CBRE

Pulse of U.S. Office Demand

The CBRE Pulse of U.S. Office Demand slowed modestly in August. This reflected slower job growth and a resurgence in COVID-19 infections that delayed occupiers' return-to-office plans.

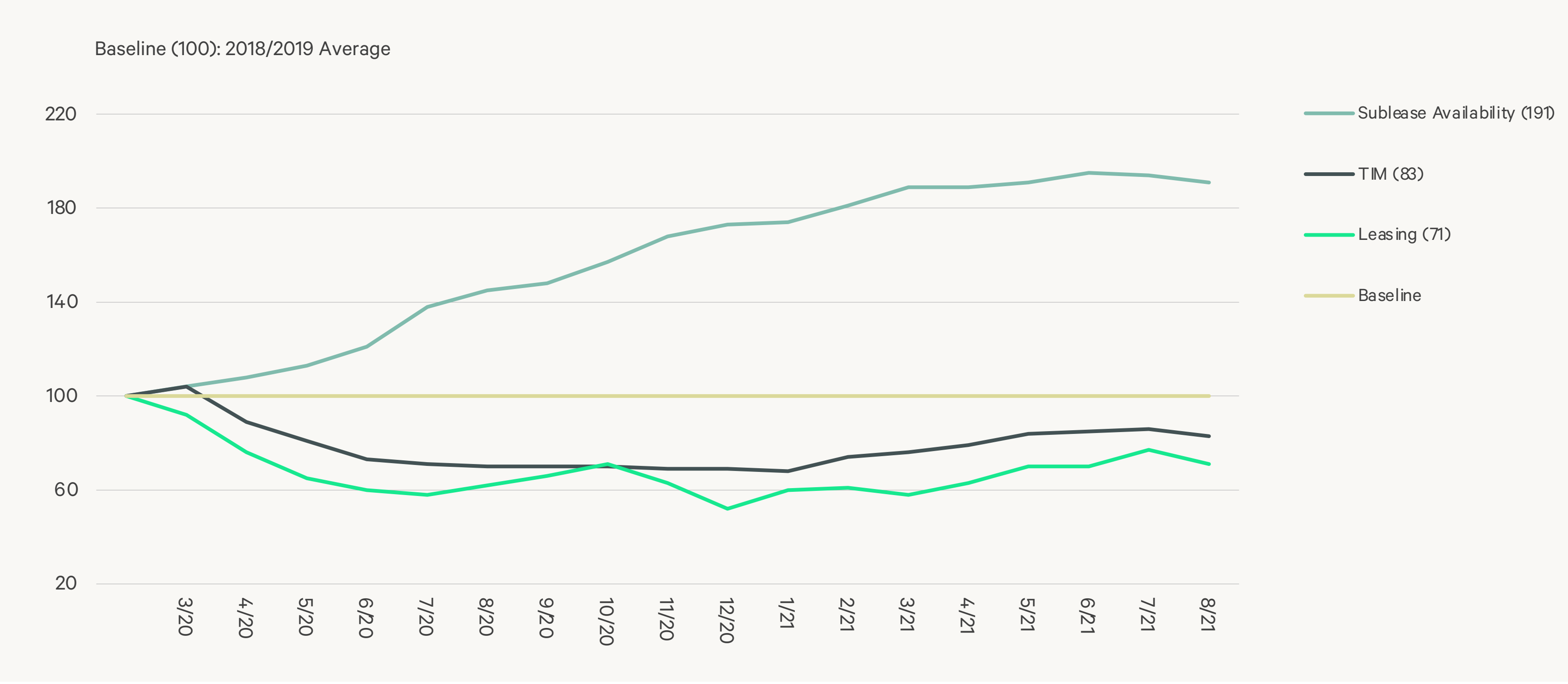
What is the CBRE Pulse Report?
To gauge the pace of recovery, CBRE has created three indices for the 12 largest U.S. office markets – Atlanta, Boston, Chicago, Dallas/Fort Worth, Denver, Houston, Los Angeles, Manhattan, Philadelphia, San Francisco, Seattle, and Washington, D.C. Using CBRE data, these indices measure office market activity each month and provide early indications of when and where momentum in office demand may be shifting. These metrics - space requirements of active tenants in the market (TIM), leasing activity and sublease availability – provide a clear picture of office demand amid the COVID-19 pandemic.

August Findings
After steadily increasing for the first six months of 2021, overall office demand fell slightly in August due to the recent resurgence of COVID-19 infections. The U.S. TIM index fell by 3 points in August to 83, near its May 2021 level. The U.S. Leasing Activity Index fell by 6 points to 71 but remained well above its pandemic-low of 52 in December 2020. On a positive note, the U.S. Sublease Availability Index fell by 3 points in August to 191 – the second consecutive month of decline. Nevertheless, there remains a sizeable amount of sublease space in the largest U.S. markets.

Note: All market data is for the metropolitan area with the exception of Manhattan and also San Francisco, which includes the city and the peninsula.
Note (2): Prior month data has been revised from previous reports to reflect new information. Numbers presented in this report supersede figures presented in previous editions of the Pulse of U.S. Office Demand.

