CBRE

Pulse of U.S. Office Demand

As the U.S. economy improves and vaccination levels increase, there are signs that the U.S. office market is turning a corner. To gauge the pace of recovery, CBRE has compiled new indices that illuminate the current state and future prospects of the 12 largest U.S. office markets—Atlanta, Boston, Chicago, Dallas/Fort Worth, Denver, Houston, Los Angeles, Manhattan, Philadelphia, San Francisco, Seattle and Washington, D.C. Issued monthly, CBRE's Pulse of U.S. Office Demand uses CBRE data that provides insight into when and where office market momentum is shifting.

Three metrics—space requirements of active tenants in the market (TIM), leasing activity and sublease availability—paint a picture of generally improving office demand in 2021. TIM, a leading indicator of occupier interest, has shown steady growth in 2021. Progress on leasing activity has been slower, though an upward trend has begun to emerge in several key markets. The biggest challenge remains the sublease space overhang across the U.S., which will not be eroded for several quarters.

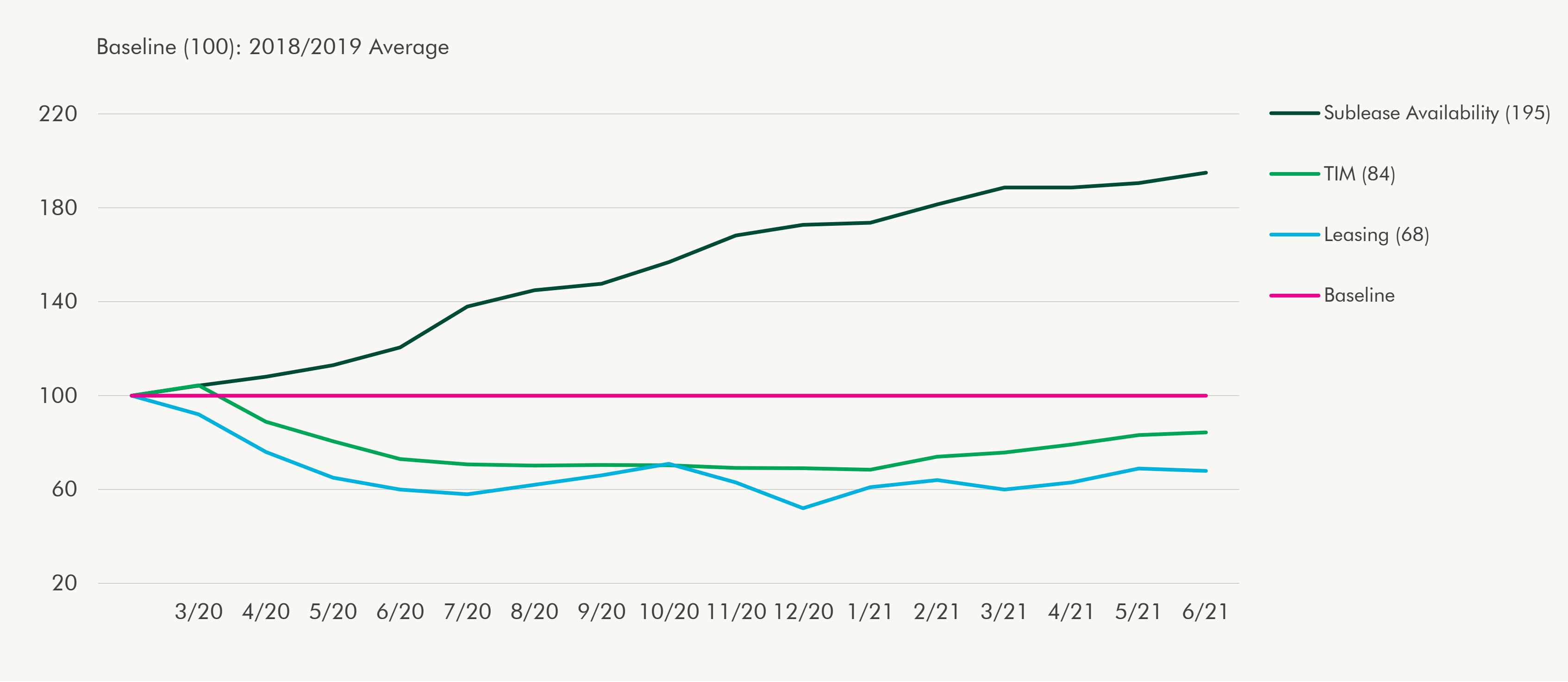
Nevertheless, some markets are beginning to see available sublease space decline, while others are seeing lower rates of sublease additions. Also, renewed concern over COVID-19, particularly the fast-spreading delta variant, could slow occupier plans to return to the office, and thus, long-term leasing decisions.

*This edition of the June 2021 Pulse of U.S. Office Demand has been revised to reflect updated data from participating markets and replaces the original publication, released on August 12, 2021.

Note: All market data is for the metropolitan area with the exception of Manhattan and San Francisco which includes the city and the peninsula.

U.S. Average Performance Index

FIGURE 1: Indexed Average Performance of Sublease Availability, TIM and Leasing for the Top 12 U.S. Markets

