haven-Fairfield County	29
New York City	30
Minneapolis-St. Paul	31
Portland	32
San Jose	33
Washington, D.C.	34
Baltimore	35
Indianapolis	36
Philadelphia	37
St. Louis	38
Sacramento	39
Boston	40
Houston	41
San Francisco	42
Milwaukee	43
Los Angeles	44
Chicago	45
Pittsburgh	46

[1] *See National Office Market Index Note on page 60.*

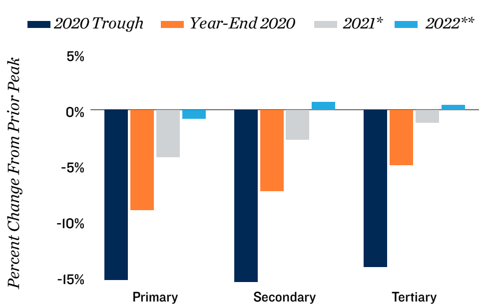
GDP Growth Trends



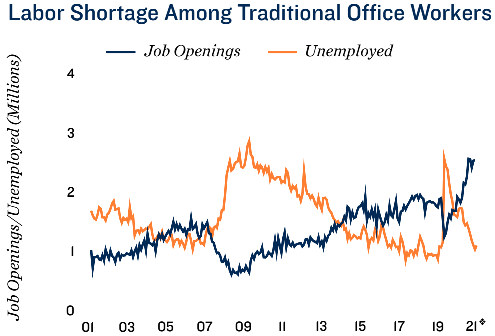
Employment Trends



Employment Change from Pre-Crisis Peak



Labor Shortage Among Traditional Office Workers



* Estimate

** Forecast

◆ Unemployed as of December, Job Openings as of November

Economic Outlook Positive Despite Inflation Pressure; Persistent Labor Shortage Restrains Growth Potential

Accumulated savings lifts economic outlook amid persistent inflation concerns. Following the shock and recovery pattern of 2020 and 2021, the economy is set to sustain growth this year. By the end of 2021, real GDP had already returned to a pre-pandemic level, with the measure expected to improve between 3 percent and 4 percent this year. This expansion is being driven by robust consumer spending, buoyed by greater accumulated savings. Since the health crisis began, money market funds and savings deposits have compiled an additional $5 trillion at an aggregate level. More of those funds are now being deployed as unemployment falls and reopened businesses invite spending. The main impediments to growth this year are shortages of labor and materials, contributing to inflation. Because consumer demand returned more quickly than the buffeted global supply chain could manage, prices for scarce raw materials and finished goods rose by historic margins in 2021. Urgency to ramp staff sizes back up also applied considerable upward pressure on wages, in turn lifting the prices on the goods and services those jobs provide. Many of these factors will persist throughout 2022, keeping inflation high.

Going remote helped traditional office using roles avoid worst of labor shortage. While employers across the country are looking to expand staffs, many began the year facing a shortage of qualified candidates. Labor participation declined at the onset of the pandemic as some individuals retired early or left roles to care for children or other family members. While vaccines and other treatments are lowering health concerns and allowing in-person schooling to largely resume, labor participation faces a long road to full recovery. Some relocated households have transitioned to one income, while employee expectations of workplace flexibility have increased. This is especially true of professions that are typically based in offices. Firms leveraged remote work options to maintain operations and keep more staff on payroll, resulting in a less severe labor shock. While total employment contracted 15 percent between February and April of 2020, traditionally office-using roles shrank by only 9 percent. How quickly and to what extent employers can bring these roles back into offices remains less clear, while hiring for the abundance of open positions will continue to be complicated by the remote setting.

2022 National Economic Outlook

- **Repairing and expanding nation's infrastructure to provide economic boost.** New infrastructure investment will begin to take place this year. Amid other provisions, offices are poised to benefit from the $39 billion set aside for public transit and $66 billion bookmarked for Amtrak, which will enhance commuters' mobility. While the process will take time, improving the nation's transit ways, ports and utilities will unlock economic growth potential and may drive new private investment.
- **Rising corporate profits another sign of strong economic outlook.** At the start of 2022, corporate profits were already up about 20 percent from pre-pandemic. These added financial resources are helping large firms weather the current labor, inflation and logistics challenges. Smaller companies may have trouble climbing these hurdles, however. NFIB's forward-looking small business optimism index dropped at the end of 2021 as some of the constraints to economic growth persist.
- **Sunbelt, tech metros rapidly adding office jobs.** The traditional office-using segment of the employment base is growing the fastest in lower-cost Sunbelt metros favorable for both household and business relocation, including Miami-Dade, Orlando and Phoenix. The tech stalwarts of San Jose and Seattle-Tacoma also continue to grow headcounts in these fields, while tech's interest in Austin is also boosting the local job count.

Firms Holding onto Office Space, but Unclear Trajectory of Coronavirus Variants Clouds Worker Return Timelines

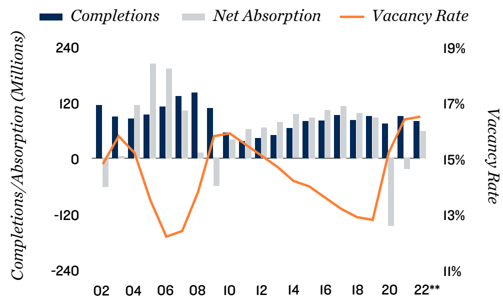
After cautionary period, office demand improving. The widespread adoption of remote work at the onset of the pandemic allowed many firms to keep personnel on payroll and continue operations during a turbulent time, aiding the economy at large. This untethering has, however, raised questions about the future use of office space. Throughout the first two years of the pandemic, offices continued to serve as a foundation for critical operations and secure homes for sensitive information and vital personnel. As vaccinations became available and people were more comfortable leaving the home, these spaces also began to reinforce their roles as centers for creative discovery, collaboration and training. These factors led to fewer space contractions in 2021 and began to bring more employees back to offices. Kastle Systems' 10-major-metro barometer of building utilization surpassed 40 percent in the closing months of last year, more than double the pandemic trough. This progress stalled at the outset of 2022 with the rapid spread of the omicron variant of COVID-19, and future office utilization is clouded by the possible emergence of other virus variants. Individual firms will have to weigh their local risks against other needs. Marcus & Millichap's 2022 outlook for offices is based on the assumption that new variants of the coronavirus do not become pervasive.

No one-size-fits-all approach to office return. Companies have various approaches and timelines for the return to workplaces. Large technology firms, which have the scale and tools to support a permanent dispersed workforce, are understandably bullish on the future of remote work. Apple, Google and Amazon had open-ended return dates in place closing out 2021. However, these companies also have significant investments in office real estate. Facebook, Google and Amazon expanded their office footprints during the health crisis, actions incongruous with a long-term remote perspective. These tech giants will ultimately bring many staff members back in-house. Some businesses in more traditional fields such as finance had already done so, before new COVID-19 variants prompted renewed caution. The unknown risks associated with possible future virus mutations may lead to other delays, retractions or cancellations. Given this uncertainty, some companies are pushing off long-term decisions by renewing leases at shorter terms. Employees, for their part, are open to returning to the office at least part time under conditions of abating health risk.

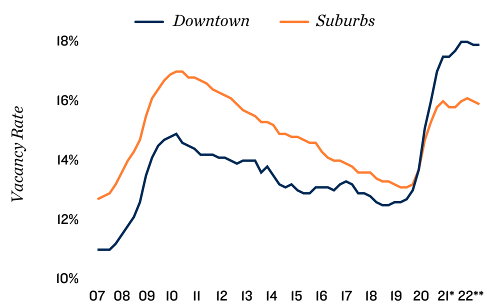
2022 National Office Outlook

- **Future wave of office tenants is in the making.** While many established companies will continue to downsize their physical office footprints, new demand for space is on the horizon. The health crisis, while causing unprecedented suffering and economic disruption, also fostered the most active entrepreneurial period in decades. The filing rate for new business applications has more than doubled since the pandemic started, and many of these nascent companies will need offices in the future.
- **Urban offices have more ground to make up in 2022.** In the closing months of 2021, office vacancy in the CBDs of the large primary metros had risen by 500 basis points since the start of the pandemic. Vacancy in the suburbs of secondary and tertiary metros had only climbed half as much, due partly to an increase in office relocations. At the same time, a flight-to-quality creates added demand on primary markets' premier offices.
- **Ample space available for sublease engorged by new supply**. While demand for office space will improve this year, ongoing construction activity will be a complicating factor. While the 80 million square feet set to open this year will be on the lower end of supply gains recorded over the past decade, the new floorplans add competition for tenants at a time when the amount of space available for sublease is still historically elevated.

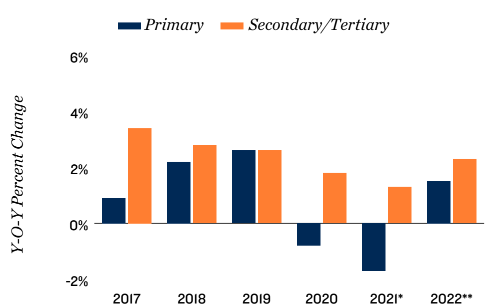
Supply and Demand



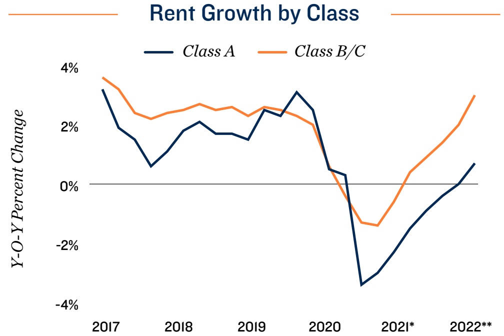
Vacancy Rate - Downtown vs. Suburbs



Rent Growth by Market Type

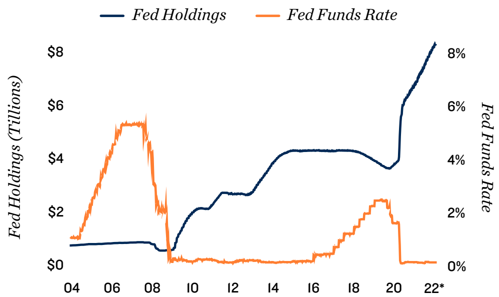


Rent Growth by Class

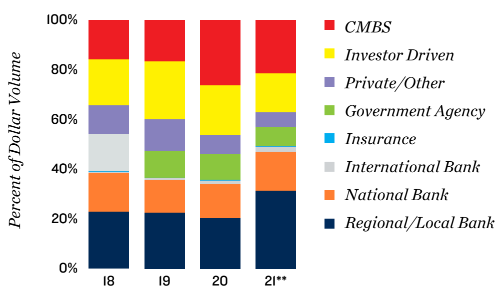


* Estimate
** Forecast

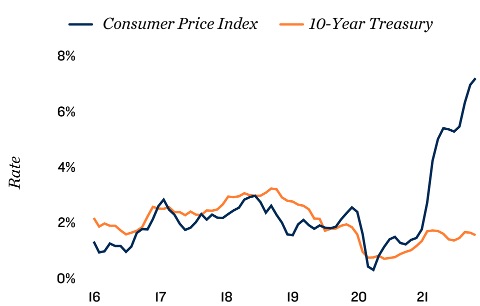
Accommodative Monetary Policy



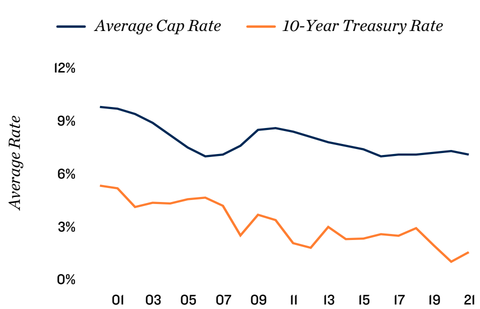
Office Lender Composition



Inflation Climbs to Historic Levels



Office Cap Rate vs. Treasury



* Through Jan. 12
** Estimate

Fed Balancing Inflation Control with Preserving Growth; Office Lenders Engaged Yet Circumspect

Monetary policy tightening as inflation persists. The Federal Reserve faces a challenging year ahead with the urgent need to curb historic inflation without derailing the positive trajectory of the economy. Following widespread shutdowns in 2020, the Fed anticipated a period of accelerated price growth last year as the economy reopened, putting policies in place for inflation to run above the central bank's traditional target. This was initially done to prompt economic growth, but producer and consumer prices continued to advance at persistently high paces into this year, prompting a turnaround in monetary policy. The Federal Open Market Committee began scaling down its $120 billion-per-month quantitative easing asset purchase program in November 2021, accelerating the timetable the following month for an estimated ending in the spring of this year. The FOMC has also implied that it will raise the Federal Funds Rate at least one time in 2022. The Fed's position could change, however, especially if the health crisis substantially worsens and prompts new shutdowns. There is also a possibility that the central bank's tightening monetary policy overestimates the strength of the current economy, triggering a double dip recession.

Capital liquidity much improved; lenders sustain cautious underwriting. The availability of capital for office transactions took a step back in 2020, as properties experienced an unprecedented disruption to typical demand drivers. More lenders have since returned to the marketplace, although they continue to underwrite with added caution. Capital providers are carefully considering the strength of the borrower and their experience in the office sector. Specific property characteristics such as location within a market and submarket are also vital factors in obtaining financing, as is the credit quality of the tenants in place. The remaining term of any leases as well as the build-out of the specific facility are also important determinants. This extensive due diligence is associated with fairly conservative loan criteria. Loan-to-value ratios have ranged from below 60 percent for traditional life insurance companies up to the 65 percent-to-70 percent range for larger banks and CMBS sources. These traditional lenders may become more involved with investor-driven funds that accumulated an ample amount of capital in anticipation of distressed sales. As that distress has failed to materialize on a large scale, these buyers will turn to more traditional assets and lenders.

2022 Capital Markets Outlook

- **New precautions alter office construction patterns.** Investor-driven lenders such as debt and equity funds have become more active in office construction financing, especially for projects in downtown settings or repositioning strategies. Lenders for ground-up development prefer pre-leasing of at least 30 percent of the asset's square footage, ideally to a single credit anchor tenant. This precaution should benefit the sector in the long term as it curbs speculative construction activity.
- **Lending options diversify.** Alternative forms of permanent financing have become more prevalent in the office sector since the health crisis unfolded. The non-recourse nature of many of these loans appeals to borrowers, even if they come with higher spreads over benchmark lending rates. These financing options, most common among smaller or newer life insurers, also offer borrowers more pre-payment flexibility over some other options.
- **Inflation drivers will not be quick to unwind.** Upward pressure on both producer and consumer prices persists this year. Blockages to the global supply chain that have led to a shortage of both raw materials and finished goods will take months to clear. At the same time, wage increases prompted by a tight labor market will have a long-lasting impact on the prices of the goods and services that these jobs produce.

Investment Demand Improving as Clarity Emerges; Property Specifics Increasingly Key to Transactions

Sales activity gathers momentum, particularly in niche segments. Transaction velocity markedly improved last year following a pandemic-induced contraction in 2020. Investors who paused decision-making during initial uncertainty re-entered the market, favoring properties with stronger tenant rosters and longer lease terms. The release of pent-up buyer demand paired with the shift in risk preferences lifted the average sale price by over 6 percent in 2021 and compressed the mean cap rate below 7 percent for the first time since before 2000. Looking forward to this year, sales activity may be tempered slightly by incongruities in buyer and seller expectations. Some investors are focused on pursuing discounted pricing amid the headwinds currently facing the sector, while potential sellers continue to maintain the long-term value of their properties. The gap between bids and asks should narrow as the year progresses and more companies make formal decisions regarding their future office space use.

Individual property features strong determinants regarding investment demand. At a high level, the distribution of trades among Class A and B/C buildings, as well as across primary and secondary/tertiary metros, has stayed about the same through the pandemic. The changes in investment sentiment are more clear at a micro level. Buyers are carefully evaluating where an office is located at a neighborhood level, the build-out of the asset, and the current and prospective tenant roster. The labor market, especially for high-skill professional service positions, is incredibly tight. These in-demand individuals will vote with their feet if they do not want to work in a particular building. As such, there is a strong emphasis among tenants and investors for offices that are compelling to modern employee needs and sentiments. This benefits the Class A sector, where amenities and new concepts can be more readily implemented. Mid-tier offices will focus on companies' needs for non-prestige spaces. While some firms may reduce expenses by taking lower-skill roles remote, others will hold onto space for information security and staff oversight. Some investors may look to renovate assets to meet the greater need for collaborative and open spaces, while much older stock may be converted to other uses. Ultimately this will benefit the sector as obsolete space is removed from the market.

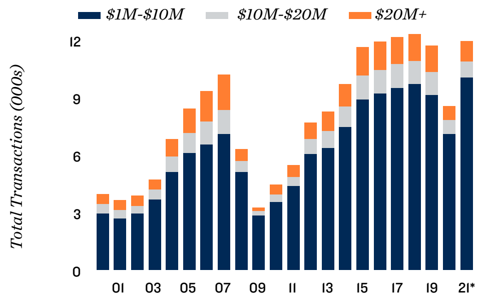
2022 Investment Outlook

- **Sought-after amenities include dichotic mix of collaborative and private spaces.** A year or more of remote work habits, paired with a tight labor market are putting pressure on companies, and by relation property owners, to offer compelling office amenities to attract talent. Layouts and technology that facilitate collaboration with a hybrid team, as well as private work spaces to limit health concerns, are top of mind for both tenants and investors of higher-end office facilities.

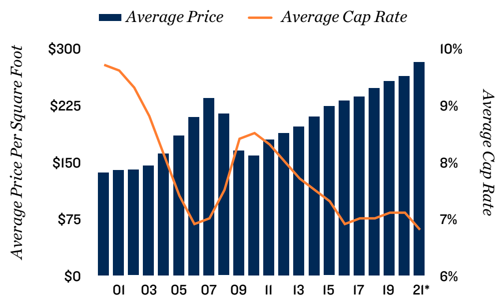
- **Institutions targeting single-tenant offices as hedge.** Institutional investors are focusing on offices with one or two tenants in place for an extended duration as a hedge against a lower-than-expected return to offices. Demand for these low-risk-perceved trades is high, resulting in notable prices. Recent sales in major California metros are commanding per-square-foot pricing above $800.

- **Areas of strong household growth a consideration for offices.** A factor investors may give more weight in the future is household formation. To accommodate hybrid work schedules, more firms will locate offices near where their employees want to live, which is increasingly suburban settings in Sunbelt and Rocky Mountain metros. As such, there is a clear relationship between where households are forming and where future office demand is likely to notably improve.

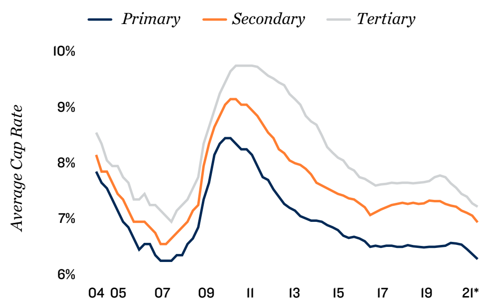
Office Transaction Activity



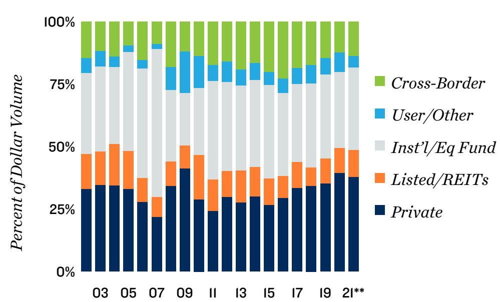
Price vs. Cap Rate



Cap Rates by Market Size



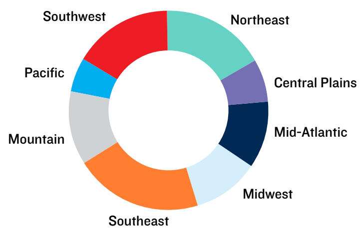
Office Buyer Composition



* Estimate

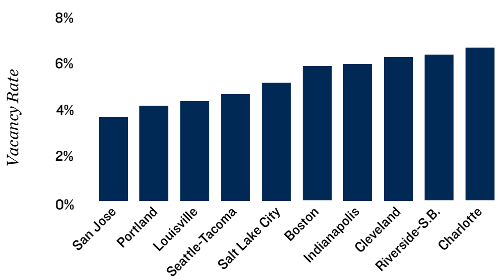
** Trailing 12 months through 3Q

2021 MOB Completions
By U.S. Region*

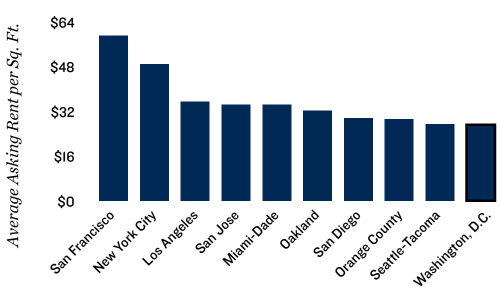


Regional shares based on estimated U.S. total of 7.8 million square feet.

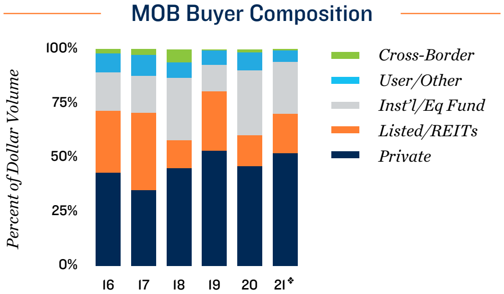
2021 Lowest Vacancy by Metro*



2021 Highest Asking Rent by Metro*



MOB Buyer Composition



* *Estimate*
** *Trailing 12 months through 3Q*

Demand for Medical Office Space Normalizes; Investors Flock to Sector in Defensive Strategy

Resumed appointments, aging population enhance medical office space needs. Medical offices have generally weathered the downturn better than traditional offices. After an initial span when individuals were delaying routine procedures and elective surgeries, demand for the services offered in medical offices has improved. While some people continue to practice caution amid the emergence of new COVID-19 variants, ultimately many of these appointments must be fulfilled. All the while, the population is aging, which brings along certain medical realities. These factors together underpin the current strong tenant demand for medical offices. Vacancy in the sector only rose 80 basis points to 9.5 percent in 2020, less than a third of the jump seen in traditional offices. Availability started to tighten late last year, aided by a contracting construction pipeline. This is in turn benefiting rent growth. In the closing months of 2021, the average asking rate was broaching $22 per square foot, up more than 4 percent since the end of 2019.

Favorable demand outlook constrained by staff shortages, burnout. While the long-term demand for medical procedures and medical office space will continue to expand, in the short term, medical practitioners face a substantial impediment to growth in staffing shortages. The health crisis has been particularly hard on healthcare workers. A September 2021 national poll revealed that more than a third of healthcare workers felt that their relationship with friends, their personal finances and their day-to-day lives have gotten worse since the pandemic began. More than half say that their mental health has worsened in the health crisis. These unfortunate sentiments are associated with higher burnout. The healthcare and social assistance employment sector remained 3 percent below its pre-pandemic headcount late last year, with a near-record high quit rate of 2.7 percent in October 2021. Medical practices are aware of this dilemma; 73 percent of them ranked staffing as their largest pandemic-related challenge entering 2022. The inability to onboard staff may keep medical practices from expanding this year, combating what are otherwise strong demand tailwinds.

Investment Trends

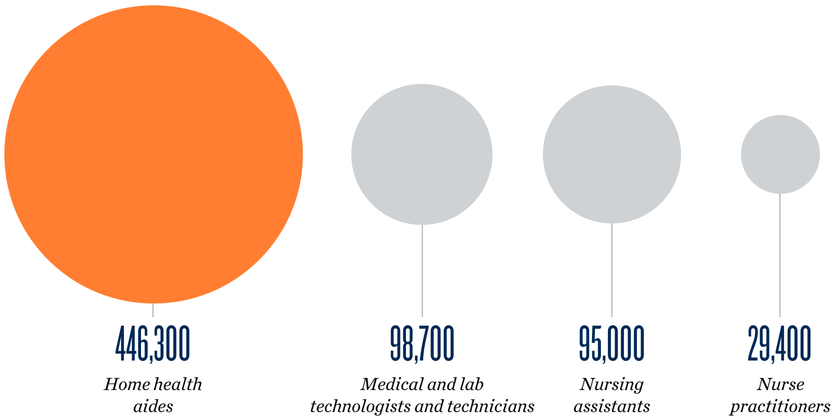
Southwest and southeast headline strong investment landscape. Investment demand has endured better for medical over traditional offices. Sales velocity only dipped 10 percent in 2020 compared to 2019, before improving by more than 40 percent in 2021 for a record trading year. The most medical offices changed hands in Phoenix, Los Angeles, Atlanta and Southeast Florida, aided by favorable demographics. Excluding Los Angeles, entry costs in those metros were also below the national average.

Investors targeting stabilized assets with quality tenants. Amid the ongoing health crisis, medical office investors are favoring properties occupied by tenants with strong ties to the location. This includes specialized floorplans and ample equipment common to offices for MRIs, dental work, dialysis and oncology services. This correlates with demand for longer lease terms of 10 years or more. Regional or national health systems and large physician groups also appeal to investors due to high credit grades.

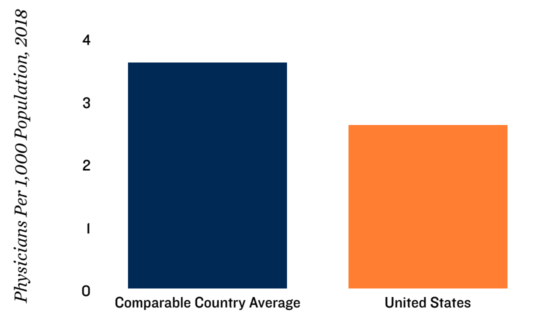
Comparatively stable yields draw buyer demand for well-tenanted assets. The mean cap rate has hovered in the high-6 percent to low-7 percent zone since 2016, with yields on institutional grade assets falling into the mid-5 percent band. Investors concerned about the risk profile of other property types are shifting to medical offices for a more stable outlook and higher comparative initial returns.

Even Before the Pandemic, the Country was Short-Staffed on Healthcare:

Pre-Pandemic Projection: By 2025, the US will likely face a shortage of:

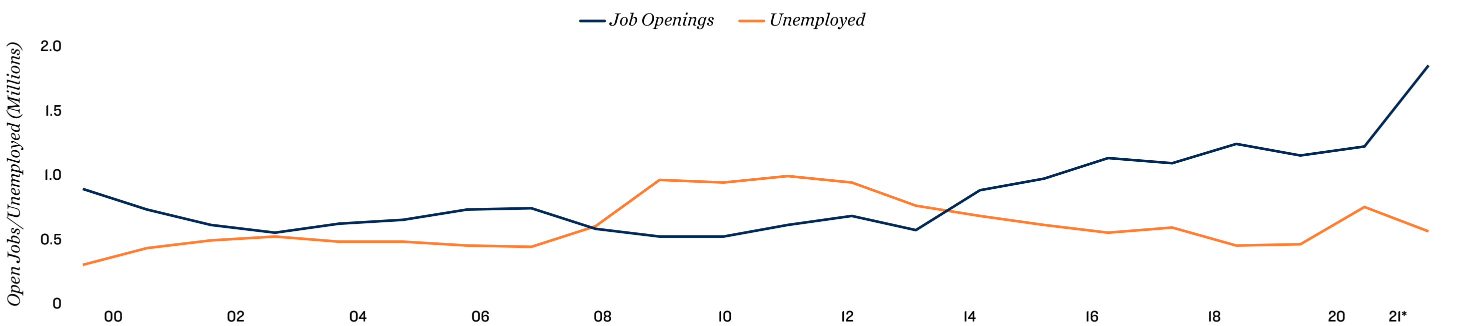


Physicians Under-Represented in U.S. Population



Conditions Have Worsened Since:

Number of Healthcare Jobs Well Surpasses Pool of Prospective Hires



** As of October*
Sources: Marcus & Millichap Research Services; Moody's Analytics; Economy.com

2022 Medical Office Building Forecast

9 *million square feet*

Construction:

Following disruptions and delays to construction stemming from the pandemic, developers are accelerating activity this year, bringing the volume of supply additions closer to par with 2020. An ongoing shortage of raw materials and construction labor increase the risk that some projects are delayed, however, which may lower the final arrival count from the 9 million square feet currently projected to open this year.

20 *basis point decrease*

Vacancy:

While development is accelerating, deliveries will still trail totals from the years leading up to the pandemic, and much of the space is already accounted for. This dynamic, paired with an improving patient flow, will help lower medical office vacancy to 9.2 percent this year, 40 basis points above the pre-health crisis level.

2.5% *increase*

Asking Rent:

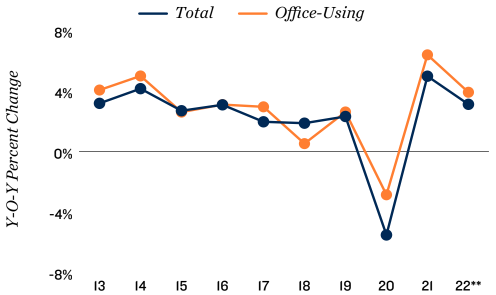
Rent growth should slightly moderate this year following a year where accelerated gains were brought on in part by the economic reopening. The average asking rent will rise to $22.61 per square foot, with six markets above the $30-per-square-foot threshold spanning the Bay Area, New York, Miami-Dade and Los Angeles.

Atlanta's Economic Recovery Points Toward Strong Performance Once Supply Overhang Is Absorbed

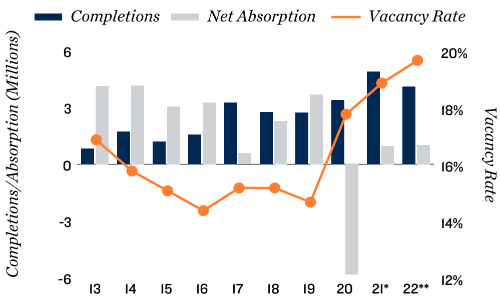
Office outlook brightens with time. The effects of the health crisis will take another year to work through the Atlanta office market as several large move-ins are offset by firms surrendering or reducing their footprints. For example, the largest lease signed during the second half of last year resulted in zero gain in occupied stock. Carvana is subleasing 570,000 square feet at Park Center's Building 1 from State Farm, which is moving to a hybrid model and no longer needs as much space. This trend is expected to continue through this year as office tenants absorb space available for sublease, which has increased 75 percent in the past two years. Another challenge facing the metro is the amount of speculative space underway. Approximately 65 percent of the office stock coming out of the ground did not have a leasing commitment as of late 2021. Despite the tenant churn anticipated in 2022, the long-term outlook remains positive as companies and professionals move to the market in above-average numbers.

Abundance of caution to ease as 2022 proceeds. In the early months of the year, investors will continue targeting assets without a sizable vacancy component due to the challenges securing tenants. Most buyers in every price tranche will follow this practice, though some institutions and REITs may acquire trophy assets if they become available, even prior to stronger tenant demand. Overall, the average first-year return was down 10 basis points between 2020 and 2021, reflective of risk aversion among buyers. The mean cap rate entering the year is in the low-7 percent range, which could drift higher as investors widen their acceptable criteria to include properties with more vacancy or tenants secured under shorter leases. Class A properties often change hands in the high-5 percent area, though returns take a secondary position to lease conditions and location. Owners of properties with solid tenant rosters, meanwhile, may take advantage of outsized demand for these assets and list while interest rates are low.

