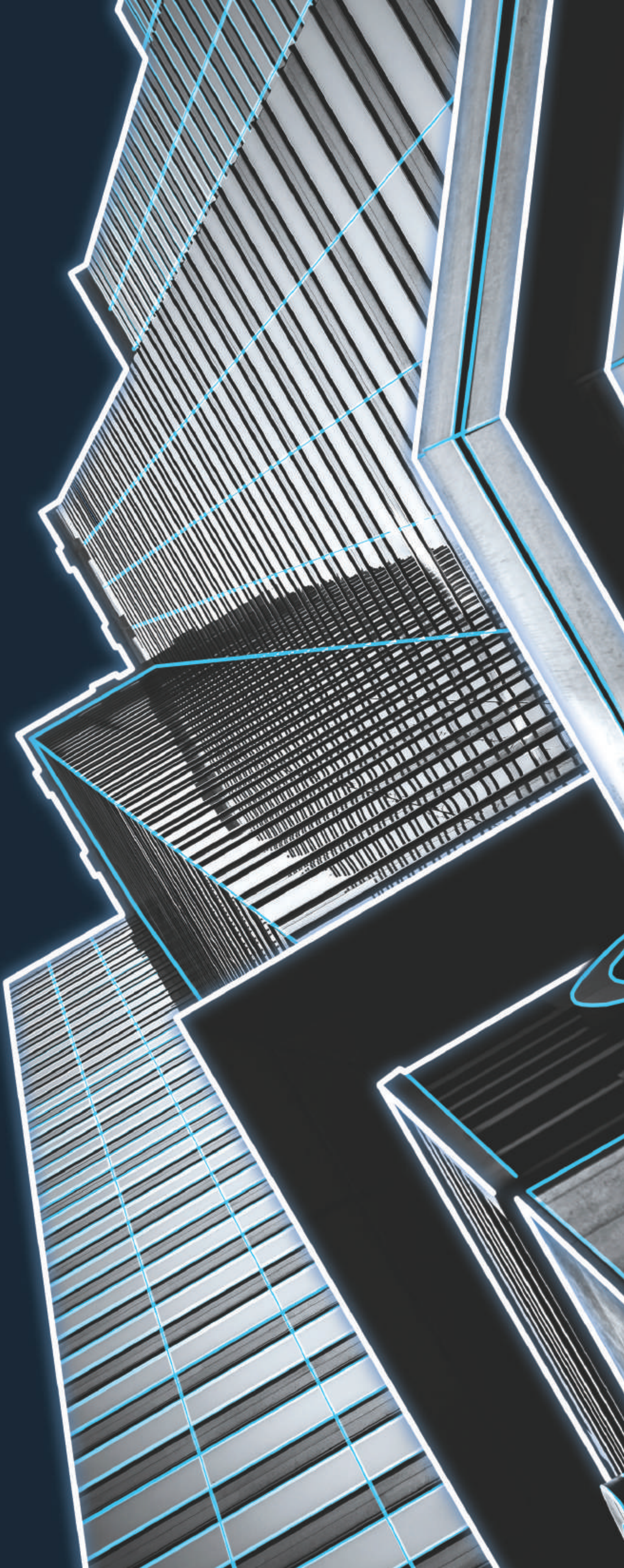
IPA | INSTITUTIONAL PROPERTY ADVISORS

2024

OFFICE

National Investment Forecast



TO OUR VALUED CLIENTS

Office properties continue to face a particularly complex operating climate, with a unique blend of cross currents and headwinds impacting the sector. The operational challenges have been further complicated by generally negative media coverage, and a broad-based expectation that the need for office space is declining and will never recover to prior demand levels. While it is true that the adoption of remote and hybrid work models has shifted how many companies utilize office space, including shrinking their footprints, investors need to be wary of broad-based generalizations. Some office property segments continue to see sturdy demand. In many cases, secondary and tertiary markets have held out better than gateway cities; meanwhile, suburban areas, newer office buildings, and smaller properties have generally outperformed older, urban office towers.

The office property subsegments that are standing out favorably against the broader trend are often overlooked amid the negative press cycle, and offer investors unique opportunities in the current climate. Institutions will need to balance short-term considerations against long-term prospects on both a market-by-market and asset-by-asset basis as they push through broader generalizations.

The complex and divergent range of office performance has made navigating the office investment landscape a more intricate process, yet amid this mosaic comes opportunity. Fewer major actors in the sector may enhance the approachability of certain assets, including in historically high barrier to entry markets. Some properties may have upcoming hurdles to be surpassed before long-term gains can be realized, and some acquisition opportunities may offer a reset basis that could breathe new life into an asset. Ultimately, some space may need to be repurposed, a decision that also comes with its own set of considerations. To help institutional office investors re-evaluate their strategies for capitalizing on this fluid and evolving landscape, Institutional Property Advisors presents the 2024 Office National Investment Forecast. Our investment and financing professionals look forward to assisting you in this and future endeavors.

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CLIENT SERVICES

Developed by IPA Research Services.

Additional contributions were made by IPA investment brokerage professionals nationwide.

EXECUTIVE SUMMARY

NATIONAL OFFICE MARKET INDEX (NOMI)

- Sun Belt metros claim many of the top spots in this year's Index, characterized by high levels of in-migration and business relocations. Florida markets generally lead this group. Similarly, high-growth secondary markets like Austin, Las Vegas, Phoenix and Charlotte also rank in the top half of the NOMI, as well as metros with prominent employment bases like New York City.
- Historically dominant office markets have experienced a delayed recovery after pandemic-era disruptions amid lingering work-from-home trends. Bay Area metros, Los Angeles, Chicago and Washington, D.C. have all been similarly restrained to the middle and lower sections of the Index. Mid-sized markets hindered by static population dynamics also fall lower in the rankings.

NATIONAL ECONOMY

- Clarity will emerge on the full impact of monetary policy adjustments made by the Federal Reserve this year, including effects on the pace of inflation and the velocity of hiring. Stronger-than-expected GDP growth and employment gains in 2023 suggest that the Fed's soft landing outcome is increasingly likely, barring any policy overcorrection or escalating geopolitical conflicts.
- Corporate bankruptcies rose in 2023, a warning sign that businesses are under increased stress. Companies that faced challenges prior to COVID-19 are likely to be most vulnerable to complications brought on by elevated borrowing costs. As corporate debt comes due, businesses will look for avenues to reduce debt and improve liquidity, including evaluating their use of office space.

NATIONAL OFFICE OVERVIEW

- Pandemic-era work disruptions will persist in 2024. The office sector will consequently contend with a reduction in space needs. Office utilization data and a growing understanding of hybrid work needs will allow firms to better adjust existing office leases, translating to muted space demand this year.
- The office sector lacks a one-size-fits-all performance trend. Regional, metro and property-level differences are becoming increasingly clear based on tenant profiles, demographics and accessibility. The prevalence of telework in specific industries or areas is a key indicator of asset performance.

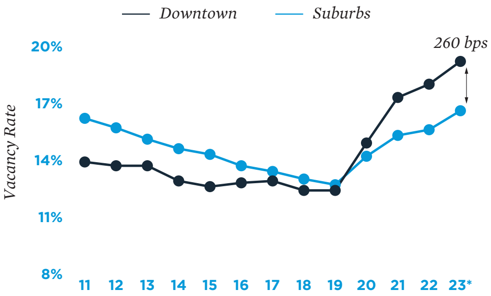
CAPITAL MARKETS

- Following interest rate hikes throughout 2022 and 2023, the Fed is largely expected to cut rates this year. The likely end to the Fed's interest rate hiking cycle and lower inflation expectations are reining in the 10-year Treasury. Still, the Federal Open Market Committee has not ruled out additional policy tightening if inflation proves more difficult to restrain than originally anticipated.
- Lenders have exhibited an abundance of caution when underwriting office deals as the sector faces an uncertain future and banks have undergone increased scrutiny. As the banking sector distances itself from the closures that dominated headlines in early 2023, borrowers could find more financing opportunities in the coming year. Potential interest rate cuts could also narrow the lender spread, enabling a modest deal flow recovery.

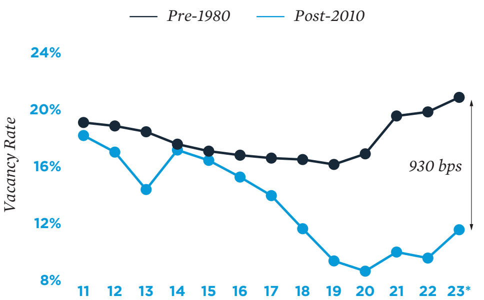
INVESTMENT OUTLOOK

- Price discovery is still underway, but buyer and seller expectations have begun to realign in lower price brackets. Acquisition activity also differs among primary, secondary and tertiary markets. Tertiary metros have noted a less dramatic pullback in investment activity as lower entry costs and higher cap rates draw buyers.
- Some metros with elevated in-migration surpassed their 2019 transaction levels last year. Sun Belt markets, particularly, continue to generate investment opportunities as they welcome an influx of residents and employers, despite rising insurance costs. Some investors may also find opportunistically-priced assets in primary markets as uncertainty around hybrid work persists.

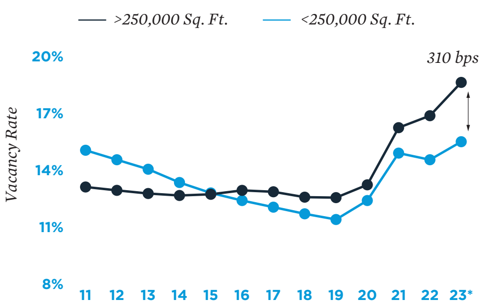
Suburban Vacancy Tighter Than Downtown



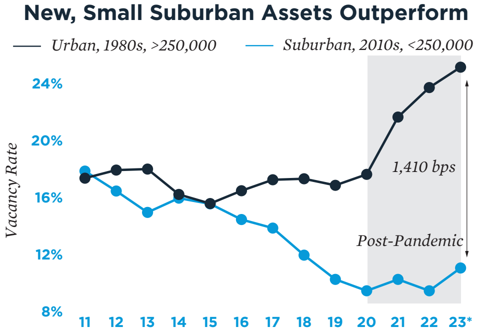
Newer Builds Have Lower Vacancy Rates



Office Towers Hold the Most Vacant Space



New, Small Suburban Assets Outperform

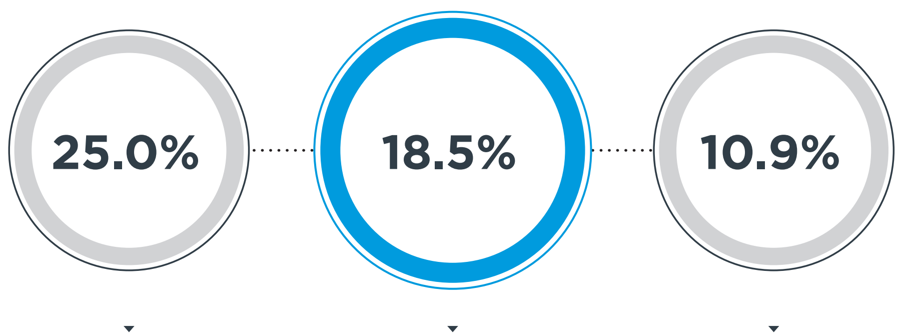


** Through 3Q*

Sources: IPA Research Services; CoStar Group, Inc.

Tenant Demand is Varied

- **Downtown office buildings face the greatest vacancy increase.** While available office space has risen in most metros since the onset of the health crisis, major downtown areas have been the hardest hit. Across the U.S., the overall downtown vacancy rate ended last year above 19 percent, up more than 400 basis points from where it was pre-pandemic. Vacancy across the nation's suburbs has climbed less drastically, entering this year near 17 percent, close to where that metric was at the start of the previous decade. Much of this trend has arisen from millennials moving to suburbs in recent years, and company efforts to shorten employee commutes.
- **Older office buildings most impacted.** Vacancy rates have elevated across all office vintages. However, properties constructed before 1980 are reporting higher vacancy rates than newer facilities, surpassing 20 percent. Buildings completed after 2010 are, meanwhile, holding a starkly lower vacancy rate, sitting just above 11 percent. This illustrates company demand for modern, highly-amenitized space. Newer builds are likely to continue outperforming as firms look for ways to incentivize in-person work.
- **Companies favor smaller floor plans.** Properties larger than 250,000 square feet, including office towers, are significantly more vacant than sub-250,000-square-foot assets. When this attribute is combined with age and location, the effects compound. Suburban offices built since 2010 that are smaller than 250,000 square feet recorded a vacancy rate below 11 percent last year, while larger, older urban property vacancy crested 25 percent. This combination suggests that, for at least the near future, newer, suburban office properties that are mid- to small-size should be expected to outperform.



2023 vacancy in pre-1980 builds larger than 250,000 square feet, located in urban cores

Overall 2024 vacancy forecast for all office properties in the U.S.

2023 vacancy in post-2010 builds smaller than 250,000 square feet, located in suburban areas.

Sun Belt Office Markets Outperform, While Gateway Metros with Restrained In-Migration Sit Lower

Metros with elevated in-migration and business relocations hold top positions. Sun Belt markets claim 13 of the top 15 slots in this year's National Office Market Index, buoyed by the inflow of new residents and businesses. In particular, Florida markets Miami-Dade (#1), West Palm Beach (#3), Fort Lauderdale (#5), Tampa-St. Petersburg (#7) and Orlando (#9) dominate the forefront of the Index as companies are drawn to the state's lower business costs and influx of new residents. This has translated to lower-than-average vacancy in many of these areas. Strong in-migration is also bringing many secondary markets to the top half of the Index this year. Metros like Las Vegas (#2), Charlotte (#10), Austin (#13) and Phoenix (#19) are all expected to have in-migration surpassing the level observed in many primary markets. Despite restrained population growth, New York City (#14) still ranks highly this year, as a globally prominent workforce supports the only vacancy decline in 2024. Strong employment growth similarly places Indianapolis (#16) as the only Midwest market in the top half of the Index. The metro expects sizable move-ins this year, spurring an increase in employment — specifically positions in traditionally office-using fields.

Many primary markets still lack momentum. The outlook of several major California markets remains restrained in 2024. While they hold notable long-term upside potential, the lingering pandemic effects and work-from-home trends restrain the Bay Area metros and Los Angeles (#45) in lower slots. Similarly, gateway markets like Chicago (#26) and Washington, D.C. (#30) will land in the middle section of the Index, hindered by elevated vacancy as a high concentration of office-using positions no longer guarantees strong office utilization. These are historically dynamic office markets, but high costs, longer commute times and prolonged return-to-office processes have delayed a recovery. Other mid-sized markets like Detroit (#49) and Pittsburgh (#50) are hindered by static population dynamics. While Minneapolis-St. Paul (#44) has more dynamic demographics, a subdued near-term hiring outlook limits the metro's rank for this year.

Index Methodology

The NOMI ranks 50 major markets on a collection of 12-month, forward-looking economic indicators and supply and demand variables. Markets are ranked based on their cumulative weighted average scores for various indicators, including projected office-using job growth, vacancy, construction and rents. Weighing both the forecasts and incremental change over the next year, the Index is designed to show relative supply and demand conditions at the market level.

Users of the Index are cautioned to keep several important points in mind. First, the NOMI is not designed to predict the performance of individual investments. A carefully chosen property in a bottom-ranked market could easily outperform a poor choice in a higher-ranked market. Second, the NOMI is a snapshot of a one-year horizon. A market encountering difficulties in the near term may provide excellent long-term prospects, and vice versa. Third, a market's ranking may fall from one year to the next, even if its fundamentals are improving. The NOMI is an ordinal Index, and differences in rankings should be interpreted carefully. A top-ranked market is not necessarily twice as good as the second-ranked market, nor is it 10 times better than the 10th-ranked market.

RANK	MARKET
1	*Miami-Dade*
2	*Las Vegas*
3	*West Palm Beach*
4	*Charleston*
5	*Fort Lauderdale*
6	*Salt Lake City*
7	*Tampa-St. Petersburg*
8	*Raleigh*
9	*Orlando*
10	*Charlotte*
11	*Jacksonville*
12	*Nashville*
13	*Austin*
14	*New York City*
15	*Dallas-Fort Worth*
16	*Indianapolis*
17	*Houston*
18	*Boston*
19	*Phoenix*
20	*Riverside-San Bernardino*
21	*Philadelphia*
22	*Richmond*
23	*San Diego*
24	*Atlanta*
25	*Seattle-Tacoma*
26	*Chicago*
27	*Orange County*
28	*Memphis*
29	*Cincinnati*
30	*Washington, D.C.*
31	*Columbus*
32	*Denver*
33	*Louisville*
34	*Milwaukee*
35	*Northern New Jersey*
36	*Cleveland*
37	*San Antonio*
38	*Baltimore*
39	*St. Louis*
40	*Portland*
41	*New Haven-Fairfield County*
42	*Sacramento*
43	*Kansas City*
44	*Minneapolis-St. Paul*
45	*Los Angeles*
46	*Oakland*
47	*San Francisco*
48	*San Jose*
49	*Detroit*
50	*Pittsburgh*

[1] *See National Office Index Note on page 64*

Prospects of Economic Soft Promising; Rising Debt and Business Bankruptcies Reveal Cracks

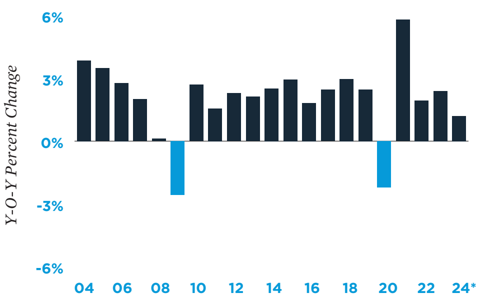
Full impact of monetary policy decisions becoming clearer. Several factors underscored the resilience of the economy at the tail-end of last year, including stronger-than-expected real GDP growth, a sub-4 percent unemployment rate and moderating inflation. These tailwinds will carry momentum into 2024, despite continued macroeconomic uncertainty and the ongoing impact of the Federal Reserve's fight with inflation. However, higher borrowing costs may delay company expansion plans and limit the number of new office-using positions. In the 10 years preceding the global health crisis, an average of 600,000 jobs were created annually in the office-using sector. After dramatic losses during the pandemic, followed by a rapid bounce-back, the pace of gains has slowed below historical norms as fewer than 200,000 jobs were added on net last year. This may be an early symptom of elevated costs placed on businesses. Higher wages and commodity prices, together with energy price volatility and geopolitical uncertainty, cloud the outlook. Any additional headwinds or black swan events could have the potential to upset the fragile economic balance. Still, the economy's better-than-anticipated performance in 2023 warrants optimism. Barring an overcorrection from the Fed on monetary policy, a soft landing outcome appears more likely than not.

Elevated borrowing costs lead to an uptick in corporate bankruptcies. The number of businesses filing for bankruptcy rose nearly 30 percent last year as interest rates spiked and pandemic-era stimulus payments ran out, a sharp increase compared to 2021 and 2022. While rate cuts are increasingly likely this year, the Fed remains committed to reducing inflation. The benchmark rate is at a sufficiently restrictive level to meet the Fed's 2 percent inflation target, but the resulting cost of refinancing debt remains high. As corporate debt comes due, filings could remain elevated as businesses recalibrate, reduce debt and improve liquidity — particularly firms that were heavily impacted by pandemic disruptions. Firms could take the cost and utilization of office space into consideration, as companies evaluate balance sheets. Such decisions will vary by company, with businesses already facing challenges prior to monetary policy adjustments facing the greatest risk.

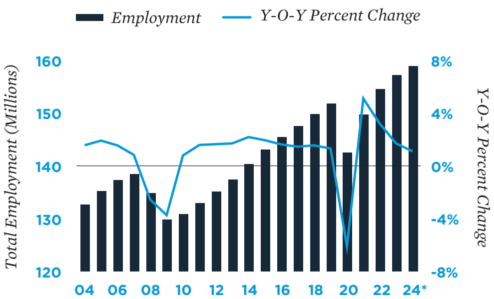
2024 NATIONAL ECONOMIC OUTLOOK

- **Wage growth moderates as the labor market softens.** The median U.S. household income will rise at a slower pace in 2024 than in the prior year, with growth having peaked in 2022. Paired with the cumulative impact from inflation on consumer prices, these factors could lead to tighter discretionary budgets moving forward. Consumer-dependent businesses could face slowing sales that restrain future hiring.
- **Labor disputes highlight industry, regional differences.** Hiring slowed in late 2023, due in part to strike disruptions. Most of these disputes were nearing a resolution by the end of 2023, but any additional disruptions could place similar pressure on business expenses. Metros with a high concentration of union labor face the greatest risk.
- **Consumer prices are unlikely to spike in 2024.** While it may take some time for inflation to come back down to the Fed's target rate of 2 percent, the metric entered 2024 not far off that mark. Barring any unforeseen economic disruptions — such as a geopolitical crisis — the Fed's soft landing target appears likely.

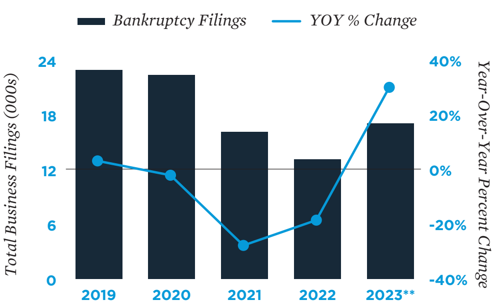
GDP Growth Trends



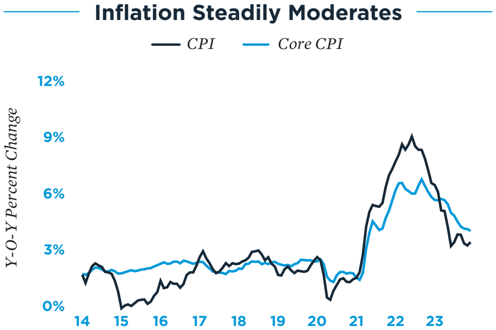
Employment Trends



Bankruptcy Filings Spiked in 2023



Inflation Steadily Moderates



* Forecast

** Through 3Q

Companies Rightsize Footprints; Local Performance Driven by Asset-Specific Conditions

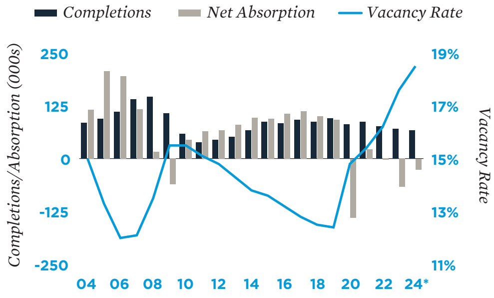
Greater utilization information aids company space decisions. The office sector is still contending with major space-use adjustments, as companies re-balance the need for physical space against a push for hybrid and remote work sparked by the global health crisis. While the total occupied space has shrunk by 2.6 percent from pre-COVID levels, perspectives on the sector's outlook are beginning to emerge. Stemming from the prevalence of new hybrid work policies, ways of tracking office utilization and occupancy have been increasingly implemented by firms. Four years on from the health crisis, companies now have a better understanding of what hybrid work means for their employees, allowing them to adjust office leases accordingly. The number of leases signed in 2023 increased relative to 2019, but the mean size of these commitments fell. As contracts expire, numerous firms are implementing a "smaller footprint, but higher quality" strategy, translating to muted overall space demand in 2024, while shifting demand away from areas with an elevated cost-of-living and a higher ratio of inbound commuters to residents. Tenants are most active in seeking higher quality or newer space in areas that have received an influx of new residents: Miami-Dade is one such example. The metro is one of the only major U.S. markets to record a vacancy rate below the 2019 mark exiting 2023.

Office performance spans wide spectrum. Markets facing extreme conditions, like San Francisco, have dominated headlines, but the office sector is proving to be increasingly nuanced. There is no one-size-fits-all office performance trend. Smaller metros like Louisville and Memphis have maintained vacancy rates below 12 percent, while larger primary markets like San Francisco and Houston sit with nearly a fourth of their total stock vacant. Going forward, fundamentals will be driven by each metro's profile. Markets with a high concentration of industries able to telework some hours per week — such as software development, finance, insurance, and professional and technical services — are likely to have more impacted office sectors.

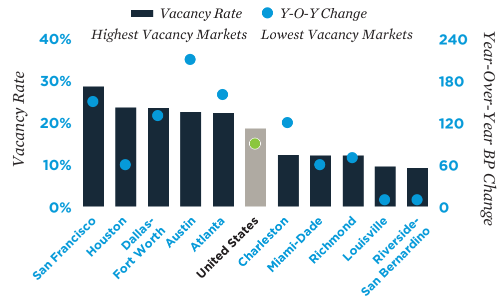
2024 NATIONAL OFFICE OUTLOOK

- **Federal policies assist office redevelopment.** It is estimated that only 15 percent of offices in the 105 largest U.S. CBDs are suitable for residential conversion. Still, new policies from the Department of Transportation unlocked $35 billion in available lending capacity for transit-oriented development projects at below market interest rates, making conversions easier to finance. This could turn some eyes to redevelopment projects in 2024.
- **Future demand-driving industries emerge from AI.** The next wave of office demand may come from AI firms that value in-person interaction as these companies take advantage of discounted rents in tech hubs. OpenAI and Anthropic are moving into 445,000- and 230,000-square-foot spaces, respectively, in San Francisco this year.
- **WeWork's future is murky, but unlikely to depress the entire sector.** In late 2023, WeWork made headlines when the coworking company filed for Chapter 11 bankruptcy and successfully rejected 62 office leases in the U.S. alone. New York held 36 of these leases, spanning 1.5 million square feet of space. While these individual properties will be heavily impacted, this accounts for just 0.2 percent of all New York stock, and even less in other affected metros like Boston, Chicago and Los Angeles. The overall office sector is unlikely to register a significant impact.

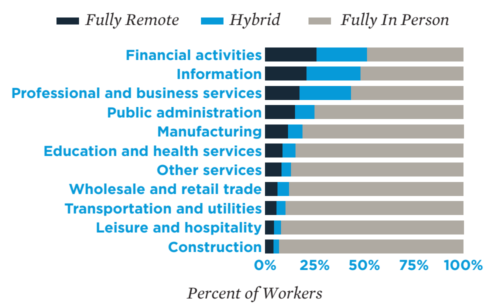
Supply and Demand



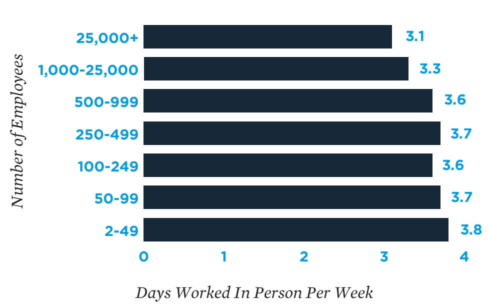
Vacancy Rises Slower in Most Tight Metros



Prevalence of Hybrid Work By Industry

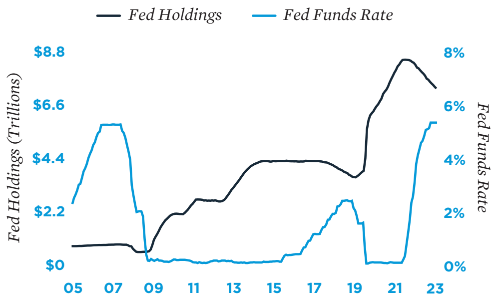


Larger Companies Favor Hybrid Weeks

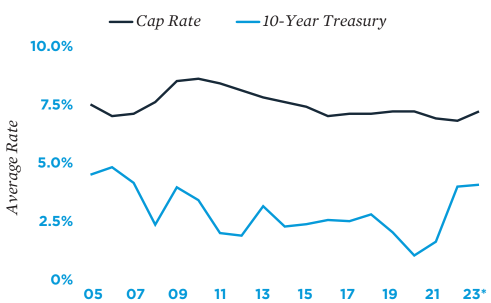


* Forecast

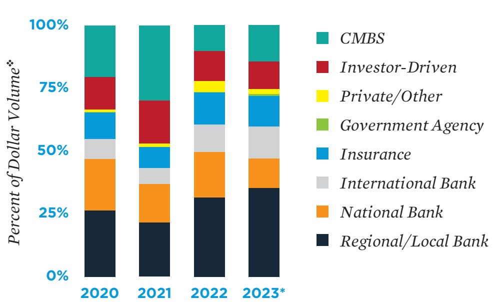
Fed Maintains Tight Monetary Policy



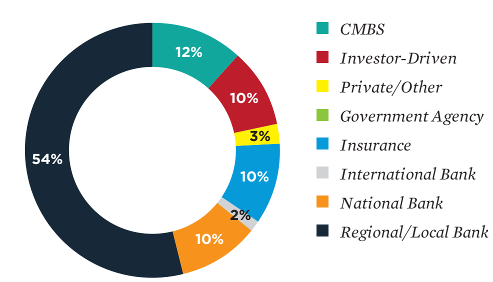
Average Cap Rate vs. Treasury



Office Lender Composition



Medical Office Lender Composition*



** Estimate*

** Sales $2.5 million and greater*

Challenges Persist in Financial Markets, But Signs of Easing Rates Beginning to Emerge

The Fed appears to reach an end on its tightening cycle. After hiking interest rates 11 times over 18 months — bringing the overnight benchmark to a lower bound of 5.25 percent — the Federal Reserve is largely expected to modestly cut rates in 2024. This is not a certainty, however, as the Federal Open Market Committee has not ruled out additional policy tightening if inflation proves more difficult to rein in than anticipated. Investor confidence that the Fed has completed its interest rate hiking cycle, paired with lower inflation expectations, are reining in the 10-year Treasury. The note's yield briefly crested the 5 percent mark in November 2023, but settled in the 4 percent range by the end of 2023. Treasuries are not free of upward pressure, however, amid the Fed's monthly balance sheet reductions of $95 billion, and the U.S. Treasury Department's issuance of new notes to manage the nation's deficit. While a possible rate cut or slowdown in quantitative tightening could ease some financial market headwinds, any further rise in the 10-year Treasury will elevate both the cost of capital and the caution of lenders.

Lenders stay cautiously active, office investors seek alternative financing options. Entering 2024, lenders continue to exercise an abundance of caution with underwriting, carefully examining every deal. Office trades in particular face close scrutiny as the sector's future is clouded in uncertainty, leaving open to consideration all-cash deals and seller financing. Still, some office lenders are coming back to the market, with a preference for investors who have a strong understanding of local market conditions. Loan-to-value ratios are staying in the reduced 50 to 60 percent range amid higher debt service requirements. Owner-user deals are also on the rise as tenants find opportunities to acquire assets at discounted rates, and lenders exhibit a preference for stabilized properties. As the sub-$10 million tranche of the market is the most active, investors have become increasingly reliant on local or regional banks, with larger lending institutions trying to limit their office exposure. Looking forward, as the banking sector gets more distance from the closures that dominated headlines in early 2023, borrowers could find more financing opportunities. Potential interest rate cuts could also narrow the lender spread, facilitating a modest recovery in deal flow.

2024 CAPITAL MARKETS OUTLOOK

- **Offices aided by the FDIC's guidance on extensions.** A statement released by the Federal Deposit Insurance Corporation in June 2023 provided guidance on commercial real estate loan accommodations and workouts. While not every bank has utilized this strategy, it has appeared to have already staved off some distress sales, even in the office sector, which was most susceptible to outstanding distress entering 2024.
- **Medical offices avoid many headwinds faced by traditional office deals.** Stronger sector fundamentals and non-cyclical demand drivers have kept lenders active in the medical office sphere, particularly local banks. These deals still face interest rate headwinds, however, turning some owners to offer seller financing.
- **Office trading hindered by more than capital availability.** While investors and lenders are finding ways to complete deals, the total volume of office trades drastically decreased in 2023. Until more clarity emerges on how vacancy issues will be addressed, overall transactions are likely to stay below historical norms going forward.

Investors Finding Opportunities, Even Amid Uncertainty; Stabilizing Interest Rates Aid Climate

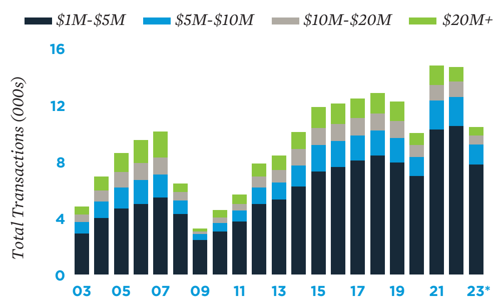
Buyer/seller expectations realign. Despite pandemic-induced uncertainty on the future of office space demand, transactions reached a record high in 2021 and only started to cool exiting 2022 amid capital market headwinds. By comparison, trades were fewer during 2023 due to reduced capital availability, but the prospect for 2024 interest rate cuts could help. Investors of vairous size, including institutions, are engaging in the marketplace when the right asset and strategy presents itself. Private buyers, nevertheless, continue to be the most active, as more hands-on investors capitalize on discounted prices and use creative strategies to add value. This trend is further distinguished among primary, secondary and tertiary markets. Tertiary metros have had a less dramatic pullback in investment as these areas sidestep many issues facing major metros, such as affordability challenges and difficult business environments. Meanwhile, primary markets have seen a more substantial slowdown, as they contend with these operational headwinds and higher entry costs. As more activity in the $3 to $10 million price tranche in smaller markets supports price discovery, momentum in these areas will likely build.

High in-migration markets with low vacancy rates garner investor attention. In what may be surprising given the national trend, several metros are expected to experience greater transaction activity in 2023 than they did in 2019. These markets included Jacksonville, Las Vegas, Nashville, Orlando, West Palm Beach and Tampa-St. Petersburg. These Sun Belt metros have welcomed a high volume of new residents and employers over the last half-decade, translating to office vacancy rates below the national mean in nearly all of those metros by year-end. Positive long-term outlooks for these areas will likely keep private buyers engaged going forward, but rising insurance costs do necessitate caution. As uncertainty persists surrounding the full effects of hybrid schedules, some investors may also find opportunistically-priced assets in primary markets.

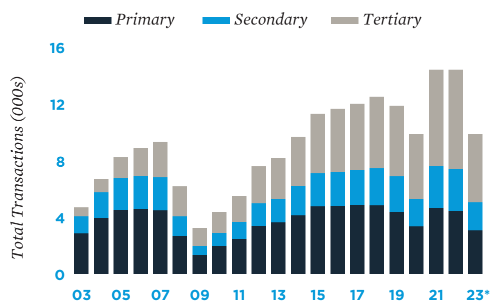
2024 INVESTMENT OUTLOOK

- **Government incentives might bring conversion-focused investors to the table.** An uptick in federal and local tax incentives could motivate investors and developers with time and capital to re-examine office-to-residential conversion options. Owners with older, high-vacancy office properties could find opportunities to sell assets as hybrid work policies persist. However, this is a very limited option as the criteria for an office-to-residential conversion is extremely specific, including variables like plumbing, unit layouts, electrical configurations, land values and zoning.
- **Debt maturities could trigger greater deal flow in 2024.** Amid prevailing headwinds, the office sector had the highest exposure to a risk of default on outstanding debt among commercial property types entering the year. While the number of distress sales in 2023 were still low, they may rise in 2024, creating acquisition opportunities for investors seeking assets in lower price tranches.
- **Well-capitalized buyers find fewer hurdles.** Following the bank failures in early 2023, many financial institutions tightened their standards for CRE lending, especially office properties. This has resulted in a need for lower leverage. Investors with more capital on-hand or who undertake a 1031 exchange could enjoy a low-competition environment in 2024, even as borrowers contend with financial market headwinds.

