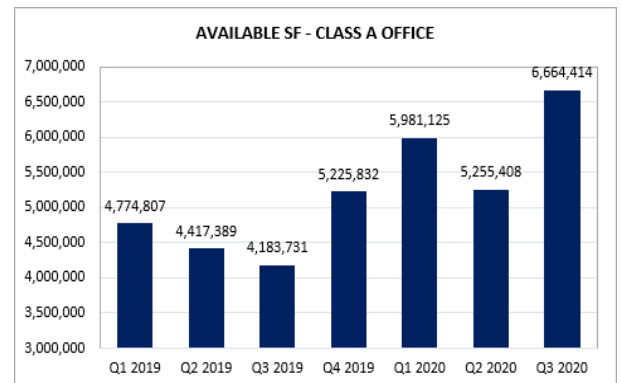


US Gateway Cities Class A Office Sales Volume & Buying Trends – November 2020

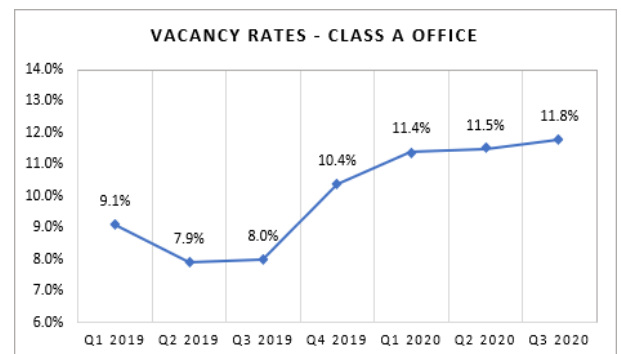
In this publication we have studied the Class A Office Market in the following gateway cities: **New York, Boston, Chicago, Los Angeles, San Francisco, and Washington D.C.** These cities are home to regional and international corporations and serve as headquarters locations for many Fortune 500 companies. These gateway cities also typically contain several demand generators proximate to Class A and trophy office buildings, further increasing their appeal to investors.

The parameters for this search include investment sales of Class A office buildings in the six gateway cities within the US over a 23-month period, from January 2019 to November 2020. We analyzed each city to compare number of transactions and dollar volume over the given study period.

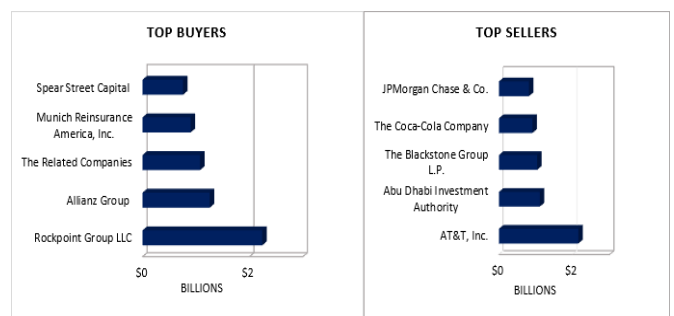
According to the graphic on the right, available square footage of Class A office space has fluctuated over the given study period. Q3 2020 has reached the highest level of availability with over 6 million square feet available. This reflects an increase by more than a million square feet from the prior quarter.



Due to the ongoing pandemic, vacancy rates have been on a steady rise. The current quarter reflects a vacancy rate of 11.8%, which is the highest vacancy rate observed over the past seven quarters.



The top buyers and sellers within this market are presented on the right. The Rockpoint Group LLC. is the top buyer of this asset type, accounting for more than \$2 billion. The top seller is AT&T, Inc. which accounted for over \$2 billion in sales. With only two transactions occurring in November, Rockpoint Group LLC represented the top buyer, while AT&T. represented the top seller in the past two consecutive months.

