

Capital Trends

US Office

July 2021

8.8% YOY price change

\$10.0b Transaction volume

90% YOY volume change

Office investment activity in July rose from a year ago and is back to normal levels. This normality in the headline figures is, however, masking the types of office investments being pursued. There is much more suburban office investment than in the past, while deal activity for CBD offices is lagging.

In normal times, deal volume for CBD and suburban assets is roughly equal. Even before the Covid-19 pandemic however, there was a disconnect in this relationship. A variety of financial and demographic changes drove suburban deal volume to be 1.8 times as large as that for CBD offices in July of every year from 2015 onward. In July of this year, suburban deal volume was 3.3 times as large as CBD office investment.

Suburban office investment was well above normal levels in July of this year. Since 2005, suburban office deal volume averaged \$5.3b each July. However, this year deal activity totaled \$7.7b. This above-normal level of activity was broad-based too, with the sale of individual assets up more from a year ago than sales involving portfolios. There is simply more of a meeting of the minds between buyers and sellers on how suburban assets should be priced, and deal activity has followed.

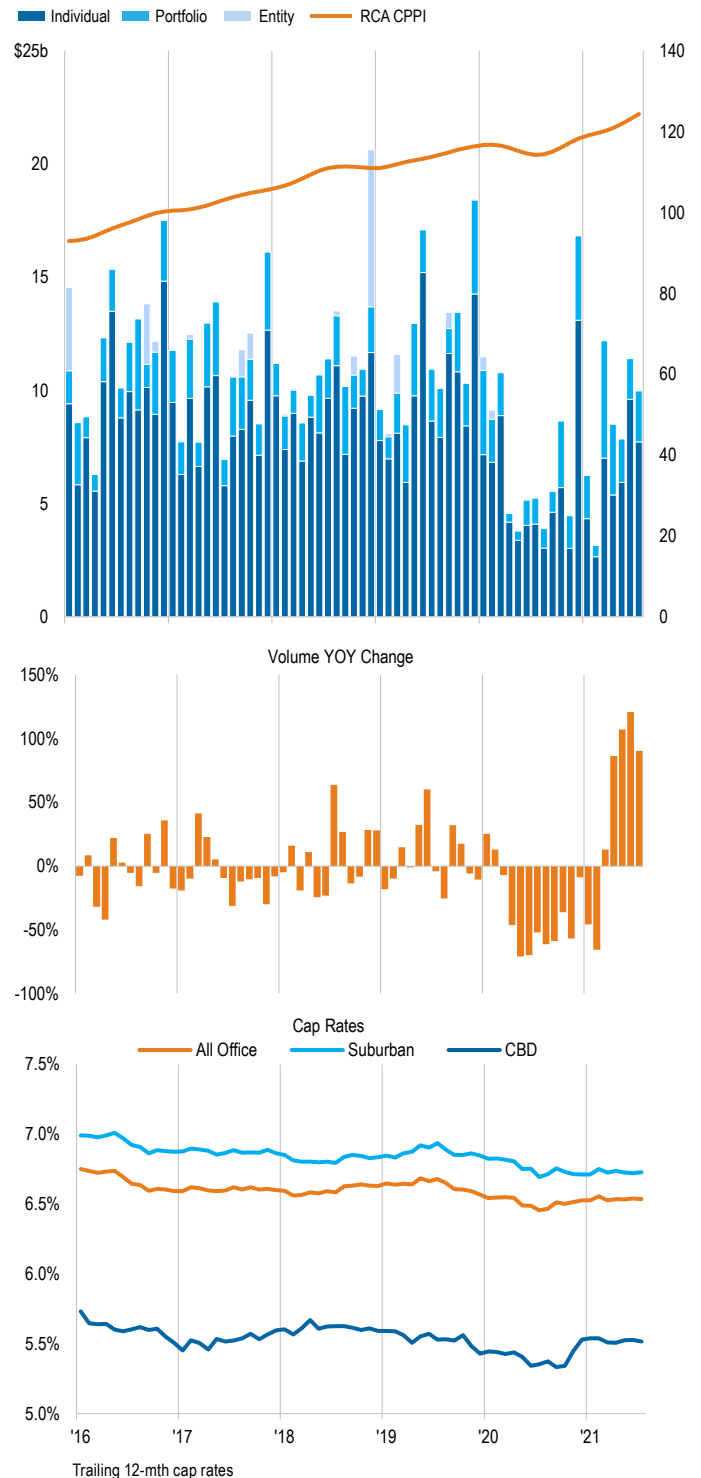
By contrast, potential buyers and current owners are still far apart on their expectations for pricing of CBD office assets. As such, deal volume in July was 37% lower than the average pace seen in July since 2005. Still, there was more activity than a year earlier during the worst parts of the pandemic, with deal volume up 42% YOY.

Office pricing has followed the disparate trends in deal volume. The RCA CPPI for suburban office assets climbed 11.7% from a year ago in July, a pace of growth just behind that seen in the industrial sector for the month. By contrast, the RCA CPPI for CBD office assets fell 4.6% vs. July 2020.







