

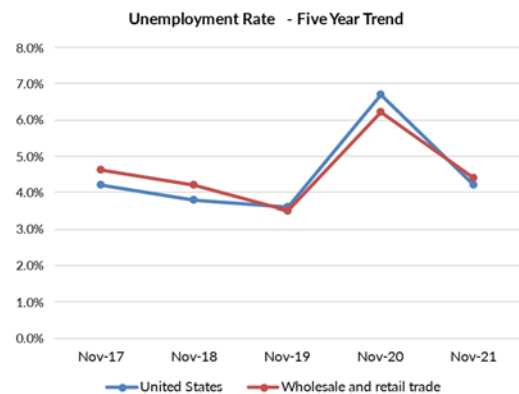
U.S. Gateway Cities Class A Office Volume & Buying Trends – November 2021



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 investment sales, vacancy rates, rent collection rates, and unemployment underscore the crippling effects of COVID-19 on American consumers and businesses alike. As a lead barometer, national unemployment increased significantly in 2020, from 3.5% in February to a peak of 14.8% in April 2020. Since April 2020, businesses began re-opening, and unemployment has been declining. However, new variants of the virus continue emerging, slowing down this progress.

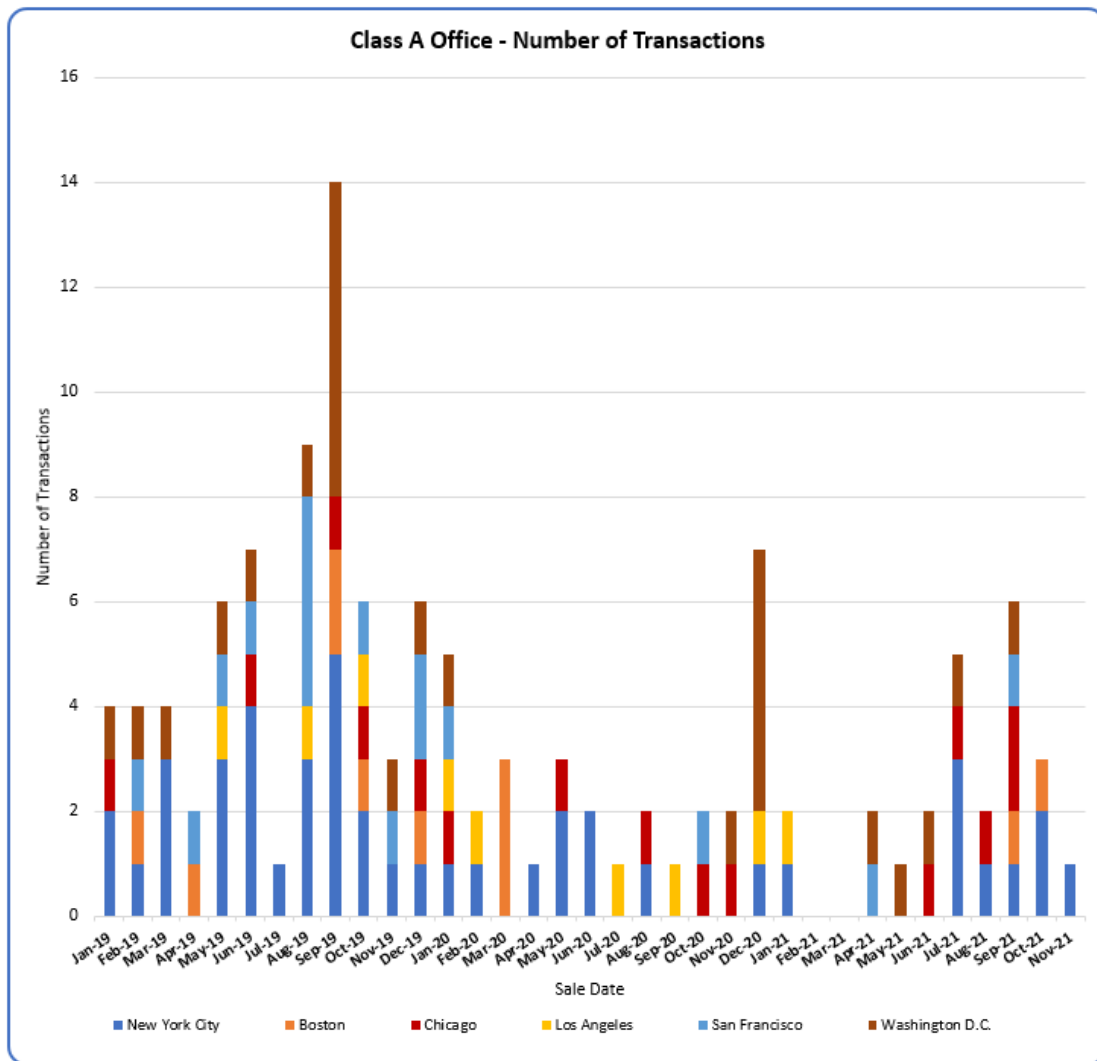
The second graphic below illustrates how the new case counts have spiked as new variants of the virus have appeared. Counteracting those spikes in new cases are the vaccines that became available in late 2020. As more of the population becomes vaccinated, the hope is that new cases will continue to drop, and the population will not be overcome by new strains. These figures will be watched carefully as we continue through 2021 and into 2022.