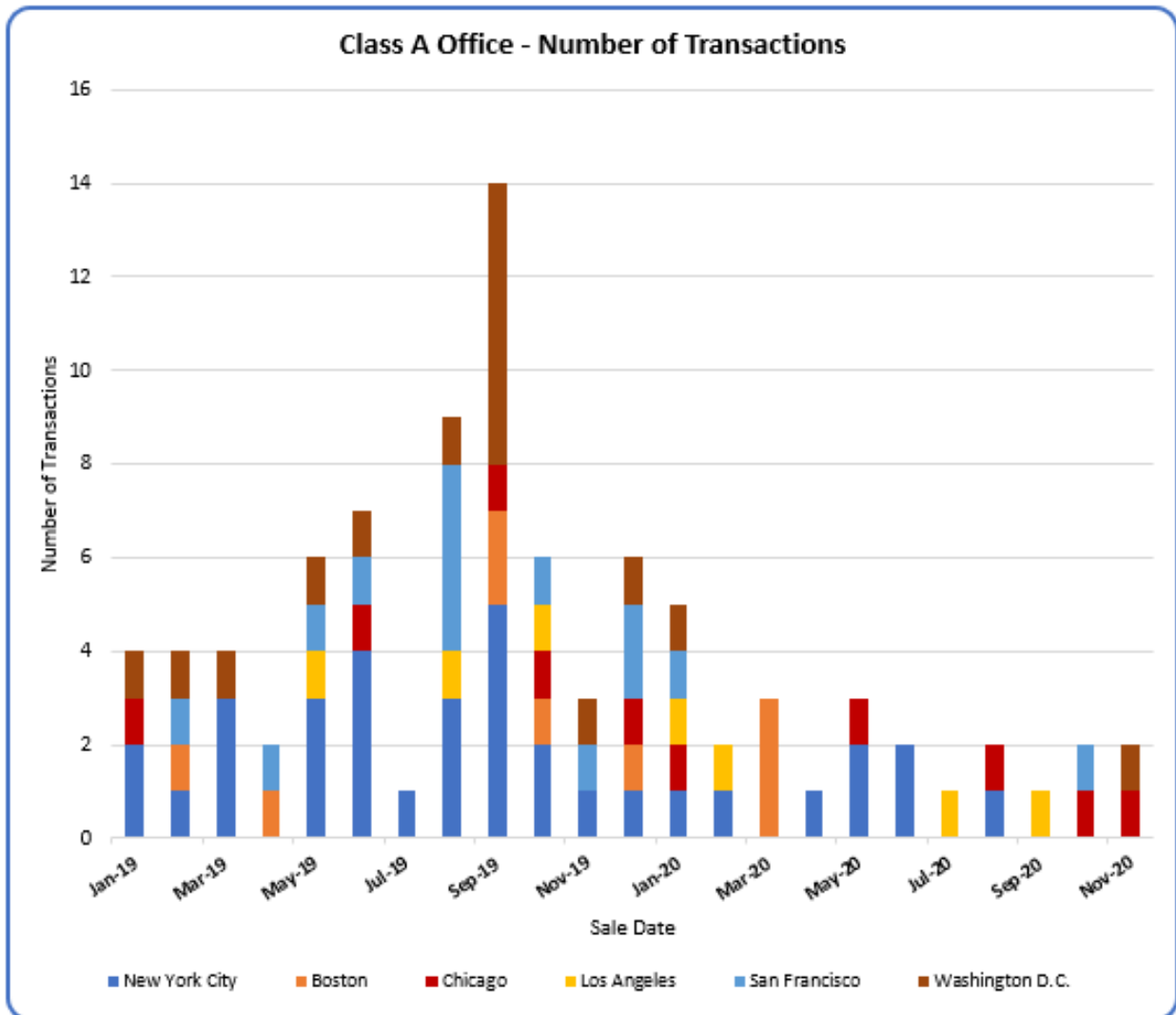


Number of Sales Transactions

We tracked the number of monthly Class A office building sales recorded, segmented by each gateway city. Over the prior 23-month period as of November 2020, there have been a total of 90 transactions. New York City has experienced the most transactions, accounting for approximately 37.8% of the total number of transactions across all cities.

