

U.S. Office Demand Stable in November Despite COVID Concerns

The CBRE Pulse of U.S. Office Demand showed little change in November. Revisions to October leasing activity data show that the market performed better than originally thought in the early fall. November's stability shows continued office demand recovery, though performance varies noticeably from market to market.

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 City, 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.

November Findings

The U.S. Tenants in the Market (TIM) Index was unchanged in November at a level of 85. Half of the 12 markets tracked by CBRE reached TIM Index levels of over 90, a new milestone toward pandemic recovery. Dallas had the biggest increase in TIM requirements in November, with Chicago and Houston also seeing notable improvement.

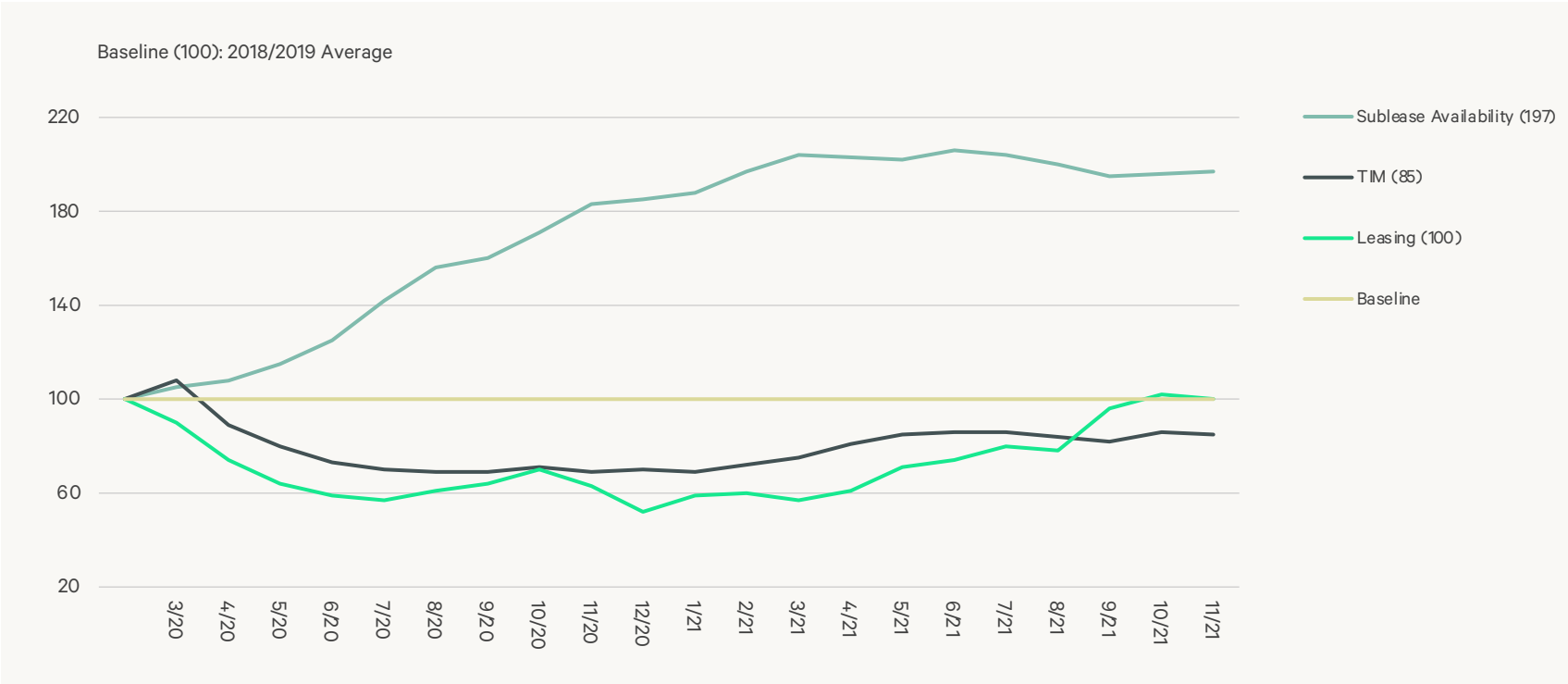
The U.S. Leasing Index fell by 2 points in November to a level of 100, with revised October data showing stronger demand recovery than initially indicated earlier in the fall. Boston again led the leasing index, while Los Angeles made a strong comeback from the delta-related slowdown in September and October. Eight of the 12 Pulse markets had November Leasing Activity Index levels above 90.

Nevertheless, the largest U.S. office markets continue to struggle under the weight of surplus sublease inventory, as the Sublease Availability Index increased by 1 point in November to a level of 197. Only four markets saw their sublease indices decline, with the remaining eight markets either flat or up slightly.

Note: All market data is for the metropolitan area except for San Francisco, which only includes the downtown market, and for Manhattan. Prior months data has been revised from previous reports to reflect new information. Data presented in this report supersedes that of 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 Activity for the Top 12 U.S. Markets

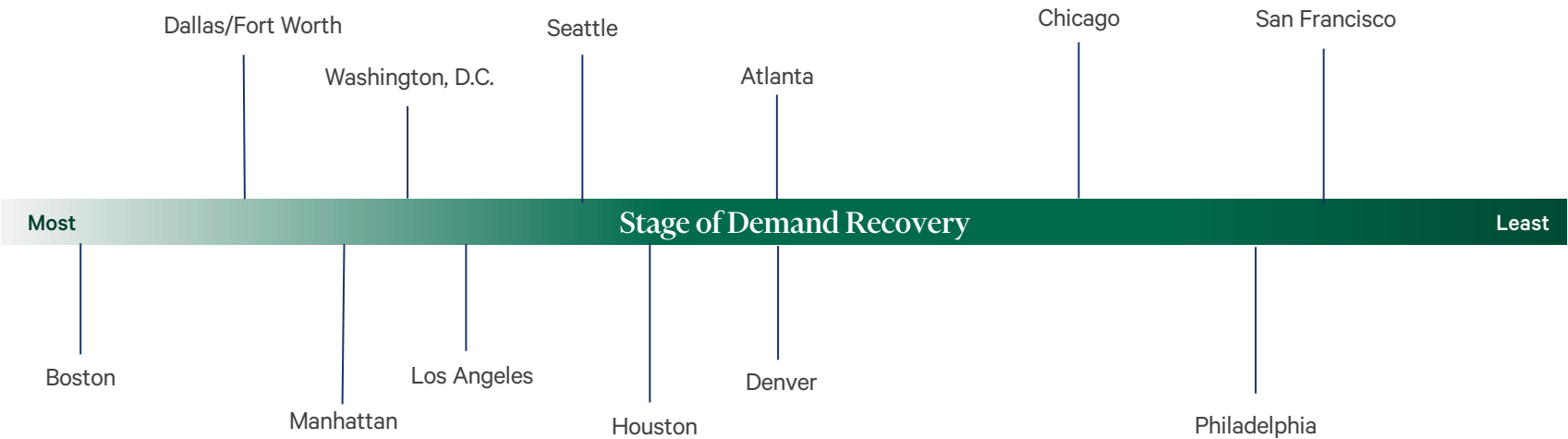


Source: CBRE Research, November 2021.