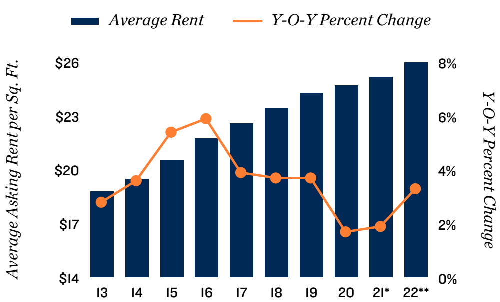
Employment Trends



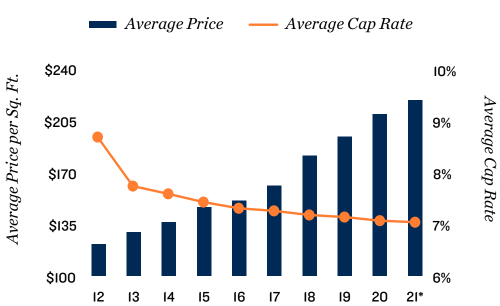
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

2022 Market Forecast

NOMI Rank 24 — Atlanta holds the 24th place in the rankings as a result of solid office-using employment gains despite some local downsizing.

Employment up 3.1% — Following the addition of 135,200 spots in 2021, employers add 89,000 positions this year, including 33,800 office-using jobs.

Construction 4,100,000 sq. ft. — Inventory expands by 1.4 percent in 2022 as the pace of construction slows by 800,000 square feet. Last year, builders completed 4.9 million square feet.

Vacancy up 80 bps — Vacancy climbs to 19.7 percent by the end of this year as local firms evaluate space needs. In 2021, the rate jumped 110 basis points due to softer demand gains.

Rent up 3.3% — Despite the rise in availability, the average asking rent for available space will climb to $25.96 per square foot. This year's increase builds on a 1.9 percent advance in 2021.

Investment — Buyers will pay a premium for properties with little upcoming lease uncertainty. As the trajectory of office demand becomes more clear, investors will broaden their acquisition prospects.

Tech Ecosystem Stimulates New Leases, Helping the Recovery Make Headway and Lifting Investor Sentiment

Inflow of tech firms a catalyst for additional office absorption. Fundamentals in Austin are in a solid position relative to the grim period in 2020, and the rebound will be enhanced this year. Net absorption is expected to surpass 4 million square feet, bringing the two-year total above 9 million square feet, about 34 percent larger than the next-highest 24-month count over the past decade. A growing local tech scene is helping drive the upswing in demand. Many companies in the sector have migrated to the metro from other areas for a variety of reasons, including lower business costs, a plethora of skilled workers and opportunities for collaboration with parallel firms. This trend is not novel for the market; however, location preferences are shifting. The northern submarkets were the undisputed top choices for tech-based tenants in recent years, but many are now looking to the CBD and East Austin. TikTok subleased 65,000 square feet in Downtown Austin last year while Facebook has laid claim to 33 floors of a future landmark skyscraper. In East Austin, Cloudflare and Atlassian plan to occupy 120,000-square-foot-plus floorplans in early 2022.

Escalating prices are a reverberation of buyer demand. The upside potential of acquiring office properties in one of the fastest-growing tech hubs in the nation is drawing investor attention nationwide. Competition precipitates a dynamic bidding environment, applying upward pressure to sale prices. The average per-square-foot entry cost of an office building in Austin has more than doubled since 2014, reaching $425 in 2021. First-year returns also dipped 40 basis points over that seven-year span to an average of 6.3 percent. Transactions are not bound by geographic zones, with seven different submarkets recording notably higher deal flow last year relative to 2020. Investors will likely opt to keep their search parameters wide in 2022 as fundamental improvement and strengthening demand drivers generate buy-side contention for assets in the most desired locales like Northwest Austin, Cedar Park and Round Rock.

2022 Market Forecast

NOMI Rank 1 — Sharp vacancy compression and superb employment growth carry Austin to the top spot in this year's Index.

Employment up 5.6% — For the second straight year, the office-using segment grows by 25,000-plus spots as the overall count rises by 66,000 jobs.

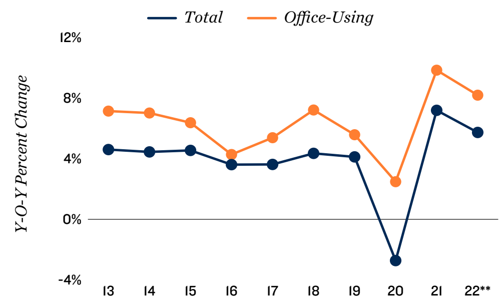
Construction 4,100,000 sq. ft. — Completions taper by 900,000 square feet relative to last year, but the volume is nevertheless the second-largest going back to 2016. Roughly half of the space coming online is pre-leased.

Vacancy down 80 bps — Austin's vacancy rate falls to 15.8 percent, down 240 basis points from the pandemic peak. Still, an elevated Class A rate keeps the overall mean 400 basis points above the 2019 level.

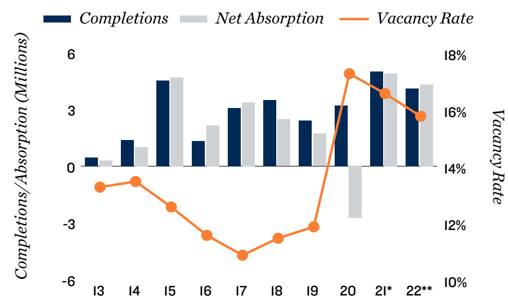
Rent up 4.6% — The market's average asking rent climbs to $29.40 per square foot in 2022. This will be the fourth time in five years that the annual gain in Austin exceeds 4.0 percent.

Investment — New developments and modern facilities in East Austin present long-term prospects to buyers of Class A space. Tesla's arrival has invigorated leasing activity by other tech firms in the area.

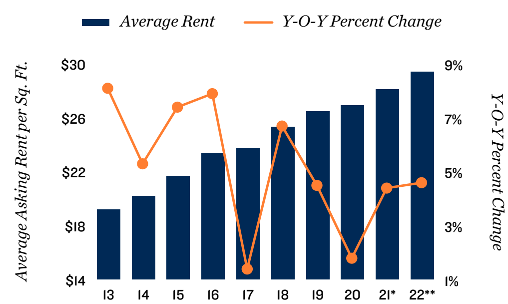
Employment Trends



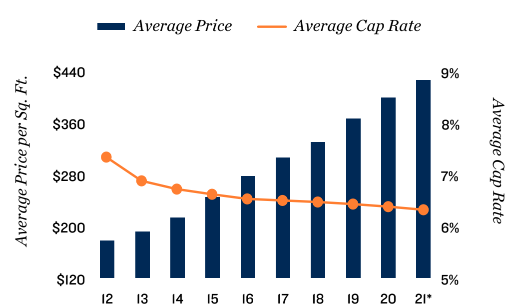
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

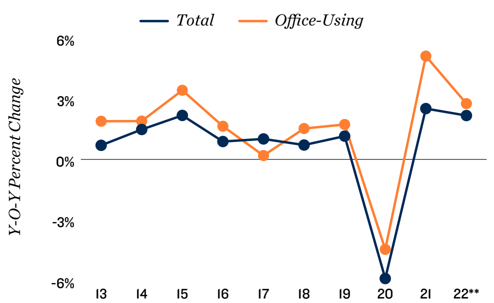
Sources: CoStar Group, Inc.; Real Capital Analytics

Speculative Building and Return-to-Office Uncertainty Prolong Recovery in Baltimore's Office Sector

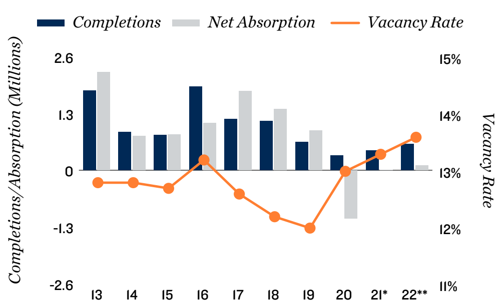
Development pipeline accelerates while leasing activity lags. Lingering impacts from the health crisis are still hindering office fundamentals in Baltimore. Many companies decided to reduce their office footprints while overall leasing activity has softened, resulting in five consecutive quarters of negative net absorption. Although mild relative to other Northeastern markets, rising vacancy is still impeding rent growth. Many landlords are offering tenant improvement allotments and concessions to boost or maintain occupancy during this period of uncertainty. While the number of jobs that typically utilize office space returning to pre-pandemic levels provides optimism in the metro, a few headwinds remain that may affect conditions in the short term. The rising concern of COVID-19 variants continues to delay return-to-office timelines for many major employers. Additionally, over 85 percent of space scheduled to deliver in 2022 is available for lease entering this year, which will likely result in a modest uptick in availability. However, despite the expected rise in vacancy, the rate will still remain well below the national average.

Pricing on the rise despite softening office fundamentals. Overall transaction volume in the Baltimore metro increased on a year-over-year basis in 2021; however, deal flow still remains below historical averages. Buyers are targeting properties with secure tenant rosters to mitigate risk, which has contributed to a rise in pricing for office assets. The average sale price is up nearly 5 percent entering this year, compressing average cap rates to the high-7 percent range. Class B assets remain highly sought after in suburban submarkets like Columbia and Towson, where properties generally trade with yields above the market average. Institutional capital sources and investors targeting high-quality assets were active in Baltimore's east side and areas surrounding the Baltimore/Washington International Airport. Properties here often garner sale prices above $200 per square foot, with first-year returns ranging in the 4 percent to 6 percent span.

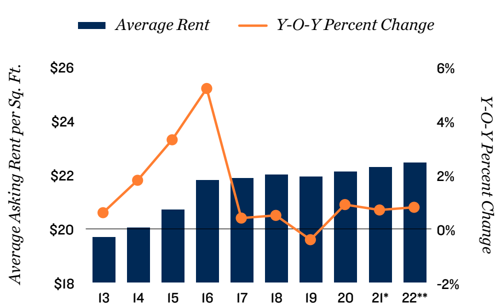
Employment Trends



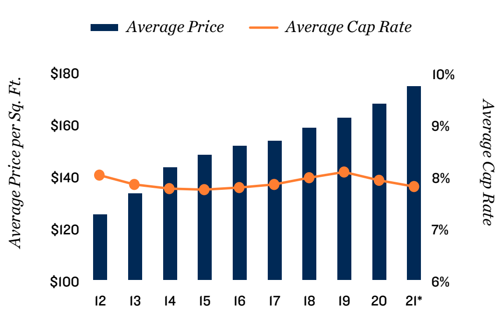
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

2022 Market Forecast

NOMI Rank 35 — Tame rent growth and vacancy moving up overshadow muted space additions, leading to Baltimore getting the 35th ranking.

Employment up 2.2% — Roughly one-third of the 30,000 jobs created this year will come from office-using firms.

Construction 600,000 sq. ft. — Deliveries are expected to increase this year following the completion of 450,000 square feet in 2021. The bulk of new supply will deliver in the Baltimore City East submarket.

Vacancy up 30 bps — Supply additions will outpace net absorption for the third consecutive year, placing upward pressure on availability. Marketwide vacancy will climb to 13.6 percent by year-end.

Rent up 0.8% — A rise in office availability will hold rent growth below 1 percent for the sixth consecutive year. The average asking rate will inch up to $22.44 per square foot in 2022.

Investment — Investor demand in Downtown Baltimore will likely elevate as the market moves further into recovery and return-to-office timelines become more certain.

Stock Expansion Outpacing Demand Growth; Investment Sentiment Buoyed by Life Sciences Boom

Ample supply growth weighs on upward-trending office fundamentals. Boston's construction pipeline remains formidable for a second straight year. After 2021's delivery schedule surpassed previous highs, developers are projected to set a post-financial crisis record this year. With many tenants still subletting space as they grapple with recalling employees to the office, builders run the risk of diluting a recovering market with new supply. The metro boasts one of the nation's most prodigious office construction pipelines, with nearly 12 million square feet of space currently underway. This substantial amount of space will leave availability ending 2022 at an eight-year high. Though demand for space varies by industry, leasing activity is most robust in Boston's growing life sciences sector, leading builders to outbid developers of other property types for valuable real estate in the metro's urban core. However, new completions catering to other office-using segments may report elevated vacancy in the near term. Further recovery may be challenged as the spread of COVID-19 variants may convince some employers to delay returns to the office or extend hybrid work policies utilizing less floorspace.

Investors follow tenant trends to the suburbs. As pandemic conditions improved and investors anticipated economic recovery, transaction activity recovered to 2019 levels last year. Middlesex County remains the most popular portion of the market for office trades, accounting for over 45 percent of total deal flow in 2021 and comprising the most transactions across office classes. The area's large selection of amenity-rich office stock stands to benefit from the nationwide flight-to-quality, in addition to offering investors a lower entry cost than nearby Suffolk County. Properties in Middlesex sold on average for $40 per square foot less than assets in Boston proper. Class A deals to the north and west of Boston that contain lab space are also in high demand, reflecting investors' confidence in the evolution of the local biotechnology sector.

2022 Market Forecast

NOMI Rank 40 — Boston scores near the bottom of the ranking, as the impacts from the pandemic persist, leading to decreasing asking rents.

Employment up 2.9% — Metro employers are projected to add 80,000 positions through this year, 30,000 of which are in office-using sectors.

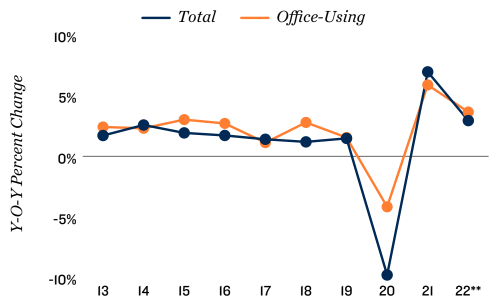
Construction 4,750,000 sq. ft. — As demand for office space continues to recover, developers will surpass last year's construction pipeline by around 200,000 square feet, expanding metro inventory by 1.3 percent.

Vacancy up 70 bps — Despite solid employment performance, vacancy is projected to rise 70 basis points as this year's substantial delivery volume overshoots short-term demand.

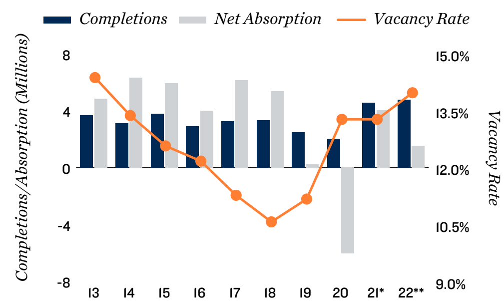
Rent down 1.7% — The metro's mean asking rent declines to $28.75 per square foot as operators discount rent while vacancy remains above its long-term average.

Investment — Buyers priced out of amenity-rich properties in the core may head west. Those seeking higher yields may target Class C listings in Concord or Worcester.

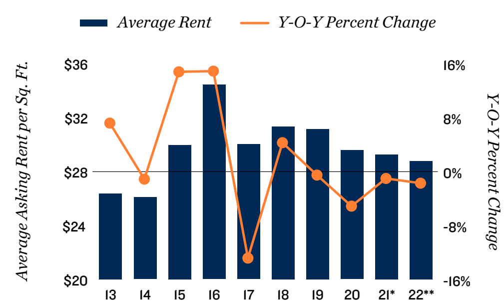
Employment Trends



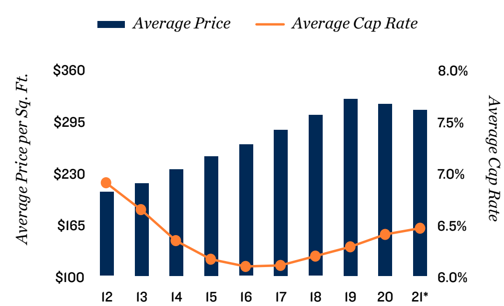
Supply and Demand



Rent Trends



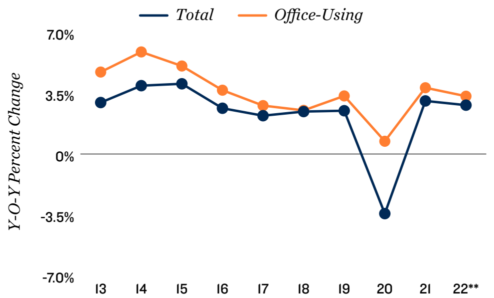
Sales Trends



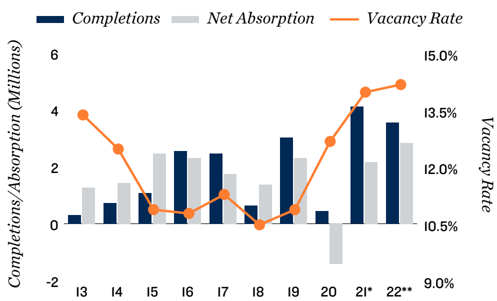
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

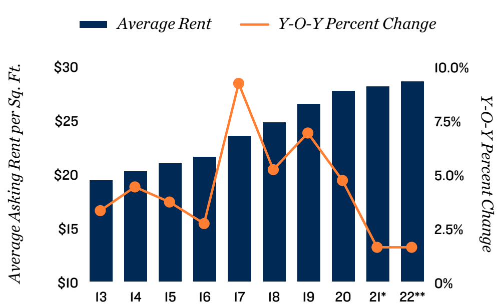
Employment Trends



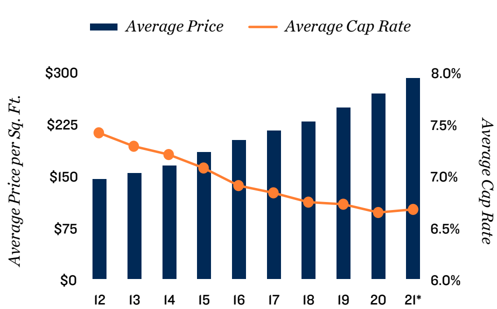
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Uncertainty Not Discouraging Builders or Buyers; Arrivals and Cutbacks Engender Clashing Effects

Developers amplify speculative construction, noting a plethora of firm relocations. Over the past several years, multiple companies have established regional headquarters in Charlotte, including Centene Corporation and Credit Karma most recently. Restrictions elsewhere are prompting additional firms to consider lower-cost, smaller floorplans in Charlotte, where businesses such as Honeywell are bringing employees back on a hybrid basis. This corporate in-migration is inciting developers to ramp up completions this year, building on last year's sharp rise. The robust construction pipeline will apply upward pressure to vacancy and limit Class A rent growth in the short term despite high levels of employment growth. Aside from the fully leased, 1 million-square-foot Duke Energy Tower, many of the next-largest projects slated for delivery in 2022 are speculative, with the Duke property representing a 60 percent reduction in the company's footprint.

Investors eagerly target office properties after pandemic-era retreat. Trade volume strengthened in late 2021 after investment activity slowed sharply in 2020. Transactions in the second half of last year point toward increased investor interest. Numerous trades involving high-end buildings have pushed office prices higher in recent months. Hotspots for Class A transactions besides Central Charlotte and adjacent Midtown-South End include the SouthPark neighborhood and the Interstate 77 corridor between Henderson Circle and Huntersville. These areas provide urbanlike amenities and nearby retail to those working in either locale. Cap rates are reported between 5 percent and 6 percent in these locations, usually involving buildings that are more than 90 percent leased. In other portions of the metro, investors looking to pay below the market's average price point of $290 per square foot are targeting Class B and Class C assets around Charlotte Douglas International Airport and in east and northeast sections of Charlotte proper.

2022 Market Forecast

NOMI Rank 16 — Office-using employment growth gives Charlotte its ranking in the top half of the Index amid a flurry of corporate arrivals.

Employment up 2.8% — Firms will add 35,000 jobs to payrolls in 2022. This includes 12,000 traditional office-using positions.

Construction 3,566,000 sq. ft. — Completions for 2022 are well above the annual average of 1.8 million square feet recorded between 2016 and 2020 but still trail 2021's high point of 4.1 million square feet.

Vacancy up 20 bps — Net absorption of nearly 3 million square feet is the highest tally since at least 2000. However, this comes short of supply additions, causing a minor uptick in vacancy to 14.2 percent.

Rent up 1.6% — Strong leasing velocity will push the average asking rent to $28.55 per square foot. The pace of growth, however, is down significantly from the trailing-five-year average of 5.5 percent.

Investment — Positive absorption in the CBD last year bolsters out-of-state and institutional buyers' confidence in Downtown Charlotte, potentially heightening competition for listings in 2022.

Downsizing Drives Tenant Losses; Investors Wait for Recovery Inflection Point

Host of firms downsize into suburban areas as CBD tenant demand slumps. Leasing activity in the metro has yet to fully rebound, as space available for sublease reaches its highest level since the pandemic began, entering this year. Employment figures are below pre-pandemic totals, due to many of the metro's employers dropping staff. United Airlines recently cut 150,000 square feet downtown as some workers moved into an already leased site, while Schiff Hardin and Peoples Gas also made space available for sublease in 2021. Meanwhile, Centene reversed plans to fill 90,000 square feet in Naperville, opting instead to take its workers remote. Some signs of strength have emerged in the form of new plans from Amazon and John Deere to take on space in the core. The latter will open next year in Fulton Market but the former is simply adding to its current footprint in the CBD. Adding 2.1 million square feet of space will place pressure on rents and vacancy in 2022, but the market is beginning to stabilize.

Investment market is tepid as high-quality, single-tenant assets drive volume. Investment trends have yet to begin movement toward a recovery. Last year recorded the smallest annual sales volume in the metro since the global financial crisis, with the majority of this volume being a few large trades. The transactions that have occurred involve Class A, single-tenant properties due to investors viewing these already filled properties as a safe investment amid a dearth of tenant demand. Fulton Market in the near west side is the top locale for these trades. Multiple buildings occupied by Google have changed hands here in recent months, with cap rates in the mid-4 percent range. Due to stronger fundamentals within suburban areas, investors have also been targeting sub-100,000-square-foot properties here with regularity. Western suburbs, between Westchester and Aurora to the south and Schaumburg and DuPage to the north, see the most such deals with first-year yields between 8 percent and 9 percent.

2022 Market Forecast

NOMI Rank 45 — Both vacancy elevation and downward moving rents contribute to the bottom 10 NOMI ranking for Chicago.

Employment up 3.6% — Job creation is expected to slow this year, with 164,000 roles set to hit payrolls, 28,000 of these being traditional office-using.

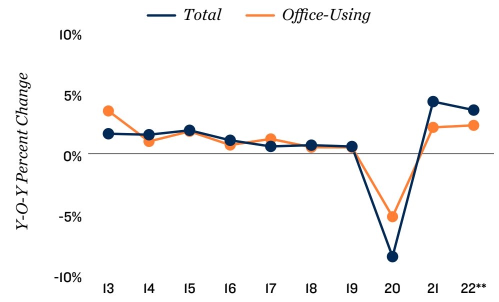
Construction 2,100,000 sq. ft. — Builders will add 2.1 million square feet of office space in the coming year. While this is a slight drop from the previous couple years, new space will increase competition for tenants.

Vacancy up 80 bps — The vacancy rate will inflate to 20.3 percent by the end of 2022. This is the highest level in at least 15 years in the Chicagoland office market.

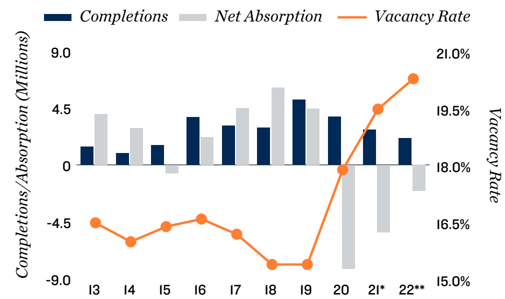
Rent down 1.6% — The average asking rent will fall to $21.85 per square foot as demand remains muted. Downsizing and return-to-office delays will keep downward pressure on rents throughout 2022.

Investment — Fulton Market and West Loop have retained more tenant demand than other central areas. These areas are likely to lead core submarkets in transaction volume during the recovery.

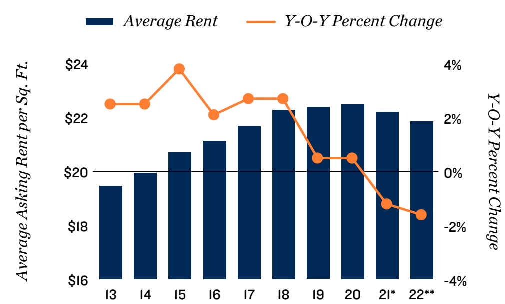
Employment Trends



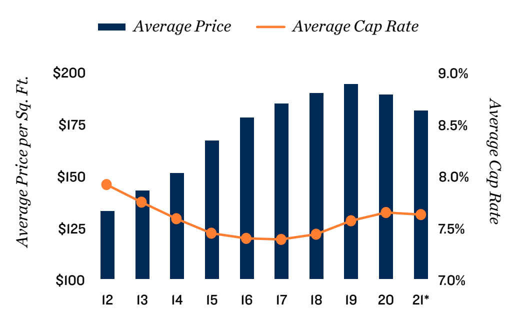
Supply and Demand



Rent Trends



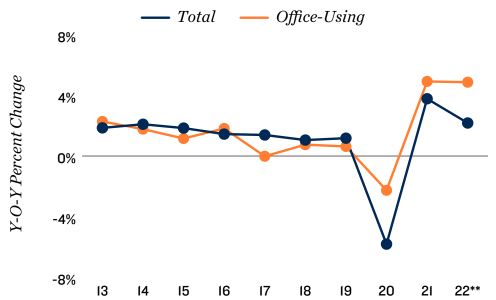
Sales Trends



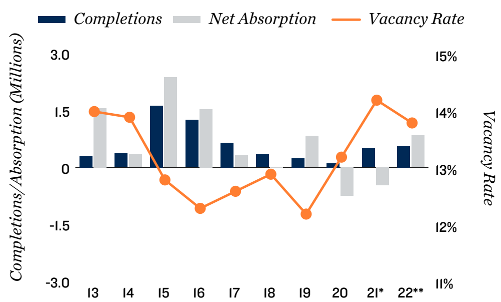
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

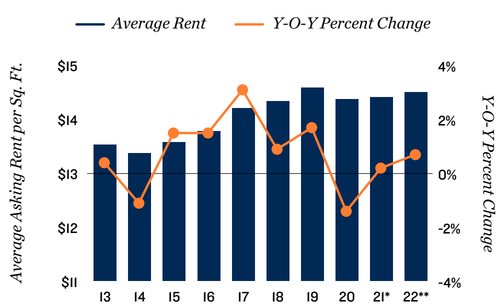
Employment Trends



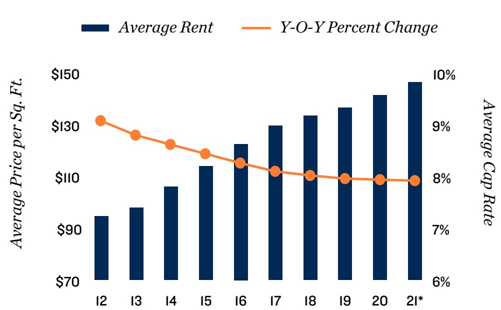
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Cincinnati Spearheads Job Growth Among Ohio Major Metros; Value-Add Buyers Lead Investment Market

Office-using job sector strength bodes well for fundamentals. Cincinnati's employment recovery in the wake of the health crisis has been buoyed by a rebound in professional and business services positions. Sector employers recouped all pandemic job losses, surpassing February 2020 totals by 10,000 jobs entering this year. While the prevalence of remote work options is still a source of uncertainty, leasing has performed reasonably well throughout the crisis, with vacancy roughly 200 basis points below the national average. Corporate relocations and expansions will put downward pressure on availability, including new offices leased by global consulting firm Protiviti and headquarters for biotechnology startup Orange Grove Bio. This year's stock expansion, which is above the five-year average, would ordinarily be a cause for concern; however, the market is observing a substantial amount of office space converted for other uses. One project removed 200,000 square feet from the CBD last year, part of over 3 million square feet removed from the core since 2010. Ongoing conversion activity will offset pressure on vacancy created by new development, and the amount of older space taken off the market improves overall stock quality, further aiding future rent growth.

Investors return to a revitalizing metro bringing different strategies. After a depressed market in 2020, office sales sprang back last year to surpass the trade velocity reported in each of the two years prior to the pandemic. However, dollar volume remains under pre-pandemic norms due to lower prices resulting from investors' penchant for value-add opportunities. Buyers looking to take advantage of tenant preferences for the suburbs or looking to execute long-term strategies may seek deals in Butler County and the Forest Park/West submarket, the most popular areas for Class C trades. Renovation activity could place upward pressure on values in these areas if assets are added back to the market.

2022 Market Forecast

NOMI Rank 18 — Diminishing vacancy and moderate office-using job creation place Cincinnati highest among Ohio markets in the Index.

Employment up 2.2% — Cincinnati's job market continues expanding through 2022 as employers in office-using sectors boost staff counts by 13,000.

Construction 560,000 sq. ft. — Supply growth will be up 60,000 square feet from 2021, reaching a five-year high. This is still well below the peaks observed in the earlier part of the last decade.

Vacancy down 40 bps — Availability declines for the first time since the onset of the health crisis, falling by 40 basis points as firms find need for office space amid a lukewarm construction pipeline.

Rent up 0.7% — The metro will observe modest rent growth as the average monthly rate climbs to $14.50 per square foot, as office demand begins the road to recovery.

Investment — Owners of existing stock in Cincinnati's core benefit from the area's high amount of removals, though buyers seeking older properties will look increasingly to Covington and Queensgate.

Dearth of Speculative Deliveries Aids Existing Buildings; Properties in Eastern Suburbs Still a Buyer Favorite

Developers plan for long-term expansion as demand recovery lags. While Cleveland is projected to continue job growth at a rate on par with some other regional metros, employment recovery still lags far behind the national average. The appearance of new COVID-19 variants could create further challenges for demand, convincing some companies to downsize from current footprints. Despite tepid job growth, large employers are investing heavily in the metro. Sherwin-Williams broke ground in October 2021 on a 600,000-square-foot research and development facility, and plans to begin construction in 2022 on a new corporate headquarters in the CBD. Several other companies are currently engaged in redeveloping corporate properties or moving to new locations within the market. With nearly 1.5 million square feet under development entering 2022, the metro's substantial construction pipeline may weigh on rent growth in the mid-term. However, the large proportion of build-to-suit projects and Cleveland's typically high concentration of removal activity in the office-using sector will help to mitigate downward pressure on rent.

Eastern Cuyahoga County drawing noticeable investment. Transaction activity improved in 2021 as investors anticipated the eventual resumption of in-office operations. Leasing activity still favors amenity-rich properties in the CBD, but sales velocity is stronger in the metro's eastern suburbs. Here, the Chagrin Corridor remains the most popular submarket for its ample selection of low-entry-cost properties. Buyers here typically target smaller Class B and C assets in the $1 million to $6 million range to maintain as owner-user office space. The metro also observed a typical amount of Class A deals last year, including trades pursued by private buyers operating within the $1 million to $10 million tranche. These transactions were concentrated in suburban portions of Cuyahoga County west and southwest of the CBD.

2022 Market Forecast

NOMI Rank 26 — The muted pace of labor growth holds Cleveland's position in the Index near the middle of the pack despite low vacancy.

Employment up 1.6% — Metro employers are projected to add 16,000 workers this year, with nearly half of this growth occurring in office-using sectors.

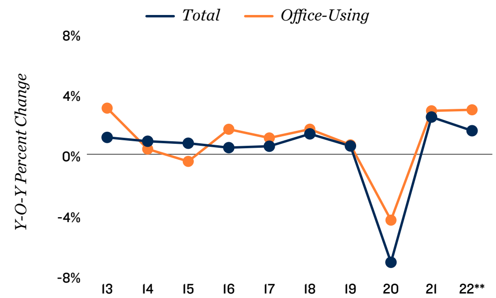
Construction 265,000 sq. ft. — Despite a hefty long-term pipeline, deliveries in 2022 are projected to be well below the market's annual average, with the majority of square footage comprising a build-to-suit project.

Vacancy down 50 bps — An uptick in employment growth and a sparse 2022 delivery schedule benefit existing properties with available space, dropping vacancy down to 10.8 percent.

Rent up 0.7% — Positive net absorption compresses vacancy to its lowest point in the past three years, providing owners the impetus to raise the average asking rent to $16.22 per square foot.

Investment — Buyers active in Cleveland's CBD follow nationwide trends and compete for amenity-rich Class A and B properties or older buildings that are candidates for conversion.