Historical Transaction Volume - Class A Office																									
Number of Transactions	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Total	% of Total
New York City	2	1	3	0	3	4	1	3	5	2	1	1	1	1	0	1	2	2	0	1	0	0	0	34	37.8%
Boston	0	1	0	1	0	0	0	0	2	1	0	1	0	0	3	0	0	0	0	0	0	0	0	9	10.0%
Chicago	1	0	0	0	0	1	0	0	1	1	0	1	1	0	0	0	1	0	0	1	0	1	1	10	11.1%
Los Angeles	0	0	0	0	1	0	0	1	0	1	0	0	1	1	0	0	0	0	1	0	1	0	0	7	7.8%
San Francisco	0	1	0	1	1	1	0	4	0	1	1	2	1	0	0	0	0	0	0	0	0	1	0	14	15.6%
Washington D.C.	1	1	1	0	1	1	0	1	6	0	1	1	1	0	0	0	0	0	0	0	0	0	1	16	17.8%
Total # Transactions	4	4	4	2	6	7	1	9	14	6	3	6	5	2	3	1	3	2	1	2	1	2	2	90	100.0%
% Change from Prior Month	-	0.0%	0.0%	-50.0%	200.0%	16.7%	-85.7%	800.0%	55.6%	-57.1%	-50.0%	100.0%	-16.7%	-60.0%	50.0%	-66.7%	200.0%	-33.3%	-50.0%	100.0%	-50.0%	100.0%	0.0%	-	-

In terms of number of transactions, the highest number of monthly transactions occurred in September 2019, with 14 sales, reflecting an increase of 56% from the prior month. During this month, Washington D.C. had the highest sales volume at six transactions and New York City had the second highest sales volume at 5 transactions. The figures are portrayed graphically below. In November 2020, the market experienced two transactions throughout all gateway cities, which occurred in Chicago and Washington D.C. This reflects an equivalent number of transactions from the prior month. It is also important to note that Chicago has experienced sales activity for two straight months within this sector. According to the graphic below, the number of transactions has been fluctuating downward due to the current state of the economy.