November Demand Recovery by Market

Boston remained the leader in office space demand recovery in November, while several other markets showed encouraging signs of progress. Dallas/Fort Worth showed the most improvement. Los Angeles also improved markedly due to a strong rebound in leasing activity, while Atlanta lost ground as leasing there slowed. Conversely, San Francisco and Philadelphia continued to struggle with sluggish TIM activity and persistently high levels of sublease availability. However, Philadelphia had a strong increase in leasing activity last month.

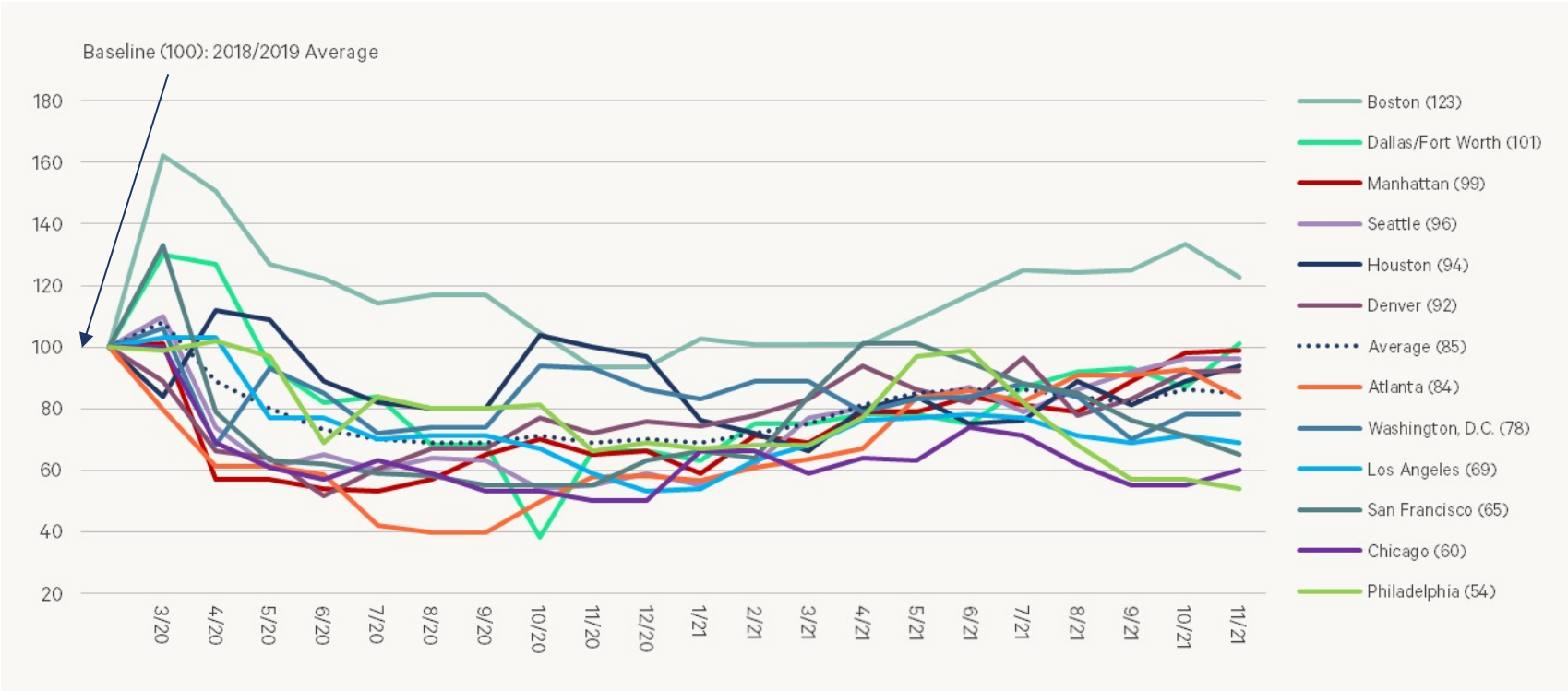
FIGURE 2: November Office Market Recovery Scale, Top U.S. Markets



Source: CBRE Research, November 2021.

Tenants in the Market Index

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



Source: CBRE Research, November 2021.

Tenants in the Market Index

The U.S. TIM Index held steady in November at 85. Although Boston's index level fell by 11 points to 123, it remained the highest of all 12 markets tracked by CBRE. Five markets showed monthly improvement in TIM activity. Dallas/Fort Worth (101) had the biggest increase of 14 points to reach second place, while Manhattan (99) ranked third, continuing a steady pace of TIM improvement that began in August. Houston (94) and Chicago (60) also saw noticeable improvement in November, each gaining 5 points.

November marked a milestone in TIM recovery, with half of the markets in the Pulse survey achieving TIM levels of more than 90.

Six markets saw their TIM Index levels decline in November, most notably Atlanta's 9-point drop to 84. San Francisco recorded a 6-point drop to 65 and has seen six consecutive months of decline since May when its index level peaked at 101.