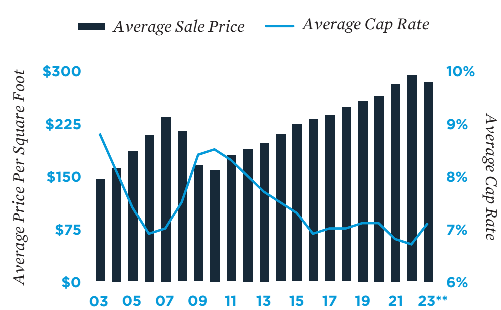
Lower Price Tranches Stay Active



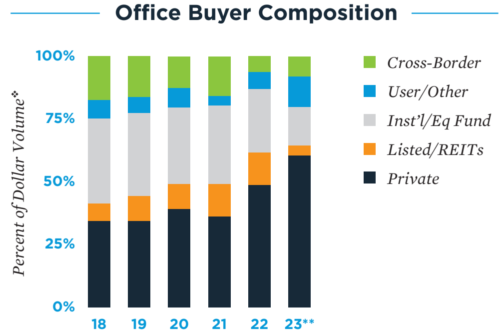
Tertiary Markets Capture the Bulk of Trades



Sales Trends



Office Buyer Composition

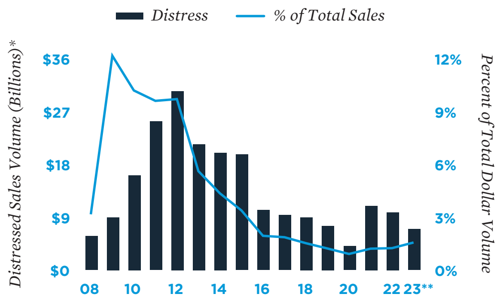


* Trailing 12-months through 3Q

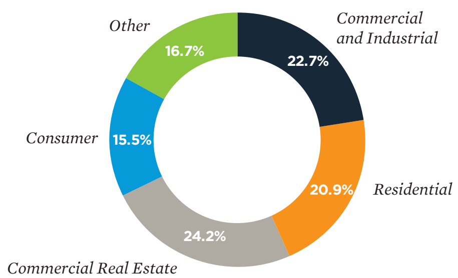
** Estimate

* Sales $2.5 million and greater

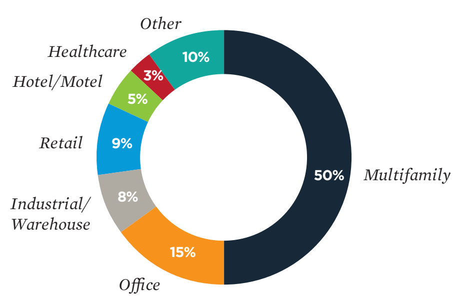
Distress Sales Low, But Climbing



Bank Debt by Type



CRE Debt by Property Type Estimate

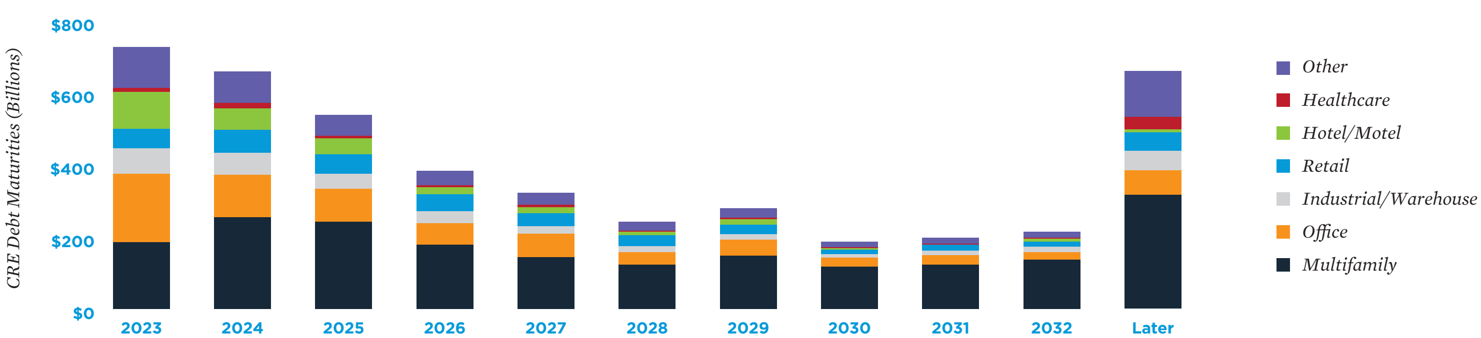


The Banking Sector Faces a Less Extreme Risk from CRE Loan Exposure than Headlines Imply

Widespread distress sales have yet to emerge. A fundamental shift in office usage following the pandemic has generated concern over maturing office property debt. Large office towers in major urban areas that registered out-migration are a focus of concern. Questions surround owners' ability and commitment to meet outstanding debt obligations for properties that have lost income and market value, and to what extent a rise in office loan delinquencies and defaults threaten the financial system more broadly. Smaller banks, in particular, have been at the forefront of concern, following a set of closures last spring. Although rates rose significantly last year, the delinquency rate on CMBS office loans was below that of most of the decade following the global financial crisis. The prevalence of distressed office sales so far has also been lower than many expected following the health crisis. Lending institutions have also been issued guidance from the FDIC on options to work with owners to avoid defaults. This could lead to some short sales and value declines, but falls short of expectations for widespread distress. Ultimately, an escalation in note sales of outstanding debt will proceed widespread foreclosures, and sidelined capital waiting for distress sales will be deployed, regardless of whether distress actually emerges. Potential Fed interest rate cuts could also improve refinancing options.

Office sector's threat to banking system less severe than first thought. The Fed's rapid rate hiking cycle created a particular challenge for office borrowers. Between 2024 and 2025, it is estimated that around $1.2 trillion in total CRE debt across all property types will mature. Although this is a significant figure, it is well dispersed among lenders, and CRE debt accounts for less than one-quarter of all bank lending. Furthermore, only about 15 percent of CRE debt, and less than 4 percent of all bank debt, is for office properties, which face the most risk. While distress sales and defaults have risen from the lows observed in recent years, and may continue to rise until refinancing becomes more accessible, these occurrences will be examined on a case-by-case basis as lenders and owners find the most agreeable outcome for each property. Exiting 2023, less than $80 billion worth of outstanding distress existed in all property types, and below $35 billion in the office segment, a promising sign that distress selling will not dominate the sector this year.

Volume of Maturing CRE Debt



** Sales $2.5 million and greater ** Trailing 12-months through 3Q*

Note: Debt Outstanding as of Dec. 2022

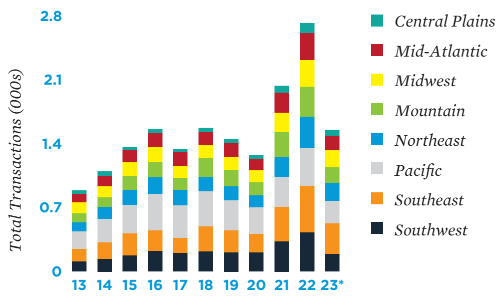
Sources: IPA Research Services; Federal Reserve; Mortgage Bankers Association; Real Capital Analytics

The National Uninsured Rate Falls to an All-Time Low, Encouraging Medical Tenants and Investors Alike

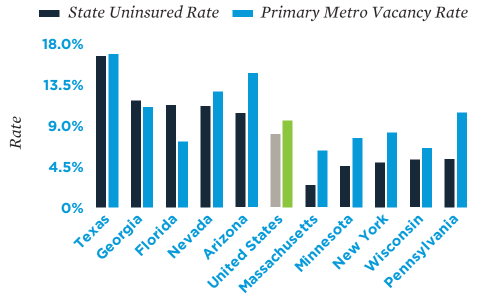
Insurance trends offer insights into regional medical office performance. The national uninsured rate reached an all-time low in early 2023, following a steady decrease from 2019-2022. Long-term, a greater insured population will drive more visits to health care providers, and subsequent tenant demand for medical spaces. Health insurance coverage, however, still varies greatly by state, which can correlate with higher or lower vacancy rates. Areas like Louisville, Seattle-Tacoma, Portland and Boston all have sub-6.5 percent vacancy rates, coinciding with some of the highest insured rates in the U.S. Meanwhile, Texas has the largest percent of uninsured residents nationwide, reflected in medical office vacancy above 15 percent in San Antonio, Houston and Dallas-Fort Worth. Similarly, Arizona and Nevada had high uninsured populations, with vacancies in Tucson, Phoenix and Las Vegas above 12 percent. Some Florida metros notably refute this trend as the state's uninsured rate is over 11 percent, but West Palm Beach and Miami-Dade have some of the lowest vacancies among major U.S. markets. This exhibits how in-migration, particularly from retirees, can mitigate some of the health insurance impact.

Investors' regional preferences emerge. Similar to other property types, fewer medical office assets changed hands last year than in 2022. Still, transaction activity is above the 10-year average in most regions. Deal flow in the Central Plains, Midwest, Northeast and Southeast each logged trading volumes at least 10 percent above their long-term average. Only the Mountain, Pacific and Southwest regions recorded below-average activity. Much of the difficulty stems from a challenged borrowing environment; however, this pressure is likely to ease going into 2024 as many investors expect interest rate cuts from the Fed at some point. Additionally, private investors have become more active in the space as institutions pull back. Deals in lower price tranches have increased the use of seller financing in some cases, circumventing lender-based headwinds.

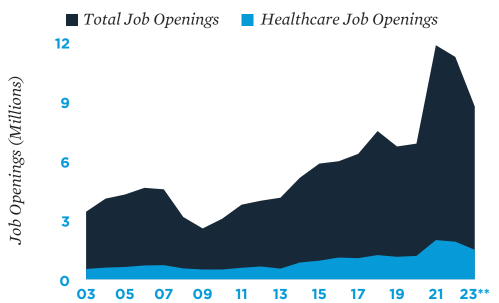
Trades Realign With the Pre-2020 Pattern



State Uninsured Rate Vs MOB Vacancy



Health Care Labor Shortage Still Prominent



2024 MEDICAL OFFICE BUILDING FORECAST

Construction:

8.5 M *sq. ft.*

Approximately 500,000 fewer square feet of medical office space will be delivered this year than in 2023, as the amount of new supply falls to a near two-decade low. This will push total inventory up by just 0.7 percent. Limited additions will prevent any major supply headwinds going into 2024 and beyond as new starts decrease as well.

Vacancy:

20 BPS *increase*

Although hiring in the health care sector was strong in 2023, medical office tenants will still grapple with a prevailing labor shortage, complicating operator expansion plans. This will contribute to a slight uptick in vacancy as the rate reaches 9.8 percent. However, an aging population will necessitate medical office expansions long-term.

Asking Rent:

1.3% *increase*

The average asking rent for medical office space will rise to $23.40 per square foot by December as a number of new buildings come online, reaching a more than two-decade high. Metros like West Palm Beach, Salt Lake City and Portland will lead the nation in rent growth, concurrent with local vacancy rates below the national average.

** Trailing 12-months through 3Q*

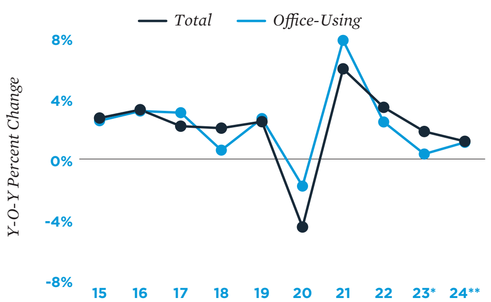
*** As of November*

Sources: IPA Research Services; CoStar Group, Inc.; U.S. Census Bureau

ATLANTA

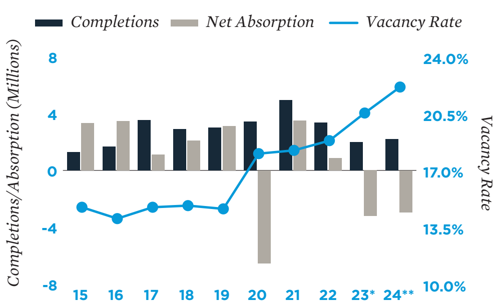
Sublet Discounts and Highway Access Draw Tenants; Buyers Keen on Lower-Tier Suburban Offices

Employment Trends



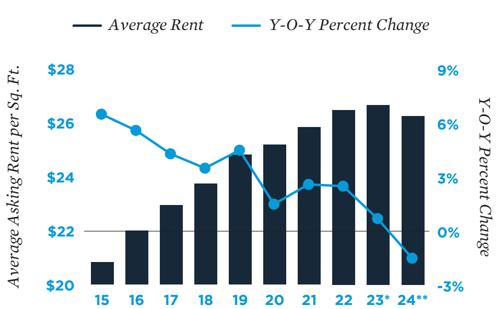
Subleasing metrics offer a positive note for office demand amid recent shifts. While available sublet space, as a share of total available space, hit a local record of 14.5 percent in 2023, this metric was well below many other gateway markets, and early indicators suggest that overall subleasing may have peaked before the start of 2024. A difference in the mean marketed rate of roughly $8 between subleased and fully vacant space should help draw tenants to these properties throughout the year. The overall leasing environment will note additional nuances moving forward, with many of this year's move-ins clustered within a mile of major throughway intersections. The Cumberland and Perimeter Center areas, in particular, are attracting firms seeking to ease commutes for employees located in the northern suburbs. Still, an overall shift toward hybrid working patterns is prompting many tenants to consolidate floor plans, likely extending vacancy increases in the broader submarkets where these clusters are located. While these headwinds may persist for some time, Atlanta is bolstered by a large Fortune 500 presence, featuring as many companies from this cohort as the Washington, D.C. metro area.

Supply and Demand



Suburban Class C assets note the steadiest buyer, tenant demand. Increasing vacancy across the tier spectrum has heightened the importance of newer assets. Buyers targeting Class C properties are often identifying renovated builds, as many tenants favor affordable leases in these rehabilitated properties. Reflecting the smaller legal and financial firms that often pursue commitments in these facilities, trades involving lower- and mid-tier offices tilted toward the metro's northern residential zones, which offer these tenants proximity to their local client base. Stable tenant demand in the Class B and C segments in these locales also bodes well for buyer demand in these tiers moving forward.

Rent Trends



2024 MARKET FORECAST

NOMI RANK 24	*High vacancy compared against a robust office-using employment base leads to a middle placement in the 2024 Index.*

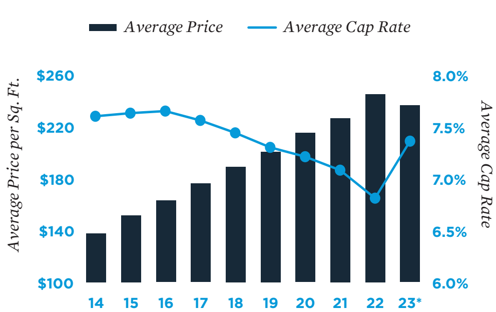
+1.2% **EMPLOYMENT:** Atlanta's overall job market will expand by 36,000 positions this year, with growth in traditional office-using sectors accounting for 10,000 of these new roles.

2,200,000 *sq. ft.* **CONSTRUCTION:** Completions are slated to accelerate by roughly 200,000 square feet on an annual basis in 2024. Nearly 1.5 million square feet will be added between Midtown and Downtown Atlanta.

+160 bps **VACANCY:** A shift toward smaller leases continues to affect the local office market, with vacancy expected to climb at a margin similar to last year's rise. The metric will close out 2024 at 22.2 percent.

-1.5% **RENT:** An increasing amount of available square feet will dictate lower rents across many vacant floor plans, adjusting the mean marketed rate down to $26.24 per square foot.

Sales Trends



INVESTMENT: *Some mixed-use developments currently underway — such as a Kensington Station redevelopment — incorporate office assets, which should draw in buyers seeking out new facilities with walkability.*

** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

One-Fourth of Austin's Office Space Was Built in The Past Decade, Escalating Market Segmentation

New supply a blessing and a curse. Metro office stock will grow by more than 3 percent in 2024, reaching that mark for the fifth straight year. This boosts Austin to the 22nd-largest major U.S. office market by total square feet, after being outside the top 32 just a decade ago. By year-end, over one-quarter of Austin's inventory will have been built in the past 10 years, compared to a share of roughly 9 percent for the country as a whole. Amid a post-pandemic flight-to-quality to attract in-person workers, this spotlights Austin for its plethora of options. At the same time, the magnitude of new supply is saturating the market and competing with sublease stock as companies re-evaluate physical office needs. This dynamic produces unique trends in 2024, with Austin projected for the sixth-strongest net absorption total — albeit modest by historic norms — among major Sun Belt metros, while having the fastest rising vacancy in the region. A skilled labor pool fueled by the University of Texas continues to attract firms, but supply and demand are unlikely to realign until construction abates and tempered economic growth subsides.

Market bifurcation could signal opportunities. With recent vacancy pressure exacerbated by elevated construction over the past decade, performance metrics are segmented in Austin. Entering this year, upper-tier vacancy was roughly 700 basis points above the historical average, while the Class B/C rate was within 400 basis points of its long-term mean. Investors responding to this trend, as well as financing challenges that have highlighted yields, may increasingly favor mid- and lower-tier assets in specific locations of stronger demand. Class B/C move-ins have been noteworthy in the northern corridor spanning Hyde Park up to The Domain, as well as in pockets of southwest Austin, which offer greater proximity to residential neighborhoods popping up in Bee Cave and beyond.

2024 MARKET FORECAST

NOMI RANK 13	*Robust traditional office-using job gains are counterweighed by a supply-driven vacancy surge, putting Austin outside the top 10.*

+2.6% — **EMPLOYMENT:** Overall job growth tapers to its slowest rate since the 2020 shock with 35,000 roles added this year. Over 40 percent of these are in traditional office-using fields, the highest share in Texas.

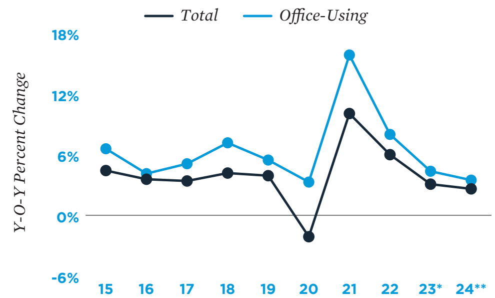
3,600,000 *sq. ft.* — **CONSTRUCTION:** After leading major U.S. markets for supply growth in each of the past two years, Austin dips to second-fastest in 2024. East Austin and Round Rock feature heavily in the pipeline.

+210 bps — **VACANCY:** Net absorption holds positive for a fourth straight year, yet represents less than 10 percent of new supply. This elevates vacancy by a similar clip as the last two years to a rate of 22.4 percent.

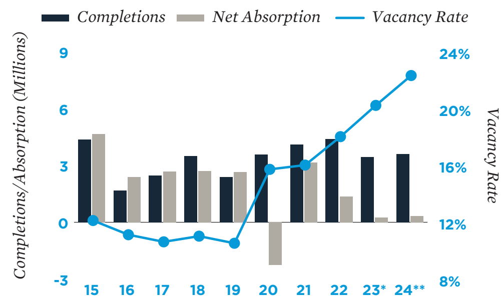
-3.6% — **RENT:** A vacancy rate about 800 basis points above the historical average curtails marketed rates this year. The mean asking rent slides to $27.92 per square foot, still 2.7 percent higher than in 2019.

INVESTMENT: *Georgetown entered 2024 with the second-tightest Class B/C vacancy among all of Texas' major submarkets with at least 1.5 million square feet of such stock. Buyers seeking higher occupancy could look here.*

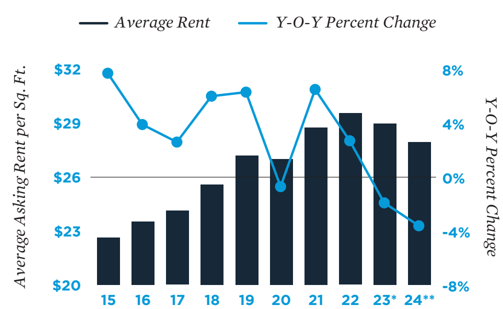
Employment Trends



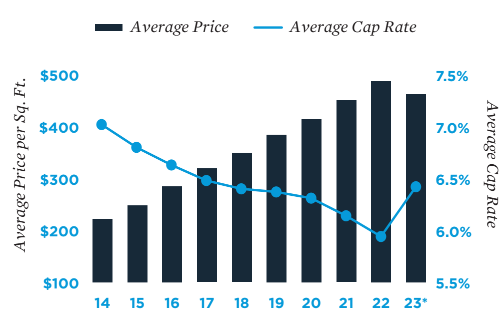
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

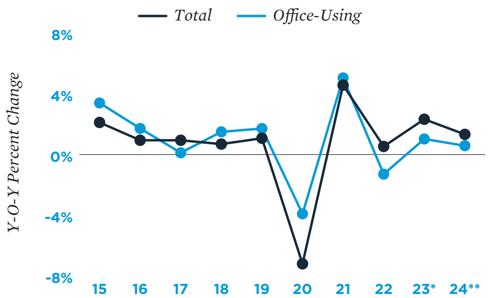
BALTIMORE

Maryland State Agencies Stimulate CBD Revitalization and Investor Activity

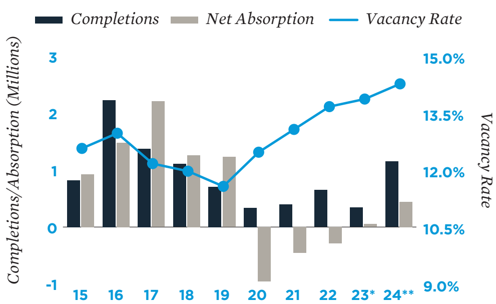
As tenants relocate to the core, suburban builds face challenges. While the public agencies of many markets downsized over recent years, the State of Maryland has upped its commitment to Baltimore's office sector. Several departments will shift into larger footprints in Downtown by April, occupying 1 million square feet of space. These actions could tighten local vacancy, as the CBD expects nominal completions moving forward. New supply will be concentrated in Southeast Baltimore City instead this year. Roughly 730,000 square feet of local deliveries will be built-to-suit, a positive note in a submarket where vacancy almost tripled from 2019 to 2024. Elsewhere, roughly 60 percent of additions remain without a tenant. While the state's efforts to revitalize Downtown's office sector could have more positive spillovers down the line, Baltimore all-in-all expects an overall downshift in property performance this year, mostly due to the large amounts of speculative space coming to market outside of the core and its adjacent neighborhoods.

CBD's resurgence draws investment. Despite sales remaining behind pre-2020 norms, Baltimore is still attracting out-of-state office buyers seeking value-add opportunities. Last year, an overwhelming preference for Class B assets over higher-end options caused the local average sale price per square foot to fall at one of the fastest paces in the nation. This pulled the average entry cost to rank among the 15 lowest of major markets for the first time since at least 2000. Now in 2024, regional buyers who feel that Baltimore is undervalued, and believe that it has room to improve amid the State of Maryland's efforts to relocate back into the core, are targeting offices across multiple asset classes in Downtown. Nearly all trades, including for top-tier options, recently penciled in here under $100 per square foot, facilitating value-add strategies despite high borrowing costs.

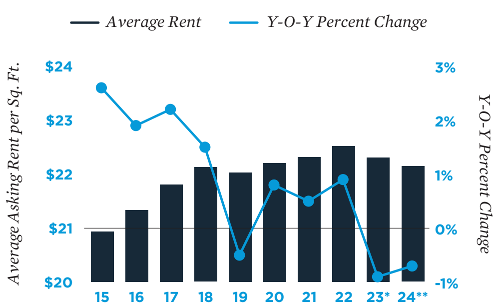
Employment Trends



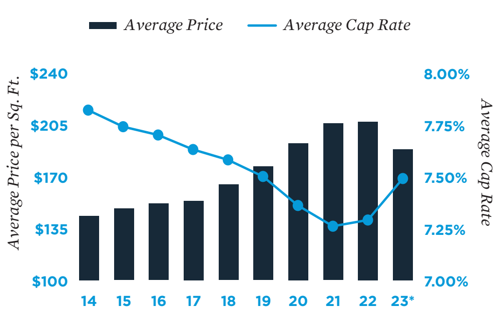
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NOMI RANK 38 — ***Elevated completions and tempered office-centric hiring warrant a lower-quartile ranking in the 2024 NOMI.***

+1.3% — **EMPLOYMENT:** A near record-low unemployment rate is expected to restrict hiring from office-centric companies to 2,000 personnel, roughly one-half of the long-term average addition.

1,150,000 *sq. ft.* — **CONSTRUCTION:** Baltimore expects its largest construction slate since 2017, expanding inventory by 0.8 percent. Growth in the metro will exceed the national pace, a feat not seen last year.

+40 bps — **VACANCY:** Despite an accumulating improvement to net absorption, completions in 2024 are expected to triple the pace of demand, pushing the metro's vacancy up to a 10-year high of 14.3 percent.

-0.7% — **RENT:** Rising vacancy encourages operators to ease asking rents for the second year in a row. Closing out 2024 at $22.14 per square foot, the average rate will stand just 1 percent higher than 2019.

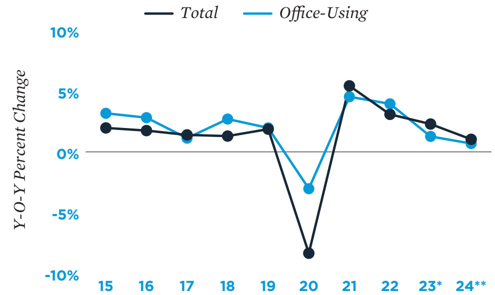
INVESTMENT: *Although new deliveries in the Route-1 BWI Area could pose upward pressure on vacancy, recent move-ins from Microsoft and Amazon should help sustain tenant and investor interest in local assets.*

Record Inventory Expansion Generates Headwinds for Both Fundamentals and Investment

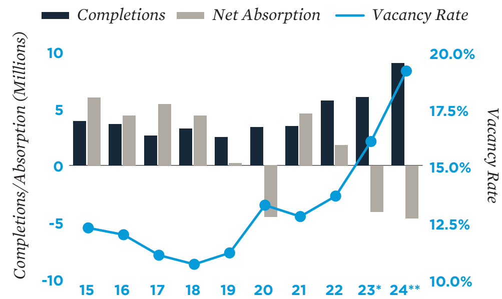
Ill-timed supply wave compounds longer-term challenges. The sheer weight of this year's 9-million-square-foot delivery pipeline will translate to notable headwinds for Boston's office market. As of late 2023, more than 3.1 million square feet delivering this year had yet to secure tenants. During the decade preceding the pandemic, total supply additions averaged 2.8 million square feet annually. Structural shifts in office usage will also challenge long-run demand. Boston was one of five major metros in which the percentage of remote workers increased from June 2022 through October 2023. Approximately 54 percent of employees were physically present late last year, the second-lowest measure among major markets nationwide. Though this bodes ill for current office footprints moving forward, Boston continues to prove attractive to new tenants that will backfill some of this space. Marking this year's headline move-in, Amazon will occupy a 630,000-square-foot lease at the rapidly-growing Seaport late this year. The Back Bay area is also a prime draw for firms, with the LEGO Group and CarGurus, Inc. taking a combined 359,000 square feet at a Boylston Street development in 2024.

Inventory shock may push buyers toward high-occupancy assets. While stabilizing interest rates contributed to improving deal flow throughout 2023, this year's supply wave has adverse implications for the metro's investment market. With such a high amount of top-tier speculative supply inbound, institutions may choose to wait out the influx. Private buyers focusing on the Class B segment, while comparatively more active, could also shift to targeting higher-occupancy properties. These investors may seek out assets in the Manchester metro and coastal New Hampshire, which were two of the three submarkets reporting sub-10 percent vacancy among mid- and lower-tier assets in 2023.

Employment Trends



Supply and Demand



2024 MARKET FORECAST

NOMI RANK 18	*Commitments from prominent firms help secure a top-half placement in this year's Index, despite the large supply increase.*

+1.0% — **EMPLOYMENT:** Boston's employment base will gain roughly 30,000 jobs throughout this year, roughly one-fifth of which will pertain to traditional office-using sectors.

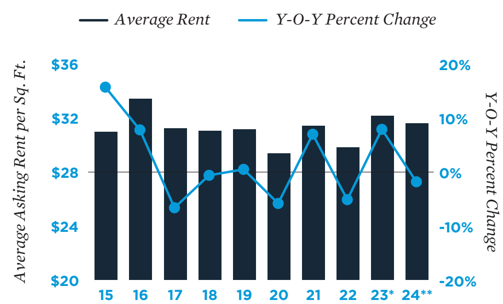
9,000,000 *sq. ft.* — **CONSTRUCTION:** Expanding supply by 2.3 percent, Boston's completion total for 2024 will be the highest of any metro this year, exceeding the next-closest market by over 5.2 million square feet.

+310 bps — **VACANCY:** A large volume of speculative floor plans slated for delivery will translate to the largest increase in vacancy since at least 2008, bringing the metrowide rate to 19.2 percent.

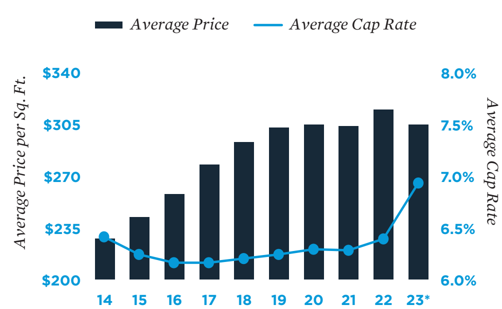
-1.8% — **RENT:** A multi-decade vacancy record arriving as the market faces long-term demand challenges will dictate lower asking rates, bringing the mean marketed rent to $31.57 per square foot.

INVESTMENT: *Medical office trades are proceeding at a rate comparable to pre-pandemic norms metrowide, with a growing number of deals shifting to Southern New Hampshire in response to population growth here.*

Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

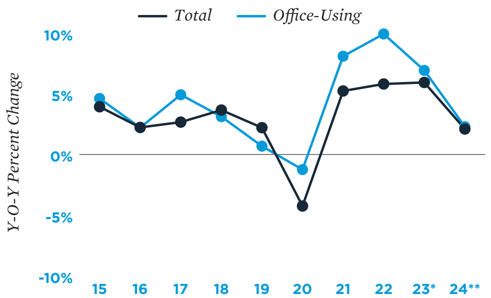
CHARLESTON

Pause in Groundbreakings Sets Stage for Charleston's Office Market to Begin Recovery

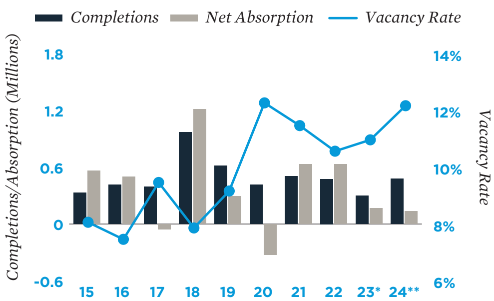
This year marks a transitionary period as momentum is poised to shift. While office vacancy in Charleston may rise this year, as deliveries pick up amid a lower number of move-ins, the metric is positioned to improve longer-term. At the start of 2024, virtually no projects were underway with completion dates for 2025 and beyond. Additionally, roughly 80 percent of traditional offices slated for delivery this year were pre-leased, reflecting sustained tenant needs for amenity-rich configurations and the diminishing availability of these builds. Most speculative space will come to Berkeley County, where deliveries appear well-warranted, as the area preserved the metro's lowest vacancy at under 2.5 percent for most of last year. Nevertheless, older properties are facing greater challenges as a byproduct of preferences shifting to newer properties. Offices built prior to 2018 observed a net relinquishment of nearly 200,000 square feet last year, compared to net absorption of similar magnitude for buildings completed after that date. While tenants may compete to secure leases at newer offices, operators of older buildings should temporarily grapple with higher vacancy, likely motivating an ease in asking rates.

Investors hone in on trophy assets amid transition. Recalibrating performance and limited financing are muting local trading activity. Investors that remain active are seeking fully-leased trophy properties, often leading them to target medical assets in North Charleston, where much of the sector's recent development has taken place. Newer traditional offices hitting 10 percent vacancy in Downtown are also generating some level of institutional interest, following the success that new builds, such as Morrison Yard, have experienced in attracting tenants. Institutional deals have nevertheless been scarce since 2022, although capital funds have accumulated and are poised for deployment.

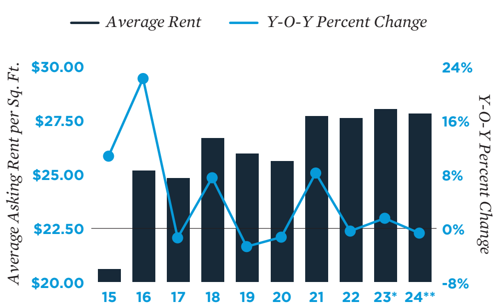
Employment Trends



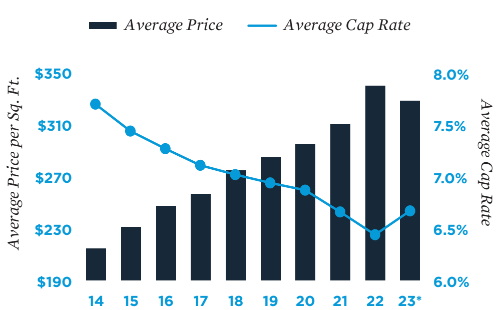
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NOMI RANK 4 — ***Charleston lands in the top five of the 2024 NOMI, driven by persistent sub-13 percent vacancy and favorable demographics.***

+2.1% — **EMPLOYMENT:** After recording a nation-leading pace of office-centric job growth last year, the sector's additions fall below the metro's long-term average, with 2,300 new personnel in 2024.

480,000 *sq. ft.* — **CONSTRUCTION:** Most completions shift from Downtown to Outlying Berkeley County. Roughly 220,000 square feet will be added to the area, helping marketwide stock grow by 2.0 percent this year.

+120 bps — **VACANCY:** While Charleston's vacancy rate will jump to a four-year high in 2024, at 12.2 percent, the metric is expected to rank among the six lowest across major U.S. markets.

-0.7% — **RENT:** Rising vacancy — especially among older-built properties — motivates many operators to ease asking rents, lowering the marketwide average to $27.80 per square foot.

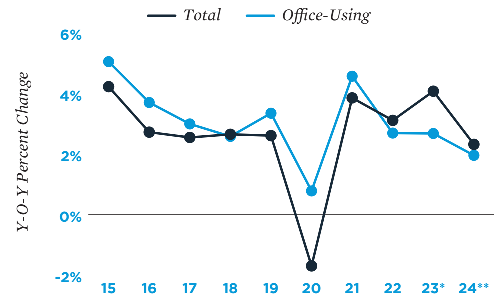
INVESTMENT: *Some investors may target pre-stabilized assets in Outlying Berkeley County, one of the 10 least vacant submarkets in the country with over 1 million square feet of local inventory.*

Tenants Increasingly Favor Smaller, Higher-Quality Space; Medical Office Demand Still Robust

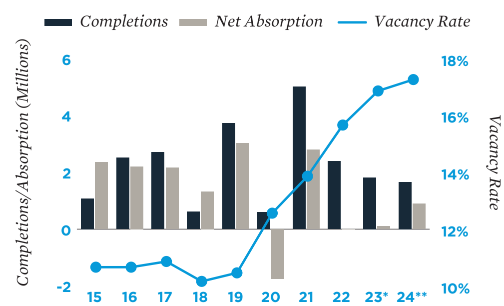
Health care segment props up overall office landscape. Aided by above-average household growth, medical office vacancy held at a level that more-than halved the traditional office sector's rate last year. The divergence may grow further, following North Carolina's recent Medicaid expansion. Starting last December, an additional 600,000 residents have gained access to federal health care, supporting a higher level of visitations to providers, and consequently, greater tenant demand for medical spaces in Charlotte. For more traditional offices, however, users' needs are being driven by a strong preference for more centrally-located, newer-built options. As of the start of this year, nearly all planned move-ins were for buildings in the CBD, Midtown or Southend that were completed after 2014. New leases of this nature include those from law firms Robinson Bradshaw and Katten Muchin Rosenman, as well as engineering companies Honeywell and Palmetto Solar. While some tenants are expanding their overall footprints in Charlotte, many are downsizing to make up for the cost of leasing a higher-quality office. As several operators are left with large blocks of vacant space in the process, asking rates will fall on average through 2024.

Strong performance elicits buyer interest in submarket duo. Trading has been on the rise since early 2023, as continued household growth has contributed to better suburban office performance and subsequent buyer interest. Northeast Charlotte, in particular, should preserve its status as the focal point for trades, after Class A net absorption here was at a record level for most of last year. Strong performance may also elicit interest in Union County, where overall vacancy hit an all-time low at the end of 2023. Many buyers in these locations are prioritizing medical properties, with sustained competition for these assets generally causing them to command higher per-square-foot prices than the metro average.

Employment Trends



Supply and Demand



2024 MARKET FORECAST

NOMI RANK 10 — *A limited vacancy adjustment amid continued office-centric job growth enables Charlotte to nab a top-10 spot in the 2024 Index.*

+2.3% — **EMPLOYMENT:** While office-centric employers are only expected to add 7,500 new personnel this year, the gain in these fields will still exceed the metro's average annual addition dating back to 2000.

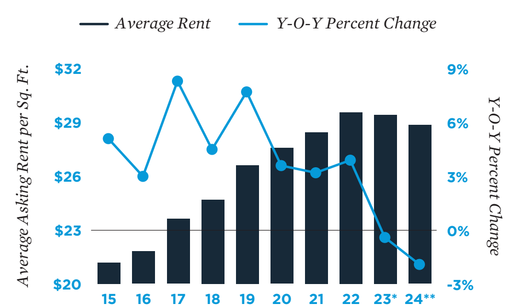
1,660,000 *sq. ft.* — **CONSTRUCTION:** Collectively, the CBD, Midtown and East Charlotte will account for approximately 1.1 million square feet of the total pipeline. Marketwide, stock will expand by 1.4 percent this year.

+40 bps — **VACANCY:** While vacancy in Charlotte is expected to tick up by the slowest pace since 2019, the metric will close out 2024 at an all-time high of 17.3 percent.

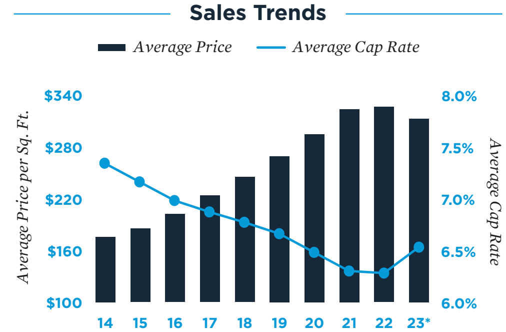
-1.9% — **RENT:** The average asking rent falls for a second consecutive year, to $28.83 per square foot. This marks the first time since the Global Financial Crisis where the metro has recorded two straight declines.