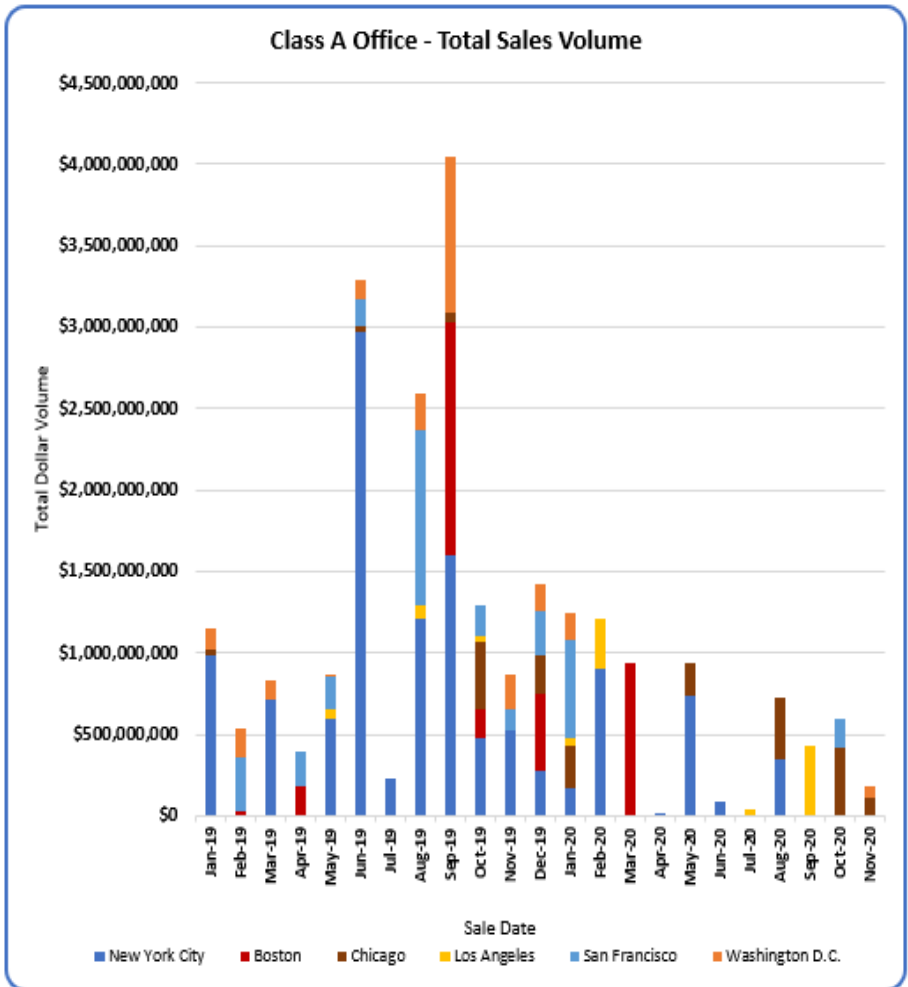
Dollar Volume of Sales Transactions

Over the 23-month period, New York City is responsible for approximately 49.5% of the total dollar volume of class A office buildings across the six cities. Dollar volume in San Francisco is approximately 14% of total dollar volume with Boston following close behind reflecting 13.5% of total dollar volume. Washington DC, Chicago and LA are substantially less active than the top three cities in total dollar volume. The below table shows the dollar volume broken down by each city over the 23-month period.

Historical Transaction Volume - Class A Office (in Millions)																										
Dollar Volume of Transact	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Total	% of Total	
New York City	\$387.8	\$5.9	\$717.7	\$0.0	\$600.0	\$2,368.6	\$225.0	\$1,211.8	\$1,535.0	\$481.5	\$525.0	\$271.3	\$175.0	\$900.0	\$0.0	\$12.5	\$732.2	\$84.0	\$0.0	\$350.0	\$0.0	\$0.0	\$0.0	\$0.0	\$11,843.2	49.5%
Boston	\$0.0	\$21.8	\$0.0	\$178.2	\$0.0	\$0.0	\$0.0	\$0.0	\$1,441.0	\$168.3	\$0.0	\$482.0	\$0.0	\$0.0	\$934.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$3,225.6	13.5%
Chicago	\$31.1	\$0.0	\$0.0	\$0.0	\$0.0	\$41.6	\$0.0	\$0.0	\$50.3	\$412.0	\$0.0	\$230.0	\$250.0	\$0.0	\$0.0	\$0.0	\$210.0	\$0.0	\$0.0	\$376.0	\$0.0	\$412.5	\$110.2	\$2,123.7	8.9%	
Los Angeles	\$0.0	\$0.0	\$0.0	\$0.0	\$58.0	\$0.0	\$0.0	\$85.0	\$0.0	\$45.0	\$0.0	\$0.0	\$54.3	\$303.8	\$0.0	\$0.0	\$0.0	\$0.0	\$43.3	\$0.0	\$430.0	\$0.0	\$0.0	\$0.0	\$1,019.4	4.3%
San Francisco	\$0.0	\$335.5	\$0.0	\$210.9	\$191.5	\$162.5	\$0.0	\$1,065.6	\$0.0	\$186.2	\$134.3	\$269.6	\$604.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$180.0	\$0.0	\$0.0	\$3,340.2	14.0%
Washington D.C.	\$135.3	\$170.0	\$116.6	\$0.0	\$6.0	\$119.0	\$0.0	\$231.3	\$962.0	\$0.0	\$209.1	\$174.9	\$163.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$2,357.1	9.9%
Total Dollar Volume	\$1,154.2	\$533.2	\$834.3	\$389.1	\$855.5	\$3,291.6	\$225.0	\$2,593.6	\$4,048.4	\$1,293.0	\$868.4	\$1,427.8	\$1,246.4	\$1,203.8	\$934.3	\$12.5	\$942.2	\$84.0	\$43.3	\$726.0	\$430.0	\$592.5	\$180.2	\$23,909.2	100.0%	
% Change from Prior Month		-53.8%	56.5%	-53.4%	119.9%	284.8%	-93.2%	1052.7%	56.1%	-68.1%	-32.8%	64.4%	-12.7%	-3.4%	-22.4%	-98.7%	7437.6%	-91.1%	-48.5%	1576.7%	-40.8%	37.8%	-63.6%	-	-	