FIGURE 4: November 2021 TIM Index—
Top 12 U.S. Markets

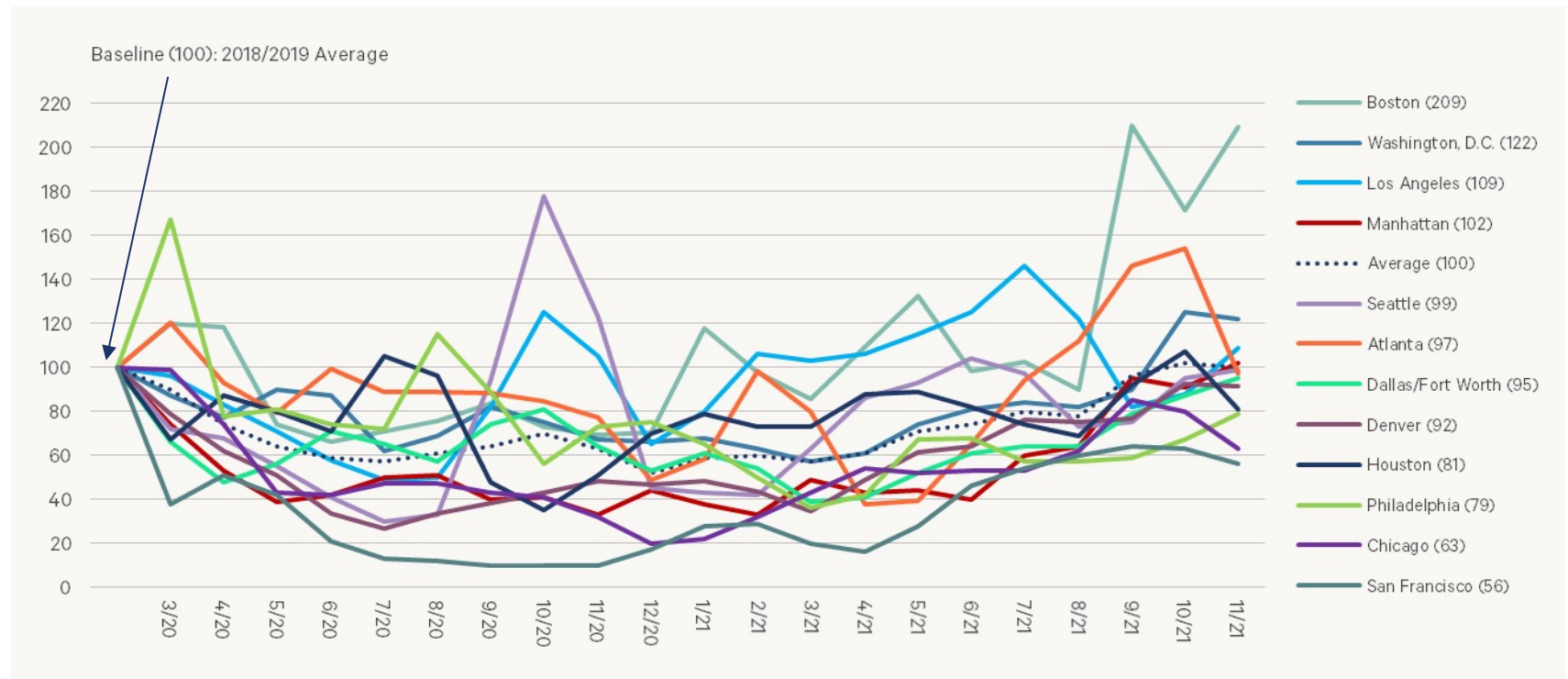
Rank	Market	Score	MoM Up/Down
1	Boston	123	Down
2	Dallas/Fort Worth	101	Up
3	Manhattan	99	Up
4	Seattle	96	Flat
5	Houston	94	Up
6	Denver	92	Flat
7	Atlanta	84	Down
8	Washington, D.C.	78	Flat
9	Los Angeles	69	Down
10	San Francisco	65	Down
11	Chicago	60	Up
12	Philadelphia	54	Down
U.S. average		85	Flat

Source: CBRE Research, November 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, November 2021.

Leasing Activity Index

CBRE's U.S. Leasing Activity Index fell by 2 points in November to a level of 100, after a 6-point upward revision to the October index level. Boston (209) had another stellar month, improving by 38 points and topping the list once again. Three other markets—Washington, D.C. (122), Los Angeles (109) and Manhattan (102)—all surpassed pre-COVID baseline levels in November, with Seattle (99) nearly back on par. Atlanta (97), Dallas/Fort Worth (95) and Denver (92) rounded out the list of the eight markets with November index levels of above 90.

Six markets saw improved leasing index levels in November. After Boston, Los Angeles was the second most improved market with a 21-point increase, following declines in September and October due to a surge of COVID infections. Philadelphia (79) gained 12 points in November, followed by Manhattan (+11), Dallas/Fort Worth (+8) and Seattle (+4).

The remaining six markets had declines in November leasing index levels. Atlanta (97) had the biggest decrease of 57 points after some very large leases propelled the market past pre-COVID levels in the late summer and early fall. Houston (81) also saw a significant slowdown, with its leasing index falling 26 points. The two lowest-ranking markets also declined, with Chicago (63) falling 17 points and San Francisco (56) down 7 points.

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

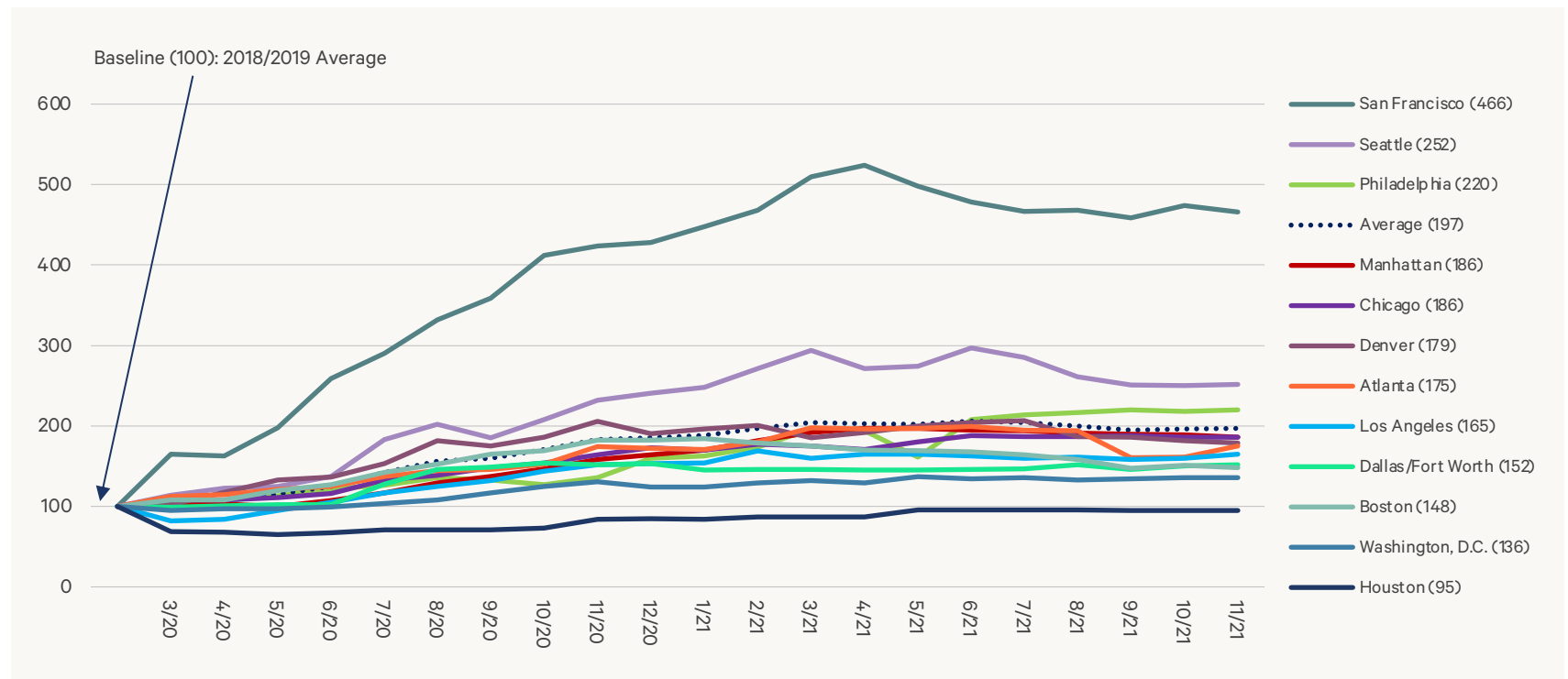
Rank	Market	Score	MoM Up/Down
1	Boston	209	Up
2	Washington, D.C.	122	Down
3	Los Angeles	109	Up
4	Manhattan	102	Up
5	Seattle	99	Up
6	Atlanta	97	Down
7	Dallas/Fort Worth	95	Up
8	Denver	92	Down
9	Houston	81	Down
10	Philadelphia	79	Up
11	Chicago	63	Down
12	San Francisco	56	Down
U.S. average		100	Down