U.S. Average Performance Index

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

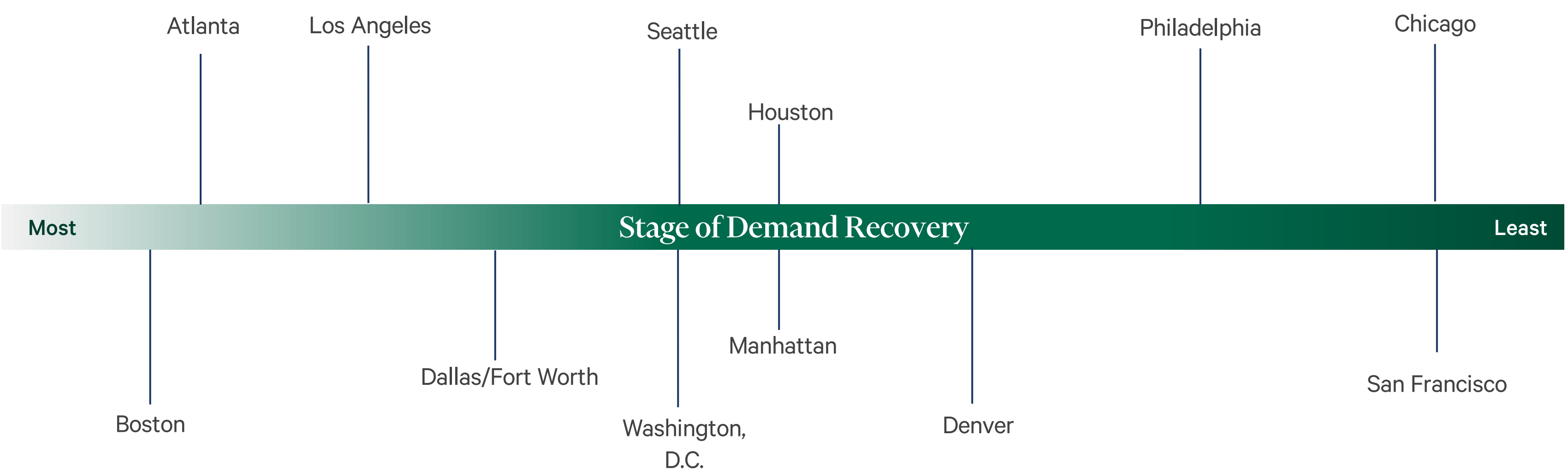


Source: CBRE Research, August 2021

August Demand Recovery by Market

Boston continued to set the pace for office demand recovery, while Atlanta and Dallas/Fort Worth made considerable gains. Los Angeles also remained strong, though the market saw a significant slowdown in leasing in August, likely because of renewed office occupancy restrictions.

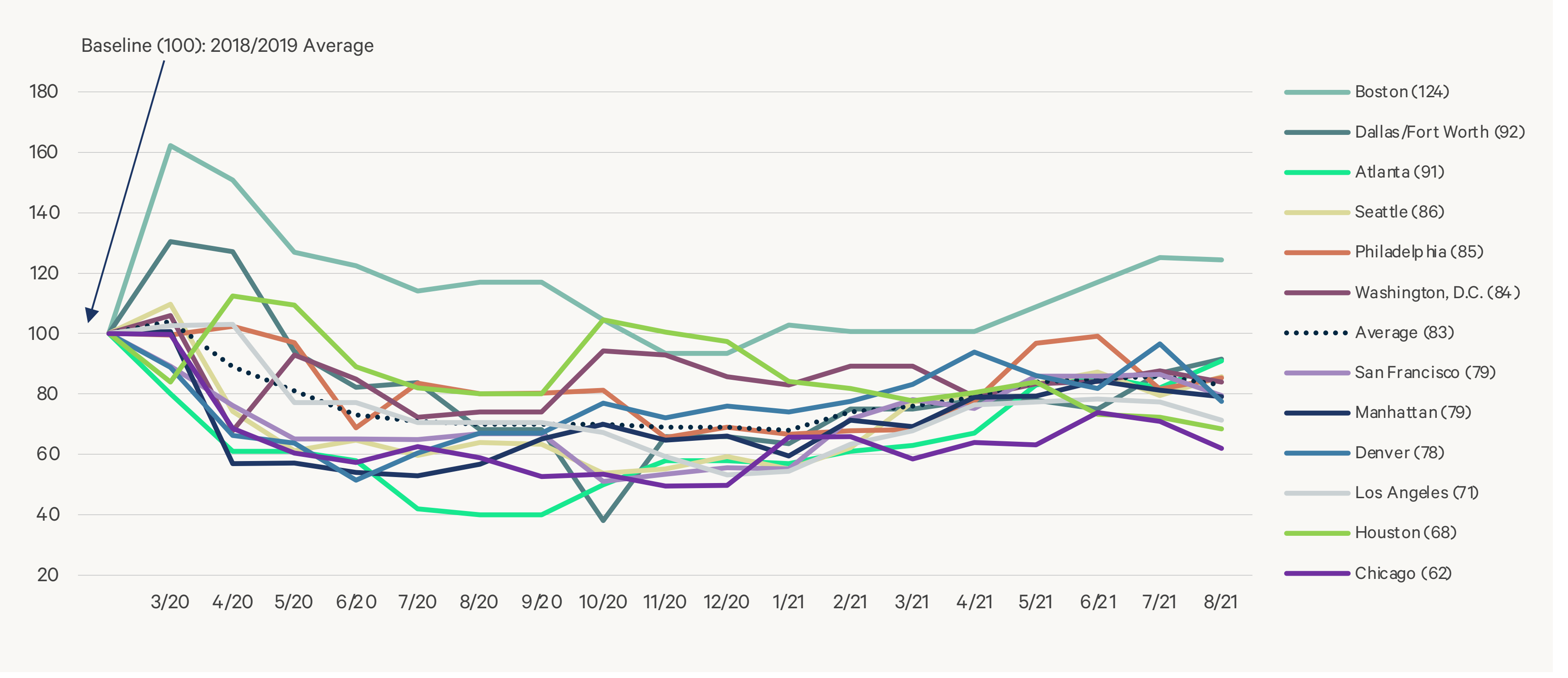
FIGURE 2: August Office Market Recovery Scale, Top U.S. Markets



Source: CBRE Research, August 2021

Tenants in the Market Index

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



Source: CBRE Research, August 2021

Tenants in the Market Index

The COVID-19 resurgence caused a mild drop in TIM activity in August. From a low point of 68 in January 2021, the U.S. TIM Index (baseline: 100) had six consecutive monthly gains. After hitting a pandemic high of 86 in July, the TIM Index fell modestly to 83 in August. While the decline partially results from the conversion of some TIM to leases, it also reflects renewed caution on the part of office occupiers.

Eight of the 12 markets in the PULSE saw their TIM index fall month-over-month in August, including Boston (124), Washington, D.C. (84), San Francisco (79), Manhattan (79), Denver (78), Los Angeles (71), Houston (68) and Chicago (62). In most markets, the decline was modest (ranging from 1 to 6 points), while Denver (-19 points) and Chicago (-9 points) saw more significant slowdowns.

Four markets bucked the trend, with Dallas/Fort Worth (92), Atlanta (91), Seattle (86) and Philadelphia (85) all recording monthly net growth in tenant requirements. Atlanta had the largest increase, up by 9 points from July (82).

Despite the modest setback in most markets, the state of TIM in August 2021 was generally positive. Boston tenant interest has outpaced baseline levels for most of the pandemic, while Dallas/Fort Worth and Atlanta have reached TIM levels of more than 90% of their pre-pandemic baselines. Six other markets have reached more than two-thirds of their baseline levels.

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

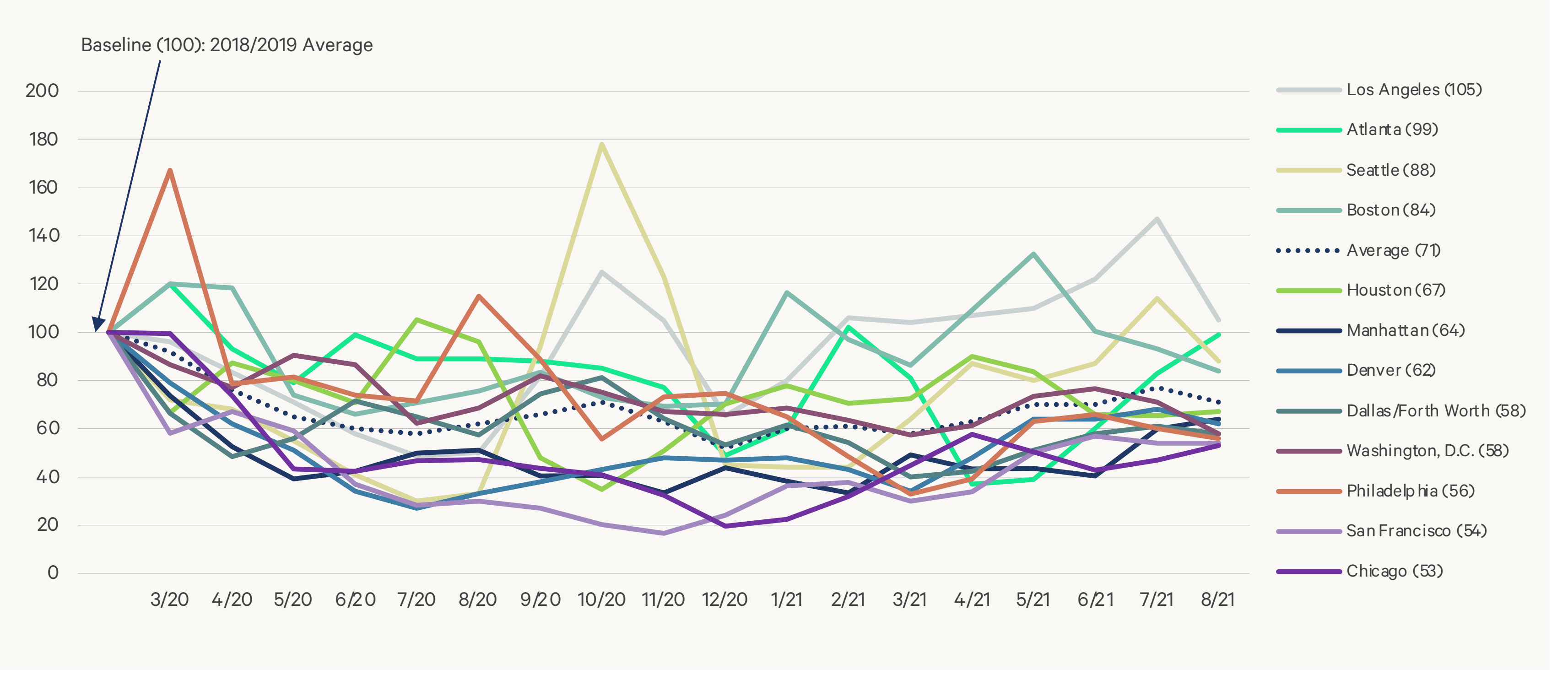
Rank	Market	Score	MoM Up/Down
1	Boston	124	Down
2	Dallas/Fort Worth	92	Up
3	Atlanta	91	Up
4	Seattle	86	Up
5	Philadelphia	85	Up
6	Washington, D.C.	84	Down
7	San Francisco	79	Down
7	Manhattan	79	Down
9	Denver	78	Down
10	Los Angeles	71	Down
11	Houston	68	Down
12	Chicago	62	Down
	U.S. Average	**83**	**Down**

Source: CBRE Research, August 2021

TIM Index methodology note: CBRE tracks the total square footage of requirements from active tenants in the market, with minimum requirements of 10,000 sq. ft. The TIM Index compares 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 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 Average



Source: CBRE Research, August 2021

Leasing Activity Index

Leasing activity also slowed somewhat in August, likely a result of rising COVID infections. After a nearly steady upward trajectory from its low point in December 2020 to 77 in July, CBRE's U.S. Leasing Activity Index fell by 6 points to 71 in August.

Five of the 12 Pulse markets saw their leasing indices improve in August, despite the COVID surge. Atlanta had the biggest month-over-month growth, up by 16 points to 99. Houston (67), Manhattan (64), San Francisco (54), and Chicago (53) saw modest increases.

The other seven markets saw their leasing activity indices fall in August, including Los Angeles (105), Boston (84) and Seattle (82). Despite their slide, these markets are all doing relatively well in their leasing recovery. Other markets that saw declines in August include Denver (62), Dallas/Fort Worth (58), Washington, D.C. (58) and Philadelphia (56).

FIGURE 6: August 2021 Leasing Activity Index – Top12 U.S. Markets

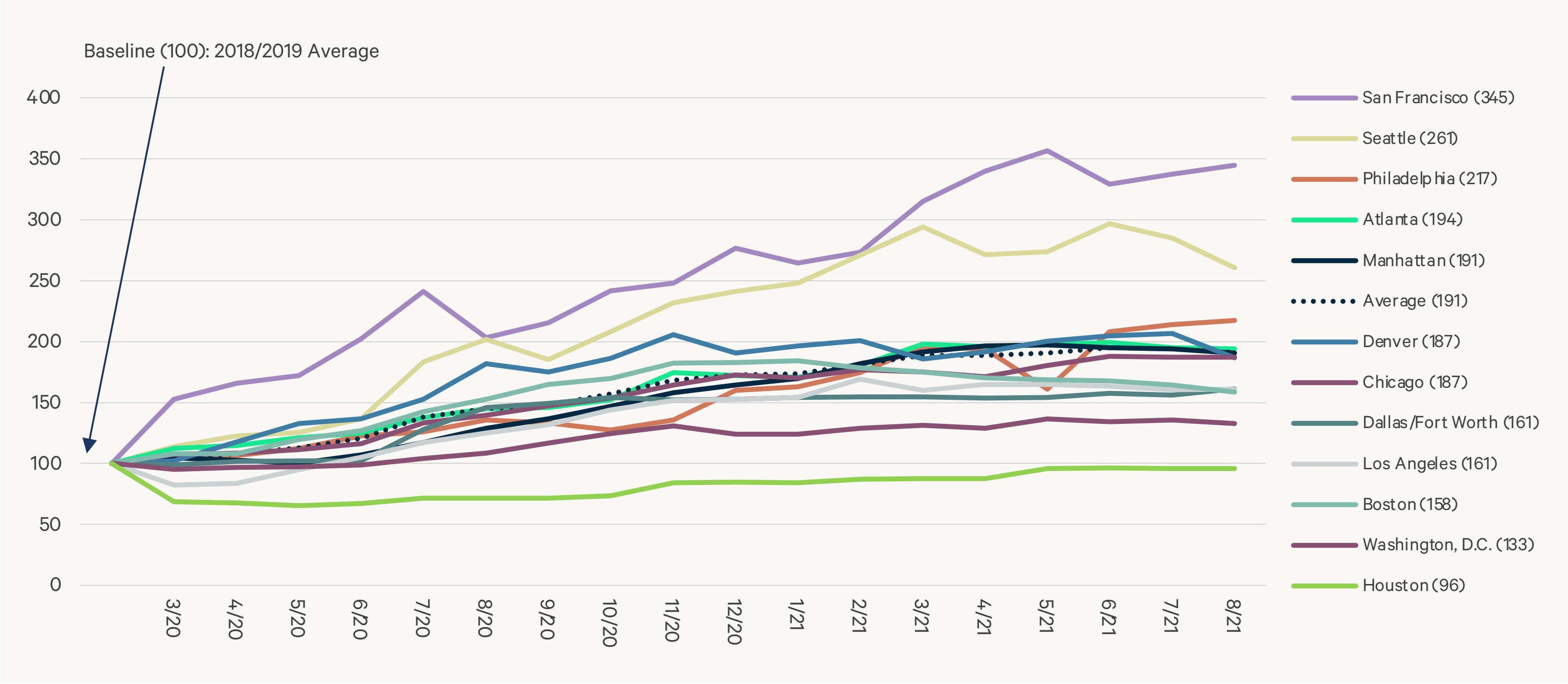
Rank	Market	Score	MoM Up/Down
1	Los Angeles	105	Down
2	Atlanta	99	Up
3	Seattle	88	Down
4	Boston	84	Down
5	Houston	67	Up
6	Manhattan	64	Up
7	Denver	62	Down
8	Dallas/Fort Worth	58	Down
8	Washington, D.C.	58	Down
10	Philadelphia	56	Down
11	San Francisco	54	Flat
12	Chicago	53	Up
	U.S. Average	**71**	**Down**