With COVID-19 still 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 Offices across major gateway cities.



Number of Sales Transactions

- Parameters: All Class A Office building sales, segmented by city: **New York City, Boston, Chicago, Los Angeles, San Francisco, Washington D.C.**
- Pre-COVID (January 2019 to March 2020), the monthly average was just over 5 sales per month.
- Since April 2020, the monthly average fell to roughly 2.3 per month.
- Over the last five months (July – November 2021), the average rose to 2.4 sales per month.
- Notably, there were no sales in February or March 2021, so recent performance may be the start of a trend.
- October 2021- three transactions occurring, with two in New York City.
- November 2021 – one transaction occurring in New York City
- The Gateway Cities Office Market continues to underperform levels from prior years.



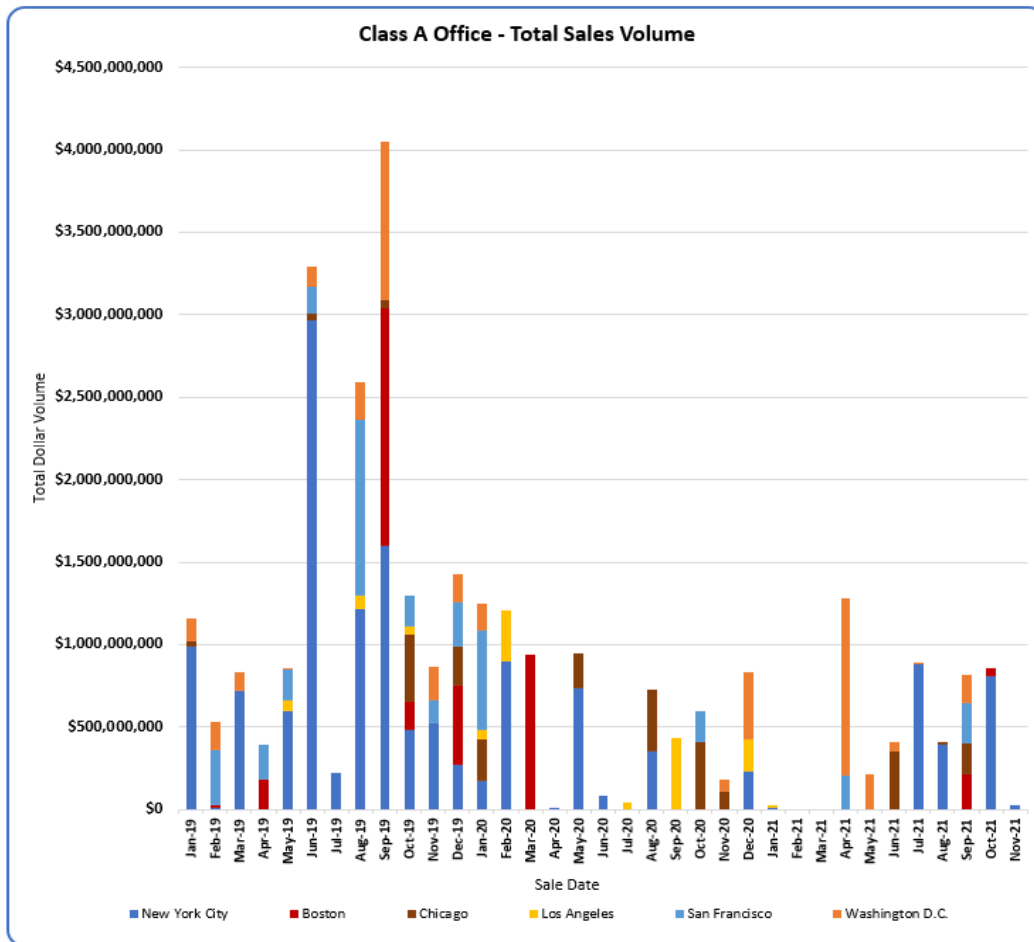
We tracked the number of monthly Class A office building sales recorded, segmented by each gateway city. Over the study period there have been a total of 121 transactions. New York City has experienced the most transactions, accounting for approximately 36.4% of the total number of transactions across all cities. Washington D.C. is the second highest in number of transactions, reflecting a 21.5% stake within the market and San Francisco comes in third with 13.2%.