Source: CBRE Research, November 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, where more 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, November 2021.

Sublease Availability Index

After improving modestly over the summer and early fall, the U.S. Sublease Availability Index rose 1 point for the second consecutive month to a level of 197 in November.

Eight markets saw either no or modest sublease space increases in November. Among the markets with more sublease availability, only Atlanta (175) saw a significant increase (14 points), following four months of improving sublease conditions.

Just four markets saw their sublease index levels drop in November. San Francisco (466) showed the biggest improvement with a 9-point drop, although it still maintained the highest sublease availability index level by a wide margin. Manhattan (186), Denver (179) and Boston (148) each saw their index levels fall by 3 points in November. Denver has seen four consecutive months of declining sublease availability, while Manhattan has had six months of slow but steady decline.

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

Rank	Market	Score	MoM Up/Down
1	Houston	95	Flat
2	Washington, D.C.	136	Flat
3	Boston	148	Down
4	Dallas/Fort Worth	152	Up
5	Los Angeles	165	Up
6	Atlanta	175	Up
7	Denver	179	Down
8	Chicago	186	Flat
8	Manhattan	186	Down
10	Philadelphia	220	Up
11	Seattle	252	Up
12	San Francisco	466	Down
U.S. average		197	Up

Source: CBRE Research, November 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 Demand Expected to Build Momentum

Demand for office space will likely continue to improve as more workers return to the office and occupiers take advantage of favorable market conditions. The outlook depends on how omicron, and likely other new COVID variants, impact society. With the rollout of vaccine boosters and effective medical advancements, occupiers should gain confidence in making long-term leasing decisions.

Atlanta Market Insights

MARKET SLOWS AFTER LATE SUMMER DEMAND SURGE

TIM Index: 84

Space requirements of tenants in the market are at 84% of the pre-pandemic baseline. Atlanta ranks seventh and is 1 point below the U.S. average of 85.

Atlanta's TIM Index level decreased by 9 points in November.

Leasing Activity Index: 97

Leasing activity is 3% below the baseline level. Atlanta ranked sixth in leasing recovery, 3 points below the U.S. average of 100.

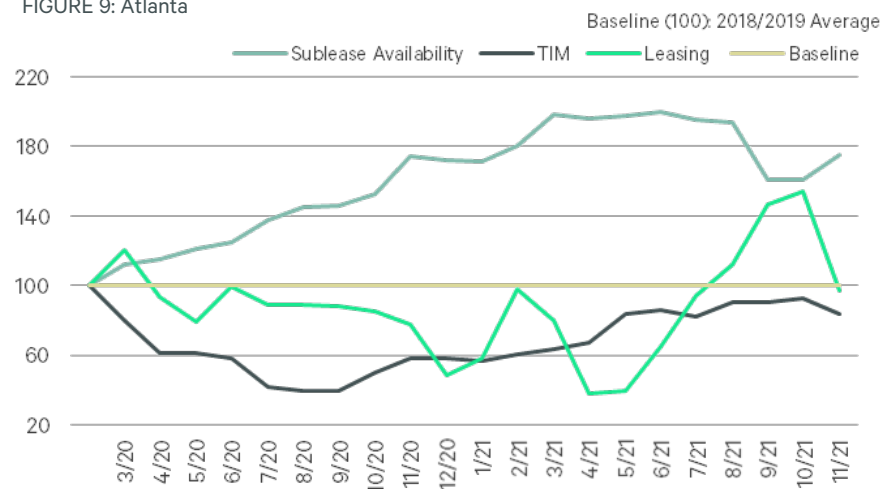
The index fell by 57 points in November. The steep decline comes after two strong months of leasing activity, highlighted by a 570,000-sq.-ft. new lease and a 330,000-sq.-ft. renewal.

Sublease Availability Index: 175

The amount of available sublease space is 75% above the baseline level. Atlanta ranks sixth lowest for available sublease space, 22 points below the U.S. average of 197.

The index rose by 14 points in November after falling to a low of 161 in September and October. The index remains below the June peak of 199.

FIGURE 9: Atlanta



Source: CBRE Research, November 2021.

Boston Market Insights

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

TIM Index: 123

Space requirements of tenants in the market are 23% above the baseline level. Boston ranks first in the recovery of tenant requirements, 38 points above the U.S. average of 85.

The index decreased by 11 points in November but has consistently performed at or above pre-pandemic levels throughout 2020 and 2021. Demand from life sciences tenants has been a strong driver of new requirements.

Leasing Activity Index: 209

Leasing activity in November was more than double the pre-pandemic baseline level. Boston ranked first, 109 points ahead of the U.S. average of 100. Boston's Leasing Index has consistently outperformed throughout the pandemic on the strength of a thriving life sciences market.

The index increased by 38 points in November.