Employment Trends



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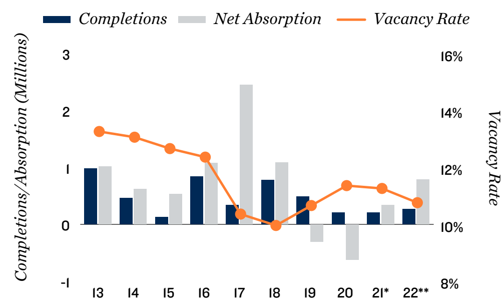
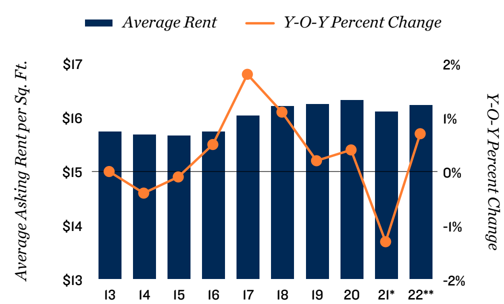
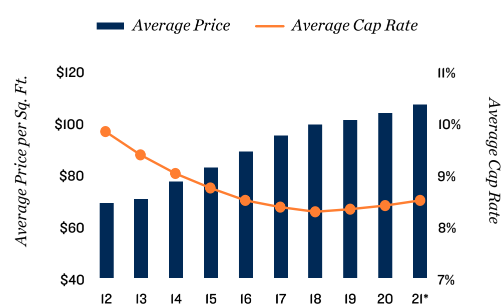


Rent Trends



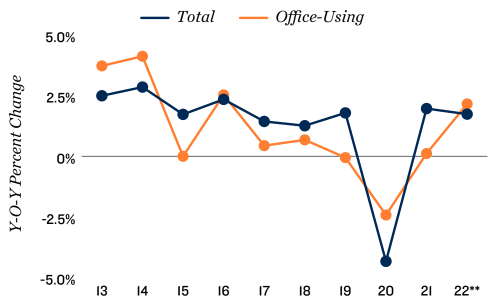
Sales Trends



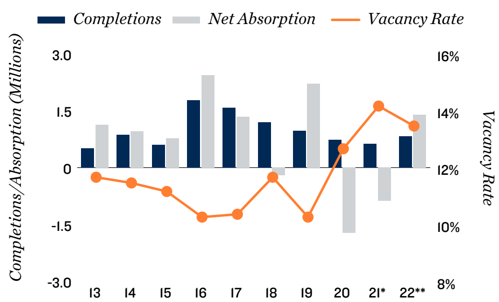
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Employment Trends



Supply and Demand



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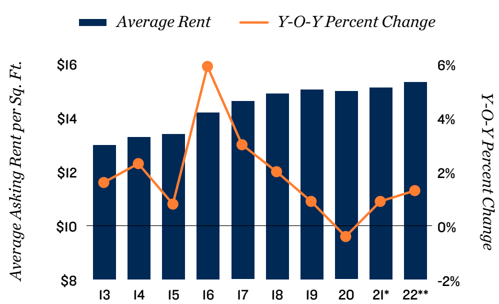

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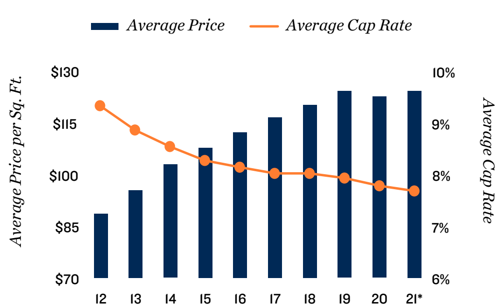


** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Expanding Office Firms Absorb Available Space; Buyers Look North of the City For Upside Potential

Area employers boost headcounts while some tenants weigh space needs. As Columbus' economy continues to recover, overall employment is expected to end 2022 just short of the pre-pandemic total. The metro's traditional office-using sectors play a significant role in this achievement, accounting for roughly one-third of the positions added this year. Employers including Square, The Original Bark Co. and Upstart have each committed to bolstering payrolls, while Nationwide, Cardinal Health and other locally based Fortune 500 companies are potentially expanding staffs. Growth in the number of professional services and financial positions bodes well for a market that saw major employers including Alliance Data, State Farm and Discover Financial Services return square footage to the market last year. The expansion of the office-using labor pool is poised to support demand for this recently vacated space, driving positive annual absorption for the first time in the past three years. Still, near-term vacancy will likely remain slightly elevated compared to pre-pandemic numbers. Despite these circumstances, developers have more than 1 million square feet underway at the onset of this year.

Suburban Class C assets drive recent deal flow growth. As market conditions became more optimistic last year, sales velocity in Columbus recovered to pre-2020 levels. Investor activity is robust in northern Franklin County, which accounted for nearly half of all office sales last year. Buyers capitalizing on rising interest in suburban office stock may find opportunities for capital improvement plays in these submarkets. Overall, Class C properties positioned for significant renovations are in high demand among in-state investors, with assets in suburban submarkets trading at 8 percent to 9 percent cap rates. In these same locations, Class B properties are netting buyers at first-year returns 150 to 250 basis points lower. The spread of COVID-19 variants could potentially threaten further sales growth if investors anticipate the return of earlier lockdown restrictions.

2022 Market Forecast

NOMI Rank 27 — The 27th spot in the 2022 rankings goes to Columbus due in large part to muted employment growth.

Employment up 1.7% — Overall employment grows at approximately the same rate as last year, with traditional office-using firms adding 6,000 roles.

Construction 820,000 sq. ft. — Supply additions are projected to increase by roughly 200,000 square feet on an annual basis during 2022, with the majority of new space delivered in Columbus West.

Vacancy down 70 bps — The resumption of in-person operations and payroll expansions by some of the metro's largest employers improves, office demand, tightening vacancy to 13.5 percent.

Rent up 1.3% — After being the only major Ohio market to observe rent growth in 2021, Columbus will maintain positive momentum as the average asking rate rises to $15.30 per square foot.

Investment — Buyers with experience upgrading older buildings may scour areas north of the city, which offer the greatest selection of lower-tier assets outside of downtown and Columbus East.

Out-of-State Investors Target North Dallas Suburbs as the CBD Endures a Brief Stretch of Amplified Vacancy

Suburbs in a better near-term position, but positives emerge in the Dallas CBD. The rebound is beginning to commence in Dallas' urban core, with several firms inking leases at downtown skyscrapers late last year after these types of buildings were circumvented amid virus transmission concerns early in the health crisis. Nevertheless, vacancy in the Dallas CBD exceeded 30 percent entering this year, but the rate should taper in 2022 as almost no new supply is expected to finalize. Builders instead are active in the suburbs, which have been comparatively resilient and drawn more pre-leases. The largest planned move-in this year is by Uber Technologies, which will occupy 350,000 square feet at The Epic-Building II just outside the core in East Dallas. This submarket as well as Richardson-Plano will each add more than 500,000 square feet of speculative space this year. These new properties should garner leases as both submarkets have vacancy rates below the Metroplex average. Positive momentum in the suburbs and minimal new supply in the Dallas core will curtail marketwide availability in 2022 and promote rent growth.

Investment activity jumps, piloted by swells in a few choice locations. Trading velocity accelerated last year, with the number of transactions notably surpassing the previous year's recording. Three submarkets — Far North Dallas, Mid-Cities and Richardson-Plano — led the improvement as they combined for roughly half of the deals completed in 2021, compared to a share of less than 40 percent in the previous annual period. Strong buyer demand in these locations stems from the Metroplex's ability to attract new companies, due to its business-friendly environment and lower costs. Many firms are leasing space in the north Dallas suburbs, where strong household formation presents these companies with a competitive advantage when searching for workers. Out-of-state buyers are operative in these areas, often acquiring Class A and B assets with entry costs and cap rates on par with the Metroplex averages of $234 per square foot and 6.9 percent.

2022 Market Forecast

NOMI Rank 11 — Dallas-Fort Worth claims the 11th spot in the Index amid office-using employment growth and subdued development.

Employment up 4.0% — Traditional office-using sectors contribute more than 40 percent of the 157,000 jobs added in Dallas-Fort Worth this year.

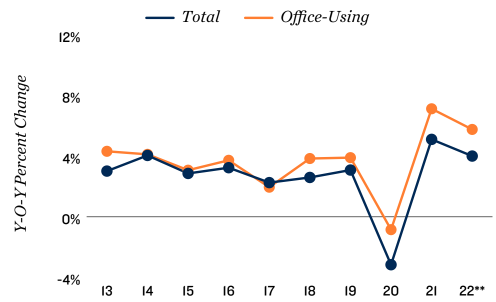
Construction 3,400,000 sq. ft. — Responding to elevated vacancy, labor shortages and building costs, developers add less new space in 2022 than in any year dating back to 2013.

Vacancy down 60 bps — Net absorption of 4.9 million square feet exceeds new supply, dropping vacancy to 20.9 percent. Relative to the pre-pandemic measure, availability remains 300 basis points higher.

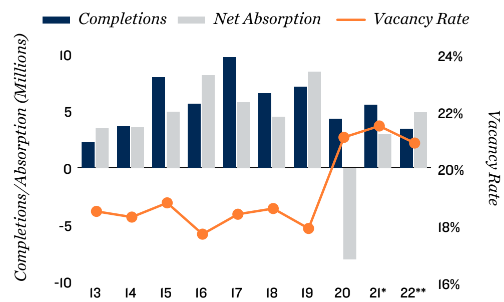
Rent up 0.7% — After the average asking rent in the Metroplex held firm in 2021, downward vacancy movement will support growth this year. The marketed rate increases to $21.75 per square foot.

Investment — Greater Fort Worth claims a vacancy rate that is 900 basis points below Greater Dallas. This could prompt increased investment activity in 2022, as buyers strive to minimize risk.

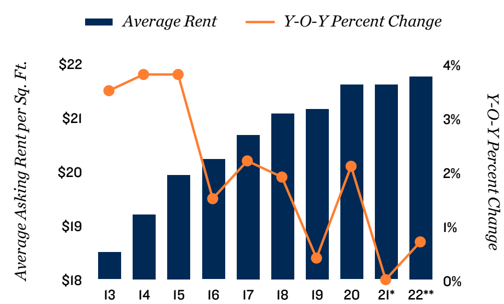
Employment Trends



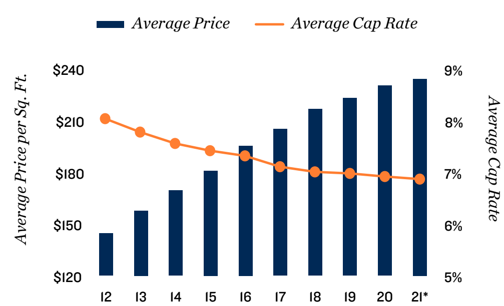
Supply and Demand



Rent Trends

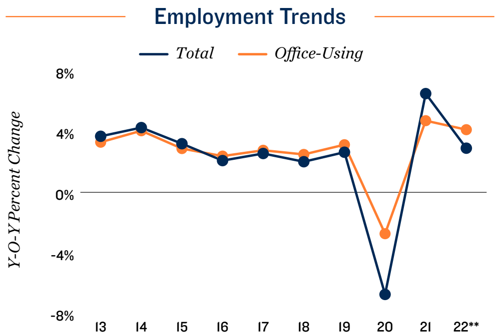


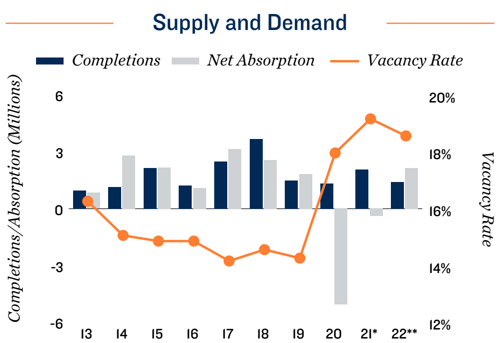
Sales Trends

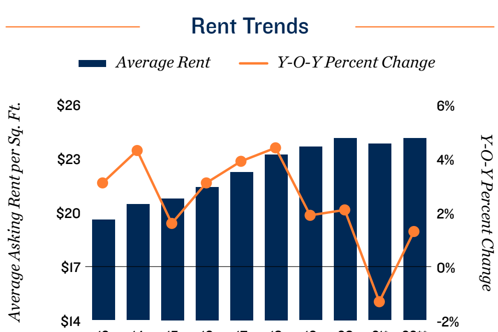


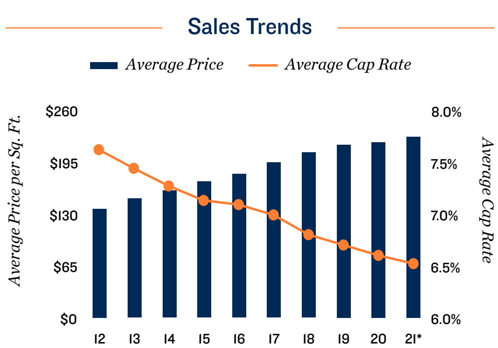
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics









* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Investors Prioritize The Mile High City; Fundamentals Pass Recovery Inflection Point

Deliveries tumble as absorption trends turn corner. A substantial rise in space available for sublease hit Denver in the year following the onset of COVID-19, especially in core areas. Demand has returned entering 2022, however, with subleasing trends now well below their peaks, especially in the central submarkets. In recent months, Deloitte, Datadog and PNC Bank all signed leases to fill a combined 70,000 square feet downtown. The volume of space available for sublease should decline further this year as less new space is developed. Completions are down from pre-pandemic yearly totals, and much of the pipeline is build-to-suit or already leased. At the same time, firms re-entering offices will aid vacancy and rent downtown, as the space available for sublease drops, and outside the core, where fundamentals were relatively healthier during the downturn. In addition, policies to entice future arrivals could draw more coastal firms into Denver's office space.

Investment and leasing activity return in concert. After receding due to pandemic uncertainty, transaction activity downtown has increased and driven the overall number of deals above 2019 levels. Confidence from investors stems from an eventual return to in-person work and the metro's tendency to attract cost-conscience tech companies. Denver's recovery potential is high because entry costs are low compared to tech hubs like Austin, Seattle and the Bay Area, leading to high levels of out-of-state investor demand. Class A office buildings have been most frequently traded near DTC in the southeastern corridor, downtown and in Broomfield. First-year yields are in the high-4 percent range for the downtown transactions but can climb as much as 200 basis points higher in the suburban locations. Investors looking for lower-than-market-average prices have been successful targeting Class B/C assets under 100,000 square feet in highly commutable Southeast Denver, achieving cap rates close to 6 percent on most trades.

2022 Market Forecast

NOMI Rank 12 — Downward vacancy movement and excellent office-using employment earns Denver a high position in the 2022 NOMI.

Employment up 2.9% — The gain of 45,000 roles is nearly half of last year's additions. Moreover, 19,000 of the jobs are traditionally office-using spots.

Construction 1,400,000 sq. ft. — Deliveries represent roughly a 0.8 percent increase to existing inventory. This is down from the 1.2 percent rise resulting from last year's completions.

Vacancy down 60 bps — Net absorption stemming from job expansion will contract the vacancy rate in Denver to 18.6 percent, leaving availability 530 basis points above pre-pandemic levels.

Rent up 1.3% — The average asking rent reaches $24.10 per square foot in 2022, driven by high-end completions in the core and a decrease in space available for sublease.

Investment — Broomfield has seen a rise in transaction volume recently. This trend will likely continue as RTD's B-line expands, allowing workers to commute here from both Boulder and Denver.

Improved Leasing Activity and Limited Speculative Development to Aid Vacancy in the Motor City

Second-half momentum paves way for a positive outlook. Uncertainty surrounding future office space needs during the health crisis resulted in a number of relocations and consolidations that lifted metrowide vacancy in 2021. However, net absorption returned to positive territory during the second half, supporting an optimistic outlook for fundamentals this year. Total employment in traditional office-using sectors surpassed the market's pre-pandemic peak, contributing to the rise in tenant demand. Notable companies like Rocket Mortgage already initiated their return to office, while other major firms like Ford Motor Co. and General Motors plan to recall workers in the early stages of 2022. Barring any setbacks from COVID-19 variants, more employers could follow suit as vaccination rates increase. Development activity remains robust, but it is improbable that deliveries will result in a rise in availability, as nearly 85 percent of space scheduled to deliver in 2022 has a tenant in place. Therefore, a moderate contraction in vacancy is expected this year. Nevertheless, the metro's recovery timeline will likely extend into 2023 as availability remains above the historical average.

Regionally discounted pricing stimulates deal flow. Detroit's office sector offers investors lower entry costs and the potential for higher first-year returns relative to some other major Midwest markets. The metro's expanding buyer pool contributed to transaction velocity returning to pre-pandemic levels in 2021. Assets in Macomb County, Southfield and the Southern I-275 corridor account for the largest proportion of trades in the metro. Low vacancy rates and the presence of medical office listings heighten buyer interest in Macomb County, while low entry costs in Southfield garner the attention of yield-driven investors. Buyers seeking higher-quality assets target properties in Farmington Hills and Troy. As fundamentals continue to tighten and more businesses return to the office, assets inside the CBD may become more attractive in 2022.

2022 Market Forecast

NOMI Rank 23 — Strong pre-leasing of properties scheduled to deliver this year allows Detroit to land near the middle of the Index.

Employment up 3.0% — Employers will create 58,000 jobs this year, with around 12,750 new roles in traditional office-using industries.

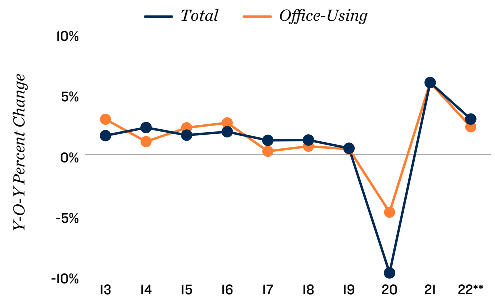
Construction 1,450,000 sq. ft. — Supply additions exceed 1 million square feet for the second consecutive year. The bulk of new development is located within the city of Detroit.

Vacancy down 20 bps — Tenants absorb more than 1.5 million square feet of office space this year, lowering the vacancy rate to 16.5 percent. In 2021, the metro registered a 40-basis-point increase.

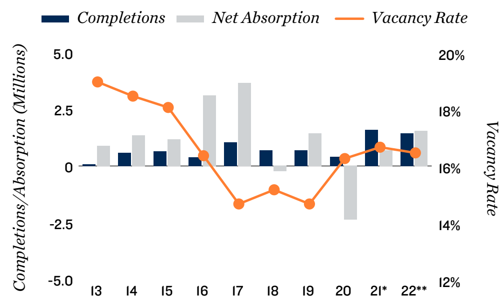
Rent up 2.2% — Contracting vacancy will aid rent growth, with the average asking rate reaching $18.85 per square foot in 2022. This gain follows a 0.3 percent decrease recorded last year.

Investment — Elevated development activity inside the city of Detroit may present investors with additional opportunities for higher-quality assets moving forward.

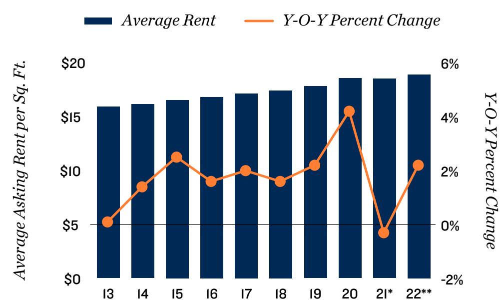
Employment Trends



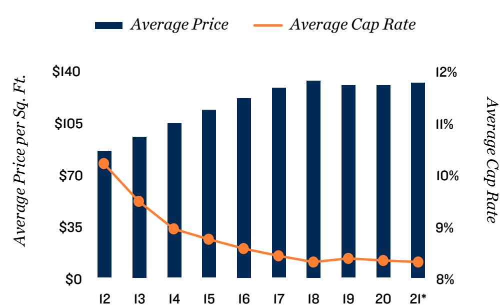
Supply and Demand



Rent Trends



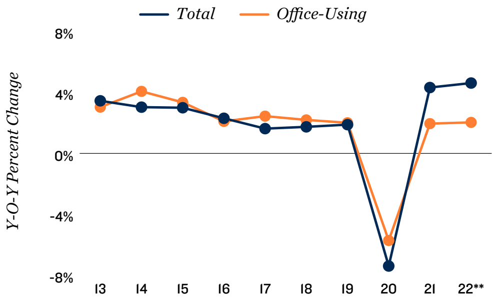
Sales Trends



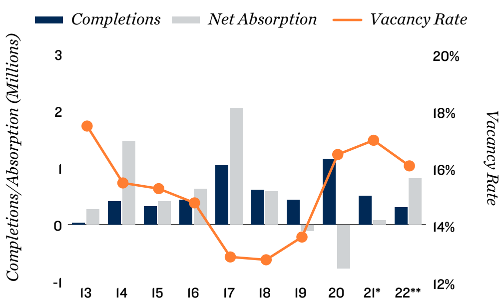
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

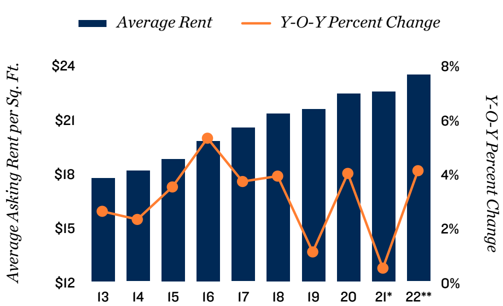
Employment Trends



Supply and Demand



Rent Trends



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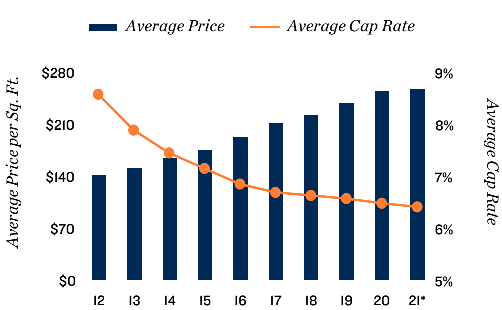


** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Value-Seeking Investors Explore Fort Lauderdale; Fundamentals Catching Up to Rest of Region

Broward County hardest hit among South Florida markets. At the end of 2019, all three metros in the region had vacancy rates ranging from the low-12 percent area to the high-13 percent range. The impact of the health crisis has since caused Fort Lauderdale employers to reexamine their space needs. This, combined with a nearly 3 percent stock increase over the past two years, has pushed availability well above Miami and West Palm Beach. On the supply side, relief is expected this year as deliveries slow and most buildings underway already have full leasing commitments. Office firms are also cementing long-term plans more frequently. Of the 10 largest leases signed in 2021, six were inked in the fourth quarter, including Envision Healthcare's sublease of nearly 100,000 square feet from Kaplan University. Among the traditional office-using sectors, the metro is 10,000 jobs below the pre-recession peak. As the pace of additions surpasses those in 2021, employers are expected to halve that deficit by year-end.

Investment activity surpasses 2019 levels. Buyers are becoming more active in Broward County, capitalizing on average cap rates that are 50 basis points higher than adjacent Miami. Entering 2022, the average first-year yield was in the mid-6 percent range, a station they have held since 2018. Much of the recent increase in sales is due to private buyers expanding their holdings in the $1 million to $10 million area. Transaction activity for these deals accelerated in each quarter last year as confidence in South Florida's economy increased. Institutional investors are participating at approximately the same rate as prior to the recession, though the number of available properties is generally limited. The average cap rate for these transactions has fallen as buyers shy away from buildings that have a significant amount of unoccupied space. Although sales are dispersed, most deals occur in Pompano Beach, Hollywood and the city of Fort Lauderdale. Capital searching for investments before interest rates rise could expand search parameters in 2022.

2022 Market Forecast

NOMI Rank 9 — Improving vacancy and skyrocketing rents drive Fort Lauderdale to a spot within the top 10 for NOMI rank.

Employment up 4.6% — Total payrolls surpass the pre-recession level by the end of the year as 39,000 jobs are generated.

Construction 300,000 sq. ft. — Following a 0.8 percent rise in 2021, the pace of supply growth dips to just 0.5 percent this year as builders finalize the least amount of space since 2013.

Vacancy down 90 bps — Improving demand will outpace move-outs in 2022, facilitating a year-end vacancy rate of 16.1 percent. Last year, availability increased by 50 basis points.

Rent up 4.1% — Tightening vacancy will help push up the average asking rent for available space to $23.44 per square foot. Rent held fairly firm in 2021, rising 0.5 percent.

Investment — Medical office space is a favorite among investors seeking assets in the county. The average cap rate for these deals ticked down last year to near 6.0 percent.

High Vacancy Does Not Dissuade Investors Seeking Office Properties with Elevated Risk-Adjusted Returns

Houston office market grapples with supply overhang. Entering the year, the metro had the highest office vacancy in the nation due to the impacts of the pandemic, development and challenges to the energy sector during the global economic shutdown. Although availability is elevated, the market's equilibrium level is generally higher than the national average due to less-expensive holding costs. This year will mark a turning point in the office market. Development slows significantly from last year's pace, and less than 500,000 square feet of speculative space will come online. The largest project slated for completion is Hewitt Packard's 440,000-square-foot headquarters in The Woodlands. On the energy sector front, a decline in production is limiting demand for Houston office space. In late 2021, the number of rotating rigs was still more than 25 percent below the pre-health crisis level, though it was trending higher. Demand is rising worldwide for fuel, but the current regulatory environment discourages major investments in new projects.

Value-add office investors are optimistic. The disconnect between economic and demographic tailwinds amid an elevated vacancy rate has buyers moving back into the Houston market seeking properties with operational-improvement potential. Office-using jobs should surpass the pre-recession level by the end of this year, while vacancy remains 240 basis points above the rate in the first quarter of 2020. Additionally, new household formation will trail only Dallas-Fort Worth this year, encouraging space demand in population-serving office buildings. This will keep investors active in suburban office areas, where vacancy is approximately 250 basis points below the CBD. Entering 2022, the average cap rate in the low-7 percent area was slightly above the national rate. Medical office properties, meanwhile, attract plenty of investor attention when listed, particularly near the Texas Medical Center. However, the pace of deal flow is dictated by the number of listings. Regardless of operating conditions, out-of-state capital will target medical office assets.

2022 Market Forecast

NOMI Rank 41 — High quantities of vacant space and slashed asking rents drive Houston's ranking near the bottom of the 2022 NOMI.

Employment up 3.1% — Following the addition of 154,700 positions last year, employers expand payrolls by 95,500 jobs in 2022.

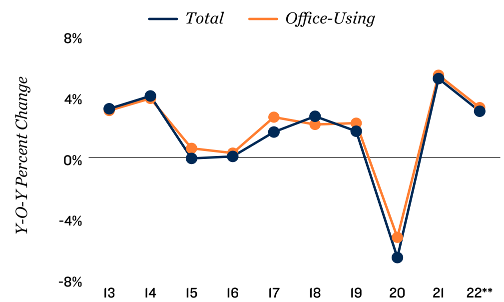
Construction 1,200,000 sq. ft. — Development decreases significantly this year as supply expands by less than 0.4 percent. In 2021, stock increased by 1.4 percent when 4.4 million square feet came online.

Vacancy down 50 bps — Vacancy will turn the corner in 2022 as the rate tightens to 23.1 percent. Between the beginning of the health crisis and the end of 2021, availability climbed 290 basis points.

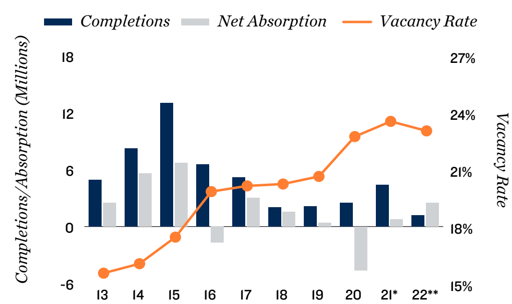
Rent down 2.2% — As operators compete for tenants looking for new space, asking rent will slip to $20.25 per square foot. Last year, the average marketed rate dipped 1.8 percent.

Investment — Both the size of the office market and the mix of available properties are keeping investors from all regions of the country interested in available assets in the business-friendly metro.

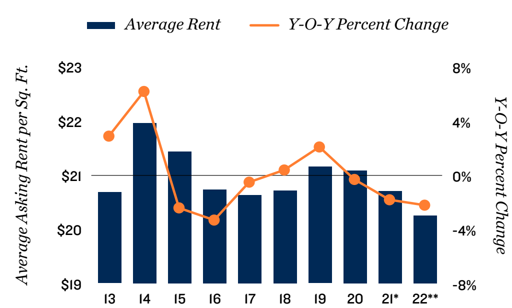
Employment Trends



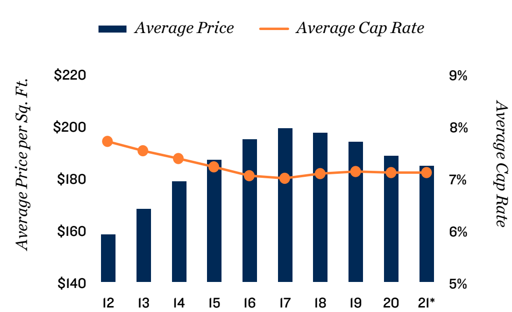
Supply and Demand



Rent Trends



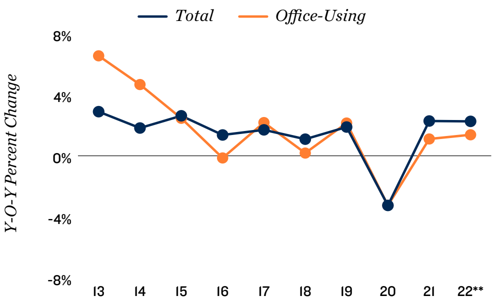
Sales Trends



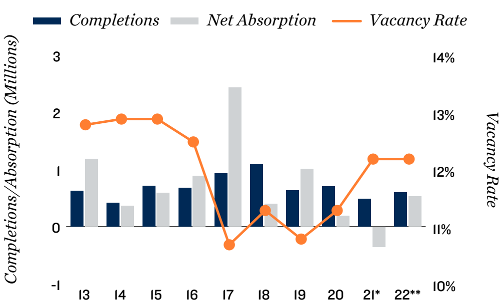
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Employment Trends



Supply and Demand



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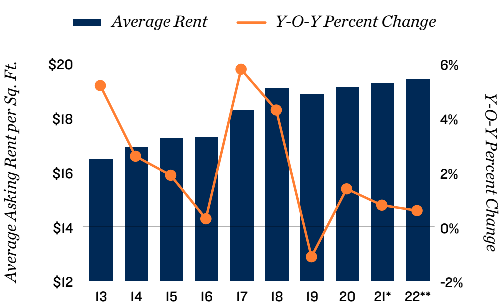

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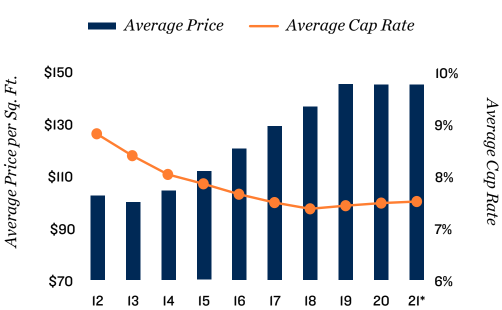


** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Hardest Hit Submarkets Record Strongest Recovery; National Buyers Drawn to Yield Potential

Leasing activity ramping up, but uncertainty and risk remain. The second half of last year showed a significant improvement in absorption when compared to challenging 2020 figures. Locales hardest hit by pandemic-induced tenant loss saw the strongest returns in leasing activity led by the Fishers submarket, where Quantigen committed to nearly 47,000 square feet and First Internet Bank completed its 120,000-square-foot headquarters. Additional northern suburbs including Carmel and the Meridian Corridor also recorded notable tenant gains followed by Downtown Indianapolis. Developers have followed demand into these suburbs, as most projects slated for 2022 completion are north of Interstate 465, with very little incoming space in the core. A wave of sizable speculative projects in the suburbs and uncertainty surrounding return-to-office plans by Salesforce and some of the metro's other largest employers, however, will prevent vacancy from tightening in 2022.