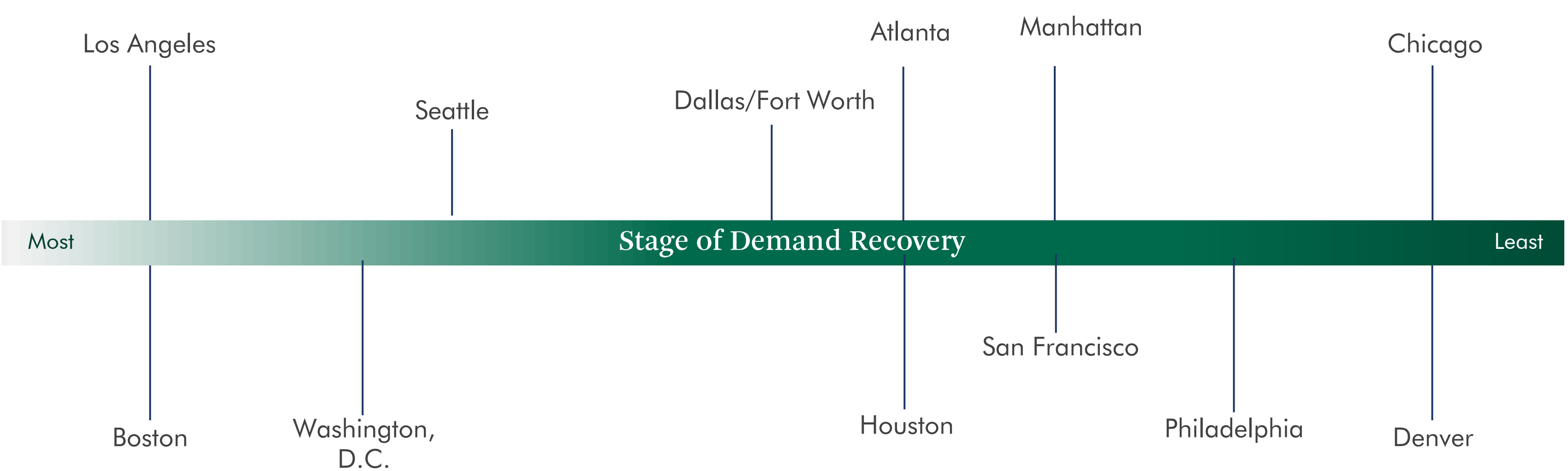


Source: CBRE Research, June 2021

June Demand Recovery by Market

Boston and Los Angeles stand out as the markets that have best withstood the downturn and are in a relatively strong position at midyear 2021. Washington, D.C. and Seattle are also showing encouraging signs of progress. Even Manhattan and San Francisco, the markets farthest from their pre-pandemic performance levels, have begun showing early signs of improvement. None of the markets tracked in the Pulse appear to be deteriorating, though some, including Chicago and Denver, are struggling to build positive momentum.

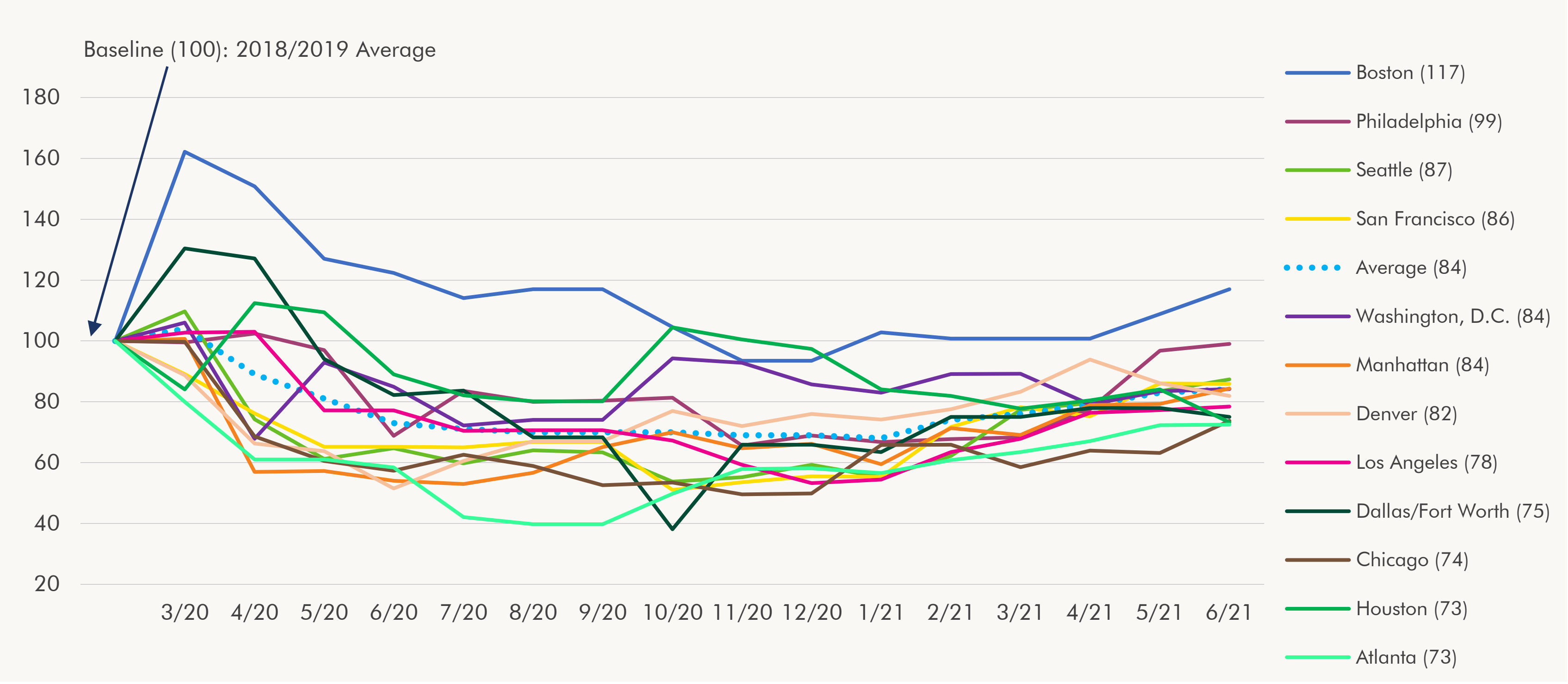
FIGURE 2: June Office Market Recovery Scale, Top U.S. Markets



Source: CBRE Research, June 2021

Tenants in the Market Index

FIGURE 3: Indexed Square Footage of Tenant Requirements Compared with 2018/2019 Average



Source: CBRE Research, June 2021

Tenants in the Market Index

Throughout 2020, the largest office markets saw tenants delay or cancel plans for new leases and expansions amid the pandemic, causing the volume of active TIM requirements to fall below pre-pandemic levels. Since hitting a low point of 68 in January 2021, the U.S. TIM Index (baseline: 100) shows that the 12 largest office markets have turned a corner as the index rose to 84 by June.

Top-performing Boston (117) has maintained strong TIM activity thanks to the large and growing life sciences sector that continued to expand throughout 2020 and 2021.

In the first half of 2021, seven of the 12 markets showed considerable monthly improvement in TIM volume. This is expressed by June TIM index readings for Philadelphia (99), Seattle (87), San Francisco (86), Manhattan (84), Denver (82), Los Angeles (78), and Atlanta (73). Additionally, the Chicago TIM index (74) showed recent improvement, with a jump of 12 points in June alone to reach its highest index level of the pandemic era.

Meanwhile, Denver's TIM index reading reached 94 in April before several lease closings lowered the amount of space requirements.

Additionally, Washington D.C. (84) has maintained relatively high TIM index level for most of the pandemic period. The District's index level ranged from the mid-80s to mid-90s between October 2020 and March 2021, before falling 5 points to its June level. Despite this recent decline, an increase in space tours at Washington, D.C. properties have increased steadily throughout 2021.

Overall, most of these 12 markets should see increased leasing activity in the coming months, as the increasing volume of TIM activity transitions to signed leases.