Source: CBRE Research, August 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. Most markets the weighted 20% for the current month, 50% for the previous month and 30% for two months prior. For New York and Boston, wheremore accurate 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 is compared with a pre-pandemic baseline, which is the average monthly leasing activity between 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, August 2021

Sublease Availability Index

Despite the delay of many occupiers' return to office plans, the U.S. Sublease Availability Index saw modest improvement in August, falling by 3 points from July. This marks the second consecutive modest monthly decline since the index peaked in May at 195.

Local market performance was an even mix, with half of the 12 markets recording month-over-month drops in their sublease indices. These included Washington, D.C. (133), Boston (158), Denver (187), Manhattan (191), Atlanta (194) and Seattle (261). Seattle saw the biggest improvement, with its index falling 24 points month-over-month, followed by Denver with a 20-point drop. Boston has recorded seven consecutive monthly declines in its sublease index, down by 26 points from its peak of 184 in January 2021.

Los Angeles (161), Dallas/Fort Worth (161), Philadelphia (217) and San Francisco (345) all saw their sublease indices increase in August. Dallas/Fort Worth and Philadelphia both marked their highest levels of sublease availability yet in the pandemic period in August. On the other hand, Philadelphia appears near its peak, with few additional sublease listings on the horizon and some occupiers beginning to withdraw sublease listings.

Houston saw no change in its August Sublease Availability Index, which at 96 remained the lowest of all Pulse markets. However, Houston's sublease inventory remains historically high.

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

Rank	Market	Score	MoM Up/Down
1	Houston	96	Flat
2	Washington, D.C.	133	Down
3	Boston	158	Down
4	Los Angeles	161	Up
4	Dallas/Fort Worth	161	Up
6	Denver	187	Down
6	Chicago	187	Flat
8	Manhattan	191	Down
9	Atlanta	194	Down
10	Philadelphia	217	Up
11	Seattle	261	Down
12	San Francisco	345	Up
	U.S. Average	**191**	**Down**

Source: CBRE Research, August 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.

Note: In contrast to the Leasing and TIM Indices, a higher score on the Sublease Index is considered undesirable as it reflects an increase in available sublease space.

Office Markets Poised for Improvement

As of August, the resurgent COVID-19 virus has had only a mild impact on office demand.

While COVID likely will continue to hamper the office market recovery in September, CBRE believes that most markets could resume their recovery later this year if vaccination rates increase materially following the new federal mandates or virus caseloads once again turn down.

Atlanta Market Insights

POSITIVE MOMENTUM IN TIM & LEASING ACTIVITY POINT TO IMPROVING MARKET DEMAND

TIM Index: 91

Space requirements for tenants in the market are 91% of the pre-pandemic baseline. Atlanta ranks third and is 8 points above the U.S. average of 83.

Atlanta's tenant requirements grew considerably in August, after a brief pullback in July as some TIM were converted to signed leases.

Leasing Activity Index: 99

Leasing activity is at 99% of the baseline level. Atlanta ranks second in leasing recovery, 28 points ahead of the U.S. average of 71.

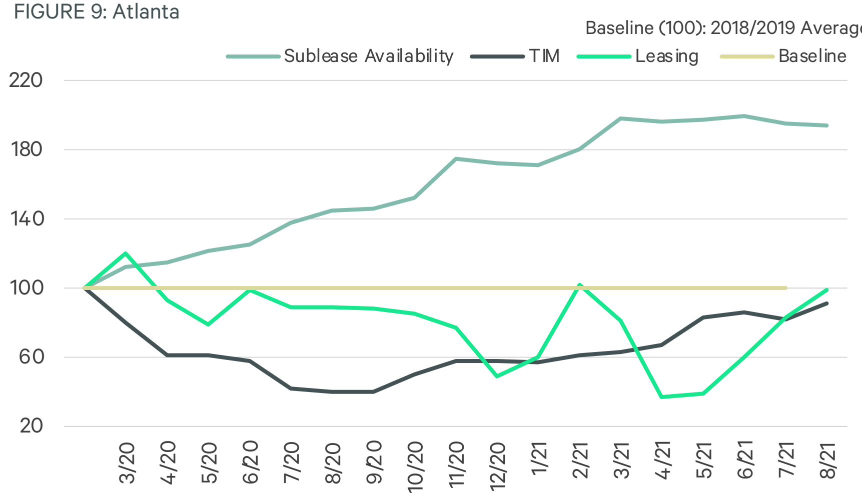
The August index is an increase of 16 points from July 2021 and the largest monthly gain among the top U.S. markets.

Sublease Availability Index: 194

The volume of available sublease space is 94% above the baseline level. Atlanta ranks ninth in terms of available sublease space, 3 points above the U.S. average of 191.

The August index is down 1 point from July 2021, the second consecutive month of decline after peaking at 199 in June.

FIGURE 9: Atlanta



Source: CBRE Research, August 2021

Boston Market Insights

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

TIM Index: 124

Space requirements for tenants in the market are 24% above the baseline level. Boston ranks first in the recovery of tenant requirements, 41 points above the U.S. average of 83.

The index decreased by 1 point from July 2021 and has consistently performed at or above pre-pandemic levels throughout 2020 and 2021. Demand from life science tenants has been a strong driver of this measure.

