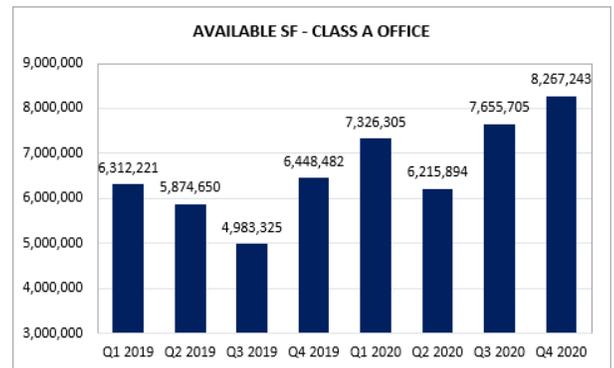


US Gateway Cities Class A Office Sales Volume & Buying Trends – December 2020

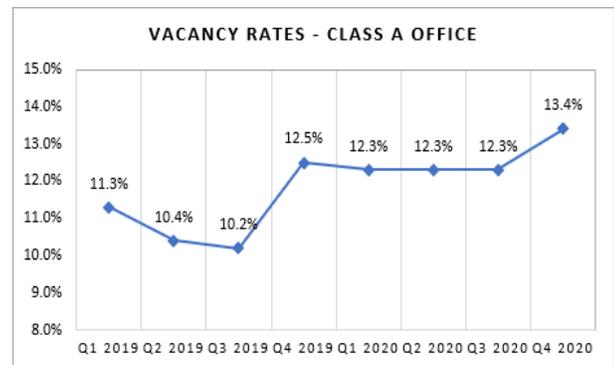
2020 represented many challenges for the Class A Office Market sector within the following gateway cities: **New York, Boston, Chicago, Los Angeles, San Francisco, and Washington D.C.** These cities are home to regional and international corporations and serve as headquarters locations for many Fortune 500 companies. Investment in these gateway cities remains a harbinger for the health of the US Office Market.

The parameters for this search include investment sales of Class A office buildings in the six gateway cities within the US over a 2-year period, from January 2019 to December 2020. We analyzed each city to compare number of transactions and dollar volume over the given study period.

As exhibited in the graphic, available square footage of Class A office space has fluctuated over the given study period. Q4 2020 reached the highest level of availability with over 8.2 million square feet available. With COVID-19 emerging in Mid-March 2020, we have seen rising availabilities since. In Q4 2020, availabilities reached their highest point of the study period.



Due to the pandemic, vacancy rates have been on a steady increase as shown on the right. The final quarter of 2020 reflects a vacancy rate of 13.4%, which is the highest vacancy rate observed over the past eight quarters.



The top buyers and sellers of 2020 are presented on the right. Munich Reinsurance America is the top buyer of this asset type, accounting for more than \$900 million. The top seller was Abu Dhabi Investment Authority, which accounted for \$900 million in sales.