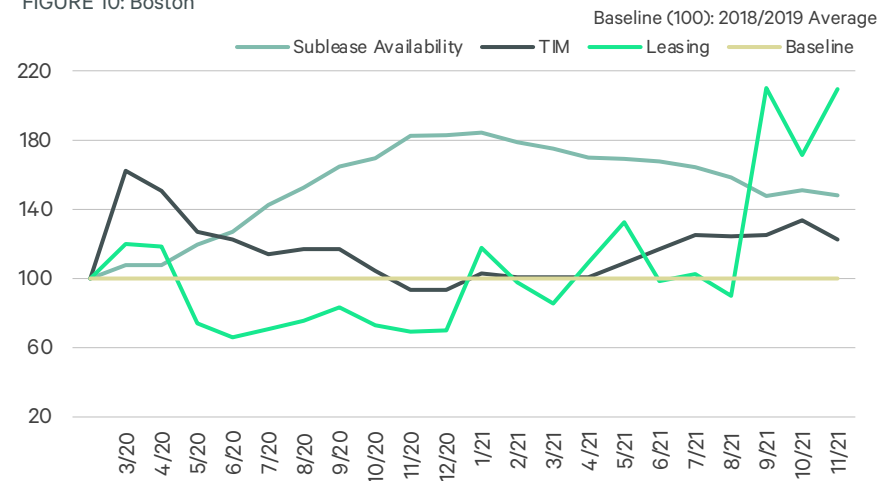
Sublease Availability Index: 148

The amount of available sublease space is 48% above the pre-pandemic baseline. Boston ranks third lowest for available sublease space, 49 points below the U.S. average of 197.

The index fell by 3 points in November and remains well below the January 2021 peak of 184.

The overall downward trend in sublease availability is attributable to an increasing volume of subleasing in addition to sublease withdrawals by tenants that plan to reoccupy their space.

FIGURE 10: Boston



Source: CBRE Research, November 2021.

Chicago Market Insights

SUBLEASE AVAILABILITY STABLE WHILE SEASONALITY PREDICTABLY SLOWS RECOVERY

TIM Index: 60

The index increased by 5 points in November but space requirements of tenants in the market are still at 60% of the pre-pandemic baseline level. While Chicago occupiers' abundance of caution related to COVID-19 safety has slowed their reengagement with the market, we expect renewed interest in the new year as companies refocus on employee recruitment and retention.

Chicago ranks 11th and is 25 points below the U.S. average of 85.

Leasing Activity Index: 63

Leasing activity is at 63% of the pre-pandemic baseline, though is up by 400% from November 2020. Chicago ranked 11th, 37 points below the U.S. average of 100.

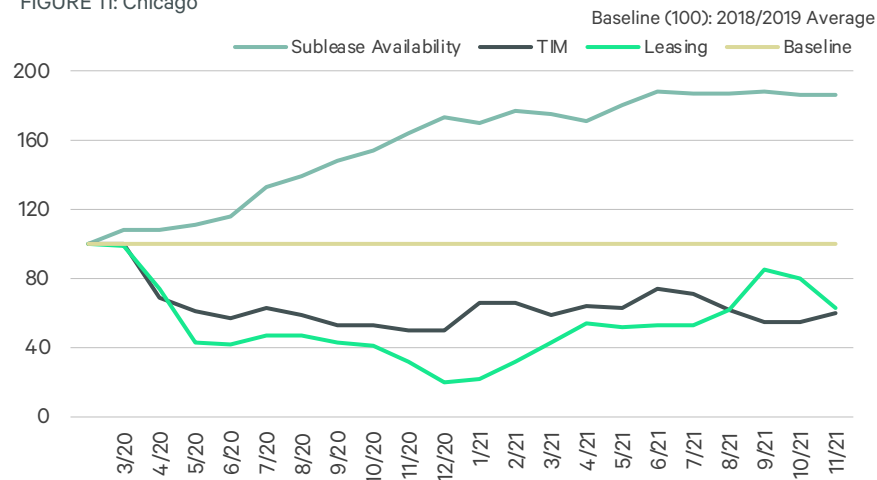
The index decreased 17 points in November, down from a pandemic-era peak of 85 in September that was primarily attributable to Kirkland & Ellis's 600,000-sq.-ft. lease at Salesforce Tower in River North.

Sublease Availability Index: 186

The amount of available sublease space is 86% above the pre-pandemic baseline. Chicago ranks eighth lowest, 11 points below the U.S. average of 197.

The index was unchanged from November.

FIGURE 11: Chicago



Source: CBRE Research, November 2021.

Dallas/Fort Worth Market Insights

STRONG IMPROVEMENT IN ALL DEMAND MEASURES

TIM Index: 101

Space requirements of tenants in the market are 1% above the pre-pandemic baseline. Dallas/Fort Worth ranks second and is 16 points above the U.S. average of 85.

The index increased by 14 points in November, the largest gain of any market.

Leasing Activity Index: 95

Leasing activity is 95% of the pre-pandemic baseline. Dallas/Fort Worth ranks seventh and is 5 points below the U.S. average of 100.

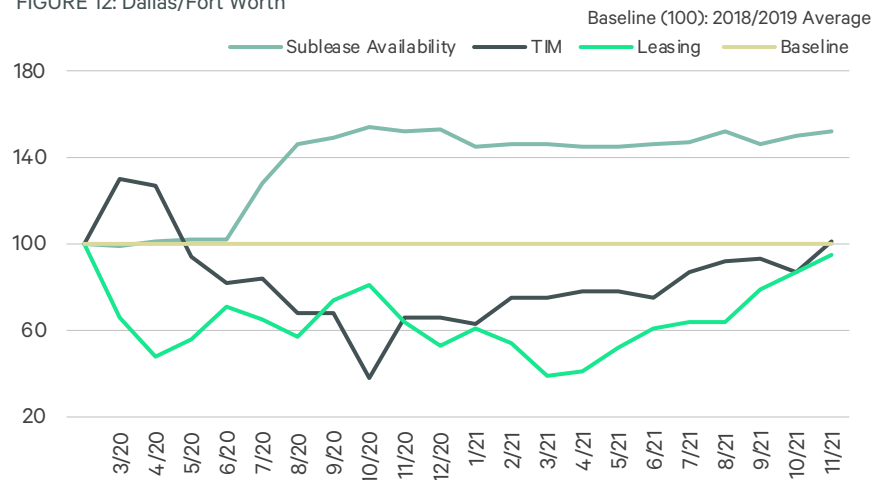
The index increased by 8 points in November.

Sublease Availability Index: 152

The amount of available sublease space is 52% above the pre-pandemic baseline level. Dallas/Fort Worth ranks fourth lowest and is 45 points below the U.S. average of 197.