INVESTMENT: *The UNC Charlotte apartment submarket recorded some of the highest net absorption in the nation last year, which may contribute to heightened local medical office demand and buyer interest in 2024.*

Rent Trends



Sales Trends



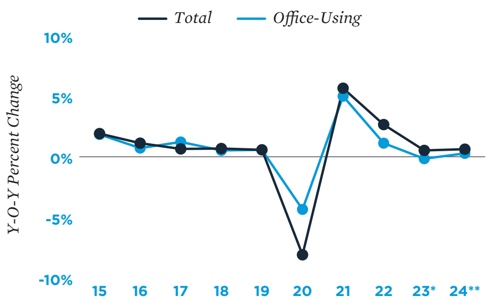
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

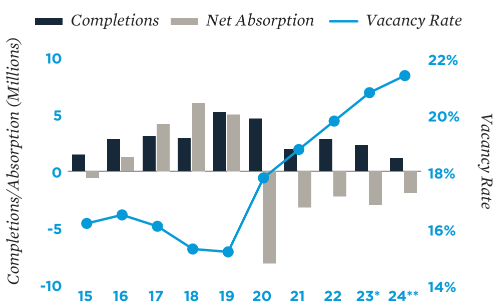
CHICAGO

Office Demand Rising in Suburban Chicago, Drawing Investors Amid Proposed Legislation

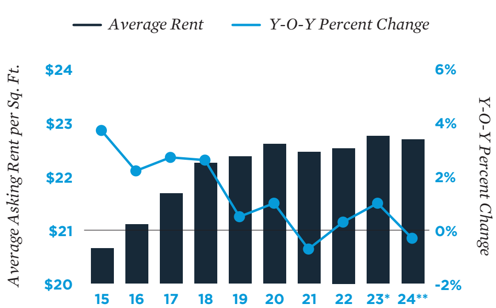
Employment Trends



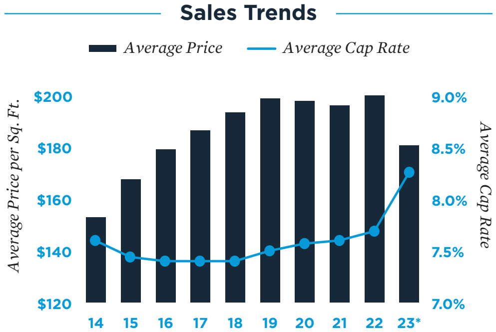
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Positive momentum mounting in Schaumburg-Arlington Heights. Last year, a notable count of office commitments were initiated across the northwest suburbs of Schaumburg and Arlington Heights, headlined by United Airlines, CVS Caremark and CDW Corporation. The resulting boost to net absorption and drop in local vacancy may extend into this year as some additional move-ins are planned. Still, the area remains in recovery as vacancy continues to exceed 2019's recording of 24.5 percent. Meanwhile, office space demand near McCormick Place, Hyde Park, UIC and the Medical District is driving below market vacancy rates relative to the rest of Chicagoland, as the area has yet to record negative net absorption in the post-pandemic era. This is aided by asking rents that are below the Loop, despite its proximity. Class B/C assets are most popular here, with the lowest segment vacancy rate of any submarket in Chicago entering this year.

Investment picks up in the suburbs. Sales velocity in the metro regained momentum in the latter part of 2023, a trend that should carry through the remainder of this year. Improving leasing activity, coupled with greater interest rate stability, are drawing in more deal flow to the Schaumburg area and the Far Northwest side. Isolation from an ongoing proposal to considerably raise the city of Chicago's transfer tax rate may also benefit trading here. Similarly, the Oak Brook, Naperville and Aurora areas remain notable destinations for capital deployment, as move-ins by Travelers Insurance, Griffith Foods and Regus headline ongoing office demand this year. Amid uncertainty surrounding the aforementioned legislation proposal, fewer deals are being accounted for across Chicago proper. Of those still trading here, however, the quickly expanding Fulton Market and West Loop areas are notable targets among both private and institutional investors.

2024 MARKET FORECAST

NOMI RANK 26 — ***Chicago's vacancy rate measures among the 10 highest across major U.S. metros, heavily weighing on its ranking this year.***

+0.6% — **EMPLOYMENT:** After a net loss of office-using jobs last year, roughly 3,500 such roles will be created in 2024. This joins other service sectors in growing the overall workforce by 30,000 positions.

1,150,000 *sq. ft.* — **CONSTRUCTION:** A 0.2 percent lift to Chicago's office stock will be its smallest increase in a decade. These deliveries are well dispersed throughout the metro and are largely accounted for.

+60 bps — **VACANCY:** Less than 2 million square feet will be relinquished on net this year, the least attrition since the pandemic began. As a result, vacancy climbs by a curbed pace, ending 2024 at 21.4 percent.

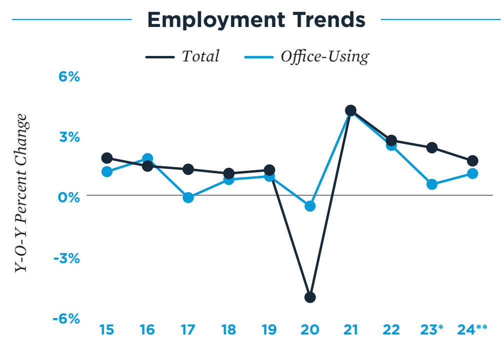
-0.3% — **RENT:** A fifth consecutive year of vacancy expansion, and a tempered pace of economic growth, result in the metro's average asking rent lowering to $22.67 per square foot in 2024.

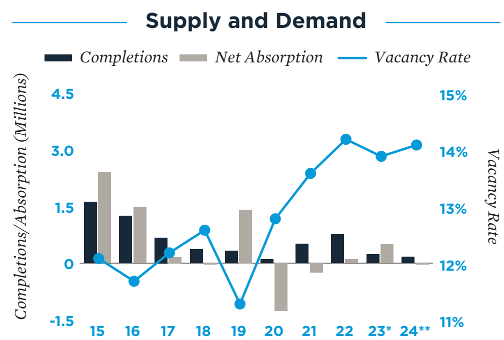
INVESTMENT: *Private investors active in Chicago proper are able to capitalize on reduced buyer competition amid ongoing transfer tax discussions, but still face an above market average price per square foot.*

Kroger's In-Person Policy a Positive Signal for The CBD; Owner/User Deals Gain Traction

Low vacancy around the river counterbalances underperforming suburbs. Cincinnati companies reignited return-to-office plans at the end of 2023. Kroger, one of the metro's largest employers, announced local staff will be expected to work in person three to four days per week beginning in February. For now, the mandate is focused on employees living near the corporate hub, but the company expects remote workers to relocate within a reasonable distance by 2025. This comes as the City of Cincinnati announced its intention to re-examine tax breaks given to General Electric, after the company relocated employees from its office tower at The Banks to Evendale. While the GE occurrence was case-specific, these actions may encourage other companies to consider the benefits of maintaining space downtown. South of the river, Northern Kentucky kept a vacancy rate below 12 percent exiting 2023 as life science firms like Thermo Fisher Scientific expand in the area. These close-in submarkets will help offset higher-vacancy suburban areas, keeping Cincinnati's overall rate within 60 basis points of its long-term average in 2024.

Lower entry costs create opportunities for private buyers and current users. Deals in the sub-$5 million price tranche were still taking place in Cincinnati exiting 2023. The notable uptick in owner/user sales in this bracket is likely to carry into 2024 as tenants are able to acquire their current space at a discounted rate, or purchase lower-cost vacant buildings to occupy. This could provide options to sellers unwilling to refinance loans, or who have leases expiring in the coming year. Promising fundamentals may also draw out-of-market buyers as Cincinnati retains the sixth-lowest vacancy rate among major U.S. markets outside of the Sun Belt this year. Furthermore, entry costs lower than $160 per square foot and a mean cap rate approaching 8 percent entering 2024 could aid deal flow.





2024 MARKET FORECAST

NOMI RANK 29	*Cincinnati's rank is buoyed by restrained vacancy movement, but hindered by a lower prevalence of overall office-using positions.*

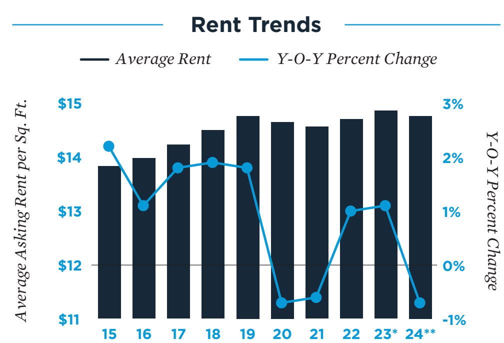
+1.7% — **EMPLOYMENT:** Total employment in Cincinnati will increase by 20,000 jobs on net in 2024. Traditionally office-using firms will elevate their pace of hiring, accounting for 15 percent of new roles.

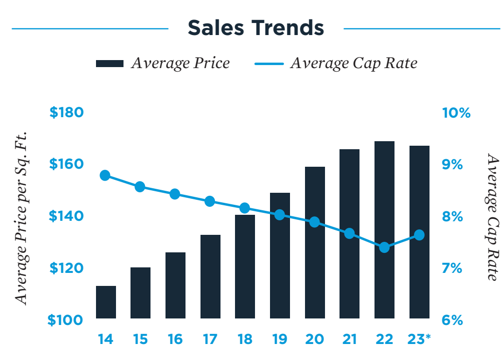
170,000 *sq. ft.* — **CONSTRUCTION:** Deliveries fall below 200,000 square feet for just the second time since 2007 as inventory expands by 0.2 percent. Most project proposals are located in Clifton and Midtown.

+20 bps — **VACANCY:** Despite limited supply additions, vacancy will inch up to 14.1 percent this year as some leases expire. Net absorption will fall slightly into the red, the first such instance since 2021.

-0.7% — **RENT:** The average asking rent in Cincinnati will decrease annually for the third time in the last five years. By December, the mean marketed rate will match the 2019 measure at $14.75 per square foot.

INVESTMENT: *Cincinnati has sustained a medical office vacancy rate under 9 percent since 2016. Subsequently, these properties are likely to remain highly sought after by investors throughout 2024.*





** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics;

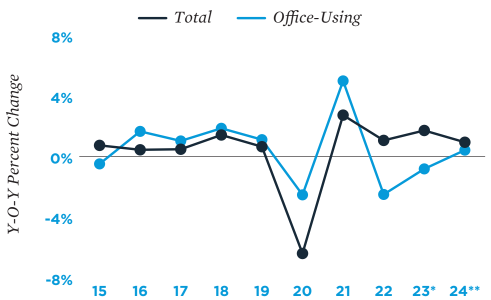
CLEVELAND

Cleveland Holds the Lowest Midwest Vacancy Rate, Aided by Redevelopments and Medical Offices

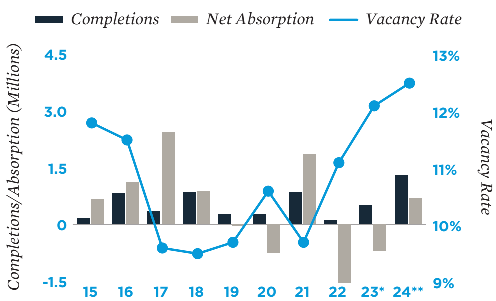
Adaptive reuse projects support occupancy rates, particularly in the core. This year, Cleveland will maintain its standing as the lowest-vacancy major market in the Midwest, aided by limited construction and the removal of outdated space. Cleveland is one of the top markets for office redevelopments in the country. In 2023, several redevelopment projects, including 55 Public Square, were completed — repurposing older unused buildings into residential or mixed-use space. Other vacant buildings that are slated for, or currently under, redevelopment going into 2024 include the Erieview Tower and The Centennial. Cleveland is home to many older buildings with smaller floorplates, and the city has provided commercial tax abatements for many such projects, incentivizing future developments. These projects not only take unused space off the market, but can also draw companies downtown into mixed-use spaces or near newly residential areas. The underway Sherwin-Williams Global Headquarters, for instance, is slated for delivery this year on the same street as the 55 Public Square redevelopment.

Smaller assets draw buyers' focus on both the traditional and medical fronts. Throughout 2023, private buyers focused on offices in and around downtown, Canton, Westlake and Beachwood. Many of these assets were in the sub-$5 million price tranche and highly occupied. Meanwhile, REITs were active players in medical office acquisitions. At 7.9 percent, Cleveland's medical office vacancy rate is just 20 basis points above its 2019 mark, and is well-below the Midwest average rate of 10.5 percent. These buyers are likely to continue targeting smaller, occupied buildings in areas with larger senior populations. Investors favoring assets within the proximity of this demographic profile may look near neighborhoods like Seven Hills and Beachwood.

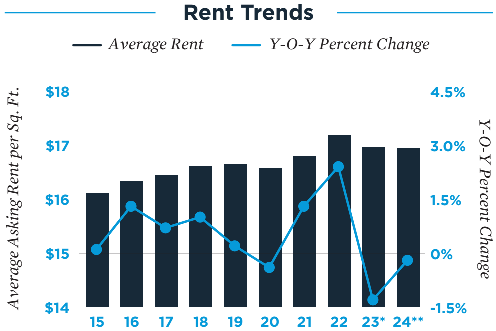
Employment Trends



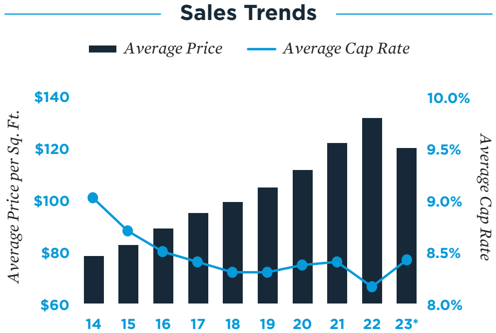
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NOMI RANK 36 — ***Cleveland sits in the lower half of the Index as office-using job growth is restrained, but vacancy remains nationally low.***

+0.9% — **EMPLOYMENT:** Cleveland will add 10,000 jobs in 2024 on net, a slight reduction from the positions created last year. Office-using employers will welcome a moderate 1,000 new roles on net.

1,300,000 *sq. ft.* — **CONSTRUCTION:** Outside of the 1-million-square-foot Sherwin-Williams Corporate Headquarters slated for downtown, Cleveland only expects 300,000 square feet of new space in 2024.

+40 bps — **VACANCY:** By December, metro vacancy will be 270 basis points above the 2019 mark, reaching 12.5 percent. This will still be the sixth-lowest rate among major U.S. markets.

-0.2% — **RENT:** While the average asking rent in Cleveland will dip in 2024, it will stay as the highest mean marketed rate among the three major Ohio metros at $16.93 per square foot.

INVESTMENT: *Investors are likely to remain active downtown this year, particularly those seeking out opportunities for lower-cost, value-add properties that are eligible for redevelopment.*

Corporate Investments Provide Evidence of Central Ohio's Growth Potential, Despite Rising Vacancy

Near-term headwinds mitigated by ongoing growth. By the end of 2024, vacancy in Columbus will reach its highest level since at least 2007. While deliveries are down from the pre-pandemic norm, the several 100,000-plus-square-foot projects underway in the metro will still outpace net absorption in 2024. Weakness in leasing activity is complicated by the fact that companies have begun occupying smaller floor plans as they re-evaluate space needs. Despite these headwinds, signings were prominent in areas in and around downtown last year, as well as along major commuter routes, and local vacancy is still roughly 400 basis points below the national rate. Space along interstates 270 and 670 is likely to continue drawing tenants in the coming year as these routes offer access to both downtown and nearby suburbs. Long-term, Columbus is positioned to draw additional office-using companies to support firms like Intel, Google, Honda and Wells Fargo that are establishing new technology centers in the metro. Many of these projects have won Ohio tax credits, further incentivizing additional corporate investments in Central Ohio.

Investors eye assets around commuter routes. Assets surrounding downtown, Westerville, Whitehall and Hilliard continued to change hands in 2023, despite a challenging lending market. The eastern Columbus area, including Whitehall, saw several medical office trades. This could carry into 2024 as these neighborhoods are proximate to the Ohio State Med Center, providing access to new health care labor, and are close to populations over the age of 35. Investors active in eastern Columbus, as well as areas just outside of the I-270 beltway like Hilliard, are likely to pursue assets along the major interstates. Buyers targeting properties downtown can also find value-add assets for under $100 per square foot. Such entry costs might provide options for owner-user acquisitions.

2024 MARKET FORECAST

NOMI RANK 31	*Job growth aids Columbus' rank, but rising vacancy and a drop in asking rent keep it in the second half for 2024.*

+1.6% — **EMPLOYMENT:** The traditional office-using employment sector will expand by 1.2 percent in 2024. These roles will account for nearly 20 percent of the 18,000 total jobs added on net in Columbus.

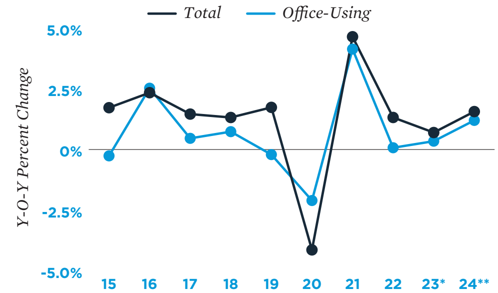
870,000 *sq. ft.* — **CONSTRUCTION:** Nearly matching last year's additions, the metro will add 870,000 square feet of new space. Dublin, Hilliard and downtown had the most space underway at the onset of 2024.

+50 bps — **VACANCY:** Vacancy will continue its upward climb this year, reaching 14.5 percent by year-end. Underperforming suburban properties will contribute to the near-term elevation of this metric.

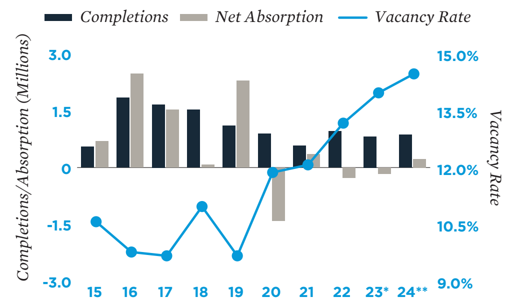
-1.6% — **RENT:** Subdued demand for office space will place downward pressure on rents. The average asking rent will subsequently decrease to $16.04 per square foot by December.

INVESTMENT: *Yield-driven, out-of-market buyers could be drawn to Columbus this year as the metro noted an average cap rate around 8 percent for 2023, with additional upward cap rate pressure persisting this year.*

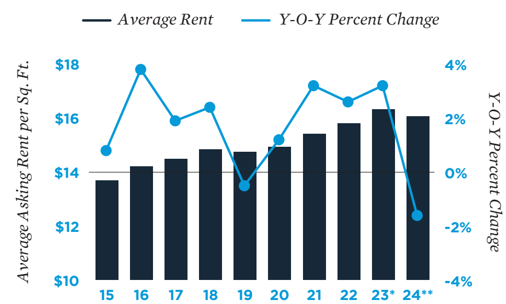
Employment Trends



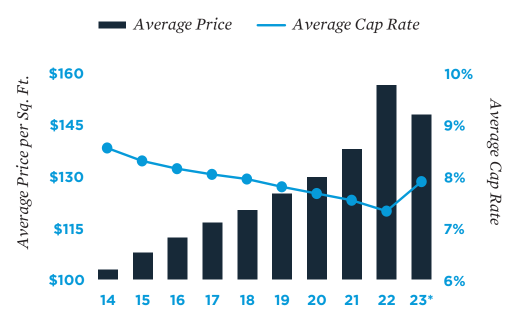
Supply and Demand



Rent Trends



Sales Trends



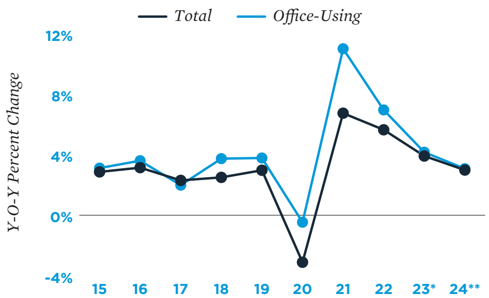
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

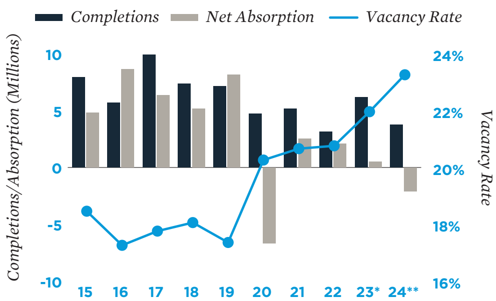
DALLAS-FORT WORTH

Nation-Leading Growth in Traditional Office-Using Sectors Counteracted by Remote Work Prevalence

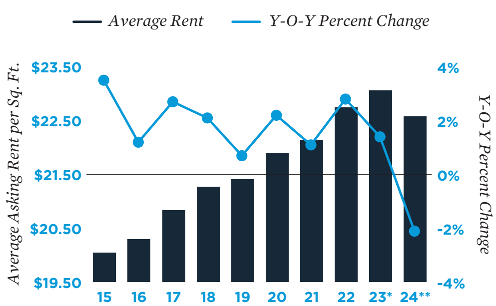
Employment Trends



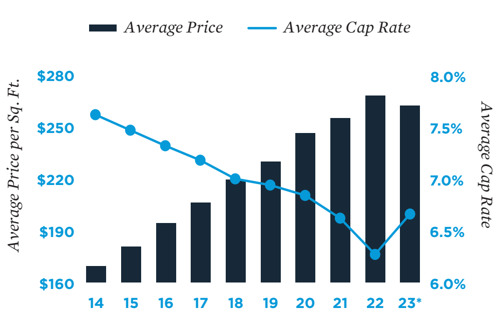
Supply and Demand



Rent Trends



Sales Trends



Strong economic conditions contrast eroded leasing. Dallas-Fort Worth's professional and business services, financial activities and information sectors — which together represent a large portion of traditionally office-using jobs — are growing at a robust pace. From the end of 2019 through the close of 2023, the Metroplex added 244,000 such positions, ranking first in the nation and beating the next-closest market, Austin, by over 130,000 roles. That trend is expected to continue in 2024 as Dallas-Fort Worth more than doubles any other metro in traditional office-using employment growth. Historically, this is a strong signal for office demand; however, in a post-pandemic era of remote work, that no longer seems to be the case. Net absorption has fallen shy of new supply in each of the past four years, and the same is expected in 2024 to an even greater degree. A wave of expiring pre-pandemic leases will drop net absorption this year to its softest measure since the 2020 shock. Nonetheless, the sharp rise in traditional office-using jobs showcases that the market is attractive to relocating firms amid an expanding skilled labor pool. Over time, corporate in-migration should help offset current space attrition.

Investors confine peripheries to pockets of sustained demand. While sector challenges are apparent, soft conditions are not one-size-fits-all. In fact, Greater Fort Worth — led by its CBD and South submarket — has been performing relatively well, posting a vacancy drop and rent growth last year. Preston Center, Stemmons Freeway and Southwest Dallas also achieved this in 2023, making this collection of submarkets prime targets for investors seeking higher occupancy and greater rent stability in the near-term. Some risk-tolerant buyers remain active in certain areas with favorable economic trends, but mediocre office metrics, most notably Richardson-Plano and Far North Dallas.

2024 MARKET FORECAST

NOMI RANK 15 — ***Elevated vacancy weighs on the ranking, but a top-notch pace of traditional office-using job growth puts the market in the top 15.***

+3.0% — **EMPLOYMENT:** Dallas-Fort Worth leads the country in both overall job growth and traditional office-using employment expansion this year, gaining 130,000 and 40,000 personnel, respectively.

3,750,000 *sq. ft.* — **CONSTRUCTION:** Metroplex office stock increases by 1.0 percent this year, the second slowest annual pace this decade. The Far North Dallas submarket alone comprises nearly half of the delivery slate.

+130 bps — **VACANCY:** The softest net absorption level in four years results in the largest vacancy elevation since 2020. Dallas-Fort Worth's rate rises to 23.3 percent, exceeding the 2009 peak by 270 basis points.

-2.1% — **RENT:** Record-high vacancy ends a 13-year streak of positive rent growth that dates back to the tail-end of the financial crisis. Dallas-Fort Worth's mean asking rate dips to $22.57 per square foot.

INVESTMENT: *Greater Fort Worth accounted for over 40 percent of Metroplex office trades last year, the highest share in more than two decades. Stronger performance trends will keep buyers active on this side of the market.*

* Estimate; ** Forecast

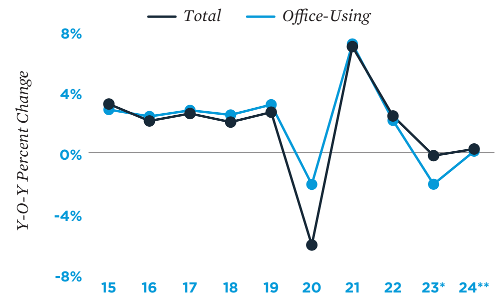
Sources: CoStar Group, Inc.; Real Capital Analytics

Notable Leases Exhibit Urban Office Demand, Though Fundamentals Historically Challenged

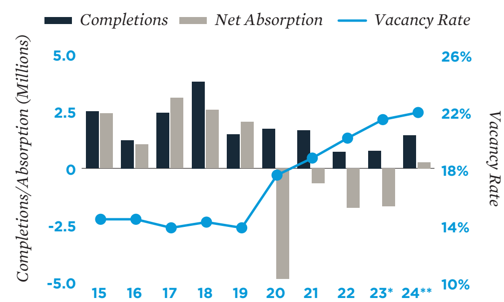
RiNo and areas around the core garner tenant interest. Denver's office standing improves moderately relative to major U.S. markets this year. After entering 2024 with the third-highest vacancy rate among this cohort, the measure is expected to rank sixth by year-end. A tempered pace of vacancy expansion is a result of dynamics in CBD-adjacent zones and notable commitments in RiNo. The Northeast Denver, Southwest Denver and Midtown submarkets were the only metro areas with at least 1 million square feet of stock to record positive net absorption last year, which may carry over into 2024 as more employers look to smaller suburban footprints. Elsewhere, notable move-ins near and in the RiNo area also exhibit some returning leasing momentum for urban office space. Commitments here are headlined by World Trade Center Denver, Davis Graham & Stubbs, and Mortenson Construction — combining to lease about 750,000 square feet. In addition, Xcel Energy penned a 220,000-square-foot lease here with a 2025 move-in. Nevertheless, overall dynamics in downtown will remain challenged, as the area adds a notable count of speculative deliveries this year that weigh on near-term vacancy.

Investors focus on core areas, while appetite in nearby suburbs is mounting. Northwest and Southwest Denver, which boast tighter than market average conditions, accounted for a larger share of activity last year. This trend may continue into 2024 as private investors seek out sub-$5 million commitments, and often trade properties below the market's average price per square foot. Despite ongoing operational challenges Downtown and in the Tech Center, investors likely remain most active here amid improving employment dynamics and population growth trends. Still, financing costs and tight lending guidelines likely maintain a challenging investment landscape.

Employment Trends



Supply and Demand



2024 MARKET FORECAST

NOMI RANK **32**	***Denver's prevalence of office-using workers and the long-term talent pipeline help balance its standing amid slow 2024 hiring.***

+0.3% **EMPLOYMENT:** More than 10 percent of this year's employment additions will be within traditionally office-using sectors. This will aid an overall job gain that exceeds 2023's loss.

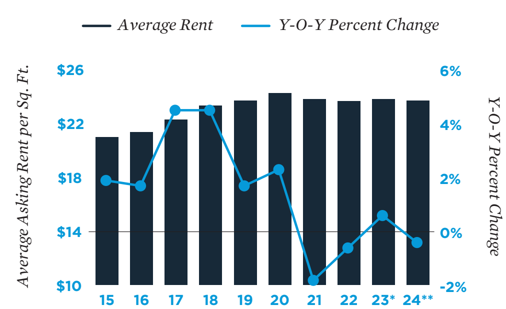
1,450,000 ***sq. ft.*** **CONSTRUCTION:** The pace of inventory growth will lift this year, following two straight periods when completions totaled less than 1 million square feet. This will raise Denver's stock by 0.8 percent.

+50 bps **VACANCY:** Net absorption returns to positive figures in 2024, resulting in a sub-100 basis point vacancy bump for the first time since before the pandemic. As such, Denver's rate elevates to 22.0 percent.

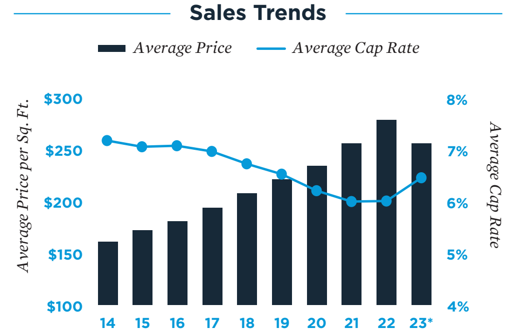
-0.4% **RENT:** Denver's average asking rent will decrease for the third time in four years. The metro's overall mean marketed rate will end the year at $23.66 per square foot.

INVESTMENT: *Assets below the 50,000-square-foot threshold maintain stronger than market fundamentals. This may raise investor competition for these assets moving forward and account for a larger share of activity.*

Rent Trends



Sales Trends



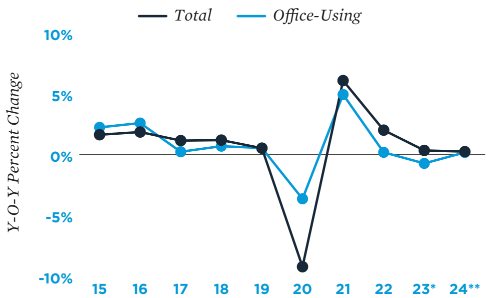
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics;

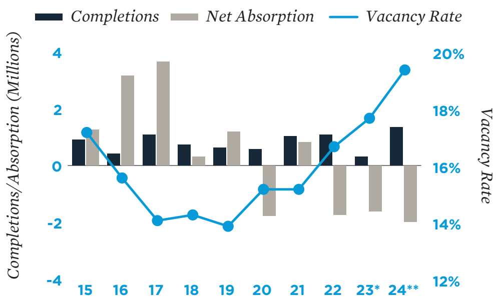
DETROIT

Local Office Trends Become Increasingly Bifurcated Amid Shifting Demand Flows

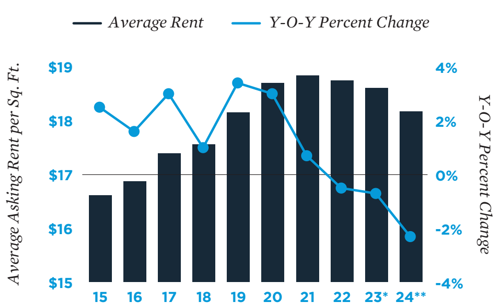
Employment Trends



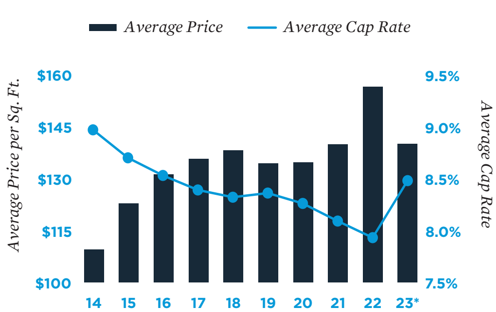
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

North Oakland and Macomb counties boast resilience. On the surface, Detroit's office sector continues to face immense headwinds. Metrowide vacant stock has expanded by nearly 5 million square feet over the past two years, and is expected to rise by another 3-plus million square feet in 2024 as more pre-pandemic leases expire. This shaky performance is not uniform across the metro, however. Two of the seven largest submarkets by inventory — Macomb and North Oakland — entered the year with sub-12 percent vacancy after posting notable declines in 2023, while two other locations, Southfield and Troy, had rates that were over twice as high. Among the submarkets that are outperforming, Macomb benefits from an average asking rent that trails the urban core by more than $6 per square foot, helping attract cost-sensitive firms to smaller floor plans in the area. A handful of 2,000- to 10,000-square-foot move-ins are planned here for 2024. North Oakland, meanwhile, has a smaller relative rent discount, but offers proximity to northern residential hubs, helping companies offer in-person workers shorter commutes.

Buyers fixate on standout submarkets and subsectors. Office investors have pivoted away from the urban core near term, with the area ranking eighth among submarkets for trades last year, despite having twice as much inventory as any other metro area. North Oakland, on the other hand, is generating a greater share of deal flow amid resilient local performance. Buyers here predominantly favor Class B/C traditional or medical offices in Auburn Hills, Rochester and Pontiac. Medical offices are popular targets on a metro level amid comparatively stronger metrics as well, with the subsector comprising nearly 40 percent of overall office transactions last year. Alongside the North Oakland suburbs, investors are also active on the western reaches of Wayne County along Interstate 275.

2024 MARKET FORECAST

NOMI RANK 49 — ***Persistently negative net absorption and corresponding downward pressure on rents put Detroit at the tail-end of the Index.***

+0.2% — **EMPLOYMENT:** Modest traditional office-using job growth puts that segment's count 4,200 roles ahead of its pre-pandemic figure. Still, the overall employment tally trails 2019 by 24,000 positions.

1,350,000 *sq. ft.* — **CONSTRUCTION:** The 2024 delivery slate marks a 17-year high, if two urban core developments finalize on schedule. Hudson's Site and Ford's Corktown project combine for over 1 million square feet.

+170 bps — **VACANCY:** For the fourth time in five years, net absorption will fall beyond negative 1.6 million square feet. This lifts vacancy to 19.4 percent, which is still a notch below the 2009-2011 average.

-2.3% — **RENT:** Vacancy rising to a 13-year high results in a third straight annual rent decline. Detroit's average asking rate slides to $18.17 per square foot this year, dissolving gains made earlier in the pandemic.

INVESTMENT: *An emerging trend in Detroit includes trades with alternative strategies like lease options, sale-leasebacks or land contracts. Adaptive reuse may also become more common in a challenging environment.*

Prime Employment Hubs Sustain Leasing Velocity, Prompting Improved Investment Activity

Core areas headline Fort Lauderdale office demand. The creation of roughly 10,000 jobs in traditionally office-using fields this year leads all major Florida metros, and underscores the local impact of company expansions and relocations. Spirit Airline's move to its new headquarters near the airport is a leading example of leasing activity in 2024, increasing its overall footprint by 120,000 square feet. A number of sizable move-ins are also planned in Downtown Fort Lauderdale, helping sustain strong local office operations. Entering 2024, vacancy here compressed in each of the prior three years, allowing the rate to approach its historical average. In the southern part of the metro, dynamics in Hollywood are noteworthy. Home to the metro's lowest vacancy rate, below 10 percent, tight conditions partially restrict the number of anticipated move-ins. As such, local rent growth will likely exceed the market average again this year.

Investors drawn toward accessible assets and major corridors. The combination of still-elevated debt costs, some near-term tenant demand softening amid the cooling national economy, and substantial lifts to operators' insurance costs are continuing to challenge deal-making this year. Areas still garnering investor attention, however, include greater Fort Lauderdale and Plantation. Among deals here, investor appetites are growing for properties along major thoroughfares, allowing for connectivity to nearby residential corridors as employers look to cut down on commute times and bring workers back into the office more regularly. Trading in Downtown and Hollywood may also play a larger role in 2024's investment landscape, following last year's pullback. Aforementioned strong performance indicators here, and long-term economic and employment growth prospects, encourage capital deployment in these areas.

2024 MARKET FORECAST

NOMI RANK 5	*Nation-leading traditionally office-using employment growth in 2024 bolsters Fort Lauderdale's standing on this year's Index.*

+2.2% **EMPLOYMENT:** Fort Lauderdale's employment base will expand by 20,000 roles on net in 2024, prompting the metro's overall headcount to extend 7.1 percent above its 2019 measure.

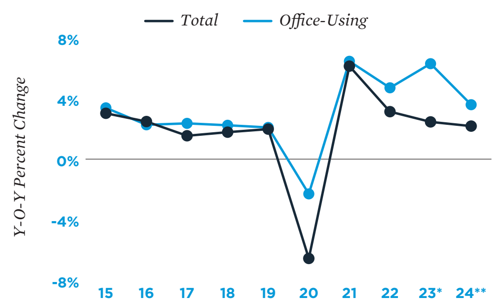
345,000 *sq. ft.* **CONSTRUCTION:** Local stock expands at a rate below its 0.8 percent long-term average again this year. Developments are well dispersed across Fort Lauderdale, Hollywood and Pompano Beach.

+70 bps **VACANCY:** Vacant space eclipses 10 million square feet for the first time since 2012, lifting Fort Lauderdale's vacancy rate to 16.0 percent. This will be 250 basis points below the national measure.

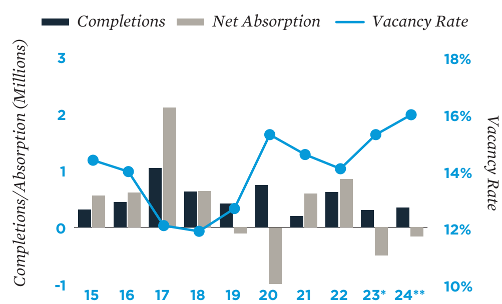
+0.7% **RENT:** The metro records the second-fastest pace of rent growth among major U.S. markets in 2024, allowing its average asking rate to reach $25.74 per square foot.

INVESTMENT: *More investors may target assets in the Plantation area this year, given its connectivity to multiple major residential hubs and a vacancy rate near its pre-pandemic benchmark.*

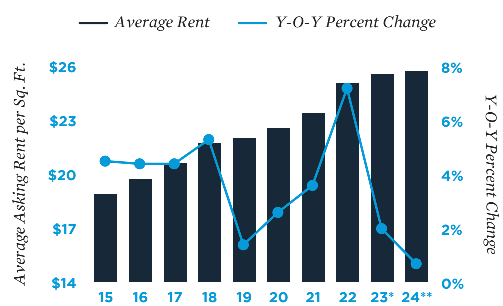
Employment Trends



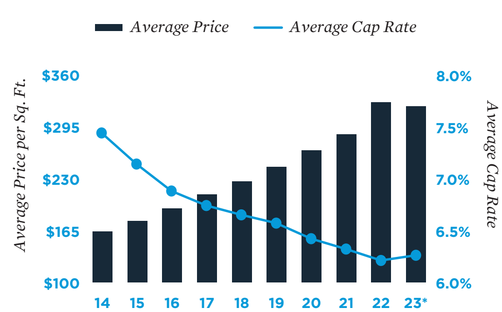
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

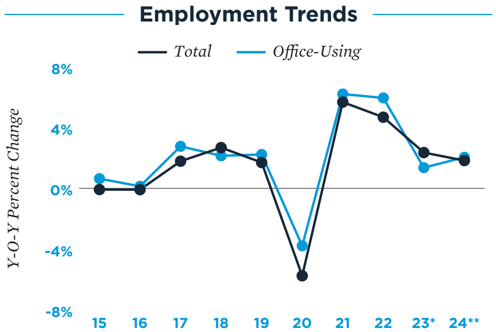
Sources: CoStar Group, Inc.; Real Capital Analytics;

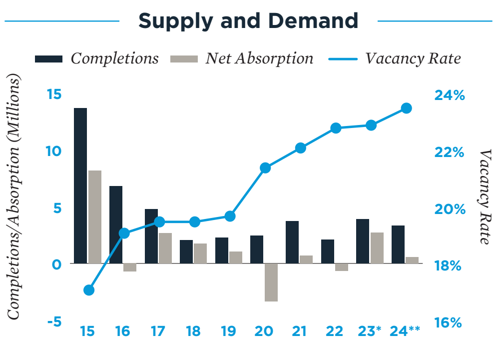
HOUSTON

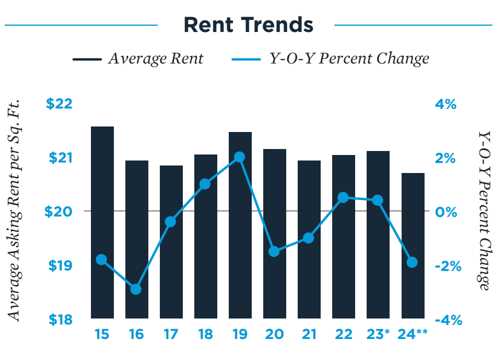
Major Medical Office Projects Enlarge Pipeline, Demonstrating Metro's Ongoing Diversification

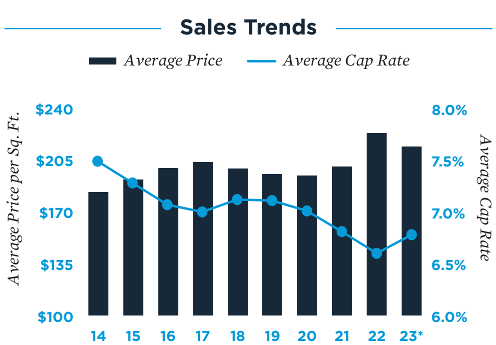
Supply-side pressures less disruptive than they appear. Houston's office stock is scheduled to expand by over 3 million square feet for the third time in four years. This level of construction without context would be a reason for concern amid softer post-pandemic office utilization. Digging deeper into the pipeline, however, all but three of the 15 most sizable projects are delivering fully pre-leased, mitigating the impact on vacancy this year. The majority of these larger-scale developments are medical office campuses, similar to last year but with a caveat. In 2023, these healthcare-focused projects were primarily located in Houston's chief industry hub — the Texas Medical Center. This year, the medical office pipeline has fanned out, with projects opening in FM 1960, the Woodlands, Katy Freeway and NASA-Clear Lake. While this reflects the metro's diversification, Houston's foundational economic keystones remain in place. Energy producers and engineering firms have a substantial slate of planned 2024 move-ins along the Katy Freeway, helping Houston notch the strongest net absorption among Texas' major markets this year. Nonetheless, downsizing and consolidation will nudge up marketwide vacancy.

Investors place emphasis on asset quality. Energy sector volatility and lenient zoning have long lent Houston's office market higher vacancy. As a result, the amount of unoccupied Class B/C stock now stands above 30 million square feet after notable vacancy elevation last year. Meanwhile, the Class A rate fell for the first time since 2018, reflecting a flight-to-quality among tenants to attract in-person workers. Investors in Houston are following this trend. Assets priced above $20 million accounted for a decade-high share of deal flow last year, a dynamic likely to continue in 2024. Tighter Class A vacancy in the Texas Medical Center, the Woodlands and Katy Freeway should highlight these areas.









* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NOMI RANK 17 — ***Despite having the second-highest vacancy in the country, office-using job gains and recent resilience aid Houston's ranking.***

+1.8% — **EMPLOYMENT:** Traditional office-using job sectors grow by 2.0 percent, outpacing the overall employment gain. Excluding 2020, this marks the seventh time in 10 years in which that is the case.

3,300,000 *sq. ft.* — **CONSTRUCTION:** Completions in 2024 mark the third-highest total in seven years, despite falling 600,000 square feet short of 2023. Approximately 60 percent of the space finalizing is medical office.

+60 bps — **VACANCY:** On the surface, Houston's year-end vacancy of 23.5 percent ranks as the nation's second highest. Since 2019, however, the rate is up by a smaller margin than in 34 major U.S. markets.

-1.9% — **RENT:** After respective 0.5 and 0.4 percent annual increases in 2022 and 2023, Houston's average asking rent reverses course this year to $20.69 per square foot — the largest decline since 2016.

INVESTMENT: *Investors pursuing ancillary medical office demand spurred by major projects could hone in on Cypress. Houston Methodist and Memorial Hermann Health System each have sizable campuses underway here.*

Recent Commitments and Long-Term Initiatives Bolster CBD Dynamics; Investors Still Drawn North

Sizable move-ins look to maintain Downtown Indianapolis' tight conditions. The metro's CBD vacancy rate continued to rank among the nation's lowest entering 2024, despite marketwide challenges. Move-ins from Spot Logistics, Milhaus, and Gregory & Appel helped temper an overall gain in the amount of vacant space here last year. In 2024, local commitments are headlined by Forvis LLP, while Enviri Corporation's anticipated 2025 move-in exhibits longer-term demand in the area. Relatively low operating costs and connectivity to major nearby cities support demand for local space, including from Elanco, which awaits the completion of its new world headquarters west of the White River. Plans to extend the Indianapolis Cultural Trail across the river with the Henry Street bridge development would improve downtown connectivity, potentially aiding further business migration. Dynamics in South County, spanning Garfield Park to Greenwood, are also of note. Vacancy here compressed in each of the past three years, to sub-5 percent entering 2024, bolstered by the expanded presence of Lilly Technology Park.

Urban assets gain popularity, though northern areas remain a focal point. Tight conditions downtown and in adjacent areas may prompt improved transaction velocity this year. Private buyers here focus on well-leased assets, signaling less appetite for high-vacancy, value-add strategies. Still, the North and Northeast County areas are likely to continue garnering the lion's share of attention. A growing presence of insurance and financial services firms in Carmel and Fishers bolsters interest for traditional office assets. An expanding residential base, meanwhile, has resulted in medical office properties accounting for a larger share of the area's investment pool. Marketwide, segment vacancy stood more than 600 basis points below the traditional office rate entering 2024.

2024 MARKET FORECAST

NOMI RANK 16	*Strong office-using employment growth and a below-national vacancy rate facilitate a top-20 ranking in 2024.*

+2.0% — **EMPLOYMENT:** Traditionally office-using industries will add a net of 8,000 positions this year, making up one-third of overall hiring. Over the past decade, such firms have added 5,900 roles on average.

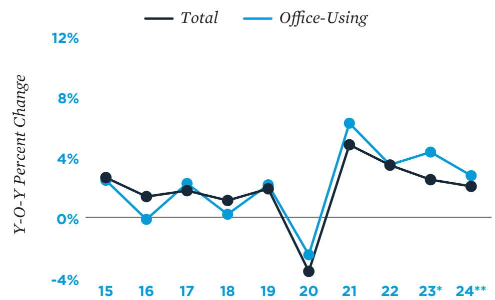
800,000 *sq. ft.* — **CONSTRUCTION:** Developments designated for Indiana University Health will account for two-thirds of delivered space in 2024. Remaining completions are mostly located in Carmel and Fishers.

+60 bps — **VACANCY:** Despite continued upward vacancy movement to a rate of 13.4 percent by year-end, the metro will retain the second-lowest measure among major Midwestern markets.

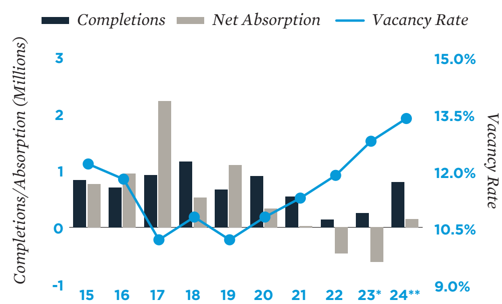
+0.2% — **RENT:** Amid a fifth consecutive year of rising vacancy, rent growth will be marginal in 2024. This brings Indianapolis' average asking rate to $20.05 per square foot.

INVESTMENT: *Similar to Downtown, tight conditions in South County may encourage more investors to explore trades in the area in 2024. Last year, the local vacancy rate notably compressed to below 5 percent.*

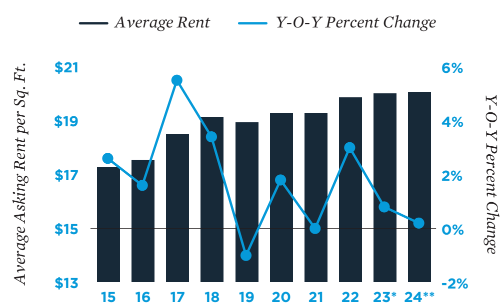
Employment Trends



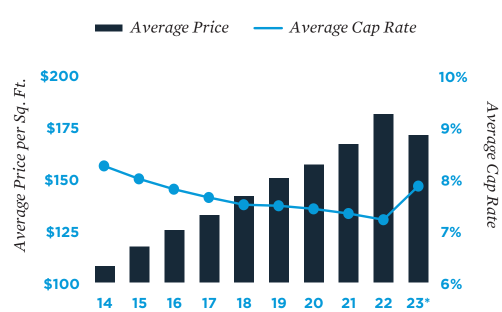
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

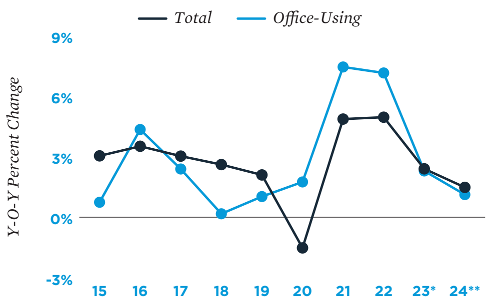
JACKSONVILLE

Dynamics in Trio of Major Jacksonville Submarkets Provide Near-Term Optimism

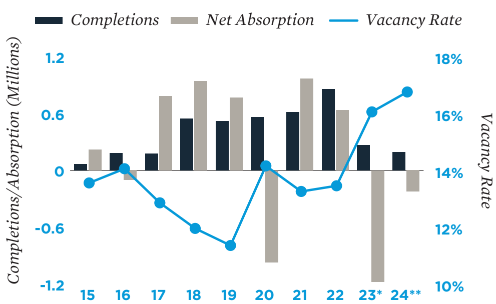
Move-ins and minimal new supply restrain vacancy increase. A favorable state tax structure and a reputation as Florida's lowest cost major office market motivated firms to relocate to the metro over the past two years, a span in which the number of local office-using jobs rose by nearly 20,000. Still, the CBD and suburbs each entered 2024 with 15 percent-plus vacancy. Fortunately, three areas that account for 70 percent of the metro's office stock — Southside, Downtown Northbank and Butler-Baymeadows — possess dynamics that should aid near-term fundamentals. All are slated to note minimal supply-side pressure this year. Additionally, a collection of 20,000-square-foot-plus move-ins will aid local absorption, as they equate to 250,000 square feet. These commitments are highlighted by Jacksonville University College of Law and the City of Jacksonville each occupying more than 50,000 square feet in Downtown Northbank, with HD Supply moving into a similar-sized space in Butler-Baymeadows. In Southside, demand for available medical office space may grow, as the Mayo Clinic has received approval to add 210 acres to its San Pablo Road campus, while also adding five stories to an existing tower.

Renovations prove appealing. Attracted to an average Class B/C rent just $3 per square foot below the metro's Class A mean, along with tenant demand for upgraded spaces, investors are focusing on mid-tier properties. Specifically, 1990s- and post-2000-built assets are garnering attention, with buildings of this vintage accounting for half of all deal flow last year. While most of these listings involve sub-50,000-square-foot buildings, a recent sale may generate interest for larger-scale buys. A 266,000-square-foot property in Southside that traded last year has reportedly secured 120,000 square feet of commitments prior to commencing renovations, including an anchor tenant in Stellar Energy.

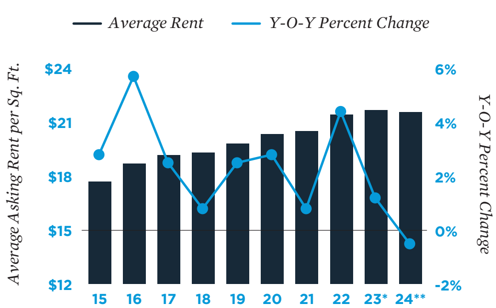
Employment Trends



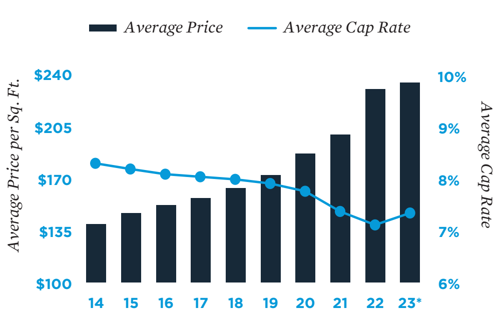
Supply and Demand



Rent Trends



Sales Trends



*Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NOMI RANK 11 — ***Above-average office-using job growth, modest new supply, and below-national vacancy place the metro in the top 20 this year.***

+1.5% — **EMPLOYMENT:** For a fourth straight year, hiring by traditional office-using firms will account for more than 20 percent of the metro's total job creation, which is expected to reach 12,000 positions.

195,000 *sq. ft.* — **CONSTRUCTION:** Jacksonville's delivery volume ranks as the lowest among major East Coast markets during 2024, with local office inventory expanding by just 0.4 percent.

+70 bps — **VACANCY:** The smallest delivery slate in seven years and some notable move-ins will prevent a sizable rise in vacancy from occurring. Still, the metro's year-end rate reaches a record high of 16.8 percent.

-0.5% — **RENT:** For the first time in 13 years, the average asking rent declines, albeit slightly. At $21.53 per square foot, Jacksonville's mean marketed rate ranks as the lowest among major Florida markets.

INVESTMENT: *Ponte Vedra Beach was recently cited as the least expensive East Coast area to open a headquarters. In response, investors may target Class B assets here that could appeal to relocating firms, following upgrades.*

Assortment of Smaller Tenants and Slow Development Help Mitigate Effect of Larger Move-Outs

South Johnson County emerges as metro's most dynamic leasing market. In 2024, the College Boulevard Corridor east of U.S. Route 69 will be the most active locale for move-ins. In addition to proximity to multiple interstate routes, this area features a diverse selection of office towers that are drawing a similarly varied tenant mix. Leases beginning this year range from 7,000 to over 36,000 square feet, and feature firms like Global Aerospace and TruHome Solutions. On a less positive note, however, roughly 340,000 square feet of sublet space listed by the recently-bankrupt logistics firm Yellow is likely to be relinquished in March. This counterbalances much of the net absorption noted in 2023, and will likely keep vacancy in the broader South Johnson County market well above pre-pandemic norms. Fortunately, supply additions across the Greater Kansas City area will exert little pressure on vacancy, as the vast majority of square feet underway is accounted for entering 2024. Corporate downsizing, however, will continue to have a particularly adverse impact on the CBD. Downtown vacancy led the metro in increases last year, rising above the suburban rate for the first time in roughly half a decade.

Office challenges draw capital to modestly-sized Class A and B assets. Uncertainty as to the future of tenant demand has prompted many investors to pause acquisition activity, decelerating transaction velocity in 2023 to the slowest pace since the aftermath of the Financial Crisis. With nearly all activity last year concentrated in the sub-$10 million price tranche, buyers are honing in on smaller, high-quality assets that have proved successful with tenants. Activity is dispersed throughout Kansas City proper and Overland Park, though the Downtown and College Boulevard areas have attracted the most buyers, due to the wide selection of product found in these locales.

2024 MARKET FORECAST

NOMI RANK 43 — ***A contracting office-using employment base and rising vacancy result in a lower ranking for Kansas City this year.***

+0.4% — **EMPLOYMENT:** Though the metro's overall employment base will note a modest gain, traditional office-using sectors will contract by 0.3 percent, translating to a loss of roughly 1,000 positions.

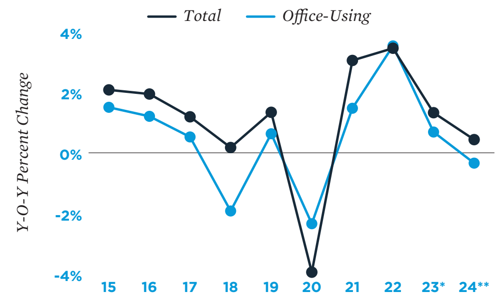
415,000 *sq. ft.* — **CONSTRUCTION:** This year's completion volume trails the previous span's by roughly 50,000 square feet, placing the 2024 delivery schedule at less than half of the trailing decade-long average.

+100 bps — **VACANCY:** The metrowide vacancy rate rises for a fifth consecutive year, reaching 15.8 percent. A lack of firms backfilling leases exited in the CBD will likely contribute to an above-average increase here.

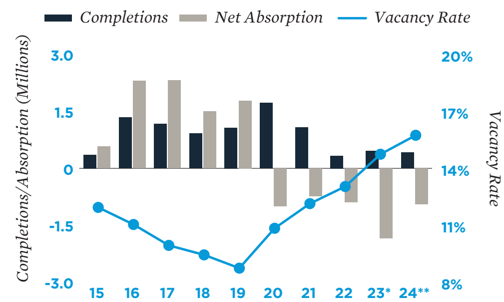
-2.0% — **RENT:** Persistently elevated vacancy will prompt the mean marketed rate to decline on an annual basis for the first time since 2021, bringing this metric down to $19.10 per square foot.

INVESTMENT: *Owner-user trades are commonly noted among mid- and lower-tier office transactions, as the metro's low entry costs make it easier for some firms to acquire property outright with less capital laid out.*

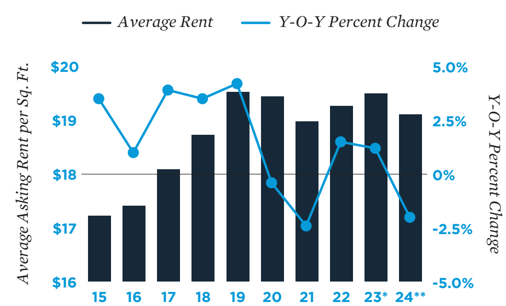
Employment Trends



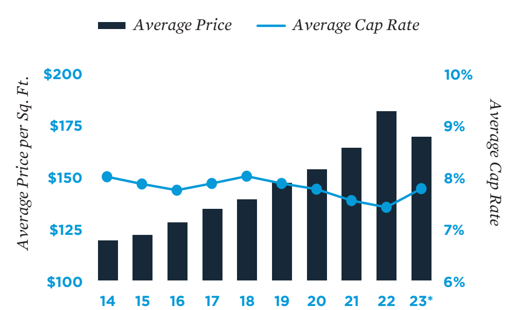
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

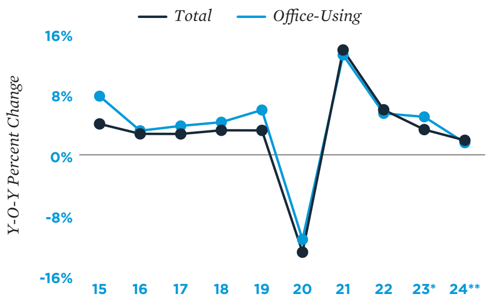
LAS VEGAS

Contrasting Many Other U.S. Markets, Las Vegas' Office Sector Remains in a Favorable Position

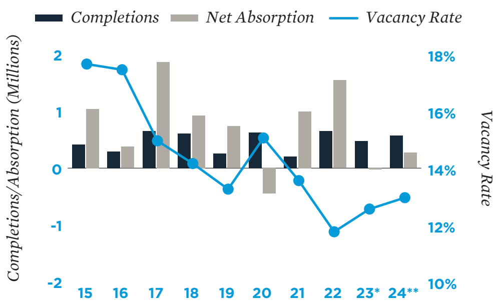
Several larger submarkets register encouraging demand. Las Vegas entered this year as just one of three major U.S. markets with sub-15 percent Class A and Class B/C office vacancy. This standing will be preserved during 2024, as traditional office-using roles will account for a record share of the total job count, at approximately 22 percent. This should facilitate consistent demand among employers for spaces larger than 10,000 square feet, extending a two-year trend and aiding overall absorption. An additional boon for conventional office buildings with available space, medical office properties will account for roughly half of this year's supply additions. As such, prospective tenants are likely to comb Las Vegas' largest submarkets for traditional floor plans. These firms, however, may find relatively limited options in Southwest and West Las Vegas, as each was home to sub-10 percent vacancy at the onset of 2024. This dynamic may steer more companies to South and Northwest Las Vegas — home to average asking rents slightly below the metro's mean and double-digit vacancy. Ultimately, these components will translate to a year-end vacancy rate nearly 400 basis points below Las Vegas' long-term average.

Competition for medical office listings poised to increase. Among major Southwest markets, Las Vegas is home to the second-lowest Class B/C vacancy rate and recently ranked as the top-performing metro for sector rent growth. This performance should direct investors to mid-tier buildings this year. Private buyers seeking listings priced below $300 per square foot may focus on South Las Vegas, with those willing to exceed this threshold possibly pursuing early 2000s-built assets in Southwest Las Vegas. Across the metro, Class B and C medical office trades should play a notable role in overall deal flow, as population growth expectations foster investor demand for such properties.

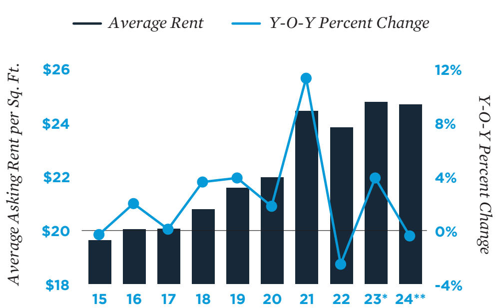
Employment Trends



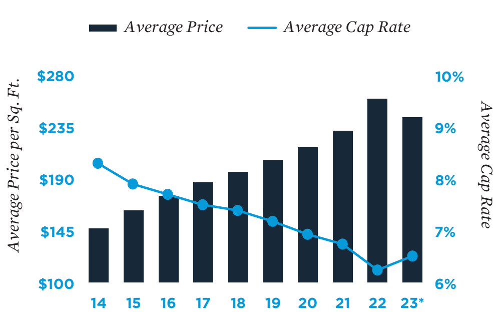
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NOMI RANK 2 — ***Las Vegas secures a top spot, reflective of the second-lowest vacancy rate in the Southwest and above-average job growth.***

+1.9% — **EMPLOYMENT:** After growing by 12,000 roles last year, Las Vegas' count of traditional office-using positions rises by 4,000 professionals, accounting for nearly 20 percent of the jobs added in 2024.

570,000 *sq. ft.* — **CONSTRUCTION:** Deliveries increase moderately on a year-over-year basis as developers expand the local inventory by 1 percent. Completions are concentrated in Southwest and South Las Vegas.

+40 bps — **VACANCY:** Minimal supply additions outside of the two largest submarkets should aid demand for existing spaces. Still, a moderate uptick in vacancy occurs, placing the year-end rate at 13 percent.

-0.4% — **RENT:** Despite positive net absorption and Class A space accounting for a larger share of the vacant stock, the average asking rent dips slightly to $24.65 per square foot.

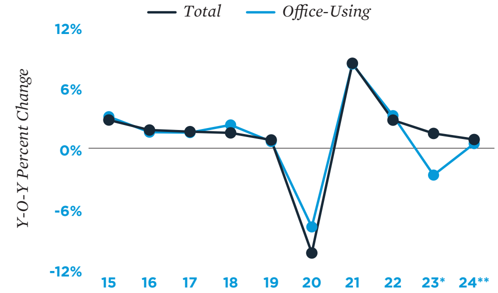
INVESTMENT: *Confident in Las Vegas' long-term demand prospects, out-of-state buyers may acquire multiple assets at once, specifically if they can obtain discount pricing in exchange for taking on re-tenanting risk.*

Despite Historically Elevated Vacancy, Local Offices Outperform Handful of Other Markets

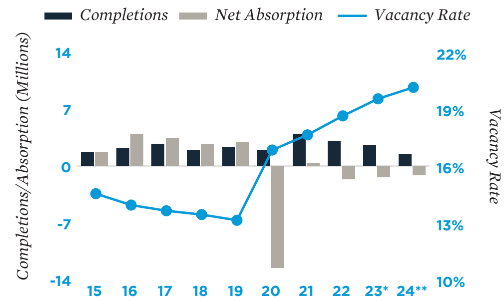
Media and post-production-related move-ins provide optimism. Office vacancy in Los Angeles County was near the 20 percent mark at the onset of this year, a byproduct of firms determining their long-term space requirements will be lower than previously believed. While 11 other major U.S. markets entered 2024 with higher Class A vacancy, nearly one-fourth of top-tier space is vacant locally. Fortunately, supply-side pressure is minimal this year, with no submarket slated to add more than 400,000 square feet — a first since 2014. Additionally encouraging, more media and post-production companies are moving into 50,000-square-foot-plus spaces this year, highlighted by TikTok, Sony Pictures, Penske Media Corporation and Fifth Season. Meanwhile, at nearly 15 percent, local Class B/C vacancy is far from the historical precedent as the segment's rate has hovered between 10 and 14 percent since 2010. Optimism aside, overall vacancy will increase over the near-term, albeit at a more moderate pace, with the metro's rate eclipsing the 20 percent threshold for the first time on record this year.

Future of Measure ULA on investors' minds. Sub-$5 million trades are poised to account for a larger share of overall deal flow in 2024, due to the Measure ULA tax. Many private buyers with local knowledge are likely to target a mix of smaller Class B/C assets that comprise less than 30,000 square feet. Some will focus on medical office, as Los Angeles' record count of health services roles suggests vacancy in the subsector will remain well-below the metro's overall rate. Acquisition strategies notwithstanding, investors will be focused on the future of Measure ULA. A referendum will appear on the California ballot in 2024 that would invalidate local special tax increases imposed after January 2022 that received less than two-thirds voter approval, such as Measure ULA.

Employment Trends



Supply and Demand



2024 MARKET FORECAST

NOMI RANK 45 — *Elevated vacancy and tempered hiring following recent labor disputes places Los Angeles lower on this year's Index.*

+0.9% — **EMPLOYMENT:** The metro regains nearly one-sixth of the 30,000 traditional office-using positions lost last year. Overall, Los Angeles' total job count is expected to reach a record mark during 2024.

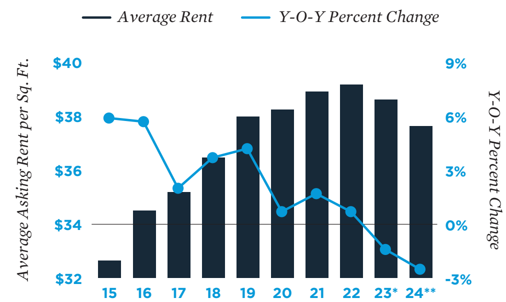
1,500,000 *sq. ft.* — **CONSTRUCTION:** Delivery volume falls to a 10-year low, equating to stock expansion of just 0.4 percent. NBCUniversal's new backlot campus represents the largest completion at 331,000 square feet.

+60 bps — **VACANCY:** The pace of vacancy increase slows when compared to the prior three years. Still, the metro's rate rises to 20.2 percent, with its vacant stock growing by nearly 2.7 million square feet.

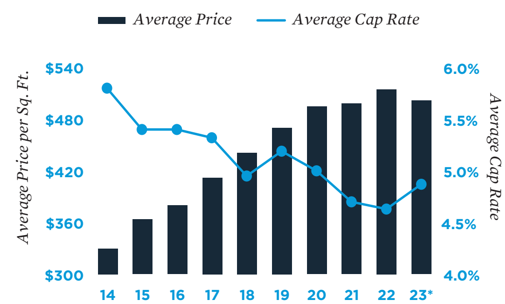
-2.5% — **RENT:** Amid a record volume of available space, Los Angeles' mean asking rent recedes for a second straight year, falling to $37.62 per square foot. This metric trails the mid-2022 peak by 4 percent.

INVESTMENT: *Home to sub-10 percent vacancy, the San Gabriel Valley may appeal to a larger pool of investors, with its lack of near-term supply additions and positive rent momentum also fueling competition for listings.*

Rent Trends



Sales Trends



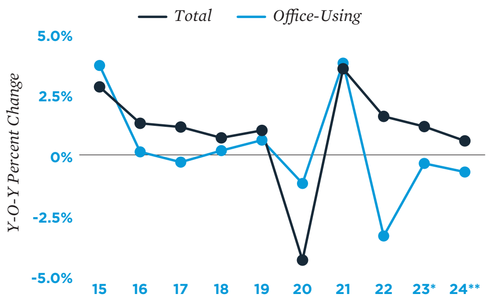
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

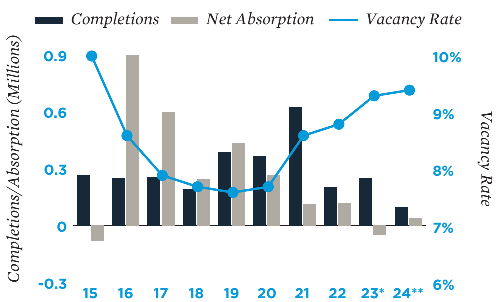
LOUISVILLE

Some Assets Benefiting from Corporate Consolidation; Suburban Vacancy Lowest in Nation

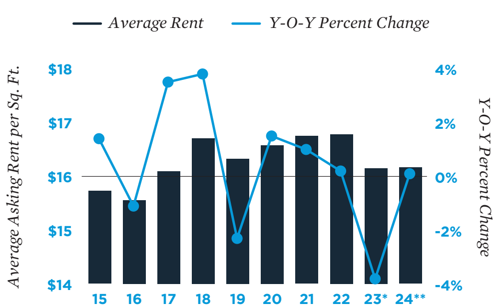
Employment Trends



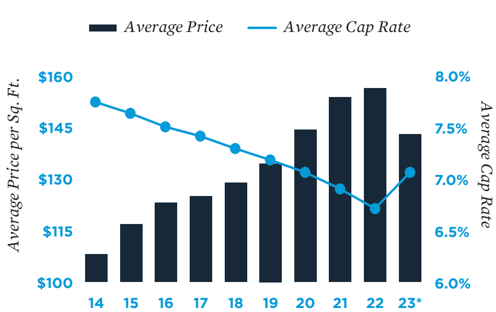
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Outlying offices and amenity-rich towers positioned to weather headwinds. Larger tenants with the resources for hybrid workplaces will likely continue to consolidate footprints, a process that will disproportionately impact the CBD. Still, this shift could benefit recently-built or renovated assets, exemplified by the number of leases executed at downtown's Baird Tower. In the latter half of 2023 alone, several agreements totaling more than 90,000 square feet were signed at this property, exceeding the net absorption total for the urban core during each quarter noted last year. Owners of more challenged vintage assets may also choose to rehabilitate properties or opt for conversion, as downtown Class B and C inventory is likely to see vacancy increase at a greater margin than the market average. On a more positive note, Louisville's suburban offices are well positioned in 2024. These locales saw declining vacancy in 2023, with a 7.6 percent rate recorded late last year marking the lowest such metric in any major metro nationwide. A notable dearth of speculative construction should keep conditions tight, particularly north of the Ohio River, where Clark County submarkets observe vacancy as low as 1.0 percent.

Regionally-advantageous pricing draws out-of-state, and even foreign, buyers. A combination of nationally-tight vacancy and low entry costs are keeping investors active across Louisville, with sales velocity in 2023 proceeding at a rate in line with pre-pandemic spans. Nearly all assets are changing hands in Louisville proper, with a number of trades clustered in the CBD and Hurstbourne-Lyndon submarkets. While the buyer pool remains predominantly local, out-of-state investment has become more prominent in recent years. Smaller private parties could, in response, pivot to outlying areas of the metro where operations are tight and per-square-foot pricing is more buyer-friendly.

2024 MARKET FORECAST

NOMI RANK 33 — ***Low vacancy keeps this metro from placing further down this year's rankings, despite contracting office-using employment.***

+0.6% — **EMPLOYMENT:** Growth in Louisville's broader job market will be tempered by a loss of around 1,000 jobs in traditional office-using sectors, representing a 0.7 percent contraction in these fields.

100,000 sq. ft. — **CONSTRUCTION:** Annual supply additions will be the lowest noted in the market in more than a decade, expanding inventory by just a 0.2 percent clip this year.

+10 bps — **VACANCY:** A tempering development pipeline helps mitigate rising vacancy, resulting in a year-end rate of 9.4 percent. This metric is the second lowest among major U.S. metros in 2024.

+0.1% — **RENT:** Tight suburban availability and a narrow delivery pipeline will keep the average asking rent steady throughout 2024, prompting a slight uptick to $16.16 per square foot.

INVESTMENT: *Investors targeting newer assets with stable tenant bases may look to both the CBD and along the Interstate 265 Beltway, where a large portion of post-2010 builds are located.*

Recent Resilience Provides a Buffer to Withstand Emerging Roadblocks in 2024

Metro vacancy among the nation's least changed since the pandemic. Amid broad office sector turbulence in recent years, Memphis entered 2024 in relative stability. Market vacancy fell in both 2022 and 2023, putting the local rate just 100 basis points above the pre-pandemic figure at the onset of this year. National vacancy, meanwhile, rose by more than 500 basis points during that span, and only five major markets have recorded smaller adjustments than Memphis since 2019. The urban core has been primarily responsible for this resilience, another instance of local momentum that contradicts the national trend. Vacancy in Downtown Memphis ended last year below its respective pre-pandemic mark, and registered as the only urban core among major markets with a sub-7 percent rate. Nevertheless, leasing activity here and across the metro has begun to taper. Fewer than five 10,000-square-foot-plus move-ins were scheduled for 2024 as of late last year, after approximately 15 such commitments took place in 2023. Softer demand will shrink net absorption and create some downward pressure on marketed rents this year.

Regional discounts and durable metrics an enticing concoction. Memphis' recent vacancy and rent stability allow the metro to withstand a quieter year for tenant demand in 2024, keeping investors engaged but selective. The Class B/C segment is well-situated, with a sector vacancy rate below its long-term mean by about 300 basis points entering 2024. Downtown Memphis and the 385 Corridor — encompassing east suburbs like Collierville — could be focal points for private investors amid relatively tight conditions. The latter area also led the metro in Class B/C rent growth last year. As a whole, the market may attract regional buyers amid elevated debt costs. In 2023, Memphis' average sale price undercut Nashville, Atlanta and Charlotte by $50 to $190 per square foot.

2024 MARKET FORECAST

NOMI RANK 28 — ***Relatively tight vacancy boosts Memphis' ranking, but sluggish office-using job creation puts it near the middle of the Index.***

+0.5% — **EMPLOYMENT:** Aligning with softer tenant demand, industries that traditionally use office space will shrink headcounts by 0.8 percent. Memphis' job tally rises by 3,000 roles overall, however.

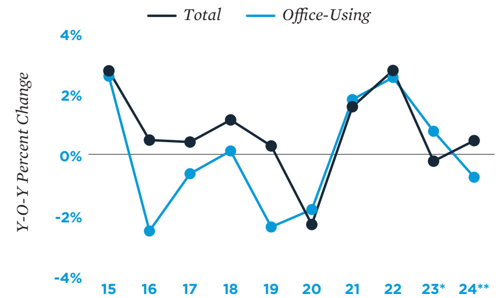
180,000 *sq. ft.* — **CONSTRUCTION:** Despite exceeding last year's total by 45,000 square feet, the 2024 delivery volume is 40 percent smaller than the long-term mean and lacks speculative projects of note.

+20 bps — **VACANCY:** For only the fourth time in 13 years, vacancy will rise in 2024 amid conservative leasing activity. A year-end rate of 11.9 percent, nevertheless, ranks third lowest among major U.S. markets.

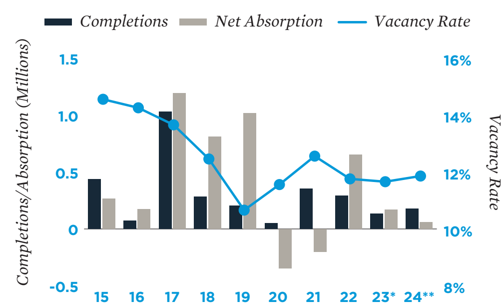
-1.8% — **RENT:** Higher vacancy and fewer corporate expansion efforts push the mean asking rent down to $18.12 per square foot. The resulting 1.5 percent bump relative to 2019 reflects the buffer in place.

INVESTMENT: *The metro's most dense cluster for office leasing has been concentrated around the Interstate 240 and Poplar Avenue interchange. New signings by financial and insurance firms could draw investors to the area.*

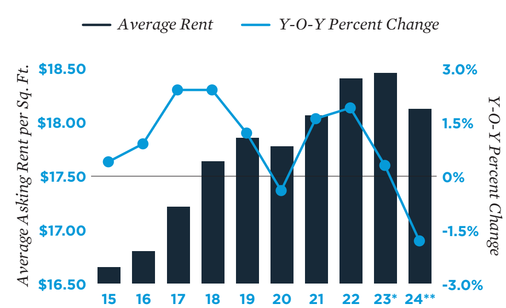
Employment Trends



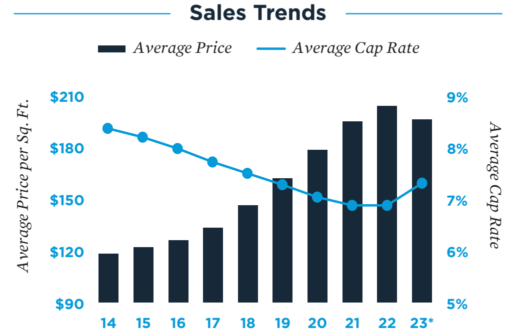
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

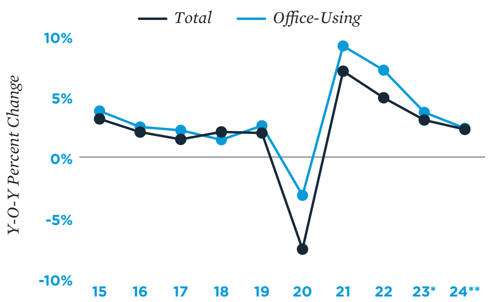
MIAMI-DADE

Move-ins Illustrate Strong Office Dynamics; Rising Expenses Present Headwinds

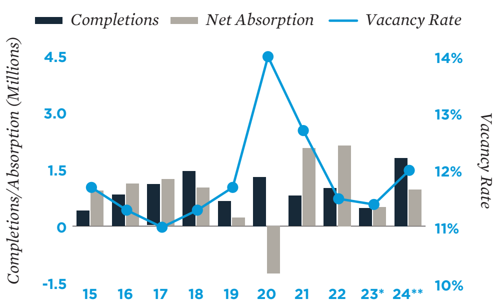
Abundant tenant demand momentum begins to temper. Since 2020, firms have increasingly relocated to and expanded operations in Miami-Dade. As such, the metro has recorded the largest gain in occupied stock between 2019 and 2023 of any major U.S. market, a lead that is anticipated to widen in 2024. This trend is bolstered by the completion of several well-leased office towers, with upcoming move-ins highlighted by Kirkland & Ellis, Citadel, Sony, and Royal Caribbean International. MIAX will also open its new office in Wynwood and an accompanying trading floor this year, the first in the metro and a notable step forward for the market's growing finance industry. While these dynamics bolster Class A office fundamentals, positive mid- and lower-tier conditions are notable. At the onset of this year, the metro had one of the lowest Class B/C vacancy rates among major markets nationally. This tightness likely continues to propel segment rent growth, which ranked first within the same cohort last year. Still, against these dynamics, market conditions temper in 2024 amid a moderating macro economic outlook.

Growth prospects outweigh financing and insurance hurdles. Last year marked a return to normalcy following 2022's record count of office trades, as transaction activity held on par with its pre-pandemic mark. Active investors are continuing to identify population and employment growth dynamics as a sign to deploy capital here this year. The Kendall and Coral Gables areas garner a sizable portion of this interest. Class B/C vacancies here were below the market average entering 2024, while segment rent growth was in-line with the metro's mean. A rise in the monetary impacts of natural disasters has led to a substantial jump for the cost of insurance, however, which, along with tighter lending requirements, will present some headwinds to deal-making this year.

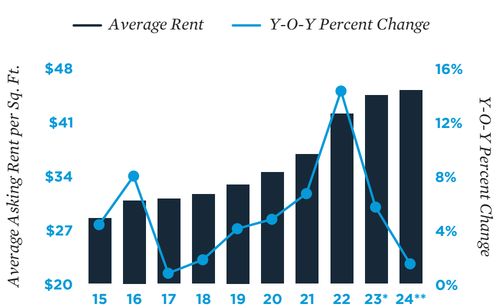
Employment Trends



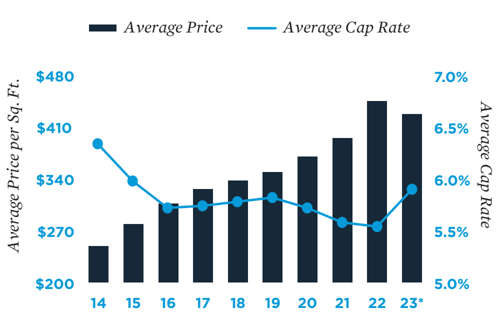
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NOMI RANK	1	*Boasting nation-leading revenue growth and strong office-using employment gains, Miami claims the top ranking this year.*

+2.3% — **EMPLOYMENT:** Miami records the largest overall employment lift among major Florida markets this year. One-fourth of the 30,000 positions added on net will be in traditionally office-using sectors.

1,800,000 *sq. ft.* — **CONSTRUCTION:** The completion of 830 Brickell Plaza and Miami's new court house will account for three-fourths of the space delivered this year, helping increase overall stock by 1.7 percent.

+60 bps — **VACANCY:** Miami's vacancy rate lifts to 12.0 percent by year-end. While up slightly from the 2019 measure, the rate will be the lowest among major gateway markets nationally.

+1.5% — **RENT:** Tight conditions, despite a moderate vacancy uptick, foster nation-leading rent growth in 2024. This allows the metro's average asking rate to elevate to $45.05 per square foot.

INVESTMENT: *As a result of higher insurance expenses, fewer out-of-state buyers are active in the market. This presents an opportunity for local investors, who are less averse to inclement climate risk, to expand portfolios.*

Flight-to-Quality Observed Downtown and in Waukesha County is Facilitating Resumed Upper-Tier Trading

Downtown turning the corner while medical office trends support Racine. Entering 2024, traditional office vacancy in the core held relatively stable, following downward momentum over the prior two years. While Class B/C demand has begun to soften, absorption within the Class A segment improved here in 2023, a trend that should carry forward. This dynamic is bolstered by the Veolia group's 32,000-square-foot move-in off Wisconsin Avenue and the Milwaukee River. Leasing by financial services firms in Waukesha County may aid a similar trend here. Annex Wealth Management is transitioning to a Class A headquarters in Brookfield, increasing its footprint by a net of 30,000 square feet. Conditions in Racine are also of note. Entering 2024, the local vacancy rate lowered by over 200 basis points, holding below 10 percent for the second consecutive year. Concurrent with a growing local populace, medical-related businesses are taking up a considerable amount of space. This contributes to a marketwide medical office vacancy rate that was the lowest mark among major Midwest metros at 6.5 percent as of late 2023.

Investors targeting higher-end stock in Milwaukee. Amid an ongoing flight-to-quality, more investor attention is being placed on Class A and B properties. Areas that continue to exhibit a notable portion of this deal flow include Downtown Milwaukee and Waukesha County, surrounding the Interstate 94 Corridor. Improving optimism across the capital markets landscape this year may assist transaction velocity following a sizable pullback in 2023, while a marginal long-term development pipeline aids existing newer stock moving forward. Tight medical office conditions leading into 2024 may increase this segment's portion of overall deal flow. Over the past three years, these assets have accounted for roughly 30 percent of local office trades.

2024 MARKET FORECAST

NOMI RANK 34	*Isolation from new supply benefits the metro's outlook this year, although a slim office-using job market lowers its ranking.*

+0.8% **EMPLOYMENT:** Following a net loss in traditionally office-using fields last year, the metro will record a gain of 750 such positions in 2024. This will account for more than 10 percent of overall hiring.

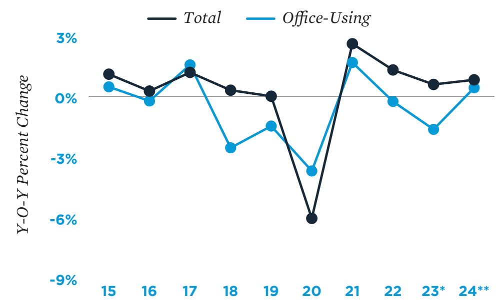
55,000 *sq. ft.* **CONSTRUCTION:** Local office stock increases marginally this year as the rate of inventory growth falls to its slowest pace on record. A medical office completion in Greenfield headlines this development.

+50 bps **VACANCY:** Continued tenant preference realignment results in the net relinquishment of 325,000 square feet this year, lifting metro vacancy to 17.5 percent.

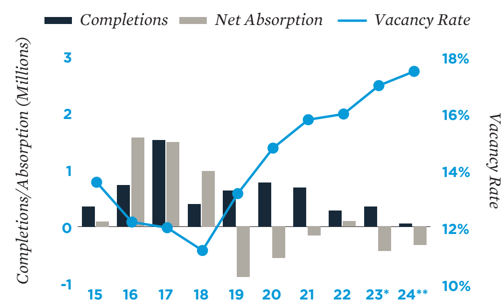
-0.7% **RENT:** Another year of rising vacancy maintains pressure on rents as Milwaukee's average asking rate declines again in 2024. This lowers the measure to $15.94 per square foot.

INVESTMENT: *Residential popularity, along with well-below market average office vacancy, may draw resumed trading activity in Racine this year. Deals here are prominently Class B/C and below $5 million.*

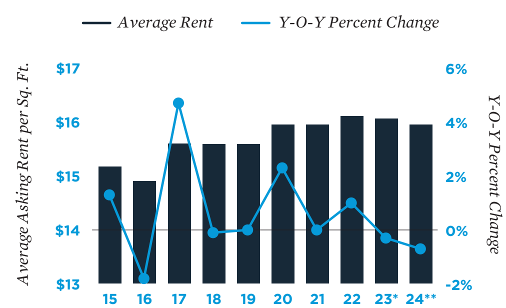
Employment Trends



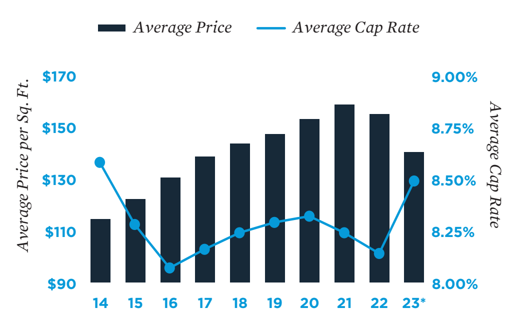
Supply and Demand



Rent Trends



Sales Trends



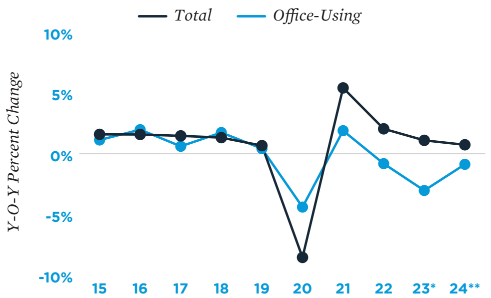
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

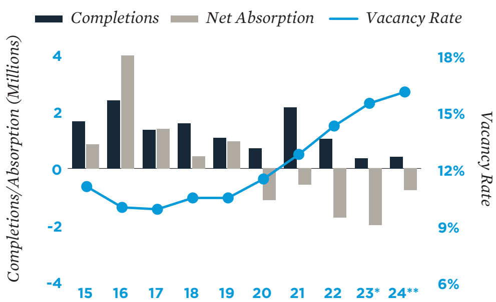
MINNEAPOLIS-ST. PAUL

St. Paul Navigates Office Market Headwinds Well, Attracting Local Investment Activity

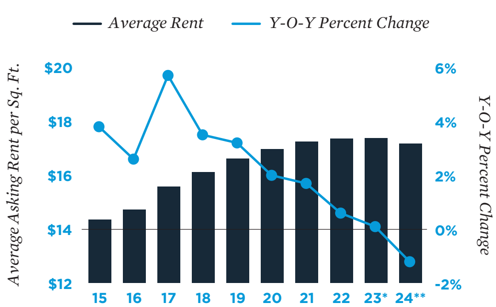
Employment Trends



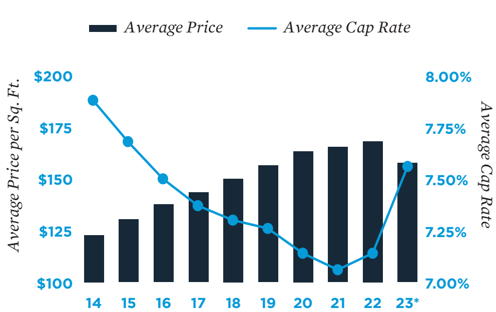
Supply and Demand



Rent Trends



Sales Trends



*Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Outside certain areas, office-using employment hurdles underscore tepid demand. Closing out 2023, vacancy in the St. Paul CBD stood below its pre-pandemic measure, making it the only of the metro's seven largest submarkets to note this dynamic. While up from pre-2020 levels, vacancy in the nearby suburbs and the Midway submarket, spanning Dinkytown to the state capital, was even tighter than downtown St. Paul. Leasing activity here was largely accounted for by financial and insurance-related firms in 2023. A muted list of anticipated move-ins this year, however, accompanies marketwide employment headwinds, likely posing challenges to office space demand. This year will mark the third consecutive annual net loss in traditionally office-using jobs, lowering the segment's employment base to roughly 35,000 positions below its 2019 measure. As such, Minneapolis-St. Paul has the least recovered traditionally office-using labor force among major U.S. metros. Fewer positions, coupled with a moderate outlook for space demand, are likely to drive up marketwide vacancy and weigh down rents this year.

Medical office and owner-occupied properties drive transaction velocity. Ongoing leasing challenges and a faltering office-using employment outlook may serve as a hurdle for the metro's investment market this year. Still, tighter than market average conditions across St. Paul's suburbs are supporting interest in assets near Woodbury, North St. Paul and Arden Hills. A growing portion of deals here are medical office properties, a theme consistent across the market. Ending last year, this segment's metrowide vacancy rate stood near its mid-7 percent long-term average. Similarly, more acquisitions are being executed for the purpose of owner occupancy, as businesses capitalize on recent pricing adjustments prior to the next growth cycle.

2024 MARKET FORECAST

NOMI RANK 44 — ***A challenged local employment market and continued space relinquishment result in a sub-40 ranking in 2024.***

+0.8% — **EMPLOYMENT:** Although the metro will record another net loss in traditionally office-using employment this year, overall job gains will reach 15,000 positions in 2024.

420,000 *sq. ft.* — **CONSTRUCTION:** Builders will add fewer than 500,000 square feet of office space for the second consecutive year in 2024, the metro's smallest 24-month completion total since at least 2006.

+60 bps — **VACANCY:** This year's vacancy lift halves 2023's hike, bringing the measure to 16.1 percent. Still, Minneapolis-St. Paul will retain the fourth-highest figure among major Midwestern markets.

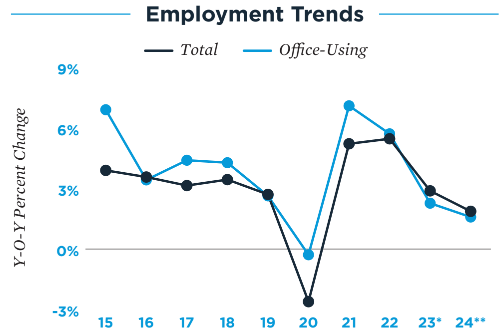
-1.2% — **RENT:** Amid continued space relinquishment this year, the metro's average asking rate will decline for the first time in over a decade. The mean marketed rent ebbs to $17.16 per square foot.

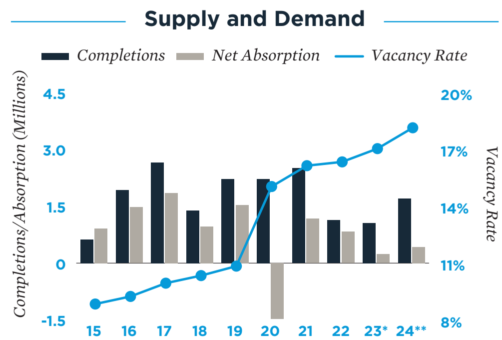
INVESTMENT: *A vacancy rate below its local pre-pandemic measure and ongoing suburban migration among businesses may aid sales activity for assets near Robbinsdale, Maple Grove and Brooklyn Park this year.*

Nashville's Inclusion Among a Select Group of Outperforming Major Markets Elicits Investor Activity

Absorption remains positive, despite a rise in vacancy. Nashville was one of the top-performing major markets for traditional office-using job creation last year, a dynamic that placed the metro's count of professional and business services positions at a record high entering 2024. This hiring coincided with a consistent number of lease executions for spaces larger than 20,000 square feet, with law firms, government and video game-related companies among those inking notable commitments. Many of these agreements have 2024 move-in dates, which, based on the various quality of buildings involved, will support net absorption across property tiers this year. Further aiding absorption, approximately half of the 1.7 million square feet slated for delivery this year was accounted for at the onset of 2024. These factors will allow Nashville to be one of just five major U.S. markets to record a fourth consecutive year of positive net absorption. Still, the impact of companies downsizing their footprints will be felt, with overall Class A vacancy reaching a record high and the Class B/C rate holding above its long-term average.

Mid- and lower-tier assets remain desirable amid elevated vacancy. The metro's Class B/C sector registered both positive net absorption and a record mean asking rent last year. These fundamentals are poised to fuel private investor competition for smaller buildings, including in the southern suburban office hubs of Cool Springs and Brentwood. Similar-sized assets should also be pursued in Green Hills/Music Row and West End, where collective Class B/C vacancy is around 6 percent. Recently home to some of the strongest rent growth, yet still one of the lowest cost options for tenants, areas just south of Nashville International Airport will also receive attention. Here, and in the aforementioned zones, Class C buildings may command pricing above $500 per square foot.





2024 MARKET FORECAST

NOMI RANK 12	*Above-average office-using job creation and positive net absorption aid the metro's ranking amid elevated construction.*

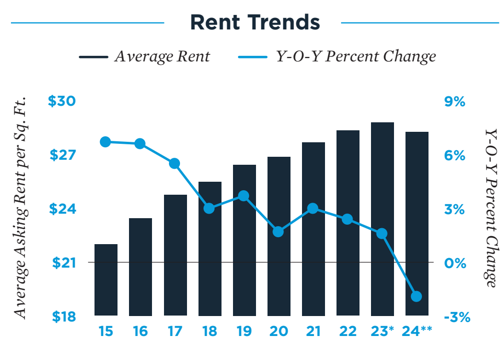
+1.9% — **EMPLOYMENT:** By year-end, Nashville's total job count will be nearly 141,000 roles above its 2019 mark, with office-using hiring accounting for roughly one-fourth of all additions during 2024.

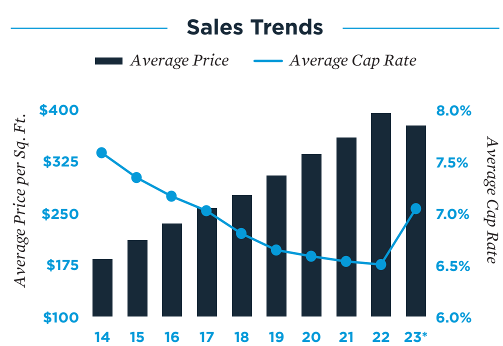
1,700,000 *sq. ft.* — **CONSTRUCTION:** Driven by a group of 250,000-square-foot-plus completions, delivery volume increases on a year-over-year basis, with the metro's office stock expanding by 1.9 percent.

+110 bps — **VACANCY:** Despite some encouraging pre-leasing trends, supply additions exceed demand for a ninth straight year. This dynamic raises metro vacancy to 18.2 percent, the highest rate on record.

-1.9% — **RENT:** A historically large vacant stock requires some operators to ease asking rents to attract tenants. This translates to the average marketed rate falling moderately to $28.22 per square foot.

INVESTMENT: *A steady rate of population growth over the next five years will heighten demand for health services. In response, private investors may target suburban medical office assets suitable for one to four tenants.*



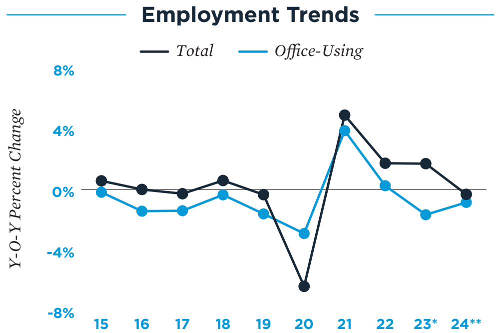


** Estimate; ** Forecast*

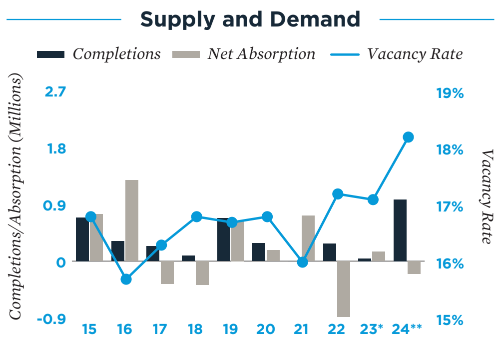
Sources: CoStar Group, Inc.; Real Capital Analytics;

NEW HAVEN-FAIRFIELD COUNTY

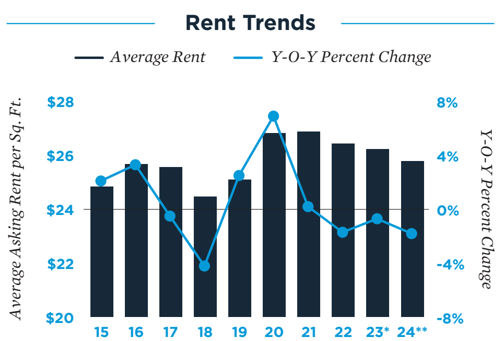
Market's Eastern Half Contends with Supply Increase; Mid-Tier Segment Logs Solid Performance



Supply injection less daunting than at first glance. As of late 2023, the amount of yet-unleased traditional office space underway totaled just over 306,000 square feet. Though this exceeds any annual development figure since the onset of the health crisis, the unleased space is divided between just two projects — located in New Haven proper and Fairfield County's eastern border, respectively. This should help insulate existing Class A properties in Stamford, Greenwich and nearby municipalities from incoming supply pressure. On a less positive note, the collapse of Silicon Valley Bank will have long-term implications for lab-oriented developments around New Haven, as the institution was a major funder for Yale-linked biotechnology startups. Compounding this, tenants have also been exiting amenity-rich leases marketwide, contributing to rising Class A vacancy last year while the mid- and lower-tier measure held constant. Class B and C vacancy is likely to remain below its historical average of 13.3 percent for the foreseeable future, due to a solid base of smaller financial and legal firms located across the market.



Bifurcated performance between office tiers reflected in investment. An uncertain leasing environment is keeping many would-be Class A investors on the sidelines, with trades in this segment declining sharply between 2022 and 2023. High vacancy in this category has not deterred every buyer, with partially-occupied facilities occasionally seen changing hands. These assets were typically located in commuter-friendly coastal locales and had been built or renovated after 2000. The Class B and C environment is comparatively more active, with investors typically honing in on properties in the sub-$4 million price tranche. Investors in these segments are focusing on opportunities dispersed across Fairfield County, with higher amounts of trades clustered in Danbury and Greenwich.



2024 MARKET FORECAST

NOMI RANK 41	***Declining office employment will result in an under-40 ranking for this market in the 2024 Index.***

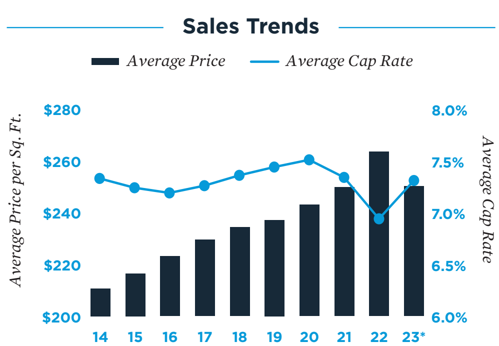
-0.3% **EMPLOYMENT:** A combination of long-term population attrition and layoffs will lead to a loss of 2,500 jobs this year, about 60 percent of which will come from traditional office-using sectors.

976,000 *sq. ft.* **CONSTRUCTION:** This year's total delivery schedule is the largest by square footage seen in the metro since at least 2006, expanding total office inventory by 1.1 percent.

+110 bps **VACANCY:** Vacancy will rise to 18.2 percent by year-end. This increase will be primarily driven by the Class A metric, owing to new speculative supply and existing space being returned to the market.

-1.8% **RENT:** The average asking rent will contract for the third year in a row, falling to $25.76 per square foot by year-end. This will mark the fastest annual decline in marketed rates since 2018.

INVESTMENT: *A relative dearth of mid-tier office additions in recent years could drive some buyers to execute value-add strategies on Class B opportunities, and take advantage of firmer tenant demand in this segment.*



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Proximity to Public Transit a Priority for Tenants; Buyers Returning to Class B and C Assets

Well-located floor plans to note solid performance. Entering 2024, Hudson Yards and immediately surrounding neighborhoods retained their status as New York's most dynamic office hub. A January relocation by HSBC into The Spiral highlights a long-term shift in tenant priorities, in which larger employers are consolidating operations into newer amenity-rich builds within close walking distance of major transportation nodes. Leases near Grand Central Terminal and in the Financial District, where other commuter lines converge, should also remain in high demand. Notably, net absorption in the Class B and C segments returned to positive territory in Midtown last year, indicating that older properties in prime corridors are also drawing tenants. Still, nearly 4 million square feet of space being relinquished by WeWork in this submarket and in Midtown South will create near-term headwinds for vacant floor plans in these locales, particularly those placed in buildings lacking immediate access to public transit. Emerging initiatives to incentivize office-to-residential conversions may, however, provide alternative uses for the vintage assets in less-accessible neighborhoods that have struggled to secure tenants.

Improving interest noted in mid- and lower-tier properties. Reflecting a more positive outlook on the city's office landscape, transaction velocity showed signs of recovery in late 2023. Accelerating deal flow in the sub-$10 million price tranche is occurring in tandem with the return of positive net absorption in the Class B and C segments. Investors are targeting facilities in prime Manhattan corridors or rapidly-growing neighborhoods in the outer boroughs, with assets seen changing hands in Astoria and Long Island City. These have emerged as some of New York's most vibrant residential neighborhoods in recent years, and locations here will likely appeal to boutique marketing and media firms.

2024 MARKET FORECAST

NOMI RANK 14 — ***Declining vacancy and solid office-using employment gains are responsible for New York's top-15 ranking in this year's Index.***

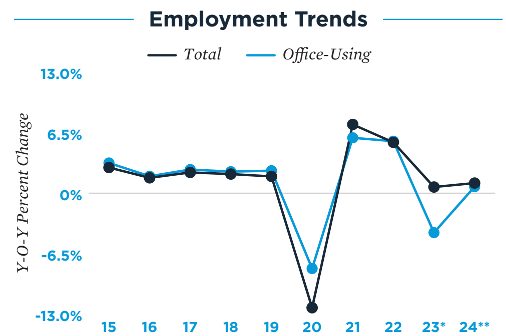
+1.1% — **EMPLOYMENT:** Traditional office-using sectors will note a net gain of 10,000 positions this year. Nonetheless, this will recover less than one-sixth of the positions lost in these fields in 2023.

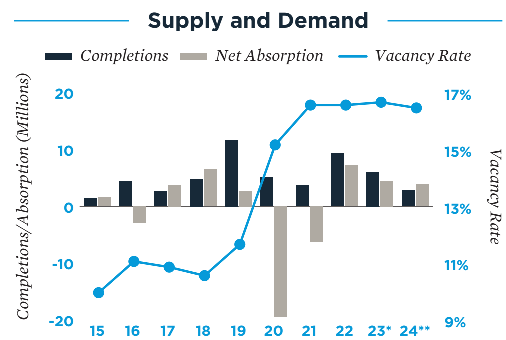
2,900,000 *sq. ft.* — **CONSTRUCTION:** Developers will bring the least amount of square feet online since 2017 after multiple years of brisk expansion, growing supply by just 0.4 percent by the end of 2024.

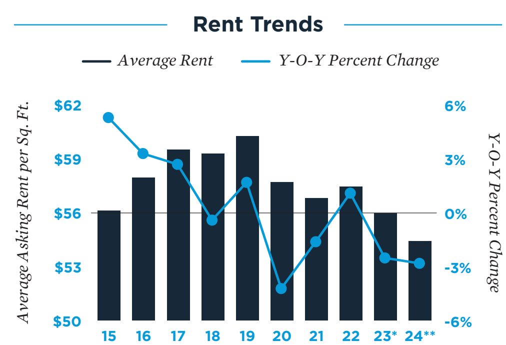
-20 bps — **VACANCY:** New York will see its first calendar year of vacancy compression since 2018, though the year-end rate of 16.5 percent will remain 450 basis points over the long-run average.

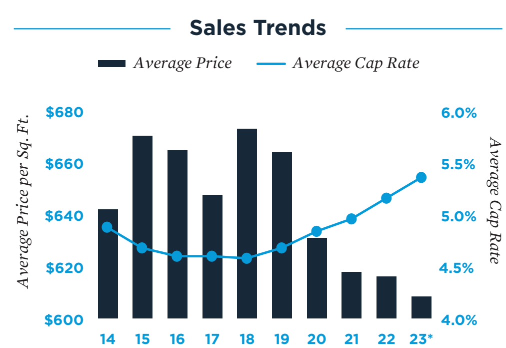
-2.8% — **RENT:** While the market is in recovery, vacancy remains elevated, prompting downward pressure on asking rents this year. The mean rate will close 2024 at $54.39 per square foot.

INVESTMENT: *Owners of less competitively-located assets may take advantage of office-to-residential conversion initiatives by marketing them as redevelopment opportunities, provided the physical requirements are met.*









** Estimate; ** Forecast*

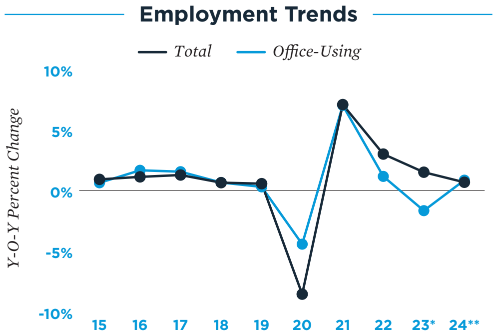
Sources: CoStar Group, Inc.; Real Capital Analytics;

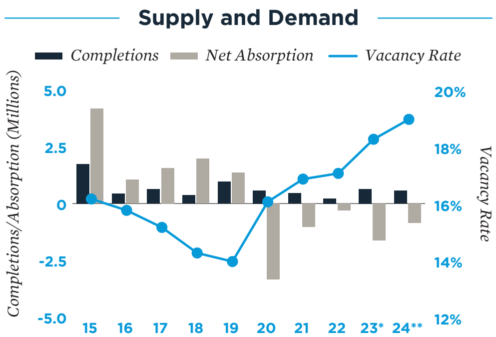
NORTHERN NEW JERSEY

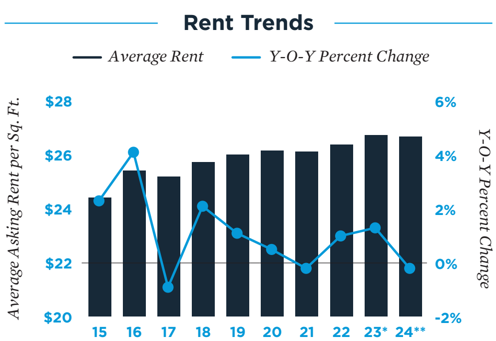
Northern New Jersey Notes Several Points of Standout Demand Amid General Headwinds

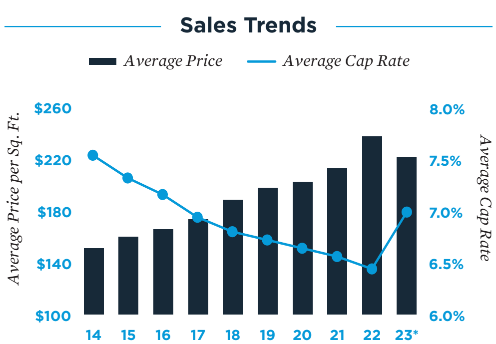
Multiple nodes capture corporate interest amid rising vacancy. Although the metro's top tenants continue to favor smaller footprints, driving overall vacancy upward in 2024, the metro retains multiple office hubs that will benefit from this trend, due to their proximity to commuter routes and selection of high-quality floor plans. Morristown, in particular, is a growing hub for the healthcare and financial services sectors, with Sanofi's Consumer Healthcare division among the larger names establishing new footprints here in 2024. This sustains broader market trends seen last year, with Morris County being one of two local counties to note positive overall net absorption throughout 2023. Jersey City's waterfront is the metro's eastern epicenter of leasing activity, noting move-ins from Eikon Therapeutics, Hyundai Motors and Ishi Systems scheduled for this year. This neighborhood is well-positioned for tenants looking to recruit talent on both sides of the Hudson River, given its proximity to the Holland Tunnel, Paulus Hook ferry terminal and multiple stations on the PATH commuter rail service.

Tighter urban operations could draw investors downtown. As hybrid work schedules impact office use throughout the metro, investors are likely to shift focus toward locales of proven demand moving forward. Smaller private buyers targeting Class B/C options may be active in Essex County, which was the single submarket to see declining vacancy in these tiers last year. Newark, in particular, has noted consistently tighter vacancy than the broader market. A dearth of construction makes this locale especially attractive, as existing assets will face little supply-side pressure for the foreseeable future. Inland cores, such as Parsippany-Troy Hills and Morristown, should also continue to note clusters of trades, due to their comparatively low entry costs and dedicated tenant rosters.









* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NOMI RANK 35 *A high vacancy metric and tepid employment gains place Northern New Jersey in the second half of the Index.*

+0.7% — **EMPLOYMENT:** Following a contraction of roughly 10,000 positions in 2023, traditional office-using sectors are expected to recoup around 5,000 jobs this year, representing a 0.8 percent expansion.

565,000 *sq. ft.* — **CONSTRUCTION:** Just over 410,000 of the square feet scheduled for delivery in 2024 pertains to non-medical office projects, and is split between a small number of developments.

+70 bps — **VACANCY:** This year will mark the fifth consecutive annual span of vacancy decompression across the market, bringing the overall measure to 19.0 percent, the highest level noted since at least 2007.

-0.2% — **RENT:** A prolonged period of elevated availability will prompt a slight decline in asking rents, bringing the mean marketed rate down to $26.66 per square foot.

INVESTMENT: *Supported by one of the nation's highest-income populations and an expanding 65-plus cohort, medical office trades are proceeding at a pace roughly akin to the pre-pandemic standard.*

Office Rents Rebalancing Amid Higher Vacancy, Prompting a Marked Reduction in Development

Lower lease costs may help stabilize demand. Net absorption is expected to remain in the red for a fifth straight year as additional leases signed prior to 2020 expire. Nevertheless, the 2024 net relinquishment of office space will be the least severe since the onset of the pandemic. Contributing to this relative improvement, a rapidly shrinking construction pipeline is helping curtail supply-side pressure. Combining the 2023 and 2024 delivery slates, the 24-month total will fail to surpass any annual interval across the prior decade, providing a much-needed backstop for the Class A segment. Upper-tier vacancy surged by over 1,000 basis points between 2020 and 2023. Softer demand, meanwhile, is creating downward pressure on office rents spanning all segments, with the market's overall average asking rate on track to reach a seven-year low in 2024. While this is creating significant hurdles for operators, it may also attract new tenants and encourage lease renewals. For instance, the 80 and 880 Corridor submarkets witnessed the sharpest rent declines of late, accompanied by below-market average vacancy rates to start this year.

Relative resilience in a standout area is generating buyer interest. Five of the six submarkets that comprise Oakland registered average asking rent reductions of at least 3 percent from the onset of the pandemic through the end of last year. The positive outlier — 680 Corridor South — meanwhile posted a local gain exceeding 5 percent during that span. This momentum is bringing some investor attention to the area, especially for medical offices, a trend likely to continue in 2024. San Ramon and Pleasanton are among the most popular cities in this submarket. Buyers also remain active in the neighboring 680 Corridor North area, despite comparatively softer performance trends, including an appetite for higher-end Class A and B assets in these more affluent suburban settings.

2024 MARKET FORECAST

NOMI RANK 46	*The market ranks above its two Bay Area peers this year; however, it trails all other major California metros in the 2024 Index.*

+1.2% — **EMPLOYMENT:** Oakland is expected to recuperate one-third of the traditional office-using jobs lost in 2023 this year. Overall employment will increase by 15,000 roles, producing a new all-time high.

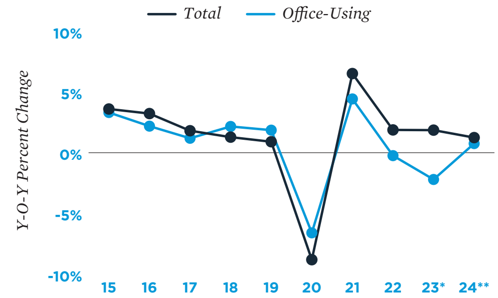
53,700 *sq. ft.* — **CONSTRUCTION:** Metro stock expands by just 0.1 percent for a second straight year. Delivery volume also falls to its lowest mark since 2011, although several large projects are in the proposal phase.

+60 bps — **VACANCY:** For the first time since 2019, vacancy will rise by less than 100 basis points. The rate nevertheless continues to elevate, despite nominal supply pressure, reaching 18.8 percent this year.

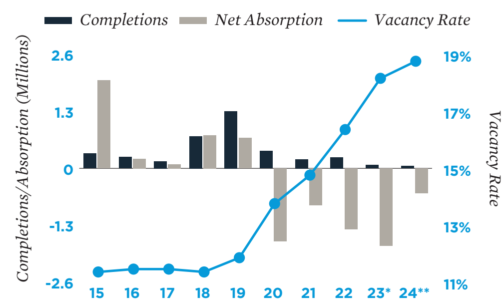
-1.4% — **RENT:** The fourth consecutive annual rent decline places the average marketed rate at $36.90 per square foot. This represents a 6.5 percent reduction relative to the pre-pandemic peak.

INVESTMENT: *Buyers remain cautious in the urban core; however, office assets with a residential or retail component are garnering some interest here. Diversified space use may help investors hedge near-term pressure.*

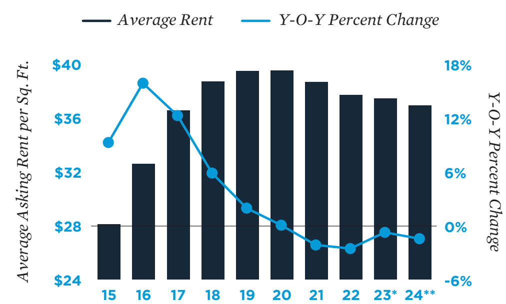
Employment Trends



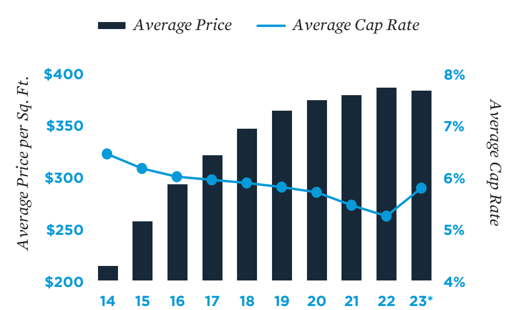
Supply and Demand



Rent Trends



Sales Trends



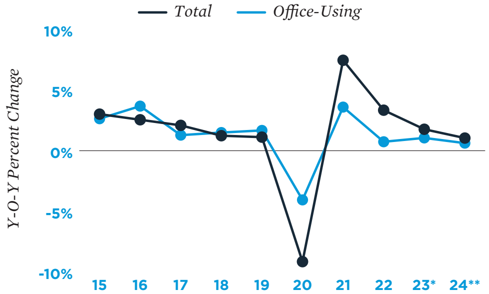
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

ORANGE COUNTY

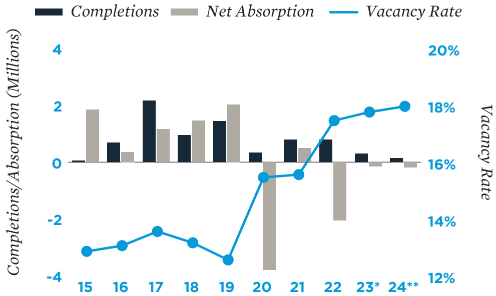
Conversions Poised to Have a Tangible Impact on Metro's Office Stock and Investment Landscape

Employment Trends



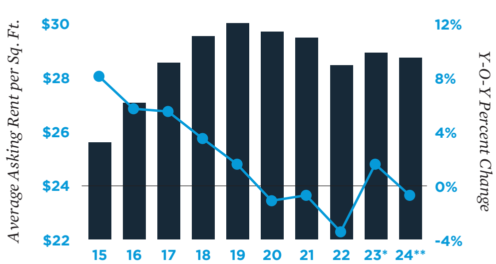
Industrial fundamentals have positive implications for office sector. Orange County closed out 2023 with its highest year-end vacancy in over a decade. Still, a trio of factors suggests the metro will register only a slight increase to this rate in 2024, with local vacancy holding below that of neighboring Los Angeles and San Diego. A high percentage of the 20,000- to 50,000-square-foot-plus leases inked last year have 2024 move-in dates, which will aid overall net absorption. Perhaps more significant, the local office inventory has the potential to shrink. A lack of supply additions this year coincides with some recently transacted properties being removed from stock as part of conversion projects. Whether entailing a gutting of the interior or a complete teardown, most of these conversions will be of the office-to-industrial variety in areas that include Santa Ana and Orange proper. With the metro claiming the lowest industrial vacancy rate among major West Coast markets at the onset of this year, additional conversions are possible beyond 2024.

Supply and Demand



Diverse trading activity possible. The metro's high number of traditional office-using roles relative to its total workforce will preserve investor confidence, as this dynamic serves as a backstop for long-term space demand. As such, private buyers should continue to target smaller, older assets. Listings in North and West County cities, including Garden Grove, Anaheim and Huntington Beach, may be appealing as collective Class B/C vacancy across these areas is in the 8 percent band. Regional and institutional buyers, meanwhile, may eye properties over 100,000 square feet in areas like Irvine and Santa Ana. Last year, assets of this size with vacancy issues traded for an average of $200 per square foot, a significant discount to the metro's mean pricing. The removal of some larger properties from stock may also stoke interest for better-performing Class A and B listings.

Rent Trends



2024 MARKET FORECAST

NOMI RANK 27	*Minimal supply additions and a slight adjustment in vacancy rank Orange County just inside the top 30 of this year's Index.*

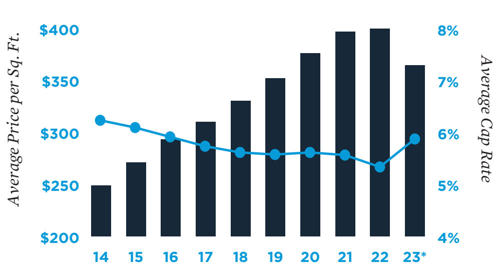
+1.0% — **EMPLOYMENT:** By year-end, traditional office-using jobs are expected to account for nearly 28 percent of Orange County's workforce, more than 5 percent above the national measure.

137,000 *sq. ft.* — **CONSTRUCTION:** The metro records its lowest annual delivery volume since 2010, with just three major U.S. office markets — Oakland, Milwaukee and Louisville — slated to add less space this year.

+20 bps — **VACANCY:** Notable move-ins, minimal new supply and some space being removed from stock allows Orange County to register a moderate vacancy increase, placing its rate at 18 percent.

-0.7% — **RENT:** A third consecutive year of negative net absorption, albeit relatively slight, requires some operators to budge on rents, a dynamic that lowers the mean marketed rate to $28.71 per square foot.

Sales Trends



INVESTMENT: *Recent rent growth at medical office properties and a subsector vacancy rate on par with its long-term average will steer some private investors to listings across the metro suitable for health-related tenants.*

* Estimate; ** Forecast

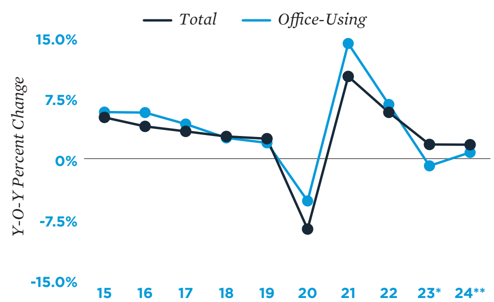
Sources: CoStar Group, Inc.; Real Capital Analytics

Regional Cost Advantages and Growth Prospects Support Demand for Broad Spectrum of Office Space

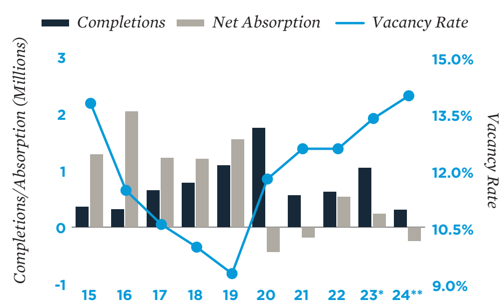
Vacancy remains below most major East Coast markets. Orlando offices entered 2024 with mid-13 percent vacancy, marking an eight-year high. However, this rate is in-line with the historical precedent, with local vacancy having hovered between 15 and 17 percent from 2009-2014. Moving forward, the rate is poised to remain below this range, with its Class B/C sector, which accounts for nearly two-thirds of its total stock, playing a vital role. Entering 2024, vacancy in the segment was in the low-9 percent band, with only a handful of major U.S. markets home to tighter conditions. With relatively limited space available and the metro's mean Class B/C asking rent ranking among the lowest on the East Coast, the segment is well-positioned to maintain its regionally standout fundamentals over the near-term. Additionally, local medical office vacancy stood at roughly 10 percent at the onset of this year. Expectations for the metro's populace to expand by 220,000 residents over the next five years will increase the need for health services, likely preserving strong demand for space that can accommodate medical-related tenants.

Investors act on emerging trends. Anticipating more employers to value proximity to public transit, active investors may pursue listings proximate to SunRail stations in 2024. Downtown assets and those in northern suburbs with light rail stops, including Winter Park and Altamonte Springs, are likely to be targeted, with the latter zone accounting for 30 percent of all lease executions above 10,000 square feet last year. Metrowide, medical office assets should also be pursued, given Orlando's near-term population growth prospects. Buyers, however, may have to pay a premium for these assets, specifically properties net-leased to tenants in Orlando proper and outer suburbs. Last year, these properties often traded above $350 per square foot, well exceeding the metro's mean price point.

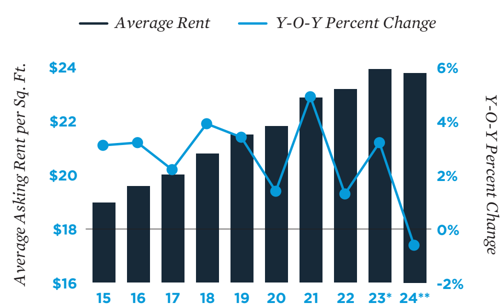
Employment Trends



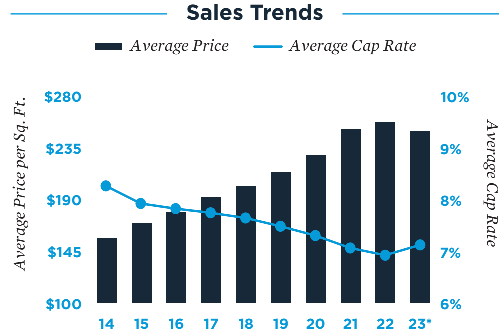
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics;

2024 MARKET FORECAST

NOMI RANK 9 — ***Orlando retains a comparatively low vacancy rate while noting a rebound in office-using hiring, equating to a top-10 ranking.***

+1.7% — **EMPLOYMENT:** Orlando recoups most of the 3,500 traditional office-using roles lost in 2023, with white-collar jobs accounting for 27 percent of the total workforce by year-end.

300,000 *sq. ft.* — **CONSTRUCTION:** Developers complete a 12-year low volume of space in 2024, translating to stock growth of just 0.4 percent. Medical office projects account for 75 percent of this year's additions.

+60 bps — **VACANCY:** A collection of larger near-term lease expirations place upward pressure on vacancy. This raises Orlando's rate to 14 percent, a metric 70 basis points above its long-term average.

-0.6% — **RENT:** Vacancy reaches its highest level since 2014, ending a 10-year stretch of rent growth. Still, the decline registered this year is slight, placing the average marketed rate at $23.76 per square foot.

INVESTMENT: *The construction of Orlando Health's two-tower hospital in Lake Mary may generate competition for medical office listings in Seminole County, if buyers expect health-related tenants to seek nearby space.*

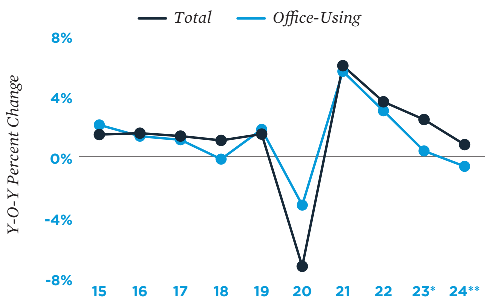
PHILADELPHIA

Selection of Amenity-Rich Floorplans and Declining Remote Work Keep Tenants Downtown

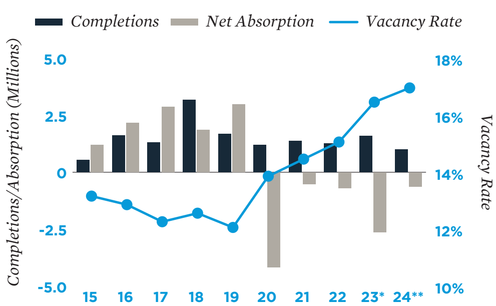
Growing in-office presence stands to benefit core. In a survey of 14 major U.S. metros, Philadelphia saw the most substantial decline in remote-only workers from June 2022 to October of last year, with the metric falling 580 basis points to 33.1 percent. This is a welcome sign for overall office demand, and should help restrain rising vacancy in Philadelphia proper as workers filter back into area offices. Move-ins for this year reaffirm that tenants remain committed to the urban core despite some downsizing, with a notable amount of leases clustered in Center City and along Market Street. Exemplifying this trend, Big Four accounting firm KPMG is relocating to the BNY Mellon Center from its current lease merely one block away. Footprint consolidation will nevertheless drive up vacancy in the CBD, although the area's selection of amenity-rich assets may benefit from this process. The Navy Yard also continues to cement itself as an emerging office hub, particularly among biotech-oriented firms. BioMérieux, a French company specializing in life science diagnostics, began occupying 32,000 square feet in this submarket in January.

Buyers maintain pursuit of suburban assets, but core could see increased activity. Despite an appreciable uptick in office usage relative to other primary markets throughout the previous two years, many investors remain apprehensive, keeping transaction velocity subdued across all office tiers. Buyers are currently most active in the metro's suburban zones, which retain a favorable vacancy gap over the CBD. Clusters of Class B and C trades have emerged in Bryn Mawr and Bala Cynwyd, municipalities favorably placed between Philadelphia proper and the metro's affluent northwestern suburbs. The Market Street area remains the market's urban transaction epicenter, with institutional parties seeking trophy assets likely to target here or other locales around Center City.

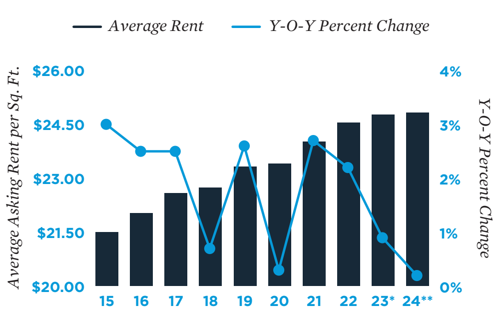
Employment Trends



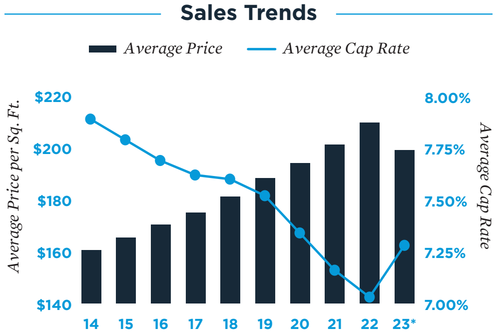
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NOMI RANK 21 — ***A relatively minor revenue decline compared to other metros grants Philadelphia an above-middle placement in the Index.***

+0.8% — **EMPLOYMENT:** An overall net gain of 25,000 jobs will be weighed down by the loss of 5,000 positions in traditional office-using fields, representing a contraction of around 0.8 percent in these segments.

1,000,000 *sq. ft.* — **CONSTRUCTION:** Developers expand inventory by just 0.3 percent this year. Supply additions will be at their thinnest since 2015, when just over half a million square feet was brought to market.

+50 bps — **VACANCY:** The local office market has passed the worst of post-pandemic consolidation, with vacancy expected to note the smallest increase since 2019, pushing the metric to 17.0 percent.

+0.2% — **RENT:** A slowdown in space relinquished to the market will allow asking rents to maintain a slight upward trajectory in 2024. The mean marketed rate will creep upward to $24.81 per square foot.

INVESTMENT: *Southeastern Pennsylvania has become increasingly popular with retirees in recent years, which will support long-term medical office demand in the metro's outlying locales.*

While Class B/C Rent Growth Elicits Investment, It May Potentially Motivate Tenants to Upgrade

Rent changes could benefit Class A landscape. Continued demand from consumer-facing services, primarily in the form of back-office and call center support for financial, law and health care firms, led Phoenix to post the fourth-fastest Class B/C average asking rent growth in the nation through most of 2023. The Class A metric, meanwhile, ticked down after the segment's vacant stock jumped 10 percent in the year. Entering 2024, the difference between these two metrics was at an all-time low of $5.40 per square foot on average, which may motivate some tenants to upgrade following lease expirations. A sub-4 percent unemployment rate to start the year may also highlight the recruitment value of amenity-rich assets, boding well for Class A spaces with nearby restaurants and retail. On this note, location and age should remain differentiators separating the most successful top-tier offices. North Tempe and Scottsdale Airpark account for a large portion of this year's new move-ins, due to their abundance of newer mixed-use space and nearby entertainment. The Central Corridor, in contrast, is home to generally older and more traditional Class A buildings that have had a harder time attracting tenants.

Class B/C assets retain momentum. Phoenix is poised to preserve its status as the most active secondary metro for office trades in 2024. Solid Class B/C rent growth is enabling many of these deals to pencil despite higher financing costs, sustaining buyer interest. Scottsdale remains the center for these deals, after recording the strongest rent gain among U.S. submarkets with over 15 million square feet of Class B/C stock in 2023. Competition is tightest for medical assets, as inflows of affluent transplants have increased local needs for specialty health care services. This trend is likely to influence the broader market as well, with the metro's medical office vacancy entering 2024 at a 15-year low.

2024 MARKET FORECAST

NOMI RANK 19 *A large composition of office-centric workers among a growing population reflects demand for space and a top-20 NOMI rank.*

+1.1% **EMPLOYMENT:** Phoenix's job tally will expand by 46,000 roles this year, the lowest gain since 2020. Office-centric firms, in particular, are expected to add 3,000, one-half of the new positions from 2023.

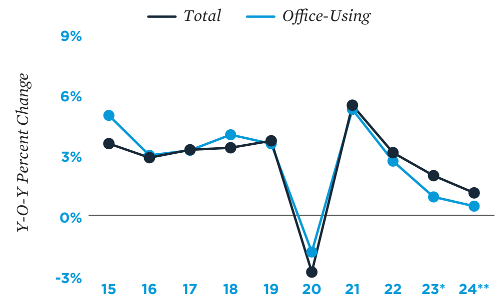
1,450,000 *sq. ft.* **CONSTRUCTION:** Overall stock expands by 0.9 percent, as most new supply is delivered in the East Valley and West Phoenix. About 50 percent of this year's additions are slated to be medical offices.

+110 bps **VACANCY:** Marketwide vacancy will jump to 21.5 percent in 2024, but will vary greatly by quality level. Entering this year, the gap between the local Class A and B/C rate was over 1,000 basis points.

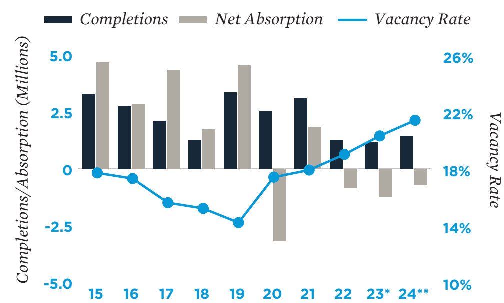
-2.5% **RENT:** The overall average asking rent will slide to $25.54 per square foot in 2024. The Class A sector should weigh on the metric, as new supply puts short-term pressure on marketed rates.

INVESTMENT: *Some investors may keep a closer eye on West Phoenix in 2024. Last year, it was one of only three Sun Belt submarkets with over 10 million square feet of stock and a vacancy rate of 7.0 percent or lower.*

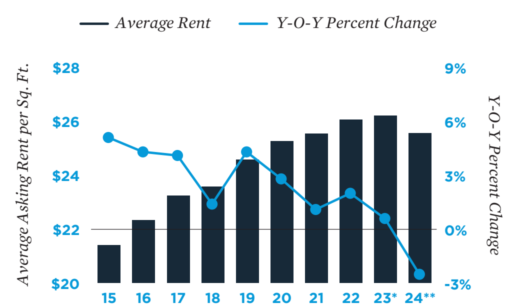
Employment Trends



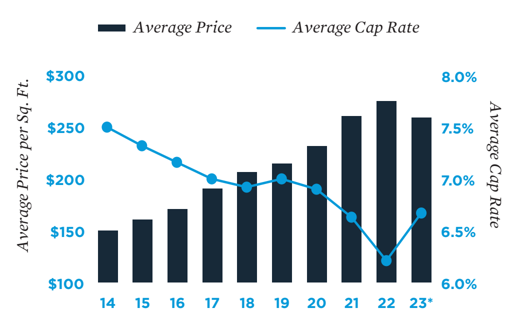
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics;

PITTSBURGH

Rising Vacancy Set to Continue, but Moderating Sublet Trends Provide Silver Lining

Nationwide tech sector attrition to weigh on downtown fundamentals. Although construction in 2024 represents a sharp increase from the year prior, square footage is divided between just two projects, which should limit the impact of these deliveries outside of the Golden Triangle and Moon Township. As nearly all ongoing projects are slated for completion by the end of the second quarter, that incoming supply-side pressure will be minimal by mid-2024. Sublet vacancy showed signs of moderating entering January as well, which should mitigate the amount of space relinquished as the year progresses if this trend holds. Nevertheless, a broader long-term shift toward smaller floor plans will continue to put upward pressure on vacancy metrowide, a situation unaided by ongoing headwinds across the nation's tech employers. Pittsburgh's burgeoning innovation sector has been a major contributor to office leasing in the Greater Downtown and Oakland submarkets over the past decade. The stabilization of space demand within the city limits is likely contingent on the normalization of business formation in these fields.

Pittsburgh retains pricing advantage, despite softening in other markets. As most major metros nationwide have seen pricing adjustments, Pittsburgh has retained its ranking as the most affordable major office market in the Northeast. Moving forward, this advantage could incentivize investment from buyers anticipating local tech sector expansion, a segment that will likely flock to assets in the Strip neighborhood or closer to the city's educational institutions. Similarly, the Oakland submarket, which notes a relatively stable demand base due to the bevy of firms with academic links located here, will likely be favored by investors targeting high-occupancy properties. This area noted sub-7 percent vacancy in late 2023, the second-lowest such metric across the metro.

2024 MARKET FORECAST

NOMI RANK 50 — ***A substantial increase to vacancy and declining office employment rank Pittsburgh at the end of the 2024 Index.***

+0.7% — **EMPLOYMENT:** Although Pittsburgh will note a net increase of roughly 8,000 jobs by year-end, traditional office-using fields will shrink by roughly 2,000 positions.

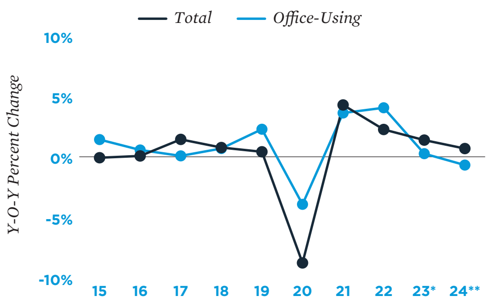
650,000 *sq. ft.* — **CONSTRUCTION:** While deliveries increase on an annual basis after last year's relative lull, the total square feet arriving in 2024 will be roughly in line with the trailing half-decade average.

+170 bps — **VACANCY:** The metrowide vacancy rate increases by a triple-digit basis-point margin for the third year in a row, bringing the metric to 18.4 percent. This marks the highest level noted since at least 2007.

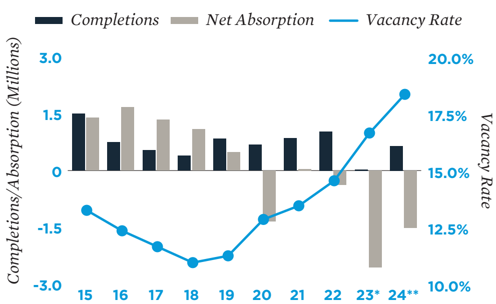
-2.0% — **RENT:** As a result of a prolonged period of rising vacancy, asking rents retreat by the fastest annual pace on record. The mean marketed rate will be $21.96 per square foot at year-end.

INVESTMENT: *Though medical office trades have faltered from the highs seen through 2021 and 2022, some buyers continue to pursue these properties in the outskirts of Allegheny County.*

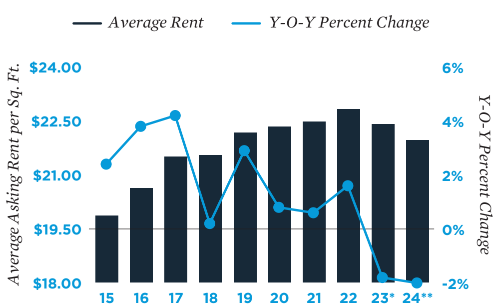
Employment Trends



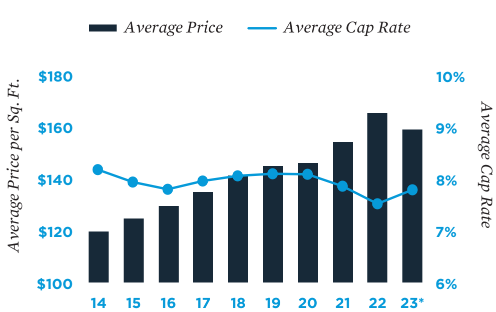
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

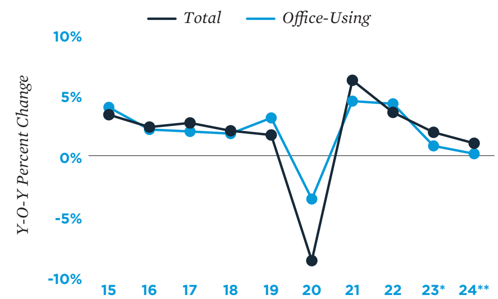
Sources: CoStar Group, Inc.; Real Capital Analytics

Mounting Class B/C Demand Helps Backfill Older Space Amid an Overall Flight-to-Quality

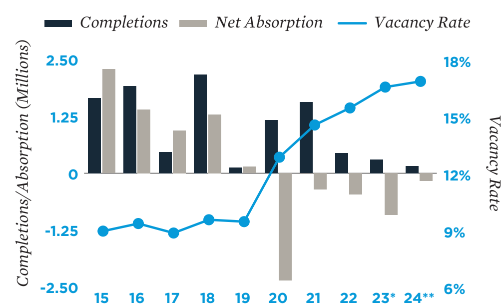
Class B/C options may benefit from economic growth. Supported by Portland's strongest two-year household gain in a decade, the Class B/C office sector is poised to turn recent demand trends around. The metro will add almost 30,000 households across 2023 and 2024, elevating local needs for services like transportation, and specialty healthcare. Easterseals Community and Disability Services and Multnomah County's move-ins to mid-tier spaces at the start of this year reflect this trend. Law firms Miller Nash and Wyse Kadish also took up new leases, however, each at Class A offices in the CBD. While some tenants looking in the Class B/C segment are expanding their overall footprints, companies seeking top-tier options are generally prioritizing quality, leading many of them to downsize to make up for higher per-square-foot rents. Miller Nash, for example, cut its space requirements by 40 percent when it moved into the newly-completed 11W building this year. A limited, less-available pipeline may also be a consideration for some tenants to speed up upgrades. This may continue to push marketwide vacancy up as more legacy Class A space is left untenanted in lieu of newer builds.

CBD facing gradual restructuring. Nationally, nearly $120 billion of office loans are set to mature in 2024. This may lead to more assets changing hands in Portland, amid the higher cost of capital and NOI pressure from elevated vacancies. Debt assumptions and high vacancy sales represented the majority of deals in the CBD in 2023, while attractive asking prices enhanced potential returns for value-add investments. In contrast, average per-square-foot pricing in Clark County sustained upward momentum for the previous six years. The area continues to be at the center of the metro's household growth, eliciting expansions from consumer service providers and subsequent investor interest.

Employment Trends



Supply and Demand



2024 MARKET FORECAST

NOMI RANK 40	*Meager growth from office-centric fields overshadows a limited vacancy adjustment this year, for a lower echelon ranking.*

+1.0% — **EMPLOYMENT:** A quiet year of hiring from traditionally office-using companies, at fewer than 1,000 new roles, contributes to a below-average 1.0 percent overall headcount expansion.

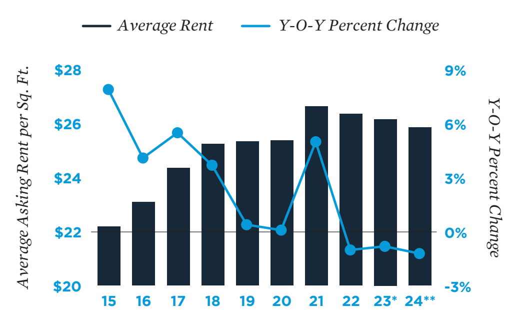
160,000 *sq. ft.* — **CONSTRUCTION:** Portland posts its third-lowest delivery count on record, as local stock expands by 0.2 percent in 2024. Still, over 800,000 square feet is proposed for Clark County through 2025.

+30 bps — **VACANCY:** Marketwide vacancy closes out 2024 at 16.9 percent, but the suburbs and CBD will diverge greatly. Entering the year, the suburban rate was second lowest among major West Coast markets.

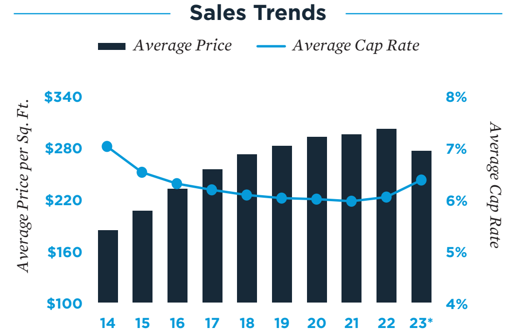
-1.2% — **RENT:** The mean asking rent will decline in 2024 as more lower-cost sublease space is put onto the market. The metric will stand at $25.84 per square foot, comparable to the mid-2020 mark.

INVESTMENT: *Recent semiconductor manufacturing expansions could aid tenant demand and investor interest in the Westside. Entering the year, the area was already one of the least vacant Class A submarkets in the nation.*

Rent Trends



Sales Trends



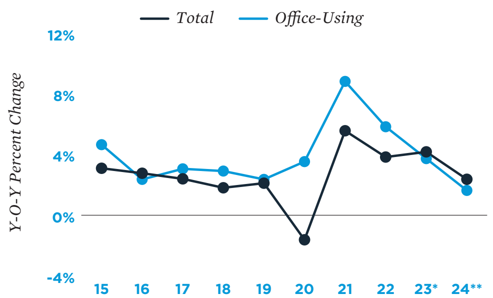
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

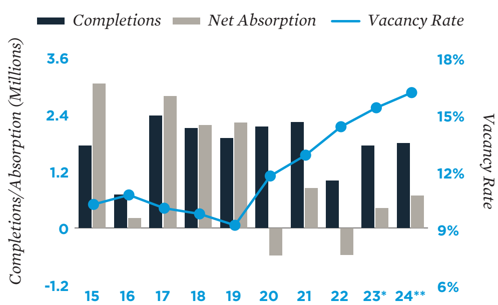
RALEIGH

Mixed-Use Buildings Draw the Bulk of Space Demand, Reflecting Growing Importance of Shorter Commutes

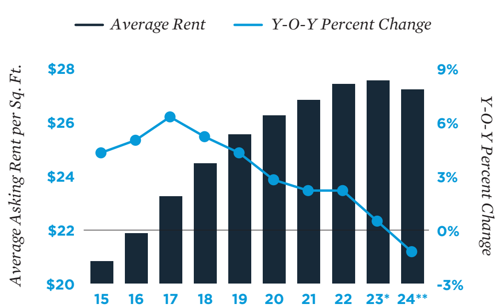
Employment Trends



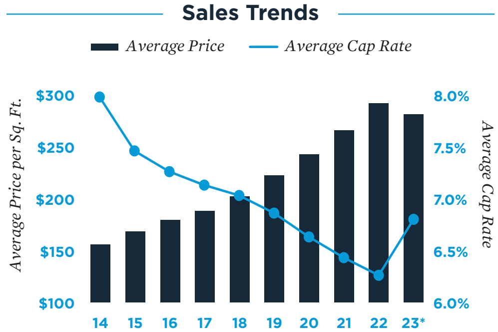
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Tenants prioritize proximity to residential growth hubs. North Hills' reinvention into a walkable mixed-use district is leading it to become a standout area for local office leasing. Tenants are already slated to occupy over 150,000 square feet at The Exchange — one of two local developments that will collectively include over 3,000 rentals and 1.5 million square feet of retail by 2026. Office demand at these projects may help push North Raleigh's net absorption into positive territory for the first time since 2020, ushering in greater stability after its vacancy reached a record 16.2 percent last year. Additionally, the local average asking rate is primed to rise, as these and other deliveries command asking rents that exceed the local average. Elsewhere, the recent scarcity of retail and apartment additions in the Research Triangle has likely contributed to its near-20 percent office vacancy entering this year. Thankfully, over 1,600 rentals are scheduled here through mid-2025. These apartments will provide more options for tenants to shorten their current and prospective employees' commutes, a demand tailwind.

North Raleigh positioned to attract investment. Raleigh-Durham ranked among the top eight major metros in 2023 for its change in the average per-square-foot pricing, noting a limited downtick. Downtown Raleigh and Downtown Durham have generally held values well, due to their proximity to universities and the shrinking opportunities for development nearby. Still, North Raleigh is likely to account for a notable share of deals, with pricing here being attractive to a wide range of buyers, despite the area becoming a focal point of space demand in 2024. With the overnight lending rate having the potential to tick down this year, the submarket's generally high cap rates — averaging in the mid-7 percent band in 2023 — could be an additional draw for buyers seeking to deploy capital.

2024 MARKET FORECAST

NOMI RANK 8 — ***Dynamic demographics and well-regarded universities foster a talent pipeline that supports a top-10 rank in the 2024 NOMI.***

+2.4% — **EMPLOYMENT:** Hiring from office-centric fields will account for roughly 20 percent of the jobs added this year. The overall employment base will expand by 2.4 percent, doubling the national pace.

1,790,000 *sq. ft.* — **CONSTRUCTION:** Inventory growth in 2024 will match last year's 1.7 percent. Most new supply is slated for North Raleigh, with some deliveries set for Central Raleigh and West Wake County.

+80 bps — **VACANCY:** Local vacancy rises to 16.2 percent this year. Notable speculative deliveries will play a large role in this rise, with less than 30 percent of the metro's pipeline pre-leased entering 2024.

-1.2% — **RENT:** Record-high vacancy, particularly in the Class A sector, weighs on asking rates in 2024. The average will stand at $27.19 per square foot, marking the metro's first annual decline since 2012.