Leasing Activity Index: 84

Leasing activity in July was 16 points below the pre-pandemic baseline level. Boston ranked fourth, 13 points ahead of the U.S. average of 71. The Boston leasing index has consistently outperformed throughout the pandemic and has averaged 102 throughout 2021.

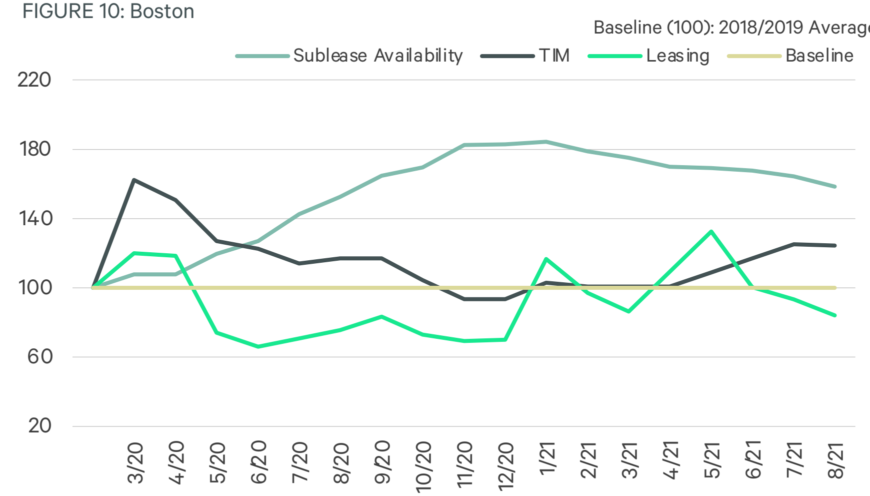
The August index decreased by 11 points from July 2021, the second consecutive month of decline. Despite this monthly drop, demand remains strong and leasing is expected to continue through 2021.

Sublease Availability Index: 158

The volume of available sublease space is 58% above the pre-pandemic baseline. Boston ranks third in terms of available sublease space, 33 points below the U.S. average of 191.

The August index decreased 6 points from July 2021 and has declined steadily since peaking at 184 in January 2021.

FIGURE 10: Boston



Source: CBRE Research, August 2021

Chicago Market Insights

WAITING FOR POSITIVE MOMENTUM TO TAKE HOLD

TIM Index: 62

Space requirements for tenants in the market are 62% of the pre-pandemic baseline level. Chicago ranks 12th and is 21 points behind the U.S. average of 83.

The August index decreased by 9 points from July 2021, the second largest pullback among markets this month. The decline was due to a 600,000 sq. ft. requirement being converted to a signed leased at an under-construction tower.

Leasing Activity Index: 53

Leasing activity is 53% of the pre-pandemic baseline. Chicago ranked 12th, 18 points below the U.S. average of 71.

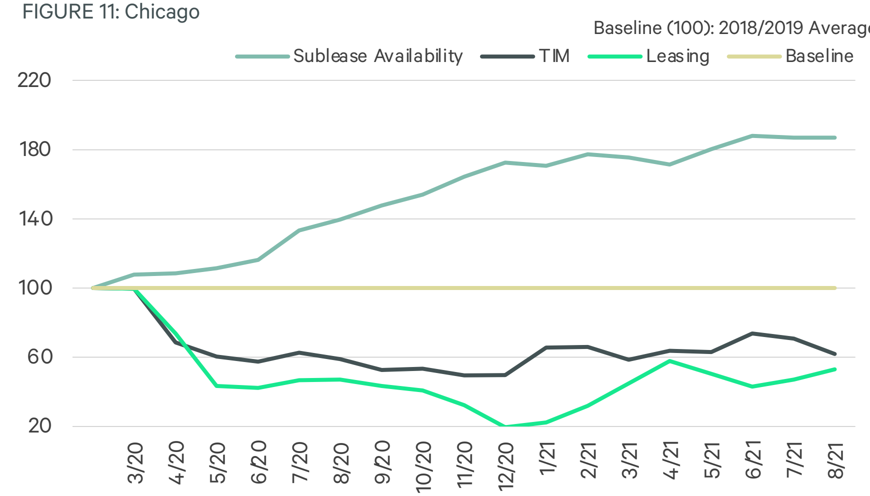
The August index increased by 6 points from July 2021, the third consecutive monthly increase. Leasing volume is expected to increase further as activity in Fulton Market continues at a feverish pace.

Sublease Availability Index: 187

The volume of available sublease space is 87% above the pre-pandemic baseline. Chicago ranks sixth, 4 points below the U.S. average of 191.

The August index remained unchanged from July 2021.

FIGURE 11: Chicago



Source: CBRE Research, August 2021

Dallas/Fort Worth Market Insights

IMPROVING CONDITIONS POINT TOWARD RECOVERY

TIM Index: 92

Space requirements for tenants in the market are 92% of the pre-pandemic baseline. Dallas/Fort Worth ranks second and is 9 points above the U.S. average of 83.

The August index increased by 5 points from July 2021 after an improvement of 12 points in June, taking Dallas from ninth to second in the rankings in just two months.

Leasing Activity Index: 58

Leasing activity is 58% of the pre-pandemic baseline. Dallas/Fort Worth ranks eighth and is 13 points below the U.S. average of 71.

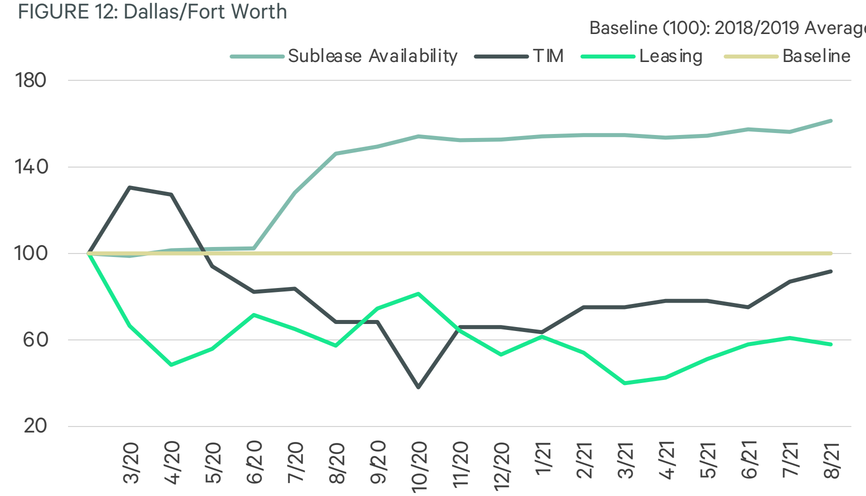
The August index decreased by 3 points from July 2021.

