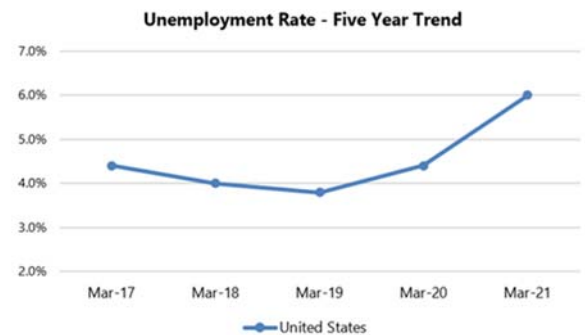


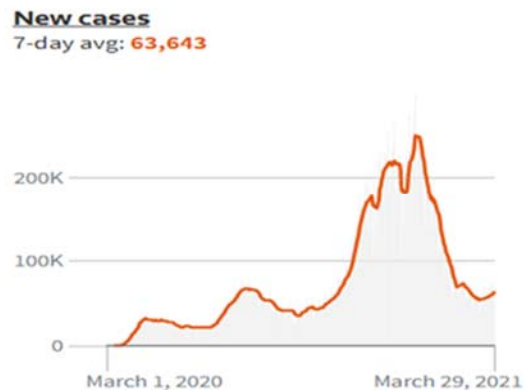
US Gateway Cities Class A Office Sales Volume and Buying Trends – March 2021

COVID-19 surfaced in the United States in Mid-March 2020. Federal, state, and local governments responded by issuing strict stay-at-home orders and closing nonessential business. Trends in retail sales, vacancy rates, rent collection rates, and unemployment underscore the crippling effects of COVID-19 on American consumers and businesses alike. The United States Daily New Case table below highlights the progression of daily case counts relative to legislation imposed by state and local governments. A new high in case counts led to the implementation of the mask mandate in April 2020. Effective social distancing and mask mandates helped curb case counts over spring and summer 2020, and restrictions loosened. Colder weather and an increase in indoor gatherings around the holidays sent case counts surging again in the late fall and winter, shattering the previous high set in April 2020. Unemployment spiked over the period, reaching its highest levels in July. The unemployment rate decreased over the following five months before a slight increase in January 2021. Attention now turns to the rollout of the COVID vaccine and its effects on consumer sentiment and underlying market performance.

With COVID on the forefront, fundamentals in many major markets have been greatly altered. This publication analyzes sales trends in terms of number of transactions and dollar volume for Class A office properties in each major gateway city's market.