Transaction Volume Summary

	July '21		YTD '21	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Office Total	10.0	90%	59.4	18%
CBD	2.3	42%	17.8	1%
Sub	7.7	112%	41.6	27%
Portfolio	2.3	96%	16.7	44%
Single Asset	7.7	89%	42.7	11%

Monthly Transaction Volume & Pricing









Market Table *Office*

Office Transactions Reported Closed		CBD				Suburban				All Office			
		Volume		Price		Volume		Price		Volume		Price	
YTD through July '21		\$m	# Props	\$/sf	Avg Cap Rate	\$m	# Props	\$/sf	Avg Cap Rate	\$m	# Props	\$/sf	Avg Cap Rate
Mid-Atlantic 	Baltimore	20.0	3			640.4	20	308	6.9%	660.4	23	301	6.9%
	DC	979.3	15	464	6.2%					979.3	15	464	6.2%
	DC MD burbs					109.4	12	124	8.0%	109.4	12	124	8.0%
	DC VA burbs					1,318.3	41	260	7.9%	1,318.3	41	260	7.9%
	Philadelphia	44.5	4	131		1,102.9	39	214	6.8%	1,147.5	43	211	6.8%
	Pittsburgh	68.0	1			156.3	7	284		224.3	8	284	
	Richmond/Norfolk	243.3	5	253		558.5	28	206		801.8	33	222	7.1%
	Tertiary Mid-Atlantic					272.2	54	148	6.7%	272.2	54	148	6.7%
	Total	1,355.1	28	371	6.6%	4,158.2	201	224	7.1%	5,513.3	229	252	7.0%
Midwest 	Chicago	495.1	7	204		343.7	43	136	6.9%	838.8	50	177	6.5%
	Cincinnati					116.3	12	135		116.3	12	135	
	Cleveland	33.0	1			49.9	8	104		82.9	9	104	
	Columbus	65.6	2	127		169.7	10	266	6.2%	235.3	12	204	6.2%
	Detroit	61.5	6	48		255.5	27	142	5.9%	316.9	33	87	5.9%
	Indianapolis	5.3	2			139.7	22	90	6.8%	145.0	24	89	6.8%
	Kansas City					285.4	33	289		285.4	33	289	
	Minneapolis	283.6	5	334		299.0	30	154		582.6	35	211	
	St Louis	7.8	2	102		87.3	11	140		95.1	13	135	
	Tertiary Midwest	190.6	11	124		852.2	120	145	7.0%	1,042.7	131	139	7.0%
Total	1,142.4	36	167	4.5%	2,612.1	318	150	7.0%	3,754.5	354	156	6.7%	
Northeast 	Boston	5,251.0	21	989		1,136.7	63	219		6,387.7	84	451	
	Hartford					20.5	5	102		20.5	5	102	
	Long Island					137.2	11	143	6.7%	137.2	11	143	6.7%
	Manhattan	2,864.8	39	855	4.9%					2,864.8	39	855	4.9%
	No NJ	20.4	2			1,631.4	64	190	6.8%	1,651.8	66	190	6.8%
	NYC Boroughs	293.4	26	373	5.0%					293.4	26	373	5.0%
	Stamford	4.1	1			133.0	8	243		137.1	9	236	
	Westchester					101.9	14	90	7.0%	101.9	14	90	7.0%
	Tertiary Northeast	26.0	5	67		406.3	55	137	9.1%	432.3	60	130	9.1%
	Total	8,459.7	94	776	4.8%	3,567.1	220	182	7.6%	12,026.8	314	326	6.0%
Southeast 	Atlanta	776.8	6	336		1,874.3	78	220	6.8%	2,651.1	84	239	6.4%
	Broward	3.4	1			555.6	48	214	6.6%	559.0	49	215	6.6%
	Charlotte	599.1	4	318		292.0	22	231		891.0	26	287	5.9%
	Jacksonville	10.5	1			212.3	19	154		222.7	20	149	
	Memphis	2.8	1			120.5	10	219		123.3	11	188	
	Miami	931.8	14	427		754.7	42	251	5.8%	1,686.5	56	327	5.8%
	Nashville	243.4	8	309		263.7	25	270		507.1	33	288	
	Orlando	62.8	1			206.2	25	177		268.9	26	187	7.2%
	Palm Beach					1,153.0	44	383	5.8%	1,153.0	44	383	5.8%
	Raleigh/Durham	12.9	3	182		337.1	27	251	6.0%	350.0	30	247	6.0%
	Tampa	90.9	5	309	6.6%	263.2	32	202	5.9%	354.1	37	221	6.2%
	Tertiary Southeast	276.2	25	110		1,536.3	201	202	6.7%	1,812.5	226	177	6.7%
	Total	3,010.4	69	287	6.0%	7,569.0	573	233	6.6%	10,579.3	642	246	6.5%
Southwest 	Austin	907.3	4	804		1,184.1	44	293	6.4%	2,091.4	48	613	6.1%
	Dallas	197.5	2			2,150.1	106	300	6.5%	2,347.6	108	272	6.5%
	Denver					1,076.2	55	224	7.2%	1,076.2	55	224	7.2%
	Houston	59.4	4	63		692.8	52	160	6.6%	752.2	56	107	6.6%
	Phoenix					1,062.9	85	226	6.6%	1,062.9	85	226	6.6%
	San Antonio	22.3	1			292.2	30	288	6.6%	314.5	31	277	6.6%
	Tertiary Southwest	16.2	4	110		919.2	115	177	7.5%	935.4	119	175	7.5%
	Total	1,202.6	15	348		7,377.6	487	241	6.9%	8,580.2	502	257	6.9%
West 	East Bay	445.9	3	947		908.0	31	330		1,353.9	34	445	
	Inland Empire					218.0	35	235	6.3%	218.0	35	235	6.3%
	Las Vegas	99.6	5	212		224.0	28	246	6.6%	323.5	33	234	6.6%
	Los Angeles	95.4	3	485		1,993.3	148	384	6.4%	2,088.7	151	388	6.4%
	Orange Co					815.1	50	301	7.1%	815.1	50	301	7.1%
	Portland					239.6	22	322	6.1%	239.6	22	322	6.1%
	Sacramento	26.8	5	259		416.4	29	193		443.2	34	196	
	Salt Lake City	43.2	5	221		502.7	47	131	6.4%	546.0	52	142	6.3%
	San Diego	454.1	9	252		1,853.6	73	424	6.3%	2,307.8	82	367	6.3%
	San Francisco	73.4	5	632	5.3%	2,462.7	26	895	6.3%	2,536.1	31	885	5.9%
	San Jose	172.6	3	398		3,819.6	64	690	5.8%	3,992.2	67	664	5.8%
	Seattle	1,158.9	10	849		1,724.5	77	372	6.5%	2,883.5	87	450	6.0%
Tertiary West	29.9	5	138		1,138.0	149	180	6.5%	1,167.9	154	178	6.5%	
Total	2,599.8	53	454	5.1%	16,315.7	779	412	6.4%	18,915.5	832	417	6.3%	
Total	Total US	17,770.0	295	374	5.3%	41,599.5	2,578	271	6.7%	59,369.5	2,873	292	6.5%