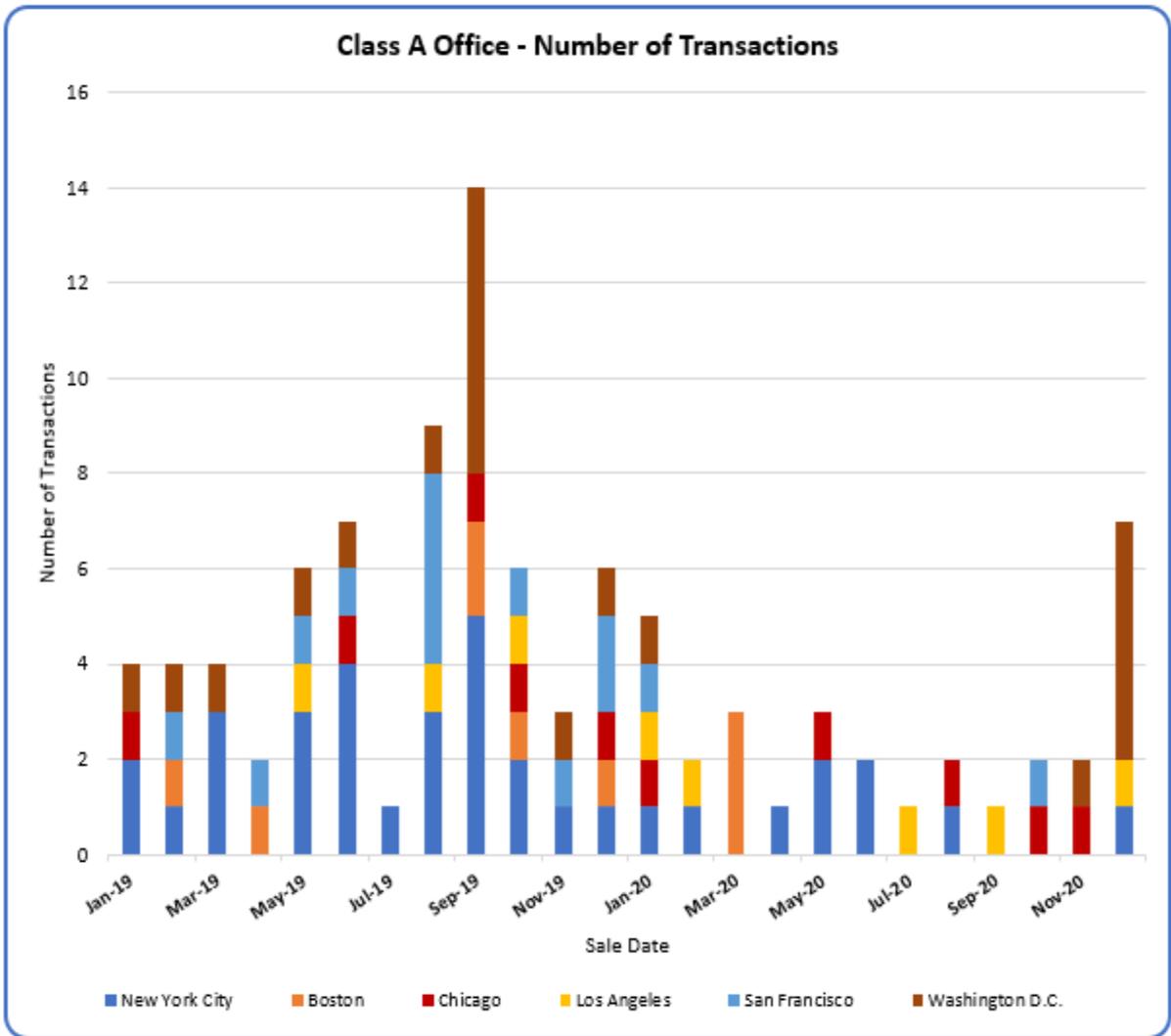


Number of Sales Transactions

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 December 2020, there have been a total of 97 transactions. New York City has experienced the most transactions, accounting for approximately 36.1% of the total number of transactions across all cities.

Historical Transaction Volume - Class A Office																										
Number of Transaction	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	Dec-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	1	35	36.1%
Boston	0	1	0	1	0	0	0	0	2	1	0	1	0	0	3	0	0	0	0	0	0	0	0	0	3	3.3%
Chicago	1	0	0	0	0	1	0	0	1	1	0	1	1	0	0	0	1	0	0	1	0	1	1	0	10	10.3%
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	1	8	8.2%
San Francisco	0	1	0	1	1	1	0	4	0	1	1	2	1	0	0	0	0	0	0	0	0	0	1	0	14	14.4%
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	5	21	21.6%
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	7	97	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%	250.0%	-	-

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 December 2020, the market experienced a high of seven transactions throughout all gateway cities, which occurred in New York, Los Angeles, and Washington D.C. This reflects the highest number of transactions since 2019. It is also important to note that Washington D.C. has experienced five sales in the month of December. According to the graphic below, the number of transactions has been fluctuating downward due to the current state of the economy, however, experienced a huge spike towards the end of the year, indicating a potential increase in investment activity for the upcoming year.