FIGURE 4: June 2021 TIM Index– Top 12 U.S. Markets

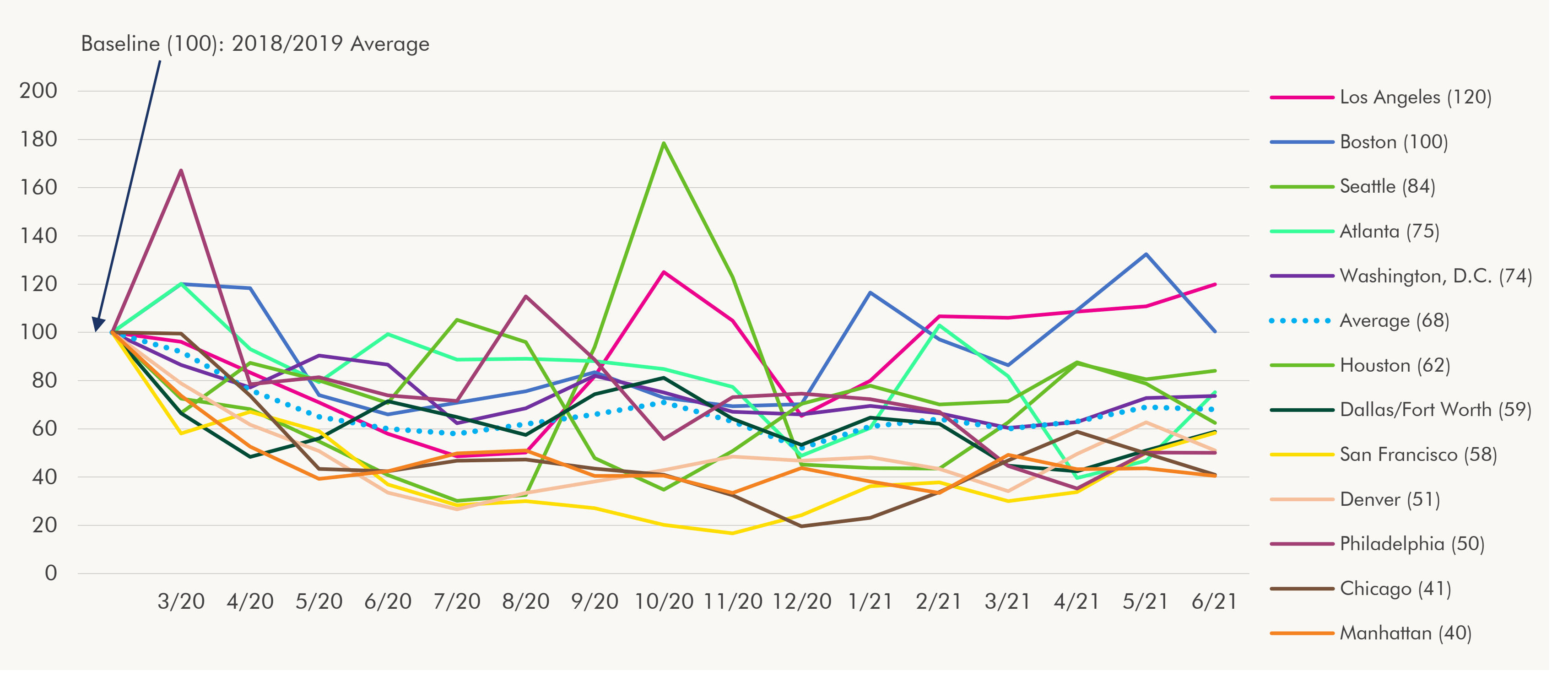
Rank	Market	Score	MoM Up/Down
1	Boston	117	Up
2	Philadelphia	99	Up
3	Seattle	87	Up
4	San Francisco	86	Up
5	Manhattan	84	Up
5	Washington, D.C.	84	Up
7	Denver	82	Down
8	Los Angeles	78	Up
9	Dallas/Fort Worth	75	Down
10	Chicago	74	Up
11	Houston	73	Down
11	Atlanta	73	Up
	U.S. Average	**84**	**Flat**

Source: CBRE Research, June 2021

TIM Index methodology note: CBRE tracks the total square footage of requirements from active tenants in the market, with minimum requirement of 10,000 sq. ft. The TIM index is created by comparing the total monthly TIM requirements to a pre-pandemic baseline, which is the average of TIM requirements recorded by CBRE in 2018 and 2019. The index level for the baseline is set to 100. In most cases, when tenant requirements are given as a range, the Index uses the minimum square footage. However, Seattle records TIM using the average requirement within the tenants' size range, while Philadelphia uses the maximum square footage.

Leasing Activity Index

FIGURE 5: Indexed Monthly Leasing by Market Compared with 2018/2019



Source: CBRE Research, June 2021

Leasing Activity Index

Like TIM, monthly leasing activity has begun to rebound from its pandemic low, though there has been less progress. CBRE's Leasing Activity Index stood at 68 in June from its low of 52 in December 2020. Los Angeles (120), Boston (100), Seattle (84), Atlanta (75), and Washington, D.C. (74) all exceeded the U.S. average in June. Los Angeles and Boston have exhibited strength throughout 2021, with average leasing activity index levels of 110 and 104, respectively.

San Francisco (58) has seen its leasing index improve considerably, increasing 41 points since hitting a low point of 17 in November of 2020.

Houston (62) and Chicago (40) had been on a path of improvement earlier in 2021, with April index levels hitting 88 and 59, respectively, before backsliding somewhat. Other markets, including Dallas/Fort Worth (59), Denver (51), Philadelphia (50) and Manhattan (40) have yet to build consistent momentum toward leasing recovery.

FIGURE 6: June 2021 Leasing Activity Index – Top 12 U.S. Markets

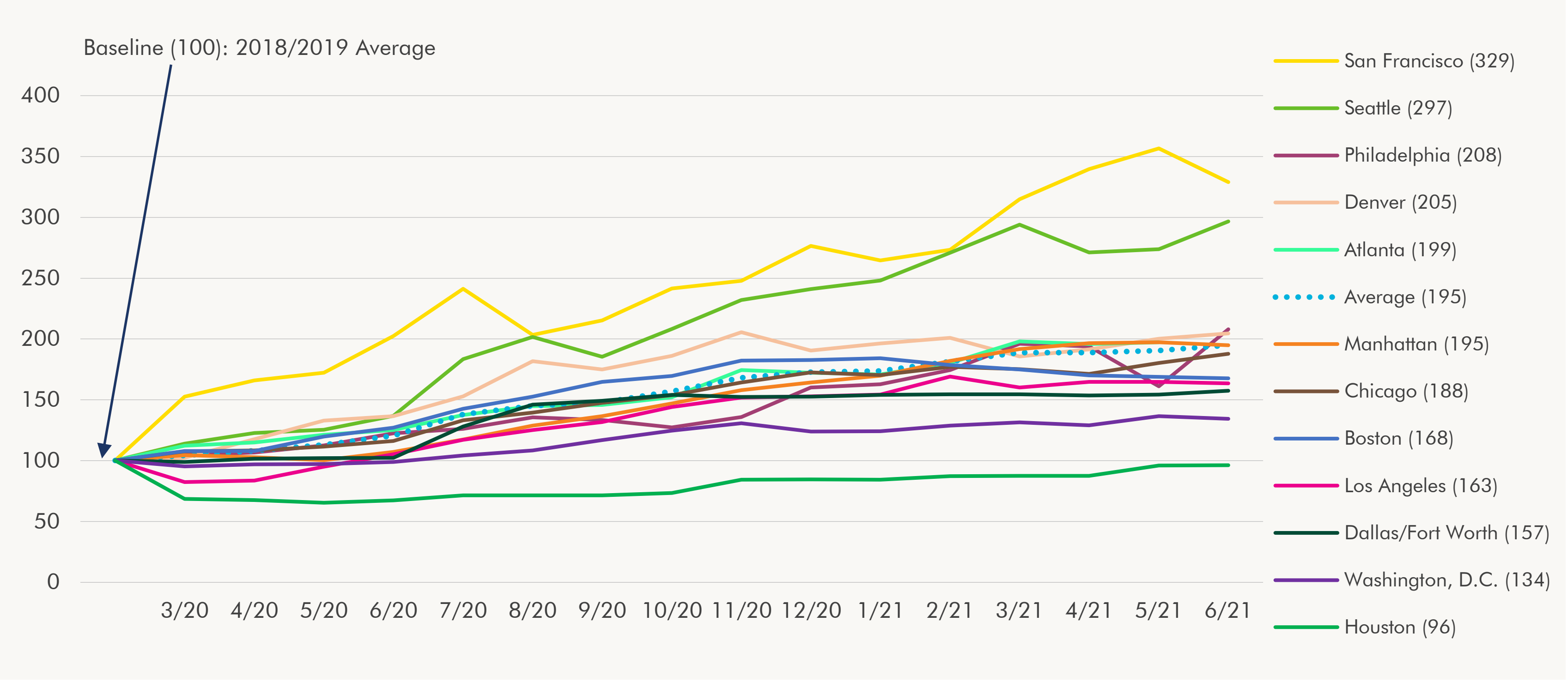
Rank	Market	Score	MoM Up/Down
1	Los Angeles	120	Up
2	Boston	100	Down
3	Seattle	84	Up
4	Atlanta	75	Up
5	Washington, D.C.	74	Up
6	Houston	62	Down
7	Dallas/Fort Worth	59	Up
8	San Francisco	58	Up
9	Denver	51	Down
10	Philadelphia	50	Flat
11	Chicago	41	Down
12	Manhattan	40	Down
	U.S. Average	**68**	**Up**

Source: CBRE Research, June 2021

Leasing Index methodology note: Leasing activity includes all new leases, expansions and renewals of 10,000 sq. ft. or more that close each month. The Leasing Activity Index uses a rolling three-month average of leasing activity. For most markets the weighting is 20% for the current month, 50% for the previous month and 30% for two months prior. For New York and Boston, where leasing data is available by the end of each month, the weights are 50% for the current month, 30% for the previous month and 20% for two months prior. The monthly rolling average figure is compared with a pre-pandemic baseline, which is the average monthly leasing activity in 2018 and 2019. The index level for the baseline is 100.

Sublease Availability Index

FIGURE 7: Indexed Sublease Availability by Market Compared with 2018/2019 Average



Source: CBRE Research, June 2021

Sublease Availability Index

The Sublease Availability Index was at 195 for June. Nearly all markets still have relatively high amounts of sublease availability since many occupiers reduced their office footprints when they shifted to remote working during the pandemic.

However, there are signs of improvement. After rising by an average monthly rate of more than 6% for most of 2020, the U.S. Sublease Availability Index growth slowed to an average of less than 2% per month in 2021.

As of June, seven of the 12 markets have an index reading lower than the U.S. average: Houston (96), Washington D.C. (134), Dallas/Ft. Worth (157), Los Angeles (163), Boston (168) and Chicago (188). Manhattan (194) was on par with the U.S. average.

Although it had the lowest June index level, Houston saw consistent sublease availability growth from May 2020 to May 2021, with the level holding steady through June. While currently available sublease space is below the peak in 2016, Houston's sublease inventory remains at historically high levels. In contrast, Boston and Los Angeles have seen declining sublease availability in recent months, while Manhattan and Washington D.C. had their first month-over-month declines in sublease availability since the pandemic began.

Atlanta (199), Denver (205), Philadelphia (208), Seattle (266) and San Francisco (329) have sublease availability index levels above the U.S. average. However, San Francisco experienced a significant decline in June, with the index falling from 28 points from its peak level of 357 in May 2021.

FIGURE 8: June 2021 Sublease Availability Index – Top 12 U.S. Markets

Rank	Market	Score	MoM Up/Down
1	Houston	96	Flat
2	Washington, D.C.	134	Down
3	Dallas/Fort Worth	157	Up
4	Los Angeles	163	Down
5	Boston	168	Down
6	Chicago	188	Up
7	Manhattan	195	Down
8	Atlanta	199	Up
9	Denver	205	Up
10	Philadelphia	208	Up
11	Seattle	297	Up
12	San Francisco	329	Down
	U.S. Average	**189**	**Down**

Source: CBRE Research, June 2021

Sublease Index methodology note: Sublease availability measures the total square footage of sublease space available for occupancy. The Sublease Availability Index compares monthly sublease availability totals with a pre-pandemic baseline, which is the average amount of sublease space available in 2018 and 2019. The index level for the baseline is 100.

Office Markets Poised for Improvement

As of midyear 2021, the 12 largest U.S. office markets are recovering by varying degrees. This reflects strengthening economic growth in the wake of significantly lower COVID infections and higher vaccination rates. However, this progress could be hampered if the recent rise in infections due to the delta variant becomes more acute.

We do not foresee widespread lockdowns reminiscent of the spring of 2020. Absent such, most of the largest U.S. office markets appear poised for improvement, based on growing tenant interest, increased leasing activity and an ebbing of sublease space additions.

Atlanta Market Insights

MODEST BUT VISIBLE PROGRESS TOWARD RECOVERY

TIM Index: 73

Space requirements for tenants in the market are 73% of the pre-pandemic baseline. Atlanta ranks 11th and is 11 points below the U.S. average of 84.

The June index increased by 1 point from May 2021, the fifth consecutive month of improvement for Atlanta.

Leasing Activity Index: 75

Leasing activity is at 75% of the baseline level. Atlanta ranks fourth in leasing recovery, 7 points ahead of the U.S. average of 68.

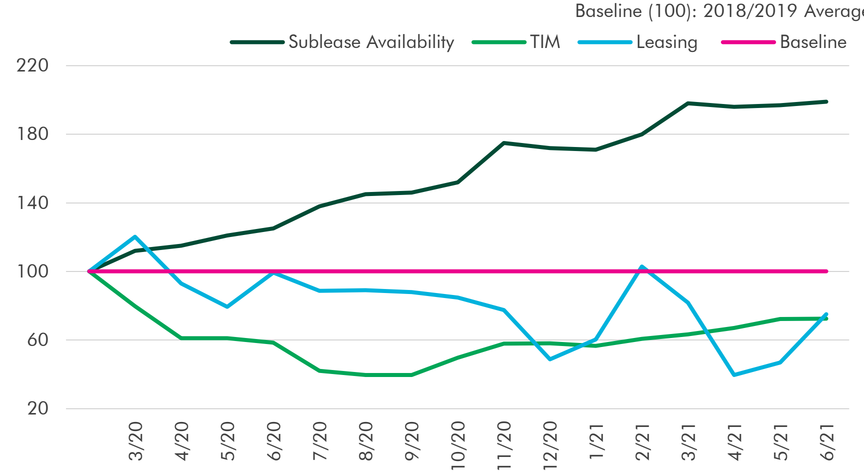
The June index is an increase of 28 points from May 2021, though on a quarterly basis, leasing activity was down in Q2 from Q1, suggesting the market is still waiting to see consistent positive momentum.

Sublease Availability Index: 199

The volume of available sublease space is 99% above the baseline level. Atlanta ranks eighth in terms of available sublease space, 4 points above the U.S. average of 195.

The June index is down 2 points from May 2021, a record high for the pandemic-period.

FIGURE 9: Atlanta



Source: CBRE Research, June 2021

Boston Market Insights

U.S. LEADER IN PANDEMIC-ERA OFFICE MARKET PERFORMANCE

TIM Index: 117

Space requirements for tenants in the market are 17% above the baseline level. Boston ranks first in the recovery of tenant requirements, 33 points above the U.S. average of 84.

The index increased by 8 points from May 2021 but has been consistently above pre-pandemic levels throughout 2020 and 2021. Demand from life science tenants has been a strong driver of this measure.

Leasing Activity Index: 100

Leasing activity in June was on par with the pre-pandemic monthly baseline level. Boston ranked second, 32 points ahead of the U.S. average of 68. Boston has consistently outperformed throughout the pandemic.

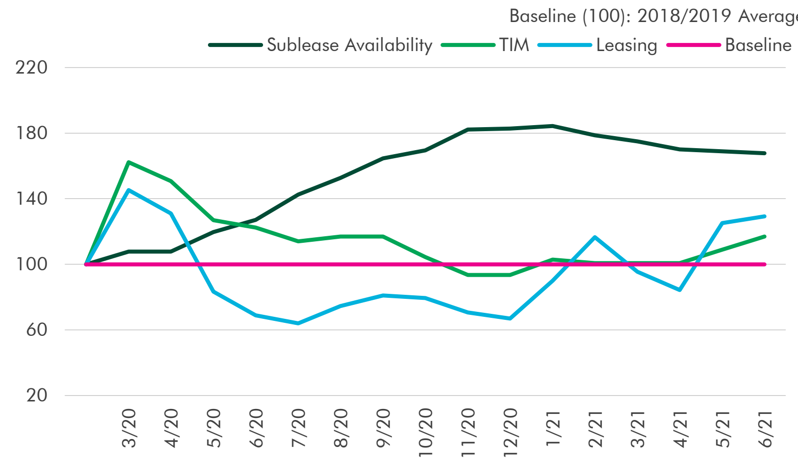
The June index increased by 4 points from May 2021, though activity was up in Q2 over Q1 2021. Leases by traditional office tenants have begun to recover, combining with strong, steady leasing by life science tenants to boost the office market.

Sublease Availability Index: 168

The volume of available sublease space is 68% greater than the pre-pandemic baseline. Boston ranks fifth in terms of available sublease space, 27 points below the U.S. average of 195.

The June index decreased 1 point from May 2021 and has been on a steady decline from its peak of 184 in January 2021.

FIGURE 10: Boston



Source: CBRE Research, June 2021

Chicago Market Insights

WAITING FOR POSITIVE MOMENTUM TO TAKE HOLD

TIM Index: 74

Space requirements for tenants in the market are 74% of the pre-pandemic baseline level. Chicago ranks tenth behind the U.S. average of 84.

The June index increased by 11 points from May 2021, the most substantial increase among the 12 U.S. markets and attributable to a significant financial services requirement. The June index is at the highest level since January 2021.

Leasing Activity Index: 41

Leasing activity is 41% of the pre-pandemic baseline. Chicago ranked 11th, 27 points below the U.S. average of 68.

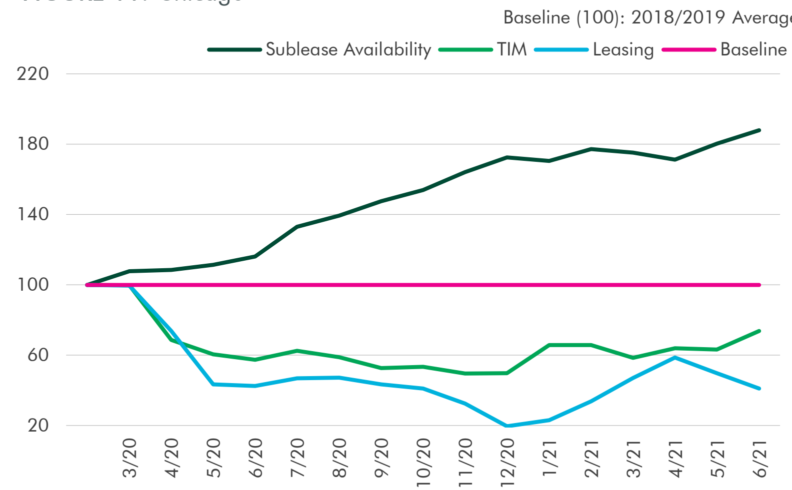
In a typical summer slowdown, the June index decreased by 9 points from May 2021 but remained well above its Q4 2020 trough. Volume is expected to increase later this year as large law firm deals close and activity in Fulton Market continues at a feverish pace.

Sublease Availability Index: 188

The volume of available sublease space is 88% above the pre-pandemic baseline. Chicago ranks sixth, 7 points below the U.S. average of 195.

The June index increased by 8 points from May 2021 and is currently at the highest level of the pandemic period. However, the rate of increase has slowed as offices reopen.

FIGURE 11: Chicago



Source: CBRE Research, June 2021

Dallas/Fort Worth Market Insights

STABLE, WITH RECOVERY IMMINENT

TIM Index: 75

Space requirements for tenants in the market are 75% of the pre-pandemic baseline. Dallas/Fort Worth ranks ninth and is 9 points below the U.S. average of 84.

The June index decreased by 3 points from May 2021. Index levels have been in the mid-to-high 70s since February, a moderate improvement from the prior six months due to a recent increase in touring activity.

Leasing Activity Index: 59

Leasing activity is 59% of the pre-pandemic baseline. Dallas/Fort Worth ranks sixth and is 9 points below the U.S. average of 68.

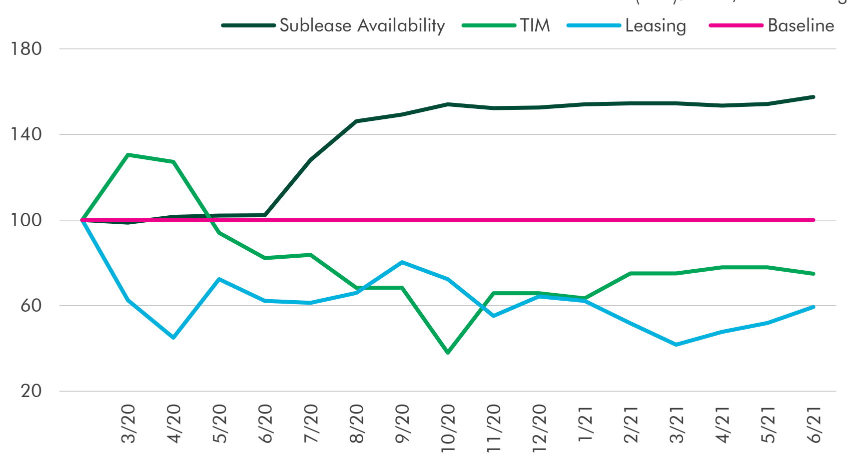
The June index increased by 7 points from May 2021. Leasing was up in Q2 versus Q1 2021; however, levels are below those seen in the last two quarters of 2020.

Sublease Availability Index: 157

The volume of available sublease space is 57% above the pre-pandemic baseline level. Dallas/Fort Worth ranks third and is 38 points below the U.S. average of 195.

The June index increased by 3 points from May 2021 and has been relatively stable for several months, ranging from 153 to 157 in 2021.

FIGURE 11: Dallas/Fort Worth



Source: CBRE Research, June 2021

Denver Market Insights

ENERGY CONSOLIDATION DELAYS RECOVERY

TIM Index: 82

Space requirements for tenants in the market are 82% of the pre-pandemic baseline level. Denver ranks sixth, just below the U.S. average of 84.

The June index decreased by 4 points from May 2021, the second consecutive monthly decline, reflecting the closing of over 500,000 sq. ft. of deals in the past two months and a typically slow summer season for adding requirements. Denver's index had reached as high as 94 in April 2021.

Leasing Activity Index: 51

Leasing activity is 51% of the pre-pandemic baseline. Denver ranked eighth and is 17 points below the U.S. average of 68. The turmoil in the energy sector early in 2020 weakened the market prior to the pandemic, compounding the negative impact.

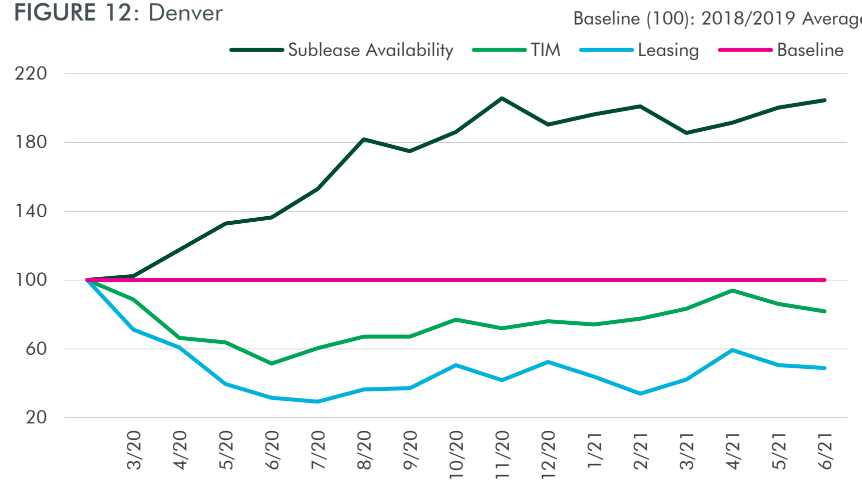
The June index decreased by 2 points from May 2021, the second consecutive monthly decline. However, on a quarterly basis, leasing was up in Q2 2021 after a very strong showing in April.

Sublease Availability Index: 205

Available sublease space is 105% above the pre-pandemic baseline. Denver ranks ninth and is 20 points above the U.S. average of 195.

The June index increased by 5 points from May 2021 and is near the highest level of the pandemic period, despite sublease space being taken in some of the largest recent leases. Much of the sublease inventory is the result of ongoing consolidation in the energy industry, a major occupier in downtown Denver.

FIGURE 12: Denver



Source: CBRE Research, June 2021

Houston Market Insights

WAITING FOR POSITIVE MOMENTUM TO TAKE HOLD

TIM Index: 73

Space requirements for tenants in the market are 73% of the pre-pandemic baseline. Houston ranked 11th and was 11 points below the U.S. average of 84.

The June index decreased by 11 points from May 2021, the second largest decline across U.S. markets. The June level marks the lowest point in 2021.

Leasing Activity Index: 62

Leasing activity is 62% of the pre-pandemic baseline. Houston ranked sixth and is 6 points below the U.S. average of 68.

The June index decreased by 17 points from May 2021, the second consecutive monthly decline, bringing Houston to its lowest monthly leasing total of 2021.

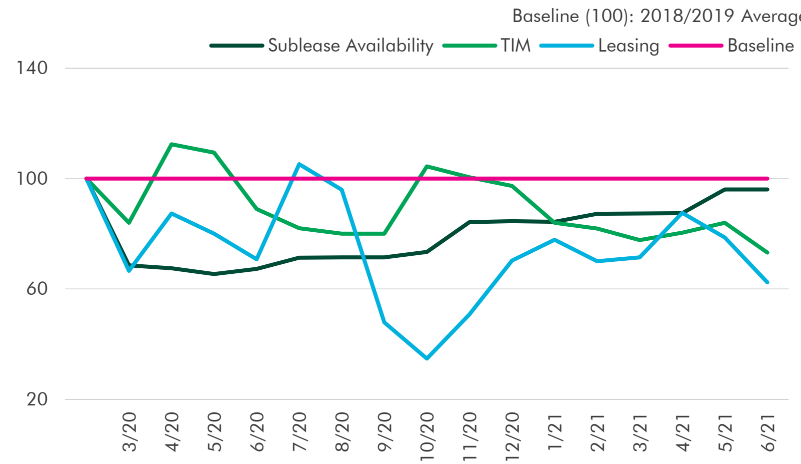
Sublease Availability Index: 96

Available sublease space is 4% below its pre-pandemic baseline level. Houston ranks first and is 99 points below the U.S. average of 195.

Although it had the lowest June index level, Houston saw consistent sublease availability growth from May 2020 to May 2021, with the level holding steady through June. While currently available sublease space is below the peak in 2016, Houston's sublease inventory remains at historically high levels.

The June index was unchanged from May 2021 but has been gradually rising throughout the pandemic period.

FIGURE 13: Houston



Source: CBRE Research, June 2021

Los Angeles Market Insights

LEADIING IN PANDEMIC-ERA OFFICE MARKET PERFORMANCE

TIM Index: 78

Space requirements for tenants in the market are 78% of the pre-pandemic baseline. Los Angeles ranked seventh and was 6 points below the U.S. average of 84.

The June index increased by 1 point from May 2021, the sixth consecutive monthly increase for Los Angeles as requirements slowly but steadily reappeared.