The index declined by 7 points in November.

FIGURE 12: Dallas/Fort Worth



Source: CBRE Research, November 2021.

Denver Market Insights

SUBLEASE AVAILABILITY CONTINUES TO FALL

TIM Index: 92

Space requirements of tenants in the market are at 92% of the pre-pandemic baseline level. Denver ranks sixth and is 7 points above the U.S. average of 85.

The index was unchanged in November.

Leasing Activity Index: 92

Leasing activity is 92% of the pre-pandemic baseline. Denver ranked eighth and is 8 points below the U.S. average of 100.

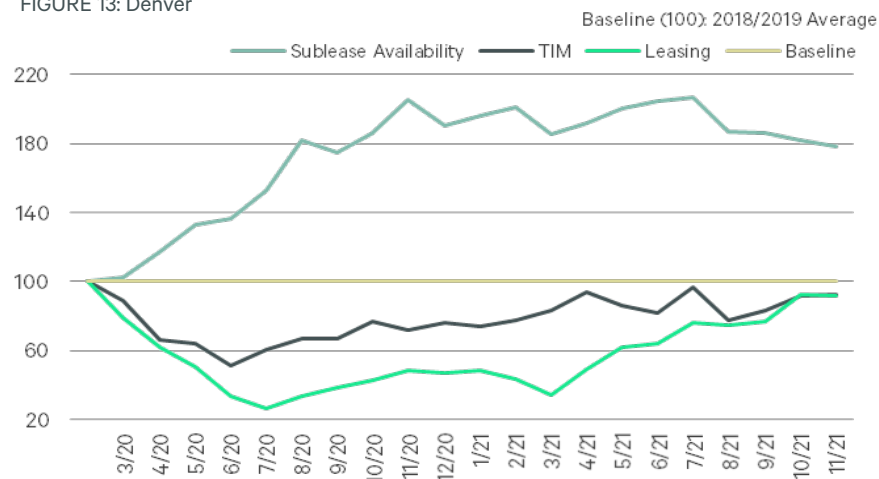
The index was down 1 point in November.

Sublease Availability Index: 179

Available sublease space is 79% above the pre-pandemic baseline. Denver ranks seventh lowest and is 18 points below the U.S. average of 197.

The index fell by 3 points in November, the fourth consecutive monthly drop after peaking at 207 in July.

FIGURE 13: Denver



Source: CBRE Research, November 2021.

Houston Market Insights

LEASING DROPS BUT TENANT REQUIREMENTS REMAIN ROBUST

TIM Index: 94

Space requirements of tenants in the market are 94% of the pre-pandemic baseline. Houston ranked fifth and is 9 points above the U.S. average of 85. The index increased by 5 points in November.

Leasing Activity Index: 81

Leasing activity is 81% of the pre-pandemic baseline. Houston ranked ninth and is 19 points below the U.S. average of 100. The index decreased by 26 points in November.

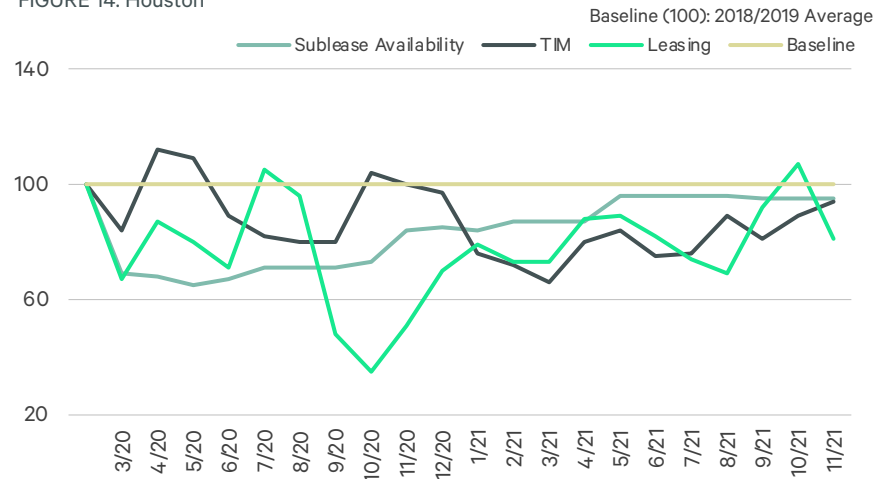
Sublease Availability Index: 95

Available sublease space is 5% below its pre-pandemic baseline level. Houston ranks lowest and is 102 points below the U.S. average of 197.

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

The index has remained at 95 since May.

FIGURE 14: Houston



Source: CBRE Research, November 2021.

Los Angeles Market Insights

STRONG REBOUND AFTER DELTA SLOWDOWN

TIM Index: 69

Space requirements for tenants in the market are at 69% of the pre-pandemic baseline. Los Angeles ranked ninth and is 16 points below the U.S. average of 85.

The index fell by 2 points in November, following TIM conversion to signed leases.

Leasing Activity Index: 109

Leasing activity is 9% above the pre-pandemic baseline. Los Angeles, which was ranked 8th in October, jumped up to third place and is 9 points above the U.S. average of 100.

The index increased by 21 points in November.

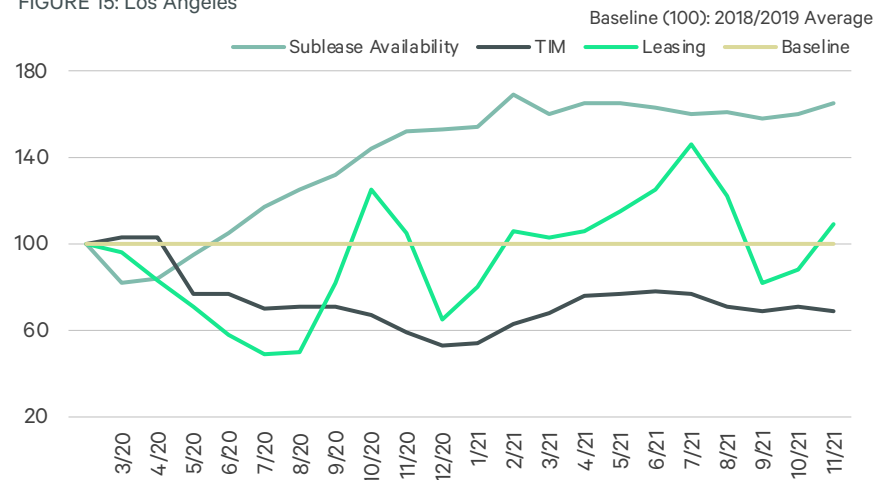
A greater share of Los Angeles's leasing activity is comprised of new leases and expansions, a marked change from the short-term renewals that dominated earlier in the pandemic period. Several large deals remain in the region's leasing pipeline and demand in media-centric submarkets, such as West LA and Tri-Cities, remains strong.