Yield-motivated investors drive sales activity. Cap rates exceeding those available in most Eastern and larger Midwestern markets have kept investors interested in Indianapolis. The Meridian Corridor, Fishers, Carmel and Keystone Crossing are recording the most transactions. Exchanges in these northern suburbs mostly involve older, sub-100,000-square-foot Class A and Class B assets, with cap rates typically between 6 percent and 7 percent. Per-square-foot entry costs in these submarkets are often near or higher than those observed in the CBD. Trades downtown have slowed slightly since the onset of the pandemic, with overall volume in 2021 being carried by the purchase of the Salesforce Tower for $192 million. Core-located listings could represent an attractive opportunity for investors moving forward as first-year returns are around 50 basis points higher than in the northern suburbs. Investors looking to pay below-average entry costs may target the southwestern portion of the metro, stretching from University Heights to Avon.

2022 Market Forecast

NOMI Rank 36 — Indianapolis ranks near the bottom of the pack this year, due to only a small rent increase and a mild employment outlook.

Employment up 2.3% — A gain of 24,500 roles pushes total employment above the 2019 end-of-year figure, tacking on 3,500 office-using roles this year.

Construction 600,000 sq. ft. — Completions will increase slightly from the previous year's tally; however, delivery volume will still trail the trailing-five-year average by roughly 170,000 square feet.

Vacancy no change — The moderate volume of supply additions this year will steer prospective tenants to existing properties, preventing a shift in office availability that holds vacancy at 12.2 percent.

Rent up 0.6% — The average asking rent will rise slightly to $19.40 per square foot this year, as the metro's sizable inventory of sublease space prevents a more notable gain from occurring.

Investment — Out-of-state buyers account for 80 percent of sales volume leading into this year; a figure that is likely to continue growing as the metro's yields are 50 basis points above the national average.

South Johnson County Powers Local Office Gains; Investors Respond to Suburban Leasing Trends

Absorption outside the CBD reflects growing demand for higher-end space. Kansas City's office sector entered 2022 following a recent stint of encouraging performance. Across suburban submarkets, traditional office-using firms absorbed 1.2 million square feet during the third quarter of last year, for the strongest three-month total since 2007. Rising demand was preceded by the number of office-using positions surpassing the pre-pandemic peak. While the job count retreated in subsequent months, another round of gains is anticipated, led by growth in South Johnson County. Here, tech-related expansions and relocations are fueling demand for newer or renovated space. Last year, TreviPay and Industrial Accessories each inked midsize leases in Overland Park, with Optiv subleasing nearly 50,000 square feet in adjacent Leawood. Heightened demand for space in South Johnson County has the potential to spur a wave of project starts this year, as nearly 3 million square feet of space is proposed here. As the metro's largest submarket by inventory, the area will significantly impact metrowide fundamentals with its positive performance this year, allowing overall absorption to exceed delivery volume.

Mid-tier trading dictates deal flow. Investors that focused on Midwest markets with proportionally high numbers of traditional office-using positions are pursuing listings in Kansas City. The metro's ability to attract tech firms is expanding the local buyer pool, which largely consists of private investors that target sub-$5 million transactions. Smaller Class B properties in South Johnson and East Jackson counties account for the largest percentage of deal flow, with these buildings trading at high-4 to mid-5 percent minimum returns. In both locales, pricing below $200 per square foot is available for 1960s-to-1990s-vintage assets. Home to one of the lowest vacancy rates among major submarkets, Midtown also attracts investors seeking Class B assets. Future Kansas City Streetcar stops in the area have the potential to bolster the attractiveness of nearby offices.

2022 Market Forecast

NOMI Rank 21 — Tight market conditions and below-average development secure Kansas City a ranking in the top half of the Index.

Employment up 2.7% — Traditional office-using firms grow staffs by 1,500 positions this year, contributing to the 30,000 jobs added metrowide.

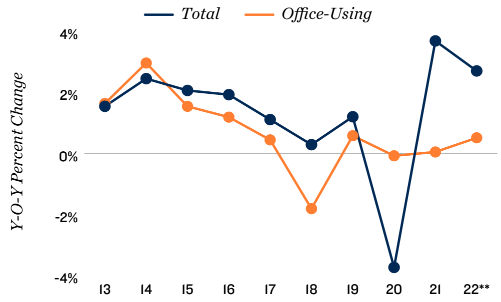
Construction 425,000 sq. ft. — Office inventory expands by just 0.3 percent in 2022, with 1400KC, a high-rise in Downtown Kansas City, accounting for more than half of the space slated for completion.

Vacancy down 20 bps — Corporate expansions support positive absorption this year, compressing vacancy to 11.1 percent. The reduction in availability negates the 20-basis-point increase registered in 2021.

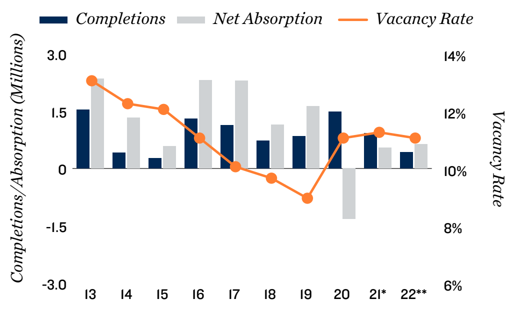
Rent up 1.5% — Positive leasing provides owners the impetus to push asking rents at an improved pace this year, elevating the metro's average marketed rate to $19.80 per square foot.

Investment — In-migration lifts demand for health services, supporting investors' appetite for medical office buildings at a time when subsector vacancy is in the 7 percent range.

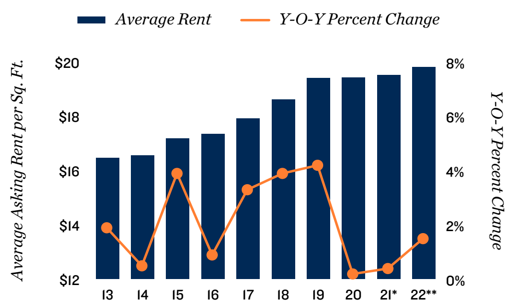
Employment Trends



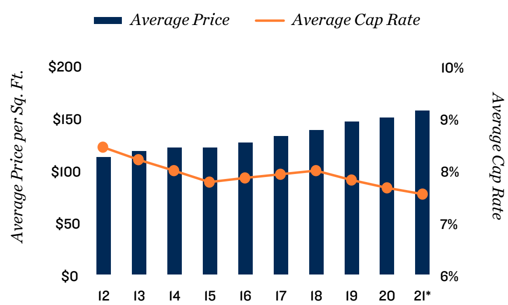
Supply and Demand



Rent Trends

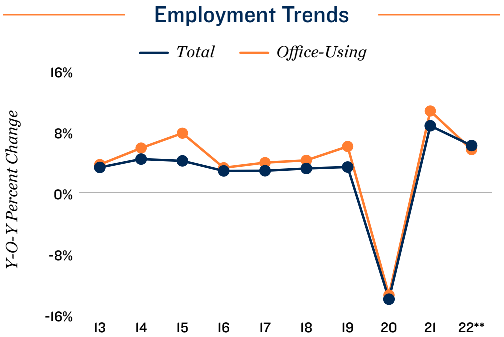


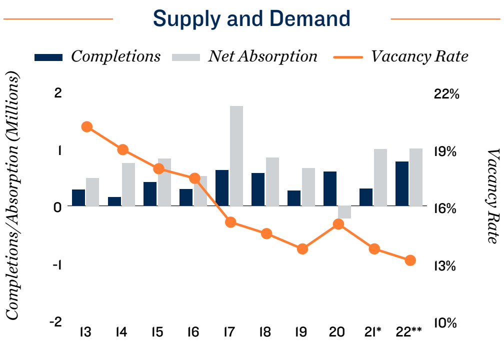
Sales Trends

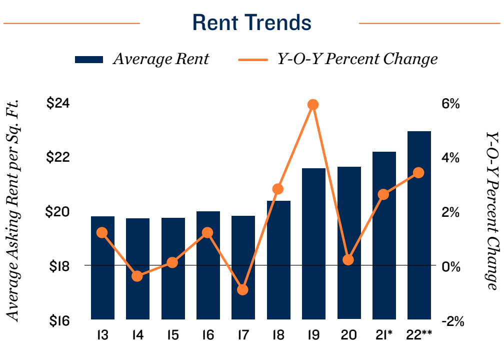


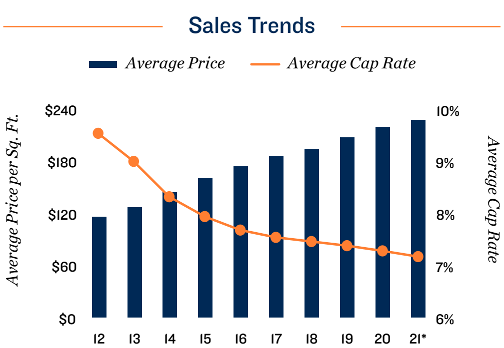
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics









** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Vacancy Falls Well Below Historical Average as Buyers Bet on Submarkets Rich with Professional Tenants

Pipeline yet to reflect level of demand. Office-using employment in Las Vegas improved last year alongside the metro's broader economy, aided by robust population growth that offset the negative impacts of the health crisis. Over the course of 2021, office users bolstered staffs by 20,700 positions, spurring a rebound in leasing activity. The resulting absorption of 1 million square feet last year compressed vacancy below 14 percent, marking the lowest rate in more than a decade. Despite tight conditions, the metro's development pipeline is modest, with less than 1 million square feet slated for 2022 finalization. Preliminary demand for new space from firms including DraftKings and Wynn Design and Development suggests a near-term increase in project proposals is plausible. Nevertheless, office users keen on expanding local footprints or cost-conscious companies that relocate to the metro will have fewer leasing options than in previous years. Steered toward existing buildings, these firms will fuel a level of demand that outpaces supply additions, allowing the pace of rent growth to surpass the prior five-year average.

Newer vintage trades encompass transaction landscape. Recent deal flow in Las Vegas suggests investors are highly confident in the metro's long-term fundamentals. During the third quarter of last year, a buyer pool composed largely of California and locally based investors acquired more assets than in any three-month span over the past 10 years. Traditional and medical Class B offices are comparably coveted by this consortium of buyers, while the metro's average price point trails its prior peak by more than 10 percent. Out-of-state investors are particularly attracted to post-2000-built assets in Southwest Las Vegas, which led metro submarkets in absorption last year. Together with South Las Vegas, the area is home to the highest concentration of professional services tenants. Despite the recently high volume of mid-tier property trades, the metro's average cap rate remains in the low-7 percent range, with minimums rarely dipping below 6 percent.

2022 Market Forecast

NOMI Rank 13 — Las Vegas' labor growth trajectory and robust in-migration are supporting the metro's top 15 ranking.

Employment up 6.1% — The number of traditional office-using jobs created in 2022 accounts for 20 percent of the 60,000 total positions added.

Construction 770,000 sq. ft. — Supply additions increase on a year-over-year basis; however, inventory expands by just 1.4 percent in 2022. Projects in Southwest Las Vegas account for the bulk of space finalized.

Vacancy down 60 bps — Tenants absorb roughly 1 million square feet of office space for a second consecutive year, reducing vacancy to its lowest rate since 2007, at 13.2 percent.

Rent up 3.4% — Consistent demand for space allows Las Vegas' pace of rent growth to exceed the national rate of increase for a fifth straight year, lifting the mean marketed rent to $22.90 per square foot.

Investment — Historically low vacancy and an average asking rent that trails the prior peak by roughly $4 per square foot will attract more regional investors targeting markets with upside potential.

Positive Absorption in Major Office Hubs Generates Reasons for Optimism Amid Variant Emergence

Divergent conditions in large submarkets blur near-term outlook. Los Angeles' office sector is in for a lengthier recovery than many other major U.S. markets, having entered this year with a historically high vacancy rate. Nevertheless, fundamentals in several of the metro's major regions are improving at a standout pace. West Los Angeles and the South Bay, which comprise 35 percent of the county's inventory, both noted positive leasing velocity in the second and third quarters of 2021, as tenants absorbed a combined 1.8 million square feet. Most notably, Silicon Beach registered a collection of 50,000-square-foot-plus commitments, most of which were inked by entertainment and tech firms. Contrasting these regions, vacant stock and sublease availability in Greater Downtown Los Angeles and the San Fernando Valley continued to rise. The emergence of new COVID-19 waves and potential restrictions could extend these submarkets' recovery and halt positive momentum in West Los Angeles if major tech companies push back reopening dates. Still, a silver lining exists for the county, as deliveries fall to an eight-year low in 2022.

Private investment supports transaction recovery. A notable percentage of in-state buyers came off the sidelines last year, elevating deal flow beyond pre-pandemic norms. Perceived future tenant demand for suburban Class B/C office space is driving investment activity in the San Fernando Valley, where returns in the 5 percent to 6 percent range are obtainable for smaller and midsize buildings. Buyers targeting similar assets in areas of above-average rent growth are competing for listings in West Los Angeles, where the mean price point hovers around $800 per square foot and cap rates rarely exceed 5 percent. Juxtaposing private buyer activity, institutional demand remains subdued as the metro's blurred near-term outlook is creating hesitancy among some national owners. Still, select buildings that feature more than 100,000 square feet may be prime candidates for industrial conversions, as vacancy in the sector is extremely sparse metrowide.

2022 Market Forecast

NOMI Rank 44 — In spite of solid overall employment forecasts, limited growth in the office-using sectors leads to Los Angeles' low ranking.

Employment up 4.6% — Traditional office-using positions account for nearly 20 percent of the 200,000 jobs added in Los Angeles County this year.

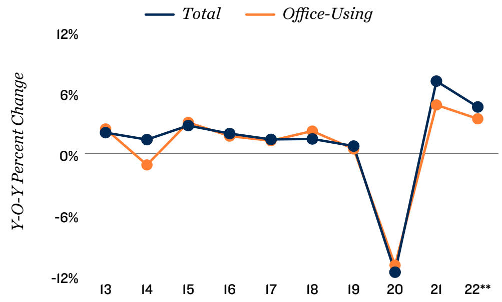
Construction 1,600,000 sq. ft. — Office deliveries expand the metro's inventory by just 0.4 percent. Additions are extremely sparse outside of West Los Angeles, where 1.4 million square feet is slated for completion.

Vacancy no change — After rising by nearly 500 basis points over the past two years, vacancy holds at 18.1 percent in 2022. Still, office availability remains well above the metro's long-term mean.

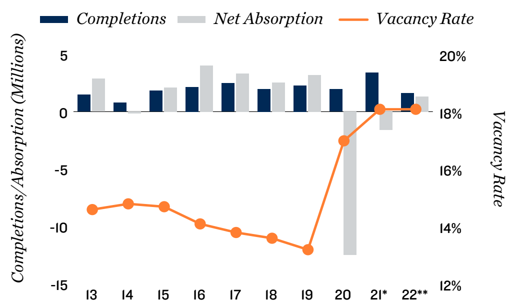
Rent up 1.7% — Above-average rent gains in West Los Angeles and South Bay support a positive trajectory for Los Angeles' marketed rate, which reaches $39.00 per square foot this year.

Investment — Recent vacancy compression, below-average pricing and mean yields in the low-5 percent range attract investors to South Bay and San Gabriel Valley office hubs this year.

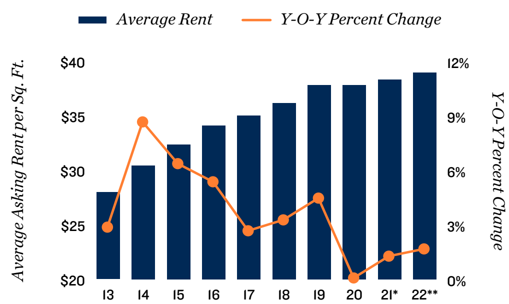
Employment Trends



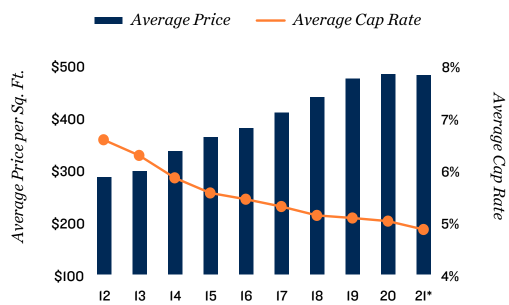
Supply and Demand



Rent Trends



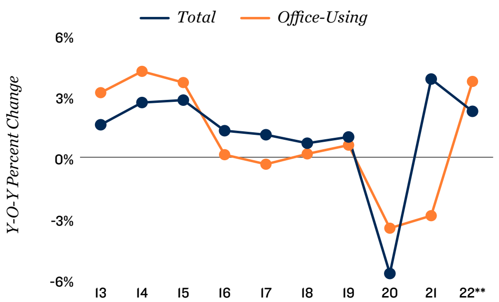
Sales Trends



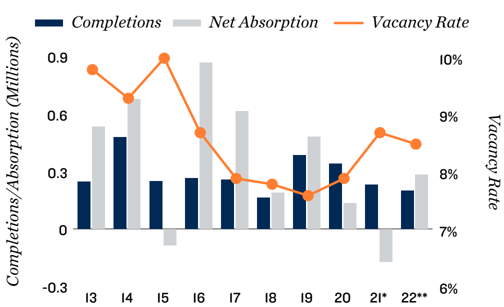
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Employment Trends



Supply and Demand



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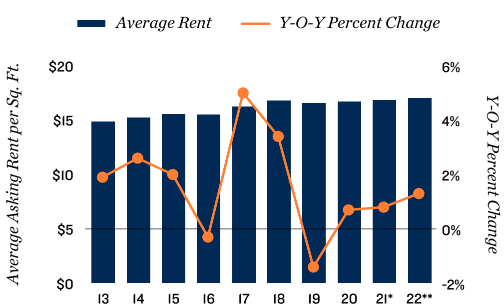

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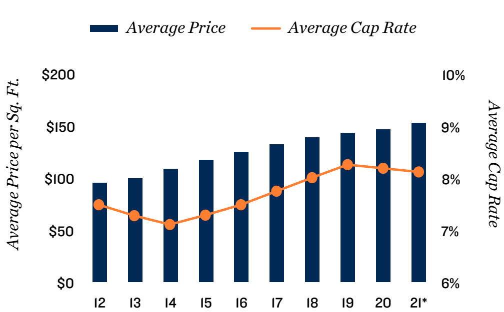


** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Limited Construction Provides Path to Lower Vacancy; Investors Stick to Areas Resilient During the Pandemic

Constrained development facilitates tighter market conditions. Rents have returned to a positive growth territory in Louisville heading into this year, and the metro should sustain rent gains in the near term as more firms, such by Humana, return to offices. Demand for space will surpass pre-pandemic levels this year, while subdued deliveries will allow for moderate vacancy tightening and slight rent growth. Tenants have favored Class A office projects, including nearly all of the space in buildings that came online in 2021. The construction that is moving forward this year is primarily in the eastern suburbs, potentially the result of developers targeting areas closer to residential neighborhoods that are less impacted by pandemic-related shifts in office use than the central districts. The only major project slated to open in the core is the 40,000-square-foot Norton Healthcare Office, which is fully pre-leased.

Class B and Class C properties garner the most interest. Transaction activity has eased since the onset of COVID-19, with far fewer Class A properties changing hands relative to pre-pandemic averages. In the past few months, the greatest increase in activity has been deals involving Class B and C buildings in core areas, though investors remain most active in suburban submarkets. Prices are around $20 per square foot lower in the core than in some suburbs to the east and southeast, which have performed better than the CBD since the pandemic began. The most targeted areas are Lyndon, Jeffersontown, St. Matthews and South Central locations like Okolona and Newburg. Cap rates in these communities are usually reported near 8 percent, around 30 basis points lower than those observed Downtown. These yields can climb slightly higher in outlying eastern neighborhoods within Shelby County. Additional trades also occur in Indiana along the Ohio River, usually involving assets near or less than 50,000 square feet.

2022 Market Forecast

NOMI Rank 22 — As one of the least vacant markets in the nation, Louisville earns a ranking near the middle of the 2022 NOMI.

Employment up 2.3% — A total of 15,000 new jobs will be added this year, 5,000 of these being office-using after 4,000 such roles were lost in 2021.

Construction 200,000 sq. ft. — Deliveries will ease slightly from last year, with only 200,000 square feet set to enter the market. This figure is roughly 75,000 square feet lower than the previous five-year annual average.

Vacancy down 20 bps — The net absorption of 280,000 square feet is less than the annual average recorded over the past decade, but is nevertheless sufficient to create a small retreat in vacancy to 8.5 percent

Rent up 1.3% — In line with a mild tightening in vacancy, the average asking rent will grow modestly to $17.00 per square foot. This is the largest yearly rent increase in the metro since 2018.

Investment — Soft fundamentals in Old Louisville have caused trading velocity to slow recently. This submarket is poised to benefit from a return to normalcy, potentially providing a buying opportunity.

Fewer Restrictions on Businesses in South Florida Benefit Local Office Market, Attract Large Buyers

Office recovery in Miami ahead of national pace. The metro was among a handful of markets that recorded a vacancy decline in 2021, and more progress is anticipated this year as leasing activity stays healthy. The early reopening of the state following initial lockdowns and persistent business relocations to the area have served as a catalyst for space demand. Blockchain.com, for instance, is moving its headquarters from New York to Miami and plans to hire 300 local staff. Furthermore, the impact of subleases created by the health crisis is significantly lighter than some other markets. Locally, less than 1 percent of inventory is available on a sublease basis, compared to San Francisco, where 5 percent of inventory is being marketed under subleases. Despite the strong demand drivers prevalent in Miami-Dade County, some challenges are present. Approximately 1 million square feet of speculative space is under construction, matching the level of sublease space. Nonetheless, the outlook for the office market is brighter than most metros.

Miami investment market follows prior post-recession trends. The access to inexpensive capital has institutions and REITs moving into Miami as fundamentals improve and the prospect for a more robust recovery is elevated. Ongoing extensions to work-from-home practices in dense office markets in the Northwest and West Coast regions is encouraging national firms to leverage Miami-based operations for business functions that need to be performed in person. Through the first three quarters of last year, the number of transactions in the $20-plus million price tranche had already eclipsed levels prior to the health crisis. The average cap rate for these deals was also in the same neighborhood as during 2019, a testament to buyer confidence. For all properties, the average first-year return entering the year is a shade under 6 percent, relatively unchanged since 2016. Elevated inflation rates could force the Fed to move more quickly to cool rising prices, putting upward pressure on first-year returns for the first time in a decade.

2022 Market Forecast

NOMI Rank 3 — Miami captures the third spot in the Index due to steep rent climbs amid surging employment growth.

Employment up 4.7% — The addition of 19,000 office-using positions this year will lift payrolls in this sector about 10 percent above the prior peak.

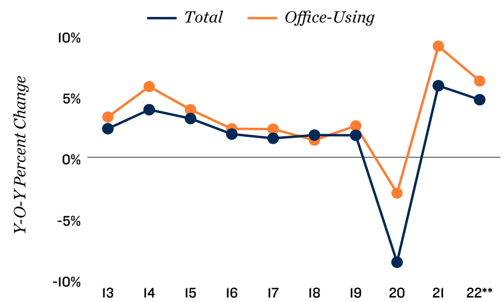
Construction 1,600,000 sq. ft. — Inventory growth amounts to 1.6 percent in 2022 as the pace of construction accelerates from the 1.1 million square feet delivered last year. Pre-leasing rests at 70 percent entering the year.

Vacancy down 20 bps — This year's decline in vacancy matches the 2021 compression, pulling down the rate to 14.6 percent. Before the pandemic, availability was 12.3 percent.

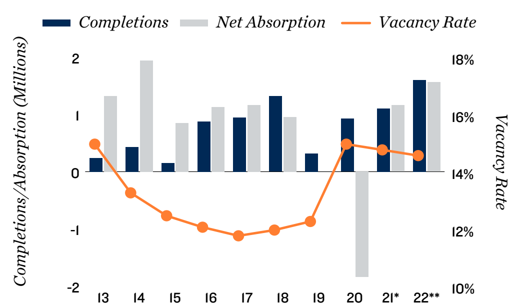
Rent up 5.2% — Owners will have sufficient leverage to raise asking rents this year to a mean of $37.24 per square foot. Last year's 3.7 percent advance was one of the strongest in the nation.

Investment — Global capital will continue to pursue assets in the local office market as U.S. real estate is seen as a hedge against inflation. Latin American investors will play a larger role in deals in 2022.

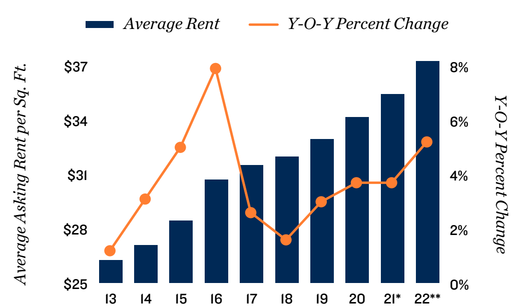
Employment Trends



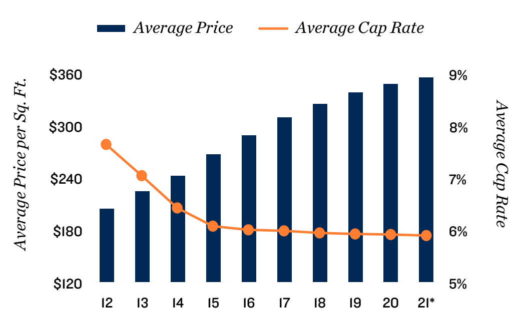
Supply and Demand



Rent Trends



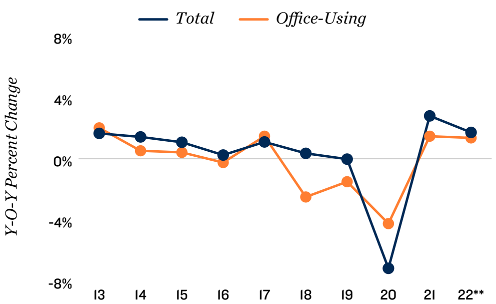
Sales Trends



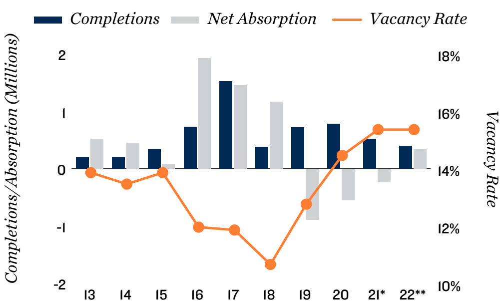
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

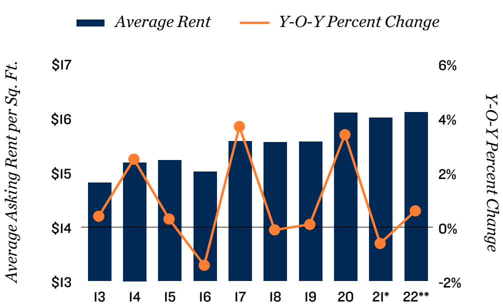
Employment Trends



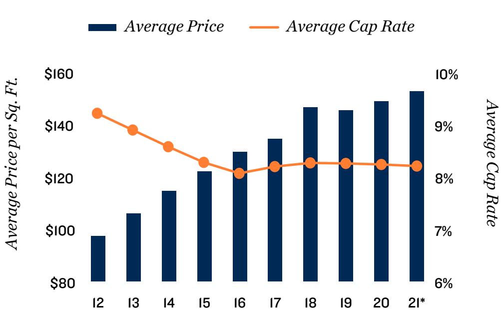
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Scant Pipeline and Leases at New Projects Help Shield Against Headwinds; More Buyers Eye Reuse

Strong pre-leasing at new builds to help calm the storm. The office sector in Milwaukee was facing some challenges prior to the health crisis, and the shift to remote work during the pandemic exacerbated headwinds. Net absorption was negative in each of the past three years, with vacant stock growing by nearly 3.7 million square feet over that span. Conditions appear to be stabilizing, however, as the 90-basis-point rise in availability last year paled in comparison to the 380-basis-point lift across the previous two years. While the market is not projected to reclaim downward vacancy movement in 2022, the rate is expected to hold steady as completions fall to the lowest level since 2018 and four-fifths of the space set to deliver has a tenant commitment. The largest signing was by Rite-Hite, which is moving into a built-to-suit 158,000-square-foot headquarters in Walker's Point. West of here in Brookfield, actuarial and consulting firm Milliman will occupy 118,000 square feet at the newly constructed Golf Parkway Corporate Center. Leases like these signal a desire for new buildings, but a more substantial market recovery hinges on tenant demand returning to existing spaces.

Muted trading persists; buyers find opportunities for alternative uses. Shaky office fundamentals over the past few years and the lack of a definitive rebound entering 2022 have many investors taking a wait-and-see approach. Deal flow has been mild for traditional office assets, though several transactions in recent quarters included high-vacancy properties and listings positioned for redevelopment. The metro's tight multifamily and industrial vacancy rates may be persuading buyers to acquire offices and repurpose them into different property types. Milwaukee's average office entry cost is appealing at a tick above $150 per square foot, making acquisitions feasible for investors with the capital to undertake conversions. Meanwhile, medical office deal flow remains strong, with buyers favoring Class A/B assets in Waukesha County suburbs like Brookfield.

2022 Market Forecast

NOMI Rank 43 — Poor growth in the office-using employment sector keeps the Milwaukee metro outside the top 40 of the Index.

Employment up 1.7% — Milwaukee firms grow the local headcount by 14,500 roles in 2022, with 2,500 jobs coming from office-using sectors.

Construction 400,000 sq. ft. — Inventory expands by 0.5 percent, marking the fifth straight year that metro stock enlarges by less than 1.0 percent. The slow pace of construction should help reduce near-term challenges.

Vacancy no change — Availability stays unchanged at 15.4 percent as net absorption returns to a positive level for the first time since 2018. Relative to the pre-pandemic rate, vacancy is 260 basis points higher.

Rent up 0.6% — Marketed asking rent moves up to an average of $16.10 per square foot, reversing course from the 0.6 percent decline posted in 2021 and realigning with the 2020 mean.

Investment — Looking beyond the near-term uncertainty, assets in live-work-play environments like East Town, West Town, Walker's Point and the Third Ward are compelling long-term investments.

Challenges Arise in the Minneapolis CBD, Obscuring the Near-Term Outlook and Repositioning Buyer Demand

Hurdles surface in Minneapolis' urban core after initial resilience. The central business district in Minneapolis, which contains roughly one-fourth of the entire metro's office stock, witnessed fundamental fluctuation during the pandemic. Office performance downtown bucked national trends in 2020, when vacancy tapered by 30 basis points compared to a national CBD rise exceeding 300 basis points. Nonetheless, the tides shifted last year when pandemic-induced challenges caught up with the market. Availability in the Minneapolis urban core soared 360 basis points in just the first three quarters of last year, with vacant stock growing by 1.7 million square feet over that frame. Moving into 2022, headwinds persist as the omicron variant led firms to push back return-to-office plans in dense corridors at the start of the year. The outlook is more favorable in the suburbs, however, as vacancy late last year was only 200 basis points above the pre-pandemic level and average asking rents grew on an annual basis. Suburban areas with the tightest availability entering 2022 include Anoka, Scott and Washington counties.