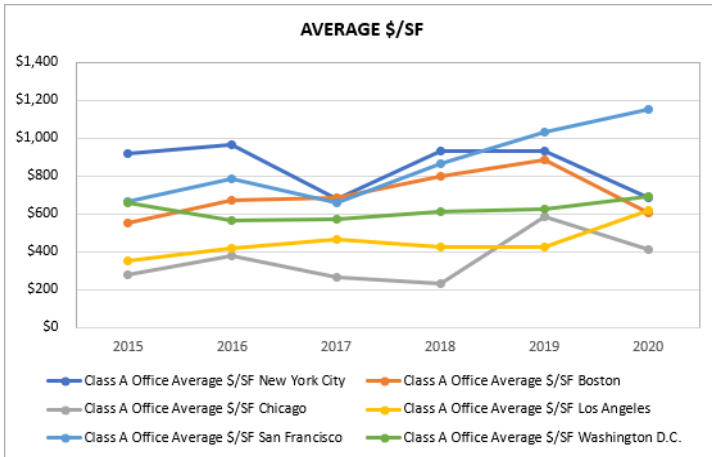
Over the study period, the city with the highest transaction volume is New York City, which comprises roughly \$11.9 billion of total dollar volume. Boston and San Francisco have similar dollar volumes at roughly \$3.3 billion apiece. As anticipated, in April of 2020 the total sales volume across all cities dropped to \$12.5 million. May experienced an increase in sales volume, up to \$942 million; however, June figures reflected a decrease of 91%, down to \$84 million and July experienced another decline of approximately 49%. August 2020 had one of the highest percent increases over the given study period, with sale volume of \$726 million. However, September experienced a decline of 40.8% to \$430 million while October experienced a 37.8% increase to \$592.5 million. November then decreased by 69.6 percent from the prior month. This fluctuating trend in dollar volume indicates investors are still uncertain.

Total Dollar Volume - Class A Office	
Jan-19	\$1,154,154,370
Feb-19	\$533,185,000
Mar-19	\$834,250,000
Apr-19	\$389,100,000
May-19	\$855,500,000
Jun-19	\$3,291,645,388
Jul-19	\$225,000,000
Aug-19	\$2,593,613,035
Sep-19	\$4,048,352,975
Oct-19	\$1,293,000,000
Nov-19	\$868,350,000
Dec-19	\$1,427,750,000
Jan-20	\$1,246,419,413
Feb-20	\$1,203,800,000
Mar-20	\$934,300,000
Apr-20	\$12,500,000
May-20	\$942,200,000
Jun-20	\$84,046,763
Jul-20	\$43,300,000
Aug-20	\$726,000,000
Sep-20	\$430,000,000
Oct-20	\$592,500,000
Nov-20	\$180,200,000
Min	\$12,500,000
Max	\$4,048,352,975
2019 Ave	\$1,459,491,731
2020 Ave	\$581,387,834