Sublease Availability Index: 165

Available sublease space is 65% above its pre-pandemic baseline level. Los Angeles ranks fifth lowest and is 32 points below the U.S. average of 197.

The index increased by 5 points in November. Generally, sublease additions have been trending down this year, however one large sublease addition in November sent the index upward.

FIGURE 15: Los Angeles



Source: CBRE Research, November 2021.

Manhattan Market Insights

STEADY PROGRESS TOWARD RECOVERY

TIM Index: 99

Space requirements for tenants in the market are at a pandemic-era high of 99% of the pre-pandemic baseline. Manhattan ranked third and is 14 points above the U.S. average of 85.

The index rose by 1 point in November, the third consecutive monthly increase.

Leasing Activity Index: 102

Leasing activity is 2% above the pre-pandemic baseline. Manhattan ranked fourth and is 2 points above the U.S. average of 100.

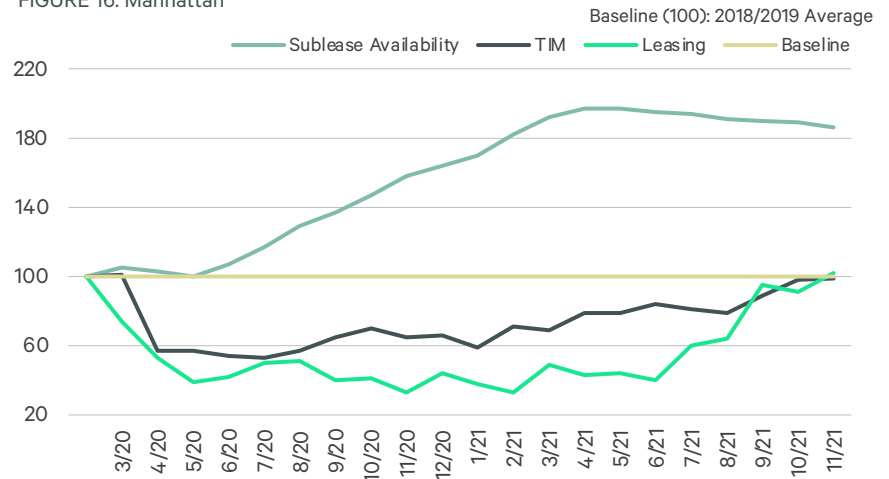
The index increased by 11 points in November to a pandemic-era high.

Sublease Availability Index: 186

Available sublease space is 86% above its pre-pandemic baseline level. Manhattan ranks eighth lowest and is 11 points below the U.S. average of 197.

The index fell by 3 points in November, the sixth consecutive monthly reduction in sublease availability. Solid subleasing activity and above-average withdrawals continue to outpace declining sublease additions.

FIGURE 16: Manhattan



Source: CBRE Research, November 2021.

Philadelphia Market Insights

LEASING HITS PANDEMIC-ERA HIGH, THOUGH LONG ROAD TO RECOVERY REMAINS

TIM Index: 54

Space requirements of tenants in the market are at 54% of the pre-pandemic baseline. Philadelphia ranked 12th and is 31 points below the U.S. average of 85.

The index declined 3 points in November after peaking at 99 in June.

Leasing Activity Index: 79

Leasing activity is at 79% of the pre-pandemic baseline. Philadelphia ranked 10th and is 23 points below the U.S. average of 100.

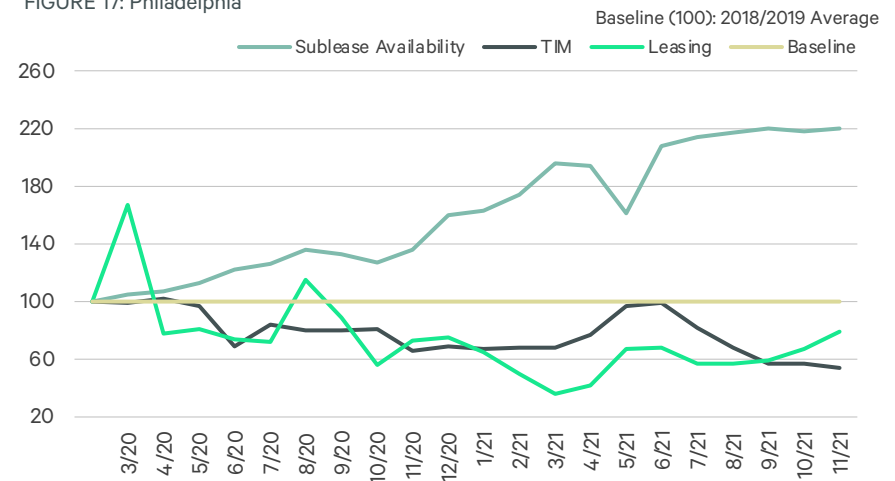
The index rose by 12 points in November to its highest level since September 2020.

Sublease Availability Index: 220

Available sublease space is 120% above the pre-pandemic baseline level. Philadelphia ranks 10th lowest and is 23 points above the U.S. average of 197.

The index rose by 2 points in November.

FIGURE 17: Philadelphia



Source: CBRE Research, November 2021.

San Francisco Market Insights

SUBLEASE INVENTORY INCHES DOWNWARD, SUSTAINED RECOVERY YET TO BEGIN

TIM Index: 65

Space requirements of tenants in the market are at 65% of the pre-pandemic baseline. San Francisco ranked 10th and is 20 points below the U.S. average of 85.

The index fell by 6 points in November, as several large requirements converted to leases.

Leasing Activity Index: 56

Leasing activity is 56% of the pre-pandemic baseline. San Francisco ranked 12th and is 44 points below the U.S. average of 100.

The index decreased by 7 points in November.