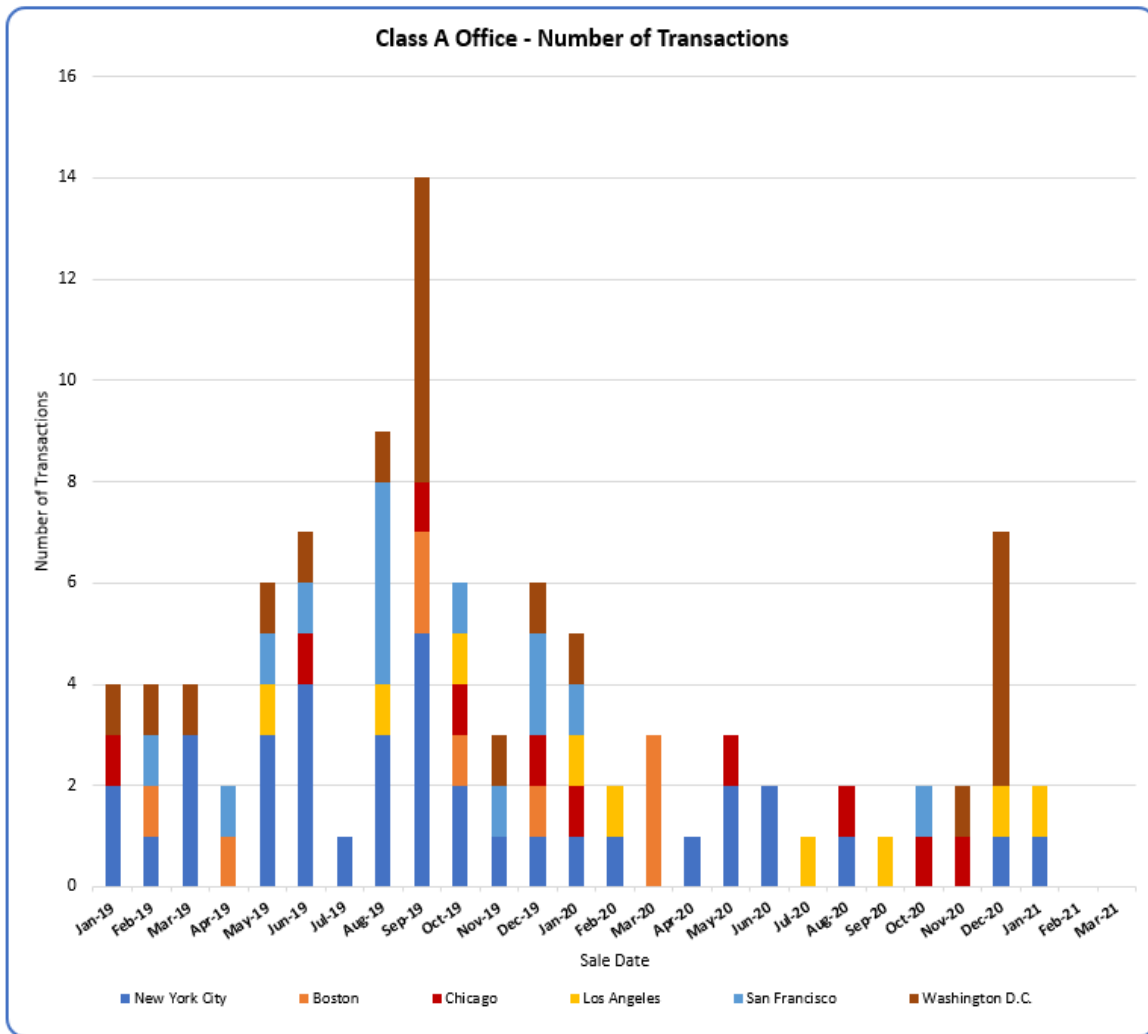
United States - Daily New Cases



Source: Reuters

Number of Sales Transactions

- Parameters: All class A Office building sales, segmented by gateway city: **New York City, Boston, Chicago, Los Angeles, San Francisco, Washington D.C.**
- Consistent transaction volume from January 2019 to March 2020.
- April 2020- initial COVID shockwaves grip market, number of transactions plummets.
- Slight uptick in transaction volume from May 2020 to August 2020 coincides with lower case counts.
- September 2020 – November 2020- experienced a relatively consistent trend in number of transactions.
- December 2020- 7 total transactions- the largest number of transactions to take place in 2020.
- January 2021- 2 total transactions – approximately 71% decline from the prior month.
- February 2021 - zero transactions – the lowest number of transactions over the given study period.
- March 2021 – zero transactions – the second consecutive month with no transactions.