Sublease Availability Index: 161

The volume of available sublease space is 61% above the pre-pandemic baseline level. Dallas/Fort Worth ranks fourth and is 30 points below the U.S. average of 191.

The August index increased by 5 points from July 2021, a modest uptick after remaining relatively stable for several months, ranging from 153 to 157 in 2021.

FIGURE 12: Dallas/Fort Worth



Source: CBRE Research, August 2021

Denver Market Insights

SUBLEASE AVAILABILITY CONTRACTS BUT CHALLENGES PERSIST

TIM Index: 78

Space requirements for tenants in the market are 78% of the pre-pandemic baseline level. Denver ranks ninth, 5 points below the U.S. average of 83.

The August index decreased by 19 points from July 2021, the largest monthly decline by any market.

Leasing Activity Index: 62

Leasing activity is 62% of the pre-pandemic baseline. Denver ranked 7th and is 9 points below the U.S. average of 71. The turmoil in the energy sector in early 2020 weakened the market prior to the pandemic, compounding the negative impact.

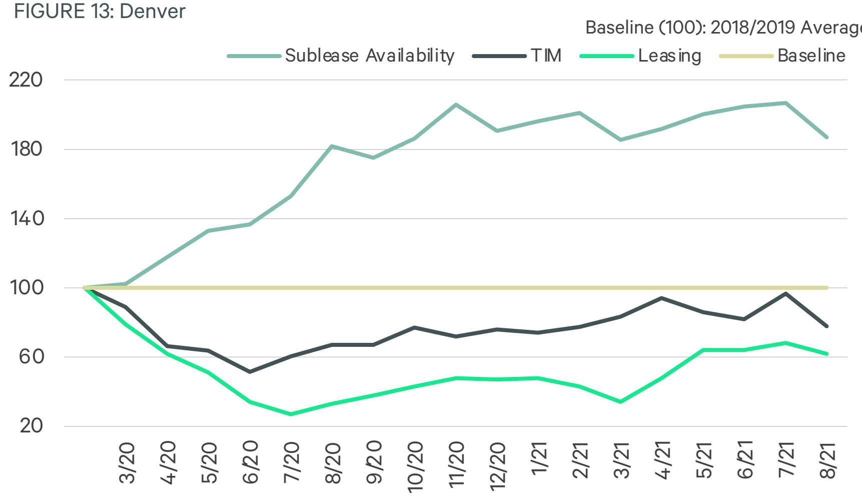
The August index decreased by 6 points from July 2021, halting the steady improvement since March.

Sublease Availability Index: 187

Available sublease space is 87% above the pre-pandemic baseline. Denver ranks sixth and is 4 points below the U.S. average of 191.

The August index decreased by 20 points from July 2021, the second largest improvement by any market. Much of the sublease inventory is the result of ongoing consolidation in the energy industry, a major occupier in downtown Denver.

FIGURE 13: Denver



Source: CBRE Research, August 2021

Houston Market Insights

WAITING FOR POSITIVE MOMENTUM TO TAKE HOLD

TIM Index: 68

Space requirements for tenants in the market are 68% of the pre-pandemic baseline. Houston ranked 11th and was 15 points below the U.S. average of 83.

The August index decreased by 4 points from July 2021, the third consecutive monthly decline. The August level marks the lowest point in 2021.

Leasing Activity Index: 67

Leasing activity is 67% of the pre-pandemic baseline. Houston ranked fifth and is 4 points below the U.S. average of 71.

The August index increased by 2 points from July 2021.

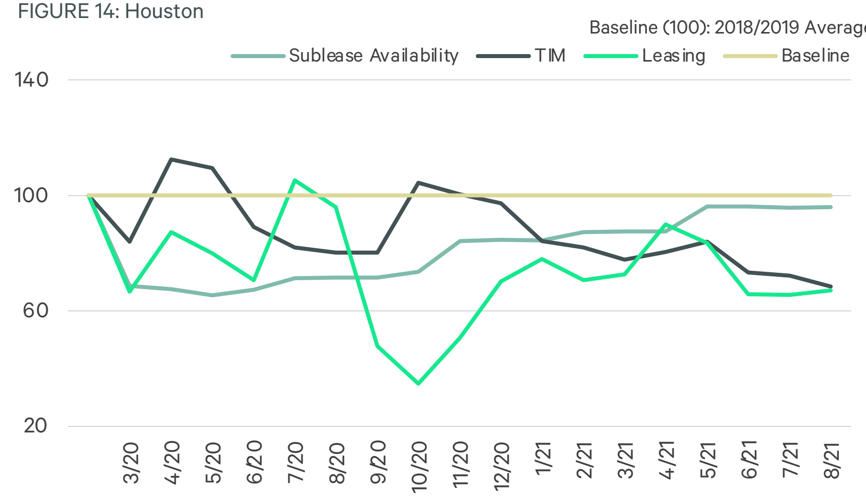
Sublease Availability Index: 96

Available sublease space is 4% below its pre-pandemic baseline level. Houston ranks first and is 95 points below the U.S. average of 191.

While currently available sublease space is below the peak in 2016, Houston's sublease inventory remains at historically high levels.

The August index was unchanged once again, holding steady since May 2021 after gradually rising throughout the pandemic period.

FIGURE 14: Houston



Source: CBRE Research, August 2021

Los Angeles Market Insights

DELTA VARIANT SLOWS RECOVERY

TIM Index: 71

Space requirements for tenants in the market are 71% of the pre-pandemic baseline. Los Angeles ranked 10th and was 12 points below the U.S. average of 83.

The August index decreased by 6 points from July 2021, the second consecutive monthly decrease for Los Angeles as regulations to curb the spread of the delta variant limited touring activity.

Leasing Activity Index: 105

Leasing activity is 5% above its pre-pandemic baseline. Los Angeles ranked first and is 34 points above the U.S. average of 71.

The August index decreased 42 points from July 2021, as touring activity slowed and the market cooled after a flurry of creative industry leasing early in the summer.

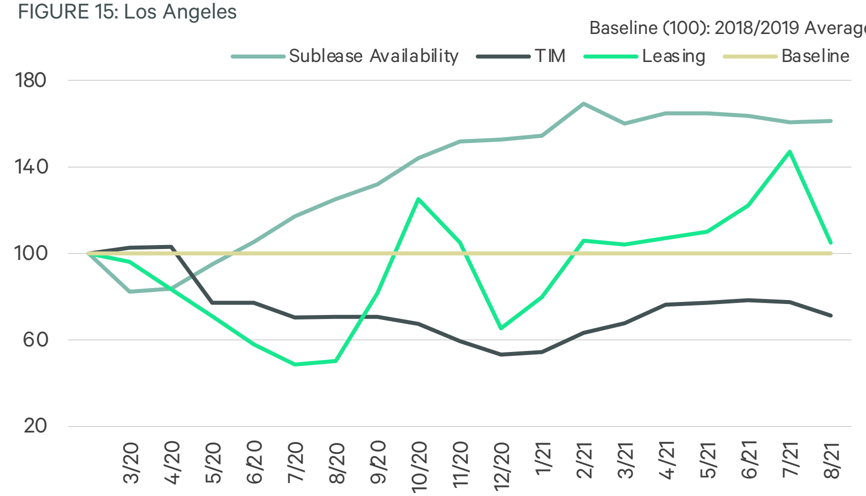
Creative and production-oriented submarkets including Burbank have been performing strongly, driven by larger occupiers seeking Class A space in creative office buildings. Submarkets dominated by professional services firms like Downtown LA and Century City continue to face reduced interest in their “commodity” office space.