Suburbs grab a larger share of deal flow as the office landscape changes. During the health crisis, some firms chose to escape density by leasing floorplans in the suburbs, where bringing workers into offices is operationally easier relative to crowded downtown districts. Many investors are cognizant of this demand shift and have responded by focusing on the suburbs, particularly the Interstate 394 and Interstate 494 corridors as well as Burnsville-Eagan-Apple Valley. Here, mid-tier properties change hands with entry costs near $150 per square foot and first-year returns in the 6 percent to mid-7 percent band. Lower-tier buildings transact with an average per-square-foot price about 20 percent below Class B, and cap rates can reach into the 8 percent area. In 2022, buyers will likely continue to favor suburban locations as the recovery downtown is slower-moving, though more investors could pursue redevelopment opportunities in the urban core.

2022 Market Forecast

NOMI Rank 31 — Lingering impacts of the pandemic on employment and rising vacancy limit the metro to the 31st place in the Index.

Employment up 2.8% — In 2022, the traditional office-using headcount grows by 9,000 positions as the overall job tally increases by 55,000 roles.

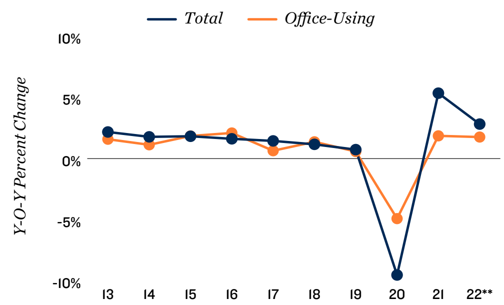
Construction 900,000 sq. ft. — Builders match last year's pace of inventory growth at 0.5 percent. The 511,000-square-foot RBC Gateway building in Downtown Minneapolis will be the largest completion.

Vacancy up 20 bps — Vacancy rises for a third straight year, though the 2022 uptick will be the smallest over that span. Availability reaches 13.3 percent at year-end, up 220 basis points from 2019.

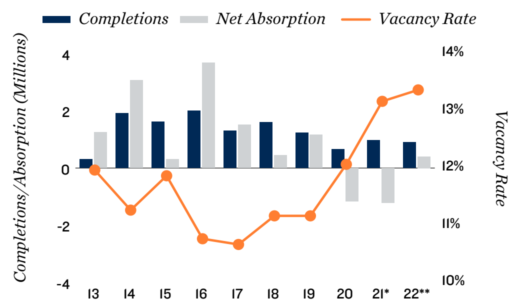
Rent up 1.8% — Despite the upward vacancy trajectory, the metrowide average asking rent climbs for the 11th consecutive year. The mean marketed rate will move up to $17.30 per square foot in 2022.

Investment — Investors with a desire for urban properties may be inclined to target the St. Paul CBD. Vacancy here is more than 700 basis points below the Downtown Minneapolis rate.

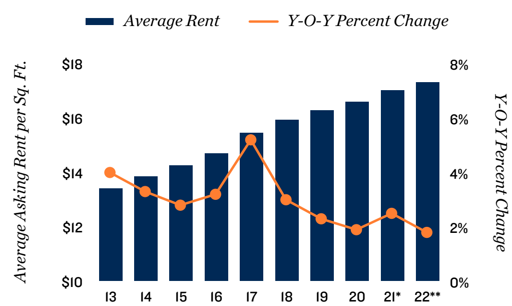
Employment Trends



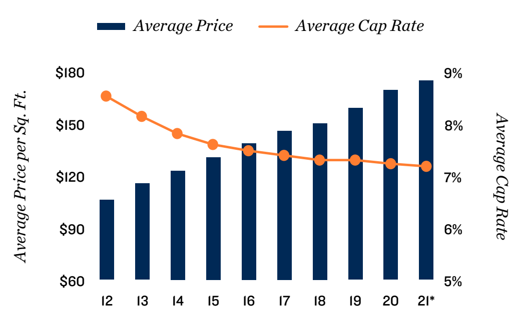
Supply and Demand



Rent Trends



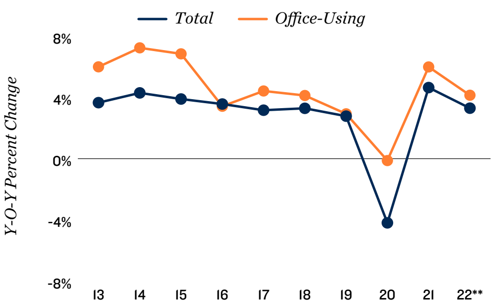
Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Employment Trends



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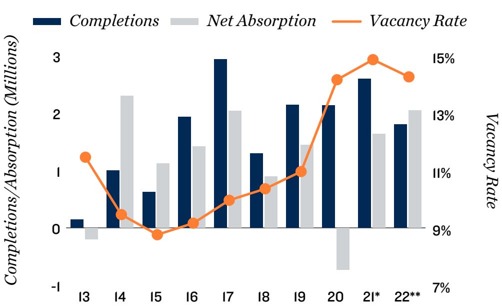
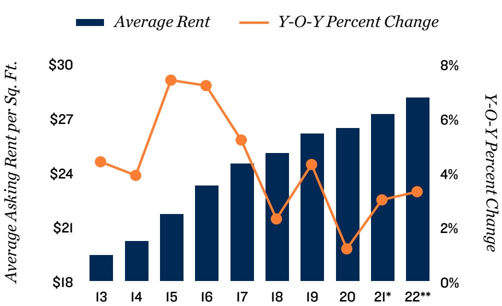


Rent Trends



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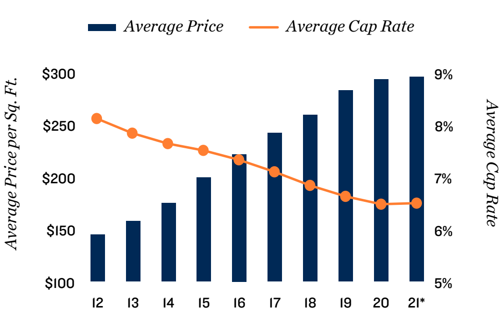


** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

High-Profile Arrivals to the Core Improve Outlook; Below-Average Vacancy Drives Suburban Investment

Tech entrants drive Class A leasing. Nashville has grown into an attractive destination for tech companies, highlighted by Amazon and Asurion filling a combined 1.5 million square feet in the second half of last year. At the same time, Oracle continues work on a major expansion at River North that's scheduled to deliver in 2023. These commitments in Downtown Nashville are the result of massive new developments that contain state-of-the-art amenities, retail access and vast public walking space. Other large-scale projects set to deliver in 2022 are pre-leased for the most part; however, speculative properties containing less than 100,000 square feet are struggling to add tenants. These buildings should see increased future demand as auxiliary firms to the major employers set up shop nearby. This dynamic is most evident in the suburbs. As large companies targeting high-end space shift focus to the core, support firms seeking lower rental costs are occupying smaller spaces in the suburbs. As new openings are filled and large employers expand, vacancy should contract in the core.

Institutions target the CBD while private investors respond to fundamentals. Nashville's ability to attract tech firms has resulted in substantial trading activity from out-of-state and international investors. These buyers are targeting high-end assets in Downtown Nashville and the adjacent Music Row and West End submarkets. Entry costs here are nearly $100 above the market average of $295 per square foot and cap rates are typically reported around 5 percent. Local investors looking to pay below-average entry costs are continuing to target Class B/C buildings in the Airport South submarket. The quantity of similar trades is escalating in Rivergate-Hendersonville, due to low vacancy in comparison to other suburban locales. Rutherford County has also been a strong suburban performer; however, buy-side pressure has lifted prices here above the metro average. Cap rates in the 7 percent range are typical for transactions here.

2022 Market Forecast

NOMI Rank 7 — Employment levels well ahead of pre-pandemic levels propels Nashville to a top 10 spot in the Index.

Employment up 3.3% — Nashville adds 35,000 jobs in 2022, with 35 percent of new roles created in segments that typically occupy office space.

Construction 1,800,000 sq. ft. — Construction of new office space will be lower than last year, as delivery volume in 2022 trails the five-year average by more than 400,000 square feet.

Vacancy down 60 bps — An ease in deliveries steers more prospective tenants to existing properties, lowering vacancy to 14.3 percent. This compression nearly negates the 70-basis-point rise recorded last year.

Rent up 3.3% — Supplementing the 3.0 percent rent growth registered last year, the average asking rent will reach $28.10 per square foot, putting the two-year growth rate above 6.0 percent.

Investment — Following recent increases in available sublet space, Brentwood and Cool Springs may receive more attention from upside-seeking buyers if positive absorption returns in 2022.

Metro Absorption Holds Positive Through the Pandemic; Concessions Create Opportunities for Tenants to Enter

Market records job growth; more positives on the horizon. After suffering an acute drop in employment early in the health crisis, the metro observed gains in office-using sectors last year, breaking a five-year-long decline in the segment's headcount. While current momentum could subside, recent corporate relocations should help maintain downward pressure on vacancy. Swiss tobacco giant Philip Morris announced a move last year from its current Manhattan headquarters to an innovation center in Stamford's CBD, coinciding with an intra-market move to the same area by clean energy provider Altus Power. In addition, shifting tenant preferences to favor facilities in suburbs with urban-like amenities such as walkability and access to mass transit set Fairfield County submarkets in the sights of companies seeking to trade higher-cost New York City leases for space within commuting distance. New Haven's office stock also benefits from its proximity to Yale's Main Campus and Medical Center, allowing the eastern half of the market to take advantage of the nationwide life sciences boom. Next year's moderate supply pipeline is primarily in or adjacent to New Haven County, putting some upward pressure on availability here, but mitigating headwinds in western Fairfield County.

Recovering investment landscape offers deals for patient buyers. Transaction activity increased throughout 2021 but remains suppressed compared to pre-pandemic norms. Investors are most active in Fairfield County, which offers Class A properties concentrated in Greenwich and Stamford and comparatively lower-cost options inland. Buyers looking to execute long-term strategies will enter the market while space usage remains low, as uncertainty regarding the future of leasing has led to some downward pressure on pricing. This is coupled with high concessionary activity on the seller side, with all transactions conducted in Fairfield County last year reporting a negative gap between the initial asking price and the final sale price.

2022 Market Forecast

NOMI Rank 29 — Multiple years of mild development and rising asking rents contribute to the metro securing a spot in the top 30 this year.

Employment up 2.4% — Job growth slows from 2021, with employers adding 18,000 positions. Approximately 1,500 will be in office-using sectors.

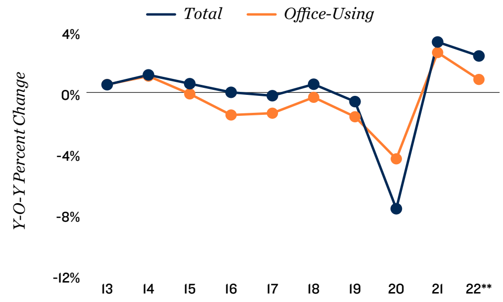
Construction 220,000 sq. ft. — The metro continues its historically conservative delivery schedule, with nearly all square footage headed for New Haven County or the areas immediately surrounding.

Vacancy down 10 bps — Vacancy dips to 17.3 percent as the ongoing economic recovery spurs leasing activity, though concerns about the spread of COVID-19 variants may constrain new signings.

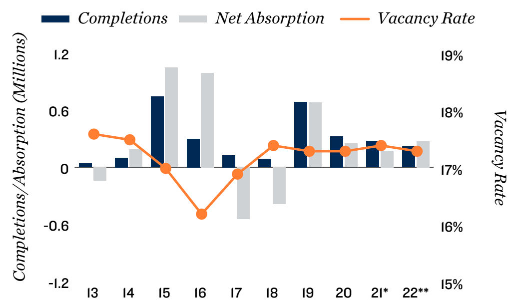
Rent up 2.6% — Higher absorption and demand from relocating firms lead to rents climbing at a faster rate than last year's 1.1 percent uptick, as the asking rent reaches $27.75 per square foot on average.

Investment — Investors capitalizing on Yale's links to the biotechnology sector may seek deals in New Haven, which offers an abundance of lower-cost properties, including many value-add options.

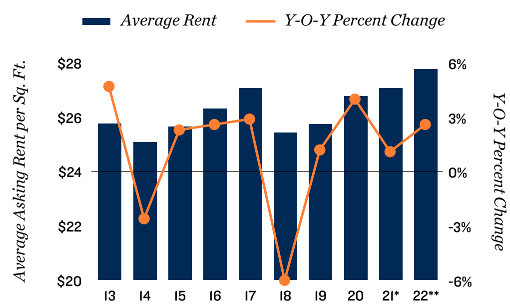
Employment Trends



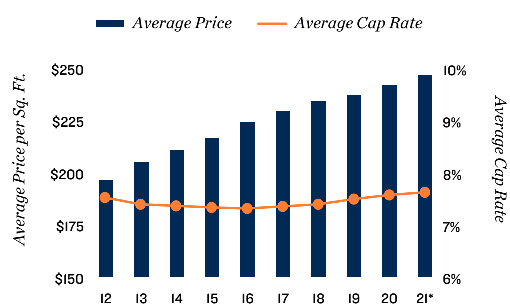
Supply and Demand



Rent Trends



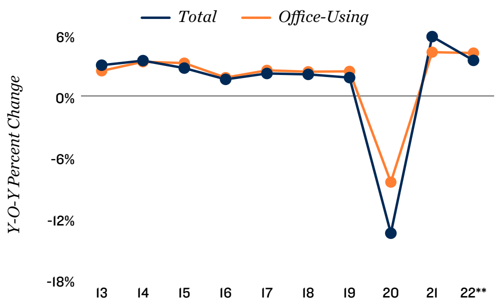
Sales Trends



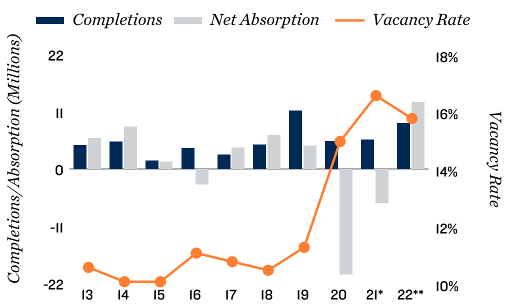
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

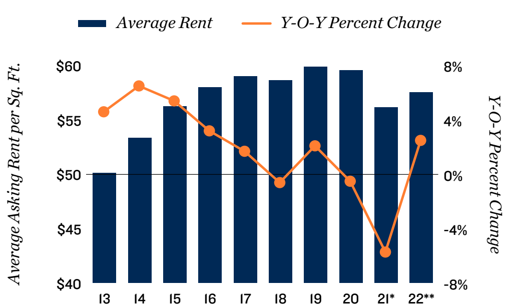
Employment Trends



Supply and Demand



Rent Trends



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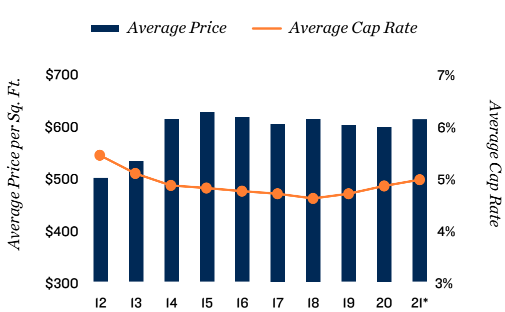


** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Market Maintains Rapid Supply Growth Despite High Vacancy; Investors Waiting For Reopening Offices

Metro office fundamentals face a protracted recovery. New York City's submarkets maintain bifurcated metrics entering this year. Core submarkets in Manhattan and Brooklyn that recorded the sharpest declines in asking rent through the health crisis observed fundamentals lagging behind pre-2020 norms. The Bronx, much of Queens and Outer Brooklyn reported rents close to or even surpassing pre-pandemic peaks. Rent growth headwinds in the areas most impacted by lockdown measures could persist as employers may find that a hybrid workforce is more economical in high-cost submarkets. Over one-third of New York City employers expect a decreased need for square footage over the next half-decade, signaling remote work as a lingering negative demand factor for office space. However, metro stock continues a phase of rapid expansion. Developers are projected this year to finalize the second-highest amount of square footage in an annual period since 2007. Of the 8.8 million square feet set to open in 2022, 5.8 million stem from two amenity-rich developments located in the Hudson Yards district. As of the beginning of this year, the majority of this space remained unleased. Brisk inventory expansion will create downward pressure on rent growth as the office sector continues its recovery.

Sales rebound remains dependent on return-to-office timelines. A series of delays last year as companies pledged to return to leased New York City spaces coincided with lower investment activity. Trading velocity in 2021 was unable to reach the previous year's level, even after a steep decline from 2019. Breaking from market trends, Queens reported elevated transaction activity relative to 2020, and it was the most popular borough with investors searching in the $1 million to $10 million tranche, followed by Brooklyn. Potential sellers of high-end properties will likely benefit from growing use of amenities spurring leasing in Class A properties. However, overall suppressed occupancy as the health crisis continues may convince some investors to move capital out of the market.

2022 Market Forecast

NOMI Rank 30 — Despite tightening vacancy this year, the damage done by 2020's economic shock holds New York to the 30th position.

Employment up 3.5% — Staff counts will rise by 150,000 as the city's recovery continues this year, including 60,000 jobs in office-using sectors.

Construction 8,750,000 sq. ft. — The majority of this year's stock will come online in Manhattan. Chelsea follows Hudson Yards as this year's second-fastest growing district with over 1 million new square feet of space.

Vacancy down 80 bps — Vacancy declines for the first time since the onset of the pandemic to 15.8 percent. Still-depressed employment means availability nevertheless remains under pre-2020 norms.

Rent up 2.5% — Office rents begin an upward trajectory, reaching $57.50 per square foot. New York's extended reopening timeline means some time may be needed before rents reach previous highs.

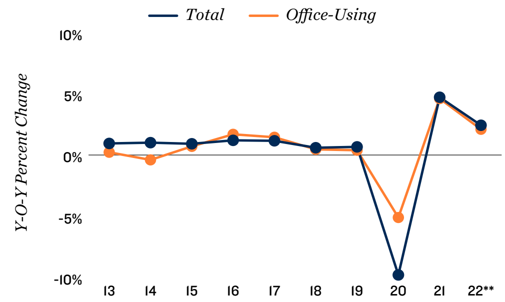
Investment — Sales velocity will be most stable in the outer boroughs, though large employers committing to 2022 return-to-office dates may spark a revival of investment activity in Manhattan.

Corporate Arrivals and Mild Pipeline Bolster Outlook; Suburban Office Revival Varies By Locality

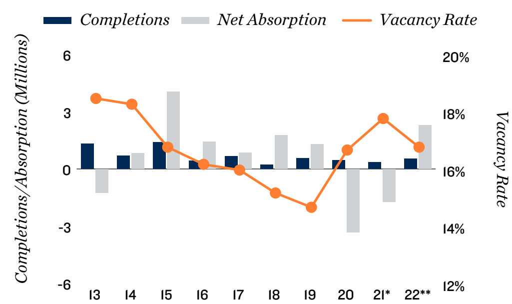
Stage set for steady upward growth. Contrasting many other regional markets, Northern New Jersey's office fundamentals remained relatively stable throughout the health crisis. At maximum, the local average asking rent fell just 1.3 percent below its immediate pre-pandemic level, and it is expected to surpass its previous peak by the end of this year. Solid fundamentals can be attributed in part to a comparatively restrained construction pipeline. After only 343,000 square feet of space was completed last year, delivery volume in 2022 is expected to remain under the trailing decade average, with 530,000 square feet finalized by the end of the fourth quarter. Meanwhile, office demand is buoyed by New Jersey's proactive tax incentive offerings, helping fuel a wave of corporate relocations and commitments to facility upgrades concentrated in the region's suburban core. Firms including Fiserv and Quest Diagnostics made agreements to significantly expand area offices and local headcounts, with Party City confirming a planned relocation to the market from its current campus in New York. Renewed interest in suburban stock is poised to benefit the metro, especially inland business districts away from the Hudson waterfront.

Tenant trends fuel investor optimism. Despite stable fundamentals, the ongoing health crisis has suppressed office usage and sparked investor concern over future space demand. While trading velocity across the metro is still under pre-pandemic norms, shifting tenant preferences for space in suburban areas may turn this around. The rush of interest in suburban office stock will help mitigate downward pressure on overall investment activity, though not all properties benefit equally. Submarkets with large concentrations of older complexes and low walkability are providing buyers with cap rates in the low- to mid-8 percent range. Elsewhere, properties in high-end suburban districts record first-year returns in the high-5 to low-6 percent band as investors react to tenants' flight-to-quality. However, further sales recovery in these areas may be impacted by the emergence of new COVID-19 variants.

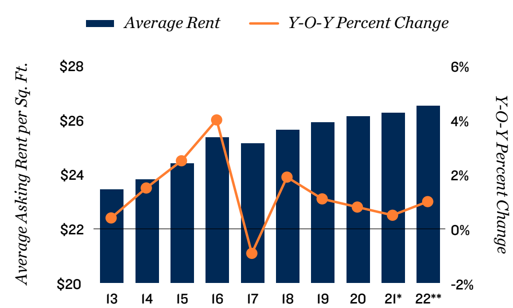
Employment Trends



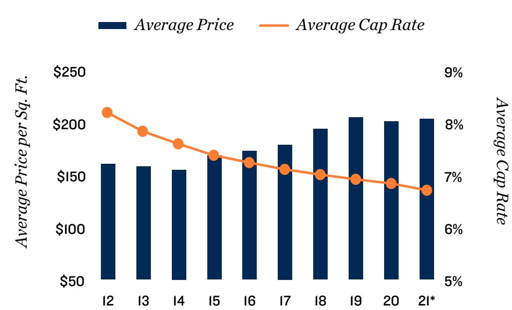
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

2022 Market Forecast

NOMI Rank 28 — Northern New Jersey places 28th in this year's NOMI amid positive demand momentum, but lagging job market.

Employment up 2.4% — Employers are expected to fill 50,000 positions in Northern New Jersey as economic recovery efforts continue in 2022.

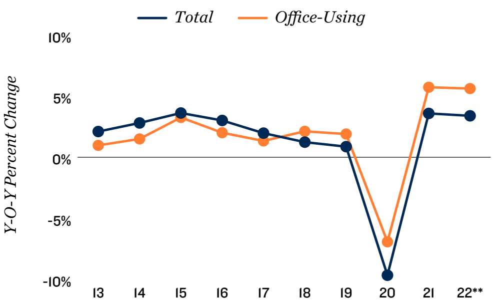
Construction 530,000 sq. ft. — This year's construction pipeline increases by 187,000 square feet after a slow 2021 delivery schedule, but most of the square footage is concentrated in one Morristown development.

Vacancy down 100 bps — Positive net absorption is registered for the first time since 2019 as demand for office space improves, lowering metro vacancy to 16.8 percent.

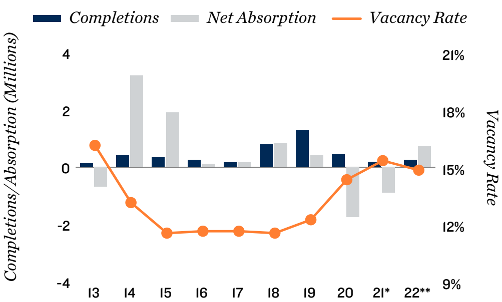
Rent up 1.0% — After maintaining an upward trajectory throughout 2021, the average asking rent is expected to close this year at a new market high of $26.50 per square foot.

Investment — Investors seeking traditional office properties will look for deals in suburban locales like Summit and Montclair where clusters of upper-tier office parks exist.

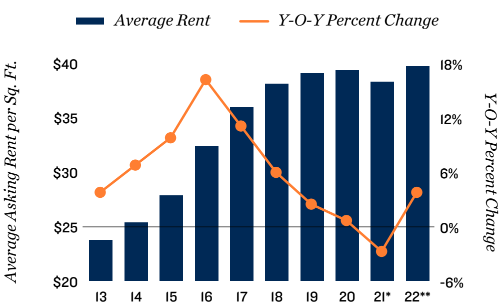
Employment Trends



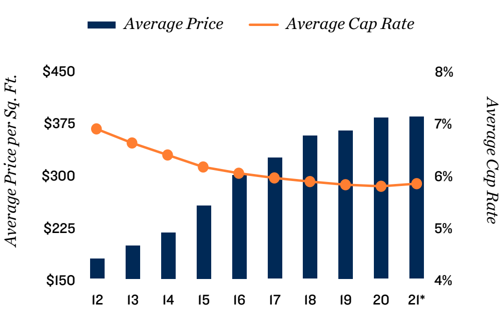
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Class B/C Properties Outperform in Wake of Health Crisis; Investors Optimistic on Mid-Tier Assets

Bifurcated performance in the East Bay. Many of the lower-tier office tenants who take advantage of less-expensive rates in the market have held onto their space through the downturn, keeping conditions relatively tight. Entering this year, vacancy at Class B/C properties was hovering in the mid-12 percent range, compared to 22 percent for Class A buildings. An added challenge for top-tier space comes from the prevalence of available leases across the Bay Bridge. Prior to the downturn, Class A space in the two-county region was leased at a 30 percent discount relative to San Francisco. Now, that gap has narrowed to about 20 percent, heightening competition throughout the Bay Area for the tenants actively seeking high-end office footprints. On a positive note, construction is very light in the East Bay as just a handful of properties will come online this year. Furthermore, nearly all of the space scheduled to be completed in 2022 has leasing commitments. Nonetheless, it will take at least another year to absorb excess Class A space.

Investors increase activity ahead of more vigorous recovery. Buyers are seizing opportunities to expand their portfolios in the East Bay. Class B properties are particularly attractive, as deal flow tripled between 2020 and 2021. Both ends of the 680 corridor draw mid-tier investors, though assets closer to Walnut Creek and Concord are slightly favored. Both Class B and C properties in core areas also appeal to buyers, especially in a narrow band stretching from downtown Oakland to Berkeley. Class A properties change hands infrequently. Interested capital for buildings with a significant vacancy component is gravitating to San Francisco or the South Bay while stabilized buildings are not often listed, as many owners are hesitant to join the large pool of buyers attempting to place 1031 proceeds. The average cap rate in the East Bay is in the high-5 percent range entering this year, approximately 70 basis points above San Jose and 90 basis points more than the mean in San Francisco.

2022 Market Forecast

NOMI Rank 17 — Climbing rents amid muted construction carry Oakland to the second-highest ranking of California metros this year.

Employment up 3.4% — Office-using sectors will surpass pre-recession highs this year as 15,500 spots are created.

Construction 250,000 sq. ft. — Few properties are projected to finalize this year, limiting the increase in office stock to a paltry 0.2 percent. Last year, only 180,000 square feet was completed.

Vacancy down 50 bps — The vacancy rate tightens to 14.9 percent by the end of 2022, reversing course from the 100-basis-point rise last year. The rate was 12.5 percent prior to the health crisis.

Rent up 3.8% — After retreating 2.7 percent in 2021, the average asking rent is projected to climb to $39.68 per square foot. Much of the rise can be attributed to the percentage of Class A space available.

Investment — Class B and C listings will attract investors looking for stabilized assets at attractive price points. As more top-tier properties are stabilized, some owners may begin to divest.

Tech-Centric Corporations Fuel Orange County's Recovery; Trading Improves Alongside Tenant Demand

Positive absorption reemerges. Spanning the past two years, Orange County's vacant office stock rose by 6 million square feet; however, signs of improvement have recently surfaced. During the second half of 2021, a collection of lease commitments exceeding 25,000 square feet was executed, spearheaded by a slew of agreements in Irvine. Here, satellite manufacturer Terran Orbital and electric motorbike producer Super73 subleased midsized floorplans. Bandai Namco and Hyundai-affiliated Supernal also inked direct agreements totaling 175,000 square feet. The recent rise in mid- and large-scale commitments suggests firms intend to expand payrolls in the near term, which may require them to fill additional space. This, in concert with a restrained construction pipeline and expectations for the number of office-using jobs to surpass the pre-pandemic mark, will aid properties with available square footage. Still, hurdles persist as some major employers including Irvine-headquartered Mazda have adopted a virtual-first workplace and may sublease space.

Investors with differing strategies and cash reserves target similar properties. The Class B/C office segment is recovering faster from the impacts of the health crisis than Orange County's high-end buildings. The third quarter of 2021 represented the strongest three-month span for Class B/C absorption in six years, a performance that is bolstering buyer confidence and diversifying lower and mid-tier buyer pools. Both smaller, sub-$5 million assets, and 100,000-square-foot-plus buildings are attracting capital in larger South and North County cities as well as areas near John Wayne International Airport. In these locales, properties with near-term lease certainty are commanding the highest pricing, with minimum returns in the 3 percent to 4 percent range. Larger buildings with upcoming lease expirations are receiving increased attention from conversion-focused investors, as some of these assets are prime candidates for industrial use.

2022 Market Forecast

NOMI Rank 25 — Orange County's growing and educated workforce keeps the metro in the top 25 of the Index.

Employment up 4.0% — Staff additions by traditional office-using firms account for nearly one-fourth of the 65,000 positions created in 2022.

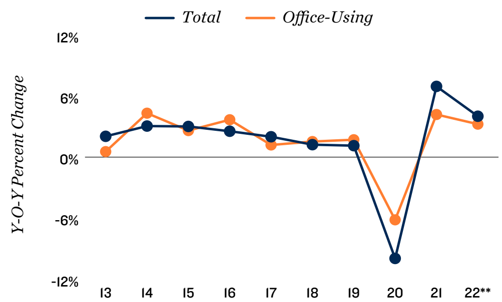
Construction 830,000 sq. ft. — For a third straight year, the annual delivery volume falls below 1 million square feet. A trio of speculative properties in Irvine Spectrum highlights the list of upcoming completions.

Vacancy down 40 bps — After rising by 400 basis points over the past two years, vacancy declines slightly to 16.1 percent in 2022 as office-using tenants absorb more than 1 million square feet.

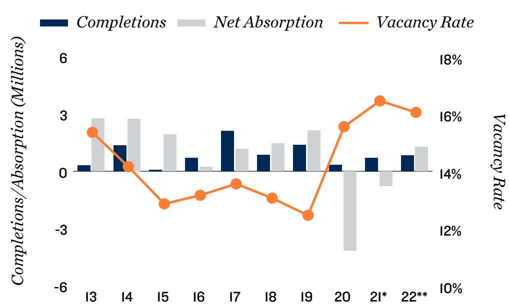
Rent up 1.4% — The absorption of Class B and high-end space lifts the metro's average marketed rate to $29.10 per square foot, a figure that trails the pre-pandemic mark by roughly 3.0 percent.

Investment — The lack of ongoing and proposed medical office projects metrowide is poised to attract additional capital to the property type as subsector vacancy holds below its long-term average.

