Commercial Real Estate Markets Update (April 2021)

Office properties continue to painfully handle the headwinds resulting from COVID. Developers have the benefit of constructing properties to meet safety standards, but the amount of new construction is worrisome amid absorption issues. Net effective rent is down due to the high level of concessions in the market. Uncertainty remains around office demand in a post-COVID world.

Industrial demand could not be hotter, which is reflected in a robust construction pipeline and continued rising rental rates. Last mile delivery is making up a major part of the demand and is reflected in large population centers and underserved transportation hubs.

Below are key takeaways from the following reports:

National Office Market Report – *Newmark* – Link

National Industrial Market Report – *Newmark* – Link

National Office Market Report

Newmark

- Absorption was negative for the fifth consecutive quarter
- Overall vacancy rose 90 bps in Q1 to 15.8%
- Amid sluggish demand, construction delivery is surprisingly high – totaling 1.9% of existing inventory
- Asking rent rose 2.6% over the past year to $30.51/SF, although net effective is down due to the need for lofty concessions to get tenants in the building. Manhattan and San Francisco, the most expensive markets, declined slightly more than 9.0% in the past year.
- Sublease availability rose to 3.5%, was 2% in 2019

National Industrial Market Report

Newmark

- Absorption totaled 74.4M SF during Q1, 20M SF more than the same period a year ago
- Vacancy declined for the first time since Q4 2018, measuring 5.5% nationwide. Vacancy is up 20 bps from a year ago.
- Asking rents continue a steady increase, with Q1 coming in at $8.10/SF – up 7.3% over the past year
- 53.1M SF delivered in Q1, with 371.2M in the pipeline, 2.4% of total inventory. New construction is meeting a need for more modernized industrial space than has been constructed in the past.