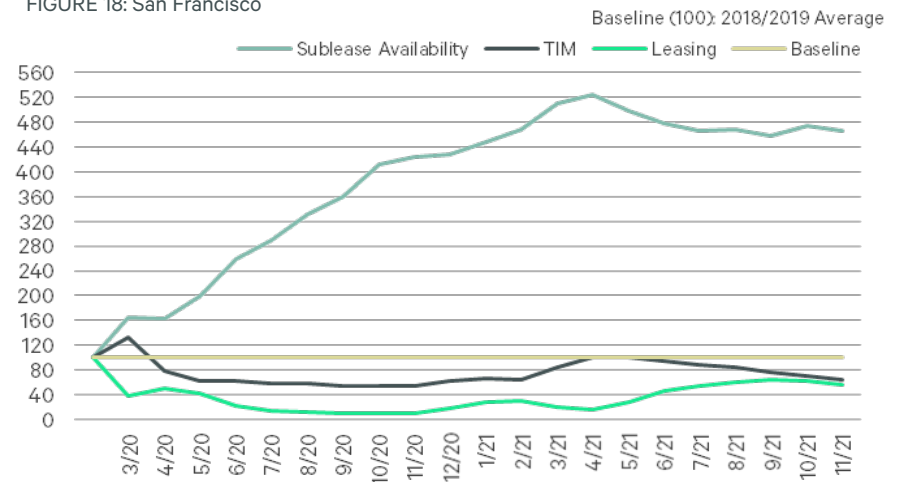
Sublease Availability Index: 466

Available sublease space is 366% above the pre-pandemic baseline level. San Francisco ranks last and is 269 points above the U.S. average of 197.

San Francisco's high index level reflects the low base of available sublease space that existed during the 2018-19 baseline period.

The index fell by 8 points in November, as occupiers leased some of the available sublease space. However, several large blocks of sublease space are still expected to become available.

FIGURE 18: San Francisco



Source: CBRE Research, November 2021.

Note: San Francisco's market data includes downtown San Francisco.

Seattle Market Insights

LEASING NEARLY ON PAR WITH PRE-PANDEMIC LEVEL

TIM Index: 96

Space requirements of tenants in the market are 96% of the pre-pandemic baseline. Seattle ranked fourth and is 11 points above the U.S. average of 85. The index remained unchanged from October.

Leasing Activity Index: 99

Leasing activity is at 99% of the pre-pandemic baseline. Seattle ranked fifth and is 1 point below the U.S. average of 100.

The index rose by 4 points in November as tech companies remained active.

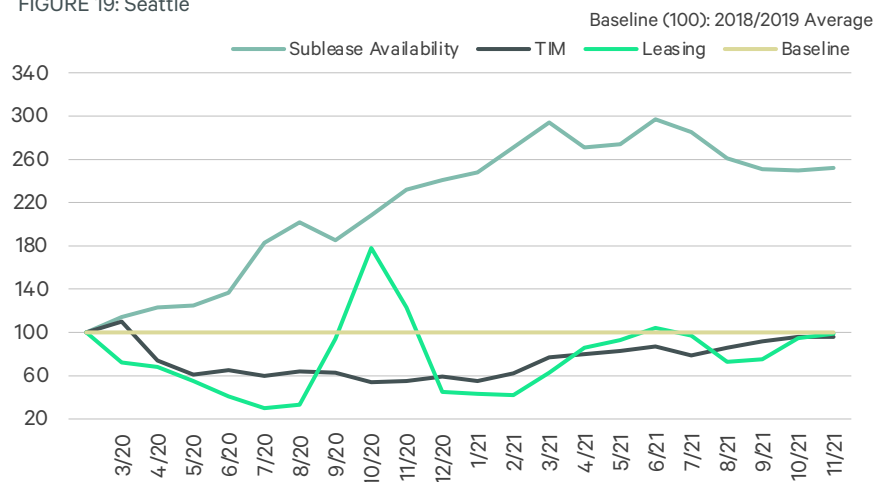
Sublease Availability Index: 252

Available sublease space is 152% above the pre-pandemic baseline level. Seattle ranks 11th lowest and is 55 points above the U.S. average of 197.

The index increased by 2 points in November, a slight uptick after four consecutive monthly declines from the peak of 297 in June. The volume of sublease additions appears to be slowing down, while large blocks of existing sublease space are seeing activity. This should result in a decline in the TIM index in December.

Seattle's recent sublease contraction was fueled by tech companies taking large blocks of sublease space in the region's urban submarkets, notably Downtown Seattle and Bellevue.

FIGURE 19: Seattle



Source: CBRE Research, November 2021.

Washington, D.C. Market Insights

CAUTIOUS OPTIMISM AS RECOVERY CONTINUES

TIM Index: 78

Space requirements of tenants in the market are 78% of the pre-pandemic baseline. Washington, D.C. ranked eighth and is 7 points below the U.S. average of 85.

The index was unchanged in November.

Leasing Activity Index: 122

Leasing activity is 22% above the pre-pandemic baseline. Washington, D.C. ranked second and is 22 points above the U.S. average of 100.

The index decreased by 3 points in November.

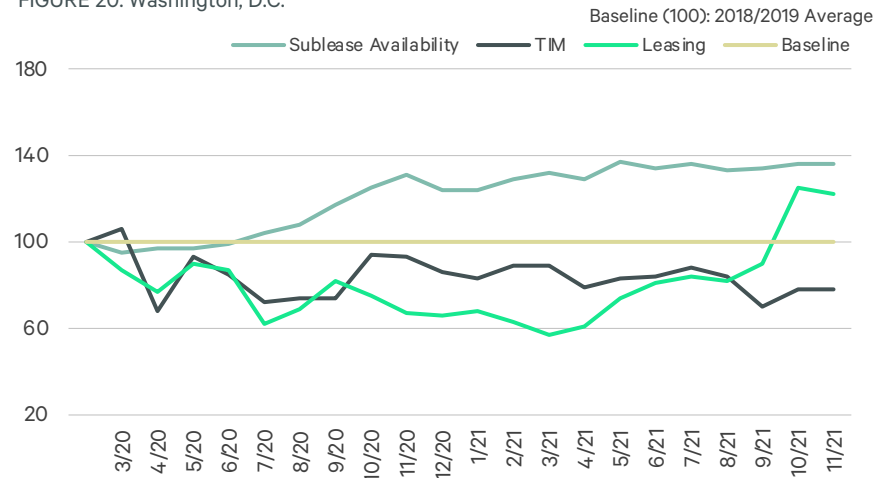
Sublease Availability Index: 136

Available sublease space is 36% above the pre-pandemic baseline level. Washington, D.C. ranks second lowest and is 61 points below the U.S. average of 197.

The index was unchanged in November. Washington, D.C. has a relatively small amount of sublease space compared with other Pulse markets; however, there has been little progress in reducing it from the peak level of 137 in May.

Washington, D.C.'s sublease availability has been uneven across the region, with Downtown availability 15% below its peak, Northern Virginia relatively unchanged and suburban Maryland reaching a new high in Q4 2021.

FIGURE 20: Washington, D.C.



Source: CBRE Research, November 2021.

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