Sublease Availability Index: 161

Available sublease space is 61% above its pre-pandemic baseline level. Los Angeles ranks fourth and is 30 points below the U.S. average of 191.

The August index increased by 1 point from July 2021 but appears to be stabilizing after rising steadily through Q1 2021 and peaking at 169 in February.

FIGURE 15: Los Angeles



Source: CBRE Research, August 2021

Manhattan Market Insights

EARLY SIGNS OF RECOVERY AS SUBLEASE SPACE FADES & LEASING GAINS STEAM

TIM Index: 79

Space requirements for tenants in the market are 79% of the pre-pandemic baseline. Manhattan ranked seventh and was 4 points below the U.S. average of 83.

The August index decreased by 2 points from July 2021, the second consecutive monthly decline after achieving a 2021 peak of 184 in June.

Leasing Activity Index: 64

Leasing activity is 64% of the pre-pandemic baseline. Manhattan ranked sixth and is 7 points below the U.S. average of 71.

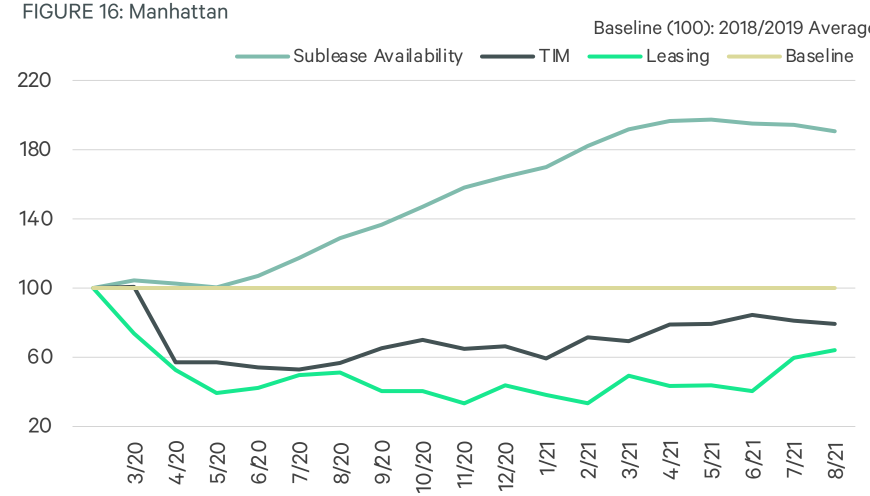
The August index increased 4 points from July 2021, the second consecutive month of improvement. The Leasing Index is up 31 points over the past six months.

Sublease Availability Index: 191

Available sublease space is 91% above its pre-pandemic baseline level. Manhattan ranks eighth and is even with the U.S. average of 191.

The August index declined by 3 points from July 2021. After rising steadily since Q2 2020, the market has seen three consecutive monthly declines, suggesting it may be over the peak of its sublease availability.

FIGURE 16: Manhattan



Source: CBRE Research, August 2021

Philadelphia Market Insights

SPACE WITHDRAWALS SUGGEST MARKET IS NEARING PEAK SUBLEASE AVAILABILITY

TIM Index: 85

Space requirements for tenants in the market are 85% of the pre-pandemic baseline. Philadelphia ranked fifth and was 2 points above the U.S. average of 83.

The August index increased by 3 points from July 2021 after falling from a peak of 99 in June 2021 as some large deals moved toward closing.

Leasing Activity Index: 56

Leasing activity is 56% of the pre-pandemic baseline. Philadelphia ranked 10th and is 15 points below the U.S. average of 71.

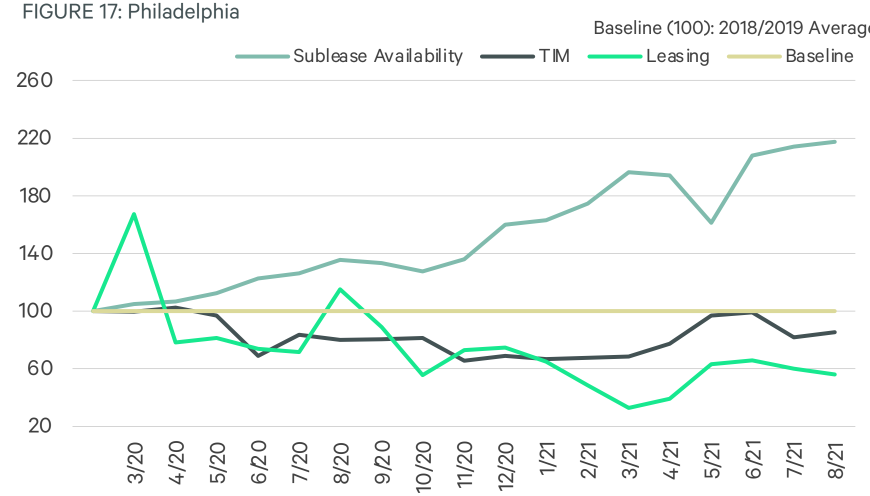
The August index decreased by 4 points from July 2021 as leasing continues to trend down in 2021.

Sublease Availability Index: 217

Available sublease space is 117% above the pre-pandemic baseline level. Philadelphia ranks 10th and is 26 points above the U.S. average of 191.

The August index increased by 3 points from June 2021, hitting a new high point for the pandemic era. However, momentum appears to be shifting. With few if any large sublease space additions on the horizon, and an uptick in both occupier leasing of sublease space and tenant withdrawals of previously listed sublease spaces, the market appears to be approaching the peak of its sublease availability.

FIGURE 17: Philadelphia



Source: CBRE Research, August 2021

San Francisco Market Insights

LEASING STALLS BUT TENANT INTEREST REMAINS HIGH

TIM Index: 79

Space requirements for tenants in the market are 79% of the pre-pandemic baseline. San Francisco ranked seventh and was 4 points below the U.S. average of 83.

The August index fell 7 points from July.

Leasing Activity Index: 54

Leasing activity is 54% of the pre-pandemic baseline. San Francisco ranked 11th and is 17 points below the U.S. average of 71.