Leasing Activity Index: 120

Leasing activity is 20% above its pre-pandemic baseline. Los Angeles ranked first and is 52 points above the U.S. average of 68.

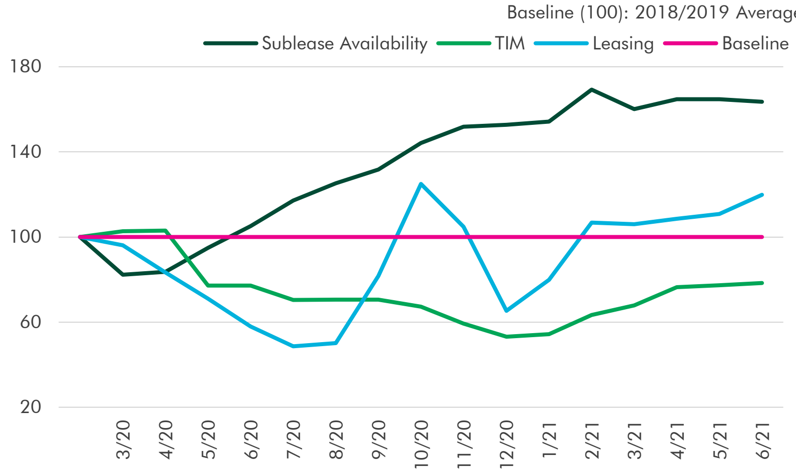
The June index increased 9 points from May 2021, bringing Los Angeles to its strongest month of leasing in the pandemic period.

Sublease Availability Index: 163

Available sublease space is 63% above its pre-pandemic baseline level. Los Angeles ranks fifth and is 31 points below the U.S. average of 195.

The June index declined by 2 points from May 2021 and appears to be stabilizing after rising steadily through Q1 2021.

FIGURE 14: Los Angeles



Source: CBRE Research, June 2021

Manhattan Market Insights

POSITIVE MOMENTUM BUILDS, METRICS IMPROVING

TIM Index: 84

Space requirements for tenants in the market are 84% of the pre-pandemic baseline. Manhattan ranked fifth and was even with the U.S. average of 84.

The June index increased by 5 points from May 2021, as Manhattan's TIM have steadily risen after bottoming out in Q3 2020.

Leasing Activity Index: 40

Leasing activity is 40% of the pre-pandemic baseline. Manhattan ranked 12th and is 28 points below the U.S. average of 68.

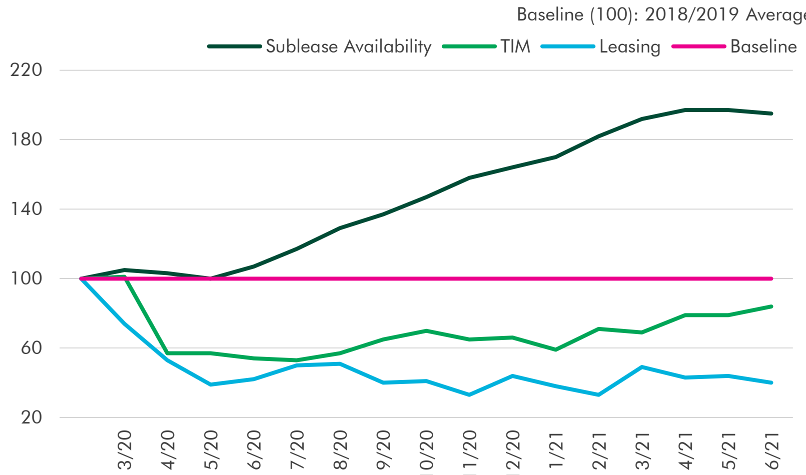
The June index decreased 4 points from May 2021.

Sublease Availability Index: 195

Available sublease space is 95% above its pre-pandemic baseline level. Manhattan ranks seventh and is even with the U.S. average of 195.

The June index declined by 2 points from May 2021 and appears to be stabilizing after steadily rising since Q2 2020.

FIGURE 15: Manhattan



Source: CBRE Research, June 2021

Philadelphia Market Insights

TENANTS RETURNING TO THE MARKET WITH NEW REQUIREMENTS

TIM Index: 99

Space requirements for tenants in the market are 99% of the pre-pandemic baseline. Philadelphia ranked third and was 15 points above the U.S. average of 84.

The June index increased by 2 points from May 2021 as Philadelphia sustains its strong run of resurgent tenant interest, largely driven by life sciences requirements that began in early Q2.

Leasing Activity Index: 50

Leasing activity is 50% of the pre-pandemic baseline. Philadelphia ranked tenth and is 18 points below the U.S. average of 68.

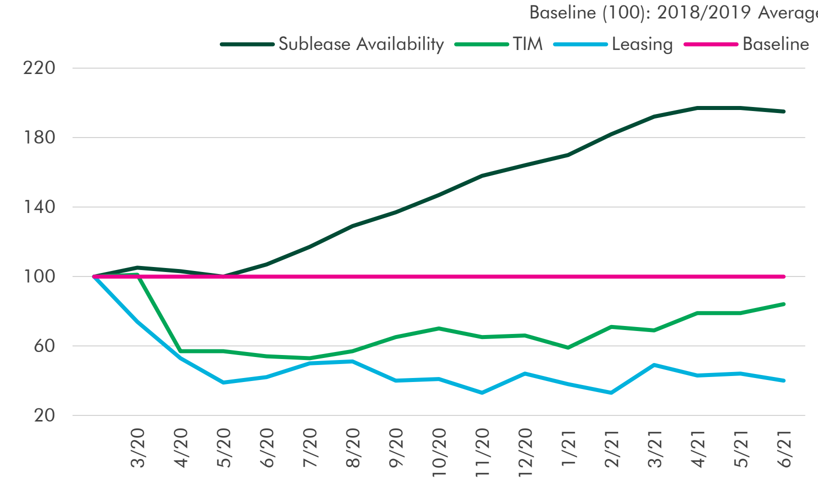
The June index was unchanged from May 2021 as leasing continues to trend down in 2021 after staying at 60% to 80% of baseline levels through much of 2020.

Sublease Availability Index: 208

Available sublease space is 108% above the pre-pandemic baseline level. Philadelphia ranks 10th and is 23 points above the U.S. average of 195.

The June index increased by 47 points from May 2021, continuing its rise after briefly dropping the previous month.

FIGURE 16: Philadelphia



Source: CBRE Research, June 2021

San Francisco Market Insights

LONG WAY TO RECOVERY, BUT EARLY SIGNS OF PROGRESS EMERGING

TIM Index: 86

Space requirements for tenants in the market are 86% of the pre-pandemic baseline. San Francisco ranked fourth and was 2 points above the U.S. average of 84.

The June index remained unchanged from May 2021, as San Francisco continues to maintain a strong level of interest despite a slow leasing market.

Leasing Activity Index: 58

Leasing activity is 58% of the pre-pandemic baseline. San Francisco ranked eighth and is 10 points below the U.S. average of 68.