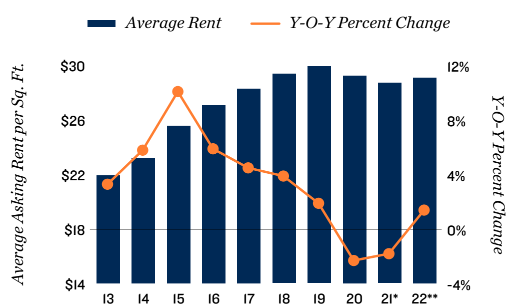
Employment Trends



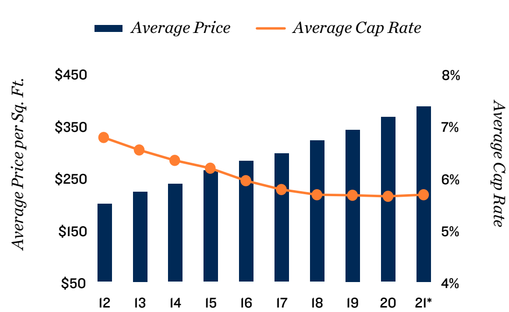
Supply and Demand



Rent Trends



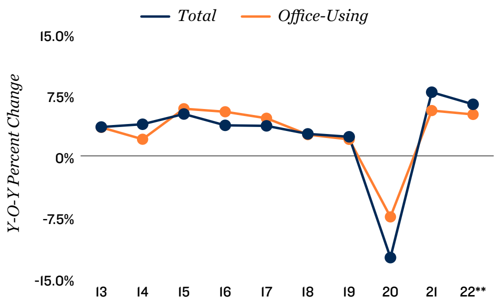
Sales Trends



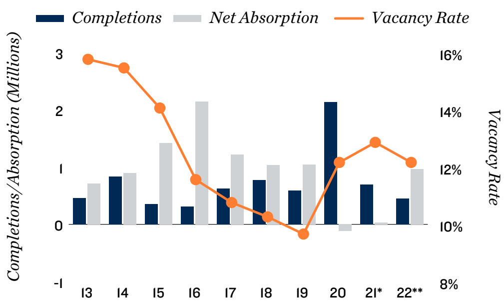
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

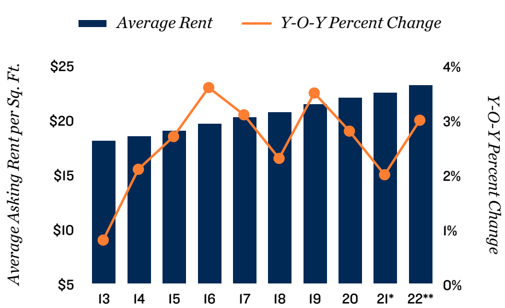
Employment Trends



Supply and Demand



Rent Trends



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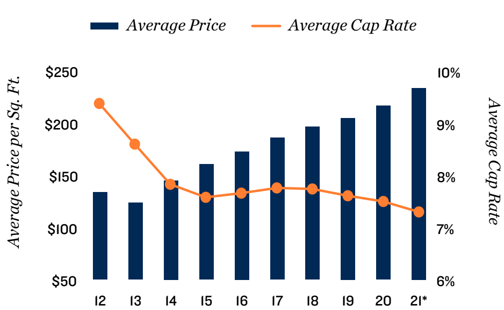


** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Corporate Expansions Underpin Orlando Office Demand as Rent Growth Stimulates Mid-Tier Deal Flow

Limited development coincides with rapid economic growth. Positive net absorption returned to Orlando in the second half of last year, providing an optimistic outlook for office fundamentals entering 2022. Although vacancy increased on a year-over-year basis in 2021, the rate still remains 350 basis points below the national average. Further brightening the metro's outlook, the area's affordability and growing talent pool are enticing business relocations and expansions. Disney, InnovaCare Health and Checkr represent notable employers that recently announced plans to expand their local office footprints. Robust population and employment growth will bolster tenant demand for both traditional and medical office spaces this year, likely resulting in an uptick in leasing activity. Furthermore, developers are moderating the amount of supply entering the market, with only 450,000 square feet of space scheduled to deliver in 2022. This combination will allow for net absorption to outpace supply additions. As a result, vacancy will fall 150 basis points below its long-term average in the coming year.

Class B trades drive investment activity. Steady rent growth throughout the health crisis prompted many investors to return from the sidelines, lifting transaction velocity back to pre-pandemic levels in 2021. Sale prices are surging due to limited listings on the market and buyers shifting their focus to properties with long-term leases in place, compressing the average cap rate to the low 7 percent range. Robust rent growth and higher occupancy rates are stimulating buyer interest for Class B assets in Orange County, particularly in the Tourist Corridor, Downtown Orlando and Orlando Central Park neighborhoods. Yield-driven investors seeking opportunities to upgrade and retenant older buildings are active in Seminole County, especially in the Altamonte-Douglas and Lake Mary submarkets. Properties here are trading with entry costs well below the market average, with first-year returns in the mid-8 percent range.

2022 Market Forecast

NOMI Rank 5 — A growing workforce and limited availability propel the Orlando metro to the fifth spot in the rankings.

Employment up 6.3% — Employment growth exceeds 5.0 percent for the second consecutive year with the addition of 80,000 jobs in 2022.

Construction 450,000 sq. ft. — Construction activity continues to moderate, reaching the lowest level since 2016 as developers expand stock by 0.5 percent. The bulk of deliveries are concentrated in Orange County.

Vacancy down 70 bps — Limited supply pressure and improved tenant demand will aid metrowide vacancy this year. The rate will fall to 12.2 percent following a 70-basis-point increase registered in 2021.

Rent up 3.0% — Accelerated leasing velocity in Orlando allows for rent growth to exceed the national pace of increase this year, lifting the average asking rate to $23.15 per square foot.

Investment — Robust population growth in Orlando will bolster the need for health services, likely drawing additional investor interest to medical office assets over the coming year.

Office Sector Improving Despite Uncertain Leasing Future; Investment Activity Led By Suburbs

Office demand varies by industry as recovery lags behind national average. Philadelphia's economy is steadily trending upward heading into 2022, though total employment will end the year well below 2019 headcounts. Full office demand recovery may face headwinds as larger employers explore hybrid workplace options. Insurance providers State Farm and Optum Inc. were among the employers putting large blocks of space on the market, relinquishing a combined 450,000 square feet amid plans to transition employees to home offices. Demand, however, is rapidly growing in many industries unable to make this leap. Four of the 10 largest move-ins last year can be attributed to the national biotechnology boom. Iovance Biotherapeutics, B Lab, Century Therapeutics and Integral Molecular leased a combined 250,000 square feet in the Philadelphia city limits alone. The metro maintains a brighter outlook on the supply side. Less than half of the 1.6 million square feet scheduled for a 2022 delivery is available for lease entering this year, mitigating excess upward pressure on vacancy. Tenant preferences for top-tier offices will benefit this new space, contributing to this year's positive net absorption.

Investment market yet to recover, but the potential for deals remains. Transaction velocity last year remained under 2020 levels as investors waited for clearer signs of leasing recovery. In line with tenants' current preferences, buyers active in the market are targeting upper-tier properties in the metro's wealthier northwestern suburbs including the King of Prussia/Wayne and Exton/Whitelands submarkets. Assets ranging from smaller offices in the sub-$10 million range to much larger office parks are changing hands in these areas, reflecting locally diverse buyer pools. Deals within the city of Philadelphia are almost uniformly being closed by local investors operating in the $1 million to $8 million range. These buyers seek Class B and C properties, many of which offer upside potential via long-term holds.

2022 Market Forecast

NOMI Rank 37 — Philadelphia's rising vacancy rate and tepid labor market growth contribute to its ranking of 37th in the NOMI.

Employment up 2.8% — Employers are projected to add 82,000 positions this year, including 16,500 jobs in traditionally office-using sectors.

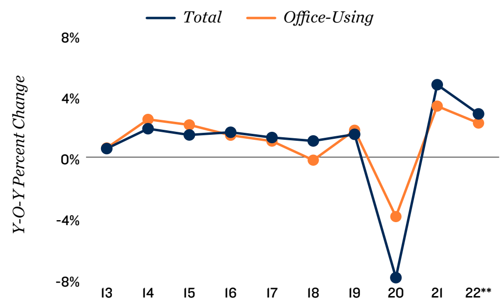
Construction 1,650,000 sq. ft. — Space additions constitute 0.6 percent of total supply, a slight acceleration from 2021's growth of 0.5 percent. New square footage is on par with the five-year average.

Vacancy up 20 bps — While the year ends with net absorption in positive territory for the first time since the onset of the health crisis, office availability observes an uptick to 15.5 percent.

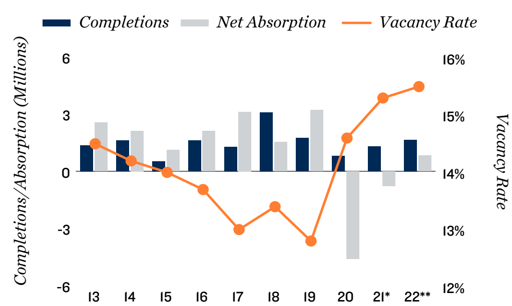
Rent up 2.0% — After maintaining consistent year-over-year growth through the pandemic, asking rents end the year on a new high, reaching an average of $24.17 per square foot.

Investment — Diverse yields on Class B assets may draw an increasingly mixed buyer pool. Properties of this type were observed trading with cap rates ranging from 4 to 9 percent last year.

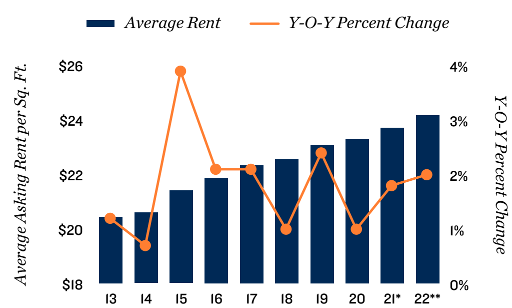
Employment Trends



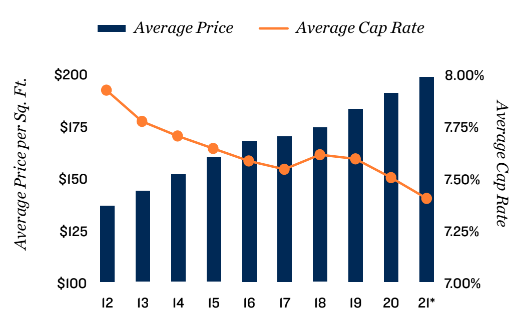
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

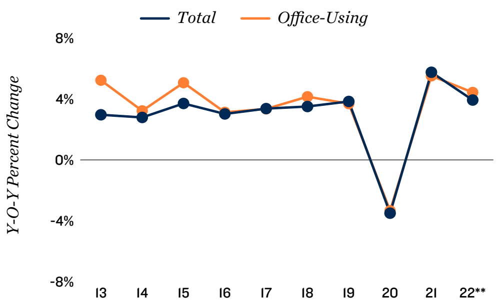
Sources: CoStar Group, Inc.; Real Capital Analytics

Expansionary Labor Pool and Lower Business Costs Prompt Growth in the Valley, Enhancing the Outlook

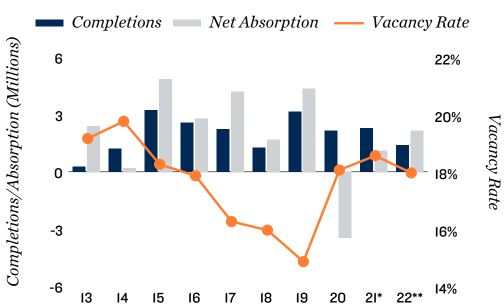
Thriving local economy lures proliferating firms. The metro population grew by more than 400,000 residents over the past five years and a similar gain is expected through 2026. A swift expansion coupled with the employment base's resilience during the pandemic has resulted in Phoenix claiming the 10th-largest job market among major U.S. metros entering this year. Notably, though, the Valley still has the runway to grow, as the local unemployment rate remains above the national level. At the same time, the cluster of colleges located in the area consistently brings in young adults and bolsters the pipeline of future workers. High personnel availability is attractive to firms wanting to grow operations, persuading many to enter Phoenix and expand their presence. Other aspects, including a business-friendly environment and comparatively lower office rents than Los Angeles and San Diego, also play a role. These factors all support improved demand for office space in 2022, producing downward pressure on vacancy as annual completions fall below 1.5 million square feet for just the second time in the past eight years.

Out-of-state buyer fervor for properties in Tempe and Scottsdale. The Phoenix office market was less impaired by the health crisis than some primary coastal metros, persuading more investors to turn their attention to the Valley. Capital inflow is poised to continue in 2022 as metrowide vacancy descends and average rents climb. Buyers from outside of the market are primarily focusing on two submarkets: the East Valley and Scottsdale. The East Valley encompasses several attractive office districts in Tempe and Chandler. The corridor also claims the lowest vacancy rate among the five largest submarkets by inventory. Class A and B assets comprise the bulk of deals in the East Valley and transact with first-year returns in the mid-5 percent to mid-7 percent band. Just north in Scottsdale, buyers are pursuing upside opportunities. Mid-tier complexes with entry costs slightly below the market average of $246 per square foot and cap rates near 7 percent are most common.

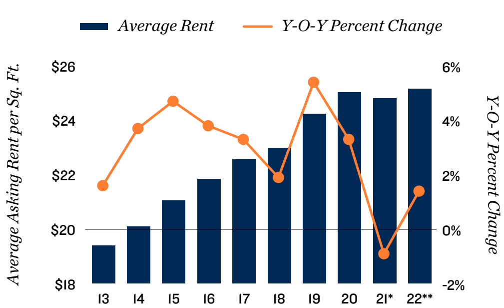
Employment Trends



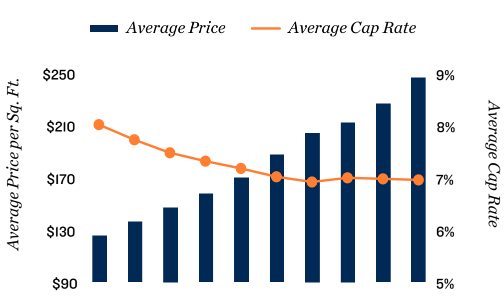
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

2022 Market Forecast

NOMI Rank 10 — Continuation of the rapid in-migration seen over the past several years helps Phoenix secure a top 10 ranking in the NOMI.

Employment up 3.8% — Office-using employment grew last year by the largest amount in over a decade, and a 27,000-job boost is expected in 2022.

Construction 1,400,000 sq. ft. — Annual delivery volume falls 900,000 square feet short of the 2021 total. Builders will finalize the most new space in the West Phoenix and East Valley submarkets this year.

Vacancy down 60 bps — Net absorption in 2022 will exceed new supply for the first time since the onset of the health crisis. This lowers the vacancy rate to 18 percent, about 300 basis points above the 2019 level.

Rent up 1.4% — Rent trends will revert after a 0.9 percent decline in 2021, as demand strengthens and vacant spaces secure tenants. The average asking rent climbs to $25.15 per square foot this year.

Investment — Acquisition opportunities could emerge in the Airport Area and Northwest Phoenix, where vacancy is above 20 percent. Long-term upside amid market growth may pique buyer interest.

Stock Expansion Targets High-Skill Industries; Local Investors Take a Wait-And-See Approach

Pittsburgh's innovators the biggest factor in market preferences. Despite vacancy remaining elevated throughout the 2022 calendar year, metro office stock is expected to grow by 910,000 square feet, the largest amount in over five years. While this delivery volume is substantial, the 600,000 square feet added to the Oakland submarket will benefit from the locale's proximity to the University of Pittsburgh and Carnegie-Mellon, in addition to several medical centers. Here, the burgeoning life sciences sector is spurring demand for lab space from academic-linked biotechnology firms. The remaining space is scheduled to come online in Greater Downtown's the Strip neighborhood, which had been attracting tenants exiting higher-cost leases in the CBD even prior to the health crisis. Aurora Innovations announced its expansion into the metro last year, joining competitor Argo AI in the Strip as Pittsburgh becomes a regional center for driverless technology research. This follows as the city's tech firms select relatively less dense urban submarkets with a supply of amenity-rich offices. While the placement of this year's new stock should help mitigate upward-trending availability, a considerable amount of proposed square footage in the pipeline may weigh on vacancy in the near- to mid-term if those projects move forward.

Investors wait for normalized leasing activity before returning to market. As vacancy still hovered above pre-pandemic norms, general office deal flow in 2021 remained roughly at the subdued levels observed in the previous year. Buyers in the $1 million to $10 million range were most active in Washington County. Investors here trade Class A office buildings for below $10 million in addition to properties of all other classes. Suburban Class B complexes southwest of the city are trading at cap rates ranging from high-7 percent to more than 10 percent on occasion. Private buyers remain active in the CBD, where smaller assets under $5 million change hands. Investors in this submarket may consider capital improvement strategies in response to tenant flight to areas with newer stock.

2022 Market Forecast

NOMI Rank 46 — Failing to return to pre-pandemic employment norms and an inch up in vacancy move the metro to the bottom of the NOMI.

Employment up 1.9% — The recovery continues, but office-using sectors add just 5,500 new positions as the total headcount increases by 22,000 jobs.

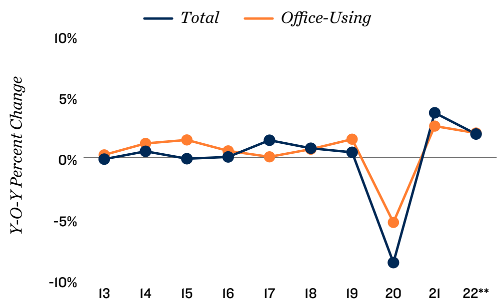
Construction 910,000 sq. ft. — Developers finalize a multiyear high in square footage, split among three large projects in the metro's core. Two-thirds of this new stock is located in the Oakland submarket.

Vacancy up 20 bps — Despite marking positive annual net absorption for the first time since the onset of the health crisis, weighty deliveries lead to a 20-basis-point uptick in vacancy to 15.0 percent.

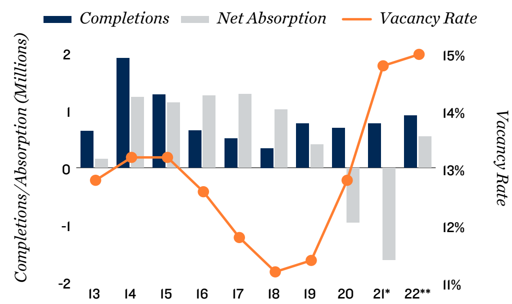
Rent up 0.5% — After maintaining marginal year-over-year growth in the face of spiking pandemic vacancy, asking rents are projected to end this year at a new market high of $21.70 per square foot.

Investment — Demand for smaller medical offices under $10 million remains steady. Buyers in this segment tend to be local investors targeting properties within Allegheny County.

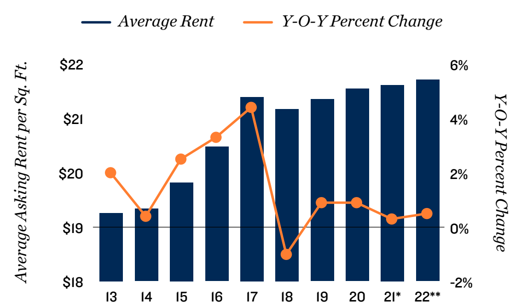
Employment Trends



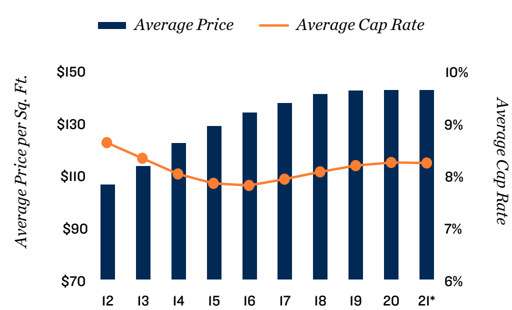
Supply and Demand



Rent Trends



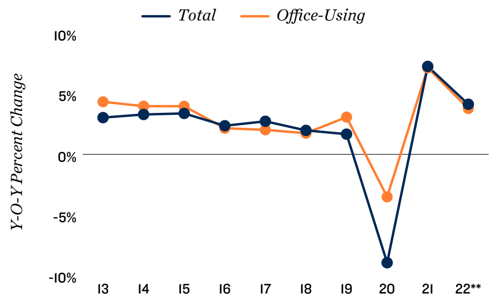
Sales Trends



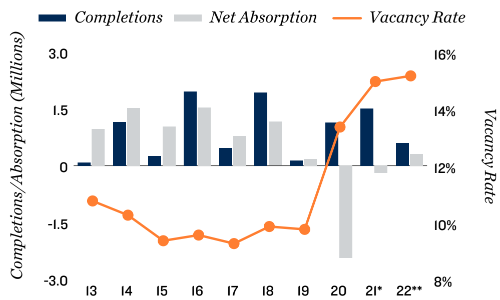
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Employment Trends



Supply and Demand



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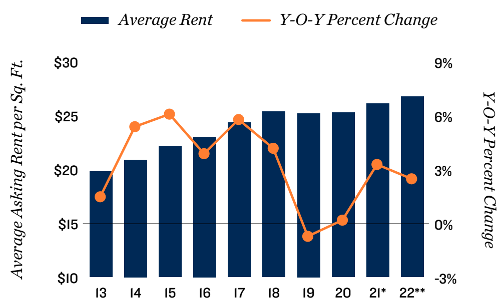
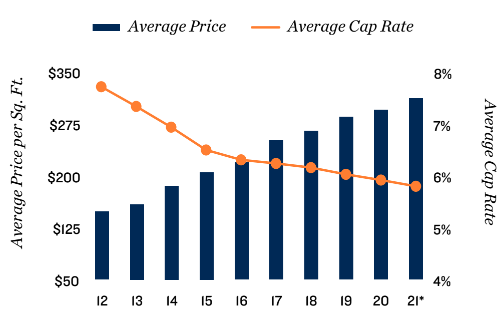


Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Headwinds Remain in Downtown Portland; Investor and Tenant Demand Accelerate Outside Urban Core

Suburbs provide an optimistic outlook. The recovery timeline in Portland remains in limbo as uncertainty stemming from the pandemic still looms over the metro's office sector. Many firms are deciding to reduce their office footprints or relocate to suburban submarkets, which severely impacts office fundamentals in the urban core. Since the onset of the health crisis, over 2.1 million square feet has been returned to the market, lifting the vacancy rate in Downtown Portland above 20 percent entering this year. Although office demand remains muted in the urban core, there has been significant momentum in the metro's suburbs. One of the largest leases in the metro's history was signed last September by ZoomInfo, committing to 366,000 square feet of space in Clark County. Additionally, Apple and Q5id each signed deals totaling at least 44,000 square feet in the Westside submarket. This uptick in leasing indicates that employers are betting on the long-term value of a physical office presence, which may influence a slow and steady increase in demand for space over the next few years.

Investors pursue assets with near-term lease certainty in the suburbs. Transaction velocity remains well below pre-pandemic levels as many investors are deciding to sit on the sidelines due to softening fundamentals in Portland's office market. Despite the decline in deal flow, sale prices are on the rise as buyers target stabilized assets to mitigate risk, compressing average cap rates to the high-5 percent span. Record high vacancy rates in the CBD are shifting investors' focus to Class B properties in suburban submarkets. Buyers are most active in the I-5 Corridor and Southwest Portland, where asking rents are growing at a pace above the market average. Assets in Southwest Portland are also highly sought after by yield-driven investors. Entry costs here generally fall well below the metro average with first-year returns in the low-7 percent range. Low vacancy rates are stimulating investment activity in the Clark County and Westside submarkets as well.

2022 Market Forecast

NOMI Rank 32 — Employment gains are canceled out by rising vacancy, limiting Portland to 32nd in the Index.

Employment up 4.1% — Jobs in primarily office-using sectors account for about one-fourth of the metro's 50,000 new hires this year.

Construction 600,000 sq. ft. — Annual completions fall below 1 million square feet for the first time in three years, as developers expand the metro's office inventory by 0.6 percent in 2022.

Vacancy up 20 bps — Vacancy continues its upward trajectory, increasing for the third consecutive year. The rate will rise to 15.2 percent by year-end, following a 160-basis-point increase in 2021.

Rent up 2.5% — A modest uptick in the average asking rent is expected this year, though rising vacancy will limit gains. The mean marketed rate will move up to $26.75 per square foot in 2022.

Investment — Medical office investment activity will accelerate this year as robust in-migration bolsters the need for health services and heightens buyer interest in these assets.

Tech and Life-Science Entrants Power Outlook; Office Market Recovery Ahead of the National Pace

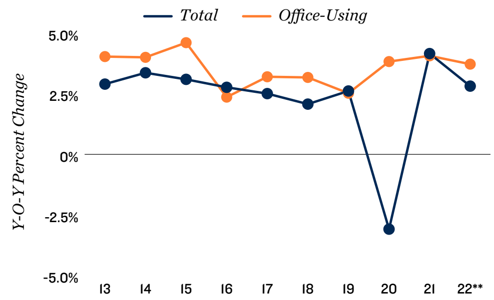
Comparatively low rents lead to high levels of space retention. The Raleigh metro has experienced fewer tenant exits and a smaller percentage of available sublet space during the health crisis than other major metros due to its lower rent costs. Meanwhile, the flourishing technology and life-science sectors continue to draw additional coastal firms to the metro, as they seek to make use of Raleigh's young and educated workforce while saving on costs. Recently, Invitae committed to 250,000 square feet in Research Triangle Park while Apple continues construction of a 1 million-square-foot campus in the same locale. Meanwhile, Google is planning an expansion to its cloud computing hub in Durham and software firm Bandwidth is building a new, nearly 450,000-square-foot headquarters in Raleigh. Apart from these projects, rising construction costs will hold 2022 deliveries well below last year's figures. Limited development and strong leasing trends should work in concert to reduce vacancy and elevate rents higher this year.

Corporate growth increases Raleigh's visibility. Transaction velocity is slightly down in the metro, driven by the Durham and RTP areas returning to usual levels of activity after a spike in 2020. High-profile tech arrivals, spurred by economic policy aimed at recruiting businesses in need of an educated workforce, have made the office market much more liquid over the past several years. Raleigh remains the most targeted locale in the metro, specifically downtown and in suburbs to the north and west of the core, followed by Durham and RTP. Cap rates have been reported around 6 percent in central portions of both Raleigh and Durham for Class B assets but can ascend 100 basis points higher in suburban areas and RTP. Local investors are increasingly targeting lower-tier properties here, driven by entry costs below the market average. Trades in West Wake County, specifically Cary, have reduced sharply as rejuvenation efforts have pulled leasing and investor demand to all corners of the metro.

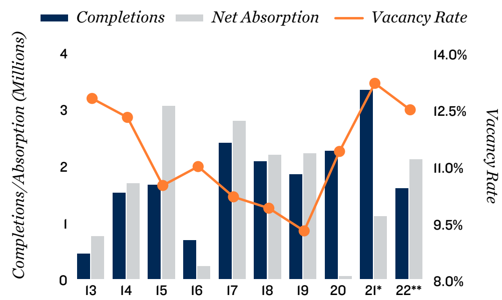
2022 Market Forecast

NOMI Rank	4	The Raleigh-Durham-Chapel Hill area claims a top 5 ranking due to its receding vacancy rate and educated workforce.
Employment up 2.8%		Employers add 28,000 roles in 2022, with more than a third being traditional office-using jobs, many in tech and life science.
Construction 1,600,000 sq. ft.		Completions decline after several years of increasing construction. Still, developers expand the metro's office inventory by 1.6 percent in 2022.
Vacancy down 70 bps		Stronger leasing activity will push absorption significantly ahead of completions this year, inducing a tightening in vacancy to 12.5 percent.
Rent up 3.3%		The uptick in absorption pushes the average asking rent to $26.50 per square foot. This rate of growth matches the trailing-five-year average.
Investment		Local and out-of-state investors drive the majority of the metro's activity; however, a recent uptick in foreign buyers highlights Raleigh's growing visibility among capital sources.

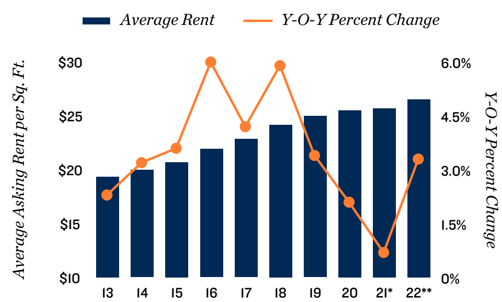
Employment Trends



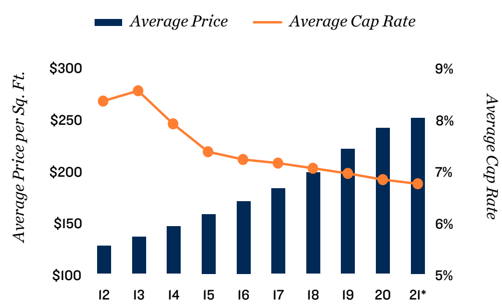
Supply and Demand



Rent Trends



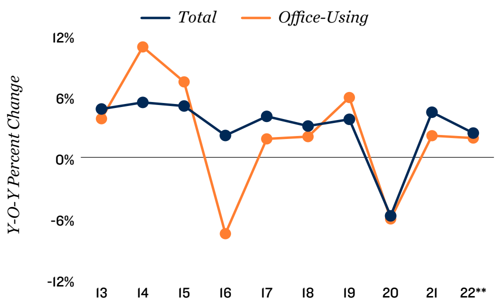
Sales Trends



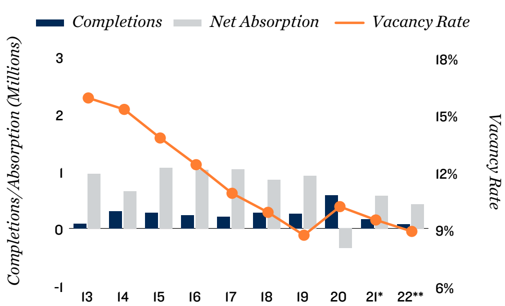
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Employment Trends



Supply and Demand



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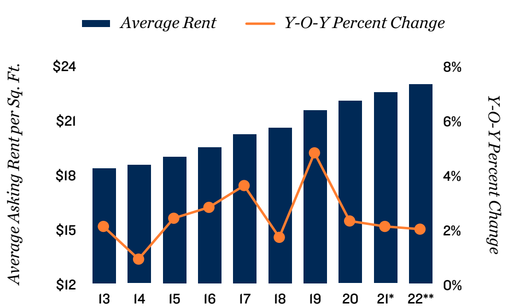
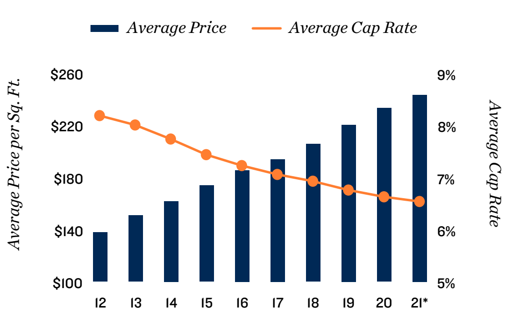


Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

California's Tightest Market Lacks Development; Medical Office Demand Widens Subsector's Buyer Pool

Growth of other commercial sectors a boon for vacant office stock. Riverside-San Bernardino's office sector enters 2022 with a vacancy rate more than 500 basis points below all other major California markets. Home to a comparably smaller inventory of space than these locales, the metro recorded positive Class B/C absorption in each quarter last year, a testament to existing demand for smaller and midsize footprints at regionally discounted rents. As the Inland Empire's industrial sector continues its rapid expansion this year, available offices are poised to attract companies that have historically used portions of warehouses for administrative operations. Additionally, a recently strong rate of household formation driven by metro-to-metro migration from Los Angeles County is elevating demand prospects for health services. In response, a percentage of medical office tenants may seek additional space this year. These organizations and traditional office-using firms will exclusively comb through the metro's existing stock for accommodating options as the region lacks speculative deliveries in 2022.

Limited office availability lifts Inland Empire's status among regional buyers. Private investor demand for smaller Class B properties in Riverside-San Bernardino recovered substantially last year as buyers reacted to recent leasing velocity. Traditional mid-tier office buildings with renovation potential are trading most frequently in the Coachella Valley, the city of Riverside, and areas proximate to Ontario International Airport. Across these areas, returns in the high-5 to low-7 percent range are available for 1970s- to 1990s-built properties. Medical office assets of this tier are also in demand throughout the Inland Empire. NOI growth prospects for these buildings are favorable as vacancy in the subsector sits at more than a 10-year low, with the pace of rent growth exceeding the metro average. Buyer interest is most robust for 2000s-vintage medical assets, most of which are trading above the metro's average price point of roughly $250 per square foot.

2022 Market Forecast

NOMI Rank 14 — Riverside-San Bernardino grabs the highest ranking in California due to very low vacancy and minimal supply pressure.

Employment up 2.4% — The metro's worker count reaches a pre-pandemic mark as employers add 37,000 jobs, including 4,000 office-using positions.

Construction 75,000 sq. ft. — Deliveries in the Inland Empire remain extremely sparse, with a medical office building in the city of Riverside accounting for most of the space finalized.

Vacancy down 60 bps — The metro remains California's tightest office market by a wide margin as a second straight year of positive net absorption lowers vacancy to 8.9 percent.

Rent up 2.0% — A reduction in the local vacant stock supports a sustainable pace of rent growth that elevates the Inland Empire's average marketed rate up to a record $22.95 per square foot.