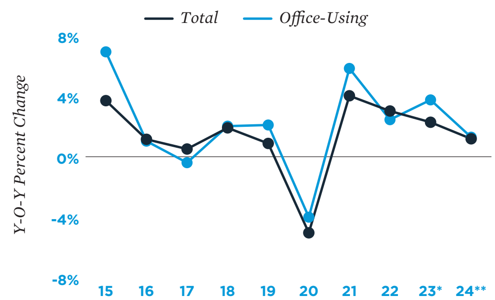
INVESTMENT: *Johnston County may generate more interest from buyers pursuing medical offices. Roughly 40 percent of its total stock is comprised of such spaces; yet, local vacancy in the sector has held under 2.5 percent.*

Richmond's Suburbs Note Brisk Household Expansion, Fueling Demand from Office Tenants

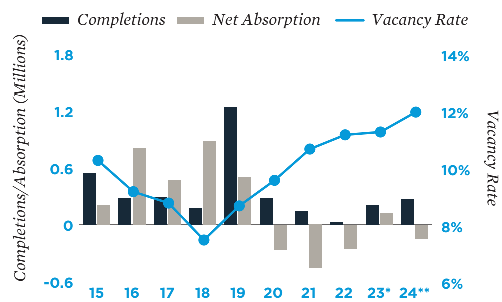
Multiple areas boast four-year low vacancy. Richmond's suburbs continue to be among Virginia's fastest-growing, underpinning office tenant demand. East and Southwest Richmond, as well as Chesterfield County and Tri-Cities, each entered 2024 with local vacancies at over four-year lows. An influx of higher-income transplants is motivating office expansions from medical and consumer services, highlighted by OrthoVirginia's occupation of 77,000 square feet in Midlothian and Brockenbrough's planned move-in to 13,000 square feet in the West End. With Richmond expected to continue posting regionally-high household growth for the foreseeable future, other health, law and financial services firms may expand into the metro's suburbs to capture growing market share. Still, multiple companies are exiting prominent leases this year, which will drive up marketwide vacancy. Genworth Financial and Berkshire Hathaway are leaving nearly 180,000 square feet vacant this year as they await new offices, while it is unclear whether CoStar will renew its upcoming expiring lease for its 310,000-square-foot building in the CBD.

Investors focus on different timelines in the CBD and suburbs. Richmond ranked among the top 10 cities nationally in 2022 for office-to-apartment conversions. This is shaping long-term strategies from some investors, who are targeting discounted core assets with potential for ancillary cashflows. This strategy is less popular outside of the CBD, where assets with strong tenant rosters are in high demand. Several buildings with under 10 percent vacancy in Innsbrook and West End have recently been acquired via 1031 exchange, with the mean asking rent here recently growing at the fastest pace among the metro's five largest submarkets. Still, some high vacancy assets are trading in Parham East, reflecting buyers' belief that local offices are well-positioned to recoup occupancy.

Employment Trends



Supply and Demand



2024 MARKET FORECAST

NOMI RANK 22	***Richmond claims an upper-half placement in the 2024 National Office Market Index, thanks to its regionally-low vacancy.***

+1.2% — **EMPLOYMENT:** While office-centric firms drove 50 percent of all job growth from 2019 to 2023, these fields will add just 2,500 roles this year and account for only 30 percent of the overall addition.

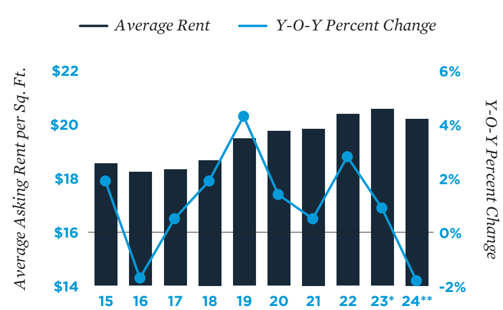
270,000 *sq. ft.* — **CONSTRUCTION:** Richmond's modest 0.5 percent inventory growth will be fueled by several small-format office proposals that are expected to break ground and deliver before the end of 2024.

+70 bps — **VACANCY:** The metro's vacancy will close out 2024 at 12.0 percent. Nearly 70 percent of the pipeline remained without a tenant entering 2024, likely causing vacant stock to expand notably this year.

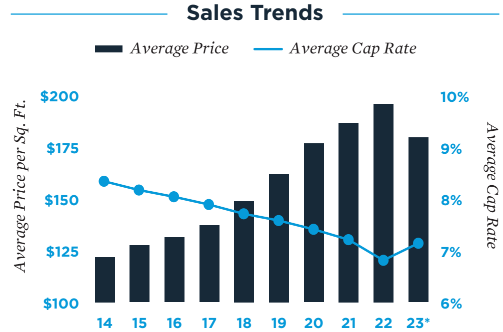
-1.8% — **RENT:** Contending with a near 15-year high vacant stock volume, some operators will adjust asking rates to preserve occupancies. The mean marketed rent will end this year at $20.19 per square foot.

INVESTMENT: *After hitting a record-low vacancy in 2023, East Richmond will be better positioned to attract investor interest. The pipeline here is also nominal, a factor that should shield existing assets from competition.*

Rent Trends



Sales Trends



* Estimate; ** Forecast

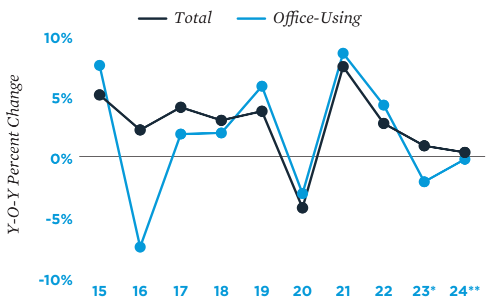
Sources: CoStar Group, Inc.; Real Capital Analytics;

Metro Stands Out on a National Scale; Market Dynamics Warrant Medical Office Investment

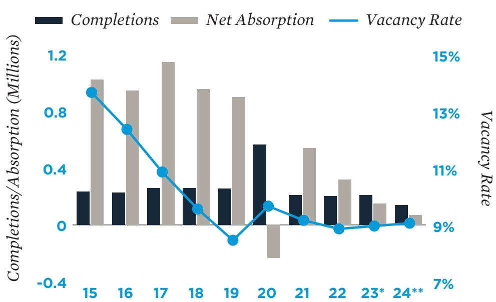
Record job counts in several office-reliant sectors reflects demand. Office vacancy in the Inland Empire hovered in the mid-8 to high-9 percent range over the past five years, with the metro's rate at the onset of 2024 ranking as the lowest among major U.S. markets. While this would appear to warrant an increase in construction, developer activity is mild across the Inland Empire, with local stock slated to grow by just 0.2 percent this year. As most of this space is already accounted for, tenants seeking available floor plans will be directed to existing properties, aiding occupancy rates. The lack of supply additions should also assist renewal activity at buildings with upcoming lease expirations, particularly among government agencies and health services firms whose record job counts maintain near-term space requirements. Further contributing to what will be the smallest vacancy fluctuation among major West Coast markets this year is demand for office-industrial space. Of late, a notable number of lease executions have involved office spaces that are part of larger warehouse or manufacturing properties.

Traditional and medical offices may account for a comparable share of deal flow. As the only Southern California market expected to record notable population growth over the next five years, the Inland Empire should represent a regional hotspot for medical office investment, as resident demand for health services is expected to lift. The subsector's low vacancy, roughly 7 percent, suggests asking rent growth over the near term, which should also drive deal-making. Investors seeking traditional office assets may target the county seats of Riverside and San Bernardino proper, areas of historically consistent tenant demand. Elsewhere, listings near Ontario International Airport and mid-tier offices in Temecula should elicit buyer interest, given recent local leasing activity.

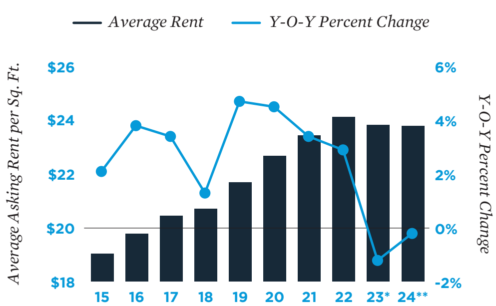
Employment Trends



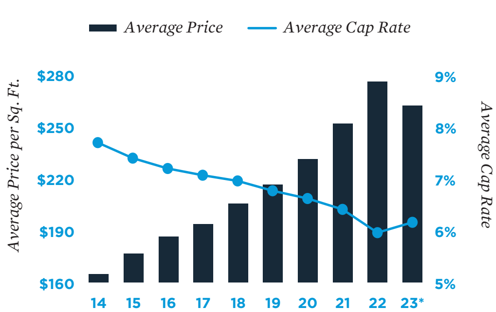
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NOMI RANK 20 — ***Home to the nation's lowest vacancy rate, the Inland Empire is the highest-ranked West Coast market in this year's Index.***

+0.4% — **EMPLOYMENT:** The metro's count of traditional office-using roles will moderately decline in 2024, while still exceeding the year-end 2019 benchmark by nearly 16,000.

140,000 *sq. ft.* — **CONSTRUCTION:** For the ninth time in 10 years, less than 300,000 square feet will finalize across the Inland Empire. Most properties delivered in 2024 comprise less than 20,000 square feet.

+10 bps — **VACANCY:** Minimal supply-side pressure and consistent demand for spaces smaller than 5,000 square feet translates to slightly positive net absorption, with vacancy ending the year at 9.1 percent.

-0.2% — **RENT:** Riverside-San Bernardino's average asking rent adjusts nominally during 2024, dipping to $23.76 per square foot. This marketed rate represents a nearly $14 discount to Los Angeles County.

INVESTMENT: *Wildomar, Murrieta, Riverside and Temecula may be focal points for medical office investors this year, as each is home to an ongoing or planned large-scale hospital expansion.*

Government Presence Bolsters Offices in Central Sacramento, While Leases are Being Evaluated

Core group of properties performing fairly well. While Sacramento is not immune to the challenges offices are facing nationwide, demand is holding up comparatively well in the most established areas. Vacancy in Sacramento County, which holds 60 percent of the market's office inventory, ended last year nearly 200 basis points below the metro's overall level. Only 15 other major metros can claim to have below-market vacancy in their largest office submarkets. The state capital's more prevalent public sector may be providing some stability, as the largest planned move-ins for this year belong to state agencies. Older or sub-optimal space may nevertheless be relinquished down the line as California's Department of General Services is reviewing leases in the region. For the coming year, however, the outlook for Class B/C space is positive, as vacancy has been falling in this segment since mid-2022 amid ongoing leasing for smaller floor plans. The near-term horizon is stormier for Class A buildings, particularly those built before 2010, as larger companies looking for space continue to favor more contemporary options.

Local investors look for opportunities with medical and suburban offices. While sales activity has taken a step back since the rise in lending rates, transactions started to gain momentum in the second half of 2023 when borrowing costs began to stabilize. The prospect for slightly-falling rates this year should encourage this trend. Assets are predominantly appealing to local buyers, who are showing a three-to-one favor for traditional spaces over medical offices. Investors' focus is likely to stay fixated on Sacramento County this year, as higher vacancy in most of the metro's outlying counties and the Highway 50 Corridor have aligned with few properties changing hands in those areas. The highest mean cap rate of any major market in the state may help facilitate trades.

2024 MARKET FORECAST

NOMI RANK 42 *A drop in traditional office-using employment counteracts regionally-low vacancy for a lower ranking in the 2024 Index.*

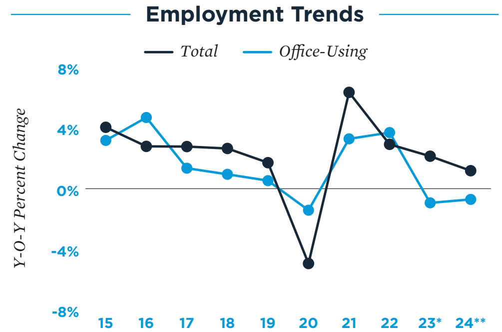
+1.2% **EMPLOYMENT:** Hiring slows to about half the pace of last year as 13,000 jobs are created in 2024. The number of roles in traditionally office-using fields, however, will decline by a modest 0.7 percent.

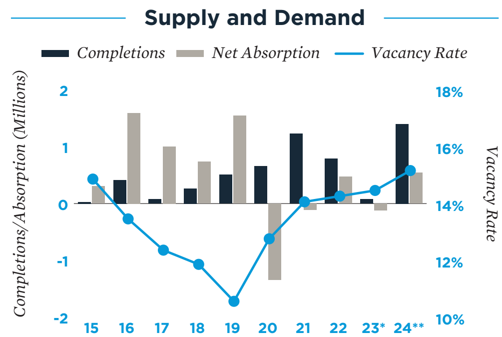
1,400,000 *sq. ft.* **CONSTRUCTION:** Completions will hit a 15-year high in 2024, if the Richards Boulevard Complex fully opens as scheduled. The 1.2-million-square-foot, state-owned facility is for state agencies.

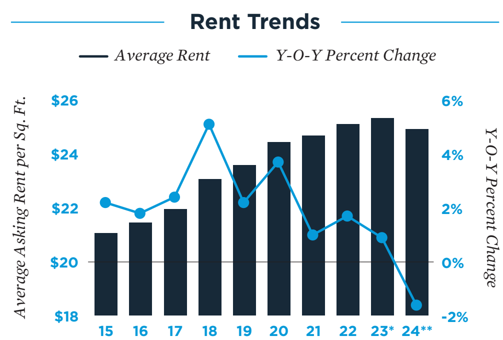
+70 bps **VACANCY:** Vacancy will rise by less than the U.S. margin, as the local rate ends 2024 at 15.2 percent. Sacramento is the least vacant major market across all of Northern California.

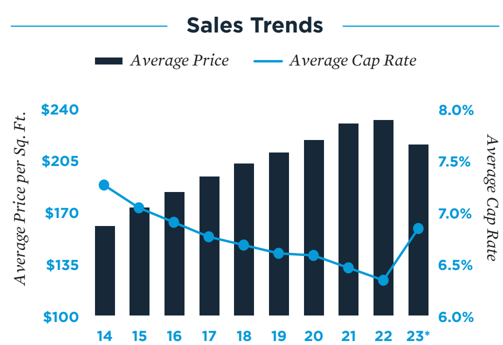
-1.6% **RENT:** The average asking rent will decrease for the first time in the post-pandemic period amid ongoing, rising vacancy. Still, the $24.90 per square foot mean exceeds the 2019 mark by 5.7 percent.

INVESTMENT: *Investors interested in short-commute, suburban offices may continue to look to Folsom, which is home to an affluent resident base and below-market office vacancy exiting 2023.*







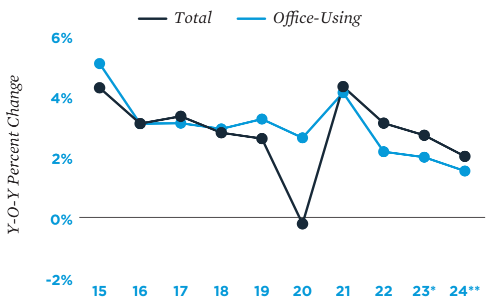


* Estimate; ** Forecast

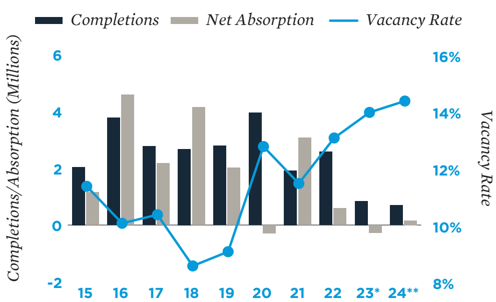
Sources: CoStar Group, Inc.; Real Capital Analytics;

SALT LAKE CITY

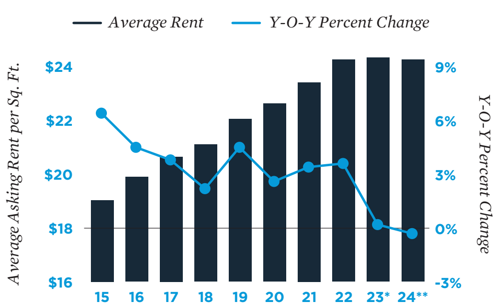
Employment Trends



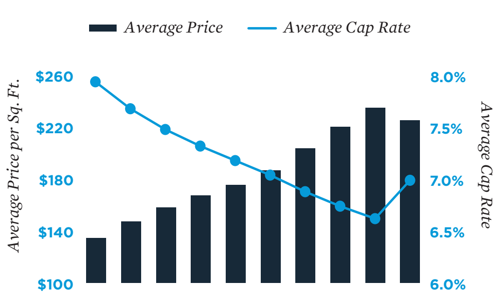
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Salt Lake City Office Trends Stand Out Among Western Metros, Supporting Investor Confidence

Employment dynamics contribute to improving tenant demand. Since 2019, sizable gains within Salt Lake City's financial, business and professional services sectors have bolstered the metro's traditionally office-using workforce. Among major western U.S. markets, only Las Vegas has noted a faster growing headcount relative to its pre-pandemic measure. This pattern continues in 2024 and may prompt improved office space demand, if companies transition more staff away from remote schedules. The Central Valley and Central Valley East areas have begun to register this momentum within their respective Class B/C segments, as the former area recorded notable vacancy compression and rent growth last year; the latter sector retained tight conditions and higher asking rates. Demand for Class A stock is also mounting across Davis-Weber Counties, headlined by England Logistics' corporate move-in this year. Collectively, these trends support further temperance of overall vacancy expansion, allowing Salt Lake City to retain the third-lowest office vacancy rate among major western U.S. metros in 2024.

Key submarkets may see resumed trading. Regionally low vacancy, continued office-using employment growth and more clarity within capital markets may garner improved levels of investment activity this year. Trades in Central Valley East and Davis-Weber Counties are likely to hold onto a sizable portion of overall velocity as the only submarkets with at least 10 million square feet of stock to record vacancy below the market rate. Meanwhile, strong rent growth in the Central Valley area last year should generate resumed investor interest here moving forward. Medical office trades are also gaining attention in relation to the overall investment market, as the metro's segment vacancy rate entered 2024 as the sixth lowest among major markets nationally.

2024 MARKET FORECAST

NOMI RANK 6 — ***Positive net absorption and office-using employment growth place the metro within the top-10 of this year's Index.***

+2.0% — **EMPLOYMENT:** Traditionally office-using employers in Salt Lake City will create jobs for the 15th consecutive year in 2024, with the addition of 5,500 new roles.

700,000 *sq. ft.* — **CONSTRUCTION:** Inventory growth of 0.6 percent this year will be the metro's smallest gain since at least 2007. Medical office projects account for the majority of these additions.

+40 bps — **VACANCY:** Net absorption will turn positive in 2024, while still falling short of modest new supply. Salt Lake City's vacancy rate will rise to 14.4 percent by year-end as a result.

-0.3% — **RENT:** The metro's average asking rent will decline for the first time since 2011 amid a third straight year of elevating vacancy, ebbing the measure to $24.23 per square foot in 2024.

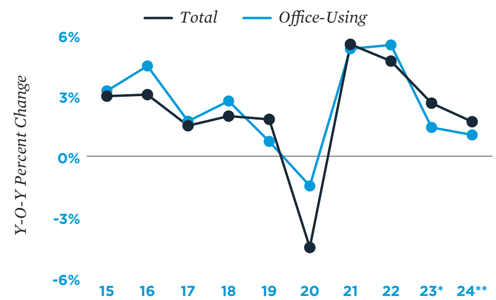
INVESTMENT: *Utah County's growing residential populace is concurrent with the area's sizable portion of medical office trades. Such properties changing ownership here are often well-leased and built prior to 2000.*

South San Antonio's Strength Contrasts Market; Urban Core Discounts Could Stoke Demand

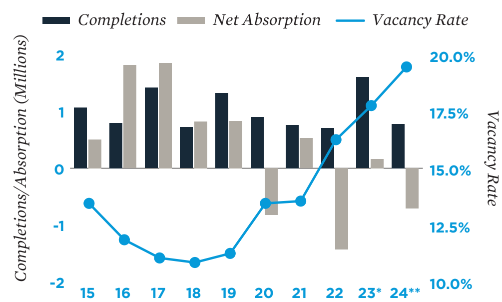
Port San Antonio forges a backbone to endure sector headwinds. Among the metro's six largest submarkets by inventory, South San Antonio's positive office performance represents a considerable divergence from its peers. The area entered 2024 with a sub-7 percent vacancy rate, driving the local average asking rent up more than 6 percent last year. By comparison, the five other major submarkets each had vacancy rates in the double digits, and none of these locations had rent growth at even half that pace in 2023. One major project is helping set South San Antonio apart. An ongoing redevelopment initiative on former Kelly Air Force Base land, Port San Antonio has become home to several globally-renowned aerospace, defense and cybersecurity firms in recent years — a major draw for ancillary companies. Headline tenants here now include Boeing, Lockheed Martin, Northrop Grumman and DeLorean Motor Company, creating a compact ecosystem that allows for competitive advantages through collaboration and access to skilled labor.

Investor base likely to have an assortment of risk profiles. Apart from South San Antonio, most market areas continue to face substantial headwinds, pushing up vacancies and flattening rent growth. One particular trend that investors may take note of this year involves the urban core. The average asking rent here plunged by the largest margin in the metro last year, falling under $21 per square foot for the first time since 2016. As a result, San Antonio now offers tenants the second-lowest cost of downtown office space among major Sun Belt markets, potentially stimulating greater demand in the medium-term. Buyers expecting rents to rise over a longer horizon may view 2024 as an opportune time to establish a footprint. Less risk-tolerant investors could forage South San Antonio and Guadalupe County, the latter of which offers proximity to Austin at a relative discount.

Employment Trends



Supply and Demand



2024 MARKET FORECAST

NOMI RANK 37	*San Antonio trails the other major Texas markets in the Index, due to softer office-using job growth and faster rising vacancy.*

+1.7% — **EMPLOYMENT:** Traditional office-using industries contribute just 15 percent of the 20,000 jobs added in San Antonio in 2024, trending well-below the trailing 15-year share of 25 percent on average.

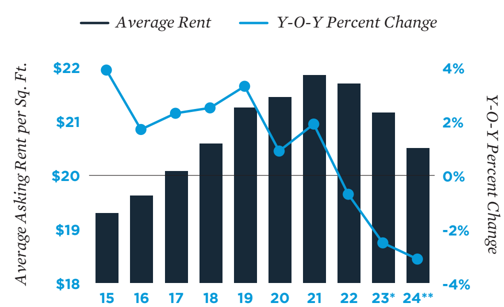
775,000 *sq. ft.* — **CONSTRUCTION:** The 2024 supply addition measures at less than half of 2023's total, yet will be the second largest in four years. About 60 percent of the new space was pre-leased entering January.

+170 bps — **VACANCY:** Supply pressure should be substantially reduced relative to last year; however, expiring pre-pandemic leases keep vacancy on the ascent. The metro rate climbs to 19.5 percent in 2024.

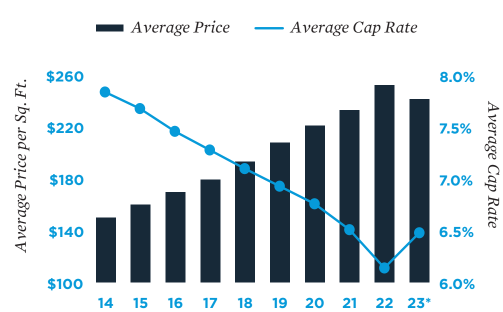
-3.1% — **RENT:** A third straight year of vacancy rising by at least 150 basis points compresses marketed rates. San Antonio's mean asking rent falls to $20.49 per square foot, which is roughly on par with 2018.

INVESTMENT: *Guadalupe County offers a comparative rent discount of 30 percent to adjacent Comal County and 20 percent to neighboring Austin submarket Hays County. The area could offer potential upside to investors.*

Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics;

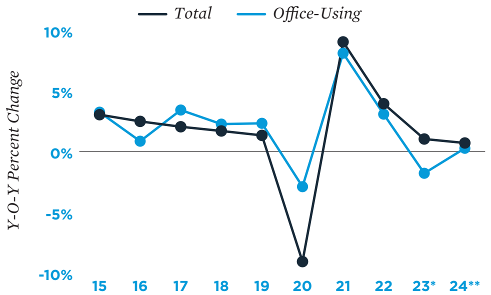
SAN DIEGO

Record Delivery Volume and Elevated CBD Vacancy Distract from Encouraging Demand Elsewhere

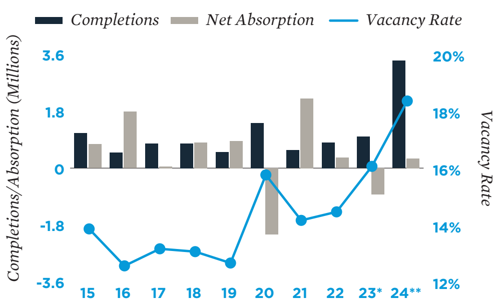
Downtown braces for supply influx. Despite a 12-year high vacancy rate, San Diego's office sector is expected to record the largest annual inventory growth rate among major U.S. markets during 2024, at 3.2 percent. Local deliveries, however, are not widespread. Upcoming completions are concentrated in Downtown San Diego and to a lesser extent the Del Mar Heights-Carmel Valley area, part of the I-5 Corridor. In downtown, a collection of large-scale speculative projects, including the delayed Campus at Horton and a group of buildings along the bayfront, will grow the local office stock by a significant 20 percent. This is likely to push the submarket's vacancy rate beyond 30 percent, which would rank as one of the nation's highest CBD rates. Outside of downtown and the I-5 Corridor, however, collective vacancy should be less pronounced, as it entered the year at roughly 13 percent. The lack of near-term deliveries in these suburban areas, specifically the metro's two largest submarkets of Central and North San Diego, should steer prospective tenants to existing spaces, supporting occupancies.

Subsectors warrant investor attention. San Diego's overall office vacancy is historically elevated; however, the metro entered this year with the second-lowest Class B/C rate among major West Coast markets. This dynamic and a 12-year stretch of segment rent growth should foster investor demand for Class B/C listings in 2024. Buyers seeking sub-$400 per square foot pricing should find the most opportunities in Highway 78 cities, Kearny Mesa and areas of East County. Meanwhile, investors with a willingness to deploy more than $500 per square foot will be active in Hillcrest and office hubs along Interstate 5. Given San Diego's standing as one of the nation's tightest major medical office markets, investor demand should also be evident in this subsector during 2024.

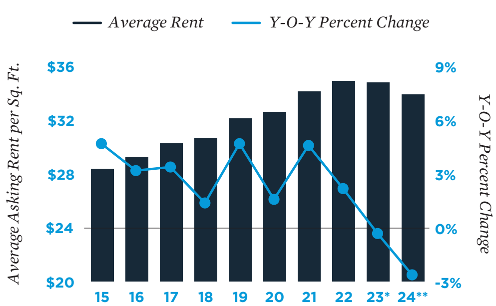
Employment Trends



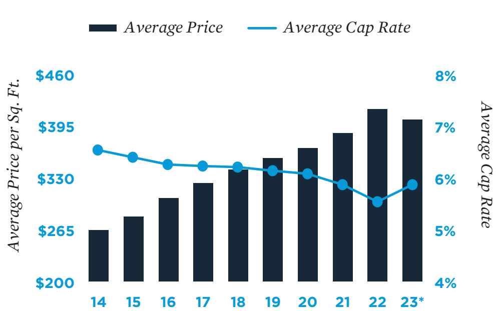
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NOMI RANK 23 — ***San Diego's ranking largely reflects its year-over-year vacancy change, which ranks highest among major U.S. markets.***

+0.7% — **EMPLOYMENT:** San Diego registers moderate white-collar employment growth during 2024, with traditional office-using roles accounting for nearly one-fourth of the metro's year-end job count.

3,400,000 *sq. ft.* — **CONSTRUCTION:** This year's delivery volume exceeds the collective total from the prior three years. Just four other major U.S. markets are expected to add more square feet in 2024.

+230 bps — **VACANCY:** A group of large-scale speculative completions places upward pressure on vacancy, raising the metro's rate to 18.4 percent — a figure 360 basis points above its long-term average.

-2.6% — **RENT:** Local vacant stock exceeds 20 million square feet for the first time on record. This hinders operators' ability to raise rents, with the mean marketed rate falling to $33.86 per square foot.

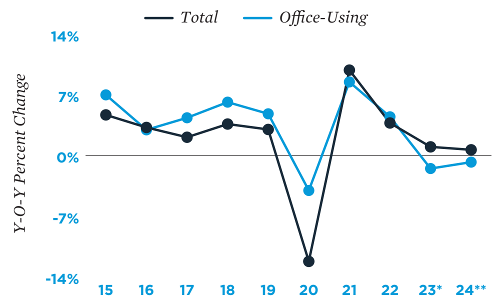
INVESTMENT: *If recently completed office-to-lab conversions are successful in obtaining tenants, additional buyers may target listings in biotech-heavy areas, including Sorrento Mesa, for similar investment strategies.*

San Francisco's Office Slide May Settle in 2024, Setting the Stage for a Recovery Cycle

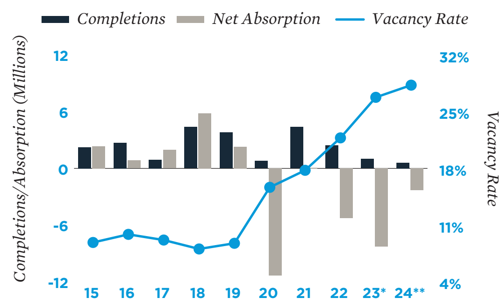
Amid greater shakeup, new companies show interest. No other U.S. office market has been as profoundly impacted by the COVID-19 pandemic as San Francisco, with vacancy exceeding 30 percent in central areas, including the Financial District. While asking rents have retreated by as much as 40 percent in some cases over the past four years, the discount represents a historic opportunity for companies looking to improve their long-term position in the market. Several corporate law firms are moving into downtown floor plans this year, while OpenAI's upcoming 486,600-square-foot sublease from Uber represents the most prominent example of the demand potential from the next wave of technology ventures so far. Companies are also doubling down on quality, with Class A offices built between 2010 and 2019 outperforming their older counterparts. Class B/C vacancy in San Francisco's suburbs is even lower, trending under 10 percent, supported by limited inventory. These positive factors suggest a turning point in the market is approaching.

Local investment groups entering market ahead of upswing. San Francisco office investors are no strangers to downturns. Sale prices fell by more than 20 percent, following both the dot-com bubble and the global financial crisis, before recovering. Another turnaround is on the horizon, although price discovery must take place first. The compounding impacts of changing office work habits, safety concerns downtown, and higher lending rates have limited recent sales activity, providing few benchmarks for buyers and sellers to base expectations. This upcoming year should bring more clarity, as local investors with a positive long-term view seize a window to acquire assets at likely discounts amid less competition. Illustrating this trend, recent deals have been focused downtown, as buyers pursue unique strategies, including a sale leaseback and a planned lab conversion.

Employment Trends



Supply and Demand



2024 MARKET FORECAST

NOMI RANK 47	*Softer fundamentals in 2024 situate San Francisco with its Bay Area neighbors in the lower portion of the 2024 NOMI.*

+0.7% — **EMPLOYMENT:** After last year's notable hiring slowdown, job creation will ebb further in 2024. The loss of 4,000 roles in traditionally office-using fields will constrain overall growth to 8,000 positions.

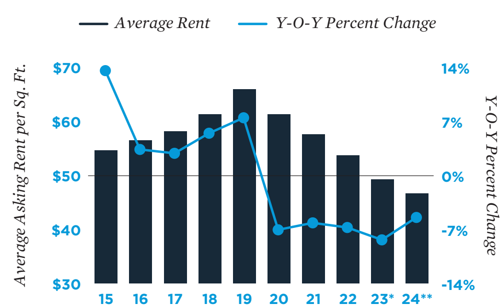
600,000 *sq. ft.* — **CONSTRUCTION:** New supply continues to be focused in San Mateo County, led by Phase II of YouTube's headquarters expansion. Fewer than 100,000 square feet will open in San Francisco proper.

+150 bps — **VACANCY:** Net absorption has yet to show consistent positivity at the market level, leaving vacancy on a continuing upward path for now. The metrowide rate will end the year at 28.4 percent.

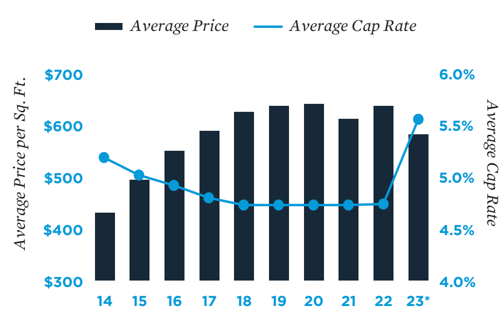
-5.4% — **RENT:** San Francisco's asking rents have been sliding since June 2020, and that pattern will not end in 2024. The metro's mean rate will decrease to $46.58 per square foot by December.

INVESTMENT: *The City of San Francisco is exploring ways to streamline the approval process for office-to-residential conversions. Some investors may see opportunity in handling that process for future residential buyers.*

Rent Trends



Sales Trends



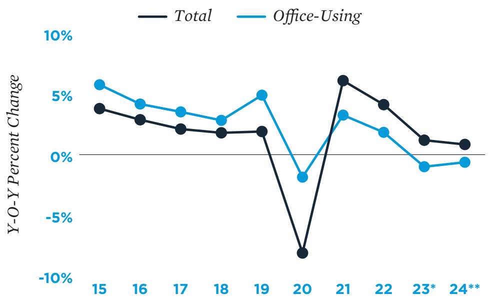
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

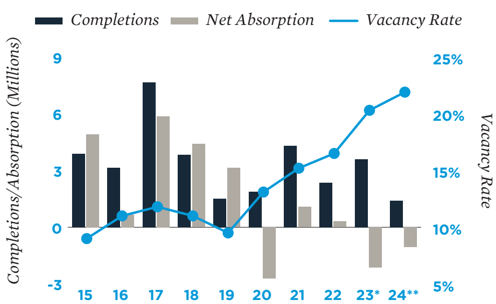
SAN JOSE

Early Indicators Suggest Buyers Returning to Market, Despite Lingering Uncertainty

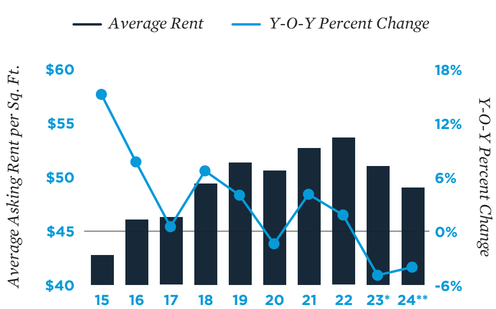
Employment Trends



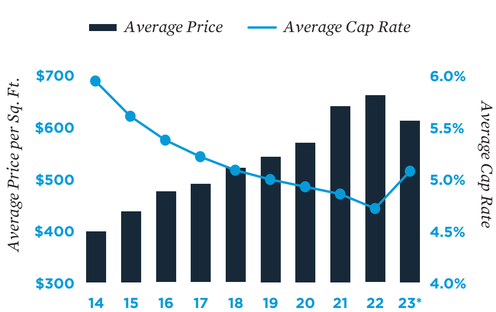
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Amenity-rich floor plans to escape the most acute impacts of ongoing downsizing. In April, national fintech firm Acrisure will become the first tenant at One Santana West, part of a broader mixed-use development incorporating office and retail. This property is one example of the upper-tier facilities primed to perform in the current leasing environment. In addition to a plethora of high-end shopping and dining experiences within immediate walking distance, the complex is well-positioned at the junction of Interstates 880 and 280, one of the major centers of the South Bay's highway network. Reflecting strong preferences for amenity-rich space, renewals from tech mainstays, such as Amazon and Google, suggest that the metro's larger players are leaning toward holding on to Class A leases, mitigating rising vacancy in this tier. Other early indicators, however, foreshadow another year of downsizing in the broader market. Sublet vacancy nearly doubled in 2023, with upward momentum carrying forward into this year. Much of this vacant space will likely be relinquished to the market, putting pressure on lower-tier offices.

Final quarter of 2023 hints at upcoming investment recovery. Although San Jose's unique exposure to tech sector headwinds has impacted office investment, the market appears to have passed the nadir of activity. A noticeable uptick in trades in the latter months of 2023 indicates investors are increasingly coming off the sidelines as they identify consistently high-performing assets. Entering 2024, buyers are most commonly pursuing upper- and mid-tier offices in the municipalities of Santa Clara and San Jose. On the other end of the spectrum, particularly challenged Class C offices may be marketed as redevelopment opportunities, as some merchant developers have already targeted vintage assets for residential conversion.

2024 MARKET FORECAST

NOMI RANK 48 *A sharp decline in revenue, together with rising vacancy, are the chief factors contributing to the metro's 2024 ranking.*

+0.8% — **EMPLOYMENT:** The broader employment market will continue to contrast performance in traditional office-using sectors, with these fields expected to lose 2,500 jobs in 2024.

1,400,000 *sq. ft.* — **CONSTRUCTION:** Although supply additions remain substantial, roughly 1 million square feet pertains to a built-to-suit development for Google, limiting the impact of the pipeline on the market.

+160 bps — **VACANCY:** Vacancy will increase to 22.0 percent by the end of 2024. This will bring the total rise in this metric over the past five years to 1,240 basis points.