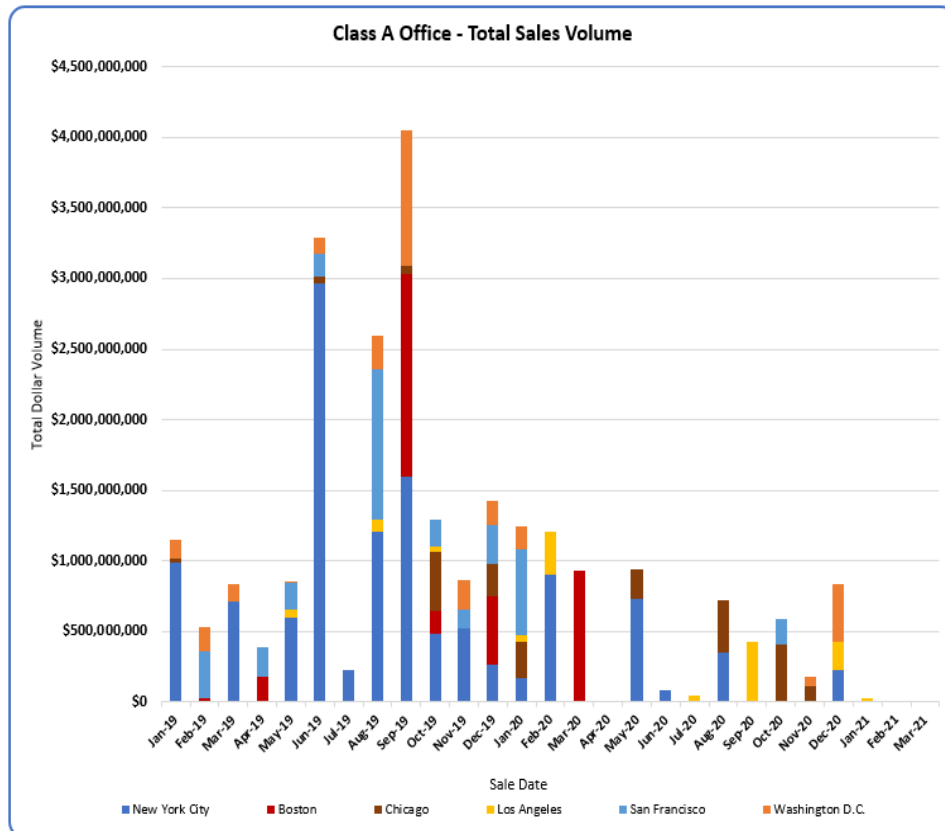
We tracked the number of monthly Class A office building sales recorded, segmented by each gateway city. Over the prior 2-year period as of March 2021, there have been a total of 99 transactions. New York City has experienced the most transactions, accounting for approximately 36.4% of the total number of transactions across all cities. Washington D.C. is the second highest in number of transactions, reflecting a 21.2% stake within the market.

Dollar Volume of Sales Transactions

In 2019, the average monthly sales volume was approximately \$1.46 billion. Comparatively, the average monthly sales volume in 2020 was roughly \$602 million, reflecting a decrease of approximately 59%. In Q1 2021, the monthly average dropped over 98%, at an average per month of \$8.7 million. We tracked the dollar volume of monthly sales by tranche as seen below.

Total Dollar Volume - Class A Office Gateway Cities			
YEAR	2019	2020	2021 (Mar)
Min	\$225,000,000	\$12,500,000	\$0
Max	\$4,048,352,975	\$1,246,419,413	\$25,990,000
Average	\$1,459,491,731	\$602,413,431	\$8,663,333
% Difference	-	-58.7%	-98.6%

- Average sales volume from January 2019 to March 2020 was \$1,393,228,012.
- Average sales volume from April 2020 to March 2021 was \$351,857,433.
- The largest increase in dollar volume for 2020 was 7,437.6% from April to May.
- The largest decrease in dollar volume for 2020 was 98.7% from March to April.
- Boston has seen no sales activity for the last 11-months of the study period.
- New York City is responsible for approximately 48.8% of the total dollar volume over the 25-month study period.
- December 2020 dollar volume significantly increased from the prior month, reflecting a 362.6% increase in total dollar volume.
- January 2021 reflected a significant decrease of approximately 97% in total dollar volume, as shown in the figure below.
- February 2021 – first month over the given study period with no sales activity.
- March 2021 – the second consecutive month with no sales activity.



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.). Due to the lack of data, figures for Q1 2021 is not included.

