

U.S. Office Market Starts to Cool: Pressure Mounting from COVID-19



Accelerating success.

Stephen Newbold, National Director of Office Research | USA

The U.S. office market showed its first signs of cooling in the first quarter of 2020. Net absorption fell sharply but remained slightly positive, while there was a marginal increase in vacancy, which was coming off a record low. Construction levels fell but remain elevated while rents, for the most part, held firm. Although sales volume was down, capitalization rates (cap rates) and pricing held steady.

Leasing activity began to slow in March as the magnitude of the COVID-19 pandemic began to make itself known. COVID-19 has created a climate of uncertainty and we expect that decision making will largely be put on hold. Additionally, several markets have seen a cessation in construction activity. Look for delivery dates to be moved back and a reassessment of speculative projects.

A clearer picture will emerge as we move through the second quarter, which will be the first quarter to be fully impacted by the pandemic. A key factor will be when, and on what scale, the economy recovers, business confidence returns and whether this will be in the context of a new rental climate.

The U.S. economy has been hit sharp by the COVID-19 pandemic. The record-long economic expansion was brought to an abrupt halt in the first quarter of 2020, with annualized GDP growth contracting by 4.8%. Analysts are predicting that this will pale in comparison to Q2 2020 figures, where annualized GDP growth is projected to be in the negative 30% to 40% range.

A key factor in this decline was the plunge in consumer spending, with real consumption falling by 7.3% month over month in March 2020. At the same time, jobs continue to be lost at a rate not seen since the Great Depression. During the six weeks through the end

of April, 30.3 million initial jobless claims were filed, pushing the unemployment rate close to 15%. Putting this into context, 8.6 million jobs were lost in a two-year period during the Global Financial Crisis (GFC) of 2008 and 2009.

The U.S. economy will recover. The question is when and at what pace. The idea of a checkmark-shaped bounce back is gaining increasing credence, with an unprecedented and deep downturn in Q2 2020, followed by a gradual recovery that picks up steam in Q4 2020 to Q1 2021. The discovery, and widespread introduction, of a vaccine for COVID-19 is critical in sustaining any economic recovery. Current GDP projections show a decline of negative 5% to 7% in 2020, being countered by growth on a similar scale in 2021. The wild card in this picture is the possibility of a second wave of the pandemic this fall or winter, which could result in a double dip in the economy.

How could this impact office demand? The U.S. office market posted negative 82.1 million square feet of net absorption during the 12 months ending in Q3 2009 at the height of the GFC. We anticipate a sharper, but maybe not as sustained, contraction this time around.

Market fortunes should vary dependent upon the composition of their tenant base. In terms of the typical office tenant mix, professional and business services are expected to have a greater exposure to job losses than the financial and information services sectors.

All markets will be impacted by the pandemic, but tech-led markets with established firms with strong balance sheets, such as the Silicon Valley and Seattle, could hold up the best. Boston's leading

Summary Statistics

Vacancy Rate	11.5%
Change from Q4 2019 (Basis Points)	10
Absorption	3.7 MSF
% Of Markets with Positive Absorption	54%
New Supply	22.4 MSF
Under Construction	155.7 MSF

Asking Rents (Per Square Foot Per Year)

Downtown Class A	\$50.95
Change from Q4 2019	0.4%
Change from Q1 2019	1.9%
Suburban Class A	\$31.85
Change From Q4 2019	0.9%
Change From Q1 2019	3.0%

role in life sciences is also a plus. At the other end of the spectrum, Houston faces considerable challenges due to the collapse in oil prices. Similarly, Los Angeles is being impacted by COVID-19's impact on the entertainment sector which has caused production to close.

Demand from coworking and flexible workspace firms, which had been a key driver of leasing volume across most of the leading markets, has all but dried up. There is more than 60 million square feet of such space across the leading 30 U.S. office markets. The core coworking model is being impacted as clients, many of whom are on short-term agreements of as little as 30 to 90 days, cease to use such facilities. Accordingly, some operators are facing financial challenges as their client base dwindles. The greatest impact is likely to be on shared, rather than dedicated, space. Look for increased merger activity in the flexible workspace sector.

The most lasting impact to the office sector resulting from COVID-19 could come from firms reassessing their space needs and the flexibility of their lease agreements. If it is proven that some business functions can be run successfully through remote working, tenants may decide not to house such operations in their office space once we reach the new normal. Additionally, firms could move to a more distributed labor strategy, rather than locating all functions in one central office, and consider greater investment in artificial intelligence (AI) to undertake routine tasks.

Featured Highlights

Vacancy remains tight: U.S. office vacancy rose slightly in Q1 2020 but remains low by historic standards.

Slight increase in rents: Average asking rents increased marginally in the first quarter with the greatest appreciation taking place in the suburbs.

Absorption falls: Net absorption fell in Q1 2020, with suburban markets registering the bulk of any increases.

Construction slows slightly: Office construction fell in the first quarter but remains elevated.

Sales volume falls: Office sales volume is down year over year. Investors continue to favor the suburbs.

Key Observations

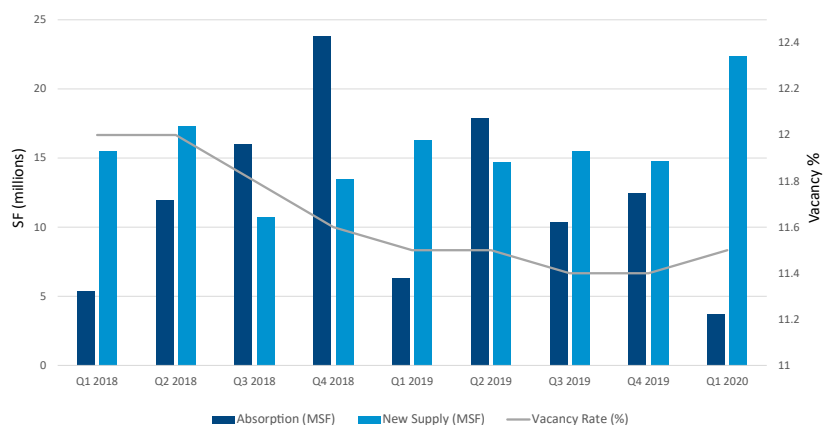
Vacancy Remains Low

- The U.S. office vacancy rate rose by 10 basis points in Q1 2020 to 11.5%. Despite the slight increase, vacancy has now been below its historic average for 21 consecutive quarters.
- Two-thirds of U.S. office markets have vacancy rates below the national average and 45% have sub-10% vacancy. Central business district (CBD) vacancy rates rose by 30 basis points in Q1 2020 to 10.3%, while suburban levels held firm at 12.2%.
- Seattle has the lowest vacancy rate among the major U.S. office markets at 6.8%. The Bay Area and Orlando follow next at 7% and 7.5%, respectively.
- Houston has the highest vacancy rate among the major metros by a fair margin at 20%, followed by Dallas at 16.8%.

Rents Inch Upwards

- Average Class A full-service office asking rates rose slightly in the first quarter to \$39.05 per square foot. Class A asking rates in CBD markets are \$50.95 per square foot, up by 0.4% in Q1 2020 and 1.9% over the past 12 months. Average Class A suburban rates rose by 0.9% in the first quarter to \$31.85 per square foot.
- There are six CBD markets with Class A asking rates higher than the U.S. average, led by New York (\$81.95 per square foot), the Bay Area (\$76.15 per square foot) and Boston (\$71.15 per square foot).
- Over the past 12 months, 15 CBD markets saw Class A asking rents rise by more than 5%. Two CBD markets of note saw rents rise by more than 10%: Atlanta and Detroit.
- Suburban rent growth over the past 12 months has been strongest in Seattle (12.5%), Charlotte (9.4%) and Salt Lake City (9.3%).

U.S. Office Market Q1 2018 – Q1 2020



Source: Colliers International



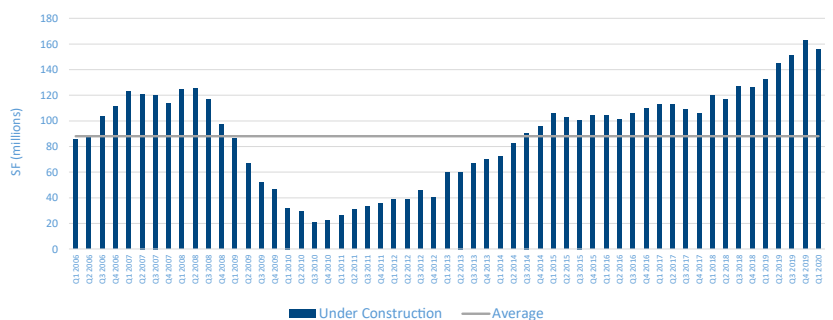
Absorption Falls Sharply

- U.S. office absorption fell in Q1 2020, totaling 3.7 million square feet, down from the 12.3 million square feet seen in the prior quarter. Office absorption is down by 32% on a year-over-year basis, with 40.2 million square feet absorbed in the 12-month period to Q1 2020, compared to 58.9 million square feet in the corresponding period to Q1 2019.
- Despite the first-quarter downturn, 54% of markets recorded positive absorption in Q1 2020, down from 69% in Q4 2019.
- CBD absorption fell into the red in Q1 2020 to the tune of negative 2.7 million square feet. Half of the CBD markets recorded negative absorption in the first quarter led by a combined negative 2.4 million square feet in New York and the Bay Area.
- First quarter suburban absorption totaled 6.5 million square feet, down from 10.5 million square feet in Q4 2019. Suburban occupancy gains were led by Atlanta, Orlando, Los Angeles and Seattle.

Construction Falls but Remains Elevated

- The amount of office space under construction in the U.S. fell by 5.4 million square feet in Q1 2020 to 155.7 million square feet. This follows the highest total on record in Q4 2019. Construction volume in the previous cycle peaked at 125.2 million square feet in Q2 2008. The current construction cycle is more prolonged with activity above the long-time average for 23 quarters to date.
- The amount of space completed in Q1 2020 was 22.4 million square feet, up from 14.8 million square feet in Q4 2019. With non-essential commercial construction stopped in several states due to COVID-19, look for the timing of some projects to be reassessed.

U.S. Office Market: Quarterly Under Construction Totals



Source: Colliers International

- CBD markets account for 67.8 million square feet underway with 81.9 million square feet taking place in the suburbs. However, the pace of construction in CBD markets is greater, where it equates to 3.4% of inventory compared with 2.2% in the suburbs.
 - Both New York and the Bay Area have in excess of 20 million square feet underway, accounting for 28% of total space under construction. The fastest growing markets, as represented by space underway as a percentage of inventory, are Austin (8.8%), Salt Lake City (7.9%) and Seattle (7%).
- ## Cap Rates and Pricing Hold Firm
- Office investment pricing remains solid. Average cap rates stand at 6.5%, down by 10 basis points from a year ago. CBD cap rates fell by 10 basis points over the same time period to 5.3%, while suburban cap rates fell by 20 basis points to 6.7%.
 - Sales volume in Q1 2020 totaled \$29.4 billion, down from \$40 billion in the prior quarter. The year-over-year sales total is down by 16%.
 - Investors continue to favor suburban assets, investing \$17.4 billion in the first quarter compared with \$11.9 billion in CBD locations. The six major metros — Boston, Chicago, Los Angeles, New York, San Francisco and Washington, D.C. — garnered more than half of first quarter sales volume, at \$16.3 billion.
 - On a regional basis, the Northeast has the highest average pricing, at \$459 per square foot, followed by the West, at \$420 per square foot. The U.S. average price is \$310 per square foot.

United States - Downtown - All Classes

MARKET	INVENTORY (SF) MAR 31, 2020	NEW SUPPLY (SF) Q1 2020	UNDER CONSTRUCTION (SF) MAR 31, 2020	VACANCY RATE Q4 2019	VACANCY RATE Q1 2020	ABSORPTION (SF) Q1 2020	YTD ABSORPTION (SF) 2020
USA	2,009,542,725	11,667,372	67,769,411	9.9%	10.3%	-2,717,041	-2,717,041
NORTHEAST	912,962,737	9,093,682	27,974,392	7.9%	8.3%	-1,997,020	-1,997,020
Baltimore	46,138,731	-	276,144	9.5%	9.2%	136,899	136,899
Boston	72,374,609	358,008	3,781,634	7.9%	8.6%	-154,785	-154,785
Hartford	12,121,320	-	-	11.0%	12.0%	-219,372	-219,372
New York City Metro	533,390,639	7,639,914	20,478,368	5.7%	6.0%	-1,507,172	-1,507,172
> Manhattan	516,932,775	7,639,914	19,978,368	5.4%	5.7%	-1,459,852	-1,459,852
> NYC Northern Suburbs	16,457,864	-	500,000	15.0%	15.7%	-47,320	-47,320
Philadelphia	47,855,019	-	-	9.7%	9.6%	70,748	70,748
Pittsburgh	55,060,315	213,937	520,602	9.2%	10.1%	-315,607	-315,607
Washington, D.C.	146,022,104	881,823	2,917,644	14.1%	14.6%	-7,731	-7,731
SOUTH	362,473,091	708,048	19,560,160	12.4%	12.6%	297,493	297,493
Atlanta	52,737,685	366,732	4,262,701	12.8%	12.4%	539,111	539,111
Austin	15,455,690	-	2,323,954	5.2%	4.8%	59,784	59,784
Birmingham	18,995,918	-	-	6.8%	6.4%	122,352	122,352
Charleston	2,923,217	-	408,000	8.4%	15.6%	-14,008	-14,008
Charlotte	22,862,726	-	2,745,915	6.5%	6.1%	105,118	105,118
Columbia	5,561,319	-	-	9.8%	8.2%	86,712	86,712
Dallas-Fort Worth	41,186,926	-	259,230	21.9%	22.6%	-265,786	-265,786
Greenville-Spartanburg	4,490,492	-	337,531	12.7%	14.1%	14,484	14,484
Houston	42,969,353	-	1,251,856	22.5%	23.2%	-305,256	-305,256
Huntsville	3,830,604	-	347,000	3.8%	3.2%	22,197	22,197
Jacksonville	14,592,290	-	62,000	7.5%	8.2%	20,672	20,672
Memphis	5,704,639	-	225,100	12.9%	12.8%	5,936	5,936
Nashville	14,146,168	-	2,606,929	5.6%	7.2%	-158,326	-158,326
Norfolk	3,212,337	-	-	12.0%	12.3%	-221	-221
Orlando	13,260,882	241,000	24,000	8.7%	9.7%	96,819	96,819
Raleigh/Durham	11,750,351	-	507,905	5.4%	6.1%	-113,595	-113,595
Richmond	10,439,527	-	406,692	9.3%	10.5%	-19,392	-19,392
Savannah	794,009	-	-	10.4%	10.4%	107	107
South Florida	77,558,958	100,316	3,791,347	10.9%	10.8%	100,785	100,785
> Fort Lauderdale	27,219,323	100,316	966,014	10.5%	10.8%	-91,985	-91,985
> Miami	28,450,405	-	1,875,704	11.2%	10.9%	144,945	144,945
> Palm Beach	21,889,230	-	949,629	10.9%	10.7%	47,825	47,825

United States - Downtown - All Classes

MARKET	INVENTORY (SF) MAR 31, 2020	NEW SUPPLY (SF) Q1 2020	UNDER CONSTRUCTION (SF) MAR 31, 2020	VACANCY RATE Q4 2019	VACANCY RATE Q1 2020	ABSORPTION (SF) Q1 2020	YTD ABSORPTION (SF) 2020
MIDWEST	373,990,039	1,674,817	8,786,796	12.0%	12.3%	416,770	416,770
Chicago	151,072,466	1,314,867	5,378,128	12.3%	12.9%	460,602	460,602
Cincinnati	16,767,492	22,500	12,500	12.2%	10.7%	48,637	48,637
Cleveland-Akron	23,604,170	-	-	16.2%	16.4%	-52,044	-52,044
Columbus	20,259,307	45,000	521,000	9.2%	9.4%	55,094	55,094
Dayton	5,071,376	-	107,000	25.9%	25.9%	-111,145	-111,145
Detroit	25,069,361	-	-	8.2%	8.1%	15,268	15,268
Grand Rapids	6,459,318	-	416,000	8.9%	9.6%	-44,844	-44,844
Indianapolis	11,986,976	-	197,172	15.7%	15.8%	-90,483	-90,483
Kansas City	34,343,715	-	220,000	5.6%	5.6%	24,461	24,461
Milwaukee	20,141,297	140,000	1,071,862	8.9%	10.7%	120,773	120,773
Minneapolis-St. Paul	38,494,577	-	-	15.1%	15.3%	-83,485	-83,485
Omaha	7,346,443	-	237,000	6.0%	5.5%	-9,935	-9,935
St. Louis	13,373,541	152,450	626,134	19.4%	20.1%	83,871	83,871
WEST	360,116,858	190,825	11,448,063	10.5%	11.0%	-1,434,284	-1,434,284
Albuquerque	3,198,630	-	-	18.1%	18.8%	-9,506	-9,506
Bakersfield	3,588,727	-	-	6.4%	7.9%	-4,512	-4,512
Boise	7,102,662	-	191,000	7.7%	5.9%	116,390	116,390
Denver	39,430,855	-	1,850,035	12.4%	12.9%	-190,758	-190,758
Fresno	3,373,351	-	-	6.4%	5.6%	26,552	26,552
Los Angeles	34,567,900	-	994,600	20.2%	19.6%	-179,200	-179,200
Honolulu	6,902,446	-	-	11.7%	12.1%	-27,838	-27,838
Las Vegas	5,025,623	-	-	11.9%	12.3%	33,991	33,991
Phoenix	23,014,081	-	227,113	16.0%	16.2%	-28,731	-28,731
Portland	24,871,912	190,825	362,380	14.8%	15.1%	92,299	92,299
Reno-Sparks	1,309,858	-	-	10.4%	11.5%	-14,369	-14,369
Sacramento	10,193,021	-	-	11.9%	12.1%	29,279	29,279
Salt Lake City	12,771,508	-	589,945	11.8%	12.0%	16,549	16,549
San Diego	10,424,970	-	204,754	14.7%	19.5%	-57,570	-57,570
San Francisco Bay Area	132,867,051	-	5,437,236	6.3%	6.9%	-931,078	-931,078
> East Bay	29,619,022	-	344,500	11.5%	11.6%	-148,930	-148,930
> San Francisco	94,803,023	-	3,552,736	4.5%	5.3%	-748,839	-748,839
> Silicon Valley	8,445,006	-	1,540,000	7.8%	8.2%	-33,309	-33,309
Seattle-Puget Sound	33,923,717	-	1,551,000	7.1%	8.1%	-329,230	-329,230
Stockton	7,550,546	-	40,000	7.3%	6.9%	23,448	23,448

United States - Downtown - Class A

MARKET	INVENTORY (SF) MAR 31, 2020	AVG. ANNUAL QUOTED RENT (USD/SF)	VACANCY RATE Q4 2019	VACANCY RATE Q1 2020	ABSORPTION (SF) Q1 2020	QUARTERLY CHANGE IN RENT	ANNUAL CHANGE IN RENT
MIDWEST	165,702,154	\$32.76	11.5%	11.9%	890,786	0.7%	7.0%
Chicago	72,271,276	\$48.37	10.6%	11.4%	894,804	-0.9%	5.8%
Cincinnati	8,272,745	\$23.64	11.3%	11.0%	24,767	-0.3%	0.9%
Cleveland-Akron	11,085,003	\$21.67	14.1%	14.9%	-106,494	-2.5%	-3.0%
Columbus	9,299,802	\$20.15	10.9%	10.2%	50,394	2.4%	1.4%
Dayton	2,539,586	\$17.80	25.3%	28.0%	-67,050	-0.5%	3.7%
Detroit	7,893,159	\$27.97	7.7%	7.8%	14,106	0.0%	13.3%
Indianapolis	6,184,704	\$25.67	15.1%	15.9%	-52,315	0.2%	2.3%
Kansas City	10,879,896	\$22.11	9.3%	9.2%	-3,499	0.0%	4.2%
Milwaukee	8,239,290	\$24.68	9.6%	9.0%	59,881	1.9%	2.4%
Minneapolis-St. Paul	18,214,513	\$34.70	11.8%	11.7%	23,798	0.3%	3.7%
Omaha	2,592,485	\$23.93	3.1%	2.3%	0	-3.3%	0.4%
St. Louis	8,229,695	\$18.48	19.6%	20.2%	52,394	0.4%	-1.6%
WEST	212,680,590	\$52.09	9.1%	10.0%	-951,441	0.8%	9.1%
Albuquerque	577,135	\$21.00	28.9%	30.4%	4,119	10.5%	-4.4%
Bakersfield	788,282	\$20.48	12.1%	12.1%	-	0.0%	0.0%
Denver	26,724,620	\$38.83	12.8%	12.3%	133,786	7.9%	5.6%
Fresno	979,013	\$20.88	5.8%	3.5%	22,579	-0.6%	9.4%
Greater Los Angeles	18,470,800	\$46.58	13.8%	14.8%	-179,100	-0.3%	3.0%
Honolulu	4,826,087	\$36.12	11.0%	11.4%	-15,639	-0.1%	0.8%
Las Vegas	1,236,654	\$32.88	20.3%	19.3%	17,844	0.1%	0.0%
Phoenix	11,023,921	\$29.41	13.9%	16.7%	-36,976	7.8%	4.8%
Portland	13,453,657	\$38.11	15.5%	16.6%	31,344	0.4%	4.7%
Reno-Sparks	549,828	\$26.92	11.5%	15.7%	-22,979	-2.5%	11.7%
Sacramento	5,281,121	\$40.80	6.1%	5.2%	41,885	1.5%	7.9%
Salt Lake City	5,041,110	\$31.67	10.2%	8.8%	73,872	1.9%	8.5%
San Diego	7,248,103	\$37.20	13.0%	19.4%	-60,724	0.3%	4.0%
San Francisco Bay Area	86,459,428	\$76.17	5.7%	6.4%	-678,086	-1.6%	7.1%
› East Bay	19,109,776	\$58.51	11.6%	11.4%	-38,998	3.5%	22.9%
› San Francisco	63,202,717	\$92.67	4.0%	5.0%	-635,789	-11.6%	2.9%
› Silicon Valley	4,146,935	\$60.16	5.8%	5.8%	-3,299	-1.7%	10.3%
Seattle-Puget Sound	27,204,739	\$55.41	6.6%	7.6%	-285,200	0.5%	4.0%
Stockton	2,816,092	\$27.00	5.0%	5.4%	1,834	12.1%	10.4%

United States - Suburban - All Classes

MARKET	INVENTORY (SF) MAR 31, 2020	NEW SUPPLY (SF) Q1 2020	UNDER CONSTRUCTION (SF) MAR 31, 2020	VACANCY RATE Q4 2019	VACANCY RATE Q1 2020	ABSORPTION (SF) Q1 2020	YTD ABSORPTION (SF) 2020
USA	4,084,108,911	10,439,441	87,944,533	12.2%	12.2%	6,456,837	6,456,837
NORTHEAST	1,042,386,730	791,883	15,237,726	13.4%	13.3%	1,450,812	1,450,812
Baltimore	76,677,627	-	731,375	11.4%	10.9%	296,272	296,272
Boston	147,953,130	233,000	4,841,225	14.3%	14.1%	489,842	489,842
Hartford	32,672,971	-	-	10.9%	10.9%	15,949	15,949
New Hampshire	22,962,151	28,000	220,406	8.3%	8.3%	22,248	22,248
New York City Metro	345,845,800	143,080	1,422,407	12.8%	12.6%	711,358	711,358
› Central New Jersey	87,564,480	-	-	13.6%	13.0%	470,063	470,063
› Long Island	78,554,092	53,080	491,357	7.1%	7.4%	-208,980	-208,980
› Northern New Jersey	115,164,676	90,000	872,500	14.6%	14.1%	745,217	745,217
› NYC Northern Suburbs	64,562,552	-	58,550	15.6%	15.8%	-294,942	-294,942
Philadelphia	106,991,342	32,000	1,771,045	13.4%	13.4%	-146,177	-146,177
Pittsburgh	20,139,882	-	-	5.2%	5.2%	1,850	1,850
Washington, D.C.	289,143,827	355,803	6,251,268	15.5%	15.6%	59,470	59,470
› Northern Virginia	197,250,214	355,803	3,388,725	16.0%	16.1%	64,833	64,833
› Suburban Maryland	91,893,613	-	2,862,543	14.5%	14.5%	-5,363	-5,363
SOUTH	1,230,290,665	5,297,548	27,149,169	12.6%	12.9%	3,700,362	3,700,362
Atlanta	175,204,832	1,773,997	1,773,138	13.7%	13.7%	1,458,067	1,458,067
Austin	73,520,313	1,127,889	5,546,863	10.2%	11.0%	593,656	593,656
Birmingham	43,074,369	-	118,087	9.1%	9.7%	88,718	88,718
Charleston	11,208,550	30,442	382,240	12.4%	13.1%	-90,563	-90,563
Charlotte	57,015,382	103,302	2,570,332	10.0%	9.2%	160,647	160,647
Columbia	10,834,593	-	78,500	9.9%	9.4%	81,287	81,287
Dallas-Fort Worth	260,766,474	647,572	6,988,355	15.7%	15.9%	-169,271	-169,271
Greenville	13,052,791	127,483	-	9.2%	9.1%	87,656	87,656
Houston	185,835,276	251,672	2,551,376	19.2%	19.2%	127,340	127,340
Huntsville	16,586,156	66,841	0	6.3%	6.1%	169,338	169,338
Jacksonville	36,493,558	23,331	462,048	9.2%	10.3%	518,875	518,875
Memphis	29,794,876	-	45,000	11.1%	13.3%	-27,697	-27,697
Nashville	41,301,150	180,000	843,500	8.0%	8.8%	94,471	94,471
Norfolk	19,850,025	24,883	206,568	10.2%	10.6%	-6,134	-6,134
Orlando	58,322,538	860,136	1,214,538	7.2%	7.0%	815,228	815,228
Raleigh/Durham	57,144,845	-	1,176,986	8.5%	8.2%	220,038	220,038
Richmond	15,586,647	-	52,704	11.1%	10.0%	103,796	103,796
Savannah	1,394,246	-	-	10.1%	9.0%	15,764	15,764
South Florida	123,304,044	80,000	3,138,934	8.4%	8.8%	-540,854	-540,854
› Fort Lauderdale	34,365,590	0	1,210,370	8.2%	8.9%	-320,264	-320,264
› Miami	61,432,561	80,000	1,691,364	7.7%	8.3%	-224,112	-224,112
› Palm Beach	27,505,893	0	237,200	10.3%	9.9%	3,522	3,522

United States - Suburban - All Classes

MARKET	INVENTORY (SF) MAR 31, 2020	NEW SUPPLY (SF) Q1 2020	UNDER CONSTRUCTION (SF) MAR 31, 2020	VACANCY RATE Q4 2019	VACANCY RATE Q1 2020	ABSORPTION (SF) Q1 2020	YTD ABSORPTION (SF) 2020
MIDWEST	692,335,935	682,082	7,455,054	12.2%	12.3%	-183,808	-183,808
Chicago	159,920,203	50,000	-	16.1%	16.2%	-258,050	-258,050
Cincinnati	43,901,153	30,000	759,000	15.0%	15.3%	-81,906	-81,906
Cleveland-Akron	48,258,622	52,000	160,800	11.1%	10.7%	211,641	211,641
Columbus	46,801,037	-	714,078	9.2%	9.6%	-78,204	-78,204
Dayton	9,300,462	-	248,000	16.7%	15.3%	189,625	189,625
Detroit	132,989,828	12,000	1,009,408	10.5%	10.7%	-184,802	-184,802
Grand Rapids	13,570,281	-	349,367	7.4%	6.6%	25,036	25,036
Indianapolis	27,773,998	123,768	240,000	17.4%	17.9%	-19,901	-19,901
Kansas City	64,349,672	56,840	1,635,239	8.5%	8.5%	94,526	94,526
Milwaukee	29,614,642	116,300	-	10.8%	11.8%	130,525	130,525
Minneapolis-St. Paul	50,574,828	-	-	12.3%	12.5%	-133,032	-133,032
Omaha	25,284,037	227,174	1,529,489	6.4%	7.3%	-44,008	-44,008
St. Louis	39,997,172	14,000	809,673	11.1%	11.4%	-35,258	-35,258
WEST	1,119,095,581	3,667,928	38,102,584	10.5%	10.3%	1,489,471	1,489,471
Albuquerque	11,023,758	-	-	15.8%	15.5%	35,224	35,224
Bakersfield	6,681,411	-	60,000	11.0%	10.7%	17,528	17,528
Boise	18,941,027	-	41,898	5.6%	4.6%	112,719	112,719
Central Idaho	2,416,759	-	-	1.9%	1.9%	-365	-365
Denver	125,280,442	203,086	1,965,817	10.2%	10.3%	-120,853	-120,853
Eastern Idaho	13,258,897	-	-	3.0%	1.2%	20,065	20,065
Fresno	18,963,709	-	-	7.0%	8.1%	-12,680	-12,680
Greater Los Angeles	280,405,700	271,000	6,916,700	13.4%	12.9%	818,200	818,200
› Inland Empire	20,392,100	-	260,300	11.4%	11.5%	-25,300	-25,300
› Los Angeles	172,653,800	271,000	5,621,000	13.5%	12.9%	970,600	970,600
› Orange County	87,359,800	-	1,035,400	13.7%	13.3%	-127,100	-127,100
Honolulu	7,365,669	-	-	8.0%	8.5%	-18,070	-18,070
Las Vegas	40,289,660	96,849	86,600	13.9%	13.4%	311,932	311,932
Phoenix	140,568,661	942,060	2,930,059	12.2%	12.2%	166,581	166,581
Portland	46,946,905	293,385	1,014,680	7.4%	8.4%	-165,743	-165,743
Reno/Sparks	6,157,825	-	24,000	10.0%	9.7%	-717	-717
Sacramento	47,571,579	-	592,360	13.6%	13.5%	163,395	163,395
Salt Lake City	42,262,908	657,454	3,774,882	8.5%	9.5%	322,037	322,037
San Diego	75,448,946	-	919,119	9.2%	9.2%	-150,392	-150,392
San Francisco Bay Area	195,871,198	188,079	16,342,469	6.9%	7.1%	-829,621	-829,621
› East Bay	49,490,772	-	252,656	8.8%	9.7%	-318,832	-318,832
› Fairfield, CA	5,286,005	-	-	14.7%	14.8%	-29,886	-29,886
› San Francisco Peninsula	43,769,106	102,079	5,815,305	7.1%	6.5%	-8,095	-8,095
› Silicon Valley	97,325,315	86,000	10,274,508	5.4%	5.7%	-472,808	-472,808
Santa Fe	2,254,673	-	-	5.0%	4.7%	10,918	10,918
Seattle/Puget Sound	37,385,854	1,016,015	3,434,000	5.2%	5.6%	809,313	809,313