Investment — Steady rent growth and availability nearly 100 basis points below its prior five-year average draw more regional investors to area listings while exaggerated vacancy persists in Los Angeles.

Private Sector Aids Outlook Amid Agency Ambiguity; Migration Trends Fuel Medical Office Investment

Metro projected to record positive absorption for the first time in three years. The volume of vacant office space in Sacramento has grown by roughly 4.5 million square feet since the onset of the health crisis. Nevertheless, fundamentals are outperforming the national market. Entering 2022, vacancy was nearly 100 basis points below the U.S. average, with the local mean asking rent holding at a record high. Other reasons for optimism are emerging as government agencies, which are the keystone of the market's tenant base, added nearly 5,000 positions last year, bringing headcounts in the sector to within 1 percent of the pre-pandemic mark. The private sector has also shown signs of improvement. For example, Penumbra recently committed to nearly 100,000 square feet of office and lab space in Roseville, with General Dynamics, Progressive Insurance and Child Action, Inc. inking midsize leases in the suburbs. While uncertainty looms over state agencies' future office plans, government tenants continued to make on-time rent payments last year. This and private sector growth will lift demand for recently vacated spaces at a time when the metro lacks speculative development.

Subsector interest lifts investment activity. Deal flow improved notably in California's lowest-cost market for office investment during the second half of 2021. Medical office trades played a significant role in lifting transaction velocity beyond pre-pandemic levels, with investor expectations for future population growth fueling competition for listings. Home to major medical centers for Sutter Health and Kaiser Permanente, Roseville is receiving the most buyer attention. Here, most assets trade well above the metro's average price point. Investors focused on traditional office properties are also returning after a period of uncertainty. Smaller Class B and C buildings in Midtown Sacramento, Folsom and Roseville are providing buyers with cap rates in the low-5 to low-7 percent range, with 2000s-vintage assets accounting for a larger share of overall sales activity.

2022 Market Forecast

NOMI Rank 39 — Sacramento holds a spot near the bottom of the 2022 NOMI due to a tame employment figure and ascending vacancy.

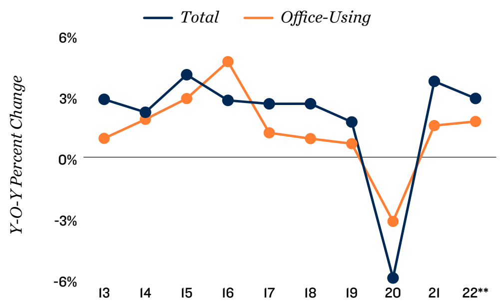
Employment up 2.9% — The number of office-using jobs rises by 3,500 in 2022, with 29,000 total positions added across employment sectors.

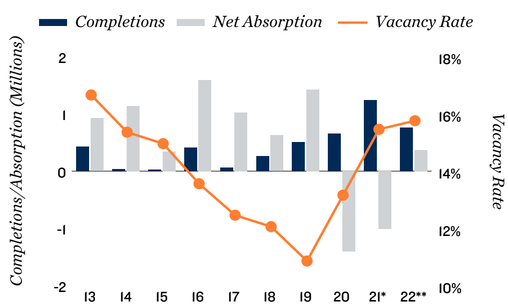
Construction 760,000 sq. ft. — Delivery volume declines in 2022 after more than 1.2 million square feet was finalized last year. Two build-to-suit projects for government agencies account for most of the space added.

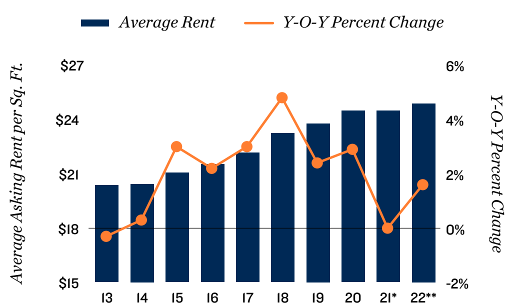
Vacancy up 30 bps — Tenant demand for office space improves, slowing the recent pace of vacancy increases. Still, office availability ends the year at 15.8 percent, the highest rate since 2013.

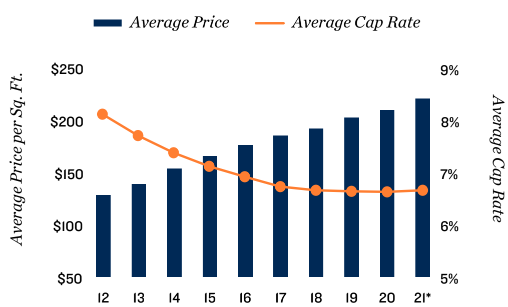
Rent up 1.6% — After nominal adjustment last year, the average asking rent reaches a record mark of $24.85 per square foot in 2022, supported by positive absorption.

Investment — The lack of private development in Sacramento appeals to upside-seeking investors who target properties positioned for significant upgrades and retenanting.





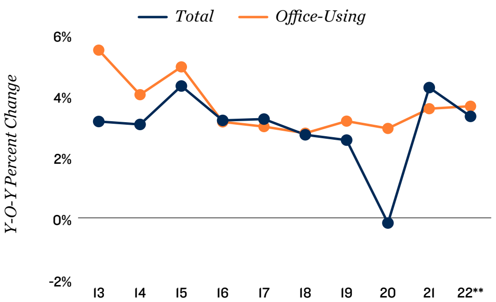




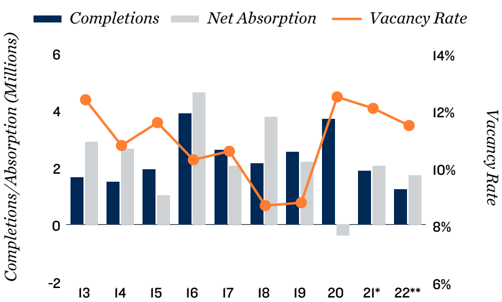
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

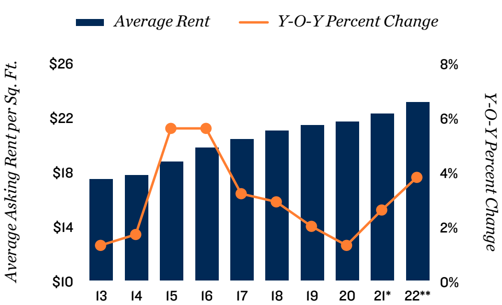
Employment Trends



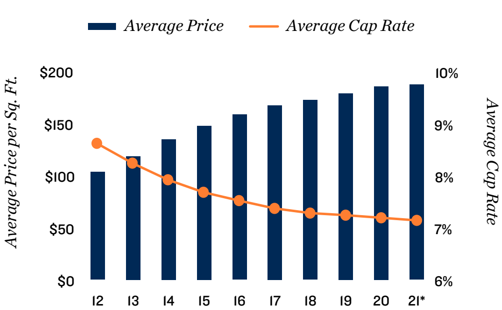
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Absorption Trends Rapidly Move Toward 2019 Levels; Investment Activity Suggests Sustained Buyer Fervor

Vacancy is descending more quickly than in many other metros. Salt Lake City has been one of the most resilient employment markets in the country when faced with pandemic-related disruptions, aiding office fundamentals. The metro has progressed well below peak vacancy seen in early 2021, and has recorded rent growth in both 2020 and 2021, a trend that will accelerate in 2022. Tenant demand has been strongest in the metro's largest office submarkets, like Downtown Salt Lake City and north Utah County. The portion of Utah County known as the "Silicon Slopes" has seen steady leasing activity in recent quarters, highlighted by software firm Domo agreeing to fill an additional 150,000 square feet on top of the nearly 30,000 square feet it already occupied in the same American Fork business park. At the same time, net absorption has been consistently positive on a quarterly basis in the CBD since early 2021. While most new projects will be opening in these two locales, overall construction is down substantially, providing leverage for vacancy drops and stronger rent climbs in 2022.

Investors rush back amid strong performance. The transaction market has changed dramatically over the past decade, with institutions and out-of-state capital nearly doubling their presence during that 10-year span. Sturdy fundamentals were not enough to prevent a pandemic-era dip in trading volume; however, heading into 2022, investors have taken notice of Salt Lake City's resilience and growth. The largest rise in activity has been in the Silicon Slopes, north of Provo. This corridor sees high levels of Class A trades with cap rates recorded in the low-6 percent range. Class A assets can sell for almost double the metro mean price per square foot. Investors looking to pay below-average costs have targeted Class B and Class C assets in and near Ogden. Properties smaller than 40,000 square feet with overall entry costs below $5 million are the most commonly traded assets here. Minimal new supply being added here will benefit existing properties.

2022 Market Forecast

NOMI Rank 6 — Tight vacancy and outstanding rent growth carry Salt Lake City to the sixth spot in this year's Index.

Employment up 3.3% — Payrolls will expand by 45,000 spots this year. The pace of job growth will exceed the national average by 80 basis points.

Construction 1,230,000 sq. ft. — Construction will decrease from last year's delivery of more than 1.8 million square feet. Much of the 2022 pipeline is opening in Downtown Salt Lake City and Lehi-Orem.

Vacancy down 60 bps — Vacancy will retreat to 11.5 percent after reaching a pandemic-era peak of 13 percent early last year. This figure is still roughly 270 basis points above the 2019 tally, however.

Rent up 3.8% — The average asking rent ascends to $23.10 per square foot, improving on last year's 2.6 percent climb. This rate of growth is nearly double the national forecasted gain.

Investment — As both Downtown and Silicon Slopes office properties are completed and filled, investors could increase acquisitions in the medial South Valley region, particularly cities like Draper.

Prevalence of Back-Office Operations Aids Class B/C Vacancy and Keeps Buyers Active in North Submarkets

Variance in office segments' rebound timelines emerges. San Antonio has long been a metro of choice for companies wanting to house back-office operations like administration and customer service personnel. The market is attractive to these types of office users due to lower rents than nearby Austin and coastal markets, while also offering a large resident pool to select workers from. Most often, firms prefer low-to-mid-tier spaces for back-office functions as costs are the main consideration. This has translated to a level of stability in the Class B/C segment during the pandemic, as well as a comparatively faster rebound relative to the Class A sector. Late last year, availability for Class B/C offices was just over 100 basis points above the 2019 log and average asking rents grew on an annual basis. Conversely, the Class A vacancy rate was more than 500 basis points higher than the pre-pandemic recording, leading to an ease in asking rents last year. On a positive note, less than 150,000 square feet of upper-tier space is expected to finalize in 2022. As such, the recovery should not be further hampered by supply-side pressure.

Mid-tier assets in local office hubs dominate deal flow. Investors ramped up activity in 2021 after many paused acquisitions in the months following the onset of the health crisis. Improving buyer sentiment will likely continue to drive trading velocity in 2022 as fundamentals rebound and more firms bring workers into offices, barring setbacks from new variants of COVID-19. Three adjacent submarkets historically spearhead deal flow in San Antonio as buyers favor lower vacancy locales saturated with major employers' headquarters like USAA and Valero Energy Corporation. These trends persisted last year when the Northwest, Northeast and North Central submarkets were responsible for about half of the trades completed, with Class B properties accounting for a large share of deals. Mid-tier assets in the aforementioned areas typically change hands with prices in the $1 million to $10 million range and cap rates in the 6 percent to 7 percent band.

2022 Market Forecast

NOMI Rank 15 — Growth in the office-using sector and solid in-migration put San Antonio at 15 in this year's ranking.

Employment up 3.4% — Traditional office-using sectors account for just short of one-third of the 37,000 jobs added in San Antonio this year.

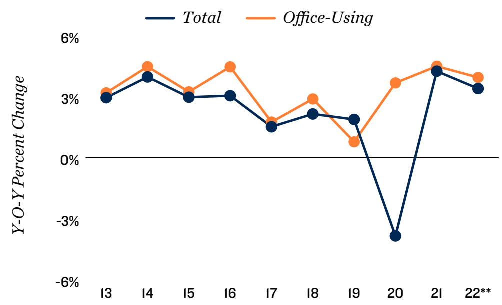
Construction 750,000 sq. ft. — Completions in 2022 fall to the lowest level since 2013 amid labor shortages and high material costs. More than 80 percent of the for-lease space set to deliver has a tenant commitment.

Vacancy down 40 bps — Net absorption exceeds deliveries by almost 200,000 square feet, pushing down on availability. Vacancy is expected to dip to 13.6 percent, roughly 200 basis points above the 2019 posting.

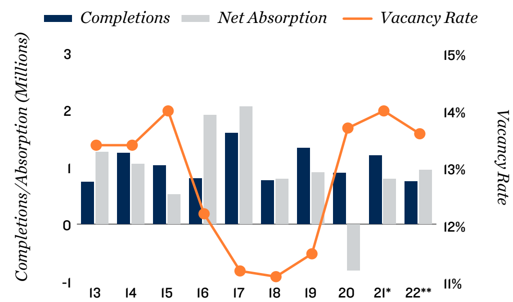
Rent up 2.1% — Annual rent growth practically doubles last year's gain as the average asking rate climbs to $21.75 per square foot. The previous peak set in 2019 will be surpassed by 1.5 percent.

Investment — Suburban offices in Comal County warrant buyer attention as the Interstate 35 corridor between San Antonio and Austin expands. Vacancy here fell nearly 1,000 basis points last year.

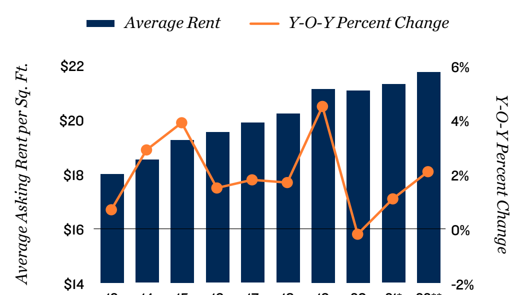
Employment Trends



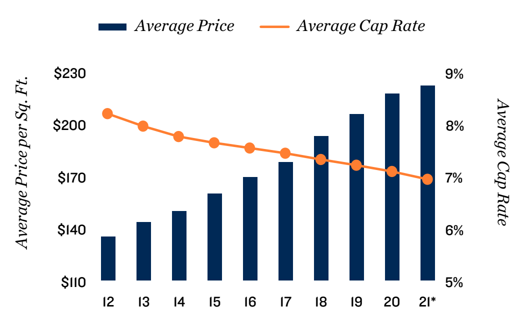
Supply and Demand



Rent Trends



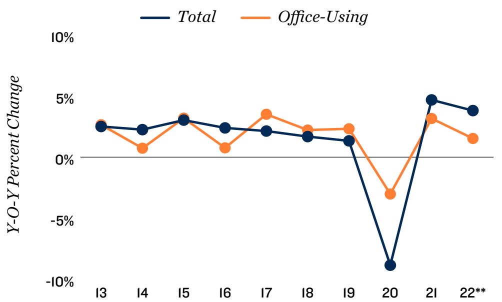
Sales Trends



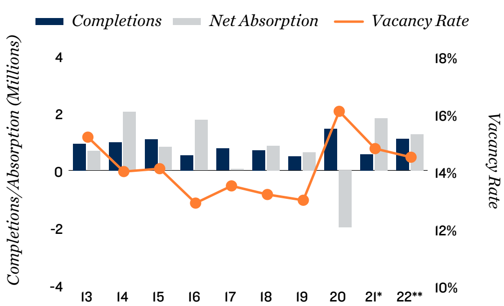
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Employment Trends



Supply and Demand



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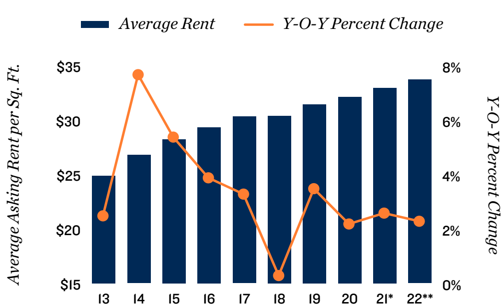

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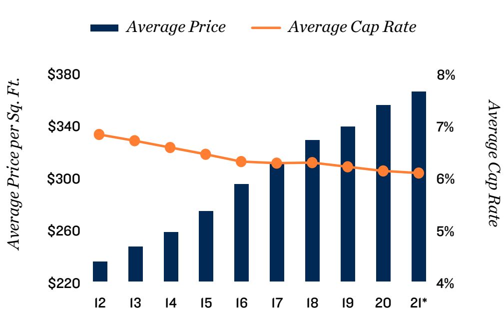


** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

San Diego's Office Sector Outperforms Nearby Metros; Tech-Related Expansions Fuel Recovery

Large-scale leases signal long-term confidence. Contrasting other Southern California markets, office vacancy in San Diego compressed by more than 100 basis points last year. A bevy of 50,000-square-foot-plus commitments by life-science and tech firms was largely to credit for the notable improvement in leasing velocity. Highlighting activity in 2021, Apple inked six agreements for floorplans in UTC and Rancho Bernardo that together totaled nearly 500,000 square feet. Additionally, medical device companies Tandem Diabetes Care and Becton, Dickinson and Company agreed to occupy a combined 400,000 square feet in Del Mar Heights. Expectations for office-using job creation to outpace last year suggests other sizable commitments may await the metro in 2022. As a result, submarkets outside of Downtown San Diego, where vacancy remains well above 20 percent, may see vacancy rates fall below their long-term averages as sparse deliveries in these locales steer prospective tenants to existing properties.

Conversion and retenanting prospects support diverse buyer pool. Institutional and private sales activity strengthened in San Diego last year, coinciding with the return of positive absorption and greater pricing clarity. Sorrento Mesa and adjacent areas that are hubs for life-science companies are attracting national investors seeking $20 million-plus assets. These submarkets boast sizable inventories of high-end space; however, larger Class B properties are accounting for the bulk of trades. Candidates for conversion to lab or R&D space are coveted, as assets that have undergone similar repositioning are swiftly securing high-profile biotech tenants. Private investors are active in the sub-$10 million space, targeting smaller Class C properties near Balboa Park and Interstate 8 that have historically been occupied by professional services firms. Assets with upcoming leasing expirations or notable vacancies are available at low-5 to mid-7 percent returns.

2022 Market Forecast

NOMI Rank 20 — San Diego rounds out the top 20 for 2022's NOMI on the back of contracting vacancy and solid performance output.

Employment up 3.8% — Traditional office-using companies grow staffs by 5,500 positions this year, with 55,000 total jobs added countywide.

Construction 1,100,000 sq. ft. — For the second time in the past three years, office inventory expands by more than 1 million square feet, highlighted by deliveries at the Campus at Horton in Downtown San Diego.

Vacancy down 30 bps — Demand outpaces supply additions, compressing vacancy to 14.5 percent. Office availability, however, will end the year nearly 200 basis points above the pre-pandemic rate.

Rent up 2.3% — An improvement in Class A leasing allows marketed rents to increase at a consistent pace for a third consecutive year, elevating the mean asking rate to a record $33.75 per square foot.

Investment — Localized population growth and the expansion of Palomar Health Medical Center in Escondido heighten the appeal of medical office investment along the Highway 78 Corridor.

San Francisco Awaits Full Reopening from Tech Firms; Investor Due Diligence Rises Ahead of Recovery

Office recovery remains tied to health crisis. The trajectory of the pandemic and local response to evolving conditions will have a profound impact on the pace of San Francisco's office improvement in the coming quarters. Several major employers have already transitioned to a remote or hybrid model, including Salesforce, the metro's largest office tenant. These companies are returning sublease space to the market, competing with traditional landlords. Due to the cash-heavy position of many large tech firms, the ability to undercut asking rents offered by traditional office operators is pronounced. As a result, much of the sublease space available in the city, which represents approximately 5 percent of inventory, will need to be absorbed prior to a more substantial impact on market-rate fundamentals. On the supply side, construction firms are grappling with proposed projects. Due to the extended nature of the permitting process, developers are moving forward with approved plans. For instance, the 61-story, 550 Howard mixed-use tower is scheduled to break ground in the first half of this year.

Investors retrench to ride out soft office conditions. Buyers are active in the market relative to prior years, though search criteria have tightened to reflect a longer timeline to absorb the supply overhang. Following the global financial crisis, office vacancy took nearly five years to return to the previous trough. Although this cycle is not anticipated to be as protracted, investors are taking precautions. Class C properties without strong tenant rosters are trading less frequently, which could open the door for owner-users or buyers with a tenant in tow. Mid-tier assets, meanwhile, attract plenty of interest when the leaseholders are secured long term, particularly if the occupants are in the tech sector. At the top of the scale, trophy properties will trade when they become available, though rising interest rates could lead to some discounting. For all sales metrowide, the average cap rate entering the year was slightly below the 5 percent threshold.

2022 Market Forecast

NOMI Rank 42 — San Francisco posts one of the largest vacancy surges this year amid an already high vacancy rate, leading to its low ranking.

Employment up 5.8% — Among the traditional office-using sectors, 26,000 spots are projected, representing a 5.2 percent increase.

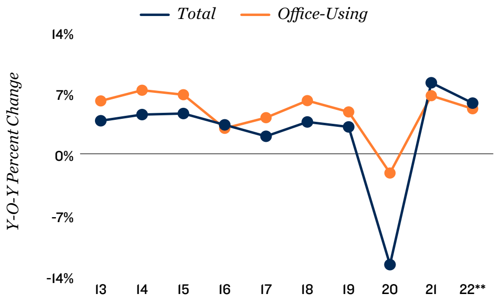
Construction 2,300,000 sq. ft. — Inventory growth slows to 1.3 percent in 2022, following a 2.6 percent rise in 2021 when builders added 4.5 million square feet to office stock.

Vacancy up 260 bps — As more firms return excess space, the average vacancy rate climbs to 21.0 percent. Last year, availability increased 290 basis points to 18.4 percent.

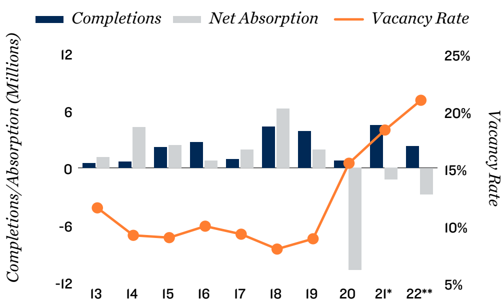
Rent down 0.4% — Marketed rent will remain durable this year as much of the available space will be in top-tier buildings. By year-end, asking rent will settle at $56.07 per square foot.

Investment — Investors who were pushed out of the market during the height of the last growth cycle are projected to seek out deals that have long-term potential.

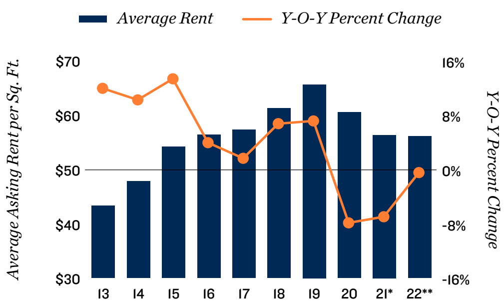
Employment Trends



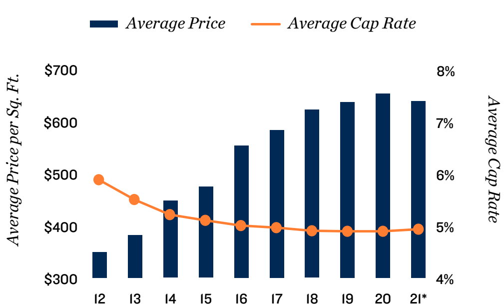
Supply and Demand



Rent Trends



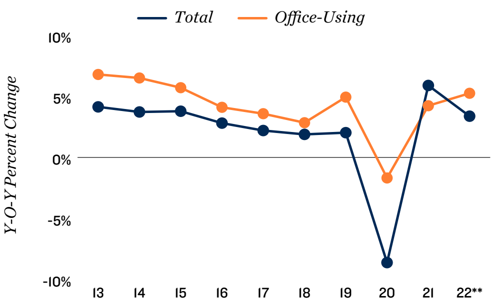
Sales Trends



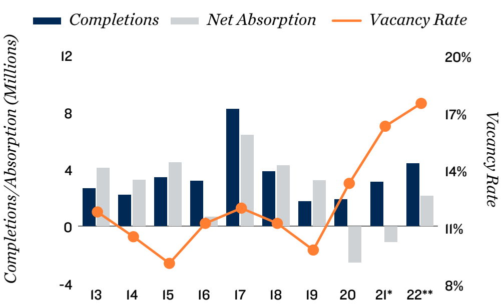
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

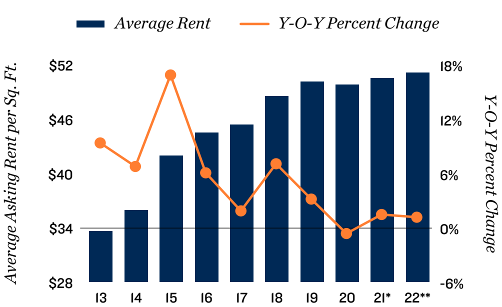
Employment Trends



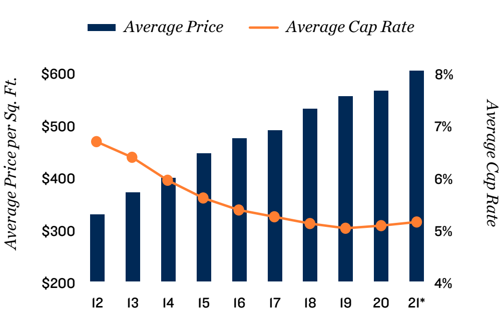
Supply and Demand



Rent Trends



Sales Trends



*Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Large Investors Optimistic About Silicon Valley Market as Employees Trickle Back to Offices

New supply outpaces resumption of office demand. San Jose's office market is bolstered by the metro's anchor employers' commitment to bringing workers back into the office when concerns of COVID-19 transmission abate. Google, Apple and Facebook have resisted the idea of permanent remote work, which will help regenerate conditions closer to those observed prior to the health crisis. Facebook committed to more than 1 million square feet of space in the second half of last year, including 719,000 square feet in Sunnyvale, the largest lease signed in the U.S. in 2021. Many workers have already returned to the South Bay following shutdowns, evident by the drop in multifamily vacancy to pre-recession levels. Although the demand outlook is optimistic, supply growth will apply upward pressure to availability. Of the 7 million square feet scheduled for delivery in the next two years, approximately 75 percent is pre-leased. However, the new stock will compete with existing properties that are backfilling space abandoned during the downturn.

Buyers return ahead of many employers. Institutions are already active in Silicon Valley, a testament to their confidence in the area's prospects. This trend will persist this year, though more smaller buyers are anticipated to become active as fundamentals improve. Deal flow will be dictated by available supply that meets investor expectations. The average cap rate has been in the low-5 percent area since 2017, providing evidence of a return floor the metro will bear. Top-tier properties can trade well below that level, especially if the acquisition is for owner-user purposes. These transactions occur at the other end of the scale in suburban locations as some firms continue to opt for their own buildings as broader reopening approaches and existing leases begin to sunset. Sellers, meanwhile, are primarily motivated to move out of the office sector and execute 1031 exchanges into a less management-intensive asset class. Others are making arbitrage plays at a time when cash-heavy institutions, REITs and tech companies are willing to pay prices near peak levels.

2022 Market Forecast

NOMI Rank 33 — Consecutive years of increasing vacancy amid a construction uptick place San Jose 33rd in the 2022 NOMI ranking.

Employment up 3.4% — Employers add 38,000 positions this year, down from the 62,600 created in 2021.

Construction 4,400,000 sq. ft. — Stock increases 3.5 percent in 2022, building on the 2.5 percent gain in office space last year, when 3.1 million square feet was brought online.

Vacancy up 120 bps — New supply will keep pressure on availability. Vacancy climbs to 17.5 percent by the fourth quarter, after a 300-basis-point rise in 2021.

Rent up 1.2% — Only modest movement is projected in marketed rents as the presence of new space offsets discounting elsewhere. At year-end, the average asking rent will reach $51.11 per square foot.

Investment — South Bay's investment market will begin the year bifurcated as institutions remain active at the top of the scale and private buyers and owner-users target suburban, lower-tier buildings.

Emerald City's Keystone Employers Take Active Role in Leasing and Acquisition of Office Properties

Divergence between core and suburbs more pronounced in the metro. While many of the markets across the nation are experiencing a variance in tenant demand among CBDs and outlying areas, additional factors specific to the metro are amplifying these trends. A payroll tax aimed at large corporations within the city of Seattle, for instance, raises the cost of doing business. This is giving pause to some midsize companies considering footprints in the CBD, where more than half of the vacant space in the market is located. Larger tech firms, however, continue to consider core areas. Apple, Google and Facebook all have large, long-term commitments, including Apple's local headquarters in South Lake Union. Entering 2022, the vacancy gap between core and suburban locations is nearly double the national average, suggesting a longer road to recovery for urban office properties. Beyond downtown, Bellevue is the most popular area for office firms, accounting for the three largest leases signed last year; Amazon and Facebook collectively added more than 1.1 million square feet in the Eastside city in 2021.

Buyers unfazed by investment headwinds. The office market remains attractive to both local and out-of-state investors due to the presence of some of the world's largest companies and the ancillary jobs they create. Despite the real estate excise tax, transaction velocity increased significantly last year as inexpensive capital helped buyers pay prices that overcame any hesitancy to divestment by owners. In 2021, the number of deals executed over $20 million more than doubled. Large investors are expected to remain active, though elevated valuations could serve as a hurdle if discounting occurs in core locations in other markets along the West Coast. Private buyers and syndicates are engaged in suburbs, where taxes are lower and demand is more sturdy. Overall, the average cap rate entering 2022 was in the high-5 percent area, the lowest level in more than two decades.

2022 Market Forecast

NOMI Rank 19 — Seattle ranks 19th in the Index; strong office-using employment gains are not enough to overshadow some demand deficiencies.

Employment up 4.4% — Payrolls will grow by 92,000 spots this year. Office-using jobs represent nearly 20 percent of additions.

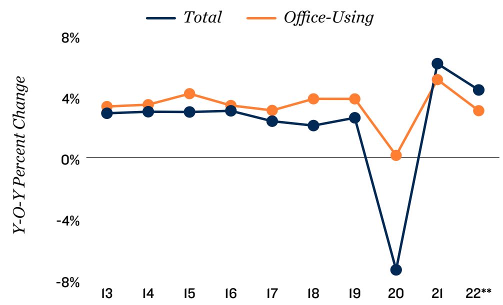
Construction 3,500,000 sq. ft. — The pace of construction retreats modestly as inventory expands 1.7 percent. Pre-leasing remains strong at over 80 percent of underway stock.

Vacancy up 20 bps — Vacancy ticks up to 12.9 percent this year following a much larger 180-basis-point rise last year. Prior to the health crisis, the rate was 8.0 percent.

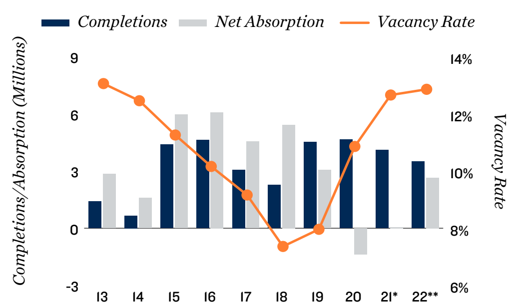
Rent up 1.9% — Marketed rent reverses course in 2022 for the first time in three years. At year-end, the average asking rent will reach $31.44 per square foot, erasing last year's 1.5 percent decline.

Investment — Medical office buildings are attractive, though owners are often hesitant to list, particularly near hospital campuses. The average cap rate for the asset class is in the mid-5 percent range.