-4.0% — **RENT:** South Bay office rents will decrease at the second-fastest pace among major U.S. metros this year, bringing the mean marketed rate to $48.99 per square foot.

INVESTMENT: *Areas of Santa Clara near the intersection of the Lawrence Expressway and Route 101 noted a cluster of deals in late 2023. Other locales with a high number of post-2000 builds could see similar activity.*

New Downtown Offices Attracting Most Space Demand; Investors Continue to Favor the Northend

Lower asking rates for new builds draw tenants to Downtown. Entering this year, more than 15 firms were slated to move into a collective 600,000 square feet at trophy offices in Seattle proper. Lower asking rents for newer builds have led Downtown to this burgeoning success. The mean marketed per-square-foot rate for offices delivered here in the last 10 years was $42 entering 2024, more than $13 lower than the equivalent metric in Bellevue's CBD, where record-level Class A stock growth has taken place since 2021. While core Class A vacancy may continue to rise beyond 23 percent, as more than 1.5 million square feet of speculative builds come online here this year, the favorable rent dynamic for newer offices should aid the lease-up of these deliveries. Although preferences for newer offices have challenged Downtown's Class B/C stock, the Southend's metro-low, sub-11 percent vacancy in the sector suggests that this area has faced less of an impact. Local tenant demand may even strengthen in 2024, as Southend's mean Class B/C asking rent has held about $6.50 per square foot below the marketwide benchmark, providing an option for expanding budget-sensitive firms and those with upcoming lease expirations.

Most capital being placed in North Seattle. A substantial lack of competition from newer builds is supporting metro-leading rent growth and drawing investor interest to the Northend. Less than 450,000 square feet has been added to local stock over the last decade, and vacancy among these spaces was negligible entering this year. Strong rent growth is enabling some fully-leased assets to command per-square-foot prices above $500, comparable to entry costs recently noted for trophy offices in Bellevue's CBD. That mark also nearly doubles most prices being penciled in Downtown Seattle, where several value-add buyers have acquired high-vacancy buildings at historically discounted pricing.

2024 MARKET FORECAST

NOMI RANK 25 *While elevated deliveries pose headwinds in 2024, a strong office-using labor base places Seattle at the midpoint of the NOMI.*

+1.2% — **EMPLOYMENT:** Hiring from office-centric firms falls short of 2,000 roles for the second straight year. This contributes to overall job growth of 1.2 percent, the second-slowest pace in the last decade.

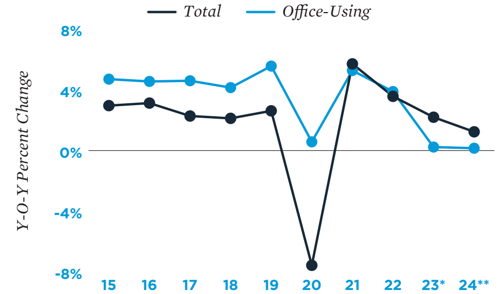
3,430,000 *sq. ft.* — **CONSTRUCTION:** Most completions shift from the Eastside to Downtown in 2024. The two submarkets combine for over 3 million square feet of additions, helping expand metro stock by 1.6 percent.

+90 bps — **VACANCY:** Seattle-Tacoma ends 2024 with vacancy at a record high of 18.9 percent. More stable sublet availability suggests that much of this jump will come from the delivery of new, vacant supply.

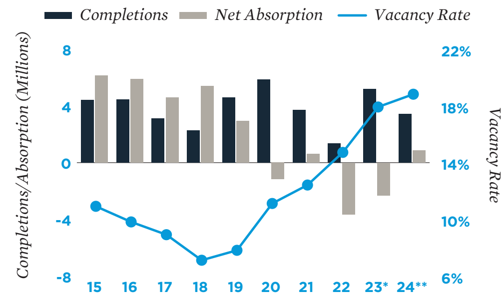
-2.5% — **RENT:** The average asking rent falls for the fourth time in the last five years. A sizable decline in the Class A sector will pull the overall mean marketed rate down to $31.19 per square foot in 2024.

INVESTMENT: *Last year, Seattle-Tacoma observed its highest share of out-of-state buyers in over half a decade. This trend should sustain in 2024, as below-typical, discounted pricing continues to draw regional buyers .*

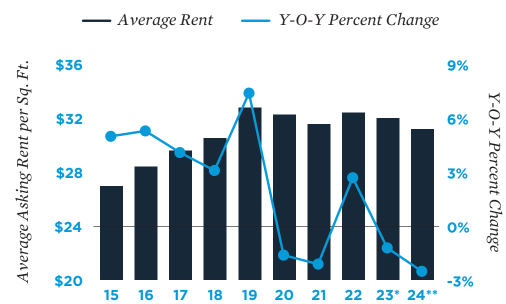
Employment Trends



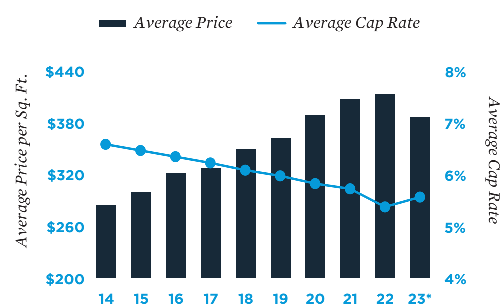
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

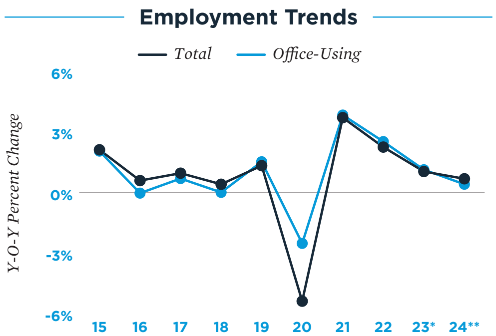
Sources: CoStar Group, Inc.; Real Capital Analytics;

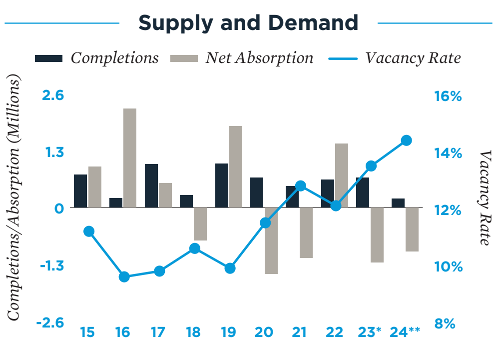
ST. LOUIS

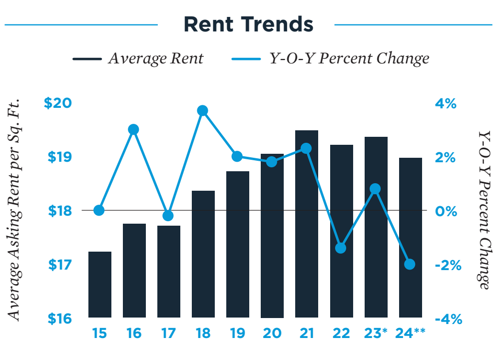
Tight Class B/C Vacancy Persists, Reduced Construction May Backstop High-End Segment

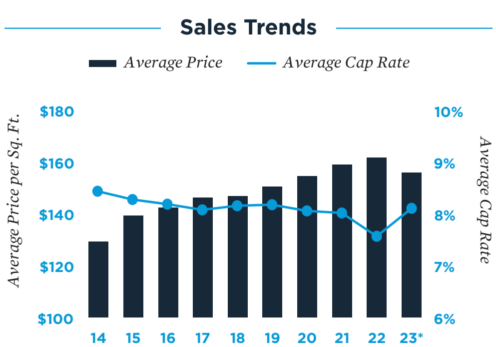
Comparatively affordable submarkets prove durable. St. Louis entered 2024 as one of just five major markets nationally with sub-9 percent Class B/C vacancy. Making this possible, several of the metro's largest submarkets by inventory have rates under that benchmark including the Illinois area, the city of St. Louis, North St. Louis County and St. Charles County. Three of those four locations, with the latter being the exception, have an average Class B/C asking rent that trails the marketwide segment mean. This dynamic serves as a microcosm of St. Louis' office sector. The metro's relative affordability has long been a major driver for space demand. More recently, that has manifested on a smaller scale, with lower-cost office segments and submarkets outperforming locally. Conversely, the Class A sector is facing distinct headwinds with vacancy rising by over 700 basis points since 2019, compared to a Class B/C adjustment that was less than one-fourth that margin. The 2024 construction pipeline marks an 11-year low, however, which should provide supply-side relief. Downsizing and consolidation upon the expiration of pre-pandemic leases will nevertheless lift overall vacancy and compress asking rents this year.

Higher cap rates and tight Class B/C conditions a recipe for buyer interest. Elevated debt costs have placed an emphasis on yields nationally, which could bring more attention to markets like St. Louis. The metro's 8.1 percent average cap rate last year was the fifth highest among major U.S. markets. Compounded with relatively tight Class B/C vacancy, this should be an appealing concoction for private investors. Buyers seeking lower- and mid-tier assets could look to St. Charles County and Illinois suburbs amid comparatively stronger performance metrics. Investors searching closer to the urban core, meanwhile, may favor the corridor spanning Central West End out to Clayton.









* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NOMI RANK 39	*St. Louis ranks higher than several other metros in the region, but falls in the tail-end nationally amid moderate job growth.*

+0.7% **EMPLOYMENT:** Both overall employment and the traditional office-using segment grow by less than 1 percent in 2024. The total headcount will exceed 2019 by over 30,000 roles at year-end.

195,000 *sq. ft.* **CONSTRUCTION:** New supply accounts for just 0.2 percent of existing inventory. Annual completions drop considerably from the trailing-decade average of 660,000 square feet finalized per year.

+90 bps **VACANCY:** The reduced pace of construction helps support a smaller vacancy increase than what was recorded last year. St. Louis' rate nevertheless continues to rise, reaching 14.4 percent in 2024.

-2.0% **RENT:** Vacancy is on track to eclipse the financial crisis peak by the end of this year, which will create some downward pressure on marketed rates. The average asking rent dips to $18.96 per square foot.

INVESTMENT: *Buyers could hone in on the Illinois area of the metro. It entered 2024 with the sixth-tightest vacancy among U.S. submarkets with 8-plus million square feet of stock, while leading those areas in rent growth.*

Tampa Once Again Cracks List of Nation's Ten Tightest Office Markets

Extended stretch of office-using job growth aids fundamentals. Spanning the past four years, office vacancy in Tampa has hovered in the 12 to low-13 percent range, reflecting a consistent level of tenant demand for local space. Over the near-term, the metro's rate is expected to remain in this territory, in part due to its large white-collar workforce. Accounting for 30 percent of Tampa's total job count at the onset of this year, the local office-using sector will continue to grow during 2024 while metro inventory increases nominally. This dynamic could facilitate renewal and sublease activity as growing companies' space requirements may remain unchanged or possibly increase. Additionally, a collection of midsize move-ins by professional services firms, including MUFG Bank, should help to offset the impact of any sizable floor plans that do become available. This will allow metro vacancy to end the year slightly below its long-term average.

Submarkets' standout conditions translate to deal flow. Investors with a preference for large, highly-occupied office hubs may be active in Tampa this year. Sarasota-Bradenton could attract these buyers, as the area entered 2024 with roughly 7 percent vacancy, the lowest among U.S. submarkets with more than 18 million square feet of stock. Last year, 1980s- to early 2000s-built assets, including a group of Class B properties, traded here for an average of $300 per square foot. Buyers seeking price tags below this threshold in 2024 may target listings in Westshore, proximate to Tampa International Airport. Recently, an 18-story tower in the area, which is slated for 2025 delivery, secured notable leases — including a 200,000-plus-square-foot commitment from Tampa Electric Co. and Peoples Gas, potentially boosting investor confidence in the area. Elsewhere, buyers seeking locally discounted pricing may be active in Clearwater and St. Petersburg.

2024 MARKET FORECAST

NOMI RANK 7	*One of the East Coast's lowest vacancy rates and a high share of office-using positions place Tampa in the top 10 of the Index.*

+1.1% **EMPLOYMENT:** The metro's count of traditional office-using positions increases for a 15th consecutive year, with this hiring activity accounting for nearly 20 percent of the jobs added during 2024.

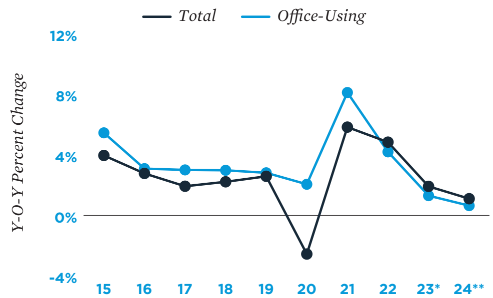
210,000 *sq. ft.* **CONSTRUCTION:** Tampa is expected to register its lowest delivery volume since 2014. Medical office projects are slated to constitute approximately 70 percent of the space completed.

+20 bps **VACANCY:** Amid some corporate downsizing, vacancy will rise moderately to a year-end rate of 13 percent. Still, among major Florida markets, only Miami ends 2024 with lower vacancy.

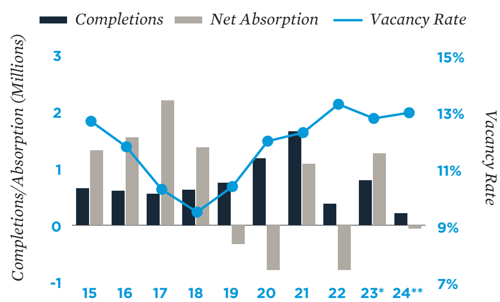
-1.2% **RENT:** The average asking rent for available space dips slightly for a second straight year, falling to $25.00 per square foot. This mean rate represents a roughly $20 per square foot discount to Miami.

INVESTMENT: *A subsector vacancy rate in the 7 percent range, and expectations for a steady rate of in-migration over the next 10 years, should facilitate investor demand for medical office listings throughout the metro.*

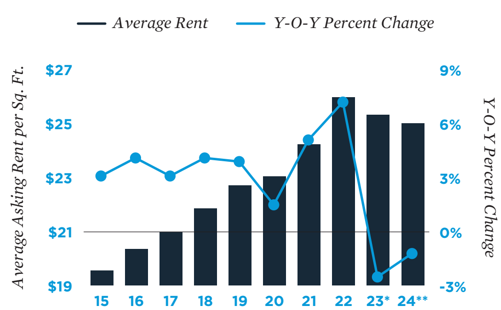
Employment Trends



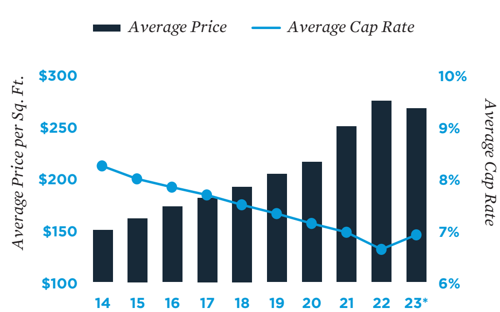
Supply and Demand



Rent Trends



Sales Trends



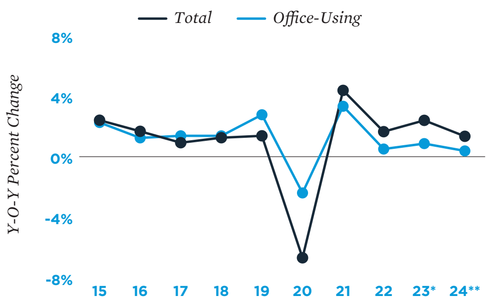
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

WASHINGTON, D.C.

D.C. Notes Nation-Leading Class B/C Demand, Directing More Investors to Larger Suburban Assets

Employment Trends



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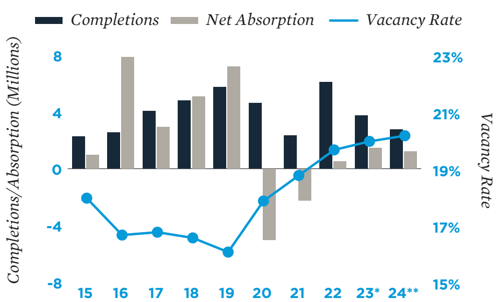

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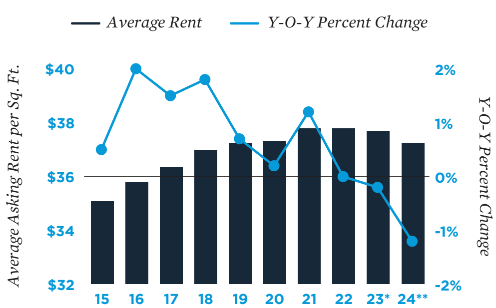
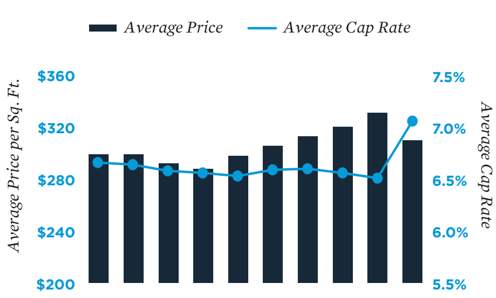


Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Mid- and lower-tier spaces outperforming. Class B/C net absorption was estimated at over 1.4 million square feet in Washington, D.C. through 2023, higher than any other major metro. The feat is made even more impressive by the fact that Washington, D.C. has the least amount of such space, relative to its size. This dynamic supported a sizable decline in the mid- to low-tier vacancy rate last year, which is poised to continue. More than 10 companies are expanding their footprints into Class B/C offices across Washington, D.C. in 2024, moving into over 475,000 square feet of space. The list includes OSI, Powers Pyles Sutter & Verville P.C., and CNAS, who are all taking up mid-tier floor plans in the District itself. Here, demand for Class A floor plans could also rally to a post-pandemic high. More than 25 move-ins to local top-tier offices are planned for 2024, totaling over 600,000 square feet. Tenant preferences in the Class A sector, however, are mostly confined to the newest and most amenity-rich builds. Only five of the 25 move-ins listed above will be to top-tier spaces that were built prior to 2018.

Buyers hone in on larger assets in Virginia and Maryland. With elevated borrowing costs keeping many value-add buyers on the sidelines, larger offices with strong tenant rosters are sustaining investor interest. Activity is funneling into the Dulles Corridor for this reason, with areas like Herndon and Reston offering a large number of opportunities to acquire highly-occupied, campus-style stock. Deal flow is similarly on the rise in the Interstate 270 Corridor, after net absorption here reached a seven-year high in 2023. While strong performance is generally guiding investment, both areas have had a number of distressed and semi-distressed sale conditions as well. Several trades of high vacancy properties, as well as sale-leasebacks, took place in each submarket in recent months.

2024 MARKET FORECAST

NOMI RANK 30 — ***Washington, D.C. lands near the middle of the pack of the 2024 NOMI amid more moderate levels of office-centric job growth.***

+1.3% — **EMPLOYMENT:** The metro's overall headcount will expand by 46,000 positions this year, with a four-year low of only 4,000 roles being added by traditionally office-using companies.

2,760,000 *sq. ft.* — **CONSTRUCTION:** Office inventory grows by 0.6 percent in 2024, below the long-term average of 1.0 percent. The Interstate 270 and R-B corridors will collectively host one-half of all deliveries.

+20 bps — **VACANCY:** Washington, D.C.'s vacancy ticks up to 20.2 percent in 2024, as several tenants — such as the Department of Justice — reduce their footprints by over 100,000 square feet.

-1.2% — **RENT:** The average effective rent will close out 2024 at $37.22 per square foot. This will mark the first time on record that the metro reports two consecutive years of declines in this metric.

INVESTMENT: *More buyers seeking Class B/C offices may target assets in North Prince George's County and the Woodbridge-I-95 Corridor in 2024. Both hit record-low vacancies in this segment at the end of last year.*

Local Office Standing Defies National Trends, Supporting Sales Even as Conditions Soften

Office vacancies stand out nationally. West Palm Beach enters this year with more occupied office space than before the pandemic, a distinction only shared with Las Vegas across major U.S. metros. Tight conditions are well documented across the metro, with six of nine submarkets recording vacancy rates below 10 percent leading into 2024. A 38,000-square-foot move-in by Vertical Bridge in Delray Beach this year should help maintain this dynamic. Meanwhile, smaller signings by boutique financial and services companies in Boynton-Lantana, Royal Palm Beach-Wellington and Palm Beach will aid conditions locally. The medical office segment has also been a standout, holding the nation's fourth-tightest vacancy rate nationally last year at 5.7 percent, supported by a growing 65-plus age cohort that ranks in the same position in population growth over the next five years. This warrants 2024's notable count of segment deliveries, which make up more than half of West Palm Beach's overall pipeline. Still, segment conditions likely remain tight as over three-fourths of this space has already been accounted for.

Performance advantages aid the local investment market. Ranking as one of the ten lowest vacancy rates in the country is bolstering trading activity in West Palm Beach. Despite the rapidly rising cost of real estate insurance, and tighter lending practices, velocity was in line with pre-2020 norms last year. Palm Beach and Boca Raton should garner a sizable share of overall activity again amid investors' ability to come to terms on well-leased assets, in spite of these submarkets' above higher vacancy rates. Given these areas' affluent reputations, deals here often exceed the market's mean price per square foot, while trades range between $5 million and over $100 million. Investor attention is also directed to North Palm Beach, where rent growth far outpaced the market last year.

2024 MARKET FORECAST

NOMI RANK 3 *Tight conditions compared to other metros and resumed positive net absorption assist in West Palm Beach claiming third place.*

+1.2% — **EMPLOYMENT:** Employment growth tempers in 2024 as the metro's overall staff count expands by 8,000 positions. Less than 10 percent of these jobs will be within traditionally office-using sectors.

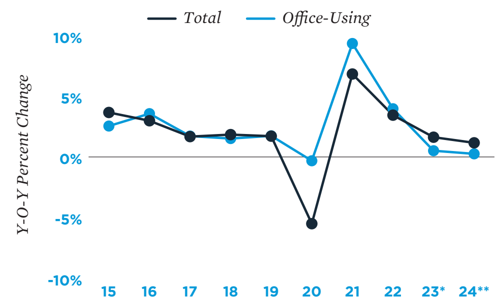
375,000 *sq. ft.* — **CONSTRUCTION:** Builders complete 110,000 more square feet this year than in 2023, increasing stock by 0.7 percent. One-third of this space comes from the completion of 300 Banyan Boulevard.

+50 bps — **VACANCY:** Metro vacancy will rise at a rate far slower than last year's jump, lifting to 13.0 percent by year-end. This will be 20 basis points below the market's 2019 recording.

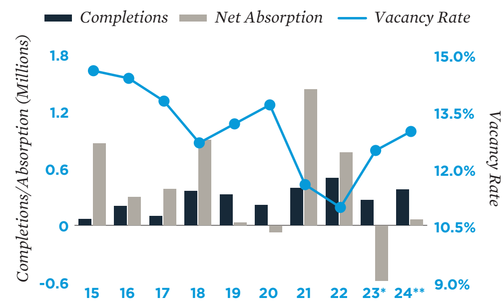
+0.2% — **RENT:** Increasing vacancy places pressure on rent growth as West Palm Beach's average asking rate elevates at a slower clip than Miami-Dade and Fort Lauderdale to $30.66 per square foot.

INVESTMENT: *Amid tight medical office operations and strong older population growth trends, more investors may shift their focus toward these assets and make up a larger portion of overall velocity in 2024.*

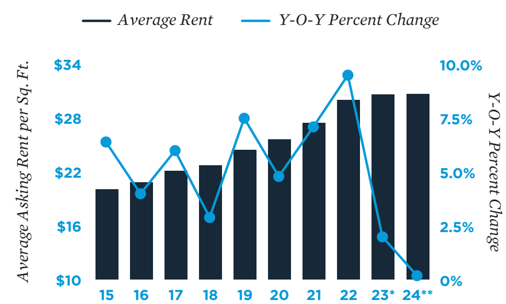
Employment Trends



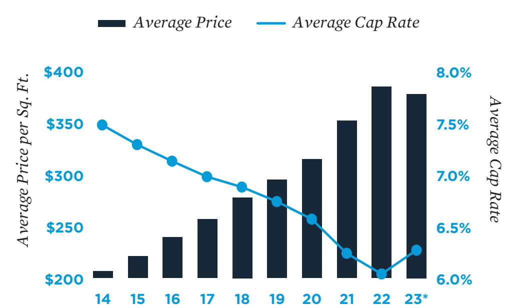
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics;

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[1] National Office Index Note: Employment and Office data forecasts for 2024 are based on the most up-to-date information available as of December 2023 and are subject to change.

[2] Statistical Summary Note: Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of December 2023. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: IPA Research Services; Blue Chip Economic Indicators; CoStar Group, Inc.; Experian; Federal Reserve; Kastle Systems; Moody's Analytics; Mortgage Bankers Association; Oxford Economics; Placer.ai; Trepp; Real Capital Analytics; RealPage, Inc.; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Bureau of Transportation Statistics; U.S. Census Bureau

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STATISTICAL SUMMARY

Market Name	Employment Growth[2]				Completions (000's of Sq. Ft.)[2]				Vacancy Rate[2]				Average Asking Rent[2]				Average Price per Sq. Ft.[2]			Market Name
	2021	2022	2023*	2024**	2021	2022	2023*	2024**	2021	2022	2023*	2024**	2021	2022	2023*	2024**	2021	2022	2023*	
Atlanta	6.0%	3.4%	1.8%	1.2%	4,900	3,400	2,000	2,200	18.3%	18.9%	20.6%	22.2%	$25.83	$26.47	$26.65	$26.24	$226	$245	$236	Atlanta
Austin	10.0%	6.0%	3.1%	2.6%	4,100	4,400	3,500	3,600	16.1%	18.1%	20.3%	22.4%	$28.74	$29.52	$28.95	$27.92	$450	$486	$462	Austin
Baltimore	4.6%	0.5%	2.3%	1.3%	400	700	300	1,200	13.1%	13.7%	13.9%	14.3%	$22.31	$22.51	$22.30	$22.14	$205	$207	$188	Baltimore
Boston	5.4%	3.1%	2.3%	1.0%	3,500	5,700	6,000	9,000	12.8%	13.7%	16.1%	19.2%	$31.40	$29.80	$32.14	$31.57	$303	$314	$304	Boston
Charleston	5.2%	5.8%	5.9%	2.1%	500	500	300	500	11.5%	10.6%	11.0%	12.2%	$27.68	$27.58	$28.00	$27.80	$310	$340	$328	Charleston
Charlotte	3.9%	3.1%	4.1%	2.3%	5,000	2,400	1,800	1,700	13.9%	15.7%	16.9%	17.3%	$28.43	$29.53	$29.40	$28.83	$323	$325	$312	Charlotte
Chicago	5.7%	2.7%	0.5%	0.6%	2,000	2,800	2,300	1,200	18.8%	19.8%	20.8%	21.4%	$22.44	$22.51	$22.74	$22.67	$196	$200	$181	Chicago
Cincinnati	4.2%	2.7%	2.4%	1.7%	500	800	200	200	13.6%	14.2%	13.9%	14.1%	$14.55	$14.69	$14.85	$14.75	$165	$168	$166	Cincinnati
Cleveland	2.7%	1.1%	1.7%	0.9%	800	100	500	1,300	9.7%	11.1%	12.1%	12.5%	$16.78	$17.18	$16.96	$16.93	$122	$131	$120	Cleveland
Columbus	4.6%	1.3%	0.7%	1.6%	600	1,000	800	900	12.1%	13.2%	14.0%	14.5%	$15.39	$15.79	$16.30	$16.04	$138	$156	$148	Columbus
Dallas-Fort Worth	6.7%	5.6%	3.9%	3.0%	5,200	3,200	6,200	3,800	20.7%	20.8%	22.0%	23.3%	$22.13	$22.74	$23.05	$22.57	$255	$268	$262	Dallas-Fort Worth
Denver	7.0%	2.4%	-0.2%	0.3%	1,700	700	800	1,500	18.8%	20.2%	21.5%	22.0%	$23.77	$23.62	$23.75	$23.66	$256	$278	$256	Denver
Detroit	6.1%	2.0%	0.3%	0.2%	1,000	1,100	300	1,400	15.2%	16.7%	17.7%	19.4%	$18.83	$18.74	$18.60	$18.17	$140	$156	$140	Detroit
Fort Lauderdale	6.1%	3.1%	2.5%	2.2%	200	600	300	300	14.6%	14.1%	15.3%	16.0%	$23.38	$25.06	$25.55	$25.74	$285	$325	$320	Fort Lauderdale
Houston	5.7%	4.7%	2.4%	1.8%	3,700	2,100	3,900	3,300	22.1%	22.8%	22.9%	23.5%	$20.92	$21.02	$21.10	$20.69	$200	$223	$214	Houston
Indianapolis	4.8%	3.4%	2.5%	2.0%	500	100	300	800	11.3%	11.9%	12.8%	13.4%	$19.27	$19.84	$20.00	$20.05	$167	$181	$171	Indianapolis
Jacksonville	4.9%	5.0%	2.4%	1.5%	600	900	300	200	13.3%	13.5%	16.1%	16.8%	$20.50	$21.40	$21.65	$21.53	$200	$230	$235	Jacksonville
Kansas City	3.1%	3.5%	1.3%	0.4%	1,100	300	500	400	12.2%	13.1%	14.8%	15.8%	$18.97	$19.25	$19.49	$19.10	$164	$181	$169	Kansas City
Las Vegas	13.9%	6.0%	3.3%	1.9%	200	700	500	600	13.6%	11.8%	12.6%	13.0%	$24.42	$23.81	$24.75	$24.65	$231	$259	$243	Las Vegas
Los Angeles	8.4%	2.8%	1.5%	0.9%	3,900	3,100	2,600	1,500	17.7%	18.7%	19.6%	20.2%	$38.89	$39.15	$38.60	$37.62	$498	$514	$501	Los Angeles
Louisville	3.6%	1.6%	1.2%	0.6%	600	200	300	100	8.6%	8.8%	9.3%	9.4%	$16.74	$16.77	$16.14	$16.16	$153	$156	$143	Louisville
Memphis	1.6%	2.8%	-0.2%	0.5%	400	300	100	200	12.6%	11.8%	11.7%	11.9%	$18.06	$18.40	$18.45	$18.12	$195	$204	$196	Memphis
Miami-Dade	7.1%	4.9%	3.1%	2.3%	800	1,000	500	1,800	12.7%	11.5%	11.4%	12.0%	$36.75	$42.00	$44.40	$45.05	$395	$444	$427	Miami-Dade
Milwaukee	2.6%	1.3%	0.6%	0.8%	700	300	400	60	15.8%	16.0%	17.0%	17.5%	$15.94	$16.10	$16.05	$15.94	$159	$155	$140	Milwaukee
Minneapolis-St. Paul	5.4%	2.1%	1.1%	0.8%	2,200	1,000	400	400	12.8%	14.3%	15.5%	16.1%	$17.24	$17.34	$17.36	$17.16	$165	$168	$158	Minneapolis-St. Paul
Nashville	5.2%	5.5%	2.9%	1.9%	2,500	1,100	1,100	1,700	16.2%	16.4%	17.1%	18.2%	$27.65	$28.30	$28.75	$28.21	$358	$394	$376	Nashville
New Haven-Fairfield County	4.9%	1.7%	1.7%	-0.3%	0	300	40	1,000	16.0%	17.2%	17.1%	18.2%	$26.86	$26.41	$26.22	$25.76	$250	$263	$250	New Haven-Fairfield County
New York City	7.4%	5.4%	0.6%	1.1%	3,600	9,300	6,000	2,900	16.6%	16.6%	16.7%	16.5%	$56.78	$57.42	$55.97	$54.39	$618	$616	$608	New York City
Northern New Jersey	7.1%	3.0%	1.5%	0.7%	400	200	600	600	16.9%	17.1%	18.3%	19.0%	$26.10	$26.37	$26.71	$26.66	$213	$237	$221	Northern New Jersey
Oakland	6.5%	1.9%	1.9%	1.2%	200	300	80	50	14.8%	16.4%	18.2%	18.8%	$38.66	$37.68	$37.42	$36.90	$378	$385	$382	Oakland
Orange County	7.5%	3.3%	1.8%	1.0%	800	800	300	100	15.6%	17.5%	17.8%	18.0%	$29.45	$28.44	$28.90	$28.71	$397	$400	$365	Orange County
Orlando	10.2%	5.7%	1.8%	1.7%	600	600	1,000	300	12.6%	12.6%	13.4%	14.0%	$22.85	$23.15	$23.90	$23.76	$250	$256	$249	Orlando
Philadelphia	6.0%	3.6%	2.5%	0.8%	1,400	1,300	1,600	1,000	14.5%	15.1%	16.5%	17.0%	$24.01	$24.54	$24.76	$24.81	$201	$210	$199	Philadelphia
Phoenix	5.5%	3.1%	2.0%	1.1%	3,100	1,300	1,200	1,500	18.0%	19.1%	20.4%	21.5%	$25.52	$26.04	$26.20	$25.54	$260	$275	$259	Phoenix
Pittsburgh	4.3%	2.3%	1.4%	0.7%	900	1,000	30	700	13.5%	14.6%	16.7%	18.4%	$22.46	$22.81	$22.40	$21.96	$154	$165	$159	Pittsburgh
Portland	6.2%	3.6%	1.9%	1.0%	1,600	400	300	200	14.6%	15.5%	16.6%	16.9%	$26.62	$26.35	$26.15	$25.84	$295	$301	$275	Portland
Raleigh	5.6%	3.8%	4.2%	2.4%	2,200	1,000	1,700	1,800	12.9%	14.4%	15.4%	16.2%	$26.81	$27.39	$27.52	$27.19	$265	$291	$281	Raleigh
Richmond	4.0%	3.0%	2.3%	1.2%	100	30	200	300	10.7%	11.2%	11.3%	12.0%	$19.82	$20.37	$20.55	$20.19	$186	$196	$179	Richmond
Riverside-San Bernardino	7.4%	2.7%	0.9%	0.4%	200	200	200	100	9.2%	8.9%	9.0%	9.1%	$23.42	$24.10	$23.80	$23.76	$252	$276	$262	Riverside-San Bernardino
Sacramento	6.4%	2.9%	2.1%	1.2%	1,200	800	80	1,400	14.1%	14.3%	14.5%	15.2%	$24.66	$25.08	$25.31	$24.90	$229	$232	$215	Sacramento
Salt Lake City	4.3%	3.1%	2.7%	2.0%	1,900	2,600	800	700	11.5%	13.1%	14.0%	14.4%	$23.39	$24.24	$24.30	$24.23	$220	$235	$225	Salt Lake City
San Antonio	5.5%	4.7%	2.6%	1.7%	800	700	1,600	800	13.6%	16.3%	17.8%	19.5%	$21.85	$21.69	$21.15	$20.49	$233	$252	$241	San Antonio
San Diego	9.0%	3.9%	1.0%	0.7%	600	800	1,000	3,400	14.2%	14.5%	16.1%	18.4%	$34.10	$34.86	$34.75	$33.86	$386	$416	$403	San Diego
San Francisco	9.9%	3.8%	1.0%	0.7%	4,400	2,400	1,000	600	17.9%	21.9%	26.9%	28.4%	$57.54	$53.68	$49.22	$46.58	$612	$637	$581	San Francisco
San Jose	6.1%	4.1%	1.2%	0.8%	4,300	2,400	3,600	1,400	15.3%	16.6%	20.4%	22.0%	$52.65	$53.61	$51.00	$48.99	$639	$659	$610	San Jose
Seattle-Tacoma	5.7%	3.6%	2.2%	1.2%	3,700	1,400	5,200	3,400	12.5%	14.8%	18.0%	18.9%	$31.54	$32.40	$32.00	$31.18	$406	$412	$385	Seattle-Tacoma
St. Louis	3.7%	2.3%	1.1%	0.7%	500	600	700	200	12.8%	12.1%	13.5%	14.4%	$19.47	$19.20	$19.35	$18.96	$159	$162	$156	St. Louis
Tampa-St. Petersburg	5.8%	4.8%	1.9%	1.1%	1,700	400	800	200	12.3%	13.3%	12.8%	13.0%	$24.21	$25.95	$25.30	$25.00	$250	$274	$267	Tampa-St. Petersburg
Washington, D.C.	4.4%	1.7%	2.4%	1.3%	2,300	6,100	3,800	2,800	18.8%	19.7%	20.0%	20.2%	$37.77	$37.76	$37.67	$37.22	$320	$331	$310	Washington, D.C.
West Palm Beach	6.8%	3.4%	1.6%	1.2%	400	500	300	400	11.6%	11.0%	12.5%	13.0%	$27.39	$30.00	$30.60	$30.66	$352	$384	$377	West Palm Beach
United States	**5.1%**	**3.2%**	**1.7%**	**1.1%**	**87,300**	**76,200**	**70,000**	**67,000**	**15.4%**	**16.2%**	**17.6%**	**18.5%**	**$28.91**	**$29.18**	**$29.00**	**$28.45**	**$281**	**$293**	**$280**	**United States**

** Estimate ** Forecast*

[2] See Statistical Note on Page 64

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