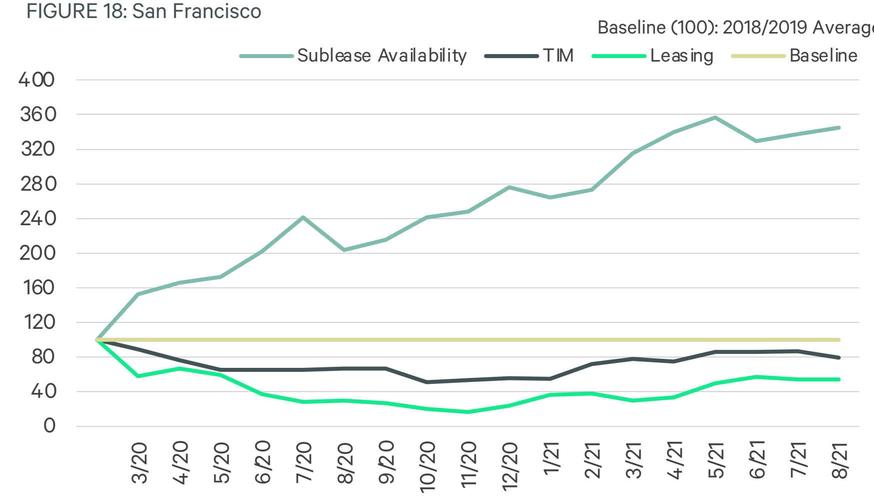
The August index was unchanged from July 2021 as San Francisco struggles to regain leasing momentum.

Sublease Availability Index: 345

Available sublease space is 245% above the pre-pandemic baseline level. San Francisco ranks 12th and is 154 points above the U.S. average of 191.

The August index increased by 8 points, after a sharp decline in June but remains below the peak of 357 seen in May. San Francisco's high index also reflects the low base of available sublease space that existed during the 2018-19 baseline period.

FIGURE 18: San Francisco



Source: CBRE Research, August 2021

Note: San Francisco's market data is inclusive of the downtown San Francisco and peninsula submarkets.

Seattle Market Insights

LEASING ACTIVITY ON THE RISE

TIM Index: 86

Space requirements for tenants in the market are 86% of the pre-pandemic baseline. Seattle ranked fourth and was 3 points above the U.S. average of 83.

The August index increased by 7 points from July 2021; resuming a strong run of improvement after a pullback in July.

Leasing Activity Index: 88

Leasing activity is 88% of the pre-pandemic baseline. Seattle ranked third and is 17 points above the U.S. average of 71.

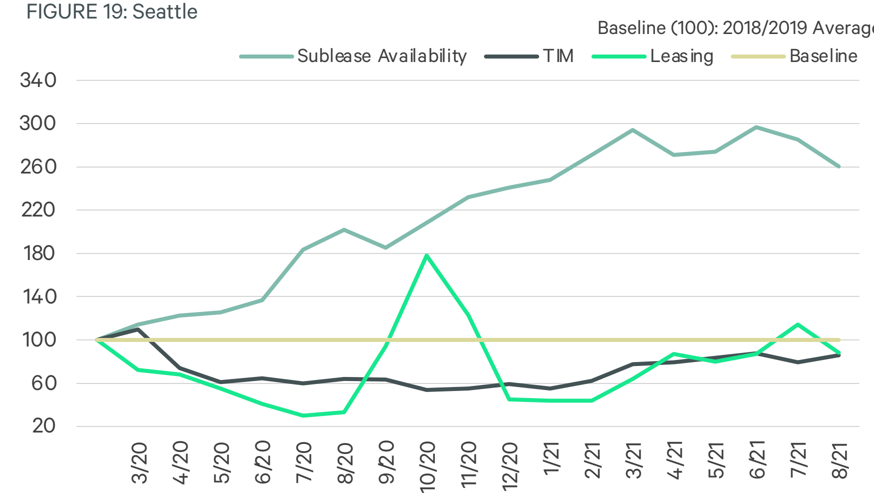
The August index decreased by 26 points from July 2021, however, market activity remains robust.

Sublease Availability Index: 261

Available sublease space is 161% above the pre-pandemic baseline level. Seattle ranks 11th and is 40 points above the U.S. average of 191.

The August index decreased by 24 points from July 2021, the second consecutive large monthly decline after peaking at 297 in June. Seattle's recent sublease contraction has been fueled by tech occupiers taking large blocks of sublease space in the region's urban submarkets – notably downtown Seattle and Bellevue.

FIGURE 19: Seattle



Source: CBRE Research, August 2021

Washington, D.C. Market Insights

CAUTIOUS OPTIMISM AS RECOVERY CONTINUES

TIM Index: 84

Space requirements for tenants in the market are 84% of the pre-pandemic baseline. Washington, D.C. ranked sixth and was 1 point above the U.S. average of 83.

The August index decreased by 2 points from July 2021.

Leasing Activity Index: 58

Leasing activity is 58% of the pre-pandemic baseline. Washington, D.C. ranked eighth and is 13 points below the U.S. average of 71.

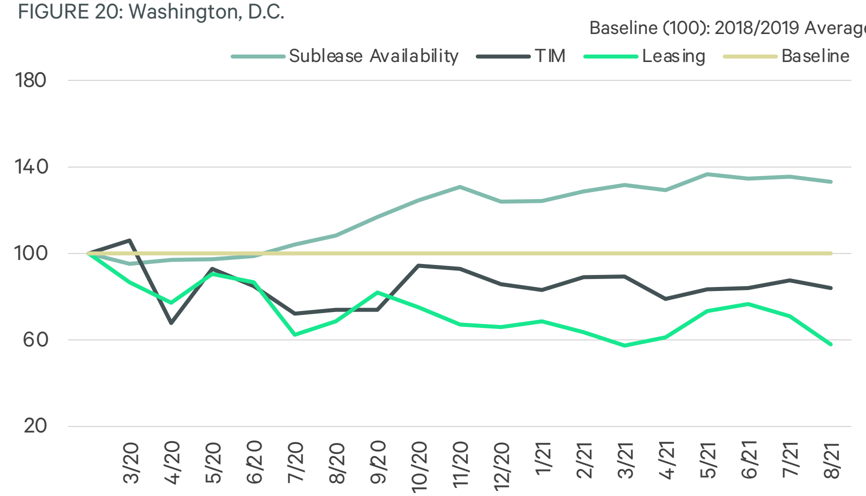
The August index decreased by 13 points from July 2021.

Sublease Availability Index: 133

Available sublease space is 33% above the pre-pandemic baseline level. Washington, D.C. ranks second and is 58 points below the U.S. average of 191.

The August index decreased by 3 points from July 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 20: Washington, D.C.



Source: CBRE Research, August 2021

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