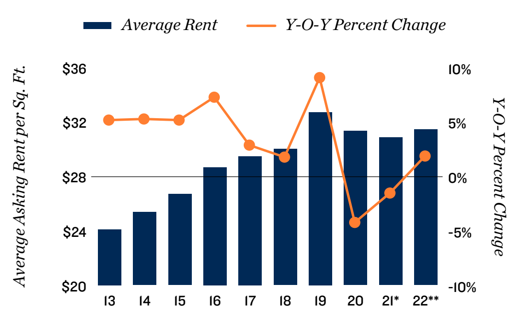
Employment Trends



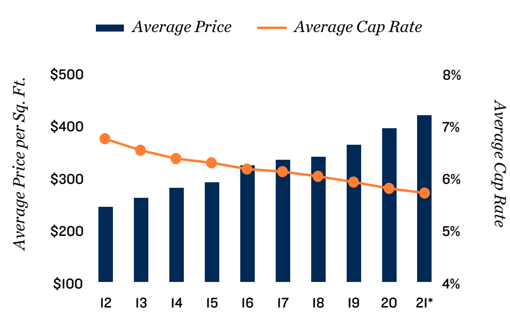
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

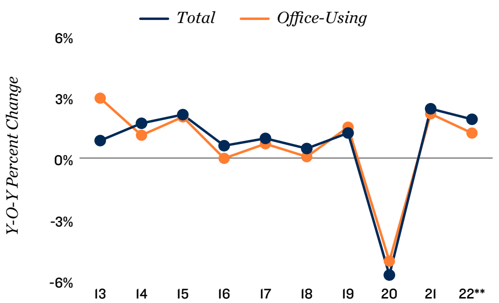
Sources: CoStar Group, Inc.; Real Capital Analytics

Leasing Activity Escalates in Western Submarkets; Corporate Relocations Spark Investor Interest

Suburban submarkets benefiting from return to offices. St. Louis' economy has become more diverse in the last decade, and has seen office-using employment climb as a result. Leasing slowed significantly when remote work was in effect; however, a small portion of activity has finally returned. Accounting firm Armanino and software company Scale AI signed to fill more than a combined 100,000 square feet in western suburbs since last spring. The western and southern submarkets have seen the fastest demand recoveries, but these sizable office markets also recorded the largest vacancy increases during the pandemic. Heading into this year, vacancy rates are around 100 basis points higher in suburban St. Louis than they are in the CBD. An improving demand outlook for locations outside the core will support metrowide vacancy contraction that allows for rent gains, even as 1.1 million square feet of new supply enters the market. This is the largest annual delivery since 2009, with the majority of new space set to open in the cities of St. Louis and Clayton. Some built-to-suit space is slated for completion in St. Charles County.

Investors react to high demand in western neighborhoods. Transaction velocity dipped dramatically in 2020 due to uncertainty surrounding the return to in-person work; however, 2021 saw investors begin to return to the St. Louis office market. In the CBD, properties smaller than 50,000 square feet drive deal flow as the sale of larger assets in the core has been trending downward for three straight years, with very few such trades occurring in 2021. Transactions involving buildings larger than those exchanged in the core are most common in Clayton and suburban areas west of the CBD within St. Louis County, usually involving newer, well-leased Class A assets. These western neighborhoods have become hot spots for financial firm relocations in recent years due to their proximity to affluent communities. As a result, entry costs are climbing here.

Employment Trends



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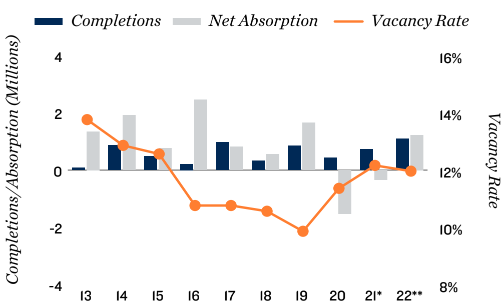

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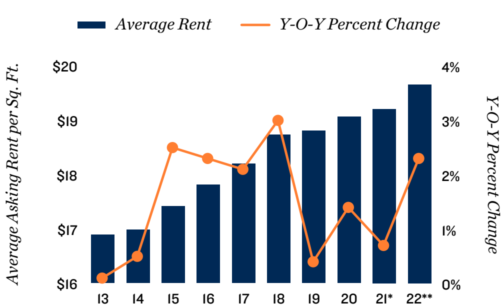

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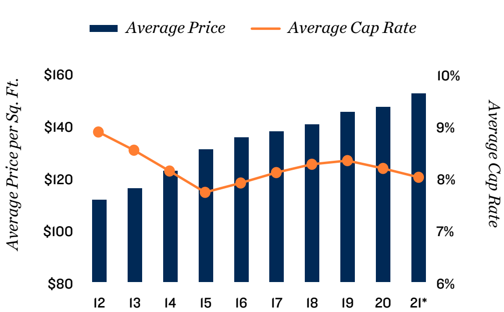


* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2022 Market Forecast

NOMI Rank 38 — The 38th position in the ranking belongs to St. Louis as a result of slow job growth both overall and in the office-using segment.

Employment up 1.9% — The addition of 26,000 jobs this year includes 4,000 traditional office-using roles.

Construction 1,100,000 sq. ft. — Deliveries will surpass the 1 million-square-foot mark this year for the first time in over a decade. New projects are mostly in the core and to the west toward and in St. Charles County.

Vacancy down 20 bps — Net absorption of more than 1.2 million square feet will contract the vacancy rate to 12.0 percent. This is the first year with positive net absorption since 2019.

Rent up 2.3% — The average marketed rent will reach $19.65 per square foot in 2022. This represents the 10th consecutive year that rents have risen annually in St. Louis.

Investment — Investors seeking discounted pricing target St. Charles County, where all asset tiers trade below the market's average price point. Here, cap rates fall between 8 percent and 10 percent.

Improving Office Fundamentals and Robust Economic Growth Lure Investors to Tampa-St. Petersburg

Strong employment growth underpins office demand. Large blocks of sublet availability coming on the market coupled with the biggest supply wave in 12 years resulted in a modest uptick in vacancy last year. However, leasing activity surged over the second half and that momentum will likely carry over into this year. Net absorption totaled nearly 1.1 million square feet during the third quarter of 2021, the largest three-month total since 2007. Robust job growth in traditional office-using sectors spearheaded demand and projections suggest a similar pace of job gains this year. Additionally, in-migration is expected to accelerate and Florida recently reduced the sales tax on commercial leases, making business costs even more affordable. This bodes well for future office demand as the metro's growing talent pool and affordability foster additional corporate relocations to the region. Furthermore, development activity will slow significantly this year, with less than 200,000 square feet of speculative space scheduled to deliver. Limited supply pressure and elevated demand for office space will allow for metrowide vacancy to contract on an annual basis for the first time since 2018.

Tampa leads Florida markets in office investment activity. The recent surge in transaction volume over the past year highlights the confidence investors have in Tampa's long-term office fundamentals. Low-entry costs and appealing first-year returns relative to other major coastal and gateway locales continue to captivate buyer interest. Sale prices are on the rise due to competition for available assets, which is compressing minimum first-year returns to the low-3 percent range. Investors targeting traditional office assets are active in Pinellas County and Central Tampa, where asking rents are the highest in the metro. Robust population growth in Tampa has also heightened buyer interest in medical office assets. These properties generally trade with an average price above $250 per square foot, with cap rates averaging in the low-7 percent span.

2022 Market Forecast

NOMI Rank 2 — Substantial in-migration and office-using employment growth lead Tampa to the second-highest spot in the ranking.

Employment up 4.5% — Employment growth will be similar to last year's rate, as 64,000 jobs are added, including 22,500 office-using positions.

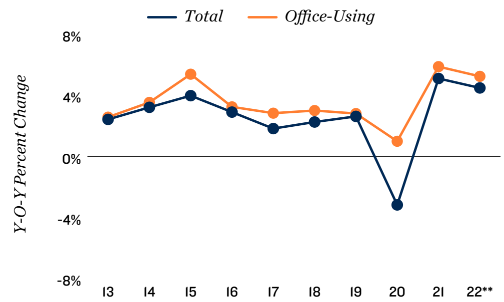
Construction 800,000 sq. ft. — The pace of construction declines 50 percent this year following the addition of 1.6 million square feet of office space in 2021. The bulk of deliveries is concentrated in Sarasota-Bradenton.

Vacancy down 20 bps — Net absorption outpaces supply additions in 2022, contracting market vacancy to 12.2 percent. Last year, a 10-basis-point increase was recorded.

Rent up 3.6% — Tampa's average asking rent rises to $24.75 per square foot in 2022, marking the 10th consecutive year of annual rent growth in the metro.

Investment — Robust local rent growth and a large inventory of medical office properties will likely draw additional buyers to Pasco County in the coming year.

Employment Trends



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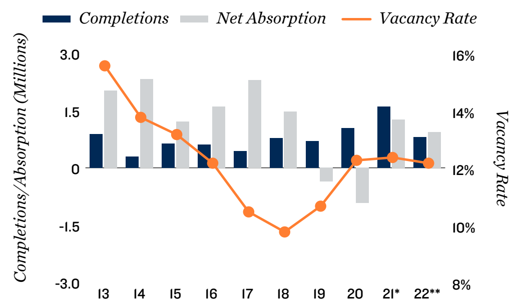
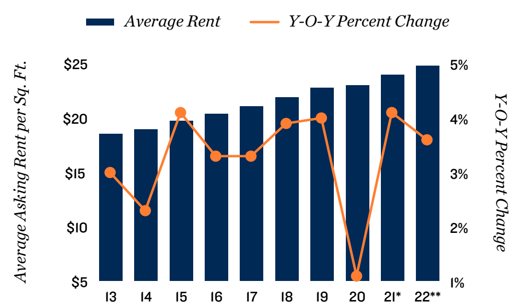
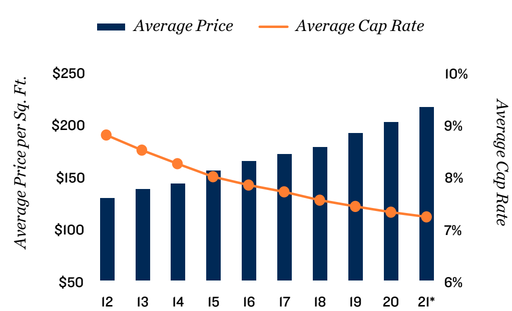


Rent Trends



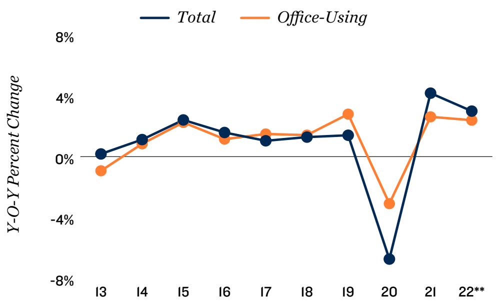
Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Employment Trends



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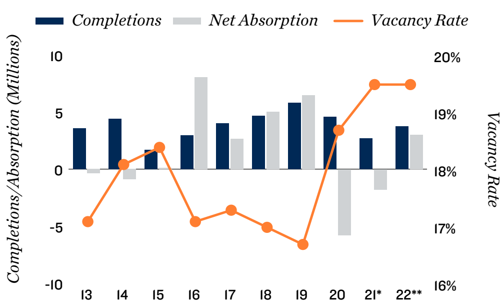

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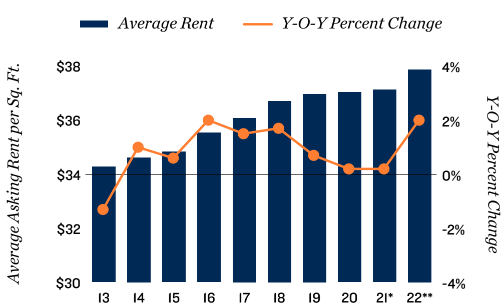

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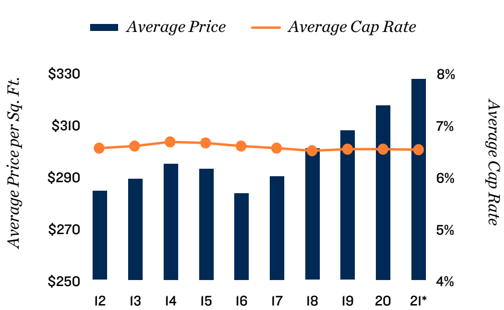


** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Diverse Tenant Base Fuels Buyer Confidence in D.C. as Inflated Vacancy and Space Recalibrations Persist

Flight-to-quality ushers in the return of positive absorption. Comparable to other primary office markets, Washington, D.C., enters 2022 with a historically high vacancy rate and a recovery timeline whose duration is clouded by the emergence of COVID variants and major tenants' future space requirements. Still, private companies are displaying a desire to relocate to higher-quality footprints within the metro or establish a presence in the market while asking rent growth remains nominal. Leasing activity from the second half of last year reflects this movement as absorption returned to positive territory for the first time since early 2020. Commitments for Class A space have been most frequent with tenants exhibiting a preference for suburban Virginia. Similar leasing velocity in 2022 has the potential to offset actions taken by government agencies, which are expected to lean on hybrid work schedules for longer durations and potentially reduce lease obligations with private owners. Still, vacancy is unlikely to compress in the near term and the metro is expected to end this year with the East Coast's highest office availability.

Tech hubs and renovation potential stir buyer interest. Conditions in Washington, D.C., are creating a favorable investment environment for buyers confident in the market's long-term fundamentals. Entering this year, the metro's average price point slightly trailed the prior peak, with the mean cap rate holding steady in the mid-6 percent band. Upside-focused investors active in the district are pursuing smaller Class B and C assets in Uptown and Capitol Hill. Here, listings rarely trade below $400 per square foot, including candidates for redevelopment. Buyers are also attracted to the Dulles Tech Corridor, Alexandria and other locales throughout Fairfax County due to their growing collection of cloud software tenants. Contrasting deal flow in the district, Class A and B assets are accounting for the bulk of transaction velocity in these areas, with 7 percent-plus cap rates and pricing below the metro average of $330 per square foot available.

2022 Market Forecast

NOMI Rank 34 — Although significant gains in the office-using job market have occurred, muted demand keeps the metro in the 34th spot.

Employment up 3.0% — Traditional office-using jobs account for one-fourth of the 98,000 positions added metrowide this year.

Construction 3,750,000 sq. ft. — Delivery volume rises by 1 million square feet on an annual basis, yet inventory expands by just 0.8 percent. Roughly two-thirds of the space slated for completion is pre-leased.

Vacancy no change — After rising by 280 basis points over the prior two years, vacancy holds at 19.5 percent in 2022 as tenants absorb 3 million square feet of office space.

Rent up 2.0% — The return of positive absorption will improve the pace of rent growth across property tiers this year, lifting the metro's average marketed rate to $37.85 per square foot.

Investment — Medical office fundamentals continue to notably outperform the overall office market, enhancing the investment appeal of suburban buildings that suit health-centric tenants.

Southbound Corporate Arrivals Aid Office Growth; Investors Taking Advantage of Stable Fundamentals

With pandemic losses recovered, Palm Beach County continues expansion. Due to high ongoing in-migration as well as lenient state health policy, the market observed a strong rebound in the office sector last year. Metro office-using employers regained all pandemic job losses by the second quarter of 2021, and are on track to end this year 8,000 positions above pre-health crisis counts. The city of West Palm Beach has become a choice destination for financial firms looking to expand their South Florida footprint. In 2021, New Day USA, Goldman Sachs, Point 72 and Colony Capital were among the metro's large number of new tenants, in addition to existing leaseholders in search of additional office space. After observing a relatively modest 80-basis-point rise in vacancy at the height of the pandemic, Palm Beach County recorded historic net absorption last year of 1.7 million square feet, compressing availability below the pre-pandemic average. Elevated leasing appetites will leave this year's net absorption at just under 700,000 square feet, ensuring a favorable market for the 550,000 square feet of new stock.

Steady office demand growth assists full investment recovery. Following a suppressed market throughout 2020, general office deal flow in Palm Beach County surged to a seven-year high in 2021 as investors responded enthusiastically to the metro's stable fundamentals. Transaction activity rose the most dramatically in the West Palm Beach CBD, which offered a mix of Class B properties in the sub-$10 million range in addition to much larger Class A assets. West Palm Beach also offers Class C assets in the sub-$5 million range that can trade at cap rates in the high-5 to low-7 percent range. Cap rates may see additional downward pressure if outlooks remain positive. Out-of-state investors may move capital from struggling markets into Palm Beach, particularly from the Northeast, where office demand recovery lags behind its Sunbelt counterparts.

2022 Market Forecast

NOMI Rank 8 — West Palm Beach ranked eighth on the back of a sharp rent climb and a shrinking vacancy rate.

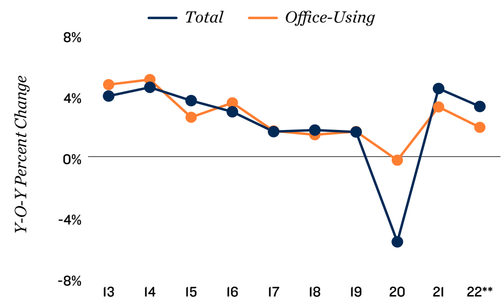
Employment up 3.3% — The metro's job growth continues, with employers expanding total headcounts by around 21,000 workers.

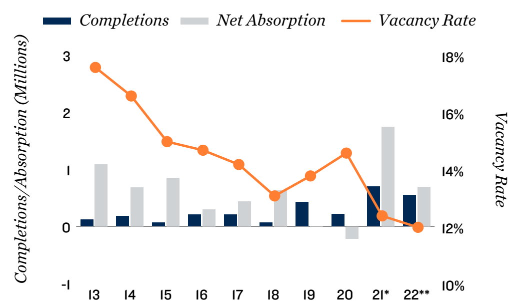
Construction 550,000 sq. ft. — Stock expansion slows by 150,000 square feet after last year's post-financial crisis high. The rate of construction remains elevated as developers respond to tenant demand in the market.

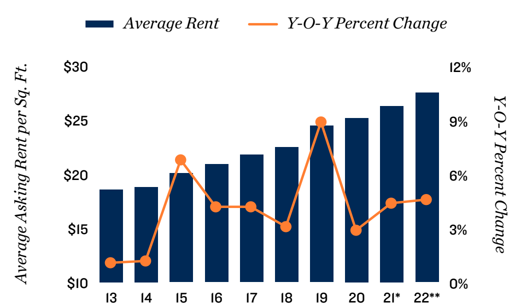
Vacancy down 40 bps — Corporate in-migration leads to declining availability. After seeing a minor bump earlier in the health crisis, vacancy declines to 12 percent, its lowest level in at least 15 years.

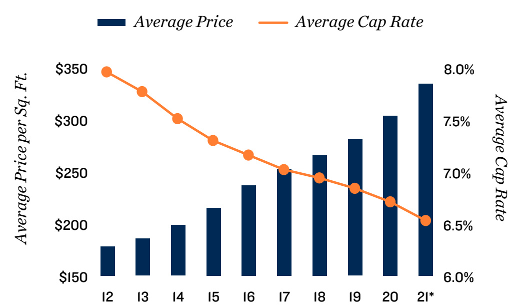
Rent up 4.6% — Asking rents saw consistent growth through the pandemic, only declining in the second quarter of 2020. Office rents will hit a new high this year, ending 2022 at $27.49 per square foot.

Investment — Medical offices constituted nearly one-third of all office trades last year. Cap rates trend in the 5 to 7 percent range, but first-year returns as low as 2 to 3 percent have been recorded.









* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

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[1] National Office Market Index Note: Employment and office data forecasts for 2022 are based on the most up-to-date information available as of January 2022 and are subject to change.

[2] Statistical Summary Note: Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and office data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; Marcus & Millichap/NREI Investor Survey; American Health Care Association; Apple; Blue Yonder; CBRE; Centers for Disease Control and Prevention; Centers for Medicare & Medicaid Services; CIA World Factbook; CoStar Group, Inc.; Creditintell; College Crisis Initiative; Economy.com; Employment and Training Administration; Experian; Federal Reserve; Freddie Mac; Gensler; Global Business Travel Association; Kastle Systems; Google Community Mobility Reports; Harvard Joint Centers for Housing Studies; John Burns Real Estate Consulting; major U.S. port authorities; McKinsey & Company; Moody's Analytics; Medical Group Management Association; Mortgage Bankers Association; National Association of Realtors; National Center for Assisted Living; National Center for Health Statistics; National Restaurant Association; Nareit; New York Times; NIC Map® Data and Analysis Service (www.nicmap.org); NMHC; Oxford Economics; Philips; Placer.ai; Primary Care Collective; Real Capital Analytics; RealPage, Inc.; Senior Housing News; Small Business Administration; Standard & Poor's; STR, Inc.; The Conference Board; The Larry A. Green Center; Thomasnet; Trepp; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Bureau of Transportation Statistics; U.S. Census Bureau; U.S. Department of Education; U.S. Department of Labor: U.S. Transport Security Administration; U.S. Travel Association
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2022 U.S. Office Investment Forecast

Market Name	Employment Growth[2]				Completions (000's of Sq. Ft.)[2]				Vacancy Rate[2]				Average Asking Rent[2]				Average Price per Sq. Ft.[2]			Market Name
	2019	2020	2021	2022**	2019	2020	2021*	2022**	2019	2020	2021*	2022**	2019	2020	2021*	2022**	2019	2020	2021*	
Atlanta	2.3%	-5.5%	5.0%	3.1%	2,700	3,400	4,900	4,100	14.7%	17.8%	18.9%	19.7%	$24.27	$24.68	$25.14	$25.96	$194	$209	$219	Atlanta
Austin	4.0%	-2.9%	7.0%	5.6%	2,400	3,200	5,000	4,100	11.9%	17.3%	16.6%	15.8%	$26.44	$26.91	$28.10	$29.40	$366	$399	$425	Austin
Baltimore	1.1%	-5.9%	2.5%	2.2%	600	300	500	600	12.0%	13.0%	13.3%	13.6%	$21.91	$22.11	$22.26	$22.44	$162	$168	$175	Baltimore
Boston	1.5%	-9.8%	7.0%	2.9%	2,500	2,000	4,600	4,800	11.2%	13.3%	13.3%	14.0%	$31.13	$29.55	$29.25	$28.75	$322	$316	$308	Boston
Charlotte	2.5%	-3.4%	3.1%	2.8%	3,000	400	4,100	3,600	10.9%	12.7%	14.0%	14.2%	$26.44	$27.67	$28.10	$28.55	$248	$267	$290	Charlotte
Chicago	0.6%	-8.5%	4.3%	3.6%	5,200	3,800	2,800	2,100	15.4%	17.9%	19.5%	20.3%	$22.37	$22.48	$22.20	$21.85	$194	$189	$181	Chicago
Cincinnati	1.2%	-5.8%	3.8%	2.2%	200	100	500	600	12.2%	13.2%	14.2%	13.8%	$14.58	$14.37	$14.40	$14.50	$136	$141	$146	Cincinnati
Cleveland	0.5%	-7.1%	2.5%	1.6%	500	200	200	300	10.7%	11.4%	11.3%	10.8%	$16.24	$16.31	$16.10	$16.22	$101	$103	$107	Cleveland
Columbus	1.8%	-4.3%	2.0%	1.7%	1,000	700	600	800	10.3%	12.7%	14.2%	13.5%	$15.02	$14.96	$15.10	$15.30	$124	$122	$124	Columbus
Dallas-Fort Worth	3.1%	-3.2%	5.1%	4.0%	7,100	4,300	5,500	3,400	17.9%	21.1%	21.5%	20.9%	$21.15	$21.60	$21.60	$21.75	$223	$230	$234	Dallas-Fort Worth
Denver	2.6%	-6.7%	6.5%	2.9%	1,500	1,300	2,100	1,400	14.3%	18.0%	19.2%	18.6%	$23.63	$24.12	$23.80	$24.10	$216	$219	$226	Denver
Detroit	0.5%	-9.7%	6.0%	3.0%	700	400	1,600	1,500	14.7%	16.3%	16.7%	16.5%	$17.76	$18.50	$18.45	$18.85	$129	$129	$131	Detroit
Fort Lauderdale	1.9%	-7.4%	4.3%	4.6%	400	1,200	500	300	13.6%	16.5%	17.0%	16.1%	$21.53	$22.40	$22.51	$23.44	$237	$253	$256	Fort Lauderdale
Houston	1.7%	-6.6%	5.2%	3.1%	2,100	2,500	4,400	1,200	20.7%	22.8%	23.6%	23.1%	$21.15	$21.08	$20.70	$20.25	$194	$188	$184	Houston
Indianapolis	1.9%	-3.3%	2.3%	2.3%	600	700	500	600	10.8%	11.3%	12.2%	12.2%	$18.86	$19.13	$19.28	$19.40	$145	$145	$145	Indianapolis
Kansas City	1.2%	-3.7%	3.7%	2.7%	800	1,500	900	400	9.0%	11.1%	11.3%	11.1%	$19.39	$19.42	$19.50	$19.80	$146	$150	$156	Kansas City
Las Vegas	3.3%	-14.0%	8.7%	6.1%	300	600	300	800	13.8%	15.1%	13.8%	13.2%	$21.55	$21.59	$22.15	$22.90	$207	$219	$227	Las Vegas
Los Angeles	0.8%	-11.6%	7.1%	4.6%	2,300	1,900	3,400	1,600	13.2%	17.0%	18.1%	18.1%	$37.83	$37.86	$38.35	$39.00	$474	$483	$481	Los Angeles
Louisville	1.0%	-5.7%	3.8%	2.3%	400	300	200	200	7.6%	7.9%	8.7%	8.5%	$16.53	$16.64	$16.78	$17.00	$143	$146	$152	Louisville
Miami-Dade	1.8%	-8.6%	5.9%	4.7%	300	900	1,100	1,600	12.3%	15.0%	14.8%	14.6%	$32.93	$34.14	$35.41	$37.24	$338	$347	$355	Miami-Dade
Milwaukee	-0.0%	-7.1%	2.8%	1.7%	700	800	500	400	12.8%	14.5%	15.4%	15.4%	$15.56	$16.09	$16.00	$16.10	$145	$149	$153	Milwaukee
Minneapolis-St. Paul	0.7%	-9.5%	5.4%	2.8%	1,200	700	1,000	900	11.1%	12.0%	13.1%	13.3%	$16.27	$16.58	$17.00	$17.30	$159	$169	$174	Minneapolis-St. Paul
Nashville	2.8%	-4.2%	4.6%	3.3%	2,100	2,100	2,600	1,800	11.0%	14.2%	14.9%	14.3%	$26.11	$26.42	$27.20	$28.10	$282	$293	$295	Nashville
New Haven-Fairfield County	-0.6%	-7.6%	3.3%	2.4%	700	300	300	200	17.3%	17.3%	17.4%	17.3%	$25.73	$26.76	$27.05	$27.75	$237	$242	$247	New Haven-Fairfield County
New York City	1.8%	-13.5%	5.8%	3.5%	11,200	5,300	5,600	8,800	11.3%	15.0%	16.6%	15.8%	$59.82	$59.51	$56.10	$57.50	$600	$597	$611	New York City
Northern New Jersey	0.7%	-9.8%	4.7%	2.4%	600	400	300	500	14.7%	16.7%	17.8%	16.8%	$25.89	$26.11	$26.25	$26.50	$205	$201	$203	Northern New Jersey
Oakland	0.9%	-9.7%	3.6%	3.4%	1,300	500	200	300	12.3%	14.4%	15.4%	14.9%	$39.03	$39.30	$38.24	$39.68	$362	$381	$382	Oakland
Orange County	1.1%	-10.0%	7.0%	4.0%	1,400	300	700	800	12.5%	15.6%	16.5%	16.1%	$29.91	$29.23	$28.70	$29.10	$341	$365	$386	Orange County
Orlando	2.3%	-12.5%	7.8%	6.3%	600	2,100	700	500	9.7%	12.2%	12.9%	12.2%	$21.44	$22.03	$22.47	$23.15	$205	$216	$233	Orlando
Philadelphia	1.5%	-7.9%	4.7%	2.8%	1,700	800	1,300	1,700	12.8%	14.6%	15.3%	15.5%	$23.07	$23.29	$23.70	$24.17	$183	$190	$198	Philadelphia
Phoenix	3.7%	-3.7%	5.6%	3.8%	3,200	2,200	2,300	1,400	14.9%	18.1%	18.6%	18.0%	$24.22	$25.02	$24.80	$25.15	$212	$226	$246	Phoenix
Pittsburgh	0.4%	-8.6%	3.7%	1.9%	800	700	800	900	11.4%	12.8%	14.8%	15.0%	$21.34	$21.53	$21.60	$21.70	$142	$142	$142	Pittsburgh
Portland	1.7%	-8.9%	7.3%	4.1%	100	1,100	1,500	600	9.8%	13.4%	15.0%	15.2%	$25.20	$25.26	$26.10	$26.75	$285	$295	$311	Portland
Raleigh	2.6%	-3.1%	4.2%	2.8%	1,800	2,300	3,300	1,600	9.3%	11.4%	13.2%	12.5%	$24.95	$25.48	$25.65	$26.50	$220	$240	$250	Raleigh
Riverside-San Bernardino	3.7%	-5.7%	4.4%	2.4%	300	600	200	100	8.7%	10.2%	9.5%	8.9%	$21.53	$22.03	$22.50	$22.95	$220	$233	$243	Riverside-San Bernardino
Sacramento	1.7%	-5.9%	3.7%	2.9%	500	700	1,200	800	10.9%	13.2%	15.5%	15.8%	$23.75	$24.45	$24.45	$24.85	$202	$209	$221	Sacramento
Salt Lake City	2.5%	-0.2%	4.3%	3.3%	2,500	3,700	1,900	1,200	8.8%	12.5%	12.1%	11.5%	$21.41	$21.68	$22.25	$23.10	$178	$185	$187	Salt Lake City
San Antonio	1.9%	-3.8%	4.2%	3.4%	1,300	900	1,200	800	11.5%	13.7%	14.0%	13.6%	$21.12	$21.07	$21.30	$21.75	$205	$217	$222	San Antonio
San Diego	1.3%	-8.8%	4.7%	3.8%	500	1,400	600	1,100	13.0%	16.1%	14.8%	14.5%	$31.47	$32.15	$33.00	$33.75	$338	$355	$365	San Diego
San Francisco	3.1%	-12.7%	8.2%	5.8%	3,800	800	4,500	2,300	8.9%	15.5%	18.4%	21.0%	$65.61	$60.50	$56.32	$56.07	$636	$652	$638	San Francisco
San Jose	2.0%	-8.6%	5.9%	3.4%	1,700	1,900	3,100	4,400	9.8%	13.3%	16.3%	17.5%	$50.08	$49.76	$50.49	$51.11	$553	$564	$603	San Jose
Seattle-Tacoma	2.6%	-7.4%	6.1%	4.4%	4,500	4,600	4,100	3,500	8.0%	10.9%	12.7%	12.9%	$32.71	$31.33	$30.85	$31.44	$362	$393	$418	Seattle-Tacoma
St. Louis	1.2%	-5.7%	2.4%	1.9%	800	400	700	1,100	9.9%	11.4%	12.2%	12.0%	$18.80	$19.06	$19.20	$19.65	$145	$147	$152	St. Louis
Tampa-St. Petersburg	2.6%	-3.2%	5.1%	4.5%	700	1,000	1,600	800	10.7%	12.3%	12.4%	12.2%	$22.70	$22.95	$23.90	$24.75	$191	$201	$215	Tampa-St. Petersburg
Washington, D.C.	1.4%	-6.7%	4.2%	3.0%	5,800	4,600	2,700	3,800	16.7%	18.7%	19.5%	19.5%	$36.95	$37.01	$37.10	$37.85	$307	$317	$327	Washington, D.C.
West Palm Beach	1.6%	-5.6%	4.5%	3.3%	400	200	700	600	13.8%	14.6%	12.4%	12.0%	$24.44	$25.16	$26.27	$27.49	$281	$303	$334	West Palm Beach
United States	1.3%	-6.2%	4.5%	2.5%	90,900	74,900	91,000	80,000	12.8%	15.2%	16.4%	16.5%	$28.64	$28.66	$28.49	$29.11	$266	$283	$296	United States

** Estimate ** Forecast [2] See Statistical Summary Note on Page 60.*

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