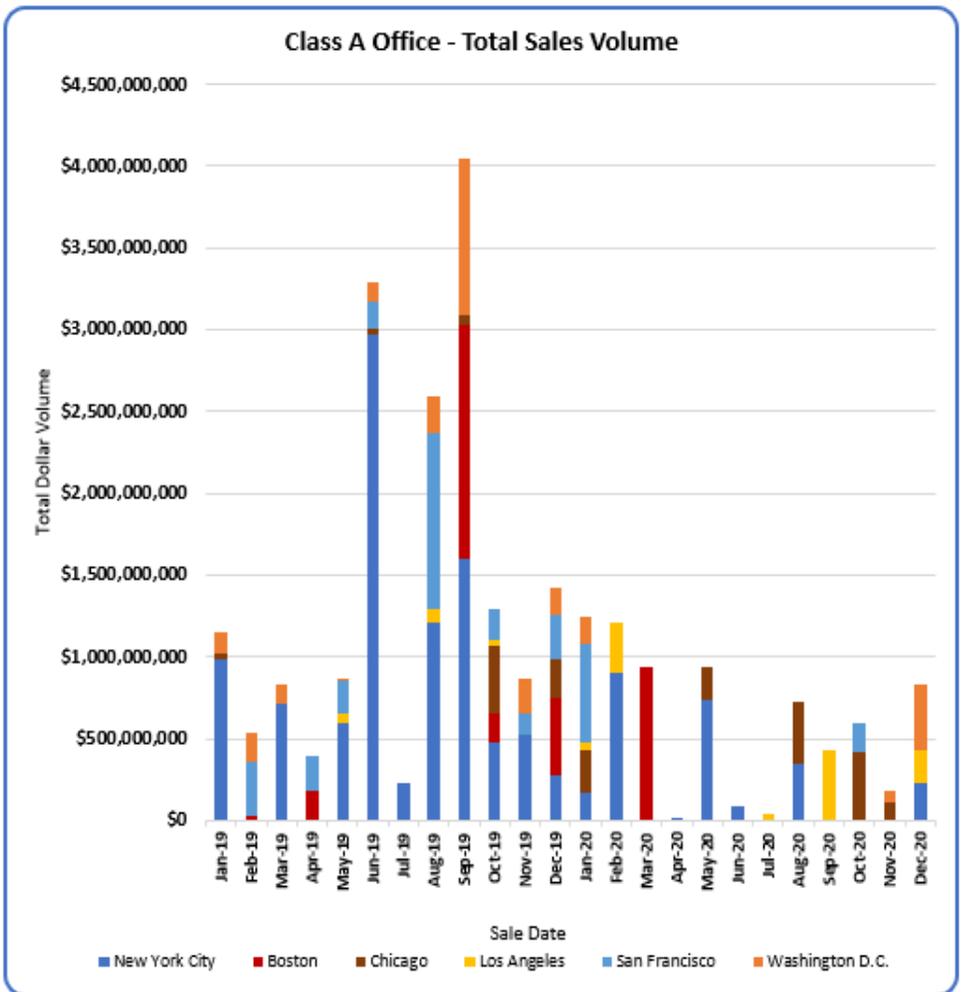
Dollar Volume of Sales Transactions

Over the 2-year period, New York City is responsible for approximately 48.8% of the total dollar volume of Class A office buildings across the six cities. Dollar volume in San Francisco is approximately 13.5% of total dollar volume with Boston following close behind reflecting 13% of total dollar volume. Washington DC, Chicago and LA have been 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 2-year period.

Historical Transaction Volume - Class A Office (in Millions)																												
Dollar Volume of Transac	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	Dec-20	Total	% of Total		
New York City	\$987.8	\$5.9	\$717.7	\$0.0	\$600.0	\$2,968.6	\$225.0	\$1,211.8	\$1,595.0	\$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	\$232.0	\$12,075.2	48.8%	
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	\$334.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$3,225.6	13.0%
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	\$0.0	\$0.0	\$2,123.7	8.6%	
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	\$0.0	\$196.0	\$1,215.4	4.9%
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	\$0.0	\$3,340.2	13.5%	
Washington D.C.	\$135.3	\$170.0	\$116.6	\$0.0	\$6.0	\$119.0	\$0.0	\$231.3	\$362.0	\$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	\$70.0	\$405.7	\$2,762.8	11.2%		
Total Dollar Volume	\$1,154.2	\$533.2	\$634.3	\$369.1	\$855.5	\$3,291.6	\$225.0	\$2,593.6	\$4,048.4	\$1,293.0	\$668.4	\$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	\$833.7	\$24,742.9	100.0%		
% Change from Prior Month	-	-53.8%	56.5%	-53.4%	119.3%	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%	-69.6%	362.6%	-	-		