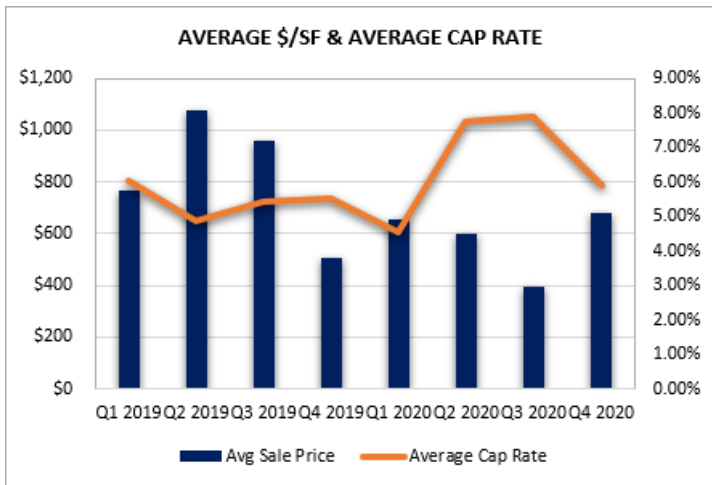
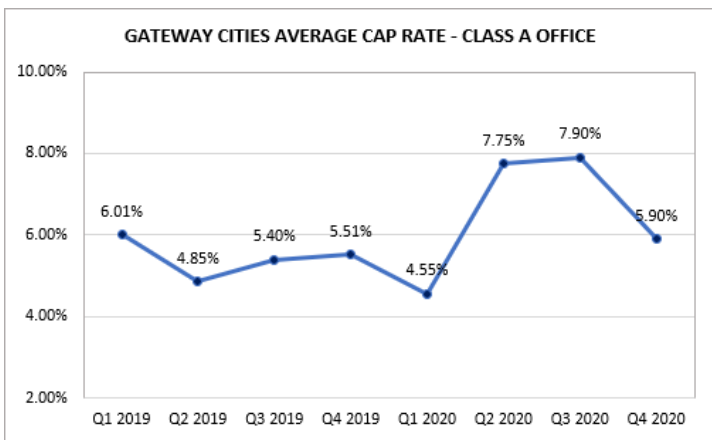
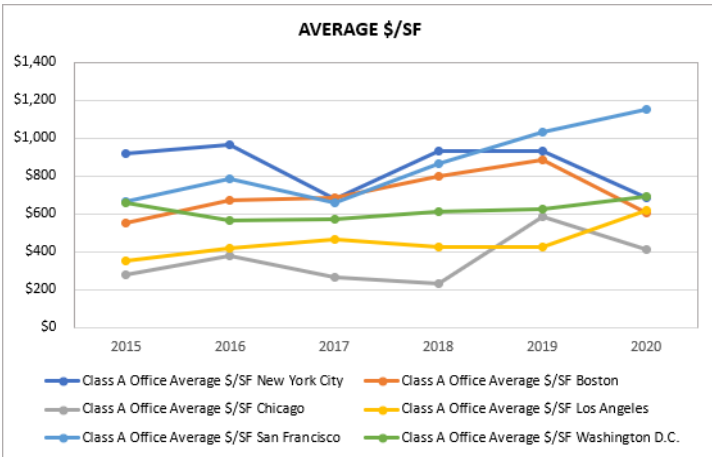
Average Quarterly Cap Rate

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 Q4 2020. According to the graph, the average cap rate ranged from 4.55% to 7.90%. The average cap rate experienced a notable increase from Q1 2020 to Q2 2020 (4.55% to 7.75%) and continued this trend into Q3 2020 increasing to a 7.90% cap rate. It is important to note that Q4 2020 experienced a notable decrease from 7.90% to a 5.90%. Due to the lack of data, a figure for Q1 2021 is not included.

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. There is an inverse relationship between the average cap rates and the average dollar per square foot. From Q2 2019 to Q4 2019, the average dollar per square foot trended downward while the average cap rates increased. Q4 2019 experienced its largest decline in dollar per square foot dropping more than \$400 per square foot. The largest increase in cap rates occurred in Q2 2020 increasing to 7.75%. Q4 2020 experienced an increase in average dollar per square foot and a decrease in average cap rate reflecting a 5.90%, cap rate. Due to the lack of data, a figure for Q1 2021 is not included.

SOURCE: CoStar and Marshall & Stevens



Patrick T. Craig, MAI, MRICS
 Executive Managing Director
 Real Estate Valuation Practice
 212.897.9481
 ptcraig@marshall-stevens.com



Catherine Gu
 Senior Director
 Real Estate Valuation Practice
 646.438.7602
 cgu@marshall-stevens.com



Mike Gies
 Analyst
 Real Estate Valuation Practice
 609.613.2468
 mgies@marshall-stevens.com