Selected Recent Transactions

Property Name Address Location	SF Year Built Notes	Price \$/sf Qualifier	Owner/Buyer Seller Broker
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Mid-Atlantic

Social Security Admin HQ 6100 Wabash Ave Baltimore, MD	538,000 2014 Office - Sub	\$290,600,000 \$540 approximate	 NGP Capital from  CoreCivic by  Eastdil Secured
Paramount Building 1775 Eye St NW Washington, DC	185,177 1964 Office - CBD	\$80,500,000 \$435 approximate	 Brookfield AM from  WashREIT by  JLL






Midwest

1Kfulton 1000 W Fulton St Chicago, IL	531,194 1923 Office - CBD	\$354,875,000 \$668 confirmed	 Office Props Income Trust from  American Realty Advisors by  Eastdil Secured
105 W Michigan Street 105 W Michigan St Milwaukee, WI	150,868 1998 Office - CBD	\$72,133,333 \$478 approximate	 Truist from  Klein Development by  JLL

Northeast

Daily News Building 220 E 42nd St New York, NY	1,102,147 1930 Office - CBD	\$790,060,000 \$717 approximate	 Meritz Financial Group from  SL Green by  Cushman & Wakefield
One Canal Park 1 Canal Park Cambridge, MA	105,580 1992 Office - CBD	\$131,000,000 \$1,241 confirmed	 Breakthrough Properties JV Healthpeak Properties Inc from  Intercontinental RE by  Eastdil Secured







Southeast

725 Ponce 725 Ponce de Leon Ave NE Atlanta, GA	372,000 2019 Office - Sub	\$300,200,000 \$807 approximate	 Cousins Properties from  New City JV JP Morgan
One South at the Plaza 101 S Tryon St Charlotte, NC	891,000 1977 Office - CBD	\$271,500,000 \$305 approximate	 Tourmaline Capital JV Monarch Alternative Cap from  Cousins Properties by  CBRE

Southwest

Circa Building 1615 Platte St Denver, CO	96,000 2017 Office - Sub	\$60,000,000 \$625 approximate	 Beacon Capital Partners from  Goldman Sachs JV Unico Properties by  Eastdil Secured
Stanford Place I 8055 E Tufts Ave Denver, CO	273,000 1980 Office - Sub	\$46,780,000 \$171 confirmed	 Alturas Capital from  Accesso Partners by  CBRE

West

HQ@First 130 Holger Way San Jose, CA	603,666 2010 Office - Sub	\$535,000,000 \$886 approximate	 KKR from  Mori Trust by  Newmark
NortonLifeLock 350 Ellis St Mountain View, CA	426,502 2001 Office - Sub	\$357,721,333 \$839 approximate	 TMG Partners JV Goldman Sachs from  Symantec Corp by  Cushman & Wakefield

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About Capital Trends

Capital Trends reports analyze and interpret trends in the global real estate market using RCA's comprehensive data. US Capital Trends is a monthly edition comprising an overview of the U.S. market and separate reports on the five main property types. Asia Pacific, Europe and Global Capital Trends are published quarterly. Australia Capital Trends was launched in February 2021.

Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated.