Pulse of U.S. Office Demand - January 2023

▲ 68
Leasing Activity

▶ 66
Tenants in the Market (TIM)

▲ 251
Sublease Availability

Note: Arrows indicate change from previous month.

What is the CBRE Pulse Report?

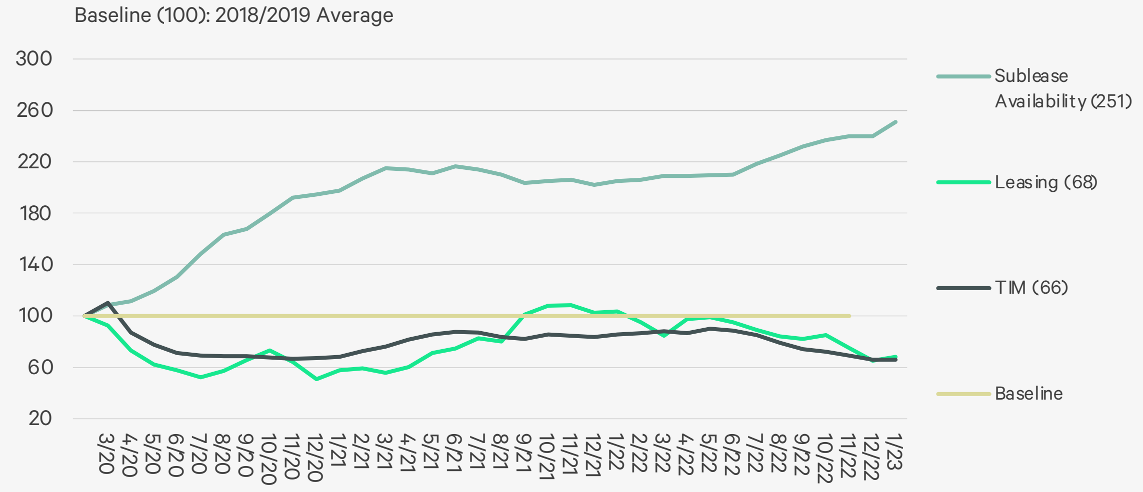
To gauge the pace of recovery, CBRE has created three indices for 11 major U.S. office markets—Atlanta, Boston, Chicago, Dallas/Fort Worth, Denver, Los Angeles, Manhattan, Philadelphia, San Francisco, Seattle and Washington, D.C.

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 since the COVID-19 pandemic began.

Note: Houston has been removed from the Pulse report and all historical data points have been restated.

FIGURE 1: Indexed Average Performance of Sublease Availability, TIM & Leasing Activity for Top 11 U.S. Markets

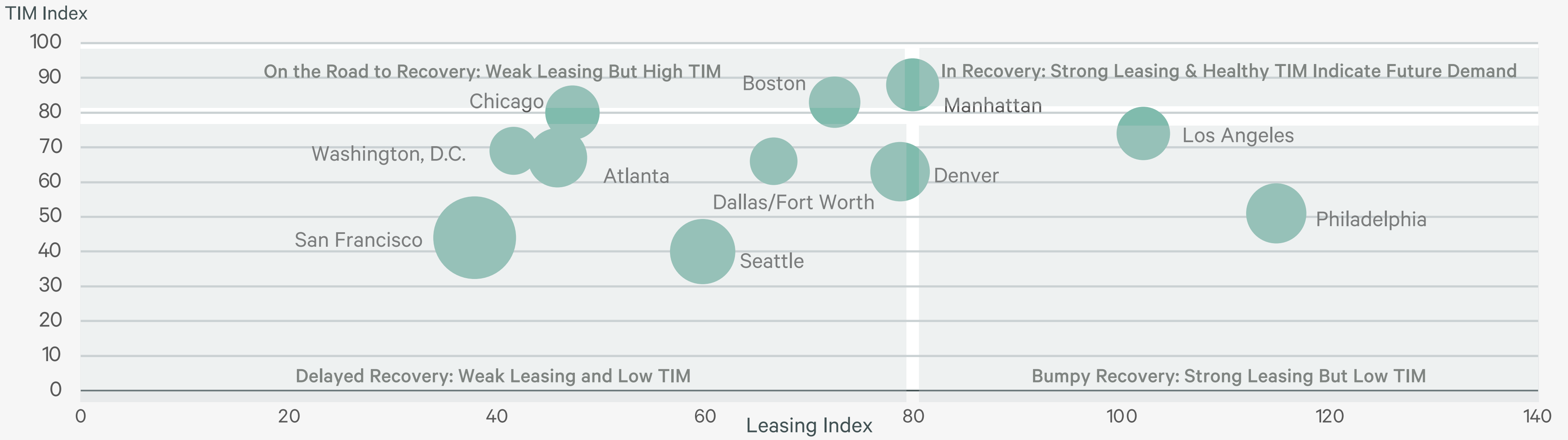


Source: CBRE Research, January 2023.

January 2023 Office Recovery Progress by Market

- Manhattan, Los Angeles and Philadelphia had the most progress in office market recovery in January based on a composite index of leasing activity, tenants in the market and sublease space availability.
- Six of the 11 markets tracked by CBRE had increases in their Leasing Activity Index, led by Philadelphia (+44 points) where two large leases were signed by finance & insurance companies. Washington, D.C.'s index fell by 37 points as federal government leasing slowed and business leasing activity fell.
- Manhattan remained the leader for tenants in the market (TIM) but its index level fell by 5 points for the month. Five of the 11 markets saw increases in their TIM Index levels, led by Dallas/Fort Worth (+10 points).
- The overall Sublease Availability Index jumped by 11 points in January, driven by increases in San Francisco (+28 points), Seattle (+23 points) and Chicago (+18 points). Dallas/Fort Worth had the lowest amount of available sublease space, while Los Angeles (-3 points) and Philadelphia (-2 points) were the only markets with decreases in their Sublease Availability indexes last month.