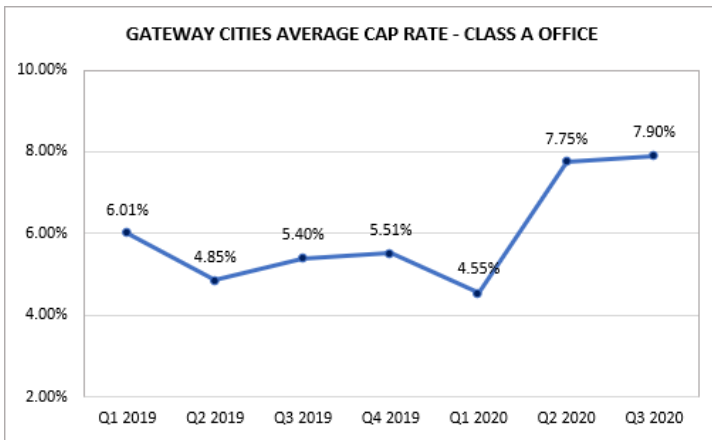
As detailed above and to the right, since the advent of COVID-19 in Mid-March 2020, investors have remained hesitant, which is illustrated clearly for April, June, and July.

The two sales that occurred in November 2020 equates to a total dollar volume of \$180.2 million, which reflects a decrease of approximately 69.6% from the prior month.



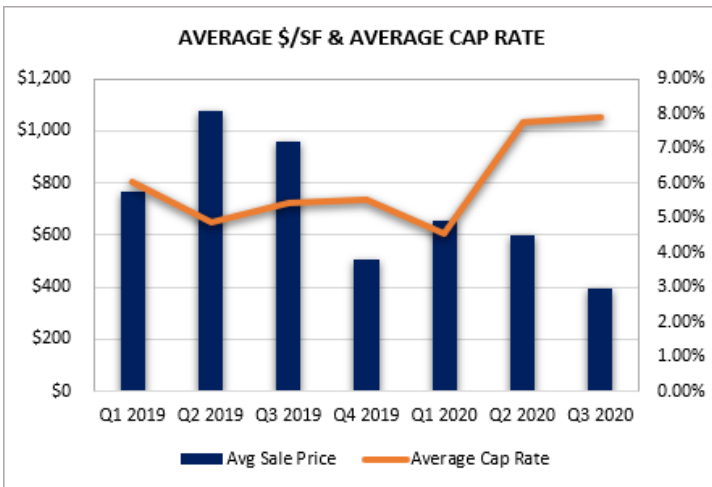
Average Yearly Price per Square Foot

The graphic on the left analyzes a five-year trend of dollar per square foot pricing broken down by each city. All six cities experienced fluctuations in pricing over the past five years. The prices varied from \$233 per square foot (Chicago 2018) to \$1,156 per square foot (San Francisco 2020). Pricing has been varied in 2020, with three of the cities experiencing a decline in dollar per square foot (Chicago, Boston, New York City) and three of the cities experiencing an increase (San Francisco, Los Angeles, Washington D.C.).



Average Quarterly Cap Rate

With a lack of data on a monthly basis, the cap rate trend will be analyzed on a quarterly basis across the six cities. The cap rates have fluctuated from Q1 2019 to Q3 2020. According to the graph, the average cap rate varied from 4.55% to 7.9%. However, the average cap rate saw a notable increase from Q1 2020 to Q2 2020 (4.55% to 7.75%) and continued this trend into Q3 2020 increasing to a 7.9% cap rate. The increase is due primarily to market distress, and uncertainty in the office market sector.



Quarterly Trend of Average Dollar Per Square Foot and Average Cap Rate

The graph on the left shows the average dollar per square foot and average cap rates of the six cities combined on a quarterly basis. er square foot trended downward while the average cap rates increased. The pandemic and ensuing lockdowns have had a negative effect on the office market in the gateway cities. While the office segment has suffered during 2020, the recent announcement of the COVID-19 Vaccine is expected to have a positive impact on the Gateway Cities Office Market.

SOURCE: CoStar and Marshall & Stevens



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