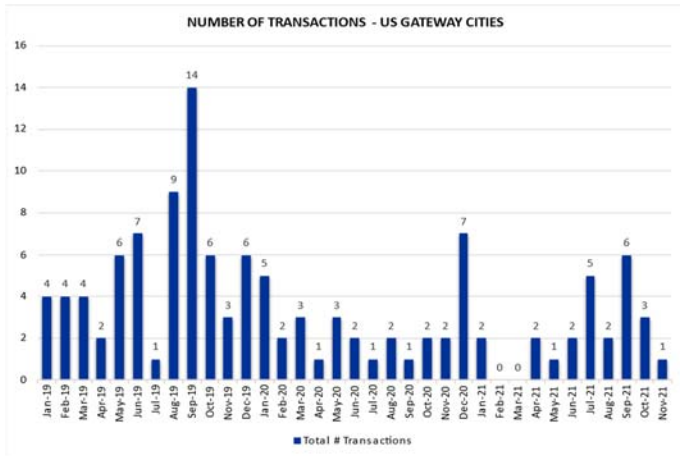
Dollar Volume of Sales Transactions

In 2019, the average monthly sales volume was approximately \$1.5 billion. Comparatively, the average monthly sales volume in 2020 was roughly \$602 million, reflecting a decrease of approximately 58.7%. In 2021 through November, the monthly average declined 25.9% from the 2020 average. Thus far in 2021, the negative trend in dollar volume continues. 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 (Nov)
Min	\$225,000,000	\$12,500,000	\$0
Max	\$4,048,352,975	\$1,246,419,413	\$1,281,750,000
Average	\$1,459,491,731	\$602,413,431	\$446,642,670
% Difference	-	-58.7%	-25.9%

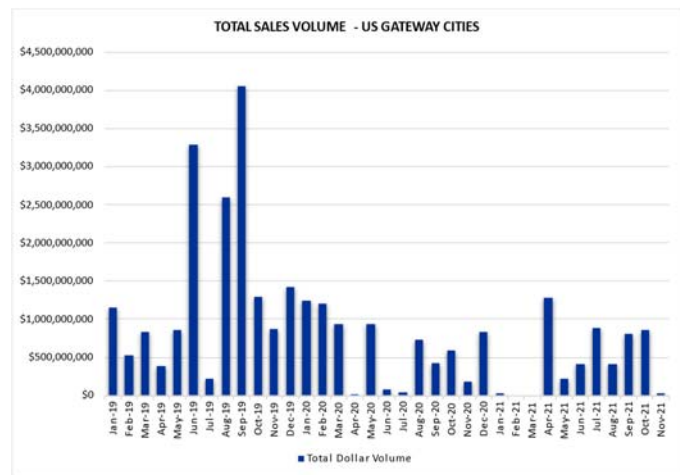
- Pre-COVID (January 2019 to March 2020), the monthly average sales volume was nearly \$1.4 Billion.
- Since April 2020, the monthly average sales volume declined to roughly \$460 Million.
- Since April 2021, the average monthly sales volume was \$694 Million, which is a positive trend.
- Notably, there were no sales in February or March 2021, so the performance since April 2021 is a positive sign.
- November 2021 experienced a large drop off in total dollar volume from the prior month.
- In general, the Gateway Cities Office Market continues to underperform levels from prior years.





SALES (2019-2021): Volume

The Class A Office Market in Gateway Cities is typically a barometer of performance for the commercial real estate sector. However, over the study period dating back to January 2019, there has been a scarce number of transactions. Pre-COVID figures fared better than COVID-ERA figures, but the number of transactions has remained modest. September 2021 saw the highest number of transactions since December 2020 whilst October and November 2021 show a decline.



Dollar Volume of Sales

In 2019 there were a few months reflective of high dollar volume, occurring in June, August, and September. Since then, sales volume has declined. While there were no sales in February and March of 2021, sales volume was nearly \$1.3 Billion in April 2021. However, May 2021 experienced a significant drop in sales dollar volume reflecting approximately \$215 million. July 2021 experienced a recovery reflecting the second highest sales volume thus far in 2021. Sales volume in August 2021 dipped slightly but increased again in September and October 2021 before declining significantly in November 2021.



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

The onset of the pandemic negatively impacted the US Gateway Cities Class Office Market. During 2020, cap rates increased initially before correcting in the latter part of the year. Pricing was down in 2020 as well, but in Q1 and Q3 of 2021 the \$/SF exhibited the highest levels over the study period. As the pandemic continues to cause concerns, the office market in US Gateway Cities will remain uncertain. Return to work policies will be of interest going forward.

SOURCE: CoStar and Marshall & Stevens



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