United States - Suburban - Class A

MARKET	INVENTORY (SF) MAR 31, 2020	AVG. ANNUAL QUOTED RENT (USD/SF)	VACANCY RATE Q4 2019	VACANCY RATE Q1 2020	ABSORPTION (SF) Q1 2020	QUARTERLY CHANGE IN RENT	ANNUAL CHANGE IN RENT
MIDWEST	265,338,685	\$25.59	13.3%	13.5%	-329,269	0.5%	0.9%
Chicago	80,351,943	\$29.00	18.7%	18.8%	-207,276	-1.9%	-1.2%
Cincinnati	17,886,890	\$22.07	12.6%	13.2%	-100,904	-1.3%	-0.5%
Cleveland-Akron	12,532,135	\$21.03	11.7%	11.3%	130,055	1.0%	-3.5%
Columbus	20,584,371	\$21.64	9.3%	10.2%	-139,359	0.3%	-2.4%
Dayton	2,451,758	\$21.28	13.4%	11.2%	57,923	5.3%	4.1%
Detroit	36,376,417	\$21.72	10.6%	10.9%	-155,367	1.0%	-1.0%
Indianapolis	12,783,392	\$23.90	17.9%	19.1%	-10,280	3.4%	1.3%
Kansas City	19,800,482	\$23.31	7.8%	7.9%	91,536	-0.4%	2.3%
Milwaukee	11,692,707	\$19.47	9.6%	10.0%	75,193	-2.1%	4.5%
Minneapolis-St. Paul	26,004,797	\$28.30	12.5%	12.7%	-63,969	6.7%	21.8%
Omaha	4,964,462	\$26.20	6.4%	7.2%	48,991	-4.1%	-5.6%
St. Louis	19,909,331	\$25.91	9.1%	9.4%	(55,812)	-0.6%	5.2%
WEST	374,202,704	\$39.00	10.6%	10.6%	1,994,405	-0.6%	3.9%
Albuquerque	1,012,173	\$24.54	10.2%	8.8%	22,665	6.3%	5.6%
Bakersfield	3,015,838	\$22.50	12.3%	12.2%	2,693	0.9%	1.3%
Denver	47,171,295	\$29.46	10.8%	10.7%	44,136	3.2%	6.7%
Fresno	1,585,948	\$24.37	-	6.5%	15,384	-	-
Greater Los Angeles	66,457,200	\$39.28	15.7%	14.8%	268,700	1.0%	2.3%
> Los Angeles	28,105,200	\$40.33	12.9%	12.5%	232,400	1.3%	3.1%
> Orange County	38,352,000	\$38.70	17.7%	16.5%	36,300	0.9%	2.0%
Las Vegas	5,638,013	\$32.81	21.1%	18.8%	162,374	-1.7%	-0.4%
Phoenix	44,936,286	\$30.00	12.9%	12.7%	270,217	-1.2%	0.3%
Portland	13,222,596	\$30.54	9.8%	11.6%	12,345	2.0%	4.3%
Reno/Sparks	3,509,261	\$24.42	7.4%	7.1%	-2,066	3.0%	0.3%
Sacramento	13,561,512	\$26.14	12.4%	13.6%	74,258	0.2%	1.4%
Salt Lake City	18,779,096	\$27.75	8.8%	10.6%	394,061	6.4%	9.3%
San Diego	27,077,679	\$41.10	10.5%	10.6%	-55,883	0.7%	3.0%
San Francisco Bay Area	108,554,355	\$57.69	7.5%	7.5%	-79,298	-3.8%	7.0%
> East Bay	20,999,384	\$39.64	10.7%	11.8%	-165,753	-1.4%	3.8%
> Fairfield, CA	2,192,224	\$28.89	17.0%	17.6%	-18,508	-0.7%	2.3%
> San Francisco Peninsula	26,850,501	\$68.74	7.1%	6.6%	78,646	1.4%	7.0%
> Silicon Valley	58,512,246	\$67.69	6.1%	6.0%	26,317	-3.2%	12.0%
Seattle/Puget Sound	19,402,937	\$44.98	4.2%	4.7%	864,819	0.9%	12.5%

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