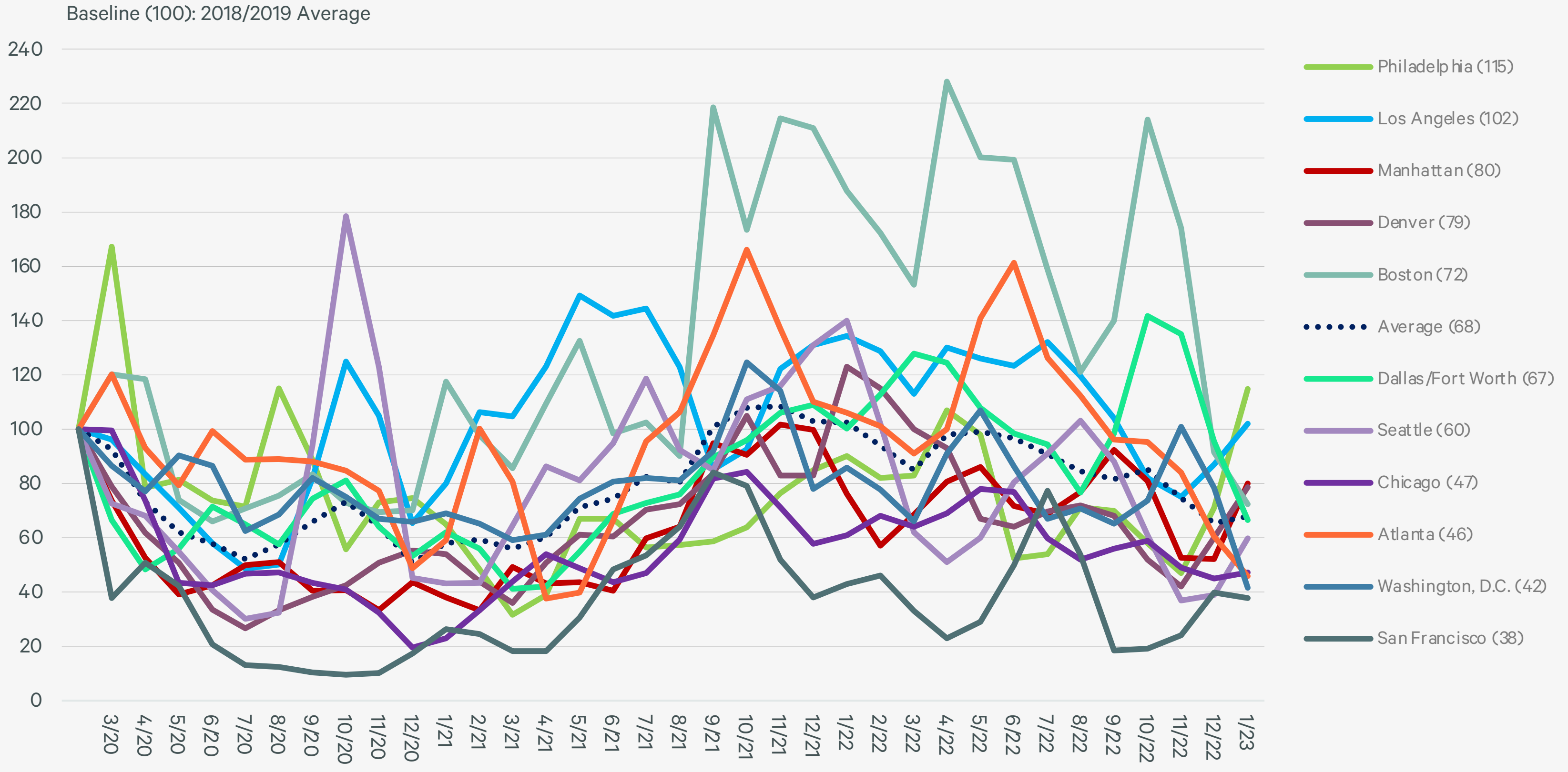
FIGURE 2: January 2023 Office Market Recovery Index, Top 11 U.S. Markets



Note: Sublease Availability Index level is denoted by size of bubble (the bigger the bubble, the greater the availability).
Source: CBRE Research, January 2023.

Leasing Activity Index

FIGURE 3: Indexed Monthly Leasing Activity by Market Compared with 2018/2019 Average



Source: CBRE Research, January 2023.

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, this average is 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.