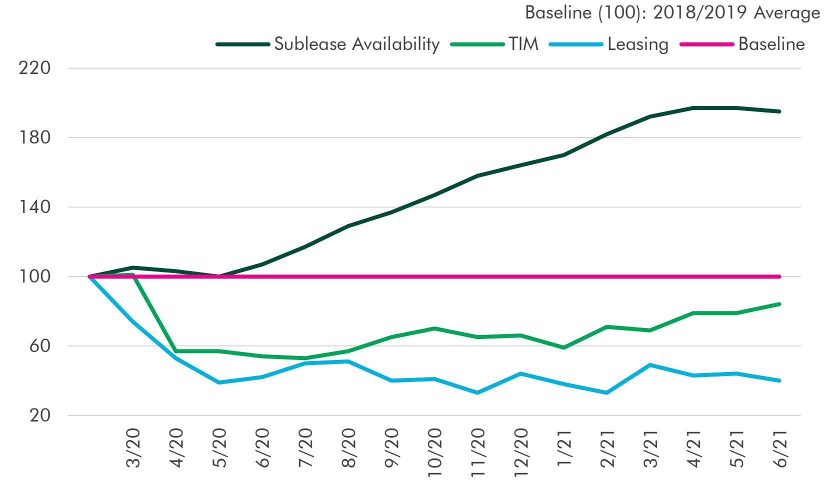
The June index increased by 8 points from May 2021.

Sublease Availability Index: 329

Available sublease space is 229% above the pre-pandemic baseline level. San Francisco ranks 12th and is 134 points above the U.S. average of 195.

The June index decreased by 28 points from May 2021, the first monthly decline in the pandemic period. San Francisco's high index also reflects the low base of available sublease space that existed during the 2018-19 baseline period.

FIGURE 17: San Francisco



Source: CBRE Research, June 2021

Seattle Market Insights

VISIBLE PROGRESS TOWARD RECOVERY

TIM Index: 87

Space requirements for tenants in the market are 87% of the pre-pandemic baseline. Seattle ranked fourth and was 3 points above the U.S. average of 84.

The June index increased by 4 points from May 2021, the fifth consecutive month of improvement.

Leasing Activity Index: 84

Leasing activity is 84% of the pre-pandemic baseline. Seattle ranked third and is 16 points above the U.S. average of 68.

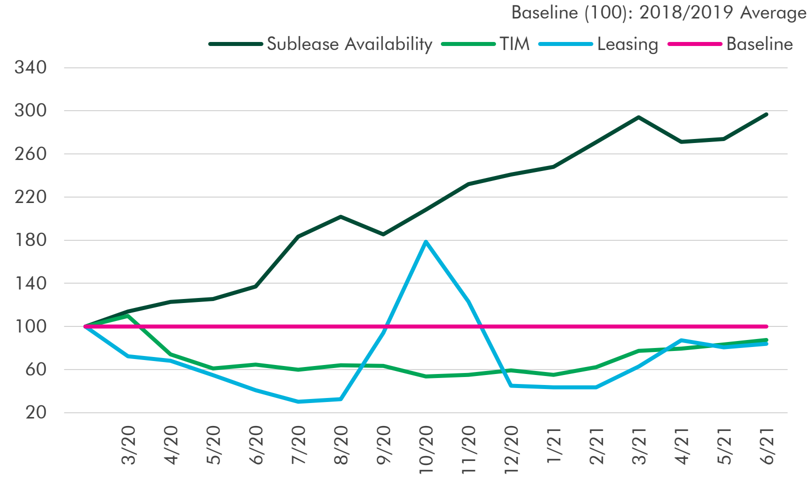
The June index increased by 3 points from May 2021.

Sublease Availability Index: 297

Available sublease space is 197% above the pre-pandemic baseline level. Seattle ranks 11th and is 102 points above the U.S. average of 195.

The June index increased by 23 points from May 2021, as Seattle's sublease availability continues to decline after a largely unabated increase that began early last year.

FIGURE 18: Seattle



Source: CBRE Research, June 2021

Washington, D.C. Market Insights

STABLE WITH RECOVERY IMMINENT

TIM Index: 84

Space requirements for tenants in the market are 84% of the pre-pandemic baseline. Washington, D.C. ranked fifth and was even with the U.S. average of 84.

The June index decreased by 1 point from May 2021 as the capital region maintains a stable but slightly depressed level of tenant interest compared with the baseline.

Leasing Activity Index: 74

Leasing activity is 74% of the pre-pandemic baseline. Washington, D.C. ranked fifth and is 6 points above the U.S. average of 68.

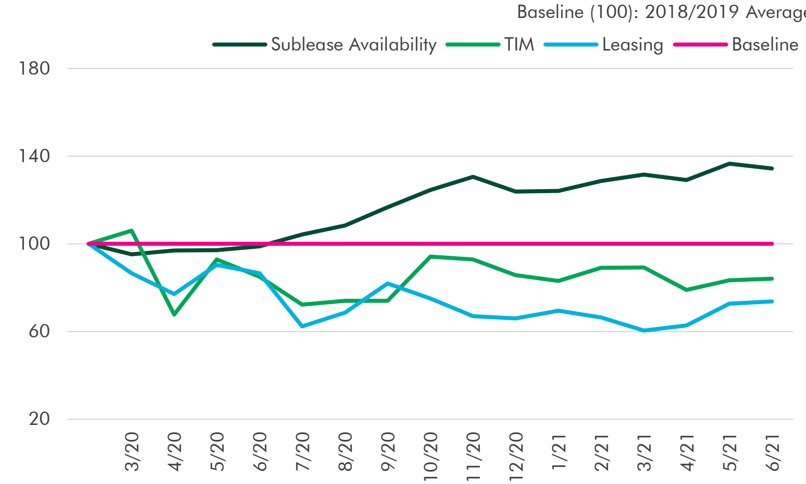
The June index increased by 1 point from May 2021, as leasing continues to rise after bottoming out in March 2021. Leasing in Washington, D.C. was up 60% in Q2 compared with Q1.

Sublease Availability Index: 134

Available sublease space is 34% above the pre-pandemic baseline level. Washington, D.C. ranks second and is 61 points below the U.S. average of 195.

The June index decreased by 3 points from May 2021. While the Washington, D.C. metro area has experienced a gradual increase in sublease availability, driven by Northern Virginia, downtown Washington, D.C. has stabilized.

FIGURE 19: Washington, D.C.



Source: CBRE Research, June 2021

Contacts

Nicole LaRusso
Senior Director,
Research & Analysis

1 212 984 7188
nicole.larusso@cbre.com

Ben Wurtzel
Senior Research Analyst,
Thought Leadership

1 212 984 8174
ben.wurtzel@cbre.com

Julie Whelan
Global Head of Occupier
Thought Leadership

1 617 912 5229
julie.whelan@cbre.com

Richard Barkham
Global Chief Economist, Head of Global
Research & Head of Americas

1 617 912 5215
richard.barkham@cbre.com