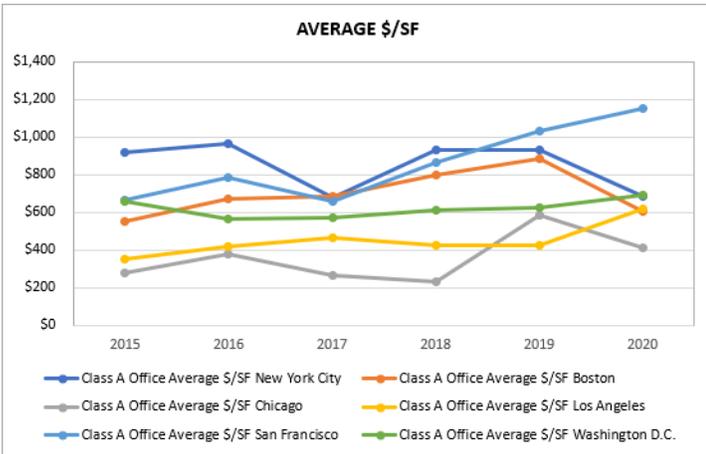
Over the study period, the city with the highest transaction volume is New York City, which comprises roughly \$12 billion of total dollar volume. Boston and San Francisco have similar dollar volumes over \$3.2 billion apiece. Throughout 2020, investment activity for Class A office buildings dropped off from prior levels. However, December experienced a large increase of 362.6% to \$833 million as well as reporting seven transactions, which is the highest number of transactions seen since September 2019. This fluctuating trend in dollar volume indicates investors are still uncertain but there are signs of recovery moving into 2021.

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
Dec-20	\$833,695,000
Min	\$12,500,000
Max	\$4,048,352,975
2019 Ave	\$1,459,491,731
2020 Ave	\$602,413,431



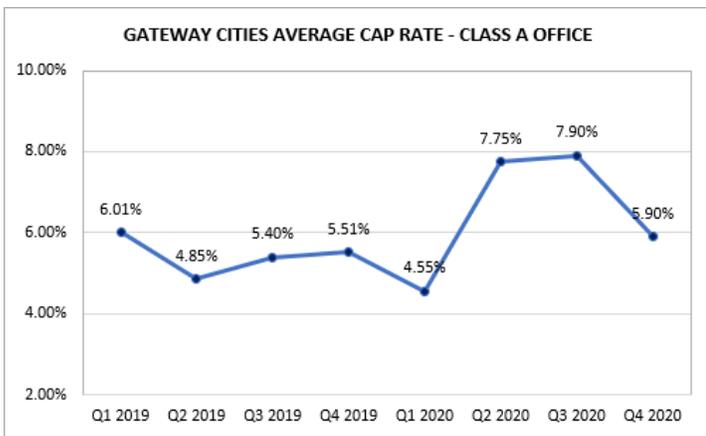
As detailed above and to the right, since the advent of COVID-19 in Mid-March 2020, investors have remained hesitant, which is illustrated for April 2020, June 2020, and July 2020.

It is important to note that December 2020 experienced large increases in dollar volume as well as number of transactions, indicating a potential increase in the foreseeable future.



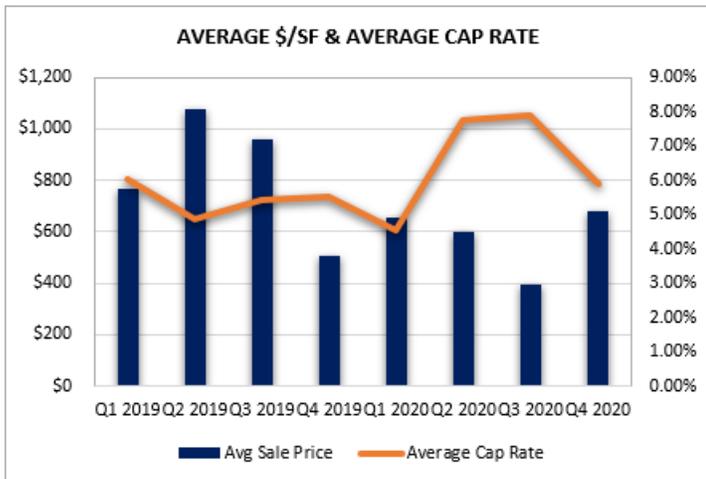
Average Yearly Price per Square Foot

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 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 is analyzed on a quarterly basis across the six cities. The cap rates fluctuated from Q1 2019 to Q4 2020. As exhibited, 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%.



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

The graph on the left shows the average price per square foot and average cap rate of the six cities on a quarterly basis. In 2019, cap rates fluctuated from 4.85% to 6.01%. However, in 2020, cap rates took a different trajectory. In Q1 2020, the average cap rate was 4.55%, reflecting the lowest cap rate over the study period. Since then, cap rates increased in Q2 and Q3 to nearly 8.00%, before correcting in Q4 at 5.90%. This data is reassuring, and likely aligned with the fact that COVID-19 vaccines are scheduled to rollout in the US during Q1 2021. While the pandemic remains an obstacle, it appears that investor sentiment is beginning to gain momentum.

SOURCE: CoStar and Marshall & Stevens



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