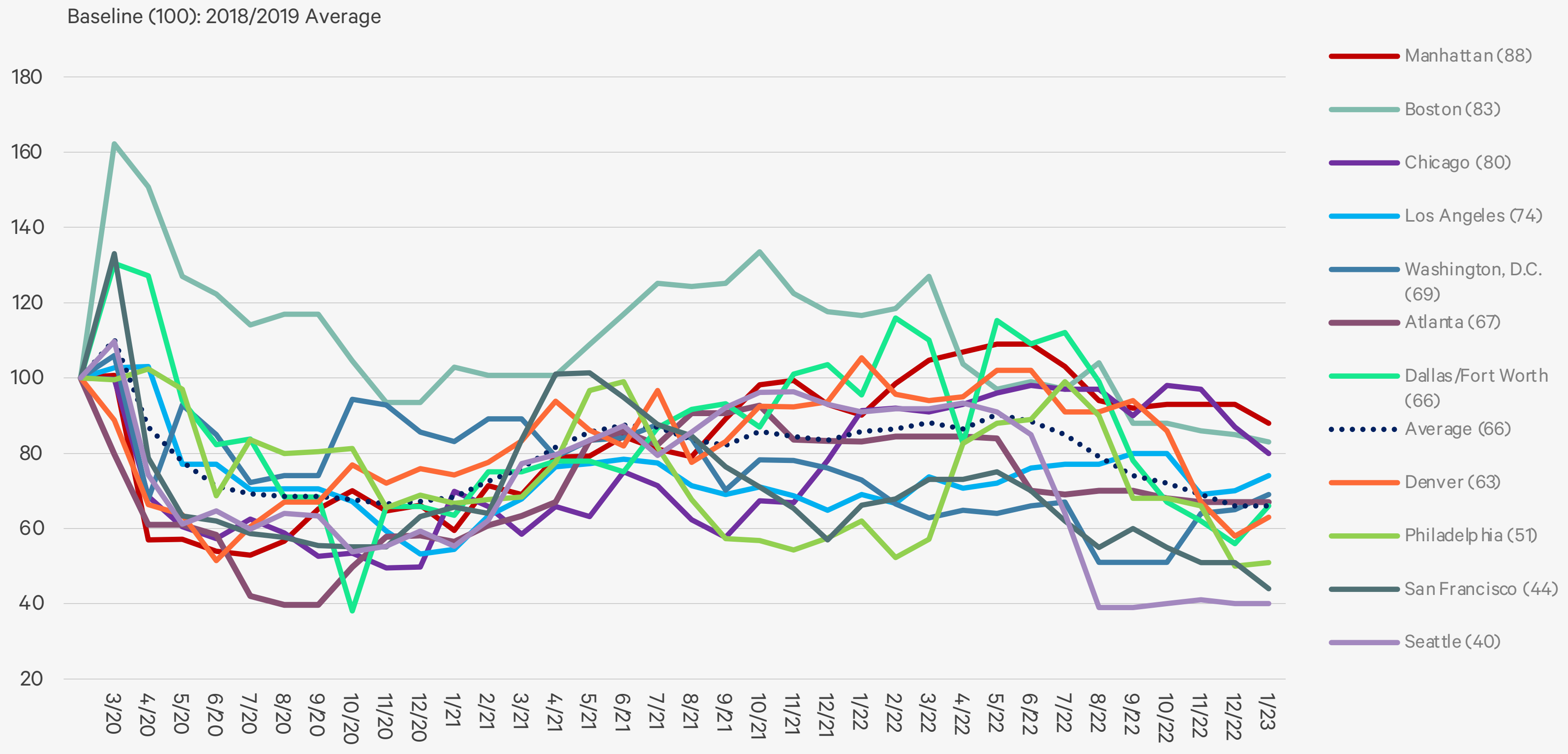
FIGURE 4: January 2023 Leasing Activity Index – Top 11 U.S. Markets

Rank	Market	Score	MOM Change
1	Philadelphia	115	44
2	Los Angeles	102	15
3	Manhattan	80	28
4	Denver	79	19
5	Boston	72	-19
6	Dallas/Fort Worth	67	-29
7	Seattle	60	21
8	Chicago	47	2
9	Atlanta	46	-15
10	Washington, D.C.	42	-37
11	San Francisco	38	-2
	U.S. Average	68	2

Source: CBRE Research, January 2023.

Tenants in the Market Index

FIGURE 5: Indexed Monthly Square Footage of Tenant Requirements by Market Compared with 2018/2019 Average



Source: CBRE Research, January 2023.

FIGURE 6: January 2023 TIM Index– Top 11 U.S. Markets

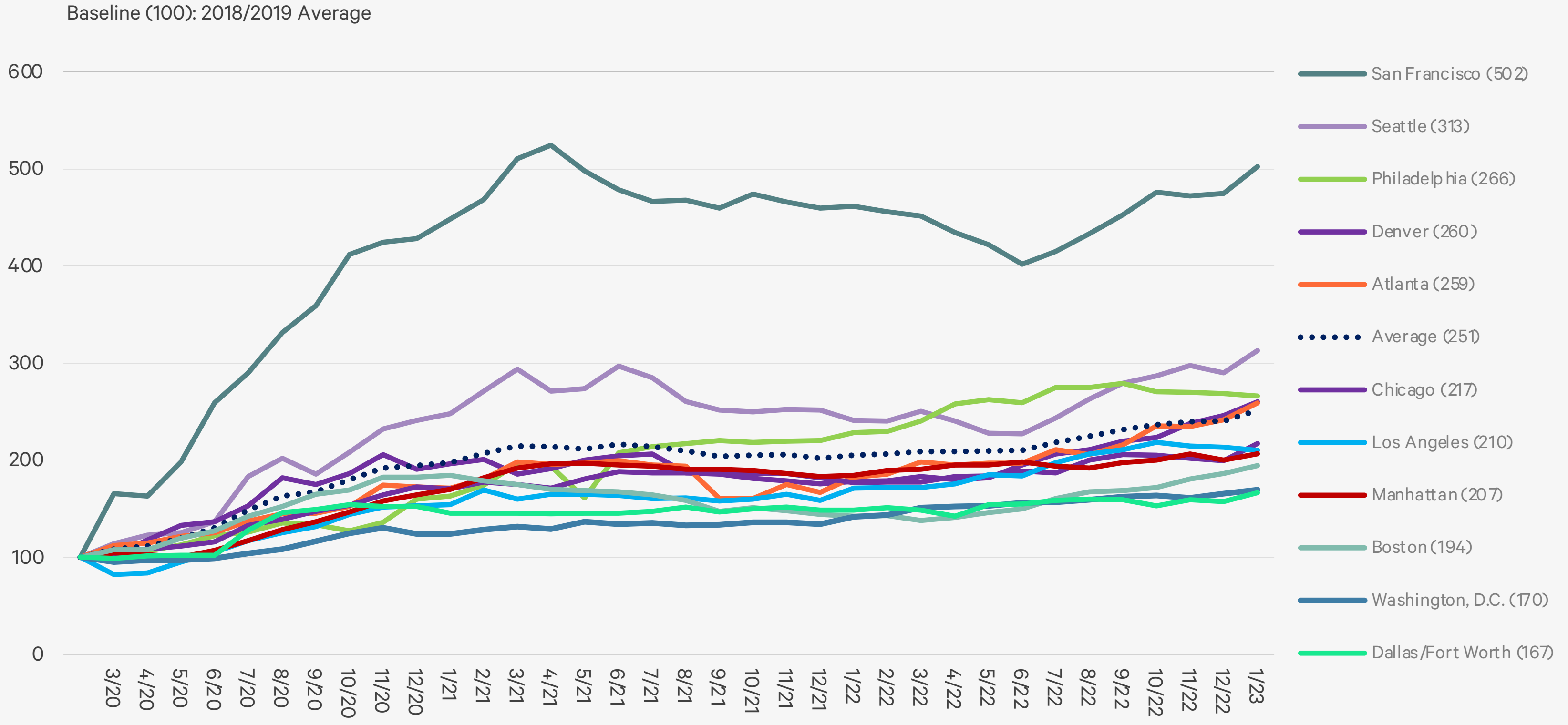
Rank	Market	Score	MOM Change
1	Manhattan	88	-5
2	Boston	83	-2
3	Chicago	80	-7
4	Los Angeles	74	4
5	Washington, D.C.	69	4
5	Atlanta	67	No Change
7	Dallas/Fort Worth	66	10
8	Denver	63	5
9	Philadelphia	51	1
10	San Francisco	44	-7
11	Seattle	40	No Change
	U.S. Average	66	No Change

Source: CBRE Research, January 2023.

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.

Sublease Availability Index

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



Source: CBRE Research, January 2023.

FIGURE 8: January 2023 Sublease Availability Index – Top 11 U.S. Markets

Rank	Market	Score	MOM Change
1	Dallas/Fort Worth	167	9
2	Washington, D.C.	170	4
3	Boston	194	8
4	Manhattan	207	7
5	Los Angeles	210	-3
6	Chicago	217	18
7	Atlanta	259	17
8	Denver	260	14
9	Philadelphia	266	-2
10	Seattle	313	23
11	San Francisco	502	28
	U.S. Average	251	11

Source: CBRE Research, January 2023.

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

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